

OceanSound Partners Fund II, LP Private Equity Recommendation

Darren C. Foreman
Director

December 2023

Today's Presentation

OceanSound Partners Fund II, LP

Main Presentation

1. Asset Class Considerations

- *Recommendation is consistent with PSERS Strategic Asset Allocation (SAA) and current year commitment planning*

2. Recommendation Overview

- *PSERS IO and Aksia recommend committing \$100 million to OceanSound Partners Fund II, LP*

3. Strategy & Expertise

- *Early signs of demonstrated expertise in investing and growing technology companies serving government and commercial end-markets*

4. Investment Considerations

- *Investment expected to face risks consistent with buyout investments. PSERS' Investment Office Professionals (IOP) believe there are appropriate mitigants to those risks*

5. Investment Highlights

- *Solid performance and complementary fit with PSERS private equity portfolio*

Appendix

- Private Equity Dashboard
- Investment Committee Disclosure

1. Asset Class Considerations

Recommendation is consistent with PSERS Strategic Asset Allocation (SAA) and current year commitment planning

PSERS SAA and Pacing

1. PSERS SAA has an established long-term target of 12.0%.
2. The current overweight is expected to decrease over the next 3 years before reaching the long-term target.
3. PSERS' most recent pacing model (August 2022) suggested \$800M – \$1B of commitments annually to reach our target in ~3 years (2026).
4. 2023 budget is currently set for \$300M in primary investments.

SAA Allocation	
Private Equity Target	12.0%
Private Equity Actual	17.3%*
Anticipated Date to Reach Allocation	2026
Pacing Budget for 2023	
Pacing Budget	\$800M - \$1B
Primary Investments	
2023 YTD Commitment	\$100M
December Recommendations	\$200M
Co-Investments	
2023 YTD Commitment	\$650K
Total Primary and Co-Investments	\$301M
Remaining 2023 Budget after December	\$499M - \$699M
Est. Remaining Primary Fund Recommendations after December	\$0
Expected to be in Target Budget Range for 2023?	Yes
Est. Co-Investment Capacity	\$408M

*As of 06/30/2023

2. Recommendation Overview

PSERS IO and Aksia recommend committing \$100 million to OceanSound Partners Fund II, LP

Key Term	
Fund Name	OceanSound Partners Fund II, LP (the “Fund”)
Firm Name	OceanSound Partners (the “Firm”)
Net Levered Return Target	2.0x MoIC, 20% IRR
Investment Professionals / Employees ¹	17 / 24
Strategy Invested Capital ¹	\$738.4 million (Fund I and II)
Target Fund Size / Hard Cap	\$1.0 billion / \$1.3 billion
Recommended Commitment Amount	\$100 million
GP Commitment	Lesser of 2% of investor commitments and \$20 million
PSERS Existing Relationship	No
Notable Investment Committee Disclosure	None

3. OceanSound Strategy & Expertise

Early signs of demonstrated expertise in investing and growing technology companies serving government and commercial end-markets

1. **Sector & Geography:** OceanSound targets North American middle market companies within the technology and industrials sectors.
2. **Portfolio Construction:** The Fund will invest in six to eight platform companies with enterprise values typically ranging from \$150 million to \$750 million.
3. **Expertise:** OceanSound is led by Joe Benavides, Ted Coons, and Jeff Kelly. The three co-founders have extensive industry experience within their focus areas given their previous work history at Veritas Capital, TCV, and H.I.G. Capital, respectively. The co-founding group, along with 14 investment professionals, are devoted to managing the Firm's single strategy and generating attractive risk-adjusted returns.

4. Investment Considerations

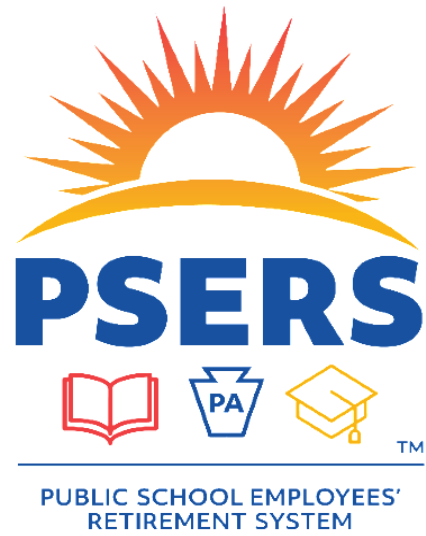
Investment expected to face risks consistent with Private Equity investments and staff believes that OceanSound has identified appropriate mitigants to those risks

Risk	Detail	Mitigating Factors
Emerging Manager	OceanSound is early in its firm life, having raised its first fund in 2019.	<i>PSERS has performed extensive due diligence on the Firm's investment leaders' track records and has gained conviction in their investment capabilities and expertise.</i>
Key Person	Co-founder Joe Benavides is solely listed as the key person.	<i>Mr. Benavides' alignment of interest with the strategy's success is strong, given the structure of the Firm. Messrs. Coons and Kelly are also incentivized to remain committed to OceanSound and its success.</i>
Potential Changes to Government Budgets	Changes in government budgets may have material impact on OceanSound's portfolio companies.	<i>Technology-related projects are often viewed as highly important or critical within government end-markets; historical trends support healthy, if not growing technology budgets at both the federal and state level.</i>

5. Investment Highlights

Solid historical performance and complementary fit within PSERS Private Equity portfolio

Highlight	Detail
Experienced & Deep Team	Messrs. Benavides, Coons, and Kelly have a combined 80+ years of experience investing in government technology and enterprise technology companies, and they are supported by a strong and capable investment team.
Single, Sector-focused Strategy	OceanSound Partners manages a single middle-market buyout strategy focused on investing in government and enterprise end-markets. The PSERS Private Equity portfolio does not currently contain a manager focused on this area of investment.
Firm Evolution	Since firm inception in 2018, OceanSound has grown its investment team and proven their ability to acquire the types of companies serving highly regulated end-markets expected from their investment strategy.

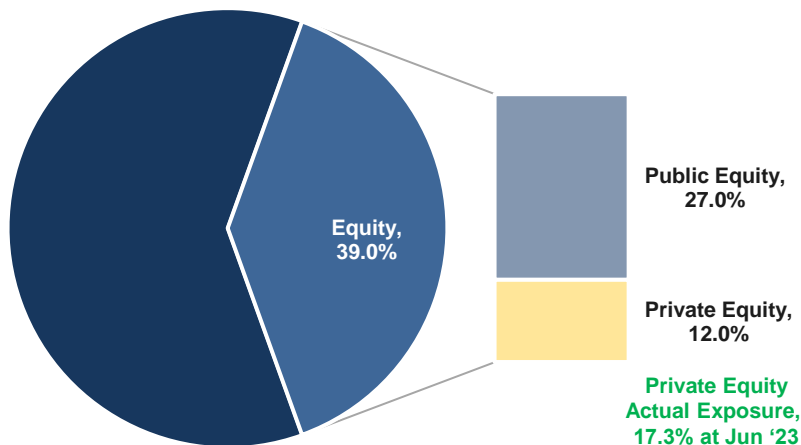


Appendix

Private Equity Dashboard *as of March 31, 2023*

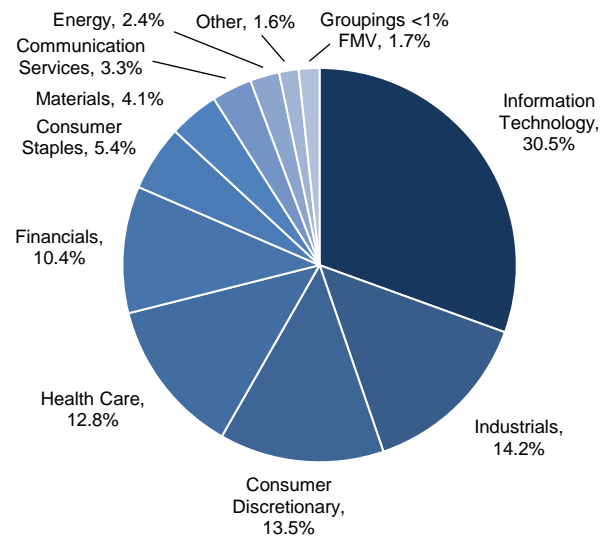
Allocation

Target Allocation to Private Equity In Long-Term Strategic Asset Allocation



Diversification

Sector Diversification



Commitments

Recent Fund Commitments (\$M)

2022	
Clearlake Capital Partners Fund VII	\$85
Hg Saturn 3	\$100
Oak HC/FT Partners V	\$100
Greenoaks Capital Opportunities Fund V	\$100
TDR Capital V	\$95
Incline Equity Partners VI	\$125
Insight Vision Capital II	\$20
2023	
Clayton, Dubilier & Rice Fund XII	\$100

Portfolio Performance

	Time-Weighted					Dollar-Weighted		
	1-YR	3-YR	5-YR	10-YR	ITD	KS PME ¹	Direct Alpha ¹	ITD
Buyout	3.3%	24.4%	14.7%	12.3%	16.0%	1.14	4.2%	12.3%
Growth Equity	1.0%	30.2%	24.6%	20.2%	18.4%	1.42	9.2%	20.4%
Venture Capital	-14.4%	18.2%	12.0%	9.2%	5.6%	0.87	-2.5%	6.1%
Co-Investment Program	-3.6%	29.7%	17.4%	22.8%	25.2%	1.41	10.9%	21.1%
Total Portfolio	1.1%	25.4%	16.0%	13.2%	11.1%	1.13	3.4%	11.9%
Benchmark²	-9.7%	21.2%	6.6%	8.9%	10.1%	---	---	---

Performance

Color-coding: +/- 200bps **outperformance** or **underperformance** vs. benchmark.
¹ KS PME and Direct Alpha are calculated compared to Private Equity's public benchmark.

² Represents the PSERS Blended Index Benchmark: a blend of inception to 12/31/98 is 70% Russell 3000 & 30% MSCI x US Net Total Return, 12/31/98 to 12/31/18 is 70% Russell 3000 & 30% MSCI ACWI x US, 1/1/19 to 9/30/22 is 65% MSCI USA Small Cap & 35% MSCI ACWI x US Small Cap, and 10/1/22 to present is 70% MSCI USA Small Cap TR Index & 30% MSCI ACWI ex USA Small Cap Net TR Index.

Investment Committee Disclosure

No material mandatory disclosures

Disclosure	Response
Relationship with Aksia	As of June 30, 2023, one discretionary and one non-discretionary advisory Aksia client have made aggregate commitments of \$106.6 million across investments managed by OceanSound Partners. As of October 31, 2023, there are two Aksia clients, including PSERS, considering a commitment to OceanSound Partners Fund II, LP.
Introduction Source	PSERS IOP
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on November 8, 2023, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions	None Disclosed
PA Presence	Yes, see Confidential Investment 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	OceanSound 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 OceanSound's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on OceanSound or OceanSound Partners Fund II, LP.
Has the Firm reimbursed and/or paid for PSERS IOP travel in the past two calendar years?	No
Certification of 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.