

# **1Q2016 IAC Meeting Materials**

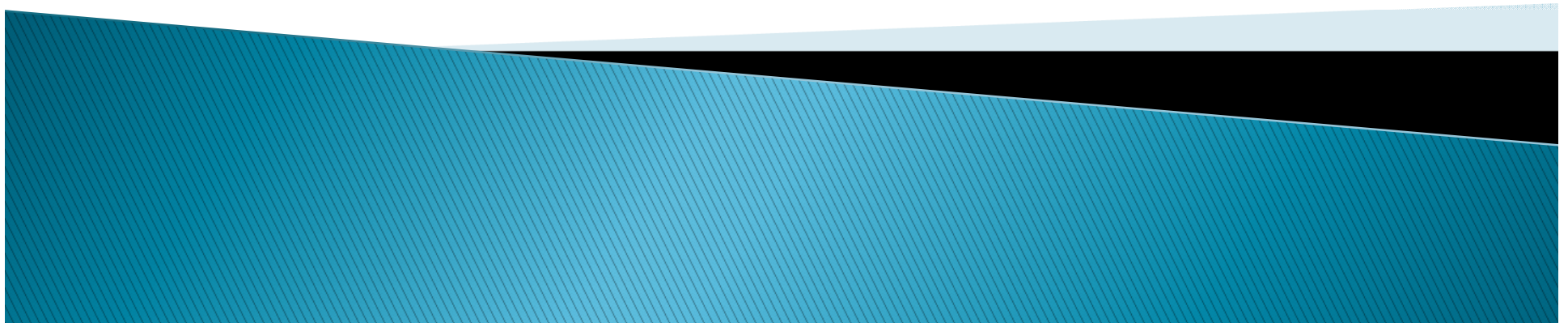
**IAC Meeting – May 17, 2016**

**Private Markets Presentation**



# Alternative Investments Program Update and Recommendations

May 17, 2016



# Agenda

- ▶ Program Update
- ▶ Recommendations for New Investments
  - IK Partners, an existing Private Equity manager
  - Rockwood, a new Real Estate manager
  - LBC, a new Private Credit manager



# Alternative Investments Program Update

As of March 31, 2016

# Alternative Investments Portfolio

as of March 31, 2016

|                   | Current Level    | Target Level     | Difference      |
|-------------------|------------------|------------------|-----------------|
| Market Value (MV) | \$7,158,762,719  | \$11,513,234,442 | \$4,354,471,723 |
| MV + Unfunded     | \$12,837,947,909 | \$20,148,160,274 | \$7,310,212,365 |

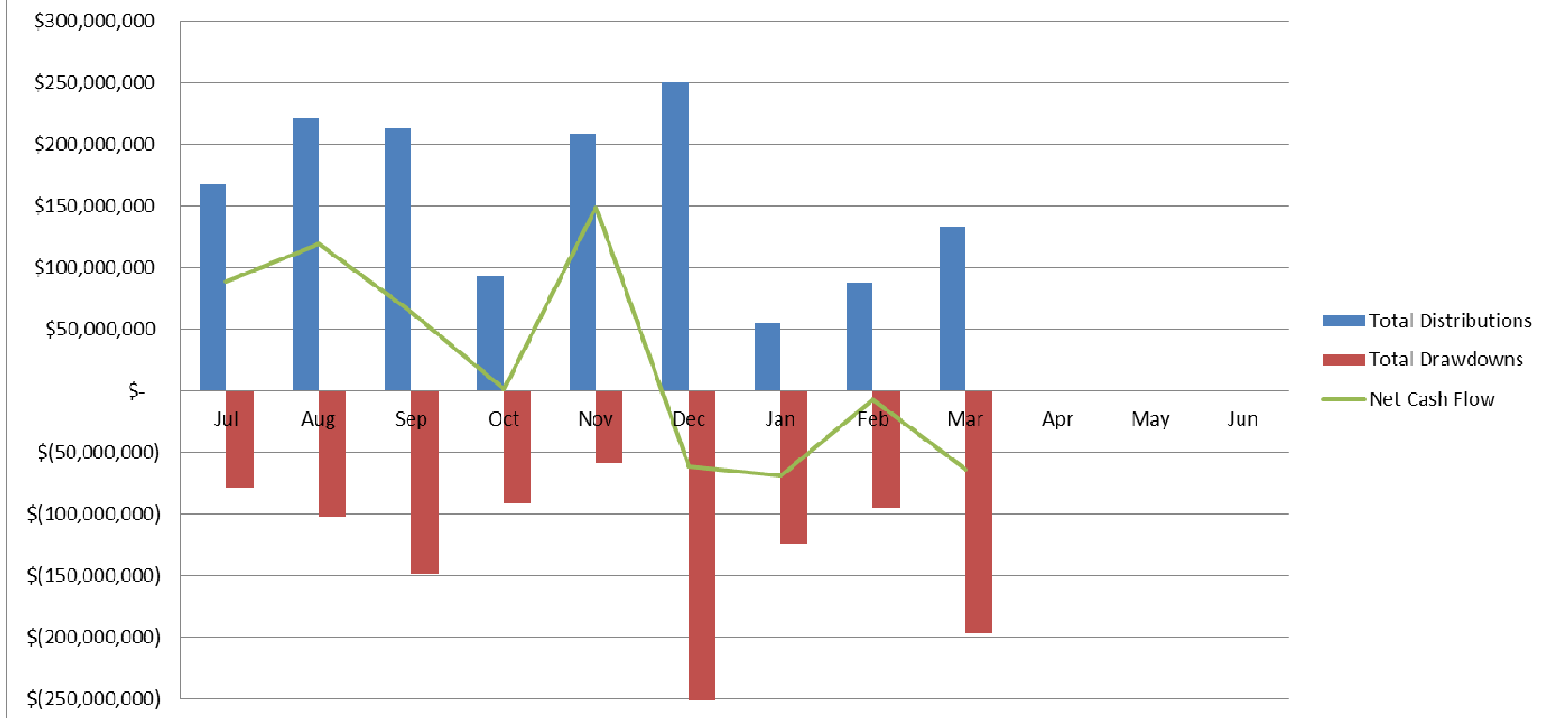
| Asset Class    | Market Value           | Unfunded Commitment    | Total                   |
|----------------|------------------------|------------------------|-------------------------|
| Private Equity | \$4,598,713,134        | \$3,181,453,347        | \$7,780,166,481         |
| Resource       | \$1,215,340,540        | \$1,070,351,935        | \$2,285,692,475         |
| Yield-Oriented | \$758,631,269          | \$908,614,534          | \$1,667,245,803         |
| Real Estate    | \$586,077,776          | \$518,765,374          | \$1,104,843,150         |
| <b>Total</b>   | <b>\$7,158,762,719</b> | <b>\$5,679,185,190</b> | <b>\$12,837,947,909</b> |

Alternatives Portfolio:

- 12.4% of Combined Funds (by MV) as of 03/31/2016
- 12.2% of Combined Funds (by MV) as of 12/31/2015



## Alternative Investments Cash Flow Analysis Fiscal Year 2016



| Fiscal Year to Date Cash Flows |                           |                         |                       |
|--------------------------------|---------------------------|-------------------------|-----------------------|
|                                | Capital Calls             | Distributions           | Net Cash Flow         |
| Private Equity                 | \$ (734,714,153)          | \$ 1,077,453,741        | \$ 342,739,588        |
| Resource*                      | \$ (271,620,857)          | \$ 89,798,514           | \$ (181,822,342)      |
| Yield-Oriented                 | \$ (144,197,048)          | \$ 112,955,815          | \$ (31,241,233)       |
| Real Estate                    | \$ (56,517,395)           | \$ 149,271,943          | \$ 92,754,548         |
| <b>Total</b>                   | <b>\$ (1,207,049,453)</b> | <b>\$ 1,429,480,013</b> | <b>\$ 222,430,560</b> |
| *Includes Merit Energy         |                           |                         |                       |

# Investment Recommendations

- ✓ One existing Private Equity manager
- ✓ One new Real Estate manager
- ✓ One new Private Credit manager

# IK VIII Fund, LP

- ▶ IK was founded in 1989
- ▶ 7 prior funds
- ▶ Investment Strategy
  - Nordics, DACH, France and Benelux
  - Lower-middle-market companies
  - Sector focus:
    - Business Services
    - Consumer Goods
    - Industrial / Engineering
    - Healthcare
  - Growth / Buy-and-Build approach



## IK VIII Fund, LP

- ▶ Experienced, diverse, and motivated team
- ▶ Strategy provides unique geographic & size exposure in Europe to SBI's portfolio
- ▶ Strong track record
- ▶ Staff recommends a commitment of up to €150 million to IK VIII Fund, LP



## Rockwood Capital Real Estate Partners Fund X, L.P.

- ▶ Rockwood Capital was founded in 1995
- ▶ Invested over \$18 billion of gross asset value since inception\*
- ▶ Investment Strategy
  - Mix of assets
  - Active asset management
  - Speed to Income approach

\*As of December 2015

## Rockwood Capital Real Estate Partners Fund X, L.P.

- ▶ Senior team members have been investing together since Fund VI
- ▶ Solid relative performance through multiple cycles
- ▶ Staff recommends a commitment of up to \$100 million to Rockwood Capital Real Estate Partners Fund X



# LBC Credit Partners IV, LP

- ▶ LBC was founded in 2005
- ▶ Invested over 3.5 billion through 3 Private Credit funds\*
- ▶ Investment Strategy
  - Originate high yielding loans to middle market companies
  - Invests across industry sectors and throughout capital structure with focus on senior loans
  - Generate current income to investors

\*As of September 2015

## LBC Credit Partners IV, LP

- ▶ Headquartered out of Philadelphia
- ▶ Stable team with the original partners still in place
- ▶ Strong track record
- ▶ Staff recommends a commitment of up to \$100 million to LBC Credit Partners IV, LP

