PRIVATE EQUITY SPOTLIGHT

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

FEATURE ARTICLE P1

Why Fees Matter: boom times for fund raising have encouraged LPs to focus their attentions on securing that allocation to the next hot buyout fund. Detailed consideration of the complexities and subtleties of funds terms and conditions can slip down the agenda. We ask if this is wise, and urge caution.

PERFORMANCE SPOTLIGHT P5

Private Equity Fund of Funds: this month we look at how fund of funds have performed historically for the vintage years 1995 - 2003.

FUND RAISING P6

In addition to our usual look at buyout and venture fund raising activity, this month we look at mezzanine funds, and also examine fund raising in Latin America.

No. of Funds on Road	US	Europe	ROW	Total
Venture	176	75	70	321
Buyout	130	60	31	221
Fund of Funds	58	41	10	109
Other	56	13	18	87
Total	420	189	129	738

INVESTOR NEWS P11

All the latest news on investors in private equity:

- **London Borough of Camden Pension Fund seeks fund of funds and venture capital fund managers.**
- **MPRIM invests USD 215 million in three private equity funds**
- **Conrad N. Hilton Foundation considers its first foray into alternatives**

INVESTOR SPOTLIGHT P12

This month we focus on LPs' interests in Latin American Private Equity Funds.

⇒ An overview of Private Equity in Latin America.

⇒ Who are the big players investing in Latin America?

⇒ Where are they looking to invest?

⇒ How are their strategies changing?

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PRIVATE EQUITY SPOTLIGHT

Feature Article: Why Fees Matter

As the fund raising boom continues, there is evidence that fund terms have started to become somewhat less LP-favourable. This applies to both the overt economic terms - management fees, calculation of carry etc. - and also other factors such as the treatment of corporate finance fees, key man provisions etc.

That these developments are taking place without apparently triggering major concerns or even active debate can perhaps be attributed to two prevalent assumptions within the industry:

1: there is little real variation in terms between funds, they all comply closely with accepted norms;

2: fees and costs don't make a big difference to net returns, all that matters is the gross investment performance.

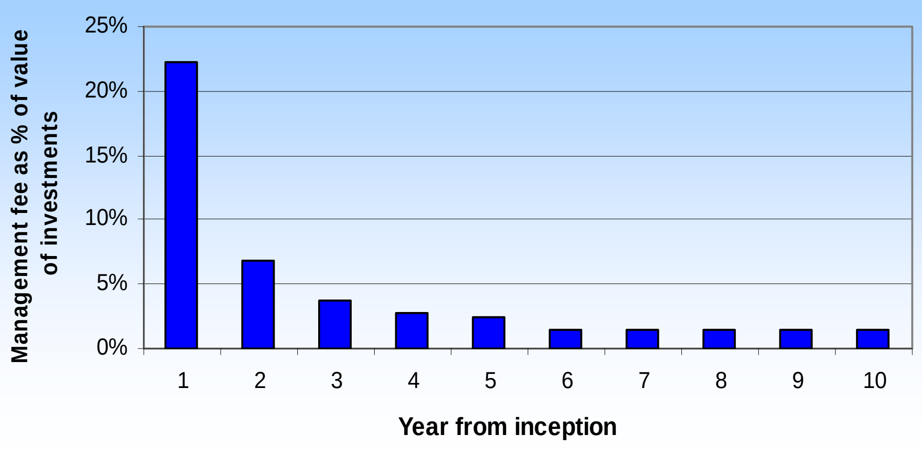
"Variations in terms and conditions have a large impact on both the total costs, balance of risks and alignment of interests between GP and LP."

We believe that these assumptions are incorrect, and divert attention away from an area that is actually of great importance for LPs and GPs, and is likely to become increasingly so in an environment where overall returns expectations may be lower than in the recent past.

The typical management fee is, of course, charged as a percentage of committed capital during the investment period of the fund, followed by a mechanism for reduced fees later in the fund's life, often by charging the same percentage fee, but applying this to the value of unrealized assets. The obvious outcome of this is that fees as a percentage of the actual money *invested* is very high during the early years, and tends to be significantly higher than the headline rate on average over the life of the fund. We modelled the effect of this by applying a representative management fee (1.5% of commitments during the first five years, followed by 1.5% of invested capital thereafter) to the typical pattern of contributions, distributions and unrealized values over the life of the fund. The results are shown in Fig. 1. Management fees can be over 20% of invested capital during the first year, declining thereafter towards the 1.5% 'headline' level. As a result, the average management fee over the lifetime of the fund is significantly higher than the 'headline' level - in fact the average is 2.7% of funds invested in this case.

We have addressed these issues by analyzing data in two key areas. Firstly, we looked at terms and conditions for a sample of over 300 funds of all types and sizes from vintage years 1999 through 2005, and

Fig. 1: Management Fees as % of Invested Capital



used these to compare the main economic and non-economic terms defining the GP:LP relationship across different fund types and sizes, and to look at trends over time. Secondly, we analyzed the actual fees and costs incurred by LPs from a sample of over 600 funds over the period 2000 to 2005. These actual fees and costs are a useful measure of fund terms, as they incorporate not only the headline figures (i.e. the 1.5% management fee in this case) but also the net effect of whether additional costs are chargeable to the partnership, the extent to which corporate finance fees are credited back to the partnership, the manner in which the basic fee changes over the lifetime of the fund etc.

Fig. 2 shows the actual management fees and costs incurred by LPs on a sample of buyout and venture funds (the sample looks at costs incurred during 2004 on a sample of 2002 and 2003 vintage funds – i.e. funds where the management fee is still charged on the basis of commitments. Three main points are evident:

- First, the actual costs vary from 0.5% to 3% of *commitments*, i.e. from approximately 1% to 9% of invested capital.
- Secondly, there is a very large range in costs from the lowest to the highest, even for funds within a closely-defined size range.
- Thirdly, there is a clear correlation between fund size and cost levels. Interestingly, there is no real difference in cost levels between venture and buyout funds *per se*, the cost differences appear to be driven primarily by the simple economics of running small vs. large amounts of money.

Like any other commodity, fund terms and conditions respond to market forces. There is ample evidence that terms went through a period of becoming more favourable to LPs after the turn of the millennium, but have since then become generally less favourable over the past year or two as the fund raising market has really taken off. Fig. 3 shows the actual fees and costs incurred by LPs in 2004 on a sample of 209 buyout funds from vintages 1994 to 2003. The funds from vintages 1998 and before have lower costs, as these are now past their investment periods. The more recent funds will have fees charged on the basis of commitments, and from 2001 onwards there is evidence of softening management fees, coinciding with the weak market for new fund raising at this time. (This situation has since reversed for 2005 vintage funds, not shown in figure 3).

As we examined fund terms and conditions, we found major differences between funds of ostensibly similar types and sizes, with significant economic implications.

Fig 2: Management Fees and Costs vs. Fund Size

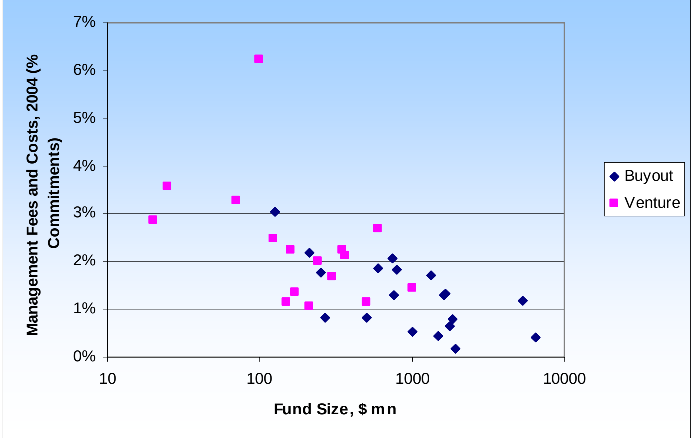
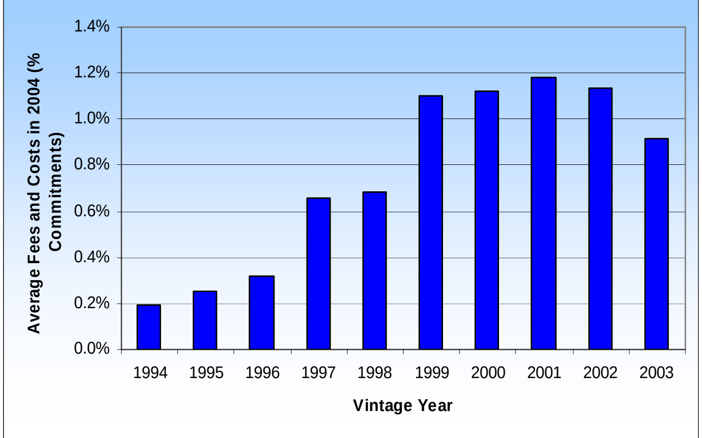


Fig 3: Management Fees and Costs - Buyout Funds



Some of the key areas of difference are:

- The headline rate of management fee varies between funds.
- The mechanism for reducing fees (or not) after the investment period also varies significantly. Many funds charge the same percentage, but apply this to invested capital. Others charge a lower percentage and also apply this to invested capital. Some have an annual decline in the fee charged. Still others have an increasing fee level over the first years of the investment period followed by declines thereafter.
- Treatment of directors' and corporate finance fees varies widely, from those funds where the GP takes all these fees to those where the fees are rebated 100% to the partnership – and everything in between.
- Some funds make provision for a lower base fee rate once the total commitments to the fund exceed a given level (rare these days.) Others (especially but not exclusively fund-of-funds) charge reduced fees to LPs with larger commitments.
- Carry can be charged on a whole fund or a deal-by-deal basis, sometimes subject to a 'fair value' test on the portfolio.
- Hurdle rates can be simple or compound. Most venture funds - and even some buyouts - have no hurdle rate.
- Key man provisions vary significantly between funds, in terms of the number of levels and the detailed provisions. Some funds have no-fault divorce clauses while others do not, and the percentage majority vote needed varies.
- The GP's financial commitment to the fund also varies widely.

Taken together these variations in terms and conditions have a large impact on both the total costs incurred by LPs over the lifetime of the fund, and the balance of risks and alignment of interests between GP and LP. There is a general expectation in the industry that the overall level of returns looking forwards is likely to be lower than in the recent past. Combine this with the general hardening of terms as a result of the strong fund raising market, and it is clear that careful attention to terms and costs will be of vital importance to LPs' net returns over the coming years.

The analysis behind this month's feature on Why Fees Matter has been drawn from our forthcoming 2006 Fund Terms Advisor.

The 2006 Fund Terms Advisor

Your essential guide to fund terms and conditions:

- Detailed analysis of fund terms and conditions based on data for over 900 funds of all types
- Detailed benchmarks for all key fund terms: management fees; carry; hurdles; fee rebates; keyman provisions; no fault divorce clauses etc.
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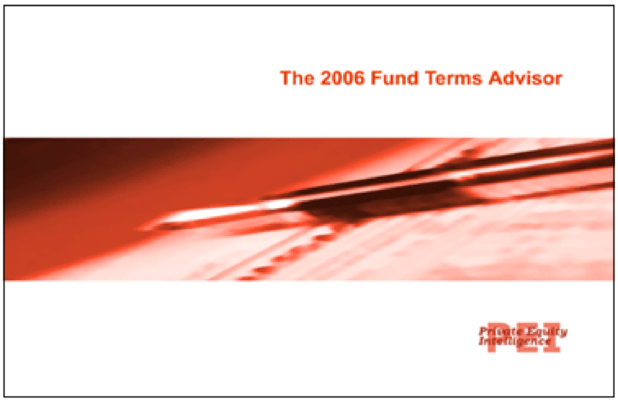
  - LPs committing to new funds
  - Lawyers
  - Consultants and Advisors
  - Placement Agents



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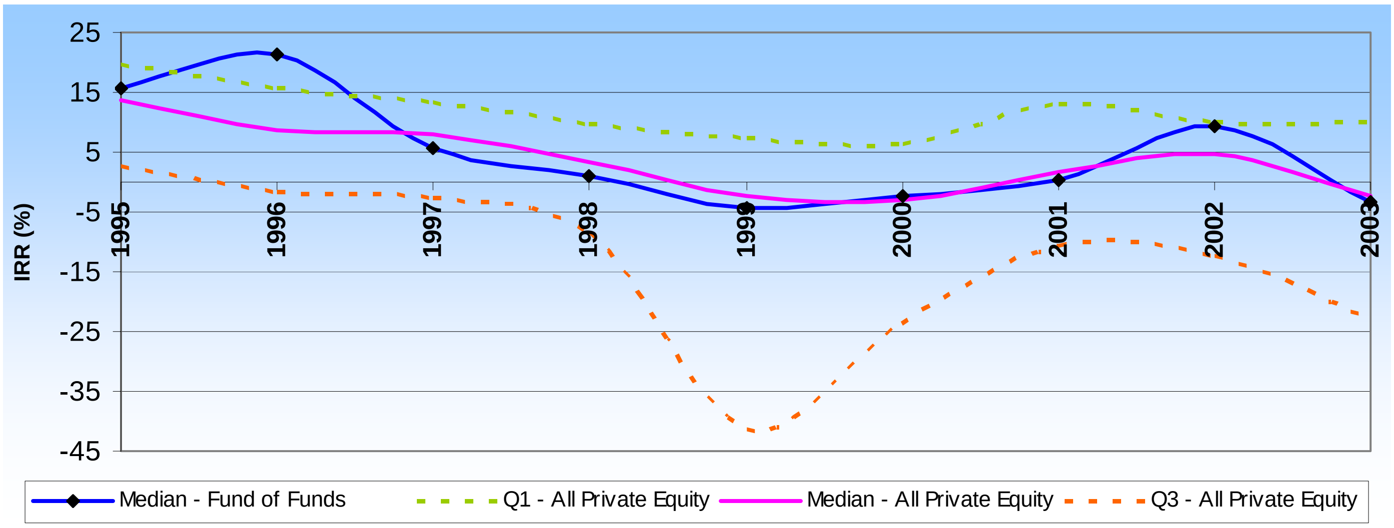
PERFORMANCE SPOTLIGHT

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 FUND OF 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 Spotlight looks at the performance of fund of funds. The 2006 Global Fund Raising Review confirmed that fund of funds are a steadily growing sector of the private equity industry, with 47 new vehicles closing $16 billion in 2005. But do these successful fundraising figures tally with superior past performances or is it mainly linked with the general boom in private equity interest?

The chart above shows the IRRs since inception of the median fund of funds for the vintage years 1995 to 2003 and compares this with the IRR performances of all private equity funds - for which we show the median and its upper/ lower quartiles. Generally, the performance of fund of funds tracks that of the broader private equity market quite closely, as for most vintage years the fund-of-funds median IRR is within 200 basis points of the all private equity medium. This is to be expected, as fund of funds fulfil their diversification role. However, significant risk remains, as the divergence in performance between the best and worst performing fund of funds is still high.

If fund of funds do reduce some risk, LPs still face the challenge to choose the right fund management team that will deliver strong performance. Performances but also terms and conditions vary widely between partnerships - and even investments with a fund of funds manager imply long and complex due diligences.

The table below summarizes the net performance of some of the best fund of funds. (Our Performance Analyst database currently has performance data for 270 fund of funds).

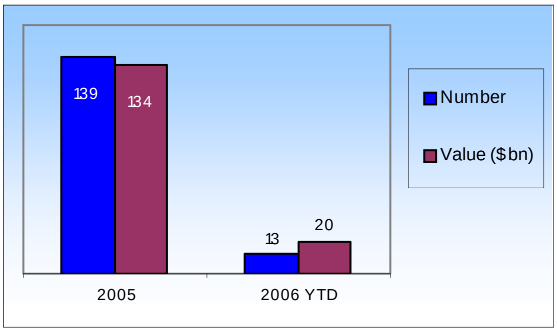
Fund	Vintage	Fund Size (Mn)	Called (%)	Distr. (%)	Value (%)	IRR (%)	Multiple	Date
Knightsbridge Integrated Holdings III	1996	120 USD	100	235.5	55.6	43.4	2.91	30-Jun-05
Brinson - 1997 Primary	1997	n/a	96.6	348.6	50.8	72.0	3.99	30-Jun-05
HarbourVest Partners VI Buyout	1999	n/a	65	34.3	120.6	7.5	1.55	31-Mar-05
GS Private Equity Partners 2000	2000	1,900 USD	48.3	34.4	100.0	20.2	1.34	31-Mar-05
Invesco U.S. Buyout & Expansion	2001	90 USD	34.8	9.7	134.6	18.1	1.44	31-Mar-05

FUNDS in MARKET — Buyout

BUYOUT FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	130	60	31	**221**
Total Target Value ($bn)	108	30	10	**148**
Average Target Size ($mn)	830	505	321	**670**

FINAL CLOSES BAROMETER



LARGEST BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Blackstone Capital Partners V	Blackstone Group	12500 USD	US
KKR Fund 2006	Kohlberg Kravis Roberts	12000 USD	US
Texas Pacific Group Partners V	Texas Pacific Group	12000 USD	US
Thomas H Lee VI	Thomas H Lee Partners	7500 USD	US
Madison Dearborn Capital Partners V	Madison Dearborn Partners	6500 USD	US
Cinven IV	Cinven	5000 EUR	UK
Bain Capital Fund IX	Bain Capital	6000 USD	US
Charterhouse Capital Partners VIII	Charterhouse Capital Partners	3500 EUR	UK
3i Europe Partners V	3i	3000 EUR	UK
TA Associates / Advent X	TA Associates	3500 USD	US

SAMPLE BUYOUT FUNDS CLOSED DURING FEBRUARY 2006

MUST V

Manager: HG Capital
Target Size (mn): 400 EUR
Final Close (mn): 950 EUR (Feb-2006)
Geographic Focus: West Europe
Industry Focus: Diversified
Placement Agent: Credit Suisse Private Fund Group
Sample Investors: Gartmore Group, Harvard Management Company, Metlife Insurance Company, Morley and Teacher Retirement System of Texas

Alpha Private Equity Fund V

Manager: Altor Equity Partners
Target Size (mn): 700 EUR
Final Close (mn): 750 EUR (Feb-2006)
Geographic Focus: West Europe
Industry Focus: Distribution, Financial Services, Engineering, IT, Medical Instruments
Placement Agents: Not Used
Sample Investors: AlpInvest Partners, Citigroup Alternative Investments, Gartmore Group, Insight Investment and Liberty Mutual Insurance

Altor Equity Partners II

Manager: Altor Equity Partners
Target Size (mn): 800 USD
Final Close (mn): 1150 USD (Feb-2006)
Geographic Focus: Scandinavia
Industry Focus: Telecoms, Healthcare, Manufacturing
Placement Agents: Monument Group, Helix Associates
Sample Investors: AlpInvest Partners, Goldman Sachs Private Equity Group, Harvard Management Company, Länsförsäkringar and Skandia

Pacific Equity Partners III

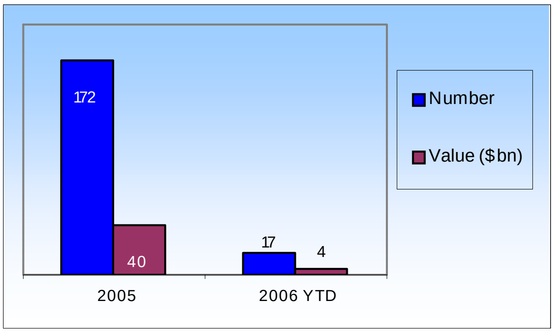
Manager: Pacific Equity Partners
Target Size (mn): 1000 AUD
Final Close (mn): 1200 AUD (Feb-2006)
Geographic Focus: Australasia
Industry Focus: Any
Sample Investors: HarbourVest Partners, Harvard Management Company, Stanford Management Company and Yale University Endowment

FUNDS in MARKET — Venture

VENTURE FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	176	75	70	**321**
Total Target Value ($bn)	30	9	17	**57**
Average Target Size ($mn)	170	125	248	**176**

FINAL CLOSES BAROMETER



LARGEST VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
New Enterprise Associates XII	New Enterprise Associates	2500 USD	US
Polaris Venture Partners V	Polaris Venture Partners	1000 USD	US
MPM BioVentures IV	MPM Capital	650 USD	US
ABS Capital V	ABS Capital Partners	500 USD	US
Column Group Venture Partners I	Column Group	500 USD	US
Panorama Capital	Panorama Capital	500 USD	US
Vertex India China Pre-IPO Equity Fund	Vertex Venture Holdings	500 USD	China
Pacven Ventures VI	Walden International	450 USD	US
Atlas Venture VII	Atlas Venture	400 USD	US
Burrill Life Sciences Capital Fund III	Burrill & Company	400 USD	US

SAMPLE VENTURE FUNDS CLOSED DURING FEBRUARY 2006

Kleiner Perkins Caufield & Byers XII

Manager: Kleiner Perkins Caufield & Byers
Target Size: 600 USD
Final Close (mn): 600 USD (Feb-2006)
Geographic Focus: North America
Industry Focus: Technology, Healthcare, IT

Redpoint Ventures III

Manager: Redpoint Ventures III
Target Size (mn): 400 USD
Final Close (mn): 400 USD (Feb-2006)
Geographic Focus: North America
Industry Focus: Technology, Telecoms, Software, Communications

Core Capital Partners II

Manager: Core Capital Partners
Target Size: 250 USD
Final Close (mn): 200 USD (Feb-2006)
Geographic Focus: North America
Industry Focus: Technology, Telecoms, Software, Communications

Pond Venture Partners III

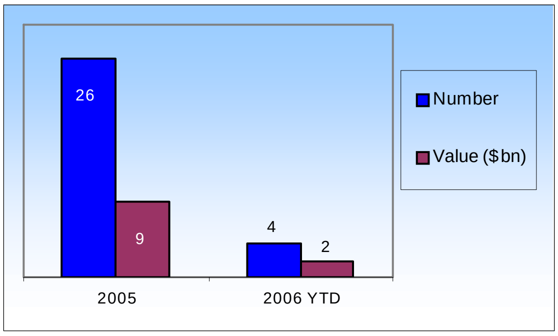
Manager: Pond Venture Partners
Target Size (mn): 145 USD
First Close (mn): 70 USD (Jun-2005)
Second Close (mn): 130 USD (Oct-2005)
Final Close (mn): 145 (Feb-2006)
Geographic Focus: Europe
Industry Focus: Technology
Placement Agent: International Private Equity
Sample Investors: AlpInvest Partners, EIF, HarbourVest Partners and The Wellcome Trust

FUNDS in MARKET — Mezzanine

MEZZANINE FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	21	9	1	**31**
Total Target Value ($bn)	5	3	<1	**8**
Average Target Size ($mn)	233	349	75	**258**

FINAL CLOSES BAROMETER



LARGEST MEZZANINE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
TCW / Crescent Mezzanine Partners IV	TCW Group	1200 USD	US
Euromezzanine 5	Euromezzanine	600 EUR	France
Blackstone Mezzanine Partners II	Blackstone Group	667 USD	US
GSC European Mezzanine Partners II	GSC Partners	500 EUR	US
Audax Mezzanine Fund II	Audax Group	500 USD	US
Mezzanine Management Fund IV	Mezzanine Management UK	500 USD	UK
Ares Capital	Ares Management	450 USD	US
Carlyle Mezzanine Fund	Carlyle Group	400 USD	US

SAMPLE RECENT MEZZANINE FUNDS CLOSES

York Street Capital II

Manager: York Street Capital
Geographic Focus: North America
Target Size (mn): 700 USD
Final Close (mn): 700 USD (Feb-2006)
Industry Focus: Any
Sample Investors: Ontario Teachers' Pension Plan

Fifth Steet Capital Mezzanine Fund II

Manager: Fifth Street Capital
Target Size (mn): 150 USD
First Close (mn): 68 USD (Feb-2005)
Final Close (mn): 157 USD (Jan-2006)
Geographic Focus: North America
Industry Focus: Any
Placement Agent: Not Used

Tower Square Capital Partners II

Manager: Babson Capital Management
Target Size (mn): 1000 USD
Final Close (mn): 1000 USD (Feb-2006)
Industry Focus: Healthcare, Consumer Products, Distribution, Consumer Services, Manufacturing, Food, Business Services
Geographic Focus: North America

AXA Mezzanine I

Manager: AXA Private Equity
Geographic Focus: Europe
Final Close (mn): 200 EUR (Dec-2005)
Industry Focus: Any
Lawyer: SJ Berwin

FUNDS in MARKET — Latin America

SAMPLE OF LATIN AMERICA BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
GP Fundo de Investimento	GP Investimentos	200 USD	Brazil
Celfin Private Equity Fund	Celfin Capital	-	Chile
Baring Mexico Fund II	Baring Private Equity Partners Mexico	150 USD	Mexico
Carlyle Mexico Partners	Carlyle Group	300 USD	US

SAMPLE OF LATIN AMERICA VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
CRP VI	CRP Companhia de Participações	35 USD	Brazil
RB Investech II FMIEE	Rio Bravo	40 BRL	Brazil
Solidus Investment Fund	Cyrano Management	30 USD	Peru
Colombia Transandean Fund	Small Enterprise Assistance Funds	20 USD	US
GIC 21st Century Latin America Fund	GIC Special Investments	100 USD	US

SAMPLE OF OTHER LATIN AMERICA FUNDS CURRENTLY ON ROAD

Fund	Manager	Type	Target Size (Mn)	Location
Nexxus Capital Private Equity III	Nexxus Capital	Expansion	200 USD	Mexico
Darby Probanco	Darby Overseas Investments	Expansion	60 USD	Brazil
AIG Brazil Special Situations Fund	AIG Global Investment Group	General Special Sit.	250 USD	Brazil
Latin Power III	Conduit Capital Partners	Infrastructure	400 USD	Latin America
Latin America Enterprise Energy I	Latin America Enterprise Managers	Natural Resources	200 USD	Latin America

SAMPLE RECENT LATIN AMERICA FUND CLOSES

Fundotec II

Manager: Fir Capital
Fund Type: Venture (General)
Geographic Focus: Brazil
Final Close (mn): 60 BRL (Dec-2005)
Industry Focus: IT, Technology, Biotechnology
Placement Agent: Not Used

Uruguay Investment Venture Capital I

Manager: Prosperitas Capital Partners
Fund Type: Venture (General)
Target Size (mn): 10 USD
First Close (mn): (Sep-2005)
Final Close (mn): 10 USD (Jan-2006)
Geographic Focus: Uruguay
Industry Focus: Technology, Agriculture
Placement Agent: Not Used

Latin America Fund II

Manager: Southern Cross Group
Fund Type: Venture (General)
Geographic Focus: Latin America
Final Close (mn): 217 USD (Dec-2005)
Industry Focus: Any

Advent Latin America Fund III

Manager: Advent International
Fund Type: Buyout
Geographic Focus: Latin America
Final Close (mn): 375 USD (Oct-2005)
Industry Focus: Healthcare, Retail, Communications, Financial Services, Life Sciences, Chemicals, Energy
Sample Investors: AlpInvest Partners, British Columbia Investment Management Corporation, California Public Employees' Retirement System (CalPERS), Morgan Stanley Alternative Investment Partners and Pantheon

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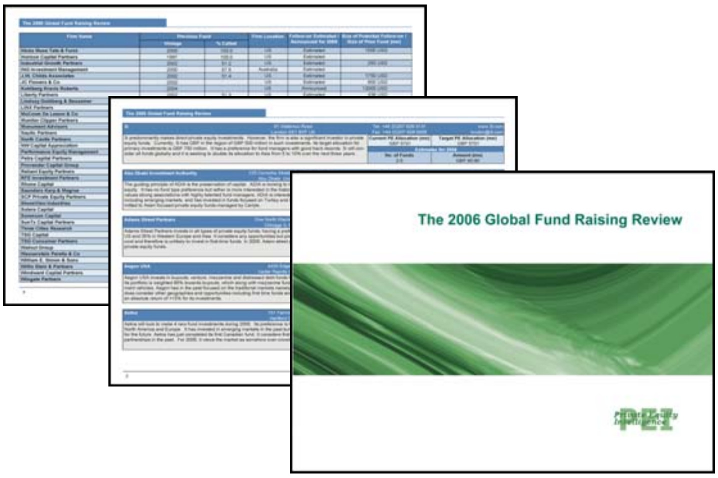

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INVESTOR SPOTLIGHT

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 the Latin America.

INVESTOR NEWS

London Borough of Camden Pension Fund is currently tendering for fund-of-funds and venture capital fund managers. Following a reassessment of its investment strategy, the pension fund intends to re-enter the private equity market by the end of the year. The pension fund, with approximately GBP 700 million in total assets, is planning a 5% allocation to private equity. Of this target, GBP 25 million will be allocated to fund-of-funds and GBP 10 million to venture capital opportunities. The majority of investments will be in Western Europe.

Massachusetts Pensions Reserves Investment Management Board (MPRIM) is planning to invest a total of USD 215 million in three new private equity funds. On the buyout front, MPRIM has selected TA Associates' tenth vehicle which is targeting USD 3.5 billion. MPRIM intends to commit up to USD 75 million to TA Associates X. MPRIM also plans to invest USD 100 million in Wayzata Investment Partners distressed securities fund, the firm's first independent fund raising effort. Thirdly, a commitment of USD 40 million is earmarked for M/C Venture Partners sixth communications-focused fund. MPRIM has a target allocation of nearly USD 4 billion to private equity funds.

Denmark's FunktionaerPension (FP) is considering making its inaugural investments in private equity and hedge funds. The EUR 805 million pension fund for Danish white-collar workers is currently exploring ways of complementing traditional asset classes and diversifying risk. As of February 2006, FunktionaerPension was exploring technical and regional issues such as regional public and private equity mandates in developing countries.

The London Borough of Lambeth Pension Fund has announced that following a review of performance, changes to optimise fund return have been recommended. Such changes include a foray into the private equity arena, and fund-of-funds manager, Adams Street Partners will be responsible for the pension fund's private equity portfolio. The pension fund, with approaching GBP 500 million under management, is targeting a 5% allocation to private equity.

The Conrad N. Hilton Foundation is considering its first foray into the alternative assets arena. The foundation, with approximately USD 2.5 billion in assets, is currently reviewing its entire investment portfolio. Cambridge Associates is assisting in bringing the foundation up to speed on alternatives. The Hilton Foundation currently stands in the top 10% of foundations in terms of total assets and this has been achieved without exposure to alternatives.

The Boston Foundation is planning to increase its allocation to alternatives, currently standing at 21.4% of total assets. This decision follows a recently completed review of the foundation's asset allocation policy that revealed the need for greater diversity to further reduce volatility. The Foundation, with approximately USD 700 million under management, will seek investment opportunities in private equity, hedge funds, commodities and real estate.

New Mexico Educational Retirement Board has approved its maiden allocation to private equity, following an asset allocation study carried out by New England Pension Consultants in September 2005. The board is most likely to follow a fund-of-funds strategy. Although only in its early stages, the move into private equity is part of an asset allocation review by which the board will allocate approximately USD 400 million to both real estate and hedge funds. It is expected that the board will first focus its attention on hedge funds as this allocation can be reached relatively quickly, and then turn its attention to the new private equity allocation by mid-summer 2006. The decision to pursue alternative investments follows a change in guidelines that until early 2005 have limited investments by New Mexico's pension systems to mainly stocks and bonds.

INVESTOR SPOTLIGHT

Last month Investor Spotlight looked at LP interest in emerging markets. While Asia tends to grab most of the limelight these days, LPs should be aware of the opportunities in Latin America.

Renewed interest in Latin America is evident across the spectrum of private equity investors, with fund-of-funds managers, insurance companies, public pension funds and foundations all including allocations to the region in their portfolios.

Latin America has recently been experiencing popularity amongst some significant LPs. In 2005, British Columbia Investment Management Company (BcIMC) invested in Advent International's third Latin America-focused fund. The fund will invest primarily in companies in Argentina, Brazil and Mexico. BcIMC is a returning LP to Advent's Latin American funds, having invested in both the firm's preceding funds in 1996 and 2001 respectively. BcIMC has approximately CAD 1.6 billion currently committed to private equity funds, of which 6% is allocated to emerging markets including Latin America. Advent's third buyout fund closed on USD 375 million and also received a commitment from private equity heavyweight AlpInvest. AlpInvest allocates 12% of total assets, equating to nearly EUR 2 billion, to private equity fund investments outside the traditional markets of North America and Europe.

Another giant private equity investor looking towards Latin America is California State Teachers' Retirement System (CalSTRS). Traditionally, CalSTRS has focused its private equity investments within the US but has recently begun to expand the scope of its geographic interests. Today, CalSTRS is also keen to invest in lesser-known regions such as Latin America. The USD 130 billion pension fund is aiming to reach its target allocation of 8% to private equity by 2007. Therefore, for 2006 it has up to USD 2 billion available to commit to new funds. For the fiscal year ending June 30, 2005, private equity ranked as the highest performing asset class for CalSTRS, producing a 24.9% return, the second year running that the portfolio's performance has exceeded 20%.

Fellow US public pension fund, New Mexico State Investment Council (SIC), is similarly interested in Latin America. SIC approved a commitment to Carlyle Mexico Partners in late 2005. The USD 13 billion pension fund has a target allocation of 5% and over the next 12 months SIC will aim to commit USD 300 million to new private equity funds.

The interest in Latin America is not restricted to public pension plans. US foundations showing enthusiasm for Latin America include New York's Carnegie Corporation. With approximately USD 2 billion under management, Carnegie is looking towards Latin America for future private equity fund investments. To date, the philanthropic grant-making foundation has focused on the US and Western Europe and although this will continue to be the primary focus for the immediate future, Carnegie has a small allocation available for Latin American and Asian opportunities. Also based in New York, MetLife Insurance Company Pension Plan is another investor interested in Latin America. The pension's geographical targets see it allocating 15% of its portfolio to the rest of the world, namely Latin America and Asia. Metlife's target allocation to private equity is also quite likely to increase, following an investment review due to be completed in early 2006.

A number of fund-of-funds managers are equally optimistic about Latin America. One such manager is Pacific Corporate Group (PCG) who last year formed a new PCG International division, based in Washington.

INVESTOR SPOTLIGHT

The purpose of the division is to focus solely on non-traditional private equity markets, primarily in Latin America, Asia and Eastern Europe. Swiss-based fund-of-funds manager, AIG Private Equity, directs just under 20% of its private equity allocation to emerging markets, principally Asia and Latin America.

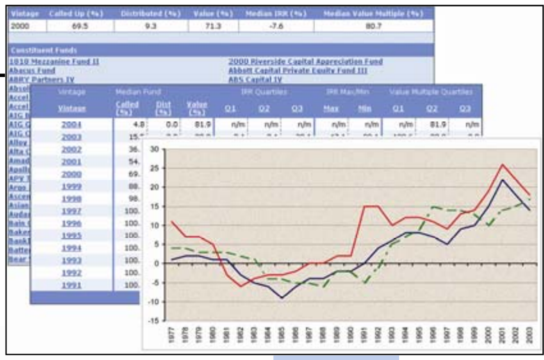
Leading US academic institutions looking to Latin America include Yale University Endowment which has recently made a commitment to GP Fundo de Investimento. This Brazilian-focused buyout fund is targeting USD 200 million and is currently still on the road. The endowment, with approximately USD 15.2 billion in total assets, has a target allocation of 18% to private equity. Yale began investing in private equity in 1973 and since then has achieved a 30.7% annualised net return. Similarly, the University of Chicago Endowment is keen to expand its portfolio into Latin America. For the future, this USD 4 billion endowment will consider investing in a variety of emerging markets including Latin America as well as Russia, Eastern Europe and Asia and has made investments in several of these locations.

In the spotlight: Private Equity Intelligence

Private Equity Intelligence provides information products and services to private equity and venture capital firms, fund-of-funds, investors, placement agents and advisors across three main areas: **Fund Performance, Fund Raising and LP profiles.**

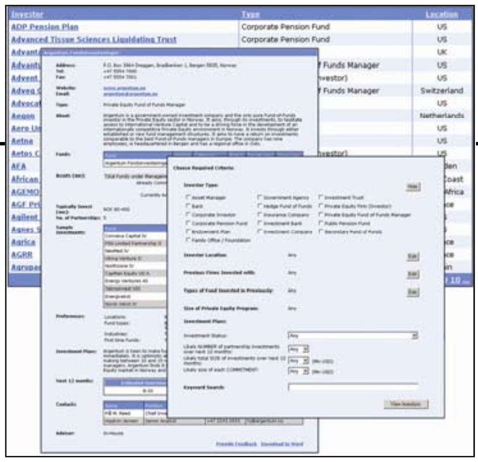
FUND PERFORMANCE:

Transparent performance data for nearly 2,700 private equity and venture capital funds and fund-of-funds worldwide. Customers have access to key performance metrics – Called, Distributed, Unrealized Value, Multiple, IRR, Cash Flow – to compare individual funds and firms against each other and the benchmarks.



LP PROFILES:

Detailed profiles for over 3,000 LP investors worldwide plus a powerful and flexible search tool helping GPs, placement agents, fund-of-funds and advisors to find the LPs that best match their criteria.



FUND RAISING:

Comprehensive monitoring of the global market for new fund raising. Who is currently on the road? Who has succeeded in closing a fund recently? Which LPs committed to the new funds? Who is likely to be raising a new fund in the near future?

Value of Funds being Raised ($bn)	US	Europe	ROW	Total
Venture	25	9	7	42
Buyout	84	52	5	140
Fund of Funds	12	9	1	22
Other	8	1	3	13
Total	130	71	16	216

Number of Funds being Raised	US	Europe	ROW	Total
Venture	158	69	61	288
Buyout	113	58	22	193
Fund of Funds	44	32	5	81
Other	33	11	11	55
Total	348	170	99	617

Average Size of Fund being Raised ($mn)	US	Europe	ROW	Average
Venture	160	135	119	145
Buyout	741	890	212	725
Fund of Funds	284	270	145	270
Other	250	105	262	232
Average	373	416	162	351

METHOD OF DELIVERY:

Customers can get this market intelligence in three different ways:

- Hard copy publications
- Online database services
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