

# 2014 PRIVATE EQUITY PROGRAM REVIEW

Kentucky Retirement Systems

November 2014



# Agenda Items

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# Section 1: Private Equity Market Overview

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# Private Equity Market Overview

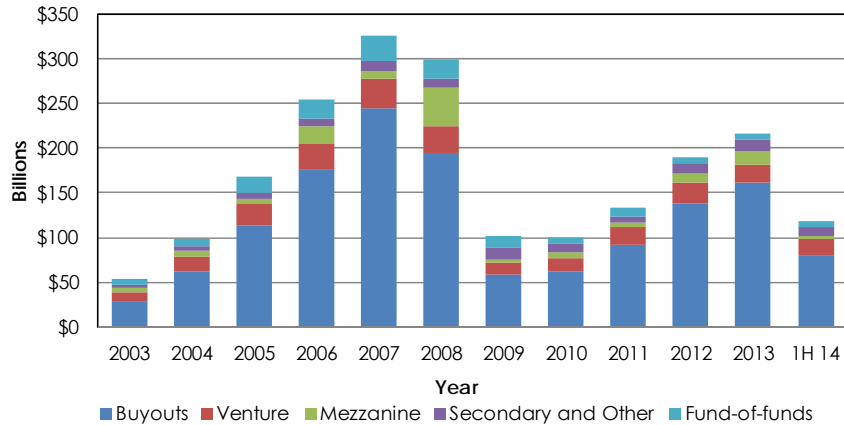
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## Industry Trends

- **Fundraising activity slowed slightly in the first quarter of 2014 but gained speed in the second quarter.** Approximately \$119 billion of commitments were raised domestically in the first half of 2014, with buyouts continuing to represent the largest proportion of capital raised. This pace is on track to exceed the full calendar year 2013 commitment amount of \$217 billion.
- **Announced U.S. buyout deal volume exhibited an increase in Q2 2014 from the prior quarter and is on pace to exceed 2013 levels.** Total announced U.S. buyout deal volume was \$62.2 billion in Q2 2014, up from \$60.2 billion in the first quarter but down from \$73.3 billion in the fourth quarter of 2013. At \$219 billion in 2013, activity last year was the highest annual level over the past six years.
- **Risk metrics in the leveraged buyout market increased during the second quarter of 2014** as both purchase price multiples and debt multiples increased. The average purchase price multiple in the first half of 2014, at 9.2x, increased from 8.8x in 2013 and was well above the ten-year average of 8.5x. Debt multiples for the first half of 2014 were at 5.6x, above the 5.3x level for the 2013 calendar year.
- **Venture capital investment activity continued to increase in the first half of 2014.** Approximately \$13.0 billion was invested across 1,115 companies during the second quarter of 2014 which exceeded the \$9.7 billion invested across 985 companies in the first quarter.
- **Exit activity for venture capital investments continued to show strength in the first half of 2014.** The number of merger and acquisition (M&A) transactions increased in the first half of 2014, and annualized, is on pace to exceed 2013 levels. The initial public offering (IPO) market also exhibited increases in the first half of 2014 and is on pace to exceed 2013 levels.
- **The outlook for distressed debt investment strategies continues to be mixed.** Debt pricing remains near par (according to the Leveraged Loan Index produced by the Loan Syndications and Trading Association), minimizing the near-term opportunity set for trading strategies. The high yield and leveraged loan markets are large, but default rates have remained low dampening the opportunity set for distressed-for-control opportunities.

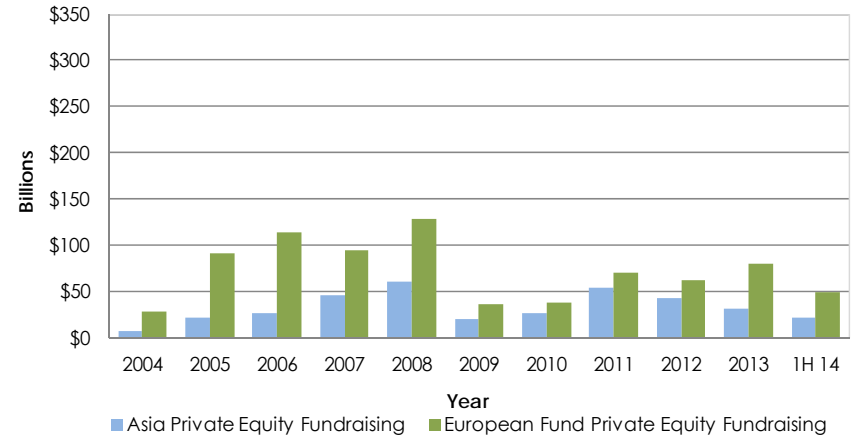
# Private Equity Market Overview

Commitments to U.S. Private Equity Partnerships



Source: *Private Equity Analyst* through June 2014

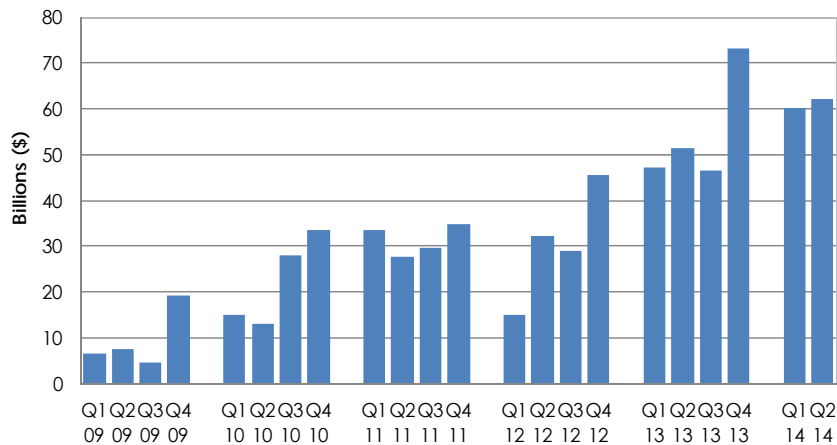
Commitments to Non-U.S. Private Equity



Source: Thomson Reuters

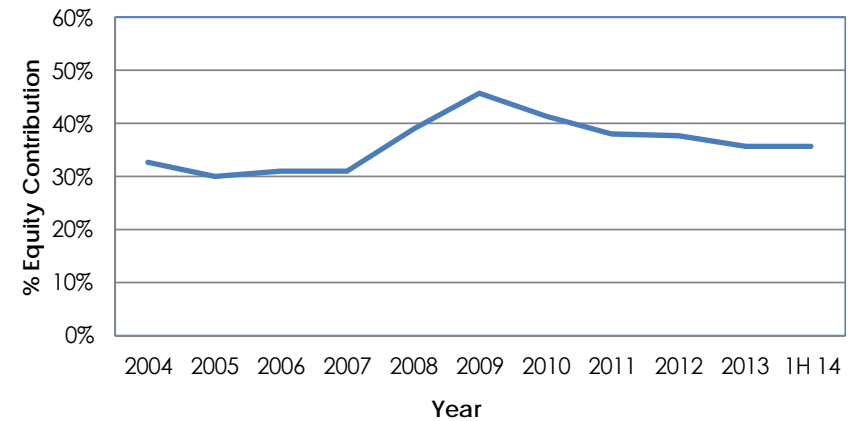
- *Fundraising activities continue to rebound with 2014 commitments on track to exceed 2013 commitments.*

Announced and Disclosed U.S. Quarterly LBO Deal Value\*



\* Total deal size (both equity and debt).  
Source: *Thomson Reuters Buyouts*

Equity Contribution

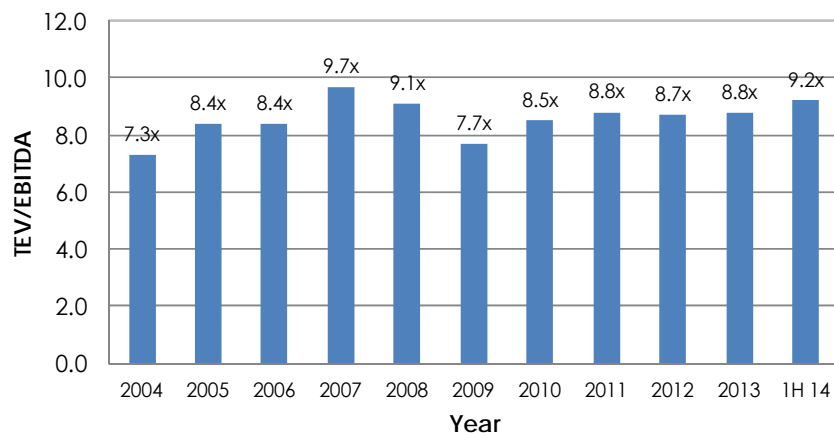


Source: S&P Capital IQ

- *Buyout transaction activity increasing with equity contributions declining slightly.*

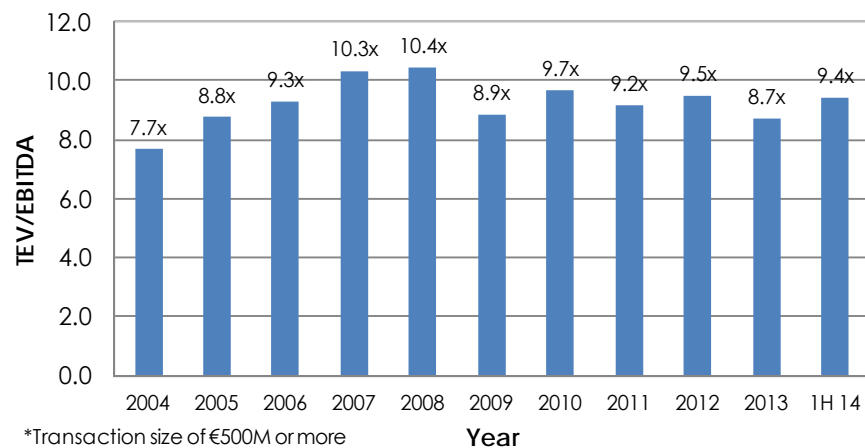
# Private Equity Market Overview

Average U.S. Purchase Price Multiples



Source: S&P Capital IQ

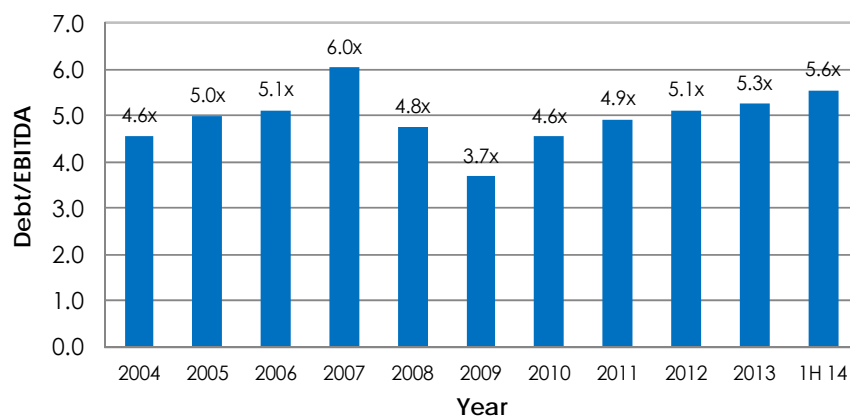
Average European Purchase Price Multiples



\*Transaction size of €500M or more  
Source: S&P Capital IQ

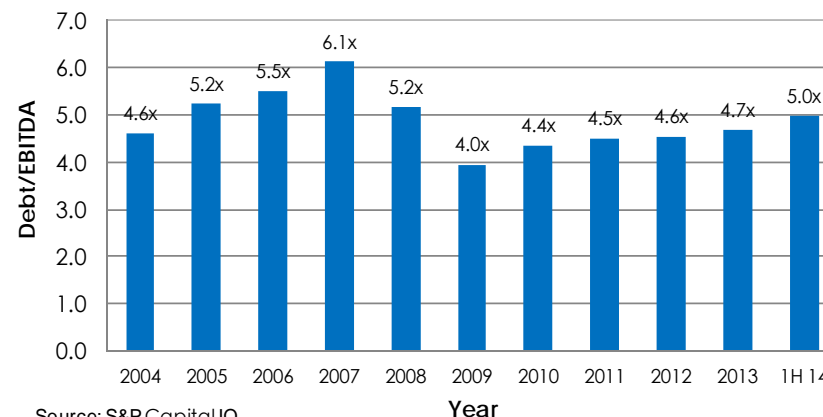
- *LBO transactions have become more expensive in 2014 relative to 2013...*

Average U.S. Debt Multiples



Source: S&P Capital IQ

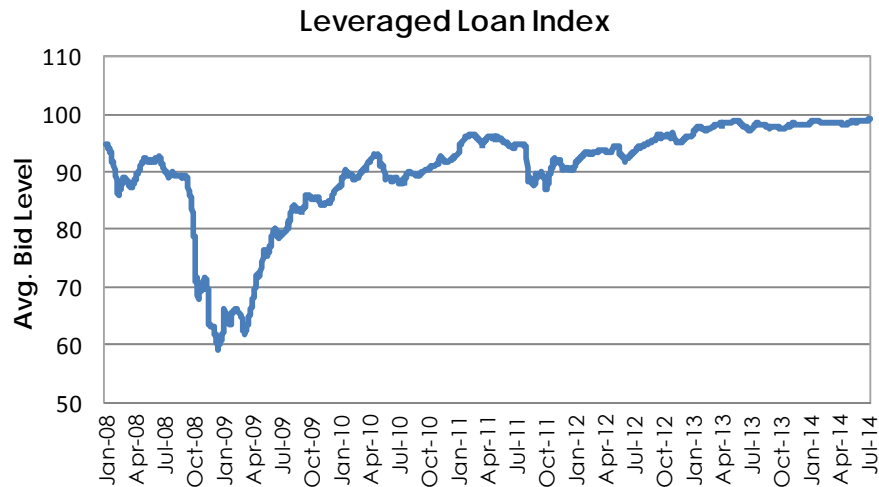
Average European Debt Multiples



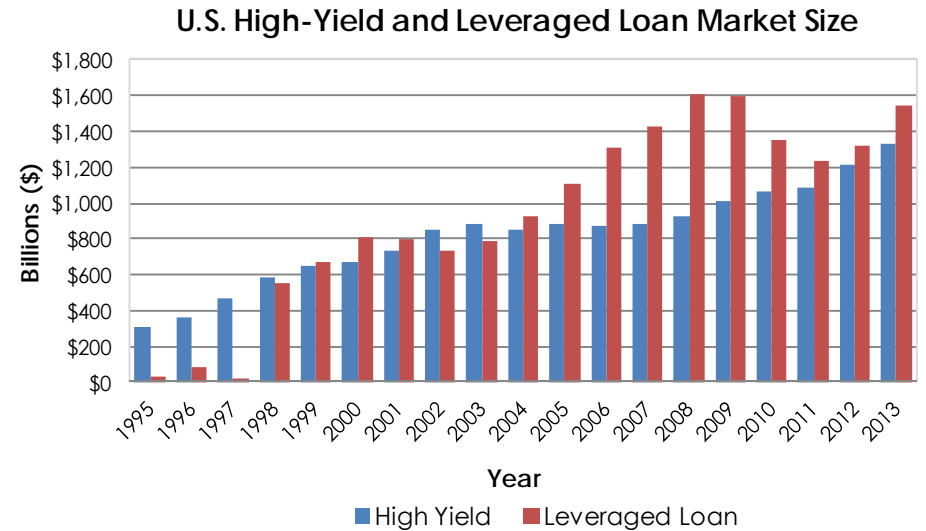
Source: S&P Capital IQ

- *...while use of leverage continues to increase.*

# Private Equity Market Overview

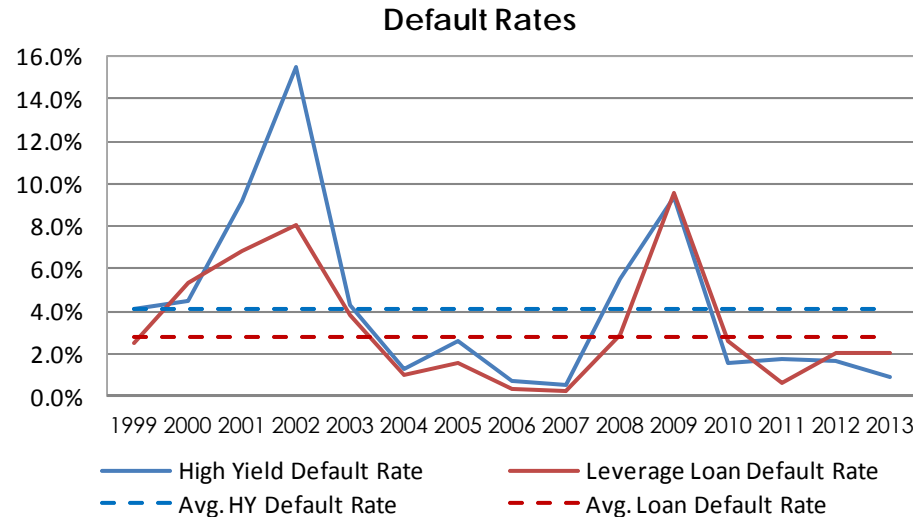


Source: Loan Syndications and Trading Association (LSTA)



Source: Credit Suisse Leveraged Finance Market Update

- *Opportunity for distressed investing continues to be mixed as the market continues to grow, but defaults remain low.*

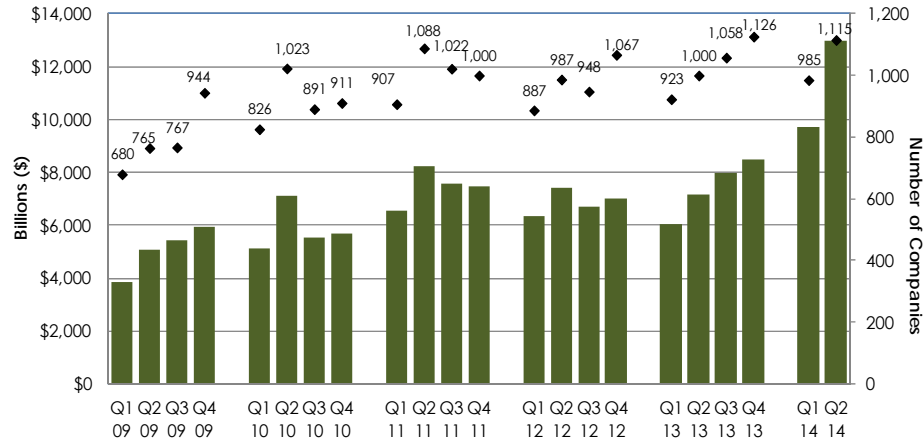


Source: Credit Suisse

- *Default rates have been below average since 2010.*

# Private Equity Market Overview

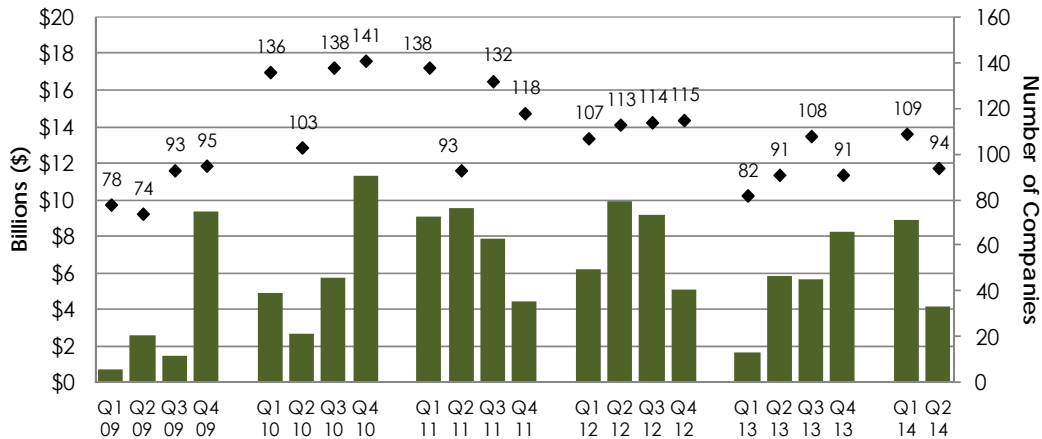
Quarterly U.S. Venture Capital Deal Volume\*



\* Only includes equity portion of deal value.  
Source: Thomson Reuters

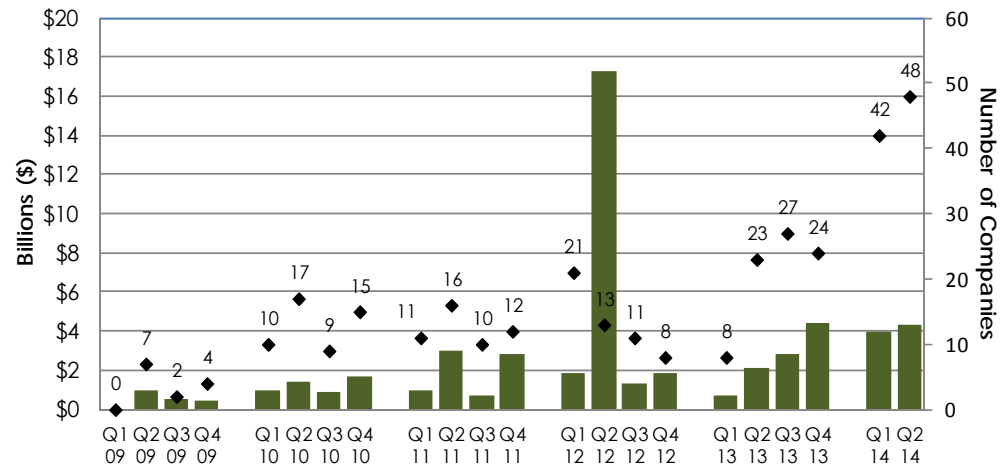
- *Venture capital investment activity increasing.*

Quarterly U.S. Venture Capital M&A Activity



Source: Thomson Reuters

Quarterly U.S. Venture Capital IPO Activity



Source: Thomson Reuters

- *Exit environment for venture capital improving, particularly via IPO.*



## Section 2: Pension Program Review

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# KRS Private Equity Pension Plan Overview

## One-Year Change: as of June 30, 2014

As of:	Active Partnerships	Committed (\$M)	Contributed (\$M)	Distributed (\$M)	Market Value (\$M)	Investment Multiple	Since Inception IRR*
6/30/2013	47	2,215	2,048	1,516	1,233	1.34x	9.1%
6/30/2014	53	2,354	2,185	1,889	1,218	1.42x	10.1%
<b>One-Year Change</b>	<b>6</b>	<b>139</b>	<b>137</b>	<b>373</b>	<b>(15)</b>	<b>0.08x</b>	<b>1.0%</b>

\* Initial capital call made on August 20<sup>th</sup>, 2002

- Over the latest year, since inception performance has improved 100 basis points

## Horizon Performance vs. Policy Benchmark: as of June 30, 2014

	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
KRS Pension	19.7%	12.4%	15.5%	9.9%	10.1%
PE Policy Benchmark*	29.2%	20.5%	18.1%	10.5%	10.7%
<b>Variance</b>	<b>(9.5%)</b>	<b>(8.1%)</b>	<b>(2.6%)</b>	<b>(0.6%)</b>	<b>(0.6%)</b>

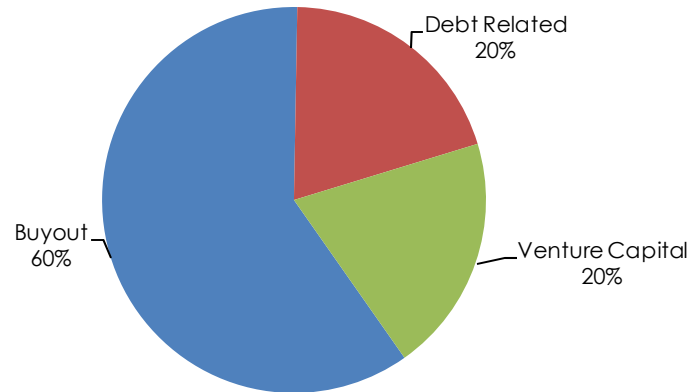
- KRS Pensions results are below the policy benchmark over the long-term
  - challenging period to outperform a public market plus a premium benchmark
    - public equity returns have been above long-term expectations over the past five years
    - KRS' experience is consistent with institutional investors utilizing a similar benchmark
  - above long-term industry assumptions for geometric private equity returns\*\*

\* Source: BNY MELLON lagged from 9/30/2014 data. Benchmark construction from 7/1/02 to 6/30/11 was 60% S&P 1500 Composite Index, 40% Barclays US Corporate High Yield Index and from 7/1/11 to Present is the Russell 3000 Index + 4% (lagged).

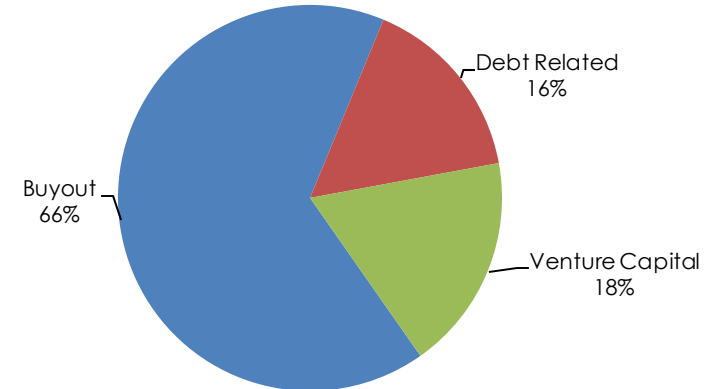
\*\* According to "Survey of Capital Market Assumptions, 2014 Edition " by Horizon Actuarial Services, LLC which included 23 investment advisor respondents that had an average geometric expected return of 9.8% for private equity.

# Sector Exposures and Targets

## Target Exposures

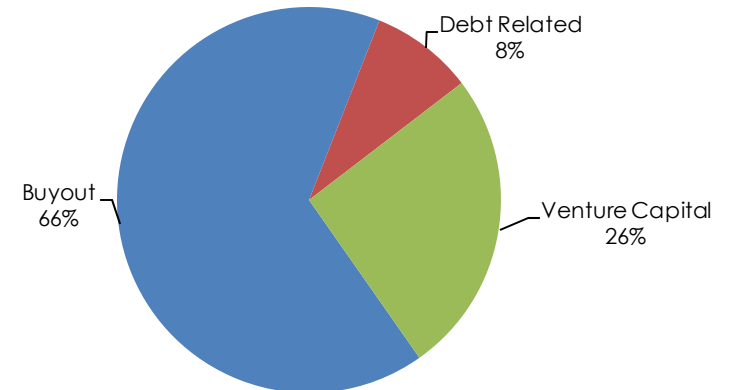


## Active Commitments (\$2,097 M)



- KRS Pension portfolio near target exposures by sub-sector
  - On a market value basis, slightly above target for venture capital and buyout while below target in debt related.

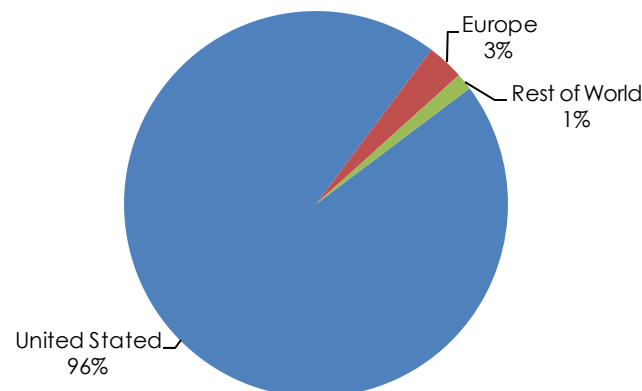
## Market Value (\$1,218 M)



# Geographic and Industry Exposure

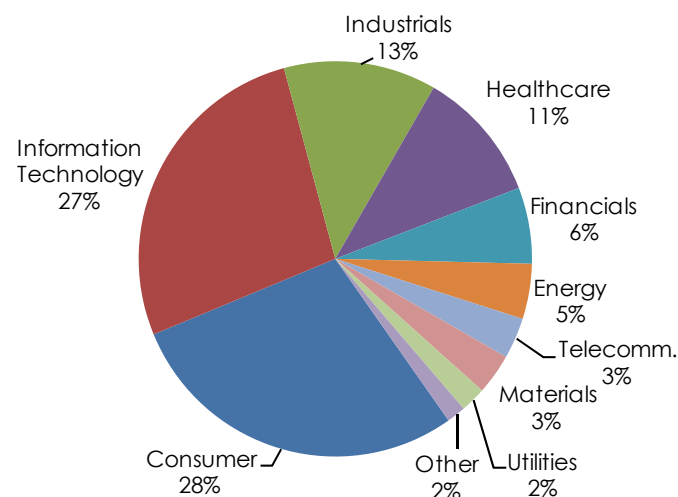
- Based on partnership geographic definitions, the KRS Pension portfolio is domestically-oriented at 96%.
  - many partnerships that are located in the U.S. invest globally, increasing the portfolio's actual non-U.S. exposure

Market Value\* (\$1,218 M)



- The KRS Pension portfolio is diversified across industry, led by consumer at 28%, information technology (27%), and industrials (13%).
  - three largest industries in the Russell 3000 are consumer at 23%, financial services (19%), and information technology (16%).

Market Value\*\*



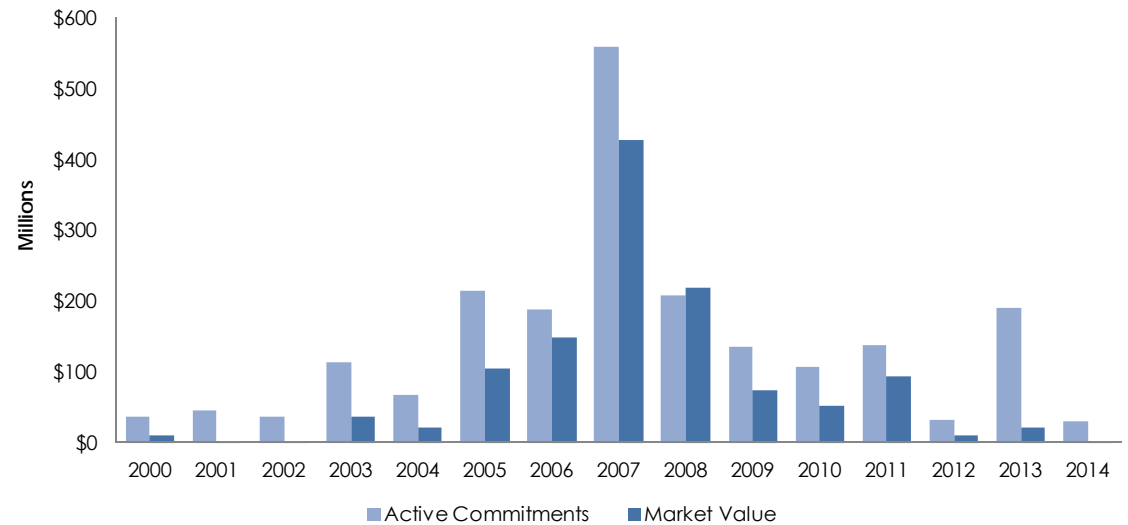
\* Geographic exposure defined by partnership strategy

\*\* Industry exposure excludes fund of funds and distressed debt holdings

# Vintage Year Exposure

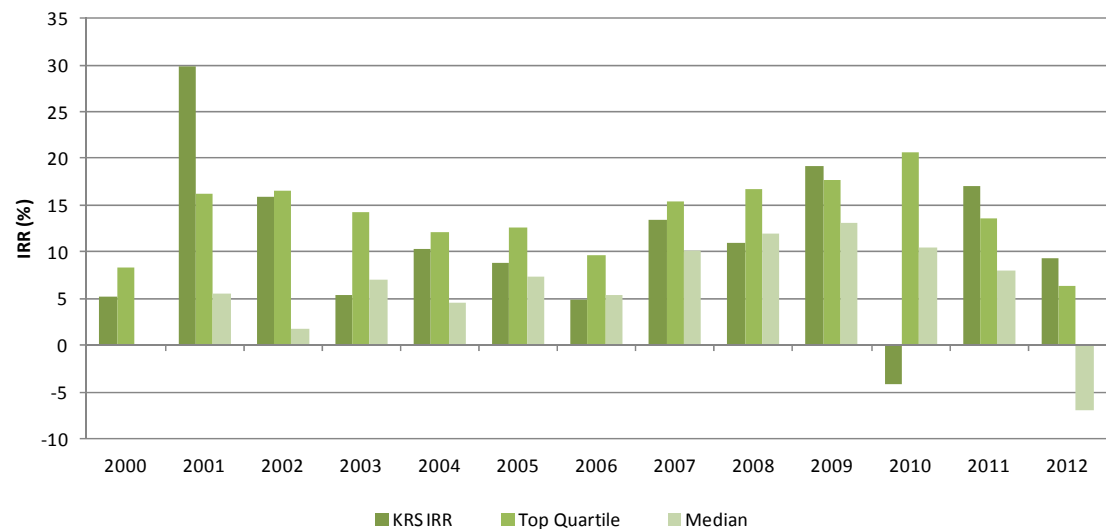
- Performance largely driven by commitments made in the 2005 to 2008 period
  - representing almost 56% of commitments and 74% of market value

Active Commitments and Market Value by Vintage Year



- Pension Portfolio has placed above median in 9 of 13 vintage years and in the top quartile for four vintages\*.
  - performance of younger investments is less material

Vintage Year IRR vs. Median and Top Quartile

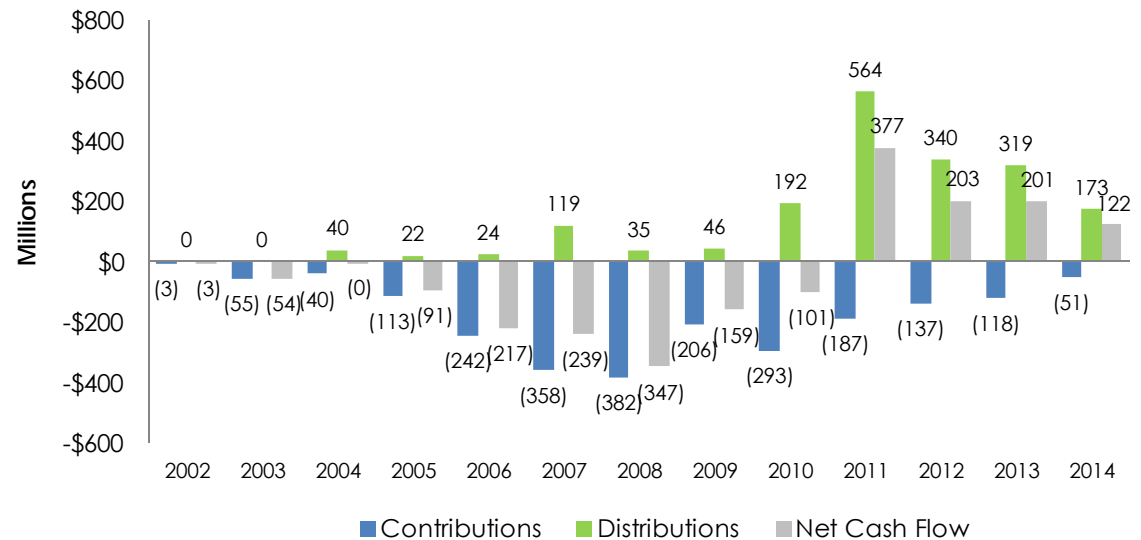


\* Source: Cambridge Associates Benchmark data (accessed via Thomson ONE) as of March 31, 2014 including Buyout & Growth Equity, Mezzanine & Distressed, and Venture Capital asset classes.

# Program Cash Flows

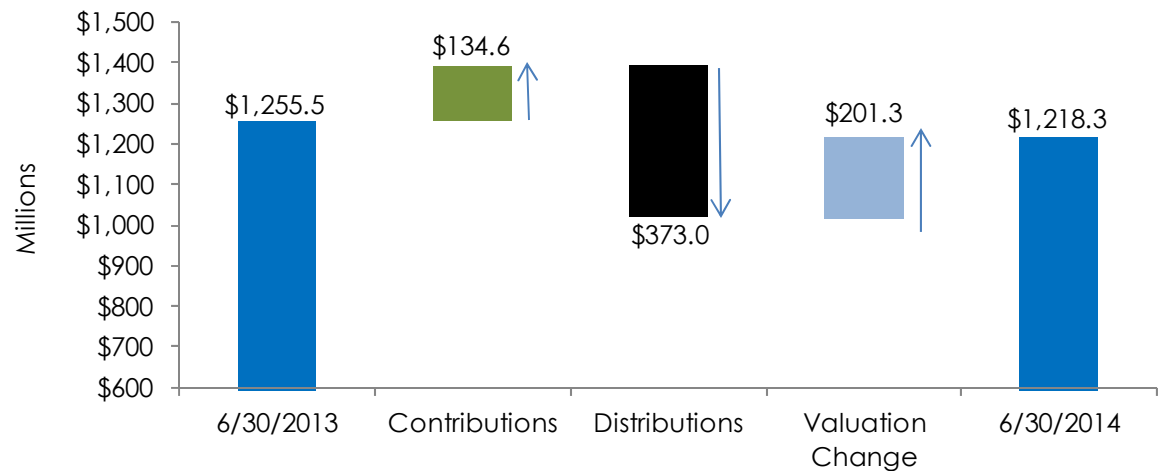
- KRS Pension Program has been cash flow positive since 2011
  - increased distribution activity during the recovery
  - proceeds from secondary sale in 2011 categorized as distributions

Program Cash Flows by Calendar Year



- KRS Pension Portfolio value declined by \$37.2 million over the past year as distributions outpaced contributions and appreciation.
  - strong appreciation over the latest year as underlying holdings gained \$201 million

Annual Cash Flow Activity and Market Value



# Sector Horizon Performance

Horizon Performance by Sector: as of June 30, 2014

Sector	Sub Sector	Commitment	1 Year	3 Year	5 Year	10 Year	Inception
Buyout	Sub Total	1,433,454,288	17.9	14.8	18.4	11.5	11.4
	Large Buyout	246,489,715	36.2	8.6	17.6	N/A	7.1
	Upper Mid Buyout	673,506,749	17.9	19.1	19.9	13.6	13.4
	Lower Mid Buyout	123,500,000	19.1	17.9	17.0	N/A	18.1
	Small Buyout	85,000,000	18.1	14.7	25.2	N/A	16.8
	Fund of Funds	254,557,823	16.8	18.4	18.1	N/A	16.0
	Real Assets	27,000,000	(11.3)	(6.0)	(2.9)	N/A	(3.6)
	Secondary	23,400,000	(50.5)	(23.7)	N/A	N/A	(16.8)
Debt Related	Sub Total	503,500,000	16.7	11.8	13.3	8.3	9.0
	Distressed	476,500,000	17.7	12.1	13.4	8.3	9.1
	Mezzanine	27,000,000	6.4	7.7	10.9	N/A	8.0
Venture Capital	Sub Total	417,500,000	25.9	6.4	9.6	6.6	7.0
	Venture	372,500,000	25.4	6.1	9.6	6.5	6.9
	Fund of Funds	45,000,000	34.1	12.5	9.7	N/A	9.7
All	Total	2,354,454,288	19.7	12.4	15.5	9.9	10.1

- The Buyout sector has been the strongest performer over the long-term
  - representing the largest component of the portfolio
- Debt Related exposure has posted relatively consistent results
  - providing a stabilizing and complementary exposure to buyout and venture capital
- Venture Capital generated the strongest one-year results
  - has underperformed over longer periods

# Largest Relationships

KRS Pension's Ten Largest Relationships: based on Market Value

Family	Sector	Commitment	Market Value	One Year	Three Year	Five Year	Since Inception
Duff Ackerman & Goodrich LLC	Venture Capital	152,000,000	169,861,406	30.7	7.3	9.3	6.3
Leonard Green & Partners, L.P.	Buyout	189,500,000	124,104,229	26.4	23.4	29.3	15.4
Bay Hills Capital Management, LLC	Buyout	183,750,000	109,337,512	17.2	22.1	21.1	18.2
Blackstone Group LP	Buyout	107,500,000	79,254,400	34.2	9.7	18.6	5.0
Crestview Partners	Buyout	67,500,000	64,984,033	19.8	15.8	18.1	16.6
Wayzata Investment Partners, LLC	Debt Related	170,500,000	61,104,326	23.4	11.6	17.7	12.7
Warburg, Pincus LLC	Buyout	88,750,000	57,427,333	33.2	5.5	16.3	8.2
Vista Equity Partners	Buyout	72,000,000	53,779,836	12.1	23.7	32.3	28.6
Harvest Partners, L.P.	Buyout	64,400,000	52,055,279	22.2	18.9	17.7	18.8
GTCR Golder Rauner, LLC	Buyout	63,000,000	50,062,618	19.6	22.9	17.2	13.3

- Ten largest relationships represent approximately 67% of market value
  - representing \$1.2 billion of commitments across 23 partnerships
  - relationship level results primarily strong contributors to performance



# Commitment Pacing/Future Activities

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- Target annual commitment pacing of approximately \$175 million in 2015 and 2016
  - ranging from \$130 million to \$220 million per year
    - targeting four to six commitments annually
  - allocations approximately 60% to the Pension Plan and 40% to the Insurance Trust
- Areas of further portfolio development should include:
  - continue disciplined investment pacing and commitment sizing
  - consider additional global exposure
    - committing to direct partnerships where appropriate and fund of funds as warranted
  - revisit KRS' approach to venture capital exposure
    - explore other methods to gain exposure across the venture/growth segment
  - explore cost-effective approaches to deploying capital, such as co-investing

# Partnership Listing

## KRS Pension's Partnership Listing, as of June 30, 2014

Investment	Vintage	Sector	Commitment	Value (\$)	Multiple	IRR
Arbor Capital II, L.P.	2006	Buyout	22,500,000	17,512,704	2.0x	17.8%
Arcano KRS Fund I, L.P.	2010	Buyout	36,000,000	17,186,605	1.0x	0.8%
Bay Hills Capital I, L.P.	2007	Buyout	67,500,000	54,158,777	1.8x	16.5%
Bay Hills Capital II, L.P.	2009	Buyout	90,000,000	51,660,066	1.4x	23.9%
Bay Hills Capital III, L.P.	2013	Buyout	26,250,000	3,518,669	1.0x	-5.4%
Blackstone Capital Partners V, L.P.	2006	Buyout	47,500,000	45,347,918	1.2x	4.1%
Blackstone Capital Partners VI, L.P.	2011	Buyout	60,000,000	33,906,482	1.3x	18.6%
Camelot Opportunities Fund, L.P.	2010	Buyout	23,400,000	12,266,286	0.5x	-16.8%
Columbia Captal Equity Partners IV, L.P.	2005	Venture Capital	27,000,000	31,627,007	1.8x	10.5%
Crestview Partners II, L.P.	2008	Buyout	67,500,000	64,984,033	1.5x	16.6%
CVC European Equity Partners VI, L.P.	2014	Buyout	30,239,715	3,519	0.0x	NM
DAG Ventures II, L.P.	2006	Venture Capital	27,000,000	22,043,418	0.9x	-1.0%
DAG Ventures III, L.P.	2007	Venture Capital	27,000,000	30,652,153	1.9x	12.7%
DAG Ventures IV, L.P.	2008	Venture Capital	90,000,000	105,080,361	1.2x	5.5%
DAG Ventures V, L.P.	2011	Venture Capital	8,000,000	12,085,474	1.8x	41.4%
DCM VI, L.P.	2010	Venture Capital	13,500,000	11,835,131	1.3x	10.4%
Essex Woodlands Fund VIII, L.P.	2008	Venture Capital	22,500,000	22,072,316	1.2x	6.5%
Green Equity Investors IV, L.P.	2003	Buyout	67,500,000	34,786,812	2.0x	11.9%
Green Equity Investors V, L.P.	2007	Buyout	90,000,000	79,085,822	1.9x	23.0%
Green Equity Investors VI, L.P.	2012	Buyout	32,000,000	10,231,595	1.1x	9.3%
GTCR Fund IX-A, L.P.	2006	Buyout	63,000,000	50,062,618	1.6x	13.3%
H.I.G. BioVentures II, L.P.	2011	Venture Capital	13,500,000	2,246,465	0.7x	-27.0%
H.I.G. Capital Partner V, L.P.	2013	Buyout	13,100,000	498,416	1.0x	-3.5%
H.I.G. Ventures II, L.P.	2005	Venture Capital	18,000,000	12,662,498	1.1x	2.5%
Harvest Partners V, L.P.	2007	Buyout	36,000,000	32,819,671	1.7x	19.4%
Harvest Partners VI, L.P.	2011	Buyout	28,400,000	19,235,608	1.2x	14.8%
Hellman and Friedman Capital Partners VI, L.P.	2007	Buyout	20,000,000	10,735,745	1.3x	9.3%

# Partnership Listing (continued)

## KRS Pension's Partnership Listing, as of June 30, 2014 (continued)

Investment	Vintage	Sector	Commitment	Value (\$)	Multiple	IRR
Horsley Bridge International Fund V, L.P.	2009	Venture Capital	45,000,000	21,970,528	1.2x	9.7%
Institutional Venture Partners XII, L.P.	2007	Venture Capital	27,000,000	16,618,817	2.5x	27.8%
JW Childs Equity Partners III, L.P.	2002	Buyout	36,000,000	72,346	2.0x	15.9%
Keyhaven Capital Partners Fund III, L.P.	2010	Buyout	34,807,823	10,888,407	1.1x	5.3%
Levine Leichtman Capital Partners V, L.P.	2013	Buyout	46,000,000	5,133,019	0.9x	-10.7%
MatlinPatterson Global Opportunities Partners	2001	Debt Related	45,000,000	22,815	1.8x	29.8%
MatlinPatterson Global Opportunities Partners II	2003	Debt Related	45,000,000	1,425,717	0.6x	-27.9%
MatlinPatterson Global Opportunities Partners III	2007	Debt Related	45,000,000	32,312,607	1.2x	6.8%
Merit Mezzanine Fund IV, L.P.	2005	Debt Related	27,000,000	10,360,272	1.4x	8.0%
Mill Road Capital I, L.P.	2008	Buyout	27,000,000	27,450,740	1.9x	16.8%
New Mountain Partners II, L.P.	2005	Buyout	25,000,000	3,596,216	1.6x	11.4%
New Mountain Partners III, L.P.	2007	Buyout	33,750,000	32,311,631	1.2x	6.6%
Oak Hill Capital Partners II, L.P.	2004	Buyout	67,500,000	20,878,708	1.7x	10.2%
Oak Hill Capital Partners III, L.P.	2007	Buyout	33,750,000	27,663,781	1.1x	1.8%
Riverside Capital Appreciation Fund VI, L.P.	2013	Buyout	35,500,000	3,164,735	0.7x	-32.1%
Tenaska Power Fund II, L.P.	2007	Buyout	27,000,000	14,881,243	0.9x	-3.6%
Triton Fund IV, L.P.	2013	Buyout	34,706,749	4,828,128	1.0x	4.6%
VantagePoint Venture Partners 2006, L.P.	2006	Venture Capital	27,000,000	13,947,553	0.6x	-11.7%
VantagePoint Venture Partners IV, L.P.	2000	Venture Capital	36,000,000	10,118,773	1.3x	5.3%
Vista Equity Partners III, L.P.	2007	Buyout	45,000,000	26,630,166	2.4x	30.1%
Vista Equity Partners IV, L.P.	2011	Buyout	27,000,000	27,149,670	1.2x	11.3%
Warburg, Pincus Private Equity IX, L.P.	2005	Buyout	50,000,000	21,349,748	1.5x	8.6%
Warburg, Pincus Private Equity X, L.P.	2007	Buyout	38,750,000	36,077,585	1.3x	6.9%
Wayzata Opportunities Fund II, L.P.	2007	Debt Related	67,500,000	32,527,229	1.8x	17.2%
Wayzata Opportunities Fund III, L.P.	2013	Debt Related	35,500,000	3,790,426	0.9x	-15.1%
Wayzata Opportunities Fund, L.P.	2005	Debt Related	67,500,000	24,786,671	1.6x	10.3%

## Section 3: Insurance Trust Review

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# KRS Private Equity Insurance Trust Overview

## One-Year Change: as of June 30, 2014

As of:	Active Partnerships	Committed (\$M)	Contributed (\$M)	Distributed (\$M)	Market Value (\$M)	Investment Multiple	Since Inception IRR*
6/30/2013	53	392	265	159	207	1.38x	10.1%
6/30/2014	59	490	316	218	243	1.46x	11.5%
<b>One-Year Change</b>	<b>6</b>	<b>98</b>	<b>51</b>	<b>59</b>	<b>36</b>	<b>0.08x</b>	<b>1.4%</b>

\* Initial capital call made on August 20<sup>th</sup>, 2002

- Over the latest year, since inception performance has improved 140 basis points

## Horizon Performance vs. Policy Benchmark: as of June 30, 2014

	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
KRS Insurance Trust	21.4%	14.3%	16.8%	11.4%	11.5%
PE Policy Benchmark*	29.2%	20.5%	18.2%	10.0%	10.0%
<b>Variance</b>	<b>(7.8%)</b>	<b>(6.2%)</b>	<b>(1.4%)</b>	<b>1.4%</b>	<b>1.5%</b>

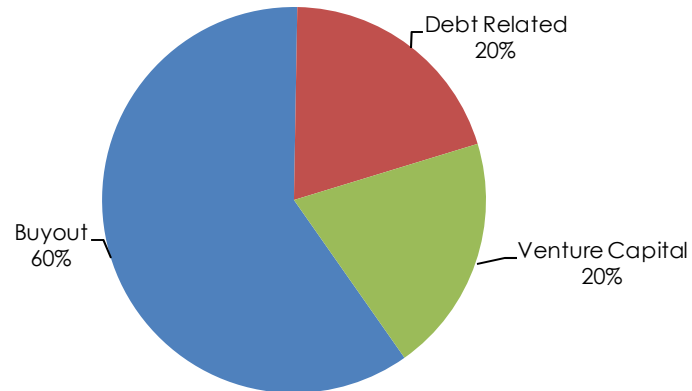
- KRS Insurance results are above the policy benchmark over the long-term
  - difficult to outperform a public market plus a premium benchmark over shorter periods
    - public equity returns have been above long-term expectations over the past five years
    - KRS' experience is consistent with institutional investors utilizing a similar benchmark
  - above long-term industry assumptions for geometric private equity returns\*\*

\* Source: BNY MELLON lagged from 9/30/2014 data. Benchmark construction from 7/1/02 to 6/30/11 was 80% S&P 1500 Composite Index, 20% Barclays US Corporate High Yield Index and from 7/1/11 to Present is the Russell 3000 Index + 4% (lagged).

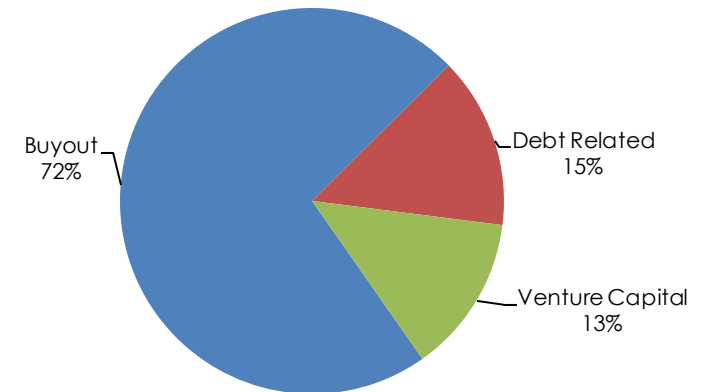
\*\* According to "Survey of Capital Market Assumptions, 2014 Edition " by Horizon Actuarial Services, LLC which included 23 investment advisor respondents that had an average geometric expected return of 9.8% for private equity.

# Sector Exposures and Targets

## Target Exposures

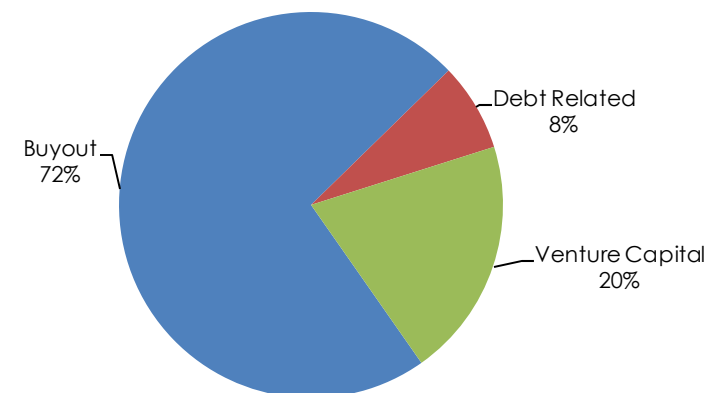


## Active Commitments (\$490 M)



- KRS Insurance portfolio near target exposures by sub-sector
  - overweight buyout while below target in debt related

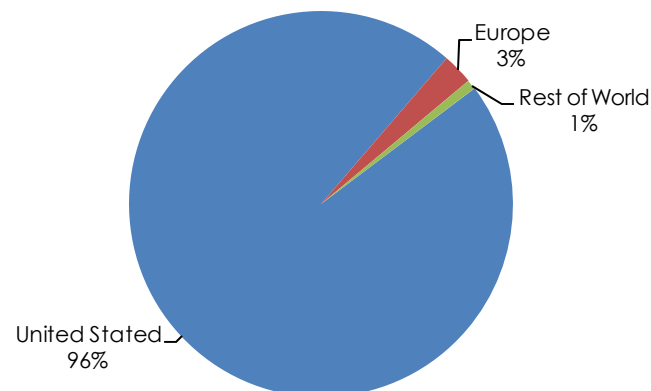
## Market Value (\$243 M)



# Geographic and Industry Exposure

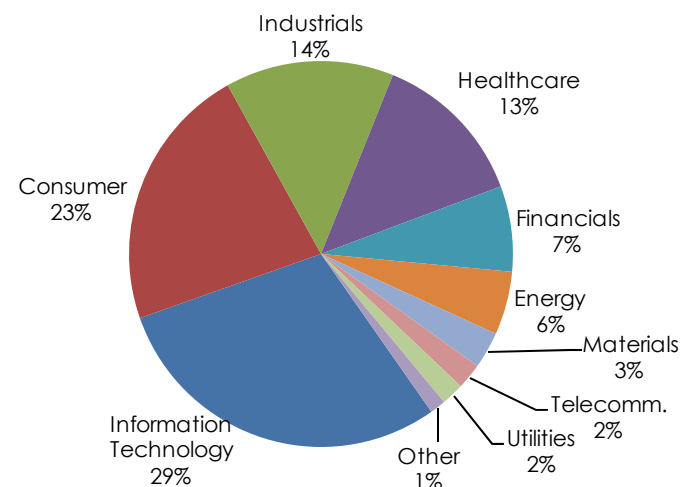
- Based on partnership geographic definitions, the KRS Insurance Portfolio is domestically-oriented at 96%.
  - many partnerships that are located in the U.S. invest globally, increasing the portfolio's actual non-U.S. exposure

Market Value\* (\$243 M)



- The KRS Insurance Portfolio is diversified across industry, led by information technology at 29%, consumer (23%), and industrials (14%).
  - The three largest industries in the Russell 3000 are consumer at 23%, financial services (19%), and information technology (16%).

Market Value\*\*



\* Geographic exposure defined by partnership strategy

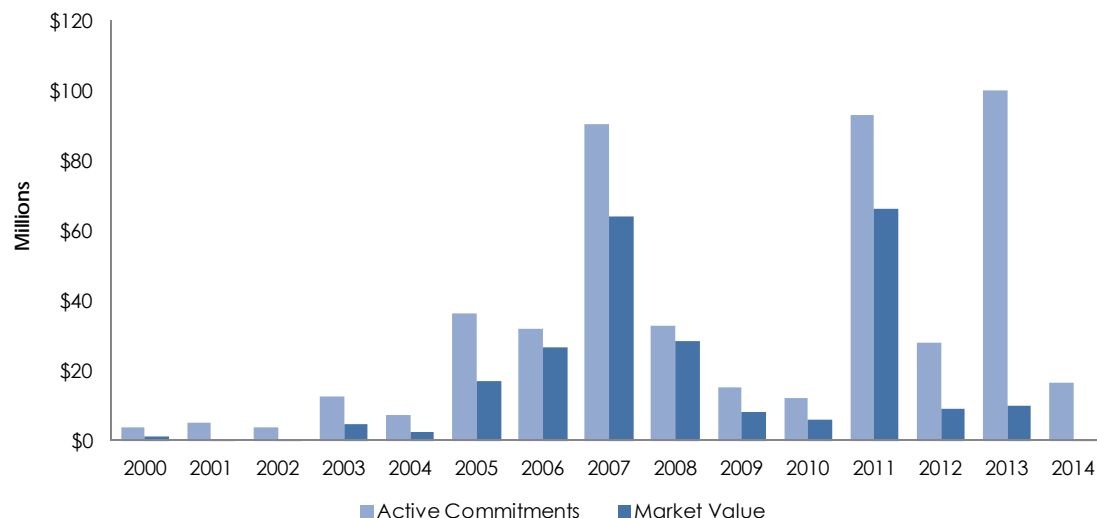
\*\* Industry exposure excludes fund of funds and distressed debt holdings

# Vintage Year Exposure

- Insurance Portfolio has exhibited some volatility in annual commitment activity
  - recent peaks due to attempts to progress towards the 10% target

- Insurance Portfolio has placed above median in 11 of 13 vintage years and in the top quartile for four vintages\*.
  - performance of younger investments is less material

Active Commitments and Market Value by Vintage Year



Vintage Year IRR vs. Median and Top Quartile



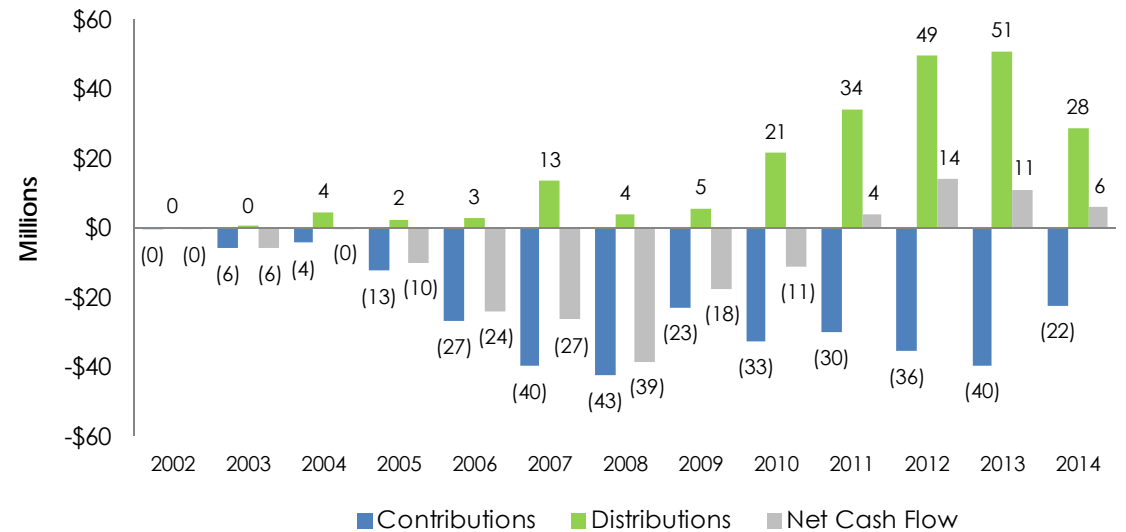
\* Source: Cambridge Associates Benchmark data (accessed via Thomson ONE) as of March 31, 2014 including Buyout & Growth Equity, Mezzanine & Distressed, and Venture Capital asset classes.



# Program Cash Flows

- KRS Insurance Portfolio has been cash flow positive since 2011
  - increased distribution activity during the recovery

Program Cash Flows by Calendar Year



- KRS Insurance Portfolio value increased by \$36.0 million over the past year as contributions plus appreciation outpaced distributions.

Annual Cash Flow Activity and Market Value



# Sector Horizon Performance

Horizon Performance by Sector: as of June 30, 2014

Sector	Sub Sector	Commitment	1 Year	3 Year	5 Year	10 Year	Inception
Buyout	Sub Total	371,173,591	19.8	16.6	18.3	12.6	12.4
	Large Buyout	94,192,233	35.9	13.6	18.9	N/A	10.5
	Upper Mid Buyout	161,556,256	17.7	21.1	19.3	14.1	13.8
	Lower Mid Buyout	46,500,000	13.2	14.6	14.5	N/A	15.4
	Small Buyout	24,212,500	6.2	11.4	22.8	N/A	15.1
	Fund of Funds	39,112,602	15.9	18.0	17.9	N/A	15.8
	Real Assets	3,000,000	(11.3)	(6.0)	(2.9)	N/A	(3.6)
	Secondary	2,600,000	(50.5)	(23.7)	N/A	N/A	(16.8)
Debt Related	Sub Total	70,712,500	14.2	10.7	16.5	10.4	11.1
	Distressed	67,712,500	14.7	10.9	16.9	10.6	11.3
	Mezzanine	3,000,000	6.4	7.7	10.9	N/A	8.0
Venture Capital	Sub Total	65,000,000	31.2	9.1	11.8	8.4	8.8
	Venture	60,000,000	31.0	9.0	11.8	8.4	8.7
	Fund of Funds	5,000,000	34.1	12.5	9.7	N/A	9.7
All	Total	506,886,091	21.4	14.3	16.8	11.4	11.5

- The Buyout sector has been the strongest performer over the long-term
  - representing the largest component of the portfolio
- Debt Related exposure has posted relatively consistent results
  - providing a stabilizing and complementary exposure to buyout and venture capital
- Venture Capital generated the strongest one-year results
  - has underperformed over longer periods

# Largest Relationships

KRS Insurance's Ten Largest Relationships: based on Market Value

Family	Sector	Commitment	Market Value	One Year	Three Year	Five Year	Since Inception
Blackstone Group LP	Buyout	52,500,000	34,537,698	32.8	18.2	18.7	9.7
Duff Ackerman & Goodrich LLC	Venture Capital	23,000,000	28,105,438	43.3	12.8	13.0	9.5
Vista Equity Partners	Buyout	28,000,000	26,086,405	16.1	16.6	23.1	22.0
Leonard Green & Partners, L.P.	Buyout	45,500,000	22,049,606	26.3	22.8	29.0	15.5
Bay Hills Capital Management, LLC	Buyout	31,250,000	12,739,386	16.1	21.6	20.8	17.9
Oak Hill Capital Management	Buyout	20,000,000	12,565,697	15.8	29.6	13.0	9.7
Harvest Partners, L.P.	Buyout	15,600,000	11,503,430	19.8	17.5	16.9	17.8
Warburg, Pincus LLC	Buyout	17,500,000	11,252,717	33.2	5.6	18.8	10.8
Wayzata Investment Partners, LLC	Debt Related	33,712,500	8,366,317	19.5	10.1	17.4	12.5
New Mountain Capital, LLC	Buyout	29,700,000	7,899,597	14.6	20.6	15.6	12.0

- Ten largest relationships represent approximately 72% of market value
  - representing \$297 million of commitments across 26 partnerships
  - relationship level results, in most part, strong contributors to performance

# Partnership Listing

## KRS Insurance's Partnership Listing, as of June 30, 2014

Investment	Vintage	Sector	Commitmen	Value (\$)	Multiple	IRR
Arbor Capital II, L.P.	2006	Buyout	2,500,000	1,945,856	2.0x	17.8%
Arcano KRS Fund I, L.P.	2010	Buyout	4,000,000	1,909,623	1.0x	0.8%
Avenue Special Situations Fund V, L.P.	2007	Debt Related	7,500,000	25,049	1.3x	11.0%
Bay Hills Capital I, L.P.	2007	Buyout	7,500,000	6,017,643	1.8x	16.5%
Bay Hills Capital II, L.P.	2009	Buyout	10,000,000	5,739,977	1.4x	23.9%
Bay Hills Capital III, L.P.	2013	Buyout	13,750,000	981,766	0.9x	-7.5%
Blackstone Capital Partners V, L.P.	2006	Buyout	12,500,000	11,933,377	1.6x	7.4%
Blackstone Capital Partners VI, L.P.	2011	Buyout	40,000,000	22,604,321	1.3x	18.9%
Camelot Opportunities Fund, L.P.	2010	Buyout	2,600,000	1,362,922	0.5x	-16.8%
Columbia Captal Equity Partners IV, L.P.	2005	Venture Capital	3,000,000	3,514,112	1.8x	10.5%
Crestview Partners II, L.P.	2008	Buyout	7,500,000	7,220,450	1.5x	16.6%
CVC European Equity Partners VI, L.P.	2014	Buyout	16,510,029	1,858	0.0x	NM
DAG Ventures II, L.P.	2006	Venture Capital	3,000,000	2,449,258	0.9x	-1.0%
DAG Ventures III, L.P.	2007	Venture Capital	3,000,000	3,405,795	1.9x	12.7%
DAG Ventures IV, L.P.	2008	Venture Capital	10,000,000	11,675,596	1.2x	5.5%
DAG Ventures V, L.P.	2011	Venture Capital	7,000,000	10,574,790	1.8x	41.4%
DCM VI, L.P.	2010	Venture Capital	1,500,000	1,315,015	1.3x	10.4%
Essex Woodlands Fund VIII, L.P.	2008	Venture Capital	5,000,000	4,904,958	1.3x	10.8%
Green Equity Investors IV, L.P.	2003	Buyout	7,500,000	4,309,646	2.1x	12.5%
Green Equity Investors V, L.P.	2007	Buyout	10,000,000	8,787,314	1.9x	22.9%
Green Equity Investors VI, L.P.	2012	Buyout	28,000,000	8,952,646	1.1x	9.3%
GTCR Fund IX-A, L.P.	2006	Buyout	7,000,000	5,562,516	1.6x	13.3%
H.I.G. BioVentures II, L.P.	2011	Venture Capital	11,500,000	1,913,656	0.7x	-27.0%
H.I.G. Capital Partner V, L.P.	2013	Buyout	6,900,000	262,524	1.0x	-3.5%
H.I.G. Ventures II, L.P.	2005	Venture Capital	2,000,000	1,406,945	1.1x	2.5%
Harvest Partners V, L.P.	2007	Buyout	4,000,000	3,646,632	1.7x	19.4%
Harvest Partners VI, L.P.	2011	Buyout	11,600,000	7,856,798	1.2x	14.8%
Hellman and Friedman Capital Partners VI, L.P.	2007	Buyout	7,500,000	4,025,912	1.7x	12.7%
Horsley Bridge International Fund V, L.P.	2009	Venture Capital	5,000,000	2,441,170	1.2x	9.7%

# Partnership Listing (continued)

## KRS Insurance's Partnership Listing, as of June 30, 2014 (continued)

Investment	Vintage	Sector	Commitment	Value (\$)	Multiple	IRR
Institutional Venture Partners XI, L.P.	2005	Venture Capital	1,500,000	218,004	1.1x	1.1%
Institutional Venture Partners XII, L.P.	2007	Venture Capital	3,000,000	1,846,481	2.5x	27.6%
JW Childs Equity Partners III, L.P.	2002	Buyout	4,000,000	8,038	2.0x	15.8%
Keyhaven Capital Partners Fund III, L.P.	2010	Buyout	3,820,439	1,209,833	1.1x	5.4%
Levine Leichtman Capital Partners V, L.P.	2013	Buyout	24,000,000	2,678,098	0.9x	-10.7%
MatlinPatterson Global Opportunities Partners	2001	Debt Related	5,000,000	2,536	1.8x	29.8%
MatlinPatterson Global Opportunities Partners II	2003	Debt Related	5,000,000	158,416	0.6x	-27.9%
MatlinPatterson Global Opportunities Partners II	2007	Debt Related	5,000,000	3,590,358	1.2x	6.8%
Merit Mezzanine Fund IV, L.P.	2005	Debt Related	3,000,000	1,151,141	1.4x	8.0%
MHR Institutional Partners III, L.P.	2006	Debt Related	4,000,000	3,001,194	1.5x	10.0%
Mill Road Capital I, L.P.	2008	Buyout	3,000,000	3,050,081	1.9x	16.8%
New Mountain Partners II, L.P.	2005	Buyout	5,000,000	719,243	1.9x	13.3%
New Mountain Partners III, L.P.	2007	Buyout	7,500,000	7,180,354	1.3x	9.9%
Oak Hill Capital Partners II, L.P.	2004	Buyout	7,500,000	2,319,854	1.7x	10.2%
Oak Hill Capital Partners III, L.P.	2007	Buyout	12,500,000	10,245,843	1.4x	9.0%
OCM Opportunities Fund VIIb, L.P.	2008	Debt Related	7,500,000	1,752,008	1.8x	17.8%
Riverside Capital Appreciation Fund VI, L.P.	2013	Buyout	18,712,500	1,668,173	0.7x	-32.1%
Sun Capital Partners IV	2005	Buyout	2,000,000	2,245,969	1.5x	8.0%
TCV VI, L.P.	2005	Venture Capital	2,500,000	678,484	1.5x	13.5%
Tenaska Power Fund II, L.P.	2007	Buyout	3,000,000	1,653,470	0.9x	-3.6%
Triton Fund IV, L.P.	2013	Buyout	17,661,345	2,545,012	1.0x	4.6%
VantagePoint Venture Partners 2006, L.P.	2006	Venture Capital	3,000,000	1,549,729	0.6x	-11.7%
VantagePoint Venture Partners IV, L.P.	2000	Venture Capital	4,000,000	1,124,308	1.3x	5.3%
Vista Equity Partners III, L.P.	2007	Buyout	5,000,000	2,958,907	2.4x	30.1%
Vista Equity Partners IV, L.P.	2011	Buyout	23,000,000	23,127,498	1.2x	11.3%
Warburg, Pincus Private Equity IX, L.P.	2005	Buyout	10,000,000	4,269,950	1.8x	11.1%
Warburg, Pincus Private Equity X, L.P.	2007	Buyout	7,500,000	6,982,767	1.5x	9.9%
Wayzata Opportunities Fund II, L.P.	2007	Debt Related	7,500,000	3,614,136	1.8x	17.2%
Wayzata Opportunities Fund III, L.P.	2013	Debt Related	18,712,500	1,997,982	0.9x	-15.1%
Wayzata Opportunities Fund, L.P.	2005	Debt Related	7,500,000	2,754,199	1.6x	10.2%

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