

## Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group, recommend that the State Employees' Retirement System Investment Committee interview PSG Europe II GP L.P. ("Providence Strategic Growth", "PSG Europe", the "Firm" or the "GP") at the December 7, 2021 Investment Committee Meeting to consider a potential commitment of up to €70 million to PSG Europe II, L.P. ("PSG Europe II" or the "Fund"), pending the satisfactory completion of legal due diligence. PSG Europe II L.P. will be a Euro-denominated fund and SERS' target commitment will approximate €65 million (the USD equivalent of \$75 million) based on prevailing currency exchange rates. PSG Europe II L.P. is targeting capital commitments of €2.5 billion, with a hard cap to be determined.

## Investment Rationale

SERS Staff identified PSG Europe II L.P. 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;
- Additional exposure to a private investment manager that outperforms private peers and public market indices.
- Secular growth exposure with a sector specialist manager;
- Additional exposure to a top performing manager well-known to SERS' Staff. A commitment to PSG Europe II is consistent with SERS' strategy of concentrating commitments to top-tier private investment managers.

## Investment Risks

SERS Staff identified the following potential risks of a commitment to PSG Europe II:

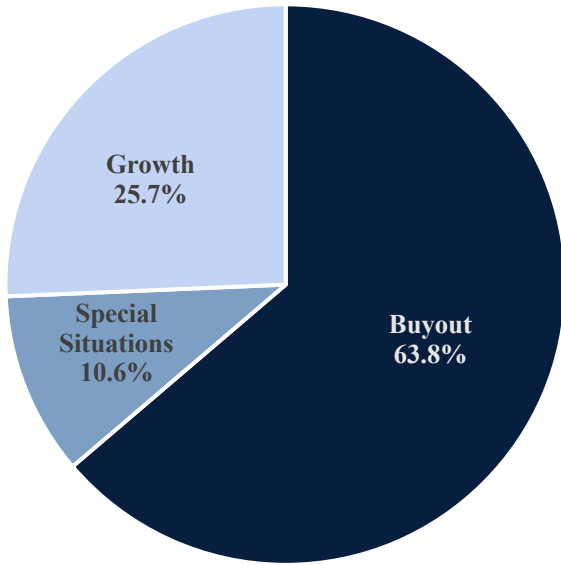
- Increasing European competition.
- Software market valuations.
- Potential foreign exchange fluctuation.

## Portfolio Implications

A commitment to PSG Europe II L.P. would be a 2021 vintage allocation in the Private Equity asset class and Growth Equity sub-asset class. As of June 30, 2021, SERS' market value of Growth Equity investments was approximately 25.7% of the Core Private Equity portfolio. This commitment aligns with SERS' Strategic Investment Plan initiative of making fewer commitments to top-tier managers. SERS is targeting a dollar equivalent commitment of \$75 million, or 13% of the 2021 strategic plan pacing budget for the Private Equity portfolio. This commitment also reflects a position size of appx. 1.5% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of June 30, 2021 on the left, and a prospective view of the allocation post a commitment to PSG Europe II L.P. on the right.

**SERS Core PE Sub-Strategy Allocation as of 6/30/2021**



**SERS Proforma Core PE Sub-Strategy Allocation**

