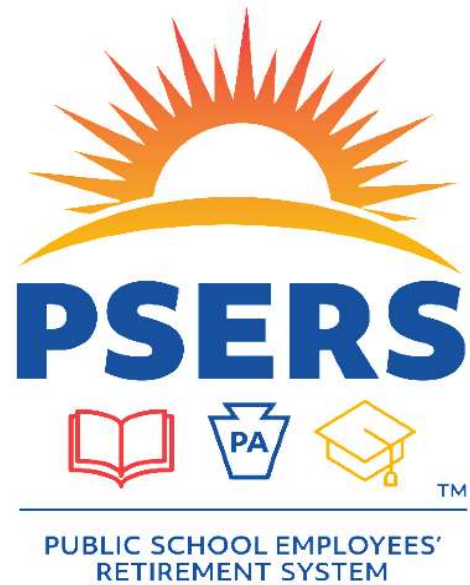




**PSERB Resolution 2024-70**  
**Re: Brookfield Infrastructure Specialized Solutions, L.P.**  
**October 25, 2024**

**RESOLVED**, that the Public School Employees' Retirement Board (the "Board") accepts the recommendation of the Investment Committee and commits an amount not to exceed \$250 million plus reasonable, normal investment expenses, to Brookfield Infrastructure Specialized Solutions, L.P. and/or related investment vehicles in accordance with the recommendation of Cody Steele, Portfolio Manager and Aksia, LLC; and

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.



# Brookfield Infrastructure Structured Solutions Private Infrastructure Recommendation

**Cody Steele**  
Portfolio Manager

**October 2024**

# Today's Presentation

## *Brookfield Infrastructure Structured Solutions ("BISS")*

### **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 \$200 million to Brookfield Infrastructure Structured Solutions*

#### 3. Strategy & Expertise

- *BISS offers differentiated structured capital and benefits from Brookfield's broader platform*

#### 4. Investment Considerations

- *The Fund is expected to face risks consistent with infrastructure investments, and staff believes that Brookfield 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 most recent pacing analysis*

## PSERS SAA and Pacing

1. PSERS SAA has established long-term targets of 5.0% in private infrastructure and 5.0% in publicly listed infrastructure.
2. The current underweight in private infrastructure is balanced by an overweight in public infrastructure.
3. PSERS and Aksia’s latest pacing analysis suggested \$700M–\$900M of commitments annually to reach our targets in ~4 years (2027).
4. This analysis is revisited frequently based on the actual performance of the Private Infrastructure allocation and the broader PSERS portfolio.

| SAA Allocation  |                 |
|---|-----------------|
| Private Infrastructure Target                         | 5.0%            |
| Private Infrastructure Actual <sup>1</sup>            | 2.8%            |
| Pacing Budget for 2024                                |                 |
| Pacing Budget Range                                   | \$700M - \$900M |
| Primary Investments                                   |                 |
| 2024 YTD Commitments                                  | \$615M          |
| Today’s Recommendations                               | \$200M          |
| Co-Investments  |                 |
| 2024 YTD Commitments                                  | \$25M           |
| <b>Total Primary and Co-Investments</b>               | <b>\$840M</b>   |
| Remaining 2024 Budget after August <sup>2</sup>       | \$60M           |
| Est. Remaining Primary Fund Recommendations after May | \$0M            |
| Expected to be in Target Budget Range for 2024?       | Yes             |
| Est. Co-Investment Capacity <sup>3</sup>              | \$428M          |

1. Private Infrastructure Actual taken from Verus 2024 1Q – Total Fund Report
2. Remaining to the top point of pacing budget
3. Co investments Capacity as of September 2024

## 2. Recommendation Overview

*PSERS IO and Aksia recommend committing \$200 million to BISS.*

| Key Term   |   |
|--|---|
| Fund Name  | Brookfield Infrastructure Structured Solutions        |
| Firm Name  | Brookfield Infrastructure Structured Solutions GP LLC |
| Net Target Return                                    | 15% gross IRR, 12% net IRR                            |
| Investment Professionals / Employees                 | 193 / 470   |
| Strategy Invested Capital <sup>1</sup>               | ~\$290 billion  |
| Target Fund Size / Hard Cap                          | \$1.0 billion   |
| Recommended Commitment Amount                        | \$200 million   |
| GP Commitment  | \$250 million (25%)                                   |
| PSERS Existing Relationship                          | Yes   |
| Notable Investment Committee Disclosure <sup>2</sup> | PA Presence   |

# 3. Brookfield Strategy & Expertise

*BISS offers differentiated structured capital and benefits from Brookfield's broader platform*

**Global Scale and Experience:** Brookfield has a global team of over 190 infrastructure investment professionals and a broader platform of operating executives with relevant skillsets in each sector of investment opportunity.

**Structured Downside Protection:** BISS will seek to provide customized, downside-protected capital solutions sponsors, developers and strategics seeking capital to finance M&A, development and capital expenditure needs, and partial realizations.

**Middle Market Infrastructure:** Approximately half of all infrastructure transaction volume occurs in platforms and assets with an enterprise value of lower than \$1 billion – though this market generally receives less institutional focus. BISS will seek to invest in businesses within this segment and earn attractive risk-adjusted returns in an underfinanced segment.

# 4. Investment Considerations

*The Fund is expected to face risks consistent with infrastructure investments, and staff believes that Brookfield has identified appropriate mitigants to those risks.*

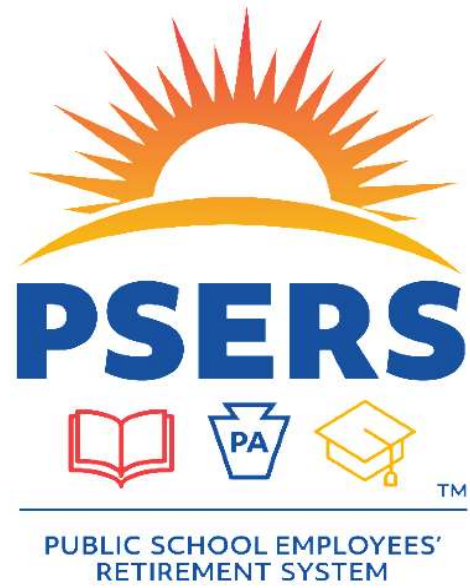
| Risk                              | Detail  | Mitigating Factors   |
|-----------------------------------|---|--|
| First Time Fund Vintage           | First time funds may carry additional risk due to more limited track record and questions around how the team will work together in a new environment, as well as questions around the operational aspects of managing a fund and how it may fit into the broader corporate structure.  | Brookfield has a significant track record over many years in a variety of infrastructure debt and equity products, as well as launching new fund products including the 2016 launch of Brookfield Infrastructure Debt Platform led by Hadley Peer Marshall and Ian Simes. The breadth of Brookfield’s operational expertise gives comfort around many of the “first time fund” operational concerns.   |
| Changes in Global Capital Markets | BISS is being launched at a time of higher global interest rates alongside increasing demand for scale-up capital in middle market infrastructure firms. This combination of factors is helping to drive significant demand for strategies, such as BISS, which should solve financing gaps for independent sponsors and developers who need additional capital to complete projects. | BISS’s hybrid approach to capital structure should be helpful in addressing this issue – in a world of lower global interest rates, the fixed cost financing of securities, such as preferred equity, may be less attractive (i.e. investee companies only accept lower rates to be more competitive with senior debt offerings). However, the warrants or common equity pieces of BISS’s investment strategy should see material upside from both lower financing costs, and lower expected equity rates of return on exit. |
| Investment Structuring / Control  | The majority of strategies in private infrastructure generally seek to invest equity for control of underlying portfolio companies, including rights to appoint directors and company executives, set business plans and financing decisions, and other major choices associated with control of an underlying portfolio company.   | Brookfield has significant experience negotiating these protective provisions through both their infrastructure debt strategy as well as the investments included in their representative track record.<br><br>These protections generally take the form of negative controls or required consents over major decisions such as changes to capital structure, asset dispositions, and corporate transactions.  |

# 5. Investment Highlights

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

| Highlight                         | Detail  |
|-----------------------------------|---|
| Market Opportunity                | <p>The type of growth or scale-up capital being offered by BISS on a non-control basis should be particularly appealing for independent developers or smaller sponsors who are seeking to maintain equity control of their platform companies while at the same time requiring significant funding to build out those pipeline opportunities that have progressed to a construction ready phase. Accessing these opportunities with structural downside protection is attractive on a standalone basis and complementary to PSERS existing portfolio.</p>   |
| Institutional Breadth & Expertise | <p>Brookfield is one of the largest and longest tenured infrastructure (and real assets more broadly) investors globally. Brookfield supports local teams in all regions in which BISS expects to invest and maintains a diverse group of professionals on staff with operating skillsets including development, construction, asset management, finance, and accounting.</p> <p>PSERS staff believes that the breadth of experience available on the Brookfield platform is a differentiating factor relative to other investors in “middle market” infrastructure shops, which are generally operating with smaller teams and in many cases skillsets that are primarily financially based. This operating experience should be accretive in sourcing potential transactions, underwriting and evaluating those opportunities, and managing the investments that are ultimately made by BISS.</p> |
| Cornerstone Economics             | <p>Given that BISS is a first-time fund strategy for Brookfield, they are offering attractive economic incentives for being an early and large investor.</p>  |





# Appendix

# Investment Committee Disclosure

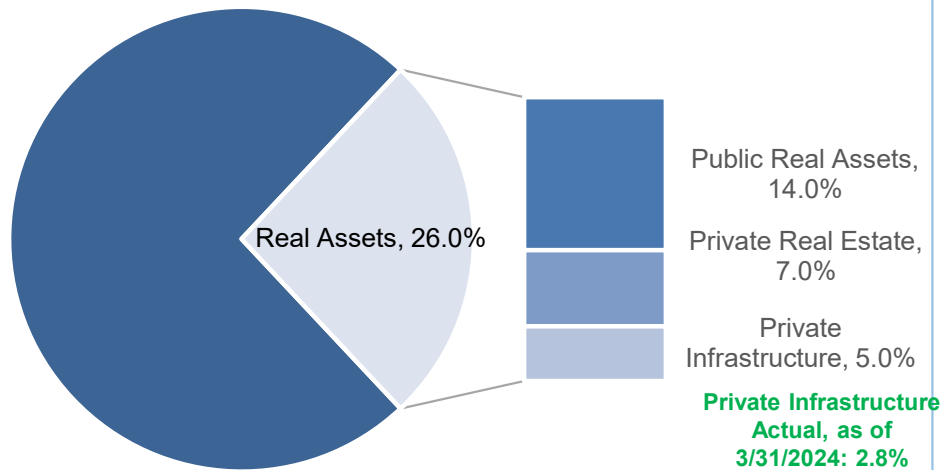
*No material mandatory disclosures*

| Disclosure   | Response  |
|--|---|
| Relationship with Aksia  | As of June 30, 2024, eight (8) current Aksia advisory clients have made aggregate commitments of \$5.5 billion across investments managed by Brookfield Asset Management. As of September 19, 2024, there are no other Aksia clients considering a commitment to Brookfield Infrastructure Structured Solutions.  |
| Introduction Source  | Aksia / PSERS IOP   |
| Compliance with Placement Agent Policy   | As confirmed by PSERS' Office of Chief Counsel on September 23 <sup>rd</sup> , 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  | Brookfield 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? | Yes, Brookfield reimbursed PSERS in 2024 for LPAC-related travel expenses for funds whose investment contracts were entered into prior to July 2021.  |
| 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

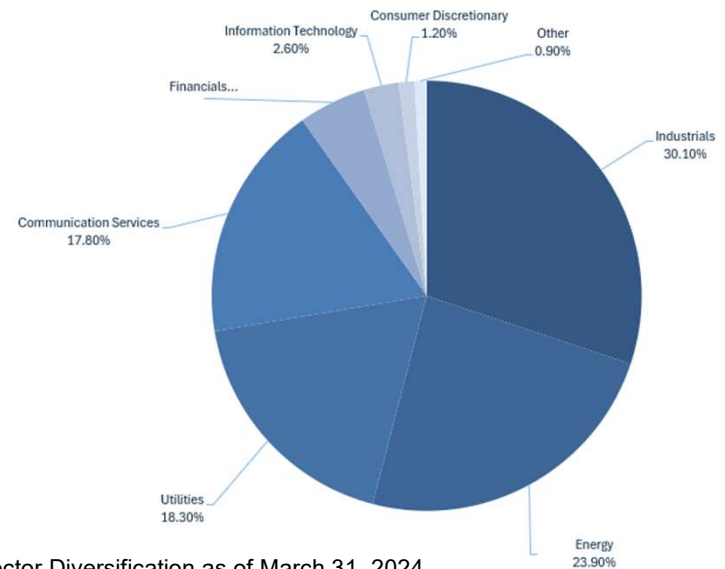
As of March 31, 2024

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



Note: 2.8% figure sourced from Verus 2024 1Q – Total Fund Report

## Sector Diversification<sup>3</sup>



<sup>3</sup> Sector Diversification as of March 31, 2024

## Recent Fund Commitments (\$M)

| 2023  |       |
|---|-------|
| DIF Infrastructure VII                          | €200  |
| LS Power V                                      | \$200 |
| 2024  |       |
| CION Grosvenor Infrastructure Interval Fund, LP | \$300 |
| Blackstone Infrastructure Partners Europe (CYM) | €200  |
| Peppertree Communications Infrastructure        | \$100 |

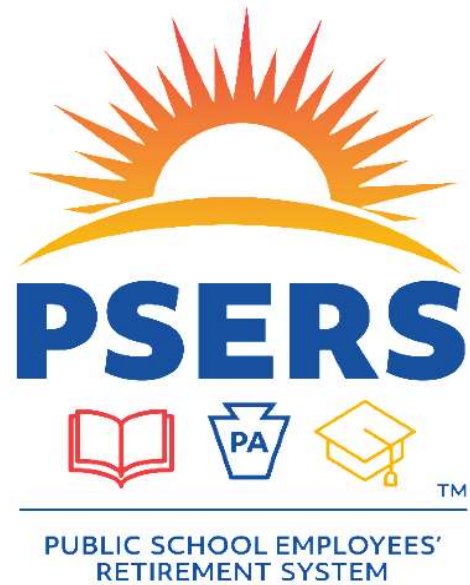
## Portfolio Performance

|                        | Time-Weighted |       |       |       |       | Dollar-Weighted     |              |       |
|------------------------|---------------|-------|-------|-------|-------|---------------------|--------------|-------|
|                        | 1-YR          | 3-YR  | 5-YR  | 10-YR | ITD   | KS PME <sup>1</sup> | Direct Alpha | ITD   |
| Total Portfolio        | 19.9%         | 21.2% | 16.8% | N/A   | 15.0% | 1.23x               | 10.9%        | 15.7% |
| Benchmark <sup>2</sup> | 3.3%          | 5.0%  | 4.6%  | 7.2%  | ---   | ---                 | ---          | ---   |

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

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

<sup>2</sup> Benchmark: FTSE Developed Core Infrastructure 50/50 Net Index (Hedged to USD)



# Brookfield Infrastructure Structured Solutions Private Infrastructure Recommendation

**Cody Steele**  
Portfolio Manager

**October 2024**

September 30, 2024

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

Re: Brookfield Infrastructure Structured Solutions

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 \$200 million in Brookfield Infrastructure Structured Solutions (the "Fund" or "BISS"). PSERS is expected to receive preferred economics as part of this commitment.

Brookfield Asset Management ("Brookfield") was founded in 1899. Since 2001, Brookfield has successfully transitioned from being an owner-operator, investing solely on its own behalf, to an asset manager, leveraging its investment capabilities and operating experience to establish itself as a global alternative asset manager. Brookfield has dedicated investment platforms for each of real estate, infrastructure, and private equity, with specialty investment platforms in the timberlands and agriculture sectors.

Brookfield is seeking \$1 billion in new equity commitments for BISS. The Fund is expected to provide non-control capital to sponsor backed middle market infrastructure assets and businesses, strategics, and developers. Brookfield intends to leverage its global scale and position across the targeted sectors of renewable power, transport, utilities, midstream, and data, and rely on its operating history to be more of a strategic partner to its counterparties versus solely a capital provider. Most of the investments are expected to be in the form of preferred equity, some of which will include upside participation with investments ranging from \$50 to \$300 million. Brookfield intends to hold the investments for five to eight years in hopes of achieving a net IRR of 12%.

The Fund represents a first-time fund of this strategy not only for Brookfield, but for the broader infrastructure market. While infrastructure managers have executed similar transactions on a one-off basis, BISS represents the first pure play strategy of its kind. We believe the focus on middle market assets/businesses combined with the Brookfield platform and resources makes this a compelling investment opportunity. The Fund should be able to capture a large enough opportunity set given the market size for growth-oriented infrastructure platforms, specifically renewables and digital, of which Brookfield has a long history of investment.

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 in August 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 in July 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