

Global Private Equity Fundraising Still Slow, but Turning Corner

\$57bn raised in Q3 2010, a 16% increase on the \$49bn collected in Q2

Conditions still challenging, but further improvement expected in Q4 2010 and beyond

Putting the Results in Context:

81 private equity funds worldwide reached a final close in Q3 2010 raising an aggregate \$57bn, a small increase from the \$49bn raised in Q2 2010. Preqin would anticipate these figures rising slightly (10% - 20%) as further information becomes available. It is clear that fundraising remains extremely challenging, and is occurring at a fraction of the rate that the industry was seeing in 2006 – 2008. However, Preqin is projecting that conditions will continue to improve in Q4 2010 and beyond.

- **Fundraising by Region:** Funds primarily focusing on the US have raised the most capital during Q3 2010, with 37 funds raising a total of \$41.1bn. 21 primarily European focused funds raised an aggregate \$8.3bn, while 23 funds focusing primarily on Asia and the Rest of World region gathered a total of \$7.8bn.
- **Fundraising by Type:** Buyout funds raised the most capital, with 11 funds raising an aggregate \$20.4bn. This figure includes Blackstone Capital Partners VI, which closed on \$13.5bn in mid-July. Five distressed private equity funds raised an aggregate \$8.9bn. 19 private equity real estate funds closed with total commitments of \$8.8bn. Three infrastructure funds closed raising \$8.3bn while 20 venture funds held final closes totaling \$3.7bn.
- **Funds in Market:** After the number and aggregate fundraising target of funds in market fell consistently over the last year, Q4 2010 sees a small rise in both the number and value of funds being raised when compared to the previous quarter – possibly a sign of rising confidence among fund managers that conditions are starting to improve. There are currently 1,550 funds on the road seeking \$573bn worldwide.
- **Time Taken to Close Funds:** For funds closed in 2010 the average time taken was 19.8 months, double the average time taken in 2004 – further evidence of the challenging nature of the fundraising market.
- **Fundraising Momentum:** The increased time taken for funds to achieve a final close is leading to more funds holding multiple interim closes in order to put capital to work while continuing to attract new investments. 44% of funds currently raising have held an interim close, with these funds seeking an aggregate \$247bn. 13% of funds in market have now held two or more interim closes, meaning that they are likely to hold a final close within the next few months. This does indicate good momentum in the market and hints at possible improvement in the future.
- **Looking Forwards:** While the number of funds achieving a final close has remained low, the LP community is growing in confidence, and is planning to commit to more private equity funds in the future. In a survey of 100 conducted by Preqin in Q3 2010, 39% stated that they would be committing more capital in 2011 than 2010, with 49% committing the same levels, and only 12% intending to commit less.
- **Longer-Term Prospects:** LPs are mostly satisfied with how their private equity portfolios have performed, with 70% stating that private equity returns had met expectations. However, a significant 21% stated that returns had fallen short of expectations with only 9% seeing returns exceed expectations.

Comment:

“Although it is not yet coming through in the figures for fund final closes, we are seeing confidence in the asset class returning. Investors are increasingly enthusiastic about making new investments, partly as a result of increasing distributions coming their way, and also due to further improvement in existing fund portfolios as the industry continues to recover. Fund managers are responding, with some established names having launched new fundraising efforts in Q3 2010, and more planning to launch in the coming months.

Preqin has always reported fund closing statistics based on final close rather than interim close data, partially for reasons of consistency, but mostly due to this being the point in time when a lot of fund managers will begin to start putting capital raised to work in earnest. Although our figures show fundraising reaching a low point this year, much of the capital raised by funds achieving a final close in 2009 was actually committed prior to the financial downturn, with very little capital being committed in 2009 itself. We are now starting to see funds close which raised most or all of their capital post September 2008, showing that private equity investors remain confident towards the asset class and its ability to produce returns in the current financial climate.

Based on our conversations with institutional investors around the world, placement agents and fund managers, we are predicting that conditions will continue to improve slowly in 2010, with a more dramatic rise coming in 2011. We are projecting total fundraising for 2010 to reach around \$260bn by the end of the year.” **Tim Friedman, Company Spokesman**

London: Scotia House, 33 Finsbury Square, London EC2A 1BB Tel: +44 (0)20 7065 5100

New York: 230 Park Avenue, 10th floor, New York NY 10169 Tel: +1 212 808 3008

Web: www.preqin.com / info@preqin.com

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

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 1,500 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 2010.

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:

Tim Friedman on +44(0)20 7065 5180 or tfriedman@preqin.com

Fig. A:
Quarterly PE Global Fundraising, Q1 2003 - Q3 2010

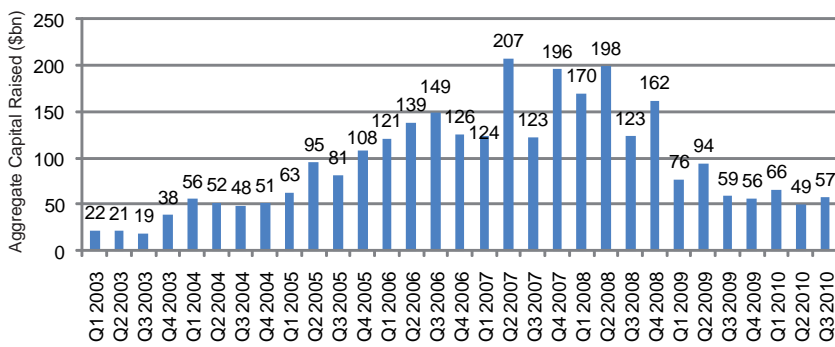
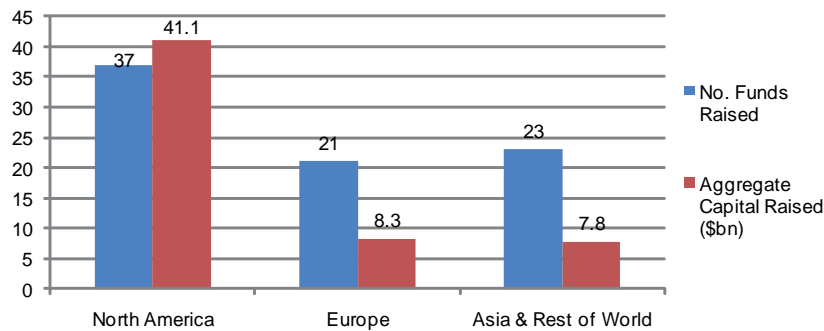


Fig. B: Q3 2010 Fundraising Split by Primary Fund Geographic Focus



Putting the Results in Context

As Fig. A shows, the \$57bn collected by the global private equity industry from 81 final fund closes in Q3 2010 represents a small rise from the \$49bn collected in Q2 2010. This is a reflection of the continuing challenging fundraising conditions for managers seeking capital. We would anticipate these figures rising slightly as further information becomes available. Fundraising is occurring at a fraction of 2006-2008 levels, but Preqin predicts that conditions will continue to improve in Q4 2010 and beyond.

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 1,500 fund managers around the world with a vehicle in market to enquire as to their fundraising status, and whether they had already held, or were planning to hold, a final close in Q3 2010.

Fundraising by Region

As Fig. B shows, funds primarily focusing on North America have raised the most capital during Q3 2010, with 37 funds raising a total of \$41.1bn. 21 European funds raised an aggregate \$8.3bn, and 23 funds focusing on Asia and Rest of World gathered a total of \$7.8bn.

Fundraising by Type

Buyout funds raised the most capital, with 11 funds raising an aggregate \$20.4bn. 19 private equity real estate funds closed with total commitments of \$8.8bn. 20 venture funds closed with \$3.7bn. Three infrastructure funds raised an aggregate \$8.3bn. More detailed information can be seen in Fig. C.

Funds in Market

As Fig. D shows, the number and aggregate fundraising target of funds in market, which dropped considerably from Q2 2009 onwards due to a slowdown in new fundraising launches and an increase in the number of funds being abandoned or put on hold, increased over the last quarter for the first time this year.

Fig. C:
Q3 2010 Fundraising Split by Fund Type

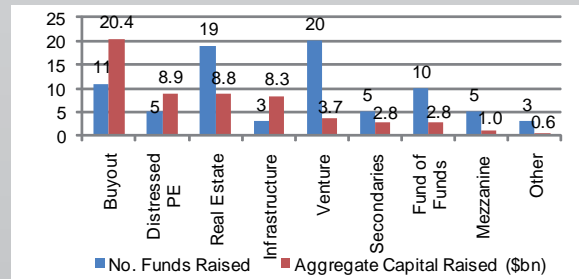


Fig. D:
Funds on the Road over Time, Q1 2009 - Q4 2010

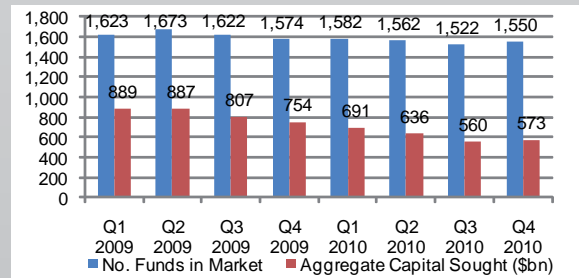
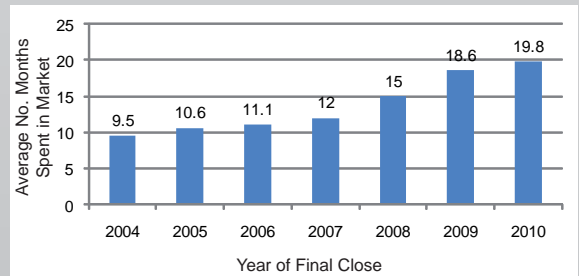


Fig. E:
Average Time Taken for Funds to Achieve a Final Close by Year Fund Closed



Preqin provides information, products and services to private equity firms, fund of funds, investors, placement agents, law firms, advisors and other professionals across the following areas:

- > Fund Performance
- > Fundraising
- > Buyout Deals
- > Fund Manager Profiles
- > Investor Profiles
- > Fund Terms
- > Compensation and Employment

Available as:

- > Online Database Services
- > Hard Copy Publications
- > Consultancy and Research Support
- > Tailored Data Downloads

For more information and to register for a demo, please visit:

www.preqin.com/privateequity

Full results and report on Q3 2010 fundraising will be available in Preqin's monthly newsletter, *Spotlight*.

To register to receive *Spotlight* please visit: www.preqin.com/spotlight

Time Taken to Close Funds

Further evidence of the challenging nature of the fundraising market can be seen in the time it is taking for fund managers to close their vehicles. For funds closed in 2010 the average time taken was 19.8 months, double the average time taken in 2004.

Fundraising Momentum

The increased time taken for funds to achieve a final close is leading to more funds holding multiple interim closes in order to put capital to work while continuing to attract new investments. The statistics show that 44% of funds currently raising have held an interim close, with these funds seeking an aggregate \$247bn. 7% of funds in market have now held three or more interim closes, meaning that they are likely to hold a final close within the next few months.

Looking Forwards

While the number of funds achieving a final close has remained low, the LP community is growing in confidence, and is planning to commit to more private equity funds in the future. In a survey of 100 LPs conducted in Q3 2010, 39% of those polled planned to commit more to private equity funds in 2011 than they have in 2010, with just 12% planning to commit less.

Investor confidence in the asset class is helped by fund managers meeting investors' expectations. The vast majority of investors surveyed were satisfied with how their private equity investments had performed. 70% of respondents said that their investments had met expectations and 9% said they had exceeded expectations.

Summary

Although it is not yet coming through in the figures for fund final closes, we are seeing confidence towards the asset class returning. Investors are displaying increased enthusiasm for making new investments, partly as a result of increasing distributions coming their way, and also due to further improvement in existing fund portfolios as the industry continues to recover. Fund managers are responding, with some established names having launched new fundraising efforts in Q3 2010, and more planning to launch in the coming months.

Preqin has always reported fund closing statistics based on final close rather than interim close data, partially for reasons of consistency, but mostly due to this being the point in time when a lot of fund managers will begin to start putting capital raised to work in earnest. Although our figures show fundraising reaching a low point this year, much of the capital raised by funds achieving a final close in 2009 was actually committed prior to the financial downturn, with very little capital being committed in 2009 itself. We are now starting to see funds close which raised most or all of their capital post September 2008, showing that private equity investors remain confident towards the asset class and its ability to produce returns in the current financial climate.

Based on our conversations with institutional investors around the world, placement agents and fund managers, we are predicting that conditions will continue to improve slowly in 2010, with a more dramatic rise coming in 2011. We are projecting total fundraising for 2010 to reach around \$260bn by the end of the year.

Fig. F:
Split of Funds on the Road by Interim Close Status (Sorted by Value)

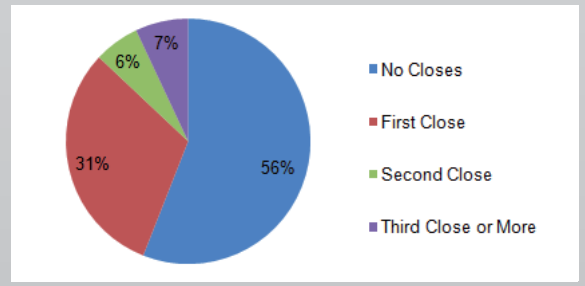


Fig. G: Amount of Capital Investors Plan to Commit to Private Equity Funds in 2011 Compared to 2010

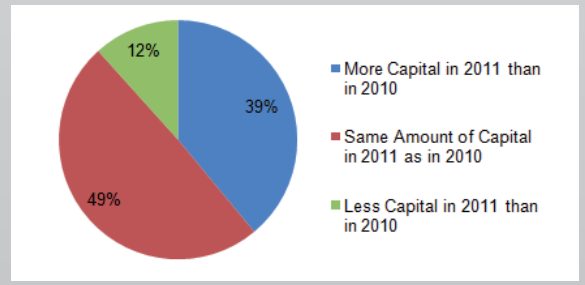


Fig. H:
Investor Satisfaction with Private Equity Portfolio Performance

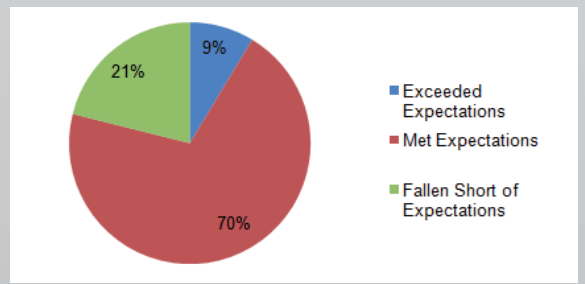


Fig. J: 10 Largest Funds to Hold a Final Close in Q3 2010

Fund	Firm	Type	Amount Closed (mn)	Fund Focus
Blackstone Capital Partners VI	Blackstone Group	Buyout	13,500 USD	US
OCM Opportunities Fund VIII	Oaktree Capital Management	Distressed Debt	4,400 USD	US
Energy Capital Partners II	Energy Capital Partners	Infrastructure	4,335 USD	US
GSO Capital Solutions Fund	Blackstone Group	Distressed Debt	3,250 USD	US
Brookfield Americas Infrastructure Fund	Brookfield Asset Management	Infrastructure	2,655 USD	US
Fortress Credit Opportunities Fund II	Fortress Investment Group	Real Estate	2,600 USD	US
Pantheon Global Secondary Fund IV	Pantheon Ventures	Secondaries	2,135 USD	Europe
TA Realty Associates IX	TA Associates Realty	Real Estate	1,700 USD	US
Southern Cross Latin America Fund IV	Southern Cross Group	Buyout	1,680 USD	ROW
Cube Infrastructure Fund	Natixis Environnement & Infrastructures Luxembourg	Infrastructure	1,080 EUR	Europe

Full results and report on Q3 2010 fundraising will be available in Preqin's monthly newsletter, **Spotlight**.

To register to receive **Spotlight** please visit: www.preqin.com/spotlight



Preqin provides information, products and services to private equity firms, fund of funds, investors, placement agents, law firms, advisors and other professionals across the following areas:

- > Fund Performance
- > Fundraising
- > Buyout Deals
- > Fund Manager Profiles
- > Investor Profiles
- > Fund Terms
- > Compensation and Employment

Available as:

- > Online Database Services
- > Hard Copy Publications
- > Consultancy and Research Support
- > Tailored Data Downloads

For more information and to register for a demo, please visit:

www.preqin.com/privateequity