

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

Market Update

Echoing the mixed results generated by public markets during the three months ended September 30, private equity markets were up modestly during the third quarter of 2014. This follows two quarters of solid gains across geographies and subclasses.

A dominant theme in the private equity markets throughout 2014 has been the high level of liquidity generated by General Partners (GPs) in all subclasses on a global basis. The strong, albeit increasingly volatile, public equity markets in 2013 and 2014 fostered a significant increase in IPO activity. In addition, very strong debt markets led to a surge in recapitalizations and strategic acquisitions for many buyout fund portfolio companies. Adams Street portfolios were a direct beneficiary of this environment, as we distributed \$2.63 billion from our funds during 2014. This total eclipses 2013's record distribution pace of \$2 billion.

During the fourth quarter, \$4.6B was raised by 29 venture-backed companies that priced IPOs on US exchanges, the sixth consecutive quarter with over 20 venture-backed IPOs. As has been the case for many years, Adams Street Partners is fortunate to have access to many of the best venture capital funds and transactions. 2014 was no exception as we have had exposure to many of the best deals through either our direct investment funds or our underlying GPs. As a result, Adams Street Partners' market share of these IPOs continued to be strong, as we had exposure to 66% of the IPOs (19 of the 29) in the fourth quarter and 59% (75 of the 128) through the full year.

Portfolio Statistics as of September 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	3Q14 Gross IRR	3Q14 Net IRR
Total Hillingdon Portfolio	02/2005	100%	88%	1.39x	9.29%	7.01%	6.48%	1.21%	0.84%
2005 Subscription	02/2005	100%	92%	1.37x	8.21%	6.21%	6.01%	-0.30%	-0.57%
2006 Subscription	01/2006	100%	90%	1.34x	8.45%	6.16%	6.59%	0.09%	-0.20%
2007 Subscription	01/2007	100%	85%	1.42x	12.43%	9.32%	8.53%	1.61%	1.26%
2009 Subscription	01/2009	100%	60%	1.33x	19.02%	12.41%	13.55%	1.88%	1.48%
Co-Investment Fund	09/2006	100%	96%	1.38x	6.62%	5.10%	4.22%	6.11%	5.58%
Co-Investment Fund II	01/2009	100%	76%	1.96x	40.06%	33.46%	13.04%	7.69%	7.06%

Notes:

- Since Inception figures in GBP are: **11.52% (Gross) and 9.08% (Net)**. Q3 2014 figures in GBP are: **6.53% (Gross) and 6.14% (Net)**.
- The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Portfolios Are Well Positioned

Buyout firms spent a good portion of the year preparing portfolio companies for sale, as corporate acquirers returned to the auction marketplace after years of hoarding cash. In fact, according to data provider Preqin, 2014 was a banner year for private equity sellers, with \$428 billion collected globally to mark the best year on record for portfolio sales. Private equity firms sold 1,604 portfolio companies in 2014, with the total value of companies sold 30% above the total value of exits in 2013. Consistent with this environment, our US and developed market buyout investments as well as our direct co-investments have continued to generate strong returns.

As was the case in 2013, Adams Street direct venture/growth funds have performed very well in 2014. Deal flow is strong and our investment pace is steady. Despite volatile public markets, private tech company valuations remain elevated, particularly for later stage deals. Cognizant of this, our team is diligently searching for attractive mid-stage deals and companies in off-the-beaten path geographies where the risk/return profile is more appealing. Our existing portfolio remains healthy, with many sizable growing companies likely to drive future value increases.

Our secondary investments are generating attractive investment performance and we are pleased to see the degree to which these returns are being realized in 2014 through liquidity events. These rising valuations have led to a more challenging market environment for new transactions from a pricing standpoint, but the market has also evolved in a manner where the quality of funds available for sale has improved dramatically during the course of 2014. This improvement in fund quality for sale, our ability to understand and price the assets within these funds, and an increased willingness on behalf of sellers to transact on single partnership interests, favors our very targeted investment strategy - leading to a rise in our investment pace in 2014 relative to 2013.

Co-Investment Fund II

During the fourth quarter of 2014, there were two new investments made in the Adams Street Co-Investment II Fund ("Fund II"). Fund II invested \$10.8 million in a global leader in electrophoresis, a niche technology for diagnosis and monitoring of specific protein disorders, and \$4.2 million (with \$1.4 million reserved for follow-ons) in a manufacturer and marketer of consumer branded, over-the-counter health and personal care products. As of December 31, 2014, there are 25 investments in Fund II and the Fund is 85% committed.

Final Thoughts

We sincerely appreciate your support and continued confidence in Adams Street Partners. As you are aware, we are currently fundraising for our 2015 Global Program and our direct Venture/Growth Fund VI. We are always here to help, so if you have questions, or would like additional information about any of our investment programs, please contact us.