



# Private Equity Fund Commitment

## Catterton Growth Partners II, L.P.

April 26, 2013

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Darren C. Foreman  
Portfolio Manager, Private Markets

## **Catterton Growth Partners II, L.P. – Private Equity Fund**

### **Overview**

- Targeted fund size is \$300 million and the hard cap is \$350 million
- Will make control-oriented investments in small market companies with significant growth expectations in the consumer sector primarily in North America
- Catterton Growth Partners II (Fund II) will have approximately 15 investments

### **Investment Approach**

- Fund II will target consumer companies in the following segments: branded consumer products, retail and restaurants, food and beverage, consumer and marketing services
- Will target equity investments between \$10 million and \$30 million
- Likes companies with a strong market share within a particular market segment
- Targets a gross return money multiple of 3x for the fund

### **Investment Team**

- Catterton has 16 Partners (3 are dedicated to this fund) while 3 additional Partners will be on the Investment Committee
- Collectively these Partners bring in excess of 300 years of aggregate operating, financial, marketing and strategic expertise in the consumer sector
- The Partners are supported by 5 investment professionals dedicated to Fund II (Catterton has a total of 22), a 10 person finance team, and a group of experienced senior advisors
- Catterton has an office in Greenwich, CT and an office in Charleston, WV

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## Sample Catterton Growth Partners I portfolio companies



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## **Catterton Growth Partners II, L.P. – Private Equity Fund**

### **GP “Value Add”**

- Catterton’s investment approach (which is not predicated on significant financial leverage) requires that superior returns will primarily be the result of creating sustained improvements in portfolio operating performance. Accordingly, Catterton employs a large team of dedicated personnel which bring proven and differentiated strategy, general management and highly functional skills to each portfolio company

### **Performance (as of 9/30/2012)**

- Catterton Fund VII (Vintage 2012) – fund just starting to invest
- Catterton Growth Fund I (Vintage 2008) – has a net IRR of 8% and MOC 1.2x
- Catterton Fund VI (Vintage 2006) - has a net IRR of 11% and MOC 1.5x
- Catterton Fund V (Vintage 2003) - has a net IRR of 8% and MOC 1.5x

### **Market Opportunity**

- The consumer sector in North America is large and diverse (estimated to be a \$11.4 trillion market)
- Catterton looks to identify well positioned companies in breakout consumer categories with superior growth
- A majority of their deals are proprietary in the small end of the consumer PE marketplace

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## History with PSERS

PSERS has committed to four Catterton Funds:

1. PSERS committed \$100 million to Catterton Fund V (vintage 2004 fund)
2. PSERS committed \$130 million to Catterton Fund VI (vintage 2006 fund)
3. PSERS committed \$75 million to Catterton Growth Fund (vintage 2008 fund)
4. PSERS committed \$100 million to Catterton Fund VII (vintage 2012 fund)

## Board Issues

- Pennsylvania Presence – None
- Placement agents – Ineo Capital has been retained to serve as placement agent for Catterton Growth Partners Fund II. Ineo Capital is a registered broker-dealer and a member of FINRA (Financial Industry Regulatory Authority). Any placement fee is payable by Catterton Management Company, LLC and is not a part of the Fund's organizational expenses nor is it payable by the LPs
- PA political contributions – None
- Relationship with consultant – Portfolio Advisors' Fund of Funds and Secondary Fund have made the following commitments to Catterton Funds: PAPEF II \$3.2 M – Catterton Fund IV; PASF I \$3.5 M – Catterton Fund V; PASF I \$2.5 M – Catterton Fund VI

## Recommendation

- Staff, together with Portfolio Advisors LLC, recommends that the Board invest an amount not to exceed \$75 million plus reasonable normal investment expenses

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