PSERS

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Public Investment Memorandum

LEM Multifamily Fund VI, L.P.

Private Real Estate Commitment

William P. Stalter
Senior Portfolio Manager

Jarrett B. Richards, CAIA
Intermediate Investment Professional

May 8, 2021

Executive Summary

PSERS Investment Office Professionals, together with Hamilton Lane, recommend that PSERS commit up to $100 million, plus reasonable and normal investment expenses, to LEM Multifamily Fund VI, L.P. (and/or related investment vehicles, together "the Fund", "Fund VI", or "LEM VI"). This recommendation is based on the assessment of the investment strategy and the evaluation of LEM Capital and its affiliates ("LEM" or the "Firm").

Fund Name	LEM Multifamily Fund VI, L.P.
Firm Name / General Partner	LEM Capital / LEM Partners VI, L.P.
Target Fund Size	$350 million
Recommended Commitment Amount	$100 million
Existing Relationship	PSERS has invested in three prior LEM-sponsored, value-add, multifamily funds (LEM III, IV, and V). PSERS was also an investor in LEM II, a mezzanine debt strategy.
Source of Funds	Cash
Asset Class / Sub Asset Class	Private Real Estate / Value-Add
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments William P. Stalter, Senior Portfolio Manager Jarrett B. Richards, Intermediate Investment Professional
External Consultant Oversight	Hamilton Lane

LEM Capital, a Pennsylvania-based fund manager, was founded in 2002 by Ira Lubert, Jay Eisner, and Herb Miller. Messrs. Eisner and Miller are Managing Partners and lead the day-to-day operations of the firm, while Mr. Lubert is no longer actively involved. From 2002 to 2011, the Firm invested Funds I and II primarily in structured debt investments that were often secured by multifamily properties. After the Global Financial Crisis, the Firm reevaluated their investment philosophy and turned their focus to equity investments. Since 2011, with the inception of Fund III, the Firm has been investing exclusively in Class B, value-add, multifamily properties located in growing suburban locations across the United States. Class B properties are often more than 10 years old, feature mid-range unit finishes, and offer a moderate level of amenities. Class A properties are often less than 10 years old, more luxurious, and well-amenitized. Through 2020, LEM has acquired more than 23,000 Class B units across 99 properties and has realized over 64% of those investments. Consistent with Funds III, IV, and V, Fund VI will partner with local operating partners to acquire well-located, under-managed properties and invest in physical and operational improvements to create a like-new product with rents at a significant discount to comparable Class A properties.

This strategy has produced top quartile returns against both Cambridge Associates and Preqin Value-Add peer groups and resulted in outsized returns for PSERS, as listed below. All returns are net of fees and as of December 31, 2020.

Fund	Strategy	Vintage	Fund Size ($M)	Net IRR	Net MoC
LEM II	Debt	2006	$ 315	3.7%	1.2x
LEM III	Equity	2012	226	24.5%	1.9x
LEM IV	Equity	2015	300	18.0%	1.6x
LEM V	Equity	2018	331	24.3%	1.2x
Subtotal	*Equity*			*22.4%*	*1.6x*
Total	**All Funds**			**12.5%**	**1.5x**

In aggregate, PSERS' investments in LEM funds have generated a 12.5% net IRR and a 1.5x net MoC. PSERS' investments in LEM equity funds (Funds III, IV, V) have generated a 22.4% net IRR and a 1.6x net MoC.

Investment Team

LEM's 18-person team is located in Philadelphia and has been led by Jay Eisner and Herb Miller since they co-founded the firm in 2002 with Ira Lubert. Messrs. Eisner and Miller plan to lead LEM through Fund VI while preparing the next generation of firm leadership. Messrs. Eisner and Miller have identified three key senior leaders who will head the Firm into the future: Allison Bradshaw (Partner, Co-Head of Investments), Greg Biester (Principal, Co-Head of Investments), and Jennifer Clausen (Principal, Head of Investor Relations). The two co-founders and the three next-generation leaders comprise LEM's Management Committee. Messrs. Eisner and Miller have a combined 71 years of institutional investment experience. The other Management Committee members each have more than 15 years of experience with complementary backgrounds in asset management, brokerage, development, portfolio management, and investor relations. Though not expected to step back from LEM's day-to-day operations during the life of Fund VI, Messrs. Eisner and Miller have created a thoughtful succession plan to preserve the strength of LEM Capital for decades to come.

Given LEM's lean and efficient staffing model, the Fund will utilize Independence Capital Partners ("ICP"), an affiliated entity, as a provider of certain administrative services including compliance, tax support, and insurance. ICP provides supporting administrative services to affiliated funds and achieves efficiencies often unavailable to smaller-sized funds. These operational efficiencies benefit limited partners by allowing the Fund to offer attractive fees, reducing fund expenses, and focusing LEM's investment team on the core investment activities of the Fund.

To source investment opportunities, deploy Fund capital, and manage the investments, LEM involves an operating partner in every investment. Real estate investing is a local business; to invest in its target markets across the United States, LEM combines its own expertise with its local operating partner network. Each operating partner has a strong local presence in its markets, has construction management expertise to oversee renovations, and directly manages its properties or has the robust asset management capabilities to oversee third-party property managers. LEM has closed transactions with 28 operating partners and maintains an active relationship with 15-20 operating partners at any given time.

The LEM network, including LEM employees, ICP, and operating partners, is structured with deep and focused expertise in all areas of fund and asset management.

Market Opportunity

PSERS Investment Office Professionals continue to view moderately priced, for-rent, residential real estate as a top producer of risk-adjusted returns. The thesis for this view is detailed below.

Multifamily Resiliency: During both the 2001 recession and the Global Financial Crisis of 2008 (the "GFC"), multifamily properties experienced the smallest cumulative decline in rents and values amongst property types and rebounded faster and stronger than other property types. Multifamily property values returned to their pre-GFC peaks after only eight quarters, notably faster than industrial, office and hotel property values. The impact of the COVID-19 recession on the multifamily sector was similar in many ways to prior recessions. However, the overall impact of the COVID-19 recession on multifamily has been muted by significant government action including financial stimulus checks, enhanced unemployment benefits, and grants to small business that provided significant support to the multifamily sector and assisted newly jobless tenants in paying their rents. Similar to prior recessions, rents dropped, and vacancy rose in the multifamily sector, but at a significantly lower magnitude than during the GFC. In contrast to prior recessions, LEM observed no broad-based decline in property values for value-add, Class B assets. Looking at the broader multifamily market, valuations dropped (and only modestly) in coastal Class A properties where the rental markets experienced the most distress. Valuations increased in Sunbelt Class B properties and other tech hub cities.

Pandemic Effects: COVID-19 has proven to be an accelerator of many secular trends across industries. For multifamily, COVID-19 accelerated existing migration trends already under way for the past decade, including the move from urban cores to the suburbs and from gateway markets to secondary tech hubs or smaller cities. The best performing submarkets over the past year were largely less affluent and more suburban, outperforming the higher-end urban submarkets. Corporate employers are setting their sights on more affordable secondary markets (Atlanta, Austin, Dallas, South Florida) and establishing large corporate campuses in these regions. The shift in population necessitates new housing options in these growing markets.

Favorable Demographics: CBRE Econometrics projects growing demand for U.S. multifamily rental housing from 15.4 million occupied units in Q2 2020 to 17.4 million occupied units in Q2 2030—representing an 11.6% demand increase. Even as the oldest of the Millennials are aging, there remains a substantial group of younger Millennials and "Gen Z'ers," totaling nearly 45.5 million prime renters between the ages of 20 and 29 in the U.S., many of whom are facing financial headwinds and barriers to homeownership brought on by student loan debt, rising single family home prices, and the lingering effects of the COVID-19 pandemic. Over the past year of the pandemic, 52% of 18- to 29-year-olds moved back in with their parents, and as their financial situations improve when the pandemic subsides, there is likely to be pent up demand for affordable rental housing in an already undersupplied sector.

Undersupply of Workforce Housing: Even prior to the onset of the COVID-19 pandemic, finding affordable housing options was a growing challenge for moderate-income families. Undersupply during the last ten years led to a rapid rise in housing costs, with single-family home prices increasing around twice the rate of multifamily rent growth. This trend was more pronounced in lower-priced homes attractive to first-time home buyers. Federal Reserve data shows that, over the last 10 years, single-family completions have been at 65% of the 50-year historical annual average, contributing to increasing single-family prices. As a result of the pandemic, there was an uptick in home purchases particularly in ex-urban settings as people took advantage of low interest rates and a preference for suburban settings. This demand drove up the median price of an existing single-family home to $329,100 in March 2021, a 12.3% increase year-over-year, according to the National Association of Realtors. This price point is generally unattainable for moderate income families.

To keep pace with population growth and the deterioration of older rental properties, the Harvard Joint Center for Housing Studies estimates that the United States requires more than 300,000 new rental units per year. Between 2008 and 2019, U.S. Bureau of Labor and Statistics data shows average multifamily completions were only 255,000 units per year, creating undersupply amidst growing demand. Rising labor, material, land, and entitlement costs limit the ability of developers to deliver apartment units that meet the demand for workforce housing. Given the high development costs, developers must charge high rents to make a project economically feasible. This leads developers to target the Class A renter who can afford to pay rents as much as 50% greater than similarly located Class B rents. Hence, development of new workforce housing is limited. The supply of workforce housing is projected to be inadequate to meet demand in the short- to medium-term.

Accommodative Debt Markets: Liquid debt markets continue to support multifamily investments. Similar to equity investors, many lenders seeking lower volatility asset classes lend against multifamily assets. Multifamily debt is available from a wide range of sources, including Freddie Mac, Fannie Mae, banks, insurance companies, and specialty lenders, which promotes competition and keep borrowing costs low.

Investment Strategy

Fund VI, like Funds III, IV, and V, will acquire cash-flowing, well-located, suburban, Class B multifamily properties in need of physical renovation and improved management. Renovations to units and common areas provide residents with a like-new product at an affordable price point.

Target Markets: LEM intends to target investments in "diversified growth markets" that are experiencing outsized growth in population, employment, and education due to their affordable lifestyle and high quality of life. LEM, alongside its operating partners, identifies specific submarkets with high barriers to entry, access to major transportation systems, proximate amenities, and a strong public school system.

Property Characteristics: Fund VI will invest in well-constructed, low-rise properties built between 1985 and 2010, ranging in size from 200 to 400 units with a stable tenant base, high occupancy, and current cash flow. Investing in properties with current cash flow mitigates the J-curve and provides downside protection during a downturn when cash-flowing properties can be held with little or no additional investment. The Fund generally will target investments where a meaningful portion of the projected investment returns are derived from current cash flow distributions. Fund VI will not make investments in undeveloped land, condominium conversions, new construction, or properties that have little or no current cash flow.

Business Plan: Although the business plan will be tailored to the needs of each submarket and property, LEM expects that many of the value-add business plans for the properties to be acquired by Fund VI will contemplate instituting better management practices and implementing one or more of the following: (a) amenity improvements including enhancements or additions to clubhouses, leasing centers, business centers, fitness centers, dog parks, and other amenities; (b) unit interior upgrades including new appliances, countertops, flooring, plumbing fixtures and lighting packages; and (c) exterior renovation, including painting, roofing, paving, landscaping, and addressing deferred maintenance. LEM considers replacement cost when making an investment and generally will seek transactions where the Fund's post-renovation basis is below replacement cost of both the subject property and comparable nearby properties, providing a competitive advantage over new developments when setting rents.

Investment Instruments

Fund VI will hold controlling equity interests in multifamily real estate. All Fund investments will involve third-party operating partners. To align Fund investor and operating partner interests, key principals of the operating partners are required to contribute significant personal capital in each investment. The operating partner typically contributes 15-20% of the total property capitalization while control resides with the Fund. Should the operating partner produce returns in excess of pre-negotiated return thresholds, the operating partner may receive incentive compensation.

Portfolio Fit

The Fund will be allocated to PSERS' Private Real Estate portfolio. The returns for this strategy will be achieved via a growing income yield and moderate capital appreciation, a return profile consistent with the PSERS IPS definition of a "Value-Add" private real estate strategy.

The table below summarizes PSERS' Private Real Estate portfolio, as of December 31, 2020, inclusive of the recommended $100 million commitment to the Fund:

					Pending Current Commitments		
Investment Type	**Market Value[1]**	**Unfunded[1]**	**Total Exposure[1]**	**%**	**June 2021[2]**	**Total Exposure[1]**	**%**
Core	$ 736	$ 195	$ 932	13.3%	$ -	$ 932	12.2%
Value-Add	2,138	1,195	3,333	47.5%	100	3,433	45.1%
Opportunistic	2,008	746	2,754	39.2%	500	3,254	42.7%
Total	**$ 4,882**	**$ 2,136**	**$ 7,018**	**100.0%**	**$ 600**	**$ 7,618**	**100.0%**

[1] $ in millions, as of December 31, 2020 (reflects 12/31/20 reported NAVs for 90% of portfolio and 9/30/20 adjusted NAVs for remaining 10%)
[2] includes not yet closed $200 million opportunistic commitment to Carlyle Realty Partners IX (March 2021 PSERB Resolution #2021-05), $300 million opportunistic commitment to Brookfield Strategic Real Estate Partners IV (June 2021 Action Item), and $100 million value-add commitment to LEM Multifamily Fund VI (June 2021 Action Item)

The PSERS Private Real Estate team continues to strategically deploy capital in the residential sector with a specific target in workforce-priced housing. The workforce housing subsector benefits from favorable demographic trends, long-term undersupply, consistent demand, and strong liquidity. LEM is a complementary manager within our workforce housing strategy, creating like-new product at an affordable price-point in markets with outsized population growth and diverse employment drivers.

Investment Highlights

- Multifamily Specialists with Disciplined Fund Size
- Supply-Demand Imbalance in Workforce-Priced Housing
- Long-term Operating Partner Relationships in Growing Markets
- Proven, Repeatable, Socially Conscious Investment Strategy

Investment / Risk Considerations

- Competing Capital for Multifamily Housing
- Reliance on Operating Partners to Execute Investment Strategy
- Transition to the Next Generation of LEM Leadership

PSERS' History with LEM Capital

PSERS has committed $310 million across four LEM Capital-sponsored funds and, as of December 31, 2020, has $109 million of NAV exposure to LEM within the Private Real Estate portfolio.

Investment (Vintage)	Commitment[1]	Contributions[1]	Distributions[1]	NAV[1]	Net IRR	Net MoC
LEM RE Mezzanine Fund II (2006)	$ 60.0	$ 60.0	$ 70.8	$ 0.0	3.7%	1.2x
LEM Multifamily III (2012)	75.0	75.0	144.1	0.0	24.5%	1.9x
LEM Multifamily IV (2015)	75.0	75.0	68.1	52.8	18.0%	1.6x
LEM Multifamily V (2018)	100.0	50.0	1.2	56.4	24.3%	1.2x
Total	**$ 310.0**	**$ 260.0**	**$ 284.2**	**$ 109.2**	**12.5%**	**1.5x**

[1]*$ in millions*

Investment Committee Disclosure

Relationship with Hamilton Lane	Hamilton Lane has not invested in prior LEM funds. It is not anticipated that additional Hamilton Lane clients will commit to Fund VI.
Introduction Source	PSERS has been invested in the LEM series of funds since 2006 and was introduced to the Fund VI opportunity via its relationship with LEM.
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. Any placement fees charged to the Fund in connection with securing commitments from other investors (excluding PSERS) will result in a corresponding reduction to PSERS' management fees. As confirmed by PSERS' Office of Chief Counsel on May 3, 2021, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Presence	LEM is a Pennsylvania-based fund manager. As of the date of this memo, LEM has acquired (and subsequently sold) one property in Pennsylvania.
PA Political Contributions	None Disclosed
Conflicts of Interest	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	PSERS previously committed $310 million across 4 LEM funds. PSERS currently has $109 million of NAV exposure to LEM, all within the Private Real Estate asset class.
Litigation Disclosure	LEM receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. PSERS is not currently aware of any litigation which has or may have a material effect on LEM, the Fund, or any prior funds.
PSERS Allocation Implementation Committee Approval	May 8, 2021

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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LEM Multifamily Fund VI, L.P.

To: Commonwealth of Pennsylvania, Public School Employees' Retirement Board
From: William Stalter, Senior Portfolio Manager, and Jarrett Richards, Investment Professional
Date: December 15, 2021
Subject: LEM VI - Updates to Public Investment Memorandum dated May 8, 2021

Timeline

In May 2021, the Allocation Implementation Committee ("AIC") approved a $100 million commitment to LEM Multifamily Fund VI ("LEM VI"), pending Board approval. The Board tabled action on LEM VI at the June 2021 and September 2021 Board Meetings.

This addendum sets forth items which have changed or been updated since the Public Investment Memorandum dated May 8, 2021.

Executive Summary

At the time of AIC approval, the most recent available performance data was as of December 31, 2020. Performance data as of June 30, 2021 is now available and is displayed below. Return metrics are net-of-fee and reflect PSERS-specific performance.

Funds II and III were fully liquidated prior to year-end 2020, and therefore the performance numbers are unchanged. Funds IV and V have seen improved performance over the course of 2021 with slight increases in both Net IRR and Net MoC.

In addition to PSERS IOP's review, Hamilton Lane has updated their detailed Performance Addendum which is included in the Confidential Due Diligence Memorandum.

Investment (Vintage)	Commitment[1]	Contributions[1]	Distributions[1]	NAV[1]	Net IRR	Net MoC
LEM RE Mezzanine Fund II (2006)	$ 60.0	$ 60.0	$ 70.8	$ 0.0	3.7%	1.2x
LEM Multifamily III (2012)	75.0	75.0	144.1	0.0	24.5%	1.9x
LEM Multifamily IV (2015)	75.0	75.0	84.2	46.7	19.7%	1.8x
LEM Multifamily V (2018)	100.0	70.0	3.1	89.8	35.5%	1.3x
Total	**$ 310.0**	**$ 280.0**	**$ 302.2**	**$ 136.5**	**13.3%**	**1.6x**

[1] *$ in millions, as of June 30, 2021*

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Portfolio Fit

The Fund will be allocated to PSERS' Private Real Estate portfolio and, more specifically, the Value-Add strategy within this portfolio. The table below summarizes PSERS' Private Real Estate portfolio, as of June 30, 2021, inclusive of the recommended $100 million commitment to the Fund.

					Pending Current Commitments		
Investment Type	**Market Value[1]**	**Unfunded[1]**	**Total Exposure[1]**	**%**	**JAN 2022**	**Total Exposure[1]**	**%**
Core	863	154	1,017	13.0%	-	1,017	12.9%
Value-Add	2,555	1,094	3,649	46.8%	100	3,749	47.4%
Opportunistic[2]	2,097	1,041	3,138	40.2%	-	3,138	39.7%
Total	**5,515**	**2,289**	**7,804**	**100.0%**	**100**	**7,904**	**100.0%**

[1] $ in millions, as of June 30, 2021
[2] includes November 2021 $300 million commitment to Brookfield Strategic Real Estate Partners IV (PSERB Resolution 2021-64)

Investment Committee Disclosure

	ORIGINAL	**AMENDED**
PSERS History with the Investment Manager	PSERS previously committed $310 million across 4 LEM funds. PSERS currently has $109 million of NAV exposure to LEM, all within the Private Real Estate asset class.	As of June 30, 2021, PSERS has committed $310 million across 4 LEM funds. PSERS currently has $136 million of NAV exposure to LEM, all within the Private Real Estate asset class.

Hamilton Lane

March 25, 2021

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

Re: LEM Multifamily Fund VI, L.P.

Dear Trustees:

LEM Capital ("LEM," "General Partner") is targeting $350 million in commitments from limited partners for its sixth fund, LEM Multifamily Fund VI, L.P. ("Fund VI"). LEM plans to hold a first close in July 2021 on approximately $150 million of capital commitments and a final close on or by June 30, 2022. LEM was founded in 2002 to focus primarily on investing in multifamily properties and has subsequently raised and deployed $1.3B in committed capital across five separate commingled funds. Their first two funds invested primarily in debt and preferred equity positions and generated attractive risk-adjusted returns, particularly given their pre-GFC vintages. In 2012, beginning with their third fund, LEM shifted their strategy to focus on equity investments. Funds III and its successors, Funds IV and V, have all generated top quartile performance.

LEM was founded by Mr. Jay Eisner and Mr. Herb Miller, who have over 38 and 33 years of experience, respectively. More recently, in 2019, Allison Bradshaw was promoted to Partner alongside Messers. Eisner and Miller. LEM's eight person investment team is backed by three additional internal asset management professionals who support due diligence efforts and monitor investments throughout the hold period. LEM expects to continue to grow both the investment and asset management teams in the near term.

LEM's strategy focuses exclusively on multifamily properties primarily in United States suburban markets and specifically invests in markets that project strong job and population growth, high barriers to entry for new construction and diverse job drivers. Historically, LEM has deployed a majority of capital in the Southeast, Pacific and Mideast, as it believes these geographies possess strong underlying fundamentals. Beginning with Fund III, the General Partner has invested solely in class-B multifamily properties that have been under-managed and are in need of capital for physical improvements. LEM expects to invest only in suburban, garden-style complexes and will not pursue investments in mid-rise or high-rise properties. Since 2012, LEM has been investing in partnerships with local, vertically integrated, real estate operating companies. Overall, LEM, alongside its operating partners, seeks to develop a business plan that includes enhancing operations, renovating common areas, amenities, individual units and the physical infrastructure of a building. The Fund will target equity investments in the range of $5 million to $25 million.

The investment thesis for investing in LEM Multifamily Fund VI can be summarized as follows:

- Experienced investment team with deep expertise and industry networks in targeted markets
- Consistent investment approach in multifamily properties enhanced by local, vertically-integrated operating partners
- Top-quartile performance to date in Funds III, IV, and V with a strong unrealized portfolio

Hamilton Lane

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 February 22, 2021; the Fund was approved by Hamilton Lane's investment committee on March 15, 2021; and the recommendation to PSERS was issued on March 25, 2021.
- 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 LEM Capital'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.
- Throughout diligence of the Fund, Hamilton Lane had formal video and teleconference calls in addition to informal phone and email interactions with LEM Capital. Hamilton Lane has been engaged in routine ongoing monitoring and due diligence activities concerning LEM Capital since the inception of the Hamilton Lane and PSERS partnership as PSERS has invested with LEM Capital since 2006.
- Confirmation that the strategy proposed for the Fund is appropriate for the private real estate portfolio.

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

Bob Flanigan – Principal, Bala Cynwyd Office
Cameron Mountain – Associate, Portland Office
Michelle Curtis – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to $100 million, plus reasonable normal investment expenses, to LEM Multifamily Fund VI, L.P. (and/or related investment vehicles). 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

Hamilton Lane

November 19, 2021

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

Re: LEM Multifamily Fund VI, L.P.

Dear Trustees:

Hamilton Lane performed formal due diligence of LEM Capital ("LEM" or "General Partner) and their latest value add multifamily fund offering, LEM Multifamily Fund VI, L.P. ("Fund"), in February and March of 2021. The Fund was approved by Hamilton Lane's Investment Committee on March 15, 2021, and the recommendation to PSERS was issued on March 25, 2021. Subsequently, Hamilton Lane has remained in contact with LEM to monitor the progression of the Fund's fundraising process. Throughout this time, Hamilton Lane has not been made aware of any material adverse changes regarding LEM or the Fund that merit a change to our original investment recommendation. Put simply, our original recommendation stands.

Hamilton Lane continues to recommend that the Commonwealth of Pennsylvania, Public School Employees' Retirement System commit up to $100 million, plus reasonable normal investment expenses, to LEM Multifamily Fund VI, L.P. (and/or related investment vehicles). Hamilton Lane makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines. This recommendation is made in the context of the investment recommendation package for LEM Multifamily Fund VI, L.P. that includes the cover memo dated March 25, 2021, the PME Analysis with data as of June 30, 2021, the Final Investment Report dated March 15, 2021, and the Addendum dated November 19, 2021.

To reiterate, 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