

## Investment Recommendation

SERS Investment Office Staff (“Staff”) and SERS’ Private Equity Consultant, StepStone Group, recommend that the SERS Investment Committee interview KPS Capital Partners, LP (“KPS”, the “GP”, or the “Firm”) at the July 18, 2023, Investment Committee Meeting to consider a potential commitment of up to \$75 million to KPS Special Situations Fund VI, LP (“Fund VI” or “KPS VI”), and up to \$25 million to KPS Special Situations Mid-Cap Fund II, LP (“KPS Mid-Cap II”, and collectively with KPS VI, the “Funds”), subject to the satisfactory completion of legal due diligence and contract negotiations. KPS expects to hold a final closing of the Funds at the end of July 2023.

## Investment Rationale

Staff identified KPS VI and KPS Mid-Cap II as strong candidates for SERS capital commitments, as the funds offer:

- A long track record of strong net performance.
- Consistently strong quartile ranking against private equity competitors.
- Long tenured and stable team of senior investment professionals that have developed a repeatable, operationally focused and contrarian investment strategy.
- Consistency with SERS’ Private Equity portfolio objectives.
- ESG & DEI Focus.

## Investment Risks & Mitigants

Staff identified the following potential risks, as well as potential mitigants to such risks, of making commitments to KPS VI and KPS Mid-Cap II:

- Small investment team relative to fund size and increases in fund size.
- Exposure to cyclical industrials & manufacturing businesses.
- Premium headline fund economics.

## Portfolio Implications

A commitment to the Funds would be considered a 2023 vintage allocation and categorized in the Private Equity asset class and Buyout sub-asset class. As of March 31, 2023, SERS’ market value of Buyout investments represented approximately 53.2% of the Core Private Equity portfolio.

The following two charts show the Core Private Equity portfolio allocations by sub-strategy as of March 31, 2023, on the left, and a prospective view of the allocation post-commitments to KPS on the right.

