



## State of New Jersey

**PHILIP D. MURPHY**  
*Governor*

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*Lt. Governor*

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**ELIZABETH MAHER MUOIO**  
*State Treasurer*

**SHOAIB KHAN**  
*Director*

October 19, 2023

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan  
Director

SUBJECT: **Private Equity Investment - Altaris Health Partners VI, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$150 million in Altaris Health Partners VI, L.P. (“AHP VI”). 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:** Altaris VI represents a re-up for the Division in a high-conviction manager having previously committed \$100 million to Altaris V in 2020. This commitment will increase the portfolio healthcare exposure which is currently under the sector target benchmark. The manager has generated a net IRR of 20%, net TVPI of 1.78x and a DPI of 1.0x over the past five funds. When benchmarked against North American healthcare buyout funds of similar vintages mature Altaris funds have consistently produced first and second quartile rankings.

**Experienced Team & Consistent Investment Approach:** Altaris has a 20-year history of investing exclusively in healthcare companies and the investment team has extensive investment, consulting and operational experience within the healthcare space. Two of the three founding partners manage the firm and the managing directors promoted since AHP IV have been with the firm since they joined as Associates. AHP VI will seek control positions in North American companies across four healthcare sub-sectors: pharmaceuticals, medical devices, life sciences & diagnostics and healthcare services. Altaris’ investment strategy benefits from the resilience of health-care spending growth over the past 40+ years, through various challenging cycles. Tailwinds for healthcare investing include aging population demographics, tech innovation, and regulation creating barriers to entry.

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 has not engaged a third-party solicitor ("placement agent").

The Firm has a formal ESG Policy. The Firm's current ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council's ESG Policy. Altaris incorporates ESG consideration into its investment process and will continue to monitor ESG factors post investment.

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. Altaris Health Partners VI, 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 October 10, 2023. 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 October 25, 2023 meeting.

Attachment

# Altaris Health Partners VI, L.P.

- **DOI Commitment:** Up to \$150 million
- **Strategy: Mid-Market Buyout**
- **Investment Focus:** AHP VI will seek control positions in North American companies across four healthcare sub-sectors: pharmaceuticals, medical devices, life sciences & diagnostics and healthcare services. Altaris plans to construct a portfolio between 8-12 platform investments for the fund, with equity checks expected to be between \$75 million to \$750 million.
- **Target Returns:** 20% Net IRR and 2.0x Net MOIC
- **Investments Thesis:**
  - Strong, experienced investment team
  - Solid and consistent track record of performance
  - Specialist healthcare strategy/Complex transaction focus

**Fund Name:** Altaris Health Partners VI, L.P. **October 19, 2023**

**Contact Info:** Ailyn Fun, 10 East 53rd St, 31 Floor New York, NY 10022

Fund Details		Key Investment Professionals: <b>George Aitken-Davies</b> - (Co-Founder and Managing Director)- George is responsible for co-managing Altaris and co-Chairs the firm's investment Committee. Prior to Altaris, George worked at Merrill Lynch in New York and London, holding various positions in the firm's private equity and healthcare investment banking divisions. <b>Daniel Tully</b> - (Co-Founder and Managing Director)- Daniel is responsible for co-managing Altaris and co-Chairs the firm's Investment Committee. Prior to Altaris, Daniel worked at Merrill Lynch in New York, holding various positions in the firm's investment and banking divisions, including serving as global head of healthcare equity capital markets. <b>Nicholas Fulco</b> - (Managing Director)- Nicholas leads the firm's coverage of the healthcare services sector and is a member of Altaris' Investment Committee. Prior to joining Altaris, Nicholas worked at CCMP Capital Advisors, both in New York and London, where he focused on buyout and growth equity investments in the healthcare and consumer/retail sectors. <b>Garikai Nyaruwata</b> - (Managing Director)- Garikai leads the firm's coverage of the pharmaceutical sector and is a member of Altaris' Investment Committee. Prior to joining Altaris, Garikai worked in the private equity and healthcare practices of McKinsey & Company, both in the United States and South Africa, where he completed numerous transaction and corporate strategy engagements. <b>Jim O'Brien</b> - (Managing Director)- Jim leads the firm's coverage of the medical device sector and is a member of Altaris' Investment Committee. Prior to joining Altaris, Jim worked at Merrill Lynch in New York where he was a member of the investment banking and equity capital markets groups, focused on the execution of merger, acquisitions and corporate finance transactions. <b>Rafael Torres</b> - (Managing Director)- Rafael leads the firm's coverage of the life sciences and diagnostics sector and is a member of Altaris' Investment Committee. Prior to joining Altaris, Rafael was the Head of Corporate Development & Strategy at Varian Medical Systems until the company was sold to Siemens. Previously, Rafael worked for GE Healthcare and GE capital in various operational and investment roles. <b>Lana Dweik</b> - (Head of Capital Markets)- Lana manages the firm's financing activities and portfolio company operational initiatives. Lana is a member of Altaris' Investment Committee and serves as Chair of the firm's Environmental, Social & Governance Committee. Prior to joining Altaris, Lana worked at Antares Capital where she was responsible for the structuring, underwriting, documenting and managing of private equity-backed transactions. Previously, Lana was a member of the risk team at GE Capital.
Firm AUM:	\$4.97 billion	
Strategy:	Mid-Market Buyout	
Year FCI Founded:	2003	
Headquarters:	New York, NY	
GP Commitment:	10.0%	

Investment Summary	Existing and Prior Funds																								
Altaris Health Partners VI, L.P. ("AHP VI") will seek control positions in North American healthcare businesses operating within four subsectors: pharmaceuticals, medical devices, life sciences, diagnostics and healthcare services. The fund will target investments in profitable healthcare businesses and investment sizes from \$75-750 million. The investment approach emphasizes complex transactions in high-growth healthcare subsectors. They intend to have an active role in the Fund's healthcare and portfolio companies with the goal of improved operational performance, driving strategic development and growth and preparing and positioning of investment exits.	<table border="1"> <thead> <tr> <th>Funds</th> <th>Vintage Year</th> <th>Strategy</th> <th>Returns as of 3/31/2023</th> </tr> </thead> <tbody> <tr> <td>Fund I</td> <td>2003</td> <td>Buyout</td> <td>13.1% net IRR; 1.7x TVPI; 1.7x DPI</td> </tr> <tr> <td>Fund II</td> <td>2008</td> <td>Buyout</td> <td>27.1% net IRR; 2.5x TVPI ; 2.5x DPI</td> </tr> <tr> <td>Fund III</td> <td>2014</td> <td>Buyout</td> <td>27.7% net IRR; 2.4x TVPI; 1.3x DPI</td> </tr> <tr> <td>Fund IV</td> <td>2018</td> <td>Buyout</td> <td>27.4% net IRR; 1.8x TVPI ; 1.0x DPI</td> </tr> <tr> <td>Fund V</td> <td>2020</td> <td>Buyout</td> <td>9.2% net IRR; 1.1x TVPI ; 0.0x DPI</td> </tr> </tbody> </table> <p>Source of Returns = Aksia LLC</p> <p>IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In</p>	Funds	Vintage Year	Strategy	Returns as of 3/31/2023	Fund I	2003	Buyout	13.1% net IRR; 1.7x TVPI; 1.7x DPI	Fund II	2008	Buyout	27.1% net IRR; 2.5x TVPI ; 2.5x DPI	Fund III	2014	Buyout	27.7% net IRR; 2.4x TVPI; 1.3x DPI	Fund IV	2018	Buyout	27.4% net IRR; 1.8x TVPI ; 1.0x DPI	Fund V	2020	Buyout	9.2% net IRR; 1.1x TVPI ; 0.0x DPI
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Vehicle Information:		Auditor:	Deloitte LLP
Inception:	2023	Legal Counsel:	Kirkland & Ellis LLP
Fund Size:	\$3 billion; hard cap \$3.5 billion		
Management Fee:	Investment: 2% (committed); Harvest 2% (active invested)		
Carry:	20%		
Hurdle Rate:	8%		
Additional Expenses	100% Management Fee Offset		

NJ AIP Program			
Recommended Allocation:	up to \$150 million	LP Advisory Board Membership:	OBSERVER
% of Fund:	5.00%	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	YES
		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.