

Investment Recommendation

SERS’ Investment Office Staff and SERS’ Real Estate Consultant, NEPC, recommend that the State Employees’ Retirement System Investment Committee interview Oak Street Real Estate Capital (“Oak Street” or the “GP”) which is a division of Blue Owl Capital Inc. (NYSE: OWL) (“Blue Owl” or the “Firm”) at the September 22, 2022, Investment Committee Meeting to consider a potential commitment of up to \$75 million to Oak Street Real Estate Capital Fund VI, LP (“Oak Street VI” or the “Fund” or “Fund VI”) subject to the satisfactory completion of legal due diligence and contract negotiation. This is an existing investment manager relationship for PA SERS. Oak Street VI is targeting \$4 billion of capital commitments. The Fund will have a first close by the middle of October 2022.

Investment Rationale

Staff believes Oak Street Fund VI represents a strong candidate for SERS’ capital commitment as it offers:

- A Strategic Partnership with a Top Performing Manager
- A Resilient Strategy with Downside Protection
- Attractive Sourcing Capabilities
- A Strong Portfolio Fit
- A Manager Committed to an Action Oriented DEI Program

Investment Risks & Mitigants

Staff identified the following potential risks:

- Firm/Key Person Risk
- Credit Risk
- Rising Interest Rates and Inflation
- Fund Size
- Headline Risk

Portfolio Implications

A commitment to Oak Street VI would be considered a 2022 vintage allocation to a fund which is categorized in the Real Estate asset class and Value-Add/Opportunistic sub-asset class. As of March 31, 2022, SERS’ total allocation to the Value-Add/Opportunistic sub-strategy represented approximately 43.6% of the total Real Estate portfolio.

The following two charts show the Real Estate allocations by sub strategy as of March 31, 2022 on the left, and a prospective view of the allocation post a \$75 million commitment to Oak Street VI on the right.

