

**London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Second Quarter 2014**

Market Update

The private equity markets were strong during the second quarter of 2014, continuing the trend we have seen this year. Notable performance drivers in the private equity markets include early stage information technology and energy investments.

The dominant theme in the private equity markets this year has been the high level of liquidity generated by General Partners (GPs) in all subclasses on a global basis. The strong public equity markets have fostered a significant increase in IPO activity. In addition, very strong debt markets have led to a surge in recapitalizations for many buyout fund portfolio companies. During the second quarter in particular, \$5.4B was raised by 32 venture-backed companies that priced IPOs on US exchanges, the fifth consecutive quarter with over 20 venture-backed IPOs.

Global investors have been allocating money to private equity at a strong pace all year. According to Reuters, venture capital funds raised \$17 billion in the first six months of this year, the highest total in eight years, with analysts and venture capital firms predicting that the full-year total will reach \$25 billion.

The private equity secondary market is also on pace for a record year, with investors taking advantage of a wealth of willing buyers, cashing out fund stakes at a near record pace, and receiving attractive prices as well.

Portfolio Statistics as of June 30, 2014

All in USD	Inception Date	Committed / Subscription	Draw n / Subscription	Total Value / Draw n	IRR Since Inception Gross	IRR Since Inception Net	Public Market	2Q14 Gross IRR	2Q14 Net IRR
Total Hillingdon Portfolio	02/2005	100%	87%	1.39x	9.43%	7.13%	6.65%	4.72%	4.35%
2005 Subscription	02/2005	100%	92%	1.37x	8.46%	6.44%	6.08%	4.06%	3.79%
2006 Subscription	01/2006	100%	90%	1.34x	8.70%	6.39%	6.79%	4.05%	3.69%
2007 Subscription	01/2007	100%	84%	1.42x	12.67%	9.50%	9.03%	5.29%	4.84%
2009 Subscription	01/2009	100%	58%	1.32x	20.03%	12.99%	15.65%	5.31%	4.83%
Co-Investment Fund	09/2006	100%	96%	1.33x	6.11%	4.61%	4.28%	9.08%	8.29%
Co-Investment Fund II	01/2009	100%	63%	2.05x	40.44%	33.61%	14.65%	5.75%	5.55%

Notes:

- Since Inception figures in GBP are: **11.05% (Gross) and 8.58% (Net)**. Q2 2014 figures in GBP are: **2.30% (Gross) and 1.94% (Net)**.
- The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Portfolios Are Well Positioned

We have always been fortunate to have access to many of the best venture capital funds and transactions. This year is no exception as we have had exposure to many of the best deals through either our direct funds or underlying GPs. Adams Street Partners' market share continues to be excellent as we had exposure to 66% of the IPOs (21 of the 32) in the second quarter and 59% (43 of the 73) year to date.

Our direct venture/growth funds have continued to perform very well this year. Our portfolio remains healthy, with many sizable growing companies likely to drive future value increases. While sell-side activity was solid, the buy-side remains challenging. We continue to emphasize selling over buying. However, since the timing of a market peak or correction is impossible to predict, we are maintaining a steady investment pace into deals that don't have future outside financing risk. During the second quarter, we committed \$40.5M to three new venture/growth deals.

Our US and developed markets buyout and co-investment performance is also strong, driven by the active IPO and debt markets.

Within our secondary portfolio we are pleased with investment performance as measured by both IRR and liquidity generation. While it has been a challenging market environment for new transactions due to rising valuations, the quality of funds available for sale has improved dramatically over last year which favors our very targeted investment strategy.

Co-Investment Fund II

During the third quarter of 2014, the Adams Street Co-Investment II Fund ("Fund II") invested \$15.1 million in a leading American-style casual dining bar and grill concept with 933 locations across 60 countries. Fund II also invested alongside the Adams Street Co-Investment III Fund ("Fund III") in a private oil and gas holding company that will acquire and exploit assets in the Southern Midland Basin of the Permian Basin. Fund II and Fund III invested \$9 million and \$10.3 million, respectively, in the Permian Basin deal. As of September 30, 2014 there are 23 investments in Fund II and the Fund is 82% committed, and there is one investment in Fund III and the Fund is 3% committed.