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Public Investment Memorandum

EQT Exeter Industrial Core-Plus Fund IV, L.P.

Private Real Estate Commitment

February 11, 2022

Executive Summary

Melissa A. Quackenbush, Senior Portfolio Manager, together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommend to the Board a commitment not to exceed $100 million plus reasonable normal investment expenses, in EQT Exeter Industrial Core-Plus Fund IV, L.P (the "Fund", "Fund IV", or "Exeter Core-Plus IV"), and/or related investment vehicles.

Fund Name	EQT Exeter Industrial Core-Plus Fund IV, L.P.
Firm Name	EQT Exeter
Target Fund Size / Hard Cap	$2.5 billion / $3.2 billion
Recommended Commitment Amount	$100 million
Existing Relationship	Yes
Source of Funds	Private Real Estate Distributions
Asset Class / Sub Asset Class	Private Real Estate / Core
Investment Office Professionals Due Diligence Team ("IOP")	Melissa A. Quackenbush, Senior Portfolio Manager Jarrett B. Richards, Intermediate Investment Professional
Investment Office Oversight	Melissa A. Quackenbush, Senior Portfolio Manager
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

Firm Overview:

EQT, a global, publicly listed investment manager with headquarters in Stockholm, Sweden, was founded in 1994 and launched its first fund in 1995 targeting investments in industrial companies in Sweden and neighboring countries. Today, EQT has seven business lines: EQT Private Equity, EQT Ventures, EQT Future, EQT Growth, EQT Public Value, EQT Infrastructure, and EQT Exeter. As of December 31, 2021, EQT's assets under management were ~€ 73.4billion.

EQT Exeter is the real estate division of EQT. EQT Exeter was formed in April 2021 when Exeter Property Group a Pennsylvania-based real estate investment manager founded in 2006 by Edward "Ward" Fitzgerald and partners, merged with EQT. The merger with EQT provides Exeter with permanent capital from a strategic partner to effectuate succession planning for retiring executives, business growth initiatives, and the benefits of an experienced, global firm with superior back office, ESG, information technology, and compliance functions. PSERS, as an investor in prior Exeter-sponsored funds, reviewed the merger alongside its public pension plan peers, came to a favorable conclusion on the benefits to limited partners, and consented to the transaction.

EQT Exeter currently serves over 100 institutional investors around the globe. Its fund series are organized by property sector, geography, and strategy with each fund series having its own dedicated portfolio managers. EQT Exeter is vertically integrated with 343[1] dedicated real estate professionals operating in 44 global offices, 23 of which are located in the United States (US headcount 183 professionals). Vertical integration is a differentiator for EQT Exeter compared to its peers; there are internal teams that manage development, leasing, property management, investment due diligence, accounting, legal, and other back-office functions. This integration allows EQT Exeter to have deeper market knowledge and act swiftly as it pursues investment opportunities.

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[1] All head counts and number of offices are as of January 2022

The management team is a well-seasoned, cohesive team which has worked together for 14 years on average. As of March 2021, AUM for EQT Exeter was ~$16.5 billion. Since 2006, EQT Exeter has completed 700+ transactions totaling more than 1,400 buildings and has achieved a track record of consistent outperformance. Creating further stability, Ward Fitzgerald, the founder of Exeter, remains the Head of EQT Exeter, is a Partner of EQT Group, and sits on the Investment Committee for Fund IV.

Market Opportunity

The stable long-term outlook for the industrial real estate sector is attributed to growth in population, e-commerce penetration, demand outpacing supply, and liquidity at exit.

The industrial real estate sector is demographically driven – the growth in population leads to a natural growth in consumption which, in turn, drives demand for industrial space. According to the U.S. Census Bureau, the 2020 U.S. population of 331.5 million is expected to grow to 355 million people by 2030 and hit 400 million people by 2060. With average warehouse demand of ~60 square feet per person, new population-based industrial demand will be approximately 141 million square feet per year for the next ten years. To capture the growth in demand, Exeter will be focused on industrial properties in major metropolitan markets, fast growing cities, and the distribution hubs serving these consumption centers:

- Major Metropolitan Markets: Atlanta, Chicago, Dallas, Greater NYC, and Southern California
- Fast Growing Cities: Denver, Houston, Miami, Phoenix, and Washington, DC
- E-Commerce Hubs: Cincinnati, Columbus, Indianapolis, Louisville, and Memphis

Retail sales in the United States are growing at ~3% per year, according to Census.gov data. At the same time, consumer preferences continue to tilt away from brick-and-mortar retail and towards e-commerce options. The supply chain demands on e-commerce require ~3x the warehouse space versus traditional brick and mortar retail, creating further tailwinds for this sector. We continue to monitor a new trend in logistics - the COVID-19 pandemic and subsequent supply chain issues significantly depressed retailer inventories; consequently, retailers are looking to bolster inventory levels which requires more warehouse space as they shift from a "just in time" to a "just in case" model to avoid similar inventory shortages in the future. Should more companies shift to a "just in case" model, PSERS IOPs expect demand to meaningfully outpace new supply.

Fundamentals in the industrial sector remain strong. Low vacancy rates, strong tenant demand, and a decrease in supply all put upward pressure on rental rates. Rising rental rates are especially prevalent in the coastal markets where Green Street (an independent research and advisory firm concentrating on the commercial real estate industry in North American and Europe) projects rent increases of 40% in 2021 and 2022 combined. Rising rents translate to rising cash flows which will support an increase in valuations. With annual absorption of 200+ million square feet annually since 2014, industrial demand has been and is anticipated to be strong going forward. Development was curtailed in the second half of 2020 due to the COVID-19 pandemic, and new supply is expected to remain limited as land, material, and labor costs push sharply higher. Additionally, there are significant barriers to entry from a zoning/permitting perspective as communities push back against the development of new industrial space. Together, these factors serve to dampen the pace of construction and will put continued upward pressure on rents as tenant space requirements continue to rise.

Given the industrial real estate's current and long-term property fundamentals in conjunction with the sector's stable cash flow profile, investors continue to be attracted to the U.S. core industrial sector (defined as high quality properties in major markets with stabilized occupancy, higher grade tenancy with longer lease term remaining, and minimal capital expenditure requirements) as evidenced by increasing allocations to this property type. Furthermore, with continued low – or in certain cases, negative – interest rates around the world, investors have come to view core/core-plus U.S. industrial real estate as a low-risk alternative to fixed income resulting in increased capital flows to the sector. Consequently, capitalization rates have continued to compress, especially for the high-quality institutional portfolios. As such, EQT Exeter believes the Fund will be well-positioned to realize capital value appreciation due to the sector's exceptional exit liquidity and buyer appetite for large portfolios of core industrial properties.

With sustainable demand drivers and a strong appetite from institutional investors, the U.S. market for industrial properties is expected to be favorable for the foreseeable future and supports the investment thesis of Exeter Core Plus IV.

Portfolio Fit

The Fund will be allocated to PSERS' Private Real Estate portfolio. The returns for this strategy will be achieved via a current income yield with modest capital appreciation, a return profile consistent with the PSERS IPS definition of a "Core" private real estate strategy. The table below summarizes PSERS' Private Real Estate portfolio, as of September 30, 2021, inclusive of the recommended $100 million commitment to the Fund:

Strategy	NAV[1]	Unfunded[1]	Exposure[1]	%	Pending Current Recommendations March 2022	Exposure[1]	%
Core	981	113	1,094	13.1%	100	1,194	14.1%
Value-Add	2,665	1,165	3,830	45.9%	-	3,830	45.4%
Opportunistic	2,188	1,232	3,420	41.0%	-	3,420	40.5%
Total	5,834	2,511	8,344	100.0%	100	8,444	100.0%

[1] $ in millions; includes recently approved $300 million commitment to Brookfield Strategic Real Estate Partners IV (PSERB Resolution 2021-64) and $100 million commitment to LEM Multifamily Fund VI (PSERB Resolution 2022-05)

Investment Strategy

The investment strategy for Fund IV is a continuation of the successful strategy deployed by the previous three funds in EQT Exeter's Industrial Core-Plus series: to assemble through on-the-ground, local sourcing a 130 to 150-property portfolio of modern industrial properties with high occupancy and long-term leases with creditworthy tenants in top tier markets which generate a strong current income with the ability to unlock future cash flow growth. The Fund will pursue modern big box warehouses (65% of the Fund), last mile logistics (30% of the Fund), and industrial service facilities (5% of the Fund; sometimes referred to as outdoor storage facilities. These facilities can serve as container yards, trailer drop yards, or can serve to collect surplus trailer chassis.) across the top 25 e-commerce and distribution markets in the United States.

Exeter's strategy of assembling a diversified portfolio comprising the best properties in premier locations is anticipated to allow the portfolio to maintain high occupancy and growing rents to ultimately deliver top exit values.

Investment Instruments

The Fund will acquire 100% interests in industrial real estate properties in the United States.

Investment Highlights

- Strong sponsorship with a proven, consistent track record
- Competitive advantages of vertical integration and local sourcing
- Tailwinds of the industrial sector

Investment / Risk Considerations

- Increase in fund size
- Increasing interest rates and inflationary pressures
- Use of financial leverage

PSERS History & Performance

As of September 30, 2021, PSERS has committed $550 million across six EQT Exeter vehicles and has $581.3 million of NAV exposure to EQT Exeter. These investments have produced a 30.4% IRR and a 1.9x Multiple of Capital, all net of fees.

Investment (Vintage)	Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Measure	*$M*	*$M*	*$M*	*$M*	*%*	*0.0x*
Exeter Core Industrial Club II (2016)	100.0	97.4	26.9	204.6	28.9	2.4
Exeter Industrial Core III (2019)	100.0	84.1	2.2	99.0	41.0	1.2
Exeter Industrial Value II (2011)	75.0	73.2	148.7	2.5	30.5	2.1
Exeter Industrial Value III (2014)	75.0	72.7	124.5	30.3	29.0	2.1
Exeter Industrial Value IV (2017)	100.0	94.4	19.6	181.3	31.3	2.1
Exeter Industrial Value V (2019)	100.0	45.0	0.0	63.5	69.0	1.4
Total	**550.0**	**466.8**	**322.0**	**581.3**	**30.4**	**1.9x**

Investment Committee Disclosure

Relationship with Hamilton Lane:	Hamilton Lane represents two clients with intentions to commit to the Fund – a public pension plan and a sovereign wealth fund. In the aggregate, Hamilton Lane clients (excluding PSERS) are targeting ~$190 million in commitments to Fund IV.
Introduction Source:	Existing Relationship
Placement Agent:	EQT Exeter has not entered into any agreement and/or other arrangement to pay a fee to and/or to otherwise compensate any placement agent, finder, intermediary or other individual to identify, contact and/or solicit investors to invest in EQT Exeter Industrial Core-Plus Fund IV, L.P. As confirmed by PSERS' Office of Chief Counsel on February 1, 2022, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions:	None Disclosed
PA Presence:	Yes
Potential Conflicts:	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in the Fund.
Litigation Disclosure:	EQT Exeter receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business At this time and to the best of EQT Exeter's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on EQT Exeter or the Fund.
Disclosure of External Manager-Paid Travel:	EQT Exeter reimbursed and/or paid the following amounts related to PSERS IOP travel during the last two calendar years: 2020: $0 2021: $0
Certification of Due Diligence Costs:	IOP certifies that there was no travel associated with the due diligence of Fund IV and PSERS was not reimbursed for any costs related to the due diligence of Fund IV.
First Time Fund With PSERS:	NO
PSERS Allocation Implementation Committee Approval:	February 11, 2022