

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
October 6, 2011**

The Private Markets Committee met in open public session at 9:09 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair
Steve Hill (teleconferenced)
Treasurer Jim McIntire
Richard Muhlebach
David Nierenberg
Jeff Seely

Members Absent: Patrick McElligott
Representative Sharon Tomiko Santos

Other Board Members Present: Mike Ragan

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Fabrizio Natale, Assistant Senior Investment Officer – Private Equity
Isabelle Fowler, Investment Officer – Private Equity
Linda Buchanan, Administrative Assistant

Steve Dietrich, Assistant Attorney General
Tara Blackburn, Hamilton Lane
Martin Halusa, Apax Partners
David Kim, Apax Partners
Paul Fletcher, Actis
J. M. Trivedi, Actis
Adiba Ighodaro, Actis

[Names of other individuals attending the meeting are listed in the permanent record.]

The meeting convened at 9:09 a.m. with Chair Masten identifying members present.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – APAX VIII, L.P.

Ms. Fowler introduced herself and said that staff recommends an investment of up to €22 million in Apax VIII, L.P., a global buyout fund with a targeted size of €9 billion; the WSIB has invested in three prior Apax funds. The fund will focus on companies with enterprise values between €1 billion and €5 billion in one of five sectors: financial and business services, healthcare, media, retail and consumer, and technology and telecom. Up to 25 percent of the fund may be invested outside of Europe and North America. Ms. Fowler described the firm's strong and experienced team, long-term track record, focused investment strategy, deep sector knowledge, deal flow, and global network of offices. Ms. Fowler discussed the firm's turnover and Mr. Halusa's pending retirement. Mr. Halusa has agreed to stay on through the investment period of the fund. The proposed investment is consistent with the Board-approved 2011 private equity annual plan and model portfolio.

[Mr. Ragan was in attendance at 9:12 a.m.]

Ms. Blackburn, Hamilton Lane, introduced herself and stated that Hamilton Lane supports the recommended investment. She described the firm's alignment of interest, pure private equity focus, attractive terms, good track record on a peer basis, and the tenure of the partners. Ms. Blackburn further discussed the transition plan in place.

Mr. Ruggels introduced himself and discussed current market conditions in Europe and related investment issues. As a result of the current conditions, staff has lightened planned European investments this year. Mr. Ruggels discussed commitment pacing and the importance of a long-term perspective and consistency in allocating capital to markets through time. He explained that challenging market conditions have historically resulted in attractive investment opportunities in both the distressed and private equity markets.

[Treasurer McIntire was in attendance at 9:16 a.m.]

The Committee discussed the importance of investing consistently across market cycles and sustaining long-term relationships, currency risk, investment hedging, recession versus depression cycles, the importance of a macroeconomic outlook in investing, financial subsectors in which Apax invests, staff turnover, mandatory retirement age, and other firms investing in the area. The Committee further discussed Apax's sector focus and ability to invest in the best companies in multiple geographic sectors. Committee members requested that staff discuss currency issues and the possibility of euro currency hedging with the Board. Mr. Bruebaker replied that staff would make a presentation to the Board on hedging the euro at its November meeting.

Mr. Halusa and Mr. Kim, Apax Partners, introduced themselves and discussed the firm's past performance, investment strategy, industry sector focus, proprietary deal sourcing, differentiated portfolio, and global footprint. They explained that Apax prefers not to participate in syndicates, but would rather offer coinvestments to limited partners.

The Committee discussed the firm's ability to adjust geographic focus, emphasis on sector focus, conditions in Europe, investment opportunities, slow and methodical investment pace, financial services sector, and currency issues.

Treasurer McIntire moved that the Private Markets Committee recommend to the Board an investment of up to €222 million, plus fees and expenses, in Apax VIII, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Masten seconded, and the motion carried unanimously.

ADOPTION OF THE SEPTEMBER 1, 2011, MINUTES

Treasurer McIntire moved to adopt the minutes of September 1, 2011. Mr. Masten seconded, and the motion carried unanimously.

[The Committee recessed at 10:15 a.m. and reconvened at 10:30 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – ACTIS GLOBAL 4, L.P.

Mr. Natale introduced himself and noted that the Committee expressed the desire to increase exposure to emerging markets and discussed the attractive opportunities in Africa at the January planning session. Mr. Natale said that staff recommends an investment of up to \$250 million in Actis Global 4, L.P., a pan-emerging markets small- and middle-market buyout fund with a target size of \$3.5 billion. Actis 4 will generally make equity commitments of \$50 million to \$150 million across all emerging markets, building a diversified portfolio by both geography and industry sector. Mr. Natale described the unique investment opportunity, the firm's history, global presence, cultural diversification, large investment team, skill sets, investment strategy, single-fund structure with the flexibility to shift between geographies, and excellent performance. He described the firm's focus on promoting the implementation of environmental, social, and governance standards. Mr. Natale discussed the firm's ability to retain its professionals and emerging markets risks. He stated that the investment is an excellent fit in the WSIB's private equity portfolio and is consistent with the 2011 private equity annual plan.

The Committee discussed the ownership structure of the firm.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the difficulty in accessing investments in some of the emerging markets regions, the firm's broad base of personnel led by senior management, centralized investment review process, and turnover within the firm. She said that Hamilton Lane supports the recommendation.

Discussion ensued regarding staff's due diligence and knowledge of the firm, liquidity issues, the partners' work load capacity, expected returns, impact of the financial crisis, and discontinued sectors.

Mr. Fletcher, Mr. Trivedi, and Ms. Ighodaro of Actis, introduced themselves.

Mr. Fletcher described the firm's history, unique geographic focus in emerging markets, investment opportunities, local presence, past performance, diversification, sector focus, preference for control positions, investment thesis, operating model, proprietary deal flow, operations expertise, and value-added approach.

Mr. Trivedi discussed the firm's environment, social, and governance practices and standards; use of external consultants; 100-day plans; investment teams; little or no use of leverage; and market conditions specific to India and China. He described sample portfolio companies in India and China.

Ms. Ighodaro discussed the African and Latin American markets, investment opportunities, value-creation approach, exit strategies, and level of competition. She described sample portfolio companies in Africa and Latin America.

Mr. Fletcher described the firm's geographic and investment sector diversification, specialized skill sets, and highly effective institutional model.

The Committee discussed sector focus regarding financial services and banks, concerns about the stability of the government in Egypt, and the competitive environment.

Treasurer McIntire moved that the Private Markets Committee recommend to the Board an investment of up to \$250 million, plus fees and expenses, in Actis Global 4, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded, and the motion carried unanimously.

PRIVATE EQUITY SECONDARY PURCHASE NOTIFICATION – SOUTHERN CROSS LATIN AMERICA FUND IV, L.P.

Mr. Ruggels said that, as provided under the WSIB Private Equity Investment Policy Number 2.10.700, staff has completed the purchase of a \$4.0 million commitment to Southern Cross Latin America Private Equity Fund IV, L.P. (LAPEF IV), in a secondary transaction. He explained that the Board approved an investment of up to \$100 million, plus fees and expenses, in LAPEF IV in September 2010. Due to demand for the fund, the WSIB was only allocated a \$75 million commitment. This secondary opportunity, sourced by Hamilton Lane, provided a means to increase the existing commitment to the fund and was completed at a purchase price which represented a discount to capital called to date.

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

There being no further business to come before the Committee, the meeting adjourned at 11:41 a.m.