



May 19, 2014

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

Re: Bridgepoint Europe V, L.P.

Dear Trustees:

Bridgepoint Capital (“Bridgepoint” or “the Firm”) was founded in 1984 and is a leading European upper mid market Private Equity manager with 149 employees including over 65 investment professionals operating from seven offices across Europe. The Firm is seeking to raise €3.5 billion for Bridgepoint Europe V, L.P. (the “Fund” or “Fund V”) with a hard cap of €4.0 billion. The Fund is expected to hold a first closing in July 2014 and a final closing towards the end of the year. The General Partner will commit €100 million of the Fund’s aggregate commitments. Fund V will continue the Firm’s strategy of acquiring control positions in European middle market companies with enterprise values primarily between €150 million and €600 million. These will be well established, profitable businesses operating in sectors and niches with strong fundamental growth drivers. The Fund will invest in six core sectors, namely Business Services, Consumer, Financial Services, Healthcare, Industrials and Media & Technology. As with previous funds, there will be no strict country allocations and the Fund will be flexible in its deployment of capital within Europe. Post investment, Bridgepoint aims to actively build value by cooperating with the management to grow the portfolio companies and to optimize their capital structures. Consistent with the current program Fund V will invest €50 to €350 million equity per transaction. Over the prior two funds, Bridgepoint has deployed an average of €174 million per investment. Bridgepoint expects that Fund V will consist of a portfolio of 15 to 20 companies across the Firm’s core sectors and geographies.

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 and private equity professionals.
- 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.



The individuals at Portfolio Advisors who were primarily involved in the due diligence process for Bridgepoint Europe V, L.P. are:

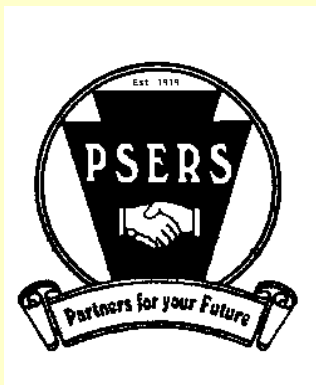
Peter Schwanitz – Managing Director, Zurich Office
Mario Haidacher – Associate, Zurich Office

Based on the above, Portfolio Advisors recommends that PSERS commit up to €150 million of limited partnership interests in Bridgepoint Europe V, 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,

WILLIAM J. INDELICATO
MANAGING DIRECTOR



Private Equity Fund Commitment

Bridgepoint Europe V, L.P.

June 12, 2014

See Last Page for Disclaimer

Charles J. Spiller, Managing Director,
Private Markets and Real Estate

Bridgepoint Europe V, L.P. – Private Equity Fund

Overview

- The Fund will invest in European mid-market companies in the enterprise value range of €150 million to €1 billion, with a focus on the €150 to €600 million range
- Bridgepoint expects to invest from €50 million to €350 million per transaction
- Bridgepoint expects the fund to have 15 to 20 investments
- The Fund has a target of €3.5 billion and a hard cap of €4 billion
- Bridgepoint is 100% employee owned

Fund Strategy

- Acquire market leading companies which operate in attractive markets which often have buy and build potential
- Focus on companies in sectors that can expand their sales internationally
- Make majority owned investments to attain full control
- Invest in the business services, financial services, healthcare, media & technology, industrials and consumer sectors

Investment Team

- The 21 investment partners have 17 years on average working at Bridgepoint
- The current Bridgepoint team has 65 investment professionals
- Bridgepoint has offices in London, UK; Paris, France; Stockholm, Sweden; Madrid, Spain; Warsaw, Poland; Frankfurt, Germany; Istanbul, Turkey; and Shanghai, China (portfolio support office)

Bridgepoint Europe V, L.P. – Private Equity Fund

GP “Value Add”

- Bridgepoint has a demonstrated capacity to create value in its investments through a combination of strong earnings growth and the creation of well-invested platforms of scale with long-term growth potential that have proven attractive to acquirers on exit. Over 75% of value growth achieved on realized investments made since 2000 has been driven by earnings improvement, as portfolio companies consolidate their existing markets, exploit global growth and deliver efficiencies

Performance in U.S. Dollars (Millions) – As of December 31, 2013

Fund Name	Vintage Year	Commitment	Contributions	Distributions	Valuation	Net Multiple	Net IRR
Bridgepoint Capital II (Secondary)	1998	84.7	81.3	165.5	1.7	2.06	18.68
Bridgepoint Europe I	1998	79.6	75.1	134.6	1.8	1.82	12.47
Bridgepoint Europe II	2001	413.7	312.9	605.1	32.8	2.04	29.80
Bridgepoint Europe III A, L.P.	2005	275.8	249.2	140.2	154.5	1.18	3.02
Bridgepoint Europe IV, L.P.	2008	413.7	330.5	73.1	367.7	1.33	12.10
Total		1,267.5	1,049.0	1,118.5	558.5	1.60	16.57

Market Opportunity

- The European macroeconomic outlook is now better than at any point since the global financial crisis with GDP expanding and growth is forecast to accelerate in 2014 and 2015
- The middle market is the largest segment of the European private equity market and has the most consistent deal-flow, outnumbering the volume of larger deals by 5 to 1. Middle-market companies in the UK, France and Germany generate one third of GDP and a large proportion of these businesses are privately owned, offering a significant opportunity for private equity

History with PSERS

- This will be PSERS fifth private equity commitment with Bridgepoint. PSERS committed £50 million to Bridgepoint Europe I (BE I), £58.7 million to Bridgepoint Capital II (a secondary purchase in BE I), €300 million to BE II, €200 million to BE III and €300 million to BE IV

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Bridgepoint Europe V, L.P. – Private Equity Fund

Risks and Mitigants

- Competition for deals – Bridgepoint has consistently focused on the middle part of the mid-market while a few of their historical peers are investing in larger companies and some of their competitors may not be able to raise another fund due to poor performance
- Currency Risk – There is some currency risk in non-Dollar investments but over long periods of time this risk tends to be diminished due to currencies moving up and down over various periods

Board Issues

- Pennsylvania Presence – SPTS (BE IV) has a small manufacturing presence in Pennsylvania - a subsidiary called Primaxx (aka HF Etch Products) located in Allentown. This business generates 4% of total revenues for SPTS and has a team of 14 permanent staff
- Placement agents – Bridgepoint has engaged Allen Partners (Sydney), Nicolas Smith (London), Magog & Cie (Dubai) and Triago Europe SA (Paris) as placement agents in connection with the raising of BE V and to cover investors in Australia and New Zealand, Japan, the Middle East and France, respectively. It is also likely that they will engage Picton Advisers (Santiago) to assist with Latin America coverage. The firms Bridgepoint has engaged as placement agents for their respective markets will be compensated on a success fee basis in relation to the commitments generated from investors in those markets in which they are operating. All placement fees will be paid by Bridgepoint and not by the Fund
- PA political contributions – None
- Relationship with consultant – None

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount not to exceed €150 million plus reasonable normal investment expenses

Notice: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.