COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Public Investment Memorandum

TSSP Opportunities Partners IV, L.P.

High Yield/Private Credit Commitment

James F. Del Gaudio
Portfolio Manager

May 1, 2018

Recommendation:

Staff, together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommends the Board commit up to $150 million to TSSP Opportunities Partners IV, L.P. (the "Fund", "TOP IV", or "Fund IV"). TPG Sixth Street Partners ("TSSP" or the "Firm") is seeking to raise $3 billion for Fund IV to continue the Firm's Special Situations strategy.

Firm Overview:

TSSP is a global credit and credit-related investment platform with approximately $22 billion in assets under management. TSSP was co-founded in 2009 by Chief Investment Officer, Alan Waxman, and is currently managed by 15 Partner Managing Directors and over 180 professionals with offices in San Francisco, New York, London, Boston, Houston, Dallas, Melbourne and Luxembourg. Prior to forming TSSP, Mr. Waxman was the Co-Head and Chairman of the Americas Special Situations Group ("AmSSG") at Goldman Sachs ("GS"), where he also worked with seven of the other TSSP Partner Managing Directors. TSSP primarily invests through four private credit platforms:

Platform	AUM ($M)	Target Gross Return
Special Situations (TSSP Opportunities Partners, "TOP")	$4,766	16% - 22%
U.S. Direct Lending (TPG Specialty Lending, "TSLX")	$1,720	9% – 12%
European Direct Lending (TPG Specialty Lending Europe, "TSLE")	$1,204	9% – 12%
TAO (TSSP Adjacent Opportunities Partners, "TAO")	$9,325	12% – 15%

Note: As of 12/31/2017. "Special Situations" includes TOP II and TOP III, and "TAO" includes TAO 1.0 and TAO Global funds. "European Direct Lending" includes TSLE and Super TSLE funds, which are denominated in EUR and GBP respectively and converted to USD as of 12/31/2017 for purposes of presentation. Excludes TPG Institutional Credit Partners ("TICP"), which is TSSP's par liquid credit platform and sits on the public side of the compliance wall.

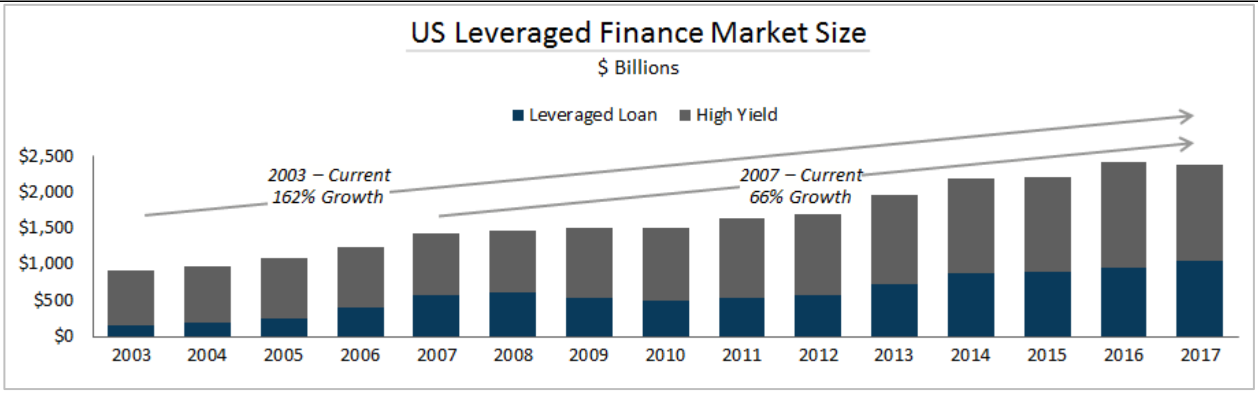
PSERS and TSSP have a long-standing partnership dating back to the firm's inception. To date, PSERS has committed $1,050 million across four TSSP-managed funds including:

- $100 million to TPG Opportunities Partners II, L.P. in 2011 ("TOP II")
- $150 million to TPG Opportunities Partners III, L.P. in 2014 ("TOP III")
- $100 million to TOP NPL Sidecar in 2012
- $700 million to TSSP Adjacent Opportunities Partners via three separate tranches (2014, 2015 and 2018) to PSERS TAO Partners Parallel Fund, L.P. (the "PSERS Fund")

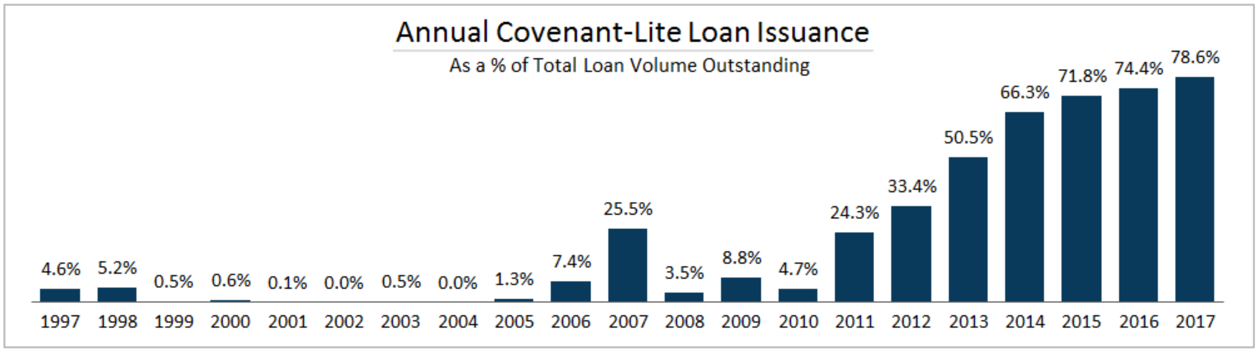
Market Opportunity:

The extended recovery and bull market that have occurred since the great financial crisis ("GFC") have created a favorable environment for investors in recent years. However, there are substantial risks building which may set the stage for future market dislocations. TSSP highlights four key risks/themes that have the potential to create future periods of heightened volatility in credit markets and in turn may serve to generate compelling alpha-oriented return opportunities for Fund IV.

Credit Market Pricing and Protections
One of the most prominent effects of global quantitative easing ("QE") has been a flow of capital into risk assets. The resulting run-up in valuations has been historic. Perhaps even more pronounced than equities, credit markets have seen capital flows and resulting valuations that are nearly unmatched in modern history. As illustrated below, this has led to significant growth in aggregate market size, while also facilitating near-record lows in yields, climbing levels of total leverage, record highs in "covenant-lite" loan issuance, and many other indicators of credit quality deterioration as investors stretch for yield.



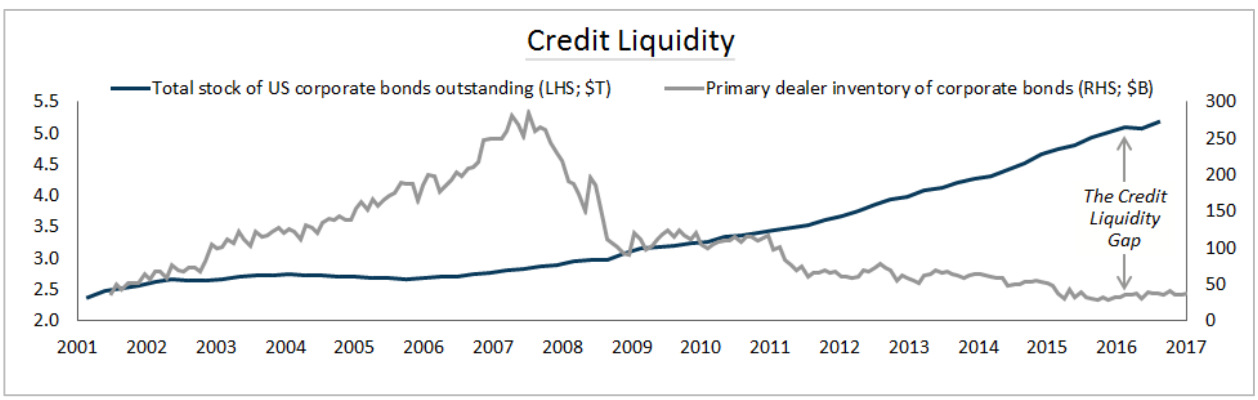
Note: As of 12/31/2017. Compiled by TSSP based on data received from JPMorgan Research in February 2018.



Note: As of 12/31/2017. Compiled by TSSP based on data received from JPMorgan Research in February 2018.

Market Liquidity – Diminution of Banks as Intermediaries

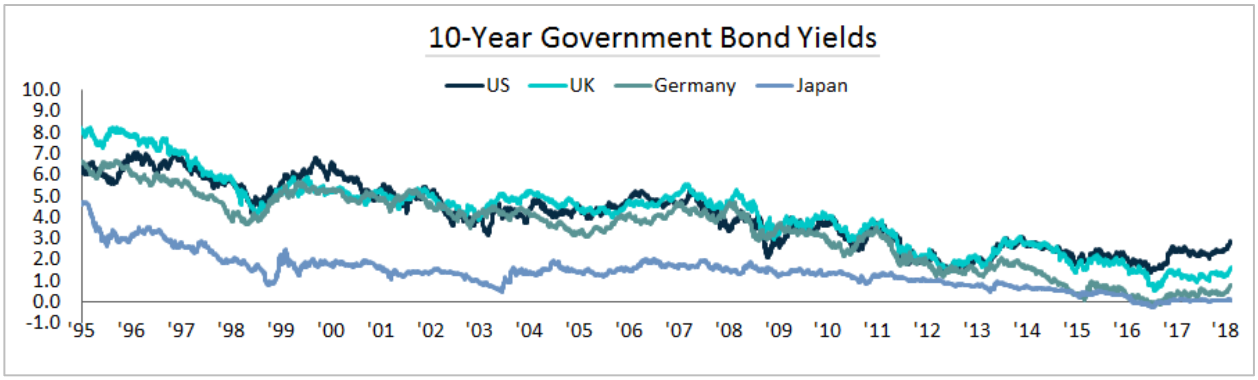
The Dodd–Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), passed in 2010 to limit excessive risk taking by banks, brought about industry-wide deleveraging and an exodus of bank balance sheet liquidity in the credit markets, as illustrated in the chart below. TSSP believes bank balance sheets were an important intermediary and lubricant to financial markets prior to the GFC by providing liquidity in periods of volatility or distress. Since the passing of Dodd-Frank, this lubricant has thinned as capital has migrated from banks to de-centralized providers of liquidity, and they believe this could increase the severity and duration of volatility when periods of distress occur.



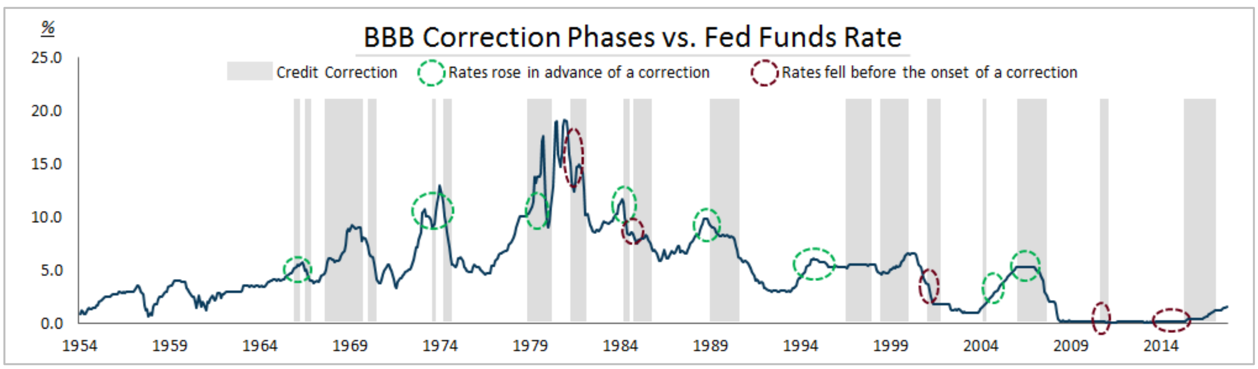
Source: Compiled by TSSP based on data received from Deutsche Bank Research as of August 2017.

Central Bank Policy

In response to the GFC, central banks expanded their balance sheets to historic levels in an attempt to lower interest rates and push investors into risk assets. The result of such measures was a drastic decline in risk free rates: as illustrated below, 10-year government bond yields have declined on average 85% since 2008. Today, given an economic environment that is dramatically different than in the early phases of the recovery, the market faces the prospect of central banks unwinding these enormous stockpiles of liquidity. Such an unwinding is important for re-arming central banks with the monetary tools necessary to manage the next crisis or recession. However, historical data also illustrates the challenge central bankers face in periods of rate increases: rising risk-free rates can cause a repricing of risk assets, as it changes their relative value. Credit specifically shows a high degree of sensitivity to rate hikes. The second chart below suggests that historically there have been very few hiking cycles without a credit correction.



Note: Compiled by TSSP based on data from Bloomberg Finance as of February 2018.



Note: Compiled by TSSP based on data from Saint Louis Fed FRED Economic Data as of April 2018. Represents Monthly Effective Federal Funds Rate as reported by FRED.

Political Environment

In the last two years, we have contended with a variety of international events which, due to the tight intertwinement of global economies, had the potential to disrupt markets: Brexit in mid-2016 and the subsequent European elections and referendums; Russian aggression in Eastern Europe and military involvement in Syria; rising tensions as North Korea builds its arsenal of nuclear, chemical, and biological weapons; Yemeni civil war in the Middle East; the volatile political climate in the U.S. connected with the election of President Donald Trump. According to TSSP, this last point introduced the potential for significant policy changes, including new tax reform in late 2017 which appeared to pour new gasoline on the fire for asset prices and move us closer to an environment of accelerating rates. More broadly, when they consider the dynamism of current political, regulatory, and geopolitical landscapes, TSSP believes there is an increasing probability of events unrelated to credit markets spooking investors and creating technical sell-offs.

Portfolio Fit:

TOP IV will be allocated to the Opportunistic bucket of PSERS' High Yield/Private Credit portfolio and the table below summarizes PSERS' projected exposure inclusive of a recommended $150 million commitment:

Investment Type ($M)	Active Commitments[1]	%	Market Value	%	Unfunded[1]	%	Total Exposure[1]	%
Opportunistic	$ 3,750.0	38.7%	$ 2,138.9	44.6%	$ 921.3	32.1%	$ 3,060.2	39.9%
Senior Loans	3,508.7	36.2%	1,511.6	31.5%	969.2	33.8%	2,480.8	32.4%
Real Assets	1,326.2	13.7%	617.4	12.9%	501.3	17.5%	1,118.7	14.6%
Mezzanine	1,112.1	11.5%	529.4	11.0%	476.8	16.6%	1,006.2	13.1%
Total	**$ 9,697.0**	**100.0%**	**$ 4,797.3**	**100.0%**	**$ 2,868.6**	**100.0%**	**$ 7,665.8**	**100.0%**

(1) Include post Q4'2017 pending/closed commitments.

A commitment to Fund IV allows PSERS to continue its relationship with a high-conviction manager that is well positioned to execute their flexible investment strategy, focused on corporate distressed-for-control, corporate dislocations and asset special situations. The Fund's return target is in-line with PSERS' objective for the High Yield/Private Credit portfolio of generating double-digit net returns over the life of the investment.

Investment Strategy:

TSSP, through TOP IV, seeks to purchase or originate opportunistic credit, special situations and distressed investments across the credit cycle by targeting deep value opportunities with embedded complexity that are difficult to source, analyze, or execute. TSSP seeks top-down investment themes in dislocated sectors as well as bottom-up opportunities where they can exploit idiosyncratic or secular issues to structure investments with a skewed risk-adjusted return profile. TSSP expects to build the TOP IV portfolio across three major hunting grounds: "Corporate Distressed-for-Control", "Asset Special Situations", and "Corporate Dislocations" each of which are described below. The relative proportion of these three categories will vary, depending on the opportunity set and timing of the credit cycle. However, in all cases these investments are made with the intention of delivering strong risk-adjusted returns.

Strategy	Description
Corporate Distressed-for-Control (~50%)	• Focused on quality assets that are operationally under-managed • Enhancing value post investment through control and constructive activism • Ability to leverage both TSSP and TPG Operations professionals (60+ professionals)
Corporate Dislocations (~25%)	• Highly structured, "new money" transactions with troubled companies or companies in dislocated sectors (e.g, secured debt rescue financings, healthcare structured finance)
Asset Special Situations (~25%)	• Includes the acquisition of NPL portfolios and the development of asset management, servicing, and originations businesses • Opportunities via dislocations leading to distressed assets / platforms or nascent markets • Existing sourcing / servicing platform partnerships in the U.S. and Europe; continuing to organically create assets via partnerships with best-in-class operators

TSSP operates a flexible investment mandate and expects Fund IV to seek investment opportunities between $25 million and $200 million across 30 to 40 core positions. Consistent with its focus on capital preservation, the Fund is expected to have a bias toward high-touch, cash-yielding opportunities backed by attractive asset value. TOP's global mandate will allow the Fund to migrate to the most attractive geographies over time. While this can vary, TSSP currently expects 20% to 40% of new investments to be sourced from outside the U.S., largely from developed markets such as in Europe, Australia, New Zealand, Canada and Japan.

TSSP will utilize various exit strategies in the TOP portfolio, depending on the nature of the investment. Potential exit strategies include:

- **Market sale**: A market sale could be of originally purchased securities or new securities created through a restructuring.
- **Hold to maturity or early pay-down by borrower**: TSSP expects to frequently be repaid prior to maturity (e.g., in active restructuring cases, cases in which portfolio assets perform well enough to refinance, business sale, etc.), and may be repaid at maturity in a smaller number of cases.
- **IPO**: TSSP expects only a small amount of exits, if any, via IPO.
- **Strategic Sale**: TSSP expects to potentially sell to strategic buyers looking to purchase a company following a restructuring event.
- **Asset-by-Asset Workout**: TSSP typically uses a combination of strategies to exit its loan portfolios, which may include modifications, short sales, foreclosures, and REO sales.

Exit decisions are made by TSSP's Capital Committee (*see Investment Team*). For certain disposition strategies where exit expectations are considered as a part of the underwriting process (e.g., NPL portfolios and restructurings), the particular details around how and when positions are exited may be dictated by the deal team. In such cases, deviations from the original expectations are discussed as part of quarterly portfolio reporting and raised to TSSP's Capital Committee on an ad hoc basis if necessary.

Investment Structure:

The TOP Funds seek to invest globally in opportunities throughout the capital structure at a deep discount to intrinsic value where TSSP believes the most attractive risk-adjusted returns exist. Consistent with the TOP strategy to date, the TOP IV portfolio will be constructed to target gross returns in the high-teens to low-twenties and 1.8x - 2.2x gross MoC on the fund overall. These targeted returns are on a largely unlevered basis. Beyond limited use of a leverage facility for managing limited partner capital call timing, the TOP predecessor funds have not employed leverage at the portfolio level, and at the asset level consist predominantly of unlevered, senior risk.

Whether it be across Asset Special Situations, Corporate Dislocations, or Corporate Distressed-for-Control positions, it is anticipated that TOP IV's returns will come from a combination interest income, short-term capital gains, and long-term capital gains. TSSP expects a significant portion of the portfolio will be cash generative either through contractual cash payments (e.g., interest, royalty payments, amortization) or through resolutions on individual loans embedded within NPL portfolios or other consistent realization events. Since inception, cash generating investments have made up roughly 76% of the TOP I portfolio, 83% of the TOP II portfolio, and 79% of the TOP III portfolio.[1] Cash generative investments help accelerate payback periods, minimize volatility, and narrow the expected range of outcomes relative to underwriting models that rely heavily on accrued gains or multiple expansion to drive returns. Asset Special Situations investments are expected to have a longer duration (averaging approximately 3 to 6 years), while Corporate Dislocations and Distressed-for-Control opportunities are expected to have a relatively shorter duration (averaging approximately 2 to 4 years).

[1] *Based on equity invested and committed as of 4/14/2018.*

Investment Instruments:

By nature of its flexible investment mandate, TOP IV expects to invest in a range of credit and credit-related securities, including but not limited to the following:

Strategy	Examples of Underlying Instruments
Corporate Distressed-for-Control	Distressed-for-Control investments will be in instruments with a high probability of converting into equity following a restructuring. These types of investments can be entered into via single name purchases or larger portfolio transactions. Opportunities typically consist of bank debt secured by a lien on the company's assets. Since international and middle-market companies' secured loans often make up the only debt in their respective capital structures, the secured loans typically represent the fulcrum security in the capital structure.
Corporate Dislocations	TSSP will seek to negotiate structured transactions across the capital structure or through partnerships/SPVs that provide TOP with substantial downside protection as well as targeted long-term returns. Downside protection may come in several forms, including puts to creditworthy entities, collateral in unrelated assets, off-market downside structural enhancements or low exposure relative to the value of the collateral or underlying intrinsic value even in stressed scenarios.
Asset Special Situations	Asset Special Situations involve the acquisition of non-performing, sub-performing, or orphaned loan portfolios as well as the acquisition and development of asset management, servicing and originations businesses, predominantly in the U.S. and Europe. TSSP expects to build a diversified portfolio across small balance commercial real estate, residential whole loans, and other selected NPL/SPL disposals.

Investment Team:

TSSP is led by Alan Waxman and 14 additional Partner Managing Directors, in continuation of a strategy that Mr. Waxman led as a former Goldman Sachs partner and Chairman of Goldman Sachs' Americas Special Situations Group, an on-balance sheet proprietary investing platform. In total, TSSP employs over 180 total professionals, including 101 investment professionals.[2] The TSSP Partner Managing Directors are generally responsible for developing the business plan, thematic idea generation, sourcing strategy, analysis, execution and management of investments. TSSP investment themes often span across multiple funds, and the TSSP platform is managed as one large, coordinated team to nurture a culture where cross-sourcing is prevalent and intended to be a key differentiator. The table below summarizes the experience of TSSP's 15 Partner Managing Directors:

Name	Title / Function	Relevant Yrs. Experience	Prior Experience
Alan Waxman	TSSP Chief Investment Officer	20	Goldman Sachs
Brian D'Arcy	Capital Formation & Broker Dealer	10	Goldman Sachs
Matt Dillard	Corporate Special Situations	13	Silver Point Capital, Lazard
Josh Easterly	TSLX Chief Executive Officer	21	Goldman Sachs, Wells Fargo (Foothill)
Michael Fishman	TSLX / TSLE	32	Wells Fargo (Foothill)
Jamie Gates	Capital Formation & Strategy	31	Starwood Capital, Goldman Sachs
Jennifer Gordon	Chief Compliance Officer / Deputy COO	18	Goldman Sachs, White & Case
Clint Kollar	Head of Sourcing	18	Greywolf Capital, Goldman Sachs
Bornah Moghbel	Corporate Special Situations	14	Silver Point Capital, UBS
Vijay Mohan	Corporate Special Situations	17	Halycon AM, Goldman Sachs
Michael Muscolino	Asset Special Situations	19	FG Companies, Goldman Sachs
Doug Paolillo	Head of TPG Institutional Credit Partners	27	GSO/Blackstone, Trimaran, JP Morgan
Steven Pluss	TSSP Chief Risk Officer	29	Goldman Sachs
Bo Stanley	President of TSLX	19	Wells Fargo (Foothill)
David Stiepleman	TSSP Chief Operating Officer	20	Fortress, Goldman Sachs, Cleary Gottlieb

[2] Includes all TSSP private markets Investment Professionals as of 3/31/2018. Excludes 11 Investment Professionals in TICP, which is TSSP's "public-side" credit investment business that sits on the other side of the compliance wall from TSSP's private markets platform.

Investments made in TOP IV will be reviewed and approved by consensus of the TSSP Capital Committee, or a subset thereof. The TSSP Capital Committee includes Alan Waxman, Brian D'Arcy, Matt Dillard, Joshua Easterly, Michael Fishman, Jamie Gates, Jennifer Gordon, Clint Kollar, Bornah Moghbel, Vijay Mohan, Michael Muscolino, Steven Pluss, Bo Stanley and David Stiepleman. However, all of TSSP's professionals are encouraged to participate and opine on investment decisions.

<u>Investment Highlights:</u>

Experienced & Cohesive Senior Management Team / Established Platform
TSSP is led by Alan Waxman and 14 additional Partner Managing Directors. In aggregate, this group has over 250 years of collective investment experience and has generated consistent gross returns across all phases of credit and economic cycles. TSSP operates a single investment team, giving the Fund access to significant resources, sourcing and sub-sector expertise. In total, TSSP employs over 180 total professionals, including 101 investment professionals.[3] Furthermore, TSSP is a fully-integrated investing platform within TPG. As such, TSSP leverages TPG's breadth of global investing experience, the turn-around capabilities of TPG's Operations Group and sector expertise of TPG's industry coverage teams. TSSP has experienced minimal senior-level turnover since the Firm's 2009 inception.
Proprietary Sourcing Model
TSSP's sourcing efforts are designed to originate opportunities away from Wall Street, where competition often drives pricing to unattractive levels and where consequently risks are high and the prospects for driving superior returns are low. TSSP has developed direct sourcing channels that have resulted in 85% of all prior TOP transactions sourced through proprietary channels.[4] TSSP works closely with market locals/experts and has built a dedicated sourcing infrastructure as a standalone business unit of 20 dedicated TSSP originators. Additionally, TSSP has developed ~20 strategic relationships to source and service multiple asset classes, including non-performing or stressed loans. TSSP will continue to invest in their sourcing infrastructure, as this capability to source away from Wall Street is a key competitive advantage of the Firm.
Downside - Focused Mindset
As a fundamental value investor, TSSP begins their thought process with a downside-focused mindset prior to considering the upside merits of an individual investment or portfolio. TSSP believes there is rarely a set of upside outcomes that can compensate for binary or unquantifiable downside risk profiles, and avoiding losses is critical to achieving attractive long-term, compounded returns. Once the downside scenario has been assessed, TSSP evaluates whether it can purchase or create the investment cheap enough to build in the necessary margin of safety or structure a specific downside protection mechanism. Often, this takes the form of attaching high in the capital structure, with subordinated debt and equity cushion and/or secured asset value, while also negotiating "upside nodes" for cases where the underlying assets perform strongly. A majority of investments in the predecessor TOP Funds consist of "first dollar" and "modified first dollar" positions (80%), investments which attach in their respective capital structures at less than 25% loan-to-value.[5]
Diverse Capability Set and Flexible Strategy Enables Migration Throughout the Credit Cycle
TSSP's multi-strategy approach allows TOP to pursue opportunities during all parts of the credit cycle and generate attractive risk-adjusted returns that are not dependent on a high corporate default rate environment. While TOP has capabilities to pursue large, liquid corporate distressed situations when the market for those opportunities is attractive, TOP is well-positioned to outperform its competitors in market environments where attractive opportunities require high-barrier-to-entry skill sets, such as differentiated sourcing, structuring, or operational capabilities.

[3] Please see footnote 2, above.
[4] Includes TSSP, TPG, and dedicated TSSP partnership platforms. Based on equity invested and committed in TOP I, TOP II, and TOP III as of 4/14/2018.
[5] Based on equity invested and committed in TOP I, TOP II, and TOP III as of 4/14/2018.

Well-Resourced Back & Middle Office
Many of TSSP's non-investment-related functions are collectively referred to within TSSP as the 'Federation'. The Federation team is led by three Partner Managing Directors: TSSP's Chief Risk Officer (Steven Pluss), Chief Operating Officer (David Stiepleman), and Chief Compliance Officer / Deputy Chief Operating Officer (Jennifer Gordon); and includes more than 70 professionals across fund and management company accounting, legal and compliance, operations, "business solutions" / IT, human capital management and tax. The Federation team seeks to limit the risk of financial loss due to operational and other failures through segregation of duties (both between investment professionals and the Federation team, and within the Federation team), third party oversight on financial reporting, valuation and other critical processes, and a culture of transparency.

Investment / Risk Considerations:

Competition From Other Opportunistic Credit Platforms
While competition does exist across the credit landscape, TSSP's platform is differentiated due to their integrated team, opportunistic strategy and geographic footprint. Furthermore, TSSP expects the Fund to benefit from limited direct competition as evidenced by the fact that TSSP is the only GP or serves in a lead/differentiated role in 73% of TOP's investments and overlaps with just one other GP in an additional 11%.[6]
Market Environment
As discussed above *(see Market Opportunity),* the extended recovery and bull market that have occurred since the GFC have created a favorable environment for investors in recent years. However, there are substantial risks building which may set the stage for future market dislocations. TSSP highlighted four key risks/themes that have the potential to create future periods of heightened volatility in credit markets and in turn may serve to generate compelling alpha-oriented return opportunities for Fund IV. Staff believes that TSSP's downside-focused mindset will serve them well in navigating this potential volatility, allowing them to purchase or create investments cheap enough to build in the necessary margin of safety. This downside-focused mindset is also evidenced by TSSP's low loss ratio: TOP II and TOP III have experienced virtually no realized losses to date (0.01% invested capital) and expects only one core unrealized position to be realized with a partial loss.
Liquidly & Leverage Profile
TOP IV is expected to recycle capital during the Fund's four-year investment period from investments that are disposed of, in amounts up to the amount of capital contributed to the investments. As a result, these investment proceeds will increase PSERS' undrawn commitments (up to the amount of its initial commitment) and will be available for recall. After the expiration of the investment period, the Fund will have up to four years to harvest its investments, but may be extended with the consent of a majority in interest of the limited partners. With the exception of a capital call facility generally used to manage the amount and frequency of capital calls, TOP has not utilized any portfolio-wide leverage and expects to utilize only modest leverage going forward (including with respect to TOP IV).

[6] *Based on equity invested and committed in TOP I, TOP II, and TOP III as of 4/14/2018.*

PSERS History & Performance:

TSSP represents PSERS' second largest total exposure (NAV plus unfunded commitments) across the High Yield / Private Credit portfolio at $748.4 million as of December 31, 2017. PSERS previously committed $850 million across four TSSP-managed partnerships. The table below summarizes PSERS' performance with TSSP as of December 31, 2017:

Fund ($M)	Vintage	Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
TPG Opportunities Partners II (A), L.P.	2011	$ 100.0	$ 69.9	$ 90.5	$ 26.6	16.4%	1.68x
TPG Opportunities Partners III (A), L.P.	2014	150.0	76.7	12.9	81.9	11.2%	1.24x
TOP NPL (A), L.P.	2012	100.0	62.4	94.3	13.0	19.8%	1.71x
PSERS TAO Partners Parallel Fund, L.P.	2014	500.0	298.9	33.8	319.3	9.2%	1.18x
TAO 2.0	*2014*	*250.0*	*178.5*	*32.7*	*181.0*	*8.3%*	*1.19x*
TAO 3.0	*2015*	*250.0*	*120.5*	*1.1*	*138.4*	*11.7%*	*1.16x*
Total		**$ 850.0**	**$ 507.9**	**$ 231.5**	**$ 440.8**	**13.5%**	**1.32x**

Investment Committee Disclosure:

Relationship with Hamilton Lane:	In aggregate, Hamilton Lane clients and commingled products have committed ~$135 million across prior TSSP funds. • TPG Opportunities Partners II: $50M, across 5 clients / commingled products • TPG Opportunities Partners III: $85M, across 6 clients / commingled products
Introduction Source:	Fund Sponsor
Placement Agent:	No
PA Political Contributions:	None Disclosed
PA Presence:	None Disclosed
Potential Conflicts:	We are not aware of TSSP having any investment conflicts.
First Time Fund With PSERS:	No
PSERS Allocation Implementation Committee Approval:	May 1, 2018

Oversight Responsibility:

Investment Office:	Charles J. Spiller	Deputy CIO, Non-Traditional Investments
	James F. Del Gaudio	Portfolio Manager
External Consultant:	Hamilton Lane Advisors, L.L.C.	

Hamilton Lane

April 23, 2018

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

Re: TSSP Opportunities Partners IV

Dear Trustees:

TPG Sixth Street Partners ("TSSP") was founded in 2009 by Alan Waxman as the dedicated credit platform of TPG Partners ("TPG"), a global private equity firm founded in 1992 by James Coulter and David Bonderman. Mr. Waxman continues to lead TSSP and is supported by 14 Partners averaging 20 years of experience, over which they have established deep networks and expertise. TSSP has continued to grow its investment team in line with AUM growth; the investment team is comprised of 114 professionals, and TSSP manages approximately $20 billion across five separate platforms, including Special Situations, Direct Lending, Adjacencies, Par Liquid Credit and a newly formed Capital Solutions platform. Professionals work across the various platforms at TSSP; senior professionals are specialized by strategy and geography while junior professionals are generalist and work across the TSSP platforms. TSSP invests across the credit spectrum through its various product lines, allowing the team to see a majority of deals and develop expertise on the market to efficiently identify the most compelling investment themes. The broader TPG platform has over $90 billion of AUM and provides significant benefits including brand recognition and operating expertise. TSSP is targeting $3 billion in commitments for TSSP Opportunities Partners IV (the "Fund"). TSSP expects to hold a first and final close in June 2018.

The General Partner will target three key investment strategies for the Fund: corporate distressed-for-control transactions, corporate dislocations and asset special situations. TSSP employs a thematic approach to credit investing, targeting the most attractive opportunities within its pre-identified investment themes. The General Partner has flexibility to invest the Fund in opportunities that have the most compelling risk/return profiles across the strategies, allowing TSSP to lean into and out of investment themes as market conditions evolve. The General Partner expects to deploy approximately half of the Fund in corporate distressed-for-control transactions, with asset special situations and corporate dislocations each expected to comprise approximately 25% of the Fund. TSSP seeks direct deal flow, where pricing is typically more attractive than the broader market; the General Partner leverages its internal sourcing team and investment professionals to generate direct deal flow through longstanding relationships and demonstrated expertise. TSSP seeks control or significant influence in order to both mitigate downside risk and drive upside through value enhancement initiatives. In addition, the General Partner seeks to leverage its own structuring capabilities as well as the TPG Operations Group, a group of operating professionals employed by TPG, to gain control positions and generate upside. The Fund will primarily target investments in the range of $25 million to $200 million, although deal sizes may be larger or smaller depending on the opportunity and strategy of the deal. The General Partner has generated attractive gross performance across prior investments, as prior funds generated over 20% gross IRRs; Additionally, TSSP has preserved capital well, with 7% of realized investments in prior funds realized below cost.

TSSP Opportunities Partners IV's investment thesis can be summarized as follows:

- TSSP employs an experienced, cohesive team with expertise to invest across market cycles

- The General Partner utilizes a flexible approach to credit investing with emphasis on downside protection
- Attractive gross performance across prior funds

Hamilton Lane's recommendation is based upon the following analytical factors and is made within the context of Commonwealth of Pennsylvania, Public School Employees' Retirement System's ("PSERS") investment guidelines.

- Detailed due diligence, including interviews with industry peers and private equity professionals. The initial review was completed June 30, 2017; the on-site due diligence was conducted April 5, 2018; the fund was approved by Hamilton Lane's Investment Committee on April 23, 2018 and the recommendation to PSERS was issued April 23, 2018.

- 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.

- Detailed Operational Due Diligence, including interviews with TSSP's back office team to review the controls and processes surrounding the firm's finance, fund administration, tax, legal, compliance, IT, HR, and accounting functions.

- 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 High Yield / Private Credit component of the portfolio.

The individuals at Hamilton Lane who were involved in the due diligence process for the Fund are:

Andrea Kramer – Managing Director, Bala Cynwyd Office
John Stake – Vice President, Bala Cynwyd Office
Mark Adelman – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to $150 million in TSSP Opportunities Partners IV. Hamilton Lane 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. Hamilton Lane does not provide legal or other non-investment-related advice.

Sincerely,

Michael Koenig,
Managing Director

Corina English,
Principal