INSTITUTIONAL LIMITED
PARTNERS ASSOCIATION

INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

Capital Call & Distribution Notice
Best Practices

Version 1.1
Released October 2011

ILPA Best Practices

The Institutional Limited Partners Association (ILPA) strives to improve the global private equity industry through the establishment of industry best practices. These best practices seek to provide consistency, standardization, benchmarks, and structure in order to allow for better investment returns and a more sustainable private equity industry.

The ILPA has developed a set of Best Practices which help to provide this standardization including:

- ILPA Private Equity Principles
- Standardized Reporting Templates

The ILPA Private Equity Principles

The ILPA Private Equity Principles (Principles) were developed to encourage discussion between Limited Partners (LPs) and General Partners (GPs) regarding fund partnerships. They outline a number of key principles that will further partnership between these two groups.

The ILPA believes that there are three guiding principles which form the essence of an effective private equity partnership:

- Alignment of Interest
- Governance
- Transparency

The Principles are built around the improvement of these three key tenets.

These preferred private equity terms and best practices may inform discussions between each GP and its respective LPs in the development of partnership agreements and in the management of funds. However, the ILPA recognizes that a single set of terms cannot provide for the broad flexibility of market circumstance.

The ILPA does not seek the commitment of any LP or GP to any specific terms. They should not be applied as a checklist, as each partnership should be considered separately and holistically.

Standardized Reporting Templates

The adoption of these reporting guidelines will serve several purposes, including, but not limited to:

- Enabling the LP to interpret and account for a transaction accurately
- Reducing LP and GP processing times and ultimately reducing monitoring costs
- Improving LP-GP communications in regards to an investment's status and thereby minimizing required follow-up questions
- Enabling GP compliance with legal terms in documentation

Included in this package is the latest version of the Capital Call and Distribution Notice Best Practices template. This package has been updated to include extensive input from both General and Limited Partners, accountants and legal professionals.

The Quarterly Reporting Package is the second standardized template in the series; released seperately in 2011. This package includes Best Practices around financial

ilpa INSTITUTIONAL LIMITED PARTNERS ASSOCIATION statements, and requirements for best-in-class reporting of underlying holdings and portfolio metrics.

For more information about the ILPA, the ILPA Private Equity Principles, or the Standardized Reporting Templates, visit ilpa.org .

Address through November 18, 2012:
Institutional Limited Partners Association
1201 – 55 Yonge Street
Toronto, ON M5E 1J4
Canada

New address beginning November 21, 2012:
Institutional Limited Partners Association
1200 – 55 York Street
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SECTION I
OVERVIEW

ILPA Standardized Reporting

As a fiduciary, Limited Partners are faced with the need for increased transparency and reporting in order to inform and guide their Boards, Trustees, Portfolio Managers and Risk Departments. Investors repeatedly make inquiries of the General Partners needing further detail into their investments.

The ILPA has been working to develop a suite of standardized reporting templates that will help to regulate reporting in the private equity industry. This is part of the ILPA's efforts to generate greater industry efficiencies, improve uniformity and transparency, and reduce expenses in administering and monitoring private equity investments.

Capital Call & Distribution Notice (the "notice" or "CC&DN")

The CC&DN serves as the GP's announcement of a required transfer of capital between itself and its LPs. From the perspective of the LP, the notice serves as the basis upon which to carry out its initial monitoring and fiduciary reporting duties. The following guidelines are intended to enhance an LP's understanding of how its capital is being allocated, while allowing a GP to efficiently manage its cash flow requirements. Core contents of an effective Quarterly Reporting Package include (but are not limited to):

- Cover Letter
- Notice
- Data Template

These guidelines are issued in the spirit of the three guiding ILPA Principles: Alignment of Interest, Governance and Transparency.

Capital Call / Distribution Template

After extensive consultation with GPs, LPs and third-parties, Institutional Limited Partners Association has developed generic reporting templates to cover capital calls and distribution notices as a starting point from which other templates can be evolved. This standardization is not intended to modify the provisions of existing LPAs, as the majority of these reporting guidelines have been derived from the current best practices of a cross-section of GPs.

The adoption of these reporting guidelines will serve several purposes, including, but not limited to:

- Enabling the LP to interpret and account for a transaction accurately
- Reducing LP and GP processing times and ultimately reducing monitoring costs
- Improving LP-GP communications in regards to an investment's status and thereby minimizing required follow-up questions
- Enabling GP compliance with legal terms in documentation

The Capital Call and Distribution Notice templates are part of a set of suggested reporting guidelines that will evolve over time. Other key documents, such as the partner's capital statement, financial statements and portfolio updates will be captured in the other Best Practices releases.

The ILPA recognizes that some GPs may wish to disclose additional information beyond what is included in these reporting guidelines. There is no intention by the ILPA to limit such disclosure.

SECTION II
CAPITAL CALL & DISTRIBUTION NOTICE PACKAGE GUIDELINES

Core Business Guidelines

The accounting transaction perspective should take precedence on how cash flows are categorized:

- GPs should present the information from an accounting perspective, consistent with how the transaction will ultimately be accounted for within a fund's records; If estimates were provided in an earlier notice, a reconciliation of those estimates to actual flows should be provided in a subsequent CC&DN.
- Sufficient detail should be provided to allow for the appropriate accounting of transactions at the underlying portfolio company level.

Cumulative cash flow metrics should be reconcilable to all CC&DNs:

• The following LP-level and total fund-level balances, both prior to and after the current transaction, should be included in all CC&DNs, regardless of whether the current transaction has an impact on those balances:

- Unfunded commitment
- Cumulative contributions, including all deemed/notional amounts
- Cumulative distributions, including all deemed/notional amounts

Notice Content & Transparency:

• The following calculations and details should be provided in all applicable CC&DNs:

- Itemized detail of the investment names represented in the CC&DN, including the individual amounts corresponding with each investment name
- Management fee details, including calculations, offsets and cumulative balances
- Waterfall details, including calculations, escrow balances and potential clawback totals
- With each distribution, the GP should disclose the exact amount of carry taken and provide a build-up to carry calculation
- LP's share of the fund, as a percent of aggregate commitments
- For GPs that issue customized, single-LP CC&DNs, both aggregate fund amounts and the GP's share of each amount (including and excluding any LP interests that the GP may represent) should be provided
- Itemized detail of all fees (e.g., transaction, financing, monitoring, management, redemption, etc.) generated by the GP
- Clear references to specific/relevant sections of the LPA
- Detailed payment instructions should be included (e.g. bank information, contact information, etc.)

Application of Guidelines:
In an effort to illustrate how the above guidelines may be applied, ILPA has developed the attached standardized templates. They have been designed to contain sufficient detail so as to minimize errors in processing by LPs as well as to be flexible enough for use by both Funds and Fund-of-Funds with a variety of structures, including:

- Closed/Open Ended Funds
- Separate Accounts
- Co-Investments
- Strategic Relationships

These templates are intended to accommodate all sub-asset classes typical of the private equity market. They are also constructed to allow GPs to provide sufficient detail for both cash and stock distributions.

Capital Call and Distribution Notice Cover Letter Guidelines

Brief, yet articulate narrative sections should be written at the aggregate fund level, and should include all offshore, side-car, or AIV entities. Specific guidelines for the narrative based on the capital use/source type include:

- For Purchases:
  - Name of company/investment (If not disclosed, reason investment is not disclosed)
  - Description of company/investment, including: geography, industry, use of capital, and the strategy of the deal (for example, was this a buyout, a growth/expansion transaction, a distressed for control deal, etc.)
  - Deal parameters, such as anticipated closing date of purchase, other parties involved in the deal, total financing amount (all parties and GP-specific amount), terms of the financing, type of security purchased, total enterprise value of the deal, company TTM EBITDA, debt versus equity used to complete the transaction, transaction expenses and/or fees generated, GP net contributed to the company/investment once closed
  - Deemed/Notional capital contribution amount included in the call (if applicable)
  - Describe and date any amendments or waivers to the LPA that were needed to facilitate this investment (if applicable)

- For Management Fees and/or Fund expenses:
  - Expense to be covered
  - Calculation of amount and method
  - Reduction or offset amounts
  - Management fee waivers, including any expenses paid to the GP prior to applying the waiver
  - Whether inside or outside of commitment

- For Cash Distributions:
  - Name of company/investment (If not disclosed, reason investment is not disclosed)
  - Amount and Description of distribution (e.g. sale, dividend recap, income, etc.)
  - For a sale, date of transaction, type of purchaser/buyer, proceeds held in escrow and the fund's potential portion of the escrow, transaction description (total amount, pricing, etc.)
  - For partially exited investments, the amount distributed to date and the cost basis of the remaining investment. For fully exited investments, fund's total MOIC and gross IRR
  - Amount of carry accrued and/or paid to GP (fund level); how much, if any, of the carry is held in escrow
  - Aggregate breakdown of ROC/gain/income (fund level)

- For Stock Distributions:
  - Name of company/investment
  - Security Name, Ticker, CUSIP
  - Shares distributed, historical cost of shares, current value of shares, basis for value, as defined in LPA

- Shares distributed to GP in consideration for carried interest distribution and supporting calculation
- Settlement location for shares, contact information for settlement location
- Restrictions on sale of shares

Capital Call & Distribution Template Guidance

2.1. Fund Name
2.2. Issue Date (or Date of Notice)
2.3. Due Date (or Settlement Date)
2.4. Fund Local Currency, Currency of Transaction, F/X Rate
2.5. GP Commitment
2.6. Fund size, including size of all offshore, sidecar and AIV entities
2.7. Cumulative Fund Amount (Prior to current Notice)
2.8. Fund Amount (current notice)
2.9. Limited Partner name / ID number
2.10. LP commitment (LP% of fund (LP commitment / fund size))
2.11. LP Unfunded commitment (Prior to current notice)
2.12. LP cumulative contributions (Prior to current notice)
2.13. LP cumulative distributions (Prior to current notice)
2.14. Holding Names / Transaction Description (or individual investment names)
2.15. Transaction types:
2.15.1. **Call: Investments** - Call for investments in new or existing underlying holdings
2.15.2. **Call: Management Fee** - Call for periodic Mgmt. Fees/GP Distributions, net of any waivers or offsets
2.15.3. **Call: Partnership Expenses** - Call for Partnership/Fund Expenses, as defined in LPA
2.15.4. **Call: Org. Costs** - Call for Organizational Costs, as defined in LPA
2.15.5. **Call: Legal Fees** - Call for Legal Fees, as defined in LPA
2.15.6. **Call: Other Expenses** - Call for miscellaneous expenses not listed above
2.15.7. **Call: Subsequent Close Interest** - Interest due from LPs that committed to subsequent closing of fund
2.15.8. **Call: Return of Excess Capital Called** - Return of unused proceeds called for investments (typically increases unfunded commitment)
2.15.9. **Call: Deemed GP Contribution** - Call from LPs, on behalf of GP's share of a capital call (typically serves as an offset to future management fees)
2.15.10. **Dist: Return of Capital – Cash** - Return of invested capital from the full or partial sale of an underlying holding
2.15.11. **Dist: Realized Gain - Cash** - Realized gain from the full or partial sale of an underlying holding
2.15.12. **Dist: Realized Loss – Cash** - Realized loss from the full or partial sale of an underlying holding
2.15.13. **Dist: Return of Capital – Stock** - Cost basis of a stock distribution
2.15.14. **Dist: Realized Gain – Stock** - Realized gain from a stock distribution
2.15.15. **Dist: Realized Loss – Stock** - Realized loss from a stock distribution
2.15.16. **Dist: Income/Dividends** - Income or dividends earned holdings
2.15.17. **Dist: Carry** - GP's share of distribution proceeds, as defined by the waterfall calculation in the LPA (offset to distribution)
2.15.18. **Dist: Clawback** - Return of excess carry distributed to GP, as defined by the waterfall calculation in the LPA (offset to Carry)
2.15.19. **Dist: Subsequent Close Interest** - Interest received from LPs that committed to subsequent closing of fund
2.15.20. **Dist: Other** - Miscellaneous distributions not otherwise defined above

Capital Call & Distribution Template Guidance (Continued)

2.16. Amounts for every transaction name and type
2.17. Impact to unfunded commitment of every transaction name and type
2.18. LP's unfunded commitment prior to and including current notice - (Amount is calculated automatically based on information entered)
2.19. Cumulative LP amount (Prior to current notice) – (Amount is calculated automatically based on information entered)
2.20. LP amount (current notice) – (Amount is calculated automatically based on information entered)
2.21. Cumulative LP amount including current notice – (Amount is calculated automatically based on information entered)
2.22. LP Total Net Amount called / distributed – current notice - (Amount is calculated automatically based on information entered)
2.23. Management fee details, including calculations & offsets (i.e. gross & net fees)
2.24. Cumulative management fees to date, including current notice
2.25. Water fall details, including calculations, escrow balances and potential clawback totals. With each distribution, the GP should disclose the exact amount of Carry taken and provide a build up to Carry calculation.
2.26. Beginning balance variance to prior notice. In instances where the beginning balances do not agree with the last notice sent, a variance explanation should be provided.

SECTION III
SAMPLES

Capital Call & Distribution Notice Cover Letter

[Fund Letter Head/Footer: GP Name, GP Address, GP Phone, GP Logo]

To:	[LP Contact(s), LP Contact Information]
From:	[GP Contact, GP Contact phone number, GP Contact email address]
RE:	[Fund legal name]
Date of Notice:	[Date]
Wire/Settlement Date:	[Date]

[Net amount due to/from the specific LP addressed by this notice]

[The percent and amount drawn for the specific LP addressed by this notice, and the unfunded amount. Net distributed to date. Detailed calculation to be provided on excel template.]

[Account of Fund and detailed wiring instructions]

[Purpose of Call/Distribution, broken down by components making up the call/distribution. Each component shall have at minimum the following:

- Amount and intended use. Narrative that is sufficient to identify the use (for example, for Purchases or Investments, the Narrative should include the name of the company, the geography/industry, a brief description of the transaction anticipated, the Fund invested amount pre and post transaction.) Guidelines for the Narrative for other use types are provided in the Appendix.

- LPA clause under which the component applies and/or is derived.

[Net amount due from/to all Partners for this notice (i.e., the sum of the components above)]

[Signature block]

Sample Capital Call Notice Letter

[Fund Letter Head/Footer: GP Name, GP Address, GP Phone, GP Logo]

To:	Public Pension Plan
From:	[GP Contact, GP Contact phone number, GP Contact email address]
RE:	James Q. Partner, Investment Management Group, LLC
Date of Notice:	1/1/2011
Date Due: [if Call]	1/10/2011

Investment Fund II, L.P. (the "Fund") is calling $##### as a net contribution for an investment, management fees and expenses, offset by a cash distribution. Please refer to the attached Schedule for a breakdown of the components of the amount, and to the narrative below for a description of the components referred to in this notice.

Your portion of the call is **$1,750,000**. After this notice, you will have contributed 40% of your commitment of $50,000,000, and your unfunded commitment will be $30,000,000. You have received $10,000,000 in distributions, of which $5,000,000 is considered Recallable Capital per Section 3.3 of the LPA. Please refer to the Schedule for further details.
Please wire your funds to:

Date Due	1/10/2011
Amount Due	$1,750,000
Bank Name	Private Equity Bank
Bank Contact	Jane Doe, (213) 987-9876
Bank Address	1234 Wilshire Blvd, Los Angeles, CA, 90024
ABA #	023 334 023
Credit to	Investment Fund II, L.P.
Account #	445632189

The Fund is calling $75,000,000 for an investment in ABC Company. ABC is a manufacturer of widgets located in Akron, Ohio and will use the capital to expand into the Canadian market. The deal is expected to close on 2/15/2011, and is expected to consist of a total financing of $150,000,000, with $15,000,000 coming from the Bank of Ohio in the form of a senior secured note and the remaining $60,000,000 coming from investment partner Midwest Fund. Both the Fund and the Midwest Fund will receive participating preferred stock with a 1x liquidation preference and a cumulative 8% dividend. ABC Company has a TTM EBIDTA of $50,000,000 and a total enterprise value (post money valuation) of $400,000,000. At the close of the transaction, the Fund will have a total invested capital of $100,000,000 in ABC Company, including $25,000,000 of junior debt from a prior round.

The Fund will incur $3,000,000 for Q1 Management Fees and other expenses. The Fund received $1,000,000 in monitoring fees during the past quarter, of which 50% are offset against the called fee, thus the net capital call for Management Fees is $2,500,000. Your calculations are presented in the attached Schedule, and adhere to the terms of Section 8.1 of the LPA.

The Fund is distributing $40,000,000 in proceeds received from FGH Company, which was sold to strategic buyer StratCo in an all-cash transaction that closed on 12/15/2010. StratCo priced the transaction at 5.5x TTM EBITDA, for a total cash sale price of $400,000,000. Additionally, $80,000,000 was placed into escrow related to a potential earn-out if FGH Company meets certain milestones (the Fund's portion could be up to $8,000,000). Including this distribution, the Fund's investment in FGH Company has returned 3.0x MOIC with an IRR of 25%. One third of this amount is return of capital, and the remainder is an investment gain. Pursuant to the waterfall outlined in Section 4.1(b) of the LPA, the GP has taken no carried interest on this deal.

The Fund is also distributing 500,000 common shares received from IJK Company, which went public on the New York Stock Exchange on 11/15/2010. The shares are common stock, ticker symbol IJK. The shares have a current value of $5,000,000, or $10/share, computed as defined in Section 4.4(d) of the LPA as the average value over the last 10 trading days. The shares are governed by a 6-month lock-up provision that expires on 5/15/2011. The settlement location for the shares is CustodianCo, 123 Custodian Blvd, New York, NY, 10001, contact: John C. Doe at (212) 321-3210, jdoe@custodianco.com. The cost basis of the distributed shares is $4,000,000 or $8/share. Pursuant to the waterfall outlined in Section 4.1(b) of the LPA, the GP has taken no carried interest on this deal. The value does not affect the cash amounts listed above.

Best Regards,

James Q. Partner

SECTION IV
APPENDICES

Appendix: Capital Call and Distribution Template

ILPA Standards Committee: Capital Call & Distribution Template		
2.1 Fund Name		
Section A: Fund Level / Cash Flow Information (Fund Local Currency)		
2.2 Issue Date (MM-DD-YYYY):		12/12/2011
2.3 Due Date (MM-DD-YYYY):		12/25/2011
2.4 Fund Local Currency:		USD
2.5 GP Commitment		1,000,000
2.6 Fund Size, Including all AIVs (Fund Local Currency):		1,000,000,000
Fund Aggregate Calls / Distributions (Incl. GP's Share)	**Contributions**	**(Distributions)**
2.7 Cumulative Fund Amount (Prior To Current Notice)[1]:	50,000,000	(10,000,000)
2.8 Fund Amount (Current Notice)	5,000,000	(1,000,000)
Cumulative Fund Amount (Including Current Notice):	55,000,000	(11,000,000)
Section B: LP Information (Fund Local Currency) - Enter All Values as Positive Amounts		
2.9 Limited Partner Name / ID Number:	Dematteis	
2.10 Limited Partner Commitment:		50,000,000
LP % of Fund (LP Commitment / Fund Size)		5.00%
LP % of Cap. Account (% used to calc. LP's share of call/dist.)		4.75%
2.11 LP Unfunded Commitment[1] (Prior to current notice)		47,500,000
2.12 LP Cumulative Contributions[1] (Prior to current notice)		2,500,000
2.13 LP Cumulative Distributions[1] (Prior to current notice)		500,000
LP Balances / Totals (Fund Local Currency) - Formulas, Do Not Overwrite		
2.18 Unfunded Commitment		
Unfunded Balance (Prior to Current Notice)		47,500,000
Impact on Unfunded Balance (Current Notice)		(250,000)
Unfunded Balance (Including Current Notice)		47,250,000
Aggregate Calls / Distributions	**Contributions**	**(Distributions)**
2.19 Cumulative LP Amount (Prior To Current Notice):	2,500,000	(500,000)
as a % of Fund Amount	5.00%	5.00%
2.20 LP Amount (Current Notice):	250,000	-
as a % of Fund Amount	5.00%	0.00%
2.21 Cumulative LP Amount (Including Current Notice):	2,750,000	(500,000)
as a % of Fund Amount	5.00%	4.55%
2.22 LP Total Net Amount Called / (Distributed) - Current Notice		**250,000.00**

[1]If value does not match the ending balance from the prior notice, please provide a description for the variance in a side calculation

Worksheet - LP Amounts (Fund Local Currency) - Please include any transactions that net to zero					
				Formulas, Do Not Overwrite	
2.14 Holding Name / Transaction Description (If applicable, please provide a 2-3 word description of each transaction, particularly for misc. fees or income)	2.15 Transaction Type (Choose from Dropdown)	2.16 LP Amount (Enter all Values as Positive Amounts)	2.17 Impact to Unfunded Commitment (Choose from Dropdown)	Value Impact to Unfunded Commitment (Net Contributed)	Net Amount Called / (Distributed) - Current Notice
Call for investment in XYZ Corp	Call: Investments	250,000.00	Decreases	(250,000.00)	250,000.00
				0.00	0.00
				0.00	0.00
				0.00	0.00
				0.00	0.00
				0.00	0.00

Appendix: Supplemental Side Calculations

Side Calculations (Fund Local Currency)

2.23 Management Fee Calculation (per Section X.X(x) of LPA)	
Time Period:	
Calculation Basis, per LPA:	
Gross Calculation:	
Waiver Amount	
Fee Offset	
Call: Mgmt. Fee (Investor #X):	
2.24 Cumulative Management Fees	

2.25 Waterfall/Carry Calculation (per Section X.X(x) of LPA)				
Partial Sale of Company B	Investor #X	All LPs	GP	Total
Distributable Cash				
Return of Capital				
G/L - pre LP/GP split [A]				
G/L - after LP/GP Split [B]				
Carry Paid/(Received) [A-B]				

2.26 Beg. Balance Variances to Prior Notice[1] (To describe any discrepancy in values [e.g. unfunded commitment] between the current beg. balance and the prior notice's ending balance)

Appendix: Definitions

For Capital Calls:

- Call: Investments – Call for investments in new or exisiting underlying holdings
- Call: Management Fee – Call for periodic Mgmt. Fees/GP Distributions, net of any waivers or offsets (provide mgmt. Fee calculation in the "Side Calculation" section)
- Call: Partnership Expenses - Call for Partnership / Fund Expenses, as defined in LPA
- Call: Org. Costs - Call for Organizational Costs, as defined in LPA
- Call: Legal Fees - Call for Legal Fees, as defined in LPA
- Call: Other Exp. (Provide explanation in far-left column) - Call for miscellaneous expenses not listed above (provide a description of these expenses in the far left column of the worksheet)
- Call: Subsequent Close Interest - Interest due from LPs that committed to subsequent closing of fund
- Call: Return of Excess Capital Called - Interest due from LPs that committed to subsequent closing of fund
- Call: Deemed GP Contribution - Call from LPs, on behalf of GP's share of a capital call (typically serves as an offset to future management fees)

For Distributions:

- Dist: Return of Capital – Cash - Return of invested capital from the full or partial sale of an underlying holding
- Dist: Realized Gain – Cash - Realized gain from the full or partial sale of an underlying holding
- Dist: Realized Loss – Cash - Realized loss from the full or partial sale of an underlying holding
- Dist: Return of Capital – Stock - Cost basis of a stock distribution
- Dist: Realized Gain – Stock - Realized gain from a stock distribution
- Dist: Realized Loss – Stock - Dist: Realized Loss – Stock
- Dist: Income/Dividends - Income or dividends earned from underlying holdings
- Dist: Carry - GP's share of distribution proceeds, as defined by the waterfall calculation in the LPA (offset to distribution)
- Dist: Clawback - Return of excess carry distributed to GP, as defined by the waterfall calculation in the LPA (offset to Carry)
- Dist: Subsequent Close Interest - Interest received from LPs that committed to subsequent closing of fund
- Dist: Other (Provide explanation in far-left column) - Miscellaneous distributions not otherwise defined above (provide a description of these expenses in the far left column of the worksheet)

Appendix: Capital Call and Distribution Checklist

Section A - Fund/Cash Flow Information
(Fund Local Currency)
- Fund Name
- Issue Date
- Due Date
- Fund Local Currency
- GP Commitment
- Fund Size (including all AIVs)

Fund Aggregate Calls/Distributions
(Including GP's Share)
- Cumulative Fund Amount (Prior to current notice)
- Fund Amount (Current notice)
- Cumulative Fund Amount (Including current notice)

Section B - LP Information
(Fund Local Currency)
- Limited Partner Name/ID Number
- Limited Partner Commitment
- LP % of Fund
- LP % of Capital Account
- LP Unfunded Commitment (Prior to notice)
- LP Cumulative Contributions (Prior to notice)
- LP Cumulative Distributions (Prior to notice)

Section C - Worksheet
- Holding Name/Transaction Description
- Transaction Type
- LP Amount
- Impact to Unfunded Commitment

LP Balances/Totals
(Fund Local Currency)
- Unfunded Balance (Prior to current notice)
- Impact to Unfunded Balance (Prior to current notice)
- Unfunded Balance (Including current notice)
- Cumulative LP Amount as a % of Fund Amount (Prior to current notice)
- LP Amount as a % of Fund Amount (Current notice)
- Cumulative LP Amount as a % of Fund Amount (Including current notice)
- LP Total Net Amount Called/(Distributed)

Side Calculations
(Fund Local Currency)
- Management Fee Calculation
  - Section of LPA referencing Management Fee
  - Time Period
  - Calculation Basis, per LPA
  - Gross Calculation
  - Waiver Amount
  - Fee Offset
  - Call: Management Fee (Investor #)
  - Cumulative Management Fees
- Waterfall/Carry Calculation
  - Distributable Cash
  - Return of Capital
  - Gain/Loss pre LP/GP split
  - Gain/Loss after LP/GP split
  - Carry Paid/(Received)
- Description of Beginning Balance Variances to Prior Notice (if applicable)

Appendix: Glossary

Please note that the definitions below are those commonly used in Limited Partnership Agreements. Please refer to each fund's individual agreement to determine the proper definition applicable.

- **AIV** – Alternative Investment Vehicle
- **Carried Interest** – A bonus entitlement accruing to an investment fund's management company. Carried interest becomes payable once the investors have achieved repayment of their original investment in the fund, plus a defined hurdle rate, if applicable. (Varies according to each unique Limited Partnership Agreement)
- **Carried Interest Accrued** – The amount of carried interest payable accrued for payment to the General Partner.
- **Carried Interest Earned** – The amount of carried interest earned by the General Partner, regardless of payment
- **Carried Interest in Escrow** – The amount of carried interest in escrow as of the current period.
- **Carried Interest Paid** – The amount of carried interest paid as of the current period.
- **Clawback Provision** – Guarantees that the stated profit allocation defined in the LPA is met at the end of a partnership's term with respect to the Limited Partners.
- **Commitment Period** – The period of time within which the fund can make investments as established in the LPA for the fund.
- **Contributions** – The total capital that a Limited Partner paid into the fund.
- **Current Period** – The current three month quarterly period.
- **Deemed Management Fee** – The amount of the management fee waived.
- **Distributed to Committed Capital (DCC)** – The ratio of total distributions to Limited Partners to date to the total committed capital of the fund.
- **Distributions** – Cash and/or securities paid out to the Limited Partners from the limited partnership.
- **Distributions to Paid-In (DPI)** – The ratio of money distributed by Limited Partners to the fund to contributions.
- **Dollar Value Add** – Current fair market value plus distributions since inception, less invested capital.
- **Formation Date** – The date a fund registers as a limited partnership.
- **Final Exit Date** – The date an underlying holding has been sold or fully realized.
- **Follow-on Investment Period** – The period defined in the LPA whereby a fund can complete follow-on investments in underlying holdings.
- **Fund Commitment\Investment Commitment** – A Limited Partner's obligation to provide a certain amount of capital to a private equity fund for investments.
- **General Partner** – The managing partner in a private equity management company who has unlimited personal liability for the debts and obligations of the limited partnership and the right to participate in its management. The General Partner is the intermediary between investors with capital and businesses seeking capital to grow.
- **Gross IRR** – The IRR based upon the performance of the investments, not taking into account management fees or carried interest.
- **Gross Management Fee** – The total amount of management fees paid by a Limited Partner, excluding management fee offsets.
- **Headquarters** – The geographic location of a portfolio company's main corporate office.
- **Hurdle Rate** – The internal rate of return that a fund must achieve before its General Partners or managers may receive an increased interest in the proceeds of the fund.
- **Initial Investment Date** – The date a fund completed its first contribution of capital to an underlying holding.
- **Investment Multiple** – Calculation performed by adding the reported value and the distributions received and subsequently dividing that amount by the total capital contributed.
- **Internal Rate of Return (IRR)** – The discount rate at which the present value of future cash flows of an investment equals the cost of the investment. It is determined when the net present value of the cash outflows (the cost of the investment) and the cash inflows (returns on the investment) equal zero, with the discount rate equal to the IRR.
- **Limited Partner** – The investors in a limited partnership. Limited Partners are not involved in the day-to-day management of the partnership and generally cannot lose more than their capital contribution.
- **LPA** – Limited partnership agreement.
- **Management Fee** – The management fee is used to provide the partnership with resources such as investment and clerical personnel, office space and administrative services required by the partnership.

- **Management Fee Offsets** – The extent to which monitoring, transaction, and other portfolio company related expenses paid to the General Partner are offset against management fees.
- **Net IRR** – The dollar-weighted internal rate of return, net of management fees and carried interest generated by an investment in the fund. This return considers the daily timing of all cash flows and cumulative fair stated value, as of the end of the reported period.
- **Net Management Fee** – Management fee net of management fee offsets.
- **Partnership Expenses** – Expenses borne by the partnership including costs associated with the organization of the partnership, the purchase, holding or sale of securities, and legal and auditing expenses.
- **Paid-In Capital (PICC)** – The ratio of contributions to date measured against its committed capital. Contributions are net of any distributions that increase committed capital.
- **Potential Clawback Value** – The amount of clawback payable by the General Partner if the fund was liquidated. A clawback obligation represents the General Partner's promise that, over the life of the fund, the managers will not receive a greater share of the fund's distributions than they bargained for. When triggered, the clawback will require that the General Partner return to the fund's Limited Partners an amount equal to what is determined to be excess distributions.
- **Realized Investment** – An underlying investment of a fund that has been exited.
- **Realized Proceeds** – Cash and/or securities received by partner.
- **Recallable** – The total amount of distributions that may be recalled by the fund at a future date.
- **Reported\Remaining Value** – The current fair stated value for each of the investments, as reported by the General Partner of the fund.
- **Residual Value to Paid-In (RVPI)** – The ratio of the current value of all remaining investments within a fund to the total contributions of Limited Partners to date. Contributions are net of any distributions that increase committed capital.
- **Since Inception** – The time period from the fund's formation date to the current period.
- **Termination Date** – The date defined in the LPA whereby a fund must cease operations and liquidate its investments.
- **Total Enterprise Value (TEV)** – A valuation measurement used to compare companies with varying levels of debt. It is calculated as follows: TEV = Market Capitalization + Interest-Bearing Debt + Preferred Stock - Excess Cash.
- **Total Invested\Invested Capital** – The total amount of called capital which has actually been invested in companies. In practice, this will be equal to the amount of called capital less amounts which have been used to pay fees, or which are awaiting investment.
- **Total Value** – A Limited Partner's total market value plus any capital distributions received.
- **Total Value to Paid-In (TVPI)** – The ratio of the current value of remaining investments within a fund plus the total value of all distributions to Limited Partners to date to the total contributions of Limited Partners to date. Contributions are net of any distributions that increase committed capital.
- **Unfunded Commitment** – Money that has been committed to an investment but not yet transferred to the General Partner.
- **Unrealized Investment** – An underlying holding that is still active.
- **Valuation** – Method of ascribing value to a company. In private equity, methods used include discounted cash flow, comparables, and adjusted present value.
- **Vintage Year** – The year of fund formation and its first takedown of capital. By placing a fund into a particular vintage year, the Limited Partner can compare the performance of a given fund with all other similar types of funds formed in that particular year.
- **Year-to-Date** – The calendar year that runs January 1 through December 31.

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Research Note
October 2015

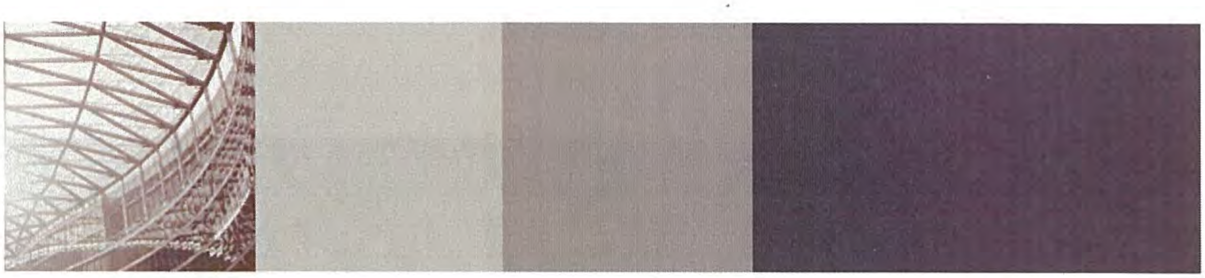
Pension Series

Private Investments: Filling a Pension's Return Void

Well-diligenced private investments in a skillfully constructed portfolio are important growth drivers that have helped pension funds deliver superior performance and increased the probability of meeting or exceeding long-term required returns

- Private investments offer pension funds the opportunity to significantly increase returns when implemented well, capture some diversification benefits, access a more complete opportunity set, and improve funding levels. For example, if private investments can beat public equities by 300 bps per year (as commonly targeted), then shifting 15% of assets from public equities to private investments would boost a pension fund's total portfolio return by 45 bps per year.
- Particularly for higher-returning private investment strategies, the dispersion between manager returns is significant, underscoring the importance of selection.
- Illiquidity, complexity, transparency, and fees are important but surmountable considerations.

Many defined benefit pension funds are developing strategies to increase expected investment returns and improve funded status. Private investments have the potential to increase portfolio returns significantly and bring other attractive attributes as well. They have demonstrated outperformance versus public markets over appropriately long periods of time and should play an integral role in growth strategies for pension funds that can lock up even a limited amount of capital.



Extracting value from private investments requires skill in all stages of the investment process and an experienced and well-resourced team of private investment professionals. In this research note, we explore how pension funds may benefit from private investments, discuss key considerations, and develop a framework for successful implementation.

Return Premium Over Equities

Higher-returning private investment strategies—venture capital, growth equity, buyouts, and select debt-related and real assets strategies—are expected to outperform public equities over the long term. Other private investment strategies can offer attractive portfolio benefits as well, and Cambridge Associates incorporates a wide range of private strategies in portfolios for additional objectives including diversification benefits, cash flow yield, and in some cases inflation sensitivity. This research note focuses on the higher-returning strategies.

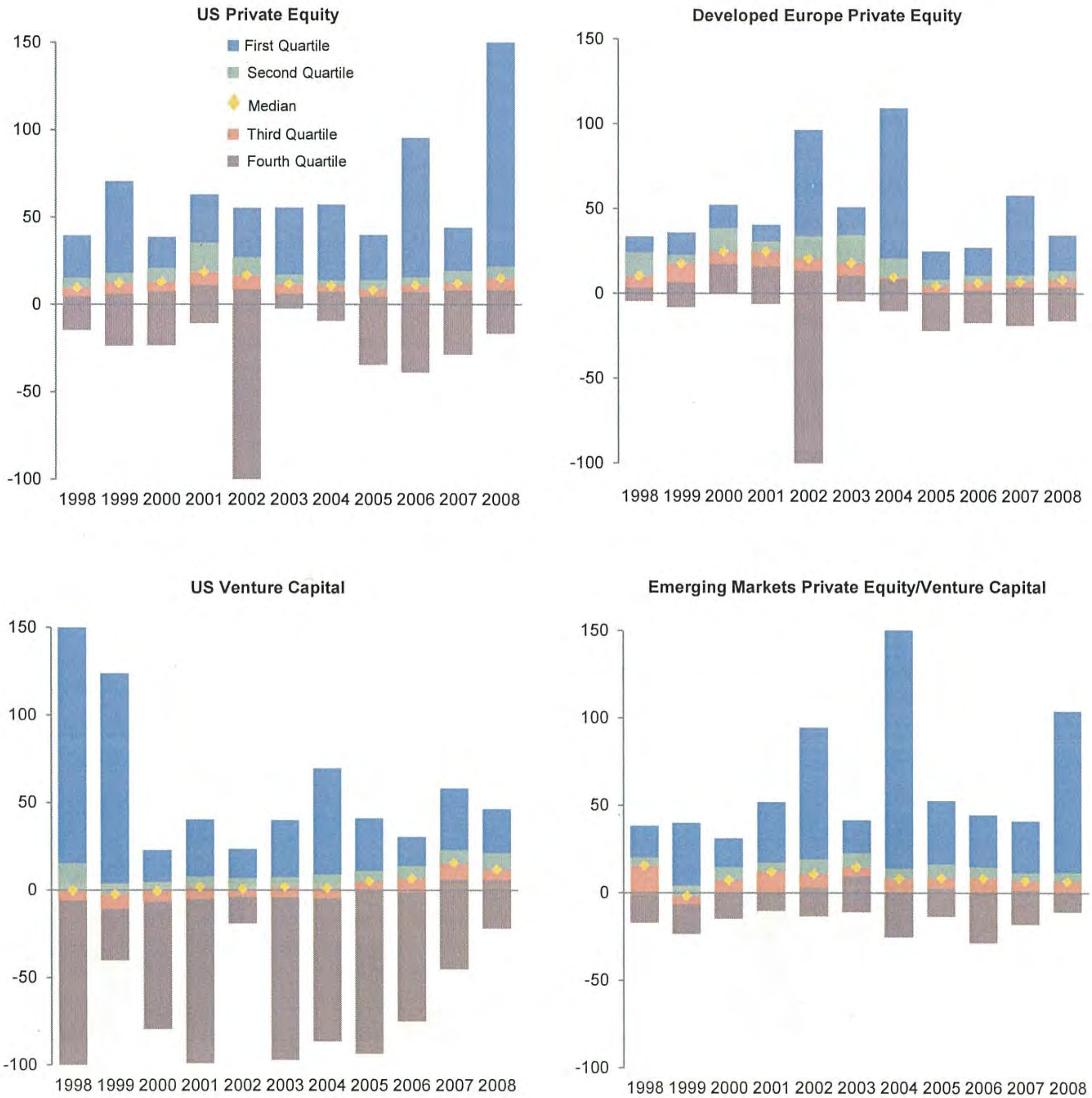
Private investments have generated excess returns from multiple sources, including manager value add and access to a differentiated opportunity set. The structure of private equity investments enables general partners (GPs) to align management and shareholder incentives, maintain a longer-term focus, implement operational improvements, execute strategic acquisitions and geographic and product-line expansion, respond to market opportunities and challenges, and optimize capital structures. Some strategies—for example, special situations, opportunistic credit, secondaries, and distressed—find attractive investment opportunities during market dislocations, when an owner has a liquidity constraint, or when there is a company-specific issue or notable change. Some find idiosyncratic or other types of investment opportunities not available in the public markets. Venture capital allows investors to invest at an earlier stage in high-growth companies. Tapping opportunities to increase returns prudently, expand the sources of returns wisely, and diversify portfolio risk is always additive and particularly important in the current market environment.

While private investments have the potential to generate a significant return premium over traditional public investments, harvesting this return premium requires effective planning, diligence, portfolio construction, manager selection, monitoring, and patience. Private markets cannot be accessed via a passive index-tracking investment, and the dispersion between manager returns is substantial. Figure 1 demonstrates the exceptionally wide range of returns across managers within the same strategy and vintage year (across many segments of global private markets). The charts also highlight the importance of manager selection and portfolio construction.

Pension funds can improve their odds of successful implementation by retaining capable staff and accessing outside expertise to supplement or help inform the in-house team. Alternatively, pension funds can partner with or outsource to an experienced and well-resourced

Figure 1. Manager Dispersion in Private Investments

Vintage Years 1998–2008 • As of December 31, 2014 • US Dollar • Internal Rate of Return (%)

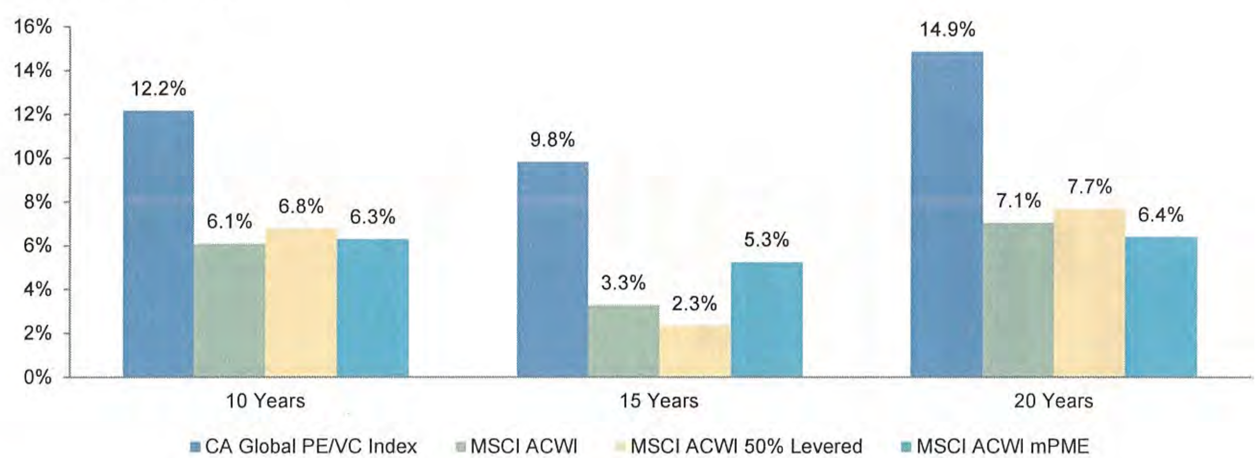


private investment advisor on a fully delegated or semi-delegated basis, or via a parallel-governance process.

The CA Global Private Equity/Venture Capital Benchmark universe has surpassed the target many investors have for private investments—to generate returns that exceed public equities by 300 bps or more over the long term (Figure 2). The universe significantly outperformed a 50% levered public equity index as well, demonstrating the value that private investments can add beyond financial leverage alone. Recognizing that leverage levels are modest or nil in venture and growth equity strategies, we looked at this analysis versus our buyouts universe alone, which has also significantly outperformed levered and unlevered public equities. Finally, using a public market equivalent analysis based on public equities, our CA Global Private Equity/Venture Capital Benchmark universe outperforms by over 300 bps per year as well.[1] We also note that private investments are generally exited at higher valuations than recent unrealized GP valuation marks. For example, our recent analysis of US private equity exits in our data universe showed a range of results, yet an average uptick of 11% when comparing the total value to paid in multiple at exit versus the unrealized total value to paid in multiple six months prior to exit.

[1] Public market equivalent (PME) analysis takes into account the size and timing of actual private investment contributions and distributions in the calculation of a public market index return and compares its performance to the actual private investment performance. We use a modified version of traditional PME analysis where distributions are calculated in the same proportion as in the private investment, rather than matched on a market value basis. The public equivalent "sells" the same proportion of the value of public shares as the private investment sells in private shares.

Figure 2. Global Private Equity/Venture Capital Performance
As of December 31, 2014

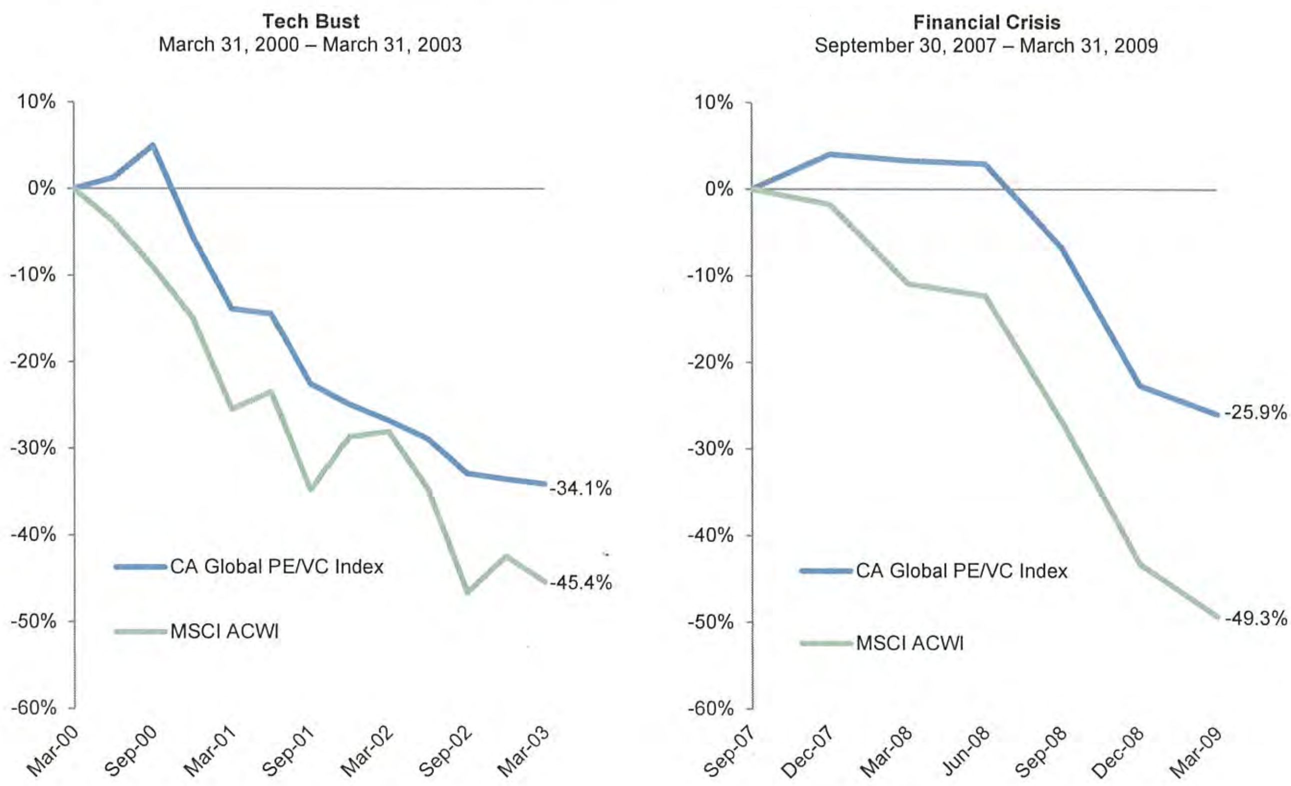


Portfolio Volatility Dampening Effect

In addition to the potential to deliver a long-term return premium, private investments may help pension funds reduce portfolio volatility and thus funded-status volatility. Private investments are valued on a quarterly basis, and the nature of the investments causes some stickiness in the portfolio marks (to the upside and downside). Comparing shorter-term volatility and performance across private and public markets is inherently difficult. Nevertheless, the standard deviation and up-and-down market performance of investment values are important to many investors.

Figure 3 presents the cumulative performance of our CA Global Private Equity/Venture Capital Index relative to public equity markets during the 2000–03 tech bust and the 2007–09 financial crisis. Our private equity index realized significantly smaller drawdowns than public equities during both bear markets; the private equity index outperformed by 11.3 percentage points in the tech bust and 23.4 percentage points in the financial crisis.

Figure 3. Private and Public Equity Market Drawdowns
Cumulative Performance (%)



Private equity's bear market outperformance may be attributable to managers' ability to drive operational and capital structure improvements that preserve value as well as to some extent the lagged nature of private market valuations. Valuation practices can vary slightly across managers, but the aggregate effect is that private investments have been less sensitive to public market movements on both the downside and the upside.

Surmountable Considerations

Well-selected private investments offer the potential for pension funds to increase long-term returns and capture some diversification benefits. Some investors, however, are still reluctant to invest due to the factors below. We understand these concerns, but believe they are surmountable.

Illiquidity. Private investments are illiquid and require investors to maintain a long-term mindset and time horizon. Typical buyout and venture capital funds have ten-to-15 year fund lives and may take six years or more for performance to develop. Other strategies, such as secondaries and private credit funds as well as co-investments and direct investments, tend to generate distributions more quickly. The cash flow profile of private investments can also vary by vintage year, due to the ebb and flow of merger & acquisition activity and capital markets. While exact cash flow planning for a private investment portfolio is not possible, informed pacing as well as disciplined portfolio monitoring can help pension funds manage effectively.

Long-Term Time Horizon/Benchmarking. Private investment performance takes many years to become meaningful. Our research has shown that the typical private investment fund takes six to seven years to produce meaningful results. On average, a fund will also fall in three performance quartiles based on a comparison with vintage year peers before settling into its ultimate quartile.[2] This is explained in part because private equity funds typically take five years to deploy capital, and returns often have a "J-curve" effect in the early years when capital is drawn for fees and to make investments, only after which point the value creation initiatives begin and then take time to develop and harvest. This and other factors also make benchmarking of private investments challenging. In our work, we focus on understanding what decisions investors seek to measure and develop bench-marks accordingly. The ability to stay the course over the decade or more required to develop mature performance is critical to realizing long-term success. Private investment performance data are not meaningful and have quite a bit of noise until sufficiently seasoned, so patience, with diligence, is a virtue.

Complexity. Robust private investment portfolios are typically composed of 15 to 30 managers, though small portfolios might use fewer managers and some mature

[2] Jill Shaw et al., "A Framework for Benchmarking Private Investments," Cambridge Associates Research Report, 2014.

portfolios are far larger. Further, a manager can have one to four active funds with net asset value outstanding at any point in time. Investors considering implementation should be prepared for a larger number of funds in their portfolio given the serial nature of private investment fund raising and since some manager relationships will be discontinued at a future point in time. Co-investments or direct investments, when pursued, add to the number of portfolio holdings as well. While this complexity requires sufficient resources for governance, monitoring, and operations, private investments' return potential, when captured by investors, merits the additional complexity and effort required.

Transparency. Unlike public companies, most privately owned companies do not have to file public financial statements, making it more difficult for outsiders to obtain in-depth information. Although some exceptions exist, private investment firms are private. These and other transparency-related concerns can be addressed through thorough due diligence, monitoring, and maintaining long-term relationships with market participants. For example, private investment managers often provide access to in-depth data on their firms as well as historical and current portfolio companies when fund raising to meet investors' due diligence requirements. Experienced staff and advisors also monitor investments on an ongoing basis, providing important perspectives. Operational due diligence additionally supplements investment due diligence.

Fees, Carried Interest, and Alignment of Interests. Fee structures and carried interest on profits are undoubtedly more expensive for private investment funds than for long-only public funds. Yet of note, carried interest is only earned when the GP realizes a profit on an investment and typically only after fees are paid back and the LP has earned a "preferred" return (a baseline specified in fund terms, and today typically about 8%). Most institutions that invest for the long term focus not on fees in isolation but on terms and returns after fees and carried interest. Spending less on fees does not necessarily translate to higher net returns. And for private strategies, net returns have delivered outperformance. Returns for the Cambridge Associates Private Investment Indexes are net of fees, expenses, and carried interest, and, as shown in Figure 2, have significantly outperformed public markets.

Increased investor and regulatory scrutiny, along with investors' negotiation of fees and other terms, has led to some improvements in GP/LP alignment of interest over the last decade. In our experience, funds have shown improvement in GP commitment amounts, ancillary fee charging practices and offsets, standardized reporting, and carried interest structures (e.g., profit splits, preferred returns, clawback provisions, distribution waterfalls). Other areas of focus for investors include fund sizes, firm assets under management, and allocation practices. While further progress in simplifying and reducing the level of fees and increasing GP/LP alignment of interests would certainly be beneficial to LPs, net returns remain attractive, and the trend on GP/LP alignment continues to be positive.

Our investment and operational due diligence teams collaborate throughout the research process to evaluate fees and terms across multiple dimensions, and we advise that our clients conduct legal reviews with experienced counsel. We evaluate investment merits and terms and select managers on the basis of expected net returns to the LP. While there are many fees and practices to watch out for, diligence, discipline, and negotiation certainly help. In an effort to reduce fees and increase returns, a growing number of investors are also pursuing co-investments and to a lesser extent direct investments, further expanding the private investment opportunity set.[3] As with all private investment strategies, co-investments and direct investments each require specific skills to source and evaluate opportunities as well as to consider the portfolio effects of such investments so as to mitigate the risk of adverse selection and unintended (versus intended) concentration.

Headline Risk. Private investments have been in the headlines over fees, carried interest, and other issues and will likely remain in the news. However, focused due diligence can uncover opportunities that can meet and even exceed investment objectives net of fees and other economic charges. Private markets are vast, and broad-brush comments, which are sometimes inaccurate or incomplete, should not dissuade pension funds from pursuing the select strategies and managers that can add value and drive long-term growth.

[3] For more on the co-investment opportunity set, please see Andrea Auerbach et al., "Making Waves: The Cresting Co-Investment Opportunity," Cambridge Associates Research Report, 2015.

Successful Implementation Process

Private investment implementation is an ongoing and dynamic process that can be thought of in three stages: planning, portfolio construction and manager selection, and monitoring.

Planning. Proper planning supports effective governance and performance evaluation. The following elements are critical to establish upfront and revisit periodically over time or if key factors change:

- Roles, responsibilities and framework for the investment process, with required resources
- Long-term objectives and benchmarks
- Understanding of the liability's cash flow profile
- Understanding of the expected characteristics of potential strategies (e.g., cash flow versus capital appreciation, expected return, and time horizon)
- Framework for allocations and commitment/investment pacing
- Strategy, sector, and geographic opportunity set
- Investment type opportunity set (e.g., funds, managed accounts, funds-of-funds, secondaries, co-investments, direct investments)

Portfolio Construction and Manager Selection. Implementation is the crux of the challenge and often the key driver of results. In our experience, the following practices facilitate successful implementation:

- Diversification across sectors, managers, and vintage years without over-diversifying
- Early development of manager and other sourcing relationships
- Comprehensive investment process (investment, operational, and legal) led by people with relevant skill and experience
- Consideration of valuations without trying to time markets
- Being prepared, and positioned, to move quickly on an informed basis when needed
- Seizing attractive access and investment opportunities when others are scared or forced to sell
- Effective planning so as not to be a forced seller
- Maintaining the patience and discipline required to be a successful long-term investor

Monitoring. Continually evaluating private investment managers and the overall portfolio's development is essential. Combining bottom-up and top-down monitoring provides perspective on past performance and forward-looking assessments. The following factors are particularly important to watch:

- Firm, team, and incentive changes
- Manager generational transitions, where relevant
- Strategy drift, if any
- Assets under management and strategy proliferation
- Portfolio company/project development
- Investment performance across multiple measurements (ideally after results are meaningful)
- Commitment/investment pacing and any changes in key assumptions

Pension funds must ensure they have the right resources in place to be informed, prepared, and able to manage all aspects of the investment process, including governance, oversight, and operational requirements. This experience can be built in three possible ways: (1) fully in-house; (2) complemented in whole or in part by an experienced private investment advisor serving as an extension of the in-house investment team to fulfill specific needs of the investment or governance process—such as in-depth investment and operational due diligence, independent fiduciary opinions, market data, helping to source and/or screen new ideas, and reporting; or (3) outsourced on a delegated or semi-delegated basis to an experienced advisor or investment manager.

Conclusion

When well implemented, private investments can help pension funds generate higher returns and superior performance over the long term, dampen portfolio volatility, improve funding levels, and increase the probability of earning required returns. With the average private equity allocation among US corporate and public defined benefit pension funds at 5.5%,[4] many pension funds—particularly those that are accruing benefits or are significantly underfunded—have the scope to increase their private market allocations. Rigor throughout the investment process is critical as are expertise in planning, appropriate education, a workable governance structure, and a long-term time horizon and commitment. Access to professionals with relevant private investment experience to support execution and maintaining a patient yet diligent long-term approach can improve the odds of successful implementation. Considerations around illiquidity, complexity, transparency, and fees are important but manageable, and some improvements and increased focus on GP/LP alignment is a positive development for pension funds considering investment. As pension funds seek to achieve their objectives in an increasingly challenging environment, private investments should not be overlooked. ■

[4] Based on *Pensions & Investments* data on 256 US corporate and public pension plans as of September 30, 2014.

Index Disclosures

Cambridge Associates Indexes
Cambridge Associates derives its US private equity benchmark from the financial information contained in its proprietary database of private equity funds. As of March 31, 2015, the database comprised 1,206 US buyouts, private equity energy, growth equity, and mezzanine funds formed from 1986 to 2014, with a value of nearly $564 billion. Ten years ago, as of March, 31, 2005, the index included 587 funds whose value was roughly $161 billion.

Cambridge Associates derives its US venture capital benchmark from the financial information contained in its proprietary database of venture capital funds. As of March 31, 2015, the database comprised 1,576 US venture capital funds formed from 1981 to 2015, with a value of roughly $158 billion. Ten years ago, as of March 31, 2005, the index included 1,053 funds whose value was about $52 billion.

The pooled returns represent the net end-to-end rates of return calculated on the aggregate of all cash flows and market values as reported to Cambridge Associates by the funds' general partners in their quarterly and annual audited financial reports. These returns are net of management fees, expenses, and performance fees that take the form of a carried interest.

Both the Cambridge Associates LLC US Venture Capital Index® and the Cambridge Associates LLC US Private Equity Index® are reported each week in Barron's Market Laboratory section. In addition, complete historical data can be found on Standard & Poor's Micropal products and on our website, www.cambridgeassociates.com.

Europe Developed Private Equity Only custom benchmark information is based on data compiled from 346 developed private equity funds, including fully liquidated partnerships, formed between 1986 and 2013. Internal rates of return are net of fees, expenses, and carried interest. CA research shows that most funds take at least six years to settle into their final quartile ranking, and previous to this setting they typically rank in two to three other quartiles; therefore, fund or benchmark performance metrics from more recent vintage years may be less meaningful.

The Global Emerging Markets Private Equity & Venture Capital custom benchmark information is based on data compiled from 540 global emerging markets private equity and venture capital funds (includes funds investing primarily in Africa, Asia/Pacific–Emerging, Europe–Emerging, Latin America & Caribbean and Middle East–Emerging), including fully liquidated partnerships, formed between 1986 and 2013. Internal rates of return are net of fees, expenses, and carried interest. CA research shows that most funds take at least six years to settle into their final quartile ranking, and previous to this settling they typically rank in two to three other quartiles; therefore, fund or benchmark performance metrics from more recent vintage years may be less meaningful.

MSCI All Country World Index (ACWI)
MSCI ACWI captures large- and mid-cap representation across 23 developed markets and 23 emerging markets countries. With 2,464 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Jennifer Urdan, Managing Director
Max Gelb, Associate Investment Director

Exhibit Notes

Manager Dispersion in Private Investments
Source: Cambridge Associates LLC.
Notes: Based on data compiled from Cambridge Associates' proprietary investment manager database. Includes all funds tracked in each asset class specified, including fully liquidated partnerships, formed between 1998 through 2008. US Private Equity data compiled from 694 funds in the private equity universe including those identified as buyout, private equity energy, growth equity, and mezzanine funds. US VC data compiled from 827 venture capital funds. European PE data compiled from 212 private equity funds. EM PE/VC data compiled from 330 global emerging market private equity and venture capital funds including funds investing primarily in Africa, emerging Asia, emerging Europe, Latin America and Middle East ex Israel. Internal rates of return are net of fees, expenses, and carried interest. CA Research shows that most funds take at least six years to settle into their final quartile ranking, and previous to this settling they typically rank in 2-3 other quartiles; therefore fund or benchmark performance metrics from vintage years after 2008 are excluded from this analysis and less meaningful at this time. Scale has been capped at 150 for graphing purposes.

Global Private Equity/Venture Capital Performance
Sources: Cambridge Associates LLC and MSCI Inc. MSCI data provided "as is" without any expressed or implied warranties.
Notes: CA Global PE/VC Index reflect pooled returns net of management fees, expenses, and carried interest. These returns include all global private equity (buyout, private equity energy, growth equity, and mezzanine funds) and venture capital funds tracked by Cambridge Associates over the specified periods. MSCI ACWI and MSCI ACWI 50% Levered are quarterly time-weighted returns. The 50% levered returns assume borrowing at three-month LIBOR. MSCI ACWI mPME is a public market equivalent analysis that assumes the cash flows from the CA Global PE/VC Index were invested in the MSCI ACWI. The mPME therefore represents an internal rate of return (IRR) calculation. MSCI ACWI returns use gross of dividend taxes prior to March 31, 2001, and net of dividend taxes thereafter.

Private and Public Equity Market Drawdowns
Sources: Cambridge Associates LLC and MSCI Inc. MSCI data provided "as is" and without any expressed or implied warranties.
Notes: Based on all global private equity (buyout, private equity energy, growth equity, and mezzanine funds) and venture capital funds tracked by Cambridge Associates that were active during the time periods analyzed. Returns for private investments are based on quarterly end-to-end IRRs, which are net of fees, expenses and carried interest. MSCI ACWI returns are based on quarterly time-weighted returns. MSCI ACWI returns use gross of dividend taxes prior to March 31, 2001, and net of dividend taxes thereafter.

Other contributors to this research note include Bill Hoch.