

long term. Over the very short term (12 months) there was a slight bias toward reducing targets (11 per cent vs. 7 per cent in favour of increasing) but over the medium term (24 months) there was a more noticeable tendency to increase targets (15 per cent vs. 5 per cent)

- Most LPs were satisfied with the returns on their private equity portfolios. Among those planning to reduce their targets in the short term, reasons were generally liquidity related. Conversely, the reasons cited for increases in allocation targets were overwhelmingly returns related
- LPs were generally optimistic about future returns with 87 per cent agreeing that funds launched in the period 2008-2010 will deliver good returns. And while many LPs had been forced to shelve current investment plans, a total of 62 per cent said they were interested in making new investments
- Despite the gloomy news on final closes, the number of funds achieving interim closes was showing signs of life with 81 reported during Q3 2009

Preqin hypothesises that the fact these is some momentum in interim closes may well be a reflection on how long it is taking general partner (GP) managers to achieve their targets. Many, it suggests, have decided it is better to at least have an interim close and get on with the business of investing.

A major factor that is clearly putting the brakes on new commitments is, of course, the funds committed to existing funds but not yet invested. Preqin estimates this accounts for more US\$1 trillion.

Preqin concludes that, with 1570 funds competing for attention, success in the current market will require something special. That, it suggests, is the team and methodology to not only take advantage of current opportunities but also to be able to protect against downside in a difficult environment.

## News

### Private equity advisers eye our super funds

Australian superannuation funds are particularly attractive targets for international private equity advisory firms right now, according to John Hess, chief executive of London-based Altius Associates.

Mr Hess, who visited Australia recently, said institutional investors around the world were contending with reduced funding inflows but Australia's compulsory superannuation system ensured that our super funds still had the capital to invest.

Super funds were, however, generally disenchanted with the performance of alternative investments, including private equity, in the wake of the global financial crisis, and this was discouraging them from making new commitments.

Mr Hess said investors who had committed allocations to private equity over recent years and now continued to grow their programs would be likely to generate strong returns.

As private equity investing was relatively new in Australia, however, few institutions had experienced the benefits of continued investment through a downturn such as in the early 1990s. Overseas investors who had started international private equity programs in the late 1980s and continued to invest through the early 1990s had made massive profits. Similar strong downturn investment opportunities were now again emerging in the US and Europe.

But Mr Hess advised those offering private equity opportunities to try to view the sector as investors saw it; a potential small allocation to add outperformance

potential to an investment portfolio. This required private equity to be presented as long-term commitment requiring careful selection of advisers and managers.

Altius, an advisory firm and fund of funds investor, advises two large Australian super funds on international private equity, UniSuper and ARIA and is a client of Principle Advisory Services.

On the investment front, Mr Hess said Altius had not yet made any commitments to Australian private equity funds although it had invested in pan-Asian funds with some exposure to Australia.

But he said he was impressed by the development of a number of Australian buyout fund managers. Altius had considered investing in the Australian buyout market prior to 2007 but had concluded the market was becoming overheated with too much money chasing too few deals.

In the venture capital area, he said, Altius had so far confined its investment to the US and a small amount in Israel; nothing in Europe. Australia was unlikely to feature in plans as clients and potential clients had their own direct exposure.

Altius was recently named "Gatekeeper of the Year" at the Private Equity News Awards for Excellence in Private Equity Advisory Services in London. This was the third consecutive year Altius had taken the award.

## News

### Industry salaries still rise ... a little

A worldwide survey of private equity industry salaries has shown that most increased in 2009 although by relatively modest amounts.

The survey was carried out by London-based industry research firm Preqin in collaboration with compensation consultants FPL Associates.