

**London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Third Quarter 2013**

Market Update

The continued accommodative monetary policy stance by the US Federal Reserve and other central banks dominated the financial markets during 2013. The liquidity being pumped into the markets by central banks globally achieved its intended effect.

Public equity markets rose to peak levels over the course of 2013 and into the final months of the year, with US markets reaching record levels. As we have discussed in our preceding quarterly letters, while private equity markets have generated attractive absolute and relative returns, this performance nonetheless trailed the exceptionally strong results of the public markets in recent time periods.

As we reported in October, private equity exit activity levels continued their dramatic rebound during the year, as evidenced by the meaningful increase in distributions being generated within all Adams Street portfolios greater than even a few years old. Distributions during the year were very strong across the board, with 2013 being the fourth year in a row that distributions in our primary portfolio have outpaced capital calls by a wide margin.

Portfolio Statistics as of September 30, 2013

	Inception Date	Committed / Subscription	Draw n / Subscription	Draw n / Committed	Total Value / Draw n	IRR Since Inception*	Public Market	3Q13 Gross IRR
Total Hillingdon Portfolio	02/2005	100%	84%	84%	1.25x	7.73%	5.28%	5.81%
2005 Subscription	02/2005	100%	90%	90%	1.27x	7.49%	4.89%	5.50%
2006 Subscription	01/2006	100%	87%	87%	1.21x	6.98%	5.37%	5.49%
2007 Subscription	01/2007	100%	79%	79%	1.26x	10.27%	7.47%	5.40%
2009 Subscription	01/2009	94%	47%	50%	1.20x	17.86%	14.03%	6.84%
Direct Co-Investment Fund	09/2006	100%	96%	96%	1.15x	3.95%	2.88%	3.15%
Co-Investment Fund II	01/2009	100%	59%	59%	1.57x	33.85%	13.20%	14.84%

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

Note: The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

A Period of Record Distributions from the Secondary Program

In private equity secondary markets the impact of these dynamics is that prospective seller portfolios tend to be under-allocated to private equity (we are experiencing the flip side of the denominator effect that the secondary buying community operated in during the previous few years post global financial crisis). In general the private equity programs of many institutions are now self-funding, with distributions exceeding contributions. Furthermore, many institutional investors still have the 2008-2009 time period fresh in their minds and have upwardly adjusted the liquidity profile of their portfolios.

Our secondary program received record distributions from underlying general partners in 2013. We have observed that over many economic cycles the secondary market transaction volume tends to be inversely correlated with levels of distribution activity. 2013 was no exception to this pattern. There was an estimated \$7B that transacted market-wide in the first half of the year, and we anticipate that the overall total will be between \$15-20B by the end of the year - depending upon how many of the transactions launched in the past couple months actually closed by year end. Encouragingly, we have seen a substantial increase in deal activity over the past couple months and, based upon our own pipeline and conversations with prospective secondary sellers and brokers, expect this activity to continue.

Our Secondary Team has identified a number of funds we find attractive in current market conditions, our hunting lists are robust, and we have had a record level of interaction with the prospective seller community. We are confident that those relationships and research efforts have established a strong foundation for 2014 and beyond.

Co-Investment II Fund Update

During the fourth quarter, the Adams Street Co-Investment II Fund ("Fund II") invested \$6.0 million in a provider of banking services to retail, small, and medium-sized customers. We anticipate follow-ons of \$4.7 million. There are now twenty investments in Fund II and the Fund is 72% committed.

Final Thoughts

We know from regular conversations with our clients, that many of you have private equity allocations that have fallen below strategic targets for the first time in several years - both as a result of rising public market equity returns and increased distribution levels from your private equity investments. Forty years of experience reinforces that time diversification is a very important component of building and maintaining a successful private equity program. As a reminder, our 2014 Fund Program will be making commitments to private equity investments over the next 3 to 4 years. We held our first close in mid-December, and will be having several more during the first half of 2014. Additionally, this year we have standalone offerings focused on co-investments (Co-Invest Fund III) and energy (Energy & Natural Resources Fund).

Organizationally, a notable highlight for our firm in 2013 was an honor received in late November at the Private Equity Exchange & Awards Summit in Paris. Adams Street Partners was presented with the "Gold" award for Best LP with Assets Exceeding \$10 Billion. The competition for this category was a highly experienced group of investors - among the best in the business. We are proud of this accomplishment, as the award represents recognition from a jury of our industry peers.