

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

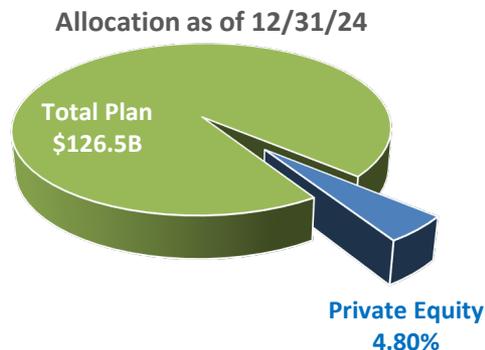


BRADFORD B. BRINER  
STATE TREASURER OF NORTH CAROLINA

# Private Equity Update



## Role in the Portfolio



- Attractive absolute returns. Long-term returns in excess of public market equity returns, sufficient to compensate the Fund for the higher degree of idiosyncratic risk, smaller company equity exposure, and higher portfolio company leverage.
- Competitive relative returns.
- Diversification. (e.g., special situations).

### Portfolio Composition – Actual vs. Policy

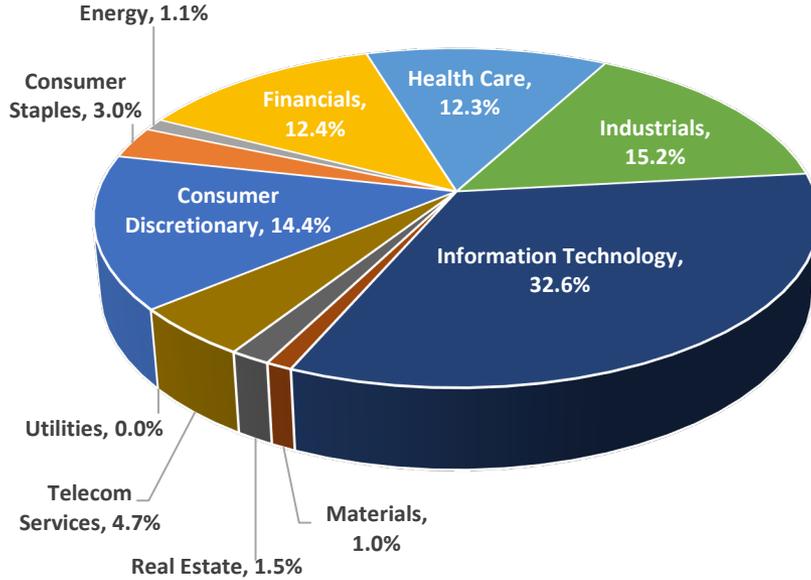
Strategy	# of Active Funds	Policy Range			Actual 12/31/24
		MIN	TARGET	MAX	% of FMV <sup>1</sup>
Buyout	35	30%	45%	60%	35.9%
Growth/Venture	22	15%	25%	35%	17.6%
Special Situations	23	15%	30%	45%	46.6%
Fund of Funds	10	-	-	-	-
<b>TOTAL</b>	<b>90</b>	<b>0%</b>	<b>6.0%</b>	<b>8.75%</b>	<b>4.8%</b>

<sup>1</sup>Data includes Fund of Funds' underlying exposure (as of 12/31/24 or most recently reported)

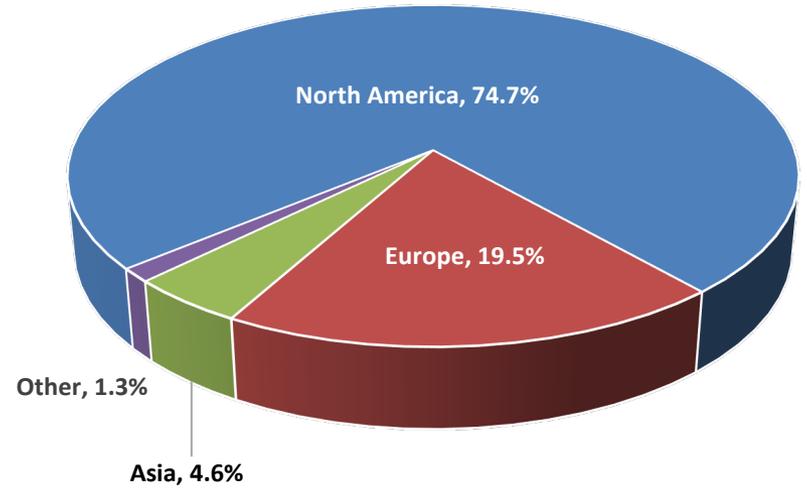


# Private Equity Composition

## Industry\*



## Geography\*



\*Data includes Fund of Funds' underlying exposure (as of 12/31/2024 or most recently reported)



# Performance

As of March 31, 2025

Net of Fees Performance (%)

	Market Value (\$MM)	3 Month	1 Year	3 Years	5 Years	10 Years
<b>Private Equity</b>	<b>\$6,140</b>	<b>2.08</b>	<b>4.12</b>	<b>(0.65)</b>	<b>11.53</b>	<b>11.20</b>
Benchmark		0.87	6.24	2.29	10.51	9.87
<b>Buyout</b>	<b>\$2,030</b>	<b>1.39</b>	<b>5.46</b>	<b>2.07</b>	<b>12.56</b>	<b>12.14</b>
<b>Growth</b>	<b>\$940</b>	<b>6.44</b>	<b>2.36</b>	<b>(7.50)</b>	<b>7.59</b>	<b>9.89</b>
<b>Special Situations</b>	<b>\$2,692</b>	<b>1.49</b>	<b>4.79</b>	<b>2.80</b>	<b>13.85</b>	<b>10.21</b>
<b>Fund of Funds</b>	<b>\$477</b>	<b>(0.08)</b>	<b>(0.38)</b>	<b>(5.24)</b>	<b>9.55</b>	<b>10.17</b>

Asset Class	2010 + Vintages - as of 12/31/24 Reported Valuations						
	Internal Rate of Return			PMEs (Relative to R2000)		Multiples	
	5 Year	10 Year	ITD	Alpha	K&S	DPI	TVPI
<b>Total Private Equity</b>	<b>14.1%</b>	<b>14.7%</b>	<b>14.5%</b>	<b>4.8%</b>	<b>1.19</b>	<b>0.96</b>	<b>1.77</b>

Note: The Private Equity Benchmark is comprised of the following MSCI Private Capital indices: Effective 7/1/2022 at 45% Buyout, 25% Venture Capital, and 30% Distressed.



# Strategy and Tactics

## Primary Fund Commitments

- Maintain pacing discipline for new commitments across economic cycles
- Focus on fewer commitments of scale to attain better economic terms
- Explore cross asset class collaborations with managers
- Maintain sub-asset class allocations
- Barbell approach with mature large funds and younger smaller funds

### Benefits:

- ✓ Enhanced direct deal flow with high conviction sponsors
- ✓ Potential for resource and knowledge sharing benefits
- ✓ Opportunity for better economic terms (economies of scale)



## Strategy and Tactics

### **Direct Investments – primary driver to generate outperformance vs. the benchmark**

- SMAs alongside Primary Fund commitments
  - ✓ Reduces overall fee exposure
  - ✓ Assures co-investment capital deployed to smaller transactions
- NC Discretionary Account
  - ✓ Control selection, sizing, pacing and potentially pricing
  - ✓ Increase exposure to larger high conviction transactions
  - ✓ Captures deal flow from additional sources (other GPs, intermediaries, etc.)

Direct investments = Co-Investments, Continuation Vehicles, and other “directs”

As of 12/24, \$1,563 MM in Direct Investments = 25.8% of asset class market value



# Strategy and Tactics

## Implementation

- Leverage the Private Equity team background and networks.
- Attend more meetings and conferences.
  - ✓ In-person interaction is priceless.
- Cross-collaborate within IMD.
- Be responsive.
  - ✓ “A quick no is as valuable as a yes.”
- Treat everyone professionally.
  - ✓ Reputation will open doors and opportunity.



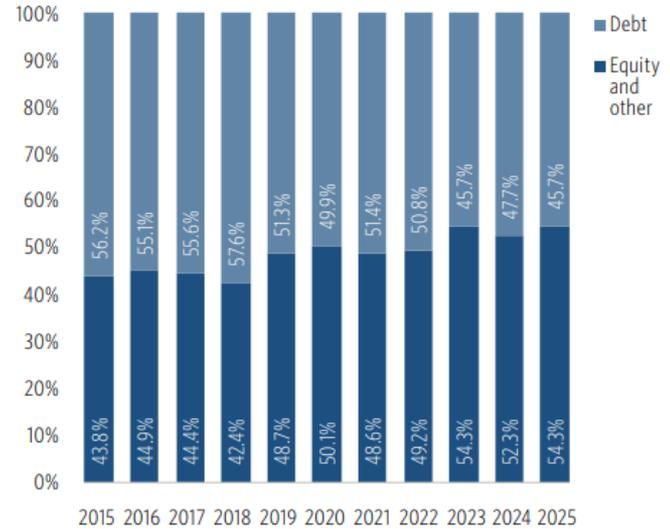
# Environment – Buyout\*

Global PE EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe • As of March 31, 2025

Share of BSL-funded deal value by source



Source: PitchBook | LCD • Geography: US • As of March 31, 2025

PE exit activity



Source: PitchBook • Geography: US • As of March 31, 2025

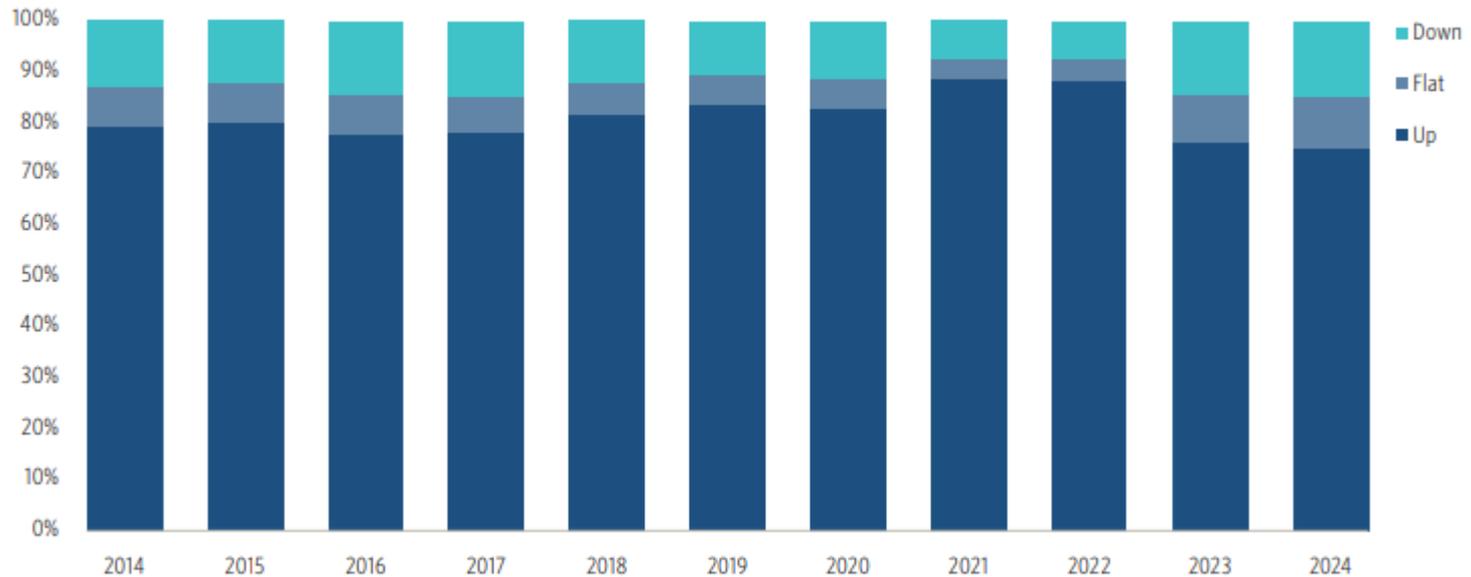
\*Source: PitchBook Q1 2025 US PE Breakdown



# Environment – VC / Growth Equity\*

## Greatest percentage of flat and down rounds in a decade

Share of VC deal count by up, down, and flat rounds



Source: PitchBook • Geography: US • As of December 31, 2024

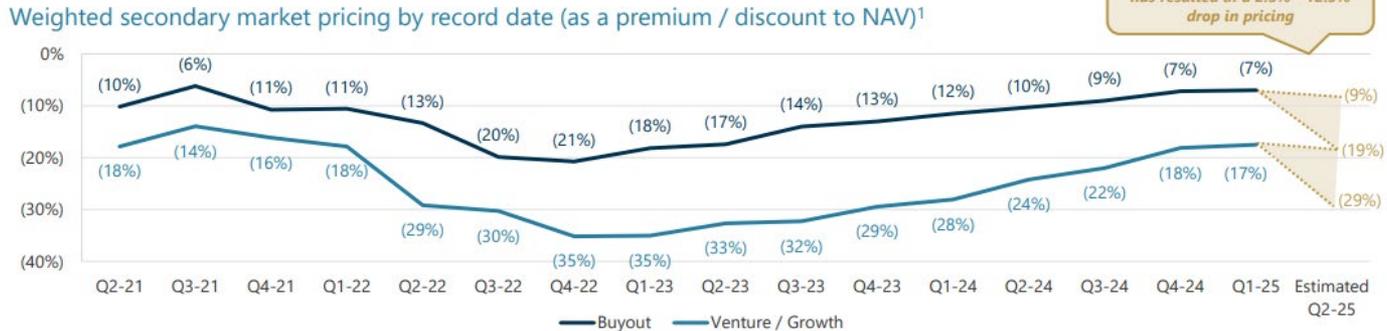


# Environment – Secondaries\*

## GP Led



## LP Led



\*Source: Campbell Lutyens & Co. Ltd May 2025 Secondary market update and liquidity solutions for LPs



## Private Equity Strategy Analysis

Outlook: ● Positive ● Neutral ● Negative

### ● Buyout

- Interest rates have stayed higher for longer and could burden returns.
- Market dislocations could create more attractive entry points.
- Add-on acquisitions continue to play a role in offsetting higher purchase prices.

### ● Venture Capital

- Lack of liquidity options leading to longer hold periods may create an opportunity.
- Capital needs have led to downward pressure on subsequent VC rounds.

### ● Growth Equity

- Strategy not burdened by costly debt (equity utilized in place of debt to accelerate growth).
- Additional capital due to longer hold periods may be necessary to continue the growth trajectory.
- Better positioned companies should attract capital at reasonable valuations.

### ● Secondaries- LP Led

- “Plain Vanilla” secondary pricing discount has contracted meaningfully since 4Q22 through 1Q25.
- Diversification benefits don’t align with NCRS strategy.
- Macro headwinds could translate to greater discounts, but selection will be key.

### ● Secondaries- GP Led

- GPs increasingly using continuation vehicles for exits.
- Typically focus on higher quality assets. While a secondary in title, CVs are direct investments.
- Dispersion of returns narrower relative to Buyout primary strategies.

### ● Distressed

- Rising consumer and business loan delinquencies plus further tariff impacts could lead to distressed opportunities.
- NCRS experience – return profile witnessed tends to be Credit like vs. Private Equity.

### ● Direct Investments

- Control selection, sizing, pacing and potentially pricing.
- Not burdened by commingled fund fees. Performance fees are significantly less or non-existent.



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