

Contact: Patrice Sayre

### PRIVATE EQUITY RECOMMENDATION

**Action Requested:** Recommend that the Board approve capital commitments to Private Equity investments.

**Executive Summary:** To maintain the 10% target allocation to private equity, ongoing commitments are required for the Endowment portfolios. Wilshire recommends investments in the form of capital commitments to Adams Street Partners, Landmark Partners, and Neuberger Berman, respectively. Endowments of both University of Iowa and Iowa State University have invested in predecessor funds of these managers. The recommended commitment amounts are as follows:

#### **Adams Street Partners – 2013 Global Private Equity Program**

- University of Iowa: \$10.0 million
- Iowa State University: \$ 3.75 million

#### **Landmark Equity Partners – Secondary Fund XV**

- University of Iowa: \$5.0 million
- Iowa State University: \$1.875 million

#### **Neuberger Berman – Crossroads Fund XX**

- University of Iowa: \$5.0 million
- Iowa State University: \$1.875 million

Adams Street Partners 2013 Global Private Equity Program consists of three separate closed end investment vehicles structured as a fund of funds. Consistent with prior participation, commitments will be invested in a U.S. Fund, Non-U.S. Developed Markets Fund, and Non-U.S. Emerging Markets Fund in proportions specified for the program (but will exclude the Direct Fund<sup>1</sup>). The effective base management fee over the life of the fund will be approximately 0.65%. The fund will also charge 10.0% carried interest only on secondary and co-investments. The targeted investment period will be 3 to 4 years, while the fund term will be twelve years plus three one-year extensions.

Landmark Equity Partners Secondary Fund XV is focused exclusively on secondary private equity interests. It is structured as a fund of funds with an investment philosophy focused on negotiated middle-market transactions. The fund will be diversified by geography with the following target allocations: U.S. (65%), Non-U.S. Developed (30%), and Non-U.S. Emerging (5%). The targeted fund size is anticipated to be \$2.0 billion, with an effective base management fee over the life of the fund of 1.00%. The fund will also charge a 12.5% carried interest above an 8.0% preferred return to investors. The targeted investment period will be four years from the date of the final close, while the fund term will be ten years plus two one-year extensions.

Neuberger Berman Crossroads Fund XX is a closed end investment vehicle structured as a fund of funds. Its targeted fund size is anticipated to be \$750 million. The effective base management fee over the life of the fund is approximately 0.60%, while also charging 5.0% carried interest above an 8.0% preferred return on primary investments and 10% carried interest on secondary and co-investments. The investment period will be four years from the date of the first close, while the fund term will be 10 years plus two one-year extensions.

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<sup>1</sup> The Direct Fund's investment practices, including permitted usage of derivatives, could be inconsistent with investment policy and Iowa Code. Therefore, this component which may represent up to 10% of the Program will be excluded. Earlier investment in the Adams Street Partners – 2012 & 2010 Global Private Equity Program was specified in the same manner.