

MEMORANDUM

To: Pennsylvania State Employees' Retirement System ("SERS") Board Members
From: StepStone Group ("StepStone")
Date: November 21, 2023
Re: Investment in Clearlake Capital Partners VIII, L.P.

Recommendation

StepStone recommends that the State Employees' Retirement System Investment Committee approve commitments of up to US\$100 million to Clearlake Capital Partners VIII, L.P. (the "Fund") and US\$20 million to a vehicle formed to co-invest in opportunities alongside the Fund on a no-management fee, no-carried interest basis at the December 5th PA SERS Investment Committee meeting.

The formation of the co-investment vehicle affords SERS increased exposure to the Fund's investments at a lower fee basis. Assuming the vehicle is fully invested, SERS will pay a blended management fee of 1.38% and blended carried interest of 16.7%.

This recommendation is made solely within the context of Pennsylvania SERS' investment guidelines and is given solely for the benefit of Pennsylvania SERS.

Key investment highlights supporting the opportunity are as follows:

- Experienced, Tenured, and Cohesive Team
- Strong Absolute and Relative Performance

Overview

Clearlake Capital Group, L.P. ("Clearlake") is a private investments firm based in Santa Monica, California. Clearlake currently has over US\$70 billion of assets under management.

StepStone Due Diligence

StepStone's due diligence on the Fund was led by Ian Aaker, Carson Kvaternik, Brian Delpit, Sohail Qazi, and Milana Hiebert, supported by StepStone's broader private equity team. The Fund was reviewed and approved by StepStone's Investment Committee considering the context of Pennsylvania SERS' private equity investment objectives. Key diligence items included:

- Consideration of portfolio fit within the Pennsylvania SERS Private Equity – Buyout portfolio, including a review of other available opportunities
- Meetings with the Firm's senior investment professionals
- A review of the Firm's strategy and track record, including a review of drivers of historical returns
- Detailed operational due diligence

Disclaimer

This recommendation is given solely for the benefit of Pennsylvania SERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be the same as those of Pennsylvania SERS. The scope of this recommendation is limited to the investment thesis as previously outlined. StepStone does not provide legal or other non-related investment advice.

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