Nebraska Investment Council

1526 K Street, Suite 420
Lincoln, NE 68508
Phone: 402-471-2043
Fax: 402-471-2498
www.nic.nebraska.gov

Motion:

That the Nebraska Investment Council Defined Benefit Plans and Cash Balance Benefit Plans make a $50 million commitment to New Enterprise Associates 18 LP (NEA 18), subject to completion of a legal review and satisfactory agreement of terms.

The Council's current NEA investments: *$20 million commitment to NEA 13 (DB/CBB)*
$20 million commitment to NEA 14 (DB/CBB)
$50 million commitment to NEA 17 (DB/CBB)

Staff is recommending NEA 18 based on FIT and FUND. Regarding fit, venture capital (VC) offers investors access to high growth companies and returns commensurate with high growth. Moreover, for the Council, in Net IRR terms, VC has been consistently among the Council's best performing sectors in its DB/CBB private equity program:

	2Q 17	2Q 18	2Q 19	2Q 20	1Q 21
Total Balanced VC	18.2%	15.1%	15.6%	15.7%	21.4%
Total DB/CBB	11.1	11.5	12.1	11.3	14.8

Although compliant to policy, the portfolio has been under weight to VC. So, the commitment is a definite fit match. For this fund, NEA will split its one fund approach into two separate funds. NEA 18 (venture fund) will focus on seed/incubation and traditional VC, while NEA 18 VGE (venture/growth equity fund) will focus on conviction capital and growth equity.

From a fund perspective, Staff likes the fund manager's combination of People, Process and Performance:

People

- 44 years of VC investing as NEA.
- NEA has ~120 employees – 51 investment professionals across the platform.

Process (Strategy and Platform)

- NEA represents one-stop VC shopping for the Council as NEA invests in VC that is diversified by geography, stage and sector across technology and healthcare.
    - The venture fund will invest in seed and traditional venture opportunities.
    - Areas of focus are software, cybersecurity, and healthcare.
- NEA has great scale with $24 billion in committed capital over 17 funds and 675+ exits.
- The investment strategy will not change. NEA will allocate investments into its new funds by stage.

Performance (As of 6/30/21)

- Here is performance of recent funds:

Fund	*Vintage*	*Fund Net IRR*	*All PE Quartile*	*Fund Net TVPI*	*All PE Quartile*
NEA 17	*2019*	*68.8%*	*1st*	*1.6x*	*1st*
NEA 16	*2017*	*27.3%*	*2nd*	*1.7x*	*2nd*
NEA 15	*2015*	*29.0%*	*1st*	*3.0x*	*1st*
NEA 14	*2012*	*24.2%*	*1st*	*3.8x*	*1st*
NEA 13	*2009*	*19.0%*	*2nd*	*3.0x*	*1st*
NEA 12	*2006*	*6.9%*	*2nd*	*1.5x*	*2nd*

Terms and Conditions

- Management fee is 1.25% average annual fee, based on committed and then on invested.
- There is no preferred rate and the GP's share of the Carry is 30%.