



STATE OF NEW MEXICO
Educational Retirement Board

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To: NMERB Investment Committee

From: Steve Neel, Deputy CIO; Aaron Armstrong, Portfolio Manager; and Casey Poe, Jr. Portfolio/Compliance Manager

Date: July 16, 2020

Subject: Staff Memo – TPG Growth Fund V

RECOMMENDATION:

Staff recommends the Investment Committee approve a commitment of \$60 million to the TPG Growth Fund V for the Private Equity portfolio.

SUMMARY:

This memo is supplemental to the Black Rock due diligence report, and focuses on New Mexico ERB related compliance items.

CONTEXT:

New Mexico ERB has a long-standing relationship with the firm dating back to 2012 with the following commitments in chronological order, as of March 31, 2020:

- TPG Growth Fund II
 - Vintage: 2012
 - Commitment size: \$75 million
 - Performance: 16.27% IRR, 1.99x TVPI
- TPG Growth Fund III
 - Vintage: 2015
 - Commitment size: \$100 million
 - Performance: 17.33% IRR, 1.37x TVPI

- TPG Growth Fund IV
 - Vintage: 2017
 - Commitment size: \$100 million
 - Performance: -12.28% IRR, 0.88x TVPI
- TPG Rise Fund I
 - Vintage: 2017
 - Commitment size: \$25 million
 - Performance: -0.26% IRR, 1.00x TVPI

Each fund’s performance is currently 2nd quartile; TPG Growth Fund IV and the Rise Fund are early in their life cycle and currently in their J-curve period. Staff compiled benchmarks from ILPA’s 4th quarter, 2019 performance metrics.

Today, staff is asking the investment committee to approve a commitment of \$60 million to TPG Growth Fund V. The Fund will continue its investment strategy in this ~\$4 billion vehicle.

NMERB PROCESS:

For the 2020 commitment to TPG Growth Fund V, staff and Black Rock due diligence included but was not limited to the following:

- Conducted diligence Zoom meeting in conjunction with Black Rock;
- Validated investment performance;
- Assessed current un-realized portfolio investments;
- Reviewed due diligence questionnaire for TPG Growth Fund V;
- Conducted multiple reference checks;
- Reviewed the TPG Growth Fund V private placement memorandum;

PLACEMENT AGENT DISCLOSURE:

TPG Growth executed New Mexico ERB’s placement agent disclosure form pursuant to New Mexico ERB policy. TPG Growth represented that no Placement Agent has been engaged with respect to NMERB.

CAMPAIGN CONTRIBUTIONS:

TPG Growth executed New Mexico ERB’s campaign contribution disclosure form pursuant to NMERB policy. No contributions were disclosed.

Policy Compliance Check List:

This investment was reviewed alongside the current New Mexico ERB Private Equity Investment Policy to complete the checklist below:

Review	Policy Item
Yes	Strategic Objectives - Enhance total portfolio returns through private equity strategies

	with attractive risk-adjusted returns
Yes	Fund Strategy – Growth
Yes	Diversification – Expected to be a portfolio that is well diversified by the number of transactions
Yes	Strategic Planning - Allocation included in 2020-2021 Private Equity Strategic Plan
Yes	Vehicle type allowed under policy - Limited Partnership
Yes	Potential for risk adjusted returns superior to traditional investment opportunities and not otherwise prohibited.
Yes	Holds prospect for capital appreciation from such investments comparable to similar investment made by other professionally managed private equity funds
Yes	Accepts investment only from accredited investors
Yes	Has full-time management with at least five years of relevant private credit experience
Yes	Has provided NMERB with an executed placement agent disclosure form pursuant to NMERB policy
Yes	Has provided the NMERB campaign contribution disclosure form pursuant to NMERB policy