

Emerging Markets Private Equity Assets Surpass \$500bn

Total assets held by EM-focused private equity funds increased from \$254bn at the end of 2010 to \$564bn as of September 2016

The assets held by private equity funds focusing on investments in emerging markets* have increased at a rapid rate in recent years. As of the end of September 2016 (the latest data available), total AUM for EM-focused funds was \$564bn: assets have more than doubled from the \$254bn recorded at the end of 2010, and increased sixfold in 10 years. At the same time, capital distributions back to investors have outstripped capital calls since the start of 2015, and net capital flow totalled \$13bn in the first three quarters of 2016.

For more information and analysis, including a breakdown of individual emerging market regions, see the full *Private Equity in Emerging Markets* report here:

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Private-Equity-in-Emerging-Markets-July-2017.pdf>

Key Facts on Private Equity in Emerging Markets:

- Emerging markets-focused private equity funds have seen their **assets grow at an average annual rate of 21%** over the past decade, from \$93bn in December 2006 to \$564bn in September 2016.
- At the same time, distributions to investors exceeded capital calls by \$7bn in 2015, and \$13bn in Q1-Q3 2016.
- This comes despite **EM-focused private equity funds representing a declining proportion of global activity** in recent years.
- Proportionally, EM-focused fundraising peaked in 2011 at 51% of funds closed and 40% of aggregate capital. This has fallen year-on-year to 2016, when they accounted for 20% of fund closures and 12% of total capital raised.
- By fund type, EM-focused **venture capital, buyout and growth funds have all raised similar levels of capital** since 2008 (\$128bn, \$174bn and \$188bn respectively). However, twice as many venture capital funds have closed (1,511) compared to growth funds (842).
- Among emerging markets, **the majority of activity is focused on Greater China**. The region is home to 883 private equity fund managers and 224 investors in the asset class.
- Similarly, **funds focused on Greater China have raised \$441bn since the start of 2008**, compared to \$45bn for Latin America-focused funds, the second-highest total.
- Looking ahead, **a fifth of global investors reported that they intended to increase their allocation** to private equity in emerging markets in 2017. Just 5% indicated they intended to decrease their exposure, in line with appetite for other regions.

Christopher Elvin, Head of Private Equity Products:

“The private equity industry in emerging markets faces a set of challenges that can at times be quite different from those facing the more developed markets of Europe and North America. Slowing growth and rising debt in China, political and economic upheaval in Brazil, Venezuela and Argentina, and instability in Eastern Europe and the Middle East all put pressure on private equity operators in those regions.

However, if anything, this underlines the success of the asset class to have doubled in size over the past six years. Robust performance and recent net capital flows to investors have proved that emerging markets-focused vehicles can offer real returns on investment. While fewer investors view emerging markets as presenting the best opportunities compared to Europe or North America, if EM-focused funds can maintain their strong performance we may see that gap narrow in coming quarters.”

****Emerging markets’ here refers to all countries in Africa, Asia (excluding Hong Kong, Japan and Singapore), Central & Eastern Europe, Central America, South America, and the Middle East (excluding Israel).**

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