



UNIVERSITY OF CALIFORNIA

Office of the Treasurer

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REVIEW OF PRIVATE EQUITY PERFORMANCE BENCHMARKS

*Investment Advisory Committee /
Committee on Investments*

March 4, 2003



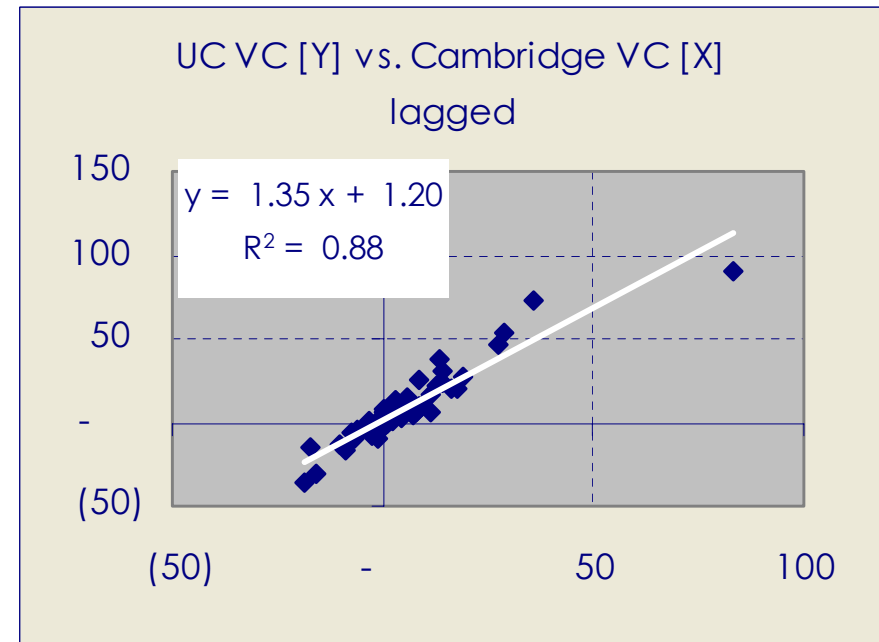
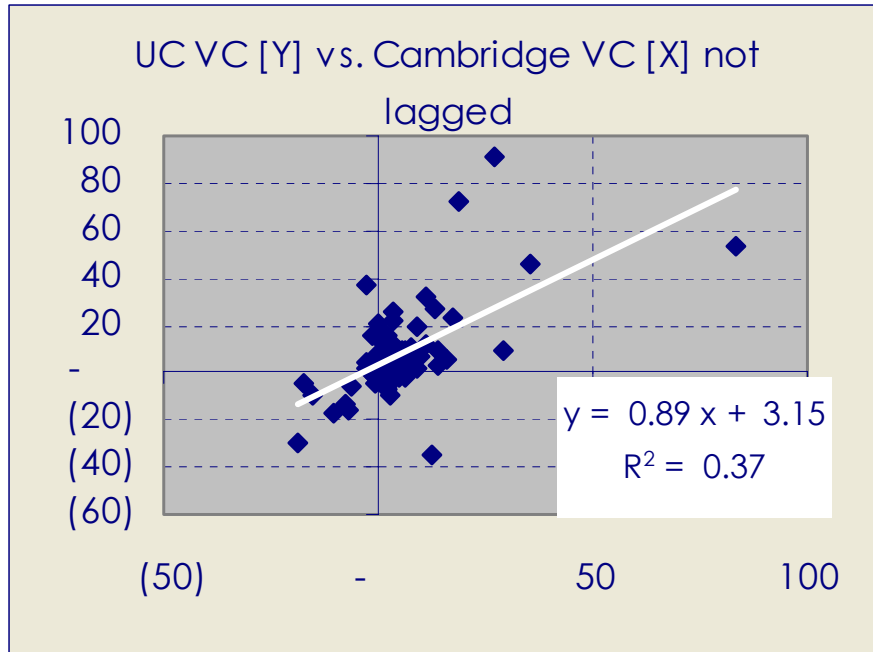
- ◆ *Several methods for comparing Private Equity performance to the Russell 3000 Index and alternative benchmarks were examined.*

- ◆ *The results indicate that the actual Private Equity performance returns compared to **lagged benchmarks** provide the most relevant, timely and robust comparisons.*
 - For example, due to the reporting lag September P.E. performance is reported in the December quarterly report.
 - P.E. returns reported in December should be compared with benchmark returns for September, the actual time period in which they were generated.
 - The following table contains alternative benchmarks and lagged time periods



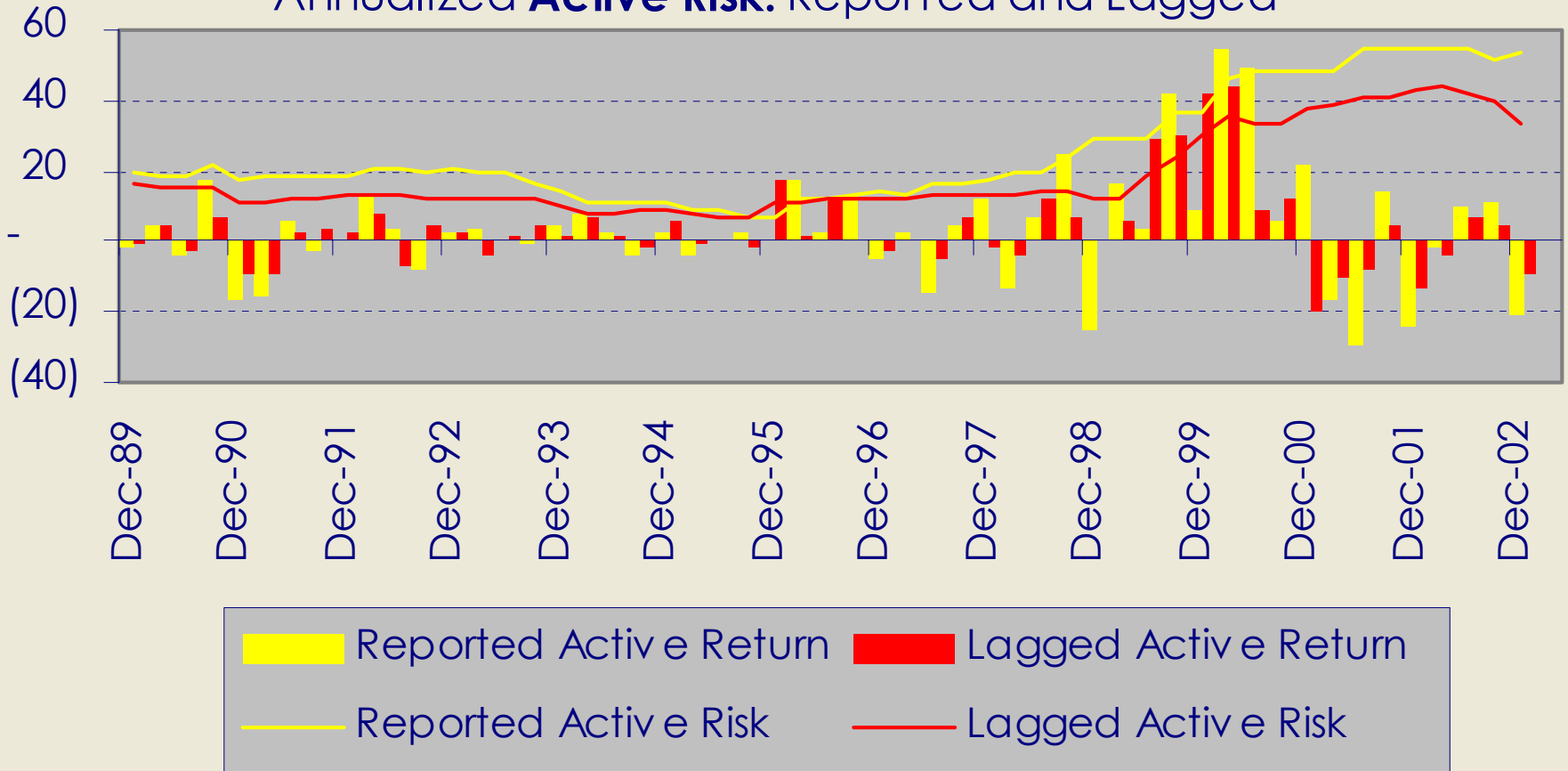
- ◆ We propose including several alternative benchmarks for Private Equity in the quarterly performance report as follows

	4th QTR 2002	2nd Half 2002	Cal YR 2002	3 Yrs	5 Yrs	10 Yrs
CURRENT REPORTING						
PE Custom Bchmk [not lagged] (1)	8.9%	-9.3%	-19.3%	-11.3%	3.7%	14.4%
UCRP Total PE (incl Int'l.)	-10.1%	-15.2%	-19.5%	3.7%	23.0%	28.8%
PRO FORMA REPORTING						
PE Custom Bchmk w/20% EMF [lagged] (2)	-16.5%	-26.1%	-11.3%	-8.8%	3.1%	14.3%
UCRP Total PE (incl Int'l.)	-10.1%	-15.2%	-19.5%	3.7%	23.0%	28.8%
PE Custom Bchmk [lagged] (1)	-16.7%	-27.0%	-16.4%	-9.4%	2.7%	14.1%
UCRP Venture Cap + Buyout	-11.7%	-17.1%	-19.9%	4.1%	28.1%	34.3%
Cambridge Assoc. Venture Index [lagged]	-9.1%	-18.4%	-29.4%	1.0%	22.4%	27.9%
Venture Economics Venture Index [lagged]	-6.2%	-13.2%	-22.1%	5.5%	18.0%	22.3%
UCRP VENTURE CAP	-16.6%	-27.7%	-35.1%	-4.2%	38.9%	42.9%
Cambridge Assoc. Buyout Index [lagged]	-5.2%	-8.2%	-8.8%	-2.5%	7.0%	14.6%
Venture Economics Buyout Index [lagged]	-4.6%	-6.2%	-7.4%	-2.0%	4.6%	12.1%
UCRP BUY OUT	-7.4%	-6.4%	-3.1%	4.6%	11.6%	19.9%
MSCI Emerg Mkts [lagged]	-16.3%	-23.3%	8.2%	-10.8%	-10.7%	0.6%
UCRP INTL PE	-4.0%	-7.2%	-17.8%	-5.1%	-7.4%	-4.5%
(1) Custom PE Benchmark is S&P 500 + 5% through June 2000 and R3000 TF + 3% thereafter						
(2) Modified PE Benchmark includes 20% MSCI Emerg Market Free from July 2000 on						
All Benchmark values except (1) are lagged:						
Benchmark 4th Qtr, 2nd Half, and Cal Year 2002 values are actually the 3, 6, and 12 Months ending Sept 2002						



- ◆ **UC Venture Capital vs. Cambridge Assoc. VC Index**
- ◆ Comparison more meaningful with lagged returns
- ◆ Percent of variance explained (R^2) increases from 37% to 88%
- ◆ Similar results with Venture Economics VC data
- ◆ Similar results with Buyouts data

UCRP Venture + Buyout Quarterly **Active Return** and Annualized **Active Risk**: Reported and Lagged



- ◆ **UC Venture + Buyout vs. Russell 3000 + 3%**
- ◆ *Comparison more meaningful with lagged returns*