

QUARTERLY PRIVATE CREDIT BOARD UPDATE

For the period ended June 30, 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 June 30, 2022, as well as the quarter-over-quarter and year-over-year change.

The Portfolio is generating a since inception net IRR of 14.8% at June 30, 2022, down (333) basis points quarter-over-quarter.

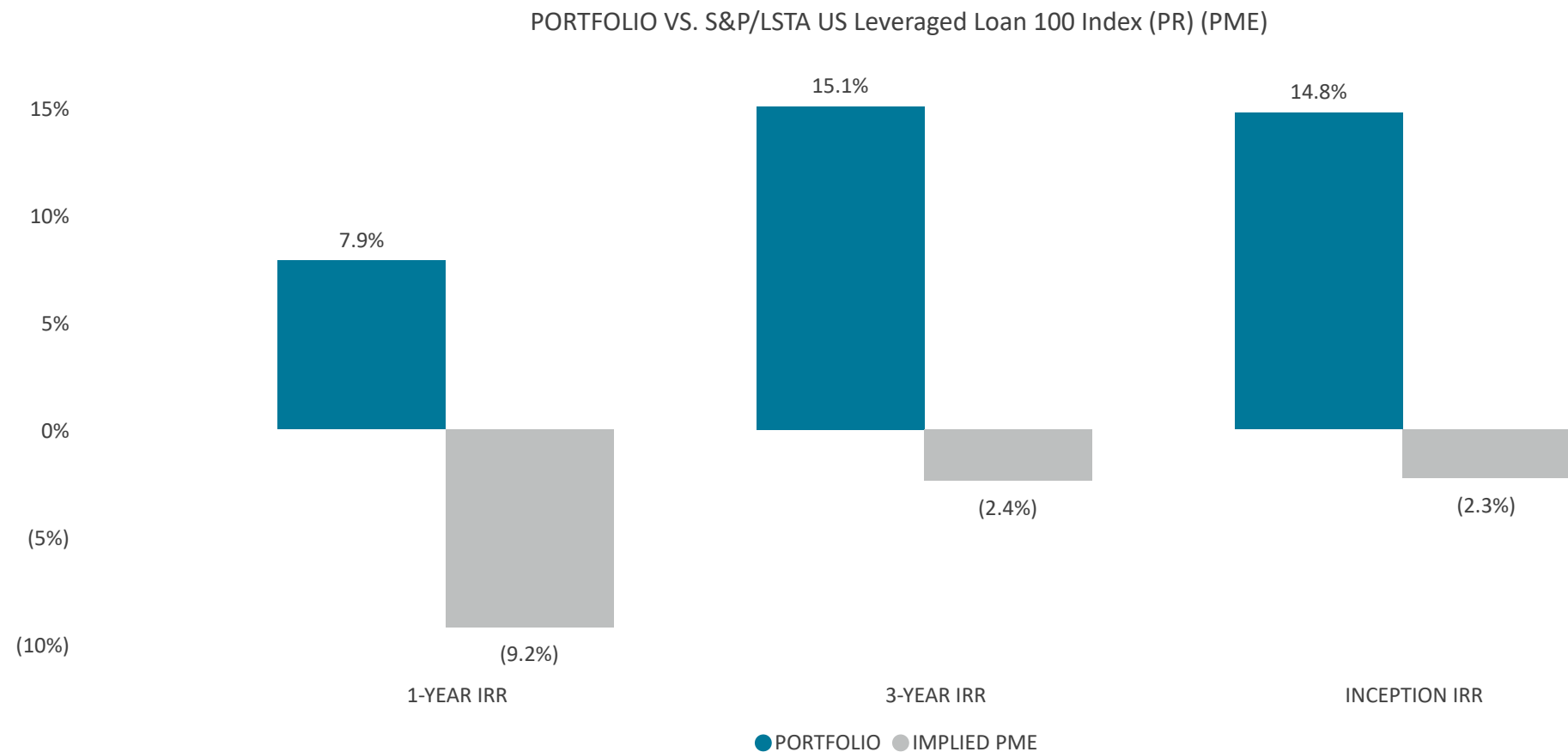
As of June 30, 2022. In USD millions.

SERS PORTFOLIO PERFORMANCE SUMMARY					
	JUNE 30, 2022	MARCH, 31, 2022	JUNE 30, 2021	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	\$1,772.9	\$1,776.5	\$1,556.5	(\$3.6)	\$216.4
Unfunded Commitment	799.0	843.3	822.9	(44.2)	(23.9)
Total Exposure	1,916.7	1,979.6	1,698.0	(62.9)	218.7
Total Contributed	1,120.8	1,053.6	825.1	67.2	295.8
Total Distributed	287.3	227.2	157.4	60.1	129.8
Total Market Value	1,117.7	1,136.3	875.1	(18.6)	242.5
Since Inception G/L	284.1	309.9	207.5	(25.8)	76.6
Total Value	\$1,404.9	\$1,363.5	\$1,032.6	\$41.4	\$372.4
Net DPI	0.3x	0.2x	0.2x		
Net TVM	1.3x	1.3x	1.3x		
Net IRR	14.8%	18.1%	20.0%	(333 bps)	(524 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.

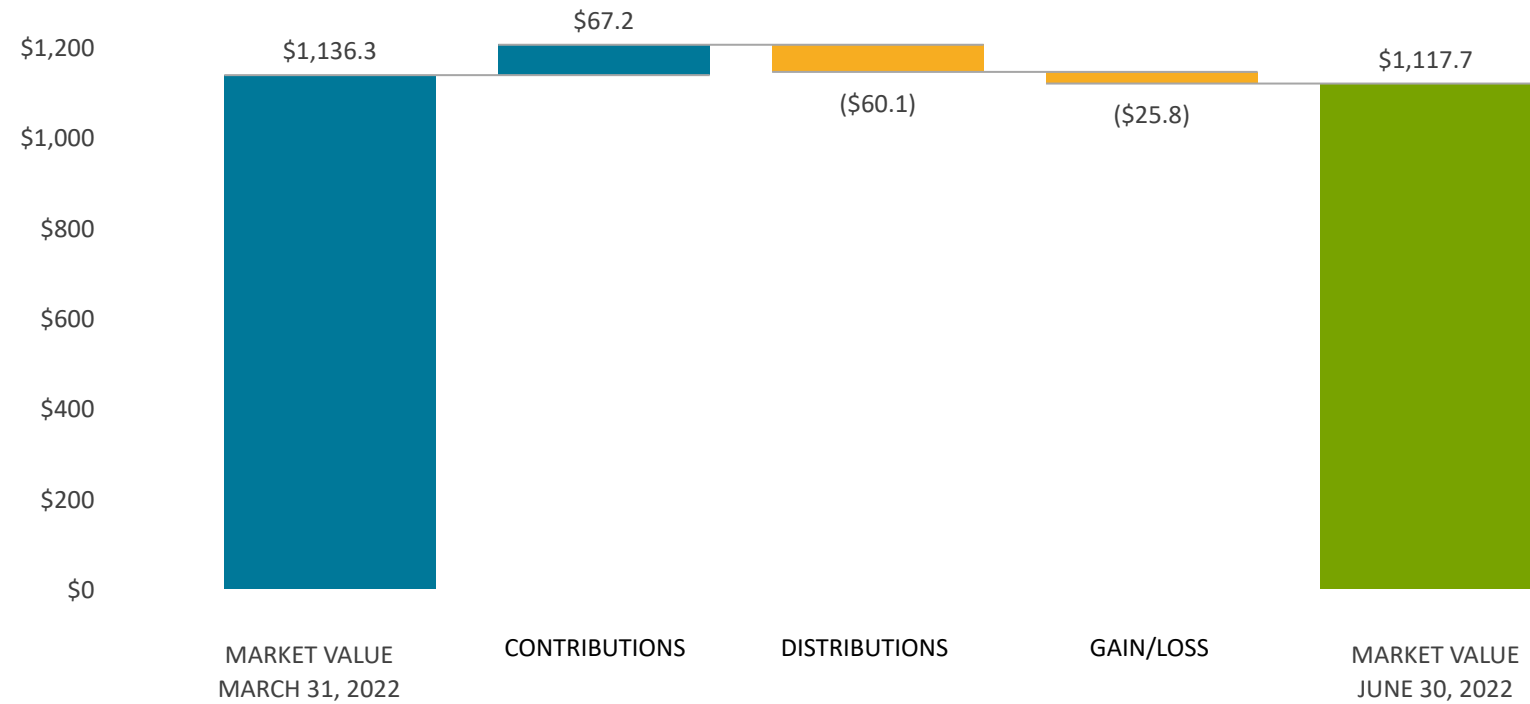
PERFORMANCE SUMMARY CONTINUED

The following table illustrates the Portfolio's point-to-point investment performance as of June 30, 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 second quarter of 2022, the value of the Portfolio decreased by (\$25.8) million, or (2.3%).



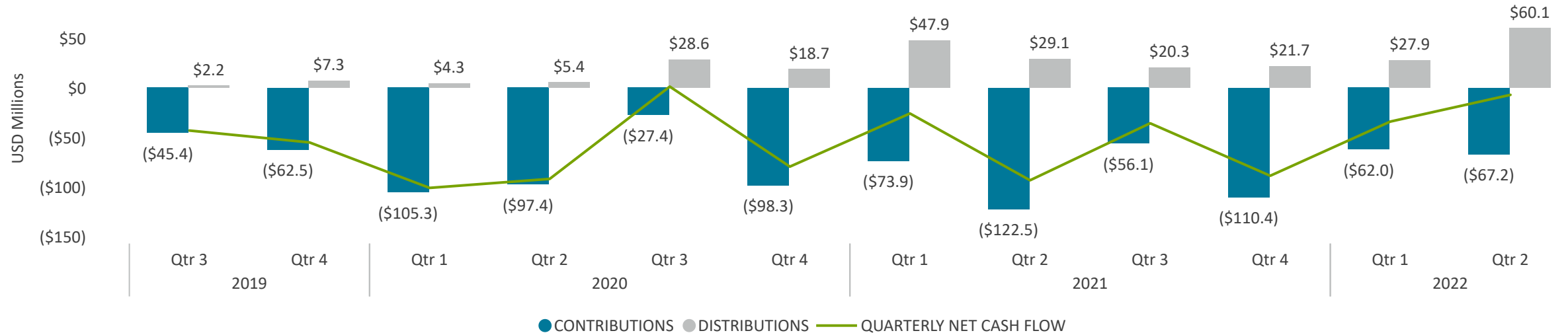
FUND GEOGRAPHIC DIVERSIFICATION

As of June 30, 2022. In USD millions.

GEOGRAPHY	NAV	% OF TOTAL	UNFUNDED	% OF TOTAL	TOTAL EXPOSURE	% OF TOTAL
North America	\$928.9	83.1%	\$663.7	83.1%	\$1,592.6	83.1%
Europe	\$188.8	16.9%	\$135.3	16.9%	\$324.1	16.9%
Total	\$1,117.7	100.0%	\$799.0	100.0%	\$1,916.7	100.0%

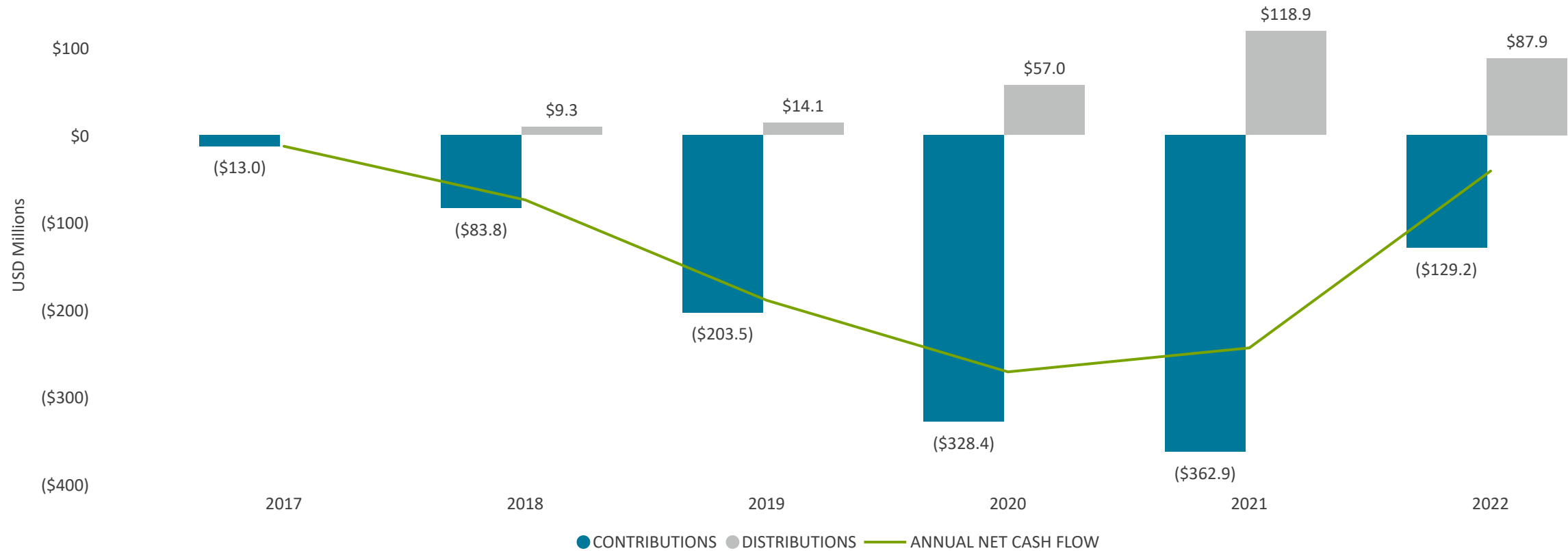
QUARTERLY CASH FLOW ACTIVITY

During the second quarter of 2022, the Portfolio contributed \$67.2 million and received \$60.1 million of distributions, for a net cash outflow of \$7.2 million.

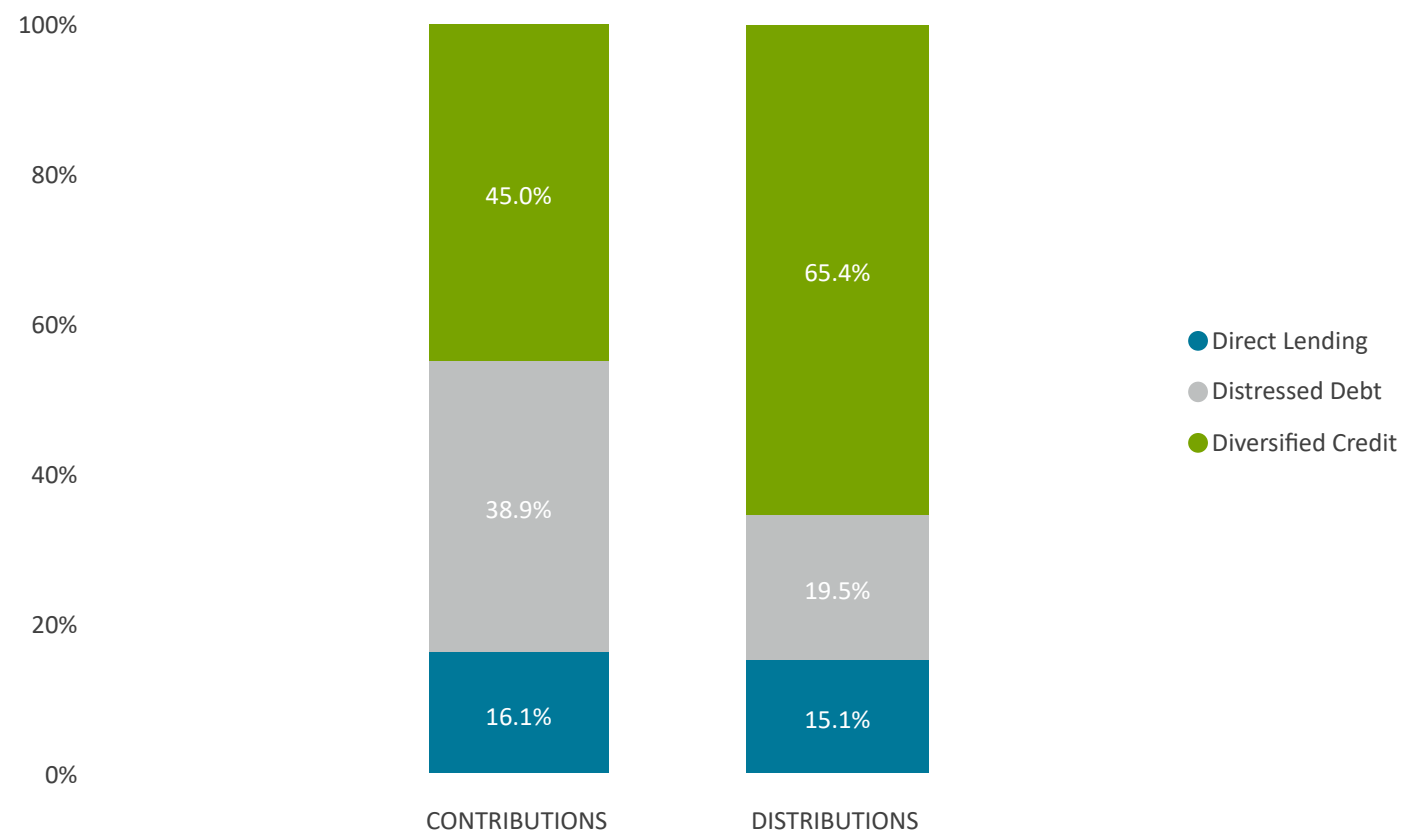


ANNUAL CASH FLOW ACTIVITY

During the six months ended June 30, 2022, the Portfolio contributed \$129.2 million and received \$87.9 million of distributions, for a net cash outflow of \$41.3 million.

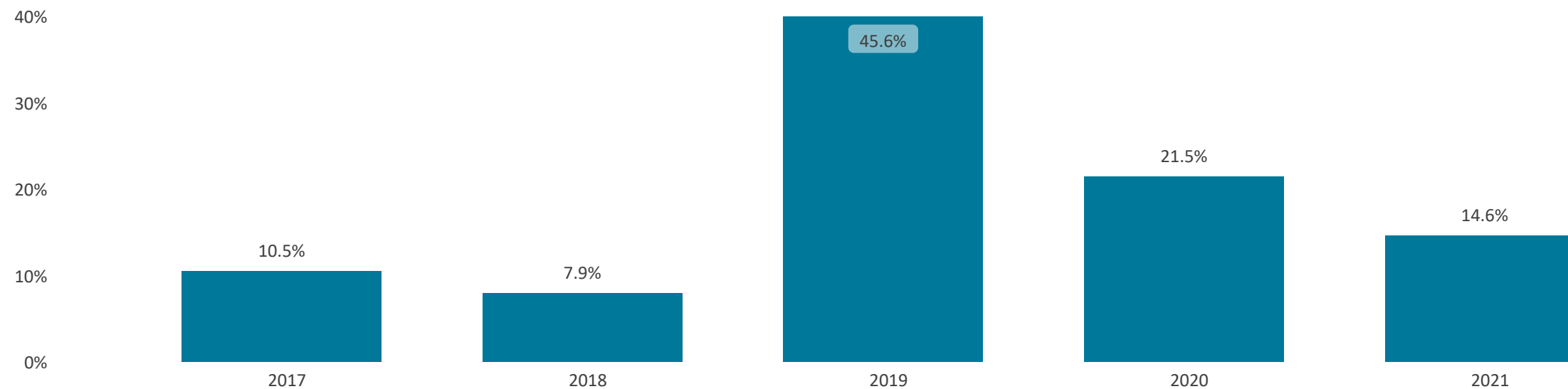


CASH FLOW BY SECTOR



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 June 30, 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	\$82,669,799	\$39,150,619						
2017	Sixth Street TAO 4.0 (B)	Diversified Credit	100,000,000	87,433,881	40,198,777						
2017 Total			\$200,000,000	\$170,103,680	\$79,349,396						
2018	Apollo Hybrid Value Fund	Diversified Credit	\$100,000,000	\$130,010,314	\$76,709,111						
2018	Brightwood Capital Fund IV	Direct Lending	100,000,000	100,000,000	36,851,306						
2018	ICG Europe Fund VII	Diversified Credit	90,303,994	69,909,022	14,310,490						
2018	Sixth Street Opportunities Partners IV	Distressed Debt	50,000,000	40,045,949	5,821,838						
2018 Total			\$340,303,994	\$339,965,285	\$133,692,745	\$307,785,291	\$101,512,750	1.3x	13.6%	Second	Second
2019	Ares PA Opportunities Fund, L.P. - Distressed Debt	Distressed Debt	\$200,000,000	\$88,851,420	\$12,420,106	NM	NM	NM	NM	NM	NM
2019	Clearlake Opportunity Partners II	Diversified Credit	75,000,000	35,498,908	13,071,618	NM	NM	NM	NM	NM	NM
2019	Glendon Opportunities Fund II	Distressed Debt	150,000,000	112,500,000	-	NM	NM	NM	NM	NM	NM
2019	ICG Europe Mid-Market Fund	Diversified Credit	72,568,657	31,267,064	821	NM	NM	NM	NM	NM	NM
2019	ICG North American Private Debt Fund II	Direct Lending	50,000,000	32,000,310	11,314,054						
2019	Permira Credit Solutions IV Master (Feeder) SCSp	Direct Lending	75,000,000	54,466,899	9,897,867	NM	NM	NM	NM	NM	NM
2019	Sixth Street TAO Contingent (D)	Diversified Credit	150,000,000	77,293,893	16,717,554						
2019 Total			\$772,568,657	\$431,878,494	\$63,422,020	\$485,716,093	\$117,259,619	1.3x	18.1%	First	First
2020	Ares PA Opportunities Fund, L.P. - Direct Lending	Direct Lending	\$100,000,000	\$55,957,327	-	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	69,973,584	9,457,773	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	\$170,329,109	\$10,792,289	\$175,701,978	\$16,165,158	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	8,545,345	-	NM	NM	NM	NM	NM	NM
2021 Total			\$125,000,000	\$8,545,345	-			NM	NM	NM	NM
Total: Active Investments			\$1,772,872,651	\$1,120,821,913	\$287,256,449	\$1,117,673,295	\$284,107,831	1.3x	14.8%	First	First

SCHEDULE OF INVESTMENTS BY SECTOR

As of June 30, 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	\$55,957,327	-	NM	NM	NM	NM	NM	NM
Direct Lending	Audax Direct Lending Solutions Fund-A	2017	100,000,000	82,669,799	39,150,619						
Direct Lending	Brightwood Capital Fund IV	2018	100,000,000	100,000,000	36,851,306						
Direct Lending	HPS Mezzanine Partners 2019	2020	75,000,000	69,973,584	9,457,773	NM	NM	NM	NM	NM	NM
Direct Lending	ICG North American Private Debt Fund II	2019	50,000,000	32,000,310	11,314,054						
Direct Lending	Permira Credit Solutions IV Master (Feeder) SCSp	2019	75,000,000	54,466,899	9,897,867	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	\$407,355,632	\$107,210,828	\$371,628,735	\$71,483,931	1.2x	10.4%	Second	Second
Distressed Debt	Ares PA Opportunities Fund, L.P. - Distressed Debt	2019	\$200,000,000	\$88,851,420	\$12,420,106	NM	NM	NM	NM	NM	NM
Distressed Debt	Glendon Opportunities Fund II	2019	150,000,000	112,500,000	-	NM	NM	NM	NM	NM	NM
Distressed Debt	Sixth Street Opportunities Partners IV	2018	50,000,000	40,045,949	5,821,838						
Distressed Debt	Sixth Street Opportunities Partners V	2021	50,000,000	8,545,345	-	NM	NM	NM	NM	NM	NM
Distressed Debt Total			\$450,000,000	\$249,942,714	\$18,241,944	\$312,854,827	\$81,154,057	1.3x	19.6%	First	First
Diversified Credit	Apollo Hybrid Value Fund	2018	\$100,000,000	\$130,010,314	\$76,709,111						
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	35,498,908	13,071,618	NM	NM	NM	NM	NM	NM
Diversified Credit	ICG Europe Fund VII	2018	90,303,994	69,909,022	14,310,490						
Diversified Credit	ICG Europe Mid-Market Fund	2019	72,568,657	31,267,064	821	NM	NM	NM	NM	NM	NM
Diversified Credit	Sixth Street TAO 4.0 (B)	2017	100,000,000	87,433,881	40,198,777						
Diversified Credit	Sixth Street TAO Contingent (D)	2019	150,000,000	77,293,893	16,717,554						
Diversified Credit Total			\$762,872,651	\$463,523,567	\$161,803,677	\$433,189,733	\$131,469,843	1.3x	16.1%	First	First
Total: Active Investments			\$1,772,872,651	\$1,120,821,913	\$287,256,449	\$1,117,673,295	\$284,107,831	1.3x	14.8%	First	First

SCHEDULE OF DIVERSE INVESTMENTS

As of June 30, 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	\$36,851,306				
2019	Clearlake Opportunity Partners II	Diversified Credit	75,000,000	\$35,498,908	\$13,071,618	NM	NM	NM	NM
2021	Clearlake Opportunities Partners III	Diversified Credit	75,000,000	-	-	NM	NM	NM	NM
Total: Diverse Investments			\$250,000,000	\$135,498,908	\$49,922,924	\$121,129,000	\$35,553,016	1.3x	9.6%

END NOTES

Performance Summary

Commitment reflects current commitment including 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, Diverse Managers

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

Contributions include management fees and expenses.

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

IRR and TVM performance for investments held less than three years is not meaningful ("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 June 30, 2022 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, LGBTQIA+, 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