Private Equity Definition

- Investments in private companies which are not traded on a public exchange
- Illiquid investments in limited partnerships managed by private equity firms
- Private equity investments are long term in nature, typically with a 10-year term

Private Equity Strategies

Private vs. Public Equity Performance

Source: (1) Private equity data represents Top Quartile IRRs for All U.S. Private Equity as of June 30, 2012, per ThomsonOne Private Equity; (2) Public equity reflects the total return for the S&P 500, which assumes reinvestment of dividends into the index, through June 30, 2012.
Private Equity Value Creation

![Diagram showing the process of Private Equity Value Creation]

- Source deals
- Evaluate (due diligence) company
- Structure transaction
- Price (value) company
- Negotiate terms of transaction

- Recruit & replace management
- Mentor management
- Provide strategic advice & planning
- Operating performance oversight
- Capital restructuring
- Source, evaluate & price add-on acquisitions
- Customer referrals

- Identify prospective buyers
- Structure transaction
- Price (value) company
- Negotiate terms of transaction

Importance of Manager Selection

- There is a wide dispersion between top quartile & median investment returns
- Top quartile returns are necessary to compensate investors for risk and illiquidity

![Bar chart showing investment returns]

Source: All Private Equity as of June 30, 2012, per ThomsonOne Private Equity.