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## **Emerging Markets Private Equity Fundraising Increases by 64%—Highest Level in Three Years**

- *China and Brazil funds dominate with more than 60% of capital raised.*
- *Brazil raises record US\$7 billion, five times the 2010 total.*
- *Emerging Asia and Latin America capture 82% of total EM PE investment.*

**Washington, D.C.:** Emerging markets funds continue to capture a larger slice of the global private equity (PE) fundraising pool, reaching 15% of new commitments globally in 2011, up from 11% in 2010. Led by China and Brazil, fundraising for emerging markets PE in 2011 grew by 64% year on year, reaching a 3-year high of US\$38.5 billion, according to the Emerging Markets Private Equity Association (EMPEA). In the same year, 876 private equity and venture capital deals valued at US\$26.9 billion were completed in the emerging markets, representing 11% of invested PE capital globally.

“The trend toward increased LP commitments to emerging market dedicated funds is consistent with how LPs view the market opportunity in these high growth economies,” said Sarah Alexander, EMPEA’s President and CEO. “Institutional investors are keenly aware that to meet their long-term obligations and required rates of return, greater exposure to the world’s fastest growing economies must be a critical component of their strategy,” said Ms. Alexander.

### **Asia’s Continuing Dominance**

Emerging Asia, and within it, China, continue to dominate private equity beyond the developed markets. In 2011, China drew its largest share of global PE fundraising to date, with 43% of capital raised or US\$16.6 billion. The proliferation of local currency funds in China continued in 2011, with Renminbi funds accounting for 60% of the 63 funds focused on China and one-quarter of all 148 emerging market funds raised in 2011, versus 18% in 2010.

Seventy percent of the investments made in 2011 were directed at emerging Asia generally, which includes Southeast Asia and South Asia. China alone was 39% of total PE capital invested. India followed with 23%.

### **The Promise of Brazil**

Brazil funds raised a record US\$7 billion in 2011, or 18% of the total new capital committed to emerging market funds. EMPEA’s CEO, Sarah Alexander said, “The surge in appetite among investors for exposure to Brazil has been one significant aspect of the fundraising recovery in the emerging markets.” Illustrative of the different character of emerging markets today versus a decade ago, all of the funds raised in Brazil last year are entirely local firms.

Nearly all (95%) new capital raised for Brazil in the last year, however, went to just five funds, each of which raised US\$1 billion or more and together accounted for US\$6.7 billion. “There is concentration within the large funds segment of the market in Brazil, leaving much less competition within the middle market,” said Ms. Alexander.

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## Further Concentration among Large Funds

While new capital raised for emerging market PE funds rose by 64%, the number of funds dropped by 20% in 2011. Median fund sizes doubled, reaching a record US\$303 million in 2011, versus US\$145 million in 2010. The number of US\$500 million-plus funds hit its highest level since 2008.

“These larger fund sizes are a product of LPs’ desires to put significant amounts of capital to work, more so than a reflection of the market opportunity,” Ms. Alexander said. “There are still abundant opportunities for equity investments well below US\$50 million per deal,” she said.

## Room to Grow

“Institutional investor appetite for emerging markets private equity remains robust because investors need exposure to growth and the thin listed markets in many of these countries is an insufficient way to get it. A public equities strategy alone does not necessarily provide access to the underlying drivers of the larger macroeconomic story or the companies positioned to benefit,” noted Ms. Alexander. In China, for example, only 1,700 companies are listed on the Shanghai Stock Exchange, out of an estimated 7 million registered companies there.

She continued, “While some may argue that the top line figures for Brazil and China are indications that we’re reaching a saturation point, we believe the middle market in Brazil, as in many other emerging markets, lacks access to financing generally and that fewer and fewer established funds are scaled to pursue those opportunities as fund sizes grow.”

The 2011 median deal size for PE investments in emerging markets was US\$15 million. In Brazil, median deal size slipped from US\$56 million in 2010 to US\$45 million in 2011. The median for Chinese deals rose slightly from US\$15 million in 2010 to US\$20 million in 2011.

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## About EMPEA

The **Emerging Markets Private Equity Association (EMPEA)** is an independent, global membership association whose mission is to catalyze the development of private equity and venture capital industries in emerging markets. EMPEA’s 300 members share the belief that private equity can provide superior returns to investors, while creating significant value for companies, economies and communities in emerging economies. Our members include the leading institutional investors and private equity and venture capital fund managers across developing and developed markets.

**EMPEA’s members represent nearly 60 countries and over US\$1 trillion in assets under management.** For more information, visit [empea.net](http://empea.net) and follow us on Twitter [@EMPEA](https://twitter.com/EMPEA).

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