



State of New Jersey

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October 25, 2024

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Private Equity Investment – JLL Partners Fund IX, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million in JLL Partners Fund IX, L.P (the “Fund”), a middle-market buyout private equity fund managed by JLL Partners (the “Firm”). 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 Overall Performance & Portfolio Fit: A commitment to the Fund allows the Division to make a commitment to an existing high-conviction middle market buyout manager that can help produce strong returns for the private equity portfolio. The Firm has a strong track record and a 36-year history of investing in core areas of healthcare, aerospace and defense, and business services. When benchmarked against middle market buyout funds of similar vintages, the mature JLL funds have consistently produced first and second quartile rankings across performance metrics.

Experienced and stable team: The team’s long tenure of operating together, deep sector focus, and consistency of strategy enable them to find attractive opportunities regardless of economic cycles that fit its value-oriented, transformational-growth investment strategy. The Firm is led by a Management Committee that has worked together for an average of almost 20 years, which compares favorably to the Firm’s peers. The current Managing Director group is responsible for deploying the capital in Funds VI–VIII beginning in 2009. The investment team is strongly aligned with its Fund LPs and will invest 5% of the aggregate commitments to the Fund which is consistent with prior funds and is in line with the market.

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 LLC, 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 Firm has engaged a third-party solicitor (“placement agent”) in the fundraising of the Fund, but the placement agent was not used to solicit New Jersey’s potential investment and was not compensated in connection with facilitating New Jersey’s potential investment.

The Firm has a formal ESG policy and an ESG Committee. The Firm’s ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council’s ESG Policy. The Firm incorporates ESG considerations into its investment process and will continue to monitor these factors post investment.

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. JLL Partners Fund IX, L.P. is considered a private equity 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 October 21, 2024. 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 October 30, 2024 meeting.

Attachment

JLL Partners Fund IX, LP

- **DOI Commitment:** \$200 million to JLL Partners Fund IX
- **Strategy:** Private Equity Middle Market Buyout
- **Investment Focus:** JLL Partners Fund IX (“JLL IX”) will follow an investment strategy consistent with prior JLL funds, investing in middle market buyouts focused on healthcare, aerospace & defense, and business services. JLL IX will provide diversified exposure across vintage, sector and geography. JLL IX will make 8-12 investments with deal sizes ranging from ~\$50 - \$150 million.
- **Target Returns:** Gross MOIC 2.5x / Net IRR greater than 20%
- **Investments Thesis:**
 - Strong and consistent historical performance across business cycles
 - Opportunity to transform businesses during ownership into market leading, scaled enterprises
 - Consistent and disciplined investment strategy
 - Fragmented competitive landscape enables JLL to build market leading companies through add-on acquisitions
 - Low capital expenditures and working capital requirements provide strong positive cashflows
 - Operational or situational challenges at acquisition are reflected in discounted entry valuations
 - Low risk of exogenous, technological, political or operational disruption
 - Differentiated thematic approach in life sciences and aerospace engineering
 - Stable and consistent investment team

Fund Name: JLL Partners Fund IX, L.P.

10/xx/2024

Contact Info: Cara Killalcey 450 Lexington Avenue, New York NY 10017

Fund Details:

Firm AUM (\$bil):	\$900 million
Strategy:	Private Equity - Buyout
Year Founded:	1988
Headquarters:	New York, NY
GP Commitment:	at least 5% fo the Fund's commitments

Key Investment Professionals:

Frank J. Rodriguez, Managing Partner and President, joined JLL in 1995 and serves on the Investment Committee. Prior to joining JLL, Mr. Ro Merchant Banking Group at Donaldson, Lufkin & Jenrette Securities Corporation, where he focused on executing leveraged buyout transactions.
Kevin T. Hammond, Managing Partner, Mr. Hammond joined JLL in 2004. Prior to joining JLL, Mr. Hammond worked in Merchant Banking a LLC. focusing on executing leverage buyout transactions.
Daniel Agroskin, Managing Partner, Mr. Agroskin joined JLL in 2005. Prior to joining JLL, Mr. Agroskin worked at J.P. Morgan Partners and w Acquisitions Group at Merrill Lynch & Co.

Investment Summary

JLL Partners ("JLL" or the "Firm"), is a middle market firm focused on making value-oriented, control private equity investments in North America across the healthcare, aerospace, and business services sectors. JLL targets to develop differentiated investment themes in its core industries that reflect durable, secular trends with low correlation with broad economic cycles. The Firm seeks to fundamentally transform its investments into bellwether enterprises via a combination of strategic mergers/add-on transactions, management changes, market repositioning, and operational and capital structure improvements. JLL endeavors to protect its downside risk, while preserving asymmetric upside potential, by practicing purchase price discipline and creating platforms at discounts relative to prevailing market multiples. The portfolio is expected to consist of a diverse range of deal types, including platform build-ups and corporate carve-outs, where the General Partner expects to deploy \$50 million to \$150 million per transaction.

Existing and Prior Funds

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 6/30/2024</u>
Fund VI	2009	Buyout	20.9% Net IRR, 2.07x Net TV
Fund VII	2015	Buyout	16.2% Net IRR, 1.97x Net TV
Fund VIII	2019	Buyout	22.7% Net IRR, 1.73x Net TV

Source: Aksia LLC

IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI= Distributions to Paid-In

Vehicle Information:

Inception:	2024
Fund Size (\$mil):	\$900 million
Management Fee:	1.8% of capital commitments during the investment period; thereafter, 1.25% of actively invested capital
Carry:	20%
Hurdle Rate:	8%
Additional Expenses:	100% fee offset

Auditor:	Ernst & Young L.L.P.
Legal Counsel:	Weil, Gotshal & Manages LLP

NJ AIP Program

Recommended Allocation (\$mil):	up to \$200 million	LP Advisory Board Membership:	Yes
% of Fund:	22.22%	Consultant Recommendation:	Yes
		Placement Agent:	Yes
		Compliance w/ Division Placement Agent Policy:	Yes
		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.