



**Thursday, September 7, 2023  
Private Markets Committee**

**9:00 A.M.**

**Virtual Meeting**

The link to view the meeting virtually can be found at [www.sib.wa.gov/meetings.html](http://www.sib.wa.gov/meetings.html)

**OR**

Members of the public may view the virtual meeting in person at the Washington State Investment Board office located at 2100 Evergreen Park Drive SW, Olympia, WA 98502

**1. Call to Order/Roll Call (9:00a)**

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**2. Adoption of the Minutes (9:00-9:05)**

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A. Adoption of the June 1, 2023, Minutes

**3. 2024 Private Markets Committee Meeting Schedule (9:05-9:10)**

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A. 2024 Private Markets Committee Meeting Schedule

**4. Tangible Assets Investment Recommendation (9:10-9:55)**

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A. Schroders Greencoat Woodmont Renewables, LP

**5. Break (9:55-10:05)**

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**6. Private Equity Investment Recommendations (10:05-1:55)**

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A. TowerBrook Delta, L.P. (10:05-10:50)

B. Break (10:50-11:00)

C. KKR Global Impact Fund II, L.P. (11:00-11:45)

D. Lunch (11:45-12:15)

E. Ara Fund III, L.P. (12:15-1:00)

F. Break (1:00-1:10)

G. Centerbridge Capital Partners V, L.P. (1:10-1:55)

**7. Closing Log (1:55-2:00)**

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A. Closing Log

**8. Other Items (2:00-2:05)**

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**9. Adjourn (2:05p)**

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**WASHINGTON STATE INVESTMENT BOARD  
Private Markets Committee Meeting Minutes  
September 7, 2023**

The Private Markets Committee met in open public session via Microsoft Teams video conferencing available to participants and members of the public at <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>, Meeting ID: 218 832 783 770, Passcode: ujbs4u, Dial-In Number: 1-360-726-3322, Phone Conference ID: 251 084 262#.

Members Present: Joel Sacks, Chair  
Tracy Guerin  
Judy Kuschel  
Yona Makowski  
Senator Mullet  
David Nierenberg

Other Board Members  
Present:

Members Absent: Ada Healey

Also Present: Allyson Tucker, Chief Executive Officer  
Chris Hanak, Chief Investment Officer  
Diana Will, Senior Investment Officer – Tangible Assets  
Dorota Czub, Senior Investment Officer – Tangible Assets  
Fabrizio Natale, Senior Investment Officer – Private Equity  
Skylar Houk, Investment Officer – Private Equity  
Ting Yang, Investment Officer – Private Equity  
Kariym McHoney, Investment Officer – Private Equity  
Stacy Conway, Executive Assistant  
Ashana Wenzel, Administrative Assistant  
Lisa Devlin, Administrative Assistant  
Tammy Lee, Administrative Assistant

Tor Jernudd, Assistant Attorney General  
Callie Barrett, Assistant Attorney General  
Adam Toczylowski, Meketa Investment Group  
Laurence Fumagalli, Schroders Greencoat  
Matt Ridley, Schroders Greencoat  
Tatiana Zervos, Schroders Greencoat  
Tom Cawkwell, Albourne America  
Gordon Holmes, TowerBrook  
Alex Nisichenko, TowerBrook  
Tom Redpath, TowerBrook  
Ken Mehlman, KKR  
Robert Antablin, KKR  
Tony Hass, KKR  
Troy Thacker, Ara Partners  
Charles Cherington, Ara Partners  
Jeff Aronson, Centerbridge Capital Partners  
Matt Kabaker, Centerbridge Capital Partners  
Steven Silver, Centerbridge Capital Partners

## **CALL TO ORDER**

Chair Sacks called the meeting to order at 9:01 a.m. and took roll call.

## **ADOPTION OF THE JUNE 1, 2023, MINUTES**

**Chair Sacks moved to adopt the June 1, 2023, minutes.**

**Ms. Guerin seconded, and the motion carried unanimously.**

## **2024 PRIVATE MARKETS COMMITTEE MEETING SCHEDULE**

Chair sacks proposed the following 2024 Private Markets Committee meeting dates: February 1, April 4, June 6, September 5, November 7, and December 5.

**Chair Sacks moved to adopt the proposed 2024 Private Markets Committee dates as presented. Ms. Makowski seconded, and the motion carried unanimously.**

## **TANGIBLE ASSETS INVESTMENT RECOMMENDATION – SCHRODERS GREENCOAT WOODMONT RENEWABLES, LP**

Ms. Czub stated that staff is recommending an investment of up to \$300 million, plus fees and expenses, in Schrodgers Greencoat Woodmont Renewables, LP, a separately managed account (SMA) created to invest in assets supporting the European energy transition. An investment in Greencoat Woodmont would fall into the new partners or new strategies allocation in the Board-approved 2023 Tangible Assets annual plan. The objective of the SMA is to invest in energy transition infrastructure assets, primarily in offshore and onshore wind and solar projects supporting the region's transition to net zero emissions. Although wind and solar technologies are expected to dominate the composition of the portfolio, adjacent technologies such as energy storage, bioenergy, district heating, hydrogen, electric vehicle charging, or transmission and distribution could become a part of the SMA's investments as well. This vehicle is uniquely designed for the Washington State Investment Board (WSIB), and staff negotiated the scope of the SMA to fit the specific needs of the tangible assets portfolio. Partnering with a manager whose investment philosophy aligns well with that of the tangible assets portfolio mitigates the risk of strategy drift while allowing the WSIB access to desired geographies and technologies with a long-term hold objective.

Mr. Toczykowski explained that Schroders Greencoat is an established manager investing exclusively in the renewable energy space in Europe and the United Kingdom, with a senior team of 25 years of industry expertise. The firm has a strong pipeline of opportunities, robust asset management team, and consistent track record.

Discussion ensued regarding the SMA expected allocations, ownership, and length of deployment.

Mr. Fumagalli spoke to Schroders Greencoat's management, pension funds clientele, and active asset management team and provided insight into the European energy transition, primarily in wind and solar.

Mr. Ridley spoke to the relevancy of renewable energy, factors for diversifying, and predictable and secure income returns.

Ms. Zervos explained the investment philosophy of targeting high-quality and proven, mature technologies; limiting leverage to prudent levels; and blending technologies, geographies, and currencies.

Discussion ensued regarding the development phases of Schroders Greencoat investing, the yield spread, types of other renewable energy, and SMA opportunity expectations.

**Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$300 million, plus fees and expenses, in Schroders Greencoat Woodmont Renewables, LP., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Makowski seconded, and the motion carried unanimously.**

## **PRIVATE EQUITY INVESTMENT RECOMMENDATION – TOWERBROOK DELTA, L.P.**

Mr. Houk stated that staff is recommending an investment of up to \$100 million, plus fees and expenses, in TowerBrook Delta, L.P. The WSIB has committed to three prior TowerBrook funds, the most recent in 2022. While recent TowerBrook flagship fund commitments were approved under delegated authority, TowerBrook Delta is the first in a new fund series and, therefore, being brought to the Private Markets Committee. If approved, the proposed investment would fall into the unidentified allocation in the Private Equity Board-approved 2023 annual plan and is consistent with the model portfolio. TowerBrook Delta is a small growth buyout impact fund and will seek to make control-oriented equity investments in North American and Western European businesses. All investments must contribute to at least one of the United Nations Sustainable Development Goals (SDGs) in the following primary sectors: the energy transition, financial services, healthcare, education, and environmental technologies.

Merits of the opportunity include additive exposure to the small-cap buyout market and one-team model with extensive resources. Discussion ensued regarding first-time strategy, new team, and execution risks.

Mr. Cawkwell spoke to Albourne's history with TowerBrook, the key team members for the Delta strategy, and TowerBrook's thoughtful approach to a new strategy, which includes deal flow, non-concessionary returns, and third-party assessment of the firm's impact goals.

Discussion ensued regarding the differences between the Delta strategy and TowerBrook's other funds.

Mr. Holmes introduced the TowerBrook Delta strategy and discussed the team, purpose statement, the firm, investment strategies, and investment themes which include climate and sustainability as well as social impact.

Mr. Nisichenko discussed Delta's commitment to the United Nations SDGs, assessing impact potential, and the plan to grow and magnify that impact with quantifiable data using Delta's assessment toolkit.

Mr. Redpath discussed the fund's first two investments.

Mr. Holmes said that the firm differentiates themselves through scale, ESG and responsible ownership, ability to grow companies through relationships, and world-class governance. He discussed Delta's current pipeline in Europe and North America.

Discussion ensued regarding social impact investment risks versus returns, early and thorough due diligence, middle-market relationships and challenges, B Corporation designation, and the advantages of partnering with a manager with the size and resources to access this market.

**Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$100 million, plus fees and expenses, in TowerBrook Delta, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Guerin seconded, and the motion carried unanimously.**

#### **PRIVATE EQUITY INVESTMENT RECOMMENDATION – KKR GLOBAL IMPACT FUND II, L.P.**

Mr. Houk stated that staff is recommending an investment of up to \$150 million, plus fees and expenses in KKR Global Impact Fund II, L.P. The fund will primarily seek to make control-oriented equity investments in mid-market businesses based in North America, Western Europe, and Asia Pacific. This investment would fall into the unidentified allocation in the Private Equity Board-approved 2023 annual plan and is consistent with the model portfolio. The WSIB has invested in 26 KKR-sponsored partnerships since 1983. Investments in the Impact Fund must contribute to at least one of the SDGs in the following sectors: education and human capital development, the energy transition, financial services, or environmental technologies and services. Key merits of the opportunity include the prior fund's track record, the vast resources of KKR's global platform, and the diversification benefits of adding to the WSIB's mid-market exposure.

Discussion ensued regarding Fund I as a passed-on opportunity, changes for Fund II, and how the team came to the proposed investment amount.

Mr. Cawkwell discussed Albourne's long history with KKR and their belief in the robust and high-quality internal management and operation teams. While impact investing is still a fairly new space, this product is one with an established group with a proven capacity to build a global industry and diversified impact portfolio. The fund has access to exceptional global sourcing and operating capabilities.

Mr. Hass provided an overview of KKR's mid-market space and global impact of the firm.

Mr. Antablin discussed the firm's mid-market private equity approach to impact investing. KKR seeks thematic investors that organize around four critical challenges that connect back to issues of sustainability and social equity. Looking for companies with the same proof points and performance history considered elsewhere across all investment businesses with target returns.

Mr. Mehlman stated the themes are driven by macro trends that drive resilience and circularity, regardless of the market. The opportunities for businesses that solve those macro problems with specific solutions provide buoyancy to the portfolio. He discussed the dedicated global and local impact team, the senior advisors, and support from the broader KKR team. He spoke to the partnership with Business for Social Responsibility (BSR) to confirm companies are contributing meaningfully to ESG and to ensure the approach is authentic to impact and sustainability.

Mr. Antablin discussed Fund I performance, sustainability, and the broader private equity funds of similar size, vintage, and geographies. He spoke to a 3D packaging case study example with a theme of sustainable living which focused on waste issues as a problem to be solved commercially.

Discussion ensued regarding the concerns over potential ESG compromises, competitive process to secure deals, competitors in the space, and company fit with the other funds.

**Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$150 million, plus fees and expenses, in KKR**

**Global Impact Fund II, L.P., subject to continuing due diligence and final negotiations of terms and conditions. Ms. Makowski seconded, and the motion carried unanimously.**

**PRIVATE EQUITY INVESTMENT RECOMMENDATION – ARA FUND III, L.P.**

Ms. Yang stated that staff is recommending an investment of up to \$200 million, plus fees and expenses in Ara Fund III, L.P., a middle-market private equity firm that specializes in industrial decarbonization. The firm targets North American and European-based businesses that aim to reduce greenhouse gases at a competitive cost. This would be a new general partner relationship under the unidentified allocation in the Private Equity Board-approved 2023 annual plan. Ara is one of the few private equity firms focused exclusively on industrial decarbonization in carbon-efficient technologies and manufacturing processes with lower emission alternatives and decarbonization enablers that provide mission-critical tools and services for other companies.

Mr. Cawkwell discussed Albourne's due diligence and experience with co-founder Charles Cherington, the firm's single focus on decarbonization alignment, and the expertise in reducing the carbon footprint of these companies in the industrial energy and infrastructure sectors.

Discussion ensued regarding the end users, companies in this space, capacity to invest while managing current funds, and the pipeline of actionable opportunities.

Mr. Cherington stated that the firm is dedicated to industrial decarbonization through private equity and green infrastructure strategies to make everyday products carbon-neutral and at cost parity or better. He spoke to the team's experience in industrial expertise, portfolio service group, and operating partners with the technical, commercial, and organizational expertise to assist with deal sourcing.

Mr. Thacker stated that the firm is addressing the global economy from chemicals to materials, steel, fuels, and industrial products. Two key factors must be present for the firm to invest. First, the business must be able to make a product, whether chemical or material at the same price or lower than the incumbents. Second, the firm must be able to do it with at least a 60 percent reduction in emissions



associated with the manufacturing process.

Mr. Cherington stated that Ara is unique because it is the only fund focused exclusively on industrial decarbonization, led by a seasoned investment team with experience investing in industrial enterprises, and is supported by a sustainability team. The firm has a specialist advantage with a hybrid model that includes the builders and the decarbonization accounting specialists.

Mr. Thacker addressed four key sub-sectors of the industrial economy: chemicals and materials, energy efficiency and green fuels, food and agriculture, and manufacturing and industrial services. He discussed the thematic approach and bilaterally negotiated transactions.

Messrs. Cherington and Thacker discussed the current Ara Fund III portfolio, including CF Pathways, the dominant provider of decarbonization solutions to mid-tier corporates throughout Europe, accelerating these industrial businesses' transition to renewable energy. VAC, the most recently completed platform investment, will build a large-scale, new, manufacturing plant making high-end permanent magnets in North America. The company was awarded a \$94 million grant from the U.S. government to meet the demand for locally sourced magnets.

Discussion ensued regarding grants and their impact, local content to build locally sourced, growth beyond quality execution, infrastructure needs like steel and concrete and their emissions and conversion options, and the need to monitor fund deployment pacing.

**Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$200 million, plus fees and expenses, in Ara Fund III, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Guerin seconded, and the motion carried unanimously.**

#### **PRIVATE EQUITY INVESTMENT RECOMMENDATION – CENTERBRIDGE CAPITAL PARTNERS V, L.P.**

Mr. McHoney stated that staff is recommending an investment of up to \$400 million,

plus fees and expenses in Centerbridge Capital Partners V, L.P. This would be a new general partner relationship under the unidentified allocation in the Board-approved Private Equity 2023 annual plan. Centerbridge has two distinguishing factors in their private equity strategy. The first is their three-pronged approach to private equity investments: controlled buyouts, structured equity, and distressed-for-control acquisitions allowing Centerbridge to pivot among the three. The other distinguishing factor is their “one team” approach where members of the asset classes are leveraged to underwrite each private equity investment with various perspectives. Their deployment in middle-market sectors are financial services, health care, technology, and industrials in North America and Europe. This is a first investment in Centerbridge’s private equity strategy for the WSIB.

Mr. Cawkwell stated this is an experienced team that is well-suited to the current environment with a fine-tuned strategy especially strong in the United States with some European exposure.

Discussion ensued regarding the investment amount, staff monitoring of Centerbridge, and the firm’s hybrid strategy strengths.

Mr. Aronson said Centerbridge focuses on upper middle markets in the four sectors of financials, healthcare, industrials, and tech within private equity, private credit, and real estate asset classes. This is through the “one team” model and scaled platform approach to deploy capital across market environments. The team experts are also field experts across strategies as it relates to private equity, real estate, and private credit.

Mr. Silver stated Centerbridge’s approach to control investing is “buyouts++”, which includes traditional buyouts, plus structured equity and stressed solutions. The goal is to achieve private equity returns with credit-like risk. He discussed the four specialized sectors at Centerbridge: financials, healthcare, industrials, and tech, as well as the firm’s proprietary Value Engine model.

Mr. Kabaker spoke to the opportunities in the middle market with scaled businesses in private credit, real estate, and private equity. There are private equity opportunities in a variety of different markets as well as opportunities to provide

structured equity to support growth. Mr. Kabaker stated the strategy is designed to take the best of two different strategies and put them into a single strategy that compares favorably to the buyout universe in all cycles and provides the counter-cyclical benefits.

Discussion ensued regarding the real estate opportunities that might fit in the fund, potential overlap in asset classes, and succession planning.

**Chair Sacks moved that the Private Markets Committee recommend the Board invest up to \$400 million, plus fees and expenses, in Centerbridge Capital Partners V, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Guerin seconded, and the motion carried unanimously.**

#### **PRIVATE MARKETS CLOSING LOG**

The Private Markets Closing Log was presented for informational purposes.

#### **OTHER ITEMS**

There were no other items to come before the Committee, and the meeting adjourned at 1:52 pm.