CAMBRIDGE ASSOCIATES LLC

Cambridge Associates Global ex U.S. Developed and Emerging Markets
Private Equity and Venture Capital Benchmark Commentary
Quarter Ending September 30, 2012

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 3.1%, a big improvement from the previous quarter when the index's return was negative; the C|A Emerging Markets Index was up 2.6%, also recovering from a down second quarter. The Euro fluctuated in value against the dollar in the third quarter but ended the period slightly stronger than it began. International public equity indices performed well during the quarter, outpacing the private equity indices in the developed and emerging markets. In general, however, both private equity indices have outperformed or kept pace with the public markets over medium and long time horizons.

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 2012. There are over 690 funds in the developed markets index and more than 410 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, 2012

For the periods ending September 30, 2012	Qtr.	Year to Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Ex U.S. Developed Markets PE and VC	3.1	9.1	9.0	12.1	1.5	14.6	13.7	13.4
Emerging Markets PE and VC	2.6	6.2	7.1	12.7	6.9	11.8	7.9	7.7
Other Indices								
MSCI EAFE	6.9	10.1	13.8	2.1	-5.2	8.2	3.4	5.5
MSCI Emerging Markets	7.9	12.3	17.3	6.0	-1.0	17.4	7.5	8.9
S&P 500	6.4	16.4	30.2	13.2	1.1	8.0	4.7	8.5

Sources: Cambridge Associates LLC, MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties. Returns for time periods shorter than a year are not annualized.

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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.

As shown in the table above, the developed markets private equity index's record against a comparable (MSCI EAFE) public equity index has been mixed. As of September 30, 2012, it underperformed EAFE in the quarter, year-to-date, and one-year periods but outperformed the public index in all other time periods listed in the table. The emerging markets private equity index bested its corresponding public market benchmark, the MSCI Emerging Markets Index, in three of the eight periods shown in the table. The developed markets index has continued to outperform the emerging markets index over the short and long term but over the medium term, the reverse is true.

Developed Markets Performance Highlights:

Ex-U.S. Developed Markets Private Equity and Venture Capital		
Vintage Year[3]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
2004	3.1	5.8
2005	3.0	18.1
2006	2.3	29.4
2007	3.6	21.6
2008	6.4	9.0

- Funds raised in 2008 earned the best third quarter return among the five vintage years that represented at least 5% of the index. The retail sector was the primary driver of performance for the 2008 funds. For the largest vintage year, 2006, written-up values in financial services, healthcare, software, and consumer were partially offset by write downs in materials and media. By the end of the third quarter, three vintages, 2005, 2006, and 2007 accounted for 69.1% of the index, which was a slight decrease from the prior quarter. (See table to the right.)
- Developed markets private equity and venture capital funds called $7.9 billion from investors during the third quarter, a 29.4% increase from the prior quarter. Distributions totaled $14.7 billion, representing a jump of 65.0% from the previous quarter's total. Distributions outpaced contributions for the sixth time in the last seven quarters.
- Fund managers in three vintage years, 2007, 2008, and 2011, combined to call almost $5.3 billion from investors, which represented nearly 67% of the total capital called during the quarter. Funds raised from 2005 through 2007 accounted for more than $11.0 billion in distributions or 75% of the total.
- Third quarter returns for the seven sectors that represented at least 5% of the index's value ranged from -0.1% to 5.1%. For the second quarter in a row, healthcare companies led the way; vintage year 2007 funds contributed most to the sector's return but vintages 2005, 2006, and 2008 also helped. The media sector performed the worst among the large components of the index. Write downs in the 2006 vintage year funds' media investments offset the small gains in the other vintages. (See table to the right for further detail.)

Ex-U.S. Developed Markets Private Equity and Venture Capital		
Sector[4]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
Consumer	3.4	25.9
Energy	4.4	5.2
Financial Services	4.7	9.7
Healthcare	5.1	12.7
IT	2.7	9.9
Manufacturing	4.1	8.9
Media	-0.1	6.7

- The four largest sectors – consumer, healthcare, IT, and financial services – represented more than 58% of the index's value and on a dollar-weighted basis returned about 4.0%.
- Consumer companies garnered the most investments during the quarter with healthcare a close second. Combined the two sectors attracted more than 43% of the invested capital, nearly 6% higher than the long-term norm thanks to the larger than average investment in healthcare.

[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.

- Performance among the five countries representing the bulk of the index was fairly strong in the third quarter. Returns ranged from 1.7% for companies headquartered in France to 4.5% for U.S. companies. Two countries, Italy and the Netherlands, fell below the 5% threshold during the quarter. Companies in Japan, which represented less than 2% of the index's value, earned 15.9% for the quarter, the highest return among all countries in the benchmark.
- Slightly more than 63% of capital invested during the quarter went into companies based in Western Europe, which is almost 15% lower than the historical average. U.S.-based companies attracted almost 18% of the invested capital this quarter, more than 7% higher than the long-term norm. Also of note, Australian companies garnered the third largest amount of investment in the third quarter, helping to increase the country's exposure in the benchmark.
- Based on market values at September 30, 2012, public companies accounted for 12.8% of the value of the index, approximately 0.7% less than during the previous quarter.

Ex-U.S. Developed Markets Private Equity and Venture Capital		
Region[4]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
France	1.7	7.5
Germany	3.5	9.7
Sweden	3.5	6.4
U.K.	3.6	22.4
U.S.	4.5	13.9

Emerging Markets Performance Highlights:

- The emerging markets private equity index has remained concentrated by vintage year, sector, and geographic region.
- During the third quarter, there were only four vintage years that accounted for at least 5% of the index's value. The 2007 vintage alone represented 36.7% of the index; combined the top four accounted for 82.4% of the total.
- In a reversal from last quarter, results for all of the meaningfully-sized vintages were positive; two vintages, 2005 and 2008, earned returns of 2.3% and two, 2006 and 2007, were up 3.5%. Financial services companies saw the biggest write ups in the vintage year 2005 funds and both retail and financial services contributed significantly to the 2007 vintage year's return. No one sector dominated performance in vintage years 2006 and 2008. (See table to the right for more information.)
- Emerging markets private equity and venture capital fund managers called $3.8 billion during the quarter, a 5.7% decrease from the prior quarter. Distributions equaled $2.1 billion, a 91.7% jump from what was the smallest quarterly distribution level in three years.
- Four vintage years, 2007, 2011, 2010, and 2006, represented 82.7% of all capital calls during the quarter; all four called more than $500 million each. The 2007 vintage year fund managers were the only ones to call over $1.0 billion from investors. The 2005 and 2007 vintage years combined to account for 60% of all distributions during the quarter.
- All five meaningfully-sized sectors posted positive returns during the third quarter. Financial services businesses turned in the quarter's best performance, 6.2% on the strength of investments made by funds from vintage years 2005 and 2007. The lowest return, 1.6%, was posted by companies in the manufacturing

Emerging Markets Private Equity and Venture Capital		
Vintage Year[5]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
2005	2.3	16.4
2006	3.5	17.7
2007	3.5	36.7
2008	2.3	11.6

Emerging Markets Private Equity and Venture Capital		
Sector[6]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
Consumer	3.6	23.9
Financial Services	6.2	12.8
Healthcare	4.2	7.5
IT	1.7	11.3
Manufacturing	1.6	16.5

[5] Vintage year fund-level returns are net of fees, expenses, and carried interest.
[6] Industry- and geographic region-specific gross company-level returns are before fees, expenses, and carried interest.

sector where the only significant gains were earned by vintage years 2006 and 2007. (See table for details.)

- For the fourth consecutive quarter, consumer companies were the top recipients of invested capital, attracting about 37% of all dollars invested. This is about 14% more than the long-term average.
- As indicated by the table to the right, China and India remained the largest regional components of the emerging markets index during the third quarter. By the end of the quarter, South Korea had reached the 5% of value threshold. India's return was by far the best of the three countries.
- During the third quarter, companies in emerging Asia were the recipients of more than 76.0% of all capital invested, more than 16% higher than the long-term average.
- Based on market values at September 30, 2012, public companies comprised slightly less than 17.5% of the index, roughly the same as at the end of the prior quarter.

Emerging Markets Private Equity and Venture Capital		
Region[4]	3rd Qtr. Return (%)	9/30/2012 Weight In Index (%)
India	9.0	10.7
Mainland China	-1.4	35.6
South Korea	2.0	5.6

About the Indices

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. and emerging markets private equity and venture capital funds. As of September 30, 2012, the database comprised 694 funds formed from 1986 to 2012 with a value of about $251 billion. By way of comparison, ten years ago at September 30, 2002, the benchmark index included 318 funds whose value was roughly $39 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 venture capital and private equity funds. As of September 30, 2012, the database comprised 417 funds formed from 1986 to 2012 with a value of roughly $98 billion. By way of comparison, as of September 30, 2002, the benchmark index included 150 funds whose value was about $13 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.

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 900 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 more than 5,000 private partnerships and their more than 65,000 portfolio company investments to publish proprietary private investments. Cambridge Associates has more than 1,000 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).