



State of New Jersey

PHILIP D. MURPHY
Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
P.O. BOX 290
TRENTON, NJ 08625-0290
Telephone (609) 292-5106
Facsimile (609) 984-4425

ELIZABETH MAHER MUOIO
State Treasurer

TAHESHA L. WAY
Lt. Governor

SHOAIB KHAN
Director

April 24, 2025

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director
New Jersey Division of Investment

SUBJECT: **Private Equity Investment in Barings New Jersey
Emerging Manager Program II, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$250 million in Barings New Jersey Emerging Manager Program II, L.P. (the “Fund”) as well as an investment of up to \$250 million in a Transition Manager sleeve or 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:

Experienced Team and Highly Reputed Firm: The Barings DAE team has deep private equity industry experience and strong organizational support from the broader Barings platform. The DAE team is led by four senior members averaging 23 years of experience, much of which has been focused on building customized Emerging Manager portfolios for large institutional investors. Barings has become a “go-to” strategic investment partner for Emerging Fund Managers.

Continue a Strategic Partnership for the Division: Barings will continue to build a customized portfolio of buyout and growth emerging manager funds on behalf of the Division. Additionally, a transition manager portfolio sleeve or fund will enable managers that no longer qualify for the emerging manager portfolio to continue building a relationship with the Division and position them for potential graduation to the direct private equity program in the future.

Diversification Benefits from Small Market Exposure: Smaller funds offer investment diversification and the opportunity to achieve attractive returns. According to Cambridge Associates benchmark data, small (sub-\$1 billion) buyout funds have outperformed large buyout funds. A well-executed small buyout portfolio can incorporate meaningful downside protection as lower middle market companies are often acquired at lower purchase price multiples with less leverage.

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

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, while the focus will remain on selecting the highest quality managers for the Division's program.

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. Barings New Jersey Emerging Manager Program II, 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 April 14, 2025. 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 April 30, 2025 meeting.

Barings New Jersey Emerging Manager Program II, LP

- **DOI Commitment:** Up to \$250 million in Emerging Managers Fund;
Up to \$250 million in Transition Managers Fund
- **Strategy:** Buyout and Growth
- **Investment Focus:** Barings New Jersey Emerging Manager Program II, LP will continue the customized SMA investment strategy of investing in buyout and growth emerging manager funds based in North America and Europe. Additionally, the transition fund will include managers which don't qualify for the emerging manager fund but are too small in fund size for a direct primary investment. This will allow the Division to continue to develop relationships with managers and position them for potential graduation to the direct private equity portfolio.
- **Target Returns:** 15-17% IRR (net-net) / 1.5-1.75x MOIC (net-net)
- **Investments Thesis:**
 - Strategic partnership grants the Division access to attractive lower middle market fund managers
 - Diversification benefits from lower middle market exposure, including higher return potential compared to large managers, lower average purchase price multiples, and lower average leverage at entry
 - Experienced senior team of 4 managing directors averaging over 23 years of industry experience with specialized track records investing in Emerging Managers
 - Established reputation as a "go-to" advisor and partner for newly established Firms, providing a natural sourcing channel for high-quality opportunities

Fund Name: Barings New Jersey Emerging Manager Program II, L.P.

April 24, 2025

Contact Info: Mina Nazemi, 300 South Tryon Street, Unit 2500, Charlotte, N.C. 28202

Fund Details		
Total Firm Assets:	~\$421 billion	Key Investment Professionals: Mina Nazemi: Mina Pacheco Nazemi is the Head of the Diversified Alternative Equity team and serves on the Investment Committee. She is also responsible for originating, underwriting and monitoring fund, direct/co-investments and secondary opportunities for private equity and real assets. Mina has worked in the industry since 1998 with experience as a General Partner and Limited Partner investor in private markets and focused on underwriting direct/co-investment opportunities. Prior to joining the firm in 2017, Mina held several leadership and investment positions including Co-Founder and Partner at Aldea Capital Partners and Partner and Investment Committee Member at GCM Grosvenor Customized Fund Investment Group (formerly Credit Suisse CFGI). Elizabeth Weindruch: Elizabeth Weindruch is a member of Barings’ Diversified Alternative Equity team, serves on its Investment Committee, and is responsible for originating and underwriting fund, co-investment and secondary opportunities globally. Prior to joining the firm in 2015, she was with the Wells Fargo Investment Institute where she led the strategy, diligence and implementation efforts for private equity and private real estate products across the alternative investments platform. Prior to that, she served in a similar role at Citi Private Bank, and prior to that, she underwrote funds and co-investments at Brooke Private Equity Associates. Allen Ruiz: Allen Ruiz is a member of Barings’ Diversified Alternative Equity team and serves on the Investment Committee and as vertical lead for its Private Equity investment activities. Allen is responsible for originating and underwriting funds, direct/co-investments and secondary transactions. Allen has experience investing in and managing private equity assets as a direct investor and as a Limited Partner. Prior to joining the firm in 2017, Allen was a Director and founding team member at Aldea Capital Partners, where he focused on sourcing and underwriting direct/co-investment opportunities. Prior to Aldea, he was a VP at Meruelo Investment Partners and an Investment Associate at Credit Suisse (Alternative Investments). Patrick O’Hara: Patrick O’Hara is a member of Barings’ Diversified Alternative Equity team and is responsible for originating, underwriting and monitoring fund, co-investment and secondary opportunities for private equity and real assets. Patrick has worked in the industry since 1998 with experience as a General Partner and Limited Partner investor in private equity, real assets, leveraged loans and distressed credit. Prior to joining the firm in 2017, Patrick held several leadership and investment positions included Co-Founder and Partner at Aldea Capital Partners, Principal at GCM Grosvenor, Director of Private Equity at the Employees Retirement System of Texas, Managing Director at Patriarch Partners and Portfolio Manager at GE Capital.
Strategy:	Private Equity	
Year Founded:	1991	
Headquarters:	Charlotte, NC	
GP Commitment:	1.0%	

Investment Summary			
<p>Barings New Jersey Emerging Manager Program II, L.P. (the “Fund”) with Barings LLC (the “Firm”) seeks to provide the NJDOI with an opportunity to realize long-term capital appreciation, principally by making, holding and disposing of equity investments in Emerging Manager and Transition Manager private equity funds. The capital in the Fund is expected to be deployed over approximately three years into North America and Western Europe buyout, growth and/or opportunistic equity funds. The Fund will take the same strategy and approach as its predecessor with the expansion to accommodate transition managers, or managers that fall outside the NJDOI’s “Emerging Manager” definition of (i) managers with fund sizes less than \$1 billion, (ii) firms with assets under management of less than \$3 billion, and (iii) managers raising capital for institutional funds with no more than two successor funds (i.e. fund III).</p>		<i>Funds</i>	<i>Vintage Year</i>
			<i>Strategy</i>
			<i>Returns: Net IRR, Net TVPI, Net DPI</i>
		BEGF I	2020
		BEGF II	2023
		New Jersey EM Fund I	2023
			Small buyout
			Small buyout
			Small buyout
		Source of Returns - Barings LLC	
		*Net as of 09/30/2024	
		IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In	

Vehicle Information:

Investment:	Barings New Jersey Emerging Manager Fund		
Inception:	2025	Auditor:	KPMG
Fund Size :	\$252.5 million	Legal Counsel:	TBD
Management Fee:	During the Investment Period, 0.35% on Invested Capital for primary and pledge funds. Following the Investment Period, it will be the lesser of Net Invested Capital in Underlying Funds including amounts committed but not yet funded, and the net asset value of the Partnership's investments in the Underlying Funds		
Carry:	1% subject to a 1.75x Net MOIC; 3% subject to a 2.20x Net MOIC		
Hurdle:	See above under Carry		
Investment:	Barings New Jersey Transition Manager Fund		
Inception:	2025		
Fund Size :	\$252.5 million		
Management Fee:	During the Investment Period, 0.35% on Invested Capital for primary and pledge funds. Following the Investment Period, it will be the lesser of Net Invested Capital in Underlying Funds including amounts committed but not yet funded, and the net asset value of the Partnership's investments in the Underlying Funds		
Carry:	1% subject to a 1.75x Net MOIC; 3% subject to a 2.20x Net MOIC		
Hurdle:	See above under Carry		

NJ AIP Program			
Recommended Allocation (\$mil.): Emerging Manager Fund	\$250 million	LP Advisory Board Membership:	YES
% of Fund Recommended Allocation (\$mil.): Transition Manager Fund	99.0%	Consultant Recommendation:	YES
		Placement Agent:	NO
% of Fund	99.0%	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.