

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

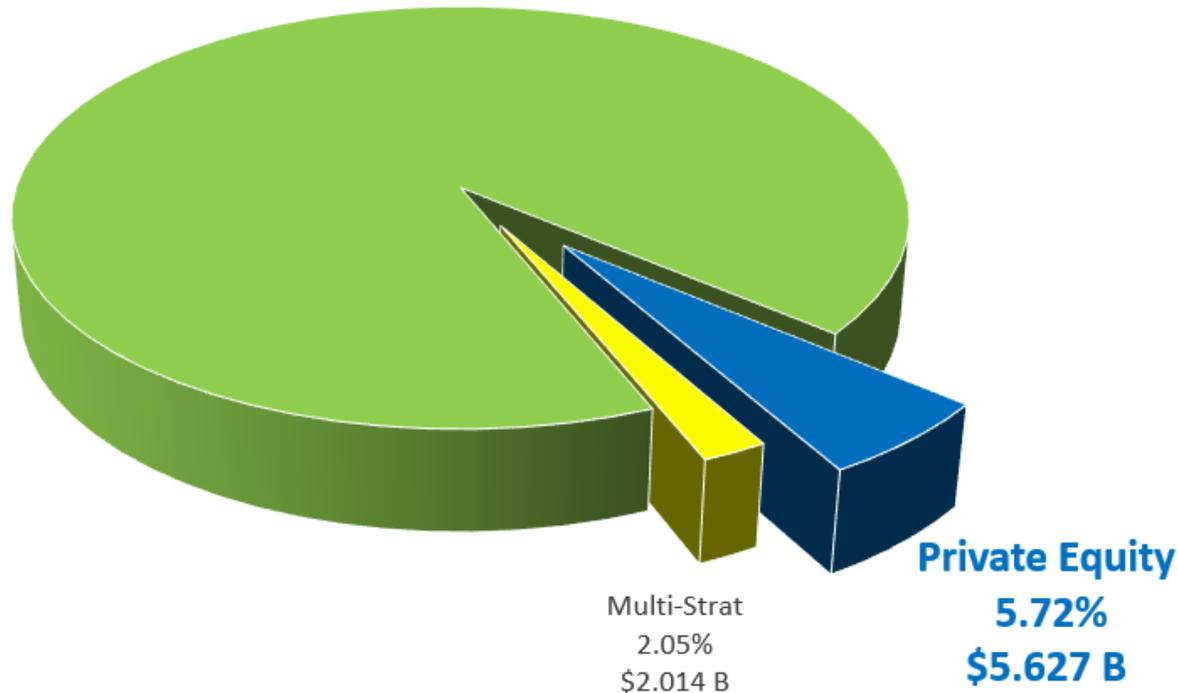
Private Equity Update

August 19th 2020



Statutory Allocation

Allocation as of 3/31/20



- Private Equity + Multi-Strat = 7.77% → below 8.75% Legislative cap
- Private Equity = 5.72% → below Policy Target of 6%



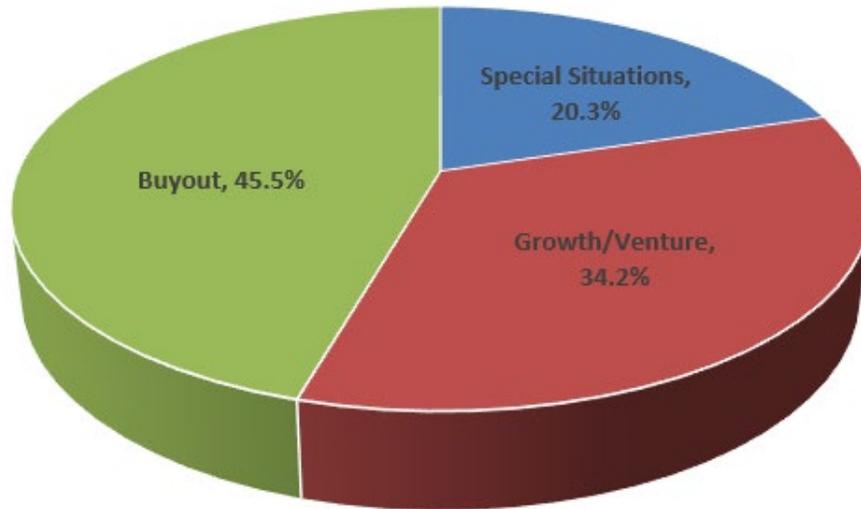
Performance

Private Equity Portfolio <i>Net of Fees as of March 31, 2020 or latest available</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	\$10,434.1	\$5,481.6	\$4,952.5
Distributed Capital	\$9,211.2	\$6,766.1	\$2,445.1
DPI	0.88x	1.23x	0.39x
Residual Value	\$5,318.7	\$894.0	\$4,424.7
Total Value	\$14,529.8	\$7,660.0	\$6,869.8
TVPI	1.39x	1.40x	1.38x
Gain/(Loss)	\$4,095.7	\$2,178.4	\$1,917.3
IRR	8.35%	6.93%	12.86%
K&S PME			
S&P 500	0.97x	0.91x	1.12x
Russell 3000	0.98x	0.91x	1.14x
MSCI ACWI	1.06x	0.99x	1.19x

Note: Data as of 3/31/2020 or most recently reported



Private Equity Composition



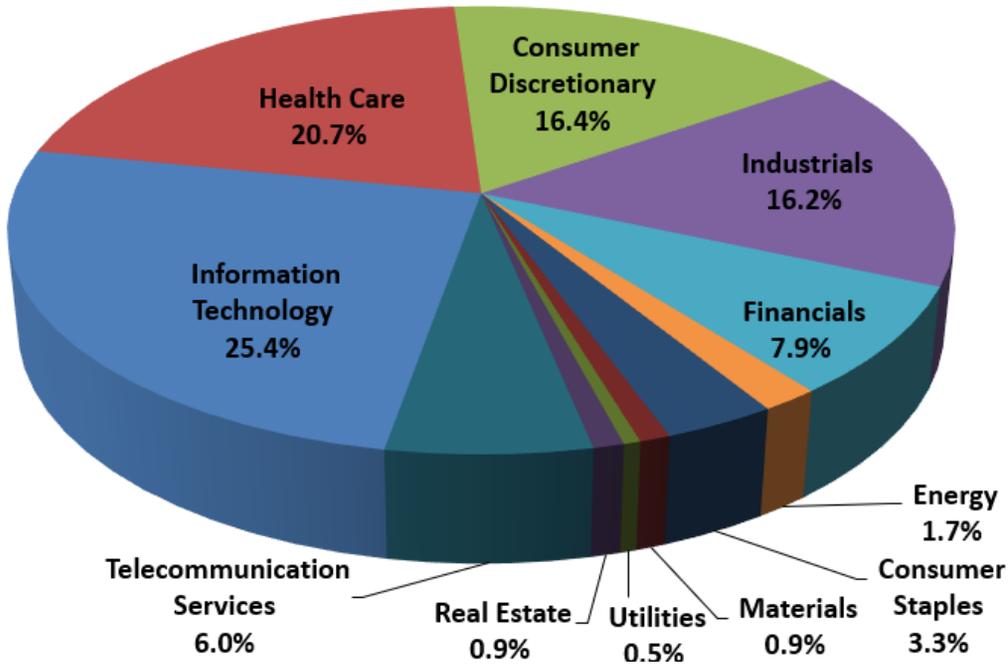
Policy Relative to Actual Portfolio Weights					
Strategy	# of Funds	Policy Range			Actual (3/31/2020)
		MIN	TARGET	MAX	% of FMV*
Buyout	40	35%	50%	65%	45.5%
Growth/Venture	39	10%	20%	30%	34.2%
Special Situations	19	15%	30%	45%	20.3%
Fund of Funds	11	-	-	-	-
TOTAL	109				100%

*Data includes Fund of Funds' underlying exposure as of or cash flowed to 3/31/20

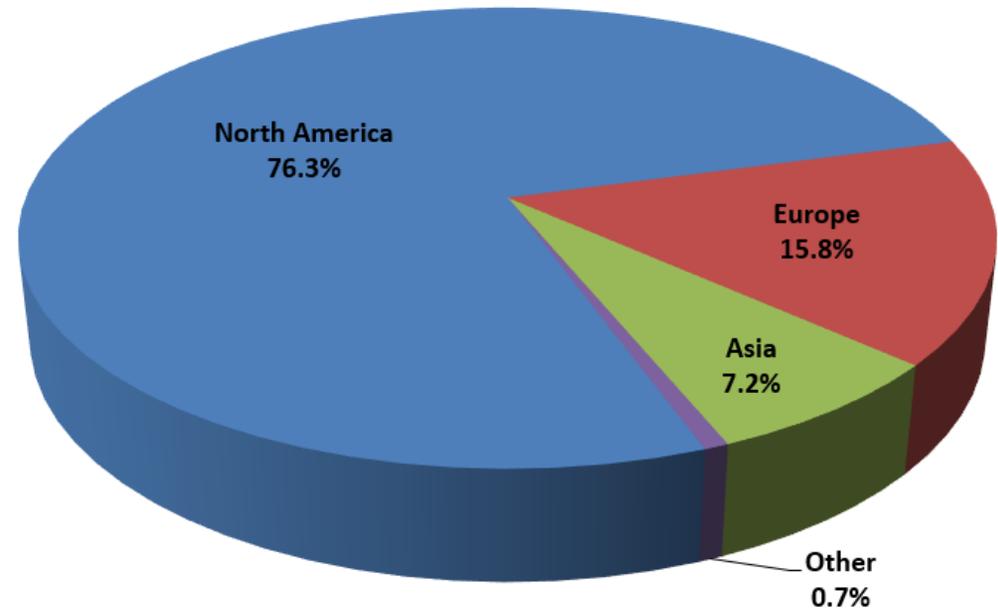


Private Equity Composition

GICS Industry Allocation*



Geographic Allocation*

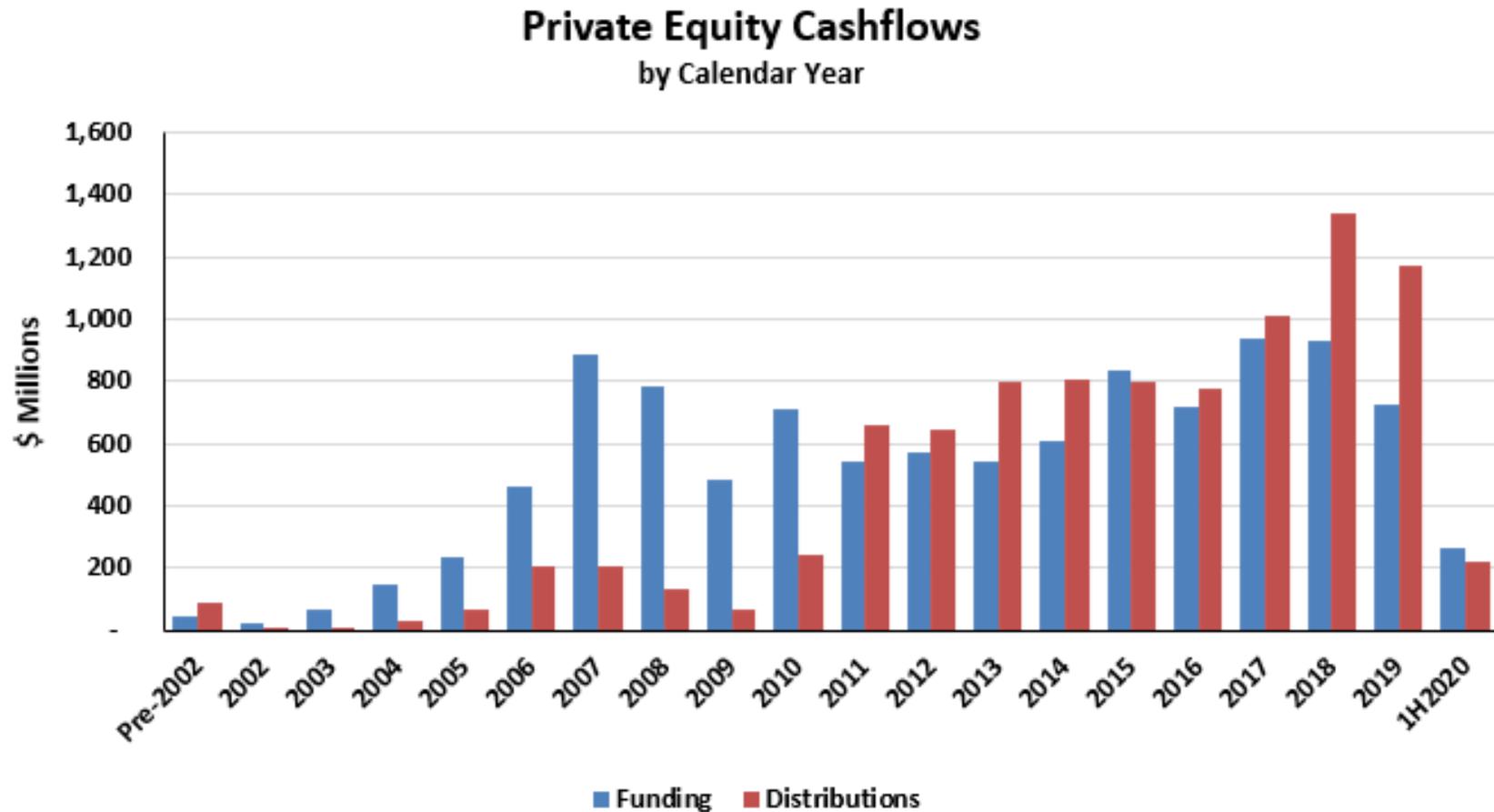


*Data includes Fund of Funds' underlying exposure (as of 3/31/2020 or most recently reported)



Private Equity Cash Flow Detail

➤ 8 out of the last 9 full calendar years, distributions have exceeded funding





Private Equity Co-investment Detail

Investment	Investment Date	Invested (\$ mm's)	Invested %	Industry	Geography	Projected Hold	Base Case		March	June (Prelim)	Potential Savings (\$ mm's)		
							IRR	MOIC	MOIC	MOIC	Mgmt Fee	Carry	Total
Banff	9/30/2018	\$40	14.8%	Ent Software	USA	5	19.4%	2.2x	1.0x	1.0x	\$4.0	\$8.8	\$12.8
Quarry	6/30/2018	\$38	14.1%	Fin Services	USA	5	16.4%	2.4x	1.0x	1.1x	\$3.8	\$10.0	\$13.8
Hulk+Betty	3/31/2019	\$105	38.8%	Industrials	N America	4	20.6%	2.1x	1.0x	1.23x	\$8.4	\$20.7	\$29.1
Rainbow	1/31/2019	\$40	14.8%	Secondary	N Europe	5	18.1%	2.2x	1.07x	1.07x	\$4.0	\$8.6	\$12.6
Talk	2/28/2019	\$30	11.1%	Social Media	Asia	2	37.6%	2.8x	1.37x	1.6x	\$1.2	\$10.6	\$11.8
Square	7/12/2019	\$17	6.3%	Technology	Europe	3	23.0%	2.5x	1.27x	1.44x	\$1.0	\$4.9	\$5.9
TOTAL		\$270	100%				21.5%	2.3x	1.07x	1.19x	\$22.4	\$63.5	\$85.8

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



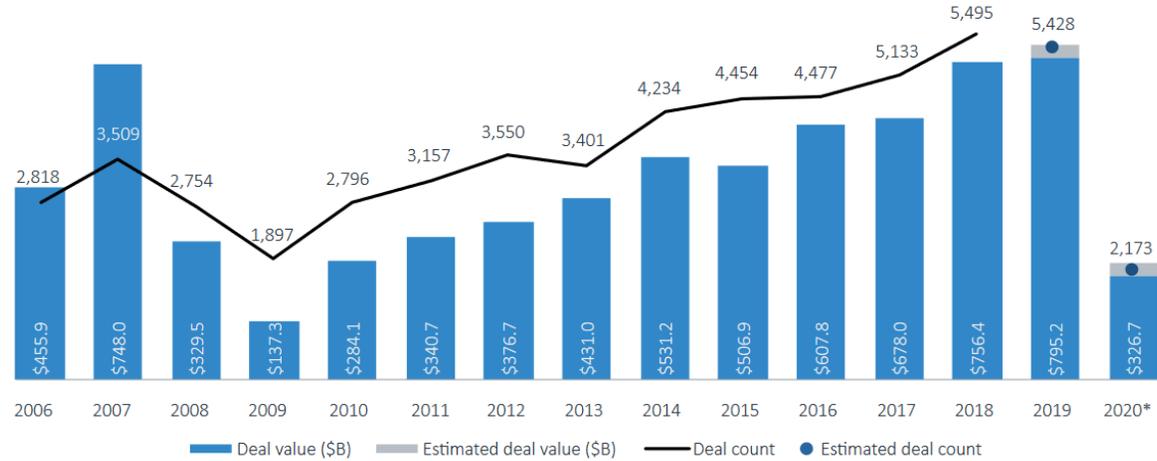
COVID-19 Manager Actions

1. Fund Managers Entered Disaster Mode
 - Daily meetings
 - Increased interaction and reporting by portfolio companies
 - Scenario analysis for revenue projections
2. Liquidity Assessment
 - Drew down / secured lines of credit
 - Evaluated loan covenant compliance
 - Initiated early discussions with lenders
3. Portfolio Company Actions
 - Rationalize portfolio company expenses / minimize cash burn
 - Renegotiated leases
 - Furloughs
 - Deferred expense payments
4. Identify Potential Investment Opportunities



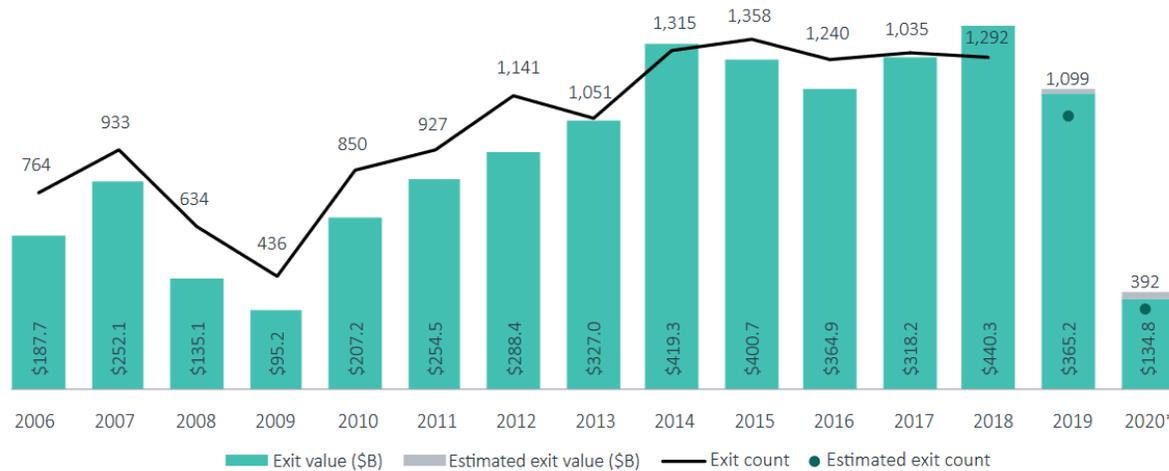
Market Activity

PE deal activity



Source: PitchBook | Geography: US
*As of June 30, 2020

PE exit activity



Source: PitchBook | Geography: US
*As of June 30, 2020



Private Equity Opportunities

Post Covid-19 Strategies:

1. Secondaries

- Landmark Partners – NCL III (Primary, Overflow and Opportunistic)
- Grosvenor Secondary SMA

2. Co-Investments

- Landmark Partners – NCL III Opportunistic
- Grosvenor Co-Investment SMA

3. Turnaround / Distressed Managers

- Littlejohn & Co.
- MHR
- Apollo