



# Review of Private Capital Portfolio

# Private Capital

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## Venture Capital:

- Invest in new / emerging companies
- Develop new innovations
- 7-10 year time frame

## Buyout:

- Investing in established companies
- Expand existing franchises, improve economics
- 3-5 year time frame

## Distressed Debt:

- Investing in troubled companies or distressed assets
- Restructure debt in bankruptcy, reposition assets, aggressive collection
- 1-4 year time frame

# Private Capital

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## Strategic Objectives

- **Portfolio diversification**
- **Privately negotiated transactions produce attractive returns relative to public markets**
- **Capitalize on opportunities not available in the public markets**

# Private Capital

## Strategic Allocation Targets

	<u>Target</u>	<u>Current*</u>
• <b>Venture Capital</b>	<b>6%</b>	<b>6.3%</b>
• <b>Buyout</b>	<b>7%</b>	<b>6.8%</b>
• <b>Distressed Debt</b>	<u><b>7%</b></u>	<u><b>4.9%</b></u>
<b>Total</b>	<b>20%</b>	<b>18.0%</b>

- Percent of total CEF portfolio  
\* (as of 12/31/07)

# Private Capital

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Rationale for  
balanced  
allocation

## Performs best when...

**Venture Capital - Growing economic conditions**

**Buyout - Late downturn / early expansion**

**Distressed Debt - Recession trough, emerging recovery**

# Private Capital – Venture Capital

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## Strategy:

- Top tier, access constrained, consultant driven
- 25-35% healthcare, 70-75% technology
- 66% early stage, 33% later stage
- 80% US, 20% International

## Current Portfolio:

- \$60 million market value of direct investments
- \$120 million committed, 9 active relationships
- \$15 million fund of funds

## 2008 Strategy:

- Add 2-3 new relationships: Lightspeed, Foundation, SAIF, Benchmark, Accel
- Close on Qiming (\$7.5 million), CDH (\$2.0 million), Index Europe (5.0 million euro)
- Add'l commitment target: \$15-20 million

# Private Capital – Buyout

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## Strategy:

- **Global exposure: 50% US, 50% International**
- **Control positions – developed markets**
- **Growth capital – developing markets**
- **Established track records**

## Current Portfolio:

- **\$63 million market value of direct investments**
- **\$168 million committed, 8 active direct relationships**
- **\$17 million fund of funds**

## 2008 Strategy:

- **Consider growth capital outside the US**
- **Projected market value: 10 % of CEF**
- **Virtually no new capacity, limited follow-on investments with exiting managers**

# Private Capital – Distressed Debt

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## Strategy:

- Small / mid cap companies
- Control oriented strategies, some peripheral strategies
- Deeply discounted assets, no bond trading strategies
- Established track records

## Current Portfolio:

- \$60 million market value of direct investments
- \$105 million committed, 4 active direct relationships

## 2008 Strategy:

- Add selectively – market opportunities are increasing
- Add'l commitment target: \$15-20 million



# Private Capital Performance

(as of 9/30/07)

	Quarter	1 Year	3 Year	5 Year
<b>Private Capital</b>	<b>5.4%</b>	<b>27.8%</b>	<b>49.7%</b>	<b>28.9%</b>
<b>Total CEF</b>	<b>1.1%</b>	<b>17.6%</b>	<b>18.1%</b>	<b>17.3%</b>
<b>S&amp;P 500</b>	2.0%	13.4%	13.4%	15.5%
<b>Russell 3000</b>	1.6%	16.5%	13.7%	16.2%
<b>Russell 2000</b>	(3.1%)	12.4%	13.4%	18.8%