



Thursday, June 6, 2024
Private Markets Committee

9:00 A.M.

Virtual Meeting

The link to view the meeting virtually can be found at www.sib.wa.gov/meetings.html

OR

Members of the public may view the virtual meeting in person at the Washington State Investment Board Olympia Office located at 2100 Evergreen Park Drive SW, Olympia, WA, 98502

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

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

A. Adoption of the February 1, 2024, minutes.

3. Policy Revisions (9:05-9:10)

A. Technical Policy Revisions

4. Private Equity Investment Recommendation (9:10-9:55)

A. TPG Rise Climate II, L.P.

5. Education Session (9:55-10:40)

A. Public Market Equivalents

6. Closing Log (10:40-10:45)

A. Closing Log

7. Other Items (10:45-10:50)

8. Adjourn (10:50a)

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
June 6, 2024**

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: 228 733 664 031#, Passcode: jurH6d, Dial-In Number: 1-360-726-3322, Phone Conference ID: 443 449 747#.

Members Present: Tracy Guerin, Chair
Yona Makowski
Treasurer Mike Pellicciotti
Senator Mullet
Joel Sacks
Ada Healey
Heather Redman

Other Board Members Present:

Members Absent: David Nierenberg

Also Present: Allyson Tucker, Chief Executive Officer
Christopher Hanak, Chief Investment Officer
Fabrizio Natale, Senior Investment Officer – Private Equity
Michael J. Nelson II, Investment Officer – Private Equity
Leshon Simmons, Administrative Assistant

Tor Jernudd, Assistant Attorney General
Callie Barrett, Assistant Attorney General
Michael J. Nelson II, Investment Officer – Private Equity
Patrick Stephenson, Albourne
Jim Coulter, TPG
Johnathan Garfinkel, TPG
Maryanne Hancock, TPG

CALL TO ORDER

Chair Guerin called the meeting to order at 9:05 a.m. and took roll call.

ADOPTION OF THE February 1, 2024, MINUTES

**Chair Guerin moved to adopt the February 1, 2024, meeting minutes.
Yona Makowski seconded, and the motion carried unanimously.**

POLICY REVISIONS – TECHNICAL POLICY REVISIONS

Presenter: Chris Hanak, Chief Investment Officer

Chris Hanak presented three policies for review, noting that policies are required to be reviewed every 3 years to ensure they remain relevant and appropriate. Technical revisions are recommended to the Advisory Boards Policy 2.00.900, the CTF Real Estate Investment Program Policy 2.10.600 and the Tangible Assets Investment Policy 2.10.900 to simplify language and make them more consistent with other relevant policies.

Discussion ensued regarding the proposed revision to the Advisory Boards Policy adding the words "or the Board's delegate" following the existing language "discussion with legal counsel and approval of the Board." Discussion points included the significance of the change and whether it was technical or substantive, the internal processes around advisory board activities, the definition of "delegate," the extent of authority delegated to the CEO in the Delegation of Authority Policy, authority retained by the Board, the intent and authority of advisory boards, and boundaries intended to ensure retention of limited partner status.

Chair Guerin moved that the Private Markets Committee recommend the Board approve the proposed revisions to the Advisory Boards Policy 2.00.900; the CTF Real Estate Investment Program Policy 2.10.600, and the Tangible Assets Investment Policy 2.10.900. Senator Mullet seconded the motion.

Treasurer Pellicciotti expressed concerns with the change to the Advisory Boards Policy that adds the words "or the Board's delegate," noting that as he understands the current policy, the Board retains the authority, and in his view the proposed language is a substantive change. Further, he would support the motion if the referenced section were to be removed.

In response to Chair Guerin's inquiry, Chris Hanak stated that the proposed revision is an improvement in language as it provides clarity and consistency with other relevant policies; however, it is not a substantive change, and policy intent does not change with or without the proposed edit.

Chair Guerin suggested that the discussion and motions be tabled until later in the meeting, as there were external parties waiting to present to the Committee for the next agenda item. There were no Committee objections.

**PRIVATE EQUITY INVESTMENT RECOMMENDATION – TPG RISE CLIMATE II,
L.P.**

Presenters: Michael J. Nelson II, Investment Officer – Private Equity

Patrick Stephenson, Albourne

Jim Coulter, Jonathan Garfinkel, and Maryanne Hancock, TPG

WSIB staff recommended an investment of up to \$400 million, plus fees and expenses, in TPG Rise Climate II, L.P., a climate-focused impact fund with a target size of \$10 billion being raised by TPG Inc. TPG Rise Climate II is expected to pursue buyout, growth equity, and late-stage venture investments with a focus on climate solutions and carbon reduction. The Fund is expected to focus on three sectors: clean electronics, clean materials and molecules, and negative emissions. Within these sectors, the Fund is expected to focus on five subsectors: energy transition, green mobility, sustainable fuels, sustainable materials and products, and carbon solutions. The Fund is expected to be deployed approximately 50 percent in North America (primarily in the U.S.), 40 percent in Europe and other Organisation for Economic Co-operation and Development (OECD) countries, and 10 percent in the “Global South,” which is comprised of countries that are not members of the OECD.

TPG Rise Climate’s inaugural fund has shown strong early performance, with top quartile performance across net IRR, TVPI, and DPI, and has outperformed the WSIB’s private equity portfolio benchmark on a net of fees basis. Staff also discussed the low loss ratios of both the prior fund and climate investments across The Rise Funds. Staff believes that the TPG Rise Climate team is well-positioned to produce strong results for the Fund citing the long average tenure at TPG for senior members of the team, the low team turnover to date, and TPG co-founder Jim Coulter’s personal involvement with the strategy. Staff also discussed how, as a climate impact fund, the Fund not only seeks to maximize financial returns but also seeks to make a positive societal impact. For an investment to be suitable for the Fund, every \$100 invested by the Fund must generally translate into at least one metric ton of carbon emissions avoided or removed.

While there are areas of concern, such as the nascent strategy and unrealized track record and the growth in assets under management following TPG’s IPO, staff believes that these concerns are manageable. Overall, staff views an investment in TPG Rise Climate II as an attractive opportunity to continue the WSIB’s relationship with a high-quality, global general

partner, by investing behind a differentiated strategy that is expected to benefit from the global trend towards decarbonization and climate solutions, creating strong secular tailwinds.

Discussion ensued regarding the target fund size, the WSIB's proposed commitment amount, and the past performance of The Rise Funds.

Albourne staff discussed their relationship with TPG, particularly focusing on their coverage of the TPG Rise platform since 2019. Albourne recognized TPG Rise Climate as a market leader in large-scale private equity climate solutions investing, highlighting its strong brand recognition and institutional standing. With climate solutions rapidly evolving as a dedicated investment sector, Albourne expressed confidence in TPG's ability to leverage its flexible mandate to capitalize on long-term opportunities. Consequently, Albourne considers TPG Rise Climate II a suitable vehicle for dedicated exposure to decarbonization-related private equity investments, citing TPG's trusted partnership with the WSIB as further assurance.

The TPG Rise Climate team outlined their commitment to navigating the evolving landscape of climate investment with a focus on enduring positive impact and strong performance. They emphasized their strategic approach to capitalizing on emerging trends, particularly in decarbonization, following the successful fundraising of its inaugural \$7 billion fund in 2021. The team highlighted their comprehensive understanding of the complex climate landscape and their strategic selection of investment opportunities to drive both financial returns and measurable impact. They provided examples of successful investments, illustrating their approach to capturing value and creating meaningful change. Overall, the team demonstrated a deep commitment to leveraging their expertise and resources to address pressing environmental challenges while delivering strong returns for investors.

Discussion ensued regarding TPG's view of the market going forward, headwinds, team developments, Y Analytics, and climate-focused impact investing in other asset classes.

Chair Guerin moved that the Private Markets Committee recommend the Board invest up to \$400 million, plus fees and expenses, in TPG Rise Climate II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Senator Mullet seconded, and the motion carried unanimously.

POLICY REVISIONS (CONTINUED) – TECHNICAL POLICY REVISIONS

Allyson Tucker clarified that there are two separate issues under discussion – the first being the delegated authority to appoint advisory board members to limit partnership advisory committees and the second related to whether the addition of “or the Board’s delegate” language changes the Board’s authority.

Chair Guerin reminded the Committee that in the previous policy discussion tabled earlier in the meeting, Treasurer Pellicciotti suggested an amendment to the motion to remove the last four words of the proposed policy revision, “or the Board’s delegate.”

At the request of Chair Guerin, Liz Smith addressed the Board regarding the proposed revision, explaining the reason for the specific edit and the potential scenarios under which the section could be relevant and the desire for policies to be in alignment.

Allyson Tucker suggested that the Committee move forward without the addition of the proposed additional language under discussion.

Discussion ensued regarding the interpretation of the original policy and the proposed language addition, the expansion of authority delegated to the CEO approximately 7 years ago, and the periodic review of the Delegation of Authority policy.

Chair Guerin called for a second of the amended motion, removing the language “or the Board’s delegate” from the Advisory Boards Policy 2.00.900. Joel Sacks seconded the amended motion.

Chair Guerin stated that the motion before the Board was to adopt the policy with the removal of the last four words in Policy 2.00.900, but the initial underlying motion was approval of all three of the policies - so all three policy approvals, with the exception of making the amendment deleting the last four words in Policy 2.00.900.

Senator Mullet requested the ability vote only on the removal of the language “or the Board’s delegate” before voting on approval of the remaining revisions.

Chair Guerin suggested that the original motion and amended motions be revoked. Treasurer Pellicciotti concurred with the suggestion. After further discussion, there was Committee consensus to vote on the amendment separately.

Chair Guerin called for a vote on the proposed amendment, removing the words "or the Board's delegate" from the Advisory Boards Policy 2.00.900. The motion carried, with Senator Mullet voting in opposition.

Chair Guerin called for a vote on the original motion, as amended to remove the words "or the Boards delegate" from the Advisory Boards Policy 2.00.900. The motion carried unanimously.

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 10:41 am.