

Private Equity Fundraising Reaches New Lows in 2010

Just \$225bn raised globally in 2010; lowest annual total since 2004.

Just \$32bn raised in Q4 2010 – lowest total since Q3 2003.

A total of 484 PE funds achieved a final close in 2010, raising just \$225bn, the lowest aggregate amount for six years. Many predicted a fourth quarter recovery, but this did not transpire; just \$32bn was raised by the 92 funds that reached a final close in the last three months of the year. We would expect this figure to rise slightly as extra information becomes available, but it will still represent the slowest quarter since Q3 2003.

2010 Fundraising: The Facts

- Q1 saw the highest amount of capital raised; \$73bn was raised during the period.
- Q2 saw the highest number of funds close; 147 finished the fundraising cycle between April and June.
- Venture funds were the most prolific, with 102 reaching a final close in 2010 raising an aggregate \$20.4bn.
- Funds that reached a final close in 2010 spent an average of 20.4 months on the road – up from 9.6 months in 2004.
- Buyout funds accounted for the largest proportion of the aggregate capital raised; \$68.5bn was collected by 88 such funds that closed in 2010.
- European fundraising was particularly poor; 122 European-focused funds closed in 2010 raising an aggregate \$50.2bn. The 118 Asia and Rest of World-focused funds that closed accounted for \$41.1bn, with \$134.6bn being raised by 242 North America-focused funds.
- The largest fund to close in 2010 was Blackstone Capital Partners VI, a buyout fund that raised a total of \$13.5bn. (Although no longer in market, the fund is reportedly still allowing existing investors to increase their commitments and so the final fund size may increase.)
- Other significant vehicles to close in 2010 include Real Estate Turnaround Consortium, a real estate fund which closed on \$5.6bn, and Stone Point Capital's Trident Fund V, which raised \$3.5bn at final close in December.
- Oaktree Capital Management's OCM Opportunities Fund VIII was the largest distressed debt fund to close in 2010, raising \$4.4bn.
- Results for infrastructure were positive in 2010; 25 such funds closed globally raising an aggregate \$27.3bn in capital commitments, suggesting the sector is enjoying something of a recovery following a poor year in 2009.

Please see <http://www.preqin.com/docs/reports/2010stats.pdf> for a factsheet showing full details of 2010 PE fundraising, including biggest funds, regional breakdowns and more.

Comment:

Fundraising in 2010 turned out to be just as challenging as many feared. Although there are many individual success stories, on an overall basis fundraising levels were extremely low. Looking forwards, conditions in 2011 appear far more encouraging. 54% of investors plan to invest more capital in 2011 than 2010, with only 15% investing less. Market conditions are improving, and with deals and exits occurring at the highest levels for some time, investors will have to increase investments to maintain allocations.

We are expecting fundraising to exceed \$300bn in 2011, with a more dramatic increase coming towards the end of the year as top quartile managers close significant funds that have been launched recently or are in the pipeline.

As investors become more receptive, more fund managers will be hitting the road to take advantage – the number has already increased over the past few months. There are 1,600 funds currently on the road seeking over \$600bn, and clearly there is not enough capital available for all of them to be successful. Increased competition will lead to a significant number of firms failing in the fundraising market and quietly ceasing to exist once their current vehicles are liquidated in the next few years.

Investors are going to be far more selective in 2011 than in previous years, with 71% considering new relationships this year in order to generate higher returns. Re-ups are being closely scrutinized, and managers will need to think carefully about their terms and conditions in addition to their proposed strategies in order to achieve success.

Tim Friedman, Head of Communications

About Preqin:

London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888
New York: 230 Park Avenue, 10th floor, New York NY 10169 Tel: +1 212 808 3008
Singapore: Samsung Hub, 3 Church Street, Level 8, Singapore, 049483 Tel: +65 6408 0122
Web: www.preqin.com / info@preqin.com



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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

For more information on this release, or general press information, please contact:

Tim Friedman+44 (0)20 7645 8880 or tfriedman@preqin.com