Q3 2012 OCTOBER 2012

The Preqin Quarterly

Private Equity

Insight on the quarter from the leading provider of alternative assets data

Content Includes....

Private Equity Assets under Management Hit $3tn

For the first time ever the aggregate AUM of private equity funds has surpassed $3tn – an important milestone for the industry at a time of heightened regulatory, political and investor scrutiny.

Future Fund Searches and Mandates

How are private equity investors planning to commit to the asset class in the future? Preqin explores fund types targeted and expected capital outlay.

Consistent Performing Managers

Preqin has compiled a list of the most consistent performing fund managers in the private equity market.

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Editor:
Helen Kenyon

Production Editor:
Jessica Sutro

Contributors:
Gary Broughton
Manuel Carvalho
Laura Duce
Jessica Hull
Stuart Hunter
Nicholas Jelfs
Antonia Lee
Louise Maddy
Jonathan Parker
Kamarl Simpson
Kevin Smith
Louise Weller
Hayley Wong

Preqin:
New York: +1 212 350 0100
London: +44 (0)20 7645 8888
Singapore: +65 6407 1011

Email: info@preqin.com
Web: www.preqin.com

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Editor's Note

Private equity assets under management exceeded $3tn for the first time in data released in Q3 2012 (see page 4), a reflection of investors' continued commitment to the asset class. We can see clear evidence of this in our conversations with institutional investors – they are becoming increasingly sophisticated in their approach to private equity investments, and are continuing to look for new ways to access the asset class and extract more value from their private equity allocations. Growing numbers of investors are seeking to create separate accounts with fund managers for example, a trend we explore on page 8.

With fundraising conditions so competitive, and with so many opportunities to consider, LPs are able to be highly selective. At the same time, they are conducting much tougher due diligence. From an investor point of view, this requires access to greater levels of information on the industry and available opportunities, which prompted us to launch Preqin Investor Network, a free online service available to institutional and accredited investors and qualified purchasers, covering fund returns, investment opportunities and manager track records. Contact us for more information or visit www.preqin.com/pin.

For fund managers, however, such increasing sophistication among LPs presents another problem: getting investors to notice and consider funds is becoming increasingly challenging. We know investors continue to view the asset class favourably, but which investors are seeking to invest in which strategies? On page 5, we explore which areas of the market are attracting the most interest from investors by analyzing the current fund searches and mandates investors have at present.

We take a closer look at the current fundraising market on pages 10-14. Though Q3 2012 fundraising levels did not quite reach those seen in Q2 2012, we can see evidence to suggest a slight improvement in fundraising conditions. Two sizeable funds have already closed in the first few days of Q4 2012 (Blackstone Real Estate Partners VII and Global Infrastructure Partners II), and with signs of increasing momentum in the market, we expect to see the industry close out the year on a stronger fundraising quarter.

All of the research and articles in the Q3 2012 edition of the Preqin Quarterly: Private Equity draw on data and information available through Preqin's online products and services, which provide profiles, analysis and data on firms, funds, investors, consultants, service providers and more. We source our data from the fund managers, investors and service providers themselves to ensure we provide our clients with the most up-to-date, detailed and accurate intelligence.

We hope that you find this report to be interesting and useful, and as ever we welcome any feedback or suggestions that you may have. To find out more about our products and services, please do not hesitate to contact us at our New York, London or Singapore offices.

Helen Kenyon
Editor

Private Equity Assets under Management Hit $3tn

For the first time ever the aggregate assets under management (AUM) of private equity funds have surpassed $3tn – an important milestone for the industry at a time of heightened regulatory, political and investor scrutiny.

Preqin defines the AUM of a private equity firm as the sum of all uncalled commitments (dry powder) and the market value of the remaining companies in its portfolio. All dry powder figures also include capital that may be used to pay management fees, and as typical private equity funds usually charge 2% annual management fees during their investment periods, more than 10% of a fund's commitments may not be directly used for investment.

As shown in Fig. 1, following relatively lower levels of growth in AUM from 2000 to 2004, between 2004 and 2007, the private equity industry expanded by 136%, driven by the emergence of mega buyout funds and strong fundraising conditions, which led to AUM standing at $2.3tn as of December 2007. Following this 'boom period', however, AUM fell slightly in 2008 due to instability in the global financial markets and falling asset valuations. Since then, however, AUM has begun to increase again and hit the $3tn mark towards the end of 2011. As of 31st December 2011, the total AUM of the private equity industry stood at $3.0tn, an increase of around 9% from December 2010, with just over $1tn in dry powder and just over $2tn in unrealized portfolio value.

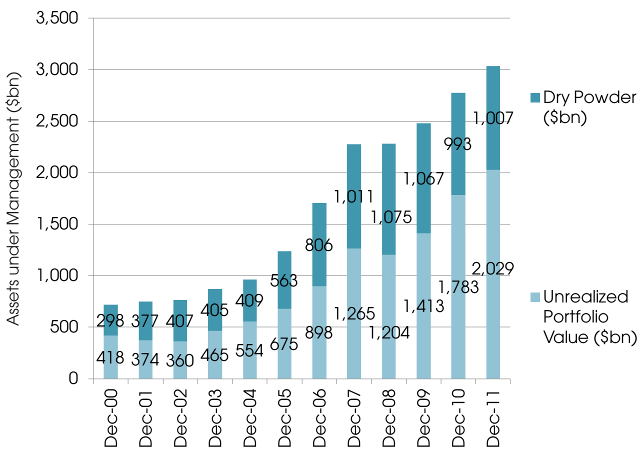
Assets under Management by Fund Type

The assets under management by funds of different types as of 31st December 2011 are shown in Fig. 2. Traditionally, buyout firms attract the most capital and correspondingly, they hold the largest assets under management compared to other private equity strategies. At present, such funds hold $392bn in dry powder and $804bn in unrealized portfolio value. In terms of AUM, real estate is the next largest strategy, with $570bn in assets under management, followed by venture capital, with $365bn. Distressed private equity and infrastructure managers have similar assets under management, amounting to $228bn and $216bn respectively, while AUM figures for growth funds stand at $144bn and mezzanine at $119bn.

Assets under Management by Vintage Year

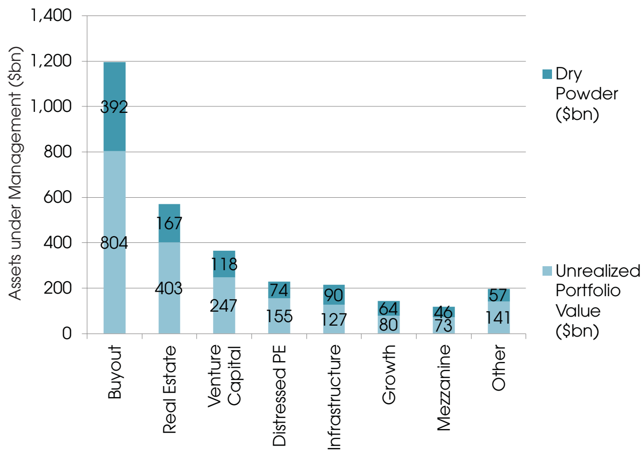
Vintage 2011 funds are currently showing the highest levels of available capital, with $296bn in dry powder ready to deploy, while funds of earlier vintage years have less available capital as they are further along in their investment cycles. The funds that were the hardest hit by the financial crisis were vintage 2005-2007 funds and these vehicles represent 56% of unrealized portfolio value within the private equity industry. The majority of

Fig. 1: All Private Equity Assets under Management, 2000 - 2011



Source: 2012 Preqin Private Equity Performance Monitor

Fig. 2: Private Equity Assets under Management by Fund Type



Source: 2012 Preqin Private Equity Performance Monitor

these funds' investments would have been made at the height of the credit boom before the financial crisis, representing the time when company valuations would have been at their highest.

Outlook for the Industry

It is positive news for the asset class that despite the challenges faced by many fund managers attempting to raise capital, and overall fundraising levels remaining significantly lower than the 'boom period', the industry has nevertheless grown considerably. At present, two-thirds of the AUM currently held by the private equity industry is accounted for by unrealized investments. Despite this, it is important to note that much of the capital resulting from the sale of these assets will be filtered back into the industry via future commitments as LPs look to maintain their allocation levels to the asset class.

Future Fund Searches and Mandates

Due to continued uncertainty in financial markets, many institutional investors remain cautious when selecting new private equity funds for investment. Preqin's dedicated teams of multi-lingual analysts are in continuous contact with institutional investors to find out exactly which LPs are looking to make fresh private equity commitments in the year ahead and where they are looking to deploy this capital. This data is accessible through the Future Fund Searches and Mandates feature on Investor Intelligence.

Despite investors being cautious regarding new investments, the vast majority of private equity investors are seeking to commit capital to new funds in the year ahead. Notably, 89% of sovereign wealth funds are hunting for new private equity funds to allocate capital to. Sovereign wealth funds typically take a long-term approach to their investment portfolios, making the private equity asset class a desirable choice for many such institutions.

Furthermore, a large proportion of endowment plans, public pension funds, multi-family offices and foundations are all likely to be significant investors in the asset class in the coming year, with 87%, 86%, 85%, and 84% respectively anticipating new commitments. This is encouraging news for fund managers seeking to raise capital; in what has been a very competitive market there is still a wealth of investors they can target in the coming months.

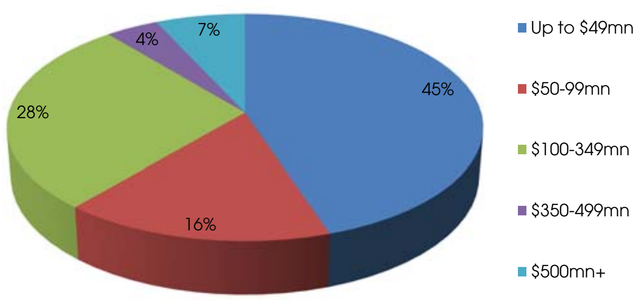
As Fig. 3 shows, 45% of investors are looking to commit up to $49mn to new private equity funds in the space of the next year. A further 16% have set aside $50-99mn for new fund commitments, and 28% will be allocating $100-349mn to new private equity funds. For those seeking to raise capital, it is encouraging to see that a reasonable proportion of investors will be allocating large sums of capital to the asset class, as 11% have indicated they will commit $350mn or more to new private equity funds in the next 12 months.

A number of investors have re-evaluated their portfolios in terms of which fund types they should target to best take advantage of the opportunities available in current markets. Buyout funds are the most sought after fund type by investors searching for new opportunities; 63% of investors searches include buyout funds as possible targets over the next 12 months (Fig. 4). Venture capital also remains attractive to active LPs, with 49% of searches naming these vehicles as a fund type considered for investment in the next year.

Growth and distressed private equity funds are also attracting considerable attention from investors, with 38% and 31% of LP searches stating them as fund types to add to their portfolios respectively. Many LPs recognize that the financial crisis has created opportunities for distressed private equity funds and believe these funds could potentially provide strong performance. Many investors are looking to tap into growth funds when investing in Asia due to the rapid expansion of economies in the region.

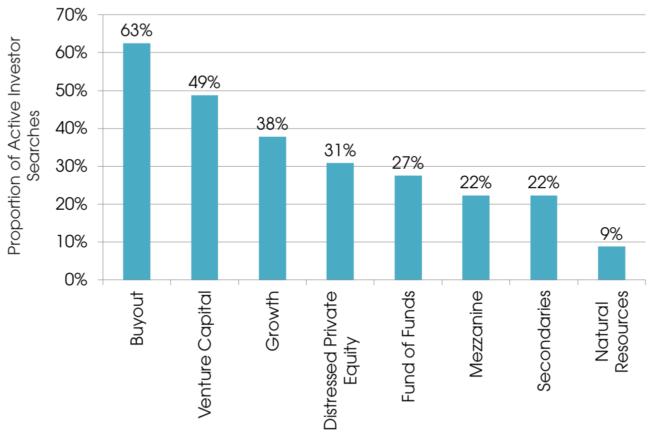
While investors continue to approach the private equity asset class with caution, a sizeable proportion remain confident about allocating new capital to the asset class and are continuing to search for new funds to add to their portfolios in the next 12 months. Many investors have put in place investment strategies for the year ahead, with a variety of fund types and regions being targeted. Finding the right investors and assessing their requirements will be important for private equity fund managers looking to secure capital in the year ahead.

Fig. 3: Amount of Fresh Capital Investors Expect to Commit to Private Equity Funds over the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 4: Fund Types Sought in the Next 12 Months by Institutional Investors in Private Equity



Source: Preqin Investor Intelligence

Consistent Performing Fund Managers

By using data from Performance Analyst, Preqin has compiled a list of the most consistent performing fund managers by fund type. Preqin assigns quartile rankings based on the multiple and the IRR, taking into account the fund vintage, strategy and geographic focus. The league tables of consistent performers are compiled using only funds which have been assigned a quartile ranking; therefore funds with vintage years 2010, 2011 and 2012 have been excluded. The tables also only include fund managers that have raised at least three funds of a similar strategy and are further refined to include only active fund managers, i.e. GPs which have raised a fund with a similar strategy within the last six years. Funds are given a score of one to four, with a top quartile fund given a score of one, a second quartile fund given a score of two, and so on. The fund manager's position in each relevant table is determined by taking an average of these scores.

The buyout table is compiled from performance data from 160 firms and 731 funds fulfilling the selection criteria. The top of the table is shared by Israel-based firm FIMI and Netherlands-based Waterland. Both firms have three of their four eligible funds ranked in the top quartile and one ranked in the second quartile, giving both of these firms an average score of 1.25.

At the top of the venture capital table are US-based firms Benchmark Capital, GGV Capital, Pittsford Ventures Management and Sequoia Capital, all with an average score of 1.00. The universe consists of 143 firms and 716 funds fulfilling the selection criteria. As the venture capital industry is largely based in the US, it is unsurprising that the majority of the firms within this table are based there; however, firms from Finland and Israel also appear in the list.

Fig. 5: Consistent Performing Buyout Fund Managers*

Firm	Location	Overall Number of Funds with Quartile Ranking	Number of Funds in Top Quartile	Number of Funds in Second Quartile	Average Quartile Rank
FIMI	Israel	4	3	1	1.25
Waterland	Netherlands	4	3	1	1.25
Altor	Sweden	3	2	1	1.33
Ares Management	US	3	2	1	1.33
Inflexion	UK	3	2	1	1.33
Lovell Minnick Partners	US	3	2	1	1.33
Metalmark Capital	US	3	2	1	1.33
Southern Cross Group	Argentina	3	2	1	1.33
TowerBrook Capital Partners	UK	3	2	1	1.33
Vista Equity Partners	US	3	2	1	1.33
Wellspring Capital Management	US	3	2	1	1.33

Based on a universe of 160 firms and 731 funds fulfilling the selection criteria.

Source: Preqin Performance Analyst

Fig. 6: Consistent Performing Venture Capital Fund Managers*

Firm	Location	Overall Number of Funds with Quartile Ranking	Number of Funds in Top Quartile	Number of Funds in Second Quartile	Average Quartile Rank
Benchmark Capital	US	3	3	0	1.00
GGV Capital	US	3	3	0	1.00
Pittsford Ventures Management	US	6	6	0	1.00
Sequoia Capital	US	4	4	0	1.00
Avalon Ventures	US	7	6	1	1.14
Matrix Partners	US	6	5	1	1.17
BlueRun Ventures	US	3	2	1	1.33
Helmet Venture Managers	Finland	3	2	1	1.33
Jerusalem Venture Partners	Israel	3	2	1	1.33
Merlin Nexus	US	3	2	1	1.33
Paul Capital	US	3	2	1	1.33

Based on a universe of 143 firms and 716 funds fulfilling the selection criteria.

Source: Preqin Performance Analyst

Global Investor Survey - Views on Asian Private Equity

In order to assess LPs' current attitudes towards Asia and their future plans for investment in the region in more detail, Preqin conducted over 100 in-depth interviews with investors from around the world that have an interest in the region.

Geographical Preferences

As Fig. 7 displays, Greater China continues to attract the most attention from LPs, with 58% of the investors surveyed stating that the region is presenting the best investment opportunities within Asia. This is followed by India, which was named by 36% of LPs, and the ASEAN set of countries, which was named by 33% of investors. In a similar study conducted last year a higher 68% and 61% named China and India as presenting the best investment opportunities respectively. China and India are relatively developed economies within Asia and some investors named a number of fast growing regions as presenting more favourable opportunities, including Vietnam and Malaysia.

In terms of the geographical scope of the funds that investors look to commit to, over one-third (35%) of LPs prefer to invest in country-specific funds, which allow investors to concentrate on one particular geography that they have an interest in. Thirty-one percent of LPs look to gain exposure to Asia through pan-Asia funds, while 16% prefer to invest in funds focusing on opportunities via a wider global mandate. Twenty-three percent of LPs prefer to take an opportunistic approach when investing in private equity in Asia.

Future Intentions for Private Equity Investments in Asia

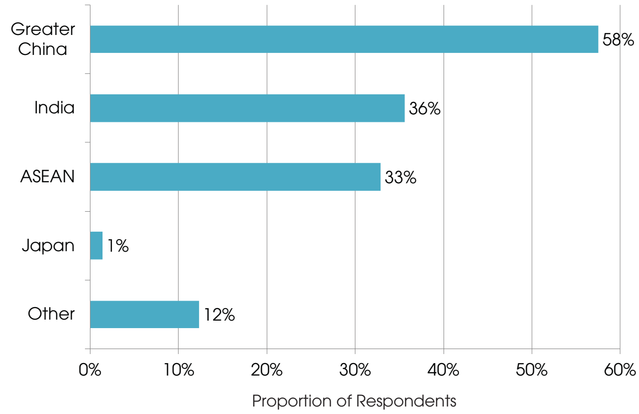
During 2012 so far, 35% of the LPs Preqin interviewed have made new commitments to private equity funds focusing on opportunities in Asia, with the region looking set to remain an important segment of LPs' investment portfolios over the next year. As shown in Fig. 8, over one-third (34%) of LPs expect to increase their allocation to Asia over the next 12 months, with a further 65% of investors looking to maintain their current level of exposure to the region.

The general consensus among investors is that over the longer term, Asia is likely to continue to be an integral part of their portfolios, with almost half (49%) of the investors interviewed planning to increase the proportion of their private equity portfolio that is allocated to Asia. As Asian economies continue to develop and the local private equity industry becomes ever more sophisticated, the region will likely see even more interest from investors around the world.

Outlook for Asian Private Equity

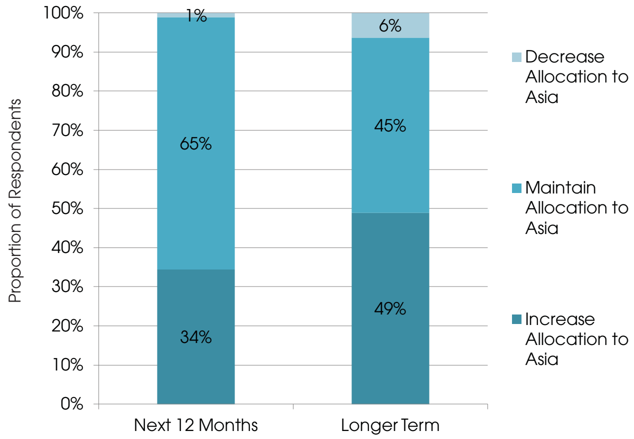
From conversations Preqin has had with institutional investors around the world, it is evident that Asia remains an attractive region for investment among many LPs. In recent years there has been growing interest in the region, which has been supported by the rapid expansion of many Asian economies, the increasing maturity of local private equity markets and the recent turmoil that has prevailed in more developed economies. As LPs become more confident and experienced investing in Asia, the way investors access the region will undoubtedly evolve and there will be changes in the countries and regions that LPs will look to gain exposure to; however, should economic growth continue it is likely that the region as a whole will become more and more significant for the private equity asset class.

Fig. 7: Countries and Regions within Asia that Investors Feel Are Currently Presenting the Best Investment Opportunities



Source: Preqin Special Report: Asian Private Equity

Fig. 8: Investors' Intentions for the Proportion of Their Private Equity Portfolio that Is Allocated to Asia



Source: Preqin Special Report: Asian Private Equity

This article features data from Preqin Special Report: Asian Private Equity. To download your complimentary copy please visit:

www.preqin.com/research

Attracting LP Capital in an Evolving Market

As the private equity market evolves, many investors are exploring alternative ways to access the asset class beyond the traditional closed-end commingled structure. In order to diversify and add value to their portfolios, we are seeing growing numbers of LPs awarding separate account mandates, and looking at secondary market, direct and co-investment opportunities. In such competitive fundraising markets, it is important that GPs carefully consider LP requirements when seeking to secure capital commitments from them.

Separate Accounts

In recent months we have heard of numerous LPs allocating capital to separate accounts with fund managers. As shown in Fig. 9, 55% of active investors on Preqin's Investor Intelligence database are currently expressing some level of interest in separate accounts. While separate accounts have been offered by some fund managers for years, particularly by fund of funds managers, there is now an increased desire from investors to invest in the asset class via this route.

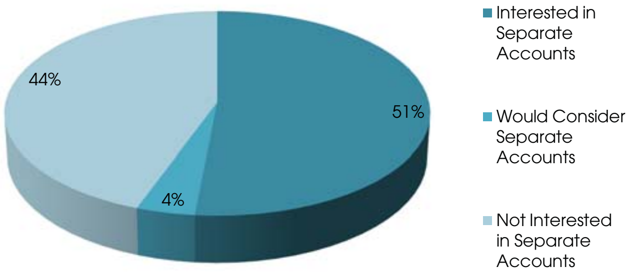
One of the biggest attractions of separate accounts is that they can be highly customized by the LP, allowing the investor to gain exposure to particular sectors and regions it wishes to target, and giving it more of an influence over its portfolio than a regular fund investment. These arrangements can also benefit LPs by forging closer relationships with fund managers, allowing the negotiation of better terms and more frequent reporting from the GP.

It is beneficial for fund managers offering separate accounts to identify the types of institution that are gaining exposure to private equity via this route. Fig. 10 illustrates the breakdown of investors on Preqin's Investor Intelligence database that have indicated an interest in investing through a separate account. Public pension funds account for 43% of all LPs looking at issuing separate account mandates, which is unsurprising as some of these institutions are among the largest investors in private equity, with typical ticket sizes large enough for a separate account to be viable. One particular public pension fund with an interest in separate accounts is California Public Employees' Retirement System (CalPERS). It has awarded numerous separate account mandates to private equity firms, including a $500mn separate account awarded to the Blackstone Group in May 2012 to target global investment opportunities.

Direct, Co-Investments and Secondary Market Investments

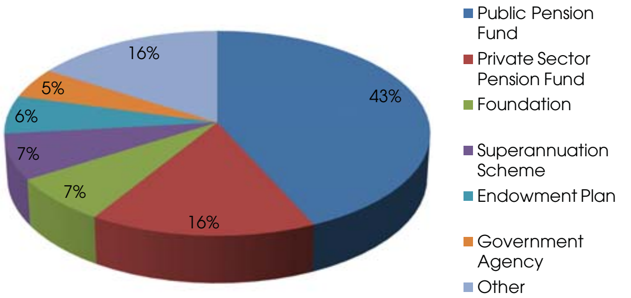
As well as separate accounts, we have recently seen an increasing number of investors seeking to gain direct exposure to private equity. Additionally, many LPs have looked to the secondary market as a way of accessing funds they may not have been able to access during the initial fundraise.

Fig. 9: Investor Appetite for Separate Account Mandates



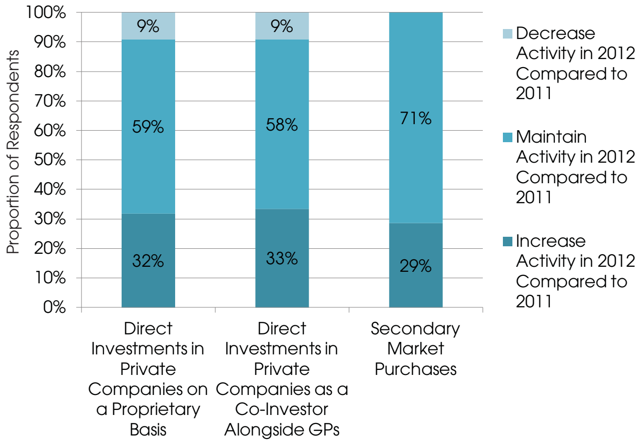
Source: Preqin Investor Intelligence

Fig. 10: Breakdown of Investors Considering Separate Account Mandates by Type



Source: Preqin Investor Intelligence

Fig. 11: Investors' Expectations of their Direct Investment and Secondary Market Activity in 2012 Compared to 2011



Source: Preqin Investor Outlook: Private Equity, H2 2012

Preqin interviewed a sample of 100 global LPs in June 2012 in order to find out their views on the private equity market and their plans for future investments in the asset class. Investors were asked how their expectations for the level of activity in direct and secondary market investments in 2012 compared with their activity in 2011 (see Fig. 11). Investor appetite for direct investing looks set to continue to grow, as 91% of investors already active in direct and/or co-investing expect to maintain or increase their activity in these areas in 2012 compared to 2011. Just 9% of these investors expect to reduce their activity.

Many LPs see the secondary market for fund interests as an appealing way to access the asset class. Such investments can offer many advantages to LPs, including enabling access to funds they may not have been able to participate in during the original fundraising process, adding further diversity to their portfolios by giving exposure to funds across historical vintage years, and mitigating the effects of the J-curve. Those LPs that already participate in the secondary market seem satisfied with the strategy; 29% plan to increase their secondary market activity in 2012 compared to 2011, and 71% expect to maintain their activity. None of the investors we spoke to that actively participate in the market as buyers expect to reduce their secondary market activity during 2012.

LP Appetite for New GP Relationships

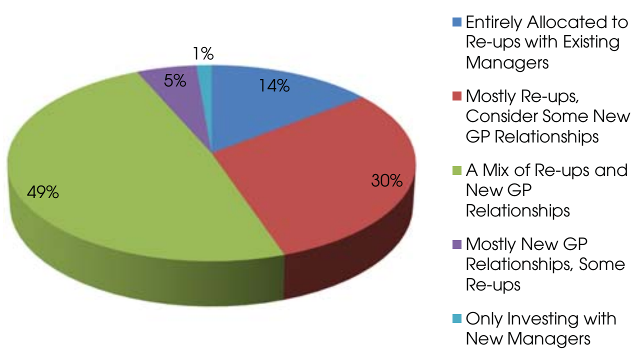
Despite the increasing use of alternative methods of accessing private equity by LPs, the majority (89%) of investors will continue to gain exposure to the asset class in the more traditional way by making primary commitments to private equity funds within the next 12 months. Fund managers must assess their existing LP base to establish how much capital they are likely to receive from these investors and how much capital they are likely to need to source from additional LPs. As illustrated in Fig. 12, of the LPs interviewed in June 2012 that plan on making new commitments over the coming year, just 14% plan to commit capital only to existing managers in their portfolios. Managers seeking capital outside their existing investor base can be encouraged that a substantial 85% of investors expect to consider at least some new manager relationships over the next 12 months, and 49% expect to commit to a more balanced mixture of existing GPs in their portfolios and managers they have not worked with in the past.

What Are LPs Looking for from Fund Managers?

While the majority of LPs are looking to make new commitments in the coming year, they are likely to be highly selective about where they deploy their capital in light of continuing economic volatility. In the June 2012 survey of LPs carried out by Preqin, investors were asked what GPs can do to stand out and secure a commitment from them.

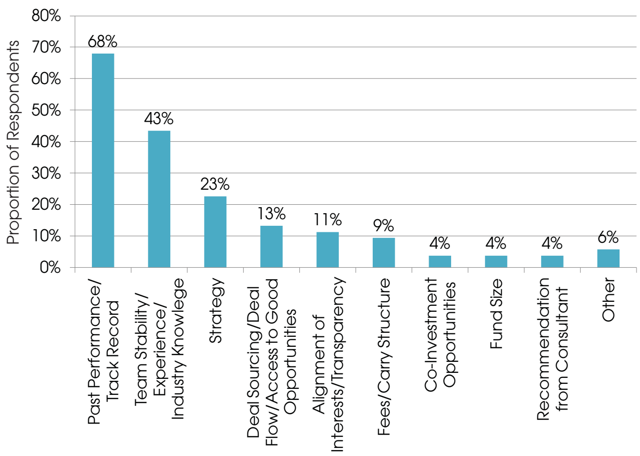
As shown in Fig. 13, the past performance and track record of a GP is the biggest factor LPs take into consideration when seeking new fund commitments, as it was named by 68% of respondents. Forty-three percent of investors regard team stability, experience and industry knowledge as the most important factors when selecting new funds.

Fig. 12: Investors' Intentions for Forming New GP Relationships over the Next 12 Months



Source: Preqin Investor Outlook: Private Equity, H2 2012

Fig. 13: What LPs Are Looking for from Fund Managers?



Source: Preqin Investor Outlook: Private Equity, H2 2012

Outlook

Since the financial crisis, investors have become more selective when adding new private equity funds to their portfolios. They are seeking other ways to maximize returns and are choosing alternative routes, such as separate accounts, secondary market purchases, direct and co-investments, to access the asset class. While many LPs are continuing to set aside fresh capital for primary private equity commitments, they remain cautious, so finding investor capital is still a challenge for fund managers. In an ever-evolving and highly competitive market, it is more important than ever that fund managers carefully consider investors' needs in order to secure capital in the year ahead.

Fundraising Overview

One hundred and twenty-six private equity funds held final closes worldwide during Q3 2012, raising an aggregate $68.5bn, as shown in Fig. 14. This represents a decrease in both the number of funds and the aggregate capital raised compared to Q2 2012, when 192 funds collected a total of $83.3bn in capital commitments. It should be noted, however, that the Q3 2012 fundraising figure is expected to rise as more information becomes available.

Despite challenging economic conditions, a number of the vehicles that held a final close in Q3 2012 raised significant amounts of capital, a positive sign for the private equity fundraising market, with 17 funds holding a final close on at least $1bn. Coller International Partners VI was the largest fund to close in Q3 2012; it raised $5.5bn in aggregate capital commitments from institutional investors. Additional capital was raised in Q3 2012 by the 139 funds in market that held interim closes. The funds have so far accumulated an aggregate $56.5bn in capital towards their overall targets.

Almost half (48%) of funds that closed in the third quarter of 2012 managed to conclude their fundraising in a year or less, as shown in Fig. 15. The average length of time spent on the road was 15.0 months for the funds that closed in Q3 2012. This is significantly shorter than the time spent on the road in the previous quarter; the average time on the road for a fund closed in Q2 2012 was 19.1 months.

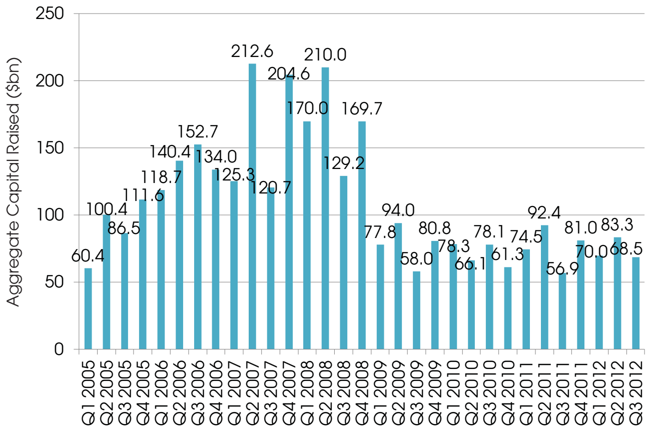
As shown in Fig. 16, buyout vehicles raised the most capital in Q3 2012; 18 buyout funds garnered $14.7bn. This is a large decrease from the previous quarter, when 36 buyout funds raised $31.4bn, a decline of 53%. $13.4bn was raised by five distressed private equity funds, representing the second largest amount of capital raised in the period by a single fund type; four out of these five funds raised over $1bn each. This was followed by real estate funds, which raised $9.0bn in Q3 2012 across 26 funds. Venture capital was the most abundant fund type in terms of the number of funds to close in Q3 2012, with 31 venture capital funds raising $7.1bn.

Please note: two very large funds reached a final close just after the end of Q3 2012 - Global Infrastructure Partners II on $8.25bn, and Blackstone Real Estate Partners VII on $13.3bn.

Preqin's Funds in Market online service allows users to quickly see live overviews of funds currently in market and historical funds closed in the past two years. For access to all historical fund data, combine your subscription with Fund Manager Profiles. For more information, please visit:

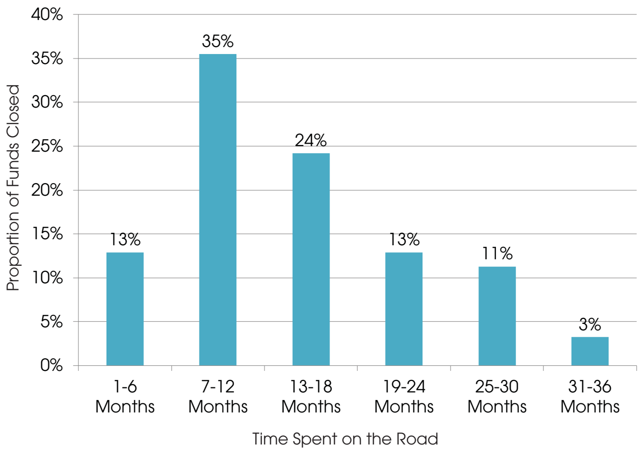
www.preqin.com/fim

Fig. 14: All Private Equity Fundraising by Quarter, Q1 2005 - Q3 2012



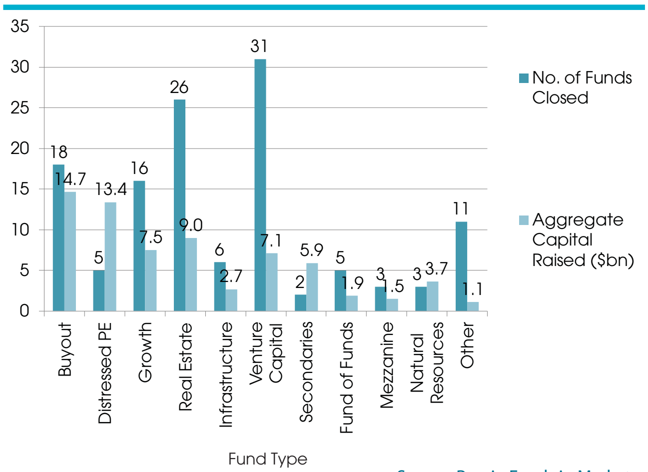
Source: Preqin Funds in Market

Fig. 15: Time Spent on the Road for Funds Closed in Q3 2012



Source: Preqin Funds in Market

Fig. 16: Private Equity Fundraising by Type, Q3 2012



Source: Preqin Funds in Market

Regional Fundraising

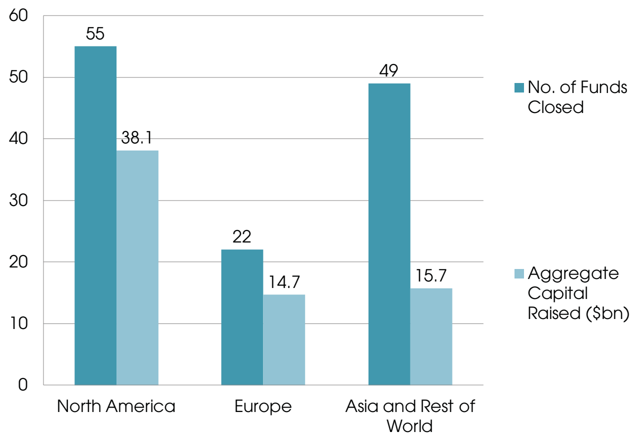
Of the 126 private equity funds that achieved a final close in Q3 2012, 44% primarily target investment opportunities in North America. These funds account for almost 56% of the aggregate capital raised by all funds closed this quarter. Unlike previous quarters this year, Asia and Rest of World-focused funds raised a larger amount of capital than Europe-focused funds, garnering 23% of global aggregate commitments in the quarter and surpassing Europe by $1bn. In terms of the number of funds that reached a final close, funds primarily targeting investment opportunities in Asia and Rest of World and those focused on investment across Europe accounted for 39% and 17% respectively.

Fifty-five North America-focused vehicles completed their fundraising efforts in Q3 2012, raising a total of $38.1bn in the process, as shown in Fig. 17. Compared to Q2 2012 this is a considerable decrease in the number of funds reaching a final close, with 93 North-America focused vehicles reaching a final close in Q2 2012. The aggregate amount of capital raised in Q3 2012 by North America-focused funds has fallen from $46.4bn raised in Q2 2012 to $38.1bn. The largest North America-focused fund to hold a final close during Q3 2012 was Oaktree Opportunities Fund IX, which garnered $4.9bn in capital commitments.

Compared to the previous quarter, the number of vehicles focused on investment in Europe that reached a final close in Q3 2012 decreased by almost half, with 22 funds holding a final close in Q3 2012 compared to 40 vehicles in Q2 2012. The amount of capital garnered by Europe-focused funds has also declined, down from $19.8bn in Q2 2012 to $14.7bn in Q3 2012. The largest fund to close during Q3 2012 with significant exposure to Europe was Coller International Partners VI, which closed on $5.5bn.

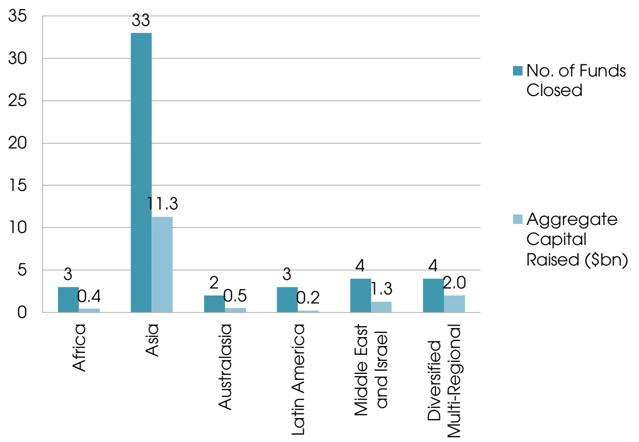
Despite Asia and Rest of World-focused fundraising exceeding Europe-focused fundraising this quarter in terms of the number of funds closed and the amount of capital raised, fundraising levels for Asia and Rest of World-focused funds have fallen slightly compared to Q2 2012. Q2 2012 saw 59 funds with a primary focus on Asia and Rest of World investments reach a final close, raising an aggregate $17.1bn in capital commitments, compared to 49 funds closing on an aggregate $15.7bn in Q3 2012. However, Asia and Rest of World-focused funds that closed this quarter accounted for 23% of the total capital raised by private equity funds, a slightly larger proportion than in Q2 2012, when these vehicles accounted for 20%. Four Asia and Rest of the World-focused funds raised over $1bn in capital commitments in Q3 2012, the largest of which was Bain Capital Asia II, a buyout fund which garnered $2.3bn in capital commitments from investors.

Fig. 17: Private Equity Fundraising by Primary Geographic Focus, Q3 2012



Source: Preqin Funds in Market

Fig. 18: Breakdown of Asia and Rest of World Private Equity Fundraising by Region, Q3 2012



Source: Preqin Funds in Market

Fig. 18 shows Q3 2012 Asia and Rest of World fundraising broken down by region. Asia has proven to be the most prominent region for investment out of all the regions shown in Fig. 18, both by the number of vehicles closed and aggregate capital raised, with 33 funds raising an aggregate $11.3bn in capital commitments.

Buyout and Venture Capital Fundraising

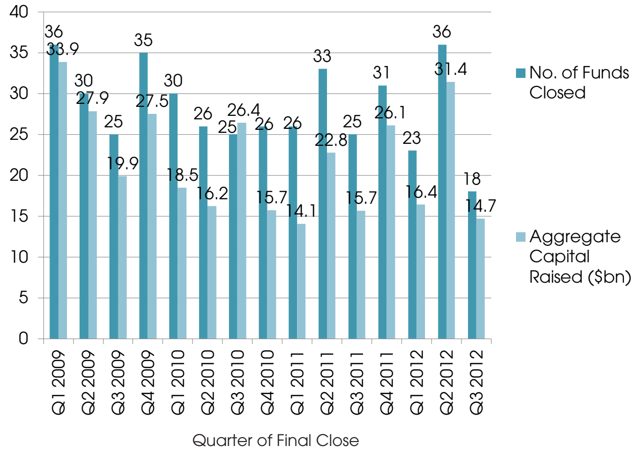
The third quarter of 2012 saw a total of 18 private equity buyout funds complete their fundraising process, as shown in Fig. 19. Collectively, these funds raised an aggregate $14.7bn in capital commitments, which accounted for 21% of the total capital raised throughout the quarter. In comparison to Q2 2012, these figures show a $16.7bn, or 53%, decrease in the level of capital raised and a 50% fall in the number of funds closed.

Ares Corporate Opportunities Fund IV was the largest buyout fund to close in Q3 2012, having surpassed its target of $4bn with a final close of $4.7bn. The fund targets private equity investments in the form of leveraged control buyouts or growth equity transactions in under-capitalized middle market companies based in North America. The second largest fund to close in Q3 2012 was Bain Capital Asia II. This pan-Asia-focused fund, the second of its type to be raised by Bain Capital, closed in early July 2012 on $2.3bn. It targets investment opportunities in China, Japan and India and has the flexibility to do deals in other parts of Asia and the Pacific Rim.

Fig. 20 highlights the change in levels of venture capital fundraising since Q1 2009. Over the last quarter, a total of 31 funds reached a final close, collecting an aggregate $7.1bn in capital commitments. This represents a rise of 20% in terms of capital raised but a fall of 28% in terms of number of funds closed compared to Q2 2012, when 43 vehicles raised a total of $5.9bn.

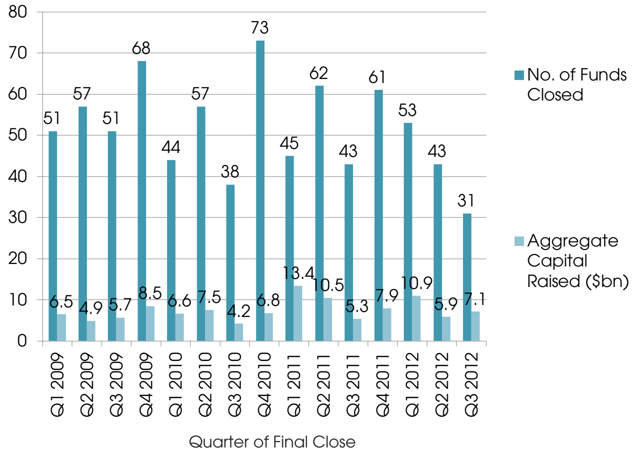
The largest venture capital fund to close in Q3 2012 was New Enterprise Associates XIV, having raised $2.6bn in capital commitments. The fund makes venture capital investments, predominantly early stage, in North America-based companies, and mainly focuses on the IT, energy, technology and healthcare sectors. ARC Energy Fund VII was the second largest venture capital fund to close in Q3 2012, having raised a total of CAD 1.0bn. The vehicle, raised by ARC Financial Corp., targets early stage and start-up investments in companies that are involved in oil and gas exploration and production across Canada.

Fig. 19: Buyout Fundraising by Quarter, Q1 2009 - Q3 2012



Source: Preqin Funds in Market

Fig. 20: Venture Capital Fundraising by Quarter, Q1 2009 - Q3 2012



Source: Preqin Funds in Market

Fig. 21: Five Largest Buyout Funds Closed in Q3 2012

Fund	Firm	Size (mn)
Ares Corporate Opportunities Fund IV	Ares Management	4,700 USD
Bain Capital Asia II	Bain Capital	2,300 USD
Harvest Partners VI	Harvest Partners	1,100 USD
Sycamore Partners I	Sycamore Partners	1,000 USD
Lightyear Fund III	Lightyear Capital	954 USD

Source: Preqin Funds in Market

Fig. 22: Five Largest Venture Capital Funds Closed in Q3 2012

Fund	Firm	Size (mn)
New Enterprise Associates XIV	New Enterprise Associates	2,600 USD
ARC Energy Fund VII	ARC Financial Corp.	1,000 CAD
GGV Capital IV	GGV Capital	625 USD
Burrill Life Sciences Capital Fund IV	Burrill & Company	500 USD
Tenaya Capital VI	Tenaya Capital	372 USD

Source: Preqin Funds in Market

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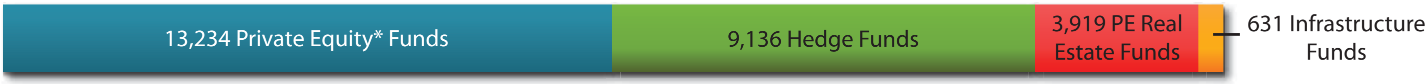
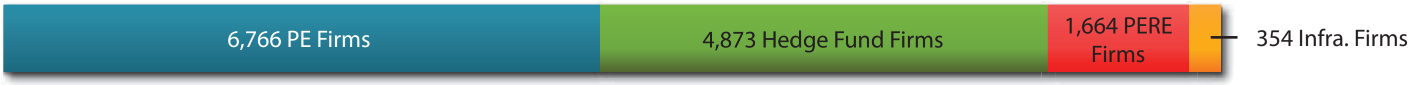
Preqin Global Data Coverage

As of 16 October 2012

Fund Coverage: 26,920 Funds



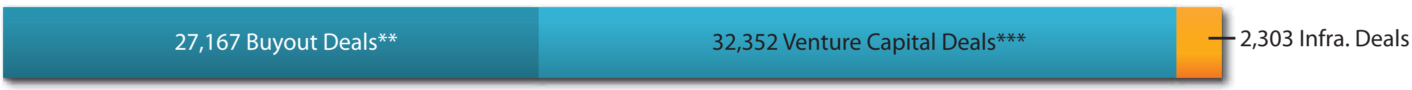
Firm Coverage: 13,657 Firms



Performance Coverage: 9,645 Funds (IRR Data for 4,710 Funds and Cash Flow Data for 2,058 Funds)

Fundraising Coverage: 10,598 Funds Open for Investment/Launching Soon Including 1,908 Closed-Ended Funds in Market and 507 Announced or Expected Funds

Deals Coverage: 61,822 Deals Covered; All New Deals Tracked



Investor Coverage: 9,954 Institutional Investors Monitored, Including 7,146 Verified Active**** in Alternatives and 73,773 LP Commitments to Partnerships

Alternative Investment Consultant Coverage: 423 Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around 6,500 Funds

Best Contacts: Carefully Selected from Our Database of over 217,671 Active Contacts

Plus

Comprehensive coverage of:

- Placement Agents
- Fund Administrators
- Law Firms
- Debt Providers
- Dry Powder
- Compensation
- Plus much more...

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*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.
**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.
***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.
****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

Private Equity Fundraising: Other Fund Types

In Q3 2012, 77 private equity funds (excluding buyout and venture capital) held final closes, raising an aggregate $46.8bn in capital commitments. This total accounted for 68% of all closed private equity funds in this period.

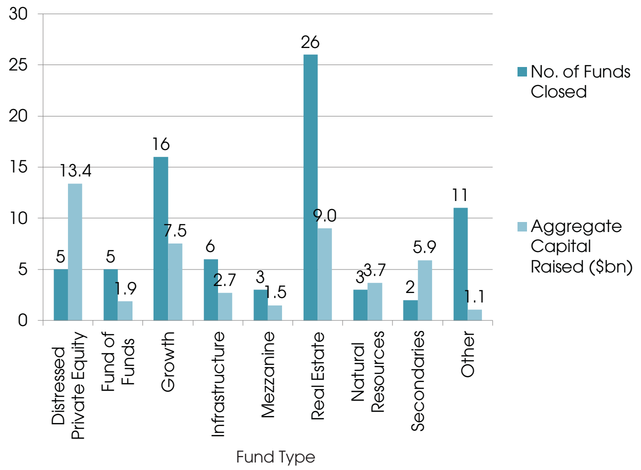
Aggregate capital commitments raised in Q3 2012 have increased by 1.6% from the $46bn in aggregate capital raised by non-buyout and venture capital funds in Q2 2012. The aggregate capital commitments raised in Q2 2012 represent 55.2% of the total amount raised by all private equity funds closing in that quarter.

Fig. 23 shows that the fund type with the highest number of final closes during Q3 2012 was real estate, with 26 funds closing on an aggregate $9bn in capital commitments. This represented 19% of the total capital raised by funds closed during this period, excluding buyout and venture capital vehicles. The average size of real estate funds closed has increased from $259mn in Q2 2012 to $347mn in Q3 2012, demonstrating a rise of 34%. The average size of real estate funds closed during the third quarter also lies above the first quarter value of $306mn.

Fig. 24 displays the top 10 funds (excluding buyout and venture capital funds) to have closed during Q3 2012 in terms of capital raised. These top 10 funds encompass six different fund types, with distressed debt being the most prominent, and have been able to raise a considerable amount of investor capital, all collecting over $1bn in capital commitments in Q3 2012. The top 10 funds closed in Q3 2012 collectively raised $24.6bn in capital commitments, accounting for 52% of the total amount raised by all non-buyout and venture private equity funds.

The largest fund to close in the third quarter of 2012 was Coller International Partners VI. The secondaries fund, managed by Coller Capital, raised $5.5bn in capital commitments, exceeding its initial target size of $5bn. Even when including buyout and venture capital funds which have closed in Q3 2012, this fund still remains the largest private equity vehicle to close this quarter.

Fig. 23: Private Equity Fundraising (Excluding Buyout and Venture Capital Funds) by Fund Type, Q3 2012



Source: Preqin Funds in Market

Preqin's Funds in Market features detailed information on funds closed in the past two years. Want to explore historical data on specific fund types or vintage years? We can help. Combine your subscription with Preqin's Fund Manager Profiles to access information on all funds closed historically. For more information, please visit:

www.preqin.com/fim

Fig. 24: 10 Largest Funds (Excluding Buyout and Venture Capital Funds) Closed in Q3 2012

Fund	Firm	Type	Size (mn)
Coller International Partners VI	Coller Capital	Secondaries	5,500 USD
Oaktree Opportunities Fund IX	Oaktree Capital Management	Distressed Debt	4,900 USD
Avenue Europe Special Situations Fund II	Avenue Capital Group	Distressed Debt	2,280 EUR
Blackstone Energy Partners	Blackstone Group	Natural Resources	2,500 USD
TPG Growth II	TPG	Growth	2,040 USD
EnCap Flatrock Midstream Fund II	EnCap Flatrock Midstream	Infrastructure	1,786 USD
Shanghai Cultural Industrial Fund	Haitong Kaiyuan Investment	Growth	10,000 CNY
OHA European Strategic Credit Fund	Oak Hill Advisors	Distressed Debt	1,350 USD
Patron Capital Fund IV	Patron Capital	Real Estate	880 EUR
Kerogen Energy Fund	Kerogen Capital	Natural Resources	1,012 USD

Source: Preqin Funds in Market

Funds on the Road Overview

The start of Q4 2012 marks the ninth successive increase in the number of funds on the road since Q3 2010. Aggregate capital sought has decreased slightly from Q3 2012, its first decline since Q3 2010; this was largely due to Blackstone Real Estate Partners VII, which held a final close on $13.3bn at the beginning of Q4 2012, bringing the aggregate capital target for Q4 2012 below Q3 2012 levels. At the start of Q4 2012, there are 1,918 funds on the road collectively targeting $783bn.

As shown in Fig. 25, at the start of Q3 2010 there were 1,522 funds on the road seeking an aggregate $560bn in capital commitments, with an average target size of $368mn. At the start of Q4 2012, these figures have increased by 26% for the number of funds in market and 40% with respect to aggregate target capital. Going into Q4 2012 the average target size is $408mn, an 11% increase compared to the start of Q3 2010.

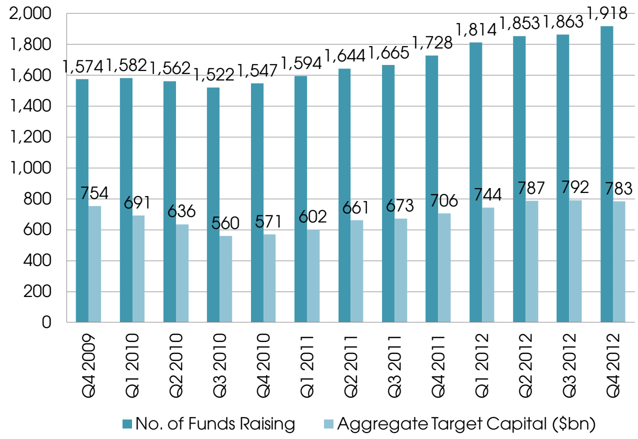
As shown in Fig. 26, North America-focused funds account for the largest proportion of funds in market, with 871 vehicles targeting an aggregate $390bn from investors. Funds primarily focusing on North America make up 45% of all funds on the road and 50% of aggregate capital being sought.

Europe-focused funds are seeking $200bn, the second largest amount of aggregate target capital by region. These 440 Europe-focused funds form 23% of the number of funds in market and 26% of global capital being sought. Asia and Rest of World-focused funds are just shy of targeting the same level of capital as Europe-focused funds, with 607 funds in market seeking $193bn in aggregate capital. These vehicles make up 32% of all funds in market and 25% of all capital being targeted for private equity funds on the road. Over two-thirds of the aggregate capital targeted by these Asia and Rest of World focused-funds is being sought by Asia-focused funds.

Fig. 27 shows the number of funds and the amount of capital raised through interim closes per quarter since Q4 2009. A record number of interim closes were held during Q4 2011, with 210 interim closes raising an aggregate $41bn in capital commitments. In Q3 2012, the number of interim closes decreased by 34% from the peak of fundraising from interim closes in Q4 2011.

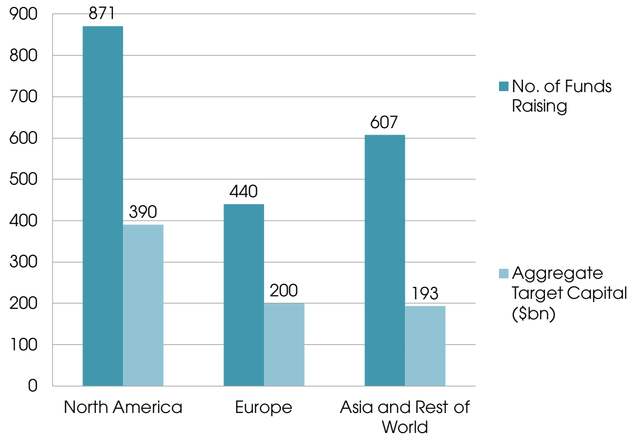
**Though it was on the road at the beginning of Q4 2012, Blackstone Real Estate Partners VII reached a $13.3bn final close on 10 October 2012. The fund is not included in Fig.25 and Fig.26.*

Fig. 25: Funds in Market by Quarter, Q4 2009 - Q4 2012*



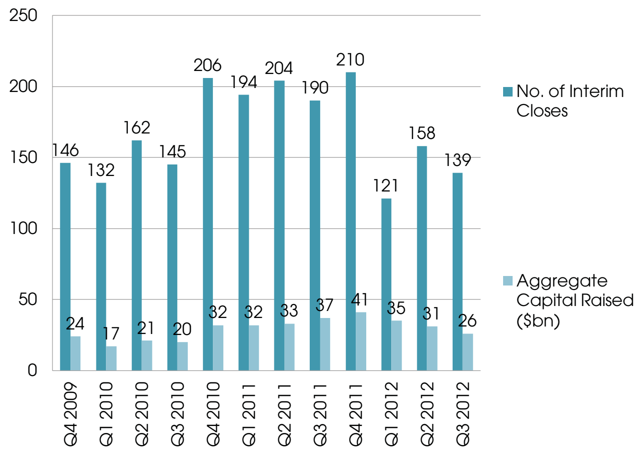
Source: Preqin Funds in Market

Fig. 26: Composition of Funds in Market by Primary Geographic Focus*



Source: Preqin Funds in Market

Fig. 27: Interim Closes by Quarter, Q4 2009 - Q3 2012



Source: Preqin Funds in Market

Funds on the Road by Type

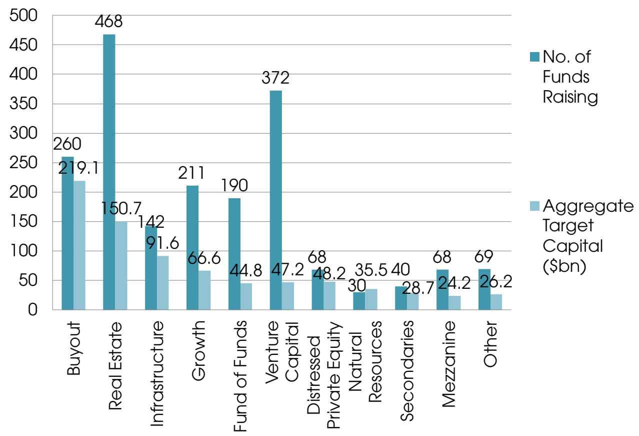
Moving into Q4 2012 there are 1,918 private equity funds in market seeking an aggregate $783bn in capital commitments, according to Preqin's Fund in Market database. Buyout funds are targeting the largest amount of capital of all funds on the road, accounting for 28% of all capital being sought by private equity funds in market. Fig. 28 shows there are 260 buyout vehicles currently on the road targeting an aggregate $219.1bn in capital commitments.

The 10 largest funds in market, ranked by target fund size, are shown in Fig. 29. The majority are buyout funds; however, the largest private equity vehicle currently in market is a balanced fund managed by Warburg Pincus. Targeting $12bn, Warburg Pincus Private Equity XI makes a variety of venture capital, growth, buyout and special situation investments across a diversified range of sectors and geographies.

Private equity real estate funds, which are targeting an aggregate $150.7bn, are the most numerous type of fund on the road, with 468 such funds representing 24% of the total number of vehicles currently seeking capital commitments. Venture capital funds are the second most numerous type of fund, with 372 vehicles accounting for 19% of funds currently raising; these vehicles are collectively targeting $47.2bn in capital commitments.

Growth, infrastructure and distressed private equity funds all account for significant proportions of the private equity funds currently on the road. Growth funds are the fourth most numerous fund type in market behind buyout, with 211 such funds targeting an aggregate $66.6bn in capital commitments. Private equity infrastructure funds have the third largest aggregate target, with 142 infrastructure vehicles seeking $91.6bn in capital commitments. Distressed private equity funds account for 4% of all funds in market and 6% of the total targeted capital, with 68 funds seeking $48.2bn. This is the largest amount of capital being sought for distressed private equity funds since the end of Q1 2010, when 56 distressed vehicles were in market seeking an aggregate $50.5bn.

Fig. 28: Composition of Funds in Market by Type*



Source: Preqin Funds in Market

Natural resources funds have the largest average target size of all funds in market, with 30 funds each targeting an average of almost $1.2bn in capital commitments.

**Though it was on the road at the beginning of Q4 2012, Blackstone Real Estate Partners VII reached a $13.3bn final close on 10 October 2012. The fund is not included in Fig. 28 and Fig. 29.*

Preqin's Funds in Market is a vital fundraising tool, allowing users to analyze market trends using a variety of criteria, including fund type, vintage year, industry preferences and more. For more information on how Funds in Market can help you, please visit:

www.preqin.com/fim

Fig. 29: 10 Largest Funds in Market by Target Fund Size*

Fund	Firm	Type	Target Size (mn)	Firm Location	Fund Focus
Warburg Pincus Private Equity XI	Warburg Pincus	Balanced	12,000 USD	US	Global
Apax VIII	Apax Partners	Buyout	9,000 EUR	UK	Europe
Carlyle Partners VI	Carlyle Group	Buyout	10,000 USD	US	North America
KKR North American XI Fund	Kohlberg Kravis Roberts	Buyout	10,000 USD	US	North America
Advent Global Private Equity VII	Advent International	Buyout	7,000 EUR	US	North America, West Europe
Permira V	Permira	Buyout	6,500 EUR	UK	Global
Silver Lake Partners IV	Silver Lake	Buyout	7,500 USD	US	North America
Cinven V	Cinven	Buyout	5,000 EUR	UK	Europe
Bain Capital Fund XI	Bain Capital	Buyout	6,000 USD	US	Global
KKR Asia Fund II	Kohlberg Kravis Roberts	Buyout	6,000 USD	US	Asia

Source: Preqin Funds in Market

Fundraising Future Predictions

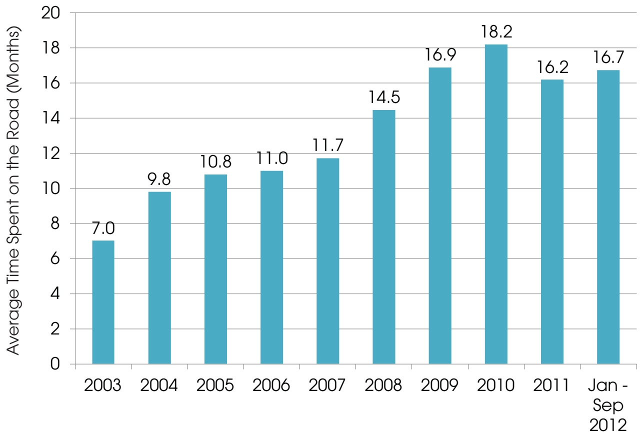
Though fundraising remains challenging for private equity fund managers, there are signs that the fundraising market is regaining momentum, particularly when compared to recent years. Q3 2012 saw a fall in aggregate capital raised and number of funds closed compared to Q2 2012, but the $68.5bn committed to funds in Q3 2012 is a 20% increase on the amount raised in the same quarter in 2011. With Preqin expecting the figure for this quarter to increase by 10-20% as more information becomes available, this certainly shows some positive signs for fundraising going forward.

With many investors looking to alternative methods of exposure to private equity rather than simply making primary commitments to commingled funds, as highlighted in 'Attracting LP Capital in an Evolving Market' (p. 8-9), raising commitments from LPs for private equity funds is set to remain difficult. Q3 2012, however, has seen a noticeable drop in the average time spent on the road by fund managers closing vehicles, indicating that many GPs have had success in raising capital in a timely fashion. The average time spent on the road by funds closed in Q3 2012 was 15.0 months, compared to 19.1 months by those that closed in the previous quarter.

Fig. 30 highlights the change in average time spent in market by private equity funds by year of final close. While the average time on the road for funds closed so far in 2012 is higher than the average for those funds closed in 2011, the length of time is lower than the average for private equity vehicles that reached a final close in both 2009 and 2010. If the momentum of private equity fundraising continues into Q4 2012, the average time on the road for funds closing this year may decrease further. In addition,139 funds in market held interim closes during Q3 2012, raising a total of $26bn in capital towards their aggregate targets, demonstrating that fund managers are still able to collect a significant amount of commitments in what is often the slowest fundraising quarter of each year.

The buyout deal exit market also remains buoyant, with 263 private equity-backed exits announced during Q3 2012 having an aggregate value of $66.5bn. While lower than the levels seen in Q2 2012, this amount is a large increase compared to the exit levels seen at the end of 2011 and start of 2012. Strong exit levels are likely to have a positive impact on fundraising levels, since LPs are likely to reinvest a proportion of distributions back into new fund commitments. Going forward, the IPO pipeline for the start of Q4 2012 suggests we might see an increase on the levels of Q3 2012, with 42 private equity- and venture capital-backed companies globally set to list in the coming weeks, seeking to raise $8.4bn in public offerings. Fig. 31 shows five notable potential forthcoming IPOs, including Bermuda-based Intelsat, with an estimated IPO amount of $1.75bn.

Fig. 30: Average Time Spent on the Road by Private Equity Funds by Year of Final Close, 2003 - 2012 YTD



Source: Preqin Funds in Market

Q4 2012 looks set to be a positive fundraising quarter for the private equity industry. At time of printing, Blackstone Real Estate Partners VII and Global Infrastructure Partners II had closed at the beginning of the quarter on a combined total of $21.25bn. Established fund managers are managing to raise large funds in a competitive market, and in many cases spending less time on the road than was seen in recent years. While conditions remain tough and some fund managers may find completing fundraising challenging, particularly with more sophisticated investors utilizing different methods of accessing the asset class, Preqin anticipates the final quarter of 2012 will experience an upturn in private equity fundraising levels.

Fig. 31: Notable IPO Filings (Potential Forthcoming IPOs)

Name	Filing Date	Estimated IPO Amount (mn)	Known Investors	Location	Industry	Type
Intelsat	May-12	1,750 USD	BC Partners, Silver Lake, Unison Capital	Bermuda	Telecom Media	Buyout-backed
Bharti Infratel	Sep-12	55,000 INR	Kohlberg Kravis Roberts, AIF Capital, Citigroup, Goldman Sachs, India Equity Partners, Macquarie Bank, Temasek Holdings	India	Telecoms	Buyout-backed
Safetykleen	Aug-12	400 USD	Highland Capital Management, Contrarian Capital Management, JP Morgan Partners	US	Industrial	Buyout-backed
SolarCity	Oct-12	201 USD	DBL Investors, Draper Fisher Jurvetson, Silver Lake, Generation Investment Management, Mayfield Fund, Shea Ventures, Others	US	Cleantech	VC-backed
Novaled AG	Mar-12	200 USD	123Venture, CDC Innovation, eCAPITAL, Omnes Capital, SIB Innovations, TechFund Capital Europe Management, Others	Germany	Electronics	VC-backed

Source: Preqin Deals Analyst

Buyout Deals and Exits Overview

A total of 681 private-equity backed buyout deals were announced globally in Q3 2012, with an aggregate value of $71.6bn. This represents a 9% increase from the $65.9bn in deals witnessed during Q2 2012 and a 77% increase from the $40.3bn in Q1 2012.

This rise in private equity-backed buyouts has been characterized by an increase in large-cap deals; in fact, in comparison to Q2 2012, Q3 2012 has seen a 6% dip in the number of deals announced. Twenty deals had a value of over $1bn during Q3 2012, versus seven large-cap deals in Q1 2012.

Once again, North America was the most prominent region for private equity-backed buyouts globally. The region witnessed 399 buyouts valued at $47.5bn in Q3 2012, a 26% increase in deal value compared to Q2 2012 and more than double the value of deals witnessed in North America in Q1 2012. European aggregate deal value decreased by 21% to $13.6bn in Q3 2012 compared to $17.3bn in Q2 2012. The number of deals completed in Europe remained at subdued levels, resembling deal-flow figures in late 2009 and early 2010. Aggregate deal value in Asia and Rest of World in Q3 2012 maintained a similar value to Q2 2012 at $10.4bn, close to double the value seen in Q1 2012.

Two hundred and sixty-three private equity-backed exits were announced during Q3 2012, with an aggregate value of $66.5bn; this represents a 13% and 19% decrease in aggregate exit number and value respectively compared to Q2 2012. Although there has been a drop in exit number and value in Q3 2012, it is important to note that Q2 2012 was the strongest quarter for private equity-backed exits since the post-Lehman highs of Q2 2011 and the $66.5bn in Q3 2012 still represents over a 40% increase from the exit values witnessed in Q4 2011 and Q1 2012.

Mid-market deals represented 16% of the number and 27% of the value of deals witnessed during Q3 2012. This quarter, deals valued at over $1bn in size made up a tenth of total deal volume and represented 59% of aggregate capital invested.

The industrials sector was once again the most prominent area of buyout activity, with the sector representing 23% of the number and 29% of the value of deals completed globally. Three of the 10 largest buyout deals announced in Q3 2012 occurred in the industrials sector, including the $4.9bn acquisition of DuPont Performance Coatings by Carlyle Group. The largest private equity-backed buyout deal in Q3 2012 occurred in the information technology industry – the $6.6bn acquisition of Cequel Communications by BC Partners and CPP Investment Board.

Preqin's Buyout Deals Analyst has in-depth data for over 27,000 buyout deals globally from 2006 to present.

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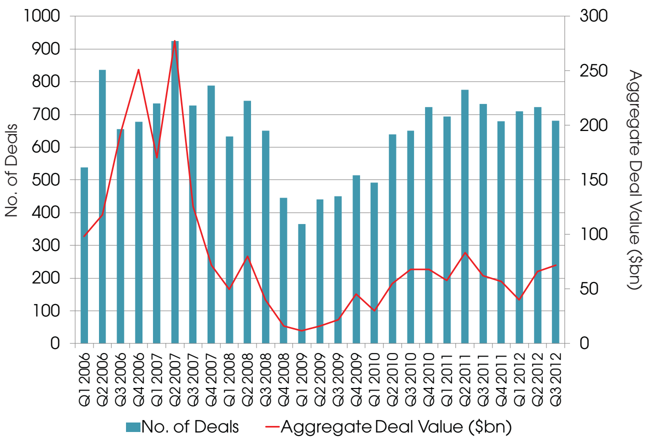
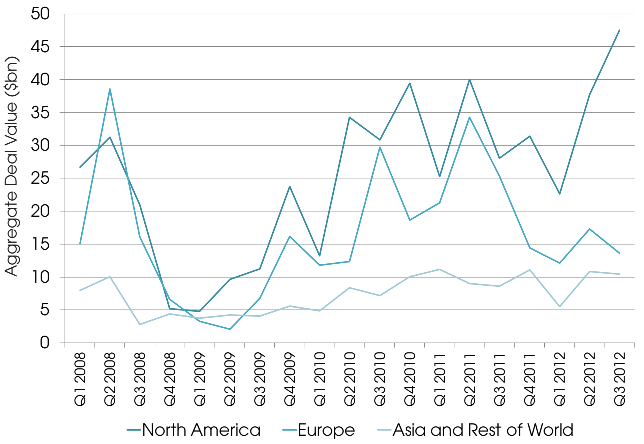
Fig. 32: Number and Aggregate Value of Buyout Deals Globally, Q1 2006 - Q3 2012



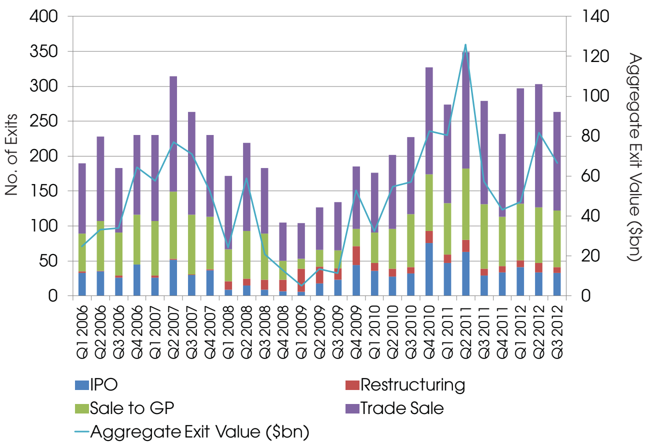
Source: Preqin Buyout Deals Analyst

Fig. 33: Aggregate Deal Value By Region, Q1 2008 - Q3 2012



Source: Preqin Buyout Deals Analyst

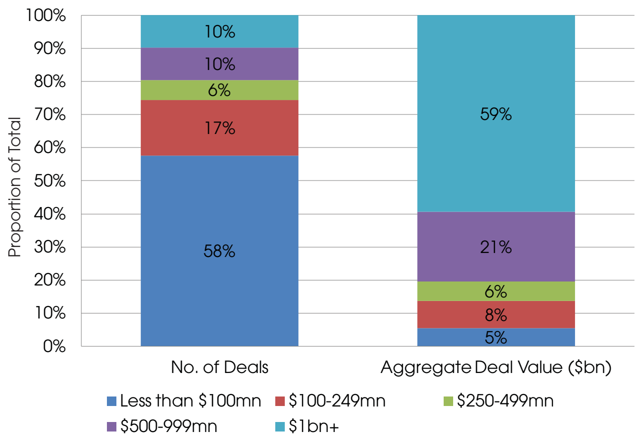
Fig. 34: Global Number of Private Equity-Backed Exits by Type and Aggregate Exit Value, Q1 2006 - Q3 2012



Source: Preqin Buyout Deals Analyst

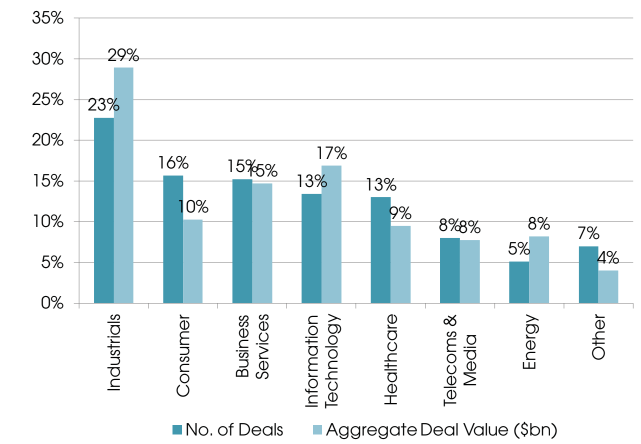
Largest Buyout Deals and Exits; Deals by Value and Industry

Fig. 35: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals by Value Band, Q3 2012



Source: Preqin Buyout Deals Analyst

Fig. 36: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals by Industry, Q3 2012



Source: Preqin Buyout Deals Analyst

Fig. 37: 10 Largest Private Equity-Backed Buyout Deals in Q3 2012

Name	Deal Date	Type	Deal Size (mn)	Buyers	Sellers	Location	Primary Industry
Cequel Communications	Jul-12	Buyout	6,600 USD	BC Partners, CPP Investment Board	Charterhouse Group, Goldman Sachs Merchant Banking Division, Jordan Company, Oaktree Capital Management, Quadrangle Group	US	IT
DuPont Performance Coatings	Aug-12	Buyout	4,900 USD	Carlyle Group	DuPont	US	Manufacturing
Getty Images	Aug-12	Buyout	3,300 USD	Carlyle Group	Farallon Capital Management, Hellman & Friedman	US	Digital Media
AOT Bedding Super Holdings	Aug-12	Buyout	3,000 USD	Advent International	Ares Management, Teachers' Private Capital	US	Manufacturing
Dollar Thrifty Automotive Group	Aug-12	Add-on	2,560 USD	Carlyle Group, Clayton Dubilier & Rice, Hertz, Merrill Lynch Global Private Equity	-	US	Business Services
RailAmerica, Inc.	Jul-12	Add-on	2,000 USD	Carlyle Group, Genesee & Wyoming Inc.	-	US	Transportation
Vivint, Inc.	Sep-12	Buyout	2,000 USD	Blackstone Group	Goldman Sachs Private Equity Group, Jupiter Partners, Peterson Partners	US	Consumer Services
Alibaba Group	Sep-12	PIPE	1,900 USD	Boyu Capital Advisory, China Development Bank Capital, CITIC Capital, DST Global, Silver Lake, Temasek Holdings	-	China	Internet
Par Pharmaceutical Companies, Inc.	Jul-12	Public To Private	1,900 USD	TPG	-	US	Pharmaceuticals
Wood MacKenzie	Jul-12	Recapitalisation	1,100 GBP	Hellman & Friedman	Charterhouse Capital Partners	UK	Business Services

Source: Preqin Buyout Deals Analyst

Fig. 38: Notable Private Equity-Backed Exits in Q3 2012

Firm	Investment Date (Entry)	Investors (Entry)	Deal Size (mn)	Exit Type	Exit Date	Acquirer (Exit)	Exit Value (mn)	Primary Industry	Location
Cequel Communications	Apr-06	Charterhouse Group, Goldman Sachs Merchant Banking Division, Jordan Company, Oaktree Capital Management, Quadrangle Group	-	Sale to GP	Jul-12	BC Partners, CPP Investment Board	6,600 USD	IT	US
Goodman Global, Inc.	Oct-07	Hellman & Friedman	2,650 USD	Trade Sale	Aug-12	Daikin Industries, Ltd.	3,700 USD	Manufacturing	US
Getty Images	Feb-08	Farallon Capital Management, Hellman & Friedman	2,400 USD	Sale to GP	Aug-12	Carlyle Group	3,300 USD	Digital Media	US
AOT Bedding Super Holdings	Aug-05	Ares Management, Teachers' Private Capital	-	Sale to GP	Aug-12	Advent International	3,000 USD	Manufacturing	US
RailAmerica, Inc.	Feb-07	Fortress Investment Group	1,069 USD	Trade Sale	Jul-12	Genesee & Wyoming Inc.	2,000 USD	Transportation	US

Source: Preqin Buyout Deals Analyst

Venture Capital Deals by Quarter

A total of 1,226 venture capital financings were announced during Q3 2012, with an aggregate value of $9.3bn – an 8% drop in the number and 20% decline in the value of deals compared to Q2 2012.

North America-based venture capital deals represented 70% of the number and 76% of the global aggregate value of venture capital deals announced in Q3 2012. The region witnessed 860 financings valued at $7.0bn in Q3 2012, a decrease of 4% in the number and 19% in the value of deals in the region compared to Q2 2012. European deals accounted for 16% of the number and 11% of the aggregate value of venture capital deals in Q3 2012, with 191 deals valued at $1.0bn, a decline of almost a third in both the numbers and values of deals compared to Q2 2012.

Thirty-nine venture capital deals valued at a combined $370mn were announced in China during Q3 2012, representing 3% of all deals globally. While the number of venture capital deals taking place in China has increased slightly compared to Q2 2012, the value of deals fell 40% compared to Q1 2012. The levels of venture capital deal activity in China in Q3 2012 represent some of the lowest quarterly number and value of deals in the region since early 2009, as investor worries over the Chinese exit market continue to impact deal activity.

Seventy-eight venture capital deals valued at $610mn were announced in India during Q3 2012, a 40% increase in deal value compared to Q2 2012; these figures represent the highest levels of venture capital activity in the 2009 to 2012 period. Israel saw virtually identical numbers of deals compared to Q2 2012, with 19 deals valued at an aggregate $128mn announced in Q3 2012.

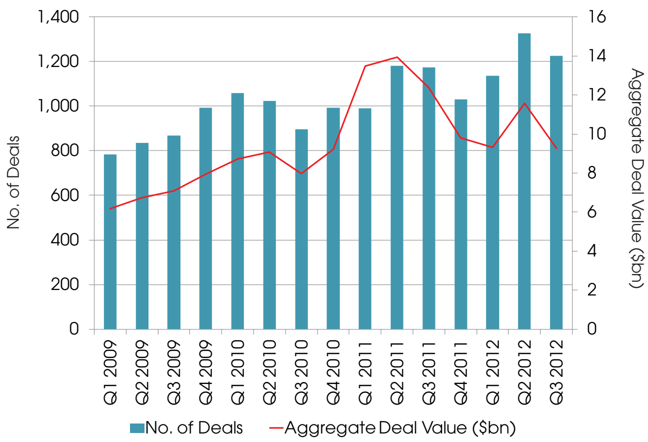
Early stage investments continued to grow in prominence, with angel/seed stage and Series A deals accounting for 22% and 16% of venture capital investments in Q3 2012 respectively. Series B, C, D and later investments accounted for less than 20% of the number of all deals in Q3 2012. Interestingly, the average value of venture capital deals in 2012 so far has been lower for each investment stage than in 2011, with average deal sizes currently matching investment sizes from 2010, particularly in relation to early stage investments.

The internet sector once again received the highest number of venture capital financings. However, the aggregate value of these as a proportion of the total for all sectors fell four percentage points from 25% in Q2 2012 to 21% in Q3 2012. Software deals accounted for 17% of the value of venture capital deals in Q3 2012, an increase from 11% in Q2 2012.

Preqin's Venture Deals Analyst has in-depth data for over 32,000 buyout deals across the globe.

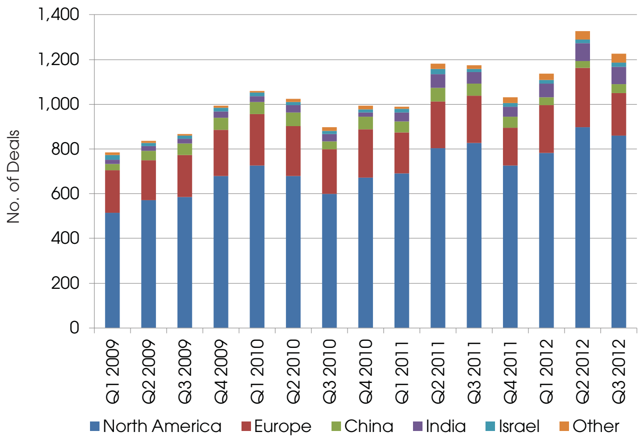
www.preqin.com/vcdeals

Fig. 39: Number and Aggregate Value of Venture Capital Deals Globally, Q1 2009 - Q3 2012



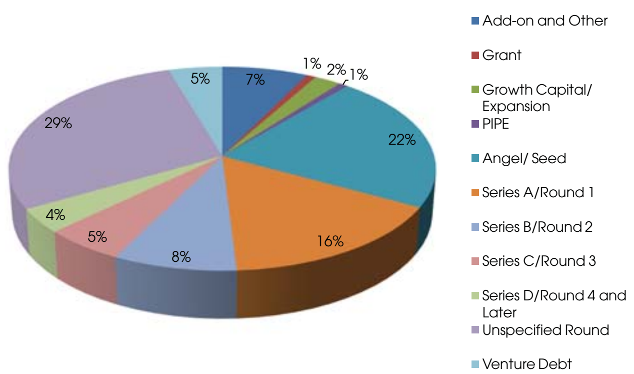
Source: Preqin Venture Deals Analyst

Fig. 40: Number of Venture Deals by Geographic Location, Q1 2009 - Q3 2012



Source: Preqin Venture Deals Analyst

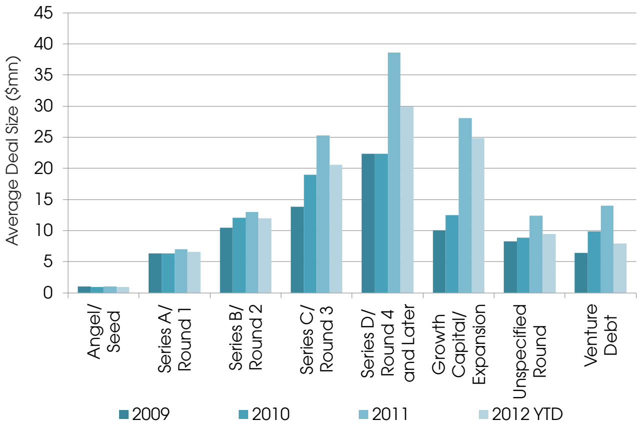
Fig. 41: Proportion of Number of Venture Capital Deals by Stage, Q3 2012



Source: Preqin Venture Deals Analyst

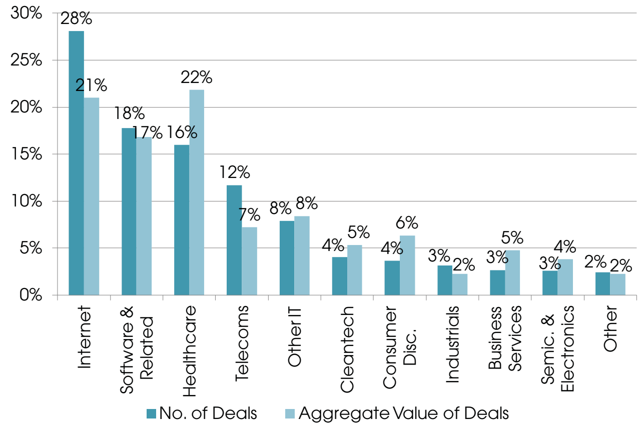
Largest Venture Capital Deals and Exits; Deals by Value and Stage

Fig. 42: Average Value of Venture Capital Deals by Stage, 2010 - 2012 YTD



Source: Preqin Venture Deals Analyst

Fig. 43: Proportion of Number and Aggregate Value of Venture Capital Deals by Industry, Q3 2012



Source: Preqin Venture Deals Analyst

Fig. 44: 10 Largest Venture Capital Deals, Q3 2012

Name	Date	Stage	Deal Size (mn)	Investors	Primary Industry	Location
Square	Sep-12	Series D/Round 4	200 USD	Citi Ventures, Rizvi Traverse Management, Starbucks	Mobile Payments	US
Flipkart	Aug-12	Series D/Round 4	150 USD	Accel Partners, Iconiq Capital, Naspers, Tiger Global Management	Internet	India
Box.net, Inc.	Jul-12	Growth Capital/ Expansion	125 USD	Bessemer Venture Partners, Draper Fisher Jurvetson, General Atlantic, New Enterprise Associates, SAP Ventures, Scale Venture Partners, The Social+Capital Partnership	Cloud Computing	US
Fab.com	Jul-12	Series C/Round 3	105 USD	Andreessen Horowitz, Atomico, Baroda Ventures, DOCOMO Capital, First Round Capital, Mayfield Fund, Menlo Ventures, Pinnacle Ventures, ru-Net Ltd.	Internet	US
Elevance Renewable Sciences, Inc.	Jul-12	Series E/Round 5	104 USD	Genting Genomics Limited, Total Energy Ventures	Chemicals	US
CureVac	Sep-12	Series D/Round 4	80 EUR	dievini Hopp BioTech holding GmbH & Co. KG	Pharmaceuticals	Germany
Fisker Automotive, Inc.	Sep-12	Unspecified Round	104 USD	-	Clean Technology	US
GitHub Inc.	Jul-12	Series A/Round 1	100 USD	Andreessen Horowitz	Software	US
Mapper Lithography	Aug-12	Unspecified Round	80 EUR	Agentschap NL, DEMCON, Hoving & Partners, Parcom Capital, RUSNANO, Technolution	Semiconductors	Netherlands
Desire2Learn	Sep-12	Unspecified Round	80 USD	New Enterprise Associates, OMERS Ventures	Software	Canada

Source: Preqin Venture Deals Analyst

Fig. 45: Five Notable Venture Capital Exits, Q3 2012

Name	Date of First Investment	Investors (Entry)	Total Known Funding (mn)	Exit Type	Exit Date	Acquirer (Exit)	Exit Value ($mn)	Primary Industry	Location
Nicira Networks	Jun-09	Andreessen Horowitz, Lightspeed Venture Partners, New Enterprise Associates	40 USD	Trade Sale	Jul-12	VMware	1260	Network	US
Merchant e-Solutions, Inc.	Mar-00	3i, Trident Capital	7 USD	Trade Sale	Jul-12	Cielo S.A.	670	Business Services	US
Elevation Pharmaceuticals, Inc.	Jan-10	Canaan Partners, Care Capital, Mesa Verde Venture Partners, Novo Ventures, TPG Biotech	77 USD	Trade Sale	Aug-12	Sunovion Pharmaceuticals Inc.	430	Pharmaceuticals	US
AgraQuest, Inc.	Dec-07	Generation Investment Management, Loudwater Investment Partners, Otter Capital	38 USD	Trade Sale	Jul-12	Bayer CropScience AG	425	Chemicals	US
Facebook*	Sep-04	Peter Thiel, Founders Fund, Accel Partners, DST Global, Elevation Partners, Firsthand Technology Value Fund, General Atlantic, Goldman Sachs, Greylock Partners, GSV Capital, Hercules Technology Growth Capital, Meritech Capital Partners, Microsoft, T Rowe Price, The Founders Fund Management, TriplePoint Capital	2,617 USD	Stock Sale	Aug-12	-	395.8	Internet	US

*Denotes a partial exit.

Source: Preqin Venture Deals Analyst

Dry Powder

Following the financial crisis in 2008, the levels of dry powder across the private equity industry have declined. In December 2008, the amount of dry powder stood at $1,069bn but has since fallen to $954bn as of September 2012, as Fig. 46 shows, representing an 11% decrease from December 2008 levels.

When analyzing dry powder by private equity fund type, it is buyout fund dry powder that has undergone the largest proportional decrease, having fallen by 25% in the same period, from $488bn in December 2008 to $366bn in September 2012.

Despite the overall downward trend over the period, distressed private equity and growth have both shown increases in their dry powder levels. Growth funds are sitting on dry powder of $60bn as of September 2012, 41% more than they were in December 2008, while distressed private equity funds have $66bn, 19% more than in December 2008.

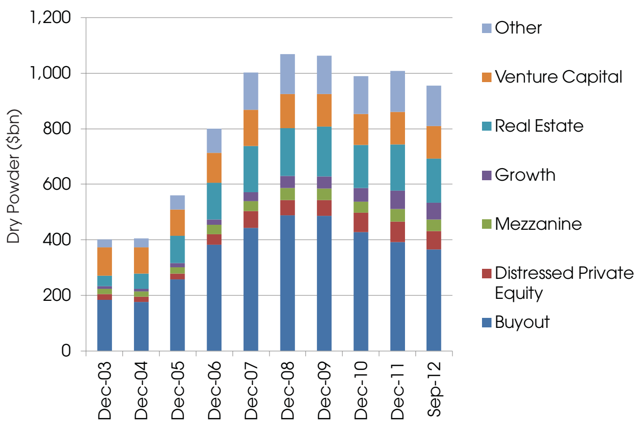
Fig. 47 shows the split of dry powder by the primary geographic focus of the funds. Between December 2008 and September 2012, the amounts of uncalled capital available to primarily Europe- and North America-focused funds decreased by 16% and 15% respectively. Contrastingly, Asia and Rest of World-focused funds saw an increase in dry powder levels of 12%.

Fig. 48 examines the amount of capital invested by and dry powder available to buyout funds with vintages between 2007 and 2011. The median investment period for buyout funds is five years, so funds with a vintage of 2007 or 2008 will be approaching the end of their investment periods within the next two years. As of September 2012, the amounts of capital available to be deployed by vintage 2007 and 2008 funds stand at $39bn and $57bn respectively. Funds with later vintages are still earlier in their investment cycles, and so they have invested less capital. This can be seen with the vintage 2010 and 2011 funds, which have invested $20bn and $22bn respectively.

Preqin's Fund Manager Profiles online service features detailed profiles of private equity GPs and information regarding capital held in reserve. Want to break out historical dry powder data by fund type or target geography? The dry powder held by a specific manager? We can help. For more information, please visit:

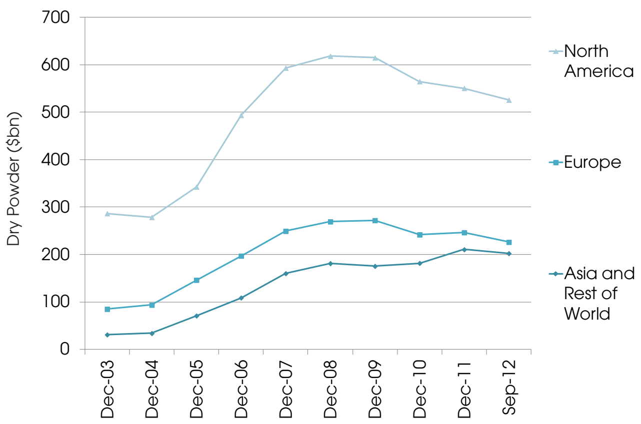
www.preqin.com/fmp

Fig. 46: Private Equity Dry Powder by Fund Type, 2003 - September 2012



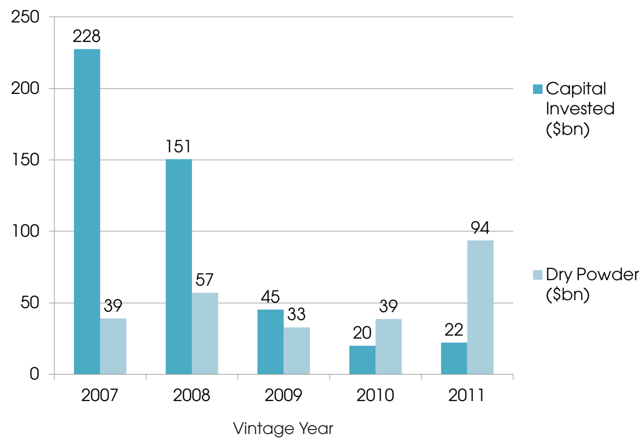
Source: Preqin Fund Manager Profiles

Fig. 47: Private Equity Dry Powder by Primary Regional Focus, 2003 - September 2012



Source: Preqin Fund Manager Profiles

Fig. 48: Buyout Funds - Capital Invested and Dry Powder Remaining by Vintage Year as of September 2012



Source: Preqin Performance Analyst

Performance Update

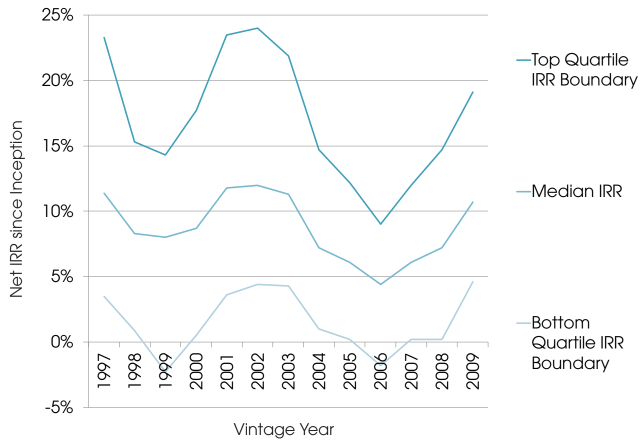
Preqin currently holds net-to-LP performance data for over 6,000 private equity funds, representing approximately 70% of all capital ever raised by the industry in terms of aggregate value. By using data from Performance Analyst, Preqin has analyzed the most up-to-date fund returns generated by private equity partnerships in order to provide an independent and unbiased assessment of the private equity industry.

The median net IRRs and quartile boundaries by vintage year for all private equity are shown in Fig. 49. The top quartile boundary is positive for all vintage years; 2002 vintage funds have the highest top quartile boundary, with returns of at least 24.0% required to be in the top quartile for this vintage. The bottom quartile boundary is also positive for most vintage years and only falls into negative territory for vintage years 1999 and 2006.

Fig. 50 shows the median net IRRs by geographic focus and vintage year for all private equity. The graph shows that vintage 2001 Asia and Rest of World-focused funds currently have the highest median net IRR, with a figure of 28.0%. For vintage years 1999-2005, Europe-focused funds outperform North America-focused funds, while North America-focused funds are showing higher returns for more recent vintage years. However, these funds are still early in their fund lives and returns could change as fund managers seek to add value to their investments.

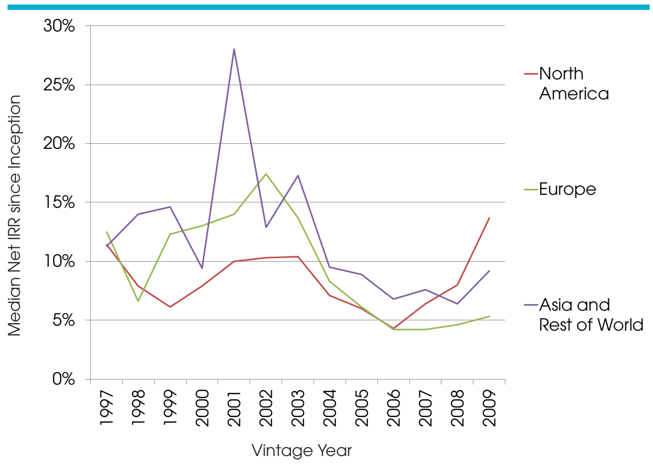
Fig. 51 shows the risk and return profiles for the main private equity fund types, using funds with vintage years between 1999 and 2009. The levels of risk and return for each strategy are represented by the standard deviation of the net IRRs and the median net IRRs respectively, with the size of each sphere representing the size of each strategy in terms of total capital raised. Strategies appearing to the right of the chart are achieving the best performance and those carrying the highest risk appear higher up the chart. Therefore the strategies representing the best risk and return trade-offs are positioned towards the bottom right of the chart. The graph shows that natural resources funds currently have the highest median returns of 16.4%, but also the highest level of risk, with a standard deviation of 23.7%. Funds with an early stage strategy have the lowest median IRR of -0.5%; mezzanine funds involve the least risk, with a standard deviation of net IRRs of 6.1%. Making a direct comparison of the risk and returns between private equity strategies should be assessed with caution, as the different characteristics of each investment strategy should be taken into account, as well as each strategy's contribution to an overall portfolio.

Fig. 49: All Private Equity - Median Net IRRs and Quartile Boundaries by Vintage Year



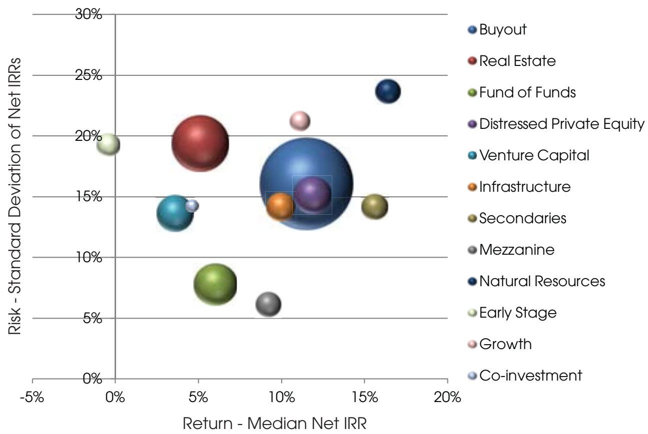
Source: Preqin Performance Analyst

Fig. 50: All Private Equity - Median Net IRRs by Fund Primary Regional Focus and Vintage Year



Source: Preqin Performance Analyst

Fig. 51: Risk and Return by Fund Strategy (Vintages 1999 to 2009)



Source: Preqin Performance Analyst

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* Performance Analyst, Funds in Market, Fund Manager Profiles, Investor Intelligence, Buyout Deals Analyst and Venture Deals Analyst
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