



Private Equity Performance Report

Fund Performance Data as of Q2 2011

March 2012

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Using data from Performance Analyst, Preqin has analyzed the returns generated by private equity partnerships as at 30th June 2011 in order to provide an independent and unbiased assessment of the industry's performance. Preqin currently holds transparent net-to-LP performance data for over 5,700 private equity funds of all types and geographic focus. In terms of aggregate value, this represents around 70% of all capital ever raised by the industry.

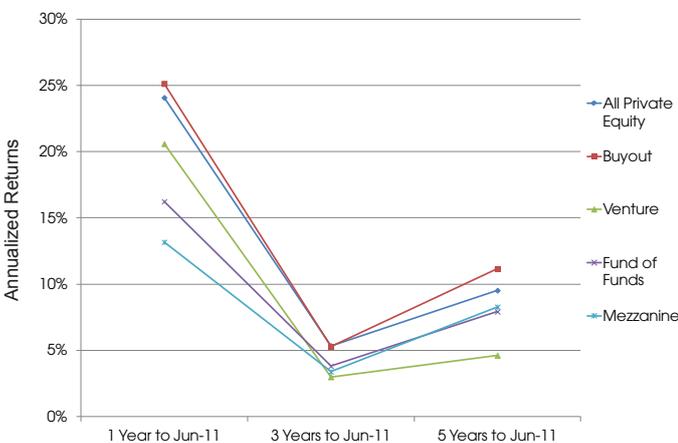
For more information on Performance Analyst, the private equity industry's leading source of fund performance data, please visit: www.preqin.com/pa.

1. Private Equity Horizon IRR

1.1. Horizon IRR by Fund Type

Fig. 1.1 displays the private equity horizon returns across the one-, three- and five-year periods for the main private equity fund types as of 30th June 2011. All private equity fund types examined are showing positive horizon returns over these periods. Over the one-year period, buyout funds are currently showing the highest return of 25.1%, with venture funds, funds of funds and mezzanine funds showing one year returns of 20.6%, 16.2% and 13.2% respectively. For the three-year period, the returns are clustered around the 3.0-5.0% mark, with buyout funds showing the highest three-year horizon returns of 5.3%. Over the five-year period, buyout funds are again showing the highest returns, with 11.2%, while five-year returns for mezzanine funds, funds of funds and venture funds are at 8.3%, 7.9% and 4.6% respectively.

Fig. 1.1: Private Equity Horizon IRRs as of 30th June 2011



Source: Preqin

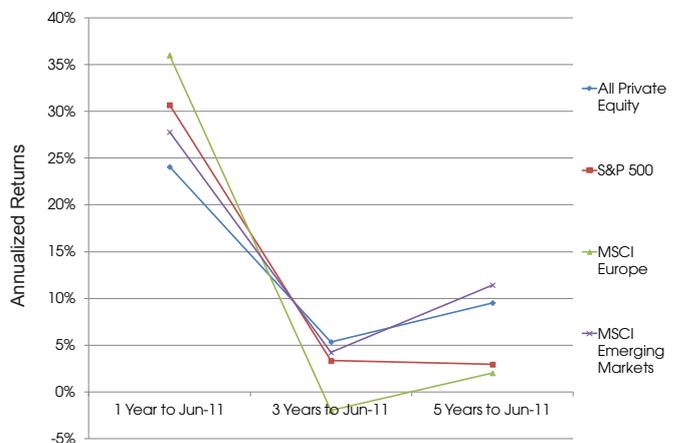
1.2. Private Equity Performance vs. Public Indices

The horizon returns of all private equity over the one-, three- and five-year periods in comparison to the returns achieved by three public indices across the same timeframe through 30th June 2011 are examined in Fig. 1.2. It should be noted that any comparisons made between private equity and listed equities should be viewed in context, as private equity is an illiquid asset class where investors are committed over a longer period of time, whereas public equities are more liquid. Private equity has generated annualized returns of 24.1% over the one-year period, 5.4% over three years and 9.5% over the five-year period. Over the one-year time horizon, all the public indices outperform private equity, but over three years private equity is the best performer, with MSCI Europe returning -2.0%, S&P 500 returning 3.3% and MSCI Emerging Markets returning 4.2%. Over the five-year period, private equity and MSCI Emerging Markets show similar returns, with both significantly outperforming the S&P 500 and MSCI Europe for the period.

1.3. Rolling One-Year Horizon IRRs

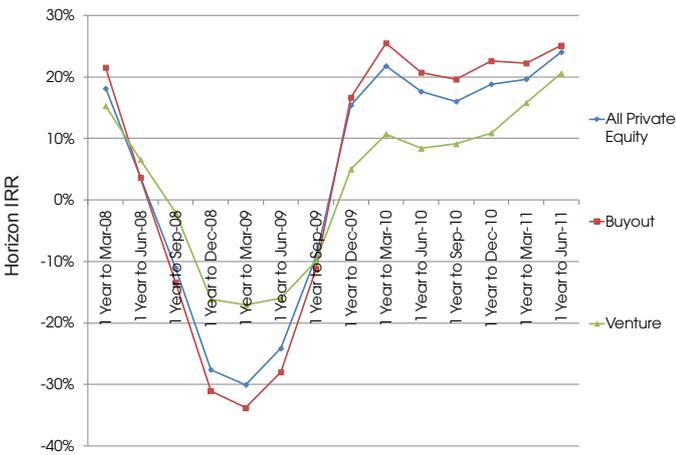
The one-year horizon IRRs at each quarter-end since March 2008 for the whole private equity industry, as well as those for buyout and venture funds, are shown in Fig. 1.3. The highest returns for all private equity in any of the quarters shown are reported in the latest quarter; rolling one-year returns over the past year have remained above 16% in each quarter. Venture returns for the most recent quarter stand at 20.6% and are close to the levels reached in December 2007. The one-year returns of buyout funds and the private equity industry as a whole show a strong correlation, as the majority of the industry's capital is held in these funds.

Fig. 1.2: Private Equity Horizon IRR vs. Public Indices as of 30th June 2011



Source: Preqin

Fig. 1.3: Rolling One-Year Horizon IRRs



Source: Preqin

1.4. Buyout Fund Horizon IRRs by Size

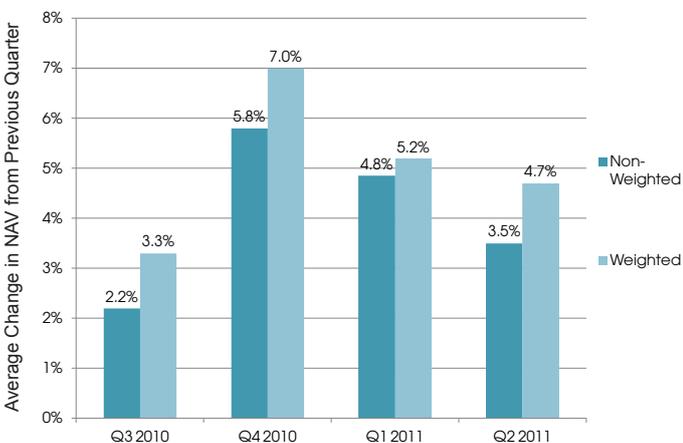
Fig. 1.4 shows horizon returns data for buyout funds by fund size. The one-year returns are similar for small, large and mega funds, with mid-market buyout funds generating lower returns of around 20.0%. Over three years, mid-market, large and mega buyout funds have returns of 6.3%, 4.7% and 5.2% respectively, with small buyout funds outperforming the other fund sizes with 9.0%. Over the five-year time frame, returns are around 11.0% for all fund sizes with the exception of small buyout, which is generating an annualized IRR of 9.6%.

2. Private Equity NAV

2.1. Quarterly Change in NAV

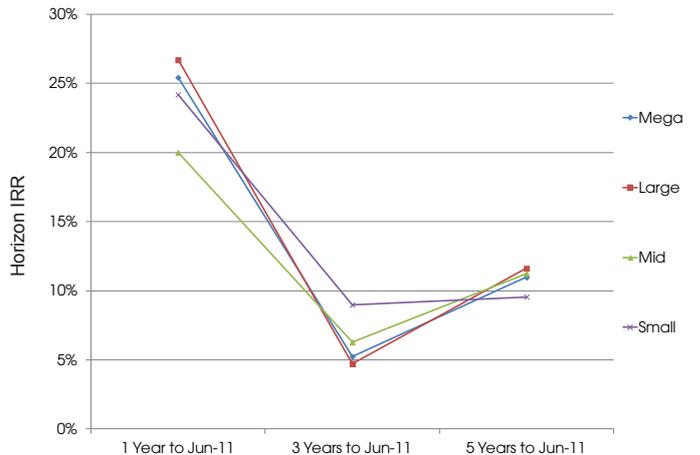
Fig. 2.1 shows the quarterly average change in net asset value (NAV) for Q3 2010 to Q2 2011. It can be seen that private equity NAVs have increased in every quarter shown, and the largest increase occurred at the end of 2010, when the weighted NAV, which takes into account

Fig. 2.1: All Private Equity Change in NAV by Quarter



Source: Preqin

Fig. 1.4: Buyout Fund Horizon IRRs by Size* as of 30th June 2011



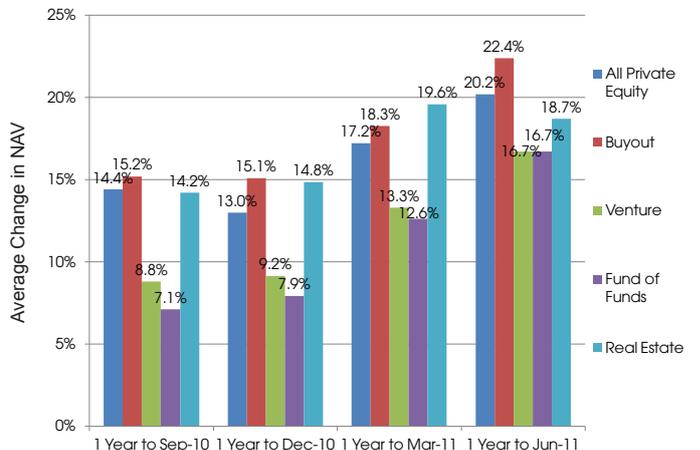
Source: Preqin

fund size, rose by 7.0%. Q2 2011 results show that NAVs across the industry increased by 3.5% using the non-weighted metric and by 4.7% using the weighted metric. Across each period shown, the weighted NAV shows a consistently higher increase than the non-weighted NAV, suggesting that the larger funds have outperformed the smaller funds; however, it should be noted that the larger funds had more ground to make up following declines as a result of the economic downturn.

2.2. Annual Weighted Change in NAVs by Fund Type

Fig. 2.2 shows the one-year weighted change in NAV for the different private equity strategies, with all strategies posting an increase across all the quarters displayed. In the year to June 2011, fund NAVs for all private equity increased by 20.2%. Over the same period, buyout funds reported the highest increase of 22.4%, real estate funds posted an increase of 18.7%, while both fund of funds and venture increased by 16.7%. It is also notable that buyout funds have posted the highest annual increase across each quarter shown.

Fig. 2.2: Annual Change in NAVs by Fund Type (Weighted)

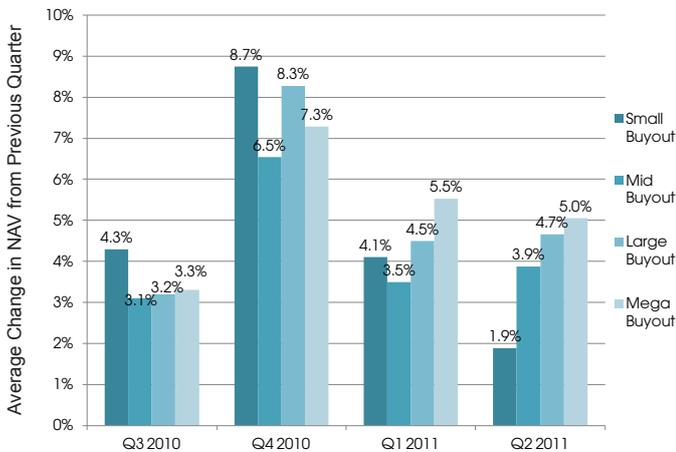


Source: Preqin

* Size Ranges:

Vintage 2005-onwards: Mega Buyout > \$4500mn, Large Buyout \$1,500mn-\$4500mn, Mid Buyout \$500mn-\$1,500mn, Small Buyout ≤ \$500mn
 Vintage 1997-2004: Mega Buyout > \$2000mn, Large Buyout \$750mn-\$2000mn, Mid Buyout \$300mn-\$750mn, Small Buyout ≤ \$300mn
 Vintage 1992-1996: Large Buyout > \$500mn, Mid Buyout \$200mn-\$500mn, Small Buyout ≤ \$200mn

Fig. 2.3: Quarterly Change in NAV by Buyout Fund Size*



Source: Preqin

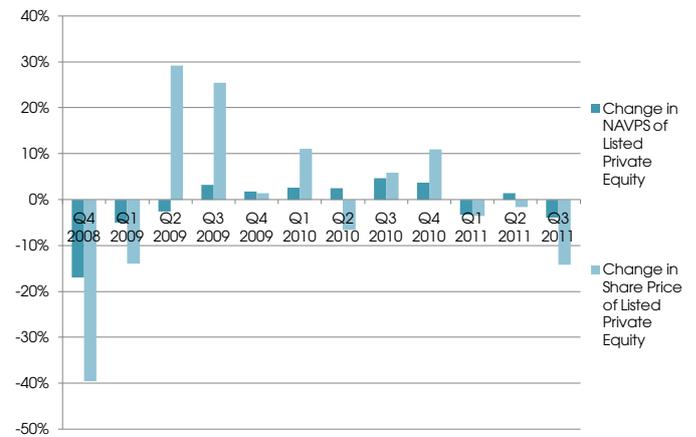
2.3. Quarterly Change in NAV by Buyout Fund Size

The average quarterly change in NAV by buyout fund size between Q3 2010 and Q2 2011 is displayed in Fig. 2.3. The fund NAVs for all the different buyout fund sizes show quarter-on-quarter increases across all periods shown, with the highest reported increase in Q4 2010. The latest quarter shows that the larger buyout fund sizes have witnessed higher increases: mega buyout funds reported an increase of 5.0% and large buyout funds 4.7% whereas the smaller categories – mid-market and small buyout – reported increases of 3.9% and 1.9% respectively. It is important to bear in mind that the larger buyout vehicles typically use more leverage in their investments than the smaller vehicles. Mega and large buyout funds were more affected by the financial crisis and consequently these funds reported steeper devaluations compared with the smaller funds. As such the larger buyout funds have had significantly more ground to make up. The smaller sized buyout funds typically use less debt in their transactions and have shown smaller changes in their NAVs during and since the crisis.

3. Listed Private Equity: Trends and Developments

The listed private equity market offers an alternative to the traditional closed-end private equity sector. Shares in listed private equity vehicles are available to anyone and are traded on a daily basis. As a consequence, results are often reported earlier than unlisted private equity funds, enabling the performance of these listed vehicles to act as an indicator as to the performance of traditional private equity funds.

Fig. 3.1: Change in NAVPS and Share Price of Listed Private Equity by Quarter



Source: Preqin

3.1. Average Change in NAVPS and Share Price of Listed Private Equity by Quarter

Fig. 3.1 shows the changes in NAVPS and market prices for listed private equity. The net asset value per share (NAVPS) showed quarterly increases from Q3 2009 to Q4 2010 as portfolio values recovered after the financial crisis. During 2011, NAVPS decreased in Q1 and again in Q3 following a slight increase in Q2. The share prices of listed private equity funds experienced average quarterly increases in every quarter between Q2 2009 and Q4 2010 with the exception of Q2 2010. Share prices have seen quarterly decreases during each quarter of 2011 shown, with Q3 showing an average decrease of 14.2%. Average NAVPS also decreased during Q3, with a fall of 3.9%.

4. Performance by Vintage

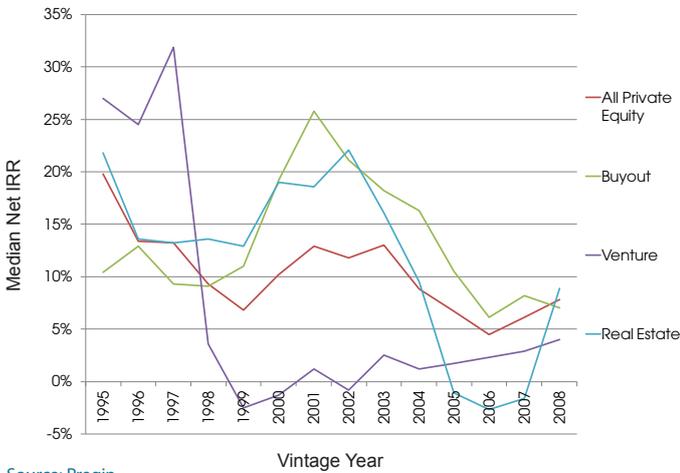
4.1. Median Net IRR by Fund Type

Fig. 4.1 shows the median net IRRs as of 30th June 2011 by vintage year for the main private equity fund types. The graph shows that venture funds of vintage years between 1998 and 2008 are showing net IRRs in the range of -2.5% to 4.0%, with vintage 2008 funds currently showing a median return of 4.0%. Returns from these vintage years are much lower than those of earlier vintages, highlighting the effects of the dot-com crash. With a median return of 25.8%, vintage 2001 funds are currently showing the highest median IRR among buyout funds. Real estate funds show lower returns for vintage years 2005 to 2007 (ranging between -2.7% and -1.1%) as these vintages were amongst those most affected by the financial crisis. However, vintage 2008 real estate funds are showing a positive median IRR of 8.9%. It should be noted that funds with more recent vintages are still early in their fund

* Size Ranges:

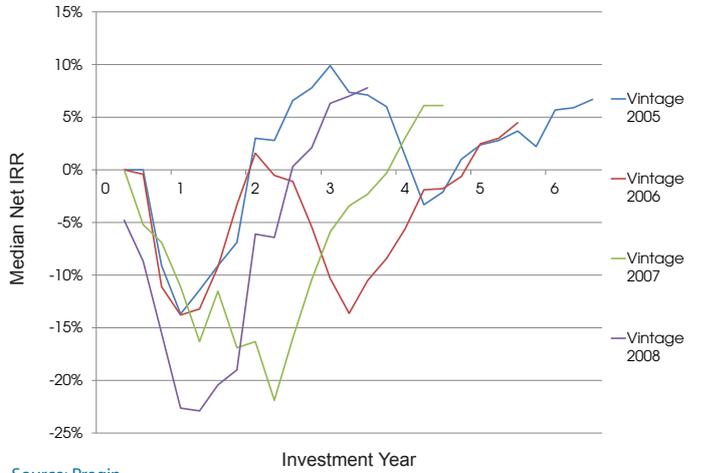
Vintage 2005-onwards: Mega Buyout > \$4500mn, Large Buyout \$1,500mn-\$4500mn, Mid Buyout \$500mn-\$1,500mn, Small Buyout ≤ \$500mn
 Vintage 1997-2004: Mega Buyout > \$2000mn, Large Buyout \$750mn-\$2000mn, Mid Buyout \$300mn-\$750mn, Small Buyout ≤ \$300mn
 Vintage 1992-1996: Small Buyout ≤ \$200mn, Mid Buyout \$200mn-\$500mn, Large Buyout > \$500mn

Fig. 4.1: Median Net IRRs by Fund Type as of 30th June 2011



Source: Preqin

Fig. 4.2: All Private Equity - J-Curve: Annual Median Net IRRs by Vintage



Source: Preqin

lives and returns could change as fund managers seek to add value to their investments.

4.2. J-Curves of Net IRR

Fig. 4.2 shows private equity 'J-curves', which illustrate the trajectory of the returns of a private equity fund. J-curves are found by plotting the median net IRRs at each quarter-end, with results shown for funds of 2005-2008 vintages. Typically, returns tend to be in the red during the early part of a fund's life; however as the investment cycle progresses, net returns begin to transition into the black as fund managers add value to their investments and begin to distribute capital back to investors. The graph indicates that the net return trajectories of vintage 2005 and 2006 funds resemble 'W-curves', with sharp falls in returns as a result of the turmoil in the financial markets during 2008 and 2009, followed by subsequent increases. All vintage years within the sample are currently showing positive median IRRs, with vintage 2008 funds currently showing the highest median return of 7.8%.

Data Source:

Performance Analyst

Performance Analyst is the most comprehensive, detailed source of private equity performance data available today. Preqin's team of analysts collect and monitor data from a number of different sources, including from GPs themselves, in order to provide the most comprehensive private equity performance data available today.

All of our performance data conforms to the same standardized metrics, with all data representing net-to-LP returns. We currently hold transparent net-to-LP performance data for over 5,700 private equity funds of all types and geographic focus. In terms of aggregate value, this represents around 70% of all capital ever raised.

This high level of coverage enables us to produce the most meaningful benchmarking and comparative tools available in the industry.

Key features of this powerful database include:

View performance data online: for private equity funds worldwide. Compare individual funds against each other and the appropriate benchmarks.

Compare funds of all types: venture, buyout, mezzanine, distressed, special situations, real estate, natural resources, fund of funds, secondary.

Assess key performance data for each fund: size, vintage, type, called-up, distributed, unrealized value, multiple, IRR.

View historic performance: for over 15,000 data points to assess how performance data has changed over time (Premium access required).

Keep current with developments: with monthly updates you always have access to the latest data.

View cash flow graphs for over 1,700 funds: assess how quickly funds have called and distributed capital and what their net cash flow position is.

Select, compare and analyze funds according to your criteria: by type, size, vintage year etc.

Assess each firm's long-term track record: quartile performance over several fund generations.

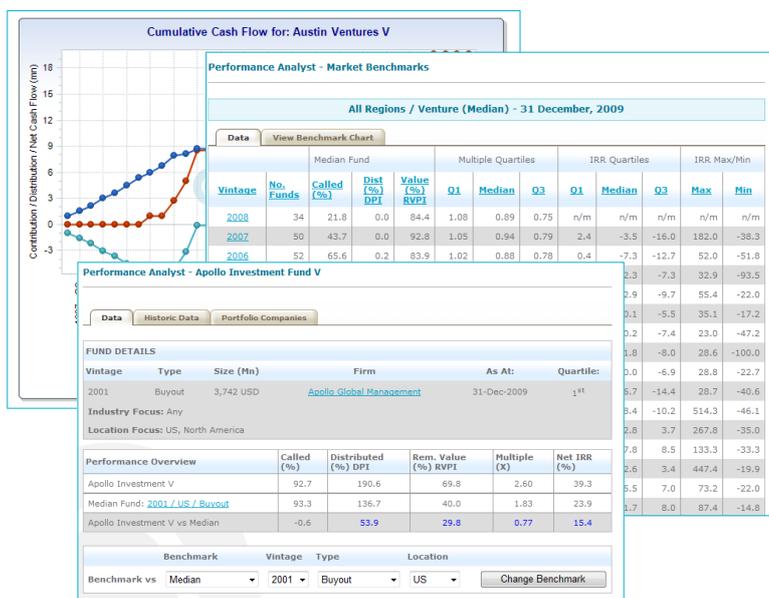
Median, pooled, weighted and average benchmarks: view fully transparent market benchmarks by fund type and region focus.

Benchmark data for called-up, distributed, unrealized value, and top, median and bottom quartile IRRs and multiples.

Top performing GPs: view a list of firms that have consistently had funds ranked in the 1st and 2nd quartiles.

Download: data to spreadsheet for further analysis (Premium access required).

Create a tailored peer group: of funds for comparative purposes.



Performance Analyst (Standard) \$2,150 / €1,550 / £1,295

Performance Analyst (Premium) \$4,295 / €3,075 / £2,595

For more information, please visit www.preqin.com/pa

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- Fund Performance
- Buyout Deals
- Fundraising
- Investor Profiles
- Fund Terms
- Fund Manager Profiles
- Compensation

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Our information is drawn from as many sources as possible, with our large teams of dedicated analysts working to ensure that our research is far reaching, detailed and up to date.

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