

Investment Recommendation

SERS’ Investment Office Staff and SERS’ Private Credit Consultant, StepStone Group, recommend that the State Employees’ Retirement System Investment Committee, subject to further legal due diligence, interview Sixth Street Partners (“Sixth Street”, the “GP” or the “Firm”) at the September 28, 2021 Investment Committee Meeting to consider a potential investment of up to \$50 million in Sixth Street Opportunities Partners V, L.P. (“Opps V”, or the “Fund”), pending the satisfactory completion of legal due diligence. Sixth Street is targeting capital commitments of \$3.5 billion for Opps V.

Investment Rationale

Staff identified Opps V as a strong candidate for SERS’ capital commitment as it offers:

- Additional exposure to a high-quality private investment manager that has generated strong net returns since inception in 2009;
- Exposure to a private investment manager that outperforms private peers and alternative indices.
- Capital preservation as evidenced by a low loss ratio, combined with a focus on downside protection;
- Proven senior investment team that has been investing together for many years. 12 of the 20 Partners at the Firm previously worked together at Goldman Sachs prior to forming Sixth Street;
- A consistent strategy led by a team that has invested successfully across multiple economic and credit cycles with a focus on distressed investments, providing SERS’ Private Credit portfolio with an “all weather” investment strategy that is designed to outperform in periods of economic volatility;
- Consistency with SERS’ portfolio objectives as outlined in the IPS and Strategic Plan.

Investment Risks

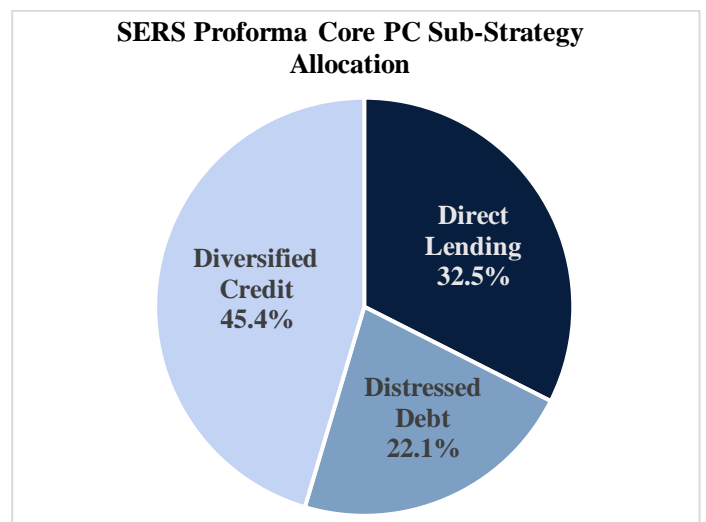
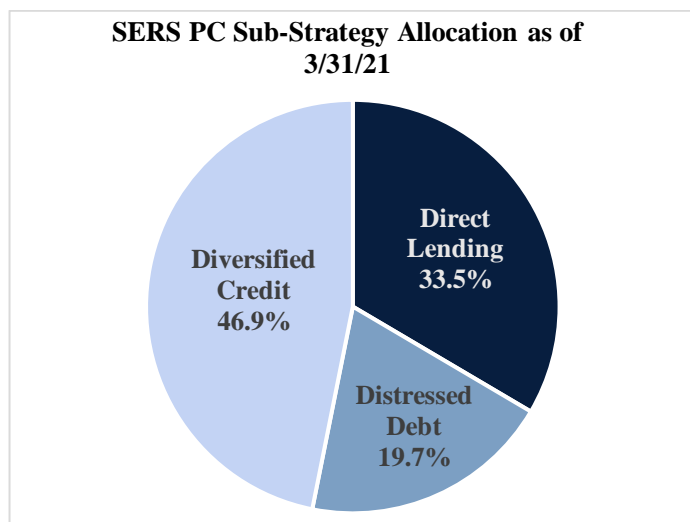
Staff identified the following potential risks of a commitment to Opps V:

- The Opps investment strategy is best suited for periods of economic and credit volatility. The opportunity set of attractive investments for this strategy may be diminished in a benign or steady growth environment.
- Lack of a dedicated team for the Opps strategy.

Portfolio Implications

A commitment to Opps V would be considered a 2021 vintage allocation to a fund which is categorized in the Private Credit asset class and Distressed Debt sub-asset class. As of March 31, 2021, SERS’ total exposure to Distressed Debt represented appx. 19.7% of the Private Credit portfolio. A commitment level of \$50 million also reflects a position size of appx. 3.2% within the Private Credit portfolio.

The following two charts highlight the pro forma effect a commitment to the Fund is expected to have on sub-strategy allocation within the Private Credit portfolio.



Sponsor Overview

Founded in 2009 and headquartered in San Francisco, CA, Sixth Street is a global credit and credit-related investment firm focused on investing across economic and credit cycles with an emphasis on distressed and special situations opportunities. The Firm manages over \$50 billion in assets and employs nearly 350 people, including 170 investment professionals, across offices in San Francisco, New York, Houston, Dallas, Boston, London, Hong Kong, Melbourne, and Luxembourg.

Investment Strategy

Sixth Street Opportunities V is being formed to continue the strategy of thematic, control-oriented, actively managed investments with a significant focus on downside protection. Sixth Street has the flexibility to invest across geographies, primarily in North America and Europe.

The Firm's investment philosophy can be defined by the following key tenets:

- Experienced Team with a Collaborative Culture
- Thematic Approach to Sourcing
- Value Focus with Downside Protection
- Value Creation

Management Team

Alan Waxman, Co-Founder, CEO and CIO. Prior to founding Sixth Street, Mr. Waxman was a Partner at Goldman Sachs and Chief Investment Officer of its largest proprietary investing business. Mr. Waxman holds a B.A. in International Relations from the University of Pennsylvania and currently serves on the Board of Overseers for the University of Pennsylvania College of Arts and Sciences. He also serves on the Board of Directors for The Tipping Point Community and the Advisory Council for the Boys and Girls Club of the Peninsula, which are both focused on fighting poverty and inequality of opportunity in the San Francisco Bay Area.

Matt Dillard, Co-Founder and Partner. Matt Dillard oversees Sixth Street's Strategic Capital Group which makes investments, typically meaningful in size, across the capital structure in public and private companies as well as in niche assets and special situations. He also has responsibility for several of Sixth Street's sector-focused teams. Prior to co-founding Sixth Street in 2009, Mr. Dillard was with Silver Point Capital and he began his career in the Technology, Media and Telecom Group of Lazard. Mr. Dillard serves on the Board of Governors for the Boys and Girls Club of San Francisco. He received a B.S. in Economics, summa cum laude, from the Wharton School of the University of Pennsylvania.

Joshua Easterly, Co-Founder, Partner and Co-President of Sixth Street and CEO of SLX. Mr. Easterly serves as Chairman of SLX's Board of Directors and Co-CIO of Sixth Street Specialty Lending Advisers, LLC. Prior to joining Sixth Street, Mr. Easterly was a Managing Director at Goldman Sachs, where he worked in AmSSG with Alan Waxman and most recently held the position of AmSSG's Chief Investment Officer. He also held the positions of Head of Principal Investing and Co-Head of Goldman Sachs Specialty Lending Group. Mr. Easterly received a B.S. in Business Administration, magna cum laude, from California State University, Fresno.

Clint Kollar, Co-Founder, Partner, COO. Mr. Kollar is a Co-Founder, Partner and Chief Origination Officer of Sixth Street based in San Francisco where he leads the firm's investment sourcing initiatives. Since co-founding Sixth Street in 2009, Mr. Kollar has led the firm's team dedicated to originating new investments globally across all of Sixth Street's investment platforms. He also oversees several of the firm's direct corporate partnerships. Prior to Sixth Street, Mr. Kollar was the Head Trader for Greywolf Capital. Previously, he was Head Trader for the Goldman Sachs Special Situations Group, where he worked with several other Sixth Street Co-Founders. Clint received an A.B. with honors in Economics from Harvard College, where he was a four-year letterman on the varsity football team.

Bornah Moghbel, Co-Founder and Partner. Mr. Moghbel is a Co-Founder and Partner of Sixth Street based in New York. He focuses on global opportunities across corporates, financial assets and real estate and leads the Sixth Street Fundamental Strategies team. In 2011, Mr. Moghbel established the firm's presence in Europe before returning to the United States in 2016. Prior to joining Sixth Street, Mr. Moghbel worked at Silver Point Capital. He received a B.A. in Economics, with high honors, and a minor in Business Administration from the University of California, Berkeley.

Vijay Mohan, *Co-Founder and Partner*. Mr. Mohan is a Co-Founder and Partner of Sixth Street based in San Francisco. He oversees Sixth Street's Strategic Capital Group which makes investments, typically meaningful in size, across the capital structure in public and private companies as well as in niche assets and special situations. He also has responsibility for several of Sixth Street's sector-focused teams. Prior to co-founding Sixth Street in 2009, Mr. Mohan was a Managing Principal with Bardin Hill (the then Halcyon Asset Management). He received a B.A. in Economics, summa cum laude and Phi Beta Kappa, from Columbia University.

Michael Muscolino, *Co-Founder and Partner*. Mr. Muscolino is a Co-Founder and Partner of Sixth Street based in San Francisco. He leads the firm's Global Asset Investing and is Co-Head of its Insurance platform. Prior to founding Sixth Street, Mr. Muscolino co-founded FG Companies, a consumer and commercial finance advisory firm. Previously, Mr. Muscolino worked at Goldman Sachs with several of the Sixth Street Co-Founders in the firm's largest on-balance-sheet investing business. Mr. Muscolino earned an M.B.A. with honors from the University of Chicago Booth School of Business and a B.S. with honors in Mechanical Engineering from the University of Illinois at Urbana-Champaign. He currently serves on the board of SMART, which is focused on education equity for low-income students in San Francisco.

Steven Pluss, *Co-Founder, Partner and CRO*. Mr. Pluss is a Co-Founder, Partner and Chief Risk Officer of Sixth Street based in Dallas. Mr. Pluss has over 30 years of experience in investing, banking and commercial finance and restructurings, and has been involved in highly leveraged transactions providing debt and equity financing to companies undergoing a turnaround, recapitalization or rapid growth. Prior to joining Sixth Street, Mr. Pluss was a Managing Director, Co-Head, and Chief Credit Officer of Goldman Sachs Specialty Lending Group with oversight responsibilities for all aspects of the business. He joined the Goldman Sachs Specialty Lending Group as Chief Underwriting Officer, working with Alan Waxman and several other Sixth Street Co-Founders. Mr. Pluss earned a M.B.A. from Southern Methodist University and a B.B.A. from Texas A&M University.

David Stiepleman, *Co-Founder, Partner, COO*. Mr. Stiepleman is a Co-Founder, Partner, Co-President and Chief Operating Officer of Sixth Street, based in San Francisco. He also serves as a Director of Sixth Street Specialty Lending (NYSE: TSLX). Mr. Stiepleman has been a cross-border corporate lawyer, senior executive, and business builder for over 20 years, starting and running businesses, and representing clients, in the U.S., Europe and Asia. Prior to Sixth Street, he was a Managing Director and the Deputy General Counsel of Fortress Investment Group, where he was the lead lawyer responsible for that firm's new business initiatives. Prior to that, he was lead counsel to the Americas Special Situations Group and the Mortgages Department at Goldman, Sachs, where he worked with several other Sixth Street Co-Founders. He received his B.A. in French and Political Science from Amherst College, and his law degree from Columbia Law School.