

Listed Private Equity Highly Correlated with Traditional Closed-End PE Limited Partnerships

Correlation of 0.94 between LPX50 NAV and PrEQIn All PE from Jan-2003 to Jun-2011

The high degree of correlation between the NAVs of Listed Private Equity (LPE), as measured by the LPX50 NAV Index of the 50 largest and most liquid LPE stocks globally, and traditional private equity limited partnerships, as measured by Preqin's Private Equity Quarterly Index (PrEQIn), demonstrates that the fundamental performance of the two types of investment is essentially the same. This means that LPE can provide investors with access and exposure to similar assets with a similar risk-return profile to traditional limited partnership private equity.

There are several implications for investors. Smaller investors that are unable to invest in traditional closed-end limited partnerships due to concerns over liquidity, bite size and diversification can use LPE or one of the products driven off the LPX indices to give them access to the same assets and prospective returns as those accessed by the largest institutions. Meanwhile, larger investors can use LPE to manage their exposure to private equity, reducing concerns over timings of call-ups and distributions, as well as to manage cash that is waiting to be called up to closed-end funds by having it invested in similar assets.

Summary of Findings:

- The correlation of the LPX50 NAV and the PrEQIn All PE is 0.94, with a 95% confidence interval of 0.88-0.97, for the period between January 2003 and June 2011.
- Listed Private Equity NAVs fell more than traditional limited partnership private equity NAVs during the financial crisis, primarily due to the deleveraging process undergone in LPE at that time.
- LPE stocks are currently trading at average discounts to NAV of around 30%, well above the long-run average discount level of 7.6%.
- The current market capitalization of the LPE industry stands at around \$65.5 billion. The current assets under management of the unlisted sector stand at \$2.9 trillion, consisting of \$1.9 trillion in unrealized value and \$1 trillion in committed capital yet to be called up by fund managers.

To view the full report, please visit:

http://www.preqin.com/docs/reports/Preqin_LPX_Listed_Private_Equity_June12.pdf

Comment:

"The LPX50 Index contains the 50 largest and most liquid Listed Private Equity companies and is the most established Index for measuring this asset class. Given that the NAV development of the 50 largest Listed Private Equity companies has such a high correlation with that seen in unlisted private equity, more investors should think about incorporating a listed element into their overall private equity portfolios."

Michel Degosciu – Managing Director, LPX Group

"This is exciting news for institutional investors. Traditional limited partnerships will remain the predominant route into private equity for institutions, but this research means that even the biggest investors in private equity can use listed private equity as a valuable addition to their portfolio strategies, including the ability to better manage cash flows."

Mark O'Hare – Chief Executive, Preqin

"This new research shows that the LPX50 offers investors the same exposure as a portfolio of "industrial grade" ten-year limited partnerships, for the price of a share and with minimal administrative burden and cost. In addition, discounts on LPX50 constituents are wider than the discounts prevailing in the secondary market for LP interests, so listed securities arguably offer investors better value. This represents significant benefits for the often time-constrained institutional investor in private equity."

Ian Armitage – Chairman, LPEQ

About LPX Group:

LPX Group was founded in 2004 in Basel, Switzerland and is the first provider of listed private equity indices. With a strong academic background, the index series was designed to fulfill both the needs of the financial industry and academic standards to serve as an effective research tool.

With a steadily growing range of innovative financial products linked to the LPX index series (exchange-traded funds (ETFs), investment funds, derivatives and certificates), the LPX indices have become the most widely used in the financial industry. The LPX index series has therefore increased the awareness of listed private equity by attracting new investor circles and hence has made an outstanding contribution in the promotion of Listed Private Equity. For more information, please visit: www.lpx-group.com

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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

About LPEQ

LPEQ was established in 2006 to increase awareness and understanding of listed private equity. For more information, see www.LPEQ.com

Note to Editors:

- Michel Degosciu has published a formal academic paper regarding this research, which can be accessed at: <http://ssrn.com/abstract=2081997>
- Preqin is spelled without the letter 'U' after the 'Q'.

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