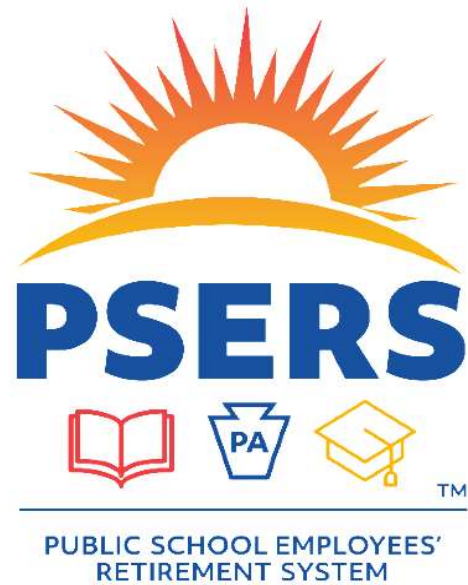




PSERB Resolution 2024-47
Re: Peppertree Capital Fund X QP, L.P.
August 16, 2024

RESOLVED, that the Public School Employees' Retirement Board (the "Board") adopts the recommendation of the Investment Committee to invest an amount not to exceed \$100 million, plus reasonable and normal investment expenses, to Peppertree Capital Fund X QP, L.P., and/or related investment vehicles.

The final terms and conditions of the investment are subject to legal due diligence and must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contracts.



Peppertree Capital Fund X QP, LP Private Infrastructure Recommendation

Cody Steele
Portfolio Manager

Parin Patel
Intermediate Investment Professional

July 2024

Today's Presentation

Peppertree Capital Fund X QP, 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 Peppertree Capital Fund X QP, LP*

3. Strategy & Expertise

- *Peppertree manages with differentiated developer relationships and back-office support*

4. Investment Considerations

- *Investment expected to face risks consistent with infrastructure investments, and staff believes that Peppertree has identified appropriate mitigants to those risks.*

5. Investment Highlights

- *Strong historical performance and complementary fit with PSERS private infrastructure portfolio.*

Appendix

- Investment Committee Disclosure
- Private Infrastructure Dashboard

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 established long term targets of 5.0% in private infrastructure and 5.0% in public listed infrastructure.
2. The current underweight in private infrastructure is balanced by an overweight in public infrastructure.
3. PSERS latest pacing model suggested \$700 – 900m of commitments annually to reach our targets in ~4 years (2027)

SAA Allocation	
Private Infrastructure Target	5.0%
Private Infrastructure Actual ¹	2.9%
Anticipated Date to Reach Allocation	2027
Pacing Budget for 2024	
Pacing Budget Range	\$700 - 900M
Primary Investments	
2024 YTD Commitments	\$300M
August Recommendations	\$315M
Co-Investments	
2024 YTD Commitments	\$25M
Total Primary and Co-Investments	\$640M
Remaining 2024 Budget after August ²	\$160M
Est. Remaining Primary Fund Recommendations after May	\$200M
Expected to be in Target Budget Range for 2025?	Yes
Est. Co-Investment Capacity ³	\$428M

1. Private Infrastructure Actual taken from Verus 2023 4Q – Total Fund Report
2. Remaining to the mid point of pacing budget
3. Co investments as of March 2024

2. Recommendation Overview

PSERS IO and Aksia recommend committing \$100 million to Peppertree Fund X.

Key Term	
Fund Name	Peppertree Capital Fund X QP, LP
Firm Name	Peppertree Capital Management, Inc
Net Target Return	16% net IRR and 2.5x net MoIC
Investment Professionals / Employees	14/34
Strategy Invested Capital ¹	\$6.5 Billion
Target Fund Size / Hard Cap	\$1.5 Billion / \$2.0 Billion
Recommended Commitment Amount	\$100 Million
GP Commitment	No less than 1.5%
PSERS Existing Relationship	No
Notable Investment Committee Disclosure ²	PA Presence

3. Peppertree's Strategy & Expertise

Peppertree manages with differentiated developer relationships and back-office support

1. **“Go To” Exclusive Capital Source:** Peppertree over the decades has created exclusive relationships with 75% of US tower developers, who actively source deal flow for network buildout.
2. **Capital and Corporate Support Strategy:** Peppertree retains control over capital deployment, approving site locations once an anchor lease agreement is secured, reducing risk and aligning LPs interest. A key differentiator for the firm is its extensive back office and corporate support for its portfolio companies, which allows developers to focus on identifying new opportunities.
3. **Experienced Industry Leader :** Peppertree’s team have an extensive background in communications infrastructure and 20+ years dedicated experience in tower development and management. Peppertree is one of the few scaled players within this specific market segment, while others have recently broadened their strategies to focus more on data centers.

4. Investment Considerations

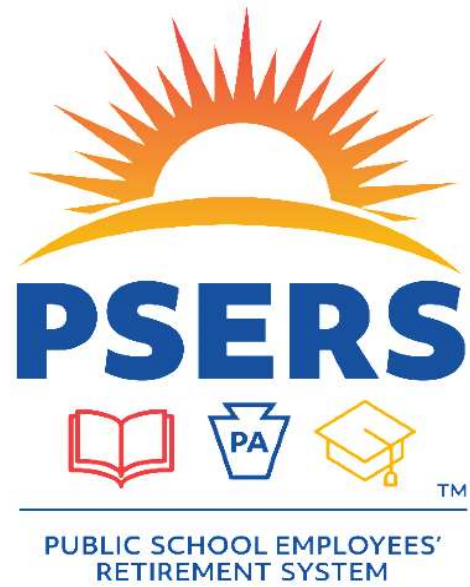
Investment expected to face risks consistent with infrastructure investments, and staff believes that Peppertree has identified appropriate mitigants to those risks.

Risk	Detail	Mitigating Factors
Dependency of Co-Founders	Co-Founders are the driving force of Peppertree’s growth and the main point of contact for its development teams. If both were no longer involved, it’s likely that Peppertree’s growth would be affected significantly.	With AMG’s (Affiliate Managers Group: a strategic institutional partner) investment, the Co-Founders signed 10-year employment agreements in late 2022 reducing the risk of one of them leaving voluntarily. Fund X’s capital is already being deployed and investments have been identified reducing the key person risk.
Lack of Company Diversification and Cross Fund Investing Risk	There are no prescribed concentration limits at the company level and Peppertree Fund X is likely to feature 2 to 3 outsized investments based on which developers are most successful in developing attractive potential tower investments. Peppertree conducts continuation transactions between the funds. Firm has completed six such transaction since inception.	Continuation Transactions will be capped at 20% of commitments, and any transaction in excess will require LPAC approval. An independent valuations expert has provided a fairness opinion on all Peppertree’s continuation transactions to date
Financing / General Interest Rate Risk	Peppertree’s use of leverage in its deal can be adversely affected by interest rate changes. Equally, when Peppertree seeks to sell portfolios of towers, they are typically priced on a Tower Cashflow (TCF) yield – which rises (lower prices) during increased interest rate environments.	Peppertree uses 1:1 debt/equity ratio which is conservative for its investment strategy. The key strategy value driver is increasing Tower Cashflow, through rent escalators and notably, by increasing lease-up / colocation – such that nominal increased interest cost during the holding period is carries limited impact on overall cashflows

5. Investment Highlights

Strong historical performance and complementary fit with PSERS private infrastructure portfolio

Highlight	Detail
Experienced Senior Leadership Team and Strong Track Record	Led by F. Howard Mandel and Ryan Lepene and three managing directors, the team comprises of over 40+ professionals with backgrounds in Communication Infrastructure. They have \$6.5B in AUM and have made more than 150 investments in communication infrastructure companies.
Significant Industry Tailwinds	Increasing demand for faster and more reliable mobile internet has created significant opportunities for communications infrastructure companies like Peppertree to support this growing demand.
Exclusive Developer Partnership	<p>One of the key drivers of Peppertree's success is its exclusive partnership with ~75% of independent US tower developers.</p> <p>By offering services such as back-office management, debt capital sourcing, insurance, and legal support, Peppertree creates an ecosystem that allows developers to focus on building the pipeline and executing the deals.</p>



Appendix

Investment Committee Disclosure

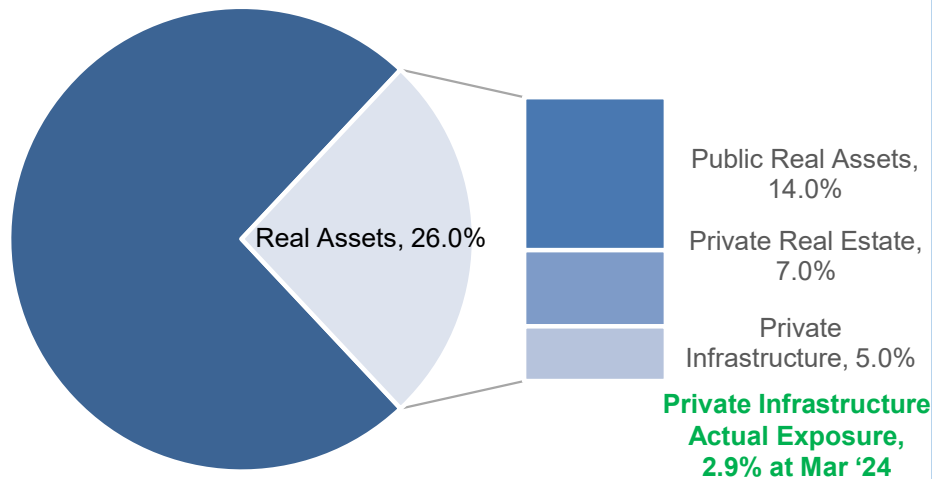
No material mandatory disclosures

Disclosure	Response
Relationship with Aksia	As of March 31, 2024, no current Aksia clients have made subscriptions and/or commitments to investments managed by Peppertree Capital Management. As of July 8, 2024, there are no other Aksia clients considering a commitment to Peppertree Capital X.
Introduction Source	Aksia / PSERS IOP
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on July 19 th , 2024, this investment complies with the Public-School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions	None Disclosed
PA Presence	Yes, See 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	Peppertree 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 the sponsor's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on the Firm or the Fund.
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.

Private Infrastructure Portfolio Dashboard

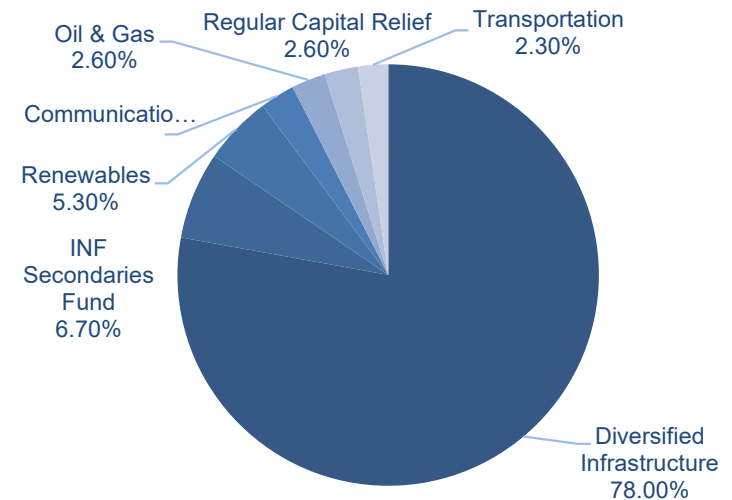
As of December 31, 2023

Target Allocation to Real Assets In Long-Term Strategic Asset Allocation



Note: 2.9% figure sourced from Verus 2023 4Q – Total Fund Report

Sector Diversification³



³ Sector Diversification as of December 31, 2023

Recent Fund Commitments (\$M)

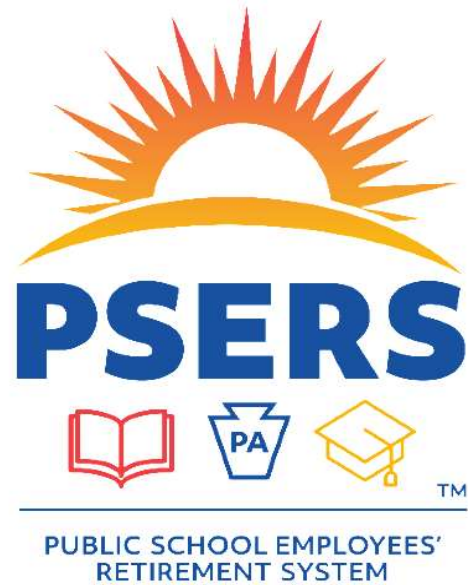
2023	
DIF Infrastructure VII	€200
LS Power V	\$200
2024	
CION Grosvenor Infrastructure Interval Fund, LP	\$300

Portfolio Performance

	Time-Weighted					Dollar-Weighted		
	1-YR	3-YR	5-YR	10-YR	ITD	KS PME ¹	Direct Alpha	ITD
Total Portfolio	19.9%	21.2%	16.8%	N/A	15.0%	1.23x	10.9%	15.7%
Benchmark ²	2.4%	5.8%	7.0%	7.5%	---	---	---	---

Color-coding: **outperformance** or **underperformance** vs. benchmark.

¹ KS PME and Direct Alpha are calculated compared to Private Infrastructure's policy benchmark.



Peppertree Capital Fund X QP, LP Private Infrastructure Recommendation

Cody Steele
Portfolio Manager

Parin Patel
Intermediate Investment Professional

July 2024

July 8, 2024

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17110

Re: Peppertree Capital Fund X QP L.P.

Aksia LLC ("Aksia"), having been duly authorized by Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement and Guidelines, an amount not to exceed \$100 million in Peppertree Capital X QP, L.P. ("Peppertree X" or the "Fund").

Peppertree Capital ("Peppertree" or the "Firm") was formed in 2004 by Howard Mandel and Ryan Lepene (the "Co-Presidents") and has more than \$6.5 billion in assets under management. Mandel initially began his career as an attorney and went on to build the TMT practice at the law firm working primarily with radio station owners and operators in the Cleveland area. In 2004, the Co-Presidents raised capital from high-net-worth individuals and family/friends along with SBA leverage for its first fund which pursued a broader TMT strategy, including media and business services. In 2006, the Firm decided the strategy going forward would only include communications infrastructure and excluded SBA leverage.

Since inception, the Firm has operated out of one office in Chagrin Falls, OH. Peppertree currently has a team of 43 professionals. Peppertree has invested in more than 150 communication infrastructure companies and in the development or acquisition of more than 8,000 communication infrastructure assets in addition to making fiber and spectrum investments. The Firm maintains exclusivity with approximately 25 developers who, through their relationships with large U.S. carriers, identify development opportunities to densify wireless networks and enhance data capacity/reliability.

Peppertree is currently raising Peppertree X, a closed-ended fund targeting \$1.5 billion of capital commitments. The Fund is expected to avoid fiber and data center businesses given Peppertree does not believe it has any distinct advantages in these sectors.

Aksia's recommendation to commit as described above 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 June 2024
- Due diligence of the Fund's operations, including a review of its organizational structure, service providers, regulatory and compliance, and financial statement analysis;
 - Most recent operational due diligence review conducted June 2024
- Consideration of the Fund's strategy within the context of the current investment environment; and
- Consideration 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. 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,



Thomas Martin
Partner, Head of Private Equity and Real Assets Strategies



Simon Fludgate
Partner, Head of Operational Due Diligence