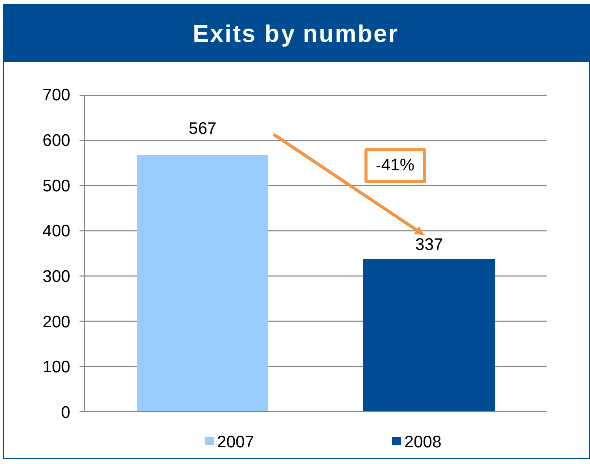
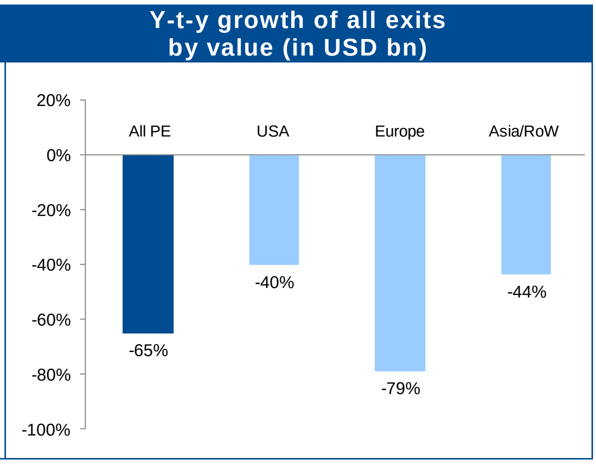
SCM's annual exit study 2009

Zurich, 2 November 2009 For the sixth consecutive year SCM Strategic Capital Management AG releases results of the study on the exit activities of Private Equity funds. The latest study provides findings about the general level of exit activity, but more importantly, the preferred exit routes used by GPs for their portfolio companies in 2008. Below the key findings are summarized briefly.





Exits dropped significantly around the globe

- **Exit volumes tumbled in 2008 in the wake of the global economic turmoil.**
- **A sharp decline in recaps and IPOs & sales of quoted equity sent exit volumes down.**
- Globally, the number of exits fell by -41% while the value of exits decreased by -65%. The decline encompassed both new investments as well as realizations of portfolio companies.
- The decline in exit values was observed in all regions with the biggest drop recorded in Europe.
- The decline in exits was also observed across all investment styles with buyout exit volumes decreasing by -66% and Growth Financing/VC exits decreasing by -54% in value.
- While IPOs & sales of quoted equity and recaps showed the largest decline relative to their values in 2007 (-90% and -80% in Europe and the USA, respectively), the decline of secondary buyouts was in absolute terms the largest driver of the decline in exit values.

Regional trends

Europe

- European exits showed the strongest decline in exit volumes of any region in the world, i.e. -79% compared to 2007.
- Looking at the different exit channels the exits by volume have been mainly achieved by tradesales and secondary sales. While both exit channels have been important in the past, there has been a marked increase of the share of tradesales (+12%) mainly at the expense of recaps (-14%) which became an insignificant source of exits compared to previous years.

United States

- Exit values of our sample declined by about -40% in 2008 compared to 2007. This makes the USA the best performing region on a relative basis.
- Tradesales are the most significant exit route by value, overtaking sales of quoted equity/IPOs that occupied the top spot in 2007 but their share of the overall exit proceeds dropped by -28% to 17%.
- Secondary sales also increased their relative significance as did write-offs.
- The fact that the decline of sales of quoted equity and IPOs explains about 86% of the total drop in exit values shows that the US private equity market is much more dependent on public market exits than the European market. At the same time exits in the USA are and have been much less dependent on secondary sales, where one private equity firm is selling a portfolio company to another private equity firm.

Types of Private Equity exits by region in % by value (in USD bn)

	United States	Europe	Asia / RoW
Tradesales	39%	42%	70%
IPOs & sales of quoted equity	17%	11%	26%
Secondary sales	25%	39%	3%
Recaps	2%	2%	n.a.
Write-offs	16%	3%	n.a.
Others	1%	3%	1%

Source: SCM / CAPER

Asia / RoW

- Asian/RoW private equity exits dropped by -44% in value.
- Looking at the relative significance of different exit channels tradesales accounted for 70% of all exit values. In the past tradesales and IPOs & sales of quoted equity had about the same share but in 2008 a strong decline in the share of IPOs changed the picture dramatically.
- The absolute volume impact of the decline of different types of private equity exits shows that the decline of IPOs alone accounted for 62% of the total reduction of exit proceeds. This was followed by tradesales that accounted for a further 20% of the total reduction.

Outlook

United States & Europe

- The environment for exits (other than write-offs) has not changed much in the first seven months of 2009 despite the rallies in the stock- and credit markets in Q2 2009.
- Private equity managers will not sell their assets at current valuations but wait until market conditions improve.
- As a consequence, SCM believes that exit volumes will not increase in 2009 and likely end up below 2008 levels.
- Provided that volatility in the stock markets remains moderate and the economic outlook does not worsen again, one may see a re-opening of the stock markets for IPOs of larger

mature companies in late 2009 / early 2010. Therefore, it will in SCM's view once again be the larger buyout segment which should benefit first from an upswing, because after a downturn institutional investors' appetite for IPO shares is usually limited to larger companies with predictable and stable cash flows.

- As regards write-offs, SCM expects that many more investments will be lost in 2009 than in the previous year.

Asia / RoW

- After a strong recovery of the stock markets in H1 2009, based on an improving economic outlook, the IPO pipelines are filling-up again. In China for example, the China Securities Regulatory Commission abandoned a nine months IPO moratorium in June 2009 and today, around 300 companies are waiting for the approval from the regulatory authority.
- Given the importance of the IPO markets as exit route for Asian private equity, and in particular the growth capital investments in China and India, it is of upmost importance for the local funds' performances that the IPO markets reopen again.

Data sample

- The "2009 Annual Exit Analysis" is based on a sample of 187 private equity partnerships with vintage years ranging from 1993 to 2008.
- The partnerships included in this survey are fairly evenly spread across the vintage years 1993 - 2008. Among the partnerships analyzed 44% invested in Europe, 49% in the USA and the remaining funds (7%) focused on Asia and the Rest of the World. In addition, data from the Centre for Asia Private Equity Research (CAPER) was used to broaden the data set used for Asian Private Equity.

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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.