

MEMORANDUM

To: Pennsylvania State Employees' Retirement System ("SERS") Board Members
From: StepStone Group ("StepStone")
Date: November 23, 2021
Re: Investment in Ares Special Opportunities Fund II, L.P.

Recommendation

StepStone recommends that the State Employees' Retirement System Investment Committee approve a commitment of up to US\$70 million to Ares Special Opportunities Fund II, L.P. (the "Fund"), and up to US\$30 million to co-invest in opportunities alongside the Fund, at the December 7th PA SERS Investment Committee meeting. 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 Senior Team
- Strong Absolute and Relative Performance

Overview

Ares Management Corporation ("Ares") is an alternative asset manager with US\$282 billion of assets under management.

StepStone Due Diligence

StepStone's due diligence on the Fund was led by John Bohill (Partner), Kenneth McLaughlin (Senior Associate), and Brendan McDonnell (Analyst), 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 Credit 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

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