

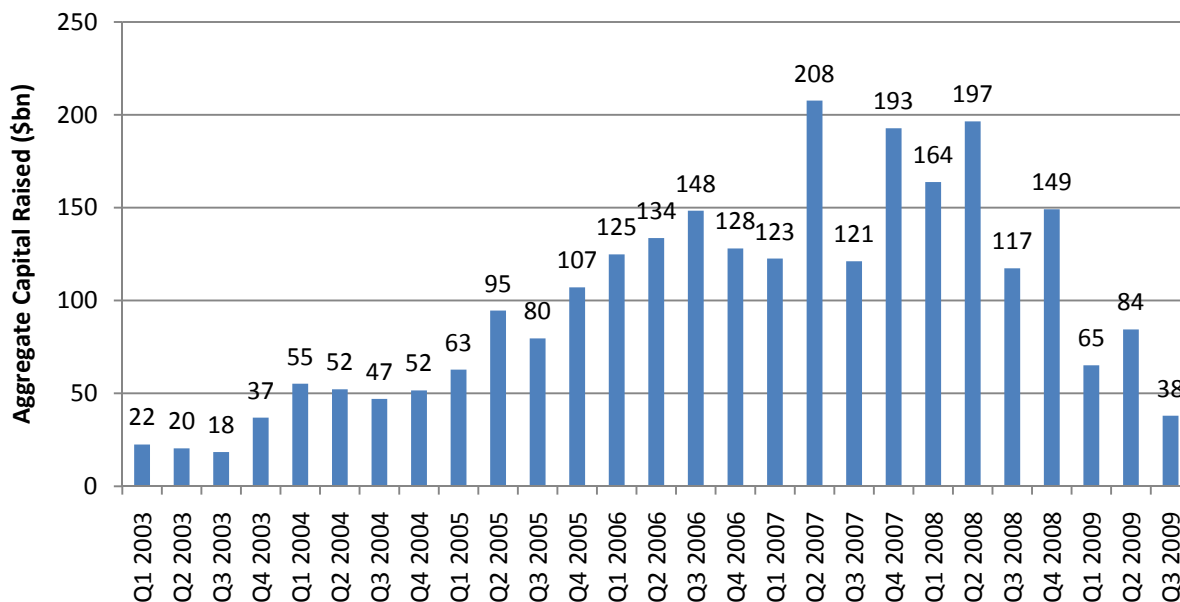
## Private Equity Fundraising Plummet to Lowest Levels since 2003

Only \$38bn raised worldwide in Q3 2009, lowest overall fundraising total since Q4 2003

### Putting the Results in Context:

As Fig. A shows, the \$38bn in aggregate capital raised by funds holding a final close in Q3 2009 represents a significant drop from earlier this year, with Q3 figures equivalent to just 45% of the \$84bn raised in Q2 2009. In comparison with the recent record-breaking quarters seen in 2007, the drop is even more steep – with Q3 2009 figures equivalent to just 18% of the record \$208bn raised in Q2 2007.

**Fig. A: Quarterly Global Private Equity Fundraising, Q1 2003 – Q3 2009**



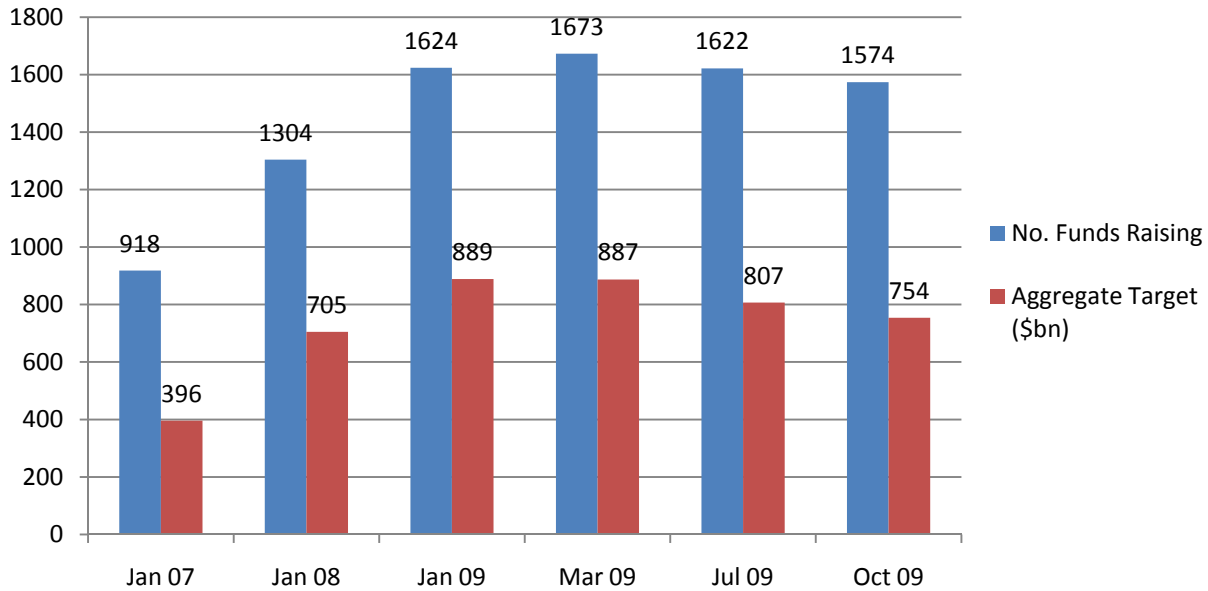
### How Does Preqin Collect Fundraising Information?

In addition to continually monitoring filings, news and press releases, Preqin maintains regular contact with all private equity fund managers with a vehicle in market, regularly calling and emailing to receive status updates. Over the past week Preqin has directly contacted over 1,500 fund managers around the world with a vehicle in market to enquire as to their fundraising status, and importantly whether they had already held, or were planning to hold, a final close in Q3 2009.

### Funds in Market:

As Fig. B shows, the number and aggregate fundraising target of funds in market has dropped considerably over the course of the year, which is due primarily to a slowdown in new fundraising launches, plus an increase in the number of funds being abandoned or put on hold. To date in 2009, Preqin has data showing that up to 90 funds have abandoned their fundraising process – a significant increase from the 30 funds abandoned in 2008 and the 14 abandoned in 2007.

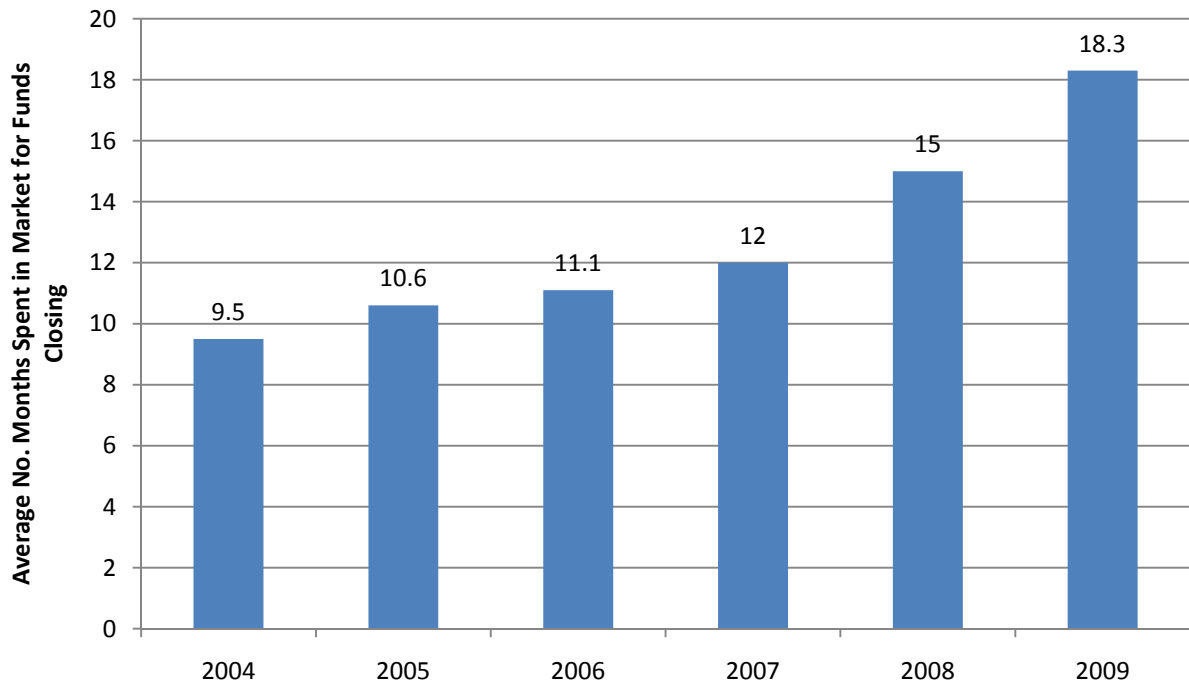
**Fig. B: Funds on the Road over Time, January 2007 – October 2009**



**Time Taken to Close Funds:**

Further evidence of the challenging nature of the fundraising market can be seen in the time it is taking for fund managers to close their vehicles. For funds closed in 2009, the average time spent in market has jumped to 18 months, a significant increase from recent years as shown in Fig. C.

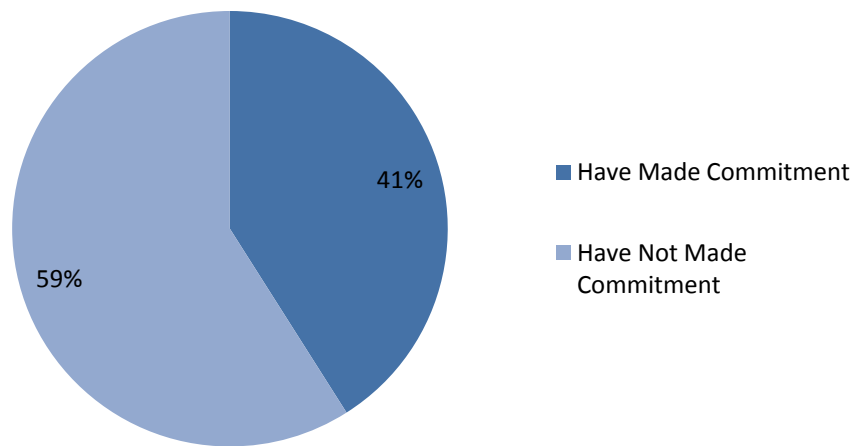
**Fig. C: Average Time Taken for Funds to Achieve a Final Close by Year Fund Closed**



**Investor Attitudes**

These fundraising statistics are clearly very poor, but they are not totally unexpected: we have already seen that institutional investors are not making new commitments at anything close to the rate they were in previous years. Preqin's August 2009 survey of 100 institutional investors showed us that just 41% of LPs had made fresh commitments to funds in the first six months of the year, as shown in Fig. D, and these investors are, in general, investing at a much slower rate and to fewer funds than they have in the past.

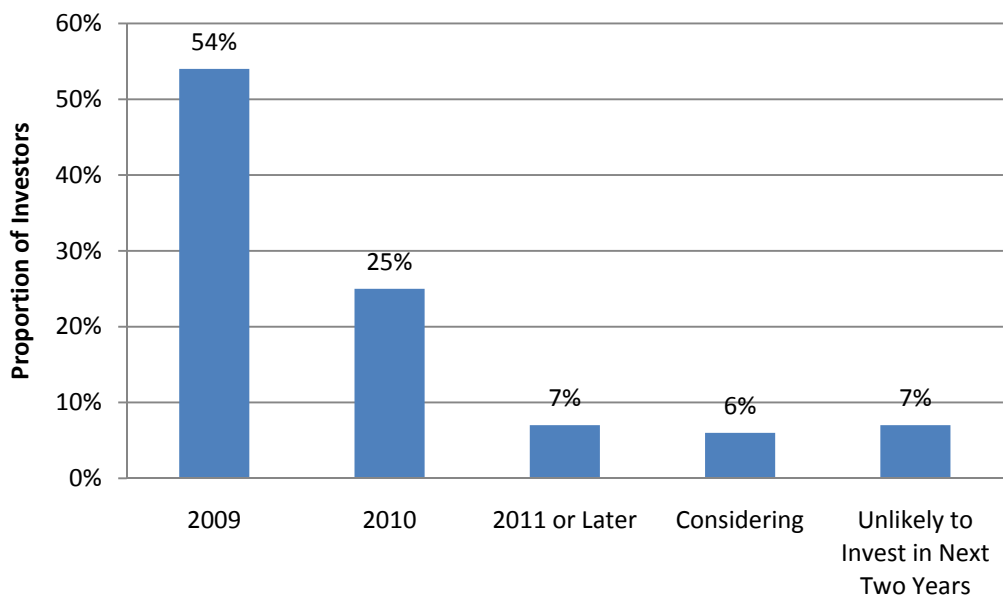
**Fig. D: Proportion of Investors to Have Made a New Fund Commitment in H1 2009**



**Outlook for the Future**

Although conditions have been extremely challenging in Q3, we have seen strong evidence to suggest LPs will be returning to the asset class soon, as shown in Fig. E. In our August survey more than half of investors, 54%, told us they expected to make new fund commitments in the latter half of 2009, and a further quarter said they expected to return to the market in 2010. Overall, investor appetite for private equity does not generally appear to have been adversely affected by the financial crisis. In fact, 30% of investors told us they intend to increase their allocations to private equity over the longer term and a further 63% intend to maintain the existing level of their exposure. Just 6% of investors are intending to decrease their exposure to private equity over the next three to five years.

**Fig. E: Investors Timeline Intentions for Making New Private Equity Investments**



**Factsheet showing the details of Q3 2009 fundraising is available to view following this page**

**Comment:**

"Historical data shows that the summer months of Q3 often represent a relatively slow quarter for fundraising in any given year. However, for the rate of fundraising to drop by nearly 70% over the course of a year is a dramatic fall, and demonstrates just how challenging it has become to raise new funds in the current climate. Many of the funds that are closing are doing so short of target, and we have seen a number of fund managers putting their fundraising efforts on hold until 2010, or abandoning them altogether for the foreseeable future.

Clearly the problem is not on the supply side – although we have seen the number of offerings on the road drop significantly over the course of 2009, supply is still outstripping demand, with the amount of capital available for new investments significantly down on recent years as institutions remain reluctant to commit to new vehicles. The question for the industry is whether current sentiment is indicative of a long-term shift away from private equity, or whether it represents a short-term hiatus. Our recent survey of institutional investors in the sector would suggest that the latter is the case, with a whole swathe of significant private equity LPs readying themselves to re-enter the market in the final quarter of this year and into 2010. Nonetheless, private equity fundraising is set to remain challenging, and we expect firms without a strong track record to continue to struggle in gaining commitments from a more wary investor community."

**Tim Friedman, Head of Communications, Preqin**

**About Preqin:**

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com)

**Note to Editors:**

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter 'U' after the 'Q'.

For more information, please contact:

Tim Friedman on +44(0)20 7065 5180 or [tfriedman@preqin.com](mailto:tfriedman@preqin.com)

# Preqin Research Report

## Q3 2009 Fundraising Update

### Preliminary Results

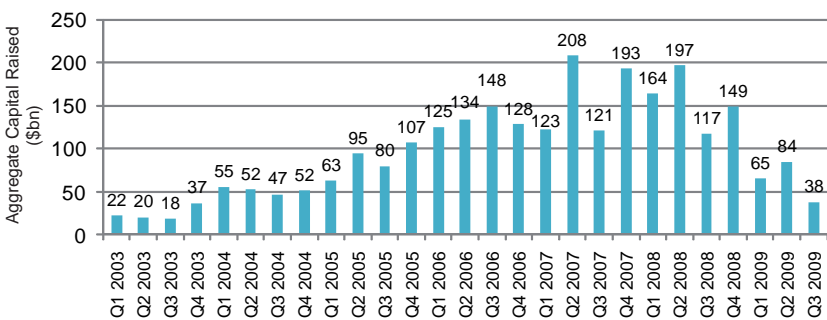
**Fig. 1: Top Ten Largest Funds to Hold a Final Close in Q3 2009**

Fund	Firm	Type	Amount Closed (Mn)	Manager Country	Fund Focus
Hellman & Friedman VII	Hellman & Friedman	Buyout	8,800 USD	US	US
TA XI	TA Associates	Buyout	4,000 USD	US	US
Quantum Energy Partners V	Quantum Energy Partners	Buyout	2,750 USD	US	US
MBK Partners II	MBK Partners	Buyout	1,600 USD	South Korea	ROW
Charlesbank Equity Partners VII	Charlesbank Capital Partners	Buyout	1,500 USD	US	US
Unison Capital Partners III	Unison Capital	Buyout	140,000 JPY	Japan	ROW
Pomona Capital VII	Pomona Capital	Secondaries	1,300 USD	US	US
Huntsman Gay Capital Partners	H&G Capital Partners	Buyout	1,100 USD	US	US
Dune Real Estate Fund II	Dune Capital Management	Real Estate	800 USD	US	US
Khosla Ventures III	Khosla Ventures	Expansion	750 USD	US	US

**Fig. 2: Breakdown of Q3 2009 Fundraising by Type and Geography**

Type of Funds	Global		US		Europe		ROW	
	No. of Funds	Aggregate Capital \$bn	No. of Funds	Aggregate Capital \$bn	No. of Funds	Aggregate Capital \$bn	No. of Funds	Aggregate Capital \$bn
Buyout	17	24.29	6	18.67	8	1.82	3	3.80
Distressed PE	2	0.59	1	0.15	1	0.44		
Fund of Funds	5	0.59	2	0.17	1	0.25	2	0.17
Other	3	0.41			3	0.41		
Real Estate	17	4.87	5	1.94	5	1.40	7	1.54
Secondaries	2	1.89	2	1.89				
Venture	33	5.18	12	2.98	8	0.90	13	1.30

**Fig. 3: Quarterly Global PE Fundraising, Q1 2003 - Q3 2009**



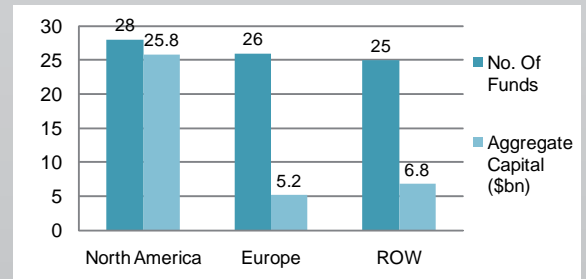
Q3 2009 PE fundraising is the lowest in almost six years, with a total of \$38bn raised by 79 funds achieving a final close worldwide.

The number and aggregate fundraising target of funds in market has dropped considerably over the course of 2009. The aggregate target has fallen by more than \$130 billion from its \$889 billion peak in January. This is due to a slowdown in new fundraising launches, and an increase in the number of fundraisings being put on hold or

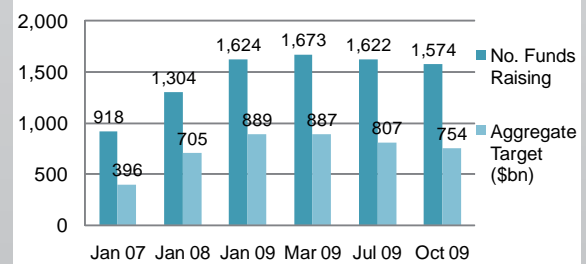
abandoned altogether. Preqin has data showing that up to 90 funds have abandoned their fundraisings so far in 2009.

The regional focus of the funds that have closed in Q3 2009, is evenly split, with 28 North American focused funds closing in the quarter, 26 European focused funds and 25 Asia and Rest of World focused funds. However there was considerably more capital raised by the funds focusing on North America.

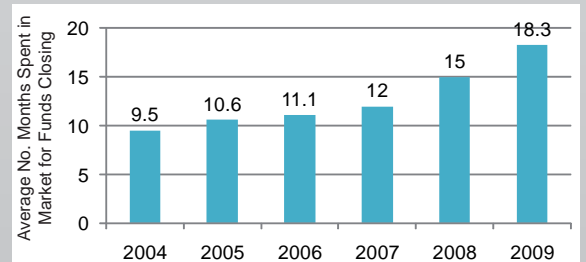
**Fig. 4: Geographic Split of Funds Closed in Q3 2009**



**Fig. 5: Funds on the Road over Time, January 2007 - October 2009**



**Fig. 6: Average Time Taken for Funds to Achieve a Final Close by Year Fund Closed**



Preqin provides information, products and services to private equity firms, fund of funds, investors, placement agents, law firms, advisors and other professionals across five main areas:

- > Fund Performance
- > Fund Raising
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Full results and report on Q3 2009 fundraising will be available in Preqin's monthly newsletter, *Spotlight*.

To register to receive *Spotlight* please visit: [www.preqin.com/spotlight](http://www.preqin.com/spotlight)