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Capital Dynamics Market Environment

Summary Full Year 2011

Confidential

Environment – US

Increasing public equity prices supported IPO activity in the fourth quarter

US equity markets finished 2011 strongly as economic activity improved markedly in the final quarter, reducing fears of a second deep recession in the US. Share prices rebounded after pushing bear market levels over the summer, with the S&P 500 and NASDAQ increasing by 11.2% and 7.9% respectively during the fourth quarter. An impressive fourth quarter performance reduced losses from the third quarter, with the S&P 500 finishing flat and the NASDAQ declining by 1.8% from year end 2010. As public equity prices increased in the fourth quarter, more companies proceeded with IPOs. 57 firms raised USD 7.8 billion, representing a 30% increase in the number and a 56% increase in raised amounts when compared with the third quarter. The stronger fourth quarter activity lifted annual IPO activity as the number of IPOs increased by 11% to 215. However, offered amounts declined by 9% to USD 44.1 billion.

Leveraged lending volumes increased in 2011, despite a slowdown in the second half

High yield bond and leveraged loan issuance activity was a tale of two halves. Following an impressive first half, activity tumbled in the third quarter and partly recovered during the final quarter of 2011. Improving mutual fund inflows supported renewed high yield bond issuance in the fourth quarter as volumes increased by 47% to USD 35.5 billion from a very low level in the previous quarter. Issuance of leveraged loans declined by 8% to USD 98.5 billion in the fourth quarter, but annual proceeds increased by two thirds to USD 517.9 billion, driven mainly by increased refinancing activity. Increased issuance was outpaced by leveraged loan repayments as some firms with solid cash flows continued deleveraging, while others replaced leveraged loans with high yield bonds.

M&A activity expanded in 2011, although the fourth quarter M&A pace slowed

M&A activity slowed in the fourth quarter as corporations held back from deal making in an uncertain environment. Instead, many cash rich firms looked into other options to utilize their liquidity via debt repayments, share buybacks, increased dividend payments or investments in new products. Despite the slowdown, full year 2011 figures reflect an increase in M&A activity, with the number of deals and deal value increasing by 16% and 13% respectively versus 2010. Respondents of Bloomberg's M&A outlook survey had cautious optimism regarding continued deal activity in 2012; high liquidity for corporations and continuing increases in profits are expected to be major drivers of M&A. Even after making investments and paying dividends, the top 1,000 non-financial companies worldwide still held about USD 3.5 trillion in cash, according to Bloomberg data, as at year end 2011.

The fourth quarter saw solid increases in non-farm payroll employment, with unemployment rates edging down to 8.5%. The job creation rate strengthened during 2011, with 1.8 million new jobs added, compared with 1 million in 2010. Payroll employment growth remained strong in the first quarter of 2012 with 635,000 new jobs. Employment gains supported increases in personal consumption expenditures in the fourth quarter. This improvement contributed to a 3% rise in real GDP during the fourth quarter, along with increased private inventories as firms anticipated an increase in demand. Leading indicators such as the ISM manufacturing index show continued growth in new orders and production in the first quarter of 2012. Consensus estimates indicate a slightly higher level of growth in 2012, with downside risks attributable mainly to uncertainty around US austerity plans and rising energy prices, which may impact business and consumer spending.

The table below details the US macroeconomic and financial data.

	2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Real GDP in % q/q ann[1]	3.0	**1.7**	2.3	1.8	**3.0**	(1.3)	1.2
CPI in % y/y[1]	1.6	**3.2**	1.3	3.8	**3.3**	1.5	(0.5)
Interest rate in %[2]	0.25	**0.25**	0.25	0.25	**0.25**	0.00	0.0
Unemployment rate in %[2]	9.4	**8.5**	9.4	9.0	**8.5**	(0.9)	(0.5)
Consumer confidence[2]	74.5	**69.9**	74.5	59.4	**69.9**	(4.6)	10.5
S&P 500 index price[3]	12.8%	**(0.0%)**	10.2%	(14.3%)	**11.2%**	n/m	n/m
NASDAQ Composite index price[3]	16.9%	**(1.8%)**	12.0%	(12.9%)	**7.9%**	n/m	n/m
IPO number	194	**215**	73	44	**57**	11%	30%
IPO in USD bn	48.2	**44.1**	27.2	5.0	**7.8**	(9%)	56%
M&A deal number	8,413	**9,798**	2,098	2,651	**2,375**	16%	(10%)
M&A in USD bn	766.2	**862.3**	211.3	211.2	**191.6**	13%	(9%)
Leveraged loan in USD bn[4]	322.2	**517.9**	105.7	106.7	**98.5**	61%	(8%)
High yield bond in USD bn[4]	240.5	**220.9**	85.9	24.2	**35.5**	(8%)	47%

1) Annual figures are annual averages and quarterly figures are period end values.
2) Period-end figures.
3) Change for the relevant period.
4) New issue values.
Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011. Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
n/a - data not available.
n/m - not meaningful.
Period of M&A deals relates to the announcement dates. Data for previous periods may change if pending deals are cancelled.
Geography of M&A deals is based on the location of the target.
Source: Bloomberg, April 18, 2012; Credit Suisse Leveraged Finance Market Update, March 2012.

Private equity markets

US private equity continued its recovery in 2011. However, deal activity lost some momentum in the second half of 2011 as volatility continued in the capital markets which contributed to an uncertain deal environment. Investment activity increased modestly in 2011 from a low level in the previous year, despite a sizeable capital overhang available for buyout funds. Exit activity of private equity funds strengthened in 2011, driven by solid M&A acquisition activity. Private equity firms used the window of opportunity to exit companies through IPO channels. The first half of 2011 saw a handful of the largest buyout backed IPOs, while VC firms made significant exits in the second and the fourth quarters of 2011. Backed by improved private equity performance and solid distributions, more brand name GPs were in the market with new funds in 2011. As a result, fundraising figures increased substantially after two lean years.

Buyout

Buyouts had the strongest fourth quarter fundraising since the Leman crash

Buyout and other non-VC fundraising had a strong finish in 2011. Commitments totalled USD 34.3 billion in the fourth quarter, the highest quarterly volume since the Lehman crash. The fourth quarter included a number of high profile closings such as Providence Equity Partners, Summit Partners, and Leonard Green & Partners. These three GPs collectively raised USD 7.4 billion during the fourth quarter. Fundraising staged an impressive recovery in 2011. Annual fundraising volumes increased by 57% to USD 125.3 billion, while the number of funds holding a close in 2011 rose by a third versus the previous year. Industry-focused buyout funds such as energy funds and real estate funds received greater investor support. Global demand for energy drove oil and gas prices, and a bottoming real estate market attracted investor attention. In contrast, fundraising for distressed debt funds decreased from 2010 as favorable credit markets supported refinancing of many LBO deals, and squeezed investment opportunities for distressed debt funds. Investors favored buyout funds that target mid-market deals; these sponsors received 57% of all investor commitments to buyouts.

Despite the strength of mid-market sponsors, several large cap sponsors in the market contributed to an increase in overall buyout fundraising. There were eight funds that each raised more than 3 billion during 2011 compared with just three in 2010. Berkshire raised the largest buyout fund of 2011 as investors committed USD 4.5 billion to its tenth fund, USD 0.5 billion above its target. More large funds are expected to launch in 2012. However, according to various surveys, investors are expected to continue favoring mid-market funds because they believe these managers can implement operational changes to spur growth, and smaller portfolio companies to create value in the near term.

Buyout investments increased modestly in 2011, driven by small and mid size deals

Buyout investment activity demonstrated a modest increase in 2011 versus 2010, with investments volumes increasing by 23% to USD 97.6 billion despite the drop in activity in the middle of the year. A stronger fourth quarter contributed to this increase as buyout investment volumes advanced in the fourth quarter by 12% versus the previous quarter, to 25.3 billion. A number of large buyout deals were announced during the fourth quarter, such as the acquisition of Samson Investment Company by KKR and Natural Gas Partners. Despite this activity, the number of completed large buyout deals remained low in the fourth quarter. There were three deals exceeding the USD 3 billion mark and a further three deals worth more than USD 1 billion during the fourth quarter; Carlyle Group and Hellman & Friedman topped the list with their US 3.4 billion acquisition of Pharmaceutical Product Development Inc.

GPs were busy making new LBO investments as investment periods for 2006-2007 vintage years neared expiration in 2011. New LBO deals accounted for 57% of LBO investments in 2011, significantly up from 13% in 2010. This was dominated by add-on investments, according to Thomson Reuters' *Buyouts* publication. Improved credit availability also supported new LBO deals. Standard and Poor's M&A statistics for buyouts show that leverage levels increased to 4.9x EBITDA in 2011, up from 4.5x EBITDA in 2010. Average equity contribution fell to 38% from 41% during that same period. However, LBO financing conditions tightened in the fourth quarter, with GPs contributing 42% of equity in large deals with a target EBITDA of USD 50 million and higher. Middle market equity contribution increased slightly in the fourth quarter, although 2011 contribution levels fell to 41% from 45% in 2010. LBO purchase multiples continued to climb in 2011, driven by stiff competition for larger targets from cash-rich corporations. Non-financial companies of the S&P 1500 index held more than USD 1 trillion of cash and equivalents which allowed them to look for strategic acquisitions. The competition resulted in higher acquisition prices, especially in the large deal segment. The LBO acquisition multiple for deals above USD 500 million increased to 9.1x EBITDA in 2011 from 8.3x EBITDA in 2010. The fourth quarter multiples reached 9.6x EBITDA, slightly lower than 2007 levels. On the other hand, prices remained flat or even declined for lower end small and mid-market deals.

Increased M&A activity and stronger public markets supported exit activity for buyout funds in the first half of 2011. As uncertainty returned to deal making and equity prices became more volatile, exit activity faded in the second half. Over the whole year, M&A

exit deal values increased by 38% to USD 69 billion in 2011 versus 2010, even though there was a decline in the number of exits to 363 in 2011, versus 414 in 2010.

Larger size exits lifted M&A exit volumes. Record large buyout IPO exits took place in the first half of 2011

The largest transactions made up a quarter of annual exit volumes, including the USD 6.3 billion exit of Chrysler Financial Corp by Cerberus Capital Management, the USD 6.1 billion realization of HCA ManorCare real estates assets by Carlyle Group, and the USD 3.1 billion exit of Dresser Inc. by First Reserve Corp. IPO activity had an impressive start in 2011 with the largest ever buyout-backed IPO exit in US private equity history as HCA Inc., backed by Bain Capital, KKR, and BAML Capital Partners, raised USD 3.8 billion and had a post offer value of USD 15.5 billion. There were 13 buyout backed IPOs in the first half of 2011 and a combined market value of floated companies of around USD 41.0 billion. However, activity fell away in the second half, with seven IPOs worth a total of only USD 8.3 billion. The fourth quarter had only two IPOs, including Laredo Petroleum backed by Warburg Pincus, which raised USD 230 million on a valuation of USD 2.2 billion.

The distribution activity of buyout and other non-VC funds continued to slow down in the third quarter, which is the latest available quarterly distribution statistics. This was USD 9.6 billion, or 26% lower than in the second quarter distributions for the 855 funds tracked by Thomson Reuters. According to our observations, distribution activity increased in the fourth quarter of 2011 from a low in the previous quarter. Following nine consecutive quarters of appreciation, portfolio assets depreciated by 2.9% in the third quarter as a result of a public market downturn. However, valuations appear to be partly recovered in the fourth quarter of 2011.

VC

VC fundraising had a bright start and finish to 2011

Venture capital fundraising activity started on a high note in 2011 before dipping in the middle of the year as fears of a significant economic slowdown emerged, although fundraising finished strong in the final quarter with commitments almost tripling versus third quarter activity to USD 6.2 billion. Fourth quarter venture fundraising was broadly diversified by fund. Only Khosla Ventures raised over one billion: the manager closed on USD 1.05 billion for its early stage Fund IV. During 2011, there were three other funds which hit the USD 1 billion mark: Bessemer Ventures, Sequoia, and JP Morgan. In total, fundraising totalled USD 18.7 billion in 2011, up 36% from 2010. Aside from venture titans, firms were generally raising funds with modest and smaller targets, similar to their buyout counterparts. Much of the increase was attributable to early stage funds where commitments nearly tripled from 2010 levels to USD 9.3 billion.

Consumer Information and Business Support Services deals drove investments in 2011

Venture capital investment activity continued on an upward trend in 2011, with investment volumes increasing in by 10%, to USD 32.6 billion across 3,209 deals, 6% more than in 2010. However, venture capital investment momentum slowed in the fourth quarter of 2011 as investors put USD 7.4 billion into 803 deals for U.S.-based venture companies, a decline in both invested capital and deal count from the third quarter, according to Dow Jones VentureSource. During 2011, deal flow across various industries remained steady. The IT industry continued to dominate VC deal flow with a third of all deals, while healthcare attracted the largest share of investment dollars. Investment volumes in healthcare increased by 3% to USD 8.4 billion, followed by IT deals which increased by 1% to USD 7.9 billion. 2011 marked an ongoing shift of VC investments towards the Consumer, as well as Business & Financial Service industries. Consumer Services investment volume, driven by social media deals, increased by 30% to USD 6.6 billion. Business and Financial Services deals, powered by Business Support Services deals, received USD 5.1 billion of venture investments, up 36% from 2010.

NEA, SV Angel and Kleiner Perkins Caulfield & Byers were the most active VC investors in the US in 2011 with 90, 70, and 69 deals respectively, according to Dow Jones VentureSource data. VC firms invested more dollars per deal, with median deal size increasing to 5 million in 2011, up from 4.5 million in 2010. 86 companies received VC financing in excess of US 50 million in 2011, a significant increase over 2010 which saw 54 such investments. Twitter Inc., backed by a consortium of lead investors including Andreesen Horowitz, Benchmark Capital, Institutional Investors, and Kleiner Perkins Caulfield & Byers, received additional investments of USD 700 million from Digital Sky Technologies and the Kingdom Holding Company. In the latest financing round, Twitter was valued at, at least USD 8 billion, suggesting hefty potential returns for investors. According to the Dow Jones VentureSource database, there were 38 current VC-backed companies across various industries with a valuation of USD 1 billion and higher. Unsurprisingly, pre-money median valuations increased to US 21 million in 2011, up from 17 million in 2010. Later stage IT valuations were the main source of this increase.

2011 saw IPO debuts of some star VC investments

Stabilization of public markets supported buoyant VC IPO activity in the fourth quarter. VC firms proceeded with 10 IPOs, including long awaited IPOs of Groupon and Zynga. Groupon raised USD 700 million and reached USD 12.8 billion market capitalization on the offer date, second only to Google in US VC industry IPO history. Zynga raised USD 1 billion and was valued at USD 7.0 billion, making the top five of all US VC-backed IPOs. Despite the public market volatility, VC firms exited almost as many companies in 2011 as in 2010. The raised proceeds by 45 companies increased by 65% to USD 5.4 billion in 2011 compared with 2010. Larger VC-backed companies completed IPOs in 2011. Market valuation of the 45 floated companies raised USD 53 billion at IPO, the highest value since 2000.

M&A exit volumes increased in 2011

Corporate buyers' acquisition activity slowed in the fourth quarter, with deal volumes decreasing by 31% to USD 9.4 billion, as fewer and smaller deals were completed. Despite the slowdown, VC-backed companies attracted greater interest from large corporations in 2011 as deal values increased by 22% to USD 47.8 billion. This was the highest volume since 2007, despite a 15% decline in M&A exit deals. In 2011, Google was the most active acquirer with twelve acquisitions, followed by Dell, Cisco Systems, and eBay with four acquisitions. The largest acquisition was concluded by Daiichi Sankyo, a global pharmaceutical firm, who paid USD 805 million for Plexxikon, backed by a consortium of investors including Advanced Technology Ventures and Alta Partners. The median prices paid increased to USD 71 million in 2011, up from USD 40 million in 2010. This compares with a median pre-money amount raised prior to M&A exits of USD 17 million in 2011 and USD 19.4 million in 2010. This kind of multiple has not been seen for a decade.

Distributions from a sample of 1,323 US ventures funds tracked by Thomson Reuters increased by 72% to USD 9.6 billion in the first three quarters of 2011 compared with

2010, reflecting increasing US venture exit activity. Portfolio valuations increased in the first half of 2011 but fell into negative territory in the third quarter. Portfolio valuations appreciated again in the fourth quarter.

Private equity made solid progress in 2011 despite the slowdown in activity in the second half of the year, as concerns over economic growth prospects and the impact of sovereign debt problems in Europe weighed on investment confidence. In 2012 we expect further improvement in investment, and to a greater extent, in exit activity of private equity funds, driven by the recovery of capital markets and growing business confidence. In particular, exit activity should be supported by elevated valuations and cash-rich corporations looking for strategic acquisitions. Additionally, US firms may be tempted to unlock unrealized gains in 2012 in light of looming legislation plans of the US government with respect to taxation of carried interest. Fundraising activity remains robust. Well-established GPs, particularly in middle market buyouts distressed and secondary strategies, are finding fundraising less difficult, but new players and out-of-favour strategies continue to struggle.

The table below details US private equity data.

all values in USD billion		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
BO	Funds raised[1]	79.7	**125.3**	18.8	29.7	**34.3**	57%	16%
	Number of funds[2]	263	**350**	91	135	**108**	33%	(20%)
	Investments	79.4	**97.6**	41.4	22.5	**25.3**	23%	12%
	Drawdowns[3]	43.0	**30.2**	16.2	9.2	**n/a**	(30%)	7%
	Distributions	65.4	**40.4**	20.0	9.6	**n/a**	(38%)	(26%)
	Appreciation as % of NAV	6.6%	**3.7%**	5.3%	(2.9%)	**n/a**	(3%)	(6%)
	5 year rolling net IRR[4]	4.8%	**4.2%**	4.9%	4.2%	**n/a**	(1%)	(1%)
VC	Funds raised[1]	13.8	**18.7**	3.7	2.1	**6.2**	36%	(24%)
	Number of funds[2]	169	**174**	48	64	**47**	3%	39%
	Investments	29.6	**32.6**	9.5	9.4	**7.4**	10%	12%
	Drawdowns[3]	4.1	**4.0**	1.9	1.3	**n/a**	(1%)	(4%)
	Distributions	5.5	**9.6**	3.8	2.5	**n/a**	73%	(31%)
	Appreciation as % of NAV	2.6%	**4.7%**	5.2%	(0.8%)	**n/a**	2.1%	(3.6%)
	5 year rolling net IRR[4]	4.8%	**4.2%**	4.4%	4.2%	**n/a**	(0.6%)	(0.6%)

1) Fundraising represents amounts closed during the period, net of downsized funds. Figures exclude commitments to Fund of Funds to avoid double counting.
2) Number of funds for the year can differ from the sum of the quarters if a fund held several closings during the year.
3) LBO drawdowns and Investments data are not comparable as Investments include debt. In addition, the figures are based on different sample databases.
4) IRR is calculated on pooled, rolling five-year cash flows and the end-period NAV. Notes: Prior-period figures may be revised due to ongoing database updates conducted by the source.

Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011 for fundraising and investments and Q3 2011 vs. Q2 2011 for cash flows and performance data.
2010 and 2011 cash flow and performance data are as of September 30 for both periods. N/a indicates not available data from the source.
Source: Thomson One, Buyouts for LBO investments; Dow Jones VentureSource for VC investments.

Environment – EU

2011 was another turbulent year for Europe as the sovereign debt crisis escalated and severely hit capital markets, with ratings of several European banks being downgraded, amid concerns over bailout needs Italy and Spain. Funding strains of the European Banks increased dramatically in the second half of 2011 which led the ECB to introduce longer-term refinancing operations (LTRO) to ease the liquidity squeeze. Consequently, European public equity markets were extremely volatile during much of 2011, with record losses in the third quarter, dragging annual performance into negative territory despite some improvement in the fourth quarter, which saw increases for the CAC 40, DAX, and FTSE 100 of between 6-9%.

Severe sovereign debt crisis concerns impeded lending activity in the second half of 2011

European leveraged finance activity closed 2011 on a very soft note, with high yield bond and leveraged loan issuance activity showing steep declines of 45% and 77%, respectively, in the fourth quarter from the previous quarter. Annual leveraged lending volume increased in 2011 by 32% to EUR 92.4 billion versus 2010. Activity was on an expansion path before it was curtailed in August. Similarly, high yield activity dropped in the second half of 2011 as investors retreated from riskier assets. Lending capacity of European banks is likely to be limited going forward as banks are required to raise additional capital while new restrictive leverage ratios are introduced, in order to meet the requirements of Basel III. Downward pressures also exist for EU banks that have been accepting government aid since 2008 as the European Commission requires them to shrink balance sheets. On the other hand, high yield issuance activity has been expanding in the beginning of 2012, supported by an ECB liquidity injection of nearly EUR 1 trillion during December and February to further reduce sovereign debt concerns.

IPO activity was strong in the first half of 2011 but faded in the second half

Volatile public equity markets dragged down IPO activity in the second half of 2011. The number of IPOs continued to decline in the fourth quarter, while raised proceeds almost dried up. Annual IPO activity figures were lifted by stronger activity in the second quarter, with the number of IPOs increasing by 41% to 341 in 2011 compared with 2010. However, small issues dominated in 2011, with raised proceeds declining by 5% to EUR 25.7 billion from 2010. M&A activity increased solidly in 2011 despite some slowdown in the fourth quarter. The annual number of deals increased by 3% and deal values advanced by 13% versus the previous year. European companies were sought-after targets for non-European acquirers as their share in deal values increased to 45% in 2011 from 28% in 2010.

Solid increases in M&A deal activity in 2011, driven by non-European acquirers

Economic activity contracted in the fourth quarter, with real GDP output in the Eurozone declining by 0.3% as consumer demand weakened. Fourth quarter GDP declined in the UK by 0.2%, the same as in Germany, while France displayed economic growth of 0.2%. Over the whole year, GDP increased in the Eurozone by 1.4%, down from 1.9% in 2010. Policy actions such as commitments to a European fiscal treaty, ambitious governmental fiscal consolidation plans, launch of labor reforms and the ECB liquidity measures supported a recent stabilization of economic conditions. However, a continued fiscal adjustment and bank deleveraging process is expected to slow economic activity in the short term. Thus, outlook for the Eurozone in 2012 foresees a mild contraction of 0.4% according to the Bloomberg Composite and 0.3% according to the most recent IMF forecast.

The table below details European macroeconomic and financial data.

	2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Real GDP in % q/q[1]	1.9	**1.4**	0.3	0.1	**(0.3)**	(0.5)	(0.4)
CPI in % y/y[1]	1.6	**2.7**	2.0	2.7	**2.9**	1.1	0.2
Interest rate in %[2]	1.00	**1.00**	1.00	1.50	**1.00**	0.00	(0.50)
Unemployment rate in %[2]	10.0	**10.6**	10.0	10.3	**10.6**	0.6	0.3
Consumer confidence[2]	(11.0)	**(21.3)**	(11.0)	(19.3)	**(21.3)**	(10.3)	(2.0)
FTSE 100 index price[3]	9.0%	**(5.6%)**	6.3%	(13.7%)	**8.7%**	n/m	n/m
CAC 40 index price[3]	(3.3%)	**(17.0%)**	2.4%	(25.1%)	**6.0%**	n/m	n/m
DAX index price[3]	16.1%	**(14.7%)**	11.0%	(25.4%)	**7.2%**	n/m	n/m
IPO number	242	**341**	82	94	**59**	41%	(37%)
IPO in EUR bn	27.1	**25.7**	10.4	5.3	**1.1**	(5%)	(79%)
M&A deal number	6,055	**6,265**	1,589	1,609	**1,550**	3%	(4%)
M&A in EUR bn	399.1	**450.4**	129.3	94.9	**89.2**	13%	(6%)
Leveraged loan in EUR bn[4]	70.1	**92.4**	21.9	28.7	**6.5**	32%	(77%)
High yield bond in EUR bn[4]	50.8	**44.5**	16.1	4.4	**2.4**	(12%)	(45%)

1) Annual figures are annual averages and quarterly figures are period end values.
2) Period-end figures.
3) Change for the relevant period.
4) New issue values.
Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011. Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
n/a - data not available.
n/m - not meaningful.
Period of M&A deals relates to the announcement dates. Data for previous periods may change if pending deals are cancelled.
Geography of M&A deals is based on the location of the target.
Source: Bloomberg, Credit Suisse Leveraged Finance Market Update as of March 2012.

Private equity markets

European private equity deal activity continued to fade in the fourth quarter of 2011 as investment confidence and bank lending activity dropped significantly in light of the on-going European sovereign debt crisis. Investment deal flow and volumes in the final quarter of 2011 were the lowest of the past seven quarters. A lack of future earnings visibility increased the gap in price expectations of sellers and buyers, resulting in fewer exit deals as well. Despite this backdrop, private equity deal activity, especially with respect to realizations, held up well in 2011 as a whole, due to buoyant activity in the first half of the year. Increased distributions to Limited Partners supported fundraising activity in 2011 which was dominated by fundraising of established buyout firms. These firms were able to raise large amounts on the back of significant improvements in realized performance, driving overall fundraising volumes. Flight to quality was a dominant theme for fundraising in 2011 as many firms continued to struggle to attract investor interest.

Buyout

Fundraising increased, driven by activity of brand-name GPs

Increased exit activity in the second half of 2010 and the first half of 2011 resulted in increased distributions to LPs. This in turn supported fundraising activity of private equity funds which remained relatively strong in the fourth quarter. European private equity funds raised EUR 8.2 billion in the fourth quarter, about the same amount as in the previous quarter. Oaktree European Principal Fund III raised EUR 2.5 billion, the largest amount during the fourth quarter, as investors backed their turnaround and distressed debt-focused fund to find attractive investment opportunities in the challenging macroeconomic and banking environments in Europe. Established names such as EQT continued to enjoy investor interest, raising an additional EUR 1.2 billion during the quarter, and holding a final close at EUR 4.75 billion. Overall, buyout and other non-venture fundraising increased threefold from a cyclical low in 2010 to EUR 29.1 billion, with BC Partners raising EUR 5.5 billion in 2011, the largest fund closed in 2011. However, the number of funds raised during 2011 in Europe increased only marginally to 67 from 60 in 2010, as investors continued to direct their limited allocation amounts towards brand names.

Buyout investments increased marginally in 2011 as market uncertainty and credit tightening crept into deal making

Buyout investment activity continued to falter in the fourth quarter. The number of deals declined by 24% from the previous quarter to 89, while investment deal values dropped by 35% to EUR 10.5 billion, the lowest figures since the first quarter of 2010. Constrained bank lending and volatile investor sentiment continued to impact buyout investment activity. The large cap deals, worth in excess of EUR 500 million, were hit the hardest. During the fourth quarter only four deals were completed in this size bracket, with a total value of EUR 4.2 billion, representing a 48% decline in value versus the third quarter. In such an environment, buyout firms with stronger banking relationships and track records were more likely to obtain financing for larger deals. One such example is Apax Partners, who acquired Switzerland-based Orange Communications from France Telecom for EUR 1.4 billion in the largest deal of the fourth quarter.

Mid-market deal activity was more resilient to the downturn than large deals

Mid-market (deals worth EUR 25-500 million) deal activity decreased by 16% to 65 deals completed during the fourth quarter, and represented the smallest decline amongst all deal sizes. Despite a marked slowdown in investment activity in the fourth quarter, 2011 investment volumes exceeded the level of the previous year by a small margin due to stronger first half activity. EUR 69.5 billion was invested across 476 transactions, up 2% in deal value and 7% in deal count. The activity was supported by an improved financing environment in the first half of 2011, resulting in increased leverage levels in buyout deals. Buyout deals were financed at a 4.5x multiple of EBITDA in 2011, up by 0.14x compared with 4.36x in 2010. Equity contribution declined to 42% from 47% in 2010. However, leverage levels declined towards the end of 2011 and continued to fall in the first months of 2012, according to the latest Standard & Poor’s M&A statistics.

Likewise, buyout exit activity continued to slow down in the fourth quarter. Buyout funds realized 54 European companies worth EUR 6.5 billion during the fourth quarter, representing a decline of 35% in the number of exits and a 62% decrease in exit values versus the previous quarter. While secondary exit activity declined the most in the previous quarter, trade sale exit activity had a setback in the final quarter of 2011 as the number of such exits halved. A drop in acquisition activity of corporations was also reflected in the overall European M&A figures, as uncertainty around future growth prospects curtailed the M&A appetite of corporations.

Despite a slowdown in the fourth quarter, exit volumes increased markedly in 2011, driven mainly by trade sale exits

Secondary exits dominated activity in the fourth quarter with 25 exits. The largest exit of the quarter was a sale by CVC Capital Partners of Taminco, a Belgian chemical company, to Apollo Global Management for EUR 1.2 billion. During 2011 the number of secondary exits increased by 64% to 145 deals, the third busiest year on record after 2006 and 2007. Investment activity of buyout funds from the fundraising boom of 2006-2008, which still have substantial capital to deploy, was partly responsible for this surge. Despite a decline in the fourth quarter, trade exits boosted an impressive recovery in 2011 with the number of exits increasing by 44% to 135. The value of trade sale exits more than doubled from 2010 to EUR 47.6 billion in 2011, the highest value in European private equity history on record, according to Private Equity Insight. Cash-rich large international companies increasingly sought European-based private equity owned companies. Seven of the top ten exits in 2011 were trade exits, and all acquirers were non-European companies. The Japanese company Takeda Pharmaceuticals acquired Nycomed Pharma from Nordic Capital and Blackstone for EUR 9.5 billion in the largest exit for private equity in Europe and worldwide in 2011. Trade acquirers drove annual exit volumes in 2011 to 81.8 billion, a 23% increase from 2010. However, nine of the top ten largest exits were concluded in the first half of 2011, supported by a more stable macroeconomic environment in the first half of 2011.

VC

Annual commitment volumes to VC funds fell despite a stronger finish to 2011

Following a dip in the third quarter, venture fundraising finished 2011 on a positive note, with EUR 1.3 billion raised by eleven funds in the fourth quarter, the highest quarterly volume since the second quarter of 2010. Index Ventures pushed up quarterly volume as investors committed EUR 500 million to its Growth Fund II. Overall, European venture firms continued to struggle in fundraising, with 2011 annual investor commitment volumes declining from 2010 by 15% to EUR 3.6 billion, the lowest volume since 2004. The number of funds raised decreased by 29% to 47 as investors continued to limit their exposure to European venture to a number of experienced firms. Among the top five largest funds closed were either established names such as above mentioned Index Ventures, Scottish Equity Partners, CDC Enterprises or government programs such as German High-Tech Gruender Fonds.

VC investments continued to decrease in 2011

Lean fundraising during past two years appears to be impacting investment capacity of European venture firms. Annual investment volumes into European companies declined by 14% from 2010 to EUR 4.4 billion. The number of deals declined at a higher rate, by 19% to 1012 as VC firms continued to put more money into fewer targets with potential growth prospects. During 2011, 13 companies received more than EUR 50 million VC investments compared with six during 2010. The fourth quarter was illustrative of this trend. Only 194 deals were concluded, the smallest quarterly number since the dot com crash. However, the fourth quarter saw four deals receive financing in excess of EUR 50 million. Among them was Swedish Klarna, provider of a payment solution to e-stores, receiving about EUR 120 million from General Atlantic and Sequoia Capital. IT deal volume halved during 2011 to EUR 812 million as semiconductor and communications & networking sectors, vulnerable to downturns, suffered a steep decline of 80% from 2010. As a result, the consumer services industry powered by consumer information services, eclipsed IT deals as the second largest investment industry followed by healthcare. The UK remained as a top investment destination with EUR 1,245 million of VC investments, followed by France (EUR 728 million) and Germany (EUR 475 million). However, UK investment volume declined by 36% versus 2010, the most among these top three countries.

Fewer but larger M&A exits were concluded in 2011

M&A exit activity continued to slow in the fourth quarter. The number of exit deals and exit volume declined by 39% from the previous quarter to 30 deals worth EUR 1.2 billion. Annual M&A exit activity was mixed. In 2011, whilst the number of M&A exits declined by 12% to 168, exit volumes increased by 7% to EUR 7.0 billion, as some VC-

IPO exits dried up in the second half of 2011

2012 offers attractive investment opportunities despite macroeconomic issues

backed companies attracted the interest of large corporations. A consortium of investors including Accel Partners, Amadeus Venture, and Atlas Venture sold Icera, the UK-based provider of communication software, to NVIDIA Corp. for EUR 250 million in the largest exit of 2011. The fourth quarter included another notable exit as Apple Inc. acquired Swedish C3 Technologies from Verdane Capital Advisors for EUR 199 million.

Market turmoil and volatility continued to impact IPO activity in the fourth quarter of 2011. Just two companies went public in the fourth quarter, raising EUR 19 million. During 2011, 14 European VC-backed companies went public, 4 IPOs short of 2010 due to a drop in activity in the second half of 2011. However, annual IPO exit volume increased by 59% to EUR 695 million due to the IPO of Russian internet company Yandex which raised EUR 320 million. Valuations of VC portfolios remained volatile throughout 2011. VC fund assets depreciated in the third quarter following a marginal increase in the second quarter. Looking ahead, we expect a shift towards smaller buyout deals to continue as bank financing of large deals remains difficult.

Despite some progress, sovereign debt problems remain, and any negative developments will continue to make private equity activity choppy. Although improving, the LBO debt maturity wall remains an issue in Europe compared with the US, where many deals were refinanced in 2011, and needs to be monitored over the next 24 months. Nevertheless, “macroeconomic noise” presents good investment opportunities for private equity due to lower entry valuations we observe in some segments, and increased deal flow for restructuring/turnaround strategies.

The table below details European private equity data.

all values in EUR billion		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
BO	Funds raised[1]	9.3	**29.1**	1.9	8.4	**8.2**	213%	(2%)
	Number of funds[2]	60	**67**	16	16	**19**	12%	19%
	Investments	67.9	**69.5**	23.4	16.2	**10.5**	2%	(35%)
	Drawdowns[3]	5.8	**3.7**	5.8	n/a	**n/a**	(37%)	83%
	Distributions	5.6	**3.6**	4.1	n/a	**n/a**	(37%)	26%
	Appreciation as % of NAV	8.2%	**(0.2%)**	7.9%	n/a	**n/a**	(8%)	1%
	5 year rolling net IRR[4]	7.3%	**6.0%**	7.3%	n/a	**n/a**	(1%)	(1%)
VC	Funds raised[1]	4.2	**3.6**	0.5	0.4	**1.3**	(15%)	241%
	Number of funds[2]	66	**47**	15	6	**11**	(29%)	83%
	Investments	5.0	**4.4**	1.7	1.0	**1.1**	(14%)	7%
	Drawdowns[3]	0.6	**0.4**	0.4	n/a	**n/a**	(28%)	(67%)
	Distributions	0.3	**0.2**	0.5	n/a	**n/a**	(28%)	41%
	Appreciation as % of NAV	3.6%	**(2.4%)**	2.7%	n/a	**n/a**	(6%)	3%
	5 year rolling net IRR[4]	(0.0%)	**(1.7%)**	(1.0%)	n/a	**n/a**	(2%)	0%

1) Fundraising represents amounts closed during the period, net of downsized funds. Figures exclude commitments to Fund of Funds to avoid double counting.
2) Number of funds for the year can differ from the sum of the quarters if a fund held several closings during the year.
3) LBO drawdowns and Investments data are not comparable as Investments include debt. In addition, the figures are based on different sample databases.
4) IRR is calculated on pooled, rolling five-year cash flows and the end-period NAV.

Notes: Prior-period figures may be revised due to ongoing database updates conducted by the source.
Dq/q is the comparison of Q4 2011 vs. Q3 2011 for fundraising and investments and Q2 2011 vs. Q1 2011 for cash flows and performance data. 2010 and 2011 cash flow and performance data are as of June 30 for both periods. N/a indicates not available data from the source
Source: Thomson One, Private Equity Insight for LBO investments; Dow Jones VentureSource for VC investments.

Environment – Asia-Pacific

Fewer and smaller IPOs took place in 2011 as public markets deteriorated

During 2011, Asia-Pacific public equity markets experienced a significant drop in valuations, driven by investors moving away their assets to "safety" markets and securities as the sovereign debt crisis in the Eurozone escalated, and uncertainty in global financial markets increased. Major Asia-Pacific public equity indices declined between 11% and 25%, with the Indian benchmark equity index declining the most. Falling equity prices discouraged firms to seek capital from public investors.

The number of IPOs declined by 8% to 841, while raised proceeds halved to USD 87.8 billion as smaller companies primarily sought growth-dominated IPO activity. The largest IPO of Hutchinson Port Holdings raised USD 5.5 billion in 2011, a substantially smaller issue compared with the largest IPO in 2010. The decline in IPO volume was observed in both developed and emerging countries in the region. Despite a drop in volume, developed countries registered an 11% increase in the number of IPOs. Even with a slowdown in activity and a lack of large deals, Asia-Pacific remained the dominant force in global IPO activity, with both the number of IPOs and raised amounts making up 48% of global activity.

Large deals in developed countries lifted M&A volumes in 2011

M&A activity was mixed during 2011 as market uncertainty impacted activity in the second half of 2011. While the number of deals declined by 5% from 2010, volume increased by 2% to USD 512.2 billion thanks to a number of large deals, such as the USD 22.5 billion acquisition of Sumitomo Metal Industries by Nippon Steel Group and the SABMiller takeover of Australian beverage firm Fosters Group in a deal worth USD 13.1 billion.

Major countries in the Asia Pacific region continued to grow in 2011. However, economic pace moderated in the second half of 2011, driven mainly by government policies to curb inflation and also the impact of a global economic slowdown. China's economy demonstrated resilience and seems to have avoided a hard landing as feared by markets, thanks to strong consumer demand. The fourth quarter GDP growth of 8.9% fell only slightly short of the third quarter pace. However, further moderation is expected as the economy adjusts to a weakened property market and a declining number of infrastructure investments. Despite the slowdown, China remained number one for economic growth when compared with other nations in the regoin. Growth in India and South Korea followed a similar pattern to China, with signs of moderation in the second half of the year. Australian and Japanese economies demonstrated higher rates of growth in the second half of the year compared with the first half, as they started to recover from natural catastrophes.

Growth is expected to remain solid in 2012 despite recent moderation

Growth is expected to remain solid in 2012. Growing regional demand, increased trade within the region, sound balance sheets of Asian banks, and underleveraged governments make Asia-Pacific less vulnerable to external risks. According to various estimates, most notably from the IMF growth in Japan, Australia, and South East Asia is expected to increase in 2012, balancing out some moderation in Chinese and Indian growth projections.

The table below details Asia-Pacific macroeconomic and financial data.

		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Japan	Real GDP in % q/q[1]	4.5	**(0.8)**	(0.2)	1.7	**(0.2)**	(5.2)	(1.9)
	CPI in % y/y[1]	(0.7)	**(0.3)**	0.0	0.0	**(0.2)**	0.4	(0.2)
	Interest rate in %[2]	0.10	**0.10**	0.10	0.10	**0.10**	0.00	0.0
	Unemployment rate in %[2]	4.9	**4.5**	4.9	4.2	**4.5**	(0.4)	0.3
	Consumer confidence[2]	40.2	**38.1**	40.2	38.5	**38.1**	n/m	n/m
	Nikkei 225 index price[3]	(3.0%)	**(17.3%)**	9.2%	(11.4%)	**(2.8%)**	(0.1)	0.1
China	Real GDP in % y/y[1]	10.4	**9.2**	9.8	9.1	**8.9**	(1.2)	(0.2)
	CPI in % y/y[1]	9.8	**8.9**	4.7	6.3	**4.6**	(0.9)	(1.7)
	Interest rate in %[2]	5.81	**6.56**	5.81	6.56	**6.56**	0.8	0.0
	Shanghai Composite price[3]	(14.3%)	**(21.7%)**	5.7%	(14.6%)	**(6.8%)**	n/m	n/m
India	Real GDP in % y/y[1]	8.5	**7.1**	8.3	6.9	**6.1**	(1.3)	(0.8)
	CPI in % y/y[1]	12.1	**8.9**	9.2	9.2	**8.4**	(3.2)	(0.8)
	Interest rate in %[2]	5.25	**7.50**	5.25	7.25	**7.50**	2.3	0.3
	SENSEX index price[3]	17.4%	**(24.6%)**	2.2%	(12.7%)	**(6.1%)**	n/m	n/m
Korea	Real GDP in % y/y[1]	6.2	**3.6**	4.7	3.5	**3.4**	(2.6)	(0.1)
	CPI in % y/y[1]	3.5	**4.2**	3.0	3.8	**4.2**	0.7	0.4
	Interest rate in %[2]	2.50	**3.25**	2.50	3.25	**3.25**	0.8	0.0
	Unemployment rate in %[2]	3.5	**3.0**	3.5	3.0	**3.0**	(0.5)	0.0
	Kospi index price[3]	21.9%	**(11.0%)**	9.5%	(15.8%)	**3.2%**	n/m	n/m
Australia	Real GDP in % y/y[1]	2.5	**2.0**	2.2	2.6	**2.3**	(0.5)	(0.3)
	CPI in % y/y[1]	2.9	**3.4**	2.7	3.5	**3.1**	0.5	(0.4)
	Interest rate in %[2]	4.75	**4.25**	4.75	4.75	**4.25**	(0.5)	(0.5)
	Unemployment rate in %[2]	4.9	**5.2**	4.9	5.3	**5.2**	0.3	(0.1)
	ASX 200 index price[3]	(2.6%)	**(14.5%)**	3.5%	(13.0%)	**1.2%**	n/m	n/m
Total Asia	IPO number	914	**841**	324	183	**217**	(8%)	19%
	IPO in USD bn	175.4	**87.8**	72.9	17.7	**17.8**	(50%)	0%
	M&A deal number	8,838	**8,383**	2,569	2,070	**2,009**	(5%)	(3%)
	M&A in USD bn	502.7	**512.2**	173.7	134.2	**113.6**	2%	(15%)

1) Annual figures are annual averages.
2) Period-end figures.
3) Change for the relevant period.
4) New issue values.
Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011. Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
n/a - data not available.
n/m - not meaningful.
Period of M&A deals relates to the announcement dates. Data for previous periods may change if pending deals are cancelled.
Geography of M&A deals is based on the location of the target.
Source: Bloomberg, April 18, 2012.

Private equity markets

Brisk fundraising continued in 2011, driven by growth capital fundraising

Fundraising activity took a break in the fourth quarter, following a surge in activity during the third quarter, which was the second highest quarterly activity in Asia-Pacific history. During the fourth quarter, USD 10.1 billion was raised by 93 funds, representing a 47% and an 11% decline in volume and number of funds respectively, when compared with the previous quarter. Buyout fundraising remained slow in the fourth quarter, with only four funds raising USD 2.4 billion. Australian Archer Capital lifted quarterly volume as it raised USD 1.5 billion for its Fund V. The fund was twice oversubscribed and completed fundraising in less than four months, driven by heavy interest from off-shore institutions. Growth fundraising returned to a more sustainable level with USD 7.7 billion collected during the quarter. Chinese Yuan denominated private equity funds continued to dominate the growth fundraising landscape. The fourth quarter saw two such funds exceeding the USD 1 billion mark, with the National Guantian Industrial Fund, backed by Shaanxi Yanchang Petroleum Group raising USD

1.6 billion, the largest closed fund during the fourth quarter. Despite a slowdown in the fourth quarter, 2011 marked another year of impressive growth for Asia Private Equity. Commitments to Asia-Pacific Funds increased by 30% to USD 54.4 billion from 2010. Annual fundraising figures fell only slightly short of the fundraising peak in 2007.

In contrast with the previous cycle, which was driven by buyout funds, growth and venture capital fundraising were a major driver of the surge following the financial crisis. Commitments to such funds totalled 86% of annual fundraising in 2011, up from 81% in 2010, and up from 48% in 2007. Fundraising by government-linked Chinese managers raising Yuan denominated funds contributed to the shift in the fundraising landscape. Unsurprisingly, 70% of regional fundraising was completed by China based funds, mainly focused on growth and venture capital investments. Experienced PE managers turned their attention to China as well. A consortium of private equity managers including Sequoia Capital, Infinity Fund and other Chinese managers formed a USD 4.3 billion Innovation Industrial Investment Fund focusing on venture investments in China; this was the largest venture fund raised in 2011. As another example, the largest buyout fund of 2011 was raised by PAG Asia with a focus on buyouts in China. The fund is still in the market and collected USD 1.7 billion in the first close. Overall buyout fundraising continued to be difficult; only experienced GPs closed on larger amounts.

Growth in venture deals was offset by a decline in buyouts in 2011

Private equity investment activity slowed in the fourth quarter, with deal volumes and deal numbers declining by 12% and 16% respectively versus the previous quarter. The slowdown was driven by growth and venture deals which declined by 21% to USD 9.1 billion in the fourth quarter. In contrast, buyout investments increased by 4% to USD 7.2 billion due to a number of large deals, such as the USD 2.0 billion acquisition of Skylark, a restaurant operator in Japan, by Bain Capital Asia. CVC Capital made another notable buyout investment as it acquired Malaysian KFC Holdings for USD 1.6 billion. Despite an increased investment pace, annual buyout investment volume fell substantially from 2010 levels. Buyout funds completed 146 deals worth USD 23.9 billion, representing an 18% decline in deal numbers and a 23% decline in deal volume. In contrast, growth and VC investment volumes increased by 19% to USD 45.1 billion from 2010, driven by increased fundraising of growth and venture funds over previous periods. As a result, overall private equity investments amounted to USD 69.0 billion, matching 2010 levels.

As public equity prices declined in 2011, PIPE deal activity gained traction. PIPE deal volume increased by 78%, to USD 17.3 billion, compared with 2010. The largest private equity deal of 2011 was a PIPE deal; Temasek Holdings and China Investment Corporation acquired minority stakes in China Construction Bank for USD 6.8 billion. In contrast, volatile public markets made mezzanine – pre-IPO deals less attractive, with annual volume declining by 46%, to USD 5.1 billion, versus 2010.

Unlike fundraising, investments across countries were less skewed towards China, although it received 41% of all investments which allowed it to maintain its position as the most popular investment destination in the region. Investments in India totalled USD 9.2 billion, closely followed by Australia at USD 8.9 billion and Japan at USD 8.4 billion.

2011 saw a significant recovery of M&A exit activity for private equity funds as private equity firms benefited from stronger acquisition activity of corporations during most of

M&A exit activity in 2011 was the strongest on record

the year. However, private equity exit activity slowed towards the end of 2011 as global market uncertainty took a toll on M&A activity. Despite the slowdown, exit volume via M&A increased by 14% to USD 43.0 billion, the strongest exit year in the maturing Asia-Pacific private equity industry. There were nine multi-billion dollar exits during 2011. The secondary exit of Skylark by Bain Capital was the largest during the fourth quarter, while the USD 2.4 billion sale of equity stakes in Bank of China by Temasek Holdings was the largest PE exit in 2011.

IPO exit activity decreased in 2011 in line with overall IPO activity

Volatile public markets were a less favorable platform for IPO exits by private equity funds in 2011. The annual number of IPO exits declined by 8% to 292. A lack of large IPOs resulted in a 56% decline in raised proceeds during 2011 to USD 39.3 billion compared with 2010. The largest exit raised USD 2.1 billion when the Bank of China Investment Group and Temasek Holdings sold their holding in Shanghai Pharmaceutical. Other notable IPO exits were offerings of Sun Art Retail Group, backed by General Atlantic Partners and GIC, which raised USD 1.7 billion, as well as Sinovel Wind, a portfolio company of New Horizon Investment Advisors, which raised USD 1.4 billion. Chinese private equity-backed companies continued to dominate IPO exits in 2011, accounting for 58% of all regional IPO exits and 85% of total IPO amounts. An increasing number of private equity investments have been completed over recent years in China and they are increasingly ripe for exit. As a result, China is gradually gaining a leading position in M&A exits as well. China accounted for a third of all M&A exit volume and for 24% of deal activity in 2011, a marked increase from a 17% and 21% share in deal volume and deal activity over the last decade. More traditional private equity countries such as Australia and Japan followed China in 2011 M&A country rankings, making up 24% and 17% of regional M&A exit volume respectively.

We expect continued strong fundraising for the region in 2012, as institutional investors in Western countries and increasing numbers of Asian LPs seek greater exposure to Asia-Pacific private equity. According to the latest EMPEA survey, investors are particularly interested in increasing exposure to less penetrated Asian sub-regions such as South Asia. 41% of all respondents are planning to begin investing in this sub-region, the highest percentage among all Emerging Markets. Strong fundraising in 2011 is expected to drive growth investments in the region, while buyout investments may pick up slightly. Fewer IPO exits may be undertaken in 2012 as volatility in the public markets remains high. Despite some temporary economic improvements, the European debt crisis may continue to affect markets in the foreseeable future. In such an environment, private equity M&A exits may continue to gain importance, as M&A activity proved to be a more resilient source of liquidity for private equity in the past year.

The table below details Asia-Pacific private equity data.

all values in USD billion		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
BO	Funds raised[1]	8.1	**7.9**	1.3	3.7	**2.4**	(3%)	(34%)
	Number of funds[2]	24	**27**	8	5	**4**	13%	(20%)
	Investments	31.2	**23.9**	11.6	6.9	**7.2**	(23%)	4%
	Number of deals	177	**146**	55	31	**34**	(18%)	10%
VC	Funds raised[1]	33.7	**46.6**	8.6	15.3	**7.7**	38%	(50%)
	Number of funds[2]	347	**284**	94	100	**89**	(18%)	(11%)
	Investments	37.9	**45.1**	11.6	11.6	**9.1**	19%	(21%)
	Number of deals	1,499	**1,555**	400	418	**342**	4%	(18%)
PE	M&A exit values	37.6	**43.0**	16.9	16.1	**5.6**	14%	(65%)
	Number of M&A exits	361	**364**	104	100	**42**	1%	(58%)
	IPO exit values	89.4	**39.3**	44.3	7.8	**10.8**	(56%)	37%
	Number of IPO exits	318	**292**	127	68	**76**	(8%)	12%
	Total number of exits	679	**656**	231	168	**118**	(3%)	(30%)
	Total exit values	126.9	**82.2**	61.1	23.9	**16.4**	(35%)	(31%)

1) Fundraising represents amounts closed during the period, net of downsized funds. Figures exclude commitments to Fund of Funds to avoid double counting.
2) Number of funds for the year can differ from the sum of the quarters if a fund held several closings during the year.
Note: Prior-period figures may be revised due to ongoing database updates conducted by the source.
Dq /q is the comparison of Q4 2011 vs. Q3 2011; Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
Source: Asian Venture Capital Journal database, as of April 18, 2012.

Environment – Brazil

After dramatic GDP growth in 2010, Brazil's economy is feeling the effects of the global slowdown and restricted domestic policy

Brazil's decline in economic growth continued further in 2011, recording below average expansion of 2.9% for the year compared with 7.5% in 2010. Significant contributing factors included a contractionary fiscal policy environment and a weak external sector – nearly 20% of Brazil's total exports are to the broader Euro area. A stronger Real combined with a decrease in domestic demand provoked by tighter policy led to industrial production posting an 8% decline from early 2011 highs. Inflationary pressures persisted throughout 2011, remaining near the upper 6.5% target limit imposed by the Banco Central do Brasil, the Brazilian central bank. Despite a relatively tight labor market guiding service prices upward, the central bank has lowered policy rates by 50 basis points in each of its last three meetings, from 12.5% to 11%. The overall outlook for 2012 is slightly improved, with an expected growth rate of 3.4%.

Fundraising dominated PE headlines in 2011

During 2011, Brazilian private equity funds raised USD 7.1 billion, over five and a half times more than all funds raised during the previous year. Brazil represented five of the ten largest funds in the Emerging Markets to have final closes during the year. Gavea Investimentos led the way with a USD 1.9 billion fundraise, followed by BTG Pactual (USD 1.5 billion), Vinci (USD 1.4 billion) and Patria (USD 1.25 billion for Patria PE Fund IV and USD 685 million for the P2 infrastructure fund). Deal volumes slowed significantly compared with 2010, as slightly less than USD 2.5 billion in transaction value was recorded versus USD 4.6 billion in the previous year. The number of transactions closed stayed relatively flat at 47.

The table below details Brazilian macroeconomic and financial data.

	2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Real GDP in % y/y[1]	7.6	**2.8**	5.3	2.1	**1.4**	(4.8)	(0.8)
CPI in % y/y[1]	5.0	**6.6**	5.9	7.3	**6.5**	1.6	(0.8)
Interest rate in %[2]	10.75	**11.00**	10.75	12.00	**11.00**	0.25	(1.00)
Unemployment in %[2]	5.3	**4.7**	5.3	6.0	**4.7**	(0.6)	(1.3)
Consumer confidence[2]	117.1	**113.4**	117.1	112.4	**113.4**	(3.7)	1.0
IBOVESPA total return index[3]	1.0%	**(18.1%)**	(0.2%)	(16.2%)	**8.5%**	n/m	n/m
IPO number	11	**11**	3	1	**0**	0%	(100%)
IPO in USD bn	5.9	**4.0**	2.0	0.2	**0.0**	(32%)	(100%)
M&A deal number	490	**664**	126	179	**199**	36%	11%
M&A in USD bn	150.0	**94.4**	30.1	17.4	**17.6**	(37%)	1%
Country bonds in USD bn[4]	58.7	**70.0**	10.9	8.5	**13.9**	19%	64%

1) Annual figures are annual averages.
2) Period-end figures.
3) Change for the relevant period.
4) New issue values.
Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011. Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
n/a - data not available.
n/m - not meaningful.
Period of M&A deals relates to the announcement dates. Data for previous periods may change if pending deals are cancelled.
Geography of M&A deals is based on the location of the target.
Source: Bloomberg, March 27, 2012.

Environment – Middle East & North Africa (MENA)

The disruption and uncertainty created by what has been dubbed the “Arab Spring” continues to take a substantial toll on MENA region economies. Further uncertainty fuelled by the economic stagnation in Europe has contributed to a weaker trading environment, downward commodity price pressures, and negative effects on tourism. GDP for the region expanded by 1.7% in 2011, a sharp decline from the 3.6% level of growth recorded in 2010.

2012 growth is expected to remain depressed at 2.3% across both oil exporters – due to expected oil price declines – and oil importers – Morocco, Tunisia and Egypt, for example, have strong economic ties with a demand-strained Europe. Turnarounds are in progress for countries including Tunisia, Morocco and Jordan, although full recoveries are likely to take longer than expected. Overall, FDI flows to developing countries in the region – mainly from GCC countries – decreased by nearly 40%.

The Arab Spring combined with uncertainty in European trading partners continues to depress regional growth

The region’s instability continues to significantly affect private equity. Although the private equity landscape appears to be rebounding slightly, deep regional uncertainties have prevented volumes from reaching the multi-billion dollar totals from just a few years ago. Fundraising decreased to USD 423 million in 2011 from the USD 448 million raised during the previous year. Of note, TunInvest-AfricInvest raised USD 132 million, and Advect had a final closing at USD 101 million during the year. Investment volumes were more accutely affected; only USD 385 million was invested during 2011, approximately half of the 2010 level. The number of transactions closed stayed relatively flat at 22.

The table below details MENA macroeconomic and financial data.

		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Egypt	Real GDP in % q/q ann[1]	5.2	**1.2**	(1.7)	2.9	**n/a**	(3.9)	n/m
	CPI in % y/y[1]	11.7	**11.1**	10.3	8.2	**9.6**	(0.6)	1.4
	Interest rate in %[2]	8.25	**9.25**	8.25	8.25	**9.25**	1.00	1.00
	Unemployment in %[2]	8.9	**12.4**	8.9	11.9	**12.4**	3.5	0.5
Israel	Real GDP in % y/y[1]	4.9	**4.8**	7.7	3.8	**3.2**	(0.0)	(0.6)
	CPI in % y/y[1]	2.7	**3.5**	2.7	2.9	**2.2**	0.76	(0.70)
	Interest rate in %[2]	2.00	**2.75**	2.00	3.00	**2.75**	0.8	(0.3)
	Unemployment in %[2]	6.4	**5.4**	6.4	5.6	**5.4**	(1.0)	(0.2)
	TA-25 index price[3]	15.8%	**(18.2%)**	8.2%	(11.9%)	**0.7%**	(0.3)	0.1
Saudi Arabia	Real GDP in % y/y[1]	4.2	**6.5**	4.6	n/a	**n/a**	2.3	n/m
	CPI in % y/y[1]	5.4	**5.4**	5.4	5.3	**5.3**	0.1	0.0
	Interest rate in %[2]	2.00	**2.00**	2.00	2.00	**2.00**	0.00	0.00
	Unemployment in %[2]	10.0	**n/a**	10.0	n/a	**n/a**	n/m	n/m
	SASEIDX index price[3]	8.2%	**(3.1%)**	3.6%	(7.1%)	**5.0%**	n/m	n/m
All MENA	Real GDP in % y/y[1,5]	4.4	**4.0**	n/a	n/a	**n/a**	(0.4)	n/m
	CPI in % y/y[1,5]	6.8	**9.9**	n/a	n/a	**n/a**	3.1	n/m
	MSCI Arabian ex SA price[3]	5.6%	**(21.0%)**	5.4%	(24.0%)	**4.1%**	n/m	n/m
	IPO number	35	**19**	9	1	**6**	(46%)	500%
	IPO in USD bn	3.2	**1.0**	1.1	0.1	**0.3**	(68%)	428%
	M&A deal number	185	**175**	51	45	**42**	(5%)	(7%)
	M&A in USD bn	23.9	**9.9**	3.9	1.4	**1.5**	(59%)	9%
	Region bonds in USD bn[4]	53.8	**48.3**	18.2	7.5	**21.5**	(10%)	185%

1) Annual figures are annual averages and quarterly figures are period-end values.
2) Period-end figures.
3) Change for the relevant period.
4) New issue values.
5) Estimates of the International Monetary Fund.
Notes: Dq/q is the comparison of Q4 2011 vs. Q3 2011. Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
n/a - data not available.
n/m - not meaningful.
Period of M&A deals relates to the announcement dates. Data for previous periods may change if pending deals are cancelled.
Geography of M&A deals is based on the location of the target.
Source: Bloomberg, March 27, 2012. The International Monetary Fund World Economic Outlook September 2011 database.

Environment – Sub-Saharan Africa

Economic growth continues across Sub-Saharan Africa

The positive economic story in Sub-Saharan Africa continues, with GDP increasing slightly from 4.8% in 2010 to 4.9% in 2011 – just below the continent's 5% pre-crisis average. Economic expansion was even more impressive for one-third of Sub-Sahran African countries, which posted growth rates above 6%. Nigeria, led by a significant broadening of the non-petroleum economy, recorded an expansion of 7.1% in 2011, while Ghana – spurred by newly operational oil operations as well as non-oil sectors – expanded by 13.6% during the year. In South Africa, one of the region's most important economies, growth accelerated modestly from 2.8% in 2010 to 3.2% in 2011.

Overall, the region's economies continue to weather global economic instability and ensuing threats, and attracted 25% more FDI in 2011 than in the previous year. Domestic demand and continued foreign investment (mainly via the oil and gas sector) is expected to extend Sub-Saharan Africa's growth story to 5.3% in 2012. However, commodity-linked inflation remains a threat, as does the occasional political rumbling.

Private equity fundraising across Sub-Saharan Africa continues to gain attention, although 2011 activity slowed slightly compared with the previous year. USD 1.3 billion was raised across nine funds, with fundraising skewed by the USD 900 million Helios closing. In addition, Decorum Capital had a USD 110 million closing on its New Africa Mining Fund II, and Catalyst Principal Partners had a USD 98 million close on its East Africa-focused fund. Investment activity across the region increased by nearly 68% versus the previous year to USD 1.1 billion across 45 transactions; a similar number of deals as 2010.

The table below details Sub-Saharan Africa macroeconomic and financial data.

		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
South Africa	Real GDP in % y/y[1]	3.0	**2.9**	3.0	3.0	**2.9**	(0.1)	(0.1)
	CPI in % y/y[1]	3.5	**6.1**	3.5	5.7	**6.1**	2.6	0.4
	Interest rate in %	5.50	**5.50**	5.50	5.50	**5.50**	0.00	0.00
	Unemployment in %	24.0	**23.9**	24.0	25.0	**23.9**	(0.1)	(1.1)
	ZADOW (SA) index price[3]	17.6%	**0.6%**	7.4%	(2.3%)	**6.5%**	n/m	n/m
Nigeria	Real GDP in % y/y[1]	7.9	**7.3**	8.6	7.3	**7.7**	(0.6)	0.4
	CPI in % y/y[1]	13.7	**10.8**	11.7	10.3	**10.3**	(2.90)	0.00
	Interest rate in %	6.25	**12.00**	6.25	9.25	**12.00**	5.8	2.8
	Unemployment in %	21.7	**23.9**	21.7	n/a	**23.9**	2.2	n/m
Kenya	Real GDP in % y/y[1]	6.9	**n/a**	6.9	9.3	**n/a**	n/m	n/m
	CPI in % y/y[1]	4.5	**18.9**	4.5	17.3	**18.9**	14.4	1.6
	Interest rate in %	6.00	**18.00**	6.00	7.00	**18.00**	12.00	11.00
All SSA	Real GDP in % y/y[1,5]	5.4	**5.2**	n/a	n/a	**n/a**	(0.2)	n/m
	CPI in % y/y[1,5]	7.5	**8.4**	n/a	n/a	**n/a**	1.0	n/m
	MSCI EFM Africa price[3]	28.7%	**(19.0%)**	11.8%	(17.8%)	**5.1%**	n/m	n/m
	SSAXSA50 index price[3]	5.6%	**(21.0%)**	5.4%	(24.0%)	**4.1%**	n/m	n/m
	IPO number	12	**12**	4	8	**1**	0%	(88%)
	IPO in USD bn	1.7	**0.8**	0.7	0.6	**0.0**	(54%)	(98%)
	M&A deal number	351	**373**	102	104	**110**	6%	6%
	M&A in USD bn	30.6	**22.1**	13.4	5.4	**4.2**	(28%)	(22%)
	Region bonds in USD bn[4]	21.6	**24.3**	3.1	4.0	**4.0**	13%	0%

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Source: Bloomberg, March 27, 2012.The International Monetary Fund World Economic Outlook September 2011 database.

Environment – Turkey and Russia/CEE/CIS

Linkages with the stalled economies of Western Europe are creating significant hurdles to the region's general economic health. Across Russia and the CIS, the rebound continues, although at lower levels than prior to the global economic crisis. In 2011, the region grew by 5.3%, although global and international pressures are expected to slow the recovery to 3.2% in 2012. Weak private demand, weak financial systems, and continued deleveraging are likely to contribute to the comparatively modest pace. Expected moderation of energy and commodity prices is expected to limit export growth.

The regional rebound faces increased headwinds

Turkey's growth is projected to decline significantly from its China/India-like expansion of 8.2% in 2011 to a rate of 2.9% in 2012, with vulnerabilities driven by a large current account deficit and high levels of short-term borrowings as a percentage of foreign reserves. In Russia, street protests erupted in a rare display of public defiance in response to legislative elections at the end of 2011, and in preparation for the Presidential election in March 2012. Russian growth is expected to decline from 4.1% in 2011 to 3.5% in 2012.

Combined, Russia, CEE and CIS countries raised USD 1.8 billion in 2011, representing a 47% increase versus the previous year. Of note, Abris closed at USD 380 million, and ADM Capital closed its fundraising with USD 236 million in commitments. Investment activity reached USD 3.5 billion, a 45% increase versus 2010 figures. The number of transactions completed remained relatively flat at 114.

The table below details macroeconomic and financial data for the major emerging countries of Eastern Europe.

		2010	2011	Q410	Q311	Q411	Dy/y	Dq/q
Turkey	Real GDP in % y/y[1]	9.0	**n/a**	9.2	8.2	**n/a**	n/m	n/m
	CPI in % y/y[1]	8.6	**6.5**	6.4	6.2	**10.5**	(2.1)	4.3
	Interest rate in %[2]	6.50	**5.75**	6.50	5.75	**5.75**	(0.75)	0.00
	Unemployment in %[2]	11.4	**9.8**	11.4	8.8	**9.8**	(1.6)	1.0
	Consumer confidence[2]	91.0	**92.0**	91.0	93.7	**92.0**	1.1	(1.7)
	XU100 index price[3]	24.9%	**(22.3%)**	0.3%	(5.7%)	**(14.1%)**	n/m	n/m
	IPO number	22	**26**	6	3	**6**	18%	100%
	IPO in USD bn	1.9	**1.2**	1.1	0.0	**0.1**	(41%)	200%
	M&A deal number	80	**104**	29	31	**21**	30%	(32%)
	M&A in USD bn	13.1	**9.4**	7.5	3.1	**0.7**	(29%)	(76%)
	Country bonds in USD bn[4]	8.7	**20.1**	1.9	1.6	**7.3**	131%	365%
Russia	Real GDP in % y/y[1]	4.3	**4.3**	4.5	4.8	**n/a**	0.00	n/m
	CPI in % y/y[1]	6.9	**8.5**	8.8	7.2	**6.1**	1.6	(1.1)
	Interest rate in %[2]	7.75	**8.00**	7.75	8.25	**8.00**	0.3	(0.3)
	Unemployment in %[2]	7.2	**6.1**	7.2	6.0	**6.1**	(1.1)	0.1
	RTS index[3]	22.5%	**(21.9%)**	17.4%	(29.7%)	**3.0%**	n/m	n/m
	IPO number	5	**4**	1	2	**1**	(20%)	(50%)
	IPO in USD bn	0.5	**0.2**	0.0	0.2	**0.0**	(61%)	(100%)
	M&A deal number	235	**266**	70	59	**70**	13%	19%
	M&A in USD bn	49.5	**47.3**	26.4	8.4	**10.2**	(4%)	21%
	Country bonds in USD bn[4]	61.6	**50.4**	20.0	5.6	**10.6**	(18%)	89%
Ukraine	Real GDP in % y/y[1]	4.1	**5.1**	3.3	6.6	**4.6**	1.0	(2.0)
	CPI in % y/y[1]	9.4	**9.3**	9.1	5.9	**4.6**	(0.1)	(1.3)
	Interest rate in %[2]	7.75	**7.75**	7.75	7.75	**7.75**	0.00	0.0
	Unemployment in %[2]	8.4	**n/a**	8.4	n/a	**n/a**	n/m	n/m
	PFTS index[3]	70.2%	**(45.2%)**	24.4%	(37.2%)	**(5.0%)**	n/m	n/m
	IPO number	0	**0**	0	0	**0**	n/m	n/m
	IPO in USD bn	0.0	**0.0**	0.0	0.0	**0.0**	n/m	n/m
	M&A deal number	39	**20**	9	3	**8**	(49%)	167%
	M&A in USD bn	0.8	**1.3**	0.0	0.0	**0.6**	68%	2027%
	Country bonds in USD bn[4]	5.0	**6.8**	1.5	0.5	**0.2**	35%	(64%)

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Geography of M&A deals is based on the location of the target.
Source: Bloomberg, March 27, 2012.

The table below details private equity data for Emerging Markets.

all values in USD million		2010	2011	Q311	Q411	% of total	Dy/y	Dq/q
MENA	Funds raised	448	**423**	262	**70**	1%	(6%)	(73%)
	Investments	793	**385**	288	**22**	0%	(51%)	(92%)
	Number of deals	23	**22**	8	**6**	3%	(4%)	(25%)
	PE penetration in %[1]	0.03	**0.01**					
SSA	Funds raised	1,499	**1,332**	244	**32**	1%	(11%)	(87%)
	Investments	631	**1,059**	227	**576**	11%	68%	154%
	Number of deals	48	**45**	16	**11**	5%	(6%)	(31%)
	PE penetration in %[1]	0.06	**0.09**					
CEE & CIS	Funds raised	1,192	**1,752**	229	**892**	14%	47%	290%
	Investments	2,398	**3,480**	1,088	**627**	12%	45%	(42%)
	Number of deals	117	**114**	20	**34**	16%	(3%)	70%
Russia[2]	Funds raised	75	**135**	0	**75**	1%	80%	n/m
	Investments	1,516	**1,579**	945	**251**	5%	4%	(73%)
	Number of deals	45	**29**	6	**7**	3%	(36%)	17%
	PE penetration in %[1]	0.10	**0.08**					
Latin America & Caribbean	Funds raised	5,608	**8,441**	1,577	**2,716**	44%	51%	72%
	Investments	6,648	**3,245**	828	**1,164**	22%	(51%)	41%
	Number of deals	92	**88**	22	**34**	16%	(4%)	55%
Brazil[2]	Funds raised	1,078	**7,079**	1,465	**2,614**	42%	557%	78%
	Investments	4,604	**2,461**	708	**776**	14%	(47%)	10%
	Number of deals	53	**47**	10	**22**	10%	(11%)	120%
	PE penetration in %[1]	0.22	**0.10**					
Emerging Asia	Funds raised	14,207	**26,251**	7,378	**2,512**	40%	85%	(66%)
	Investments	18,308	**18,715**	4,967	**2,963**	55%	2%	(40%)
	Number of deals	576	**607**	169	**125**	60%	5%	(26%)
Multiregion	Funds raised	524	**350**	0	**0**	0%	(33%)	0%
Global Emerging Markets	**Funds raised**	23,477	**38,549**	9,690	**6,222**	100%	64%	(36%)
	Investments	28,778	**26,884**	7,398	**5,352**	100%	(7%)	(28%)
	Number of deals	856	**876**	235	**210**	100%	2%	(11%)

1) Private equity penetration is a ratio of private equity annual investments to nominal gross domestic product (GDP).
2) Data is included in CEE & CIS and Latin America & the Caribbean, respectively.
Note: Dy/y is the comparison of full-year 2011 data vs. full-year 2010 data.
Source: Emerging Markets Private Equity Association, as of March 27, 2012.

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