

5 T H A N N U A L

Innovative **ALTERNATIVE** **INVESTMENT STRATEGIES**

Using Non-Correlated Assets To Diversify and Improve Alpha

Evaluating Private Equity and Venture Capital Opportunities

MODERATOR

Kelly Rodriques

CEO & President

PENSCO Trust Company

PANELISTS

Kevin Albert

Partner & Global Head of Business Development

Pantheon Ventures

Michael Goering

Managing Director & Head of Institutional Products

Buttonwood Group Advisors

Mark Sunderhuse

Founder & Managing Director

Red Rocks Capital



Kelly Rodrigues – PENSCO Trust Company



PENSCO is a leading alternative assets custodian and has been helping advisors and their clients hold alternative assets in retirement accounts for 25 years.

Key Trends in Today's PE/VC landscape

- Shift from Real Estate to Private Equity
- Growth in Private Equity deals driven by individual investors



The Big Picture

Key Trends in Today's PE/VC landscape



Kevin Albert – Pantheon Ventures



PANTHEON is a leading international private equity fund investor that has been delivering private equity solutions across a broad range of geographies and strategies for over 30 years.

Key Trends in Today's PE/VC landscape

- PE has continued to outperform other asset classes over a 10 year period
- U.S. public pension funds continue to increase allocations to PE
- Individual investors are becoming an important investor base, given increased awareness and movement away from defined benefit plans
- Industry evolving to provide investment solutions and vehicles for individual investors



Michael Goering – Buttonwood Group Advisors



Buttonwood Group Advisors provides access to late-stage, VC-backed companies and other similar private company investments through its Alternative Investment funds, allowing its clients to build a custom private equity portfolio.

Key Trends in Today's PE/VC landscape

- Private Companies are remaining private longer
 - More large, late-stage funding rounds
 - Capital Markets are facilitating:
 - Investors seeking yield
 - Secondary Markets are evolving
 - Venture Capital Funding at 5-year peak
 - Liquid Alternatives adding additional fuel



Mark Sunderhuse – Red Rocks Capital



Formed in 2003, Red Rocks Capital is one of the largest asset management firms in the world that is focused exclusively on listed private equity, with approximately \$1.5 billion in assets for advisor-sold mutual funds and variable annuities for institutions and investors.

Key Trends in Today's PE/VC landscape

- Private Equity/Venture Capital is global
- Advisors may want to develop a global perspective regarding PE/VC investments. For example:
 - European banks are restructuring, shedding assets and tightening their lending requirements, which is expected to change several of their roles in the capital markets.
 - Private equity firms that invest in Europe may be positioned to capitalize on this significant transition over the next several years



Evaluating Private Equity and Venture Capital Opportunities



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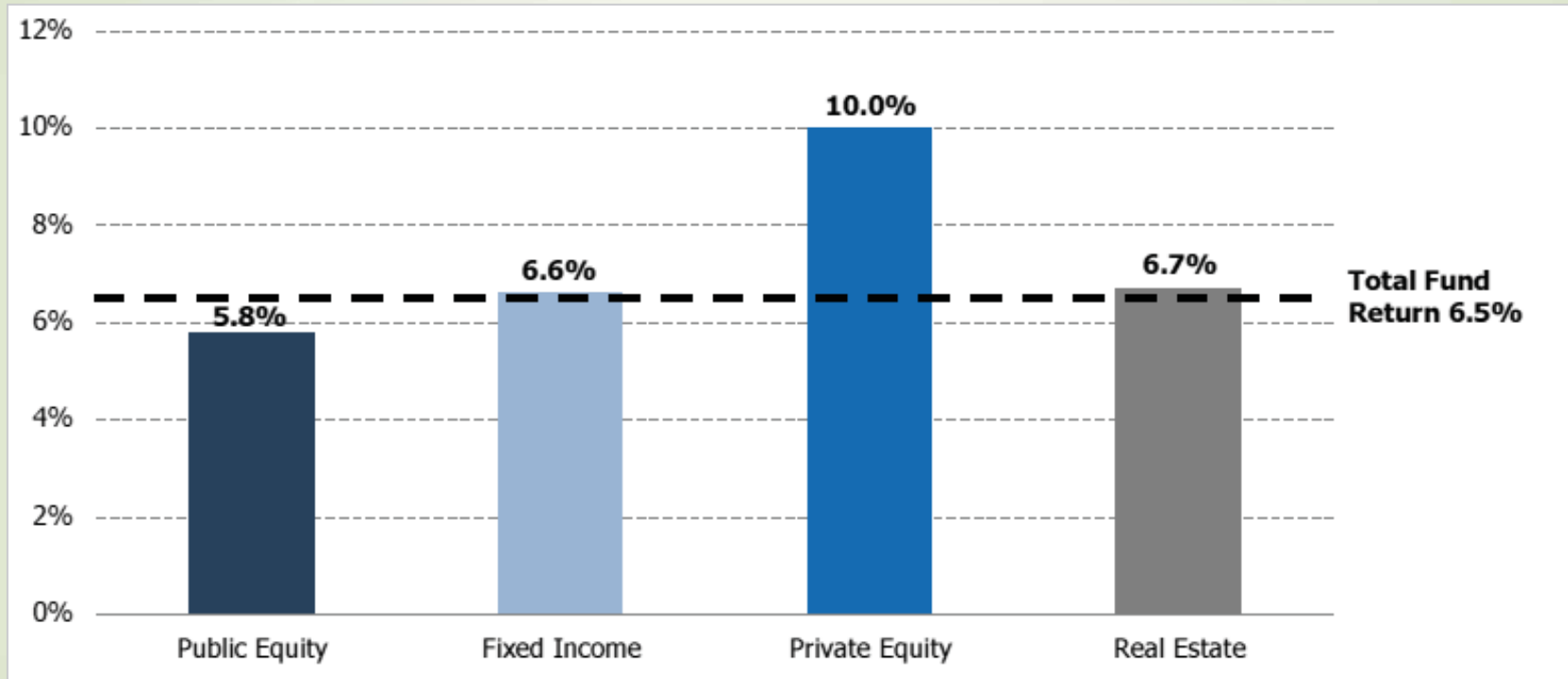
Supporting Slides



Kevin Albert: Pantheon Ventures

Private Equity Has Outperformed Other Asset Classes

Pension Fund Investment Return by Asset Class¹



¹ Source: Private Equity Growth Capital Council, October 2013

Analysis is based on financial reports from 146 large public pension funds (assets of \$1 billion or more), where 10-year returns as of June 30, 2012 are available. Samples include return figures that are both net and gross of management fees for marketable securities. Return figures for private equity and other illiquid assets are typically reported net of management fees and carry. Past performance is not indicative of future results



Kevin Albert: Pantheon Ventures

How It Works

	Private Equity	Public Equity
Investment / Exit timing	Astute	Prefer to be fully invested
Selectivity / Concentration	Small portfolios - ability to select best ideas!	Large diversified portfolios
Permitted to use "Inside Information"	Yes	Use of non-public information prohibited
Corporate Governance / Alignment with management	High	Low to medium
Long-term horizon for results	Yes	No
Ability to employ invasive strategies <ul style="list-style-type: none"> > Operational improvements > Financial engineering > Organic & external growth 	Yes	No

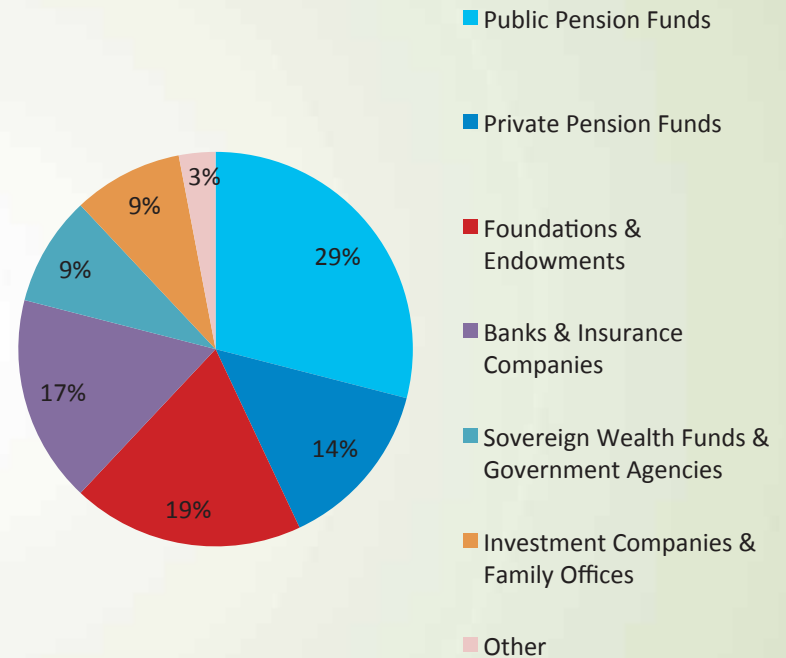
Kevin Albert: Pantheon Ventures

U.S. Public Pensions Are the Largest Investors

Capital Invested in Private Equity by Public Pension Funds¹



Private Equity Investors by Capital Invested, 2001-2011²



¹ Source: Preqin, November 2013. These figures are the amount invested in private equity and do not include committed capital that has yet to be called up by fund managers. This figure is calculated using the sum of remaining value of portfolios of private equity funds that have reached a final close (excluding funds of funds, secondaries funds, real estate funds and infrastructure funds)

² Source: Private Equity Growth Capital Council based on data from Preqin

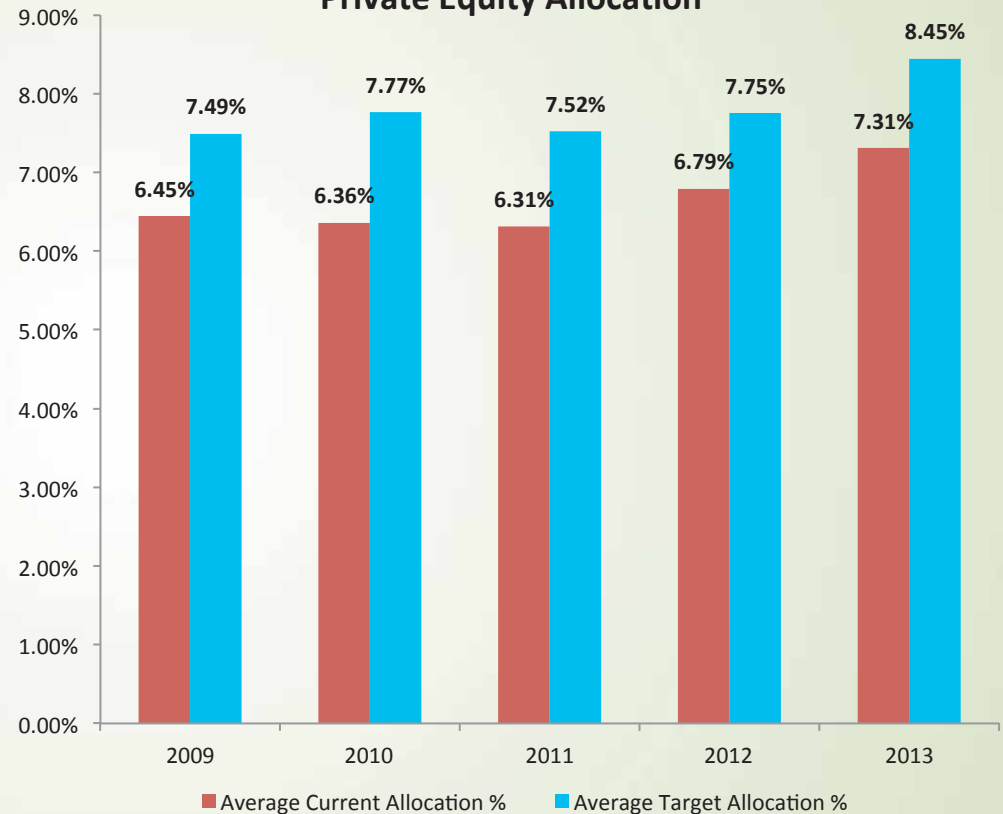


Kevin Albert: Pantheon Ventures

And They Are Increasing Allocations

- > The percentage of assets allocated to private equity by state pension plans more than doubled from 3.9% in 2001 to 8.2% in 2011¹
- > Per The Wall Street Journal, larger public pensions with assets of \$5 billion and greater allocated 12.7% of their portfolios to private equity in 2012¹
- > The largest 151 U.S.-based public pension funds currently have \$277 billion invested in private equity, or just under 10% of their investment portfolios totaling \$2.88 trillion¹

U.S. Public Pension Funds' Average Private Equity Allocation²



1 Source: Private Equity Growth Capital Council, "Long-Term Commitments: The Interdependence of Pension Security and Private Equity", Bronwyn Bailly, Ph. D., April 2013

2 Source: Prequin, November 2013



Kevin Albert: Pantheon Ventures

Individual Investor's Allocations are Lagging

**Private wealth allocation to alternatives
 2009 vs. 2012¹**



**Private wealth market size
 2009 vs. 2012¹**



¹ Cerulli 2013. "Private wealth market" represents non-institutional assets held by financial intermediaries

² Non-traditional mutual funds. Also known as "Alternative Mutual Funds"



Kevin Albert: Pantheon Ventures

Necessary Enhancements to Increase Individual Participation

- > Structural enhancements:
 - '40 Act registered private equity vehicles
 - Listed private equity vehicles
 - Private equity offerings with term structures
 - Private equity offerings with liquidity options

- > Service enhancements:
 - Client service
 - Comprehensive reporting
 - Daily valuation

- > Distribution enhancements:
 - Intermediary engagement
 - Captive wholesalers



Michael Goering: Buttonwood Group Advisors

More large, late-stage funding rounds

