



**Thursday, December 1, 2022
Private Markets Committee Meeting**

9:00 AM

**In Person at the Washington State Investment Board
2100 Evergreen Park Drive SW, Olympia, WA 98502
OR Teams video conference.**

1. Call to Order/Roll Call (9:00a)

2. Adoption of the Minutes (9:00-9:05)

A. Adoption of the November 3, 2022, Minutes

3. Tangible Assets Investment Recommendations (9:05-10:45)

A. Stonepeak Core Fund(9:05-9:50)

B. Break (9:50-10:00)

C. Global Infrastructure Partners Core Fund, L.P. (10:00-10:45)

D. Break (10:45-10:55)

4. Private Equity Investment Recommendations (10:55-11:40)

A. Menlo Ventures 2023, L.P. (10:55-11:40)

5. Executive Session (11:40-3:10)

A. 2023 Tangible Assets Proposed Re-Investment Opportunities (11:40-12:25)

B. Lunch (12:25-12:55)

C. 2023 Real Estate Re-Investment Opportunities (12:55-1:40)

D. 2023 Private Equity Proposed Re-Investment Opportunities (1:40-3:10)

6. Closing Log (3:10-3:15)

7. Other Items (3:15-3:20)

8. Adjourn (3:20p)

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
December 1, 2022**

The Private Markets Committee met in open public session via Microsoft Teams video conferencing available to participants and members of the public at <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>, Meeting ID: 290 565 543 745, Passcode: 5bjDog; Dial-In Number 1-360-726-322, Phone Conference ID: 206 161 741#.

Members Present: Joel Sacks, Private Markets Committee Chair
Tracy Guerin
Ada Healey
Judy Kuschel
Senator Mark Mullet
David Nierenberg

Other Board Members Present:

Bill Longbrake

Members Absent: Yona Makowski

Also Present:

Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Diana Will, Senior Investment Officer – Tangibles Assets
Dorota Czub, Assistant Senior Investment Officer - Tangible Assets
Raman Kabarwal, Assistant Senior Investment Officer – Tangible Assets
Susan Freese Baker, Investment Officer – Tangible Assets
Chay Norbom, Investment Officer - Tangible Assets
Fabrizio Natale, Senior Investment Officer – Private Equity
Aaron Daley, Assistant Senior Investment Officer - Private Equity
Björn Seebach, Assistant Senior Investment Officer - Private Equity
Gary Holt, Investment Officer - Private Equity
Carmen Matsumoto, Investment Officer - Private Equity
Frank Molina, Investment Officer - Private Equity
Michael Nelson, Investment Officer - Private Equity
Ting Yang, Investment Officer - Private Equity
Steve Draper, Senior Investment Officer - Real Estate
Brian Shrader, Director of Operations - Real Estate
Stacy Conway, Administrative Assistant
Ashana Wenzel, Administrative Assistant
Lisa Devlin, Administrative Assistant

Tor Jernudd, Assistant Attorney General
Nic DiLoretta, Aksia LLC
Luke Taylor, Stonepeak Infrastructure Partners
Rob Kupchak, Stonepeak Infrastructure Partners
Dan Wong, Stonepeak Infrastructure Partners
Dan Schmitz, Stonepeak Infrastructure Partners
Brent Burnett, Hamilton Lane

Cameron Mountain, Hamilton Lane
Adebayo (Bayo) Ogunlesi, Global Infrastructure Partners
Jon Bram, Global Infrastructure Partners
James Lee, Global Infrastructure Partners
Noah Keys, Global Infrastructure Partners
Lili Hasse, Global Infrastructure Partners
Tom Cawkwell, Albourne America LLC
Sarah Grist, Albourne America LLC
Venky Ganesan, Menlo Ventures
Matt Murphy, Menlo Ventures
Charlotte Shropshire, Menlo Ventures

CALL TO ORDER

Chair Sacks called the meeting to order at 9:03 a.m. and took roll call.

ADOPTION OF THE NOVEMBER 3, 2022, MINUTES

Chair Sacks moved to adopt the November 3, 2022, minutes.

Ms. Guerin seconded, and the motion carried unanimously.

TANGIBLE ASSETS INVESTMENT RECOMMENDATION – STONEPEAK CORE FUND (A), LP

Ms. Baker said staff recommends an investment of up to \$500 million, plus fees and expenses, in a parallel investment vehicle that is tentatively named Conifer, alongside Stonepeak Core Fund (A) LP (Core). She explained that Stonepeak Infrastructure Partners (Stonepeak) is one of Tangible Assets' largest partners, and in the last decade the WSIB has made just over \$2.4 billion in aggregate commitments across six Stonepeak-managed vehicles. Ms. Baker stated Stonepeak is a generalist infrastructure manager targeting investments across a wide range of sectors including communications, energy transition, transportation, water, and waste. Core represents a new strategy for Stonepeak, targeting the same sectors as the flagship strategy but focusing on a lower point on the risk-return spectrum, and it seeks to hold mature operating assets with an emphasis on highly defensible or monopolistic market positions and stable long-term cash flows. Ms. Baker explained that Core is an open-ended strategy and investment merits include Stonepeak's deep bench of talented investment professionals, strong track record, and strong fit within the tangible assets framework. She discussed risks, including rapid growth, redemption risk, and potential conflict with other Stonepeak mandates.

Mr. DiLoretta discussed Aksia's history with Stonepeak and the due diligence performed on the WSIB's behalf. He said Aksia views the Core strategy as a natural extension of the Stonepeak platform, complimenting the flagship strategy while maintaining the core merits of the organization and team. Mr. DiLoretta discussed the team's smart and creative structuring capability, ensuring downside protection within an asset as well as the investment structure, and mindfulness of entry valuation risk, along with their experience, history, structure, and bandwidth. He noted Stonepeak's sector focus, composite track record, and positive attributes to recommend an investment.

Discussion ensued regarding the relationship between the parallel investment vehicle and the Stonepeak Core Fund (A) L.P.

Mr. Taylor introduced the firm and discussed Stonepeak's relationship with the WSIB and performance. He highlighted downside protection, the team, the Core strategy, and history of the firm. Mr. Taylor said the Stonepeak platform sectors include transport and logistics, communications, utilities and energy transition, and social impact. He discussed inflation and market protection as well as the Core strategy opportunity set.

Mr. Kupcheck discussed the energy sector, highlighting the energy transition investment opportunity. He stated the Core fund's focus will be electric, gas, and water utilities, as they are long-duration, critical assets with an embedded growth opportunity tied to the energy transition. Mr. Kupcheck discussed the pillars of Stonepeak's Core investment approach, including an experienced team with deep networks, driving operational value, and focus on capital preservation and structure.

Mr. Wong said the Core investment strategy focuses on targeting investments with hard capital assets that generate stable revenues linked to inflation. He discussed Stonepeak Core's target of investments with a strong cash yield; assets in the communications, transport and logistics, and energy transition industry verticals; and opportunities in Organization for Economic Co-operation and Development (OECD) countries. Mr. Wong discussed the Core fund's current investments and pipeline.

Discussion ensued regarding the return targets and inflation assumptions of Stonepeak's varying strategies.

Mr. Wong addressed the Core strategy leadership team, experience, and track record, as well as sustainability and environmental, social, and governance (ESG).

Discussion continued regarding Stonepeak's underwriting process, including in relation to a country's long-term inflation targets, ESG considerations, and determining fund allocation.

Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$500 million, plus fees and expenses, in a parallel investment vehicle alongside Stonepeak Core Fund (A) LP, subject to continuing due diligence and final negotiation of terms and conditions. Ms. Kuschel seconded, and the motion carried unanimously.

[The Committee recessed at 9:53 a.m. and reconvened at 10:00 a.m.]

TANGIBLE ASSETS INVESTMENT RECOMMENDATION – GLOBAL INFRASTRUCTURE PARTNERS CORE FUND, L.P.

Mr. Kabarwal stated staff recommends an investment of up to \$300 million, plus fees and expenses, in Global Infrastructure Partners (GIP) Core Fund, L.P. (GIP Core). This investment falls into the New Strategies Allocation of the Board-approved 2022 Tangible Assets Annual Plan. He explained that GIP Core seeks to invest in the core segment of the infrastructure landscape in the energy, transport, digital, and water/waste infrastructure sectors in OECD countries. In addition, GIP Core will seek to capitalize on investment opportunities driven by global infrastructure secular trends such as energy transition, digital transformation, and the capital gap in infrastructure globally. Mr. Kabarwal said GIP Core will focus on the Core segment and will benefit from the unique hands-on operational discipline applied by GIP's Business Improvement team. He stated the fund's strategy is to create deal flow through its industry relationships and target long-term hold periods, and highlighted strengths and considerations of the strategy.

Discussion ensued regarding the open-ended versus closed-ended fund structure.

Mr. Burnett discussed Hamilton Lane's long relationship with GIP and the firm's founding premises that are relevant to their core capabilities, which include operationally neglected infrastructure assets, investment and operating expertise to optimize those assets, and scale in the infrastructure space as a competitive advantage. He discussed GIP's top quartile performance; experienced senior and operating teams; deep, global sourcing networks and industry partnerships; and execution and operating expertise. He said GIP has been methodical in how they have built out the firm and, although this is the first vehicle dedicated to core, they have done a number of investments that fall into the core profile.

Discussion ensued regarding turnover in the credit area of the firm and in the infrastructure space as a whole.

Mr. Ogunlesi provided a history of GIP and discussed the firm's track record; key sectors: energy, transport, water/waste, and digital; stable and diverse team with long-term leadership; and partnership with WSIB.

Mr. Bram discussed the resiliency of well-structured core infrastructure assets in a challenging macroeconomic environment, highlighting inflation, rising rates, and recession risks. He said the need for more infrastructure and the emergence of long-term trends will provide attractive opportunities for decades. Mr. Bram explained the impact of electrifying, decarbonizing, and digitizing our economies, which will provide GIP the ability to select investments that meet the firm's criteria, investment profile, and scope for operational improvement. He said GIP's Core infrastructure investments have downside protection in today's inflationary environment and are driven by secular trends, and GIP's goal is to provide stable and attractive returns.

Mr. Ogunlesi discussed GIP's investment framework, which includes a focus on proprietary origination, driving operational improvements, results oriented ESG approach, and successful exits.

Mr. Bram said the GIP Core Fund is structured to enhance the investment strategy and to provide a strong alignment of interest between GIP and investors. He discussed target size, fund terms, and the first investment in the fund. Mr. Bram said GIP's strong track record, experienced team, high-quality infrastructure assets, proprietary origination, operational value add, and ESG approach are attractive reasons to invest in GIP Core.

Discussion ensued regarding GIP's succession planning, ESG influence at the portfolio company level, operational improvements within regulated companies, and the WSIB's allocation to the co-investment with KKR and GIP.

Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$300 million, plus fees and expenses, in Global Infrastructure Partners Core Fund, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Kuschel seconded, and the motion carried unanimously.

[The Committee recessed at 10:53 a.m. and reconvened at 11:00 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – MENLO VENTURES 2023, L.P.

Mr. Molina stated staff recommends an investment of up to \$225 million, plus fees and expenses, in Menlo Ventures 2023, L.P. (Menlo 2023), which represents a single commitment across three funds and strategies with Menlo Ventures. He said Menlo 2023 will invest in parallel and in fixed proportions, with each of Menlo's three new funds: Menlo Ventures XVI, L.P., an early-stage fund; Menlo Bio I, L.P., a life sciences fund; and Menlo Labs Fund II, L.P., a seed-stage fund. Mr. Molina explained Menlo Ventures is the WSIB's longest-standing private equity relationship, and since 1981, the Board has committed over \$1.6 billion across 16 Menlo Ventures funds. Menlo 2023 is effectively recreating the investment mix of Menlo Ventures XV, L.P. and represents a buildout and expansion of previously proven and integrated strategies. However, the firm believes that by raising three separate funds, the respective teams will have a higher degree of autonomy and accountability, which should yield better performance. Mr. Molina explained that to accommodate the WSIB's desire to retain the original structure and make a single \$225 million commitment, Menlo Ventures has agreed to establish Menlo 2023, which re-

aggregates the three strategies into one investment vehicle. He discussed merits for the opportunity, which include differentiated economics, a well-balanced team with investment and operational experience, and diversification benefits as the Board's only core relationship focused on venture capital. He noted potential risks, including the long investment horizon of Menlo Bio I, L.P., given its exposure to the regulated therapeutic sector, and absence of dedicated ESG and diversity, equity, and inclusion (DEI) resources.

Mr. Cawkwell discussed Albourne America's relationship with Menlo Ventures, the due diligence performed for the WSIB's investment, the WSIB's exposure to early-stage venture capital, Menlo Venture's life sciences and incubator strategies, and the firm's established team.

Mr. Ganesan discussed Menlo Venture's history with the WSIB and the firm's performance, 46-year track record, discipline in growth and underwriting principles, focus on being good stewards of capital, proven strategy to finding outlier companies, and the structure of Menlo 2023. He highlighted Menlo Venture's "unicorn" companies and thesis-driven approach, which includes deep domain expertise, proprietary quantitative frameworks, and "all in" philosophy.

Mr. Murphy discussed the proprietary frameworks and approach to finding outlier companies.

Mr. Ganesan detailed the three early-stage Menlo Ventures funds being raised: Menlo Labs fund, Menlo Venture fund, and Menlo Bio fund, and discussed the exclusive vehicle created for the WSIB to invest in all three funds.

Mr. Murphy discussed the strategy for each of the three funds.

Discussion ensued regarding the decision to raise three separate funds to enhance team autonomy and agency.

Mr. Ganesan discussed the investment team and value to limited partners.

Discussion ensued regarding applying Menlo Venture's philosophy to DEI at the portfolio company and firm level.

Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$225 million, plus fees and expenses, in a parallel investment vehicle alongside Menlo Ventures 2023, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Kuschel seconded, and the motion carried unanimously.

EXECUTIVE SESSION

Chair Sacks announced that 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. The executive session was expected to last approximately 3 hours and 15 minutes, after which time the Committee would reconvene in open session.

[The Committee went into executive session at 11:39 a.m.]

2023 Tangible Assets Proposed Re-Investment Opportunities

[The Committee recessed at 12:36 p.m. and reconvened in executive session at 1:00 p.m.]

2023 Real Estate Proposed Re-Investment Opportunities

2023 Private Equity Proposed Re-Investment Opportunities

[The Committee recessed at 2:23 p.m. and reconvened in open session at 3:00 p.m.]

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

There were no other items to come before the Committee, and the meeting adjourned at 3:02 p.m.