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# PORTLAND BUSINESS JOURNAL

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Guest Opinion

## Investment fund officials seek ways to strengthen economy

Portland Business Journal - August 31, 2007 by Ron Schmiltz and Dave Almodovar

Confusion persists about the implementation of House Bill 3613, the Oregon Investment Fund and the impact for Oregon and its entrepreneurs.

In 2003, the Oregon Legislature determined that Oregon entrepreneurs were, in some cases, struggling to raise capital or garner interest from firms outside the state in their fledgling companies. HB 3613 was conceived as a way to fill the perceived gap, using public pension fund dollars.

It called for the Oregon Investment Council to make money available from the Oregon Public Employees Retirement Fund for startups and expanding businesses, with certain restrictions. Conceptually, the money would fill an estimated \$100 million to \$200 million gap between venture capital resources and the estimated needs of Oregon businesses.

The council took a three-pronged approach to meeting the objectives of HB 3613.

- First, the council adopted a specific venture capital target within the private equity portfolio.
- Second, the council hired two fund-of-fund managers designed to seek smaller funds as well as funds with venture capital mandates. The funds were nationally focused, but with the expectation that Oregon would be part of the investment mix.
- Third, the council hired Credit Suisse to manage a Pacific Northwest-oriented fund.

A fund-of-funds approach is important because the state treasurer's staff, working on behalf of the council, was until recently prohibited from investing directly in companies. Equity investments had to be made through partnerships or through managers acting on their own discretion based on policies of the Oregon Investment Council.

Regardless, the treasurer's office would not have the necessary staff capacity for investing directly in companies. Additionally, an arm's-length adviser ensures that the treasurer's staff and the council are insulated from possible arm-twisting by well-connected entrepreneurs.

It is also helpful to understand how the Oregon Investment Fund works. Our teams at the treasurer's office and Credit Suisse designed the fund to meet the primary objective of the Oregon Public Employees Retirement Fund -- to make the best possible returns for Oregon pensioners.

Oregon Investment Fund would provide capital to venture capital or buyout funds that would, in turn, invest in whole or in part in Oregon and Pacific Northwest companies, and make a few direct co-investments alongside these managers. It is important to remember that the fund is not intended to be an economic development vehicle.

To date, the fund has committed \$86 million to nine venture funds. Of those investments, eight Pacific Northwest companies received Oregon Investment Fund money, and as much as \$41 million has been directly invested in Oregon and the Pacific Northwest from these managers, with an additional \$29 million invested by other managers in those same transactions.

We are continuing to build a lasting entrepreneurial community in Oregon that attracts top managers that bring their business, money and relationships to Oregon. Through this sophisticated, dynamic community, we believe that greater opportunities will be created for future investment within Oregon and the Pacific Northwest.

*Ron Schmitz is chief investment officer for the Office of the State Treasurer. Dave Almodovar is vice president at Credit Suisse. For more information, visit [oregoninvestmentfund.com](http://oregoninvestmentfund.com).*

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