

# Florida Growth Fund Program Investments Provided \$135 Million in FRS Distributions in Fiscal Year 2022-23

Report 24-01

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# OPPAGA

Office of Program Policy Analysis and Government Accountability

## Florida Growth Fund Program Provided \$135 Million in FRS Distributions in Fiscal Year 2022-23

### EXECUTIVE SUMMARY

The State Board of Administration is authorized to invest up to 1.5% of Florida Retirement System Pension Fund assets in Florida technology and high-growth businesses. As of June 30, 2023, the board's Florida Growth Fund Program made 145 such investments totaling \$998 million; these investments were either direct investments or private equity funds with a Florida presence. This includes new direct investments in 17 companies and 16 private equity funds totaling \$75.4 million made in Fiscal Year 2022-23. Most of the new direct investments were in six industry sectors.

The majority of direct investments made since inception are largely concentrated in seven Florida counties. During the review period (July 1, 2022, through June 30, 2023), all Florida Growth Fund Program direct investments were made in companies with a Florida presence.

From fund inception in 2008 through June 30, 2023, the program distributed \$965.7 million to the Florida Retirement System Pension Fund. During the review period, the amount distributed was \$135 million. Since inception, funds within the Florida Growth Fund Program have generally met or exceeded benchmarks set for each fund.

The Florida Growth Fund Program's investments have resulted in economic benefits. As of June 30, 2023, investment managers reported that program investments created 6,783 jobs and made \$703.4 million in capital expenditures in Florida during the review period.

#### REPORT SCOPE

Section 215.474, *Florida Statutes*, directs OPPAGA to annually review the State Board of Administration's Florida Growth Fund Program, which invests in technology and growth industries. The review must include

- the dollar amount of fund assets invested in state technology and growth industries and the investments' percentage share of the system's trust fund net assets;
- a list of investments in the state which the board identified as technology and growth investments within each asset class; and
- an analysis of the direct and indirect economic benefits to the state resulting from the investments.

This 16th annual report addresses the board's progress in managing the program and presents information on the economic impact of fund investments. The review period for this report is July 1, 2022, through June 30, 2023.

# INTRODUCTION

The State Board of Administration (SBA) is a constitutionally created organization authorized to invest funds for state agencies, state universities and colleges, and local governments. The SBA is governed by a three-member board of trustees composed of the Governor as chair, the Chief Financial Officer, and the Attorney General. The trustees delegate authority to the SBA's executive director and chief investment officer to provide strategic direction and execute day-to-day operations. Of the funds managed by the SBA, the largest is the Florida Retirement System (FRS) Pension Fund, which had an unaudited market value of \$185.7 billion in assets as of June 30, 2023. This is an increase of over \$5 billion from the unaudited market value as of June 2022.

The Florida Technology and Growth Act of 2008 established the Florida Growth Fund Program to invest a portion of the FRS Pension Fund. Specifically, consistent with its fiduciary duties, the SBA is authorized by Florida law to invest up to 1.5% of net system trust fund (FRS Pension Fund) assets in technology and growth businesses either domiciled in Florida or that have a principal address in Florida.<sup>1</sup> Technology and growth investments may include, but are not limited to, space technology, aerospace and aviation engineering, computer technology, renewable energy, and medical and life sciences. As of June 30, 2023, Florida Growth Fund Program investments were 0.31% of the unaudited value of the FRS Pension Fund assets.<sup>2</sup>

**The program is divided into three separate funds that include seven tranches of capital totaling over \$1.2 billion in commitments.**<sup>3</sup> The SBA contracts with two vendors to manage program funds. Hamilton Lane manages Florida Growth Funds I and II, and J.P. Morgan Asset Management manages the Florida Sunshine State Fund. The most recent program funding commitment was made on April 14, 2022, when J.P. Morgan was reappointed by the SBA as manager for a new tranche, or portion of the funds—a \$250 million commitment to Florida Sunshine State Fund Tranche II. (See Exhibit 1.)

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<sup>1</sup> Section [215.47\(7\)](#), *F.S.* For the purposes of this program, the SBA defines the FRS Trust Fund as composed solely of assets from the FRS Pension Plan Fund.

<sup>2</sup> For more information on the SBA, including annual reports, see [www.sbafla.com/fsb/PerformanceReports.aspx](http://www.sbafla.com/fsb/PerformanceReports.aspx).

<sup>3</sup> Tranches are segments of a pooled collection of assets.

## Exhibit 1

### Since Inception, the Florida Growth Fund Program Has Committed \$1.25 Billion for Investments

	Year Established	Fund Commitment at Program Inception <sup>1</sup>	Investment Manager
<b>Florida Growth Fund I</b>			
Tranche I	2009	\$250 million	Hamilton Lane
Tranche II	2012	\$150 million	Hamilton Lane
Credit Tranche	2014	\$100 million	Hamilton Lane
<b>Sub-total</b>		<b>\$500 million</b>	
<b>Florida Growth Fund II</b>			
Tranche I	2015	\$250 million	Hamilton Lane
Tranche II	2019	\$125 million	Hamilton Lane
<b>Sub-total</b>		<b>\$375 million</b>	
<b>Florida Sunshine State Fund</b>			
Tranche I	2019	\$125 million	J.P. Morgan Asset Management
Tranche II	2022	\$250 million	J.P. Morgan Asset Management
<b>Sub-total</b>		<b>\$375 million</b>	
<b>Total</b>		<b>\$1,250 million</b>	

<sup>1</sup> Fund managers often retain a portion of a fund's committed capital for both reserves to pay fees and expenses and for follow-on investments in the manager's portfolio companies. Funds typically reserve 5-15% for these purposes. Fees that apply to the Florida Growth Fund program are management fees, fund expenses, and carried interest.

Source: State Board of Administration.

Investment managers make program investments directly by co-investing alongside a private equity fund with a general partner or indirectly through private equity funds, such as buyout and venture capital.<sup>4,5</sup> Direct investments are made in companies that are based in Florida or that have a significant portion of company business generated in Florida. General partners that manage private equity funds may or may not reside in the state but intend to invest in Florida-based companies.<sup>6</sup>

## FINDINGS

### The Florida Growth Fund Program invested \$75.4 million in Fiscal Year 2022-23

Since its inception, the Florida Growth Fund Program has made 145 investments comprised of 84 direct investments and 61 private equity funds; the total amount invested has been \$998 million. During the review period (July 1, 2022, through June 30, 2023), program investment managers made 33 investments totaling \$75.4 million. Of these, 17 were direct investments (\$45.8 million) and 16 were private equity fund investments (\$29.6 million).<sup>7</sup> (See Appendix A for detailed investment data for the Florida Growth Fund Program.)

<sup>4</sup> A direct investment (also referred to as a direct equity co-investment) refers to a collaborative investment structure in which a private equity firm (general partner) and external investors collectively invest in a private company. This approach allows multiple parties to pool financial resources, expertise, and networks to make a joint investment and share potential profits. SBA representatives reported that the Florida Growth Fund Program will not be the sole investor in a company.

<sup>5</sup> Private equity is an investment in which funds from investors are pooled or co-mingled and used to acquire equity ownership in private companies that are not listed on a public stock exchange.

<sup>6</sup> A general partner is an individual or an entity typically affiliated with an investment firm that raises money from limited partners for a private fund and both invests in and manages the fund. A limited partner commits capital to a private fund. Unlike a general partner, a limited partner's participation in the fund's investment activities is restricted, and its personal liability for fund debt is limited to the amount of money that the limited partner contributed.

<sup>7</sup> Individual direct investment amounts ranged from \$200,000 to \$7.1 million.

**Most Florida Growth Fund Program direct investments made during the review period were in six industry sectors.** Since program inception, investment managers have made direct investments in a wide range of industries, including restaurants, software publishers, and telecommunications companies. During the review period, however, 84% of the direct investments were in six industries.<sup>8</sup> (See Exhibit 2, highlighted rows.) All program private equity investments are made in a family of funds, which is a group of mutual funds that shares administrative and distribution systems. Each fund in a family may be in a different industry, have different investment objectives, and follow different investment strategies. Thus, OPPAGA was unable to report program investments in private equity funds by distinct industry sector.

## Exhibit 2

### During the Review Period (July 2022 - June 2023), Most Direct Investments Were in Six Technology and Growth Industry Sectors

Industry Sector	Amount Invested (millions)	Percentage of Total Invested
Financial Transactions Processing, Reserve, and Clearinghouse Activities	\$7.1	15.5%
Golf Courses and Country Clubs	\$7.0	15.3%
Child Care Services	\$7.0	15.3%
Engineering Services	\$6.5	14.3%
Custom Computer Programming Services	\$5.9	12.9%
Other Commercial and Industrial Machinery and Equipment Rental and Leasing	\$5.0	10.9%
Other Communications Equipment Manufacturing	\$2.0	4.4%
Car Washes	\$1.0	2.3%
Marinas	\$0.8	1.6%
Electronic Shopping and Mail-Order Houses	\$0.6	1.3%
All Other Telecommunications	\$0.6	1.2%
Pharmaceutical Preparation Manufacturing	\$0.5	1.1%
All Other Miscellaneous Food Manufacturing	\$0.5	1.1%
Sporting and Athletic Goods Manufacturing	\$0.5	1.0%
Veterinary Services	\$0.4	0.9%
All Other Transportation Equipment Manufacturing	\$0.2	0.5%
Soap and Other Detergent Manufacturing	\$0.2	0.4%
<b>Total</b>	<b>\$45.8</b>	<b>100%</b>

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.

**Most Florida Growth Fund Program investments were made in companies and private equity funds with a Florida presence; Florida presence of private equity fund investments may vary.** As noted above, state law authorizes the State Board of Administration (SBA) to invest up to 1.5% of system trust funds in technology and growth businesses domiciled in Florida or with a principal address in the state, while also requiring such investments to be made consistent with the SBA's fiduciary duties.<sup>9</sup> Thus, while the SBA reviews the investment managers' proposed investments and the investments' financial merits and Florida presence, SBA officials noted that there is no specific language in the fund manager contract specifying a precise amount of Florida exposure and investment managers may pursue the best financial opportunities for the state. Further, SBA officials reported that the Florida Growth Fund Program will not invest in a fund just because it is located in the state. Consequently, not all Florida Growth Fund Program investments have a Florida presence.

<sup>8</sup> OPPAGA used the 2022 North American Industry Classification System to determine industry sectors.

<sup>9</sup> Section [215.47\(7\)](#), F.S.

Since inception, 96.5% of program investments have been in companies and private equity funds with a Florida presence. During the review period, OPPAGA's analysis of program investment data found that 80.1% of total investments had a Florida presence.

Investment managers reported that determining a significant Florida presence is dependent on each investment opportunity. Investment managers provided examples of significant Florida presence, including that

- the company is headquartered in Florida;
- the company has a significant operational footprint such as manufacturing sites, warehouses, or office locations in Florida;
- a meaningful portion of the company's revenues come from Florida; or
- a significant number of the company's employees are located in Florida.

Based on the above criteria, OPPAGA's analysis of program investment data indicates that most Florida Growth Fund Program direct investments had a significant presence in Florida. However, because private equity funds are composed of multiple companies, investment manager determinations of the funds' Florida presence are less certain both at the outset of the investment and during its term.<sup>10</sup> For example, one investment manager reported that their company's decision to invest in a private equity fund is based on the general partner's experience and history of investments in Florida-based companies.

Additionally, private equity funds are a blind pool, meaning investments are not known upon commitment to the fund; thus, if the general partner does not find attractive investments in the state, the fund may end up with little or no exposure in the state. Specifically, while the investment manager may intend to invest primarily in Florida, that could change depending on the opportunities during the investment period.

Further, SBA officials and investment managers reported that while the goal is to obtain Florida exposure in every investment opportunity, general partners managing private equity fund investments may not be domiciled in the state. For general partners not headquartered in the state, one investment manager seeks to have them maintain a Florida presence by opening an office in the state or maintaining a meaningful percentage of deal sourcing days in Florida.<sup>11</sup>

**Program direct investments since inception in 2008 are largely concentrated in seven Florida counties.** The program's direct investments in Florida since inception are located in 16 counties, with a majority concentrated in seven counties—Broward, Duval, Hillsborough, Miami-Dade, Orange, Palm Beach, and Pinellas. Direct investments in these seven counties account for 82% of all program direct investments.<sup>12</sup> (See Exhibit 3.) All individual direct investment amounts since program inception total \$605.4 million and range from \$420,000 in Orange County to \$20.4 million; also in Orange County.

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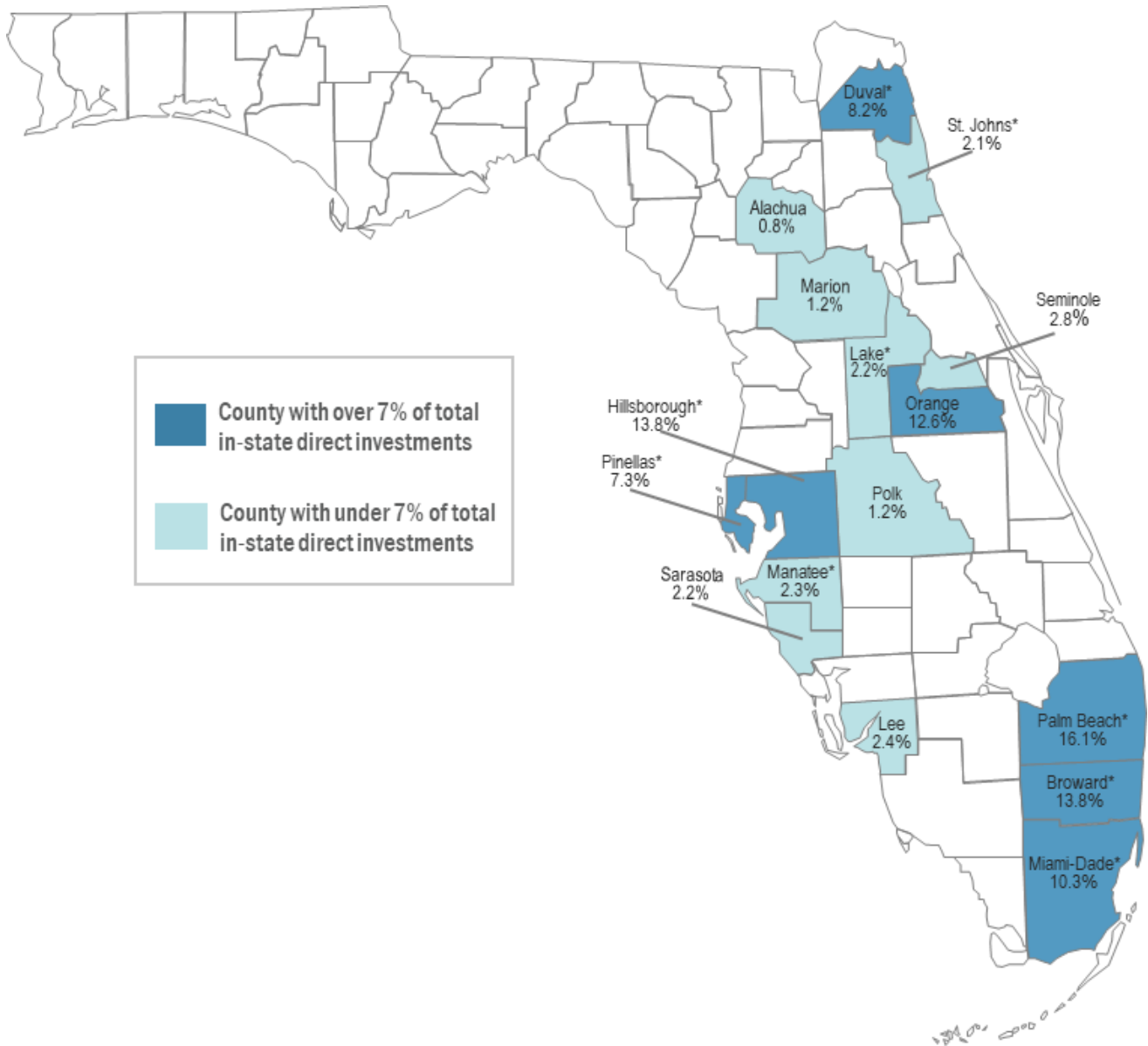
<sup>10</sup> The SBA reported that in some instances, the amount of Florida exposure at the inception of an investment may be low because the general partner may have planned to make a significant number of Florida based add-on acquisitions to the company that would increase the Florida exposure of the deal. It may also start out high but decline over time because of a business selling assets that are underperforming, which may be in Florida.

<sup>11</sup> Deal sourcing refers to the process through which financiers are able to discover, evaluate, and potentially select various business opportunities.

<sup>12</sup> One direct investment from 2019 was made in a company headquartered in Ohio and without a significant Florida presence.

**Exhibit 3**

**Since Inception, the Majority of the \$605.4 Million in Florida Growth Fund Program Direct Investments Have Been Located in Seven Counties<sup>1</sup>**



<sup>1</sup> Counties with asterisks received investments during the review period. The percentages reported for each county does not equal the total amount because one investment (0.8% of total investments) was made in Ohio.

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.

# The Florida Growth Fund Program continues to demonstrate positive returns to the FRS Pension Fund

**The FRS Pension Fund benefits from Florida Growth Fund Program positive returns.** Investment managers reported that the FRS Pension Fund has received \$965.7 million in disbursements from Florida Growth Fund Program investments since the program's inception in 2008 through June 30, 2023. These distributions were the net result of realized gains from program investments.<sup>13</sup>

**Since program inception, net internal rates of returns have generally met or exceeded benchmarks.** To measure investment performance against comparable investments, investment managers have established benchmarks for each tranche of capital using market indices.<sup>14</sup> Since inception, the program tranches have met or exceeded the benchmarks by 0.3% to 21.7% of the benchmark used to evaluate the net performance. (See Exhibit 4.)

## Exhibit 4

### Since Inception, Florida Growth Fund Program Net Returns Have Generally Met or Exceeded Market-Based Investment Benchmarks

Benchmark Date	Time Period	Net Internal Rates of Return <sup>1</sup>	Benchmark <sup>2</sup>	Difference
		<b>Florida Growth Fund I Tranche I</b>	<b>Russell 2000 HL/Bison PME</b>	
7/1/2022	1-year	(11.0%)	11.6%	
7/1/2020	3-year	2.4%	11.8%	
7/1/2018	5-year	1.7%	3.7%	
	Since inception	10.7%	10.4%	0.3%
		<b>Florida Growth Fund I Tranche II</b>	<b>Russell 2000 HL/Bison PME</b>	
7/1/2022	1-year	10.5%	13.2%	
7/1/2020	3-year	19.6%	15.3%	
7/1/2018	5-year	10.9%	3.6%	
	Since inception	12.1%	8.8%	3.4%
		<b>Florida Growth Fund I Credit</b>	<b>Credit Suisse LLJ HL/Bison PME</b>	
7/1/2022	1-year	38.5%	11.1%	
7/1/2020	3-year	4.9%	7.3%	
7/1/2018	5-year	8.0%	3.4%	
	Since inception	7.9%	3.8%	4.2%
		<b>Florida Growth Fund II Tranche I</b>	<b>Russell 2000 HL/Bison PME</b>	
7/1/2022	1-year	0.9%	12.8%	
7/1/2020	3-year	19.1%	17.0%	
7/1/2018	5-year	9.5%	6.6%	
	Since inception	10.9%	8.9%	2.0%
		<b>Florida Growth Fund II Tranche II</b>	<b>Russell 2000 HL/Bison PME</b>	
7/1/2022	1-year	12.6%	12.0%	
7/1/2020	3-year	25.3%	5.0%	
7/1/2018	5-year	N/A	N/A	
	Since inception	24.5%	2.8%	21.7%
		<b>Florida Sunshine State Fund Tranche I</b>	<b>Russell 2000</b>	
7/1/2022	1-year	8.5%	11.9%	
7/1/2020	3-year	22.3%	7.8%	
7/1/2018	5-year	N/A	N/A	
	Since inception	21.3%	6.1%	15.2%

<sup>13</sup> A realized gain results from selling an asset at a price higher than the original purchase price.

<sup>14</sup> In displaying performance, fund companies are required to present benchmarks that are representative of the fund's sector or strategy. Fund companies have discretion over the choice of benchmarks; however, benchmarks must meet the criteria of federal securities laws.



Benchmark Date	Time Period	Net Internal Rates of Return <sup>1</sup>	Benchmark <sup>2</sup>	Difference
		Florida Sunshine State Fund Tranche II	Russell 2000	
7/1/2022	1-year	21.0%	19.4%	
7/1/2020	3-year	N/A	N/A	
7/1/2018	5-year	N/A	N/A	
	Since inception	21.0%	19.4%	1.6%

<sup>1</sup> Net internal rates of return are calculated using historical cash flows and the net asset values of the funds' respective tranches. Net asset value is the value of a fund's assets minus any liabilities and expenses. These values are determined by the fund managers in accordance with their valuation policies and are then aggregated for Florida Growth Fund Program reporting. In the early years of a fund's life, the internal rate of return of a fund may be negatively affected by the relatively small amount of invested capital as compared to the management fees that have been paid.

<sup>2</sup> The SBA uses a modified public market equivalent benchmark methodology to present fund performance, which allows stakeholders to compare private equity fund activity to that of a public market index. OPPAGA did not independently assess the reliability of the benchmark selections.

Source: Hamilton Lane and J.P. Morgan Asset Management.

Florida Growth Fund Program investments that have exited provide a portion of the investment returns noted above.<sup>15</sup> As of June 30, 2023, 35 Florida Growth Fund Program investments in companies or private equity funds have exited since program inception, providing \$498.2 million in distributions to the FRS Pension Fund, with a realized gain of \$257 million. (See Appendix B for all exited investments since program inception.) Of these investments, three were exited during the review period, having provided \$70.6 million in distributions since program inception. The Florida Growth Fund Program invested \$28.5 million in these three investments, resulting in a realized gain of \$42.1 million. These exited investments were in three industry sectors—Couriers and Express Delivery Services, Insurance Agencies and Brokerages, and Other Warehousing and Storage. The Florida Growth Fund Program realized no write-offs during Fiscal Year 2022-23.<sup>16</sup>

## Companies receiving investments reported creating 6,783 jobs and making \$703.4 million in capital expenditures in Florida during the review period

While the Florida statutes require the Florida Growth Fund Program to maximize the financial return to the FRS Trust Fund consistent with the risks incumbent in each investment, the law also acknowledges that the program may generate other economic benefits to the state.<sup>17</sup> To measure these economic benefits, OPPAGA analyzed data on reported jobs and capital expenditures created by companies receiving Florida Growth Fund Program investments.

In Fiscal Year 2022-23, investment managers reported that direct investments in companies with a Florida presence that are currently receiving investments or that had exited investments created 3,696 jobs and made \$626 million in capital expenditures in Florida.<sup>18</sup> Of these, investments in one telecommunication company accounted for 47% or \$296.8 million of these capital expenditures. Additionally, the program's private equity fund investments created 3,087 new jobs and made \$77.4

<sup>15</sup> Companies receiving investments provide earnings to investors through exit events, such as public offerings, acquisitions, or mergers that allow investors to obtain the return on investment.

<sup>16</sup> A write-off is the reduction of a company's value to zero, typically a realization of the failure of the company.

<sup>17</sup> Sections [215.47\(10\)](#) and [215.474\(3\)](#), F.S.

<sup>18</sup> Capital expenditures may include expenses such as acquiring, repairing, or improving physical assets (such as equipment or property), including starting new businesses and adapting property to a different use.

million in capital expenditures during the review period. (See Appendix A for all jobs and capital expenditures during the review period.)<sup>19</sup>

## AGENCY RESPONSE

In accordance with the provisions of s. 11.51(2), *Florida Statutes*, a draft of OPPAGA's report was submitted to the State Board of Administration. The board's written response has been reproduced in Appendix C.

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<sup>19</sup> For private equity investments, the specific location of reported jobs is unknown beyond association with investments with a Florida presence. Private equity investments having a Florida presence may or may not have created jobs in the state.

# APPENDIX A

## Florida Growth Fund Program Investments, Capital Expenditures, and Jobs as of June 30, 2023

As of June 30, 2023, the Florida Growth Fund Program had 145 direct and private equity fund investments totaling \$998 million since program inception. Exhibit A-1 provides information on the direct investments made since inception. Not all direct investments created jobs and capital expenditures in Florida.

### Exhibit A-1

As of June 30, 2023, Florida Growth Fund Program Direct Investments Were \$605.4 Million in 84 Companies

Direct Investments— Technology and Growth Companies (by Industry Name)	Amount Invested Since Inception (millions)	Amount Invested in Fiscal Year 2022-23 (millions)	Reported Capital Expenditures in Florida in Fiscal Year 2022- 23(millions)	Reported Jobs Created in Florida in Fiscal Year 2022-23
Irradiation Apparatus Manufacturing	\$20.4	\$0.0	N/A	N/A
Industrial Launderers	\$16.3	\$0.0	N/A	4
Ophthalmic Goods Merchant Wholesalers	\$15.2	\$0.0	\$2.7	23
All Other Telecommunications	\$15.1	\$0.0	\$41.5	-50
Software Publishers	\$15.0	\$0.0	\$0.5	5
Security Systems Services (except Locksmiths)	\$15.0	\$0.0	\$85.7	360
Marketing Consulting Services	\$14.5	\$0.0	N/A	N/A
All Other Miscellaneous Food Manufacturing	\$13.6	\$0.5	\$3.1	-1
Motor Vehicle Supplies and New Parts Merchant Wholesalers	\$11.8	\$0.0	\$1.1	0
Software Publishers	\$11.8	\$0.0	N/A	N/A
Offices of Physicians (except Mental Health Specialists)	\$11.5	\$0.0	\$2.5	81
Radio Broadcasting Stations	\$11.4	\$0.0	N/A	0
Other Scientific and Technical Consulting Services	\$10.4	\$0.0	N/A	N/A
Insurance Agencies and Brokerages	\$10.1	\$0.0	N/A	N/A
Other Support Activities for Air Transportation	\$10.0	\$0.0	\$6.4	74
Beauty Salons	\$10.0	\$0.0	\$0.2	-12
Couriers and Express Delivery Services	\$10.0	\$0.0	N/A	N/A
Security Systems Services (except Locksmiths)	\$10.0	\$0.0	N/A	N/A
Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services	\$9.9	\$0.0	N/A	N/A
Glass Container Manufacturing	\$9.9	\$0.0	\$4.6	-77
Security Guards and Patrol Services	\$9.6	\$0.0	N/A	N/A
Temporary Help Services	\$9.2	\$0.0	\$1.5	160
Packaged Frozen Food Merchant Wholesalers	\$8.9	\$0.0	\$2.6	93
Telecommunications Resellers	\$8.9	\$0.0	N/A	N/A

Direct Investments— Technology and Growth Companies (by Industry Name)	Amount Invested Since Inception (millions)	Amount Invested in Fiscal Year 2022-23 (millions)	Reported Capital Expenditures in Florida in Fiscal Year 2022- 23(millions)	Reported Jobs Created in Florida in Fiscal Year 2022-23
Baked Goods Retailers	\$8.5	\$0.0	N/A	N/A
Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers	\$8.5	\$0.0	N/A	0
Other Warehousing and Storage	\$8.4	\$0.0	N/A	N/A
Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services	\$8.0	\$0.0	N/A	-385
Temporary Help Services	\$8.0	\$0.0	N/A	0
Hardware Retailers	\$7.9	\$0.0	N/A	N/A
Professional Employer Organizations	\$7.5	\$0.0	\$1.4	6
Insurance Agencies and Brokerages	\$7.5	\$0.0	N/A	107
General Line Grocery Merchant Wholesalers	\$7.5	\$0.0	\$0.4	-9
Other Individual and Family Services	\$7.4	\$0.0	N/A	N/A
Offices of Physicians (except Mental Health Specialists)	\$7.4	\$0.0	N/A	N/A
All Other Outpatient Care Centers	\$7.3	\$0.0	N/A	N/A
Financial Transactions Processing, Reserve, and Clearinghouse Activities	\$7.1	\$7.1	\$0.2	178
Solid Waste Landfill	\$7.1	\$0.0	N/A	N/A
Process, Physical Distribution, and Logistics Consulting Services	\$7.1	\$0.0	N/A	N/A
Child Care Services	\$7.0	\$7.0	\$0.0	0
Golf Courses and Country Clubs	\$7.0	\$7.0	\$6.3	1213
Full-Service Restaurants	\$6.8	\$0.0	N/A	N/A
Software Publishers	\$6.7	\$0.0	<\$0.1	-22
Engineering Services	\$6.5	\$6.5	\$0.00	9
Veterinary Services	\$6.4	\$0.4	\$4.0	338
Full-Service Restaurants	\$6.3	\$0.0	\$36.4	366
Kidney Dialysis Centers	\$6.1	\$0.0	<\$0.1	0
Home Health Care Services	\$6.0	\$0.0	\$4.9	108
Automobile Driving Schools	\$6.0	\$0.0	N/A	N/A
Marketing Research and Public Opinion Polling	\$6.0	\$0.0	\$0.00	0
Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing	\$6.0	\$0.0	\$0.9	7
Custom Computer Programming Services	\$5.9	\$5.9	\$0.00	121
Offices of All Other Miscellaneous Health Practitioners	\$5.5	\$0.0	\$32.9	350
Sporting and Athletic Goods Manufacturing	\$5.5	\$0.5	\$0.1	0
Irradiation Apparatus Manufacturing	\$5.4	\$0.0	N/A	N/A
Software Publishers	\$5.1	\$0.0	N/A	N/A
Other Concrete Product Manufacturing	\$5.0	\$0.0	N/A	6

Direct Investments— Technology and Growth Companies (by Industry Name)	Amount Invested Since Inception (millions)	Amount Invested in Fiscal Year 2022-23 (millions)	Reported Capital Expenditures in Florida in Fiscal Year 2022- 23(millions)	Reported Jobs Created in Florida in Fiscal Year 2022-23
All Other Basic Organic Chemical Manufacturing	\$5.0	\$0.0	N/A	N/A
Other Commercial and Industrial Machinery and Equipment Rental and Leasing	\$5.0	\$5.0	\$72.0	61
Advertising Material Distribution Services	\$5.0	\$0.0	N/A	N/A
Radio Broadcasting Stations	\$4.9	\$0.0	\$0.0	0
Car Washes	\$4.9	\$1.0	\$11.6	9
Custom Computer Programming Services	\$4.9	\$0.0	N/A	-17
Food Service Contractors	\$4.8	\$0.0	N/A	N/A
Software Publishers	\$4.5	\$0.0	N/A	N/A
Soap and Other Detergent Manufacturing	\$4.2	\$0.2	\$0.4	0
Pharmaceutical Preparation Manufacturing	\$4.2	\$0.5	\$1.1	4
Travel Agencies	\$4.0	\$0.0	N/A	N/A
Offices of Dentists	\$3.8	\$0.0	\$2.5	-44
Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers	\$3.8	\$0.0	\$0.6	11
Custom Computer Programming Services	\$3.6	\$0.0	N/A	N/A
Landscaping Services	\$3.6	\$0.0	\$0.3	45
All Other Telecommunications	\$3.5	\$0.6	\$296.8	336
Funeral Homes and Funeral Services	\$3.4	\$0.0	\$0.0	0
Home Health Care Services	\$3.0	\$0.0	N/A	N/A
Electronic Shopping and Mail- Order Houses	\$2.5	\$0.6	\$0.4	2
Real Estate Credit	\$2.4	\$0.0	N/A	N/A
Marinas	\$2.3	\$0.8	<\$0.1	77
Other Communications Equipment Manufacturing	\$2.0	\$2.0	\$0.1	99
Software Publishers	\$2.0	\$0.0	N/A	N/A
All Other Transportation Equipment Manufacturing	\$2.0	\$0.2	<\$0.1	10
Advertising Agencies	\$1.5	\$0.0	N/A	N/A
Veterinary Services	\$1.1	\$0.0	\$0.0	0
Plumbing, Heating, and Air- Conditioning Contractors	\$0.4	\$0.0	\$0.1	50
<b>Total*</b>	<b>\$605.4</b>	<b>\$45.8</b>	<b>\$626.0</b>	<b>3,696</b>

\*Columns may not add up to totals due to rounding.

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.

Exhibit A-2 provides similar information for the 61 private equity fund investments made since program inception; holdings are listed by fund tranche because the companies comprising a fund may be in several industries. Each row of the exhibit represents a fund.

Exhibit A-2

As of June 30, 2023, the Florida Growth Fund Program Private Equity Investments Were \$392.6 Million in 61 Private Equity Funds

Fund Tranche	Amount Invested Since Inception (millions)	Amount Invested in Fiscal Year 2022-23 (millions)	Reported Capital Expenditures in Florida in Fiscal Year 2022-23 (millions)	Reported Jobs Created in Florida in Fiscal Year 2022-23
	\$1.4	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$1.2	17
	\$4.1	\$0.0	\$0.0	0
	\$10.0	\$0.0	\$0.0	0
<b>Florida Growth Fund I-Tranche I</b>	\$15.0	\$0.0	\$0.0	0
	\$10.0	\$0.0	\$0.0	15
	\$7.5	\$0.0	\$0.0	0
	\$7.5	\$0.0	\$0.0	65
	\$15.0	\$0.0	\$0.0	0
	\$15.0	\$0.0	\$0.0	0
	\$6.2	\$0.0	\$0.0	0
	\$11.3	\$0.0	\$0.0	4
	\$4.4	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$0.0	0
	\$7.5	\$0.0	\$8.3	91
<b>Florida Growth Fund I-Tranche II</b>	\$7.5	\$0.0	\$0.0	0
	\$7.5	\$0.0	\$0.0	200
	\$10.0	\$0.0	\$0.0	1
	\$5.0	\$0.0	\$0.7	-6
	\$7.5	\$0.0	\$3.0	6
	\$15.0	\$0.0	\$2.7	-38
	\$7.5	\$0.0	\$0.0	10
	\$5.0	\$0.0	\$0.0	10
	\$7.5	\$0.0	\$0.0	0
	\$7.5	\$0.0	\$1.3	7
	\$10.0	\$0.0	\$0.6	6
	\$6.8	\$0.0	\$0.0	0
<b>Florida Growth Fund II-Tranche I</b>	\$7.5	\$0.0	\$0.5	28
	\$7.5	\$0.0	\$0.0	0
	\$7.5	\$0.0	\$4.2	208
	\$10.0	\$0.0	\$6.8	135
	\$7.5	\$0.0	\$6.6	133
	\$10.0	\$0.0	\$0.2	83
	\$7.5	\$0.0	\$0.2	-20
	\$7.5	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$13.8	76
	\$7.0	\$0.0	\$7.0	126
	\$2.5	\$0.0	\$1.1	135
<b>Florida Growth Fund II-Tranche II</b>	\$5.0	\$0.0	\$4.2	569
	\$5.0	\$0.0	\$1.7	4
	\$5.0	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$0.0	0
	\$2.5	\$0.0	\$0.0	0
	\$5.0	\$0.0	\$0.0	0

Fund Tranche	Amount Invested Since Inception (millions)	Amount Invested in Fiscal Year 2022-23 (millions)	Reported Capital Expenditures in Florida in Fiscal Year 2022-23 (millions)	Reported Jobs Created in Florida in Fiscal Year 2022-23
	\$2.3	\$1.5	\$2.8	143
	\$3.7	\$1.0	\$0.0	22
	\$6.9	\$2.7	\$0.1	15
	\$8.5	\$4.8	\$7.0	154
	\$4.8	\$0.6	\$0.1	46
<b>Florida Sunshine State Fund-Tranche I</b>	\$4.2	\$0.8	\$2.7	295
	\$6.6	\$0.3	\$0.1	8
	\$2.1	\$0.5	\$0.0	2
	\$1.6	\$1.0	\$0.0	0
	\$1.9	\$1.1	\$0.0	0
	\$1.3	\$0.6	\$0.0	0
	\$4.4	\$4.4	\$0.4	432
<b>Florida Sunshine State Fund-Tranche II</b>	\$2.6	\$2.6	\$0.0	0
	\$1.0	\$1.0	\$0.0	0
	\$0.2	\$0.2	\$0.0	0
	\$6.5	\$6.5	\$0.2	105
<b>Total<sup>1</sup></b>	<b>\$392.6</b>	<b>\$29.6</b>	<b>\$77.4</b>	<b>3,087</b>

<sup>1</sup> Columns may not add up to totals due to rounding.

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.

# APPENDIX B

## Florida Growth Fund Program Exited Investments

Florida Growth Fund Program investments that have exited provide investment returns. Since program inception, exited investments accounted for \$498.2 million in distributions to the FRS Pension Fund. Since inception, four exited investments have resulted in write-offs, with realized losses of \$36 million. Each row of Exhibit B-1 is an individual investment presented by its industry; highlighted rows denote the three investments that were exited during the review period (July 1, 2022, through June 30, 2023).

### Exhibit B-1

#### Exited Investments Have Distributed \$498.2 Million to the FRS Trust Fund Since Florida Growth Fund Program Inception

Exited Investments (by Industry Name) <sup>1</sup>	Distributions (millions)	Date Exited
Marketing Consulting Services	\$49.4	9/30/2014
Food Service Contractors	\$40.5	10/19/2016
Couriers and Express Delivery Services	\$32.8	12/21/2022
Full-Service Restaurants	\$28.6	7/27/2017
Insurance Agencies and Brokerages	\$27.0	11/28/2022
Other Scientific and Technical Consulting Services	\$23.5	8/31/2016
Security Systems Services (except Locksmiths)	\$22.2	12/5/2018
All Other Outpatient Care Centers	\$21.9	1/7/2021
All Other Basic Organic Chemical Manufacturing	\$21.4	1/7/2016
Hardware Retailers	\$20.7	1/11/2021
Solid Waste Landfill	\$17.5	10/20/2014
Software Publishers	\$16.7	10/20/2021
Process, Physical Distribution, and Logistics Consulting Services	\$15.1	6/11/2021
Software Publishers	\$14.1	7/9/2013
Baked Goods Retailers	\$14.0	11/18/2019
Automobile Driving Schools	\$14.0	6/19/2020
Software Publishers	\$13.6	6/21/2019
Irradiation Apparatus Manufacturing	\$13.4	1/13/2016
Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services	\$11.7	2/10/2021
Other Warehousing and Storage	\$10.9	1/31/2023
Security Guards and Patrol Services	\$10.8	7/12/2019
Offices of Physicians (except Mental Health Specialists)	\$8.9	6/12/2020
Other Individual and Family Services	\$8.5	5/9/2017
Advertising Agencies	\$7.3	12/28/2012
Funeral Homes and Funeral Services	\$6.3	9/15/2021
Custom Computer Programming Services	\$5.4	9/24/2019
Travel Agencies	\$5.3	5/19/2015
Software Publishers	\$4.8	4/2/2018
Veterinary Services	\$4.2	6/1/2021
Home Health Care Services	\$3.4	12/31/2015
Engineering Services	\$3.4	8/31/2021
Real Estate Credit*	\$0.7	3/31/2016
Irradiation Apparatus Manufacturing*	\$0.3	3/31/2016
Advertising Material Distribution Services*	<\$0.1	6/30/2016
Telecommunications Resellers*	\$0.0	1/1/2021
<b>Total</b>	<b>\$498.2</b>	

\*Indicates a write-off (realized loss) resulting from distributions being lower than the initial investment.

<sup>1</sup> All these investments are direct investments with exception of Engineering Services that is a private equity fund.

Source: OPPAGA analysis of Hamilton Lane and J.P. Morgan Asset Management data.



# APPENDIX C

## Agency Response



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

1801 HERMITAGE BOULEVARD, SUITE 100  
TALLAHASSEE, FLORIDA 32308  
(850) 488-4406

POST OFFICE BOX 13300  
32317-3300

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ASHLEY MOODY  
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LAMAR TAYLOR  
INTERIM EXECUTIVE DIRECTOR &  
CHIEF INVESTMENT OFFICER

January 4, 2024

Ms. Kara Collins-Gomez, Coordinator  
Office of Program Policy Analysis & Government  
Accountability (OPPAGA)  
Claude Pepper Building, Room 312  
111 West Madison Street  
Tallahassee, Florida 32399-1475

Dear Ms. Collins-Gomez:

We have reviewed the preliminary and tentative OPPAGA report titled: *Florida Growth Fund Program Investments Provided More Than \$135 Million in FRS Distributions in Fiscal Year 2022-23*. We have no objection or questions regarding the information presented in the report.

We welcome OPPAGA's efforts and, as always, we appreciate your diligence and professionalism.

Sincerely,

A handwritten signature in blue ink that reads "E. Lamar Taylor".

E. Lamar Taylor  
Interim Executive Director & CIO

ELT/apw

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# OPPAGA

Office of Program Policy Analysis and Government Accountability

OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government more efficient and effective.
- Government Program Summaries (GPS), an online encyclopedia, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- PolicyNotes, an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit OPPAGA's website.

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OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

Project supervised by Emily Leventhal (850/717-0525)  
Project conducted by Chris Hilliard (850/717-0386)  
Kara Collins-Gomez, Coordinator