



State of New Jersey

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November 14, 2019

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon
Director

SUBJECT: **Investment in Dragon Co-Invest, L.P.**

On October 29, 2019, the Division of Investment (the "Division") invested \$24 million in Dragon Co-Invest, L.P. (the "Fund"). This informational memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9. The attached schedule summarizes the details of the investment.

Division Staff 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").

Staff worked with representatives of the Division of Law and outside counsel to review and negotiated specific terms of the legal documents to govern the investment. A Disclosure Report of Political Contributions was obtained at the time of closing in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions were disclosed.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council's regulations. Dragon Co-Invest, 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 the close of business on October 28, 2019, the aggregate market value of private equity investments was 11.24% of the combined assets of all the Pension and Annuity Funds excluding the Police and Fire Mortgage assets.

A formal report for the investment was provided to the Investment Policy Committee. In addition to the formal report, all other information obtained by the Division on the Investment was made available to the IPC.

We look forward to discussing the investment at the Council's November 20, 2019 meeting.

Attachment

Private Equity

Fund Name: Dragon Co-Investment, L.P.

November 14, 2019

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

Fund Details: Dragon Coinvestment, L.P.

Firm AUM (\$bil.):	\$111 billion	Key Investment Professionals: Matt Hobart. Matthew T. Hobart is the Co-Managing Partner of TPG Growth, the middle market and growth equity investment fund of TPG, and leads its Healthcare and Financial Services investments. Mr. Hobart is currently a board member of RefleXion Medical, Cancer Treatment Services International, GoHealth, Medical Solutions, Independent Pet Partners Holdings, Inc., Evolent Health and Precision for Medicine. Mr. Hobart also serves on the board of trustees of the San Francisco Ballet and SF University High School. His previous board service includes NorthStar Anesthesia, Greencross, The Vincraft Group, Schiff Nutrition International, iMDsoft, Wil Research and Agraquest. From 2001, until he joined TPG Growth in 2004, Mr. Hobart was the Vice President of Corporate Development for Critical Path. Previously, Mr. Hobart co-founded and from 1999 to 2001 served as a Managing Director of Vectis Group. From 1993 to 1997, Mr. Hobart made private equity investments in the United States and Europe for Morgan Stanley Capital Partners III L.P. and helped raise and invest funds for the Morgan Stanley Global Emerging Markets Fund. Mr. Hobart holds a B.A. in economics from Miami University and an M.B.A. from Stanford University Graduate School of Business. Ransom Langford. Mr. Langford is a Partner based in New York. He leads the Industrials and Business Services sectors for TPG Growth. He currently sits on the Boards of Artel, Frank Recruitment Group, Gavin de Becker & Associates, HotSchedules, Microgame, Superior Industries and Resource Label Group. Prior to joining TPG Growth in 2009, Ransom was a Managing Director at J.H. Whitney & Co. from 2000 to 2009. Mr. Langford served on numerous boards of directors of Whitney portfolio companies and was a member of the firm's Investment Committee. Prior to Whitney, Mr. Langford was a member of the investment team at Los Angeles-based Brentwood Associates. Prior to Brentwood Associates, Mr. Langford was an analyst in the Mergers and Acquisitions Group at New York-based investment bank Donaldson, Lufkin & Jenrette. He graduated with a B.A. with Highest Distinction, cum laude, from the University of North Carolina, Chapel Hill where he was a Morehead Scholar and an M.B.A., with honors, from the Wharton School of the University of Pennsylvania. Scott Gilbertson. Mr. Gilbertson is a Partner based in San Francisco. He leads the TPG Growth Operating Group. The group is responsible for driving shareholder value creation by contributing to the investment process and by actively engaging with portfolio companies to drive revenue growth, operational effectiveness and profit enhancement. Prior to joining TPG Growth in 2007, Mr. Gilbertson held a number of operating positions including Senior Vice President of Merchandising (Chief Merchant) at Under Armour Performance Apparel, Chief Operating Officer and President eCommerce at J.Crew Group and CEO of Ludi Labs, Inc. He was a member of the TPG Capital Ops Group from 1998 to 2003. In his role at TPG he has held a number of interim operating positions within the TPG portfolio including COO of Bally International and Chief Executive Officer of Fender Musical Instruments. From 1991 to 1998, Mr. Gilbertson was at The Boston Consulting Group where he led case work in the automotive, wine and spirits, financial services and apparel industries. Mr. Gilbertson is currently on the boards of Fender Musical Instruments and Taco Bueno. Prior board service of note includes Greencross/Petbarn, David's Bridal, The Vincraft Group, 3 Day Blinds and Rotoplas. Mr. Gilbertson is also a Board member of The First Tee of San Francisco. Mr. Gilbertson is an alumnus of Claremont McKenna College and the Kellogg Graduate School of Management at Northwestern University. Steve Ellis. Steve Ellis is the Co-Managing Partner for The Rise Fund. Prior to joining TPG in 2015, Steve was the CEO of Asurion, the world's leading provider of technology protection services, and a Global Managing Partner for Bain & Company. Steve is a graduate of UC Berkeley and Stanford Business School, where he is a regular guest lecturer. Steve also serves on the boards of the Bridgespan Group, EverFi, and Charles Schwab.
Strategy:	Buyout	
Year Founded:	1992	
Headquarters:	San Francisco, CA	
GP Commitment:	N/A	

Investment Summary	Existing and Prior Funds			
<p>TPG Dragon Co-Investment, LP is a co-investment vehicle alongside TPG Growth IV. TPG Growth IV falls within the broader global alternative investment platform of the firm, which was founded in 1992 by David Bonderman and James Coulter and encompasses private equity, credit, real estate and public equity. TPG Growth IV is the primary investment vehicle for global small- and middle-market growth equity and buyout investments. Similar to prior Growth funds, Fund IV will pursue both control and non-control investments in small- and middle-market growth equity and buyout opportunities across a variety of sectors primarily in the U.S. and Asia and opportunistically in other developing markets. Growth IV will continue the strategy of targeting growth equity investments and invest in middle-market opportunities, while selectively considering later-stage venture investments.</p>	<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 6/30/2019</i>
	Fund I	2007	Buyout	7.2% Net IRR, 1.33x Net TVPI, 1.15x DPI
	Fund II	2011	Buyout	17.9% Net IRR, 1.95x Net TVPI, 0.76x DPI
	Fund III	2015	Buyout	21.8% Net IRR, 1.38x Net TVPI, 0.53x DPI
IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI= Distributions to Paid-In				

Vehicle Information:			
Inception:	2019	Auditor:	TBD
Fund Size (\$mil.):	\$137	Legal Counsel:	Weil, Gotshal & Manges LLP
Management Fee:	0.00%		
Carry:	0%		
Hurdle Rate:	0%		
Additional Expenses:	N/A		

NJ AIP Program			
Recommended Allocation (\$mil)	\$24	LP Advisory Board Membership:	N/A
% of Fund:	17.5%	Consultant Recommendation:	N/A
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Y