

# Private Equity Fund Commitment



## CVC Capital Partners Asia Pacific Fund IV, L.P.

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Michael Tyler  
Sr. Investment Analyst, Private Markets

# CVC Capital Partners Asia Pacific Fund IV, L.P. – Private Equity Fund

## Overview

- Fund size : Target \$3.0 billion (\$3.3 billion hard cap)
- Deal size: \$60M to \$300M; Enterprise values \$150M – \$1.2B; market size driven
- Geography: Greater China, Japan, S. Korea, Indonesia, Malaysia, Philippines, Singapore, Thailand
- Sectors : Domestic demand driven: retail, consumer services, healthcare, financial services
- Approach: Focus on leading businesses with superior market positions, stable and strong track record and reputable management teams
- Value add: Focus on upside potential through growth and operational improvements
- Returns: Target 20% to 30% gross IRR, 2x to 3x gross multiple

## Fund Strategy

- Focus on Asia Pacific region, x-Australia
- Take advantage of favorable long-term macroeconomic dynamics of growing economies
- Leverage pan-regional office network to source deals
- Be open to flexible deal structures tailored to each country

## Investment Team

- 34 professionals; 7 offices (Bangkok, Beijing, Hong Kong, Seoul, Shanghai, Singapore, Tokyo)
- 16 Managing Director level or above, with average 10 years private equity experience
- Institutionalized platform with specialist teams (FIG - **F**inancial **I**nstitutions **G**roup; TMT - **T**elcom **M**edia **T**echnology)
- More local control with enhanced Asia-based Investment Committee

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## GP “Value Add” to Portfolio Companies

- Strong leadership and experienced investment team to execute sector-focused strategy
- Local office network with local investment professionals has added 17 deals with investment costs of \$2.8 billion
- Specialist teams by investment within sectors (FIG, TMT) and functions (Finance, Operations) to source, execute, grow, and exit deals
- Operations Team with broad capabilities to use operations capabilities and management expertise to revamp sales, marketing, reporting, efficiency, governance, performance metrics
- Constant attention to revise investment processes as local markets and business cycles dictate

## Performance as of (6/30/13)

<b>Fund Name</b>	<b>Commitment</b>	<b>Vintage Year</b>	<b>Net Multiple</b>	<b>Net IRR</b>
CVC Asia Pacific I, L.P:	None	2000	2.2x	31.4%
CVC Asia Pacific II, L.P:	None	2005	0.6x	-9.6%
CVC Asia Pacific III, L.P.	\$300 M	2008	1.5x	16.1%
<b>All funds since inception:</b>			<b>1.3x</b>	<b>9.6%</b>

## Market Opportunity

- Growing middle class throughout Asia
- Increasing consumption, urbanization, technology use
- Disposable income for high-value services, healthcare, household goods
- Low cost labor, improving regulatory environments, relative political stability
- 30% of global GDP in region

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## History with PSERS

- This would be PSERS third commitment with CVC Capital Partners
  - One Asia and one Europe fund

## Board Issues

- Pennsylvania Presence - None
- Placement agents – None
- PA political contributions – None
- Relationship with consultant – Portfolio Advisors - None

## Recommendation

- Staff, together with Portfolio Advisors LLC, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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November 11, 2013

Board of Trustees  
Pennsylvania Public School Employees' Retirement System  
5 North 5<sup>th</sup> Street  
Harrisburg, PA 17101

Re: CVC Capital Partners Asia Pacific Fund IV, L.P.

Dear Trustees:

CVC Capital Partners ("CVC") is seeking to raise \$3.0 billion (hard cap \$3.3 billion) of limited partner interests for its fourth institutional private equity fund, CVC Capital Partners Asia Pacific Fund IV, L.P. ("Fund IV" or the "Fund"). The Fund will adopt a flexible approach to the types of investments including buyout, joint-control and structured minority investments in Asia. CVC focuses on companies with enterprise values between \$150 million and \$1.2 billion with minimum EBITDA of \$25 million. CVC intends to focus on leading businesses with superior market position, stable and strong track record and reputable management team / sponsors. CVC will focus on investments in Greater China, Indonesia, Malaysia, Philippines, Thailand, Singapore, South Korea and Japan. The General Partner expects to hold a first closing on the Fund on the earlier of Monday, December 16 and the date on which subscriptions reach \$2.5 billion. The Fund will be open to new commitments for twelve months following the initial close or until the hard cap is reached.

The CVC investment team for Fund IV is comprised of 34 investment professionals across seven offices (Bangkok, Beijing, Hong Kong, Seoul, Shanghai, Singapore and Tokyo), organized in eight geographical teams and three specialist teams (Financial Institutions, Financing and Operations). CVC investment professionals are deeply rooted in their local markets and maintain close relationships with corporations, management teams, family owners, governments and portfolio company employees, both directly and via their large networks of experienced senior executives and local Industrial Advisory Board members. As a result, CVC is able to create a diversified pool of investments that balance developed and emerging markets in control/joint-control and structured minority deals which resulted in a highly differentiated portfolio.

CVC maintains a consistent approach to investment sourcing across all of its local offices. CVC investment officers at all levels spend considerable time and effort developing their investment pipelines. Each investment professional maintains contact with a group of companies that suit CVC's investment criteria and which may either be sold by the current owners or in need of capital at a future date. The investment professional's focus is on positioning CVC Funds as the favored buyer if and when the investment becomes available for sale by building a relationship with the current management team or owners and gaining a deeper understanding of the business and sector.



Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers and private equity professionals.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

The individuals at Portfolio Advisors who were primarily involved in the due diligence process for the Fund are:

Chris Ruder - Managing Director, Connecticut Office  
Jonathan English – Senior Vice President, Hong Kong Office  
Weibo Xiong – Associate, Hong Kong Office

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$100 million of limited partnership interests in CVC Capital Partners Asia Pacific Fund IV, L.P. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,

WILLIAM J. INDELICATO  
MANAGING DIRECTOR