To: Pennsylvania State Employees' Retirement System Board Members ("SERS")

From: NEPC, LLC ("NEPC")

Date: June 17, 2024

Subject: Commitment to IPI Partners Fund III, LP

Recommendation

NEPC recommended that the Board of the Pennsylvania State Employees' Retirement System consider a commitment of up to $100 million to IPI Partner III, LP ("Fund III" or the "Fund") at the June 11, 2024, Board meeting. NEPC has identified the following positive attributes for the Fund, among others:

- Strong performance
- Deep and tenured investment team
- Vertically integrated organization
- Strong, differentiated sponsorship background
- Attractive data center focus in the current market environment

Overview

IPI Partners, LLC (the "Firm," the "Manager," or "IPI") is raising its third data center-focused real estate fund, IPI Partners III. The Fund will continue the strategy employed by Fund I and Fund II, focusing on providing data centers globally for large, high-quality enterprise end users. IPI will build a global portfolio consisting of a mix of income-producing properties and new development with a focus on build-to-suits. The Fund will target a net internal rate of return (IRR) ranging from 12-16% and net equity multiples of 1.5x-1.7x. The Fund may employ leverage of up to 65% (in aggregate at the fund-level).

IPI was formed in July 2016 and is jointly owned and controlled by ICONIQ Capital, LLC ("ICONIQ") and Iron Point DC Management, LLC ("Iron Point"). IPI was formed to invest in digital real estate, in particular data centers that are suited for large, high-quality enterprise data center end users. The Firm brings to bear ICONIQ's access to some of the world's leading technology companies and innovators and Iron Point's history of investing in data centers. IPI has approximately $8.0 billion of assets under management, as of September, 2023, through its first two investment vehicles, IPI Partners ("Fund I") and IPI Partners II ("Fund II").

IPI Partners is led by Matt A'Hearn, who is supported by both dedicated IPI professionals as well as the ICONIQ and Iron Point platforms. ICONIQ is a wealth management firm formed in 2011, which also manages direct investments across asset classes, with a specific focus on technology growth equity, private equity, venture capital, and real estate. ICONIQ is headquartered in San Francisco with offices in Palo Alto, California; New York, New York; and Singapore. Iron Point was formed in 2007 and has raised over $2.5 billion of equity capital through five Iron Point Partners funds. Iron Point targets opportunistic investments across real estate sectors. Prior to forming Iron Point Partners, the principals managed RMB Realty, Inc. and its successor Oak Hill Realty, LLC, the real estate investment vehicles for Robert M. Bass.

NEPC Due Diligence

NEPC's Real Assets Research Team has conducted due diligence on the Firm, including the following items (among others):

- Consideration of portfolio fit within the SERS Real Estate Portfolio
- Consideration of the Fund relative to others in its peer universe (including strength of team, strategy, track record, and fees/terms, among other factors)
- Virtual onsite meeting conducted via video call
- A review of the Manager's track record, including both fund- and investment-level performance
- Operational due diligence review

Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager, and market index data was provided by other external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy