CAMBRIDGE ASSOCIATES LLC

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

Overview

During the third 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%, a significantly better return than it earned in the prior period and its fifth consecutive positive quarter. The C|A Emerging Markets Index[1,2] gained 3.7%, which also was a big improvement over its second quarter return. The Euro strengthened from June to September and that helped boost the developed market index's returns when measured in U.S. dollars. In addition, global public market performance was strong, with the ex-U.S. developed world outperforming the emerging markets. The private equity benchmarks for both the developed and the emerging markets underperformed their public market counterparts for the quarter.

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 roughly 700 funds in the developed markets index and nearly 500 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 September 30, 2013

For the periods ending September 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	6.7	9.1	14.4	11.8	6.8	14.4	13.5	13.8
Emerging Markets PE and VC	3.7	5.9	9.5	8.1	9.5	11.8	8.3	7.7
Public Market Indices								
MSCI EAFE	11.6	16.1	23.8	8.5	6.4	8.0	5.5	5.4
MSCI Emerging Markets	5.9	-4.1	1.3	0.0	7.6	13.2	12.3	7.1
S&P 500	5.2	19.8	19.3	16.3	10.0	7.6	5.3	8.8

Sources: Cambridge Associates LLC, MSCI Inc., Standard & Poor's, and Thomson Reuters 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 C|A indices' returns are based on limited partners' fund - level performance; the returns are net of fees, expenses, and carried interest.

Third Quarter 2013 Highlights

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

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

Ex-U.S. Developed Markets PE and VC Vintage Year Returns Net Fund-Level Performance		
Vintage Year[3]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
2005	4.8	14.1
2006	7.6	27.9
2007	5.7	24.6
2008	7.8	10.3

- Funds raised in 2008 earned the highest quarterly return among the four vintage years that represented at least 5% of the index in the third quarter. Consumer companies were by far the largest contributor to the 2008 vintage year funds' return. The consumer and IT sectors, whose write-ups totaled more than $2.7 billion combined, mainly drove the performance of the 2006 funds, the largest vintage in the index. Despite having no sector with meaningful write-downs, the 2005 vintage year funds posted the lowest return among the top-sized vintages due to middling increases in the large sectors. Due to its size and strong return, vintage year 2006 was the largest positive contributor to the benchmark's return. The top four vintages by size, 2005 through 2008, accounted for almost 77% of the index during the quarter. At the same time, vintage year 2004 fell below the 5% threshold. (See table above.)
- Developed markets private equity and venture capital funds called $6.9 billion from investors during the quarter, a slight increase from the prior quarter. Limited Partner (LP) contributions in the first three quarters of 2013 were the lowest for a nine-month period since the same period in 2009. Distributions reached $15.2 billion, representing a 19.3% increase over the previous quarter's total. It was the sixth consecutive quarter that distributions outpaced contributions.
- Combined, managers of funds raised in 2007 and 2012 called $3.3 billion, or 48% of the total capital called during the quarter. Funds started from 2004 through 2007 together distributed nearly $12 billion, accounting for nearly 79% of the total capital distributed in the quarter. The 2005 vintage year funds led the way with $5.1 billion of distributions.

Ex-U.S. Developed Markets PE and VC Sector Returns Gross Company-Level Performance		
Sector[4]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
Consumer	7.6	27.3
Energy	7.0	5.3
Financial Services	4.7	9.7
Health Care	5.3	12.6
IT	11.7	10.4
Manufacturing	5.7	8.7
Media	10.5	5.7

- All seven sectors that represented at least 5% of the index's value earned positive returns during the third quarter. The IT sector outperformed all others in the quarter but media companies continued to perform well. Vintage year 2006 was the largest contributor to the sector's write-ups. The financial services companies earned 4.7% for the quarter, the lowest return among the largest sectors despite being strong on an absolute basis. (See table to the right for further detail.)
- The four largest sectors—consumer, health care, IT, and financial services—represented 60% of the index's value and on a dollar-weighted basis returned 7.3%. Consumer companies attracted nearly 24% of the capital invested during the quarter, the most among the sectors in the index, and about 3% less than the long-term average.

[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.

- Materials companies received the second largest amount of capital investments in the third quarter, followed by health care and manufacturing companies, which respectively received the third and fourth largest amounts. By dollar, these three sectors accounted for almost 37% of the investments in the quarter, nearly 10% higher than their long-term average.
- All five countries representing the bulk of the index posted positive returns during the third quarter. Returns ranged from 3.8% for companies headquartered in Germany to 7.5% for Swedish companies. Industrial companies were the biggest drag on German companies' performance. Write-ups were fairly widespread for Swedish companies, with the consumer and IT sectors contributing heavily.
- Companies headquartered in developed Europe attracted 76% of the capital invested during the quarter, equal to the historical average. A little more than 11% of the capital invested in the quarter went to U.S. companies, about 1% less than the historical average.
- Based on market values at September 30, 2013, public companies accounted for nearly 15% of the value of the index, which was slightly higher than during the previous quarter.

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

Region[4]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
France	5.5	8.0
Germany	3.8	9.7
Sweden	7.5	5.9
U.K.	7.0	23.0
U.S.	7.2	15.7

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 nearly 83% of the index during the quarter. Five sectors, including consumer, manufacturing, financial services, IT, and health care, represented a little more than 69% of the value, and 50% of the index was made up of businesses located in only three countries: Mainland China, India, and South Korea.
- Funds raised in 2008 earned the best third quarter return among the five vintage years that represented the bulk of the emerging markets index. Valuation increases in the electronics and IT sectors were the main drivers for the positive performance in the 2008 funds. Because it continued to represent more than a third of the index's value, vintage year 2007 had the largest impact on the benchmark's return. Large write-ups in the consumer sector were the largest positive influence on the 2007 funds' return but write-downs in IT dampened results. (See table to the right.)

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

Vintage Year[5]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
2005	2.1	12.3
2006	3.0	17.2
2007	3.5	35.4
2008	7.7	11.3
2010	4.5	6.5

- In the third quarter of 2013, emerging markets private equity and venture capital funds called $3.8 billion from investors and distributed $3.0 billion to them. Contributions were roughly equal to those in the previous quarter while distributions decreased by 48%. For the first time in 2013, the managers in the emerging markets index called more capital than they distributed.
- Together, the managers in vintage years 2007, 2010, and 2011 called nearly $2.7 billion, representing 71% of the capital called during the quarter. Two of those vintages, 2007 and 2010, called more than $900 million each. The 2007 vintage year funds returned almost $1.3 billion to LPs, or roughly 44% of the total capital distributed during the quarter.
- Four of the five meaningfully-sized sectors earned positive quarterly returns. Health care posted the highest of the five sectors, 7.2%, and IT the lowest, -0.1%. The health care return was mostly driven by write-ups of companies in the 2006, 2007, and 2008 vintage year funds. Large write-

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

downs in IT companies in the 2007 and 2005 vintage year funds led to the sector's flat 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, health care, and financial services—returned 4.2% during the quarter, slightly less than the return for all companies.
- Consumer, energy, and construction companies were the top three recipients of invested capital during the quarter, accounting for 53% of the total. This is approximately 22% higher than the long-term average for the three sectors. Energy companies attracted about 13% more than their historical average.

Global Emerging Markets PE and VC Sector Returns Gross Company-Level Performance		
Sector[6]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
Consumer	5.4	22.2
Financial Services	2.6	10.0
Health Care	7.2	10.1
IT	-0.1	10.7
Manufacturing	4.8	16.3

- During the third quarter, companies headquartered in Mainland China attracted approximately 62% of the total capital invested by managers in the index, which is roughly 6% higher than the historical average. Almost all of the capital invested during the quarter went into companies based in four countries: China, India, South Korea, and Russia.
- In the third quarter of 2013, only three countries were considered meaningfully sized (more than 4% of the index by market value): Mainland China, India, and South Korea. On a dollar-weighted basis, they earned 5.4% for the quarter. The largest constituent of the index, China, also had the best return of the three large regions. India's flat return for the quarter was the period's worst of the three. (See chart to the right for further detail.)
- Based on market values at September 30, 2013, public companies comprised 18.2% of the index, about 0.9% less than at the end of the prior quarter.

Global Emerging Markets PE and VC Region Returns Gross Company-Level Performance		
Region[6]	3rd Qtr. Return (%)	9/30/2013 Weight In Index (%)
India	0.0	8.7
Mainland China	6.9	35.4
South Korea	4.7	6.0

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 September 30, 2013, the database included 698 global ex U.S. developed markets private equity and venture capital funds formed from 1986 to 2013 with a value of about $274 billion. Ten years ago, as of September 30, 2003, the benchmark index included 323 global ex-US developed markets funds, whose value was roughly $54 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 September 30, 2013, the database comprised 497 emerging markets funds formed from 1986 to 2013 with a value of about $114 billion. Ten years ago, as of September 30, 2003, the benchmark index included 181 emerging markets funds, whose value was slightly more than $13 billion.

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 nearly 1,000 global investors and delivers a range of services, including investment advisory, outsourced investment solutions,

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

research and tools (Research Navigator[sm] and Benchmark Calculator), and performance monitoring, across asset classes. The firm compiles the performance results for more than 5,600 private partnerships and their nearly 70,000 portfolio company investments to publish its proprietary private investments benchmarks, of which the *Cambridge Associates LLC U.S. Venture Capital Index®* and *Cambridge Associates LLC U.S. Private Equity Index®* are widely considered to be among the standard benchmark statistics for these asset classes. 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); Canada's Venture Capital and Private Equity Association (CVCA); 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).