



State of Rhode Island
Office of the General Treasurer

Advent International GPE X, L.P. - Staff Recommendation

April-2022

RECOMMENDATION: Approve a commitment of up to \$50 million to Advent International Global Private Equity X, L.P. (“GPE X”). ERSRI has previously committed capital to Advent International GPE VII, GPE VIII, and GPE IX.

Current Partnerships	Values as of 9/30/2021		Values in USD				Net Performance		
	Vintage Year/ Initial Investment	Type	Amount Committed	Amount Drawn	Amount Distributed	Amount Unfunded	Valuation	Net IRR (%)	Net Multiple of Investment
Advent International GPE VII	2012	Buyout	20,000,000	18,800,000	25,812,204	1,200,000	11,145,858	15.20%	1.97
Advent International GPE VIII	2016	Buyout	20,000,000	18,980,000	14,214,638	1,020,000	29,273,103	26.96%	2.25
Advent International GPE IX	2019	Buyout	30,000,000	14,778,250	2,398,802	15,221,750	42,087,946	129.58%	3.01

ASSET CLASS: Private Equity

SUB-STRATEGY: Global large and middle-market buyout

ALLOCATION: The target allocation for private equity is 12.5%, and the actual allocation as of 3/31 is 14.0%. The pacing plan for Private Equity for the 2022 vintage year is \$200-250 million committed to 5 - 10 primary funds per year at \$20 - \$60 million per primary fund. Pending approval of the above recommendations, ERSRI will have committed \$240 million to the 2022 vintage year to-date. Given Rhode Island’s investment pipeline, we expect to make 2-4 additional commitments totaling between \$50 and \$80 million for the remainder of the vintage year.

PORTFOLIO FIT: ERSRI has centered its Private Equity portfolio around a core of US-focused middle-market buyout strategies that often have a sector specialization and/or operational value-add approach. ERSRI underweights its allocation to the larger end of the market but maintains exposure with a target exposure range below 20% of the Private Equity portfolio. ERSRI uses a smaller number of large market funds that are often composed of many dedicated sector and geographic teams. These larger funds are able to allocate to the best relative opportunities among sectors and geographies and typically have many operational value-add resources. ERSRI heavily relies on this strategy for exposure to markets outside of the U.S. as a portfolio construction tool.

Advent International GPE’s (“Advent GPE”) flagship buyout strategy targets control buyouts of companies with enterprise values primarily between \$200 million and \$5 billion. Advent GPE’s core markets are Europe and North America, and the fund increasingly does deals in Asia while maintaining a minor presence in Latin America. The GPE platform is diversified by sector, with its five core sectors being 1) business services, 2) technology, 3) healthcare, 4) industrial, and 5) retail, consumer & leisure. GPE X will aim to make 35-40 investments in well-established platform companies that can be strengthened through add-ons, businesses with international expansion potential, and operationally intensive situations including corporate carve-outs. Upon approval of the recommended commitment, Advent GPE would represent approximately 5.4% of the ERSRI Private Equity portfolio’s NAV + uncalled capital.

MERITS: A key strength of Advent GPE is its large size and regional breadth. The firm has a strong international reputation owing to its extensive history investing globally since 1984. Advent GPE has 14 offices in 12 countries in four continents with a total of 216 investment professionals. The firm is headed up by an experienced leadership team of 57 partners with an average tenure of 13 years at the firm. Investment staff is divided into regional teams and further subdivided by sector. These focused teams’ locations in target geographies allow the firm to run in-depth due diligence on opportunities with boots on the ground. Sourcing is a core strength for Advent, with investment professionals working in

“sourcing cells” of approximately 5 investment professionals and one Operating Partner who has specific industry knowledge to proactively identify opportunities within their coverage area. The firm typically has 50-60 sourcing cells operating at a given time which allows the firm to broadly canvass the market for the most attractive opportunities and build a consistent pipeline of target investments. The firm is highly collaborative across geographies, sharing best practices and cross-staffing deals that span regions or subsectors.

Advent’s local investment teams also benefit from the broader resources of the organization. This includes a 35-person Professional Support Group and 32 Operating Advisors specializing in functional areas including digital & IT, HR, and finance. These groups are instrumental in helping Advent execute on initiatives within their value creation plans.

CONCERNS: GPE X is targeting total commitments of \$23B, which would be approximately \$5.5B greater than the prior fund. Given the increased fund size, Advent expects to source more platforms and complete more add-ons, adding additional execution risk. This is mitigated by the firm’s track record of successfully growing its fund sizes, most recently in the case of GPE IX which was \$4.5B larger than GPE VIII. Advent has had no trouble deploying capital in Fund IX, with 92% of capital committed as of 9/30/2021. The firm has also continued to scale its investment team, growing from approximately 154 investment professionals at the start of GPE IX to 216 today. This organizational growth should allow Advent to maintain its resource- and personnel-intensive investment approach.

ESG: Advent is categorized as an **Integrator** on ESG. The firm is a signatory of the UN Principles of Responsible Investment and is a member of several organizations that support responsible investing, including the British Private Equity and Venture Capital Association, InvestEurope, the Latin American Private Equity and Venture Capital Association and the Sustainable Markets Initiative. The firm published its Responsible Investment Policy in 2021, has a dedicated ESG team, works with external consultants, and is supplementing its resources by hiring ESG-focused Operating Advisors. The firm increasingly monitors ESG KPIs and uses S&P’s Corporate Sustainability Assessment as an ESG scoring methodology as well as Sustainable Accounting Standards Board (SASB) standards to identify material ESG issues, risks, and opportunities.

Advent has a culture of promoting Diversity & Inclusion at the firm and portfolio company levels. DEI at the firm is overseen by a Global DEI Committee and regional committees. In 2021, Advent created an Inclusive Mandate Hiring Policy requiring all final interviews to have include diverse persons for internal hires and C-level and board hires at portfolio companies. Advent launched the Advent Leadership Program at Harvard Business School to build a diverse pipeline of leaders for its portfolio companies and the firm works with Seizing Every Opportunity (SEO) to help provide access to professionals from ethnic minority or low socioeconomic backgrounds typically underrepresented in the investment sector.

FEES: The fees are not in accordance with industry standards, due to the lack of hurdle for the fund carry. There is a 1.5% management fee on committed capital during the investment period, followed by a 1.5% annual fee on invested capital thereafter. Carry is 20% charged on a deal-by-deal basis with no preferred return.