

## Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group recommend that the State Employees' Retirement System Investment Committee interview Sentinel Capital Partners ("Sentinel", the "GP" or the "Firm") at the June 3, 2022, Investment Committee Meeting to consider a potential commitment of (i) up to \$100 million to Sentinel Capital Partners VII, L.P. ("Fund VII" or "SCP VII"), and (ii) up to \$25 million to Sentinel Junior Capital II, L.P. ("SJC II"), subject to the satisfactory completion of legal due diligence and contract negotiations. The Firm is targeting commitments of \$3.75 billion and \$1.25 billion for Fund VII and JC II, respectively. Both funds will have a final close by the middle of July 2022.

## Investment Rationale

Staff identified Sentinel Capital Partners VII and Sentinel Junior Capital II as strong candidates for SERS' capital commitments as they offer:

- Access to a top performing manager;
- Experienced team and strong culture;
- Diversified investment strategy;
- Consistency with SERS' portfolio objectives.

## Investment Risks & Mitigants

Staff identified the following potential risks of commitments to Sentinel Capital Partners VII and Sentinel Junior Capital II:

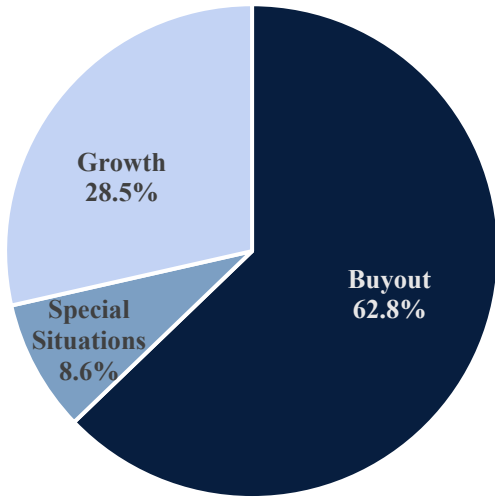
- Team capacity to manage new funds.
- Potential for conflicts of interest.
- Growth in fund size.

## Portfolio Implications

The recommended commitments to Sentinel Capital Partners would be 2022 vintage allocations in the Private Equity asset class within the Buyout and the Special Situations sub-asset classes. As of December 31, 2021, SERS' market value of Buyout and Special Situations investments was approximately 62.8% and 8.6% of the Core PE portfolio, respectively. This commitment aligns with SERS' Strategic Investment Plan initiatives of making commitments to top-tier managers. SERS is targeting a total of up to \$125 million in commitments to two Sentinel Capital Partners funds (Buyout and Special Situations). This commitment also reflects a position size of appx. 2.0% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of December 31, 2021 on the left, and a prospective view of the allocation post a \$125 million commitment to Sentinel Capital Partners on the right.

**SERS Core PE Sub-Strategy Allocation as of 12/31/2021**



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

