

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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INVESTMENT MANAGEMENT DIVISION

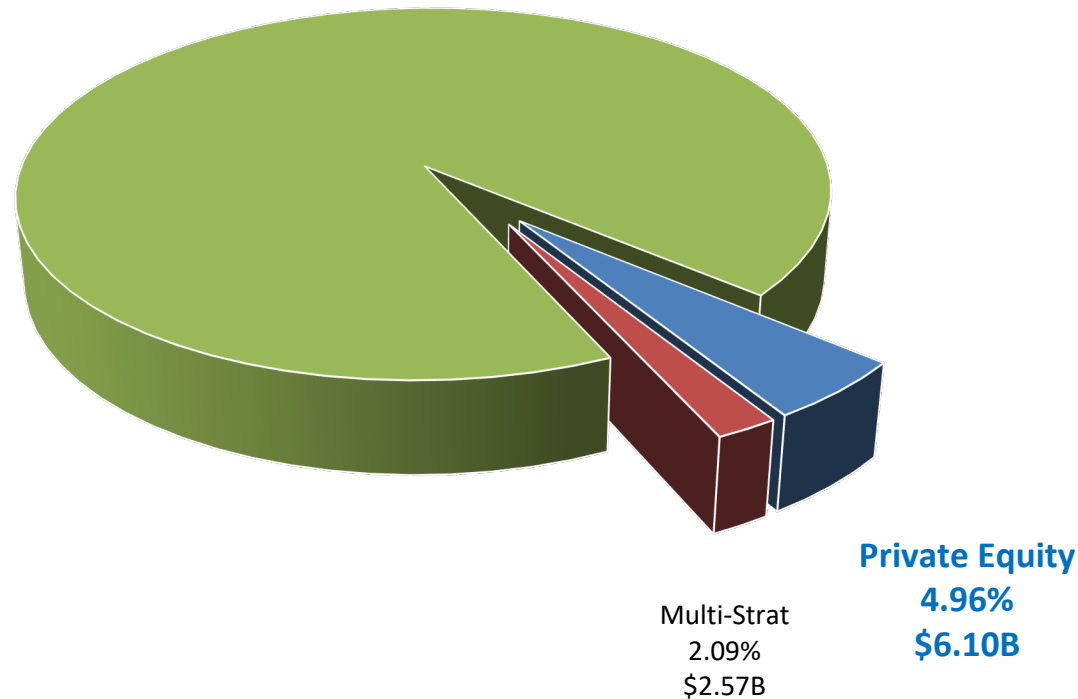
Private Equity Update

August 28th, 2024



Statutory Allocation

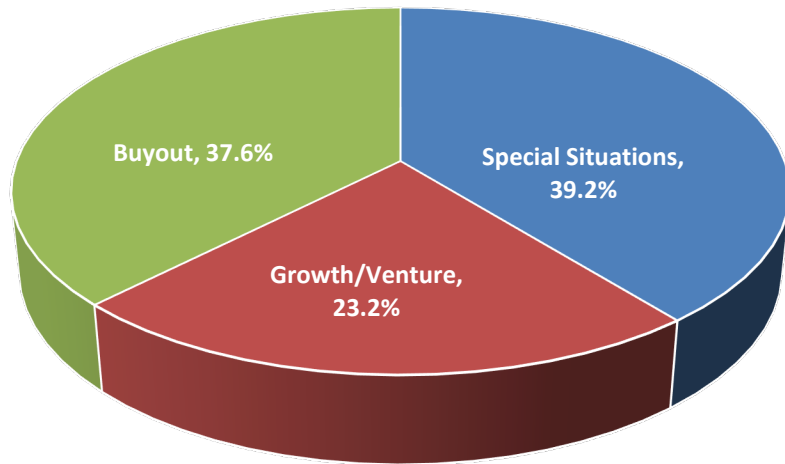
Allocation as of 6/30/24



- Private Equity + Multi-Strat = 7.05% → below 8.75% Legislative cap
- Private Equity = 4.96% → below Policy Target of 7%



Private Equity Composition*



Portfolio Composition – Actual vs. Policy

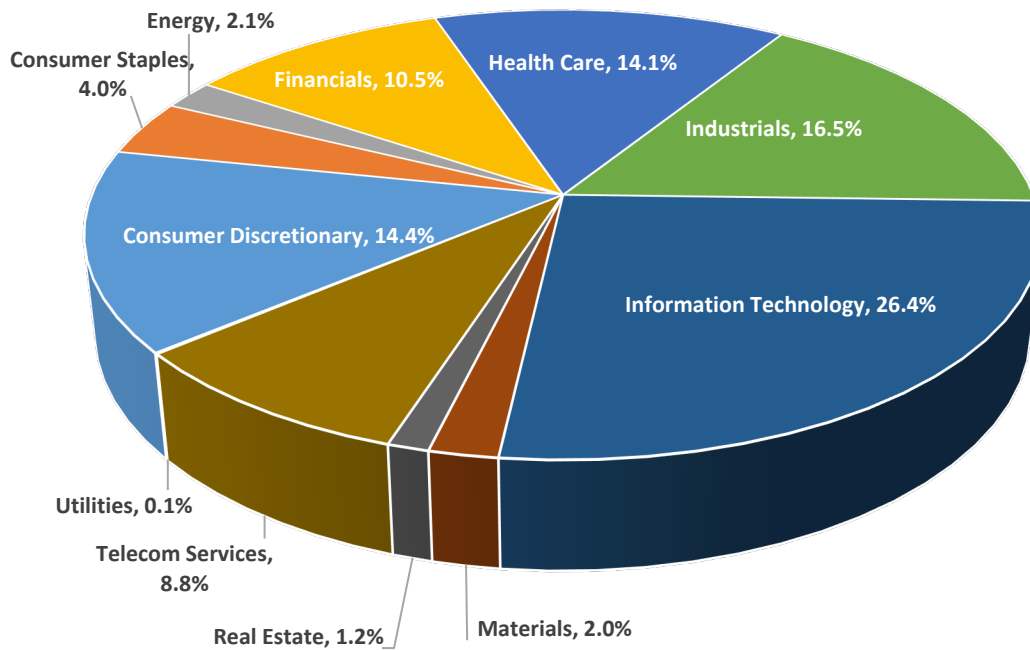
Strategy	# of Active Funds	Policy Range			Actual (3/31/2024)
		MIN	TARGET	MAX	% of FMV*
Buyout	34	35%	45%	65%	37.6%
Growth/Venture	24	15%	25%	35%	23.2%
Special Situations	19	15%	30%	45%	39.2%
Fund of Funds	10	-	-	-	-
TOTAL	87				100%

*Data includes Fund of Funds' underlying exposure (as of 3/31/24 or most recently reported)

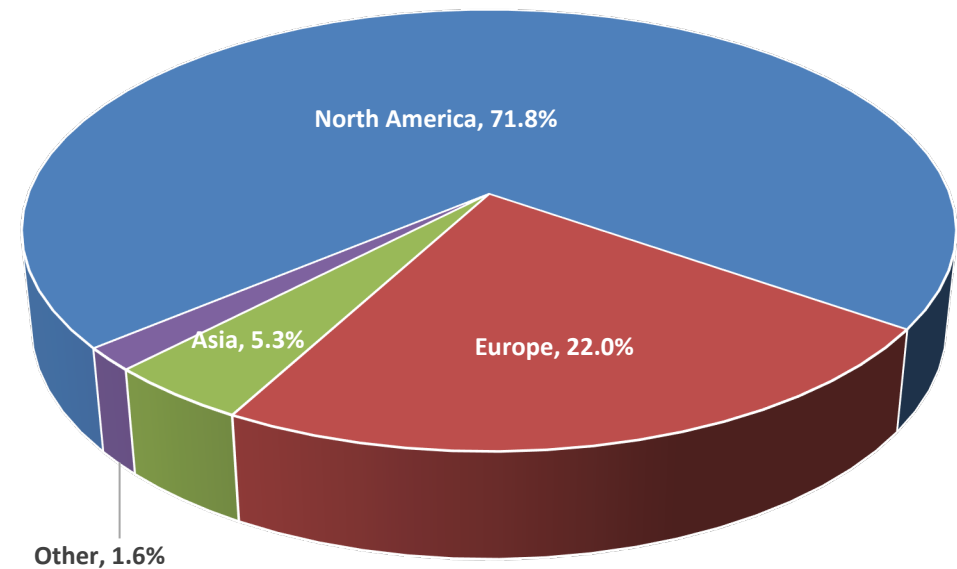


Private Equity Composition

Industry*



Geography*



*Data includes Fund of Funds' underlying exposure (as of 3/31/2024 or most recently reported)



Performance

Private Equity Portfolio			
Net of Fees as of March 31, 2024	Since Inception	Vintage '88 to '09	Vintage '10 to Present
Number of Funds	157	98	59
Called Capital (MM)	\$ 12,268.9	\$ 5,523.0	\$ 6,745.9
Distributed Capital (MM)	\$ 14,013.4	\$ 7,615.9	\$ 6,397.4
DPI	1.14x	1.38x	0.95x
Residual Value (MM)	\$ 6,190.3	\$ 485.1	\$ 5,705.2
Total Value (MM)	\$ 20,203.7	\$ 8,101.0	\$ 12,102.6
TVPI	1.65x	1.47x	1.79x
Gain/(Loss) (MM)	\$ 7,934.8	\$ 2,578.0	\$ 5,356.7
IRR	9.97%	7.30%	15.19%
Kaplan & Shoar PME			
S&P 500	0.95x	0.90x	1.04x
Russell 2000	1.02x	0.91x	1.21x
Russell 3000	0.95x	0.90x	1.05x
MSCI ACWI	1.04x	0.98x	1.13x

DPI = Distribution to Paid-In Capital = “cumulative distributions” divided by “paid-in (called) capital”

TVPI = Total Value to Paid-In Capital = “cumulative distributions” + “residual value” divided by “paid-in (called) capital”

IRR = Internal Rate of Return

- Data as of 3/31/2024 or most recent available



Performance

Public Market Equivalent

- Issue: U.S. stock market dominated by the Magnificent 7 over recent years
Alphabet Amazon Apple Microsoft Meta Nvidia Tesla
- Index Exposure
S&P 500 \approx 30% weighting Russell 3000 \approx 25% weighting
- Comparison to these indexes not representative of the Private Equity Portfolio
- Russell 2000: Representative of Private Equity Portfolio

Kaplan & Schoar PME			
	Vintages		
	All	Pre-2010	2010 +
Russell 2000	1.02x	0.91x	1.21x
Russell 3000	0.95x	0.90x	1.05x
S&P 500	0.95x	0.90x	1.04x
MSCI ACWI	1.04x	0.98x	1.13x



Performance

	Market Value (\$000)	Month	3 Month	Fiscal YTD	Cal YTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
June 2024												
Private Equity	6,099,959	0.04	1.15	4.11	2.37	4.11	3.80	12.66	13.09	11.49	11.35	9.92
Benchmark ³		0.37	1.49	5.22	4.01	5.22	6.05	11.52	11.42	9.95	11.94	11.40
June 2023												
Private Equity	6,227,382	1.38	1.82	(6.72)	0.71	(6.72)	19.42	14.34	13.95	12.92	9.21	9.75
Benchmark ³		0.86	1.30	(2.57)	2.25	(2.57)	18.21	12.25	12.02	11.31	9.22	12.18
June 2022												
Private Equity	7,118,531	0.32	(1.88)	15.16	1.70	15.16	23.17	19.50	15.78	14.35	10.63	9.40
Benchmark ³		1.96	(0.27)	16.34	3.73	16.34	18.94	15.77	13.12	12.70	10.31	11.87

3. The Private Equity Benchmark is comprised of the following Burgiss Private Capital indices: 45% Buyout, 25% Venture Capital, and 30% Distressed



Co-Investment Program: Track Record

NCL Series as of 3/31/2024 (\$ mm's)			
NCL Series	Total Value	Invested	Distributions
NCL II - Opportunistic	\$649.9	\$283.4	\$157.7
NCL III - Opportunistic	\$633.5	\$491.7	\$1.6
Total	\$1,283.5	\$775.1	\$159.3

Base Case	
IRR	MOIC
22.0%	2.3x
24.7%	2.7x
23.8%	2.6x

Mar-24	
IRR	MOIC
19.9%	2.3x
19.7%	1.3x
19.8%	1.7x

Estimated Total Savings (\$ mm's)			
NCL Series	Mgmt Fee	Carry	Total
NCL II - Opportunistic	\$21.9	\$63.2	\$85.0
NCL III - Opportunistic	\$52.8	\$205.4	\$258.2
Total	\$74.6	\$268.6	\$343.2

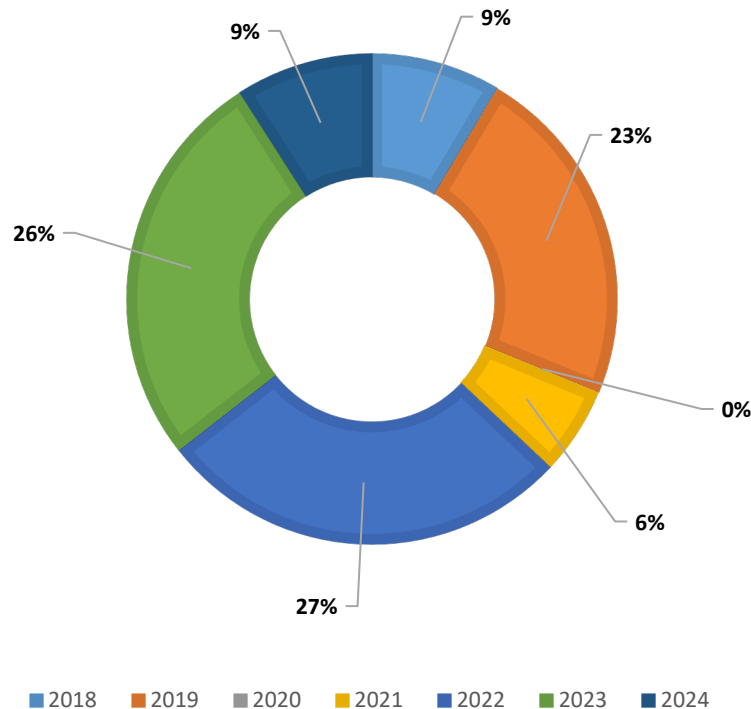
Note 1: NCL III - Opportunistic invested \$624.5 MM as of 6/30/2024.

Note 2: Fee structure assumes a 1.75% Mgmt Fee and 20% GP Carry.

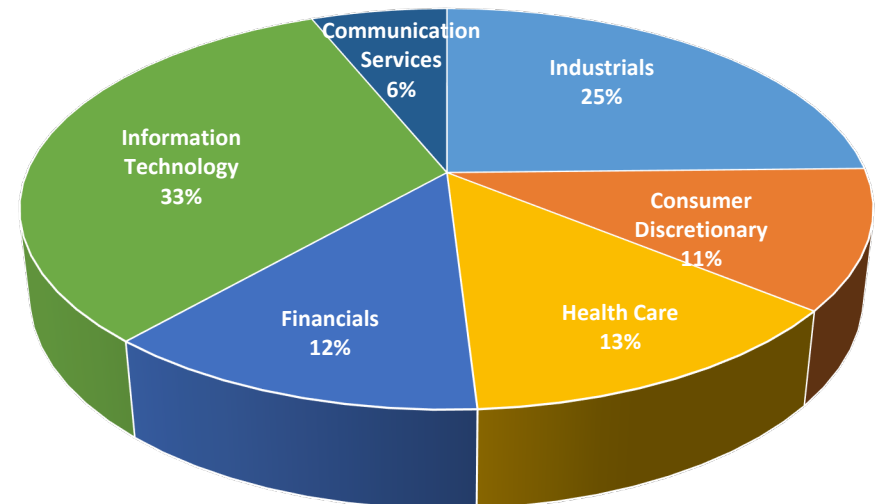


Co-Investment: Composition

Vintage Year*



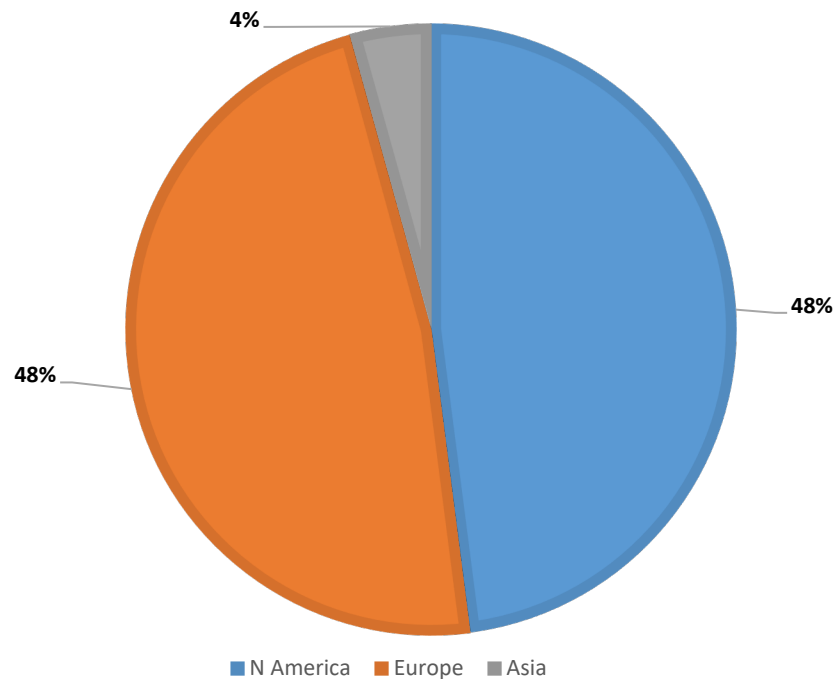
GICS Industry Allocation*



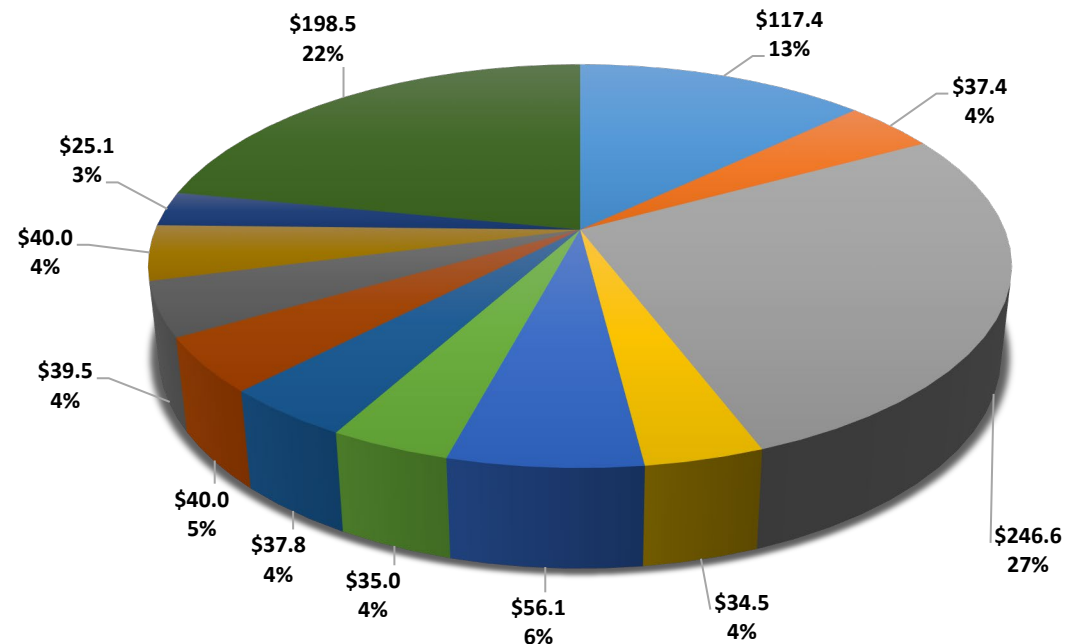


Co-Investment – Composition

Geography*



General Partner*



Note: GP Composition = invested \$'s per General Partner (millions)

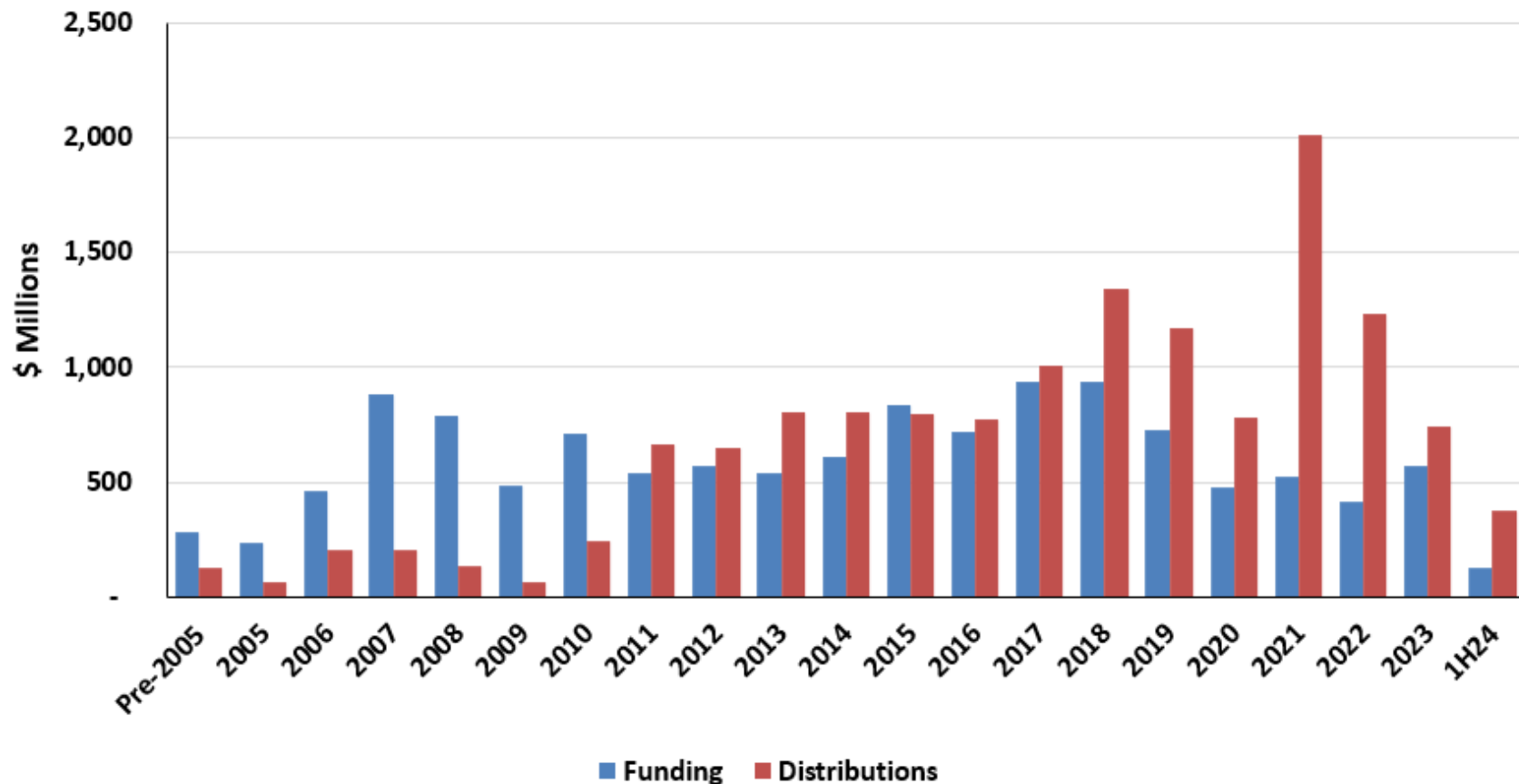
*Based on Invested Capital (as of 6/30/2024 or most recently reported)



Private Equity Cash Flow Detail

- 12 out of the last 13 calendar years, distributions have exceeded funding
- YTD 2024 distributions exceed funding

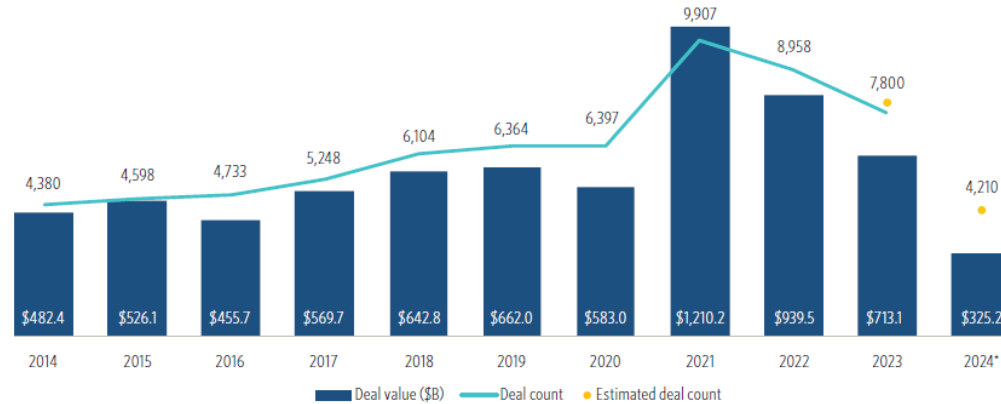
Private Equity Cashflows
by Calendar Year





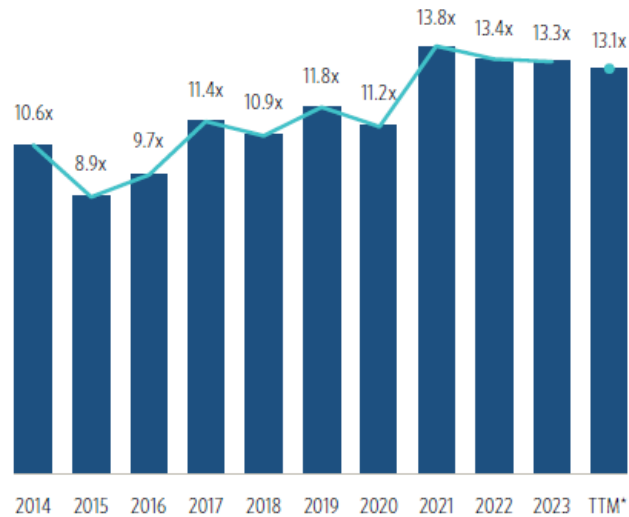
Market Overview – Buy-Side Activity

PE deal activity



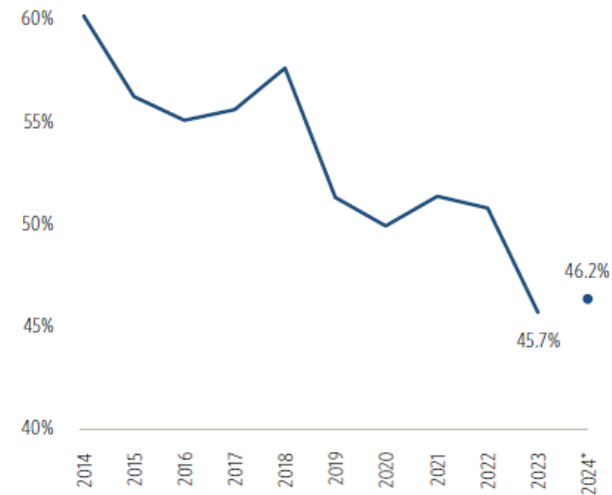
Source: PitchBook • Geography: US • *As of June 30, 2024

US PE EV/EBITDA multiples



Source: PitchBook • Geography: US • *As of June 30, 2024

Debt/EV ratio on BSL-funded deals

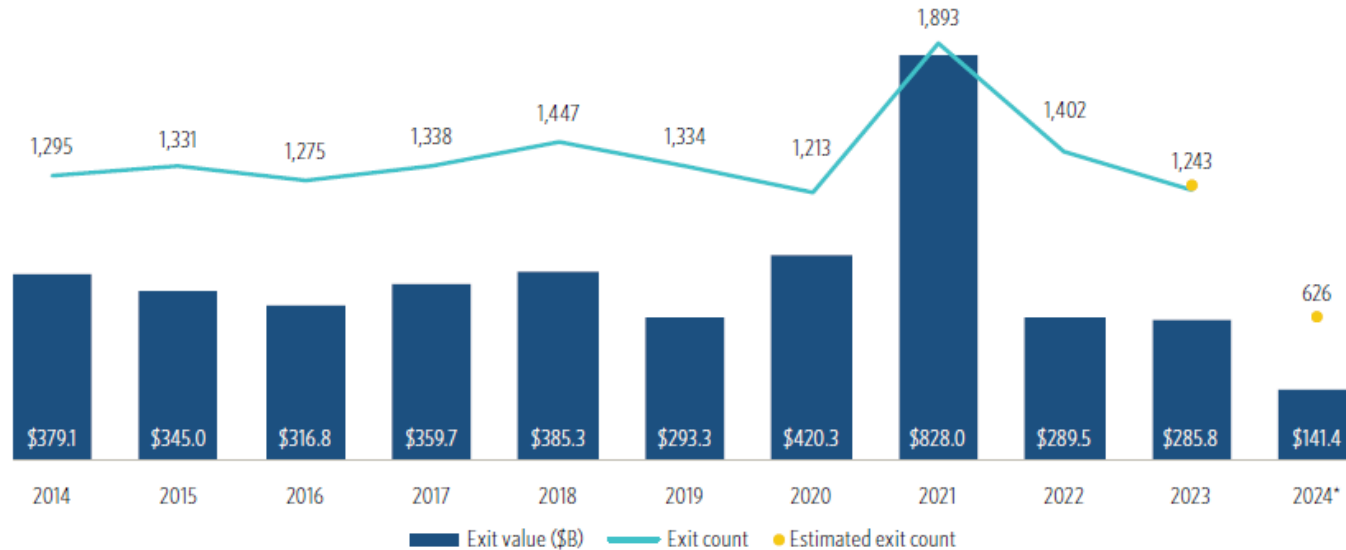


Source: PitchBook | LCD • Geography: US • *As of June 30, 2024



Market Overview – Sell-Side Activity

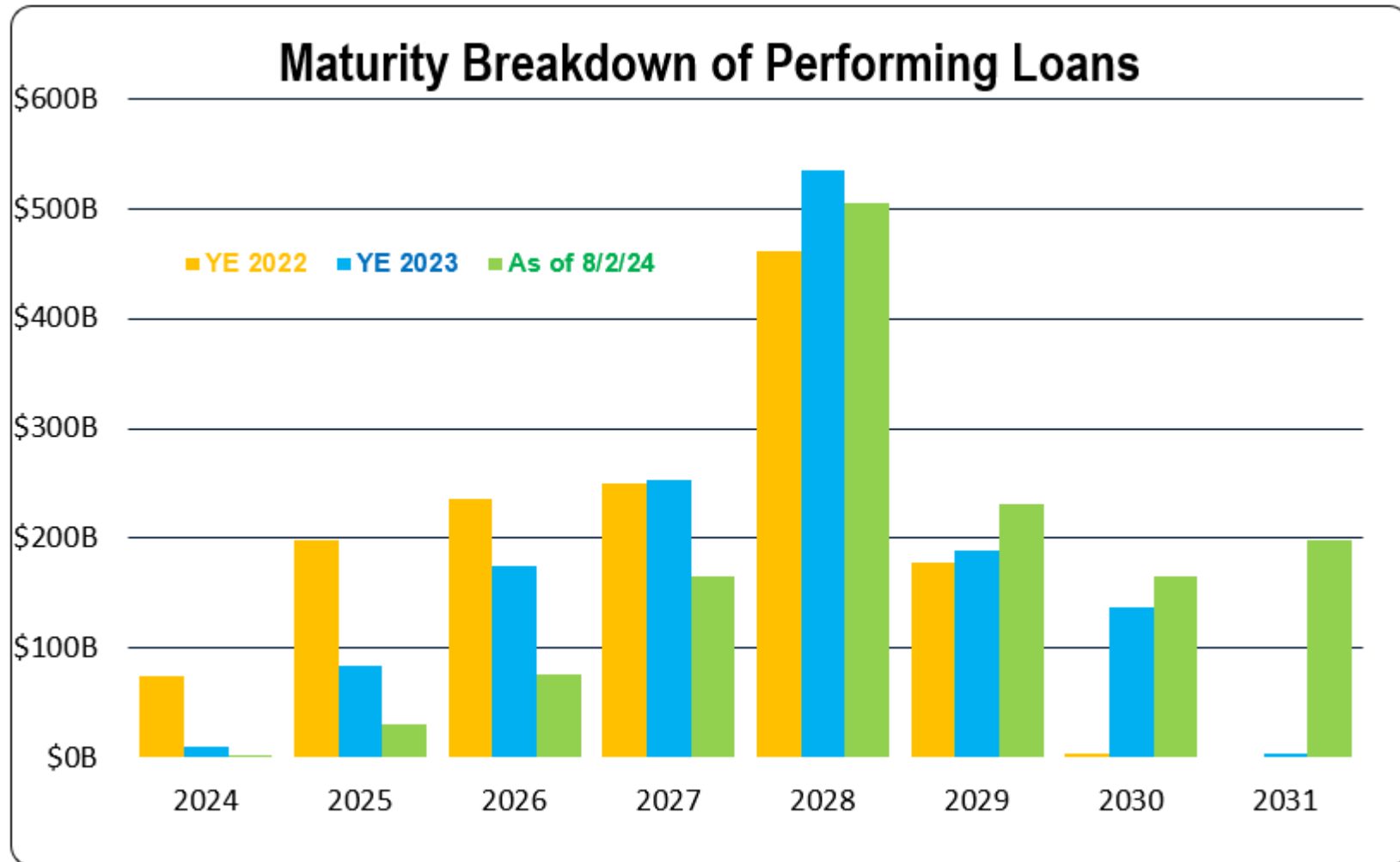
PE exit activity



Source: PitchBook • Geography: US • *As of June 30, 2024



US Leveraged Loan Maturity Wall Breakdown

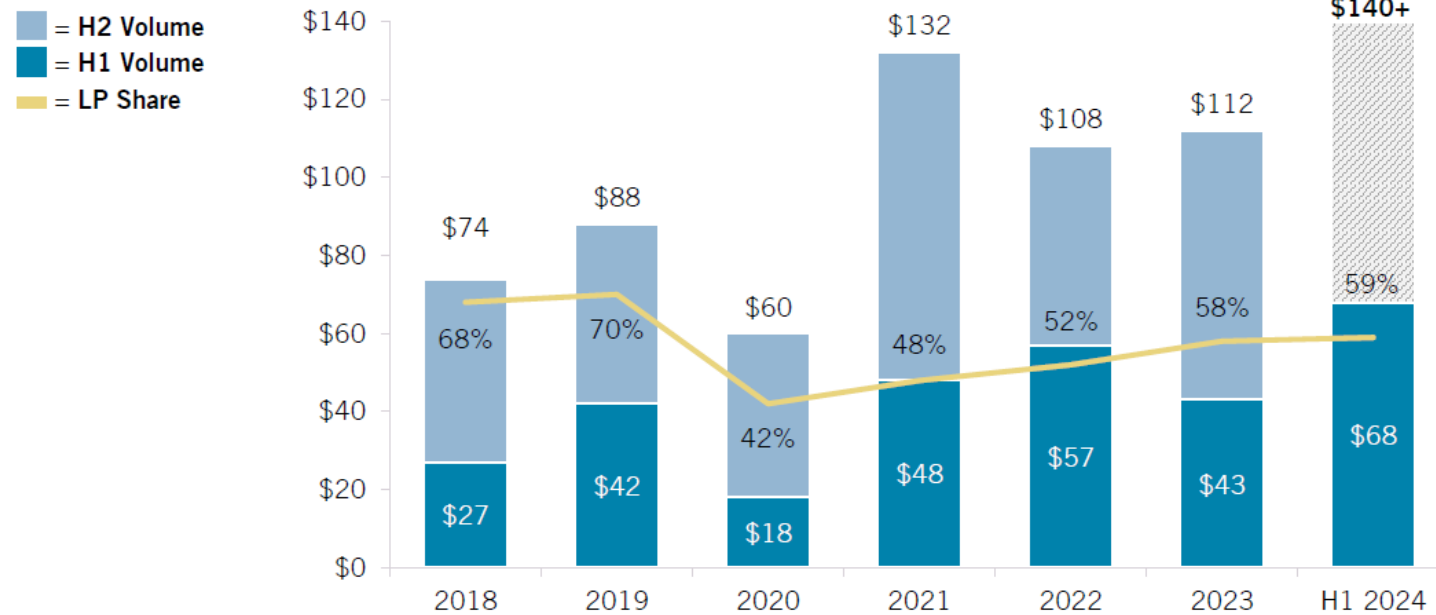


Source: Pitchbook LCD
August 2, 2024



Secondary Market Activity

Fig. 1. Annual Transaction Volume (\$B)



Total Volume Growth (%)	--	19%	(32%)	120%	(18%)	4%	58% ⁽¹⁾
LP Volume Growth (%)	--	24%	(60%)	154%	(13%)	7%	60% ⁽¹⁾
GP-Led Volume Growth (%)	--	8%	34%	95%	(24%)	-	56% ⁽¹⁾

(1) Represents H1 volume growth year-over-year

Source: Jefferies "H1 2024 Global Secondary Market Review"
July 2024



Private Equity Priorities

1. Secondaries & Structured Transactions
 - Global secondary volume reached record levels 1H24
 - NCL IV activation
2. Co-Investments
 - Performance
 - Savings
 - NCL IV
3. Future Primary Commitments
 - Focus on high conviction managers with co-investment opportunities
4. New Administration Priorities