



State of New Jersey

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May 19, 2021

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon
Director

SUBJECT: **Real Asset Investment - EQT Infrastructure V, LP**

The Division of Investment (the “Division”) is proposing an investment of up to \$160 million in EQT Infrastructure V, LP (the “Fund” or “Fund V”), a fund managed by EQT Partners (“EQT”). 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 Track Record: EQT’s infrastructure platform has produced strong and consistent returns resulting in a Net IRR of 15% across four funds, including realized and unrealized deals. The platform’s realized returns are strong, indicating EQT’s capabilities in fully exiting its investments.

Differentiated Strategy and Portfolio Fit: Fund V will help increase the Pension Fund’s exposure to infrastructure while diversifying away from volatile conventional energy investments in Real Assets. The Fund’s unique, diversified approach allows the team to invest in sectors with strong tailwinds such as digital infrastructure and renewables, and capitalize on early trends such as social infrastructure. While the Fund will have a European focus, it will explore investment opportunities across Europe, North America and Asia Pacific, thus diversifying the Pension Fund’s North American-focused infrastructure commitments till date.

Experienced Management Team: The Fund is led by Lennart Blecher who serves as the Head of Real Assets for EQT and founded EQT’s infrastructure business in 2007. The team consists of 17 Partners who are supported by c. 60 additional investment professionals. Twelve of the team’s 17 Partners have been with the firm since EQT Infrastructure I, highlighting the Firm’s focus on organic development and team cohesion.

Strong ESG Focus: EQT incorporates ESG and sustainability factors in all investments as part of their goal in developing sustainable companies. ESG factors are underpinned by the firm’s sustainability ambassador network, EQT’s Sustainability Blueprint and the Responsible Investing

& Ownership Policy. The Responsible Investing & Ownership Policy serves as the Firm's ESG policy and was reviewed by the Pension Fund's Corporate Governance team.

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

Division Staff and its real asset 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 engaged a third-party solicitor ("placement agent") in the fundraising of the Fund but no placement agent was engaged or paid in connection with the Pension Fund's potential 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 71 of the Council's regulations. EQT Infrastructure V, LP is considered a real asset investment, as defined under N.J.A.C. 17:16-71.1.

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 May 12, 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 May 26, 2021 meeting.

Attachment

Fund Name: EQT Infrastructure V, LP

May 19, 2021

Contact Info: Adil Haque, 26A Boulevard Royal, L-2449, Luxembourg, Luxembourg

Fund Details:

Total Firm Assets:	€67.7 billion	<p>Key Investment Professionals:</p> <p>Lennart Blecher: Mr. Blecher is the Head of EQT Real Assets and Deputy Managing Partner of EQT. He is based in Zurich, Switzerland. Mr. Blecher joined the EQT Infrastructure Advisory Team in 2007. Prior to EQT, Mr Blecher was a Managing Director and Senior Banker at UniCredit/HypoVereinsbank. His other previous roles include Managing Director of Acquisitions at GE Commercial Finance, President and Business Area Manager of ABB Structured Finance and Chairperson of ABB Export Bank, and General Counsel at ABB Financial Services.</p> <p>Andreas Huber: Mr. Huber is a Partner and Vice Chairperson of EQT Asia Pacific. He is based in Munich, Germany. Mr. Huber is one of the founding Partners of the EQT Infrastructure Advisory Team after joining EQT in 2007. Prior to joining EQT, Mr. Huber held various senior positions with UniCredit Markets and Investment Banking and HVB, most recently as Managing Director in the Structure Transactions and Investments Unit. His other roles at UniCredit include Vice President for the Project Finance Team responsible for Global Power and Renewables as well as the Director of Project Finance for Asia Pacific. Prior to joining UniCredit/HVB, Mr Huber worked at Bayerische Vereinsbank in Munich, Germany.</p> <p>Alex Darden: Mr. Darden is a Partner and the Head of EQT Infrastructure North America. He is based in New York, USA. Mr. Darden joined EQT Partners in 2008 and was appointed Partner in 2013. Previously, Mr. Darden worked at GE Energy Financial Services where he made structured debt and equity investments in the energy industry. Prior to joining GE, Mr Darden worked at ABB in North Carolina and New York, USA.</p> <p>Matthias Fackler: Mr. Fackler is a Partner and the Head of EQT Infrastructure Continental Europe. He is based in Munich, Germany. Mr. Fackler joined EQT in 2008 and was appointed Partner in 2014. Prior to EQT, Mr. Fackler worked as a Director at Rothschild focusing on infrastructure and energy transactions. He also worked as a Senior Consultant at Arthur Andersen.</p> <p>Masoud Homayoun: Mr. Homayoun is a Partner and the Head of EQT Infrastructure Nordics & UK. He is based in Stockholm, Sweden. Mr. Homayoun joined EQT in 2008 and was appointed Partner in 2016. He previously worked at Bain & Company in Stockholm, where he was engaged in projects in a diverse range of industries, including private equity in the Nordics and the United States.</p>
Strategy:	Infrastructure	
Year Founded:	1994	
Headquarters:	Stockholm, Sweden	
GP Commitment:	1% of total commitments	

Investment Summary

EQT Infrastructure Fund V is a diversified global infrastructure fund that will seek to make control-oriented investments in infrastructure assets and companies operating within the telecom, transportation & logistics, social, energy (non-oil & gas) and environmental sectors. The Fund will focus primarily on Europe, the U.K., and North America geographically, with the opportunity to selectively pursue investments in the Asia Pacific region.

Existing and Prior Funds

Funds	Vintage Year	Strategy	Returns as of 12/31/2020
Fund I	2008	Infrastructure	17.1% Net IRR; 1.88x Net TVPI; 1.88x DPI
Fund II	2013	Infrastructure	17.6% Net IRR; 1.58x Net TVPI; 1.39x DPI
Fund III	2016	Infrastructure	17.9% Net IRR; 1.48x Net TVPI; 0.02x DPI
Fund IV	2018	Infrastructure	0.1% Net IRR; 1.04x Net TVPI; 0.00x DPI

Source of Returns - EQT Partners

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

Vehicle Information:

Inception:	2021	Auditor:	KPMG LLP Luxembourg
Fund Size:	€12.5 billion; €15 billion (hard cap)	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	1.50% p.a. on committed capital during the investment period, then on invested capital		
Carry:	20%		
Hurdle Rate:	6%		
Additional Expenses:	100% management fee offset		

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$160 million	LP Advisory Board Membership:	TBD
% of Fund:	~ 0.89% (hard cap)	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.