



## State of New Jersey

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**ELIZABETH MAHER MUOIO**  
*State Treasurer*

**COREY AMON**  
*Director*

May 22, 2020

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon  
Director

SUBJECT: **Proposed Investment in Silver Lake Partners VI, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$100 million in Silver Lake Partners VI, L.P. (the “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

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

**Strong investment track record through volatile market cycles.** Silver Lake Partners (“Silver Lake” or the “Firm”) has consistently delivered top quartile returns even during economic downturns. The Firm has generated a 19.2% net IRR and a 1.8x net TVPI to date across five funds.

**Technology domain expertise and global relationship network.** The Firm has deep and extensive relationship networks and specialized knowledge investing in the technology sector. Silver Lake sources deals directly through industry relationships it has formed in the more than 20 years the Firm has been in operation.

**Thematic approach with a focus on market leaders and growth.** The Firm focuses on leading, franchise-quality companies with inherent competitive advantages. Investing in high-growth businesses, Silver Lake seeks mispriced companies with strong top-line growth rates.

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

Division Staff and its private equity consultant, Aksia TorreyCove 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 engaged a third-party solicitor (“placement agent”) in the fundraising of the Fund but no placement agent was engaged or paid in connection with the Pension Fund’s potential investment.

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

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. Silver Lake Partners VI, L.P. is considered a private equity buyout investment, as defined under N.J.A.C. 17:16-90.1. Pursuant to N.J.A.C. 17:16-90.4(a)1, the aggregate market value of private equity investments shall not exceed 12% of the combined assets of all of the Pension and Annuity Funds. As of May 21, 2020 the aggregate market value of private equity investments is 11.67% of the combined assets of all the Pension and Annuity Funds excluding the Police and Fire Mortgage assets.

A formal written due diligence report for the proposed investment was sent to each member of the IPC prior to its meeting on May 13, 2020. In addition to this 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 May 27, 2020 meeting.

Attachment

**Fund Name: Silver Lake Partners VI, L.P.** **May 22, 2020**

**Contact Info:** *Susannah Carrier, 55 HUDSON YARDS, 550 West 34th Street, 40th Floor, New York, NY 10001*

**Fund Details:**

<b>Firm AUM (\$bil):</b>	\$40 billion	<b>Key Investment Professionals:</b> <b>Egon Durban</b> (Co-CEO) Joined Silver Lake as a founding principal in 1999. He currently works in the Menlo Park office, having previously worked in the New York as well as London office, which he launched and managed. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division. <b>Greg Mondre</b> (Co-CEO) Mr. Mondre joined Silver Lake in 1999 and works in the New York office. Prior to joining Silver Lake, he worked at Texas Pacific Group and Goldman Sachs. <b>Kenneth Hao</b> (Chairman) Mr. Hao joined Silver Lake in 2000 and works in the Menlo Park office. He previously worked in the New York office as well as the Hong Kong office, which he launched and managed. Prior to joining Silver Lake, Mr. Hao was a Managing Director at Hambrecht & Quist. <b>Joe Onsoff</b> (Managing Partner and Managing Director) Mr. Onsoff joined Silver Lake in 2002, having previously worked in investment banking at Goldman Sachs.
<b>Strategy:</b>	Private Equity Buyout	
<b>Year Founded:</b>	1999	
<b>Headquarters:</b>	New York, NY; Menlo Park, CA	
<b>GP Commitment:</b>	Lesser of 3% or \$500 million	

<b>Investment Summary</b>	<b>Existing and Prior Funds</b>			
Silver Lake Partners VI, L.P. will pursue large-scale investments in companies within the technology, technology-enabled and related growth industries. The Fund will target 15-25 investments, with initial equity investments between \$400 million and \$1.25 billion. The Fund will target opportunities for buyout transactions, structured minority investments, and acquisition finance and debt investments.	<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 12/31/2019</i>
	SLP I	1999	Buyout	24.6% Net IRR; 2.20x Net TVPI; 2.20x DPI
	SLP II	2004	Buyout	11.0% Net IRR; 1.83x Net TVPI; 1.82x DPI
	SLP III	2007	Buyout	18.6% Net IRR; 2.06x Net TVPI; 1.88x DPI
	SLP IV	2013	Buyout	25.6% Net IRR; 1.80x Net TVPI; 0.72x DPI
	SLP V	2018	Buyout	14.6% Net IRR; 1.16x Net TVPI; 0.04x DPI
*Source of returns- Aksia TorreyCove IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In				

**Vehicle Information:**

<b>Inception:</b>	2020	<b>Auditor:</b>	<b>PwC LLP</b>
<b>Fund Size:</b>	\$18 billion	<b>Legal Counsel:</b>	<b>Simpson Thacher &amp; Bartlett LLP</b>
<b>Management Fee:</b>	1.5% on committed capital during investment period; 1% on invested capital after investment period		
<b>Carry:</b>	20%		
<b>Hurdle Rate:</b>	8%		
<b>Additional Expenses:</b>	100% Management Fee Offset		

**NJ AIP Program**

<b>Recommended Allocation (\$mil):</b>	up to \$100 million	<b>LP Advisory Board Membership:</b>	TBD
<b>% of Fund:</b>	0.56%	<b>Consultant Recommendation:</b>	YES
		<b>Placement Agent:</b>	NO
		<b>Compliance w/ Division Placement Agent Policy:</b>	N/A
		<b>Compliance w/ SIC Political Contribution Reg:</b>	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.