

**WASHINGTON STATE INVESTMENT BOARD  
Private Markets Committee Meeting Minutes  
February 6, 2014**

The Private Markets Committee met in open public session at 9:03 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair  
Marcie Frost  
Treasurer Jim McIntire  
David Nierenberg  
Jeff Seely

Members Absent: Richard Muhlebach  
Representative Sharon Tomiko Santos

Others Board Members  
Present: Arlista Holman  
Bill Longbrake

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  
Fabrizio Natale, Assistant Senior Investment Officer –  
Private Equity  
Carmen Matsumoto, Investment Officer – Private Equity  
Kurt Akers, Assistant Senior Investment Officer – Tangible  
Assets  
Linda Buchanan, Administrative Assistant  
  
Mary Lobdell, Assistant Attorney General  
Tara Blackburn and Mike Augustine, Hamilton Lane  
Jim Coulter and Jamie Gates, TPG Capital  
Tom Lister and Chris Davison, Permira  
Brent Burnett, Real Asset Portfolio Management  
Tom Avinelis and Brooke Randall, Agriculture Capital  
Management  
Bryan Sweeney, Altius Associates Limited  
Brett Hellerman and Jon Rotolo, Wood Creek Capital  
Management

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

Chair Masten called the meeting to order and took roll call.

## **PRIVATE EQUITY INVESTMENT RECOMMENDATION – TPG CAPITAL PARTNERS STRATEGIC ACCOUNT, L.P.**

Mr. Natale described the array of successful exits achieved by the TPG Capital funds during the past year and the types of investments the firm has been making since recalibrating its strategy 5 years ago. He explained that the firm has returned to its original investment approach and high standards, focusing on buyouts of smaller companies with transactions between \$200 million and \$400 million. Mr. Natale provided several specific examples of improvements in existing portfolio companies and transactions made.

Mr. Natale stated that staff was recommending an investment of \$600 million in the TPG Capital Partners Strategic Account, to be viewed as an early commitment to TPG Capital VII. This proposed commitment is consistent with the Board-approved 2014 private equity annual plan and model portfolio.

Ms. Blackburn, Hamilton Lane, described past difficult vintage years and improvements the firm has implemented. She discussed the firm's improved performance, experienced leaders, global resources, and value creation. Ms. Blackburn stated that Hamilton Lane believes this manager is one of the strongest in the market and is well situated to continue producing top-tier returns.

Discussion ensued regarding the possibility that this proposed investment could roll into the next fund based on the time period in which investments are made and whether the possibility of a larger investment if this fund were rolled into the next fund. The Committee discussed how this firm compares to its peers, performance, fund size, and coinvestment opportunities.

Mr. Coulter and Mr. Gates, TPG Partners, introduced themselves. Mr. Gates described the firm's history, current competitive landscape, investment focus, lessons learned during the financial crisis, recent performance, operational value added, and exit opportunities. He discussed the evolving relationship between limited partners and general partners and stated that the investment opportunity reflects the strategic relationship between TPG and the WSIB.

[Treasurer McIntire arrived at 9:21 a.m.]

Discussion ensued regarding the firm's refined strategy, the difficulty of making positive operational changes in larger deals, and the proposed fund size.

**Treasurer McIntire moved that the Private Markets Committee recommend the Board invest up to \$600 million, plus fees and expenses, in TPG Capital Partners Strategic Account, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Frost seconded, and the motion carried unanimously.**

## **PRIVATE EQUITY INVESTMENT RECOMMENDATION – PERMIRA V, L.P.**

Ms. Matsumoto stated that staff was recommending an investment of up to €220 million (approximately \$300 million at the current exchange rate) in Permira V, L.P., a buyout fund with a target fund size and hard cap of €5 billion. She said the proposed investment is consistent with the Board-approved 2014 private equity annual plan and model portfolio. Permira is an existing general partner relationship for the WSIB. Ms. Matsumoto described firm's local presence, investment professionals, senior team, and experience. She noted that although most investments would be focused in Europe, opportunities outside Europe will be considered. Ms. Matsumoto explained that although Fund IV had a rough start, it has rebounded nicely, and is now showing top quartile performance for its vintage year. She explained that Fund V is already being invested and is showing positive returns.

Mr. Augustine, Hamilton Lane, discussed the firm's improved performance, enhanced processes, European focus, deal flow, and ability to deploy capital.

Discussion ensued regarding the interval between funds, turnover in key leadership, evaluation process, and global focus.

Mr. Lister and Mr. Davison, Permira, introduced themselves. Mr. Lister described the firm's history; growth; focus on private equity; global presence; investment, sector, and thematic focus; historic performance; and value creation. He discussed current market conditions and opportunities in Europe.

The Committee discussed the European banking system, the advantages of the firm's global presence, diversified portfolio, proprietary processes, cross-sector investments, investment opportunities, dynamic culture, management strategy, and experience. Further discussion ensued regarding the euro, European Union, and opportunities in specific geographic regions.

**Treasurer McIntire moved that the Private Markets Committee recommend the Board invest up to €220 million, plus fees and expenses, in Permira V, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Frost seconded.**

The Committee discussed the size of the investment and the private equity target allocation.

**Treasurer McIntire moved to amend the motion to invest up to €320 million, plus fees and expenses, subject to continuing due diligence and final negotiation of terms and conditions. Ms. Frost seconded, and the amendment carried unanimously.**

**The amended motion carried unanimously.**

## **ADOPTION OF THE JANUARY 9, 2014, MINUTES**

**Treasurer McIntire moved to adopt the January 9, 2014, Private Markets Committee minutes. Ms. Frost seconded, and the motion carried unanimously.**

[The Committee recessed at 10:43 a.m. and reconvened at 11:00 a.m.]

### **TANGIBLE ASSETS INVESTMENT RECOMMENDATION – ACM PERMANENT CROPS, LLC**

Mr. Akers stated that staff was recommending an investment of up to \$50 million in ACM Permanent Crops, LLC, to invest in permanent cropland in California, Oregon, and Washington and related midstream assets. The fund will target a net rate of return of 12 to 14 percent on an unlevered basis, with the majority coming in the form of current income. This commitment was included in the annual plan for Tangible Assets approved by the Board in December.

Mr. Akers described the fund's investment strategy and focus; vertical integration from crop production through marketing; affiliated companies; and core focus on sustainability and environmental, social, and corporate governance issues. He discussed the firm's experienced team, strong operating track record, economies of scale, and complexity of operations.

The Committee discussed reference checks, contracts with affiliated organizations, and the advisory board's oversight of contracts.

Mr. Burnett, Real Asset Portfolio Management, described the firm's fundamentals, investment opportunities, sector and geographic focus, high production per acre, operational expertise, insight into best practices, potential deal flow, reputation and relationship with operators in area, and strong team.

Mr. Avinelis and Mr. Randall, Agriculture Capital Management, introduced themselves. They discussed market growth in targeted crop types; production; high, consistent income expectations of permanent crops; use of sustainable farming practices; branding; and end products. They explained opportunities due to generational succession, capital constraints, and industry modernization. They described the firm's advantages due to portfolio diversification, professional risk management, value-added operations, and disciplined investment process.

Discussion ensued regarding geographic diversification within a region, water rights, sales and marketing, branding, long-term profitability, sustainable farming practices, transition time for moving from traditional to organic crops, risk management, performance history, liquidity options, management team, owner-operator model, employee healthcare, the support provided by the parent company, technological advances, exportable crops, impacts of climate change, crop insurance, and immigration policies.

[Mr. Longbrake arrived at 11:42 a.m.]

**Treasurer McIntire moved that the Private Markets Committee recommend the Board invest up to \$50 million, plus fees and expenses, in ACM Permanent Crops, LLC, subject to continuing due diligence and final negotiation of terms and conditions. Ms. Frost seconded, and the motion carried unanimously.**

[Mr. Nierenberg left at 11:51 a.m.]

#### **TANGIBLE ASSETS INVESTMENT RECOMMENDATION – STEELHEAD MISTREAM, LLC**

Ms. Will said that staff was recommending an investment of \$250 million, plus fees and expenses, in Steelhead Midstream, LLC, to invest in approximately 7 to 10 agriculture-related midstream assets primarily in the United States. This will be a separate account hybrid structure where the WSIB will own the majority of the equity, with Wood Creek Capital Management, as fund general partner and manager, owning the rest. The fund may invest in assets alongside other separate accounts managed by Wood Creek or as a sole entity in an asset. This proposed investment is consistent with the Board-approved 2014 tangible assets annual plan.

Ms. Will described the firm's investment strategy, targeted assets, and lease-model focus. She discussed the fund's separate account structure, niche strategy, fit in the WSIB tangible assets portfolio, investment philosophy, research-driven investment approach, experienced and cohesive team, and experience in creating new operating companies to manage assets.

Mr. Sweeney, Altius Associates Limited, introduced himself and discussed the firm's transparency, investment strategy, low level of competition, interesting platform, thoughtful investment team, focus on downside protection, positive references, and fit in the WSIB tangible assets portfolio.

Discussion ensued regarding how investment opportunities would be queued relative to other separate account investors.

[Mr. Nierenberg attended via teleconference at 12:00 p.m.]

Mr. Hellerman and Mr. Rotolo, Wood Creek Capital Management, introduced themselves. Mr. Hellerman discussed the firm's experience, investment team, ownership structure, investment philosophy, income focus, minimal use of leverage, investment themes, industrial sectors, trends in agriculture, investment opportunities, and macro-economic drivers.

The Committee discussed transportation issues, tax breaks, life expectancy of containers, the proposed investment size, the firm's ability to invest the large amount recommended, and the WSIB's right to discontinue the partnership.

**Treasurer McIntire moved that the Private Markets Committee recommend the Board invest up to \$250 million, plus fees and expenses, in Steelhead Midstream, LLC, subject to continuing**

**due diligence and final negotiation of terms and conditions.  
Ms. Frost seconded, and the motion carried unanimously.**

**PRIVATE MARKETS CLOSING LOG**

The Private Markets Closing Log was presented for informational purposes.

Treasurer McIntire requested staff to develop a checklist of market indicators to enable the Board to better judge the timing of market cycles.

**OTHER ITEMS**

There were no other items to come before the Committee, and the meeting adjourned at 12:34 p.m.