



The Office Of State Treasurer
Denise L. Nappier

News

FOR IMMEDIATE RELEASE

May 15, 2015

Revised May 27, 2015

TREASURER NAPIER LAUNCHES IN-STATE INVESTMENT INITIATIVE TO GENERATE SOLID RETURNS, STIMULATE CONNECTICUT ECONOMY

HARTFORD, CT -- State Treasurer Denise L. Nappier announced today a new, Connecticut-focused investment program, with a commitment to invest up to \$145 million, designed to generate solid returns for the State's pension plans while stimulating the State's economy through private investment and job creation.

"Connecticut's pension funds are invested in companies all over the world. Yet there are numerous opportunities to generate returns right in our own backyard. The array of investment opportunities in our State is quite rich today, particularly among middle-market companies seeking capital to foster further growth, and now is an opportune time to focus on Connecticut companies," said Treasurer Nappier.

The value of investing in-state has been of interest to the Treasury from the start of the Nappier administration, and is codified in the Connecticut Retirement Plans and Trust Funds' ("CRPTF") Investment Policy Statement ("IPS"), as endorsed by the State's independent Investment Advisory Council ("IAC").

The IPS encourages "investment within the State of Connecticut that, as a matter of policy, seeks risk-adjusted rates of return and adheres to investment evaluation standards as set forth in this statement and State Statutes." This policy interest also supports prudent investments in underserved areas of the State.

The new initiative, housed in the Private Investment Fund of the CRPTF, earmarks funds for investment specifically in Connecticut companies in various stages of development, from mature to newly created.

"This is, by no means, merely an altruistic policy. It's about making profitable investments that have the ancillary benefit of a positive macroeconomic impact on our State," said Nappier. She added, "Performance will be measured, first and foremost, by risk-adjusted returns, followed by other factors such as job creation and retention and overall economic growth."

To execute the program, Treasurer Nappier intends to hire three external managers with dedicated expertise in the private debt, private equity and venture capital markets. Investments with these managers are contingent upon successful negotiation of the contract terms and partnership documents.

At a meeting of the IAC on Wednesday, May 13, Treasurer Nappier presented three funds that will launch the initiative, saying that they are led by “a diverse pool of fund managers with solid track records.” These funds are:

- Connecticut Growth Capital, LLC, in which she is considering a commitment of up to \$75 million. Balance Point Capital Partners, a Westport, Connecticut-based private investment firm, would manage the fund. Balance Point has a strong credit and lending background, and would provide loans to middle-market companies in Connecticut.
- Nutmeg Opportunities Fund II, LLC, with a proposed commitment of up to \$50 million for direct in-state investments. J.P. Morgan Private Equity Group, a New York-based private equity firm, would manage the fund, which would target private equity investments in Connecticut companies on an opportunistic basis. J.P. Morgan is an existing CRPTF manager with a mandate to invest in Connecticut-based private equity firms. The return on this mandate for the CRPTF was 11.7 percent as of December 31, 2014.
- Constitution Fund V, LLC, which includes a proposed commitment of up to \$20 million for venture capital investments in early-stage, high-potential companies in Connecticut. Fairview Capital Partners, a West Hartford, Connecticut-based investment firm, would manage the fund. Fairview also is an existing manager for the CRPTF, and has been successfully managing the CRPTF’s venture capital program since 2004. The three venture capital funds to which the CRPTF has committed over the past decade have generated a combined return of 12.7% as of December 31, 2014.

In response to questions from the IAC, it was noted by the CRPTF’s private equity consultant, Franklin Park, and the Treasury’s in-house investment professionals, that the current economic climate is favorable to launch the program. “We have positioned the program to limit risk by making investments through these three diversified approaches of debt, private equity and venture capital,” Treasurer Nappier added.

“CRPTF’s strategic allocation to in-state investments has been long in the making to ensure that it would be in the best interests of the State’s 212,000 pension fund beneficiaries and Connecticut taxpayers. As part of the rigorous vetting of the opportunity set, much consideration was given to the experience of other in-state investment programs across the country as a guide to setting the investment parameters and asset allocations. Thanks in large measure to the extensive due diligence performed by Franklin Park and the Treasury’s Chief Investment Officer, Lee Ann Palladino, this initiative is well-positioned to minimize risk and seize opportunities,” Treasurer Nappier said.

The Connecticut-focused investment will expand on the relatively modest private equity investments in Connecticut companies under the Nappier administration, including several legacy funds, of approximately \$235 million. In addition, the CRPTF has invested \$1.3 billion with Connecticut-based private equity managers over the past decade. The funds managed by these state-based managers have returned \$1.60 for every \$1 invested by the CRPTF.

A follow-on investment of \$180 million to Fairview, of which \$20 million was earmarked for the in-state portion, was presented at the IAC meeting held on May 13. Also presented was a follow-on investment of \$150 million to JP Morgan, of which \$50 million was earmarked for the in-state portion. The follow-on allocations for both of these firms are part of the broad private equity program and will be implemented through investment strategies that include investment opportunities outside of Connecticut's borders.

###