

4Q2015 IAC Meeting Materials

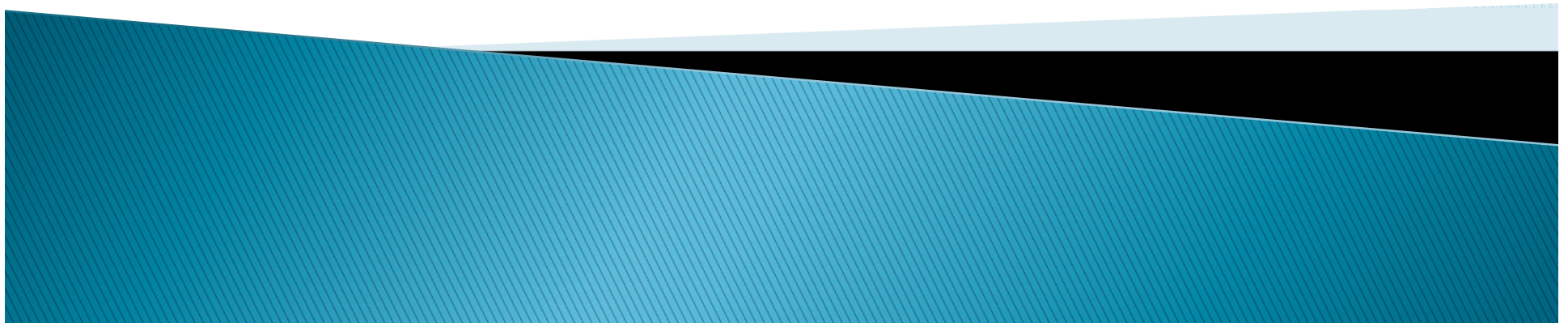
IAC Meeting – February 16, 2016

Private Markets Presentation



Alternative Investments Program Update and Recommendations

February 16, 2016



Agenda

- ▶ Program Update
- ▶ Recommendations for New Investments
 - Apax Partners, an existing Private Equity manager
 - Leonard Green, an existing Private Equity manager
 - Strategic Partners, an existing Private Equity manager
 - Angelo, Gordon & Co., a new Real Estate manager
 - Carlyle Strategic Partners, a new Private Equity manager
 - Rockpoint Group, a new Real Estate manager



Alternative Investments Program Update

As of December 31, 2015

Alternative Investments Portfolio

as of December 31, 2015

	Current Level	Target Level	Difference
Market Value (MV)	\$7,050,005,112	\$11,574,748,669	\$4,524,743,557
MV + Unfunded	\$12,130,465,240	\$20,255,810,171	\$8,125,344,931

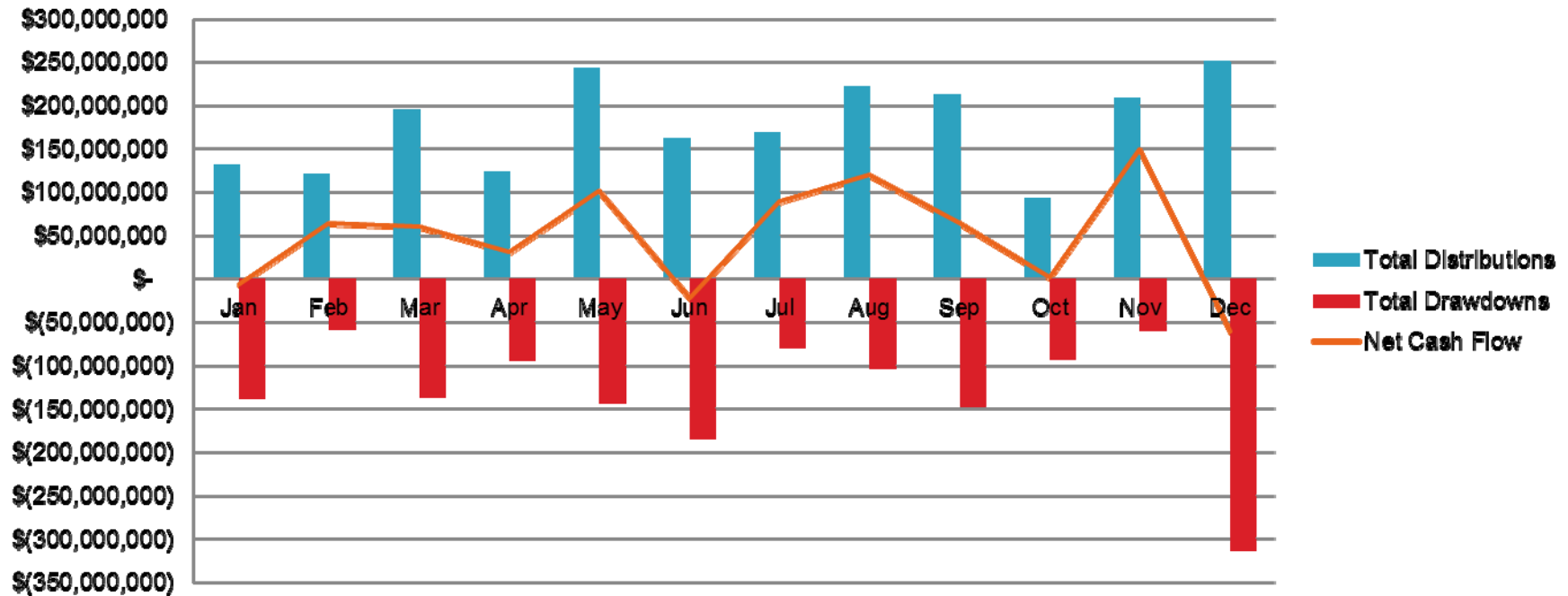
Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,448,899,754	\$2,790,200,018	\$7,239,099,772
Resource	\$1,226,576,963	\$1,059,057,999	\$2,285,634,962
Yield-Oriented	\$759,370,775	\$890,940,156	\$1,650,310,931
Real Estate	\$615,157,621	\$340,261,954	\$955,419,575
Total	\$7,050,005,113	\$5,080,460,127	\$12,130,465,240

Alternatives Portfolio:

- 12.2% of Combined Funds (by MV) as of 12/31/2015
- 12.9% of Combined Funds (by MV) as of 9/30/2015



Alternative Investments Cash Flow Analysis Calendar Year 2015



Fiscal Year to Date Cash Flows			
	Drawdowns	Distributions	Net Cash Flow
Private Equity	\$ (953,056,195)	\$ 1,537,245,064	\$ 584,188,869
Resource*	\$ (295,049,962)	\$ 167,755,860	\$ (127,294,102)
Yield-Oriented	\$ (248,911,063)	\$ 235,931,470	\$ (12,979,593)
Real Estate	\$ (44,144,549)	\$ 187,369,251	\$ 143,224,701
Total	\$ (1,541,161,769)	\$ 2,128,301,645	\$ 587,139,876
*Includes Merit Energy			

Investment Recommendations

- ✓ Three existing Private Equity managers
- ✓ Two new Real Estate managers
- ✓ A new Private Equity manager

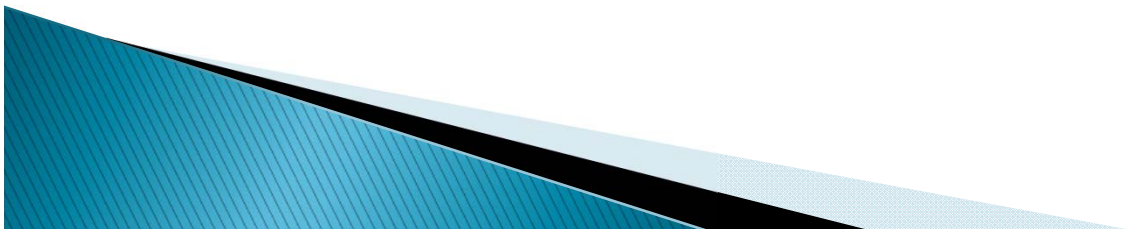
Apax IX

- Apax has 30+ year history of investing across all investment stages
- Firm has transitioned over time to focus on global buyouts
- Three key pillars to the Apax strategy:
 - Sector focus on Tech & Telco, Services, Healthcare and Consumer, combined with a strong Digital practice
 - Geographic flexibility: no fixed allocation between Europe and North America
 - Transformational Ownership: Apax seeks to add value by supporting operational change



Apax IX

- SBI invested in Apax VIII
- Large, experienced team
- Global mandate diversifies SBI portfolio
- Strong performance
- Staff is recommending a commitment of up to \$150 million to Apax IX



Green Equity Investors VII, L.P.

- ▶ Leonard Green & Partners was founded in 1989
- ▶ Invested over \$12 billion across six prior Private Equity funds*
- ▶ Investment Strategy
 - Seek market-leading franchises
 - Target firms with attractive growth prospects
 - Partner with proven management teams

*As of September 2015

Green Equity Investors VII, L.P.

- ▶ The SBI has invested in one prior LGP fund
- ▶ Stable, deep, and experienced team
- ▶ Strong track record
- ▶ Staff recommends a commitment of up to \$150 million to Green Equity Investors VII



Blackstone Strategic Partners VII, L.P.

- ▶ Strategic Partners was founded in 2000
- ▶ Invested over \$17 billion across six prior Secondary Private Equity funds*
- ▶ Investment Strategy
 - Seeks mature, high-quality funds
 - Focus on buyouts funds with secondary interest in mezzanine, venture capital, distressed securities
 - Primarily purchases portfolios vs focusing on individual funds

*As of September 2015

Blackstone Strategic Partners VII, L.P.

- ▶ The SBI has invested in all six prior funds
- ▶ Stable, deep, and experienced team
- ▶ Strong track record
- ▶ Staff recommends a commitment of up to \$150 million to Blackstone Strategic Partners VII



AG Realty Fund IX, L.P.

- ▶ Angelo, Gordon & Co. was founded in 1988
- ▶ Invested over \$8 billion across eighteen prior core and opportunistic funds*
- ▶ Investment strategy
 - Seek to purchase sub-performing and distressed real estate assets
 - Experienced team and local operating partners will look to reposition and stabilize properties

*As of September 2015

AG Realty Fund IX, L.P.

- ▶ Stable, deep, and experienced team
- ▶ Strong track record
- ▶ Staff is recommending a commitment of up to \$100 million to AG Realty Fund IX



Carlyle Strategic Partners IV, L.P.

- The Carlyle Group was founded in 1987 by David Rubenstein, William Conway and Daniel D'Aniello
- Carlyle has raised three prior distressed funds since 2003
- Focus on middle market companies in financial, operational or cyclical distress, primarily in the U.S. and Europe
- CSP targets situations where the firm can gain control via restructuring
- Carlyle network provides access to unique opportunities
- Carlyle's reputation helps position CSP as an attractive buyer

Carlyle Strategic Partners IV, L.P.

- SBI has not previously invested with The Carlyle Group
- Skilled team that benefits from Carlyle platform
- Strong track record
- Staff is recommending a commitment of up to \$100 million to Carlyle Strategic Partners IV



Rockpoint Real Estate Fund V, L.P.

- Rockpoint Group was founded in 2003
- Rockpoint has invested approximately \$6 billion through five prior opportunistic funds
- Primary focus on major coastal cities in the United States
- Fund will invest across asset classes, with emphasis on office, multi-family, and hospitality
- Rockpoint seeks to create value via property-level improvements, re-leasing, and repositioning of assets



Rockpoint Real Estate Fund V, L.P.

- SBI has not previously invested with Rockpoint Group
- Stable, experienced team
- Strong track record
- Staff is recommending a commitment of up to \$100 million to Rockpoint Real Estate Fund V

