

Preqin Special Report:

Private Equity Cleantech

02-June-2009



Private Equity Cleantech: A Booming Sector

Since 2005, the number of funds that include cleantech investments as part or all of their industry scope has grown rapidly. As shown in Fig. 1, the number of private equity funds that commenced making investments in 2008 and included cleantech in their investment mandates nearly quadrupled from the number in 2004, which was the first vintage year to see a significant number of funds begin to make cleantech investments, increasing from 30 in 2004 to 117 in 2008.

A similar trend can be seen when only examining funds that are focused solely on cleantech. While there are just nine purely cleantech focused vehicles of 2004 vintage, 2007 saw 41 cleantech focused funds commence their investment periods and 2008 saw 39 purely cleantech funds begin investing.

Overall, out of all the funds that have closed to date which allocate some proportion of their capital to cleantech investments, approximately 34% are solely focused on the cleantech market, whilst around 66% include cleantech as one of a range of industries they look to invest in.

These figures demonstrate how the private equity cleantech sector has been expanding rapidly over recent years. Despite the slowdown in the global economy, this sector seems set to continue its growth with a total of 78 cleantech focused funds currently in market seeking investment. It is likely that we will see a record number of funds commencing investment in the cleantech sector during 2009, both in terms of solely

cleantech focused funds and in terms of funds that include cleantech amongst a number of industries they invest in.

Within our newly released publication, the 2009 Preqin Private Equity Cleantech Review, we list all funds closed historically and all funds currently raising, with information and analysis on fund size, focus, regional preferences, sample investors and more.

Where Are Managers Based?

As shown in Fig. 2, 45% of private equity fund managers that invest in the cleantech sector are based in North America. As well as being the most significant world hub for venture capital in general, Silicon Valley is also known as a major base for the cleantech industry specifically. 36% of fund managers that invest in the cleantech sector are based in Europe and 19% are based in Asia and Rest of World. Cleantech research and development may have its origins in the US, but these figures show that it is increasingly becoming a global sector.

With emerging markets such as India and China becoming important centres of activity for the cleantech private equity industry, a good knowledge of all the different managers in both the established and also these newly emerging markets is essential intelligence for all those involved in the cleantech industry. Within the body of the 2009 Preqin Private Equity Cleantech Review we examine all managers involved in the

Fig. 1: Number of Cleantech Funds Commencing Investment by Vintage Year

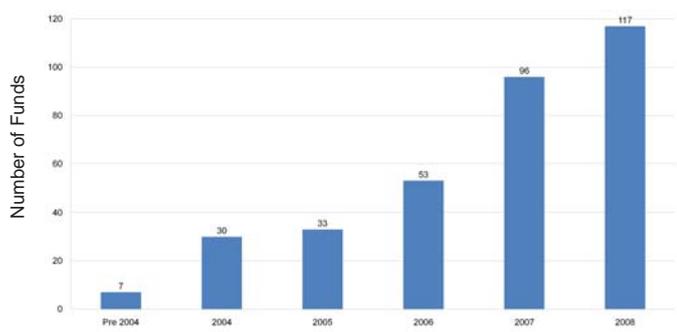
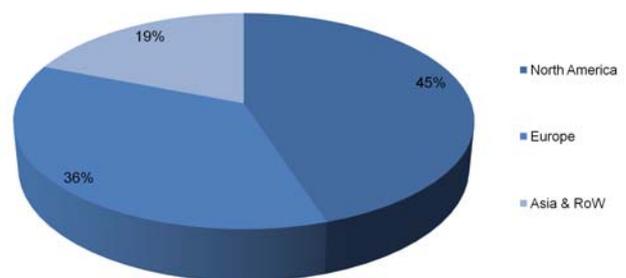


Fig. 2: Breakdown of Private Equity Cleantech Firms by Regional Location



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sector from around the world, including information on industry focus and funds raised alongside direct contact information. We also analyse and list the performance of 54 funds, allowing for the assessment of the strongest performing GPs.

Institutional Investor Interest in Cleantech

For investors that aim to make responsible investments, the cleantech sector offers the opportunity to address sustainability issues whilst simultaneously creating long-term value. Investment in the sector has the potential to have a positive impact on the world, and many investors have set aside mandates specifically for cleantech investments – whether that be as an offshoot of their private equity portfolio, or as an allocation within a specific energy focused investment portfolio. Many feel that the market has the potential for a high level of growth and consequently that possible future profits are high.

Whilst for some, cleantech forms a key part of their overall investment strategies, for others, cleantech investments are increasingly forming a small but meaningful part of their portfolios. Not only are these investors interested in the positive benefits of successful developments in the cleantech industry and the potential financial gains brought about by such investments, but many are also attracted to the diversification benefits of having an allocation to the industry within their portfolios, as fluctuations in the cleantech market do not necessarily correlate with those of the private equity market as a whole.

Cleantech funds are attracting attention from a wide range of different types of investor. Fund of funds managers account for 19% of investors that have previously invested in cleantech funds, and are an important investor group in funds of this type. Public pension funds account for a further 15% of investors in these vehicles. Several of the most significant investors in cleantech fall into this category, many of which specifically operate programs or have set specific allocations to the sector.

In terms of investor location, the cleantech industry is attracting a significant amount of attention from European LPs, with investors from this region accounting for 48%, of all investors

with a preference for cleantech funds. North American LPs account for 34% of investors in the sector, while Asia and Rest of World based investors account for the remaining 18%.

The 2009 Preqin Private Equity Cleantech Review

New for 2009, the Preqin Private Equity Cleantech Review is the ultimate publication outlining this important sector, featuring detailed analysis and profiles for all different aspects of the industry, including:

- Detailed analysis examining the history and development of the industry, fundraising trends, performance analysis, fund manager universe, institutional investors, fund of funds.
- Profiles for 380 cleantech focused private equity firms, including direct contact details, firm investment strategies, fund details and more. Also includes profiles for over 150 institutional investors in funds, including investment plans, sample investments and direct contact details.
- Listings for all funds raised historically, funds currently raising, performance metrics for over 50 funds, league tables for biggest firms.
- Covers venture capital, infrastructure, buyout, fund of funds, and other firm types focusing on the sector.

We believe that the 2009 Preqin Private Equity Cleantech Review provides an important resource, offering a comprehensive analysis of the industry and the most important firms and investors that are active within it.

For more information on the Review, including sample pages, and details on how to order your copy, please visit:

www.preqin.com/cleantech

Private Equity Cleantech: Fundraising



Historic Fundraising

- Overall cleantech fundraising remained steady in 2008, despite the economic crisis, with 29 funds raising an aggregate \$6 billion, compared to the same number of funds raising \$6.3 billion in 2007.
- Venture capital funds have been the main recent driver behind the growth in the cleantech market, and attracted \$3.95 billion in commitments in 2008.
- Infrastructure funds represent the second-most important fund type in the cleantech sector, having consistently raised more than \$1 billion per year since 2006.
- Fund of funds vehicles that closed in 2008 raised a total of \$630 million, a steep rise from the \$70 million raised in 2007. As more and more direct cleantech funds are raised, cleantech fund of funds could well grow significantly in importance too, as investors inexperienced in cleantech investing use them to acquire exposure to the sector.

Funds Currently in Market

- In terms of cleantech funds currently raising, the most target capital is being sought by North American focused funds, which are looking to raise an aggregate \$9 billion, followed by European funds, which are looking to raise \$7.2 billion.
- Venture funds dominate the North American focused funds. Around two-thirds of the North American focused aggregate target capital is being sought by venture funds.
- Funds that will focus on European investments are predominantly infrastructure funds. \$4.1 billion of the \$7.2 billion currently being raised by European focused funds is being sought by infrastructure funds.
- Asia and Rest of World focused funds are looking to raise an aggregate \$3.7 billion, nearly \$2 billion of which is being sought by venture funds.

Fig. 3: Split of Cleantech Fundraising by Fund Type: 2004 - April 2009

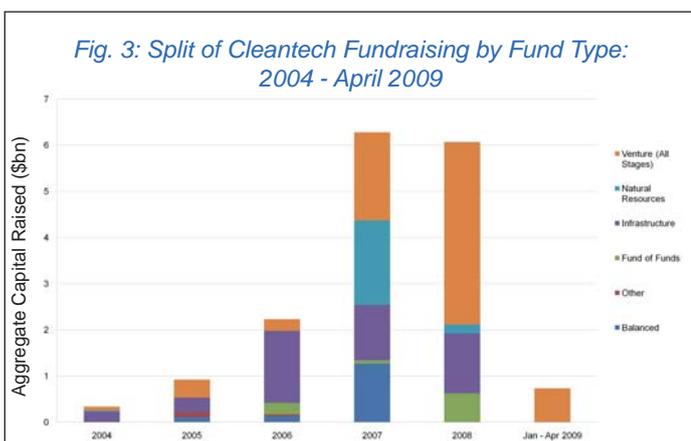
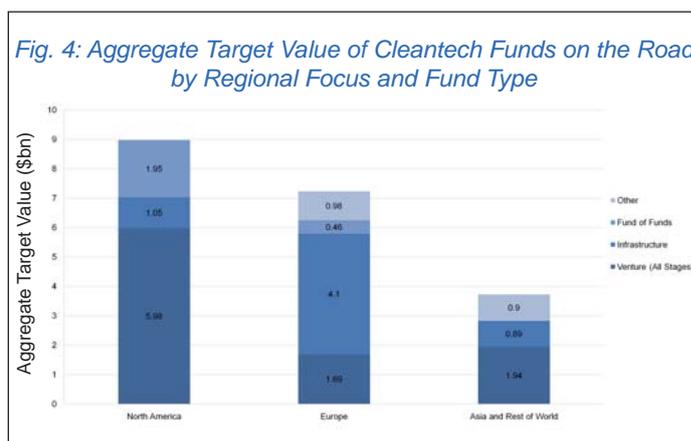


Fig. 4: Aggregate Target Value of Cleantech Funds on the Road by Regional Focus and Fund Type



Private Equity Cleantech: Fund Manager Universe

Fund Managers

- More than three-quarters of all private equity fund managers involved in making cleantech investments primarily manage venture capital funds.
- The next most popular group of fund managers are primarily infrastructure focused private equity firms, constituting 13% of cleantech fund managers. 7% of private equity firms making cleantech investments principally manage buyout funds.
- Other types of private equity firm, including mezzanine and balanced fund managers, make up the remaining 3%.

Shareholding Preferences

- Cleantech focused venture capital firms display a general preference for taking minority shareholding positions in the companies they invest in, with 54% stating a preference for this type of stake. 24% of venture capital firms prefer a controlling stake, while 22% stated no preference either way.
- Cleantech focused buyout and infrastructure firms are similar in their shareholding preference patterns. 70% of infrastructure firms and 63% of buyout firms prefer to take controlling stakes in their investments, while just 10% of infrastructure firms and 6% of buyout firms prefer to acquire minority stakes. 20% of infrastructure firms and 31% of buyout firms have no preference either way.

Fig. 5: Breakdown of Private Equity Cleantech Firms by Primary Fund Type Focus

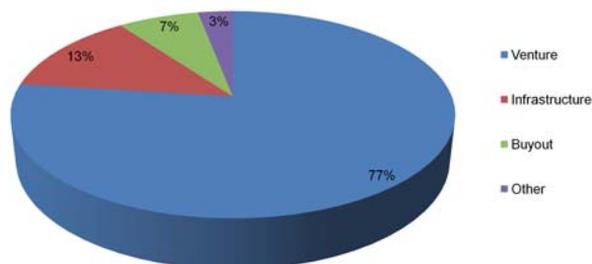
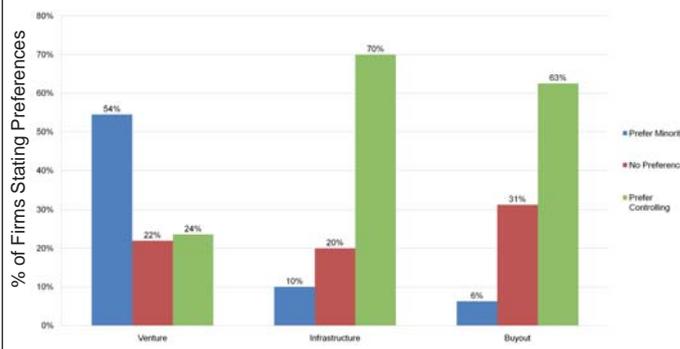


Fig. 6: Cleantech Private Equity Firms' Shareholding Preferences by Fund Type



Private Equity Cleantech: Biggest Firms

Fig. 7: Top 10 Cleantech Venture Firms by Funds Raised

Firm Name	Location	Pure Cleantech Funds Raised (\$ mn)	Vintage of Most Recent Pure Cleantech Fund Closed
Generation Investment Management	UK	683	2008
VantagePoint Venture Partners	US	585	2008
Kleiner Perkins Caufield & Byers	US	500	2008
NGEN Partners	US	500	2005
Element Partners	US	486	2008
RockPort Capital Partners	US	453	2008
Global Environment Fund	US	327	2007
Technology Partners	US	300	2007
FE Clean Energy Group	US	252	2007
Braemar Energy Ventures	US	250	2007

Fig. 8: Top 10 Cleantech Infrastructure Firms by Funds Raised

Firm Name	Location	Pure Cleantech Funds Raised (\$ mn)	Vintage of Most Recent Pure Cleantech Fund Closed
Carlyle/Riverstone	US	685	2006
US Renewables Group	US	575	2007
TCW Group	US	473	2006
HgCapital	UK	396	2006
Platina Partners	UK	374	2007
Good Energies	US	271	2005
Santander Infrastructure Capital	UK	230	2004
3C Consulting	Germany	201	2007
N+1 Eolia	Spain	196	2006
DIF	Netherlands	190	2007

Private Equity Cleantech: Institutional Investors

Fig. 9: Proportion of Investors with Exposure to Cleantech via Pure Cleantech Funds or Funds with an Allocation to Cleantech

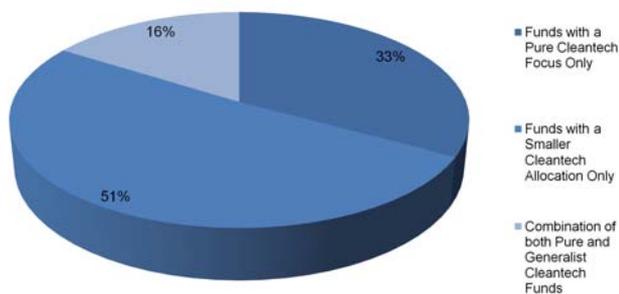
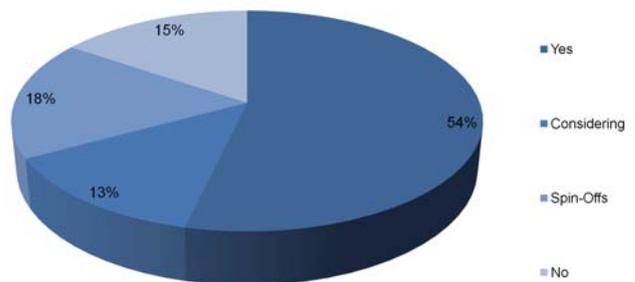


Fig. 10: Investor Attitudes to First-Time Cleantech Funds



Investors

- Just over half of all private equity LPs with investments in the cleantech sector gain their exposure to the sector solely through funds with an allocation to cleantech as part of a broader industry focus.
- On the other hand, nearly half have invested in funds focusing solely on cleantech investments. This consists of 33% that have only invested in solely cleantech focused funds and 16% that have invested in both solely cleantech focused funds and vehicles including cleantech as part of a wider industry focus.

Investor Attitude to First-Time Funds

- Encouragingly for first-time fund managers, 54% of LPs with an interest in the cleantech sector will invest in first-time funds.
- A further 13% would consider investing in a first-time fund.
- An additional 18% will consider making an investment in a first-time fund in the cleantech sector if it is managed by a team that has spun out of another firm.
- Therefore overall 85% of LPs with a preference for cleantech would consider investing in a first-time fund of some shape or form, and only 15% would not.

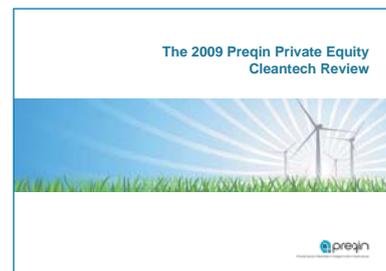
All the data and statistics in this research report was taken from our new publication the 2009 Preqin Private Equity Cleantech Review. For more information please visit:

www.preqin.com/cleantech

2009 Preqin Private Equity Cleantech Review: Order Form

This year's Private Equity Cleantech Review is the ultimate guide to this important sector, featuring detailed analysis and profiles for all different aspects of the industry, including:

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