



# International Private Equity Fund Commitment

Actis Global 4, L.P.

October 6, 2011

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# **Actis Global 4, L.P. – International Private Equity Fund**

## **Overview**

- Fund size and hard cap is \$3.5 billion which includes regional funds for India, Africa, China, and Latin America
- Will invest \$50 million to \$300 million per deal in control and minority equity investments
- Actis 4 will comprise 35 to 40 investments, with 50% likely to be invested in Asia, and 50% in Africa and Latin America

## **Fund Strategy**

- The fund will invest across India, Africa, China, Latin America, and South East Asia
- The focus will be on mid-market high-growth companies in the consumer, financial services, business services, industrial, and energy sectors

## **Investment Team**

- Actis has 28 partners and 105 investment professionals
- Actis has offices in: Singapore, London, Beijing, Cairo, Mumbai, Nairobi, Johannesburg, Lagos, and Sao Paulo

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## GP “Value Add”

- A 60-year heritage of investing in emerging markets. In 2004, Actis spun out of the UK Government’s Commonwealth Development Corporation (CDC) which is a finance institution established in 1948 to promote private sector investment in the former British territories
- Global sector teams supported by an extensive network of advisers and dedicated in-house operating partners

## Performance

- Actis 3 a vintage year 2007 fund, has a net 1.1x MOC and a 9% IRR (3/31/2011)
- Actis 2 a vintage year 2003 fund, has a net 1.4x MOC and a 12% IRR (3/31/2011)
- Actis 1 a vintage year 1998 fund, has a net 2.5x MOC and a 22% IRR (3/31/2011)

## Market Opportunity

- Private equity has become more viable and a valuable form of financing and development in the emerging markets with improved political and macroeconomic stability
- The growth rate of many emerging market economies (GDP growth on average of 6%) are expected to outpace that of developed countries (GDP growth on average of 2%)

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## History with PSERS

- This will be PSERS second commitment to Actis. PSERS committed \$200 million to Actis Emerging Markets 3 which is a vintage 2007 fund

## Board Issues

- Pennsylvania Presence – None
- Placement agents – No placement agent is being used for PSERS. Actis is considering Probitas and Viant for new LPs that they would bring into the fund.
- PA political contributions – None
- Relationship with consultant – Portfolio Advisors and United Overseas Bank (UOB) have committed \$8 million to Actis India 2 and \$25 million to Actis India 3 through their joint fund of funds. Portfolio Advisors anticipates a commitment of \$10 million to \$20 million to Actis 4 through their own fund of funds. The joint fund of funds with UOB expects to commit \$15 million to \$20 million to the Actis India 4 regional fund.

## 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 5<sup>th</sup> Street  
Harrisburg, PA 17101

Re: Actis Global 4, L.P.

Dear Trustees:

Actis LLP (“Actis”, the “General Partner” or the “Firm”) is seeking to raise \$2.2 billion of limited partnership interests for Actis Global 4, L.P. (“Actis 4” or the “Global Fund”). Including regional funds, Actis is seeking \$3.5 billion in aggregate commitments. Actis 4 will continue to execute its global pan-emerging markets strategy making both control and minority equity investments in mid-market high growth companies that are principally located in India, Africa, China and Latin America. The Global Fund will pursue investment opportunities in sectors including financial services, consumer, industrial, energy and business services that are enhanced by the rapid expansion of the emerging markets consumer class and cater to the growing need for physical and social infrastructure in these growth markets.

Actis 4 is centered on a pan-emerging markets global pool (the “Global Fund”) which will invest across India, Africa, China, Latin America and South East Asia. Actis operates as a single global partnership, sharing resources, relationships and knowledge. The organizational philosophy of one team in many places is built upon the belief that Actis’s competitive advantage arises from its professionals working together, combining the benefits of local insight and relationships within a broader global perspective. The one firm in many places model is reinforced by Actis’s Global Investment Committee, the global allocation of carried interest and the global structure of the sector teams. Actis can call upon experienced industry professionals through sector and regional advisory boards and Actis’s supervisory board. The supervisory board provides guidance on key strategic and organizational matters.

Actis 4 will pursue a global emerging markets strategy centered on two themes: 1) rising personal wealth and domestic consumption driven by the rapid expansion of the consumer class (consumers have more money and want to spend it on more goods and services); and 2) investment in the creation of physical infrastructure (e.g. the power sector) and social infrastructure (e.g. healthcare and education). There is an urgent need in emerging markets for major investment in social and physical infrastructure including power, hospitals and banking networks. These consumer and infrastructure themes have an impact across many sectors within each economy.

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 Actis Global 4, L.P. 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. B. G.', is written over a light blue circular stamp. The signature is fluid and cursive.

Portfolio Advisors, LLC