

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

Market Update

2014 was a very successful year for the private equity markets with strong liquidity generated from both buyout and venture-backed companies. Adams Street's clients were direct beneficiaries of this robust exit activity.

In our primary fund investments, 25% of beginning NAV was turned into cash during the year. Within our direct venture/growth equity portfolios, 20% of beginning NAV was turned into cash. Further, Adams Street's market share of exit activity remains quite high, particularly in the venture capital sector, where Adams Street had exposure to roughly two thirds of all venture-backed IPOs on US exchanges in 2014, despite having investments in less than 20% of all venture-backed companies. This high level of liquidity continues a trend that has been in place for several quarters. Developed markets interest rates dropped, causing investors to stretch for higher yields while accepting looser terms. Cooperative debt markets pushed up asset prices.

These high prices translated to a scarcity of buy-side bargains. While the robust exit environment has been beneficial for our existing products, we remain quite wary of the high valuations when it comes to new investments. Having said that, we continue to find pockets of attractive valuations across all of our strategies.

Portfolio Statistics as of December 31, 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	4Q14 Gross IRR	4Q14 Net IRR
Total Hillingdon Portfolio	02/2005	100%	91%	1.41x	9.54%	7.25%	6.40%	4.54%	3.84%
2005 Subscription	02/2005	100%	94%	1.37x	8.21%	6.22%	5.97%	1.98%	1.70%
2006 Subscription	01/2006	100%	93%	1.37x	8.87%	6.53%	6.52%	5.85%	4.75%
2007 Subscription	01/2007	100%	88%	1.48x	13.30%	10.16%	8.38%	8.93%	7.84%
2009 Subscription	01/2009	100%	61%	1.38x	19.60%	13.32%	12.88%	6.21%	5.76%
Co-Investment Fund	09/2006	100%	96%	1.42x	6.99%	5.43%	4.03%	6.07%	5.11%
Co-Investment Fund II	01/2009	100%	83%	1.91x	38.32%	31.98%	12.42%	2.80%	2.39%

Notes:

- Since Inception figures in GBP are: **12.16% (Gross) and 9.72% (Net)**. **Q4 2014 figures in GBP are: 8.56% (Gross) and 7.84% (Net)**.

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

Record Year for Venture/Growth

Adams Street experienced a record year, with six individual portfolio company IPOs and three M&A transactions generating historic levels of liquidity for our Venture Capital/Growth Equity Team. In total, we generated \$219.4 million in liquidity primarily from public stock sales at Paylocity and Criteo and M&A events at BrightRoll, JasperSoft and PneumRx. Adams Street continued to see strong company performance through 2014, with 45% of the 40 revenue-producing companies expected to grow at a rate of more than 25%, while generating over \$25 million in new revenue in 2015.

Significant Rise in Secondary Deal Volume

For Adams Street's Secondary Investment Team, 2014 was the largest year in terms of volume of transactions, and the largest year in terms of bids issued. Despite a very competitive environment, we were able to find a number of deals that sat comfortably in our "strike zone"—deals that meet our risk and return objectives. Our close rate of 20% was up from a rate in the mid-teens in 2013.

Co-Investment Fund II

During the first quarter of 2015, there were two new investments made in the Adams Street Co-Investment II Fund ("Fund II"). Fund II invested \$3.9 million in a supplier and manufacturer of silicone breast prosthetics, and \$4.0 million in a global provider of technologically advanced cash management solutions that deliver enhanced efficiency and security throughout the cash management ecosystem, consisting of retailers, banks, and CITs. As of March 31, 2015, there are 27 investments in Fund II. As a result of the healthy growth rate in M&A activity and private equity investments, Adams Street had plentiful opportunities to review attractive co-investment deals in 2014, and closed out 2014 with a dealflow increase of 10% year-on-year. Our co-investment performance was strong during the year as we realized strong distributions out of our portfolio benefiting from a number of IPOs and dividend recaps.

Opportunities in Energy

Despite the dramatic collapse of oil prices internationally, Adams Street remains bullish on energy for the long-term. We are proactively reviewing distressed energy and credit assets on the buy-side, where experienced managers raising fresh pools of capital from primary investors will be well positioned to take advantage of the distressed environment for certain energy-related assets. Energy remains an important sector for private equity, especially given the shale oil boom in the United States. While Adams Street's investments in energy have performed well across our strategies, we proactively capped our sector exposure during 2013 and 2014 to maintain portfolio construction discipline. This should serve clients well.

Final Thoughts

Adams Street remains a net seller given the robust valuation and exit climates. Interest rate increases in developed markets are a near-certainty, but we predict they will be slow and steady. We will continue to be overweight in venture and growth assets, and underweight capital market strategies, in anticipation of eventual interest rate increases. 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.