



LPEQ Deloitte Listed Private Equity Cash Flow Compass Review to March 2014

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"Our latest figures show corporate acquisitions now account for more than half of all private equity realisations. With a steady flow of IPOs and more accommodating credit markets offering attractive refinancing options, private equity investors once again have the full range of exit options open to them. Meanwhile, portfolios remain full of potential with maturing assets, so we continue to expect strong realisation prospects for the foreseeable future."

Such exit activity should continue to strengthen the cash position of listed private equity firms and provide them with more capital to commit to new funds and new investment opportunities."

Andrea Lowe, Chief Executive, LPEQ

About the Listed Private Equity Cash Flow Compass

This is the seventh LPEQ Deloitte Listed Private Equity ("LPE") Cash Flow Compass which measures activity in the industry, based on LPEQ members' quarterly aggregated cash flow data. The LPEQ members contributing to this report managed a combined global investment portfolio valued at £5.5 billion as at 31 December 2013 (Q4).

Some highlights

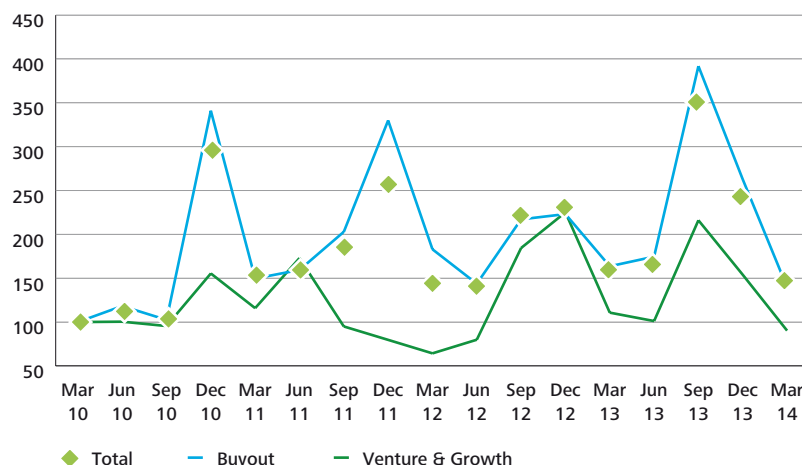
- Levels of realisation activity remain high, reflecting a supportive environment for portfolio company exits.
- Over half of portfolio sales by direct funds over the past 12 months have been to trade buyers, as cash-rich corporates continue to focus on making strategic acquisitions to support their development and growth.
- Exits through the IPO market as well as refinancings have also become increasingly relevant for many managers.
- Funds of funds have had strong and consistent cash in-flows since the first Cash Flow Compass, reflecting the resilience and health of the wider private equity sector through the downturn and beyond.
- With an average portfolio age amongst funds of funds of 7.6 years, there remains good realisation potential in the near to medium term.
- Healthy commitment activity over the past two quarters by funds of funds points to growing manager confidence in the investment opportunity set.

Strong levels of realisation activity continue

Portfolio company exit environment remains supportive

- Realisation activity continues to be strong, reflecting a supportive environment for portfolio company exits.
- Activity was particularly pronounced in the buyout sector, although venture & growth assets saw a similar trend.
- The maturity of the portfolios of LPEQ's fund of funds members, which have an average 'age' of 7.6 years, indicates that exit prospects are likely to remain positive over the near to medium term.

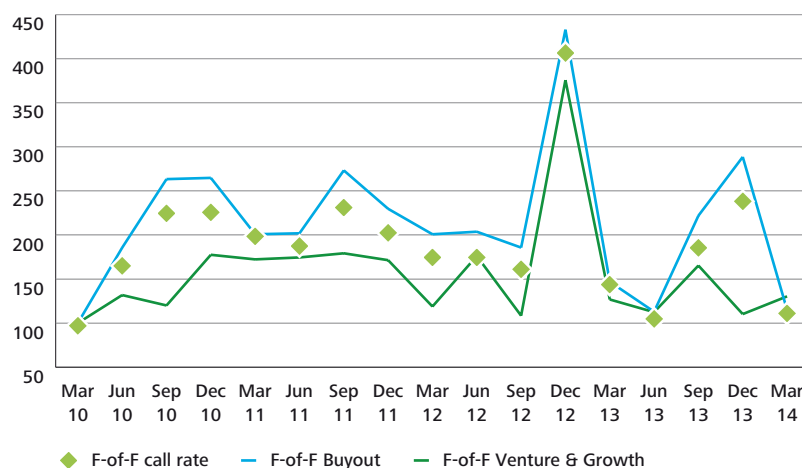
Realisations: Activity index by stage (rebased to 100)



Investment activity suggests manager confidence is increasing

- Investment activity across LPEQ's listed private equity members has been varied, reflecting manager caution in the wake of economic uncertainty over much of the past four years, with pockets of opportunity arising sporadically.
- Opportunities to source new attractive investments in the venture & growth sector have been more limited following significant activity in late 2012.
- In the buyout sector, increased deployment towards the end of 2013 may reflect recent improvements in confidence driven by signs of recovery in western economies.

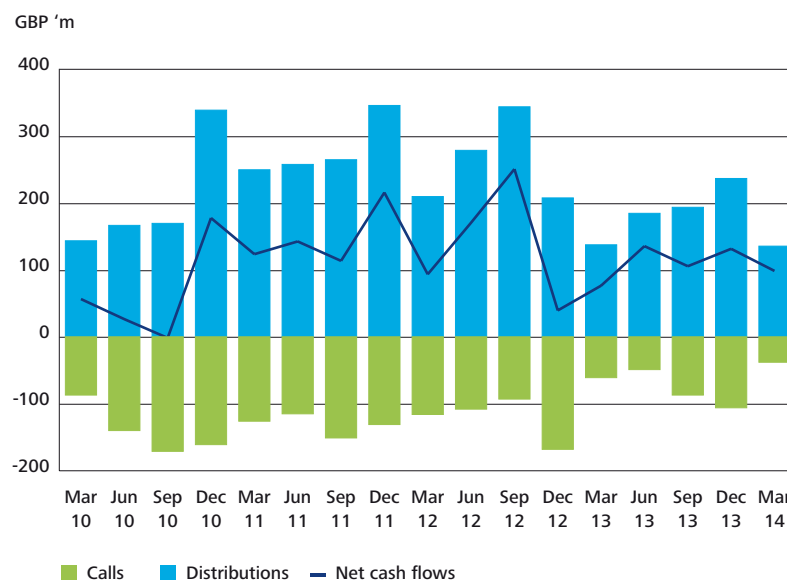
Investment: Activity index by stage (rebased to 100)



Net cashflow positive for 14 consecutive quarters

- Funds of funds have had strong and consistent cash in-flows since the first Cash Flow Compass, reflecting the resilience and health of the wider private equity sector through the downturn and beyond.
- As a result, these listed private equity companies should be in a strong position to make new investments and commitments and to benefit from further improvement in the economic environment.

Funds-of-funds: Net cash flows

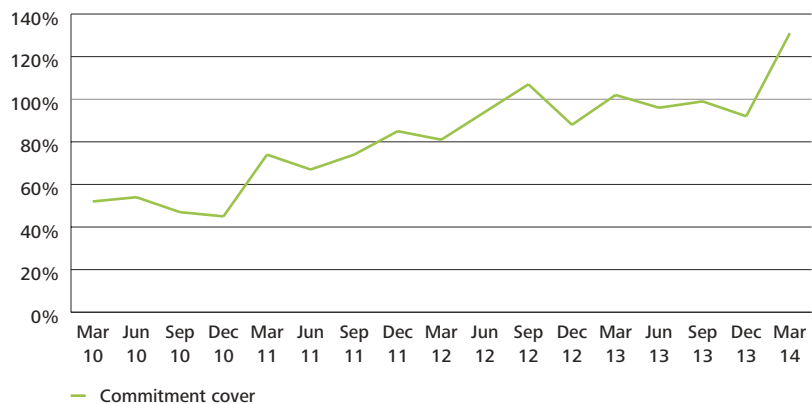


Increased commitment cover and improved balance sheet strength

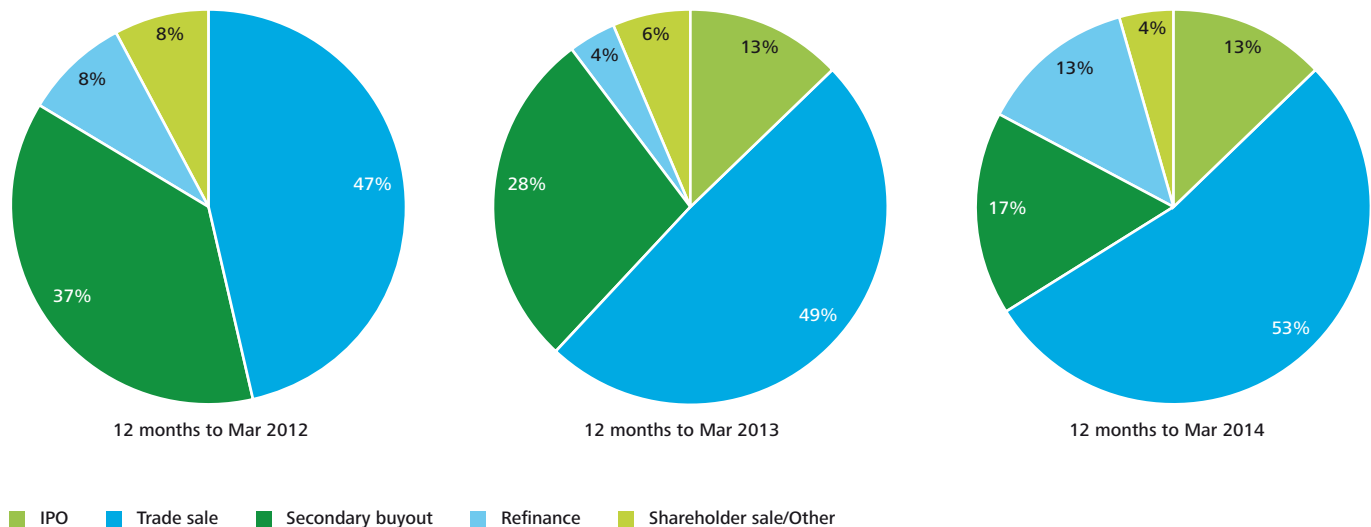
Commitment affordability at highest level since credit crisis

- Levels of realisation activity and resulting portfolio net cash inflows have contributed to increasing commitment cover across LPEQ's fund of funds members.
- This metric, included in this Cashflow Compass for the first time, indicates the proportion of its outstanding commitments a fund of funds could meet, if all commitments were called at once (including use of available borrowing facilities).
- Concerns over the ability of listed private equity funds to meet their outstanding commitments were a key factor in the sector de-rating during the credit crisis.
- However, these findings demonstrate that listed private equity balance sheets have strengthened significantly in recent years, with average cash and debt resources now more than sufficient to cover outstanding commitments to underlying private equity funds.

Funds-of-funds: Commitment cover



Direct funds: Realisations by deal type



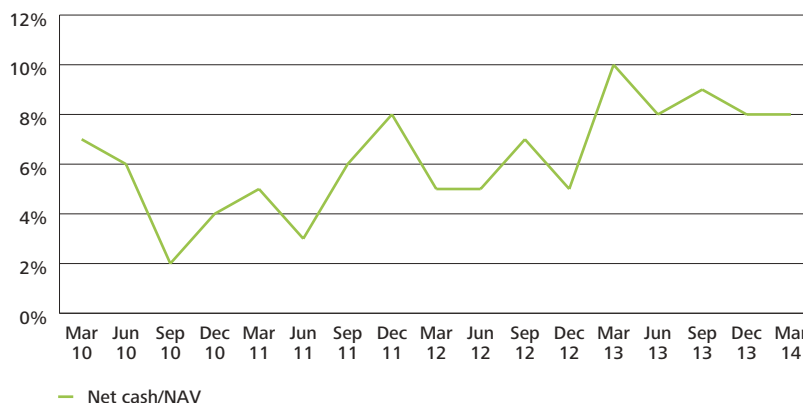
Exit routes continue to evolve with changing market conditions

- Trade sales have remained dominant, as cash-rich corporates continue to focus on making strategic acquisitions to support their development and growth.
- Over the past year, IPOs have continued to represent a key exit route for managers of private equity assets, as public markets have proved receptive to listings of private equity-backed businesses.
- Refinancings have been brought back to the fore over the last 12 months due to improving credit markets and the strong trading performance of underlying companies.
- Meanwhile, secondary buyout activity – where one private equity fund buys from another – has diminished significantly as a proportion of the total, but is expected to remain an important feature of the market.

Cash inflows mean stronger balance sheets

- Measuring net cash as a percentage of net assets is a clear indicator of a company's balance sheet resources and financial health.
- With an average 8% net cash, LPEQ's listed private equity members benefit from robust balance sheets and are well positioned to access new investment opportunities and benefit from further improvements in the macroeconomic environment.

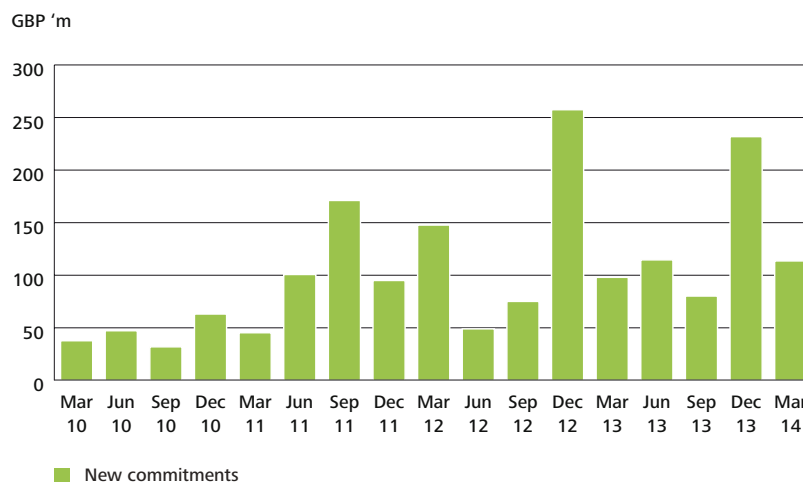
Funds-of-funds and directs: Net cash/NAV



Commitment activity continues upward trend

- Healthy commitment activity over the past two quarters by funds of funds points to growing manager confidence in the investment opportunity set. It also reflects the large number of managers raising new funds, with 2013 being the best year for private equity fundraising since the credit crisis.

Funds-of-funds: New commitments



About LPEQ

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