



CAMBRIDGE ASSOCIATES LLC

**Cambridge Associates Global ex U.S. Developed and Emerging Markets
Private Equity and Venture Capital Market Commentary
Quarter Ending June 30, 2011**

Overview

During the second quarter, in U.S. dollar terms, the Cambridge Associates (C|A) LLC Global ex U.S. Developed Markets Private Equity and Venture Capital Index^{1,2} rose 6.7% and the C|A Emerging Markets Index returned 3.2%. The return of the developed markets index was higher than in the previous quarter while that of the emerging markets index was roughly the same as in the first quarter. The U.S. dollar remained weakened throughout the second quarter and that helped buoy the foreign currency returns; both indices outperformed their respective public market counterparts. For the second quarter in a row, the developed markets index outpaced the emerging markets index.

Performance for the Cambridge Associates LLC Global ex U.S. Developed Markets and Emerging Markets Private Equity and Venture Capital Indices is derived from data compiled from institutional quality funds raised between 1986 and 2011. There are over 600 funds in the developed markets index and more than 340 in the emerging markets index. Based on that data, the private equity benchmarks' returns versus public equity indices in developed ex U.S., emerging, and U.S. markets – the MSCI EAFE, MSCI Emerging Markets, and S&P 500 – are shown below:

**Global ex U.S. Developed and Emerging Markets Private Equity and Venture Capital Indices
Returns (%) in U.S. Dollars
Periods ending June 30, 2011**

For the periods ending June 30, 2011	Qtr.	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Ex U.S. Developed Markets PE and VC	6.7	13.0	36.9	2.2	9.9	15.3	15.4	15.2
Emerging Markets PE and VC	3.2	6.2	29.9	11.0	15.3	12.0	9.6	9.4
Other Indices								
MSCI EAFE	1.6	5.0	30.4	-1.8	1.5	5.7	4.7	6.0
MSCI Emerging Markets	-1.0	1.0	28.2	4.5	11.8	16.5	8.3	10.5
S&P 500	0.1	6.0	30.7	3.3	2.9	2.7	6.5	8.7

Sources: Cambridge Associates LLC, MSCI Inc., Standard & Poor's, and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

¹ The global ex U.S. developed markets index includes private equity and venture capital funds that invest primarily in Australia, Canada, Israel, Japan, New Zealand, and Western Europe. The emerging markets index includes private equity and venture capital funds that invest primarily in Africa, emerging Asia, emerging Europe, Latin America, and the Middle East ex Israel. Because the indices are capital weighted, performance is mainly driven by the largest vintage years.

² The CA indices' returns are based on limited partners' fund - level performance; the returns are net of fees, expenses, and carried interest.

Second quarter highlights:

- In all periods ending June 30, 2011 listed in the table above, the developed markets private equity index outperformed the comparable (MSCI EAFE) public equity index. The emerging markets private equity index bested its corresponding public market benchmark, the MSCI Emerging Markets Index, for all periods ending June 30, 2011 except for the 10- and 20-year marks. The developed markets index has outperformed the emerging market index over the short and long term but the reverse is true over the medium term.

Developed Markets Performance Highlights:

- Only four vintage years represented at least 5% of the developed markets index during the second quarter, down from six in the prior period; vintage years 2000 and 2001 fell just below the 5% threshold.
- Funds raised in 2004 earned the best second quarter return among the top-sized vintages. Coupled with its large size, the 2006 funds' strong return had the largest impact on the benchmark's return. Two vintages, 2005 and 2006, accounted for nearly half of the index during the quarter. (See table to the right).
- Media companies drove the 2004 vintage's return. The consumer sector was by far the largest contributor to performance for the largest three vintage years.
- Developed markets private equity and venture capital funds called and distributed more capital in the second quarter than they did in the first. Managers called more than \$9.6 billion from limited partners (LPs) and returned about \$11.8 billion. Capital calls rose nearly 10% from the previous quarter while distributions increased 21%. It was the second consecutive quarter where distributions outnumbered contributions.
- Funds that started from 2006 through 2008 called nearly \$8.3 billion or 86% of the total called for the quarter. Six vintages, 2000, 2001, and 2004 through 2007 distributed more than \$1.0 billion each. The 2005 vintage year funds returned the most to investors, nearly \$3.7 billion or 31% of the total capital distributed to LPs.
- For the fourth consecutive quarter, all of the eight sectors that represented at least 5% of the ex U.S. developed markets index produced positive results. Materials performed best of the group, due largely to chemicals companies. Financial services had the lowest return among the top-sized group. (See table to the right for further detail)

Ex U.S. Developed Markets Private Equity		
Vintage Year ³	2 nd Qtr. Return	Avg. Weight In Index
2000	1.3%	4.8%
2001	4.8%	4.9%
2004	9.4%	7.6%
2005	8.9%	20.8%
2006	8.0%	28.3%
2007	5.3%	19.0%

Ex U.S. Developed Markets Private Equity		
Sector ⁴	2 nd Qtr. Return	Avg. Weight In Index
Consumer	9.3%	25.0%
Energy	8.5%	6.6%
Financial Services	2.5%	9.1%
Healthcare	8.5%	13.4%
IT	7.0%	9.4%
Manufacturing	2.8%	10.4%
Materials	11.1%	5.1%
Media	9.9%	6.9%

³ Vintage year fund-level returns are net of fees, expenses, and carried interest.

⁴ Industry- and geographic region-specific gross company-level returns are before fees, expenses, and carried interest.

- The three largest sectors – consumer, healthcare, and manufacturing – represented nearly 49% of the index’s value and on a dollar-weighted basis returned 7.7%.
- Consumer, healthcare, and manufacturing companies attracted the most capital from fund managers in the second quarter, together representing approximately 61% of total investments, more than 11% higher than their combined long-term average.
- Also for the fourth straight quarter, all meaningfully-sized regions earned positive returns. Together these regions represented roughly 73% of the index’s value. Swedish companies produced the best return in the quarter; those in the U.K. again earned the lowest.
- Almost 64% of the capital invested in the first quarter went into companies based in Western Europe, nearly 10% higher than the long-term average. U.S.-based businesses attracted approximately 20% of the money invested, about 6% more than over the long term. Most investments in the U.S. are made by large, globally active fund managers.
- Based on market values at June 30, 2011, public companies accounted for 19% of the index, about 1% lower than during the first quarter.

Ex U.S. Developed Markets Private Equity		
Region ⁴	2 nd Qtr. Return	Avg. Weight In Index
Denmark	8.0%	5.3%
France	11.2%	7.2%
Germany	12.8%	9.5%
Italy	9.2%	5.0%
Netherlands	4.1%	6.2%
Sweden	13.4%	5.9%
U.K.	2.1%	17.9%
U.S.	9.2%	16.3%

Emerging Markets Performance Highlights:

- Funds raised in 2004 earned the best second quarter return among the five vintage years that represented more than 90% of the emerging markets index. Because of its size, vintage year 2007 had the largest impact on the benchmark’s return. (see table to the right)
- Positive returns for vintage years 2004 and 2006 were driven almost solely by IT companies; the 2007 vintage’s performance was attributed to consumer and IT businesses. The primary drag on the 2005 vintage year’s return was financial services investments.
- The emerging markets private equity index has remained concentrated by vintage year, sector, and geographic region. Three vintages, 2005, 2006, and 2007 accounted for almost 78% of the index during the quarter. Four sectors, including consumer, manufacturing, financial services, and IT, represented 66% of the index’s value, and businesses located in just two countries, Mainland China and India, comprised nearly half of the index. Of note, the energy sector hit the 5% threshold during the second quarter. (sector and region data are listed in tables below)
- Emerging markets private equity and venture capital funds called and distributed more capital during the second quarter than they did in the first. Contributions totaled \$4.1 billion during the second quarter, an increase of 51% from the prior quarter, while distributions increased 11.5% to \$2.9 billion.
- Funds formed in 2007 called over \$2.3 billion, representing 57% of the total capital called during the second quarter. 2008 vintage year funds called nearly \$1.0 billion, or 24% of capital called during the quarter.
- Unlike the developed markets index, emerging markets fund managers have called more capital than they have distributed for four consecutive quarters.

Emerging Markets Private Equity		
Vintage Year ⁵	2 nd Qtr. Return	Avg. Weight In Index
2004	6.6%	5.7%
2005	0.8%	22.2%
2006	2.7%	17.2%
2007	4.0%	38.2%
2008	0.3%	8.1%

⁵ Vintage year fund-level returns are net of fees, expenses, and carried interest.

- For the second consecutive quarter, returns for all but one of the six meaningfully-sized sectors of the emerging markets index were positive, albeit modestly so in some instances; again, the exception was financial services. The positive outlier was IT, which again earned the index's only double-digit return.
- The four largest sectors by market value – manufacturing, consumer, financial services, and information technology – returned 7.2%.
- Consumer, financial services, manufacturing, and media/communications companies were the top recipients of invested capital during the quarter, combining for 64% of the total. This is 15% higher than their aggregate long-term average.
- In the second quarter of 2011, there were only two countries that represented more than 5% of the index's value, Mainland China and India. Each of the next four regions by size, Brazil, Russia, Japan, and South Korea, represented between 3.5% and 3.9% of the index.
- Although they only represent 3.7% of the index by market value, companies located in Russia helped drive the index's overall return by posting a 59.8% return during the second quarter. If Russian companies were excluded from the index, the aggregate gross return would drop from 4.5% to 2.8% for the quarter.
- During the second quarter, 69% of capital invested went into companies located in emerging Asia. For the past four quarters at least two-thirds of invested capital has been invested in this region.
- Based on market values at June 30, 2011, public companies accounted for slightly more than 22% of the emerging markets private equity index, about 1.8% less than in the prior quarter.

Emerging Markets Private Equity		
Sector ⁶	2 nd Qtr. Return	Avg. Weight In Index
Consumer	8.2%	21.5%
Energy	0.5%	5.0%
Financial Services	-1.4%	11.9%
Healthcare	0.1%	7.6%
IT	26.7%	11.6%
Manufacturing	1.7%	21.1%

Emerging Markets Private Equity		
Region ⁴	2 nd Qtr. Return	Avg. Weight In Index
Brazil	-2.4%	3.9%
India	0.8%	12.0%
Japan	-6.7%	3.5%
Mainland China	4.9%	37.1%
Russia	59.8%	3.7%
South Korea	-2.4%	3.5%

Cambridge Associates derives its Global ex U.S. Developed Markets Private Equity and Venture Capital benchmark from the financial information contained in its proprietary database of global ex U.S. developed markets private equity and venture capital funds. As of June 30, 2011, the database comprised 601 funds formed from 1986 to 2011 with a value of about \$267 billion. By way of comparison, ten years ago at June 30, 2001, the benchmark index included 268 funds whose value was roughly \$31 billion.

Cambridge Associates derives its Emerging Markets Private Equity and Venture Capital benchmark from the financial information contained in its proprietary database of emerging markets private equity and venture capital funds. As of June 30, 2011, the database comprised 344 funds formed from 1986 to 2011 with a value of about \$82 billion. By way of comparison, ten years ago at June 30, 2001, the benchmark index included 137 funds whose value was roughly \$15 billion.

About Cambridge Associates and the Indices

Founded in 1973, Cambridge Associates delivers investment consulting, independent research, performance reporting services, and outsourced portfolio solutions, across all asset classes, to over 900

⁶ Industry- and geographic region-specific gross company-level returns are before fees, expenses, and carried interest.

institutional investors and private clients worldwide. Cambridge Associates has advised its clients on alternative assets since the 1970s and today serves its clients with more than 200 professionals dedicated to consulting, research, operational due diligence, and performance reporting on these asset classes. The firm compiles the performance results for more than 4,400 private partnerships and their more than 60,000 portfolio company investments to publish its proprietary private investments benchmarks. Benchmark statistics are compiled for global private equity and venture capital, real estate, natural resources, distressed securities, and funds of funds and secondaries. Cambridge Associates has more than 1,000 employees serving its client base globally and maintains offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA; Beijing; London; Singapore; and Sydney, Australia. Cambridge Associates is recognized as a thought leader, innovator and advocate for institutional investors. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.

Cambridge Associates LLC's proprietary databases provide independent statistics to the institutional investment industry, the National Venture Capital Association (NVCA), and the Australian Private Equity & Venture Capital Association, Limited (AVCAL). The pooled means 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.