



February 16, 2012

Board of Trustees
Pennsylvania Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re: Partners Group Secondary 2011, L.P.

Dear Trustees:

Partners Group (the "Firm") is seeking to raise €2.0 billion of limited partnership interests in Partners Group Secondary 2011, L.P. (the "Fund"). The Fund is the Firm's fifth institutional secondary fund. The primary objective of the Fund is to achieve attractive returns on private equity investments acquired through the secondary market. The Fund will purchase interests in buyout, venture capital as well as special situation funds that invest primarily in North America and Europe. Partners Group has 14 offices across the world, including: Zug (Switzerland, HQ), London, Guernsey, Luxembourg, Munich, New York, San Francisco, Sao Paulo, Dubai, Singapore, Beijing, Seoul, Tokyo and Sydney.

The investment strategy for the Fund is consistent with the value-based strategy that the Firm successfully executed in the four prior funds. The key principle of this strategy is to acquire attractive assets at a discount to their intrinsic value. In an effort to successfully implement this strategy, the Firm focuses on making investments in high-quality funds/managers and access favorable deal flow and purchase prices through an edge in sourcing, underwriting and closing transactions. Partners Group pursues a "portfolio approach" by using its broad industry coverage and large team to regularly connect with clients and industry participants. Over 80 professionals have clear sourcing goals. Martin Ruetz (Senior Vice President) is dedicated to managing the internal deal sourcing process.

The Firm believes it has an information advantage over other secondary funds, due in part to its proprietary fund and portfolio company tracking system that draws on an underlying database of more than 5,000 companies (Value Navigator). The Firm's professionals use the Value Navigator to track detailed investment information for a substantial portion of these companies, typically including the relevant ownership stake, revenues, EBITDA, net debt, enterprise value and acquisition multiple. The Firm has also developed financial modeling tools to support the team in developing scenario and sensitivity analyses to assist in the underwriting process. In addition to the investment professionals, the Firm has 19 dedicated structuring and legal professionals.

Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers, private equity professionals and CEOs of portfolio companies.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$100 million of limited partnership interests in Partners Group Secondary 2011, L.P. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,

A handwritten signature in blue ink, appearing to be 'J. B. G.', is written over a light blue circular stamp. The signature is fluid and cursive.

Portfolio Advisors, LLC



Secondary Fund Commitment

Partners Group Secondary 2011, L.P.

March 8, 2012

Darren C. Foreman,
Portfolio Manager, Private Markets

Partners Group Secondary 2011, L.P. - Secondary Fund

Overview

- Hard cap of the Fund is €2 billion
- Purchase of secondary interests in high-quality private equity funds in the US, Europe, and Asia
- One of the most experienced secondary investors, with \$7.8 billion invested in over 240 secondary transactions

Fund Strategy

- The key principle of their investment strategy is to acquire attractive assets at a discount to their intrinsic value
- Focus on investments in which a European or US prospective seller's original commitment ranges in size from \$2 million to \$160 million
- Will primarily pursue buyout funds, venture capital funds, and private debt funds

Investment Team

- “One team” philosophy: global integrated resources with over 550 employees with capabilities across fund of funds, secondaries, and direct equity
- The secondary team has 28 due diligence professionals, 10 deal execution professionals, and 27 professionals that monitor the investments
- Global presence through 15 offices and the team has over 50 nationalities

Partners Group Secondary 2011, L.P. – Secondary Fund

GP “Value Add”

- Information advantage from over 230 advisory board seats, 250 investment partner relationships, 250 direct investments, and 500 fund investments
- Value Navigator which is a proprietary database of over 6,000 private companies that provides real-time information

Performance (as of 12/31/2011)

- PG 2002 Fund has a net 1.58x multiple and a 24.8% net IRR
- PG 2004 Fund has a net 1.50x multiple and a 17.8% net IRR
- PG 2006 Fund has a net 1.07x multiple and a 2.3% net IRR
- PG 2008 Fund has a net 1.47x multiple and a 24.7% net IRR

Market Opportunity

- Regulations on financial firms ability to hold private market assets are expected to result in significant further deal flow
- Limited Partners continue to use active portfolio management by decreasing their amount of relationships and selling funds the secondary market
- 3% to 5% of commitments are typically offered on the secondary market

Partners Group Secondary 2011, L.P. – Secondary Fund

History with PSERS

- This would be PSERS second investment in a PG secondary fund. PSERS invested 150 million Euros in the PG 2008 Fund

Board Issues

- Pennsylvania Presence – N/A
- Placement Agents – None
- PA Political Contributions – None
- Relationship with Consultant – No, however Portfolio Advisors did approve the PG Secondary 2011 Fund for one of their other clients

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal but not to exceed \$100 million plus reasonable normal investment expenses

NOTICE: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.