AlpInvest
Annual Review
2013

ALP INVEST

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Throughout this document, 'AlpInvest' or 'AlpInvest Partners' refers to AlpInvest Partners B.V. and its subsidiaries.

In considering the past, targeted or projected performance and other financial information contained herein, readers should bear in mind that past, targeted or projected performance is not necessarily indicative of future results and there can be no assurance that targeted or projected returns will be achieved, that any AlpInvest fund or other investment will achieve comparable results or that the returns generated by an AlpInvest fund or other investment will equal or exceed those of other investment activities of AlpInvest.

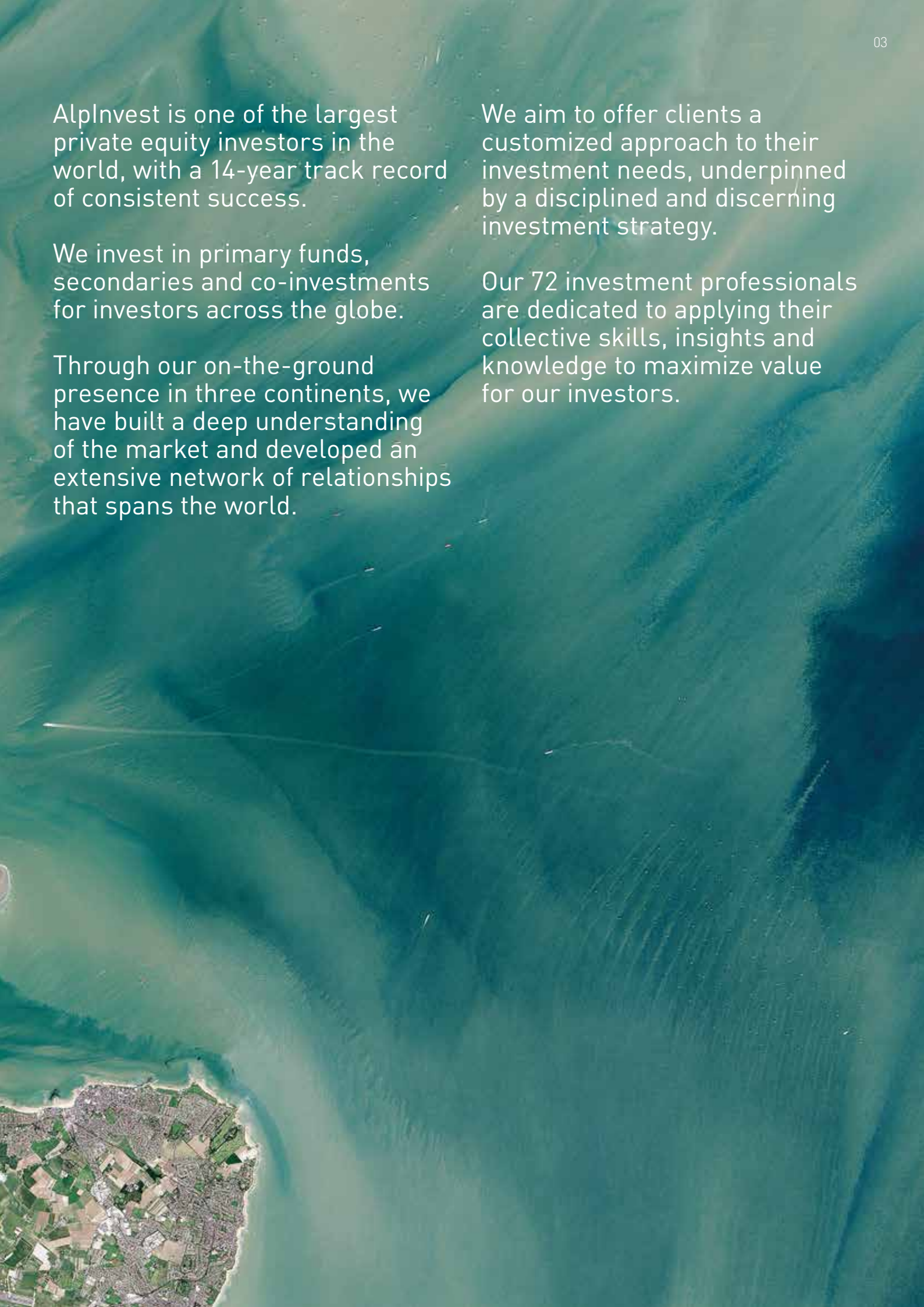
AlpInvest is one of the largest private equity investors in the world, with a 14-year track record of consistent success.

We invest in primary funds, secondaries and co-investments for investors across the globe.

Through our on-the-ground presence in three continents, we have built a deep understanding of the market and developed an extensive network of relationships that spans the world.

We aim to offer clients a customized approach to their investment needs, underpinned by a disciplined and discerning investment strategy.

Our 72 investment professionals are dedicated to applying their collective skills, insights and knowledge to maximize value for our investors.



Our business
Trusted investors

AlpInvest is a leading private equity investor, with more than €34bn of assets under management and a longstanding track record of successful investment. We invest across the globe, specializing in the primary, secondary and co-investment segments. We believe that our large and integrated global platform gives us a unique perspective on the private equity market.

We have managed customized portfolios across the private equity spectrum for 14 years, working closely with our investors to ensure that the portfolios we build for them are tailored to their needs. In 2013, we closed our first commingled fund so that a wider range of investors could benefit from our investment expertise.

Over the past years, we significantly increased our investor base[1] from seven in 2011 to 28 as per December 31, 2013. In terms of commitments received since inception, 97.7% came from investors in Europe, the Middle East and Africa, 2.0% from investors in North and South America and 0.3% from investors in Asia.

We have 157 employees, including 17 Managing Directors, many of whom have worked together for more than a decade. We are a close-knit, stable and highly focused team, based in offices in Amsterdam, Hong Kong, Indianapolis and New York. Within each of our core segments, a large, dedicated global team ensures a strong focus on the sourcing and selection of the most attractive investment opportunities.

We believe that our size, extensive network of relationships and proactive approach to investment often allow us to access the best opportunities before other managers in our peer group. It also provides us with information insights that improve our selection capabilities.

Our approach
Through our diligence, dedication and understanding, we believe that we have earned a solid reputation within the industry. We have a rigorous approach to investing, with strong senior involvement. This has remained unchanged since we were founded at the turn of the millennium.

Initially set up by Dutch pension funds APG and PGGM to manage their private equity investments, we spent more than ten years working closely with both investors and tailoring our expertise to their requirements. In 2011, AlpInvest management and The Carlyle Group, one of the largest and most highly respected alternative asset managers in the world, jointly acquired AlpInvest from APG and PGGM.

In 2013, our firm became fully owned by The Carlyle Group, further solidifying the strong relationship built since 2011. Today, we are an integral part of Carlyle Solutions, a single platform that offers investors access to a range of alternative assets, including private equity, real estate and hedge funds.

Our investment decisions are made entirely independently of The Carlyle Group, but its ownership provides support, encouragement and guidance as we grow. Reaping tangible benefits from The Carlyle Group's global distribution, reach and experience, we have extended – and continue to extend – our investor base under the new ownership structure.

We now serve investors across the globe, offering them a deep understanding of private equity and a customized approach to their investment needs.

Amsterdam
86

New York
54

Hong Kong
15

Indianapolis
2

Extensive network
We are one of the largest private equity investors in the world, with over 240 general partner relationships, an on-the-ground presence in three continents and investments across the globe.

Experienced team
As of December 31, 2013 we had 157 employees, of whom 72 are investment professionals in funds, secondaries and co-investments.

Rigorous investment approach
We have a rigorous approach to investment, with strong senior involvement. We seek to use our expertise and knowledge from across our business lines to make better investment decisions.

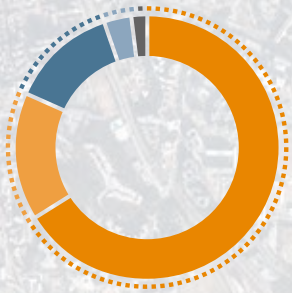
We have a rigorous approach to investing, with strong senior involvement.

Hong Kong
China

COMMITMENTS RECEIVED FROM INVESTORS[2]

Since inception

BY INVESTMENT TYPE



- €37.6bn Fund Investments
- €8.8bn Secondary Investments
- €7.5bn Equity Co-Investments
- €1.8bn Mezzanine Co-Investments
- €1.1bn Other

BY INVESTOR TYPE

98.9%

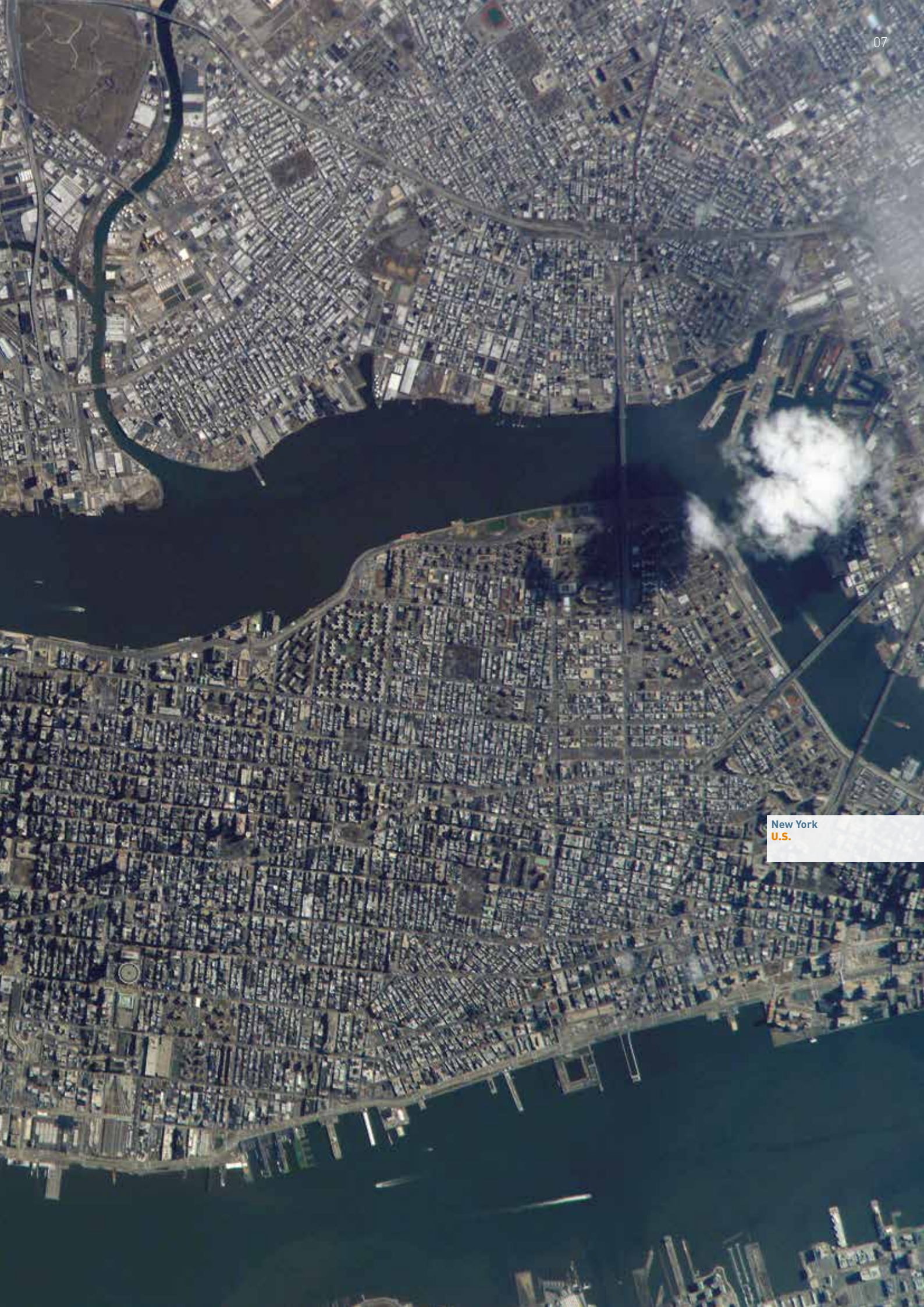
Pension funds

1.1%

Insurance companies and other

[1] Excluding our Portfolio Management platform.

[2] Total capital committed to AlpInvest includes €6.7bn of investor mandates that are managed on behalf of investors by AlpInvest Partners B.V. (or its controlled affiliates), but for which the investment decisions were made by parties other than AlpInvest or its affiliates (of which €6.5bn was committed up to 2002 and €0.2bn was committed in 2013).



New York
U.S.

Chairman's statement
Strong performance, positive outlook

AlpInvest delivered strong performance in 2013. An improving macroeconomic environment provided a tailwind but I believe we are also especially witnessing the results of AlpInvest's long-term, careful and considered investment approach, executed by our experienced and talented team.

Volkert Doeksen, Chairman

AlpInvest delivered a strong performance in 2013. I am pleased to be able to report that the year ended with a year-to-date net return of the portfolio managed by AlpInvest of close to 20%. We continued to commit capital to promising investment opportunities, achieving a good spread in terms of geography and investment type. Existing investors continued to back us with additional commitments, and our Secondary Investments division successfully closed our first ever commingled fund.

An improving macroeconomic environment provided a tailwind for this positive performance across the board but I believe we are also especially witnessing the results of AlpInvest's long-term, careful and considered investment approach, executed by our experienced and talented team.

We expect the outlook to continue to improve through 2014, although this will present its own challenges. In particular, we remain cautious about inflation in deal prices and will seek to be innovative in the way we source the best investments for our clients at realistic prices.

Rising sentiment

We witnessed a significant improvement in sentiment during 2013. At a macro level, this was driven by an improving U.S. economy and Europe's emergence from recession in the second half of the year. Emerging-market economies – notably the BRICs – failed to perform as well as expected, partly as capital flew back to developed markets, but they did continue to grow.

At an industry level, investors flocked to private equity in their continued search for yield, triggering a stellar pick-up in activity. Global fundraising totaled more than $250bn, the largest amount since 2008 and a 20% increase on 2012. We saw a similar percentage rise in the value of new deals, which amounted to almost $200bn. Collectively, the industry closed on more than 250 transactions. In 2013, we saw the resurgence of large, $20bn-plus deals when technology firm Dell and food company Heinz joined forces with private equity firms for $25bn and $23bn respectively.

Exit activity also picked up, driven by greater confidence among corporate buyers and public market investors. For 2013 as a whole, Preqin reported 1,533 exits of private equity-backed companies. IPOs gained considerable momentum as an exit route, representing around 20% of all buyout exits last year. Similarly, venture capital-backed firms saw a significant rise in IPO activity. In the U.S. market alone,

81 venture-backed companies were exited through this channel, more than in any other year since the financial crisis.

Against this upbeat backdrop, transaction prices rose quickly, driven by more readily available finance. Based on our experience of investing through cycles, we exercised discipline and prudence in our investment activity. Our co-investment team invested €514m of equity and mezzanine capital across the globe in a methodical and organized fashion, while maintaining a strong focus on the prices we paid.

Fundraising milestone

This was a milestone year for our Fundraising team, which closed our first-ever commingled fund for our Secondary Investments business. Investor interest far exceeded our expectations, attracting commitments of $750m – well ahead of our $500m target. The fund, ASF V, is part of our wider AlpInvest Secondaries Program (ASP), for which we raised $4.2bn up to December 31, 2013. Overall, we enjoyed significant success in our fundraising activities in 2013, attracting strong support from existing and new investors. In total we received close to €1.7bn in additional commitments from existing investors and new clients from Asia, Europe and Latin and North America, including commitments for our new Portfolio Management category.

We believe that several factors make AlpInvest a compelling choice for investors: our strong investment track record, built over the past 14 years; our customized service; our scale, which allows us to offer attractive terms and increased transparency; and our commitment to responsible investing, which is fast becoming a priority for many investors.

Outlook for 2014

As we embark on this new phase of our development, I am optimistic about the prospects for AlpInvest in 2014. The macroeconomic outlook continues to remain positive. All predictions suggest that the U.S. and Europe will continue on their paths to recovery and the pace of growth in Asia and other emerging markets will pick up during the next two years.

The secondary and co-investment markets have witnessed increased competition over the past year and we expect this to continue through 2014, with more investors willing to pay higher prices. We will continue to exercise restraint in the prices we are prepared to pay for investments. And we will respond to these market conditions with even greater innovation and creativity in terms of who we partner with and how we structure deals to deliver outsized returns to our investors. I believe our experience, knowledge and entrepreneurial mindset put us in a strong position to execute this strategy successfully.

Year in review

Strong returns

The year 2013 ended with a year-to-date net return of the portfolio managed by AlpInvest of close to 20%.

Continued trust

Existing clients continued to put their trust in our abilities via additional commitments and we attracted new clients from Asia, Europe and Latin and North America. In total, investors committed close to €1.7bn in additional capital in 2013. This includes commitments for our new Portfolio Management category.

Putting capital to work

We committed close to €3.8bn to promising investment opportunities across a good spread of geographies and investment types.

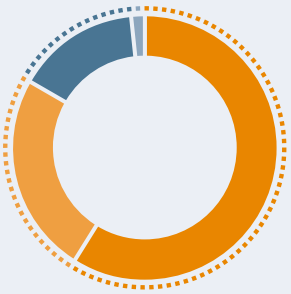
Developments in ownership

The Carlyle Group became our sole owner, further solidifying the strong relationship built since 2011. AlpInvest today is an integral part of Carlyle Solutions' alternative assets platform.

Positive outlook

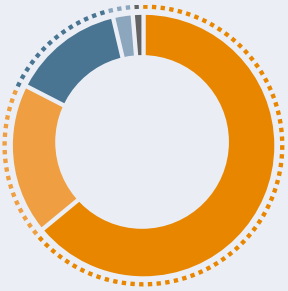
We expect 2014 to again develop favorably, but will exercise restraint on the prices we pay for investments and focus on creating innovative solutions in the face of increased competition.

2013 TOTAL INVESTMENTS
Across key segments



- €1,821m Fund Investments
- €753m Secondary Investments
- €468m Equity Co-Investments
- €46m Mezzanine Co-Investments

2013 TOTAL REALIZATIONS
Across key segments



- €3,972m Fund Investments
- €1,117m Secondary Investments
- €1,008m Equity Co-Investments
- €92m Mezzanine Co-Investments
- €2m Other

We expect 2014 to be another good year for exits, building on our success in 2013. This sentiment is common throughout the industry. Bain & Company's Global Private Equity Report 2014 predicts exit activity will accelerate over the next 12 months. It finds that 40% of the $908bn unrealized gains is in deals that have passed their typical holding period. Around three-quarters of these, the report suggests, may already have been partially realized.

On a personal note

After 14 extremely enjoyable years of leading AlpInvest, my own position within the firm is set to change. I continue to be committed as Co-Founder of AlpInvest, a member of the Investment Committee and Vice Chairman of Carlyle Solutions. In that capacity, I will in particular spend more time on large accounts of The Carlyle Group as well as on new product and business development.

As I had already started handing over operational responsibilities to Paul de Klerk and other Managing Directors over the past two years, I am very confident that I leave the firm in capable hands. They will lead a very experienced team with oversight from Jacques Chappuis, Head of Carlyle Solutions, who will become Chairman of AlpInvest Partners.

I look forward, in 2014, to helping the team continue to close the best deals on behalf of our investors. We remain as committed as ever to growing the business through the development of new strategies and innovations designed to appeal to existing and future clients, enabling us to grow our assets under management by providing our investors with long-term solutions.

Strategic review
Laying foundations for the future

We believe that 2013 was a strong year for AlpInvest and its investors. Not only did we continue to deliver on investment performance, but we also laid the foundations for a future on which we can build a broader and further-improved service for our investors.

Paul de Klerk, CFO/COO

Last year, we laid the foundations for the future on which we can build a broader and further improved service for our clients.

Fuller integration

Since July 2011, AlpInvest has been majority owned by The Carlyle Group, one of the world's largest private equity firms. In 2013, management sold its stake in AlpInvest to Carlyle. As a result, we are now part of the Carlyle Solutions platform, which offers clients access to a range of alternative assets, including private equity, real estate and hedge funds. This provides us with the opportunity to offer a more rounded service to clients seeking the most effective exposure to alternative asset classes.

I believe that Carlyle's wish to become the sole owner of AlpInvest is a testament to the firm's success and to the success of the cooperation between our two organizations. This development provides AlpInvest with a valuable opportunity to grow its range of products and client base, and to offer an even better service to investors via an enhanced back office. For medium-sized investors without dedicated in-house expertise in certain segments to invest in alternatives, the platform provides a team of investment professionals who aim to find and execute the best allocation. This move offers great development opportunities for our people, too.

We continue to be highly enthusiastic about our relationship with The Carlyle Group. We welcome collaboration with senior team members across a firm that is continuously looking for ways to grow. That ambition, and the development opportunities it offers, is appealing to the AlpInvest team.

Although we are part of the broader Carlyle Group, we will remain independent in our investment activity, retaining strict information barriers between the two firms.

From an operational perspective, being part of a larger organization gives us the scale to further develop our infrastructure, which will help us to further improve investor services. In 2014, we embarked on a project to bolster our IT platform, allowing us to deliver data to investors in a more efficient and detailed fashion. Increasingly, investors are looking for more granular data about their investment portfolios, as they are required by regulators to have better oversight of their investment activities. We seek to help our investors meet those needs and, at the same time, provide a better overall service.

Operational changes

As part of our transition to full ownership by The Carlyle Group, we made a number of changes in 2013. Most notably, our chairman, Volkert Doeksen, will relinquish all operational responsibilities to focus his attention on investment activities and maintaining contact with investors of The Carlyle Group. Jacques Chappuis, Head of Carlyle Solutions, has joined the Board of AlpInvest and will oversee all operational developments together with me.

In alignment with our parent company, we changed all Managing Partner titles to Managing Director. We appointed three Business Line Coordinators – Maarten Vervoort, Wouter Moerel and Sander van Maanen – to head up Fund Investments, Secondary Investments and Co-Investments respectively. As part of their new role, the Business Line Coordinators also joined the Operating Committee.

While the Operating Committee will continue to have a voice on operational issues, following the development in our ownership structure the Committee will primarily focus on issues relating to improving our service for investors.

After three years of leading our Investment Committee as Chairman, Wim Borgdorff stepped down from the position in 2013, but remains a Committee member. Tjarko Hektor was appointed Committee Chairman as of January 1, 2014. We also appointed Marek Herchel and Thom Spoto, two Managing Directors, to the Investment Committee as part of our ongoing commitment to develop AlpInvest's leadership.

Since our inception, stability and consistency have been our watchwords. We understand that this is what investors value. Hence, our remuneration model is designed to encourage senior team members to remain with the firm for the long term. As a result, AlpInvest management who sold their remaining stake in AlpInvest to The Carlyle Group in 2013 also received a remuneration that features a strong retention incentive.

As a wholly-owned subsidiary of a U.S.-based company, in 2013 we became Sarbanes-Oxley compliant, further bolstering our risk-management practices.

A robust 2013

Last year, AlpInvest continued to deliver a strong investment performance to its investors. The year 2013 ended with a year-to-date net return of the portfolio managed by AlpInvest of close to 20%.

Consumer and business confidence strengthened significantly in 2013. Public markets began to recover, signaling good news for IPOs, and businesses became more acquisitive, all of which pushed valuations up. We benefited from this rise in sentiment, achieving a significant year-on-year increase in net capital distributions to our investors, in aggregate amounting to €6.2bn, comprised of €2.9bn of return of invested capital and €3.3bn of realized gains on investments and other proceeds. In cases where we are direct investors, we took initiatives to help portfolio companies become more cost-effective and efficient. These actions also contributed to our healthy results.

We saw a slight slowdown in our investment activity on the year as we exercised more care in a market where prices were starting to rise quickly. However, at €3.1bn of invested capital compared with €3.8bn in 2012, we believe our investment pace is still sufficiently strong.

Successful fundraising

Our Fundraising team had a significant year, raising close to €1.7bn in total, including commitments for our new Portfolio Management category. Almost €1bn of additional commitments came from our former shareholders, APG and PGGM. We regard their ongoing commitment to AlpInvest as a sign of confidence that the platform will continue to deliver robust returns. We also attracted over €700m from new investors in Asia, Europe and Latin and North America – an increase of 40% compared with the amount we raised last year.

Diversifying our investor base is one of our main objectives and I am pleased to report progress on this front.

We established a new product category, Portfolio Management, through which we can take on the management of existing private equity portfolios for investors. In a first for AlpInvest, we completed the raising of a commingled secondary fund, ASF V, which exceeded its target, closing at $750m. We believe that the strong investor interest for this product was driven by the performance our secondary funds have shown for 12 consecutive years, as well as the quality of our collective systems and processes, including our rigorous investment approach and risk-management regime.

Outlook for 2014

In 2013 we exceeded our expectations, both in terms of investment performance and fundraising. We seek a further strong fundraising performance in 2014, providing us with ample capital to invest in the coming years. We are encouraged by commitments already made by investors in the first three months of 2014, which amount to €1bn. We plan to offer further products to market during the year to take advantage of the improving macroeconomic climate.

Our priority for 2014 will be to develop attractive investment opportunities for our investors through our involvement in the Carlyle Solutions platform and through collaboration with our partner providers. Further, we trust that our IT initiative will gather momentum as we continue to invest significantly in the project in the coming year. We will also selectively grow our employee base with a view to expanding our fundraising and investor services efforts, as well as further strengthening our investment capabilities.

AlpInvest has robust foundations on which to build. We have a significant amount of capital under management. We continue to see great stability in our senior team, giving us the experience and expertise to deliver further growth. And we are excited about the development of the Carlyle Solutions platform and the opportunities for growth that we believe this collaboration will bring.

AMSTERDAM
The Netherlands

Fund Investments
Record year for exits and returns

Fund Investments[1] enjoyed a record year from an exits and returns perspective, distributing €4.0bn to our investors. Our venture portfolio delivered some particularly strong exits and we also witnessed a strong recovery in investments made in more challenging vintage years.

Several external factors drove these positive developments. Credit markets became increasingly favorable in 2013. IPO markets, when they opened, were strong. And many corporates emerged from a period of austerity with strong balance sheets, providing them with funds for add-on acquisitions.

However, we believe that the discipline and care we exercised in portfolio construction and manager selection at the time of investment played a strong part too. We make careful choices about who we invest with, only committing to managers that we believe have a favorably experienced and structured team and a meaningful and relevant track record. And we seek to construct our portfolios in a balanced manner, ensuring effective diversification across geography, industry and segment. Our investment strategy has been consistent since our inception and we reaped the benefits of this stable and considered approach in 2013.

We saw this strategy in action in North America, for example, where many businesses that our managers exited were purchased at high prices ahead of the credit crunch, but through restructuring and operational improvements our managers demonstrated their ability not only to preserve capital but to make a return on it as well.

Investment activity

Our Fund Investments team made commitments worth €1.9bn to 44 funds with a 2013 vintage year (or earlier) representing a spread of geographies and segments.

In the current economic climate, our manager-selection criteria – strong discipline on price and the ability to drive operational improvements – has become even more relevant. In our experience, these criteria are an effective insurance policy against an overheated market.

Emerging markets remained an important building block for us, even though they experienced a slowdown in economic growth during the year. We take a long-term perspective when making investment decisions and, as these are key markets, we believe we should have meaningful exposure to them.

Award-winning work

We also continued to make commitments to North American and European GPs where we have seen attractive opportunities for our investors. Also in these markets, our strategy is not only focused on careful investment selection, but we aim to commit early to funds as well. We believe this provides us with a stronger position when negotiating and ensuring that our investors get the best possible terms. We were very pleased to be recognized for our strategy and especially our continued support to European managers by our election as Fund-of-Funds Manager of the Year in Europe in *Private Equity International*'s 2013 Awards.

After an absence triggered by the credit crunch, investors returned to the private equity market in 2013, buoyed by rising sentiment. Many, however, are now underexposed to the asset class and are seeking to remedy this imbalance by deploying as much capital as possible across a small number of leading funds.

We believe that we were well positioned to help investors overcome this. We have built up over 240 meaningful general partner (GP) relationships across the globe over 14 years of investing. Our integrated investment model across three key segments of private equity also gives us multiple sources of data from which to make a fund-selection decision. We aim to be a preferred partner to many leading fund managers because of our integrated insights, experience and commitment to the asset class. Collectively, we believe that these factors have helped to provide us with access to highly attractive opportunities during the year.

We will continue to diligently and carefully construct portfolios and invest capital in a consistent manner and strive to ensure that we maintain our access to funds in high demand.

[1] Including mezzanine and clean tech fund investments.

Regulatory compliance continued to be a priority for our investors, particularly in the post-crisis climate. We assisted our investors with their data-disclosure needs, providing them with detailed reporting on what their portfolio comprised, specific types of exposure and risks.

Focus on ESG

Environmental, social and governance (ESG) issues were increasingly cited by investors as a priority in 2013, and investors sought full implementation of ESG standards across their portfolios. We seek to integrate ESG into our investments at an operational level in a meaningful way as part of our commitment to deliver outsized returns to investors.

Our ESG engagement model takes account of the different stages fund managers are at in this journey. For example, with smaller managers in emerging markets we play an awareness-raising role, educating them on the aims and objectives of ESG, how it can be incorporated into the investment process and why it is important to investors. Larger fund managers in developed markets are at the stage where they can be encouraged to be more explicit on how they are managing specific ESG risks.

Our emphasis on ESG implementation is helping to take each of our fund managers to the next level from their particular stage in the ESG implementation process.

Outlook for 2014

Over the coming 12 months, we expect to see more institutional investors committing to primary funds after a period of absence, or increasing their existing commitments. We expect to grow our client base as a result of this trend, but we also expect valuations to continue to creep up. In response, we will hold firm on our strategy to commit to managers who remain disciplined on price but also have the ability to create operational value to drive returns.

We will continue to diligently and carefully construct portfolios and invest capital in a consistent manner and strive to ensure that we maintain our access to funds in high demand.

Our Fund Investments team is stable, experienced and highly committed. We are confident that we are well placed to take advantage of the opportunities 2014 will present on behalf of existing and new investors.

2013 OVERVIEW

€23.1bn
Assets under management

€1.9bn
New commitments to funds with a 2013 vintage[1]

>500
Total number of fund investments since inception

44
New commitments made to funds with a 2013 vintage[1]

[1] Or commitments made in 2013 to funds with an earlier vintage.

Secondary Investments
Focused in a more competitive market

AlpInvest's Secondary Investments[1] team faced an increasingly competitive market in 2013, buoyed by improving macroeconomic conditions. Despite this, we remained focused on our consistent and disciplined investment strategy, seeking high-quality assets that we expect will create value and liquidity within our three- to five-year investment horizon.

We responded to the crowded marketplace with creativity and flexibility to secure promising investments for our investors at realistic prices.

We continued to deliver good returns to our investors, distributing over €1bn in capital during the year. We also completed a successful fundraising year, with our AlpInvest Secondaries Program (ASP) reaching $4.2bn as per December 31, 2013. Our former shareholders, APG and PGGM, are the program's cornerstone investors, and, for the first time, we attracted capital from 21 new investors.

New investors fell into two categories. We raised $500m for separately managed accounts for three investors. And we raised AlpInvest's first commingled fund – ASF V – which exceeded its target to close at $750m. ASF V attracted 18 new investors representing a spread of geographies and investor types. We believe the positive response to ASP, from existing and new clients, is a clear validation of our investment strategy, which has consistently delivered high cash-on-cash returns across each and every one of our Main Funds.

Our investments

In 2013, we sourced 150 opportunities, reviewed 35 and closed on six investments for a total €796m of committed capital. This represents a slowdown in investment activity compared to 2012, when we sourced 191 opportunities, reviewed 18 and closed on 13. We believe that the improving economic climate throughout 2013 had the greatest impact on the LP (limited partner) interest market, where we saw competition increase, asset valuations climb and finding attractive risk/return opportunities become more challenging. In line with our investment strategy, we maintained strict price discipline, which limited the opportunities available to us; we considered this to be the right course of action.

We made six investments during 2013 including three straight purchases of LP interest, two stapled transactions and one fund restructuring; the sellers in these transactions included pension funds, banks and other financial institutions. We achieved a good geographical spread of exposure to underlying companies. We invested more in Europe than originally anticipated, specifically towards the end of the year as we witnessed a bottoming out of most European economies.

With limited opportunities to make straight purchases of LP interests at realistic prices, we focused our attention on more innovative structured transactions, within both active portfolio management and other transaction categories. Such investments promise a higher return, at a moderately higher risk. Our assessment in 2013 was that a strengthening global economy could support this approach, so long as the investments were executed within the parameters of our strict underwriting discipline. One investment was particularly notable.

Award-winning work

We were the lead investor in a $1.2bn fund raised by SwanCap, an independent private markets investment firm established by UniCredit Bank and the management team of its former Principal Investments unit. We helped SwanCap establish the fund that was used both for the secondary purchase of part of UniCredit's private equity assets and for raising a significant amount of new money for new private equity investments. We also supported SwanCap in attracting new global investors to the fund.

We worked in close partnership with UniCredit and the experienced management team of SwanCap to offer a tailored solution that allowed the former Principal Investments team of UniCredit to build on its investment activities in the new SwanCap structure while enabling the bank to address a changing regulatory environment. SwanCap continues to enjoy a unique partnership with UniCredit, which is a non-controlling shareholder in SwanCap Partners, the advisory company in the structure. The management of the assets is performed by SwanCap Investment Management S.A., the 'manager'.

We were delighted to be named European Secondaries House of the Year in *Private Equity International*'s 2013 Awards in recognition of our work on the UniCredit/SwanCap deal.

We responded to the crowded marketplace with creativity and flexibility to secure promising investments for our investors at realistic prices.

[1] Including mezzanine secondary investments.

This is an example of how we seek to source and execute on innovative opportunities in the secondaries market through more structured transactions. At the same time, we continue to seek direct purchases of high-quality LP portfolios with the potential to create value and liquidity.

Outlook for 2014

In 2013, active portfolio management accounted for over half of our total investments while asset sales by banks and other financial institutions accounted for the remainder. Looking ahead, we expect the rebalancing of portfolios by LPs to remain the largest chunk of the market, at around 40% to 50%. However, we believe that competition and valuations are likely to remain high, and we aim to continue to be very disciplined on price.

We further believe that asset sales by financial institutions are likely to be a relevant but decreasing opportunity over the next two years, as the looming regulations that have largely driven this activity – namely Basel III in Europe and the Volcker Rule in the U.S. – approach their implementation deadline. We expect to see more opportunities in spinouts, stapled transactions and fund restructurings. Within the latter, our focus is expected to be on mid-life restructurings, where fund managers anticipate an issue with their current investor base and act early to rectify it. This is where we believe the greatest potential for value creation will lie.

We are cautiously optimistic about our prospects in 2014. Our Asia team had a successful 2013, sourcing significant deal flow and closing two investments. We see significant opportunities on that continent in 2014, primarily because we anticipate a correction in the market that will lead to more sensible valuations and a more positive outlook. We are also optimistic about our prospects in Europe and the U.S., where the economies continue to recover.

Our team, which has a strong direct investments background, is stable and geared up to take advantage of future investment opportunities. We will stick to our discerning investment strategy of seeking high-quality assets that will create value and liquidity without the need for leverage, which we believe is in the best long-term interests of our investors.

2013
OVERVIEW

€5.8bn
Assets under management

€796m
New commitments to secondary investments in 2013

91
Total number of secondary investments since inception

6
Number of new investments in 2013

Co-Investments
Another year of strong returns

AlpInvest's Co-Investments[1] team delivered a very strong performance in 2013. The year ended with a year-to-date net return of the equity and mezzanine co-investments portfolio managed by AlpInvest of over 31%, driven by a combination of solid earnings growth from our investments and an increase in general market multiples. This result builds on our strong investment track record of the past 14 years. Our long-term investor APG significantly increased its 2013 commitment to our co-investment program. We believe that this provides further validation of our successful investment strategy.

During 2013, we performed against an occasionally challenging but generally improving macroeconomic environment. There were concerns about the outlook for Europe's economy in the first half of the year and worries about tapering of quantitative easing (QE) programs and a slowdown in growth in emerging markets, particularly China, during the second half.

We believe that we were well placed to deal with increased competition in our sector, based on our considerable capability to execute transactions and work effectively with fund managers in active situations.

On the whole, however, we saw sentiment increase considerably compared with 2012.

In the U.S. and later also in Europe, credit markets opened up as a result of the improved liquidity position of banks and an increase in investors' appetite for high-yield paper. The ample availability of debt at attractive rates and with covenant-light packages ultimately pushed leverage levels and valuations up across the private equity sector.

Disciplined strategy

We responded to these market trends by sticking to our disciplined investment strategy, which is built on maximizing the flow of opportunities available to us, selecting the most attractive deals through rigorous independent analysis and constructing balanced portfolios and managing these closely. By executing on this strategy while cementing our position as a reliable and effective co-investment partner with the lead general partners (GPs), we seek to achieve consistent and strong returns.

We believe that we were well placed to deal with increased competition in our sector, based on our considerable capability to execute all types of transactions and work efficiently with lead GPs. In 2013, a large percentage of our co-investments were 'active' situations in which we acted as an underwriting partner with the lead GP rather than coming in as a syndicate partner after the deal had been closed.

We believe that the underwriting partner status gives us access to a wider range of deals and provides us with the opportunity to invest greater sums and engage more intensively with the investments. In recent years, we have been the largest co-investor in over 75% of our investments.

Our investments

In 2013, we received 155 invitations to invest, reviewed 79 deals in detail and closed on 18 new and 11 follow-on investments. Of these, we invested €468m in 16 new and ten follow-on equity investments, as well as €46m in two new and one follow-on mezzanine investments. We achieved a fairly even

[1] Including mezzanine and clean tech co-investments.

spread between large buyout and middle-market transactions and across our three main geographic areas: the U.S., Europe and Asia.

We treated the U.S. with some caution, as we saw prices increase throughout the year. In Asia, we witnessed a strong increase in opportunities, which resulted in us investing more than our historical average. In particular, a fall in valuations for U.S.-listed Chinese firms presented us with a number of attractive investment opportunities. While we had a somewhat slower investment pace in Europe, we do expect to see an increase in buying opportunities in the wake of the improving prospects for the European economies, especially in Southern Europe.

In 2013, we strengthened our European team with the appointment of Roberto Torrini, who joined us as a Principal and brings considerable experience in executing direct private equity deals.

Outlook for 2014

In the coming 12 months, we expect to see an increase in deal flow but also increased competition for co-investments. A number of private equity managers are still suffering the after-effects of the financial and economic crisis. They raised smaller funds and are therefore increasingly looking for co-investment partners to help them execute deals. On the other hand, a growing number of investors are viewing co-investments as an attractive strategy to lower costs, increase their investment pace and optimize exposure from a geography, industry and vintage point of view. Many of these investors will look for outside expertise to help them drive more value from their overall PE allocation through the use of co-investments.

We believe that we are well placed to take advantage of these opportunities. Since 2000, AlpInvest has built very deep experience by reviewing more than 1,500 invitations and closing over 200 equity and mezzanine deals for an aggregate amount of more than €7bn. Our large, dedicated team allows us to react to opportunities with the speed the market requires and to be a very effective underwriting partner for the lead investor. With this experience and deal-execution track record, we are in a good position to continue to get access to a wide range of deals, make the right selection calls and build strong, diversified portfolios for our investors.

2013 OVERVIEW

€5.2bn
Assets under management in equity co-investments

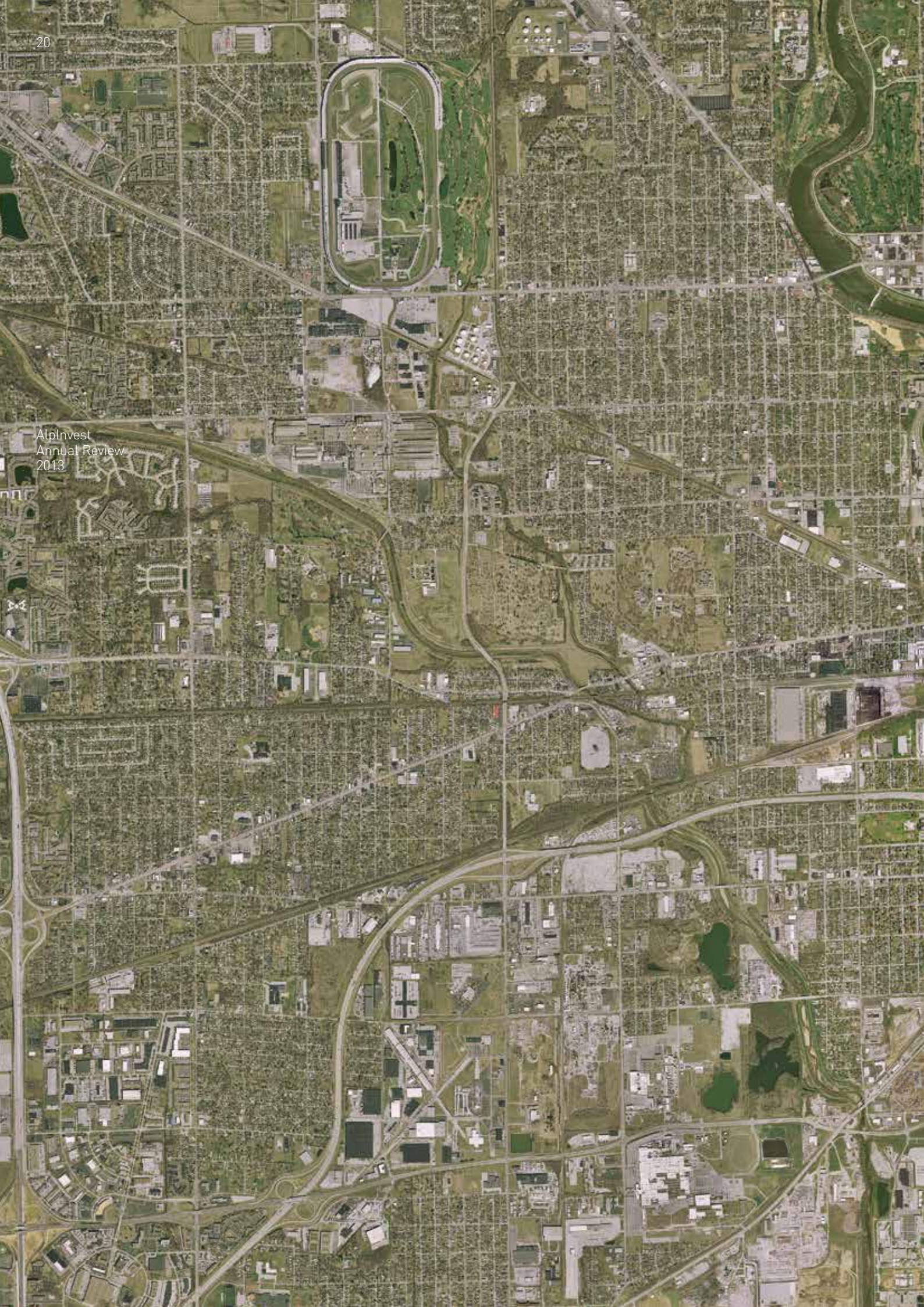
€0.5bn
Assets under management in mezzanine co-investments

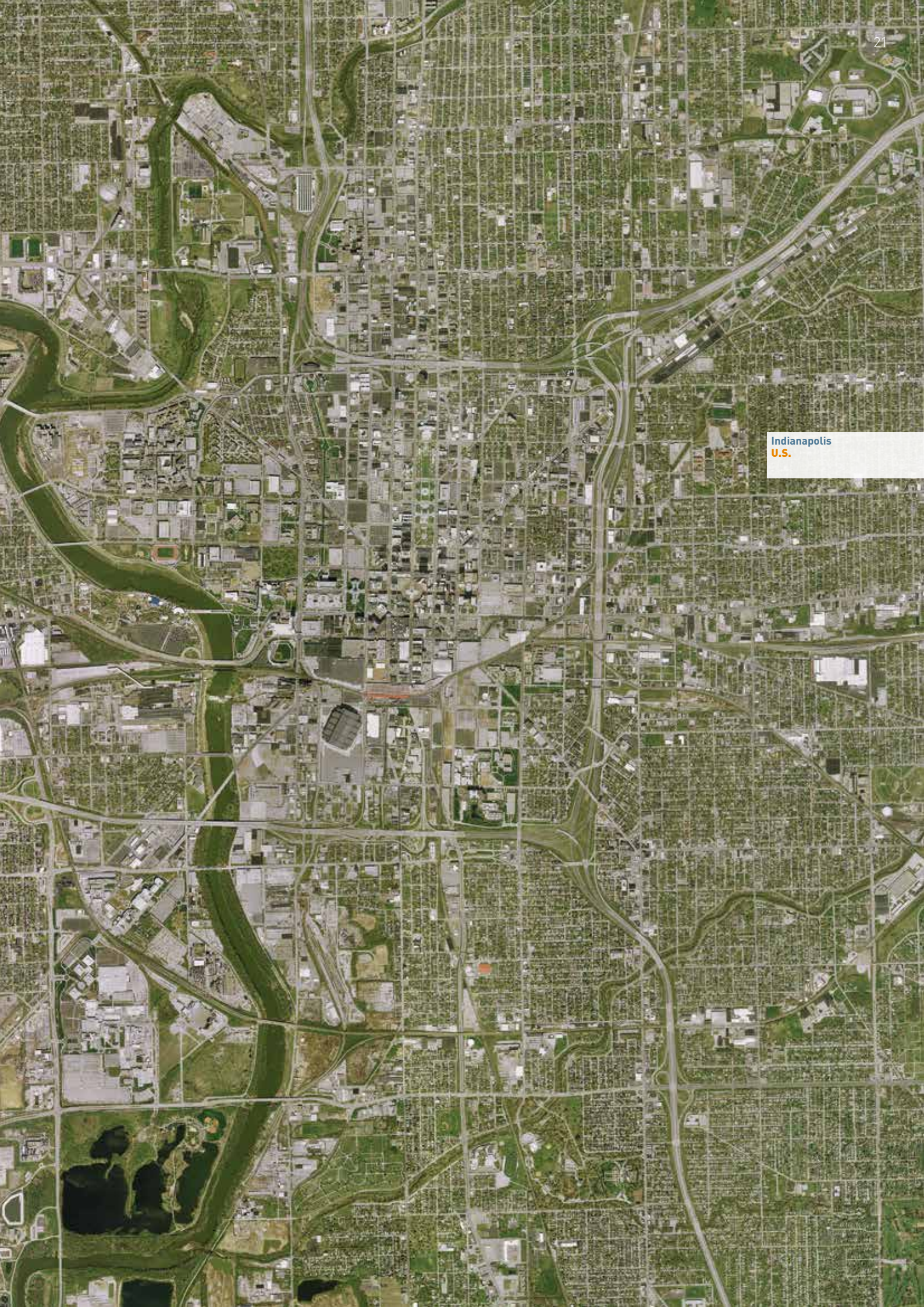
€468m
Amount invested in equity co-investments in 2013

€46m
Amount invested in mezzanine co-investments in 2013

16
Number of new equity co-investments in 2013

2
Number of new mezzanine co-investments in 2013





Indianapolis
U.S.

Governance
Rigorous and robust

We pride ourselves on being trusted partners to our stakeholders, and strong governance breeds this trust.

At AlpInvest, robust governance is a fundamental part of who we are and how we operate. It determines the way we act within the firm, with investors and with shareholders. We pride ourselves on being trusted partners to our stakeholders, and strong governance breeds this trust.

Throughout the firm, we maintain a disciplined approach to operational and investment decision-making and this shapes our culture, our processes and our returns.

In 2013, AlpInvest's management sold its remaining 40% stake in the firm to our majority shareholder, The Carlyle Group. AlpInvest is part of Carlyle Solutions, an alternative investments platform that is a division of The Carlyle Group. Alongside private equity, the platform offers investors the opportunity to invest in other alternative asset classes, including real estate and hedge funds.

Clearly, the underlying philosophy behind AlpInvest's systems and strategy remains unchanged: a belief in the need for firm, effective management and internal discipline in order to boost performance and enhance investment returns.

AlpInvest continues to carry out its investment operations independently of The Carlyle Group and its affiliated entities. The Carlyle Group maintains a one-way information barrier between Carlyle Solutions (which includes AlpInvest), on the one hand, and the other business segments of The Carlyle Group on the other hand. The Solutions information barrier restricts the flow of non-public, commercially sensitive Solutions information from Carlyle Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. This is a crucial component of our agreement with The Carlyle Group, and both parties recognize its vital importance.

The Board
The Board is responsible for determining the AlpInvest strategy and developing the business. It comprises four Directors.

In 2013, Jacques Chappuis, Head of Carlyle Solutions, joined the Board and as of June 1, 2014 will take over as Chairman from Volkert Doeksen, who will step down from the Board.

Other members of the Board are Paul de Klerk, AlpInvest's Chief Financial and Chief Operating Officer and a co-founder of AlpInvest, and Glenn Youngkin, Co-President of The Carlyle Group.

AlpInvest also has two committees that are involved in the day-to-day operations of the firm: the Investment Committee and the Operating Committee.

The Investment Committee
The Investment Committee, which meets on nearly a weekly basis, is responsible for making the final investment decisions for our business. In 2013, Wim Borgdorff stepped down as Chairman of the Committee, although he remains a member. Tjarko Hektor, a Managing Director in our Secondary Investments team, moved across from the Operating Committee to become Chairman as of January 1, 2014. Other members are Volkert Doeksen, Marek Herchel, Thomas Spoto and Erik Thyssen. Marek and Thomas, Managing Directors in our Fund Investments and Co-Investments teams respectively, are new appointments to the Committee. We made a decision in 2013 to assign some of our more recently appointed Managing Directors to the Committee as part of our ongoing commitment to develop our future leadership. Investment Committee member Nadim Barakat moved from AlpInvest to Carlyle Solutions.

The Operating Committee
The Operating Committee has traditionally been responsible for every element of the AlpInvest business that is not directly related to investment decisions, including areas such as business planning, corporate social responsibility, IT, human resources and reporting. Following our change in ownership, the Committee will continue to have a voice on operational issues and Paul de Klerk and Jacques Chappuis will take responsibility for final decisions. Going forward, the Committee will primarily focus on the day-to-day management, strategy and policies concerning client-related activities, including providing advice on investment objectives and terms and conditions, investment-strategy monitoring and related regulatory and compliance matters.

Paul de Klerk chairs the Operating Committee. Other members are Jacques Chappuis, George Westerkamp and our three Business Line Coordinators: Wouter Moerel, Sander van Maanen and Maarten Vervoort. Jacques is a new appointment to the Committee, as are Wouter and Sander, who have moved across from the Investment Committee. Operating Committee member Elliot Royce left the firm in 2013 to pursue other opportunities.

We are committed to strong, effective governance and we are confident that we have in place the necessary structures to maintain a rigorous and robust approach.

Firm leadership


01


04


02


05


03


06

01 Volkert Doeksen
Co-Founder
Volkert is Co-Founder of AlpInvest and a member of the Board. He is also a member of the Investment Solutions team and the Investment Committee. Prior to founding AlpInvest, Volkert was a Partner at Dresdner Kleinwort Benson in New York and a Director at Kleinwort Benson Ltd. He has more than 20 years of investment experience.

02 Paul de Klerk
CFO/COO
Paul is a Managing Director and the Chief Financial Officer and Chief Operating Officer of AlpInvest. He co-founded AlpInvest and is a member of the Board. Paul chairs the Operating Committee and is responsible for the investment portfolio valuation and review process. Before joining AlpInvest, Paul was responsible for one of the largest corporate banking units at ABN AMRO in the Netherlands.

03 Wim Borgdorff
Wim is a Senior Advisor in the Investment Solutions team at AlpInvest and a member of the Investment Committee. Wim co-founded AlpInvest and from 2000 to 2012 he was a Managing Director in the firm's Fund Investments team. He is also a former Chairman of the Investment Committee. Wim, who has more than 20 years of alternative investment experience, joined AlpInvest from ABP Investments, where he set up the alternative investments unit.

04 Tatiana Chopova
Tatiana is a Managing Director in AlpInvest's Fund Investments team and focuses on the European market. She joined AlpInvest in 2003 from McKinsey & Co., where she was a Consultant based in Moscow and Brussels advising multinational companies on strategic and financial issues. Tatiana represents AlpInvest on various advisory boards.

05 Peter Cornelius
Peter is a Managing Director in AlpInvest's Investment Solutions team. He is responsible for analyzing the economic and financial environment for private equity markets and examining the implications for AlpInvest's strategic asset allocation. Peter joined the firm in 2005 from Royal Dutch Shell, where he was Group Chief Economist. He is the author of *International Investments in Private Equity* (Elsevier, 2011) and co-author of *Mastering Illiquidity* (Wiley, 2013).

06 Michael Hacker
Michael is a Managing Director in AlpInvest's Secondary Investments team, focusing on transactions in North America. He joined AlpInvest in 2007 from UBS Investment Bank where he was an Associate Director in the Private Equity Funds Group, responsible for providing secondary markets advisory services.

07 Tjarko Hektor
Tjarko is a Managing Director in AlpInvest's Secondary Investments team and Chairman of the Investment Committee. He focuses on transactions in North America and Asia. Tjarko joined AlpInvest in 2000 from the firm's predecessor, Parnib, where he was responsible for buyout transactions.

08 Marek Herchel
Marek is a Managing Director in AlpInvest's Fund Investments team and a member of the Investment Committee. He focuses on the U.S. and Latin American markets. Marek joined AlpInvest in 2004 from Fleet Fund Investors, where he was an Investment Officer responsible for managing a diversified private equity portfolio. He represents AlpInvest on several advisory boards.

09 Rob de Jong
Rob is a Managing Director in AlpInvest's Co-Investments team and focuses on equity transactions in Europe. He joined AlpInvest in 2001 from PwC, where he was a Senior Consultant for Corporate & Operations Strategy, responsible for advising and assisting multinationals and governmental organizations on developing corporate and business strategies.

10 Sander van Maanen
Sander is a Managing Director and leads AlpInvest's Co-Investments team. He heads our Hong Kong office, where he focuses on equity transactions in Asia and Australia. Sander also sits on the Operating Committee. He joined the firm in 2001 from the Boston Consulting Group, where he was a Project Leader on assignments for the boards of multinational firms.

11 Wouter Moerel
Wouter is a Managing Director and leads AlpInvest's Secondary Investments team, focusing on transactions in Europe. He is also a member of the Operating Committee. Wouter joined AlpInvest in 2005 from The Carlyle Group, where he was a Principal responsible for investments in the telecoms and media sectors. He represents AlpInvest on multiple advisory boards.

12 Christophe Nicolas
Christophe is a Managing Director in AlpInvest's Secondary Investments team, focusing on transactions in Europe and Asia. He joined AlpInvest in 2012 from Morgan Stanley, where he co-headed the firm's secondary investments team out of London.

13 Chris Perriello
Chris is a Managing Director in AlpInvest's Secondary Investments team, focusing on transactions in the U.S. market. He joined AlpInvest in 2007 from Paul Capital, where he was a Principal focused on fund investing. Chris represents AlpInvest on the advisory board of Oak Hill Capital Partners.

14 Thomas Spoto
Thomas is a Managing Director in AlpInvest's Co-Investments team, focusing on transactions in North America. He is also a member of our Investment Committee. Thomas joined AlpInvest in 2005 from Goldman Sachs, where he was a Vice President responsible for financing leveraged buyouts.

15 Erik Thyssen
Erik is a Managing Director in AlpInvest's Co-Investments team, focusing on equity transactions in Europe. He is also a member of our Investment Committee. Erik co-founded AlpInvest and has more than 25 years' experience in financial services. He joined the firm from Fortis Bank Nederland, where he was an Executive Board member responsible for commercial banking.

16 Maarten Vervoort
Maarten is a Managing Director and leads AlpInvest's Fund Investments team. He is also a member of the Operating Committee. Maarten has been with the firm from the outset, joining from PwC where he was a Senior Management Consultant in the corporate strategy area. He represents AlpInvest on many advisory boards.

17 George Westerkamp
George is a Managing Director in the Investment Solutions team at AlpInvest. He is also a member of the Operating Committee. George previously served as a Partner in our Co-Investments team and as a member of the Investment Committee. He joined AlpInvest from its predecessor, Parnib, where he was responsible for buyout transactions.

18 Wendy Zhu
Wendy is a Managing Director in AlpInvest's Fund Investments team, focusing on the Asian markets. She joined AlpInvest in 2007 from Macquarie Funds Management, where she was Senior Vice President of Asia-Pacific regional private equity fund investments and co-investments. Wendy represents AlpInvest on various advisory boards.

Responsible investment
Progress continues

Responsible investment matters. We believe it can reduce risks and enhance value creation and therefore makes sound commercial sense. AlpInvest has been a pioneer in the responsible investment field, contributing to its development and implementation across the private equity industry.

Responsible investment is an integral part of the AlpInvest culture. We believe it has a valuable role to play in the private equity industry for general partners (GPs), limited partners (LPs) and portfolio companies.

First and foremost, we believe responsible investment is good for business. Taking a proactive approach on environmental, social and governance (ESG) issues can help to deliver value and ultimately contribute to strong investment returns.

That is why, for the past five years, we have had formal processes in place to integrate ESG into our investment processes and to promote ESG as an investment consideration both within our portfolios and more broadly among GPs.

As a result, every new investment made since 2009 has been subject to our ESG due-diligence process. This includes, in total, over 250 primary fund commitments, secondary transactions and co-investment opportunities. Our work in this field has given us an in-depth understanding of the progress made on responsible investing across the private equity industry.

Encouraging results

The results are promising. An increasing number of GPs are making advances in addressing ESG issues in a proactive and structured way. They are developing comprehensive policies on the issue and ensuring that they have the correct frameworks in place for implementation.

Based on our own assessments of the GPs that we have made commitments to, almost half of the funds with a 2014 vintage year are at an advanced or intermediate stage in the ESG journey. We have especially witnessed progress within the global large buyout space, the European GP community and within emerging markets-based GPs who have had backing from development-finance institutions in the past.

Although we are encouraged by progress in policy development and implementation, disclosure and reporting on ESG activities are still in their infancy. If, as investors, we want to actually monitor how implementation leads to results, this needs to change. March 2013 saw the launch of the ESG Disclosure Framework, an industry initiative designed to facilitate informed discussions between GPs and LPs on ESG disclosure. The framework offers practical guidance rather than a prescriptive set of rules.

This is an initiative that we have supported from the start and been closely involved in developing, alongside a large group of LPs, private equity associations and GPs. The framework now needs to be put into practice by the industry and adapted to specific LP requirements and GP investment strategies. The relevant ESG factors for a large buyout firm investing in major corporates could vary considerably from those for a small venture capital firm backing start-ups, for example.

We continue to engage directly with our own GPs on ESG issues at various levels across the world. We undertake one-to-one meetings, providing education and practical guidance on integrating ESG considerations into their investment processes. We also play an active role in monitoring ESG incidents, investigating those we become aware of in order to further our understanding of how GPs and portfolio companies are managing such issues. Across the sector, we speak at related industry events and provide responsible investment training.

AlpInvest is involved in a wide range of ESG-related private equity initiatives. These include:

- The Institutional Limited Partners Association (ILPA)
- The U.N.-backed Principles for Responsible Investment Private Equity Steering Committee
- The European Venture Capital Association Responsible Investment Roundtable
- The Dutch Private Equity Association (NVP) ESG Committee

Looking to the future

We remain strongly committed to developing best ESG practice within our own firm and across our investments. Investors are placing greater value on this commitment as responsible investment climbs up their own agendas, too. Over the coming 12 months we will continue to engage with our GPs, encouraging those focused on the mid-market, in particular, to integrate ESG considerations into their investment processes.

On the whole, we believe that most GPs are moving in the right direction on responsible investment, developing strategies and becoming more aware of the value it can deliver. We will focus our engagement with the industry on a number of areas where we believe further progress can be made. First, we wish to see GPs continue to focus on ESG strategy development and implementation in their investment processes. Second, while many GPs now provide information on ESG at the fundraising stage, few retain this focus throughout the lifetime of a fund. Investors are increasingly seeking the option to track ESG implementation and compliance throughout the lifetime of a fund, and this is something that we would like to see GPs address proactively. More broadly and more long term, we believe that the private equity industry as a whole needs to explore and develop metrics to assess the value that ESG can deliver.

Investors are increasingly seeking the option to track ESG implementation throughout the lifetime of a fund.

Human resources
Integral to our success

Our people are integral to our firm's success, generating returns for our investors, and affecting the lives of millions of workers across the globe whose retirement plans depend on our actions. So we endeavor to inspire, support and motivate them through our development programs and reward systems.

We believe that our values of mutual respect, professionalism and integrity encourage long-term commitment to our firm. Most of our senior staff have been with us for more than a decade.

This stability contributes to a consistent approach to investment execution, to the benefit of our investors and general partners. Experience is also an essential component of successful investment management: there is no substitute for having lived through and invested across an entire market cycle, as most of our senior team members have done.

We realize that our people have a choice of employer, so we seek to sustain development opportunities for our staff. In 2013, we became part of Carlyle Solutions, an alternative investments platform established by our owner, The Carlyle Group. As part of this, we can offer our people a broader range of development opportunities in the future. We reinforced our commitment to develop our future leadership by appointing two new Managing Directors to our Investment Committee.

We invest substantial time and attention in the professional development of our staff, including both formal and on-the-job training, at all levels of the organization. We also engage in appraisal processes at least once a year on a formal basis. Informally, we encourage continuous feedback.

As an equal opportunities employer, we are committed to promoting diversity, in all respects, throughout the firm. We are proud of the gender balance and diverse range of nationalities and cultures represented across our workforce. We will work to preserve and improve on our diversity.

We strive to build a supportive and respectful environment where people feel motivated and fulfilled in their work. We are committed to achieving this objective.

2013 OVERVIEW

157 Total number of employees

9 Average years at AlpInvest[1]

AMSTERDAM

26 Investment professionals

86 Total employees

NEW YORK

33 Investment professionals

54 Total employees

HONG KONG

11 Investment professionals

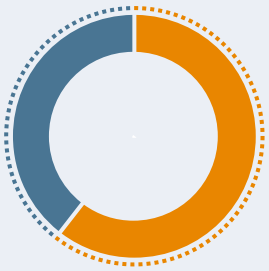
15 Total employees

INDIANAPOLIS

2 Investment professionals

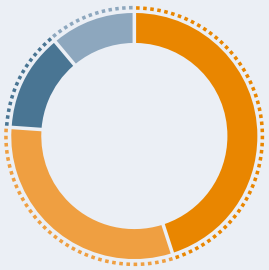
2 Total employees

GENDER



60% Male
40% Female

NATIONALITY



63 Dutch
49 U.S./Canadian
25 Other Europeans
20 Asian/Australian/New Zealander

[1] Managing Directors and Principals.

Remuneration policy
Aligning staff and investor interests

AlpInvest's remuneration policy is designed to align the interests of staff and investors.

We seek to incentivize our employees to deliver to the best of their ability and foster a culture in which they feel a genuine commitment to the firm. Most of our senior managers have been with AlpInvest for many years, enhancing continuity and promoting a collegial environment. This is important, given the long-term nature of private equity investment.

We aim to remunerate our professional and support staff fairly, appropriately and objectively. Remuneration of Managing Directors, Principals and Vice Presidents consists of one fixed and two variable components: a discretionary bonus and carried interest. Equity or equity-linked instruments typically make up at least 50% of the variable tranches, encouraging a long-term commitment to the firm. Since 2011, we have required all senior investment professionals to invest a percentage of their variable compensation in our private equity program, alongside our investors.

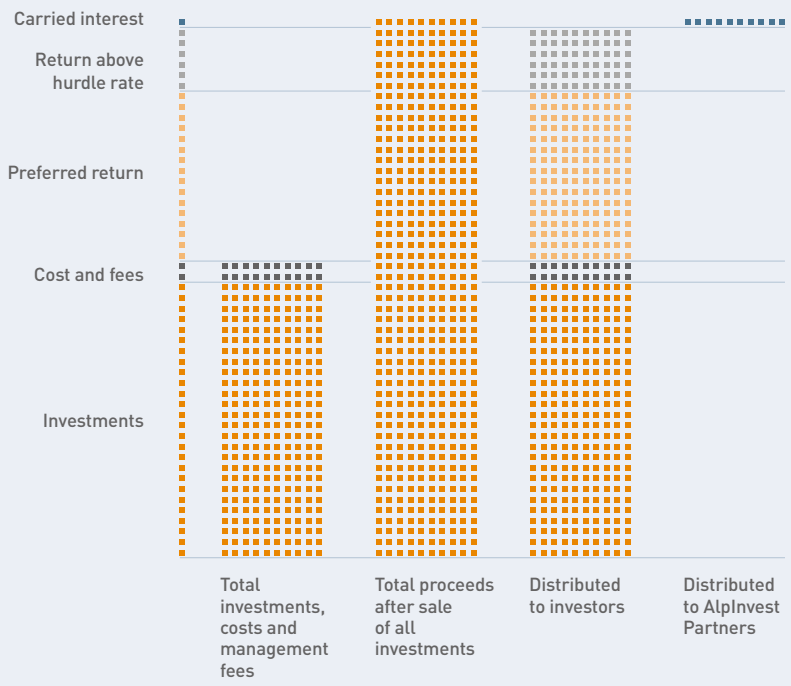
The decision to grant a discretionary bonus and the size of that bonus are based on each employee's annual appraisal, which takes into account financial and non-financial criteria. We use independent, external guidance to help structure bonuses for employees, and set them specific targets at the beginning of each year.

Variable components of staff remuneration are only paid out if AlpInvest itself meets specific financial milestones.

In 2013, AlpInvest's management sold its stake in the firm to our majority shareholder, The Carlyle Group. In return, those managers became Carlyle unit holders and a number of managers were also awarded deferred restricted units. Both schemes have a vesting period as an additional retention incentive.

Our remuneration policy has been honed over more than a decade. We believe that it encourages and rewards genuine effort in a way that delivers sustained, long-term performance for the benefit of all our investors.

DISTRIBUTION OF PROCEEDS



Our carried-interest program

Carried-interest programs promote long-term alignment between staff and investors, as eligible employees receive a share of the returns that investors themselves have received. However, employees are only rewarded if investors have received all of their capital back plus a pre-agreed return, known as the hurdle rate. All costs and management fees have to be repaid as well.

When all invested capital has been repaid, all expenses have been covered and investment returns have exceeded the hurdle rate, additional returns are shared between AlpInvest and our investors. The way in which this capital is distributed is predefined with our investors on each mandate.

The distribution of proceeds between investors and AlpInvest is illustrated by the bar chart on the left. The first bar represents the amount of investments, costs and management fees. The second bar shows the total proceeds generated by these investments (including sale of investments). The third and fourth bars illustrate how these proceeds are proportionally distributed between investors and AlpInvest.

Risk management
A hands-on approach

Risk management is fundamental to our business. We insist on the highest standards of integrity and employ a rigorous control framework across all business lines, geographies and professional functions.

AlpInvest is committed to the delivery of superior returns. We believe that these are best achieved by applying the highest standards of risk management throughout the firm in our values, code of conduct and personnel management. All of our Managing Directors adopt a hands-on approach to operational control and discipline, monitoring performance, risk, quality and operations as part of their daily responsibilities. Management reports and review procedures bring all aspects of the business under management supervision, while detailed policies and procedures are in place to manage risks, encourage consistency and enable standardization across the firm.

Risk assessment and mitigation strategies are discussed with our Board, and our external auditor provides further assurance by performing audits on an ad hoc basis.

Some of the key risks we face and how we manage these are as follows:

We believe that superior returns are best achieved by applying the highest standards of risk management throughout the firm in our values, code of conduct and personnel management.

External risks
As an investor in developed and emerging markets, our investments are affected by macroeconomic and geopolitical developments, as well as changes in government policy and regulations. To mitigate such circumstances, we aim to diversify our investment portfolio across geographies, industries and investment stages. We also conduct extensive research before entering new markets, and regularly monitor our portfolio.

Strategic risks
The Board is responsible for setting the firm's strategy. Our strategy takes into account market and sector developments, as well as internal and external risk factors. Our initial assumptions, however, might be impacted by new events, which could affect the firm's performance or financial position. To address this risk, we monitor external trends and forecasts while consistently reviewing our assumptions and tracking the performance of our investments.

Reputational risks
Our firm and funds may be negatively affected or disrupted by several factors, such as unenforceable contracts, lawsuits, adverse judgments, fraud, and negative publicity. To reduce this likelihood, we rigorously assess the companies in which we invest. Any indication of unethical practices is identified during the due-diligence process or later through interaction with portfolio companies. Investing guidelines are stipulated in all of our mandates, while our legal department manages all contracts.

Business continuity risk
AlpInvest's funding comes largely from our two anchor investors, APG and PGGM. These investors can change their strategies regarding allocation to the private equity asset class, or decide to use other firms to manage their assets. To mitigate this, contracts with our investors are structured so that they offer continuity to AlpInvest for a prolonged period. We update our investors on a regular basis with detailed information about their portfolios and strive to ensure that our strategies remain aligned. In addition, we continue to make efforts to diversify our investor base.

There is also the risk that senior management expertise may be lost. Remuneration is, however, based on long-term incentive arrangements designed to create a long-term alignment with AlpInvest. In addition, the Managing Directors are shareholders in our parent company, The Carlyle Group.

Investment risks

Investment decisions

Our ability to source and execute quality investments depends on several factors. We need to attract, develop and retain professionals with the requisite investment experience and optimize the sharing of information and benefits from synergies across our investment teams. In addition, we need to undertake thorough assessments of each investment opportunity, using collective knowledge and experience.

For that reason, AlpInvest carefully assesses each fund manager's skills and track record before making an investment commitment. From the initial investment assessment to the finalization of the transaction, AlpInvest employs a methodical process involving the Managing Directors and investment teams.

Investment performance

The performance of our portfolio depends on a range of factors, including the quality of the initial investment decision and the ability of the fund manager or portfolio company to drive performance and achieve its business objectives. As part of our portfolio management program, we review our investments regularly and employ a rigorous process to manage our relationships with fund managers and portfolio companies.

Investment concentration

AlpInvest invests across a range of economic sectors and jurisdictions. Our investment policy is designed to create a diversified portfolio across market segments, geographies, industries, deal sizes and vintage years. We have investment guidelines in place to address concentration risk, including limits on the percentage interest held in any one fund or portfolio company. Asset allocation is discussed regularly and compliance reports are reviewed quarterly to ensure that allocations fall within these guidelines.

Treasury and funding risks

Market risk

As an advisory firm, AlpInvest has limited exposure to financial assets. Cash is typically held in short-term deposits with reputable banks, while our management company has limited exposure to adverse movements in interest rates and foreign exchange rates. We typically hedge foreign currency exposure when providing funds to our main operating subsidiaries.

Credit risk

AlpInvest is dependent on funding from its investors. Mandates are in place between the parties that define the minimum amounts our investors commit to AlpInvest for investment purposes. These are subject to certain limitations, monitored through compliance procedures.

Liquidity

AlpInvest informs investors of forthcoming liquidity requirements on a timely basis. Under our mandate terms, we have access at all times to sufficient liquidity to fund our investments. Cash management procedures include cash-flow forecasting and liquidity monitoring.

Operational risks

AlpInvest is exposed to a range of operational risks that can arise from inadequate or failed systems, processes and people, or from external factors affecting these. These include risks around human resources, legal and regulatory issues, tax, information technology system failures, business disruption and internal control weaknesses.

Operational risk management is underpinned by clearly defined roles, segregation of duties, delegated authorities and monitoring at all levels. AlpInvest relies on a number of third-party service providers to support our operations, including IT, insurance and pensions. We work with reputable firms and have relevant service-level contracts with a number of these parties.

Our investment management process is subject to an annual ISAE 3402 audit to attest to the design and operating effectiveness of our internal controls.

Legal, tax and regulatory risks

AlpInvest seeks to comply with all applicable legal, regulatory and other external requirements, as well as contractual agreements. In 2013, we became a wholly-owned subsidiary of The Carlyle Group, which is listed on the NASDAQ. As part of this change in ownership, AlpInvest is now fully compliant with the Public Company Accounting Reform and Investor Protection Act (Sarbanes-Oxley Act 2002).

Our in-house team of senior legal and tax professionals provides advice, reviews and negotiates documentation, and helps us to meet our regulatory obligations. An external law firm monitors and updates AlpInvest on relevant legal and regulatory developments.

Policies

Conflicts of interest

Conflicts of interest can sometimes arise. Internal conflict-management policies and guidelines are in place to reduce these instances and address such conflicts as they occur in a way that protects and deals fairly with the interests of all those involved.

Valuation standards

In 2013, we determined fair value of our direct and co-investments (equity and mezzanine) based on the International Private Equity and Venture Capital Guidelines (Edition December 2012, endorsed by the European Venture Capital Association). This involves management judgment and takes into consideration the specific nature, facts and circumstances of each investment, including but not limited to the price at which the investment was acquired, current and projected operating performance, trading values on public exchanges for comparable securities, and financing terms currently available.

For determining the fair value for our investments in private equity funds in 2013, the valuations provided by the general partners were used in combination with our own mechanisms, including initial due diligence and ongoing portfolio management. Due to the time lag between receiving reporting of the general partners and AlpInvest's reporting date, adjustments to valuations may be applied if necessary. For example, the value of an investment may be adjusted for actual cash flows that occurred from the date of the reported valuations to the financial statement date.

As valuations depend to some extent on stock-market conditions, AlpInvest closely monitors public equity market developments during the last quarter of the year and assesses whether, in the event of tangible movements, any valuation adjustment is required.

The AlpInvest commitment

AlpInvest endeavors to uphold the highest standards and mitigate risk in a timely and consistent fashion. We are committed to strong and robust governance across the firm and our experience and expertise help us to deliver on this goal.

Financial performance and investment overview

AlpInvest achieved strong financial performance in 2013. Since inception, we have consistently delivered robust returns to our investors.

AlpInvest was pleased with the performance of its funds in 2013.

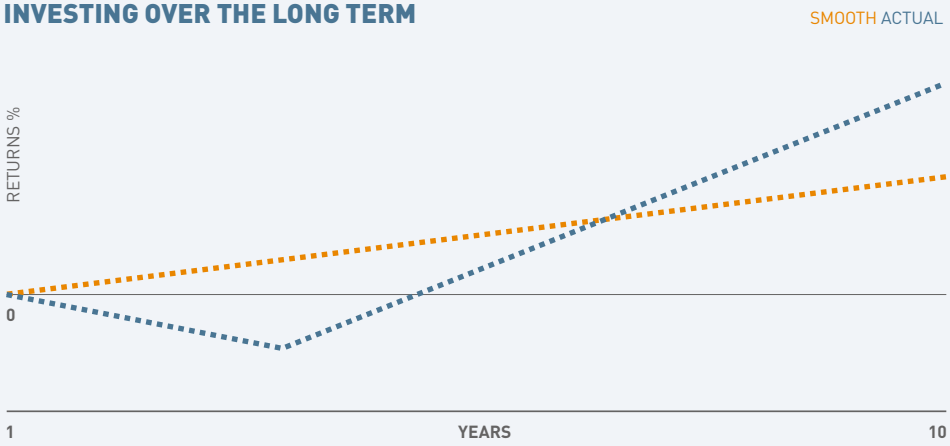
Through the end of 2013, we have received €57bn[1] of commitments from our investors since inception and they committed almost a further €4bn that we can invest in 2014 and the years thereafter. Our assets under management as per December 31, 2013 were €34.6bn in total, of which over €23.1bn was for Fund Investments, €5.8bn for Secondary Investments and €5.7bn for Equity and Mezzanine Co-Investments.

Gross and net returns from our fully committed funds improved compared with the 2012 levels and our net IRR (internal rate of return) since our inception 14 years ago has been 11% (see page 42 for more detailed information). In 2013, many of our more recently committed funds had an improved year-on-year performance.

In Fund Investments, IRRs from our Main Fund IV improved to 6% on a net basis versus 0% in 2012, and our Equity Co-Investments Main Fund IV showed a net IRR of 20%, an uplift of 13% compared with 2012. The Mezzanine Main Fund III showed a stable performance with a net IRR of 9%, and the Secondary Investments Main Fund IV ended the year 2013 with a net IRR of 18% – a small decrease of 2% over the year.

We believe the performance of our funds underlines the rewarding, long-term nature of private equity investing. Looking to the future, the capital that has already been committed to us by our investors allows us to seek new, attractive investment opportunities, and we believe we are well positioned to continue to deliver strong returns over the coming years. We have maintained a disciplined approach to investing, taking advantage of prospects presented within our chosen markets while being mindful of the challenges arising from the macroeconomic environment.

INVESTING OVER THE LONG TERM



The J-curve in private equity is used to illustrate the historical tendency of private equity funds to deliver negative returns in early years and investment gains in later years. Initially, investment returns are typically negative because management fees are drawn from committed capital and underperforming investments are identified and written down at an early stage. In later years, as companies are sold, ideally for more than the purchase price, cash starts to flow to the limited partners.

Private equity measures returns using a mechanism called the internal rate of return, or IRR. This calculates underlying returns, taking into account money invested, money returned and unrealized investments. After three to five years, the interim IRR should provide a meaningful guide to the ultimate returns to be expected from a specific fund, although the period is generally longer for early-stage funds. For the AlpInvest mandates, the IRR becomes meaningful approximately five years after the start of the mandate.

LIFE-TO-DATE IRRS[2]

FULLY COMMITTED FUNDS[3]	VINTAGE YEAR	FUND SIZE (€bn)	GROSS IRR	NET IRR
Main Fund I – Fund Investments	2000	5,175	12%	12%
Main Fund II – Fund Investments	2003	4,545	10%	9%
Main Fund III – Fund Investments	2005	11,500	7%	7%
Main Fund IV – Fund Investments	2009	4,880	8%	6%
Main Fund I – Secondary Investments	2002	519	54%	50%
Main Fund II – Secondary Investments	2003	998	28%	26%
Main Fund III – Secondary Investments	2006	2,250	10%	9%
Main Fund IV – Secondary Investments	2010	1,856	19%	18%
Main Fund II – Co-Investments	2003	1,090	45%	43%
Main Fund III – Co-Investments	2006	2,760	6%	5%
Main Fund IV – Co-Investments	2010	1,475	23%	20%
Main Fund II – Mezzanine Investments	2004	700	8%	7%
Main Fund III – Mezzanine Investments	2006	2,000	11%	9%
All other funds	Various		17%	14%
TOTAL FULLY COMMITTED FUNDS			**12%**	**11%**

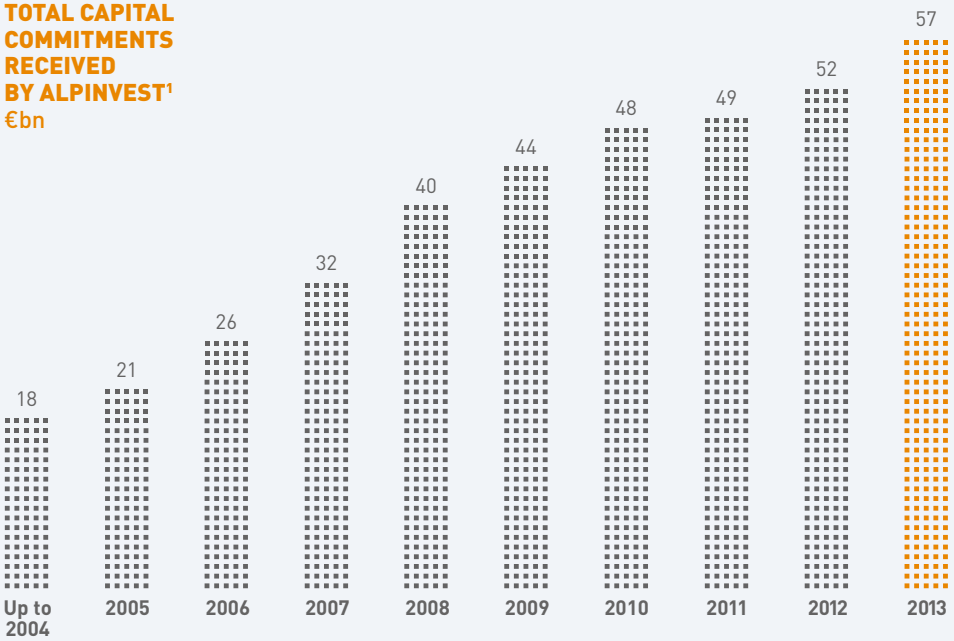
FUNDS IN THE COMMITMENT PERIOD	VINTAGE YEAR	FUND SIZE (€bn)	GROSS IRR	NET IRR
Main Fund V – Fund Investments	2012	4,929	-21%	-30%
Main Fund V – Secondary Investments	2011	3,398	35%	31%
Main Fund V – Co-Investments	2012	1,258	51%	46%
All other funds	Various		23%	22%
TOTAL FUNDS IN THE COMMITMENT PERIOD			**34%**	**29%**
TOTAL ALPINVEST			**12%**	**11%**

[1] Total capital committed to AlpInvest includes €6.7bn of investor mandates that are managed on behalf of investors by AlpInvest Partners B.V. (or its controlled affiliates), but for which the investment decisions were made by parties other than AlpInvest or its affiliates (of which €6.5bn was committed up to 2002 and €0.2bn was committed in 2013).

[2] As of December 31, 2013. Past performance is not indicative of future results. More detailed information on the calculation methodology can be found on page 42.

[3] 'Fully committed funds' are past the expiration date of the commitment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

TOTAL CAPITAL COMMITMENTS RECEIVED BY ALPINVEST[1]
€bn



Fund Investments overview[1]

2013 fund portfolio activity

The Fund Investments team made new commitments to 44 funds with a 2013 vintage year (or earlier) for AlpInvest. Of these, 18 were to funds where a prior commitment had been made with the GP. The other 26 represent a new relationship.

In 2013, 19 commitments were made to funds that are expected to have a 2014 vintage. Those 19 funds are therefore not included in this year's annual review overview.

In 2013, a total of €1.8bn of capital was called to fund investments in private equity and mezzanine funds.

During the year, AlpInvest received €4.0bn of proceeds from investments. Within this figure, 13% came from the 2000–2002 mandate, 24% came from the 2003–2005 mandate, 53% came from the 2006–2008 mandate and 4% came from the 2009–2011 mandate.

2013 NEW FUND COMMITMENTS[2]

FUND NAME	SEGMENT	RELATIONSHIP	GEOGRAPHIC FOCUS
AAC Capital Benelux Fund III	Europe Mid-Market	Existing	Benelux
Acon Latin America Opportunities Fund IV	NTM[3]	New	Latin America
Advent 6 Fund	NTM[3]	New	Australia
Affinity Asia-Pacific Fund IV	NTM[3]	Existing	Asia-Pacific
Altra Private Equity Fund II	NTM[3]	New	Colombia and Peru
Anchor Equity Partners Fund I	NTM[3]	New	Korea
Audax Private Equity Fund IV	U.S. Mid-Market	New	U.S.
AXA LBO Fund V	Europe Mid-Market	Existing	France, Germany, Italy
AXA LBO Fund V Supplementary	Europe Mid-Market	Existing	France, Germany, Italy
Blue Sea Capital Fund I	U.S. Mid-Market	New	U.S.
CDH Fund V	NTM[3]	New	Asia
CID Capital Opportunity Fund II	U.S. Mid-Market	Existing	U.S.
Clearview Capital III	U.S. Mid-Market	New	North America
DBAG Fund VI	Europe Mid-Market	Existing	Germany, Austria, Switzerland
Elbrus Capital Fund II	NTM[3]	New	Russia and other CIS countries
Graphite Capital VIII	Europe Mid-Market	Existing	U.K.
H.I.G. Capital Partners V	U.S. Mid-Market	Existing	U.S.
Harren Investors III	U.S. Mid-Market	New	U.S.
HgCapital 7	Europe Mid-Market	New	Northern Europe
HKW Capital Partners IV	U.S. Mid-Market	New	U.S.
Insight Venture Partners VIII	U.S. Mid-Market	Existing	Global

[1] Including mezzanine and clean tech fund investments.

[2] Additionally, AlpInvest committed to two other funds with a 2013 vintage that are not listed by name for confidentiality reasons.

[3] Non-traditional markets, which include markets outside of Western Europe and the U.S. to the extent not covered by global large buyout.

[4] Global large buyout.

2013 NEW FUND COMMITMENTS CONT'D

FUND NAME	SEGMENT	RELATIONSHIP	GEOGRAPHIC FOCUS
J-Star No 2 Investment	NTM[3]	New	Japan
KKR North America Fund XI	Global LBO[4]	Existing	North America
Lombard Asia IV	NTM[3]	New	South East Asia
Lyceum Capital Fund III	Europe Mid-Market	New	U.K.
Maranon Mezzanine Fund II	Mezzanine	New	U.S.
Montefiore Investment III	Europe Mid-Market	New	France
NewSpring Growth Capital III	Venture	New	U.S. Mid-Atlantic region
Nordic Capital VIII	Europe Mid-Market	Existing	Nordics, Germany and healthcare across Europe
OrbiMed Private Investments V	Venture	Existing	U.S.
Pamlico Capital III	U.S. Mid-Market	New	U.S.
Permira V	Global LBO[4]	Existing	Global
Polish Enterprise Fund VII	NTM[3]	Existing	Central and Eastern Europe
Silver Lake Partners IV	Global LBO[4]	New	Global
Southern Capital Fund III	NTM[3]	New	South East Asia
Sterling Investment Partners III	U.S. Mid-Market	New	U.S.
Telegraph Hill Partners III	Venture	New	U.S.
The Huron Fund IV	U.S. Mid-Market	Existing	North America
TowerBrook Investors IV	Europe Mid-Market	New	Europe and North America
TPG Alternative and Renewable Technologies	Clean Tech	Existing	U.S.
TPG Asia VI	Global LBO[4]	Existing	Asia Pacific
Trivest V	U.S. Mid-Market	New	U.S.

Fund Investments overview cont'd

FUND INVESTMENTS PORTFOLIO OVERVIEW
AS PER DECEMBER 31, 2013

MANDATE YEARS	INVESTMENT FOCUS	MANDATE AMOUNT (€m)	CAPITAL COMMITTED[2] (€m)	CAPITAL INVESTED[2] (€m)	INVESTED AS % OF COMMITTED[3]
2000–2002[1]	Buyout and venture capital	10,853	9,998	9,392	100%
2003–2005	Buyout and venture capital	4,545	4,515	4,444	102%
2006–2008	Buyout and venture capital	11,500	11,316	10,229	91%
2009–2011	Buyout and venture capital	4,877	4,766	2,023	42%
2012–2014	Buyout and venture capital	4,830	2,547	226	9%
2007–2012	Clean technology	658	649	441	66%
2000–2014	Mezzanine funds	1,268	1,202	1,032	86%
2003–2013	Other – buyout and venture capital[4]	214	201	93	48%
TOTAL		**38,745**	**35,195**	**27,880**	**81%**

[1] The Fund Investment Mandate 2000–2002 includes pre-vintage year 2000 commitments made by our investors and AlpInvest predecessors.

[2] At historical foreign exchange rates.

[3] Based on foreign exchange rate as per December 31, 2013.

[4] Based on all other investors not investing in parallel with APG and PGGM.

FUND COMMITMENTS OVERVIEW[1]
AS PER DECEMBER 31, 2013

SEGMENT	% OF CAPITAL COMMITTED	GPs[2]	FUNDS
Global large buyout	37%	23	66
European mid-market	14%	42	70
U.S. mid-market	17%	60	92
Non-traditional markets[3]	11%	56	102
Venture capital	10%	59	116
Clean technology	2%	13	15
Mezzanine	4%	16	25
Other[4]	5%	12	14
TOTAL	**100%**	**281**	**500**

[1] Underlying fund vintage years 2000–2013.

[2] As a GP can have funds in more than one category, the total is larger than mentioned in the text above.

[3] Non-traditional markets include markets outside of Western Europe and the U.S. to the extent not covered by global large buyout.

[4] This segment comprises non-control distressed debt and (primary and secondary) funds of funds.

Secondary Investments overview[1]

2013 portfolio activity

AlpInvest Secondary Investments committed €796m across six transactions in 2013, compared with €905m across 13 transactions in 2012.

For the 12 months ending December 31, 2013, AlpInvest Secondary Investments received proceeds from 81 transactions out of 91, totaling €1,117m compared with €1,124m received in 2012.

SECONDARY INVESTMENTS PORTFOLIO OVERVIEW AS PER DECEMBER 31, 2013

MANDATE YEARS	INVESTMENT FOCUS	MANDATE AMOUNT (€m)	CAPITAL COMMITTED[2] (€m)	CAPITAL INVESTED[2] (€m)	INVESTED AS % OF COMMITTED[3]
2000–2002	Buyout	519	519	512	100%
2003–2005	Buyout	998	994	946	95%
2006–2008	Buyout	2,250	2,148	2,007	94%
2009–2011	Buyout	1,859	1,805	1,647	90%
2012–2014	Buyout	2,665	1,435	1,060	74%
2002–2014	Mezzanine funds	384	373	300	79%
2003–2013	Other – buyout[4]	806	235	182	78%
TOTAL		**9,481**	**7,509**	**6,654**	**88%**

[1] Including mezzanine secondary investments.

[2] At historical foreign exchange rates.

[3] Based on foreign exchange rate as per December 31, 2013.

[4] Based on all other investors not investing in parallel with APG and PGGM.

Equity Co-Investments overview[1]

[1] Including clean tech co-investments.

[2] Additionally, AlpInvest made one other equity co-investment in 2013 that is not listed by name for confidentiality reasons.

2013 portfolio activity

In 2013, AlpInvest invested €468m in equity co-investments. This included €392m in 16 new investments and €77m in follow-on investments for existing portfolio companies. Total realizations in 2013 for our equity co-investments portfolio were €1,008m.

2013 NEW EQUITY CO-INVESTMENTS[2]

NAME	SECTOR	GEOGRAPHY	DATE OF COMPLETION	DESCRIPTION
AFI	Industrials	U.K.	Dec-13	AFI provides powered access equipment rental in the U.K. and Middle East. www.afi-uplift.co.uk
Amdipharm Mercury	Healthcare	U.K.	Jan-13	Amdipharm Mercury markets and sells niche branded and unbranded generic prescription pharmaceuticals. www.amcolimited.com
Beerenberg	Energy	Norway	Feb-13	Beerenberg provides maintenance services for the oil and gas industry, both onshore and offshore. www.beerenberg.com
Easynet-MDNX	Telecommunications	U.K.	Dec-13	Easynet-MDNX is a provider of connectivity and hosting services. www.mdnx.com / www.easynet.com
Euskaltel	Telecommunications	Spain	Mar-13	Euskaltel is a telecommunications provider and cable operator in Spain's Basque Country. www.euskaltel.com
Gardner Denver	Industrials	U.S.	Jul-13	Gardner Denver is a global manufacturer of engineered equipment for industrial and energy applications. www.gardnerdenver.com
Geo-Young Corporation	Healthcare	South Korea	Oct-13	Geo-Young is the largest pharmaceutical wholesale distributor in Korea. www.geo-young.com
HUB International	Financial services	U.S.	Oct-13	HUB International is a global insurance brokerage firm with offices in the U.S., Canada and Brazil. www.hubinternational.com
Ingham Enterprises	Consumer staples	Australia	Jun-13	Ingham Enterprises is a poultry producer in Australia and New Zealand. www.inghams.com.au
McGraw-Hill Education	Educational services	U.S.	Mar-13	McGraw-Hill Education is a provider of educational materials for K-12 and higher education markets. www.mheducation.com
Mediq	Healthcare	The Netherlands	Mar-13	Mediq is an international provider of medical devices, pharmaceuticals and the associated care. www.mediq.com
Miclyn Express Offshore Limited	Energy	Singapore	Apr-13	Miclyn Express Offshore is a provider of service vessels to the offshore oil and gas industry. www.miclynexpressoffshore.com
MyWebGrocer	Information technology	U.S.	Jun-13	MyWebGrocer provides e-commerce and e-marketing solutions to the grocery and consumer packaged-goods industries. www.mywebgrocer.com
QoL meds	Healthcare	U.S.	Dec-13	QoL meds builds and operates specialty pharmacies located within community mental health centers. www.qolmeds.com
SCT Holdings	Consumer discretionary	U.S.	Sep-13	SCT Holdings develops engine calibration solutions for vehicles used by performance enthusiasts and corporate fleets. www.sctflash.com

Equity Co-Investments overview
cont'd

EQUITY CO-INVESTMENTS PORTFOLIO OVERVIEW
AS PER DECEMBER 31, 2013

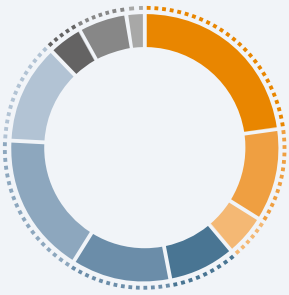
MANDATE YEARS	INVESTMENT FOCUS	MANDATE AMOUNT (€m)	CAPITAL INVESTED[2] (€m)
2000–2002[1]	Buyout and venture capital co-investments	800	759
2003–2005	Buyout co-investments	1,090	925
2006–2008	Buyout co-investments	2,760	2,443
2009–2010	Buyout co-investments	1,475	1,231
2011–2014	Buyout co-investments	1,228	478
2010–2012	Clean technology	23	21
2002–2013	Other – buyout co-investments[3]	236	136
TOTAL		**7,612**	**5,993**

[1] The Co-Investment Mandate 2000–2002 includes the investments made by the former Alpinvest N.V. (mainly pre-vintage year 2000). The Co-Investment Mandate 2000–2002 includes buyout, life sciences and technology investments. Life sciences and technology were discontinued in late 2003.

[2] At historical foreign exchange rates.

[3] Based on all other investors not investing in parallel with APG and PGGM.

Portfolio diversification
AlpInvest seeks to invest in a broad range of sectors and geographies, creating significant diversification in our portfolio. From a geographical perspective, 46% of our investments are in Europe, 47% in North America and 7% in the rest of the world[1]. The sector breakdown[1] of our equity co-investments is as follows.



SECTORS[1]

- 23% Consumer discretionary
- 11% Consumer staple
- 5% Energy
- 8% Financials
- 13% Healthcare
- 18% Industrials
- 11% Information technology
- 4% Materials
- 5% Telecommunication services
- 2% Utilities

[1] Includes all co-investments made by AlpInvest since 2000 (except for life science and technology investments part of Mandate 2000–2002).

Mezzanine Co-Investments overview

2013 investments and realizations

In 2013, AlpInvest invested €46m in mezzanine co-investments. This included €45m in two new investments and €1m in follow-on investments for existing portfolio companies.

AlpInvest had €92m of cash inflows in 2013 from the outstanding mezzanine portfolio, of which €32m was due to interest income and €60m from realizations.

2013 NEW MEZZANINE CO-INVESTMENTS

COMPANY	SECTOR	GEOGRAPHY	DATE OF COMPLETION	DESCRIPTION
ATI Physical Therapy	Healthcare	U.S.	Jan-13	ATI Physical Therapy is a provider of outpatient rehabilitation services. www.atipt.com
Towry	Financial services	U.K.	Jan-13	Towry provides financial advice and investment management services to private individuals, family offices and trustees. www.towry.com

MEZZANINE CO-INVESTMENT PORTFOLIO OVERVIEW
AS PER DECEMBER 31, 2013

MANDATE YEARS	INVESTMENT FOCUS	MANDATE AMOUNT (€m)	CAPITAL INVESTED[1] (€m)
2000–2002[2]	Mezzanine co-investments	33	33
2002–2004	Mezzanine co-investments	148	81
2005–2006	Mezzanine co-investments	297	287
2007–2011	Mezzanine co-investments	1,200	819
2012–2014	Mezzanine co-investments	158	70
TOTAL		**1,836**	**1,290**

[1] At historical foreign exchange rates.

[2] Mandate Year 2000 is a legacy portfolio managed for our investors.

Portfolio diversification

AlpInvest seeks to invest in a broad range of sectors and geographies, creating significant diversification in our portfolio. From a geographical perspective, 35% of our investments are in Europe, 57% in North America and 8% in the rest of the world. The sector breakdown[1] of our mezzanine co-investments is as follows.

SECTORS[1]

- 34% Consumer discretionary
- 5% Consumer staple
- 2% Energy
- 9% Financials
- 6% Healthcare
- 21% Industrials
- 10% Information technology
- 11% Materials
- 2% Telecommunication services

[1] Reflects mezzanine co-investment mandate years 2000–2014.

Private equity Delivering growth, focus and business excellence

We believe that private equity is a unique asset class with a governance model specifically designed to align the interests of owners, managers and investors. Over more than five decades, this approach has attracted the interest of discerning financial institutions and companies around the world.

Private equity takes a long-term approach to investment, typically owning a company for three to seven years before selling it, usually at a premium to the initial purchase price. Investments are made in many different businesses; these are called portfolio or investee companies. With their experience, focus and capital, private equity managers seek to work with portfolio company management teams to create an environment that can generate above-average growth.

Money for investments comes from funds, typically structured as limited partnerships. The capital for these funds is raised primarily from institutional investors, such as pension funds and insurance companies, which are known as limited partners, or LPs. They are not actively involved in managing the funds, but they regularly assess the quality of investments and can have an important consultative or supervisory role. A group company within the private equity firm, known as the general partner, or GP, typically manages each fund. The GP monitors the overall performance of the fund and is closely involved with its portfolio companies.

The World Economic Forum concluded that private equity tends to have a positive impact on employment, management and productivity compared with other ownership structures.

We believe that one of private equity's distinguishing characteristics is the alignment of interest that flows through the entire value chain, from LP to GP to portfolio company management. GPs are remunerated via a periodic management fee and a share in the profits earned by the fund. This is called carried interest and typically involves up to 20% of the profits of the fund. In most cases, carried interest becomes payable only after the LPs have achieved repayment of their original investment plus a defined return. This is known as the hurdle rate and it is normally set at a high level so that remuneration is linked to exceeding performance targets. Company management teams invariably invest in the company, too, and have clear performance-linked incentives. So that management is encouraged to deliver above-average growth, GPs are focused on making that happen and LPs are rewarded for providing the necessary capital.

The three most common types of private equity investment are buyouts, growth capital and venture capital. In buyouts, private equity investors acquire a controlling stake in an existing company from its incumbent owners. In growth capital investments, funding is provided to help a business expand or restructure. In venture capital investments, new capital flows into start-up or early-stage businesses.

The three most common types of exit from a private equity investment are an IPO (initial public offering), a trade sale or a secondary buyout. In the first, a company is listed on a stock exchange; in the second, a company is sold to a private or public corporation; in the third, a company is sold to another private equity investor.

Over the past five decades, private equity has become a global asset class, managing billions of dollars. Before and during the financial crisis, the industry was criticized on a number of levels, ranging from lack of disclosure to overly aggressive use of leverage. However, private equity firms fared better than expected and, in many cases, default rates were lower than in the public markets.

A global survey published by the World Economic Forum concluded that private equity tends to have a positive impact on employment, management and productivity compared with other ownership structures[1].

In essence, private equity works, delivering growth, encouraging focus and fostering business excellence on a worldwide basis.

[1] *Globalization of Alternative Investments, Working Papers Volume 1: The Global Economic Impact of Private Equity Report 2008* and *Volume 2: The Global Economic Impact of Private Equity Report 2009.*

Important information

This document has been prepared by and is being issued and distributed in The Netherlands by AlpInvest Partners B.V. ('AlpInvest'). This is AlpInvest's fifth Annual Review and its purpose is to increase the understanding of AlpInvest and to improve communication with our stakeholders. The Walker Guidelines, as published by the British Private Equity and Venture Capital Association (BVCA), are one of the prominent initiatives on increased disclosure and it is our intention to follow these guidelines as a basis for our report. We are advocates of transparency and believe the private equity industry will benefit from more open communication with all stakeholders. We have tried to be as open as possible in this Annual Review. However, some areas remain subject to legal confidentiality clauses between AlpInvest, our investors, or the parties we invest in and invest with. Some types of information could also be commercially sensitive. As a result, we are not able to disclose publicly all of the information we provide to our investors.

This document is not intended to be (and may not be relied on in any manner as) legal, tax, investment, accounting or other advice or as an offer to sell or a solicitation of an offer to buy any securities of any investment product or any investment advisory service, including any limited partnership or comparable limited liability equity interests in any fund, managed account or other similar investment vehicle or product sponsored by AlpInvest (each, a 'Fund'). Any such offer or solicitation shall only be made pursuant to such Fund's final confidential private placement memorandum and/or the related subscription documents.

AlpInvest makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past or future performance of any Fund or any other entity. Except where otherwise indicated herein, the information provided in this document is based on matters as they are believed to exist as of the date this Annual Review was prepared and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof. An investment in a Fund entails a high degree of risk and no assurance can be given that a Fund's investment objective will be achieved or that investors will receive a return on their capital. The Recipient should consult its own legal, accounting and tax advisors as to legal, business, tax and related matters concerning the information contained in this Annual Review in order to make an independent determination of the suitability and consequences of a potential investment in a Fund.

In considering the past, targeted or projected performance and other financial information contained herein, investors should bear in mind that past, targeted or projected performance is not necessarily indicative of future results and there can be no assurance that targeted or projected returns will be achieved, that any Fund or other investment will achieve comparable results or that the returns generated by a Fund or other investment will equal or exceed those of other investment activities of AlpInvest.

In addition, while AlpInvest's valuations of unrealized investments and projected performance are based on assumptions that AlpInvest believes are reasonable under the circumstances, the actual realized returns on AlpInvest's investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations and projections used herein are based. Accordingly, the actual realized return on any such investments may differ materially from the results indicated herein. Furthermore, investors may contact AlpInvest representatives to discuss the procedures and methodologies used to calculate the investment returns and other information provided herein.

Certain information contained herein constitutes 'forward-looking statements', which can be identified by the use of terms such as 'may', 'will', 'should', 'expect', 'anticipate', 'project', 'estimate', 'intend', 'continue', 'target' or 'believe' (or the negatives thereof) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not rely on such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements.

References to particular investments are presented to illustrate the application of AlpInvest's investment process only and should not be considered a recommendation of any particular security or investment. Information about recommendations over the last year is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of past recommendations.

The amount of AlpInvest's assets under management ('AUM') is calculated on the basis of the latest available valuations of all portfolio investments for which AlpInvest provides continuous and regular supervisory or management services adjusted for interim cash flows up to the relevant reporting date, plus unfunded capital subscriptions to underlying portfolio investments, plus the amount of uncommitted capital available for investment under the existing mandates of AlpInvest's investors that are in their investment period.

As used in this document, a 'Main Fund' consists of private equity investments within AlpInvest's principal investment strategies (i.e., Primary Funds, Secondaries and Co-Investments) that were originated by AlpInvest and made on behalf of its two anchor clients, APG and PGGM, on a pooled basis that are tied to the investment mandates with these clients, except that any "Main Fund V" also includes other clients that are participating in the relevant investment strategy during the related mandate period. Mezzanine Main Funds include mezzanine investments across all strategies (i.e. Primary Funds, Secondaries and Co-Investments). The performance information of all 'Other Funds' includes Main Fund I – Co-Investments, Main Fund I – Mezzanine Investments, all 'clean technology' private equity investments and all other investors whose investments are not reflected in a Main Fund.

The gross annualized internal rates of return (IRR) provided herein are calculated based on actual investment cash flows up to and including December 31, 2013 and the December 31, 2013 fair market value (FMV) of the relevant Main Fund. Gross IRRs and multiples of capital invested do not reflect management fees or performance fees (carried interest) charged by AlpInvest or any other Main Fund-level expenses that are borne by investors in the Main Fund, which will reduce returns and in the aggregate are expected to be substantial. The FMVs of Main Funds that make Primary Fund Investments or Secondary Investments are based on the latest available valuations of the underlying limited partnership interests (in most cases as of September 30, 2013), as provided by their general partners. The FMVs for Main Funds that make Equity and Mezzanine Co-Investments are based on AlpInvest's internal valuations.

Net IRR provided herein is based on the gross calculation and is net of management fees and performance fees charged by AlpInvest as well as Main Fund-level expenses. To eliminate the effect of currency rate changes, all non-EUR cash flows and fair market values have been converted to EUR using the foreign exchange rate as of December 31, 2013. No cash-flow projections have been used to calculate any of the performance numbers provided herein. To AlpInvest's knowledge, there are no established standards for the calculation of IRRs for private equity portfolios. The use of another methodology would be expected to result in a different, and possibly lower, IRR. Investors should be aware of the significant differences between private equity and public markets regarding their portfolio/index constituents and specific risk/return characteristics.

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