California Public Employees' Retirement System (CalPERS) Private Equity Program (PE Program)

Quarterly Report
Executive Summary

(As of September 30, 2012)

Presentation Date: November 13, 2012

Quarterly Report

September 30, 2012

Table of Contents

Quarterly Report

1.0 Introduction

Private equity is a long-term asset class with performance results influenced by various factors. This report concentrates on several key exposures that contribute to performance results, including sector, geography, structure and vintage year. In addition, the broad industry trends highlighted herein may affect future performance results.

1.2 Highlights of Program Activity

- The PE Program outperformed the Policy Benchmark over the latest one-year period, but posted an annual return well below long-term return expectations. Over the longer three, five and ten-year periods, the PE Program underperformed the Policy Benchmark as of September 30, 2012. Despite trailing the Policy Benchmark by 50 basis points over the latest ten-year period, **the PE Program's 10.5% average annual return is above CalPERS' expected return for the asset class and the actuarial rate of return**.
- **During the first nine months of 2012, the PE Program net cash flows were positive** (i.e., distributions received exceeded capital contributions made). The first quarter of 2012 exhibited negative cash flows but were more than offset by a decline in contributions and an increase in distributions in the second and third quarters of 2012. Third quarter 2012 distributions included proceeds from recent secondary sales.
- The **Buyout sector continues to be the largest proportion of the PE Program** at 57%, and was the largest contributor to performance over the latest year due to valuation increases across the sector. The PE Program's buyout exposures posted a one-year return of 1.4% as of September 30, 2012. **Sector allocations are within target ranges.**
- The **United States, representing the largest exposure of the portfolio at 77%, had the most significant impact on performance** results over the past year. As of September 30, 2012, the PE Program's domestic exposure generated a 3.7% one-year return compared to a minus (4.9%) return for the PE Program's international exposure.
- **Partnerships, representing the largest type of investment vehicle in the portfolio, had the most significant impact on performance** results over the past year posting a 1.9% return as of September 30, 2012.
- An analysis of the existing unfunded commitments shows that the PE Program's general partners have **substantial "dry powder"** ($11.3 billion), a majority of which is expected to be deployed within the next couple of years.
- Although the PE Program is in its twenty-second year, the preponderance of value and performance results are from **commitments made in the last ten years**. More specifically, commitments made in the 2006-2008 vintage years currently represent approximately 74% of aggregate value.
- **The PE Program's five largest general partner relationships represent approximately 35% of total exposure**, which is defined as market value plus unfunded commitments. Amongst these five firms, capital is allocated across 80 investments (investment vehicles, partnerships and direct investments), targeting multiple sectors and geographies.

1.3 Industry Trends

- **Fundraising activity through the first nine months of 2012 exceed the levels raised in 2011.** Buyouts continue to represent the largest proportion of capital raised domestically, and in a reversal of a recent short-term trend, fundraising targeting European investments exceeded those targeting Asia. The market continues to be bifurcated, resulting in the most attractive funds being quickly over-subscribed, with the remainder continuing to struggle in an otherwise challenging environment.

- **U.S. buyout deal volume exhibited an increase in the second and third quarters of 2012** as better credit markets, pressure to exit portfolio companies, and potential tax increases are believed to be contributing to activity.

- **Risk levels appeared to increase in the leveraged buyout market during the third quarter of 2012**. Purchase price multiples and debt multiples increased during the quarter, resulting in less equity required to complete transactions. Average purchase price multiples in the third quarter of 2012, at 9.1x, were well above the ten-year average of 8.2x. The gap between purchase price multiples for large and middle-market leverage buyout (LBO) transactions widened in the third quarter of 2012.

- **Venture capital investment activity decreased slightly in the third quarter of 2012 and** is on pace to trail the investment levels exhibited in 2011. Approximately $20.0 billion had been invested across 2,667 companies in the first three quarters of 2012, compared to $22.0 billion invested across 2,958 companies in the first nine months of 2011.

- **Exit activity for venture capital investments decreased slightly in the third quarter of 2012.** The number of merger and acquisition (M&A) transactions decreased in the third quarter, but overall is exhibiting more stability in exit activity over the past three quarters. The initial public offering (IPO) market declined from the spike in the second quarter (due to Facebook) and posted activity in line with the first quarter of 2012.

- **The outlook for distressed debt investment strategies is mixed.** Debt pricing has rebounded (according to the Leveraged Loan Index produced by the Loan Syndications and Trading Association), minimizing the near-term opportunity set for trading strategies. The magnitude of debt that was “amended and extended” during the crisis, pushed out the maturity dates and subsequently reduced the perceived near-term opportunity set for debt-for-control strategies. However continued economic uncertainty, particularly in the European markets, could increase distressed investment opportunities.

2.0 PE Program Performance Overview

2.1 Overall Private Equity Program Performance

The PE Program outperformed the Policy Benchmark over the latest one-year period while underperforming over the latest three, five and ten-year periods. Despite outperforming the Policy Benchmark by 150 basis points over the latest year, the 1.5% annual return is well below the long-term return expectations for the asset class. The strong absolute three-year returns for the PE Program and the Policy Benchmark exhibit the recovery from the depths of the economic crisis in late 2008/early 2009, while the PE Program underperformed by only 20 basis points. The low absolute five-year return for the PE Program was impacted by the economic crisis, while the significant underperformance relative to the benchmark was due, in large part, to the composition of the Policy Benchmark. The Custom Young Fund Index[1], a private equity oriented benchmark utilized until July 2009, was not as sensitive to changes in public market pricing. Subsequent to the crisis, the benchmark changed to a public equity oriented benchmark as public market valuations exhibited a greater rebound despite the PE Program's holdings being marked to market. The **PE Program has posted a return well above the expected return for the asset class and the actuarial rate of return over the latest ten-year period**, despite trailing the Policy Benchmark by 50 basis points.

Performance vs. Policy Benchmarks

	1 Year	3 Year	5 Year	10 Year
PE Program Composite[2]	**1.5%**	**17.2%**	**4.9%**	**10.5%**
PE Program Policy Benchmark[3]	*0.0%*	*17.4%*	*10.5%*	*11.0%*
Excess Return *v. Policy Benchmark*	1.5%	(0.2%)	(5.6%)	(0.5%)

Source: Wilshire Associates

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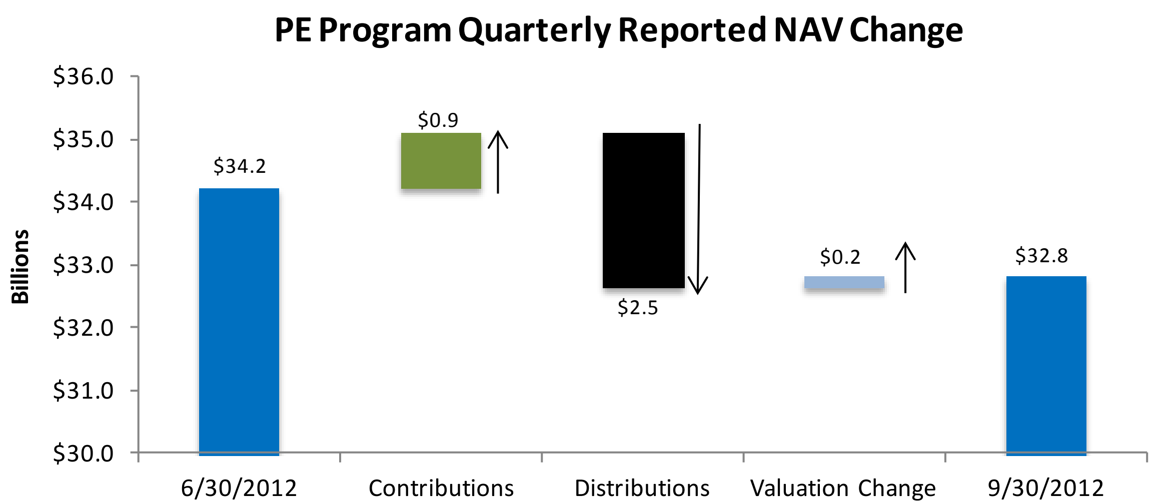
1 The Custom Young Fund Index is composed of private equity holdings where write downs lagged the public markets declines in the reporting period.
2 The net asset value of CalPERS' PE Program portfolio is lagged one quarter with adjustments for current cash flows through the reporting period
3 Currently equals (67% FTSE US TMI + 33% FTSE AW x-US TMI) + 3% 1-quarter lagged from and since September 2011; the Wilshire 2500 ex-tob + 3% since July 2009; previous periods for the PE Program Policy Index are linked historically to the Custom Young Fund Index, the PE Program's prior benchmark

Quarterly Report

September 30, 2012

2.2 Net Asset Value Change

During the third quarter of 2012, the PE Program decreased in value by a net $1.4 billion. Approximately $0.9 billion of capital was contributed to underlying partnerships during the quarter while **$2.5 billion was distributed, which included proceeds from recent secondary sales.** The PE Program holdings appreciated by approximately $0.2 billion resulting in an aggregate valuation of $32.8 billion as of September 30, 2012.

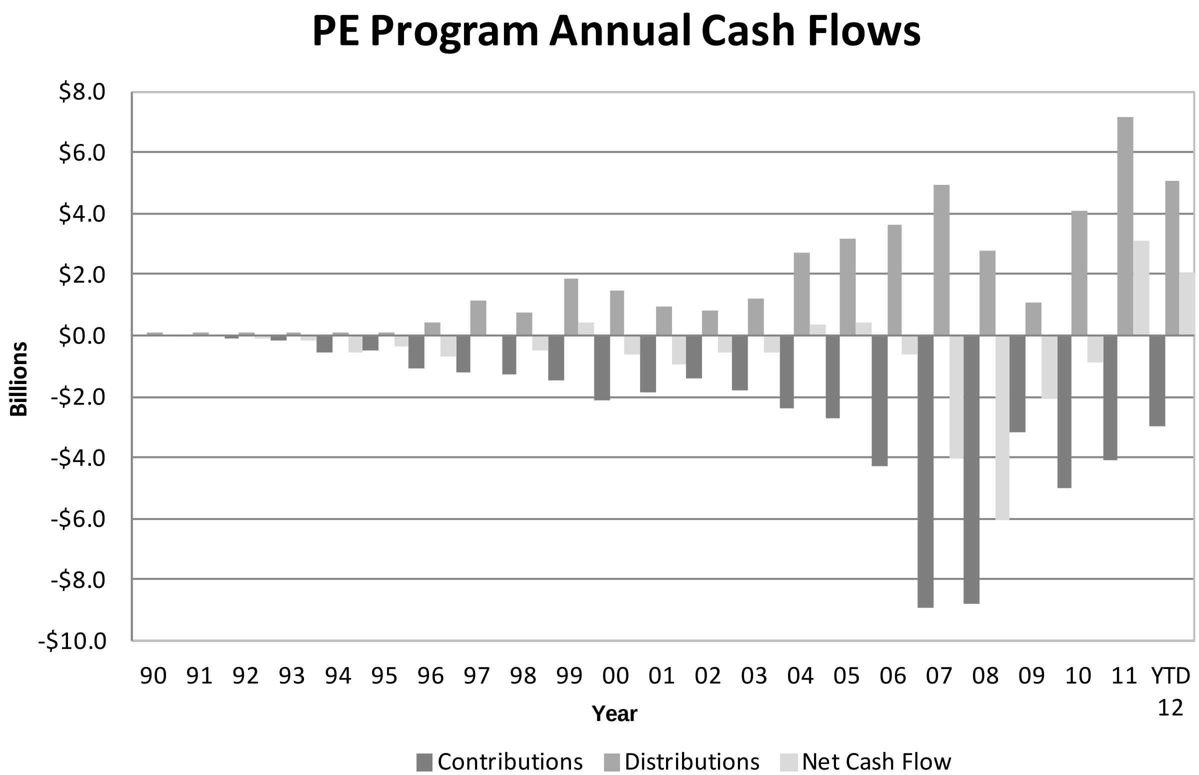


Quarterly Report

September 30, 2012

2.3 Portfolio Cash Flows

The PE Program's net cash flow was positive (i.e., distributions received exceeded capital contributions made) during the quarter. Cash flow for the first quarter of 2012 was negative, but strong positive cash flow over the second and third quarters resulted in a net positive cash flow year to date in 2012. During 2011, the PE Program's net cash flow was also positive. Distribution activity has been high, except for the first quarter of 2012, due to more friendly credit markets, the re-emergence of the dividend recap, and greater use of the IPO market. As mentioned previously, sales on the secondary market generated distribution activity during the third quarter of 2012 returning.

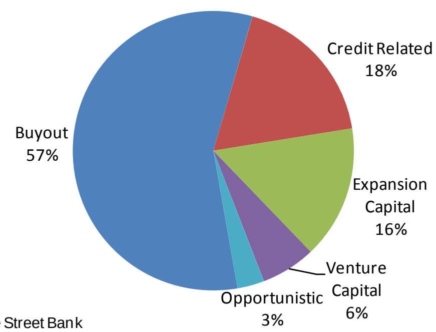


Source: Private Edge, PCA

2.4 Portfolio Sector Composition and Performance

Sector distribution reflects the markets that the PE Program has determined will enable it to produce the expected return imbedded in the Investment Committee's asset allocation. The following charts portray distribution by net asset value (NAV). The **Buyout sector continues to be the largest proportion** of the PE Program at 57%. This report reflects reclassified sectors to better depict exposure to the target sectors adopted as policy in November 2011. Sector allocations are within target ranges.

PE Program NAV by Sector: $32.8 B



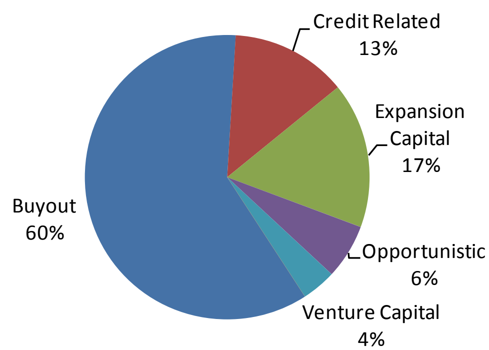
Source: State Street Bank

Target Sector Allocations

Sector	Target	Range	Actual
Buyouts	60%	50%-70%	57%
Credit Related	15%	10%-25%	18%
Venture Capital	1%	0%-7%	6%
Growth/Expansion	15%	5%-20%	16%
Opportunistic	10%	0%-15%	3%

Sector-wise, Buyouts represent the greatest proportion of the PE Program's unfunded commitments and will therefore continue to be the largest exposure within the Program going forward.

PE Program Unfunded Commitments by Sector: $11.3 B

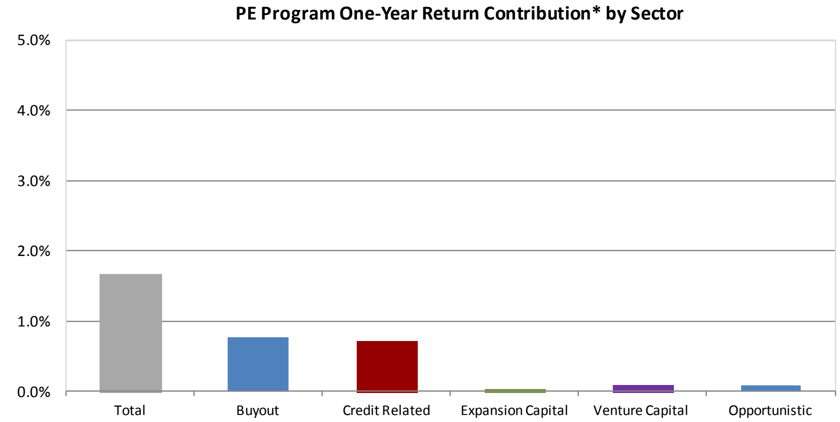


Source: State Street Bank, Private Edge, PCA

Quarterly Report

September 30, 2012

All major sectors of the PE Program contributed positive results over the last year. **Buyouts were the largest contributor to performance** as the sector continued to experience valuation increases. Credit Related, representing 18% of the Program, was the second largest contributor to results for the year, followed by Venture Capital, Opportunistic and Expansion Capital.



*Sector return weighted by proportion of NAV.
Source: State Street Bank, PCA

Over the most recent three-year period, the PE Program posted a 17.2% average annual return. The three-year results reflect the recovery from the depths of the economic crisis in late 2008/early 2009 as assets appreciated from valuation lows. The Buyout sector (with a 17.0% return) was a large factor in generating returns over the last three years due to its significant allocation in the PE Program. The Credit Related sector was also a large contributor, posting a return of 25.1% over the same time period. The Buyout sector has generated attractive results over the longer ten-year period, posting an average annual return of 15.7%.

Performance Summary: by sector

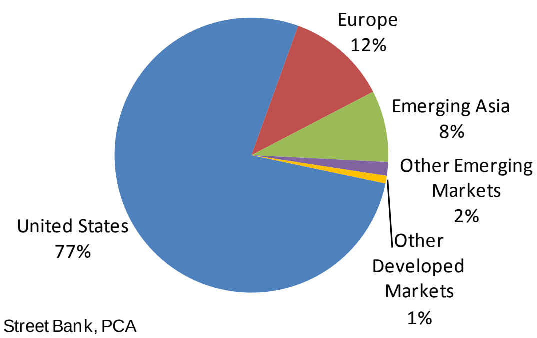
	1 Year	3 Year	5 Year	10 Year
PE Program	**1.5%**	**17.2%**	**4.9%**	**10.5%**
Buyout	*1.4%*	*17.0%*	*4.9%*	15.7%
Credit Related	*4.1%*	*25.1%*	*9.3%*	*14.3%*
Expansion Capital	*0.2%*	*14.1%*	*3.4%*	*4.9%*
Venture Capital	*1.5%*	*8.7%*	*0.6%*	*2.5%*
Opportunistic	*2.9%*	*17.0%*	*0.0%*	*4.6%*

Source: State Street Bank

2.5 Portfolio Geographic Composition and Performance

The PE Program, like CalPERS' other asset classes, invests globally. Approximately **77% of the PE Program's NAV is inside of the United States** (based on the location of the investment firm) with 13% invested in developed markets (primarily Europe at 12%) and 10% in emerging markets (primarily Asia at 8%). Examining exposures on a portfolio company location basis, the PE Program is slightly more globally diversified with the United States at 68%, followed by Europe at 16%, Asia at 10%, Canada at 2%, and "other" at 4%.

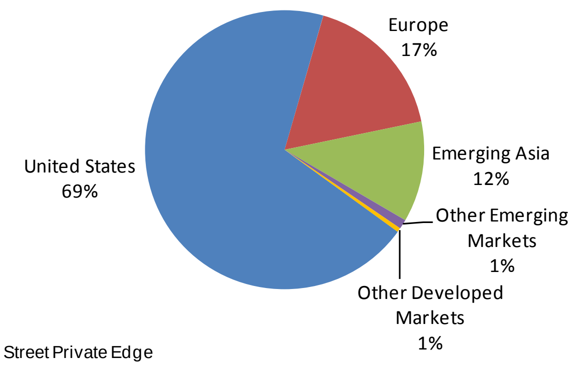
PE Program NAV by Geography: $32.8 B



Source: State Street Bank, PCA

The United States is expected to receive 69% of remaining unfunded commitments, followed by Europe at 17% and emerging Asia at 12%.

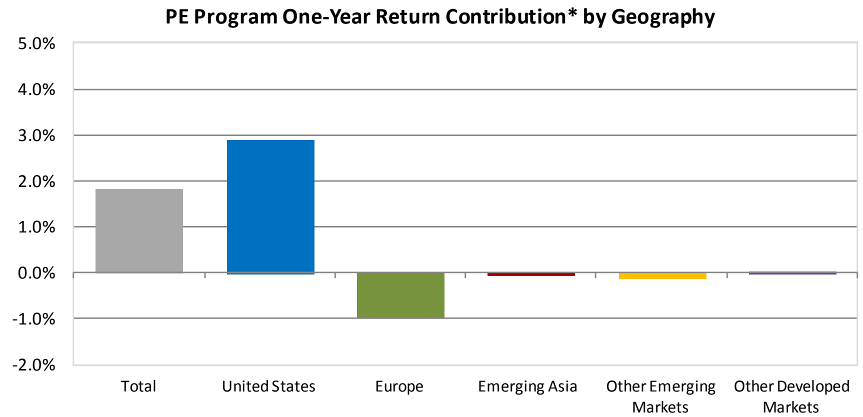
PE Program Unfunded Commitments by Geography: $11.3 B



Source: State Street Private Edge

Quarterly Report

Performance results were mixed across the major geographic sectors. The **United States, representing the largest exposure of the portfolio, had the most significant positive impact on performance** results over the past year. Europe, the second largest exposure, posted negative results over the latest year dampening aggregate results as declines were experienced across the majority of European interests.



* Geographic return weighted by proportion of NAV.
Source: State Street Bank, PCA

Over the most recent three-year period, the PE Program's United States exposure was the largest contributor to performance as the overall Program posted a 17.2% return. The PE Program's U.S. exposure posted an average annual return of 18.6% over the past three-year period. The PE Program's international developed markets exposure posted an 11.9% average annual return over this period while emerging markets returned 15.0%. The U.S. has historically represented the largest geographic component of the Program but its prominence has decreased over recent years with the globalization of the portfolio. The U.S. exposure posted average annual returns of 5.6% and 10.0% over the latest five-year and ten-year periods, respectively.

Performance Summary: by geography

	1 Year	3 Year	5 Year	10 Year
PE Program	**1.5%**	**17.2%**	**4.9%**	**10.5%**
United States	*3.7%*	*18.6%*	*5.6%*	10.0%
International- Developed World	*(7.6%)*	*11.9%*	*(0.2%)*	*14.6%*
International- Emerging Markets	*(1.1%)*	*15.0%*	*7.6%*	*11.4%*

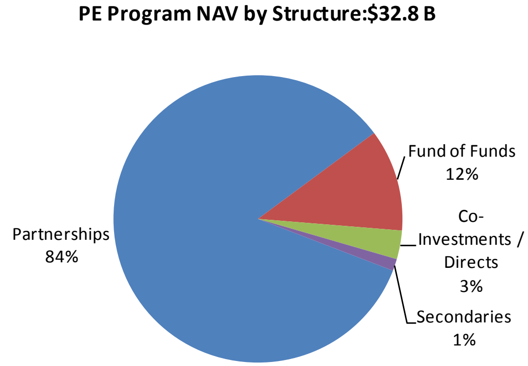
Source: State Street Bank

Quarterly Report

September 30, 2012

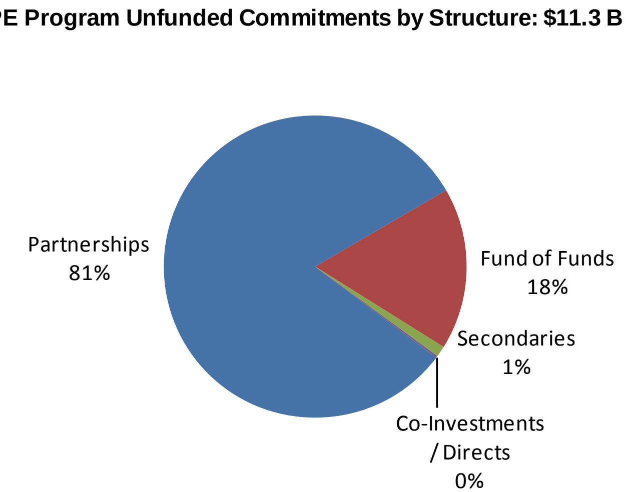
2.6 Portfolio Structure Composition and Performance

The PE Program has been constructed using multiple investment structures. Approximately **84% of the PE Program's NAV is invested in partnership structures,** with fund of funds representing an additional 12%, followed by co-investments/directs at 3% and secondaries at 1%.



Source: State Street Bank

Partnerships are expected to receive the vast majority of unfunded commitments at 81%, followed by fund of funds at 18%.

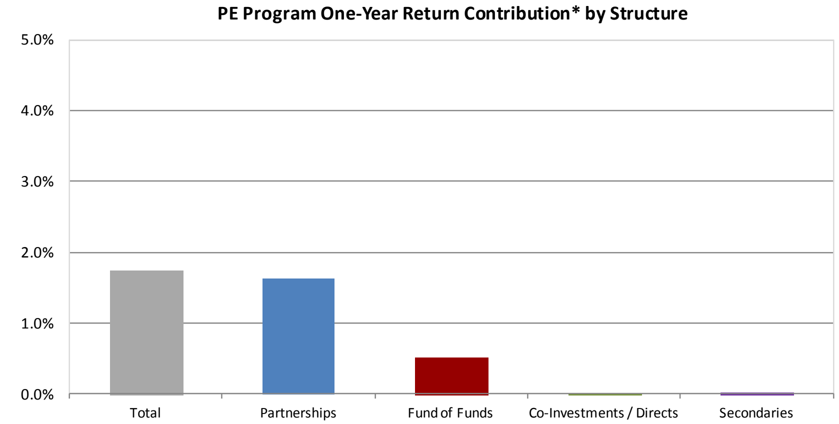


Source: State Street Bank, Private Edge, PCA

Quarterly Report

September 30, 2012

Performance results are net positive across all structures, except for co-investments/directs which slightly dampened results over the latest year. **Partnerships, representing the largest structure of the portfolio, had the most significant impact on performance** results over the past year. The PE Program's fund of funds provided the second largest positive contribution followed by secondaries.



* Sector return weighted by proportion of NAV.
Source: State Street Bank, PCA

Over the most recent three-year period, the PE Program's partnership investments were the largest contributors to performance as the overall Program posted a 17.2% return. The PE Program's partnership investments, with the largest exposure, posted an average annual return of 18.2% over the past three-year period. Partnership investments have historically represented the largest component of the Program and have posted average annual returns of 5.3% and 11.2% over the latest five-year and ten-year periods, respectively. Co-investments/directs, while representing a small proportion of the overall portfolio, posted a strong 16.5% average annual return over the latest ten-year period while fund of funds were a drag on performance with a 4.9% average annual return.

Performance Summary: by structure

	1 Year	3 Year	5 Year	10 Year
PE Program	**1.5%**	**17.2%**	**4.9%**	**10.5%**
Partnerships	*1.9%*	*18.2%*	*5.3%*	11.2%
Fund of Funds	*4.5%*	*9.5%*	*2.2%*	*4.9%*
Co-Investment/Directs	*(12.7%)*	*15.5%*	*16.2%*	*16.5%*
Secondaries	*0.8%*	*14.4%*	*7.0%*	*10.7%*

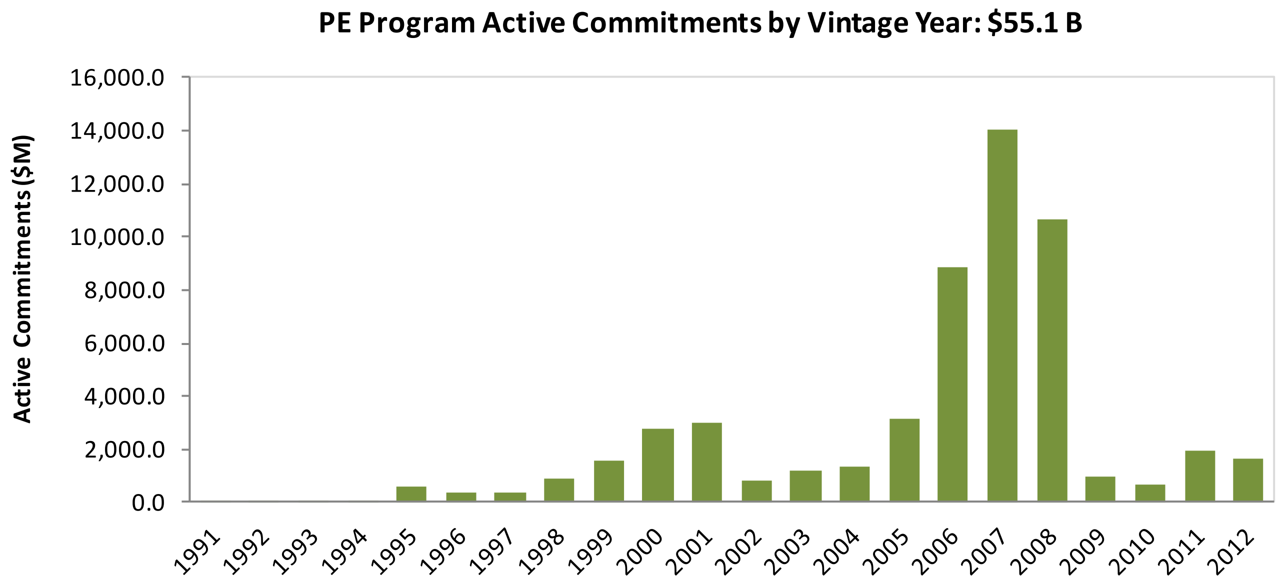
Source: State Street Bank

Quarterly Report

September 30, 2012

2.7 Portfolio Vintage Year Composition and Performance

The PE Program currently has $22.1 billion in active commitments[4]. Consistent with the behavior of other large private equity investors, the **PE Program has made very few new commitments in recent years** ($1.0 billion during 2009, $700 million in 2010, $1.9 billion in 2011, and $1.7 billion year-to-date in 2012).



Source: Private Edge

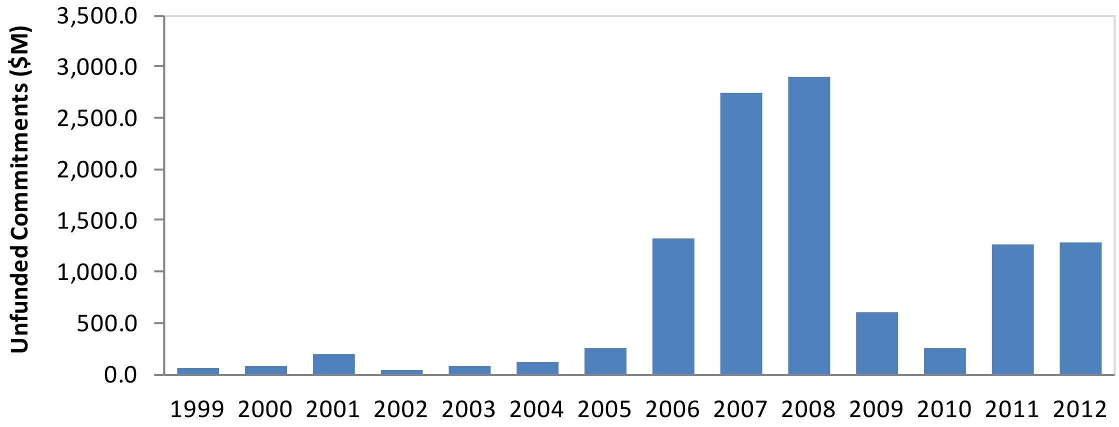
[4] Active commitments only include commitments that have drawn down capital as of the reporting date.

Quarterly Report

September 30, 2012

An analysis of the existing unfunded commitments shows that the **PE Program's general partners have substantial "dry powder"** ($11.3 billion), the same as June 30, 2012, to pursue investments consistent with the strategies contained in their limited partnership agreements with the PE Program. The 2006 vintage year includes $8.8 billion of commitments and remains 15% unfunded as of September 30, 2012. Commitments categorized as 2007 and 2008 vintages were $14.1 billion (20% unfunded) and $10.7 billion (27% unfunded), respectively. Only $1.0 billion of commitments were categorized as a 2009 vintage, 61% of which remains unfunded. The 2010 vintage year commitments of $700 million have drawn approximately $436 million in contributions and are therefore 38% unfunded. Commitments to 2011 vintage funds have drawn down approximately $667 million and remain 65% unfunded. Vintage year commitment and unfunded levels changed from prior reports, reflecting the sale of interests in the secondary market.

PE Program Unfunded Commitments by Vintage Year: $11.3 B



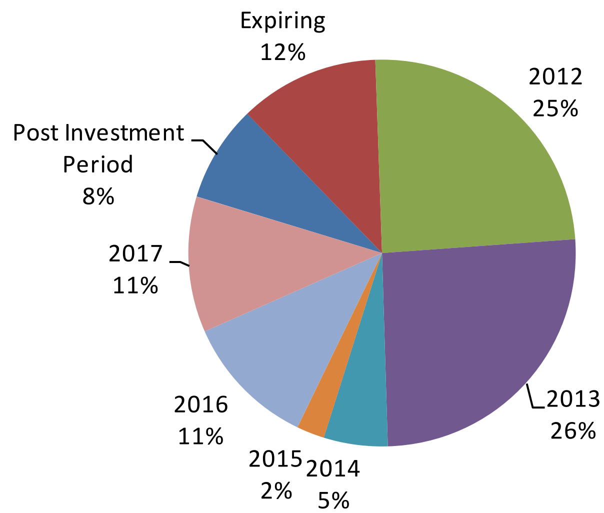
Source: Private Edge

Quarterly Report

September 30, 2012

The **majority of unfunded commitments are expected to be deployed within the next couple of years** (utilizing the assumption that investment periods commonly terminate after five years and only follow-on investment activity would occur post investment period). However, the pace at which capital is drawn is primarily at the discretion of each general partner and may be called at any time, subject to any restrictions contained in the respective limited partnership agreements.

PE Program Unfunded Commitments by Maturity

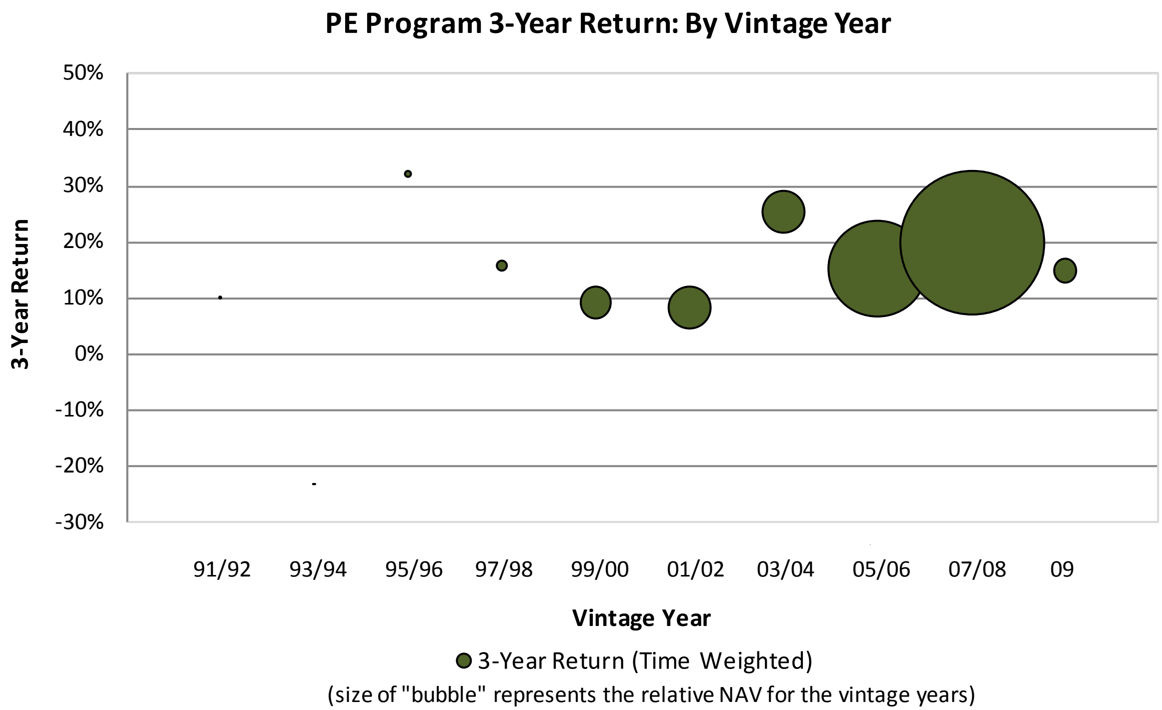


Source: State Street Bank, Private Edge, PCA

Quarterly Report

September 30, 2012

The following chart depicts the distribution of returns and net asset values by vintage years for the PE Program. Although the Program is in its twenty-second year, the preponderance of value (represented by the size of the "bubbles" below) and **performance results are being driven by commitments made in the last ten years**.



Source: State Street Bank, PCA

Quarterly Report

September 30, 2012

2.8 Annual Commitment Activity and Manager Concentration

The PE Program has committed $1.7 billion across eight opportunities at September 30, 2012 categorized as a 2012 vintage. Three of the eight commitments year-to-date represent new relationships.

PE Program Commitment Activity During Through Q3 2012

Partnership/Firm	Commitment ($M)	Sector	Relationship
PAG Asia I, L.P.	$100.0	Buyout	New
CS DEM, L.P.	100.0	Emerging Managers	New
Cerberus Institutional Partners V, L.P.	400.0	Distressed Debt	New
Energy Investment Fund (co-investment)	40.0	Co-investment	Existing
Central Valley Fund II SBIC	12.5	Credit Related	Existing
Blackstone Tactical Opportunties-C, L.P.	500.0	Opportunistic	Existing
Advent International GPE VII, L.P.	450.0	Buyout	Existing
GSO Giant Co-Investment	50.0	Co-investment	Existing

Source: CalPERS, PCA

The PE Program's five largest relationships, based on total exposure (defined as market value plus unfunded commitments) are listed below and represent approximately 35% of total exposure. Amongst these five firms, capital is allocated across 80 investments (investment vehicles, partnerships and direct investments) and targets multiple sectors and geographies.

Largest PE Program Relationships by Total Exposure

Firm	Investments	Total Exposure ($M)	% of Program
Apollo Investment Management	13	$4,646	11%
The Carlyle Group	34	4,284	10%
TPG Capital	16	2,561	6%
Blackstone Group	13	2,470	6%
Grove Street Advisors	4*	1,413	3%

* investment vehicles are diversified by commitments to underlying partnerships

Source: State Street Bank, Private Edge, PCA

Quarterly Report

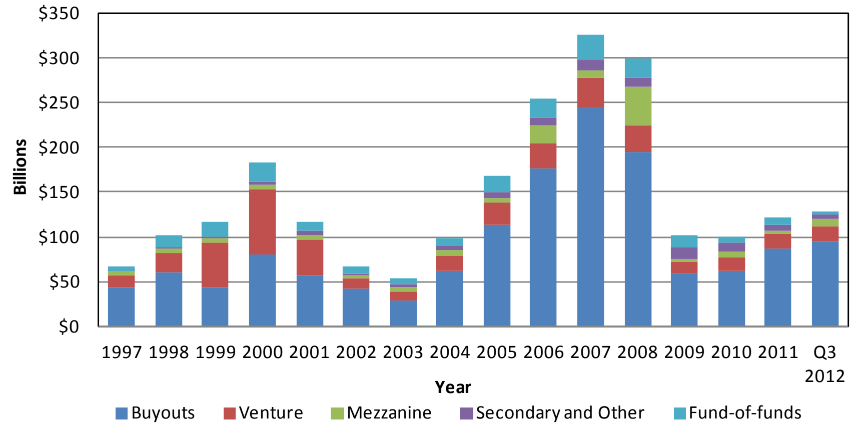
September 30, 2012

3.0 Private Equity Market Environment

Fund Raising Trends

- During the first nine months of 2012, approximately $129 billion of domestic commitments were raised exceeding the $87 billion raised in the first nine months of 2011.
- Buyouts led fundraising activities through Q3 2012 raising $94.8 billion of commitments, followed by venture capital at $17.5 billion, mezzanine at $7.9 billion, secondary and "other" at $5.4 billion, and fund of funds at $3.0 billion.
- After experiencing year-over-year declines in 2009 and 2010, fundraising activity last year outpaced capital raised in 2010. In aggregate, $122.1 billion in capital commitments were made in 2011, representing a 21.8% increase over 2010. Year to date in 2012, fund raising activity has already outpaced levels achieved in 2011.

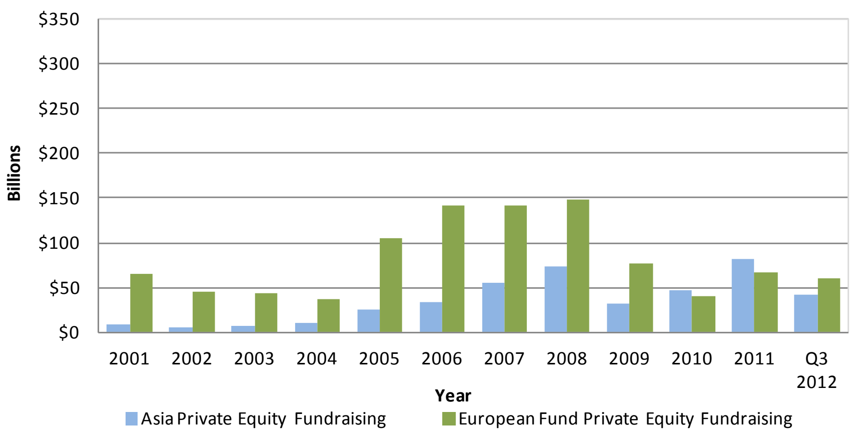
Commitments to U.S. Private Equity Partnerships



Source: *Private Equity Analyst* through September 2012

- Commitments to private equity partnerships outside of the U.S. have exhibited similar fundraising trends in fund raising activity over the past several years.
- Commitments to European funds outpaced those to Asian private equity funds over most periods with both regions trailing the activity of the U.S. markets.
- Between 2010 and 2011, Asia ended with this trend, as commitment levels to Asia exceeded the capital raised by the European markets, according to Thomson Reuters' data. However, in the first nine months of 2012 European markets raised more capital than Asian markets.

Commitments to Non-U.S. Private Equity



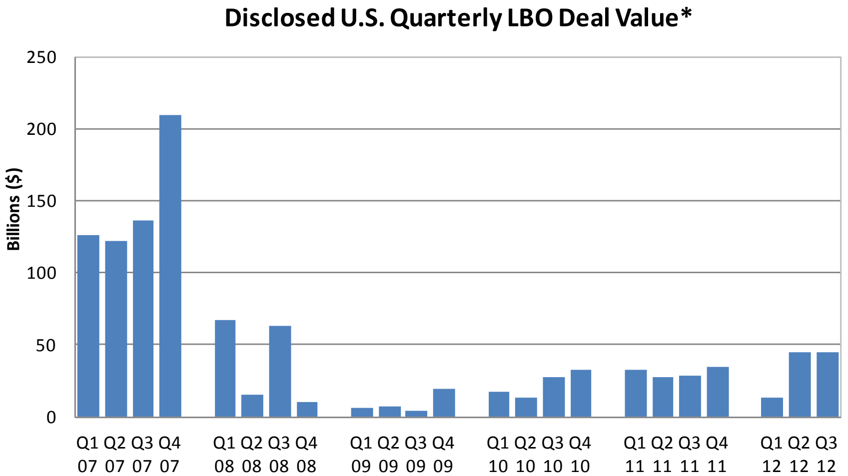
Source: Thomson Reuters

Quarterly Report

September 30, 2012

U.S. Buyout Market Trends

- Total U.S. buyout deal volume was $45.1 billion in Q3 2012, in line with Q2 2012 activity. Better credit markets, pressure to exit portfolio companies, and potential tax increases are believed to be contributing to recent activity.
- Q3 2012 saw platform investments representing the largest proportion of transactions followed by add-on acquisitions, carve-outs, sponsor-to-sponsor, and take-privates.
- Uncertainty about domestic economic recovery, the European debt crisis, downgrade of the United States' credit rating, increased competition from strategic buyers, and availability of leverage all contributed to slowed activity over recent years.
- Exit activity may increase towards the end of the calendar year as regulatory uncertainty (i.e. change in tax codes, including carried interest, Presidential election, etc.) may increase selling activity.



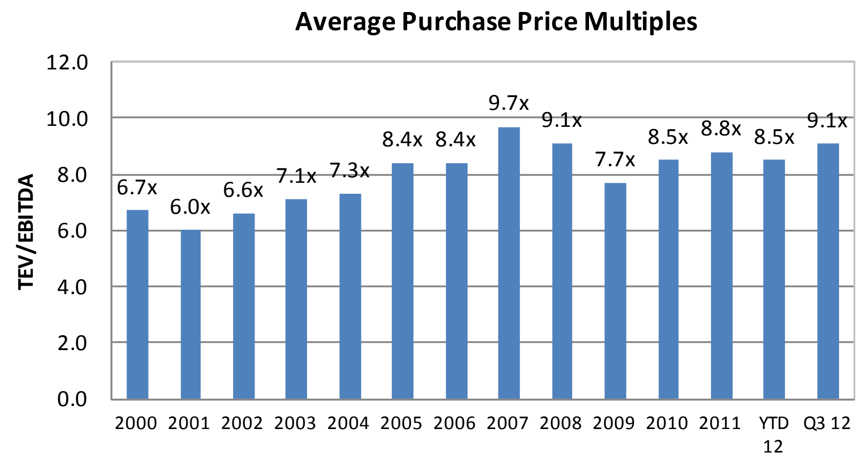
* Total deal size (both equity and debt).
Source: *Thomson Reuters Buyouts*

Quarterly Report

September 30, 2012

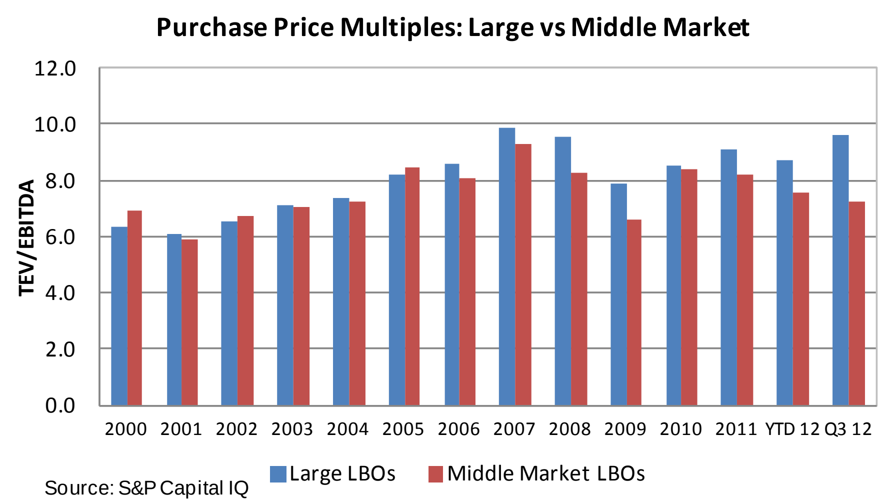
Purchase Price Multiples

- Purchase price multiples (as represented by total enterprise value divided by earnings before interest, taxes, depreciation and amortization or "EBITDA") have exhibited volatility over the past several years. Purchase price multiples initially declined from their 2007 peak to a near-term low in 2009, but rebounded to 8.8x in 2011.
- The average purchase price multiple for the first nine months of 2012, at 8.5x, is slightly above the ten-year average of 8.2x. The third quarter of 2012 exhibited a sharp increase in purchase price multiple to 9.1x, in line with 2008 levels.



Source: S&P Capital IQ

- Purchase price multiples for larger transactions (EBITDAs >$50 million and represented by the blue bars) have historically been higher than the purchase price multiples exhibited in the smaller and middle market (EBITDAs <$50 million and represented by the red bars).
- Given the anticipated focus on commitments to smaller/middle market opportunities over the near-term, there could be additional competition for deals going forward that could influence the purchase price multiple in the smaller end of the market. However, the pricing gap between larger transactions and smaller transactions widened in the third quarter of 2012.



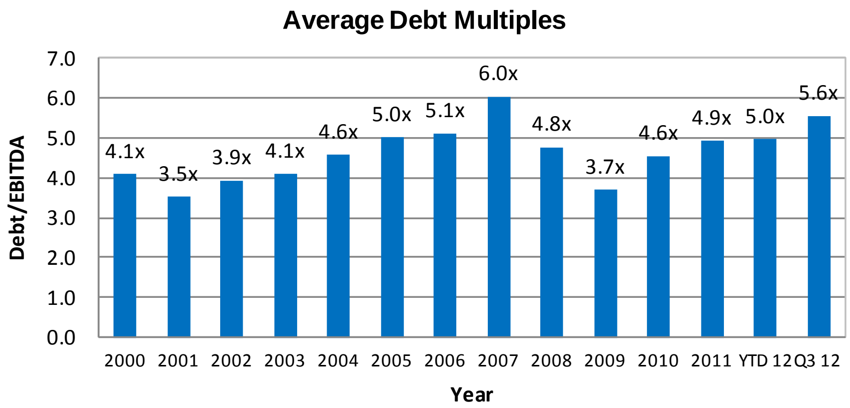
Source: S&P Capital IQ

Quarterly Report

September 30, 2012

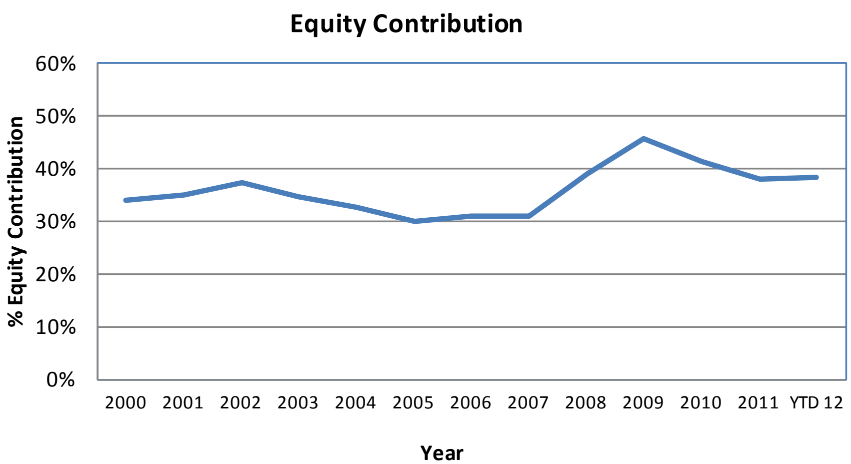
Debt Multiples

- The average debt multiple has increased from a low in 2009 of 3.7x, up to 5.0x through the first nine months of 2012.
- The third quarter of 2012 exhibited a spike in the average debt multiple at 5.6x



Source: S&P Capital IQ

- The increase in average debt multiple since 2009 has resulted in a decrease in the average equity component of a transaction to 38% year to date in 2012. The equity contribution had a recent peak in 2009 at 46% up from 31% in 2007.
- The average equity component of a transaction declined to 36% in the third quarter of 2012.
- Lower equity contributions result in less conservative capital structures for transactions. The long-term impact on performance results remains uncertain.



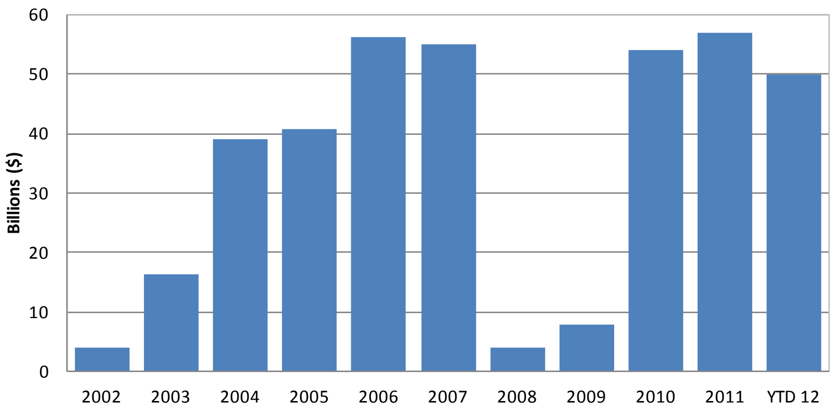
Source: S&P Capital IQ

Quarterly Report

Recaps and Stock Repurchases

- The private equity market saw a re-emergence of dividend recaps and stock repurchase activity in 2010, which had virtually disappeared post credit bubble.
- Dividend recaps result in increasing leverage, and ultimately risk, at the portfolio company level.
- $50.0 billion in dividend recaps/stock repurchases occurred in the first three quarters of 2012, nearing the $56.9 billion in the full calendar year in 2011. Q3 2012 saw $18.1 billion of dividend recaps/stock repurchases.

Dividend/Stock Repurchase Loan Volume



* through 9/30/2012

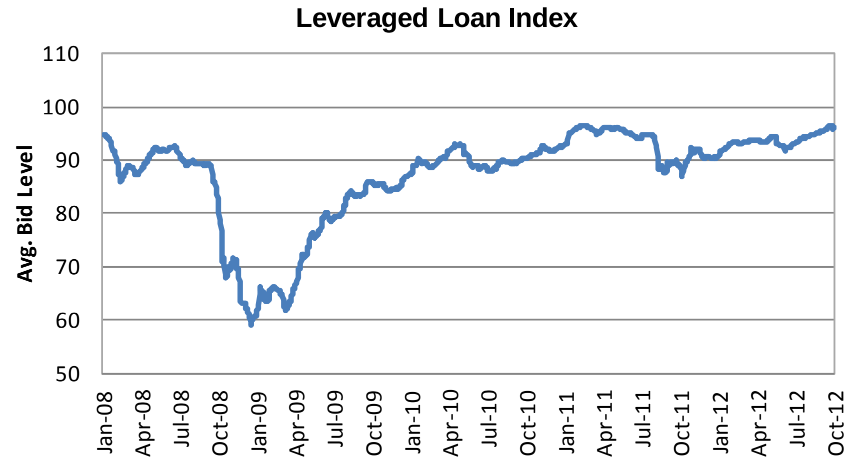
Source: S&P Capital IQ LCD, Bank of America Merrill Lynch

Quarterly Report

September 30, 2012

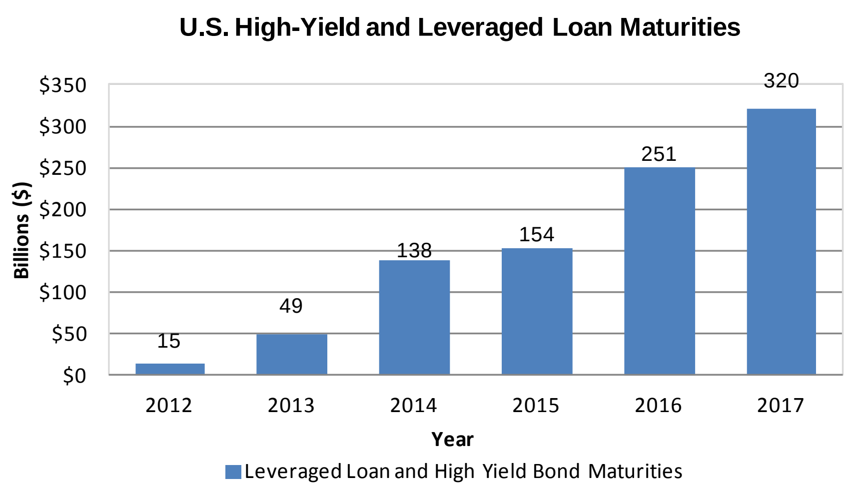
Distressed Debt

- Interest in the leveraged loan market pushed the price of leveraged loans back towards par after lows seen in 2009, easing the opportunity set for trading strategies. However, pricing volatility over the past couple of years has provided trading opportunities.



Source: Loan Syndications and Trading Association (LSTA)

- The opportunity set for debt-for-control strategies remains unclear. There appears to be an attractive pending opportunity set over the longer-term. With the magnitude of debt that was “amended and extended” during the crisis, a significant volume of debt issues are now maturing several years out, growing year-over-year.



Source: Credit Suisse

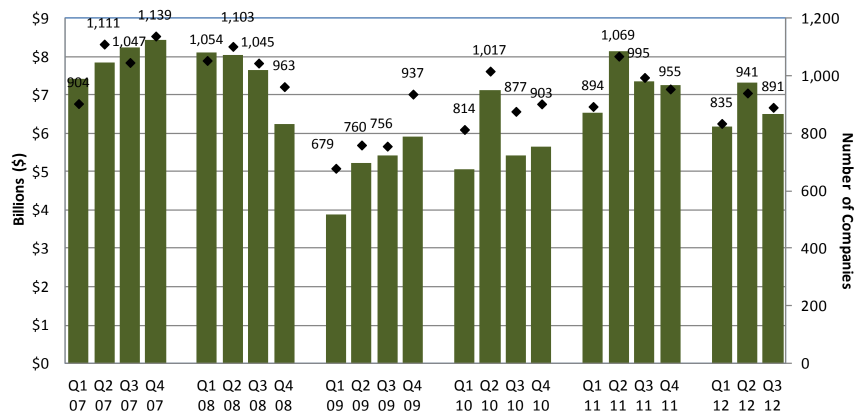
Quarterly Report

September 30, 2012

U.S. Venture Capital Trends

- In the third quarter of 2012, 891 companies received approximately $6.5 billion of capital down from the second quarter of 2012.
- Venture capital investment activity increased throughout 2009, 2010 and 2011. Approximately $29.3 billion was invested across 3,913 transactions in 2011, up from $23.3 billion invested across 3,611 transactions in 2010 and $20.5 billion invested across 3,132 transactions in 2009.
- Several favorable dynamics in the industry suggest potential for attractive long-term results going forward, including: reduced institutional investor commitments to venture capital; ability for entrepreneurs to create new companies at a lower cost due to ongoing technological enhancements; embedded value within existing venture capital portfolios that have yet to be realized.

Quarterly U.S. Venture Capital Deal Volume*



* Only includes equity portion of deal value.
Source: Thomson Reuters

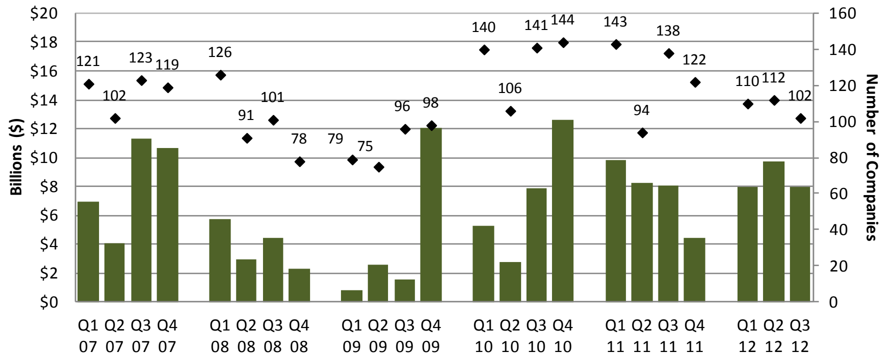
Quarterly Report

September 30, 2012

Venture Capital Exit Environment

- M&A value for venture-backed companies decreased slightly in the third quarter of 2012, as 102 transactions were completed representing $7.9 billion of value.
- Exit opportunities for venture-backed companies have shown signs of increased activity. In 2011, 497 venture-backed M&A transactions representing $30.6 billion in value were completed, above the $28.4 billion in value transacted across 531 companies in 2010 and the $17.0 billion in value across 348 companies in 2009.

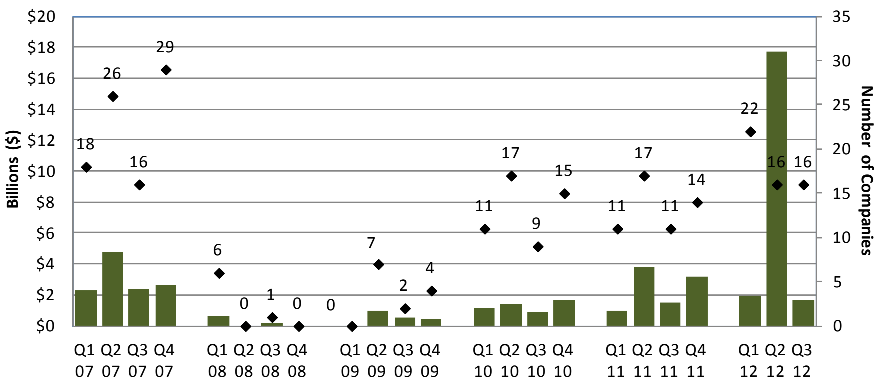
Quarterly U.S. Venture Capital M&A Activity



Source: Thomson Reuters

- After sixteen venture-backed companies went public in the second quarter of 2012 raising $17.1 billion in capital (led by Facebook) sixteen companies went public in the third quarter of 2012 raising $1.6 billion.
- It is uncertain if the negative reaction to the logistics of the Facebook IPO will dampen activity going forward.

Quarterly U.S. Venture Capital IPO Activity



Source: Thomson Reuters

Appendix 1: PE Program Relationships by Total Exposure

Quarterly Report

September 30, 2012

Firm	Total Exposure ($M)	% of Program
APOLLO MANAGEMENT	4,646	11%
CARLYLE GROUP	4,284	10%
TPG CAPITAL	2,561	6%
BLACKSTONE GROUP	2,470	6%
GROVE STREET ADVISORS	1,413	3%
ADVENT INTERNATIONAL	1,404	3%
KKR AND CO.	1,272	3%
CVC CAPITAL PARTNERS	1,180	3%
SILVER LAKE	1,116	3%
57 STARS	995	2%
CENTINELA	952	2%
HELLMAN AND FRIEDMAN CAPITAL PAR	948	2%
OAK HILL CAPITAL PARTNERS	909	2%
YUCAIPA	848	2%
ARES MANAGEMENT LLC	837	2%
FIRST RESERVE	755	2%
AURORA CAPITAL GROUP	681	2%
HEALTH EVOLUTION PARTNERS	672	2%
GREEN EQUITY INVESTORS	623	1%
BRIDGEPOINT CAPITAL	612	1%
STANDARD LIFE	611	1%
NEW MOUNTAIN CAPITAL LLC	526	1%
TOWERBROOK CAPITAL PARTNERS	519	1%
WAYZATA OPPORTUNITIES FUND	484	1%
HAMILTON LANE	448	1%
WLR RECOVERY	440	1%
CONVERSUS	435	1%
PROVIDENCE EQUITY PARTNERS	422	1%
AVENUE CAPITAL PARTNERS	412	1%
MHR	410	1%
CERBERUS	406	1%
ASIA ALTERNATIVE ASSETS	401	1%
CAPITAL DYNAMICS	384	1%
COLLER CAPITAL	372	1%
KHOSLA VENTURES	349	1%
MADISON DEARBORN PARTNERS	345	1%
WELSH AND CARSON AND ANDERSON	339	1%

Firm (continued)	Total Exposure ($M)	% of Program
KMCP	330	1%
PERMIRA	294	1%
THL EQUITY ADVISORS	289	1%
ARCLIGHT	284	1%
SAIF PARTNERS	265	1%
FRANCISCO PARTNERS	260	1%
BIRCH HILL EQUITY PARTNERS	250	1%
OAKTREE CAPITAL MANAGEMENT	203	1%
KPS	202	<1%
LEVINE LEICHTMAN CAPITAL PARTNER	201	<1%
AUDAX GROUP	199	<1%
PALLADIUM	198	<1%
THE RESOLUTE FUND	195	<1%
CLESSIDRA CAPITAL	190	<1%
CLEARWATER CAPITAL	181	<1%
LIME ROCK	171	<1%
WELLSPRING CAPITAL MANAGEMENT	167	<1%
RIVERWOOD CAPITAL LLC	166	<1%
LION CAPITAL	163	<1%
HUNTSMAN GAY CAPITAL	162	<1%
AFFINITY EQUITY PARTNERS	159	<1%
INSIGHT CAPITAL	154	<1%
AISLING CAPITAL	149	<1%
LOMBARD INVESTMENTS	141	<1%
POLISH ENTERPRISE	126	<1%
W CAPITAL PARTNERS	117	<1%
DARBY OVERSEAS INVESTMENTS	113	<1%
MAGNUM CAPITAL	112	<1%
ESSEX WOODLANDS HEALTH VENTUR	109	<1%
VANTAGEPOINT VENTURE PARTNERS	108	<1%
BASTION CAPITAL	104	<1%
CREDIT SUISSE	100	<1%
RHONE PARTNERS	99	<1%
PAGASI	98	<1%
GRANITE GLOBAL VENTURES	94	<1%
CLARUS VENTURES	92	<1%
EM ALTERNATIVES	90	<1%
OTHER	800	2%