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

Quarterly Report
Executive Summary

(As of December 31, 2012)

Presentation Date: February 19, 2013

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December 31, 2012

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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 three-year period and posted an annual return above long-term return expectations as of December 31, 2012. However over the latest one, five, and ten-year periods, the PE Program underperformed the Policy Benchmark. Despite trailing the Policy Benchmark by 70 basis points over the latest ten-year period, **the PE Program's 11.5% average annual return is above CalPERS' expected return for the asset class and the actuarial rate of return**.
- During the 2012 calendar year, **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 which were more than offset by a decline in contributions and an increase in distributions in the subsequent three quarters of 2012.
- The **Buyout sector continues to be the largest proportion of the PE Program** at 58%, 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 11.8% as of December 31, 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 December 31, 2012, the PE Program's domestic exposure generated a 14.6% one-year return compared to a 6.1% 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 15.3% return as of December 31, 2012.
- An analysis of the existing unfunded commitments shows that the PE Program's general partners have **substantial "dry powder"** ($10.4 billion), a majority of which is from the 2007/2008 vintage years and 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 73% 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 (partnerships and direct investments), targeting multiple sectors and geographies.
- The **Private Equity Team has made significant strides towards organizational goals** presented to the Investment Committee in September 2011.

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1.3 Industry Trends

- **Fundraising activity in 2012 exceeded 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 quarter-over-quarter increases in 2012** as better credit markets, pressure to exit portfolio companies, and potential tax increases were believed to be contributing to activity. U.S. buyout activity still remains well below the 2007 peak of $597 billion but, 2012 with $135 billion of disclosed deal volume outpaced 2011, which had $126 billion of disclosed deal volume.

- **Risk levels appeared to increase in the leveraged buyout market during the second half of 2012**. Purchase price multiples and debt multiples increased, resulting in less equity required to complete transactions. Average purchase price multiples in the fourth quarter of 2012, at 9.1x, were well above the ten-year average of 8.4x. The gap between purchase price multiples for large and middle-market leverage buyout (LBO) transactions narrowed in the fourth quarter of 2012.

- **Venture capital investment activity decreased slightly in the fourth quarter of 2012** and investment in the calendar year 2012 levels were below that of 2011. Approximately $26.5 billion had been invested across 3,698 companies in 2012, compared to $29.5 billion invested across 3,937 companies in 2011.

- **Exit activity for venture capital investments decreased in the fourth quarter of 2012.** The number of merger and acquisition (M&A) transactions decreased in the fourth quarter, but overall is exhibiting more stability in exit activity on an annual basis. Excluding the second 2012 quarter spike due to Facebook, the initial public offering (IPO) market exhibited relative stability throughout the calendar year.

- **The outlook for distressed debt investment strategies is mixed.** Debt pricing remains near par (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.

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2.0 PE Program Performance Overview

2.1 Overall Private Equity Program Performance

The PE Program outperformed the Policy Benchmark over the latest three-year period while underperforming over the latest one, five and ten-year periods. Despite posting a strong 12.2% return, in line with long-term expectations for the asset class, the PE Program underperformed the Policy Benchmark by 16.3% over the latest year. The PE Program Policy Benchmark, which is a blend of U.S. and global public equity markets, posted a one-year return well above long-term return expectations with a 28.5% return. The strong absolute three-year returns for the PE Program and the Policy Benchmark exhibit the recovery from the economic crisis in late 2008/early 2009, while the PE Program outperformed by 110 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 lowering benchmark declines entering the crisis. 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 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 70 basis points.

Performance vs. Policy Benchmarks

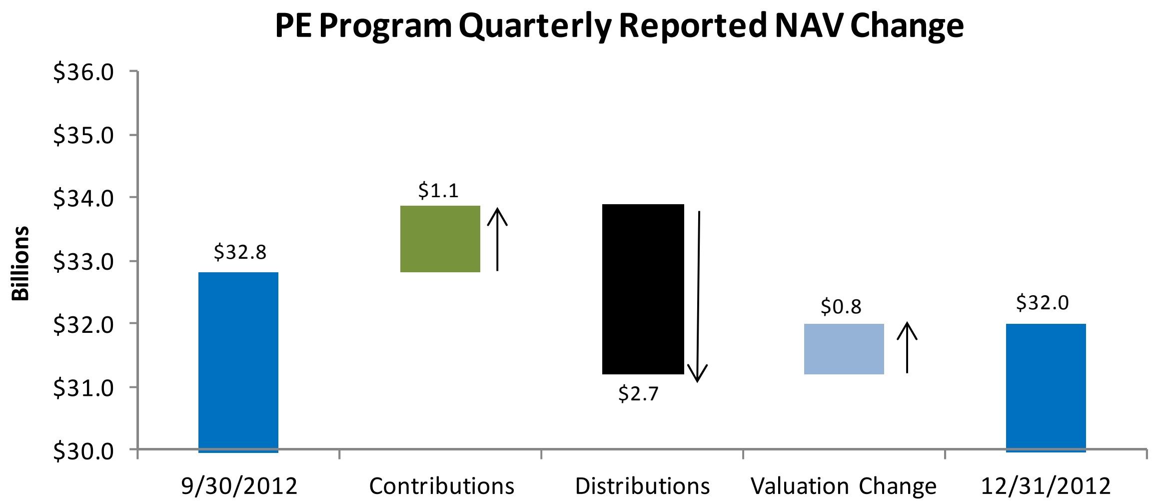
	1 Year	3 Year	5 Year	10 Year
PE Program Composite[2]	**12.2%**	**15.3%**	**5.8%**	**11.5%**
PE Program Policy Benchmark[3]	*28.5%*	*14.2%*	*11.1%*	*12.2%*
Excess Return *v. Policy Benchmark*	(16.3%)	1.1%	(5.3%)	(0.7%)

Source: Wilshire Associates

[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

2.2 Net Asset Value Change

During the fourth quarter of 2012, the PE Program decreased in value by a net $0.8 billion. Approximately $1.1 billion of capital was contributed to underlying partnerships during the quarter while **$2.7 billion was distributed.** The PE Program holdings appreciated by approximately $0.8 billion resulting in an aggregate valuation of $32.0 billion as of December 31, 2012.



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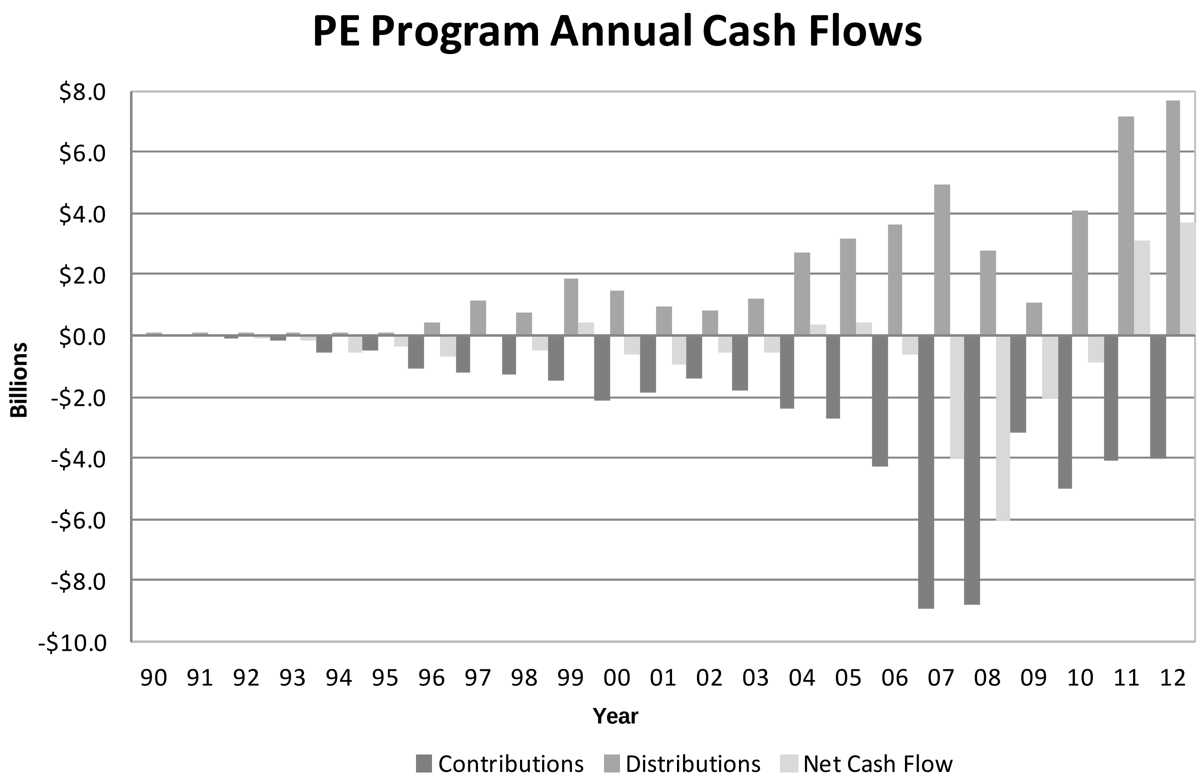
2.3 Portfolio Cash Flows

The PE Program's net cash flow was positive (i.e., distributions exceeded capital contributions) during the quarter and the latest year. Cash flow for the first quarter of 2012 was negative, but strong positive cash flow over the last three quarters resulted in a net positive cash flow for 2012 calendar year. 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. Sales on the secondary market generated distribution activity during the calendar year, contributing to the positive net cash flows.



Source: Private Edge, PCA

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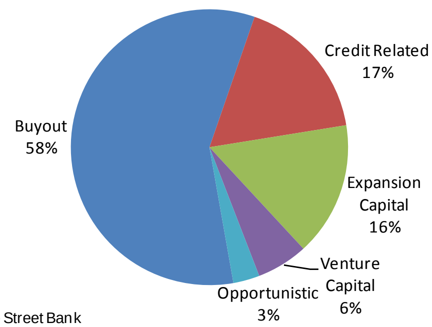
2.4 Portfolio Sector Composition and Performance

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 58%. 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: $32.0 B



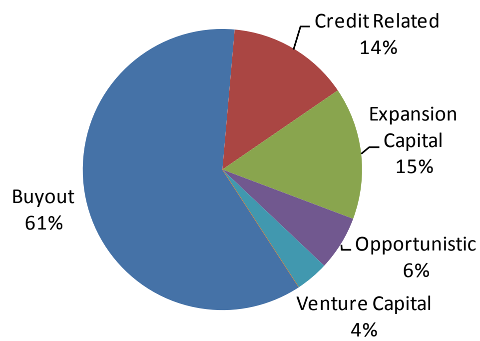
Source: State Street Bank

Target Sector Allocations

Sector	Target	Range	Actual
Buyouts	60%	50%-70%	58%
Credit Related	15%	10%-25%	17%
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: $10.4 B



Source: State Street Bank, Private Edge, PCA

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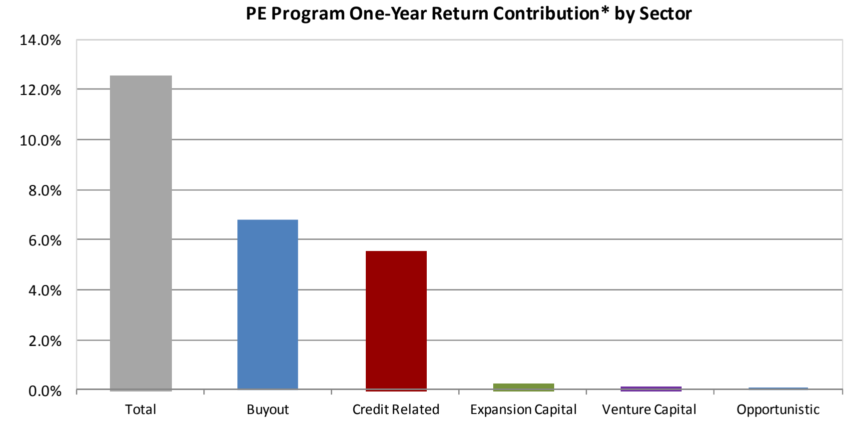
All major sectors of the PE Program contributed positive results over the last year. **Buyouts were the largest contributor to performance** as the sector continued to experience valuation increases. Credit Related, representing 17% of the Program, was the second largest contributor to results for the year.



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

Over the most recent three-year period, the PE Program posted a 15.4% 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 15.6% 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 20.5% over the same time period. The Buyout sector has generated attractive results over the longer ten-year period, posting an average annual return of 16.9%.

Performance Summary: by sector

	1 Year	3 Year	5 Year	10 Year
PE Program	**12.6%**	**15.4%**	**5.9%**	**11.6%**
Buyout	*11.8%*	*15.6%*	*5.8%*	16.9%
Credit Related	*32.6%*	*20.5%*	*11.2%*	*14.8%*
Expansion Capital	*1.7%*	*13.0%*	*3.7%*	*5.5%*
Venture Capital	*2.7%*	*8.0%*	*0.8%*	*3.4%*
Opportunistic	*3.7%*	*15.8%*	*(0.3%)*	*5.2%*

Source: State Street Bank

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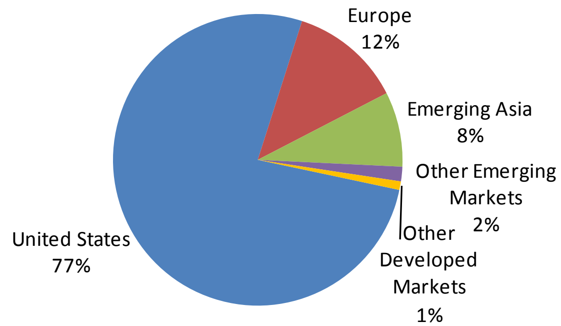
2.5 Portfolio Geographic Composition and Performance

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%).

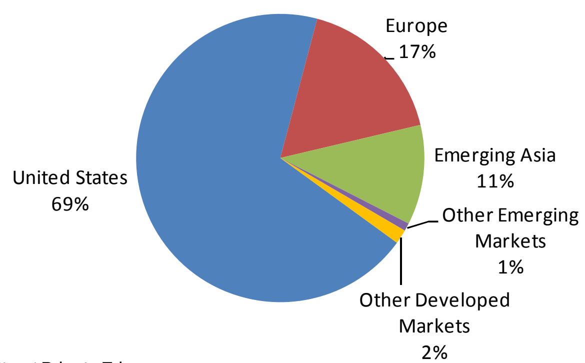
PE Program NAV by Geography: $32.0 B



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 11%.

PE Program Unfunded Commitments by Geography: $10.4 B



Source: State Street Private Edge

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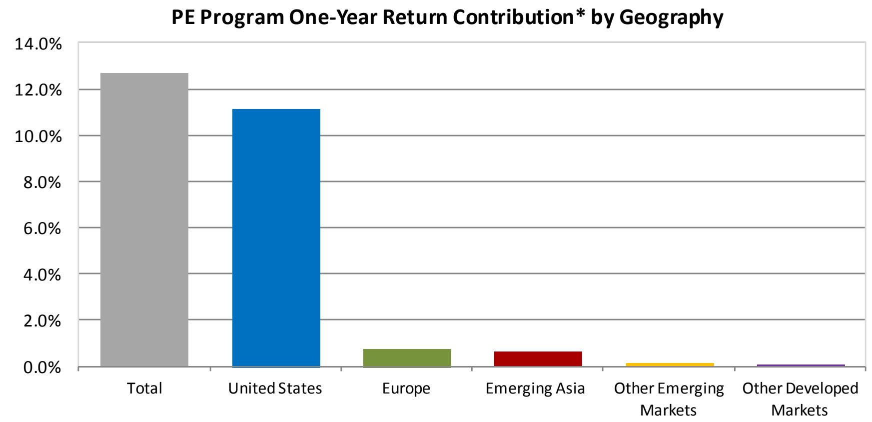
Performance results were positive across the major geographic sectors[4]. The **United States, representing the largest exposure of the portfolio, had the most significant positive impact on performance** results over the past year. Europe, the second largest exposure, generated positive results over the latest year but had a much smaller contribution to performance than the domestic holdings.



*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 15.4% return. The PE Program's U.S. exposure posted an average annual return of 16.7% over the past three-year period. The PE Program's international developed markets exposure posted a 10.4% average annual return over this period while emerging markets returned 13.0%. 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 6.6% and 11.0% over the latest five-year and ten-year periods, respectively.

Performance Summary: by geography

	1 Year	3 Year	5 Year	10 Year
PE Program	**12.6%**	**15.4%**	**5.9%**	**11.6%**
United States	*14.6%*	*16.7%*	*6.6%*	11.0%
International- Developed World	*5.1%*	*10.4%*	*0.6%*	*15.4%*
International- Emerging Markets	*7.5%*	*13.0%*	*7.8%*	*12.3%*

Source: State Street Bank

[4] Currency exposure for the non–U.S.-dollar denominated portion of the PE Program is managed by CalPERS' fixed income group.

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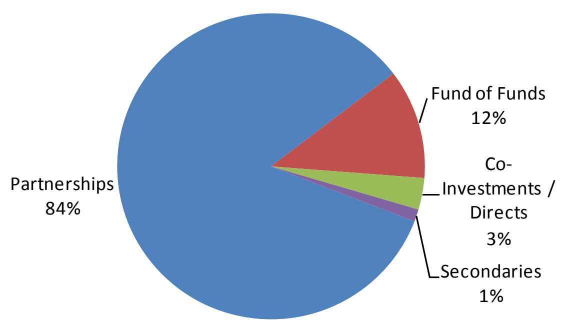
2.6 Portfolio Structure Composition and Performance

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%.

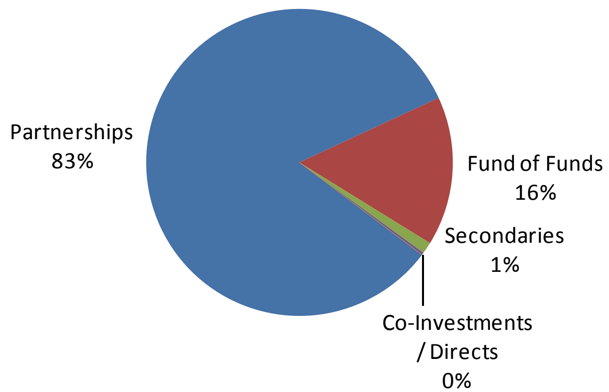
PE Program NAV by Structure:$32.0 B



Source: State Street Bank

Partnerships are expected to receive the vast majority of unfunded commitments at 83%, followed by fund of funds at 16%.

PE Program Unfunded Commitments by Structure: $10.4 B



Source: State Street Bank, Private Edge, PCA

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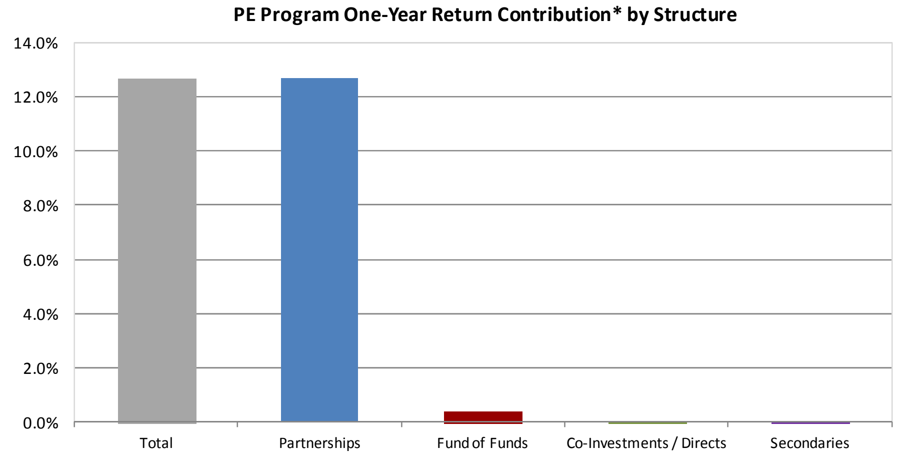
Performance results are net positive across all structures, except for co-investments/directs which slightly dampened results over the latest year. **Partnerships, representing the largest structure of the portfolio, had the most significant impact on performance** results over the past year. The PE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



* 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 15.4% return. The PE Program's partnership investments, with the largest exposure, posted an average annual return of 16.8% over the past three-year period. Partnership investments have historically represented the largest component of the Program and have posted average annual returns of 6.3% and 12.3% over the latest five-year and ten-year periods, respectively. Co-investments/directs, while representing a small proportion of the overall portfolio and underperforming over the most recent year, posted a strong 17.3% average annual return over the latest ten-year period while fund of funds were a drag on performance with a 5.6% average annual return.

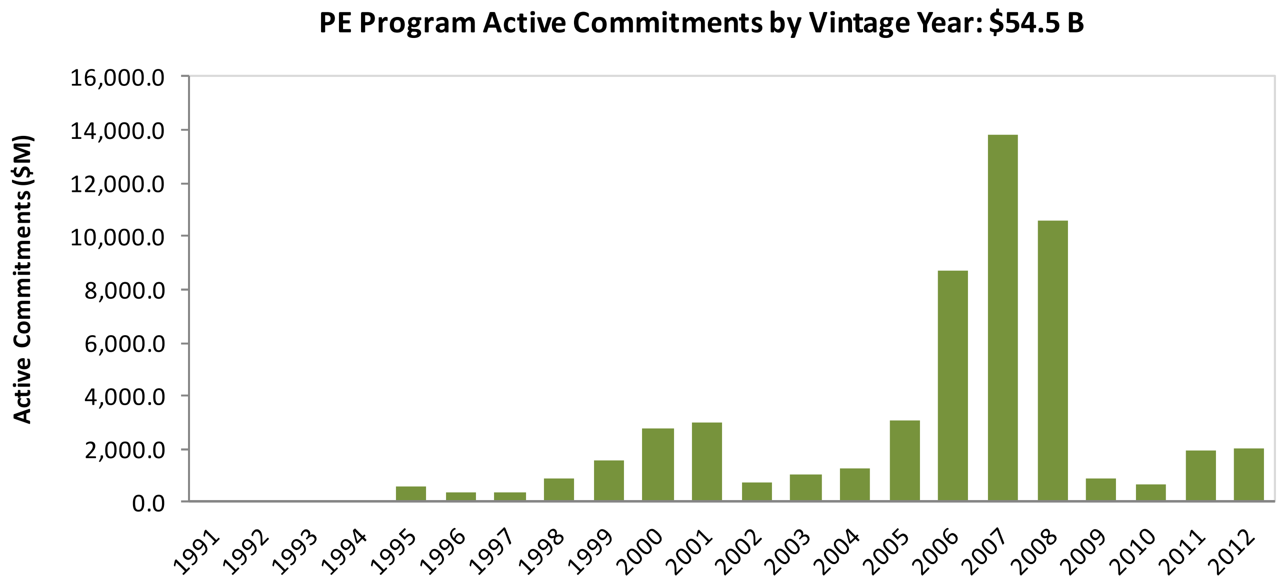
Performance Summary: by structure

	1 Year	3 Year	5 Year	10 Year
PE Program	**12.6%**	**15.4%**	**5.9%**	**11.6%**
Partnerships	*15.3%*	*16.8%*	*6.3%*	12.3%
Fund of Funds	*3.7%*	*9.3%*	*2.4%*	*5.6%*
Co-Investment/Directs	*(14.8%)*	*13.5%*	*16.9%*	*17.3%*
Secondaries	*3.5%*	*13.8%*	*7.0%*	*11.4%*

Source: State Street Bank

2.7 Portfolio Vintage Year Composition and Performance

The PE Program currently has $54.5 billion in active commitments[5]. Consistent with the behavior of other large private equity investors, the **PE Program has made very few new commitments in recent years** ($900 million during 2009, $700 million in 2010, $1.9 billion in 2011, and $2.0 billion in 2012).



Source: Private Edge

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

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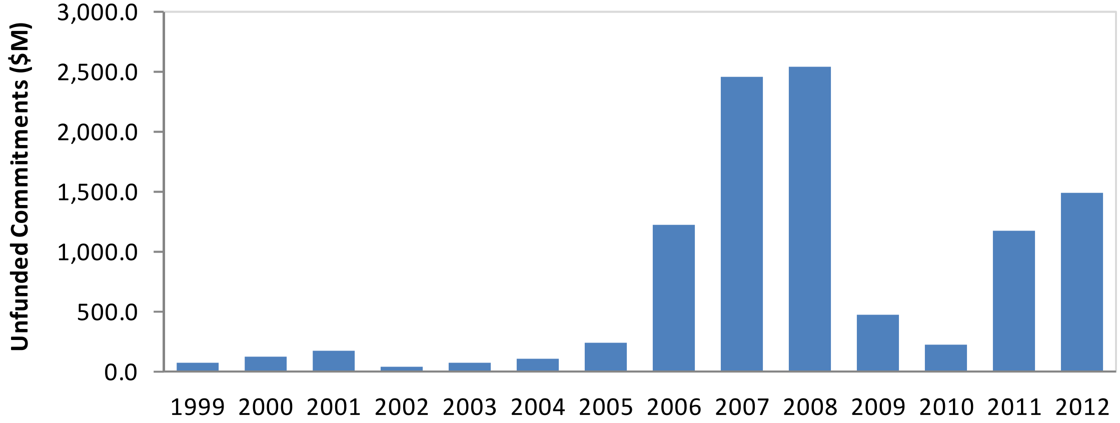
An analysis of the existing unfunded commitments shows that the **PE Program's general partners have substantial "dry powder"** ($10.4 billion) to pursue investments consistent with the strategies contained in their limited partnership agreements with the PE Program. The 2006 vintage year includes $8.7 billion of commitments and remains 8% unfunded as of December 31, 2012. Commitments categorized as 2007 and 2008 vintages were $13.8 billion (18% unfunded) and $10.6 billion (24% unfunded), respectively. Only $0.9 billion of commitments were categorized as a 2009 vintage, 53% of which remains unfunded. The 2010 vintage year commitments of $700 million have drawn approximately $480 million in contributions and are therefore 31% unfunded. Commitments to 2011 vintage funds, with $1.9 billion of commitments, have drawn down approximately $760 million and remain 61% unfunded. Approximately $570 million in contributions have been drawn on 2012 commitments, which remain 72% unfunded as of year-end 2012.

PE Program Unfunded Commitments by Vintage Year: $10.4 B



Source: Private Edge

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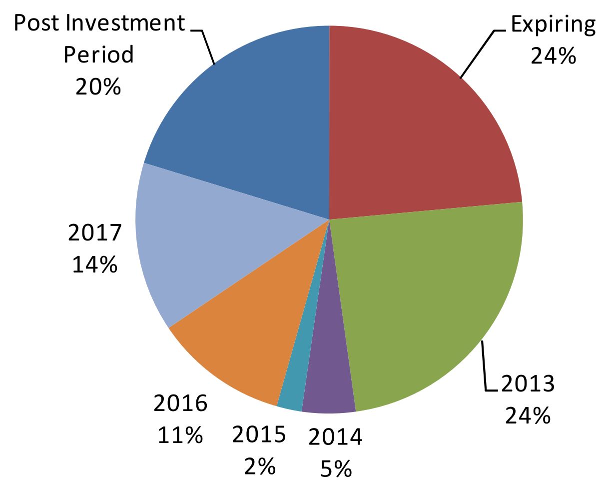
The **majority of unfunded commitments are expected to be deployed within the next couple of years** (utilizing the assumption that investment periods commonly terminate after five years and only follow-on investment activity would occur post investment period). However, the pace at which capital is 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. The material increase in the Post Investment Period and Expiring categories from prior reports are due to the significant commitments ($22.5 billion) made in 2006 and 2007 vintage years.

PE Program Unfunded Commitments by Maturity



Source: State Street Bank, Private Edge, PCA

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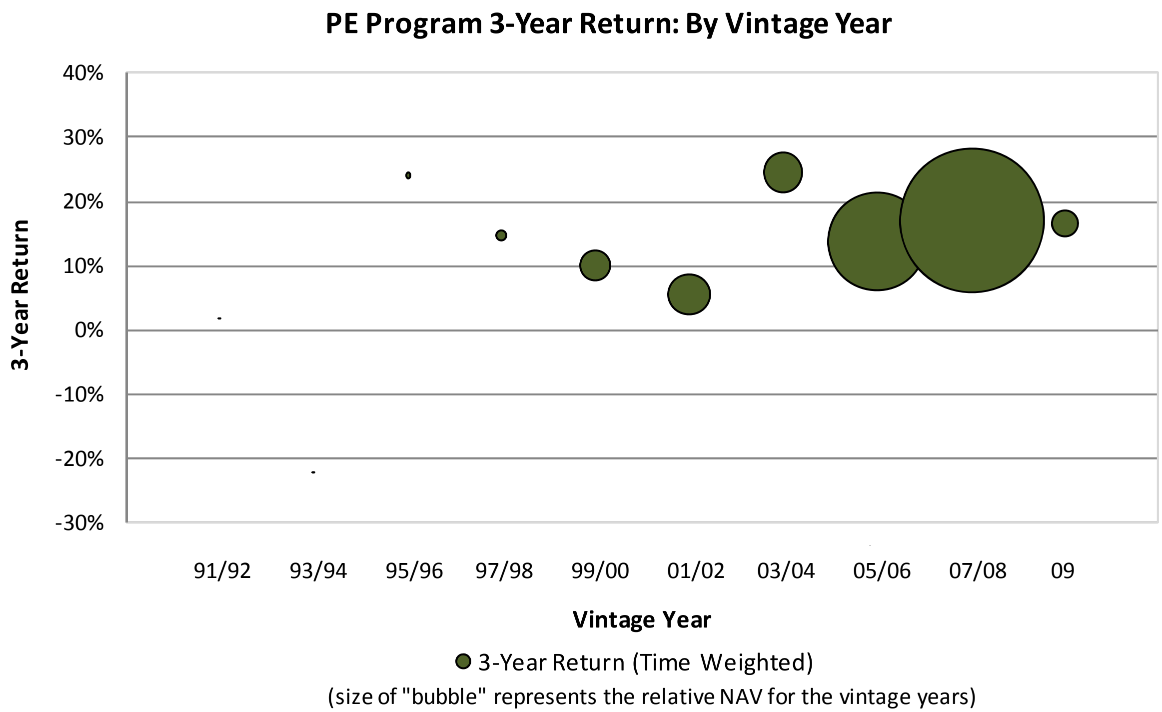
The following chart depicts the distribution of returns and net asset values by vintage years for the PE Program. Although the Program is in its twenty-second year, the preponderance of value (represented by the size of the "bubbles" below) and **performance results are being driven by commitments made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



Source: State Street Bank, PCA

2.8 Annual Commitment Activity and Manager Concentration

The PE Program has committed $3.1 billion across 12 opportunities at December 31, 2012 categorized as a 2012 vintage. Four of the commitments in 2012 represent new relationships.

PE Program Commitment Activity During Through Q4 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
Riverstone Global Energy and Power V, L.P.	400.0	Buyout	Existing
Clearlake Capital Partners III, L.P.	50.0	Credit Related	New
KKR Asian Fund II, L.P.	500.0	Buyout	Existing
GSO Capital Solutions Fund II, L.P.	500.0	Credit Related	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 (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	12	$4,402	10%
The Carlyle Group	32	4,037	10%
Blackstone Group	13	2,493	6%
TPG Capital	16	2,476	6%
Advent International	7	1,432	3%

Source: State Street Bank, Private Edge, PCA

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3.0 Private Equity Team Organizational Update

The Private Equity Team has made significant strides towards organizational goals presented to the Investment Committee in September 2011. The team has modified the investment process by functional specialization, installing more consistent analytic techniques, and a more disciplined review process. Post-commitment manager monitoring continues to move towards reliance on internal resources. Personnel count has grown from twenty-eight in September 2011 to thirty-five in January 2013. The Investment Book of Record project is continuing with the current phase consisting of evaluation and selection of vendors

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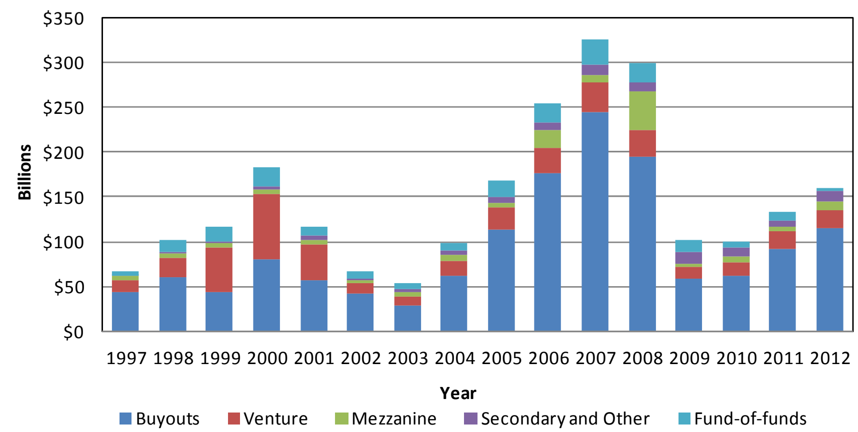
4.0 Private Equity Market Environment

Fund Raising Trends

- During 2012, approximately $160 billion of domestic commitments were raised exceeding the $133 billion raised in 2011.
- Buyouts led fundraising activities in 2012 raising $114 billion of commitments, followed by venture capital at $20 billion, mezzanine at $11 billion, secondary and "other" at $10 billion, and fund of funds at $5 billion.
- After experiencing year-over-year declines in 2009 and 2010, fundraising activity has increased over the past two calendar years. Capital raised in 2012 is similar to the level of capital raised in 2005.

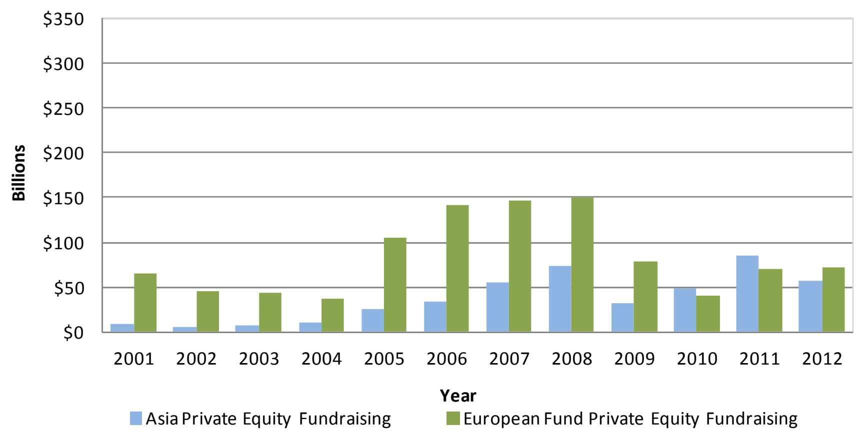
Commitments to U.S. Private Equity Partnerships



Source: *Private Equity Analyst* through December 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.
- In 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 2012, European markets raised more capital than Asian markets, returning to the long term trend.

Commitments to Non-U.S. Private Equity



Source: Thomson Reuters

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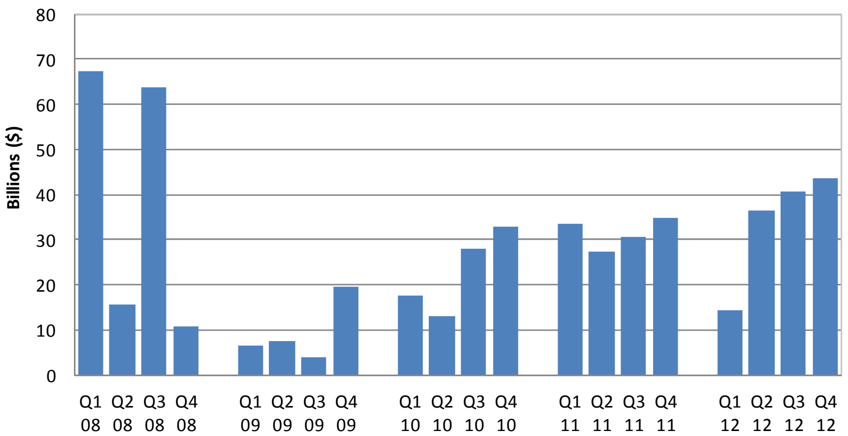
U.S. Buyout Market Trends

- Total U.S. buyout deal volume was $43.6 billion in Q4 2012, slightly above Q2 2012 and Q3 2012 activity. Better credit markets, pressure to exit portfolio companies, and potential tax increases are believed to have contributed to increased activity.
- Q4 2012 saw platform investments representing the largest proportion of transactions followed by add-on acquisitions, carve-outs, sponsor-to-sponsor, and take-privates.
- 2012 exhibited a slight increase, at $135 billion of disclosed deal volume, from 2011, which had $126 billion of disclosed deal volume. However, these levels still remain well below the 2007 peak of $597 billion.
- Exit activity increased slightly towards the end of the calendar year possibly due to regulatory uncertainty (i.e. change in tax codes, including carried interest, etc.).

Disclosed U.S. Quarterly LBO Deal Value*



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

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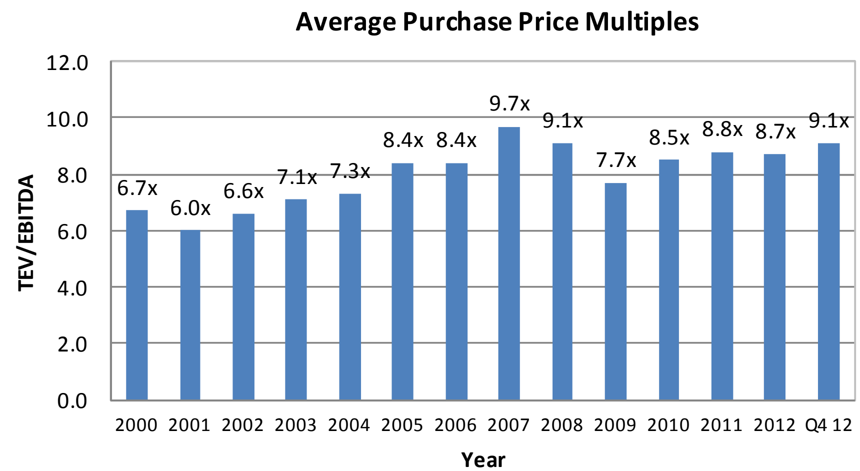
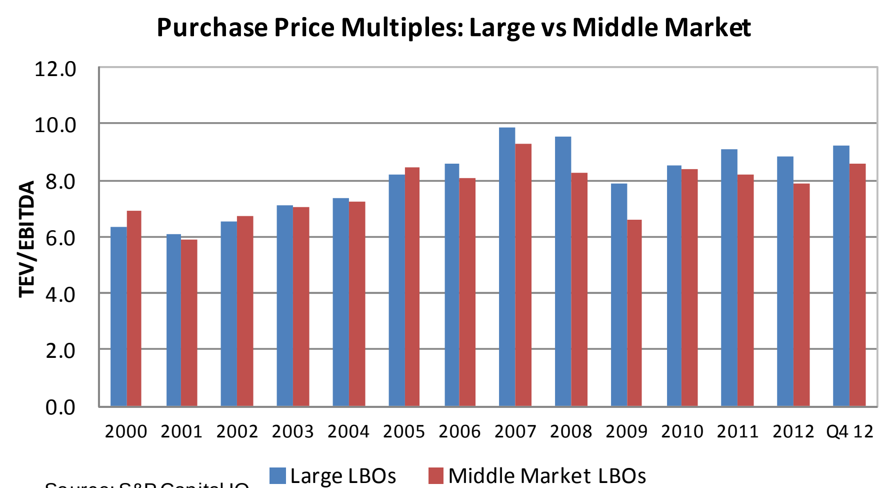
Purchase Price Multiples

- 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 and dipped slightly to 8.7x in 2012.
- The average purchase price multiple for the 2012, at 8.7x, is slightly above the ten-year average of 8.4x. The second half of 2012 exhibited an increase in purchase price multiple to 9.1x in the fourth quarter, 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, there could be additional competition for deals going forward that could influence the purchase price multiple in the smaller end of the market. The pricing gap between larger transactions and smaller transactions narrowed in the fourth quarter of 2012.



Source: S&P Capital IQ

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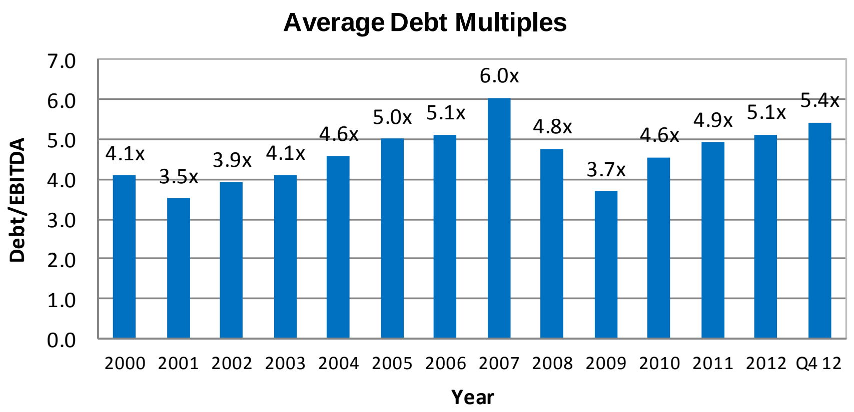
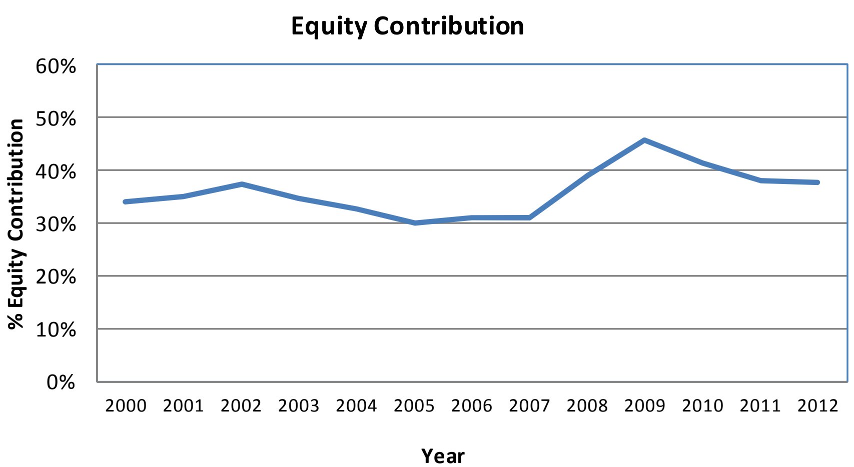
Debt Multiples

- The average debt multiple has increased from a low in 2009 of 3.7x, up to 5.1x in 2012 as risk appears to be increasing in buyout transactions.
- The second half of 2012 exhibited an increase in the average debt multiple at 5.6x in the third quarter and 5.4x in the fourth quarter.



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% in 2012. The equity contribution had a recent peak in 2009 at 46% up from 31% in 2007.
- 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

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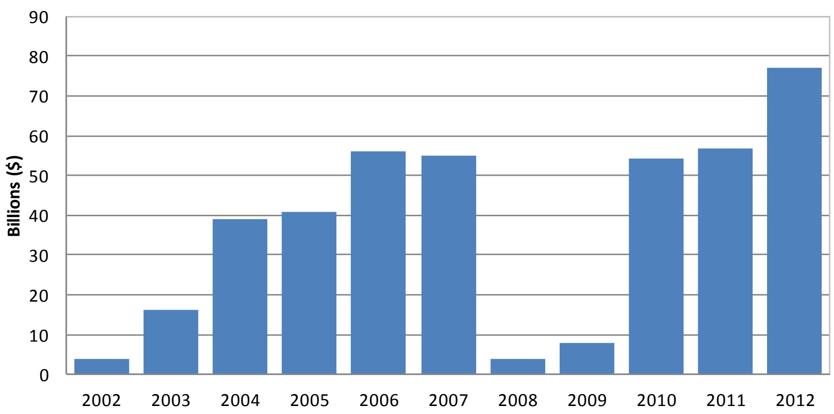
Recaps and Stock Repurchases

- 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.
- $77.2 billion in dividend recaps/stock repurchases occurred in 2012, well above the $56.9 billion in 2011.

Dividend/Stock Repurchase Loan Volume



*through 9/30/2012

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

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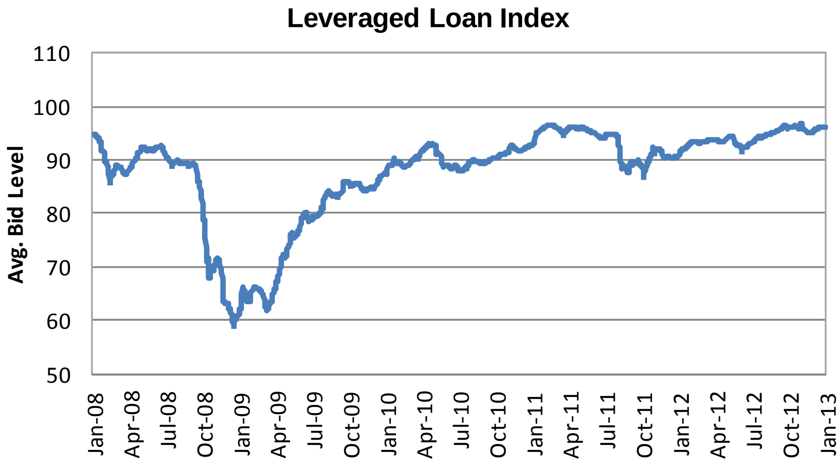
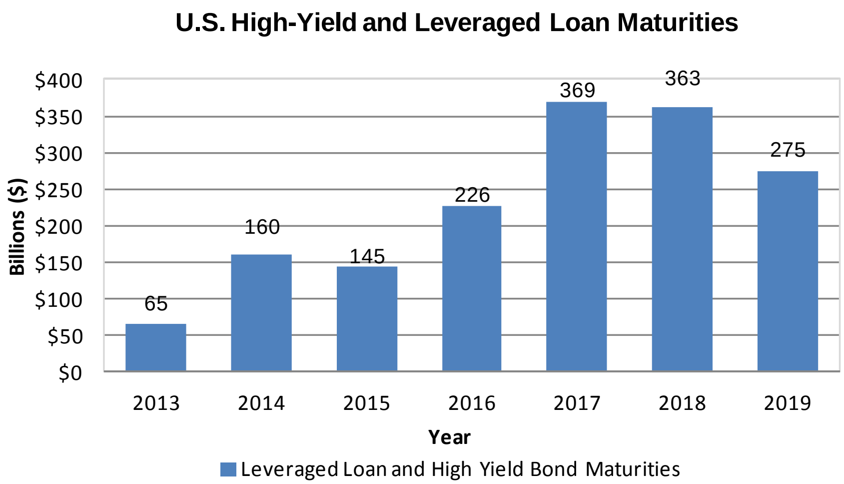
Distressed Debt

- 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.



Source: JP Morgan, S&P LCD, and GSO

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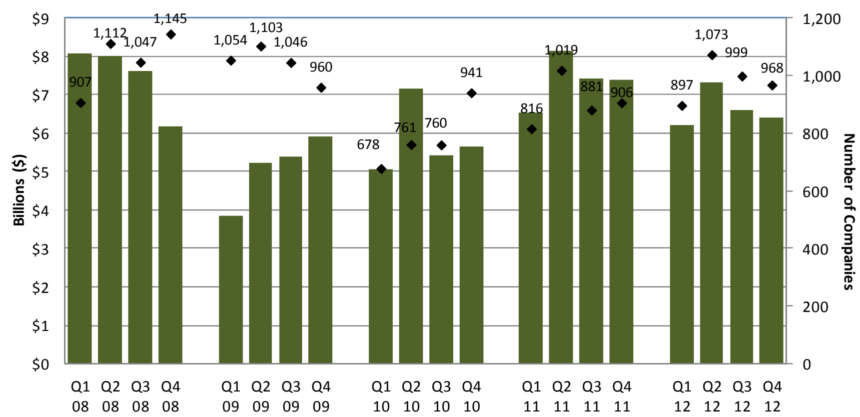
U.S. Venture Capital Trends

- In the fourth quarter of 2012, 968 companies received approximately $6.4 billion of capital down slightly from the third quarter of 2012.
- After year over year increases in venture capital investment activity from 2009 through 2011, 2012 exhibited a slight decrease of investment activity. Approximately $26.5 billion was invested across 3,698 transactions in 2012, down from $29.5 billion invested across 3,937 transactions in 2011.
- 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

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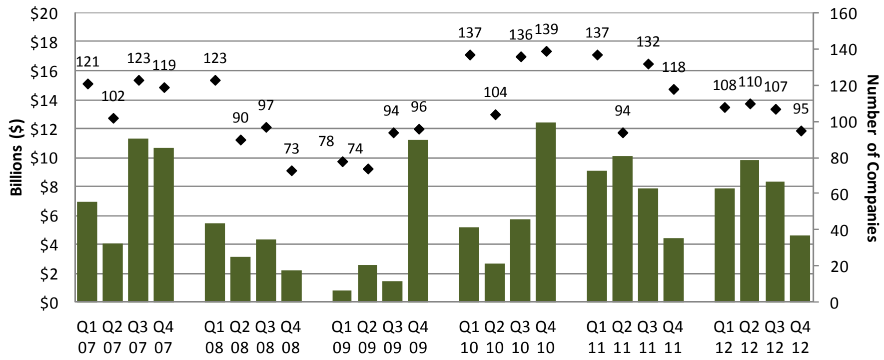
Venture Capital Exit Environment

- M&A value for venture-backed companies decreased in the fourth quarter of 2012, as 95 transactions were completed representing $4.6 billion of value.
- Exit opportunities for venture-backed companies have leveled off over the past two years. In 2011, 481 venture-backed M&A transactions representing $31.4 billion in value were completed, above the $30.6 billion in value transacted across 420 companies in 2012. These levels are well above the $15.1 billion in value raised across 383 companies in 2008.

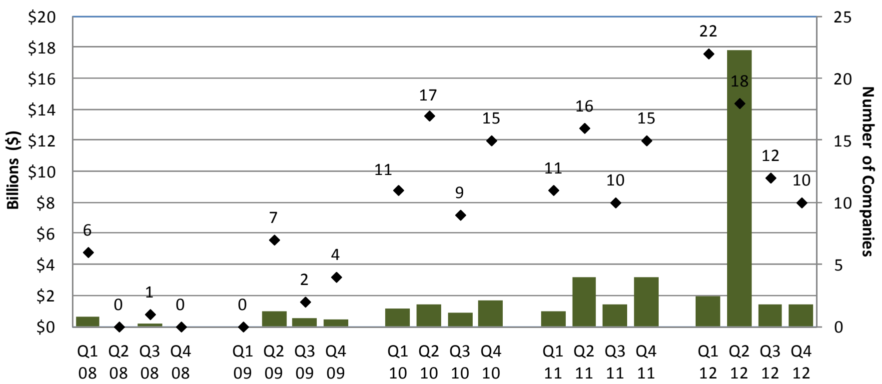
Quarterly U.S. Venture Capital M&A Activity



Source: Thomson Reuters

- Ten venture-backed companies went public in the fourth quarter of 2012, raising $1.4 billion after 12 companies went public in the third quarter raising the same amount.
- The spike in Q2 2012 IPO activity was from the Facebook IPO.

Quarterly U.S. Venture Capital IPO Activity



Source: Thomson Reuters

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Appendix 1: PE Program Relationships by Total Exposure (Market Value Plus Unfunded Commitments)

Firm	Total Exposure ($M)	% of Program
APOLLO MANAGEMENT	4,402	10%
CARLYLE GROUP	4,037	10%
BLACKSTONE GROUP	2,493	6%
TPG CAPITAL	2,476	6%
ADVENT INTERNATIONAL	1,432	3%
CALIFORNIA EMERGING VENTURES	1,302	3%
KKR AND CO.	1,273	3%
CVC CAPITAL PARTNERS	1,133	3%
SILVER LAKE	1,121	3%
57 STARS	906	2%
OAK HILL CAPITAL PARTNERS	891	2%
CENTINELA	848	2%
YUCAIPA	831	2%
HELLMAN AND FRIEDMAN CAPITAL PAR	793	2%
ARES MANAGEMENT LLC	732	2%
FIRST RESERVE	728	2%
AURORA CAPITAL GROUP	681	2%
HEALTH EVOLUTION PARTNERS	663	2%
BRIDGEPOINT CAPITAL	613	1%
STANDARD LIFE	610	1%
GREEN EQUITY INVESTORS	548	1%
TOWERBROOK CAPITAL PARTNERS	519	1%
NEW MOUNTAIN CAPITAL LLC	482	1%
WAYZATA OPPORTUNITIES FUND	474	1%
WLR RECOVERY	435	1%
HAMILTON LANE	432	1%
MHR	431	1%
CONVERSUS	404	1%
PROVIDENCE EQUITY PARTNERS	403	1%
RIVERSTONE	400	1%
ASIA ALTERNATIVE ASSETS	398	1%
CERBERUS	368	1%
CAPITAL DYNAMICS	366	1%
AVENUE CAPITAL PARTNERS	364	1%
MADISON DEARBORN PARTNERS	363	1%
COLLER CAPITAL	356	1%
KHOSLA VENTURES	351	1%

Firm (continued)	Total Exposure ($M)	% of Program
KMCP	340	1%
WELSH AND CARSON AND ANDERSON	328	1%
THL EQUITY ADVISORS	286	1%
PERMIRA	284	1%
ARCLIGHT	272	1%
SAIF PARTNERS	259	1%
FRANCISCO PARTNERS	254	1%
BIRCH HILL EQUITY PARTNERS	250	1%
PALLADIUM	210	<1%
OAKTREE CAPITAL MANAGEMENT	206	<1%
LEVINE LEICHTMAN CAPITAL PARTNER	202	<1%
THE RESOLUTE FUND	200	<1%
CLESSIDRA CAPITAL	193	<1%
AUDAX GROUP	190	<1%
KPS	188	<1%
LIME ROCK	174	<1%
CLEARWATER CAPITAL	173	<1%
AFFINITY EQUITY PARTNERS	171	<1%
RIVERWOOD CAPITAL LLC	166	<1%
WELLSPRING CAPITAL MANAGEMENT	166	<1%
LION CAPITAL	164	<1%
HUNTSMAN GAY CAPITAL	147	<1%
INSIGHT CAPITAL	143	<1%
AISLING CAPITAL	141	<1%
ESSEX WOODLANDS HEALTH VENTURI	120	<1%
POLISH ENTERPRISE	119	<1%
DARBY OVERSEAS INVESTMENTS	118	<1%
W CAPITAL PARTNERS	114	<1%
MAGNUM CAPITAL	113	<1%
BASTION CAPITAL	112	<1%
VANTAGEPOINT VENTURE PARTNERS	106	<1%
LOMBARD INVESTMENTS	103	<1%
CREDIT SUISSE	100	<1%
PAGASI	99	<1%
RHONE PARTNERS	95	<1%
CLARUS VENTURES	92	<1%
EM ALTERNATIVES	90	<1%
OTHER	784	2%

Source: State Street Bank, Private Edge, PCA