“Plus ça Change, plus c’est la Meme Chose”

Private Equity’s Evolving Role in the Economy and in Investor Portfolios

July 2010

www.preqin.com

- Cash Flows for Investors
- Valuations
- Net Returns for Investors – Short Term, Long Term
- Fund Raising
- Deal Activity – Volume and Type
- LPs Plans
- Secondary Activity – Pricing, Volume and Type
- PE’s impact on the broader economy – employment and investment

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Amount Called and Distributed by Year for Buyout Focused Funds

Called  Distributed  Unrealised Value

Source: Preqin Performance Analyst Database

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All Private Equity NAV changes quarterly; available in June 2010 Preqin PE Performance Report

...PAIN MOST SEVERE IN BIGGEST BUYOUT FUNDS... BOUNCE-BACK BEEN STRONGEST

Buyout fund NAV changes quarterly; available in June 2010 Preqin PE Performance Report
ROLLING 1-YEAR HORIZON IRRs, 2007 - 2009

Rolling net-to-LP horizon IRRs by fund type; available in June 2010 Preqin PE Performance Report

1 / 3 / 5 YEAR PE HORIZON IRRs VS. PUBLIC INDICES

Net-to-LP 1, 3 and 5 Year Horizon IRRs vs. selected public indices; available in June 2010 Preqin PE Performance Report
**2006 VINTAGE BUYOUT FUNDS**

Fig. 28: Buyout Funds – Capital Invested and Dry Powder Remaining by Vintage Year as of 31st December 2009

Invested pre-2007

Maximum Pain

Lots of Dry Powder left

Source: Preqin Quarterly July 2010

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**2006 VINTAGE BUYOUT FUNDS... ON THE MEND?**

Source: Preqin Performance Analyst Database
FUNDRAISING – STILL VERY CHALLENGING

Fig. 5: All Private Equity Fundraising by Quarter: Q1 2003 - Q2 2010

Source: Preqin Quarterly July 2010

... AND TAKING GPs A LONG TIME

Fig. 6: Time Spent on the Road for Funds Closed in Q2 2010

Source: Preqin Quarterly July 2010
**LPS STILL PLAN TO ALLOCATE MORE TO PE**

Fig. 2: Investors’ Intentions for Their Private Equity Allocations

- **Next 12 Months**
  - Decrease Allocation: 19%
  - Maintain Allocation: 76%
  - Increase Allocation: 6%

- **Longer Term**
  - Decrease Allocation: 30%
  - Maintain Allocation: 62%
  - Increase Allocation: 18%

Source: Preqin Quarterly July 2010

**CLEAR RECOVERY IN DEAL-FLOW**

Fig. 19: Number and Aggregate Value of Buyout Deals by Quarter

- **Q1 2008**
  - No. of Deals: 425
  - Aggregate Deal Value: 524

- **Q2 2008**
  - No. of Deals: 509
  - Aggregate Deal Value: 565

- **Q3 2008**
  - No. of Deals: 483
  - Aggregate Deal Value: 512

- **Q4 2008**
  - No. of Deals: 324
  - Aggregate Deal Value: 299

- **Q1 2009**
  - No. of Deals: 298
  - Aggregate Deal Value: 270

- **Q2 2009**
  - No. of Deals: 287
  - Aggregate Deal Value: 249

- **Q3 2009**
  - No. of Deals: 342
  - Aggregate Deal Value: 303

- **Q4 2009**
  - No. of Deals: 359
  - Aggregate Deal Value: 331

- **Q1 2010**
  - No. of Deals: 337
  - Aggregate Deal Value: 381

- **Q2 2010**
  - No. of Deals: 411
  - Aggregate Deal Value: 391

Source: Preqin Quarterly July 2010
**ESPECIALLY N. AMERICA, ASIA – EUROPE STILL WEAK**

Fig. 20: Aggregate Deal Value in Quarter by Regional Focus

Source: Preqin Quarterly July 2010

**MANY GROWTH CAPITAL AND ADD-ON DEALS**

Fig. 21: Aggregate Deal Value in Quarter by Type

Source: Preqin Quarterly July 2010
DEALS ACROSS A WIDE RANGE OF INDUSTRIES

Fig. 22: Aggregate Deal Value in Quarter by Industry

Source: Preqin Quarterly July 2010

GLOBAL PE SECONDARIES VOLUMES, 2003 - 2009

Global PE Secondary Market Transaction Volume, $bn

Source: 2003 – 2008 UBS
Secondary Market Development, 2003 - 2010

Global PE Secondary Market Transaction Volume, $bn

Secondary Discount: -30% -12% -7% 8% 4% -28% -44% 20-30%

➤ Market needs ‘reasonable’ pricing

Listed PE and Secondary Pricing has Improved

Listed Private Equity Discount/Premium By Type

Source: Preqin Secondary Market Monitor

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**Selected Major Secondaries Transactions in 2010**

<table>
<thead>
<tr>
<th>Month</th>
<th>Status</th>
<th>Seller</th>
<th>Buyer</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>Not Completed</td>
<td>Harvard Management Company</td>
<td>n/a</td>
<td>USD 500 million</td>
</tr>
</tbody>
</table>
| April  | Completed         | Bank of America                | AXA Private Equity, AlpInvest Partners | USD 1.9 billion /
| May    | Not Completed     | Royal Bank of Scotland         | n/a                            | EUR 400 million    |
| May    | Completed         | Saad Group                     | HarbourVest Partners. Other buyers potentially purchased fund stakes. | USD 450 million    |
| June   | Not Completed     | Deutsche Bank                  | Sal. Oppenheim                  | EUR 500-600 million |
| July   | Completed         | Citigroup                      | Lexington Partners              | USD 900 million    |
| July   | Completed         | CIBC Merchant Banking          | Landmark Partners               | USD 200-300 million |
| July   | Not Completed     | Public Sector Pension Investment Board | n/a                            | USD 1.5-2 billion |

**PE Impact on Broader Economy - Jobs**

- *Shapiro, Robert and Pham, Nam. “American Jobs and the Impact of Private Equity Transactions,” Private Equity Council, January 2008*
- *Ernst & Young, Transaction Advisory Services, “How Do Private Equity Investors Create Value? A Study of 2006 Exits in the US and Western Europe,” 2007*

Source: Private Equity Council  
www.preqin.com
PE IMPACT ON BROADER ECONOMY – COMPANIES

How Do Private Equity Investors Create Value? A study of 2007 Exits,” Ernst & Young, 2008


Source: Private Equity Council

PE IMPACT ON BROADER ECONOMY - RETURNS

Thomson Reuters Private Equity Performance Index (PEPI)


Source: Private Equity Council
PE IMPACT ON BROADER ECONOMY - INNOVATION


Source: Private Equity Council

PE IMPACT ON BROADER ECONOMY - PRIMING


Source: Private Equity Council
Thank you!

For further information please visit www.preqin.com

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Plus ça change, plus c’est la meme chose
Private Equity’s Evolving Role in the Economy and in Investor Portfolios

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