AlpInvest
Annual Review
2014

ALP INVEST

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AlpInvest
Annual Review
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Throughout this document, 'AlpInvest' or 'AlpInvest Partners' refers to AlpInvest Partners B.V. and its affiliates.

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 15-year track record of consistent success[1].

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 73 investment professionals are dedicated to applying their collective skills, insights and knowledge to be able to maximize value for our investors.

[1] Past performance is not indicative of future results.

Our business
Tailored private equity solutions

AlpInvest is a leading private equity investor with over €38bn of assets under management. In our 15 years of business we have built up a track record of successful investing across our three main strategies worldwide: Fund Investments, Secondary Investments, and Co-Investments[1].

We are one of the largest private equity investors in the world, providing multi-manager solutions to 30 institutional investors. Our scale enables us to employ dedicated teams across the globe that possess great depth of experience and are focused on finding attractive investment opportunities for our clients and offering them unparalleled levels of service.

We actively seek out investments off the beaten track, in areas and segments that would be difficult for our clients to source on their own: we believe that these are the hidden gems that may yield attractive returns over the long term. We place a heavy emphasis on rigorous portfolio construction and take a disciplined and consistent approach to deploying capital prudently across cycles, investment styles, and private equity segments.

We develop bespoke, transparent and fee-efficient multi-manager private equity solutions that are either fully comprehensive on a global basis or geared toward certain geographies or niche strategies, depending on the needs of the client with whom we are working closely to help fulfill their objectives.

Investors are increasingly seeking bespoke, transparent and fee-efficient private equity solutions. We believe that our depth of experience and long track record in tailored offerings through managed account services positions us well to benefit from this trend. In addition, we have launched a number of commingled funds in more recent years to offer a broader set of limited partners the opportunity to invest in more specialized strategies. We are proud to have significantly grown our investor base over the past few years: by the end of 2014 we were servicing 30 investors, up from only a handful a few years ago.

Our stable and experienced team of 151 employees is based across four offices, with 84 people in Europe, 52 in the U.S., and 15 in Asia. Many of our team members have been working together for over a decade and have been instrumental in building AlpInvest's track record.

Firm foundations

Since 2013, AlpInvest has formed part of Carlyle Investment Solutions ('Investment Solutions'), alongside Metropolitan Real Estate Management ('Metropolitan') and Diversified Global Asset Management Corporation ('DGAM'). This group provides a single platform for investor clients to access alternative asset opportunities, including private equity, real estate and hedge fund investments. It offers real benefits to investors seeking to simplify their alternative investment arrangements.

Our investment process and decisions continue to be entirely independent from those of The Carlyle Group ('Carlyle') and other Carlyle entities, and the necessary information barriers remain intact. However, with AlpInvest otherwise integrated into the Investment Solutions platform, we believe that our firm is in a good position to develop exciting, new and highly innovative solutions and products. The platform will also help us to continue to extend and diversify our investor base, adding further strength to our business and our proposition to clients.

AlpInvest remains firmly committed to the strategy that has ensured its success over the years. We will continue to be highly disciplined and consistent in our investment approach across our range of strategies. We will offer our clients the benefit of our deep and longstanding private equity experience to source and secure attractive investment opportunities in a manner that is highly tailored to their needs.

[1] Past performance is not indicative of future results.

2014
OVERVIEW

30
Number of investors

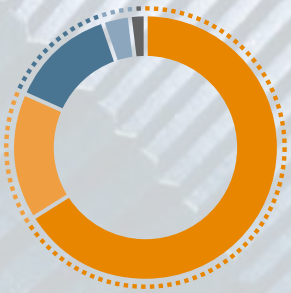
151
Number of employees, of whom 73 are investment professionals

>280
Number of general partner relationships

4
Number of offices, across three continents

COMMITMENTS RECEIVED FROM INVESTORS[1]
Since firm's inception

BY INVESTMENT TYPE



- €39.1bn Fund Investments
- €9.9bn Secondary Investments
- €8.2bn Equity Co-Investments
- €1.9bn Mezzanine Co-Investments
- €1.1bn Other

BY INVESTOR TYPE

99.0%
Pension funds

1.0%
Insurance companies and other

[1] Total capital committed to AlpInvest includes €7.0bn 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 €6.7bn was committed up to 2002 and €0.2bn was committed in 2013).

Chairman's statement[1]

AlpInvest performed strongly in 2014, making record levels of distributions. We have achieved these results by following our strategy of making consistent and highly selective investments, and this will remain our guiding principle over the coming year and beyond.

Jacques Chappuis, Chairman

AlpInvest performed strongly in 2014, making record levels of distributions. We believe that our long-term, rigorous and disciplined approach to private equity investment, combined with the experience of our global team, drove this good performance.

The year 2014 ended with a year-to-date net return of the portfolio managed by AlpInvest of 21% on a euro basis. We returned close to €6.8bn to investors in 2014 – up from €6.2bn in 2013 – as exit markets continued to be strong.

New opportunities

We have achieved these results by following our strategy of making consistent and highly selective investments, and this will remain our guiding principle over the coming year and beyond. Rising sentiment in some markets and increased appetite among corporates for deal-making have led to an uptick in activity: the overall global M&A value rose considerably in 2014 to reach a total of $3.5tn, according to Thomson Reuters figures. The result has been intense competition for deals and higher company valuations, particularly in the U.S.

This has led some to compare the market situation to that last seen immediately pre-crisis, although there are also important differences. First, we are seeing higher ratios of equity to debt in transactions; and second, while global private equity activity increased last year to €562bn, around 60% of buyout activity globally was add-on rather than new investments, according to PitchBook figures.

Both of these factors point to a more disciplined approach to investment and an emphasis on adding value by private equity. While we welcome this development, we

[1] Past performance is not indicative of future results. Actual realized returns on unrealized investments may differ materially from targeted or forecasted returns. Please refer to 'Important information' at the end of this document for additional information.

will remain cautious in markets we believe to be overheated. We will continue to turn our attention to investments that may be harder to source and execute, but that have greater potential to generate attractive results for our investors. Our experience of investing across economies at all stages of development supports these efforts, allowing us to benefit from the variance in growth and company value dynamics that we see in different markets worldwide.

Working together

My priority during my first year as Chairman has been to bring AlpInvest and The Carlyle Group ('Carlyle') closer, without compromising AlpInvest's independent investment process. Together, we have been working to expand our client base; achieve greater organizational alignment with our Carlyle Investment Solutions ('Investment Solutions') platform, including developing our investor portal; and ensure that we have appropriate staffing levels to build on our relationships with potential and existing clients.

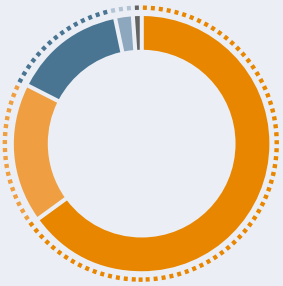
With a healthy level of commitments for 2015 from new and existing investors, I believe we have solid momentum to further build our organization. With our large, highly experienced and stable team, I am confident that we are in a good position to continue making high-quality investment decisions and to widen our investor base.

Year in review

>€38bn

Assets under management as at December 31, 2014 – up from >€34bn as at December 31, 2013

ASSETS UNDER MANAGEMENT
As at December 31, 2014

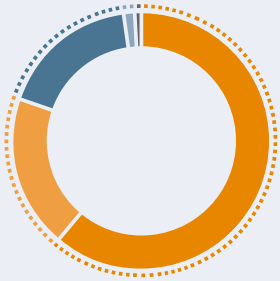


- €25.3bn Fund Investments
- €6.8bn Secondary Investments
- €5.6bn Equity Co-Investments
- €0.6bn Mezzanine Co-Investments
- €0.1bn Other

€6.8bn

Total realizations in 2014 – up from €6.2bn in 2013

2014 TOTAL REALIZATIONS
Across key segments

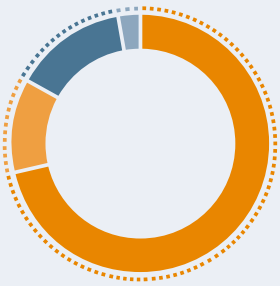


- €4,186m Fund Investments
- €1,302m Secondary Investments
- €1,198m Equity Co-Investments
- €106m Mezzanine Co-Investments
- €1m Other

€3.6bn

Total investments in 2014 – up from €3.1bn in 2013

2014 TOTAL INVESTMENTS
Across key segments



- €2,539m Fund Investments
- €419m Secondary Investments
- €495m Equity Co-Investments
- €98m Mezzanine Co-Investments

4

New mandates won in 2014

Strategic review
Strong performance, solid foundations

In 2014, we continued to deliver strong investment performance across all of our business segments[1].

Paul de Klerk, CFO/COO

AlpInvest had another good year in 2014, delivering solid returns to investors and attracting significant commitments from new and existing investors[1]. We continued to cement our relationship with The Carlyle Group ('Carlyle'); together, we are building a platform that enables us to provide high-quality services to our clients and offer excellent development opportunities for our staff.

Last year was the first year of full ownership of AlpInvest by Carlyle, one of the world's largest private equity groups. Full ownership was a natural step for the relationship between our two organizations, forged after Carlyle became the majority owner of AlpInvest in 2011. Now part of Carlyle's Investment Solutions platform, which includes multi-manager providers Metropolitan Real Estate Equity Management ('Metropolitan') and Diversified Global Asset Management Corporation ('DGAM'), we can offer investors a more integrated approach to their alternatives needs across a variety of capabilities and strategies – including private equity, hedge funds and real estate fund investments.

This is an important development: investors are increasingly seeking out a more holistic approach to their alternative investment programs, and it will enable us to develop highly customized solutions and attract capital from new sources.

[1] Past performance is not indicative of future results. There is no assurance that these trends will continue.

We have continued to align and integrate from an operational perspective, and have achieved this without jeopardizing our investment independence or the vital information barriers between the two organizations.

As part of a larger organization, we have been able to invest significantly in upgrading our IT systems. We started this process in 2013 and made good progress in 2014. The improvements have enabled us to create efficiencies, allowing a seamless connection between the front and back ends of the AlpInvest system. Importantly, we can also provide our investor base with more timely information on our investments. This investment in IT will continue into 2015, when we expect to launch a new investor portal. Spanning the range of investment solutions provided by Carlyle, it will give investors the ability to access reports across their alternative investment portfolios. This is an innovative solution and is in line with our long-established aim of being highly transparent when reporting to our investor base.

In addition to these benefits for our investors, being part of Carlyle Investment Solutions also offers advantages to our staff, who can be proud to be affiliated with the Carlyle brand and team. Our employees are motivated by the opportunities the platform can offer to help them meet the needs of our client base and develop themselves. Last year also saw the steady integration of Carlyle's employee performance assessments into AlpInvest, and as part of the further development of our remuneration model we introduced new stock option incentives for our staff.

We have always focused on ensuring that our teams are stable, and have sought to build a remuneration model that can align our employees with our investors as well as encourage senior team members to remain with AlpInvest for the long term. This development has the potential benefit of further improving our retention rates and also helps to strengthen the relationship between AlpInvest and Carlyle employees as they find ways to support each other in serving our investors.

Strong performance[1]

In 2014, we continued to deliver strong investment performance across all of our business segments. In total, we distributed €6.8bn to investors against a backdrop of particularly strong liquidity in the private equity industry as corporate confidence and initial public offering ('IPO') activity rose strongly in 2014. We believe that this is the result of our consistent and disciplined investment process since inception. We are now crystallizing the potential returns in our portfolio that were previously locked up during a period when exits were harder to execute. In 2014, we saw considerable value accretion continuing in our portfolio, even with a large number of realizations completed over the year. Net asset values across our investment portfolio increased from €23.4bn at the start of 2014 to €25.4bn at the end of the year.

Our investment pace in 2014, with approximately €3.6bn of capital deployed, compares favorably with the 2013 figure of €3.1bn, but is lower than in previous years: we exercised caution in a number of markets and strategies where valuations continued to rise and where we believe that our disciplined approach will produce attractive results over the long term.

New commitments

One of our ongoing objectives at AlpInvest is to further diversify our investor base. We made good progress on this front and now serve more than 30 clients across our managed accounts and commingled vehicles. In 2014, we raised significant capital across all four of our investment strategies and won four new mandates.

In a strong validation of our performance and strategy, we also raised new capital from our founding investors APG and PGGM. We believe that this is testament to our highly tailored approach toward managed account services, and positions us well in a market where LPs are increasingly seeking customized solutions that fit their private equity investment needs precisely. Our ability to offer turnkey solutions was also underscored by a new mandate from Pensioenfonds Horeca & Catering.

In a further development designed to help our clients to access attractive private equity opportunities, we welcomed Justine Gordon into our team. She heads our new global energy secondaries investment program, which targets secondary opportunities in the energy space.

The outlook

By a number of measures, we exceeded our expectations in 2014, returning high levels of capital to investors while maintaining a steady investment pace and attracting further new mandates and commitments[1]. In order to continue our good progress, we seek to recruit new people across our platform, including in our middle and back offices. We also plan to carry out a review of our remuneration model with a view to further fine-tuning this where necessary to ensure that our people continue to have the most appropriate incentives to help meet our clients' needs to the full.

AlpInvest is committed to providing new and innovative investment solutions to clients. We expect this to continue into 2015 as we further integrate our product offering with other Investment Solutions business lines without prejudicing the separateness of our investment process.

Using our disciplined and rigorous investment approach, we strive to continue to source attractive opportunities for our LP base. This means seeking out funds and deals that may be harder for LPs to find and develop into private equity investment programs, such as those in lower mid-market buyouts, venture capital and emerging markets.

We also aim to further diversify our investor base, while at the same time ensuring the high-quality service that our anchor and other existing investors have come to expect from us.

In that light, we were pleased that on May 11, 2015, AlpInvest obtained an Alternative Investment Fund Managers Directive ('AIFMD') license from the Dutch Authority for the Financial Markets ('AFM') for the management of funds-of-funds and private equity investment products for professional investors.

The signs so far in 2015 are of a good investment pace, and as the year progresses our prudent and consistent approach to the market will continue to guide us in our investment decisions.

[1] Past performance is not indicative of future results. There is no assurance that these trends will continue.

Fund Investments
Robust portfolios delivered record distributions[1]

Last year was another record year for fund investment exits and returns as AlpInvest distributed over €4bn to investors, building on a strong 2013. This performance was driven by particularly strong M&A and IPO markets globally, but is also the result of the foundations we have laid over the years in building robust fund portfolios.

A strong recovery in the U.S., an improvement in Europe's economic picture, and a measured pace of growth in non-traditional markets such as Asia, combined to provide an excellent market for exits in 2014. Taking advantage of these economic tailwinds, our funds realized investments over the year and provided our clients with a high level of distributions at good rates of return.

Our emphasis on carefully constructed portfolios with exposure throughout the cycles and across geographies and private equity strategies underpinned this strong performance. We understand that the most challenging times can often result in attractive performance, so we continued to deploy capital even in the uncertainty that followed the financial crisis of 2008–2009.

Since our firm's inception, our aim has been to provide our clients with a diversified and balanced portfolio of fund investments, and this consistent strategy is now bearing results. Over the past two years, the performance of the funds in our portfolio with exposure to the pre-2008 peak years has improved significantly; they are now generating decent returns in terms of both money multiples and internal rates of return.

We will remain firm and focused on our consistent and rigorous approach to constructing our portfolio.

Our approach

Our Fund Investments team made commitments worth €2.0bn to 51 funds with a 2014 vintage year (or earlier) across a spread of geographic strategies and investment styles. The U.S. has proved an attractive arena for fund investments over the past year, although the main challenge lies in the full valuations now present in the market. The European market, which showed signs of a recovery, together with low interest rates, low private equity penetration rates, and relatively lower valuations compared with the U.S., offered an interesting and steady stream of opportunities in 2014.

Meanwhile in non-traditional markets, including Asia, it was a mixed picture. We continued our measured approach to fund investing as growth moderated in some countries, such as China, and the outlook improved in others, including India. Here, our deep foundations and networks and our longstanding experience of the market gave us access to some of the most skilled fund managers in each market.

As a fund investor, one of our main challenges in today's market is the increasing maturity of the private equity fund market. Over the past few years, more capital has been flowing into the private equity market as investors have sought higher returns in a low-interest environment. The risk of increased capital flows, of course, is diluted returns, as more money chases deal opportunities.

With our highly experienced team and our rigorous approach to due diligence, we are well placed to face this challenge. Our focus on selecting what we believe are the most attractive managers leads us to look far beyond past performance, which in some cases may not be replicated. We choose instead to commit to funds that can demonstrate their ability to adapt to a different, more mature private equity investing environment.

We carefully evaluate each fund investment opportunity to determine how well suited the managers are to providing potential outperformance in the future. This evaluation covers specialist investment strategies, specific skillsets, new terms and conditions and, as we have started to see over the past 12 months, the establishment of innovative fund structures.

[1] Past performance is not indicative of future results. There is no assurance that the trends discussed herein will continue.

The year ahead

We anticipate further volatility at both the macroeconomic and geopolitical levels over the next 12 months, and will keep a close eye on the repercussions of any interest rate rise in the U.S. in particular. We see good opportunities in Europe: economies are moving in the right direction, and medium-sized companies – many of which are in need of capital – are well placed to take advantage of improved sentiment, a weaker euro and lower energy prices.

Volatility could also provide some good investment opportunities, allowing managers to deploy capital at what we believe are attractive valuations, so we are generally positive about the prospects for 2015.

Rather than being distracted by the noise of the day, however, we will remain firm and focused on our consistent and rigorous approach to constructing our portfolio. We will continue to select managers that we believe are well suited to a more competitive deal environment and maintain investment discipline throughout cycles.

Overall, we are confident that we are well positioned to take advantage of 2015's opportunities to the benefit of our clients.

2014 OVERVIEW

€25.3bn
Assets under management

€2.0bn
New commitments to funds with a 2014 vintage[1]

51
New commitments made to funds with a 2014 vintage[1]

>570
Total number of fund investments since the firm's inception

[1] Or commitments made in 2014 to funds with an earlier vintage.

Secondary Investments
Discipline in a competitive market

During 2014, AlpInvest maintained its disciplined approach to the secondary investment market: buying high-quality funds and companies, often two to five years into their investment periods.

The year was characterized by a highly competitive market in which over $40bn of capital was deployed in secondary investments globally, mainly in limited partner ('LP') fund portfolios comprising primarily older vintage and in some cases lower-quality funds. In addition, many buyers opted to use leverage to arrive at the full valuations that were reached in the market.

We have stayed away from using leverage in the current market in order to be able to deliver cash-on-cash returns to our investors without increasing the risk profile of our investments.

Steady investment pace[1]

We have maintained our annual investment pace of between $1bn and $1.5bn by adopting a flexible and creative approach to the secondaries market. By focusing our proactive sourcing efforts on securing investments at realistic prices, we completed nine secondary transactions totaling €343m in 2014 and also approved two investments totaling more than €850m that closed in the first quarter of 2015. We felt that there were limited opportunities to acquire LP-interest portfolios during 2014. This enabled us to turn our attention more fully to sourcing and completing more general partner ('GP')-centric investments, such as stapled transactions, spin-outs, and fund restructurings. In addition, we purchased six single LP interests in mid-market funds, where valuations were more attractive and we were able to leverage our relationships with the GPs.

Of the nine secondary transactions we completed in 2014, six were stapled spin-outs and fund restructurings, representing 75% of the capital deployed over the year. In the first quarter of 2015, we also closed the acquisition of JPMorgan Chase & Co's private equity investments in connection with the spin-out of One Equity Partners from JPMorgan Chase & Co, in which we invested approximately $500m. With a strong track record[2] and a focus on the U.S. mid-market, One Equity Partners – now OEP Capital Advisors – aligns well with our expertise and strategy in our Fund Investments division. We have agreed to a significant commitment to OEP Capital Advisors' next fund, enabling our clients to benefit not only from the potential upside from the fund's existing investments but also from future investments, with the aim of providing further vintage-year diversification benefits[3].

In the first quarter of 2015, we also completed an investment in support of the spin-out from Silver Lake of Sumeru Equity Partners, a technology-focused middle-market private equity manager in the U.S. Through our replacement of one of its cornerstone LPs in its predecessor fund, Silver Lake Sumeru, we have been able to support the manager with new capital for Sumeru Equity Fund, thereby helping to contribute to the long-term stability of the platform. We look forward to developing a long-term relationship with Sumeru Equity Partners.

In 2014, we sourced 295 investment opportunities and reviewed 39 to reach the nine we completed. It is worth emphasizing that, while there were many investment opportunities in the market, our disciplined approach led us to reject a large number of them as we felt that their pricing was unattractive. In addition, while our capability in Asia is now well established through our Hong Kong office and we reviewed more than ten investment opportunities, we did not close any secondary investments in the region. This was a result of our strict adherence to our risk-return requirements and our desire not to overpay for assets.

Record year for realizations[2,4]

The disciplined approach we have pursued since our inception has continued to pay off in the form of highly encouraging investment performance figures. In 2014, we received proceeds of €1.3bn from our investments – a testament to the good investment decisions we have made over the years. All of our secondary funds are top-quartile performers in the range of secondary funds globally.

This performance validates our long-espoused strategy of investing in the earlier stages of a fund's life, which is harder to achieve compared with acquiring more mature funds, where the underlying companies' performance is more proven, and in most cases the underlying valuations already reflect that performance. Nevertheless, we believe that our bottom-up valuation approach, combined with our global reach, allows us to better

We will continue to fund deals without leverage and be highly selective in the LP interests' part of the market.

[1] There can be no assurance that AlpInvest will be offered the same or a greater number of investment opportunities in the future.
[2] Past performance is not indicative of future results.
[3] Diversification does not eliminate the risk of loss.
[4] There is no assurance that any trends referenced herein will continue.

assess the risks and rewards of the underlying companies acquired. This approach has resulted in better pricing in the first instance, as well as the ability to harvest returns over time from the potential growth in the value of the underlying portfolio companies.

Energy opportunity

While we continue to invest in a broad range of secondary investment opportunities, we have also identified what we believe is a promising niche as a market dislocation in the oil and gas industry has become apparent. With the development of shale in the U.S., uncertainty about the long-term pricing of energy looks set to prevail, and sellers are disposing of assets at attractive discounts. We have hired Justine Gordon as a Managing Director to spearhead this effort; she brings more than 25 years of investing experience in the energy sector. She is supported by Noah Keys (Principal), who has joined us with over ten years of advisory experience in the energy sector.

The year ahead

As we move into 2015, we will continue with our disciplined and prudent approach to the secondaries market. With the U.S. showing signs of continued growth potential in the short to medium term at least, Europe appearing to be on course to build on the recovery we started to see in 2014, and the Asian market seeming to be growing at a more constant pace, we will seek out secondary investment opportunities globally with attractive risk/return characteristics.

We will continue to invest in the U.S. market, while remaining cognizant that the cycle may turn as the dollar strengthens and the likelihood of interest-rate increases rises. In Europe, a weaker euro, coupled with a return to growth in a number of countries, may provide us with interesting investment opportunities. Meanwhile in Asia, with a strong and firmly established secondaries presence in place, we will continue to review opportunities in a disciplined and selective manner.

We expect the secondaries market to remain competitive for the foreseeable future, particularly as liquid debt markets provide the opportunity to complete leveraged transactions of diversified LP portfolio sales. Against this backdrop, we will continue to fund deals without leverage and be highly selective in the LP interests' part of the market, focusing on managers that we know well and are more difficult to access.

We also expect to maintain our focus on spin-outs and stapled transactions through our proactive approach to sourcing investment opportunities. This is in line with our consistent strategy, which has provided strong returns throughout the market cycles[2].

2014
OVERVIEW

€6.8bn
Assets under management

€343m
New commitments to secondary investments in 2014

9
Number of investments closed in 2014

€1.3bn
Proceeds from secondary investments in 2014

Co-Investments
Strong distributions and a healthy pace of investments[1]

Throughout 2014, AlpInvest made good progress on distributions to investors and maintained a steady co-investment and mezzanine investment pace. Company valuations continued to increase in the U.S. and to a lesser extent in Europe as a liquid debt market led to higher leverage multiples. Despite the mixed economic picture that persisted in Asia, we saw a number of interesting opportunities.

We returned high levels of capital to investors, with over €1.3bn of realizations from the co-investment equity and mezzanine programs. This was partly the result of a continued good exit environment – particularly in the U.S., which had a welcoming market for initial public offerings ('IPOs') and saw company valuations increase as corporates returned to the M&A market with unprecedented levels of cash on their balance sheets. It was also driven by our long-term strategy of investing with diligence and discipline, using a proven approach that has produced results across a variety of different macroeconomic settings.

During 2014, the Co-Investments and Mezzanine teams completed a total of 30 deals, of which 25 were equity investments and five were mezzanine opportunities.

Rigorous analysis

When making co-investments, we believe that our rigorous, independent analysis of each individual opportunity allows us to select high-quality assets that have the potential to prosper across a variety of market conditions. While it may be possible to predict macroeconomic trends six to 12 months ahead, our investments are generally made with a five-year horizon. We therefore base the decision to co-invest or make mezzanine investments on a strong value-creation story for the investee companies, together with our analysis of the ability to execute the stated strategy: if companies are able to deliver growth and operational improvements, the macro picture becomes less of a determinant for investment success.

Our approach to dealing with high valuations is one example of this. During 2014, we adopted a conservative stance and, in a number of our investments, we assumed that exit multiples would be lower than the entry valuation. In these cases, the returns will be driven by the company's ability to grow and create value through new product launches, geographic expansion, operational improvements or add-on acquisitions.

Increased competition

We believe that our longstanding experience in making co-investments and mezzanine investments provides us with a competitive advantage in what has become a more crowded marketplace. The trend over the past few years has been for limited partners ('LPs') to seek out more co-investment and other direct investment opportunities. This presents an opportunity for AlpInvest to support a growing number of investors in building their co-investment programs.

However, it also means that there is greater competition for assets. Our response to this has been to concentrate on transactions in which we can act in an underwriting role in the U.S. and Europe. This offers us access to a large number of co-investment deals that are only available to a handful of co-investors with underwriting capabilities. Our differentiator in Asia, where there are fewer co-investment transactions that can be underwritten, is our local capability: we have been co-investing there since 2006 and have a dedicated Co-Investments team consisting mainly of local nationals.

[1] Past performance is not indicative of future results. There is no assurance that any trends noted herein will continue.

The highly liquid debt markets have also led to increased competition in the subordinated debt space. However, our network and long experience in this market help us to find interesting investment opportunities through various market cycles.

During 2014, the Co-Investments team completed a total of 30 deals, of which 25 were equity investments and five were mezzanine opportunities. Of these, 23 were new investments and seven were follow-on investments. The total capital deployed across these strategies was €591m, representing a healthy investment pace in a competitive market[2]. To reach these totals, we reviewed more than 100 potential deals – a figure that demonstrates our highly selective approach.

We have also attracted over €600m in new commitments to the co-investment and mezzanine programs from existing investors as well as from new mandates. This was encouraging as it not only replenished our capital base, but also validated the appreciation of investors for our rigorous approach to co-investments and mezzanine investments.

Our highly experienced team has invested through various economic cycles and across all verticals, and we are committed to continually strengthening our team. The promotion of Richard Dunne to Managing Director is a clear reflection of this and, following the departure of Thom Spoto, keeps our total senior staff at Managing Director level at four.

2014 OVERVIEW

€5.6bn
Assets under management in equity co-investments

€0.6bn
Assets under management in mezzanine co-investments

€493m
Amount invested in equity co-investments in 2014

€98m
Amount invested in mezzanine co-investments in 2014

19
Number of new equity co-investments in 2014

4
Number of new mezzanine co-investments in 2014

[2] There can be no assurance that AlpInvest will be offered the same or a greater number of investment opportunities in the future.

Governance
Rigorous and robust

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.

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

Since August 1, 2013, AlpInvest has been wholly owned by The Carlyle Group ('Carlyle') and forms part of Carlyle Investment Solutions ('Investment Solutions'), an alternative investments platform. Alongside private equity, the platform offers investors the opportunity to invest in other alternative asset classes, including real estate and hedge funds.

AlpInvest carries out its investment operations independently of Carlyle and its affiliated entities. Carlyle maintains a one-way information barrier between Investment Solutions (which includes AlpInvest), on the one hand, and the other business segments of Carlyle on the other. The Investment Solutions information barrier restricts the flow of non-public, commercially sensitive Investment Solutions information from Investment 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 Carlyle, 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.

On June 1, 2014, Jacques Chappuis, Head of Carlyle Investment Solutions, who was already a member of the Board, took over as Chairman from Volkert Doeksen, who stepped 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, Glenn Youngkin, Co-President and Co-Chief Operating Officer of The Carlyle Group, and Erik Thyssen, Managing Director of AlpInvest, who joined the Board on June 18, 2014.

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 a nearly weekly basis, is responsible for making the final investment decisions for our business. Chris Perriello, a Managing Director in our Secondary Investments team, took over as Chairman of the Committee from Tjarko Hektor, who left AlpInvest. Other members of the Investment Committee are Wim Borgdorff, Volkert Doeksen, Marek Herchel, and Erik Thyssen.

The Operating Committee
The Operating Committee focuses 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.

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.

Managing Directors


01


04


02


05


03


06

01 Paul de Klerk
CFO/COO
Paul is the Chief Financial Officer and Chief Operating Officer of AlpInvest Partners and a member of the Board. He co-founded AlpInvest, 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.

02 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.

03 Peter Cornelius
Peter is a Managing Director 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).

04 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 PricewaterhouseCoopers, 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.

05 Richard Dunne
Rich is a Managing Director in AlpInvest Partners' Co-Investments team and is responsible for sourcing, executing and monitoring transactions in North America. Rich joined AlpInvest in 2004 and has 15 years of related investment experience. Prior to joining AlpInvest, Rich worked in the Investment Banking Division of Citigroup Global Markets.

06 Justine Gordon
Justine is a Managing Director in AlpInvest Partners' Secondary Investments team and leads our Energy and Infrastructure investment practice. She joined AlpInvest Partners in 2014 from Guggenheim Partners, where she was Head of Acquisitions for Guggenheim Infrastructure. Justine has nearly 20 years of direct investing and advisory experience across a broad range of sectors including energy and power businesses and infrastructure and other real assets.

07 Michael Hacker
Michael is a Managing Director in the Secondary Investments team where he is responsible for sourcing, evaluating and executing transactions in the North American market. He joined AlpInvest Partners in 2007 from UBS Investment Bank, where he was an Associate Director in the Private Funds Group responsible for providing secondary markets advisory services.

08 Marek Herchel
Marek is a Managing Director in AlpInvest Partners' Fund Investments team. In addition to the U.S., he focuses on emerging markets, specifically the Latin American markets. Marek is also a member of the Investment Committee. He joined AlpInvest Partners 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 Wouter Moerel
Wouter is a Managing Director, leads AlpInvest's Secondary Investments team, and is 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.

10 Christophe Nicolas
Christophe is a Managing Director in the Secondary Investments team, based in Amsterdam. He focuses on European transactions and leads the European secondary sourcing effort. He joined AlpInvest Partners in 2012 from Morgan Stanley, where he helped raise and successfully invest Morgan Stanley's first dedicated secondaries fund.

11 Chris Perriello
Chris is a Managing Director in AlpInvest's Secondary Investments team and focuses on transactions in the Americas. He is also the Chairman of the Investment Committee. He joined AlpInvest in 2007 from Paul Capital, where he was a Principal focused on fund investing. Chris represents AlpInvest on multiple advisory boards.

12 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 the Board and 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.

13 Sander van Maanen
Sander heads the Hong Kong office and leads AlpInvest Partners' Co-Investments team. He is also a member of 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.

14 Maarten Vervoort
Maarten leads AlpInvest's Fund Investments team and is a member of the Operating Committee. Maarten has been with the AlpInvest Partners 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.

15 George Westerkamp
George is a Managing Director in the Investment Solutions team at AlpInvest and is a member of the Operating Committee. From 2000 to 2010 he was a Partner in the AlpInvest Co-Investments team, where he focused on buyout transactions in Europe. From 2000 to 2012 he was a member of the Investment Committee. George joined AlpInvest from its predecessor, Parnib, where he was executing middle-market buyout transactions in the Netherlands.

16 Wendy Zhu
Wendy is a Managing Director in AlpInvest's Fund Investments team and focuses on the Asian markets. She joined AlpInvest Partners 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
Continuing development

AlpInvest has long been at the forefront of responsible investment in the private equity industry. As a signatory to the United Nations-backed Principles for Responsible Investment ('PRI') and part of its Private Equity Steering Committee (from 2009 to 2014), we take an active role in helping to develop good practices across the industry.

We believe that investing responsibly, with careful consideration of environmental, social and governance ('ESG') factors, can be an important contributor to improved risk/return profiles in private equity. For example, reductions in the impact of companies on the environment, improvements in governance and employee retention are good for business and can help to generate stronger returns for investors. We believe that a proactive approach to ESG can help mitigate risk while also unlocking the value in portfolio companies.

This belief is what led us six years ago to introduce a structured approach to integrating ESG into our own investment processes. Since 2009, we have screened every new investment across all of our fund investments, co-investments and secondary transactions through our ESG due-diligence process.

We also believe that we have a role to play in promulgating ESG practices more widely within our portfolio and in the industry in general, so we have been involved in a number of initiatives over the year. We taught at the European Private Equity & Venture Capital Association's ('EVCA's') responsible investment course, participated in industry events, and worked closely with our GPs and other limited partners ('LPs') to develop ESG practices and reporting in private equity – including through our involvement in the PRI's Private Equity Steering Committee and the EVCA's Responsible Investment Forum.

Encouraging progress

Overall, our screening process suggests that private equity is making good progress on developing and implementing ESG policies. The larger global buyout funds, which benefit from greater resources, are generally further down the line than most mid-market and smaller funds as many of the larger funds have developed comprehensive policies and are viewing ESG in a sophisticated and strategic light.

We are also seeing good progress among European general partners ('GPs') and emerging-markets managers, many of which have become more accustomed to providing ESG reporting to their development finance institution ('DFI') investors.

Yet there remains a significant degree of variation; some GPs are only just starting to implement ESG policies. In such cases, we see our role as that of a supporting partner: we help GPs to understand the benefits of having a well-considered ESG policy in the first place, and can work with them on its implementation.

Having the policies in place and implementing them is only one part of the story, however. GPs need to develop ways to report back to LPs on how ESG is managed at a fund and portfolio-company level.

The ESG Disclosure Framework, which we developed together with other LPs, private equity associations, and GPs, was launched in March 2013, and it has helped the industry to focus on the most important aspects of ESG disclosure from the perspective of an LP. There is still progress to be made before all GPs fully understand how they can apply the framework, but it is providing an excellent reference point for discussions between LPs and GPs.

The year ahead

We are continuing to work with LPs and GPs to identify how they can improve the way in which they track ESG throughout a fund's life cycle. This would include providing information on material ESG issues and management at an individual portfolio level. The aim is to ensure that the right information flows from the portfolio companies to GPs and then to LPs – many of which are increasingly looking for ESG information at a more granular level.

Further transparency from GPs will not only benefit their LPs, but could also help to clarify private equity's record on ESG for wider stakeholders. The private equity model is designed to implement change in companies – and that includes ESG. We believe that high-quality, accurate reporting in this area could help policymakers and wider stakeholders to better understand the potential benefits of private equity investments.

Over the next year, we will continue to work with GPs to educate and assist them in developing ESG policies and reporting frameworks and integrating these into their processes. We will also support their efforts to improve ESG management at a portfolio-company level and help where we can in developing more standardized ESG information, which can lead to greater efficiency for both GPs and LPs. And we will continue to contribute to industry initiatives on ESG that promote better understanding of the processes required and the issues to be managed.

We will continue to work with GPs to educate and assist them in developing ESG policies and reporting frameworks and integrating these into their processes.

Human resources
Integral to our success

Our people are integral to our firm's success, generating returns for our investors and their beneficiaries. So we endeavor to inspire, support and motivate our employees 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. As part of Carlyle Investment Solutions, an alternative investments platform established by our owner, The Carlyle Group ('Carlyle'), we can offer our people a broad range of development opportunities both within AlpInvest and across Carlyle's group of business lines.

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 continual 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.

2014 OVERVIEW

151
Total number of employees

9
Average years at AlpInvest[1]

AMSTERDAM

25 Investment professionals

84 Total employees

NEW YORK

35 Investment professionals

50 Total employees

HONG KONG

11 Investment professionals

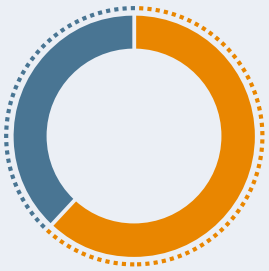
15 Total employees

INDIANAPOLIS

2 Investment professionals

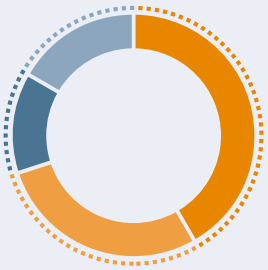
2 Total employees

GENDER



62% Male
38% Female

NATIONALITY



63 Dutch
43 U.S./Canadian
20 Other Europeans
25 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 abilities 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 investments.

We aim to remunerate our professional and support staff fairly, appropriately and objectively. Remuneration of Managing Directors, Principals and Vice Presidents consists of a fixed component and a variable component, which can consist of a discretionary bonus and/or 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 programs, alongside our investors.

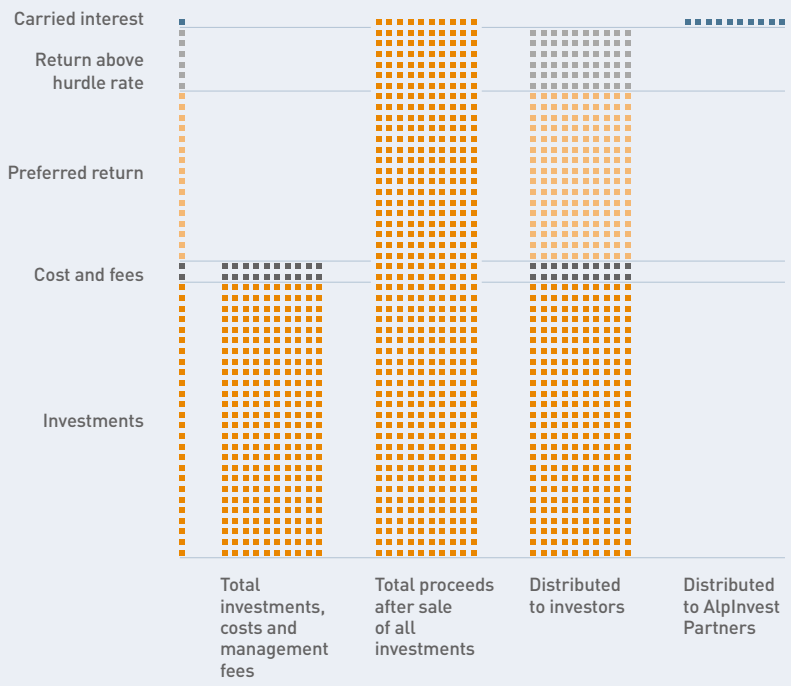
The decision to grant a discretionary bonus and the size of that bonus are based on each employee's annual appraisal, which takes into account financial and non-financial criteria. We use independent, external guidance to help structure bonuses for employees and provide specific targets for employees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

The distribution of proceeds between investors and AlpInvest is illustrated by the bar chart on the left. The first bar represents the total amount of investments, costs and management fees. The second bar shows the total proceeds generated by these investments (including the 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 attractive 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 help 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 strive to manage them are as follows:

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.

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 help mitigate such circumstances, we aim to diversify our investment portfolio across geographies, industries and investment stages[1]. 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 help 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 help 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 from a limited number of investors. These investors can change their strategies regarding their allocations to the private equity asset class, or decide to use other firms to manage their assets. To help mitigate this, contracts with our investors are structured so that they can 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 and expand our investor base.

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

[1] Diversification does not eliminate the risk of loss.

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 our 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 portfolios 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 help address concentration risk, including limits on the interest percentage 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. Our mandate terms are designed to help ensure that 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, as well as external factors that may affect them. 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, payroll, broker services, custodian services, fund administration, and pensions. We work with reputable firms and have 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 Carlyle, 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).

On May 11, 2015, AlpInvest obtained an Alternative Investment Fund Managers Directive ('AIFMD') license from the Dutch Authority for the Financial Markets ('AFM'). As part of the AIFMD license application, AlpInvest has aligned its existing policies covering transparency, remuneration, service providers, risk management, MiFID, conflicts of interest, compliance, and anti-money laundering with the requirements of the AIFMD.

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 help reduce the number of occurrences and address them as they occur in a way that can protect and deal fairly with the interests of all parties involved.

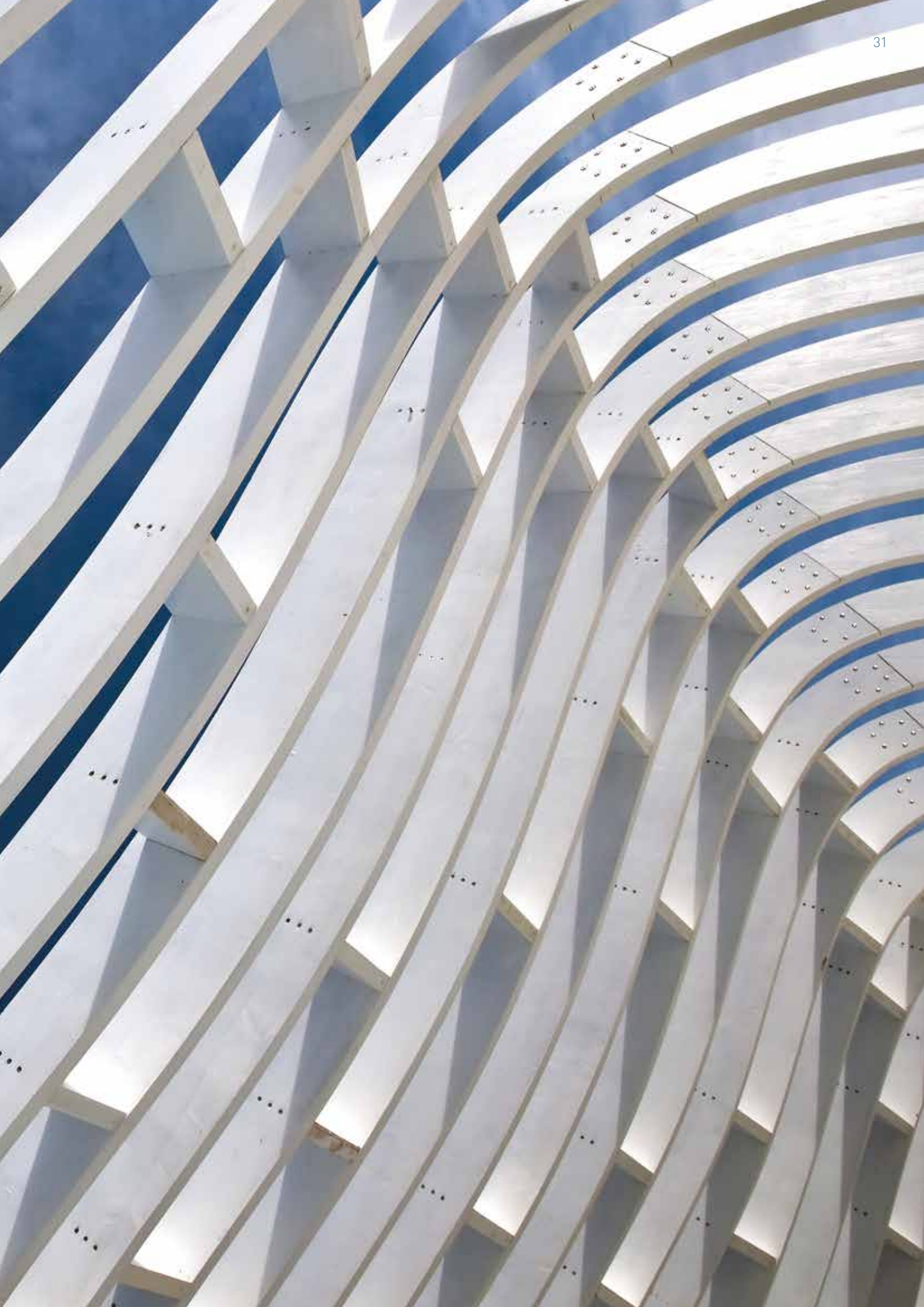
Valuation standards

In 2014, we determined the 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's 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.

To determine the fair value of our investments in private equity funds in 2014, the valuations provided by the general partners ('GPs') were used in combination with our own initial due diligence and ongoing portfolio management. Due to the time lag between receiving the reporting of the GPs' information and AlpInvest's reporting date, adjustments to valuations may be made, 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.

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.



Investment performance[1]

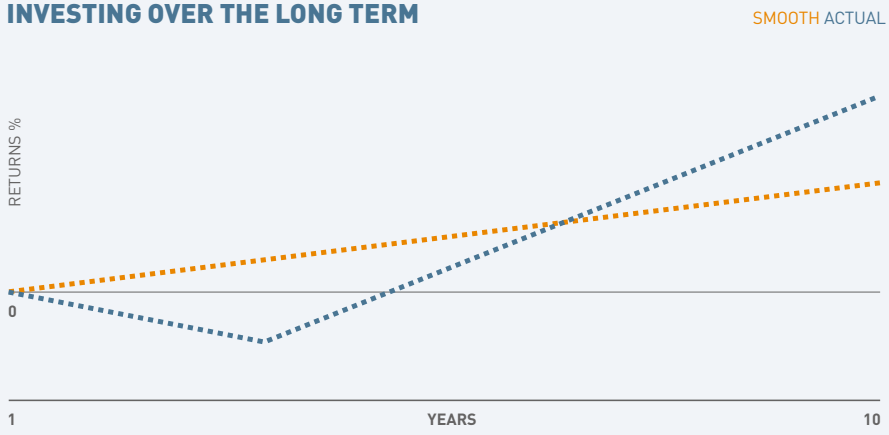
AlpInvest achieved strong financial performance again in 2014, continuing a history of consistently delivering robust returns to our investors since our firm's inception.

AlpInvest was pleased with the performance of its funds in 2014. Through the end of 2014, we received €60bn of commitments from our investors and they committed almost a further €2bn that we can invest in 2015 and the years thereafter. Our assets under management as per December 31, 2014 were €38.4bn in total, of which €25.3bn was for Fund Investments, €6.8bn for Secondary Investments, and €6.2bn for Equity and Mezzanine Co-Investments.

Gross and net returns for the total of our fully committed funds improved compared with the 2013 levels and our net internal rate of return ('IRR') since our inception 15 years ago has been approximately 12% (see page 42 for more detailed information on IRR methodology). In 2014, 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 approximately 12% on a net basis versus over 6% in 2013, and our Secondary Investments Main Fund IV showed a net IRR of almost 19%, an uplift of 1% compared with 2013. The Mezzanine Main Fund III showed a stable performance with a net IRR of 9% and the Co-Investment Main Fund V ended 2014 with a net IRR of over 36%, a decrease of more than 9% over the year. This reflects the J-curve effect (see box below), as many new investments were added to this fund. These new investments often still have low or negative investment returns that drag on the pooled-average performance of this fund in its early life.

We believe that 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 that 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 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 ('IRR'). This calculates the 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 generally becomes meaningful approximately five years after the start of the mandate.

[1] Past performance is not indicative of future results.

LIFE-TO-DATE IRRS[1]

FULLY COMMITTED FUNDS[2]	VINTAGE YEAR	FUND SIZE (€m)	GROSS IRR	NET IRR
Main Fund I – Fund Investments	2000	5,175	12%	12%
Main Fund II – Fund Investments	2003	4,545	10%	10%
Main Fund III – Fund Investments	2005	11,500	9%	9%
Main Fund IV – Fund Investments	2009	4,880	13%	12%
Main Fund I – Secondary Investments	2002	519	56%	52%
Main Fund II – Secondary Investments	2003	998	27%	26%
Main Fund III – Secondary Investments	2006	2,250	10%	10%
Main Fund IV – Secondary Investments	2010	1,856	20%	19%
Main Fund II – Co-Investments	2003	1,090	44%	42%
Main Fund III – Co-Investments	2006	2,760	6%	5%
Main Fund IV – Co-Investments	2010	1,475	22%	20%
Main Fund V – Co-Investments	2012	1,122	41%	37%
Main Fund II – Mezzanine Investments	2004	700	8%	7%
Main Fund III – Mezzanine Investments	2006	2,000	11%	9%
All other funds	Various		16%	13%
TOTAL FULLY COMMITTED FUNDS			**12%**	**12%**

FUNDS IN THE COMMITMENT PERIOD	VINTAGE YEAR	FUND SIZE (€m)	GROSS IRR	NET IRR
Main Fund V – Fund Investments	2012	5,080	-3%	-7%
Main Fund V – Secondary Investments	2011	3,793	31%	28%
All other funds	Various		-1%	-11%
TOTAL FUNDS IN THE COMMITMENT PERIOD			**24%**	**20%**
TOTAL ALPINVEST			**13%**	**12%**

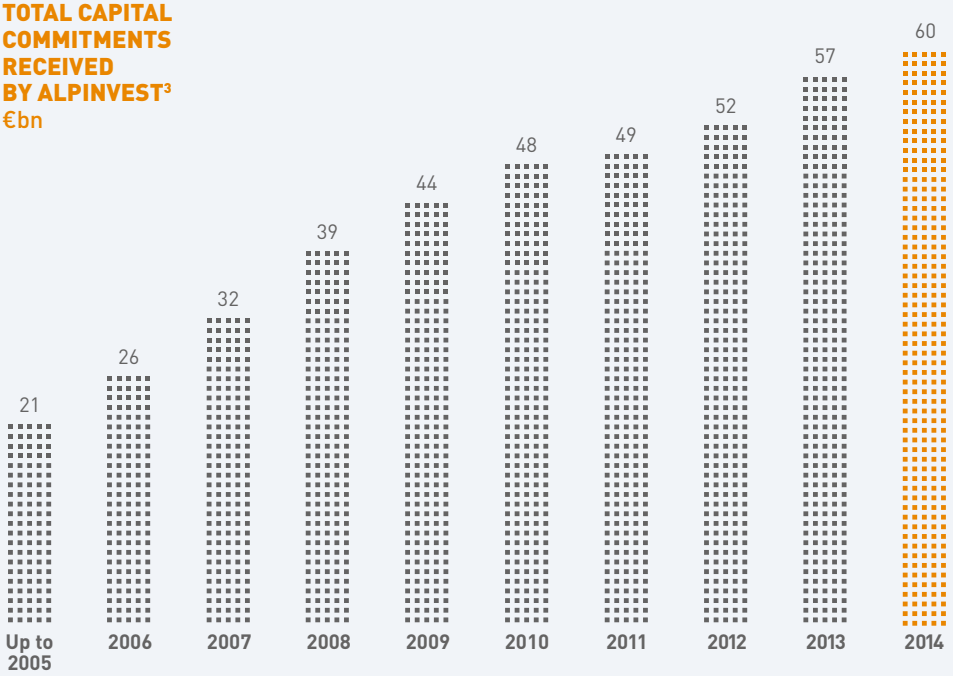
[1] As of December 31, 2014. Past performance is not indicative of future results. More detailed information on the calculation methodology can be found on page 42.

[2] '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.

[3] Total capital committed to AlpInvest includes €7.0bn 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 €6.7bn was committed up to 2002 and €0.2bn was committed in 2013).

TOTAL CAPITAL COMMITMENTS RECEIVED BY ALPINVEST[3]

€bn



Fund Investments overview[1]

2014 fund portfolio activity

The Fund Investments team made new commitments to 51 funds with a 2014 vintage year (or earlier) for AlpInvest. Of these, 31 were to funds where a prior primary fund commitment had been made with the GP. The other 20 represent a new relationship.

In 2014, 19 commitments were made to funds that are expected to have a 2015 vintage. Those 19 funds are therefore not included in this year's Annual Review overview.

In 2014, a total of €2.5bn of capital was called to fund investments in private equity and mezzanine funds.

During the year, AlpInvest received €4.2bn of proceeds from investments. Within this figure, 7% came from the 2000–2002 mandate, 17% came from the 2003–2005 mandate, 62% came from the 2006–2008 mandate, 8% from the 2009–2011 mandate, 1% from the 2012–2014 mandate, and 5% from other mandates.

2014 NEW FUND COMMITMENTS[2]

FUND NAME	SEGMENT	RELATIONSHIP	GEOGRAPHIC FOCUS
African Development Partners II	NTM[3]	New	Africa
Alothon Fund III	NTM[3]	New	Brazil
Altor Fund IV	E.U. Mid-Market	Existing	Northern Europe
Asia Environmental Partners II	Clean Tech	Existing	Asia
Bowmark Capital Partners V	E.U. Mid-Market	New	U.K.
Boyu Capital Fund II	NTM[3]	New	China
Caltius Equity Partners III	U.S. Mid-Market	Existing	U.S.
CapVis Equity IV	E.U. Mid-Market	Existing	Germany, Austria, Switzerland
Clarus Lifesciences III	Venture	Existing	U.S.
CMC Capital Partners	NTM[3]	New	China
CVC Capital Partners VI	Global LBO[4]	Existing	Europe
France Special Situations Fund II	E.U. Mid-Market	New	France
GTCR Fund XI	U.S. Mid-Market	Existing	North America
H.I.G. Europe Capital Partners II	E.U. Mid-Market	Existing	Europe
H.I.G. Middle Market LBO Fund II	U.S. Mid-Market	Existing	U.S.
Hahn & Company Fund II	NTM[3]	Existing	Korea
HCI Equity Partners IV	U.S. Mid-Market	New	North America
HGGC Fund II	U.S. Mid-Market	Existing	U.S.
Highlight Capital Partners I	NTM[3]	New	China
Index Ventures VII	Venture	Existing	Global
India Life Sciences Fund II	NTM[3]	New	India

[1] Including Mezzanine and Clean Tech fund investments.

[2] Additionally, AlpInvest committed to nine other funds with a 2014 (or earlier) 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.

2014 NEW FUND COMMITMENTS
CONTINUED

NAME[2]	SEGMENT	RELATIONSHIP	GEOGRAPHIC FOCUS
Insight Venture Partners Co-Investment Fund III	U.S. Mid-Market	Existing	Global
KPS Special Situations Fund IV	U.S. Mid-Market	Existing	North America
Littlejohn V	U.S. Mid-Market	Existing	U.S.
Meritech Capital Partners V	Venture	New	U.S.
Mid Europa Fund IV	NTM[3]	Existing	Central and Eastern Europe
Miura Fund II	E.U. Mid-Market	New	Spain
Nautic Partners VII	U.S. Mid-Market	New	North America
Portobello Capital III	E.U. Mid-Market	New	Spain
Quadrant Private Equity No. 4	NTM[3]	New	Australia and New Zealand
Raisson Capital	NTM[3]	New	China
Rutland Fund III	E.U. Mid-Market	Existing	U.K.
Sentinel Capital Partners V	U.S. Mid-Market	Existing	North America
Shepherds Hill Fund II (serviced by Japan Industrial Partners, Inc. or JIP)	NTM[3]	Existing	Japan
TA Atlantic and Pacific VII	U.S. Mid-Market	Existing	Global
The Paragon Fund II	E.U. Mid-Market	Existing	Germany, Austria, Switzerland
The Resolute Fund III	U.S. Mid-Market	Existing	North America
Thoma Bravo Fund XI	U.S. Mid-Market	New	North America
Trident VI	U.S. Mid-Market	New	North America
Trustbridge Partners V	Venture	New	China
Vision Knight Capital (China) Fund II	NTM[3]	New	China
Vitruvian Investment Partnership II	E.U. Mid-Market	Existing	Northern Europe

Fund Investments overview continued

FUND INVESTMENTS PORTFOLIO OVERVIEW
AS PER DECEMBER 31, 2014

VINTAGE 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	9,398	100%
2003–2005	Buyout and venture capital	4,545	4,508	4,476	103%
2006–2008	Buyout and venture capital	11,500	11,323	10,902	97%
2009–2011	Buyout and venture capital	4,877	4,766	2,974	62%
2012–2014	Buyout and venture capital	5,080	4,289	920	21%
2007–2012	Clean technology	658	649	497	73%
2000–2014	Mezzanine funds	1,268	1,202	1,166	97%
2003–2014	Buyout and venture capital - other[4]	136	126	87	70%
TOTAL		**38,917**	**36,861**	**30,419**	**84%**

[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, 2014.

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

FUND COMMITMENTS OVERVIEW[1]
AS PER DECEMBER 31, 2014

SEGMENT	% OF CAPITAL COMMITTED	GPs[2]	FUNDS
Global Large Buyout	35%	23	67
European Mid-Market	14%	47	80
U.S. Mid-Market	19%	66	107
Non-Traditional Markets[3]	11%	65	115
Venture Capital	10%	61	127
Clean Technology	2%	14	16
Mezzanine	4%	16	25
Other[4]	5%	12	14
TOTAL	**100%**	**304**	**551**

[1] Underlying fund vintage years 2000–2014.

[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]

2014 portfolio activity

AlpInvest Secondary Investments committed €343m across nine transactions in 2014, compared with €796m across six transactions in 2013.

For the 12 months ending December 31, 2014, AlpInvest Secondary Investments received proceeds from 86 transactions out of 100, totaling €1,302m compared with €1,117m received in 2013.

SECONDARY INVESTMENTS PORTFOLIO OVERVIEW AS PER DECEMBER 31, 2014

VINTAGE 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	949	96%
2006–2008	Buyout	2,250	2,147	2,034	95%
2009–2011	Buyout	1,859	1,806	1,704	93%
2012–2015	Buyout	4,017	1,912	1,459	76%
2002–2015	Mezzanine funds	439	373	330	86%
2003–2014	Other - buyout[4]	290	94	86	90%
TOTAL		**10,374**	**7,846**	**7,073**	**90%**

[1] Includes mezzanine secondary investments.

[2] At historical foreign exchange rates.

[3] Based on foreign exchange rate as per December 31, 2014.

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

Equity Co-Investments overview[1]

[1] Including clean tech co-investments.

[2] Co-investment via HgCapital.

2014 portfolio activity

In 2014, AlpInvest invested €493m in equity co-investments. This included €463m in 19 new investments and €30m in follow-on investments for existing portfolio companies. Total realizations in 2014 for our equity co-investment portfolio were €1,198m.

2014 NEW EQUITY CO-INVESTMENTS

NAME	SECTOR	GEOGRAPHY	DATE OF COMPLETION	DESCRIPTION
Anchor Glass Container	Materials	U.S.	Jun-14	Manufacturer of premium glass packaging products for the beer, liquor, food, beverage and ready-to-drink end-markets
AsiaInfo	Information Technology	China	Jan-14	Provider of telecommunications software solutions and IT products and services
Berlin Packaging	Industrials	U.S.	Oct-14	Distributor of rigid packaging products and value-added services in the U.S.
Catalina Marketing	Information Technology	U.S.	Apr-14	Provider of marketing solutions to consumer packaged goods manufacturers and retailers worldwide
Compuware	Information Technology	U.S.	Dec-14	Provider of software solutions and application practices for organizations
DTZ	Financials	U.S.	Oct-14	Provider of facility and property management and commercial real estate services
Faster	Industrials	Italy	Sep-14	Manufacturer of hydraulic couplings used in agricultural and construction equipment
Gates	Consumer Discretionary	U.S.	Jun-14	Manufacturer of power transmission belts and fluid power products for automotive and industrial applications
H-Line Shipping	Industrials	South Korea	May-14	Shipping of dry bulk and liquefied natural gas under long-term contracts
Hanwha L&C	Industrials	South Korea	Aug-14	Building materials company in Korea
Kreuz	Energy	South East Asia	Apr-14	Provider of subsea services to offshore oil and gas industry
Lindorff	Financials	Sweden	Oct-14	Provider of debt purchasing and collection of unsecured non-performing loans
Lipari Foods	Consumer Staple	U.S.	Oct-14	Specialty food product distributor in the U.S.
Luminator Technology Group	Industrials	U.S.	Apr-14	Producer of mass-transit LED lighting, signage and passenger communication systems
Minacs	Information Technology	Canada	May-14	Provider of business-process outsourcing solutions
Sebia	Healthcare	France	Dec-14	Provider of instruments and chemicals used by laboratories and hospitals in the analysis of proteins in the human blood serum
SSI	Industrials	U.S.	Dec-14	Provider of data-collection and analytic services for survey research
TeamViewer	Information Technology	Germany	Jul-14	Provider of secure remote-control and access software
Visma[2]	Information Technology	Sweden	Jul-14	Provider of enterprise resource planning software and business process outsourcing services to small and medium-sized enterprises in the Nordic region

EQUITY CO-INVESTMENTS PORTFOLIO OVERVIEW
AS PER DECEMBER 31, 2014

VINTAGE 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	1,233
2011–2013	Buyout co-investments	1,122	920
2014–2015	Buyout co-investments	969	55
2010–2012	Clean technology	23	21
2002–2014	Buyout co-investments – other mandates[3]	294	133
TOTAL		**8,532**	**6,488**

[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 investments were discontinued in late 2003.

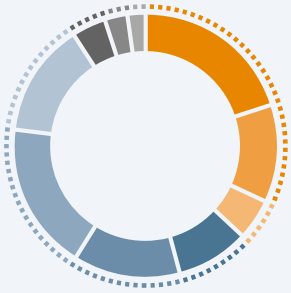
[2] At historical foreign exchange rates.

[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[1], 44% of our investments are in Europe, 47% in North America, and 9% in the rest of the world. The sector breakdown of our equity co-investments since 2000 can be found below.

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



SECTORS[1]

- 20% Consumer Discretionary
- 12% Consumer Staple
- 5% Energy
- 9% Financials
- 13% Healthcare
- 18% Industrials
- 14% Information Technology
- 4% Materials
- 3% Telecommunication Services
- 2% Utilities

Mezzanine Co-Investments overview

In 2014, AlpInvest invested €98m in mezzanine co-investments. This included €67m in four new investments and €31m in follow-on investments for existing portfolio companies.

AlpInvest had €106m of cash inflows in 2014 from the outstanding mezzanine portfolio, of which €24m was due to interest income and €83m from realizations.

2014 NEW MEZZANINE CO-INVESTMENTS

NAME	SECTOR	GEOGRAPHY	DATE OF COMPLETION	DESCRIPTION
Catalina Marketing	Information Technology	U.S.	Apr-14	Provider of marketing solutions to consumer packaged goods manufacturers and retailers worldwide
M7	Consumer Discretionary	Luxembourg	Sep-14	Provider of direct-to-home satellite TV and triple-play (internet, TV and telephony)
Packers Sanitation Services	Industrials	U.S.	Dec-14	Provider of sanitation and cleaning services for food-processing facilities
Varsity Brands	Consumer Discretionary	U.S.	Dec-14	Provider of sports, cheerleading and achievement-related products to U.S. schools

MEZZANINE CO-INVESTMENTS PORTFOLIO OVERVIEW AS PER DECEMBER 31, 2014

VINTAGE YEARS	INVESTMENT FOCUS	MANDATE AMOUNT (€m)	CAPITAL INVESTED[2] (€m)
2000–2002[1]	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	850
2012–2014	Mezzanine co-investments	158	137
2014–2015	Mezzanine co-investments	56	0
TOTAL		**1,892**	**1,388**

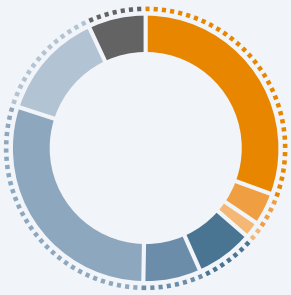
[1] Mandate year 2000 is a legacy portfolio managed for our investors.

[2] At historical foreign exchange rates.

Portfolio diversification

AlpInvest seeks to invest in a broad range of sectors and geographies, creating significant diversification in our portfolio. From a geographical perspective[1], 33% of our investments are in Europe, 59% in North America, and 8% in the rest of the world. The sector breakdown of our mezzanine co-investments can be found below.

[1] Reflects mezzanine co-investment mandate years 2000–2015.



SECTORS[1]

- 31% Consumer Discretionary
- 4% Consumer Staple
- 1% Energy
- 7% Financials
- 7% Healthcare
- 30% Industrials
- 13% Information Technology
- 7% Materials

Private equity
Ability to deliver 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 on 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 that are 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.

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. This, along with the support of GPs, encourages management to focus on delivering above-average growth, which also rewards LPs 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 initial public offering ('IPO'), 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; and 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 global financial crisis, the industry was criticized on a number of levels, ranging from a lack of disclosure to the 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[1].

In essence, private equity works, can deliver growth, encourage focus, and foster business excellence on a worldwide basis.

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.

[1] There is no assurance that these trends will continue.

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 sixth 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 that 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.

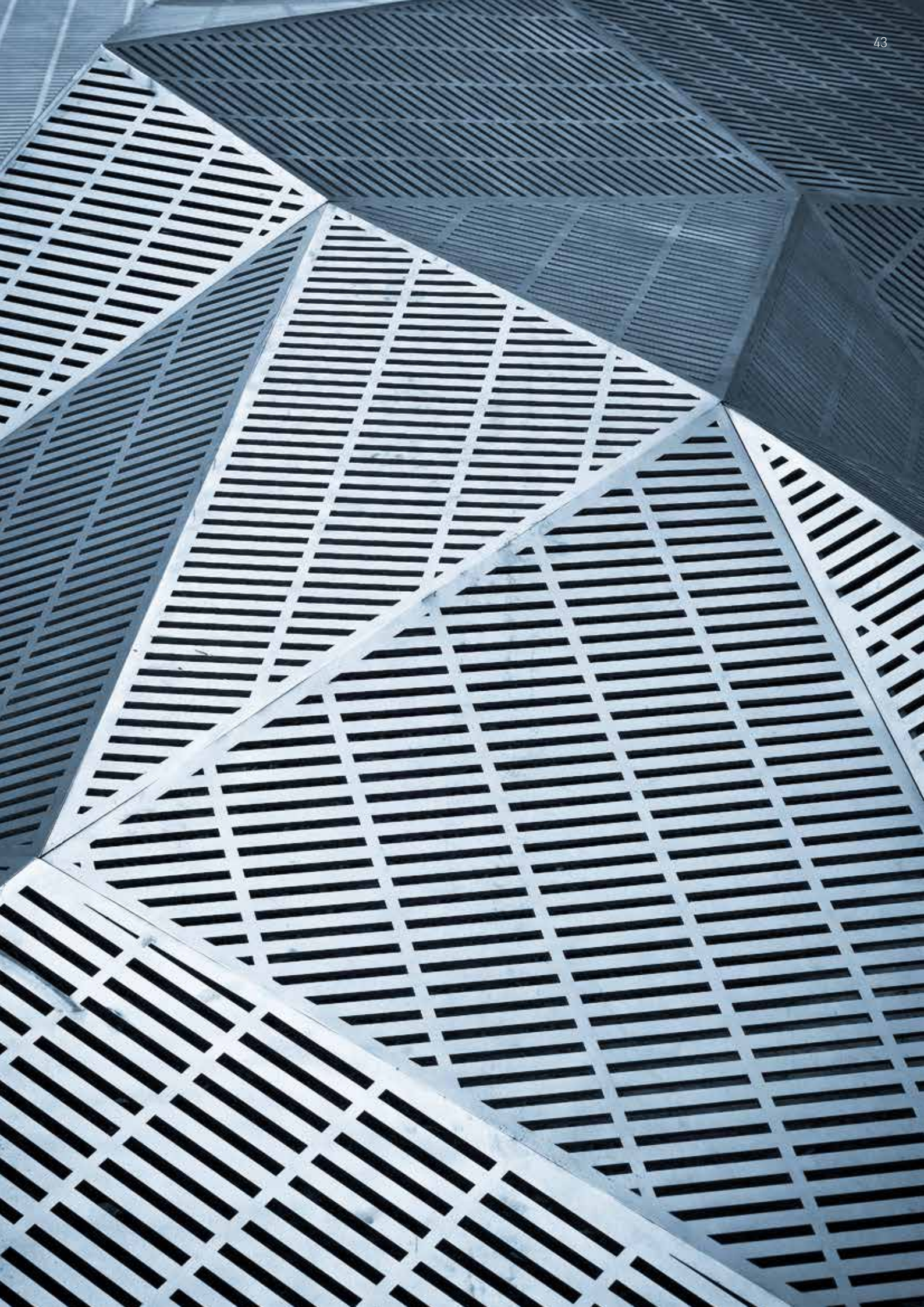
References to particular investments are presented to illustrate the application of AlpInvest's investment process only and should not be considered a recommendation of any particular security or investment. Information about recommendations over the last year is available upon request. It should not 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 VI – Co-Investments, Main Fund I – Mezzanine Investments, Main Fund IV – 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, 2014 and the December 31, 2014 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, 2014), 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, 2014. 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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