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July 17, 2020

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon
Director

SUBJECT: **Proposed Investment in TPG Growth V, L.P.**

The Division of Investment (the "Division") is proposing an investment of up to \$100 million in TPG Growth V, 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:

Long and successful track record in growth investing and extensive sector knowledge: Since inception of its first dedicated small and middle-market growth equity fund in 2007, the TPG Growth platform has made 128 investments in an array of sectors across the globe. The TPG Growth platform is organized into sector-focused investment teams, which enable the accumulation of industry knowledge, drive the development of industry themes and investment theses, and deepen the network for targeted and differentiated deal flow. On a DPI basis, TPG Growth has been a consistent first and second quartile performer.

Experienced partnership supported by deep operations network: The four members of the TPG Growth leadership team have worked together at TPG for an average of 15 years. The TPG Growth platform has dedicated resources from TPG's Business Building Group, which supports investment teams during the diligence process, actively engages with management teams, and provides business performance oversight.

Structured investments for consistent risk-reward profile: An important element of the TPG Growth strategy is to structure equity investments with strong downside protection, particularly in growth equity and developing markets investments. Examples of downside protection features include ownership and management rights, performance-based profit guarantees, contractual board representation rights, veto rights, redemption rights, exit rights and structured provisions.

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

Division Staff and its consultant, Aksia TorreyCove, 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 ("placement agent").

ESG issues have a material influence on TPG Growth's assessments of risk, valuation, profitability, and opportunity across the portfolio. TPG has a long-standing practice of considering ESG issues such as environmental, health and safety practices in due diligence, investment decisions and operations. TPG has a dedicated five-person ESG team focused on the implementation of ESG strategy, including ESG due diligence, cross-portfolio initiatives, and driving initiatives at individual portfolio companies. TPG is a UNPRI signatory, which holds asset managers accountable through transparency and reporting on their ESG integration efforts.

Staff 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. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing 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. TPG Growth V, L.P. is 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 July 17, 2020. 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 July 22, 2020 meeting.

Attachment

Fund Name: TPG Growth V, L.P.

July 17, 2020

Contact Info: Alastair Bushby, 345 California Street, Suite 3300, San Francisco, CA 94104

Fund Details:

Firm AUM (\$bil.):	\$86 billion	<p>Key Investment Professionals:</p> <p>James Coulter – (Founding Partner, Co-CEO) Mr. Coulter is a member of the Firm’s Holdings Committee and is the Co-Managing Partner for The Rise Fund. Prior to co-founding TPG Capital, Mr. Coulter worked at the Bass Family Office and Lehman Brothers.</p> <p>Jon Winkelried – (Co-CEO) Mr. Winkelried is a member of the Firm’s Holdings Committee. Prior to joining TPG Capital in 2015, Mr. Winkelried was formerly with the Goldman Sachs Group, Inc. for more than 27 years when he retired in 2009 as President and Co-Chief Operating Officer.</p> <p>Jonathan Coslet – (Chief Investment Officer) Mr. Coslet is a member of the Firm’s Holdings Committee. Mr. Coslet joined TPG Capital at its inception in 1993. Previously, Mr. Coslet worked at Donaldson, Lufkin & Jenrette and at Drexel Burnham Lambert.</p> <p>Matt Hobart - (TPG Growth Co-Managing Partner) Mr. Hobart leads the Healthcare sector for TPG Growth. Prior to joining TPG in 2004, Mr. Hobart was with Critical Path and co-founded Vectis Group. Previously, Mr. Hobart worked at Morgan Stanley Capital.</p> <p>Michael Stone - (Co-Managing Partner) Prior to joining TPG in 2008 as a Senior Advisor, Mr. Stone was the Managing Partner and President of J.H. Whitney & Co., where he retired in 2009. Prior to that, Mr. Stone was a management consultant at Bain & Company.</p> <p>Ransom Langford - (Firm Partner) Mr. Langford leads the Business Services sector for TPG Growth. Prior to joining TPG in 2009, Mr. Langford was a Managing Director at J.H. Whitney Investment Management. Previously, Mr. Langford worked at Brentwood Associates and in the Mergers and Acquisitions Group at Donaldson, Lufkin & Jenrette.</p> <p>Scott Gilbertson – (Firm Partner) Mr. Gilbertson leads Business Building efforts for TPG Growth. Prior to joining TPG in 2007, Mr. Gilbertson held a number of operating positions at companies such as Under Armour and J.Crew, and was a member of the TPG Capital Ops Group from 1998 to 2003. Previously, Mr. Gilbertson worked at the Boston Consulting Group.</p>
Strategy:	Buyout	
Year Founded:	1992	
Headquarters:	San Francisco, CA	
GP Commitment:	at least 2%	

Investment Summary	Existing and Prior Funds			
	Funds	Vintage Year	Strategy	Returns as of 03/31/2020
<p>Similar to prior Growth funds, TPG Growth V ("the Fund") will primarily pursue both growth equity and control growth buyout opportunities as well as selectively consider later-stage venture investments, primarily in North America, and selectively across India, China, and Southeast Asia in core sectors. Targeted companies will have high growth, substantial cash flow generation, opportunity for operational improvements, and intellectual property or brand equity. Investments are often structured with strong downside protection. Sectors that will be pursued by the Fund are business services, consumer, healthcare, internet, digital media, & communications, and software & enterprise technology. The General Partner does not have defined sector allocation targets for the Fund, but instead looks to create a diversified portfolio optimizing risk/reward outcomes. After the investment is completed, the General Partner aims to bring operational expertise to its portfolio companies and drive value creation through a Business Building Group.</p>	STAR	2007	Buyout	6.3% Net IRR; 1.27x Net TVPI; 1.15x DPI
	Growth II	2011	Buyout	14.7% Net IRR; 1.78x Net TVPI; 1.51x DPI
	Growth III	2015	Buyout	15.3% Net IRR; 1.30x Net TVPI; 0.53x DPI
	Growth IV	2017	Buyout	-13% Net IRR; 0.87x Net TVPI; 0.01x DPI
	Source of Returns - Aksia TorreyCove			
IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI= Distributions to Paid-In				

Vehicle Information:

Inception:	2020	Auditor:	KPMG LLP
Fund Size:	\$4.0 billion	Legal Counsel:	Cleary Gottlieb Steen & Hamilton LLP and Morris, Nichols, Arsht & Tunnell
Management Fee:	1.75% during commitment period		
Carry:	1.25% thereafter; 0.50% during any extensions		
Preferred Return:	20%		
	8%		

NJ AIP Program

Recommended Allocation (\$mil):	up to \$100 million	LP Advisory Board Membership:	YES
% of Fund:	2.50%	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.