

The Regents of the University of California Private Equity Investments as of March 31, 2015

Since inception in 1979 through March 31, 2015, the Private Equity portfolio has consisted of \$10.2 billion in commitments with 138 active partnerships. As of March 31, 2015, \$8.0 billion of these commitments have been called by the partnerships and \$9.0 billion of distributions have been received from the partnerships. Including the Current Net Asset Value of \$4.2 billion as of March 31, 2015, the Private Equity portfolio has produced \$5.3 billion in profits and a 1.7x multiple on contributed capital. The Private Equity portfolio has generated a total return of 10.3% for the 10-year period ended March 31, 2015.

Since the beginning of 2001, Cambridge Associates, LLC (“CA”) has been retained by The Regents of the University of California (“The Regents”) to advise on the Private Equity portfolio and to calculate the Net Internal Rate of Return (“IRR”) for each partnership held in the Private Equity portfolio. Prior to the engagement of CA, the Office of the Treasurer did not calculate IRRs for individual partnerships. The historical returns for all portfolios reported by the Regents and the Office of the Treasurer are based on the annualized Total Returns methodology. Total Return calculations are based on the changing value of a portfolio and any cash flows received during the specified time period.

The Private Equity portfolio was historically less than 2% of the total investment portfolio; therefore, the Regents evaluated the portfolio in its entirety and as part of the total equity portfolio. Moreover, Private Equity partnerships are 10 to 13 year investments, and the only relevant return measure is the amount returned at the end of the partnership compared to the capital invested. This has been the basis for investment decisions in the Private Equity asset class, and this long-term horizon has produced exceptional returns.

Private Equity partnerships are subject to a J-Curve Effect; meaning returns are often low or negative during the first several years. A –30% IRR or a 0.5x Investment Multiple might make for interesting headlines; however, it says little about the current performance of the partnership or the expected returns over the life of the investment. Most of the fully realized partnerships, which demonstrate strong returns on invested capital, previously demonstrated significantly negative IRRs. Low or negative returns in the early years of a partnership are inherent to the asset class, and the expected returns do not become readily apparent until the latter years of a partnership’s life.

On July 24, 2003, the Alameda County Superior Court ruled in the *Coalition of University Employees, et al. v. The Regents of the University of California* lawsuit. In this ruling, the Court has ordered The Regents to disclose fund-level internal rates of return under the California Public Records Act. To be consistent with the disclosure provided by other California-based institutional limited partners subject to the California Public Records Act, The Regents are disclosing detailed fund-level performance information for the most recent period available. This information should allow for more meaningful interpretation of fund performance than IRR information alone.

A number of General Partners have informed CA that performance information will no longer be provided to CA as a result of the Court’s ruling. Consequently, it is uncertain whether or not The Regents will be able to provide IRRs for all partnerships in the Private Equity portfolio in future periods.

The attached performance information is sorted by Type and Vintage Year. The attached list includes active investments with a net asset value greater than \$1 million. In reviewing the attached information, please consider the following:

Fund Name

Individual holdings may include multiple alternative investment vehicles.

Type

Consistent with historical reporting by sub-asset class, partnerships are categorized as Venture Capital or Leveraged Buyout (“LBO”).

Vintage Year

Represents the year each partnership commenced investment activities according to CA; note, this may be different than the year in which The Regents committed to invest in the partnership.

UC Commitment

Represents the total commitment made by The Regents to each partnership, adjusted for any subsequent reductions to partnership commitments by the General Partners.

Cash In

Represents the total portion of The Regents’ commitment that has been contributed to the partnership from inception through March 31, 2015 (except where noted).

Current NAV

Represents the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2015 (except where noted).

Cash Out

Represents the total distributions received by The Regents from inception through March 31, 2015 (except where noted).

Cash Out + Current NAV

Represents the sum of distributions received by The Regents from inception through March 31, 2015 and the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2015 (except where noted).

Investment Multiple

Represents each partnership’s total value as a multiple of invested capital; the multiple is calculated by dividing Cash Out + Current NAV by Cash In.

Net IRR

Represents the cash-on-cash return net of fees, expenses, and carried interest from inception through March 31, 2015 as well as the net asset value of The Regents’ interest in each partnership as determined by the General Partners in financial statements dated March 31, 2015 (except where noted).

Private Equity partnerships represent long-term commitments of typically 10 to 13 years. The majority of capital commitments are contributed to each partnership during the initial five- to six-year period when the General Partners are actively making new investments. Differences in the investment pace of each partnership have a significant impact on the Investment Multiple and Net IRR calculations. Since fees and expenses are paid on a regular schedule, partnerships with a relatively slower investment pace will tend to produce lower Investment Multiple and Net IRR figures. In addition, each General Partner uses different valuation policies to determine the net asset value of the partnership, as no industry standard currently exists. While each General Partner’s valuation policy is different, conservatism often results in early write-downs for underperforming investments. In addition, write-ups are typically limited to an independent valuation event such as a third party financing or an initial public offering. All of these issues contribute to the J-Curve Effect and limit the comparability of returns across partnerships.

**The Regents of the University of California
Alternative Investments as of March 31, 2015**

Fund Name	Type	Vintage Year	UC Commitment	Cash In	Current NAV	Cash Out	Cash Out + Current NAV	Investment Multiple ²	Net IRR ^{1,3}
Dollars in Thousands									
Kleiner Perkins Caufield & Byers VII	Venture Capital	1994	\$20,000	(\$15,000)	\$4,674	\$482,985	\$487,658	32.51x	121.7%
Kleiner Perkins Caufield & Byers VIII	Venture Capital	1996	\$20,000	(\$20,000)	\$10,074	\$329,915	\$339,989	17.00x	286.6%
Kleiner Perkins Caufield & Byers IX-A	Venture Capital	1999	\$20,000	(\$17,000)	\$6,879	\$0	\$6,879	0.40x	-23.3%
Sequoia Capital Franchise Fund	Venture Capital	1999	\$22,000	(\$16,280)	\$5,633	\$5,966	\$11,598	0.71x	-17.0%
Sequoia Capital IX	Venture Capital	1999	\$18,000	(\$15,444)	\$3,908	\$9,327	\$13,236	0.86x	-6.1%
Accel VIII, L.P.	Venture Capital	2000	\$14,586	(\$8,070)	\$4,126	\$0	\$4,126	0.51x	-26.8%
Kleiner Perkins Caufield & Byers X-A, L.P.	Venture Capital	2000	\$20,000	(\$9,500)	\$5,631	\$0	\$5,631	0.59x	-17.5%
Sequoia Capital X	Venture Capital	2000	\$28,000	(\$17,500)	\$9,171	\$379	\$9,549	0.55x	-31.0%
Darwin Venture Fund of Funds	Venture Capital	2003	\$8,424	(\$7,757)	\$7,729	\$4,910	\$12,640	1.63x	8.2%
DCM IV, L.P.	Venture Capital	2004	\$10,000	(\$10,000)	\$4,667	\$7,797	\$12,464	1.25x	3.6%
Granite Global Ventures II, L.P.	Venture Capital	2004	\$25,000	(\$23,875)	\$17,866	\$12,707	\$30,573	1.28x	3.8%
Canaan Equity Partners VII	Venture Capital	2005	\$35,000	(\$33,775)	\$79,309	\$35,000	\$114,309	3.38x	22.4%
Claremont Creek Ventures, LP	Venture Capital	2005	\$15,000	(\$14,438)	\$14,517	\$972	\$15,489	1.07x	1.2%
Insight Venture Partners V Coinvestment Fund, L.P.	Venture Capital	2005	\$8,400	(\$8,400)	\$1,262	\$26,647	\$27,909	3.32x	26.8%
Insight Venture Partners V, L.P.	Venture Capital	2005	\$27,000	(\$26,868)	\$15,003	\$54,783	\$69,786	2.60x	21.4%
The Column Group, L.P.	Venture Capital	2005	\$25,000	(\$23,824)	\$28,150	\$30,976	\$59,126	2.48x	26.4%
Orbimed Private Investments III, LP	Venture Capital	2006	\$20,000	(\$18,930)	\$18,313	\$26,024	\$44,337	2.34x	20.1%
DCM Fund V, L.P.	Venture Capital	2006	\$18,000	(\$18,000)	\$25,681	\$24,184	\$49,865	2.77x	19.5%
Granite Global Ventures III, L.P.	Venture Capital	2006	\$45,075	(\$44,087)	\$52,840	\$41,160	\$94,000	2.13x	18.1%
Darwin Venture Capital Fund of Funds II LP	Venture Capital	2006	\$13,890	(\$12,153)	\$27,683	\$5,160	\$32,842	2.70x	22.5%
Bessemer Venture Partners VII Institutional	Venture Capital	2007	\$9,333	(\$7,723)	\$10,194	\$3,009	\$13,203	1.71x	12.5%
Canaan VIII, L.P.	Venture Capital	2007	\$35,000	(\$32,725)	\$26,092	\$27,554	\$53,646	1.64x	15.3%
Insight Venture Partners VI, L.P.	Venture Capital	2007	\$50,000	(\$44,760)	\$57,114	\$58,373	\$115,487	2.58x	20.4%
W Capital Partners II, LP	Venture Capital	2007	\$60,000	(\$53,613)	\$19,072	\$58,980	\$78,053	1.46x	12.1%
Claremont Creek Ventures II, LP	Venture Capital	2008	\$27,000	(\$22,208)	\$26,338	\$6,706	\$33,044	1.49x	16.8%
DCM VI, L.P.	Venture Capital	2008	\$25,000	(\$19,375)	\$27,653	\$875	\$28,528	1.47x	13.6%
Khosla Ventures Fund III, L.P.	Venture Capital	2009	\$60,000	(\$55,800)	\$83,371	\$12,545	\$95,916	1.72x	14.5%
Khosla Ventures Seed, L.P.	Venture Capital	2009	\$17,143	(\$16,543)	\$22,889	\$1,548	\$24,437	1.48x	11.5%
Orbimed Private Investments IV, L.P.	Venture Capital	2009	\$25,000	(\$19,800)	\$48,846	\$7,138	\$55,984	2.83x	49.7%
Insight Coinvest II, L.P.	Venture Capital	2010	\$13,000	(\$9,432)	\$14,773	\$748	\$15,521	1.65x	22.2%
Insight Venture Partners VII, L.P.	Venture Capital	2010	\$50,000	(\$45,439)	\$56,325	\$13,677	\$70,002	1.54x	18.3%
Bessemer Venture Partners VIII	Venture Capital	2010	\$26,850	(\$15,815)	\$22,639	\$0	\$22,639	1.43x	20.3%
Sequoia Capital 2010, L.P.	Venture Capital	2010	\$30,000	NA	NA	NA	NA	NM	NA
GGV Capital IV, L.P.	Venture Capital	2011	\$35,000	(\$32,025)	\$59,546	\$233	\$59,780	NM	NM
Khosla Ventures IV, L.P.	Venture Capital	2011	\$60,000	(\$47,700)	\$66,104	\$3,054	\$69,158	NM	NM
Sequoia U.S. Growth, L.P.	Venture Capital	2011	\$30,000	NA	NA	NA	NA	NM	NM
W Capital Partners III, L.P.	Venture Capital	2011	\$60,000	(\$18,225)	\$18,259	\$1,894	\$20,152	NM	NM
Canaan IX, L.P.	Venture Capital	2012	\$25,000	(\$17,750)	\$22,647	\$4,161	\$26,809	NM	NM
Khosla Seed B	Venture Capital	2012	\$20,000	(\$17,400)	\$23,191	\$465	\$23,656	NM	NM
Sequoia Global Growth, L.P.	Venture Capital	2012	\$35,000	NA	NA	NA	NA	NM	NM
Insight Venture Partners VIII, L.P.	Venture Capital	2013	\$50,000	(\$43,550)	\$48,955	\$0	\$48,955	NM	NM
BG Special Situations, L.P.	Venture Capital/LBO	2013	\$323,277	(\$261,681)	\$209,022	\$46,959	\$255,981	NM	NM
GGV Capital V L.P.	Venture Capital	2014	\$35,000	(\$11,375)	\$11,268	\$0	\$11,268	NM	NM
Insight Venture Partners Coinvestment Fund III	Venture Capital	2014	\$10,000	(\$7,860)	\$7,978	\$0	\$7,978	NM	NM
The Column Group II L.P.	Venture Capital	2014	\$50,000	(\$9,673)	\$42,945	\$0	\$42,945	NM	NM
Khosla Ventures V, L.P.	Venture Capital	2014	\$60,000	(\$12,000)	\$11,718	\$0	\$11,718	NM	NM
Mission Bay Capital II	Venture Capital	2015	\$3,900	\$0	\$0	\$0	\$0	NM	NM

¹ Fund level data and IRR calculations for Accel, Kleiner Perkins Caufield & Byers, and Sequoia Capital are based on March 31, 2003 as determined by Cambridge Associates LLC and are no longer provided by Cambridge Associates LLC.

² As determined by Cambridge Associates, funds with NM (not meaningful) are too young to have produced meaningful returns. Funds with NA (not applicable) have not yet commenced operations.

³ Net IRR (internal rate of return) includes the cash-on-cash return net of fees, expenses, and carried interest as well as the net asset value of University of California Regents' interest in the partnership as determined by the General Partners. Differences in the valuation policies employed by General Partners (for which no industry standard currently exists) and differences in the investment pace of each partnership materially affect the IRR calculations. As such, IRRs should not be used to measure a fund's performance until all investments have been fully realized. In addition, a comparison of IRRs across funds would fail to account for these inherent differences.

⁴ Cambridge Associates LLC methodology assumes a mid-quarter convention for all cash flows within the IRR calculation. In the case of Versant Venture Capital I and Versant Venture Capital II the actual cash flow dates were utilized.

^{NA} For funds formed in a vintage year of 2011 or later, the Investment Multiple and Net IRR are not yet meaningful as these funds are still in the process of making new investments and the performance of new and existing investments will not be determined for several years to come.

THESE FOOTNOTES ARE AN INTEGRAL PART OF THIS REPORT. ANY DISCLOSURE OF THE INFORMATION CONTAINED IN THIS REPORT MUST INCLUDE THESE FOOTNOTES. A FAILURE TO INCLUDE THESE FOOTNOTES WHEN DISCLOSING THIS INFORMATION TO ANY THIRD PARTY WOULD BE MISLEADING AND WOULD CONSTITUTE A MATERIAL MISREPRESENTATION.

