

CVC Joins Firms Seeking Boom-Era Size Funds

BY SABRINA WILLMER

CVC Capital Partners Ltd. hopes its next European buyout fund will nearly match its predecessor, a 10.75 billion euro (\$13.6 billion) fund that closed in 2009, according to two people familiar with the situation. That will make it one of the largest private equity funds currently seeking capital.

One person said that CVC European Equity Partners VI LP will likely aim to raise 10 billion euros.

The firm hasn't yet sent out marketing materials. Two people said they expect it to do so in the second half. Mary Zimmerman, an outside spokeswoman for CVC Capital, declined to comment.

The London-based firm would join only a few other firms that have closed or are trying to raise new funds of similar size to the mega funds raised during the buyout boom. **Leonard Green & Partners's** sixth fund is expected to close shortly on more than \$6 billion, more than the \$5.3 billion its last fund closed on in 2007. **Advent International Corp.** is targeting 7 billion euros for its seventh fund, larger than its last fund, and **Warburg Pincus LLC** has a \$12 billion target on Warburg Pincus Private Equity XI LP, the same goal as its predecessor.

FUND MONITOR

Performance of Select Boom-Era PE Funds

FUND NAME	VALUE MULTIPLE	IRR	FUND SIZE	NEW FUND TARGET
SEEKING SIMILAR FUND SIZE				
Advent International Global Private Equity VI-A	1.13	7.8%	EUR6.6B	EUR7B
CVC European Equity Partners V	1.14	8.2%	EUR10.75B	~EUR10B
Green Equity Investors V	1.36	16.2%	\$5.3B	\$5.3B
Warburg Pincus Private Equity X	1.05	2.6%	\$15.0B*	\$12B
SEEKING SMALLER FUND				
Carlyle Partners V	1.20	7.2%	\$13.7B	\$10B
KKR 2006 Fund	1.17	4.8%	\$17.6B	\$8B-\$10B
Providence Equity Partners VI	1.17	5.5%	\$12.1B	\$6B

*Warburg's target for its last fund was \$12 billion. Source: Oregon PERF at 12/31 for all funds except Carlyle, which is Calpers at 9/30.

YTD Fund-Raising by Type, Region (\$Millions)

	AFRICA	ASIA	EUROPE	LATAM	MULTI	N. AMER	MIDDLE EAST	TOTAL	Q/Q % CHANGE
Buyout		\$4,635	\$12,918		\$23,966	\$15,133	\$53	\$56,705	53.7%
Debt			\$2,609		\$10,180	\$490		\$13,279	81.3%
FoF		\$2,700	\$810		\$1,782	\$256		\$5,548	125.7%
Growth	\$200	\$826	\$119	\$170	\$3,450	\$456	\$36	\$5,258	41.4%
Other						\$1,000		\$1,000	0.0%
Real Estate	\$160	\$190	\$2,007	\$840	\$6,340	\$2,619		\$12,156	26.1%
Secondary			\$149		\$8,880			\$9,029	0.0%
Venture		\$762	\$591	\$125	\$2,218	\$4,458	\$222	\$8,376	15.3%
Total	\$360	\$9,113	\$19,203	\$1,135	\$56,816	\$24,413	\$311	\$111,351	44.0%
Q/Q % Change	0.0%	36.6%	34.4%	16.4%	50.8%	41.4%	249.4%	44.0%	

Source: Bloomberg. Data is collected from announced and reported closes. Non-dollar funds have been converted.

QUOTE OF THE WEEK

"I think it would be helpful if Putin stopped wandering around bare-chested."

— Janusz Heath, managing director of Capital Dynamics, speaking at the EMPEA conference on how Russia might help its reputation and attract more private equity investment. See page 4

MEETING TO WATCH

NEW JERSEY STATE INVESTMENT COUNCIL MEETING, MAY 24

The pension fund is set to approve its FY2013 allocation plan as well as potentially expanding the range of investments allowed in the real asset class.

INSIDE

LAUNCHES. Monroe Capital is seeking its first senior secured direct loan fund; Blue Point is raising a new fund. Page 2

FROM THE MINUTES. CPP IB discloses some of its biggest FY2012 commitments; St. Paul Teachers' boosts its PE allocation. Page 3

COMINGS & GOINGS. Michael Moritz is stepping back from Sequoia Capital. Page 4

LISTED PRIVATE EQUITY. A full page of information on listed private equity firms' performance includes new data such as market capitalization and share price discount to NAV. Page 6

COMMENTARY. Harold Bradley, CIO of the Kauffman Foundation, writes of its recent study of its venture portfolio that LPs "are not receiving high enough returns for the capital they invest in VC." Page 8



CVC JOINS FIRMS...

Other firms, including **KKR & Co. LP**, **Providence Equity Partners** and **Carlyle Group LP**, are seeking smaller amounts than last time around.

CVC Capital's European funds make minimum equity investments of \$150 million, according to the firm's website. Founded in 1981, the firm also manages funds that invest in the Asia-Pacific region.

The prior fund, CVC European Equity Partners V, was generating a 1.14 times multiple and an 8.2 percent internal rate of return as of Dec. 31, according to performance data from Oregon Public Employees' Retirement Fund.

The firm said yesterday that it agreed to sell 21 percent of Formula One to BlackRock Inc. and two other investors for \$1.6 billion as it prepares an initial public offering of the auto racing series.

LAUNCHES

Monroe Capital Raising \$400 Million for Direct Loan Fund

Monroe Capital LLC is seeking \$400 million for its first senior secured direct loan fund, according to a presentation viewed by Bloomberg News.

Monroe Capital Senior Secured Direct Loan Fund LP plans to lend primarily to U.S.-based lower mid-market companies with revenue of \$30 million to \$250 million and Ebitda of \$5 million to \$25 million. It will opportunistically purchase senior debt. **Theodore Koenig**, chief executive, declined to comment.

According to the presentation, returns in this asset class have improved as available credit from U.S. banks continues to decline and many mid-market financial institutions have exited the market. Current discounted spreads on middle-market loans are historically high when compared to spreads on U.S. large corporate loans.

The fund is targeting gross returns of 14 percent to 16 percent including fund-level leverage, and 10 percent to 12 percent unlevered. It will charge a 1.5 percent management fee and 20 percent carried interest after a 7 percent preferred return. It will distribute 100 percent of transaction fees to its limited partners.

Koenig founded the Chicago-based firm in 2004. It has five senior partners with more than 20 years of direct lending experience, according to the presentation.

The firm last February closed a \$250 million fund focused on junior and mezzanine private debt loans to U.S. lower mid-market borrowers. It manages a \$409.5 million CLO which was started in December 2006. The firm also has a \$40 million non-discretionary separate account launched in August 2009.

— Sabrina Willmer

Blue Point Capital to Seek \$400 Million for Third Fund

Blue Point Capital Partners plans to seek \$400 million for its third buyout fund, the same amount as its predecessor raised in 2007, according to an investor update.

The firm expects to start officially marketing Blue Point Capital Partners III at the end of

IN BRIEF

■ **KKR & Co.** is gathering \$2 billion in the first round of capital raising for a new Asia fund, three people with knowledge of the matter said. KKR, based in New York, is seeking as much as \$6 billion for KKR Asian Fund II, and plans a first close in June, the people said.

— Sabrina Willmer and Cathy Chan

■ **Ellen Pao**, an investment partner at **Kleiner Perkins Caufield and Byers LLC**, sued the firm in Superior Court in San Francisco, alleging she was sexually harassed, as well as left out of meetings and passed over for promotions due to her gender. KPCB spokeswoman Christina Lee said in a statement that the firm "regrets the situation is being litigated publicly" and that "following a thorough independent investigation," it believes the lawsuit "is without merit and intends to vigorously defend the matter." The statement says KPCB has one of highest numbers of women in the industry and "has actively supported women in all respects."

— Jennifer Rossa

■ **The California Public Employees' Retirement System** and Menlo Park, Calif.-based **GI Partners** have launched TechCore LLC, a \$500 million core real estate fund to invest in technology-advantaged properties in the U.S., according to a statement.

— Jennifer Rossa

<p>Bloomberg Brief Private Equity</p> <p>Bloomberg Brief Executive Editor Ted Merz tmerz@bloomberg.net 212-617-2309</p> <p>Bloomberg News Managing Editor Larry Edelman ledelman3@bloomberg.net 617-210-4621</p> <p>Private Equity Editor Jennifer Rossa jrossa@bloomberg.net 212-617-8074</p> <p>Private Equity Reporter Sabrina Willmer swillmer2@bloomberg.net 212-617-2515</p>		<p>Data Editors Jill Lewandosky jl Lewandosky@bloomberg.net 212-617-4414</p> <p>Nick Madrid nmadrid1@bloomberg.net 212-617-2950</p> <p>Inessa Collier icollier1@bloomberg.net 212-617-1187</p> <p>Adam Kruihof akruihof1@bloomberg.net 609-279-5006</p>		<p>Sales Contact Numbers US: +1-212-617-4050 EU: +44-203-216-4700</p> <p>Newsletter Business Manager Nick Ferris nferris2@bloomberg.net 212-617-6975</p> <p>Advertising bbrief@bloomberg.net 212-617-6875</p> <p>Reprints & Permissions Lori Husted lori.husted@theygsgroup.com 717-505-9701</p>		<p>To subscribe via the Bloomberg Terminal type BRIEF <GO> or on the web at www.bloombergbriefs.com.</p> <p>To contact the editors: jrossa@bloomberg.net © 2012 Bloomberg LP. All rights reserved.</p> <p>This newsletter and its contents may not be forwarded or redistributed without the prior consent of Bloomberg. Please contact our reprints and permissions group listed above for more information.</p>	
---	--	--	--	--	--	--	--

THE WIRE...

the third quarter or early fourth quarter, according to a person familiar with the situation. The fund will invest in manufacturing and business services companies that benefit from sourcing and distribution in China. **David Given**, a managing partner at the firm, couldn't be reached for comment.

Blue Point invests between \$10 million and \$50 million in middle-market companies with revenue of between \$25 million and \$250 million. In October, the firm sold Legend Brands, a manufacturer of cleaning products for the remediation of indoor settings, to RPM International Inc.

The prior fund was approaching a 1.5 times multiple at year-end, according to one person familiar with the situation.

The firm established a Shanghai office in 2004 to help its portfolio companies with their China strategies. The office provides cost reductions, additional revenue opportunities and an Asian perspective when looking at U.S. companies, the person familiar said.

The Blue Point team previously worked at an affiliate of U.S. bank KeyCorp, where they made private equity investments from 1990 to 2000. Key Equity Capital spun out of the bank in 2000 to form Blue Point Capital Partners. The firm also has offices in Charlotte, N.C., Cleveland and Seattle. Sixpoint Partners will act as placement agent for the fund.

— Sabrina Willmer

SECONDARY SALES

Spain's Bankia Selling EUR90 Million of Fund Stakes

Bankia SA, the Spanish lender taken over by the government this month, is selling a portfolio of private equity fund stakes worth close to 90 million euros (\$114.8 million) in net asset value, according to two people familiar with the situation.

The portfolio is made up of 12 funds, both Iberian and international, these people said. Mariano Utrilla, a spokesperson for Bankia, declined to comment.

Among the fund stakes are Carlyle Partners V LP, Permira IV LP and Trilantic Capital Partners III LP, a fund managed by the former Lehman Brothers Merchant Banking, these people said. The bank is also selling an interest in a fund managed by **Magnum Capital Industrial Partners**, a firm focused on Spain and Portugal, said one of the people familiar. Investment bank **Lazard Ltd.** is managing the sale, these people said.

The Spanish government took over Bankia's parent, Banco Financiero & de Ahorros SA, which was formed in 2010 by the merger of seven savings banks led by Caja Madrid.

— Sabrina Willmer

GENERAL PARTNERS

Jade Invest Raises \$150 Million, Extends Fundraising

Jade Invest is almost halfway to its \$300 million hard cap on its second fund of funds that will invest in mainland China, according to an investor letter viewed by Bloomberg.

The Shanghai-based firm has extended the fundraising period for Jade China Value Partners II LP to October to give limited partners more time to commit. The firm has raised just under \$150 million for the fund, which is now capped at \$300 million.

The hard cap was lowered from \$400 million because investors wanted the firm to stay focused on small to medium-sized funds, said Managing Director **Ludvig Nilsson**.

The vehicle has already invested \$51 million in three funds, which have invested in 20 companies, according to the letter. The prior fund of funds, a 2006 vintage, invested \$100 million in 13 funds. Realized companies in the portfolio were valued at a two times multiple and show a 33.8 percent IRR on end-of-March NAV estimates, according to the letter.

Jade Invest was founded in 2005. The firm also makes coinvestments and secondary investments out of its fund of funds.

— Sabrina Willmer

FROM THE MINUTES

■ Among **Canada Pension Plan Investment Board's** larger commitments in fiscal 2012 were 350 million euros to BC European Capital Fund IX, A\$145 million to Archer Capital Fund V, \$100 million to HitecVision Fund VI, \$200 million to Hony Capital Fund V, and \$240 million to Actera Partners II, according to its annual report. Its secondaries portfolio grew to \$2.7 billion from \$2 billion. The institution's private debt group saw growing investment in Asia and "a commitment for expansion of the strategy to seek opportunities in Latin America."

<http://bit.ly/MB74xS>

■ **St. Paul Teachers' Retirement Fund Association**, with \$958 million of assets under management as of June 30, has adopted a new asset allocation that includes a 14 percent target for alternatives and a 10 percent target for inflation-hedged assets, according to meeting minutes. As of January, it targeted up to 10 percent to private markets and up to 20 percent to real assets, its website shows.

<http://bit.ly/JKJRYr>

■ **San Jose Federated City Employees' Retirement System's** consultant is recommending against a commitment to Industry Ventures Partnership Holding II. **Meketa Investment Group** instead advises a continued dialog with Industry Ventures about a possible future customized separate account, according to meeting materials.

<http://bit.ly/KGvaXt>

■ **City of San Jose Police and Fire Department Plan** sees making \$70 million of private equity commitments in 2012, including \$15 million to emerging markets specialized funds of funds, \$20 million to growth, \$20 million to mezzanine, and \$15 million to distressed or secondaries.

<http://bit.ly/Mc3uHJ>

COMINGS, GOINGS & SAYINGS

Michael Moritz to Step Back at Sequoia Capital

■ **Michael Moritz** is stepping back from some of his responsibilities at his firm, **Sequoia Capital**, and has disclosed to the firm's investors that he has a rare medical condition. Moritz did not specify the nature of his illness. In a letter to investors provided to Bloom-



Michael Moritz

berg Businessweek, Moritz wrote, "I have been diagnosed with a rare medical condition which can be managed but is incurable. I've been told that in the next five to ten years the quality of my life is quite likely to decline. Right now I feel fitter than ever and I hope that I'll be one of the lucky ones who can live a full life and defy the statisticians. But there is no way of predicting this with certainty and thus for me life has assumed a different meaning and I am making some adjustments."

Sequoia says Moritz is relinquishing some of his management responsibilities, including regulatory compliance and recruiting. He will remain involved in making new investments from current and future funds, and mentoring startups.

— Brad Stone

■ **3i Group Plc** promoted investment chief **Simon Borrows** to run the company, boosted its dividend and said it would distribute more cash to investors. Borrows, 53, replaces **Michael Queen** as chief executive officer, London-based 3i said in a statement. Borrows said 3i's costs are "not consistent" with his plans, which include growth for the company's infrastructure and debt-management businesses. 3i is under pressure from Laxey Partners Ltd., a hedge fund that owns about 1 percent of the company, to narrow the stock's discount to the value of its holdings. Borrows became chief investment officer when he joined 3i in October from Greenhill & Co., where he served as chairman of the investment bank's international unit and founded its European operations. He assisted 3i with its 1994 initial public offering while working at New York-based Greenhill.

— Jesse Westbrook

■ **Goodwin Procter** said that **Thomas A. Beaudoin** has joined its Boston office as a member of the private investment funds practice. He joins from WilmerHale.

— Jennifer Rossa

QUOTED

A roundup of comments from day two of the Emerging Markets Private Equity Association conference last week.

■ **Janusz Heath**, managing director at **Capital Dynamics**, said many firms in Eastern Europe are going through succession issues at the moment. Of Russia, he said it is no more or less of a corporate governance challenge than other major emerging markets. "I think it would be helpful if Putin stopped wandering around bare-chested," Heath said.

■ **EMP Global** General Counsel **Michael Kelley** said environmental social governance terms are beginning to find their way into limited partner agreements.

He predicted language on Dodd-Frank soon, as well as terms relating to Foreign Corrupt Practices Act compliance. **Mara Topping**, a partner at White & Case, said that for the first time this year she saw an investor require a cap on fund expenses in the LPA.

■ **David Creighton**, Chief Executive Officer of **Cordiant Capital**, said the ongoing trend of EU banks withdrawing from financing infrastructure projects is compressing debt and equity returns in the sector. **Mubadala Infrastructure Partners** CEO **Philip Haddad** said that one outcome of that trend is the emergence of a "small, illiquid" project bond market in the Middle East.

— Jennifer Rossa

POLITICAL WATCH

Obama: Romney Record as Profits Vs. 'Fair Shot'

BY HANS NICHOLS AND JULIANNA GOLDMAN

President **Barack Obama** cast his race against Republican **Mitt Romney** as a contest against a private-equity executive whose goal was maximizing profits, while the president's job is to "figure out how everybody in the country has a fair shot."

Obama aimed at the heart of Romney's campaign argument, saying there is a gulf between the skills and priorities needed in private enterprise and those in governing.

Romney responded to Obama's remarks by saying they showed the president will "continue his attacks on the free-enterprise system."

Romney's campaign has struggled to find a consistent line of defense against the Bain attacks. On a conference call with reporters, former New Hampshire Governor **John Sununu**, a Romney surrogate, accused Democrats of distorting Romney's record by "cherry picking" failed Bain investments and attacking the free-enterprise system.

"If you want to go and talk about Bain as a whole that is fair," Sununu said. "If you want to talk about Bain on cherry-picking basis that's a distortion."

Obama, 50, said he isn't attacking the role of private equity firms, which he called "a healthy part of the free market."

Romney's background is fair game because the Republican candidate is emphasizing his business background rather than his record as governor of Massachusetts, Obama said. Some of his allies have undermined that argument. Newark Mayor **Cory Booker** this week called the private equity debate "nauseating to the American public." After Romney's campaign highlighted his comments, Booker backtracked in a Twitter message and a web video.

MARKETING

Recent Launches/Pre-Marketing

FUND NAME	TYPE	TARGET (MLNS)
Armstrong South East Asia Clean Energy Fund	Asia Growth	\$150
Blue Point Capital Partners III	Buyout	\$400
CVC European Equity Partners VI	Europe Buyout	\$10,000
Ironbridge Fund III	Asia Buyout	AS1000
Monroe Capital Senior Secured Direct Loan Fund	Debt	\$400

Recent LP Commitments

NAME OF LP	FUND/TYPE	COMMITMENT (MLNS)
African Development Bank	Agvance Africa	\$100
Allianz	Electranova Capital	EUR10
CS Pacific LP	TPG Opportunities Partners II	\$15
CS Pacific LP	TSG6	\$9.50
EDF	Electranova Capital	EUR30
Finnish Industry Investment	Creandum III	EUR7.5
Kentucky Retirement Systems	Harvest Partners VI	\$40
Kentucky Retirement Systems	Wayzata Opportunities Fund III	\$50
Lacera	GGV Capital IV	\$50
Lacera	Oaktree Opportunities Fund IX	\$100
Lacera	Institutional Venture Partners XIV	\$75
Montana Board of Investments	Northgate Venture Partners VI	\$15

Recent Closes

FUND NAME	TYPE	TARGET (MLNS)	CLOSE	CLOSE AMOUNT (MLNS)
Celtic House Venture Partners Fund IV	Venture	N/A	First	\$105.0
Encap Flatrock Midstream Fund II	Buyout	\$1,250.0	First	\$873.0
Jade China Value Partners II	Asia FoF	\$300.0	N/A	\$150.0
KPCB 15	Venture	\$525.0	N/A	\$525.0
Providence Equity Partners VII	Buyout	\$6,000.0	N/A	\$1,000.0
SL Capital European Smaller Fund I	Europe FoF	EUR300	Second	\$100.0

SEC Filings

SEC FILINGS	TYPE	OFFER AMOUNT (MLNS)	AMOUNT SOLD (MLNS)
Accolade Partners IV	Buyout	N/A	\$41.9
Corsair IV Financial Services Capital Partners	Buyout	N/A	\$668.1
Encore Housing Opportunity Fund	Real Estate	\$300.0	\$160.9
Felicis Ventures III	Venture	\$52.0	\$52.0
Macquarie Clean Technology Fund II	Venture	N/A	\$88.5
Mainsail Partners III	Buyout	\$216.6	\$205.6
Penta Mezzanine Fund I	Debt	\$150.0	\$14.9
Renaissance Venture Capital Fund II	Fund of funds	\$120.0	\$59.6
Sentient Global Resources Fund IV	Buyout	\$474.5	\$474.5

Source: Compiled by Bloomberg

AROUND THE WEB

■ **Dechert** offers some pointers on what asset managers should be thinking about as they make contingency plans for a euro-area restructuring.

<http://bit.ly/JEt5v9>

■ **K&L Gates** provides some advice for fund managers on how to avoid running afoul of widely varying state pay-to-play laws.

<http://bit.ly/L3GkUX>

■ **Douglas Cumming** of York University and **Simona Zambelli** of the University of Bologna investigate the impact of extreme regulation on private equity, using a database of Italian deals. "The data show that extreme regulation reduces not only the supply of capital, but also PE returns and firm performance, as well as the likelihood of an IPO exit," they write.

<http://bit.ly/MkCSEu>

■ A **Kauffman Foundation** study on the impact of robust IPO markets on jobs finds that venture capital backing is most common among biomedical companies.

<http://bit.ly/JRLy6c>

■ An **Emerging Markets Private Equity Association** report says that 30 funds raised \$7.8 billion in the first quarter across developing markets.

<http://bit.ly/Jv8RVv>

■ Giving a manager more investment flexibility results in weaker performance with "most fund managers except those with exceptional talents," according to a paper by **Zhiguo He** of the University of Chicago and **Wei Xiong** of Princeton University.

<http://bit.ly/KDXeXi>

LISTED PRIVATE EQUITY

3i Group PLC's shares were down about 3 percent through yesterday from the close of trading May 16, the day before the firm announced management changes. 3i's new chief executive officer **Simon Borrows** said on a conference call: "I think it's fair to say that we currently have an imbalance between our costs and our income. It's also fair to say that we have a difficult legacy portfolio from the peak years of 2007 to 2009, but these are issues we can deal with in the coming years, and in doing that, we can create a 3i which will be more focused and a lot leaner."

Listed Firms

NAME	TICKER	REGION	LAST PRICE	1D %CHG	YTD %CHG	YoY %CHG	MARKET CAP	BBERG EST. P/E RATIO	1Y CHART
3i Group PLC	III LN Equity	U.K.	174.20	2.35%	-3.76%	-40.22%	1,691,664,551	13.4	
Altamir Amboise	LTA FP Equity	Europe	6.33	0.32%	6.94%	-19.86%	231,122,864	90.4	
Apollo Global Mgmt.	APO US Equity	U.S.	11.19	1.63%	-9.83%	-37.31%	4,100,695,801	4.8	
Better Capital	BCAP LN Equity	U.K.	151.00	0.00%	24.02%	31.06%	312,239,227	N/A	
Blackstone Group	BX US Equity	U.S.	11.99	2.48%	-14.42%	-29.26%	13,361,670,898	7.1	
Brait SE	BAT SJ Equity	S. Africa	2380.00	0.59%	19.30%	44.33%	12,047,576,172	8.2	
Capman OYJ	CPMBV FH Equity	Europe	0.87	-1.14%	-13.86%	-42.76%	73,542,641	N/A	
Carlyle Group*	CG US Equity	U.S.	21.00	-0.24%	N/A	N/A	6,394,499,512	N/A	
Deutsche Beteil.	DBA GR Equity	Europe	15.18	1.00%	-0.28%	-19.91%	207,607,132	19.9	
Dinamia Cap. Priv.	DIN SM Equity	Europe	3.17	-6.76%	-19.75%	-56.23%	51,605,064	3.4	
Electra PE	ELTA LN Equity	U.K.	1590.00	-1.18%	12.53%	-7.56%	561,912,231	N/A	
Eurazeo	RF FP Equity	Europe	32.95	6.20%	19.84%	-39.12%	2,080,639,160	12.6	
Fortress Investment Group	FIG US EQUITY	U.S.	3.04	0.66%	-10.06%	-43.39%	1,580,775,513	6.2	
GIMV NV	GIMB BB Equity	Europe	37.00	2.27%	0.33%	-18.68%	857,512,207	13.6	
GP Investments Ltd.	GPIV11 BZ Equity	S. Amer.	4.24	-2.53%	6.80%	-34.77%	697,397,278	N/A	
HGC Capital Trust	HGT LN Equity	U.K.	922.75	-0.03%	-4.87%	-20.45%	293,640,564	N/A	
Jafoo	8595 JT Equity	Asia	1530.00	2.00%	8.28%	-17.96%	73,890,335,938	N/A	
KKR	KKR US Equity	U.S.	11.59	2.20%	-9.66%	-32.34%	8,025,097,168	6.1	
Oaktree Capital Group*	OAK US Equity	U.S.	38.70	5.16%	N/A	N/A	5,744,678,711	14.3	
Onex Corp.	OCX CN Equity	Canada	39.11	1.45%	17.87%	4.27%	4,504,410,156	37.3	
Partners Group Holdings	PGHN SW Equity	Europe	160.60	1.01%	-2.01%	-4.69%	4,288,020,020	N/A	
Wendel SA	MF FP Equity	Europe	56.36	4.97%	9.44%	-31.48%	2,846,179,932	5.7	

BDCs

NAME	TICKER	REGION	LAST PRICE	1D %CHG	YTD %CHG	YoY %CHG	MARKET CAP	PRICE TO BV/SHR	1Y Chart
American Capital	ACAS US Equity	U.S.	9.01	0.56%	33.88%	-8.25%	2,996,748,779	0.57	
Apollo Invest.	AINV US Equity	U.S.	6.81	0.74%	5.75%	-39.14%	1,341,865,479	0.83	
Ares Capital	ARCC US Equity	U.S.	15.14	-0.39%	-2.01%	-10.04%	3,359,187,500	0.98	
Blackrock Kelso Capital	BKCC US EQUITY	U.S.	9.26	0.87%	13.48%	-4.93%	681,135,071	0.97	
Fifth Street Finance	FSC US EQUITY	U.S.	9.19	-0.33%	-3.97%	-26.01%	757,448,059	N/A	
Gladstone Capital	GLAD US EQUITY	U.S.	7.49	-1.83%	-1.83%	-29.34%	157,291,199	N/A	
MCG Capital	MCGC US EQUITY	U.S.	4.20	-1.41%	5.26%	-34.48%	322,401,306	N/A	
New Mountain Capital	NMFC US EQUITY	U.S.	13.42	-0.22%	1.79%	5.00%	143,563,019	N/A	
Prospect Capital	PSEC US Equity	U.S.	10.79	0.28%	16.15%	-5.27%	1,316,477,051	1.00	
Kohlberg Capital	KCAP US Equity	U.S.	5.65	-0.70%	-10.46%	-25.17%	150,489,365	0.72	
THL Credit	TCRD US EQUITY	U.S.	12.94	2.86%	6.39%	-1.44%	261,649,384	N/A	

Listed Funds of Funds

NAME	TICKER	REGION	LAST PRICE	1D %CHG	YTD %CHG	YoY %CHG	MARKET CAP	NAV % DISC/PREM	1Y Chart
Conversus Capital	CCAP NA Equity	Europe	20.07	0.20%	0.55%	-8.12%	1,305,173,828	-25	
F&C Private Equity Trust	FPEO LN Equity	U.K.	161.75	0.47%	10.79%	-0.23%	116,916,573	N/A	
HarbourVest Global PE	HVPE LN Equity	Europe	7.25	0.00%	17.89%	1.40%	599,575,012	-39	
JPMorgan PE Ltd.	JPEL LN Equity	U.K.	0.78	-0.16%	-10.26%	-30.54%	296,293,610	-24	
NB PE Partners	NBPE LN Equity	Europe	7.06	-0.21%	1.22%	-19.54%	347,351,990	-37	
Pantheon Intl Partic.	PIN LN Equity	U.K.	758.50	1.40%	21.21%	-1.37%	279,856,262	-32	
Standard Life Euro. PE Trust	SEP LN Equity	U.K.	130.25	0.97%	1.66%	-18.02%	210,188,065	-41	
SVG Capital	SVI LN Equity	U.K.	266.10	1.29%	29.80%	1.06%	751,766,968	N/A	

Source: Bloomberg. Prices as of end of previous business day. Prices in local currencies. *Carlyle and Oaktree spark lines show share price movement since their respective IPOs.

CALENDAR

Upcoming Limited Partner Meetings

NAME	MEETING DATE	NOTES
Illinois Teachers' Retirement System	5/23/2012	Investment consultant RFP request. New PE business
Orange County Employees Retirement System Investment Committee	5/23/2012	
Santa Barbara County Employees' Retirement System	5/23/2012	Hiring of Beach Point Capital to manage \$40 million in bank loan asset class; hiring of State Street Global to manage \$39 million in natural resource asset class, quarterly PE portfolio review
Contra Costa County Employees' Retirement System	5/23/2012	
Rhode Island State Investment Commission	5/23/2012	Advent International GPE VII, Nautic Partners VII recommendations
New Jersey State Investment Council	5/24/2012	FY2013 asset allocation plan; \$150 million to Northwood Real Estate Partners, \$20 million Tenex Capital secondary purchase; adoption of proposed amendments to expand permissible investments in real assets
New Mexico ERB Investment Committee	5/24/2012	
Nebraska Investment Council	5/24/2012	PE portfolio update, recommendation for PE commitment, presentation by Rockwood Fund IX
Louisiana State Employees' Retirement Ssystem	5/24/2012	PE secondary markets finalists selection
San Jose Federated City ERS	5/25/2012	Action on Industry Ventures due diligence
San Jose Police & Fire	5/25/2012	Presentation of Dec. 31 Qtrly PE performance report
Oregon Investment Council	5/30/2012	KKR Asia Fund II; Riverstone Global Energy & Power Fund V
North Carolina Investment Advisory Committee	5/30/2012	
New Mexico PERA Board	5/31/2012	
Arkansas Teacher Retirement System	6/4/2012	
Calstrs Investment Committee	6/6/2012	Second reading on separate account language
Louisiana Teachers	6/7/2012	
Teacher Retirement System of Texas	6/7/2012	
Los Angeles Fire & Police	6/7/2012	

Source: Compiled by Bloomberg



Financial Research Associates and The Hedge Fund Business Operations Association Proudly Present

Save \$300 by registering before June 15th!

HEDGE FUND BASIC TRAINING FOR INDUSTRY PROFESSIONALS

HEDGE FUND INVESTMENT & OPERATIONS BOOT CAMP

July 30th & 31st, 2012 The Princeton Club, NYC

To Register: Call 800-280-8440 or visit us at www.frallc.com
Mention FMP153 and save 15% off the standard rate

COMMENTARY

BY HAROLD BRADLEY OF THE KAUFFMAN FOUNDATION

Most Venture Capital Funds Fail to Meet Institutional Investment Objectives

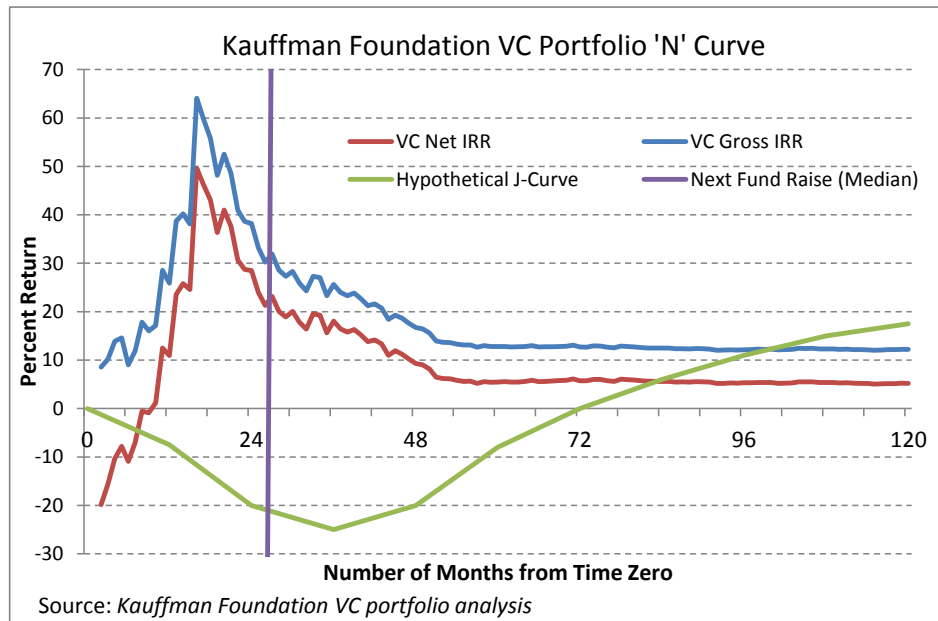
As the investment staff serving the Ewing Marion Kauffman Foundation, a foundation focused on encouraging the startup and growth of American businesses, we understand the ripple effects that a study of our own investment experience might cause. We began a rigorous analysis of our venture portfolio to understand the persistent failure of our VC funds to meet our performance expectations. We decided to publish the data of our experience as investors in venture capital funds for more than 20 years so that others might benefit from our mistakes and our lessons, including:

- As a top quartile investor in VC, we expected our money to more than double during the life of a fund (after fees); what we learned is that after 20 years and more than \$12 million in fees, the capital we invested grew only 1.3 times after fees. That's pretty thin gruel for "top quartile" performance, and for the risk, the illiquidity and the fees we paid for the right to play the game.

- We believed our investments in venture capital should beat public market returns by at least 3 percent to 5 percent every year to compensate us for illiquidity, long duration bets and the riskiness of the investments; what we learned was that only 16 of 94 funds beat a public market equivalent by 5 percent every year, 22 matched the market's returns after fees and 40 lagged way behind the public markets in performance.

- We anticipated our money back by the end of the VC fund's life, and that is how we assess appropriateness of fees, liquidity and risk; we learned that 10-year fund structures and fee agreements often represent a minimum timeline, not a maximum. Our portfolio has more than 23 funds at least 10 years old and eight funds 15 years or older with significant "stranded capital" where we continue to pay fees, in some cases, for portfolio company stock certificates that may soon hang on our wall. Even worse, when fund extensions are brought forward by fund managers there is normally little discussion of ways that economic "pain" can be shared by GPs with their LPs.

- We believed that if we picked the very best managers, they would generate great



returns, even if the funds were larger than we would like. What we learned is that, despite our access to some of the best "brand" VC funds, investing in large funds eliminates the potential of great future returns. In our portfolio, not a single fund bigger than \$400 million returned more than twice the invested capital after fees – and the most successful funds averaged \$96 million in size and were started prior to 1996.

As we explain in our recent paper, "We Have Met the Enemy...and He is Us," we also learned that our more than \$600 million invested in about 100 venture capital funds displayed a remarkable pattern of behavior both by Kauffman Foundation investment managers and the funds we considered to be our partners. VC funds promise a "J-curve," which describes the negative returns from high fees in early years that reduce the investor's capital before a major improvement in later performance years as the backing of small companies helps them flourish and grow and, ultimately, generate positive returns for investors as the fund matures.

Since about 1996, we find little evidence of a J-curve – instead, we found the opposite. The funds in our portfolio reported

peak internal rates of return within the first two years of a fund's life, often right before our GPs begin fundraising for their next fund. And so it appears we were seduced by what behavioral finance experts call the narrative fallacy. It's been our experience that the very high returns in the first few years were used to entice us into the next fund ... and the next fund ... and the next ... before we learned that the peaking of returns and investment multiples disappear quickly from the earlier fund as the next one is raised. Blame us for being sucked in to promises of riches that most often are not delivered.

Some insiders cry that not enough venture money is being steered to early-stage companies. With six times the capital invested every year this decade than was invested in the entire decade of the 1980s – too much capital is the problem. LPs are not charging enough for that capital and are not receiving high enough returns for the capital they invest in VC.

Harold Bradley is chief investment officer at the Ewing Marion Kauffman Foundation. The Kauffman Foundation paper, "We Have Met the Enemy...and He is Us," can be found at www.kauffman.org/VCinvest

