



State of Rhode Island Board Presentation

BPEA Fund VII

May 2018

Focused on Delivering Higher Returns at Lower Risk – Consistently and at Scale

The objective of our Investment Program is to provide investors with broad-based exposure to the **higher rates of economic growth in Asia**, but with a **lower level of risk** than investing via the public markets; and to generate returns far in excess of those available in the Asian public markets

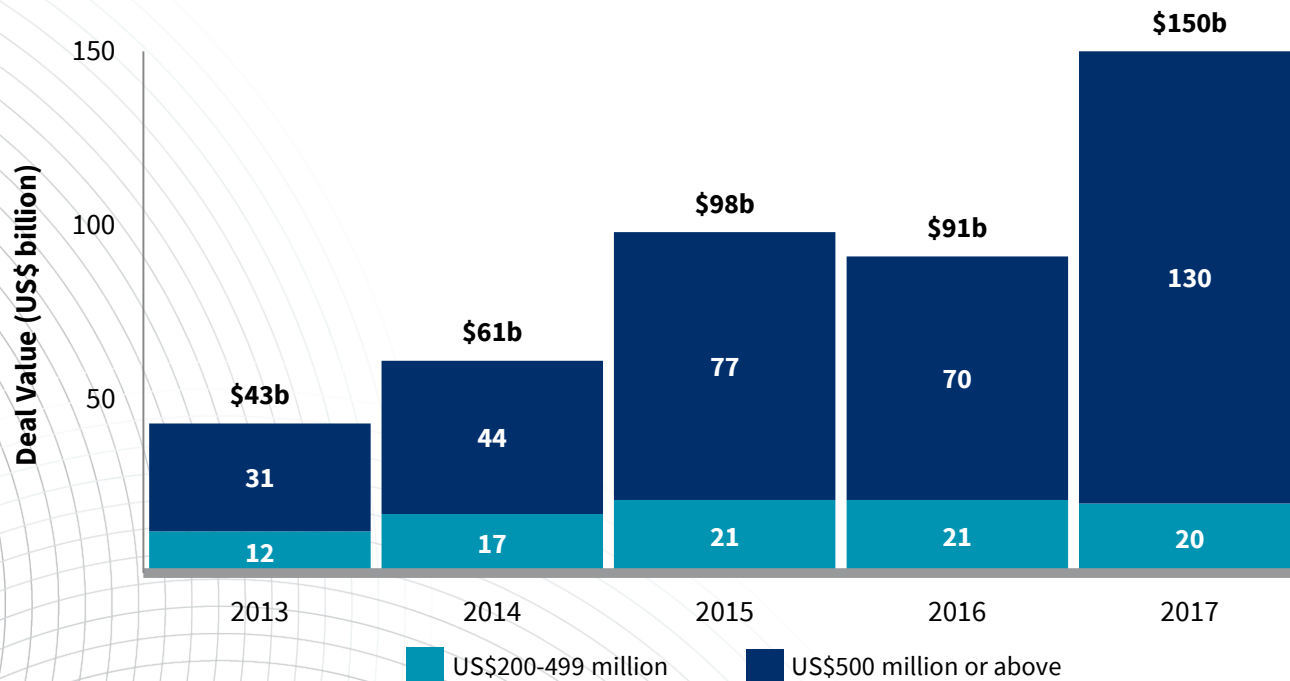
And to continue to manage and evolve an institution that is capable of achieving this objective **consistently** and **at scale**, so that it can deliver a **predictable** and **meaningful** impact on investors' returns

Investment Strategy Focused on Taking Advantage of the Growing Asian Buyout Opportunity

Characteristics of large cap buyouts

- Multiple levers to drive value creation
- Larger established businesses
- Resilient to downturns
- Ability to access leveraged finance
- Attract best management teams

Asian Buyout Market (2013 - 2017)



Consolidation /
Roll ups

Complex Corporate
Carve Outs

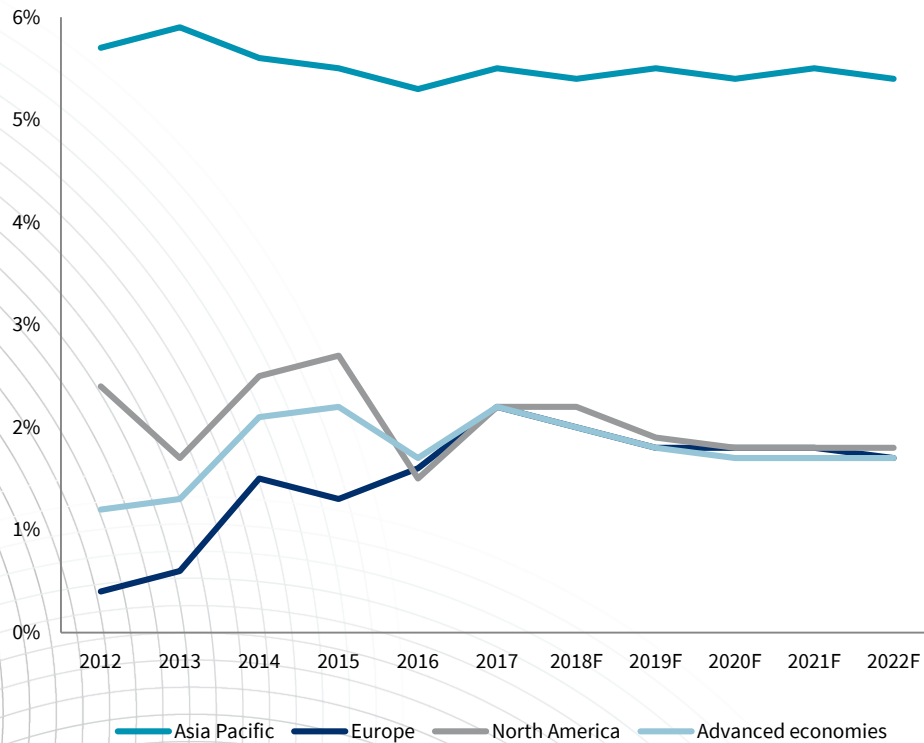
Take
Privates

Generational
Change

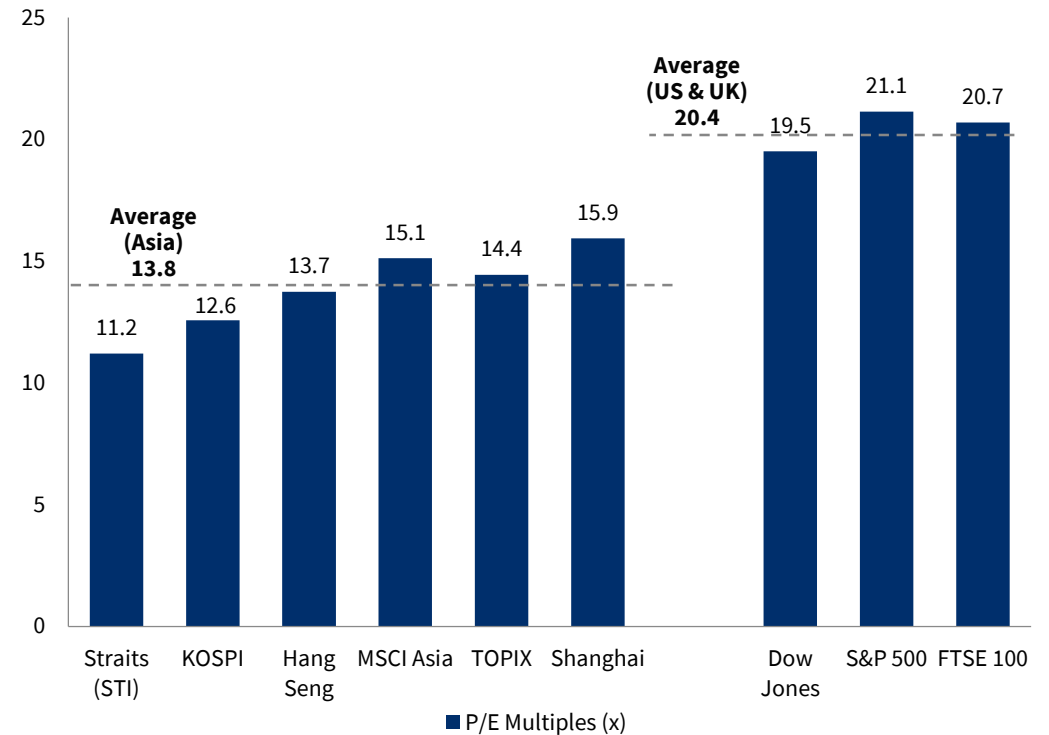
Corporate
Partnering

Asia Can Offer Both Higher Growth and More Attractive Entry Valuations

Asian Economic Growth Far Outpaces the Developed World¹

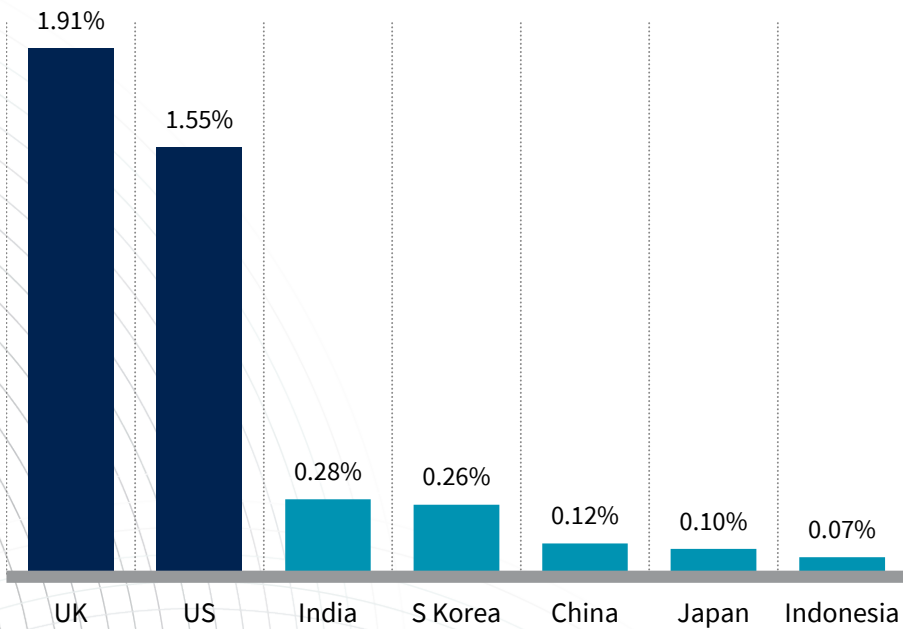


Asian Public Markets Trade at a Discount²

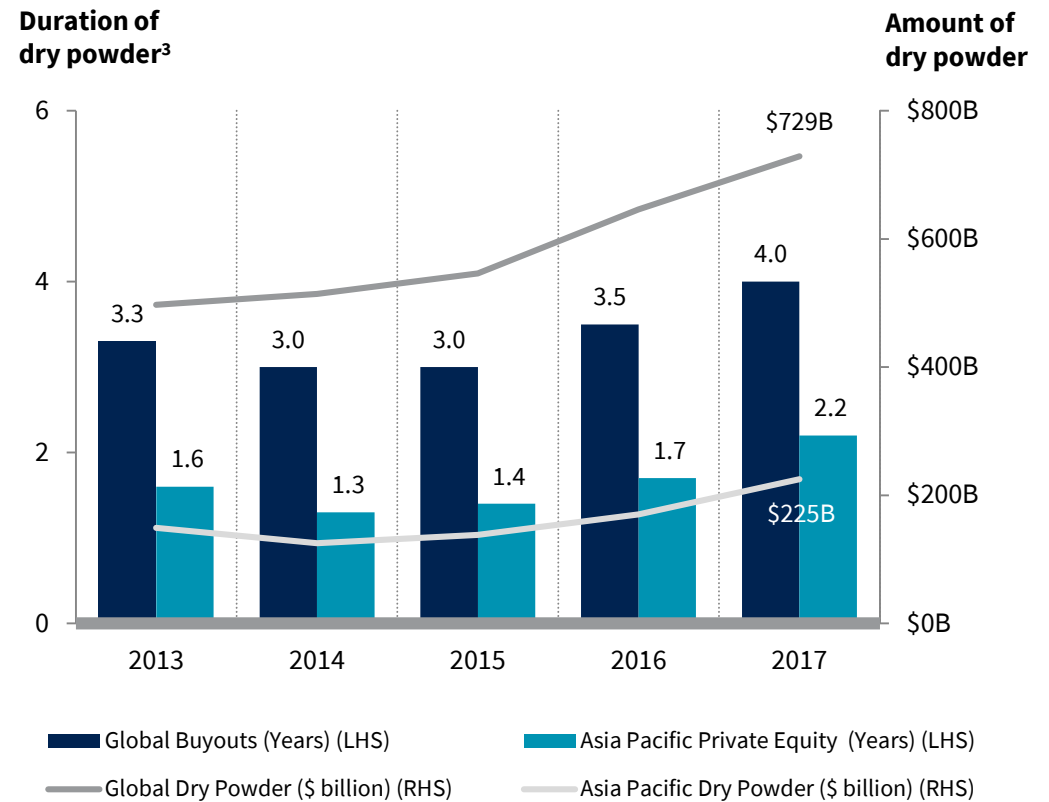


Yet Asian Private Equity Remains Significantly Underpenetrated

Global Private Capital Penetration¹

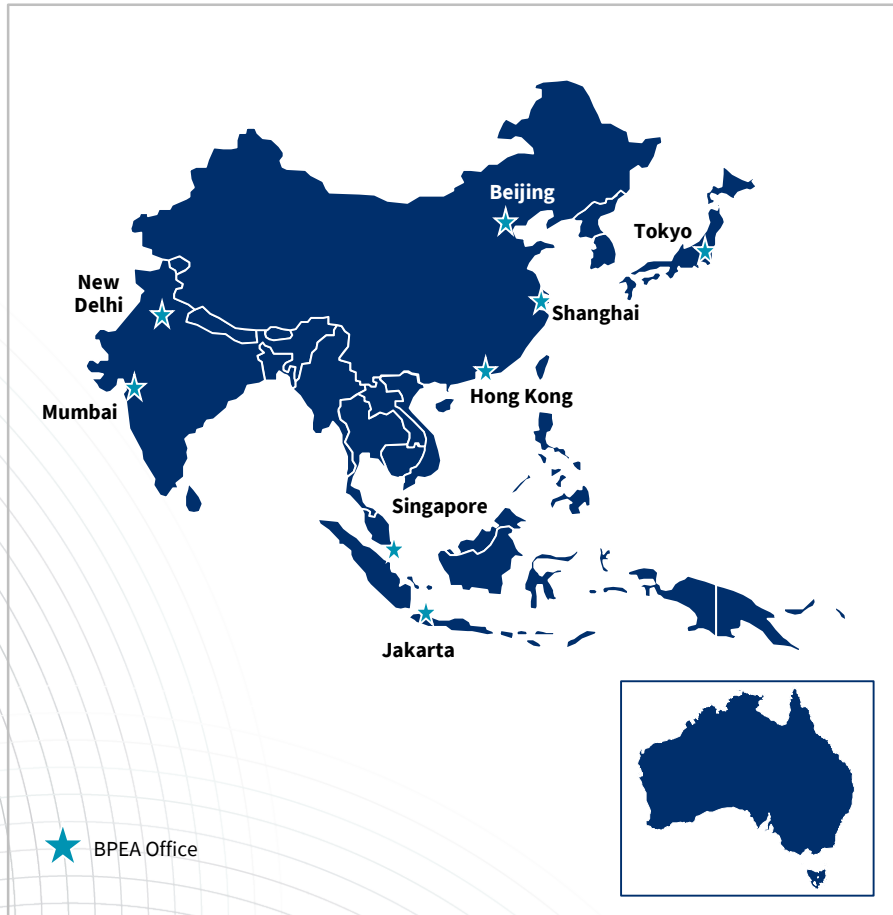


Global & Asia Dry Powder²



1. Private capital investment as a percentage of GDP. Source: EMPEA, February 2018;
 2. Source: Bain & Company; Preqin
 3. Value of dry powder / actual or projected equity value of transactions completed in future years

BPEA's Comprehensive Coverage Across the Region



Total

156 **\$10.4bn**
Team Invested



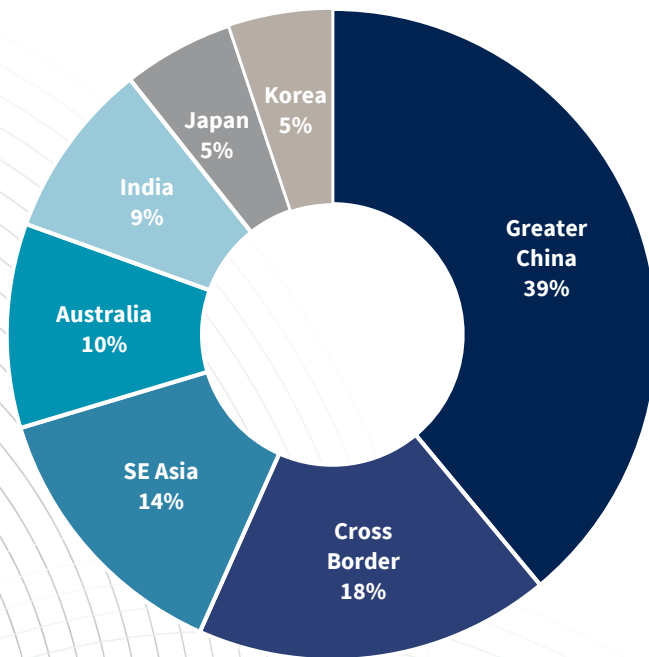
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BPEA Advisor Network

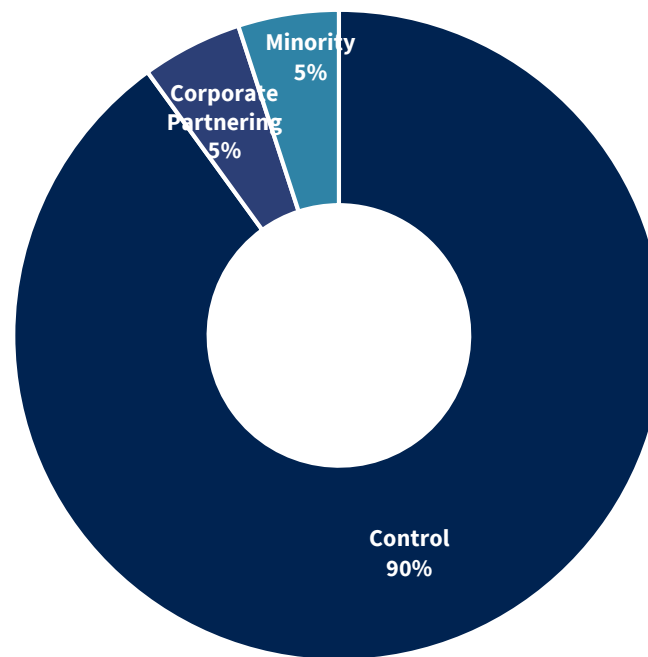
Former CEOs, CFOs, Non-Executive Directors
and Industry Experts across 19 countries

Fund VI Diversified Portfolio Construction

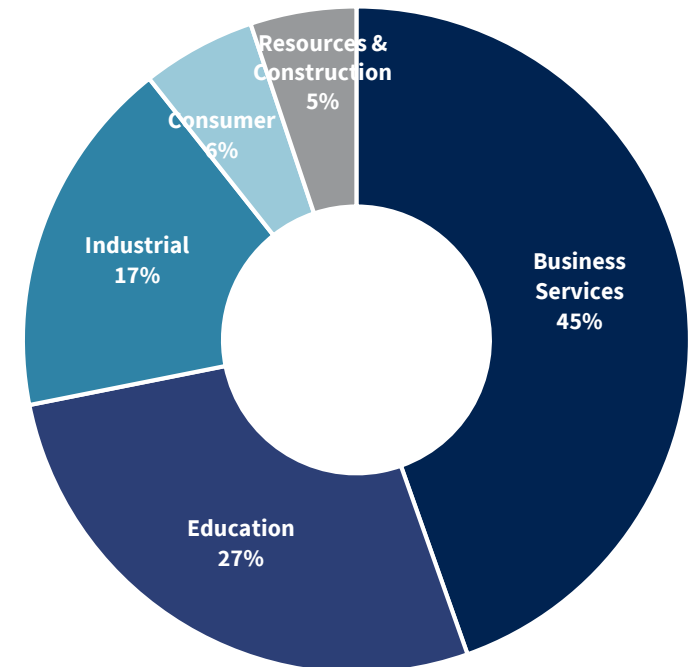
Investment by Geography



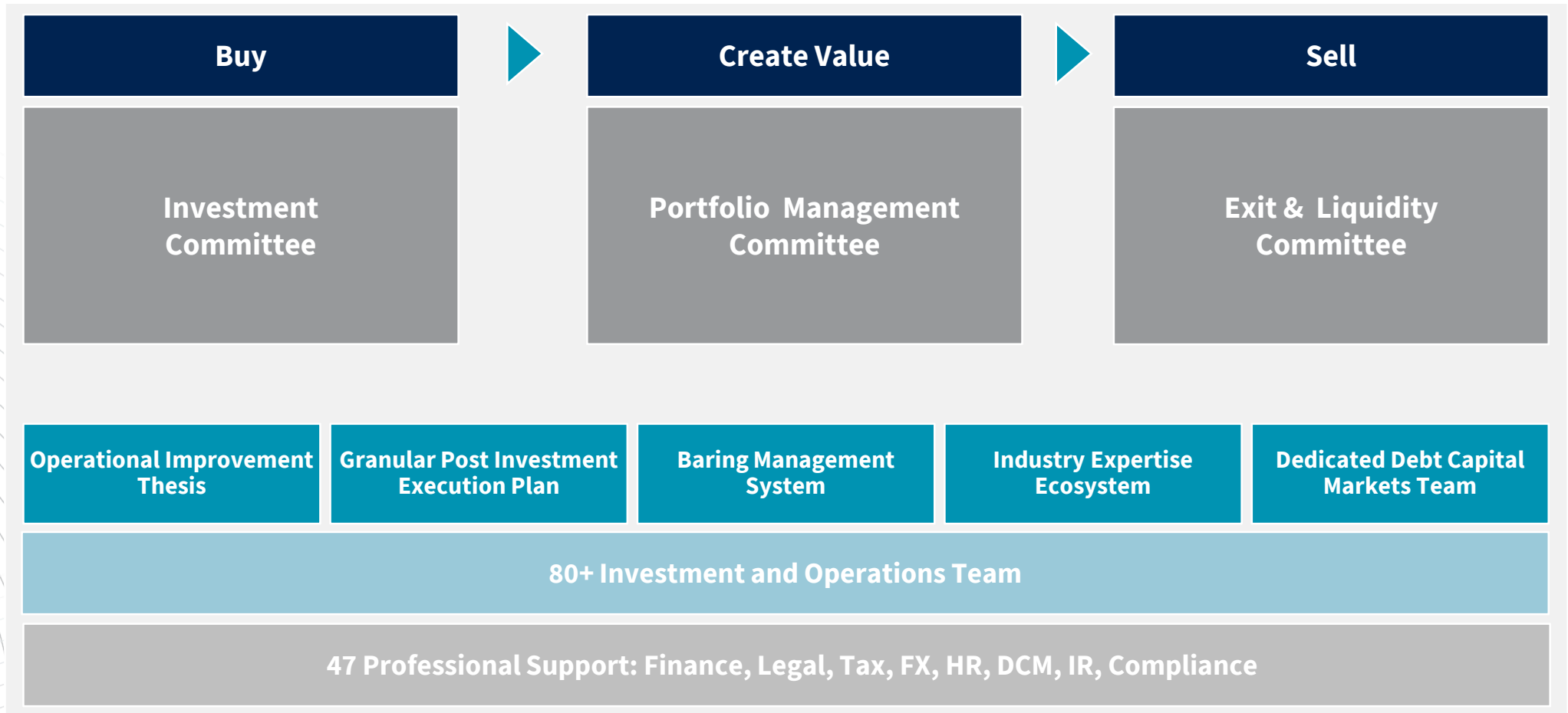
Investment by Type



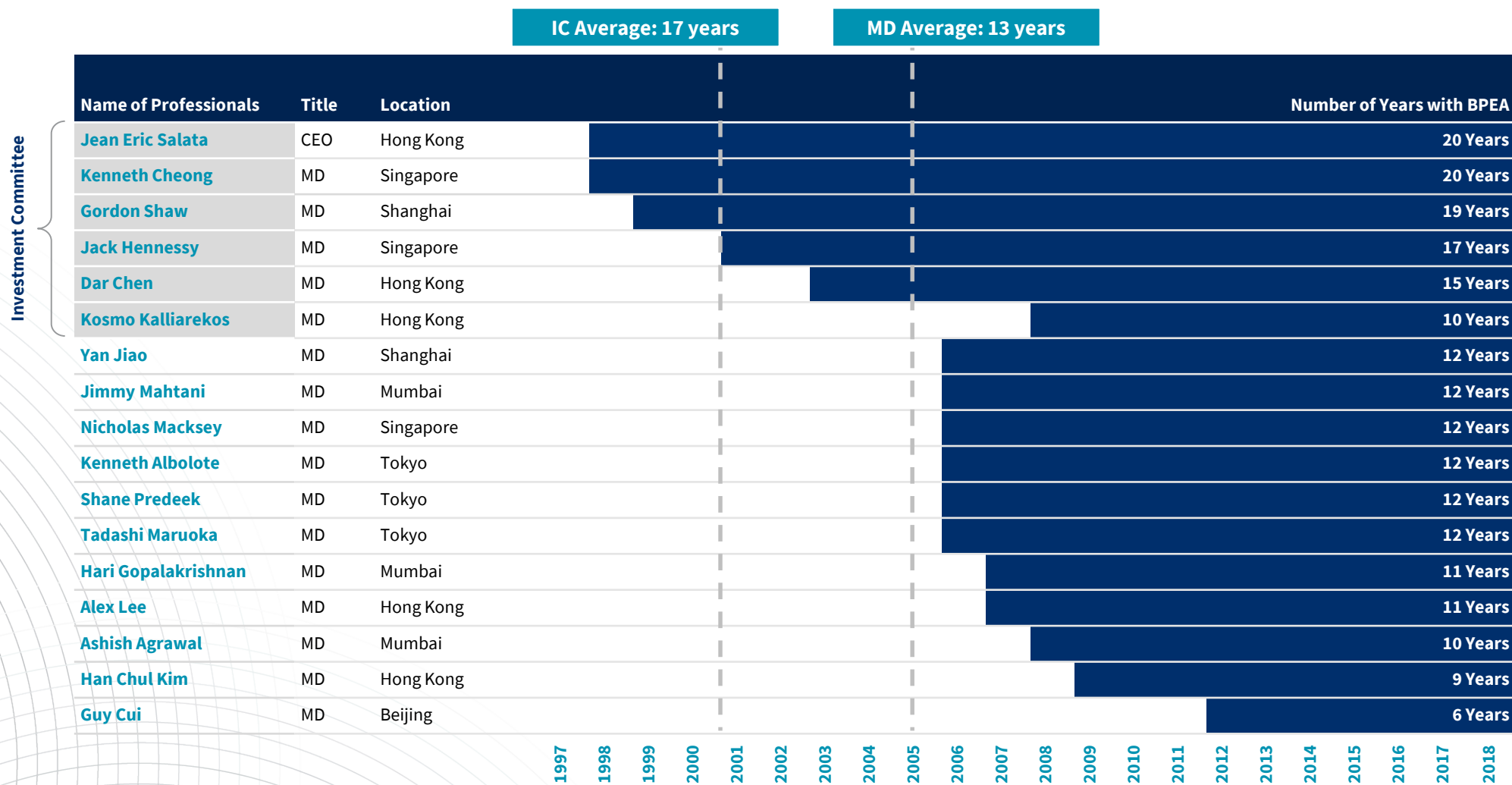
Investment by Sector



BPEA Executive Committee Processes Drives Consistent Outcomes



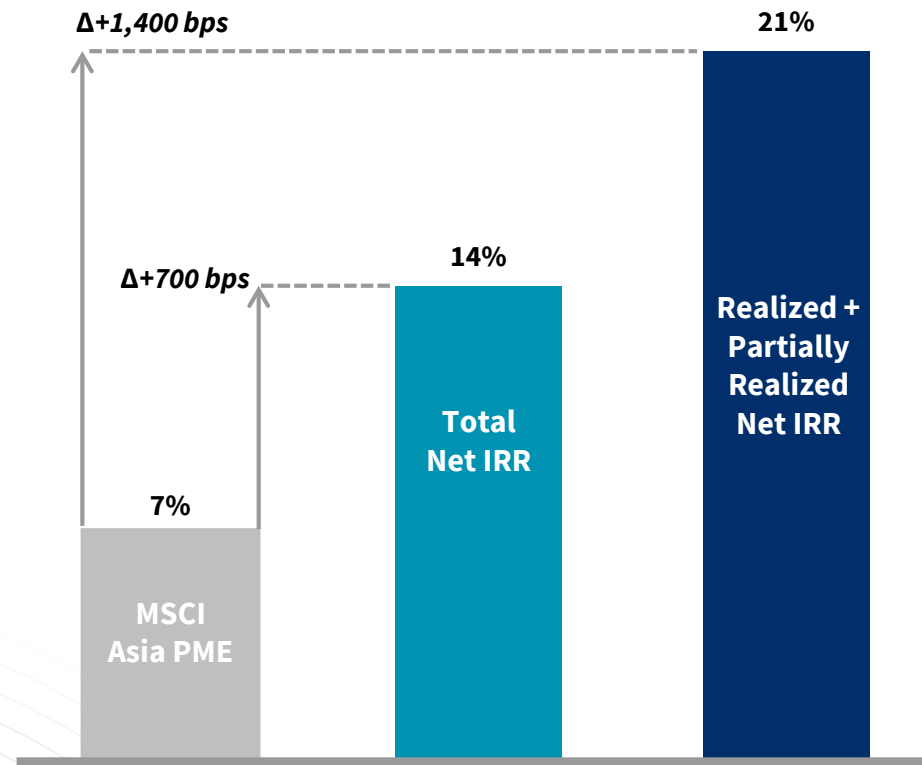
Deep and Cohesive Leadership Team



The most stable, longest serving senior leadership team in Asia PE

BPEA's Net Returns Have Outperformed the Public Markets

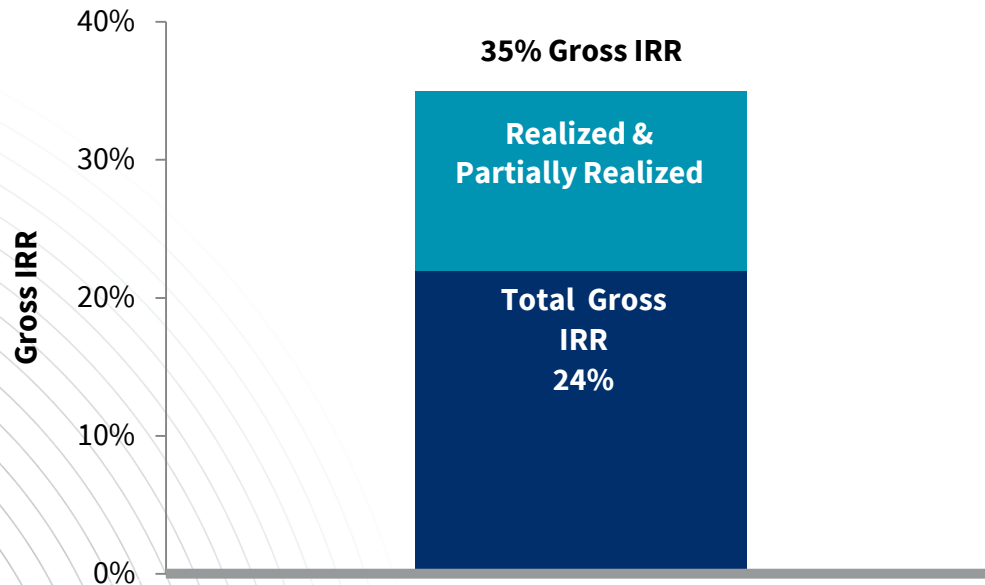
BPEA Fund III-VI Net IRR vs. MSCI Asia PME⁽¹⁾



(1) As of December 31, 2017. MSCI Asia PME Total Return – Individual portfolio company cash flows are mirrored to MSCI Asia Total Return Index. MSCI Asia Total Return Index does not provide data prior to 2000, so BPEA performance is provided for Funds III to VI, and does not include BPEA Fund I, BPEA Fund IIa and BPEA Fund IIb which were all raised prior to 2003, the point at which the Firm became fully independent and ceased making venture capital investments.

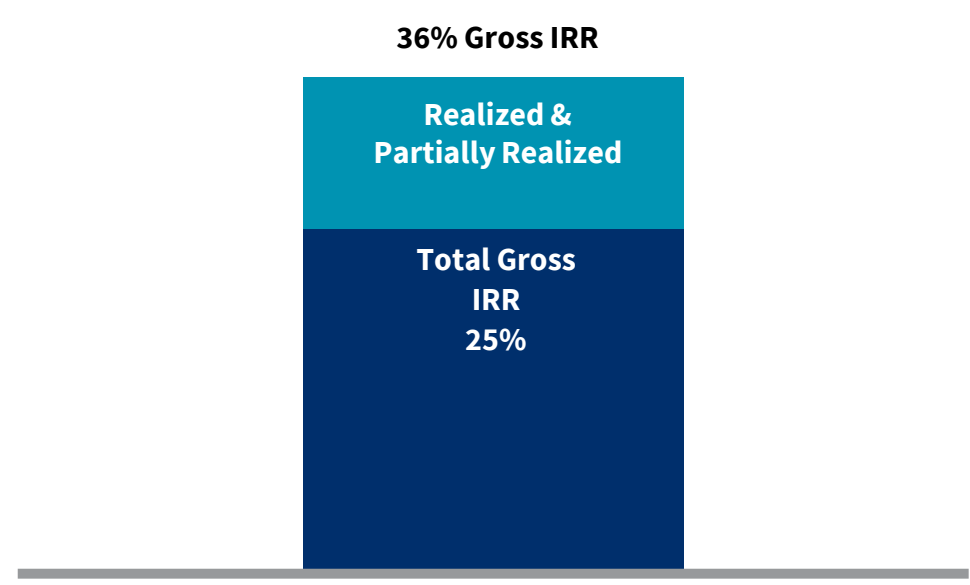
Large Deals and Buyout and Corporate Partnering Investments Have Outperformed

Buyout and Corporate Partnering Investments



- Total Invested Capital: \$5.1 billion in 22 investments
- Gross Multiple (Realized & Partially Realized): 2.2x
- Loss Ratio: 2.7%

All Equity Investments above \$100 million



- Total Invested Capital: \$5.6 billion in 24 investments
- Gross Multiple (Realized & Partially Realized): 3.1x
- Loss Ratio: 3.2%

Comprised of all control, joint control and corporate partnering investments in BPEA Fund V and BPEA Fund VI, including intended control deals

BPEA Has Consistently Delivered for Investors

As of March 31, 2018 USD million	Cost	Total Value	MOIC	Gross IRR	DPI	Cambridge DPI Quartile ¹
Fund VI (2015 Vintage)						
Realized & Partially Realized	332	693	2.1x	60%		
Unrealized	2,777	3,590	1.3x	17%		
Total	3,109	4,283	1.4x	22%	25%	1st
Fund V (2011 Vintage)						
Realized & Partially Realized	1,596	3,285	2.1x	25%		
Unrealized	1,344	1,657	1.2x	7%		
Total	2,940	4,941	1.7x	18%	58%	2nd
Fund IV (2007 Vintage)						
Realized & Partially Realized	1,041	2,687	2.6x	17%		
Unrealized	302	240	0.8x	n.m.		
Total	1,343	2,927	2.2x	14%	166%	1st
Fund III (2005 Vintage)						
Realized & Partially Realized	420	1,508	3.6x	91%		
Unrealized	68	71	1.1x	1%		
Total	488	1,579	3.2x	81%	279%	1st
LP Co-Investments						
Realized & Partially Realized	342	1,074	3.1x	34%		
Unrealized	2,346	2,698	1.2x	18%		
Total	2,688	3,773	1.4x	29%	33%	

(1) BPEA Fund III & IV vs Cambridge Associates, PE & VC Index and Benchmark Statistics as of September 30, 2017 (Asia/Pacific PE & VC Fund Since Inception Analysis)
 BPEA Fund V & VI vs Cambridge Associates, PE & VC Index and Benchmark Statistics as of September 30, 2017 (Buyout (US & Ex US) Fund Since Inception Analysis)
 Fund III & IV DPIs are Adjusted Distributed / Paid-In Capital based on recallable distribution excluded method

Case Studies

Company A

Investment Date:

August 2013

Geography:

India

Transaction Value at Entry:

\$467 million

Fund Equity Investment:

\$194 million (Fund V)
\$70 million (Co-invest)

Entry Valuation:

6.4x FY Dec'13 EV/EBITDA

Deal Structure:

Common Equity

Sector:

IT Services

Ownership Percentage:

71%

Status¹:

Partially Realized

Current Valuation¹:

3.4x multiple / 37% IRR

Company A is an India-based IT services and business process management provider with clients across the US, Europe and Asia

Transaction Background

- Favorable view of the IT Services sector in India which is a sector in which the country has a dominant global market position
- One of BPEA's senior team members has more than a decade of experience investing in and divesting from IT Services outsourcing businesses in India and originated the opportunity to invest via a relationship with the founder

Investment Thesis

- Defensible business characterized by long-term customer relationships and high switching cost
- Asset-light, predictable USD-denominated annuity revenue with consistent free cash flow generation
- Continued demand for IT services from high quality but low cost India-based providers
- BPEA identified strategies to improve client mining, capacity utilization and increase workflow "Offshore" to low-cost countries

Company A - Value Creation Initiatives

Return Drivers

1 Strategic Transformation

Shift towards digital from traditional IT, including new brand identity and focus on higher growth industries, has led to a re-rating of the company and significantly higher trading multiple

2 Reorganization

Changes to Board structure (7 new Board members), and recruiting high quality senior management (new CEO and upgraded 11 of 16 senior management positions) to drive new sales from larger accounts and increase share of wallet from top 20 clients

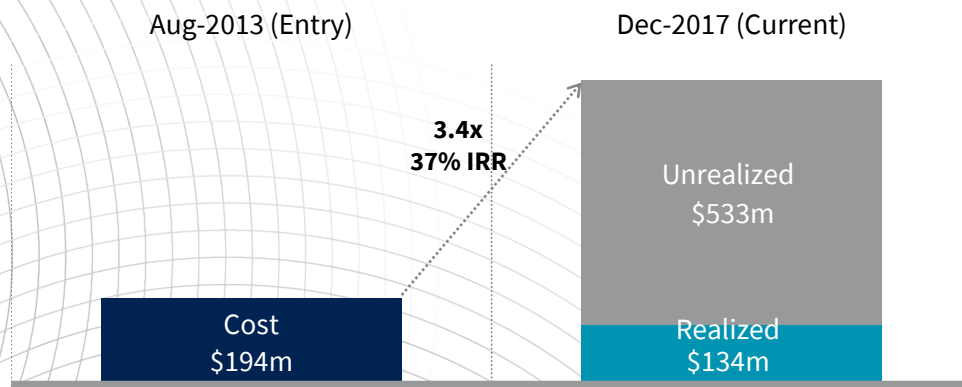
3 Capacity Expansion

Expanded capacity in India and established new delivery centers in the US and Romania to provide onshore-nearshore services to global clients

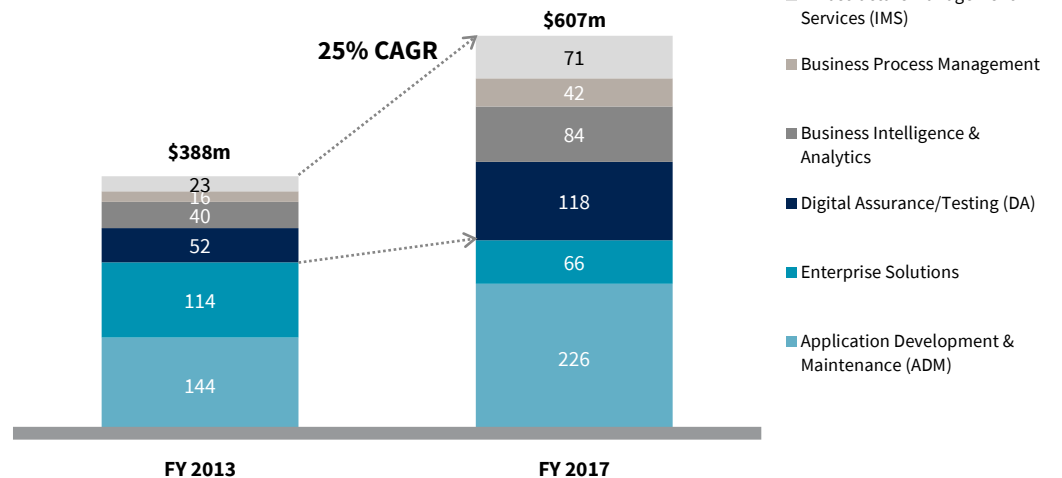
More Than 60% Capital Returned

Revenue Growth Driven by Digital Services

Fund Equity Value



Revenue by Division



Company B

Investment Date:
January 2018

Geography:
Cross Border

Transaction Value at Entry:
\$1.1 billion

Fund Equity Investment:
\$396 million (Fund VI & Co-Invest)

Entry Valuation:
9.3x FY Sep'17 EV/EBITDA

Deal Type:
Control

Sector:
Education

Ownership Percentage:
100%

Status:
Unrealized

Company B is a market-leading educational services business that provides a comprehensive suite of testing services to 'high stakes' test sponsors globally

Transaction Background

- Subsidiary of a non-profit that was lacking attention/direction given strong focus on cashflow generation as opposed to growth
- BPEA had tracked the business for 15+ years, well in advance of a formal process launch
- Worked with former CEO, co-founder and two industry experts to provide conviction on growth potential
- BPEA pre-empted the formal process, signing transaction 1-month in advance of schedule laid out by vendors

Investment Thesis

- Global market leader in a stable education services sector with attractive fundamentals
- Significant barriers to entry underpinned by long-term, sticky customer relationships diversified across end-markets
- Long track record of generating robust EBITDA margins and FCF conversion (5-year average of 32% and 73% respectively)
- Significant revenue generated from APAC
- Carve-out of undermanaged division of a non-profit offers a series of identifiable value-creation opportunities

Company B - Value Creation Initiatives

Return Drivers

- 1 Organic Growth**

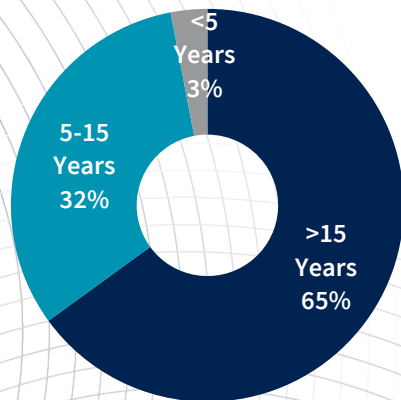
Increase focus on driving organic growth through investment in sales headcount, redesigned incentive schemes, and a new sales coverage model
- 2 International Markets**

Further expand into international markets, particularly in Asia, where opportunity exists to leverage brand, scale, and technology to meet indigenous demand
- 3 Cost Optimization**

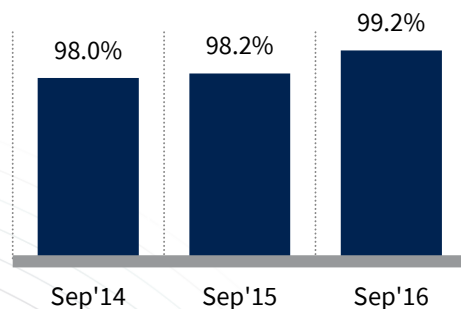
Cost savings opportunity through outsourcing of data centers, contact centers, global operations and finance functions, and IT systems consolidation

Sticky, Long-Term Customer Base

Customer Relationship Length

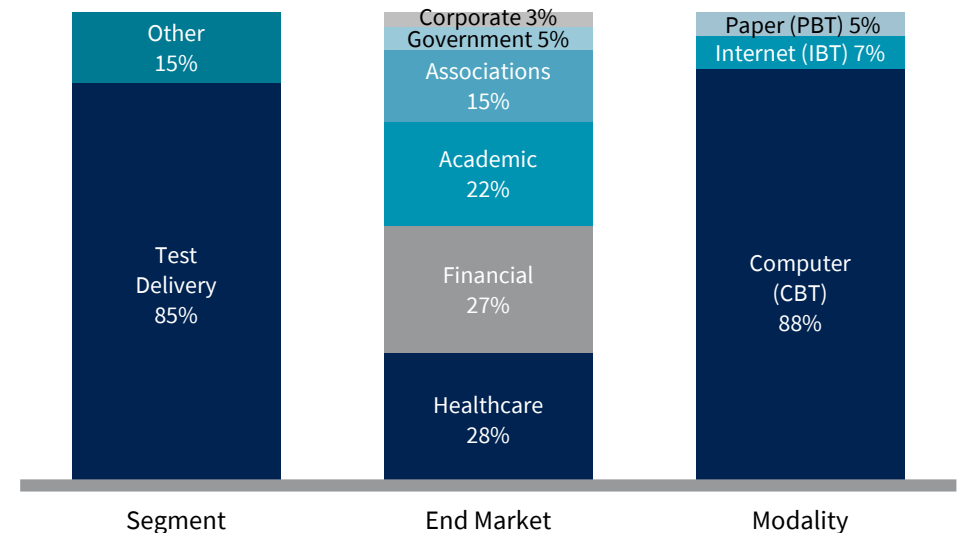


Customer Retention – Last 12 months Ending



Typical contract length: 5 years

Revenue Breakdown (FY2017)



Fund Terms

Fund Terms

Target Fund Size

- **\$5.5 billion**

Investment Period

- **Five years from the Final Close**

Term

- **Eleven years from the Final Close (subject to two consecutive one year extensions)**

Management Fee

- **During Investment Period: 1.75% of capital commitments**
- **After Investment Period: 1.50% of invested capital**

Carried Interest Terms

- **Preferred return: 8% per annum compounding**
- **Carried Interest: 20%**
- **Waterfall: Whole fund (European)**

Conclusion

BPEA Differentiation

1 Institutional Platform

- Team of over 150 across eight Asian offices
- Advises over \$11bn of capital commitments
- Embedded processes for consistency, value creation and risk mitigation

2 Highly Stable, Integrated Team

- 17 deal team Managing Directors working together for an average of 13 years
- Six Executive IC members for an average of 17 years

3 True Pan-Asian Geographic Coverage

- Active across the entire Asia Pacific region with proven cross border credentials
- Strategy focused on buyouts and corporate partnering deals where opportunity to leverage BPEA's experience and platform is greatest
- Backed by exponential growth in addressable market in past four years

4 20 Year Track Record

- 45 realizations generating 2.4x / 33% IRR⁽¹⁾
- \$3.8bn of proceeds generated in 2017 and 2018 YTD delivering 3.0x / 27% IRR⁽²⁾
- Funds III, IV and VI are all top quartile for DPI in their respective vintages, and Fund V ranks second quartile⁽³⁾

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