

Global Private Equity Fundraising Slows in Q3 2011

Fundraising in Q3 2011 is 45% down on Q2 2011, but a recent study of investors suggests continuing appetite for private equity

During Q3 2011, 97 private equity funds reached a final close, raising an aggregate \$44.8bn. While Preqin anticipates the latest quarterly figures improving slightly (10-20%) as more information becomes available, fundraising levels are significantly down on those seen in recent quarters: \$82.8bn was raised by 175 funds that closed in Q2 2011. In addition to the 97 funds that reached a final close in the quarter, a further 109 funds held interim closes, securing commitments totaling \$42.7bn towards their fundraising targets.

The Facts:

• **Fundraising by Region:** Funds primarily focusing on North America have raised the most capital during Q3 2011, with 37 funds raising a total of \$22.5bn. Europe-focused funds raised an aggregate \$11.3bn, with 28 funds targeting the region reaching a final close this quarter. 32 funds focusing primarily on Asia and Rest of World gathered a total of \$11.0bn.

• **Fundraising by Type:** Buyout funds raised the most capital in Q3 2011, with 19 funds raising an aggregate \$14.4bn. This figure includes Berkshire Fund VIII, which closed in July 2011 on \$4.5bn, exceeding its initial \$4bn target. 16 real estate funds closed in Q3 2011, raising an aggregate \$10.8bn. The largest fund to close this quarter was a real estate fund; Lone Star Fund VII exceeded its \$4bn target to raise \$4.63bn. Five distressed private equity funds reached a final close this quarter, securing aggregate commitments of \$6.5bn; two-thirds of this capital was raised by the \$4.4bn Centerbridge Capital Partners II.

• **Fundraising Momentum - Interim Closes:** In addition to the 97 funds holding a final close in Q3 2011, 109 funds held interim closes, raising a total of \$42.7bn towards their overall targets. \$18.4bn of this was raised by the 26 Europe-focused funds that held interim closes this quarter. Significant interim closes this quarter include BC European Cap IX, which has raised €5.5bn towards its target of €6.5bn, and EQT VI, which secured commitments totaling €3.5bn for its first close in July and expects to hold a final close in Q4 2011.

• **Funds in Market:** As of October 2011, there are 1,728 funds on the road seeking a combined \$706bn, an increase on the \$680bn sought by the 1,676 funds on the road in Q2 2011, but still significantly less than the \$888bn sought by 1,624 funds on the road as of January 2009.

• **Time Taken to Close Funds:** Funds that closed in Q3 2011 took an average of 17 months to fundraise. While this is significantly more than the average of 11.4 months taken to raise a fund in 2007, it is still an improvement on the average of 20.4 months taken to raise funds closed in 2010.

• **Looking Forwards:** 66% of a sample of 120 LPs interviewed by Preqin in August and September 2011 stated an intention to invest in private equity over the next 12 months. This is almost the same proportion as was seen prior to recent volatility in public markets; 67% of a sample of 120 LPs interviewed in June and July 2011 told us they planned to invest in private equity over the next 12 months.

Most investors have remained satisfied with their private equity fund investments, with 81% of investors participating in a Preqin study in June stating that their private equity portfolios had met or exceeded their expectations.

• **Longer-Term Prospects:** 91% of investors participating in the June study expect to maintain or increase their allocations to private equity in the longer term.

Please see factsheet following this release for more data on regional splits, fund type splits and largest funds

Comment:

"Private equity fundraising was extremely challenging in the third quarter of 2011, with September a particularly slow month for fundraising; just \$8.9bn was raised by the 33 funds to close that month. Although we anticipate the latest quarterly fundraising figures to improve by around 10-20% as more information becomes available, fundraising in Q3 2011 is still set to fall short of the level seen in Q2, when \$82.8bn was raised by the 175 funds that closed in the quarter.

While recent market uncertainty and declines in deal flow have had an impact on the investment plans of institutional investors towards private equity in the immediate term, few have changed their plans for investing in the asset class over the next 12-18 months. Two-thirds of investors participating in each of two studies of investors conducted in June-July and in August-September intend to make new commitments to private equity funds in the following 12 months. This suggests that although investors are

currently approaching new private equity investments with extreme caution, most intend to remain active in the coming months and over the longer term.

Although this is encouraging news for managers on the road, it is still important to note just how many firms are currently competing for investor commitments. 1,728 funds are seeking capital at present, more than has been seen at any point in the past couple of years, and it is set to remain extremely difficult for managers to stand out in this crowded market.”

Helen Kenyon, Senior Manager and Preqin Spokesperson

Ends

How Does Preqin Collect Fundraising Information?

In addition to continually monitoring filings, news and press releases, Preqin maintains frequent contact with all private equity fund managers with a vehicle in market, regularly calling and emailing to receive status updates. Over the past week Preqin has directly contacted over 1,700 fund managers around the world with a vehicle in market to enquire as to their fundraising status, and importantly whether they had already held, or were planning to hold, a final close in Q3 2011.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin’s services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

Note to Editors:

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter ‘U’ after the ‘Q’.

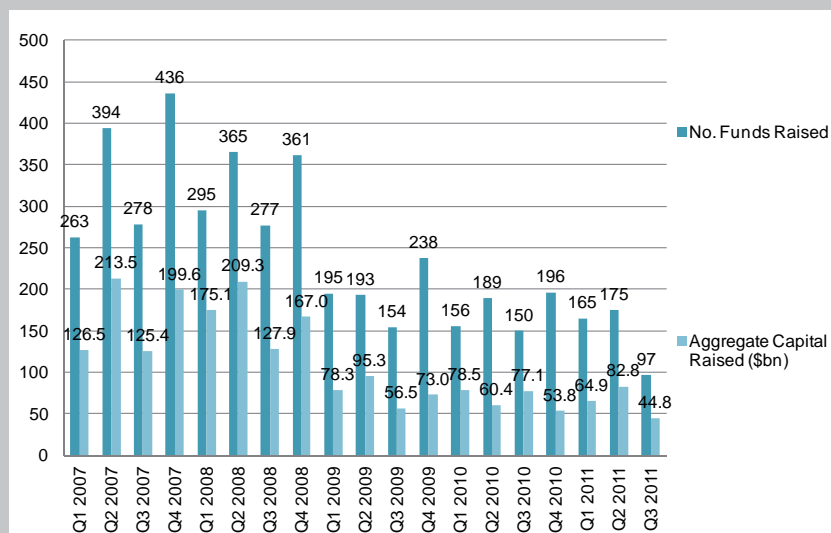
For more information, please contact:
Helen Kenyon on +44(0)20 7645 8880 or press@preqin.com

Fig. 1: Funds Achieving a Final Close on \$1bn or More in Q3 2011

| Fund | Firm | Type | Amount Closed (mn) | Manager Country | Fund Focus |
|---|-------------------------------|-----------------|--------------------|-----------------|------------|
| Lone Star Fund VII | Lone Star Funds | Real Estate | 4,630 USD | US | US |
| Berkshire Fund VIII | Berkshire Partners | Buyout | 4,500 USD | US | US |
| Centerbridge Capital Partners II | Centerbridge Capital Partners | Distressed Debt | 4,400 USD | US | US |
| Waterland Private Equity Fund V | Waterland | Buyout | 1,100 EUR | Netherlands | Europe |
| Pátria Brazilian Private Equity Fund IV | Pátria Investimentos | Buyout | 1,250 USD | Brazil | ROW |
| Chequers Capital XVI | Chequers Capital | Buyout | 850 EUR | France | Europe |
| P2Brasil | Pátria Investimentos | Infrastructure | 1,155 USD | Brazil | ROW |
| ECE European Prime Shopping Center Fund | ECE Real Estate Partners | Real Estate | 775 EUR | Germany | Europe |
| KKR Mezzanine Partners I | Kohlberg Kravis Roberts | Mezzanine | 1,000 USD | US | US |

Source: Preqin

Fig. 2: Private Equity Fundraising by Quarter, Q1 2007 - Q3 2011



Source: Preqin

Fig. 3: Q3 2011 Fundraising by Fund Type

| Fund Type | No. Funds Raised | Aggregate Capital Raised (\$bn) |
|----------------|------------------|---------------------------------|
| Buyout | 19 | 14.4 |
| Venture | 19 | 3.3 |
| Real Estate | 16 | 10.8 |
| Growth | 14 | 2.4 |
| Fund of Funds | 10 | 1.3 |
| Distressed PE | 5 | 6.5 |
| Mezzanine | 5 | 1.8 |
| Other | 5 | 2.1 |
| Infrastructure | 2 | 1.6 |
| Secondaries | 2 | 0.4 |

Source: Preqin

During Q3 2011, 97 private equity funds reached a final close, raising an aggregate \$44.8bn. Preqin anticipates the latest quarterly figures improving slightly (10-20%) as more information becomes available. However, fundraising levels are significantly down on those seen in recent quarters: \$82.8bn was raised by 175 funds that closed in Q2 2011.

In addition to the 97 funds that reached a final close in the quarter, a further 109 funds held interim closes, securing commitments

totaling \$42.7bn towards their fundraising targets.

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Fig. 4: Q3 Fundraising by Fund Primary Regional Focus

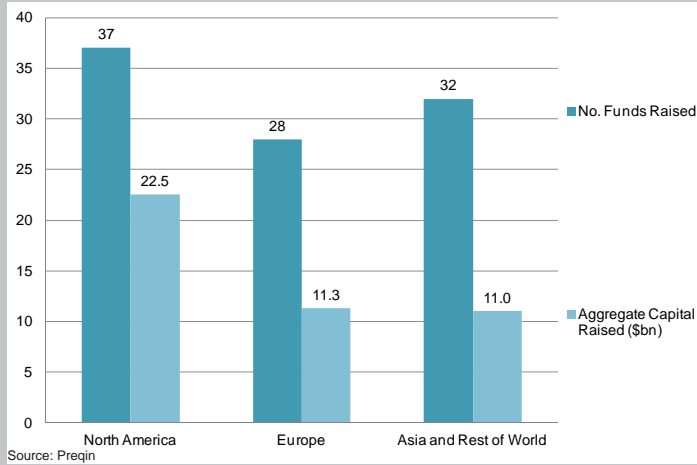


Fig. 5: Funds on the Road over Time

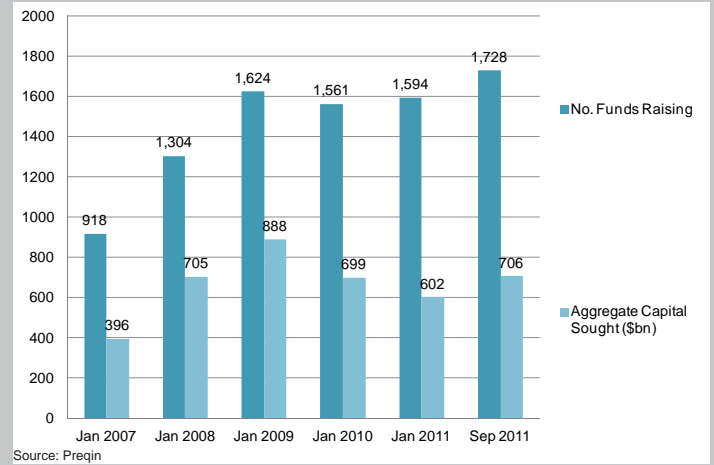


Fig. 6: Average Time Taken for Funds to Close (Months)

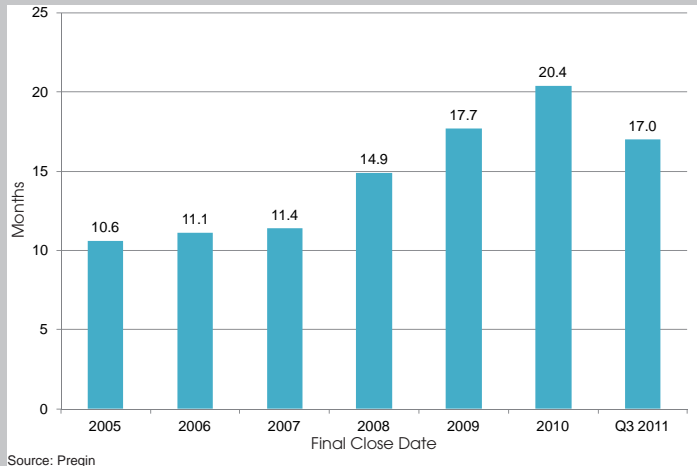


Fig. 7: Investors' Intentions Regarding New Commitments over the Next 12 Months

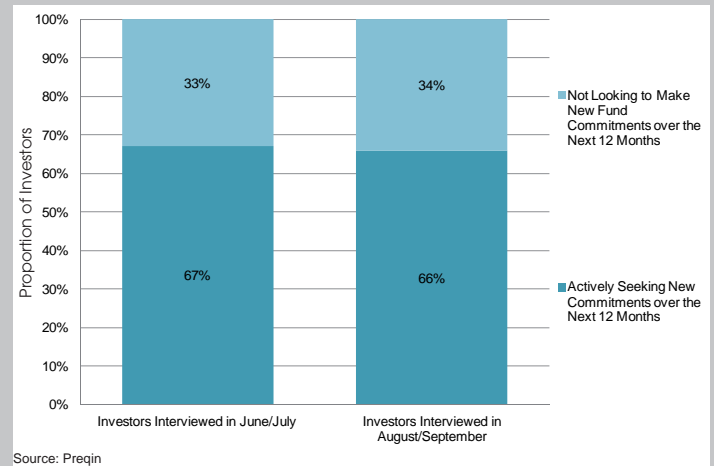


Fig. 8: Investors' Intentions Regarding Their Private Equity Allocations

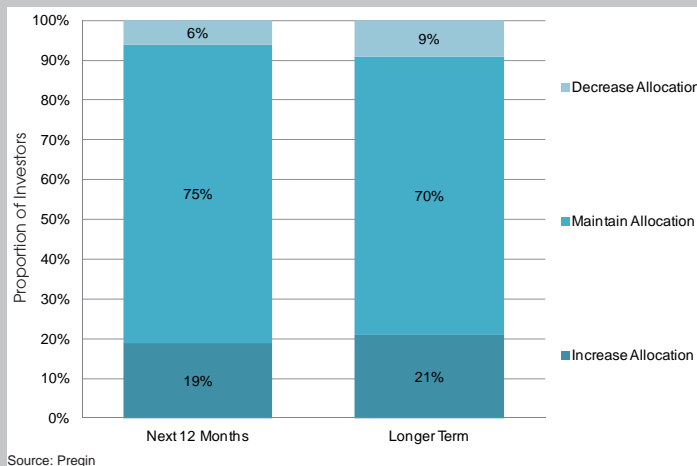
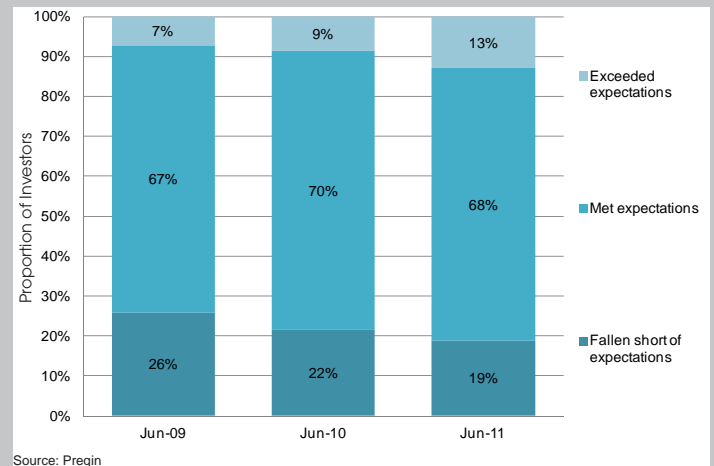


Fig. 9: Proportion of Investors That Feel Their Private Equity Fund Investments Have Lived up to Expectations



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Fundraising Momentum - Interim

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