



Private Equity Fund Commitment

New Mountain Partners IV, L.P.

March 14, 2013

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New Mountain Partners IV, L.P. – Private Equity Fund

Overview

- The targeted fund size is \$3.0 billion
- Investments will range from \$100 million to \$500 million in a single transaction, target \$300 million
- Fund seeks three to four North American middle market investments per year
- Focus on defensive growth industries with high free cash flow and high barriers to entry
- Gross IRR targets of 25% to 30%
- Fund IV to have 16 to 20 portfolio companies, as in prior funds
- Co-Investment opportunities will be available

Fund Strategy

- Top down research to select defensive industries and bottom up research to target specific companies for acquisition
- Business building and growth in economically acyclical industries
- Fund investments with avoidance of auctions, moderate or no use of debt
- Strong downside protection, tight control of risk, and active company governance
- Works intensively post acquisition to build the value of companies
- Continue pursuit of superior risk-adjusted returns, combined with timely, intelligent exits

Investment Team

- 17 Managing Directors - 13 Senior Advisors
- 60 total investment professionals
- 21 professionals dedicated to accounting, reporting, client service and compliance
- New Mountain has not lost a person at or above the VP level since the start of Fund II

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GP “Value Add” to Portfolio Companies

- New Mountain uses knowledge gained during extensive “Deep Dive” sector investigations to identify the best-in-industry consultants, brokers, bankers, and industry-specific managers to support post-investment business building
- New Mountain works with management to raise the companies to a higher level of revenue, EBITDA, and valuation by applying their proven “good-to great” business improvement model of re-organizing management, adding expertise to boards, implementing new directions in sales and marketing, making accretive add-on acquisitions, upgrading technology and introducing new products

Performance as of (9/30/2012)

Fund Name	Commitment	Vintage Year	Net Multiple	Net IRR
New Mountain:	\$193M	2000	1.50x	13.99%
Allegheny New Mountain:	\$100M	2004	1.80x	12.96%
New Mountain III:	\$300M	2007	1.19x	8.07%
All funds since inception:			1.40x	12.23%

Market Opportunity

- New Mountain believes there continues to be acyclical middle market defensive growth specialty sectors which are fragmented enough that the Firm has a good probability of finding an under-managed or undervalued company to which it can apply its proven business improvement model of acquiring companies without auctions, with no or little debt, and that have higher than average expectations for timely exits and prompt returns of cash

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History with PSERS

- This would be PSERS fourth commitment with New Mountain Capital

Board Issues

- Pennsylvania Presence – 3 investments, 5 locations, 273 employees, \$24 million annual payroll, PSERS portion of cost is \$77.4 million, current value is \$62.9 million (9.30.12 data)
- Placement agents – Credit Suisse has been engaged for New Mountain IV
- PA political contributions – As an individual, a New Mountain Senior Advisor who is a PA resident and former CEO of a Pennsylvania based company contributed \$2,500 to the Gov. Corbett Campaign
- Relationship with consultant – Portfolio Advisors has made investments through their fund of fund vehicle(s) in two of New Mountain's predecessor funds.

Recommendation

- Staff, together with Portfolio Advisors LLC, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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