# UTIMCO's Private Equity Returns Versus Public Benchmarks

| (From Inception* to 5/31/04) | | **Returns if Cash Invested In:** | | **Private Equity Return Differential** | |
|---|---|---|---|---|---|
| | ***Actual Returns*** | ***S&P 500*** | ***Wilshire 5000*** | ***S&P 500*** | ***Wilshire 5000*** |
| **PUF** | 10.89% | 7.39% | 5.33% | 3.50% | 5.56% |
| **GEF** | 9.23% | 8.13% | 5.57% | 1.10% | 3.66% |

* Funds began investing in private equity on December 15, 1982.

- As the table demonstrates, the PUF and GEF have generated a 10.89% and 9.23% internal rate of return (IRR), respectively, since inception of their respective investment periods. Had those funds invested in the public markets using the S&P 500 or Wilshire 5000 indices instead of investing in private equity, the funds' returns would have been lower than the actual returns. For instance, if the PUF had invested each of its private equity cash outflows (dollars invested in private companies or private equity partnerships) into the S&P 500 during this period, the PUF would have generated an IRR of only 7.39% over that same time period. As such, the PUF's private equity program has generated 3.50% in additional IRR above those returns attainable through this established public market index. To put this in dollar terms, the private equity portfolio added approximately $264 Million to the PUF & GEF above what would have been earned from investing in the S&P 500.

- The Association for Investment Management Research (AIMR), which is the self regulation organization in the investment management industry responsible for setting reporting standards, has determined that the IRR information presented above is the correct method for reporting private capital returns. However, performance results in other asset categories, including publicly traded equities, generally are reported using a different calculation methodology referred to as "time-weighted" returns. Returns for private capital can be calculated using this methodology as well. However, AIMR has determined that private capital returns calculated using the time-weighted return methodology do not meet industry standards. Thus, while it may be tempting to compare time-weighted return results for private capital to other asset categories or other public securities indices, the comparisons may be misleading or spurious, the practical equivalent of preparing accounting statements for an organization without following generally accepted accounting principles. With this caveat stated, the table below presents time-weighted returns for the UTIMCO private capital investment program over several historical time periods:

| (Annual Returns as of 5/31/04) | **One Year** | **Three Years** | **Five Years** | **Ten Years** |
|---|---|---|---|---|
| **PUF Private Equity Returns** | 15.01% | (5.35%) | 4.15% | 11.04% |
| **GEF Private Equity Returns** | 13.43% | (5.43%) | 3.65% | 12.93% |
| **S&P 500 Index** | 18.33% | (2.14%) | (1.52%) | 11.34% |

- In addition to the fact that the above returns do not meet industry performance reporting standards, short term performance comparisons of private capital investments to public market indices are often misleading and confusing because of differences in valuation and accounting standards in private and public markets. We advise caution in using and reporting these numbers.