

## Recommendation for Baring Asia Private Equity Fund VIII, L.P.

To: RISIC  
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From: Thomas Lynch, CFA, Senior Managing Director

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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 VIII ("Baring VIII" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's Private Equity allocation.

### Summary of Baring VIII

*Fund Overview:* Baring VIII will make buyouts middle market and large companies in the Asia.

*People and Organization:* The manager of the Fund, Baring Asia (or the "Firm"), was founded in 1997 by Jean Eric Salata when he was hired by Baring Private Equity Partners Limited, the United Kingdom-based subsidiary of ING, to create a regional Asian private equity program. The Firm initially received capital from ING and raised its first institutional fund in 1999. ING served as the anchor investor in Fund I and Fund II. In 2000, Baring Asia initiated a proposal with ING and BPEP to spin out and create a separate, independent management company. By 2004, Baring Asia was an independent firm, which is 85% owned by the management team and 15% by a third-party investor, AMG. In addition to private equity, Baring Asia now manages real estate and credit strategies for Asia. In total, the Firm has \$24 billion of assets under management including \$22 billion in private equity. Baring Asia is headquartered in Hong Kong with seven additional offices across Asia. The Firm has 196 employees including 104 investment professionals.

Baring Asia's private equity team continues to be led by Mr. Salata. The 67 dedicated private equity investment professionals are organized by geography and industry. The Firm also has a dedicated operating team that works with portfolio companies for operating improvements.

*Investment Strategy and Process:* Baring VIII will complete control buyout investments in companies with a target enterprise value of \$500 million to \$2 billion or greater. The Fund will opportunistically deploy a portion of the Fund, typically up to 35% of total commitments, in significant minority growth investments. The Fund will typically complete equity investments of \$150 to \$500 million in companies which predominantly operate within Asia. Baring Asia will seek to create a diversified portfolio with no single company investment accounting for 15% or more of fund commitments. Baring VIII is expected to be comprised of 18 to 22 portfolio companies diversified by sector and geography. Since Fund III, the Firm has invested in a wide range of industries, including consumer & retail, education, natural resources, financial services, industrial, construction, media, environmental services, logistics, and IT services, among others. Baring Asia will target investments across Asia as well as cross-border opportunities. Fund VIII will not have specific geographic diversification targets but may be expected to deploy capital in a breakdown similar to historical standards, with an increased focus on India and cross-border opportunities today. Baring Asia will deploy capital opportunistically by geography, leaning into geographies that the Firm has had greater success and opportunities in which pricing is attractive on a relative basis. Baring Asia seeks to provide intensive portfolio support and to drive value creation pre- and post-investment through its deal teams, in-house operating team led by Mike Sursock, and an ecosystem of specialized third-party advisors and consultants.

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*Performance:* As of March 31, 2021, Baring Asia's seven prior funds have generated a combined net return of 1.64 times invested capital, a net IRR of 14.9%, and a net DPI of 0.64 times invested capital. The Firm's third, fourth, sixth, and seventh funds compare favorably to the Cambridge Associates' Asia private equity and venture capital benchmarks. As of March 31<sup>st</sup>, 2021, Baring Asia's six most recent funds have generated a net IRR of 15.8% since 2002. Investing in the MSCI AC Asia Net (USD) Index during the same period would have generated a return of 9.1%. Baring has outperformed the Index by 6.8%.

*Investment Terms:* Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The management fee is equal to 1.75% of committed capital during the investment period and 1.50% of invested capital thereafter. The management fee will be offset by 100% of all directors', transaction, investment banking, break-up, advisory, monitoring, capital raising and other similar fees, and 100% of excess organizational expenses. The investment period is five years with a ten-year term and two one-year extensions. The Fund will charge a carried interest of 20% on a fund-wide basis subject to an 8% preferred return and a 100% GP catch-up.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million Baring Asia Private Equity Fund VIII as part of ERSRI's Private Equity allocation.