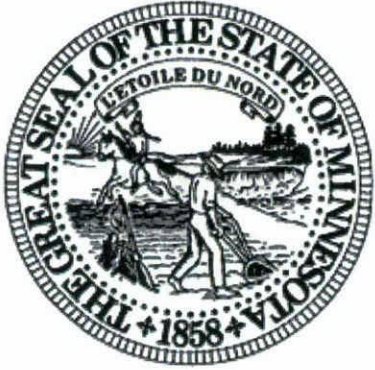


1Q2015 IAC Meeting Materials

IAC Meeting – May 19 2015

Alternative Investment Program Presentation

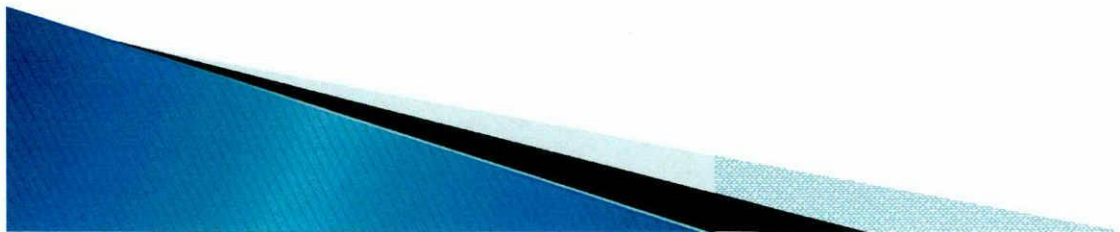


Alternative Investments Program Update and Recommendations

Nate Blumenshine
Ryan Hill
Andrew Krech
Jon Stacy

Agenda

- ▶ Program Update
- ▶ Recommendations for New Investments
 - TA Realty, an existing Real Estate manager
 - CarVal Investors, an existing Private Equity manager
 - Blackstone, an existing Private Equity manager
 - EnerVest, a new Resource manager



Alternative Investments Program Update

As of March 31, 2015

Alternative Investments Portfolio

as of March 31, 2015

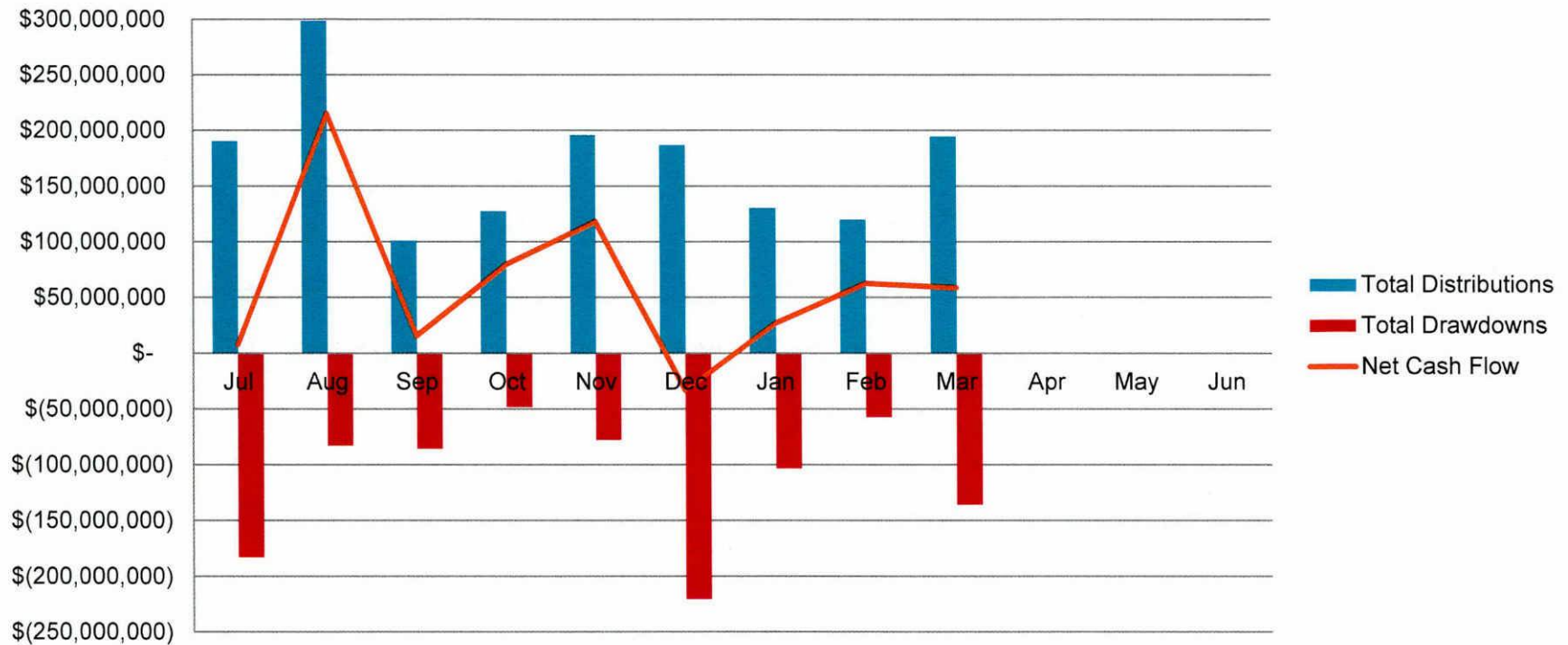
	Current Level	Target Level	Difference
Market Value (MV)	\$7,196,165,427	\$12,086,436,357	\$4,890,270,930
MV +Unfunded	\$12,006,889,019	\$21,151,263,624	\$9,144,374,605

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,488,817,103	\$2,758,214,630	\$7,247,031,733
Real Estate	\$630,929,724	\$125,209,769	\$756,139,493
Resource	\$1,321,873,352	\$1,018,732,625	\$2,340,605,977
Yield-Oriented	\$754,545,248	\$908,566,568	\$1,663,111,816
Total	\$7,196,165,427	\$4,810,723,592	\$12,006,889,019

Alternatives Portfolio:

- 11.9% of Combined Funds (by MV) as of 3/31/2015
- 12.6% of Combined Funds (by MV) as of 12/31/2014

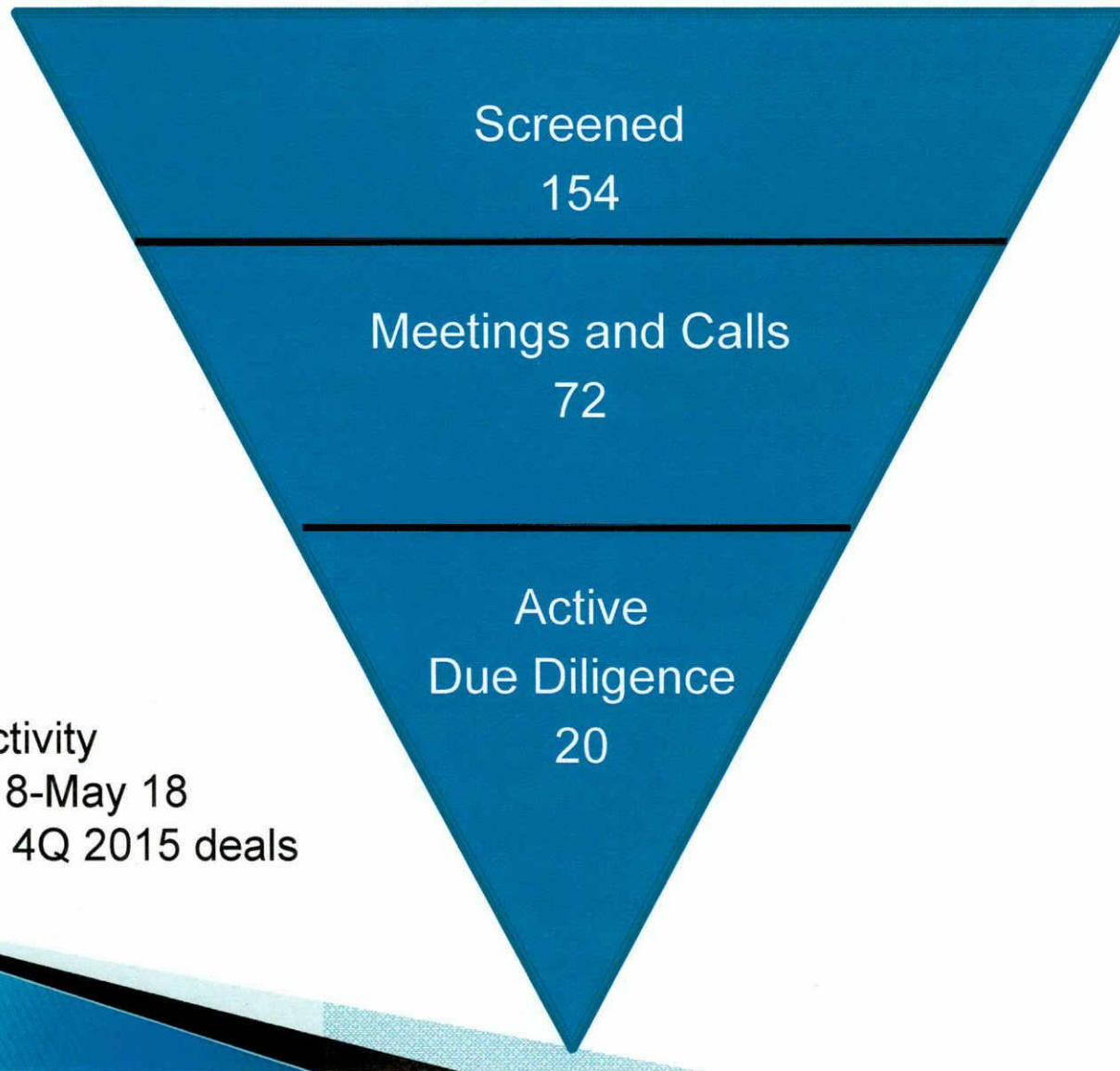
Alternative Investments Cash Flow Analysis Fiscal Year 2015



	Fiscal Year to Date Cash Flows		
	Capital Calls	Distributions	Net Cash Flow
Private Equity	\$ (441,233,119)	\$ 591,578,374	\$ 150,345,256
Yield-Oriented	\$ (45,557,942)	\$ 116,062,040	\$ 70,504,098
Resource*	\$ (173,857,735)	\$ 272,094,957	\$ 98,237,222
Real Estate	\$ (37,873,559)	\$ 123,088,895	\$ 85,215,336
Total	\$ (698,522,355)	\$ 1,102,824,266	\$ 404,301,911

*Includes Merit Energy

Alternative Investments Pipeline



Pipeline Activity
from Feb.18-May 18
for 3Q and 4Q 2015 deals

Investment Recommendations

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

The Realty Associates Fund XI, L.P.

▶ Investment Strategy

- Value investor focused on creating a diversified portfolio of properties while minimizing downside risk
- Invest in four property types: Industrial, Office, Multifamily, and Retail
- Acquire a balance of assets that provide current income and assets that deliver a value-add component
- Hands-on asset management in executing the business plan for each property to ensure each asset has multiple disposition options

▶ Market Opportunity

- The real estate market has improved in recent years, but attractive opportunities are still available
- TA will purchase assets that are priced below replacement cost coupled with another favorable characteristic
 - For example, a distressed owner or in-place rents that are below market levels

▶ Organizational Update

- In October 2014, a majority stake was sold to Rockefeller Group International, Inc. (“RGI”), a wholly-owned subsidiary of Mitsubishi Estate Co., Ltd. (“MEC”)



The Realty Associates Fund XI, L.P.

Historical investment performance of TA Realty funds as of December 31, 2014:

Fund	Inception Date	Total Invested (millions)	SBI Investment (millions)	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Advent Realty L.P.	1987	\$164	\$0	2.4%	1.2	Realized
Advent Realty II L.P.	1990	\$333	\$0	11.6%	2.1	Realized
Realty Associates Fund III	1994	\$488	\$40	10.9%	2.1	Realized
Realty Associates Fund IV	1996	\$450	\$50	12.8%	2.2	Realized
Realty Associates Fund V	1999	\$563	\$50	10.3%	1.8	Realized
Realty Associates Fund VI	2002	\$739	\$50	8.6%	1.5	Realized
Realty Associates Fund VII	2004	\$917	\$75	0.5%	1.0	Liquidating
Realty Associates Fund VIII	2006	\$1,742	\$100	-2.7%	0.8	Active
Realty Associates Fund IX	2008	\$1,493	\$100	10.8%	1.4	Active
Realty Associates Fund X	2012	\$1,562	\$100	12.7%	1.1	Active

* Net IRR and Multiple of Invested Capital (MOIC) were provided by TA Realty. Data for Funds I-VI is actual through fund liquidation. Data for Funds VII-X assumes a theoretical liquidation of the portfolios at 12/31/14 values. Funds VII-IX are immature and, therefore, returns may not be indicative of future results.

The Realty Associates Fund XI, L.P.


- ▶ Staff is recommending a commitment to The Realty Associates Fund XI, L.P. of up to \$100 million



Blackstone Capital Partners VII, L.P.

- ▶ Founded in 1984 by Stephen A. Schwarzman
- ▶ Headquartered in New York, NY
- ▶ 125 Investment Professionals / 18 offices
- ▶ 12 Principals
- ▶ \$43 billion invested in 191 portfolio companies over six prior funds*

*As of 9/30/2014



Blackstone Capital Partners VII, L.P.

- ▶ Investment Strategy
 - Control-oriented buyouts
 - Global, multi-sector fund structure
 - Flexible, opportunistic approach
 - Transaction types:
 - Large buyouts
 - Mid-cap buyouts
 - Buy & build
 - Growth equity / development projects
 - Thematic and sector-based deal sourcing
 - Value-creation



Blackstone Capital Partners VII, L.P.

- ▶ Market Opportunity
 - Operating intervention
 - Growth / buy and build
 - Supply of capital vs. demand
 - Cyclical opportunities



Blackstone Capital Partners VII, L.P.

Historical investment performance of the Blackstone Capital 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	1987	\$679 million	N/A	19%	1.9x	Realized
BCP II	1993	\$1.3 billion	\$47 million	32%	2.1x	Realized
BCP III	1997	\$4.0 billion	N/A	14%	1.9x	Realized
BCP IV	2002	\$7.5 billion	\$70 million	37%	2.7x	Liquidating
BCP V	2006	\$20.1 billion	\$140 million	8%	1.7x	Active
BCP VI	2011	\$8.3 billion	\$100 million	12%	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 State Street.

Blackstone Capital Partners VII, L.P.

- ▶ Staff is recommending a commitment to Blackstone Capital Partners VII, L.P. of up to \$150 million



CarVal Credit Value Fund III, L.P.

- ▶ Founded by Cargill in 1987
- ▶ Headquartered in Minneapolis, MN
- ▶ 65 Investment Professionals / 7 offices
- ▶ 10 Senior Leaders and 17 Managing Directors
- ▶ \$71 billion invested in approximately 4,700 transactions over five prior funds*

*As of 6/30/2014

CarVal Credit Value Fund III, L.P.

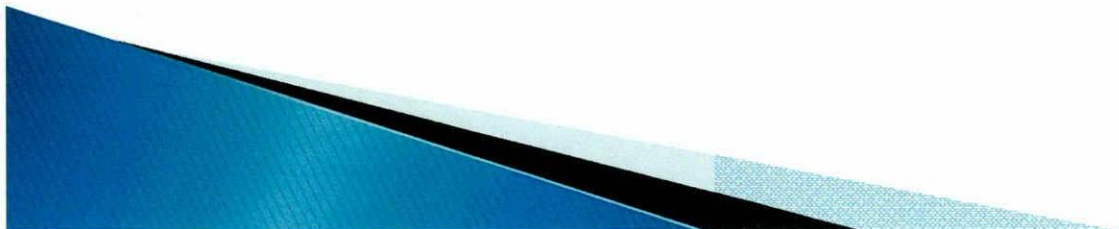
▶ Investment Strategy

- Opportunistic, global
- Multiple asset classes
 - Loan portfolios: consumer, residential, small business
 - Liquidations: claims against defaulted borrowers
 - Corporate securities: high-yield, leveraged loans, hard assets
 - Structured credit: ABS, RMBS, CMBS



CarVal Credit Value Fund III, L.P.

- ▶ Market Opportunity
 - Post-crisis reform
 - European economic conditions
 - Commodity prices
 - Quantitative easing tapering



CarVal Credit Value Fund III, L.P.

Historical investment performance of the Credit Value Funds as of March 31, 2015:

Fund	Inception Date	Total Invested	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
CVF I	2010	\$813 million	\$100 million	20%	2.0x	Liquidating
CVF II	2012	\$2.2 billion	\$150 million	10%	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 State Street.

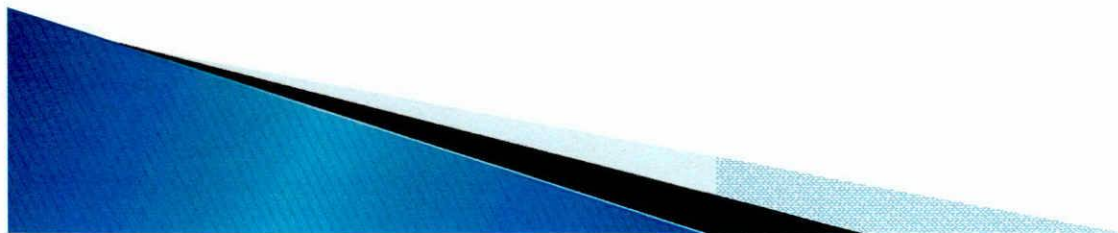
CarVal Credit Value Fund III, L.P.

- ▶ Staff is recommending a commitment to CarVal Credit Value Fund III, L.P. of up to \$150 million



EnerVest Energy Institutional Fund XIV-A, L.P.

- EnerVest acquires and operates onshore oil and gas properties in North America
- Largest upstream operating GP in the United States, managing 28,000 wells in 15 states
- Focus on properties with proved developed production (PDP) base of 60%
- Upside from development of non-producing reserves
- EnerVest has been more natural gas and NGL focused than other operating GPs in the SBI portfolio



EnerVest Energy Institutional Fund XIV-A, L.P.

- Investment Program:
 - 10-15 core investments
 - 60% PDP with significant drilling upside
 - Diversification across at least 4 onshore U.S. basins
 - Seek to be a top 10 producer in each basin
 - Targeted production mix of approximately 60% natural gas, 15% NGLs, 25% oil
 - Core investments of \$100 million to \$500 million
 - Leverage for Fund XIV-A capped at 45%
 - Production will be hedged
 - Limit of 90% for maximum of 5 years

EnerVest Energy Institutional Fund XIV-A, L.P.

Historical investment performance EnerVest Funds as of December 31, 2014:

Fund	Inception Date	Total Invested (millions)	SBI Investment (millions)	Net IRR from Inception*	Net MOIC from Inception*	Fund Status
Single Investor Partnerships	1994	\$382	\$0	26%	2.0x	Realized
EnerVest, L.P	1998	\$196	\$0	15%	1.7x	Realized
EnerVest IX	2001	\$239	\$0	69%	8.0x	Realized
EnerVest X	2005	\$647	\$0	8%	1.5x	Liquidating
EnerVest XI	2007	\$1,485	\$0	19%	2.4x	Liquidating
EnerVest XII	2010	\$2,400	\$0	7%	1.2x	Liquidating
EnerVest XIII	2012	\$3,300	\$0	N/A	N/A	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 EnerVest.

EnerVest Energy Institutional Fund XIV-A, L.P.

- ▶ Staff is recommending a commitment to EnerVest Fund XIV-A of \$100 million

