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Private equity assets under management have surpassed $3 trillion, of which just over $2 trillion is unrealized portfolio value and slightly over $1 trillion is dry powder—according to the latest quarterly report by preqin. At the same time, private equity deal flow for 2012 decreased from 2010 and 2011 but increased from the low point in 2009. At the current run rate for 2012 there will be about 1,600 deals closed with slightly less than $260 billion invested. According to Pitchbook, about one-half of the investment will be in the $100 to $500 million range, which is a slighter higher share than in 2011. Investment count by industry has been relatively stable over the past several years with a pick up in information technology this year. In terms of amount invested by industry, information technology and healthcare have grown whereas financial services have been greatly reduced.

Exit activity has stabilized since mid-2011. The primary type is corporate acquisition, although secondary buyout gained momentum in 2012. Private equity fundraising has been relatively flat since mid-2009, averaging around $27 billion per quarter compared with pre-great recession levels that were three to four times higher. Fundraising activity in North America has been running at more than twice the level raised in Europe or Asia and the rest of the world, where venture capital fundraising has been under $10 billion per quarter since the beginning of 2009.

In terms of performance, for the top quartile funds according to preqin—which tracks over 6,000 private equity funds—the median net IRR has been trending upward since 2006 when it was 10% to 2009 when it was just under a 20% level.

The outlook for the private equity sector performance is clouded by the same uncertainties and increased volatility impacting investors in both advanced and emerging market economies for the next several years, including: fiscal cliff tax increases and budget deficit issues with slow real GDP growth and high unemployment in the U.S. for at least the next several years, prolonged high-debt servicing constraints in Europe into the 2020s, and restrained world trade growth limiting a return to high-growth levels in most large, rapidly growing emerging market economies. Although there has been a recent substantial loss of wealth in Europe in particular, other areas have also suffered, including Latin America, Africa, and Asia. The International Monetary Fund report from October 2012 shows a current increase in macroeconomic risks and emerging market risks and a decline in investors risk appetite since the previous survey in April 2012.

A more significant structural change has been the increase in the globalization of financial flows, which has more closely linked financial markets and economies. The global spread of improvements in information technology, telecommunications, and transportation and the opening of financial markets to foreign funds makes possible increased inter-linkages between economies economic performance. This can be supportive of economic growth but it can also be disruptive to economic growth depending on economic policy actions, type of exchange rate system, extent of openness of local financial market, and domestic sterilization actions of the central bank to foreign exchange intervention.

What does this mean for private equity? A substantial increase in the share of the estimated $30-plus trillion in the global capital flows per day are originating from the new wealthy individuals and families that seek the highest returns globally given their respective risk tolerances. All aspects of private equity are target destinations for these funds, given that many of the emerging financial market are not yet robust and globally liquid to support easy movement of funds both inward and outward. A second potential impact on the private equity investments in emerging markets is that they—specifically their performance—will increasingly be impacted by both negative and positive factors stemming from economic policy actions in other countries transmitted through financial flows to other countries. Economists are just beginning to analyze this new global policy architecture and how it will all work in the real world.

In this issue of *The Journal of Private Equity*, Fred Dotzler in "Raising the First Round of Venture Capital: *What Founding Teams Should Understand*," sheds light on the process of raising the initial venture capital and how to increase the probability of a successful fundraising effort. Christopher M. Schelling and Tom Masthay, in "Considerations around Placement Agents," identify the trend toward increasing amounts of capital being allocated to alternatives in the public sector, which they expect to continue, and discuss the role placement agents will play in this process.

E. Lutz and G. George, in "Venture Capitalists' Role in New Venture Internationalization," examine the impact of venture capitalists on new venture internationalization based on 18 in-depth case studies. Jarunee Wonglimpiyarat, in "Technology Transfer and Commercialization: *Venture Capital Financing System of Thailand*" provides an empirical study of the venture capital financing system of Thailand, discusses how it is changing, and analyzes the effectiveness of the major financing programs of institutions legitimizing technology and innovation financing.

Next, we move to Africa where Olufemi Babarinde, in "The Private Equity Market in Africa: *Trends, Opportunities, Challenges, and Impact*," analyzes the steady growth of the private equity industry in Africa examining the infancy of the industry, the reasons behind its growth, the comparatively small size of the industry, and recent trends in the industry on the continent.

Christian Klein and Marcus Scheibel, in "The Private Company Discount from a European Perspective: *An Analysis Based on the Acquisition Approach for Comparable Transactions of European Target Companies*," identifies strong evidence that a 5% discount for private companies exists relative to their publicly traded peers and this discount has a substantial influence on the valuation of private companies, which are the main legal corporate form in Europe. The authors also find that, when using the acquisition approach, size and profitability have no significant influence on the private company discount. Klára Vydržel and Věra Soukupová, in "Empirical Examination of Valuation Methods used in Private Equity Practice in the Czech Republic," suggest that the most popular valuation approaches are transaction multiples followed by the discounted cash flow approach; the most dominant valuation multiple is EBITDA followed by the sales multiple and EBIT multiple; and in terms of cost of capital estimation procedures, CAPM and the estimation based on IRR appear to be the most applied in the Czech private equity sphere.

Rajnish Aggarwal, Manu Sharma, and Esha Prashar, in "Fund of Funds Company Indices: *Performance Analysis and Maximizing the Coefficient of Determination*," examine the relationship of FOFs company indices with the market indices—AORD, SSE Composite, N225, FTSE 100, and S&P 500 of Australia, China, Japan, the U.K. and the U.S., respectively, during the last five years. The FOFs company indices, except the J.P. Morgan PE index, had higher five-year average returns than that of most of the market indices and the Sharpe ratios also indicated that Pantheon International Participations outperformed the five market indices during last five years.

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