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Dear Private Equity Investor,

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## **CARLYLE GROUP'S DAVID RUBENSTEIN BULLISH ON SA, AFRICA PRIVATE EQUITY INVESTMENTS**

One of the world's top private equity experts, David Rubenstein, has pronounced himself "very positive" about the prospects for private equity investments in South Africa and the rest of the African continent in the coming years.

Rubenstein, co-founder of The Carlyle Group, the world's second-largest private equity asset manager with some US\$90 billion under management, was speaking on his first visit to SA at an exclusive investor gathering hosted by Old Mutual Private Equity. Old Mutual Private Equity is launching an exciting new International Private Equity Fund of Funds that includes the Carlyle Partners V Fund - along with 11 other top-performing international private equity managers - in the underlying funds (read more on the fund below).

"Africa is going to show high growth rates, has a young population and lots of natural resources, so is certainly an attractive place in which to invest," and Carlyle is already doing so, Rubenstein told the audience.

He considered emerging markets - especially China, Brazil and India - to be far better investment options than developed markets, pointing out that by 2014 their faster growth would give emerging markets a larger share of the global economy than developed countries.

Rubenstein was particularly bullish on China, noting that that country was the greatest source of profits for Carlyle, having earned it US\$7.0 billion from a single deal. Carlyle has a team of 50 private equity specialists (locals) based in China.

"I believe China is a great place to invest - the best of all the emerging markets," he enthused. "I recommend to young people to study Mandarin and go to experience China - it's the great power of the 21<sup>st</sup> century. By 2035 -or even sooner - it will be the world's biggest economy. I'm not worried about the political risk. Of course there are some problems doing business there, but if you comply with the rules, everything works well."

Other sectors he believed would offer high returns going forward in the private equity space were energy, healthcare and sectors related to food supply, as these were "indispensable" for the world's growing population.

### **The popularity of private equity**

He believed that private equity had become increasingly popular as an investment class on a global scale for large pension funds - despite concerns around illiquidity - due to its consistent strong outperformance of listed equity markets over the years. While history showed that the average private equity fund outperformed the listed market by around 6-8 percentage points in most countries at any time (making it attractive), what had really overcome illiquidity concerns was the truly spectacular outperformance of the top 25% of private equity funds - providing returns *two to five times higher than* listed equity markets.

"Many public pension funds that needed to meet substantial shortfalls in their funding requirements - of around 20% or more - needed very high-performing investments, and so turned to private equity to make up the gap," explained Rubenstein. Private equity grew increasingly popular throughout the 1970s, 1980's and 1990s to reach some US\$800 billion invested globally in the asset class at its 2007 peak, just before the global financial crisis.

### **Weathering the 2007-08 financial crisis**

Private equity had weathered the financial crisis relatively well, he added. Of the 25 largest transactions concluded at the market peak in 2007, none had gone bankrupt, although many had been expecting at least one bankruptcy. At the same time, no major general partners in private equity deals had gone out of business and no major pension fund limited partners had defaulted on capital calls, and no consequential legislation had been introduced - in the US, at least - that restricted dealmaking.

"Now investor interest is picking back up in the search for yield," Rubenstein observed.

"We believe returns will be very good in the deals concluded in 2008-2009 and this year. However, there have been some changes as a result of the crisis: smaller funds, smaller deals, lower fees, less leverage and more deals in emerging markets. Also, I expect to see global consolidation in the market, with six to eight large, global public firms gaining more market share and growing dramatically."

### **About David Rubenstein and The Carlyle Group**

Rubenstein co-founded The Carlyle Group in 1987 in Washington, DC, after having worked as Assistant Domestic Policy Adviser to President Jimmy Carter in the White House. Now with US\$90 billion of private equity funds under management, he said the company had produced a rate of return on investment for its clients of around 30% during its 23 years in operation. The Carlyle partners have \$4bn of their own capital invested alongside clients in the funds they manage. For more information, visit [www.carlyle.com](http://www.carlyle.com).

### **About the new OMIGSA International Private Equity Fund of Funds ([visit the website](#))**

- The new fund gives investors access to a diversified global portfolio of private equity funds, managed by reputable, top-quartile and top-decile managers including AXA, Bain Capital, Baring Asia, Carlyle, CVC, and Pacific Equity Partners.
- The fund is prudently diversified geographically, with exposure spread between European (25%), North American (30%), Emerging Markets (35%) and global assets (10%). Currency exposure is spread across the AUD (10%), Euro (30%) and US dollar (60%).
- With investments having commenced in 2007, the fund is almost fully committed and therefore investors have nearly full visibility of the underlying portfolio funds.
- The fund is listed on the Irish Stock Exchange, a highly regulated market.
- The fund offers investors access to top managers with a much smaller commitment than a direct investment would require.

This fund is currently open to institutional investors, and will soon be available to retail investors via Old Mutual's Fairbairn Capital platform.

The **Old Mutual Private Equity Secondary Fund** also remains open to both institutional and retail investors via Fairbairn Capital. This fund is invested in 12 market-leading South African businesses.

For more information on these funds, please contact Kevin French at (021) 509-4326 or (082) 461-1401 or [kfrench@omigsa.com](mailto:kfrench@omigsa.com), or visit [www.oldmutualprivateequity.com](http://www.oldmutualprivateequity.com)

Contractual rights and obligations of investors in these funds are subject to contract. Private Equity investments have short term to long term liquidity risks and there are no guarantees on the investment capital nor performance. The value of the investment may fluctuate as the value of the underlying investments change. Past performance is not necessarily a guide to future investment performance.

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