CanterburyConsulting

Quarterly Asset Class Report

Private Equity

canterburyconsulting.com

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Role in the Portfolio

Canterbury Consulting recommends a diversified portfolio of private capital strategies. Consistently committing to private capital drives long-term asset growth, net of inflation, by taking advantage of the illiquidity premium derived from inefficient markets and superior manager selection

— Canterbury blends strategic and opportunistic approaches to construct private capital portfolios that are diversified by sector, geography, and vintage year

- Strategic: using various market inputs to form a baseline, we create a recommended model portfolio allocation
- Opportunistic: we combine top-down and bottom-up analysis to achieve excess risk-adjusted returns through market intelligence and superior manager selection

Role	Asset Categories	Risks
Growth	**Public and Private Equity**	**Market Decline**
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

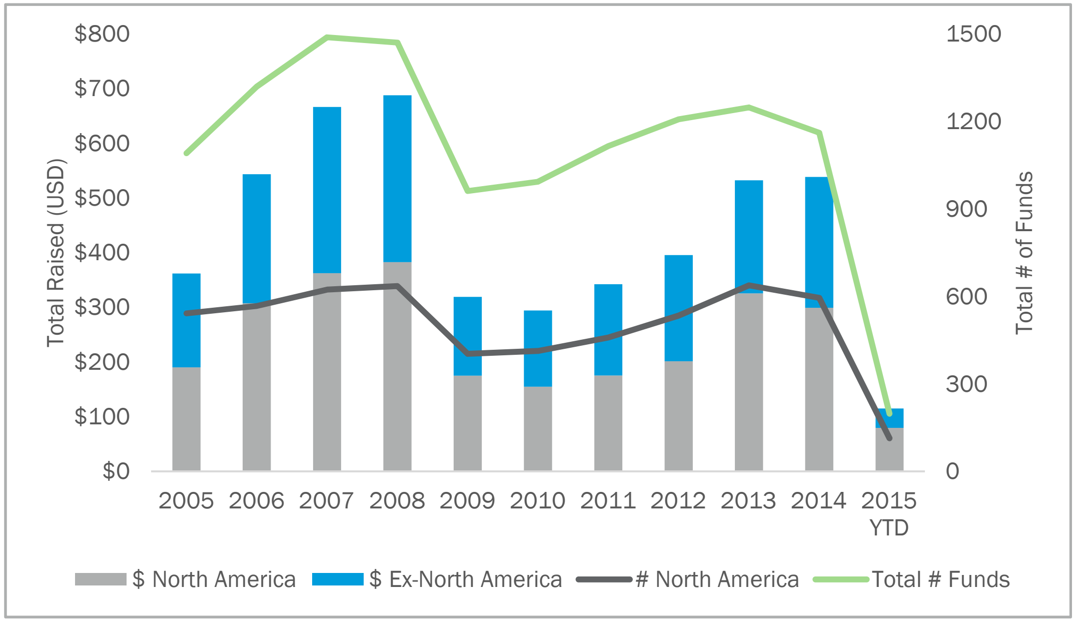
— Over a full market cycle, private equity is expected to generate above-market returns commensurate with risks associated with the asset class (i.e., illiquidity, time horizon, etc.)

— Given the length of the time required to deploy capital and constant evolution of the opportunity set, investors in private equity must commit consistently across cycles and avoid "market timing" in order to generate returns

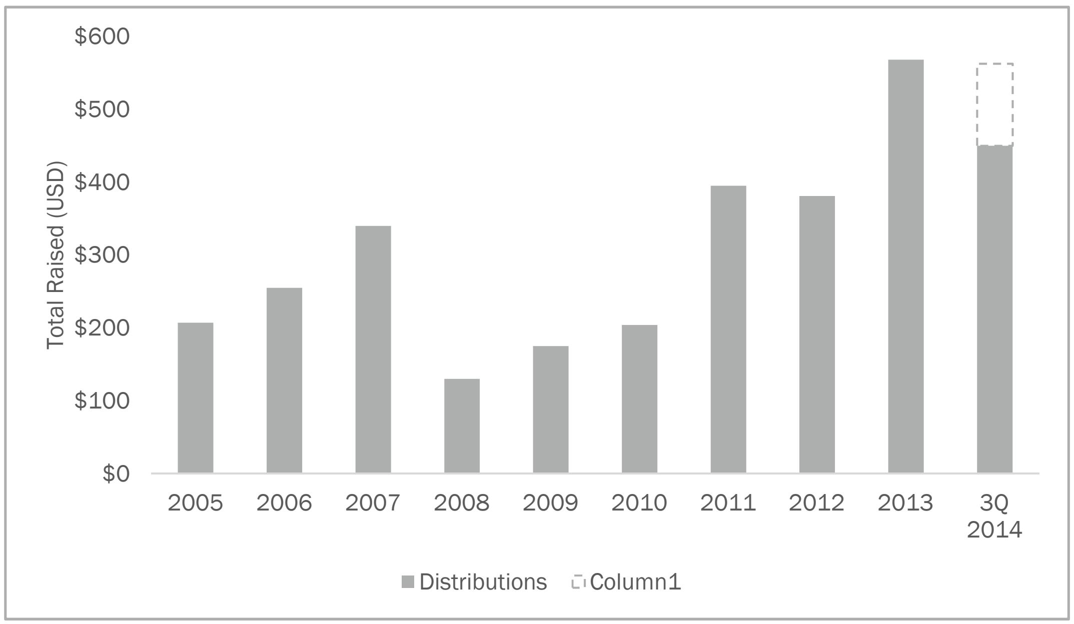
Fundraising & Dry Powder

Private Equity

Global Fundraising



Fund Distributions



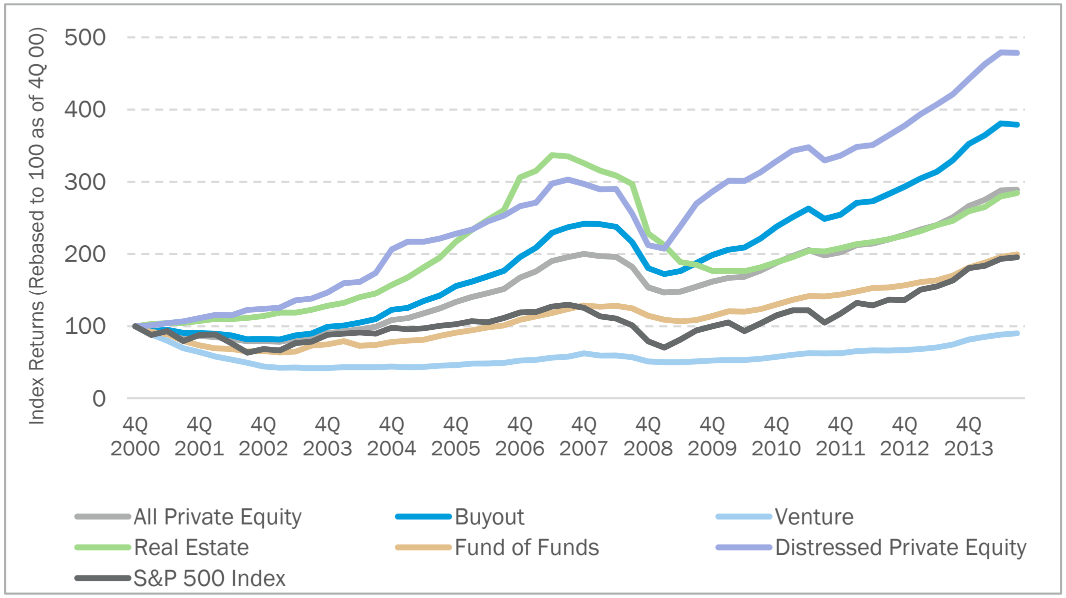
- Based on preliminary figures for FY 2014, fundraising levels were essentially flat on a year-over-year basis, with an increase in total capital raised of 1.1%
- As discussed in previous quarters, the trend of fewer funds raising larger amounts of capital persists
  - The total number of funds raised in 2014 decreased by 7% over the previous year
  - The average fund size in 2014 was US$520 million, which represents the highest level in the past 14 years
  - In 1Q 2015, the average fund size was US$647 million
- Distributions have also reached record levels in the past two years, which impacted both the velocity of new commitments and access to funds as investors seek to re-deploy capital in maintaining private equity targets

Source: Preqin, reported as of April 2015

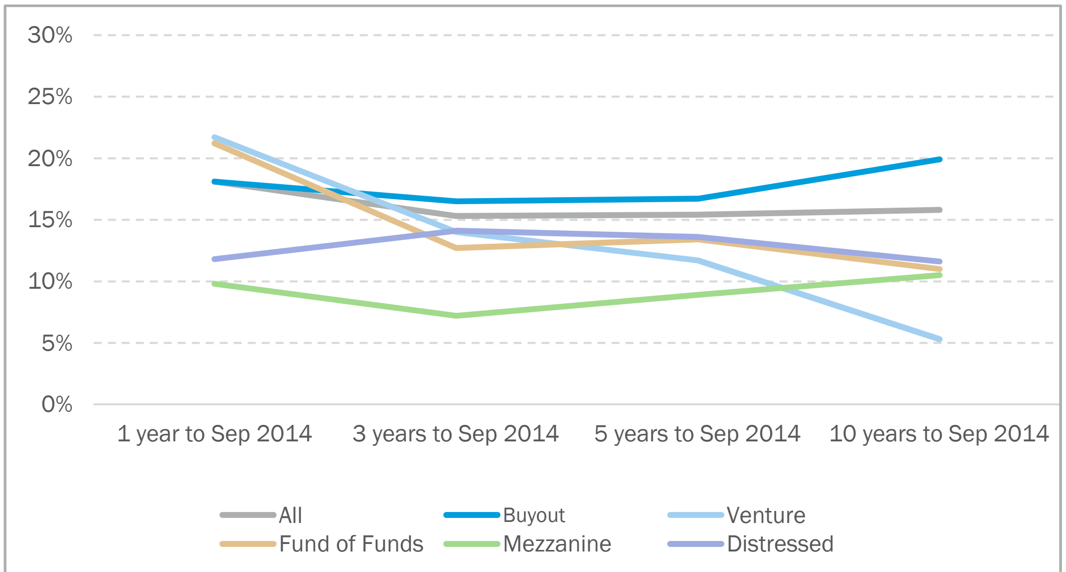
Performance

Private Equity

Quarterly Valuation Index



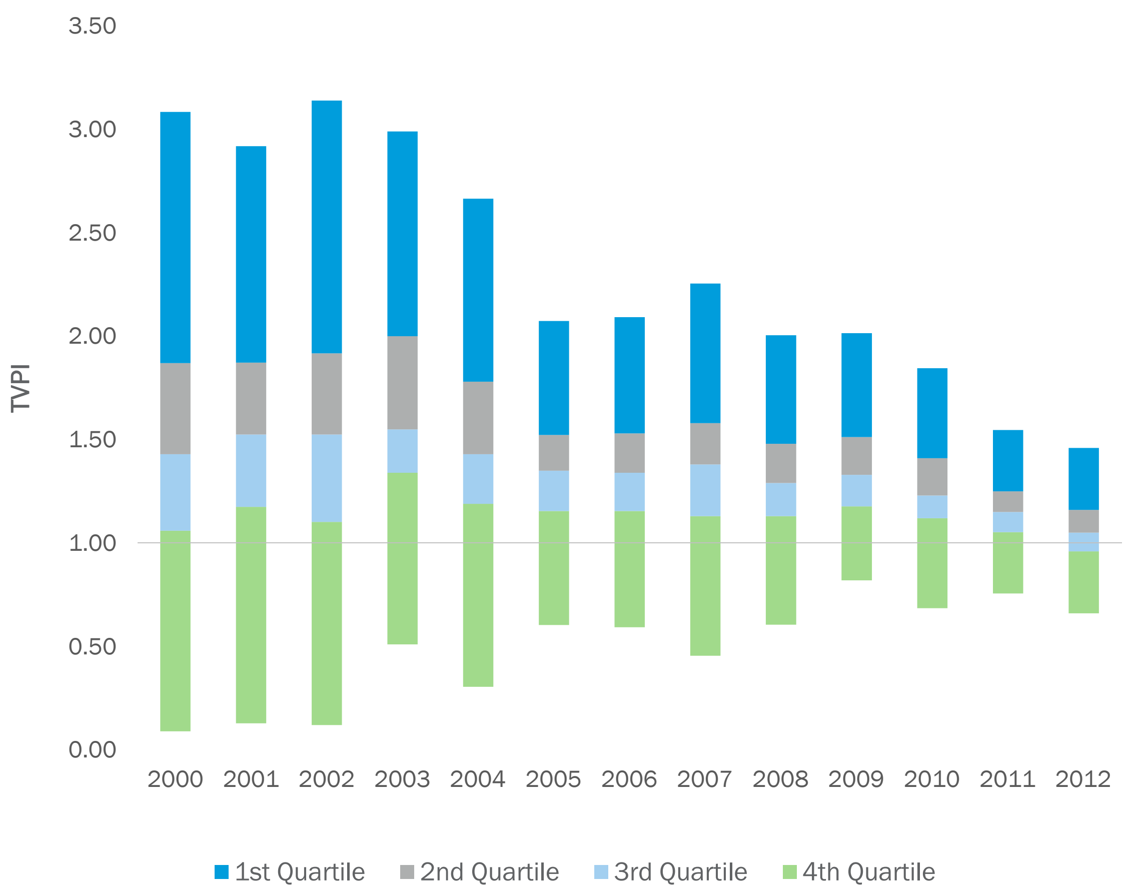
Horizon IRRs by Strategy



- Based on quarterly LP net asset value and cash flows, Preqin's Private Equity Quarterly Index demonstrates that the valuation gap between public and private companies has widened dramatically in the past decade
- Although short-term performance is not meaningful in private equity, it is evident all strategies benefited from the "rising tide" of valuations seen over the past 12 months
  - Buyout performance has remained steady over the long term and short term, while venture has benefited from the current valuation environment
  - More surprisingly, short-term fund-of-funds performance has been strong, which likely reflects increasing allocations to co-investments, particularly those in early stage companies

Source: Preqin, reported as of April 2015

Global Private Equity Performance



- The following chart from data provider BISON illustrates the relative performance of all global private equity funds by vintage year
- As expected, the dispersion of returns between the best and worst performers is widest for the most mature funds
- This dispersion underscores the importance of manager selection in private equity portfolio construction

Source: BISON, reported as of October 2014