STATE OF RHODE ISLAND
OFFICE OF THE GENERAL TREASURER

Staff Recommendation: BPEA Private Equity Fund IX | February 2025

RECOMMENDATION:

- Rhode Island Employees Retirement Systems Pooled Trust ("ERSRI"): **Approve a commitment of up to $50 million to BPEA Private Equity Fund IX ("Fund IX").**
- Rhode Island OPEB System Trust ("OPEB"): **Approve a commitment of up to $1 million to Fund IX.**

ASSET CLASS: Private Equity

SUB-STRATEGY: International Buyout

FIRM OVERVIEW: EQT Private Capital Asia was founded in 1997 by Jean Salata as Baring Private Equity Asia (BPEA) and launched its pan-Asian private equity program with its first fund close in 1999. Since then, the platform has expanded across Asia, raising nine private equity funds with total commitments of approximately $28.4 billion. In 2022, BPEA merged with EQT AB, one of the world's largest private markets firms, founded by Sweden's Wallenberg family, and rebranded as EQT Private Capital Asia.

STRATEGY OVERVIEW: Fund IX will continue its predecessor fund's strategy of focusing on control-oriented, large-cap buyouts across the Asia-Pacific region. The firm leverages its pan-Asian coverage model and bottom-up approach to evaluate risk-adjusted value, identify mispriced assets, and assess sector trends across regions. BPEA plans to make 4 to 6 investments per year within its five core sectors: technology, services, healthcare, industrial services, and technology services. These sectors benefit from structural and secular tailwinds in the region, including favorable demographics, the professionalization of undermanaged assets, and corporate governance reform. BPEA's sector expertise and on-the-ground presence allow it to construct a diversified portfolio with broad exposure to high-growth segments of the Asian market.

Fund Summary | BPEA IX	
Fund Size	$12.5 billion
Geographic Focus	Asia Pacific
Sector Focus	Technology, Services, Healthcare
Portfolio Companies	18 - 22
Average Equity Investment	$300M
Average Enterprise Value	$500 - $2,000M
Stage	Buyout
Structure	Control

ALLOCATION:

- ERSRI: The Private Equity allocation as of December 31, 2024, is 17.1%, compared to the strategic allocation target of 12.5%. The current pacing plan for 2025 is $230 million, committed to 5-10 funds at $30-50 million per fund. ERSRI's 2025 commitments will total $90 million pending approval of this recommendation.
- OPEB: The Private Growth allocation as of December 31, 2024, is 1.5%, compared to the strategic allocation target of 5.0%. The current pacing plan for 2025 is $9 million, committed to 5-10 funds at $1-2 million per fund. OPEB's 2025 commitments will total $2 million pending approval of this recommendation.

PORTFOLIO FIT:

- ERSRI: The Private Equity allocation primarily consists of buyout strategies, complemented by growth equity, venture capital, and opportunistic credit investments. ERSRI plans to allocate 20-40% of this allocation to these complementary strategies to enhance diversification. Funds managed under a buyout mandate would represent 71.2% of ERSRI's Private Equity exposure pending approval of this proposed recommendation (see Appendix B).
- OPEB: The Private Growth portfolio allocates to Private Equity and Non-Core Real Estate strategies and is currently ramping up to its target allocation through commitments made in conjunction with ERSRI. Funds managed with a

buyout mandate would represent 65.7% of OPEB's Private Growth exposure and 81.2% of its Private Equity exposure pending approval of this recommendation (see Appendix C).

MERITS:

- **Adaptive Investment Approach**: BPEA's scale enables it to blend local expertise with regional integration, maintaining an on-the-ground presence in areas that may not be immediately actionable. Following a thematic, sector-driven strategy, BPEA's regional teams leverage differentiated local insights to uncover attractive opportunities across multiple geographies, independent of market cycles. This broad coverage is a competitive advantage over country-focused funds, which lack capital reallocation flexibility, and global funds, which may lack the dedicated local presence needed to navigate the unique complexities in each market. BPEA's adaptable, regionally focused approach allows it to construct a well-diversified portfolio without relying on fixed country allocations.

- **Experienced Leadership**: BPEA's team breadth is a key driver of its regional expertise, with dedicated teams focused on sourcing opportunities, expanding the firm's network, and securing successful exits across geographies. The firm's 27-year track record over multiple market cycles makes its senior leadership team one of the most stable and experienced in the Asian private equity industry. 13 of its 21 partners, including founder Jean Salata, have worked together for an average of 20 years, with a partner tenure of 16 years, including two recent hires to expand the firm's presence in Australia.

CONCERNS:

- **Tariffs and Geopolitical Uncertainty:** The fund's emphasis on larger businesses and control-oriented investments strengthens resilience against external shocks while enabling greater flexibility to consolidate subscale businesses at attractive valuations. Its five core sectors are less sensitive to discretionary spending downturns, and its regional diversification provides a natural hedge against country-specific disruptions. Regarding potential tariff impacts, India and Japan, where the firm currently sees the most compelling investment opportunities, are the least exposed due to their relatively lower share of goods exports to GDP and strong domestic demand stories, which helps offset weaker external demand. The firm has been underweight China, the most exposed region, compared to peers and has not invested capital there since early 2022.

- **Exit Liquidity:** BPEA established a formal Exit and Liquidity Committee ("ELC") in 2016, which the broader EQT platform has adopted since the acquisition. The ELC systematically evaluates liquidity options across the portfolio, ensuring portfolio companies are well-prepared for exit well in advance of planned divestments (see DPI performance in Appendix A). Asia's financial markets continue to mature, with countries like India and Japan implementing increasingly investor-friendly policies that support a sustained rise in investment and exit activity. Liquidity risks are further mitigated by focusing on scaled market leaders with defensible positions, enhancing exit flexibility. The secondary buyout market is also evolving, with growing buyout capital penetration making it an increasingly viable exit route. Additionally, the expanding availability of debt has provided an alternative liquidity tool through recapitalizations.

- **Fund Size Increase:** Fund IX is targeting $12.5 billion, a relatively moderate 11% increase from its predecessor, reflecting the market opportunity to build scaled, market-leading businesses and its pan-Asian, control-oriented strategy. BPEA's scale offers a competitive edge in executing larger, operationally complex transactions that encounter less competition in Asia than in the U.S. and Europe.

ESG AND DIVERSITY: EQT is classified as an ESG and Diversity Leader.

- **ESG:** EQT's commitment to sustainability is reflected in its Responsible Investment & Ownership (RI&O) Policy, adopted in March 2010, which integrates regenerative processes, equitable business practices, and accountable leadership into every phase of investment and value creation. This policy guides the firm's thematic investment strategy, focusing on megatrends and transformation potential, while its active ownership model drives scalable success and shared learning across its portfolio. It also defines the structural development of portfolio companies with a sustainability focus, outlining its scope and any strategy-specific deviations to ensure sustainability is embedded throughout EQT's involvement.

- **Diversity:** EQT integrates diversity and inclusion into its investment and ownership processes through a structured sustainability framework that evaluates and enhances diversity practices within portfolio companies. The firm has launched a data-driven talent retention project to analyze attrition drivers and strengthen diversity efforts across portfolio companies. Additionally, EQT tracks and reports diversity metrics in its Investment Advisor reports and sustainability disclosures, reinforcing transparency and accountability in its diversity commitments.

FEES: Fees are aligned with industry standards.

- **Management Fee:** 1.55% of capital commitments during the investment period, including a 15bps first-close discount. Afterward, 1.35% of invested capital.
- **Carried Interest:** 20% after an 8% preferred return, with a 100% GP catch-up. The waterfall follows a deal-by-deal calculation.

APPENDIX A: CURRENT ASIAN BUYOUT EXPOSURE AND PERFORMANCE

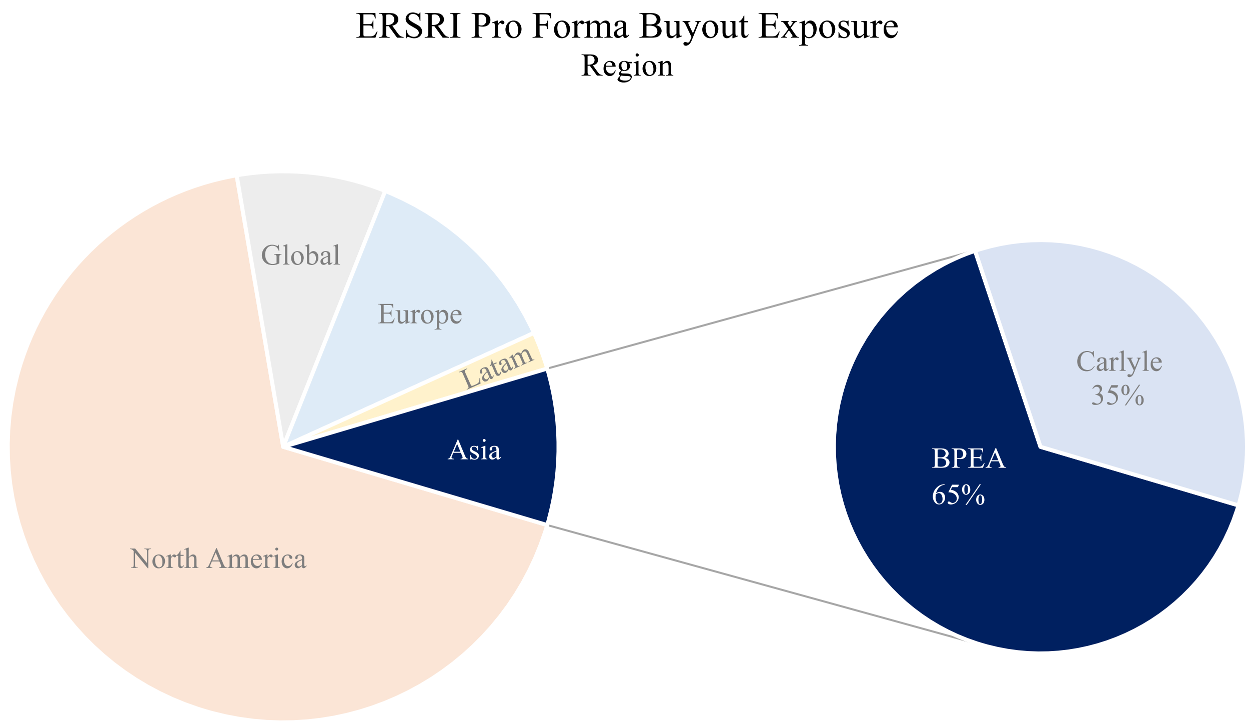
Fund	Vintage	Fund Size	ERSRI Exposure	% Called	China Exposure	IRR	TVPI	DPI	vs. MSCI ACWI PME[2]	vs. MSCI ACWI Alpha	vs. FTSE APAC PME[2]	vs. FTSE APAC Alpha	Quartile[3] IRR	Quartile[3] TVPI	Quartile[3] DPI
Carlyle Asia Partners IV	2014	3,900	7	96%	43%	13%	1.7x	1.6x	8%	5%	2%	11%	Second	Third	Second
Carlyle Asia Partners V	2018	6,550	60	76%	30%	9%	1.2x	0.3x	13%	-4%	5%	4%	Second	Fourth	First
BPEA Fund VI	2015	3,988	10	92%	10%	13%	1.8x	1.2x	12%	1%	5%	8%	Second	Third	First
BPEA Fund VII	2018	6,538	64	62%	17%	21%	1.7x	0.7x	11%	10%	4%	18%	First	Second	First
BPEA Fund VIII	2022	11,240	53	46%[1]	0%	19%	1.1x	0.0x	25%	-7%	21%	-3%	First	First	NM

Source Data as of September 30, 2024

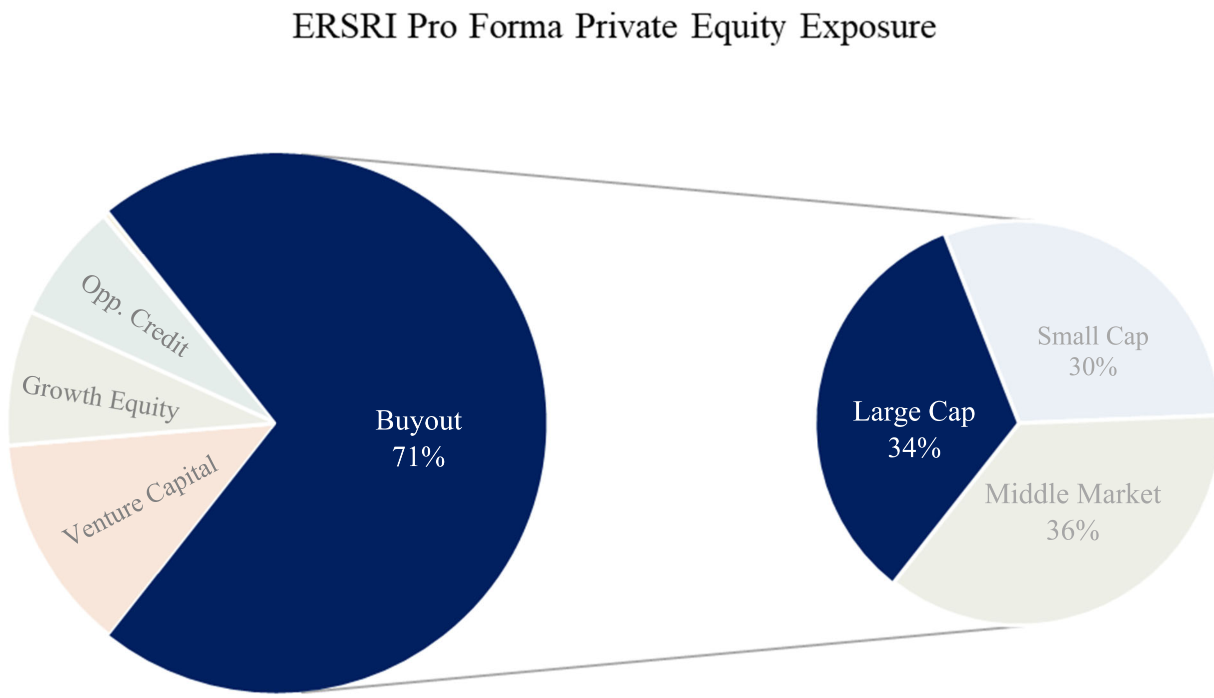
[1] BPEA Fund VIII is 77% called as of Jan. 31, 2025

[2] PME+ Methodology

[3] Cambrige Associates APAC Private Equity Benchmark



APPENDIX B: PRIVATE EQUITY EXPOSURE



APPENDIX C: OPEB PRIVATE EQUITY EXPOSURE