

SCM's 2007 Annual Review of Private Equity Terms and Conditions:

Big is (still) beautiful

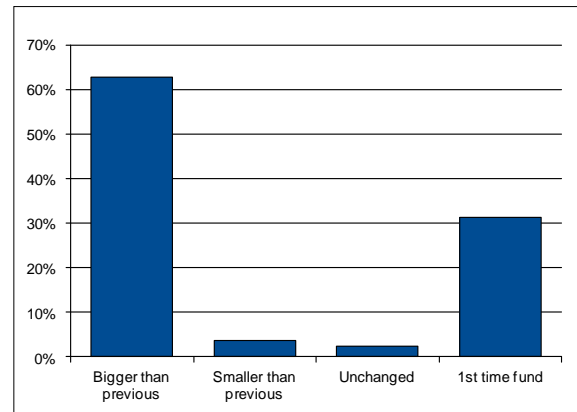
2007's Private Equity Funds increased both in numbers and size

Zurich, April 2008. For the fifth consecutive year SCM Strategic Capital Management AG took a closer look at the terms and conditions of newly launched Private Equity funds in 2007. For this purpose, **311 new funds** were thoroughly screened and checked against SCM's vast database containing meanwhile more than 1'800 funds from more than 900 Private Equity firms worldwide.

Growing in numbers ...

In spite of the negative incidents occurring in the credit and stock markets globally since the second half of 2007, more Private Equity funds had been raised last year than ever before. In the sample, 1st time funds accounted for 31% of all new funds, which indicates an **atmosphere of departure**, especially for investments in Asian markets.

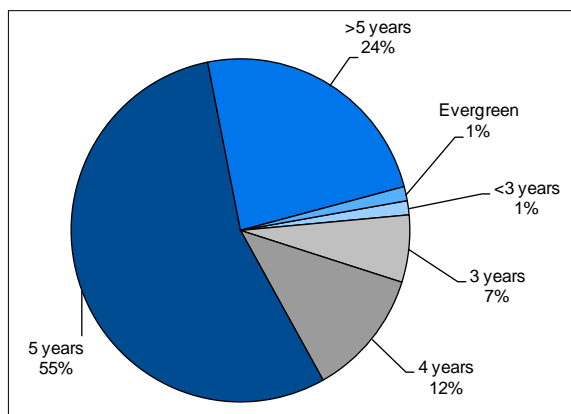
Development of target size compared to predecessor funds



... and size

Not only the total number of new Private Equity funds increased, but also the size of the funds themselves. **91% of all follow-on funds analyzed targeted bigger fund sizes than their predecessors**, and this holds true throughout all financing stages. 21% of the screened funds had a target size above USD 1 billion. For the first time, Asian funds targeted a fund size over USD 3 billion. The reason for these growing fund sizes is twofold: the growing amount of transactions and the geographical expansion of the fund manager activities. Despite the growing fund sizes, the fund raising cycle had actually shortened.

Length of investment period



Fund life figures

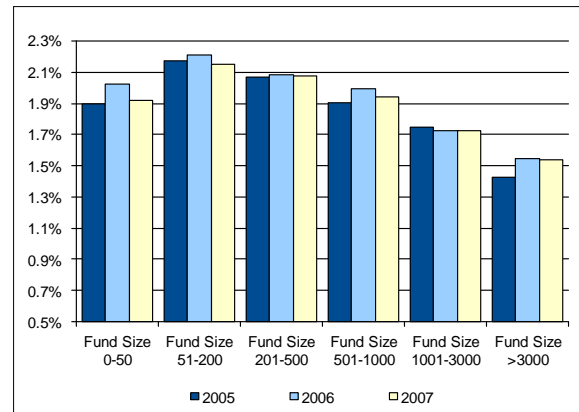
The **trend to longer investment periods** for Private Equity funds, from typically **5 to 6 years**, continued in 2007. It is something of a contradiction to see that the permitted investment periods continue to expand while the investment pace has led to a shortening of the investment cycle in recent years. However, the overall life of the funds had not changed significantly. The **10-year fund life** is still somewhat like the norm for the industry. General Partners seem therefore confident

that they can accommodate a longer investment period within the regular fund life and that the discretionary extension rights (in general 2-3 years) are sufficient to deal with the effect of longer holding periods or investments that are completed later in the life of the fund.

Continuity regarding management fees, hurdle rates and carried interests

The **average management fee in 2007 remained slightly below 2%** as in previous years, even though some large buyout firms tried to raise their management fee rates, arguing they had to cover their Asian expansion strategies. Regarding hurdle rates, more **European funds tried to push through a 7% instead of the usual 8% hurdle rate**. However, Limited Partners successfully resisted such changes in most cases. **The standard carried interest rate remained at 20%**, however, in the context of the ongoing discussion about the taxation of carried interested GPs might try to increase this percentage in the upcoming years.

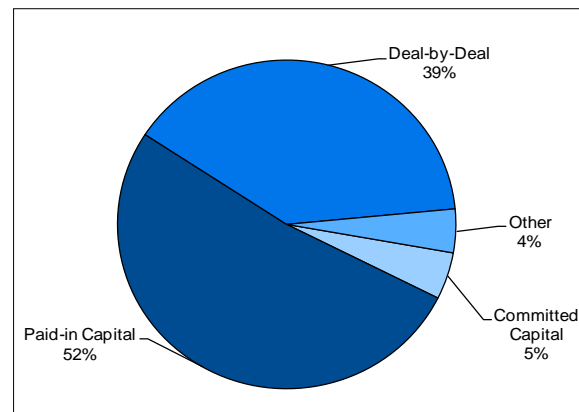
Management fees as a function of fund size (in USD mn)



Assimilation of global structures

The distribution mechanism for the carried interest (waterfall) experienced a noteworthy change in Europe. While 73% of all European General Partners still have to return all the paid-in capital prior to receiving carried interest, the deal-by-deal carried interest mechanism, which is the market practice in the US, increased from 9% in 2006 to 18% in 2007. The same trend holds true for Asian funds where the deal-by-deal mechanism increased from 27% in 2006 to 45% in 2007. SCM predicts that **the deal-by-deal carried interest structure will become more commonly used** in the larger buyout segment in Europe while it is already well received in Asia. Also, the **General Partner commitments** in the range from 1.1% to 5% **have grown** from 2004 to 2007 from 40% to 50%, while commitments of just 1% dropped in the same period from 45% to 35%. This is a positive development as it increases the alignment of interest.

Waterfall



Description of the SCM survey

36% of the funds analyzed focused on buyouts, 29% on venture capital, 22% on balanced strategies, 8% on distressed/turnaround, 4% on mezzanine and the remaining 2% on other strategies. The geographic focus of the sample was 33% North America, 25% Global, 23% Europe, 14% 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, covering all subsegments 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 CHF 1 billion and over CHF 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.