



Hamilton Lane

October 11, 2022

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

Re: Bell Value-Add Fund VIII, L.P.

Dear Trustees:

Bell Partners Inc. (“Bell”, “General Partner”, “Firm”) was founded in 1976 by Steve Bell and is a large vertically integrated owner and operator of multifamily properties across the United States. Today the firm is managed by Lili Dunn, Bell’s CEO and President, and Jon Bell, the firm’s Executive Chairman. The Firm is comprised of over 1,700 employees, 17 of whom are dedicated to investment and portfolio management with approximately 1,500 property management professionals who oversee ~75k units across the U.S., as of September 2022. Bell’s senior management team averages 27 years of experience and 11 years of tenure. The investment team is supported by significant in-house resources dedicated to business intelligence, asset management, construction, and property management functions. The asset management, construction and property management teams execute the asset-level business plans, driving post-acquisition value through operational and physical improvements. Bell has regional offices across most of the Fund’s target markets, providing strong market knowledge and sourcing capabilities. Bell seeks durable, institutional-quality assets that offer immediate opportunities to create value located in submarkets that the Firm believes have strong renter demographics based on employment opportunities and income levels. The General Partner plans to identify assets in emerging neighborhoods within its target markets, renovate and/or reposition the assets and enhance property operations. Bell is targeting \$1.0 billion with a hard cap of \$1.3 billion in commitments for its eighth dedicated multifamily real estate fund, Bell Value-Add Fund VIII, L.P. (the “Fund”). Bell expects to hold a first close in November 2022. The General Partner will commit at least 1% of commitments (at least \$10 million) to invest in the Fund.

Consistent with prior funds, Bell primarily seeks to acquire class B+ income producing multifamily assets with strong-income tenant bases in supply constrained markets with the intent to generate stable, durable cash flows. The General Partner target assets that are undermanaged or in need of physical renovations and were built between 5 and 15 years ago. Bell plans to be disciplined in risk management, investing in well-researched markets with thoughtful portfolio diversification and financing. Bell primarily seeks investments in 14 high-growth MSAs with liquidity potential and attractive supply and demand fundamentals: Seattle, San Francisco, Los Angeles, Denver, Dallas, Austin, South Florida, Tampa, Orlando, Atlanta, Charlotte, Raleigh, Washington, D.C. and Boston. Bell’s in-house business intelligence focuses on understanding macroeconomic trends, focusing on the target market’s growth trajectory, and emerging neighborhoods. Bell seeks to acquire well-located, high-quality multifamily properties in attractive submarkets across the U.S. that provide the immediate ability to create value with a strong risk-adjusted return. The General Partner targets townhomes, garden style and mid-rise apartments that meet the criteria of at least one of its four established value creation strategies: physical renovation, management repositioning, transitioning neighborhoods and pricing dislocation. Bell’s value creation playbook is aligned with its flexible market selection capabilities; the General Partner selects execution strategies depending on market opportunities and asset profile. The Fund will target 20 to 25 equity investments in the range of \$25 million to \$90 million, targeting properties valued between \$70 million and \$260 million. As of 6/30/22, Bell has generated strong and consistent returns across prior funds with four of six funds generating top-quartile performance and two funds placing in the second quartile on a net-IRR basis.

The investment thesis for investing in Bell Value-Add Fund VIII, L.P. can be summarized as follows:



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- Experienced senior investment team with an extensive network and sector expertise
- Focus on value-add multifamily real estate in target markets across the U.S.
- Fully realized five of seven prior funds and has consistently achieved attractive returns

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

- Detailed due diligence, including interviews with industry peers and private real estate professionals. The on-site due diligence was conducted on July 14, 2022; the Fund was approved by Hamilton Lane's investment committee on September 26, 2022; and the recommendation to PSERS was issued on October 11, 2022.
- 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 Bell Partners' 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
- Confirmation that the strategy proposed for the Fund is appropriate for the private real estate partnership component of the portfolio

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

Scott Davies – Principal Real Assets, Conshohocken Office

Jackie Blickman – Senior Associate Real Assets, Conshohocken Office

Michelle Lipovsky – Analyst Real Assets, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$150 million, plus reasonable normal investment expenses, to Bell Value-Add Fund VIII, L.P. (and/or related investment vehicles). Hamilton Lane makes this recommendation considering Bell Partners' 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,

Corina English,
Principal

TC Rolfstad,
Principal