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September 17, 2021

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Acting Director

SUBJECT: **Real Estate Investment - TPG Real Estate Thematic Advantage Core-Plus JV, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$150 million in TPG Real Estate Thematic Advantage Core-Plus JV, L.P. (the “Fund” or “TAC+”) or a related separate account, to be managed by TPG Real Estate Partners (“TREP” or the “Firm”), and affiliate of TPG Capital (“TPG”). 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:

Experienced Team and Broad Platform: TPG is one of the largest, global private investment platforms, which provides TREP access and scale in a competitive marketplace. The TREP team includes two well-seasoned co-heads with a breadth of experience across private markets and real estate. Kelvin Davis has been involved in private real estate since 1985 and has been co-head of TREP since 2009. Avi Banyasz has 23 years of private real estate investing experience.

Research-Driven Thematic Approach: TREP identifies opportunities through extensive and rigorous market research. Each investment theme is supported by a white paper on the opportunity set that is fully vetted by the TREP investment committee. Along with their research, TREP identifies a potential universe of actionable investments within each theme. Overtime, this proven process has led to a differentiated and highly thematic investment portfolio.

Value Creation and Income Focus: TREP pursues platform creation and portfolio acquisitions where the Firm can drive value. At the property level, this involves pursuing strategies for leasing, re-leasing, increasing occupancy, and rental growth. TAC+ marries a core-plus strategy marked by strong cash-on-cash yields, a focus on capital preservation, and lower leverage with a more tactical approach to value creation and platform construction within areas of thematic focus.

Closed-End Fund with Potential to Convert to an Open-End Fund: TREP intends to offer the option for founding investors to convert the Fund to an open-end commingled vehicle near or at the

end of the Fund's investment period. Upon conversion, the founding investors would benefit from a reduced management fee and liquidity as available through a redemption queue as new investors enter the Fund.

Favorable Economics as a Founding Investor: The Division will pay a reduced management fee during the initial term of the Fund. As a founding investor, the Division will further benefit from an additional reduction in the management fee upon conversion to an open-end fund.

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

Division Staff and its real estate consultant, Hamilton Lane, 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").

TPG formalized an Environmental, Social and Governance (ESG) policy in 2012 that it applies across all its investment sectors and strategies. As evidenced in the firm's ESG policy, TPG has committed to incorporate material ESG performance considerations into investment diligence and decision-making processes, ensure that leading ESG practices are implemented and that measurable results are achieved, and enable greater ESG performance transparency in their portfolio. TPG's ESG policy reflects a fiduciary-focused belief that material ESG performance management should properly be customized to the needs and focus of individual investment platforms in order to best advance responsible investment and ESG performance considerations across various assets – and asset classes - under management. Since 2013, TPG has been a signatory to and sponsor of the United Nations Principles for Responsible Investment (UNPRI). TPG employs the framework of the Sustainability Accounting Standards Board (SASB) for materiality of ESG performance factors in all phases of its investment activities.

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 71 of the Council's regulations. The Fund is considered a core real estate investment, as defined under N.J.A.C. 17:16-71.1.

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 September 15, 2021. 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 September 29, 2021 meeting.

Attachment

Fund Name: TPG Real Estate Thematic Advantage Core-Plus JV, L.P.

September 17, 2021

Contact Info: Erin Nemser, 888 Seventh Avenue, 35th Floor, New York, NY 10106

Fund Details:

Total Firm Assets:	\$91 billion	Key Investment Professionals: Kelvin Davis: (Founder & Co-Head of TPG Real Estate) Mr. Davis is based in San Francisco and a member of the Firm's executive committee. He previously led TPG's North American Buyout Group. Prior to joining TPG in 2000, he was President and COO of Colony Capital, a private international real estate investment firm. Mr. Davis has been involved in private real estate since 1985. Avi Banyasz: (Partner & Co-Head of TPG Real Estate) Mr. Banyasz is based in New York. Prior to joining TPG in 2011, he was a Managing Principal at Westbrook Partners, a global, private real estate investment management company where he had primary responsibility for investing in the United States and western Europe. Mr. Banyasz has 23 years of private real estate experience. Matt Coleman: (Partner & COO of TPG Real Estate) Mr. Coleman also serves as President of TPG Real Estate Finance Trust. Prior to joining TPG in 2012, he was a Senior Vice President in the real estate private equity group at D.E. Shaw. Prior to D.E. Shaw he was an attorney at Cravath, Swain, and Moore LLP. Tripp Johnson: (Partner, TPG Real Estate) Mr. Johnson is based in Atlanta and has been with TPG for 10 years. Prior to joining TPG he worked at Fortress Investment Group and SL Green Realty Corporation. Mr. Johnson has 16 years of real estate investing experience. Jamie Sholem: (Partner, TPG Real Estate) Mr. Sholem is based in New York and has been with TPG since 2011. Prior to joining TPG, he was at Goldman Sachs in the Real Estate Principal Investment Area focusing primarily on real estate debt and equity investing in North America.
Strategy:	Core Real Estate	
Year Founded:	1992	
Headquarters:	San Francisco, CA	
GP Commitment:	at least 1%	

Investment Summary

TPG Real Estate Thematic Advantage Core-Plus ("TAC+") grew out of TPG Real Estate's expertise in research-driven, thematic investing and track record building portfolios and platforms that target specific property types based on those research/themes. TAC+ will focus on US investments and initially target life science and industrial assets. The Fund is structured as a series of separate accounts for the Founding Investors that will invest in parallel and will participate in all investments on a pro rata basis for a ten year term, with the potential to convert to an open end vehicle that is suitable for assets with a longer-term horizon. The structure with separate accounts is designed to facilitate each Founding Investor having control of its investment at the time of the conversion option.

Existing and Prior Funds

Funds	Vintage Year	Strategy	Returns as of date 06/30/2021
TREP II	2014	Non-Core	22% net IRR, 1.6x Net TVPI, 120% DPI
TREP III	2018	Non-Core	22% net IRR, 1.2x Net TVPI; n/m DPI

Source of Returns = Hamilton Lane
n/m = Not meaningful, given the early age of the fund

IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2021
Fund Size:	\$1.5 billion (target)/\$1.75 billion (hard cap)
Management Fee:	No fee on committed capital Commitments ≥\$150 million: 0.7% on NAV Commitments <\$150 million: 0.9% on NAV
Carry:	10%
Preferred Return:	7%
Additional Expenses:	100% Management fee offset

Auditor:	KPMG LLP
Legal Counsel:	Kirkland & Ellis LLP

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$150 million	LP Advisory Board Membership:	YES
% of Fund:	10%	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.