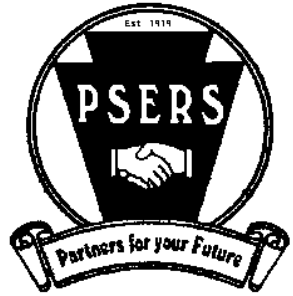


Opportunistic High Yield Allocation



ICG Europe Fund VI, L.P.

March 12, 2015

See Last Page for Disclaimer

Laurann H. Stepp
Senior Portfolio Manager

ICG Europe Fund VI, L.P.

Investment Strategy/Fund Overview

- Provide structured mezzanine investments in support of middle market sponsored European LBOs, refinancings and non-sponsored opportunities
- Fund size €2.5 billion, including ICG, plc commitment of €500 million
- Investments will generally range from €60 million to €100 million, and typically have an average hold period of three to five years
- Target locally sourced, directly originated and privately negotiated investments to create a portfolio of i) senior and subordinated debt, ii) preferred stocks, and iii) other equity-like instruments, structured to deliver both a contractual return and an attractive overall return

Overview of ICG

- Founded in 1989, invested on behalf of ICG, plc balance sheet until 1994. Europe's longest-established investor in subordinated debt
- Global investment firm focused on private, sub-investment grade, and corporate credit with portfolios in Europe, Asia and North America
 - €13.7 billion in AUM
 - 252 employees in 12 offices worldwide

ICG Europe Fund VI, L.P.

Investment Team

- The ICG European mezzanine team includes 29 investment professionals operating from six offices across Europe. Offices are located in London (HQ), Paris, Frankfurt, Amsterdam, Stockholm and Madrid, each staffed by professionals of the same nationality

GP “Value Add”

- Use of investment executive’s networks to directly source deals, avoiding auction processes and syndicated deals which typically have lower return profile
- Rigorous monitoring of deals, including same-language communications with management and shareholders to provide assistance and advice on delevering balance sheets. Enables earlier interaction when an investment turns challenging, which ultimately strengthens ability to preserve capital
- Ability to provide accretive follow-on capital to assist growth of portfolio companies

ICG Europe Fund VI, L.P.

Market Opportunity

- The syndicated mezzanine market has been practically wiped out in Europe following the global financial crisis, removing many of ICG's historical competitors.
- There is no imminent revival in interest in the short-term for syndicated loans due to the changes in capital regulations
- The market changes have enabled ICG to step-up pricing and negotiate favorable terms, creating the most attractive market dynamics of their 25 year history

Investment Performance (as of 9.30.14)

Since 1989, ICG has invested €6.1 billion in 236 deals within its European Fund mandate, including 196 realized deals. In aggregate, they have achieved a net 11.2% IRR and a 1.4x net MOC

- ICG Fund V (2011) 15% net IRR, net 1.13x MOC since inception. Projecting fund to achieve an 19% gross IRR and a gross 1.8x MOC
- ICG Fund VI (2015) targeting a gross IRR of 18% (15% net) and a gross 1.6x MOC

ICG Europe Fund VI, L.P.

History with PSERS

- This will be PSERS second ICG fund investment; in 2012 PSERS committed €200M

Potential Risks

- Team Turnover

ICG has experienced a generational shift, from the original Founders of ICG to the current Managing Directors. As typical during these shifts, there was substantial turnover as the leadership was re-established, particularly during 2009 and 2010. Fund VI will be led by Benoit Durteste, Managing Director, Head of European investments, who joined ICG in 2002 and has a total 21 years experience. Other named Key Executives for the Fund include: Hadj Djemai (joined ICG 2000), Christophe Evain (joined ICG 1994, Managing Director and CEO), and James Roddis (joined ICG 2008)

- Default risk

Investments will be made in mature mid-market companies with enterprise values between €100M and €1 B, typically with sustainable cash-flow from proven products or services, led by first-class management with the ability to drive business growth. ICG places emphasis on limiting downside risk and the underlying focus is on cash flow generation and repayment of principal. Across all of the ICG European funds, ICG has a total loss ratio of 5.1% on capital invested.

ICG Europe Fund VI, L.P.

Board Issues

- Relationships with Portfolio Advisors: None
- Placement Agents: None
- Political Contributions in PA: None
- Investments in PA: n/a

Recommendation

Staff, together with Portfolio Advisors, LLC, recommends that the Board invest €150 million plus reasonable normal investment expenses in ICG Europe Fund VI, L.P.

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February 18, 2015

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

Re: ICG Europe Fund VI, L.P.

Dear Trustees:

Intermediate Capital Group plc ("ICG" or "the Firm") is seeking to raise €2.5 billion (hard-cap of €3 billion) of limited partnership interests for ICG Europe Fund VI, L.P. ("ICG VI", "the Fund" or "Fund VI"). ICG focuses on mezzanine investments in support of European LBOs, refinancing and sponsorless mezzanine investment opportunities. The Fund will invest in mature, mid-market European companies with enterprise values between €100 million and €1 billion. The range of investment size per deal is €60 million to €80 million (maximum investment size is €200 million to €250 million). The average holding period varies from 3 to 5 years. Fund VI will seek to invest in companies with leading market positions led by strong management teams. Access to these companies will result from ICG's strong reputation as a mezzanine investor and the relationships established and maintained by ICG's network of local investment executives. ICG's geographic focus is on the UK (30%), France (20% - 30%), Germany & Benelux (20% - 30%), Scandinavia (10%) and Italy & Spain (10%). The final close is expected to take place in Q2 or Q3 2015. The General Partner will invest about €10 million in Fund VI and ICG plc will invest €500 million (same amount as in Fund V).

Fund VI will focus on structuring mezzanine investments in support of European LBOs, refinancings and sponsorless mezzanine investment opportunities. The investments will be across the capital structure of portfolio companies in senior secured loans, subordinated debt, preferred and ordinary equity blended to achieve mezzanine-equivalent returns. Each investment opportunity is considered individually on its merits, and a determination is made by the Investment Committee as to the appropriate investment structure and expected return. ICG expects the Fund to continue ICG's flexible investment approach. Alongside senior and junior mezzanine debt, ICG will also seek to participate in equity upside as an important contributor to overall investment returns. ICG will focus on the following fundamentals when evaluating a potential portfolio company:

- Strategic value
- Leading and defensible market position
- Stable and defensible industry
- Cash generative business and historically reliable cash flows
- Capable and experienced management team
- Products or services with proven market acceptance and low risk of technological obsolescence that are not subject to demand fluctuations resulting from changing tastes or other factors of rapid change



- High quality shareholders
- Realistic exit opportunity through sale, flotation or recapitalization within 3 to 5 years

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 and private equity professionals. The on-site due diligence visit was performed on November 5, 2014.
- 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 High Yield Fixed Income component of the portfolio.

The individuals at Portfolio Advisors who were primarily involved in the due diligence process for the Fund are:

Peter Schwanitz – Managing Director, Zurich Office

Nadine Zangger – Senior Associate, Zurich Office

Based on the above, Portfolio Advisors recommends that PSERS commit to up to €150 million of limited partnership interests in ICG Europe Fund VI, 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,

WILLIAM J. INDELICATO
MANAGING DIRECTOR