



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

Quarterly Report Executive Summary

(As of September 30, 2013)

Presentation Date: November 18, 2013

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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 strategy, 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 underperformed the Policy Benchmark over the latest one, three, five, and ten-year periods. Despite trailing the Policy Benchmark by 140 basis points over the latest ten-year period, **the PE Program's 12.8% average annual return as of September 30, 2013 is above CalPERS' expected return for the asset class of 12.1%¹ and well above the actuarial rate of return.**
- **The PE Program has been net cash flow positive (i.e., distributions received exceeded capital contributions made) over the past three years.** Over the latest three year period ending September 30, 2013, the PE Program has received \$23.7 billion in distributions while contributing \$11.4 billion, resulting in a positive net cash flow of \$12.3 billion. The PE Program has received \$6.5 billion in net cash flows (\$9.6 billion of distributions less \$3.1 of contributions) over the latest one-year period ending September 30, 2013.
- The **Buyout strategy continues to be the largest proportion of the PE Program** at 61%, and was the largest contributor to performance over the latest three-year period due to valuation increases across the strategy. The PE Program's buyout exposure posted a three-year return of 15.7% as of September 30, 2013. **Strategy allocations are within target ranges.**
- The **United States, representing the largest exposure of the portfolio at 75%, had the most significant impact on performance** results over the latest three-year period. As of September 30, 2013, the PE Program's domestic exposure generated a 16.9% three-year return compared to a 14.0% return for the PE Program's international-developed world exposure.
- **Partnerships, representing the largest type of investment vehicle in the portfolio, had the most significant impact on performance** results over the past three years posting a 16.9% average annual return as of September 30, 2013.
- An analysis of the existing unfunded commitments shows that the **PE Program's general partners have significant "dry powder"** (\$10.0 billion), over a third of which is from the 2007-2008 vintage years and a material proportion is expected to be deployed within the next several years.
- Although the PE Program is in its twenty-third year, the preponderance of value and performance are attributable to **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 34% of total exposure**, which is defined as market value plus unfunded commitments. Amongst these five firms, capital is allocated across 82 investments (partnerships and direct investments), targeting multiple strategies and geographies.

¹ Source: 2010 ALM Workshop CMA



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1.3 Industry Trends

- **Fundraising activity continued to increase in the third quarter of 2013** after a slow start in the first quarter. Approximately \$158 billion of commitments were raised domestically in the first nine months of 2013, with buyouts continuing to represent the largest proportion of capital raised. Year-to-date, this nearly matches the full calendar year 2012 commitment amount of \$160 billion. The market continues to be bifurcated, resulting in the most attractive funds becoming over-subscribed, with the remainder continuing to struggle in an otherwise challenging environment.
- **Announced U.S. buyout deal volume exhibited a slight decrease in Q3 2013 from the prior quarter.** Total announced U.S. buyout deal volume was \$46.5 billion in Q3 2013, down slightly from \$51.6 billion in the second quarter. Activity still remains well below the pre global financial peak of \$595 billion for the 2007 calendar year but is on pace to achieve the highest annual level over the past five years.
- **Risk metrics in the leveraged buyout market exhibited slight increases during the third quarter of 2013** as both purchase price multiples and debt multiples increased. The average purchase price multiple in the third quarter of 2013, at 8.5x, increased from 7.8x in the second quarter and was slightly above the ten-year average of 8.4x. Debt multiples increased slightly to 5.3x through the first three quarters of 2013, up from 5.2x through the first half 2013.
- **Venture capital investment activity increased slightly in the third quarter of 2013**, but is on pace to continue a downward trend in annual investment activity. Approximately \$20.7 billion was invested across 2,867 companies in the first nine months of 2013 which, when annualized, would lag the \$27.1 billion invested across 3,826 companies in 2012. Approximately \$29.6 billion was invested across 3,991 companies in 2011.
- **Exit activity for venture capital investments continued to increase in the third quarter of 2013.** The number of merger and acquisition (M&A) transactions increased in the third quarter of 2013, but was still below the quarterly average over the past three years. The initial public offering (IPO) market also exhibited an increase in the third quarter of 2013 as 38 venture-backed companies went public, raising \$5.0 billion. Excluding the second 2012 quarter spike due to Facebook, the third quarter represented the highest quarterly value generation over the past ten years. Twitter is expected to be the next high profile IPO to hit the market in late 2013.
- **The outlook for distressed debt investment strategies continues to be 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.

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2.0 PE Program Performance Overview

2.1 Overall Private Equity Program Performance

The PE Program underperformed the Policy Benchmark over the latest one, three, five and ten-year periods. Despite posting a very strong 19.0% return, above long-term expectations for the asset class, the PE Program underperformed the Policy Benchmark by 4.0% 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 of 23.0%, well above long-term return expectations. The strong absolute three-year returns for the PE Program and the Policy Benchmark exhibit the continued recovery from the economic crisis in late 2008/early 2009, while the PE Program underperformed by 2.9%. The lower absolute five-year return for the PE Program was impacted by the economic crisis, while the underperformance relative to the benchmark was due, in part, to the composition of the Policy Benchmark. The Custom Young Fund Index, a benchmark utilized until July 2009, did not reflect the public market 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 above the actuarial rate of return over the latest ten-year period**, despite trailing the Policy Benchmark by 140 basis points.

Performance vs. Policy Benchmarks

	1 Year	3 Year	5 Year	10 Year
CalPERS' PE Program²	19.0%	15.8%	7.6%	12.8%
<i>PE Program Policy Benchmark³</i>	23.0%	18.7%	12.7%	14.2%
Excess Return				
<i>v. Policy Benchmark</i>	(4.0%)	(2.9%)	(5.1%)	(1.4%)

Source: Wilshire Associates

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. The Custom Young Fund Index was composed of private equity holdings where write downs lagged the public markets declines in the reporting period.

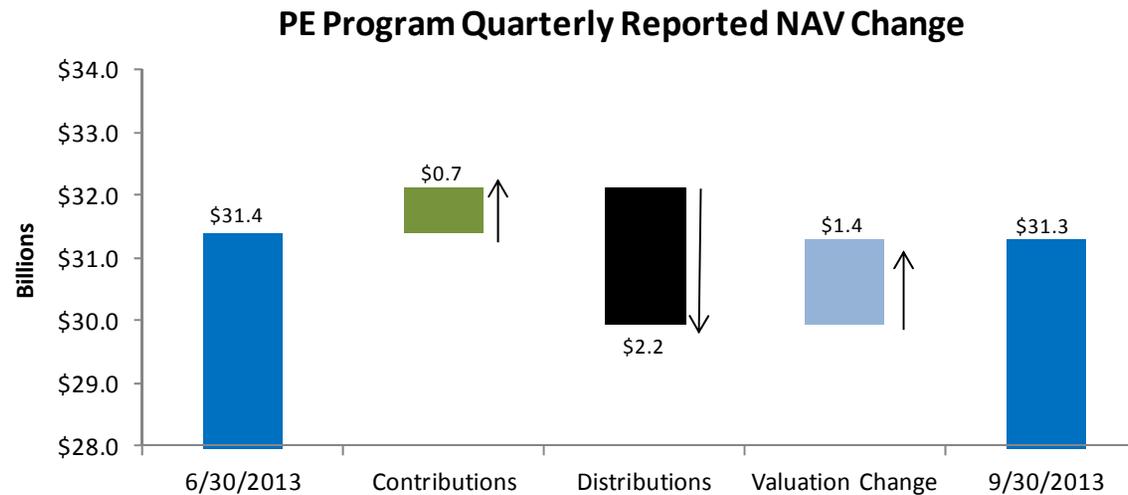


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2.2 Net Asset Value Change

At the end of the third quarter of 2013, the PE Program value declined slightly from the prior quarter of \$31.4 billion as distributions materially exceeded contributions over the quarter. Approximately \$0.7 billion of capital was contributed to underlying partnerships during the quarter while **\$2.2 billion was distributed (representing over 7% of quarter-end market value)**. The PE Program holdings exhibited unrealized appreciation of approximately \$1.4 billion resulting in an aggregate valuation of \$31.3 billion as of September 30, 2013.

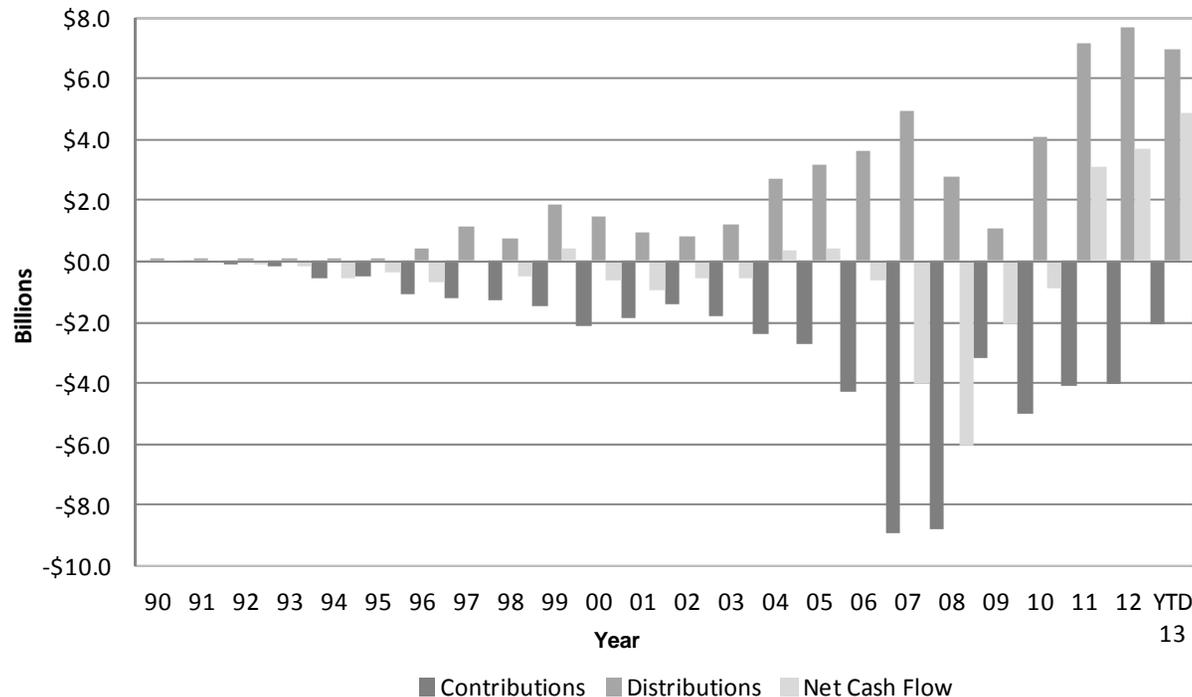


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2.3 Portfolio Cash Flows

The PE Program's net cash flow was positive (i.e., distributions exceeded capital contributions) during the third quarter of 2013 and the prior five quarters. Over the last six quarters, the PE Program has received \$13.9 billion in distributions while contributing \$4.8 billion, resulting in a positive net cash flow of \$9.1 billion. Distribution activity has been high due to more friendly credit markets, material utilization of the dividend recap, and greater use of the IPO market. In addition, the PE Program's sales of holdings on the secondary market during the 2012 calendar year and proceeds received when investments in Apollo Global Management and The Carlyle Group were monetized in 2013, generated distribution activity and contributed to the positive net cash flows.

PE Program Annual Cash Flows



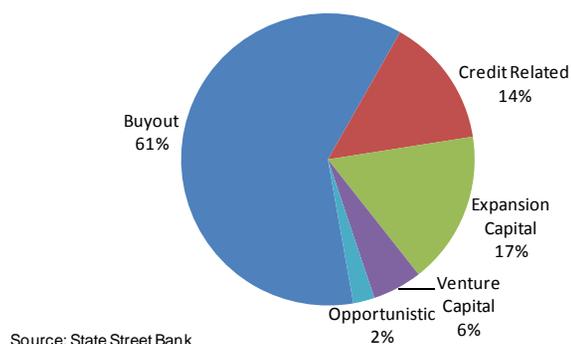
Source: Private Edge, PCA

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2.4 Portfolio Strategy Composition and Performance

Strategy 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 exposure by net asset value (NAV). The **Buyout strategy continues to be the largest proportion** of the PE Program at 61%, the same as the prior quarter. **Strategy allocations are within target ranges.**

PE Program NAV by Strategy: \$31.3B

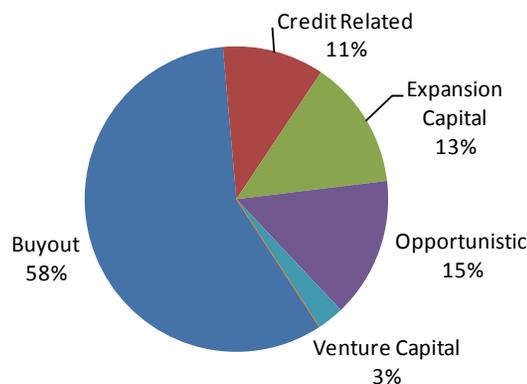


Target Strategy Allocations

Strategy	Target	Range	Actual
Buyouts	60%	50%-70%	61%
Credit Related	15%	10%-25%	14%
Venture Capital	1%	0%-7%	6%
Growth/Expansion	15%	5%-20%	17%
Opportunistic	10%	0%-15%	2%

Strategy-wise, Buyouts represent the greatest proportion of the PE Program’s unfunded commitments and will therefore continue to be its largest exposure prospectively.

PE Program Unfunded Commitments by Strategy: \$10.0 B



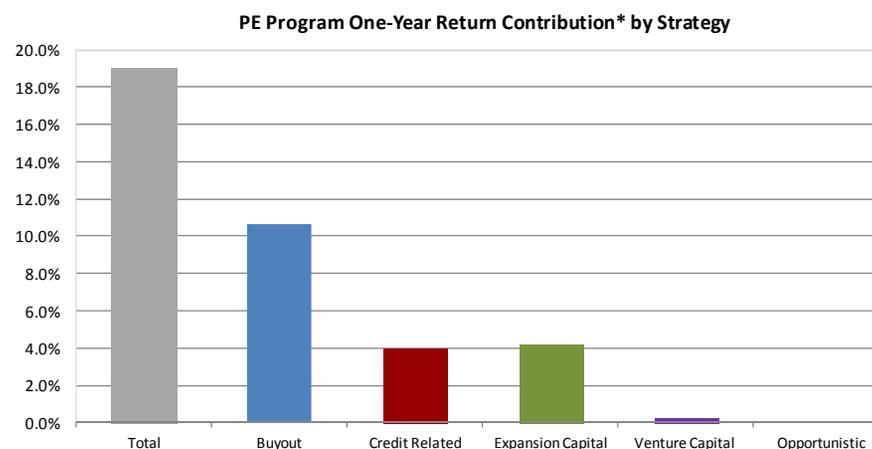
Source: State Street Bank, Private Edge, PCA



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All major strategies of the PE Program contributed positive results over the last twelve months. **Buyouts were the largest contributor to performance** as the strategy continued to experience valuation increases. Expansion Capital, representing 17% of the Program, was the second largest contributor to results for the year followed closely by Credit Related.



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

Over the most recent three-year period, the PE Program posted a 15.8% average annual return. The three-year results include the continued recovery from the economic crisis as assets appreciated from valuation lows. The Buyout strategy (with a 15.7% 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 and Expansion Capital strategies were also large contributors, posting strong returns of 21.4% and 15.9%, respectively, over the same time period. The Buyout strategy has generated attractive results over the longer ten-year period, posting an average annual return of 17.2%.

Performance Summary: by strategy

	1 Year	3 Year	5 Year	10 Year
PE Program	19.0%	15.8%	7.6%	12.8%
<i>Buyout</i>	17.4%	15.7%	7.6%	17.2%
<i>Credit Related</i>	27.4%	21.4%	14.3%	15.2%
<i>Expansion Capital</i>	24.9%	15.9%	3.8%	8.6%
<i>Venture Capital</i>	3.7%	6.2%	1.3%	4.3%
<i>Opportunistic</i>	4.1%	11.6%	1.2%	5.9%

Source: State Street Bank

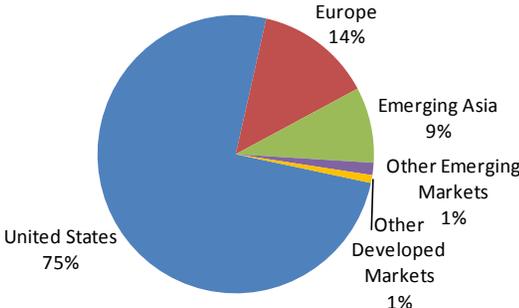


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2.5 Portfolio Geographic Composition and Performance

The PE Program, like CalPERS' other asset classes, invests globally. Approximately **75% of the PE Program's NAV is inside of the United States** (based on the location of the investment firm) with 15% invested in developed markets (primarily Europe at 14%) and 10% in emerging markets (primarily Asia at 9%).

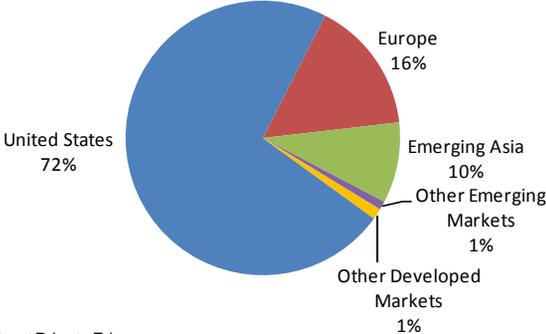
PE Program NAV by Geography: \$31.3 B



Source: State Street Bank, PCA

The United States is expected to receive 72% of remaining unfunded commitments, followed by Europe at 16% and emerging Asia at 10%.

PE Program Unfunded Commitments by Geography: \$10.0 B



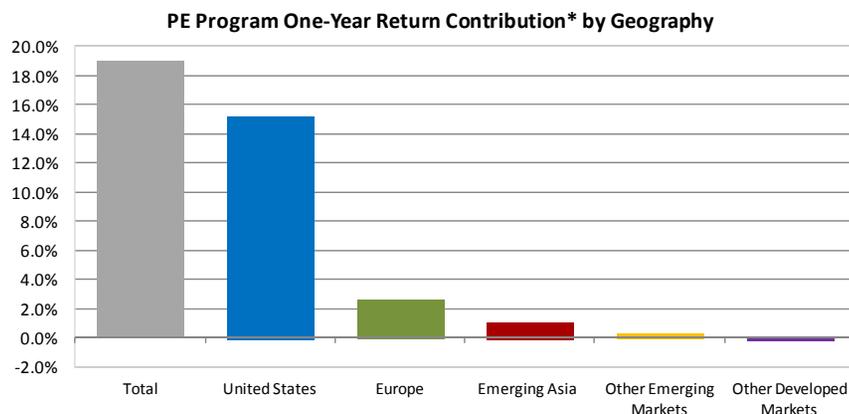
Source: State Street Private Edge



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Performance results were positive across the major geographic sectors except for Other Developed Markets (primarily Developed Asia). 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 and was followed by Emerging Asia.



* 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 15.8% return. The PE Program's U.S. exposure posted an average annual return of 16.9% over the past three-year period. The PE Program's international developed markets exposure posted a 14.0% average annual return over this period while emerging markets returned 11.9%. 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 8.6% and 12.4% over the latest five-year and ten-year periods, respectively.

Performance Summary: by geography⁴

	1 Year	3 Year	5 Year	10 Year
PE Program	19.0%	15.8%	7.6%	12.8%
<i>United States</i>	20.2%	16.9%	8.6%	12.4%
<i>International- Developed World</i>	17.3%	14.0%	1.4%	15.8%
<i>International- Emerging Markets</i>	12.7%	11.9%	7.8%	15.7%

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.

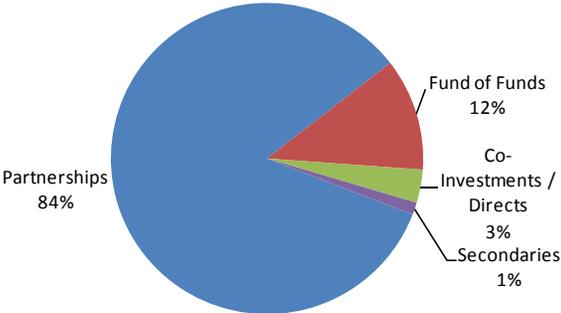


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2.6 Portfolio Structure Composition and Performance

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%.

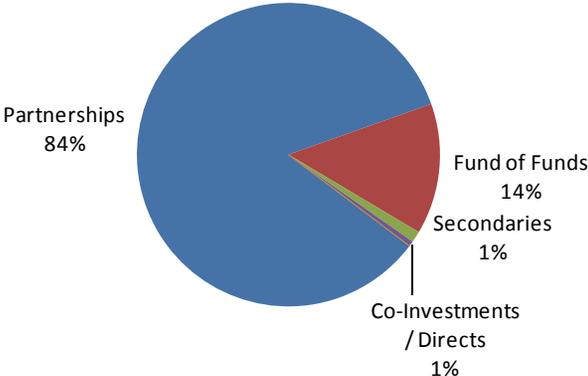
PE Program NAV by Structure: \$31.3 B



Source: State Street Bank

Partnerships are expected to receive the vast majority of unfunded commitments at 84%, followed by fund of funds at 14%.

PE Program Unfunded Commitments by Structure: \$10.0 B



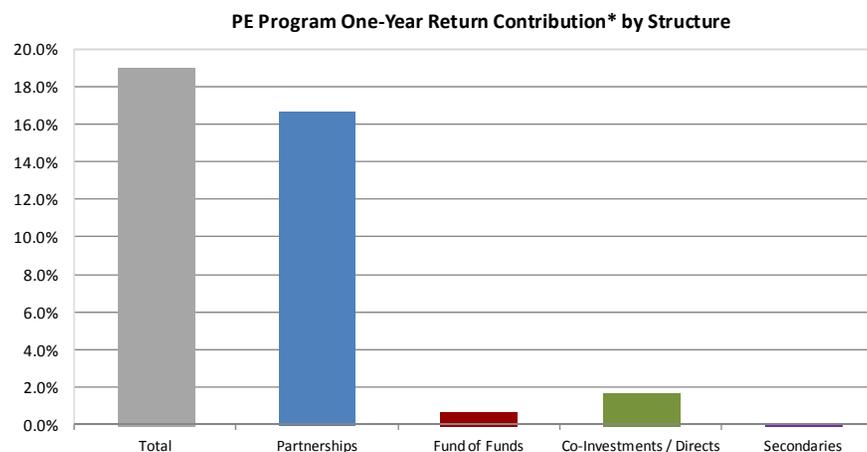
Source: State Street Bank, Private Edge, PCA



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Performance results are net positive across all structures over the latest year. **Partnerships, representing the largest structure of the portfolio, had the most significant impact on performance** results. The PE Program's Co-Investments / Directs, despite representing only 3% of the Program, provided the second largest positive contribution over the latest year.



* 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 15.8% return. The PE Program's Partnership investments, with the largest exposure, posted an average annual return of 16.9% over the past three-year period. Partnership investments have historically represented the largest component of the Program and have posted average annual returns of 9.0% and 13.4% 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 latest five-year period, posted a strong 20.1% average annual return over the latest ten-year period while fund of funds were a drag on performance with a 6.5% average annual return.

Performance Summary: by structure

	1 Year	3 Year	5 Year	10 Year
PE Program	19.0%	15.8%	7.6%	12.8%
<i>Partnerships</i>	20.0%	16.9%	9.0%	13.4%
<i>Fund of Funds</i>	6.0%	8.6%	2.7%	6.5%
<i>Co-Investment / Directs</i>	50.5%	19.1%	(1.0%)	20.1%
<i>Secondaries</i>	3.5%	11.2%	4.8%	11.9%

Source: State Street Bank

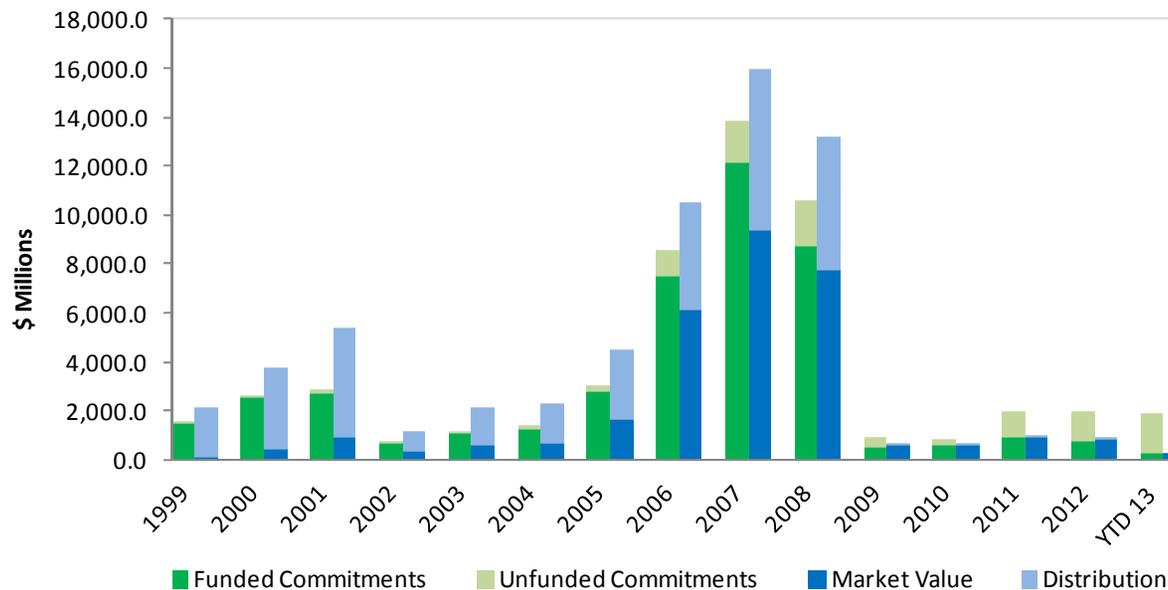


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2.7 Portfolio Vintage Year Composition and Performance

The PE Program currently has \$56.2 billion in active commitments⁵, \$10.0 billion of unfunded commitments, and \$31.3 billion in market value. 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, \$800 million in 2010, \$1.9 billion in 2011, and \$2.0 billion in 2012). The majority of active commitments and market value are currently represented by the 2006 to 2008 vintage years at \$33.0 billion and \$23.2 billion, respectively.

Commitments and Total Value by Vintage Year



Source: Private Edge

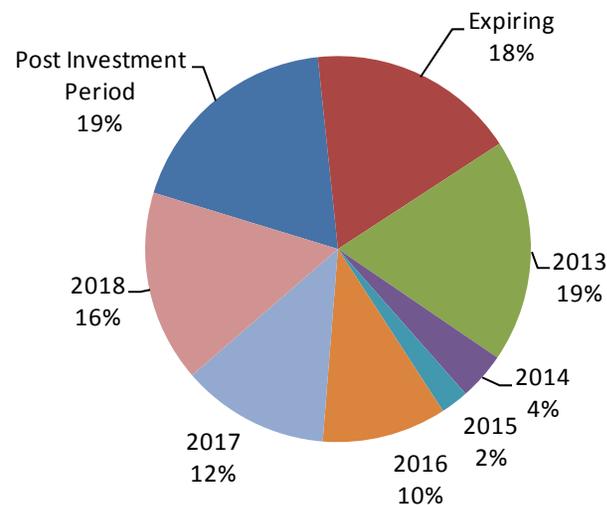
⁵ Active commitments only include commitments that have drawn down capital as of the reporting date.

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The **majority of unfunded commitments are expected to be deployed within the next several 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. In addition, a material amount of the unfunded commitments are relatively dated and are therefore past their investment period with much of this capital being utilized to fund management fees/expenses and follow-on transactions. The material exposure in the Post Investment Period and Expiring categories are due to the significant commitments (\$22.4 billion) made in 2006 and 2007 vintage years.

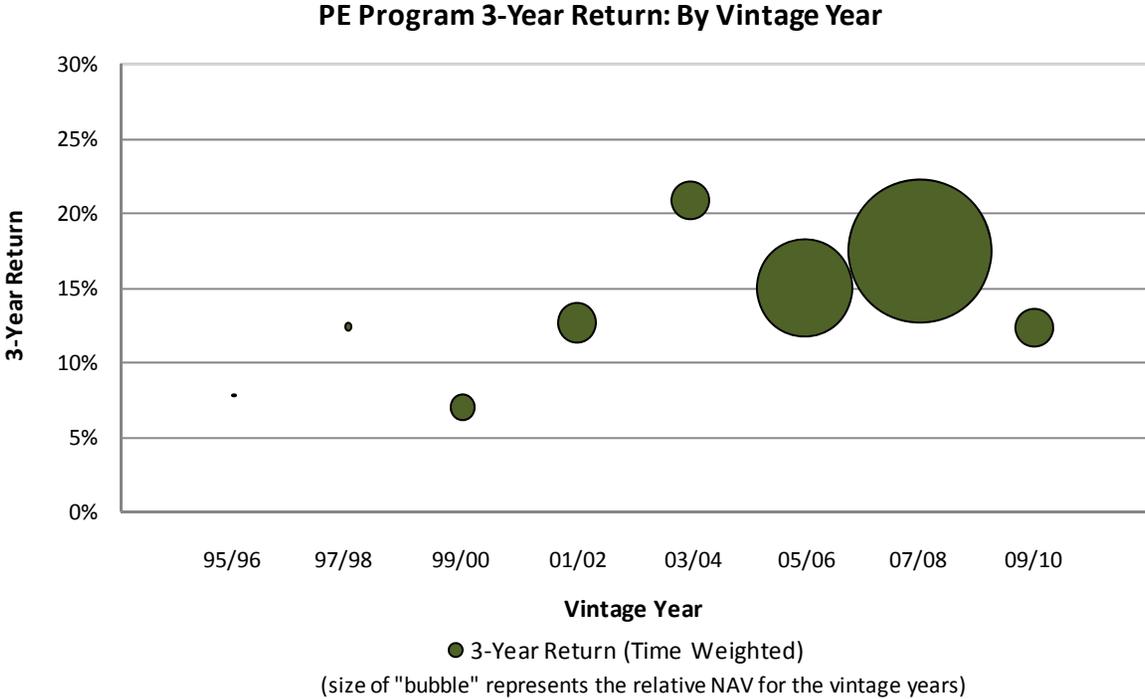
PE Program Unfunded Commitments by Maturity



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-third 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



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2.8 Annual Commitment Activity and Manager Concentration

The PE Program has committed \$3.9 billion across 11 opportunities at September 30, 2013 categorized as a 2013 vintage. All but one commitment in the 2013 calendar year to date represent existing relationships.

PE Program Commitment Activity through YTD 2013

<u>Partnership/Firm</u>	<u>Commitment (\$M)</u>	<u>Sector</u>	<u>Relationship</u>
TowerBrook Investors IV	\$380.0	Buyout	Existing
Carlyle Partners VI	547.0	Buyout	Existing
GSO Capital Solutions II	500.0	Credit Related	Existing
KKR Asian Fund II	575.0	Buyout	Existing
Silver Lake Partners IV	400.0	Buyout	Existing
Triton Fund IV	97.5	Buyout	New
Three Co-Investments	255.0	Co-investment	Existing
Apollo Investment Fund VIII	500.0	Buyout	Existing
CVC European Equity Partners VI	649.9	Buyout	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 34% of total exposure. Amongst these five firms, capital is allocated across 82 investments (partnerships and direct investments) and targets multiple strategies and geographies.

Largest PE Program Relationships by Total Exposure

<u>Firm</u>	<u>Investments</u>	<u>Total Exposure (\$M)</u>	<u>% of Program</u>
The Carlyle Group	32	\$4,176	10%
Apollo Investment Management	14	3,573	9%
TPG Capital	16	2,518	6%
Blackstone Group	13	2,491	6%
Advent International	7	1,320	3%

Source: State Street Bank, Private Edge, PCA



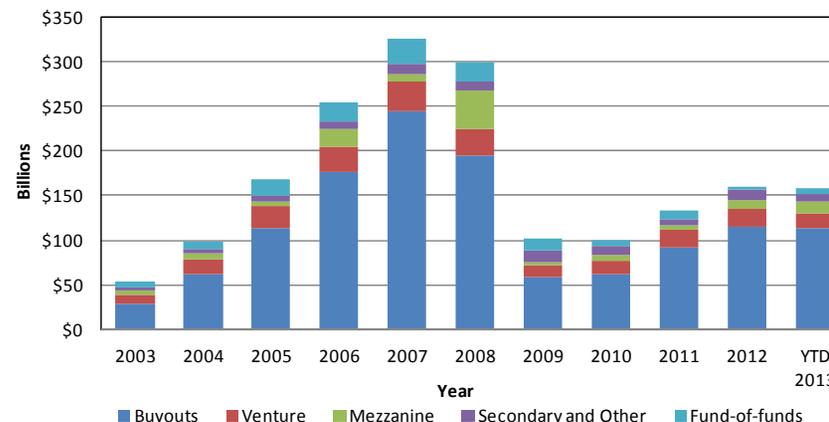
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3.0 Private Equity Market Environment

Fund Raising Trends

- During the first nine months of 2013, approximately \$158 billion of commitments were raised. Commitments raised through the first three quarters of 2013 have nearly matched the \$160 billion raised in the full calendar year of 2012.
- Buyouts led fundraising activities in the three quarters of 2013 raising \$113 billion of commitments, followed by venture capital at \$16 billion, mezzanine at \$13 billion, secondary and “other” at \$9 billion, and fund of funds at \$7 billion.

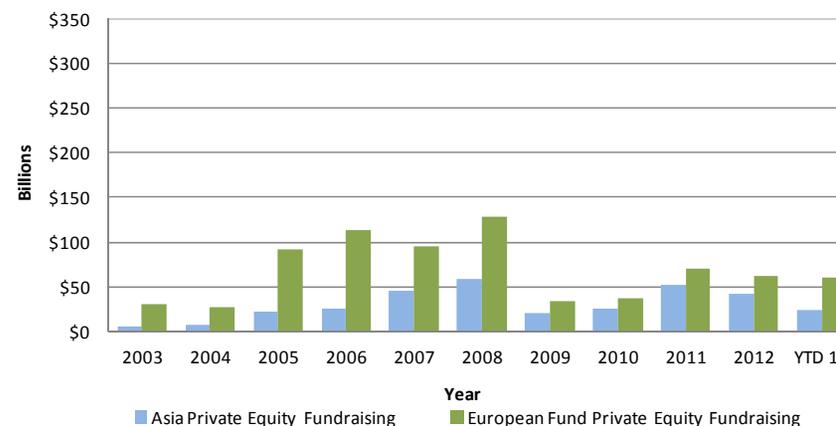
Commitments to U.S. Private Equity Partnerships



Source: Private Equity Analyst through September 2013

- Commitments to private equity partnerships outside of the U.S. have exhibited similar trends in fund raising activity over the past several years.
- Commitments to European funds have historically outpaced those to Asian private equity funds. This continues to be true year-to-date in 2013.

Commitments to Non-U.S. Private Equity



Source: Thomson Reuters

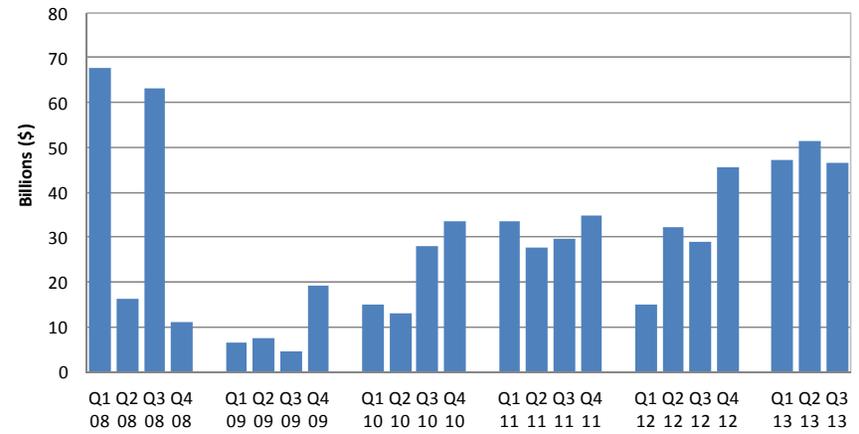


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U.S. Buyout Market Trends

- Total announced U.S. buyout deal volume was \$46.5 billion in Q3 2013, down slightly from \$51.6 billion in the second quarter. However, 2013 activity is on pace to achieve the highest annual deal volume since 2007.
- Q3 2013 saw standalone buyouts representing the largest proportion of transactions followed by add-on acquisitions and platform investments.
- The technology industry exhibited the most transaction activity over the latest quarter, followed by industrials, materials, and healthcare.

Announced and Disclosed U.S. Quarterly LBO Deal Value*



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



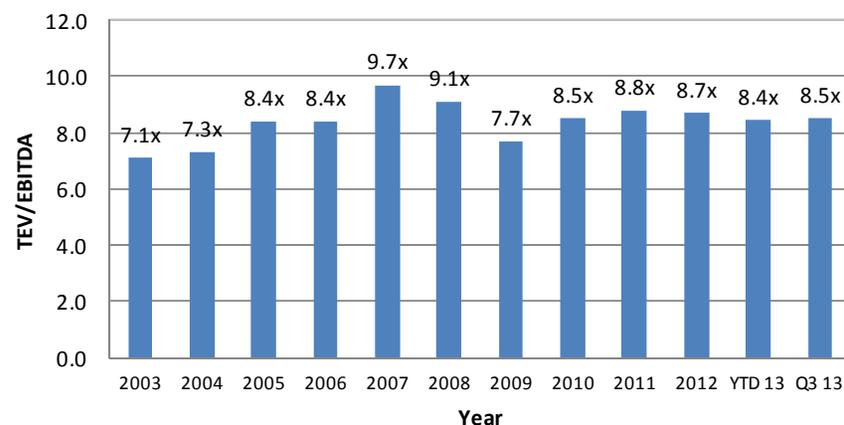
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U.S. Purchase Price Multiples

- 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 first nine months of 2013, at 8.4x, matches the ten-year average.

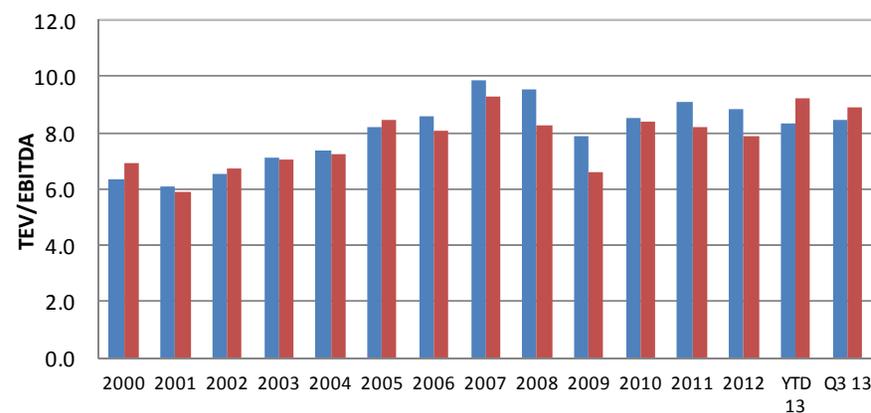
Average U.S. Purchase Price Multiples



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).
- Post crisis focus shifted towards commitments to smaller/middle market opportunities, suggesting additional competition for deals that could influence the purchase price multiple in the smaller end of the market. In the first nine months and the third quarter of 2013, purchase price multiples for small/middle-market transactions exceeded those for larger transactions.

U.S. Purchase Price Multiples: Large vs Middle Market



Source: S&P Capital IQ

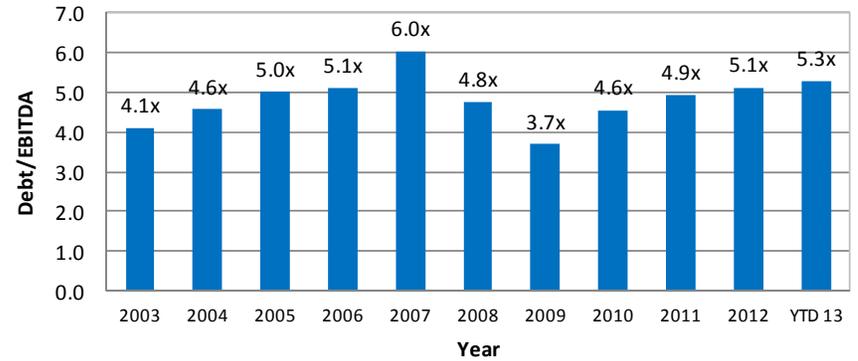


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Debt Multiples

- The first nine months of 2013 exhibited a slight increase in the average debt multiple to 5.3x.
- The average debt multiple increased from a low of 3.7x in 2009 as risk appeared to be increasing in buyout transactions.

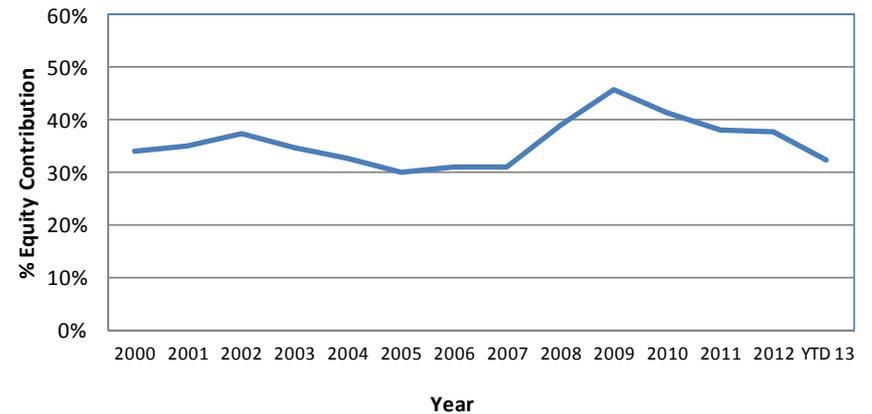
Average Debt Multiples



Source: S&P Capital IQ

- The average equity contribution has declined from a high of 46% in 2009 and was at 32% in the first nine months of 2013.
- Lower equity contributions result in less conservative capital structures for transactions. The long-term impact on performance results remains uncertain.

Equity Contribution



Source: S&P Capital IQ



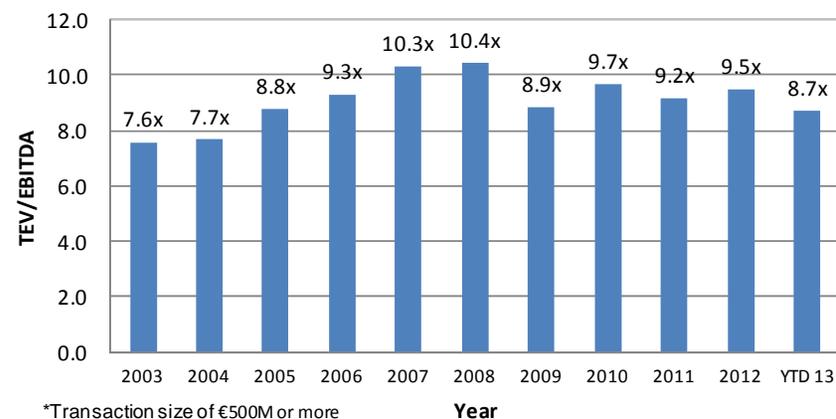
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European Purchase Price and Debt Multiples

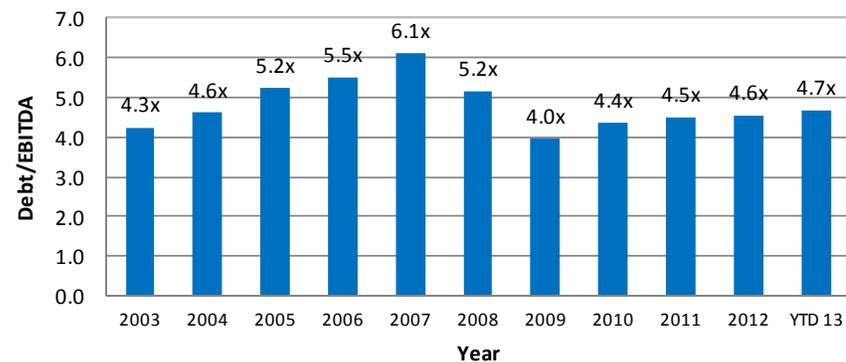
- European purchase price multiples initially declined from their 2007/2008 peak to a near-term low in 2009, but rebounded quickly to 9.7x in 2010.
- The average purchase price multiple for the first nine months of 2013, at 8.7x, is below the ten-year average of 9.1x.

Average European Purchase Price Multiples



- As with the U.S. credit markets, 2007 reached a peak in average debt multiples. The dynamics of 2009 and 2010 resulted in more conservative capital structures for transactions completed.
- The average debt multiple for European LBO transactions increased from a low in 2009 of 4.0x, up to 4.7x in the first three quarters of 2013.

Average European Debt Multiples



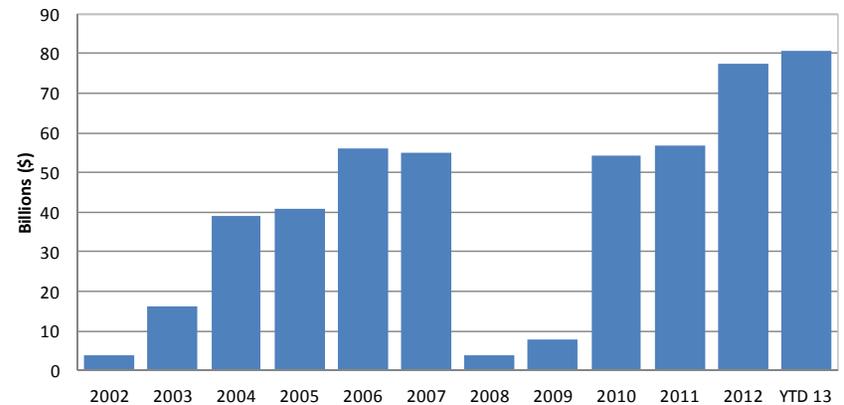
Source: S&P Capital IQ



Recaps and Stock Repurchases

- Dividend recaps result in increasing leverage, and ultimately risk, at the portfolio company level.
- The private equity market saw a re-emergence of dividend recaps and stock repurchase activity in 2010, which had virtually disappeared post credit bubble.
- \$80.6 billion in dividend recaps/stock repurchases occurred in the first nine months of 2013, already exceeding the \$77.3 billion that occurred in the full calendar year in 2012.

Dividend/Stock Repurchase Loan Volume



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



Quarterly Report

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.
- Prices have continued a steady climb towards par since late 2011, limiting opportunities.

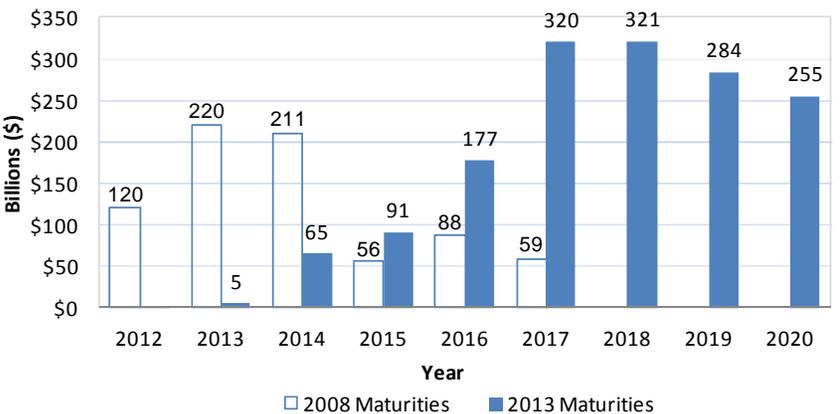
Leveraged Loan Index



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.

Bond and Loan Maturities: 2008 vs 2013



Source: LCD, Standard & Poors, Ares Management

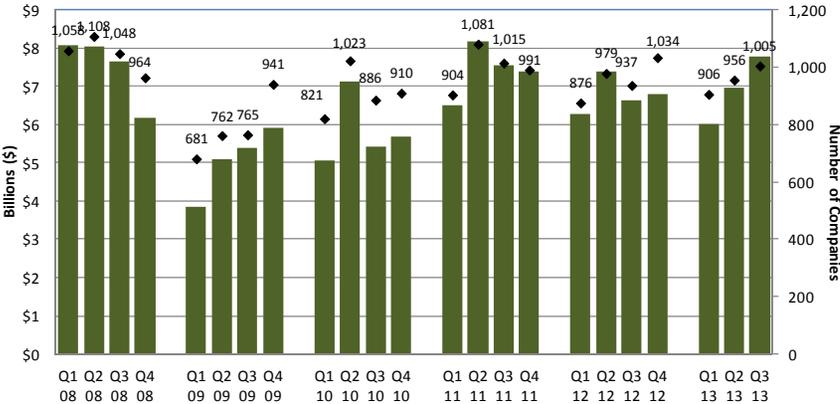


Quarterly Report

U.S. Venture Capital Trends

- In the third quarter of 2013, 1,005 companies received approximately \$7.8 billion of capital up from the second quarter of 2013 where 956 companies received \$7.0 billion of capital.
- After year over year increases in venture capital investment activity from 2009 through 2011, 2012 exhibited a slight decrease of investment activity. Approximately \$27.1 billion was invested across 3,826 transactions in 2012, down from \$29.6 billion invested across 3,991 transactions in 2011.
- Despite lower investment activity, several dynamics in the industry suggest potential for attractive long-term results going forward, including: reduced institutional investor commitments to venture capital resulting in decreased competition for deals and less “me too” companies; 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

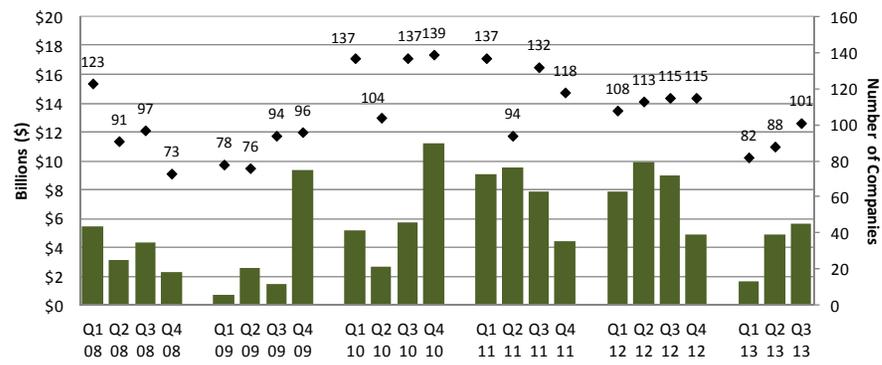


Quarterly Report

Venture Capital Exit Environment

- M&A value for venture-backed companies increased in the third quarter of 2013, as 101 transactions were completed representing \$5.6 billion of value.
- Exit opportunities for venture-backed companies had leveled off over the past two years. In 2011, 481 venture-backed M&A transactions representing \$30.9 billion in value were completed, slightly trailing the \$31.6 billion in value transacted across 451 companies in 2012. Through the first nine months of 2013, M&A levels are well below the prior two years.

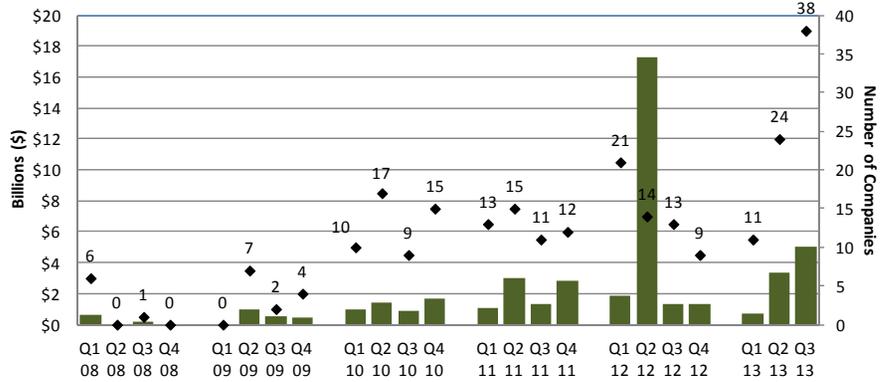
Quarterly U.S. Venture Capital M&A Activity



Source: Thomson Reuters

- The third quarter of 2013 continued to exhibit an upward trend in IPO activity as 38 venture-backed companies went public, raising \$5.0 billion after 24 companies went public in the second quarter raising \$3.3 billion.
- Removing the Q2 2012 spike in IPO activity due to Facebook, the third quarter of 2013 represented the largest amount of capital raised since the second quarter of 2007.

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)

<u>Firm</u>	<u>Total Exposure (\$M)</u>	<u>% of Program</u>	<u>Firm (continued)</u>	<u>Total Exposure (\$M)</u>	<u>% of Program</u>
CARLYLE GROUP	4,176	10%	PERMIRA	306	1%
APOLLO MANAGEMENT	3,573	9%	CAPITAL DYNAMICS	304	1%
TPG CAPITAL	2,518	6%	WELSH AND CARSON AND ANDERSON	292	1%
BLACKSTONE GROUP	2,491	6%	THL EQUITY ADVISORS	292	1%
ADVENT INTERNATIONAL	1,320	3%	FRANCISCO PARTNERS	264	1%
KKR AND CO.	1,209	3%	SAIF PARTNERS	258	1%
CVC CAPITAL PARTNERS	1,103	3%	BIRCH HILL EQUITY PARTNERS	248	1%
CERBERUS	1,056	3%	ARCLIGHT	247	1%
CALIFORNIA EMERGING VENTURES	1,040	3%	OAKTREE CAPITAL MANAGEMENT	218	1%
CREDIT SUISSE FUND INVESTMENT GR	962	2%	THE RESOLUTE FUND	215	<1%
57 STARS	929	2%	PALLADIUM	204	<1%
OAK HILL CAPITAL PARTNERS	923	2%	KPS CAPITAL PARTNERS	196	<1%
THE YUCAIPA COMPANIES	893	2%	CLESSIDRA CAPITAL	195	<1%
SILVER LAKE	843	2%	RIVERWOOD CAPITAL LLC	184	<1%
HELLMAN AND FRIEDMAN CAPITAL PAR	790	2%	AFFINITY EQUITY PARTNERS	175	<1%
FIRST RESERVE	782	2%	LEVINE LEICHTMAN CAPITAL PARTNER	165	<1%
HEALTH EVOLUTION PARTNERS	633	2%	AUDAX GROUP	164	<1%
STANDARD LIFE	629	2%	LIME ROCK	153	<1%
BRIDGEPOINT CAPITAL	624	2%	LION CAPITAL	152	<1%
ARES MANAGEMENT LLC	592	1%	INSIGHT CAPITAL	151	<1%
KMCP ADVISORS	567	1%	POLISH ENTERPRISE	148	<1%
GREEN EQUITY INVESTORS	527	1%	AISLING CAPITAL	141	<1%
MHR FUND MANAGEMENT	508	1%	CLEARWATER CAPITAL	141	<1%
TOWERBROOK CAPITAL PARTNERS	497	1%	WELLSPRING CAPITAL MANAGEMENT	136	<1%
NEW MOUNTAIN CAPITAL LLC	474	1%	HUNTSMAN GAY CAPITAL	127	<1%
RIVERSTONE LLC	458	1%	ESSEX WOODLANDS HEALTH VENTURI	118	<1%
HAMILTON LANE	431	1%	MAGNUM CAPITAL	109	<1%
WLR RECOVERY	421	1%	PAGASI	108	<1%
RIVERSTONE GLOBAL ENERGY	411	1%	UNCLASSIFIED	102	<1%
ASIA ALTERNATIVE ASSETS	392	1%	W CAPITAL PARTNERS	98	<1%
PROVIDENCE EQUITY PARTNERS	368	1%	LOMBARD INVESTMENTS	96	<1%
AURORA CAPITAL GROUP	355	1%	EM ALTERNATIVES	96	<1%
COLLER CAPITAL	355	1%	VANTAGEPOINT VENTURE PARTNERS	90	<1%
KHOSLA VENTURES	355	1%	CLARUS VENTURES	87	<1%
MADISON DEARBORN PARTNERS	350	1%	BARING	82	<1%
AVENUE CAPITAL PARTNERS	345	1%	SAGEVIEW CAPITAL LLC	79	<1%
WAYZATA OPPORTUNITIES FUND	323	1%	GRANITE GLOBAL VENTURES	79	<1%
			OTHER	707	2%

Source: State Street Bank, Private Edge, PCA



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Quarterly Report

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