



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

October 25, 2024

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Real Asset Investment - EQT Infrastructure VI**

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million in EQT Infrastructure VI (the “Fund” or “Fund VI”) managed by EQT Partners AB (“EQT”) and up to \$200 million to a co-investment sidecar vehicle. 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: The EQT value-add infrastructure series has produced strong returns resulting in a net IRR of 15.9%. The platform’s loss ratio is 01.5% highlighting the team’s ability in driving consistent returns with minimal risk. Further, the team has successfully exited around 40% of its investments to date, underlining its ability to return capital to investors.

Differentiated Strategy and Portfolio Fit: Fund VI 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, renewables & the energy transition, transportation & logistics, and social infrastructure. Geographically, the Fund will invest across Europe, North America and Asia while maintaining a European focus, thus diversifying the Pension Fund’s North American-focused infrastructure commitments to date. The co-investment sidecar vehicle will help reduce the Pension Fund’s fees and allow for a more meaningful and tactical build out of the portfolio.

Experienced Management Team: The overall EQT Real Assets platform is led by Lennart Blecher, who founded EQT’s infrastructure business in 2007, with the EQT Infrastructure business line being led by Masoud Homayoun, who has worked with EQT Infrastructure since 2008. The team consists of ~ 130 investment professionals, 24 of which are partners. Twelve of the team’s Partners have worked together across five funds, 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 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.

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 VI 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 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

EQT Infrastructure Fund VI

- **Commitment:** Up to \$400 million allocated as follows
 - Up to \$200 million to the fund
 - Up to \$200 million to a co-investment vehicle
- **Strategy:** Real Assets - Infrastructure
- **Investment Focus:** Diversified, Global Value-Add Infrastructure
- **Target Returns:** Mid-teens Net IRR
- **Target Fund Size:** €20 billion
- **Investment Thesis:**
 - Strong track record
 - Differentiated strategy with a strong portfolio fit
 - Experienced management team
 - Strong ESG focus

Fund Name: *EQT Infrastructure VI, LP* **10/xx/2024**

Contact Info: *EQT Fund Management S.à r.L, 51A Boulevard Royal, L-2449, Luxembourg, Luxembourg*

Fund Details:

Total Firm Assets:	€246 billion
Strategy:	Infrastructure
Year Founded:	1994
Headquarters:	Stockholm, Sweden
GP Commitment:	1% of total commitments

Key Investment Professionals:

Masoud Homayoun: Mr. Homayoun is a Partner and the Head of EQT Infrastructure. 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.

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.

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.

Alex Darden: Mr. Darden is a Partner and the Head of EQT Infrastructure Americas and President of EQT Partners, Inc. 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.

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.

Jan Vesely: Mr. Vesely is a Partner and the Head of EQT Transition Infrastructure. He is based in New York, USA. Mr. Vesely joined EQT Partners in 2010 and was appointed Partner in 2018. Prior to joining EQT Partners, Jan worked as Analyst at Goldman Sachs in Frankfurt focusing on German and CEE transactions. He holds a master's degree in Business Administration from the University of Mannheim and Portland State University.

Francesco Starace: Mr. Starace is a Partner and Chairperson of the EQT Transition Infrastructure Partners' Investment Committee. He is based in Milan, Italy. Mr. Starace joined EQT in 2023 as Partner. With a career in the energy sector spanning four decades, Francesco brings experience from senior leadership positions, advisory boards, NGOs, and public policy. As CEO of Enel, he was instrumental in driving the company's efforts to phase out fossil-fueled energy production and invest in digital technologies, transforming it into one of the world's largest renewable energy producers and the largest system of digitized electricity distribution grids. He is Chair of the Science Based Target initiative, of the Board of the UN's Sustainable Energy for All, a member of the Rockefeller Commission to End Energy Poverty and served two terms as a member of the Board of Directors of the UN's Global Compact, from 2015 to 2021.

Investment Summary

EQT Infrastructure Fund VI 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 6/30/2024
Fund I	2008	Infrastructure	17% Net IRR; 1.9x Net TVPI; 1.9x DPI
Fund II	2013	Infrastructure	17% Net IRR; 1.6x Net TVPI; 1.5x DPI
Fund III	2016	Infrastructure	22% Net IRR; 2.1x Net TVPI; 1.9x DPI
Fund IV	2018	Infrastructure	11% Net IRR; 1.5x Net TVPI; 0.1x DPI
Fund V	2020	Infrastructure	13% Net IRR; 1.3x Net TVPI; 0.00x DPI

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

Vehicle Information:

Inception:	2023	Auditor:	KPMG LLP Luxembourg
Fund:	Co-Investment	Legal Counsel:	Simpson Thacher & Bartlett LLP
Fund Size:	€20 billion; €21 billion (hard cap)		
Management Fee:	1.50% p.a. on committed capital during the investment period, then on invested capital		No Management Fee
Carry:	20%		No Carry
Hurdle Rate:	6%		N/A
Additional Expenses:	100% management fee offset		0.25% Administrative Fee

NJ AIP Program

Recommended Allocation (\$mil):	Up to \$200 million to EQT VI and Up to \$200 million in a Co-Investment Vehicle	LP Advisory Board Membership:	YES
% of Fund:	0.95% (on 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.