

3Q2016 IAC Meeting Materials

IAC Meeting – November 15, 2016

Private Markets Presentation





Private Markets Program Update and Recommendations

November 15, 2016

Agenda

- ▶ Program Update
- ▶ Recommendations for New Investments
 - Merced, an existing Private Equity manager
 - West Street, an existing Private Equity manager
 - GS Vintage, an existing Private Equity manager
 - Lexington, an existing Private Equity manager
 - Dyal, a new Private Equity manager
 - Oak Hill, a new Private Equity manager

Private Markets Program Update

As of September 30, 2016

Private Markets Portfolio

as of September 30, 2016

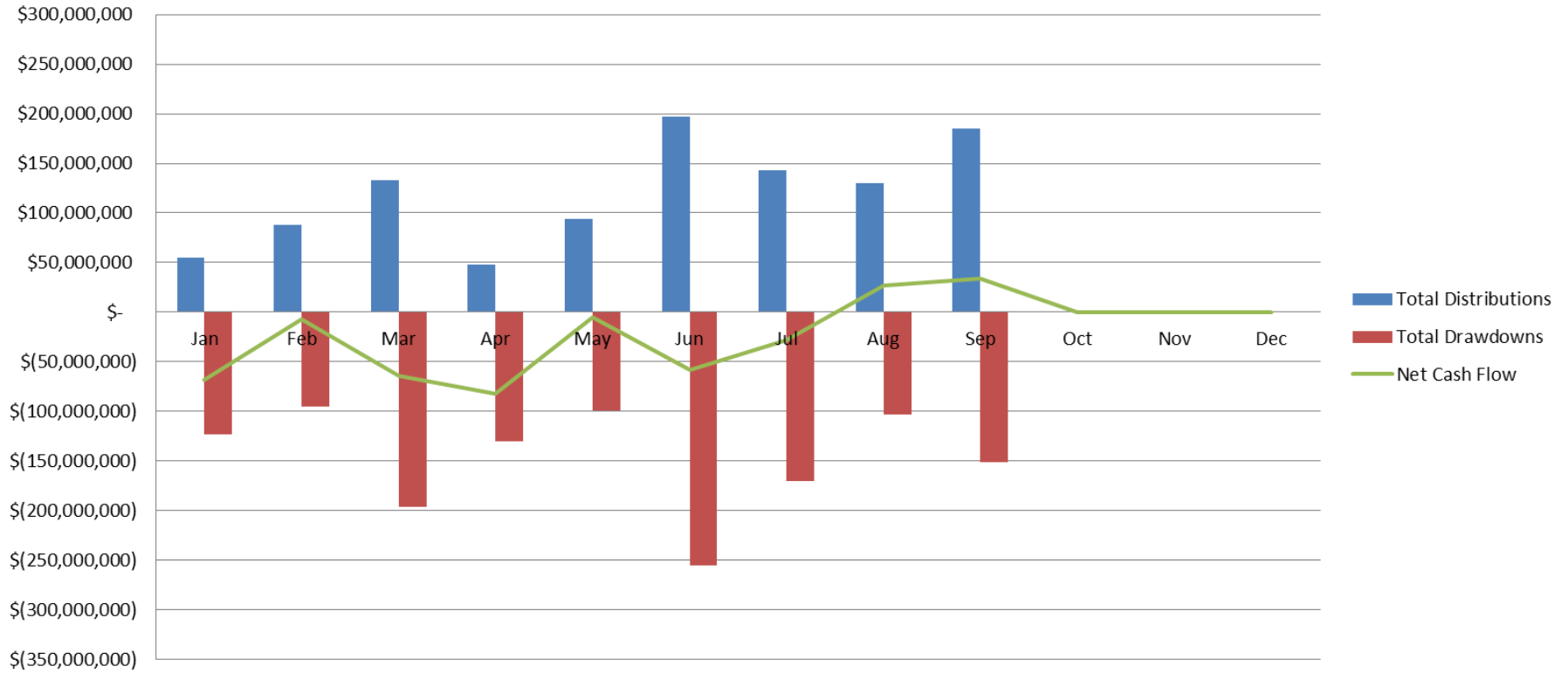
	Current Level	Target Level	Difference
Market Value	\$7,631,536,294	\$11,909,483,365	\$4,277,947,071
MV + Unfunded	\$13,268,922,526	\$20,841,595,890	\$7,572,673,364

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,667,078,227	\$3,460,901,677	\$8,127,979,904
Resource	\$1,379,742,272	\$874,226,161	\$2,253,968,433
Yield-Oriented	\$986,063,310	\$773,421,970	\$1,759,485,280
Real Estate	\$598,652,485	\$528,836,424	\$1,127,488,909
Total	\$7,631,536,294	\$5,637,386,232	\$13,268,922,526

Private Markets Portfolio:

- 12.8% of Combined Funds (by MV) as of 09/30/2016
- 12.6% of Combined Funds (by MV) as of 06/30/2016

Alternative Investments Cash Flow Analysis Calendar Year 2016



Calendar Year to Date Cash Flows			
	Drawdowns	Distributions	Net Cash Flow
Private Equity	\$ (544,069,442)	\$ 670,250,362	\$ 126,180,920
Credit	\$ (145,627,036)	\$ 99,440,762	\$ (46,186,274)
Resource*	\$ (519,081,447)	\$ 143,174,379	\$ (375,907,068)
Real Estate	\$ (115,701,174)	\$ 160,054,416	\$ 44,353,242
Total	\$ (1,324,479,099)	\$ 1,072,919,919	\$ (251,559,180)

* Includes Merit Energy

Investment Recommendations

- ✓ Four existing Private Equity managers
- ✓ Two new Private Equity managers

Merced Capital Partners V, LP

- ▶ Merced Capital Partners was formed in 1988
- ▶ Investment Strategy
 - Opportunistic Strategy with focus on downside protection
 - Invest in their six core sectors:
 - Credit, Real Estate, Insurance, Equipment, Lending
Operating Interest
- ▶ Merced's differentiating factors
 - Size of investments
 - Focus on downside
 - Niche Investments

Merced Capital Partners V, LP

- ▶ SBI has invested in three prior funds
- ▶ Fund V will be managed by seven partners
- ▶ Staff recommends a commitment of up to \$100 million to Merced Partners V, LP

West Street Capital Partners VII

- ▶ Merchant Banking Division within Goldman Sachs
- ▶ Invested over \$60 billion since inception*
- ▶ Investment Strategy
 - Value orientation
 - Domain expertise
 - Company building
 - Global network

*As of June 2016

West Street Capital Partners VII

- ▶ Extensive network of global professionals
- ▶ Superb performance through multiple cycles
- ▶ Existing partner
- ▶ Staff recommends a commitment of up to \$150 million to West Street Capital Partners VII

Goldman Sachs Vintage VII

- ▶ \$5 billion fund size
- ▶ Investment Management Division
- ▶ \$21 billion invested
- ▶ Investment Strategy
 - Limited Partner Secondaries
 - Portfolio Carve-outs
 - Single Interests
 - Direct Secondaries/Special Situations
 - Fund Restructurings
 - Team Spin-Outs
 - Management Company Stakes

Goldman Sachs Vintage VII

- ▶ Differentiated approach to secondaries
- ▶ Extensive network of global professionals
- ▶ Performance through multiple cycles
- ▶ Staff recommends a commitment of up to \$100 million to Goldman Sachs Vintage VII

Lexington Middle Market Investors IV

- ▶ \$2 billion fund size
- ▶ Global Secondaries, Middle Market Secondaries, Co-Investment Funds
- ▶ Total Firm committed capital: \$34 billion
- ▶ 25 years of experience
- ▶ Secondaries Investment Strategy
 - Enterprise values under \$1 billion
 - 50% unfunded
 - Sponsor reputation

Lexington Middle Market Investors IV

- ▶ Lower middle market exposure
- ▶ Consistent performance
- ▶ Experienced and cohesive team
- ▶ Existing partner
- ▶ Staff recommends a commitment of up to \$100 million to Lexington Middle Market Investors IV

Dyal Capital Partners III, LP

- ▶ Dyal Capital Partners is part of the Neuberger Berman Private Equity Platform
- ▶ Dyal has raised \$3.4 Billion across two funds pursuing similar strategy
- ▶ Investment Strategy:
 - Acquire minority interests in high quality, established Private Equity firms
 - Three streams of income:
 - Management Fees
 - Balance Sheet investments
 - Carried Interest

Dyal Capital Partners III, LP

- ▶ Team is experienced in executing minority transactions with asset managers
- ▶ Access to high quality managers with very compelling business models
- ▶ Investments in Private Equity GPs generate significant current yield
- ▶ Unique opportunity to assemble a portfolio of this caliber
- ▶ Staff recommends a commitment of up to \$175 million to Dyal Capital Partners III

Oak Hill Capital Partners IV

- ▶ Firm has roots dating back to 1986
- ▶ Invested over \$8 billion since inception*
- ▶ Investment Strategy
 - Theme-based investing
 - Value creation roadmap
 - Alignment of interest

*As of June 2016

Oak Hill Capital Partners IV

- ▶ Experienced and cohesive team
- ▶ Strong relative performance across multiple cycles
- ▶ Staff recommends a commitment of up to \$150 million to Oak Hill Capital Partners IV

