

Investment Recommendation

SERS Investment Office staff and SERS’ Private Equity Consultant, StepStone Group recommend that the Investment Committee of the State Employees’ Retirement Board interview Hellman & Friedman (the “GP” or the “Firm”) at its meeting on December 5, 2022, to consider a potential commitment of up to \$100 million to Hellman & Friedman Capital Partners XI, L.P. (“Fund XI” or “HFCP XI”), subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals. The Firm is targeting commitments of \$25 billion for Fund XI. The fund will have a final close in Q1 of 2023.

Investment Rationale

Staff believes HFCP XI represents a strong candidate for SERS’ capital commitment as it offers:

- Strong absolute and relative performance across multiple market cycles (including Dot-Com Bubble and GFC)
- Strong organization and experienced team
- Consistent strategy with a disciplined focus on high quality businesses

Investment Risks & Mitigants

Staff identified the following potential risks:

- Most recent funds are largely unrealized
- High Purchase Price Multiples
- No preferred return hurdle

Portfolio Implications

The recommended commitment to Hellman & Friedman would be a 2022 vintage allocation in the Private Equity asset class within the Buyout sub-asset class. As of June 30, 2022, SERS’ market value of Buyout investments was approximately 64.7% of the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of June 30, 2022, on the left, and a prospective view of the allocation post a \$100 million commitment to Hellman & Friedman on the right.

