

The industry now has available uncalled funds of US\$610 billion – up from US\$470 billion in 2003. But call-ups of equity have increased at an even faster pace – from US\$124 billion in 2003 to an estimated US\$300 billion in 2006.

This means that the cash from the latest crop of mega-funds is being called up and invested more quickly than from earlier, smaller, funds. As a result, the private equity industry's global supply of uncalled capital has actually declined from three years' worth to two-and-a-half years' worth.

Fundraising for private equity increased by about 29 per cent world wide in 2006.

According to Preqin's 2007 Fundraising Review, a total of 612 new funds achieved final close during 2006 raising a record aggregate of US\$401 billion in new commitments compared to the 2005 calendar year's record total of US\$311 billion.

Preqin says this figure is likely to be on the conservative side as it does not include all final close figures from the end of the year.

US-focused funds continued to dominate the market, accounting for 63.5 per cent of new commitments globally. Europe funds also remained popular attracting 26.3 per cent while Asia region and rest of the world-focused funds accounted for 10.2 per cent.

In dollar terms, 311 US-focused funds raised US\$252 billion; 168 Europe-focused funds raised US\$108 billion and 133 Asia region and rest of the world funds raised US\$41 billion, a 5 per cent increase on 2005.

Record size mega funds helped to make buyout sector funds the most successful in terms of commitments garnered but venture funds almost equalled the buyout funds in number.

The popularity of real estate private equity funds grew whilst natural resources and infrastructure

funds were also successful in attracting commitments from limited partners.

These are the numbers for each sector in value order:

- US\$204 billion raised by 175 buyout and co-investment funds, with US\$96 billion of this committed to 10 mega funds greater than \$5 billion in size
- US\$53 billion - 79 real estate funds
- US\$42 billion - 174 venture funds
- US\$23 billion - 65 fund of funds
- US\$13 billion - 14 infrastructure funds
- US\$22 billion - 16 natural resources funds
- US\$19 billion - 32 mezzanine funds
- US\$9 billion - 16 secondaries funds
- US\$8 billion - 14 distressed debt funds

Private Equity Intelligence's full 2007 Fundraising Review includes details of funds closed in 2006; funds currently seeking capital; placement agents marketing funds; law firms working with fund managers; managers likely to launch new funds in 2007 and the key limited partners likely to invest in them.

SUCCESSFUL ENTREPRENEUR TO LEAD NEW VENTURE CAPITAL FUND

Successful IT entrepreneur Dr Michelle Deaker is leading the raising of a planned \$40-\$60 million venture capital fund.

Dr Deaker has formed venture capital management company OneVentures that is targeting a first close of \$40 million for its OneVentures Innovation Fund.

This figure anticipates the fund will receive funding of \$20 million through the granting of a Federal Government Innovation Investment Fund

Round Three licence.

Dr Deaker says she believes her practical experience will prove valuable in aiding the development of early stage high technology businesses.

In 1988, Dr Deaker co-founded stored-value card business E Com Industries.

As joint chief executive and head of technology, she helped develop the business to annual revenues of \$11 million. This included securing relationships with major retailers Coles and Woolworths and then with major banks. E Com was acquired by UK business Retail Decisions PLC in December 2005 for \$30 million cash.

Dr Deaker says the exit provided a minimum of 4.6 times money and a return on investment of 360 per cent for investors who had put \$6.5 million into the business over a six year period – a period which spanned the dot com crash of 2000.

Prior to entering business, Dr Deaker worked for 10 years on university R&D programs.

Other OneVentures investment managers are to include a former chief financial officer of an ASX-listed technology company and a successful US-based chief executive of an international business who will support OneVentures investee companies in offshore expansion, particularly into the US market.

The management team will be backed by Chris Golis, formerly of Nanyang Management, as executive chairman, and two investment committee members from private equity and asset management companies.

The fund is intended to have a 10-year lifespan and will focus on high technology companies in the telecommunications, information technology, new media and clean tech sectors. It will invest in companies located on the Australian eastern seaboard to allow for maximum input by the

executive team.

Investments are to be spread across the seed/ concept, development and early expansion stages. It is anticipated that nine investments will be made over the first three years of the fund with each scheduled for exit approximately five years from initial investment.

Additional capital will be kept aside to support the offshore expansion plans of investee companies. The fund aims to achieve an average compound growth rate of 30 per cent.

FORMER MLC MANAGERS FORM NEW INDEPENDENT FIRM

The three founding managers of MLC's global private equity programme have formed an independent funds management business, Longreef Capital.

The new business will focus on enabling local superannuation funds and institutions to invest in international private equity funds according to its three principals, Charl Pienaar, Matthew Arkinstall, and Steve Whatmore. The trio managed MLC's global private equity allocation for almost 10 years.

Mr Pienaar left MLC a year ago but continued to work for the manager as a contractor until the end of 2006 when Mr Arkinstall and Mr Whatmore left.

MLC was one of the first Australian institutional investors to take a global approach to private equity investing and built the largest private equity portfolio amongst master funds in Australia.

MLC says that as at March 2006 it had committed around \$2 billion to 25 different managers in Australia and around the world and had achieved strong investment returns.

The Longreef team members are still in the early stages of considering their approach to market, but say they believe their service may be of interest

initially to large institutional investors seeking access to global private equity. The team say the locally based business will emphasise servicing local clients.

MLC has announced that its remaining MLC global private markets team members, Richard Baker, Alicia Gregory and Lynne Hanrahan will continue to manage its portfolio and to "facilitate continuity as new additions to the team are made over the coming months".

Stephen Whatmore's management role has been taken over by MLC's general manager of national investment management John Gee, who has had overall responsibility for the global private markets operation for more than five years. Mr Gee has previously had direct involvement in the programme through membership of the global private markets investment committee.

One new member has already joined the team full time. Emmanuel Gounakis has taken up a senior operations role. Mr Gounakis has worked for MLC for eight years and has previously had involvement with the global private markets operations.

MLC Investment Management's chief investment officer Chris Condon said "Private equity investing is a long term business and MLC remains committed to continuing its long and excellent private equity program. The resignations cause no immediate issues with existing investment and I fully expect that the program's past success will continue as we bolster the capacity of the team to research new opportunities."

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