C|A

CAMBRIDGE ASSOCIATES LLC

Cambridge Associates LLC Global ex U.S. Developed and Emerging Markets Private Equity and Venture Capital Benchmark Commentary Quarter Ending June 30, 2013

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 2.4%, a much better return than it earned in the prior period and its fourth positive quarter in a row. The C|A Emerging Markets Index[1,2] fell 0.4% in the second quarter, which was lower than the index's first quarter return. The Euro was stronger in the second quarter than it was in the first, which helped the developed market index's returns when measured in U.S. dollars. Additionally, public market performance across the globe was mixed, with the developed world's public markets outperforming the emerging markets. The private equity benchmarks for both the developed and the emerging markets outperformed their public market counterparts for the quarter, but the developed markets index has had more success beating the public indices over the long term.

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 2013. There are over 720 funds in the developed markets index and nearly 450 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, 2013

For the periods ending June 30, 2013	Qtr.	Year To Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Ex-U.S. Developed Markets PE and VC	2.4	2.4	10.8	13.8	2.4	13.6	12.9	13.3
Emerging Markets PE and VC	-0.4	2.1	8.2	9.9	6.8	12.4	8.3	7.9
Public Market Indices								
MSCI EAFE	-1.0	4.1	18.6	10.0	-0.6	7.7	3.6	5.2
MSCI Emerging Markets	-8.0	-9.4	3.2	3.7	-0.1	14.0	10.0	7.6
S&P 500	2.9	13.8	20.6	18.5	7.0	7.3	4.2	8.7

[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 C|A indices' returns are based on limited partners' fund - level performance; the returns are net of fees, expenses, and carried interest.

Copyright © 2013 by Cambridge Associates LLC. All rights reserved.

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

Second Quarter 2013 Highlights

- With the exception of the year-to-date and year, the developed markets private equity index outperformed the comparable public equity index (MSCI EAFE) in all time periods ending June 30, 2013 listed in the previous table. The emerging markets private equity index bested its corresponding public market benchmark (MSCI Emerging Markets) in six of the eight periods highlighted in the table.

Global ex U.S. Developed Markets Private Equity and Venture Capital Performance Insights

- Funds raised in 2007 earned the best second quarter return among the five vintage years that represented at least 5% of the index. The consumer sector, whose write-ups totaled more than $900 million, was by far the largest driver of performance for the 2007 funds. The 2005 vintage earned the lowest return among the top-sized vintage years due to widespread modest valuation changes. Because of their size and relatively strong returns, vintage years 2006 and 2007 were virtually tied for the largest positive contributors to the benchmark's return. Three vintages, 2005, 2006, and 2007, accounted for roughly 68% of the index during the quarter. (See table to the right.)

Ex-U.S. Developed Markets PE and VC Vintage Year Returns Net Fund-Level Performance

Vintage Year[3]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
2004	2.5	5.3
2005	1.3	16.0
2006	3.0	27.7
2007	3.3	24.2
2008	2.2	9.4

- Developed markets private equity and venture capital funds called $6.7 billion from investors during the quarter, a 10.4% increase from the prior quarter. LP contributions in the first half of 2013 were the lowest for a six-month period since the second and third quarters of 2009. Distributions reached $12.7 billion, representing a 43.2% jump from the previous quarter's total. Distributions outpaced contributions for the fifth consecutive quarter.
- Combined, managers of funds raised in 2007, 2008, 2011, and 2012 called nearly $5.5 billion, or 82% of the total capital called during the quarter. Funds started from 2005 through 2008 each distributed over $1.7 billion, with the 2006 vintage leading the way with $3.5 billion of distributions. Together those four vintage years accounted for roughly 79% of the total capital distributed in the quarter.
- Six of the seven sectors that represented at least 5% of the index's value earned positive returns during the quarter. After posting the best return among the meaningfully-sized sectors for 2012, media companies continued to outperform all others in the first half of 2013. The sector's second quarter return was 7.9%, beating out financial services for the quarter's best. Vintage years 2004 and 2006 accounted for the bulk of the sector's write-ups. Energy was the only sector with a negative return, likely due, in part, to fluctuations in oil prices during the quarter. (See table to the right for further detail.)

Ex-U.S. Developed Markets PE and VC Sector Returns Gross Company-Level Performance

Sector[4]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
Consumer	4.1	26.6
Energy	-0.2	5.4
Financial Services	7.4	10.1
Healthcare	1.6	13.2
IT	3.5	10.1
Manufacturing	1.3	8.9
Media	7.9	6.2

- The four largest sectors – consumer, healthcare, IT, and financial services – represented 60% of the index's value and

[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.

Copyright © 2013 by Cambridge Associates LLC. All rights reserved.

on a dollar-weighted basis returned 4.0%. Consumer companies attracted nearly 28% of the capital invested during the quarter, the most among the sectors in the index, and about 1% higher than the long-term average.

- Electronics and healthcare companies received the second and third largest amount of capital investment in the second quarter. By dollar, they accounted for 35% of the investments in the quarter, about 2.5 times the long-term average for the two sectors.
- Three of the five countries representing the bulk of the index posted positive returns during the second quarter. Returns ranged from -1.3% for companies headquartered in Germany to 7.6% for U.K.-based companies. Chemical companies were the biggest drag on German companies' performance. Write-ups were fairly widespread for U.K. companies, with the consumer, energy, financial services, and media sectors contributing heavily.
- Western European companies attracted 87% of the capital invested during the quarter, which is about 10% higher than the historical average. Less than 5% of the capital invested in the quarter went to U.S.-based companies, about almost 7% lower than the historical average.
- Based on market values at June 30, 2013, public companies accounted for 13.3% of the value of the index, which was about 1.5% lower than the previous quarter.

Ex-U.S. Developed Markets PE and VC
Regional Returns
Gross Company-Level Performance

Region[4]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
France	-1.2	7.7
Germany	-1.3	9.6
Sweden	0.5	6.3
U.K.	7.6	22.9
U.S.	4.3	15.9

Emerging Markets Private Equity Performance Insights

- The emerging markets private equity index has remained concentrated by vintage year, sector, and geographic region. Five vintages, 2005 through 2008 and 2010, accounted for over 84% of the index during the quarter. Five sectors, including consumer, manufacturing, financial services, IT, and healthcare, represented a little less than 71% of the value, and just over 54% of the index was made up of businesses located in only four countries: Mainland China, India, South Korea, and Russia.
- Funds raised in 2006 earned the best second quarter return among the five vintage years that represented the bulk of the emerging markets index. The valuation increases in the healthcare sector were the main driver for the positive performance in the 2006 funds. Because it represented more than a third of the index's value, vintage year 2007 had the largest impact on the benchmark's return. The negative return for funds raised in 2007 was due largely to write-downs in the consumer, financial services, and construction sectors. (See table to the right.)
- In the second quarter of 2013, emerging markets private equity and venture capital funds called and distributed more capital than in the previous quarter. Contributions increased 75% to $3.4 billion. Distributions increased 123% to $5.6 billion, the highest amount of quarterly distributions seen in the 27 years that Cambridge Associates has tracked the industry. For the second consecutive quarter, the managers in the emerging markets index distributed more capital than they called.
- Together, the managers in vintage years 2006 through 2008 called over $1.9 billion, representing more than 57% of the capital called during the quarter. Each of those vintages called more than

Global Emerging Markets PE and VC
Vintage Year Returns
Net Fund-Level Performance

Vintage Year[5]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
2005	-1.0	12.8
2006	1.5	18.3
2007	-1.7	35.1
2008	0.3	12.6
2010	-1.1	5.4

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

Copyright © 2013 by Cambridge Associates LLC. All rights reserved.

$600 million. The 2005 and 2007 vintage years returned over $4.3 billion to LPs, or roughly 77% of the total capital distributed during the quarter.

- Three of the five meaningfully-sized sectors posted negative quarterly returns. The difference between best and worst was almost 9%, with the highest being IT's 6.4% and the lowest being financial services' -2.6% return. The IT return was largely driven by write-ups of companies in the 2007, 2008, and 2005 vintage year funds. Large write-downs in financial services companies in the 2007 and 2005 vintage year funds contributed to the sector's negative return. (See table on to the right for further detail.)
- On a gross, dollar-weighted basis, the five largest sectors by market value – consumer, manufacturing, IT, financial services, and healthcare – returned -0.3% during the quarter, practically the same return for all companies.
- Manufacturing, consumer, and media companies were the top three recipients of invested capital during the quarter, accounting for 68.3% of the total. This is nearly 24% higher than the long-term average for the three sectors. Media companies attracted almost 13% more than their historical average.

Global Emerging Markets PE and VC Sector Returns Gross Company-Level Performance

Sector[6]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
Consumer	-2.4	23.7
Financial Services	-2.6	10.2
Healthcare	4.5	9.4
IT	6.4	10.9
Manufacturing	-2.5	16.4

- During the second quarter, companies headquartered in emerging Asia attracted over 60% of total capital invested by managers in the index, which is in line with the historical average.
- In the second quarter of 2013, Russia crossed the threshold for being considered meaningfully sized (more than 4% of the index by market value) after falling below the level last quarter. The four countries – Mainland China, India, South Korea, and Russia – by market value made up roughly 54% of the total index. On a dollar-weighted basis, they broke even for the quarter; and the smallest constituent, Russia, earned the best return of the four regions, while India was a drag on the overall return. (See chart to the right for further detail.)
- Based on market values at June 30, 2013, public companies comprised 17.4% of the index, about 1.4% less than at the end of the prior quarter.

Global Emerging Markets PE and VC Region Returns Gross Company-Level Performance

Region[6]	2nd Qtr. Return (%)	6/30/2013 Weight In Index (%)
India	-4.6	9.0
Mainland China	0.7	34.7
Russia	1.9	4.0
South Korea	1.6	6.6

About the Indices

Cambridge Associates derives its Global ex U.S. Developed Markets Private Equity and Venture Capital Index from the financial information contained in its proprietary database of global ex U.S. private equity and venture capital funds. As of June 30, 2013, the database included 721 global ex U.S. developed markets private equity and venture capital funds formed from 1986 to 2013 with a value of about $265 billion. Ten years ago, as of June 30, 2003, the benchmark index included 337 global ex-US developed markets funds, whose value was roughly $51 billion.

Cambridge Associates derives its Emerging Markets Private Equity and Venture Capital benchmark from the financial information contained in its proprietary database of global ex U.S. private equity and venture capital funds. As of June 30, 2013, the database comprised 445 emerging markets funds formed from 1986 to 2013 with a value of about $105 billion. Ten years ago, as of June 30, 2003, the benchmark index included 158 emerging markets funds, whose value was slightly less than $13 billion.

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

Copyright © 2013 by Cambridge Associates LLC. All rights reserved.

About Cambridge Associates
Founded in 1973, Cambridge Associates is a provider of independent investment advice and research to institutional investors and private clients worldwide. Today the firm serves over 950 global investors and delivers a range of services, including investment consulting, outsourced investment solutions, research and tools (Research Navigator^{sm} and Benchmark Calculator), and performance monitoring, across asset classes. The firm compiles the performance results for over 5,400 private partnerships and their more than 68,000 portfolio company investments to publish proprietary private investments benchmarks. Cambridge Associates has more than 1,100 employees serving its client base globally and maintains offices in Arlington, VA; Boston; Dallas; Menlo Park, CA; London; Singapore; Sydney; and Beijing. Cambridge Associates consists of five global investment consulting affiliates that are all under common ownership and control. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.

Cambridge Associates has been selected to provide data and to develop and maintain customized industry benchmarks for a number of prominent industry associations, including the Institutional Limited Partners Association (ILPA), Australian Private Equity & Venture Capital Association Limited (AVCAL); the African Venture Capital Association (AVCA); the Hong Kong Venture Capital and Private Equity Association (HKVCA); the Indian Private Equity and Venture Capital Association (IVCA); the New Zealand Private Equity & Venture Capital Association Inc. (NZVCA); the Asia Pacific Real Estate Association (APREA); and the National Venture Capital Association (NVCA). Cambridge also provides data and analysis to the Emerging Markets Private Equity Association (EMPEA).

Copyright © 2013 by Cambridge Associates LLC. All rights reserved.