

NEUBERGER	BERMAN
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# NB Private Equity Partners

*15 October 2010*

# Executive Summary

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## **NBPE is pleased to announce a series of strategic actions and portfolio developments**

- ◆ **Strategic Asset Sale:** NBPE has reached agreements in principle to sell its interest in eight large-cap buyout funds at a narrow discount to NBPE's aggregate carrying value (together, the "Strategic Asset Sale"), generating approximately \$101.8 million of proceeds (net of estimated fees and expenses) and providing approximately \$24.1 million of unfunded commitment relief as of 31 August 2010
- ◆ **Capital Return Policy:** NBPE is implementing a new long-term capital management policy (the "Capital Return Policy") of ongoing returns of capital to holders of its class A ordinary shares (the "Shares"). These ongoing returns of capital will be at the discretion of the Company's Directors. The Capital Return Policy will be initiated immediately using a portion of the proceeds from the Strategic Asset Sale. Beginning with the half-year period commencing 1 January 2011, the Company intends to return 50% of the realized net increase in NAV attributable to the Shares for the preceding six-month period
- ◆ **Strategic Portfolio Repositioning:** NBPE also expects to use a portion of the proceeds from the Strategic Asset Sale to target a higher allocation to direct and yield-oriented investments
  - NBPE expects the portfolio repositioning to reduce the duration of its portfolio, increase transparency for Shareholders, reduce the overall expense ratio and continue its policy of maintaining a conservative over-commitment level
- ◆ **Monthly NAV Update:** During September, NBPE's NAV per Share increased by 1.2% to \$9.63. The increase in NAV takes into account the Strategic Asset Sale and the pending realization of a significant co-investment along with certain other portfolio activity

# Strategic Asset Sale

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## **NBPE expects to sell a meaningful portion of its large-cap buyout fund portfolio at a narrow discount to carrying value**

- ◆ In early October 2010, NBPE reached agreements in principle to sell its interest in eight large-cap buyout investments for an aggregate 5.1% discount to the Company's carrying value of \$108.6 million at 31 August 2010
  - This Strategic Asset Sale will generate cash proceeds of approximately \$101.8 million (net of estimated fees and expenses) and will also release NBPE from approximately \$24.1 million of related unfunded commitments as of 31 August 2010
  - Including estimated fees and expenses, the Strategic Asset Sale will be dilutive to NAV per Share by approximately \$0.13, or 1.4%, which is included in the NAV at 30 September 2010
  - The sale transactions, which are expected to close over the next six to twelve weeks, are the result of a robust auction process. NBPE utilized UBS as its sell side advisor who approached more than 20 buyers on a confidential basis
- ◆ NBPE believes the Strategic Asset Sale demonstrates the high quality of the Company's portfolio and its marketability in the secondary private equity market
  - The transaction provides an opportunity to take advantage of attractive pricing in the secondary private equity market, which continues to value NBPE's assets at significant premiums relative to the public market for NBPE's Shares
  - NBPE believes that, when combined with accretive Share repurchases, this transaction should enable the Company to enhance its NAV per Share over time
- ◆ NBPE intends to use the proceeds to launch an ongoing Capital Return Policy and for strategic portfolio repositioning

# Capital Return Policy

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## **NBPE is implementing a new Capital Return Policy in order to provide returns of capital to Shareholders on an ongoing basis**

- ◆ The Capital Return Policy is a continuation of NBPE's previous steps such as the repurchase of 5.8% of the Shares pursuant to the liquidity enhancement programme and the dual listing of NBPE's Shares on the LSE and Euronext exchanges, all of which are consistent with increasing Shareholder value
  - The Capital Return Policy has been introduced as a long-term capital management feature and will operate on an ongoing basis until further notice at the discretion of the Directors
- ◆ This policy has been made possible by virtue of NBPE's strong financial position and positive NAV development
- ◆ The Directors will have discretion as to the manner in which capital will be returned to Shareholders. However, at the prevailing discount level, NBPE intends to use Share repurchases as the most appropriate means of returning capital to Shareholders
  - Share repurchases also have the benefit of enhancing NBPE's NAV per Share
- ◆ Beginning with the half-year period commencing 1 January 2011, NBPE intends to return 50% of the realized net increase in NAV attributable to the Shares for the preceding six-month period to Shareholders
  - This may be achieved by way of Share repurchases, dividends or such other means as the Directors consider most efficient
  - Future returns of capital under the Capital Return Policy will be announced by NBPE at the time of reporting its financial results for each respective six-month period
  - The realized net increase in NAV will be measured from a starting point of 1 January 2011

# Prospective Investment Strategy

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## **Going forward, NBPE intends to strategically reposition its investment portfolio to have a higher allocation to direct and yield-oriented investments**

- ◆ We believe the strategic portfolio repositioning will provide a number of benefits for Shareholders over the long term, including:
  - Reduce the duration of the portfolio
  - Increase transparency of the portfolio for Shareholders
  - Reduce the overall expense ratio of the Company
  - Continue NBPE’s policy of maintaining a conservative over-commitment level
- ◆ The Company’s Investment Manager, NB Alternatives, is experienced in sourcing and completing such investments
  - NB Alternatives has approximately 50 investment professionals specializing in private equity funds, co-investments and secondary investments
  - NB Alternatives manages over \$1.6 billion of capital dedicated to direct co-investments and has closed more than 50 co-investments over the last five years

# Substantial Realization from NBPE's Co-investment Portfolio

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## **On 6 October 2010, Dresser, Inc. (“Dresser”) announced that it has reached an agreement to be acquired by General Electric Co. (“GE”) for \$3 billion**

- ◆ Dresser is a leading global energy infrastructure company majority-owned by funds managed by Riverstone Holdings LLC and First Reserve Corporation in which NB Alternatives entities including NBPE have meaningful direct co-investments
- ◆ NBPE's ownership interest in Dresser is primarily from a direct co-investment alongside the lead sponsors in 2007
  - NBPE also has exposure through First Reserve Fund XI, NB Crossroads Fund XVII and NB Crossroads Fund XVIII Mid-cap Buyout
  - Prior to the announcement, Dresser was the second largest company in NBPE's portfolio based on fair value
- ◆ Based on the expected sale value, NBPE increased its carrying value in Dresser by over 66% for the purposes of the 30 September 2010 unaudited NAV
  - In aggregate, the change in value for Dresser was accretive to NBPE's NAV by approximately \$0.15 per Share
  - The transaction is subject to customary closing conditions including U.S. and European regulatory approval and is expected to close promptly after receiving regulatory approval

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*Source: Capital IQ and company press releases.*

# September 2010 NAV Update

## NBPE's NAV per Share increased by 1.2% during September

<i>(\$ in millions, except per share values)</i>	30 September 2010 (Unaudited Monthly)	30 September 2010 (Pro Forma)*
Fund Investments	\$470.9	\$368.7
Direct Co-investments	\$100.0	\$81.4
Total Private Equity Fair Value	\$570.9	\$450.0
Private Equity Investment Level	116%	91%
Cash and Cash Equivalents	\$12.8	\$102.4
Credit Facility	(\$30.0)	\$0.0
ZDP Share Liability, including Forward Currency Contract	(\$57.3)	(\$57.3)
Net Other Assets (Liabilities), including Minority Interest	(\$4.4)	(\$3.1)
Net Asset Value	\$492.0	\$492.0
<b>Net Asset Value per Share</b>	<b>\$9.63</b>	<b>\$9.63</b>

### Company Highlights

- ◆ Significant amount of investment and realization activity in YTD 2010
  - Funded capital calls and co-investments of approximately \$52 million in YTD 2010
  - Received distributions and sale proceeds of approximately \$40 million in YTD 2010
- ◆ Pro forma for the estimated net proceeds of the Strategic Asset Sale and the pending realization of Dresser, YTD 2010 distributions and sale proceeds increase to approximately \$160 million

*Note: As of 30 September 2010 (unaudited). Past performance is not indicative of future results.  
\* Pro forma for the Strategic Asset Sale, the pending realization of Dresser and credit facility pay down.*

# Strong Capital Position

**Pro forma for the Strategic Asset Sale, the pending realization of Dresser and credit facility pay down, NBPE will have approximately \$232 million of excess capital resources and 292% of unfunded commitments backstopped by cash and the undrawn credit facility**

- ◆ As of 30 September 2010, NBPE had unfunded commitments of \$120.5 million (pro forma for the Strategic Asset Sale)
  - Total capital resources would be \$352.4 million, including cash and cash equivalents plus the undrawn credit facility
  - Excess capital resources over unfunded commitments of \$231.8 million – a 292% commitment coverage level
- ◆ NBPE has a \$250 million revolving credit facility with a term expiring in August 2014
  - The Company intends to repay borrowings under the credit facility as proceeds from the Strategic Asset Sale are received

## NBPE Financial Position & Liquidity Metrics - 30 September 2010 (Pro Forma for Strategic Asset Sale, Pending Dresser Realization and Credit Facility Pay Down)

Unfunded Private Equity Commitments	\$120.5	Fair Value of Private Equity Investments	\$450.0
		Net Asset Value	\$492.0
Cash and Cash Equivalents	\$102.4		
Undrawn Credit Facility	250.0	Private Equity Investment Level	91%
Total Capital Resources	\$352.4	Commitment Level	116%
<b>Excess Capital Resources</b>	<b>\$231.8</b>	<b>Commitment Coverage Level</b>	<b>292%</b>

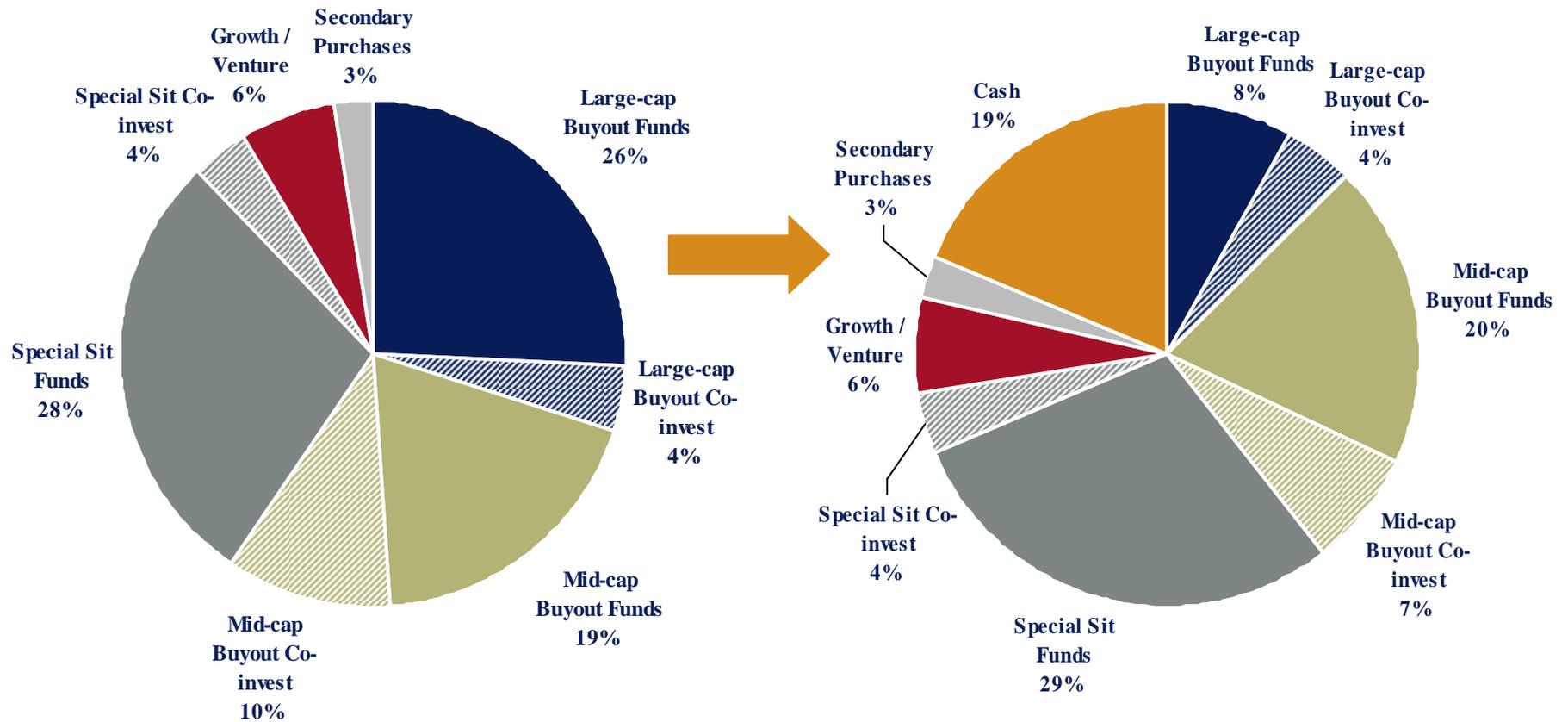
*Note: As of 30 September 2010 (unaudited).*

# NBPE Portfolio Diversification – Pro Forma

Pro forma for the Strategic Asset Sale, the pending realization of Dresser and credit facility pay down, the allocation to large-cap buyout funds will decrease significantly from 26% to 8%

**Current Diversification – 30 September 2010**

**Pro Forma – 30 September 2010**



*Note: As of 30 September 2010 (unaudited). Refer to the endnotes for certain important information related to this diversification information.*

# Conclusion

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## **NBPE continues to take actions to increase Shareholder value over the long term**

- ◆ The Strategic Asset Sale allows NBPE to realize a meaningful portion of its large-cap buyout portfolio at a value significantly higher than the value implied by the Company's stock price
- ◆ The Capital Return Policy has been introduced as a long-term capital management feature and will operate on an ongoing basis until further notice at the discretion of the Directors
- ◆ NBPE expects to use the proceeds from the Strategic Asset Sale to strategically reposition its portfolio to have a higher allocation to direct and yield-oriented investments

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## **Additional NBPE Information**

# Key Trading Information

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## Ordinary Share Information

- ◆ Trading Symbol: NBPE
- ◆ Exchanges: Euronext Amsterdam & London Stock Exchange
- ◆ Base Currency: USD
- ◆ Bloomberg: NBPE NA, NBPE LN
- ◆ Reuters: NBPE.AS, NBPE.L
- ◆ ISIN: GG00B1ZBD492
- ◆ COMMON: 030991001

## ZDP Share Information

- ◆ Trading Symbol: NBPZ
- ◆ Exchange: London Stock Exchange & Channel Islands Stock Exchange
- ◆ Base Currency: GBP
- ◆ Bloomberg: NBPEGBP LN
- ◆ Reuters: NBPEO.L
- ◆ ISIN: GG00B4ZXGJ22
- ◆ SEDOL: B4ZXGJ2
- ◆ Gross Redemption Yield at issuance: 7.30%
- ◆ ZDP Share Life: 7.5 years to 31 May 2017
- ◆ Final Capital Entitlement: 169.73 pence per ZDP Share

# Endnotes

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1. The diversification analysis by asset class and investment type is based on the fair value of underlying fund investments and co-investments. Determinations regarding asset class and investment type represent the Investment Manager's estimates. Accordingly, the actual diversification of our investment portfolio and the diversification of our investment portfolio on an ongoing basis may vary from the foregoing information.
2. The diversification analysis by geography and industry is based on the diversification of underlying portfolio company investments at fair value as estimated by the Investment Manager. Determinations regarding geography and industry also represent the Investment Manager's estimates. Accordingly, the actual diversification of our investment portfolio and the diversification of our investment portfolio on an ongoing basis may vary from the foregoing information.

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