CanterburyConsulting

Quarterly Asset Class Report

Private Equity

June 30, 2015

canterburyconsulting.com

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

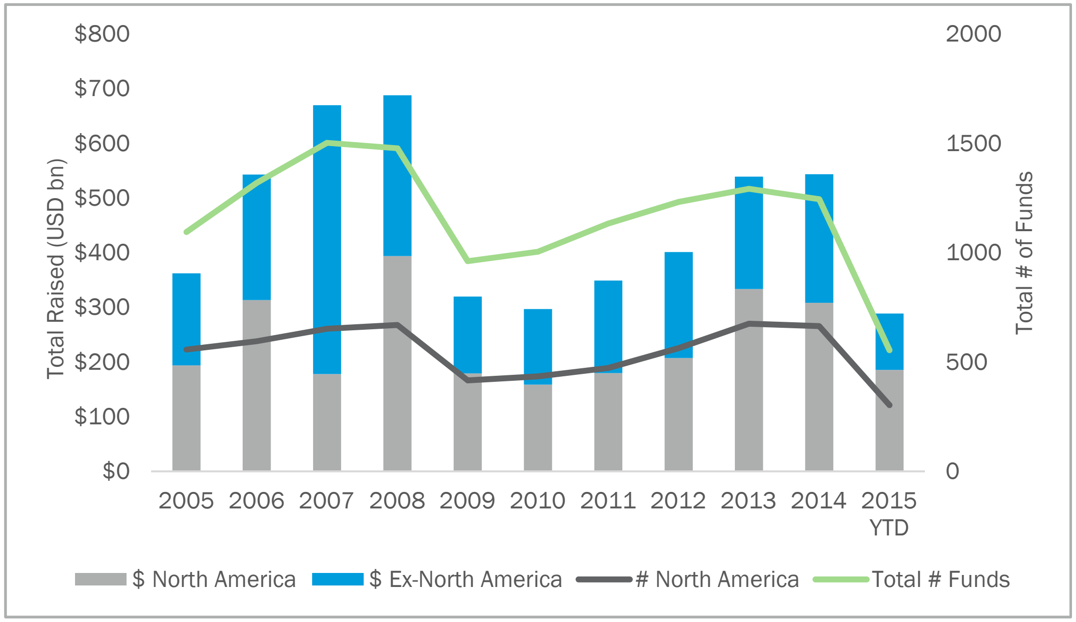
— Over a full market cycle, private equity is expected to generate above-market returns commensurate with risks associated with the asset class (i.e., illiquidity, time horizon, etc.)

— 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

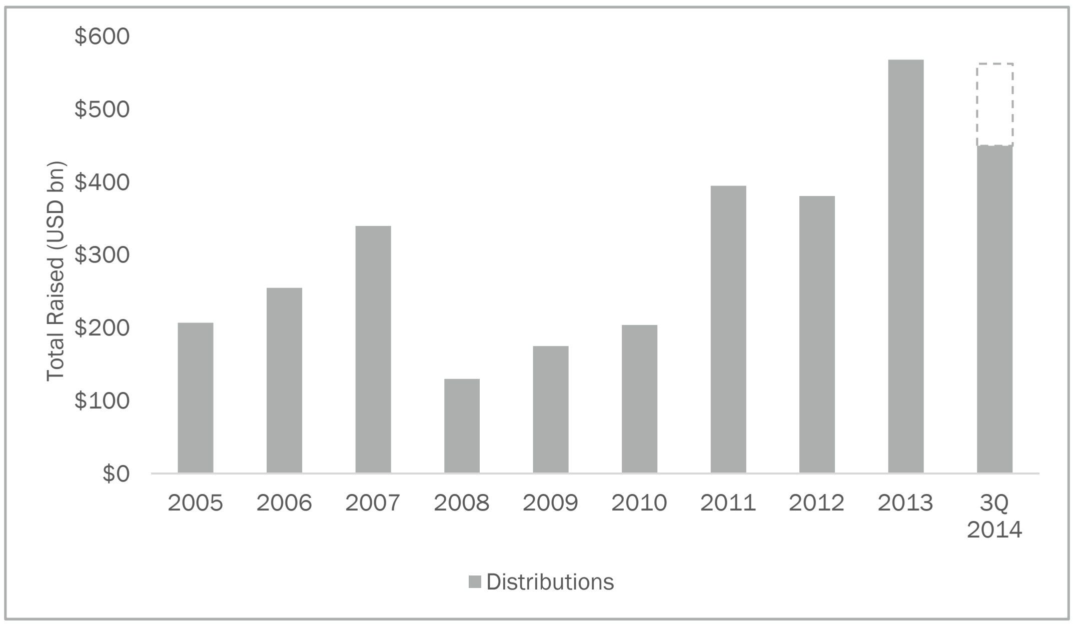
Fundraising & Dry Powder

Private Equity

Global Fundraising



Fund Distributions

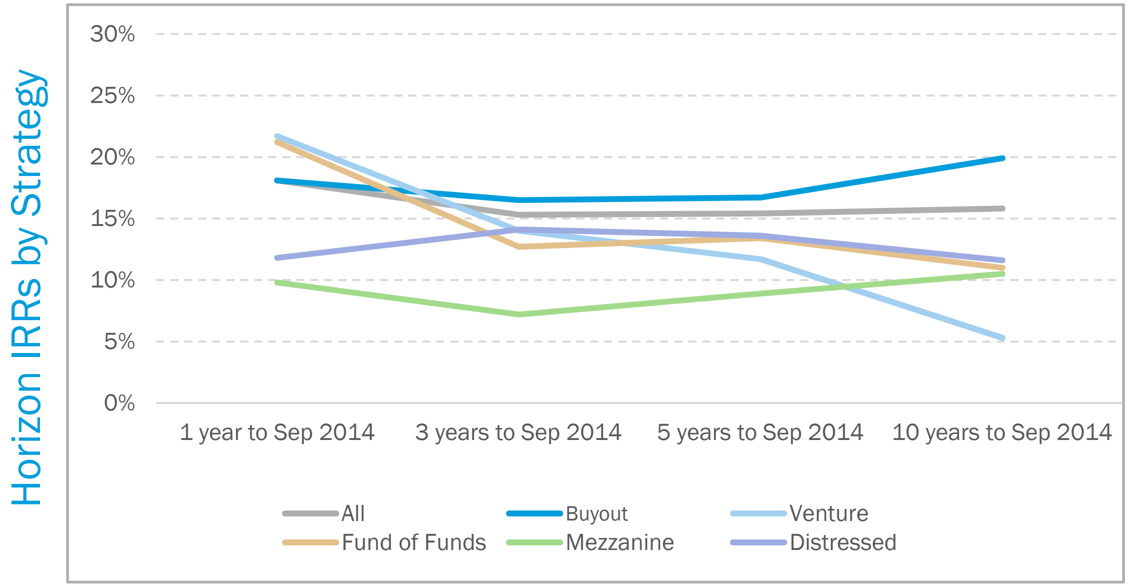


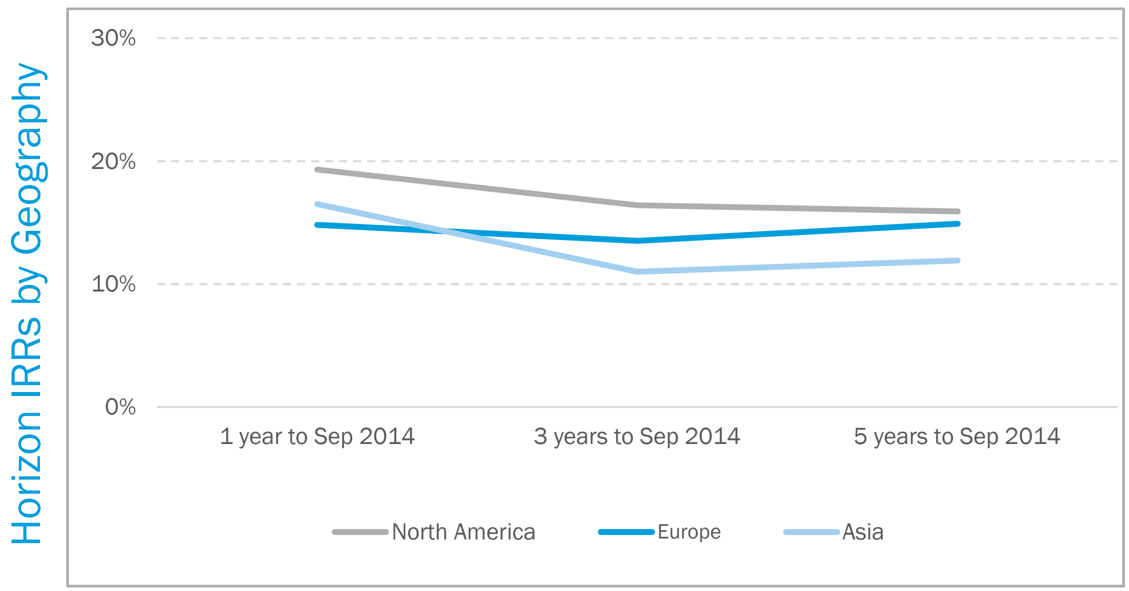
- Based on 2Q 2015 activity, total capital and number of funds raised appear to be tracking to similar levels as in the previous year
- As discussed in previous quarters, the trend of fewer funds raising larger amounts of capital persists
- Distributions have also reached record levels in the past two 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 July 2015

Horizon Performance

Private Equity

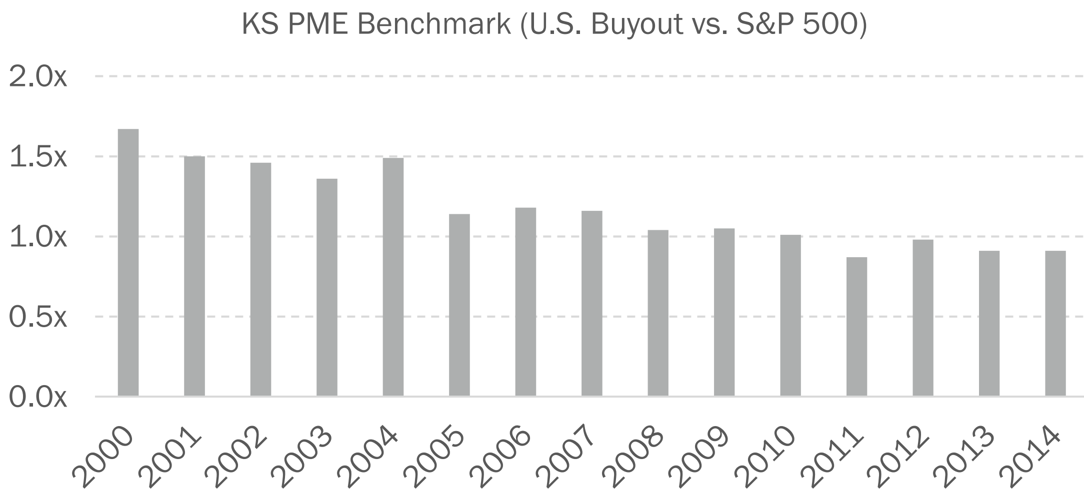


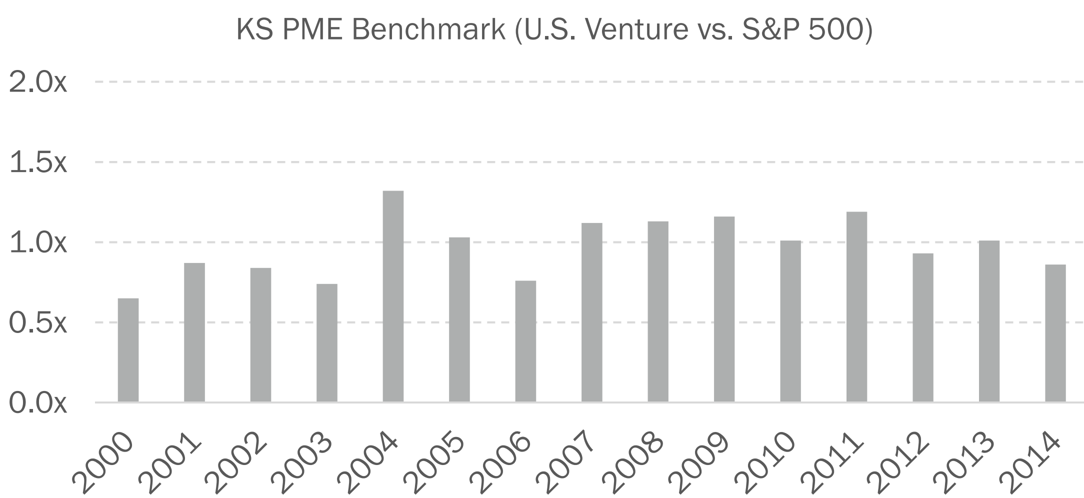


- Although short-term performance is not meaningful in private equity, it is evident all strategies benefited from the "rising tide" of valuations seen over the past 12 months
  - Buyout performance has remained steady over the long term and short term, while venture has benefited from the current valuation environment
  - More surprisingly, short-term fund-of-funds performance has been strong, which likely reflects increasing allocations to co-investments that have been written up over time

Source: Preqin, reported as of July 2015

Public Market Equivalent ("PME")





- The PME approach has been developed over the past few years to compare private equity performance with that of public markets on a "like-for-like" basis
  - The Kaplan-Schoar method, shown here, achieves this objective by discounting private equity cash flows by the change in a public market index over the same period of time
  - This essentially creates an "adjusted" TVPI measure (i.e., the ratio of distributions plus NAV over contributions)
  - Therefore, a PME in excess of 1.0x indicates private equity outperformance
- The charts shown here are two examples of how PMEs can be used for benchmarking purposes by fund vintage year, particularly as it relates to the most mature vintages (i.e. pre-2010)

Source: Preqin, as of July 2015