I am pleased to share with you the enclosed review of OPIC's investment funds program by Cambridge Associates LLC, an independent investment consultant and research service. Commissioned at OPIC's request, the review situates the performance of OPIC-supported funds within the universe of emerging markets funds during the formative years of the industry, and as such offers valuable guidance for the sector as it enters its second generation.

Overall, Cambridge Associates found that OPIC-supported funds during the period 1991-2002 performed as well as, or slightly better than a broad universe of institutional-quality funds in emerging markets over the same period.

This positive performance had far-reaching impact. Its primary consequence was to encourage further private equity flows into emerging markets beyond those by investors who initially backed OPIC funds when they were first formed. This demonstration effect helped the nascent emerging markets private equity industry to develop a track record that will enable a broader range of institutional investors to commit their capital to the sector in the future. In addition, OPIC supported funds help further economic development by bringing management and marketing expertise, financing, and corporate governance to the companies in which they invest.

Cambridge Associates also found that OPIC had significantly improved its manager selection procedures and adopted an asset allocation planning process, which together are helping OPIC build a portfolio of high-quality funds that is well-diversified by geography, vintage year, size, stage, and sector.

OPIC commissioned this review as part of its asset allocation planning process, and because the emerging markets private equity industry had matured to a point where statistical analysis would render meaningful data. Moreover, publication of its results also coincides with OPIC's new Transparency Initiative, a series of measures designed to improve information-sharing and transparency of OPIC operations.

OPIC is most pleased to share this review with you as a statement of confidence in the forward momentum of the emerging markets private equity industry and OPIC's participation in helping to develop this asset class. We encourage you to read its analyses and conclusions, and to share with us ideas you might have for further improving the sector and the many thousands of people whose lives are touched by its investments.

Regards,

Cynthia I. Hostetler

Cynthia Hostetler

Vice President of Investment Funds.

Overseas Private Investment Corporation

OVERSEAS PRIVATE INVESTMENT CORPORATION

INVESTMENT FUNDS PORTFOLIO REVIEW

November 2006

Executive Summary

The investment performance of private equity managers selected by the Overseas Private Investment Corporation (OPIC) during the period 1991 to 2002 was in line with or slightly better than that of a broad universe of institutional-quality private equity funds in emerging markets over the same period. These findings by Cambridge Associates (CA) were made after a comprehensive review of OPIC's funds portfolio.

By supporting early private equity funds in emerging markets, OPIC hoped that positive performance by its funds and their portfolio companies would act as a demonstration to other institutional investors that would encourage further private equity flows into emerging markets. This "demonstration effect" has been borne out by several of OPIC's fund managers, who have gone on to raise second and third successor funds, and by a number of successful portfolio companies. In this way, OPIC's support of funds has helped the nascent emerging markets private equity industry to develop a track record that will enable a broader range of institutional investors to commit their capital to the sector in the future.

In addition, according to data collected by OPIC, OPIC-supported investment funds have had and continue to make a positive impact on local populations where their investments were made. Companies in which Funds have invested have provided local employment and training opportunities, furnished essential goods and services, and attracted additional capital and financing from other sources.

OPIC-supported investment fund managers have also brought management and marketing expertise and financial skills to those companies in which they invested. Through participation on companies' boards, assistance in recruiting experienced management, and other activities, OPIC-supported fund managers have enhanced productivity, have improved financial controls and corporate governance, and have brought modern business practices to companies in which they invested. Fund managers have also served as advocates for the improvement of the local legal and regulatory environments, protection of private property and shareholder rights, and the expansion of robust capital and financial markets. These effects are ongoing and likely to be repeatable in the future by new OPIC-supported funds.

We believe that OPIC's past performance and its experience in the emerging markets, coupled with significant improvements to the agency's oversight and management of its investment funds activities since 2002, have positioned OPIC to continue its catalytic role in the emerging markets private equity industry.

Working with CA and other private equity advisors, OPIC has significantly improved its manager selection process, adopted an asset allocation plan and developed a revised leverage structure that has dramatically reduced risks of loss in its portfolio. OPIC has also mitigated risk by developing a portfolio of institutional-quality funds that is well-diversified by geography, vintage year, size, stage, and sector. We believe that OPIC is well on its way to building a diversified portfolio of experienced private equity fund managers able to support OPIC's overall objectives, including an active pipeline of new fund commitments in progress.

Methodology

In June 2006, the Overseas Private Investment Corporation retained Cambridge Associates LLC to review OPIC's private equity funds portfolio. The review included an analysis of the performance of the OPIC portfolio, both in absolute terms and also relative to industry benchmarks, and drew its data from our proprietary database of private equity and venture capital funds investing in emerging markets.

Cambridge Associates focused on OPIC funds launched from 1991 through 2002, since funds launched after 2002 are too immature to evaluate, according to industry practice. This timeframe also coincides with the period when the first large group of institutional-quality emerging markets funds was formed.

We also reviewed OPIC's policies and procedures for overseeing and managing its private equity funds activities.

Our analysis of the OPIC funds portfolio covered 22 funds launched in vintage years 1994 to 1997 and one fund each from 1991, 1992, 2000, and 2002. These 26 funds were mostly in the process of having their remaining portfolio company investments realized. We analyzed the performance of these funds through December 31, 2005, the most recent date for which complete reporting and benchmark data were available while we were preparing our analysis.

Evaluating an institution's private equity investment activities typically involves calculations of the internal rate of return (IRR) and investment multiples (the ratio of capital invested compared to that of capital returned) based on cash flows to the investor (typically referred to as a Limited Partner or "LP"), net of fees and expenses. These returns and multiples can then be compared to those of relevant industry benchmarks.

However, analyzing the OPIC portfolio based on net IRRs and net multiples to LPs could lead to distorted results because of the effects of OPIC's use of leverage and unit structures for the funds that it has supported. For example, in an environment in which emerging markets private equity returns are negative to only slightly positive, much of the cash flow from the realization of investments in the OPIC portfolio will go to repay OPIC-guaranteed interest and debt. In this case, LPs in some OPIC funds may have returns that substantially lag the benchmark, even if the companies in the fund outperform those in the benchmark. Conversely, LPs in strong funds that are leveraged with OPIC support may get net returns that are better than the benchmark.

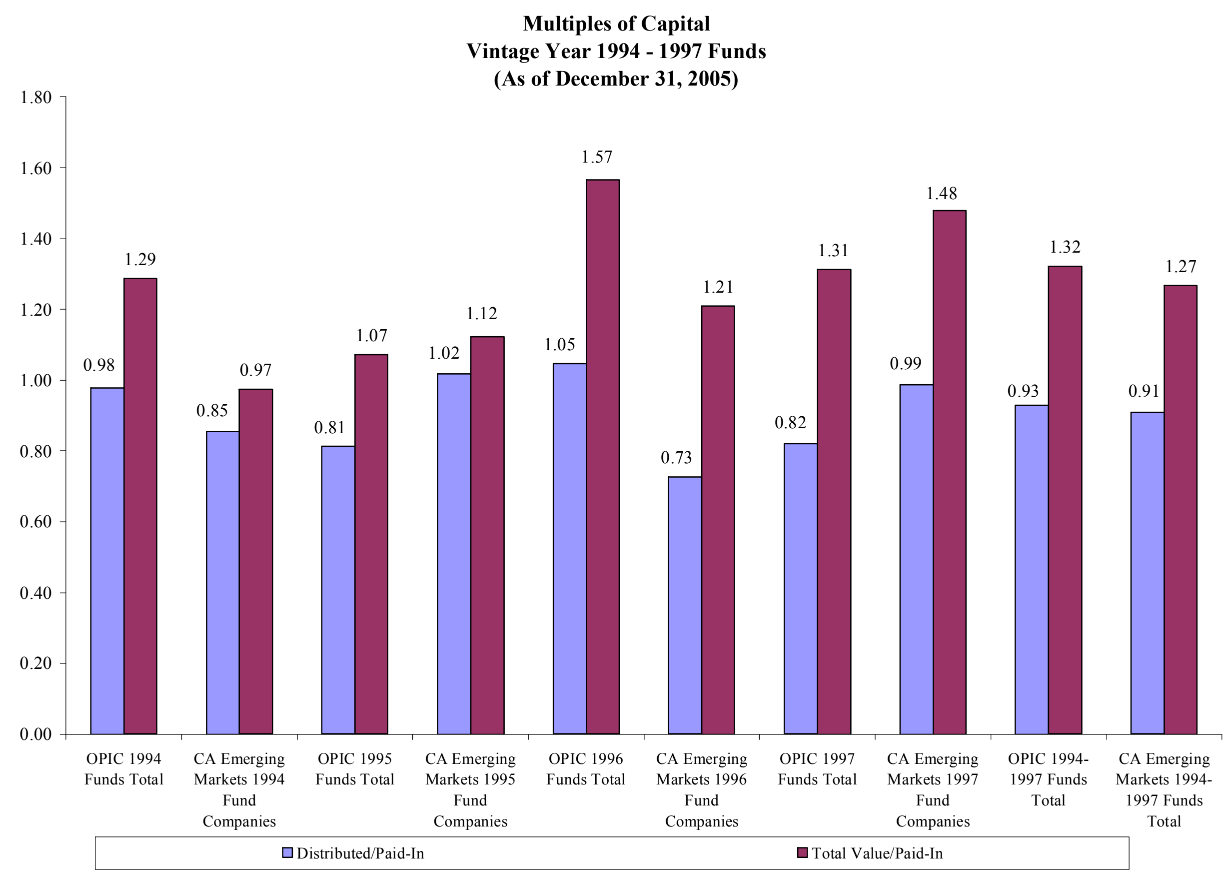
Consequently, to determine how well the group of private equity fund managers in the OPIC portfolio had performed, we focused on gross IRRs and the gross cost multiples based on the company-level returns of the underlying investments in the funds in the OPIC portfolio. We compared these data to underlying investment returns for companies in the Cambridge Associates emerging markets database, which allowed for a direct head-to-head comparison that was not affected by the structure of the funds being analyzed.

Findings

For the group of 1994 to 1997 funds that comprise the majority of OPIC's portfolio, OPIC's managers as a whole outperformed the corresponding Cambridge Associates' benchmarks as of December 31, 2005. On a gross IRR basis, the OPIC 1994 to 1997 funds returned approximately 7.4%, versus a 6.0% return for the Cambridge Associates' benchmark. On the basis of multiples of total value over cost and realizations over cost, the OPIC 1994 to 1997 funds also beat the benchmark, as shown in Exhibit 1. OPIC's funds had a total value to cost multiple of 1.32x, versus the benchmark's multiple of 1.27x. OPIC's funds had a realized to cost multiple of 0.93x, versus 0.91x for the benchmark. This company-level analysis suggests that, in aggregate, the performance of OPIC in selecting its managers and the overall performance of those managers was similar to the broader universe of LPs and GPs investing in emerging markets funds during these years.

Through December 2005, OPIC had paid in about $1.8 billion of principal commitments and had collected just over $1.0 billion of principal repayments, with more than half of that since September 2003. Over $291 million of interest had been repaid to OPIC. Most of these principal and interest payments went to external holders of OPIC-guaranteed debt instruments. The agency itself received $149.4 million of fees and other income, slightly more than the $141.1 million it had in write-offs and write-downs from funds to date.

Current outstanding principal and interest as of December 31, 2005 totaled $983 million. While future repayments from some of the remaining funds are never a certainty, OPIC expects that most of the remaining principal and interest will be repaid.

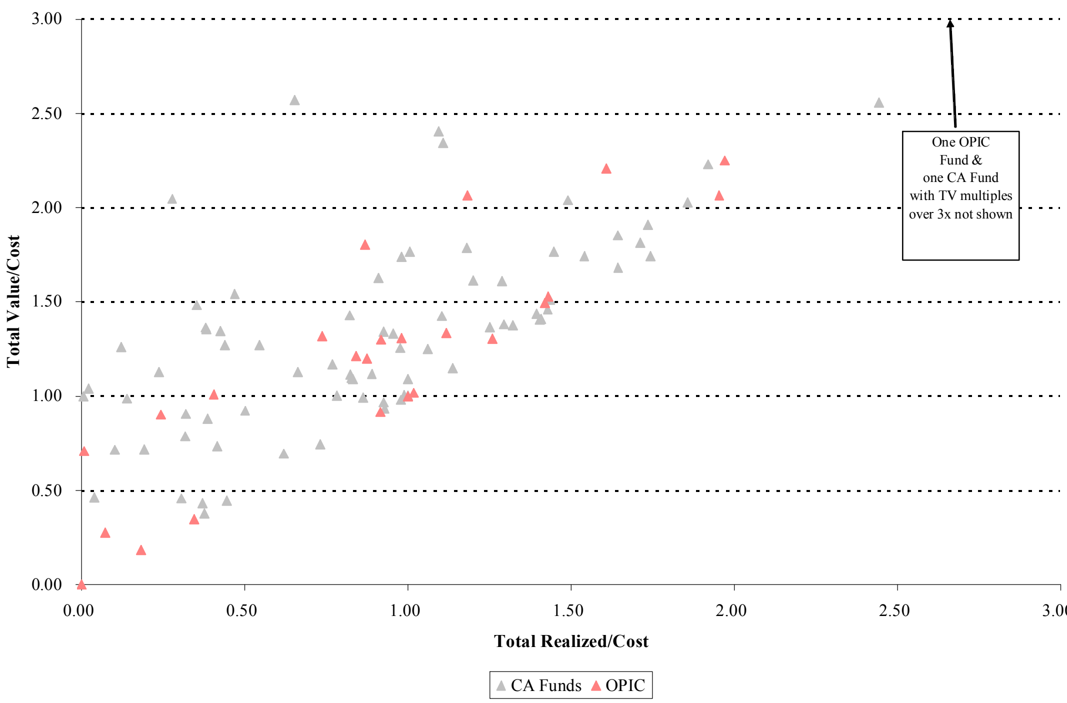


Note: OPIC and CA multiples are based on cash flows into and out of portfolio companies, and do not reflect the impact of manager fees, OPIC financing costs, carried interest, or other expenses.

Another way to analyze these company-based multiples data is to look at the distribution of multiples across the OPIC portfolio and the broader Cambridge Associates database. The following scatter plot, Exhibit 2, shows the realized/paid-in and total value/paid-in multiples for the two groups of funds.

OPIC
PERFORMANCE ANALYSIS: MULTIPLES OF CAPITAL BASED ON COMPANY-LEVEL DATA

As of December 31, 2005



Source: OPIC and CA Non-Marketable Alternative Assets Database. CA database consists of 77 emerging markets venture capital and private equity funds of vintage years 1991, 1992, 1994, 1995, 1996, 1997 and 2000 as of December 31, 2005 for which company level data is available. One CA fund and one OPIC fund with total value multiples greater than 3.0 are not shown.

As for geographical regions, our analysis in Exhibit 3 below shows that OPIC's funds in Asia significantly outperformed the Cambridge benchmark, based on company-level multiples. For the 1994 to 1997 funds, OPIC's Asian funds had a 2.21x total value to cost multiple, versus a 1.26x multiple for the benchmark. OPIC's funds in Eastern Europe–Russia and Latin America, however, underperformed the benchmark's company-level multiples for funds in those regions.

Regional Multiples Analysis (1994-1997 Funds) based on Company-Level Data

As of December 31, 2005

	Realized/Cost		Total Value/Cost	
Region	**OPIC**	**CA**	**OPIC**	**CA**
Asia	1.60	1.02	2.21	1.26
Eastern Europe/Russia	1.00	1.28	1.29	1.85
Latin America	0.35	0.59	0.71	1.12

TOTAL		**0.93**		**0.91**		**1.32**		**1.27**

Market Environment

OPIC's private equity investments, like those in most of the industry, have been affected by numerous macroeconomic events, including the Asian crisis of 1997, the Russian crisis of 1998, and the bursting of the global technology bubble after 2000. The recent three years, however, have seen a much more favorable market environment. Nevertheless, long-term performance for emerging markets private equity continues to be disappointing at the aggregate asset-class level, as shown below in Exhibit 4. For the 10-year period through December 31, 2005, the Cambridge Associates Emerging Markets Venture Capital & Private Equity Index had a 4.1% annualized return, compared to a 7.0% return for the MSCI Emerging Markets Index of public companies.

Despite the long-term mediocre aggregate returns for most emerging markets regions, there were many profitable exits from private equity-backed companies in 2004 and 2005 that helped drive up shorter-term returns. Over the three-year period through December 31, 2005, the Cambridge Associates Emerging Markets Venture Capital & Private Equity Index had a respectable 19.2% annualized return. Over those three years, private equity investments in Eastern Europe/Russia led the emerging market regions with a 30.6% return, followed by Asia at 16.5% and Latin America/Caribbean at 11.0%. Public market returns during this period have also been strong, however, with the broad MSCI Emerging Markets Index up 38.4% annually over the three years. The three-year annualized returns for MSCI Latin America (53.9%), Eastern Europe (48.3%), and Asia (30.5%) were all above the corresponding emerging markets region's private equity returns over the three-year period.

Although the 10-year aggregate returns for emerging markets private equity have not been attractive, the long-term returns from the top half of the emerging markets private equity universe have been better than the returns from the public stock markets. For the ten-year period through December 31, 2005, the aggregate performance for the top half of emerging markets private equity managers was 10.5%, versus 7.0% for the MSCI Emerging Markets Index. The top quartile of emerging markets private equity managers returned 14.7% annually. The top half of emerging markets managers in Asia returned 9.8%, well above the 0.5% annual return of the MSCI Emerging Markets Asia Index. The top half in Central and Eastern Europe returned 13.7%, just below the 14.2% return of the MSCI Emerging Markets Eastern Europe Index. (Inclusion in the top-half or top-quartile was determined by ranking each fund's net IRR within its individual vintage year.)

CAMBRIDGE ASSOCIATES LLC EMERGING MARKETS
VENTURE CAPITAL & PRIVATE EQUITY INDEX

As of December 31, 2005

Index	One Year	Three Year	Five Year	Ten Year
Emerging Markets Venture Capital & Private Equity Index [1]	**21.8**	**19.2**	**4.9**	**4.1**
Top Quartile	48.4	40.5	20.1	14.7
Top Half	28.8	27.2	12.1	10.5
Asian (Ex Japan) Private Equity Index [1]	**13.7**	**16.4**	**5.0**	**3.7**
Top Quartile	39.1	41.4	22.7	16.1
Top Half	18.9	25.7	13.3	9.8
Central & Eastern Europe Private Equity Index [1, 2]	**50.3**	**30.6**	**15.4**	**10.3**
Top Half	55.1	34.5	20.1	13.7
Latin America & Caribbean Private Equity Index [1]	**14.7**	**10.9**	**-6.8**	**-3.6**
Top Half	27.8	19.0	-1.8	1.5
MSCI Emerging Markets	34.5	38.4	19.4	7.0
MSCI Emerging Markets: Eastern Europe	49.8	48.3	33.6	14.2
MSCI Emerging Markets: Asia	27.5	30.5	17.6	0.5
MSCI Emerging Markets: Latin America	50.4	53.9	23.0	14.6
MSCI World Index	9.5	18.7	2.2	7.0
S&P 500	4.9	14.4	0.5	9.1

The index is an end-to-end calculation based on data compiled from 178 emerging markets venture capital and private equity funds (excluding U.S., Japan, Israel, Canada, Australia and Western Europe funds), formed between 1986 and 2005. The Asian (Ex Japan) Private Equity Index consists of 108 funds, the Central & Eastern Europe Private Equity Index consists of 35 funds, and the Latin America & Caribbean Private Equity Index consists of 23 funds. The African Private Equity Index is not published because of insufficient sample size.

The customized analysis of Top Quartile and Top Half manager groups are based on IRR rankings within each vintage year. For vintage years with only a single fund in a region, the fund was included in the Top Quartile and Top Half figures.

[1]Pooled end-to-end return, net of fees, expenses, and carried interest.

[2]Includes Russia

Sources: The Bloomberg, Cambridge Associates LLC, Lehman Brothers, Inc., Morgan Stanley Capital International, Inc., Standard & Poor's, Thomson Datastream, The Wall Street Journal, and Wilshire Associates, Inc. Morgan Stanley Capital International, Standard & Poor's, and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Improvements to Oversight and Management of OPIC's Funds Activities

OPIC has made substantial progress in revising the oversight and management of its investment funds activities over the last five years, including a revised leverage structure, an improved manager selection process, and a long-term asset allocation plan. As noted, a key element of OPIC's revised approach is the use of reduced leverage compared to the funds in the pre-2003 legacy portfolio. Most funds now receive no more than one-third of their total capital from OPIC, with the other two-thirds being raised in equity from other limited partners.

Another key element of OPIC's strategy is to mitigate overall risk by developing a portfolio of high-quality funds that is well-diversified by geography, vintage year, size, stage, and sector. OPIC avoids setting rigid caps on the number, size and regional focus of funds to be supported, and tries to maintain flexibility to support particularly attractive opportunities that arise in the market that are consistent with

OPIC's financial and policy objectives. OPIC uses a mix of "bottom-up" identification of strong investment management teams and "top-down" regional analysis that recognizes market opportunities and OPIC policy objectives. OPIC continues to seek out ways to streamline its manager selection processes to ensure continued participation by high-quality fund management groups.

Developmental Benefits of Private Equity

In most developed markets, the best private equity managers are typically those that provide much more than capital to their companies. Rather, these private equity investors take the role of active partners and investors in the business, assisting the company in recruiting additional management talent, overseeing restructuring activities, helping with business development and marketing, improving corporate governance, and even replacing senior management when necessary. Private equity managers act as intermediaries to invest in a portfolio of companies that would either be too small and or that would require too much specialized knowledge for OPIC or other institutional investors to invest in directly. The private equity fund structure offers the opportunity for fund managers and OPIC to have shared alignment of interests in seeing that portfolio company investments are successful over time, particularly in those funds where the management team has made meaningful commitments of their own capital to the fund.

Market analyses and the fundraising experience of individual fund managers suggest that OPIC's funds activities have been meeting OPIC's "additionality" test of supporting the private sector, and not competing with it. Even with the increased capital raised in 2005 and 2006, there remain many gaps between the demand for private equity capital throughout the emerging markets and the willingness of institutional investors to supply that capital. A near-term reduction in global liquidity, increased public markets volatility, or substantial outflows from emerging markets stocks all could increase the importance of OPIC's capital to fund managers and private companies. Over the longer term, there likely will be additional ebbs and flows in investor sentiment towards emerging markets private equity.

Based on our conversations with limited partners and fund managers, the increase in successful portfolio company exits in 2004 and 2005 throughout the emerging markets played an important role in helping additional institutional investors decide to make commitments to emerging markets funds in 2005 and 2006. OPIC's capital has supported a number of funds whose companies have had successful high-profile exits, and a number of OPIC's managers in the pre-2003 portfolio have gone on to raise subsequent funds with additional limited partners. Both of these facts suggest that elements of OPIC's activities have had positive "demonstration effects" that helped encourage further private capital flows to emerging markets beyond those from the investors that initially backed the OPIC funds. Given the historic volatility of returns in these markets, the young nature of the emerging markets private equity asset class, and the typical long time period before new alternative asset classes are broadly adopted by the majority of institutional investors, there will likely be ongoing opportunities for OPIC to play a constructive role in the emerging markets for the foreseeable future.

About Cambridge Associates

Cambridge Associates LLC was founded in 1973 to provide independent investment consulting and research services to a group of major endowments in the United States. Today, we provide general and alternative assets consulting, research, and performance monitoring to over 780 clients worldwide, representing clients with over $930 billion in assets. We place a special emphasis on avoiding conflicts of interest and maintaining complete independence from money management firms.

We have built our private equity research effort since the late 1970s, and currently have over 95 private equity staff providing services for the programs of our more sophisticated clients. Indeed, a number of our long-standing clients were some of the earliest investors in these funds.

Cambridge Associates advises its clients on all aspects of their programs, from program strategy formulation to fund selection and ongoing monitoring. We have committed resources globally to nearly all subclasses of private equity investments in the US and non-US markets, including private equity, venture capital, buyout, distressed security, and liquid strategies. Our proprietary private equity databases contain information on over 3,000 funds and more than 47,000 underlying portfolio companies, representing private equity commitments of over $1.2 trillion. We have been publishing industry-standard benchmarking statistics for developed markets private equity and venture funds since the mid-1990s, and we began publishing separate benchmark statistics for emerging markets private equity and venture capital in 2003.