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Emerging Markets Private Equity Fundraising Takes Greatest Share of Global Fundraising to Date

- *Emerging markets private equity funds received 20% of global private equity commitments in 2012, the largest share to date*
- *US\$1+ billion funds lead current fundraising cycle at expense of middle-market funds; 27% fewer funds held final closes between US\$100 million and US\$499 million in 2012 vs. 2011*
- *Investors diversify away from BRICs, driving number of non-BRIC deals up 16% with significant jumps in Chile, Malaysia, Morocco and United Arab Emirates*

4 February 2013, Washington, D.C. — Emerging markets private equity fundraising continues to take a greater share of global private equity commitments, accounting for 20% of all capital raised in 2012, up from 12% in 2007 and 5% in 2003. According to the Emerging Markets Private Equity Association (EMPEA), 161 emerging market funds raised US\$40.3 billion in 2012, up slightly from the 148 funds that raised US\$38.5 billion in 2011. An increase in capital commitments flowing to pan-emerging markets and Asia-focused regional funds helped to offset reduced interest in China- and India-dedicated vehicles, which saw capital raised drop by 35% and 24%, respectively.

On the investment side, private equity firms committed US\$23.7 billion in disclosed value to emerging market companies through 819 deals compared with US\$26.9 billion through 876 deals the year prior. Capital invested in China fell 33% to US\$7.1 billion, a five-year low, and capital invested in India fell 57% to US\$2.7 billion, a seven-year low; however, Brazil and non-BRIC countries provided a strong counter to this trend as investment in Brazil increased 78% to US\$4.4 billion and investment in non-BRIC countries increased 35% to US\$8.3 billion.

“With macroeconomic turbulence in Europe and political uncertainty in the United States dominating the news in 2012, emerging markets proved to be a resilient and reliable engine of continued growth, thus driving increased interest in the emerging markets private equity asset class” said Jennifer Choi, Acting CEO of EMPEA. “However, the pace of investment activity has slowed as businesses adjust to relative slowdowns in emerging market growth, as well as uncertain legal and regulatory regimes and challenging exit environments that continue to characterize a number of these markets.”

Capital Concentrates Around Fewer, Larger Funds

The steady fundraising environment last year masked the increasing proportion of capital concentrated in the hands of a few fund managers, including Capital International, whose US\$3 billion CIPEF VI fund represents the largest pan-emerging markets fund raised to date. The 10 largest funds reaching a final close in 2012 accounted for 55% of the total capital raised by vehicles

that closed last year. By contrast, the 10 largest funds closing in 2011 accounted for only 42% of the capital raised by closed vehicles. This concentration at the higher end of the market has come at the expense of middle-market funds (US\$100 million-US\$499 million), where 30 funds closed on a total of US\$6.5 billion in 2012, the fewest number of funds closed in this segment since EMPEA began tracking fundraising statistics in 2006.

“As limited partners struggle with the goal of increasing their allocations to emerging markets private equity while at the same time reducing overall costs, many have chosen to write larger checks to a smaller number of fund managers that have longer track records,” noted Ms. Choi.

Funds Increase Investment in Non-BRIC Markets

Private equity funds completed 297 deals (US\$8.3 billion) in non-BRIC markets last year, a 16% increase over 2011 (255 deals; US\$6.1 billion) and the highest number to date. A combination of local and foreign funds drove increased deal volumes in four of the markets with the most significant gains—Chile, Malaysia, Morocco and United Arab Emirates. Chile and Malaysia saw investment activity increase from 2 to 11 deals and from 1 to 8 deals, respectively. Funds completed 44 deals in MENA in 2012, twice as many as completed in 2011 and the highest since 2008, driven by Morocco and United Arab Emirates, which saw their combined deal count jump from 4 to 20.

Southeast Asia also returned to the spotlight in 2012, with 13 funds raising US\$1.5 billion for the region, the largest number of fund closes since 2006 and the most capital raised since 2007, suggesting that Southeast Asia will be a region to watch in 2013 as private equity firms deploy capital.

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About EMPEA

The Emerging Markets Private Equity Association (EMPEA) is an independent, global membership association whose mission is to catalyze private equity and venture capital investment in emerging markets around the world. Our 300-plus member firms share in the belief that private equity can provide superior returns to investors while creating significant value for companies, economies and communities in emerging markets. With access to an unparalleled global network, EMPEA provides its members a competitive edge for raising funds, making good investments and managing exits to achieve superior returns. **EMPEA’s members represent nearly 60 countries and over US\$1 trillion in assets under management.** For more information, visit www.empea.org or follow us on Twitter [@EMPEA](https://twitter.com/EMPEA).

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