



Opportunistic Real Estate Fund Commitment

Carlyle Asia Real Estate Partners II, L.P.

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Carlyle Asia Real Estate Partners II, L.P.

Opportunistic Real Estate

Overview

- Fund Size: \$1 billion
- Opportunistic Asian Real Estate

Fund Strategy

- The Fund will invest in a broad range of real estate and real estate-related opportunities. Investment themes will include value-oriented investments through hard asset acquisition that can generate attractive yield and strong capital appreciation, development opportunities in growth markets, as well as assets related to corporate and government divestitures
- The Fund will also consider entity level investments in real estate developers and companies
- Typical investment size: \$20 – 100 million
- Pennsylvania Presence – The Carlyle Group, through its Buyout, Venture and Real Estate platforms, has made substantial investments in a variety of companies and projects across the State of Pennsylvania

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Investment Team

- The management team of Carlyle Asia Real Estate Partners is comprised of 21 professionals based in Beijing, Hong Kong, Mumbai, Shanghai and Tokyo
- Overall, The Carlyle Group employs more than 900 people in 33 offices in 21 countries
- The Carlyle Group has been investing in real estate in Asia and Europe since 2002, and the U.S. since 1997

GP “Value Add”

- The Carlyle Group offers a differentiated investment platform where its global Buyout, Venture, Leveraged Finance, Real Estate and Infrastructure platforms provide unparalleled access to deal flow, relationships, and institutional knowledge
- Since 1987, The Carlyle Group has invested approximately US\$32.3 billion of equity in 686 transactions worldwide
- Additionally, The Carlyle Group conducts its investment activities through focused industry groups that leverage the extensive operating, corporate and governmental experience of its partners and other investment professionals

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Performance

- As of March 2008, Carlyle's Asian real estate investments have an aggregate gross IRR of 47% and a 2.4x multiple on equity

Market Opportunity

- Given the general lack of credit/financing worldwide, an expectation of continued distress in the credit/capital markets and the relative immature and inefficient nature in the capital markets in the Fund's target markets, there are ample opportunities to make debt and equity investments in distressed assets, under-managed assets, and those assets controlled by non-core owners (i.e. large corporations and government entities)
- In China and India, where the demand for quality real estate assets far outstrips supply, there are opportunities to develop properties to attractive yields on invested capital with strategic developer partners.
- This fund will provide PSERS with additional exposure to the Asian real estate markets

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History with PSERS

- This would be PSERS' fifth real estate fund investment with The Carlyle Group (Carlyle Realty Partners Funds III, IV, V and Carlyle Europe Real Estate Partners III)

Recommendation

- Staff, together with Courtland Partners, Ltd., recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$150 million plus management fees and reasonable normal investment expenses

NEXT

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