

SCM's 2008 Annual Review of Private Equity Terms and Conditions:

The year of transition

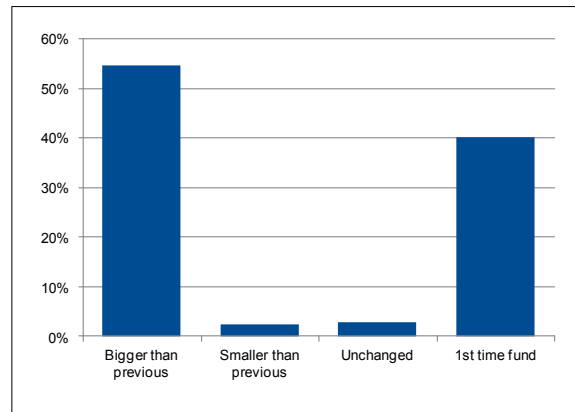
Private Equity saw 2008 a buoyant fund raising environment with signs of a slowdown in the last quarter

Zurich, February 2009. For the sixth consecutive year SCM Strategic Capital Management AG analyzed the terms and conditions of newly launched Private Equity funds in 2008. For this purpose, 368 new direct funds were examined and compared against SCM's database containing over 2'200 funds from more than 1'000 Private Equity firms worldwide. Below the key findings are summarized briefly.

1st time funds mushroomed

Despite a drop-off during the 4th quarter 2008 where only 57 funds were screened, the deal flow increased by more than 30% for the full year. First time funds made up 40% of the sample. This indicates that at least for the 1st half of 2008 the good times were still rolling for private equity managers as investors continued to support new fund offerings throughout most of the year. Only during the 4th quarter an increasing number of postponed closings, reductions in target sizes or extended fund raising schedules emerged and marked the beginning of a tougher fund raising climate.

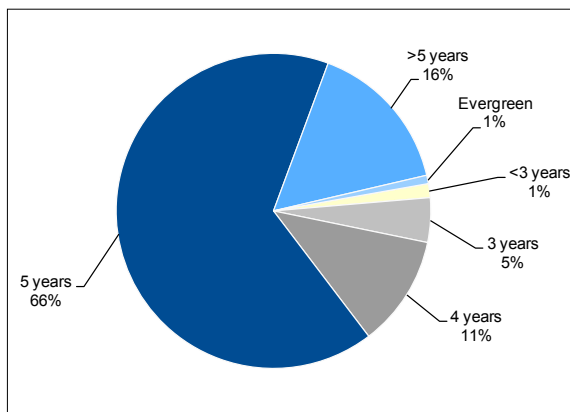
Development of target size compared to predecessor funds



Funds grew bigger, yet mega buyouts funds decreased

Funds that had target sizes in excess of their previous fund made up 55% of the sample, and given the large number of 1st time funds this means that more than 90% of all successor fund offerings were larger than the predecessor fund. The year 2008 saw fewer mega buyout funds coming to market and also the number of USD 5bn+ funds decreased compared to 2007 (2008: 60 vs. 2007: 67). In contrast, significantly more funds in the range of USD 201 – 500mn were offered (2008: 146 vs. 2007: 84).

Length of investment period



Fund life figures

The length of the fund life has not changed in 2008. A 10-year fund life is still the norm with 77% while a 2-3 year discretionary extension is found with more than 80% of all funds. While the experience of recent years shows that funds were generally not too big to be invested,

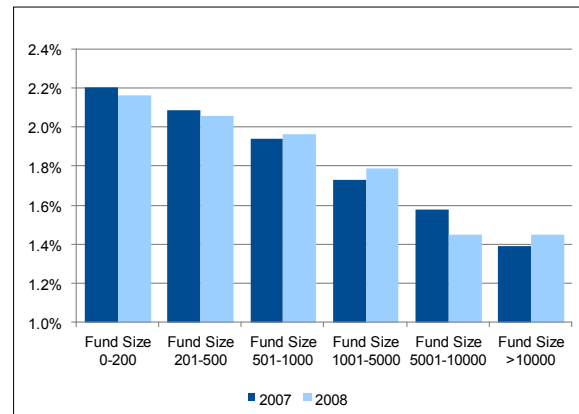
the current economic and financial development raises concerns whether this holds also true for the future. In this respect, the longer investment periods might be a blessing in disguise but it may also mean that the exercise of the discretion to extend a fund's life might become the norm rather than the exemption. 43% of the funds screened used

their final closing as start date for the investment period. While this does not prevent them from investing earlier (e.g. the 1st closing) it lengthens the effective investment period and requires LPs to pay the (higher) fees for a longer time. With the current slowdown of investment activity one can expect that longer investment periods get fully used and LPs might want to pay closer attention to this detail.

Stability regarding management fees, hurdle rates and carried interests

The average management fee of direct funds in 2008 was again slightly above 2%. While the standard rate of buyout funds was slightly below the 2% threshold venture capital or balanced funds more often applied a 2.5% management fee. With regard to hurdle rates, 8% still remains the norm. The standard carried interest rate remained 20% in 2008 with 93% of the funds using it. Unlike in 2007, no large buyout fund was looking for a carried interest above 20%.

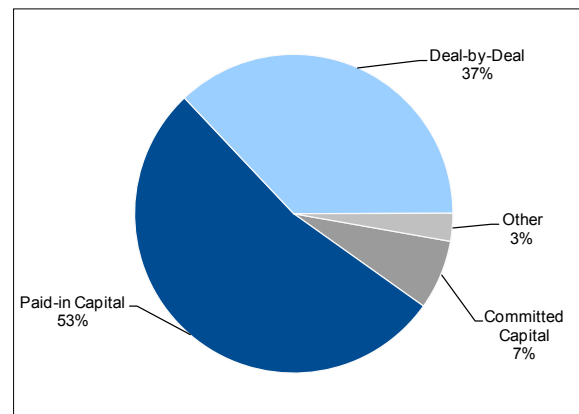
Management fees as a function of fund size (in USD mn)



Less water but same waterfall

The distribution mechanism for the carried interest (waterfall) did not experience noteworthy changes in 2008. Overall, the standard mechanism was that the GPs still had to return all the paid-in capital (plus hurdle rate) prior to receiving carried interest. With regard to regions, for Europe as well as for Asia the paid-in capital waterfall was most often used in our 2008 sample (70% and 51% of all funds respectively). In the US, however, the deal-by-deal carried interest mechanism (usually taking into account the cost of all realized deals, a hurdle rate, management fees & expenses) remained market practice (60% of all funds). These findings stand in contrast with last year findings which saw the share of deal-by-deal carried interest mechanism growing but on the other hand it points out that there is obviously no true common industry practice yet and results fluctuate from year to year.

Waterfall



Description of the SCM survey

35% of the funds analyzed focused on venture capital, 26% on buyouts, 22% on balanced strategies, 8% on distressed/turnaround, 7% on mezzanine and the remaining 2% on other strategies. The geographic focus of the sample was 29% Europe, 27% North America, 24% Global, 15% Asia and 5% Other Regions.

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Short profile of the firm

Founded in 1996, SCM Strategic Capital Management AG is a leading Swiss provider of management and consulting services for alternative investments. The company focuses on private equity, real estate, and infrastructure fund investments, covering all sub segments of these investment classes worldwide. The scope of services includes discretionary and non-discretionary consulting mandates for institutional investors as well as funds-of-funds. With an annual investment volume of USD 1 billion and over USD 6.5 billion in managed assets, SCM ranks among the most important investors in the sector. Above-average performance, a global presence, investment experience, and top-tier services are the key characteristics of the company.