Capital Dynamics

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Capital Dynamics Market Environment

Summary Q1 2012

Confidential

Environment – US

Strong capital markets supported IPO and leveraged debt issuance activities in the first quarter of 2012

Moderate growth continued in Q1. However, there are signs of slowing economic activity

US public equity markets continued their upward run in the first quarter encouraged by improving job markets, stable economic growth and renewed optimism toward Europe. The S&P 500 price index increased by 12%, while NASDAQ posted the largest quarterly gains since the second quarter of 2009. However, equity prices came under pressure subsequent to the quarter end due to renewed concern over Europe.

Decreased risk aversion and increased allocation to alternatives fuelled issuance activity in leveraged debt markets in the first quarter, with high yield bond issuance volume increasing by 173% from the previous quarter and by 22% from the period one year prior, to USD 96.8 billion. Leveraged lending volume increased by 36% to USD 133.8 billion in the first quarter, although it trailed levels of the same quarter in 2011.

IPO activity was back on track in the first quarter with the number of offerings increasing by 56% from the previous quarter, to 89, despite a slight decline in proceeds due to smaller offerings. M&A activity continued at a steady pace with the number of deals increasing by 2% from the previous quarter and by 9% over the first quarter of 2011. Deal activity was focused on smaller transactions, with deal values decreasing by 48% from the previous quarter to USD 129.7 billion, due to a lack of large transactions.

Unemployment rates edged down in the first quarter, following the strongest growth in non-farm payroll employment since the end of the last recession, partly supported by favorable weather conditions. US domestic corporate profits of both non-financial and financial corporations increased in the first quarter, although overall profits declined for the first time since the first quarter of 2009, driven by overseas financial operations, according to the US Bureau of Economic Analysis. Consumer confidence continued to improve, supporting 1.9% GDP growth during the first quarter.

There are mixed signs on further economic development. On the one hand, construction spending increased solidly, while home prices and new home sales were above expectations. However, job creation slowed down markedly in the second quarter. The ISM manufacturing index fell below the neutral 50 mark to 49.7 in June, its lowest reading since July 2009, indicating a contraction in manufacturing. Furthermore, business confidence appears to be impacted by several factors: uncertainty whether the 2001 tax cuts will be allowed to expire at the end of 2012, the lack of a credible fiscal consolidation plan, and the continuing Eurozone crisis. However, most projections see the US economy continuing to grow moderately, with growth estimates for 2012 revised down slightly from 2.2% to 2.1%, according to the Bloomberg Composite as of July 15, 2012.

The table below details US macroeconomic and financial data.

	2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Real GDP in % q/q ann[1]	3.0	1.7	0.4	3.0	**1.9**	1.5	(1.1)
CPI in % y/y[1]	1.6	3.2	2.1	3.3	**2.8**	0.7	(0.5)
Interest rate in %[2]	0.25	0.25	0.25	0.25	**0.25**	0.00	0.00
Unemployment rate in %[2]	9.4	8.5	8.9	8.5	**8.2**	(0.7)	(0.3)
Consumer confidence[2]	74.5	69.9	67.5	69.9	**76.2**	8.7	6.3
S&P 500 index price[3]	12.8%	(0.0%)	5.4%	11.2%	**12.0%**	n/m	n/m
NASDAQ Composite index price[3]	16.9%	(1.8%)	4.8%	7.9%	**18.7%**	n/m	n/m
IPO number	194	215	44	57	**89**	102%	56%
IPO in USD bn	48.2	44.1	16.0	7.8	**6.9**	(57%)	(12%)
M&A deal number	8,491	9,851	2,226	2,389	**2,436**	9%	2%
M&A in USD bn	770.1	880.7	251.5	186.9	**129.7**	(48%)	(31%)
Leveraged loan in USD bn[4]	322.2	518.3	154.7	98.6	**133.8**	(14%)	36%
High yield bond in USD bn[4]	240.5	220.9	79.4	35.5	**96.8**	22%	173%

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, Credit Suisse Leveraged Finance Market Update as of June 30, 2012.

Private equity markets

During the first quarter of 2012, US private equity firms completed more deals than a year ago, although deal values trailed, driven by a lack of large transactions. A reverse picture was observed in exit activity. Exit deal values have increased over the last year thanks to a few large headline M&A exits, although the number of deals declined. Buoyant public markets provided opportunities to exit companies through IPO channels for both buyout and VC funds. Fundraising continued to recover into 2012 as the current fundraising cycle gained traction. Although some investors increased allocations to private equity on the back of improved realized performance, commitment activity remains concentrated with successful teams.

Buyout

Buyout fundraising activity continued to expand in 2012. The first quarter commitment volumes were the highest of the past 14 quarters. Commitment volumes increased by 10% from the previous quarter and 37% from the period one year prior to USD 38.8 billion. While mid-market funds remain in favor, large funds are not out of favor any more. Larger fund closings supported overall fundraising volumes, while the number of raised funds increased only moderately from the previous quarter.

Buyout fundraising was the strongest since Q3 2008

Among different investment styles, buyout funds, real estate and mezzanine funds attracted greater investor interest. Buyout funds collected USD 15.7 billion, real estate focused funds collected USD 14.1 billion and mezzanine funds collected USD 4.1 billion. Among large buyouts, KKR raised USD 4.975 billion during the first quarter for its North America buyout Fund XI. The Blackstone Group was on track to raise the largest ever real estate fund, with investors committing USD 8.6 billion to its Fund VII during the first quarter and with subsequent closings expected to bring the Fund to a

USD 12.5 billion size. Mezzanine fundraising had the highest quarterly volume since the first quarter of 2008, lifted by the Blackstone Group holding a final close of the GSO Capital Opportunities Fund II at USD 4.0 billion.

Buyout funds had a busier investment first quarter in 2012 than a year ago, with the number of deals increasing to 222 in the first quarter from 170 a year ago. However, an absence of large deals was responsible for a significant decline in investment deal values. USD 11.3 billion was invested during the first quarter, representing a 55% decline from the previous quarter, and a 58% decline year on year. The largest deal closed was the USD 1.8 billion acquisition of SunGuard Higher Education by Hellman Friedman. Investment activity picked up in the latter half of the first quarter, with a few large deals announced but completed in the second quarter, such as, Apollo Management and Riverstone Holdings's USD 7.15 billion acquisition of oil and gas exploration EP Energy Corp. from El Paso.

More, but smaller buyout deals are being completed in 2012

Financing conditions for new LBOs tightened during the first quarter, especially for large buyout deals. The debt/EBITDA multiple stood at 4.54x for large buyouts for targets with EBITDA above USD 50 million, down significantly from an annual average of 5.42x in 2011. Leverage for middle-market buyouts declined less – from 4.33x in 2011 to 4.13x in 2012. Equity contributions of buyout firms increased to 45% for large deals from 42% in 2011, while middle-market deal contribution levels remained stable at 40%. Acquisition multiples paid were lower in the first quarter of 2012. Average EBITDA multiples declined for both large and middle size deals to 8.6x and 7.3x from 9.1x and 8.2x in 2011, respectively.

Large M&A exits drove exit values, while IPO activity picked up

The pace of buyout M&A exits fell: there were about 85 M&A exit deals tracked by Thomson Reuters in the first quarter, compared with 129 in the fourth quarter and 100 a year ago. However, disclosed exit values increased to USD 13.8 billion, compared with USD 11 billion a year prior. Two exits of US-based companies contibuted to the increase: The Carlyle Group, Crestview Partners and MidOcean Partners sold Insight Communications, a provider of cable television services, to Time Warner for USD 3.0 billion, and Providence Equity Partners and Warburg Pincus sold Telcordia Technologies, developer of telecommunications software, to Swedish LM Ericsson for USD 1.15 billion.

As public markets continued to rise, some buyout firms exited holdings through IPOs. There were 11 IPOs of US buyout-backed companies in the first quarter, compared with six a year ago and just two in the fourth quarter, raising USD 1.8 billion of initial proceeds. The post offer market capitalization of those companies reached USD 9.8 billion. Vantiv LLC, backed by Advent International, was the largest offering with USD 500 million and was valued at USD 2.2 billion at the offer date. Raised proceeds and the market capitalization of floated companies compares well with the fourth quarter figures, but were below the level of the exceptional first quarter of 2011 which saw three of the largest ever buyout backed IPOs.

Private equity assets continued to appreciate

Distribution activity of buyout and other non-VC funds remained stable in 2011 compared with 2010, according to the latest available distribution statistics from Thomson Reuters. In 2011, USD 58.7 billion or 2% more than in 2010 was distributed by 905 funds tracked by Thomson Reuters. However, distribution activity faded in the second half of 2011. According to our observations, the pace of distributions did not change significantly in first quarter of 2012. Valuations of private equity assets recovered in the fourth quarter, following a decline in the third quarter. During 2011, private equity assets appreciated by 6.2%, while the S&P 500 total return index increased by 2.1%. Valuations continued to increase in the first quarter of 2012.

VC

Venture capital fundraising had a slow start

In contrast to buyouts, venture capital fundraising had a slow start in 2012. Commitment volumes declined by 16% to USD 5.2 billion from the previous quarter and by 31% from the period one year prior. The number of funds raised did not decline significantly. However, a lack of large fund closings pushed down quarterly figures. Andreessen Horowitz raised the largest fund of the first quarter and the firm's largest fund to date. The early stage focused Fund III received USD 1.5 billion of investor commitments, the only Fund exceeding the USD 1 billion mark during the first quarter. Fundraising remained concentrated, with three managers accounting for half of quarterly fundraising volumes. Two other managers closing significant amounts were Canaan Partners and Bain Capital Ventures, each raised USD 600 million.

The lack of large social media deals pushed down quarterly investments. Software deals increased

Venture capital investment activity lost momentum in the first quarter of 2012, with invested capital falling to the lowest level since the third quarter of 2010. Venture capital invested in US-based companies declined by 18% year-on-year and by 22% from the previous quarter to USD 6.3 billion. A decline was driven by both of the following factors: fewer deals and the lack of large deals. The deal flow declined by 9% to 717 deals, according to Dow Jones VentureSource. Although many industry segments saw decreased investment volumes, the largest impact came from Consumer Information Services deals, which includes social media, entertainment and shopping aggregators. USD 637 million was invested in such deals during the first quarter; significantly below the average of nearly USD 2 billion during the previous five quarters. Investments in this segment were expected to decline following recent exits of mature social internet companies such as Facebook, Zynga, Groupon, and LinkedIn, amongst others, which attracted large VC investments in the past few quarters.

The IT industry group was a stand-out performer during the first quarter. IT investments, driven by software deals, increased by 14% to USD 2.0 billion, eclipsing the healthcare industry group as the top venture industry investment sector.The largest venture capital deal was completed in energy and the utilities industry group, another industry that has seen increased investment volumes, as ARCH Venture Partners and a consortium of other investors invested USD 144 million in Sapphire Energy, a developer of algae-based crude oil technology.

Large VC-backed M&A exits lifted exit values, but activity slowed. IPO exit activity was strong

VC-backed M&A exit activity was mixed. The number of exits declined significantly, by 32%, compared with the first quarter of 2011. However, M&A exit values increased markedly, up by 42%, to USD 18.1 billion, driven by a number of large exit transactions. KRG Capital, Bain Capital Ventures and Ignition Partners sold Liberty Dialysis to Fresenius Medical Care AG for USD 1.7 billion. Another notable exit was completed by Redpoint Ventures' sale of Efficient Frontier, a provider of online marketing solutions across search, display, and social media, to Adobe Inc. for USD 400 million. The continued strength of public equity markets supported IPO exit activity. VC firms floated

18 US VC-backed companies with a market capitalization at the offer date of USD 7.9 billion and raised USD 1.5 billion. The first quarter activity was stronger than the same period a year ago, which saw 10 companies raising USD 830 million and reaching a market cap of USD 3.8 billion. The largest IPO of the first quarter was the USD 161 million offering of ExactTarget, backed by a consortium of investors including Battery Ventures and Technology Crossover Ventures.

Distributions by a sample of 1,323 US ventures funds tracked by Thomson Reuters increased by 21%, to USD 11.6 billion in 2011, compared with 2010, reflecting strong exit activity of US venture firms. VC portfolio assets appreciated by 5.0% during 2011, outperforming NASDAQ, which declined by 1.8%. Portfolio valuations continued to increase in the first quarter of 2012, paralleling developments in public equity markets.

Fundraising trends are expected to continue. Exit activity may accelerate in the second half of 2012

Fundraising activity is expected to remain highly competitive. GPs who can demonstrate recent strong performance are having little difficulty, but most managers are extending their fundraising horizon. With reasonable credit availability and pricing, deal activity is expected to increase modestly, driven by mid-market deals. Larger take-private and corporate carve outs, while less frequent, are becoming more common. Exits, particularly for pre-2006 investments, are expected to increase. Increased concern that tax policy towards PE will become dramatically less favorable may accelerate exits in the second half of 2012.

The table below details US private equity data.

all values in USD billion		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
BO	Funds raised[1]	81.9	126.0	28.4	35.1	**38.8**	37%	10%
	Number of funds[2]	275	370	103	112	**118**	15%	5%
	Investments	79.4	97.6	26.8	25.3	**11.3**	(58%)	(55%)
	Drawdowns[3]	48.3	38.8	14.6	15.9	**n/a**	(20%)	(17%)
	Distributions	57.4	58.7	21.3	10.7	**n/a**	2%	(53%)
	Appreciation as % of NAV	15.1%	6.2%	4.2%	2.6%	**n/a**	(9%)	(3%)
	5 year rolling net IRR[4]	5.8%	4.6%	6.4%	4.6%	**n/a**	(1%)	(1%)
VC	Funds raised[1]	13.8	18.6	7.6	6.3	**5.2**	(31%)	(16%)
	Number of funds[2]	172	180	46	52	**45**	(2%)	(13%)
	Investments	29.3	34.1	7.6	8.1	**6.3**	(18%)	(22%)
	Drawdowns[3]	6.5	5.2	1.5	0.7	**n/a**	(20%)	(67%)
	Distributions	9.6	11.6	3.4	1.8	**n/a**	21%	(53%)
	Appreciation as % of NAV	7.9%	5.0%	2.7%	0.5%	**n/a**	(3%)	(5%)
	5 year rolling net IRR[4]	4.4%	3.3%	4.2%	3.3%	**n/a**	(1%)	(1%)

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) Buyout 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 Q1 2012 vs. Q4 2011 for fundraising and investments and Q4 2011 vs. Q3 2011 for cash flows and performance data.
Dy/y is the comparison of Q1 2012 vs. Q1 2011 for fundraising and investments and the comparison of full- year 2011 vs. full- year 2010 for cash flows and performance data.
n/a - data not available.
Source: Thomson One, as of June 30, 2012.

Environment – EU

Capital markets started 2012 broadly optimistic, supported by the ECB second LTRO auction and easing sovereign debt concerns as Greece agreed to restructure its EUR 206 billion debt. However, increased political tensions in Europe, bail-out needs of Spanish banks, as well as slowing economic activity in the region and around the globe impacted business activities subsequent to the end of the first quarter.

IPO activity was slow despite improved public equity markets

During the first quarter, European public equity indices had solid gains, led by the DAX appreciating by 17.8%, primarily driven by banking and automotive sector stocks. The French CAC 40 and FTSE increased by 8.4% and 3.5%, respectively, dominated by financial stocks. IPO activity lagged developments in equity markets, with the number of offerings declining by a further 22% to 45 from the previous quarter. Raised proceeds more than doubled thanks to a few large offerings such as the IPO of private equity backed Dutch cable operator Ziggo.

Debt issuance activity, primarily high yield, improved significantly. Lending conditions are tightening

An increased investor demand for riskier assets fueled high yield bond issuance activity. Issuance proceeds soared nine times higher to EUR 20.3 billion from a quiet previous quarter, and also exceeded the high level set a year ago. Leveraged lending activity showed improvement from a weak fourth quarter. However, issued proceeds fell below the previous years level as lending standards continued to tighten, reflecting negative industry outlooks and bank capital requirements, according to the latest ECB survey results. The majority of loans were used for refinancing, while demand for loans to finance acquisitions and fixed investments weakened. M&A deal activity continued to slow in the first quarter. Deal count declined versus the previous quarter and year on year numbers. The uplift in deal values was due to a single transaction accounting for a third of quarterly value, as the commodity trader Glencore acquired the mining company, Xstrata.

Improvements in economic activity in Northern and Central Europe were offset by a deterioration in Southern Europe and the UK

The European economy avoided falling into recession as economic conditions stabilized in the first quarter of 2012, following a small contraction in the fourth quarter. Economic output expanded in Germany, the Nordic Region and in Central and Eastern European countries of the EU, but contracted in Southern Europe and in the UK. Economic activity remains fragile. Profits of publicly traded European companies weakened considerably in 2012 for the first time since 2009. Earnings per share for the Dow Jones STOXX Europe 600 companies declined from the average of EUR 21 per share over the past two years to EUR 17 per share in the first quarter of 2012. As expected last year, continued fiscal adjustments and banks deleveraging is affecting economic activity. Furthermore, uncertainty concerning European sovereign debt continued to impact business confidence. Leading indicators such as PMI suggest that economic conditions deteriorated subsequent to the first quarter and output is more likely to contract in the coming quarters. The outlook for 2012 foresees a mild contraction for the Eurozone of (0.4%) according to the Bloomberg Composite as of July 15, 2012 and (0.3%) according to the IMF World Economic Outlook report as of July 16, 2012.

The table below details European macroeconomic and financial data.

	2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Real GDP in % q/q[1]	2.0	1.5	0.7	(0.3)	**0.0**	(0.7)	0.3
CPI in % y/y[1]	1.6	2.7	2.5	2.9	**2.7**	0.2	(0.2)
Interest rate in %[2]	1.00	1.00	1.00	1.00	**1.00**	0.00	0.00
Unemployment rate in %[2]	10.0	10.7	9.9	10.7	**11.0**	1.1	0.3
Consumer confidence[2]	(11.0)	(21.3)	(10.6)	(21.3)	**(19.1)**	(8.5)	2.2
FTSE 100 index price[3]	9.0%	(5.6%)	0.1%	8.7%	**3.5%**	n/m	n/m
CAC 40 index price[3]	(3.3%)	(17.0%)	4.8%	6.0%	**8.4%**	n/m	n/m
DAX index price[3]	16.1%	(14.7%)	1.8%	7.2%	**17.8%**	n/m	n/m
IPO number	242	340	74	58	**45**	(39%)	(22%)
IPO in EUR bn	27.1	25.7	3.3	1.1	**2.5**	(22%)	133%
M&A deal number	6,085	6,299	1,564	1,560	**1,508**	(4%)	(3%)
M&A in EUR bn	401.4	480.0	114.9	85.6	**108.9**	(5%)	27%
Leveraged loan in EUR bn[4]	70.1	97.8	27.1	10.1	**18.5**	(32%)	83%
High yield bond in EUR bn[4]	50.8	44.5	18.9	2.4	**20.9**	11%	771%

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, Credit Suisse Leveraged Finance Market Update as of June 30, 2012.

Private equity markets

The European private equity market had a mixed start in 2012. Buyout investment deal flow was on the road to recovery from the low of the fourth quarter, but remained well below the level seen at the beginning of last year. Buyout exit activity showed some signs of improvement due to an increase in corporations' acquisition activity. VC and buyout–backed IPO exits increased as capital markets staged a partial recovery at the beginning of the year. Venture deal activity weakened further. Commitments to European private equity funds reached the highest level since 2008. However, fundraising continues to be at two speeds, determined by manager performance. Firms that demonstrated improved realized performance over the past two years have received investor support, while the others continue to struggle.

Buyout

Fundraising continued to increase, driven by the activity of brand-name GPs

Commitment amounts to European private equity funds reached EUR 12.3 billion, the highest quarterly level since the fourth quarter of 2008. However, the fundraising quarterly volume was driven by the three largest fund closings including Apax Partners, Cinven and Avenue Capital Group, raising 75% of the amount for the quarter. Apax Partners held an interim closing for its European buyout Fund VIII at EUR 4.3 billion; the largest fund raised during the first quarter. As with many managers returning to fundraising, Apax Partners set the target below its predecessor Fund at EUR 8.9 billion.

European buyout investments saw busier deal activity compared with the fourth quarter, primarily in the small and mid markets, but weakness in the large deal segment impacted deal values. 109 deals were completed during the first quarter, eight more than in the previous quarter. However, investment deal values declined slightly by 7%

Deal flow improved from the slow fourth quarter but a lack of large deals pushed down deal values

to EUR 10.2 billion. There were four deals above EUR 500 million compared with six in the fourth quarter of 2011. Investment activity was signficantly lower when compared with the same period a year ago, which saw 134 deals worth EUR 15.1 billion and included 11 large deals. During the first quarter of 2012, CVC Capital Partners acquired Ahlsell, a Swedish trading company in installation products and tools & machinery, for EUR 1.8 billion from Cinven and Goldman Sachs, in the largest buyout transaction. The second largest investment was also a secondary deal completed by Cinven, acquiring CPA Global, the UK-based support services company, from Intermediate Capital Group for EUR 1.1 billion.

Exit activity improved from the end of last year

As investor sentiment improved, trade buyers stepped up acquisition activity in the region. Trade sales accounted for 58% of quarterly exit values, while overall exit deal values increased by 70% to EUR 12.7 billion from the previous quarter. There were four deals exceeding EUR 1 billion in the first quarter of 2012 compared with a single such exit during the previous quarter. Permira Advisers sold NDS Group to Cisco Systems for EUR 3.4 billion in the largest European exit transaction during the first quarter. Rising public markets at the beginning of the year supported the IPO of Dutch cable operator Ziggo, backed by Cinven. Ziggo, the first European buyout backed company going public since July 2011, raised EUR 800 million on the NYSE Euronext Exchange in Amsterdam. CVC Capital also had plans to list the motor racing company Formula One, following a partial stake sale during the first quarter on the Singapore Exchange, but had to postpone due to market volatility.

According to the most recently available performance statistics from Thompson Reuters, buyout portfolio assets appreciated during 2011 by 3.7%. This appreciation was driven by increased realized gains as distribution activity statistics indicate. A Thomson Reuters' sample of 664 European buyout and other non-VC funds,distributed EUR 18.9 billion in 2011, representing a 69% increase from 2010. According to the first quarter GPs reports, valuations of portfolio companies continued to increase in 2012.

VC

Following a busy fourth quarter, venture capital fundraising declined by 47% to EUR 720 million. This is the fourth time in the last six quarters that the fundraising amount remained below EUR 1 billion, underlining the challenging environment for VC fundraising. Index Ventures raised EUR 150 million for its early stage Index Life I Fund V, the largest fund holding a close during the first quarter.

VC investments weakened further; health care deals declined the most

Investment activity had a weak start in 2012, with investment deal values declining by 25% to EUR 760 million from the previous quarter, and by 36% from the first quarter of 2011. 2012 has so far witnessed the weakest health care deal activity and smallest investments on record since 2003, according to Dow Jones VentureSource statistics. 40 deals attracted EUR 137 million of venture capital investments, representing a 22% decline in deal count and a 66% drop in capital invested versus the same period of 2011. Investment values and deal numbers in the U.K. and Germany, typically the continent's two largest countries for venture capital equity financing, declined by 44% and by 3% respectively in the U.K., and by 55% and by 17% respectively in Germany. France saw a 34% increase in investment value, although the number of deals during the period fell by 9%.

Average VC deal size declined significantly in the first quarter of 2012. No companies received EUR 50 million or higher investments, compared with five such investments during the first quarter of 2011. The largest deal of the first quarter was the EUR 37 million investment in the online store Zalando by DST Global and Investment AB Kinnevik.

M&A exit activity decreased in contrast with IPO exits

A decline in deal activity was more pronounced in M&A exit activity. VC funds realized 27 companies in M&A deals with enterprise values of EUR 673 million, representing a 68% decline in value and a 48% decline in deal numbers. A consortium of investors including Baring Vostok Capital Partners and Intel Capital, sold the Russian telecommunications company Electro-com for EUR 59 million to Transtelecom, the largest M&A exit of the first quarter. Atlas Venture and Pond Ventures made another notable exit with the EUR 39 million sale of the UK semiconductors company, Picochip to Mindspeed Technologies. Some VC firms captured a window of opportunity to exit companies via IPOs. Five exits raised EUR 161 million in the first quarter, while the previous quarter saw only two IPOs raising EUR 18 million. The French communications network company INSIDE Secure, backed by Apax Partners and Soffinova Ventures, raised EUR 69 million in the largest IPO exit of the first quarter.

Valuations of VC portfolios increased by 1.0% in 2011, according to the latest information available from Thomson Reuters. Distributions by 785 European VC funds tracked by Thomson Reuters increased by 6% to EUR 1.9 billion. GPs reports indicate a continued appreciation of VC portfolios in the first quarter of 2012.

Looking ahead, European private equity investment activity is expected to be volatile as headline risk weighs on both capital markets and investor sentiment. However, in comparison with other strategies, we expect mid-market investment and exit activity to be more resilient to macroeconomic headwinds. While Europe’s domestic economic development is likely to be choppy for some time, many European firms are expected to perform well in the global market.

The table below details European private equity data.

all values in EUR billion		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
BO	Funds raised[1]	9.7	31.0	6.5	9.5	**12.3**	88%	29%
	Number of funds[2]	63	77	23	27	**17**	(26%)	(37%)
	Investments	68.7	72.1	15.1	11.0	**10.2**	(33%)	(7%)
	Drawdowns[3]	19.2	12.8	3.0	2.5	**n/a**	(33%)	34%
	Distributions	11.2	18.9	3.5	3.9	**n/a**	69%	71%
	Appreciation as % of NAV	15.9%	3.7%	(1.0%)	1.9%	**n/a**	(12%)	(5%)
	5 year rolling net IRR[4]	7.0%	2.4%	6.4%	2.4%	**n/a**	(5%)	(5%)
VC	Funds raised[1]	4.2	3.5	0.6	1.4	**0.7**	20%	(48%)
	Number of funds[2]	66	49	14	13	**10**	(29%)	(23%)
	Investments	5.0	4.4	1.3	1.1	**0.8**	(36%)	(25%)
	Drawdowns[3]	3.9	3.5	0.8	0.9	**n/a**	(12%)	16%
	Distributions	1.8	1.9	0.5	0.2	**n/a**	6%	24%
	Appreciation as % of NAV	13.3%	1.0%	(2.2%)	1.9%	**n/a**	(12%)	(6%)
	5 year rolling net IRR[4]	0.5%	(0.1%)	(0.2%)	(0.1%)	**n/a**	(1%)	(1%)

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) Buyout 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 Q1 2012 vs. Q4 2011 for fundraising and investments and Q4 2011 vs. Q3 2011 for cash flows and performance data.
Dy/y is the comparison of Q1 2012 vs. Q1 2011 for fundraising and investments and the full- year 2011 vs. the full-year 2010 data for cash flows and performance data.
n/a – data not available.
Source: Thomson One, Private Equity Insight for buyout investments; Dow Jones VentureSource for VC investments, as of June 20, 2012.

Environment – Asia-Pacific

Asia-Pacific public equity markets posted strong performance during the first quarter with the region seeing net portfolio inflows, partly due to a liquidity-driven run on risky assets. Major Asia-Pacific public equity indices increased within a range of 3%-19%, with the Japan benchmark equity index increasing the most, supported by improved financial conditions of large corporations and the depreciation of the Yen.

IPO activity had a quiet start in 2012, with the number of offerings dropping by 41% to 128, and proceeds declining by two thirds to USD 8.6 billion from the same period a year ago. IPO activity slid down from the previous quarter as well, across both developed and emerging countries. Despite muted activity, Asia-Pacific continued to lead global IPO markets, accounting for 38% of all offerings and 42% of raised proceeds worldwide.

IPO and M&A activity continued to fade

M&A activity continued to slow down, with the number of deals decreasing by 11% and deal values falling by 19% to USD 101.8 billion year-on-year. There were fewer large deals completed in the region. The largest deal was worth USD 6.9 billion as Sesa Goa acquired an Indian mining company Sterlite Industries India Ltd.

Economic activity increased in developed counties but continued to moderate in large emerging countries

All major countries in the Asia-Pacific region demonstrated growth. Japan's economy continued to recover and after stabilization in the final quarter of 2011, grew impressively by 1.2% (non-annualized) in the first quarter of 2012. Major growth drivers were a firming of consumer demand, strong public construction activity, and moderately increasing business investments. According to recent IMF estimates, advanced economies of the Asia-Pacific region including Japan, Australia and New Zealand should grow at 2.1% in 2012, a higher rate than in 2011.

On the other hand, economic growth in emerging economies has continued to moderate. China's economy saw a fifth straight quarter of declining output in the first quarter, due to slowing exports and private residential investments. Consumer consumption remained robust in the first quarter but weakened in the second quarter, according to the early estimate of the second quarter GDP. The Chinese government introduced measures to stop the slowdown, by decreasing borrowing costs in June for the first time since 2008, and by loosening controls on banks' lending and deposit rates, which should stimulate growth in the second half of 2012. India's economic growth also showed moderation in the first quarter, down to 5.3% from 6.1% in the previous quarter and 9.2% a year ago. This was due to a sharp decline in business investments and a reduction in consumer demand as a result of monetary policy tightening. With falling inflation, monetary policy is expected to be more neutral, and consumer demand conditions are expected to improve slowly in the second half of 2012.

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

		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Japan	Real GDP in % q/q[1]	4.5	(0.8)	(2.0)	0.0	**1.2**	3.2	1.2
	CPI in % y/y[1]	(0.7)	(0.3)	(0.5)	(0.2)	**0.5**	1.0	0.7
	Interest rate in %[2]	0.10	0.10	0.10	0.10	**0.10**	0.00	0.00
	Unemployment rate in %[2]	4.9	4.5	4.7	4.5	**4.5**	(0.2)	0.0
	Consumer confidence[2]	40.2	38.1	38.3	38.1	**40.1**	1.8	2.0
	Nikkei 225 index price[3]	(3.0%)	(17.3%)	(4.6%)	(2.8%)	**19.3%**	n/m	n/m
China	Real GDP in % y/y[1]	10.4	9.2	9.7	8.9	**8.1**	(1.6)	(0.8)
	CPI in % y/y[1]	9.8	8.9	5.1	4.6	**3.8**	(1.3)	(0.8)
	Interest rate in %[2]	5.81	6.56	6.06	6.56	**6.56**	0.50	0.00
	Shanghai Composite price[3]	(14.3%)	(21.7%)	4.3%	(6.8%)	**2.9%**	n/m	n/m
India	Real GDP in % y/y[1]	8.4	7.5	9.2	6.1	**5.3**	(3.9)	(0.8)
	CPI in % y/y[1]	12.1	8.9	9.0	8.4	**7.2**	(1.8)	(1.2)
	Interest rate in %[2]	5.25	7.50	5.75	7.50	**7.50**	1.75	0.00
	SENSEX index price[3]	17.4%	(24.6%)	(5.2%)	(6.1%)	**12.6%**	n/m	n/m
Korea	Real GDP in % y/y[1]	6.3	3.6	4.2	3.3	**2.8**	(1.4)	(0.5)
	CPI in % y/y[1]	3.0	4.0	4.1	4.2	**2.6**	(1.5)	(1.6)
	Interest rate in %[2]	2.50	3.25	3.00	3.25	**3.25**	0.25	0.00
	Unemployment rate in %[2]	3.5	3.0	4.3	3.0	**3.7**	(0.6)	0.7
	Kospi index price[3]	21.9%	(11.0%)	2.7%	3.2%	**10.3%**	n/m	n/m
Australia	Real GDP in % y/y[1]	2.5	2.1	1.2	2.5	**4.3**	3.1	1.8
	CPI in % y/y[1]	2.9	3.4	3.3	3.1	**1.6**	(1.7)	(1.5)
	Interest rate in %[2]	4.75	4.25	4.75	4.25	**4.25**	(0.50)	0.00
	Unemployment rate in %[2]	4.9	5.2	4.9	5.2	**5.2**	0.3	0.0
	ASX 200 index price[3]	(2.6%)	(14.5%)	2.0%	1.2%	**6.9%**	n/m	n/m
Total Asia	IPO number	914	841	216	217	**128**	(41%)	(41%)
	IPO in USD bn	175.4	87.8	27.3	17.8	**8.6**	(68%)	(52%)
	M&A deal number	8,848	8,448	2,097	2,034	**1,865**	(11%)	(8%)
	M&A in USD bn	501.9	518.2	125.6	115.0	**101.8**	(19%)	(11%)

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 Q1 2011 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, June 30, 2012.

Private equity markets

Fundraising slowed in China but experienced managers continued to attract investor interest

Fundraising activity started slowly in 2012, primarily driven by a decline in activity of Chinese, mostly Yuan denominated funds which drove fundraising in the previous two years. The number of funds raised more than halved in the first quarter from the previous quarter and year-on-year. Fundraising volume trailed 18% below the 2011 level but maintained the level of the previous quarter due to the closing of a few large funds. Hony Capital was one of them, raising USD 2.4 billion for its buyout Fund VI and accounting for almost the entire quarterly Asian buyout volume. The fund was oversubscribed, indicating a high investor demand for established GPs in China. Growth capital fundraising was on a par with the level of the previous quarter but slowed compared with the same period a year ago. USD 10.0 billion was committed to 36 funds, representing a 1% increase in commitments over the previous quarter but a 31% decline over the first quarter of 2011.The number of growth capital funds dropped both in the quarterly and annual comparison. The quarterly volume was supported by the final closing of Nanjing Zijin Investment, raising USD 3.2 billion for investments in China.

Investment volume declined, driven by a lack of buyout deals; Growth and VC deal values were stable

Similarly, private equity investment activity had a slow start in 2012. Investment deal values declined by 16% to USD 11.1 billion from the same period of 2011. The decreased values were driven by a slowdown in deal activity with the number of deals declining at a similar rate (17%) from 2010. Across major strategies, buyout deal values and deal numbers dropped substantially from the previous year's level. Investment deal values declined by 54% to USD 1.9 billion during the first quarter of 2011, the lowest quarterly value since the first quarter of 2005, and the number of deals decreased by 51% to 36. The largest deal of the quarter was the USD 637 million acquisition of Hong Kong-based City Telecom by CVC Asia-Pacific. A multi-billion dollar acquisition, which was announced during the first quarter, was, however called off as Blackstone and The Carlyle Group could not achieve a final agreement on the pricing of the tower unit of Reliance Communications, according to AVCJ.

In contrast, VC and growth deal values, driven by large transactions such as the USD 1.6 billion acquisition of China Cinda Asset Management by CITIC Capital Partners, held their ground compared with 2011, despite a decline in deal activity. Investment values increased by 2% to USD 9.2 billion, while the number of deals declined by 13% to 366.

As public equity prices were still relatively low, especailly in China, despite some recovery in the first quarter, PIPE investments continued to see elevated activity. USD 4.2 billion was invested in the first quarter of 2012, 66% more than a year ago. In contrast, mezzanine pre-IPO deals were almost non-existent.

M&A exit activity was stable but the lack of large exits pushed down exit values

Trade sale activity of private equity firms remained stable at the beginning of 2012, with the number of M&A exit deals falling by two short of the same quarter a year ago. However, exit deal values fell to the lowest point since the first quarter of 2010 due to the lack of large exit deals. The largest exit deal had an enterpsrise value of USD 410 million as Malaysian Khazanah Nasional agreed to sell the Lotus sportscar-owner Proton Holdings Bhd to DRB-Hicom, in Malaysia's biggest automotive takeover since 2000, according to Bloomberg data. Chinese exits, which dominated activity in 2011, were eclipsed by Indian and Japanese companies. India demonstrated a growth in exit activity versus 2011, with the number of exits increasing to 18 from 14 a year ago, and exit values reaching USD 1.4 billion, the highest value across all countries. Private equity firms used the window of opportunity to dispose of publicly held interests as the BSE India Sensex index moved up by some 18% between January and February. Temasek sold a stake in ICICI bank for USD 306 million, The Carlyle Group disposed of shares in Housing Development Finance Corporation, while Warburg Pincus realized holdings in Kotak Mahindra. Japan displayed the highest trade sale activity with 26 exit deals, although deal sizes were small with total deal values worth USD 0.9 billion.

Exits through IPOs had the weakest quarter since 2009

Exits through public markets fell sharply in the first quarter of 2012, partly driven by a thinner pipeline, with the number of exits nearly halving to 38 and raised proceeds falling by two thirds to USD 2.9 billion. The first quarter was the weakest since the third quarter of 2009. A decline in exits was visible across all markets. Chinese IPOs continued to dominate exits, with 29 offerings raising USD 2.5 billion. Offering sizes declined in the first quarter. The largest exit was the IPO of Chinese manufacturing company Ningbo Cixing backed by NewMargin Ventures raising USD 306 million.

Fundraising is becoming more difficult for new managers. Experienced teams are expected to attract greater investor demand as institutional global investors are continuing to increase exposure to Asia-Pacific private equity. However, caution is called for with China-based funds due to the inexperience of many of the GPs and LPs of those funds. An uncertain deal environment is impacting investment activity, although relatively lower public equity valuations and a decline in M&A acquisition multiples offer some attractive investment opportunities. Exit activity is expected to remain muted until markets stabilize.

The table below details Asia-Pacific private equity data.

all values in USD billion		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
BO	Funds raised[1]	7.6	**7.9**	0.8	2.4	**2.6**	215%	7%
	Number of funds[2]	26	**27**	8	10	**5**	(38%)	(50%)
	Investments	31.4	**23.5**	4.2	7.4	**1.9**	(54%)	(74%)
	Number of deals	181	**153**	47	38	**23**	(51%)	(39%)
VC	Funds raised[1]	34.6	**54.1**	14.5	9.9	**10.0**	(31%)	1%
	Number of funds[2]	363	**339**	79	77	**36**	(54%)	(53%)
	Investments	39.8	**46.6**	9.0	9.5	**9.2**	2%	(3%)
	Number of deals	1,650	**1,751**	420	404	**366**	(13%)	(9%)
PE	M&A exit values	40.0	**43.6**	9.7	9.5	**4.4**	(54%)	(54%)
	Number of M&A exits	376	**383**	92	99	**90**	(2%)	(9%)
	IPO exit values	89.4	**39.3**	9.2	10.8	**2.9**	(68%)	(73%)
	Number of IPO exits	319	**292**	77	76	**38**	(51%)	(50%)
	Total number of exits	695	**675**	169	175	**128**	(24%)	(27%)
	Total exit values	129.4	**82.8**	18.9	20.3	**7.3**	(61%)	(64%)

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.
Notes: Prior-period figures may be revised due to ongoing database updates conducted by the source. Performance and cash flow .information is not reported by the source.
Dq /q is the comparison of Q1 2012 vs. Q4 2011; Dy/y is the comparison of Q1 2012 vs. Q1 2011.
Source: Asian Venture Capital Journal database, as of June 20, 2012.

Environment – Brazil

Brazil's economy is facing domestic and international pressure

Brazil's GDP increased by 2.8% in 2011 compared with 7.6% in 2010. The IMF forecast the continuation of the country's subdued growth in 2012 which we have witnessed to date. 2013 is expected to see a return to higher growth, the IMF has estimated 4.6%, but there must be some doubt as to whether these levels will be achieved. In Q1 2012, GDP increased by 0.8% and is in line with the IMF's expectations. Key factors contributing to the current economic slowdown can be attributed to decreased international competitiveness, weak domestic and international demand and the ongoing debt crisis in Europe, Brazil's biggest trading partner.

Inflation, another concern for Brazil, currently stands at 5.2% and while higher than the target rate of 4.5%, it is well below the upper 6.5% target imposed by the Banco Central do Brasil, the Brazilian central bank.

After a record year with respect to fundraising in Brazil in 2011 (USD 7.1 billion largely as a result of a number of very big funds raised), Q1 2012 is off to a weak start with only USD 125 million of private equity funds raised. This represents approximately 1.8% of the 2011 value. Burrill & Company was the only manager raising a fund exclusively focused on investments in Brazil in the current quarter. The manager raised USD 125 million in the first close of its Burrill Brazil Fund I. However, Brazil is expected to receive investments from multi-country focused managers such as Victoria Capital Partners who has raised USD 850 million for its Victoria South American Partners Fund II, targeting investments across South America in Brazil, Colombia, Peru, Chile, and Argentina. Investment volume in Q1 2012 is in line with 2011 activity. So far in 2012, 16 investments adding up to USD 682 million have been made.

The table below details Brazilian macroeconomic and financial data.

	2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Real GDP in % y/y[1]	7.6	2.8	4.2	1.4	**0.8**	(3.5)	(0.6)
CPI in % y/y[1]	5.0	6.6	6.3	6.5	**5.2**	(1.1)	(1.3)
Interest rate in %[2]	10.75	11.00	11.75	11.00	**9.75**	(2.00)	(1.25)
Unemployment in %[2]	5.3	4.7	6.5	4.7	**6.2**	(0.3)	1.5
Consumer confidence[2]	117.1	113.4	114.5	113.4	**113.2**	(1.3)	(0.2)
IBOVESPA total return index[3]	1.0%	(18.1%)	(1.0%)	8.5%	**13.7%**	n/m	n/m
IPO number	11	11	5	0	**0**	(100%)	n/m
IPO in USD bn	5.9	4.0	1.9	0.0	**0.0**	(100%)	n/m
M&A deal number	490	664	118	199	**127**	8%	(36%)
M&A in USD bn	150.0	94.4	19.8	17.6	**12.5**	(37%)	(29%)
Country bonds in USD bn[4]	58.7	70.2	19.1	14.2	**32.6**	71%	130%

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011..
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, June 14, 2012

Environment – Middle East & North Africa (MENA)

Regional and international uncertainty remain a drag on development of the MENA region

The "Arab Spring" continues to be the major driver affecting the region. While the movement represents significant opportunities in terms of societal, political and economic transformation, stabilization remains a key challenge and radicalization a major risk. Additionally, the slowing economic growth of emerging economies such as China and India, as well as the ongoing European debt crisis, are a drag on regional development. After the sharp decline in GDP growth from 5.0% in 2010 to 3.5% in 2011, the IMF forecasts a rebound to 5.5% for 2012. Non-oil GDP in particular is expected to contribute significantly to the economic growth of some regional oil exporters.

Inflation is expected to remain an issue across the region. From 2010 to 2011, inflation increased significantly from 6.9% to 9.6%. For 2012, the IMF anticipates that inflation will rise further and reach the 10% mark. FDI flows continue to be affected by regional developments and global uncertainty. In 2011, the region witnessed a drop in FDI of nearly 40%. According to the World Bank, a rebound of FDI into MENA is not expected before 2013.

Investment pace in the region started to rebound and the volume reached USD 437 million across eleven deals in Q1 2012. In comparison, USD 385 million representing 22 deals was invested into MENA in 2011. Fundraising reached USD 83 million in Q1 2012. Of note, ATLAMED and Abraaj Capital raised USD 47 million and USD 36 million in Q1 2012, respectively.

The table below details MENA macroeconomic and financial data.

		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Egypt	Real GDP in % q/q ann[1]	5.2	1.8	(8.6)	(1.7)	**n/a**	n/m	n/m
	CPI in % y/y[1]	11.7	11.1	11.5	9.6	**9.0**	(2.5)	(0.6)
	Interest rate in %[2]	8.25	9.25	8.25	9.25	**9.25**	1.00	0.00
	Unemployment in %[2]	8.9	12.4	11.9	12.4	**12.6**	0.7	0.2
Israel	Real GDP in % y/y[1]	4.9	4.8	5.1	3.2	**3.0**	(2.1)	(0.2)
	CPI in % y/y[1]	2.7	3.5	4.3	2.2	**1.9**	(2.4)	(0.3)
	Interest rate in %[2]	2.00	2.75	3.00	2.75	**2.50**	(0.50)	(0.25)
	Unemployment in %[2]	6.4	5.4	6.0	5.4	**n/a**	n/m	n/m
	TA-25 index price[3]	15.8%	(18.2%)	(0.4%)	0.7%	**3.6%**	n/m	n/m
Saudi Arabia	Real GDP in % y/y[1]	4.6	6.8	n/a	n/a	**n/a**	n/m	n/m
	CPI in % y/y[1]	5.4	5.0	4.7	5.3	**5.4**	0.7	0.1
	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	n/a	n/a	**n/a**	n/m	n/m
	SASEIDX index price[3]	8.2%	(3.1%)	(0.9%)	5.0%	**22.1%**	n/m	n/m
All MENA	Real GDP in % y/y[1,5]	5.0	3.5	n/a	n/a	**n/a**	n/m	n/m
	CPI in % y/y[1,5]	6.9	9.6	n/a	n/a	**n/a**	n/m	n/m
	MSCI Arabian ex SA price[3]	18.0%	(22.6%)	(10.1%)	(2.5%)	**7.3%**	n/m	n/m
	IPO number	35	19	6	6	**5**	(17%)	(17%)
	IPO in USD bn	3.2	1.0	0.3	0.3	**0.1**	(63%)	(64%)
	M&A deal number	185	175	46	42	**40**	(13%)	(5%)
	M&A in USD bn	23.9	9.9	5.7	1.5	**3.5**	(39%)	126%
	Region bonds in USD bn[4]	53.8	48.4	10.2	21.6	**19.2**	87%	(11%)

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, June 14, 2012. The International Monetary Fund World Economic Outlook July 2012 report.

Environment – Sub-Saharan Africa

Macro-economic conditions remain resilient in Sub-Saharan Africa

Sub-Saharan Africa has continued to perform well throughout the crisis. Overall, regional GDP grew by 5.2% in 2011 and is expected to grow by 5.4% in 2012, according to the IMF July's World Economic Output report. Major drivers of regional growth are natural resource rich countries as well as low-income countries. Economic expansion in low-income countries continues to be robust and amounts to 5.9%. Middle-income countries, however, show some early signs of economic slowdown with lower growth rates in 2012, GDP growth is estimated at 3.4%compared with the 4.3% achieved in 2011. South Africa, a middle-income country and one of the key economic actors in the region, is anticipated to achieve a GDP growth of only 2.7% in the current year and is demonstrating some less than helpful political rhetoric.

Resilience in terms of the macro-economic environment and sustainable economic growth over a decade support the region's buoyant development. These aspects helped to attract 25% more FDI in 2011 than 2010. Inflation, political instability as well as ongoing climatic changes, however, can pose challenges to the region's long-term economic development.

Across Sub-Saharan Africa, fundraising reached USD 293 million in Q1 2012. This is equal to 22% of the sum raised in 2011 for private equity, which was distorted by the ca. USD 1 billion Helios fund raise. 8 Miles and I&P Management together raised USD 270 million, with the former contributing USD 200 million. Furthermore, the Global Environment Fund and Cauris Management together raised the remaining USD 23 million and held their final closes in Q1 2012. Investment activity across the region continues to be strong with an investment volume of USD 442 million across 15 deals in Q1 2012. This represents approximately 42% of the 2011 investment volume, which was dispersed across 45 deals.

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

		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
South Africa	Real GDP in % y/y[1]	3.0	2.9	3.4	2.9	**2.1**	(1.3)	(0.8)
	CPI in % y/y[1]	3.5	6.1	4.1	6.1	**6.0**	1.9	(0.1)
	Interest rate in %	5.50	5.50	5.50	5.50	**5.50**	0.00	0.00
	Unemployment in %	24.0	23.9	25.0	23.9	**25.2**	0.2	1.3
	ZADOW (SA) index price[3]	17.6%	0.6%	(1.4%)	6.5%	**5.2%**	n/m	n/m
Nigeria	Real GDP in % y/y[1]	7.9	7.5	7.1	7.7	**6.2**	(1.0)	(1.5)
	CPI in % y/y[1]	13.7	10.8	12.8	10.3	**12.1**	(0.7)	1.8
	Interest rate in %	6.25	12.00	7.50	12.00	**12.00**	4.50	0.00
	Unemployment in %	21.7	n/a	n/a	n/a	**n/a**	n/m	n/m
Kenya	Real GDP in % y/y[1]	6.9	n/a	4.5	n/a	**n/a**	n/m	n/m
	CPI in % y/y[1]	4.5	18.9	9.2	18.9	**15.6**	6.4	(3.3)
	Interest rate in %	6.00	18.00	6.00	18.00	**18.00**	12.00	0.00
All SSA	Real GDP in % y/y[1,5]	5.3	5.2	n/a	n/a	**n/a**	n/m	n/m
	CPI in % y/y[1,5]	7.4	8.2	n/a	n/a	**n/a**	n/m	n/m
	MSCI EFM Africa price[3]	28.7%	(19.0%)	(3.9%)	5.1%	**10.6%**	n/m	n/m
	SSAXSA50 index price[3]	5.6%	(21.0%)	1.3%	4.1%	**5.0%**	n/m	n/m
	IPO number	12	12	1	1	**1**	0%	0%
	IPO in USD bn	1.7	0.8	0.029	0.009	**0.007**	(77%)	(27%)
	M&A deal number	351	373	84	110	**77**	(8%)	(30%)
	M&A in USD bn	30.6	22.1	7.6	4.2	**1.8**	(76%)	(56%)
	Region bonds in USD bn[4]	21.6	24.3	10.4	4.0	**8.0**	(23%)	101%

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, June 14, 2012. The International Monetary Fund World Economic Outlook July 2012 report.

Environment – Turkey and Russia/CEE/CIS

Turkey is currently transitioning from a fast growing economy with China and India-like growth rates, to an economy with more sustainable economic expansion. For 2012, the IMF predicts an economic growth rate of 2.3% for the country. Turkey has had an average GDP growth rate of nearly 8.9% over the past two years, and a significant current account deficit which was financed with short-term capital. This high growth phase has left Turkey with some vulnerabilities from potential changes in investors' risk appetite. In order to weather this transitory phase and create a sustainable economic enviornment, the IMF has proposed certain structural reforms in the labor market and education system.

The region entered into a phase of moderate growth which is accompanied by some downside risk

Russia managed to ride out the economic crisis between 2008 and 2009. The country entered into a moderate growth phase with expansion rates of 4.3% in 2010 and 2011. For Q1 2012, GDP growth showed a moderate acceleration to 4.9%. According to the IMF, Russia's GDP growth is expected to be around 4%for the year. Russia's heavy reliance on the oil and commodity industry however, exposes the country to falling oil prices. The rest of the CIS region is affected by similar dynamics. Despite this, CIS economies are expected to grow at a rate of 4.0% in 2012. However, major downside risks accompany this development; weak financial sectors and a strong reliance on external financing remain key weaknesses in the region.

Fundraising for Turkey and Russia as well as CEE and CIS countries picked up significantly and reached USD 2.1 billion in Q1 2012. This represents a major uptick compared with 2009, 2010 and 2011, when fundraising reached USD 1.6 billion, USD 1.2 billion and 1.8 billion respectively. Of note, Actera Partners raised USD 962 million for its Fund II , and Turkven Private Equity as well as Perun Capital had their final close at USD 840 million for Turkish Private Euity Fund III and USD 259 million for Perun Capital CEE Value Creation Fund respectively. Investment activity in 2012 , however, is off to a weak start and reached only USD 110 million across 11 deals in the first quarter of 2012;represented only about 3% of the investment volume seen in the full year 2011.

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

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		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
Turkey	Real GDP in % y/y[1]	9.2	8.5	11.9	5.2	**n/a**	n/m	n/m
	CPI in % y/y[1]	8.6	6.5	4.0	10.5	**10.4**	6.4	(0.0)
	Interest rate in %[2]	6.50	5.75	6.25	5.75	**5.75**	(0.5)	0.00
	Unemployment in %[2]	11.4	9.8	10.8	9.8	**10.4**	(0.4)	0.6
	Consumer confidence[2]	91.0	92.0	93.4	92.0	**93.9**	0.5	1.9
	XU100 index price[3]	24.9%	(22.3%)	(2.4%)	(14.1%)	**21.8%**	n/m	n/m
	IPO number	22	26	7	6	**0**	(100%)	(100%)
	IPO in USD bn	1.9	1.2	0.7	0.1	**0.0**	(100%)	(100%)
	M&A deal number	80	104	23	21	**28**	22%	33%
	M&A in USD bn	13.1	9.4	3.6	0.7	**1.1**	(70%)	46%
	Country bonds in USD bn[4]	8.7	20.2	6.1	7.4	**8.1**	33%	10%
Russia	Real GDP in % y/y[1]	4.3	4.3	4.0	4.8	**4.9**	0.9	0.1
	CPI in % y/y[1]	6.9	8.5	9.5	6.1	**3.7**	(5.8)	(2.4)
	Interest rate in %[2]	7.75	8.00	8.00	8.00	**8.00**	0.00	0.00
	Unemployment in %[2]	7.2	6.1	7.1	6.1	**6.5**	(0.6)	0.4
	RTS index[3]	22.5%	(21.9%)	15.5%	3.0%	**18.5%**	n/m	n/m
	IPO number	5	4	0	1	**0**	n/m	(100%)
	IPO in USD bn	0.5	0.2	0.0	0.0	**0.0**	n/m	n/m
	M&A deal number	235	266	77	70	**49**	(36%)	(30%)
	M&A in USD bn	49.5	47.3	17.0	10.2	**4.8**	(72%)	(53%)
	Country bonds in USD bn[4]	61.6	50.4	14.0	10.6	**22.5**	61%	112%
Ukraine	Real GDP in % y/y[1]	4.1	n/a	5.4	4.7	**2.0**	(3.4)	(2.7)
	CPI in % y/y[1]	9.4	8.0	7.7	4.6	**1.9**	(5.8)	(2.7)
	Interest rate in %[2]	7.75	7.75	7.75	7.75	**7.50**	(0.25)	(0.25)
	Unemployment in %[2]	8.4	8.2	8.7	8.2	**n/a**	n/m	n/m
	PFTS index[3]	70.2%	(45.2%)	12.7%	(5.0%)	**(0.5%)**	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	6	8	**4**	(33%)	(50%)
	M&A in USD bn	0.8	1.3	0.1	0.6	**0.2**	60%	(67%)
	Country bonds in USD bn[4]	5.0	6.8	3.6	0.2	**0.1**	(97%)	(37%)

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 Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
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.
n/a - data not available, n/m - not meaningful.
Source: Bloomberg, June 14, 2012.

The table below details private equity data for Emerging Markets.

all values in USD million		2010	2011	Q111	Q411	Q112	Dy/y	Dq/q
MENA	Funds raised	448	423	60	70	**83**	38%	19%
	Investments	793	385	75	22	**437**	483%	1886%
	Number of deals	23	22	6	6	**11**	83%	83%
	PE penetration in %[1]	0.03	0.01					
SSA	Funds raised	1,499	1,332	156	32	**293**	88%	816%
	Investments	631	1,059	173	576	**442**	155%	(23%)
	Number of deals	48	45	10	11	**15**	50%	36%
	PE penetration in %[1]	0.06	0.09					
CEE & CIS	Funds raised	1,192	1,752	51	892	**2,061**	3941%	131%
	Investments	2,398	3,480	1,209	627	**110**	(91%)	(82%)
	Number of deals	117	114	24	34	**22**	(8%)	(35%)
Russia[2]	Funds raised	75	135		75	**0**	n/m	n/m
	Investments	1,516	1,579	306	251	**50**	(84%)	(80%)
	Number of deals	45	29	6	7	**5**	(17%)	(29%)
	PE penetration in %[1]	0.10	0.08					
Latin America & Caribbean	Funds raised	5,608	8,441	397	2,716	**1,025**	158%	(62%)
	Investments	6,648	3,245	516	1,164	**759**	47%	(35%)
	Number of deals	92	88	14	34	**27**	93%	(21%)
Brazil[3]	Funds raised	1,078	7,079	150	2,614	**125**	(17%)	(95%)
	Investments	4,604	2,461	496	776	**682**	38%	(12%)
	Number of deals	53	47	7	22	**16**	129%	(27%)
	PE penetration in %[1]	0.22	0.10					
Emerging Asia	Funds raised	14,207	26,251	9,457	2,512	**4,353**	(54%)	73%
	Investments	18,308	18,715	3,950	2,963	**3,013**	(24%)	2%
	Number of deals	576	607	145	125	**123**	(15%)	(2%)
Multiregion	Funds raised	524	350	32	0	**0**	(100%)	n/m
Global Emerging Markets	**Funds raised**	23,477	38,549	10,153	6,222	**7,815**	(23%)	26%
	Investments	28,778	26,884	5,923	5,352	**4,761**	(20%)	(11%)
	Number of deals	856	876	199	210	**198**	(1%)	(6%)

1) Private equity penetration is a ratio of private equity annual investments to nominal gross domestic product (GDP).
2) Data is also included in CEE & CIS.
3) Data is also included in Latin America & the Caribbean.
Note: Dq/q is the comparison of Q1 2012 vs. Q4 2011. Dy/y is the comparison of Q1 2012 vs. Q1 2011.
Source: Emerging Markets Private Equity Association, as of May 27, 2012.

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