

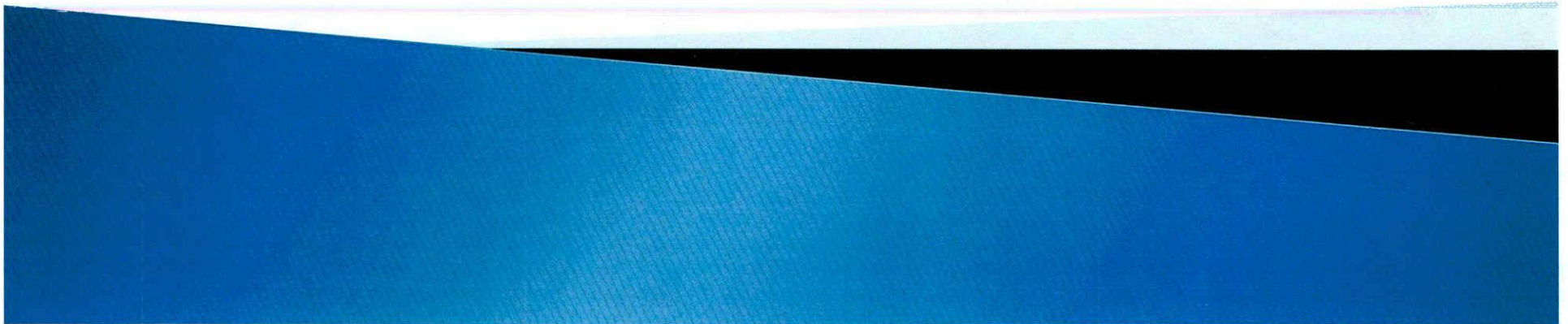
2Q2015 IAC Meeting Materials

IAC Meeting – August 18, 2015

Alternative Investment Program Presentation



Alternative Investments Program Update and Recommendations



Agenda

- ▶ Program Update
- ▶ Recommendations for New Investments
 - Warburg Pincus, an existing Private Equity manager
 - Summit, an existing Private Equity manager
 - Audax, an existing Yield-Oriented manager
 - Brookfield, a new Private Equity manager
 - Thomas H. Lee, a new Private Equity manager
 - TPG, a new Private Equity manager

Alternative Investments Program Update

As of June 30, 2015

Alternative Investments Portfolio

as of June 30, 2015

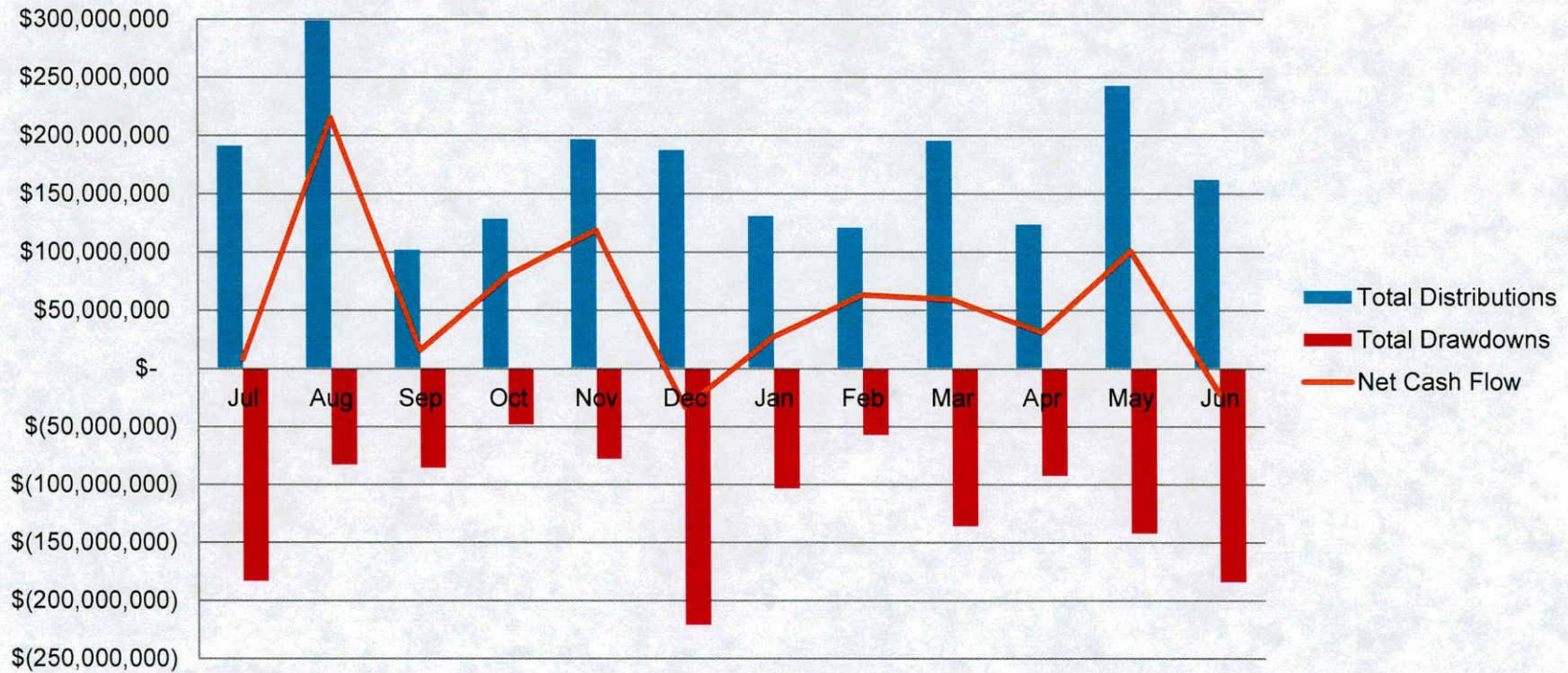
	Current Level	Target Level	Difference
Market Value (MV)	\$7,346,306,576	\$12,024,996,314	\$4,678,689,738
MV + Unfunded	\$12,343,229,207	\$21,043,743,549	\$8,700,514,342

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,677,169,639	\$2,708,375,806	\$7,385,545,445
Resource	\$1,245,195,139	\$1,114,845,692	\$2,360,040,831
Yield-Oriented	\$780,456,669	\$890,124,889	\$1,670,581,558
Real Estate	\$643,485,129	\$283,576,244	\$927,061,373
Total	\$7,346,306,576	\$4,996,922,631	\$12,343,229,207

Alternatives Portfolio:

- 12.2% of Combined Funds (by MV) as of 6/30/2015
- 11.9% of Combined Funds (by MV) as of 3/31/2015

Alternative Investments Cash Flow Analysis Fiscal Year 2015



	Fiscal Year to Date Cash Flows		
	Drawdowns	Distributions	Net Cash Flow
Private Equity	\$ (846,988,218)	\$ 1,217,042,033	\$ 370,053,816
Resource*	\$ (345,328,419)	\$ 384,765,289	\$ 39,436,870
Yield-Oriented	\$ (173,764,664)	\$ 255,428,779	\$ 81,664,116
Real Estate	\$ (47,424,911)	\$ 219,395,731	\$ 171,970,820
Total	\$ (1,413,506,211)	\$ 2,076,631,833	\$ 663,125,622

*Includes Merit Energy

Investment Recommendations

- ✓ Two existing Private Equity managers
- ✓ An existing Yield-Oriented manager
- ✓ Three new Private Equity managers

Warburg Pincus Private Equity XII, L.P.

- ▶ Founded in 1966
- ▶ Headquartered in New York, with seven additional offices and 180 investment professionals worldwide
- ▶ \$57 billion committed across 14 prior funds (11 global funds)
- ▶ Successful leadership transition in 2000
- ▶ Firm led by co-CEOs Chip Kaye and Joe Landy
- ▶ Ownership and economics spread broadly across the firm



Warburg Pincus Private Equity XII, L.P.

▶ Investment Strategy

- Focus on growth investing
- Global platform:
 - 50% - 60% North America
 - 10% - 15% Europe
 - 20% - 35% Asia and Developing Markets
- Five core industries:
 - Healthcare and Consumer
 - Industrial & Business Services
 - Technology, Media and Telecommunications
 - Energy
 - Financial Services

Warburg Pincus Private Equity XII, L.P.

▶ Market Opportunity

- Three Key Themes:
 - Innovation/Technology
 - Growth in Developing Markets
 - Long Term Growth in Energy Markets
- Flexibility to invest across geography, sector and life cycle
- Diverse portfolio insulates against sector or regional downturn



Warburg Pincus Private Equity XII, L.P.

Historical investment performance of Warburg Pincus Funds as of March 31, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Warburg Pincus Ventures	1994	\$2 billion	\$50 million	49.5%	5.2x	Realized
Warburg Pincus Equity Partners	1998	\$5 billion	\$100 million	10.2%	1.6x	Realized
Warburg Pincus VIII	2001	\$5.3 billion	\$100 million	15.1%	2.3x	Realized
Warburg Pincus IX	2005	\$8 billion	\$100 million	10.3%	1.8x	Liquidating
Warburg Pincus X	2007	\$15.1 billion	\$150 million	8.8%	1.5x	Liquidating
Warburg Pincus XI	2012	\$11.2 billion	\$200 million	20.7%	1.3x	Active

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Warburg Pincus.

Warburg Pincus Private Equity XII, L.P.

- ▶ Staff is recommending a commitment to Warburg Pincus Private Equity XII, L.P. of up to \$150 million



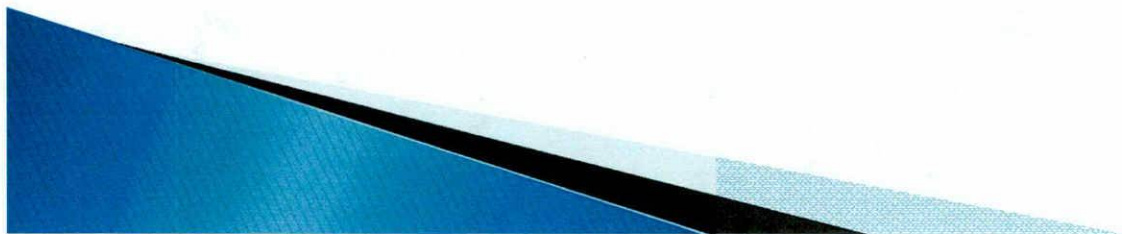
Summit Partners Growth Equity Fund IX, L.P.

- ▶ Founded in 1984
- ▶ Headquartered in Boston, MA
- ▶ Platform focused on Growth Equity, Venture Capital, and Fixed Income
- ▶ 165 employees / 3 locations
- ▶ Organizational changes
- ▶ \$16 billion raised across eighteen prior funds*

*As of April 2015

Summit Partners Growth Equity Fund IX, L.P.

- ▶ Investment Strategy
 - Growth equity investments
 - U.S.-focused
 - Proactive investment origination
 - Investment criteria
 - Terms of investment
 - Portfolio company resources



Summit Partners Growth Equity Fund IX, L.P.

Historical investment performance of Summit Partners Funds as of March 31, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Summit Ventures Fund I	1984	\$86 million	\$10 million	13%	2.0x	Realized
Summit Ventures Fund II	1988	\$203 million	\$30 million	30%	2.6x	Realized
Summit Ventures Fund III	1992	\$231 million	0	63%	3.6x	Realized
Summit Ventures Fund IV	1995	\$542 million	0	101%	7.6x	Realized
Summit Ventures Fund V	1998	\$915 million	\$25 million	8%	1.4x	Liquidating
Summit Ventures Fund VI	2001	\$1.9 billion	0	15%	2.1x	Active
Summit Partners Private Equity Fund VII	2006	\$3.1 billion	0	11%	1.7x	Active
Summit Partners Growth Equity Fund VIII	2012	\$3.0 billion**	\$100 million	11%	1.1x	Investing

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Summit Partners.

**In this instance, Total Invested amount is Total Committed Capital.

Summit Partners Growth Equity Fund IX, L.P.

- ▶ Staff is recommending a commitment to Summit Partners Growth Equity Fund IX, L.P. of up to \$100 million



Audax Mezzanine IV, L.P.

- ▶ Founded in 1999 by Geoffrey Rehnert and Marc Wolpow
- ▶ Headquartered in Boston, MA
- ▶ Platform includes mezzanine debt, senior secured debt, and private equity
- ▶ 80 Investment Professionals / 2 offices
- ▶ \$1.8 billion invested in 80 companies over three prior funds*

*As of 3/31/2015

Audax Mezzanine IV, L.P.

- ▶ Investment Strategy
 - Mezzanine debt and equity in middle market companies
 - North American-focused
 - Private equity-sponsored deals
 - Co-invest equity
 - Diversify portfolio by size and industry



Audax Mezzanine IV, L.P.

- ▶ Market Opportunity
 - Risk / reward profile of mezzanine debt
 - Mergers and acquisitions
 - Recapitalizations
 - Refinancings
 - Regulatory considerations
 - Spreads vs. high yield bonds and treasuries



Audax Mezzanine IV, L.P.

Historical investment performance of the Audax Mezzanine Funds as of March 31, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Audax I	2002	\$440 million	N/A	11.4%	1.4x	Liquidating
Audax II	2006	\$695 million	N/A	8.3%	1.3x	Liquidating
Audax III	2011	\$860 million	\$100 million	8.3%	1.2x	Investing

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Audax.

Audax Mezzanine IV, L.P.

- ▶ Staff is recommending a commitment to Audax Mezzanine Fund IV, L.P. of up to \$100 million



Brookfield Capital Partners IV, L.P.

- ▶ Founded in 1899
- ▶ Headquarters in Toronto and New York
- ▶ 100 year history as an owner and operator of real assets and related businesses
- ▶ 700 investment professionals and 28,000 operating employees
- ▶ 100 regional offices and operating locations around the world
- ▶ Public company listed on NYSE and TSX



Brookfield Capital Partners IV, L.P.

- ▶ Investment Strategy
 - Focus on Real Asset-related businesses
 - Target out-of-favor sectors and distressed opportunities
 - Complicated operational or financial situations
 - Leverage operational knowledge and expertise to add value post acquisition
 - Concentrated portfolio: 10-13 middle market transactions and 1-2 large investments
 - Principal focus on North America; may invest in Europe, Brazil or Australia
 - Brookfield commitment: \$1 billion of \$3.5 billion total fund size

Brookfield Capital Partners IV, L.P.

▶ Market Opportunity

- Strong Capital Markets making traditional buyouts expensive
- BCP avoids high multiples or excessive leverage by:
 - Contrarian approach
 - Focus on operationally intensive businesses
 - Financially complex situations that reduce competition
 - Not focusing on top-line growth
- Real Estate, Infrastructure, Agriculture and Timber platforms provide unique deal flow
- Invest in both public and private companies
- Flexibility to invest in both debt and equity

Brookfield Capital Partners IV, L.P.

Historical investment performance of Brookfield Private Equity Funds as of March 31, 2015:

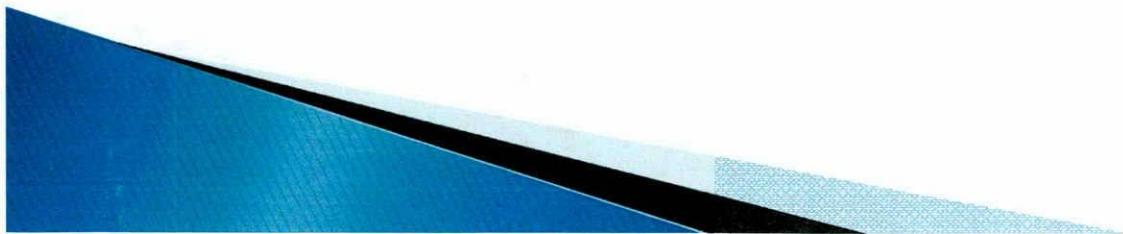
Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
BCP I	2001	C\$416 million	N/A	24.5%	1.9x	Realized
BCP II	2006	C\$1 billion	N/A	15.9%	2.0x	Active
Credit Crisis Consortium**	2009	US \$5.9 billion	N/A	34.5% (gross)	2.4x (gross)	Realized
BCP III	2011	US \$1 billion	N/A	13.5%	1.2x	Active

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Brookfield.

** Some Credit Crisis Consortium investments were not made through fund structures in which any fund expenses, management fees or carried interest were applicable. Therefore a net IRR and net multiple are not available.

Brookfield Capital Partners IV, L.P.

- ▶ Staff is recommending a commitment to Brookfield Capital Partners IV, L.P. of up to \$100 million



Thomas H. Lee Equity Fund VII, L.P.

- ▶ Founded in 1974 by Thomas Lee
- ▶ Headquartered in Boston, MA
- ▶ Platform includes private equity and credit
- ▶ 55 Investment Professionals / 1 office
- ▶ Invested over \$17 billion across six prior funds*

*As of June 2015

Thomas H. Lee Equity Fund VII, L.P.

- ▶ Investment Strategy
 - Buyouts of growth-oriented companies
 - North American-focused
 - Three core sectors
 - Four pillars for building value at portfolio companies



Thomas H. Lee Equity Fund VII, L.P.

Historical investment performance of the Thomas H. Lee Funds as of June 30, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Fund I	1984	\$42 million	N/A	50%	2.6x	Realized
Fund II	1989	\$435 million	N/A	54%	3.4x	Realized
Fund III	1995	\$965 million	N/A	32%	1.9x	Realized
Fund IV	1998	\$3.0 billion	N/A	(3%)	0.9x	Realized
Fund V	2000	\$5.9 billion	N/A	14%	1.7x	Liquidating
Fund VI	2006	\$7.6 billion	N/A	9%	1.6x	Active

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by THL.

Thomas H. Lee Equity Fund VII, L.P.

- ▶ Staff is recommending a commitment to Thomas H. Lee Equity Fund VII, L.P. of up to \$100 million

TPG Partners VII, L.P.

- ▶ Founded in 1993 by David Bonderman and James Coulter
- ▶ Headquartered in San Francisco, CA
- ▶ Global platform includes private equity, private credit, real estate, and public equity
- ▶ 360 Investment Professionals / 17 offices
- ▶ \$59 billion invested in 354 private equity investments*

*As of 6/30/2014

TPG Partners VII, L.P.

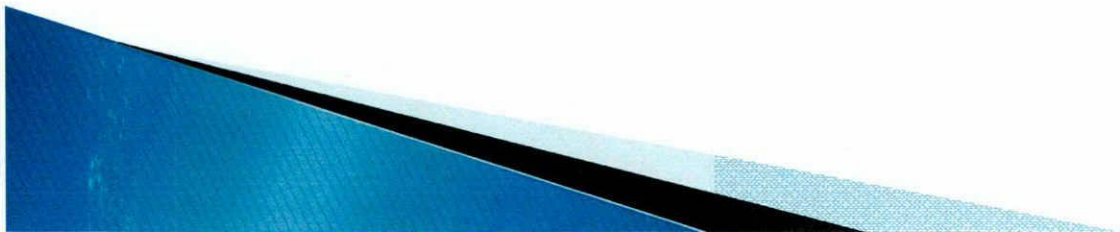
▶ Investment Strategy

- Control-oriented buyouts in upper middle market
- North American-focused
- Top-down approach
- Transaction types:
 - Traditional buyouts
 - Transformational transactions
 - Off the beaten path transactions
- Five core sectors



TPG Partners VII, L.P.

- ▶ Market Opportunity
 - U.S. and European macroeconomic conditions
 - Fewer traditional buyouts
 - Top-down themes



TPG Partners VII, L.P.

Historical investment performance of the TPG Partners Funds as of June 30, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
TPG I	1994	\$696 million	N/A	36%	3.7x	Realized
TPG II	1997	\$2.5 billion	N/A	10%	1.8x	Realized
TPG III	1999	\$3.7 billion	N/A	26%	2.8x	Liquidating
TPG IV	2003	\$6.2 billion	N/A	16%	2.1x	Liquidating
TPG V	2006	\$15.6 billion	N/A	5%	1.4x	Liquidating
TPG VI	2008	\$18.4 billion	N/A	13%	1.6x	Liquidating

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by TPG.

TPG Partners VII, L.P.

- ▶ Staff is recommending a commitment to TPG Partners VII, L.P. of up to \$100 million