



State of New Jersey

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November 13, 2020

MEMORANDUM TO: State Investment Council

FROM: Corey Amon
Director

SUBJECT: **Proposed Investment in IPI Partners II, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$150 million in IPI Partners II, L.P. (the “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Experienced Team Supported by the Broader Platform of Sponsors

The senior team members of IPI Partners (the “Firm,” or “IPI”) bring investment experience, deep industry knowledge and expertise. The Firm’s prior fund established IPI as one of the largest private data center owners in the U.S. with 11 operational data centers and 11 build-to-suit data centers representing 486 MW of capacity. One of the Firm’s sponsors, Iron Point, has a deep track record investing in data centers, having deployed capital in three funds prior to the formation of the Firm. IPI’s other sponsor, ICONIQ, brings expertise investing in technology companies across all stages. IPI and its sponsors have developed a high quality, actionable pipeline.

Compelling Market Opportunity with Strong Secular Tailwinds

The pace of digital data creation, the need to store new and legacy data, and the exponential growth of cloud computing has spawned the growth of data centers in network nodes in major markets. The accelerated move to IT outsourcing, cloud adoption, and emerging technologies such as 5G present an opportunity for sustainable growth in both multi-tenant co-location and hyper scale data centers. Consumer demand and the need to reduce latency are fueling the emergence of scaling U.S. data center markets.

Pure Real Estate Play on the Technology Sector

IPI’s strategy is specifically focused on the high growth data center property sector. IPI has access to demand-driven assets that are difficult to source. IPI leverages its connections from its own relationships as well as those of Iron Point and ICONIQ. IPI wholly owns Stack Infrastructure, which provides asset management, leasing and other customer functions at the Firm’s multi-tenant data centers. Stack Infrastructure has been instrumental in expanding and cementing IPI’s tenant

relationships. The Firm's investment strategy is focused on high-quality assets located in Tier 1 data center markets and leased to investment grade tenants.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its real estate consultant, Hamilton Lane, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has not engaged a third-party solicitor ("placement agent").

IPI has a formal Responsible Investment Policy ("Policy") which encompasses Environmental, Social & Governance (ESG) issues. In developing the Policy, the Firm reviewed documents from leading nonprofit organizations that focus on advancing responsible investment, including the Principles for Responsible Investment ("PRI"), the Sustainability Accounting Standards Board ("SASB"), Business for Social Responsibility ("BSR"), and the American Investment Council's Guidelines for Responsible Investing. IPI intends to become a signatory to the PRI at the final closing of the Fund. The Firm has a formal ESG committee comprised of professionals representing a cross section of functions, including investments, business development, and asset management with the goal of integrating ESG issues throughout the life cycle of its investments.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 71 of the Council's regulations. IPI Partners II, L.P. is considered a non-core real estate investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC, and a meeting of the IPC was held on November 9, 2020. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's November 18, 2020 meeting.

Attachment

Fund Name: IPI Partners II, L.P. **November 13, 2020**

Contact Info: Matt A'Hearn, 300 N. LaSalle, Suite 1875, Chicago, IL 60654

Fund Details:		
Total Firm Assets (\$bil.):	\$2.7 billion	Key Investment Professionals: Matt A'Hearn (Partner): Mr. A'Hearn joined IPI Partners (IPI) in 2017 and heads all aspects of the firm's activities. Previously he was a Managing Director at Moelis & Company where he was primarily responsible for leading the firm's global investment banking practice in the communications infrastructure sector, including coverage of data center, fiber, and tower companies, as well as equity and debt capital providers active in the space. Prior to joining Moelis in 2009, Mr. A'Hearn was a Principal in the investment banking group at Bank of America Merrill Lynch where he advised corporate and private equity clients in the telecom, media, and technology ("TMT") industries. Sean Ivery (Managing Director): Mr. Ivery joined IPI in 2018. He is responsible for identifying and developing opportunities to strengthen and deepen IPI's global industry relationships. Mr. Ivery has focused on the data center industry throughout his career and has expertise in negotiating acquisitions of data center facilities, technical infrastructure and operating rights, and complex site selection projects. Prior to IPI, Mr. Ivery was a Senior Vice President in the Data Center Solutions Group at CBRE, where he completed colocation transactions for fortune 500 clients, data center developers and private equity firms. Josh Friedman (Managing Director): Mr. Friedman joined IPI in 2017. He was previously a Principal at Sterling Partners where he evaluated and managed investment opportunities in business services, including the data center space. Mr. Friedman has extensive experience in the data center industry, having invested in, managed, and led equity and debt capital markets transactions for private companies in the space. Christopher Jensen (Managing Director): Mr. Jensen joined IPI in 2019. He was previously the Managing Partner of Anderson Pacific Corporation, a Chicago-based private investment firm focused on communications infrastructure. While at Anderson Pacific, Mr. Jensen was responsible for sourcing, funding, and advising portfolio companies focused on the data center, fiber, tower, and spectrum related verticals. Mr. Jensen is active in the Midwest technology start-up community as an angel investor and sits on the board of Hyde Park Angels.
Strategy:	Non-Core Real Estate	
Year Founded:	2016	
Headquarters:	Chicago, IL	
GP Commitment:	Lesser of 2% of aggregate capital commitments and \$20 million	

Investment Summary
 IPI is a real estate pure-play fund manager targeting the technology sector and focused on data centers. IPI senior members bring investment experience, deep industry knowledge, sector expertise and relationships. The pace of digital data creation, the need to store new and legacy data, and the exponential growth of cloud computing has spawned the need for data centers in network nodes in major markets. The accelerated move to IT outsourcing, cloud adoption, and emerging technologies present opportunities for sustainable growth in both multi-tenant and hyperscale data centers. The Fund will acquire and develop high-quality data centers and other technology and connectivity-related assets in the United States and internationally. The investment strategy focuses on serving investment grade tenants.

Existing and Prior Funds			
<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 06/30/2020</u>
Fund I	2016	Non-Core Real Estate	13.2% Net IRR; 1.3x TVPI; 0.2x DPI

IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2019	Auditor:	KPMG LLP
Fund Size :	\$1.5 billion target	Legal Counsel:	Gibson, Dunn, & Crutcher LLP
Management Fee:	Committed and invested capital at a blended rate of 1.425% based on the Division's allocation.		
Carry:	20%		
Preferred Return:	7%		
Additional Expenses:	100% Management Fee Offset		

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$150 million	LP Advisory Board Membership:	YES
% of Fund:	10%	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.