



State of New Jersey

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January 23, 2025

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Private Equity Investment – Bain Capital Fund XIV, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$200 million in Bain Capital Fund XIV, L.P. (the “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Strong Overall Performance & Portfolio Fit: A commitment to Bain Capital Fund XIV allows the Division to make a commitment to a new, high-conviction upper middle market buyout fund manager that can help drive strong returns for the private equity portfolio. The Firm has a strong track record and a 40-year history of investing in core sectors of healthcare, business services, manufacturing, TMT, consumer and industrial. When benchmarked against North America buyout fund managers of similar vintages mature Bain Capital North America Private Equity funds have produced upper quartile rankings across performance metrics.

Experienced Team: The team’s long tenure of operating together, deep sector focus, and consistency of strategy enable them to find attractive opportunities regardless of economic cycles that fit its value-oriented, transformational-growth investment strategy. The Firm is led by a senior leadership team that has worked together for an average of almost 15 years; and over 50% of the senior team has operating or consulting experience. Bain Capital is 100% owned by its partners and is strongly aligned with Limited Partners. The Bain Capital Fund XIV team will invest at least 10% of aggregate Fund commitments which is consistent with prior funds and is above market.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund engaged a third-party solicitor (“placement agent”) in the fundraising of the fund, but the placement agent was not used to solicit New Jersey’s potential investment and was not compensated in connection with facilitating New Jersey’s potential investment.

The Firm’s ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council’s ESG Policy. The Firm incorporates ESG considerations into its investment process and will continue to monitor these factors post investment, while the focus will remain on attractive returns for its LPs.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. Bain Capital Fund XIV, L.P. is considered a private equity investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on January 17, 2025. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s January 29, 2025 meeting.

Bain Capital Private Equity XIV, LP

- **DOI Commitment:** \$250 million
- **Strategy:** Buyout
- **Investment Focus:** Bain Capital Private Equity XIV will pursue control buyout investment primarily based in North America in upper middle market healthcare, business services, manufacturing, TMT, consumer and industrial companies. Sector specialized team and operating group have deep expertise to create differentiated investment insights in each vertical. Equity checks will be in the range of \$300 million to \$900 million in 15 - 20 companies.
- **Target Returns:** 2.5x+ MOIC / 20% IRR (gross)
- **Investments Thesis:**
 - Strong overall performance across multiple economic cycles
 - Partner with a best-in-class private equity buyout fund manager
 - Provide diversification with existing buyout fund managers in the NJDOI private equity portfolio

Fund Name: Bain Capital Fund XIV, L.P.		January 23, 2025 Agenda Item 4(a)(i)			
Contact Info: Rob Ehrhart, 200 Clarendon Street Boston, MA 02116					
Fund Details:					
Total Firm Assets:	\$185 billion	Key Investment Professionals: Chris Gordon: Chris Gordon joined Bain Capital in 1997. He is a Partner, Co-Head of Global Private Equity, Co-Head of Bain Capital’s North America Private Equity business, and Global Head of Healthcare. Since joining the firm, Mr.Gordon has actively served on the Board of Directors for a wide spectrum of prominent healthcare companies in which Bain Capital has made investments. Prior to joining Bain Capital, Mr. Gordon was a consultant at Bain & Company. David Humphrey: Mr. Humphrey joined Bain Capital in 2001. He is a Partner and Global Head of the Technology, Media & Telecommunications Vertical and Co-Head of Bain Capital’s North American Private Equity business. Prior to joining Bain Capital, Mr. Humphrey was an investment banker at Lehman Brothers’ mergers & acquisitions group, where he advised companies on mergers and acquisitions across a range of industries. Kim McCaslin (Partner) Ms. McCaslin joined Bain Capital in 2006. She is a Partner and Head of the North American Private Equity Portfolio Group. Prior to joining Bain Capital, Ms. McCaslin came from Capital One Financial, where she was a Vice President, M&A and Corporate Development.			
Strategy:	Large and Mega Buyout				
Year Founded:	1984				
Headquarters:	Boston, Massachusetts				
GP Commitment:	at least 10% of Fund				
Investment Summary		Existing and Prior Funds			
Bain Capital Fund XIV will primarily pursue investments in large and mega-cap companies headquartered in North America with sector focus on consumer, financial & business services, industrials, technology, and healthcare industries.The Fund will look for control deals where they can leverage their integrated global platform and deep verticals to source corporate carve-outs, founder transitions, and transformational M&A.		<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns: Net IRR, Net TVPI, Net DPI</u>
		Bain Capital Fund XI	2014	Buyout	21%, 1.98x, 1.46x
		Bain Capital Fund XII	2018	Buyout	20%, 2.03x, 0.94x
		Bain Capital Fund XIII	2021	Buyout	9%, 1.14x, 0.07x
		Source of Returns - Burgiss North America Buyout		*Net as of 9/30/2024	
		IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In			
Vehicle Information:					
Bain Capital Fund XIV					
Inception:	2024	Auditor:	Price Waterhouse Cooper		
Fund Size :	\$10 billion	Legal Counsel:	Ropes & Gray		
Class A LP Interest		Class B LP Interest			
Management Fee:	1.5% during the investment period; after investment period graduated and based on remaining invested capital	0.75% during the investment period; after investment period 0.75% and based on remaining invested capital.			
Carry:	20%	30%			
Hurdle:	7%	7%			
Additional Expenses:	100% Management Fee Offset	100% Management Fee Offset			
NJ AIP Program					
Recommended Allocation (\$mil.):	up to \$250 million	LP Advisory Board Membership:	YES		
% of Fund:	2.08%	Consultant Recommendation:	YES		
		Placement Agent:	NO		
		Compliance w/ Division Placement Agent Policy:	N/A		
		Compliance w/ SIC Political Contribution Reg:	YES		

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.