

Public Investment Memorandum

DIF Infrastructure VII Cooperatief U.A.

Private Infrastructure Commitment

Allocation Implementation Committee
Approval Date: February 28, 2023



Executive Summary

William P. Stalter, Senior Portfolio Manager, Cody Steele, Senior Investment Professional, and Aksia recommend that the Board commit an amount not to exceed € 200 million, plus reasonable normal investment expenses, to DIF Infrastructure VII Cooperatief U.A. (the “Fund”, or “DIF VII”), and/or related investment vehicles.

Fund Name	DIF Infrastructure VII Cooperatief U.A.
Firm Name	DIF Capital Partners (“DIF” or the “Firm”)
Target Fund Size / Hard Cap	€ 4 billion / € 5 billion (\$4.28 billion / \$5.35 billion USD) ¹
Recommended Commitment Amount	€ 200 million (~\$214 million USD)
Existing Relationship	No
Asset Class / Sub Asset Class	Real Assets / Private Infrastructure
Investment Office Professionals Due Diligence Team (“IOP”)	Cody E. Steele William P. Stalter
Investment Office Oversight	Cody E. Steele William P. Stalter
External Consultant Oversight	Aksia

Firm Overview:

DIF Capital Partners was founded in 2005 by Maarten Koopman and Menno Witteveen with one office in the Netherlands. Wim Blaasse, DIF’s Managing Partner, joined shortly after inception when the first fund DIF PPP was established. Since inception, the team has grown to more than 200 employees across 11 offices globally.

Over time, the Co-Founders gradually have stepped back from their daily general management roles and handed over those responsibilities to the Managing Partner and Partners. Today DIF has 12 Partners who, together with the Managing Partner, are responsible for the day-to-day management of the firm through the Executive Committee and Partner Meetings.

Market Opportunity:

Global infrastructure markets, including DIF’s target sectors and markets, are expected to see trillions of Euros of new build modernization investments in the next decades. This level of investment is required to keep pace with global growth as well as to fulfill the backlog in infrastructure investments that has accumulated over recent decades.

Infrastructure assets are typically long-lived, capital-intensive assets that provide services to the economy and/or society. With traditional sources of capital (i.e., state and local governments) historically responsible for infrastructure development and enhancement financially constrained, private capital is well-positioned to continue expanding its role in the asset class. DIF’s focus on and experience across a wide spectrum of asset types and geographies makes them a credible counterparty in the segment.

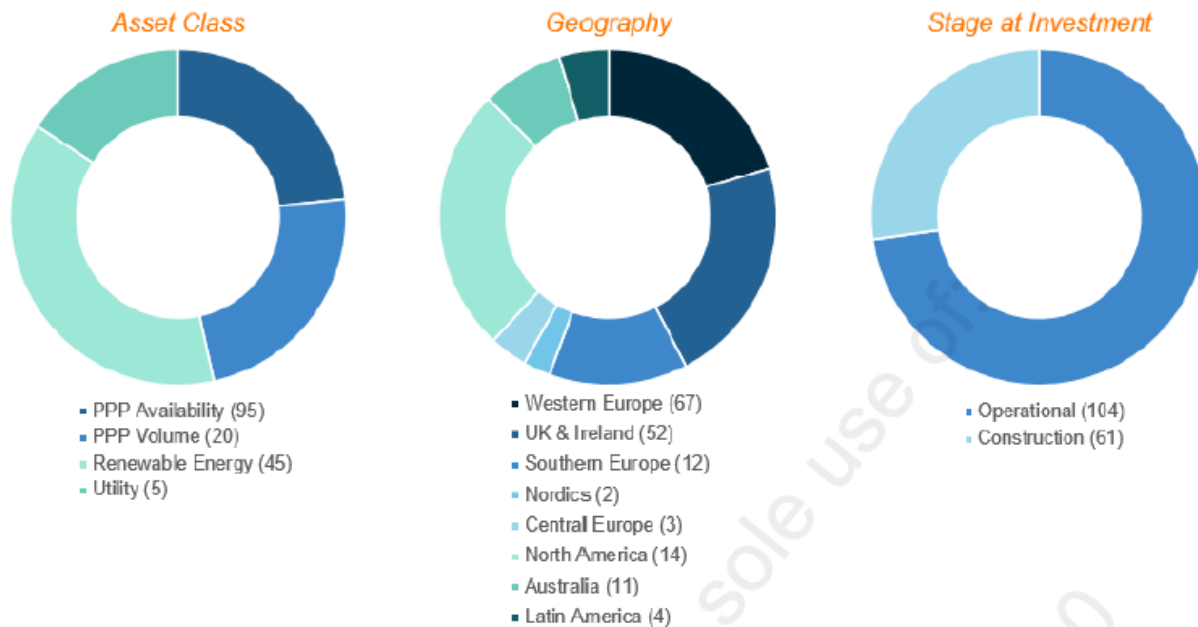
¹ (1.00/1.07 EUR/USD as of 2/7/2023)

Fund Investment Strategy:

DIF VII will target high quality, infrastructure investments that generate long-term, predictable, and typically inflation linked cashflows. Within the broader infrastructure market, the Fund will focus on investing in concession agreements (including but not limited to availability-based public-private partnerships, or PPPs), renewable energy investments, broader energy transition investments, and utilities. DIF has historically operated a variety of assets under concession or PPP arrangements, including toll roads, railcars, and tram services. In terms of geography, the Fund will target predominantly investments across Europe and North America. DIF expects to deploy the Fund across a diversified portfolio of approximately 25 investments, with investment sizes ranging between €100 million and €400 million.

The Fund will target investments in markets and sectors where DIF has core competencies and can exert significant shareholder control or influence to create attractive financial returns. The majority of the fund is expected to be invested in operational assets. Furthermore, the Fund will invest in “build-to-core” investment platforms providing access to healthy development pipelines and construction-ready assets, as well as operational/construction asset portfolios. The chart below highlights DIF’s historical investment activity by asset class, geography, and investment stage.

Investments in Traditional DIF Funds per category^{1,2}



Notes:

- The size of the slices of each pie chart are based on the amount of invested and committed capital per category type.
- The figures between brackets behind each category type depict the number of investments per category type.

The Fund has a strong focus on downside protection, which is inherent to the asset classes targeted by the Fund, and further enhanced by DIF’s deep experience assessing and mitigating downside risk. DIF also has an active approach to value enhancement, with the main themes pursued including: cost optimizations; debt refinancings; successful completion of construction assets; combinations of multiple assets into larger, homogenous, sub-portfolios to maximize value upon exit; and expansion of the asset base of platform investments through new-build projects and add-on acquisitions.



PSERS Portfolio Fit

DIF VII is a core / core-plus infrastructure fund with a strong European heritage that is expected to complement PSERS existing portfolio of (i) global diversified funds and (ii) North American-focused commitments (including commitments to CIM and GCM early in 2022).

From a sector perspective, DIF is expected to add additional diversification to PSERS portfolio, particularly through its investments in concession agreements or PPPs, which may have earnings profiles that are less explicitly linked to macro factors such as GDP when compared with more traditional infrastructure assets such as toll roads, ports, and airports. DIF also will target investments on the relatively smaller end of the spectrum for infrastructure with expected equity commitments of €100-400 per transaction.

Asset Class	Market Value ²	Unfunded ²³	Total Exposure		Pending Current Recommendations		
					March 2023	Total Exposure	
					\$m	\$m	%
Infrastructure	1,279.6	1,292.4	2,572.0	100%	214.0	2,786.0	100%
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Investment Highlights

- Proven, Consistent Strategy and Track Record
- Experienced Senior Leadership Team
- Extensive Global Public Private Partnership (PPP) Experience

Investment / Risk Considerations

- General Investment Risks & Mitigation in Practice
- Counterparty & Merchant Risk
- Development & Construction Risk

² As of 9/30/2022

³ Including all commitments through most recent board meeting



Investment Committee Disclosure

Relationship with Aksia:	One Aksia non-discretionary client committed \$45 million to Fund VII. Please note that this information is subject to change and is available to PSERS upon request
Introduction Source:	Aksia / PSERS IOP
Compliance with Placement Agent Policy:	As confirmed by PSERS' Office of Chief Counsel on February 16 th , 2023, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions:	None Disclosed
PA Presence:	See the confidential memo
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:	DIF receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business and to the best of DIF's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on DIF or Fund VII.
Has the Firm reimbursed and/or paid for PSERS IOP travel in the past two calendar years?	No
Certification of Due Diligence Costs:	IOP certifies that PSERS paid all travel costs, if any, and was not reimbursed for the travel costs related to due diligence of the Fund.