



Closed-end fund metrics (mostly private equity) are much more important. More pertinent to the earnings power for the Alts is where they stand in the private equity cycle within their specific funds (not just private equity funds but also funds with similar structures in credit, real estate, real assets, etc). We highlight the most important factors below, in a chronological cycle order (i.e. raise assets from LPs, invest them, return them to LPs along with returns on those assets of which the LP gets about 80% and the GP gets the remaining 20% which it shares with the GP partners, staff, and public unit holders):

- Fund assets raised;
- Dry powder (capital committed by LPs but yet to be called from LPs and invested);
- Capital deployed (invested by the GP)
- Funds in a position to accrue and earn carried interest incentives;
- Carried interest accrued via mark-to-market gains, but yet to be realized; and
- Realizations & distributions back to LPs, that generate realized gains and distributable earnings to the GP and ultimately, public unit holder.

While we cover this topic in more detail within Theme III (private equity cycle) in the report, Figure 9 provides a snapshot of where the Alt firms stand currently across several of these measures. The overall observation is that fundraising in general remains relatively healthy, and high levels of "dry powder" imply strong potential for long-term realizations & distributable earnings, though this dry powder is not likely to generate realized for turns for at least 6-8 years, on average.

Across the Alts, we note fundraising in 2013 is particularly strong for APO, BX, KKR, while lighter levels of capital deployed at APO relative to its size (and relative to its realizations) provides a telling story about mgmt's view of the cycle (i.e. harvest gains and be cautious about deploying capital). Also, while better to be in a higher carry position, firms with lighter carry ratios (BX, CG, OAK) are under-earning from a DE perspective, thus enabling better future DE growth when (and of course, if) their funds move into carry. We note this will be quite additive to DE for BX and CG in 2014 if BCP V (BX) and CEP III (CG) move into carry. In addition, accrued performance fees yet to be realized are also leading indicators for DE, and we note CG and OAK in particular have sizeable net accrued performance fees to earn on a cash basis relative to their share prices.

Figure 9: Key closed-end fund metrics (mostly PE structure), \$mn

Key PE Fund Metrics	APO	BX	CG	KKR	OAK
Funds raised 2013E	\$21,388	\$37,874	\$12,470	\$21,884	\$6,417
Capital deployed 2013E	\$3,893	\$13,515	\$14,373	\$7,591	\$4,411
Dry powder 3Q13	\$18,267	\$38,622	\$51,147	\$22,718	\$12,344
Gross realizations 2013E	\$21,726	\$26,095	\$21,716	\$9,754	\$11,338
Est % of assets in carry 3Q13	97%	76%	82%	90%	76%
Net accrued perf fees 3Q13	\$1,254	\$2,769	\$1,535	\$971	\$1,306
Accrd perf fees/unit	\$3.20	\$2.42	\$4.93	\$1.37	\$8.80
% of current unit price	9.9%	7.8%	13.7%	5.6%	14.9%

Source: Company reports and Deutsche Bank