

**FOR IMMEDIATE RELEASE**

**Survey: Institutional Investors See Continued Growth of Private Equity in Emerging Markets**

**Convinced that high returns are sustainable, LPs plan to ramp up investments.**

- 78% of LPs surveyed expect to increase commitments to emerging markets private equity over the next five years.
- LPs project emerging markets private equity will produce returns at a 5.4% premium over U.S. buyouts and expect outperformance relative to developed market funds over the next 5 years.

**Washington, D.C., Monday, May 14, 2007**— A new survey released Friday by the Emerging Markets Private Equity Association (EMPEA) reveals that Limited Partner (LP) interest in emerging markets private equity continues to grow, driven by recent improvements in performance, the diversification benefits, and the maturation of fund managers who now have credible track records. LPs firmly believe that emerging market funds will outperform developed markets funds over the next several years.

EMPEA's 2007 Survey of Limited Partner Interest in Emerging Markets Private Equity shows no slowdown in interest in the asset class. 78% of LPs surveyed in 2007 expect that emerging markets will grow as a percentage of their private equity commitments over the next 3–5 years, versus 65% of respondents in 2006, and only 45% in 2004.

One of the most striking developments driving increasing interest in the asset class is improvements in returns. 52% of LPs said that returns from their current emerging markets commitments met or surpassed expectations, a dramatic change from the 25% of LPs who thought similarly in EMPEA's 2006 Survey. In 2007, only 15% thought returns fell short of expectations, versus 42% who reported such disappointment in 2006. LPs expect their current emerging market commitments to produce returns of 22.6%, on average—a 5.4% premium over the 17.2% return expected from their U.S. buyout commitments. 63% of LPs said emerging markets private equity funds would still be delivering substantially higher returns than developed markets in five years' time.

"It's clear that LPs have seen a significant improvement in returns over the last 12 months. They expect these returns to be sustainable over the next five years, and they are therefore ramping up their activity in response," said Sarah Alexander, President of EMPEA.

**Drivers of Interest**

LPs also noted growing evidence of maturity in many of these markets, including dramatic progress in the quality of governance and communications among their fund managers. In 2007, only 15% of LPs surveyed thought governance at the fund manager level was inferior to the rest of their portfolio, versus 40% in 2006.

"The LP views on improved corporate governance indicate that GPs in these markets are becoming more attentive to the needs of the institutional investor community. This is critical to gaining traction, particularly among LPs with limited experience in these markets," said Jen Choi, EMPEA's Director of Research.

**Outlook**

LPs indicated plans to ramp up investments across *all* emerging markets over the next 5 years. Asia and Central and Eastern Europe/Russia are the destination markets of greatest interest over the medium term, with 89% of LPs expecting to invest in Asia by 2012, and 87% in CEE/Russia by 2012. 64% of LPs surveyed expect to be investing in Latin America by 2012, versus 31% who are investing currently. 35% expect to be investing in the Middle East, versus 11% currently, and 48% invested in Africa, versus 20% currently.

“We expect significant new capital flow to Latin America, Africa and the Middle East over the next few years,” said Ms. Alexander, “but Asia will remain dominant without a doubt.” Of LPs with no experience in these regions, the Survey found that 70% planned to invest in Asia by 2012. LPs also think that within Asia, China and India will continue to dominate. 62% agreed or strongly agreed that these two markets would dominate emerging markets private equity in 5 years’ time.

A full summary of the Survey results is available at [www.empea.net](http://www.empea.net). For further information on EMPEA’s 2007 Survey of Limited Partner Interest in Emerging Markets Private Equity please contact:

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*Note to Editors:*

- According to research released in March 2007 by the Emerging Markets Private Equity Association, in 2006, private equity firms raised an unprecedented US\$33.2 billion for emerging markets. Details on 2006 fundraising are available at <http://www.empea.net>.
- The survey was sent to more than 600 institutional investors, primarily to large institutions (private equity portfolios greater than US\$300m). The 81 respondents from the North America, Europe, Asia, and the Middle East represent all institutional categories, including pensions, endowments, family offices, foundations, asset managers, and funds of funds.

**About EMPEA**

The Emerging Markets Private Equity Association (EMPEA) is a global member-based 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 162 GP, LP and associate members represent 35 different countries and more than \$135 billion in assets under management. For more information about EMPEA and its programs, please visit [www.empea.net](http://www.empea.net).