

**Commonwealth of Pennsylvania
Public School Employees' Retirement System**

DATE: February 16, 2018

SUBJECT: HS Group Sponsor Fund II Ltd. Recommendation



TO: Members of the Board

FROM: Robert E. Little, CPA 
Senior Portfolio Manager, Non-Traditional Investment Strategies

Raymond J. Schleinkofer, CFA 
Senior Portfolio Manager, Traditional Investment Strategies

At the March Investment Committee meeting, staff and Aksia plan to present an investment in HS Group Sponsor Fund II Ltd. (Fund). This Fund, managed by HS Group Ltd., seeds investment portfolios managed primarily by emerging alternative investment managers that pursue a variety of investment strategies in Asia. When making these investments, the Fund also negotiates to receive revenue share interests to generate higher returns than would be generated solely from the underlying investment.

The investment team at HS Group Ltd. has a long history of successfully seeding emerging alternative investment managers in Asia, a market where the best managers often become capacity constrained and close quickly. Staff and Aksia are still performing due diligence on the investment. Staff plans to bring the investment to the March meeting as PSERS has only been guaranteed \$150 million capacity in the Fund until March 9, 2018. HS Group Ltd. intends to have the final closing on the Fund on April 3, 2018.

Staff and Aksia will endeavor to provide the Investment Memorandums and Recommendation Letters in sufficient time to allow for their review. If you have any questions or comments prior to the meeting, please contact Bob  or Ray .