Fairview Capital - Firm Overview

Fairview’s private equity investment programs help institutional investors access and intelligently invest in dynamic segments of the private equity market.

- Tenured team, comprised of 25 professionals
- Our clients have entrusted us with $3.9 billion in committed capital since inception
- We serve 33 institutional clients, including public safety pension plans
- Over 200 private equity fund commitments, and over 3,000 portfolio companies globally in a wide range of industries
- Fairview is currently managing five active mandates

Fairview is a pioneer in developing next generation manager programs
Why Invest in Private Equity?

<table>
<thead>
<tr>
<th>Index</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
<th>20-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyout</td>
<td>12.41%</td>
<td>14.68%</td>
<td>10.16%</td>
<td>12.28%</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>12.30%</td>
<td>14.35%</td>
<td>9.71%</td>
<td>21.22%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>10.37%</td>
<td>13.30%</td>
<td>7.51%</td>
<td>7.86%</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>12.08%</td>
<td>13.84%</td>
<td>9.34%</td>
<td>8.20%</td>
</tr>
<tr>
<td>DJIA</td>
<td>10.61%</td>
<td>12.15%</td>
<td>8.10%</td>
<td>8.35%</td>
</tr>
</tbody>
</table>

Consistent long-term outperformance by buyout and venture capital funds

But investors should not settle for index or median returns

Data as of March 31, 2017. The market volatility, liquidity and other characteristics of private equity investments are materially different from securities listed on public market indices, and therefore the S&P 500, NASDAQ and the Dow Jones Industrial Average do not necessarily reflect a basis for comparison with private market investments. Market index information was compiled from sources that Fairview believes to be reliable. No representation or guarantee is made hereby with respect to the accuracy or completeness of such data. Past performance is not necessarily indicative of future results. Buyout Data: Cambridge Associates US Buyout Index. Venture Capital Data: Cambridge Associates Venture Capital Index.
Real Potential Lies With Outperforming Funds

Case Study: Venture Capital Fund Performance by Vintage Year

- Performance data often masks the fact that top quartile private equity firms often significantly outperform their peers.
- This effect is evident in venture capital as well as with buyout funds.
- Even a small allocation to outsized performers can drive private portfolio performance.
- While tenured firms often generate consistently strong performance, next generation firms are just as, if not more, likely to generate significant outperformance.

Source: Cambridge Associates U.S. Venture Capital Index and Benchmark Statistics As of March 31, 2017
Next Generation Firms Have Outsized Return Potential

How are Next Generation Firms Defined?

- **New Firms: First, Second, Third-Time Funds**
- **Small Funds**
- **Diverse Managers**
- **Niche or Specialized Strategies**

Firms can be more motivated, differentiated, and forward-thinking - elements critical to success in private equity

Often below the radar of institutional investors and consultants

Manager selection is critical as there is a high dispersion of returns in the category - top performers can significantly outperform:

- **Industry-wide, 15 of the top 25 performing funds of the past decade were next generation firms**
- **Fairview Capital’s data confirms a similar dynamic**

The Supply of Next Generation Managers Is Large and Is Expanding

Next Generation Manager Opportunity Set

Over 225 opportunities per year on average, representing approximately 35-45% of the overall private equity opportunity set per year

New firm formation remains critical to the private equity industry’s evolution and typically mirrors overall fundraising trends

A growing proportion of new firms feature diverse founding and leadership teams

Ethnic and Gender Diversity Amongst Next Generation Firms is Growing

In aggregate, woman and minority owned private equity firms comprised about 7% of the overall private equity market in terms of number of funds in the market.

Universe of Institutional Quality Woman and Minority-Owned Private Equity and Venture Capital Firms

Current Observations

• 85 managers currently raising capital
• First, second and third-time funds represent 89% of opportunity set
• Average fund size less than $300 million
• Strong mix of ethnic and gender diversity - continues to evolve

Next generation manager firms tend to mirror demographic trends exhibited in the U.S.

Approximately 30% of all next generation firms are woman or minority-owned, and an even greater proportion have some level of diversity

Data: Fairview Capital Proprietary Database Research
Accessing Next Generation Managers Effectively Requires Focus

A

Careful Program Structure/Design

Create a best-in-class and well-diversified portfolio of high-quality investments to align interests and to yield superior relative and absolute returns

Maintaining Discipline in Pacing and Diversification

Build balanced portfolios, ideally equal-weighted

B

Rigorous Manager Selection Process

Establish a comprehensive and thorough due diligence matrix to ensure critical evaluation of ALL investment candidate’s offerings

Research-Driven Approach

Focus on Best-in-Class Teams

INNOVATIVE. INTELLIGENT. INVESTMENTS
A Programmatic Approach Must Be Taken To Investing With Next Generation Firms

Elements key to success:

1. Define Mandates Carefully
   - Start with clear objectives
   - Ensure plan goals are captured
   - Choose constraints carefully
   - Leverage variables that encourage inclusion of target funds

2. Use Structure to Achieve Key Objectives
   - Plan structure that best aligns interests: advisory vs. managed, discretion vs. non-discretion, etc.
   - Insert clauses that ensure diversification and mitigate risk - e.g. pacing, type of funds, etc.

3. Target Normal Returns
   - Strive for excellence and best-in-class returns
   - Avoid attempts to dilute investment returns
   - Encourage broadest pool/pipeline of investable funds then drive stringent selectivity

4. Outline the Working Relationship
   - Design the vehicle as an extension of staff
   - Clarify how staff (and other stakeholders) will interact with the manager
Next Generation Manager Program Case Study

Client Profile
- Public Safety Pension Client - $20 billion in assets, ~9% PE allocation
- Next generation manager program in private equity: ~$400M
- Definition of next generation manager: Funds I, II, III < $500M

Fairview Capital Role
- Build a $50M portfolio, equal-weighted across 10 funds over 3 years
- Identify best in class next generation managers across private equity
- Investments include spinouts, small funds and new strategies

Benefits
- Primary goal of outperformance
- Include managers that provide differentiation within portfolio
- Build relationships and potential future access
Conclusions

01. Long-term private equity index returns are strong but goal should be to target top-tier private equity returns.

02. Next generation managers are often well-positioned to deliver outsized private equity returns.

03. The universe of next generation managers is dynamic and continues to grow and evolve—but features a high dispersion of returns, meaning manager selection is critical to success.

04. A programmatic approach through a well-designed next generation manager program is the ideal way to access opportunities.

05. If implemented effectively, the benefits of a next generation manager program are significant.
Thank You

Any Questions?