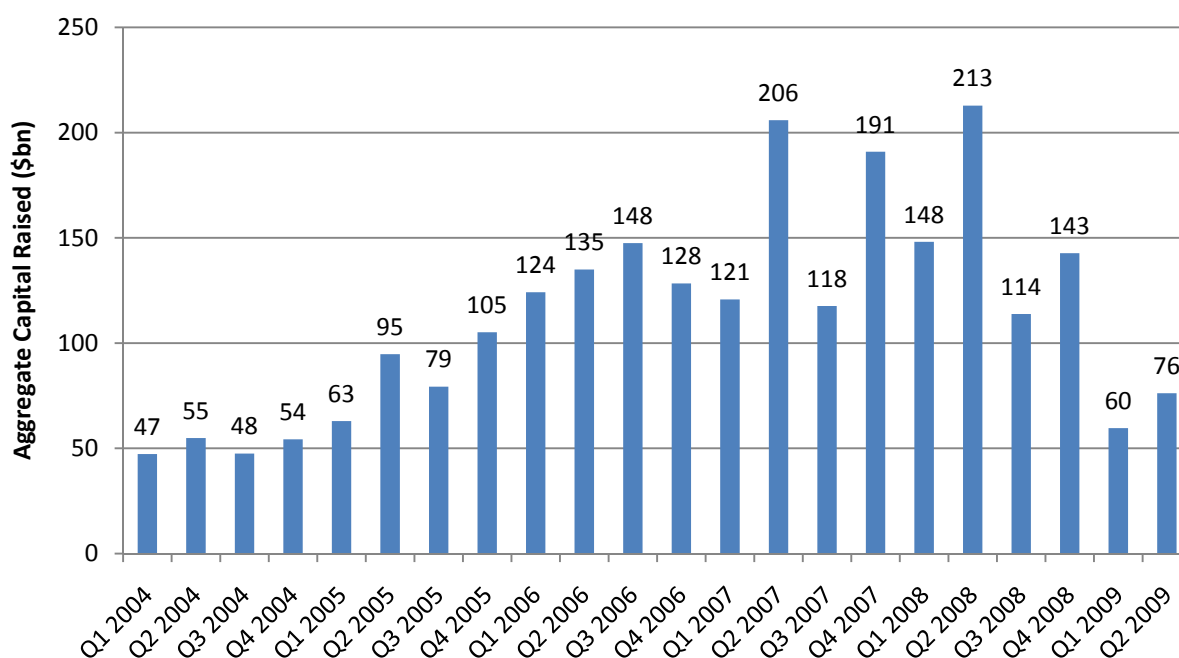


## Private equity fundraising shows signs of recovery: \$76bn raised in Q2 2009

**\$76.2bn raised in Q2 represents a 28% increase on \$59.6bn raised in Q1 2009.  
However, fundraising remains a challenging prospect**

In addition to continually monitoring filings, news and press releases, Preqin maintains 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 each of the 1,622 fund managers around the world with a vehicle in market to enquire as to their fundraising status, and importantly whether they had already, or were planning to hold a final close in Q2 2009.

**Fig. A: Global Private Equity Quarterly Fundraising, 2004 - 2009**



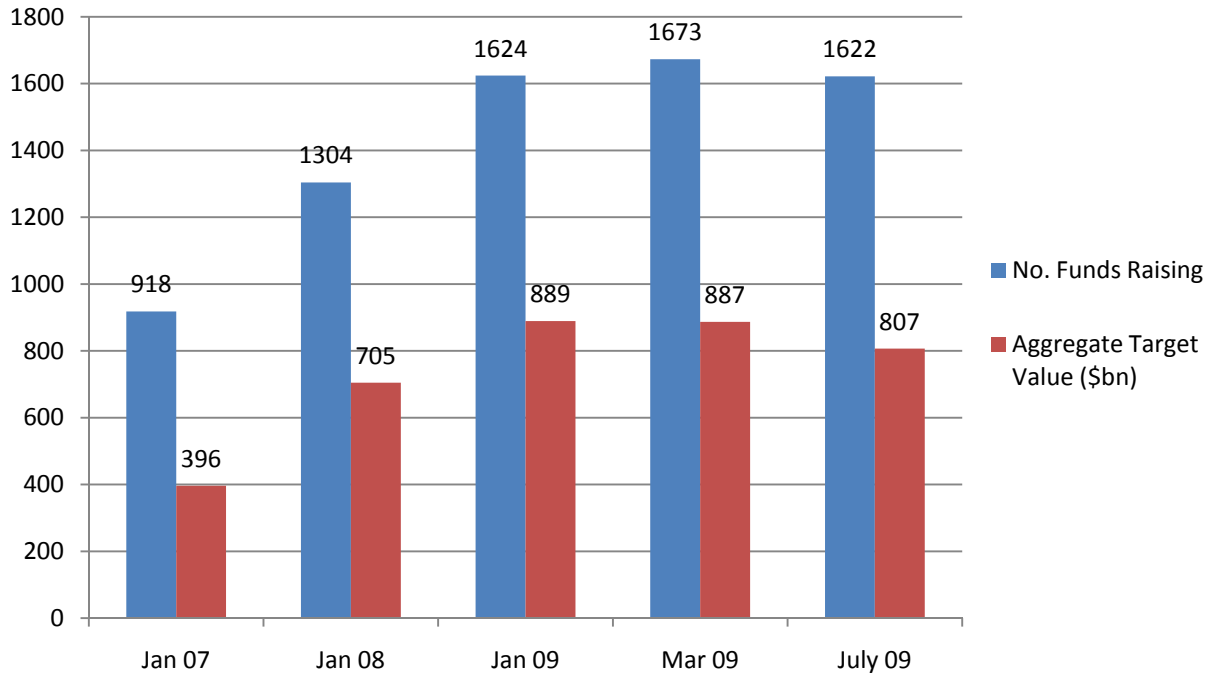
### Putting the Results into Context

As Fig. A shows, fundraising in Q2 2009 represents a significant improvement from Q1 2009, with a total of 82 funds raising an aggregate \$76.2bn. However, this is still short of the levels of fundraising experienced over recent years, and represents a return to levels last seen in 2005. As a caveat the Q2 2009 figures are likely to increase slightly as more data continues to feed through, but judging from Preqin's conversations with fund managers, the additional number is likely to be low.

### 10% Drop in Funds on the Road

As Fig. B shows, the number and aggregate target value of funds on the road has dropped significantly, down nearly 10% in terms of value between the start of Q2 2009 and the start of Q3 2009. This is evidence that there are significantly fewer new funds being launched, and that other managers are lowering their targets, with some managers abandoning their fundraising ambitions altogether. In 2009 to date there have been 30 confirmed cases of funds being abandoned, already matching the 30 which were abandoned in the whole of 2008 and over doubling the 14 which shelved funds in 2007.

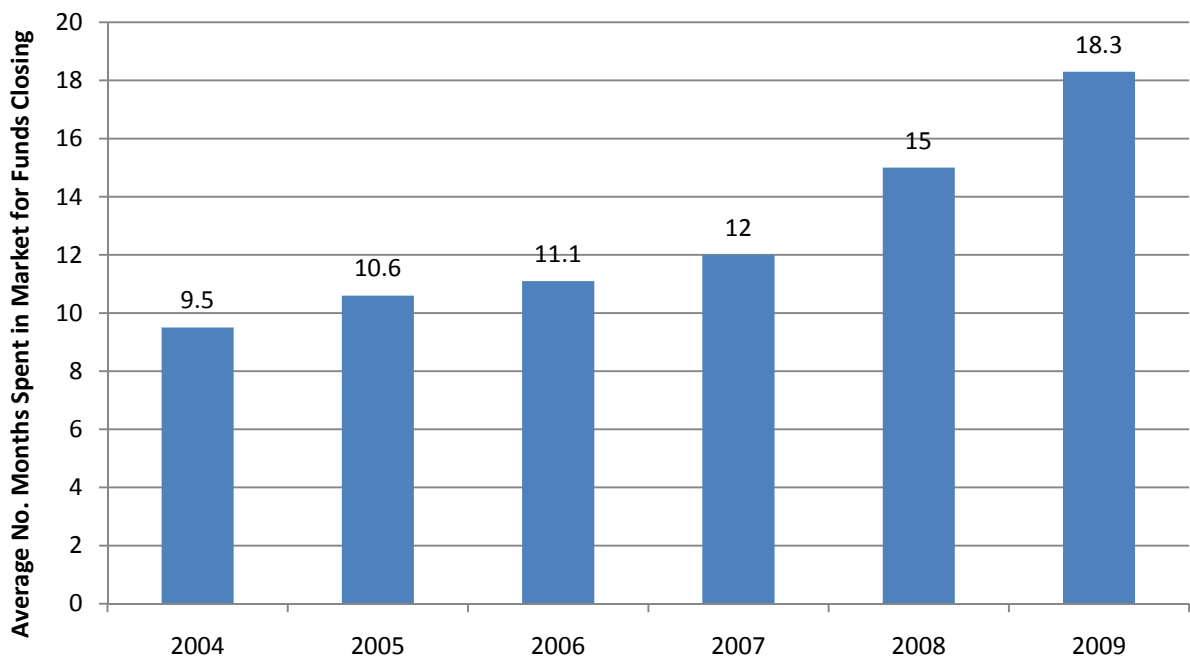
**Fig. B: Funds on Road Over Time**



**Conditions for Managers Raising New Vehicles**

The increase in capital raised indicates that investor appetite for new investments is increasing. In conjunction with the drop in number of funds in market, this will go some way to improve conditions for fund managers with funds currently in market. However, conditions do remain extremely competitive, and fund managers should expect for the fundraising process to take more time than it has done in previous years. As Fig. C shows, the average time taken to close for funds closed in 2009 is standing at 18.3 months, which represents a significant increase in comparison with the last few years.

**Fig. C: Time Taken to Close Funds**



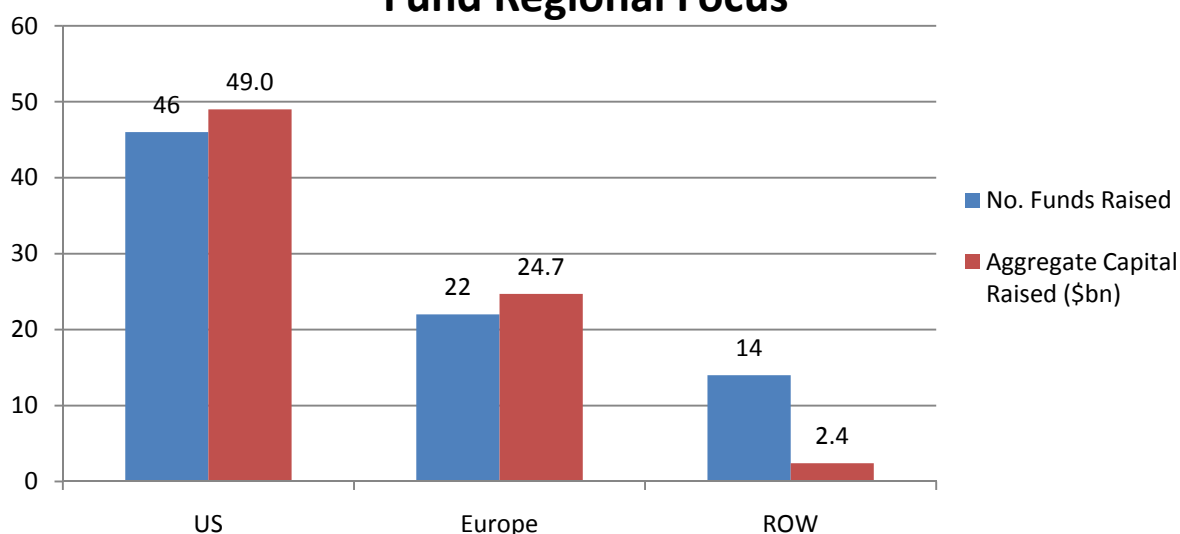
## Momentum in the Market: Interim Closes

Although the number of vehicles still in market that have already held an interim close has dropped slightly, there are still 710 vehicles currently in this position, with an aggregate capital target of \$382bn, accounting for nearly half the funds on the road. With the average amount of time required to raise a private equity fund having increased by 53% over the past two years alone, it is unsurprising to see increasing numbers of fund managers holding an interim close on their vehicle so that they can start investing. It shows a good momentum in the private equity fundraising market, and we would expect a very high proportion of these funds to achieve a final close near to their stated target amounts over the next 18 months.

## Q2 2009 Fundraising by Region

As Fig. D shows, funds focusing on the US represent the biggest group in terms of both number and value, with 46 funds focusing on the region raising \$49.0bn. A total of 22 funds closed focusing on Europe, raising an aggregate \$24.7bn in Q2 2009. A total of 14 funds focusing on the Asia and Rest of World region raised an aggregate \$2.4bn.

**Fig. D: Q2 2009 Funds Raised by Fund Regional Focus**



## Q2 2009 Fundraising by Type

Buyout funds raised the most capital in Q2 2009, with a total of 18 funds raising an aggregate \$33.9bn. Natural resources funds raised \$9.9bn (helped by the \$9bn closing of First Reserve Fund XII), while fund of funds and secondaries fund of funds both had a good quarter, raising \$7.7bn and \$8.4bn respectively. Real estate funds raised a total of \$8.9bn, while venture funds accumulated a total of \$4.7bn worldwide in final closings.

	Global		US		Europe		ROW	
	No. Funds Raised	Aggregate Capital Raised (\$bn)	No. Funds Raised	Aggregate Capital Raised (\$bn)	No. Funds Raised	Aggregate Capital Raised (\$bn)	No. Funds Raised	Aggregate Capital Raised (\$bn)
Venture	21	4.7	10	2.8	4	0.4	7	1.5
Real Estate	16	8.9	9	3.2	5	5.3	2	0.4
Buyout	18	33.9	12	18.8	6	15.7		
Mezzanine	2	1.2			2	1.2		
Secondaries	2	8.4	2	8.4				
Fund of Funds	15	7.7	8	4.9	4	2.6	3	0.2
Natural Resources	2	9.9	2	9.9				
Distressed Debt	2	0.7	2	0.7				
Other	4	0.8	1	0.3	1	0.2	2	0.3

**Comment:**

Private equity performance figures to the end of 2008 have recently become available, and confirm what many were predicting – that private equity funds would post negative returns, and that the big buyout funds would be the worst affected. However, although negative, private equity returns did not experience quite as dramatic a fall as the public markets, continuing the industry's long-standing history of being a top-performing asset class.

This has had both positive and negative impacts for those institutional investors which supply the capital for private equity funds. On the positive side, investors are generally still very keen to gain access to private equity. Our poll at the start of 2009 indicated that only 4% of investors were looking to decrease their allocation to private equity in the long term, while 67% would be maintaining, and 29% increasing their exposure as a proportion of their total assets. This positive sentiment towards private equity remains strong, and many investors are optimistic about the potential future returns for new funds able to take advantage of favorable valuations in the current market.

On the negative side, many investors are still suffering from the denominator effect, and many have concerns regarding future capital call-ups. Although the level of call-ups fell by 25% between 2007 and 2008, the level of distributions fell by a much larger level of 65%. This has left many investors with more capital sitting in existing private equity investments than they would have originally anticipated, and is especially a problem for those investors with over-commitment strategies.

As a result, the level of capital available to invest in private equity funds has fallen, and many investors are not currently able to invest at all, and those that are will be committing less capital than in previous years in order to reach their target allocation. Recent revaluations of private equity fund holdings have helped some investors to better understand their position, and as the global economy stabilizes we expect more investors to return to the fundraising market in order to pick up new investments.

We expect private equity fundraising to continue to grow over the course of 2009, although it may still be some time before the levels that we experienced in recent years are seen again.

**Tim Friedman, Company Spokesman**

**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 also works with fund managers to identify and approach institutional investors for new vehicles via its flagship Fundraising Support Service.

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](http://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:  
Tim Friedman on +44 (0)20 7065 5180 or [tfriedman@preqin.com](mailto:tfriedman@preqin.com)