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2nd December 2009, Paris

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Dear Spotlight Reader,

This month's issue focuses on the latest happenings in the private equity fundraising market. The full results of a rather sparse quarter for global private equity fundraising are examined in detail in our quarterly update, while the feature article suggests the approach that fund managers should be taking to secure investments in the current environment.

We also take an in-depth look at endowments as an investor class, and consider newly available performance data for the industry as at 31st March 2009. Private equity performance is still sliding at this point, but the evidence suggests that it may be bottoming out, with early indications that mid-year figures will see stabilization and possibly improvement on the first quarter results.

On the conference front we are happy to be offering all Spotlight readers a 30% discount for places at the Private Equity Exchange in Paris on December 2nd. You can also further save 400 EUR by registering before the 20th of October.

Private Equity Exchange addresses the European private equity community by gathering LPs, GPs and CEOs for One to One Deal Meetings™ and three tracks conferences focused on raising the next fund, underperformance and restructuring (780 participants and 80 speakers in 2008).

Preqin will be attending the event, and hope to see you there.

Kindest regards,



Tim Friedman
Head of Communications
Preqin Ltd.

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Welcome to the latest edition of Private Equity Spotlight, the monthly newsletter from Preqin, providing insights into private equity performance, investors and fundraising. Private Equity Spotlight combines information from our online products Performance Analyst, Investor Intelligence, Fund Manager Profiles & Funds in Market.

Q3 Private Equity Fundraising in the Spotlight

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Private Equity Fundraising in Difficult Times

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This month we look at the results of Preqin's endowment survey to assess how this investor type has changed its view of private equity since the financial crisis hit.

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Fundraising Spotlight

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- Washington State Investment Board

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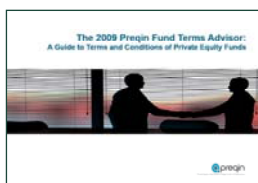
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Feature Article

Private Equity Fundraising in Difficult Times

If anyone needed confirmation of just how difficult it is to raise a new private equity fund in today's environment, then our Q3 Fundraising Update on page 13 provides it. Whatever statistic you look at, the picture seems to be one of unrelenting gloom: lowest final closes for nearly six years (82 funds, \$39 billion raised); a 3% decline in funds on the road as managers abandon their plans; and the average time taken to raise a new fund extending beyond 18 months for the first time.

Well, nobody said 2009 was going to be easy. However, dig beneath the surface, and there are reasons for confidence. First and foremost, the LPs investing in private equity retain their appetite for the asset class. Preqin is in continuous contact with thousands of LPs from around the world, and in our most recent survey of investment intentions (conducted together with the BVCA during July and August) the following key findings emerged:

- **Target Allocations:** most LPs (over 80%) intend to maintain their target allocations over both the short and long term. Over the very short term (12 months), there was a slight bias towards reducing targets (11% vs. 7% increasing), while over the medium term (24 months), there was a more noticeable tendency to increase targets (15% vs. 5% decreasing).
- **Factors Influencing Targets:** most of the LPs surveyed are satisfied with the returns on their private equity portfolios. Among those planning to reduce their targets in the short term, the reasons are overwhelmingly liquidity-related – in particular the dreaded 'D' word. Conversely, the reasons cited for increases in private equity targets are overwhelmingly returns-related.
- **Optimism about Future Returns:** LPs are generally optimistic on return prospects for private equity, with 87% of LPs agreeing that the 2008

– 2010 vintages will deliver good returns.

- **62% of LPs Currently Looking for New Investments:** liquidity problems have forced many LPs to shelve their current investment plans, but the fact remains that 62% of the LPs polled are still looking for new investment opportunities. They may be more cautious and selective than ever before (we'll come onto this later), but they are still looking.

Further encouragement comes from interim closes. Q3 2009 may have been a dreadful quarter for final closes, but, as Fig. 1 shows, the number of funds that have achieved interim closes is at least showing signs of life. 81 new funds achieved an interim close during Q3, confirming that managers with a compelling proposition are finding LPs to make commitments to their funds. The fact that there is some momentum in interim closes may well be a reflection of how long it is taking managers to achieve their targets: better at least to have an interim close and get on with the business of investing, rather than wait to reach the initial target.

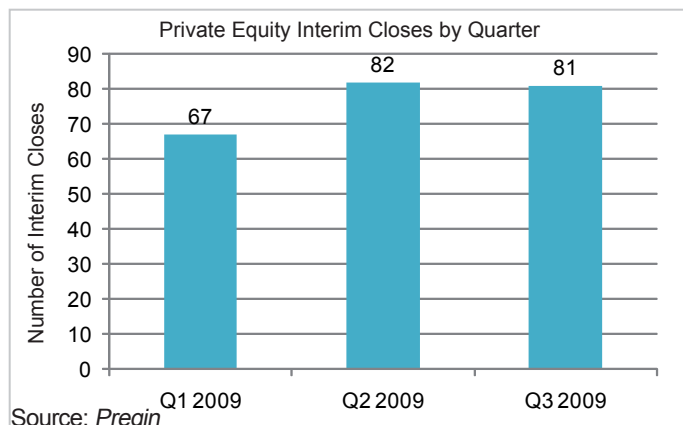
The elephant in the room is, of course, dry powder: with over \$1 trillion already committed to existing funds, as shown in Fig. 2, LPs' ability to commit large sums to new funds is limited.

Combine this dry powder with the fact that there are still 1,571 new funds on the road competing for LPs' commitments, and you have the 'New Normal' facing GPs trying to

raise a new fund:

- **Appetite:** the LP appetite is definitely there for the right strategies and teams. However, the amount of money they have available to commit may be less than previously.
- **LP Churn:** some of the LPs you know, and who may have supported your previous funds, will be out of the market for the time being. However, other new LPs are coming in to the asset class and/or re-assessing the strategies they want to invest in. You need to find the right LPs and connect with them;
- **Competition:** you may have a great strategy, team and proposition, but it will not be unique – 1,570 other funds are competing for the LP's attention. Why should the LP invest with you? You need something special;
- **Focus on the Downside:** LPs know that there will be great investment opportunities out there in 2009 and 2010, you don't need to convince them of that. What they do need convincing of is that you have the team and the processes in place to protect against the downside in a difficult environment;

Fig. 1:

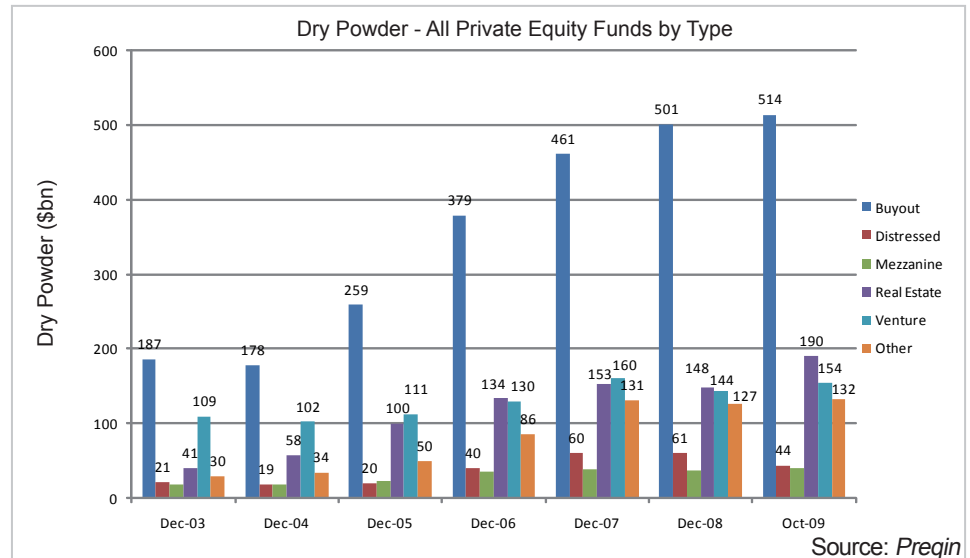


- Terms and Conditions: the best terms won't rescue a losing fund, but the wrong terms will certainly scupper an otherwise winning fund. LPs are more assertive than ever about getting the right fund terms. Make sure your fund is LP-friendly and best-practice.

In summary, conditions for fundraising remain extremely challenging, but funds are being raised and with the right approach it can be done. Good luck!

Mark O'Hare

Fig. 2:



Please contact Preqin to see how our unique Investor Intelligence database of LP profiles, and our Fund Terms Advisor service on terms and conditions can help you succeed in today's challenging fundraising market.

For more information, or to register for trial access of these products, please visit:
www.preqin.com



Global Investor Attitudes to Private Equity in the UK 2009

The BVCA Research team has published a survey in association with Preqin that examines the intentions of those investing in private equity funds over the next two years.

The report concludes that the majority of investors in private equity funds intend to keep their allocation to the asset class stable, with only a small number (5%) planning to decrease their allocation over two years and a significant number (15%) expecting to increase allocation levels over the next two years.

The survey also found that a significant proportion of North American investors not currently invested in UK private equity funds (LPs) consider themselves likely to start investing with UK firms in the future, with more than 20% likely to invest in UK venture capital.

Read the full report here:

http://admin.bvca.co.uk/library/documents/Global_Investor_Attitudes_Oct09.pdf

Investor Spotlight: Survey of Endowments

Continuing with our series of research reports studying the effects of the financial crisis on institutional investor confidence, Preqin surveyed 100 endowment plans from across the globe in order to gauge how their private equity activity had changed over the past year and what their long-term plans for the asset class were.

Endowments are major investors in private equity, typically allocating a large proportion of their assets under management to the asset class; respondents to our survey had an average target allocation of 11.8% to private equity.

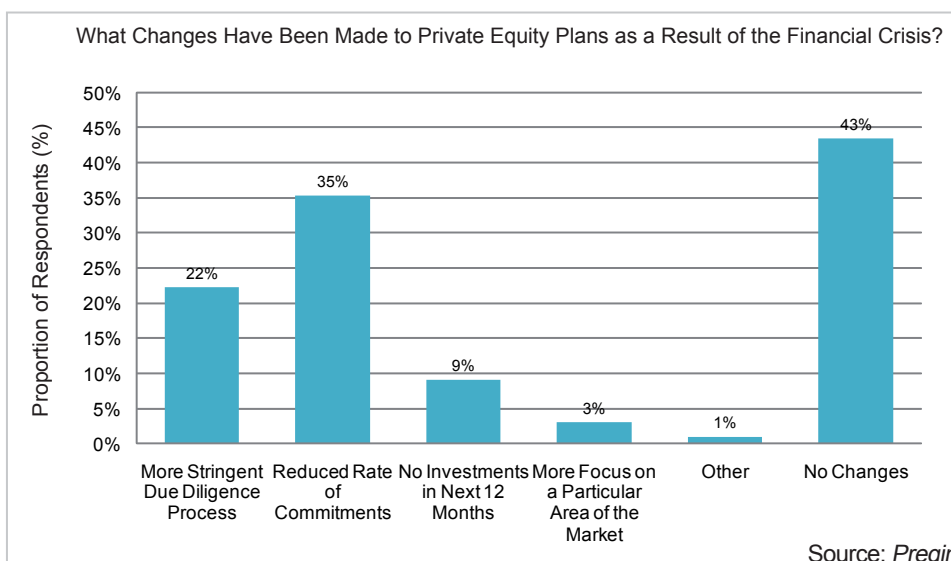
Effects of the Financial Crisis

Fig. 1 shows that 57% of our respondents have altered their private equity strategies in some manner as a result of the financial crisis, with 35% opting to make fewer investments in the asset class over the next 12 months and 9% postponing investment in the asset class altogether for the next year.

Of the endowments still actively investing in the asset class, a number are exercising greater caution: 22% of respondents to our survey stated that they will be conducting more stringent due diligence processes on new investments. One endowment explained that “there are opportunities to be had but because of the nature of the market, we have to tread carefully.”

43% of respondents stated that their plans for private equity have remained unchanged. One endowment was of the opinion that “the market is at a stage where it is ideal to invest. Historically, good opportunities exist when investments are made in funds raised at the bottom of a cycle. They can give very good returns.”

Fig. 1:



“...43% of respondents stated that their plans for private equity remained unchanged...”

Fig. 2:

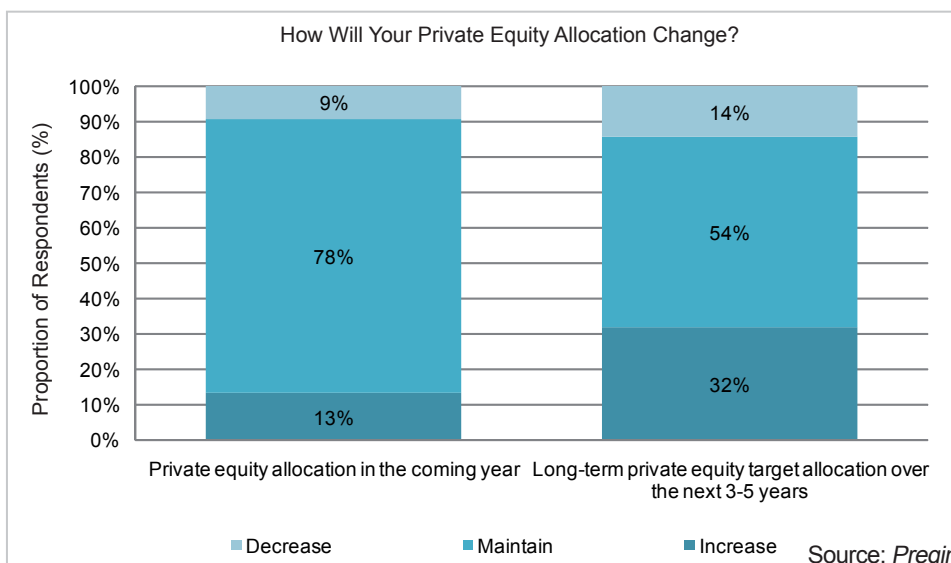


Fig. 3:

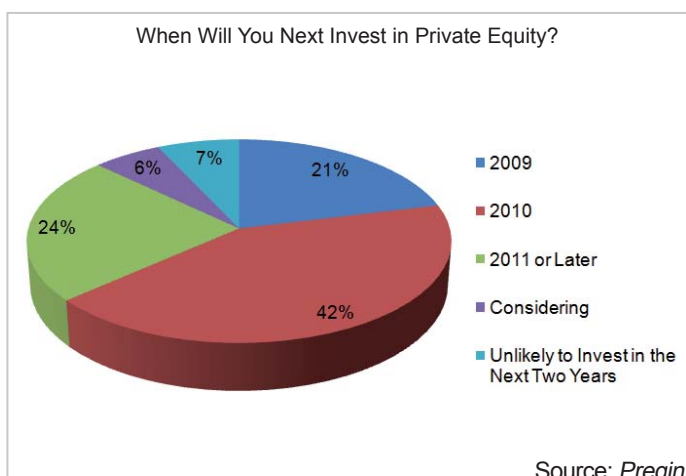
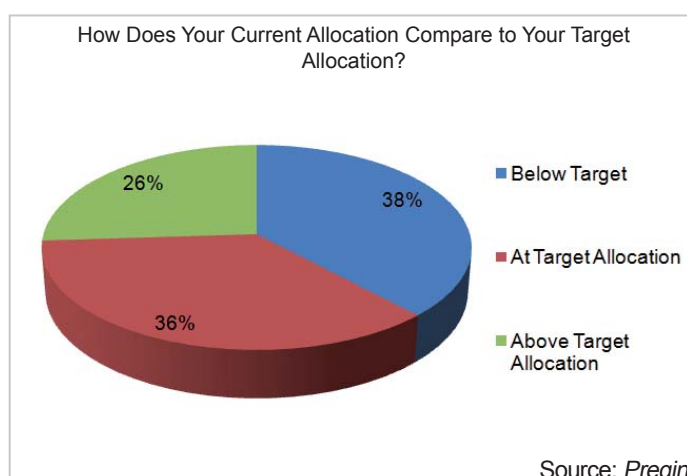


Fig. 4:



Outlook

Despite the financial turmoil and poor returns recorded by private equity over the past year, the vast majority of respondents planned to maintain their allocations to the asset class over the next 12 months, with only 9% intending to decrease their allocations to private equity in the coming year. Over the long term this percentage increases, with 14% of respondents planning to decrease their allocations to private equity over the next three to five years.

However, 13% of respondents are looking to increase their allocations to private equity over the next 12 months, and over the long-term 32% of endowments plan to increase their target allocations to the asset class. Both of these figures outweigh the proportions looking to decrease their allocations over each time period.

New Commitments

As Fig. 3 shows, 63% of respondents will be investing in the asset class at some point before the end of 2010, with 21% looking to invest before the end of 2009. One New York-based endowment reasoned that “the next 6-18 months will be a great time to invest, as credit is starting to come back into the market and this will make investments in the asset class more appealing.”

7% stated that they would not be investing in the asset class for the next

two years, with one European endowment stating that the private equity market was “currently overcrowded and full of problems.” A considerable 24% of respondents are avoiding the asset class until 2011 or later.

“...13% of respondents are looking to increase their allocations to private equity over the next 12 months, and over the long term 32% of endowments plan to increase their target allocations to the asset class...”

Allocations

In recent weeks, several reports have suggested that many endowments are being forced to sell their interests on the secondary market as a result of being above their target allocations to private equity. From our survey, we found that 74% of respondents are either at or below their target allocation to private equity, with just over a quarter stating that they are above their target. Interestingly, a large proportion of the endowments that reported being above their target allocations to private equity have total assets in excess of \$500 million, which would suggest that it is the larger, more

high-profile funds that tend to employ significant over-commitment strategies that are most affected. Additionally, a more pressing issue forcing some endowments into secondary sales is that of liquidity, which some reports have also alluded to.

Our survey indicates that although endowments’ attitudes towards private equity have been significantly affected by the global financial crisis, in general, they are still seeking to invest in the asset class. However, future investments will be reviewed under a more stringent due diligence process, and there is likely to be a slightly reduced level of investment in the short term.

Dami Sogunro

Preqin’s Investor Intelligence database is a vital tool for all professionals involved in the capital raising process for private equity funds. It contains up-to-date profiles for more than 4,000 investors in private equity, including key information on investment preferences, investment plans both for the next 12 months and over the longer term, and key contact information for appropriate personnel at each institution.

For more information or a free trial to Investor Intelligence, please contact: info@preqin.com.

Performance Spotlight: Private Equity Performance As of Q1 2009

Private equity performance is rapidly changing due to the volatility of the public markets, the current financial turmoil and the new mark-to-market valuation rules. Using data from Performance Analyst, Preqin has analysed the returns generated by private equity partnerships as at 31st March 2009 in order to provide an independent and unbiased description of the industry performance. Preqin currently holds transparent net-to-LP performance data for over 4,800 private equity funds of all types and geographic focus. In terms of aggregate value, this represents around 65% of all capital ever raised. For more information on Performance Analyst please visit: www.preqin.com/pa

Compared to public indices, private equity is still generating better returns. As of March 31st, 2009, the one-year returns for the Standard & Poor's 500, MSCI Europe and MSCI Emerging Markets were -38.1% , -49.9% and -47.1% respectively, compared with -30.0% for private equity. Horizon IRRs for all private equity have also beaten these public indices over the three- and five-year periods, where private equity outperformed the S&P 500 by 19.1 percentage points over the three-year period and by 25.4 percentage points over the five-year period. All public indices were posting negative returns over a three-year period, while private equity was still showing positive returns of 6%. Private equity has certainly been affected by the current crisis, but to a lesser extent than listed equity, thus confirming private equity as one of the most rewarding asset classes available to investors.

It should be noted, however, that comparisons made between the public indices and private equity at March

Fig. 1:

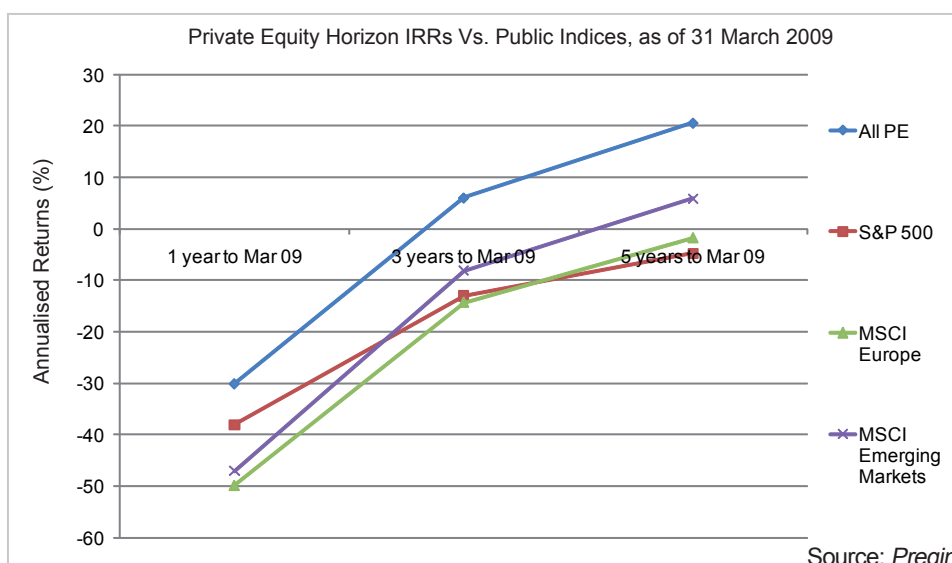


Fig. 2:

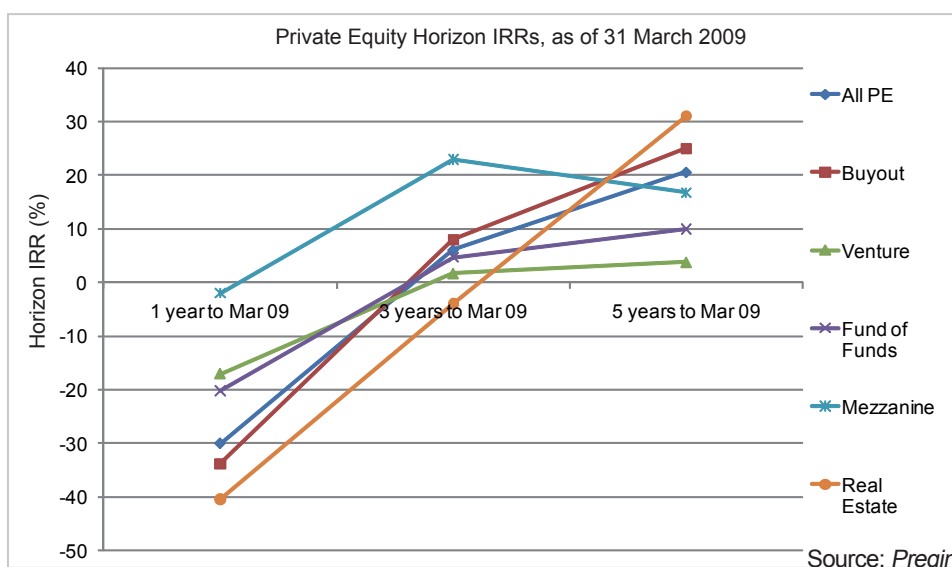
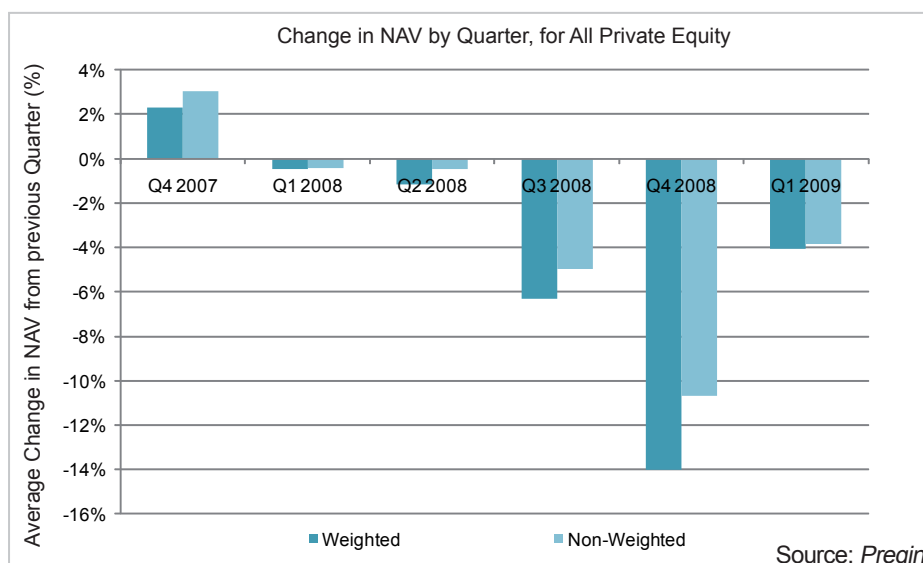


Fig. 3:



2009 are made at a particularly difficult period as the public markets bottomed out at this period.

Furthermore, comparisons with public markets need to be viewed with caution as private equity remains an illiquid investment and horizon returns are therefore not as relevant as for listed equities. Investors in private equity partnerships are unable to exit their investments and must wait for the fund to be liquidated before they can realize their total returns.

All private equity strategies posted negative one-year returns for the period ending March 31, 2009. With a horizon IRR of -40.5%, private equity real estate is the worst performing private equity strategy, suffering the most in the aftermath of the sub-prime crash. Buyout funds were the second-worst performers, with an average horizon IRR of -33.8% during that period. Other strategies' horizon IRRs have suffered slightly less, with fund of funds around -20% and venture capital at -17.1%. Mezzanine, the only strategy that posted positive one-year returns as of Q4 2008, is now also in the red, at -2.0%.

Mid- and long-term horizon IRRs are all in positive territory, with the exception of the three-year real estate IRR to March 09, which stands at -4.0%. With 6.0% net returns over a three-year period, mid-

term overall private equity returns have certainly been affected by the current crisis, but long-term performance remains very strong, at 20.6% over five years.

Fig. 3 provides a snapshot of the effects of the financial crisis on the industry beginning with the credit crunch in December 2007.

As shown by the graph, the effects of the credit crisis and falling public markets took a while to hit private equity valuations.

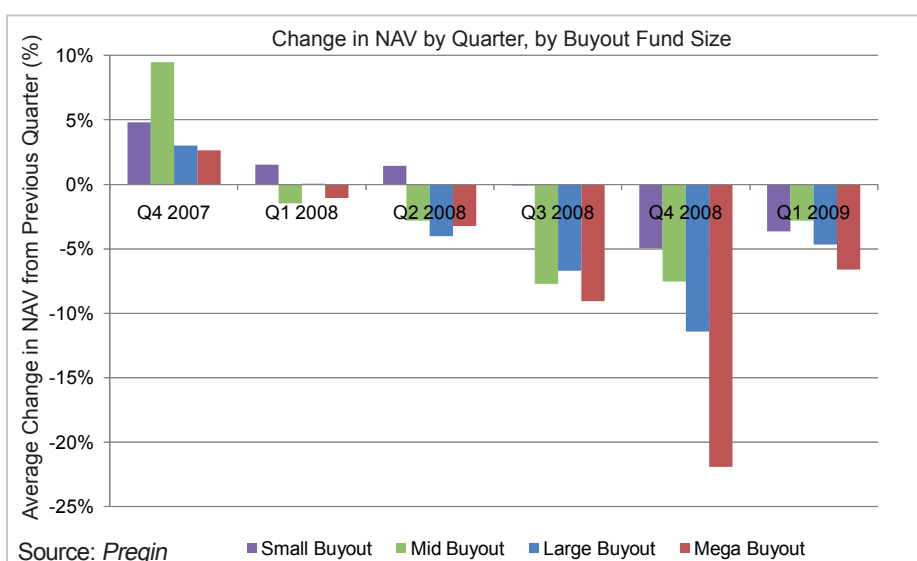
Looking at the weighted change, which takes into account fund size and demonstrates the role larger funds have in the industry, fund valuations increased between Q3 and Q4 2007 by 2% and show almost no change in value in Q1 and Q2 2008. It is not until Q3 2008, the quarter in which Lehman Brothers filed for bankruptcy, that NAV starts to decline significantly quarter on quarter. The biggest quarter-on-quarter decline in average NAV came in Q4 2008, when it decreased by an average of 14%. In Q1 2009 this decrease in fund valuations continued, but at a much slower rate, with a 4% decrease measured between the first quarter in 2009 and the last quarter in 2008.

The performance of buyout funds has a significant impact on overall private equity returns as a large portion of committed capital is currently invested in large and mega buyout funds. Breaking down the buyout industry by fund size shows that buyout funds are posting significantly different returns according to their sizes.

Fig. 4 provides an overview of the quarterly changes for buyout funds from December 2007 to March 2009, illustrating the especially big effect that the crisis has had on the NAVs of the largest funds.

Across the industry, December 2007 valuations were buoyant, with all the fund sizes showing an increase in value

Fig. 4:



from the previous quarter. It is not until June 2008 that declines in NAVs are posted and, unsurprisingly, Q3 2008 and Q4 2008 show the most significant changes for mega buyout funds, with quarter-on-quarter losses of 9% and 22% respectively. The first quarter of 2009 shows a smaller quarter-on-quarter decrease of around 4%.

Small buyout funds, which use less leverage, appear to have been prone to the adverse affects of the current economic crisis and fund revaluation techniques. Small buyouts marginally increased their portfolio valuations in Q4 2007 to Q2 2008 and reported no change in the third quarter of 2008.

This analysis indicates that private equity performance was still in decline during Q1 2009, but that the rate of decline had slowed considerably from 2008. Considering the medium- to long-term returns, the asset class is still showing healthy returns and clearly outperforms public indices. Private equity is certainly experiencing one of its most difficult periods but the rapid drop in valuations seen during Q4 2008 are slowing, leading us to believe that the worst is over.

Bronwyn Williams
& Etienne Paresys

Much of the data used in this research has been taken from Preqin's Performance Analyst database. Please contact us if you would like further information on this, or to arrange a trial access to see how you can benefit from the database. In addition, Preqin's Performance Benchmarks are now available free of charge.

For more information on both of these services, please visit:

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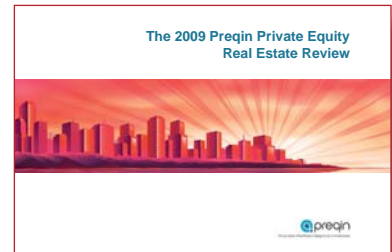


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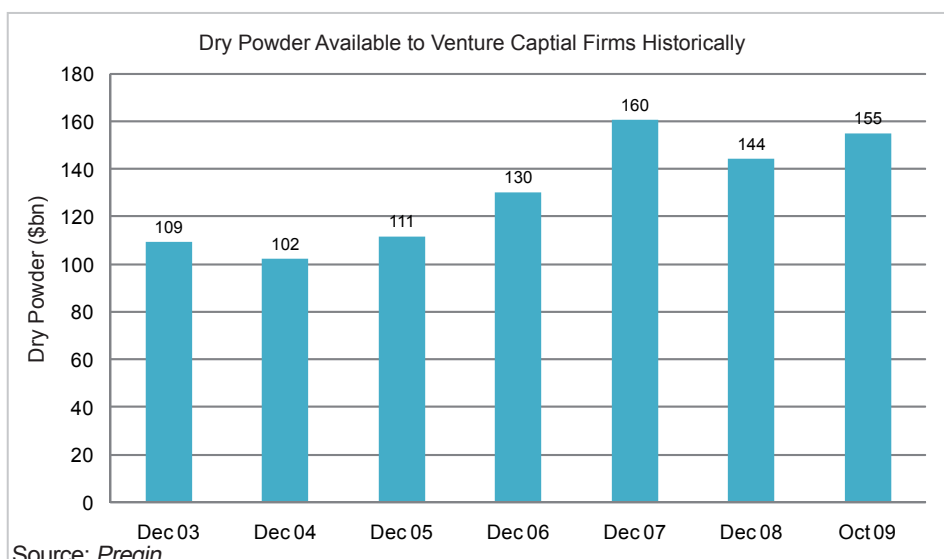
Fund Manager Spotlight: Venture Capital Firms

Fig. 1 shows the dry powder figures for venture funds from December 2003 to October 2009. With the exception of 2004 and 2008, when estimated dry powder decreased by 7% and 10% respectively, dry powder levels have been increasing year-on-year. In December 2007 venture dry powder reached \$160 billion. The following year this dipped to \$144 billion, but the current estimate now stands close to this recent peak at \$155 billion.

Fig. 3 illustrates the dry powder levels of each type of venture fund since December 2003. Between December 2003 and December 2004 the dry powder available to all types of venture fund decreased, with the exception of expansion funds, which saw a 24% increase. But since then the amount of dry powder available to every type of venture fund has generally increased, with October 2009 totals amounting to more than December 2003 totals for every type of fund.

Venture funds without a specific stage focus reached an all-time high at \$88 billion in December 2007. The following year their levels dropped by 16%, as all types of venture fund (again, with the exception of expansion funds) saw their

Fig. 1:



levels drop. This sudden decline was due in large part to the economic crisis and the dwindling number of commitments made by investors.

Expansion funds are the only type of venture capital fund to have measured year-on-year growth in the amount of dry powder available. There was \$6.7 billion

of expansion dry powder in December 2003 and this figure increased, consistently reaching \$35.2 billion in October 2009.

The amount available to invest by late stage and early stage managers from December 2003 to October 2009 has remained relatively consistent in

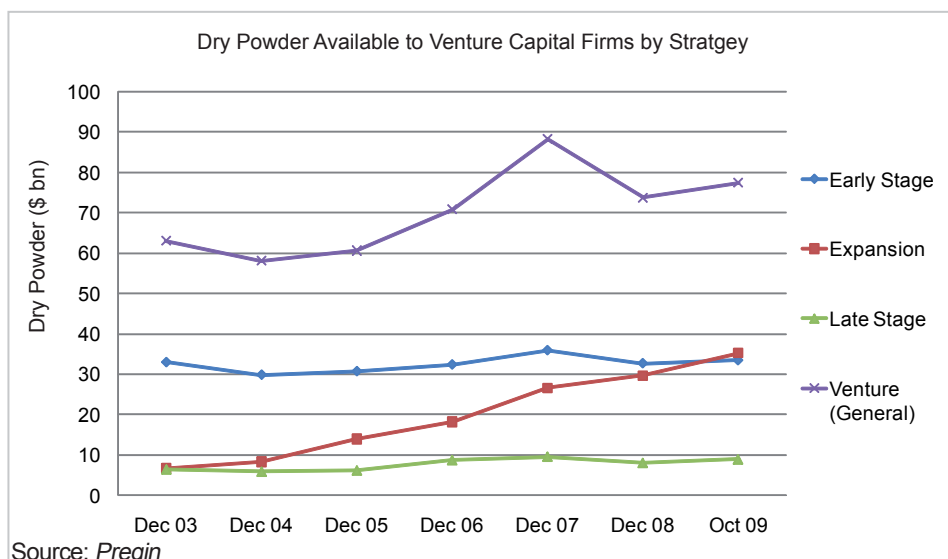
Fig. 2:

Top 10 Venture Capital Firms by Estimated Dry Powder		
Firm	Location	Estimated Dry Powder (\$bn)
Technology Crossover Ventures	US	3.0
Sequoia Capital	US	3.0
New Enterprise Associates	US	2.9
Citi Venture Capital International	Europe	2.4
Accel Partners	US	1.9
Kleiner Perkins Caufield & Byers	US	1.9
Matrix Partners	US	1.3
Index Ventures	Europe	1.3
New Silk Route Partners	US	1.2
IDGVC Partners	China	1.0

Source: Preqin

increase from December 2007, when there was \$22.2 billion available.

Fig. 3:



Source: Preqin

comparison to general venture and expansion funds, with a dry powder range of between \$5.5 billion and \$9 billion for late stage funds and \$30 billion and \$35 billion for early stage funds during this period.

The current estimated available capital for venture funds in Europe is at a recent high, with almost \$27 billion in European focused venture dry powder available as of October 2009. This represents a 21%

Data Source: Fund Manager Profiles

The data for this article has been taken from Preqin's Fund Manager Profiles, the most comprehensive, detailed source of information on private equity fund managers available today.

This powerful database includes detailed profiles for over 4,700 managers including 16,000 individual contacts with direct contact info. For more information on the many features of this vital product, please visit:

www.preqin.com/fmp

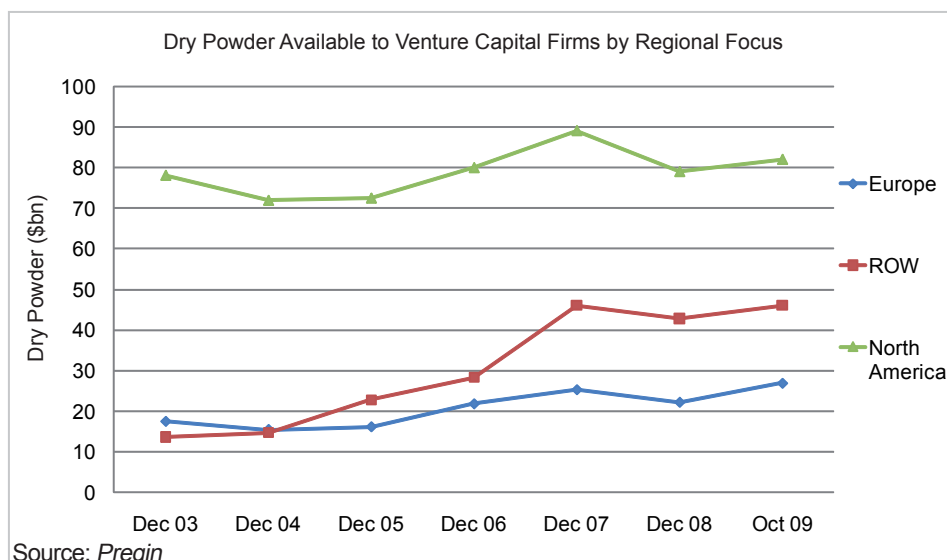
Mihai Ghiorghies

Fig. 4 shows the amount of capital available to venture funds since December 2003 by geographic focus.

Between December 2003 and October 2009 the amount of capital available to North American focused venture funds has fluctuated, peaking at \$89 billion in December 2007 and dipping to \$79 billion in December 2008.

The amount of dry powder available to venture funds focusing on Asia and Rest of World has followed a similar pattern to North American focused funds since December 2005. It too peaked in December 2007, at \$46 billion. The only year-on-year decrease in its dry powder levels was measured in December 2008, when the economic slowdown resulted in a 7% decrease from the previous year in the amount of dry powder available.

Fig. 4:



Source: Preqin

Fund Manager Profiles - Dry Powder. View historical dry powder across the private equity industry for all private equity fund types and geographic regions.

Please visit www.preqin.com for more information and to register for trial access.

Fundraising Spotlight: Global Fundraising Update Q3 2009

Private equity fundraising in 2009 has replicated the quarterly fundraising pattern of recent years, albeit at much lower levels, with the least capital raised in the third quarter. Private equity has taken a considerable hit during the economic crisis and no quarter in 2009 so far has seen fundraising reach above \$100 billion. There were hopes that fundraising was picking up when Q2 saw a 30% increase on the total raised in Q1, but in the following quarter private equity fundraising hit its lowest level since 2003. The private equity industry will be hoping that the final quarter of the year will prove more successful, as is traditionally the case with Q4.

During Q3 2009, 82 private equity funds achieved a final close, raising aggregate commitments of \$39 billion. This is a 55% decrease from the \$85.8 billion raised by 123 funds in Q2 2009, and a 41% decrease from the \$65.8 billion raised in Q1 2009. Q3's reputation as a weak fundraising quarter can only go some way to accounting for this slump; compared to the corresponding quarter in 2008, Q3 2009 measured a 67% decrease in the capital raised by private equity.

Fig. 1:

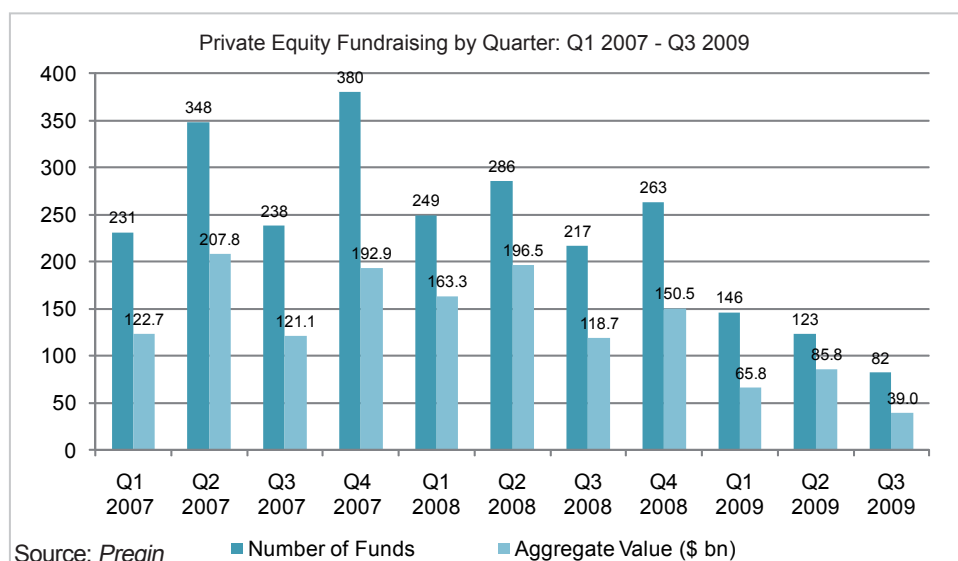


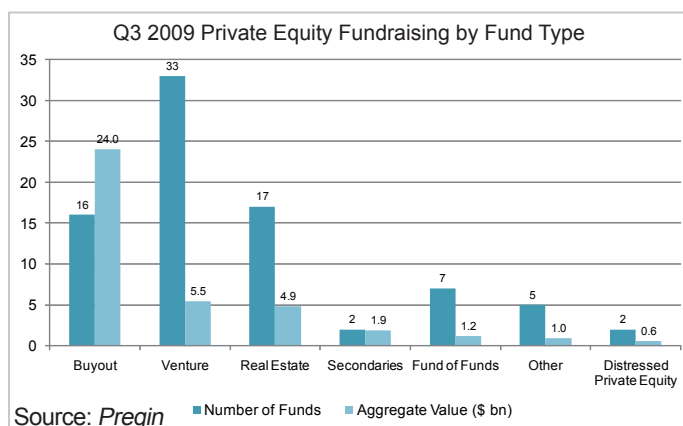
Fig. 2 illustrates the final close activity of different types of private equity fund during Q3 2009. Buyout funds raised the largest amount of capital in Q3 2009 by far, securing \$24 billion from 16 funds, a decrease of 20% from the \$30.1 billion raised by 17 buyout funds in Q2 2009. Hellman & Friedman VII, a San Francisco-based buyout vehicle, was

the largest buyout fund to reach a final close, raising \$8.8 billion in commitments. In terms of the number of funds closing, venture funds were the most successful, with 33 funds raising \$5.5 billion. This was assisted by the final closings of funds such as the \$750 million Khosla Ventures III expansion fund, and Waltham,

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Fig. 2:



Fundraising Spotlight: Funds in Market

There are currently 1,571 private equity funds in market with an aggregate target of \$735 billion, a decrease of 8% from the \$801.1 billion sought in Q2 2009. Significantly, the aggregate target of funds in market is currently 21% down from its peak, recorded one year ago in Q3 2008, of \$934.2 billion.

There are 13 funds in market targeting \$5 billion or more in capital commitments as of Q3 2009. These 13 funds account for 13% of the total capital sought by funds currently on the road. There are three funds targeting \$10 billion or more, the largest being Blackstone Capital Partners VI, which began fundraising at the end of 2007 and is over half way to reaching its \$15 billion target.

As shown in Fig. 4, North America remains the dominant region for private equity with both the most funds on the road and the largest share of the aggregate target. As of Q3 2009, there are 756 North America focused funds on the road looking to raise a total of just under \$400 billion. This is 54% of the total capital sought by private equity funds worldwide.

Asia and Rest of World focused funds

have the second largest aggregate capital target, with \$167.7 billion being sought by 436 funds, \$100 million more than is being targeted by the 379 European focused funds. Both regions account for around 23% of the global aggregate capital sought. From Fig. 4 it is possible to derive that European focused funds in market have a larger average target size than those in Asia and Rest of World, however the \$442 million average target of European focused funds in market remains dwarfed by US focused funds, which have an average target of \$529 million.

Fig. 5 illustrates that real estate funds in market are targeting the greatest amount of capital as of Q3 2009, with 403 funds targeting commitments of \$190.9 billion,

accounting for 26% of capital being sought by all funds on the road. In terms of aggregate target capital, buyout funds are the next largest fund type on the road, looking to garner a total of \$168.2 billion. Venture funds have the most vehicles on the road, with 441 funds seeking 11% of aggregate target capital, \$82.8 billion.

Fig. 3:

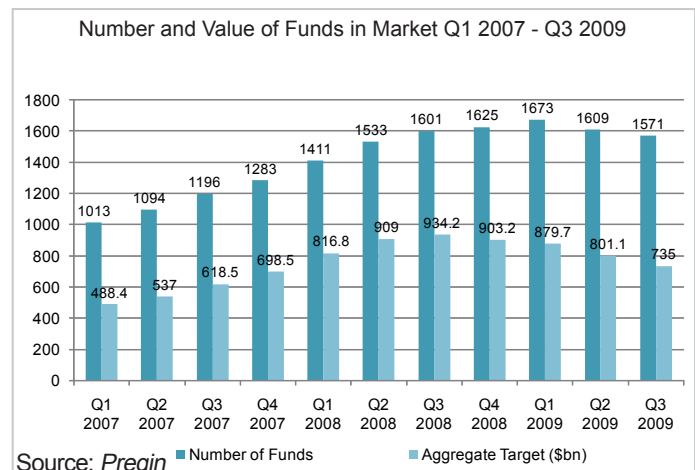


Fig. 4:

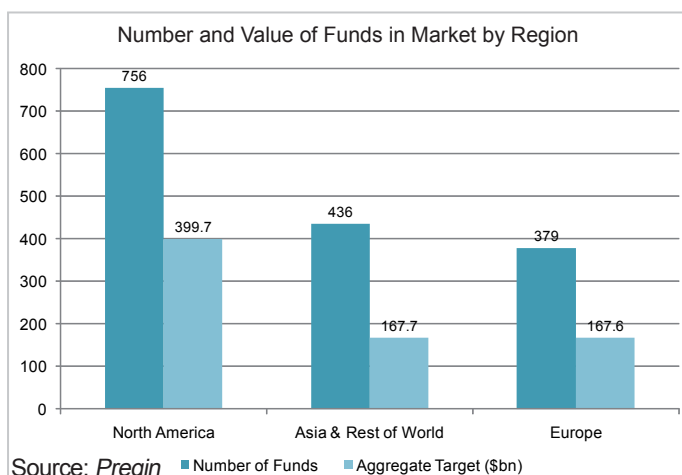
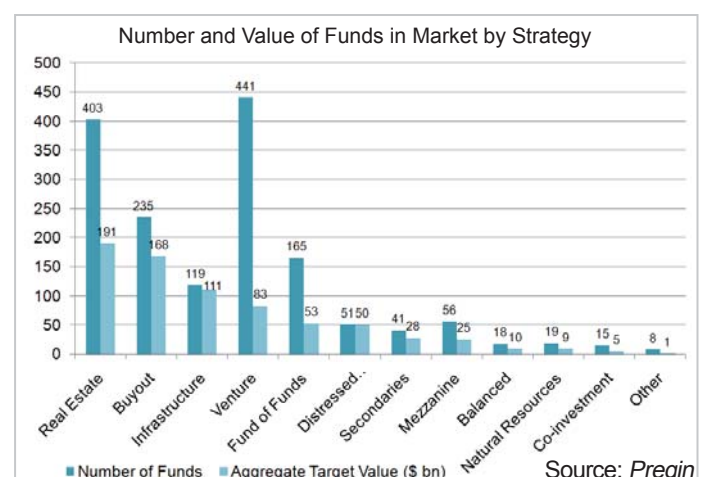


Fig. 5:



Fundraising Spotlight: Regional Fundraising

Of the 82 private equity funds that reached final close in Q3 2009, 29 were focused on investing predominately in North America. These 29 funds accounted for 68% of the aggregate capital raised during the quarter. Funds focusing on Asia and Rest of World accounted for 18% of the aggregate capital raised globally, while European focused funds accounted for 14% during Q3 2009.

With \$26.6 billion raised by North America focused funds in Q3 2009, there was a 49% decrease in aggregate capital raised compared with the previous quarter. Compared with Q1 2009, there was a smaller 22% decrease in aggregate capital raised.

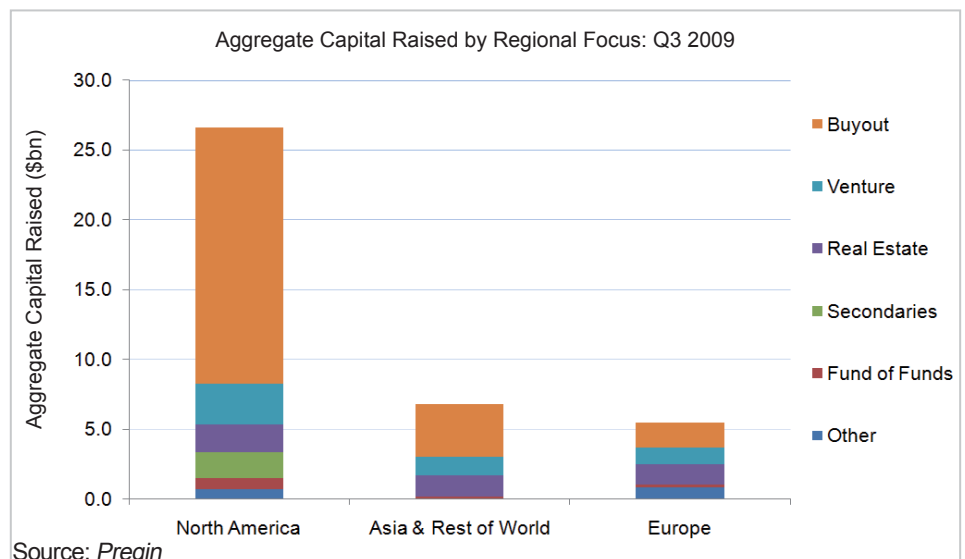
In contrast, Asia and Rest of World focused funds saw an upturn in fundraising fortunes during Q3 2009, with \$6.8 billion secured from 25 funds, an increase of 172% from the \$2.5 billion raised by 15 funds in Q2 2009. Two funds in particular were largely responsible for this revival: the \$1.6 billion South Korea-based MBK Partners II, and Japan's \$1.47 billion Unison Capital Partners III buyout fund, both of which completed final closes during Q3 2009.

Europe focused fundraising suffered a hit in Q3 2009, with \$5.6 billion in capital commitments raised by 28 funds, down 77% on both the \$24.7 billion raised by 23 funds in Q2 2009, and the \$24.8 billion raised by 32 funds in Q1 2009.

North America

Buyout funds focusing on North America attracted \$18.4 billion across six funds in Q3 2009, accounting for 69% of capital raised by all fund types across the region in the quarter. Venture, real estate and secondaries funds also raised significant amounts of capital in the region, securing \$2.9 billion, \$1.9 billion and \$1.9 billion respectively, in the quarter.

Fig. 6:



"...Asia and Rest of World focused funds saw an upturn in fundraising fortunes during Q3 2009, with \$6.8 billion secured from 25 funds..."

Asia and Rest of World

Asia and Rest of World's Q3 2009 fundraising was similarly dominated by the closure of large buyout funds. Buyout funds accounted for 56% of the region's entire fundraising during the quarter, measuring \$3.8 billion. Real estate, followed by venture funds, were the two remaining private equity fund types to make a significant contribution to Asia and Rest of World's quarterly fundraising statistics, securing \$1.5 billion and \$1.3 billion respectively.

Europe

There was an even spread of capital across the fund types for Europe focused funds in Q3 2009. Buyout was once again the most prominent fund type,

contributing 33% of aggregate capital commitments, \$1.8 billion from seven funds, during the quarter. Real estate funds raised \$1.4 billion, and venture funds \$1.3 billion accounting for 25% and 24% of the region's total capital respectively.

Fundraising Spotlight: Buyout Funds

16 buyout funds reached a final close during Q3 2009, raising \$24 billion, a 21% decrease on the \$30.4 raised in Q2 2009. Fundraising for buyout vehicles still remains extremely challenging.

Over 50% of the Q3 2009 buyout capital raised was collected by just two funds, the \$8.8 billion Hellman & Friedman VII, and the \$4 billion TA XI. Five buyout funds of over \$1 billion in size contributed 34% of the aggregate buyout total for the quarter.

Hellman & Friedman VII, the largest buyout fund to close in Q3 2009, invests across the globe in a range of industries that includes communications, media, financial services and software. Investors in the fund include California State Teachers' Retirement System (CalSTRS) and Government of Singapore Investment Corporation (GIC).

Boston, MA-based TA Associates closed their eleventh fund, which attracted \$4 billion in capital commitments from investors such as San Francisco City & County Employees' Retirement System and Florida PRIME. It is a generalist fund

Top 10 Buyout Funds to Close in Q3 2009, by Fund Size				
Fund	Firm	Size (mn)	Location	Fund Focus
Hellman & Friedman VII	Hellman & Friedman	8,800 USD	US	US
TA XI	TA Associates	4,000 USD	US	US
Quantum Energy Partners V	Quantum Energy Partners	2,500 USD	US	US
MBK Partners II	MBK Partners	1,600 USD	South Korea	ROW
Charlesbank Equity Partners VII	Charlesbank Capital Partners	1,500 USD	US	US
Unison Capital Partners III	Unison Capital	140,000 JPY	Japan	ROW
Huntsman Gay Capital Partners	H&G Capital Partners	1,100 USD	US	US
India Value Fund IV	India Value Fund Advisors	725 USD	India	ROW
KKR E2 Investors - Annex Fund	Kohlberg Kravis Roberts	400 EUR	US	Europe
Graham Partners Investments III	Graham Partners	515 USD	US	US

Source: Preqin

"...Over 50% of the Q3 2009 buyout capital raised was collected by just two funds..."

searching for opportunities across the US.

Fig. 7:

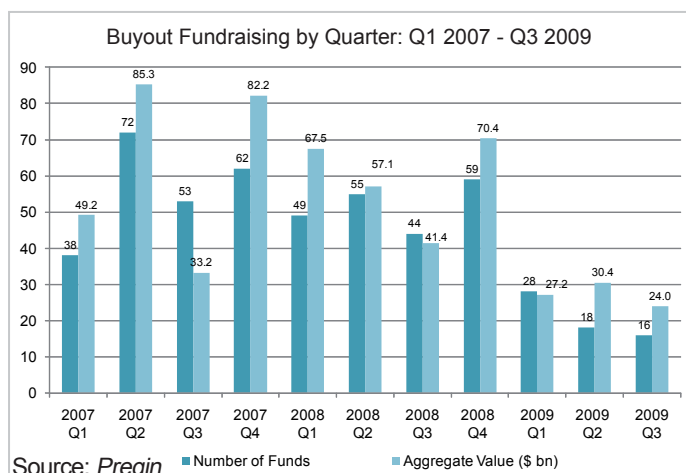
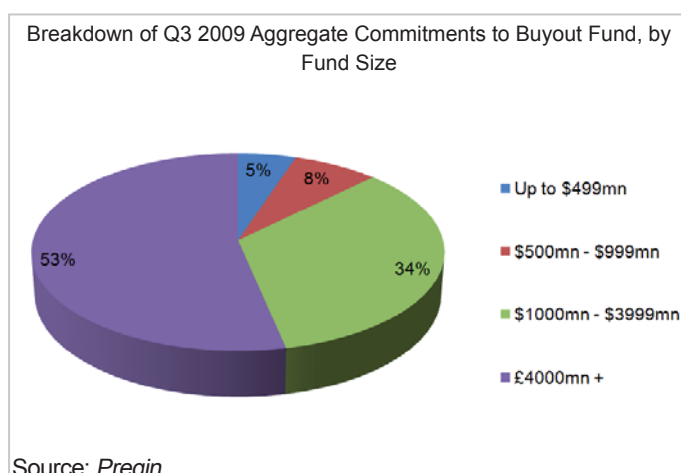


Fig. 8:



Fundraising Spotlight: Venture Funds

As with buyout funds, venture fundraising in Q3 2009 continued its decline to its lowest level in recent years. The \$5.5 billion raised from 33 venture funds was a 19% decrease on figures from Q2 2009, and a 67% decrease from the \$16.6 billion raised by 68 venture funds in Q3 2008.

Fig. 10 shows that 42% of all capital raised by venture funds during Q3 2009 was committed to funds with no specified stage preference, with this type of fund raising \$2.28 billion in the three-month period to the end of September 2009. Expansion and late stage funds contributed a fraction less than general venture funds, with 41% of the total capital raised, or \$2.26 billion, while early stage funds raised \$0.9 billion, 17% of all venture commitments.

Khosla Ventures III is the largest venture fund to have reached a final close between July and September 2009. Expansion fund Khosla Ventures III closed fundraising at the beginning of September with \$750 million in committed capital. A US focused fund, it will invest around 75% of its capital in the cleantech

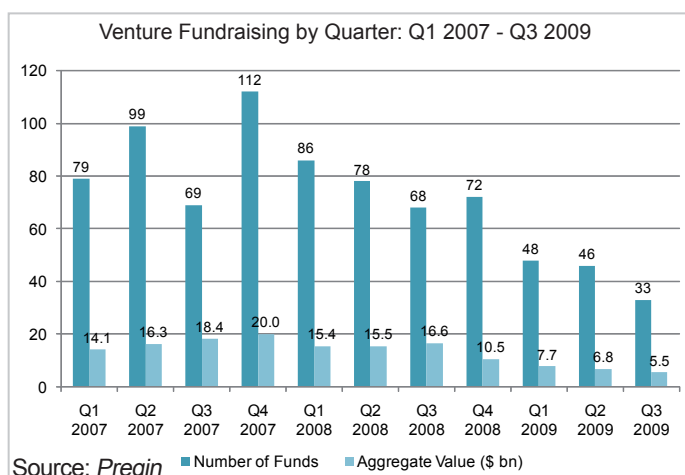
sector, with the remainder invested in IT. It has attracted investments from limited partners including Alameda County Employees' Retirement Association, California Public Employees' Retirement System (CalPERS) and Tennessee Consolidated Retirement System. Menlo

Park-based Khosla Ventures raised its third vehicle in conjunction with the \$250 million Khosla Ventures Seed Fund.

Top 10 Venture Funds to Close in Q3 2009, by Fund Size				
Fund	Firm	Size (mn)	Location	Fund Focus
Khosla Ventures III	Khosla Ventures	750 USD	US	US
Matrix Partners Fund IX	Matrix Partners	600 USD	US	US
Domain Partners VIII	Domain Associates	500 USD	US	US
Virgin Green Fund	Virgin Green Fund	350 USD	UK	Europe
Khosla Ventures Seed Fund	Khosla Ventures	250 USD	US	US
NGEN Partners III	NGEN Partners	250 USD	US	US
Cowen Healthcare Royalty Partners Top Up Fund	Cowen Capital Partners	250 USD	US	US
Keytone Ventures China Fund	Keytone Ventures	200 USD	China	ROW
Aureos Latin America Fund	Aureos Capital	184 USD	UK	ROW
Heureka Growth Fund	Acton Capital Partners	127 EUR	Germany	Europe

Source: Preqin

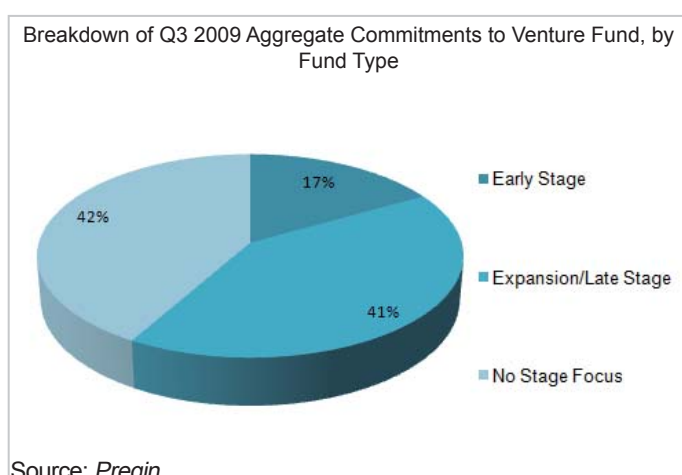
Fig. 9:



Source: Preqin

■ Number of Funds ■ Aggregate Value (\$ bn)

Fig. 10:



Source: Preqin

Fundraising Spotlight: Other Types of Fund

Fig. 11 displays the largest other types of fund that managed to achieve a final close in Q3 2009. The table is led by Pomona Capital VII, the only non-buyout fund to attract commitments above \$1 billion in the quarter. The fund targets small to mid-size portfolios of stakes in private equity funds.

Hamilton Lane's second secondaries fund also recorded its final close in the quarter, raising \$591 million in capital commitments. Hamilton Lane Secondary Fund II invests on an opportunistic

basis. While intending to be as global as possible, it expects to be more heavily weighted towards US focused investments.

Fig. 11 also lists two real estate funds and one fund of funds of similar value that closed in Q3 2009. Dune Real Estate Fund II attracted \$800 million with the assistance of placement agent Monument Group and is focused on the US with 15-25% allocated to Western Europe. It is focused on high barrier to entry markets and will invest in apartment, industrial,

office, retail and hotel properties. Another real estate fund, Broadway Real Estate Fund III, attracted \$700 million in capital commitments, closing short of its initial \$1 billion target. A notable investor in the fund is Pennsylvania Public School Employees' Retirement System.

Fig. 11: Top 5 Other Types of Funds to Close in Q3 2009 by Fund Size

Fund	Firm	Type	Size (mn)	Location	Fund Focus
Pomona Capital VII	Pomona Capital	Secondaries	1,300 USD	US	US
Dune Real Estate Fund II	Dune Capital Management	Real Estate	800 USD	US	US
Broadway Real Estate Fund III	Broadway Partners	Real Estate	700 USD	US	US
Teralys Capital Fund	Teralys Capital	Fund of Funds	700 CAD	Canada	US
Hamilton Lane Secondary Fund II	Hamilton Lane	Secondaries	591 USD	US	US

Source: Preqin



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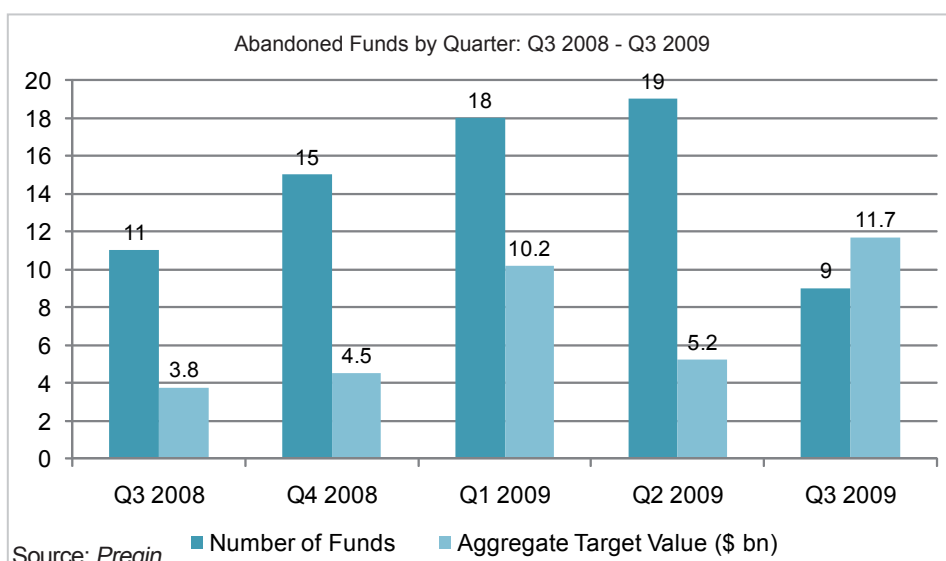
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Fundraising Spotlight: Abandoned Funds

Fig. 12 shows the growth in the number of abandoned funds over the past five quarters, which encompasses the arrival of the economic crisis in private equity fundraising. The figures presented include funds for which Preqin has information for the date of abandonment; however it is not an exhaustive list of all funds that have discarded their fundraising efforts before reaching a final close. As such, Fig. 12 can be used as an illustrative tool to portray the escalation in private equity fundraising abandonments. The number of abandonments rises steadily each month, and as more data is collected in the coming months we can expect to see Q3 2009 figures rise further.

Benjamin Formela-Osborne

Fig. 12:



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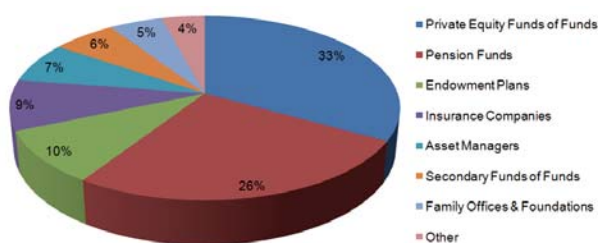
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Secondaries Spotlight

Preqin's Secondary Market Monitor comprises a comprehensive database of potential buyers and sellers of private equity fund interests, and their corresponding investment preferences. The system currently boasts detailed profiles for over 450 potential buyers of fund interests, diversified across firm type and location. For more information please visit www.preqin.com/smm

Fig. 1:

Breakdown of Secondary Market Buyer Types on SMM database

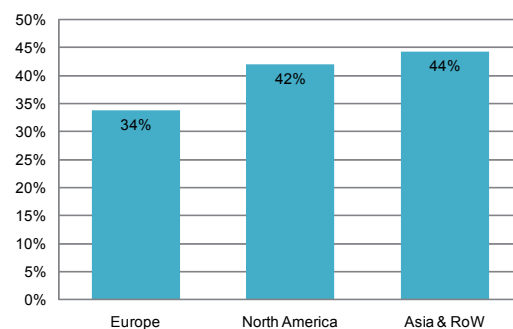


Source: Preqin

A variety of both specialist secondary market buyers and institutional investors are currently interested in purchasing private equity fund interests on the secondary market. Private equity funds of funds (29%), pension funds (23%) and endowment plans (8%) feature prominently, while secondary fund of funds managers form 5% of the total number of potential secondary market buyers profiled on the SMM.

Fig. 2:

Global Interest in Secondary Market Buying Opportunities



Source: Preqin

While the absolute number of potential buyers is highest across Europe and North America, a similar level of interest in secondary market buying opportunities exists on a global scale. Fig. 2 highlights potential buyers of fund interests as a proportion of the total number of investors interviewed in that region.

According to Preqin's unique pricing model, a \$10,000,000 commitment to the median 2006 venture fund - which would have called \$4,950,000 - would today fetch \$1,790,081 on the secondary market, or 42.5% of its net asset value.

Secondaries News

Stanford Management Company is looking at the possibility of making the alternative investment industry's largest sale of private equity and real estate fund interests on the secondary market

The USD 12.6 billion endowment plan has hired Cogent Partners to assist with the sale of fund interests from its alternative investment portfolio. The portfolio consists of USD 13 billion in commitments to what the endowment considers to be illiquid funds. It is considering selling in order to re-deploy capital and re-balance its investment portfolio. Cogent Partners is inviting potential buyers to bid on any part of the alternative investment portfolio until 27 October. Approximately 80% of the offering consists of interests in private equity vehicles, including mid-size and large buyout, venture capital and distressed debt funds. The offering also includes stakes in forestry and

real estate funds. Cogent is then expected to put together combinations of potential buyers and fund stakes before taking any formal offers. It is likely that the fund interests will be sold to a number of different buyers.

New Jersey State Investment Council has now begun its search for a secondary manager

Following its decision in July 2009 to begin work on a 'request for proposals' for a private equity secondary mandate, the USD 56.3 billion pension fund has now begun looking for a secondary manager to advise it on purchasing private equity fund interests on the secondary market in the near future. It is interested in the possibility of buying interests in venture capital or buyout funds.

Kerry Pogue

Conferences Spotlight: Forthcoming Events

Featured Conferences

Private Equity Exchange

Date: 2nd December 2009
Location: Hotel Meridien Etoile
Paris, France
Organiser: Leaders League

Audience composed of over 800 international delegates: CEOs, GPs and LPs along with the best in the field advisors and bankers. Established itself as a highlight on the calendar of the European private equity and restructuring industry. ONE TO ONE DEAL MEETINGS platform allows delegates 2 weeks before the event to visualise the full list of participants and book meetings for dday. Over 80 European PE personalities are sharing their knowledge in 3 specialized track conferences: I. Raising the next fund; II. LBO and Management : dealing with underperformance; III. Restructuring and Private Equity.

Information:
www.private-equity-exchange.com

The Private Equity Secondaries Conference

Date: 5th-6th November, 2009
Location: Renaissance Boston
Waterfront Hotel
Organiser: DealFlow Media

The Private Equity Secondaries Conference is your chance to hear senior-level secondaries market participants share their experiences and expertise. For those who attended our first event, you'll want to see the new topics and speakers that have been added to the program. Plus, we've added a workshop that is absolutely essential for maximizing returns and achieving optimum value from the secondaries market. The conference will not only provide valuable education on this growing market, but also will provide plenty of opportunity for networking with dealmakers.

Information:
[www.dealflowmedia.com/
conferences/pes_conference_09.
cfm](http://www.dealflowmedia.com/conferences/pes_conference_09.cfm)

Super Investor 2009

Date: 17th-20th November 2009
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superinvestor-preqwb](http://www.icbi-events.com/superinvestor-preqwb)

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Date: 28th October, 2009
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Organiser: IBF Media

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Information:
www.ibfmedia.com

Investing In Cleantech & Renewable Energy Companies

Date: 29th October, 2009
Location: New York City
Organiser: The Capital Roundtable

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Information:
[www.capitalroundtable.com/masterclass/mc_2009-10-29.
html](http://www.capitalroundtable.com/masterclass/mc_2009-10-29.html)

Conferences Spotlight: Forthcoming Events

Other Conferences

CONFERENCE/EVENT	DATES	LOCATION	ORGANISER
European Alternative & Institutional Investing Summit	19 - 21 October 2009	Monte Carlo	Opal Financial Group
FundForum Middle East	19 - 22 October 2009	Bahrain	ICBI
Alternative Investment Summit Australia 2009	20 - 22 October 2009	Sydney	Terrapinn
European Leveraged Finance Conference	21 October 2009	London	SIFMA
3rd Annual Funds Forum China 2009	21 - 22 October 2009	Shanghai	JFPS Group China
Private Equity World Africa 2009	26 - 29 October 2009	Johannesburg	Terrapinn
6th Timberland Investment World Summit	26 - 28 October 2009	New York	IQPC
Private Equity Investing in Banks Symposium	27 October 2009	New York	SourceMedia
Life Sciences & Healthcare Venture Summit	27 October 2009	New York	youngStartup Ventures
2009 India Private Equity Conference	28 October 2009	Mumbai	IBF Media
Cleantech Masterclass	29 October 2009	New York	Capital Roundtable
Private Equity in Africa	02 November 2009	London	FT Global Events
The Emerging Markets Private Equity Forum 2009	3 - 4 November 2009	London	PEI Media
Limited Partners Summit West 2009	3 - 4 November 2009	San Mateo, CA	Dow Jones Events
European Venture Capital Fundraising Forum	03 November 2009	London	Buyouts Conferences
Financial Data and Information Asia 2009	4 - 5 November 2009	Shanghai	Global Leaders Institute
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Investor Spotlight: LP News

International Finance Corporation (IFC) has made a cornerstone investment in Vietnam Pioneer Partners' maiden fund

IFC has agreed to commit 20% of the capital raised by Vietnam Pioneer Partners for the Vietnam Pioneer Fund, up to a maximum of USD 20 million. IFC also holds a 10% stake in the management of Vietnam Pioneer Partners. The expansion fund, which has a target of USD 100 million and expects to hold a first close by Q1 2010, focuses on consumer goods in Vietnam. The USD 32.4 billion IFC typically invests in emerging markets and is also an active supporter of first-time fund managers.

Old Mutual Investment Group (South Africa) plans to make commitments totalling USD 20 million in the next 12 months

Old Mutual Investment Group (South Africa), (OMIGSA), intends to establish new relationships with managers in the next year as it seeks to commit to two private equity vehicles. It has a broad geographic scope, considering funds targeting the US, Europe and emerging markets, and will primarily look for opportunities to invest in buyout, venture and secondaries funds. OMIGSA, which is the asset management arm of Old Mutual South Africa, invests both directly and through private equity funds. It does not look to co-invest alongside fund managers, however.

Bucknell University Endowment is looking to narrow the focus of its private equity activity

The endowment of Pennsylvania-based Bucknell University has identified emerging markets as the geographic focus for the majority of its private equity investment in 2010. The endowment plan is hoping to access better returns in emerging markets than within its historically preferred region of North America, due to the impact of the financial crisis. The USD 425 million endowment, which has a 15% allocation to private equity, will also seek opportunities in distressed debt as it aims to maintain its allocation to the asset class over the short- and long-term.

Washington State Investment Board (WSIB) commits a total of USD 400 million to two Oaktree funds

The USD 64.6 billion public pension fund pledged USD 250 million to OCM Opportunities Fund VIII, and USD 150 million to OCM Principal Opportunities Fund V. These are both 2009 vintage distressed debt vehicles and focus on a range of industries globally. WSIB has a target allocation of 25% to private equity and holds a diversified portfolio, investing in a wide variety of fund types and opportunities on a global scale.

Phoenix Insurance Company plans to resume investing in private equity in 2010 with commitments to three or four vehicles

The USD 17 billion insurance company has not made any new commitments in 2009 after finding itself overcommitted to the asset class at the start of the year. The Israel-based firm believes it will add to its portfolio in 2010, however, and intends to commit approximately USD 10 million to three or four funds. It will seek buyout and venture funds as well as vehicles targeting distressed private equity opportunities. While Phoenix Insurance Company's investments primarily focus on Israel, it also considers opportunities to gain further exposure to Europe, the US and emerging markets. It will consider forging new relationships with managers as well as investing with those managers it has previously committed capital to.

Austin College Endowment is looking to expand the geographic scope of its private equity portfolio

The Texas-based endowment plan has historically focused its private equity investments on North America, but over the next 12 months will search for opportunities on a more global scale. The USD 110 million endowment has a 3.6% current allocation to private equity and will look to fulfil its 5% target by gaining global exposure to the asset class. Austin College Endowment has a preference for investing in mezzanine vehicles.

MP Pension plans to commit approximately EUR 150 million to private equity over the next 12 months

The EUR 8 billion public pension fund will primarily seek to invest in funds targeting small to mid-market buyout opportunities in Europe and the US. It anticipates making commitments of EUR 20-50 million to between three and five vehicles during the next year and will consider establishing new relationships with GPs as well as maintaining relationships with existing fund managers.

Government of Singapore Investment Corporation (GIC) is one of the investors in CDH China Fund IV

The USD 300 billion sovereign wealth fund recently made a commitment to the CDH China Fund IV, which has held a first close on USD 750 million. GIC invests on a global scale without specific industry preferences, and typically commits between USD 50 million and 600 million to a single fund. Another investor in the China focused buyout fund is the International Finance Corporation (IFC). Both GIC and IFC have previously invested in CDH China Funds.

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