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Capital Dynamics Market Environment

Summary Q2 2011

Environment – US

IPO and M&A activity was brisk in the second quarter, until the public market crashed

US equity markets declined marginally during the second quarter as sovereign debt problems in the Eurozone, the potential for higher taxes on businesses in the US and abroad, and a growth slowdown in Asia combined to take a toll on equity prices. Concerns over the future of the commercial banking system, in light of escalating European sovereign debt and the downgrade of US debt, shook markets around the world in August, illustrated by the S&P losing 20% from its July peak. Likewise, leveraged debt issuance decreased slightly in the second quarter as investors began to retreat from riskier assets. Issuance dropped substantially in the following months and the market volatility index spiked to its highest level since Lehman crashed.

Despite unsettled markets, IPO activity remained lively. Sixty-eight offerings raised USD 15.2 billion, driven by the IPOs of venture-backed companies. M&A activity also progressed, thanks in large part to the ongoing strength of the corporate sector, with 2,524 US companies involved in M&A transactions, compared with 2,174 during the first quarter of 2011. However, disclosed M&A volume decreased 26% from the first quarter as deals in the small and mid-market dominated quarterly activity. During the second quarter, current production profits from non-financial US companies increased to USD 57.3 billion from USD 19.0 billion in the first quarter, supporting the brisk M&A activity and marking the tenth consecutive quarter of increasing profits.

Economic growth was tepid, with strong indications for prolonged weakness

Business owners were reluctant to add jobs, however, in light of economic uncertainty and muted consumption. Consumers, affected by continued high unemployment, were not induced to increase spending. As a result, economic growth remained sluggish in the second quarter. Annualized growth was 1.3%, a significantly slower pace than a year ago. The ISM Manufacturing Index declined in August to 50.6, then rose to 51.6 in September. Though still in an expansionary range, the index indicated a slowdown primarily due to stagnation of new orders, as short-term customer confidence was severely affected.

The Federal Reserve Bank continued its accommodative monetary policy, and did not lift interest rates. Core inflationary pressures remained subdued, although the broader Consumer Price Index reached 3.5% in the second quarter. In an effort to put downward pressure on long-term interest rates, which should boost economic growth, the Federal Reserve purchased long-term Treasury securities. While the Federal Reserve measures are supportive of economic growth, growth will depend largely on the stabilization of global economic markets. Current annual growth estimates for 2011 and 2012 have been revised down by the Bloomberg composite forecast to 1.8% and 2.2%, respectively.

The table below details US macroeconomic and financial data.

	H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
Real GDP in % q/q ann ¹	2.8	1.9	3.8	0.4	1.3	(0.9)	0.9
CPI in % y/y ¹	1.8	3.1	1.8	2.1	3.5	1.3	1.3
Interest rate in % ²	0.25	0.25	0.25	0.25	0.25	0.0	0.0
Unemployment rate in % ²	9.5	9.2	9.5	8.8	9.2	(0.3)	0.4
Consumer confidence ²	76.0	71.5	76.0	67.5	71.5	(4.5)	4.0
S&P 500 index price ³	(7.6%)	5.0%	(11.9%)	5.4%	(0.4%)	n/m	n/m
NASDAQ Composite index price ³	(7.0%)	4.5%	(12.0%)	4.8%	(0.3%)	n/m	n/m
IPO number	83	112	49	44	68	35%	55%
IPO in USD bn	12.9	31.2	7.5	16.0	15.2	143%	(5%)
M&A deal number	4,118	4,698	1,916	2,174	2,524	14%	16%
M&A in USD bn	368.0	491.6	178.9	282.8	208.8	34%	(26%)
Leveraged loan in USD bn ⁴	151.8	267.4	94.9	136.5	130.9	76%	(4%)
High yield bond in USD bn ⁴	88.1	161.2	33.5	81.8	79.4	83%	(3%)

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 Q2 2011 vs. Q1 2011. Dh/h is the comparison of H1 2011 vs. H2 2010.

n/a - data not available.

n/m - not meaningful.

Period of M&A deals relates to 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, September 30, 2011; Credit Suisse Leveraged Finance Market Update, September 2011.

Private equity markets

The US private equity industry made steady progress in the first half of 2011, which was a generally more favorable environment than a year ago. Relatively higher valuations, supportive credit markets, and the strong cash positions held by strategic acquirers contributed to buoyant exit activity, and, to a lesser extent, investment activity of US private equity funds. Higher levels of private equity liquidity and improved equity markets gave a boost to first-half fundraising activity. Commitment amounts to private equity funds surpassed the year-ago period by 56%, as well. However, market turmoil over recent weeks has already resulted in increased caution among market participants. Thus, it is reasonable to expect a slowdown in private equity exit and investment activity, at least in the short-term.

Buyout

Buyout fundraising improved during the second quarter as investors appeared more willing to commit to select funds with strong brand name status. Ninety-seven funds raised USD 33.1 billion, representing a 17% increase in volume and a 10% increase in the number of funds raised compared with the first quarter. Overall, fundraising in the first half of 2011 remained relatively modest, however, compared with the peak of the last cycle. First-half volumes were up 54% from the same period a year ago, albeit from a low base. While well-known firms, such as ABRY and Berkshire Partners, met with success – the latter raised the largest fund of the quarter and exceeded its USD 4.0 billion target by USD 0.5 billion – fundraising for many other general partners was slow. Funds with a specific industry focus on energy, and especially real estate, attracted higher commitments, compared with the previous quarter and year-ago period, as the struggling US real estate market continued to present attractive investment opportunities.

Buyout fundraising continued to recover

Buyout investing slowed in the second quarter, yet was higher than a year ago as debt availability for larger deals increased

Buyout investment activity slowed. USD 21.5 billion was invested across 155 transactions, representing a 20% decline in dollar volume and a 30% decline in the number of deals closed. In light of the uncertain economic environment, and relatively high valuations, driven up by increased competition from corporations as well as cheaper debt, many private equity firms were cautious about investing. Mega and large buyout deals were rare in the second quarter – only one deal exceeded USD 3 billion and only four deals exceeded USD 1 billion. Following a decline in the first quarter to 7.5x from 8.1x in 2010, buyout acquisition multiples moved up significantly in the second quarter of 2011, to an 8.5 multiple of EBITDA. The rise was mainly attributable to higher prices paid for large buyouts worth USD 500 million or more. On a positive note, new buyout deals exceeded add-ons for the second quarter in a row, according to Thomson Reuters' *Buyouts*, suggesting managers are no longer restricting investments to rebuilding existing portfolios. First-half investment volumes were significantly higher compared with the first half of 2010, which was expected, as the credit environment was healthier. Debt availability improved substantially in the second quarter of 2011. Deals were getting financed with debt at a 5.1 multiple of EBITDA compared with a 4.6 multiple in 2010. The improvement was even more dramatic for large transactions. Large deals received financing at 5.7x EBITDA compared with 4.8x EBITDA in 2010. However, recent market turmoil curtailed the availability of senior leveraged debt and has affected deal flow. If the instability continues, it will likely result in slower investment activity in the second half than was expected just a few months ago.

Exits were elevated; distributions saw the strongest first quarter on record

More US buyout portfolio companies – 74 – exited via M&A in the second quarter than in the first. Disclosed exit values doubled from the first quarter to USD 24.4 billion, thanks to a few notable exits such as Cerberus Capital Management's sale of Chrysler Financial Corporation to TD Bank for USD 6.3 billion. The number of companies to exit via IPO remained stable, at five. IPO exit volumes declined from the first quarter, when the three largest private equity-backed IPOs in US buyout history occurred. Second-quarter offering proceeds amounted to USD 2.4 billion, well short of the USD 9.2 billion raised in the first quarter. The largest offering was Air Lease, backed by Leonard Green and raising USD 803 million. The largest IPO by market capitalization was that of troubled Freescale Semiconductors, owned by a consortium including Blackstone, Carlyle, Permira and TPG. The high level of exit activity was visible in distributions data for 799 buyout funds tracked by Thomson Reuters. USD 17.1 billion was distributed during the first quarter, the strongest first quarter on record. Portfolio assets continued to appreciate in the first quarter of 2011, driven by valuations that increased on expectations for exits and stronger earnings. Buyout assets increased in value by 4.5% on average and we expect a similar increase for the second quarter.

VC

Established names lifted overall VC fundraising volume

US venture capital fundraising was a two-sided story. A few big-name established managers were able to quickly raise large funds, while others struggled as investors continued to be cautious about making commitments to venture capital and private equity in general. Following a spark in the first quarter, venture capital fundraising faded in the second, with the same number of funds raising just a third of first-quarter volumes. Accel Partners raised half of all second quarter commitments: USD 875 million for Growth Fund II and USD 475 million for an early-stage Fund XI. Early-stage

funds dominated the fundraising landscape in the first half of 2011, while balanced-stage funds were favored during the same time in 2010. Overall, fundraising in the first half of 2011 was much stronger than a year ago, driven by large funds raised by Bessemer Venture Partners, Greylock Partners and Sequoia Capital in the first quarter.

Healthcare and IT deals drove investment increases, while fears of a social media bubble appear premature

Venture capital investment activity rose in the second quarter of 2011 compared with the previous quarter, when USD 8.0 billion was put to work in 776 deals, representing a 17% increase in volume and a 13% increase in number of deals. Venture capital investment activity was stronger during the first half of 2011 as well, compared with the first half of 2010, indicating an improvement in the overall investment environment. Deals in healthcare and IT drove the quarterly gains. Healthcare investments increased 46% on the quarter, to USD 2.3 billion. IT investments advanced 44% to USD 2.3 billion, thanks to renewed interest in business applications and communications software. The largest investment of the second quarter and first half of 2011 was in IT, when Harbinger Capital Partners and undisclosed venture investors invested USD 265 million in LightSquared. LightSquared, the developer of an open wireless broadband network, received wide news coverage following the Federal Communications Commission's initial approval of an operating license and criticism that the technology interferes with established General Positioning System (GPS) technology. Consumer information services deal volumes, a bright spot in 2010, have been declining in 2011, suggesting fears of a bubble by some venture capital investors were premature.

US venture capital IPO exit activity was the brightest it has been since 2000

US venture capital funds realized a number of portfolio companies through IPOs in the second quarter, thanks to high demand for new offerings and favorable valuations. Corporate buyer acquisition activity lagged IPO activity; however, transaction values picked up as larger companies within the software sector (representing 23% of all targets) attracted greater corporate interest. US venture capital firms floated 14 US companies and eight foreign companies on US stock exchanges during the second quarter, raising USD 5.4 billion, the highest offering proceeds since the third quarter of 2000. The market capitalization of exited companies totalled USD 43.6 billion, the highest since the first quarter of 2000. Kosmos Energy, backed by Blackstone and Warburg Pincus, was the third-largest exit in US venture capital history, measured by market capitalization, with a post-offer value of USD 6.7 billion. The continued elevated level of venture capital exit activity was observed in the latest-available distribution statistics from Thomson Reuters, which showed a 62% increase in the first quarter over the same period of 2010. Similarly, in the first quarter of 2011, venture capital portfolios appreciated 2.5% as valuations of venture capital-backed companies increased, driven by improved trading conditions and exits.

Equity and debt markets continued to be supportive to private equity in the second quarter, encouraging private equity firms to take advantage of the opportunity to exit portfolio companies and raise funds. However, we expect recent market turmoil to crimp further private equity recovery in the short term, as investment confidence weakens and liquidity becomes constrained.

The table below details US private equity data.

all values in USD billion		H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
BO	Funds raised ¹	39.9	61.4	18.3	28.3	33.1	54%	17%
	Number of funds ²	159	185	78	88	97	16%	10%
	Investments	22.0	48.3	10.0	26.8	21.5	119%	(20%)
	Drawdowns ³	21.9	n/a	12.7	11.6	n/a	n/m	n/m
	Distributions	14.7	n/a	8.8	17.3	n/a	n/m	n/m
	Appreciation as % of NAV	4.1%	n/a	0.6%	4.5%	n/a	n/m	n/m
	5 year rolling net IRR ⁴	4.9%	n/a	4.9%	5.4%	n/a	n/m	n/m
	VC	Funds raised ¹	6.1	10.3	2.1	7.8	2.6	68%
Number of funds ²		93	89	48	44	45	(4%)	2%
Investments		13.3	14.9	8.4	6.8	8.0	12%	17%
Drawdowns ³		2.9	n/a	1.6	1.4	n/a	n/m	n/m
Distributions		3.2	n/a	1.3	3.0	n/a	n/m	n/m
Appreciation as % of NAV		0.1%	n/a	(0.9%)	2.5%	n/a	n/m	n/m
5 year rolling net IRR ⁴		4.2%	n/a	4.2%	4.2%	n/a	n/m	n/m

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 NAVs.

Notes: Prior-period figures may be revised due to ongoing database updates conducted by the source.

Dq/q is the comparison of Q2 2011 vs. Q1 2011; Dh/h is the comparison of the first half of 2011 vs. the first half of 2010.

n/a Data was not yet published by Thomson One.

n/m not meaningful.

Source: Thomson One, Buyouts for buyout investments; Dow Jones VentureSource for VC investments.

Environment – EU

Political decisions surrounding European sovereign debt problems continued to move European capital markets in the second quarter. Equity prices had fallen, then rebounded sharply at the end of June when the austerity package for Greece was approved. The DAX increased 4.5%, and the FTSE 100 and CAC 40 displayed marginal quarterly gains and losses, respectively. New leveraged loan issuance contracted towards the end of the quarter, resulting in a slight decrease in issuance volume from the previous quarter. Despite noticeable improvements in the lending environment in the first half of 2011, issuance volume remained well below pre-crisis levels and lagged issuance activity in the US market. Issuers met the increased risk appetite displayed by capital markets, and high-yield bond issuance maintained an elevated level. Declining third-quarter issuance levels, however, suggest investors are retreating from riskier assets.

IPO and M&A volumes were at their strongest since the onset of the recession

Despite continued nervousness within the market, there was solid improvement in IPO activity. The number of IPOs increased 54% from the first quarter and IPO volume increased fivefold, thanks to the EUR 6.9 billion IPO of commodity trading company Glencore on the London Stock Exchange. M&A activity surged in the second quarter, with M&A volume rising by a third from the previous quarter. Well funded corporations increasingly began to acquire European targets, as well. Quarterly M&A volume – EUR 150.1 billion – was at its highest since the third quarter of 2008. Private equity deals accounted for 31% of the overall volume, the highest share ever on record, according to Bloomberg M&A statistics.

Market instability stemming from sovereign debt problems in periphery countries negatively affected consumer spending and, ultimately, the economic output of core

Continued sovereign debt problems affected the economic growth of core European countries

countries. Germany's economy grew only marginally, following robust growth in the first quarter, while France's GDP stagnated during the second quarter of 2011. GDP growth weakened in the UK as well, to 0.2% from 0.5%. Overall, Eurozone GDP slowed substantially, to 0.2% from 0.8%, and output within the European Union declined to 0.2% from 0.7% in the first quarter.

Looking forward, leading economic indicators such as the Purchasing Manager's Index point to a further slowdown in economic output as sovereign debt problems escalated in recent weeks and continue to damage business and consumer confidence in Europe and around the world. The risks for soft patches in economic development have increased, with composite forecasts declining across the board for 2011 and 2012.

The table below details European macroeconomic and financial data.

	H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
Real GDP in % q/q ¹	1.5	2.0	0.9	0.8	0.2	0.6	(0.6)
CPI in % y/y ¹	1.4	2.6	1.5	2.5	2.7	1.2	0.3
Interest rate in % ²	1.00	1.25	1.00	1.00	1.25	0.3	0.3
Unemployment rate in % ²	10.2	10.0	10.2	9.9	10.0	(0.2)	0.1
Consumer confidence ²	(17.3)	(9.7)	(17.3)	(10.6)	(9.7)	7.6	0.9
FTSE 100 index price ³	(9.2%)	0.8%	(13.4%)	0.1%	0.6%	n/m	n/m
CAC 40 index price ³	(12.5%)	4.7%	(13.4%)	4.8%	(0.2%)	n/m	n/m
DAX index price ³	0.1%	6.7%	(3.1%)	1.8%	4.5%	n/m	n/m
IPO number	116	188	69	74	114	62%	54%
IPO in EUR bn	14.3	19.4	9.7	3.3	16.1	35%	395%
M&A deal number	2,898	2,943	1,442	1,487	1,456	2%	(2%)
M&A in EUR bn	149.7	263.8	86.1	113.4	150.5	76%	33%
Leveraged loan in EUR bn ⁴	32.4	46.7	20.7	24.6	22.1	44%	(10%)
High yield bond in EUR bn ⁴	21.7	37.7	8.2	18.9	18.8	74%	(1%)

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 Q2 2011 vs. Q1 2011. Dh/h is the comparison of H1 2011 vs. H2 2010.

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, September 30, 2011; Credit Suisse Leveraged Finance Market Update, September 2011.

Private equity markets

European private equity continued to recover modestly as overall investment and exit volumes increased compared with the first half of 2010. Fundraising was also generally stronger, albeit driven by a few large fund closings. However, activity levels across different strategies varied. Buyout funds were busy in the first half, realizing portfolio companies to trade buyers or other buyout funds and investing, thanks to supportive credit markets. In contrast, venture capital firms' investment volumes stagnated, partially because of limited capital overhang. Exits were infrequent, reflecting the tendency for M&A activity within smaller segments to recover at a slower pace.

A few established managers lifted overall buyout fundraising

Buyout

European buyout fundraising continued to be driven by a few large and established managers in the second quarter of 2011. Two funds received commitments above EUR

1 billion: Montagu IV and Astorg V raised EUR 2.5 billion and EUR 1.0 billion respectively, or 63% of the total quarterly volume. First-half fundraising volume more than doubled from the same period of 2010, exceeding the total volume recorded in 2010. The modest increase in the number of funds raised during the first half of 2011 compared with same period of 2010 better reflects the fundraising atmosphere, however, with investors continuing to make commitments to a select number of quality managers only.

Large secondary buyouts drove quarterly investment performance in the strongest quarter since 2008

The sizable level of capital overhang accumulated by buyout funds, and improved credit conditions, drove buyout deal activity. Buyout deal making increased in the second quarter in line with the heightened level of M&A activity in Europe. During the second quarter, 125 deals were completed, totalling EUR 26.8 billion; the highest deal value since the fourth quarter of 2007 and the largest number of deals since the third quarter of 2008. The surge in deal value was driven by an increase in the number of transactions worth EUR 1 billion and above, with eight such deals concluded in the second quarter compared with just two during the first. Boosted by the stronger second quarter, semi-annual investment volume exceeded that of the year-ago period by 85%, a clear indication of heightened deal activity. Secondary buyouts dominated the second quarter, their deal value comprising 60% of the quarterly volume. The largest deal of the quarter was the EUR 2.3 billion secondary buyout of Securitas Direct by Bain Capital and Hellman & Friedman, from EQT.

Buyout portfolio companies were welcome targets for trade buyers

Trade buyers and buyout firms increased their acquisition activity. There was a dramatic surge in exit values, as 105 European companies worth EUR 35.3 billion were realized in the second quarter. Strong exit activity in the first half of 2011 resulted in exit deal value falling just shy of the total 2010 volume. Moreover, exit deal value in the first half of 2011 were at their highest since 2007. Although secondary exits were the most prevalent, trade sale exit value doubled secondary transaction exit value due to a number of large, prominent exits: Nordic Capital and Blackstone Capital sold Nycomed Pharma to Takeda Pharmaceuticals for EUR 9.6 billion, and Microsoft acquired Skype from Silver Lake and Andreessen Horowitz in a deal worth EUR 5.7 billion. The heightened level of exit activity was also visible in higher buyout distributions across our portfolios in the first half of 2011. Furthermore, second-quarter general partner reports indicate buyout assets continued to appreciate during the second quarter.

VC

Germany was a bright spot in the otherwise slow European venture capital fundraising environment

In contrast to buyout, venture capital fundraising slowed in the first half of 2011 compared with 2010. The number of funds raised declined 24% and volume fell 23%. Second-quarter fundraising volume, however, gained on the previous quarter, thanks to French CDC Enterprises raising EUR 400 million for its latest early-stage fund. The number of first-time funds doubled during the first half to 16, indicating an emergence of venture entrepreneurs in Europe that attract investor support even in the challenging fundraising environment. Germany was the bright spot in European venture capital fundraising. The majority of European venture funds were raised in Germany, contributing 39% or EUR 721 million to overall first-half fundraising results. The pickup in activity was remarkable, given the partial retreat from venture capital investing by one of the country's largest traditional venture capital investors – government-backed KfW Banking Group.

Venture capital firms concentrated on a limited number of key deals in the consumer information services sector

European venture capital investment activity slowed 28% in the first half of 2011, as the number of deals declined to 447 from 621. Nonetheless, investment volume remained stable because a few key deals attracted greater investor interest. Five deals received at least EUR 50 million during the first half of 2011 compared with just one deal during the same period of 2010. Second-quarter volume declined 23% from the previous quarter due to the absence of large deals and the 36% decline in healthcare industry deal volume the previous quarter. The consumer services industry, powered by consumer information deals, emerged as the leading industry in Europe and attracted most of the venture capital financing. EUR 629 million was invested in these deals in the first half, closely followed by healthcare industry deals. The largest deal of the second quarter was also concluded in the consumer information services industry, when a consortium of investors, including Accel Partners and Balderton Capital, invested EUR 48 million in Russian online shopping firm Private Trade Ltd. (kupiVip.ru).

Improved IPO exit activity could not offset the decline in M&A exits

According to Dow Jones' VentureSource, 69 European venture-backed companies raised EUR 2.5 billion through M&A during the first half of 2011, representing a 39% drop in exit volumes and a 24% decline in the number of deals from the same period a year earlier. The second quarter confirmed the challenging state of the M&A market as venture capital-backed exit volume declined by a further 6% from the previous quarter. In contrast, venture capital firms increased their presence in public markets, with eight European companies floated on various stock exchanges during the second quarter following only three in the first. The majority of the IPOs were small offerings, such as that of Circle Holdings, a healthcare enterprise, backed by Balderton Capital and BlackRock Private Equity, raising EUR 26 million. One offering stood out, however; Russian search engine company Yandex, backed by Baring Vostok Capital Partners, raised EUR 260 million on the NYSE. However, recent market turmoil has taken a toll on the performance of recently floated companies. Therefore, the window of opportunity for venture-backed IPOs appears to be closing again and is not likely to re-open until prices recover. Valuations of European private equity-backed companies remained positive according to second quarter general partner reports, as fundamentals of portfolio companies generally continued to strengthen.

A buyout revival might be stalled by increased uncertainty over the European economic environment

Halfway through 2011, the European private equity buyout sector experienced a strong recovery, driven by the increased deal activity of buyout firms and trade buyers, which supported secondary and large trade sale exits. The return of established managers continues to drive buyout fundraising, while fundraising for the majority of managers, including venture capital managers, remains slow. Market instability and uncertain growth prospects have started to affect private equity recovery, indicated by a slowdown in private equity M&A deal announcements and IPO postponements.

The table below details European private equity data.

all values in EUR billion		H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
BO	Funds raised ¹	5.5	11.8	2.6	6.2	5.6	113%	(9%)
	Number of funds ²	27.0	36.0	11	20	16	33%	(20%)
	Investments	22.1	40.7	12.2	14.0	26.8	85%	92%
	Drawdowns ³	4.3	n/a	2.1	n/a	n/a	n/m	n/m
	Distributions	5.0	n/a	2.8	n/a	n/a	n/m	n/m
	Appreciation as % of NAV	8.4%	n/a	5.8%	n/a	n/a	n/m	n/m
	5 year rolling net IRR ⁴	7.4%	n/a	7.4%	n/a	n/a	n/m	n/m
VC	Funds raised ¹	2.4	1.8	1.3	0.8	1.1	(23%)	45%
	Number of funds ²	41	31.0	20	14	17	(24%)	21%
	Investments	2.2	2.2	1.2	1.2	1.0	(0%)	(23%)
	Drawdowns ³	0.5	n/a	0.3	n/a	n/a	n/m	n/m
	Distributions	0.2	n/a	0.1	n/a	n/a	n/m	n/m
	Appreciation as % of NAV	3.8%	n/a	2.1%	n/a	n/a	n/m	n/m
	5 year rolling net IRR ⁴	(0.6%)	n/a	(0.6%)	n/a	n/a	n/m	n/m

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 Q2 2011 vs. Q1 2011; Dh/h is the comparison of the first half of 2011 vs. first half of 2010

n/a Data was not yet published by Thomson One.

n/m not meaningful.

Source: Thomson One, Private Equity Insight for LBO investments; Dow Jones VentureSource for VC investments.

Environment – Asia-Pacific

Emerging Asian economic growth slowed, but remained robust; Australia and Japan experienced economic recovery

There were signs of a slowdown in economic growth in the Asia-Pacific region in the second quarter, as government monetary tightening programs aimed at containing inflation took hold and economic growth in advanced economies moderated. However, despite some fears of a “hard landing”, economic growth in emerging Asia remained robust. China and India’s second-quarter economic output declined only marginally from the first quarter, supported by resilient consumer consumption and inter-regional trade. The region’s advanced economies displayed different economic activity patterns. While the South Korean economy slowed, economic growth resumed in Australia following a quarter of shrinking output due to natural disaster. Japan’s economy continued to recover as production and export levels returned to near pre-earthquake levels.

Inflation concerns intensified in many countries within the region, fueled by rapid economic growth and rising commodity prices during the first half of 2011. To contain inflation, some central banks responded with increased policy rates and other restrictive measures, which proved successful. Inflation declined sharply in India, to 8.9% in the second quarter of 2011 from 13.7% a year ago. After peaking in July, inflation eased in China as well, although inflation concerns remain due to the strengthening demand for food products.

Investors, concerned about economic slowdowns both regionally and globally, and sovereign debt problems in Europe, began selling Asian equities and putting downward pressure on the region’s main equity indices. The Shanghai Composite declined 5.7%, and the ASX 200 and SENSEX index fell 4.8% and 3.1%, respectively. In recent

months, the risk aversion displayed by global investors has intensified, pushing Asian equity prices down 12-20% compared to the beginning of 2011.

Asian IPO activity remained steady, yet dominated by small issues

Despite declining equity prices, Asia continued to drive global IPO activity, with 208 companies going public in the second quarter, or 53% of global issuance activity, compared with 205 in the first quarter. IPO activity was also stronger in the first half of 2011 compared with the same period of 2010. However, IPO dollar volume declined 10% during the second quarter and 14% during the first half because activity was dominated by small issues in the second quarter, with only four companies raising more than USD 1 billion in proceeds. Italian fashion house Prada was the largest IPO of the second quarter, raising USD 6.15 billion on the Hong Kong Stock Exchange (HKSE). The HKSE also boasted another non-Asian listing – the USD 1.25 billion IPO of US luggage-maker Samsonite, backed by private equity firm CVC Capital Partners.

Cross-regional acquisitions drove stronger M&A activity

M&A activity increased noticeably in the first half of 2011 as the number of deals picked up 2% and deal volume rose 36% compared with the same period of 2010. Deal making was particularly strong in the second quarter, driven by increased cross-regional investments. Non-Asian-Pacific companies acquired 363 Asian-Pacific targets, the highest number of deals since the first quarter of 2008 – accounting for 31% of all regional M&A volume, the largest share since the first quarter of 2007. The USD 12.5 billion acquisition of Australian beverage company Foster's Group by British SABMiller PLC, the largest acquisition of the second quarter, was one of the more noteworthy of such cross-regional investments.

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

		H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
Japan	Real GDP in % q/q ¹	4.4	(1.1)	(0.2)	(0.9)	(0.5)	(5.5)	0.4
	CPI in % y/y ¹	(1.0)	(0.3)	(0.7)	(0.5)	(0.4)	0.7	0.1
	Interest rate in % ²	0.10	0.10	0.10	0.10	0.10	0.0	0.0
	Unemployment rate in % ²	5.2	4.6	5.2	4.6	4.6	(0.6)	0.0
	Consumer confidence ²	43.6	36.3	43.6	38.3	36.3	(7.3)	(2.0)
	Nikkei 225 index price ³	(11.0%)	(4.0%)	(15.4%)	(4.6%)	0.6%	n/m	n/m
China	Real GDP in % y/y ¹	11.1	9.6	10.3	9.7	9.5	(1.5)	(0.2)
	CPI in % y/y ¹	2.6	5.4	2.9	5.1	5.7	2.8	0.7
	Interest rate in % ²	5.31	6.31	5.31	6.06	6.31	1.0	0.25
	Shanghai Composite price ³	(26.8%)	(1.6%)	(22.9%)	4.3%	(5.7%)	n/m	n/m
India	Real GDP in % y/y ¹	9.1	7.8	8.8	7.8	7.7	(1.4)	(0.1)
	CPI in % y/y ¹	14.5	8.9	13.7	9.0	8.9	(5.5)	(0.1)
	Interest rate in % ²	3.75	6.50	3.75	5.75	6.50	2.8	0.8
	SENSEX index price ³	1.4%	(8.1%)	1.0%	(5.2%)	(3.1%)	n/m	n/m
Korea	Real GDP in % y/y ¹	8.0	3.8	7.5	4.2	0.9	(4.2)	(3.3)
	CPI in % y/y ¹	2.7	4.3	2.6	4.7	4.4	1.7	(0.3)
	Interest rate in % ²	2.00	3.25	2.00	3.00	3.25	1.3	0.3
	Unemployment rate in % ²	3.5	3.3	3.5	4.3	3.3	(0.2)	(1.0)
	Kospi index price ³	0.9%	2.4%	0.3%	2.7%	(0.3%)	n/m	n/m
Australia	Real GDP in % y/y ¹	2.8	1.2	0.8	(0.9)	1.2	(1.6)	2.1
	CPI in % y/y ¹	3.0	3.5	3.1	3.3	3.6	0.5	0.3
	Interest rate in % ²	4.50	4.75	4.50	4.75	4.75	0.3	0.0
	Unemployment rate in % ²	5.2	5.0	5.2	4.9	5.0	(0.2)	0.1
	ASX 200 index price ³	(11.7%)	(2.9%)	(11.8%)	2.0%	(4.8%)	n/m	n/m
Total Asia	IPO number	374	413	191	205	208	10%	1%
	IPO in USD bn	61.1	52.2	24.9	27.5	24.8	(14%)	(10%)
	M&A deal number	4,152	4,245	2,050	2,075	2,170	2%	5%
	M&A in USD bn	191.8	261.5	86.5	123.1	138.4	36%	12%

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 Q2 2011 vs. Q1 2010. Dh/h is the comparison of H1 2011 vs. H1 2010.

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, September 30, 2011.

Private equity markets

Fundraising volumes rose in the second quarter, though half-year volume suffered with fewer buyout funds in the market

Fundraising activity expanded in the second quarter from the previous quarter, driven by a significant increase in growth and venture capital funds raised. USD 10.2 billion was raised by 87 funds, representing a 16% increase in the amount raised and a 32% increase in the number of funds compared with the previous quarter. However, first-half activity was slightly slower this year compared with the same period of 2010 because fewer buyout funds were raised. In contrast, expansion capital and venture capital fundraising volume increased 17% from the strong base of the first half of 2010, reaffirming the region's continuing growth story. Fundraising in China dominated the first half, with 57 funds raising USD 12.0 billion or 64% of all regional fundraising volume. The increase was noted across various sized funds and only two fund closings exceeded the USD 1 billion mark: Baring Asia Private Equity V raised USD 2.46 billion and CDH China Management raised USD 1.11 billion for its Equity Investment Fund II. The fundraising outlook for the region remains positive, with increasing commitments

expected from North American and local institutional investors – which accounted for 84% of first-half fundraising volume, according to *Private Equity Asia Review*. Various surveys, such as Coller's *Barometer*, indicate that nearly a quarter of all limited partners plan to increase allocations to Asia-Pacific private equity funds.

Investments improved solidly over 2010

Private equity investments surged in the second quarter, with volume increasing 45% from the previous quarter. USD 16.2 billion was invested in 383 deals, a 5% rise in the number of deals conducted. Thanks to the strong second quarter, the semi-annual investment volume expanded 11% over the last year's first half. Following a relatively weaker first quarter, growth and venture capital investments bounced back strongly in the second quarter when USD 11.2 billion was invested, representing a 57% increase over the previous quarter. Buyout investment volume also rose solidly quarter-on-quarter, and first-half volume also increased 12%. The top three buyout investment destinations included traditional countries such as Australia and Japan, and now China, which is gradually attracting further attention from buyout firms. China posted the strongest semi-annual buyout investment activity on record, according to the Asian Venture Capital Journal database. USD 2.8 billion was invested across 12 transactions compared with a "mere" USD 87 million during the first half of 2010. Overall, expansion capital deals continued to dominate Asian investments, resulting in USD 18.3 billion in investments, or two thirds of overall investments, during the first half of 2011. Volatile and falling equity prices affected certain types of transactions differently. Mezzanine/pre-IPO investment volume declined 39% to USD 2.3 billion as a consequence of the shorter IPO pipeline, despite the USD 1.5 billion invested by the China National Council for Social Security Fund in the People's Insurance Company of China. In contrast, falling prices spurred PIPE (Private Investments in Public Equity) deals, which surged 145% from the first half of 2010 to USD 7.1 billion.

IPO and M&A exits were up in the first half of 2011

Exit deal values increased 7% from the previous quarter and 35% from the first half of the prior year, driven by large IPO offerings made during the second quarter. There were seven private equity-backed IPOs that exceeded USD 500 million offering amounts, compared with just two a year ago. The largest IPO exit in terms of market capitalization was that of Sinovel Wind Group, backed by New Horizon, which was valued at USD 13.6 billion and raised USD 1.4 billion. The largest offering proceeds of USD 2.1 billion were raised by Shanghai Pharmaceuticals, backed by Bank of China Group Investment Ltd., GuocoEquity Assets Ltd., and Temasek Holdings. Trade sale exit volume was up 53% from the first half of 2010, reflecting an increase in corporate M&A appetite, especially for larger targets. There were 10 exits by companies with enterprise values of USD 500 million or higher during the first half of 2011 and only four in the same period a year ago. The largest exit during the first half of 2011 was Carlyle Group's partial sale of China Pacific Group shares, worth USD 1.8 billion.

Robust economic growth in emerging Asia and well-functioning exit markets continue to create attractive investment and exit opportunities. However, market instability and the slowdown in global economic growth have rendered private equity investors cautious, and increased competition from corporations plus limited debt availability, may constrain further buyout investment activity recovery within the region.

The table below details Asia-Pacific private equity data.

all values in USD billion		H110	H111	Q210	Q111	Q211	Dh/h	Dq/q
BO	Funds raised ¹	5.6	1.9	3.9	0.9	1.0	(67%)	8%
	Number of funds ²	16	8	8	6	2	(50%)	(67%)
	Investments	8.0	9.0	2.6	4.0	5.0	12%	25%
	Number of deals	80	70	45	37	33	(13%)	(11%)
VC	Funds raised ¹	14.7	17.1	7.7	7.9	9.2	17%	17%
	Number of funds ²	132	145	74	60	85	10%	42%
	Investments	16.5	18.3	9.8	7.1	11.2	11%	57%
	Number of deals	656	679	319	329	350	4%	6%
PE	M&A exit values	10.3	15.8	6.1	8.7	7.1	53%	(19%)
	Number of M&A exits	173	136	82	75	61	(21%)	(19%)
	IPO exit values	17.0	21.1	7.4	9.2	12.0	24%	31%
	Number of IPO exits	126	146	57	77	69	16%	(10%)
	Total number of exits	299	282	139	152	130	(6%)	(14%)
	Total exit values	27.4	37.0	13.5	17.9	19.1	35%	7%

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.

Source: Asian Venture Capital Journal database, as of September 30, 2011.

Environment – Brazil

After dramatic GDP growth in 2010, Brazil's economy is returning to sustainable growth

Brazil's economic expansion slowed in the second quarter of 2011, decreasing 1.1% from the quarter prior to 3.1%. Banco Central do Brasil, the Brazilian central bank, has taken measures to slow domestic consumption and fight increases in energy input prices to limit inflation, which has exceeded the 6.5% upper limit of Brazil's target range. The central bank raised the lending interest rate (SELIC) five times in 2011, with the latest increase (to 12.5%) occurring in July. However, based on expected disinflationary pressures resulting from the slowdown of global economic activity, the central bank dropped it back to 12% in August. The World Bank expects Brazilian growth to decrease to 4.2% in 2011, from 7.5% in 2010, and decrease further to 4.0% in both 2012 and 2013. Brazil's economic activity levels appear to be normalizing within the tighter macroeconomic framework set by the central bank, from the unsustainable rebound levels reached in 2010.

Currency appreciation continues to be a major concern for Brazilian industrial companies as they have been competing in a global market with an effective exchange rate appreciation of 46% for the Real since January 2009. Despite the widespread view that the Real is overvalued, analysts expect the appreciation trend to continue. Further, despite the government's introduction of specific capital controls, capital inflows (as measured by Foreign Direct Investment) will continue to increase to an estimated USD 55 billion in 2011.

Strong private equity activity continues into 2011

During the first half of 2011, Brazilian private equity funds raised USD 3 billion, nearly 300% more than all funds raised in all of 2010. A number of large Latin American funds closing in the first quarter contributed to the increase. Carlyle, for example, raised USD 776 million for the Carlyle South American Buyout Fund. Furthermore, other large fund closings from Axxon Group, Vinci and Banco BTG Pactual were joined by smaller fund closings from ACON and Nexus Capital. Following the strong investment pace set in

the first quarter of 2011, with USD 496 million invested, deal making slowed slightly in the second quarter. USD 481 million was invested, bringing the total number of deals completed in Brazil to 15 for the first half of the year.

The table below details Brazilian macroeconomic and financial data.

	2009	2010	Q210	Q111	Q211	Dy/y	Dq/q
Real GDP in % y/y ¹	(0.6)	7.6	9.2	4.2	3.1	(6.0)	(1.0)
CPI in % y/y ¹	4.9	5.0	4.8	6.3	6.7	1.9	0.4
Interest rate in % ²	8.75	10.75	10.25	11.75	12.25	2.00	0.50
Unemployment in % ²	6.8	5.3	7.0	6.5	6.2	(0.8)	(0.3)
Consumer confidence ²	117.2	117.1	114.7	114.5	111.8	(2.9)	(2.7)
IBOVESPA total return index ³	82.7%	1.0%	(13.4%)	(1.0%)	(9.0%)	n/m	n/m
IPO number	6	11	2	5	5	150%	0%
IPO in USD bn	12.0	5.9	0.6	1.9	1.9	214%	(2%)
M&A deal number	312	489	121	116	161	33%	39%
M&A in USD bn	58.8	148.5	33.5	19.1	36.6	9%	91%
Country bonds in USD bn ⁴	37.7	58.7	10.6	18.8	28.3	166%	51%

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 Q2 2011 vs. Q1 2011. Dy/y is the comparison of Q2 2011 vs. Q2 2010.

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, September 15, 2011.

Environment – Middle East North Africa (MENA)

Economic growth and private equity activity has been hampered by unrest and uncertainty

The disruption and uncertainty created by what has been dubbed the “Arab Spring” has taken a substantial toll on MENA region economies. World Bank estimates compiled in April projected a modest regional expansion of 1.8%, a 3.1% decrease from original estimates that pointed to a favorable rebound from the global economic crisis. Those countries experiencing the most dramatic reductions in growth estimates include Egypt (-4.5%), Tunisia (-3.3%) and Jordan (-1.5%).

Despite Libya’s relatively small contribution to global oil markets, petroleum prices have remained high as the country struggles through civil war. However, windfall profits – even in those oil exporting countries experiencing little or no sociopolitical disturbances – may not materialize as entrenched governments seek to placate their constituencies with increased spending on infrastructure, welfare or direct handouts. Tourism, another mainstay of many MENA economies, has also suffered from recent events. In contrast to the rapidly expanding tourism trade of 2010 that saw 10.2% growth and 98 million visitors to the region, tourism in Egypt, for example, is expected to drop 18% in 2011, according to the World Travel & Tourism Council. Such a decrease could deny the Egyptian economy of up to 2.2% of GDP growth for the year.

The region’s instability has affected private equity significantly. Just one fund was raised during the second quarter – FINCORP raised USD 31 million for an Oman-focused fund. Investment volumes were similarly affected, dropping to USD 75 million

for the first half of the year compared with last year's quarterly average of USD 550 million.

The table below details MENA macroeconomic and financial data.

		2009	2010	Q210	Q111	Q211	Dy/y	Dq/q
Egypt	Real GDP in % q/q ann ¹	4.7	5.2	4.5	(8.6)	n/a	n/m	n/m
	CPI in % y/y ¹	16.2	11.7	10.7	11.5	11.8	1.1	0.3
	Interest rate in % ²	9.75	9.75	9.75	9.75	9.75	0.0	0.0
	Unemployment in % ²	9.4	8.9	9.0	11.9	11.8	2.8	(0.1)
Israel	Real GDP in % y/y ¹	0.8	4.9	6.1	4.7	3.3	(2.8)	(1.4)
	CPI in % y/y ¹	3.3	2.7	2.4	4.3	4.2	1.8	(0.1)
	Interest rate in % ²	1.25	2.00	1.50	3.00	3.25	1.8	0.3
	Unemployment in % ²	7.2	6.5	6.5	6.0	5.5	(1.0)	(0.5)
	TA-25 index price ³	74.9%	15.8%	(13.6%)	(0.4%)	(7.4%)	n/m	n/m
Saudi Arabia	Real GDP in % y/y ¹	0.6	3.7	n/a	n/a	n/a	n/m	n/m
	CPI in % y/y ¹	5.1	5.4	5.5	4.7	4.7	(0.8)	(0.1)
	Interest rate in % ²	2.00	2.00	2.00	2.00	2.00	0.0	0.0
	Unemployment in % ²	10.5	10.0	n/a	n/a	n/a	n/m	n/m
All MENA	SASEIDX index price ³	27.5%	8.2%	(10.4%)	(0.9%)	0.2%	n/m	n/m
	Real GDP in % y/y ^{1,5}	1.8	3.8	n/a	n/a	n/a	n/m	n/m
	CPI in % y/y ^{1,5}	6.5	6.9	n/a	n/a	n/a	n/m	n/m
	MSCI Arabian ex SA price ³	(13.9%)	5.6%	(0.9%)	2.0%	(2.4%)	n/m	n/m
	IPO number	15	35	10	6	5	(50%)	(17%)
	IPO in USD bn	3.0	3.2	1.1	0.1	0.2	(82%)	305%
	M&A deal number	180	185	33	47	42	27%	(11%)
	M&A in USD bn	16.5	23.2	6.3	5.2	1.2	(80%)	(76%)
Region bonds in USD bn ⁴	51.8	53.8	10.5	9.6	8.5	(19%)	(12%)	

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 Q2 2011 vs. Q1 2011. Dy/y is the comparison of Q2 2011 vs. Q2 2010.

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, September 15, 2011. 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 real GDP expected to increase to 5.1% in 2011 and to 5.7% in both 2012 and 2013, from 4.8% in 2010, according to the World Bank. Despite the overall region's growth, economic expansion in South Africa, one of the region's most important economies, decelerated in the second quarter to 3.0%, from 3.5% in the previous quarter, due to a marked slowdown of household consumption as disposable income growth moderated. Nigeria, despite benefiting from higher global oil prices, is expected to record economic growth of 7.1% in 2011, a slight decrease from 7.9% in the previous year. Part of the expected decrease can be attributed to the terror attacks and instability in the north of the country, which have overshadowed the country's relatively peaceful and transparent presidential election.

Capital inflows are expected to continue on an upward trajectory for Sub-Saharan Africa as the global economy continues to stabilize. Net private capital inflows to the

region rose to USD 41.1 billion in 2010 from USD 35.8 billion in 2009, with a further increase to USD 48.6 billion expected for 2011. Additionally, regional economies are beginning to access global debt markets, as demonstrated by Nigeria's oversubscribed USD 500 million debut Eurobond and several countries' plans to tap the nearly USD 1 trillion global Islamic finance market.

Private equity fundraising across Sub-Saharan Africa continues to gain attention, and received a significant vote of confidence in June when Helios Investment Partners closed its second fund at USD 900 million. Total fundraising activity across the region increased from the prior year, and resulted in USD 1.1 billion raised through the first two quarters of 2011. Investment activity across the region increased as well, and totaled USD 256 million through 18 deals for the first half of the year.

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

		2009	2010	Q210	Q111	Q211	Dy/y	Dq/q
South Africa	Real GDP in % y/y ¹	(0.6)	3.8	3.1	3.5	3.0	(0.1)	(0.5)
	CPI in % y/y ¹	6.3	3.5	4.2	4.1	5.0	0.8	0.9
	Interest rate in %	7.00	5.50	6.50	5.50	5.50	(1.0)	0.0
	Unemployment in %	24.2	24.0	25.2	25.0	25.7	0.5	0.7
	ZADOW (SA) index price ³	24.2%	17.6%	(5.5%)	(1.4%)	(2.1%)	n/m	n/m
Nigeria	Real GDP in % y/y ¹	7.0	7.9	7.7	6.6	7.7	0.0	1.1
	CPI in % y/y ¹	12.5	13.7	14.2	12.8	10.2	(2.0)	(2.6)
	Interest rate in %	6.00	6.25	6.00	7.50	8.00	1.50	0.5
	Unemployment in %	19.7	n/a	n/a	n/a	n/a	n/m	n/m
Kenya	Real GDP in % y/y ¹	2.8	6.9	6.0	7.5	8.0	2.0	0.5
	CPI in % y/y ¹	5.3	4.5	3.5	9.2	14.5	11.0	5.3
	Interest rate in %	7.00	6.00	6.75	6.00	6.25	(0.5)	0.3
All SSA	Real GDP in % y/y ^{1,5}	2.8	5.0	n/a	n/a	n/a	n/m	n/m
	CPI in % y/y ^{1,5}	10.5	7.5	n/a	n/a	n/a	n/m	n/m
	MSCI EFM Africa price ³	43.6%	28.7%	(10.1%)	(3.9%)	(2.5%)	n/m	n/m
	SSAXSA50 index price ³	(13.9%)	5.6%	(0.9%)	2.0%	(2.4%)	n/m	n/m
	IPO number	2	12	4	0	0	(100%)	n/m
	IPO in USD bn	2.1	2.1	0.8	0.0	0.0	(100%)	n/m
	M&A deal number	286	351	78	84	73	(6%)	(13%)
	M&A in USD bn	18.4	30.4	3.9	7.6	4.4	12%	(43%)
Region bonds in USD bn ⁴	13.9	21.6	4.5	9.9	5.9	31%	(40%)	

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 Q2 2011 vs. Q1 2011. Dy/y is the comparison of Q2 2011 vs. Q2 2010.

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, September 15, 2011. The International Monetary Fund World Economic Outlook September 2011 database.

Environment – Turkey and Russia/CEE/CIS

GDP growth in Central Eastern Europe (CEE), the Commonwealth of Independent States (CIS) and Turkey is expected to slow in 2011, to 4.7% from 5.2% in 2010. Several factors, including limited credit growth, household deleveraging and industrial sector restructuring following the prior period's credit boom, are likely to contribute to

Regional economies are rebounding at varying speeds

the deceleration. The regions remain widely disparate, however, as continued high commodity prices should spur growth in certain countries such as Russia. Turkey's growth is projected to level off from its China/India-like expansion of 8.9% in 2010 to a rate of 6.1% in 2011.

Private equity investment levels varied across the region, from limited success in Russia to considerable success in Turkey. In Turkey, Mediterra and Invest AD held closes of a combined USD 248 million through the first half of the year, while Russia-focused funds recorded only USD 60 million of commitments. Combined, CEE and CIS countries raised USD 631 million in the first half; on pace to equal the amount raised in 2010, though still modest. Investment volumes increased substantially as USD 1.8 billion was invested in 60 deals, setting the stage for higher investment levels in 2011. Investment in Russian deals was down by half from the USD 758 million semi-annual average of 2010, to USD 383 million through 16 deals.

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

		2009	2010	Q210	Q111	Q211	Dy/y	Dq/q
Turkey	Real GDP in % y/y ¹	(4.7)	8.2	10.2	11.6	8.8	(1.4)	(2.8)
	CPI in % y/y ¹	6.3	8.6	8.4	4.0	6.2	(2.1)	2.3
	Interest rate in % ²	6.50	6.50	6.50	6.25	6.25	(0.3)	0.0
	Unemployment in % ²	13.5	11.4	10.5	10.8	9.2	(1.3)	(1.6)
	Consumer confidence ²	78.8	91.0	88.0	93.4	96.4	8.4	3.0
	XU100 index price ³	96.6%	24.9%	(3.0%)	(2.4%)	(1.8%)	n/m	n/m
	IPO number	1	22	8	7	10	25%	43%
	IPO in USD bn	0.0	1.9	0.3	0.7	0.3	6%	(53%)
	M&A deal number	57	79	12	22	27	125%	23%
	M&A in USD bn	2.7	13.1	2.0	3.6	2.0	0%	(45%)
Country bonds in USD bn ⁴	3.9	8.7	2.3	6.1	5.1	123%	(17%)	
Russia	Real GDP in % y/y ¹	(7.8)	4.0	5.0	4.1	3.4	(1.6)	(0.7)
	CPI in % y/y ¹	11.7	6.9	5.8	9.5	9.4	3.6	(0.1)
	Interest rate in % ²	8.75	7.75	7.75	8.00	8.25	0.5	0.3
	Unemployment in % ²	8.2	7.2	6.8	7.1	6.1	(0.7)	(1.0)
	RTS index ³	128.6%	22.5%	(14.8%)	15.5%	(6.7%)	n/m	n/m
	IPO number	0	5	3	0	1	(67%)	n/m
	IPO in USD bn	0.0	0.5	0.5	0.0	0.0	(95%)	n/m
	M&A deal number	220	234	67	69	51	(24%)	(26%)
	M&A in USD bn	23.6	50.2	11.0	15.2	12.0	9%	(22%)
	Country bonds in USD bn ⁴	43.4	61.6	15.2	14.0	20.6	35%	47%
Ukraine	Real GDP in % y/y ¹	(15.0)	n/a	5.5	5.3	3.8	(1.7)	(1.5)
	CPI in % y/y ¹	15.9	9.4	6.9	7.7	11.9	5.0	4.2
	Interest rate in % ²	10.25	7.75	9.50	7.75	7.75	(1.8)	0.0
	Unemployment in % ²	9.4	8.4	7.9	8.7	n/a	n/m	n/m
	PFTS index ³	90.1%	70.2%	(19.3%)	12.7%	(18.6%)	n/m	n/m
	IPO number	0	0	0	0	0	n/m	n/a
	IPO in USD bn	0.0	0.0	0.0	0.0	0.0	n/m	n/a
	M&A deal number	36	38	4	7	3	(25%)	(57%)
	M&A in USD bn	6.3	0.8	0.3	0.1	2.3	624%	1665%
	Country bonds in USD bn ⁴	3.4	5.0	1.3	3.6	2.4	81%	(33%)

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 Q2 2011 vs. Q1 2011. Dy/y is the comparison of Q2 2011 vs. Q2 2010.

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, September 15, 2011.

The table below details private equity data for Emerging Markets.

all values in USD million		2010	ann. 2011	Q111	Q211	% of total	Dy/y	Dq/q
MENA	Funds raised	1,070	182	60	31	0%	(83%)	(48%)
	Investments	2,215	150	75	0	0%	(93%)	(100%)
	Number of deals	34	16	6	2	1%	(53%)	(67%)
	PE penetration in % ¹	0.11						
SSA	Funds raised	964	2,112	156	900	7%	119%	477%
	Investments	1,383	512	173	83	1%	(63%)	(52%)
	Number of deals	37	36	10	8	3%	(3%)	(20%)
	PE penetration in % ¹	0.16						
CEE & CIS	Funds raised	1,586	1,262	51	580	5%	(20%)	1037%
	Investments	3,323	3,530	1,209	556	7%	6%	(54%)
	Number of deals	76	120	24	36	16%	58%	50%
Russia ²	Funds raised	455	120		60	0%		
	Investments	217	766	306	77	1%	253%	(75%)
	Number of deals	20	32	6	10	4%	60%	67%
	PE penetration in % ¹	0.02						
Latin America & Caribbean	Funds raised	2,248	8,296	397	3,751	30%	269%	845%
	Investments	1,318	2,506	516	737	9%	90%	43%
	Number of deals	54	64	14	18	8%	19%	29%
Brazil ²	Funds raised	401	6,000	150	2,850	23%	1396%	1800%
	Investments	989	1,954	496	481	6%	98%	(3%)
	Number of deals	20	30	7	8	3%	50%	14%
	PE penetration in % ¹	0.06						
Emerging Asia	Funds raised	15,938	32,722	9,457	6,904	55%	105%	(27%)
Investments		13,867	21,570	3,950	6,835	83%	56%	73%
	Number of deals	473	626	145	168	72%	32%	16%
Multiregion	Funds raised	801	700	32	318	3%	(13%)	894%
Global	Funds raised	22,607	45,274	10,153	12,484	100%	100%	23%
Emerging Markets	Investments	22,106	28,268	5,923	8,211	100%	28%	39%
	Number of deals	674	862	199	232	100%	28%	17%

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 annualized 2011 data vs. full-year 2010 data.

Source: Emerging Markets Private Equity Association, as of September 15, 2011.

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- (5) There is often a lack of transparency as to the fund's underlying investments
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- (7) A fund of fund invests in other funds and fees are charged at both the fund of fund and sub-fund level. Thus the overall fees paid by an investor will be higher than such investor would pay by investing directly in the sub-fund. In addition, each sub-fund charges or may charge an incentive fee, or carry, on new profits regardless of whether the overall operations of the sub-fund are profitable
- (8) There may be no secondary market for fund interests. Transfers of interests are subject to limitations. The fund's manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the fund
- (9) The fund's offering memorandum and the investment manager's disclosure document describes the various risks and conflicts of interest relating to an investment and to its operations. The Recipient should read those documents carefully to determine whether an investment is suitable in light of, among other things, the Recipients financial situation, need for liquidity, tax situation, and other investments
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