

Investment Recommendation

SERS’ Investment Office Staff and SERS’ Private Equity Consultant, StepStone Group, recommend that the State Employees’ Retirement System Investment Committee interview Veritas Capital Fund Management, L.L.C. (“Veritas”, the “GP” or the “Firm”) at the June 3, 2022 Investment Committee Meeting to consider a potential commitment of (i) up to \$100 million to The Veritas Capital Fund VIII, L.P. (“Fund VIII”) and (ii) up to \$25 million to a Sidecar Co-Investment Vehicle, subject to the satisfactory completion of legal due diligence. The Firm is targeting capital commitments of \$8.5 billion for Fund VIII.

Investment Rationale

Staff identified The Veritas Capital Fund VIII as strong candidates for SERS’ capital commitment as it offers:

- History of strong investment returns;
- History of strong operating performance and capital preservation;
- Sector specialist in several large and highly regulated industries;
- Consistency with SERS’ portfolio objectives;
- A manager with a strong commitment to diversity and inclusion initiatives.

Investment Risks & Mitigants

Staff identified the following potential risks of a commitment to The Veritas Capital Fund VIII:

- Team capacity to manage new funds.
- Firm expansion with recent launch of two new fund strategies.
- Deal concentration risk.

Portfolio Implications

The recommended commitment to Veritas Capital would be a 2022 vintage allocation in the Private Equity asset class and Buyout sub-asset class. As of December 31, 2021, SERS’ market value of Buyout investments was approximately 62.8% of the Core PE portfolio. This commitment aligns with SERS’ Strategic Investment Plan initiatives of making fewer commitments to top-tier managers. SERS is targeting a total of up to \$125 million in commitments to Veritas Capital, or 11.4% of the 2022 strategic plan pacing budget for the Private Equity portfolio. This commitment also reflects a position size of appx. 2% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of December 31, 2021 on the left, and a prospective view of the allocation post a \$125 million commitment to Veritas Capital on the right.

