

Investment Summary

Global Investment Management

New Mountain Partners V, L.P.

April 2017

Executive Summary

Overall Rating

New Mountain Capital, LLC ("New Mountain" or the "Firm") has generated consistent performance across various market cycles while achieving a very low loss rate as a result of its downside focused investment approach and prudent use of leverage. New Mountain has built out a strong team with numerous long tenured senior investment professionals and is capable of executing the Firm's strategy in New Mountain Partners V, L.P. ("Fund V" or the "Fund").

Category	Rating
Business	✓
Staff	✓
Process	✓
Risk	✓
Operations	✓
Performance	✓
Terms &Conditions	✓

AHIC has reviewed performed an in-depth analysis of the above categories which includes, but is not limited to:

- Retention of Limited Partners
- Institutional Investor Representation
- Management Company Ownership
- Reporting Transparency
- Back-office Resources
- Complementary Skill Sets
- Alignment of Interest
- Turnover/Tenure
- Depth of Team Resources
- Management Team Network
- Firm Leadership
- Market Opportunity
- Stability of Strategy
- Investment Restrictions
- Approval process
- Ability to handle troubled deals
- Exit strategy
- Size of Fund
- Consistency / Volatility of Returns
- Realization Record
- Unrealized Portfolio Performance
- Write-Offs
- Transaction Experience in Strategy
- GP Attribution Concentration
- Management Fee and Offsets
- Priority of Distributions
- Clawback
- Investment Period
- No Fault Divorce
- Key Man
- Advisory Board
- Ability to Create Value in Deals
- Quality of Source
- Valuation Discipline
- Sole or Consortium Deals
- Overlap with Prior Portfolios

In addition, AHIC's Operational Due Diligence Team has reviewed the Firm from an operating perspective and has given New Mountain a passing rating.

Recommendation

As part of its recommended 2017 private equity investment pacing of $150 million for Nebraska Investment Council's ("NIC")'s Defined Benefit/Cash Balance Benefit plan, Aon Hewitt Investment Consulting, Inc. ("AHIC") supports NIC Staff's recommendation to make a $50 million commitment to New Mountain Partners V, L.P. (the Fund) subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on our due diligence of this fund and is supported by our full due diligence report.

Firm Summary

Head Office Locations	New York, NY	**Parent Name**	New Mountain Capital LLC
Firm AUM	>$15.5 billion	**Investment Staff**	40 dedicated professionals

Strategy Summary

Target Geography	Primarily U.S.	**Ownership Target**	Control
Target Industries	Generalist		

Fund Overview

New Mountain is raising its fifth private equity fund, New Mountain Partners V, L.P. Fund V is seeking capital commitments of $5.0 billion with an anticipated hard cap of $6.2 billion. New Mountain will pursue a value-added middle-market strategy, continuing its investment approach of emphasizing business building and growth in economically acyclical industries, without the reliance of excessive risk or debt. The Firm will seek to acquire four or five companies each year. The strategy is focused predominately on investments in the United States and predecessor funds have historically reserved the right to invest up to 20% outside of the United States and Canada.

History

New Mountain was founded in 1999 by Steven B. Klinsky and began operations in January 2000. The Firm is headquartered in New York, NY with an additional office in San Francisco, CA. New Mountain is a generalist firm, but also has proactively developed particular research and operational expertise in carefully selected defensive growth sectors such as education, health care, software, business services, logistics, specialty chemicals, federal services, media, consumer products, financial services and insurance, environmental services, infrastructure and energy.

In addition to its private equity platform, New Mountain also offers three other products:

- New Mountain Vantage, a private fund that generally invests in public securities
- New Mountain Finance Holdings, LLC, a publicly traded business development company that invests primarily in debt
- New Mountain Guardian Partners II, L.P., a private fund that invests primarily in debt

Data is as of 9/30/2016 unless otherwise noted.

Business Strategy

New Mountain seeks to be best in class among alternative investment managers as measured by returns, control of risk, service to limited partners, and the quality of the businesses it builds. The Firm's investment strategy emphasizes growth and value-add initiatives as a means to generate returns and is designed to work in both strong and weak macroeconomic environments. New Mountain also employs leverage prudently. Historically, the manager has pursued its strategy through investment in leveraged acquisitions, build-ups, recapitalizations, control restructurings, management buyouts, pre-public offering opportunities and growth equity transactions.

Competitive Landscape

Given the Firm's generalist sector focus, New Mountain competes with numerous financial sponsors, including both generalists and sector specialists. Examples of similar generalist firms include The Jordan Company, CCMP, and Court Square. Further, although New Mountain sources many of its transactions through either limited competitive processes or on a bilateral basis, the manager noted seeing groups such as The Jordan Company, American Securities, GTCR, Welsh Carson, and Warburg Pincus more frequently than other managers when sourcing deals.

Investment Team

New Mountain employs approximately 40 investment professionals that are dedicated exclusively to its private equity platform. This includes CEO Steve Klinsky, nine managing directors, eight directors, and five vice presidents. The investment staff is supplemented by a 27 person back office team, which is led by Chief Financial & Administration Officer Adam Weinstein and is responsible for functions such as finance, operations, compliance, and administration.

Additionally, the Firm has strategic relationships with many industry executives, consultants and thought leaders across the defensive growth niches of industries that it prefers to invest in. Out of this network, 15 professionals are currently formally engaged as senior advisors to the Firm in relation to private equity investments. Senior advisors are engaged in all aspects including sourcing, running diligence, monitoring, and exiting deals and often sit on portfolio company boards for the Firm.

Professionals	Title	Year Joined	Relevant Work Experience
Steve B. Klinsky	Managing Director, Founder, and CEO	1999	▪ Co-founder of the Leverage Buyout Group of Goldman Sachs & Co. ▪ Associate Partner at Forstmann Little ▪ B.A. with high honors from the University of Michigan; M.B.A. from Harvard Business School
Vignesh Aier	Managing Director	2006	▪ McKinsey & Company ▪ OppenheimerFunds ▪ B.A. in Economics-Mathematics from Columbia University

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Professionals	Title	Year Joined	Relevant Work Experience
Raj Alva	Managing Director	2016	▪ Worked with numerous family offices ▪ Credit Suisse ▪ Lazard ▪ B.A. with high distinction from the University of Michigan; M.B.A. from Harvard Business School
Alberto “Joe” Delgado	Managing Director	2015	▪ CCMP Capital Advisors ▪ JP Morgan ▪ A.B. in History and Spanish from Duke University
Joseph Hartswell	Managing Director & CCO	2015	▪ Mount Kellet Capital Management ▪ PricewaterhouseCoopers LLP ▪ AIG Investments ▪ B.S. from University of Maryland ▪ Chartered Financial Analyst
Matthew Holt	Managing Director	2001	▪ Lehman Brothers ▪ A.B. with honors in English and American Literature from Harvard College
Mathew Lori	Managing Director	2007	▪ CCMP Capital Advisors ▪ JP Morgan ▪ B.S. from the University of Windsor; M.B.A. from Northwestern
Peter N. Masucci	Managing Director	2004	▪ Kohlberg Kravis Roberts & Co. ▪ Goldman Sachs & Co. ▪ B.A. from University of Iowa; M.B.A. from the Stanford Graduate School of Business
Andre Moura	Managing Director	2005	▪ McKinsey & Company ▪ A.B., magna cum laude, in Computer Science from Harvard College; M.B.A. with high distinction from Harvard Business School
Albert Notini	Managing Director	2007	▪ Chairman and CEO of New Mountain portfolio company Apptis ▪ Sonus Networks ▪ Manufacturers’ Services Ltd. ▪ Wang Global Corporation ▪ A.B., summa cum laude, from Boston College; J.D. from Boston College Law School

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Professionals	Title	Year Joined	Relevant Work Experience
Adam Weinstein	Managing Director, CFO and Chief Administrative Officer	2005	▪ Deloitte & Touche, LLP ▪ B.S., summa cum laude, from Binghampton University ▪ Certified Public Accountant
Lars Johansson	Director	2007	▪ Goldman Sachs & Co. ▪ Sc.B., summa cum laude, in Computer Science and Economics from Brown University
Harris Kealey	Director	2008	▪ Deutsche Bank Securities Inc. ▪ B.S., magna cum laude from the University of Pennsylvania
Robert Mulcare	Director	2007	▪ McKinsey & Company ▪ A.B., summa cum laude, Princeton University; Masters with highest honors from the National University of Ireland
Kyle Peterson	Director	2011	▪ Sageview Capital ▪ Merrill Lynch ▪ B.S. from Cornell University
Jack Qian	Director	2007	▪ Morgan Stanley ▪ B.A., summa cum laude, from Yale University
Jonathan Waggoner	Director	2015	▪ COO & Chief Revenue Officer at Rue La La ▪ Bain Capital ▪ General Electric ▪ B.S., summa cum laude, in Mechanical Engineering from Arkansas State University; M.B.A. from Harvard Business School
Brad S. Weckstein	Director	2005	▪ Morgan Stanley ▪ B.S., summa cum laude, from New York University

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