

Investment Recommendation

SERS’ Investment Office Staff and SERS’ Private Equity Consultant, StepStone Group, recommend that the State Employees’ Retirement System Investment Committee interview Clearlake Capital Group, L.P. (“Clearlake”) at the December 5, 2023, Investment Committee Meeting to consider a potential commitment of (i) up to \$100 million to Clearlake Capital Partners VIII, L.P. (“CCP VIII”, or the “Fund”) and (ii) up to \$20 million to a Sidecar Co-Investment Vehicle (name TBD), subject to the satisfactory completion of legal due diligence and contract negotiations. Clearlake is targeting commitments of \$15 billion for CCP VIII.

Investment Rationale

Staff identified Clearlake Capital Partners VIII, L.P. as a strong candidate for SERS’ capital commitment as it offers:

- Additional exposure to a private equity investment manager that has generated strong net returns on an absolute and relative basis.
- An attractive “all-weather” investment strategy led by a proven and stable senior team that has invested successfully across economic cycles, with the experience and ability to pivot into distressed and special situations investments.
- Consistency with SERS’ portfolio objectives and strategic plan.
- Additional exposure to a top-performing, minority-owned manager well-known to SERS’ Staff.

Investment Risks & Mitigants

Staff identified the following potential risks of a commitment to CCP VIII:

- Investment team capacity to effectively invest the Clearlake flagship private equity funds and the COP funds.
- Potential conflicts with Clearlake flagship private equity funds having overlap with investments in the COP funds and Flagship Plus funds.
- Above market headline management fees.

Portfolio Implications

A commitment to CCP VIII would be considered a 2023 vintage allocation to a fund which is categorized in the Private Equity asset class and Special Situations sub-asset class. As of June 30, 2023, SERS’ total exposure to Special Situations represented approximately 25.0% of the total Core Private Equity 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 Equity Portfolio.

