



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Public Investment Memorandum

Cabot UK Core-Plus Industrial Fund SCSp

Real Estate Commitment

Melissa A. Quackenbush
Senior Portfolio Manager

February 8, 2019



Recommendation:

Staff, together with Hamilton Lane, recommends to the Board a commitment of up to £50 million to Cabot UK Core-Plus Industrial Fund SCSp (the "Fund"). Cabot Properties L.P. ("Cabot" or the "Firm"), an investment services firm headquartered in Boston, is sponsoring the Fund to make industrial real estate investments primarily in the UK and Northern Europe.

Firm Overview:

Cabot Properties L.P. is a private equity real estate firm based in Boston, MA. The firm is a leading vertically integrated industrial property firm with over 30 years of history acquiring, developing, operating, leasing, financing and selling industrial properties through multiple market cycles.

Formed in 1986, Cabot was founded with the vision of bringing together a collaborative team of experienced real estate professionals dedicated to creating portfolios of profitable investments through the execution of a sound and disciplined strategy. Its six senior principals have collectively spent 17 years together and average 30 years of real estate experience.

Over its 33-year history as an industrial property specialist, Cabot has managed both core and value-add investments programs. Through these years, Cabot has invested \$9.0 billion in industrial real estate, managing and operating 175 million sq. ft. with over 3,750 tenants. As of September 30, 2018, current assets under management total \$3.3 billion and include 237 buildings totaling 40 million sq. ft. in 22 markets across North America and the U.K.

Fund Size:

Cabot UK Core-Plus Industrial Fund SCSp is expecting capital commitments of £200 million, including a 2% commitment (up to £5 million) from the General Partner, Cabot GP Co. (Luxembourg Sarl).

Investment Strategy:

The Fund will make core-plus industrial investments in the UK and Northern Europe (Germany and The Netherlands) and will target a net IRR of 8-10% and a distributable yield of 4-5% using leverage up to 50% Loan-to-Value ("LTV").

To achieve these returns, the Fund will acquire high quality industrial/logistics buildings in proven locations in major population centers in the UK's and Northern Europe's largest industrial/logistics markets.

Within the identified target markets, the Fund will focus on select, hard-to-replicate locations where rental growth can be achieved through active management. The Fund's



target criteria also includes mid-sized, Class A distribution buildings that require limited capital improvements and face less new supply risk.

Cabot's past positive UK experience demonstrates the execution of this strategy.

Investment Team:

The Fund will leverage Cabot's substantial operating experience and strong relationships in the industrial/logistics sector in the UK. Furthermore, Florian Neumann was recently hired to help source deals in Northern Europe given his experience investing in industrial assets on the continent.

The Fund's day-to-day operations will be managed out of Cabot's Boston and London offices and by the Fund's UK focused team which benefits from the oversight and senior leadership of the Fund Investment Committee.

The chart below outlines the members of the Investment Committee and the senior members of Cabot (AVP and higher).

Investment Committee	Title	Years with Cabot	Years of RE Experience
Franz F. Colloredo-Mansfeld	Chief Executive Officer	22	25
Howard B. Hodgson, Jr.	Executive Vice President	28	39
Mark A. Bechard	Chief Financial Officer, Chief Compliance Officer	26	29
Charles L. Forbes	Executive Vice President, Investments	18	29
Patrick V. Ryan	Executive Vice President, Investments	19	27
Stephen P. Vallarelli	Executive Vice President, Asset Management	17	30
	Average Experience	22	30
Other Professionals	Title		
Kelly J. Cusley	Senior Vice President, Asset Management	22	22
Bradford M. Otis	Senior Vice President, Asset Management	11	15
Neil S. Raymond, Jr.	Senior Vice President, Asset Management	9	17
Michael H. Gebo	Vice President, Asset Management	4	6
Robert R. Gray	Vice President, Asset Management	10	13
Christopher C. Manocchio	Vice President, Asset Management	11	11
Kara J. Brown	Senior Vice President, General Counsel & Compliance Officer	< 1	3
Patrick D. Mullaney	Senior Vice President, Accounting and Treasurer	34	35
Deborah L. Parolisi	Senior Vice President, Accounting	14	32
Harborne W. Stuart, III	Senior Vice President, Finance	11	14
Richard C. Conley	Assistant Vice President, Accounting	11	11
Damian Q. Bailey	Senior Vice President, Investments	12	16
Justin S. Harvey	Senior Vice President, Investments	11	11
Florian D. Neumann	Senior Vice President, Investments	< 1	11
Carey E. Herrlinger	Senior Vice President, Investments	8	13
Nicholas B. Snow	Senior Vice President, Investments & Business Development	4	4
Charles M. Storey	Vice President, Investments	4	4
Chelsea C. Tamuck	Assistant Vice President, Investments	4	4
Caitlin A. Healey	Senior Vice President, Capital Raising & Investor Relations	2	15
Kathleen M. Reardon	Senior Vice President, Capital Raising & Investor Relations	20	24
Gary E. Gagnon	Vice President, Information Technology	19	-
	Average Experience	12	14
	Total Average Experience	14	18



Senior Professionals

Franz F. Colloredo-Mansfeld, President and Chief Executive Officer, co-founded Cabot Properties in December 2001; he has served as the Chief Executive Officer of the firm since its inception. Mr. Colloredo-Mansfeld is the chairman of the Investment Committee for all current, active funds and separate accounts. He has served on all of Cabot's Investment Committees since 1998. Prior to the formation of Cabot Properties, Mr. Colloredo-Mansfeld served as Chief Financial Officer of Cabot Industrial Trust, a NYSE listed real estate investment trust, starting with its IPO in January 1998 through to its sale for \$2.1 billion in December 2001. From the time of its IPO until its sale Cabot was the top performing national industrial REIT, outperforming the S&P and Dow Jones indices during this period.

Prior to joining Cabot, Mr. Colloredo-Mansfeld was a management consultant with McKinsey & Company, Inc. where he worked from 1992 through 1996 in Boston and Budapest. Mr. Colloredo-Mansfeld previously worked in Germany for the Deutsche Bank real estate investment group in 1992 and was a Robert Bosch Fellow at the German Central Bank (Bundesbank) in Frankfurt in 1991. Mr. Colloredo-Mansfeld was also an investment banker with Merrill Lynch & Co. from 1986 through 1989, where he specialized in mergers and acquisitions based in New York, London, and Tokyo. Mr. Colloredo-Mansfeld is a graduate of Harvard College, with a degree in History, and he received his MBA from Harvard Business School.

Howard B. Hodgson, Jr., Executive Vice President, has 39 years of real estate experience and has been employed by Cabot for 28 years. Mr. Hodgson serves on the Investment Committee for all current, active funds and separate accounts. He previously managed the Asset Management Group from 1992 to 2013. While with the Cabot REIT, Mr. Hodgson served as Senior Vice President, Director of Real Estate Operations. In this capacity, he was responsible for asset management, property management (which was over 90 percent internalized for Cabot REIT by Mr. Hodgson), leasing, and third-party investment management. Prior to this, Mr. Hodgson served as a Senior Vice President, Director of Asset Management and member of the Investment Committee of Cabot Partners from 1992 to 1997. Mr. Hodgson began his real estate career in 1979 with the Boston based real estate firm of R.M. Bradley & Co., Inc., becoming a Vice President and head of its institutional property management group prior to joining Cabot, as a Senior Vice President and head of its property management group. Mr. Hodgson is an honors graduate of Northeastern University.

Mark A. Bechard, Chief Financial Officer, Chief Compliance Officer, Executive Vice President, Finance, has 29 years of real estate experience and has been employed by Cabot for 26 years. Mr. Bechard is responsible for financings, financial reporting, accounting, and internal controls and serves on the Investment Committee for all current, active funds and separate accounts. While with the Cabot REIT, Mr. Bechard served as Vice President of Property Management Accounting (2001), Vice President of Financial Planning (1998-2000) and Assistant Treasurer (1998-2001),



where he was responsible for the creation and maintenance of the Cabot REIT financial model and a variety of corporate finance and treasury functions, including the administration of the Company's credit facility. Mr. Bechard served as Senior Portfolio Accountant of Cabot Partners (1993-1997), where he was responsible for the financial reporting on over \$550 million of investments on behalf of institutional clients. Mr. Bechard began his real estate career with The Codman Company, a Boston property management and leasing company, in 1990. Mr. Bechard holds a Bachelor of Science degree in Finance from Salem State College.

Charles L. Forbes, Executive Vice President, Investments, has 29 years of real estate experience and has been employed by Cabot for 18 years. Mr. Forbes is responsible for the initial review of investment opportunities for the Cabot Core Fund which is targeting the top 16 industrial markets within the United States. Mr. Forbes is also responsible for sourcing and closing Core industrial property investments in all U.S. markets. While with the Cabot REIT, he served as Vice President and had asset management responsibility for more than 10 million square feet of industrial real estate. Mr. Forbes serves on the Investment Committee for all current, active funds and separate accounts. Prior to joining Cabot, he served as Vice President for RREEF (2001-2003), where he had assistant portfolio management responsibilities for CalWest. Mr. Forbes began his real estate career with Whittier Partners/ CB Richard Ellis as a Property Manager in 1990. Mr. Forbes holds a Bachelor of Arts degree from Connecticut College and a Master of Science degree (specializing in Real Estate) from the Massachusetts Institute of Technology.

Patrick V. Ryan, Executive Vice President, Investments, has 27 years of real estate experience and has been employed by Cabot for 19 years. Mr. Ryan is responsible for the initiations of all investments for Fund V. In addition, Mr. Ryan oversees all of Cabot's development activity. Mr. Ryan serves on the Investment Committee for all current, active funds and separate accounts. Prior to becoming an investment officer, Mr. Ryan served as an Assistant Vice President, led Cabot's research and deal underwriting efforts, and was the Senior Development Analyst from 2000 to 2001. Mr. Ryan began his real estate career in 1992 with General Investment & Development Company, holding various property management positions until 1998. Mr. Ryan holds a Bachelor of Arts degree from Boston College and a Master of Business Administration from Boston University.

Stephen P. Vallarelli, Executive Vice President, Asset Management, has 30 years of real estate experience and has been employed by Cabot for 17 years. Mr. Vallarelli leads the Asset Management Group overseeing the management, leasing and operations for value and core funds. Since 1996, he has participated in the acquisition, disposition, financing and leasing of industrial, office and retail investments. Mr. Vallarelli serves on the Investment Committee for all current, active funds and separate accounts. Prior to his current responsibility, Mr. Vallarelli served as Senior Vice President and team leader for Fund II and Fund III assets. Prior to joining Cabot, Mr. Vallarelli served as Vice President for RREEF (2001-2002) and the Cabot REIT (1998-



2001) with asset management responsibilities for industrial properties in multiple markets totaling 9.7 million square feet. Mr. Vallarelli previously worked for Great Point Investors, and its predecessors AMRESKO Advisors and Baring Advisors, from 1990 to 1996 developing and implementing core and value added investment strategies for office and retail investments on behalf of separate account investors. Mr. Vallarelli began his real estate career in the accounting group of real estate partnership syndicator Integrated Resources (1987-1990). Mr. Vallarelli holds a Bachelor of Business Administration degree in Accounting from Iona College and a Master of Science degree in Real Estate Investment from New York University.

Other Professionals

Damian Q. Bailey, Senior Vice President, Investments, has 16 years of real estate experience and has been employed by Cabot for 12 years. Mr. Bailey is responsible for sourcing and closing industrial property investments in Texas, Minnesota, Colorado, Georgia, Southern Florida and Toronto. Prior to joining Cabot, Mr. Bailey began his real estate career as a Senior Acquisitions Analyst with Boston Capital. Mr. Bailey holds a Bachelor of Arts degree from The University of New Hampshire, and a Master of Business Administration from Boston University.

Kara J. Brown, Senior Vice President, General Counsel and Compliance Officer, has 13 years of legal experience focused primarily on regulatory compliance. Ms. Brown joined Cabot in September 2018 and is responsible for overseeing all legal support for Cabot and assisting the Chief Compliance Officer with implementation of Cabot's compliance program. Prior to joining Cabot, Ms. Brown was Counsel in Sidley Austin LLP's Boston office and a member of the Investment Funds, Advisers and Derivatives and Securities and Derivatives Enforcement and Regulatory practice groups, providing legal advice to investment advisers offering real estate, credit, private equity and public equity strategies and funds. Ms. Brown previously served as in-house counsel and compliance officer for investment advisers including Glenview Capital Management and Neuberger Berman. Ms. Brown holds a Bachelor of Science degree from the University of Massachusetts at Amherst, with honors, and a Juris Doctor from Brooklyn Law School.

Justin S. Harvey, Senior Vice President, Investments, has 11 years of real estate experience, all with Cabot. Mr. Harvey is responsible for sourcing and closing industrial property investments in California, Washington, Arizona, and the United Kingdom. Prior to joining Cabot, Mr. Harvey worked in the Finance group at Boston Properties, Inc., and was an Investment Associate at FLAG Capital Management, LLC, a private equity, and real estate fund-of-funds. Mr. Harvey holds a Bachelor of Arts degree from Colby College, and a Master of Business Administration from the Tuck School of Business at Dartmouth. Mr. Harvey is also a Leadership in Energy and Environmental Design (LEED) Accredited Professional.



Caitlin A. Healey, Senior Vice President, Capital Raising and Investor Relations, has 15 years of real estate experience in commercial real estate business and has been employed by Cabot for two years. Ms. Healey is responsible for sourcing and maintaining capital investments for Cabot's Core vehicles pursuing long-term relationships with high-quality limited partners. Prior to joining Cabot, Ms. Healey was Senior Vice President of Capital Markets at Parmenter Realty Partners where she directed all institutional capital raising for Parmenter's Value Add vehicle. There, Ms. Healey sourced and managed relationships with endowments, foundations, high-net-worth family offices, and pension funds. Prior to Parmenter, Ms. Healey was an Associate at Monument Group, a private fund placement agent. Ms. Healey was involved with both domestic and international private equity real estate funds. Ms. Healey holds a Bachelor of Science degree in Finance and Communications from Boston University.

Carey E. Herrlinger, Senior Vice President, Investments, has 13 years of real estate experience, eight of which are with Cabot. Mr. Herrlinger is responsible for sourcing and closing industrial property investments in Ohio, Illinois, Maryland Virginia, and Indiana. Prior to joining Cabot, Mr. Herrlinger spent five years with Deutsche Bank Berkshire Mortgage, where he managed and underwrote commercial mortgages for multi-family properties throughout the U.S. Mr. Herrlinger holds a Bachelor of Arts degree from the University of Cincinnati.

Patrick D. Mullaney, Senior Vice President, Accounting and Treasurer, has 35 years of real estate experience and has been employed by Cabot for 34 years. In 1998, he rejoined Cabot Advisors, Inc. as a Manager of Portfolio Accounting and subsequently became the Vice President of Portfolio Accounting in 2001. In 1997, he joined Spaulding & Slye, continuing his role as a Property Manager for the Cabot Business Park as well as two suburban office buildings. In 1994, he became a Property Manager for the Cabot Business Park in Mansfield, Massachusetts. In 1991, he joined Cabot Partners as a Portfolio Accountant for three pension fund portfolios, valued at over \$500 million. Mr. Mullaney began his real estate career with Cabot, Cabot and Forbes in 1983 as a Property Accountant for commercial office buildings totaling one million square feet. Mr. Mullaney was promoted to Senior Accountant in 1986. Mr. Mullaney holds a Bachelor of Science degree in Business Administration from Merrimack College.

Florian D. Neumann, Senior Vice President, Investments, has 11 years of real estate experience and recently joined Cabot. Mr. Neumann is responsible for sourcing and closing industrial property investments in Europe with a focus on Germany, Netherlands and CEE. Prior to joining Cabot, Mr. Neumann worked as Acquisitions Director at Gazeley/GLP, as Director Transaction Management at Gateway Real Estate and as Transactions Officer at Prologis/AMB. Mr. Neumann holds a Diploma in Business from Freie Universität Berlin, a MBA from Stockholm University School of Business and a post-graduate degree in real estate from EBS University Oestrich-Winkel. Mr. Neumann is fluent in English, German and French and is a member of the IMMOEBS network.



Bradford M. Otis, Senior Vice President, Asset Management, has 15 years of real estate experience and has been employed by Cabot for 11 years. Mr. Otis serves as an Asset Manager in the Atlanta, Chicago, Dallas, Phoenix, and Minneapolis markets. Prior to joining Cabot, Mr. Otis spent six years with Eaton Vance Management in Boston, as an Assistant Vice President in the Real Estate Investment Group directly responsible for the oversight of more than 170 industrial and multifamily properties located in different markets around the country. Mr. Otis holds a Bachelor of Science degree in Accounting and Economics from Babson College.

Deborah L. Parolisi, Senior Vice President, Accounting, has 32 years of real estate experience and has been employed by Cabot for 14 years. Previously, Ms. Parolisi was the Controller of Cabot REIT from its inception in 1998 through its sale and transition in 2002. In 2008, she rejoined Cabot Properties, Inc. as a Manager of Portfolio Accounting and subsequently became a Vice President of Portfolio Accounting in 2009. Ms. Parolisi began her real estate career in 1986 working for Arthur Andersen & Co., achieving the position of Senior Manager and earning her CPA license. At Arthur Andersen, she worked on several private and public real estate companies in the industrial, office, residential and hospitality sectors, and assisted in many IPOs and secondary offerings. Ms. Parolisi holds a Bachelor of Science degree in Business Administration from Boston University.

Neil S. Raymond, Jr. (Jed), Senior Vice President, Asset Management, has 17 years of real estate experience investment, development and project management, and has been employed by Cabot for nine years. Mr. Raymond serves as an Asset Manager focusing on the United Kingdom market. He previously worked as a Project Manager and Director of Marketing and Leasing at Cabot, Cabot & Forbes of New England where he was the recipient of the 2008 Boston Business Journal's Emerging Leaders. Prior to CC&F, he was a Project Manager for Raymond Property Company. Mr. Raymond received his Bachelor of Arts and Science degree at Middlebury College in 2000, and his Master in Real Estate Development and Design Studies from Harvard Graduate School of Design in 2005.

Kathleen M. Reardon, Senior Vice President, Capital Raising and Investor Relations, has 24 years of real estate experience and has been employed by Cabot for 20 years. Ms. Reardon is responsible for managing and organizing all aspects of investor relations and capital-raising activities. She is also responsible for maintaining and expanding relationships with new and existing investors as well as creating strategies to generate investor interest. While with the Cabot REIT, Ms. Reardon served as Administrator of Cabot's Investor Relations Program, cultivating and maintaining relationships with approximately 3,500 shareholders and 12 analysts. Ms. Reardon began her real estate career in 1996, with General Investment & Development Co. Ms. Reardon holds a Bachelor of Science degree in Business Administration from New Hampshire College and an Associate of Science degree in Criminal Justice from Northern Essex Community College.



Nicholas B. Snow, Senior Vice President, Investments & Business Development, has four years of real estate experience, all of which are with Cabot. Mr. Snow is responsible for sourcing and closing industrial property investments across the United States for both the Core Fund and separate account mandates. In growing these programs, he has coordinated with international investors on multiple initiatives. Prior to joining Cabot, Mr. Snow spent five years as a professional athlete based out of South Carolina but travelling frequently. Mr. Snow is a graduate of Harvard College with a degree in Government.

Kelly J. Stevens Curley, Senior Vice President, Asset Management, has 22 years of real estate experience, all with Cabot. Ms. Stevens serves as the Asset Manager for assets located in the Indianapolis, Cincinnati, and New Jersey markets. Upon the sale of Cabot REIT's in late 2001, Ms. Stevens continued with Cabot Properties, Inc., where she served as an Asset Manager. Ms. Stevens was previously a Property Manager for Cabot REIT's Northeast and Mid-Atlantic Regions before joining Cabot Advisors' separate account business as an Asset Manager in December 1999. Ms. Stevens holds a Bachelor degree in Political Science from Bridgewater State College.

Harborne W. Stuart III (Hobey), Senior Vice President, Finance, has 14 years of real estate experience and has been employed by Cabot for 11 years. Mr. Stuart is responsible for Cabot's debt, derivatives, and insurance activities, and has served in his current role since May 2013. Previously, he was Vice President, Asset Management with responsibility, at different points, for Cabot's assets in Baltimore, Boston, Charlotte, Indianapolis, Minneapolis, Pennsylvania (Central, Eastern and Philadelphia), Phoenix, San Francisco, Seattle, New Jersey, and Toronto. Prior to joining Cabot in 2007, Mr. Stuart worked in the Financial Consulting Group of CB Richard Ellis in New York, where he focused on tenant representation for commercial leases. Mr. Stuart holds a Bachelor of Science degree in Economics from The Wharton School of the University of Pennsylvania.

Gary E. Gagnon, Vice President, Information Technology, has 19 years of experience with Cabot. Mr. Gagnon is responsible for the implementation and operation of all technology infrastructure deployed at Cabot and for ensuring the availability, integrity, and security for all IT systems. Mr. Gagnon began his career in 1985 as an Information Technology Consultant. Prior to joining Cabot, Mr. Gagnon worked for Alpine Computer Systems as a Senior Systems Engineer. Mr. Gagnon holds an Associate of Science degree from New England Institute of Technology and is Microsoft Certified Systems Engineer (MCSE).

Michael H. Gebo, Vice President, Asset Management, has six years of real estate experience, four of which are with Cabot. Mr. Gebo serves as an Asset Manager in the Chicago, Dallas, Los Angeles and San Diego markets. Prior to joining Cabot, Mr. Gebo was an Asset Manager with Global Logistic Properties responsible for the oversight of more than 40 properties in the southern California market. Mr. Gebo holds a Bachelor of Science degree in Business from Kelley School of Business at Indiana University.



Robert R. Gray, Vice President, Asset Management, has 13 years of real estate experience, ten of which are with Cabot. Mr. Gray serves as an Asset Manager in the Seattle, San Francisco, Houston, Tampa, Orlando, South Florida, Eastern Pennsylvania, and Boston markets. Prior to joining Cabot, Mr. Gray was a Senior Financial Analyst with Grubb and Ellis providing property management analysis and reporting for several of their institutional clients. Mr. Gray holds a Bachelor of Science degree in Finance and a Master of Business Administration from the School of Management at Marist College.

Christopher C. Manocchio, Vice President, Asset Management, has 11 years of real estate experience, all with Cabot. Mr. Manocchio serves as the Asset Manager for assets located in the Baltimore, Charlotte, Columbus, Denver and Indianapolis markets. Prior to joining Cabot in March of 2008, Mr. Manocchio worked as an Internal Audit Consultant for Financial Services at Protiviti, Inc. During his time, Christopher was tasked with assessing performance and risk for clients in the Asset Management industry. Mr. Manocchio holds a Bachelor of Science degree in Finance and Economics from Bentley College.

Charles M. Storey, Vice President, Investments, has four years of real estate experience, all with Cabot. Mr. Storey is responsible for sourcing and closing industrial property investments in Massachusetts, New Jersey, Pennsylvania, the Carolinas, and Central Florida. He began his Cabot career as an Investment Analyst, and most recently was Assistant Vice President leading Cabot's research and Analyst training efforts. Mr. Storey graduated from Dartmouth College, where he received a Bachelor of Arts in Economics, was a member of the Varsity Football Team, and founded Dartmouth's first undergraduate real estate club.

Richard C. Conley, Assistant Vice President, Accounting has 10 years of real estate experience, all of which are with Cabot. Mr. Conley is responsible for Portfolio Accounting and Reporting for Core I and assisting with separate account reporting. Mr. Conley began his career as a real estate accountant, before moving to investor relations for seven years as an analyst. Mr. Conley holds a Bachelor of Science degree in Business from Bridgewater State College and a Master of Business Administration from Boston University.

Chelsea C. Tamuk, Assistant Vice President, Investments has four years of real estate experience, all with Cabot. Ms. Tamuk is responsible for leading Cabot's underwriting activities and analyst training for all funds and separate accounts. She began her Cabot career as an Analyst on the Asset Management Team, and joined the Investment Team two years ago. Ms. Tamuk graduated from Bentley University, where she received a Bachelor of Science degree in Economics-Finance, was a member of the Varsity Softball Team, and a member of the Women's Leadership Program at the Center for Women and Business.



Investment Structure:

The Fund is a Luxembourg special limited partnership. The General Partner will be Cabot General Partner (Luxembourg Sarl). Sarl stands for “Société à Responsabilité Limitée” (SARL). It is a cross between a corporation and a partnership. Its members’ (partners’) liability is limited to their contributions to the company.

The Fund’s sponsor, Cabot Properties, L.P., was formed in 2001 as a Delaware Limited Partnership and is registered as an investment adviser with the SEC. The firm is an employee-owned private partnership.

Investment Instruments:

The Fund may invest through a variety of structures, including direct property acquisitions, and equity positions in real estate and real estate related companies.

Market Opportunity:

Once considered a less institutional asset class among investors, industrial/logistics properties are now being viewed in a different light. Low capital expenditures requirements and long term leases (most of which are triple net – where the operating expenses are the responsibility of the tenant), combined with favorable supply-demand dynamics, low volatility and a positive outlook driven by the growth of ecommerce have “institutionalized” this asset class.

What is driving the growth in the industrial sector? The structural shift in consumer behavior, the increased demand for online sales and retailers focused on supply chain efficiency have been key drivers of demand in recent years, a trend that is anticipated to continue.

The proliferation of distribution channels related to online retailing remained a major feature of the UK market. On-line sales accounted for 17% of retail sales in 2018 as the structural shift in consumer spending preferences continued at a healthy pace and has been on a steady uptick for the past ten years.

Customer experience is fundamental to a retailer’s success in capturing market share in this changing environment. This need continues to support demand for both large scale fulfillment centers and urban logistics centers that are able to accommodate ‘quick time’ delivery.

As proximity to consumers and delivery times increase in importance, supply chain reconfiguration is occurring across the retail landscape. Instead of primarily large fulfillment centers in national locations, smaller regional and local distribution facilities are required close to major populations as well as FedEx and UPS centers. Further, operational requirements of E-commerce tenants have stimulated advances in logistics and inventory management, resulting in an emphasis on building standards. Attributes such as higher clear heights, wider column spacing, efficient systems and ample



employee parking are increasingly in demand. Trends, prime locations and modern buildings are essential aspects of the Fund strategy.

A CBRE UK market outlook for 2019 states that the ecommerce revolution will continue to drive sustained demand for industrial and logistics space with demand for bigger “big boxes” increasing fastest. “No deal” Brexit concerns have not yet been a major force in driving demand, and speculative development is starting to address supply side concerns. Investment demand remains strong but investors need to keep an eye on innovations in logistics and technology.

More likely to have an impact on demand is the continued shift to online sales which continues to grow. Global Data are forecasting online spending to reach £75bn by 2023 which based on historical norms would suggest an extra 20m sq ft being required, but based on recent leasing levels would actually seem conservative.

According to Savills research, relative to other sectors, which saw significantly reduced transaction levels, volumes and notably pricing, industrial/logistics proved stubbornly resilient despite growing geopolitical and economic uncertainty.

A 4Q 2018 Cushman & Wakefield report stated that the UK logistics market remains resilient despite the uncertainty surrounding Brexit and the economy in general. The leasing market had a record-breaking year thanks to E-commerce, while investor demand remains strong and transactions volumes in line with the five-year average as a result.

Fundamentals have been strong in Cabot’s UK target submarkets. Average vacancy on Cabot’s target UK submarkets has average 4.9% over the past five years and compares favorably to other UK submarkets with an average vacancy of 6.2% over the same time period. Similar story with average annual rent growth. Cabot target submarkets experienced a 6.8% average annual rent growth over the past five years while other UK submarkets experienced only 4.0% average annual rent growth over the same time horizon.

In Northern Europe, Cabot will focus on The Netherlands and Germany, specifically areas with high population density and trade centers such as Amsterdam/Rotterdam and Limburg/Brabant in The Netherlands and Rhine Ruhr, Frankfurt, Hamburg and Berlin in Germany.

The general consensus is that investors expect industrial to remain the top performing property type for the foreseeable future. As new supply has come online, absorption and rental rates have been keeping pace. And so long as investors remain under-allocated to industrial there will be solid demand for assets. Indicators across multiple metrics suggest that industrial appears poised to continue its relative outperformance over the upcoming quarters.



Investment Highlights:

- Experienced and cohesive senior management team
- Proven UK track record
- Investment guidelines in place to mitigate risk
- Return profile weighted more towards current income
- Demonstrated investment discipline; robust underwriting process and long-standing, three pronged investment strategy

Investment Risks/Considerations:

- Brexit
- First time investor in Northern European market
- Use of leverage
- Foreign currency risks
- Allocation policy

PSERS History & Performance:

PSERS has made five commitments totaling \$525 million to the Cabot series of funds as detailed in the table below.

The table below summarizes PSERS' historical performance with this partnership. All data is as of June 30, 2018.

Fund (\$M)	Vintage	Fund Size	Commitment	Contributions	Distributions	NAV	Net IRR	MoC
Cabot Industrial Core Fund II, L.P.	2018	600.0	100.0	-	-	-	N/A	N/A
Cabot Industrial Core Fund, L.P.	2015	443.0	150.0	147.3	11.1	164.9	13.0	1.2
Cabot Industrial Value Fund III, L.P.	2008	679.6	100.0	81.7	123.2	-	21.9	1.5
Cabot Industrial Value Fund IV, L.P.	2013	712.0	75.0	72.7	114.8	2.2	28.2	1.6
Cabot Industrial Value Fund V, L.P.	2016	775.0	100.0	18.1	0.8	19.1	24.4	1.1
Total			\$ 525.0	\$ 319.7	\$ 249.9	\$ 186.3	21.1%	1.4x

Portfolio Fit:

A commitment to the Fund will be allocated to the Real Estate portion of PSERS' Real Assets portfolio. Using the net market value from June 30, 2018, and adjusting the unfunded to include commitments from the prior and current Board meetings, the Real Estate portfolio would be 22.4% Core, 40.6% Opportunistic, and 37.0% Value-Added.

The table below summarizes PSERS' projected exposure inclusive of a recommended £50 million commitment to the Fund as of June 30, 2018 and excludes exposure to the open-end redemptions:



Investment Type (\$M)	Market Value ⁽¹⁾		Unfunded		Total Exposure ⁽¹⁾		Long Term Target (%)
		%		%		%	
Core	1,594.6	28.5%	340.9	11.1%	1,935.4	22.4%	20%
Opportunistic	2,407.4	43.1%	1,108.6	36.2%	3,516.0	40.6%	30%
Value-Add	1,589.9	28.4%	1,612.7	52.7%	3,202.6	37.0%	50%
Total	\$ 5,591.8	100%	\$ 3,062.2	100%	\$ 8,654.0	100%	100%

(1) Includes Gross PTRES Exposure

Finance Committee Disclosure:

Relationship with Hamilton Lane:	None
Placement Agent:	None
PA Political Contributions:	None
PA Presence:	Cabot has three investment properties in PA which total 705,645 square feet and have a market value of approximately \$48.1 million (as of 6/30/18). The properties are located in Allentown, Quakertown and Conshohocken, PA.
Conflicts:	None
History with PSERS:	Yes, this will be PSERS' sixth fund investment with Cabot.
PSERS Asset Implementation Committee Approval:	February 8, 2019

Oversight Responsibility:

Investment Office:	Charles J. Spiller Melissa A. Quackenbush	Deputy CIO, Non-Traditional Investments Senior Portfolio Manager
External Consultant:	Hamilton Lane	



Hamilton Lane

January 29, 2019

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

Re: Cabot UK Core-Plus Industrial Fund SCSp

Dear Trustees:

Cabot Properties, L.P. ("Cabot") was formed in 2001 by certain former members of Cabot Industrial Trust, a public REIT that was launched in 1998 with assets contributed by clients of an affiliate of Cabot, Cabot & Forbes. At the end of 2001, Cabot Industrial Trust was sold, with senior members of the REIT forming the General Partner. Cabot is a vertically integrated industrial property firm that oversees approximately \$3 billion in assets as of September 30, 2018; the General Partner is comprised of 45 professionals in aggregate, split between 14 investment professionals, 14 asset management professionals and 17 other employees. The General Partner has a well-tenured senior investment team across the firm with select experience in the United Kingdom; Cabot's asset management professionals are expected to assist the investment team in conducting diligence and oversee value-add initiatives across the platform. Additionally, Cabot's exclusive focus on industrial properties allows for efficient oversight and business plan execution. Cabot has experienced limited turnover over the past 10 years, and the limited turnover is attributable to a number of different factors, further mitigating concerns over organizational stability. Cabot is targeting £200 million in commitments for its first dedicated European core-plus real estate fund, Cabot UK Core-Plus Industrial Fund SCSp (the "Fund"). Cabot expects to hold a first close in March 2019 and a final close by June 2019. The General Partner will commit at least 2% of commitments (up to £5 million) to invest in the Fund.

Although the Fund represents Cabot's first product line focused on European opportunities, the firm will maintain its focus on industrial assets. The General Partner intends to primarily focus on investments within the United Kingdom, specifically targeting opportunities located within the North West and South East regions, with proximity to key distribution centers including Liverpool, Manchester and Birmingham. While Cabot has historically been successful executing various investment strategies across the risk spectrum, the Fund expects to pursue stabilized, income-producing, Class A industrial properties that are located in infill locations; targeted properties will have limited capital expenditure requirements, with the objective of achieving rent growth through active management. The General Partner remains nimble in accessing opportunities across the sector, with a demonstrated ability to aggregate sizeable portfolios through a number of smaller transactions, creating attractive portfolios for institutional buyers. The Fund is expected to be comprised of mid-sized warehouses, with the flexibility to acquire a range of property sizes, consistent with the General Partner's value and core product lines. Cabot's established footprint and reputation within the sector has provided it with a deep network of relationships across intermediaries, developers, property managers and property owners, contributing to its ability to source attractive opportunities. The General Partner's core-plus strategy seeks to drive incremental rent growth through proactive tenant management, taking on some lease duration risk. The Fund will target 16 to 24 equity investments in the range of £8 million to £18 million, targeting properties valued between £5 million and £30 million. Cabot has generated attractive returns across prior funds, with success investing across market cycles, geographies and risk profiles.

Cabot UK Core-Plus Industrial Fund's investment thesis can be summarized as follows:



Hamilton Lane

- Cohesive team with select experience transacting in target markets
- Exclusive focus on industrial assets with a primary focus on the U.K.
- Consistent and attractive performance across product lines and market cycles

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 December 31, 2018; the on-site due diligence was conducted January 14, 2019; the Fund was approved by Hamilton Lane's Investment Committee on January 28, 2019 and the recommendation to PSERS was issued January 29, 2019
- 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 Cabot'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 Real Estate component of the portfolio

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

Radhika Cobb – Vice President, Bala Cynwyd Office

Peter Udbye – Associate, Portland Office

Daniel Crossan – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to £50 million in Cabot UK Core-Plus Industrial Fund SCSp. 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,
Chief Client Officer

Corina English,
Principal