

# Contents

## 2010 Preqin Global Private Equity Report

<b>Section 1: Introduction</b>	<b>5</b>	<b>Section 5: Private Equity Fundraising</b>	<b>30</b>
Editor's Foreword	5	Evolution of Fundraising Market in 2009	30
Keynote Address - Mounir Guen, MVision Private Equity Advisers	6	Overview of Current Fundraising Market	33
		Fundraising Review - North America	34
		Fundraising Review - Europe	35
<b>Section 2: Overview of the Private Equity Industry</b>	<b>8</b>	Fundraising Review - Asia and Rest of World	36
New Opportunities, New Dynamic - Tim Friedman, Preqin	8	Fundraising Review - Buyout	38
What's Ahead for PE - Tax Policy and Regulatory Reform - Douglas Lowenstein, PEC	9	Fundraising Review - Mezzanine	39
Private Equity's Role in the Coming Economic Recovery - Javier Echarri, European Venture Capital Association	10	Fundraising Review - Natural Resources	40
Adapting to the New Environment - Simon Walker, British Venture Capital Association	11	Fundraising Review - Venture	41
LP Perspective: Cautious Optimism in a Challenging Market - Tripp Brower, Capstone Partners	12		
Shorter Time Horizons and Volatile Markets Pose Real Challenges to Private Equity's Pension Exposures - Scott Allen and Dave Robertson, Mercer	13	<b>Section 6: Placement Agents</b>	<b>43</b>
The Role of Funds of Funds - Charles Soullignac, Fondinvest Capital	15	Overview of Placement Agent Use in 2009	43
Why PE Returns Should Be Risk-Adjusted - Victor Wu, Lexington Partners	16	Profile of the Placement Agent Industry	45
<b>Section 3: Assets under Management, Dry Power, Employment and Compensation</b>	<b>17</b>	<b>Section 7: Fund Administrators</b>	<b>48</b>
Assets under Management and Dry Powder	17	Private Equity Fund Administrators	48
Private Equity Employment and Compensation	19		
		<b>Section 8: Private Equity Deals</b>	<b>49</b>
<b>Section 4: General Partners</b>	<b>22</b>	Global Buyout Activity	49
League Tables - Largest GPs	22		
Buyout GPs - Key Stats and Facts	26	<b>Section 9: Private Equity Performance</b>	<b>56</b>
Mezzanine GPs - Key Stats and Facts	27	An Examination of Private Equity Performance	56
Natural Resources GPs - Key Stats and Facts	28	Horizon Performance and Public Markets Comparison	60
Venture GPs - Key Stats and Facts	29	Private Equity Returns for Pension Funds	61
		Private Equity Benchmarks	62
		<b>Section 10: Investors in Private Equity</b>	<b>66</b>
		Overview of the Limited Partner Universe	66
		Make-up of Investors in Recently Closed Funds	68
		Investor Appetite for Private Equity in 2010 - December 2009 LP Survey Results	70
		League Tables of Biggest Investors by Region	74
		League Tables of Biggest Investors by Type	75
		Investors to Watch in 2010	76

<b>Section 11: Investment Consultants</b>	<b>78</b>
Investment Consultants in Private Equity	78
<b>Section 12: Fund Terms and Conditions</b>	<b>82</b>
Private Equity Fund Terms and Conditions	82
Investor Attitudes to Fund Terms and Conditions - Dec 2009 LP Survey Results	84
Law Firm Fund Formation League Table	87
<b>Sectors in Focus</b>	
<b>Section 13: Sovereign Wealth Funds</b>	<b>88</b>
Sovereign Wealth Funds in Private Equity	88
<b>Section 14: Private Equity Cleantech</b>	<b>92</b>
Cleantech Fundraising Market in 2009	92
Cleantech Funds On the Road	93
Overview of Private Equity Cleantech Managers	94
Investors in Cleantech	95
<b>Section 15: Distressed Private Equity</b>	<b>96</b>
Review of Distressed Private Equity	96
Distressed PE GPs - Key Stats and Facts	98
<b>Section 16: Private Equity Funds of Funds</b>	<b>100</b>
Review of Private Equity Funds of Funds	100
Funds of Funds GPs - Key Stats and Facts	102
Fundraising Review - Funds of Funds	103
<b>Section 17: Secondaries</b>	<b>104</b>
Private Equity Secondary Market - Introduction	104
The Private Equity Secondaries Boom – When Will it Occur?	106
Investor Appetite for the Secondary Market in 2010 - LP Survey Results	108
Secondaries Intermediaries	110
Secondaries GPs - Key Stats and Facts	111
Fundraising Review - Secondaries	113
<b>Section 18: Order Forms</b>	<b>114</b>

# Keynote Address: Mounir Guen, MVision Private Equity Advisers

Interview with Mounir Guen, CEO, MVision Private Equity Advisers

Interview conducted by Tim Friedman, 11/01/2010

**TF:** Conditions in 2009 were very uncertain, with LPs reluctant to make new commitments and fundraising significantly down on recent years. How are LPs viewing the market in January 2010?

**MG:** There is a dichotomy between the GPs and the LPs. The LPs have essentially recovered from the strain and drama of late 2008 and 2009, and have largely spent 2009 focusing on portfolio architecture. Most have done a pretty decent job at getting themselves recalibrated; even institutions suffering from the denominator effect in a pronounced way have been able to get themselves rebalanced. However, investors have emerged from the crisis with some new characteristics.

The first is that LPs are more cautious to move. They are more patient when considering investments, and are spending a lot more time focusing on valuation and understanding the dynamics of valuations, because without exits occurring, it is important for them to have a good grasp of their unrealized portfolios so that there are no surprises down the line.

What they are finding is that the GPs have not been as quick to adjust to the changing environment as the public equity market, so the natural tendency of the investors in the short term is actually to be fairly low-key on private equity and to be more active in public equities. Many LPs believe that this could potentially continue for a few years to come as a result of unrealized private equity portfolios requiring restructuring. This exercise will be both financial, in terms of the various debt that they have had put on them, and also from an operating perspective.

This is all going to require a huge amount of effort and labour, and will undoubtedly create tension within private equity firms. We are going to see an environment where behaviour patterns between

individuals are altered, bringing into question the ability of professionals to readjust portfolios, and putting pressure on the stability of professionals within general partners. Quite an interesting dynamic to be frank.

**What kind of effect will this change in attitude have on fundraising in 2010?**

One of the defining characteristics is that investors will be focused on the familiar. They will be focusing on partners they know well or have an existing relationship with as a priority. It will therefore become very difficult for first-time fund managers to develop or be able to fundraise. Investors will have a very strong preference for smaller funds, and will be seeking to change the dynamic of the terms for new funds that they take on. We have already seen the ILPA terms, which really focus on the cash flow dynamic. LPs are focusing on the waterfall arrangements, because they want to have preferential cashflows, and they want to have certainty of being able to protect their principal. Realistically, deal-by-deal carry will become a thing of the past. We will have waterfalls based on money drawn, or all capital committed, or some combination of these.

**Where do you think the money that is going to be coming into the industry in 2010 will be coming from?**

You need to be very careful here. A number of the new investors in the market place are not necessarily fund friendly. So, we're seeing increasing numbers of managed accounts and specialized relationships being formed. We are seeing a significant amount of money coming from new investors in the marketplace, but under a different dynamic than the typical fund structure. We are seeing a preference for lower fee or lower expense products or dynamics, and we are also seeing a higher demand for direct platforms as opposed to blind pools.

**Is this a long-term trend? Will private equity houses be able to adapt?**

I think there is a systematic change occurring. At the end of the day the investor community will not tolerate mediocrity. The groups that excel in the private equity community will be able to live through these changes, while for the average firm this could create a marginal breaking point.

**Where geographically is the money going to be coming from?**

There is still a fair amount of capital out there all around the world. 2009 was more of an anomaly than anything. There is capital in the US, Canada, Europe... All of these investors will commit slowly. They will all have investment preferences, whether it be for local funds, turnaround groups, the energy sector for example. However, it's going to be a very slow process.

New markets are opening up too, in Latin America, in Africa, in Asia – new investors are entering the asset class. There is certainly potential in countries with high growth rates, or countries where the pension communities have restructured themselves like the Canadians and the Australians have. An important question is where the mega investors will come from. I believe we will be seeing mega investment coming from Canada, the US, certain select Asian countries, from sovereign wealth funds and also superannuation schemes.

**Are there certain investor types still in a state of distress? Endowments for example?**

Again, a lot of them have been fairly aggressive in rebalancing their public market portfolios. One of the other issues was that certain investors had fairly aggressive over-commitment strategies taking place in an environment where

# New Opportunities, New Dynamic

## - Tim Friedman, Preqin

2009 proved to be an extremely challenging year for the asset class. Private equity experienced a severe drop in deal flow volume in 2009, accompanied by a significant downward adjustment in valuations for portfolio companies, and the lowest level of new fundraising since 2004.

The reversal of fortunes in the previously buoyant debt markets and the changing relationship between private equity and banks has been at the root of many of the issues affecting the industry, with the larger end of the fund manager scale experiencing the most dramatic change in market conditions.

Fig. 2.1 shows the amount of capital called up by buyout firms from their investors during the course of each year, and the total deal volume by year for 2003 - H1 2009. For 2006 in particular, the ratio between private equity deal value and call up value was significantly higher than in previous years. The increased ratio between the two values suggests that deals done during this year were highly leveraged, using only a small equity component when financing deals. In contrast, for 2008 and 2009, the two values are much closer aligned, suggesting that deals were being done using significantly less leverage than before. The call-up value for the first half of 2009 is actually higher than the deal volume, suggesting that firms were mostly spending capital on existing portfolio investments, which would not count towards the deal total.

Not only has financing for new deals been an issue, but financial management for existing investments has also presented a major worry. Banks have been focusing on bolstering their balance sheets, and have been unwilling to accept write-downs or forgive breaches of loan covenants set during more prosperous times, making it extremely challenging to restructure financing for existing portfolio investments.

As a result of these challenging conditions, deal flow for private equity deals has fallen significantly. The total value for new private equity-backed deals taking place in 2009 was \$79bn, a 60% reduction from 2008, and 88% down on 2007.

Adverse market conditions have also led to a reduction in the number of exits for private equity firms, a factor affecting the profitability of existing holdings, and a major contributor to the slow-down in the new fundraising market. With firms not being able to exit their portfolio companies at an acceptable level, many are now holding companies for longer periods than initially planned, leading to a significant drop in distributed capital for investors from exited investments in 2008 and 2009.

The dynamic of the private equity market has changed, and as a result limited partners in funds have been far less keen to invest in new private equity vehicles. This is partly due to having less capital available than in previous years as a result of an overall reduction in the values of their entire investment portfolios and a drop in distributed capital from existing private equity investments, but also due to a change in attitude and confidence towards the asset class. In 2009, private equity fundraising had its worst fundraising year since 2004, with only \$246bn raised by 482 funds worldwide. This is 61% down on the record \$636bn raised in 2008, and 62% down on the record \$646bn raised in 2007.

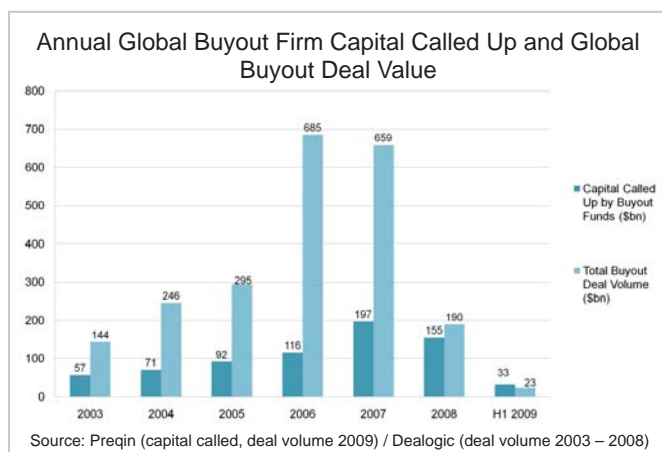
The drop in fundraising can also be explained by the poor returns experienced by the industry since the onset of the financial crisis. Over a one-year period to June 2009 private equity returned -23%, with mega buyouts returning -31%.

With deal-flow down, fundraising down, leveraged finance not available at the same rate as in the past, and the market for exits also suffering, the state of the asset class looks relatively bleak. However, while past performance is by no means a guarantee of future returns, if funds raised during the last period of economic downturn are examined, there is certainly evidence that funds raised during difficult periods can actually perform extremely well. Whether or not a similar phenomenon will be seen in this downturn will depend largely on the ability of firms to finance and complete deals.

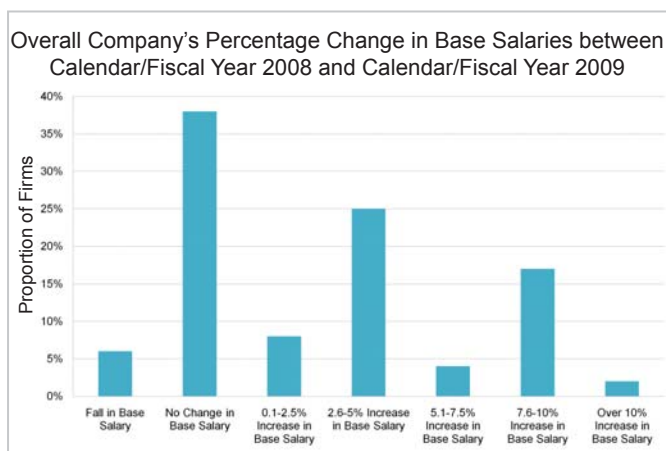
Fortunately, the signs are looking promising: global buyouts amounted to \$36.4bn in the fourth quarter of 2009 across 328 deals, up from \$18.9bn across 314 deals in the third quarter and \$12.4bn across 252 transactions in the second quarter of 2009. In addition, the return of successful exits such as Metavante (Warburg Pincus) and China Pacific Life Insurance (Carlyle) are certainly encouraging for the industry. We are also seeing early signs of an improvement in fund performance, with the value of funds increasing between the first and second quarters of 2009 (mega buyouts were actually the biggest risers at 5.7%).

The only metric still on a downward trend is fundraising, with the final quarter of 2009 setting a new low point. Our conversations with investors do show that although confidence is still a world away from the levels seen in 2007, there is reason to believe that the level of commitments will start to improve in 2010, with 51% of investors polled indicating that they would invest more capital in 2010 than 2009, and only 8% investing less. However, a full recovery is still some way off, and will be largely dependent upon the industry's ability to source, finance, complete and exit investments successfully in what remains to be a challenging environment.

Fig. 2.1 :



Figs. 3.12 &amp; 3.13:



larger firms benefit from. As a result, the operating economics of the largest funds are very favourable and the management fees earned by these vehicles have become a significant source of profit for their managers.

Consequently, and particularly in light of the current economic climate and its effects on the GP/LP relationship, there is pressure from LPs on GPs of the larger funds to reduce the management fee rates for new vehicles looking to raise capital. Investors are seeking to bring management fee levels more in line with the actual costs associated with running funds of different size and type. Evidence for this can be seen in Section 12 of this Report, which shows that the biggest decreases in management fees for the most recent funds have come from the largest groups of both buyout and venture funds.

#### Share of Employees by Firm Size for Buyout and Venture Firms

Fig. 3.11 displays the proportion of employees that work at firms falling into the different size groupings for buyout and venture firms respectively. It shows that 70% of people employed at venture firms work for firms with less than \$500mn in assets under management, a much higher proportion than the equivalent figure for buyout firms. The group of buyout firms with \$5bn or more in assets under management employ more staff than any of the other groups of buyout firms, with 37% of all buyout firm employees working for such firms. This is again in stark contrast to the employment patterns for venture firms, where only 5% work for

firms of such size, and just 19% work for firms with \$1bn or more in total assets.

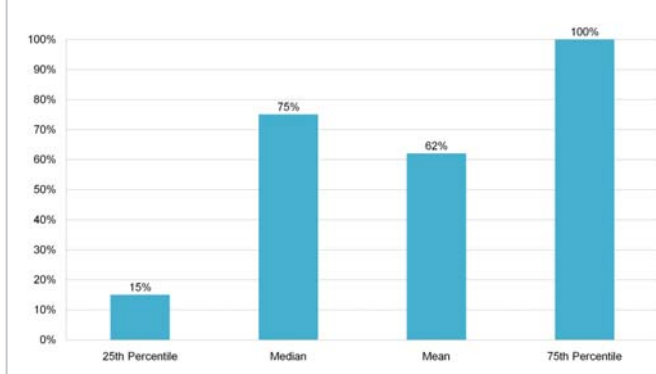
#### Percentage Change in Base Salaries between Calendar/Fiscal Year 2008 and Calendar/Fiscal Year 2009

In late 2009, Preqin, in conjunction with FPL Associates, conducted a survey of over 50 leading private equity firms in order to produce a report on the compensation practices and remuneration levels at these firms. Fig. 3.12 shows how salaries changed, at an average firm-wide level, between calendar or fiscal year 2008 and calendar or fiscal year 2009 at the private equity firms surveyed for the 2010 Preqin Private Equity Compensation and Employment Review. In total, 56% of firms had an overall increase in base salary levels, while 38% had a base salary freeze and 6% decreased their salary levels. The average base salary change for all firms in the sample was modest: an increase of around 2%.

#### Bonus Payouts for Calendar/Fiscal Year 2008

Fig. 3.13 demonstrates the wide range of bonus payouts made for employee performance in calendar/fiscal year 2008. Towards the

Percentage of Budgeted/Target Bonus Pool Paid Out for Performance in Calendar/Fiscal Year 2008



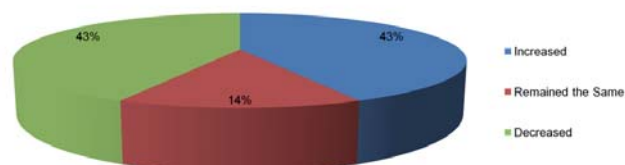
lower end of the sample, firms paid out just 15% of the total pool of money set aside for performance bonuses, while at the top end firms paid out all of their bonus pools.

An equal number of firms in the sample increased their bonus payments from last year's payout in comparison to the number that decreased them, while 14% of firms made approximately the same bonus payments, as shown in Fig. 3.14. However, the average decrease was higher, at 40%, than the average increase, which stood at 21%.

For more information on employment and compensation, please visit: [www.preqin.com/compensation](http://www.preqin.com/compensation)

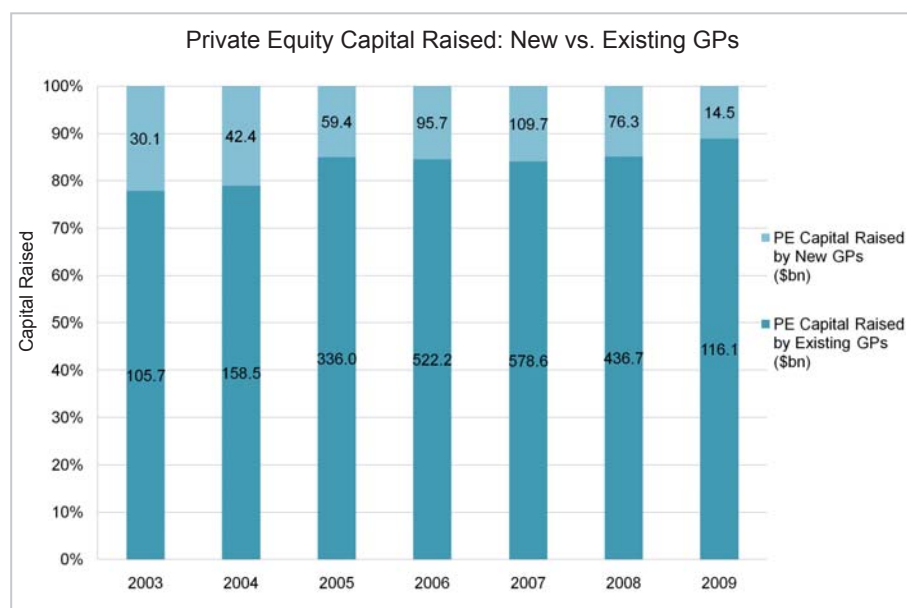
Fig. 3.14 :

Actual Calendar/Fiscal Year 2008 Bonus Compared to the Prior Year's Payout



Average Increase = 21%, Average Decrease = 40%

Fig. 4.3:



Figs. 4.4 &amp; 4.5:

20 Largest GPs by Buyout - Total Funds Raised in the Last 10 Years (\$bn)

Firm Name	Total Funds Raised Last 10 Years (\$bn)	GP Location
TPG	50.9	US
Kohlberg Kravis Roberts	49.8	US
Carlyle Group	43.7	US
Blackstone Group	42.5	US
CVC Capital Partners	37.7	UK
Goldman Sachs	34.1	US
Bain Capital	31.6	US
Apollo Management	30.6	US
Apax Partners	24.8	UK
Permira	23.3	UK
Hellman & Friedman	22.9	US
Advent International	20.1	US
Providence Equity Partners	19.4	US
Madison Dearborn Partners	16.9	US
Silver Lake	16.3	US
Thomas H Lee Partners	16.2	US
JC Flowers & Co	14.2	US
BC Partners	14.1	UK
Charterhouse Capital Partners	13.7	UK
3i	13.6	UK

20 Largest GPs by Buyout - Estimated Dry Powder (\$bn)

Firm Name	Estimated Dry Powder (\$bn)*	GP Location
TPG	21.5	US
Carlyle Group	17.2	US
CVC Capital Partners	17.1	UK
Kohlberg Kravis Roberts	13.4	US
Blackstone Group	12.8	US
Bain Capital	11.9	US
Hellman & Friedman	11.1	US
Apollo Management	10.9	US
Advent International	10.8	US
Goldman Sachs	10.2	US
Apax Partners	8.6	UK
Silver Lake	7.3	US
Bridgepoint Capital	7.0	UK
Charterhouse Capital Partners	5.5	UK
Providence Equity Partners	5.5	US
TA Associates	5.4	US
Clayton Dubilier & Rice	5.0	US
JC Flowers & Co	4.8	US
Kelso & Company	4.5	US
Lindsay Goldberg	4.4	US

\* Excludes Fund of Funds and Secondary Fund of Funds

Fig. 4.18:

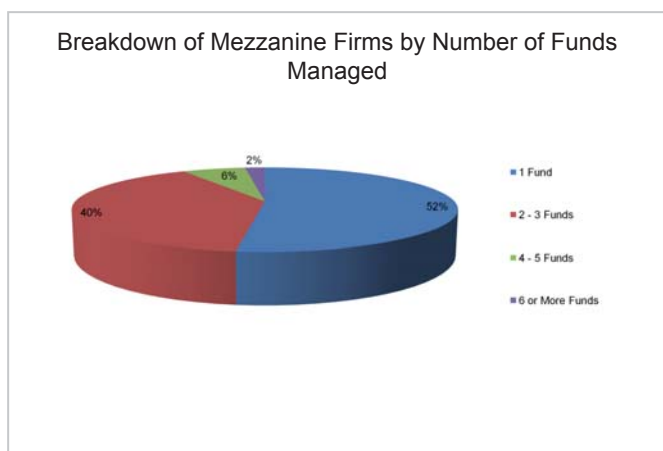


Fig. 4.19:

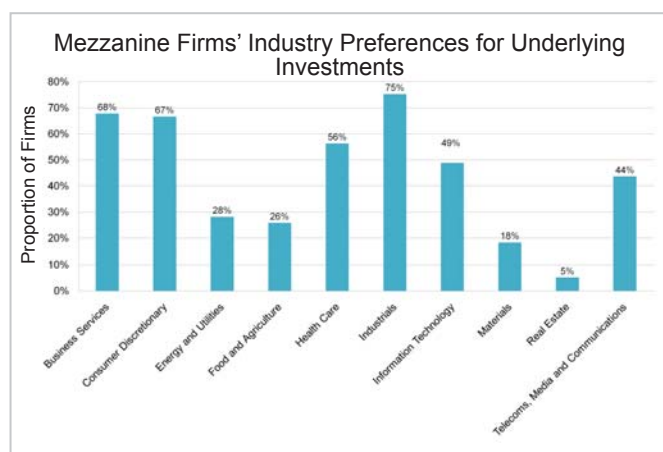


Fig. 4.21:

## 10 Largest Mezzanine Funds Raised of All Time

Fund Name	Firm Name	Year Raised	Fund Size (bn)	GP Location
GS Mezzanine Partners V	Goldman Sachs	2008	USD 13.0	US
GS Mezzanine Partners 2006	Goldman Sachs	2006	USD 5.3	US
TCW / Crescent Mezzanine V	TCW Group	2008	USD 2.9	US
TCW Energy Fund XIV	TCW Group	2008	USD 2.6	US
Forstmann Little & Co Equity/Mezzanine	Forstmann Little & Co	1996	USD 2.3	US
GS Mezzanine Partners III	Goldman Sachs	2003	USD 2.0	US
GSO Capital Opportunities Fund	Blackstone Group	2008	USD 2.0	US
ICG European Fund 2006	Intermediate Capital Group	2007	EUR 1.3	UK
TCW / Crescent Mezzanine IV	TCW Group	2006	USD 1.6	US
DLJ Investment Partners II	Credit Suisse Customized Fund Investment Group	1999	USD 1.6	US

# Mezzanine GPs

## - Key Stats and Facts

Fig. 4.20:

## Number of Firms Actively Managing Mezzanine Funds by Country

GP Location	No. of Firms
US	172
UK	19
France	11
Canada	9
Italy	4
Australia	3
Austria	3
Finland	3
India	3
Israel	3
South Africa	3

# Fundraising Review

## - Europe

### Overview

Fundraising for Europe focused funds was challenging in 2009, with 136 funds raising an aggregate \$74bn, down from the \$157bn raised by 294 funds in 2008. Although fundraising for Europe focused funds decreased compared to 2008, this decrease was not as significant as it was for US focused vehicles. Europe focused funds accounted for just over 30% of all the private equity capital raised worldwide.

### Breakdown by Type of Funds

Europe focused private equity fundraising was led by buyout funds, with 26 buyout vehicles raising almost \$37bn and accounting for nearly half of capital raised by Europe focused funds in 2009. Aggregate capital commitments to Europe focused buyout funds suffered a substantial 60% drop on the previous year, however, when \$86bn was raised by 65 funds.

Venture funds were the most numerous of the Europe focused vehicles in 2009. Despite the number of closes dropping from 85 in 2008 to 41 in 2009, they still accounted for 30% of all private equity funds primarily targeting Europe. In terms of aggregate capital, venture vehicles raised over \$5bn in 2009, a significant decrease from \$14bn raised in 2008.

Not as abundant as venture funds, but holding a larger share in terms of capital raised, were real estate funds. The number of Europe focused real estate vehicles closing decreased from 57 in 2008 to 25 in 2009, and the aggregate capital raised by the funds dropped from \$26bn to \$13bn.

### Fund Size Breakdown

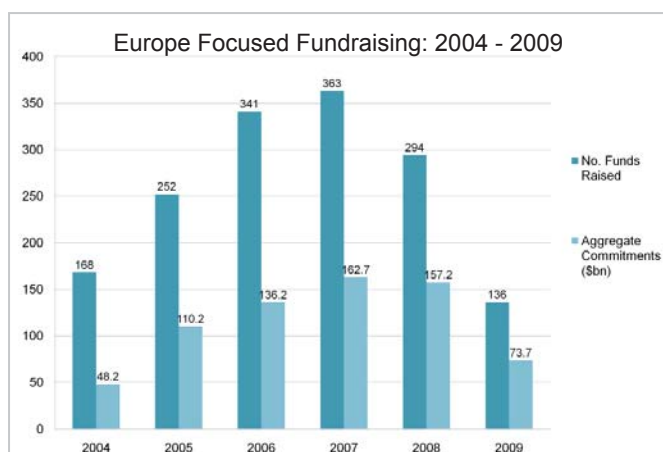
The average size of private equity funds targeting Europe in 2009 was \$542mn, a slight increase on the average size in 2008 of \$535mn. In 2009, there were 10 Europe focused funds that recorded a final close of \$1bn or more, accounting for nearly 60% of the aggregate capital raised by funds focused on Europe. The largest fund was CVC European Equity Partners V, managed by CVC Capital Partners, which closed at over €10bn and accounted for almost 16% of the capital raised by all Europe focused funds in 2009.

### Predictions for 2010

In 2009, Europe focused fundraising steadily decreased over the quarters, from over \$30bn raised in the first quarter to approximately \$5bn in the fourth quarter. Despite the unfavourable fundraising climate during 2009, the outlook for 2010

is not all bad. There are currently 386 European focused funds on the road seeking nearly \$167bn in capital. Over half of these have already had at least one interim close, indicating a certain level of momentum in the market.

Figs. 5.13 & 5.14:



10 Largest Europe Focused Funds Closed in 2009

Fund	Fund Type	Amount Closed (€mn)
CVC European Equity Partners V	Buyout	10,750
KKR European Fund III	Buyout	6,000
Charterhouse Capital Partners IX	Buyout	4,000
Blackstone Real Estate Partners Europe III	Real Estate	3,116
Partners Group Secondary 2008	Secondaries	2,500
Fondi Italiani Per Le Infrastrutture	Infrastructure	1,900
Clessidra Capital Partners II	Buyout	1,400
Orion European Real Estate Fund III	Real Estate	1,280
AAC Capital NEBO Fund II	Buyout	955
Alcentra Mezzanine II	Mezzanine	800

# Private Equity Benchmarks

Figs. 9.13 &amp; 9.14:

Fund Type: Buyout  
Geographic Focus: All Regions  
Benchmark Type: Median  
As At: 30 Jun 09

Vintage	No. Funds	Median Fund			Multiple Quartiles			IRR Quartiles			IRR Max/Min	
		Called(%)	Dist(%) DPI	Value(%) RVPI	Q1	Median	Q3	Q1	Median	Q3	Max	Min
2008	34	13.3	0.0	78.7	0.91	0.82	0.58	n/m	n/m	n/m	n/m	n/m
2007	50	33.7	0.1	77.9	0.91	0.78	0.70	n/m	n/m	n/m	n/m	n/m
2006	41	62.5	2.0	73.1	0.95	0.81	0.71	-3.3	-12.5	-20.8	34.4	-50.5
2005	47	85.3	12.7	83.2	1.28	1.06	0.85	12.5	2.6	-10.0	76.9	-34.9
2004	24	91.0	35.6	79.1	1.82	1.14	1.03	28.7	6.1	1.4	91.4	-21.3
2003	18	87.5	80.1	71.0	2.27	1.42	1.30	36.2	18.5	13.2	88.5	-15.7
2002	21	91.3	105.0	61.8	2.00	1.74	1.34	33.1	19.7	12.8	60.3	0.2
2001	22	97.3	132.3	45.1	2.69	1.77	1.48	40.1	24.5	12.0	95.8	9.0
2000	39	96.0	136.0	35.6	2.17	1.64	1.27	23.5	16.9	9.4	34.7	-17.0
1999	14	97.3	136.8	18.1	1.63	1.52	1.27	13.5	9.4	5.7	25.1	-11.3
1998	31	100.0	108.1	6.8	1.76	1.41	0.87	15.3	6.9	-3.2	21.5	-45.4
1997	25	100.0	156.0	0.0	2.22	1.67	1.29	22.3	10.4	5.9	74.5	0.1
1996	16	97.7	174.8	0.3	2.53	1.76	1.16	29.9	16.7	3.4	147.4	-8.9
1995	19	100.0	151.7	0.0	2.30	1.53	1.19	35.3	10.3	2.7	59.9	-8.5
1994	29	99.0	199.5	0.0	2.31	2.00	1.50	36.9	19.0	11.4	92.2	-35.7
1993	17	100.0	196.0	0.0	3.20	2.00	1.48	26.7	19.1	8.9	58.0	0.8
1992	17	100.0	195.5	0.0	2.39	1.96	1.30	33.2	21.2	10.3	58.1	-49.9
1991	9	100.0	219.2	0.0	3.19	2.19	2.01	30.3	23.8	19.8	54.7	-0.5
1990	23	100.0	222.6	0.0	3.21	2.23	1.54	27.0	16.8	7.0	70.0	2.4

Fund Type: Buyout by Fund Size  
Geographic Focus: All Regions  
Benchmark Type: Median  
As At: 30 Jun 09

Vintage	Mega Buyout				Large Buyout				Mid Market Buyout				Small Buyout			
	Median Fund		Weighted Fund		Median Fund		Weighted Fund		Median Fund		Weighted Fund		Median Fund		Weighted Fund	
	Multiple	IRR	Multiple	IRR	Multiple	IRR	Multiple	IRR	Multiple	IRR	Multiple	IRR	Multiple	IRR	Multiple	IRR
2008	0.72	n/m	0.62	n/m	0.81	n/m	0.77	n/m	0.80	n/m	0.74	n/m	0.96	n/m	1.05	n/m
2007	0.66	n/m	0.67	n/m	0.73	n/m	0.72	n/m	0.84	n/m	0.77	n/m	0.85	n/m	0.84	n/m
2006	0.70	-19.3	0.67	-22.7	0.80	-13.3	0.81	-12.3	0.86	-8.4	0.86	-9.6	0.95	-3.3	0.90	-8.5
2005	0.93	-2.5	0.90	-6.4	0.90	-5.6	0.94	-1.7	1.02	1.3	1.07	1.9	1.28	12.5	1.36	19.0
2004	1.13	5.4	1.41	17.7	1.13	8.5	1.15	15.3	1.16	6.6	1.73	20.9	1.30	14.1	1.47	15.2
2003	1.36	19.5	1.69	25.5	1.42	15.6	1.48	32.7	1.95	25.5	1.94	28.7	1.42	19.0	1.48	15.5
2002	1.74	26.7	1.62	25.0	1.46	19.7	1.61	20.7	1.76	24.0	1.67	19.1	1.66	14.5	1.65	16.2
2001	2.08	28.8	2.07	26.9	1.55	20.2	2.02	27.0	1.92	28.7	2.14	32.0	1.54	12.0	1.66	18.8
2000	1.62	18.1	1.82	18.0	1.52	14.3	1.56	12.4	2.03	21.1	1.71	15.8	2.01	19.9	1.67	14.6
1999	1.60	13.2	1.76	15.3	n/a	n/a	n/a	n/a	1.21	6.2	1.28	6.9	1.59	9.7	1.71	11.3
1998	1.35	4.8	1.47	4.9	1.51	11.3	1.41	6.1	1.28	5.3	1.11	1.0	1.46	7.5	1.43	6.5
1997	1.70	11.5	1.63	10.9	2.32	22.0	2.18	29.8	1.29	6.1	1.43	7.9	1.67	14.3	1.68	15.0

Definition used for Mega; Large; Mid; Small Buyout:

	Small	Mid	Large	Mega
Vintage 97-04	≤ \$300mn	\$301-750mn	\$751-2,000mn	> \$2,000mn
Vintage 05-08	≤ \$500mn	\$501-1,500mn	\$1,501-4,500mn	> \$4,500mn

to over the course of 2010.

As Fig. 10.12 shows, the fund types most frequently cited by investors as being most attractive at present were distressed private equity funds, with 35% of respondents naming this fund type, and small to mid-market buyout funds, with 36% of investors. 20% of investors felt secondaries funds presented attractive opportunities currently.

The fund types that investors are seeking to invest in over the next year or so varied significantly at times from the areas that investors informed us presented the best opportunities, often as a result of the restrictions placed on the investments they make. Small and mid-market buyout funds were the most frequently named fund types, with more than half of investors polled stating they would be seeking to invest in these fund types in the next two years. Nearly a third, 30%, informed us they would be looking to commit to distressed private equity funds. Both primary funds of funds and secondaries funds are set to receive considerable investor interest during 2010/11, with 16% and 17% of respondents citing these fund types respectively.

We also asked investors which areas of the market they would be avoiding where previously they would have invested. A considerable 42% told us they would continue to consider the same private equity fund types as they had in the past. Although 37% informed us they would no longer seek to invest in mega buyout funds, this was not always as a result of a lack of interest in, or negative view of, that sector; a US public pension fund told us “we are not staying clear of large buyout, but we are less likely to invest in it, just because we committed to a lot of large buyout funds in the past and have a lot of unfunded commitments from these funds.” However, other investors did view these vehicles as unattractive in the current market, with one Danish pension fund informing us that it is “gradually moving out of mega buyouts and larger funds.”

It is important to note that, for Fig. 10.12, institutions were not asked whether they felt each fund type was attractive. The results displayed signify the areas of the market that investors themselves named and consequently represent the areas that investors are either most or least interested in.

Fig. 10.12:

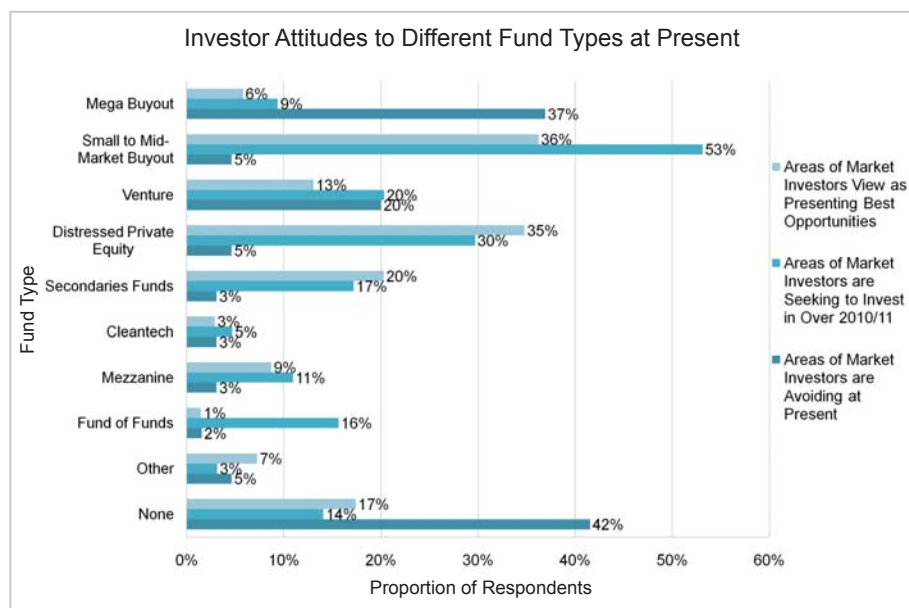
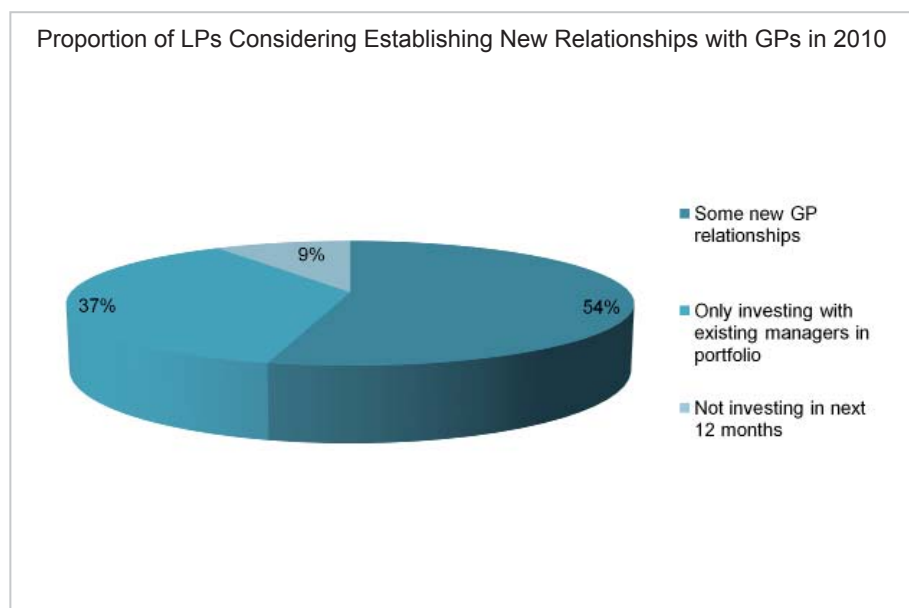


Fig. 10.13:



#### Establishing New GP Relationships

Most GPs need to secure capital commitments from LPs they do not have a prior relationship with in order to successfully raise their targeted level of capital. For funds closed in 2008 and 2009, the vast majority required a certain number of new LPs: only around one-fifth of funds had investor bases made

up of more than 90% returning LPs. Furthermore, in today's environment of increasing LP caution, and with LPs often lacking capital for new investments owing to a lack of distributions, it is possible that GPs will increasingly have to look outside their existing investor base when fundraising.

To assess how challenging a prospect

www.preqin.com/reports

## 2010 Preqin Global Alternatives Reports



The 2010 Preqin Global Alternatives Reports are the most comprehensive reviews of the alternatives investment industry ever undertaken, and are a must have for anyone seeking to understand the latest developments in the private equity, real estate and infrastructure markets.

Intended for use as both a vital source of information about current market conditions, and also as information-packed reference guides, this year's editions include:

- Interviews and articles from the most important people in the industry today;
- Detailed analysis on every aspect of the industry with a review of 2009, and predictions for the coming year;
- Comprehensive source of stats - including fundraising, performance, deals, GPs, secondaries, fund terms, investors, placement agents, advisors, law firms;
- Numerous reference guides for different aspects of the industry - Who is the biggest? Where are the centres of activity? How much has been raised? Where is the capital going? Who is investing? What are the biggest deals? What is the outlook for the industry?
- Plus much more...



2010 Preqin Global Alternatives Reports Order Form - Please complete and return via fax, email or post

I would like to purchase:

Name	1 Copy	✓	2 Copies (10% saving)	✓	5 Copies (25% saving)	✓	10 Copies (35% saving)	✓	Data Pack (Please Tick) *
Private Equity	\$175/£95/€115	<input type="checkbox"/>	\$315/£170/€205	<input type="checkbox"/>	\$655/£355/€430	<input type="checkbox"/>	\$1,135/£620/€750	<input type="checkbox"/>	<input type="checkbox"/>
Real Estate	\$175/£95/€115	<input type="checkbox"/>	\$315/£170/€205	<input type="checkbox"/>	\$655/£355/€430	<input type="checkbox"/>	\$1,135/£620/€750	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure	\$175/£95/€115	<input type="checkbox"/>	\$315/£170/€205	<input type="checkbox"/>	\$655/£355/€430	<input type="checkbox"/>	\$1,135/£620/€750	<input type="checkbox"/>	<input type="checkbox"/>
All Titles (33% Saving!)	\$350/£190/€230	<input type="checkbox"/>	\$630/£340/€410	<input type="checkbox"/>	\$1,310/£710/€860	<input type="checkbox"/>	\$2,270/£1,240/€1,500	<input type="checkbox"/>	<input type="checkbox"/>

If you would like to order a bulk purchase including more than 10 copies of one title, please contact us for special rates.

Please select currency for payment:

US Dollars (\$)  GB Pounds (£)  Euros (€)

\* Data Pack Costs: \$300/£180/€185 for single publication

Shipping Costs: \$40 / £10 / €25 for single publication  
\$60 / £15 / €37 for multiple copies

Name: \_\_\_\_\_

Firm: \_\_\_\_\_ Job Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Post / Zip Code: \_\_\_\_\_ Country: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

### Payment Options:

Cheque enclosed (please make cheque payable to 'Preqin')

Credit Card  Visa  Mastercard  Amex

Please invoice me

Card Number: \_\_\_\_\_

Expiration Date: \_\_\_\_\_ Security Code\*: \_\_\_\_\_

Name on Card: \_\_\_\_\_

\*Security Code:



Visa / Mastercard: the last 3 digits printed on the back of the card.



American Express: the 4 digit code is printed on the front of the card.

Preqin - Scotia House, 33 Finsbury Square, London, EC2A 1BB

w: www.preqin.com / e: info@preqin.com / t: +44 (0)20 7065 5100 / f: +44 (0)87 0330 5892 or +1 440 445 9595