

Private Debt Fund Commitment



Gold Hill Capital 2008, L.P.

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Gold Hill Capital 2008, L.P. – Private Debt Fund

Overview

- Fund size is \$225 million with a hard cap of \$275 million
- Makes loans to venture backed technology and life sciences firms
- Invests in companies backed by top tier venture capital firms
- Mostly US investments

Fund Strategy

- The Fund will make loans to companies at the pre-revenue, early revenue and rapid growth stages of development
- The loan size per investment will range from \$1 million to \$12 million
- Gold Hill receives warrant positions in each investment at no cost
- Pennsylvania Presence – Gold Hill does not have any investment positions in PA

Gold Hill Capital 2008 - Investment Strategy

- Strong loan portfolio
 - Double digit loan-only cash return (12.6% to date in Fund I)
 - Low loss rates (3.4% to date in Fund I)
- Attractive portfolio of warrant and direct equity positions
 - Strong co-investors (Sequoia (25), NEA (13), Greylock (12), USVP (10), KP (10))
 - Diversified by industry and position (111 active warrant positions, 54 active direct equity positions currently in Fund I)
 - Of the 111 companies, 76 have closed a subsequent round; 91% were at an increase in valuation with an average increase of 76%
- Based on current deal flow, with \$225 million in commitments from Fund Investors, the Principals expect to fund over \$600 million over the life of the fund as a result of recycling and leverage. Gold Hill expects 2/3 of the increment over the commitment amount to be recycling and 1/3 as a result of leverage. Leverage is limited to 50% of commitments.

Gold Hill Capital 2008, L.P. – Private Debt Fund

Investment Team

- A team of 4 senior partners and 9 other investment professionals
- The 4 senior partners have collectively 72 years of experience
- Gold Hill has offices in Boston and San Jose

GP “Value Add”

- Gold Hill is the most experienced debt finance team in the venture lending market. They know how to anticipate the needs of a very dynamic and entrepreneurial customer base. This is a real value add in that companies don't have to spend time re-educating debt providers with each round of debt financing.

Performance

- The loan only cash yield is 12.6% as of 6/30/08
- The net IRR of Gold Hill 03 (Fund I) is 6.8% as of 6/30/08
- There have been \$7.8 million in gains on warrants as of 6/30/08

Gold Hill Capital 2008, L.P. – Private Debt Fund

Market Opportunity

- The Fund is designed to offer an appealing investment vehicle in all market cycles. Historical returns have a low correlation to equity indices in declining markets due to the attractive interest and fee income generated from the loan portfolio. The capital appreciation component of the warrant and equity portfolio results in venture debt having a positive return correlation to equity indices in rising markets.

History with PSERS

- This would be PSERS second fund with Gold Hill (Gold Hill Venture Lending 03)

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$68.75 million plus reasonable normal investment expenses

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