

PRIVATE EQUITY SPOTLIGHT

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August 2005

Volume 1 Issue 6

Welcome to the latest edition of *Private Equity Spotlight*, the free monthly newsletter from Private Equity Intelligence, providing insights into private equity performance, investors and fund raising. Private Equity Spotlight combines information from our three leading products Performance Analyst, Investor Intelligence and Funds in Market.

FEATURE ARTICLE _____ P1

Happiness is a Positive Cash Flow

LP Interest in new funds has been driven primarily by strong distributions. Net cash flows to LPs can also explain the diverging experience of venture funds as compared to buyout and distressed debt.

PERFORMANCE SPOTLIGHT _____ P3

US buyout funds - We take a look at how these funds have performed historically compared to the private equity asset class as a whole. We also take a closer look at the 1998 vintage.

FUND RAISING _____ P6

With \$129 billion raised so far this year, 2005 is well on its way to our projection of \$200 billion. Spotlight keeps you updated with all the latest fund raising activity.

No. of Funds on Road	US	Europe	ROW	Total
Venture	163	72	66	301
Buyout	108	54	26	188
Fund of Funds	48	34	4	86
Other	39	11	12	62
Total	358	171	108	637

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INVESTOR NEWS _____ P10

All the latest news on investors in private equity:

- **Aberdeen City Council plans to make a clean start to fund investments**
- **CALPERS reaping the rewards of private equity**
- **New York State Teachers' Retirement System to increase its private equity allocation**

INVESTOR SPOTLIGHT _____ P11

This month we focus on UK Public Pension Funds.

- ⇒ Are UK Public Pension funds optimistic about the asset class?
- ⇒ Who are the big players?
- ⇒ What are their smaller counterparts' plans?



SUBSCRIPTIONS _____

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PERFORMANCE • INVESTORS • FUND RAISING

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PRIVATE EQUITY SPOTLIGHT

SPECIAL FEATURE: Happiness is a Positive Cash Flow

LP Interest in new funds has been driven primarily by strong distributions. Net cash flows to LPs can also explain the diverging experience of venture funds as compared to buyout and distressed debt.

2005 is shaping up to be an excellent year for fund raising. As we went to press on 5th August, 170 funds had achieved final closes so far this year, raising \$129 billion between them. The industry is raising new funds at a rate approximately 40% higher than in 2004, itself double the 2003 rate.

With 637 new funds still on the road and aiming to raise a further \$194 billion, there appears to be no letup. If anything, the pace is increasing, as witnessed this week by Apollo's decision to raise its target from \$6 billion to \$10 billion, and W L Ross & Co.'s success in raising over \$1 billion for their latest distressed debt fund, up from their original \$500 – 750 million target.

Buyouts have been the star performer: 61 funds have achieved final closes so far, raising \$81 billion – already 30% more than the total for the whole of 2004. US Buyouts have raised \$31 billion, on track to beat last year's total of \$42 billion. But Europe is the real sweet spot, with 27 funds raising EUR 44 billion by August 5th – 50% more than the whole of 2004.

Venture is very different. US venture funds have raised just under \$9 billion to date, well short of 2004's \$25 billion. European venture funds have raised EUR 4.8 billion so far, ahead of the very

depressed EUR 2.5 billion for 2004. Other noteworthy areas include distressed debt funds, which have just passed 2004's total of \$7.4 billion.

One need not look far for the reason: cash flow. Fig 1 shows estimated aggregate cash flows from private equity for the LP community worldwide. After a sustained period of negative cash flows, when the contributions that LPs made exceeded the distributions they received, the industry turned round in about the third quarter of 2003. Distributions started to overtake contributions. As a result 2003 showed a positive balance, with a

net \$24 billion flowing back to LPs. (These figures include all direct fund types, but exclude fund-of-funds). The strongest positive cash flows during 2003 appear to have been from the venture sector and from the

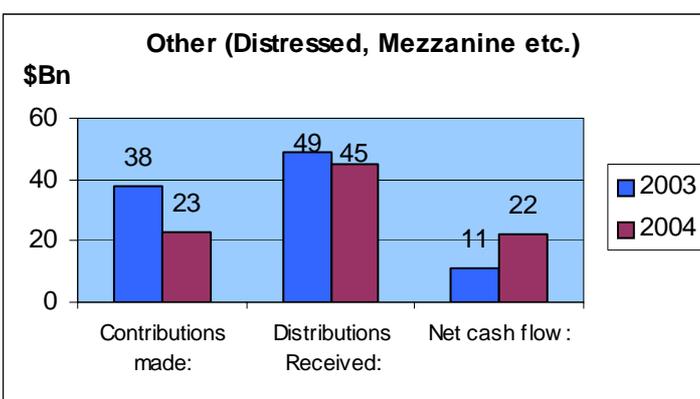
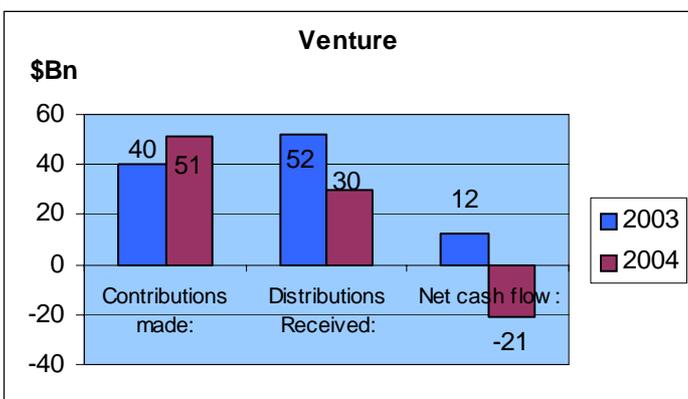
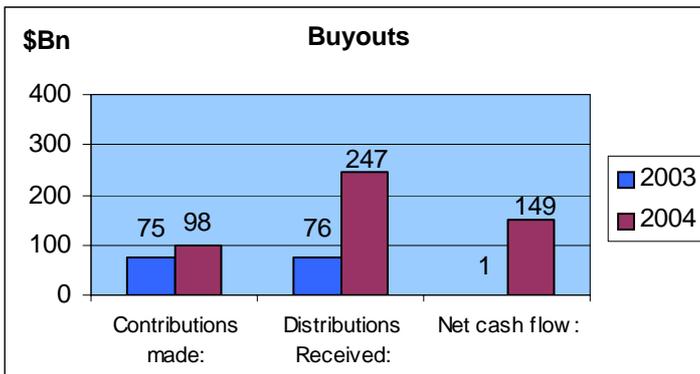
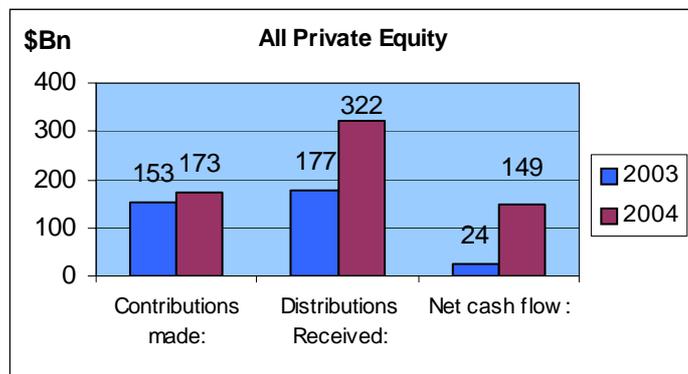
'other' fund category, especially distressed debt and mezzanine funds.

These positive cash flows accelerated during 2004. Total contributions made by LPs increased to approximately \$173 billion, but the distributions they received shot ahead to a staggering \$322 billion, most of it from buyouts (and most of this from Europe.) The net cash flowing back to LPs totalled \$149 billion. Distressed debt and other fund types also delivered increasing net cash to LPs, but the situation in venture appears to have

“The global private equity industry is raising new funds at a rate approximately 40% higher than 2004, itself double the 2003 rate.”

PRIVATE EQUITY SPOTLIGHT

Fig 1: Private Equity Cash Flows for LPs, 2003 - 2004



reversed, with distributions generally falling back from the 2004 levels.

The strong positive cash flows from buyouts have continued during 2005. Preliminary analysis of our own figures for global fund cash flows confirms this, as does recent analysis of the European buyouts from Dealogic and Fitch Ratings.

Interest in new funds is clearly closely linked to distributions. Every dollar distributed takes the LP that much further away from his target allocation, and raises his interest in the next new fund. While some may express concerns about the sustainability of the buyout sector's recent performance, the evidence suggests that LPs' appetites for new funds will remain unabated as long as the distributions keep flowing.

Conversely, venture fundraising looks unlikely to take off until cash flows improve. With funds from recent vintage years showing definite improvement and the surge in venture-backed floats (in Europe at least), this hopefully may not be far off.

Reader Contributions

Would you like to contribute feedback or an article to Spotlight?

Future editions will cover:

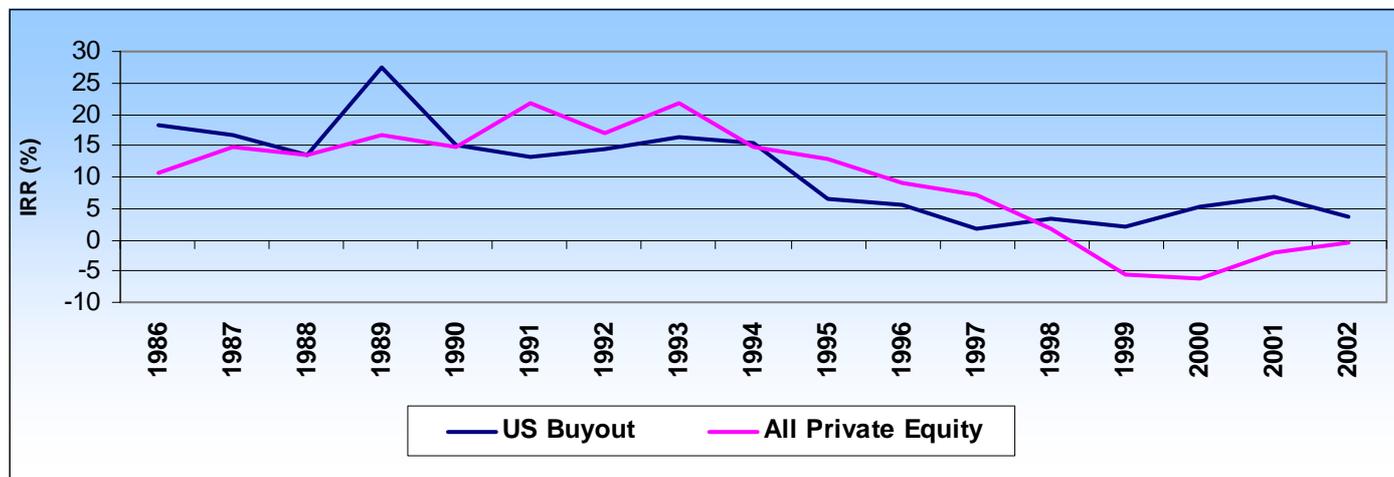
- Fund performance
- Developing trends in the LP universe and LP:GP relations
- Trends in fund terms and conditions
- The outlook for fundraising in 2006

We welcome all feedback from Spotlight readers. Please contact us on editor@preqin.com if you have any feedback on this edition, or if you would like to contribute another article for future editions.

PERFORMANCE SPOTLIGHT

Performance Spotlight is your monthly update on Private Equity Performance. Each month we look at the performance for a particular type of fund and give you information on some of the top performing funds.

PERFORMANCE OF US BUYOUT FUNDS



Figures show median IRR from inception to latest date now available for funds by vintage year. IRRs are fund IRRs calculated on a net basis to LPs, i.e. after management fees and GP carry.

PERFORMANCE COMMENTARY

This month Performance Spotlight looks at US buyout funds, the biggest single segment in the industry. As can be seen above, median IRRs for these funds outperformed private equity generally during the second part of the 1980's, and then again from the late 1990's, as returns in the venture sector were depressed. Prior to 1994 median IRRs remained fairly constant in the range 15% to 20%, but the vintage years post-1995 have seen median IRRs closer to 5%.

As elsewhere in the industry, the margin between the best funds and the rest is large. The median net IRR for 1998 vintage funds is currently only 3.4%, but top quartile funds are showing IRRs of 7.5% or better, with the best-performing fund already delivering a 22.4% IRR. The table below shows a small sample of the better-performing funds from the 1998 vintage – led by Green Equity III and Wellspring Capital II.

Cash is clearly what really matters, and here the differences between the best and the rest are very large: the median 1998 vintage fund has distributed 53% of LPs' contributions back to them, but funds like Wellspring and Green Equity are already well over 100%. PEI's performance benchmarks for 1998 vintage US buyouts are based upon a sample size of 50 funds, while the total Performance Analyst database has performance data for over 2,300 funds across all vintages and types.

Previous editions of Spotlight have observed that the largest buyout funds have generally tended to outperform the benchmarks. While this trend holds in the aggregate, the sample of 1998-vintage funds this month shows that size alone is no barrier to excellent performance from some of the smaller funds (and nor is size a guarantee of good performance from the largest funds).

Fund	Vintage	Fund Size (USD Mn)	Called (%)	Distr. (%)	Value (%)	IRR (%)	Benchmark (IRR)	Diff.	Date
Green Equity Investors III	1998	1,244	97.0	102.3	94.9	22.4	3.4	19.1	31-Dec-04
Wellspring Capital Partners II	1998	300	105.0	129.9	21.0	22.0	3.4	18.7	31-Dec-04
Fenway Partners Capital Fund II	1998	900	93.6	58.3	73.5	10.3	3.4	7.0	31-Dec-04
Kelso Investment Associates VI	1998	1,500	85.9	88.4	43.5	9.5	3.4	6.1	31-Dec-04
Mason Wells Buyout Fund I	1998	175	83.2	74.5	111.9	8.6	3.4	5.3	31-Dec-04

Product Spotlight: Performance Monitor

Each month Spotlight takes a closer look at one of the many products and services provided by Private Equity Intelligence, exploring the features offered; how it can help you in your job; who uses it and how you can get it.

This month: The 2005 Private Equity Performance Monitor

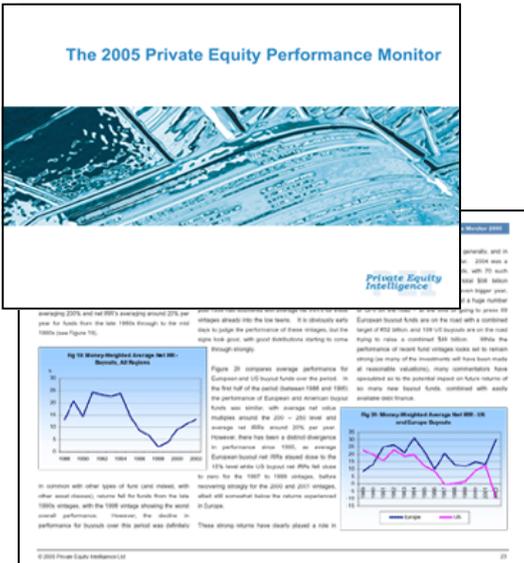
The 2005 Private Equity Performance Monitor

The 2005 Performance Monitor is a 300-page hard copy publication providing essential data on private equity and venture capital fund performance:

- Profiles of 600 separate private equity GPs from around the world
- Details on investment focus and contact details
- Key performance metrics for 2,200 private equity funds – transparent information on each individual fund
- List of the 80 best consistent performing private equity firms worldwide

Thorough and detailed analysis of performance across the entire asset class:

- How your direct peers have performed
- Vital performance patterns that should inform your investment strategy
- How the largest buyout funds have out-performed their benchmarks
- How well some of the specialist fund areas have performed including mezzanine, distressed debt and real estate
- How early stage venture and emerging managers have delivered superior performance to LPs
- Understand the amount of 'over-commitment' that is needed to reach your target allocation



WHO USES IT AND WHY?

The 2005 Performance Monitor has proven to be hugely popular with a wide range of private equity professionals worldwide:

- LPs use it to see the real long-term track records of over 600 firms worldwide
- GPs and their placement agents use it to compare performance with relevant peer funds
- Advisors use it to keep up with latest performance information
- Fund-of-Funds use it to track performance of direct funds and of other fund-of-funds

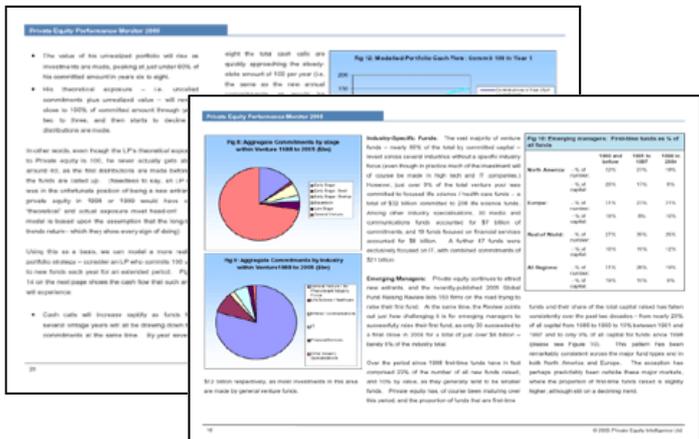
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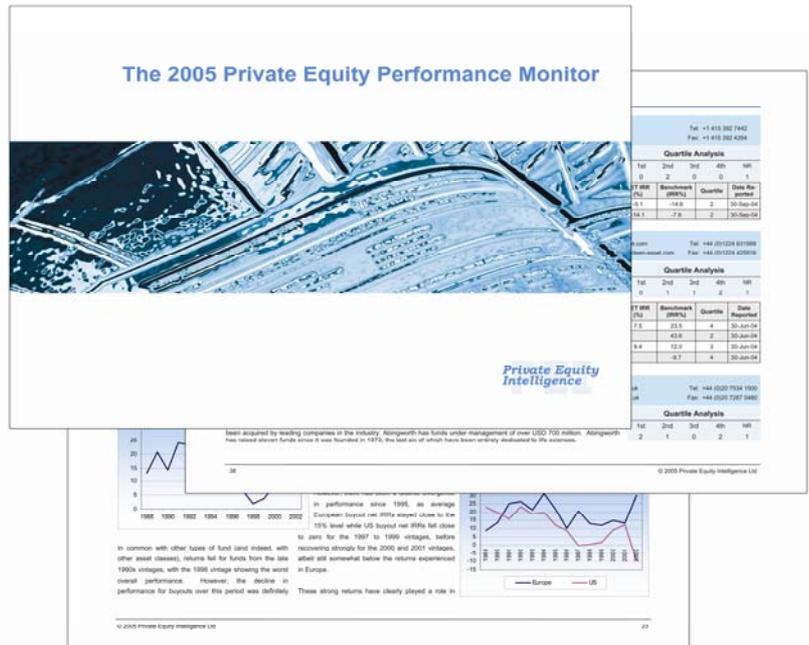


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PRIVATE EQUITY INTELLIGENCE

GLOBAL FUND RAISING UPDATE Q2 2005

The Global Fund Raising Update is a quarterly report providing insight into fund raising activities worldwide. Each quarter we analyse the development of funds closed, funds on the road and funds by type and location.

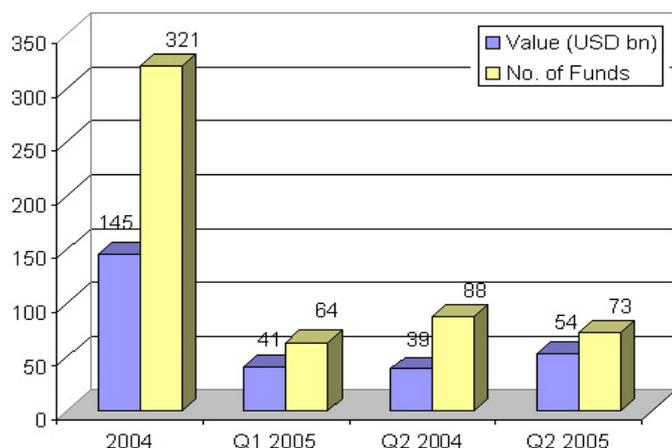
Overview of Funds Closed in Q2 2005

Number of Funds	US	Europe	ROW	Total
Venture	18	9	5	32
Buyout	16	6	2	24
Fund of Funds	4	1	0	5
Other	7	4	1	12
Total	45	20	8	73

Value of Funds (USD bn)	US	Europe	ROW	Total
Venture	5.7	1	0.9	7.6
Buyout	20.2	13.6	3.3	37.1
Fund of Funds	1.3	0.3	0	1.6
Other	5.8	1.7	0.6	8.1
Total	33	16.6	4.8	54.4

Fund-Raising Barometer

Funds Closed by Period



PEI's 2005 Global Fund Raising Review predicted that 2005 would be a record year with around \$200 billion of new funds raised. Progress during Q2 confirms these predictions:

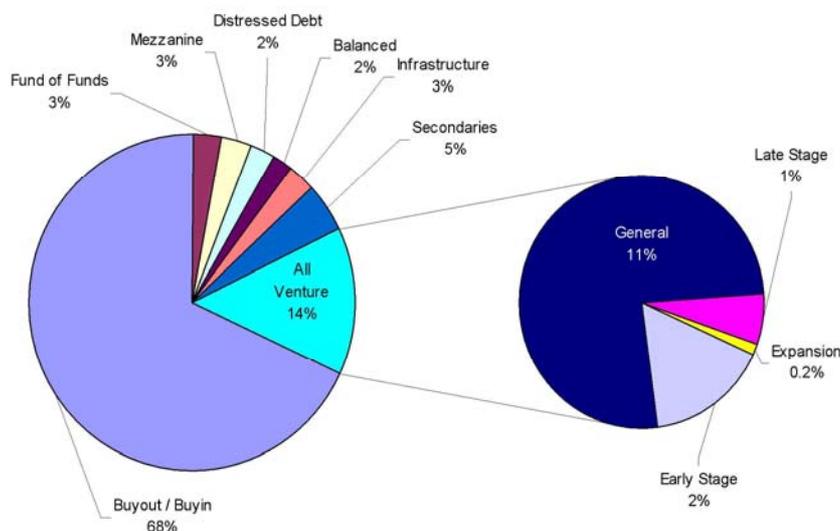
- 73 funds achieved final closes during Q2, raising an aggregate \$54.4 billion. (We expect the Q2 figure to grow further as additional information flows though on final fund closes.)

- Although there are currently less reported closes of funds in Q2 2005 than in Q2 2004, the value of these funds is significantly higher, with an increase in average fund size of 67%. This can be explained by the increase in popularity of mega funds at the expense of smaller private equity funds.

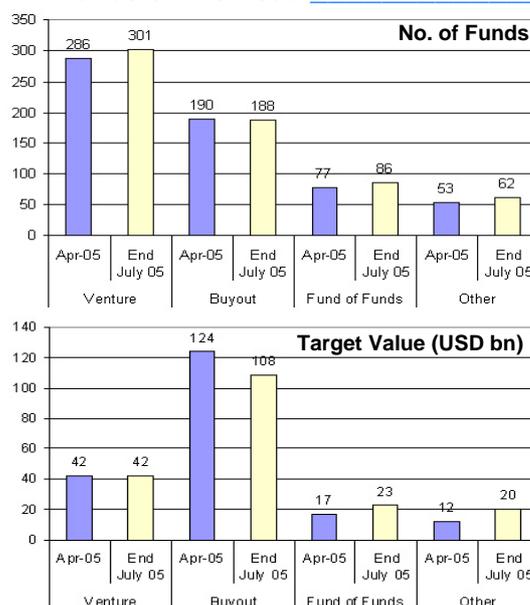
- The pace of fund raising is remaining stable during 2005 with the 637 funds currently on the road having an aggregate target of \$193 billion, which is approximately the same as the target amount seen during April.

- Buyouts are especially active, with several mega funds either having achieved closes or now on the road in both the US and Europe.

Q2 2005 Funds Closed by Type (Sorted by Capital Value)



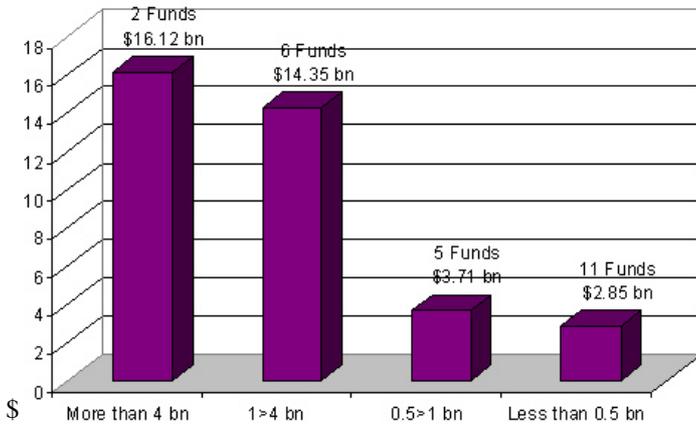
Funds on the Road



This Data was compiled using our "Funds in Market" product, a comprehensive database of all new private equity funds being raised worldwide. Subscribers to Funds in Market receive the Global Fund Raising Update Quarterly Reports every quarter. For more information contact us on info@preqin.com

GLOBAL FUND RAISING UPDATE Q2 2005: BUYOUT

Q2 2005 Buyout Funds Closed by Fund Size



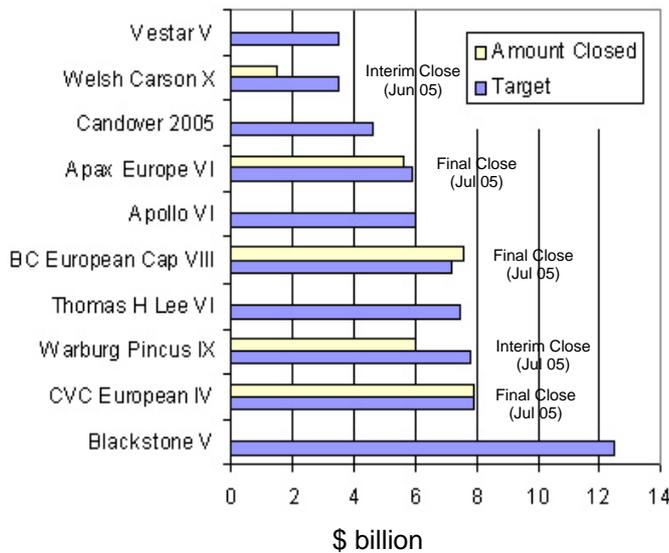
Buyouts have accounted for 68% of all new funds raised during Q2 2005, with 24 funds achieving final closes totaling \$37.1 billion

- Mega-funds have continued to be a notable feature, with no fewer than ten funds with targets of \$4bn or above either on the road or having closed in Europe and the US.

- With clear evidence that the largest buyout funds have historically out-performed smaller funds, more firms are likely to hit the road with mega funds to capitalize on strong LP interest.

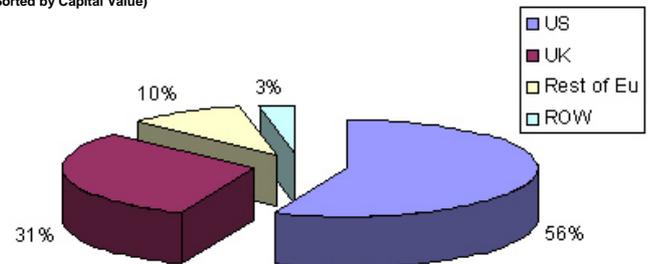
- GS Capital Partners V was the largest mega-fund to close in Q2 2005, at \$8.5 billion in March. BC European Cap VIII closed at €5.8 billion in July, and Blackstone have increased the target for their record breaking fifth fund to \$12.5 billion.

Mega Buyout Funds: Market Overview



Q2 2005 Buyout Funds Closed by Location

(Sorted by Capital Value)



Largest European Funds: Current Situation

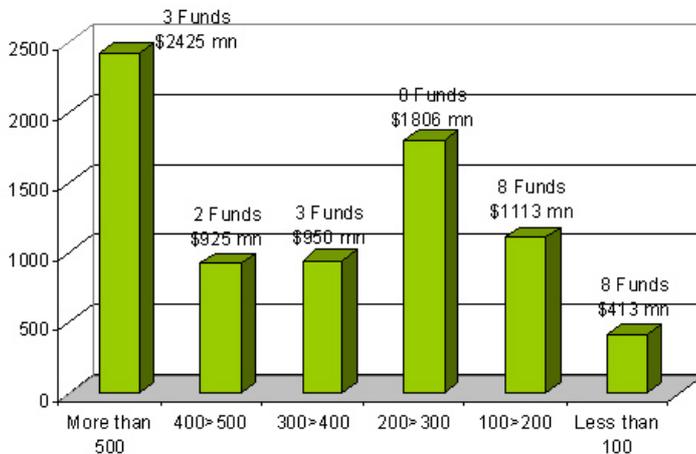
Fund Name	Size (Mn)	Status
CVC European Equity Partners IV	€ 6,000	Closed
BC European Cap VIII	€ 5,800	Closed
Apax Europe VI	€ 4,300	Closed
Candover 2005	€ 3,500	Raising
KKR European Fund II	\$ 3,500	Raising
PAI Europe IV	€ 2,675	Closed
Bridgepoint Euro Private Equity III	€ 2,500	Raising
Montagu III	€ 2,260	Closed
Electra European Fund II	€ 1,250	Closed
Lion Capital (ex Hicks Muse Tate & Furst Europe II)	€ 820	Closed

Largest Buyout Funds Closed in Q2 2005

Fund Names	Manager	Size (Mn)	Location
GS Capital Partners V	Goldman Sachs Private Equity Group	8500 USD	US
BC European Cap VIII	BC Partners	5800 EUR	UK
PAI Europe IV	PAI Partners	2675 EUR	France
Advent Global Private Equity V	Advent International	2500 EUR	US
Summit Partners Private Equity Fund VII	Summit Partners	3000 USD	US
CVC Asia Fund II	CVC Capital Partners	1970 USD	Asia
Sun Capital Partners IV	Sun Capital Partners	1500 USD	US
Lion Capital (ex Hicks Muse Tate & Furst Europe II)	Lion Capital	820 EUR	UK
Charlesbank Equity Partners VI	Charlesbank Capital Partners	900 USD	US
Greenhill Capital Partners II	Greenhill Capital	875 USD	US

GLOBAL FUND RAISING UPDATE Q2 2005: VENTURE

Q2 2005 Venture Funds Closed by Size



Venture funds have accounted for 14% of all new funds raised during Q2 2005, with 32 funds achieving final closes totaling \$7.6 billion

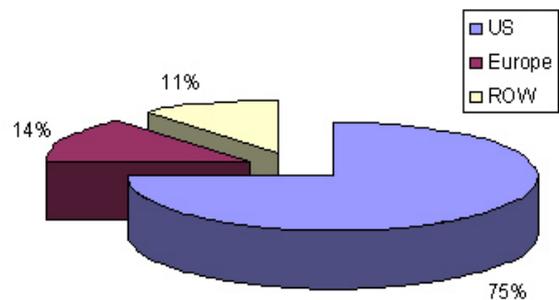
- The largest final closed was achieved by Menlo Ventures with its tenth fund closing at \$1.2 billion in April 2005.

- Again the market was clearly dominated by the US fund managers, who closed 75% of the global value of final closes.

- Although fund raising remains difficult for venture firms in Europe, the \$1 billion that was raised in Q2 is approximately the same as that raised in Q1 2005, and shows around a 10% improvement on Q2 2004.

Q2 2005 Venture Funds Closed by Location

(Sorted by Capital Value)



US Late Stage Venture Funds: Current Situation

ABS Capital V	\$ 500 mn	Raising
Focus: Healthcare, Communications, Media, Software		
Sequoia Capital Late Stage III	\$ 475 USD	Interim Close
Focus: Services, Software, Hardware, Semiconductors, Computer Services		
Edgewater Growth Capital Partners II	\$ 300 USD	Interim Close
Focus: Industrial, IT, Computer Services, Business Services		
NGN BioMed Opportunity Fund	\$ 275 USD	Interim Close
Focus: Healthcare, Services, Biotechnology, Medical Instruments, Biomedical, Medical Devices, Medical Technologies		
CDH China Growth Capital Fund II	\$ 250 USD	Interim Close
Focus: Any		
London Asia GEM Fund	\$ 200 USD	Raising
Focus: Financial Services, Environmental Services, Energy		

Funds on the Road

Fund Name	Type	Focus	Target
Spectrum Equity Investors V	Venture (General)	US	\$ 1500 mn
Whitney VI	Venture (General)	US	\$ 750 mn
TVM Life Science Venture VI	Venture (General)	Global	€ 400 mn
Austin Ventures IX	Venture (General)	US	\$ 525 mn
North Bridge VI	Early Stage: Other	US	\$ 515 mn
United States Power Fund II	Venture (General)	US	\$ 500 mn
ABS Capital V	Late Stage	US	\$ 500 mn
Atlas Ventures VII	Early Stage: Seed	Global	\$ 500 mn
Sequoia Capital Late Stage III	Late Stage	US	\$ 475 mn
H&Q Asia Pacific Korea Fund	Venture (General)	ROW	\$ 400 mn

Largest Venture Funds Closed in Q2

Fund Names	Manager	Size (Mn)	Location
Menlo Ventures X	Menlo Ventures	1200 USD	US
InSight Capital Partners V	InSight Capital Partners	675 USD	US
August IV	August Capital	550 USD	US
Frazier Healthcare V	Frazier Healthcare Ventures	475 USD	US
Canaan Equity VII	Canaan Partners	450 USD	US
Vector Capital III	Vector Capital	350 USD	US
Summit Partners Venture Capital Fund II	Summit Partners	300 USD	US
JMI Equity Fund V	JMI Equity	300 USD	US
Split Rock Partners	Split Rock Partners	275 USD	US
Prism Venture Partners V	Prism Venture Partners	250 USD	US

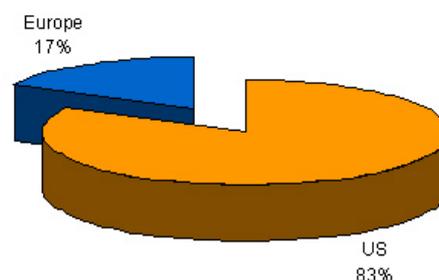
GLOBAL FUND RAISING UPDATE Q2 2005: OTHER

Fund-of-Funds Closed in Q2 2005

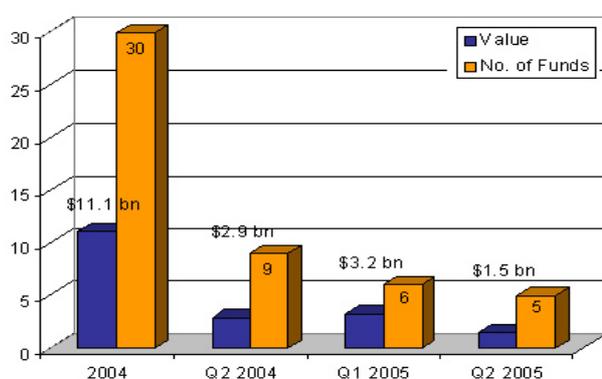
Fund Names	Size (Mn)	Location
Knightsbridge Venture Capital VI	500 USD	US
Commonfund Capital Natural Resources VI	302 USD	US
VCM Golding Mezzanine	200 EUR	Germany
Pomona Partnership Holdings IV	250 USD	US
Park Street Capital Fund VI	213 USD	US

F-of-F Closed by Location

(Sorted by Capital Value)



Q2 2005 Fund-of-Funds Closed by Period



Amongst the other funds closed in Q2 2005 are further large sized funds with closing figures of over \$1 billion.

- The largest secondaries fund closed during Q2 2005 was CSFB Strategic Partners III, which closed with a final value of \$2.4 billion.

- Weston Presidio closed on \$1 billion with its fifth fund, which varied focus ranges from the financing of young high growth businesses, up to the buyouts of mature, profitable companies.

- I²'s infrastructure fund closed on £450 million in June 2005. The fund is based in the UK. - Golub Capital Partner's fourth fund was the largest mezzanine fund to close during Q2 2005, with a final closing figure of \$800 million. The fund will focus on the distribution and services industries.

Other Funds Closed in Q2

Fund Names	Manager	Type	Size (Mn)	Location
CSFB Strategic Partners III	CSFB Private Equity	Secondaries	2400 USD	US
Weston Presidio V	Weston Presidio Capital	Balanced	1000 USD	US
I ² Fund	I ²	Infrastructure	450 GBP	UK
Golub Capital Partners IV	Golub Capital	Mezzanine	800 USD	US
Prudential Capital Partners II	Prudential Capital Group	Mezzanine	775 USD	US
SOFTBANK Asia Infrastructure Fund II	SOFTBANK Capital Partners	Infrastructure	600 USD	US
CELF Loan Partners	The Carlyle Group	Distressed Debt	450 EUR	US
Callidus Debt Partners CLO Fund III	Callidus Capital Management	Distressed Debt	400 USD	US
Guggenheim Aviation Investment Fund	Guggenheim Aviation Partners	Distressed Debt	278 USD	US
Great Circle Fund	Great Circle Capital	Infrastructure	180 USD	US
Delta Russia Fund	Delta Private Equity Partners	Expansion	120 USD	Russia
Central Valley Fund	Central Valley Fund	Mezzanine	100 USD	US
Headway Investment Partners	Headway Capital Partners	Secondaries	52 USD	UK

INVESTOR SPOTLIGHT

INVESTOR NEWS

Aberdeen City Council Pension Fund is set to finalise deals with two fund-of-funds managers in a fundamental review of its private equity activities. The pension fund is planning to wind down or sell all of its current investments in the field and make a clean start to private equity fund investments in early 2006. It has revised its target allocation to the asset class, which now stands at 5%, and aims to invest this ultimately through fund-of-funds. Standard Life Investments has been selected to manage European investments whilst HarbourVest will provide exposure to North America. These managers will receive an equal share of the new target allocation equating to over GBP 30 million each.

Private equity fund investments have played a significant role in **CalPERS** recent return successes, taking the pension fund's total assets to nearly USD 190 billion. The pension plan earned a 22.8% return on its alternative investment portfolio in the year ending June 2005. Overall, CalPERS investment portfolio returned 12.7%, the second year running that the pension fund has attained a double-digit return (overall return was reported at 13.5% for fiscal year 2004). Not long ago, CalPERS decreased its target allocation to private equity from 7%, with the aim of having 6% of its commitments called up at any time.

Another California retirement system to reap the rewards of private equity is **California State Teachers' Retirement System (CalSTRS)**. The asset class ranked as the system's top performer for the fiscal year ending June 2005, producing a return of 24.9%. CalSTRS focuses its private equity investments within the US and will only invest with top tier fund managers. It has set an interim target of 6% to the asset class for the coming year, and a 3 year target allocation of 8%. CalSTRS aims to allocate approximately 70% to buyout funds and 15% to venture capital.

Pittsburgh-based **Allegheny County Retirement Board** has increased its private equity target allocation to 5% of total assets, although this figure could rise further in the future, up to 10%. The initial increase will see the retirement board invest over USD 30

million in the asset class. Approximately one third of capital available has been assigned to fund-of-funds managers, Adams Street Partners and Goldman Sachs PEG. The remaining capital has been committed to venture funds managed by Touchstone Capital Group and Draper Triangle.

New York State Treasurer, George E. Pataki, has vetoed a new law aimed at enabling the State's USD 120 billion Common Retirement Fund to increase its allocation to alternatives. Currently, **New York State Common Retirement Fund** is allowed only a 15% allocation to alternatives, under the new law this allocation limit would be 25%. Today, the fund's target allocation to private equity stands at around 9%. The proposed bill was approved by both state legislative houses but vetoed by Pataki who said there was no guarantee alternative investment strategies would deliver higher rates of returns for the fund. The Treasurer stated he would support an expanded investment authority if it was accompanied by reforms such as the establishment of an independent board to provide greater transparency and the implementation of risk management standards.

Also in New York: following its annual asset allocation review, **New York State Teachers' Retirement System** has decided to increase its private equity allocation to 5%. This will see the pension fund's portfolio grow by approximately USD 1.6 billion over the next few years. The system, with around 330,000 members and approximately USD 80 billion in assets, has committed over USD 1.2 billion to private equity in 2005 alone. The system's current allocation stands at 3% as approved in 2000.

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INVESTOR SPOTLIGHT

UK Public Pension Funds looking to reach and increase target allocations to private equity

Our Investor Intelligence database can identify 47 UK public pension funds currently investing in private equity funds. These pension funds have aggregate target allocations to private equity of over GBP 3 billion.

UK public pension funds are showing increased confidence and enthusiasm for investment in the private equity arena. According to the Investor Intelligence database the average target allocation to private equity amongst UK public pension funds stands at approximately 4.5% and this looks set to increase. Leading the way is West Midlands Pension Fund which aims to maintain its 5% target allocation to the asset class by investing around GBP 132 million in new funds each year. In the longer term, the pension fund, with GBP 5 billion in assets under management, may look to invest in additional markets thus expanding on its current geographic focus of North America and Western Europe. Lancashire County Council is planning to increase its private equity investments immediately with the aim of taking its target allocation to over GBP 70 million. Up to 50% of new investment capital is available for global opportunities. The South Yorkshire Pension Authority, with an unfilled target allocation of GBP 75 million to private equity, is looking at defining a new general approach to the asset class. Above all, it is seeking a sound management team rather than a specific area of investment in order to reach its 3% target.

Smaller players in the market are also keen to increase their private equity activities. Brent County Council is optimistic in its outlook on the private equity market and is looking to invest a further GBP 3 million in new funds in the next 12 months and will further increase its activities in the asset class over the next 4-5 years.

Amongst UK public pension funds, there are also a significant number of new players. These include Powys County Council which selected Standard Life Investments in April this year to manage a GBP 7.5 million mandate. Cornwall County Council is also looking to private equity. It is still in the preliminary stages, but a decision has been made to allocate GBP 30 million to the asset class and Standard Life and Wilshire Associates have been appointed as managers. The London Borough of Islington Pension Fund recently decided upon a 4% allocation to global private equity investments, selecting Pantheon and Standard Life as managers. The London Borough of Greenwich Pension Fund also planned to commence private equity investing in the summer of 2005.

The majority of UK pension funds gain access to private equity through fund-of-funds managers. Strathclyde Pension Fund invests solely through UK fund-of-funds manager Pantheon. This manager also has full discretion over the private equity investments of West Sussex Pension Fund for which its long term target is to invest GBP 40 million equally between the US and Western Europe. Similarly, London Pension Fund Authority (LPFA) selected fund-of-funds managers HarbourVest, Pantheon and LGT to manage its private equity activities. Through these mandates LPFA invests on a totally diversified scale. Thus, overall activity amongst UK pension funds within the private equity market is set to increase.

A sample of the top UK Public Pension Funds with target allocations to private equity over 5% of total assets

Fund Name	Total Assets GBP (mn)	% PE allocation	PE allocation value GBP (mn)
West Midlands Pension Fund	5,000	5.0	250
West Yorkshire Pension Fund	4,590	5.0	230
Strathclyde Pension Fund	6,270	5.0	313
London Pension Fund Authority	2,800	7.5	210
Merseyside Pension Fund	2,474	5.0	125
Essex County Council Pension Fund	1,840	7.5	113
Lothian Pension Fund	1,910	5.0	96

The 2005 Limited Partner Universe

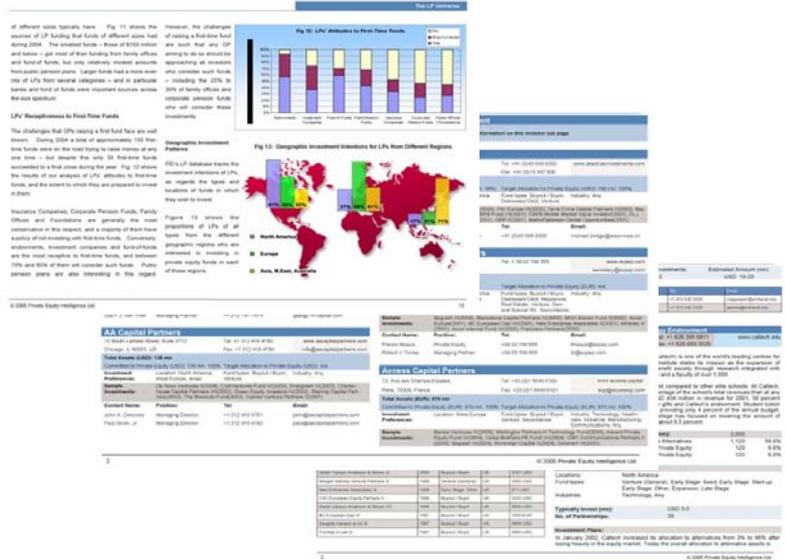
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