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Does Investing in Private Securities Make Sense for Mutual Funds?

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ABSTRACT

With the rise of index funds, actively managed funds are looking for ways to distinguish themselves by buying into private companies. Mutual funds can invest up to 15 percent of their assets in illiquid or restricted securities such as private companies. One of the leading mutual funds investing in private companies is Fidelity's flagship Magellan Fund. Using the Magellan Fund as an example, we explore how the Magellan Fund has accounted for the private investments performance and whether the Magellan Fund has manipulated the performance of their private holdings in any way to inflate their net asset value. In addition, we analyze the performance of the private company holdings through time to assess the recorded performance prior to the private holding going public or being sold and the subsequent performance of the holdings after the private companies have gone public.

INTRODUCTION

Mutual funds have become an investors' vehicle of choice because of flexibility and transparency they provide. Holdings of a fund are fairly valued on a daily basis and investors can contribute or withdraw money each day. Therefore, mutual funds need to follow certain guidelines. Holdings of a fund must have sufficient liquidity to handle potential redemptions and fair market values should be easily found. Thus, mutual funds that buy into private companies may create a problem for the mutual fund because the investment is not liquid and also because there are issues in valuing these private holdings. Because of the rise in private holdings, Grind [2015] reports the Securities and Exchange Commission (SEC) views liquidity as a prime concern for mutual funds with private valuations right behind. Since there are issues involved in investing in private companies, the question is why would a mutual fund be interested in doing it? One reason is the shrinking number of public companies to invest in for mutual funds. The Financial Times [2018] reports the number of US domestic companies has dropped from 8,090 in 1996 to 4,336 in 2017. However, the US market has grown based on market capitalization, 105 percent of gross domestic product in 1996 but 130 percent of gross domestic product in 2017. The main reasons given for the shrinking number of public companies include more mergers, wealthy mega companies acquiring start-ups firms at early stages, costs associated with public listings, burdensome regulation such as the Sarbanes-Oxley Act of 2002, and the rise of available private funding. The impact of these factors is that those companies that do go public are much larger than companies going public in the past.

Bullock and Wigglesworth [2018] indicate that 60 percent of firms that did an IPO raised less than $30 million in the 1980s whereas about 30 percent of all IPOs in the 1990s raised less than $30 million. However, by the 2000s, these small IPOs accounted for less than 10 percent of the total. Clearly small dollar IPOs are simply not an effective means of raising equity capital. In 2017, 189 companies did an IPO and raised nearly $50 billion in total.

The downside of going public later when the firm is larger is that investors are buying into businesses that have already experienced explosive growth in revenues and valuations. If small private companies do not go public, retail investors may well miss the ability to share in the potential performance that is currently only available to a small group of insiders and accredited investors. Bullock and Wigglesworth [2018] quotes Jay Clayton, the chairman of the SEC, at a meeting of Sifma, the main US securities industry group, “It’s about improving investor opportunities. A broader portfolio of public companies is important to retail investors. A broader portfolio and [one] more exposed to the growth stage that would be better. If you continue to shrink that pool, you are going to shrink their opportunities.” In other words, smaller investors may simply not have access to the private firm growth and hence the surge in valuations.

Foley and Waters [2014] point out there has been tremendous interest in pre-IPO funding due to the performance opportunities. For late stage private companies, asset managers like Black Rock, Fidelity and T Rowe Price have been increasing their investments in private firms trying to get a jump on others who they might have to fight for an allocation at a higher price when the company goes public. Foley and Waters indicate asset managers have been developing systems for assessing private sector investments.

The managers are trying to establish better relationships with venture capital firms to gain greater access to even more investment opportunities. They quote Andrew Boyd, head of global equity capital markets at Fidelity, “If you want to be a public company, there is no reason to wait to start talking to the big public company investors. The strongest companies are able to attract long-term investors who will hold on to shares through the IPO, hoping to increase the chances of a successful flotation.” Schwartz [2017] suggests one of the lead mutual funds investing in private companies is Fidelity’s flagship Magellan Fund. He points out several problems with mutual funds investing in private companies. These problems include the lack of awareness among mutual fund investors, lack of liquidity for mutual fund shares, lack of venture-capital expertise among mutual fund management, and the lack of accountability over how funds value their ownership stakes in startups for purposes of calculating their net asset values. All of these things can create an opportunity for management to manipulate such valuation estimates. One conclusion of Schwartz is that the Magellan Fund is manipulating its performance when calculating the net asset value. However, when examining the performance of Magellan’s private investments, Schwarz includes the performance of these private investments after the private companies have gone public. We re-examine the performance of the private company holdings by the Magellan Fund through time to see the recorded performance prior to the private holding going public or being sold and the performance of the holdings after the private companies have gone public. We then explore how the Magellan Fund has accounted for the private investments performance and whether the Magellan Fund has truly manipulated the performance of their private holdings in any way to inflate their net asset value. This paper provides a look at just how mutual funds are using private firm investments and why investors in such funds may have a disadvantage in clearly understanding the true valuation.

Rise of the Private Company

Private firms such as Uber Technologies and Airbnb have business models that are disrupting conventional markets and money has poured in. Eule [2016] states the stock market crash of 2008-09 curbed investor enthusiasm for IPOs and new sources of liquidity have emerged for company founders and insiders. In addition, regulatory changes have made it easier to stay private and harder to be public. Eule cites work from Jay Ritter, a University of Florida professor who has studied the IPO market for 35 years. From 1980 to 2000, an average of 310 companies went public every year but since then the average has fallen to 111. Not only has the number of IPOs declined, the number of publicly listed companies has followed the IPO trend as well. Mauboussin, Callahan, and Majd [2017] state the public listings of companies fell around 50 percent in the US from 1996 through 2016, whereas public listings of companies increased about 50 percent in other developed countries. They show that based on GDP, GDP growth, population growth, and measures of corporate governance, the US should have more than 9500 public companies. Among the reasons given for the drop in US IPOs are mergers and acquisitions as well as the increased cost of being a public company due to regulatory requirements. This decline of IPOs has forced mutual funds to look at private firms for growth opportunities. Although it represents only a small percentage of their investments, Fidelity Investments, T. Rowe Price Group and Wellington Management all have sizable dollar stakes in private firms. In essence, the IPO process has become a strategy that is best avoided for as long as possible. In response to the decline in US IPOs, Congress passed the JOBS Act in 2012 to ease the IPO process and to make it easier for small companies to go public. Eule [2016] states the net effect of the

JOBS Act has actually been to stall the market. A key provision of the JOBS Act makes it easier to stay private longer. The JOBS Act allows companies to accumulate up to 2000 private investors (previously it was 500) before being forced to disclose public company type information and the limit no longer includes employees granted stock as compensation. Due to the tech bubble in 2000 and the subsequent accounting related scandals such as Enron, Congress passed the Sarbanes-Oxley Act in 2002, which raised the bar for public company disclosures. Thus, the cost of being public became more expensive. Eule argues that this extra cost provides an incentive for companies to remain private longer as they grow in size.

The institutional investor who wanted exposure to US equities in 1976 would only need to buy a diversified portfolio of public companies and a venture capital (VC) fund. In 2016, investors would need to buy a diversified portfolio of public companies, a private equity fund, and an early-stage as well as a late-stage VC fund. Mauboussin, Callahan, and Majd [2017] indicate that private equity firms manage roughly $825 billion in 2016, up from $80 billion in 1996. The companies publicly listed now are bigger, older, and are in more concentrated sectors than two decades ago. Mauboussin, Callahan, and Majd show the average market cap of a firm in 1996 was $1,683 million and by 2016 the market cap grew to $6,893 million. Thus, individual investors have a limited ability to access the complete US equity market.

Mauboussin, Callahan, and Majd [2017], similar to Eule [2016], discuss reasons why eligible companies do not see a net benefit in publicly listing through an IPO. First, the cost of being a public company has gone up so it only makes sense for larger companies to undertake an IPO. They show the median age of a company doing an IPO has increased from 7.8 years during the 1976 to 1996 period, while the median age increased to 10.7 years from the 1997 to 2016 period. Second, companies today need less human and physical capital. Their examples of this point is comparing Amazon to Wal-Mart and Face book to Ford. Amazon generated $136 billion of sales in 2016 using $19 billion in invested capital for a capital velocity ratio of 7.1. Wal-Mart had sales of $486 billion but used $135 billion in invested capital for a capital velocity of 3.6 times. Face book's sales per employee were $1.6 million in 2016 whereas Ford's were $755,000. Third, there is plenty of late-stage funding available. The five largest startup companies with the highest implied valuations have raised over $28 billion. Finally, employees of private companies have the ability to sell shares. Airbnb raised $850 million in the Fall of 2016 and allowed employees to sell $200 million worth of stock. According to *The Wall Street Journal*, as of October 2018, there are 163 venture-backed private companies with a value in excess of $1 billion (see Austin, Canipe and Slobin [2015]).

Companies today are building a lot of value pre-IPO rather than post-IPO. Individual investors that do not have a good access to private capital are potentially missing substantial gains. With value being build up pre-IPO, more mutual funds and hedge funds are seeking to participate in late-stage venture capital funding. Mauboussin, Callahan, and Majd [2017] show that 26 mutual fund families had $11.5 billion invested in late-stage venture companies. Fidelity had 59 funds investing over 45 percent of the $11.5 billion in private companies. Andrew Boyd, head of global equity capital markets at Fidelity, suggested that the pre-IPO market has become the IPO market of the past.

Mutual funds provide daily net asset values so the inclusion of less liquid private firms has led to the net asset values coming under scrutiny. Reich art [2018] reports there are other reasons why private firms have become part of the mutual fund investments. She states private companies have delayed IPOs and by raising the funds privately, managers can build their firms without the pressure of being publicly traded. Second, she indicates some of the private firms have changed the competitive dynamics in their industries and are actually larger than their publicly traded peers. Finally, she argues active managers, who have underperformed against passive funds in the picked over public stock market, like the appeal of the performance edge that private firm investments can potentially offer.

VALUING PRIVATE COMPANIES

Since no industry standard exists for valuing private companies' securities, the challenge for mutual funds is trying to come up with a value for the private companies' securities they have invested in for reporting purposes. Reuters [2016] reports valuation committees look at revenue growth, competition, barriers to entry and what others paid in subsequent funding rounds. Reich art [2016] points out there may be a variety of factors that contribute to inconsistent pricing of the private company securities reported in the financial press. Grind [2015] states there are clearly varying levels of access to a private company's management team, board and financial information to help with valuations. The larger mutual funds might have the better connections with the private company's management, thus having an advantage of better information to value the private firm.

Reich art [2016] reports that Fidelity (the third biggest fund firm holding US mutual fund assets) may have deeper resources to evaluate private companies.

Thus, the biggest challenge mutual funds face is trying to determine the value of their private company investments. Reich art states the biggest fund companies, such as Fidelity, have a committee composed of individuals with backgrounds in accounting, compliance, trading, equity, or fixed-income sets that monitor the valuations of private companies. Anyone at Fidelity that has an interest in seeing investments appreciate such as portfolio managers and analysts cannot sit on the committee to avoid conflicts of interest. Nonetheless, the bottom line is that valuation of the private firm holdings by mutual funds is "soft." Reich art [2016] indicates the starting point of trying to value a private company's security is to examine the most recent funding round. Funding rounds tend to be infrequent so the fund needs to consider company specific and market based factors as they monitor these private company investments. She points out that stock price movements of publicly traded peers or the market as a whole may trigger a markdown or markup.

The problem is there is no industry wide consensus for making valuation changes. Reich art showed an example of the wide range of valuations from Morningstar data that showed Airbnb series D and E shares in the second quarter of 2016 being as low as $88.44 to the high of $130.39. A number of factors contribute to this inconsistent pricing such as the fund companies holding different types of equity.

The securities purchased by the mutual funds may be different such as preferred stock, common stock, and possibly convertible bonds that could affect valuations based on payouts, growth potential and priority in default. In addition, the fund companies have varying levels of company specific information so they are making a judgment call based on different time horizons, or they possibly are weighing market and peer group stock price movements differently.

If inconsistent pricing of private firm securities occurs, the fund's net asset values (NAVs) can vary by the amount of the discrepancy. Shareholders transacting at NAV when buying or selling fund shares could end up paying more or less for their proportional share of the same security depending on the particular fund's valuation approach. However, Reichart [2016] points out that the direct impact to a fund owner is likely immaterial given the small role such investments play in virtually all fund portfolios with private firm securities.

Magellan Investments

Mutual funds must publicly disclose their portfolio holdings on a quarterly basis. In their disclosures, mutual funds must identify by name each security owned at period end indicating the number of shares owned or the principal amount for bonds and the value of each security. Mutual funds have to indicate each security that is restricted (not registered with the Securities and Exchange Commission (SEC) under the Securities Act of 1933) and disclose the dollar amount and the percentage of the portfolio invested in restricted securities. By law, mutual funds must pay redemption proceeds to redeeming shareholders within seven days. Thus, mutual funds historically have not invested much in assets of illiquid securities. SEC guidelines limit mutual funds from investing no more than 15 percent of their assets in restricted securities.

The restricted securities information obtained in this study comes from the quarterly filings of the Magellan Fund on the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) website (https:// www.sec.gov/edgar/ searchedgar/companysearch.html). The first recorded investment in restricted securities for Fidelity's Magellan Fund was in their annual report, March 31, 2011. Table 1 shows from March 31, 2011 to March 31, 2018, the dollar amount invested in restricted securities grew about 42%, going from 0.09% of the total assets of the portfolio to 1.48% of the total assets of the portfolio. Clearly, this is a small but growing part of the Magellan strategy. However, the total assets of the Magellan Fund actually declined by about 4 percent over the time period from around $23 billion to $17 billion. For each quarter from March 31, 2011 to March 31, 2018,

Table 1 reports the quarterly holding period return (HPR) for the restricted securities, the HPR for the Magellan Fund, the HPR for the S&P 500 index and the HPR for Morningstar's Large Growth index (which is the comparison Morningstar performance category for the Magellan Fund). Looking at the mean returns, the restricted securities HPR is larger than the returns for the Magellan Fund, the S&P 500 index and Morningstar's Large Growth index, but the risk for the restricted securities is higher as well.

The higher returns for the restricted securities may explain why the Magellan Fund has increased its investment in restricted securities through the years or it may indicate the Magellan Fund is trying to boost their returns with the valuation of restricted security investments. Reuters [2016] states mutual funds have been boosting their performance with bets on private companies by marking up the returns of the private companies at a far greater rate than the broad stock market.

The best quarterly HPR reported for the Magellan Fund was in the June 30, 2017 quarter showing a 48.98% return. Given restricted securities were 1.60% of the Magellan portfolio at this point, 48.98% times 1.60% would mean the restricted securities added 0.78% in relative performance. Given the return of 4.25% for the Magellan Fund in June 30, 2017, this 0.78% helped beat the S&P 500 index return of 2.57% but was below the return of the Morningstar Large Growth index of 5.75%.

Overall, there does not appear to be much evidence that the Magellan Fund used the restricted security investments to boost their returns. Schwartz [2017] reported that the Magellan Fund had been tremendously successful over the time period (approximately May 2, 2012 through March 31, 2016) that he examined for Magellan's private company investments. He calculated the weighted mean annualized return of the different investments to be 42%.

The issue with his calculation is the inclusion of some time periods where the private company had already gone public. Table 2 first shows the 17 different private company investments and the 3 other restricted security investments listed under the restricted securities for the Magellan Fund. We calculate the annualized return of the private companies from Magellan's initial investment date through either the date of the IPO, the date Magellan stopped listing the investment in their filings on EDGAR, or March 31, 2018 if Magellan still held the company's security. The first returns shown in Table 2 are under the column, annualized return of firm while private. We find the weighted mean return to be 35.87% which is similar to but lower than Schwartz's findings. In addition, we examined the annualized weighted mean return on the 3 other restricted security investments which are still private and the return was a negative 29.85%.

Adding these 3 investments into the 17 private company returns drops the weighted mean return to 21.54% which is about half the return as reported by Schwartz. Examining the return of the Magellan Fund in the column, annualized return of the Magellan Fund, the mean return of the Magellan Fund over the same time period as the private holdings was 12.68%. Not listed in the table, the S&P 500 annualized returns over the same time period as the private holdings produced a return of 9.94%. Once again, the Magellan Fund investments in restricted securities appear to help the overall return of the fund providing a further reason that restricted securities investments by mutual funds are growing over time.

The best private company investment is the 466.56% return in Mobileye N.V. in August of 2014. In Table 1, the investment in restricted securities in September 30, 2014, was 0.80% of Magellan's total value. Taking 466.56% return times the 0.80% weight in restricted stock, times the weight of the Mobileye N.V. investment of 4.15% indicates the investment only increased the return of Magellan by 0.16%.Once again, this increase does not appear likely to boost the return of the Magellan Fund that the financial press reports. Next, we looked at the return of each company that went public from its IPO date to either the date Magellan stopped listing the investment in their filings on EDGAR or March 31, 2018, if Magellan still held the company's security.

These returns are listed under the column, annualized return of firm after IPO in Table 2. There are 7 private firms that went public and the annualized weighted mean return while Magellan held the securities was 95.97%. This return is higher than the private company weighted return of these 7 companies of 91.12% when the companies were still private. With so few private companies exited so far, it is hard to judge the strategy of the Magellan Fund strategy of buying these restricted securities. However, this does seem to indicate the Magellan Fund is not necessarily boosting their returns with their private company investments but yet the performance is doing well. The investments the Magellan Fund made in these private companies has paid off and explains why the Magellan Fund growth in restricted securities has grown 42% and why Reichart [2016] and Schwartz [2017] indicate larger mutual funds are now increasing their investment in private companies.

Conclusion

Using the Magellan Fund as a case example, we find that the fund has been increasing their investment in restricted securities, mainly in private company securities. We conclude that a major reason the Magellan Fund is increasing its investments in restricted securities is the higher performance of the restricted securities as compared to other investments held in the Magellan Fund.

Although there are problems in calculating the value of the private company investments, we do not find any evidence the Magellan Fund is manipulating their private company security returns to report higher overall returns for their fund as some have contended. Again, the valuation of private securities is generally rather soft in terms of true valuation so it is not very clear how Magellan may choose to place a valuation on its holdings of private securities. We might expect though to see other funds, like Magellan, increase their holdings of private securities.

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Table1

This table reports statistics on restricted securities invested in by Magellan and quarterly holding period returns (HPR) for the restricted securities, Magellan Fund, the S&P 500 index, and Morningstar's Large Growth Index.

Date	$ Amount of Restricted Securities	$ Amount of Restricted Securities / Total Value of Fund	Quarterly HPR on Restricted Securities	Quarterly HPR on Magellan Fund	Quarterly HPR on S&P 500	Quarterly HPR on Morningstar Large Growth Index
3/31/2018	$255,043,000	1.48%	2.43%	1.20%	-1.22%	4.73%
12/31/2017	$248,988,000	1.47%	-2.09%	6.88%	6.12%	6.93%
9/30/2017	$212,837,000	1.30%	1.97%	6.69%	3.96%	5.34%
6/30/2017	$237,663,000	1.60%	48.98%	4.25%	2.57%	5.75%
3/31/2017	$219,988,000	1.43%	4.46%	6.41%	5.53%	8.88%
12/31/2016	$210,595,000	1.42%	-5.32%	2.08%	3.25%	-0.65%
9/30/2016	$222,427,000	1.49%	6.83%	4.62%	3.31%	3.86%
6/30/2016	$214,372,000	1.44%	2.12%	0.69%	1.90%	-0.88%
3/31/2016	$197,967,000	1.30%	-6.00%	-2.14%	0.77%	-1.64%
12/31/2015	$210,600,000	1.33%	-23.09%	8.40%	6.45%	7.25%
9/30/2015	$172,847,000	1.16%	2.38%	-7.61%	-6.94%	-5.53%
6/30/2015	$167,098,000	1.01%	15.12%	1.12%	-0.23%	0.40%
3/31/2015	$146,649,000	0.88%	2.20%	2.83%	0.44%	4.57%
12/31/2014	$133,712,000	0.81%	13.10%	5.22%	4.39%	3.93%
9/30/2014	$130,737,000	0.80%	28.17%	1.62%	0.62%	1.93%
6/30/2014	$143,353,000	0.87%	-1.13%	4.57%	4.69%	7.07%
3/31/2014	$129,816,000	0.81%	36.53%	2.04%	1.30%	-0.37%
12/31/2013	$93,618,000	0.58%	1.52%	10.61%	9.92%	11.47%
9/30/2013	$92,128,000	0.61%	-0.31%	9.05%	4.69%	9.07%
6/30/2013	$81,379,000	0.57%	-18.78%	2.86%	2.36%	0.56%
3/31/2013	$98,678,000	0.67%	0.00%	9.12%	10.03%	6.91%
12/31/2012	$109,038,000	0.77%	1.67%	-0.88%	-1.01%	-3.13%
9/30/2012	$91,082,000	0.60%	0.00%	7.90%	5.76%	6.90%
6/30/2012	$73,745,000	0.50%	0.00%	-5.19%	-3.29%	-4.11%
3/31/2012	$60,179,000	0.37%	0.00%	16.35%	12.00%	17.23%
12/31/2011	$38,753,000	0.25%	0.00%	8.06%	11.15%	9.74%
9/30/2011	$41,465,000	0.27%	0.00%	-19.64%	-14.33%	-11.97%
6/30/2011	$40,512,000	0.20%	0.00%	-3.38%	-0.39%	0.16%
3/31/2011	$19,805,000	0.09%				
Mean	$141,209,448	0.90%	4.21%	2.99%	2.64%	3.37%
Std. Deviation	$71,231,021	0.46%	13.81%	6.75%	5.45%	5.95%

Table2.

This table examines the return of Fidelity Magellan's Fund and the restricted securities investment returns when the firm was private and public if the firm has gone public.

Private Company Investments					
Company	**Initial Investment**	**Valuation ($) at IPO Date**	**Annualized Return of Firm While Private**	**Annualized Return of Firm After IPO**	**Annualized Return of the Magellan Fund (same period)**
bluebird bio, Inc.	$1,711,000 (July 23, 2012)	$3,078,241 (June 19, 2013)	91.10% (June 19, 2013)	122.66% (Sept. 30, 2015)	24.43%
Cloudflare, Inc.	$3,502,000 (Nov. 5, 2014)		4.08% (March 31, 2018)		11.27%
DocuSign, Inc.	$90,000 (Oct. 21, 2013)		41.58% (March 31, 2018)		12.67%
DocuSign, Inc. Series B	$99,000 (March 3, 2014)		18.23% (March 31, 2018)		11.57%
DocuSign, Inc. Series B-1	$30,000 (March 3, 2014)		18.03% (March 31, 2018)		11.57%

DocuSign, Inc. Series D	$11,000,000 (June 29, 2012) $71,000 (March 3, 2014)		35.00% (March 31, 2018) 12.66% (March 31, 2018)		14.54% 14.54%
DocuSign, Inc. Series E	$1,831,000 (March 3, 2014)		18.34% (March 31, 2018)		11.57%
HubSpot, Inc.	$15,000,000 (Oct. 25, 2012)	$22,257,025 (Oct. 9, 2014)	22.35% (Oct. 9, 2014)	46.98% (Dec. 31, 2015)	21.46%
KaloBios (SeriesE) Pharmaceuticals, Inc.	$8,000,000 (May 2, 2012)	$6,097,168 (Jan. 31, 2013)	-30.36% (Jan. 31, 2013)	-84.69%[a] (Dec. 31, 2013)	10.16%
Malwarebytes Corp. Series B	$35,000,000 (Dec. 21, 2015)		15.70% (March 3, 2018)		14.38%
Meituan Corp. Series D	$10,000,000 (Jan. 26, 2015)		94.90% (Sept. 30, 2015)		-5.81%
Mobileye N.V. Series F	$8,878,000 (Aug. 15, 2013)	$47,061,595 (Aug. 1, 2014)	466.56% (Aug. 1, 2014)	-3.18% (March 31, 2015)	20.68%
Nutanix, Inc. Series E	$6,193,000 (Aug. 26, 2014)	$7,396,528 (Sept. 30, 2016)	8.83% (Sept. 30, 2016)	111.35% (March 31, 2018)	5.17%
Pure Storage, Inc. Series E	$2,121,000 (Aug. 22, 2013)	$5,203,020 (Oct. 7, 2015)	52.51% (October 7, 2015)	-37.50% (March 31, 2016)	12.94%
Roku, Inc. Series F Roku, Inc. Series G	$11,000,000 (May 7, 2013) $5,000,000 (Oct. 1, 2014)	$28,340,278 (Sept. 28, 2017) $8,977,464 (Sept. 28, 2017)	24.01% (Sept. 28, 2017) 21.59% (Sept. 28, 2017)	387.10% (March 31, 2018)	13.95% 10.75%
Uber Technologies, Inc.	$15,000,000 (June 6, 2014)		23.84% (March 31, 2018)		11.52%
Tanium, Inc.	$2,064,000 (April 21, 2017)		25.93% (March 31, 2018)		22.81%
Lyft, Inc. Series H	$40,600,000 (Nov. 22, 2017)		0.00% (March 31, 2018)		10.34%
Ivanplats Ltd.	$11,793,000 (March 28, 2012)		-20.46% (March 31, 2013)		13.98%
WME Entertainment Parent, LLC	$15,000,000 (April 13, 2016)		13.38% (March 31, 2018)		16.74%
China Internet Plus Holdings Ltd.	$10,000,000 (Jan. 1, 2015)		19.64% (March 31, 2018)		11.06%
Weighted Mean			35.87%	95.97%	12.68%
Std. Deviation			97.88%	156.00%	6.22%
Other Restricted Security Investments					
Rialto Real Estate Fund LP	$41,200,000 (Feb. 24, 2011)		-41.26% (March 31, 2018)		11.62%
RREF CMBS AIV, LP	$17,020,000 (Aug. 17, 2012)		3.78% (March 31, 2018)		15.19%
RREF Midtown Colony REIT, Inc.	$1,457,000 (Dec. 31, 2012)		-100.00% (March 31, 2018)		15.87%
Weighted Mean			-29.85%		12.74%
Std. Deviation			52.04%		2.28%

[a]Fidelity Magellan purchased 366,900 shares at the IPO.

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