



Investor Focus and Key Terms
February 10, 2011

Outline

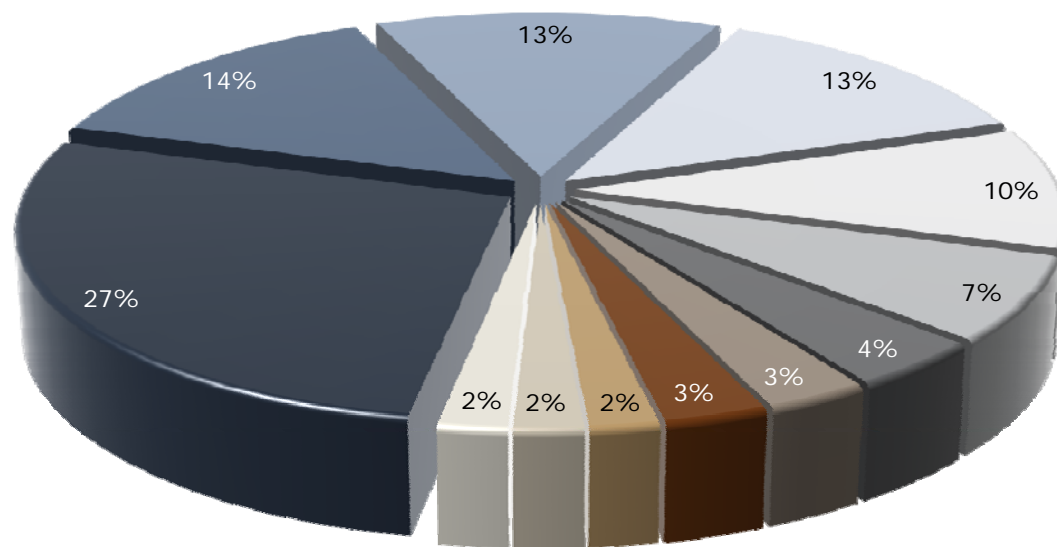
- Probitas Surveys
- Private Equity Focus for 2011
- Infrastructure Focus for 2011
- Terms and Fund Structure
- Investors' Greatest Fears

Probitas Private Equity Survey By Institution Type

- Over 180 respondents from a variety of institutions participated in this year's survey

Respondents by Institution Type

I represent a:



- Fund-of-Funds Manager
- Public Pension/Superannuation Plan
- Endowment/Foundation
- Consultant/Advisor
- Insurance Company
- Family Office
- Bank
- Corporate Pension/Superannuation Plan
- Government Entity
- Sovereign Wealth Fund
- Taft Hartley/Industry Pension Plan
- Other

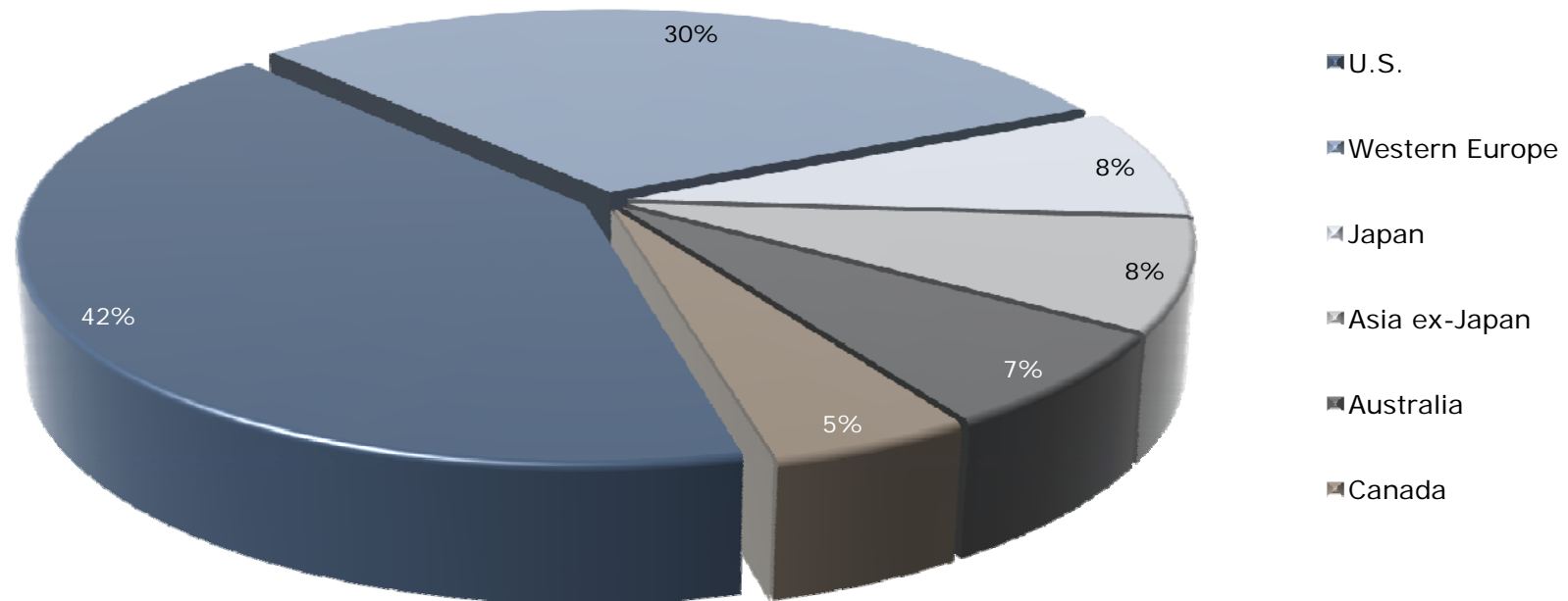
Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

Probitas Private Equity Survey By Firm Headquarters

- Diverse base of respondents by geography, though skewed towards developed markets
- Unfortunately, no Latin American representation

Respondents by Firm Headquarters

My firm's headquarters are located in:



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

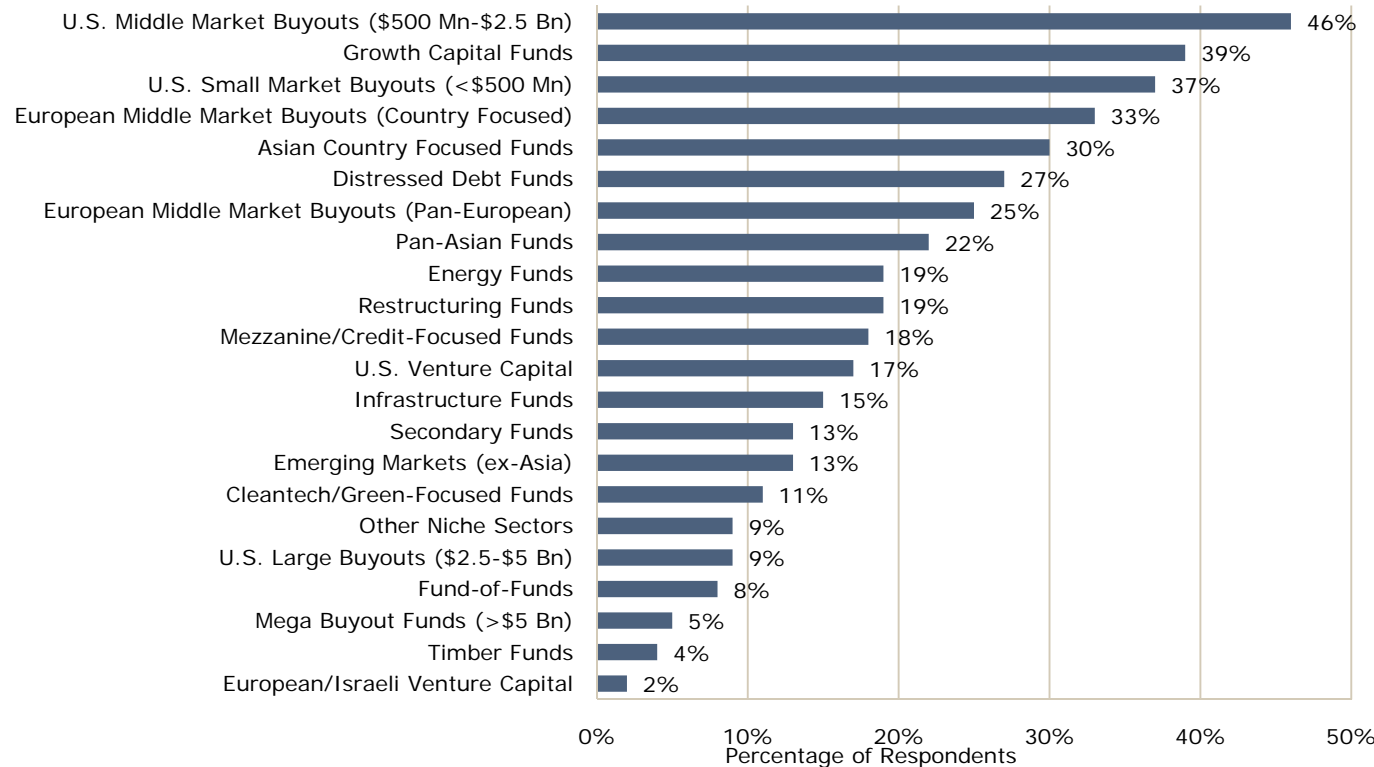
Private Equity Appetite for 2011

Sectors of Interest

- Heavy focus on the small end of the U.S. buyout/ growth capital market
 - But reflects the fact the 47% of respondents were from North America
- Strong interest in European country focused MMBOs and Asian Growth Capital

Private Equity Sectors of Interest

During 2011, I plan to focus most of my attention on investing in the following sectors (choose no more than five):



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

Integrated | Global | Alternative Investment | Solutions



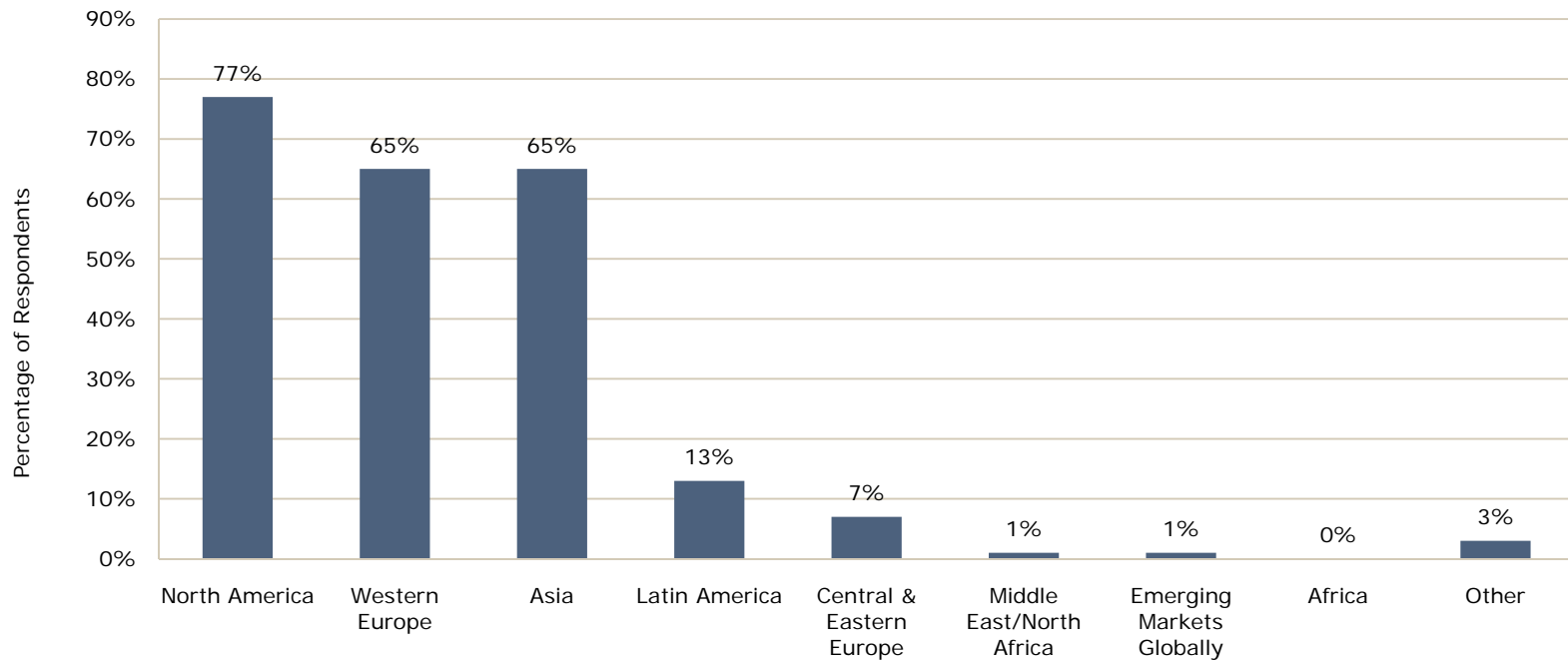
Private Equity Interest for 2011

General Geographic Interest

- All respondents favor their home markets
 - But on a collective basis the established markets are dominant
- There was no participation in the survey from investors based in emerging markets besides Asia

Private Equity Geographical Focus

During 2011, I anticipate that the three major geographical focuses of my program will be:



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

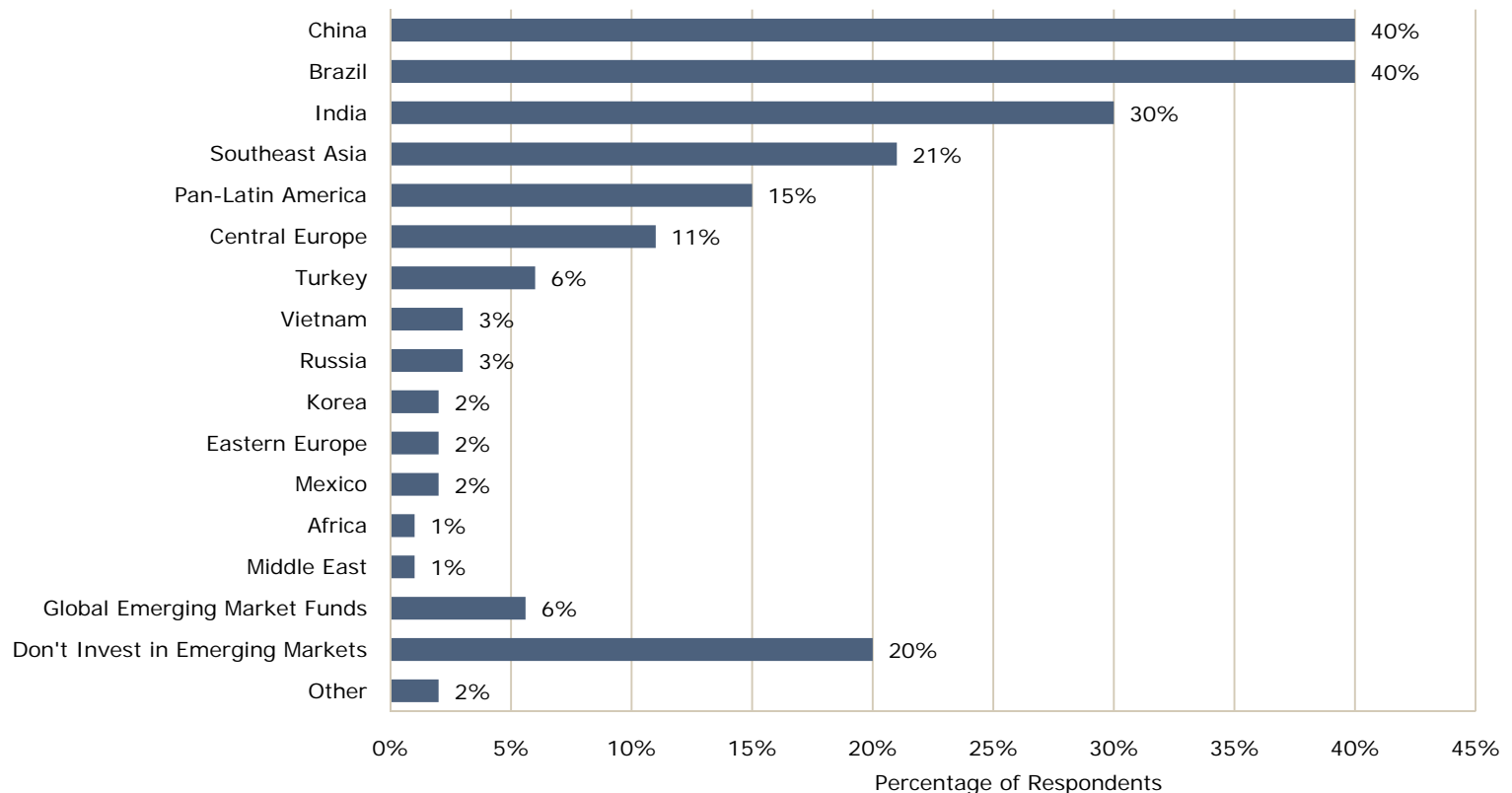
Private Equity Interest for 2011

Emerging Markets

- China and Brazil share the lead, with India close behind; Russia badly trails the BRICs
- Little interest in Global Emerging Market Funds and 20% do not invest in emerging markets

Most Attractive Emerging Markets

I find the most attractive emerging markets to be: (choose no more than two)



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

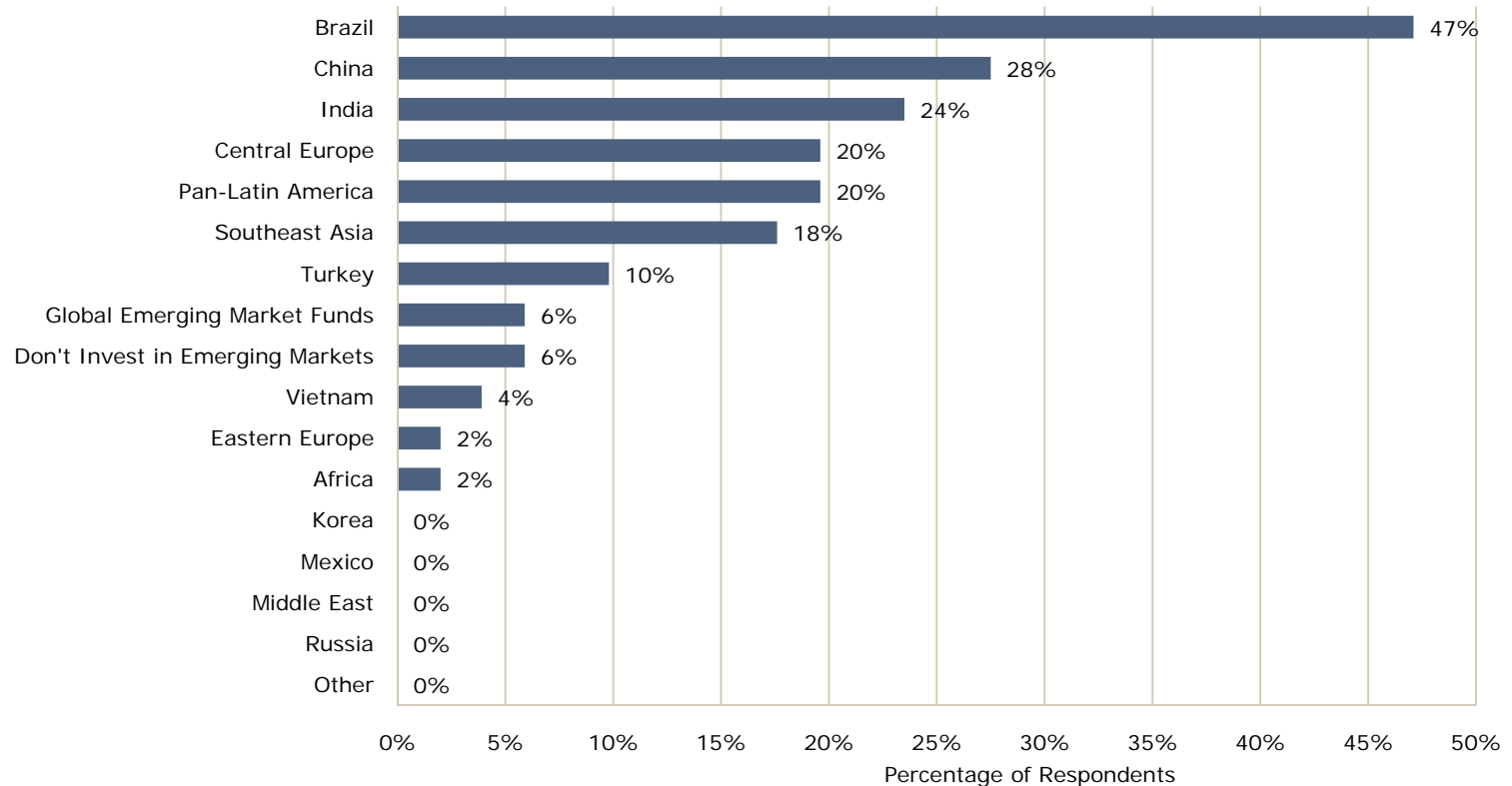
Private Equity Interest for 2011

Emerging Market Focus of Europeans

- A different perspective from Europe:
 - Much stronger interest in Brazil than in China, a stronger interest in Pan-Latin funds
 - More interest in Central Europe and Turkey

Most Attractive Emerging Markets: European Respondents

I find the most attractive emerging markets to be: (choose no more than two)



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

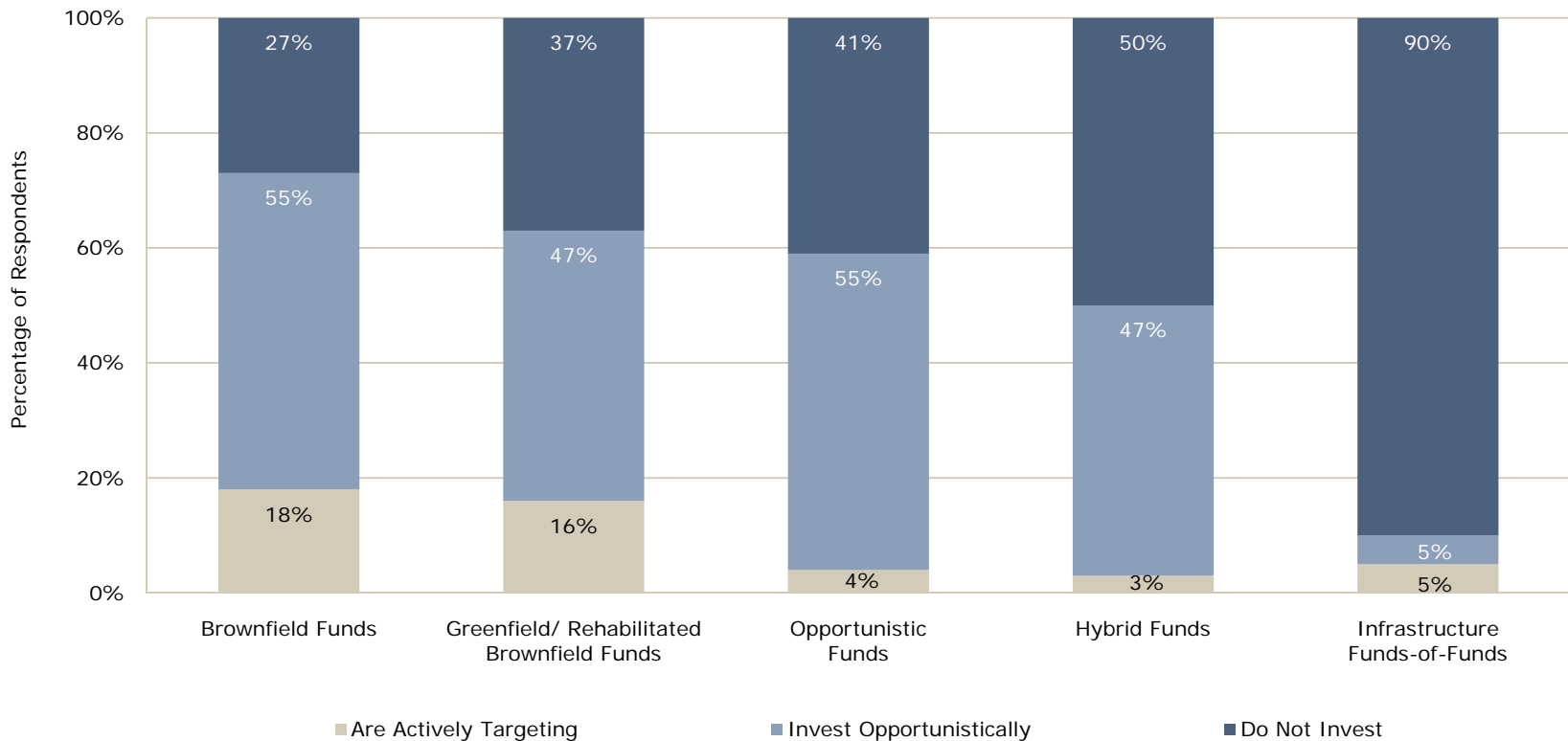
Infrastructure Focus for 2011

Interest by Strategy

- Stronger focus on Brownfield and Greenfield funds
- Little interest in Funds of Funds

Infrastructure Sectors of Interest

Regarding the various sectors of infrastructure, we:



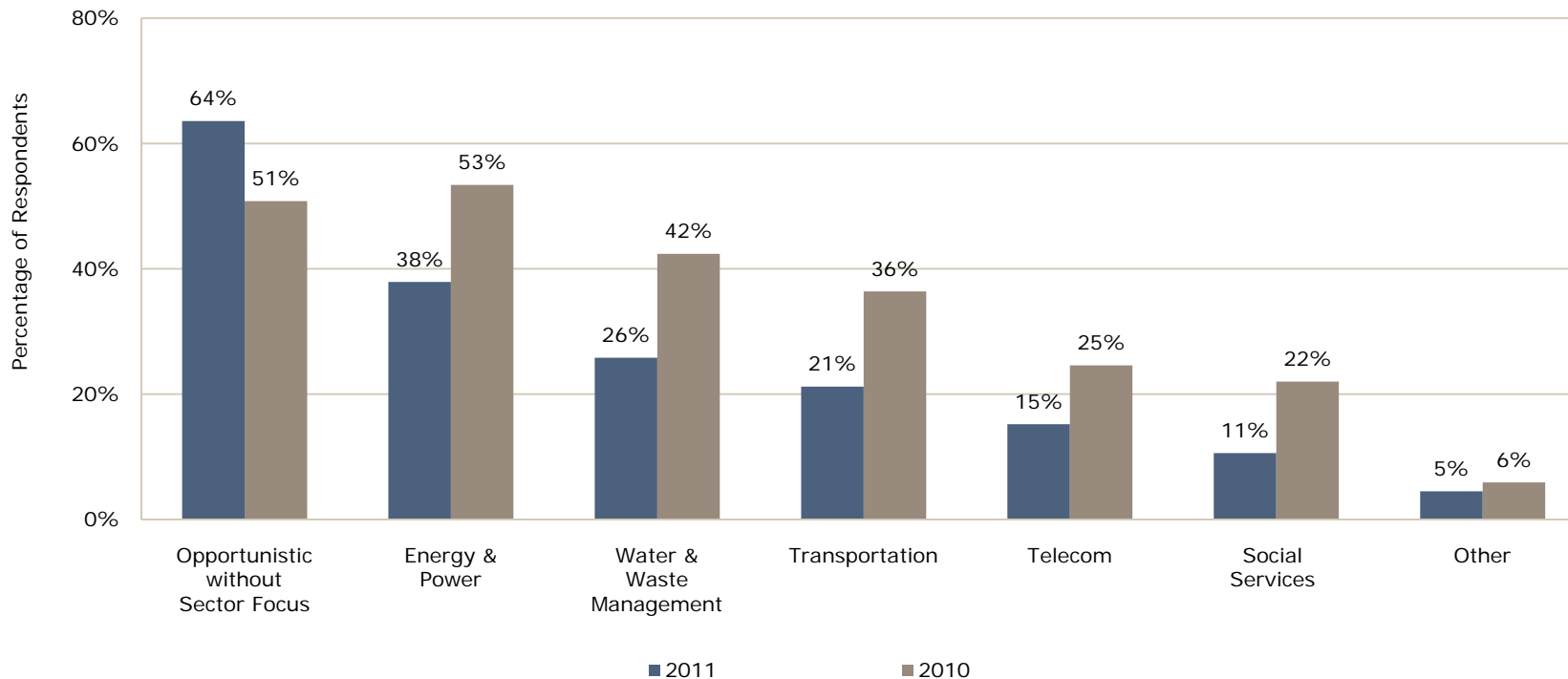
Source: Probitas Partners Infrastructure Institutional Investor Trends Survey for 2011

Interest by Strategy

- Strongest focus is on funds investing opportunistically without a sector focus
 - Reflects the product offered in the market
 - Strongest individual sector is energy & power

Infrastructure Industry Sectors of Interest

Within infrastructure, my firm is actively interested in investments or funds focused on (choose all that apply):



Source: Probitas Partners Infrastructure Institutional Investor Trends Survey for 2011

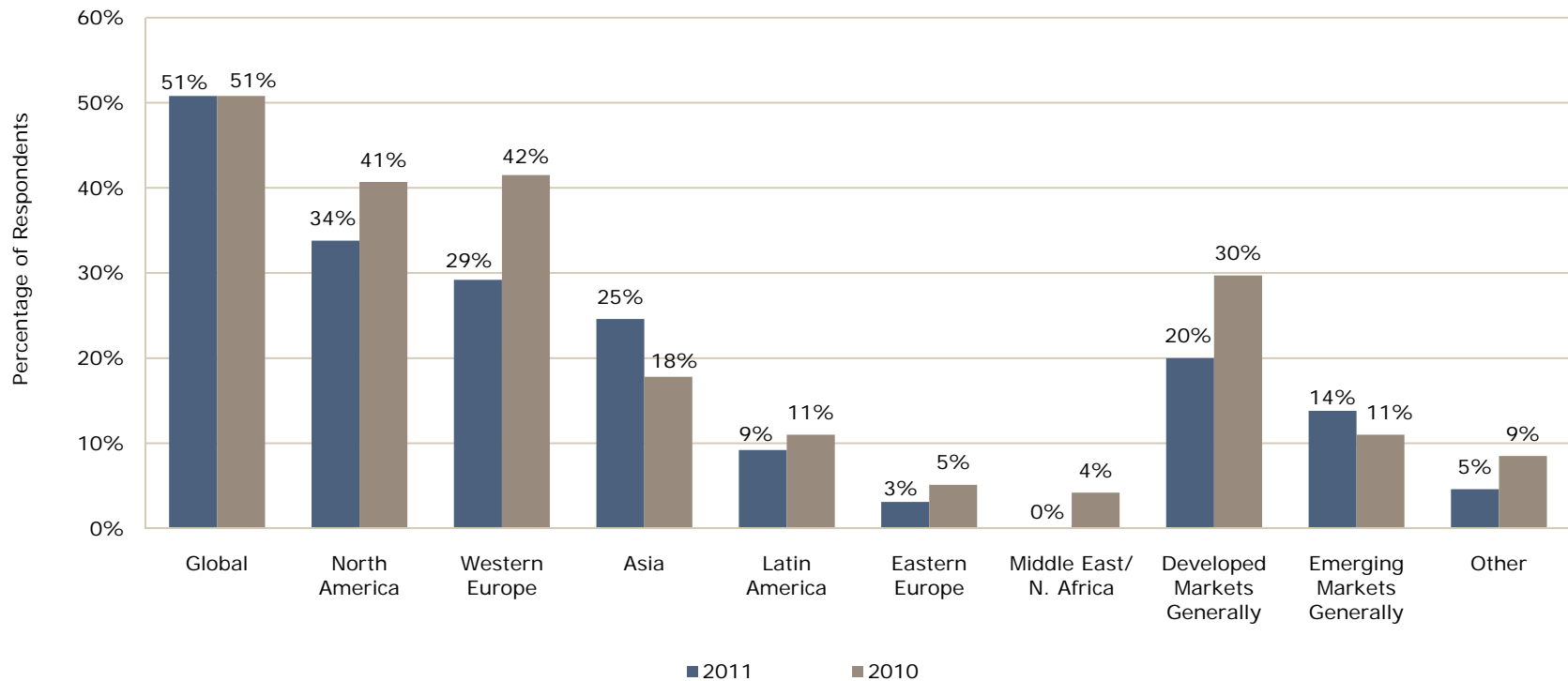
Infrastructure Focus for 2011

Interest by Geography

- Heaviest focus is on the developed markets
 - Global funds in the market usually have minimal emerging market allocations
 - Some increased interest in Asia

Geographic Focus

My firm invests in infrastructure funds with investment mandates focused on (choose all that apply):



Source: Probitas Partners Infrastructure Institutional Investor Trends Survey for 2011

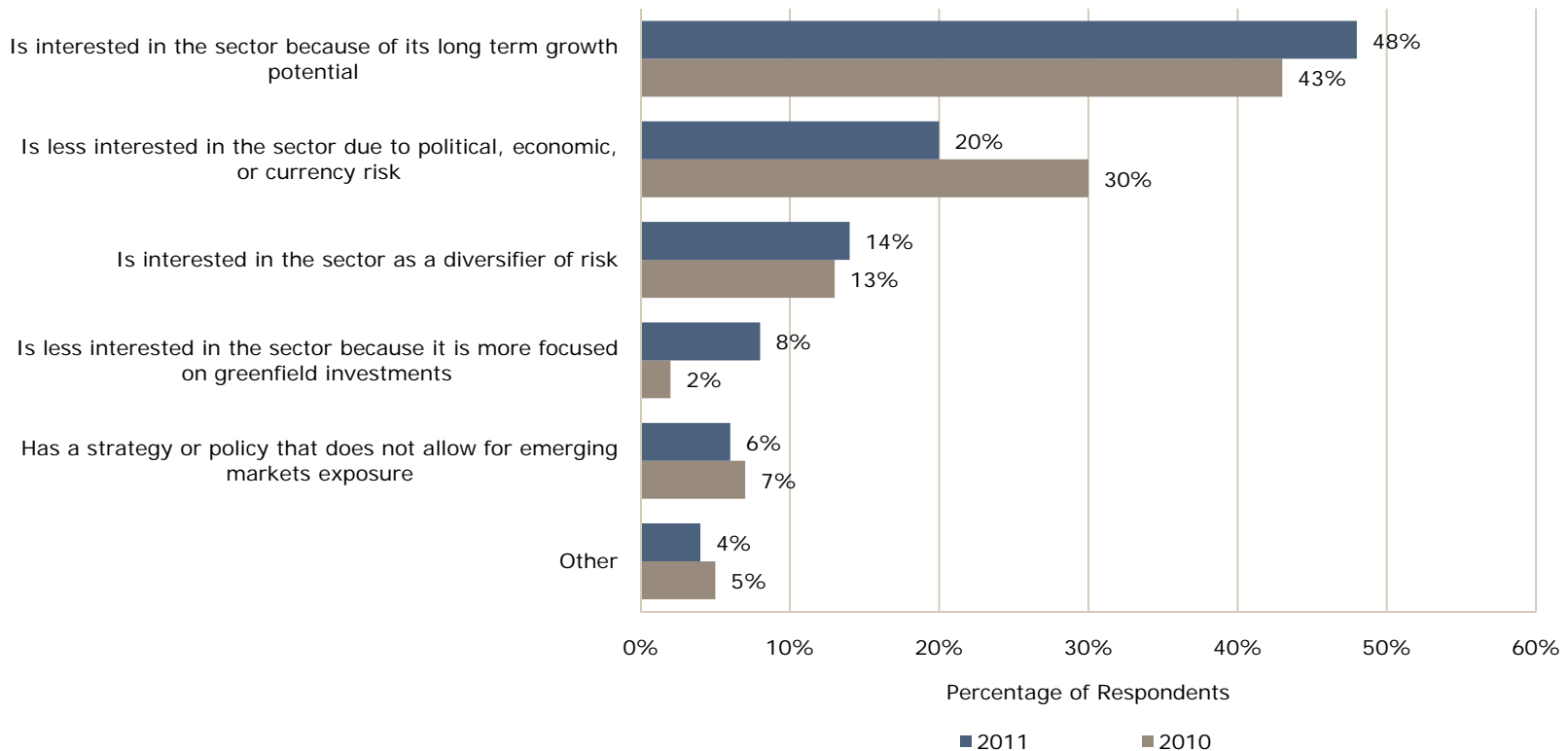
Infrastructure Focus for 2011

Interest in Emerging Markets

- Investors targeting emerging markets do so for its long term growth potential
 - In 2010, investor fears of emerging markets also moderated

Interest in Emerging Markets

As far as my interest in emerging markets is concerned, my firm:



Source: Probitas Partners Infrastructure Institutional Investor Trends Survey for 2011

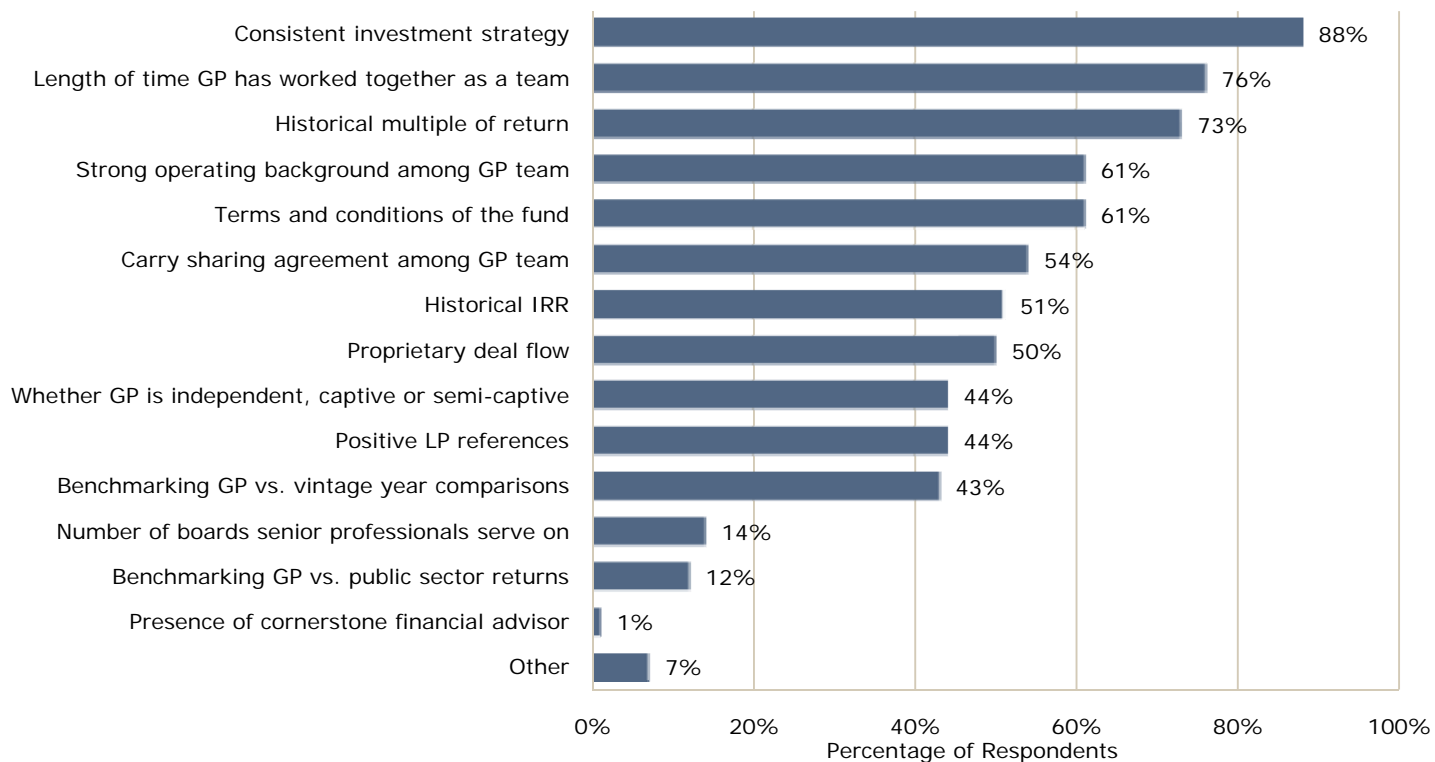
Due Diligence and Terms

Key Factors in Due Diligence

- Taken from a summer 2010 survey done with PEI
- Heavy focus on team and consistency; Multiple more important than IRR

Key Factors in Due Diligence

I consider the following to be the most important factors when conducting due diligence: (Choose all that apply)



Source: 2010 PEI/Probitas Partners Private Equity Fund Investment Due Diligence Survey

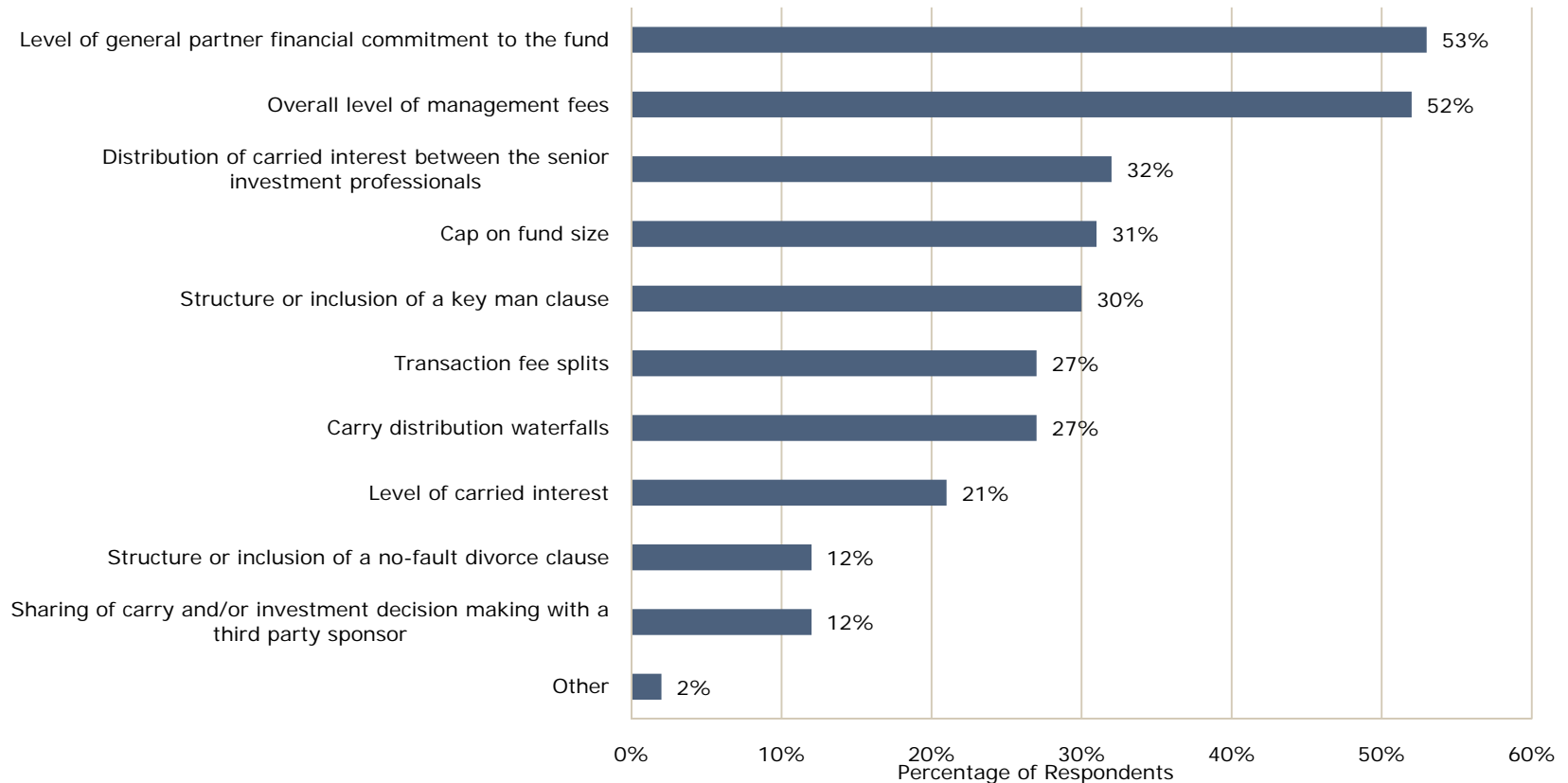
Due Diligence and Terms

Terms and Fund Structure

- Strongest focus is on alignment of interest clauses

Issues Regarding Fund Structure

The issues I focus on most as far as terms or structure of a fund are: (choose no more than three)



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011

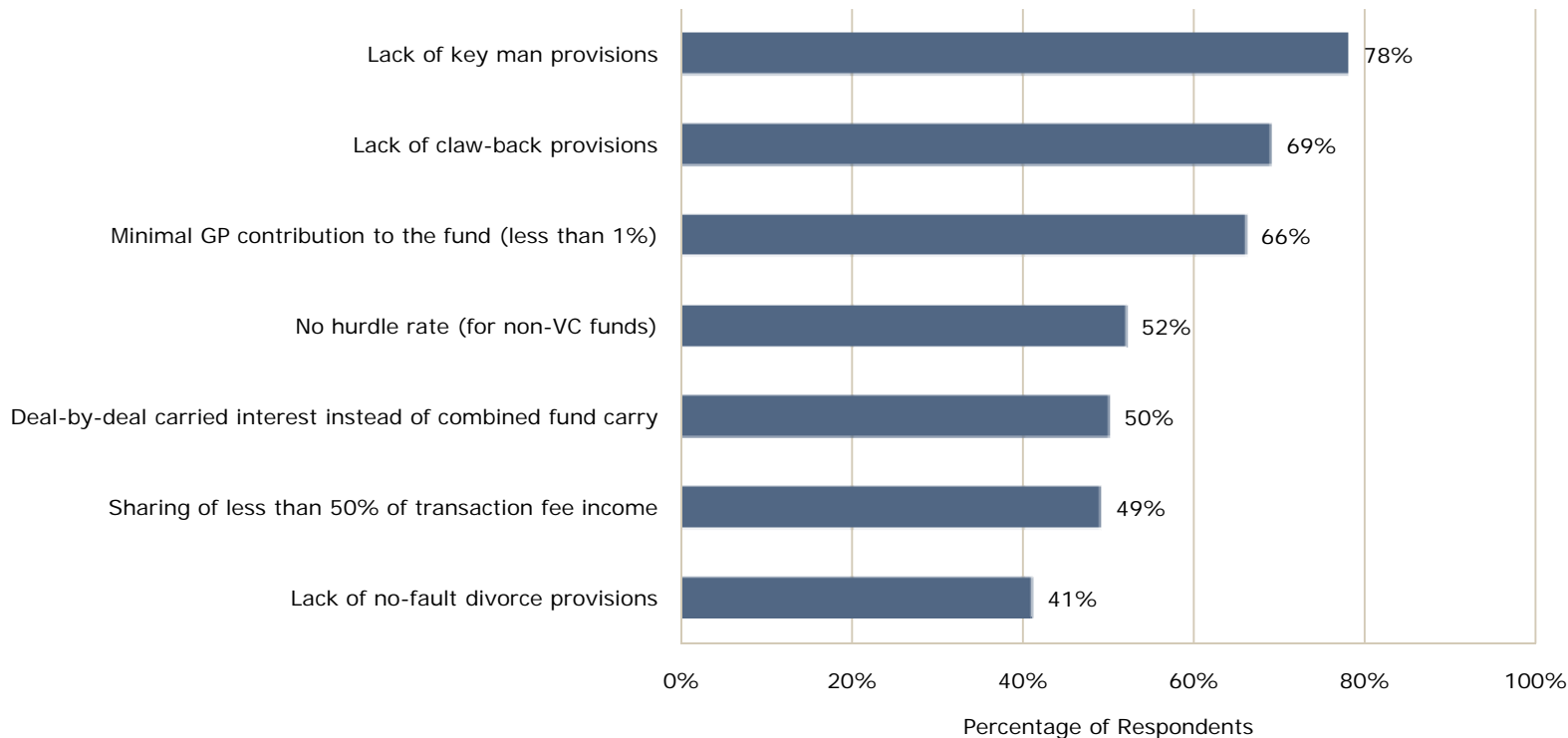
Due Diligence and Terms

Terms and Fund Structure: Deal Breakers

- Phrase the question another way: What causes you to walk away?

Terms & Conditions Deal Breakers

When not included, my firm considers the following terms and conditions to be "deal breakers": (Choose all that apply)



Source: 2010 PEI/Probitas Partners Private Equity Fund Investment Due Diligence Survey

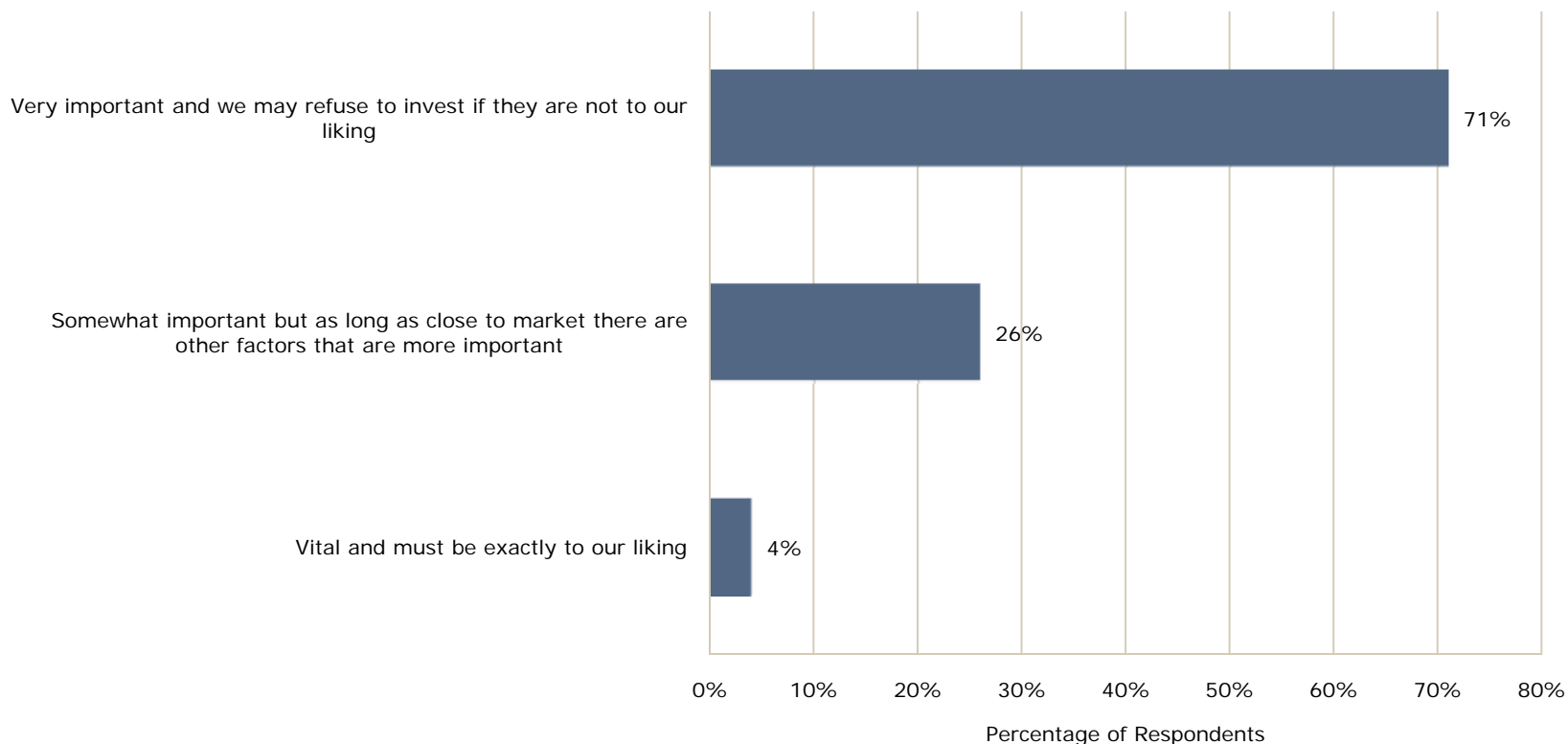
Due Diligence and Terms

Terms: How Important Are They?

- Yes they are important and LPs will walk away . . .
- But there are still managers that are difficult to access that play by different rules

Terms and Conditions

With regards to terms and conditions in relation to due diligence, I consider them to be:



Source: 2010 PEI/Probitas Partners Private Equity Fund Investment Due Diligence Survey

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Due Diligence and Terms LPs on Investment Committees

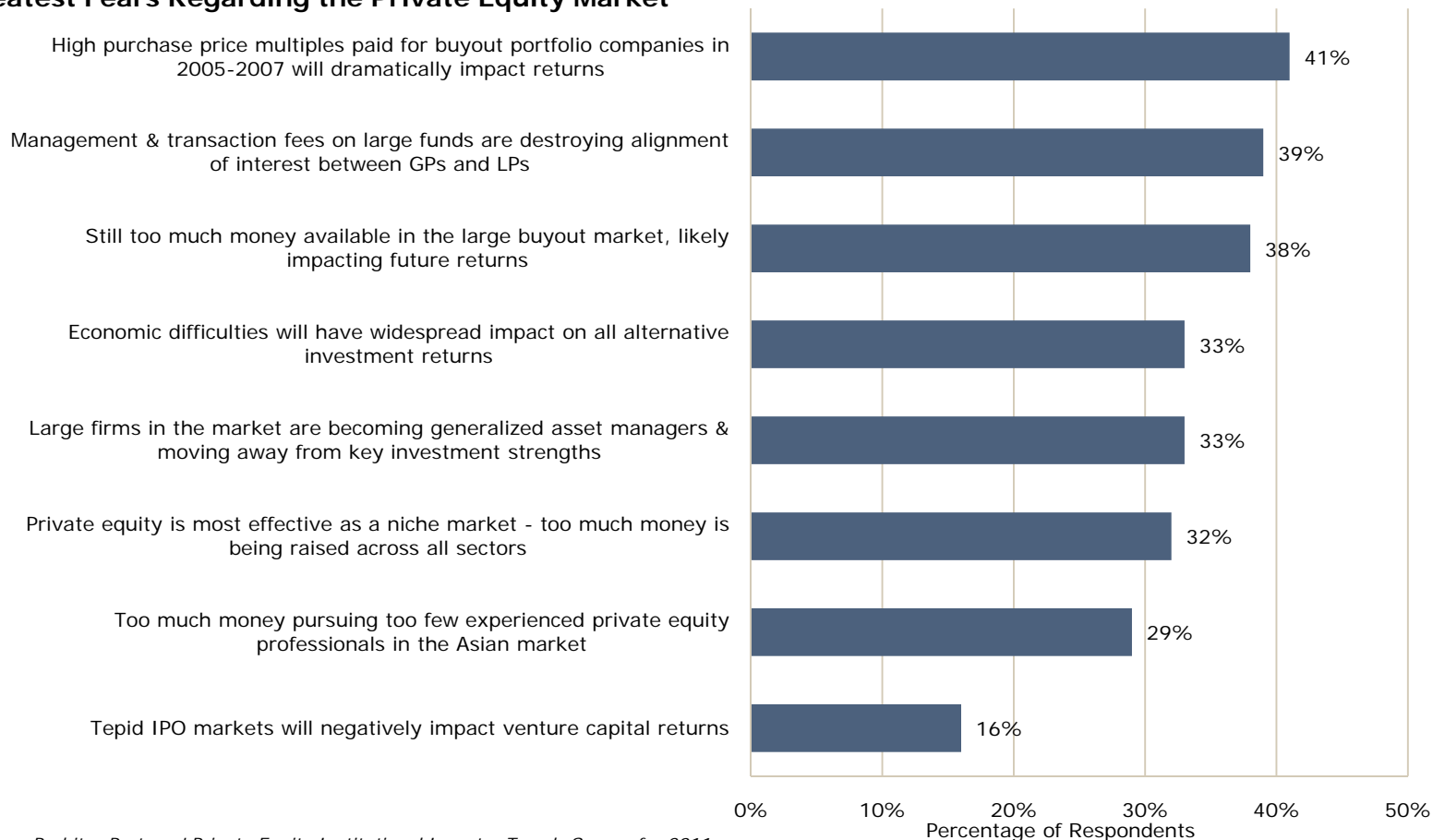
- Not included in any of our surveys as the situation is so unusual in most jurisdictions
- LPs serving on institutional blind pool funds was never a feature of the U.S. or U.K. markets in order to preserve the limited liability of limited partners
- In cases where fund sponsors place representatives on the investment committee of a fund, this is most often perceived as a potential conflict of interest, subject to intense scrutiny in due diligence
- Local funds in Denmark have this tradition, but once they expand and seek investors from outside Europe this structure is usually abandoned
- Key Issue: Investment Experience – How many LPs have internal staff with enough experience to really second guess a GP's investment decision?
- Key Issue: Due Diligence – Even if as an LP I refuse an investment committee position in order to maintain my limited liability status, do I need to perform due diligence on all the LPs on the committee who will be making investment decisions?

Lastly

Investors' Greatest Fears

- Heavily focused on the buyout market, especially the large end
- Concerns in a number of sectors that there is still too much money in the market

Greatest Fears Regarding the Private Equity Market



Source: Probitas Partners' Private Equity Institutional Investor Trends Survey for 2011