Private Equity Spotlight

November 2013

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

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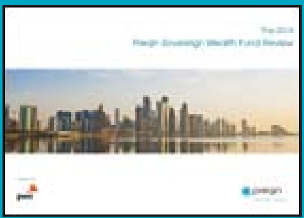
FEATURED PUBLICATION:

2014 Preqin Sovereign Wealth Fund Review



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You can download all the data in this month's Spotlight in Excel.

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing, please cite Preqin as the source.

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Dear Spotlight reader,

We are very pleased to offer a **15% discount** to Spotlight readers for places at the SuperInvestor Asia conference in Singapore, 22 – 24 January 2014.

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As well as offering you the perfect opportunity to meet key regional contacts, SuperInvestor Asia will be digging deeper into the current dynamics of the LP/GP relationship with a pan-Asian focus exploring the hottest topics in private equity.

I'll be delivering the Latest Data Presentation at the Fundraising Summit on Wednesday 22nd January, as well as chairing the LP Strategies stream on day 1 of the Main Conference, Thursday 23rd January. I hope to see you there!

Kindest regards

Mark O'Hare
Managing Director,
Preqin

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Value Creation for Secondary Fund Investors

Bernd Kreuter, Palladio Partners & Oliver Gottschalg, PERACS

Bernd Kreuter and Oliver Gottschalg present their findings on a study of performance of secondaries investments, using a new proprietary methodology developed by PERACS.

The private equity secondaries market has captured the attention of copious types of investors around the world, as they recognize the benefits they can offer to those that were not investors in the primary round. However, the level of value creation is variable and can be influenced by LPs in four ways:

1. Market timing (i.e. when exactly to buy secondary interests)
2. Fund selection (i.e. investing in better performing funds)
3. Discount negotiation (i.e. negotiating a discount to the net asset value at the time of investment)
4. Fund life cycle timing (i.e. selecting funds at an appropriate timing within their life cycle)

In order to understand the issues, we can simulate the performance of a hypothetical secondary investor buying a given subset of these funds at a given age and at a given price (relative to NAV), then compare the performance of these investments to a primary commitment to the same sample of funds. We do this by using performance data on a sample of 718 primary buyout funds from vintages 1980 to 2013 provided by Preqin.

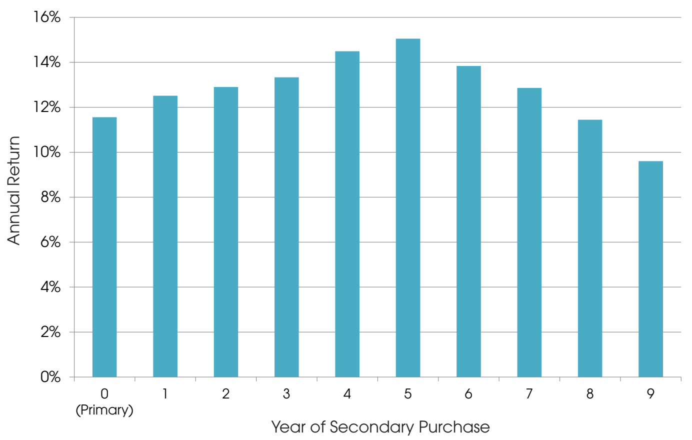
To avoid the problems with the traditional IRR measure[1], which leads to a distortion and often an overstatement of performance for secondary funds, we applied the improved PERACS rate of return as our measure of annual returns. This is defined as: PERACS Rate of Return = (Return Multiple ^(1/Duration in years))-1), and is used in the following whenever we speak of return.[2]

Secondaries Exhibit Higher Returns Than Primaries Even Before Discounts

Fig. 1 shows the returns of a simulated secondary investment (measured at the end of the fund's life), plotted against the number of years into a primary fund's life that the purchase was made. The graph uses data for all vintage years combined and assumes no discounts.

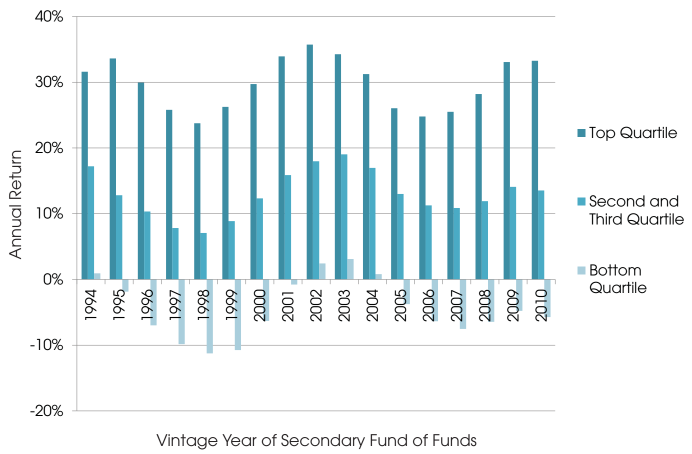
The chart in Fig. 1 confirms the intuition that the best return can be achieved when investing in mid secondaries; i.e. in years four to six. Indeed, the outperformance of early and mid secondaries versus primaries is a corollary to the J-curve effect.

Fig. 1: Returns of Secondary Investments by Age of Target Fund



Source: Preqin & PERACS/Palladio Analysis

Fig. 2: Returns (PRR) of Mid Secondaries by Quartiles for Different Secondary Vintage Years



Source: Preqin & PERACS/Palladio Analysis

Fund Selection Is Very Important For Secondaries

For the time being we simply assume that all investments occur at NAV, i.e. we ignore the impact of discounts. It is interesting to assess how much performance varies when we model a

[1] See, for example Phalippou, Ludovic, 'The Hazards of Using IRR to Measure Performance: The Case of Private Equity'. Available at SSRN: http://ssrn.com/abstract=1111796 or http://dx.doi.org/10.2139/ssrn.1111796
[2] For further information, see www.peracs.com or watch: http://www.youtube.com/watch?v=7Zbz-YTGL-o

secondary investor's differential ability to identify particularly high performing funds. In doing so, we simulate the annualized performance of a secondary fund of funds, raised in a given vintage year and investing equally over a four-year investment period. For mid-secondary funds, the average spread between a secondary investor that exclusively acquires actual top quartile funds (based on the end-of-life performance of the primary funds) versus funds from the second or third quartile amounts to over 16%. The average spread between the median quartiles and the bottom quartile exceeds 17%. These spreads are persistent over various cycles (Fig. 2), and show that there is substantial potential for value creation through fund selection.

In practice, the quality of the underlying primary funds will at least partially be reflected in the price for secondary fund stakes, always as a function of the NAV at time of purchase. To analyze the impact of this effect on the aforementioned results, we have created a simulated secondary fund of funds and we now consider discounts and premiums to the entry prices at which our simulated secondary fund of funds can invest. Given that lower quality funds can usually be bought at deeper discounts in the secondary market, this brings us closer to a real-world setting. In Fig. 3 we compare the performances of:

- Top quartile funds that have been bought at a 20% premium to NAV
- Second and third quartile funds that have been bought with a 20% discount to NAV
- Bottom quartile funds that have been bought at a 50% discount to NAV

Fig. 3 shows that investing in top quartile funds even at a 20% premium to NAV is still slightly superior to investing in second and third quartile funds with a 20% discount; purchasing bottom quartile funds with 50% discount is worse than both other alternatives. The picture only reverses in the most recent years when the discount/ premium effect outweighs the fund quality effect. The latter will be analyzed in more detail in the following section.

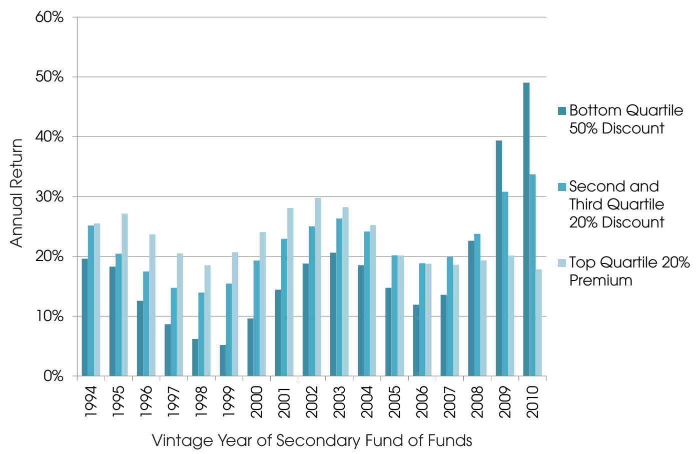
Secondary Investments Yield Distorted J-Curves

Even if a secondary investor acquires a primary fund stake at a discount or premium relative to its NAV at the time, the investor will usually immediately after the acquisition write the value of this fund up/down to par. The resulting effect of discount/premium investing can have a substantial impact on the annualized performance of the secondary fund shortly after the investment, but will naturally vanish over time.

As before, we model a secondary investor's differential ability to identify particularly high performing funds based on a simulation of the annualized performance of a secondary fund investing equally over a four-year investment period (in all primary fund vintages pre-2005) over the life of the secondary fund. We consider different quartiles and start by applying the same discount/premium to all funds. We first assume a 30% discount. Figs. 4 and 5 show that this yields an "inverted J-curve"; there are abnormally high annualized returns for the first three years, until the effect vanishes.

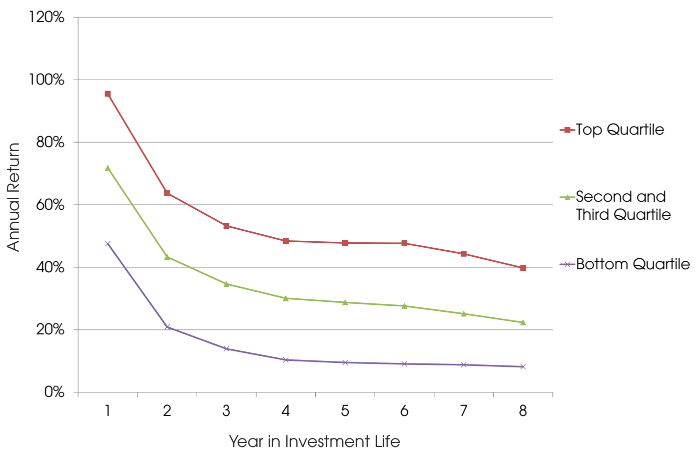
As we can see from these results, the high performance of bottom quartile secondary funds from recent vintage years bought at a steep discount as shown in Fig. 3 are not indicative of the true

Fig. 3: Returns of Mid Secondaries with Quality-Dependent Price Discounts for Different Secondary Vintage Years



Source: Preqin & PERACS/Palladio Analysis

Fig. 4: Annualized Returns (PRR) ("J-Curve") of Mid Secondaries by Fund Quality (Assuming a 30% Discount)[3]



Source: Preqin & PERACS/Palladio Analysis

long-term performance of these funds. Rather, they are merely a reflection of written-up discounts to NAV for recently acquired primary fund stakes.

In reality, discounts and fund quality are likely to be linked due to market forces. Fig. 5 contrasts the J-curve patterns of two hypothetical cases: a top quartile fund bought at a 20% premium to that of a bottom quartile fund bought at 30% discount.

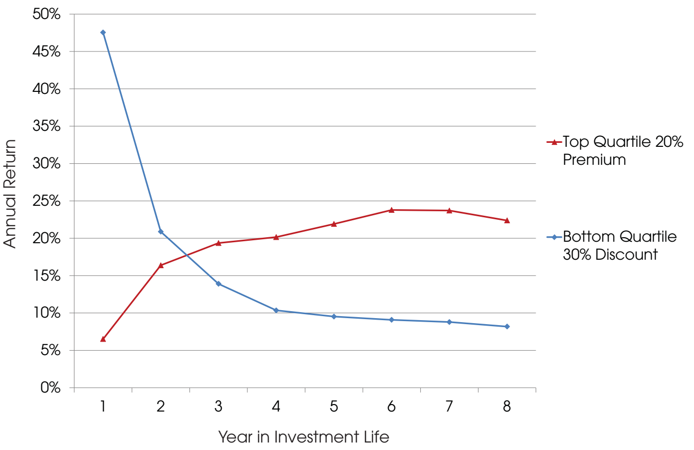
In the long run, the return differential is over 14% in favour of the top quartile fund. But in the short term, the discount effect is more prevalent. Investing in low quality funds at a deep discount therefore offers certain window dressing opportunities. This finding suggests that depending on an investor's preference for short-term vs. long-term performance, different types of secondary investments will be most attractive.

Benchmarking of Secondary Funds of Funds

The methodology developed here can be used to design an insightful benchmark for secondary funds of funds as well as in-house secondary programs and managed accounts. The intuition

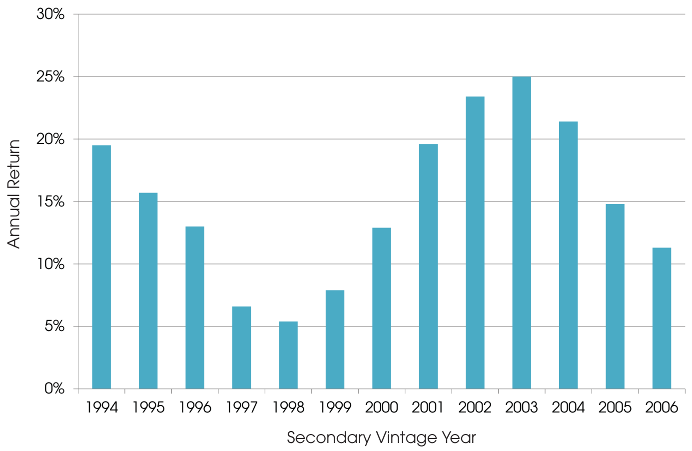
[3] *All statistics in this section cover funds with vintage year up to 2004.*

Fig. 5: Comparing J-Curves of Low vs. High Quality Funds at Different Entry Prices



Source: Preqin & PERACS/Palladio Analysis

Fig. 6: Secondary Fund of Funds Benchmark: Annualized Return (PRR)[5]



Source: Preqin & PERACS/Palladio Analysis

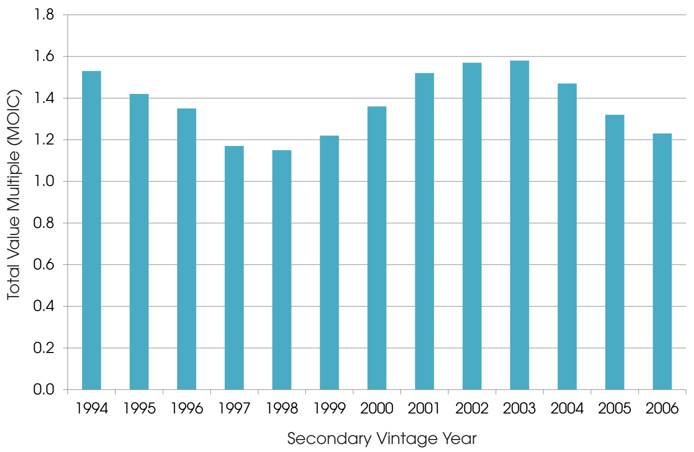
is to compare real-world secondary funds to a passive investment in the market. As a market benchmark we propose simulated secondary investments into our sample of primary funds with the following generic features:

- Proportional investment over an investment period of four years
- Proportional investment in all available primary funds that are between three and seven years old at that point in time
- Investment at NAV (i.e. no discounts applied)
- Only fees charged by primary GPs are considered

Clearly, in the real world, these assumptions are unlikely to hold true. The average secondary transaction will typically be priced at a discount to NAV – and one would also assume that not all primary funds are "for sale" at any given point of time, but that the accessible sample of underlying funds is more likely to be downward biased in terms of their performance, as investors will be less likely to see top quartile funds in the secondary market. The exact extent to which these two effects are present in the actual secondary market is difficult to know with certainty. Importantly, however, both effects work in opposite directions, as the former is likely to allow greater return than what we assume in our simulation, while the latter will tend to lower secondary returns relative to our assumptions. While we cannot be sure that the two effects will cancel one another out completely, it still gives us some confidence that the benchmark that results from our assumptions and methodology is still representative for the performance of investors in secondaries.[4]

Applying our method to simulate secondary fund performance for different vintage years, always assuming a target age of primary funds between three and seven years old, we obtain a performance benchmark by secondary vintage year as shown in Fig. 6 for annual returns (PRR) and in Fig. 7 for the total value multiple (i.e. TVPI or MOIC). Notwithstanding the limitations of our methodology, it is highly interesting to compare a real-world secondary fund of funds to our benchmark. Each real world fund has, compared to our assumptions, the following options to create further value through:

Fig. 7: Secondary Fund of Funds Benchmark: Total Value Multiple (TVPI or MOIC)[5]



Source: Preqin & PERACS/Palladio Analysis

- Timing of investments over investment period of the fund of funds program
- Fund selection in terms of age and quality
- Discount negotiation

On the other hand, secondary funds of funds charge additional fees. One could therefore look at the performance of real-world secondary funds and compare it to our benchmark.

As compared to the somewhat limited number of secondary funds of funds that is usually used for peer group benchmarking, our proposed benchmark covers a much broader spectrum in the market and is also less vulnerable to systematic market distortions that may exist in the secondary fund of funds market.

Conclusion

Our results show that secondary investments exhibit some features that make them highly attractive to LPs. However it is important as an LP to keep a few things in mind: first, one must not be "blinded"

[4] Another point to keep in mind is that we explicitly assume that our initial sample of 718 primary buyout funds is indeed representative in terms of their performance across different vintage years.
[5] In Figs. 6 and 7, the investment strategy is as described at the beginning of this section (investment in the "market" over 4 years).

by the artificially high early annual performance of secondary funds/programs that buy primary funds at steep discounts. Second, even at steep discounts, secondary investors that pick up the bottom quartile of funds are likely to be disappointed in the long run; and finally, we see that while some real-world secondary funds seem to be generating great value based on their strategy, others do not seem to be able to justify their fees. One may hope that the availability of new secondary benchmarks that follow the proprietary methodology we have developed will enable LPs to better separate the former from the latter.

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About PERACS:

PERACS is a leading provider of independent track record performance certification services for alternative investments driven by more than a decade's pioneering research developed by the company's world recognized founder, Professor Oliver Gottschalg. Today, PERACS is being applied by firms representing more than 20% of global private equity fundraising volume.

The company's proprietary PE Due Diligence Analytics is an exceptionally powerful method for identifying key attributes of performance, risk profile, strategic differentiators with a novel statistical benchmarking algorithm. A comprehensive set of standardized, quantitative metrics is generated at the deal-, fund- and portfolio level cumulatively as well as continuously for periodic reporting. General partners use PERACS to enhance fundraising effectiveness and efficiency, crystallizing firm competitive positioning and ongoing investor communication. Limited partners use PERACS to provide unique perspective into portfolio risk and return profile with application in portfolio design, investment decision support and optimizing performance. For further information, please visit www.peracs.com.

About Palladio Partners:

Palladio Partners provides independent advice on the implementation of illiquid investment strategies to German institutional investors.

Preqin Industry News: Investor Appetite for Distressed Private Equity Funds

Antonia Lee looks at investor appetite for funds that fall under the distressed private equity umbrella, encompassing distressed debt, special situation and turnaround vehicles, including investors that have recently made commitments to these funds, and the investors that plan to target distressed private equity funds in the year ahead.

A number of investors have made commitments to distressed private equity funds this year:

The €15.4bn Finnish State Pension Fund made a commitment to EQT Credit Fund II, which held a final close in October 2013 after collecting €845mn from investors, above its €750mn target. EQT Credit Fund II invests in the debt of operationally sound but overleveraged European companies. Other commitments came from Access Capital Partners, AP-Fonden 4 and Lancashire County Council Pension Fund.

The $20.7bn Texas County & District Retirement System (TCDRS) made a commitment of $50mn to the inaugural private equity fund raised by Peak Rock Capital. Peak Rock Capital raised $700mn for its maiden fund, greatly exceeding its initial target of $400mn. Peak Rock Capital Fund is a special situation vehicle, investing across a broad selection of industries, including industrials, transportation, commercial services, consumer, media, healthcare and energy sectors, primarily targeting North America.

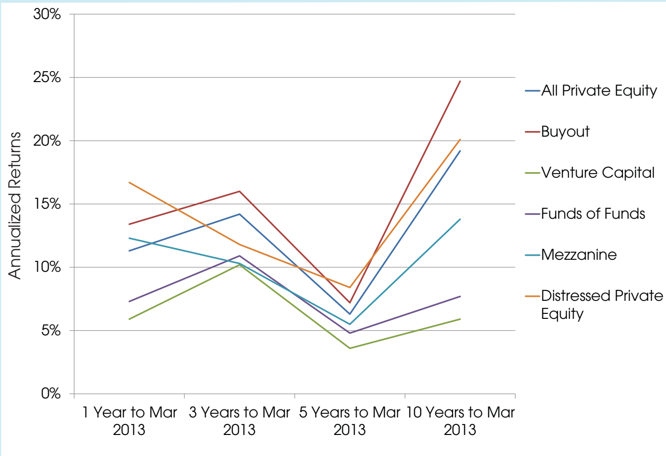
Several investors are planning commitments to distressed private equity funds in the next 12 months:

Industrial Bank of Kuwait will commit to three new private equity funds over the next 12 months. For its forthcoming commitments, the $2bn bank will commit to a range of fund types, including distressed debt funds. It will look to mainly re-up with fund managers in its existing portfolio, although the bank may also form some new GP relationships. Industrial Bank of Kuwait typically commits between $3mn and $5mn per private equity vehicle, and will co-invest alongside fund managers.

Pro-Invest Group is looking to commit to one or two private equity funds over the coming 12 months. The $1bn Dubai-based investment company will look to target Europe-focused distressed debt vehicles, as well as growth vehicles focusing on opportunities in Asia. The investment company will look to work with existing managers in its portfolio, as well as form new GP relationships. Pro-Invest Group typically commits between $10mn and $30mn per private equity fund, and is open to co-investment opportunities.

How have distressed private equity funds performed over the longer term?

Chart of the Month: Private Equity Horizon IRRs as of 31 March 2013



Source: Preqin Performance Analyst

The Chart of the Month is the first unveiling of Preqin's Distressed Private Equity Horizon IRRs, demonstrating the appeal of the fund type to investors. Over the one-year horizon period, distressed private equity funds have outperformed all other asset classes with a horizon IRR of 16.7%, as well as over five years at 8.4%. Furthermore, over 10 years, the fund type is second only to buyout funds, with a horizon IRR of 20.1%.

University of Wisconsin System Trust Funds is looking to commit between $4mn and $5mn to new private equity funds over the next 12 months. The $365mn endowment plan will look to target special situations funds, as well as venture capital and buyout vehicles, and is open to investing globally, including emerging markets. University of Wisconsin System Trust Funds will look to re-up with fund of funds managers in its existing portfolio and will not consider new managers. It is currently above its 10% target allocation to the asset class, with a current allocation of 12% of total assets.

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

2014 Preqin Sovereign Wealth Fund Review: Executive Summary

This month's lead article features key analysis from the 2014 Preqin Sovereign Wealth Fund Review, the industry's most comprehensive guide to sovereign wealth funds.

Sovereign wealth funds, the secretive and exclusive subset of the institutional investor community, continue to make headline news in 2013 due to their large assets and growing influence over the global financial community. The total assets of sovereign wealth funds have been steadily increasing since Preqin launched its first Sovereign Wealth Fund Review back in 2008. For the first time, assets of these sovereign wealth entities have surpassed the $5tn mark, with total assets estimated at $5.4tn as of October 2013; sovereign wealth funds have gained more than $750bn in additional assets since 2012. This represents the largest jump in total assets of sovereign wealth funds since Preqin started its annual study of the universe.

Growth in sovereign wealth fund assets under management can be attributed to two major factors: the first is the large number of new sovereign wealth funds that have been formed over the past couple of years; the second is the growing assets of pre-existing sovereign wealth funds.

Newly Established Sovereign Wealth Funds

The 2014 Preqin Sovereign Wealth Fund Review profiles 72 sovereign wealth funds, 10 more than last year's edition. Over the past year we have seen some notable sovereign wealth funds come into existence and begin to make investments; for instance, Western Australian Future Fund, established in December 2012 with AUD 1bn, is designed to fund future generations of Western Australians by setting aside and accumulating a portion of the State's revenue from mineral resources. Fundo Soverano Angolano was initially discussed in 2008, but was finally established in October 2012. In its most recent investment policy announcement in Q2 2013, Fundo Soverano Angolano stated its intention to build a diversified portfolio, which would include investment in equities, bonds, real estate and infrastructure.

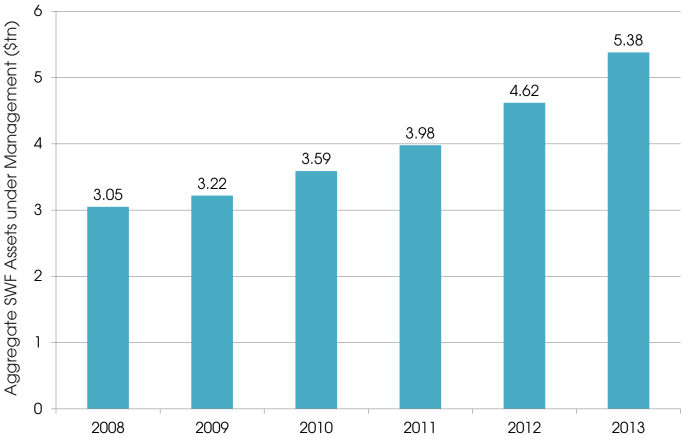
As well as new sovereign wealth funds being established from scratch, others have undergone significant changes. BPIFrance was formed in 2013 following a merger between Caisse des Dépôts, the former sovereign wealth fund Strategic Investment Fund (SIF), and OSEO. It is designed to support small- and medium-sized businesses and provide seed capital to companies and industries it feels will become market leaders. BPIFrance has $25.8bn in assets under management.

Growing Assets of Existing Sovereign Wealth Funds

Since 2012, 63% of the sovereign wealth funds tracked by Preqin have grown in assets under management. This is as a result of injections of capital from the governing bodies of the sovereign wealth funds, as well as growth due to investment activity.

In the immediate aftermath of the credit crisis, several sovereign wealth funds saw their assets depleted as a result of government withdrawals to balance governmental fiscal shortfalls. However, over the past two years we have seen capital being injected into sovereign wealth funds in order to ensure security for future generations funded by the reserves created today. For instance, the North Dakota Legacy Fund, which is funded by 30% of the revenue generated by oil and gas production in the region, is currently in its accumulation phase. The Legacy Fund is not permitted to spend any earnings until 2017. North Dakota has changed its investment strategy over the past year and is now looking to generate higher annualized returns from its investments in equities, fixed income products, real estate and real assets.

Fig. 1: Aggregate Sovereign Wealth Fund Assets under Management, 2008 - 2013



Source: 2014 Preqin Sovereign Wealth Fund Review

Other sovereign wealth funds have significant plans to grow in the future. For example, the $4.8bn Heritage and Stablisation Fund (Trinidad and Tobago) is targeting growth of up to $40bn by 2020 if the budget of Trinidad and Tobago moves towards a non-energy fiscal deficit of 10% of GDP.

If more resource-rich economies continue to plan new sovereign wealth funds, and existing sovereign wealth funds continue to expand and accumulate assets, we can reasonably expect further growth in the sovereign wealth fund space in the future. In turn, these entities will continue to become an ever more important source of funding in the asset management space.

Alternative Investments

Sovereign wealth funds can be categorized by their longer-term investment horizons as well as their different objectives and, in general, lack of liabilities that need to be met, unlike pension funds. This allows them to take not only significant stakes in the funds and the securities they invest in, but also a long-term outlook when making an allocation. In fact, sovereign wealth funding can be the "stickiest" of all institutional investors as they seek returns over long periods and do not divest in times of crisis.

Alternative assets have become an important part of the portfolio of many sovereign wealth funds over recent years. Infrastructure investments are the most commonly used asset by these sovereign bodies, unsurprising given that many sovereign wealth funds are established in order to build on and improve the existing infrastructure within their country or region.

There has been a decline in the proportion of sovereign wealth fund investors that allocate to private equity and hedge fund investments since our 2012 Preqin Sovereign Wealth Fund Review. Some of this decline can be accounted for by the growth in the number of new sovereign wealth funds being established. Typically these newer sovereign wealth funds will not allocate to alternative investments, such as hedge funds and private equity funds, for a few years as they build up their investment teams and accumulate assets; during this period they tend to focus on investments in traditional funds, and equities and fixed income securities.

Regardless, there has been some significant activity by sovereign wealth funds in the private equity and hedge fund space over the past 12 months. Apax VIII closed in June 2013 with €5.8bn in commitments, including investments from three sovereign wealth funds: China Investment Corporation, GIC and FutureFund. As well as commitments to the largest funds, sovereign wealth funds have been active in smaller and more niche vehicles. For example, New Zealand Superannuation Fund acted as a key investor in the local Pioneer Capital Partners II vehicle, which opened and closed in 2013. Other sovereign wealth funds have been particularly active investors over the past 12 months, making a large number of investments. One of the most prolific is New Mexico State Investment Council, which has made investments in at least eight 2013 vintage private equity funds so far in 2013.

The Future of Sovereign Wealth Funds

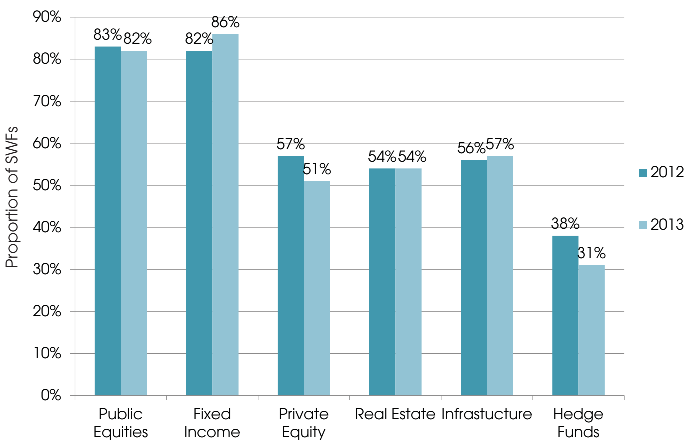
Like all other investors, the worldwide financial crisis, which began in 2008, has undoubtedly had an effect on sovereign wealth funds. Other geopolitical events, most notably the Arab Spring, have also impacted the sovereign wealth fund community; many of these investors are located in some of these communities and are funded by governments in these areas. Despite the uncertainty caused by both financial and political unrest, sovereign wealth funds have continued to thrive and to grow. However, some regions have experienced stronger growth than others; for instance, over the past year the assets under management of Middle Eastern sovereign wealth funds have increased by 6%, compared to the 19% growth in assets of Asia-based sovereign wealth funds.

Preqin tracks 27 more sovereign wealth funds today than in our first publication released in 2008, and more sovereign wealth funds look set to be created as other nations plan entities to invest in the future of their population. For instance, currently India, Bolivia and Panama are all undergoing internal discussions to form their own sovereign wealth funds.

The 2014 Preqin Sovereign Wealth Fund Review

Preqin's first Sovereign Wealth Fund Review was launched in 2008 in response to the need for more information on these secretive entities and their investments in the private equity and private real estate sectors. Following the success of this inaugural review of the industry,

Fig. 2: Proportion of Sovereign Wealth Funds Investing in Each Asset Class, 2012 vs. 2013



Source: 2014 Preqin Sovereign Wealth Funds Review

Preqin received hundreds of enquiries from professionals working in all areas of finance and research that were seeking a source of data and information on the more general strategies of sovereign wealth funds. With our dedicated research team based across the globe, Preqin was able to do just that, and in our sixth and most comprehensive edition ever, we look across the entire investment portfolios of sovereign wealth funds, showing investment plans and preferences in the following areas:

- Public Equities
- Fixed Income Securities
- Private Equity
- Real Estate
- Infrastructure
- Hedge Funds

Since our first publication, sovereign wealth funds have grown by 68% in terms of assets under management. As a result, the influence of sovereign wealth funds has become undeniable; with total assets topping $5.4tn, these investors have reached a size comparable to that of the entire alternative assets industry, which Preqin today estimates at approximately $5.5tn.

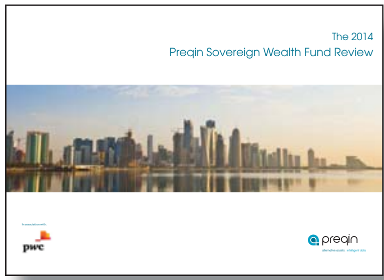
2014 Preqin Sovereign Wealth Fund Review

preqin
alternative assets. intelligent data.

The 2014 Preqin Sovereign Wealth Fund Review is our largest and most comprehensive review yet of sovereign wealth funds and their investment activity. Our guide, which has been completely updated and expanded to include new information on every area of sovereign wealth fund investment portfolios, is indispensable for anyone looking to find out more about these secretive investors. Produced in association with PwC, this year's edition has more content than ever before, and features full profiles for 72 sovereign wealth funds worldwide.

Highlights of this year's edition include:

- Overview of the sovereign wealth fund market.
- Key insights into SWF activity from PwC.
- Separate analysis sections identifying all key trends and patterns for sovereign wealth fund activity in each asset class.
- League table of top sovereign wealth funds by total assets.
- Full profiles for all sovereign wealth funds.



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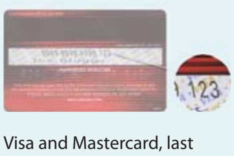

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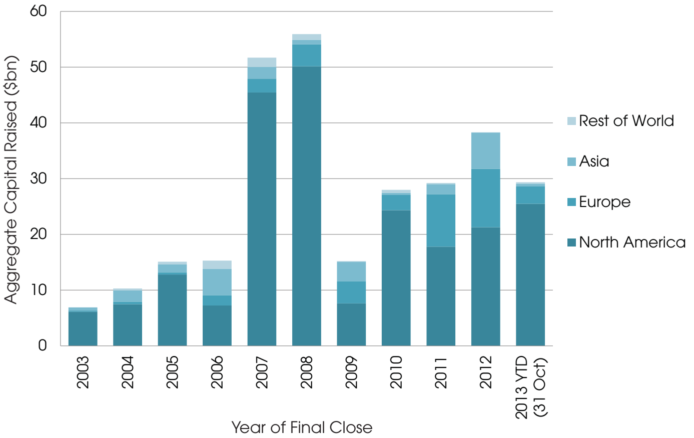
Distressed Private Equity

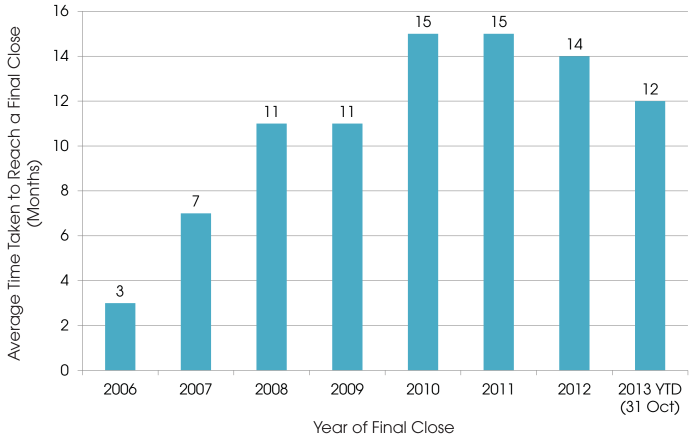
With 59 vehicles on the road seeking an aggregate $38bn, distressed private equity* comprises a significant proportion of the private equity industry. Richard Stus looks at the latest statistics for distressed private equity funds in market and historical fundraising figures.

Fig. 1: Breakdown of Annual Distressed Private Equity Fundraising by Primary Geographic Focus, 2003 - 2013 YTD (As at 31 October 2013)



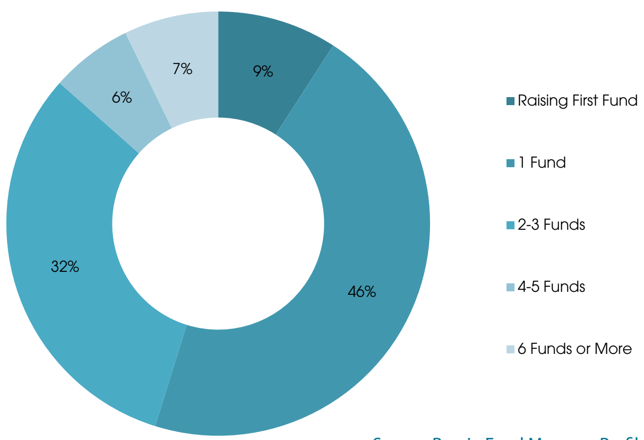
Source: Preqin Funds in Market

Fig. 2: Average Time Spent on the Road by Distressed Private Equity Funds, 2006 - 2013 YTD (As at 31 October 2013)



Source: Preqin Funds in Market

Fig. 3: Breakdown of Distressed Private Equity Firms by Number of Funds Previously Raised



Source: Preqin Fund Manager Profiles

Distressed private equity includes distressed debt, special situations and turnaround funds.

Data Source:

Subscribers to Preqin's Funds in Market can click here to view detailed information on all 59 distressed private equity funds currently in market, including geographic focus, target size, interim closes and more.

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www.preqin.com/fim

Fig. 4: 10 Largest Distressed Private Equity Funds Currently in Market (As at 31 October 2013)

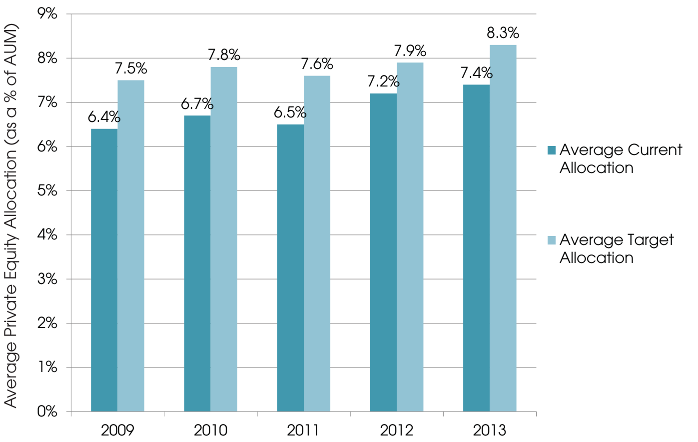
Fund	Firm	Fund Type	Fund Target (bn)	Status	Geographic Focus	Firm Location
Mount Kellett Capital Partners III	Mount Kellett Capital Management	Special Situation	4.0 USD	Raising	Asia, Europe, North America	US
Oaktree Principal Fund VI	Oaktree Capital Management	Distressed Debt	3.0 USD	First Close	Global	US
Sun Capital Partners VI	Sun Capital Partners	Turnaround	3.0 USD	First Close	North America, Europe	US
MHR Institutional Partners IV	MHR Fund Management	Distressed Debt	2.8 USD	Raising	North America	US
Varde Fund XI	Värde Partners	Distressed Debt	2.0 USD	Raising	Asia, Europe, North America	US
Ares Capital Europe II	Ares Management	Distressed Debt	1.5 EUR	Raising	Europe	US
Carlyle Strategic Partners III	Carlyle Group	Distressed Debt	1.5 USD	First Close	Global	US
Vallis Construction Sector Consolidation Fund	Vallis Capital Partners	Turnaround	1.0 EUR	Third Close	Portugal	Portugal
KKR Special Situations Fund	Kohlberg Kravis Roberts	Special Situation	1.0 USD	First Close	Global	US
Providence Debt Opportunity Fund III	Providence Equity Partners	Distressed Debt	1.0 USD	Raising	North America	US

Source: Preqin Funds in Market

US Public Pension Funds

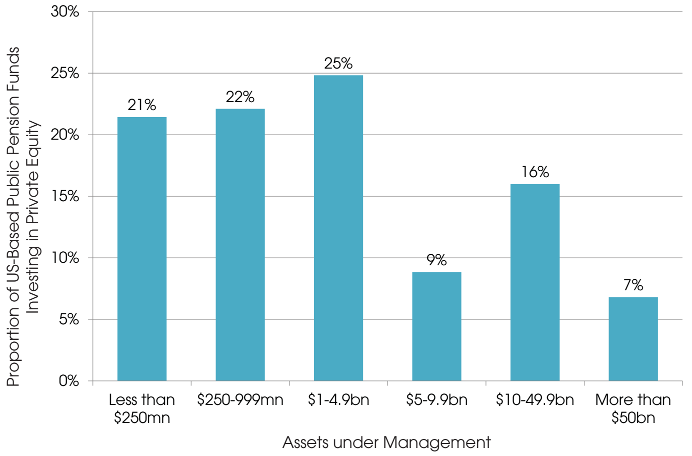
US public pension funds collectively commit the greatest amount to private equity compared to any other groups of investors. Joanna Nye presents the latest statistics on this key source of capital for private equity fund managers.

Fig. 1: US-Based Public Pension Funds Investing in Private Equity: Average Current and Target Allocations to Private Equity, 2009 - 2013



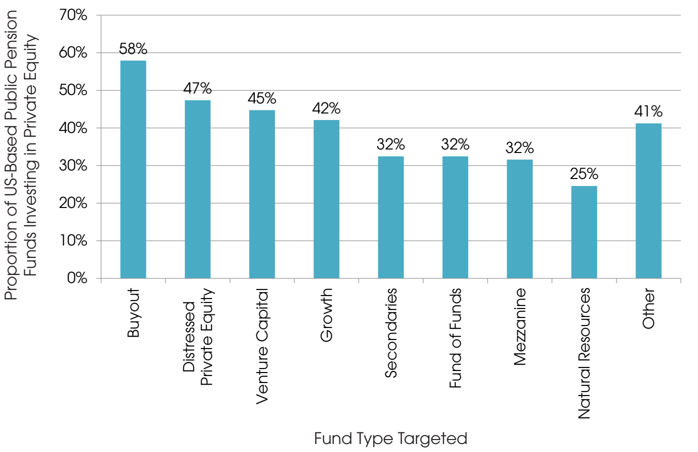
Source: Preqin Investor Intelligence

Fig. 2: Breakdown of US-Based Public Pension Funds Investing in Private Equity by Assets under Management



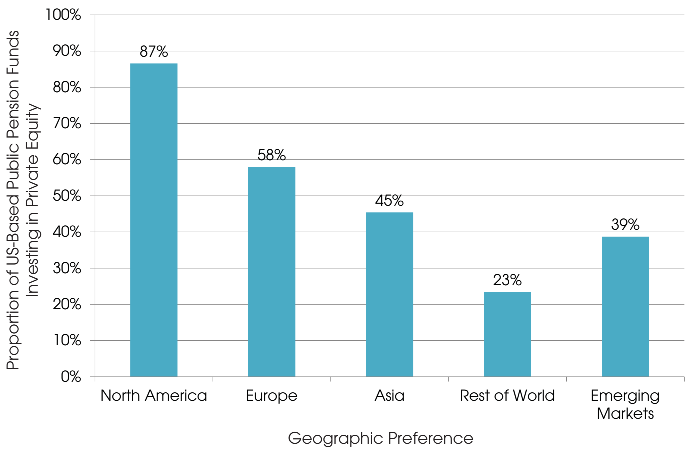
Source: Preqin Investor Intelligence

Fig. 3: Private Equity Fund Types Targeted by US-Based Public Pension Funds Investing in Private Equity in the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 4: Geographic Preferences of US-Based Public Pension Funds Investing in Private Equity



Source: Preqin Investor Intelligence

Data Source:

Subscribers to Preqin's Investor Intelligence can click here to view detailed profiles for all 294 US-based public pension funds investing in private equity, including fund type and geographic preferences, current and target allocations to private equity, future investment plans, known fund commitments, key contact details and more.

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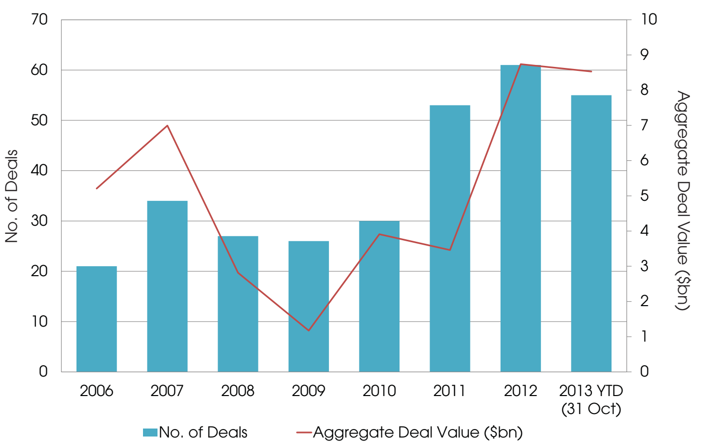
Buyout Deals: Insurance Sector

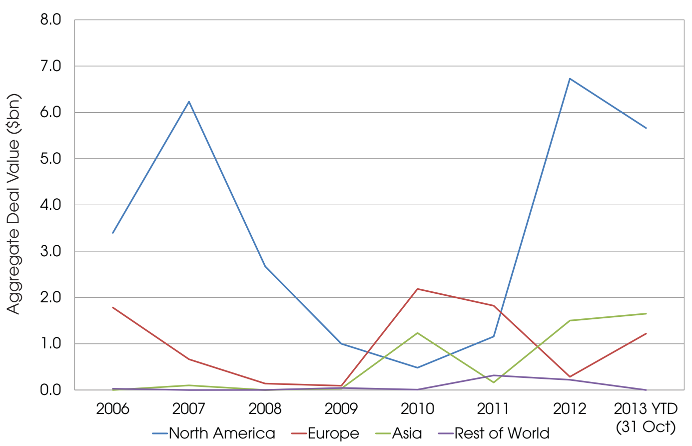
Several private equity firms are seeing the growing appeal of investing in insurance companies, reflected in increasing number of deals in this sector in recent years. Jessica Hull provides a breakdown of the latest aggregate statistics on private equity-backed buyout deals in the insurance sector.

Fig. 1: Number and Aggregate Value of Private Equity-Backed Buyout Deals in the Insurance Sector, 2006 - 2013 YTD (As at 31 October 2013)



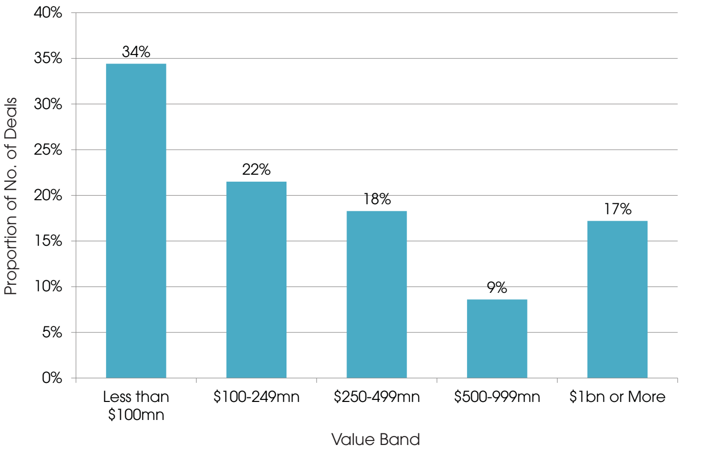
Source: Preqin Buyout Deals Analyst

Fig. 2: Aggregate Value of Private Equity-Backed Buyout Deals in the Insurance Sector by Region, 2006 - 2013 YTD (As at 31 October 2013)



Source: Preqin Buyout Deals Analyst

Fig. 3: Breakdown of Number of Private Equity-Backed Buyout Deals in the Insurance Sector by Value Band, 2006 - 2013 YTD (As at 31 October 2013)



Source: Preqin Buyout Deals Analyst

Data Source:

Preqin currently holds details for 307 private equity-backed buyout deals in the insurance sector that have taken place in 2006 – 2013 YTD. Subscribers can click here to use the Advanced Search feature on Preqin's Buyout Deals Analyst to view private equity-backed deals by portfolio company industry, deal date, investment type and more.

Not yet a subscriber? For more information, or to arrange a demonstration, please visit:

www.preqin.com/buyoutdeals

Fig. 4: Top Five Private Equity-Backed Buyout Deals in the Insurance Sector, 2013 YTD (As at 31 October 2013)

Firm	Investment Type	Deal Date	Deal Size (mn)	Deal Status	Investors	Bought From/Exiting Company	Location
Hub International Limited	Buyout	Aug-13	4,400 USD	Completed	Hellman & Friedman	Apax Partners, Morgan Stanley	US
ING Life Korea	Buyout	Aug-13	1,650 USD	Announced	MBK Partners	ING Groep NV	South Korea
Torus Insurance Holdings Ltd	Add-on	Jul-13	692 USD	Announced	Enstar Group, Goldman Sachs Merchant Banking Division, Stone Point Capital	Corsair Capital, First Reserve Corporation	Bermuda
Heidelberger Leben	Buyout	Aug-13	300 EUR	Announced	Cinven, Hannover Re	Lloyds Banking Group	Germany
Hyperion Insurance Group	Buyout	Mar-13	250 GBP	Completed	General Atlantic	3i, B. P. Marsh & Partners	UK

Source: Preqin Buyout Deals Analyst

Venture Capital Deals: Series A Crunch?

Jonny Parker analyzes angel/seed deals and looks into the number of companies that have raised Series A financing after an initial round of investment.

With an increasing number of companies receiving angel/seed funding, the pool of firms aiming to raise the next round of funding, Series A, has grown significantly. Series A investment activity has failed to keep pace with the volume of angel/seed funding, resulting in an environment in which it is increasingly difficult for companies to progress seamlessly to the next round of investment and causing concern in the industry over a "Series A" crunch.

Data Source:

Subscribers to Preqin's Venture Deals Analyst can click here for a list of all 813 Series A financings that have occurred so far in 2013. Premium subscribers can download the data into Excel and view data on deal size, named investors and more on a deal-by-deal basis.

Not yet a subscriber? For more information, or to arrange a demonstration, please visit:

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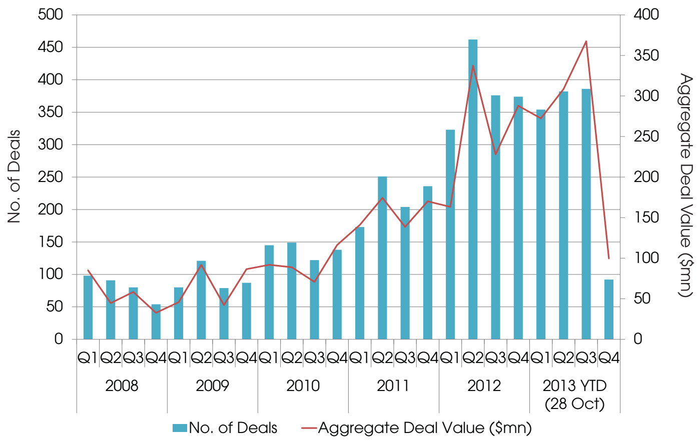
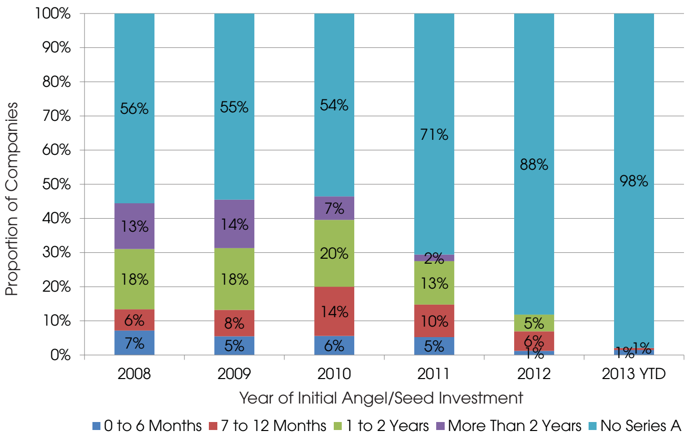
Fig. 1: Number and Aggregate Value of Angel/Seed Deals Globally, 2008 - 2013 YTD (As at 28 October 2013)



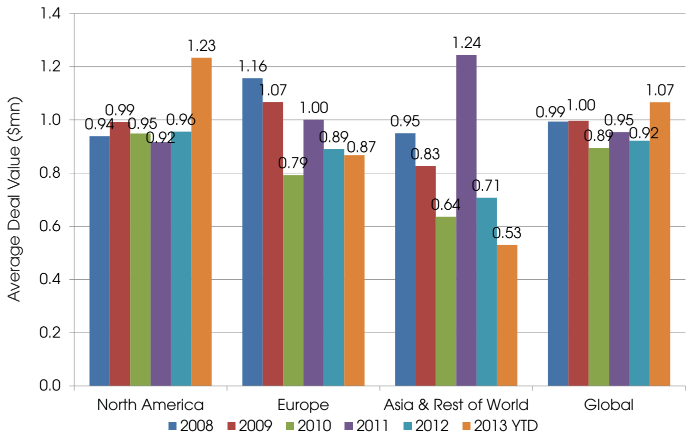
Source: Preqin Venture Deals Analyst

Fig. 2: Breakdown of Time Taken for Companies to Complete Series A Financing After Angel/Seed, 2008 - 2013 YTD (As at 28 October 2013)



Source: Preqin Venture Deals Analyst

Fig. 3: Average Value of Angel/Seed Deals by Region ($mn), 2008 - 2013 YTD (As at 28 October 2013)



Source: Preqin Venture Deals Analyst

Fig. 4: Five Largest Angel/Seed Investments, 2008 - 2013 YTD (As at 28 October 2013)

Portfolio Company Name	Stage	Deal Date	Deal Size (mn)	Deal Status	Investors	Location	Industry
Clinkle	Seed	Jun-13	25 USD	Completed	Accel Partners, Andreessen Horowitz, Intel Capital, Intuit, Inc.	US	Telecoms
Minerva Project	Seed	Apr-12	25 USD	Completed	Benchmark Capital	US	Education/Training
RetailMeNot, Inc.	Seed	Nov-09	21 USD	Completed	-	US	Internet
CHICR Fashion	Angel	Jan-11	100 CNY	Completed	-	China	Internet
Talentube	Angel	May-12	12 USD	Completed	-	India	Entertainment

Source: Preqin Venture Deals Analyst

Q2 2013 Preliminary Preqin Benchmarks

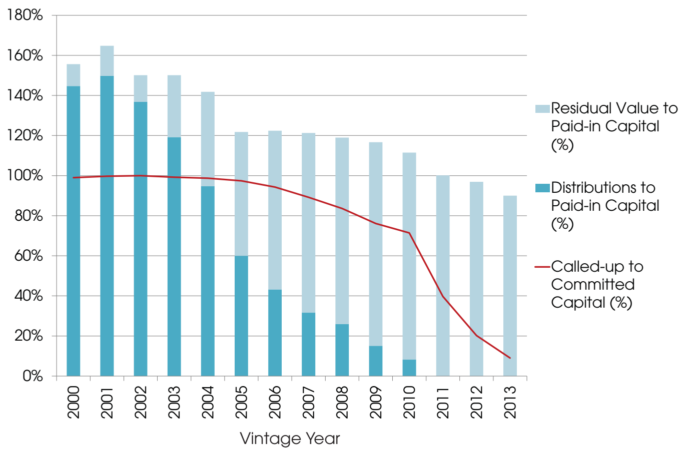
Gary Broughton examines preliminary private equity performance figures as of 30th June 2013*.

Fig. 1: Preqin All Private Equity Preliminary Benchmark as of 30 June 2013

		Median Fund			Net Multiple Quartiles (X)			Net IRR Quartiles (%)			Net IRR Max/Min (%)	
Vintage	No. of Funds	Called (%)	Dist (%) DPI	Value (%) RVPI	Q1	Median	Q3	Q1	Median	Q3	Max	Min
2013	34	9.0	0.0	90.0	1.01	0.90	0.66	n/m	n/m	n/m	n/m	n/m
2012	129	20.2	0.0	96.9	1.13	0.99	0.84	n/m	n/m	n/m	n/m	n/m
2011	146	39.7	0.1	100.0	1.20	1.08	0.93	n/m	n/m	n/m	n/m	n/m
2010	118	71.4	8.2	103.3	1.32	1.19	1.05	18.4	11.7	5.0	59.1	-28.8
2009	90	76.1	15.1	101.6	1.49	1.26	1.05	20.2	13.1	5.1	451.0	-33.0
2008	215	83.6	26.0	93.0	1.39	1.24	1.07	16.1	9.6	4.4	55.6	-30.2
2007	244	89.2	31.6	89.7	1.44	1.25	1.07	13.6	8.0	3.3	53.7	-76.2
2006	227	94.3	43.2	79.2	1.53	1.32	1.03	11.5	7.6	1.5	28.0	-100.0
2005	202	97.4	60.0	61.8	1.60	1.28	1.00	12.3	7.4	2.8	104.9	-100.0
2004	102	98.7	94.8	47.0	1.83	1.42	1.07	15.2	9.0	1.2	79.9	-26.0
2003	92	99.2	119.2	30.9	1.91	1.56	1.25	23.0	13.7	6.9	59.4	-29.3
2002	71	100.0	136.8	13.3	2.02	1.59	1.33	26.3	16.1	8.7	67.1	-17.5
2001	98	99.7	149.8	15.0	2.24	1.69	1.29	26.9	15.2	6.6	94.0	-23.9
2000	143	99.0	144.7	10.9	2.10	1.58	1.11	21.4	11.8	3.4	73.0	-66.2

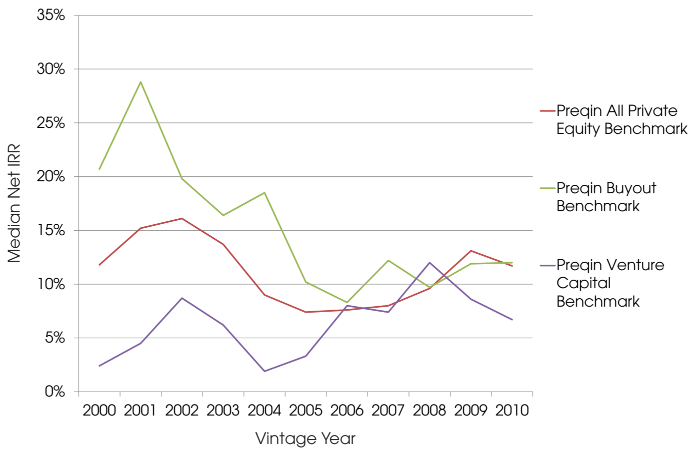
Source: Preqin Performance Analyst

Fig. 2: Preqin All Private Equity - Median Called, Distributions and Residual Value Ratios by Vintage Year as of 30 June 2013



Source: Preqin Performance Analyst

Fig. 3: Median Net IRRs - All Private Equity, Buyout and Venture Capital as of 30 June 2013



Source: Preqin Performance Analyst

Data Source:

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Preqin's Performance Analyst contains performance data for over 6,500 private equity funds. The data used above is based on preliminary data as of Q2 2013, and is therefore based on a smaller pool of funds.

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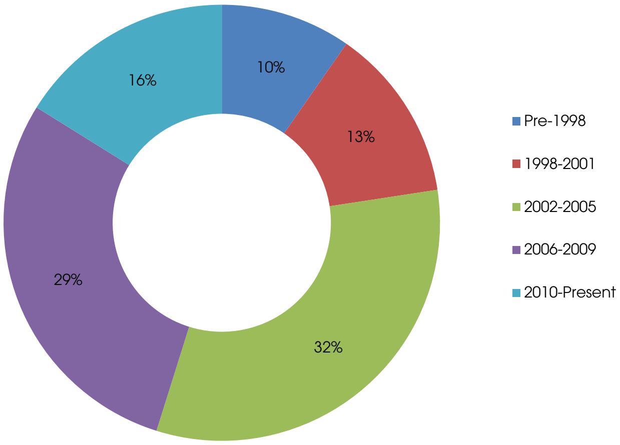
Secondary Intermediaries

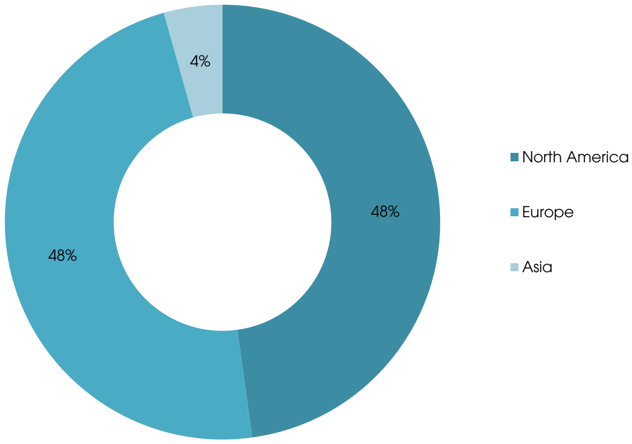
Secondary intermediaries act as an important connection between secondary buyers and sellers, facilitating transactions of private equity fund interests. Patrick Adefuye takes a look at some key statistics on secondary intermediaries, including a breakdown by location, year of establishment and number of employees.

Fig. 1: Breakdown of Secondary Market Intermediaries by Year of Establishment



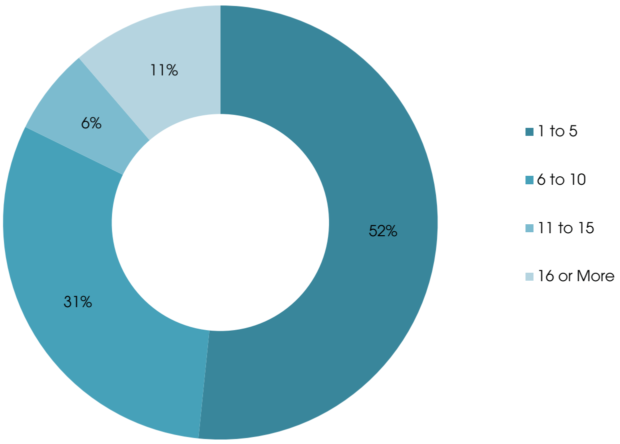
Source: Preqin Secondary Market Monitor

Fig. 2: Breakdown of Secondary Intermediaries by Location



Source: Preqin Secondary Market Monitor

Fig. 3: Breakdown of Secondary Market Intermediaries by Number of Employees



Source: Preqin Secondary Market Monitor

Subscriber Quicklink:

Preqin's Secondary Market Monitor currently tracks 69 secondary intermediary firms worldwide that account for over $193bn of secondary transactions. Subscribers can click here to use the Advanced Search feature to filter secondary intermediaries by location, transaction types, types of clients represented and more.

www.preqin.com/smm

Fig. 4: 10 Largest Secondary Intermediaries by Value of Secondaries Transactions Represented

Intermediary	Country	Total Value of Transactions Represented ($bn)
Cogent Partners	US	60.0
UBS Investment Bank Private Funds Group	US	40.0
Campbell Lutyens	UK	30.0
Credit Suisse Private Fund Group	US	20.0
Park Hill Group	US	17.5
Setter Capital	Canada	10.0
Paradigm Change Capital Partners	UK	4.0
Greenhill & Co.	US	3.9
Axon Partners	Switzerland	2.2
Azla Advisors	US	1.9

Source: Preqin Secondary Market Monitor

Conferences Spotlight

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Alternatives Investment Series 2013	18 November 2013	Hong Kong	Daiss Associates	-	-
SuperInvestor	19 - 22 November 2013	Paris	ICBI	Mark O'Hare	15% Discount - FKR2345PRQW
Emerging Managers Forum Zurich 2013	19 November 2013	Zurich	Terrapinn	-	-
ALFI European Alternative Investment Funds Conference	19 - 20 November 2013	Luxembourg	ALFI	Stuart Taylor	-
Private Banking Latin America / Americas Family Office Forum 2013	20 - 21 November 2013	Florida	Terrapinn	-	-
TradeTech Asia	20 - 21 November 2013	Singapore	WBR	-	15% Discount - Preqin15
Raising Private Equity Funds From Institutional Investors	21 November 2013	New York	Capital Roundtable	-	-
15th Annual Mezzanine Finance & the Subordinated Debt Market	27 - 28 November 2013	London	IRR	-	15% Discount- FKW52649PQNNL
4th AIFM Directive 2013 Conference	28 November 2013	London	Private Equity Forum	-	30% Discount - VIPAIFM
SuperReturn Africa	3 - 5 December 2013	Accra, Ghana	ICBI	Ignatius Fogarty	15% Discount - FKR2352PRQW
PE IR Conference	12 December 2013	London	BIE Events	Ignatius Fogarty	-

European Alternative Investment Funds Conference

Date: 19 - 20 November 2013
Information: www.alfi.lu
Location: Nouveau Centre de conférences Kirchberg (NCCK) Luxembourg
Organiser: ALFI

The conference offers two days of presentations and panel discussions on the latest news and trends in the alternative investment industry with specialised workshops on Hedge Funds, Real Estate and Private Equity Funds.

In 2012, the event attracted a new record of about 600 registrations with 29 exhibitors and 36 sponsors.

TradeTech Asia

Date: 20 - 21 November 2013
Information: http://www.WomensAlternativeInvestmentSummit.com
Location: Marina Bay Sands, Singapore
Organiser: WBR
TradeTech Asia is the region's largest trading and technology conference, bringing together over 670 senior equity trading and technology professionals.

With over 70% of the audience from a buy-side, broker or an exchange, TradeTech is unrivalled in its ability to uncover, debate and determine where the industry is heading. Year after year it has convinced Asia's most senior trading and technology decision makers to leave their desks for two days each November.

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15th Annual Mezzanine Finance & the Subordinated Debt Market

Date: 27 - 28 November 2013
Information: http://www.iiribcfinance.com/FKW52649PQNNL
Location: Hilton Doubletree Tower of London Hotel, London
Organiser: IRR

Join the largest gathering of mezzanine and leveraged finance players in Europe. For the last 15 years Mezzanine Finance has been helping the market understand opportunities for growth and development through a combination of expert presentations, case studies, panel debates and innovative networking sessions. SAVE 15%! Quote VIP code FKW52649PQNNL

4th AIFM Directive 2013 Conference

Date: 28 November 2013
Information: www.aifmdirective.co.ukL
Location: 3 More London Riverside, London SE1 2AQ
Organiser: Private Equity Forum

£495.00 less 30% discount quote VIP ref. code 'VIPAIFM'. Through company case studies, in-depth presentations and panel discussions, Private Equity Forum's 4th AIFM Directive 2013 Conference will provide you with clarification on the next series of changes to ensure you are aware of the necessary key actions and deadlines. For more information or to register online, please visit: www.aifmdirective.co.uk

Alternative Investing Summit

Date: December 8-10, 2013
Information: www.opalgroup.net/trk/aisc1329.html
Location: Ritz-Carlton, Laguna Niguel, Dana Point, CA
Organiser: Opal group

This summit will bring together trustees, representatives of institutions, money managers and consultants to explore the roles of alternative opportunities and strategies. Participants will investigate a range of issues, including discussion of the risks and benefits involving private equity, reviewing the future of commodities and surveying the landscape of emerging international markets.

The PE Investor Relations Conference

Date: 12 December 2013
Information: http://www.bieevents.com/ir2013-details
Location: London
Organiser: BIE Events

Welcome to our 5th Investor Relations Conference serving the investor relations community along with investors in and advisors to private equity, private infrastructure and private real estate. Last year, the event drew over 130 delegates from all corners of the alternative assets universe to discuss all aspects of the investor - manager relationship.

Operations for Alternatives

Date: 5 - 7 March 2014
Information: www.ofa-america.com
Location: PGA National Resort, Palm Beach Gardens, FL
Organiser: Alpha Research Group, LLC

Operations for Alternatives (OFA) is the ONLY operations and compliance event covering the convergence of Hedge Funds, Private Equity, and '40 Act Funds. Created by the industry, for the industry, OFA goes basic regulatory and compliance issues, to focus on fund governance, distribution issues, trading issues, and crisis management.