North Sky CAPITAL

First Quarter 2014

Big Distributions Driving Wave of 2014 Allocations to PE Funds

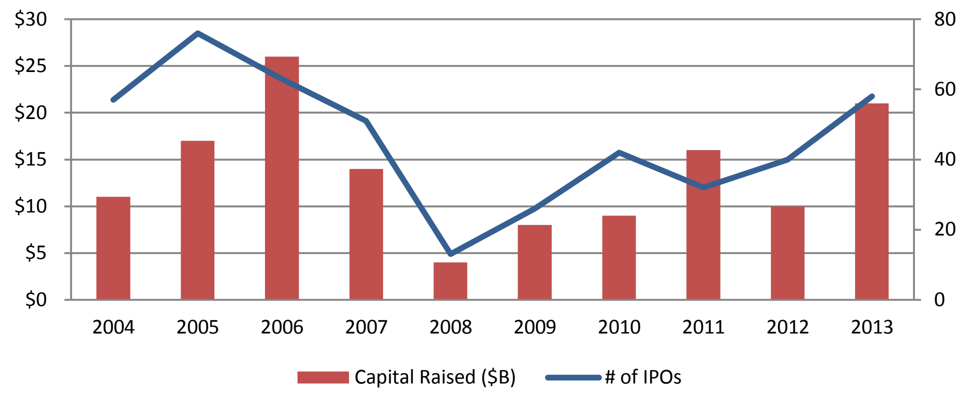
We all know that 2013 was a good year for financial returns, particularly for venture capital and buyout investors. The good times for private equity investors continued into Q1 2014, and it appears more good news is on the horizon per announced M&A deals and recent IPO filings.

During 2013, our funds enjoyed over 30 IPOs and over 45 M&A events, including Twitter, Hilton Hotels and Rocket Fuel. So far in Q1 2014, our funds scored 6 IPOs and 18 M&A deals, including Castlight, Trevena and NanoH2O. As of March 19, 2014, we also have nearly 40 additional companies that have either filed for IPOs or announced that they are being acquired.

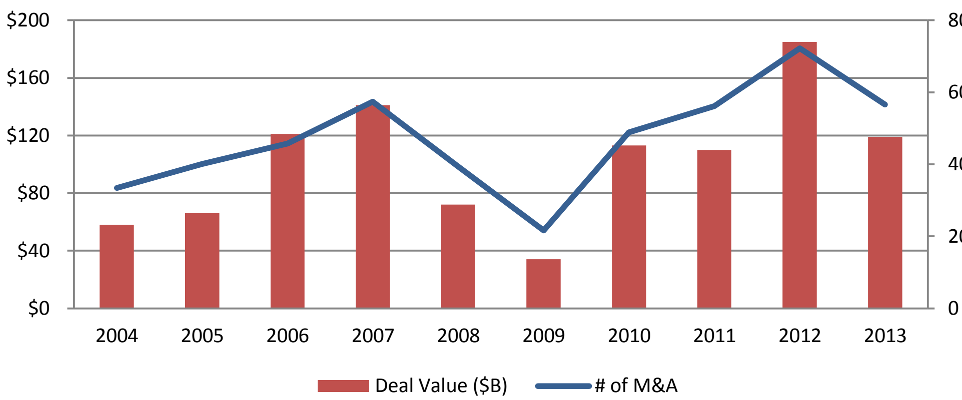
It is also noteworthy that Biotech has roared back to life. Biotech notched 46 IPOs in 2013, including Oncomed, Evoke and Tetralogic. This was the second highest total ever; only the year 2000 saw a higher tally. We credit this activity to long-ago planted venture capital seeds, hard-working entrepreneurs, the crossing of massive computational power with genomic technological advances and a receptive IPO market.

The broader PE industry also has similarly enjoyed a surge in liquidity in terms of IPOs and M&A deals.

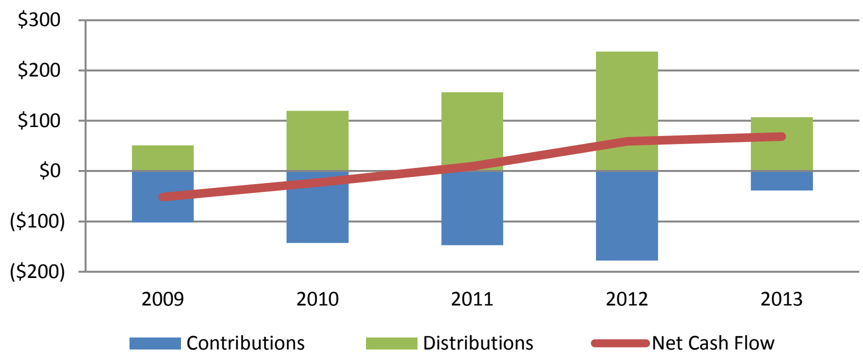
US PE-backed IPOs[1]



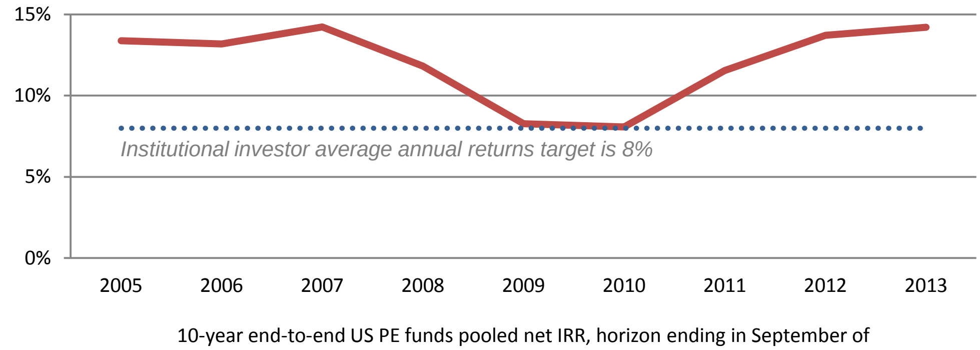
US PE-backed M&A[1]



Distributions Greater than Calls in Last Three Years[2]



PE Returns have Fully Rebounded Post-Recession[3]



Conclusion

We believe the culmination of events over the last few years is leading to a very busy year for investors in 2014. Given the high level of distributions, investors will need to make significant new allocations to venture, buyout, infrastructure and other alternatives this year merely to maintain their target allocations to these asset classes.

Competitive Pricing Increases Demand for Solar Power

Sun Edison announced they will construct a 150MW solar photovoltaic (PV) farm near Austin, TX and sell the power for just 5¢/kWh to Austin Energy under a 25-year power purchase agreement. According to Austin Energy, this solar power pricing is below the price of traditional energy sources (gas@7¢, coal@10¢, and nuclear power @13¢). Efficiency gains have been substantial over the last five years. Those gains have come in the form of (1) decreasing solar PV module production costs down to 50¢ per watt, (2) reducing the cost of racking and installation and (3) increasing the conversion efficiency of photons to electrons (i.e., the output of watts per square inch of a panel). The USA installed about 4.75 gigawatts of solar PV in 2013, giving us an installed base of 12.1 gigawatts (plus nearly another gigawatt of concentrated solar power). Forecasts for 2014 suggest that we will install 6 gigawatts of solar PV in the USA, with about half of that in the form of utility scale projects and the rest split roughly evenly between residential and commercial projects. We expect significant utility scale projects to be started in California, North Carolina, Connecticut, Massachusetts, among others. We expect significant residential and commercial installations again in California and Arizona but increasingly also in Colorado, Minnesota, Georgia and other states as solar PV becomes mainstream.

Quote of the Quarter

Bill Gates, speaking at the American Enterprise Institute recently about robots and automation replacing many jobs currently performed by humans:

> ***"Software substitution, whether it's for drivers or waiters or nurses, it's progressing. Technology over time will reduce demand for jobs, particularly at the lower end of the skill set."***

That may seem like a dire prediction to some people, but we see this as an opportunity to prepare the next generation for this wave of innovation. Personally, we are really looking forward to getting those laundry/dishwasher bots! If we can't have the Jetsons' flying car, at least we get Rosie. Also please see our Q2 2013 Market Commentary on the robotics/automation megatrend for additional context and pictures by clicking here.

Upcoming Events

We are regular speakers and attendees at key industry conferences. We hope to see you at these upcoming conferences:

April 29-30	**Impact Capitalism Summit Conference,** Chicago, IL www.impact-capitalism.com
May 19-21	**US SIF Conference,** Washington, DC www.ussif.org
September 22-24	**National Coordinating Committee for Multiemployer Plans,** Hollywood, FL www.nccmp.org

North Sky Capital Contacts

Scott Barrington
Managing Director and CEO
(612) 435-7170
sbarrington@northskycapital.com

Danny Zouber
Managing Director
(612) 435-7180
dzouber@northskycapital.com

Michael Pohlen
Managing Director
(612) 435-7190
mpohlen@northskycapital.com

Mark Austin
Managing Director
(612) 435-7160
maustin@northskycapital.com

Gretchen Postula
Head of Investor Relations
(612) 435-7177
gpostula@northskycapital.com

Denise Galvin
Chief Financial Officer
(612) 435-7166
dgalvin@northskycapital.com

[1] Source: Pitchbook.
[2] Source: Pitchbook. 2013 data through 9/30.
[3] Source: Cambridge.