



International Private Equity Fund Commitment

Orchid Asia V, L.P.

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Orchid Asia V, L.P. – International Private Equity Fund

Overview

- The fund size is \$600 million; hard cap is \$650 million which includes a RMB fund
- Orchid will invest between \$20 to \$35 million in growth equity companies in China
- Orchid expects a portfolio of 15 to 20 companies
- Historically, Orchid has made 45 investments with 22 exits since 1997

Fund Strategy

- Orchid Asia's focus has been and will continue to be on transactions with the following two fundamental pillars of wealth creation: (1) backing experienced operating executives; and (2) investing in business franchises and companies which can establish entry barriers as the firm grows
- Orchid Asia will focus on five sectors: consumer, medical, retail, TMT, and specialty manufacturing

Investment Team

- The fund will be led by 2 Managing Directors and 4 Investment Directors
- Managing Director, Gabriel Li has been investing in private equity in Asia since 1997
- Orchid has 21 investment professionals
- Orchid has offices in Hong Kong, Beijing, Shanghai, and Guangzhou

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GP “Value Add”

- Orchid Asia will take action to make management changes as necessary if portfolio companies are under-performing
- Orchid Asia will usually provide strategic advice to portfolio companies’ CEOs to assist them in strengthening their market position for the company

Performance

- Orchid Asia IV a vintage year 2007 fund, has a net 1.3x MOC and a 18.7% IRR (12/31/2010)
- Orchid Asia III a vintage year 2004 fund, has a net 1.8x MOC and a 17.8% IRR (12/31/2010)
- Orchid Asia II a vintage year 1997 fund, had a net 1.8x MOC and a 9.8% IRR (10/31/2008) liquidated

Market Opportunity

- There are over 5 million small and medium enterprises in China
- Financial markets represented by the NYSE, the NASDAQ, and the Hong Kong Stock Exchange are beginning to value high quality Chinese companies at international multiples
- There are now significant numbers of executives with experience in well-run commercial businesses in China

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History with PSERS

- This will be PSERS first commitment with Orchid Asia

Board Issues

- Pennsylvania Presence – None
- Placement agents – Used Atlantic-Pacific Capital as a placement agent after the 1st closing (US\$327 million on January 27, 2011) to represent Orchid Asia V, L.P on a selective accounts basis. All placement agent fees will be paid by the investment manager (not the partnership). Palma Capital was used to help with LPs in the Middle East
- PA political contributions – None
- Relationship with consultant – Portfolio Advisors and UOB (United Overseas Bank of Singapore) have committed together a total of US\$15 million to Orchid Asia V in the 1st closing

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$50 million plus reasonable normal investment expenses