



International Private Equity Fund Commitment

Bain Capital Asia Fund II, L.P.

October 6, 2011

See Last Page for Disclaimer

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Private Markets and Real Estate

Bain Capital Asia Fund II, L.P. – International Private Equity Fund

Overview

- The Fund will invest primarily in China, Japan, and India, but may also invest in Southeast Asia, Korea, and Australia
- Bain Asia will invest between \$50 million and up to \$1 billion in larger investments in conjunction with other Bain Capital Funds
- Bain Asia expects a portfolio of 15 to 20 companies
- The Fund has a target of \$2 billion and a hard cap of \$2.5 billion

Fund Strategy

- Bain will invest in growth equity, leverage buy-outs, and turnarounds, where they can drive operational improvements
- Bain Asia will focus on six sectors: retail & consumer, industrial & manufacturing, information technology, media, business services, and healthcare

Investment Team

- The fund will be led by 9 Managing Directors and 55 other investment professionals
- Bain Asia has offices in Hong Kong, Shanghai, Tokyo, and Mumbai
- Bain Capital's US and Europe teams provide valuable insights from time to time

Bain Capital Asia Fund II, L.P. – International Private Equity Fund

GP “Value Add”

- A key element of their strategy is to drive operating results of its investments which includes a detailed five-year operating plan that forms the basis of its management’s incentive targets. Bain has 16 members in its Portfolio Group which are dedicated to advising and consulting portfolio company management teams to help them achieve the profit improvement and value enhancement identified in the operating plan

Performance

- Bain Asia I a vintage year 2007 fund, has a gross 1.6x MOC and a 24.8% IRR as of 6/30/2011
- Bain’s Global Funds have made 16 investments in Asia. These investments have a gross 1.5x MOC as of 6/30/2011

Market Opportunity

- Asia presents an increasing opportunity for private equity investments. Asia now accounts for 17% of all private equity deals. Greater China, India, and Japan, are the largest Asian economies and private equity markets. These countries account for 80% of the regional economies and will be the primary areas of focus for investment of the fund

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History with PSERS

- This will be PSERS first private equity commitment with Bain although we have invested in three of their debt funds under the Sankaty division: Sankaty Advisors Bank Loans, Sankaty Credit Opportunities IV, and Sankaty Middle Market Opportunities

Board Issues

- Pennsylvania Presence – MEI Conlux which is a Japanese company has its headquarters in West Chester, PA
- Placement agents – None
- PA political contributions – None
- Relationship with consultant – Portfolio Advisors and UOB (United Overseas Bank of Singapore) have committed together a total of US\$10 million to Bain Asia I

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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September 16, 2011

Board of Trustees
Pennsylvania Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re: Bain Capital Asia Fund II, L.P.

Dear Trustees:

Bain Capital is currently raising Bain Capital Asia Fund II, L.P. (the "Fund" or "Asia Fund II" with a target of US\$2.0 billion in limited partnership interests. The Fund will primarily invest in companies headquartered in Greater China, Japan, and India, with the flexibility to make investments in the Asia Pacific Region, including, but not limited to Southeast Asia, Korea and Australia. The Fund may also participate in larger investments by working in conjunction with other Bain Capital funds. This provides the Fund with the flexibility of pursuing opportunities that may range in size from US\$50 million to US\$1 billion. Bain Capital believes that it is well-positioned to capitalize on Asia's growth and attractive investment opportunities given the size and strength of its team in Asia, its global approach to investing supported by more than 350 affiliated investment professionals around the globe (with approximately 70 investment professionals dedicated to Bain Asia) and its value-added, consulting-driven approach in working with its portfolio companies.

Asia Fund II will primarily invest in companies headquartered in Greater China, Japan, and India, with the flexibility to make investments in the Asia Pacific Region, including, but not limited to Southeast Asia, Korea and Australia. Bain's investments have typically been a mix of growth, LBO and turnaround companies, but a large percentage of investments completed in Asia have been growth investments compared to other regions. Bain typically seeks a lead role in driving operational improvements for companies they acquire. Historically, Bain Capital has been the sole investor in approximately 2/3rd of deals it has completed in Asia and lead/co-lead in all remaining deals. China and India, in particular, offer more opportunities to invest in minority stakes in growth companies. Investments in which Bain is a minority investor, they will typically obtain either a board seat and/or veto rights.

Bain Capital devotes considerable resources to researching and creating proprietary investment opportunities through a top-down industry analysis. Bain will evaluate potential investments by analyzing the attractiveness of its industry, the financial performance of the company, and its competitive position within that industry.

Opportunities are driven by changes in regulation, cost structure or global competition that require new business combinations. Bain professionals then work closely with management to carry out extensive, detailed evaluations of potential investments in order to identify areas where a company's growth and profits could be enhanced. Growth opportunities include developing new strategies, acquiring related companies, or launching new products. Bain Capital companies have historically been aggressive acquirers in their industry groups and have grown significantly through strategic acquisitions.

Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers, private equity professionals and CEOs of portfolio companies.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$100 million of limited partnership interests in the Fund. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,

A handwritten signature in blue ink, appearing to be 'J. P. [unclear]', written in a cursive style.

Portfolio Advisors, LLC