



SOMERSET CAPITAL

FAMILY OFFICES • PRIVATE MARKETS

Somerset Capital Investment Plan Survey

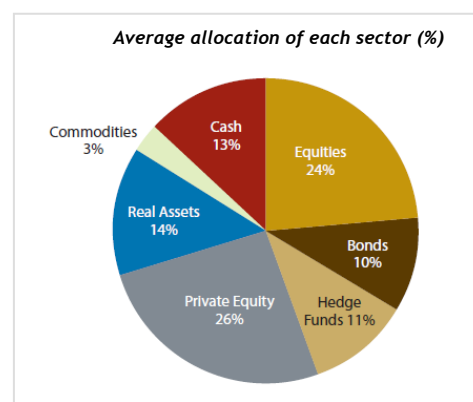
Short Form – February 2012

SUMMARY

In January 2012, Somerset Capital conducted a survey of the family office investors in its network in order to determine their investment plans for the year ahead. A total of 32 family offices participated, of which 82% were SFOs. The investors in question were predominantly located in the UK and Europe, and close to half managed assets in excess of US\$500 million. 52% were pure financial investors, whereas 45% continue to own an operating business.

Participants provided information on their asset allocation, as detailed in the chart. The average allocation to asset classes was 24% equity, 10% bonds, 11% hedge funds, 26% private equity, 14% real assets, 3% commodities and 13% cash.

Over the next twelve months over half of participants plan to decrease their allocations to cash, with increased allocations to private equity (63%), equities (42%), real assets (41%) and hedge funds (24%).

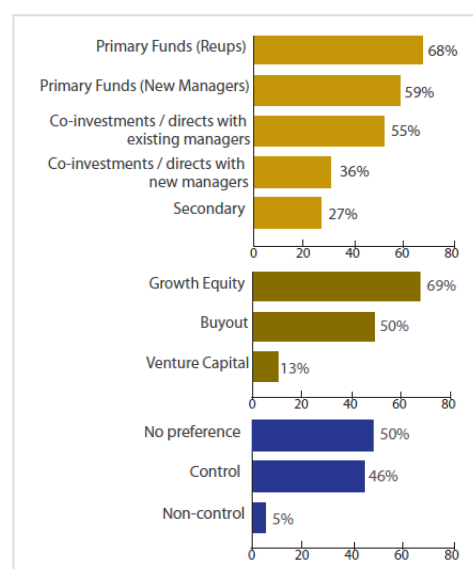


PRIVATE EQUITY RESULTS

Nearly all of the participants in the survey are investors in the private equity market.

Strategies

- 68% indicated an interest in continuing to back existing managers in 2012, with 59% state that they are open to backing new managers.
- Just over half of the participants stated an interest in direct transactions or co-investments, and around a quarter in secondary transactions.
- The participants demonstrated a strong preference for growth equity transactions (70%), with 50% interested in buyouts, and just 12.5% in venture capital.
- Geographically, 83% showed an interest in private equity investments in Europe, versus 56% in the US and 28% in emerging markets.
- In terms of sector, business services, consumer goods, healthcare and manufacturing are areas of particular interest.
- 46% of investors had a preference for control deals, versus 5% non-control, with 50% showing no preference.



REAL ASSETS RESULTS

72% of those surveyed invest in real assets. Strategies include increasing allocations to agriculture, commodities and forestry in 2012, as detailed in the following table:

	Increase allocation	Decrease allocation	No change	No allocation	Total
Real estate	26.7%	20.0%	53.3%	0.0%	100%
Mining	9.1%	0.0%	45.5%	45.5%	100%
Agriculture	38.5%	0.0%	30.8%	30.8%	100%
Forestry	23.1%	0.0%	46.2%	30.8%	100%
Commodities	25.0%	8.3%	50.0%	16.7%	100%
Infrastructure	0.0%	8.3%	41.7%	50.0%	100%
Other	14.3%	0.0%	42.9%	42.9%	100%



HEDGE FUND RESULTS

64% based on 25 respondents invest in hedge funds.

Strategies

- Most popular strategies: Over 90% had allocations to equity long/short, fundamental equity strategies and macro strategies.
- Least popular strategies: 42% of respondents said that they had no allocation to fixed income RV, and 33% of respondents had no allocation to volatility arbitrage.
- Growth areas: 53% of respondents said they intended to increase allocations to macro, 38% said they would increase allocations to CTAs, and 36% said they would add to equity market neutral.
- Regionally, Asia funds were a stand out, with 40% of respondents planning to increase their allocations.

	Increase allocation	Decrease allocation	No change	No allocation	Total
Equities Long/Short	33.3%	6.7%	53.3%	6.7%	100%
Equity Market Neutral	35.7%	7.1%	35.7%	21.4%	100%
Fundamental Equity - Value biased	25.0%	0.0%	66.7%	8.3%	100%
Fixed Income Relative Value	25.0%	0.0%	33.3%	41.7%	100%
Distressed	28.6%	7.1%	35.7%	28.6%	100%
Global Macro	53.3%	6.7%	33.3%	6.7%	100%
Volatility Arbitrage	8.3%	16.7%	41.7%	33.3%	100%
CTA	38.5%	0.0%	46.2%	15.4%	100%
	Increase allocation	Decrease allocation	No change	No allocation	Total
North American Funds	18.2%	0.0%	63.6%	18.2%	100%
European Funds	20.0%	20.0%	40.0%	20.0%	100%
LatAm / Brazil Funds	0.0%	0.0%	50.0%	50.0%	100%
Asian Funds	40.0%	10.0%	40.0%	10.0%	100%
Australian Funds	0.0%	0.0%	45.5%	54.5%	100%
Emerging / Frontier Market	18.2%	0.0%	54.5%	27.3%	100%

Structures

- Nearly half of respondents who invest in hedge funds do not invest in Cayman strategies (46%). Only 20% invest through managed accounts. EU onshore structures seemed to pose the least problem, with 67% of respondents investing in those structures.

	Yes	No	Total
Managed Accounts	20.0%	80.0%	100%
Investments through platforms (Lyxor, DB, etc)	30.8%	69.2%	100%
Offshore Funds (Cayman etc)	53.8%	46.2%	100%
Onshore (EU) funds	66.7%	33.3%	100%
Onshore (US) funds	54.5%	45.5%	100%

Fund Maturity/Size

- Encouragingly, 61% of respondents were happy to invest in funds with less than \$100m AUM. 33% of investors indicated that they would consider seed investments, and fully 93% of respondents said that they would invest in funds with less than \$1B in AUM. Interestingly, 23% of respondents indicated that they would not invest in funds with AUM greater than \$1B.

	Yes	No	Total
Seed Investing	33.3%	66.7%	100%
Early Stage Investing (<\$100m AUM)	61.5%	38.5%	100%
<\$1,000m	92.9%	7.1%	100%
>\$1,000m	76.9%	23.1%	100%

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