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

From: NEPC, LLC ("NEPC")

Date: June 3, 2022

Subject: Commitment to Blackstone Real Estate Partners X, LP

Recommendation

NEPC recommends that the Board of the Pennsylvania State Employees' Retirement System consider a commitment of up to $75 million to Blackstone Real Estate Partners X, LP ("BREP X" or the "Fund") at the June 3, 2022 Investment Committee meeting. NEPC has identified the following positive attributes for the Fund, among others:

- Expertise in large, complex transactions
- Strong platform & significant asset management expertise
- Track record

Overview

The Blackstone Group was founded in 1985 by Stephen Schwarzman, its current Chairman and CEO, and Peter Peterson, who retired from the Firm in 2008. Today, Blackstone is the largest global alternative asset manager with over $880 billion under management. Blackstone's core businesses include the management of real estate funds, private equity funds, hedge funds, and credit-oriented funds. Blackstone has been a publicly-traded company since June of 2007, and is listed on the New York Stock Exchange (ticker "BX").

The Blackstone Real Estate team was founded in 1991 and today is led by Ken Caplan and Kathleen McCarthy, Global Co-Heads of Blackstone Real Estate, with 43 other Senior Managing Directors around the world. The Blackstone Real Estate team has over 700 dedicated professionals across 11 offices including over 400 professionals in the United States.

BREP X will be opportunistic in its portfolio composition and does not have a specific sector/geographic allocation. Blackstone believes that this flexibility is an advantage as they can adapt to changing market environments and seek to acquire assets in the most attractive sectors and markets as opportunities arise. BREP X will primarily focus on investing in the U.S. but will opportunistically allocate around the globe.

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

- 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.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

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