Private Equity Commitments 2023

Addressee and purpose

This paper is addressed to the Investment Sub-Committee (“ISC”) of Leicestershire County Council Pension Fund (“the Fund”). The purpose of this paper is to make recommendations on commitments to private equity during 2023 and on an indicative basis for 2024.

This paper should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. We accept no liability to any other party unless we have accepted such liability in writing. We provide comment from an investment but not a legal or tax perspective.

Please note that Hymans Robertson LLP and our group companies have a wide range of clients some of which are fund managers who may be included in and/or recommended to you as part of this exercise. We have a research team that advises on shortlisting fund managers in manager selection exercises, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given. We would be happy to discuss this and provide further information if required.

Summary and recommendations

There have been a number of developments in the LGPS Central Private Equity programme since our last review in 2021. We continue to believe the Primary Fund sleeve remains a suitable investment for the Fund, providing well diversified exposure to private equity via primary funds.

LGPS Central has made a promising start with its co-investment programme and has expanded the capacity of its private equity team which will help in the origination, evaluation and execution of these opportunities. But we still believe LGPS Central does not have the capacity to pursue them effectively.

The LGPS Central programme does not provide exposure to venture capital nor to private equity secondaries. These areas, together with co-investments, offer attractive investment opportunities and we believe the Fund should maintain exposure by continuing to make new commitments to the Adams Street Global Fund Programme, which does provide the required exposure and through which most of the Fund’s current commitments to private equity are invested.

The Fund’s exposure to private equity is currently at its target allocation[1], but will need to make new commitments estimated at c£80m per annum in order to maintain steady state exposure and an appropriate level of vintage year diversification.

LGPS Central is raising capital for its private equity programme this year (2023 series), but will then not launch a new series for c2 years. There will however be a first close for the 2023 series in December and a final close next year, so commitments could be made in both years although both will ultimately be invested in the same portfolio. Adams Street launches a new vintage of its Global Fund Programme every year. The final close of the 2023 vintage is imminent, so commitments would be made to the 2024 vintage. For the reasons outlined in this paper, we believe commitments should be balanced between LGPS Central and Adams Street.

We recommend:

- The Fund commits £80m to private equity in 2023, split:
  - £40m to the 2023 series of the LGPS Central Private Equity Programme (Primary Fund sleeve).

[1] Current allocation, 7.4%, vs target, 7.5%. Source: Portfolio Evaluation

  - $49m (equivalent to £40m at current exchange rates[2]) to the 2024 series of Adams Street Global Fund Programme.

- The ISC notes indicative commitments of £80m to private equity in 2024, with the level and split of commitments to be decided in line with the framework included in this paper and in conjunction with the Fund's investment advisor.

Background and scope

The Fund invests in equities to achieve a return in excess of inflation over the long-term. Equities are generally more volatile than government bonds, but investors receive a return premium (the "Equity Risk Premium") to compensate for the additional risks. The Fund invests in both listed and private equity. Investing in private equity offers exposure to younger and/or higher growth companies, but involves taking significantly more risk. Private equity investments are also inherently illiquid. As a long-term investor, the Fund is able to invest in more volatile, illiquid assets and expects to receive an additional return premium (the "Liquidity Premium") for doing so. Many private equity funds have delivered exceptional returns in recent years, and we would not expect such a high level of returns to be sustained in the coming years. Nonetheless, we expect a material Liquidity Premium to persist over the long-term and, therefore, recommended an increased allocation to this asset class in the 2023 strategic asset allocation review.

The Fund invests in private equity through a series of closed-end funds which distribute investment proceeds as they are realised. The Fund is currently at its target allocation of 7.5% but needs to make regular commitments in order to maintain the desired level of exposure. Our current outlook for equities generally is neutral-cautious, which reflects concern that corporate earnings are likely to come under increasing pressure in the short-term, partly offset by the fact that equity valuations look more attractive have fallen back towards historic median levels.

The Fund has previously invested via solutions offered by LGPS Central and third-party managers, but current policy is to invest via the pool whenever it is appropriate to do so. LGPS Central has recently launched the 2023 series of its Private Equity Programme which comprises a primary fund sleeve and a co-investment sleeve. The 2023 series will have a first close in December 2023 and a final close in 2024. The Fund previously invested in the primary fund sleeves of the 2018 and 2021 series.

We undertook due diligence of the 2021 programme. No major issues were identified, although we did highlight concerns about turnover in the leadership and private markets teams at LGPS Central, the blind pool risk of investing in a fund without an established portfolio and the short track record of LGPS Central itself in private equity. We did not recommend committing to the co-investment sleeve due to concern about the capacity of the LGPS Central team, although we believe co-investments can add value to a well diversified private equity portfolio.

In this paper we review developments at LGPS Central since our 2021 review, assess the continued suitability of the Private Equity Programme, consider other opportunities such as co-investments and secondaries and make recommendations on appropriate commitment amounts.

Target allocations

We believe the Fund should continue to maintain a private equity portfolio which is well diversified by geography, economic sector, life-stage (venture, growth, buy-out), and continue making regular commitments in order to maintain the target level of exposure and adequate vintage year diversification. We believe that the majority of investments should be made via primary funds but that other origination channels, notably co-investments and secondaries, should be considered where appropriate.

[2] USD commitments calculated using exchange rate of USDGBP 1.2203

Co-investments provide opportunities to invest alongside primary fund managers in individual portfolio companies. They enable the manager to invest in opportunities that are too large to accommodate in their primary fund. Management fees are typically waived by the primary fund manager and carried interest applied at a reduced or zero rate, so they also reduce the investment costs for investors. They are usually single company investments, but for investors with large, well diversified portfolios, the increase in concentration risk is not usually significant.

Successful co-investing requires a wide origination network providing access to a large number of opportunities and allowing investors to be highly selective. Co-investments are time sensitive transactions that require extensive evaluation and due diligence so that investors are not dependent on the analysis and views of the originating manager. Both functions are resource intensive. Scale is also important: investors committing significant volumes of capital tend to see a richer set of opportunities.

Secondaries are investments in established primary funds being sold by the fund manager to generate liquidity (often to support successor funds) or by existing investors seeking to rebalance, reposition or deleverage their own portfolios. Secondaries enable investors to deploy capital quickly into established portfolios, without blind pool risk and often at a discount to net asset value. Discounts vary over time but are currently elevated, both because fund managers are finding it harder to raise capital for new funds and because of pressure on existing investors to generate liquidity. This makes the secondaries opportunity particularly attractive at present.

Portfolio mix should broadly reflect that of the wider market. We do not believe the Fund itself should aim to allocate tactically across the market, but we do believe the Fund’s managers should retain some flexibility to vary allocations based on where they consider the best opportunities lie. Hence, we suggest overleaf allocation ranges to guide the development of the Fund’s portfolio:

Segment		Target Allocation, %[3]	Current Allocation, %[4]
Geography	North America	30-60%	71%
	Europe	20-40%	18%
	Asia Pacific	10-30%	10%
	Emerging Markets	0-10%	1%
Lifestage	Venture	10-30%	37%
	Growth	10-30%	4%
	Buy-out	40-70%	58%
	Special Situations	0-10%[5]	1%
Origination channel	Primary funds	40-60%	68%
	Secondaries	10-30%	16%
	Co-investments	15-25%	17%
Economic sector	No specified ranges as opportunity set varies, but aim for diversification	-	-

LGPS Central Private Equity Programme developments

Through further due diligence, we have identified relevant developments in the following areas:

- Staffing
- Mandate specification
- Investment philosophy and process
- Investment strategy and portfolio composition
- Track record
- Fees and costs

Staffing

Mike Weston, CEO left the business in May 2023 to pursue other opportunities; John Burns has taken over as acting CEO. Whilst further turnover at executive-level is not ideal, Mike's departure will have less impact because LGPS Central is approaching the end of its initial development plan and because Mike had limited day-to-day involvement in the private equity programme.

[3] Source: Bain Capital 2022, Hymans Research
[4] As at June 2023. Source: Adams Street, LGPS Centralk
[5] Covers private debt, distressed debt and other opportunities. Limited allocation as not the primary aim of this allocation and the Fund has exposure elsewhere in its portfolio

Ian Brown, Head of Private Markets left in September 2022. His role was replaced by three Investment Directors reporting directly to Gordon Ross, the CIO, with Jas Sidhu appointed as Investment Director, Private Equity. Ian had a key strategic and oversight role in the private markets team, but we are comfortable with resourcing on the basis that Gordon will be able to provide effective oversight and Jas brings continuity and significant experience in private equity to his role.

An experienced portfolio manager and an investment analyst have been added to the private equity team, with the latter subsequently promoted to junior portfolio manager, bringing total headcount to three. LGPS Central is in the process of adding three new investment analysts who will provide support across all LGPS Central's private markets activities.

Mandate specification

LGPS Central are proposing modest changes to the specification of the 2023 series as detailed in the table below:

	PE 2018	PE 2021	PE 2023
Strategy	• 15-25% to growth • 30-40% to mid to large BO • 35-45% to the mega BO	• 25-35% to growth/small BO • 45-55% to mid-large BO • 15-25% to mega BO	• 30-50% to growth/small BO • 30-50% to mid-large BO • 10-30% to mega BO
Geography	• 35-45% to USA • 30-40% to Europe • 15-25% to Asia (excl. Japan) • 0-10% in any other country	• 27.5 - 42.5% to North America • 27.5 – 42.5% to Europe • 22.5 – 37.5% to Asia	• 25-45% to North America • 25-45% to Europe • 10-30% to Asia
Restrictions	No more than 15% with a single manager	No more than 25% with a single manager	No change from PE 2021
Primary Investment Characteristics	• FIRM ESTABLISHED: >15 years • AUM: >$10bn • CONSISTENCY: 3 funds with the same strategy • PRIOR FUND SIZE: >$750m • TRACK RECORD: >1.7x net	• FIRM ESTABLISHED: >15 years • AUM: >$3bn • CONSISTENCY: 3 funds with the same strategy • PRIOR FUND SIZE: >$500m • TRACK RECORD: >1.7x net	• FIRM ESTABLISHED: >15 years • AUM: >$1bn • CONSISTENCY: 1 prior fund with the same strategy • PRIOR FUND SIZE: >$300m • TRACK RECORD: >1.7x net
Co-investment Characteristics	• Ideally in a defensive sector • Market leader in its space • Profitable, not in a distressed situation • Track record of historic growth • The sponsor is an upper-quartile performing manager	No change from PE 2018	No change from PE 2018

We are comfortable with the proposed specification/changes with the following observations:

- We are supportive of the increased exposure to growth and smaller buy-out opportunities, given these markets have historically offered better returns than large/mega buy-outs with less risk than venture capital.
- We are comfortable with expanding the allocation range to the largest buy-out transactions on the basis that the driver is increased flexibility. We would be more concerned by a systematic increase in the allocation to the largest buyout transactions, given they are typically heavily dependent on debt finance and financing costs have risen sharply.
- The lack of exposure to venture will become an issue for future vintages as the Fund's other investments are realised, given that venture now accounts for a significant percentage (20%+) of the overall private equity market.

- In terms of the Developed Asia exposure, we understand there are interesting opportunities to be found in these markets and the risks need not be higher. But the opportunity set is materially smaller than Europe or North America, so we are comfortable with the proposed reduction in target allocation. We note the proposed allocation range still provides LGPSC with significant flexibility.
- There is no exposure to secondaries which has grown rapidly as an origination channel in recent years.
- We remain comfortable with the investment restrictions which have not changed. We have previously suggested setting a limit on the maximum exposure to individual economic sectors given the tendency of primary funds in recent years to focus on just three: IT including fintech, life sciences/healthcare and business services. But LGPS Central has confirmed its aim to construct a well diversified portfolio and to scale back commitments to any primary fund which had a particularly narrow economic focus.
- We note there has been a material, and further, relaxation in manager/fund selection criteria presumably to allow for exposure to smaller, more specialist managers and/or newer strategies. Fund selection has been delegated to LGPS Central, so believe it is for them to determine appropriate selection criteria, but we comment below on this apparent change in investment strategy.

Investment philosophy and process

The only material change has been to expand the due diligence process to include a review of proposed commitments by LGPS Central's internal risk team. We are comfortable with this change.

We reviewed LGPS Central's approach to Responsible Investment ("RI") within private equity. We were comfortable that their RI policy and the level of integration of RI considerations into the investment process. Since then, they have enhanced the criteria they use for assessing underlying managers with regard to RI, but there have been no other material changes. LGPS Central report some progress on RI by underlying managers, though they highlight there is further work to do including, for example, on NZ transition planning and reporting.

Investment strategy and portfolio composition

LGPS Central's rationale for relaxing the constraints on manager's total assets and previous fund size are to provide exposure to specialist strategies offered by experienced managers who would previously have co-mingled them within their main funds. We are supportive of gaining exposure to such "carve out" strategies, although we note it will make the portfolio management task more complicated.

As is usually the case at this stage, no commitments to underlying managers have been made by the 2023 series. However, the commitments made by the earlier series are a guide to how LGPS Central's investment strategy will operate in practice. The 2018 series has made five primary fund commitments and is currently 81% drawn[6]. The 2021 series has made six commitments and is currently 9% drawn. An overview of each commitment is provided in the Appendix. We have not evaluated them in detail but are reassured that they appear to be consistent with LGPS Central's stated investment strategy. We are positive about the apparent increase in emphasis on experienced specialist managers as this has the potential to increase the value added by pooling.

Track record

The 2018 series reported a net Internal Rate of Return ("nIRR") of 16.2% and net Money Multiple ("net MOIC") of 1.3x as at 31 March 2023[7]. All underlying funds are performing in line with expectations with only Permira VII (nIRR 3.7%, nMOIC 1.1x) giving any reason for concern. This is a satisfactory position at this early stage in the life of this fund.

The 2021 series is insufficiently developed to publish meaningful performance information.

[6] Source: LGPS Central, as at 31 March 2022
[7] Source: LGPS Central

Fees/costs

LGPS Central has reported significant savings on management fees and carried interest for Partner Funds invested in the 2018 and 2021 series. These have been derived by comparing the fees charged by LGPS Central with those charged by a typical fund-of-fund manager (management fee of 0.71% p.a. and carried interest of 4.5% assumed based on the experience of the Private Equity team). We do not believe this is a realistic benchmark for LGPS investors in global private equity fund-of-funds programmes. In our experience, investors are currently paying management fees of c0.40% p.a. (once LGPS aggregation discounts have been applied), whilst carried interest is typically zero on primary fund investments and 10% on co-investments and secondaries.

We believe it is more appropriate to compare LGPS Central's fees with those charged by the Fund's legacy fund-of-funds manager, Adams Street. Significant savings on management fees are still being achieved by pooling relative to this benchmark, as the table below shows:

	LGPS Central[8]	**AdamsStreet**[9]	**Saving**[10]
Management fee, % p.a. (of committed capital)	0.05%	Programme average: 0.55% Latest commitments (2020): 0.38%	0.50% (£200k p.a.)
Carried interest, % (of returns)	0%	Primary funds: 0%	0%

The above analysis does not take into account the fees charged by underlying managers. Fund of fund managers seek to reduce these through negotiation and by aggregating larger volumes of capital. In our experience, larger managers deploying well in excess of $1bn per year are able to negotiate material discounts on both management fees and carried interest, though fee transparency is poor.

LGPS Central has secured management fee discounts with just two underlying managers (both in the 2021 series), likely because the amount of capital being committed is too small. No performance fee discounts have been negotiated to date.

Summary

In light of the above developments, we conclude that the LGPS Central Private Equity Programme (Primary Fund sleeve) remains a suitable investment for the Fund, although it does not provide exposure to venture capital or secondaries opportunities.

Co-investment sleeve update

LGPS Central has made a promising start to its co-investment programme:

- The 2018 series has made five co-investments, one of which has fully exited, and performance to date is strong (gIRR 39.4%, gMOIC 2.6x)[11]

[8] Source: LGPS Central. Average, annualised management fees across the 2018 and 2021 programmes
[9] Source: Adams Street. Carried interest at 10% is charged on co-investments and secondaries
[10] Savings vs ASP programme average. Cash savings based on commitments of £10m (2018 series) and £30m (2021 series)
[11] Gross IRR and MOIC, as at 31/12/22. Source: LGPS Central

- The 2021 series has made four co-investments with different managers across different sectors. It is too early to produce meaningful performance metrics.

In 2021, our concern was that the LGPS Central team did not have the capacity to evaluate and make a material number of co-investments. Although the team today is larger – three dedicated staff plus access to three private markets analysts – we continue to believe that the team is too small to manage a co-investment programme alongside its primary fund responsibilities. The smallest team we are aware of today has four senior staff dedicated to co-investments plus analyst support. We would therefore not recommend committing to the vo-investment sleeve of the 2023 series.

Third-party solutions

The primary fund sleeve of the LGPS Central programme does not provide access to co-investments or secondaries, nor exposure to venture capital. We therefore believe the Fund should continue to make commitments to Adams Street which does.

Adams Street can offer the Fund two investment solutions:

- Investment in a global fund programme which provides exposure to primary funds (55-60%), co-investments (15-20%), secondaries (20-25%) worldwide and up to 10% each in private credit and direct growth equity. The programme is structured as a perpetual series of annual vintages which means new commitments can be made every year (final closing date is mid-October this year).
- Investment in specialist funds focusing on specific opportunity sets including:
    - Venture Innovation Fund IV providing exposure to global venture capital. The fund is currently open, with final close expected Q1 2024
    - Global Secondary Fund VIII. The fund is due to open Q2 2024
    - Co-investment Fund VI providing exposure to co-investments primarily in the US and Western Europe. The fund is due to open Q2 2024.

Target net returns are similar (15%+) across all programmes. We currently rate Adams Street as Preferred (our highest fundamental rating) for primary fund/co-investments and Positive for secondaries but, of course, other third-party alternatives are also available. Regarding Responsible Investment, we rate Adams Street as Good (our second highest RI rating). We note Adams Street has begun reporting on its funds' exposure to Greenhouse Gas emissions which are materially lower than listed equity markets generally, which is a positive development.

The global fund programme would be the simplest solution for the Fund, providing exposure to the opportunities which the LGPS Central proposition does not, and further diversifying primary fund manager risk. The Fund would also benefit from Adams Street's expertise in allocating capital between different segments of the market. Using specialist funds would enable the Fund to tailor its exposure to address more accurately the specific gaps in the LGPS Central proposition, thereby matching the composition of the overall portfolio more closely to the target allocations highlighted above. It may also be easier to justify using third-party solutions solely to address opportunities not covered by LGPS Central funds. However, they would be less flexible in terms of commitment timing, management fees are likely to be higher[13] and governance requirements more onerous. On balance our preference is the global fund programme.

We have not repeated full due diligence on the global fund programme but we have reviewed the specification of the latest series and do not have any material concerns. The only material change in the objectives, strategy or structure of the programme since the Fund last invested in 2020 has been to increase the target exposure to co-

[13] For comparison purposes the Fund is paying management fees of 0.63% in Adams Street Co-investment Fund IV and 0.54% in Global Secondaries Fund VII

investments from 10-15% to 15-20%, a change we support. We therefore recommend the Fund commits capital to the Adams Street global fund programme.

We are also aware of current opportunities to purchase interests in existing Adams Street funds in the secondary market at a discount to net asset value, which could also be considered.

Proposed commitments

The Fund's exposure to private equity is currently at its target allocation (7.5%). Nonetheless, the Fund should continue to make new commitments regularly in order to maintain exposure to the asset class and adequate vintage year diversification. In steady state, new commitments should be sufficient to ensure that the capital drawn-down each year broadly matches distributions.[14]

Projections provided by the Fund's private equity managers show that drawdowns and distributions will run at c£15m and c£95m p.a. on average over the next 4.5 years. This suggests that the Fund should make new commitments of c£80m per year in order to maintain exposure. We generally recommend making a similar level and mix of new commitments each year as this will help the Fund maintain steady state exposure in future years.

The manager projections assume that distributions next year return to levels we would consider normal, after a period of lower realisations and fund extensions. If this does not happen, the Fund may overshoot its target allocation. We are not overly concerned by this risk as we would expect the overshoot to unwind over subsequent years.

LGPS Central is raising capital for its private equity programme this year (2023 series), but is then not expected to launch a new series for c2 years. There will be a first close for the 2023 series in December and a final close next year, so commitments could be made in both years, although both will ultimately be invested in the same portfolio. We recommend that 50% of 2023 commitments should be made the programme's Primary Fund sleeve for the following reasons:

- We consider the sleeve a suitable investment for the Fund;
- The sleeve does not target venture capital investments which account for c20% of the wider market, and focuses on primary fund investments which account for only c50% of total origination volumes available to the Fund. It therefore provides exposure to only c40% of the wider market.
- The Fund aims to invest via LGPS Central wherever it offers suitable investment solutions.

We would expect the proportion of commitments made through LGPS Central to increase in future years if it provided exposure to venture capital and exploited secondaries opportunities, changes which we would support.

Specifically we recommend £40m is committed to LGPS Central in 2023. We understand LGPS Central currently expect to raise £275m for the 2023 series, so a commitment of £40m does not present a material concentration risk.

We recommend that the remainder of the 2023 commitments should be allocated to the Adams Street global fund programme in order to provide adequate exposure to opportunities not covered by LGPS Central. Specifically, we recommend a commitment of $49m. The final close of the 2023 series is imminent (mid-October 2023), so it is likely the commitment will be made to the 2024 series which is scheduled for first close in December 2023.

We propose an indicative commitment of £80m to private equity in 2024 with the split between LGPS Central and Adams Street funds being determined nearer the time, taking into account the level of new capital raised by

[14] This approach provides a rough estimate of the commitments required. Detailed cashflow planning would provide more robust estimates but has not been undertaken at this stage.

LGPS Central for its programme amongst other factors. Deferring part of the commitment to the 2023 series of the LGPS Central programme in this way will ensure the Fund has more information about total programme commitments and the level of portfolio diversification before finalising its own commitment.

Proposed commitments are summarised in the table below:

	Firm commitments, 2023	Indicative commitments, 2024
LGPS Central	£40m (Primary Fund sleeve)	£80m (split to be determined in 2024)
Adams Street	$49m (Global Fund Programme)	
Total	£80m	£80m

We would expect the Fund's existing investments plus regular new commitments of £80m per annum would over time build a portfolio which largely aligns with the target allocations proposed earlier in this paper (see indicative projections in the table below). However, the Fund would be overweight primary funds, underweight co-investments and towards the bottom end of the range in terms of exposure to secondaries. There will be opportunities to correct these underweights in future years, for example by committing to the LGPS Central co-investment programme, extending LGPS Central's mandate to include secondaries and/or allocating to the Adams Street specialist co-investment and secondaries funds, and we recommend the Fund considers them.

Segment		Target Allocation, %	Projected Allocation, end 2028, %
Geography	North America	30-60%	55%
	Europe	20-40%	27%
	Asia Pacific	10-30%	15%
	Emerging Markets	0-10%	3%
Lifestage	Venture	10-30%	18%
	Growth	10-30%	19%
	Buy-out	40-70%	61%
	Special Situations	0-10%	2%
Origination channel	Primary funds	40-60%	80%
	Secondaries	10-30%	11%
	Co-investments	15-25%	9%

Prepared by:-

Philip Pearson

Partner

18 September 2023

For and on behalf of Hymans Robertson LLP

Appendix – LGPS Central existing PE commitments

The five commitments in the 2018 series are:

- Baring Private Equity Asia VII – BPEA is one of the most experienced private investment firms in Asia, with a 24-year track record. Since inception, it has raised seven PE funds with total commitments of c.$17.7bn. The firm consists of over 200 individuals representing 20 different nationalities operating across regional offices (Australia, China, Hong Kong, India, Japan, Singapore, and the US) and are led by a highly stable and experienced senior investment team. BPEA VII will focus primarily on mid and large-cap buyouts and corporate partnering transactions in seven core sectors across the Asia Pacific region.
- Permira VII – Permira is an international investment firm with more than 170 people in 14 offices globally; spanning Europe, North America and Asia. Permira invests across 5 industry sectors: Consumer, Financial Services, Healthcare, Industrials and Technology and launched its first pan-European fund (PE1) in 1997 and has since made approximately 130 investments, 70% of which have been realised. Permira's track record spans 33 years, 15 buyout funds and multiple economic cycles. There is a demonstrable record of strong risk-adjusted returns. The technology team overlapping across their other core sectors has been a big feature of the firm since its early days of venture investing and a key differentiator.
- Madison Dearborn Capital Partners VIII – MDCP has a history in Chicago that dates back to the early 1980s when its founders managed, and invested on behalf of, First Chicago Venture Capital. In 1992, the founders established MDCP as an independent firm and raised its first fund in 1993 with First Chicago as a cornerstone LP. Over the past 3 decades, they have built a leading USA private equity firm. Today MDCP is a well-established investment firm with over 40 investment professionals in their Chicago office and is led by 20 Managing Directors (including its two Co-CEOs) who have been at the firm for an average of ~20 years). The ability of the firm to invest in both buyouts (Mid-Market and Upper-Mid Market) as well as in growth businesses is a key differentiator. MDCP has deployed ~70% of its capital in buyout transactions and ~30% in growth equity deals across its 7 prior funds - at conclusion, this fund will also have a similar split.
- Blackstone Capital Partners VIII – Established in 1985 The Blackstone Group is one of the world's leading investment firms, including one of the world's largest and pre-eminent PE firms, specialising in large-scale leveraged buyouts. Today, Blackstone's private equity arm has a team of 220 investment professionals spread across seven locations globally. BCP VIII is the latest offering in Blackstone's flagship global PE buyout fund range. Since 1987 approximately $80bn of capital has been invested in over 250 transactions. The mammoth scaled nature of BCP VIII is not unusual for Blackstone who throughout their 30+ year history have consistently deployed capital at scale whilst delivering solid returns. BCP VIII will deploy a thematic, sector-based approach with an emphasis on large-scale and complex transactions, designed to allow Blackstone to adapt through various cycles and deploy capital globally where they see the best risk-reward profiles.
- KKR Europe V - KKR is a leading global investment firm established in 1976 that invests in multiple asset classes (founders Henry Kravis and George Roberts were pioneers of the buyout industry). KKR has been investing in Europe since 1996, opening its first European office in London in 1998. KKR has invested approximately ~€20bn in European private equity across ~65 transactions. Today, the European team consists of 40 investment professionals, with additional dedicated support from KKR's global resources including KKR Capstone (who partner with deal teams and portfolio company management and drive operational improvements) and KKR Capital Markets (who provide a capital markets-oriented perspective on deal financing and capital structure management).

The six commitments in the 2021 series are:

- Investindustrial Growth III – Investindustrial is a global PE firm focused on buyouts of mid-market companies in Europe and selectively in North America. Investindustrial looks to make control investments in lower mid-market companies and focuses on active ownership and buy-and-build strategies in four core sectors: industrial manufacturing; healthcare and services; consumer; and technology. It has a team of more than 165 employees with four offices in Europe, one in the US and one in Asia.
- Partners Group V – PE represents Partners Group's largest business line, where it has invested c.$40bn in over 280 businesses and c.$27bn across more than 380 secondary transactions. PG employs over 1,800 people across 20 offices. PG V will aim to build a diversified, global portfolio of 25-30 control investments (≈80% buyout, ≈20% growth) across North America (40-45%), Europe (40-45%), and Asia (10-20%). Target companies will be based in the mid-market with a sweet-spot EBITDA of $50m-$250m, Enterprise Value typically $0.5bn-$2.5bn and operate in one of Goods & Products, Technology, Services, Health & Life sectors.
- Blackstone Capital Partners Asia II – Blackstone's strong brand name and growing reputation in Asia enables it to proactively develop relationships with company executives. The Fund's strategy is a continuation of BCP Asia I, which in turn evolved from BCP VI, where Asian investments, in particular Indian investments began in 2007. Blackstone has five PE offices in Asia (Mumbai, Hong Kong, Seoul, Sydney and Tokyo) and three other non-PE offices (Beijing, Shanghai and Singapore) and a team of more than 63 investment and operating professionals. India is a major part of its strategy as the highest growth economy in the world, China will have an allocation of ~20%. It is also expected that deal flow in Japan will increase as external capital is viewed much more favourably. The Fund's focus on growing Asian economies with a rapidly growing middle class and high saving rates is expected to contribute to a stable platform for long-term growth.
- Baring PE Asia VIII – BPEA VIII will execute the same investment strategy deployed in Fund VII (an investment of LGPSC PE 2018 vintage), i.e. focusing primarily on mid and large-cap buyouts and corporate partnering transactions in seven core sectors across the Asia Pacific region.
- Keensight Nova VI – Keensight Capital is an independent PE manager investing in profitable European growth companies operating in the lower middle market. Keensight is headquartered in Paris, France and has one of the most stable, international, and experienced teams dedicated to growth buyouts in Europe with 59 investment professionals. It is led by four seasoned Managing Partners including the three founding partners who have worked together for over 21 years. Keensight is dedicated to European growth buyouts, a relatively under-penetrated but extremely attractive part of the PE market. In total, they have invested in 63 growth companies over the last 24 years across their five prior funds, exiting 45 of them for combined gross returns of 3.0x and 39% IRR.
- SEP VI – SEP was formed in 2000 and has offices in London and Glasgow. The firm is a specialist technology growth equity investor, with significant transactional experience and a substantial network of relationships across a range of industries and disciplines. The team has a strong and consistent investment track record in the technology sector. SEP VI will invest in dynamic, ambitious, founder-led, technology growth opportunities in the UK, Ireland and Europe.

This page is intentionally left blank