

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

INVESTMENT MANAGEMENT DIVISION

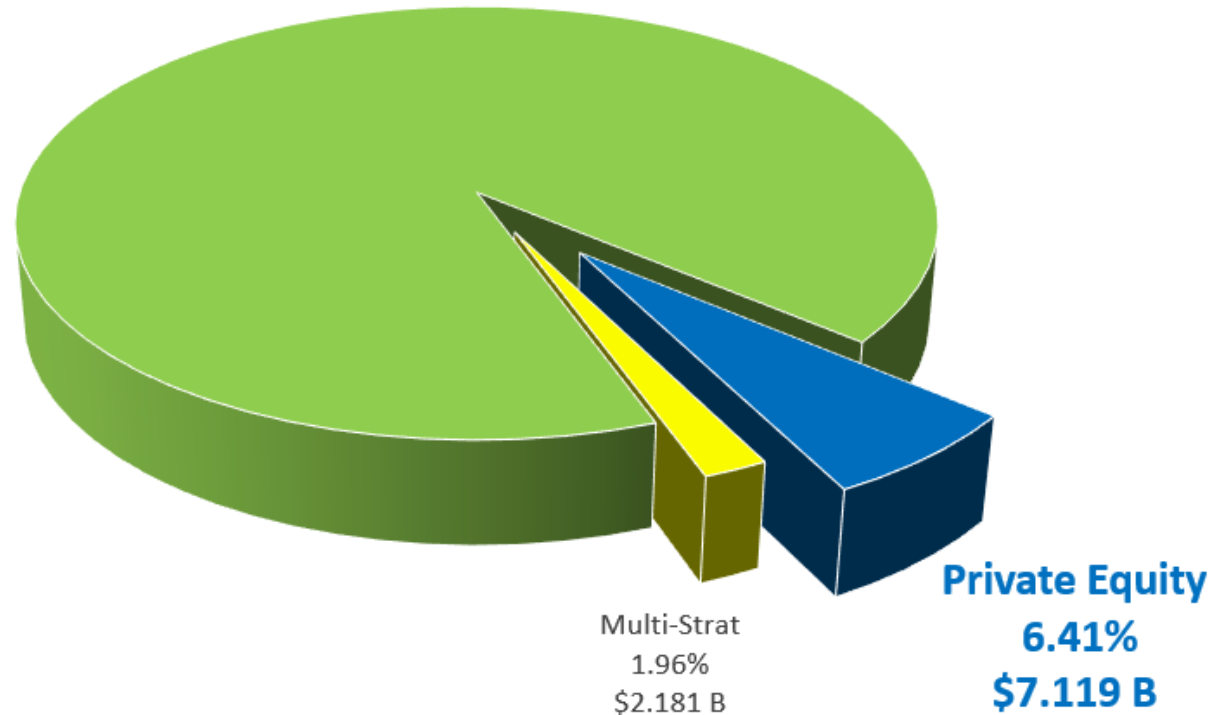
Private Equity Update

August 24th, 2022



Statutory Allocation

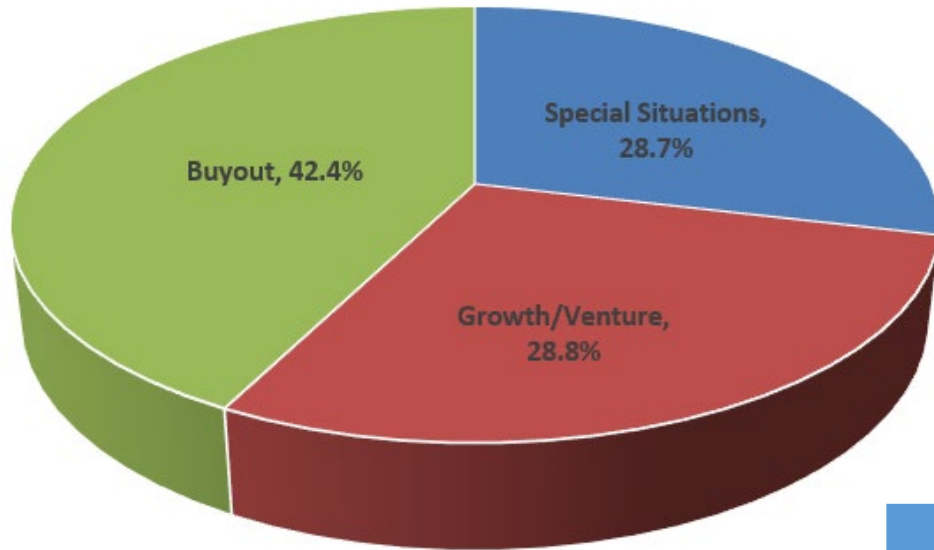
Allocation as of 6/30/22



- Private Equity + Multi-Strat = 8.38% → below 8.75% Legislative cap
- Private Equity = 6.41% → above Policy Target of 6%
Target increased to 7% effective July 1



Private Equity Composition*



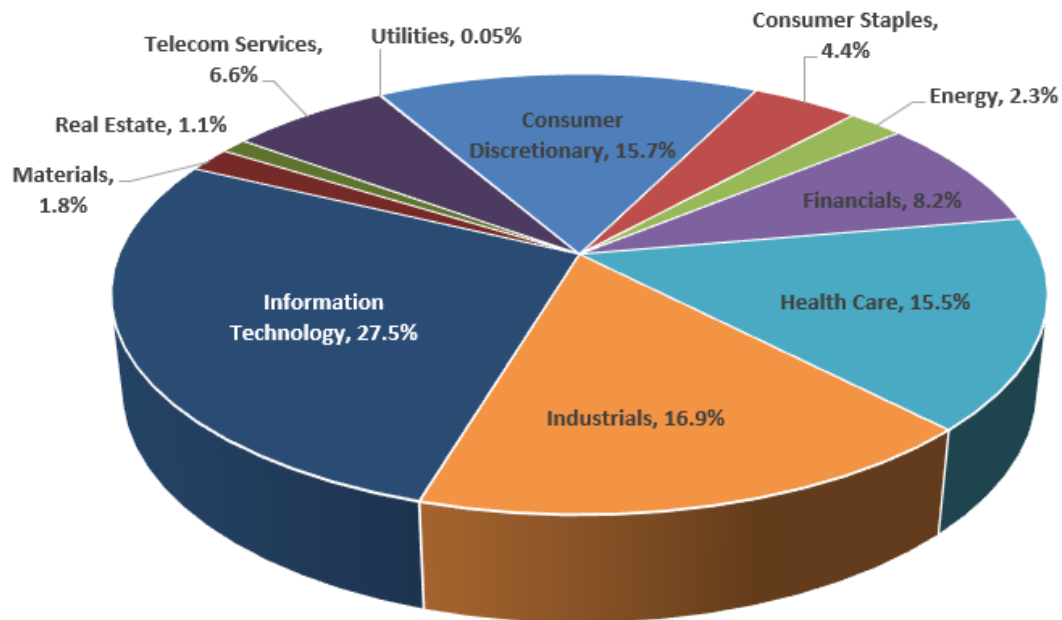
Policy Relative to Actual Portfolio Weights					
Strategy	# of Active Funds	Policy Range			Actual (3/31/2022)
		MIN	TARGET	MAX	% of FMV*
Buyout	36	35%	50%	65%	42.4%
Growth/Venture	30	10%	20%	30%	28.8%
Special Situations	22	15%	30%	45%	28.7%
Fund of Funds	10	-	-	-	-
TOTAL	98				100%

*Data includes Fund of Funds' underlying exposure (as of 3/31/22 or most recently reported)

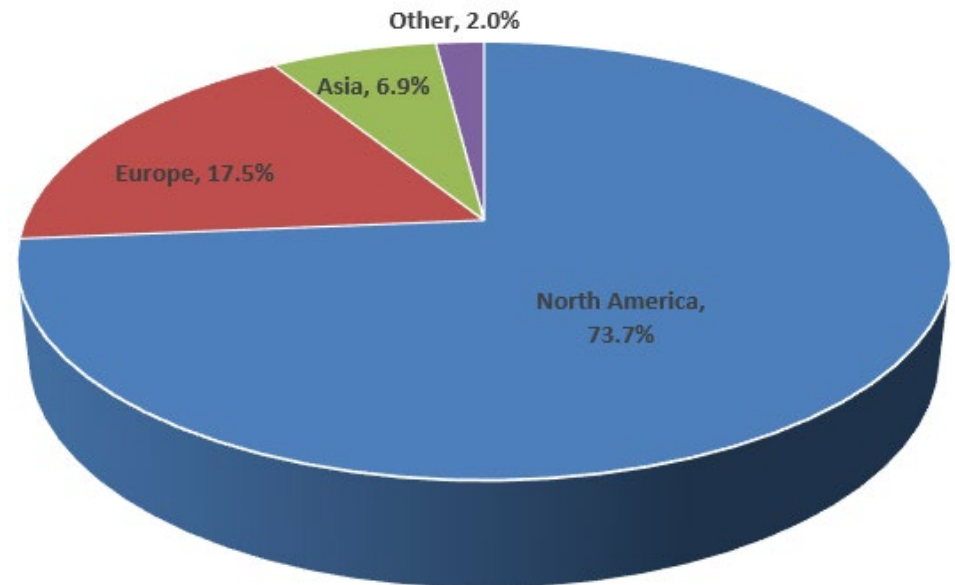


Private Equity Composition

GICS Industry Allocation*



Geographic Allocation*



*Data includes Fund of Funds' underlying exposure (as of 3/31/2022 or most recently reported)



Performance

Private Equity Portfolio		<i>USD in Millions</i>		
<i>Net of Fees as of March 31, 2022*</i>		<i>Since Inception</i>	<i>Vintage '88 to '09</i>	<i>Vintage '10 to Present</i>
Number of Funds		154	98	56
Called Capital		\$11,388.8	\$5,518.2	\$5,870.6
Distributed Capital		\$12,162.9	\$7,345.2	\$4,817.7
DPI		1.07x	1.33x	0.82x
Residual Value		\$7,378.7	\$898.7	\$6,480.0
Total Value		\$19,541.6	\$8,243.9	\$11,297.7
TVPI		1.72x	1.49x	1.92x
Gain/(Loss)		\$8,152.8	\$2,725.7	\$5,427.1
IRR		10.95%	7.65%	18.75%
K&S PME				
	S&P 500	0.97x	0.91x	1.11x
	Russell 3000	0.97x	0.90x	1.12x
	MSCI ACWI	1.07x	0.99x	1.22x

* Data as of 3/31/2022 or most recent available



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
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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

June 2021

Private Equity	7,409,284	1.85	15.53	58.54	30.73	58.54	22.08	18.35	14.96	13.47	10.82	7.54
Benchmark ³		(5.44)	7.26	45.72	22.88	45.72	16.28	14.33	11.67	11.79	10.89	10.51

June 2020

Private Equity	5,342,116	(1.62)	(5.44)	2.35	(1.99)	2.35	10.10	8.84	10.25	9.90	8.85	2.78
Benchmark ³		(5.75)	(9.40)	(0.75)	(4.92)	(0.75)	7.05	6.94	8.48	9.65	9.84	7.91

3. The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Distressed.



VC IPO Performance

Global VC IPO Index vs Morningstar US Small-Mid cap Broad Growth Extended Index from 2022 through YTD



PitchBook-NVCA Venture Monitor
*As of June 30, 2022



Private Equity Co-Investment Summary

Investment	Mar-22 NAV	Committed (\$ mm's)	Invested (\$ mm's)	Base Case		Mar-21		Mar-22		Potential Total Savings (\$ mm's)			Actual Saved Carry at NAV
				IRR	MOIC	IRR	MOIC	IRR	MOIC	Mgmt Fee	Carry	Total	
NCL II - Opportunistic	\$655.5	\$286.4	\$275.6	22.0%	2.3x	29.7%	1.7x	32.8%	2.4x	\$21.5	\$64.4	\$85.9	\$76.0
NCL III - Opportunistic	\$93.3	\$93.3	\$93.3	23.0%	2.7x	N/A	N/A	N/A	1.0x	\$15.5	\$50.8	\$66.3	\$0.0
Total	\$748.8	\$379.6	\$368.9	N/A	N/A	29.7%	1.7x	32.4%	2.2x	\$37.0	\$115.2	\$152.3	\$76.0

Note 1: Committed and Invested Figures as of 3/31/2022.

Note 2: Fee structure assumes a 2% Mgmt Fee and 20% GP Carry / Secondary assumption 1% & 10%.

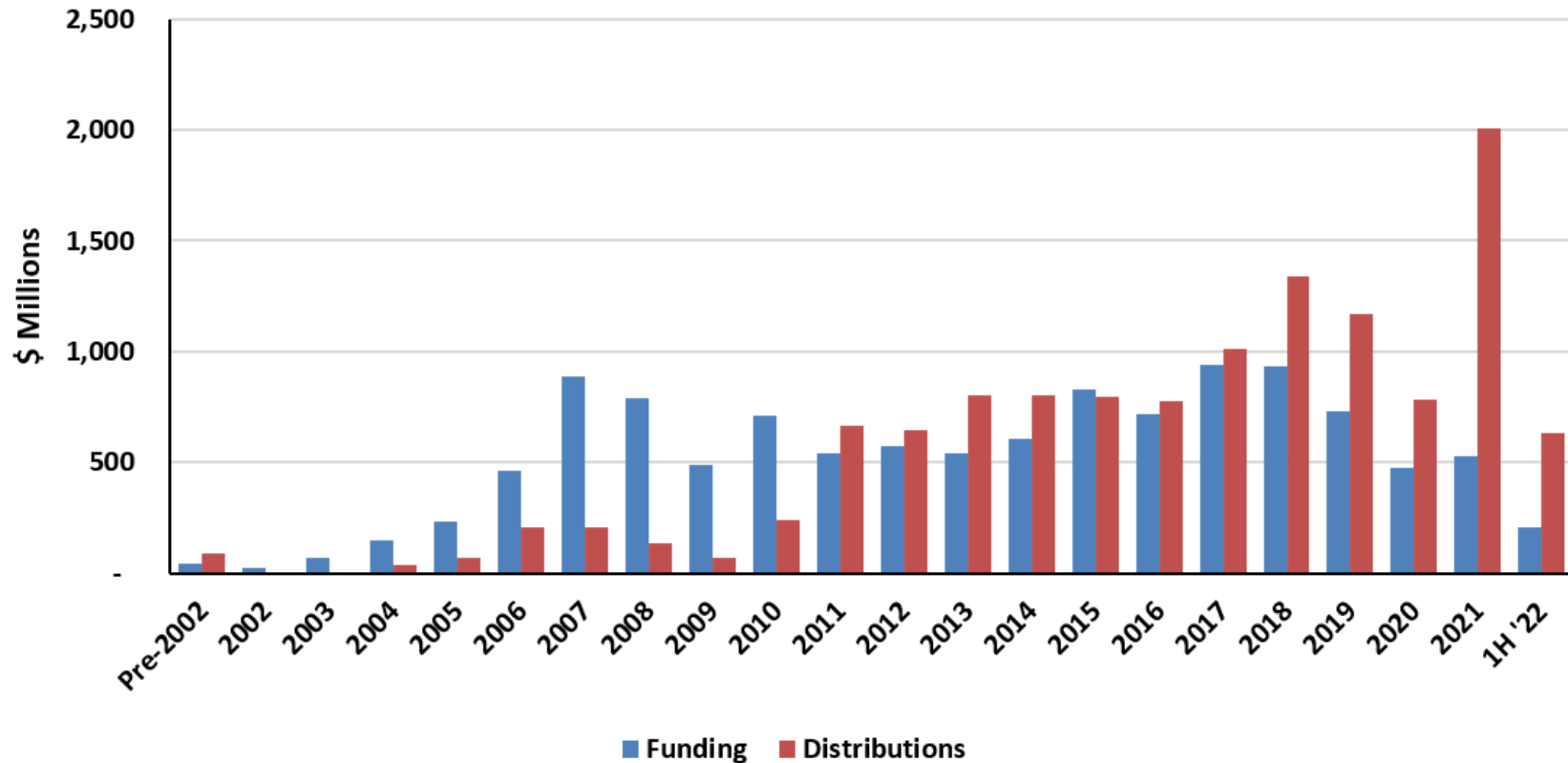
Note 3: NCL III -Opportunistic has invested \$163.3MM through 6/30/2022.



Private Equity Cash Flow Detail

- 10 out of the last 11 calendar years, distributions have exceeded funding
- 2022 is on track to continue this trend

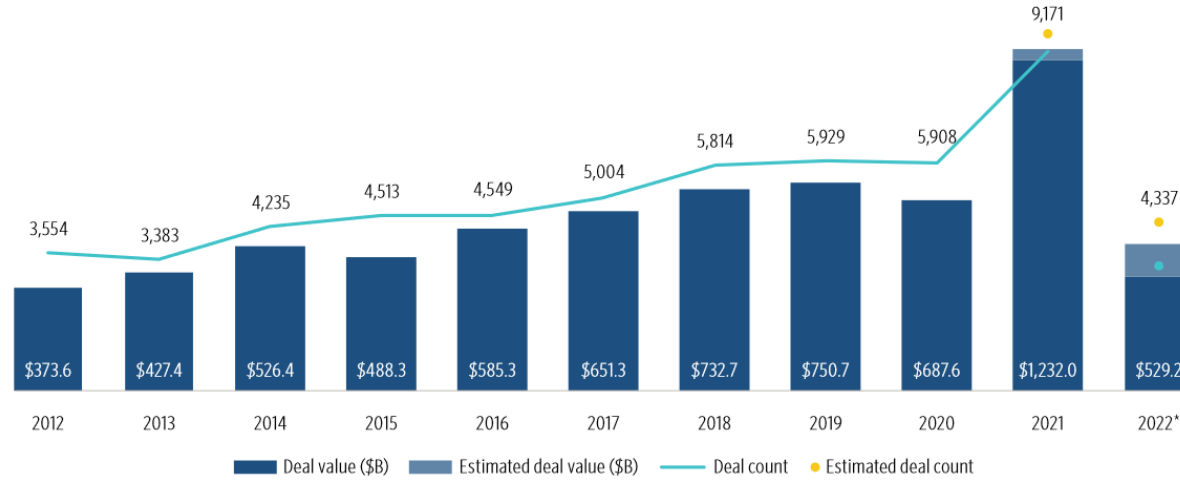
Private Equity Cashflows
by Calendar Year





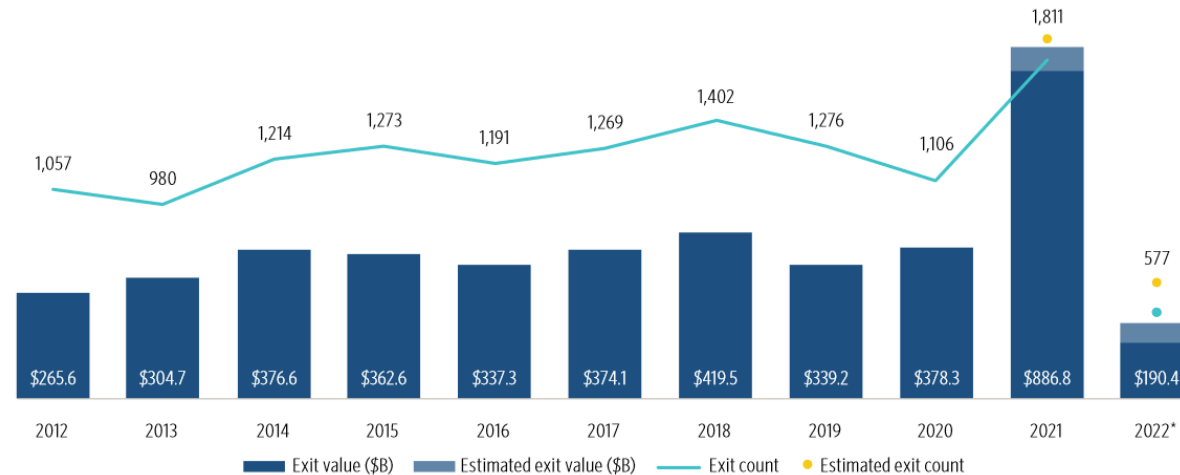
Market Activity

PE deal activity



Source: PitchBook | Geography: US
*As of June 30, 2022

PE exit activity



Source: PitchBook | Geography: US
*As of June 30, 2022



Market Trends

Valuations – Downward pressure on the June marks

- VC / Growth Equity likely down more than Buyout

Buyout

- Despite a slowing of new deals, 2022 is on pace for a healthy year
- Managers looking at public markets for “take-private” opportunities
- Cost of debt rising → Equity percentage rising
 - To hit return targets, deal prices will have to come down

Growth Equity

- After years of “growth at all costs”, profitability has grabbed investors’ mindset

VC

- Deal volume has remained relatively high
 - But values have declined significantly



Private Equity Opportunities

1. Secondaries & Structured Transactions
 - Landmark Partners – NCL III (Primary, Overflow and Opportunistic)
 - Attractive Risk Adjusted Returns
2. Co-Investments
 - Landmark Partners – NCL III Opportunistic
 - Add a Second Co-Investment SMA
3. Future Primary Commitments
 - Focus on existing high conviction managers with co-investment opportunities
 - ✓ Averages down cost basis
 - ✓ Use scale for preferred terms and fees
 - ✓ Feeds NCL III Opportunistic Investments