



## State of New Jersey

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**ELIZABETH MAHER MUOIO**  
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**COREY AMON**  
*Director*

March 18, 2021

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon  
Director

SUBJECT: **Private Equity Investment – Hellman & Friedman Capital Partners X, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million in Hellman & Friedman Capital Partners X, 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:

**Consistently strong performance:** Hellman & Friedman LLC (the “Firm”) has delivered consistently strong performance across funds and economic cycles, even as fund sizes have increased. According to the Division’s consultant, Aksia TorreyCove Partners, as of September 30, 2020, the Firm has delivered a 2.1x net MOIC and 23.5% net IRR since Fund IV (2000 vintage) with a loss ratio of only 2%.

**Opportunistic approach across geographies and sectors:** The Firm can move nimbly across geographies and sectors to capitalize on the most attractive opportunities. With a team of 48 investment professionals focused on seven service-oriented sectors deployed across three offices in San Francisco, New York and London, the Firm is well positioned to execute on its opportunistic approach. Moreover, the Firm has demonstrated success in delivering consistently strong returns regardless of sector or geography.

**Focused and experienced team:** To date, the Firm has only one investment product with the Firm’s entire 140-person team dedicated to that product. The 140-person team consists of 48 investment professionals, of which 15 are Partners. The average tenure of the four members of the Investment Committee is 25 years and each of the four has been with the Firm since at least 2000. All of the Firm’s resources are marshalled to focus on what is anticipated to be 12 to 15 investments over the Fund's six-year investment period.

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 not engaged a third-party solicitor ("placement agent").

The Firm believes that relevant Environmental, Social and Governance (“ESG”) factors are a fundamental component of any company’s long-term sustainability and potential growth. Relevant ESG Factors are formally incorporated into the investment due diligence process and portfolio monitoring. The Firm has a formal onboarding process for its portfolio companies and continues to support its portfolio companies with regards to ESG in the form of organized communities and conferences on topics such as cybersecurity & data privacy, procurement & operational efficiencies, organizational health & diversity, equity & inclusion and environment & community. The Firm has a Responsible Investment Policy that mirrors the American Investment Council Guidelines for Responsible Investment. The Division's corporate governance team reviewed the Firm’s Responsible Investment Policy and other ESG due diligence memoranda in accordance with the Council’s ESG Policy.

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. Hellman & Friedman Capital Partners X, 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 IPC was held on March 10, 2021. 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 March 24, 2021 meeting.

Attachment

**Fund Name:** *Hellman & Friedman Capital Partners X, L.P.* **March 18, 2021**

**Contact Info:** *Susanna Daniels, 415 Mission Street, Suite 5700, San Francisco, CA 94105*

<b>Fund Details:</b>		
<b>Firm AUM:</b>	\$52.7 billion <sup>(1)</sup>	<b>Key Investment Professionals:</b> <b>Patrick Healy (CEO)</b> – Mr. Healy has been with H&F since 1994 and also serves as the chairman of the compensation committee and is a member of the investment committee. He leads the Firm’s London office and European activities. Prior to H&F, Healy was employed by James D. Wolfensohn Incorporated in New York and Consolidated Press Holdings in Australia. He graduated from Harvard College and received an MBA from Harvard Business School. <b>Philip Hammarskjold (Executive Chairman)</b> – Mr. Hammarskjold joined H&F in 1992. He serves as chairman of the Firm’s investment committee, a member of the compensation committee and leads the Firm’s San Francisco office. Prior to H&F, Hammarskjold was employed by Dominguez Barry Samuel Montagu in Sydney, Australia and Morgan Stanley & Co. in New York. He graduated from Princeton University and received an MBA from Harvard Business School. <b>David Tunnell</b> – Mr. Tunnell joined H&F in 1994, leads the Firm’s investing activities in the software and insurance sectors and is a member of the investment committee. Prior to H&F, Tunnell was employed by Lazard Frères & Co. in New York. He graduated from Harvard College and received an MBA from Harvard Business School. <b>Allen Thorpe</b> – Allen Thorpe joined H&F in 1999. He leads the Firm’s New York office, leads the Firm’s investing activities in the healthcare and financial services sectors and is a member of the investment committee. Prior to H&F, Allen was employed by Pacific Equity Partners in Australia and Bain & Company. He graduated from Stanford University and received an MBA from Harvard Business School.
<b>Strategy:</b>	Private Equity Buyout	
<b>Year Founded:</b>	1984	
<b>Headquarters:</b>	San Francisco, CA	
<b>GP Commitment:</b>	6.25% (\$1.25 billion minimum)	

(1) As of 9/30/20.

Investment Summary	Existing and Prior Funds			
Hellman & Friedman Capital Partners X, L.P. (the "Fund") will primarily pursue private-equity related investments in large cap businesses in the developed markets. Investment sizes are targeted to fall between \$400 million and \$4 billion of equity in a concentrated portfolio generally around 12 to 15 investments over a six-year investment period. The Fund will focus on investing across seven core sectors: (i) software, (ii) internet & media, (iii) financial services, (iv) consumer & retail, (v) healthcare, (vi) business & information services and (vii) energy & industrials. In addition, no more than 40% of commitments will be invested outside of North America without prior consent of the Advisory Board. In identifying attractive opportunities, Hellman & Friedman LLC ("H&F" or the "Firm") generally looks for high quality businesses in market leading positions with strong growth outlooks. While the Firm intends to focus on making control investments by primarily pursuing traditional buyouts, corporate carve-outs, take-privates, and recapitalizations, it will also make minority investments.	Funds	Vintage Year	Strategy	Returns as of 9/30/2020
	Fund IV	2000	Buyout	34.4% Net IRR; 2.81x Net TVPI; 2.81x DPI
	Fund V	2004	Buyout	27.8% Net IRR; 2.67x Net TVPI; 2.67x DPI
	Fund VI	2006	Buyout	13.0% Net IRR; 1.87x Net TVPI; 1.85x DPI
	Fund VII	2011	Buyout	24.9% Net IRR; 3.15x Net TVPI; 1.72x DPI
	Fund VIII	2016	Buyout	18.8% Net IRR; 1.47x Net TVPI; 0.12x DPI
	Fund IX	2019	Buyout	24.1% Net IRR; 1.09x Net TVPI; -x 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>	2021	<b>Auditor:</b>	Ernst & Young LLP
<b>Fund Size:</b>	\$20 billion; (\$22 billion hard cap <sup>2</sup> )	<b>Legal Counsel:</b>	Simpson Thacher & Bartlett LLP
<b>Management Fee &amp; Mandatory Management Profits Interest ("MPI") Amount:</b>	1.5% of committed capital in aggregate (0.375% management fee and 1.125% Mandatory MPI), stepping down upon earlier of end of commitment period or activation of subsequent fund to 1.25% of Remaining Cost of investments for first two years, 1.00% for following two years, and 0.75% thereafter.		
<b>Carry:</b>	20%		
<b>Hurdle Rate:</b>	n/a		
<b>Additional Expenses:</b>	100% management fee offset		

(2) Excludes capital commitments of the General Partner, its affiliates and their employees and senior advisors as well as certain executives of strategic value or other "friends and family" of the General Partner or its affiliates.

**NJ AIP Program**

<b>Recommended Allocation:</b>	up to \$200 million	<b>LP Advisory Board Membership:</b>	NO
<b>% of Fund:</b>	1.0%; 0.91% hard cap	<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.