

**WASHINGTON STATE INVESTMENT BOARD  
Private Markets Committee Meeting Minutes  
October 3, 2013**

The Private Markets Committee met in open public session at 9:00 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present:            Marcie Frost, Acting Chair  
                                 Treasurer Jim McIntire (teleconferenced)  
                                 Richard Muhlebach  
                                 Mike Ragan  
                                 Representative Sharon Tomiko Santos (teleconferenced)  
                                 Jeff Seely (teleconferenced)

Members Absent:            George Masten  
                                 David Nierenberg

Also Present:                Theresa Whitmarsh, Executive Director  
                                 Gary Bruebaker, Chief Investment Officer  
                                 Tom Ruggels, Senior Investment Officer – Private Equity  
                                 Diana Will, Senior Investment Officer – Tangible Assets  
                                 Mo Mooers, Investment Officer – Private Equity  
                                 Isabelle Fowler, Investment Officer – Private Equity  
                                 Linda Buchanan, Administrative Assistant  
  
                                 Mary Lobdell, Assistant Attorney General  
                                 Tara Blackburn, Hamilton Lane  
                                 R. Blair Thomas, EIG Global Energy Partners  
                                 Jay Hoag, Technology Crossover Ventures  
                                 Carla Newell, Technology Crossover Ventures

[Names of other individuals attending the meeting are listed in the permanent record.]

Acting Chair Frost called the meeting to order and took roll call.

[Mr. Seely joined via teleconference at 9:01 a.m.]

**ADOPTION OF THE SEPTEMBER 5, 2013, MINUTES**

**Mr. Ragan moved to adopt the September 5, 2013, Private Markets Committee minutes. Representative Santos seconded, and the motion carried unanimously.**

[Treasurer McIntire joined via teleconference at 9:05 a.m.]

## **PRIVATE EQUITY INVESTMENT RECOMMENDATION – EIG ENERGY FUND XVI, L.P.**

Mr. Mooers introduced himself and stated that staff was recommending an investment of up to \$200 million in EIG Energy Fund XVI, L.P., a hybrid debt and structured equity fund with a target size of \$4.25 billion being raised by EIG Global Energy Partners. The fund will invest in energy, resource and related infrastructure projects, and companies on a global basis with an emphasis on North America, Western Europe, and Australia. If approved, the proposed investment would be a new general partner relationship for the WSIB and would fall into the unidentified allocation in the Board-approved 2013 private equity annual plan. The proposed investment is consistent with the model portfolio.

Mr. Mooers described the firm's fit within the WSIB's private equity portfolio and explained the proposed investment provides an opportunity to increase exposure to the energy sector, complements existing WSIB private equity energy sector managers, provides diversification in the energy sector for the private equity portfolio, and provides exposure to the underweight distressed/credit segment and in the Latin America and Asia Pacific regions. Mr. Mooers described staff's due diligence process and the firm's reputation with existing investors. He detailed the firm's open approach to discussing a situation that existed with one investment.

The Committee discussed concerns investigated by staff.

Ms. Blackburn, Hamilton Lane, introduced herself and said the proposed investment would enhance the WSIB's private equity portfolio exposure in the energy space and discussed the firm's differentiated investment strategy, value added approach, and the unique market niche. She described the investment team's management and technical expertise and experience, and stated that Hamilton Lane supports the investment.

Discussion ensued regarding the firm's approach to deal structures; investment strategy; positive cash flows; returns on investments; ownership distribution; partnership turnover in a competitive market sector; the different strategy of funds XI, XII, and XIII; and the stable pace of growth.

Mr. Thomas, EIG Global Energy Partners, introduced himself and described the firm's history, 31-year track record, global investment platform, investment strategy and style, geographic and subsector diversification, experience through multiple cycles, target markets, current market conditions, exit strategies, and existing portfolio companies.

Discussion ensued regarding risks inherent with the investments, including the problems of one investment; the firm's growth; mistakes made and lessons learned; awareness of potential impact to reputational risk; and how the firm protects the reputation of its investors. Mr. Thomas explained that EIG adopted the United Nations principles on environmental, social, and governance (ESG). The Committee further discussed potential liquidity issues and the firm's cash yield.

**Mr. Ragan moved that the Private Markets Committee recommend the Board invest up to \$200 million, plus fees and expenses, in EIG Energy Fund XVI, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.**

**PRIVATE EQUITY INVESTMENT RECOMMENDATION – TCV FUND VIII, L.P.**

Ms. Fowler introduced herself and stated that staff was recommending an investment of up to \$150 million in TCV VIII, L.P., a technology focused growth equity fund being raised by Technology Crossover Ventures (TCV). The WSIB has invested in previous TCV funds through the discontinued separate account venture capital program. If approved, this would be the first investment approved directly by the Board in a TCV fund. The proposed investment would fall into the unidentified allocation in the Board-approved 2013 private equity annual plan and is consistent with the model portfolio.

Ms. Fowler described the firm's cohesive and experienced management team, differentiated and proven strategy, consistently attractive returns, deal flow, and fit in the WSIB's private equity portfolio. She discussed the firm's singular focus on the technology sector in growth equity and extensive network.

Ms. Blackburn, Hamilton Lane, discussed the firm's reputation, low-risk platform, the use of technology to enhance companies, high growth, and excellent fit in the WSIB's private equity portfolio. She stated the firm is well positioned to capture growth over next 5-year cycle, and that Hamilton Lane supports the investment.

Mr. Seely spoke to the firm's reputation, investment strategy, fit in the WSIB's private equity portfolio, investments in Washington, and strong performance.

Mr. Hoag and Ms. Newell, Technology Crossover Ventures, introduced themselves. Mr. Hoag discussed the firm's history, growth, domain expertise, investment approach and sector, active involvement with portfolio companies, reputation, and industry expertise and experience.

Ms. Newell described the firm's strong consistent performance across multiple market cycles. She indicated the third quarter was extremely strong in gains and distributions.

Mr. Hoag discussed the team's history and experience, and the firm's preparation for generational transition, portfolio companies, ability to identify premiere companies that provide diversity and liquidity, investments in Washington, exit strategies, and market conditions and trends. He described the firm's outbound sourcing effort, investment discipline, due diligence, and domain expertise. Mr. Hoag discussed the firm's geographic footprint and coordinated effort across multiple offices.

The Committee discussed the market conditions in Washington and the size of the investment recommendation.

**Mr. Ragan moved that the Private Markets Committee recommend the Board invest up to \$150 million, plus fees and expenses, in TCV VIII, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.**

#### **PRIVATE MARKETS CLOSING LOG**

The Private Markets Closing Log was presented for informational purposes.

[The Committee recessed at 10:52 a.m., and reconvened at 11:04 a.m.]

Acting Chair Frost announced the Committee would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. She said the executive session was expected to last at least 30 minutes, at which point the Committee would reconvene in open session.

[The Committee convened in executive session at 11:04 a.m., and reconvened in open session at 11:42 a.m.]

#### **OTHER ITEMS**

There were no other items to come before the Committee, and the meeting adjourned at 11:42 a.m.