

Preqin Private Equity Special Report: Future Fund Searches and Mandates

October 2012



Methodology

Preqin, the alternative assets industry’s leading source of data and intelligence, welcomes you to [Preqin Private Equity Special Report: Future Fund Searches and Mandates](#), a unique look into private equity investors’ plans for the future.

This special report draws on [Preqin’s Investor Intelligence](#) online service, the industry’s most detailed and up-to-date source of information on institutional investors actively investing in private equity funds, gathered through regular direct contact with industry professionals. The database features profiles of over 4,500 active private equity investors, which include current fund searches and active mandates, investment preferences, past investments, direct contact information for key decision makers, and more.

[Preqin’s Investor Intelligence](#) also features exclusive data on investors’ future fund searches and mandates, allowing users to view up-to-date information on how these LPs are planning to invest in private equity in the future. Subscribers can easily search investors’ future fund searches and mandates by geographic location, fund types and regions sought, the amount of capital investors expect to commit, and more.

For more information, please contact us at info@preqin.com, or visit our website at www.preqin.com/ii.

We hope that you find the information in this report useful and interesting. All feedback and suggestions you may have for improvements to future editions of this study are welcome.

Contents

Institutions on the Hunt.....	p. 3
Regional Breakdown of Future Fund Searches.....	p. 4
Structures and Strategies Sought in the Year Ahead.....	p. 5
Outlook for the Future.....	p. 7
About Preqin.....	p. 8

All rights reserved. The entire contents of Preqin Private Equity Special Report: Future Fund Searches and Mandates are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, without the express prior written approval of Preqin Ltd. The information presented in Preqin Private Equity Special Report: Future Fund Searches and Mandates is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then he should seek an independent financial advisor and hereby agrees that he will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of Preqin Private Equity Special Report: Future Fund Searches and Mandates.

While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in Preqin Private Equity Special Report: Future Fund Searches and Mandates are accurate, reliable, up-to-date or complete.

Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd. does not accept any responsibility for any errors or omissions within Preqin Private Equity Special Report: Future Fund Searches and Mandates or for any expense or other loss alleged to have arisen in any way with a reader’s use of this publication.

Institutions on the Hunt

The private equity institutional investor universe is made up of a diverse range of investor types, each with different allocations to and expectations of the asset class. Due to continued uncertainty in financial markets, many institutional investors remain cautious when selecting new private equity funds for investment. Fund managers must therefore carefully 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.

“...the vast majority of investors are able to commit capital to new private equity funds in the year ahead...”

Preqin’s dedicated teams of multi-lingual analysts speak to institutional investors every day to find out which are looking to make fresh private equity commitments in the year ahead. Through this direct contact, we are able to also find out which types of funds and regions they are looking to invest in and what mandates they may be looking to award in the year ahead.

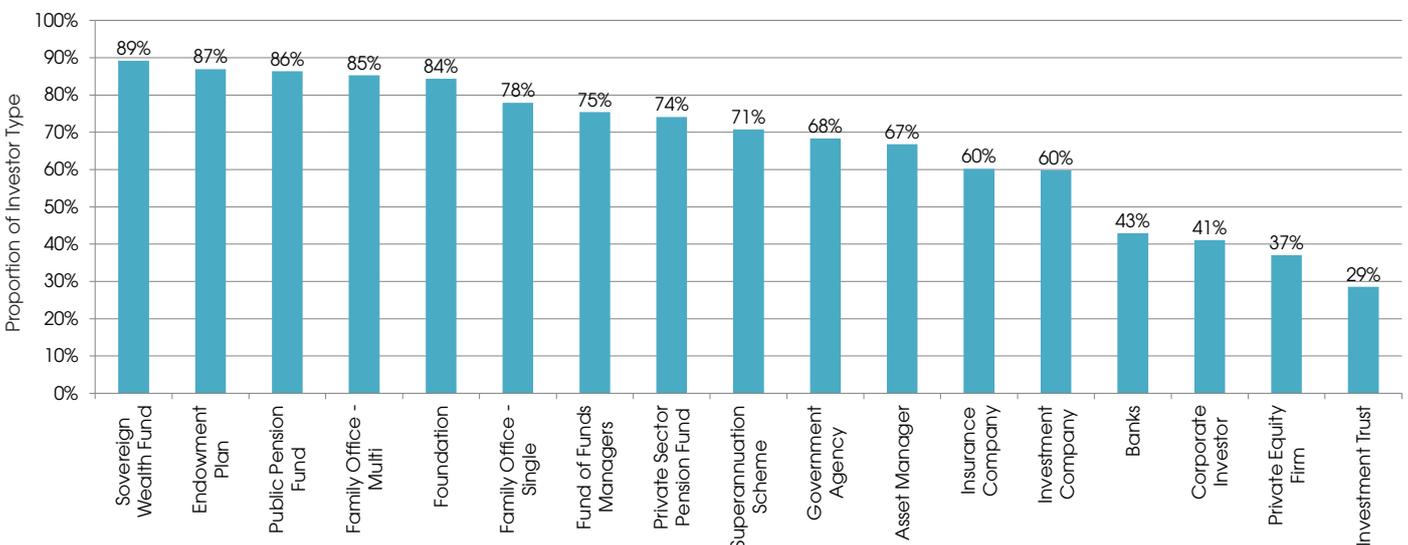
In this special report, we examine in more detail those investors looking to make new investments in the coming year, and assess which strategies and structures look attractive to the institutional market.

Despite investors being cautious regarding new investments, Fig. 1 demonstrates that the vast majority of investors are able to commit capital to new private equity 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 such institutions. One sovereign wealth fund searching for private equity fund opportunities is New Mexico State Investment Council. It is looking to commit to six to eight new funds over the next 12 months, committing between \$350mn and \$400mn in total. New Mexico State Investment Council is opportunistic regarding fund type, although it will not be investing in venture capital and will primarily be targeting North America-focused funds.

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.

Fig. 1: Proportion of Institutional Investors in Private Equity of Each Type Searching for New Funds in the Next 12 Months



Source: Preqin Investor Intelligence

Regional Breakdown of Future Fund Searches

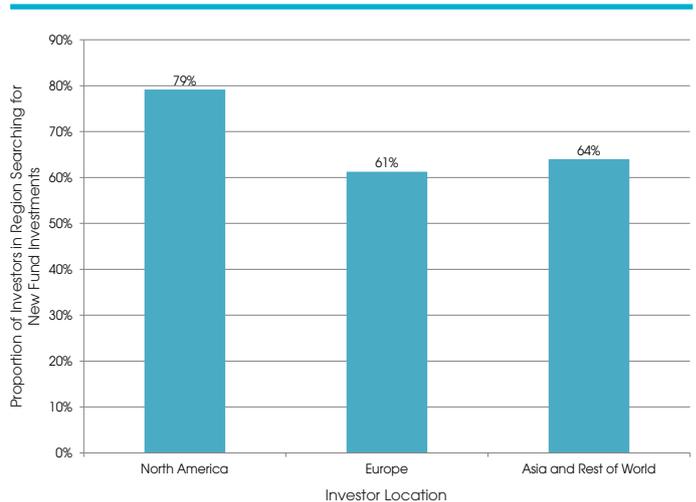
The private equity market continues to attract investors from around the world. Fig. 2 illustrates the proportion of investors from each region searching for new funds to commit to in the next 12 months. Just over three-quarters (79%) of North America-based LPs anticipate actively searching for new funds and mandates during the next 12 months. North America-based investors have consistently accounted for the majority of commitments made to private equity funds over the years and the region is home to some of the largest investors in the private equity market, including California State Teachers' Retirement System (CalSTRS) and Washington State Investment Board, which are both searching for new funds to add to their portfolios over the course of the next year.

“...it is encouraging to see that the majority of Europe-based investors are continuing to allocate fresh capital to the asset class.”

Sixty-four percent of investors located in Asia and Rest of World plan to actively search for new private equity funds and issue mandates during the next 12 months. We have seen firm growth in markets in Asia and Rest of World over the past few years as many investors located in these regions look to take advantage of opportunities in the private equity asset class. Investors located in Japan, Australia, China, South Korea and India make up almost half (48%) of investors based in Asia and Rest of World. One notable investor located in this region that is seeking new opportunities is Korea Investment Corporation (KIC). The South Korea-based sovereign wealth fund is planning to commit \$500mn to five private equity funds in the next six months.

Unsurprisingly, due to the continued uncertainty surrounding the region, the proportion of investors based in Europe that plan to make fund commitments in the next 12 months is lower than the

Fig. 2: Proportion of Private Equity Investors in Each Region Searching for New Funds in the Next 12 Months



Source: Preqin Investor Intelligence

proportion of investors based in other regions. Nonetheless, 61% of Europe-based investors will be making new fund commitments in the next 12 months, and it is encouraging to see that the majority are continuing to allocate fresh capital to the asset class.

The new **Future Fund Searches and Mandates** feature of **Investor Intelligence** is a vital tool for private equity fund managers seeking to attract institutional capital, allowing users to search for investors based on their forward-looking plans and fund searches.

Finding the right investors for your fund can be challenging, and therefore being able to pinpoint particular institutions that are looking for a specific fund type is vital in today's crowded market. Our database allows users to identify potential investors quickly by filtering on a range of criteria, as well as providing access to the direct contact details of key decision makers, helping ensure that marketing efforts are targeted.

Investor Intelligence is the industry's leading source for profiles of institutional investors in private equity funds. For more information on how we can help you, please visit:

www.preqin.com/ii

Structures and Strategies Sought in the Year Ahead

A number of investors have re-evaluated their portfolios in terms of which regions and fund types they should target to best take advantage of the opportunities available in current markets. By analyzing details of the active fund searches investors are conducting or mandates they are looking to award, all of which are fully searchable on our Investor Intelligence online product, we can see the fund types and regions LPs will be targeting in the next 12 months, shown in Figs. 3 and 4.

Buyout funds are the most sought after fund type by investors searching for new opportunities; 63% of LPs are actively looking to add new buyout fund commitments to their portfolios over the next 12 months. Venture capital also remains attractive to many active LPs as 49% stated they are looking to increase their exposure to such funds over the course of the next year.

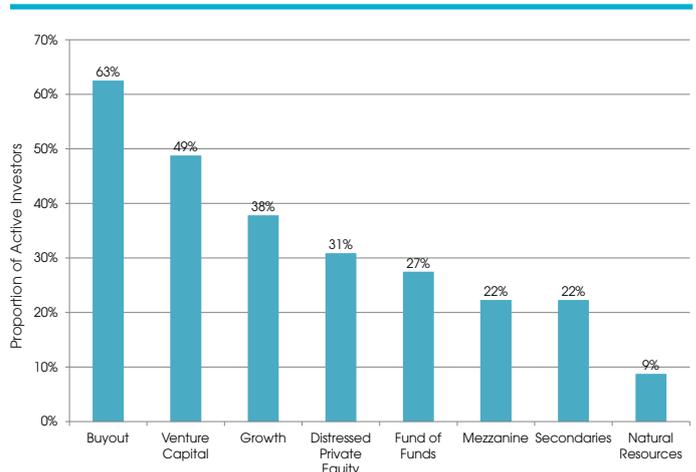
Growth and distressed private equity funds are also attracting a considerable amount of attention from investors, with 38% and 31% stating them as fund types they would like to add to their portfolios respectively. LPs recognize that the financial crisis has created opportunities for distressed private equity funds to capitalize on 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.

“Asia-Pacific private equity funds are also set to receive considerable inflows over the next 12 months...”

While a significant 41% of LPs are looking to create geographically diverse private equity portfolios by investing in the asset class on a global scale, many investors have stated particular regions they are looking to gain exposure to in the next 12 months. North America is the most frequently cited region, with over half (55%) of investors seeking new commitments in the next 12 months naming it as a region they are looking to allocate new capital to.

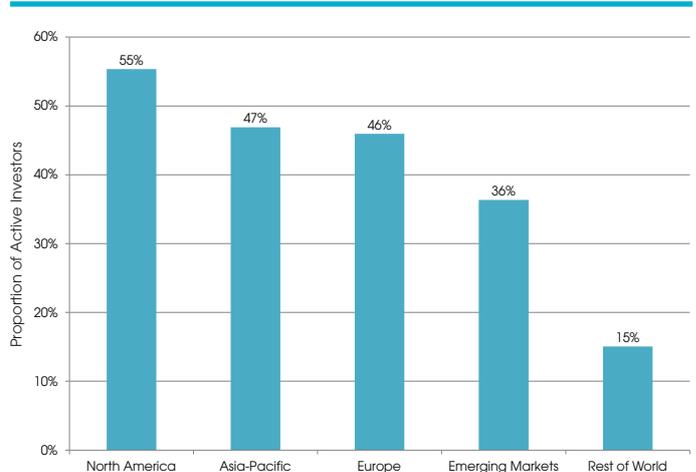
Asia-Pacific private equity funds are also set to receive considerable inflows over the next 12 months, with 47% of investor searches including Asia-Pacific-focused private equity funds. In addition, 36% of investors are searching for funds with a focus on emerging markets. One investor searching for funds that will invest in emerging markets is the University of Rochester Endowment. The endowment is opportunistic towards working with new managers and currently feels that emerging markets are presenting the most favourable opportunities.

Fig. 3: Fund Types Sought in the Next 12 Months by Institutional Investors in Private Equity



Source: Preqin Investor Intelligence

Fig. 4: Regional Preferences of Institutional Investors Seeking New Private Equity Fund Investments in the Next 12 Months



Source: Preqin Investor Intelligence

In light of macroeconomic issues in the eurozone, it is not surprising to see that Europe-focused funds have fallen slightly behind North America and Asia-Pacific in terms of favourability among investors. Nevertheless, a significant proportion (46%) of investors still feel that there are good opportunities to be found in Europe over the next 12 months.

Future Fund Searches and Mandates

The difference between success and failure in attracting institutional commitments can be the ability to identify which investors are most interested in your fund.

To help with this task, Preqin's Investor Intelligence now allows subscribers to identify likely investors in their fund by searching for institutional investors by their future investment plans.

Preqin updates these details by speaking directly to investors – saving you time and ensuring our intelligence is up to date and accurate.

- **Future Investment Plans** - Investor profiles include details of investors' future fund searches, detailing whether they are targeting specific private equity strategies and/or regions of focus, and also contain summaries of their plans for the next 12 months.
- **Future Fund Searches and Mandates** - Forward-looking search for all the institutional investors that are looking to invest in funds that match your criteria.
- Filter potential investors by location, investor type, fund type preferences for the next 12 months, regional preferences for the next 12 months, and likely timeframe for their next fund commitment.

Future Plans, Searches and Mandates Jump to...

Date of Plans: Q4 2012

Timeframe: Immediately

Next 12 Months:

Estimated Investments:	Estimated Amount (mn):
1-2	
Managers in Next 12 Months:	Mainly new managers, some existing managers

Fund Types Targeting: Buyout, Distressed Debt, Fund of Funds, Venture (General), Growth

Regions Targeting: Asia Pacific, Europe, North America, Emerging Markets

Summary: *Wellness Investor Fund* typically looks to make one or two commitments to private equity funds per year. It is looking to increase its exposure to direct funds in the future.

Private Equity

Fund Searches and Mandates

Select all required filter criteria

- Investor Type
- Investor Location
- Fund Type Preferences - Fund Searches and Mandates
 - Balanced
 - Co-investment
 - Distressed Debt
 - Early Stage: Start-up
 - Growth
 - Natural Resources
 - Timber
 - Venture Debt
 - Bridge Fund
 - Co-Investment Multi-Manager
 - Early Stage
 - Expansion / Late Stage
 - Hybrid
 - Secondaries
 - Turnaround
 - Buyout
 - Direct Secondaries
 - Early Stage: Seed
 - Fund of Funds
 - Mezzanine
 - Special Situation
 - Venture (General)
- Region Preferences - Fund Searches and Mandates
 - Asia Pacific
 - Europe
 - North America
 - Emerging Markets
 - Global
 - Rest of World
- Timeframe of Next Investment

Keyword Search:

Investor Name	Fund Types	Regions	Date Inserted
Wellness Investor Fund	Buyout, Growth	Asia Pacific	08/10/2012
Wellness Investor Fund			08/10/2012
Wellness Investor Fund			08/10/2012
Wellness Investor Fund		Europe	08/10/2012
Wellness Investor Fund	Growth	Asia Pacific	08/10/2012
Wellness Investor Fund	Buyout, Venture (General), Early Stage: Seed, Early Stage: Start-up, Early Stage...		08/10/2012
Wellness Investor Fund	Venture (General), Early Stage: Seed, Early Stage: Start-up, Early Stage, Growth...	Asia Pacific	08/10/2012
Wellness Investor Fund	Secondaries	Global	08/10/2012

Whether you're hoping to secure new commitments for a US-focused buyout fund or launch a China-focused growth vehicle, access to Preqin's Investor Intelligence can help.

Investor Intelligence

For more information and to arrange a walkthrough of the service, please visit:
www.preqin.com/ii

Outlook for the Future

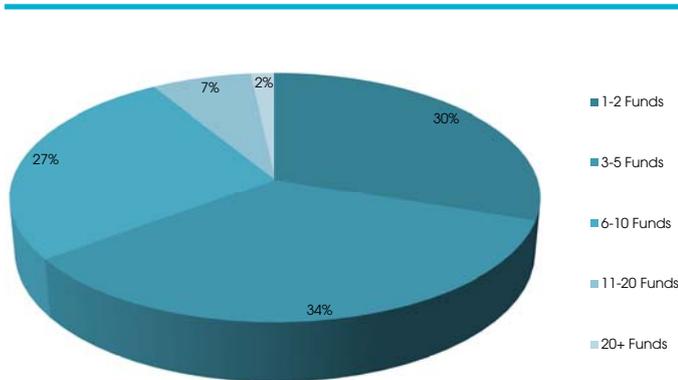
New Commitments to Private Equity Funds in the Coming Year

As Fig. 5 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 \$100-349 million 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.

The number of private equity fund commitments that investors expect to add to their portfolios over the next 12 months can be seen in Fig. 6. Thirty percent of active investors are searching for one or two new private equity fund investments, with just over a third (34%) looking for three to five new funds to commit to. A considerable proportion (9%) of investors will be particularly active in the private equity space over the next 12 months, searching for more than 10 new private equity funds to commit fresh capital to.

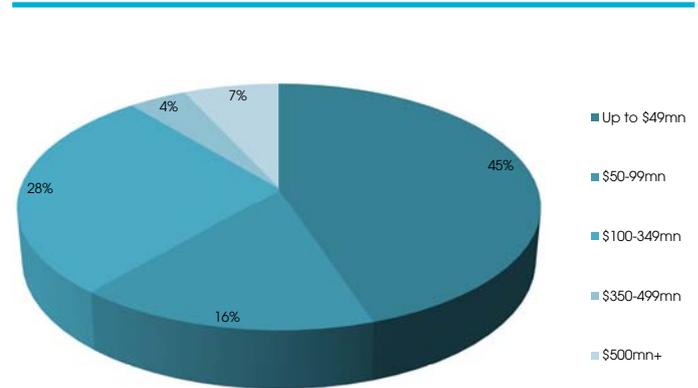
Although many LPs are looking to make new investments in the next 12 months, they will likely be highly selective in such a competitive fundraising market. Consequently, private equity fund managers will need to be aware of investors' requirements in order to secure their commitments. Fig. 7 illustrates what LPs are looking for from fund managers, taken from our June 2012 survey of 100 LPs. Sixty-eight percent named the past performance and track record of the fund manager as an important factor when considering new fund investments. Team stability, experience and industry knowledge are also viewed as important by LPs, with 43% of investors naming these attributes. Twenty-three percent of LPs said that the strategy used is one of the most important factors when looking for fund managers. Possessing the knowledge of investors' strategies is

Fig. 6: Number of Private Equity Funds Investors Expect to Add to their Portfolios over the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 5: Amount of Fresh Capital Investors Expect to Commit to Private Equity Funds over the Next 12 Months



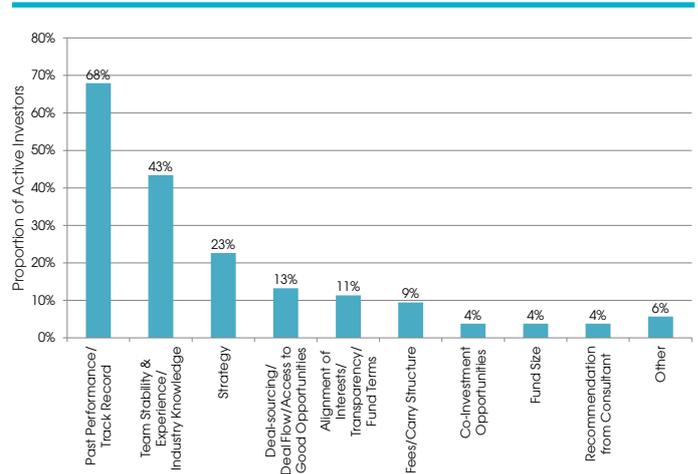
Source: Preqin Investor Intelligence

therefore crucial for fund managers hoping to successfully raise capital in the year ahead.

Outlook for the Next 12 Months

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 to private equity fund managers looking to secure capital in the year ahead.

Fig. 7: Most Important Fund Manager Attributes Sought by Investors in Private Equity



Source: Preqin Investor Outlook: Private Equity H2 2012

About Preqin

Preqin provides information, products and services to private equity and venture capital firms, funds of funds, investors, placement agents, law firms, investment banks and advisors across the following main areas:

- Investor Profiles
- Venture Capital Deals
- Buyout Deals
- Fund Performance
- Fundraising
- Fund Terms
- Fund Manager Profiles
- Employment and Compensation

Our customers can access this market intelligence in three different ways:

- Hard copy publications
- Online database services
- Tailored data downloads

Preqin regularly releases research and information on fundraising and all other aspects of the private equity industry as both research reports, and as part of our monthly Spotlight newsletter. To register to receive more research and analysis, please visit www.preqin.com/research

If you have any comments on this report, please contact:
info@preqin.com

If you want any further information, or would like to apply for a demo of our products, please contact us:

New York:

One Grand Central Place
60 E 42nd Street
Suite 2544
New York
NY 10165

Tel: +1 212 350 0100

Fax: +1 440 445 9595

London:

Equitable House
47 King William Street
London
EC4R 9AF

Tel: +44 (0)20 7645 8888

Fax: +44 (0)87 0330 5892

Singapore:

Asia Square Tower 1
#07-04
8 Marina View
Singapore 018960

Tel: +65 6407 1011

Fax: +65 6407 1001

Email: info@preqin.com

Web: www.preqin.com