



The Office Of State Treasurer
Denise L. Nappier

News

FOR IMMEDIATE RELEASE
December 19, 2018

IN-STATE INVESTMENTS IN REAL ESTATE, PRIVATE EQUITY BY STATE PENSION FUND TOTAL \$2.5 BILLION WHILE BOOSTING CONNECTICUT ECONOMY

HARTFORD, CT – During the administration of State Treasurer Denise L. Nappier, Connecticut has made direct real estate and private investment commitments of \$2.5 billion to 27 investment partnerships managed by 13 Connecticut-based firms, Treasurer Nappier told the Investment Advisory Council (IAC) today.

Treasurer Nappier said, “Prudent investments in our own backyard are a win-win proposition – both in terms of the likelihood for solid returns for the fund’s assets, as well as the economic activity that will be generated for our state as a result.” “Our outside consultants have indicated that there is plenty of investment opportunity within the State’s borders that makes financial sense,” she said.

“Besides the real estate and private investment commitments, the State benefits from in-state investments made by all its Connecticut Retirement Plans and Trust Funds (CRPTF) partners, including in the Alternative Investment Fund,” Treasurer Nappier said. “And an additional plus is the corporate citizenship of the partners, who donate a conservative estimate of at least \$1 million annually to charitable causes in Connecticut.”

It is the policy of the CRPTF to create successful long-term relationships with best in class firms focusing on talent, diversity and solid performance. “The value of investing in Connecticut has been of interest to the Treasury from the start of my administration, and is codified in the CRPTF’s Investment Policy Statement as endorsed by the IAC,” Treasurer Nappier said.

Overall, for the twelve months that ended June 30, 2018, the CRPTF’s Real Estate and Private Investment Funds returned 8.70 percent and 15.5 percent, respectively.

Two reports on in-state investments by the Real Estate Fund (REF) and the Private Investment Fund (PIF) over the course of Treasurer Nappier’s administration showed that:

(1) Real Estate Fund (REF)

- Under the Nappier administration, the REF has committed \$1.01 billion since 2003 to 12 partnerships managed by five Connecticut-based firms. As of June 30, 2018, those firms employed 610 professionals in six cities, representing three Connecticut counties, Hartford, New Haven and Fairfield.
- The Connecticut real estate investments have returned \$1.36 for every \$1 invested, on average.
- Overall, eight of the REF's partnerships have invested in properties and firms located across the state. As of June 30, 2018, those partnerships have invested in 68 properties located in Connecticut, with the greatest investment in Stamford, including the Stamford Town Center. Other notable investments were made in Blue Back Square in West Hartford and Storrs Center in Mansfield.
- The REF's partnerships have demonstrated responsible corporate citizenship through support of Connecticut charitable, community, educational and civic organizations. The partnerships reported donating nearly \$120,000 to 28 non-profit organizations in 2017.

Concerning the REF, Treasurer Nappier told the IAC, "The [in-state] investments have contributed to job creation within numerous cities in the state and have had an impact on encouraging REF managers to give back to communities through charities, foundations, scholarships, and other educational opportunities." The greatest impact, according to the REF's consultants, was in Hartford and Greenwich.

In 2018, the real estate allocation of the Connecticut Horizon Fund was launched with a commitment of \$100 million to a woman-owned firm. The Horizon Fund is an initiative developed by Treasurer Nappier and endorsed by the independent IAC to diversify the management of the state's pension assets and enhance portfolio returns while providing opportunities for minority or women-owned, Connecticut-based and emerging firms.

(2) Private Investment Fund (PIF)

- The PIF made direct commitments of \$1.5 billion to 15 partnerships managed by eight Connecticut-based firms, representing 30 percent of the PIF's total capital commitments between 2002 and 2017.
- As of June 30, 2018, the PIF's investments in the partnerships have generated a total net return of \$1.54 for every \$1 invested by the CRPTF.
- In addition, PIF's fund-of-fund partners have made more than \$200 million of commitments to 23 sub-funds managed by Connecticut-based firms.
- And the PIF's partnerships have invested in 21 underlying companies that are based, or have significant operations, in Connecticut having more than 2,300 employees in the State.

PIF TARGETED IN-STATE INVESTMENT INITIATIVE LAUNCHED IN 2015

In 2015, Treasurer Nappier launched a \$145-million initiative designed to provide much needed capital to promote growth in companies throughout Connecticut, including untapped and/or underserved areas.

Under the initiative, PIF partners would invest solely in Connecticut, unlike the majority of other CRPTF partners whose investment strategy is not limited geographically to Connecticut real estate and businesses. The new initiative includes private debt, private equity and venture capital investments. Performance would be measured, first, by risk-adjusted returns followed by other macro-economic factors such as job creation, retention and overall economic growth.

The initiative's stated objective is "to make prudent, profitable investments that have the added benefit of a positive economic impact on Connecticut." This objective is memorialized in the CRPTF's Investment Policy Statement, which dictates up to 3 percent of private equity assets should be invested in partnerships focused on in-state investments.

At the October 10 meeting of the IAC, StepStone, the PIF's outside investment consultant, reported that, as of June 30, 2018, the initiative has invested in six companies. These six companies employ 601 Connecticut-based employees.

Here is where the initiative stands today:

- Connecticut Growth Capital, LLC is a \$50 million commitment available for capital investments to support growth financings, recapitalizations and acquisition financings of Connecticut-based companies. Balance Point Capital Partners of Westport, CT, manages the commitment, making loans to middle-market companies in Connecticut. As of September 30, 2018, Connecticut Growth Capital has invested in four Connecticut companies – OneSource Water in Farmington, Practitioner Support Services in Monroe, Clarus Commerce in Rocky Hill, and APS Technology in Wallingford. Balance Point has invested \$19.6 million on behalf of Connecticut Growth Capital as of September 30, 2018.
- Constitution Fund V, LLC received an initial commitment of \$20 million for venture capital investments in high-potential companies in Connecticut. Fairview Capital Partners of West Hartford, CT, manages the commitment. As of September 30, 2018, Fairview has invested \$7 million in two Connecticut-based companies – R4 Technologies in Ridgefield and eVariant in Farmington. With the support of the IAC, Treasurer Nappier recently reallocated \$25 million of the in-state investment initiative to Constitution V for co-investments in promising, high growth companies based in Connecticut.
- Nutmeg Opportunities Fund II LLC, managed by J.P. Morgan Private Equity Group of New York, received a commitment of up to \$50 million for direct investments. J.P. Morgan has selected the first direct investment in the Nutmeg II fund, which is scheduled to close by year-end.

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