
Oregon Investment Council

August 8, 2018
9:00 AM

**Oregon State Treasury
16290 SW Upper Boones Ferry Road
Tigard, OR 97224**

Rukaiyah Adams
Chair

John Skjervem
Chief Investment Officer

Tobias Read
State Treasurer



OREGON INVESTMENT COUNCIL



Agenda

August 8, 2018
9:00 AM

Oregon State Treasury
Investment Division
16290 SW Upper Boones Ferry Road
Tigard, OR 97224

<u>Time</u>	<u>A. Action Items</u>	<u>Presenter</u>	<u>Tab</u>
9:00-9:05	1. Review & Approval of Minutes June 6, 2018	John Russell <i>OIC Vice Chair</i>	1
9:05-9:10	2. Committee Reports and CIO Remarks	John Skjervem <i>Chief Investment Officer</i>	2
9:10-9:55	3. Global Markets Overview	Laurence Fink <i>Co-Founder, Chairman and CEO, BlackRock, Inc.</i>	3
9:55-10:40	4. Vista Equity Partners VII, L.P. <i>OPERF Private Equity Portfolio</i>	Michael Langdon <i>Senior Investment Officer, Private Equity</i> Tom Martin <i>Managing Director, TorreyCove Capital Partners</i> Robert F. Smith <i>Founder, Chairman and CEO, Vista Equity Partners</i>	4
10:40-10:50	----- BREAK -----		
	<u>B. Information Items</u>		
10:50-11:30	5. Opportunity Portfolio Review <i>OPERF</i>	John Hershey <i>Director of Alternative Investments</i>	5

TAB 1 – REVIEW & APPROVAL OF MINUTES

June 6, 2018 Regular Meeting



STATE OF OREGON
OFFICE OF THE STATE TREASURER
16290 SW UPPER BOONES FERRY ROAD
TIGARD, OREGON 97224

OREGON INVESTMENT COUNCIL
JUNE 6, 2018
MEETING MINUTES

Members Present: Rukaiyah Adams, Tobias Read (via phone), John Russell, Rex Kim and Rick Miller

Staff Present: John Skjervem, Darren Bond, Perrin Lim, David Randall, Deena Bothello, Karl Cheng, Anna Totdahl, Debra Day, David Elott, May Fanning, Jo Recht, Roy Jackson, Amanda Kingsbury, Jen Plett, Michael Viteri, Dana Millican, Ben Mahon, Garrett Cudahey, Andy Coutu, Ricardo Lopez, Angela Schaffers, Eric Messer, Mark Selfridge, Michael Langdon, Michael Viteri, Tom Lofton, Jennifer Peet, Aliese Jacobsen, William Hiles, Tim Baumert, Dmitri Palmateer, Emily Nash, James Sinks, and Amy Wojcicki

Consultants Present: David Fann and Skylar Houk, (TorreyCove); Allan Emkin, Christy Fields and Brandon Ross (PCA); Janet Becker-Wold, and Jim Callahan (Callan)

Legal Counsel Present: Steven Marlowe, Department of Justice

The June 6th, 2018 OIC meeting was called to order at 8:58 am by Rukaiyah Adams, OIC Chair.

I. 9: 00am Review and Approval of Minutes

MOTION: Member Russell moved approval of both the April 25th, 2018 OIC regular meeting minutes and the April 27th, 2018 special meeting minutes. Member Kim seconded the motion which then passed by a 5/0 vote.

II. 9:06 am Committee Reports and CIO Update

Committee Reports: Mr. Skjervem gave an update on the following committee actions taken since the April 25th, 2018 OIC meeting:

Private Equity Committee

None

Alternatives Portfolio Committee

May 18, 2018

Blackstone Energy Partners III

\$200 million

Opportunity Portfolio Committee

None

Real Estate Committee

None

Mr. Skjervem then delivered opening remarks which included a summary of staff's Private Equity proposal, the scheduled Statement of Investment and Management Beliefs discussion, and annual updates on Investment Operations and the Common School Fund. Mr. Skjervem also introduced Ms. Anna Totdhal, the new Investment Officer in the Portfolio Risk & Research group.

III. 10:11 am TPG Partners VIII, L.P. & TPG Healthcare Partners, L.P.
OPERF Private Equity Portfolio

Michael Langdon, Senior Investment Officer, Private Equity, recommended approval of an up to \$500 million capital commitment split pro rata between TPG Partners VIII, L.P. ("TPG VIII", "Fund VIII", or the "Fund") and TPG Healthcare Partners, L.P. (the "Healthcare Fund") as part of the OPERF private equity portfolio. Approval of the proposed commitment would represent the continuation of an existing relationship with TPG which dates back more than 20 years and comprises approximately \$4 billion in cumulative commitments across 15 previous investment vehicles.

Mr. Langdon then introduced Mr. Jim Coulter, TPG's Co-Founder and Co-CEO, who provided the Council with a presentation on the firm, its investment strategy and performance record.

MOTION: Member Kim moved approval of staff's recommendation, and Treasurer Read seconded the motion which then passed by a 4/1 vote. Member Russell cast the dissenting vote.

IV. 10:16 am Statement of Investment and Management Beliefs

Allan Emkin, Managing Director, Pension Consulting Alliance, provided the Council with a revised draft of the OIC's Statement of Investment and Management Beliefs. In December 2017, PCA was retained to work with the OIC and senior OST investment staff to review and possibly revise the OIC's Statement of Investment and Management Beliefs (the "Beliefs").

Over the first quarter of 2018, PCA engaged OIC members and senior OST investment staff in a survey examining the Council's existing Beliefs statements. Survey questions solicited participants' updated views and commentary on the Beliefs as well as their proposed revisions thereto. Based on the survey results and additional input from survey participants, PCA outlined and presented potential Beliefs revisions at the Council's special meeting on April 27, 2018.

At the end of that meeting, Council members were asked to cogitate on the revisions presented and share any additional thoughts and edits directly with Mr. Emkin. The final draft presented by Mr. Emkin at the June OIC meeting reflected both the revisions discussed at the Council's special meeting on April 27 as well as any subsequent input from Council members and senior OST investment staff.

MOTION: Member Russell moved approval of staff's recommendation, and Member Kim seconded the motion which then passed by a 5/0 vote.

- V. 11:01 am Q1 2018 Performance & Risk Report – OPERF**
Karl Cheng, Senior Investment Officer, Portfolio Risk & Research and Janet Becker-Wold, Senior Vice President, Callan Associates, presented the first quarter 2018 investment performance update on OPERF.
- VI. 11:30 am OST Investment Operations Update – OPERF Investment Operations Update**
David Randall, Director of Investment Operations, Perrin Lim, Director of Capital Markets, Debra Day, Investment Reporting Manager and Ron Allen, Managing Director, Blackrock Solutions (BRS) provided the Council with a broad review of staff and BRS efforts within OST’s investment operations group.
- VII. 11:54 am Common School Fund - Annual Review**
Michael Viteri, Senior Investment Officer, Public Equity provided the OIC with an update on the asset allocation, performance, and rebalancing activity within the Common School Fund for the period ended December 31, 2017.
- Mr. Viteri then introduced Bill Ryan, Deputy Director for Operations, Department of State Lands who provided an update on the Common School Fund.
- VIII. 11:55 am Asset Allocation & NAV Updates**
Mr. Skjervem reviewed asset allocations and NAVs across OST-managed accounts for the period ended April 30, 2018.
- IX. 11:55 am Calendar — Future Agenda Items**
A calendar listing of future OIC meetings and scheduled agenda topics was included in the Council’s meeting material.
- X. 11:56 pm Open Discussion**
Council Member Miller recognized Chair Adams and encouraged the audience to view her recent “Ted Talk” online. He then suggested that the Council should consider developing a strategic plan that outlines its goals and objectives for the next 3 to 5 years. He further suggested linking the investment division’s operating budget to key performance indicators stipulated in the Council’s strategic plan.
- He recognized that the OIC does not have authority over the investment division’s operating budget or its personnel management, but posited that such a link would improve governance and could enhance long-term investment performance. Chair Adams responded positively to Member Miller’s suggestion and indicated that she had already had similar conversations with Mr. Skjervem. Chair Adams then asked Member Miller to assume a leadership role on this particular initiative.
- Member Russell shared remarks in support of Venture Capital and asked for further discussion of that asset class at subsequent Council meetings.
- Member Kim inquired about the “General Consultant Recommendation” that staff is proposing for discussion at the October OIC meeting. Mr. Skjervem explained that the October proposal staff is planning will feature the second and final two-year extension of the existing contract with Callan. He further explained that following the conclusion of that second and final two-year extension, and consistent with OIC policy, staff would issue a formal Request for Proposal for general consulting services.

12: 02 pm Public Comments

Jim Baker, Private Equity Stakeholder Project, shared his concerns regarding the closing and liquidation of nearly 800 Toys “R” Us stores which resulted in termination for 33,000 employees

nationwide. Mr. Baker then advocated in support of fair severance packages for Toys “R” Us employees from the company’s private equity sponsors which include KKR, Bain Capital and Vornado.

Ms. Adams adjourned the meeting at 12:08 pm.

Respectfully submitted,

May Fanning

May Fanning
Executive Support Specialist

DRAFT

TAB 2 – Committee Reports and CIO Remarks

Opening Remarks

John D. Skjervem, Chief Investment Officer

August 8, 2018



Oregon State Treasury

August 8, 2018 OIC Meeting

Mr. Fink in the House

- Global Markets Overview

Private Equity Recommendation

- Vista Equity Partners Fund VII

Opportunity Portfolio Review

- Good first decade
- Strategy refinements on-going

Corporate Governance Update

- Annual report from Glass Lewis

Second Cavalry Wave

- | | |
|---|--|
| ▪ Lisa Pettinati, Deputy General Counsel | Chris Ebersole, Investment Officer, Real Estate |
| ▪ Joe Hutchinson, Investment Accountant | Steve Kruth, Compliance Manager |
| ▪ Kristel Flores, Executive Support Specialist | Justin Southard, Help Desk Analyst |
| ▪ Robin Kaukonen, Investment Officer, Public Equity | Geoff Nolan, Senior Investment Officer, Fixed Income |

TAB 3 – Global Markets Overview
(No documents for this agenda item)

TAB 4 – Vista Equity Partners VII, L.P.

OPERF Private Equity Portfolio

Vista Equity Partners Fund VII, L.P.

Purpose

Subject to the satisfactory negotiation of all terms and conditions with Staff working in concert with legal counsel, Staff recommends approval of an, up to, \$500 million capital commitment to Vista Equity Partners Fund VII, L.P. (“VEPF VII” or “Fund VII”) as part of the OPERF private equity portfolio. Approval of the proposed commitment would continue OPERF’s existing relationship with Vista Equity Partners Management, LLC (“Vista”, the “GP”, or the “Firm”) dating back to 2007 and including \$1.2 billion of previous capital commitments across six partnerships.

Background

Vista was formed in 2000 by Robert Smith (Chairman & CEO) and Brian Sheth (President) to pursue operationally intensive private equity investments exclusively in enterprise software and technology enabled service businesses. Over nearly two decades since inception, the GP’s platform has broadened to include investment practices focused on small cap, mid cap, and large cap private equity as well as private credit and public equities, but across all business lines, the Firm continues to pursue a strict focus on enterprise software companies. Today, Vista maintains offices in San Francisco, Chicago, and Austin, and the GP currently employs nearly 200 professionals over half of which are investment professionals. In addition to the Firm’s in-house team, Vista portfolio companies work closely with the operating professionals employed by the GP’s captive management consulting practice Vista Consulting Group (“VCG”). VCG currently employs a team of more than 100 professionals all with subject matter expertise in the software space.

Since inception, Vista has raised over \$31 billion across all business lines. This includes \$23 billion raised across five previous Vista Equity Partners funds to pursue the GP’s flagship large cap private equity strategy. The Firm is now targeting at least \$12 billion for Vista Equity Partners Fund VII, L.P.

Strategy

VEPF VII will target control investments in software, data, and tech-enabled solutions businesses with enterprise values of \$750 million to \$10 billion based primarily in North America. The GP will target roughly 15 companies that provide products and services that are mission critical to enterprise customers, which provides high revenue predictability and an opportunity for impactful operational intervention. After acquisition, Vista will aggressively drive growth and operational efficiency in portfolio companies through both add-on acquisitions and the disciplined implementation of Vista’s proprietary best practices.

Issues to Consider

Attributes:

- **Strong Long-Term Results** – Since 2000, Vista’s flagship Equity Partners Funds have deployed roughly \$19 billion of gross cost in more than 70 platform investments generating a net IRR since inception in excess of 20%. More than half of those investments have been realized generating a gross multiple on exited investments above three times cost. This compares to a loss ratio under 1% across all investments since inception.
- **Focused Investment Strategy** – As noted above, Vista emphasizes a differentiated and focused strategy pursuing investment opportunities exclusively in software, data, and technology enabled solutions companies. Since inception, the GP has executed over 300 private equity investments with a total transaction value approaching \$100 billion (including both platform and add-on acquisitions). In aggregate, Vista’s portfolio would represent the fourth largest software company

in the world with more than 220 million end users in over 175 countries. This scale affords Vista touchpoints, insights, and access within the GP's domain that are unrivaled in the investment industry.

- **Unique Operational Capabilities** – Building on Vista's industry focus, the GP pursues a disciplined approach to operational intervention in portfolio companies. The Firm's investment team of over 100 professionals includes individuals with both financial and operating backgrounds. As noted above, VCG doubles the headcount with a team of subject matter experts focused on areas such as product & technology, go-to-market, finance & accounting, and talent. Again, VCG is focused exclusively on operational consulting within the software sector, and the approach is codified in more than 100 proprietary best practices that are continually revisited and refreshed.

Concerns:

- **Increasing Competition** – At inception, Vista was a first mover in a nascent market for software buyouts, but, in the nearly two decades since, software has grown to be the dominant sector in PE backed M&A. As new competition has arisen, there has been a step change in purchase prices for mature and profitable software companies. [*Mitigant:* As discussed above, Vista separates itself from the competition with respect to experience and operational capability. As the market has become more competitive, the GP has reacted by redoubling its focus on continuous improvement particularly as regards operational intervention. The Firm's ability to drive value through earnings enhancement helps to counteract the impact of increasing entry multiples.]
- **Increasing Fund Size** – As noted above, Vista is targeting at least \$12 billion for Fund VII. While a fundraising cap is still under consideration, the GP is likely to pursue 20-25% growth in commitments above the \$11.1 billion raised for VEPF VI in 2016. [*Mitigant:* Vista targets an addressable market of roughly 100,000 software companies with a total enterprise value of \$12 trillion. Of this group, roughly 5,000 companies are currently of a scale to be considered as platform investments for Vista's flagship funds. Given the secular trends underpinning demand for software and data solutions, the GP projects growth in the addressable market at mid-teens CAGRs over the next decade.]
- **Imperfect Alignment** – As discussed in the background section, Vista invests in a single sector across multiple investment platforms. This gives rise to potential conflicts as multiple business lines may have an interest in a given target and complex cross fund transactions are increasingly considered. Further, in 2015 Vista took a minority investment in the GP from Dyal Capital Partners. As a result, a component of the GP economics generated by Vista's funds is no longer available to incentivize the team. [*Mitigant:* While Vista's profile is increasingly complex from a GP:LP alignment perspective, those challenges need to be weighed against the economies of scale and network effects that the GP has created by building a large and broad but still focused platform. As outlined above, Vista brings unique expertise and operational capability to the software space which is the primary merit of the VEPF VII proposition. Further, OPERF benefits from a large, long, and collaborative relationship which this GP which allows for close oversight on the part of Staff.]

Terms

Legal negotiation are not final, but Staff views the proposed terms as being largely in-line with the market. Further information on the proposed terms can be found in the TorreyCove materials. Please note that Staff has not interacted with a placement agent in connection with the funding process.

Conclusion

Staff recommends a capital commitment of up to \$500 million to Vista Equity Partners Fund VII, L.P., which represents, in Staff's opinion, an attractive opportunity in the large-market buyout segment of the OPERF private equity portfolio.



MEMORANDUM

TO: Oregon Public Employees Retirement Fund (“OPERF”)
FROM: TorreyCove Capital Partners (“TorreyCove”)
DATE: July 30, 2018
RE: Vista Equity Partners VII, L.P. (the “Fund”)

Strategy:

The Fund will seek to acquire controlling interests in 10 to 15 upper middle-market and large cap companies within the enterprise software, data, and technology-enabled solutions space that are primarily headquartered in North America. Vista seeks to invest in companies in which the Firm believes they can drive operational change, leveraging their in-house consultancy as well as their Operating Principals.

Historically, portfolio company end markets vary, and could include energy, professional services, financial services, and specialty healthcare, among others. Key business profile characteristics that Vista filters for when canvassing opportunities include mission-critical solutions, strong customer and revenue retention, high levels of recurring revenue, established and diversified customer bases, defensible competitive positioning and products, and high free cash flow.

Please see attached investment memorandum for further detail on the investment opportunity.

Allocation:

A new commitment to the Fund would be allocated 100% to the Corporate Finance investment sub-sector and will further be categorized as a Domestic investment. As of the September 30, 2017 report, OPERF’s allocation to Corporate Finance is listed in the table below. It is important to note that since allocation is based on fair market value, a commitment to the Fund would not have an immediate impact on OPERF’s current portfolio allocation. Commitments to the Fund are complementary to OPERF’s existing fund commitments and provide the overall portfolio with a further degree of diversification.

As of December 31, 2017	Target	FMV	FMV + Unfunded
Corporate Finance	60-85%	76.1%	76.9%

Conclusion:

The Fund offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. TorreyCove’s review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. TorreyCove recommends that OPERF consider a commitment of up to \$500.0 million to the Fund.

TorreyCove’s recommendation is contingent upon the following:

- (1) Satisfactory negotiation or clarification of certain terms of the investment;



TORREYCOVE
CAPITAL PARTNERS

- (2) Satisfactory completion of legal documents;
- (3) Satisfactory continuation and finalization of due diligence;
- (4) No material changes to the investment opportunity as presented; and
- (5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

TAB 5 – Opportunity Portfolio Review

OPERF

OPERF Opportunity Portfolio 2017 Annual Review

John Hershey — Director of Alternative Investments

August 8, 2018



Oregon State Treasury

Topics

1. Opportunity Portfolio Overview

2. 2017 Review

3. Active Funds Review

Opportunity Portfolio Overview

Role

- Provide enhanced risk adjusted returns and diversification to OPERF
- Investments typically a combination of shorter-term (1-3 years) and longer-term holdings
- May be up to 3.0% allocation of OPERF
- No strategic target allocation

Objectives

- Policy benchmark of CPI + 5.0%
- Low correlation with other OPERF holdings
- Less risk than OPERF public equity component
- Opportunistic/dislocation oriented
- Innovation oriented
- Non-diversified – may be concentrated and have allocations up to 25% at purchase

Strategies of Interest

- Dislocation oriented (illiquid credit, capital solutions, structured equity)
- Diversification oriented (drug royalties, insurance and reinsurance, intellectual property)

Background

2006	Opportunity Portfolio inception
2007	Early market fissures appear OPERF too early to levered loans
2008	Global Financial Crisis Full-time Opportunity Portfolio Investment Officer hired. High-water mark in new commitments, both number and dollars. Heavy investment in private credit.
2009-2010	Relatively light deployment
2011	Three funds moved to seed new Alternatives Portfolio
2012-2014	Commitments to multi-strat Opportunity mandates initiated; “pseudo-outsourcing”
2015-2018	Relatively stable deployment

Topics

1. Opportunity Portfolio Overview

2. 2017 Review

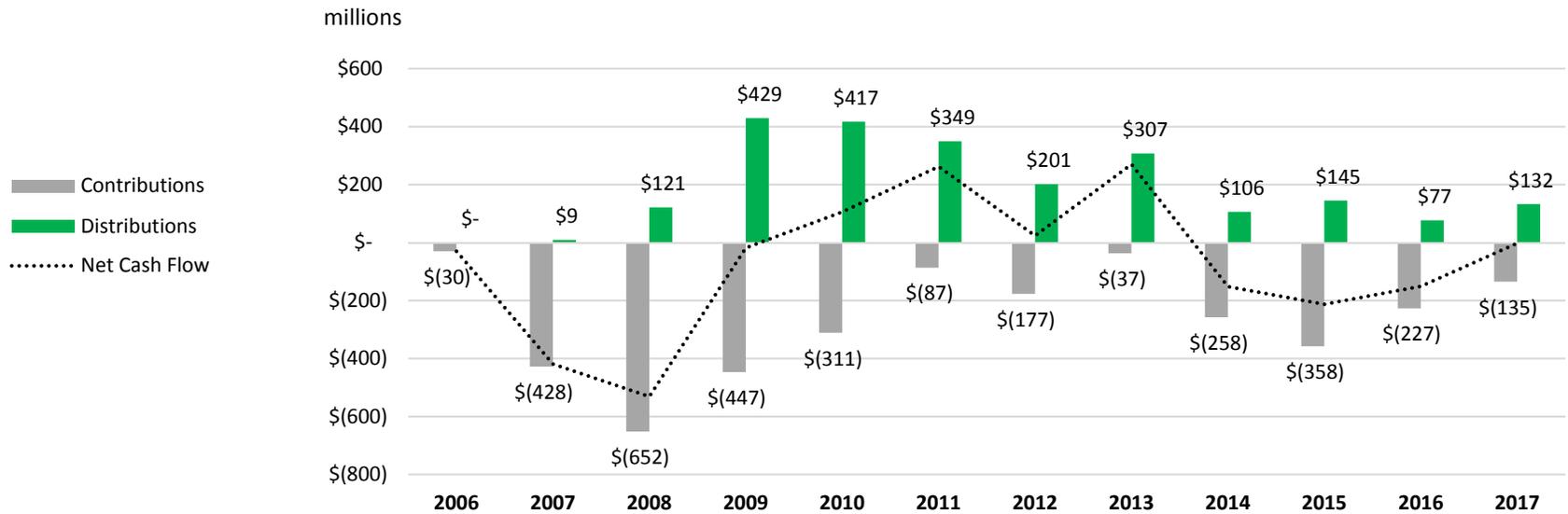
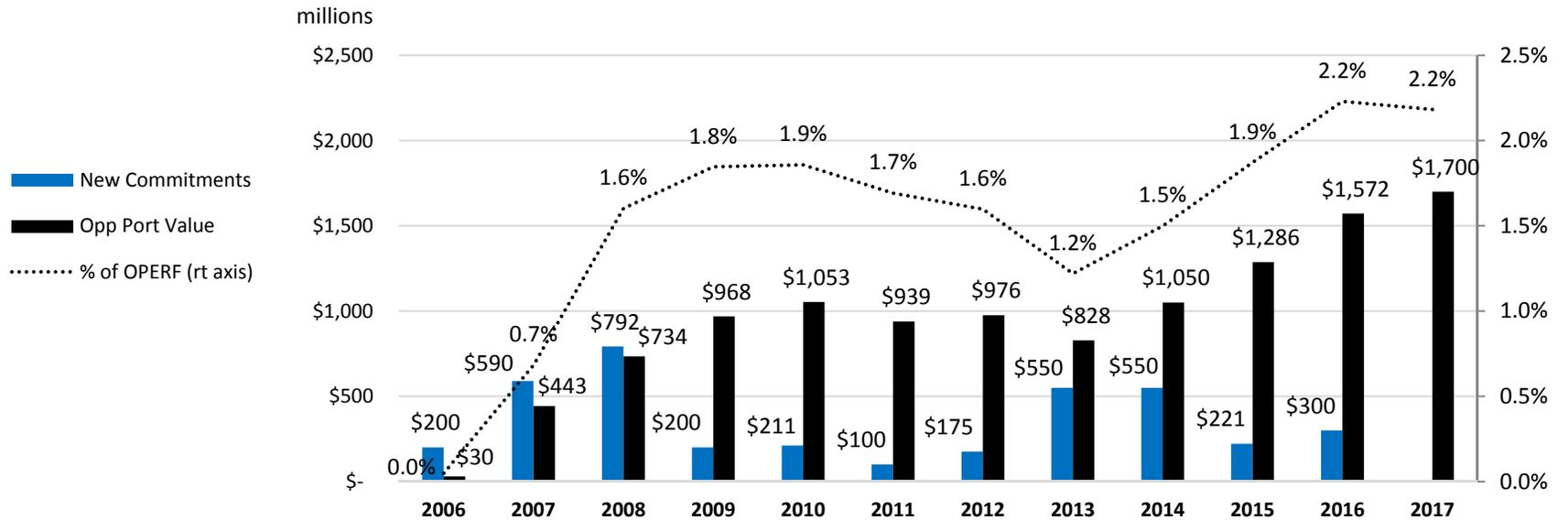
3. Active Funds Review

2017 Year in Review

- The Opportunity Portfolio’s market value as a percent of OPERF remained at approximately 2.2% in 2017, within its 3.0% policy limit.
- Representing 78% of total FMV, the Portfolio continues to be concentrated among its four largest investments: a real estate debt fund; an absolute value-focused equity fund; and two diversified investments with broad mandates.
- Staff is currently evaluating investment opportunities with both current and new managers.
- There were no new commitments made in 2017. In 2018, the Portfolio made a commitment to the TSSP Adjacent Opportunities Contingent Fund.

Year	New Commitments	Date Authorized	First OPERF Drawdown	Commitment
2017	-	-	-	-
2018 YTD	TPG TSSP Adjacent Opportunities (TAO) Contingent	January 2018	N/A	\$200 m

Historical Cash Flows and New Commitments



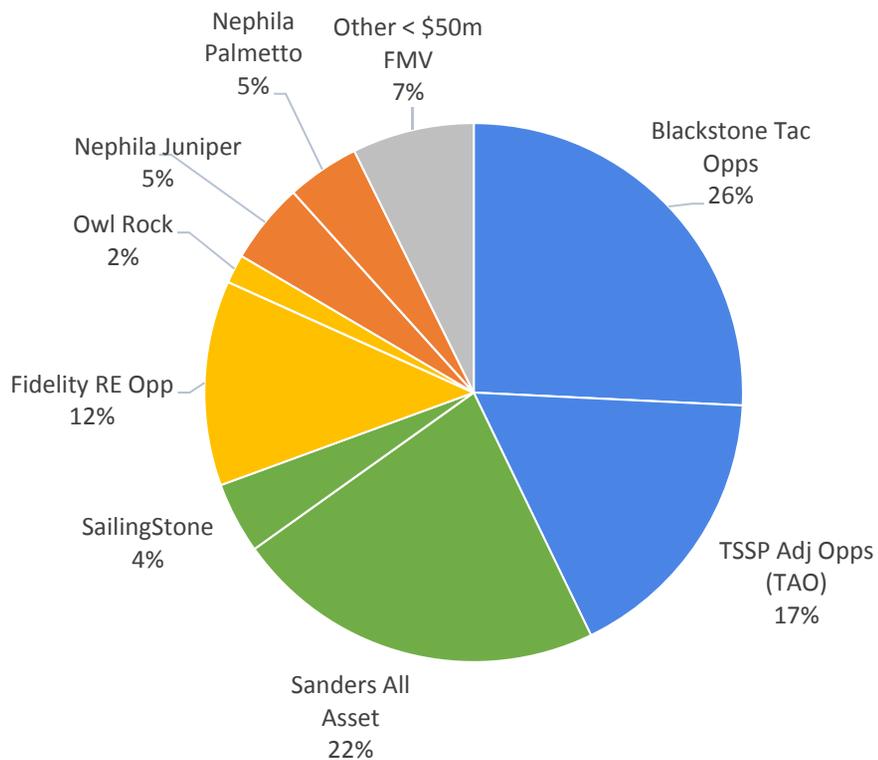
Investments as of 12/31/2017

Fund	Strategy	12/31/2017 FMV (\$m)	%	Commitment (\$m)	Commitment Date	Vintage Year	Contribution-Weighted Age (years)
Fidelity RE Opp Inc	Debt	\$ 205.5	12.1%	\$ 100.0	2/2007	2007	10.3
Apollo Credit Opp II	Bank Loan	\$ 1.1	0.1%	\$ 250.0	8/2008	2008	8.6
Providence TMT	Bank Loan	\$ 1.8	0.1%	\$ 100.0	6/2008	2008	8.9
Sanders All Asset	Equity	\$ 416.7	24.5%	\$ 200.0	1/2010	2010	7.8
Nephila Juniper Fund	Reinsurance	\$ 66.0	3.9%	\$ 50.0	1/2012	2012	6.0
Nephila Palmetto Fund	Reinsurance	\$ 64.7	3.8%	\$ 50.0	1/2012	2012	6.0
SailingStone Nat Gas	Equity	\$ 47.9	2.8%	\$ 75.0	10/2012	2012	4.0
Blackstone Tactical Opps	Diversified	\$ 400.3	23.5%	\$ 500.0	9/2013	2013	2.8
Galton Mortgage III	Debt	\$ 32.8	1.9%	\$ 50.0	1/2015	2013	2.0
Content Partners 3	Royalties	\$ 31.8	1.9%	\$ 50.0	4/2014	2014	1.5
Lone Star Res Mortgage I	Debt	\$ 3.4	0.2%	\$ 86.4	12/2014	2014	0.8
TSSP Adjacent Opps	Diversified	\$ 318.0	18.7%	\$ 500.0	5/2014	2014	2.5
OrbiMed Royalties II	Royalties	\$ 18.9	1.1%	\$ 35.0	1/2015	2015	1.1
TPG Special Lending Europe	Debt	\$ 38.9	2.3%	\$ 100.0	3/2015	2015	1.4
Lone Star X	Debt	\$ 1.0	0.1%	\$ 150.0	12/2014	2016	0.0
Owl Rock Capital	Debt	\$ 51.4	3.0%	\$ 150.0	9/2016	2016	0.8
Total Opportunity Portfolio		\$ 1,700.2					6.0
Allocation within OPERF		2.2%					(FMV-weighted)

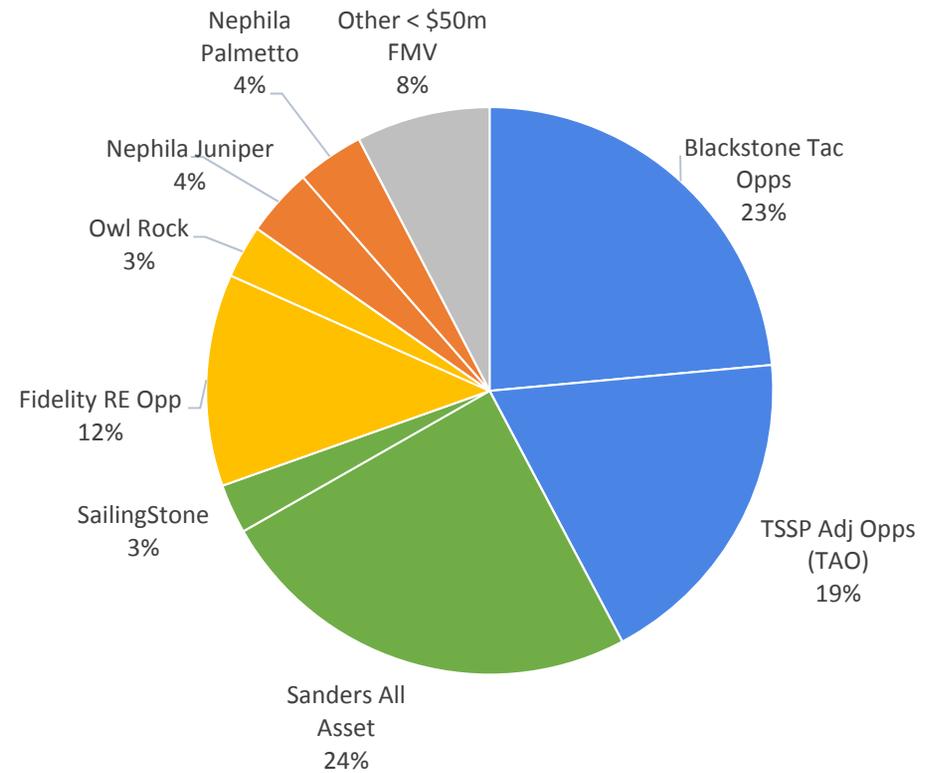
78% of Portfolio
in 4 Funds

Portfolio Manager Snapshot

12/31/2016
FMV \$1.6 billion

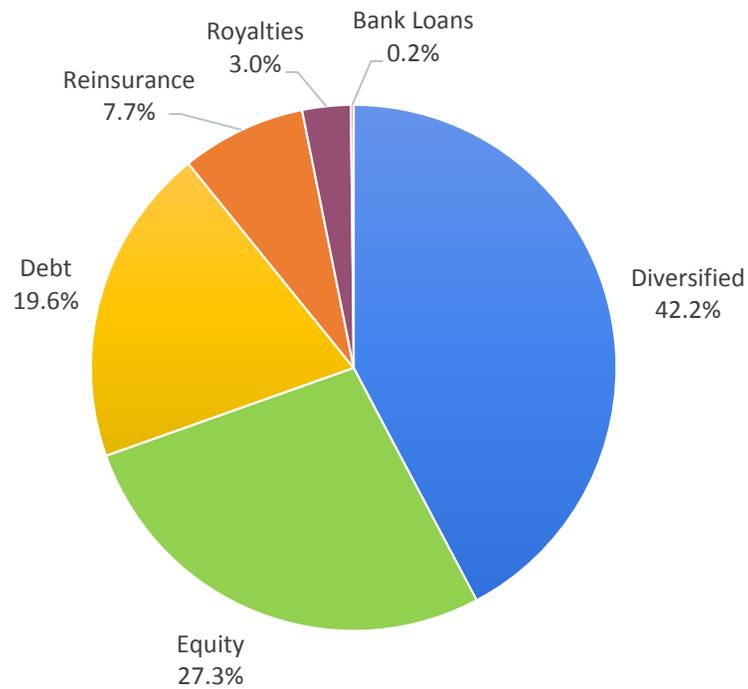


12/31/2017
FMV \$1.7 billion

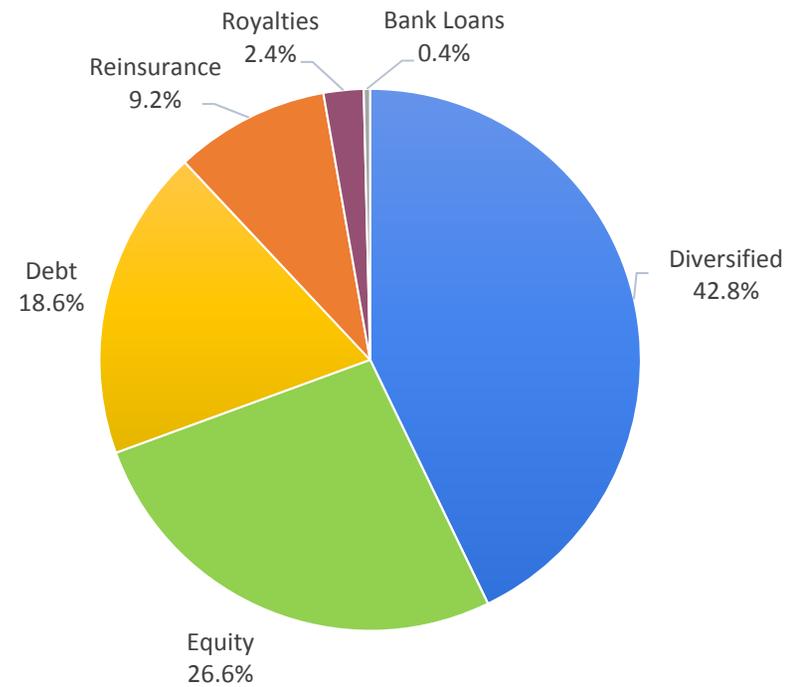


Portfolio Strategy Snapshot

**12/31/2016
Strategy Allocations**

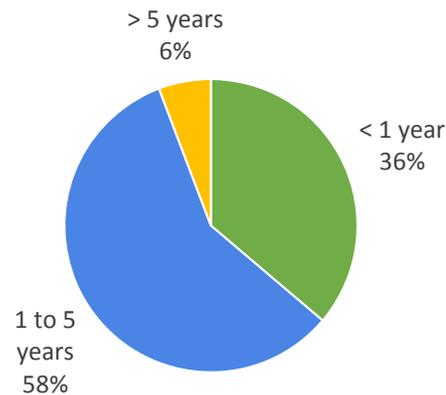


**12/31/2017
Strategy Allocations**



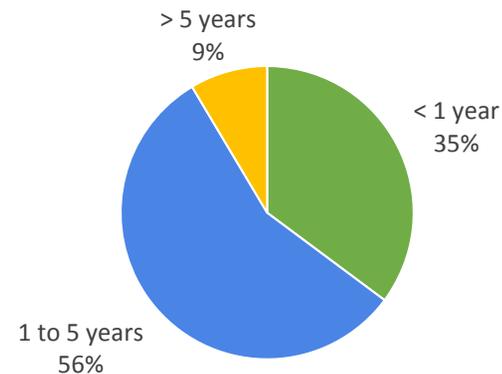
Portfolio Liquidity Snapshot

12/31/2016



	12/31/2016	Allocation
< 1 year	\$ 569,032,033	36.2%
Apollo Credit Opp	\$ 1,434,499	0.1%
Nephila Juniper	\$ 76,352,602	4.9%
Nephila Palmetto	\$ 68,666,325	4.4%
Providence TMT	\$ 4,525,066	0.3%
SailingStone Nat Gas	\$ 67,287,625	4.3%
Sanders All Asset	\$ 350,765,916	22.3%
1 to 5 years	\$ 912,126,510	58.0%
Blackstone Tac Opps	\$ 404,893,384	25.8%
Fidelity RE Opp	\$ 193,424,365	12.3%
Galton Mortgage	\$ 45,560,256	2.9%
TSSP Adj Opps (TAO)	\$ 268,248,505	17.1%
> 5 years	\$ 90,651,254	5.8%
Content Partners Fund 3	\$ 28,045,773	1.8%
Lone Star Fund X	\$ -	0.0%
Lone Star Res Mortgage I	\$ 736,709	0.0%
OrbiMed Royalty Opp II	\$ 9,520,298	0.6%
Owl Rock Capital	\$ 27,264,659	1.7%
TPG Specialty Lending Europe I	\$ 25,083,815	1.6%
Total	\$ 1,571,809,797	100.0%

12/31/2017

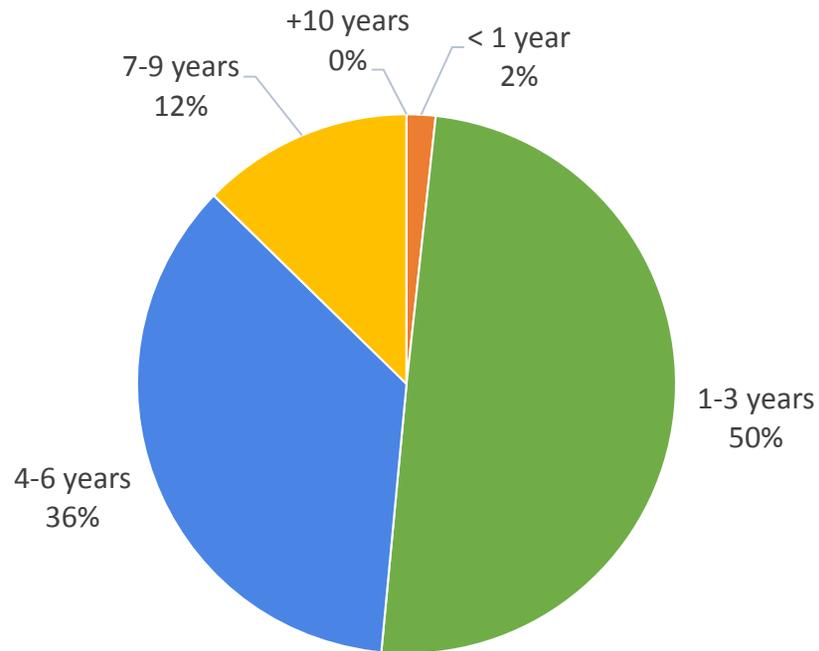


	12/31/2017	Allocation
< 1 year	\$ 598,187,435	35.2%
Apollo Credit Opp	\$ 1,132,026	0.1%
Nephila Juniper	\$ 65,975,787	3.9%
Nephila Palmetto	\$ 64,686,311	3.8%
Providence TMT	\$ 1,760,456	0.1%
SailingStone Nat Gas	\$ 47,915,827	2.8%
Sanders All Asset	\$ 416,717,028	24.5%
1 to 5 years	\$ 956,599,082	56.3%
Blackstone Tac Opps	\$ 400,291,551	23.5%
Fidelity RE Opp	\$ 205,473,290	12.1%
Galton Mortgage	\$ 32,826,102	1.9%
TSSP Adj Opps (TAO)	\$ 318,008,139	18.7%
> 5 years	\$ 145,426,870	8.6%
Content Partners Fund 3	\$ 31,784,963	1.9%
Lone Star Fund X	\$ 1,022,713	0.1%
Lone Star Res Mortgage I	\$ 3,354,643	0.2%
OrbiMed Royalty Opp II	\$ 18,896,886	1.1%
Owl Rock Capital	\$ 51,440,684	3.0%
TPG Specialty Lending Europe I	\$ 38,926,982	2.3%
Total	\$ 1,700,213,387	100.0%

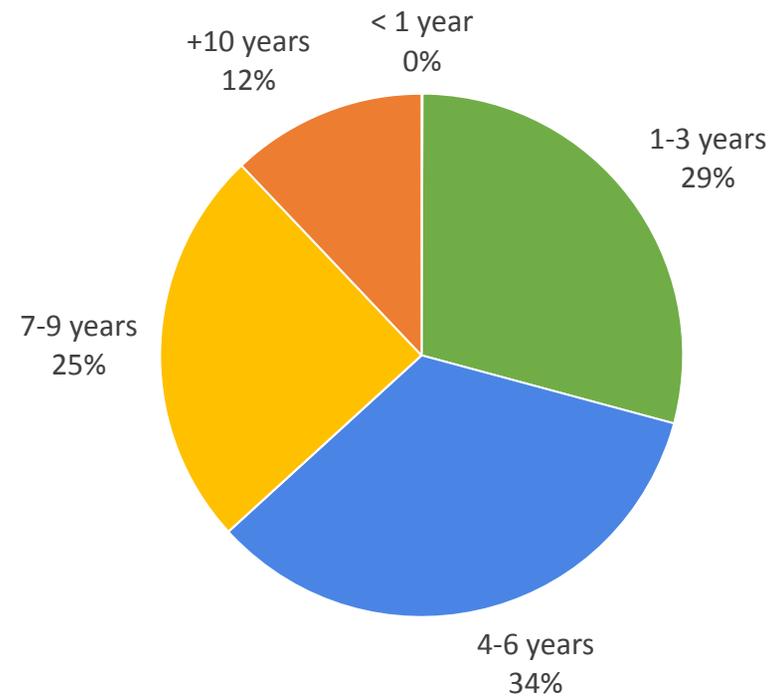
Apollo Credit Opportunity Fund II and Providence TMT Special Situations are in dissolution.

Portfolio Age Snapshot

**12/31/2016
Investment Age
Allocation**



**12/31/2017
Investment Age
Allocation**



Contribution-Weighted Age

Performance

Measure	12/31/2016	12/31/2017
FMV + Distributions	\$3,730 m	\$3,991 m
FMV	\$1,572 m	\$1,700 m
FMV % of OPERF	2.2%	2.2%
FMV + Unfunded Commitments % of OPERF	3.4%	3.1%

Multiple [(FMV + Distributions)/Drawn]	1.2x	1.3x
IRR Since Inception 9/2006	7.8%	7.9%

Time-Weighted Returns (State Street)	Opp Port	CPI+5%	Opp Port	CPI+5%
1 Year	2.7%	7.2%	10.5%	7.2%
3 Years	4.5%	6.2%	6.2%	6.7%
5 Years	9.2%	6.4%	8.4%	6.5%
7 Years	8.5%	6.7%	8.8%	6.8%
10 Years	6.6%	6.9%	7.7%	6.7%
Since Inception 9/2006	6.7%	6.7%	7.0%	6.7%

Topics

1. Opportunity Portfolio Overview

2. 2017 Review

3. Active Funds Review

Active Funds Review

Sanders Capital All Asset	
Strategy	Sanders Capital combines fundamental research analysis with both qualitative and quantitative tools to identify value investment opportunities in liquid equities, fixed income, commodities, and currencies.
FMV	\$416.7 m
Vintage	2010
Performance	9.8% net IRR since inception 3/2010 2.1x net TVPI
Outlook	<ul style="list-style-type: none">• 10% hurdle rate for each investment• 28% cash position, has decreased as some unique opportunities manifested• Defensively positioned, few opportunities meeting hurdle requirement• Focusing on opportunities in Information Technology and Health Care

Active Funds Review

Blackstone Tactical Opportunities	
Strategy	An opportunistic investing platform seeking to capitalize on global investment opportunities across asset classes, that are time-sensitive, complex, or in dislocated markets where risk may be fundamentally mispriced, leveraging resources from across Blackstone's businesses.
FMV	\$400.3 m
Vintage	2013
Performance	9.4% net IRR since inception 9/2013 1.3x net TVPI
Outlook	<ul style="list-style-type: none">• Expected 12% net IRR• Significant investments in telecom infrastructure and services, specialty finance, insurance, metals and mining, and energy

Active Funds Review

TSSP Adjacent Opportunities Partners (TAO)	
Strategy	Within TPG, TSSP is a dedicated credit and credit-related investment platform. TSSP has a long-term and highly flexible capital base, investing across industries, geographies, capital structures, and asset classes in transactions that are typically complex.
FMV	\$318.0 m
Vintage	2014
Performance	9.1% net IRR since inception 6/2014 1.2x net TVPI
Outlook	<ul style="list-style-type: none">• Expect 10-15% net return with upside potential• Portfolio invested in many thematic opportunities, primarily in North America and Western Europe.

Active Funds Review

Fidelity Real Estate Opportunities	
Strategy	Real estate debt including CMBS, private debt, and term loans
FMV	\$205.5 m
Vintage	2007
Performance	7.2% net IRR since inception 4/2007 2.1x net TVPI
Outlook	<ul style="list-style-type: none">• 7.6% current yield reflects expected return• CMBS have been significant fund allocation recently, given that CMBS have lagged broader rally• Leverage has remained low

Active Funds Review

Nephila Juniper Fund	
Strategy	Nephila is the oldest dedicated manager in the insurance linked securities (ILS) sector. Juniper focuses on natural hazard catastrophe risk reinsurance diversified among and within geographic regions.
Vintage	2012
Performance	4.7% net time-weighted return since inception 1/2012 1.3x net TVPI
Outlook	<ul style="list-style-type: none"> • Expected returns up slightly in 2018 on rate increases, but catastrophe risk premiums have declined since inception • Few major catastrophes since inception • Evaluating a shift in strategy/implementation
Nephila Palmetto Fund	
Strategy	Palmetto has strategy similar to Juniper, but is more diversified with lower expected risk and return.
Vintage	2012
Performance	4.4% net time-weighted return since inception 1/2012 1.3x net TVPI
Outlook	<ul style="list-style-type: none"> • Expected returns up slightly in 2018 on rate increases, but catastrophe risk premiums have declined since inception • Few major catastrophes since inception • Evaluating a shift in strategy/implementation

Active Funds Review

SailingStone Natural Gas Portfolio	
Strategy	Natural Gas E&P public equity
Vintage	2012
Performance	(11.8)% net time-weighted return since inception 11/2012 0.6x net TVPI
Outlook	<ul style="list-style-type: none"> • Estimating point forward annualized return of 20% based on natural gas price assumptions • Targeting companies with advantaged assets generating low double digit returns at \$3.0/mmbtu • Expect substantial increase in gas demand over medium term • Have dollar-cost averaged down

Content Partners 3	
Strategy	Entertainment royalties
Vintage	2014
Performance	1.7% net IRR since inception 4/2014 1.0x net TVPI
Outlook	<ul style="list-style-type: none"> • Target 10-15% return • Current projected IRR on assets expected to exceed 15% • Expect to be fully invested by end of 2018

Active Funds Review

OrbiMed Royalty Opportunities III

Strategy	Pharmaceutical royalties
Vintage	2015
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Expect 12-13% net return• 80% invested

Lone Star Residential Mortgage Fund I

Strategy	Residential mortgage securities
Vintage	2015
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Expect 11% net return• Smaller market opportunity drove Lone Star to reduce fund commitment by 50% and to reduce management fee• Origination volume continues to increase

Active Funds Review

Galton Mortgage Recovery Fund III	
Strategy	Residential mortgages
Vintage	2015
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Market opportunity slow to develop because of change in FHA policy and lower than expected organic borrower demand• Original target return of 15% is now 8%

TPG Specialty Lending Europe I	
Strategy	Direct lending
Vintage	2015
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Target 14% net IRR• Running in line with target on current portfolio• Approximately 60% invested

Active Funds Review

Owl Rock Capital Corporation	
Strategy	Direct lending
Vintage	2016
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Targeting 20% gross IRR• Market opportunity driven by bank regulatory concerns• Focused on PE sponsor transactions

Lone Star Fund X	
Strategy	Debt, primarily residential mortgages, corporate, and consumer
Vintage	2016
Performance	NM (less than 3 years)
Outlook	<ul style="list-style-type: none">• Targeting 25% gross IRR• Moved from Real Estate Portfolio given poor fit for newer Real Estate Portfolio mandate• Nearly fully invested

TAB 6 – Corporate Governance Update
Annual Report

Glass, Lewis and Co. 2018 Proxy Season Review

Purpose

This presentation will provide an overview of proxy votes cast on behalf of the state of Oregon during the 2018 proxy season as well as provide commentary on current corporate governance trends.

Background

The OIC and the Treasurer implement the proxy voting program through an independent, third-party research and voting vendor. Currently, Glass, Lewis and Co. (“Glass Lewis”) is engaged as the Council’s proxy advisor. Glass Lewis votes proxies in accordance with voting guidelines the OIC approves in advance, and pursuant to policy *INV 605: Exercise of Voting Rights Accompanying Equity Securities*.

2018 is another year of increased focus on the quality and effectiveness of corporate board structure, and its impact on long term shareholder value. The OIC recognizes that the quality of corporate governance can affect enterprise value; thus, voting rights have economic value and must be managed prudently. The OIC strives to ensure that corporations follow practices that advance enterprise value. Since most shareholders do not have the resources to attend annual or special meetings at which voting occurs, corporations provide shareholders with the option to vote by proxy.

The majority of proxies voted relate to board governance, such as approving board candidates, committee memberships, and auditor ratification. Glass Lewis categorizes these as general and routine matters, and has established best practices and guidelines for each such category. Glass Lewis researches and provides recommendations on non-routine issues on a case-by-case basis.

Included with this memo is Glass Lewis’ 2018 “Mid-Season Review” for the Oregon Investment Council. Glass Lewis will be available to answer any questions on the 2018 proxy season.

Recommendation

None, information only.



2018 NORTH AMERICAN TRENDS & HIGHLIGHTS FOR MEETINGS THROUGH JUNE 30, 2018

KERN MCPHERSON

SENIOR DIRECTOR, NORTH AMERICAN RESEARCH

AGENDA

- **OIC Voting Summary**
- **2018 Proxy Season Trends**
- **Shareholder Proposal Highlights**
- **U.S. Director Elections**
- **Executive Compensation**
- **Shareholder Activism in 2018**
- **2018 Policy Guidelines Updates**
- **Q&A**

OIC PROXY VOTING SUMMARY - PRIOR 4Q

	3Q2017	4Q2017	1Q2018	2Q2018	Tot. L4Q
US Meetings	157	164	168	1,551	2,040
Non-US Meetings	871	873	1,220	4,498	7,462
US Ballots	286	292	349	3,706	4,633
Non-US Ballots	1,329	1,420	1,907	7,674	12,330
Mgmt Resolutions	8,072	6,286	10,590	63,306	88,254
% Supported	83%	85%	78.3%	83%	83%
Shrhldr Resolutions	41	85	99	571	796
% Supported	56%	22%	26.2%	43%	39%

2018 PROXY SEASON TRENDS

Focus on Investor Stewardship

- Passive investors becoming more active through proxy votes.
- Engagement more valuable than ever.
 - Glass Lewis held 1,500 engagement meetings in past 18 months.

“A Sense of Purpose”

- Blackrock CEO Larry Fink’s January 2018 letter to CEOs.

Shareholder Activism Continues to Evolve

- Traditional proxy contests continue and settlements frequent.
- Increasing use of Exempt Solicitations (“vote-no” campaigns).

Engagement More Important than Ever

- The dialogue around governance topics has evolved beyond pay.
- Environmental, Social & Governance topics are a key focus, and are specific to each company.
- Glass Lewis held ~ 1,500 engagement meetings in past 18 months.

2018 PROXY SEASON TRENDS – AREAS OF FOCUS

Board Composition and Diversity

- NYC Comptroller Board Accountability Project 2.0.
 - Skills matrices and increased disclosure on diversity considerations.

Human Capital Management a Key Focus for Investors

- Rise in issues related to #MeToo movement and other corporate scandals (Papa Johns, Wynn, Guess).
- Gender pay equity (Amazon.com, Inc. adopts “Rooney Rule”).

Climate Change

- Continued strong support, case-by-case (6 proposals, 2 majority approved- Anadarko Petroleum Corp., Kinder Morgan, Inc.).

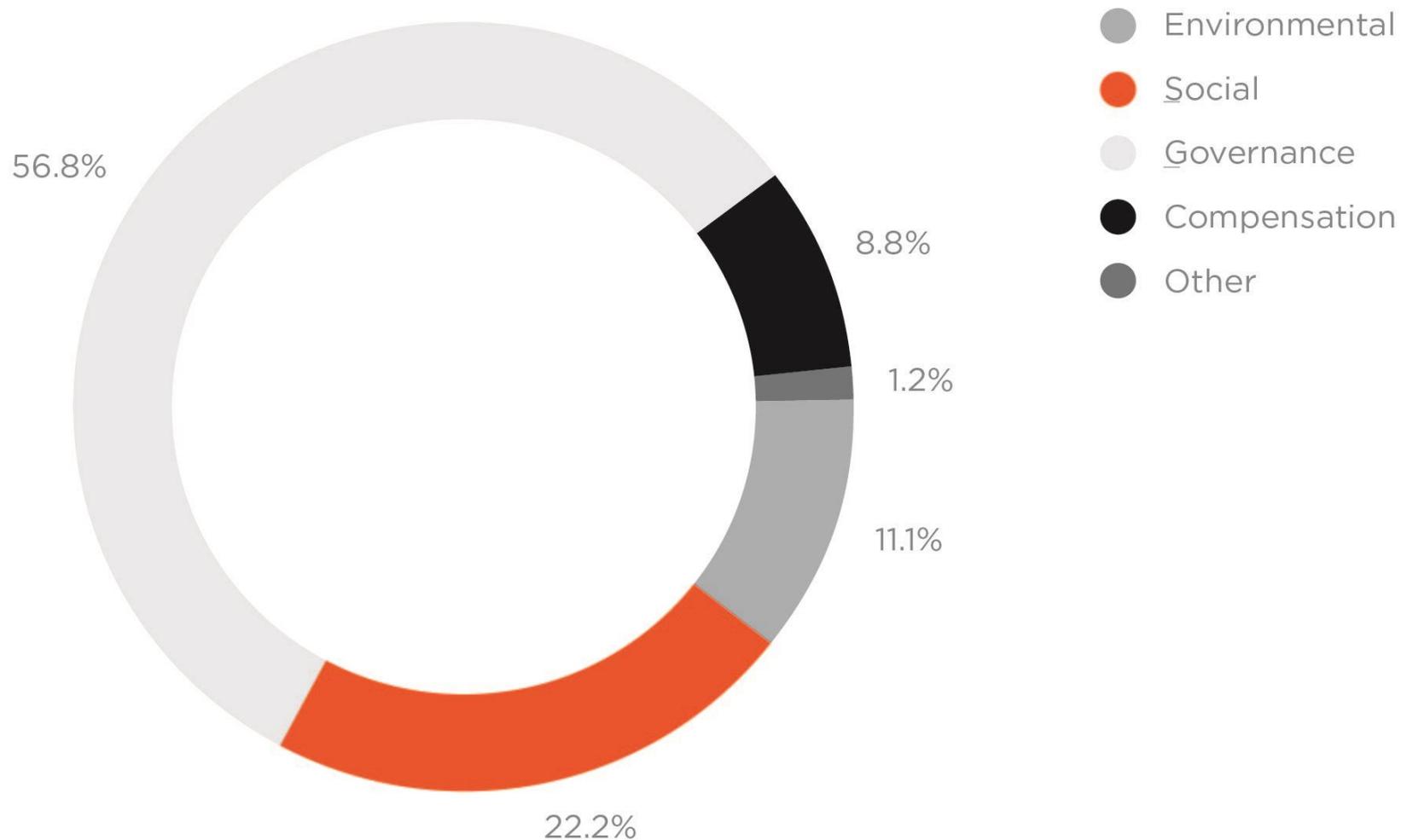
Reputational Risk

- Proposals re: gun violence (Sturm Ruger), opioid epidemic (Depomed, Inc.), content management (Facebook).

Executive Compensation

- High average support (91%) and focus on outliers. (Tesla, Inc., Disney).
- Pay Ratio disclosure rules in effect.

2018 SHAREHOLDER PROPOSALS BY CATEGORY



SHAREHOLDER PROPOSAL HIGHLIGHTS

Continued Decline in the Number of Shareholder Proposals

- 433 SHPs in 2018. Down from 453 in 2017 and 585 in 2015 (-26%).
- Likely a combination of increased no-action relief and more productive corporate engagement.

Quality of Certain Types of Shareholder Proposals is Improving

- Increasing support from Glass Lewis and investors, more broadly.
- Well-targeted and carefully crafted proposals receiving strong support.
 - Opioids (Depomed, Amerisource Bergen), Gun Safety (Sturm & Ruger)

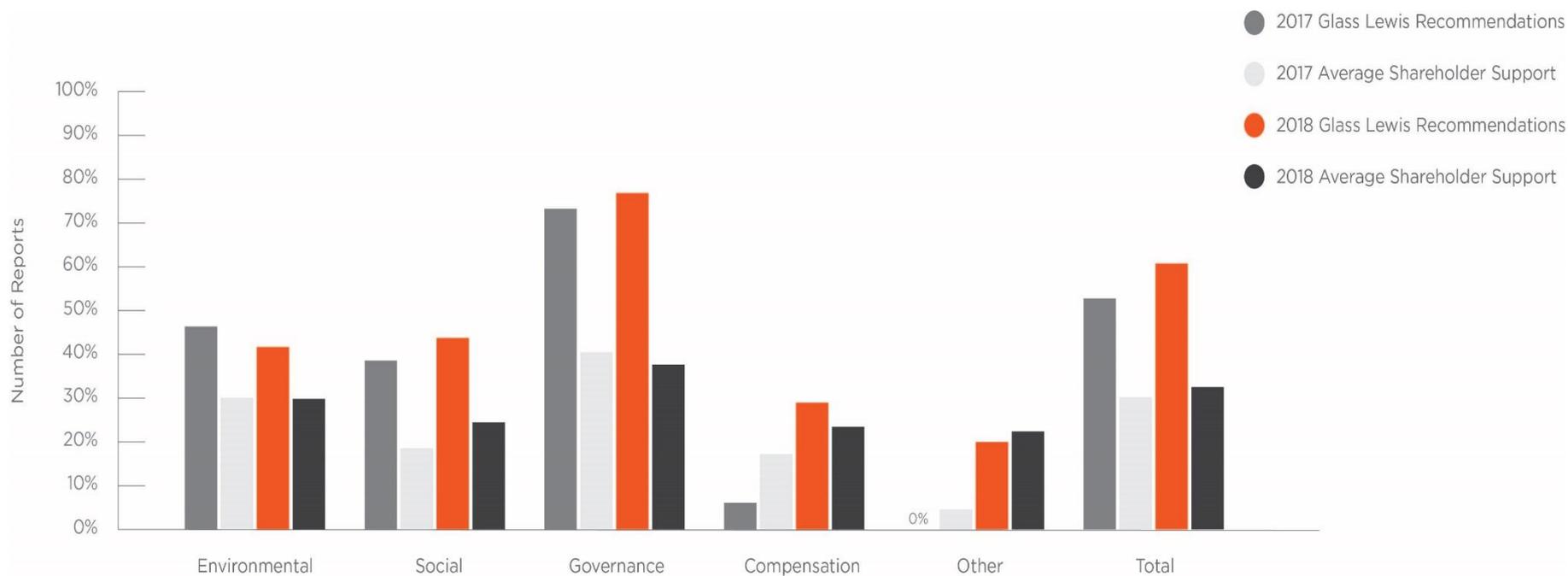
Focus on Special Meetings

- The most popular proposal type in 2018.
- All proposals submitted by individual investors.
- A number of companies excluded shareholder proposals and instead ratified existing provisions.

Continued Focus on Climate Change

- Climate Reporting becoming more common.
- Shareholders looking closely at proposals and becoming more nuanced in their understanding of the issue.
- Continued to see strong shareholder support for most climate reporting proposals.

SHAREHOLDER SUPPORT AND GL RECOMMENDATIONS



ELECTION OF DIRECTORS

Continued Focus on Outliers

- GL Supported 22,203 (91.3%) of 24,320 individual director elections.
- Traditional governance concerns remain primary driver of negative recommendations. (e.g., No independent chair/lead director; board or committee independence, director commitments).
- Fewer recs against compensation committee members, due to better responsiveness and disclosure. Say-on-pay is most appropriate venue to express these concerns.
- For outliers, expanded use of director recommendations based on IPO governance concerns; severe E&S lapses; SHP exclusion.

Disclosure is Improving

- Increasing use of skill matrices.
- Disclosure of engagement practices and responsiveness to prior year votes.
- Less boiler-plate language about diversity and director nominations.
- Most pronounced at larger market-cap companies

U.S. DIRECTORS - TOP 10 REASONS FOR AN AGAINST REC.

Issue	%
No independent lead or presiding director	13.1
Board is not sufficiently independent	11.8
Affiliate/Insider on key committee	10.1
Serves on too many boards	8.3
Related party transactions	5.4
Material weakness	5.3
Post IPO Corporate Governance Concerns	5.0
CFO serves on board	4.7
Ongoing compensation concerns	4.2
Less than 75% attendance	3.8

Other reasons: Auditor not up for ratification; No financial expert; Insufficient disclosure of board practices; Poison pill adopted without approval; Insufficient board size; Adoption of exclusive forum provision.

EXECUTIVE COMPENSATION

Pay Ratio Disclosure Rules in Effect

- Must disclose ratio of CEO pay to median employee pay.
- Is this a useful compensation metric? Some skepticism from compensation experts.

Emphasis on Outliers

- GL has supported 85.2% of 2,412 SOPs. (84.1% in 2017).
- Increased emphasis on board responsiveness to prior year votes. 9.3% of against votes driven by lack of responsiveness (5.2% in 2017).
- Improved/expanded disclosure of board engagement and changes made in past year.

The Vote Results

- Average support for say-on-pay in 2018 was 91.0%, on par with prior years.
- 55 failed to receive 50% support (2.2% of all SoP proposals). Of those, 15 failed in prior year(s).

Big say-on-pay votes in 2018

- Tesla, Inc.; Walt Disney; Mondelez; Bed, Bath & Beyond; Wynn (Contest); Ameriprise Financial; Molina Healthcare.

SAY ON PAY - TOP 10 ISSUES FOR AN AGAINST REC

Issue	%
Pay and performance disconnect, sometimes sustained	43.9
Poor overall design	22.8
Insufficient response to prior year say on pay	9.3
Concerning pay practices	8.2
Excessive one-time awards	5.9
Poor disclosure	3.7
Excessive severance benefits	2.3
Excessive grants	2.0
Other compensation concerns	1.1
Option repricing / option exchange	0.8

SHAREHOLDER ACTIVISM IN 2018

Traditional Activism Remains in the Spotlight

- Settlements frequent due to improved engagement and increasingly powerful messaging.
- Key 2018 Contests: Newell Brands (Icahn & Starboard); Wynn Resorts (Elaine Wynn). Whitestone REIT (KBS strategic REIT).
- Activists using traditional governance factors, including executive compensation as an entry point.

More Frequent Use of Exempt Solicitations

- “Vote no” campaigns becoming more sophisticated. (Tesla, Inc. annual meeting).

Passive Investors Becoming More Active

- Growing emphasis on investor stewardship and thoughtful proxy voting.
- Investors increasingly resolving issues through proactive engagement on governance topics, and using votes against management, when necessary.

2018 GUIDELINES UPDATES - SHAREHOLDER PROPOSALS

Climate Change Resolutions

- Company-specific consideration of materiality and peer disclosure.
- TCFD reporting standards.

Proxy Access

- Fix-it proposals: generally not supportive if current rights mirror established best practice.
- Proxy access in international jurisdictions: case by case. Will evaluate existing rights in relevant jurisdiction e.g., Canada Bank Act.

Dual-Class Structures

- In favor of eliminating dual-class structures.
- Company responsiveness: will evaluate results of unaffiliated shareholder votes.

2018 GUIDELINES UPDATES - ELECTION OF DIRECTORS

Board Gender Diversity

- In 2018: noting instances of boards with no women.
- In 2019: recommending against the nominating committee chair of boards with no women.
 - Exceptions made based on company disclosure.

Board Responsiveness

- Threshold of “material” opposition lowered from 25% to 20% votes against.

Dual-Class Share Structures

- Increased scrutiny of IPO corporate governance and vote results at dual-class companies.

Virtual Shareholder Meetings

- May recommend against governance committee chair, depending on disclosure of virtual meeting format.

2018 GUIDELINES UPDATES – EXECUTIVE COMPENSATION

No Significant Changes

- Non-formulaic, holistic evaluation of pay program and responsiveness.

CEO Pay Ratio

- Required disclosure beginning in 2018.
- Captured and displayed in Proxy Paper, but not determinative of say-on-pay voting recommendation.

Clarification Added re: P4P Grading System

- A “C” in Glass Lewis grading system means pay and performance percentiles relative to peers are aligned.

QUESTIONS?

Post-meeting questions can be sent to:
kmcpherson@glasslewis.com

TAB 7 – Asset Allocations & NAV Updates

Asset Allocations at June 30, 2018

Regular Account							Variable Fund	Total Fund	
OPERF	Policy	Target ¹	\$ Thousands	Pre-Overlay	Overlay	Net Position	Actual	\$ Thousands	\$ Thousands
Public Equity	32.5-42.5%	37.5%	28,771,902	37.5%	(526,518)	28,245,384	36.8%	542,951	28,788,335
Private Equity	13.5-21.5%	17.5%	15,355,148	20.0%		15,355,148	20.0%		15,355,148
Total Equity	50.0-60.0%	55.0%	44,127,050	57.5%	(526,518)	43,600,532	56.8%		44,143,483
Opportunity Portfolio	0-3%	0.0%	1,783,752	2.3%		1,783,752	2.3%		1,783,752
Fixed Income	15-25%	20.0%	15,313,477	20.0%	2,061,227	17,374,704	22.6%		17,374,704
Real Estate	9.5-15.5%	12.5%	7,826,265	10.2%	(2,900)	7,823,365	10.2%		7,823,365
Alternative Investments	0-12.5%	12.5%	6,134,017	8.0%		6,134,017	8.0%		6,134,017
Cash ²	0-3%	0.0%	1,554,747	2.0%	(1,531,809)	22,938	0.0%	9,447	32,385
TOTAL OPERF		100%	\$ 76,739,309	100.0%	\$ -	\$ 76,739,309	100.0%	\$ 552,399	\$ 77,291,707

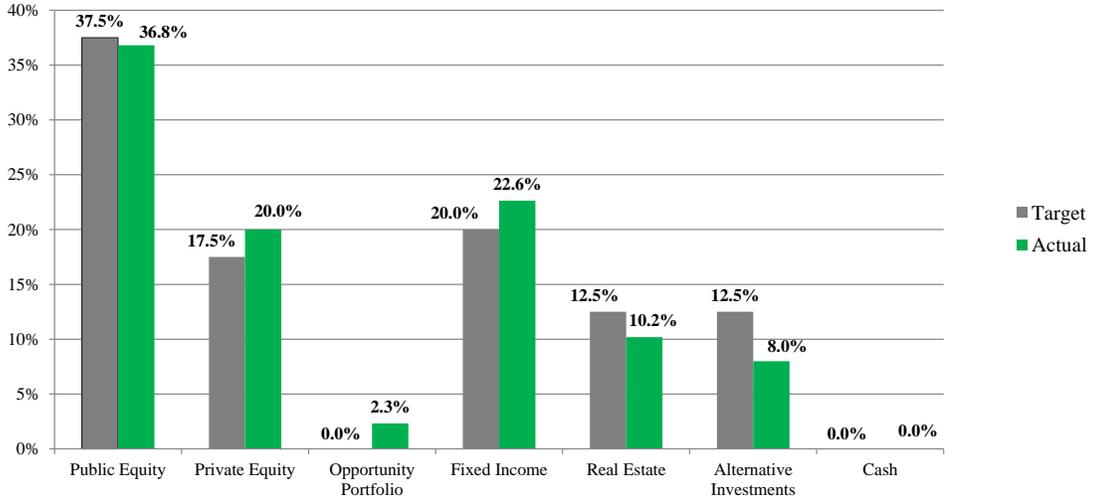
¹Targets established in June 2015. Interim policy benchmark consists of: 40% MSCI ACWI IMI Net, 22.5% Custom FI Benchmark, 20% Russell 3000+300bps (1 quarter lagged), 12.5% NCREIF ODCE net (1 quarter lagged), & 5% CPI+400bps.

²Includes cash held in the policy implementation overlay program.

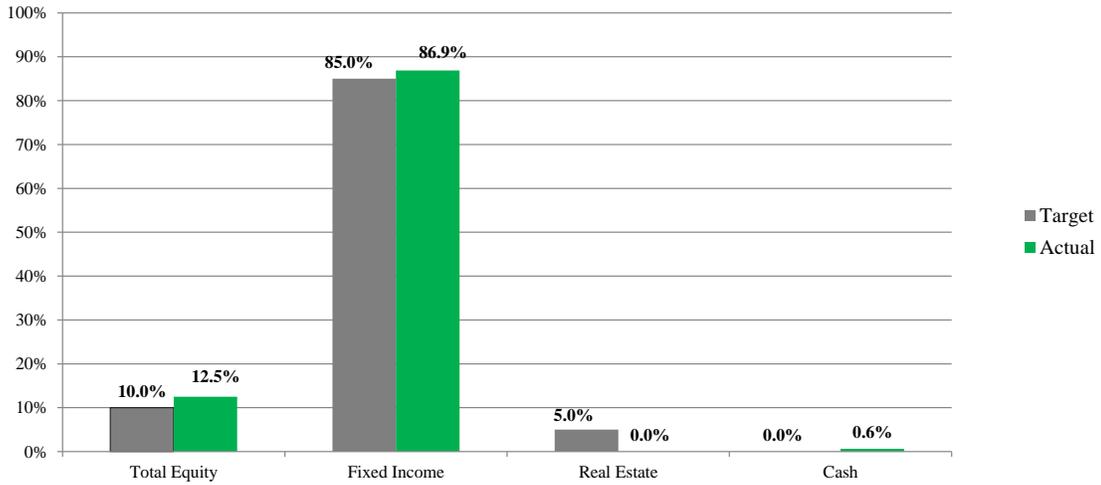
SAIF	Policy	Target	\$ Thousands	Actual
Total Equity	7-13%	10.0%	589,086	12.5%
Fixed Income	80-90%	85.0%	4,097,693	86.9%
Real Estate	0-7%	5.0%	0	0.0%
Cash	0-3%	0%	29,852	0.6%
TOTAL SAIF			\$ 4,716,631	100.0%

CSF	Policy	Target	\$ Thousands	Actual
Global Equities	40-50%	45%	796,591	49.0%
Private Equity	8-12%	10%	209,742	12.9%
Total Equity	58-62%	55%	1,006,332	61.9%
Fixed Income	25-35%	25%	435,445	26.8%
Real Estate	8-12%	10%	39,000	2.4%
Diversifying Strategies	8-12%	10%	91,740	5.6%
Cash	0-3%	0%	52,138	3.2%
TOTAL CSF			\$ 1,624,656	100.0%

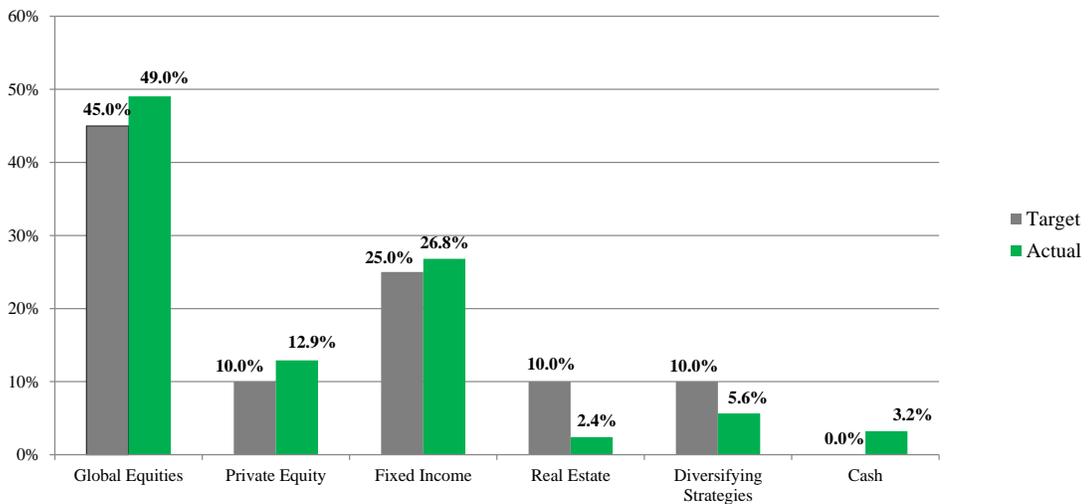
OPERF Asset Allocation



SAIF Asset Allocation

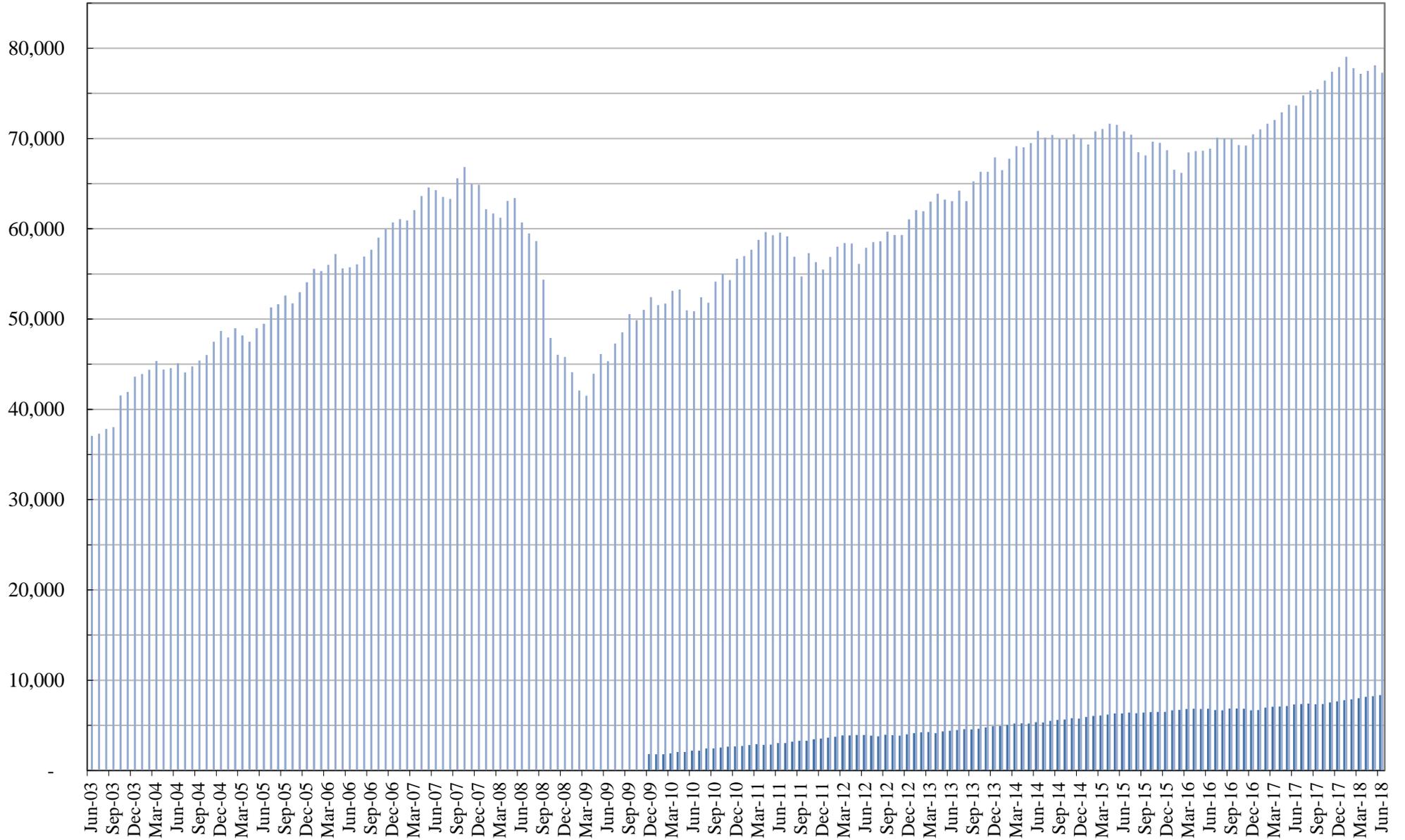


CSF Asset Allocation

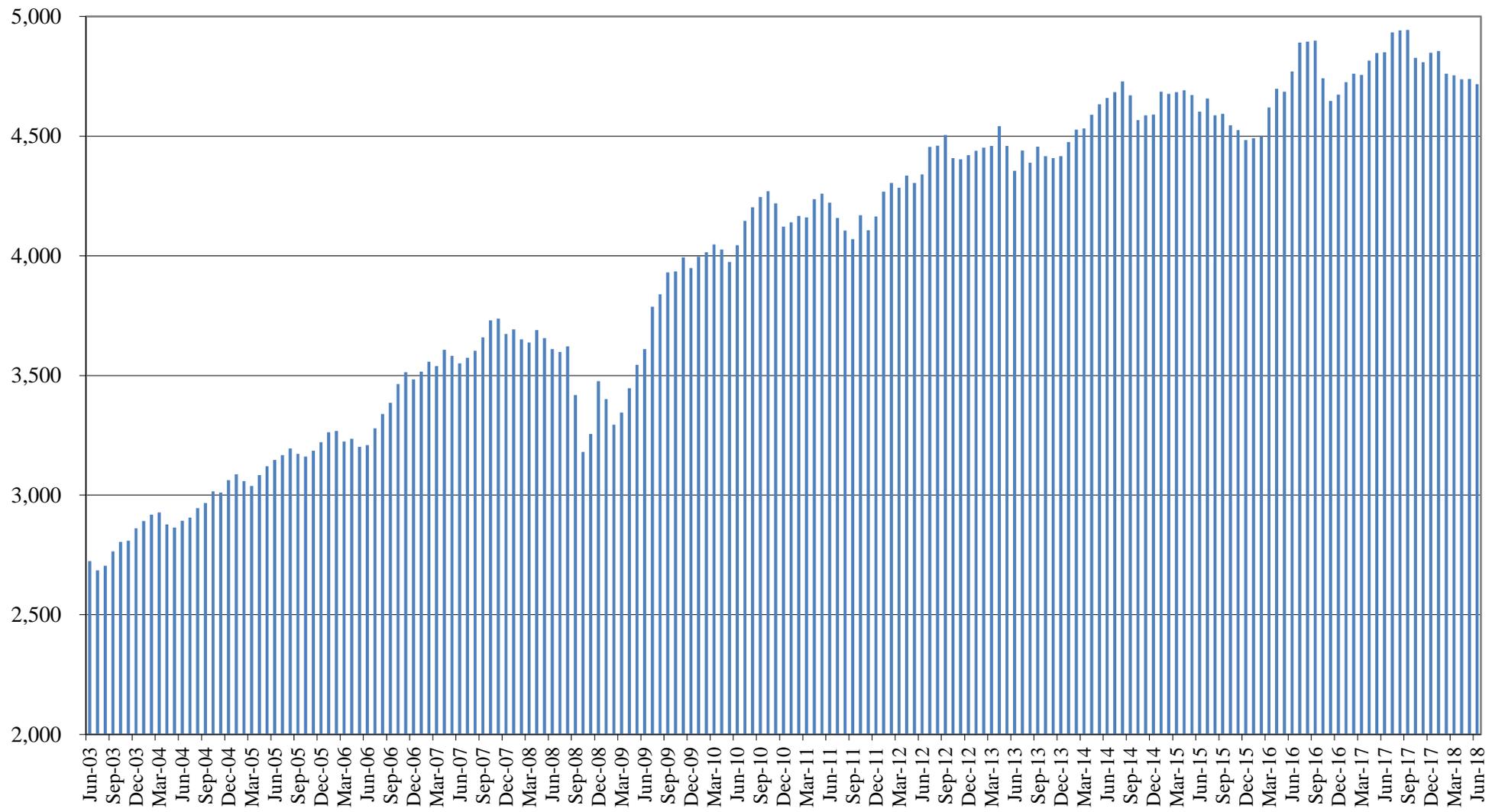


OPERF NAV
15 years ending June 2018
(\$ in Millions)

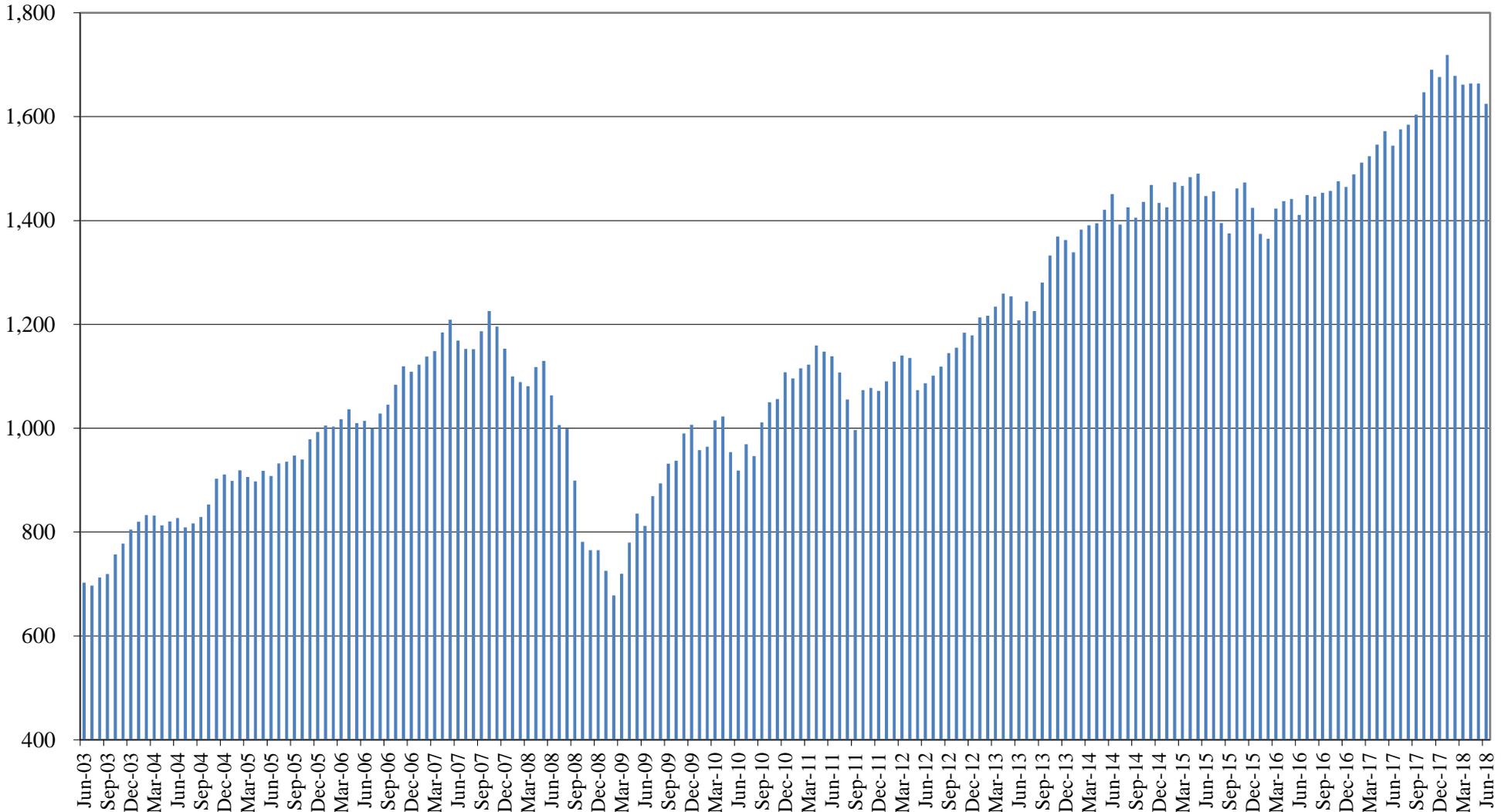
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SAIF NAV
15 years ending June 2018
(\$ in Millions)



CSF NAV
15 years ending June 2018
(\$ in Millions)



TAB 8 – Calendar — Future Agenda Items

2018/19 OIC Forward Calendar and Planned Agenda Topics

- September 19, 2018:** Q2 OPERF Performance & Risk Report
CEM Benchmarking Report
McKinsey Survey Presentation
OSGP Annual Review
OIC Orientation Manual
- October 31, 2018:** OPERF Currency Program Review
Public Equity Program Review
General Consultant Recommendation
Alternatives Consultant Recommendation
- December 12, 2018:** Alternatives Investment Recommendation
Preliminary OPERF Liquidity Analysis
Fixed Income Program Review
Strategic Planning Discussion
- January 31, 2019:** Private Equity Recommendation
Private Equity Program Review
Placement Agent Report
2020 OIC Calendar Approval
- March 13, 2019:** Real Estate Program Review
Q4 2018 OPERF Performance & Risk Report
SAIF Annual Review
CSF Annual Review
- April 24, 2019:** OPERF Asset Allocation & Capital Market Assumptions Update
Alternatives Portfolio Review
Securities Lending Update
OPERF Overlay Review
- June 5, 2019** Q1 OPERF Performance & Risk Report
Operations Update
- August 7, 2019** Opportunity Portfolio Review
OSGP Annual Review
Corporate Governance Update