



State of New Jersey

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January 26, 2024

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Private Equity Investment – Silver Lake Partners VII, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$100 million in Silver Lake Partners VII, 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 investment track record through volatile market cycles. Silver Lake Partners (“Silver Lake” or the “Firm”) has consistently delivered top quartile returns in mature funds even during economic downturns. The Firm has generated a 18.3% net IRR and a 1.7x net TVPI to date across six funds.

Technology domain expertise and global relationship network. The Firm has deep and extensive relationship networks and specialized knowledge investing in technology and technology-enabled companies. Silver Lake sources deals directly through industry relationships it has formed in the more than 25 years the Firm has been in operation.

Thematic approach with a focus on market leaders and transformational growth. The Fund focuses on market leading large and complex technology and tech-enabled businesses where it can apply its deep internal resources to drive transformational change.

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 engaged certain local placement agents (“placement agent”) with respect to certain non-U.S. jurisdictions but no placement agent was engaged or paid in connection with the Pension Fund’s potential investment.

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. Silver Lake includes ESG considerations in its investment process and it continues 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. Silver Lake Partners VII, 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 23, 2024. 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 31, 2024 meeting.

Attachment

Silver Lake Partners VII, L.P.

- **DOI Commitment:** \$100 million to Silver Lake Partners VII, L.P.
- **Strategy:** Large Buyout
- **Investment Focus:** The primary focus of Fund VII will be consistent with prior Silver Lake funds, acquiring controlling interests in large and complex technology and tech-enabled businesses where it can apply its deep internal resources to drive transformational change with enterprise values generally between \$1.0 billion and \$50 billion. Silver Lake Partners VII will seek to complete 15 to 20 investments in the Fund with equity checks from \$400 million to \$2.0 billion.
- **Target Returns:** 3.0x Gross MOIC
- **Investments Thesis:**
 - Strong overall track record
 - Sector specialization and portfolio fit
 - Benefits of Silver Lake's platform and experienced team

Fund Name: Silver Lake Partners VII, L.P. **January 26, 2024**

Contact Info: Bradley Pearl, 55 Hudson Yards, 550 West 34th Street, 40th Floor, New York, NY 10001

Fund Details:		Key Investment Professionals: Egon Durban (Co-CEO) Joined Silver Lake as a founding principal in 1999. He currently works in the Menlo Park office, having previously worked in the New York as well as London office, which he launched and managed. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division. Greg Mondre (Co-CEO) Mr. Mondre joined Silver Lake in 1999 and works in the New York office. Prior to joining Silver Lake, he worked at Texas Pacific Group and Goldman Sachs. Kenneth Hao (Chairman) Mr. Hao joined Silver Lake in 2000 and works in the Menlo Park office. He previously worked in the New York office as well as the Hong Kong office, which he launched and managed. Prior to joining Silver Lake, Mr. Hao was a Managing Director at Hambrecht & Quist. Joe Onsoff (Managing Partner and Managing Director) Mr. Onsoff joined Silver Lake in 2002, having previously worked in investment banking at Goldman Sachs.
Firm AUM (\$bil.):	\$101 billion	
Strategy:	Private Equity Buyout	
Year Founded:	1999	
Headquarters:	New York, NY; Menlo Park, CA	
GP Commitment:	Lesser of \$500 million or 3% of the fund	

Investment Summary	Existing and Prior Funds			
Silver Lake Partners VII, L.P. will pursue large-scale investments in companies within the technology, technology-enabled and related growth industries. The Fund will target 10-20 investments, with initial equity investments between \$400 million and \$2 billion. The Fund will target opportunities for buyout transactions, structured minority investments, and acquisition finance and debt investments.	<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 6/30/2023</i>
	SLP I	1999	Buyout	24.6% Net IRR; 2.2x Net TVPI; 2.2x DPI
	SLP II	2004	Buyout	11.0% Net IRR; 1.9x Net TVPI; 1.9x DPI
	SLP III	2007	Buyout	18.2% Net IRR; 2.1x Net TVPI; 2.0x DPI
	SLP IV	2013	Buyout	22.6% Net IRR; 2.6x Net TVPI; 1.1x DPI
	SLP V	2018	Buyout	14.1% Net IRR; 1.5x Net TVPI; 0.4x DPI
	SLP VI	2020	Buyout	3.5% Net IRR; 1.1x Net TVPI; 0.1x DPI
*Source of returns- Aksia IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In				

Vehicle Information:

Inception:	2022	Auditor:	PricewaterhouseCoopers LLP
Fund Size:	\$22 billion	Legal Counsel:	TBD
Management Fees:	1.5% on committed capital during investment period; 1% on invested capital after investment period 0.5% during 1st extension 0.25% during 2nd extension 0% during 3rd extension		
Carry:	20%		
Hurdle Rate:	8%		
Additional Expenses:	100% offset of all transaction fees, director' fees and break-up fees		

NJ AIP Program			
Recommended Allocation (\$mil):	up to \$100 million	LP Advisory Board Membership:	YES
% of Fund:	0.45%	Consultant Recommendation:	YES
		Placement Agent:	YES
		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.