Emerging Markets Private Equity

FUNDRAISING AND INVESTMENT REVIEW

2008

empea

Emerging Markets
Private Equity Association

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About EMPEA

The Emerging Markets Private Equity Association (EMPEA) is an independent, member-based global industry association that promotes greater understanding of and a more favorable climate for private equity and venture capital investing in the emerging markets of Africa, Asia, Central/Eastern Europe and Russia, Latin America, and the Middle East.

EMPEA was founded in 2004 with the belief that private equity can be a critical driver of economic growth in emerging markets while simultaneously generating strong returns for investors.

In support of its mission, EMPEA:

- Researches, analyzes and disseminates authoritative global information on emerging markets private equity;
- Convenes meetings and conferences around the world;
- Offers professional development programs including monthly webcasts; and
- Collaborates with stakeholders from across the globe.

EMPEA's members represent more than 80 countries and over $500 billion in assets under management.

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Methodology

This report provides an overview of trends in fundraising, investment and performance among private equity funds dedicated to investments in the emerging markets of Asia, Central and Eastern Europe/Commonwealth of Independent States (CIS), Latin America, the Middle East and Africa. The statistics presented here are drawn from EMPEA's database of funds and are based on data from press releases and trade publications as well as communications with EMPEA members and regional and local venture capital associations.

Fundraising totals reported herein reflect only official closes (first, second and/or final) as reported in public sources, and by the firms themselves. Capital commitments accruing prior to or between official closes are not included in the totals. Investment totals included in the report reflect only the total amounts from disclosed deals. For both fundraising and investment data, amounts have been confirmed wherever possible through information provided by the fund managers themselves (e.g., firm websites, press releases or direct communication).

The statistics in this report are based on the "market" approach, i.e., EMPEA categorizes funds based on the countries or regions in which fund managers intend to invest. In the case of global funds, only those funds investing primarily in emerging markets are included in the totals (e.g., pan-Asia funds with a significant portion of capital intended for investment in China and India).

In cases where funds have mixed strategies (e.g., various stages, sectors), funds have been categorized according to the most dominant strategy where clearly evident or are otherwise classified as "multi-stage."

Regions in this report are defined as:

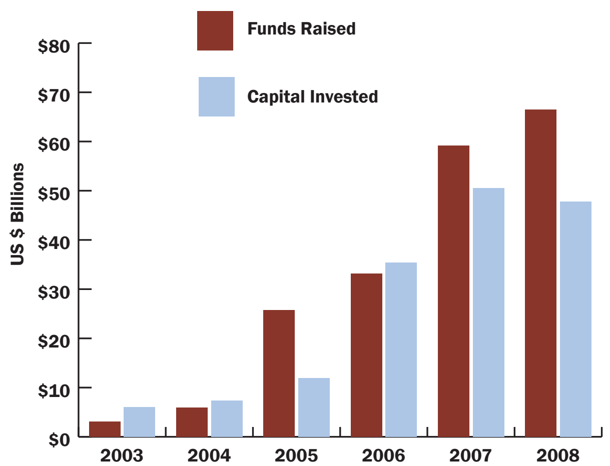
- Asia: all Asia, excluding funds whose primary mandate is investments in Japan, Australia or New Zealand.
- Latin America & Caribbean (LatAm & Carib.): includes Central and South America and the Caribbean region (excluding Puerto Rico).
- Central & Eastern Europe & Commonwealth of Independent States (CIS): European Union accession countries, Turkey, the Baltics and Balkans, as well as Commonwealth of Independent States (CIS) countries, including Russia.
- Middle East: Gulf Cooperation Council (GCC) plus Afghanistan, Djibouti, Iran, Iraq, Jordan, Lebanon, Syria and Yemen. All funds with a mandate to invest in the MENA region are included in the Middle East region for purposes of analysis unless the fund invests only in North African countries. Such funds are included in African regional statistics.
- Africa: includes both Sub-Saharan and North Africa funds focused solely on investments within North Africa (e.g., Egypt, Morocco).

Statistics in this publication exclude real estate funds and funds-of-funds. Infrastructure funds managed by private equity firms and making private equity-style investments are included in this analysis (i.e., equity investments in infrastructure-related industries). Infrastructure investments that fit the conventional model, i.e., greenfield projects and/or project finance, are not included.

EMPEA gratefully acknowledges the information and institutional support provided by a number of excellent industry sources and partners: AltAssets, Asia Private Equity Review, Asian Venture Capital Journal, CDC Group plc, DEG—Deutsche Investitions- und Entwicklungsgesellschaft mbH, GVcepe, InvestIQ, Private Equity Intelligence, Private Equity International, the Brazilian Private Equity and Venture Capital Association, The Development Bank of Southern Africa (DBSA), the European Bank for Reconstruction and Development, the European Venture Capital Association, The International Finance Corporation, the Latin American Venture Capital Association, the Mexican Private Equity Association, the Netherlands Development Finance Company (FMO), the South African Venture Capital Association, Venture Equity Latin America, Venture Intelligence, and Zero2IPO.

Private equity fundraising for emerging markets reached a record-breaking US$66.5 billion in 2008, bucking international trends and representing a 12% increase from the prior all-time high of US$59.2 billion in 2007. At the same time, PE investments fell by 5% to US$47.8 billion in 2008, compared to US$50.5 billion in 2007, suggesting a cautious approach to investment under turbulent valuation conditions.

Emerging Market Private Equity Fundraising and Investment, 2003–2008

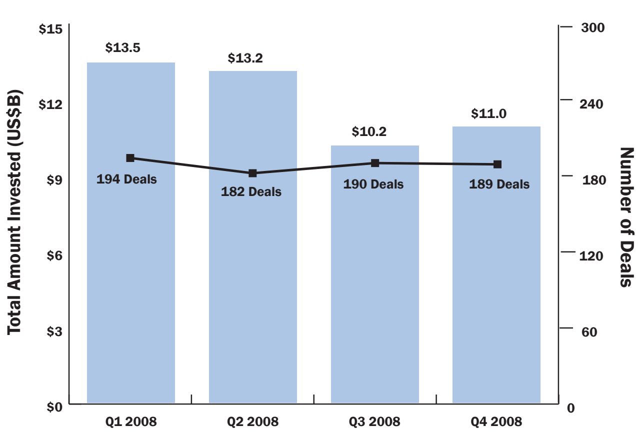


Year	Fundraising Total (US$B)	% Annual Change	Investment Total (US$B)	% Annual Change
2003	$3.1	NA	$6.0	NA
2004	$5.9	88%	$7.4	23%
2005	$25.8	336%	$12.0	62%
2006	$33.2	29%	$35.4	195%
2007	$59.2	78%	$50.5	43%
2008	$66.5	12%	$47.8	-5%

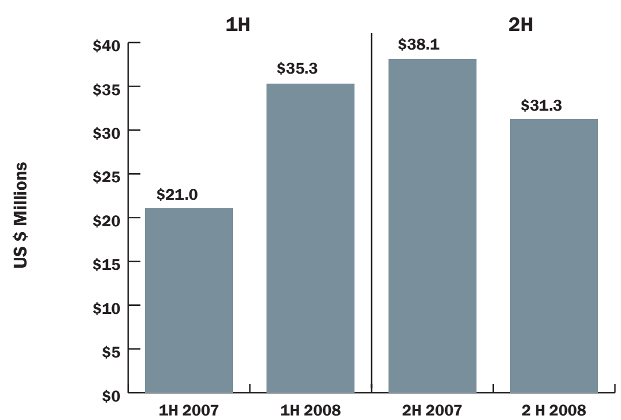
In 2008, 210 funds achieved closes, 25% of which were by first-time funds that combined raised more than US$11.6 billion. Whereas in 2007 the bulk of fundraising occurred in the second half of the year, in 2008, fundraising began to weaken in 2H, reflecting the deepening of the global financial crisis. On a year-on-year basis, the first half of 2008 saw a 68% increase relative to 2007, while the second half of the year saw a 20% decline.

Investments remained fairly steady throughout 2008, with 755 deals roughly distributed across all four quarters, hovering around an average of 190 deals per quarter. However, the total amount invested in the second half of 2008 declined 20% in comparison to the first half of the year.

Investment Volume and Value by Quarter, 2008



Fundraising Half-Yearly Comparison, 2007–2008



Fundraising Overview

Fundraising by Region

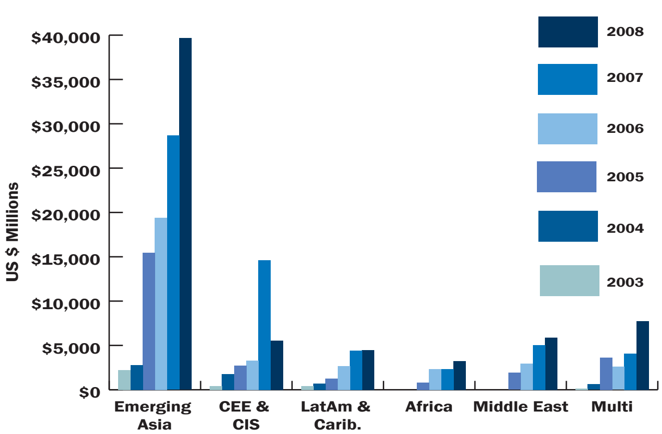
Emerging Asia continued to dominate the emerging markets landscape in 2008 with US$39.7 billion in capital commitments, representing approximately 60% of total capital raised compared to US$28.7 billion in 2007, which represented 49% of total capital raised. Over US$108 billion has been raised by Asian funds since 2003, with a 38% increase in capital raised for Asian private equity between 2007 and 2008.

Funds focused on opportunities in Central & Eastern Europe (CEE) and Russia/CIS markets saw flat growth in 2008. The nominal CEE/CIS figures show a 62% decline, with US$5.6 billion in capital commitments following a record-breaking 2007, which saw two multi-billion dollar closes together accounting for US$9 billion of US$14.6 billion raised. After normalizing for these outlier funds, the region saw near-zero growth between 2007 and 2008.

Africa tied with Asia for year-over-year growth, with funds raised growing by 38% after flat growth in 2007. Latin America and the Middle East drew US$4.5 billion and US$5.9 billion, respectively, representing near-zero growth for Latin America and a 17% increase for Middle Eastern funds compared with 2007.

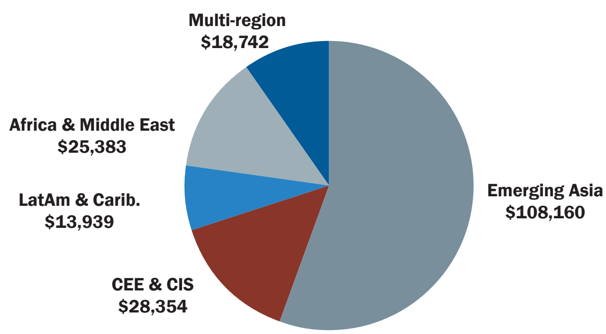
Funds focused on pan-emerging markets opportunities experienced the largest annual percentage change, with capital raised increasing by 89%, attributable in part to two multi-regional funds holding closes of over US$2 billion each.

Emerging Markets Private Equity Fundraising Totals by Region, 2003–2008



*Emerging Asia excludes funds focused primarily on investments in Japan, Australia and New Zealand.
**EMPEA reported Africa and Middle East together in 2003–2004.

Distribution of EM PE Fundraising by Region, 2003–2008, Cumulative (US$m)



Total Capital Raised for Emerging Markets, 2003-2008
$194,578 M

Emerging Markets Private Equity Fundraising Totals by Region, 2003–2008 (US$m)

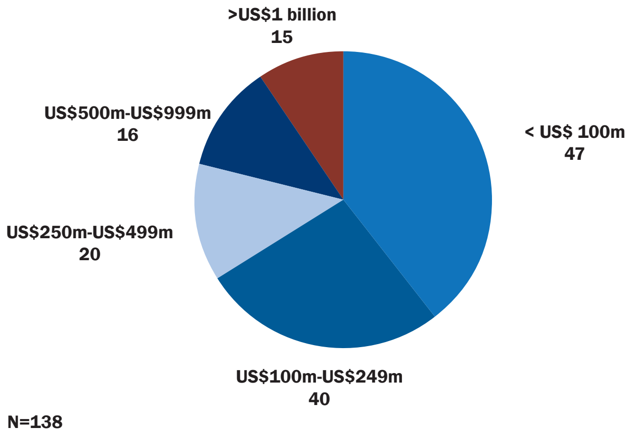
Year	EM Asia	CEE & CIS	LatAm & Caribbean	Africa	Middle East	MENA	Multi	Total
2003	$2,200	$406	$417			$350	$116	$3,489
2004	$2,800	$1,777	$714			$545	$618	$6,454
2005	$15,446	$2,711	$1,272	$791	$1,915		$3,630	$25,765
2006	$19,386	$3,272	$2,656	$2,353	$2,946		$2,580	$33,193
2007	$28,668	$14,629	$4,419	$2,340	$5,027		$4,077	$59,160
2008	$39,660	$5,559	$4,461	$3,218	$5,898		$7,721	$66,517
△ 2007–2008	38%	-62%	1%	38%	17%		89%	12%

Fund Sizes

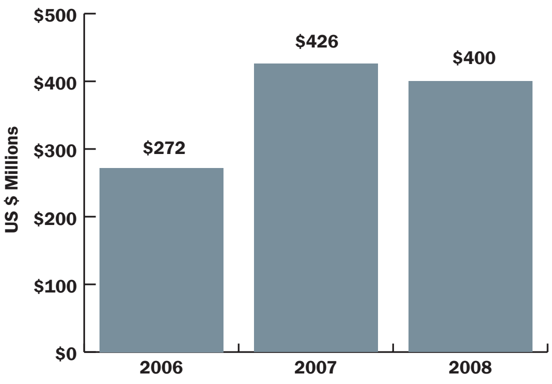
The distribution of fund sizes has held relatively steady in recent years. The majority (63%) of emerging market funds closed at under US$250 million in 2008, compared with 54% of funds closed in 2007 and 65% of funds in 2006[1]. At the other end of the spectrum, the number of US$1 billion-plus funds continues to grow—15 such funds closed in 2008 and 17 in 2007 versus only 4 in 2006.

Average fund sizes in 2008 fell slightly to US$400 million compared to US$426 million in 2007, a 6.5% decline. The proportion of closed funds under US$100 million rose to 34% in 2008 from 29% of funds with final closes in 2007. The more challenging fundraising environment expected in 2009 may yield smaller fund sizes generally, as GPs revisit targets or adjust target sizes to align with the lower entry valuations now possible.

Distribution of Fund Sizes for Funds with Final Closes in 2008 by Number of Funds



Average Size of Funds with Final Closes, 2006–2008



Size of Funds with Final Closes, 2006–2008

	2008			2007			2006		
Size of Funds with Final Closes	**No. of Funds**	**% Funds**	**Total Capital Raised (US$m)**	**No. of Funds**	**% Funds**	**Total Capital Raised (US$m)**	**No. of Funds**	**% Funds**	**Total Capital Raised (US$m)**
< US$100m	47	34%	$1,949	35	29%	$1,382	38	37%	$1,558
US$100m–US$249m	40	29%	$5,790	30	25%	$4,852	30	29%	$4,608
US$250m–US$499m	20	14%	$7,234	27	23%	$9,373	20	19%	$7,194
US$500m–US$999m	16	12%	$10,042	11	9%	$6,497	12	12%	$7,700
>US$1 billion	15	11%	$29,390	17	14%	$34,620	4	4%	$7,470
TOTAL	**138**		**$54,405**	**120**		**$56,724**	**104**		**$28,531**

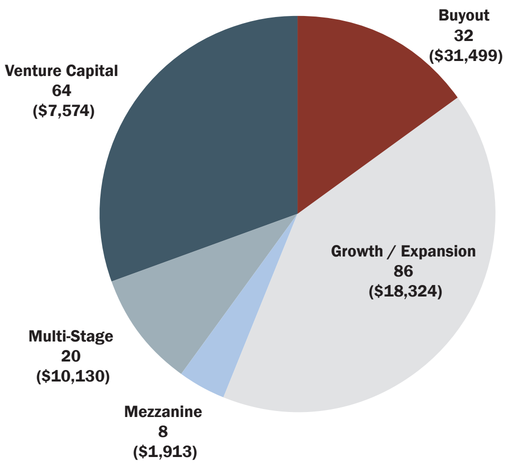
[1] Analysis of fund sizes reflects only those funds achieving a final close in the year indicated. Of the 210 funds holding closes in 2008, 138 funds reached a final close.

Profile of Funds with Closes in 2008

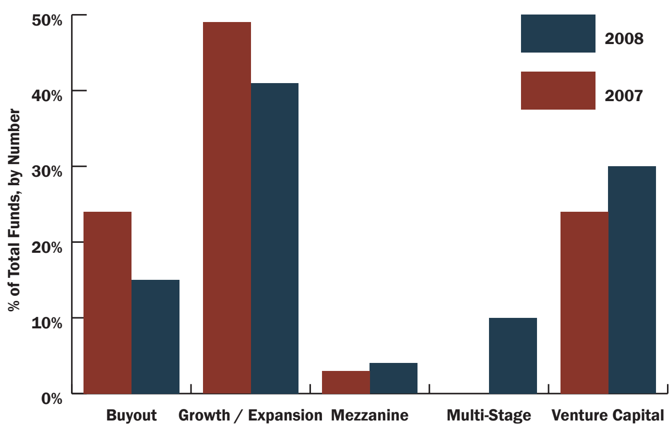
Stage of Funds

As in 2007, funds focused on growth capital opportunities were most prevalent, with 86 funds (41% of the sample and 26% of funds raised), followed by 64 venture capital funds (30% of the sample and 7% of funds raised). In 2007, growth funds accounted for 51% of the sample (28% of funds raised) and venture funds represented 25% of funds with closes (7% of funds raised). Buyout funds' proportion declined slightly in 2008, with 32 funds or 15% of the sample (45% of funds raised) compared with 42 funds or 21% of the sample (62% of funds raised) in 2007. The landscape in 2008 also reflected the continued rise of mezzanine-focused vehicles, with eight mezzanine funds holding closes compared with five in 2007.

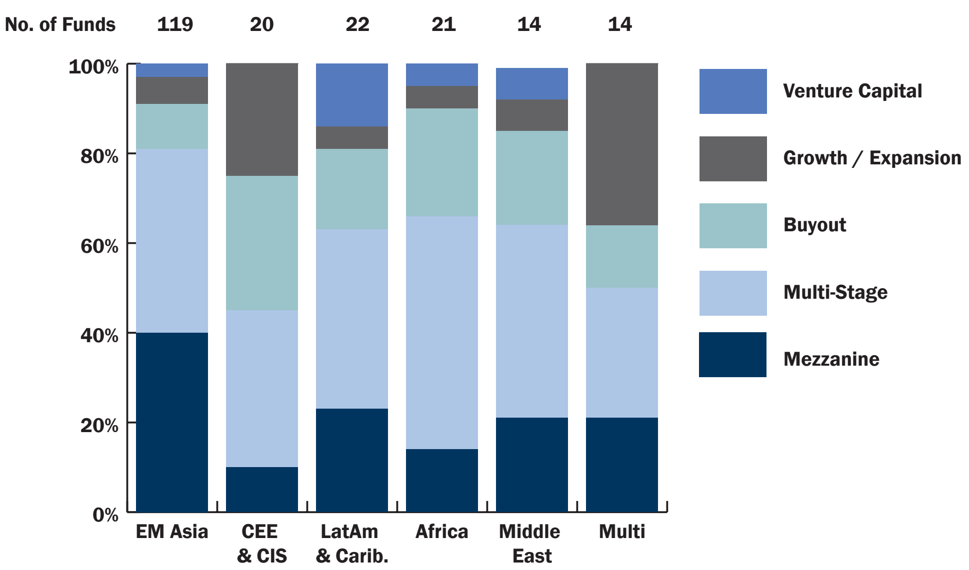
Stage of Funds with Final Closes in 2008 (US$m) by Number of Funds



Stage Funds with Final Closes, 2007–2008



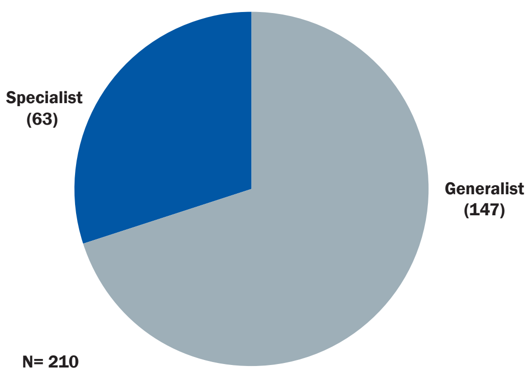
Stage of Funds with Final Closes in 2008 by Region (Number of Funds)



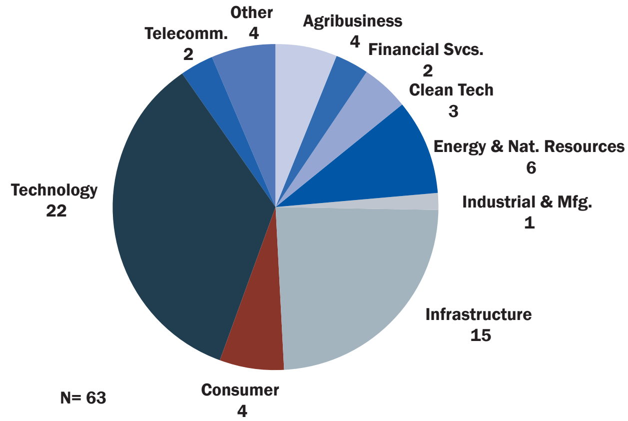
Sector Focus

The bulk of funds pursuing opportunities in the emerging markets continues to be generalist in approach. Specialist sector-focused funds represented only 30% of all funds with closes in 2008, mapping closely to 2007 when sector-specific funds represented 34% of the funds universe. Among specialized funds, technology and infrastructure remain the dominant strategies, as was true in 2007. Funds raised for infrastructure investment in 2008 grew significantly, rising 71% over the previous year, with 15 funds raising US$5.8 billion total, versus 8 funds raising US$3.4 billion in 2007.

Sector Focus among Funds with Final Closes in 2008 Funds Raised to Date, US$m (Number of Funds)



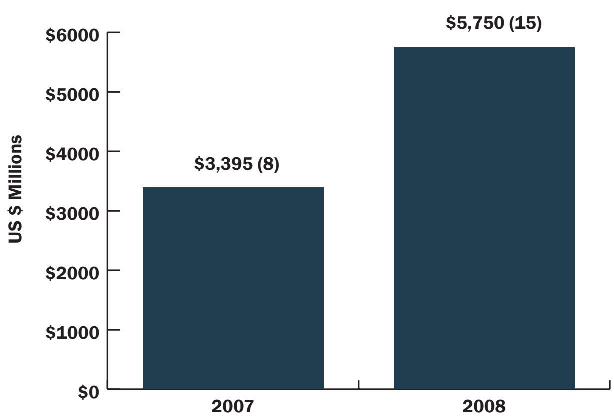
Sector Strategies among Specialist Funds with Closes in 2008 (Number of Funds)



Sector Focus of All Funds With Closes in 2008

Sector	2008 No. of Funds	Funds Raised in 2008 (US$m)	2007 No. of Funds	Funds Raised in 2007 (US$m)
Generalist	147	$54,150	118	$39,137
Agriculture/ Agribusiness	4	$299	4	$356
Financial Services	2	$625	3	$1,020
Clean Tech./ Environment	3	$250	4	$262
Energy and Natural Resources	6	$688	7	$2,838
Industrial and Manufacturing	1	$200	5	$981
Infrastructure	15	$5,750	8	$3,395
Consumer	4	$456	4	$624
Technology	22	$2,884	34	$7,595
Telecom.	2	$485	NA	NA
Other	4	$580	17	$2,952
Total	**210**	**$66,517**	**204**	**$59,161**

Total Funds Raised for Infrastructure, 2007–2008, US$m (Number of Funds)



Profile of Funds with Closes in 2008

Largest Funds Closed in 2008

The 10 largest funds closed in 2008 accounted for almost 30% of the total capital raised. Asian funds dominated in 2008 with three of the top five slots. Notably, Brazil counts three funds among the 10 largest, including that country's second billion-dollar plus fund raised in the last two years.

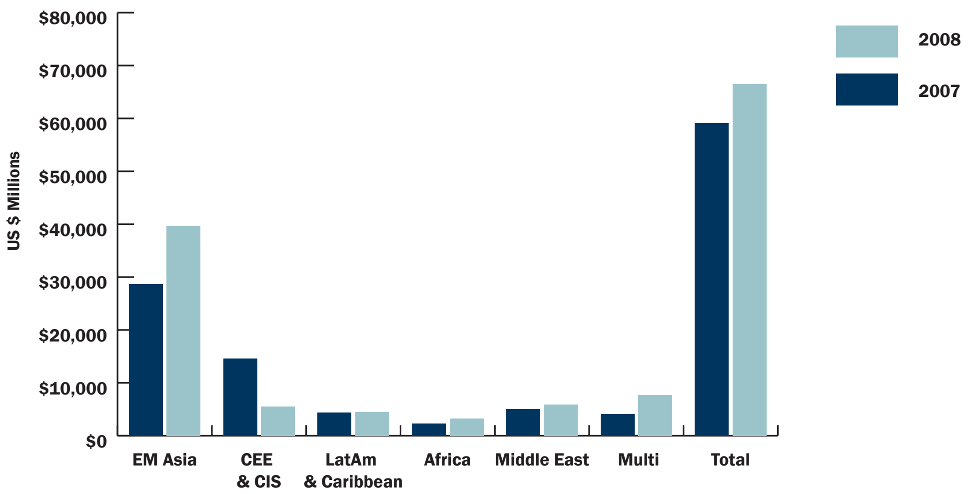
Funds with Final Closes in 2008 Raising Over US$1 billion

Fund Name	Fund Manager	Fund Type	Geography	Total Funds Raised (US$m)
TPG Asia V	Texas Pacific Group (TPG)	Buyout	Pan-Asia	$4,250
CVC Capital Partners Asia Pacific Fund III	CVC Asia Pacific Ltd.	Buyout	Pan-Asia	$4,100
Actis Emerging Markets Fund III	Actis	Multi-Stage	Multiregional	$2,900
Hopu USD Master Fund I, LP	Hopu Investment Management Company	Buyout	China	$2,500
CIPEF V	Capital International	Buyout	Multiregional	$2,250
Advent Central & Eastern Europe IV	Advent International	Buyout	CEE, Ukraine	$1,587
Baring Private Equity Asia IV	Baring Private Equity Asia	Multi-Stage	Pan-Asia	$1,515
HSBC Private Equity Fund VI	HSBC Private Equity	Buyout	Pan-Asia	$1,500
Gávea Fund III	Gávea Investimentos	Buyout	Brazil	$1,200

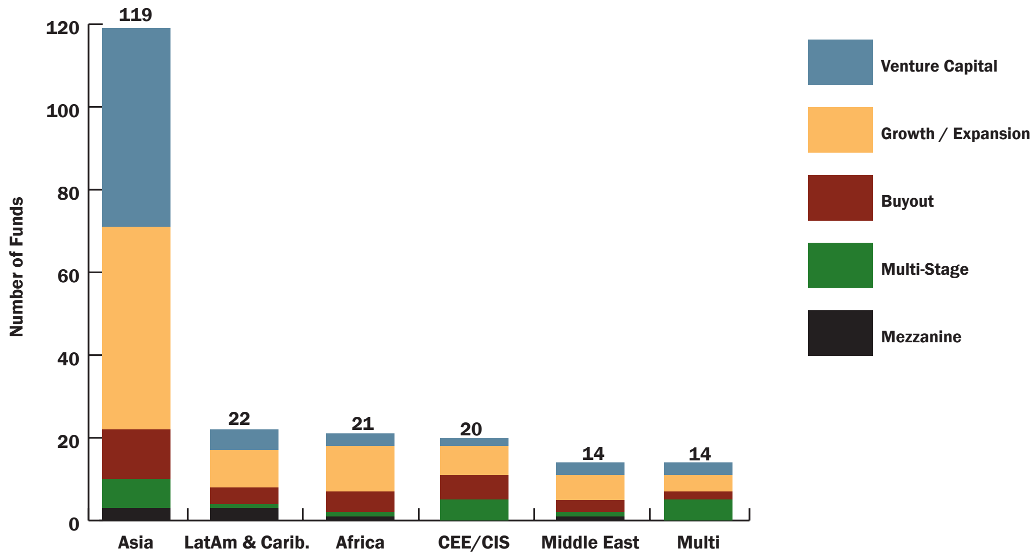
Regional Overview

Asia's dominance of the fundraising landscape continued in 2008, with US$39.7 billion or 60% of total capital raised by 119 funds. Funds investing across multiple regions followed with US$7.7 billion or 12% of the total (14 funds). Latin America was the second most active market following Asia as measured by the number of funds, with 22 funds raising a total of US$4.5 billion. Note: All funds with closes in 2008 are listed by region in the Appendix.

Emerging Markets Private Equity Fundraising Totals by Region, 2007–2008



Stage Profile of Funds with Final Closes in 2008, by Region

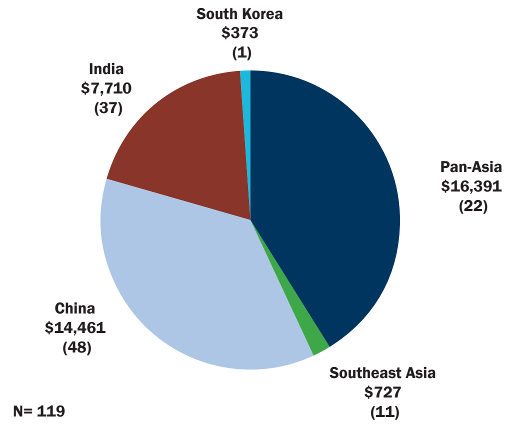


Fundraising by Region

Fundraising in Asia

Asian funds have dominated funds raised for emerging markets since 2003, accounting for over half of the cumulative total. 2008 marked a shift in the character of funds focused on Asian markets away from pan-Asian funds and towards funds with single country strategies, notably China and India funds—which accounted for 56% of the total versus 30% in the previous year. The portion of total capital raised by pan-Asian funds decreased significantly in 2008, falling to 41% of the Asia total in 2008 from 68% of total capital commitments to Asian funds in 2007. China's funds landscape, in particular, witnessed enormous growth, with 3.7x the amount raised in 2008 relative to 2007. Capital raised by funds focused on India grew by 67% in 2008.

Emerging Asia Funds Raised in 2008, US$m (Number of Funds)



China & India: Funds by Sector and Stage

China					**India**				
Sector	**2008 closes (US$m)**	**No. of Funds**	**2007 closes (US$m)**	**No. of Funds**	**Sector**	**2008 closes (US$m)**	**No. of Funds**	**2007 closes (US$m)**	**No. of Funds**
Generalist	$12,231	38	$2,428	12	Generalist	$4,963	23	$3,230	16
Food and Beverage	$90	1	NA	NA	Agribusiness	$85	1	NA	NA
Infrastructure	$620	2	$205	1	Clean Technology	$100	1	NA	NA
Technology	$1,520	7	$493	11	Technology	$583	5	$625	3
Other	NA	NA	$764	8	Industrials/Mfg.	$200	1	$214	1
					Infrastructure	$1,632	5	$500	1
					Consumer	$147	1	NA	NA
TOTALS	**$14,461**	**48**	**$3,890**	**32**	**TOTALS**	**$7,710**	**37**	**$4,569**	**21**
Stage					**Stage**				
Buyout	$5,348	3	$1,134	3	Buyout	$1,340	1	$1,750	2
Growth / Expansion	$5,012	20	$1,792	14	Growth / Expansion	$3,860	18	$1,615	15
Venture Capital	$3,821	22	$964	15	Venture Capital	$1,110	16	$804	4
Multi-Stage	$208	2	NA	NA	Multi-Stage	$1,400	2	NA	NA
Mezzanine	$72	1	NA	NA					
TOTALS	**$14,461**	**48**	**$3,890**	**32**	**TOTALS**	**$7,710**	**37**	**$4,569**	**22**

Other Regional Detail: Funds by Stage and Sector

CEE / CIS (including Russia)

Sector	2008 Closes (US$m)	No. of Funds	2007 Closes (US$m)	No. of Funds
Generalist	$4,137	15	$13,804	20
Infrastructure	$750	1	NA	NA
Consumer	$154	1	$95	1
Technology	$183	2	$159	2
Telecom-munications	$335	1	NA	NA
Other	NA	NA	$571	4
TOTALS	**$5,559**	**20**	**$14,629**	**27**
Stage				
Buyout	$2,346	6	$11,731	13
Growth / Expansion	$1,899	7	$2,263	9
Venture Capital	$330	2	$80	2
Multi-Stage	$985	5		
Mezzanine	NA	NA	$556	3
TOTALS	**$5,559**	**20**	**$14,629**	**27**

Latin America and the Caribbean

Sector	2008 Closes (US$m)	No. of Funds	2007 Closes (US$m)	No. of Funds
Generalist	$4,124	19	$3,750	19
Infrastructure	$163	1	NA	NA
Energy	NA	NA	$476	3
Agribusiness	$174	2	$91	2
Other	NA	NA	$102	3
TOTALS	**$4,287**	**20**	**$4,419**	**27**
Stage				
Buyout	$2,455	4	$2,865	4
Growth / Expansion	$1,413	10	$1,346	17
Venture Capital	$180	5	$208	6
Multi-Stage	$124	1	NA	NA
Mezzanine	$288	2	NA	NA
TOTALS	**$4,461**	**22**	**$4,419**	**27**

Africa

Sector	2008 Closes (US$m)	No. of Funds	2007 Closes (US$m)	No. of Funds
Generalist	$2,775	16	$924	11
Financial Services	$125	1	NA	NA
Energy/Nat. Res.	NA	NA	$1,300	1
Clean Technology	$48	1	NA	NA
Infrastructure	$105	1	$40	1
Consumer	$125	1	$29	1
Agribusiness	$40	1	NA	NA
Other	NA	NA	$47	2
TOTALS	**$3,218**	**21**	**$2,340**	**16**
Stage				
Buyout	$1,219	5	$40	1
Growth / Expansion	$1,495	10	$2,122	12
Venture Capital	$192	3	$70	2
Multi-Stage	$125	1	NA	NA
Mezzanine	$83	1	$108	1
TOTALS	**$3,218**	**21**	**$2,340**	**16**

Middle East

Sector	2008 Closes (US$m)	No. of Funds	2007 Closes (US$m)	No. of Funds
Generalist	$4,148	7	$2,130	10
Financial Services	$500	1	NA	NA
Energy/Nat. Res.	$50	1	$1,012	2
Hotels and Resorts	$490	2	NA	NA
Infrastructure	$630	1	$1,700	1
Technology	$80	2	$85	2
Other	NA	NA	$100	1
TOTALS	**$5,898**	**14**	**$5,027**	**16**
Stage				
Buyout	$3,740	3	$1,350	3
Growth / Expansion	$998	5	$3,220	8
Venture Capital	$205	3	$307	4
Multi-Stage	$125	1	NA	NA
Mezzanine	$200	1	$150	1
TOTALS	**$5,898**	**14**	**$5,027**	**16**

Funds in the Market

There were 352 funds in the market as of December 31, 2008 compared with 368 funds that were actively raising capital at the end of 2007. The complexion of the funds looking to raise capital in 2009 changed little, with 59% of funds targeting country-specific strategies versus 55% in 2008. Multi-regional funds accounted for a slightly larger portion of the market, with 31 funds collectively attempting to raise as much as US$25 billion, versus only 18 such funds at the end of 2007.

The proportion of funds in the market raising capital for the Middle East and Latin American markets decreased to 8% and 11%, from 18% and 14%, respectively, at the end of 2007. Middle East funds were targeting a substantially smaller amount of capital, US$10.8 billion in comparison to the US$19.9 billion being pursued at the close of 2007. By contrast, Latin America funds began 2009 with a collective target of US$5.2 billion, compared with a goal of US$2.4 billion in the previous year.

Africa's proportion of the number of funds in the market increased to 10% from 8%, as did that of funds focused on markets in the CEE and CIS regions, rising from 7% to 9% of funds in the market. Funds focused on African opportunities were attempting to raise as much as US$11 billion at the end of 2008.

A total of 188 Asian funds were in the market at the close of 2008 looking to raise a staggering US$121 billion, nearly one-third of which (59 funds) were targeting US$500 million or more.

Funds in the Market in 2009, Region Detail

Region	No. of Funds in Market (Mar. '09)	Collective Fundraising Target, 2009 (US$m)	Sum of Funds Raised to Date (US$m, EOY 2008)	Amount Being Raised in 2009 (US$m)
Africa	34	$11,014	$1,993	$9,021
Asia	188	$120,900	$8,123	$112,777
CEE/CIS	32	$7,999	$1,202	$6,797
Latin America & Carib.	40	$5,218	$881	$4,337
Middle East	27	$10,757	$1,020	$9,737
Multi-region	31	$25,293	$5,085	$20,208
Grand Total	**352**	**$181,179**	**$18,305**	**$162,875**

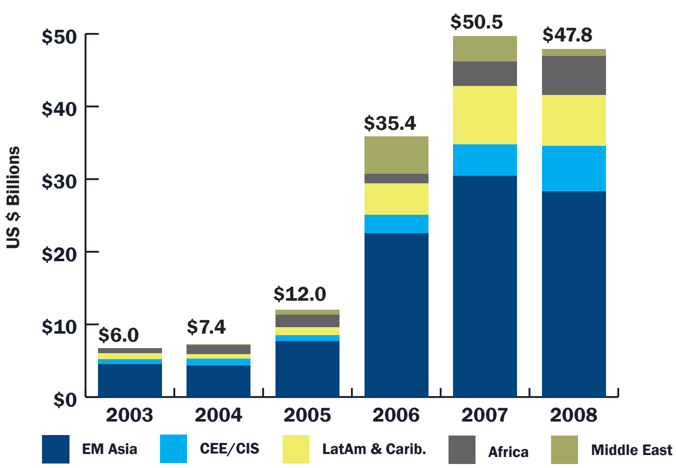
Funds Raising US$500 Million or More

	2009			2008		
Region	No. of Funds	Collective Fundraising Target, 2009 (US$m)	Funds Raised to Date (US$m, EOY 2008)	No. of Funds	Collective Fundraising Target (US$m)	Funds Raised to Date (US$m, EOY 2007)
Africa	5	$6,000	$660	4	$2,800	$0
Asia	59	$102,721	$4,300	36	$46,979	$3,341
CEE/CIS	5	$4,750	$0	NA	NA	NA
LatAm & Carib.	2	$1,375	$0	1	$600	$63
Middle East	10	$8,033	$793	18	$13,500	$3,300
Multi-region	15	$21,797	$3,965	6	$8,000	$1,450
Grand Total	**96**	**$144,676**	**$9,718**		**$71,879**	**$8,154**

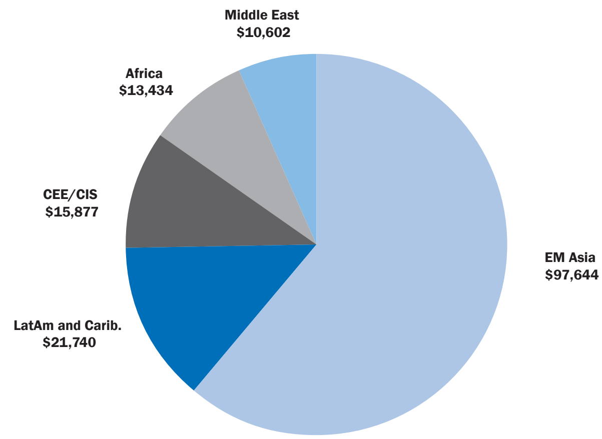
Investment by Region

Private equity investment in the emerging markets remained robust in 2008, falling by only 5% to US$47.8 billion from US$50.5 billion invested in 2007. Activity levels were robust throughout the year, with 755 deals relatively evenly distributed at roughly 190 deals per quarter. Emerging Asia accounted for US$28.3 billion, or 59% of the total invested in 2008. An estimated US$97.6 billion has been invested in Emerging Asian markets since 2003, representing more than 60% of the total US$159.1 billion invested in the emerging markets as a whole over the last six years.

Capital Invested in Emerging Markets Private Equity, 2003–2008

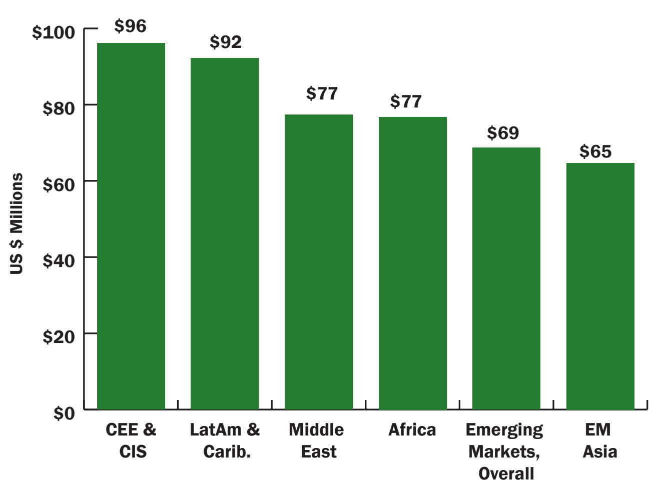


Distribution of Emerging Markets Private Equity Investment by Region, 2003–2008, Cumulative (US$m)



Average deal sizes were highest for Central & Eastern Europe/CIS and Latin America and the Caribbean, with average transaction sizes in both regions surpassing US$90 million. The Middle East and Africa followed, with deals averaging US$77 million in both regions. Deal size averages were smallest in Emerging Asia, at US$65 million, owing perhaps to a higher level of venture capital activity there relative to other emerging market regions.

Average Size of Investments in 2008 (US$m)



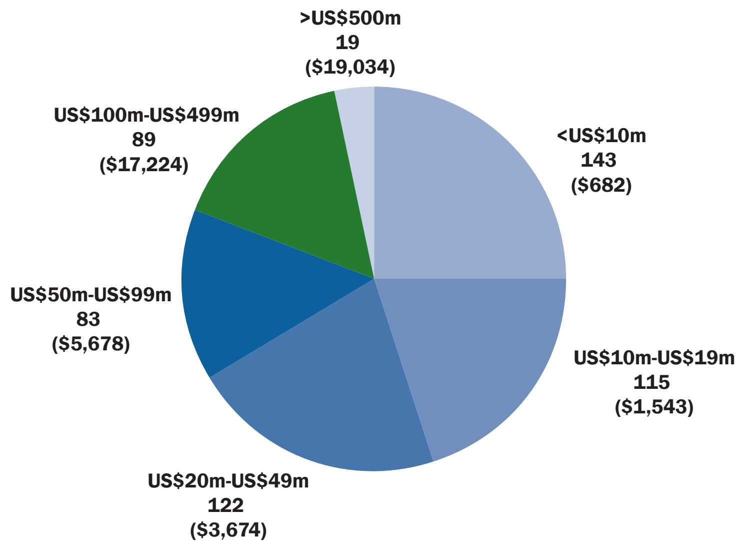
Profile of Investments in 2008

Deal Sizes

The vast majority of deals conducted in the emerging markets in 2008, 97%, were less than US$100 million, with 25% of transactions less than US$10 million and more than half of all deals less than US$50 million.[2] Only 19 deals closed at US$500 million or more. Excluding that small sample of outsized deals, emerging market private equity transactions averaged approximately US$39 million in 2008. Four out of the 10 largest deals in 2008 took place in Asia and four in Latin America; the remaining two deals took place in Egypt and Turkey. Half of these top ten investments were in the energy and natural resources sector.

Distribution of Deal Size in 2008 by Number of Deals ($USm)

Size of Investments	Total Invested ($US m)	No. of Deals	% of Total No. of Deals
Not Disclosed	NA	184	24%
<US$10m	$682	143	19%
US$10m–US$19m	$1,543	115	15%
US$20m–US$49m	$3,674	122	16%
US$50m–US$99m	$5,678	83	11%
US$100m–US$499m	$17,224	89	12%
>US500m	$19,034	19	3%
Totals	**$47,834**	**755**	**100%**



N= 571

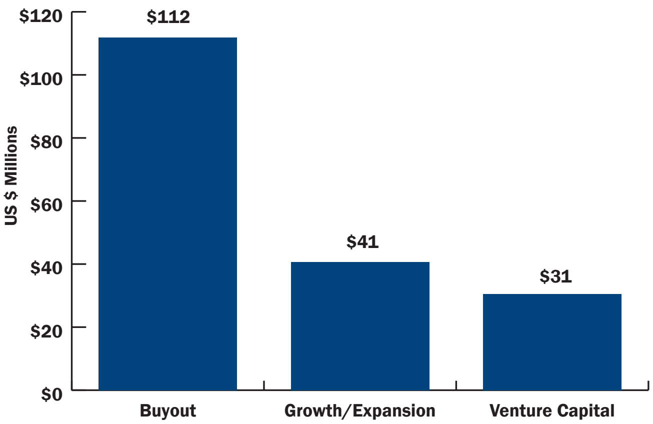
[2] Refers to distribution of deals where transaction details were disclosed.

Stage and Sector

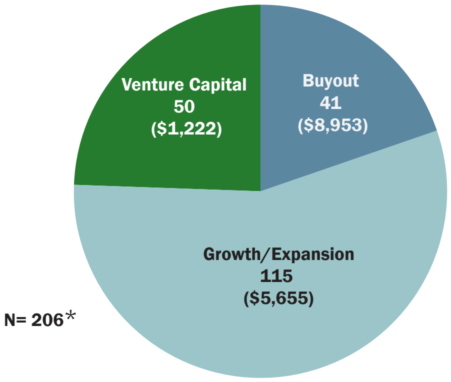
Growth and expansion deals were the most numerous in 2008, representing over half of the total number of investments followed by venture capital and buyout. Growth deals averaged US$41 million, whereas venture capital investments averaged US$31 million. The average size of emerging market buyout deals in 2008 was US$112 million.

Industrial and manufacturing companies drew the greatest share of capital in 2008, with US$1.2 billion invested across 168 deals. Companies in the energy and natural resources sector attracted US$10.4 billion, followed by media and telecom, with US$6.8 billion. The consumer sector accounted for 98 deals—the second most active sector by number of transactions—with US$5.0 billion invested.

Average Deal Size by Type in 2008

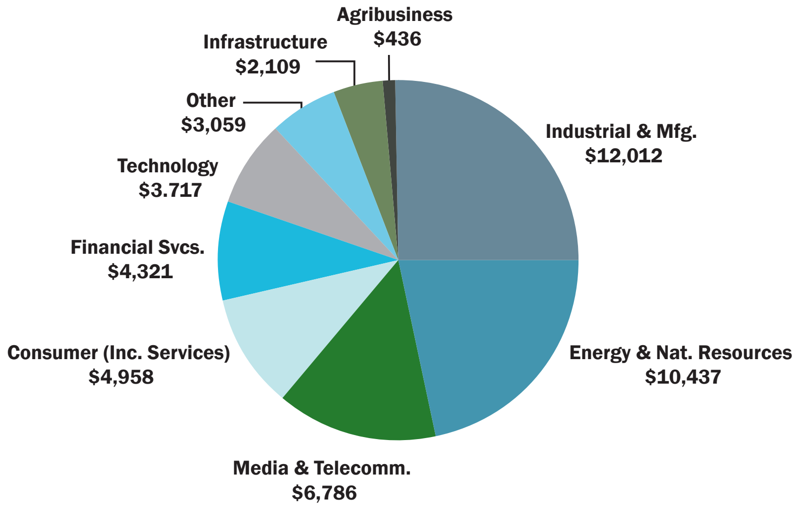


Distribution of Investment Type in 2008 by Number of Deals (US$m)



* Based on sample of 206 transactions (out of 755 completed in 2008), for which investment type details were available.

Total Capital Invested by Sector in 2008 (US$m)

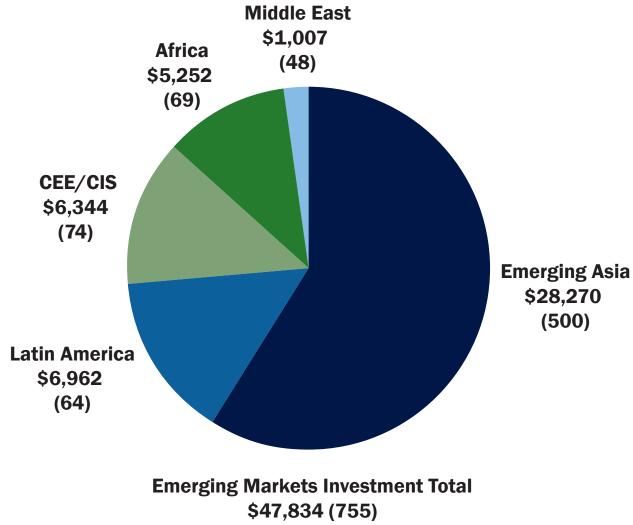


Investment by Region

Regional Overview

Although 59% of investment activity was concentrated in Asia, Africa and Central and Eastern Europe/CIS witnessed significant growth in 2008, with increases in invested capital of 56% and 43%, respectively. Private equity investment in Africa rose 56% to US$5.3 billion from US$3.4 billion in 2007. The Central and Eastern Europe/the Commonwealth of Independent States markets attracted US$6.3 billion in 2008 versus US$4.4 billion in 2007. EMPEA estimates that investing in the Middle East fell in 2008 (to US$1,007 million from US$3,500 million in 2007); however, this change is likely reflective of much thinner reporting on transaction sizes in the region more so than a true downward trend. Investment in Latin America fell by 13% to US$7.0 billion compared to US$8.0 billion the previous year.

Distribution of Total EM PE Capital Invested by Region, US$m (Number of Deals)



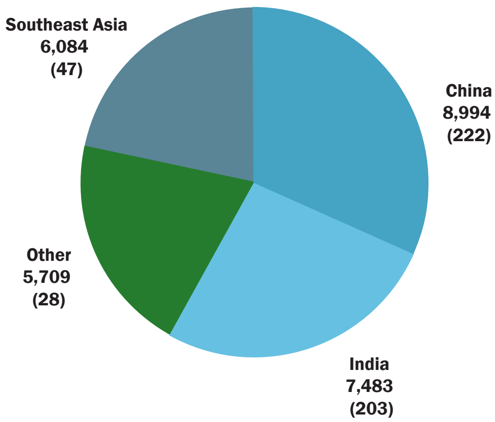
Emerging Markets Private Equity Investment 2003–2008, by Region ($USm)

Region	Emerging Asia	CEE/CIS	Latin America	Africa	Middle East	Total
2003	$4,528	$676	$822	$651	NA	$6,026
2004	$4,316	$986	$607	$1,154	$176	$7,385
2005	$7,692	$842	$1,069	$1,723	$724	$11,986
2006	$22,468	$2,603	$4,263	$1,292	$5,195	$35,379
2007	$30,370	$4,426	$8,017	$3,362	$3,500	$50,513
2008	$28,270	$6,344	$6,962	$5,252	$1,007	$47,834
△ 2007–2008	**-7%**	**43%**	**-13%**	**56%**	**-71%**	**-5%**

Investment in Asia

Of the 755 deals occurring in 2008, 500 were in Emerging Asian economies, with the bulk of investments taking place in China and India (58% of capital invested in Asia and 85% of Asian transactions). Southeast Asia was also a hotspot for deal activity with 47 transactions totaling US$6.1 billion. Vietnam dominated this sub-region with 16 deals, bringing a combined total of US$1.2 billion into the country.

Emerging Asia Investment Totals in 2008, US$m (Number of Deals)



Note: The category "Other" includes Bangladesh, Mongolia, Papua New Guinea, South Korea, Sri Lanka and Taiwan.

Emerging Asia PE Investment in 2008

Geography	Total Amt. (US$m)	Total No. of Deals
China	$8,994	222
India	$7,483	203
Other	$5,709	28
Southeast Asia	$6,084	47
Emerging Asia Total	**$28,270**	**500**

Note: "Other" includes Bangladesh, Mongolia, Papua New Guinea, South Korea, Sri Lanka and Taiwan. Southeast Asia includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

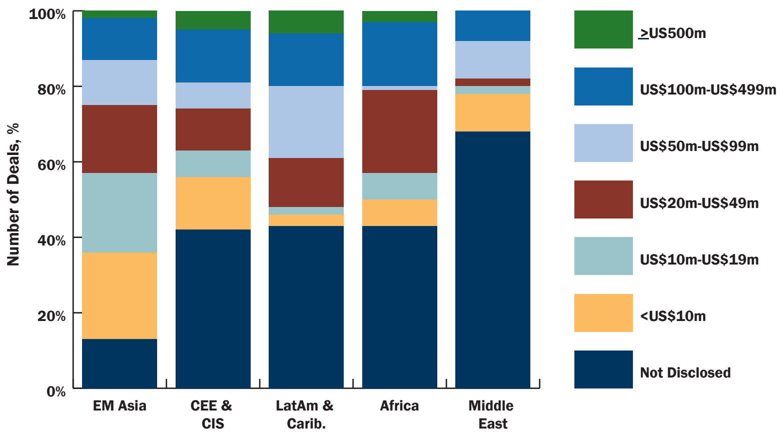
Investment by Region

Regional Detail: Deal Size and Investment Concentration

Asian buyout deals were the largest in 2008, averaging US$387 million. Growth investments were largest in Latin America, at US$169 million on average.

Capital invested in five countries accounted for approximately half of all capital invested in the emerging markets in 2008 and 69% of the total number of deals. Companies in China and India drew 34% of total capital invested and represented 56% of the total number of deals.

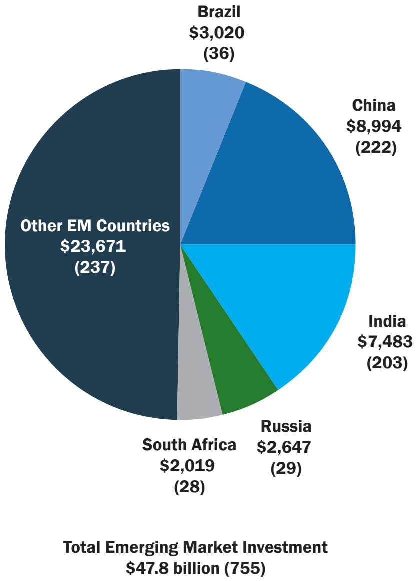
Distribution of Deal Size By Region in 2008



Average Size of Deals by Type (US$m)

Region	Buyout	Growth/ Expansion	Venture Capital
EM Asia	$387	$30	$30
CEE/CIS	$340	$103	NA
LatAm & Carib.	$83	$169	$56
Africa	$150	$121	NA
Middle East	$93	$49	NA

Investment Concentration Among Emerging Markets in 2008, US$m (Number of Deals)



Country	Total Amt. (US$m)	Total No. of Deals
Brazil	$3,020	36
China	$8,994	222
India	$7,483	203
Russia	$2,647	29
South Africa	$2,019	28
Total Emerging Market	**$47,834**	**755**
% of Total Investment in Emerging Markets	51%	69%

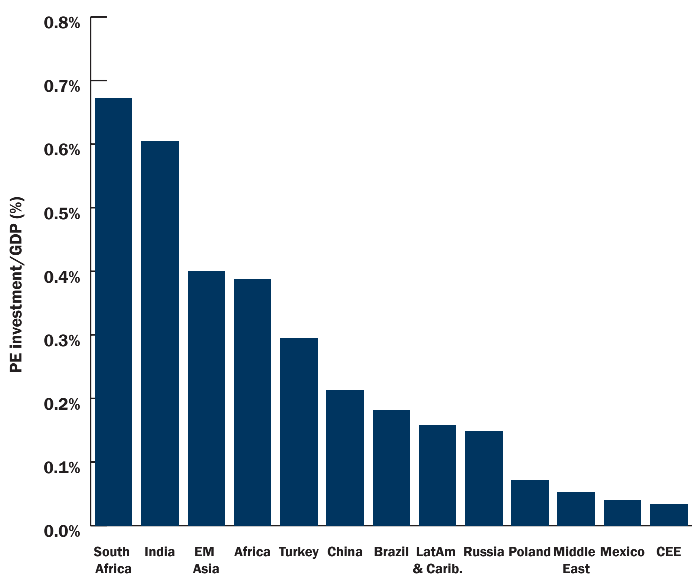
Investment as a Percentage of GDP

Among emerging market countries, private equity's penetration is at present strongest in South Africa, where investment to GDP was 0.67% in 2008, followed by India at 0.60%. Mexico had the lowest percentage at .04%. Although ranked at the bottom in 2006 and 2007, Russia saw investment penetration rise in 2008 due to significant growth in invested capital. 2008 saw an overall decline in investment penetration, due to across the board declines in investment totals versus 2007 (due in large part to falling asset prices). This effect was magnified by continued year-over-year growth in GDP in 2008, despite the significant corrections hitting emerging market growth forecasts late in the year.

Private Equity Investment as a % of GDP, 2006–2008

Geographical Region	GDP 2006 (US$B)	PE Investment 2006 (US$B)	Investment / GDP 2006	GDP 2007 (US$B)	PE Investment 2007 (US$B)	Investment / GDP 2007	GDP 2008 (US$B)	PE Investment 2008 (US$B)	Investment / GDP 2008
Emerging Asia	$4,708	$24.5	0.52%	$5,761	$30.4	0.53%	$7,050	$28.3	0.40%
China	$2,658	$6.9	0.26%	$3,280	$9.5	0.29%	$4,222	$9.0	0.21%
India	$878	$5.0	0.57%	$1,101	$9.9	0.90%	$1,237	$7.5	0.60%
CEE/CIS	$2,761	$2.8	0.10%	$3,528	$5.2	0.15%	$4,633	$6.3	0.14%
Russia	$989	$0.6	0.06%	$1,290	$0.8	0.06%	$1,779	$2.7	0.15%
CEE	$1,461	$2.2	0.15%	$1,832	$4.4	0.24%	$2,309	$0.8	0.03%
Poland	$342	$0.4	0.12%	$422	$1.0	0.24%	$567	$0.4	0.07%
Turkey	$529	NA	NA	$659	$2.7	0.41%	$799	$2.4	0.30%
Latin America	$3,091	$4.3	0.14%	$3,609	$8.0	0.22%	$4,403	$7.0	0.16%
Brazil	$1,072	$1.3	0.12%	$1,314	$4.8	0.37%	$1,665	$3.0	0.18%
Mexico	$949	$0.4	0.04%	$1,023	$1.0	0.10%	$1,143	$0.5	0.04%
Africa	$955	NA	NA	$1,100	$4.2	0.38%	$1,354	$5.3	0.39%
South Africa	$257	$4.9	1.89%	$283	$3.4	1.20%	$300	$2.0	0.67%
Middle East	$1,203	$1.0	0.08%	$1,400	$3.5	0.25%	$1,919	$1.0	0.05%

Investment as a Percentage of GDP in 2008



Source: EMPEA, IMF

Performance

Overview

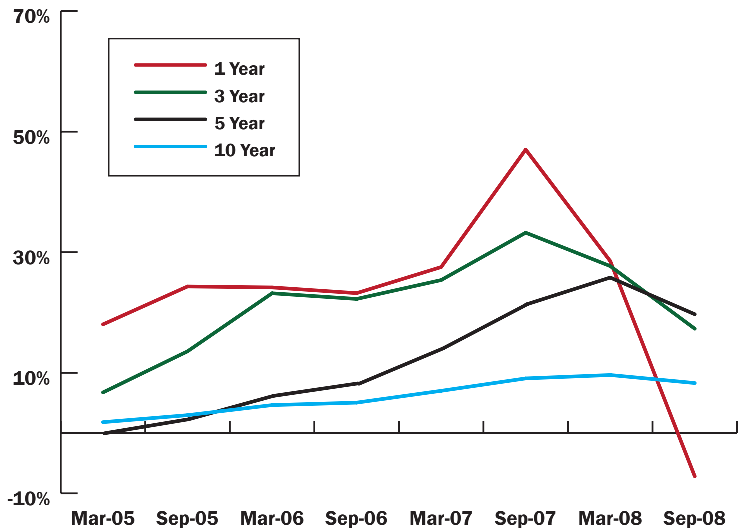
Performance data presented here is taken from the Cambridge Associates Emerging Markets and Regional PE and VC Indices, which include 284 emerging market private equity funds.

The Cambridge Associates Emerging Markets PE and VC Index revealed a decline in one-year net IRRs beginning in the second half of 2008. The Asian PE index, which comprises 180 funds, reported 43.2% one-year returns as of December 31, 2007, subsequently falling to 7.4% as of June 30, 2008. One year returns for Asian funds fell into negative territory by September 30, 2008, at -8.7%, the latest period for which data was available at the time of publication.

One-year returns for the emerging markets as a whole shifted from 12.77% as of June 30, to -7.2% by the end of the third quarter in 2008. The CEE and Russia PE Index as well as the Latin America and Caribbean PE Index registered similar trends. The CEE and Russia PE Index saw one-year returns declining from 38.88% as of June 30 to 0.4% as of September 30. One year returns for the Latin America Index dropped from 42.71% as of June 30 to 9.4% as of September 30.

Despite these declines in performance over the near term, the data illustrates the comparative resilience of emerging markets private equity returns vis á vis other asset classes. Cambridge Associates' US PE Index one-year returns dropped by 2.68% between June and September; the MSCI Emerging Markets Index dropped 7.75% during the same period. By comparison, one-year returns among emerging markets funds fell by only 1.56% between the second and third quarters.

Emerging Markets Venture Capital & Private Equity Index (As of September 30, 2008)



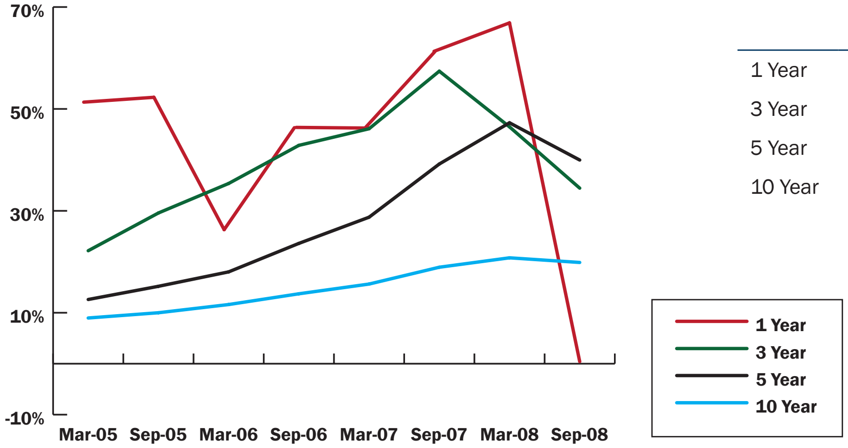
Comparative End-to-End Returns by Region (As of September 30, 2008)

Index	One Year	Three Year	Five Year	Ten Year
Emerging Markets VC & PE	(7.2)	17.3	19.7	8.3
Asia (ex Japan) PE	(8.7)	11.6	13.8	6.9
CEE & Russia PE	0.4	34.5	40.0	19.9
Latin America & Caribbean PE	9.4	23.8	18.0	1.0
MSCI Emerging Markets	(33.0)	8.7	19.1	14.8
US VC	(0.9)	10.2	10.7	40.2
US PE	(5.6)	13.3	19.0	11.8
Western Europe PE	(14.8)	28.5	29.5	21.2
S&P 500	(22.0)	0.2	5.2	3.1

Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

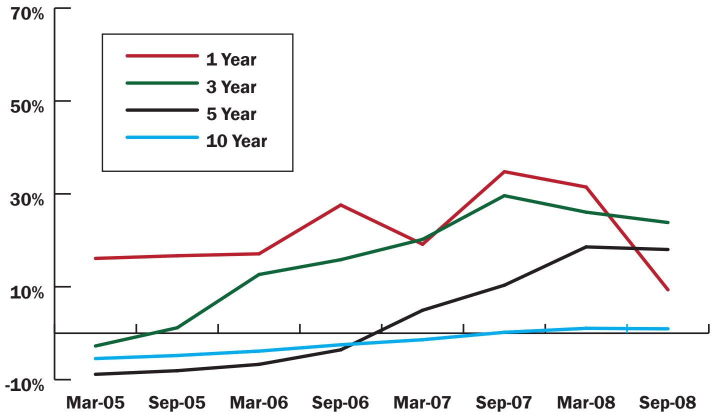
Regional Indices

Central & Eastern Europe / Russia Private Equity Index (As of September 30, 2008)



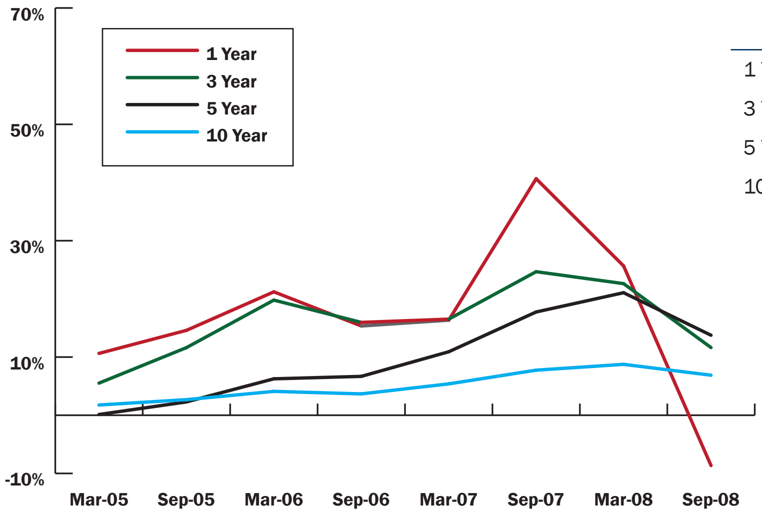
	3/31/07	9/30/07	3/31/08	9/30/08
1 Year	46.24	62.11	66.89	0.41
3 Year	46.11	57.41	46.48	34.45
5 Year	28.75	39.19	47.28	39.97
10 Year	15.63	18.93	20.78	19.87

Latin America & Caribbean Private Equity Index (As of September 30, 2008)



	3/31/07	9/30/07	3/31/08	9/30/08
1 Year	19.15	34.78	31.47	9.35
3 Year	20.20	29.61	26.06	23.83
5 Year	4.94	10.33	18.58	18.02
10 Year	(1.40)	0.20	1.05	0.95

Asia (Ex Japan) Private Equity Index (As of September 30, 2008)



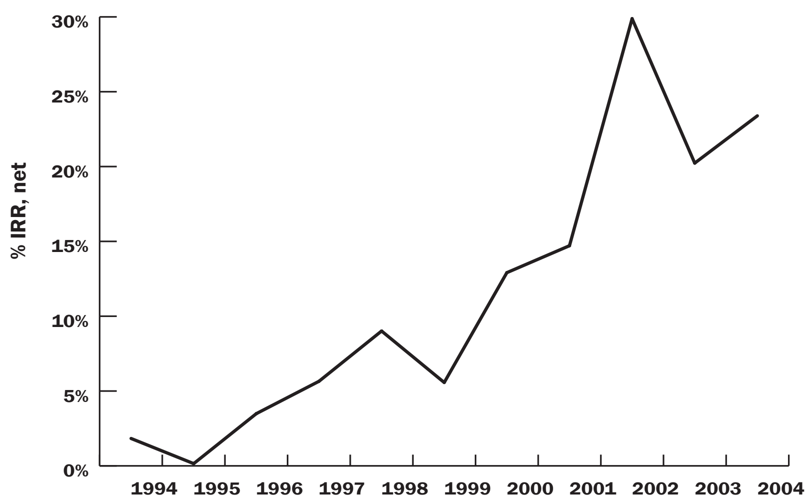
	3/31/07	9/30/07	3/31/08	9/30/08
1 Year	16.34	40.65	25.66	(8.65)
3 Year	16.52	24.67	22.62	11.63
5 Year	10.91	17.75	21.06	13.75
10 Year	5.39	7.75	8.75	6.88

Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

Performance

Vintage Year Performance

Emerging Markets Private Equity Vintage Year Performance (Pooled Mean), 1994–2004 (As of September 30, 2008)



Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

Year	Pooled Mean	Upper Quartile Net to LPs	Lower Quartile Net to LPs	Number of Funds
1994	1.83	9.21	(1.09)	16
1995	0.15	6.67	(4.56)	13
1996	3.49	10.48	(2.88)	15
1997	5.65	14.96	(3.16)	23
1998	9.01	20.57	(1.72)	17
1999	5.57	18.67	(2.32)	15
2000	12.91	19.24	(1.01)	20
2001	14.71	16.43	(4.45)	8
2002	29.88	20.39	1.63	9
2003	20.23	N/A	N/A	4
2004	23.39	43.15	2.34	22

Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

