

Recommendation on Baring Asia Private Equity Fund VII, L.P.

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Baring Asia Private Equity Fund VII, L.P. Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund.

Summary of Baring Asia Private Equity Fund VII, L.P.

Fund Overview: The Baring Asia Private Equity Fund VII, L.P. ("Fund VII" or the "Fund") will target mid-large company buyouts across Asia. The Fund will be opportunistic in terms of industry sectors. The portfolio will consist of approximately 15 to 25 investments in companies with enterprise values of \$500 million or larger. Equity investments will range in size from \$300 million to \$600 million.

People and Organization: Baring Private Equity Asia Limited ("Baring Asia" or the "Firm") was founded in 1997 by Jean Eric Salata as a part of Baring Private Equity Partners Limited ("BPEP"), a U.K.-based subsidiary of ING. The Firm completed its spinout in 2004 and is now owned 85% by employees and 15% by Affiliated Managers Group. Baring Asia is currently led by Salata as CEO and supported by 16 managing directors. Overall, the Firm is comprised of 150 employees including 76 investment professionals and a dedicated team of seven operational professionals. The investment professionals are organized by geography and are based in seven offices in Hong Kong, Shanghai, Beijing, Mumbai, Singapore, Tokyo and Jakarta.

Investment Strategy and Process: The Fund will target investment opportunities based primarily in China, Japan, Korea, India and Southeast Asia. Although there are no specific geographic diversification targets, China investments comprised 39% of the Firm's last four funds. The Fund will also pursue cross-border investments which are companies not headquartered in Asia but are focusing on Asia for future growth. Baring Asia is agnostic in terms of industry sector; however, it will emphasize sectors such as consumer, education, food & agriculture, healthcare, and other sectors in which it has developed internal expertise. The Firm will make control oriented buyouts of mid-large companies with enterprise values of \$500 million or more. Target companies are those with leading market positions, high barriers to entry, strong industry growth prospects, and sustainable margins. The Firm focuses heavily on adding value to portfolio companies post-investment through strategic repositioning, add-on acquisitions, and management improvements.

Performance: As of December 31, 2017, Baring Asia has invested \$8.0 billion across six prior funds generating a net IRR of 13% and a multiple of 1.4 times paid-in capital. Prior to 2001, the Firm made a number of venture capital investments, however, venture capital has not been a part of its investment strategy since Fund II. Baring's four most recent funds, Funds III-VI, have generally performed well producing a net IRR 15% and outperforming a comparable public stock index (MSCI Asia) by 7% per year. Of the four recent funds, three rank in the first or second quartile of Cambridge Universe of Asia private equity funds on a net IRR basis.

Investment Terms: Cliffwater finds the terms outlined in the Limited Partnership Agreement, taken as a whole, to be in accordance with industry standards. The Fund has an 11 year term and a five year investment period. The management fee is 1.75% of commitments during the investment period; thereafter, the same fee percentage will be applied to invested capital.

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Management fees will be reduced by 100% of all directors', transaction, investment banking, break-up, advisory, monitoring, capital raising and other similar fees. The General Partner will receive 20% of the partnership profits on a fund-wide basis after a preferred return of 8%. The General Partner will commit at least 2.5% of aggregate commitments to the Fund.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million in Baring Asia Private Equity Fund VII, L.P.