

CASE 19

ASIAN PRIVATE EQUITY A FAMILY OFFICE'S QUEST FOR RETURN

SYNOPSIS

A European multi-family office is weighing whether and how to invest in Asian private equity. The case moves from a discussion of the historical and current state of Asian PE to the outlook and risks associated with such an investment. It also starts a discussion of returns in Asian PE and whether they adequately compensate for the risks identified earlier.

PEDAGOGICAL OBJECTIVE OF THE CASE

The case gives an overview of the Asian PE landscape with respect to development, size and growth prospects. It helps to understand PE as an asset class from the investors' perspective and explains the at times contentious relationship between limited partners and general partners. The case discusses the opportunities as well as the risk–return considerations within the PE context. In particular, it highlights both similarities and differences between PE in Asia and developed market funds; return expectations are discussed. The case can further be used as a launch pad for implementation questions, from identifying and accessing top-performing funds to overall portfolio construction and a discussion of the respective advantages and disadvantages of investing in PE via a direct or indirect strategy.

SUGGESTED ASSIGNMENT QUESTIONS

1. Where do you see the future potential for PE in Asia (or other emerging markets)? To what extent is the present environment for PE different from the mid-1990s?
2. What would be a reasonable target return for PE in Asia? Think about PE-specific and Asia-specific risks and how investors expect to be compensated for them.
3. In your opinion, which PE strategy will be the most successful in delivering high risk-adjusted returns in developing markets and why?

ADDITIONAL RESOURCES

To make the most of this case study, we suggest the following additional sources to provide context and background information:

- In particular, we recommend the following chapters from *Mastering Private Equity—Transformation via Venture Capital, Minority Investments & Buyouts*
 - Chapter 1 Private Equity Essentials
 - Chapter 3 Growth Equity
 - Chapter 14 Responsible Investment
 - Chapter 17 Fundraising
 - Chapter 18 LP Portfolio Management
 - Chapter 19 Performance Reporting
- You may also refer to the book website for further material:
www.masteringprivateequity.com

Asian Private Equity (A)

The Quest for Return

04/2013-5712

This case was written by Michael Prah, Visiting Senior Research Associate, under the direction of Claudia Zeisberger, Affiliate Professor of Decision Sciences and Academic Co-Director of the Global Private Equity Initiative (GPEI) at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Georg Bergmann¹ was looking out of the window of the nineteenth century villa which his company, a multi-family office, occupied in a prestigious but low-key suburb of Zurich. He had just finished reading an article on Hong Kong becoming the world's largest centre for IPOs in 2009, comfortably overtaking New York, with Shanghai a close third.² It was just the type of news to remind him of the discussions and decisions ahead of him.

He was getting ready for a meeting of the shareholder committee where he would present his recommendations with respect to an investment approach in Asian private equity. This required careful preparation as any positive decision would involve a long-term commitment and significant resources from the firm that could otherwise be deployed elsewhere.

A Multi-family Office's Approach to Private Equity

Bergmann was the Senior Investment Director in charge of alternative assets (Alternatives)³ for one of the largest European multi-family offices, managing more than €6 billion on behalf of several families. The original source of capital had come from the sale of one very large family business more than 25 years ago, after which the family decided to establish a platform for family interaction and continued involvement in common projects.

Over time the assets grew, as did the professional team involved, and in the 1990s the founders chose to open the office services to other families. However, the decision process remained comparatively lean and the investment approach in general tended to be entrepreneurial and risk taking, at least within the parameters of a family office where capital preservation is usually the foremost objective.

Having started with investments in stocks and bonds, frequently in line with historic family interests, the company had evolved into a true diversified asset manager. Almost 15 years earlier, its first investments had been made in the alternative space, initially in US venture capital (VC), followed by US and European private equity (PE). Then, a few years back, hedge funds were added to the mix. Overall allocation to Alternatives had grown to more than 25% of assets under management (AUM), the bulk of it in private equity.

Bergmann had driven and overseen this move into Alternatives, which had contributed meaningfully to the firm's capital formation. He was not interested in chasing early trends yet he prided himself on being able to identify the point at which they turned into profitable mainstream. This had worked out with venture capital in

1. Name of protagonist and some details have been changed to avoid their identity and that of the family office to be determined.

2. As of early December US\$26.81 billion had been raised through initial public offerings in Hong Kong, US\$17.11 billion on NY Stock Exchange and US\$14 billion in Shanghai. Source: Wall Street Journal, 8 Dec 2009.

3. While often broadly defined as everything else but traditional investments (stocks, bond, and cash) its most important strategies include private equity, hedge funds and real estate.

the US in the 90s, hedge funds after the demise of LTCM,⁴ and European buyouts in the early 2000s.

While the bulk of the portfolio allocation was given to larger, well-established investors, his firm had habitually supported or even seeded smaller funds with new investment strategies in order to gain an early read on emerging trends. Some of those early investments went on to become very successful, giving him strong personal relationships with many senior investment people in those firms. Besides providing insight into the inner workings of these firms, he found it useful for broad market intelligence as well as a valuable source of ideas for other asset classes.

In recent years it had become clear to him and the other senior managers that the firm was underexposed to the growing Asian markets.⁵ The firm had allocated some money to fund managers focusing broadly on Asian large-cap stocks as well as the booming commodities markets mainly in Australia, and had benefitted from both investment categories. Yet the Asian segment of the portfolio ignored the large private sector, smaller more entrepreneurial companies, and emerging Asia in general.

In fact, the firm was seriously investigating how to expand in Asia in late 2007 when the first warning signs in the US of what was to become a full-blown global financial crisis made the team concentrate on their existing portfolio, postponing all new strategic initiatives. The focus switched to preserving capital rather than growing it. However, the year 2009 had ended on a more optimistic note and with a substantial portion of the firm's assets currently in cash or near cash it was time to revisit the investment strategy.

Asia seemed to have avoided the worst of the financial crisis and looked set to continue its long-term growth. In addition to its steadily growing middle class and consumption story, and a young population in emerging Asia, most countries were also in a better fiscal position than the West, a complete reversal of the situation after the Asian financial crisis just over a decade earlier. So the shareholders had agreed during their last meeting to substantially increase the allocation to Asia. As part of this broader Asia strategy they had tasked Bergmann to come up with a proposal as to whether to invest in Asian Private Equity, and if so, how.

Bergmann was aware of the many risks of doing business in Asia, ranging from cultural barriers to underdeveloped institutions. Adding the intrinsic risks of private equity as an illiquid and sometimes non-transparent asset class, the first question in his mind was whether Asian private equity had already gone beyond the point at which it made sense per se for an investment by his firm. The second question was what role Asian private equity should play in a global investment strategy that sought geographic diversification. Thirdly, provided he and his shareholders could get comfortable with the above questions, how should they go about developing and implementing an investment strategy?

He decided to revisit the material prepared for him by his team with the help of outside consultants.

4. Long-Term Capital Management (LTCM) was a major U.S. hedge fund run by an all-star team of traders and academics (among them two winners of the noble price for economics) that failed spectacularly in the late 1990s, leading to a bailout by other financial institutions under the supervision of the Federal Reserve.

5. Throughout the case, 'Asia' refers to the area commonly known as Asia Pacific (which tends to include Australia/New Zealand in the South and India in the West). Not all data sources apply the same definition.

A History of Asian Private Equity

The Early Days⁶

Private equity as an asset class had been present in Asia for decades, yet financing had usually been provided either by wealthy families or by commercial banks in unique (sometimes workout-type) situations, and thus lacked the institutional quality of fund-based private equity investments in the Western world.

Institutional private equity arrived in Asia in the early 90s, following the explosive growth of the industry in the US. With record returns generated from the surge in US equity markets, institutional investors were on the lookout for new opportunities. Asia (and emerging markets in general) seemed like fertile ground for the tried and tested private equity business model and attracted early institutional investors looking for portfolio diversification and the opportunity to earn exceptional returns.

This development was part of a broader trend of foreign direct investment which in Asia saw a compound annual growth rate of 19% between 1992 and 1998. Meanwhile, only a relatively small number of large firms had access to bank financing. Therefore the demand side for private equity looked very strong. The framework for investing was considered to be attractive not only from a macroeconomic growth perspective but also from a more receptive attitude towards the private sector in general. So the supply side followed, with about 500 Asian funds (excluding Japan) raising more than \$50 billion in new capital between 1992 and 1999, almost all of them for the first time.

Yet the performance of most of these funds turned out to be poor both in absolute and relative terms. The main reasons cited were low standards of corporate governance both for information prior to an investment decision and then to monitor performance, weakness of the legal system in enforcing contracts and protecting all classes of investors, lack of exit prospects and, on the investor side, the general inexperience and poor quality of fund managers (not surprising, given that few individuals had relevant previous experience). The Asian financial crisis exacerbated the problem by bringing huge macroeconomic contradictions to light, leading to a rerating of emerging market risk, wild currency swings, and reducing the opportunity for divestment to a trickle. In fact, divestures in 1998 and 1999 averaged about \$2.5 billion per year, a small portion of the \$35 billion invested between 1992 and 1999.

After the Asian Crisis

The end of the 1990s saw growth in two pockets of the industry, namely distressed debt investing (post-Asian financial crisis) and the global technology boom. Distressed assets in Indonesia, Korea and Japan were prime targets for investors and subsequently generated good returns. For instance, Goldman Sachs tripled the \$500 million it invested in Kookmin Bank in 1999, while Ripplewood's buyout, restructuring and flotation of Long Term Credit Bank in Tokyo (since renamed Shinsei) – leading to a more than six times return – has become a legend in Japanese finance.

6. Section draws on "Private Equity Investing in Emerging markets" by Roger Leeds and Judie Sutherland in *Journal of Applied Corporate Finance* Vol. 15 No 4, Spring 2003.

Beyond that, most of the investments during this period were directed towards early-stage venture investments, mostly in South East Asia. However, the lack of industry maturity resulted in poor quality deals being executed in the region. The technology crash of 2000/01 resulted in the flight of capital to more conservative investments in old-economy companies. The poor performance of mainstream private equity (excluding distressed investing) led to a number of early institutional investors withdrawing from the market.

The Seeds of Greatness

After 2001 most deals in Asia were expansion capital or mid-sized buyouts. This period saw the entry of large international investors. A number of good quality domestic investors also blossomed. It was truly a transition point for Asian private equity as these early investors educated the business community on the values of PE investments, lobbied various governments for regulatory reforms, and worked hard to demonstrate returns on their investments. Countries such as China, India and Vietnam opened up to international private equity. Today, these represent the lion's share of the PE capital flowing into the region.

Ironically, the poor fundraising of the early 2000s (Asian funds excluding Japan had their worst fundraising in 2002 since 1993),⁷ coupled with strong market conditions over the years prior to the global financial crisis of 2008, enabled many Asian funds, especially of 2002/2003 vintage, to report internal rates of return (IRR) – or compound returns accounting for inflation and currency fluctuations – of at least 20-30%. The numbers are similar to those seen in the US or Europe.

Asian Private Equity Today

The general growth of Asian economies and the strong returns on deals from the early 2000s resulted in renewed interest in Asian private equity and a massive inflow of capital. Over the last 15 years, Asian private equity funds under management increased ninefold from US\$30 billion in 1994 to about US\$283 billion in 2009. About 60% of that money was added during the last five years alone (see Exhibit 19.1).

Following several strong years of investing, fundraising peaked in 2008 with over US\$50 billion of capital raised, while the pace of investment remained strong with US\$44 billion invested in transactions across Asia Pacific. However, with the advent of the global financial crisis, sentiment changed towards the end of the year and 2009 saw a more sober mood, with fundraising and investment dropping by 55% and 57% respectively (see Exhibit 19.2).

This coincided with a global meltdown in private equity activity worldwide, starting in the second half of 2008. Developed markets' private equity was massively impacted by the drying up of credit as leveraged buyouts relied on large amounts of cheap debt. Only one deal in 2009, the take-private of IMS Health Inc. for \$5.2 billion, could be in any way compared to the mega deals of the previous era. Despite the strong drop in activity, Asia nevertheless increased its share of global private equity investment to

7. Asia Private Equity Review, 2002 Year-End Review.

around 13-14% from a historic range of 5-7% (see Exhibit 19.3). Paradoxically, Asian private equity (excluding venture capital) as a portion of GDP and M&A activity was now almost on par with Western economies. However, this was less a reflection of tremendous growth in Asia than of a steep decline in private equity penetration in Europe and the US (see Exhibit 19.4).

Between 2006 and 2009 the majority of funds invested went to China, Japan, India, Australia and South Korea (see Exhibit 19.5), the largest economies in Asia Pacific, which accordingly received the largest share of investment. Over time, more money started flowing into developing rather than developed Asia. This shift was exacerbated to a certain extent by the typically higher portion of buy-out deals in developed Asia that dried up during the financial turmoil due to their reliance on debt.

The type of deal by geography reflected the specific developmental situation in which each country found itself at this point (see Exhibit 19.6). Most transactions in India and China in 2008 were growth capital deals, while most deals in the developed economies were buyouts or (in the case of Japan) turnarounds. Also, countries with large and open stock markets had a significant number of private investments in public equity (PIPEs) and occasional public to private (PtP) transactions. The overall emphasis on growth deals in Asia was reflected in the relatively small average deal size, which oscillated around \$50 million in recent years (see Exhibit 19.7).

Perhaps the single most critical driver of private equity in Asia was the recent track record of successful exits by not only domestic but also foreign investors. The environment improved and exit opportunities developed. While investment activity was still weak, 2009 showed a marked recovery of exits (the third highest divestment amount since 2004). This was very much a result of resurgent capital markets in the second half of 2009, which were the preferred exit route for private equity portfolio companies with a share of more than 45% of exits (see Exhibit 19.8). Besides the high share of Japanese divestments (more than half of it from the sale of Sanyo Electric), landmark exits in India and China particularly reassured investors about liquidity and availability of exits in these markets.

Asian Private Equity Growth Drivers

Bergmann had recently returned from a long business trip to Asia where he had visited a large number of investment managers and investors. There was a noticeable difference in the optimism that he had found in Asia compared to Europe. Most experts had pointed out the strong growth prospects of the region and how this was creating a broad set of investment opportunities. Furthermore, some had mentioned an improvement in management quality and sophistication, which in turn had led to a more favourable attitude to private equity.

Macroeconomic Growth

Macroeconomic growth is an important factor driving private equity investments/exits as it shapes the context in which companies and businesses operate. The growth in economies provides a boost to companies operating in the region by driving both

top-line and bottom-line growth, hence creating wealth for investors. In the case of Asia, growth has been exponential and provides a tremendous impetus for private equity activity.

Asia is home to three of the world's largest economies – Japan, China and India – and more than half the world's population. The rise in income levels (especially on a PPP basis), improved life expectancy, high savings rate, and a continued low-cost structure in the region had turned Asia into the powerhouse of the global economic engine. Much of emerging Asia was diversifying beyond its historical export and manufacturing model, developing into strong consumer markets with a supplemental services industry. Not surprisingly, Asia had one of the highest growth rates in the world. China, already the third largest economy behind the US and Japan, was expected to become the world's number two by 2010/11 (see Exhibit 19.9).

Broad Set of Investment Opportunities

Investment opportunities in Asia fell into two broad categories: a resource pool to cater to global markets (export driven industries) and a large underserved domestic market (media, retail and lifestyle, infrastructure-related business), especially in China and India.

Economic growth combined with the privatisation of the economy in countries such as China and India had generated an increasing number of flourishing private companies. These had tremendous prospects given the cost advantage and the growing consumer market of these countries. These growing, viable and more stable private equity companies were good targets for PE investments. Japan and Australia, on the other hand, offered more developed and stable markets to invest in with less risk.

As Asian private equity matured, the nature and size of the deals done continued to evolve. While the mid-90s were a period for small-size early-stage investments, the proportion of expansion and buyout deals continued to increase. In 2009, control deals accounted for 45% of all investments in value.⁸

Higher Quality Management and Increased Awareness of Private Equity

The role of strong and cohesive management teams in generating private equity returns should never be underestimated. After the Asian financial crisis of 1998, a new class of firms had emerged with a more professional style of management. These created renewed confidence in the region thanks to increased entrepreneurship, the emergence of "good" local managers, the adoption of US/Europe standards and skills, and methods brought by western managers. With these, corporate governance standards improved, providing a safer environment for investing.

8. Asian Private Equity Review, 2009 Year-End Review.

The new generation of managers in Asia were also a lot more comfortable with private equity as an asset class and the notion of using PE for the creation of value and wealth for themselves and their owners. The track record of recent investments and exits also went a long way towards assuring management teams that private equity was not 'vulture' investing but, rather, a useful mechanism for building businesses.

Asian Private Equity Risks

Re-reading the data, Bergmann noticed that the industry had come a long way. Yet some of the current optimism seemed eerily similar to that which had prevailed in the mid-90s. As an experienced investor he couldn't fail to notice the generally upbeat tone of the report. He wondered how to think about risk in the region and whether there were specific factors making private equity investing in Asia more difficult.

To an outsider, Asia might seem like one large homogenous region; in fact it is a complex geography with individual country markets that differ not just in economic status but also in terms of business culture and regulatory regimes. How attractive a country is for private equity investment will therefore be determined not only by core economic factors such as market size and growth prospects but equally by its legal and social framework.

Taken as a whole, Asia already offered an environment as favourable to VC/PE activities as that prevailing in Western Europe (see Exhibit 19.10). However, Bergmann knew from experience the need to differentiate between developed and developing Asia and for the latter focus on the emerging market risks that could have a strong impact on private equity-invested companies and the investment managers themselves. Such risks included political and macroeconomic stability, policies on investments in specific sectors by foreign investors, policies on capital gains tax, legal enforcement issues or questionable business practices. A lot of these risks were typical of developing economies; eventually Asian markets might, as one practitioner put it, "all evolve towards similar developed market models as the economies keep pace".⁹

Yet Bergmann had also noticed a certain casualness – even among investment managers – about the specifics of private equity investing. Most of the investing experience in Asia had been built up or at least influenced by capital market investing. Many of the PE managers came from investment banking backgrounds, unlike in Europe and the US where a more diversified mix of former bankers, consultants and industry people formed the talent pool for PE. There was even a term for the type of investing most popular in emerging Asia: growth investments were often called "pre-IPO investments". Bergmann wondered whether Asia's PE managers always understood the inherent riskiness of private equity investing, and whether this led to suboptimal investment structures. A typical deal in developing Asia would be a \$30-50 million minority deal, with the intention of exiting through an IPO.

He had also seen a recent poll among investors in emerging markets (see Exhibit 19.11), including (but not exclusive to) emerging Asia about reasons to not continue investing with their General Partner (GP) relations. While the top-ranked cause of poor returns was one shared globally, some of the other reasons pointed to a generally lower

9. Vibhav Panandiker, MD JPMorgan Capital Partners at INSEAD's PE conference in Singapore, Dec 2009.

transparency and maturity of the local GP community. As one Limited Partner (LP) put it, "I wish [Asian] GPs (...) would strengthen the core team capabilities and improve their internal investment process, portfolio monitoring, value creation, report quality, succession planning and carry allocation, instead of enriching a few partners or asking LPs to trust them."¹⁰

Given the risks and attractions of Asian private equity, Bergmann wondered what returns investors should expect from their PE investments in Asia? And should they be benchmarked against private equity in other geographies or against other asset classes in Asia?

Asian Private Equity Returns

Measuring returns in private equity is a notoriously difficult business due to the absence of an efficient and transparent market for this asset class. Investments in private equity are long-term, illiquid, non-transparent, and the underlying company investments are not priced by a market. Therefore the PE industry does not have time series of market prices as a measure for performance, nor does it have proper indices.

There are publicly listed PE funds, yet they are few, and the transparency of the underlying private investments – although better – remains an issue. There has also been a trend in recent years for PE firms to list their management vehicles (i.e., the GP), allowing the interested investor to gauge multiple funds' performance over time. Overall, however, the vast majority of funds and assets under management remain private. There is a market for second-hand interests and unfunded commitments in private equity LPs (secondaries) but it is a comparatively small market, with lumpy transactions typically used to provide the original investor with liquidity or help rebalance the portfolio.

Most of the reporting to LPs is based on IRRs which has several problems, including the fact that valuations for active investments are made by GPs themselves – hence irregular and inconsistent between different fund managers. Furthermore, the typical life cycle of PE investing leads to (reported) negative returns in the early years and investment gains in outlying years as the portfolio of companies matures (J-curve). This is a bigger issue for Asian private equity with its comparatively short history as an asset class and few managers who have even fully exited their first fund (and hence raised their third or fourth one).

According to a representative survey by Collier Capital (a secondaries specialist) and EMPEA¹¹ (see Exhibit 19.12), institutional investors expect a risk premium over developed market buyouts of between 6% and 7.3%. Long-term developed market buyout IRRs have historically been in the range of 12-16% (net after fees), meaning Asian developing markets IRRs should be in the 18-23% range.

How has Asian private equity performed against these (high) expectations? According to data from Cambridge Associates (see Exhibit 19.13), it returned 4.65% p.a. over the last ten years. The performance is better for the five-year period but worse for the shorter periods when the effect of the recent financial crisis weighs heavily on

10. Kelvin Chan, Senior VP, Partners Group.

11. Emerging Markets Private Equity Association.

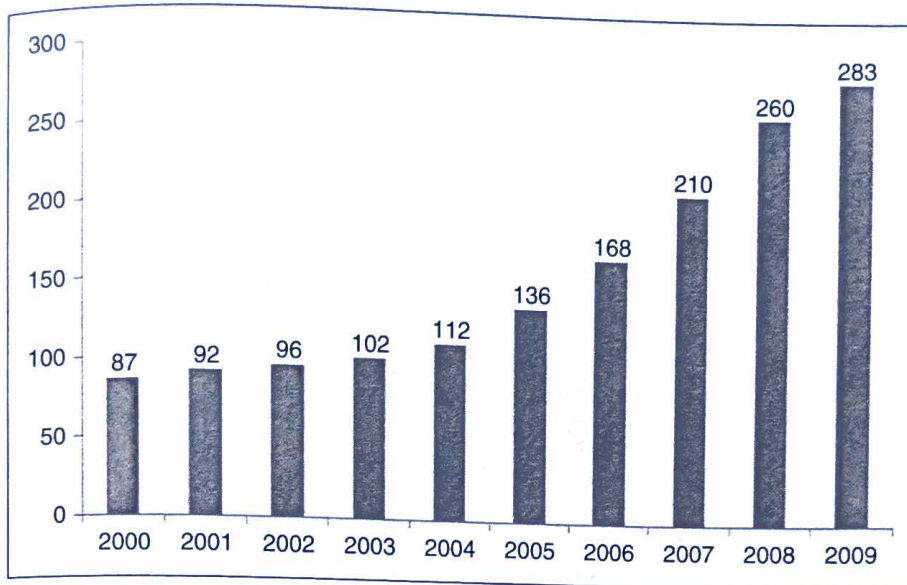
the results. The quarter ending 30 June 2009 shows a strong rebound in line with economies in Asia but is meaningless from a long-term perspective.

A comparison with emerging markets stock market performance (MSCI Emerging Markets, where Asia constitutes the highest proportion) leads to the question of whether private equity is indeed an attractive asset class in Asia or just a generous compensation scheme for PE managers free-riding on the Asian economies' (and stock markets') robust performance.

On the other hand, Bergmann had also seen some excellent return data (see Exhibit 19.14): Asian GPs had managed to not only exit individual portfolio companies at attractive returns but to complement some of the home runs with other solid exits and a low number of lost deals leading to strong fund performances. Perhaps the average performance data was not telling the full story.

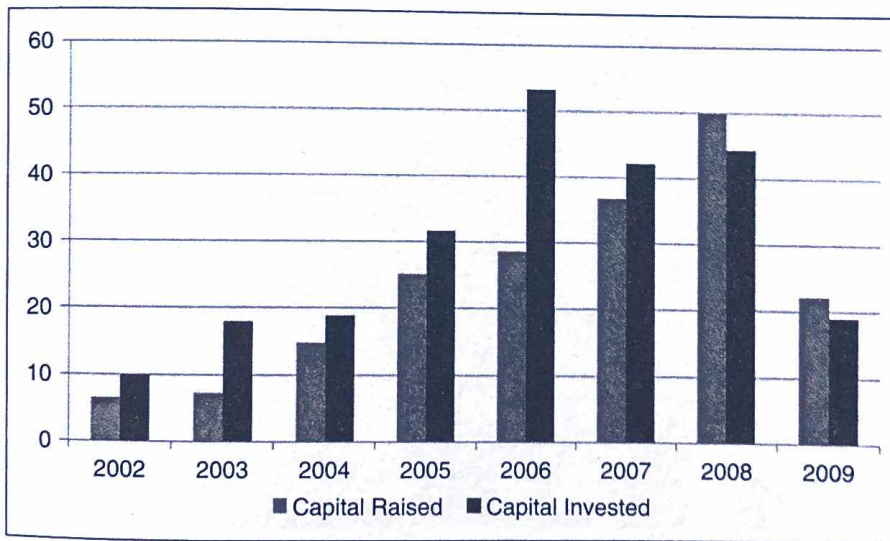
Looking beyond the hype and the doomsayers, Bergmann was still unsure whether Asian private equity had reached the point of maturity he was searching for. There could be no doubt that the industry was professionalising and the environment was improving, yet there were concerns about too much money flowing into the industry backing mediocre managers. There were clearly numerous risks that had not been fully taken into account by many participants in the market, nor were investors properly compensated for assuming them. Nevertheless, much of the global economic future lay in Asia, especially in its private sector. Could a serious investment firm really forego exposure to this strong growth trend?

Exhibit 19.1
Asian Private Equity Pool – Aggregate (in US\$ bn)



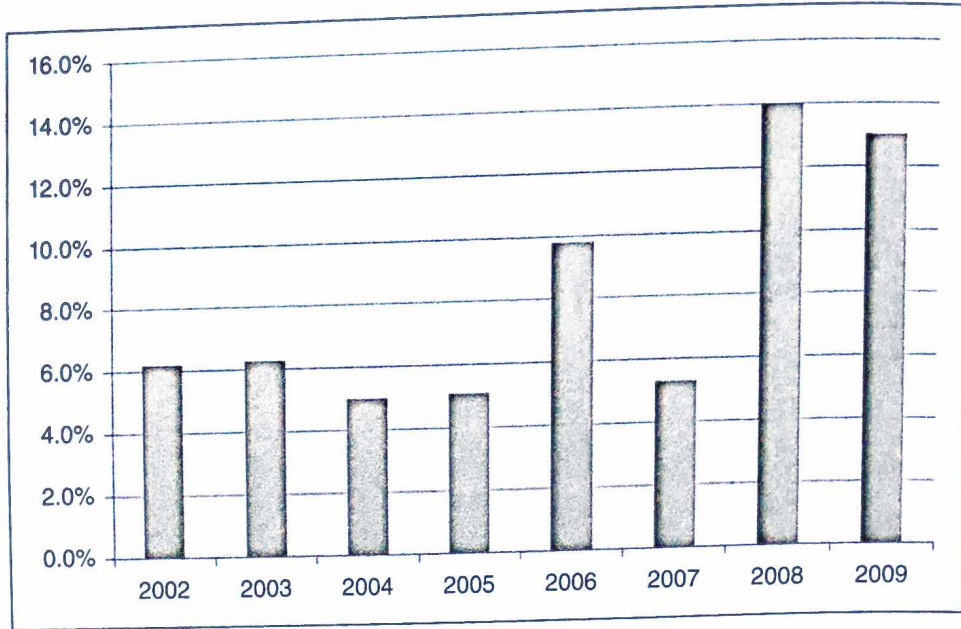
Source: Asia Private Equity Review

Exhibit 19.2
Asian Private Equity Capital raised & invested (in US\$ bn)



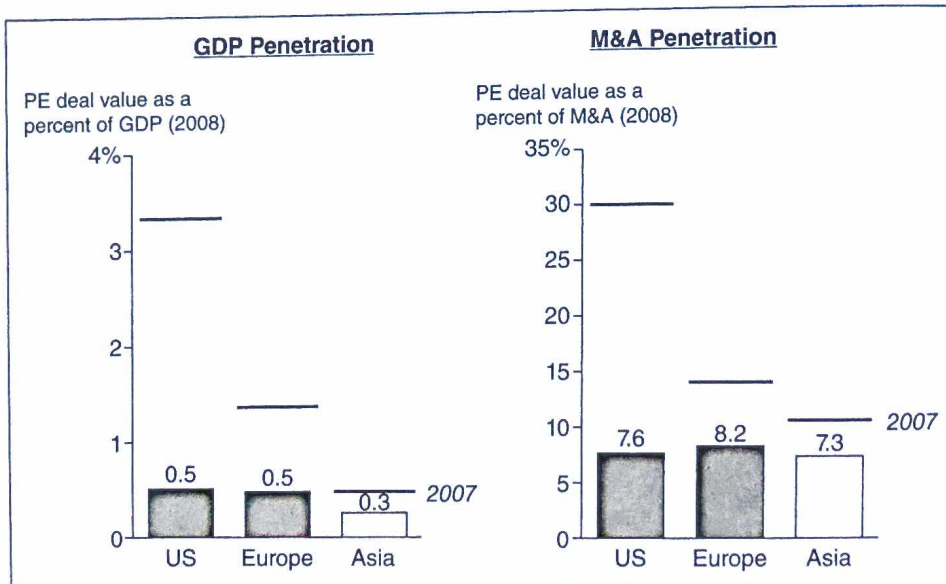
Source: Asia Private Equity Review

Exhibit 19.3
Asian Private Equity Share of Global Private Equity Invested (in %)



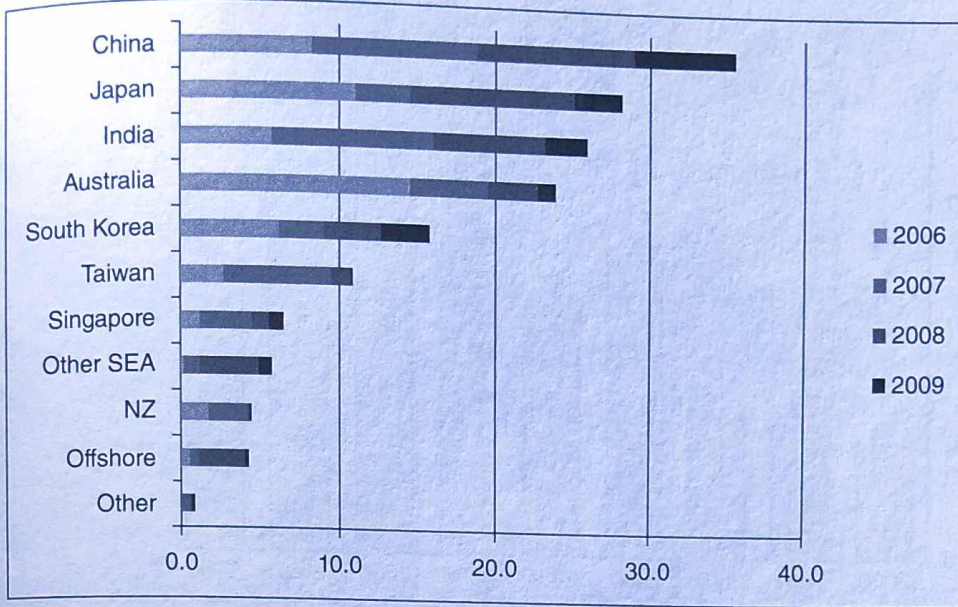
Source: Asia Private Equity Review, 2009 Year-End Review, Venture Economics

Exhibit 19.4
Private Equity as % of GDP and M&A activity (in %)



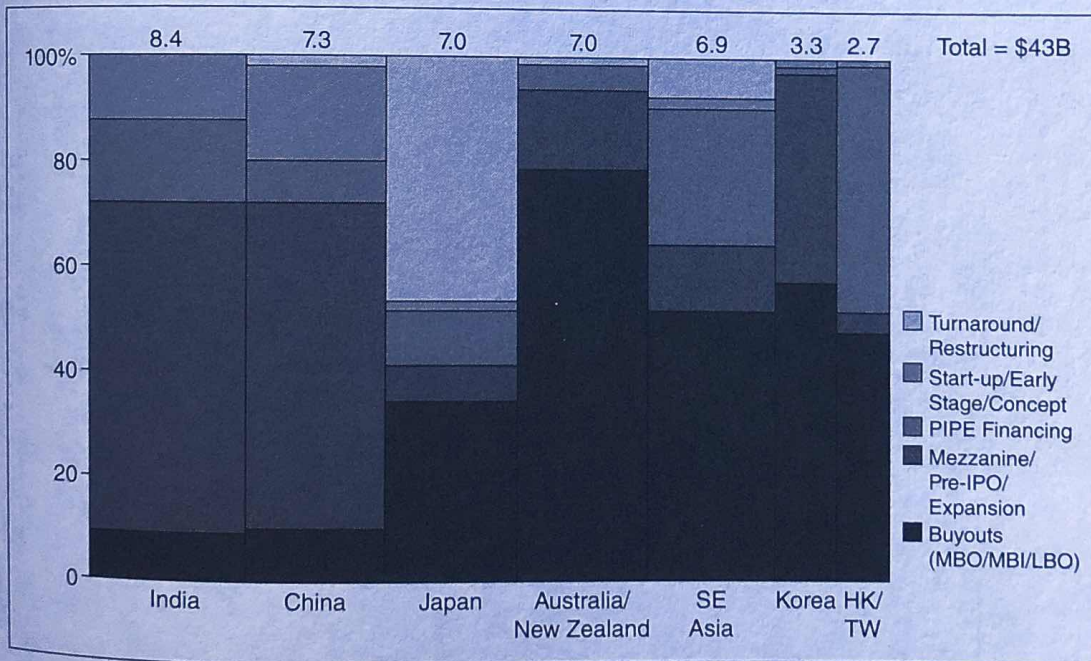
Source: Bain & Company, Asian Private Equity Overview 2008

Exhibit 19.5
Asian Private Investment Destinations (in US\$ bn)



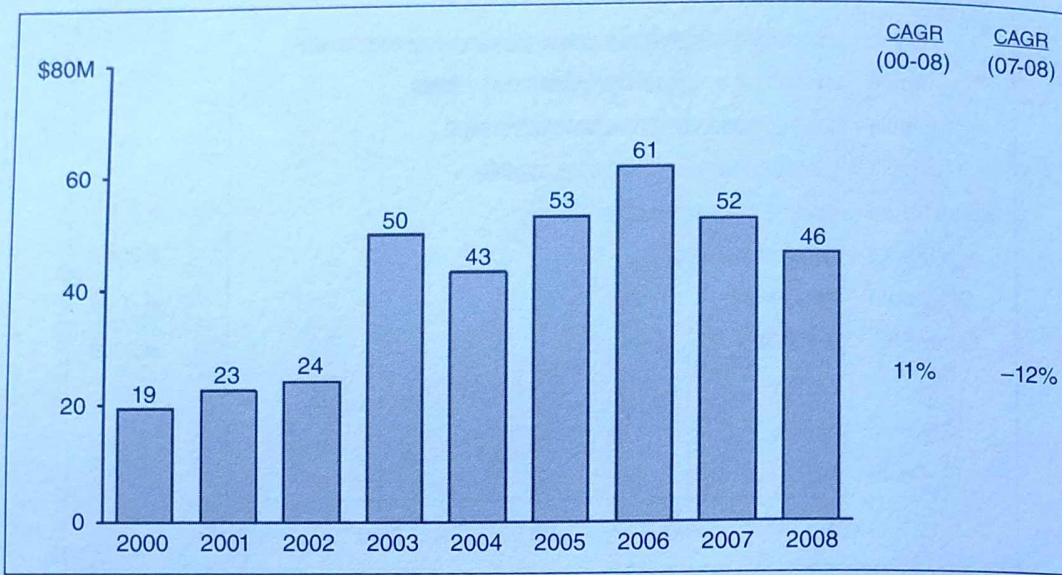
Source: Asian Private Equity Review

Exhibit 19.6
Deal Value by Funding Stage (in US\$ bn)



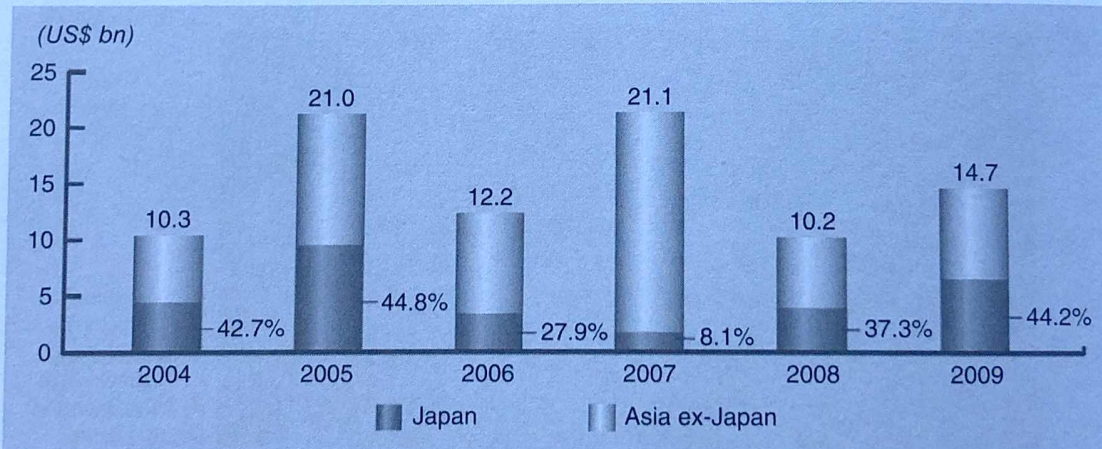
Source: Bain & Company, Asian Private Equity Overview 2008

Exhibit 19.7
Average Deal Size (in US\$ m)



Source: Bain & Company, Asian Private Equity Overview 2008

Exhibit 19.8
Asian Private Equity Exits (in US\$ bn)



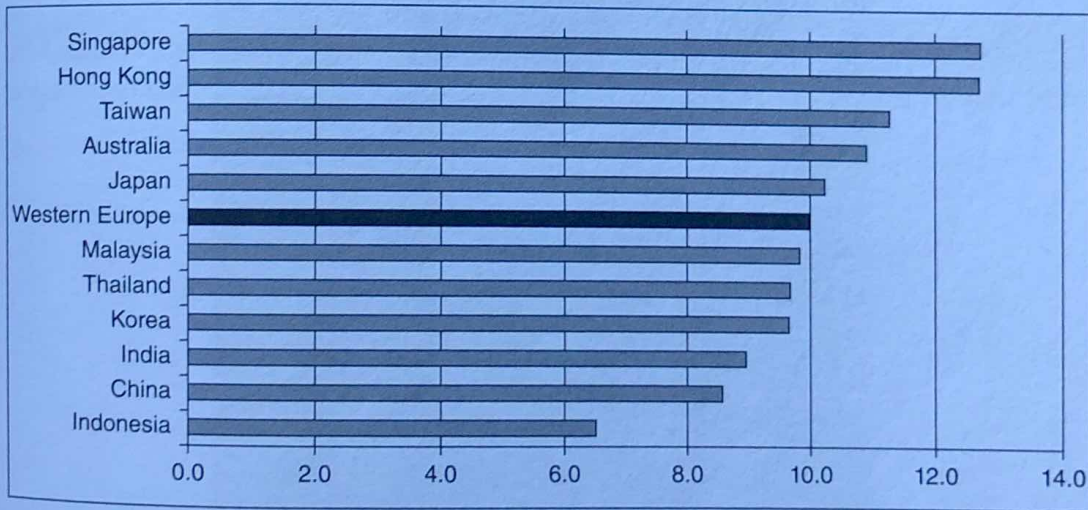
Source: Asian Private Equity Review

Exhibit 19.9
Current GDP and Expected GDP Growth for Selected Countries

Rank in 1999	Rank in 2009	Country	GDP 2009e (in USD billion)	Growth CAGR 99-09 (in local currency)	GDP 2014e (in USD billion)	Growth CAGR 2009-14 (in local currency)	Rank in 2014
1	1	US	14,002.74	4.2%	16,927.84	3.9%	1
2	2	Japan	4,992.85	-0.3%	5,354.41	2.0%	3
7	3	China	4,832.99	13.9%	8,500.10	11.5%	2
3	4	Germany	3,060.31	1.5%	3,292.87	1.4%	4
5	5	France	2,499.15	3.4%	2,951.58	3.3%	5
4	6	UK	2,007.05	4.3%	2,507.61	4.4%	6
6	7	Italy	1,987.84	3.0%	2,225.27	2.2%	8
9	8	Spain	1,397.23	6.3%	1,554.15	2.1%	11
10	9	Brazil	1,268.51	10.8%	1,666.75	8.1%	10
8	10	Canada	1,229.37	4.6%	1,502.20	4.6%	12
13	11	India	1,185.73	11.6%	1,739.98	11.1%	9
23	12	Russia	1,163.65	23.7%	2,231.79	13.8%	7
15	14	Australia	755.066	6.4%	852.705	4.8%	16
12	16	Korea	727.111	6.3%	934.401	6.7%	14
21	17	Turkey	552.18	24.6%	644.823	7.9%	18
29	18	Indonesia	468.389	16.1%	679.318	9.1%	17

Source: IMF

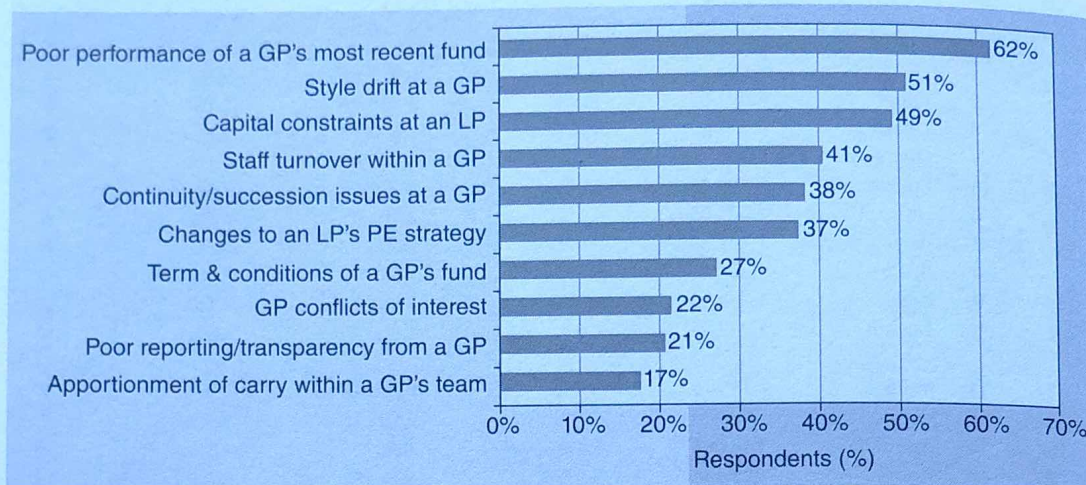
Exhibit 19.10
*The Socio-Economic Environment for Private Equity
 Compared with Western Europe*



Source: INSEAD, The Climate for Venture Capital and Private Equity in Asia, 2005

Exhibit 19.11

Factors Likely to Deter LPs from Re-Investing with Some of their EM PE Managers over the Next 12 Months



Source: EMPEA/Coller Capital, Emerging Markets Private Equity Survey, 2009

Exhibit 19.12

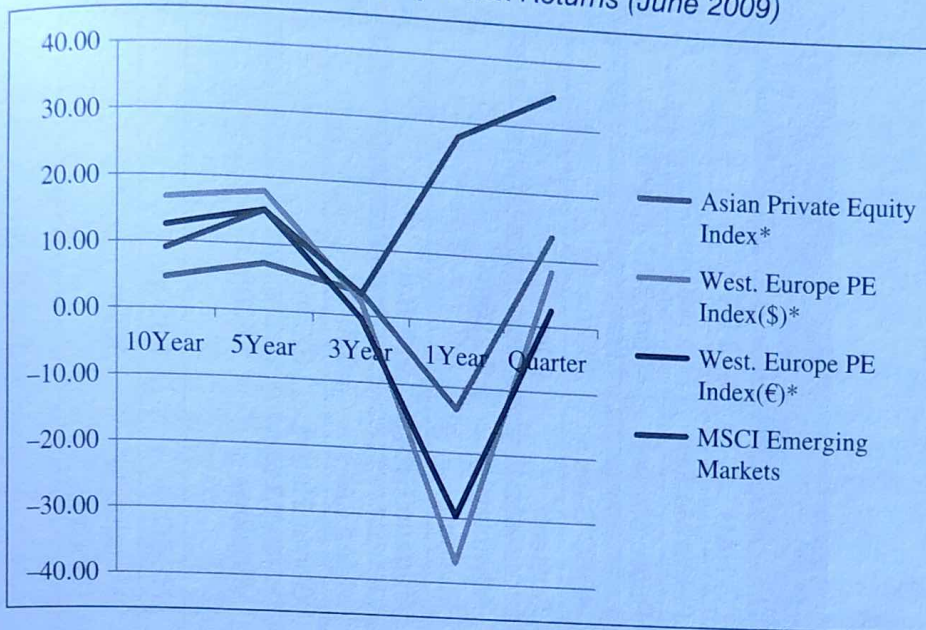
LPs' Perception of Risk Premiums Required for EM PE Funds Relative to Developed-Market Buyout Funds – by EM Country/Region

	2009	2008
Brazil	6.4%	6.9%
China	6.4%	6.3%
India	6.4%	6.1%
South Africa	7.0%	6.4%
Latin America (ex Brazil)	7.5%	6.7%
Middle East	7.3%	6.5%
North Africa*	8.0%	6.7%
Central & Eastern Europe (inc Turkey)	6.4%	5.0%
Russia/CIS	8.4%	6.9%
Sub-Saharan Africa (ex South Africa)*	8.4%	6.7%
Other Emerging Asia	7.3%	N/A

* "Pan Africa" in 2008 Survey

Source: EMPEA/Coller Capital, Emerging Markets Private Equity Survey, 2009

Exhibit 19.13
Asian Private Equity Index Returns (June 2009)



Index	10 Year	5 Year	3 Year	1 Year	Quarter
Asian Private Equity Index*	4.65	7.11	3.52	-13.27	13.62
West. Europe PE Index (\$)*	16.73	17.93	2.11	-36.87	8.29
West. Europe PE Index (€)*	12.53	15.15	-0.43	-29.72	2.5
MSCI Emerging Markets	9.02	15.08	3.27	27.82	34.84

Source: Cambridge Associates, Global VC & PE index and benchmark statistics, 30 June 2009

Exhibit 19.14
Asian Private Equity Portfolio Exits

Year of Exit	Company	Country	Sector	Seller	Buyer	Transaction size	Est. Return Multiple
2009	Faceshop	South Korea	Retail & Consumer	Affinity, CLSA	LG H&H	342 EV	4-4.5x
2009	Myer	Australia	Retail & Consumer	Newbridge (TPG)	Public Market	2bn (MC at IPO)	6.0x
2009	Yingde Gases	China	Oil & Gas	Baring PE	Public Market	450m (MC at IPO)	6.5x
2008	Centurion Bank	India	Financial Services	CVC	HDFC Bank	293m	4x
2008	Shunda	China	Renewables	Actis	Suntech	99m	2.7x
2007	Tokyo Star Bank	Japan	Financial Services	Kone Star Funds	Advantage Partners	2,226m	7x
2007	Himart	South Korea	Retail & Consumer	Affinity, Temasek	Eugene Group	2,106m	3x
2006	Matrix Lab	India	Healthcare	Newbridge (TPG)	Mylan Labs	530m	3x
2006	China Yongle	China	Retail & Consumer	CDH, MS PE	Gome Electrical	677m	5-6x
2005	Bharti Televentures	India	Telecom	Warburg Pincus	Vodafone	1,500m	6x
2005	Ping An	China	Financial Services	MS PE, GS PE	HSBC	1,100m	15x
2005	TBC	Taiwan	Telecom	Carlyle	Macquarie Funds	900m	4x

Source: Various (Bain, Internet, discussions with PE professionals)