
NEWS RELEASE

Hermes In Joint Venture With United Overseas Bank Group

Singapore, 4 October 2000 -Hermes Private Equity Management has formed a joint venture with UOB Global Capital in the private equity business. The initial vehicle for the joint venture is the launch of The Hermes UOB European Private Equity Fund, a Fund-of-Funds to invest in European private equity. UOB Global Capital is an asset management affiliate of United Overseas Bank Limited, Singapore. The target size of the Fund is Euro 300 million and at the Fund's first closing, on 3 October 2000, Euro 116.5 million had been raised from investors including the British Telecom (BT) and Post Office Pension Schemes and United Overseas Bank (UOB).

The Fund will invest in approximately 15 to 20 sectorally diverse private equity funds that invest in Western European countries.

The Fund's management team, headed by Guy Eastman, joined Hermes earlier this summer from Greenoak Capital Management Limited, a subsidiary of the Granville Baird group. Mr Eastman and the team developed their performance record at Greenoak, with a six-year Internal Rate of Return (IRR) of 35% on its portfolio of European private equity funds.

Last year, the BT Pension Scheme Trustees accepted Hermes' recommendation to increase the Scheme's investment in private equity from approximately 1% to 3% of its equity portfolio. Sixty percent of the total will be invested in private equity funds, including 35% designated for Europe including the UK. A well-managed Fund-of-Funds, comprising the best of the European private equity funds, is seen as an ideal way to deploy some of these assets.

The advantages of the Fund-of-Funds approach are:

- A dedicated team with the skills to select and access the best funds across Europe. This is particularly important since the top quartile of European venture capital funds has outperformed the average funds by almost 20% (*IRR as at 31 December 1999, European Funds 1980-97. Source: BVCA/EVCA*)

- A diversified portfolio - 15 to 20 funds will provide hundreds of individual investments
- Low-cost use of expert research and analysis
- The possibility of participating in funds which investors might otherwise reject, such as small funds or those with a high minimum entry.

The use of Fund-of-Funds managers has increased from 34% of investors in 1998 to 47.8% in 1999 as the number of funds available increases and the market becomes more complex (*Source: Goldman Sachs/Frank Russell Survey Of Consultants And Gatekeepers*).

Robert Padgett, Chief Executive of Hermes Private Equity Management Limited, said, "We are delighted to be working with UOB to create this new Fund-of-Funds. We believe we have got the timing right, as we expect private equity to outperform listed equities over the next three to five years. We believe that a Fund-of-Funds is the best way for all but the biggest pension schemes to access private equity outside their home country."

Tony Watson, Chief Investment Officer of Hermes, added, "With the acquisition of the Greenoak team, we have substantially expanded our expertise in this area. We are now able to offer specialist fund management skills to other schemes looking to increase their commitment to private equity as well as investing our existing clients' assets to provide high rates of return."

The second vehicle in this joint venture is an Asia Technology Fund, which will make direct investments in Asian companies with a technology focus. The Fund's manager will be jointly owned by UOB Global Capital and Hermes, with UOB Venture Management (UOBVM) as its Advisor. UOBVM is the UOB subsidiary specialising in Asian direct investment. UOB and the BT Pension Scheme will be the cornerstone investors.

David Goss, Co-Managing Director of UOB Global Capital, commented, "This joint venture is a perfect application of our investment approach of forming alliances with top quality investment managers." Added Michael Landau, Co-Managing Director, "We are very pleased to be able to bring the complementary strengths of UOB and Hermes to private equity investors worldwide."