SCM's State of the Asian-Pacific Private Equity Markets Study:

Affected, but not afflicted

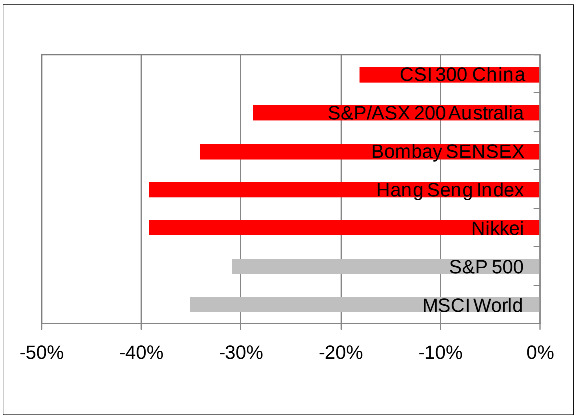
Private equity in Asia is here to stay as the region's economies will continue to outgrow the rest of the world

Zurich, March 2009. SCM Strategic Capital Management AG latest study investigated the impact of the global financial crisis on the Asian region. Below the key findings are summarized briefly.

Asia and the financial crisis

The public stock market performance since mid-2008 has shown that financial de-coupling theories need to be put on the shelf. Emerging economies have been seriously declining alongside developed ones. A number of Asian public equity markets have experienced a worse downturn than their Western counterparts, e.g. the Hang Seng and the Nikkei Index have both performed worse than the S&P 500 and the MSCI World Index. Asian companies also feel the effects of the global financial crisis as credit market conditions became tighter. On a positive note, unlike many developed markets, Asian countries had much higher savings rates in the past (e.g. 20% in both China and Taiwan), little consumer credit and limited mortgage lending activities. Asian banks have weathered the current global financial crisis pretty well so far (the exception being South Korea, with higher household debt ratios than in the US and a banking system which borrowed substantial amounts abroad and got hit accordingly in the current credit crunch). According to Business Week, by Q2 2008 Asian corporates had halved their debt levels compared to December 1996 and are much less reliant on short-term funding.

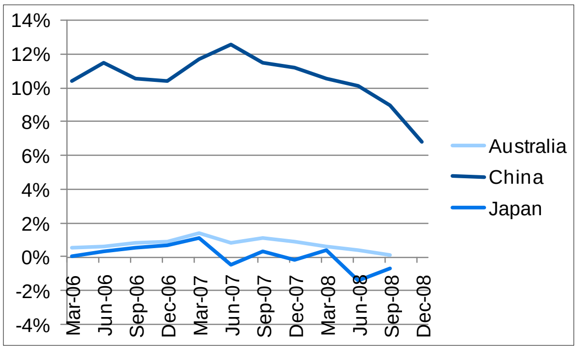
Public market performance August 2008 - February 2009



Most emerging and developed Asian economies have a rather sound macro-economic basis

High current account surpluses, high foreign currency reserves and modest domestic debt (which a number of Asian countries have) provide a certain cushion in these challenging times. Most of the Asian countries have sufficient room for action in terms of providing fiscal stimulus packages to their economies (e.g. China announced an investment program totaling USD 585bn in late 2008). Another positive element in the current market environment is the recently strong price decline of various commodities, which will certainly help the majority of Asian countries (except probably for Australia as a major commodity exporter).

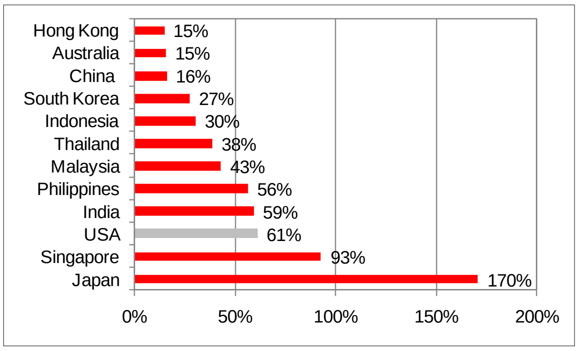
Quarter-over-quarter GDP growth rates



Growth premiums in the emerging Asian countries expected to persist

One of the key challenges for most of the Asian economies will be to decrease their dependency on export activities and strengthen domestic demand and intra-Asian trade (which right now is finally linked to demand in the West) in the future in order to increase their overall economic systems' resilience. 2009 will certainly be a challenging year for the majority of Asian countries. The Economist Intelligence Unit expects the GDP growth rate of emerging Asian countries as a whole to be only 4 – 5% in 2009. However, it should be kept in mind that in comparison during the Asian crisis in 1998 the GDP growth rate of emerging Asian countries declined to a mere 2.4%. And furthermore, during the financial crisis in 1997/1998 the ratios of public debt to GDP stood at very high levels for a number of Asian countries, such as 93% for Thailand or 90% for Indonesia. Emerging Asia economies have seen a continuously growing middle class over the last 10 years. Overall, the recent developments have clearly shown that Asia is not immune from the impact of the global economic slowdown. While there is no real banking crisis in the Asian region the effects of the global liquidity squeeze are felt and more importantly the decline of global demand is hurting the export-oriented economies. At the same time there is room to stimulate domestic demand and a combination of positive demographic factors and fiscal and monetary stability holds the promise that Asia will continue to outgrow other regions in the medium-term.

Gross public debt in % of 2008 GDP



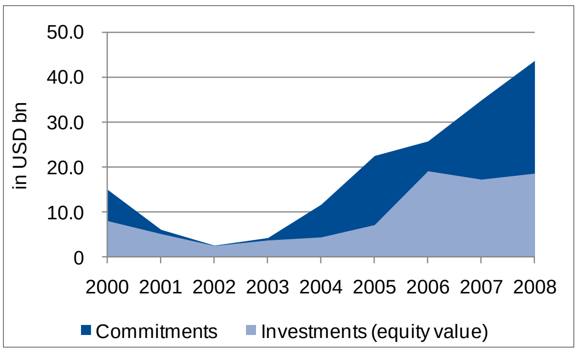
Asian M&A and private equity activity

The Asian M&A market declined to a lesser extent than the European and North American M&A markets (Asia -18% versus Europe and North America each -25%), showing a certain resilience (and quarterly 2008 figures also being pretty stable). Asian M&A activity is, compared with other regions, still rather small - with an equivalent of 6.5% of the region's GDP. In 2008, the Asian region saw a movement against the global trend, with its private equity-share in M&A activities increasing to 7% of total M&A volume (driven by a pick-up in Asian buyouts as shown on the next page). The Asian buyout sector showed remarkable resilience when compared to private equity activities in Europe and North America where buyout activity decreased significantly in 2008 (the private equity market volume in both Europe and North America is much more sensitive with regard to the lack of availability of acquisition finance facilities in the current debt crisis).

Investment and fund raising trends in Asia

2008 saw another fundraising record in the Asian market. More than USD 44bn were raised in 2008 alone, which is an increase of about 25% compared to 2007. Most capital was raised in 2008 by pan-Asian funds, followed by country funds focused on China, India, Australia and Japan. The absolute gap between commitments and investments increased further in 2008. Overall, fundraising in 2009 will probably slow down significantly (fundraisings took 14 months on a global average, with Asian funds probably taking longer time than that), leading to a correction of the capital demand-supply imbalance in the region in the medium-term. The overall Asian private equity transaction volume increased from USD 42bn in 2007 to USD 46bn in 2008. This year witnessed Ja-

Commitments vs. investments 2000-08 (by equity value)



pan (re-)emerging as the strongest country in the Asian region (with deal volume increasing 4-fold compared to 2007 and being home to the 3 largest Asian buyouts in 2008).

A capital overhang for venture capital, in particular in China and India

While the new money raised for buyouts in 2007-08 was 2.6x the money invested during that period the new money raised for venture capital funds in 2007-08 was more than 12x the reported investment amount during that period. Even when taking into account the undisclosed investment amounts (which are not captured by any deal / transaction database) this still indicates a continued massive capital overhang in the venture capital area, particularly in China and India. Retaining talent, maintaining a cohesive culture and integrating the headquarters' successful DNA are also challenging tasks in this very competitive and high-growth region. The IPO window has been effectively closed in 2008 due to the global financial turmoil and will most likely not represent a viable exit route for private equity investors for some time to come. As a consequence, only private equity firms that are able to source and close deals that are of critical size and quality to be attractive to strategic buyers can hope to continue to deliver exits to their investors.

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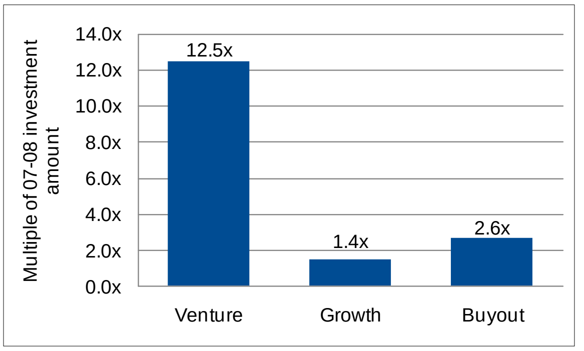

Where to put the money?

In many ways, the biggest bottleneck for investors remains the relatively scarce supply of seasoned teams and the resulting difficulty to deploy capital with private equity firms that are on par with top-tier firms in Europe and the US. In SCM's view, Asian buyouts and larger growth financings are the most interesting private equity segments for the foreseeable future as deal volumes will probably increase further. SCM looks to global players as well as seasoned regional players with larger funds to gain exposure to the mid and large end of the buyout market. In addition, country funds, in particular, those focusing on Japanese buyouts and Australian buyouts (as long as these funds have a reasonable size) are attractive.

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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.