NEPC, LLC

To: Pennsylvania State Employees' Retirement System Board Members

From: NEPC, LLC ("NEPC")

Date: October 29, 2020

Subject: Investment in Rubicon First Ascent

Recommendation
NEPC recommends that the Board of the Pennsylvania State Employees' Retirement System ("SERS") to consider a commitment of up to $30 million to Rubicon First Ascent ("Fund") and up to $20 million to a co-investment vehicle at the December 1st Investment Committee meeting. NEPC has identified the following positive attributes for the Fund, among others:

- Strong historical performance
- An investor-first mentality
- Proprietary technology systems

Overview
Rubicon is a commercial real estate investment firm headquartered in San Francisco, CA, which qualifies as a minority- and female-owned business. The Firm was founded in 2011 and specializes in commercial real estate and emerging manager programs. The Firm has acquired $890 million in real estate (gross asset value) primarily through separate accounts with institutional investors and a total of 17 employees.

The Fund will continue a substantially similar strategy employed by the predecessor investment vehicles, focusing on office and mixed-use opportunities in the San Francisco Bay Area and Pacific Northwest. Rubicon targets innovation-driven markets that benefit from employment multiplier effects and changing demographics. Rubicon's approach is to uncover micro-markets where opportunities are expected to be created from demographic, land-use, regional transit, employment changes, and market dislocation. Rubicon is targeting $250 million ($350 million hard cap) for the Fund, with a final close expected to occur in the first quarter of 2021.

NEPC Due Diligence
NEPC's Real Assets Research Team has conducted due diligence on the Firm, including the following items (among others):

- Consideration of portfolio fit within the Pennsylvania SERS Real Estate Portfolio
- Consideration of the Fund relative to others in its peer universe (including strength of team, strategy, track record, and fees/terms, among other factors)
- On-site meeting conducted at the Manager's office
- A review of the Manager's track record, including both fund- and investment-level performance
- Operational due diligence review

Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager, and market index data was provided by other external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy