

Emerging Markets Private Equity Funds Raise Over US\$20Billion in the First Half of 2007

The pace of fundraising for funds focused on emerging markets continues unabated in 2007, with 107 funds raising a total of US\$21.1 billion in fresh capital through the end of June. This amount is well over half of the US\$33.2 billion raised in all of 2006, and more than one and half times the capital commitments raised over the same period in 2006. (See Exhibit 1.)

of 2007, which would contribute to record-shattering fundraising totals for the region.

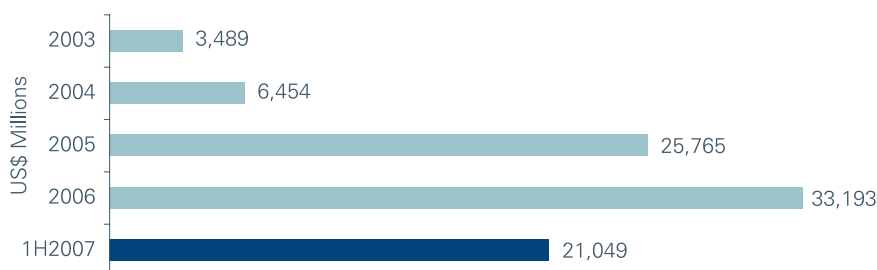
Latin American funds raised a total of US\$1.4 billion in the first six months of 2007. US\$1.2 billion was raised by 16 Brazil funds alone, while another \$167 million was raised by three Mexico funds and one Central American fund. With the addition of two US\$1 billion-plus closes that took place in July—Advent International's close on \$1.3 billion for a regional fund, and \$1.03 billion raised by Brazil's GP Investimentos—funds in the region are poised to match fundraising levels not seen since the 1990s.

2007 has been a big year for Africa—although not necessarily reflected in the 1H2007 figures, as two funds held significant closes outside that six-month window. Pamodzi's close on a US\$1.3 billion resources fund was announced in July, and much of the US\$523 million raised for Emerging Capital Partners' most recent fund was raised in preceding years. A number of new pan-African funds came to market in 2007, with more anticipated for 2008, including a US\$ 200 million CVCI vehicle and as much as US\$400 million being raised by Aureos. The pace of fundraising in South Africa slowed between January and June 2007—totaling US\$100 million of the US\$592 million raised in the region—in the wake of large closings in 2006 by Ethos and Brait.

Central and Eastern European and Russia/CIS funds raised US\$3.6 billion in the first half of 2007. Some notable closes were held by Russia/CIS funds, including US\$1.45 billion raised by Baring Vostok, as well as two closes for Alfa Capital Partners—a US\$200 million buyout fund and a US\$320 million real estate fund with JER Partners. Russia/CIS funds accounted for US\$2.1 billion of the US\$3.6 billion raised in the region; several of the funds new to the market in 2007 have broad geographic mandates, inclusive of Russia, and the CIS markets, particularly Ukraine and Kazakhstan. While most funds investing in CEE/Russia/CIS range in size from US\$100 million to US\$500 million, MidEuropa Partners recently grabbed headlines with an announcement of EUR1 billion-plus first close for its latest regional fund.

Eight funds focused on the Middle East raised US\$1.8 billion in the first six months of 2007, targeting investments in telecommunications, financial services, biotechnology and life sciences, oil & gas and industrial opportunities, and infrastructure investments. As of August 2007, EMPEA counted 60 funds raising at least US\$18 billion for investments within the region.

Exhibit 1: Funds Raised 2003-1H2007



Source: EMPEA estimates. Includes pan-EM funds.

Driving this continued growth was a large number of funds over US\$500 million. Sixteen funds, averaging US\$919 million in total funds raised to date, accounted for US\$12.5 billion of the US\$21.1 billion raised in the first six months of 2007. Nine of those 15 were Asian funds, collectively raising US\$8 billion in fresh capital among them January to June 2007. US\$8.6 billion was raised by the 91 funds with less than US\$500 million in capital raised to date.

US\$16.2 billion of the US\$21.1 billion was raised by 53 funds that held final closes in the first six months of the year, while the remaining US\$4.8 billion was raised by 54 funds that were targeting additional funds as of June. EMPEA estimates that at least 390 funds were in the market as of August 31, 2007, attempting to raise more than \$118 billion in capital commitments. Of these, 139 funds were launched in 2007, and 251 were launched in 2006 or earlier.

Funds focused on Asia accounted for US\$11.6 billion of the total capital raised January to June, versus \$19.4 billion raised in all of 2006. China- and India-dedicated funds alone drew US\$4.0 billion in commitments, while Pan-Asian funds raised US\$7 billion. Funds targeting investment in Southeast Asia raised \$646 million through June 2007. There are at least 21 Asian funds with targets greater than US\$1 billion currently in the market—among them, funds from KKR, TPG, and CCMP, each raising more than US\$3 billion. Many of these largest funds are expected to achieve a final close by the end