London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Second Quarter 2011

Industry Update

During the second quarter, public equity benchmarks were flat to modestly positive. Our private equity returns significantly outperformed the public markets during the period due to strong exits and positive valuation adjustments. Beginning in August, global equity markets have experienced widespread volatility. The macro environment, plagued by the resurgence of the eurozone debt crisis, the prospect of a slowing global economy, and the formal downgrade of US government debt created even more uncertainty in a market already struggling. The strong pace of distributions from our underlying GPs continued through the third quarter. Given the recent volatility in the public market, we expect the distribution pace to slow somewhat as we enter the fourth quarter.

Portfolio Statistics as of June 30, 2011

	Inception Date	Committed / Subscription	Drawn / Subscription	Drawn / Committed	Total Value / Drawn	IRR Since Inception*	Private Equity Market	Public Market
Total Hillingdon Portfolio	**02/2005**	**97%**	**68%**	**70%**	**1.12x**	**6.43%**	**N/A**	**2.99%**
2005 Subscription	02/2005	100%	78%	78%	1.15x	6.90%	N/A	3.02%
2006 Subscription	01/2006	100%	70%	70%	1.09x	5.70%	N/A	2.96%
2007 Subscription	01/2007	98%	55%	56%	1.18x	11.39%	N/A	5.22%
2009 Subscription	01/2009	47%	19%	40%	1.14x	31.08%	N/A	17.03%
Direct Co-Investment Fund	09/2006	100%	96%	96%	0.98x	1.04%	N/A	-0.24%
Co-Investment Fund II	01/2009	100%	28%	28%	1.10x	15.90%	N/A	17.79%

*Gross of client's management fees paid to Adams Street Partners, LLC.

Note: The Private Equity Market represents the performance of the vintage years, based on data from Venture Economics, that are comparable to those of the ASP vehicle. June 30th was not available at print time. The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Main Drivers of Performance

Buyouts
Steady activity continued in the European and US buyout markets amidst increasingly uncertain economic times. We expect new deal activity to remain steady but increase slowly in 2012. New commitments to global buyout managers during the first six months of 2011 exceeded the total for all of 2010. There is still a meaningful amount of uninvested capital so sales to other private equity managers represented a popular exit route for buyouts. In addition, strategic buyers flush with cash and seeking growth are particularly acquisitive. The market volatility has also led to a dramatic shift in the financing environment making it more challenging for acquirers to secure reasonable financing terms. GPs are more cautious with the increased cost of financing. Despite market excitement over increasing IPO activity, only a handful of all completed exits during the first six months of 2011 went through an IPO. We expect limited IPO activity in buyouts.

With demand waning for mega buyouts, we expect fund sizes in this category to decrease from the last fundraising cycle. Demand for smaller buyout funds remains. Overall, we continue to observe a bifurcation between overwhelming demand for the top managers and marginal quality GPs struggling to raise capital. We feel comfortable in most cases that the buyout managers in our portfolios have been properly focused on managing their portfolio companies through this difficult economic environment and are exercising appropriate caution as they seek new opportunities for investment. The market volatility will clearly weigh on valuations for buyout portfolios as we approach the end of the third quarter.

Venture Capital
During the second quarter, venture capital fundraising dropped with the fewest number of funds raising capital since the first quarter of 1995. Interestingly, the fundraising was highly concentrated with two Accel funds accounting for over 50% of the aggregate commitments within the quarter. Thus far this year venture funds have invested more than they raised thereby reducing the capital overhang from prior periods. The investment pace over the first six months increased 12% compared to the first six months of 2010. Software investments attracted the most new capital during the quarter followed by biotech, clean tech and medical

devices. Late-stage investing continued to grow, driven by large financings that often provided partial liquidity for existing shareholders.

Reflective of the healthier exit markets over the past twelve months, performance generally improved across our venture capital portfolios. An active venture capital exit market set a steady pace for the first half of the year. Over 200 venture-backed companies were acquired and another 22 went public during the quarter. However, at the beginning of the third quarter, exit activity noticeably slowed amidst market turmoil. Many high quality venture-backed companies that had filed to go public have delayed entry into the market. IPO filing activity remains robust creating a sizeable backlog of private companies in the IPO pipeline. The US IPO pipeline surpassed the 200 deal mark for the first time in over a decade. The return of venture-backed growth stories and the ongoing need for buyout firms to monetize investments has created a pipeline of over 202 companies, 100 of which have submitted initial filings or amendments within the last month. While facing a headwind dominated by global market unease, we continue to believe that the size and quality of the current backlog will enable the IPO window to open and reward quality companies.

Many of our venture managers have companies of substantial size and growth in their portfolios. The strong operating results of investments made over the last decade are now beginning to positively impact performance. Within the internet and media sector, social media and touch screen mobile devices are driving revolution of business models across multiple sectors and industries. Within our funds, valuations for many companies in these areas continue to rise. Some of our venture funds have taken advantage of attractive private valuations by obtaining partial liquidity though private secondary sales.

Portfolio Outlook

We believe our positioning with regard to the size and growth rates of many companies in our portfolios bodes well for the future. As the exit market begins to improve whether through strategic acquisitions or going public, we expect the impact on our portfolios to be meaningfully positive

As we continue through the latter half of 2011, we are attune to the ever-changing economic landscape. We remain cautious about the future and committed to raising and deploying capital in our disciplined process that has served our investors well for nearly four decades. We are optimistic about our existing portfolios and continue to find exciting investment opportunities around the world.