

Emerging Markets-Based Private Equity Hits Record \$297bn in Assets under Management

Managers in these regions* see annual increases in AUM even as fundraising slows and foreign managers move in to the market

Preqin's latest report on private equity in emerging markets (EM) finds that the total assets held by managers based in these regions have increased year-on-year to approach \$300bn as of September 2015, the latest data available. The combined AUM of EM-based managers did not see much growth in 2014, rising from \$248bn at the end of 2013 to \$258bn a year later. Since then, however, total assets have risen \$39bn in nine months, to hit record highs. This growth has been primarily based on an increase in the value of assets from which funds have yet to exit; the level of uncalled capital available for investment peaked at \$94bn at the end of 2013 and has since fallen to \$89bn, while unrealized value has grown from \$154bn to \$208bn in the same period.

This increase in AUM comes despite the growing interest shown in emerging markets by fund managers based outside of these regions. The proportion of aggregate emerging markets-focused capital which was raised by managers based in these regions peaked in 2011, when they accounted for 77% of the \$69bn raised. Since then, the proportion has fallen year-on-year, and in 2015 EM-based managers accounted for 49% of the \$40bn raised. In 2016 YTD, EM-based managers have accounted for just a third (33%) of the total capital raised for emerging markets, an all-time low.

Other Key Emerging Markets Private Equity Facts:

- **Fundraising:** 2011 saw the greatest number of EM-focused private equity funds reach a final close, at 335. Since then, **the number of funds raised each year has fallen**, and in 2015 just 199 funds reached a final close, raising a combined \$40bn – the lowest level of aggregate capital raised since 2009.
- **Emerging Regions: Asia dominates the private equity landscape in emerging markets.** The region accounted for 77% of EM-focused fundraising in 2015, and is home to 51% of EM-based managers and 50% of EM-based investors.
- **Fund Types: Emerging markets-focused growth funds have raised \$146bn since 2008, the highest of any fund type**, with buyout funds attracting \$134bn of investor capital. Despite only attracting \$83bn of investor commitments, 859 venture capital funds have reached a final close, by far the most of any fund type.
- **Investor Preferences: Venture capital is the most sought-after strategy for EM-based investors**, with 55% stating a preference for the fund type. Only 35% of investors in these regions prefer buyout funds, a lower proportion than for investors in North America or Europe.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Private-Equity-in-Emerging-Markets-June-2016.pdf>

Comment:

"Emerging markets have developed significantly over the past decade; as many more developed markets have seen slower growth in the wake of the Global Financial Crisis, some economies in emerging regions maintained double-digit growth rates. As such, private equity funds focused on these regions have been able to capitalize on opportunities, and the total assets held by these funds is now just less than \$300bn.

Recent years have also seen increased participation in emerging markets from international GPs, which are attracted by the robust underlying demographics and potential for strong returns. While managers based in these regions may struggle to compete with the resources of larger market entrants, they might be able to leverage their in-depth local understanding of these markets in order to attract investors."

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**For the purposes of this report, emerging markets include all countries in Central & Eastern Europe, Latin America (South and Central America, the Caribbean), Africa, the Middle East (excluding Israel) and Asia (excluding Japan, Hong Kong and Singapore).*

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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