



# Growth of the Private Equity Market

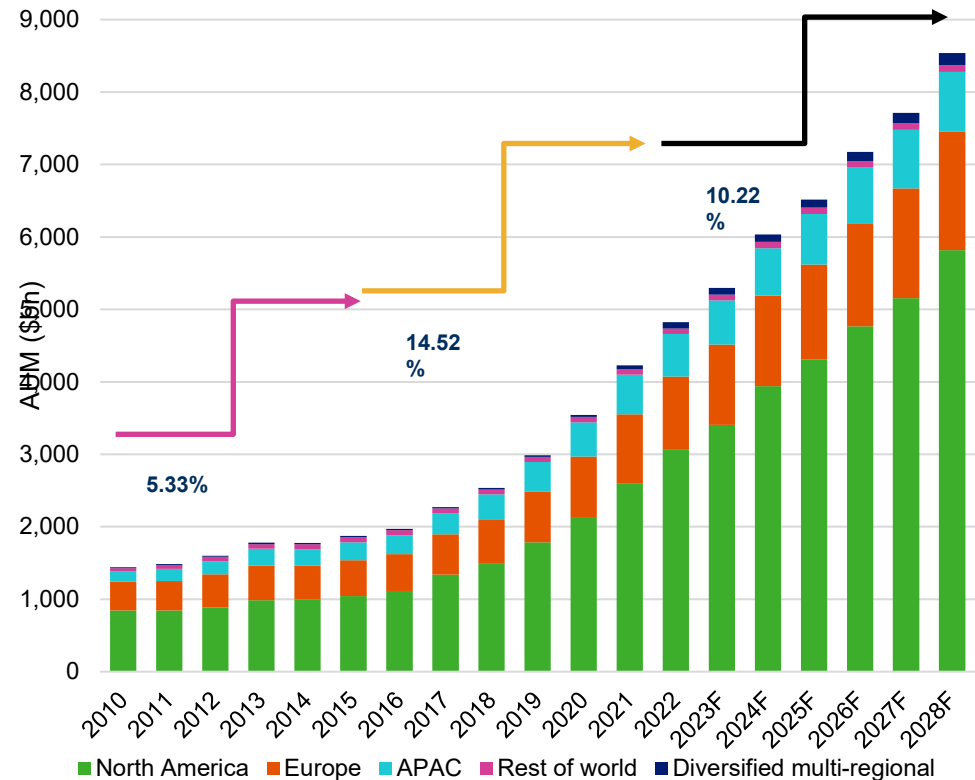
## Demand for Private Equity

- Private companies play an increasingly important role in our economy and U.S. capital markets.
- Private equity allocations are increasing from Pension Funds and other investors seeking to position their portfolios for risk-adjusted returns.

## Changing Landscape

- Significant reduction of publicly listed stocks
- 4,814 Public Companies in the U.S. as of year-end 2020 vs. 7,810 as of beginning of 2000
- Only 2,800 public companies with annual revenues greater than \$100 million vs. 18,000 private companies of that size
- Average age of a new public company over 12 years as of 2020 vs. 4.5 years in 1999

## Global PE Market to Reach \$8.5 trillion by 2028



Sources: Data from Paris/Investment Metrics; Bloomberg; S&P 500 Global Market Intelligence – Capital IG Platform; Hamilton Lane.

# Why Private Equity Allocations Have Grown in Pension Allocations

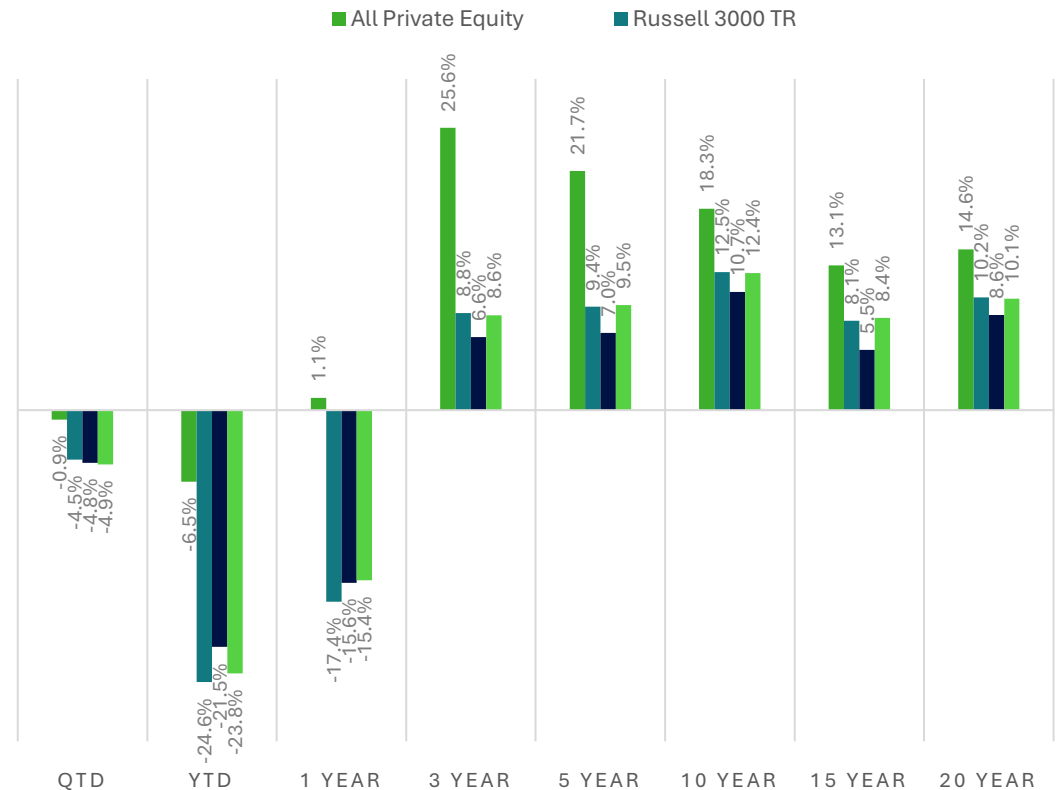
## Premium Returns over Public Equities

- Less volatile than public equity
- Illiquidity premium capture
- Control of outcome held in hands of the General Partner and limited partners

## Diversification

- Lower correlation to traditional asset classes
- Exposure to developing segments of the global economy

## PRIVATE EQUITY VS. PUBLIC EQUITY PME



\*Source: The Burgiss Group, LLC Private I Platform. All data as of 9/30/2022. Public Market Equivalent (Pme) uses ICM IRR method, which assumes buying and selling the index according to the timing and size of cash flows between the investor and the private investment. Net total return index returns used for Russell 3000, MSCI ACWI, and S&P 500.

# Implementation Mechanisms

- Retirement plans have a number of mechanisms to integrate principles into the governance and investment process
- Investors have focused on governance at public companies through security selection, proxy voting and shareholder engagement for decades
  - The focus of the PE principles is on the private side of the portfolio; similar to how responsible contractor language focuses on the real estate portfolio
- Additional focus on manager selection in the due diligence process will add to the focus

## Investment Policy

- Objectives
- Manager selection
- Risk management
- Reporting

## Manager Selection

- Philosophy
- Process
- Security selection
- Risk management

## Proxy Voting

- Proxy policy
- Annual meetings
- Proposals
- Reporting

## Shareholder Engagement

- Corp. Governance
- Investor alliances
- Investor rights
- Advocacy

# Incorporating PE Principles into 7 Principles Framework



# Sample Due Diligence Questions

**Does the Firm, its General Partners, or Investment Team members have outstanding litigation? Potential litigation or headline risk stemming from current or prior portfolio companies**

**Please provide a description of the Firm's views and/or philosophy on workforce labor, in the context of its investment objectives, strategy, and operational processes**

**How is labor incorporated to the Firm's due diligence process for portfolio companies and/or part of the platform buy-and-build strategy:**

**For the applicable sectors the Firm invests, are any labor force safety standards, policies, and procedures required to be in place prior to investing in a company:**

**Does the Firm utilize Responsible Contractor Policies, either directly or implemented through portfolio companies? Is there a firm wide standing RCP template:**

# Good Business = Good Business

## KEY PROVISIONS

- Guarantee freedom of association and effective recognition of the right to collective bargaining
- Maintain a position of neutrality when workers seek to exercise their freedom to join together in a union
- Make occupational safety and health a top management priority
- Support the payment of industry standard wages for all portfolio company employees and contracted workers defined by federal and state prevailing wage regulations

## INDUSTRY ADOPTION AS OF OCTOBER 2024

- **General Partners / Investment Managers:** Bernhard Capital Management, GCM Grosvenor, Mesirow, Hamilton Lane, Apollo, Blackstone, Neuberger Berman, Blue Wolf
- **Limited Partners:** CalPERS, New York Common Fund, National Electrical Benefit Fund, New York City Comptroller, Illinois Treasurer's Office