

Institutional Investors' Interest in Emerging Markets Private Equity Continues to Grow

Eighty-one institutional investors across an array of institutional categories and geographies participated in EMPEA's 2007 Survey of Limited Partner Interest in Emerging Market Private Equity. This year's Survey revealed that interest in the asset class continues to grow among new entrants and existing investors alike. 78% of surveyed LPs projected that their commitments to these regions will keep growing over the next 3 to 5 years, versus 65% of LPs surveyed in 2006 and only 45% in 2004.

Investors cited perceived improvements in returns as an important driver of EM PE's growing appeal. 52% of LPs said that returns from their current emerging markets commitments met or surpassed expectations, versus only 25% of LPs surveyed in 2006. Only 15% thought returns fell short of expectations, versus 42% in 2006.

LPs indicated that their returns expectations for EM PE are high, both in the near and medium term. Not only did LPs expect outperformance from their EM PE commitments—on average, IRRs of 22.6%, a 5.4% premium over developed markets [see Exhibit 1]—but they considered this level of performance to be sustainable. 63% anticipated that EM PE funds would deliver substantially higher returns than developed markets over the next five years.

Asia remained the region of greatest interest, currently drawing investment from 79% of LPs surveyed. However, LPs expected investment across all regions to intensify over the next 3–5 years. By 2012, 89% of LPs expected to be investing in Asia, with another 87% projected to invest in Central and Eastern Europe and Russia compared to 61% today. 64% of LPs projected they will be investing in Latin America in five years' time, versus 31% of LPs currently. Most notably, LPs indicated burgeoning interest in the Middle East—where only 11% of LPs are investing as of 2007, 35% expected to be there by 2012—and Africa, where the percentage of surveyed LPs investing grows from 20% in 2007 to 48% by 2012. [see Exhibit 2]

The summary of the Survey results will be available for a limited time on the EMPEA website. The full compendium of detailed cross-tabulations will be distributed to survey participants and EMPEA members in June. Hard copies of both will be available for purchase by nonmembers through the EMPEA website.

Exhibit 1: Expected Returns of PE Commitments, by Region

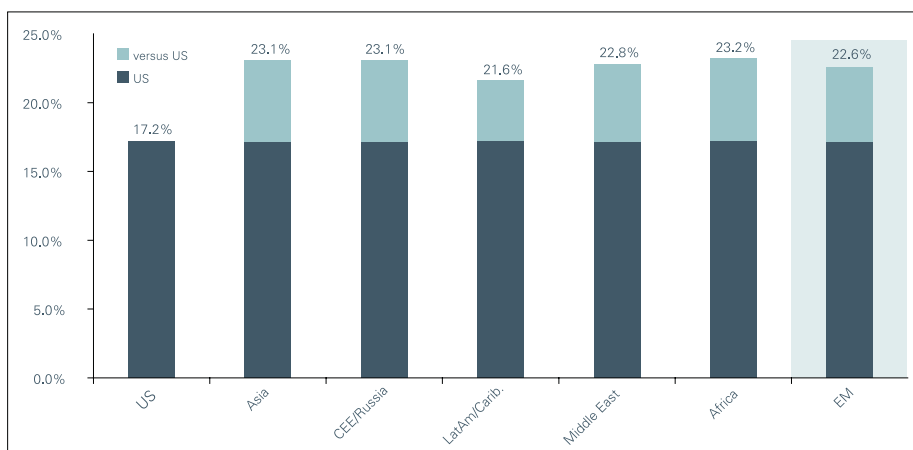


Exhibit 2: EM Investment Strategy: Actively or Opportunistically Investing, 2007 vs 2012.

