



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
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November 13, 2015

MEMORANDUM TO: The State Investment Council

FROM: Christopher McDonough
Director

SUBJECT: **Proposed Investment in Advent International Global Private Equity VIII, L.P.**

The New Jersey Division of Investment (“Division”) is proposing an investment of up to \$100 million in Advent International Global Private Equity VIII, L.P. (“GPE VIII”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

Advent International Corporation (“Advent” or the “Firm”) is establishing GPE VIII to continue its long-established strategy of sector-focused, operationally intensive, and control-oriented investing primarily in Europe and North America. Since inception in 1989, Advent has invested \$21.8 billion in 224 companies through seven funds. Of those 224, 187 have been fully or substantially realized, generating a gross internal rate of return (“IRR”) of 35% and gross multiple of 3.1x invested cost.

The Division is recommending this investment based on the following factors:

Strong Track Record: Advent has generated top quartile performance over its seven funds and through several macroeconomic and private equity cycles. Since inception, the Firm’s entire portfolio, including realized and unrealized investments, has generated a gross IRR of 33% and a gross multiple of 2.9x invested capital. According to Thomson Reuters C/A Benchmark (Global Buyouts) as of 6/30/15, Fund IV (2000 vintage; 37.9% Net IRR, 2.83x Total Value to Paid-In (“TVPI”)), Fund V (2005 vintage; 46.1% Net IRR, 2.52x TVPI), and Fund VI (2008 vintage; 22.3% Net IRR, 2.20 x TVPI) have all generated top-quartile returns while Fund VII (2012 vintage; 24.9% Net IRR, 1.38x MOIC) has generated strong second quartile returns, falling just outside of the top quartile. Fund VII is a relatively young fund, having made its first investment in December 2012.

Ability to dynamically allocate capital to geographies offering best opportunities: Advent has invested €8.8 billion (57%) of capital in Europe, with \$5.7 billion (37%) invested in North America. Within Europe, Germany and U.K. exposure has consistently been a part of the Fund's strategy, though Fund VII has yet to make a deal in the U.K. Advent has also pursued and been successful in opportunities across Europe, including Denmark, the Netherlands

and Belgium. Advent's ability to allocate capital to the best opportunities across geographies has generated attractive returns on a Gross IRR and TVPI basis. Advent has generated an IRR of 103% and a 3.4x from 17 deals in Germany, a 28.2% IRR and a 2.5x from 11 deals in the U.K., a 9.8% IRR and 1.4x from three deals in Denmark, a 45.5% IRR and a 1.8x from six deals in Netherlands, and a 73.7% IRR and a 2.2x from two deals in Belgium.

Experienced & Global Team: The Firm has more than 173 investment professionals in 11 different offices across 10 different countries, affording Advent a worldwide network that is one of the most extensive in the industry. The Global Private Equity Team comprises 132 investment professionals, mainly of local origin, in seven countries across Europe, North America and Asia, with a mix of operating, strategic, consulting and financial backgrounds. The 26 Investment Partners have an average of 17 years of experience at the Firm. The team is organized systematically by sector and geography to promote the cross border transfer of best practices and business models as well as promoting information sharing across the Firm to enhance sourcing and origination.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, TorreyCove Capital Partners, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the fund has not engaged a third-party solicitor (a "placement agent") in connection with New Jersey's potential investment.

We will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. We have obtained a preliminary Disclosure Report of Political Contributions in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. We will obtain an updated Disclosure Report at the time of closing.

Please note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. Advent International Global Private Equity VIII, L.P. will be considered a private equity buyout investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on November 10, 2015. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's November 18, 2015 meeting.

Attachments

Fund Name: Advent International Global Private Equity VIII, L.P.

November 13, 2015

Contact Info: Sarah M. Smith, 375 Park Avenue, 31st Floor, New York, NY 10152

Fund Details:

Total Firm Assets:	\$33 billion	Key Investment Professionals: James Brocklebank , Managing Partner, joined Advent in 1997. Based in London, he is responsible for the European business and financial services sector team. Prior to Advent, Mr. Brocklebank worked on international mergers and acquisitions in the London office of investment bank Baring Brothers and its affiliate Dillon, Read & Co. in New York. He has an MA in Geography from Cambridge University. Jan Janshen , Managing Partner, joined Advent in 2000. Based in London, Mr. Janshen focuses primarily on the industrial sector. Prior to Advent, he spent two years with 3i, helping to establish the firm's Hamburg office. He began his career as a consultant with Roland Berger Strategy Consultants in Munich. He has a degree in Business Administration from the University of Kiel. Dave McKenna , Managing Partner, joined Advent in 1992 and coordinates the firm's efforts in the North American industrial sector. During his time at Advent, Mr. McKenna has worked on investments in the retail and distribution sectors and for two years headed the Hong Kong office, where he focused on buyouts in Greater China and Southeast Asia. Mr. McKenna's private equity experience also includes three years as a senior dealmaker with Bain Capital, working on large buyouts in the industrial, retail and consumer sectors. He began his career as a consultant with the Monitor Group. He graduated cum laude with an AB from Dartmouth College. David Mussafer , Managing Partner, joined Advent in 1990 and has worked on more than 25 buyout transactions across a range of industries, with a particular focus on the financial services, healthcare services and specialty retail sectors. Prior to Advent, he worked at Chemical Bank and Adler & Shaykin in New York. Mr. Mussafer holds a BSM, cum laude, from Tulane University and an MBA from the Wharton School of the University of Pennsylvania.
Strategy:	Buyout	
Year Founded:	1984	
Headquarters:	New York	
GP Commitment:	Minimum of \$360 million, or 3% of the targeted funds size	

Investment Summary	Existing and Prior Funds			
The Fund will pursue the same successful investment strategy as the seven predecessor funds, seeking to generate attractive, risk-adjusted returns from a diversified portfolio of mainly control-oriented buyouts and recapitalizations with a focus on value creation through business transformation and earnings growth. The Firm has historically been and will continue their strategy of sector-focused, operationally intensive, and control-oriented investing primarily in Europe and North America. The five sectors of focus are as follows: (i) Business & Financial Services; (ii) Healthcare; (iii) Industrial; (iv) Retail, Consumer & Leisure; (v) Technology, Media & Telecom.	Funds	Vintage Year	Strategy	Returns as of 6/30/2015
	Fund IV	2000	Buyout	37.9% Net IRR, 2.77x Net DPI
	Fund V	2005	Buyout	46.1% Net IRR, 2.27x Net DPI
	Fund VI	2008	Buyout	22.3% Net IRR, 0.71x Net DPI
	Fund VII	2012	Buyout	24.9% Net IRR, 0.07x Net DPI
	IRR = Internal Rate of Return; DPI= Distributions to Paid-In			

Vehicle Information:

Inception:	2015	Auditor:	KPMG LLP
Fund Size:	\$12 billion	Legal Counsel:	Goodwin Procter LLP
Management Fee:	1.5% on Committed Capital during the Investment Period; thereafter, 1.5% on the cost basis of unrealized investments net of write offs.		
Carry:	20%		
Hurdle Rate:	none		
Additional Information	100% fee offset		

NJ AIP Program

Recommended Allocation:	\$100,000,000	LP Advisory Board Membership:	No
% of Fund:	0.83%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.