PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Public Investment Memorandum

Keystone Partners, L.P. / International Infrastructure Finance Company III, L.P.

Private Credit Commitment

James F. Del Gaudio
Senior Portfolio Manager, Private Credit

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Investment Professional, Private Credit

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Investment Professional, Private Credit

April 26, 2021

Executive Summary

PSERS' Investment Office Professionals ("IOP"), together with Aksia, LLC ("Aksia") recommend that PSERS commit an amount not to exceed $250 million plus reasonable normal investment expenses to Keystone Partners, L.P. ("Keystone" or the "PSERS SMA"), a Cayman-domiciled series limited partnership (and/or related investment vehicles) managed by Newmarket Investment Management, L.P. ("Newmarket" or the "Firm"). In turn, the PSERS SMA will commit $150 million to Keystone Series A which will invest directly into International Infrastructure Finance Company III, L.P. (the "Fund", "IIFC III", or the "Main Fund"), and $100 million to Keystone Series B ("Series B" or the "Sidecar") which will serve as a dedicated overage vehicle to the IIFC strategy. This recommendation is based on our assessment of the investment strategy and our evaluation of Newmarket and its affiliates.

Fund Name (Main Fund)	International Infrastructure Finance Company III, L.P.
Firm Name	Newmarket Investment Management, L.P.
Target Fund Size / Hard Cap	$1.0 billion / $1.5 billion
Recommended Commitment Amount	$250 million (Main Fund: $150 million, Sidecar: $100 million)
Existing Relationship	Yes
Source of Funds	Cash
Asset Class / Sub Asset Class	Private Credit / Specialty Finance
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments James F. Del Gaudio, Senior Portfolio Manager Sean T. Sarraf, Investment Professional
External Consultant Oversight	Aksia, LLC

Newmarket is a global investment manager with approximately $1.04 billion assets under management, as of December 31, 2020. The International Infrastructure Finance Company strategy ("IIFC") was conceived in 2012 by Founder and Chief Executive Officer, Andrew Hohns, who holds a doctorate in applied economics from the University of Pennsylvania. The first two vintages of the IIFC strategy were sponsored by Mariner Investment Group to capitalize on bank deleveraging opportunities resulting from increasingly tighter global bank capital and liquidity standards associated with the Basel III regulatory ruleset. In 2020, Dr. Hohns formed Newmarket to disaffiliate from the Mariner platform and independently implement the management of the IIFC strategy, including investment management of IIFC Funds I and II. The Firm is supported by 16 professionals at its sole office in Philadelphia, Pennsylvania.

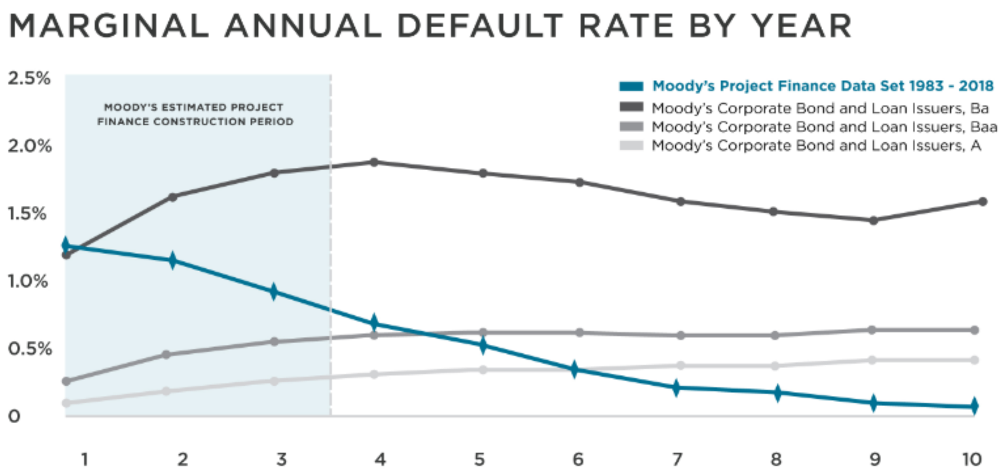
IIFC III is targeting $1.0 billion in capital commitments and seeks to generate attractive risk-adjusted returns by providing regulatory relief capital to top-tier bank counterparties backed by portfolios of primarily seasoned infrastructure finance, project finance, asset-backed finance, and commercial real estate loans. Since the establishment of the IIFC strategy, Dr. Hohns has overseen transaction structuring and negotiation of approximately $23 billion of notional risk transfer within the regulatory capital relief space. IIFC III represents the investment team's third dedicated vehicle to the IIFC strategy.

PSERS and Newmarket have an established relationship, and to-date PSERS has committed $250 million across two Newmarket-managed funds including:

- $150 million to International Infrastructure Finance Company, L.P. in 2013 ("IIFC I"), a $400 million fund
- $100 million to International Infrastructure Finance Company II, L.P. in 2017 ("IIFC II"), a $632 million fund

Market Opportunity

According to Moody's, which annually updates its research on infrastructure loan defaults, credit ratings are significantly less volatile in this sector relative to non-financial corporate debt. Infrastructure debt also typically exhibits lower default rates and higher recovery rates relative to non-financial corporate credit, largely due to the essential nature of the services provided and the stable cash-flowing nature of the assets. In addition to the sector's relative performance, research from a wide variety of public and private sources suggests that there is a large funding gap within infrastructure as most governments lack the resources needed to fully finance their infrastructure needs, which makes private sector participation essential. For example, McKinsey Global Institute estimates that $69 trillion in spending will be required through 2030 to support infrastructure build-out and maintenance. Combined with this funding need, banks are less willing to lend up to historical LTVs due to tighter capital restrictions while infrastructure equity transactions are getting larger (implying lower equity returns), which has led to a greater demand for both sub-investment grade and mezzanine capital.



Source: Moody's

Adding to the general demand created by a growing spending gap, certain regulatory tailwinds should bolster the opportunity set available to the IIFC strategy. As such, the current bank regulatory environment is attractive for significant risk transfer ("SRT") investments, an investment type that IIFC specializes in, whereby the counterparty institution transfers credit risk to optimize its regulatory capital and overall risk-weighted assets ("RWA"). Bank business models continue to evolve amid increasingly stringent national and international financial regulatory standards and frameworks. These standards, generally modeled off the Basel III and Basel IV rulesets, establish strict capital and liquidity requirements for banks and have triggered material business plan shifts as banks seek to support capitalization levels. Moreover, as the global economy recovers from the shocks of Covid-19, banks require additional capital as they represent a critical component in lending to the real economy and serve as conduits of monetary and fiscal policy.

Furthermore, the current market environment is more favorable than that of prior funds. The latest iteration of the Basel regulations, Basel IV, incorporates more stringent capital standards, including an increase in the risk-weight floor for internal bank models. This risk-weight floor will mean that low-risk assets, such as seasoned infrastructure loans, could be subject to higher risk weights, thereby becoming more capital-intensive for the bank to hold on balance sheet. All else equal, additional liquidity requirements will cause banks to have less available capital to originate new loans and should further increase bank willingness to participate in SRT transactions.

Lastly, Newmarket has nurtured an extensive global network of relationships in the international banking, regulatory, development finance, and legal sectors, positioning the Fund to identify, evaluate, and transact around target assets sourced from a wide variety of the world's largest financial market participants. The cultivation of these relationships together with the regulatory tailwinds discussed above have resulted in a robust forward pipeline for the Fund. Based on current visibility, Newmarket anticipates it could deploy $1 billion of new capital over the next 12 – 18 months.

Investment Strategy

The IIFC strategy focuses on the significant risk transfer ("SRT") market, in which Newmarket provides a subordinated tranche of risk capital to absorb potential defaults or impairments on a pool of primarily infrastructure or project finance loans within a reference portfolio held by institutional counterparties with significant expertise in infrastructure lending. SRT transactions enable the counterparty financial institution to transfer credit risk and thereby better-manage and optimize its regulatory capital and overall risk-weighted assets. In exchange, the counterparty pays Newmarket a coupon generally consisting of LIBOR plus a spread (i.e. credit protection premium), with the total coupon typically ranging from 1,000 – 1,300 basis points. Credit protection is generally availed under three circumstances 1) bankruptcy; 2) failure to pay principal or interest; or 3) loan restructuring resulting in a loss. Specifically, upon the occurrence of such events, the Fund will pay the difference between the par value and the recovery value of the reference obligation.

As you can see below in the sample illustration of a typical SRT transaction, the counterparty financial institution is able to significantly reduce its risk-weighted assets (by ~85% in the below example) through entering a risk transfer agreement with a firm like Newmarket:

SIMPLIFIED ILLUSTRATION OF A RISK TRANSFER

IIFC III investments are typically originated, underwritten, and structured on a bi-lateral, bespoke basis. Investments are assessed based on the merits of the structure of the transactions, as well as the creditworthiness of the underlying loans within the reference portfolio. Newmarket endeavors to source investment portfolios from top-tier lending institutions within their core lending areas, benefitting from the institution's expertise in credit selection and underwriting of target assets. Newmarket selects its loans initially using positive and negative screens targeting loans that are senior, secured, performing, seasoned, and core to the partner bank's balance sheet. Additionally, when selecting loans to populate the reference portfolio, Newmarket will apply its own statistical credit analysis which considers project-level attributes, historical performance, probability of default, covenants, leverage, interest coverage ratios, bank ratings, and amortization profile, among other pertinent credit metrics.

The Fund has a specialized focus on infrastructure assets in part due to the sector's historical track record of low defaults, high recovery rates, and low correlations with other major asset markets. Within the infrastructure asset class, the Fund expects to invest with a preference for loans to borrowers that are operational, have experienced no payment defaults or uncured covenant defaults, and have no material negative financial operating track record.

Target assets include seasoned infrastructure loans and, as of December 31, 2020, the Firm's IIFC strategy exposure included: renewable energy (21%), transportation (16%), social infrastructure (14%), natural resources (9%), and conventional power (9%). The Fund is expected to seek a similar degree of diversification in its sector exposure. While the Fund will not necessarily target specific geographies as part of its strategy, historically ~85% of borrowers represent OECD (Organization for Economic Co-operation and Development) countries, including 61% from Europe, 21% from North America, 15% split between Africa, the Middle East, and Asia-Pacific, and the remaining 3% from Latin America.

While the Fund maintains the ability to invest 20% of the portfolio outside of infrastructure assets, targeted non-infrastructure assets will exhibit similar characteristics of essentiality and revenue resiliency (e.g. prime commercial real estate, energy efficiency finance). In many instances, the underlying loans that comprise the Fund's portfolio will exhibit certain credit-positive structural features, such as strong covenant packages, supplemental collateral, gradual amortization profiles, call protection, or other features to support credit resiliency. Loan portfolios will generally consist of 100+ underlying loans, creating credit diversification from the outset of investment. Newmarket will target portfolios with a weighted average life of four to seven years, in-line with the Fund's life, and expects to hold these loan portfolios to maturity.

Investment Structure:

Investment returns will be generated fully through interest income in the form of a coupon payment to Newmarket from the counterparty. The average coupon (LIBOR + spread) is expected to be 11% – 12%. After adjusting for expected credit losses of (~50 bps), the anticipated gross return from cash coupon is approximately 10.5% – 11.5%. When including management fees and carried interest the Fund is seeking to generate net returns of 8% – 10%. IIFC III will target individual transaction exposures of 5% – 15% of fund commitments (backed by diversified reference portfolios), translating to an average check size of $50 million – $250 million per transaction. Target reference portfolios will typically contain approximately 75 – 200 underlying loans.

In terms of currency management, the Fund's functional currency is the U.S. Dollar, and Newmarket will hedge non-USD positions back to USD primarily through cash-settled calls and puts on the applicable foreign currency (historically EUR and GBP). The Fund does not anticipate using fund-level leverage and currently has no financing arrangements in place.

Investment Instruments

The Fund may seek to achieve its investment objectives through a number of investment instruments, including through the acquisition and financing of credit assets such as loan portfolios, and the provision of credit loss protection to owners of such portfolios in the form of synthetic securitization, cash securitization, credit default swaps, or credit-linked notes.

Team

The Newmarket team is led by CEO and IIFC strategy co-founder Dr. Hohns and is supported by 15 total professionals (including 10 investment professionals excluding Dr. Hohns) at its sole office in Philadelphia, Pennsylvania. The Fund's professionals, Investment Committee members, and members of its Board of Advisors possess substantial experience across various sectors of financial markets. Newmarket's IIFC credit underwriting personnel include senior credit underwriters with over 100 years combined experience, as well as senior structuring professionals, associates, and a full complement of administrative personnel. The team's professional service in the finance industry spans a range of institutions, including experience accumulated in employment related to the roles of lead debt arranger, guarantor, asset manager, financial advisor, rating agency, equity participant, developer, senior counsel with the SEC, and legal advisor for several leading institutions in the project finance, infrastructure, and structured finance sectors. As a growing organization, each Newmarket team member contributes significantly to team culture, and the Firm has established a corporate environment that fosters and recognizes entrepreneurial spirit, innovation, and dedication.

Portfolio Fit

The Fund will be allocated to the Specialty Finance bucket of PSERS' Private Credit portfolio. The table below summarizes PSERS' projected exposure inclusive of a recommended $250 million total commitment to IIFC III as of December 31, 2020:

Investment Strategy ($M)	NAV	%	Unfunded	%	Total Exposure	%
Distressed & Special Situations	$2,576.7	43.9%	$1,115.8	34.5%	$3,692.5	40.6%
Direct Lending	$1,397.9	23.8%	$831.0	25.7%	$2,228.9	24.5%
Real Estate Credit	$310.9	5.3%	$623.6	19.3%	$934.5	10.3%
Mezzanine	$569.5	9.7%	$235.4	7.3%	$804.9	8.8%
Structured Credit	$537.1	9.2%	$0.0	0.0%	$537.1	5.9%
Specialty Finance	$114.5	2.0%	$351.1	10.9%	$465.6	5.1%
Real Assets Credit	$362.6	6.2%	$76.7	2.4%	$439.3	4.8%
Total	**$5,869.1**	**100.0%**	**$3,233.7**	**100.0%**	**$9,102.9**	**100.0%**

(1) Include post Q4'2020 pending/closed commitments.
(2) Values may be slightly off due to rounding

A commitment to the Fund allows PSERS to continue its relationship with a high-conviction, Pennsylvania-based manager while expressing PSERS' IOP positive view on the go-forward risk / reward dynamics in the regulatory capital relief space. The Fund's return target meets the return objective for PSERS' Private Credit portfolio over the life of the investment.

Investment Highlights

- Regulatory Tailwinds and Robust Opportunity Set
- Experienced and Cohesive Senior Management Team
- Incumbent Investor with Deep Sourcing Network
- Differentiated Underwriting Process
- Optimizing Risk Adjusted Return Through Asset Selection
- Uncorrelated Returns / Strong Track Record
- Keystone Partners SMA Overview
- Attractive Overall Fee Structure
- Pennsylvania-based Firm with Focus on Impact and Innovation

Investment / Risk Considerations

- Competitive Positioning and Barriers to Entry
- IIFC Strategy Dependency on Banking Regulations
- Disaffiliation from Mariner Investment Group
- Keystone Series B Sidecar Overage Vehicle Discretion

Investment Committee Disclosure

Relationship with Aksia	TorreyCove Capital Partners, LLC (now a part of Aksia) has clients in IIFC Fund I
Introduction Source	PSERS has prior investments with the Fund Sponsor.
Placement Agent	In accordance with Board policy, no placement agents were used, and no payments from or on behalf of PSERS to Placement Agents shall be made in connection with securing PSERS' investment in the Fund.
PA Political Contributions	Yes, PA Political contributions were disclosed to PSERS.
Conflicts	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in the Fund.
PSERS History with the Investment Manager	Yes, PSERS previously committed $250 million across two Newmarket-managed partnerships.
Litigation Disclosure	Newmarket receives routine communications from regulators and is not involved in litigation related to its investment advisory business or the funds. PSERS is not currently aware of any litigation which has or may have a material effect on the Fund.
PSERS Allocation Implementation Committee Approval	4/26/2021

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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Keystone Partners, L.P. / International Infrastructure Finance Company III, L.P.

To: Commonwealth of Pennsylvania, Public School Employees' Retirement Board
From: James F. Del Gaudio, Senior Portfolio Manager, Sean T. Sarraf, Intermediate Investment Professional, and Michael Severance, Junior Investment Professional
Date: November 17, 2021
Subject: IIFC Performance Update, Summary of Closings, and Confirmation of Fund Terms

Timeline

In April 2021, the Allocation Implementation Committee ("AIC") approved a $250 million commitment to Keystone Partners, L.P., pending Board approval. The Board deferred action on Keystone Partners L.P. at the June Board Meeting.

This addendum sets forth items which have changed or been updated since the public memo dated April 26, 2021.

Executive Summary

At the time of AIC approval, the most recent available performance data for Newmarket was as of December 31, 2020. While the inception-to-date net IRR for IIFC I has decreased from December 2020 to June 2021 (8.1% to 7.5%), IOP remain highly convicted in this manager and Fund III's ability to generate uncorrelated returns to other private and public market investments. PSERS' IOP view the IIFC strategy as a lower-risk, lower-return mandate that adds ballast to PSERS' private credit portfolio while lowering overall volatility.

The table below rolls forward PSERS' performance in Newmarket-managed funds to June 30, 2021:

Fund ($M)	Vintage	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
International Infrastructure Finance Company Fund, L.P.	2013	$150.0	$150.9	$163.3	$28.0	7.5%	1.27x
International Infrastructure Finance Company II, L.P.	2017	$100.0	$105.4	$52.5	$74.4	8.9%	1.18x
Total		**$250.0**	**$256.3**	**$215.8**	**$102.4**	**7.8%**	**1.23x**

Source: Burgiss

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Portfolio Fit:

The Fund will be allocated to the Specialty Finance bucket of PSERS' Private Credit portfolio and the table below summarizes PSERS' projected exposure inclusive of a recommended $250 million commitment, as of June 30, 2021:

Investment Strategy ($M)	NAV	%	Unfunded	%	Total Exposure	%
Distressed & Special Situations	$2,773.1	47.3%	$1,193.7	36.6%	$3,966.9	43.5%
Direct Lending	$1,192.8	20.3%	$821.3	25.2%	$2,014.1	22.1%
Real Estate Credit	$303.6	5.2%	$585.5	18.0%	$889.0	9.7%
Mezzanine	$660.5	11.3%	$194.5	6.0%	$855.0	9.4%
Specialty Finance	$142.1	2.4%	$389.7	12.0%	$531.8	5.8%
Real Assets Credit	$437.2	7.5%	$75.5	2.3%	$512.7	5.6%
Structured Credit	$345.3	5.9%	$0.0	0.0%	$345.3	3.8%
Total Portfolio	**$5,867.03**	**100%**	**$3,260.1**	**100%**	**$9,127.1**	**100%**

Source: Burgiss
Note: Above data inclusive of two co-investments that were not funded as of 6/30/2021.

Confirmation of Fund Terms:

IOP confirmed with Newmarket that no key Fund terms were altered from what was presented in the original recommendation memo.

Aksia

Manager Recommendation Memo

April 30, 2021

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17101

Re: Keystone Partners, L.P.

Dear Trustees:

Aksia LLC ("Aksia"), having been duly authorized by the Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement, a commitment up to $250 million plus reasonable normal investment expenses to Keystone Partners, L.P. ("Keystone" or the "PSERS SMA"), a Cayman-domiciled series limited partnership (and/or related investment vehicles) managed by Newmarket Investment Management, L.P. ("Newmarket" or the "GP"). It is anticipated that PSERS will commit $150 million to Keystone Series A which will invest directly into International Infrastructure Finance Company III, L.P. (the "Fund"), and $100 million to Keystone Series B ("Series B" or the "Sidecar") which will serve as a dedicated overage vehicle to the IIFC strategy.

Newmarket is an alternative asset manager headquartered in Philadelphia, Pennsylvania focused on facilitating risk transfers with global financial institutions, primarily targeting infrastructure loan portfolios. Newmarket was founded in 2020 by Dr. Andrew Hohns, Aaron Barnes, and Molly Whitehouse as a result of a spin-out from Mariner Investment Group. The primary focus of the Fund will be generating current income through investments in seasoned, secured, and senior loan portfolios of infrastructure-related assets located in Organisation for Economic Co-operation and Development ("OECD") countries. In addition to targeting assets protected by a lien of high priority, the portfolio will generally target projects in their post-construction phase, or commercial operations phase, which typically tend to have higher average recovery rates and lower default rates. The GP expects average investment sizes to range from $50 million to $200+ million and the Fund is likely to hold 5 to 15 investments with average investment life periods of 5-7 years.

We believe the Newmarket team to be experienced and tenured, and the three co-founders have been working together since 2012. We also think that the strategy should benefit from a strong current opportunity set, as regulatory requirements for financial institutions have been escalating since 2008 and banks are forced to meet new capital requirements. The market dislocation surrounding the COVID-19 pandemic has increasingly pushed banks to sell assets in order to meet capital requirements, leading to at least $400 million in new opportunities and a reported uptick in pricing per the GP. Finally, the Fund's strategy represents a differentiated collateral focus of infrastructure and related assets, which may provide diversification from the typical corporate sector focus of many private credit funds. Due to the allocation size for the Keystone Series A of $150 million PSERS will also benefit from an attractive fee structure.

Aksia's recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of the Fund's investment process, including a review of the sponsor, investment strategy, market positioning, investment personnel, and risk management;
  - Most recent investment due diligence review conducted February 11th, 2021.
- Due diligence of the Fund's operations, including a review of its organizational structure, service providers, regulatory and compliance, LPA and financial statement analysis;
  - Most recent operational due diligence review conducted February 10th, 2021.
- Evaluation of the Fund's strategy within the context of the current investment environment; and
- Appropriateness of the Fund's strategy as a component of PSERS' portfolio.

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. Aksia manager recommendation memos should be reviewed with other Aksia due diligence materials, including the due diligence reports. This recommendation is made in the context of the attached Due Diligence Reports for the Fund. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,

Patrick Adelsbach
Partner, Head of Credit Strategies

Simon Fludgate
Partner, Head of Operational Due Diligence

Aksia

November 8, 2021

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17101

Re: Keystone Partners, L.P.

Dear Trustees:

Subsequent to Aksia's review of International Infrastructure Finance Company III, L.P. (the "Fund" or "Fund III"), we held an update call with Newmarket Investment Management, L.P. (the "GP" or "Newmarket") in September 2021. We noted the following updates as it relates to Newmarket and the Fund:

- The GP currently manages three funds with an AUM of $1B; the Fund's capitalization currently stands at $412MM after three closes. The first close took place in in August 2020, the second close took place in September 2020 and the final close is expected to occur in February 2022. Newmarket anticipates hitting its $1B target for the Fund and the Fund is approximately 17% called (based on $1B anticipated fund size).
- Recently the Fund has deployed €155M in two transactions; per management there are three additional deals pending that are expected to total approximately €250M.
- The GP employs 12 professionals; since our last review one analyst departed and two more were hired.
- Regarding the strategic environment, we do not note significant shifts in regulatory posture or other market dynamics in recent months that would have a material impact on the Fund's strategy.
- We received a performance update on Fund I and Fund II which was relatively in-line with expectations and target returns. Below are the reported returns as reported by management; these returns do not include leverage:

	IIFC I	IIFC II
Gross IRR	11.28%	11.76%
Net IRR	7.56%	8.54%
Gross MOIC	1.4x	1.25x
Net MOIC	1.27x	1.18x
Cash on Cash %	9.03%	10.54%

- Per management, there are no new legal matters to disclose. With respect to regulatory updates, management stated the SEC exam is expected to be near completion.

Aksia's reiterates our support for the initial recommendation of up to $250 million plus reasonable normal investment expenses to Keystone Partners, L.P. ("Keystone" or the "PSERS SMA"), a Delaware-domiciled series limited partnership (and/or related investment vehicles) managed by Newmarket. It is anticipated that PSERS will initially commit $150 million to Keystone Series A which will invest directly into the Fund, and $100 million to Keystone Series B ("Series B" or the "Sidecar") which will serve as a dedicated overage vehicle to the IIFC strategy.