

PRIVATE EQUITY SPOTLIGHT

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June 2005

Volume 1 Issue 4

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

Fund Raising - A Rebound for Venture?: As the number and value of funds raised during 2005 has accelerated, Venture funds have been left behind. Are LPs missing out on potentially excellent returns in the future?

PERFORMANCE SPOTLIGHT _____ P3

European Buyout Funds: With fund raising activity particularly active in the European Buyout sector we take a look at how these funds have performed historically. We also take a closer look at some funds from vintage 1997 / 1998.

FUND RAISING _____ P5

Spotlight provides all the information you need to know on the biggest venture and buyout funds currently raising, as well as information on funds closed during the last month.

| No. of Funds on Road | US | Europe | ROW | Total |
|----------------------|-----|--------|-----|-------|
| Venture | 156 | 67 | 61 | 284 |
| Buyout | 108 | 55 | 22 | 185 |
| Fund of Funds | 43 | 34 | 4 | 81 |
| Other | 36 | 11 | 12 | 59 |
| Total | 343 | 167 | 99 | 609 |

OUT NOW: The 2005 Performance Monitor

Which are the top performing Private Equity and Venture Capital funds?

See detailed analysis of over 2,200 funds managed by over 600 firms from around the globe.



INVESTOR NEWS _____ P9

All the latest news on investors in private equity:

- **Teachers' Retirement System of Illinois to Commit \$600 million to private equity**
- **CalPERS set to make bigger commitments to fewer partners.**
- **Adveq looking to raise \$150mn**
- **Axa targets \$150-200mn for Asia**

INVESTOR SPOTLIGHT _____ P10

Australia: Private Equity Intelligence has identified 74 Australian-based investors in private equity. These have aggregate allocations to private equity of over ASD 14bn.

We take a closer look at the increasing importance of superannuation funds as they look beyond their domestic market for investment opportunities.



SUBSCRIPTIONS _____

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Publisher: Private Equity Intelligence Ltd
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PRIVATE EQUITY SPOTLIGHT

SPECIAL FEATURE: Fund Raising – A Rebound for Venture?

2005 is clearly shaping up to be a vintage year for private equity fund raising. A total of 118 funds have successfully closed on a total of \$84 billion as at the time of going to press (23rd May). This compares with \$136 billion for the whole of 2004 as at the time we went to press with the 2005 Global Fund Raising Review – i.e. the first four and a half months of 2005 have reached 62% the 2004 total for the whole year.

Not only has 2005 got off to a great start, the pace seems to be accelerating if anything. Chart 1 below shows the number and total value of funds that have achieved final closes by month – clearly the market is if anything heating up. In addition to the funds that have achieved their final closes already, there is a long list of funds currently on the road aiming to raise further money – our Funds in Market database currently lists no fewer than 604 funds on the road worldwide, aiming to raise an aggregate \$210 billion.

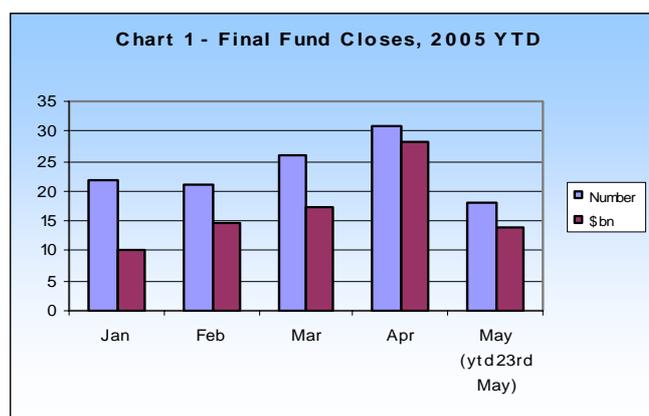
However, the picture is far from uniform - digging behind the headline numbers reveals major differences by fund type. Chart 2 below shows final closes so far this year by fund type. As expected, buyouts have accounted for most of the money raised so far this year, with \$54 billion, or 64% of the total \$84 billion. This is already nearly matching the entire total for last year – as of 23rd May buyouts had raised 93% as much money as in the whole of 2004 – equivalent to

raising funds at around 2.3 times the rate achieved during 2004. Distressed debt funds have also had a great start to the year, raising \$6.5 billion in the first four and a half months, or 2.1 times the rate achieved during 2004. Venture, however, shows a completely different picture – the \$10.7 billion raised so far this year is only 37% of last year's total for the year, or a rate equivalent to 0.9 times that achieved during 2004, i.e. no increase at all. Mezzanine and Fund of Funds appear to be 40% to 50% up on the rate achieved last year.

“The inescapable conclusion is that LP appetite for buyout and distressed debt funds is currently much greater than it is for venture funds.”

Is this pattern due to the interest of GPs in trying to raise new funds, or the readiness of LPs to commit to them? Chart 3 below provides the answer:

taken across all categories, new funds on the road are achieving final closes at an annual rate very similar to the total of the funds actually on the road – i.e. at



| | Number | Value (\$bn) | YTD May as % of 2004 | 2005 rate vs 2004 |
|---------------|------------|---------------|----------------------|-------------------|
| Buyout | 41 | \$53.7 | 93% | 2.3 X |
| Venture | 42 | \$10.7 | 37% | 0.9 X |
| Distressed | 5 | \$6.5 | 88% | 2.1 X |
| Mezzanine | 9 | \$2.6 | 57% | 1.4 X |
| Fund of Funds | 11 | \$6.7 | 63% | 1.5 X |
| Total | 118 | \$84.4 | 62% | 1.5 X |

PRIVATE EQUITY SPOTLIGHT

current rates the funds now on the road would all be raised in one year. However the rate differs significantly by type of fund – buyout and (especially) distressed debt funds are closing at significantly higher rates than the average, while venture funds are achieving a rate of only 0.6X – i.e. it would take nearly two years at these rates for all the venture funds currently on the road to achieve final closes. The inescapable conclusion is that LP appetite for buyout and distressed debt funds is currently much greater than it is for venture funds.

One needn't look far for the explanation. The old adage that “being a financial genius is easy: all you need is a short memory and a bull market” applies in private equity too: the performance of buyout and distressed debt funds and the distributions flowing back to LPs have been exceptionally strong in the past eighteen months to two years. Nowhere has this been more true than in Europe – currently the hottest sector of a hot market. Conversely, memories of the post-bubble venture pain are still fresh in LPs minds.

Chart 3: Rate of Final Closes vs. Funds on Road, ytd May 23rd

| | Funds on Road \$bn, May 23rd | Annual Rate of Final Closes ytd, \$bn p.a. | Annual Rate of Final Closes vs. Funds on Road |
|---------------------------------------|------------------------------|--|---|
| | | | - |
| Buyout | \$119.4 | \$130.6 | 1.1 X |
| Distressed | \$5.0 | \$15.7 | 3.1 X |
| Mezzanine | \$7.0 | \$6.2 | 0.9 X |
| Fund of Funds | \$16.7 | \$16.2 | 1.0 X |
| Venture | \$41.9 | \$26.1 | 0.6X |
| Average across all Fund Types: | \$209.7 | \$205.4 | 1.0X |

However, private equity and venture capital are obviously long term asset classes, and the commitment decisions that LPs make today will effect their allocations and returns over the next decade. The evidence from our analysis of fund performance suggests that venture funds are overdue a re-rating by LPs: the better venture funds have delivered outstanding returns to LPs over the long term, and our recently-published 2005 Private Equity Performance Monitor shows that venture performance has turned the corner and is on an improving trend. It could well be that the LPs committing to new venture funds today could enjoy excellent returns over the next decade.

Is the converse also true? Buyout fund raising is booming, and shows no signs of slowing down. Whilst there remain lots of opportunities for restructuring and private investment in Europe, it is also true that the amount of available but as yet uncalled buyout money has rarely been higher, and at some point returns are likely to decline. Nobody is predicting imminent disaster, simply that the wise LP will aim for a sensible long term balance across fund types and specifically, that caution over committing to the venture sector has probably been overplayed.

FUND RAISING INFORMATION

Who's currently fund raising?

Who's closed a fund recently and who invested?

Who is likely to be fund raising in 2005?

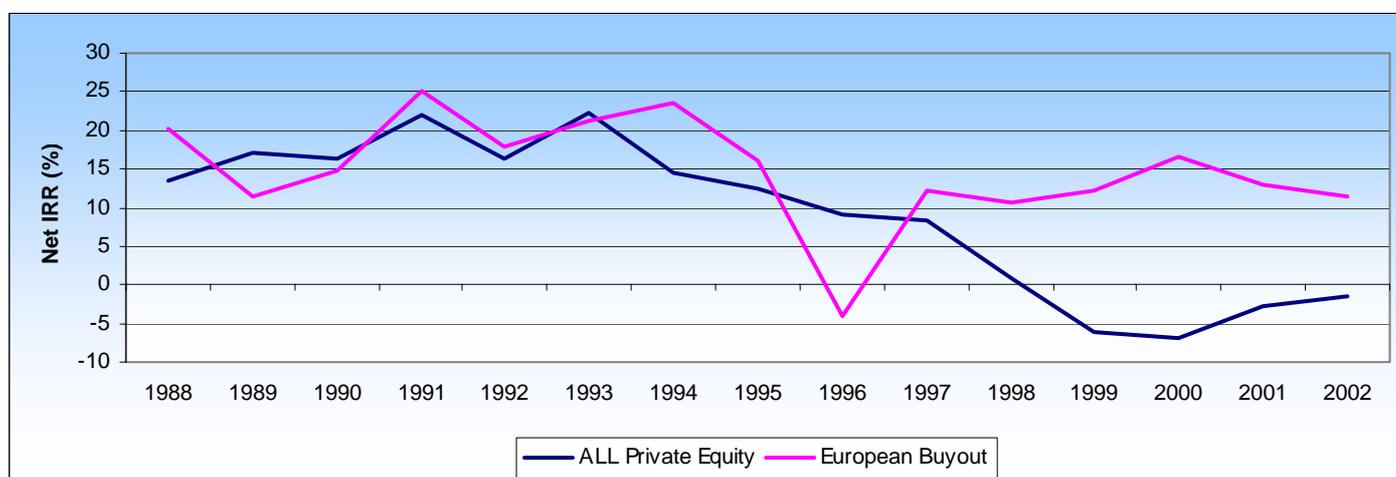
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PERFORMANCE SPOTLIGHT

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 EUROPEAN 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 European buyout funds. This sector has delivered excellent returns for LPs over an extended period. Median net IRRs have generally been in the 10% to 20% range, and the sector avoided most of the pain that other fund types experienced during the late 1990s. As a result, European buyouts have been one of the most consistent good performers in global private equity.

These superior returns have attracted many LPs and GPs into the European buyout sector, and by mid-May the 2005 tally of new funds raised – 18 funds and EUR 34.7 billion – had already passed the total for the whole of 2004.

The best-performing European buyout funds have obviously performed even better than the benchmarks, and the table

below shows a small sample of the better-performing funds from the 1997 and 1998 vintages – five funds out of the total 150 European buyouts for which PEI currently has performance data.

A notable feature in the European buyout scene is the superior performance of the largest funds: the biggest quartile of funds appears to out-perform the benchmark by around 6% on average (please see 2005 Private Equity Performance Monitor for further details.) One can only speculate as to the reasons driving this trend, but irrespective of whether it is a function of less competition for the biggest deals, or a better skill base among the leading firms, the conclusions remain: the larger funds have delivered the best returns for their LPs.

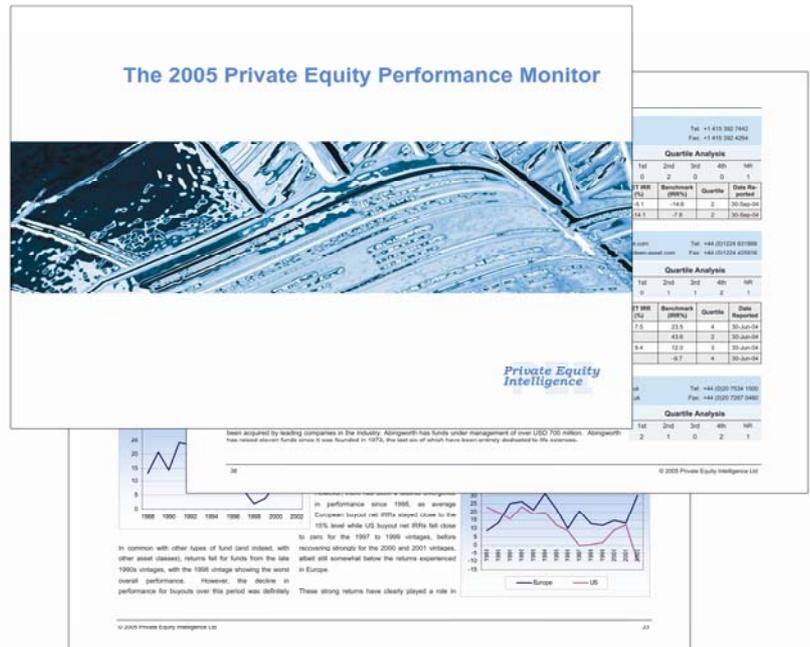
| Fund | Vintage | Fund Size (€ Mn) | Called (%) | Distr. (%) | Value (%) | IRR (%) | Benchmark (IRR) | Diff. | Date |
|-------------------------------------|---------|------------------|------------|------------|-----------|---------|-----------------|-------|-----------|
| CVC Euro. Equity Partners II | 1998 | 2,650 | 91.5 | 99.0 | 95.7 | 18.7 | 10.7 | 8.0 | 30-Sep-04 |
| Cinven II | 1998 | 2,400 | 90.3 | 57.5 | 76.4 | 8.3 | 10.7 | -2.4 | 30-Sep-04 |
| Nordic Capital Fund III | 1998 | 353 | 98.3 | 154.4 | 64.3 | 25.1 | 10.7 | 14.4 | 30-Sep-04 |
| Doughty Hanson & Co III | 1997 | 2,116 | 84.9 | 97.5 | 103.6 | 12.2 | 12.1 | 0.1 | 30-Dec-04 |
| Candover 1997 | 1997 | 1,235 | 81.2 | 148.4 | 11.6 | 13.9 | 12.1 | 1.8 | 30-Sep-04 |

The 2005 Private Equity Performance Monitor

- Transparent performance data for 2,200 funds (contribution, distribution, value, value multiple and net IRR)
- Profiles for 600 private equity firms from around the world (including managed funds and basic contact details)
 - Quartile ranking: Who really is top quartile?
 - Detailed analysis of trends and benchmarks
 - Who are the consistent good performers?

More information is available at:
www.preqin.com/monitor

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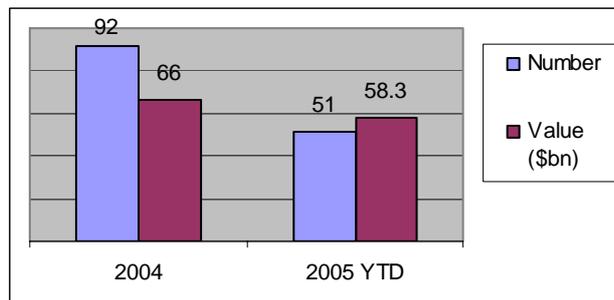
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FUNDS in MARKET—Buyout

FUNDS ON THE ROAD

| | US | Europe | ROW | Total |
|-----------------------------------|-----|--------|-----|-------|
| No. on Road | 108 | 55 | 22 | 185 |
| Total Target Value (\$bn) | 76 | 45 | 5 | 125 |
| Average Target Size (\$mn) | 705 | 810 | 212 | 678 |

FINAL CLOSES BAROMETER



LARGEST BUYOUT FUNDS CURRENTLY ON ROAD

| Fund | Manager | Target Size (Mn) | Location |
|----------------------------------|---------------------------------|------------------|----------|
| Blackstone Capital Partners V | Blackstone Group | 11,000 USD | US |
| CVC European Equity Partners IV | CVC Capital Partners | 6,000 EUR | Europe |
| Warburg Pincus Private Equity IX | Warburg Pincus | 7800 USD | US |
| Thomas H Lee VI | Thomas H Lee Partners | 7,500 USD | US |
| Apollo Investment Fund VI | Apollo Capital Partners | 6,000 USD | US |
| Apax Europe VI | Apax Partners | 4,500 EUR | Europe |
| Candover 2005 | Candover Partners | 3,500 EUR | Europe |
| KKR European Fund II | Kohlberg Kravis Roberts | 3,500 USD | Europe |
| Welsh Carson Anderson & Stowe X | Welsh, Carson, Anderson & Stowe | 3,500 USD | US |
| Clayton Dubilier & Rice VII | Clayton Dubilier & Rice | 3,500 USD | US |

SAMPLE BUYOUT FUNDS CLOSED DURING MAY 2005

Sovereign Capital II:

Manager: Sovereign Capital II
First Close (mn): 110 GBP (Dec-2004)
Final Close (mn): 275 GBP (May-2005)
Geographic Focus: UK
Industry Focus: Healthcare, Environmental Services, Leisure, Education
Placement Agent: Acanthus Advisers
Sample Investors: Access Capital Partners, Danske Private Equity, Nordea Private Equity and Robeco Private Equity

Sun Capital Partners IV

Manager: Sun Capital
Target Size (mn): 1,000 USD
Closings (mn): Final Close: 1,500 USD (Apr-2005)
Geographic Focus: US
Industry Focus: Any
Sample Investors: Adams Street Partners, Commonfund Capital, Goldman Sachs Private Equity Group, PPM America Capital Partners and The Ford Foundation

Littlejohn Fund III:

Manager: Littlejohn & Co
Target Size (mn): 600USD
First Close (mn): 380 USD (Jan-2005)
Final Close (mn): 650 USD (May-2005)
Geographic Focus: North America, Europe
Industry Focus: Healthcare, Consumer Products, Industrial, Distribution, Transportation, Chemicals & Materials, Food
Sample Investors: Allianz Private Equity Partners, Duke University Management Company, FLAG Capital Management, Goldman Sachs Private Equity Group and Oregon State Treasury

Milestone Partners II

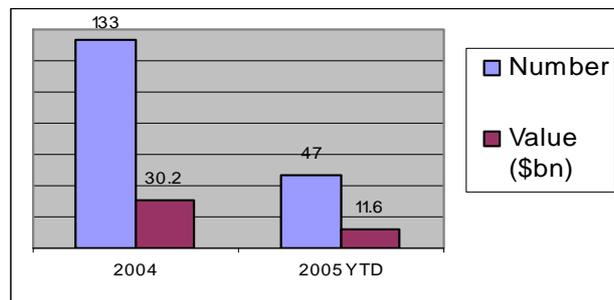
Manager: Milestone Partners II
Target Size (mn): 100 USD
Final Close (mn): 120 USD (Apr-2005)
Geographic Focus: US
Industry Focus: Distribution, Services, Manufacturing
Sample Investors: Parish Capital Advisors and Pennsylvania PSERS

FUNDS in MARKET—Venture

CURRENTLY ON THE ROAD

| | US | Europe | ROW | Total |
|-----------------------------------|-----|--------|-----|-------|
| No. on Road | 156 | 67 | 61 | 284 |
| Total Target Value (\$bn) | 26 | 10 | 7 | 44 |
| Average Target Size (\$mn) | 167 | 152 | 118 | 153 |

FINAL CLOSES BAROMETER



LARGEST VENTURE FUNDS CURRENTLY ON ROAD

| Fund | Manager | Target Size (Mn) | Location |
|--|-------------------------------|------------------|----------|
| Summit Ventures VII | Summit Partners | 3,000 USD | US |
| Spectrum Equity Investors V | Spectrum Equity Investors | 1,500 USD | US |
| Whitney VI | Whitney & Co | 750 USD | US |
| Sofipa Equity Fund II | MCC | 400 EUR | Europe |
| TVM Life Science Venture VI | Techno Venture Management | 400 EUR | Europe |
| North Bridge VI | North Bridge Venture Partners | 515 USD | US |
| Atlas Ventures VII | Atlas Ventures | 500 USD | US |
| ABS Capital V | ABS Capital Partners | 500 USD | US |
| Burrill Life Sciences Capital Fund III | Burrill & Company | 400 USD | US |
| Prism Venture Partners V | Prism Venture Partners | 400 USD | US |

SAMPLE VENTURE FUNDS CLOSED DURING MAY 2005

GBS Venture Partners III:

Manager: GBS Venture Partners Limited
Final Close (mn): 145 ASD (May-2005)
Geographic Focus: Australia
Industry Focus: Life Sciences
Sample Investors: Macquarie Funds Management Group, Military Superannuation Pension Fund, Quay Partners, Statewide Superannuation Trust and Westscheme Superannuation Fund

Split Rock Partners:

Manager: Split Rock Partners
Final Close (mn): 275 USD (May-2005)
Geographic Focus: US
Industry Focus: Software, Internet, Business Services
Sample Investors: Adams Street Partners, Minnesota State Board of Investment and St. Paul Travelers Companies

IDG Ventures Atlantic II:

Manager: IDG Ventures
Target Size (mn): 150 USD
Final Close: (mn): 180 USD (May-2005)
Geographic Focus: US
Industry Focus: Technology, IT, Software
Sample Investors: AlInvest Partners, GIC Special Investments, Grove Street Advisors, Princeton University Investment Company (Princo) and Yale University Endowment

Carmel Venture Fund II:

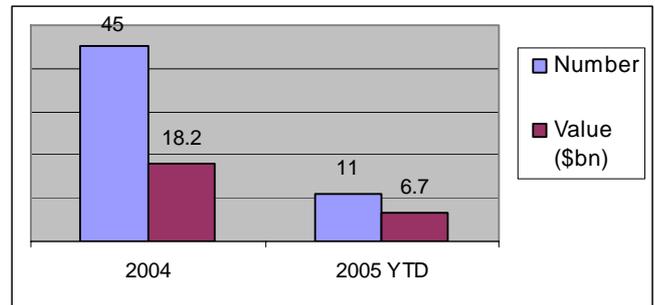
Manager: Carmel Venture
Final Close: 200 USD (May-2005)
Geographic Focus: Israel
Industry Focus: Communications, Software
Sample Investors: CalPERS, Citigroup Alternative Investments, JP Morgan Fleming Asset Management, Oregon Public Employees' Retirement Fund and Swiss Re Private Equity Advisers

FUNDS in MARKET—Fund-of-Funds

CURRENTLY ON THE ROAD

| | US | Europe | ROW | Total |
|-----------------------------------|-----|--------|-----|-------|
| No. on Road | 43 | 34 | 4 | 81 |
| Total Target Value (\$bn) | 11 | 9 | 1 | 20 |
| Average Target Size (\$mn) | 253 | 250 | 181 | 148 |

FINAL CLOSES BAROMETER



LARGEST FUND-OF-FUNDS CURRENTLY ON ROAD

| Fund | Manager | Target Size (Mn) | Location |
|--|---------------------------|------------------|----------|
| HarbourVest International V | HarbourVest Partners | 2,000 EUR | US |
| Partners Group European Buyout Fund 2005 (A and B) | Partners Group | 600 EUR | Europe |
| European Strategic Partners 2004 | Standard Life Investments | 500 EUR | Europe |
| ViaNova European Buyout Fund of Funds | ViaNova Capital | 500 EUR | Europe |
| RWB Private Capital Fonds II | RenditeWertBeteiligungen | 400 EUR | Europe |
| Private Equity European Partners III | Adveq Group | 325 EUR | Europe |
| Pantheon Europe Fund IV | Pantheon Ventures | 400 USD | Europe |
| Partners Group Global Mezzanine 2005 | Partners Group | 300 EUR | Europe |

SAMPLE FUND-OF-FUNDS CLOSED DURING FEBRUARY-MAY 2005

Knightsbridge Venture Capital VI:

Manager: Knightsbridge Advisers
Final Close (mn): 500 USD (Apr-2005)
Sample Investors: Annie E. Casey Foundation, California Endowment, Shell Pensions Trust, UK, South Yorkshire Pensions Authority and Telstra Superannuation Scheme

Commonfund Capital Natural Resources VI:

Manager: Commonfund Capital
Final Close (mn): 302 USD (Apr-2005)

European Strategic Partners 2004:

Manager: Standard Life Investments
First Close (mn): 250 USD (Dec-2004)
Second Close (mn): 549 EUR (May-2005)
Geographic Focus: West Europe
Sample Investors: Alfred I. duPont Trust, Hannoversche Leben, San Bernardino County Employees' Retirement Association, South Yorkshire Pensions Authority and West Yorkshire Pension Fund

Park Street Capital Fund VI:

Manager: Park Street Capital Fund VI
Final Close: 213 USD (Apr-2005)

Funds in Market: Additional Information

The Funds in Market Spotlight includes each month the largest ten funds being raised in the venture and buyout categories as well as the ten largest funds in another category of private equity. This month we show fund of funds. A full list of the over 600 funds currently being raised can be viewed on our online database, Funds in Market.

For a **FREE TRIAL** of our Online Funds in Market product please go to www.preqin.com

Please email firm@peqin.com for more information.

Product Spotlight: Funds in Market

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.

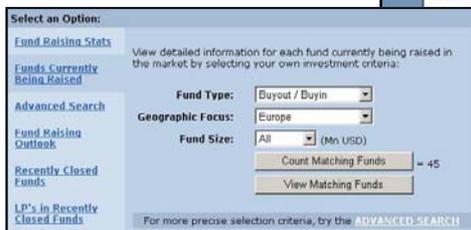
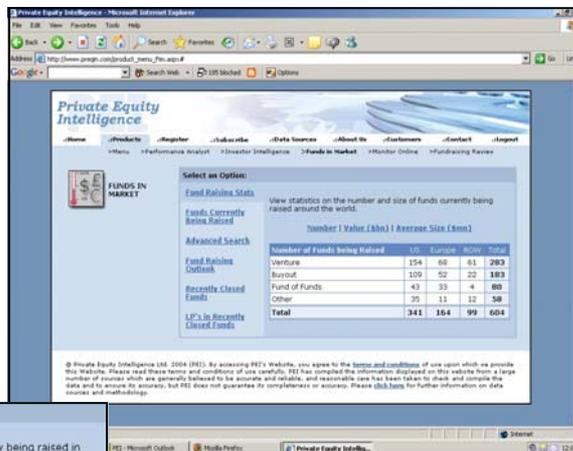
This month: Funds in Market

WHAT IS FUNDS IN MARKET?

Funds in Market is an online database providing up-to-the-minute information about private equity and venture fundraising worldwide:

- 600 funds currently on the road
- 340 funds closed during the past year
- 550 firms likely to hit the fund raising trail soon
- search for funds by location, industry and fund type
- view sample investors in recently closed funds

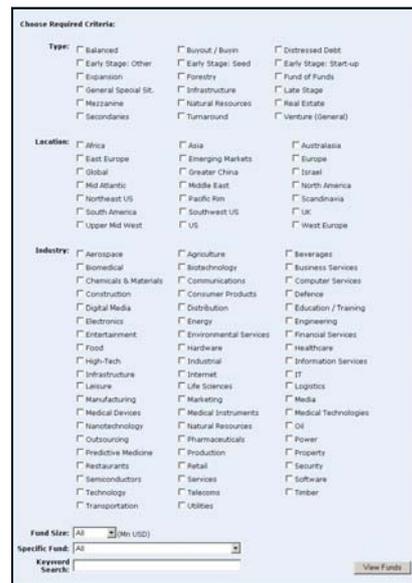
Subscribers also receive a quarterly report summarising the fund raising activities during the year, including funds closed and funds on the road by type and location.



WHO USES IT AND WHY?

Funds in Market is proving very popular with a broad range of private equity professionals:

- GPs use it to see who they are competing with, which funds are successfully closing and to look for potential investors for their new funds.
- LPs use it to search for investment opportunities - both the funds currently on the road and those likely to begin fund raising in the near future.
- Placement Agents use it to see who is successful in closing different types of fund, who has invested in them, and which funds are competing with their clients' funds. They also use it to see who is likely to be in the market for placement services in the near future.
- Fund of funds use it to search for investment opportunities and to track their competitors' new fund offerings.



HOW CAN I GET IT?

Funds in Market is available through subscription and is available from \$495/£275/E395. In addition, some customers come to us for one-off data downloads. For more information and to order, please visit www.preqin.com

CVC European Equity Partners IV

Manager: CVC Capital Partners
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About: CVC Capital Partners (CVC) is an independent multinational buyout firm with a strong, local European network of 11 offices. Founded in 1991, CVC now manages over USD 9 billion in equity capital and has completed over 250 investments with a total value in excess of USD 40 billion. An integral part of CVC's investment strategy is to assist large European corporations in divesting non-core businesses. As a general rule, CVC seeks investments in established businesses with turnover in excess of USD 100 million. CVC tends to focus on industries undergoing consolidation.

Fund Details:

Fund Type: Buyout / Buyin
Target Size (mn): 6000 EUR
Closings (mn):
Geographic Focus: West Europe
Industry Focus: Retail, Distribution, Services, Manufacturing, Media, IT, Beverages, Chemicals & Materials

Performance Data:
 View performance data for this firm's previous funds using Performance Analyst.

| | Type | Target Size (Mn) |
|--|----------------|------------------|
| | Buyout / Buyin | 2500 EUR |
| | Buyout / Buyin | 3500 EUR |
| | Buyout / Buyin | 125 EUR |
| | Buyout / Buyin | 200 EUR |
| | Buyout / Buyin | 200 USD |
| | Buyout / Buyin | 6000 EUR |
| | Buyout / Buyin | 400 EUR |
| | Buyout / Buyin | 1200 EUR |
| | Buyout / Buyin | 250 USD |
| | Buyout / Buyin | 130 EUR |

| | |
|---|--|
| Egeria Private Equity Fund II | Egeria |
| Electra European Fund II | Electra Partners |
| European Accession Fund | White Williams Private Equity Partners |
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INVESTOR SPOTLIGHT

Investor Spotlight is your monthly update on investors in Private Equity. See how key investors are changing their allocations and which new investors are coming into the market. Each month we analyse investors in a specific region—this month we look at Australia.

INVESTOR NEWS

The Teachers' Retirement System of Illinois (TRS)

plans to commit USD 600 million to private equity for the fiscal year starting July 1, 2005. This could see TRS invest up to USD 225 million in venture capital, USD 300 million in buyout funds, USD 50 million in distressed debt and industry-focused funds, and up to USD 25 million in subordinated debt funds. TRS does not invest in fund-of-funds. It does, however, invest in first-time funds but makes smaller commitments to these and favours those raised by experienced professionals leaving well-known firms. Although TRS has a typical investment range of USD 25-75 million, it is flexible in its approach and can make both smaller and larger investments.

AXA Private Equity is targeting between USD 150-200 million for its first Asian fund-of-funds vehicle. The new fund, soon to be supported by a Singapore office, will seek investments in China, Japan, Korea, India and Australia. Both CDH China Growth Capital Fund II and CVC Asia Pacific buyout fund which recently closed, have already been identified for commitments. For 2005, AXA will invest close to EUR 1 billion mainly through its last secondary fund of EUR 1.04 billion and the AXA Private Equity Fund-of-Funds II.

Adveq Group is currently raising its eighth fund-of-funds vehicle, Private Equity Opportunities Partners I. This fund-of-funds is targeting USD 150 million and will invest in non-traditional private equity funds. It will invest in funds that have specific focuses or themes, in anti-cyclical investment opportunities and in funds that operate at the borderline of other asset classes like hedge funds. Adveq is also raising Private Equity European Partners III with a target capitalisation of EUR 325 million and a focus on European venture and buyout funding. The fund will commit to around 25 European fund managers.

CalPERS is set to make bigger commitments to fewer partners. CalPERS board has recently voted to allow further flexibility to be given to the pension fund's two senior investment officers. The reason behind this move is CalPERS' belief that the increasing size of private equity funds and their relative success will continue, thus by making the investment decision process more streamlined, GPs may be less likely to scale back a commitment from the pension fund. CalPERS has recently decreased its target allocation to private equity from 7%, with the aim of having 6% of its commitments called up at any time. As per November 2004, the called up amount was around 5%. Its investments returned 13.5% in 2004 adding USD 21.5 billion to its total assets. Of the USD 21.5 billion, USD 2.8 billion came from private equity investments.

Illinois State Board of Investment is aiming to increase its allocation to alternatives by approximately 0.5% of total assets, equating to USD 50 million available for immediate investment. In the past the fund has invested predominantly in buyout funds and this trait is unlikely to change in the future.

Are you currently fund raising?

Investor Intelligence is your indispensable information resource for fund raising and investor relations.

With detailed profiles for over 2,700 LP investors from around the globe we can help you find the investors you need.

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INVESTOR SPOTLIGHT

AUSTRALIAN SUPERANNUATION FUNDS INCREASE PRESENCE IN PRIVATE EQUITY

Australian superannuation funds are becoming an increasingly significant investor in the private equity arena both on a domestic and international scale. Superannuation funds account for the largest source of capital under management in Australia and a massive 78% of these are currently investing in private equity.

The Australian private equity market saw increased activity in the year ending June 2004 following several years of decline since 2001. Superannuation funds accounted for much of this activity. UniSuper, for example, increased its allocation to private equity by 80% or ASD 100 million, from June 2003 to June 2004. Similarly, the Australian private equity program of Telstra Superannuation Scheme grew by 47% in the financial year to the end of June 2004. Also at this time, the Military Superannuation and Benefits Scheme (MSBS) had an effective exposure to private equity of ASD 72 million with further outstanding capital commitments of ASD 181.2 million.

Although interest for private equity is increasing elsewhere in the world such as in Switzerland, Germany and the Nordic countries, Australia to date has a larger exposure to the asset class with an average allocation amongst superannuation funds of 4%, compared to 1-2% for its European counterparts. The table here lists some of the key superannuation funds with private equity allocations above 5% of total assets:

Private Equity Intelligence's Investor Intelligence database suggests that there is particular enthusiasm amongst Australian superannuation funds for future investment in not only domestic but also international

private equity funds. Indeed, foreign fund investments are to become a major focus over the next 2-5 years. Telstra has recently approved two new international private equity mandates, with HarbourVest Partners appointed to manage up to ASD 50 million in US private equity and Adams Street Partners appointed to manage up to ASD 20 million in European private equity. Similarly, SunSuper is looking to fulfil its target allocation to the asset class and although investments to date have been focused on Australian venture and buyout funds, it will consider emerging markets in the future. Moreover, VicSuper which only began investing in Australian private equity opportunities in November 2003, quickly expanded its strategy to include international investments in 2004/2005. Over the next three years, the fund will invest EUR 100 million in the asset class.

Largest Australian Public Pension Fund Investors in Private Equity

| | Allocation to Private Equity (%) | Total Assets under Management (ASD) |
|--|----------------------------------|-------------------------------------|
| Master Superannuation Fund | 15.2 | 211 |
| Westscheme Superannuation Fund | 11.2 | 1,000 |
| Australian Retirement Fund | 8.5 | 6,500 |
| Stevedoring Employees' Retirement Fund | 5.5 | 1,100 |
| HESTA | 5.0 | 4,145 |
| Emergency Services Superannuation Scheme | 5.0 | 3,900 |
| BHP Billiton Superannuation Fund | 5.0 | 1,444 |
| Public Sector Super Scheme | 5.0 | 6,400 |
| Military Superannuation Pension Fund | 4.9 | 1,440 |

Certainly, this enthusiasm highlights the growing importance of private equity within the Australian economy and that Australian investors recognise the potential that exists outside their home market.

