

PRESS RELEASE

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Undaunted by Market Turmoil, Institutional Investors Continuing to Pursue Private Equity Opportunities in Emerging Markets, Survey Shows ***Investors See Diminishing Risks and Potential for Higher Returns***

Washington, D.C. – Institutional investors continue to increase their commitments to private equity funds in emerging markets despite recent developed market turmoil, according to a recently released survey by the Emerging Markets Private Equity Association (EMPEA).

- Seventy-four percent of Limited Partners (LPs) surveyed expect to increase commitments to emerging markets private equity over the next three to five years.
- The potential for superior returns is driving continued interest in investment: Emerging Markets Private Equity (EM PE) funds are expected to deliver on average a 6.7 percent premium relative to US buyout funds.

“The combination of higher expected returns and a rapidly growing pool of talented private equity fund managers is continuing to drive institutional investors to emerging markets,” said Sarah Alexander, president of EMPEA. “LPs recognize that the private equity markets in developing countries are maturing, and the turmoil in the developed markets should have limited impact. Most private equity deals in emerging markets are growth capital investments that use little, if any, leverage.”

Other key findings from the 2008 Survey include:

- LP commitments to emerging markets private equity funds will continue to deepen in China and India and spread more rapidly to other emerging markets, building on already significant increases in 2006 and 2007.
- LPs believe the investment environment is improving. One-third of LPs (34 percent) pointed to improvements in political and economic risk as the most important reason for increasing commitments to EM PE funds.
- LPs are not paying more for EM funds—management fees for EM funds average 1.95 percent versus 1.8 percent for funds focused on North America and Europe.

“Our Survey findings illustrate that, despite managing greater risk in their developed markets exposure, LPs continue to diversify their private equity portfolios. Recent record-breaking fundraising is further evidence that investors see long-term potential for strong returns in emerging markets,” Alexander said. EMPEA estimates that emerging markets funds have raised US\$25 billion between January and April 2008, and US\$59 billion in 2007, “which was already a two-fold increase over 2006,” she added.

With management fees on par with US and European funds and expectations that higher risk-adjusted returns are sustainable, emerging market funds are increasingly attractive for LPs. Alexander said, “LPs who have historically stayed out of the emerging markets due to perceptions about exceedingly high risks or transaction costs that erode any return advantage may be rethinking their private equity portfolio strategies.”

Regional strategies have not shifted dramatically in the last 12 months. Asia dominates LP investment strategies, with 89 percent expecting to invest there within the next three to five years, the same number as in 2007. Seventy-five percent of LPs plan to invest in Central/Eastern Europe within the same period, versus 87 percent surveyed in 2007. “Investors clearly don’t yet see even the most attractive markets as saturated. The fact that the majority of LPs want to increase their exposure in Asia and Eastern Europe signals they see plenty of remaining opportunity,” observed Alexander.

Latin America, Africa and Middle East are attracting greater interest from investors. Following the trend noted in EMPEA’s 2007 Survey, LPs will further diversify and deepen their commitments to emerging markets. Fifty-two percent of LPs surveyed expect to invest in Africa in the medium term versus 30 percent investing there today, while 65 percent plan commitments to Latin America funds, versus the current 40 percent, and 35 percent project they will be investing in the Middle East by 2013, three times the 11 percent active there now.

The summary of Survey findings is available at www.empea.net/research/EMPEA_LPSurvey_2008.pdf.

Note to Editors:

These findings are being released on the eve of IFC’s 10th Annual Global Private Equity Conference in association with EMPEA, being held in Washington D.C. at the Ronald Reagan Building - International Trade Center from May 15-16, 2008. For more information about the conference or to arrange for media access please go to: www.globalpeconference.com.

According to research released in February 2008 by the Emerging Markets Private Equity Association, in 2007 private equity firms focused on investments in emerging markets raised US\$59.2 billion in fresh capital. Details on 2007 fundraising are available at www.empea.net. The 81 Survey respondents represented a range of institutions and geographies, including pensions, foundations, endowments, asset managers and funds of funds from North America, Europe, Asia, and the Middle East.

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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 investing in the emerging markets of Africa, Asia, Europe, 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. EMPEA’s more than 200 members represent over 40 countries and over \$400 billion in assets under management.

