# Global Limited Partners Survey

## Investors' Views of Private Equity in Emerging Markets

2016

EMPEA

## About EMPEA

EMPEA is the global industry association for private capital in emerging markets. We are an independent non-profit organization with over 300 member firms, comprising institutional investors, fund managers and industry advisors, who together manage more than US$1 trillion of assets and have offices in more than 100 countries across the globe. Our members share EMPEA's belief that private capital is a highly suited investment strategy in emerging markets, delivering attractive long-term investment returns and promoting the sustainable growth of companies and economies. We support our members through global authoritative intelligence, conferences, networking, education and advocacy.


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# 2016 Global Limited Partners Survey Executive Summary

The 12th annual edition of EMPEA's *Global Limited Partners Survey* features the views of 107 limited partners (LPs) on the emerging markets private equity (EM PE) asset class. This study aims to provide the industry with a better understanding of how LPs' strategies for investing are evolving; what challenges they face in managing their portfolios; what their return expectations are; and which geographies, sectors and fund strategies they view as attractive.

Representing public and private pension funds, family offices, endowments, foundations, banks, asset managers, insurance companies, government agencies, sovereign wealth funds, corporations, development finance institutions, funds of funds and private markets advisors, the institutions participating in the 2016 survey are headquartered across 32 countries and collectively represent global private equity assets under management of more than US$1 trillion. Additional details regarding survey respondents are available on page 16.

## *Key findings from the 2016 Global Limited Partners Survey include:*

**Over the next two years** 40% of LPs* anticipate increasing the dollar value of new commitments to EM PE funds (versus 46% in the 2015 survey), while 38% plan to maintain their current pace of new commitments. In contrast, 22% plan to decrease their commitments (versus 16% in the 2015 survey).

**Southeast Asia** ranks as the most attractive emerging market for GP investment over the next 12 months, followed by India and Sub-Saharan Africa, respectively. India moved up the most, having ranked as low as ninth out of ten markets in 2013, while Latin America (ex. Brazil) falls furthest in the rankings, from first in the 2015 survey to fourth.

**India** and Southeast Asia are likely to see the largest inflow of new investment in EM PE funds in the next two years. In contrast, among all geographies, Russia/CIS is poised to see the highest percentage of respondents decrease or stop investing.

**Slowing or negative GDP growth** and currency volatility top the list of LPs' portfolio concerns followed by past fund performance. Similarly, LPs identify political and currency risks as the most likely deterrents from investing in eight out of ten EM geographies.

**Performance** of EM PE portfolios has met or exceeded expectations for 70% of LPs, down from 75% and 78% in the 2015 and 2014 surveys, respectively. Nonetheless, LPs still expect 2015-vintage EM funds to outperform their developed markets counterparts.

**China-focused funds** are expected to generate the highest net returns, followed by funds focused on India and Southeast Asia. Approximately half of LPs expect 2015-vintage funds focused on these three markets to net returns of 16% or higher.

**Health care** and consumer goods and services are viewed by LPs as the most attractive sectors in which to build exposure via EM PE, matching their ranking among all sectors in the 2015 survey.

**Operational improvement** and multiple expansion are more important in driving returns for EM PE funds than for developed markets funds, according to survey respondents.

**Team experience** is the most important factor for LPs when selecting an EM PE fund manager, followed by operational expertise in target sectors and strength of past fund performance.

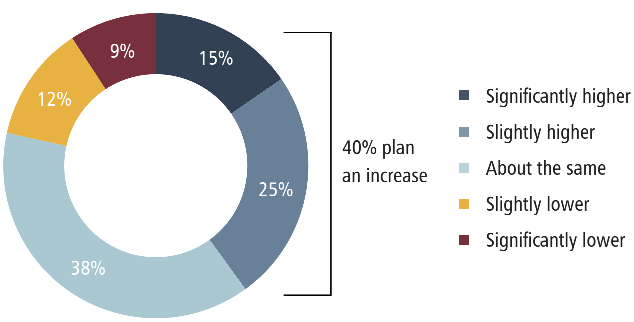
**Excludes development finance institutions and EM-focused funds of funds.*

# Most LPs Plan to Maintain Current Allocation Levels, but Pace of New Commitments to EM PE Continues to Slow

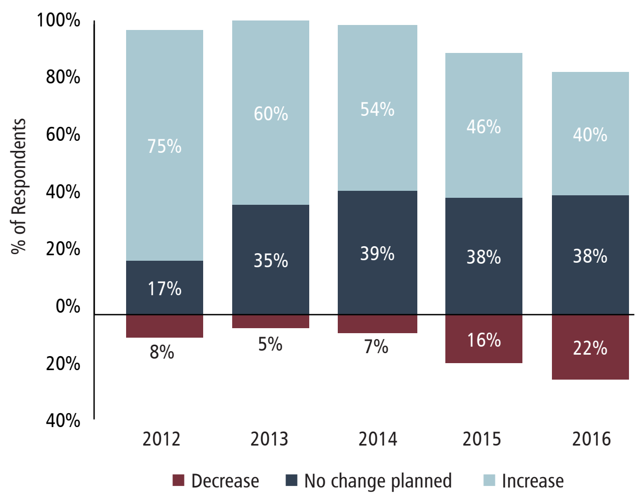
Findings from EMPEA's 2016 *Global Limited Partners Survey* suggest that the pace of anticipated new commitments to EM PE funds is slowing. While 78% of survey respondents—excluding development finance institutions and EM-focused funds of funds—plan to either increase or maintain the dollar value of their new commitments to EM PE over the next two years, a smaller percentage (40%) plan an increase than in years prior. Indeed, the percentage of LPs planning to increase the dollar value of their new commitments to EM PE has declined in each of the last four years, while the percentage of LPs planning to maintain the dollar value of new commitments has held steady at 35% to 39% over the same time period. In contrast, a larger percentage (22%) of respondents in this year's survey plans to decrease the dollar value of new commitments to the asset class than in the 2015 survey.

When asked why they plan to increase commitments to EM PE funds, 47% of respondents indicate that they expect EM PE to deliver high returns relative to other investment opportunities, while 43% and 40% of LPs cite diversification and growing comfort with the skills and experience of EM PE fund managers, respectively, as reasons for increasing the value of their commitments. Approximately 20% of LPs indicate that they plan to increase the value of their new EM PE commitments because they are seeking greater environmental, social and economic impact through their investing. Among LPs who plan to decrease the dollar value of their commitments to EM PE, 57% specify that EM PE returns have not met their expectations. (For additional detail on EM PE fund performance and return expectations, see page 8.)

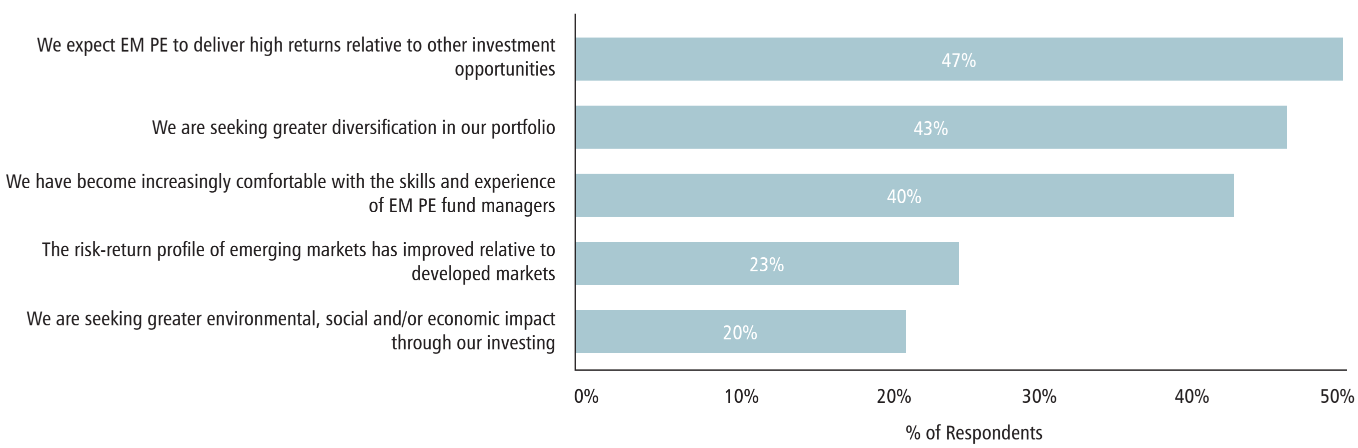
## Exhibit 1: LPs' Anticipated Level of New Commitments to EM PE Over the Next Two Years*




## Exhibit 2: Anticipated Level of New Commitments to EM PE Funds Over the Next Two Years, 2012-2016*




## Exhibit 3: LPs' Reasons for Increasing Commitments to or Beginning to Invest in EM PE Funds Over the Next Two Years*



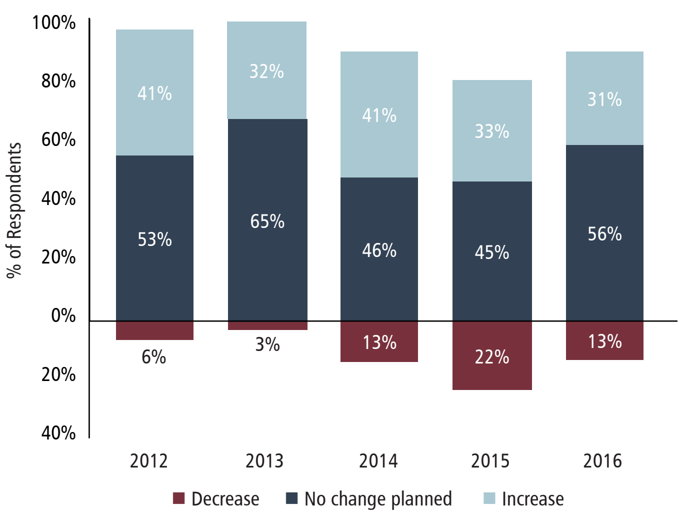

*Excludes development finance institutions and EM-focused funds of funds.

Just as most respondents plan to maintain or increase the dollar value of their commitments to EM PE, 56% do not plan a change to the current percentage of their total PE portfolio allocated to emerging markets over the next two years. Approximately one third (31%) of LPs plan to increase their percentage allocation to EM PE, while only 13% of LPs plan to decrease their percentage allocation compared to 22% of LPs in the 2015 survey.

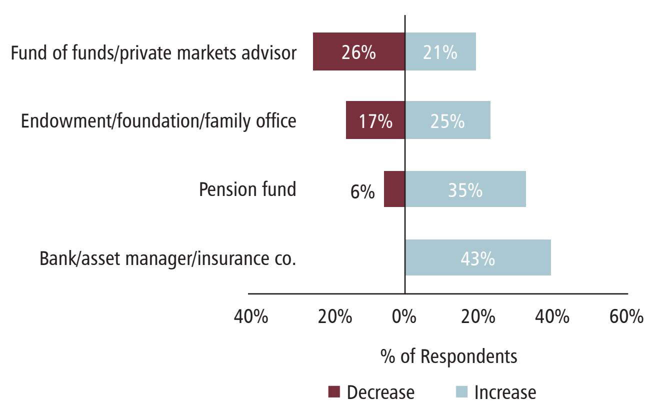
The median respondent included in this survey—excluding development finance institutions and EM-focused funds of funds—currently allocates 11% to 15% of its PE portfolio to emerging markets, and the median allocation to emerging markets is expected to remain at the 11% to 15% level in two years' time.

However, certain subsets of investors report that they are more likely to either increase or decrease their percentage allocation to EM PE over the next two years. Banks, assets managers and insurance companies included in the survey are collectively more likely to increase their percentage allocations (43%) than respondents as a whole. Funds of funds (excluding those that are EM-focused) and private markets advisors are the most likely investor group to decrease their percentage allocations to EM PE, followed by endowments, foundations and family offices.

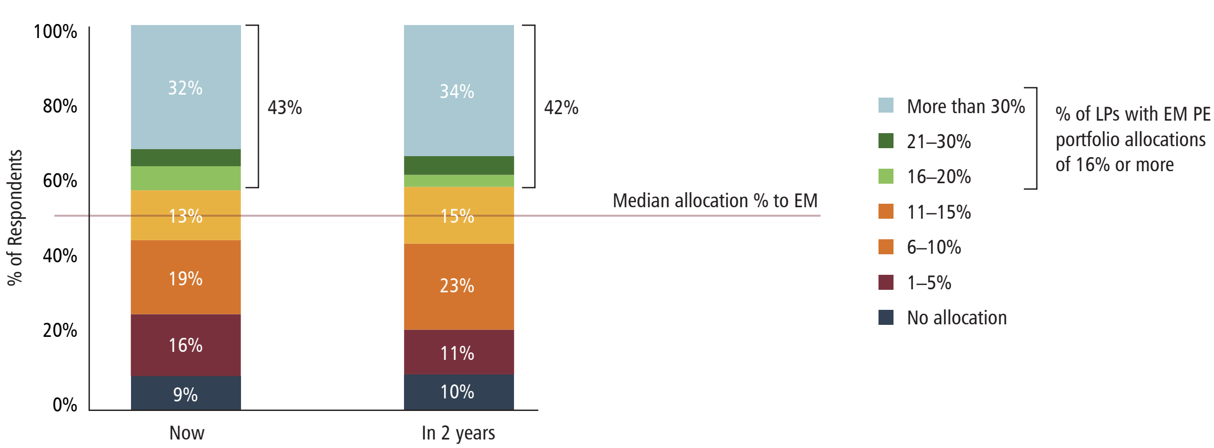
### Exhibit 4: LPs' Planned Changes to Proportion of Total PE Allocation Targeted at EM Over the Next Two Years, 2012–2016*




### Exhibit 5: LPs' Planned Changes to Proportion of Total PE Allocation Targeted at EM Over the Next Two Years – Select Respondent Groups*




### Exhibit 6: LPs' Proportion of Total PE Allocation Targeted at EM PE*



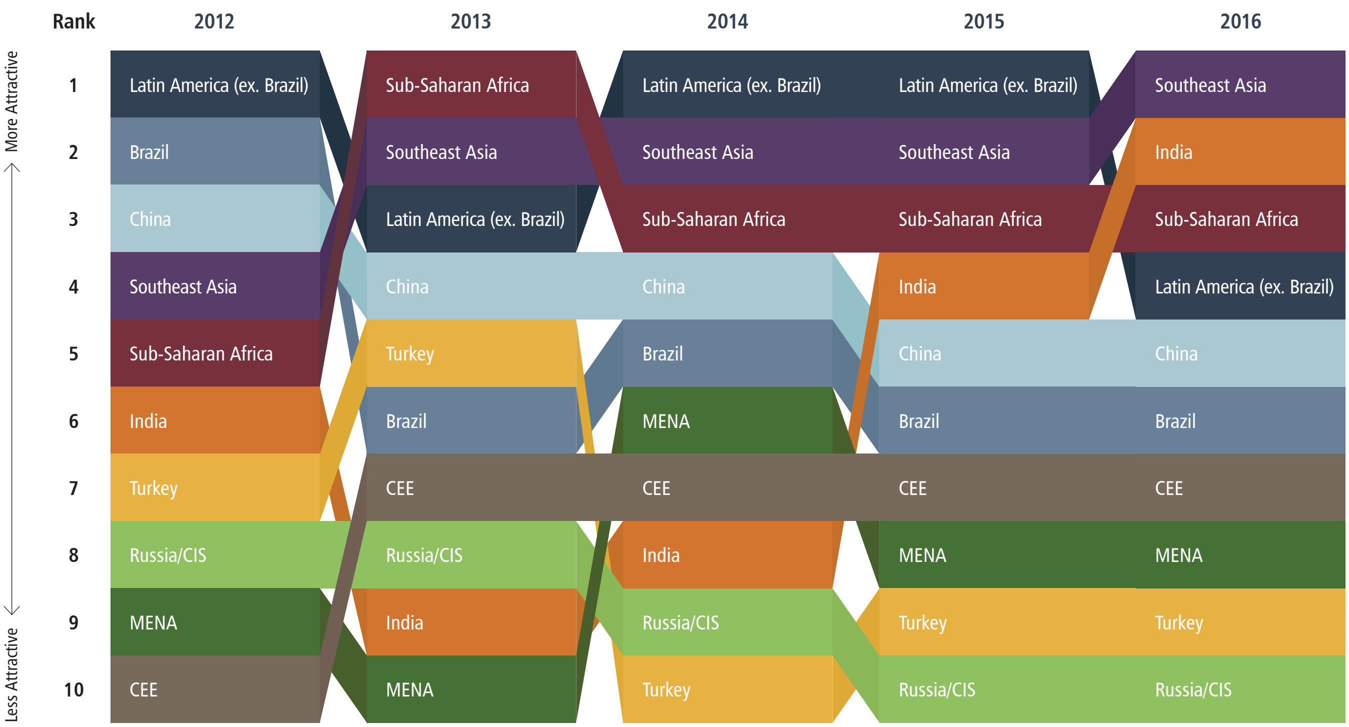

*Excludes development finance institutions and EM-focused funds of funds.

# Southeast Asia Leads in Market Attractiveness Ranking, While India Climbs to Second and Sub-Saharan Africa Holds Third

Among the three most attractive markets for GP investment over the next year, as ranked by LPs, two move little: Southeast Asia climbs one spot—after three years at number two—to become the most attractive market in 2016, while Sub-Saharan Africa holds its spot as the third most attractive market for the third year running. India, however, jumps from ninth in attractiveness by LPs as recent as 2013, to the second most attractive market in 2016. India has ridden an impressive wave of upward momentum over the past three years, experiencing the largest positive shifts in the LP attractiveness rankings in both 2015 and 2016. Increasingly bullish LP sentiment toward India coincides with rising fund commitments: in 2015, fund managers raised US$4.5 billion for India—the most raised for the market since 2008.

Latin America (ex. Brazil) falls sharply in 2016, from first place in the 2015 LP survey to fourth, amid macroeconomic pressures including currency volatility and low commodity prices. Brazil, having experienced the same headwinds as the rest of Latin America, in addition to political scandal, holds its place at sixth, below the rest of Latin America and China. Turkey and Russia/CIS, meanwhile, remain the two least attractive markets for GP investment in 2016, as they confront macroeconomic instability and domestic and regional political stresses.

## Exhibit 7: The Attractiveness of Emerging Markets for GP Investment Over the Next 12 Months




Note: Southeast Asia was classified as "Other Emerging Asia" in 2012.

> "We believe there is high growth potential in India. The market has become more organized and a sort of 'survival of the fittest' environment for GPs has emerged.
>
> –Development Finance Institution

> "Despite the commodity cycle and currency volatility, Southeast Asian markets boast promising macro growth stories.
>
> –Private Trust

When LPs are surveyed on only the markets in which they are currently invested—isolating managers with recent experience in the markets they are assessing—Sub-Saharan Africa rates as the most attractive, followed by Southeast Asia and Latin America (ex. Brazil). Increased attractiveness of Sub-Saharan Africa and Latin America under this adjusted ranking suggests that those without experience in the market may be underestimating its potential. India, meanwhile, falls to the fourth most attractive market when limited to assessment by LPs currently invested in Emerging Asia, suggesting that LPs less familiar with India are approaching the market with more optimism than those already invested.

Different types of LPs likewise have divergent views on the attractiveness of various markets for GP investment. Development finance institutions—frequently the first LPs in nascent private equity markets—find Sub-Saharan Africa to be the most attractive emerging market, followed by Latin America (ex. Brazil) and Central and Eastern Europe. Pension fund managers also find Sub-Saharan Africa to be the most attractive market for GP investment, but this may be influenced to some degree by the makeup of survey respondents: South African pension funds account for 32% of pension fund respondents. Funds of funds and private markets advisors—many of whom are well-established investors in Asia—find India to be the most attractive market in 2016, followed by China and Southeast Asia, respectively.

## Exhibit 8: Market Attractiveness – Rankings for LPs Currently Invested in Region

| | Ranking |
|---|---|
| Sub-Saharan Africa | 1 |
| Southeast Asia | 2 |
| Latin America (ex. Brazil) | 3 |
| India | 4 |
| China | 5 |
| Brazil | 6 |
| CEE | 7 |
| MENA | 8 |
| Turkey | 9 |
| Russia/CIS | 10 |

## Exhibit 9: Market Attractiveness – Rankings by Institution Type

| | DFI | Pension fund | Fund of funds / private markets advisor | Foundation, endowment or family office |
|---|---|---|---|---|
| China | 5 | 5 | 2 | 6 |
| India | 7 | 2 | 1 | 5 |
| Southeast Asia | 6 | 3 | 3 | 1 |
| Russia/CIS | 10 | 9 | 10 | 10 |
| Turkey | 9 | 9 | 9 | 8 |
| CEE | 3 | 8 | 6 | 6 |
| Brazil | 4 | 4 | 8 | 4 |
| Latin America (ex. Brazil) | 2 | 6 | 5 | 2 |
| MENA | 8 | 7 | 7 | 9 |
| Sub-Saharan Africa | 1 | 1 | 4 | 3 |

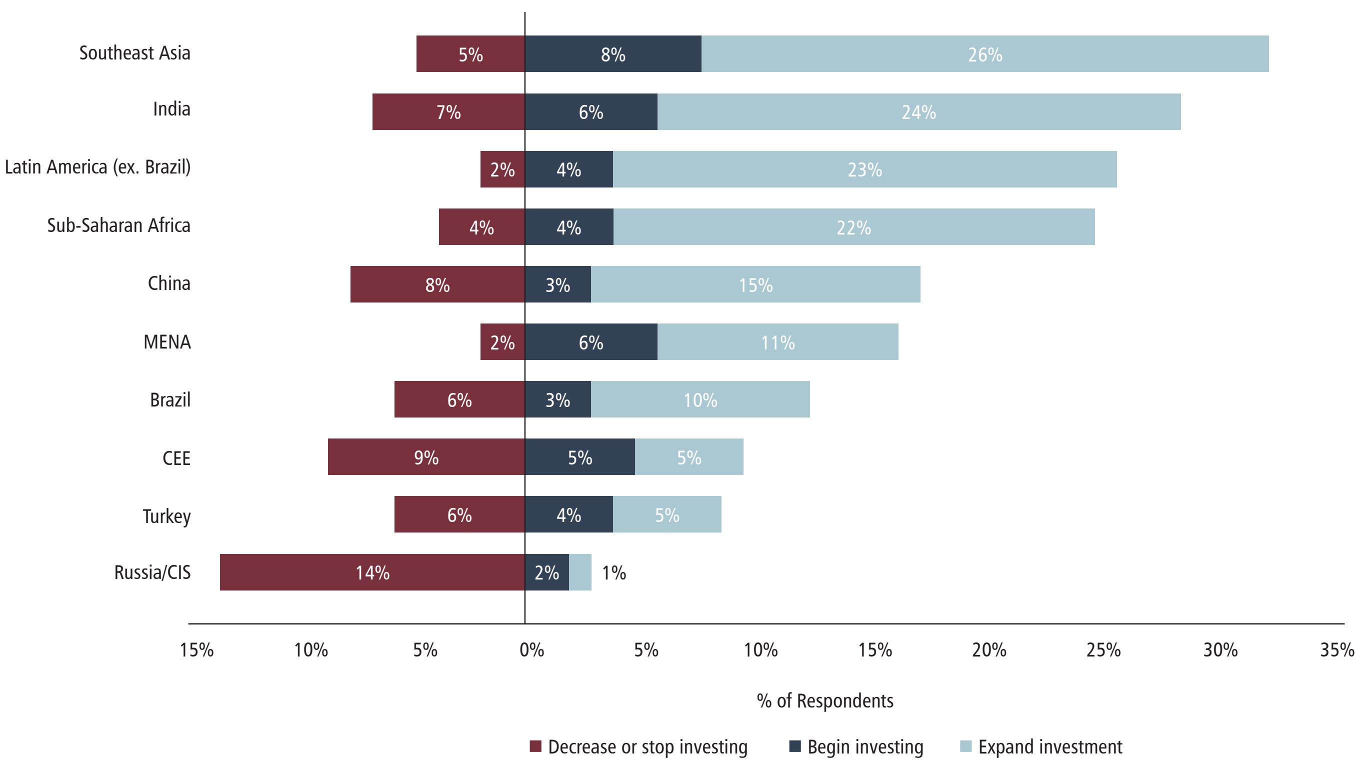
# LPs Plan New Commitments in Southeast Asia and India, Followed by Latin America (ex. Brazil) and Sub-Saharan Africa

The largest number of survey respondents plan to begin or expand investing in Southeast Asia and India in the next two years, relative to other EM geographies. For the fourth year running, a non-BRIC market has received the highest level of investor interest in new or expanded commitments, but India's move into second place displaces Latin America (ex. Brazil) and Sub-Saharan Africa, which had the highest percentage of LPs planning to increase commitment levels in the 2015 survey. India's comparative standing among all markets for planned changes to investor commitments also matches its second-place ranking in terms of market attractiveness for GP investment.

Among survey respondents who plan to begin investing in a new region or country, Southeast Asia leads all other markets, followed by India and MENA. Survey respondents have the third-lowest current average PE allocation (1% of global commitments) to MENA, ahead of just Russia/CIS and Central and Eastern Europe, so new investor interest in the region represents a potentially substantial increase in commitments given the low base.

The largest share of survey respondents (14%) plan to decrease or stop investing in Russia/CIS, which continues to face adversity in the form of depressed commodity prices, economic sanctions and as yet unresolved political conflict. Moreover, as illustrated on pages 7-10, Russia/CIS faces higher risk perceptions and lower return expectations among LPs, relative to other geographies.

### Exhibit 10: LPs' Planned Changes to Their EM PE Investment Strategy Over the Next Two Years




> In certain emerging markets—Latin America and China, particularly—we believe that asset prices could become attractive due to an economic slowdown and higher demand for debt and equity to finance growth.
>
> –Development Finance Institution

# Political and Currency Risk Remain Most Cited Deterrents to Investing

Reflecting a broad consensus from past editions of the survey, political risk and currency risk remain the most likely deterrents for investors in eight of the ten EM geographies included. Moreover, this year's survey results suggest that in some markets, LPs' perceptions of both of these risk factors have increased. A substantially higher percentage of respondents in this year's survey cited political risk as a deterrent for investing in Brazil than in the 2015 survey, while recent exchange rate volatility and capital outflows may have played a role in the much higher percentage of LPs indicating currency risk as a deterrent for investing in China, Brazil, Latin America (ex. Brazil) and Sub-Saharan Africa.

Turning to other likely deterrents, survey responses reveal a bifurcation between BRIC and non-BRIC markets in perceptions of the scale of investment opportunities and the competitiveness of deal making. Approximately 19% of respondents indicate that an oversupply of funds is a deterrent from investing in China, while 19% and 28% of respondents cite high entry valuations as limiting factors in China and India, respectively.

In contrast, the limited number of established fund managers and perceived scale of opportunity to invest are viewed by LPs as barriers to investment in Southeast Asia, Turkey, CEE, Latin America (ex. Brazil), MENA and Sub-Saharan Africa. Across all EM geographies, the limited number of established fund managers was cited by the fourth-highest percentage of LPs as a likely deterrent relative to other factors, behind political risk, currency risk and historical performance. As discussed on page 10, LPs' satisfaction with historical returns and expectations for future returns have moderated in recent editions of the survey.

### Exhibit 11: Factors Likely to Deter LPs from Investing in Individual Emerging Markets/Regions Within the Next Two Years*

| | Historical performance | Limited number of established fund managers | Oversupply of funds (too competitive) | Scale of opportunity to invest is too small | Entry valuations are too high | Weak exit environments | Challenging regulatory / tax issues | Prefer exposure via other asset classes | Political risk | Currency risk |
|---|---|---|---|---|---|---|---|---|---|---|
| China | 15% | 11% | 19% | 0% | 19% | 30% | 22% | 41% | 33% | 30% |
| India | 32% | 12% | 8% | 8% | 28% | 36% | 24% | 28% | 28% | 40% |
| Southeast Asia | 24% | 14% | 10% | 19% | 10% | 14% | 10% | 19% | 24% | 38% |
| Russia/CIS | 18% | 22% | 0% | 2% | 0% | 12% | 27% | 12% | 80% | 39% |
| Turkey | 22% | 30% | 0% | 19% | 3% | 11% | 14% | 14% | 54% | 35% |
| CEE | 26% | 24% | 3% | 24% | 3% | 12% | 6% | 32% | 24% | 21% |
| Brazil | 18% | 18% | 6% | 3% | 6% | 24% | 24% | 21% | 65% | 56% |
| Latin America (ex. Brazil) | 26% | 30% | 0% | 26% | 4% | 26% | 22% | 22% | 44% | 48% |
| MENA | 30% | 41% | 0% | 24% | 0% | 30% | 14% | 16% | 59% | 32% |
| Sub-Saharan Africa | 29% | 35% | 3% | 26% | 3% | 29% | 26% | 13% | 65% | 52% |

*Indicates percentage of respondents answering for each region/market.

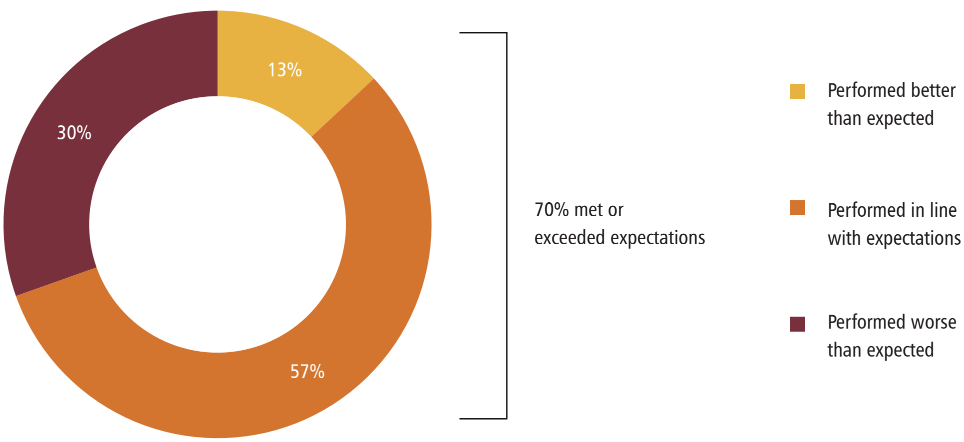
> "We see opportunity in Brazil: recession and political discord have brought valuations and entry multiples down to attractive levels.
>
> –Family Office

# LPs’ Are Less Satisfied with EM PE Portfolio Performance; Return Expectations for Emerging and Developed Markets Have Moderated

LPs’ level of satisfaction with the performance of their EM PE portfolios has declined in each of the last two years. EM PE portfolio performance has met or exceeded expectations for approximately 70% of LPs in this year’s survey, down slightly from 78% and 75% in 2015 and 2014, respectively. Meanwhile, the percentage of LPs whose portfolios have performed worse than expected has increased from 22% in 2014 and 25% in 2015 to 30% in the 2016 survey.

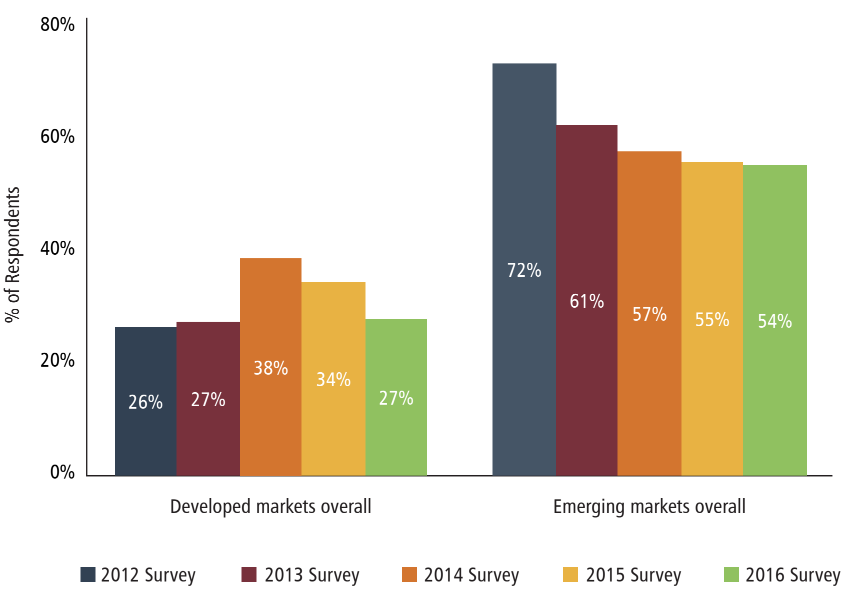
Nonetheless, the majority of LPs still expect emerging markets to outperform their developed market counterparts, albeit by a smaller margin than in prior years. Return expectations for both emerging markets and developed markets PE funds have declined since 2013.

### Exhibit 12: EM PE Portfolio Performance Relative to Expectations



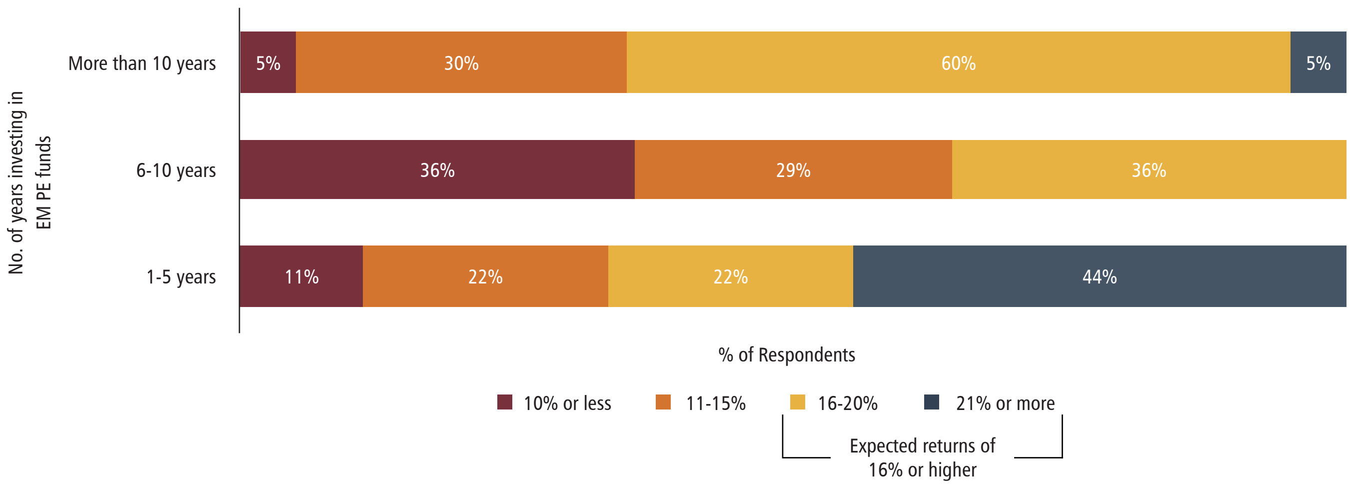

Note: Excludes LPs that felt it was too soon to assess the performance of their portfolios.

### Exhibit 13: Net Return Expectations of 16% or More for Developed Markets vs. Emerging Markets PE Portfolios, 2012-2016



Institutions with young programs (five years of experience or less investing in EM PE) have a disproportionately bullish outlook for EM PE, while the majority of LPs with strong negative net return expectations (10% or less) are in the middle range of the experience spectrum—with perhaps many of the LPs in this subset disappointed by distributions to date and feeling the acute impact of recent EM currency movements on topline performance figures.

## Exhibit 14: Distribution of Net Return Expectations for EM PE Portfolios by Institutional Experience




*Investors expect 2015-vintage EM PE funds to outperform because:*

“Out-of-favor markets provide better opportunities.

–Fund of Funds

“A high U.S. dollar now means depreciation relative to EM currencies during liquidation.

–Family Office

*Investors expect developed market PE funds to outperform because:*

“Exchange rate volatility and commodity export dependency will affect a large number of EM economies; very few EM countries show little dependence on commodity exports.

–Fund of Funds

“Financial market volatility will have a greater impact on emerging economics.

–Public Pension Fund

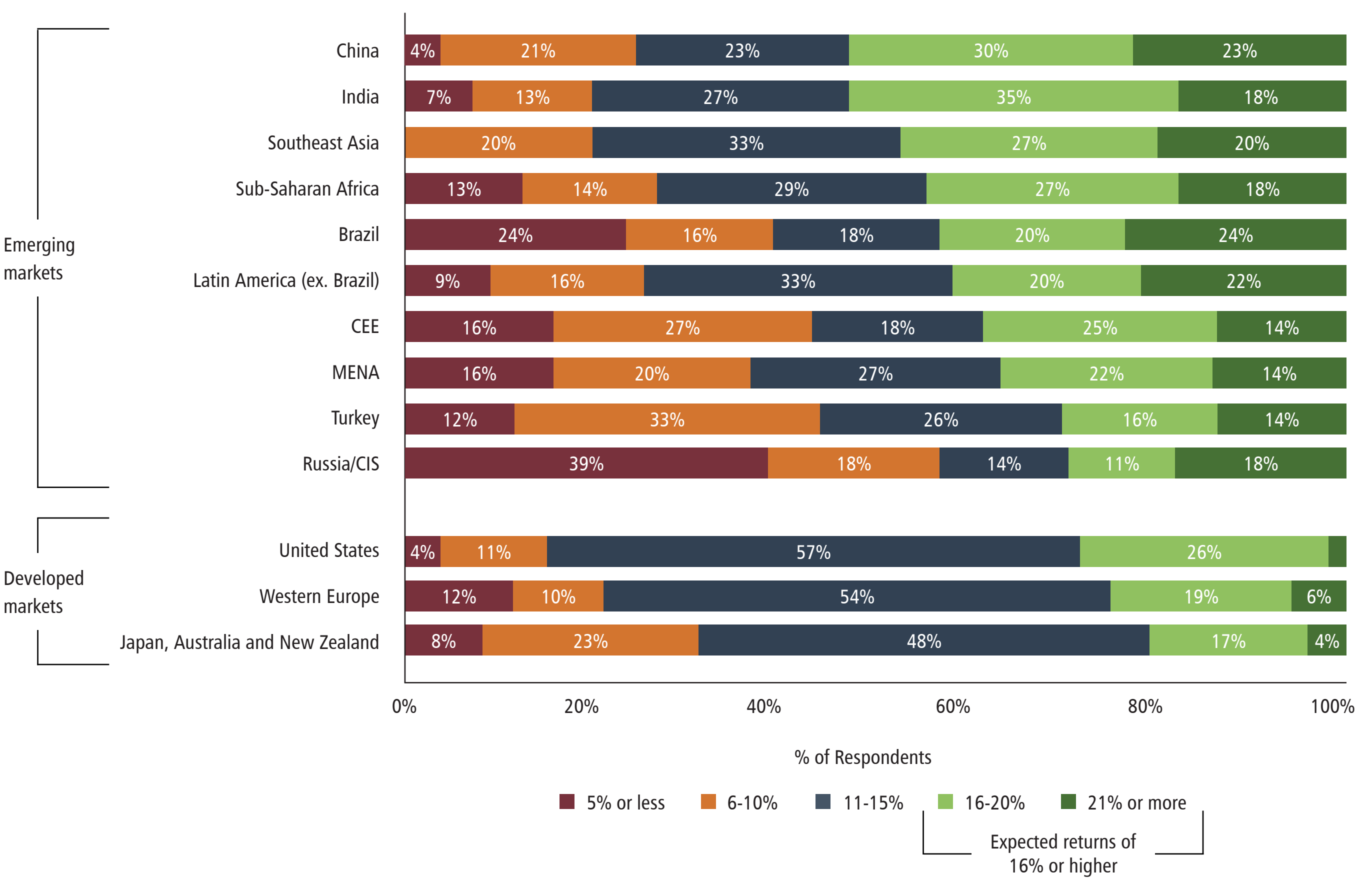
# More LPs Expect Emerging Asia-focused PE Funds to Deliver Net Returns of 16% or More than Funds Focused on Any Other Region

LPs expect 2015-vintage PE funds focused on markets in Emerging Asia—China, India and Southeast Asia—to be more likely to deliver net returns of 16% or greater than funds focused on other global markets. More than half of survey respondents expect net returns of 16% or more from China and India, while 47% of LPs expect the same from Southeast Asia-focused funds.

Beyond Emerging Asia, LPs have the highest return expectations for Sub-Saharan Africa, followed by Brazil and Latin America (ex. Brazil). Though 43% of LPs expect net returns of 16% or more for Brazil, the market also received the second-highest percentage of responses from LPs that expected net returns of 5% or less from 2015-vintage funds, ahead of only Russia/CIS, suggesting divergent views on the impact of recent macroeconomic and political instability in the country.

While a higher percentage of survey respondents expect net returns of 16% or more for all EM geographies than for developed markets, the percentage of LPs expressing low expectations (net returns of 10% or less) is also higher. Return expectations for developed markets fall into a narrower band, with more than half of respondents expecting returns of 11-15% for the United States and Western Europe, as might be expected for more mature, deeper PE markets.

### Exhibit 15: Distribution of Net Return Expectations from 2015-Vintage Funds




> "As dollar investors, currency movements can undo strong performance in local currency terms.
>
> –Fund of Funds

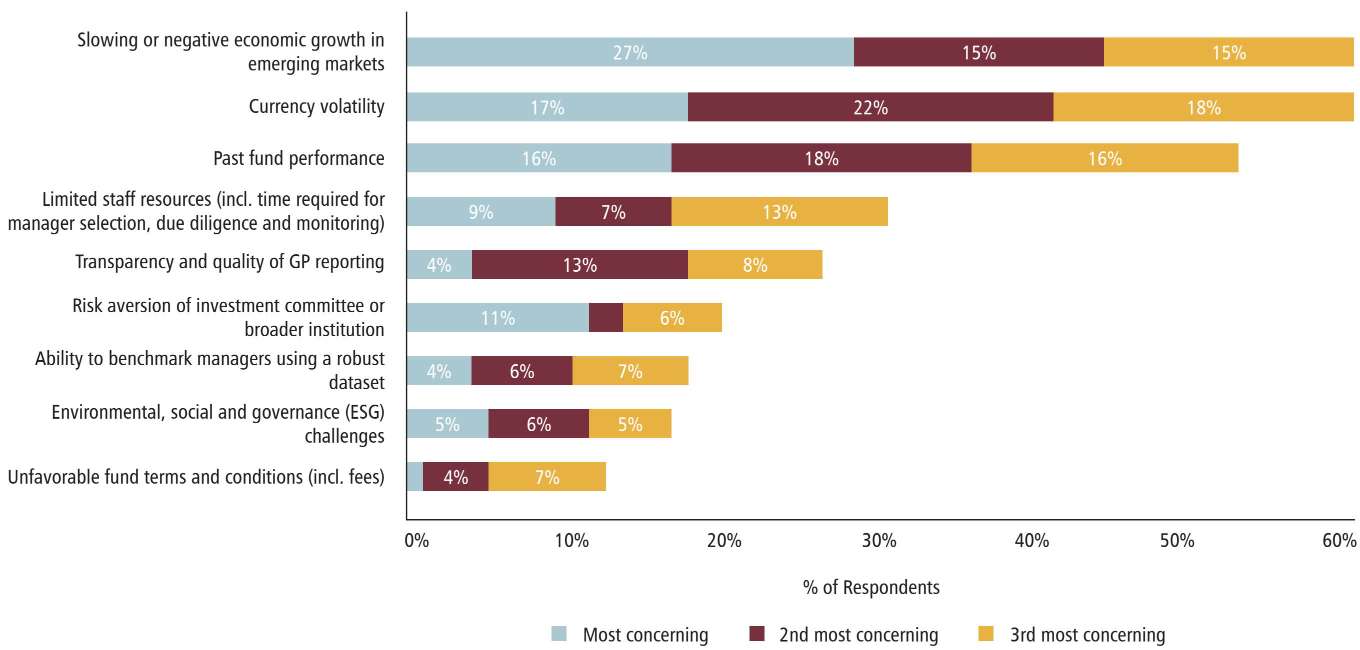
> "EM-focused funds need to show better performance relative to U.S. funds (or at least have the potential to outperform).
>
> –Private Pension Fund

# Macroeconomic Factors and Past Fund Performance Top List of Portfolio Concerns

Over half of survey respondents list slowing or negative economic growth in emerging markets (57%) and currency volatility (also 57%) as among their top three challenges in managing EM PE portfolios, while just under 50% cite past fund performance as a top-three concern. Just under 27% of respondents overall—and 38% of development finance institutions—indicate slowing or negative growth as their most concerning issue. Currency volatility is the next most-cited concern, with 17% of overall respondents ranking it as their number one portfolio concern. Funds of funds and private markets advisors, which face their own pressures from investors, are most likely to cite currency volatility as their most-important issue (29%). Pension funds are most likely to cite past fund performance as their top concern (21%), compared with 16% of respondents overall.

In contrast, institutional challenges and potential GP-LP conflict points—such as limited staff resources, investment committee risk aversion, GP reporting and ESG challenges—rank lower as concerns for LPs managing EM PE portfolios, though respondent feedback suggests these concerns are critical for some. Likewise, only 12% of LPs rank unfavorable fund terms and conditions as a top-three concern for EM PE portfolio management.

Exhibit 16: Issues That Pose the Greatest Concern for LPs' EM PE Portfolio Management, Ranked 1–3



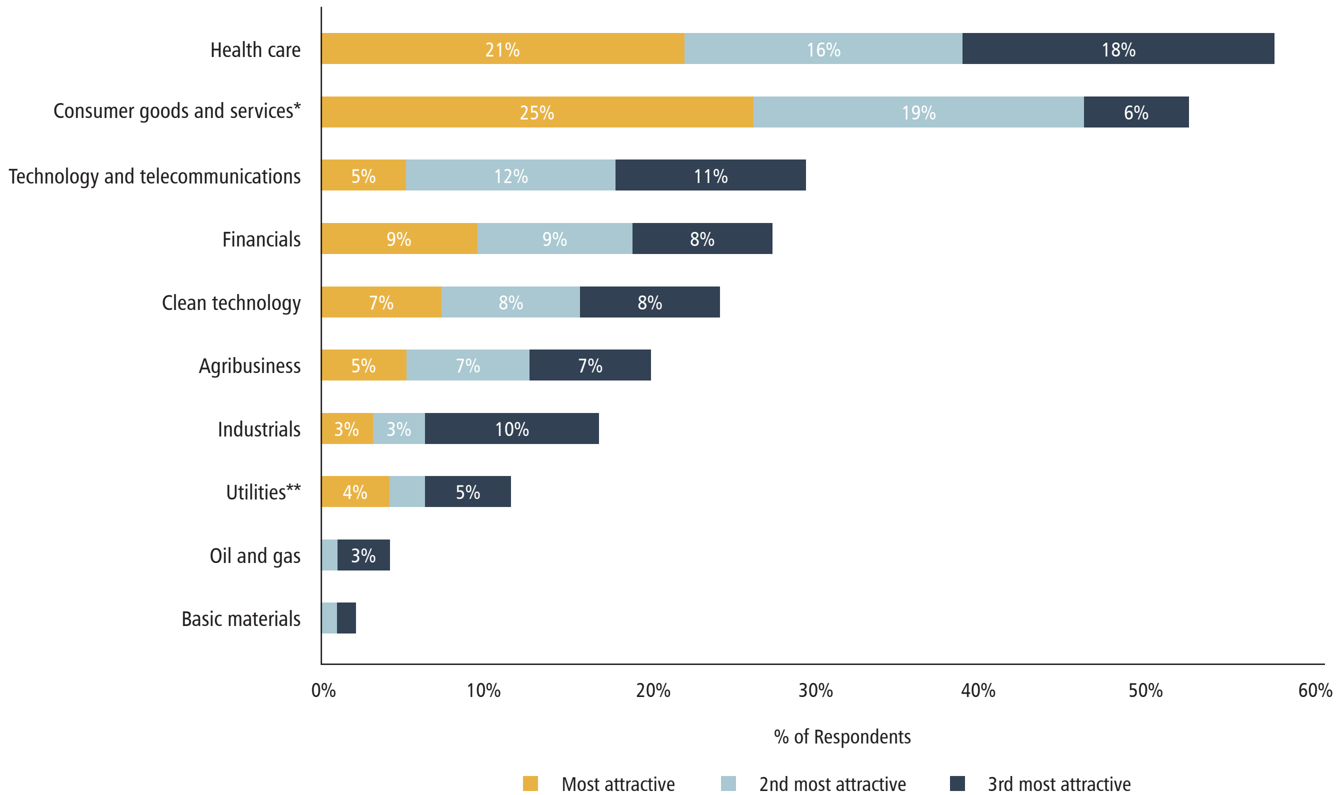

> Our entire portfolio is EM, and if EM conditions worsen, our portfolio stands at risk. Past performance issues discourage other investors from coming into EM PE funds, which affects the ability of EM PE managers to close funds and deploy capital into our target markets. Manager selection takes significant work given the lack of information and benchmark data.
>
> –Development Finance Institution

> If we can achieve equal or better risk-adjusted returns in the public markets, it becomes difficult to justify locking up our capital for ten- to twelve-year strategies. As manager selectors, we also need to feel that the managers are skilled and that we can appropriately vet and monitor the execution of their strategies. This is hard to do with a small team.
>
> –Foundation

# Health Care and Consumer Sectors Rank as Most Attractive for Investment

LPs find health care and consumer sectors to be the most attractive sectors in which to invest via EM PE in 2016. Indeed, EMPEA investment data demonstrate private fund managers' greater exposure to consumer-facing industries in emerging markets compared to EM public markets. While consumer services accounted for 36% of EM companies receiving private capital in 2015, the sector only accounts for 8% of constituents on the FTSE Emerging Index and 11% of constituents of the FTSE Frontier Index (as of January 2016). LPs' bullish sentiment toward the health care and consumer sectors also reflects a broader trend in the industry: in 2015, consumer services attracted the largest share of capital invested by sector, while total capital invested in both consumer services and health care was the highest for each sector since EMPEA began publishing investment statistics in 2008.

### Exhibit 17: Most Attractive Sectors in Which to Build Exposure via EM PE, Ranked 1–3

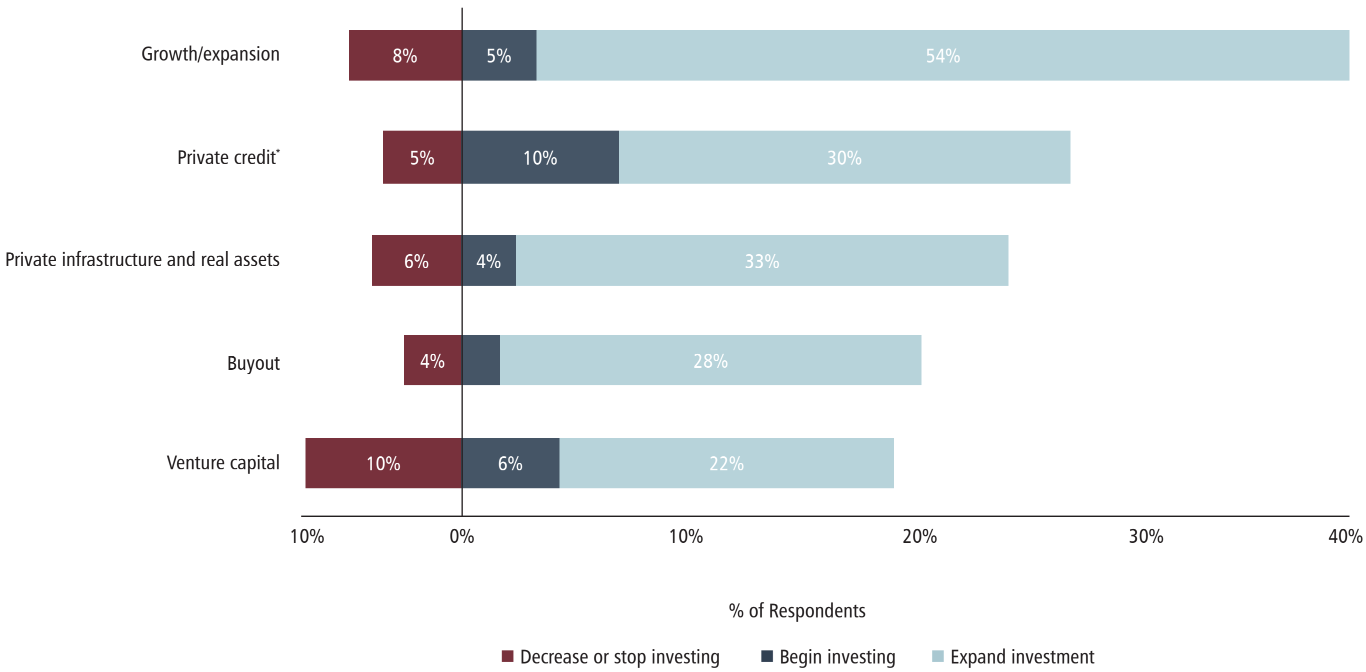



*Includes retail/e-commerce.
**Includes water and electric power.

# Growth, Credit and Infrastructure Funds to Receive Most New Commitments

Long the cornerstone strategy within EM PE, growth capital remains the most popular investment strategy for new or expanded commitments in 2016, with 59% of respondents planning to either begin or expand commitments to growth funds over the next two years. The strategy is followed by private credit and private infrastructure and real assets strategies, suggesting LPs' desire diversification in liquidity, risk and return profiles within their EM portfolios. Twenty-eight percent of respondents plan to begin or expand investments in venture capital—a strategy that has experienced rapid growth across many EM regions in recent years. However, venture capital also has the highest share of respondents planning to decrease or stop investing over the next two years.

### Exhibit 18: Planned Changes to EM PE Investment Plans Over the Next Two Years – Fund Strategies




*Includes direct lending, mezzanine, distressed and special situations.

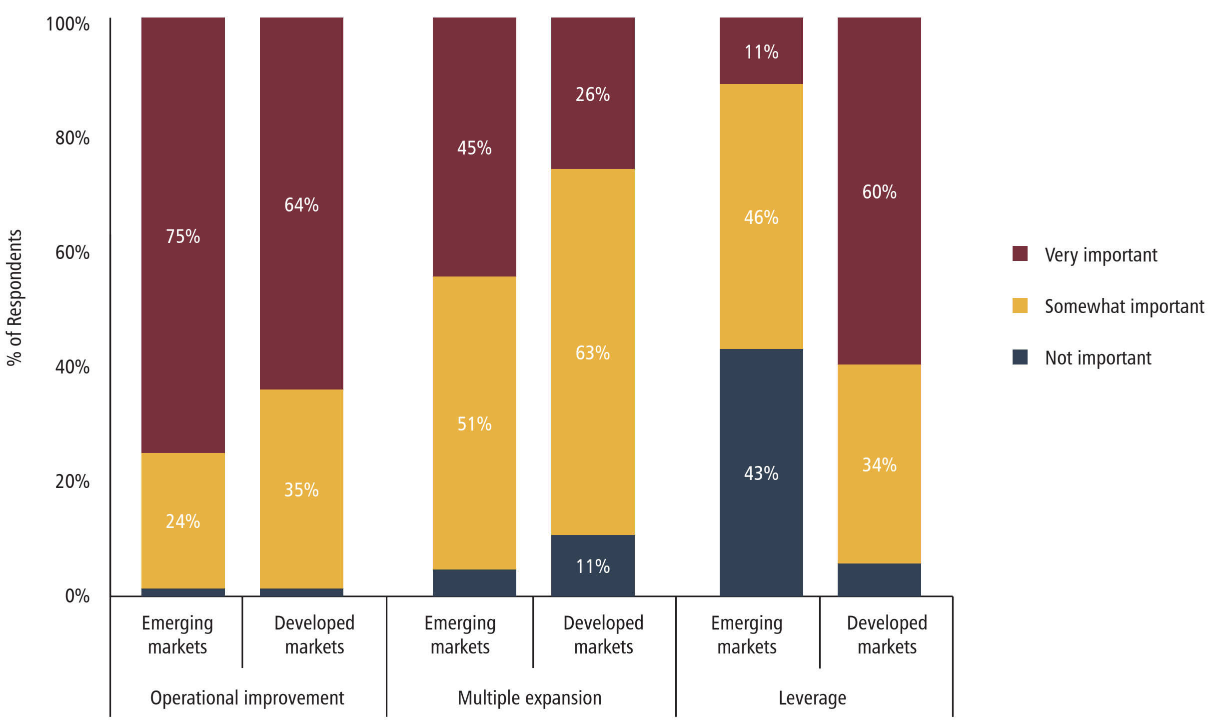
# Operational Improvement and Multiple Expansion Most Important EM PE Return Drivers

In assessing the importance of various return drivers to 2015-vintage private equity funds, LPs anticipate that operational improvement will be the most important generator of value in EM PE. Three-quarters of respondents estimate that value creation will be very important in driving returns for 2015-vintage EM PE funds, while 24% suggest it will be somewhat important. In developed markets, meanwhile, LPs predict operational improvement will drive the most value, albeit with a lower margin of respondents estimating that the driver will be very important.

Investors also expect multiple expansion to drive value in EM PE funds—45% of LPs consider it to be a very important driver of value, while 51% expect it to be somewhat important. In developed markets, LPs believe multiple expansion will have less of an impact—just 26% of respondents estimate that it will be very important, while 11% suggest it will not be important at all.

The largest divergence between emerging and developed markets is in LP expectations of the importance of leverage as an expected driver of returns. Only 11% of respondents assess leverage as a very important driver of returns in emerging markets, while a full 43% suggest it is not important. In developed markets, however, 60% of respondents expect leverage to be very important in driving returns to 2015-vintage funds—nearly as important as operational improvement in these markets. While leverage is typically used less in EM PE than in developed markets PE, the plurality of respondents (57%) indicating it is at least somewhat important to generating returns perhaps reflects the growth of its use in more mature PE markets like South Africa, Brazil, Poland, Singapore and Hong Kong.

Exhibit 19: Expected Return Drivers for 2015-Vintage Funds

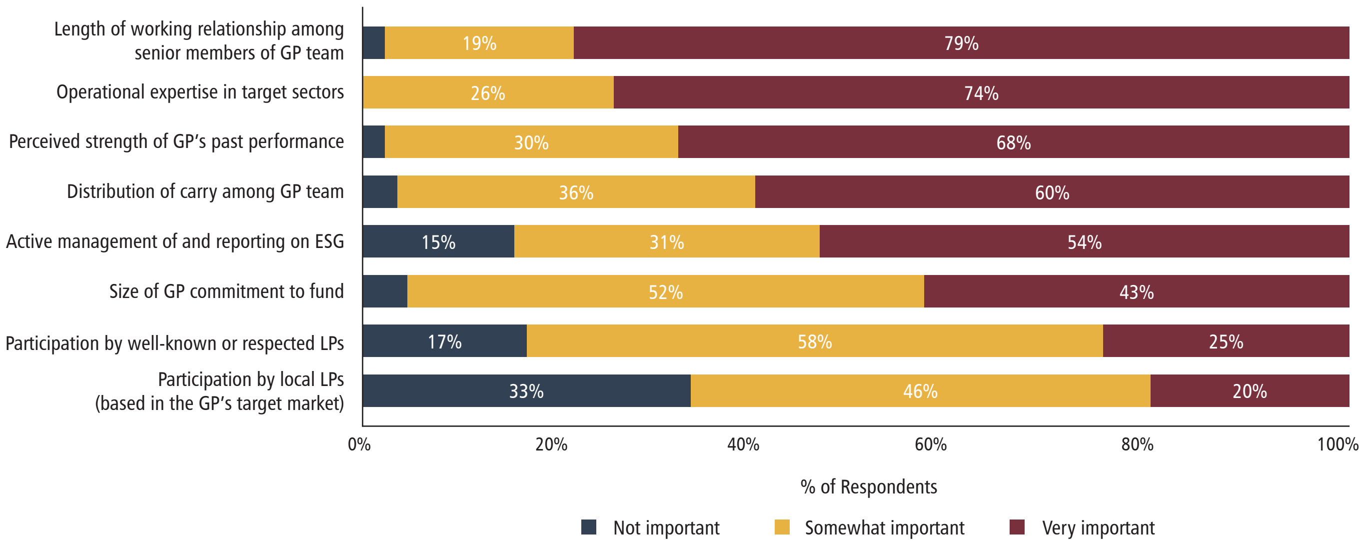


# Team Experience, Operational Expertise and Past Performance Most Important Manager Selection Criteria

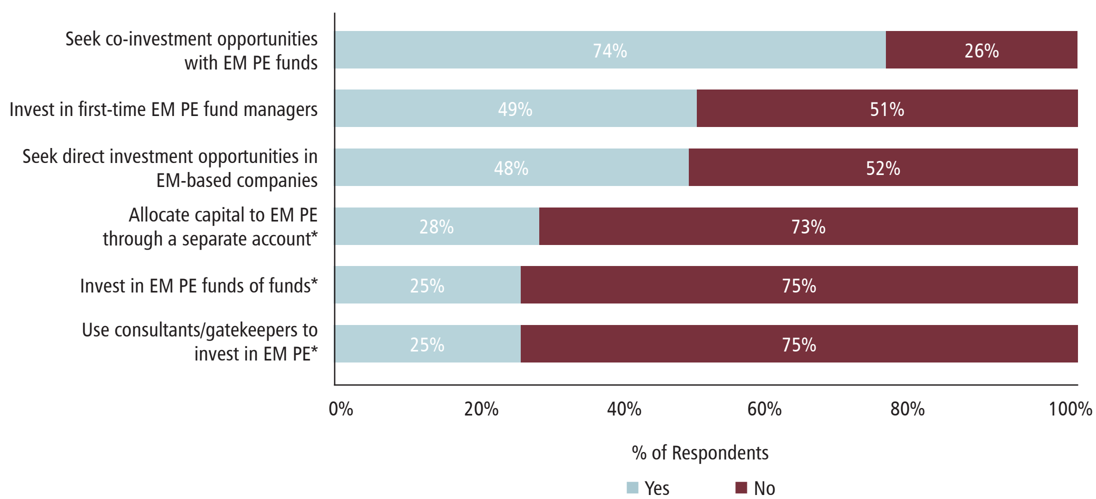
The length of the working relationship among senior members of the GP team is considered very important by 79% of survey respondents, making it the most important factor for LPs in selecting a fund manager. Following team experience is operational expertise in target sectors. This factor for GP selection is in line with LPs' broader expectations for value creation in EM PE: LPs expect operational improvement to be the most important driver of returns for 2015-vintage EM PE funds (see page 14). In third, 68% of LPs consider the perceived strength of GPs' past performance to be very important when selecting a fund manager. These priorities remain roughly aligned when broken out by institution type. Pension fund managers, endowments, foundations, family offices, funds of funds and private markets advisors all consider the length of a GP team's working relationship to be the most important factor. However, development finance institutions consider active management and reporting on ESG to be the most important factor for GP selection, with 90% of DFI respondents considering it very important.

EM-focused first-time fund managers—which closed just 21 funds in 2015, and have seen annual decreases in the number of fund closes since EMPEA began reporting fundraising figures in 2006—might take heart in the fact that 49% of respondents say that they back first-time fund managers. LPs also appear to be fighting fee drag by committing capital outside of traditional fund structures: 74% of LPs report that their institutions seek co-investment opportunities, while 48% seek direct investments in emerging markets.

## Exhibit 20: Important Factors in Evaluating an EM PE Fund Manager




## Exhibit 21: Means of Accessing EM PE Investment Opportunities

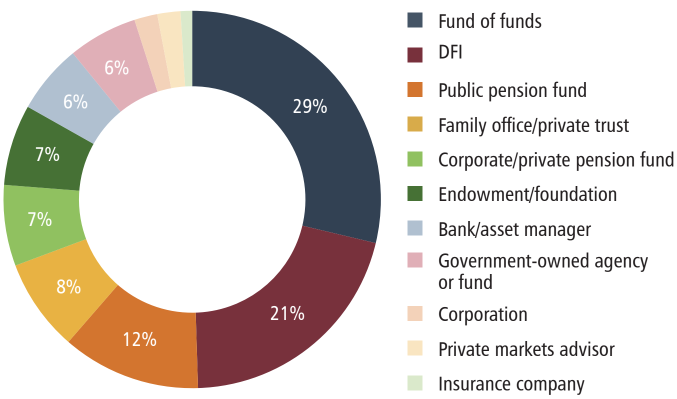



*Excludes funds of funds and private markets advisors.

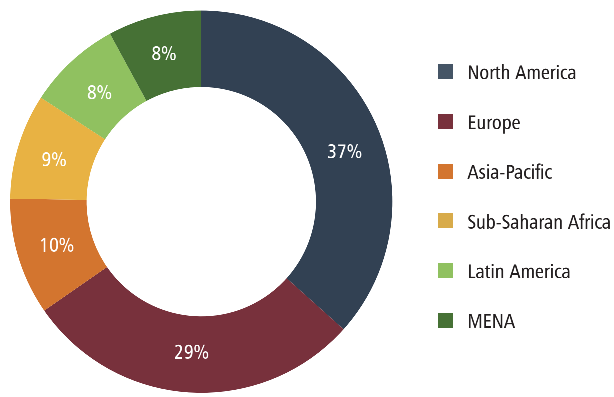
# Respondent Profile and Survey Methodology

In February and March 2016, EMPEA surveyed 107 limited partners from 101 different institutions headquartered across 32 countries, collectively representing more than US$1 trillion in reported global private equity assets under management, to gather their views on the EM PE asset class. Respondents represent a diverse mix of institutions, including public and private pension funds, family offices, endowments, foundations, banks, asset managers, insurance companies, government agencies, corporations, development finance institutions, funds of funds and private market advisors. In cases where more than one respondent from the same institution took part in the survey, only one response has been included for each survey question. Just over 95% of institutions surveyed are currently invested in at least one EM PE fund, and 82% have been investing in EM funds for more than five years. For the average PE portfolio of a surveyed institution (excluding development finance institutions and EM-focused funds of funds), emerging markets constitutes approximately 35% of their current capital commitments.

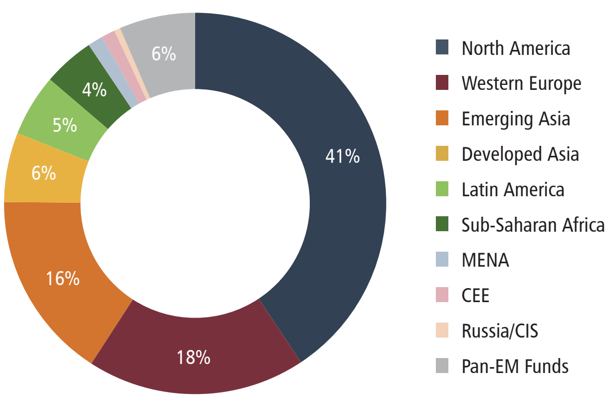
### Exhibit 22: Respondents by Institution Type




### Exhibit 23: Respondents by Headquarter Region

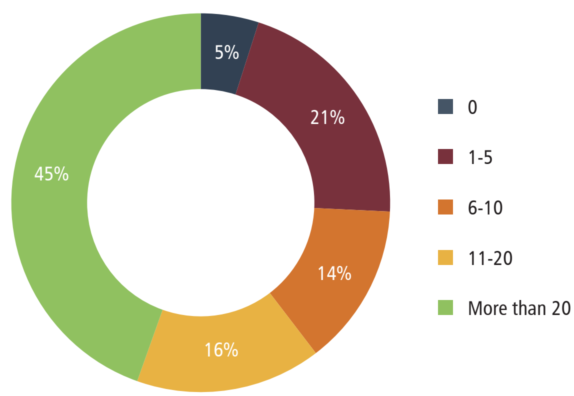



### Exhibit 24: Disclosed Distribution of Current Committed Capital in Global PE Portfolio*




*Excludes development finance institutions and EM-focused funds of funds.

### Exhibit 25: Respondents by Number of Current EM PE Fund Commitments




## Survey Definitions

- Emerging markets ("EM") includes all countries outside of the United States, Canada, Western Europe, Israel, Japan, Australia and New Zealand.
- Private equity ("PE") encompasses (leveraged) buyout, growth/expansion, venture capital and mezzanine investment strategies.
- Emerging markets private equity ("EM PE") funds are PE funds that principally target investments in emerging markets.
- Limited partners ("LPs") are investors in PE funds.
- General partners ("GPs") are PE fund managers.
- Development finance institutions ("DFIs") are institutions dedicated to expanding access to capital for private enterprises in developing countries.

Note: In some exhibits, percentages may not sum to 100% due to rounding.

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