



PSERS PRIVATE INVESTMENT PROGRAM

Recommendation for Investment in Navis Asia Fund V, L.P.

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Navis Asia Fund V, L.P.

Executive Summary

Navis Asia Fund V, L.P. (the “Fund” or “Navis V”) is being formed by Navis Asia Fund V, G.P. (the “General Partner”) and Navis Capital Partners Limited (“Navis” or the “Firm”). The Fund is seeking total capital commitments of US \$750 million and will target equity and equity-related investments in the Asia Pacific region, with a predominant focus on South and Southeast Asia. Navis will continue to target established mid-market companies requiring equity commitments typically between US \$15 million and US \$50 million, and in selected cases up to US \$100 million. Navis V will invest in companies where it can generally be the sole investor, seeking majority positions in buyout, capital expansion transactions or recapitalizations. Navis’ highly experienced and local investment team will seek to execute the proven strategy of securing control positions in order to actively direct strategy.

Navis has one of the largest teams of private equity professionals in Asia, comprising more than 50 individuals including over 30 investment professionals. The Firm has offices throughout the region in Malaysia, Hong Kong, Thailand and India. A fifth office is due to open in Australia in early 2007.

Navis was formed in 1998 by three former senior executives of The Boston Consulting Group, Richard Foyston, Nicholas Bloy and Rodney Muse (collectively, the “Founders”). Richard Foyston and Nicholas Bloy had been instrumental in the creation and management of the Asian practice of The Boston Consulting Group for whom they opened eight offices across the region from Seoul to Mumbai, and during which time Mr. Muse also joined the practice. The Founders derived extensive experience from working with and advising multinational and Asian companies on issues of operational improvement, M&A and related areas. This professional experience provided the original foundation of the Firm’s investment capabilities, namely the identification, analysis and execution of acquisitions of Asian enterprises, and the subsequent operational and financial improvement thereof.

Navis Asia Fund, L.P. (“Navis I/II”) closed over the course of 1999, with total capital commitments of US\$68 million. From its headquarters in Malaysia, Navis executed its first transactions from January 2000 onwards. As of June 30, 2006, Navis I/II was fully invested with investments totaling US \$54 million of cost. The portfolio has generated US \$205 million of cash proceeds and unrealized value, yielding a 3.8x multiple of cost and an IRR of 41%.

Navis Asia Fund III, L.P. and a parallel fund (collectively, “Navis III”) closed in 2003, with total capital commitments of US \$86 million. As of June 30, 2006, Navis III was fully invested with investments totaling US \$74 million of cost. Navis III has generated US \$116 million of cash proceeds and unrealized value, yielding a 1.6x multiple of cost and an IRR of 24%.

Navis Asia Fund IV, L.P. and a parallel fund (collectively, “Navis IV”), held its final close in May 2005 with total capital commitments of US \$315 million. As of June 30, 2006, Navis IV had made investments totaling US \$151 million of cost. Navis IV is demonstrating strong early performance having generated US \$234 million of cash proceeds and unrealized value, yielding a 1.6x multiple of cost and an IRR of 91%. Between June and

September 2006, Navis invested a further US \$53 million in three investments, bringing the total level of capital invested by Navis IV to US \$204 million.

Investment Strategy

Navis V will continue the successful strategy utilized to date by Navis and will seek to target equity and equity-related investments in the Asia Pacific region, with a predominant focus on South and Southeast Asia. The Fund will target established mid-market companies requiring equity commitments typically between US \$15 million and US \$50 million, and in selected cases up to US \$100 million.

Navis' highly experienced investment team will seek to execute the Firm's proven strategy of securing control positions in order to actively direct strategy. Navis will continue to invest in companies where it can be the sole investor, seeking majority ownership positions in buyouts, capital expansion transactions or recapitalizations.

Navis' primary focus is on acquiring leaders or near-leaders in their respective sectors. Attributes of industry leadership that are sought by Navis include: high relative scale and market share; low relative cost position; strong brand perception; process and technological excellence; high product or service quality; excellent management; high standards of corporate governance; and financial transparency.

Navis invests in established industries that lend themselves to fundamental analysis of industry dynamics. Industries that are attractive to Navis include consumer goods and retail, light and heavy industrial manufacturing and business and professional services, among others. In general, industry segments where the levers of value-creation are not substantially under the discretionary control of the company management will be avoided. Such industries include those that are highly-dependent on technological development, government regulation, unproven business models and commodity price cycles. Furthermore, the Fund will not invest in start-up or technology transactions.

As with prior funds, Navis will target the Asia Pacific region, with a primary focus on South and Southeast Asia. Core target areas include Australia, New Zealand, Hong Kong, India, Malaysia, Singapore and Thailand, but could extend to China, Indonesia and the Philippines. Navis' geographic focus is consistent both with its team's background and experience and the growing opportunities for regional consolidation and cooperation.

Investment Highlights

The following combination of factors makes Navis V a unique investment proposition:

Distinctive Focus on Self-Led Asian Control Buyouts

Navis has completed more control buyouts in Asia than any of its peers since 2000. Navis is uniquely focused on self-led buyout investments in South and Southeast where mid-size companies benefit from Navis' active involvement. To date, all but one of Navis' 27 investments have been change-of-control situations. As a control investor, Navis holds the majority of positions on the board, establishes a decision-making executive committee for regular meetings, and develops a close day-to-day relationship with the company's management. Navis also agrees on a 100-day plan with each investee company and introduces strong management incentives. This gives Navis the opportunity to work closely with each company, initiate and control major decisions, and become the main strategic partner for the company's management teams.

Large and Cohesive Team of Investment Professionals

Navis has one of the largest private equity investment teams in Asia, and is still growing. The Navis team comprises more than 50 individuals, including over 30 investment professionals who are supported by a back office of 20 people, across four offices. The

team is expected to expand steadily to approximately 40 professionals over the course of 2007, and a new office is due to open in Australia in early 2007. Navis' cohesive team has a mix of investment, operational and strategic experience developed in South and Southeast Asia and internationally. The Founders have resided, invested and consulted in Asia over a 17-year period, and members of the Investment Committee in particular have worked together and/or have known each other personally for between 12 and 17 years. Since inception, Navis has steadily expanded its team, while institutionalizing the Firm through the addition of a dedicated portfolio monitoring function as well as substantially enhancing its back and middle-office support departments. Navis has had an extremely low level of staff turnover, and no senior Navis professional has retired or left the Firm since inception.

Attractive Returns with Low Portfolio Risk

Navis has one of the most established track records in Asian private equity. Since 2000, Navis has made 27 investments in 23 companies, yielding a realized and partially realized IRR of 44% and multiple of invested capital of 3.0x as of June 30, 2006. These returns have been achieved without significant reliance on leverage at acquisition, since Navis' principal approach is to generate value through operational improvements rather than financial structuring. As of June 30, 2006, Navis has used acquisition finance in only six of its 27 investments and as a result its portfolio presents a lower risk proposition than that of many other private equity firms.

Longevity in an Underserved, High Growth Market

Navis is one of the longest standing private equity groups in Southeast Asia. Navis' success has been partly due to its ability to remain one step ahead in a dynamic market. The Firm has steadily expanded its operations to capture investment opportunities by building a local presence across South and Southeast Asia. Retaining a focus on its core sector expertise, Navis has selectively invested in companies where it can develop synergies across its portfolio, or drive geographic expansion through its pan-Asian network. South and Southeast Asia provide attractive opportunities for private equity investing. Asia (ex-Japan) has outperformed the US and Europe almost continuously for 30 years in terms of GDP growth. However, many of Navis' target geographies are relatively immature, creating an underserved private equity market and leaving Navis with little competition. The pan-Asian and international funds with a focus on Asia have not been systematically creating deal flow in South and Southeast Asia to any large extent, instead targeting larger investments in North and East Asia (mainly Japan, Taiwan, mainland China and Korea).

Substantial Proprietary Dealflow through Local Networks

Through its systematic and rigorous approach to deal origination, Navis has reviewed over 700 opportunities in the Asian mid-market since inception, many on a proprietary basis. Leveraging its local teams, which comprise highly experienced professionals, Navis has developed a substantial relationship network covering businesses, financial institutions and governments, thereby reducing the need to source via highly competitive processes. Throughout Navis' history, the Firm has received consistent backing from local limited partners which has materially enhanced Navis' reach within the region, both in terms of access to deal flow and capital.

Proven Record of Creating Strategic Value

Navis adopts a hands-on approach to the development of its portfolio companies, combining strategic sophistication with operational and financial improvements. To date, the majority of Navis' returns have been derived from EBITDA growth achieved organically, as well as through the execution of roll-out and follow-on acquisition

strategies. Navis' culture is heavily influenced by the intensive strategic and operational experience of the Founders, which they developed while with The Boston Consulting Group. Unlike many of its peers, Navis conducts strategic due diligence with its own professionals rather than outsourcing to a third party management consultancy. Navis' creation of its own proprietary intellectual property on specific industries and opportunities enables a seamless transition of industry and company insight into specific implementation initiatives at the core of each portfolio company's business plan. The same investment team continues to have responsibility for a portfolio company post-transaction. Navis' large team of experienced professionals allows each portfolio company to enjoy the resources of two or three investment professionals, providing companies with the necessary support to improve efficiency and drive growth.

Demonstrated Ability to Acquire and Develop Market Leaders

Navis targets established mid-market companies with leadership or near-leadership positions in their respective industry segments, typically with strong brand or market share positions. These companies often have strong, profitable foundations, but typically lack certain key attributes required to transition the company successfully to the next level of size, sophistication and geographic scope. Navis looks to professionalize these companies and build scale by providing financial and intellectual capital as well as enhancing control through management, governance and system improvements. Such initiatives are expected to lead to a step-up in size, strength of competitive position and sophistication, which in turn should lead to multiple enhancement at exit.

Market Opportunity

The senior personnel of Navis have been consulting and investing in Asia for more than 17 years. During this period, the regional economies have been characterized by superior long-term growth rates, but also by occasional and severe macroeconomic or sector-specific shocks. The long term underlying direction of the regional economy is positive but that a formalized strategy is imperative for success. Accordingly, the economic environment in Asia is attractive for private equity investment.

Navis' investment approach is to acquire proven businesses with existing cash flows. The Partnership's investment strategy will not rely on the adoption of new technologies or on positive changes in macro or sector specific economic or social factors in the region. In addition, the Fund will acquire a mix of businesses that are both domestic and export-oriented and therefore the portfolio will have an important element of natural hedging against unexpected currency change.

Economic growth rates for the regional economies are considered by the General Partner to be healthy, generally in excess of 5% per year. Asia is growing faster than any other major region in the world. At the same time, the growth rates are not considered excessive in that they are not the result of immoderate borrowing or unsustainable levels of foreign investment. In fact, the region continues to benefit from the aftermath of the 1997-98 financial crisis, which left most countries in the area with lower and highly competitive exchange rates, and sharply lower levels of corporate debt.

Management

Richard Foyston. Mr. Foyston is the Managing Director of Navis and Investment Committee member. Mr. Foyston co-founded Navis after spending 14 years with The Boston Consulting Group, the last 12 of them in Asia. While with The Boston Consulting Group, Mr. Foyston worked in Tokyo and Hong Kong, the latter where he led The Boston

Consulting Group's Asia (non-Japan) practice, establishing eight offices across the region between 1990 and 1998. Mr. Foyston has extensive experience across Asia and has worked in a variety of industries with a focus on consumer goods, agribusiness, and financial services.

Mr. Foyston has been a resident in Asia for over 20 years, having been primarily raised in Canada. He graduated from Queen's University (Canada) with a Bachelor of Commerce degree and acquired the designation of Canadian Chartered Accountant (CA). Mr. Foyston holds an MBA from Harvard Business School.

Nicholas Bloy. Mr. Bloy is a Director of Navis and Investment Committee member. Mr. Bloy co-founded Navis after spending ten years in Asia with The Boston Consulting Group, where he held various positions, including managing partner of the Kuala Lumpur, Malaysia office, Head of The Boston Consulting Group's Energy and Utilities Practice in Asia, and Head of The Boston Consulting Group's Asia Marketing Committee. Mr. Bloy worked throughout Asia in a wide range of industries including consumer and industrial goods, oil and gas, pharmaceuticals, electronics and financial services. Mr. Bloy is also a Non Executive Director of Commerce International Merchant Bankers Berhad (CIMB), Malaysia's largest investment bank.

Mr. Bloy has been a resident in Asia for over 17 years, having been raised in England and France. He holds a Bachelor of Arts Hons degree from University College, London, and an MBA from INSEAD.

Rodney Muse. Mr. Muse is a Director of Navis and Investment Committee member. Mr. Muse co-founded Navis after spending two years as Managing Director of Elspan Technologies Limited, a Hong Kong based construction technology firm of which he was also a shareholder. From 1993 to 1996, Mr. Muse was a consultant with The Boston Consulting Group in Australia and Malaysia, where he gained experience in a number of industries including consumer goods, retail, oil and gas, distribution, primary resources and others. He started his career with Chase Manhattan Bank in 1985 and worked in a number of areas of the bank in New York and Hong Kong.

Mr. Muse has been a resident in Asia for over 14 years, having been raised and educated in the US. He holds a Bachelor of Arts Hons degree from St. Lawrence University and an MBA from Harvard Business School.

Iain Watson. Mr. Watson is a member of the Investment Committee as a representative of HAL Holding N.V. ("HAL") and is a non-Executive Director of Navis. Mr. Watson owns and manages Watson Capital, a hedge fund which he established in 2001. He was formerly a member of the executive board of HAL Holding N.V., an international investment company with US\$2.1 billion in net assets, which he joined in 1993. Prior to joining HAL, Mr. Watson was a partner of The Boston Consulting Group.

Mr. Watson holds a Bachelor of Arts degree from Cambridge University and an MBA from Harvard Business School.

Bruno Seghin. Mr. Seghin is a Director of Navis and Investment Committee member. Mr. Seghin joined Navis in 2003, bringing more than 19 years of finance and investment management experience. Mr. Seghin was Managing Director of Quilvest Asia Limited from 1998 to 2003. From 1995 until 1998, he served as Managing Director of Cortez Capital Limited. Prior to founding that firm, Mr. Seghin was Managing Director of Euro Pacific Advisers Ltd., a fund management company affiliated with the Credit Agricole

Group from 1990 to 1994. Before moving to Hong Kong in 1990, he was Vice President, Corporate Finance at Drexel Burnham Lambert in Tokyo.

Mr. Seghin has been a resident in Asia for over 18 years, having been raised and educated in Belgium and Japan. He graduated from Université Catholique de Louvain in Belgium with a law degree and an MBA through an exchange program with Sophia University in Tokyo.

David Ireland. Mr. Ireland is a Director of Navis and Investment Committee member. Mr. Ireland joined Navis in 2001. Prior to joining Navis, he spent five years in Vietnam working in a private equity firm, The Vietnam Fund, as an investment professional.

Mr. Ireland is a lifetime resident in Asia. He has a JD from the College of William & Mary, a Bachelor of Arts degree in History from the University of Virginia and practiced law with Davis Wright Tremaine in the US from 1990 – 1993. He holds an Advanced Management Diploma from the University of California - Berkeley Haas School of Business.

Tim McKinlay. Mr. McKinlay is a Director of Navis, Investment Committee member and leads the Portfolio Team. Mr. McKinlay joined Navis in 2003 from H.J. Heinz, where he was Country Manager for Indonesia (Heinz ABC and Heinz Suprama) and President of Heinz Korea between 1999 until 2003. Prior to Heinz, he had a background in consumer goods consulting, marketing and distribution in Asia.

Mr. McKinlay has been a resident in Asia for over 15 years, having been raised and received his education in the United Kingdom. Mr. McKinlay holds a Master of Arts degree in Theoretical Physics from the University of Cambridge and an MBA from INSEAD.

Mark Dutton. Mr. Dutton is a Director of Navis and Investment Committee member. Mr. Dutton joined Navis in 2005, bringing over ten years of private equity investment experience, five of which were in the Asia Pacific region. Prior to joining Navis, he was a director at Foundation Capital from 2003 to 2005 with responsibility for their Australian later-stage private equity business. From 1995 to 2002 he worked at BancBoston Capital where he was involved in their development of a pan-European private equity business, before relocating to Hong Kong in 2000 and becoming Managing Director for Asia. Mr. Dutton previously worked with Price Waterhouse in London and Moscow in both their Audit and Corporate Finance practices, and prior to that held marketing and IT roles in private UK businesses.

Mr. Dutton has been a resident of Asia for over six years, having been raised and educated in the United Kingdom. He graduated from the University of Cambridge in Natural Sciences and Management Studies, and is a Chartered Accountant and member of the ICAEW.

Michael Octoman. Mr. Octoman is a Director of Navis and Investment Committee member. Mr. Octoman joined Navis in 2000. Prior to joining Navis, Mr. Octoman was a senior manager with Pricewaterhouse Coopers for eight years, the last four years spent in emerging markets with a primary focus on capital market transactions and financial due diligence specializing in energy, telecommunications and manufacturing. From 1990 to 1995, Mr. Octoman worked for KPMG in Australia and Canada in Assurance and Business Advisory Services.

Mr. Octoman is a lifetime resident of Asia, having been raised and educated in Australia. He holds a Bachelor of Arts degree in Accountancy from the University of South Australia and is an Australian qualified Chartered Accountant.

Harsh Sabale. Mr. Sabale is a Director of Navis and an Investment Committee Member. Mr. Sabale joined Navis in 2003 and focuses his efforts on Navis' activities in India. Prior to joining Navis, Mr. Sabale was with CDP Capital in Hong Kong and worked on private equity investment opportunities across the Asian region. Prior to this he was a core member of the team of Americorp Capital, one of India's largest proprietary private investment funds, where he worked on investment analysis, deal execution and negotiation as well as monitoring a portfolio of 15 companies. Mr Sabale started his career with Arthur Andersen in India in 1994 where he spent six years covering various financial and technology consulting assignments.

Mr. Sabale is a lifetime resident of Asia having been raised and educated in India. He holds a Bachelors of Commerce degree from the University of Mumbai and is a qualified Chartered Accountant.

CONCLUSION/RECOMMENDATION

Based upon the successful track record and experience of the principals and the recommendation of PSERS' consultant, Portfolio Advisors, staff recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$100 million plus reasonable normal investment expenses, in Navis Asia Fund V, L.P. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director.