

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

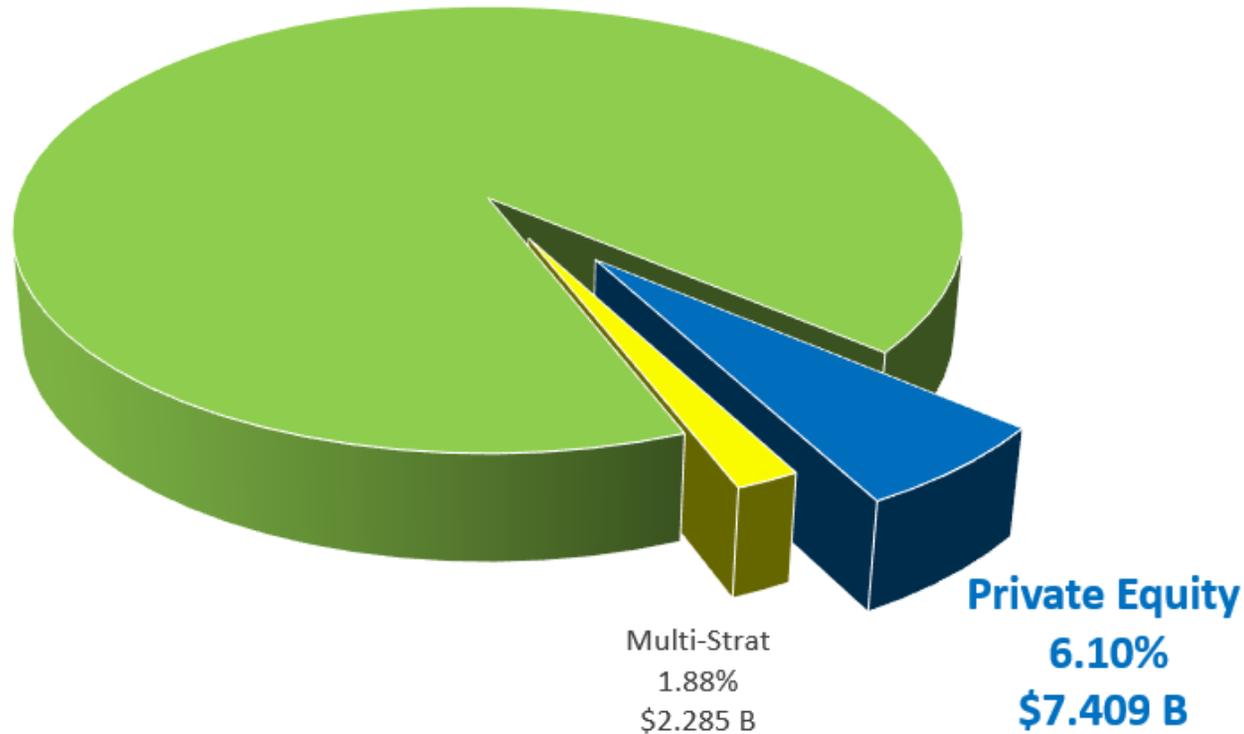
Private Equity Update

August 25th, 2021



Statutory Allocation

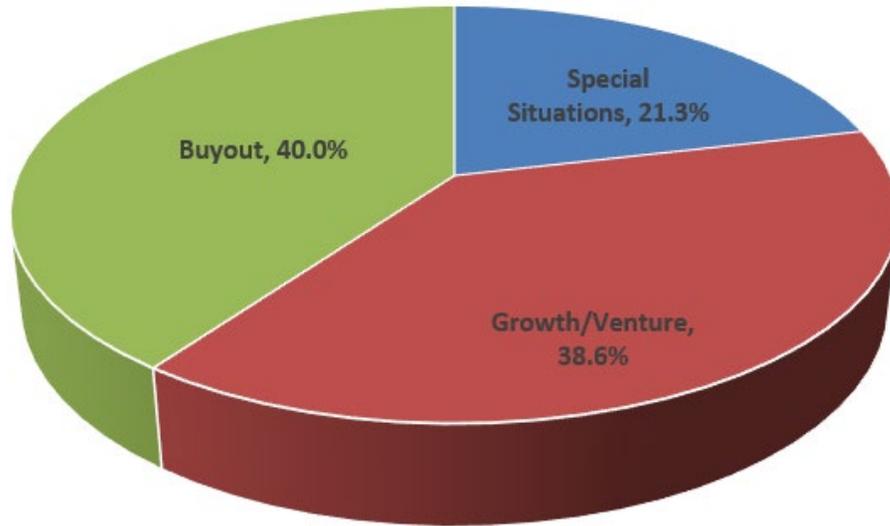
Allocation as of 6/30/21



- Private Equity + Multi-Strat = 7.99% → below 8.75% Legislative cap
- Private Equity = 6.10% → above Policy Target of 6%



Private Equity Composition*



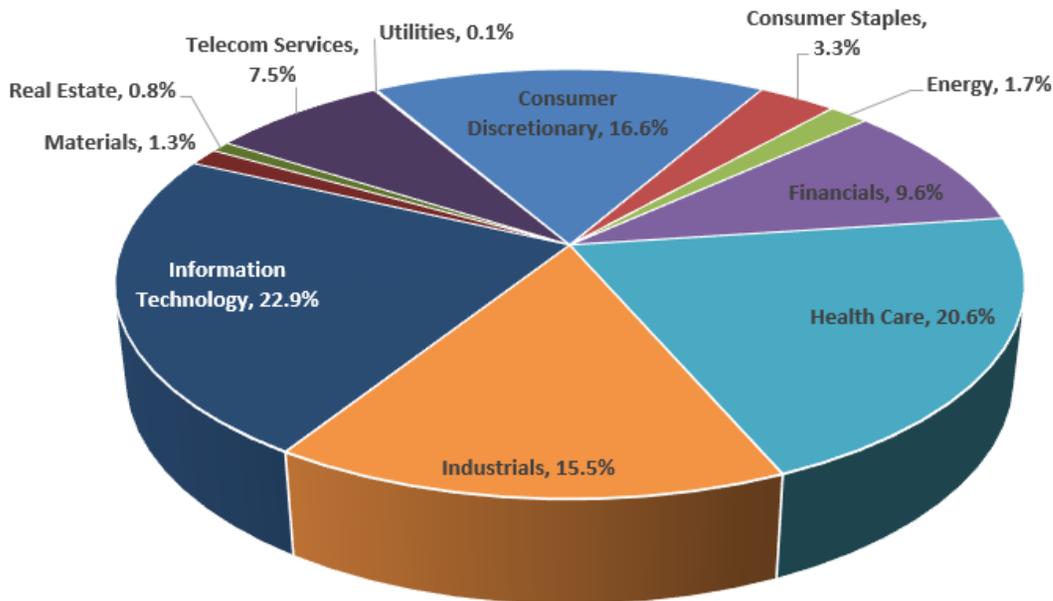
Policy Relative to Actual Portfolio Weights					
Strategy	# of Funds	Policy Range			Actual (3/31/2021)
		MIN	TARGET	MAX	% of FMV*
Buyout	40	35%	50%	65%	40.0%
Growth/Venture	32	10%	20%	30%	38.6%
Special Situations	19	15%	30%	45%	21.3%
Fund of Funds	10	-	-	-	-
TOTAL	101				100%

*Data includes Fund of Funds' underlying exposure (as of 3/31/21 or most recently reported)

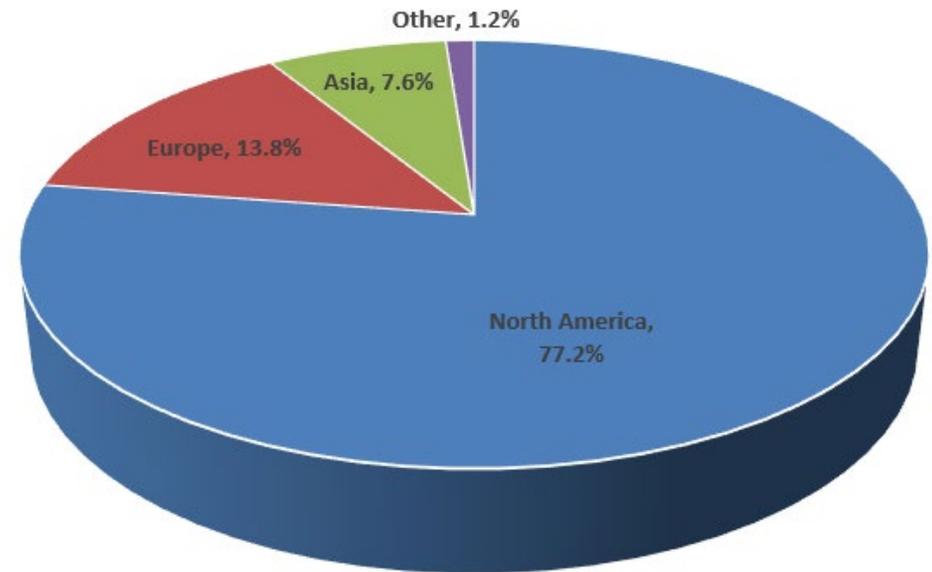


Private Equity Composition

GICS Industry Allocation*



Geographic Allocation*



*Data includes Fund of Funds' underlying exposure (as of 3/31/2021 or most recently reported)



Performance

Private Equity Portfolio <i>Net of Fees as of March 31, 2021*</i>	<i>USD in Millions</i>		
	<i>Since Inception</i>	<i>Vintage '88 to '09</i>	<i>Vintage '10 to Present</i>
Number of Funds	149	98	51
Called Capital	\$10,811.1	\$5,508.5	\$5,302.5
Distributed Capital	\$10,137.1	\$7,064.3	\$3,072.8
DPI	0.94x	1.28x	0.58x
Residual Value	\$7,719.7	\$1,120.6	\$6,599.1
Total Value	\$17,856.8	\$8,184.9	\$9,671.9
TVPI	1.65x	1.49x	1.82x
Gain/(Loss)	\$7,045.7	\$2,676.4	\$4,369.4
IRR	10.70%	7.68%	18.90%
K&S PME			
S&P 500	0.97x	0.91x	1.11x
Russell 3000	0.97x	0.91x	1.11x
MSCI ACWI	1.06x	0.99x	1.19x

* Data as of 3/31/2021 or most recent available



Performance

	Market Value (\$000)	Month	3 Month	Fiscal YTD	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
June 2021												
Private Equity	7,409,284	1.85	15.53	58.54	30.73	58.54	22.08	18.35	14.96	13.47	10.82	7.54
Benchmark ³		(5.44)	7.26	45.72	22.88	45.72	16.28	14.33	11.67	11.79	10.89	10.51
June 2020												
Private Equity	5,342,116	(1.62)	(5.44)	2.35	(1.99)	2.35	10.10	8.84	10.25	9.90	8.85	2.78
Benchmark ³		(5.75)	(9.40)	(0.75)	(4.92)	(0.75)	7.05	6.94	8.48	9.65	9.84	7.91
June 2017												
Private Equity	4,825,353	0.36	2.81	9.73	5.21	9.73	7.85	9.43	9.82	6.45	6.22	7.00
Benchmark ³		0.22	2.67	9.25	4.72	9.25	6.60	9.71	10.78	7.67	10.60	12.62

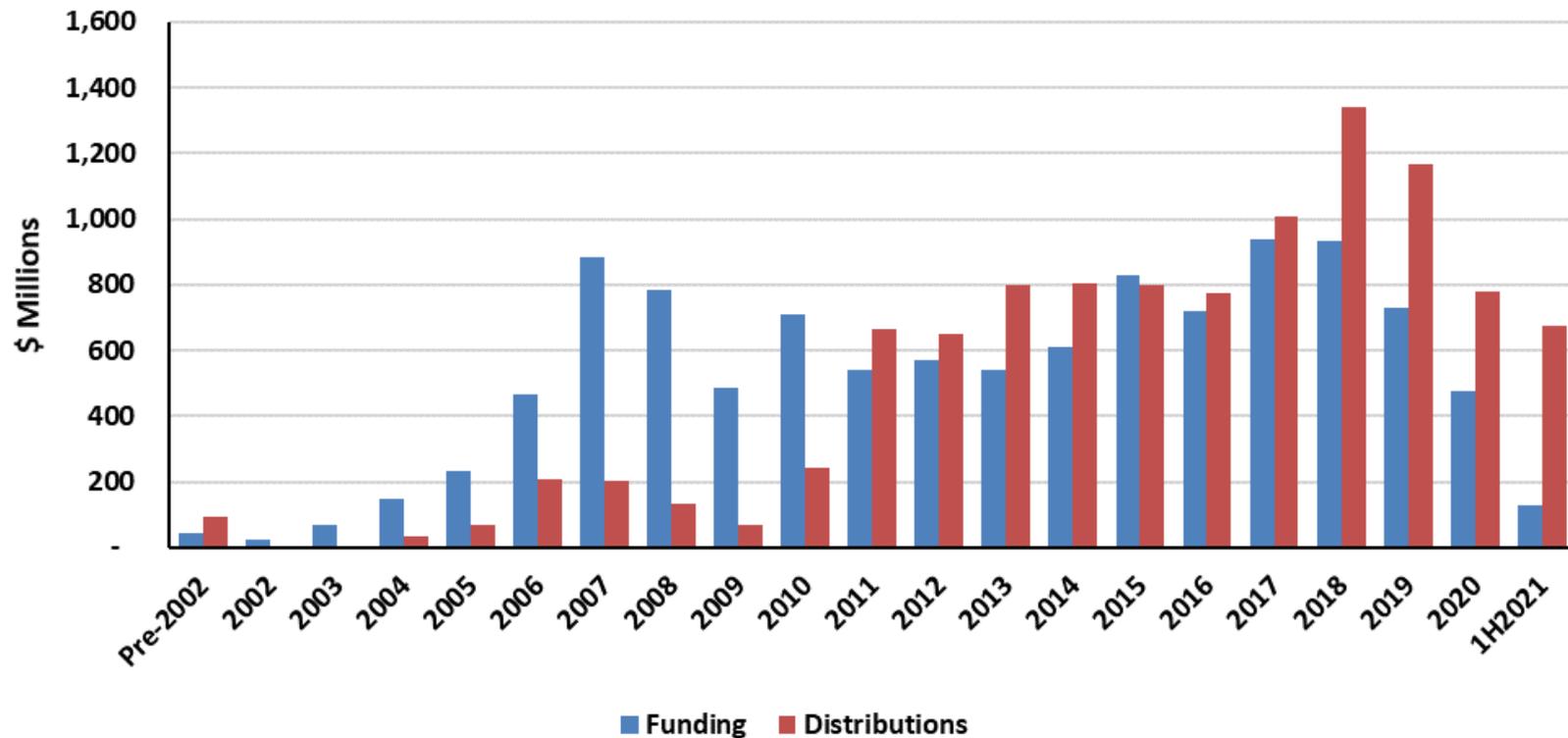
3. The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Distressed.



Private Equity Cash Flow Detail

- 9 out of the last 10 calendar years, distributions have exceeded funding
- 2021 is on track to continue this trend

Private Equity Cashflows
by Calendar Year





Private Equity Co-investment Detail

Investment	Investment Date	Committed (\$ mm's)	Committed %	Invested (\$ mm's)	Industry	Geography	Projected Hold (years)	Base Case		Mar-20 MOIC	Mar-21 MOIC	Potential Total Savings (\$ mm's)		
								IRR	MOIC			Mgmt Fee	Carry	Total
1	6/30/2018	\$38	13.3%	\$37.4	Fin Services	USA	5	16.4%	2.4x	1.0x	1.4x	\$3.7	\$9.8	\$13.5
2	9/30/2018	\$40	14.0%	\$40	Ent Software	USA	5	19.4%	2.2x	1.0x	1.2x	\$4.0	\$8.8	\$12.8
3	1/31/2019	\$39.3	13.7%	\$25.8	Secondary	N Europe	5	18.1%	2.2x	1.07x	1.2x	\$2.0	\$4.4	\$6.4
4	2/28/2019	\$38.6	13.5%	\$38.6	Social Media	Asia	2	37.6%	2.8x	1.37x	1.9x	\$1.5	\$13.6	\$15.1
5	3/31/2019	\$113.5	39.6%	\$113.5	Industrials	N America	4	20.6%	2.1x	1.0x	2.1x	\$9.1	\$22.5	\$31.6
6	7/12/2019	\$17	5.9%	\$17	Technology	Europe	3	23.0%	2.5x	1.27x	2.x	\$1.0	\$4.9	\$5.9
TOTAL		\$286.4	100%	\$272				22.0%	2.3x	1.07x	1.7x	\$21.3	\$64.0	\$85.3

Note 1: Total IRR is a weighted average of the investment IRRs.

Note 2: Fee structure assumes a 2% Mgmt Fee and 20% GP Carry / Secondary assumption 1% & 10%

as of 1Q21
IRR = 30.33%

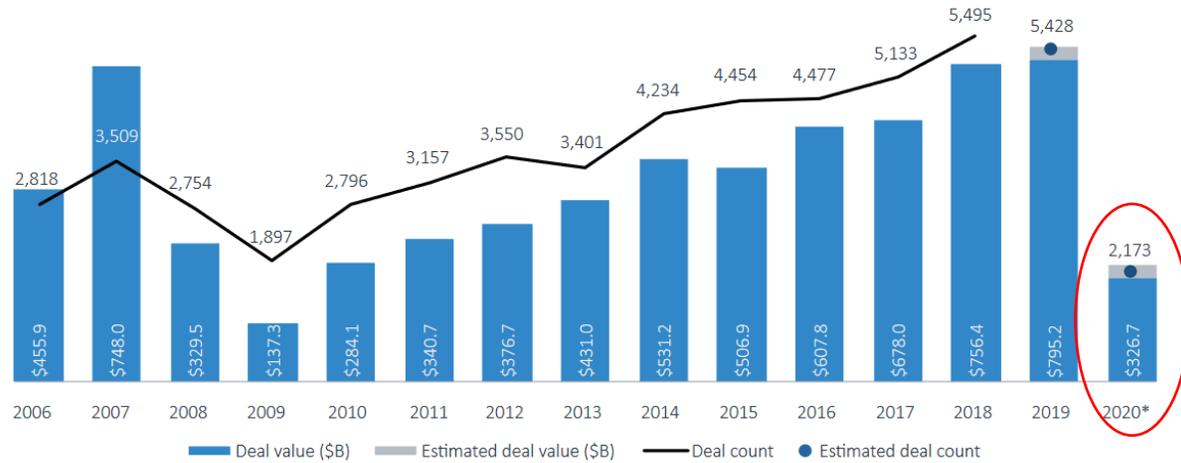
Estimated total savings as of 1Q21:

Management Fees	\$15 MM
Carried Interest	\$39 MM
Total	\$54 MM

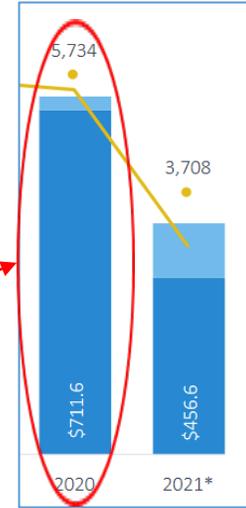


Post Covid Market Activity – 12 Months Later

PE deal activity

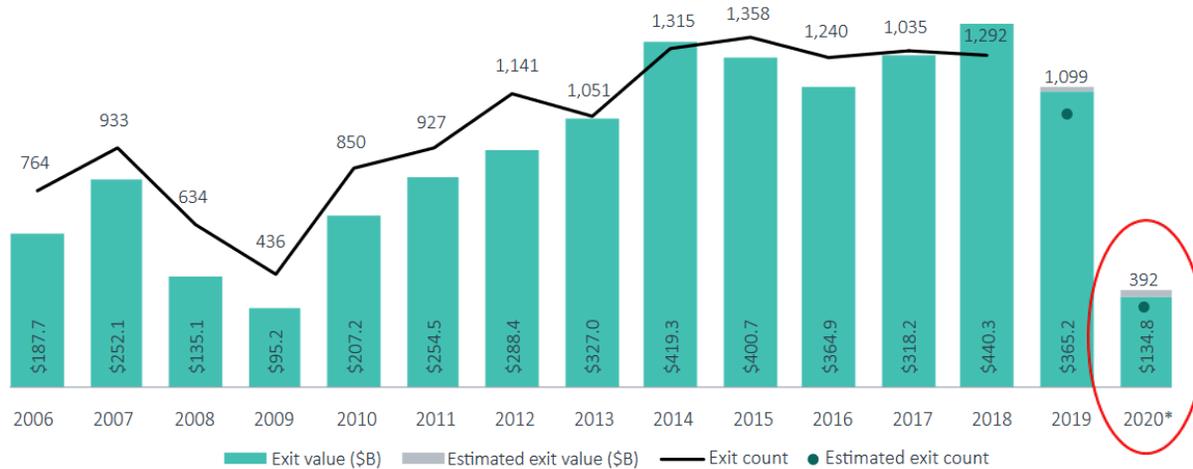


Source: PitchBook Data, Inc. | Geography: US
As of June 30, 2020



Source: PitchBook Data, Inc. | Geography: US
*As of June 30, 2021

PE exit activity



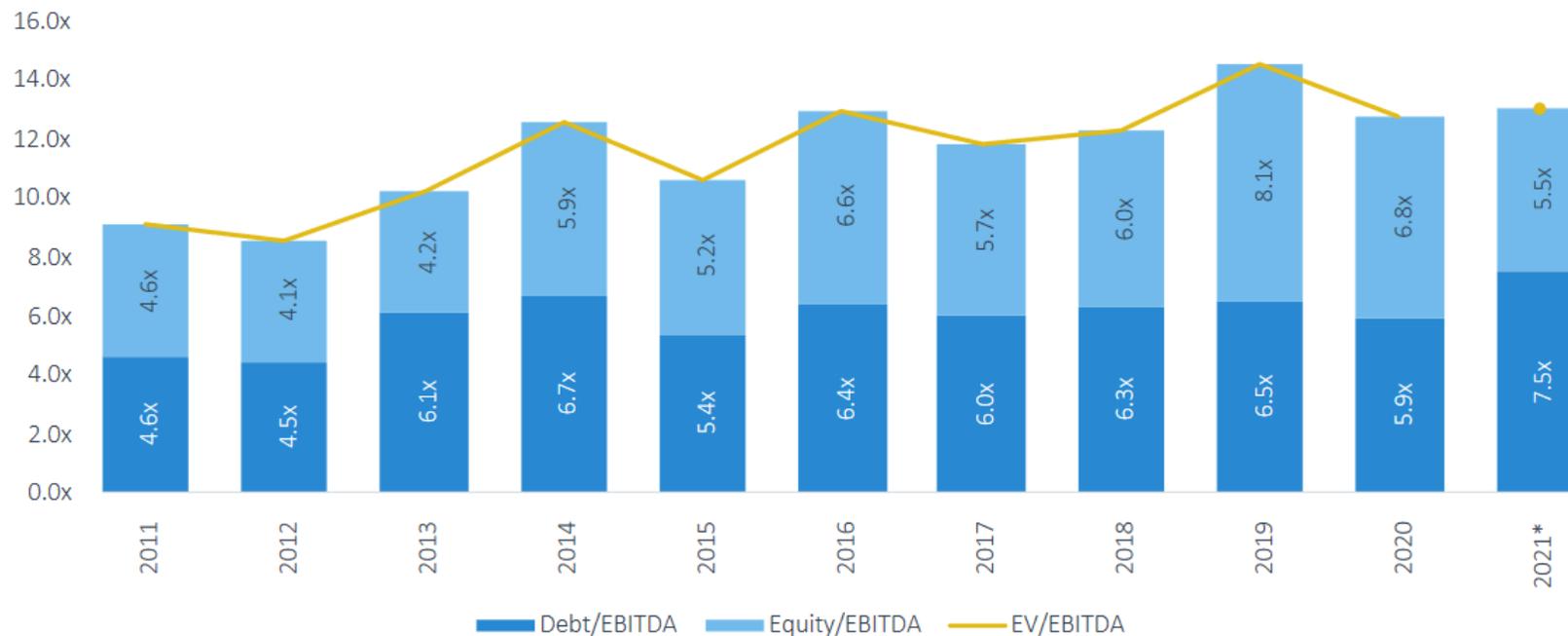
Source: PitchBook Data, Inc. | Geography: US
As of June 30, 2020





Market Trends – Buyout Pricing

Median PE buyout EV/EBITDA multiples



Source: PitchBook Data, Inc. | Geography: US
*As of June 30, 2021



Private Equity Opportunities

1. Secondaries & Structured Transactions

- Landmark Partners – NCL III (Primary, Overflow and Opportunistic)
- Attractive Risk Adjusted Returns

2. Co-Investments

- Landmark Partners – NCL III Opportunistic
- Add a Second Co-Investment SMA

3. Future Primary Commitments

- Focus on existing high conviction managers with co-investment opportunities
 - ✓ Averages down cost basis
 - ✓ Use scale for preferred terms and fees
 - ✓ Feeds NCL III Opportunistic Investments