

QUARTERLY PRIVATE CREDIT BOARD UPDATE

For the period ended March 31, 2022

Report Prepared For:

Pennsylvania State Employees' Retirement System



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Disclaimer on this Page - Redacted

PERFORMANCE SUMMARY

StepStone Group LP (“StepStone”) was engaged by Pennsylvania State Employees' Retirement System (“SERS”) to provide Private Credit services for prospective investment opportunities, as well as portfolio management.

StepStone monitors investments under the entity Pennsylvania State Employees' Retirement System (“the Portfolio”).

The following table illustrates the Portfolio's since inception investment performance as of March 31, 2022, as well as the quarter-over-quarter and year-over-year change.

The Portfolio is generating a since inception net IRR of 18.1% at March 31, 2022, down (105) basis points quarter-over-quarter.

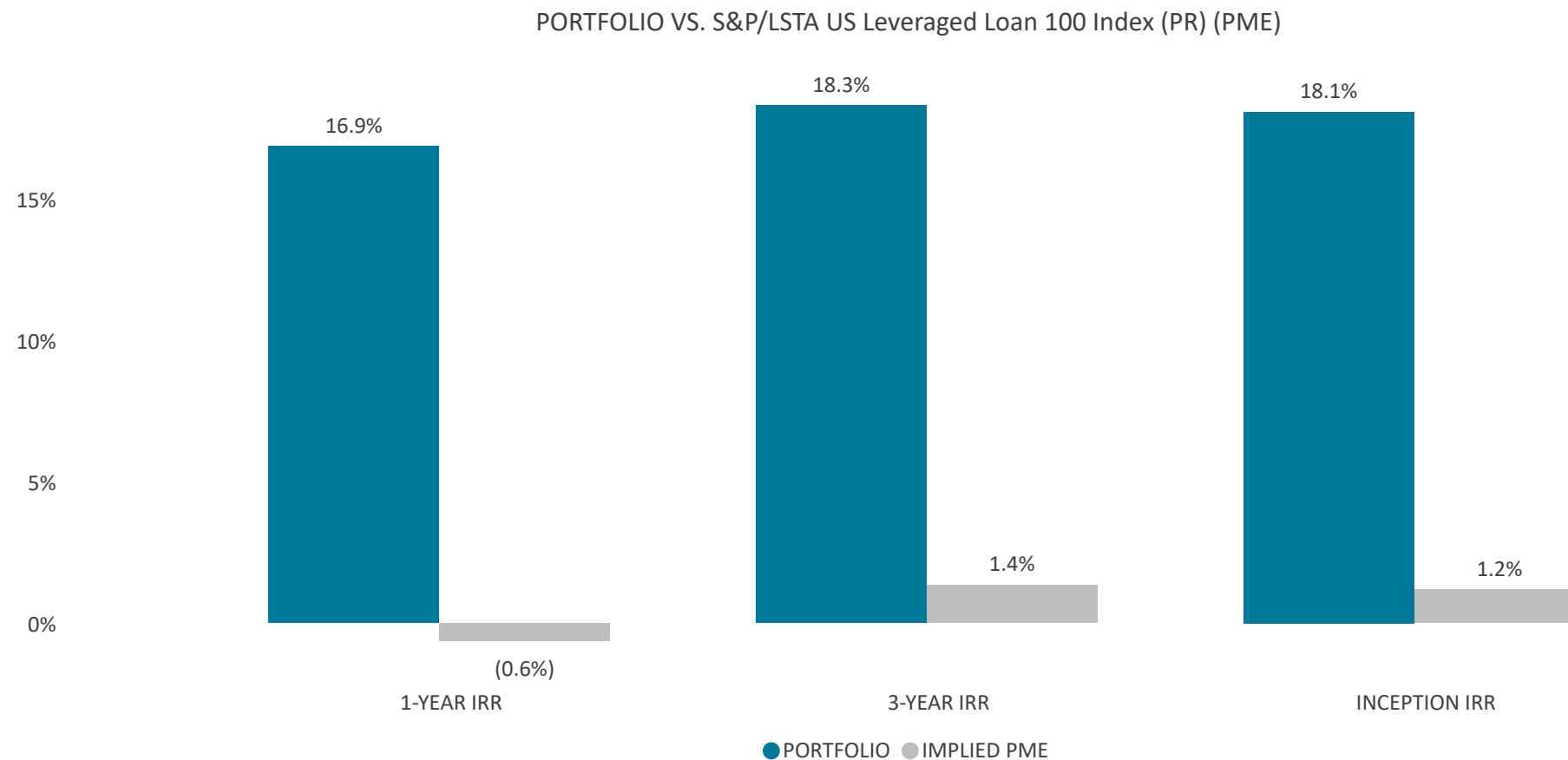
As of March 31, 2022. In USD millions.

SERS PORTFOLIO PERFORMANCE SUMMARY					
	DECEMBER 31, 2021	SEPTEMBER 30, 2021	DECEMBER 31, 2020	QUARTERLY Δ	ANNUAL Δ
Number of Managers	10	10	10	0	0
Number of Investments	19	19	17	0	2
Number of Active Investments	19	19	17	0	2
Committed Capital	\$1,776.5	\$1,778.3	\$1,555.2	(\$1.8)	\$221.2
Unfunded Commitment	843.3	898.3	938.4	(55.0)	(95.1)
Total Exposure	1,979.6	1,973.0	1,675.4	6.6	304.1
Total Contributed	1,053.6	991.6	702.6	62.0	351.0
Total Distributed	227.2	199.3	128.3	27.9	98.9
Total Market Value	1,136.3	1,074.7	737.0	61.6	399.3
Since Inception G/L	309.9	282.4	162.7	27.5	147.2
Total Value	\$1,363.5	\$1,274.1	\$865.3	\$89.4	\$498.2
Net DPI	0.2x	0.2x	0.2x		
Net TVM	1.3x	1.3x	1.2x		
Net IRR	18.1%	19.1%	19.1%	(105 bps)	(97 bps)

Past performance is not necessarily indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses.

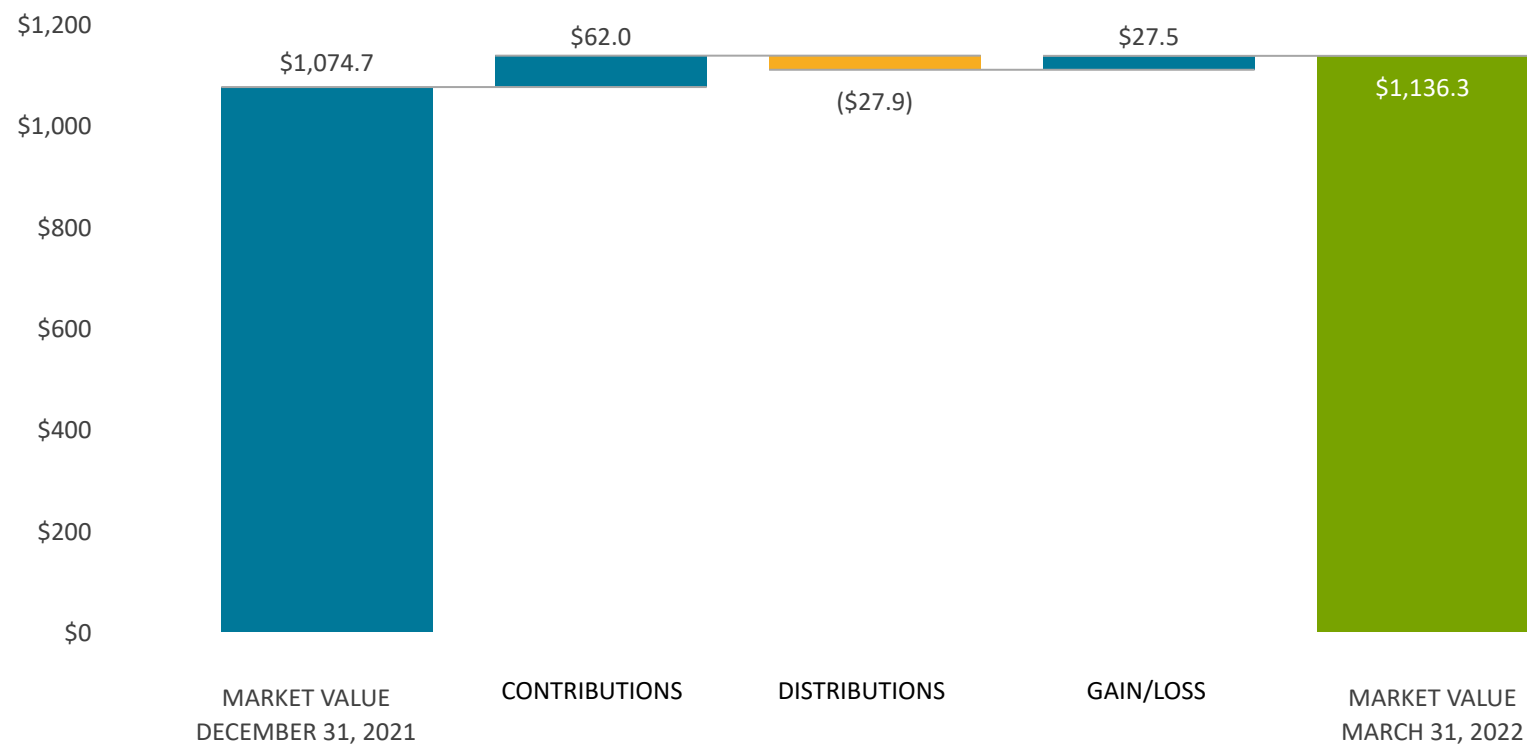
PERFORMANCE SUMMARY CONTINUED

The following table illustrates the Portfolio's point-to-point investment performance as of March 31, 2022, as well as the public market equivalent (PME) based on the S&P/LSTA US Leveraged Loan 100 Index (PR) index.



QUARTERLY VALUATION MOVEMENT

During the first quarter of 2022, the value of the Portfolio increased by \$27.5 million, or 2.6%.



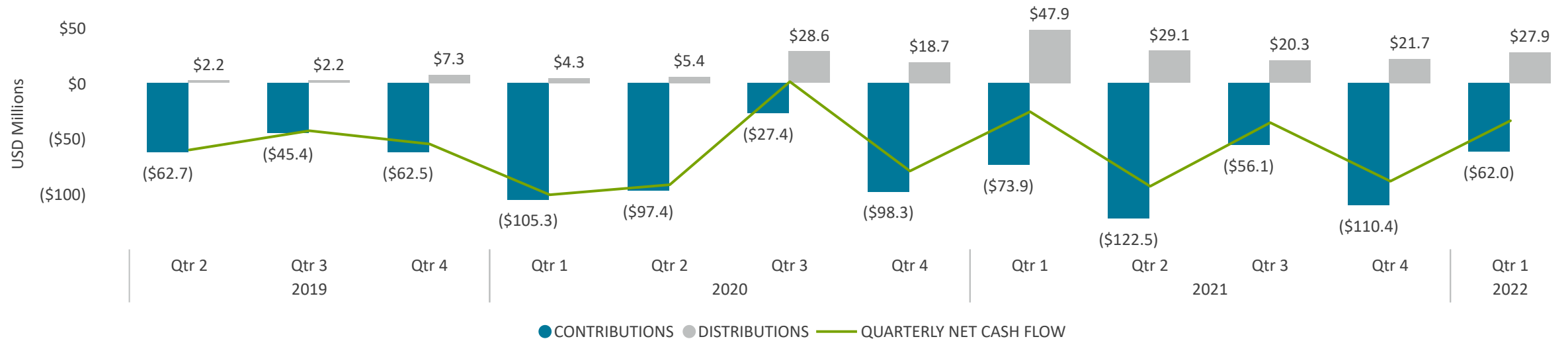
FUND GEOGRAPHIC DIVERSIFICATION

As of March 31, 2022. In USD millions.

GEOGRAPHY	NAV	% OF TOTAL	UNFUNDED	% OF TOTAL	TOTAL EXPOSURE	% OF TOTAL
North America	\$940.6	82.8%	\$697.3	82.7%	\$1,637.9	82.7%
Europe	\$195.6	17.2%	\$146.0	17.3%	\$341.6	17.3%
Total	\$1,136.3	100.0%	\$843.3	100.0%	\$1,979.6	100.0%

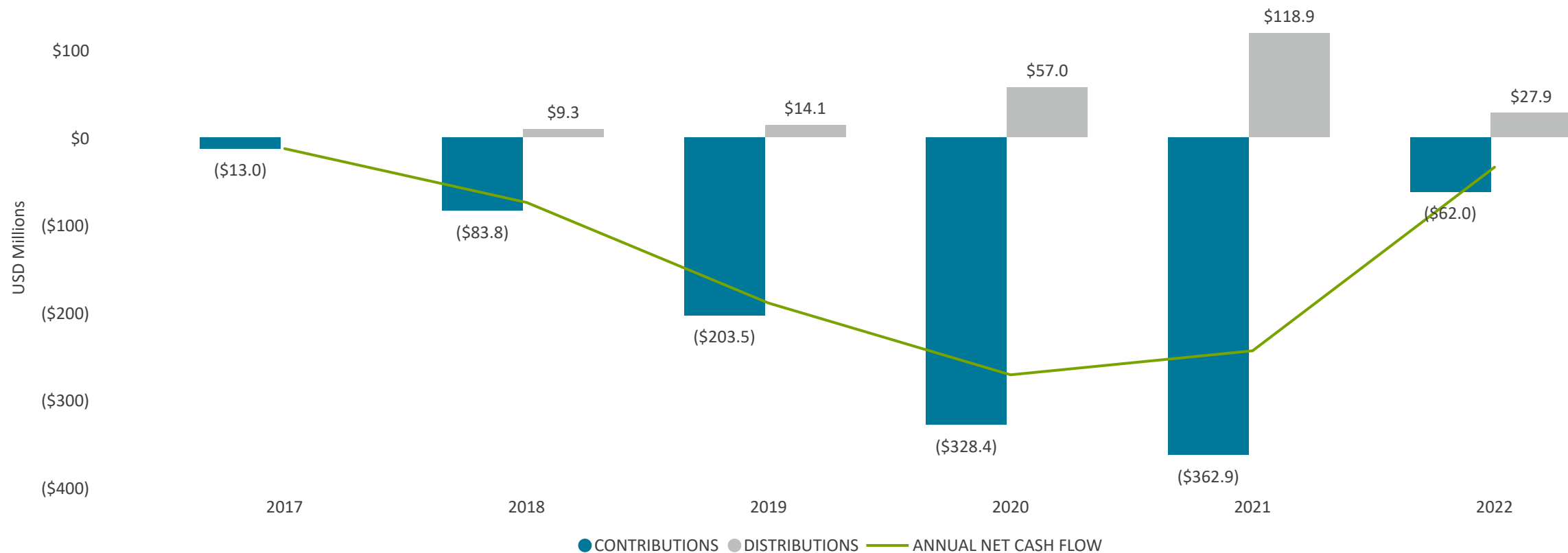
QUARTERLY CASH FLOW ACTIVITY

During the first quarter of 2022, the Portfolio contributed \$62.0 million and received \$27.9 million of distributions, for a net cash outflow of \$34.1 million.

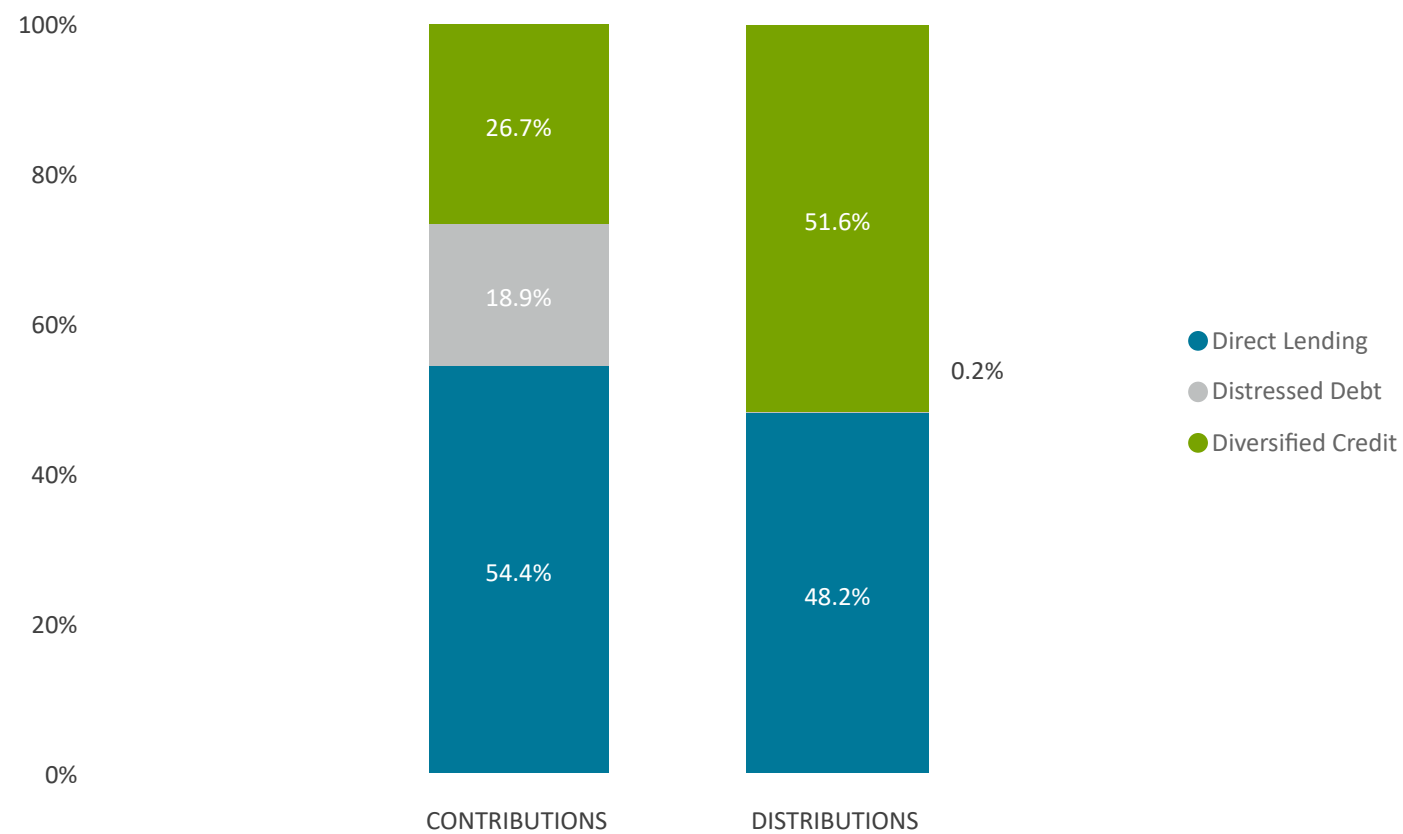


ANNUAL CASH FLOW ACTIVITY

During the three months ended March 31, 2022, the Portfolio contributed \$62.0 million and received \$27.9 million of distributions, for a net cash outflow of \$34.1 million.

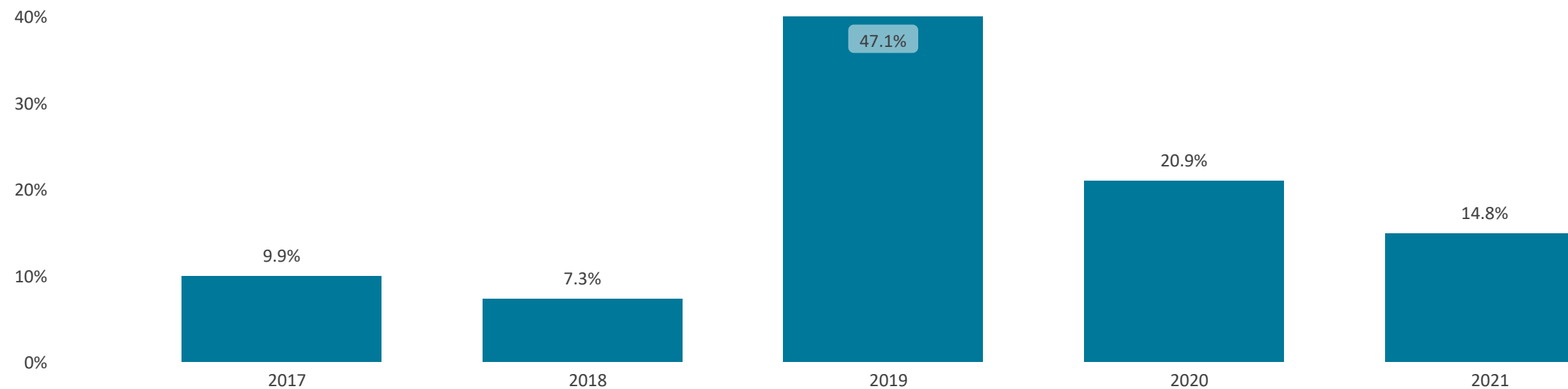


CASH FLOW BY SECTOR



UNFUNDED % BY VINTAGE YEAR

The following chart provides unfunded commitments by vintage year as a percentage of the Portfolio's total unfunded commitments.



SCHEDULE OF INVESTMENTS BY VINTAGE YEAR

As of March 31, 2022

VINTAGE	FUND	SECTOR	COMMITMENT	CONTRIBUTIONS	DISTRIBUTIONS	MARKET VALUE	GAIN/LOSS	TVM	IRR	IRR RANK	TVM RANK
2017	Audax Direct Lending Solutions Fund-A	Direct Lending	\$100,000,000	\$81,588,371	\$33,352,082						
2017	Sixth Street TAO 4.0 (B)	Diversified Credit	100,000,000	84,442,036	37,138,385						
2017 Total			\$200,000,000	\$166,030,407	\$70,490,467						
2018	Apollo Hybrid Value Fund	Diversified Credit	\$100,000,000	\$127,513,074	\$62,004,925						
2018	Brightwood Capital Fund IV	Direct Lending	100,000,000	100,000,000	35,542,521						
2018	ICG Europe Fund VII	Diversified Credit	91,549,064	67,504,936	5,642,499						
2018	Sixth Street Opportunities Partners IV	Distressed Debt	50,000,000	40,045,949	3,729,515						
2018 Total			\$341,549,064	\$335,063,960	\$106,919,460						
2019	Ares PA Opportunities Fund, L.P. - Distressed Debt	Distressed Debt	\$200,000,000	\$78,718,810	\$2,817,173	NM	NM	NM	NM	NM	NM
2019	Clearlake Opportunity Partners II	Diversified Credit	75,000,000	19,063,943	209,533	NM	NM	NM	NM	NM	NM
2019	Glendon Opportunities Fund II	Distressed Debt	150,000,000	105,000,000	-	NM	NM	NM	NM	NM	NM
2019	ICG Europe Mid-Market Fund	Diversified Credit	74,916,082	31,267,064	821	NM	NM	NM	NM	NM	NM
2019	ICG North American Private Debt Fund II	Direct Lending	50,000,000	31,982,916	10,839,954						
2019	Permira Credit Solutions IV Master (Feeder) SCSp	Direct Lending	75,000,000	50,037,166	9,035,367	NM	NM	NM	NM	NM	NM
2019	Sixth Street TAO Contingent (D)	Diversified Credit	150,000,000	71,402,459	16,717,554						
2019 Total			\$774,916,082	\$387,472,358	\$39,620,401	\$486,536,460	\$138,684,503	1.4x	24.9%	First	First
2020	Ares PA Opportunities Fund, L.P. - Direct Lending	Direct Lending	\$100,000,000	\$52,467,002	-	NM	NM	NM	NM	NM	NM
2020	Ares PA Opportunities Fund, L.P. - Diversified Credit	Diversified Credit	100,000,000	32,110,485	795,306	NM	NM	NM	NM	NM	NM
2020	HPS Mezzanine Partners 2019	Direct Lending	75,000,000	68,161,434	8,836,258	NM	NM	NM	NM	NM	NM
2020	Permira Susquehanna Opportunities - Credit	Direct Lending	60,000,000	12,287,712	539,209	NM	NM	NM	NM	NM	NM
2020 Total			\$335,000,000	\$165,026,633	\$10,170,773	\$174,024,242	\$19,168,382	NM	NM	NM	NM
2021	Clearlake Opportunities Partners III	Diversified Credit	\$75,000,000	-	-	NM	NM	NM	NM	NM	NM
2021	Sixth Street Opportunities Partners V	Distressed Debt	50,000,000	-	-	NM	NM	NM	NM	NM	NM
2021 Total			\$125,000,000	-	-	-	-	NM	NM	NM	NM
Total: Active Investments			\$1,776,465,146	\$1,053,593,358	\$227,201,101	\$1,136,292,126	\$309,899,869	1.3x	18.1%	First	First

SCHEDULE OF INVESTMENTS BY SECTOR

As of March 31, 2022

SECTOR	FUND	VINTAGE	COMMITMENT	CONTRIBUTIONS	DISTRIBUTIONS	MARKET VALUE	GAIN/LOSS	TVM	IRR	IRR RANK	TVM RANK
Direct Lending	Ares PA Opportunities Fund, L.P. - Direct Lending	2020	\$100,000,000	\$52,467,002	-	NM	NM	NM	NM	NM	NM
Direct Lending	Audax Direct Lending Solutions Fund-A	2017	100,000,000	81,588,371	33,352,082						
Direct Lending	Brightwood Capital Fund IV	2018	100,000,000	100,000,000	35,542,521						
Direct Lending	HPS Mezzanine Partners 2019	2020	75,000,000	68,161,434	8,836,258	NM	NM	NM	NM	NM	NM
Direct Lending	ICG North American Private Debt Fund II	2019	50,000,000	31,982,916	10,839,954						
Direct Lending	Permira Credit Solutions IV Master (Feeder) SCSp	2019	75,000,000	50,037,166	9,035,367	NM	NM	NM	NM	NM	NM
Direct Lending	Permira Susquehanna Opportunities - Credit	2020	60,000,000	12,287,712	539,209	NM	NM	NM	NM	NM	NM
Direct Lending Total			\$560,000,000	\$396,524,601	\$98,145,390	\$369,384,049	\$71,004,838	1.2x	11.7%	Second	Second
Distressed Debt	Ares PA Opportunities Fund, L.P. - Distressed Debt	2019	\$200,000,000	\$78,718,810	\$2,817,173	NM	NM	NM	NM	NM	NM
Distressed Debt	Glendon Opportunities Fund II	2019	150,000,000	105,000,000	-	NM	NM	NM	NM	NM	NM
Distressed Debt	Sixth Street Opportunities Partners IV	2018	50,000,000	40,045,949	3,729,515						
Distressed Debt	Sixth Street Opportunities Partners V	2021	50,000,000	-	-	NM	NM	NM	NM	NM	NM
Distressed Debt Total			\$450,000,000	\$223,764,759	\$6,546,688	\$312,895,587	\$95,677,516	1.4x	26.8%	First	First
Diversified Credit	Apollo Hybrid Value Fund	2018	\$100,000,000	\$127,513,074	\$62,004,925						
Diversified Credit	Ares PA Opportunities Fund, L.P. - Diversified Credit	2020	100,000,000	32,110,485	795,306	NM	NM	NM	NM	NM	NM
Diversified Credit	Clearlake Opportunities Partners III	2021	75,000,000	-	-	NM	NM	NM	NM	NM	NM
Diversified Credit	Clearlake Opportunity Partners II	2019	75,000,000	19,063,943	209,533	NM	NM	NM	NM	NM	NM
Diversified Credit	ICG Europe Fund VII	2018	91,549,064	67,504,936	5,642,499						
Diversified Credit	ICG Europe Mid-Market Fund	2019	74,916,082	31,267,064	821	NM	NM	NM	NM	NM	NM
Diversified Credit	Sixth Street TAO 4.0 (B)	2017	100,000,000	84,442,036	37,138,385						
Diversified Credit	Sixth Street TAO Contingent (D)	2019	150,000,000	71,402,459	16,717,554						
Diversified Credit Total			\$766,465,146	\$433,303,997	\$122,509,023	\$454,012,491	\$143,217,516	1.3x	19.5%	First	First
Total: Active Investments			\$1,776,465,146	\$1,053,593,358	\$227,201,101	\$1,136,292,126	\$309,899,869	1.3x	18.1%	First	First

SCHEDULE OF DIVERSE INVESTMENTS

As of March 31, 2022

VINTAGE	FUND	SECTOR	COMMITMENT	CONTRIBUTIONS	DISTRIBUTIONS	MARKET VALUE	GAIN/LOSS	TVM	IRR
2018	Brightwood Capital Fund IV	Direct Lending	\$100,000,000	\$100,000,000	\$35,542,521				
2019	Clearlake Opportunity Partners II	Diversified Credit	75,000,000	\$19,063,943	\$209,533	NM	NM	NM	NM
2021	Clearlake Opportunities Partners III	Diversified Credit	75,000,000	-	-	NM	NM	NM	NM
Total: Diverse Investments			\$250,000,000	\$119,063,943	\$35,752,054	\$120,635,481	\$37,323,592	1.3x	10.8%

END NOTES

Performance Summary

Commitment reflects current commitment include FX fluctuations for non-USD funds.

Contributed Capital includes contributions for investments, management fees and expenses to underlying partnership investments.

Net DPI, or Distributed to Paid-In-Multiple, is calculated as Distributed Capital divided by Contributed Capital.

Net TVM, or Total Value Multiple, is calculated as Total Value, which is comprised of Market Value plus Distributed Capital, divided by Contributed Capital.

Net IRR is net of managers' fees, expenses, and carried interest.

Portfolio Performance vs Benchmarks

Benchmark is a dollar-weighted calculation of quarterly changes in the S&P/LSTA U.S. Leveraged Loan 100 Index. S&P Dow Jones is the source and owner of the trademark, service marks and copyrights related to the S&P Dow Jones Indexes.

Returns shown are dollar-weighted IRR.

Schedule of Investments by Vintage Year & Sector

Commitment reflects current commitment including FX fluctuations for non-USD funds.

Contributions includes management fees and expenses.

Gain/Loss represents since inception total value change of active investments unless otherwise noted.

NM - Not Meaningful

IRR and TVM for certain vehicles may have been impacted by Stepstone's or the underlying GPs' use of subscription-backed credit facilities by such vehicles. Reinvested/recycled amounts increase contributed capital.

Fund quartile rankings provided by Burgiss Private iQ as of December 31, 2021 and represent sector-comparable funds aggregated by vintage year, asset class and geography in which SERS made investments.

These figures have been prepared by Stepstone on behalf of SERS and have not been provided by any General Partner.

StepStone Diverse Manager Definition

(i) 33%+ of the General Partner/Management company is owned by diverse individuals; and/or

(ii) 33%+ of carried interest for the Fund will be allocated to diverse individuals; and/or

(iii) 33% of key persons are diverse individuals Diverse individuals include women and racial/ethnic minority employees, specifically in the US: Asian, Black, Hispanic/Latinx, Indigenous People, Middle Eastern/North African, and Two or More Races. In addition, LGTBQIA+, disability, and US Military Veteran status will be considered.

StepStone has not completed due diligence on all Funds in SERS Private Equity portfolio and therefore the diverse manager list excludes these Funds.

Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses.

Definitions on Pages 13-14 - Redacted