

Hamilton Lane

**PSERS High Yield/
Private Credit**

Fourth Quarter Report

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17

All performance is presented net of management fees, carried interest and expenses charged by the general partners of the underlying investments.

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Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

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“There’s no earthly way of knowing, which direction we are going, there’s no knowing where we’re rowing, or which way the river’s flowing...”

Private equity sees disruption through emerging technologies

- Ernst & Young Global PE Watch 2018 Report, January 2018

Private Equity Fundraising Shows No Sign of Slowing in 2018

- Financial News, January 2018

Bain Says The Record Year For Japan Is No One-Off

- Bloomberg, January 2018

Mega Buyout Funds Reshaping Private Equity Industry

- Reuters, February 2018

Private Equity Expected to Benefit from Tax Overhaul

- Wall Street Journal, January 2018

Software is eating up private equity

- Pitchbook, February 2018

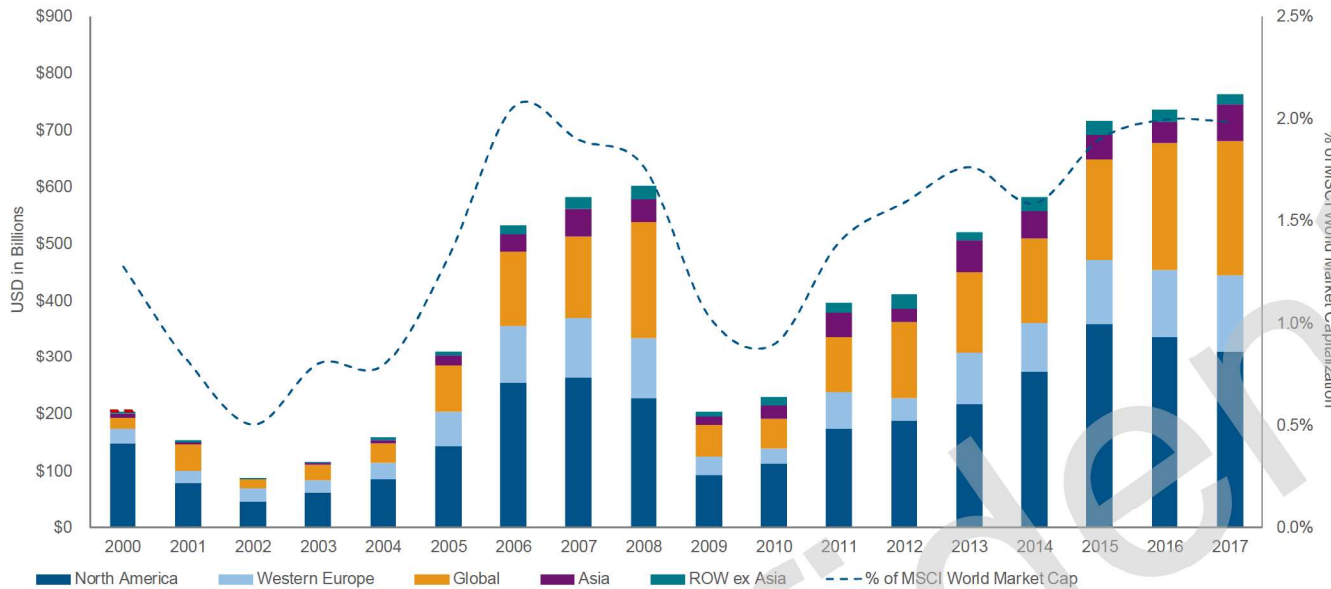
Wall Street Is Taking On More Risk Again

- Bloomberg, February 2018

...Yes, the danger must be growing ‘cause the rowers keep on rowing and they’re certainly not showing any signs that they are slowing!”

Willy Wonka & the Chocolate Factory, 1971

Global Private Markets Fundraising



Another record year for private markets fundraising in 2017

- Aggregate commitments closed at \$763.7B
- 3rd straight year above \$700B
- Asia largest annual capital raised to date: \$63.3B

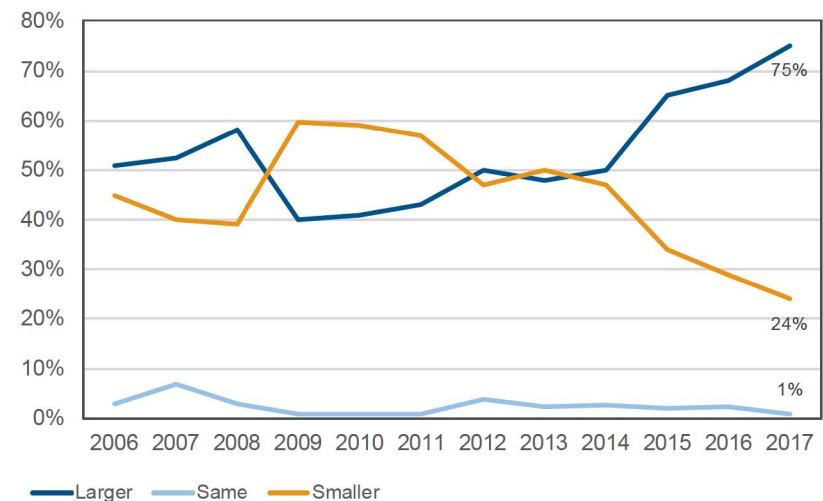
Source: Bison data via Cobalt. Fundraising data includes real estate, secondary funds, and fund-of-funds (January 2018)

According to PitchBook, 75% of follow-on funds were larger than their predecessor in 2017

- Buyout fund size increases more modest, averaging ~1.2-1.3x larger in 2017, compared to 2.0-2.5x in 2007
- Instead of raising larger funds, managers are raising capital via new product lines

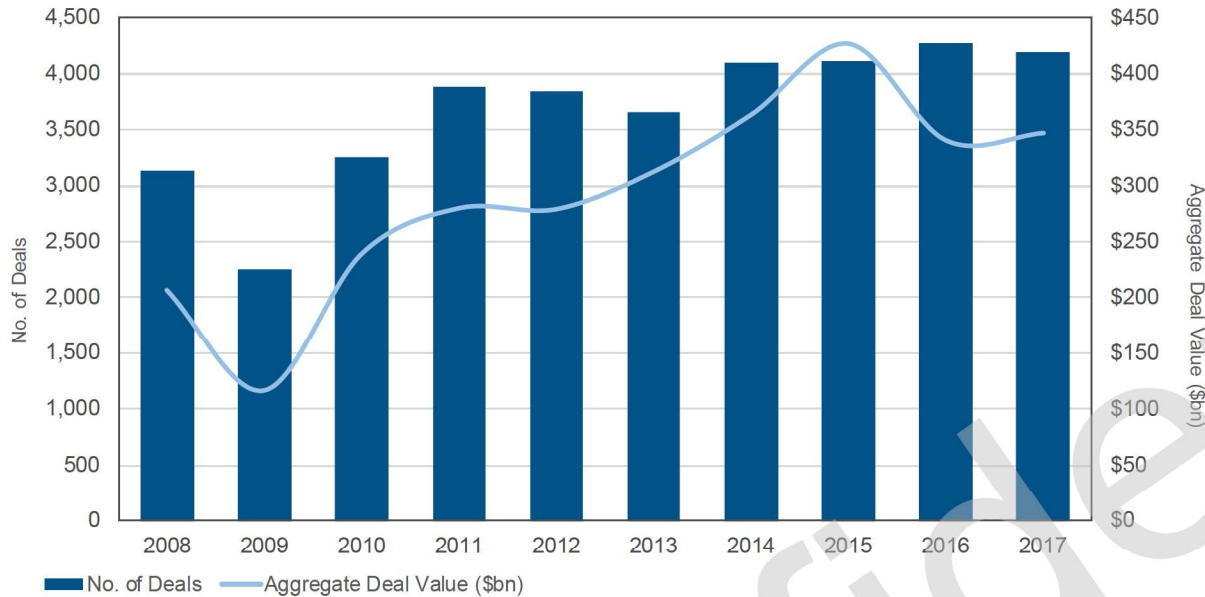
U.S. Follow-on Fund Size Compared to Predecessor

Compared to Predecessor



Source: Pitchbook (2017 Annual PE Breakdown Report)

Global Private Equity-Backed Buyout Deals

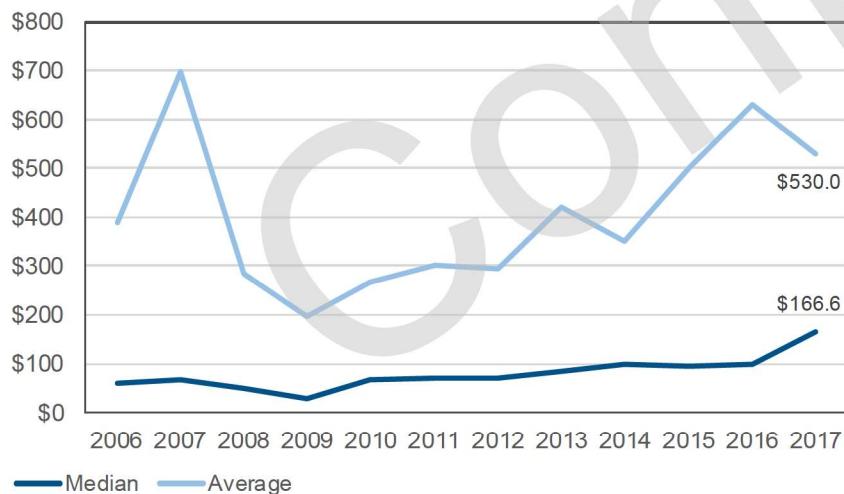


Source: Preqin (Buyout Deals and Exits, January 2018)

Deal value and volume relatively static 2014-2017

- 2017: 4,191 private equity-backed buyout deals for aggregate \$347B in deal value (Preqin)
- 2017 big year for Asia: 18% of total global value of \$63B
 - Driven by deal activity in Japan
 - Notable Deal Example: Bain-led acquisition of Toshiba's memory chip business closed for ¥2tn (\$18B)
- 2015 deal value jump due to Dell deal

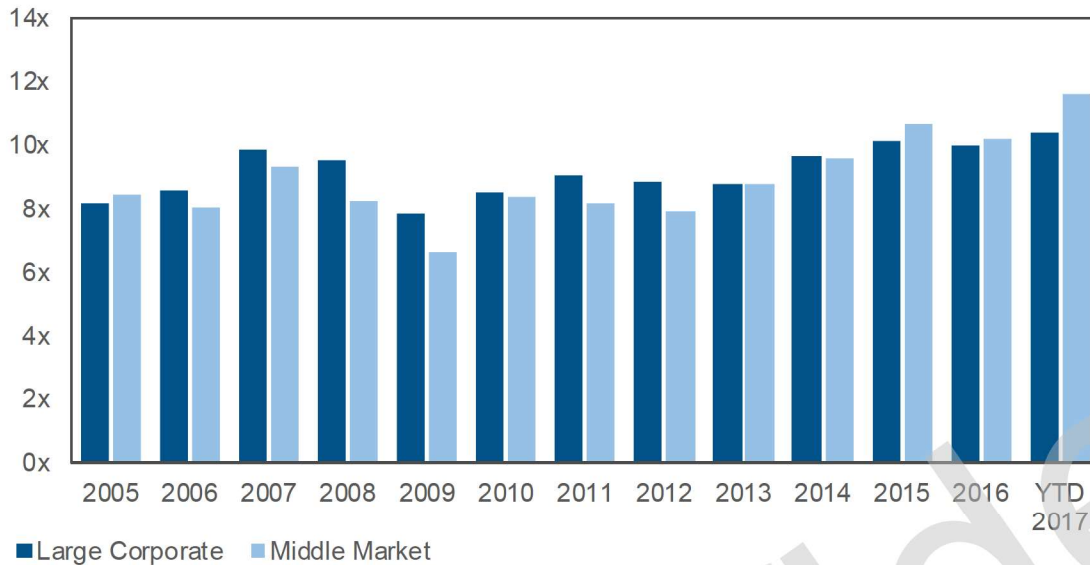
Median Buyout Size (\$M) in U.S.



Source: Pitchbook (2017 Annual PE Breakdown Report)

- Median deal size of \$166.6B at apex of last 12 years (PitchBook)
 - Not surprising given that funds are generally larger
 - Both median and average data points suggest that larger deals are taking place

U.S Purchase Price Multiples



Source: S&P LCD (December 2017)

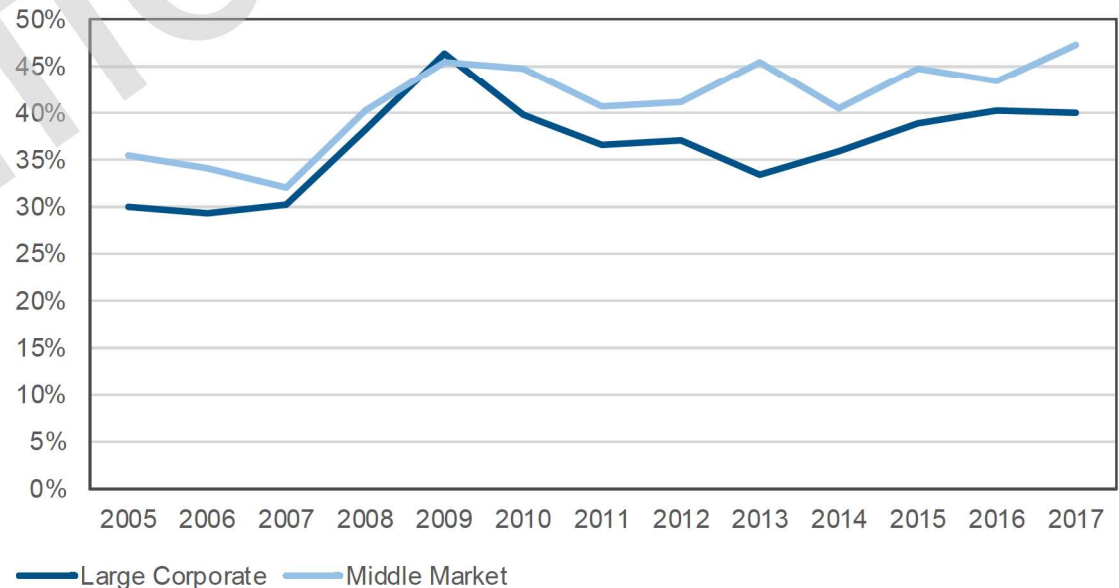
Sustained upward pricing pressure through 2017

- Long-term high reached for both Large and Middle Market
- Middle Market hit 11.6x
 - 3rd straight year above 10x

Significant equity required and growing

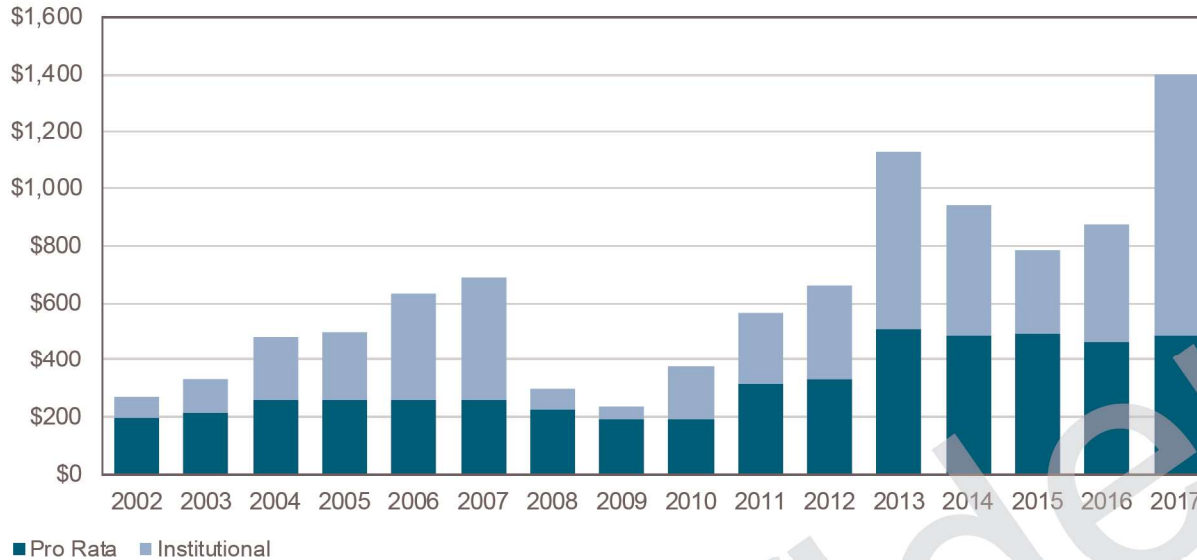
- Middle market deals increasingly using more equity in 2017
 - 47.4% represents highest point in last 21 years

U.S. Equity Contributions



Source: S&P LCD (December 2017)

U.S. Leveraged Loan Issuance (\$B)



Active U.S. leveraged lending

- Hit new issuance record in 2017 - \$1.4tn (24% higher than 2013 peak)
- Surge in volume due to refinancing, representing 67%
 - Last record high of 44% in 2013

Source: Thomson Reuters LPC (January 2018)

Leverage levels return to 2008 heights

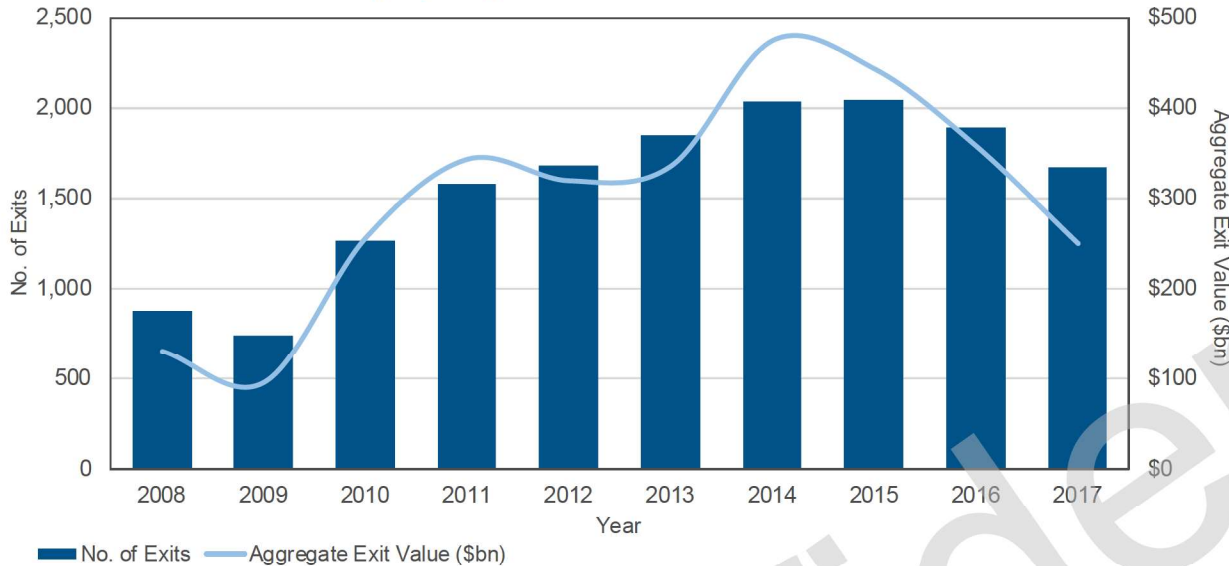
- Over 40% of LBOs at 6x leverage since 2014
 - Nearing highs seen in 2007
 - More than 6% of LBOs had >7x leverage in 2017 (S&P LCD)

Percentage of LBOs with Leverage over 6x Highest Since PE's "Golden Age"



Source: Bloomberg, LCD, a unit of S&P Global Market Intelligence (February 2018)

Global Annual Private Equity Buyout-Backed Exits



Record refinancing pacifies exit activity decline

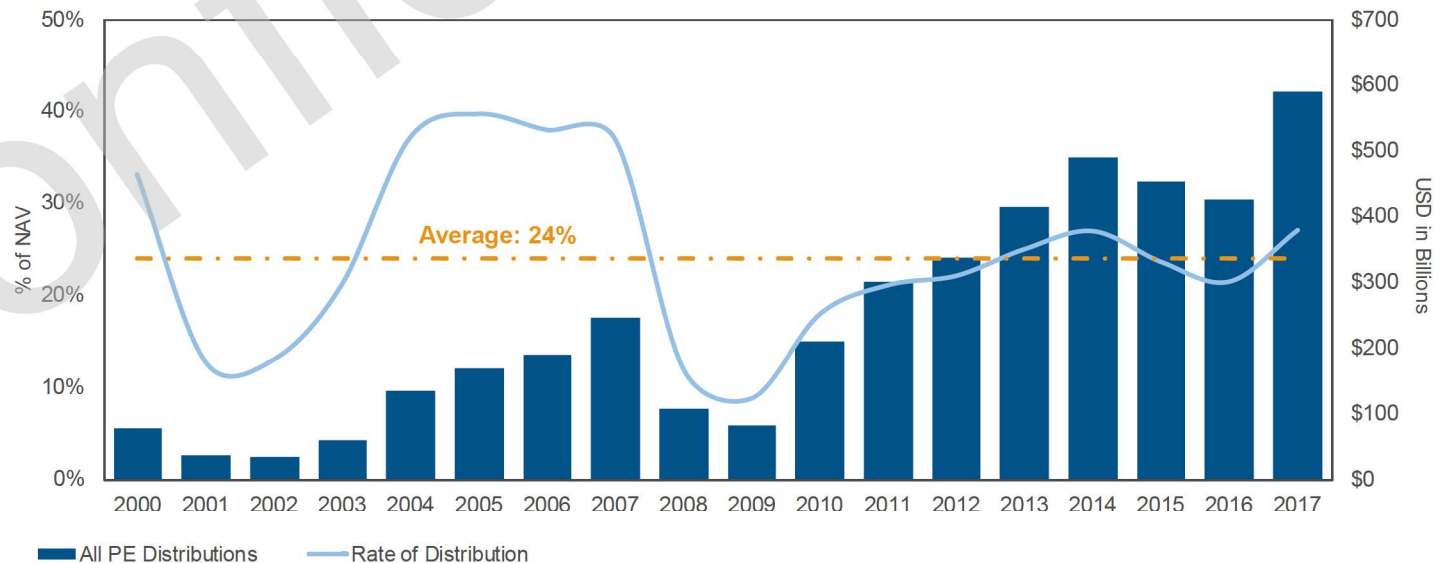
- 2017 aggregate exit value of \$250B is the lowest point since 2009
- Volume on downward trend over last 3 years
- Peak pricing slowing sales?

Source: Preqin (Buyout Deals and Exits, January 2018)

Despite the slowdown... Investors are still getting liquidity

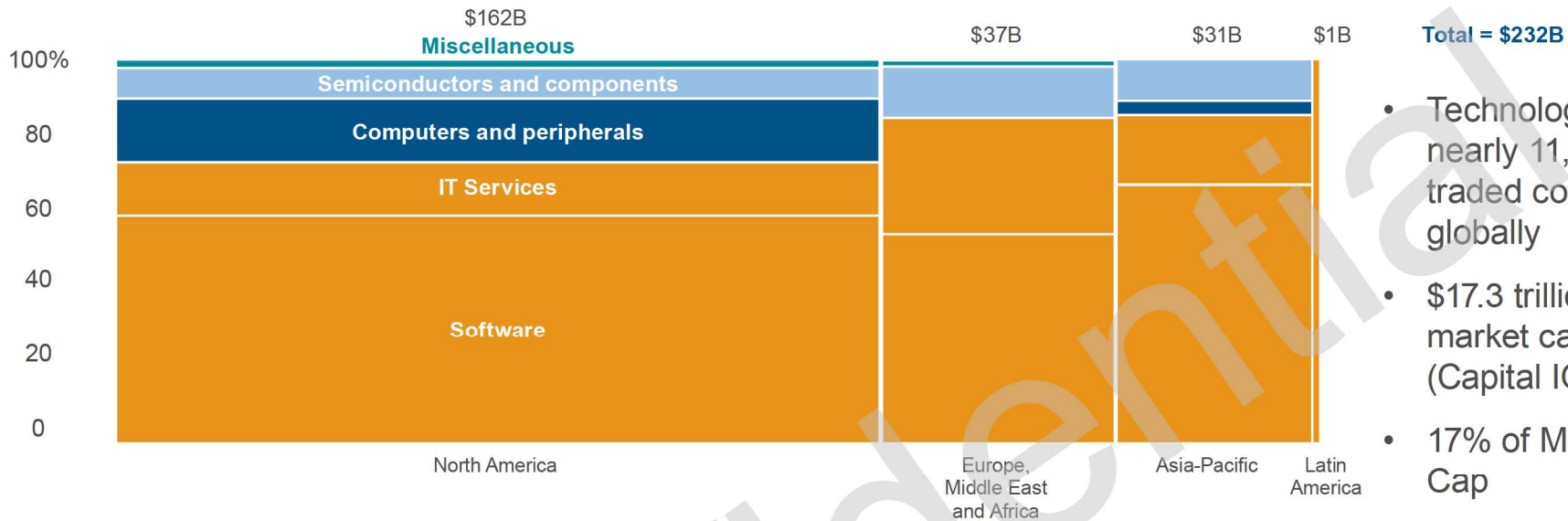
- And at record amounts: \$590B in 2017
- 2017's rate of distribution back above the 18-year average

Industry Level All PE Distribution Pace



Source: Hamilton Lane Data via Cobalt (January 2018)

Global Technology Sector PE Deal Value, 2010–2016

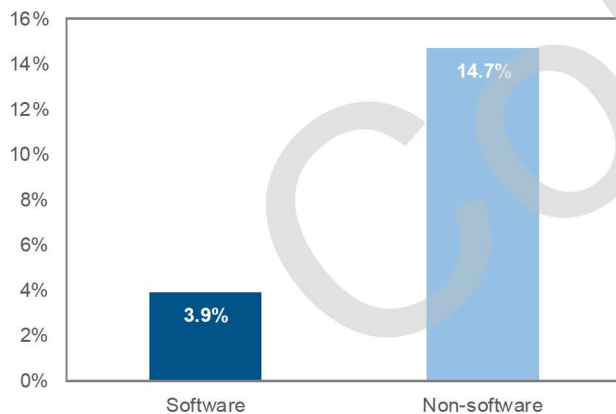


- Technology represents nearly 11,500 publicly traded companies globally
- \$17.3 trillion in public market capitalization (Capital IQ)
- 17% of MSCI World Cap

Notes: Includes buyouts only, with the exception of Asia-Pacific, which includes both buyouts and growth capital investments; includes add-on acquisitions; geography based on target's location; dollar figures are rounded. Source: Dealogic, AVCJ / Bain Global Private Equity Report 2017

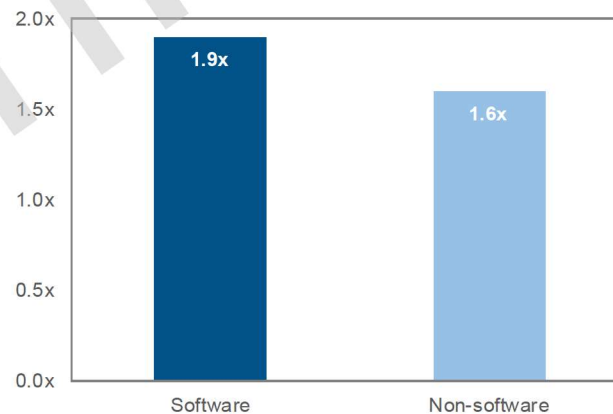
Loss Ratio

2005-2014, Fully Realized Global Buyouts Invested



Median Gross Deal MOIC

2005-2014, Fully Realized Global Buyouts Invested



Did you know...?

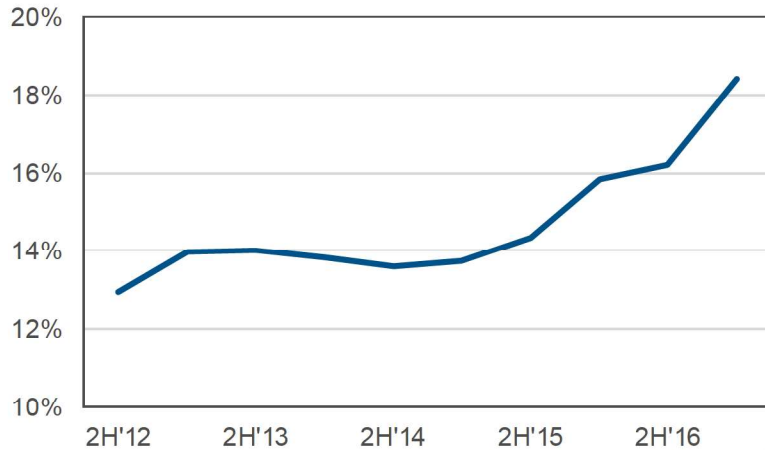
- Software and tech-enabled services account for about 80% of technology deals by count and value
- Software-related tech deals historically (2005-2014) have generated less risk and better returns than non-software tech deals

Notes: Loss rate is the equity capital invested in deals realized below cost, net of any recovered capital, divided by the total invested capital and expressed as a percentage; MOIC-multiple of invested capital Source: CEPRES / Bain Global Private Equity Report 2017

As a percent of Private Equity deals, Tech continues to grow

Private Equity Tech Investment

% of All PE Deals: 2H'12-1H'17

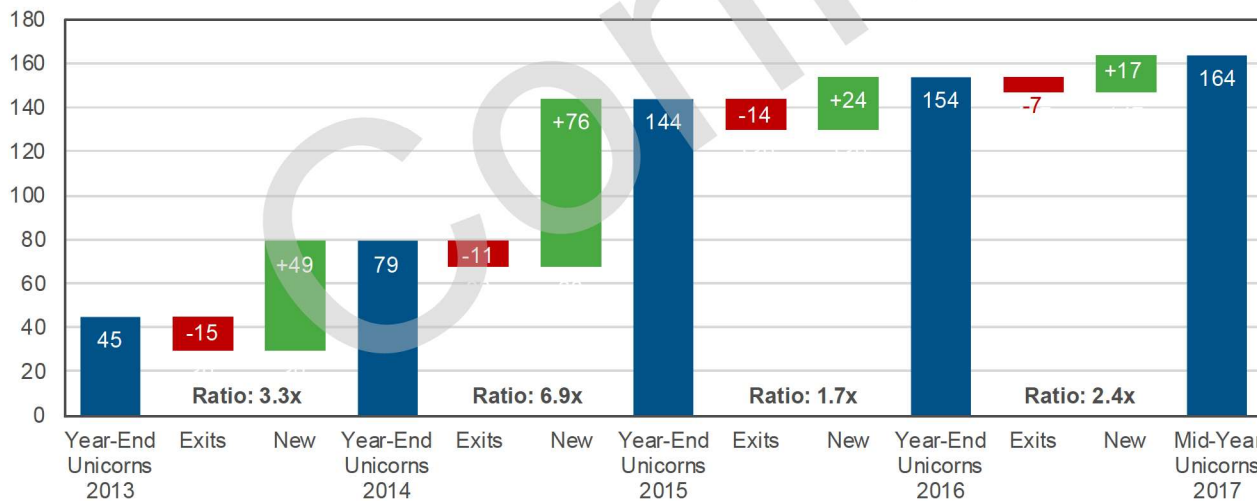


- The number of new companies reaching \$1B+ valuations still exceeds the number of exits
- Total “Unicorn” private market value exceeds \$600B (SVB Analytics)

Source: SVB Analytics (Q3 2017) / Pitchbook

Net Change in Global Unicorns by Year

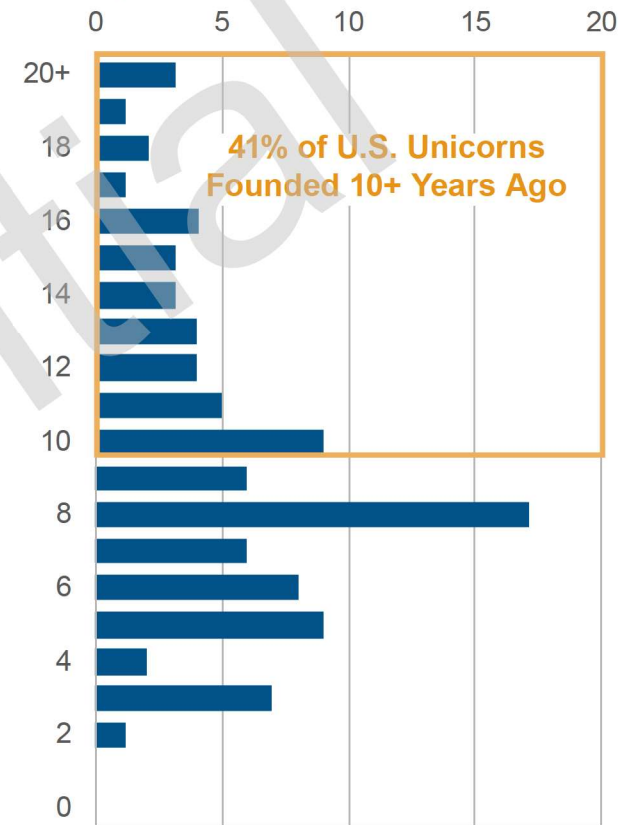
2014-1H'17



Source: SVB Analytics (Q3 2017) / The Wall Street Journal and S&P Capital IQ

U.S. Unicorns

Count by Age: Q2 2017



Source: SVB Analytics (Q3 2017) / Dr. Jay Ritter, University of Florida; The Wall Street Journal; S&P Capital IQ

- Unicorns driving specialized investment opportunities:
 - TPG Adjacencies Fund
 - Sequoia Global Growth
 - Softbank Vision

Overview

Activity

- Active Committed Capital of \$10.2B to 43 active funds across 17 active sponsors
- Unfunded commitments of \$2.5B and Net Asset Value of \$4.8B
- Contributions of \$319.2M outpaced distributions of \$216.7M for the quarter
- Contributions of \$968.0M outpaced distributions of \$742.5M over the last 12 months (LTM)

Performance

- 88.4% of investments generated Net Value gains over the LTM
 - ICG Europe Fund VI, L.P. generated the largest Net Value gain, appreciating \$41.2M
 - Carlyle Energy Mezzanine Opportunities Fund-Q, L.P. generated the largest Net Value loss, depreciating \$9.4M
- 8.9% since inception IRR performance remained relatively steady over the LTM
- HY Portfolio IRR outperformed the Portfolio Benchmark (Barclays US HY Index) over the 1-YR, 3-YR, 5-YR, and since-inception periods

Exposure

- 2017 VY investments accounted for 11.0% of Total Exposure as of December 31, 2017
 - 2017 VY investments accounted for 7.9% of Portfolio Commitments
- Opportunistic investments accounted for 40.2% of Portfolio NAV
 - Opportunistic investments generated a Since Inception IRR of 11.4% as of December 31, 2017
- Largest Portfolio Company by Exposed NAV: - \$65.8M – 1.1% of Exposed MV

Quarterly Review

- Portfolio performance was positive during the quarter
 - Net value gain of \$123.7M
 - 1-Qtr point-to-point IRR of 2.7%

Client Overview

Program Inception:

2007

HL Relationship Inception:

2017

Private Market Strategy:

High Yield/Private Credit

Plan Size (as of 12/31/17):

\$55.3B

Current Allocation:

8.7%

Target Allocation:

8.0%

Benchmarks:

Barclays Corporate HY Index TWR

S&P Leveraged Loan Index TWR

PSERS High Yield/Private Credit Portfolio

(\$M)	9/30/2017	12/31/2017	Change
Active Partnerships	41	43	2
Inactive Partnerships	2	2	-
Active GP Relationships ¹	16	17	1
Capital Committed ²	\$9,812.3	\$10,219.0	\$406.7
Unfunded Commitment	\$2,447.3	\$2,546.6	\$99.3
Paid-In Capital	\$7,715.7	\$8,034.9	\$319.2
Capital Distributed	\$5,186.0	\$5,402.7	\$216.7
NAV ³	\$4,593.1	\$4,819.3	\$226.2
Evergreen	\$1,716.2	\$1,868.0	\$151.8
Finite Life	\$2,877.3	\$2,952.7	\$75.4
MoC	1.3x	1.3x	-
Avg. Age of Commitments	4.6 years	4.7 years	0.1 years

Since Inception IRR Performance

Portfolio IRR ⁴	8.8%	8.9%	10 bps
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¹ The High Yield/Private Credit Portfolio includes PD Internal investments and Oxygen currency hedge; however, these investments are not reflected in the Active GP Relationship count.

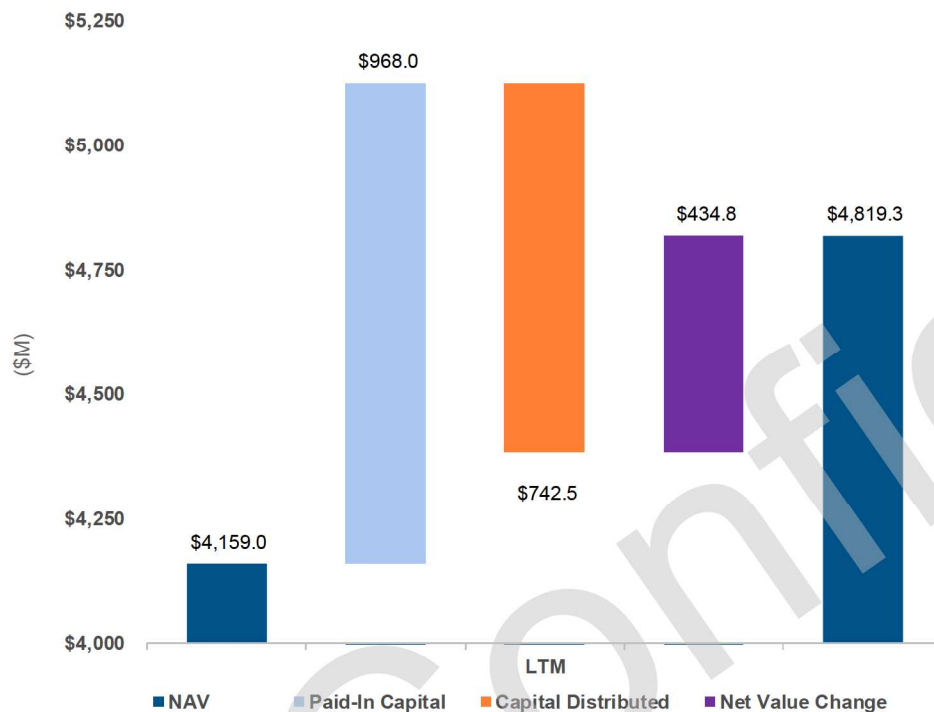
² The change in capital committed during the period is attributable to fluctuations in exchange rates for non-US denominated funds, new commitments made during the period, and an increase in commitment to existing funds

³ Fund structure of Oxygen currency hedge classified as "N/A", thus Portfolio NAV not equal to sum of Evergreen and Finite Life NAVs

⁴ Portfolio IRR includes fees paid to General Partners

LTM Review

- Portfolio performance was positive during the 1-YR period
 - Net value gain of \$434.8M
 - 1-YR point-to-point IRR of 10.3%



PSERS High Yield/Private Credit Portfolio			
(\$M)	12/31/2016	12/31/2017	Change
Active Partnerships	39	43	4
Inactive Partnerships	2	2	-
Active GP Relationships ¹	15	17	2
Capital Committed ²	\$9,385.7	\$10,219.0	\$833.3
Unfunded Commitment	\$2,555.6	\$2,546.6	(\$9.0)
Paid-In Capital	\$7,066.9	\$8,034.9	\$968.0
Capital Distributed	\$4,660.2	\$5,402.7	\$742.5
NAV ³	\$4,159.0	\$4,819.3	\$660.3
Evergreen	\$1,467.3	\$1,868.0	\$400.7
Finite Life	\$2,687.5	\$2,952.7	\$265.2
MoC	1.2x	1.3x	0.1x
Avg. Age of Commitments	4.0 years	4.7 years	0.7 years
Since Inception IRR Performance			
Portfolio IRR ⁴	8.7%	8.9%	20 bps

¹ The High Yield/Private Credit Portfolio includes PD Internal investments and Oxygen currency hedge; however, these investments are not reflected in the Active GP Relationship count.

² The change in capital committed during the period is attributable to fluctuations in exchange rates for non-US denominated funds, new commitments made during the period, and an increase in commitment to existing funds

³ Fund structure of Oxygen currency hedge classified as "N/A", thus Portfolio NAV not equal to sum of Evergreen and Finite Life NAVs

⁴ Portfolio IRR includes fees paid to General Partners

New Commitments

- The Portfolio made 7 new primary investments in 2017, totaling \$925.0M
 - 6 existing GP relationships
 - 1 new GP relationship
- The Portfolio also completed two new co-investments in the PD Internal Program (“PDIP”), which are not included in the chart below

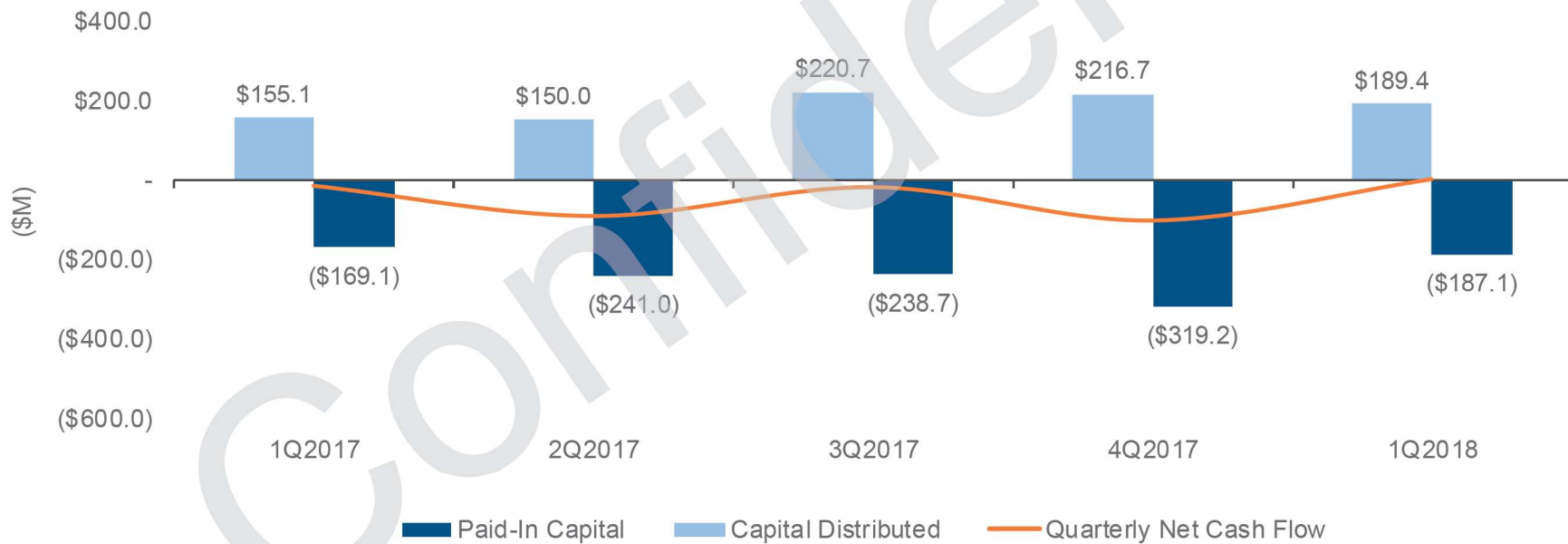
2017 Commitment Summary (\$M)

Investment	Strategy	Committed
Apollo European Principal Finance Fund III	Opportunistic	\$ 200.0
Avenue Energy Opportunities Fund II	Opportunistic	100.0
Bain Capital Special Situations Asia (Strategy Inclusion)	Opportunistic	75.0
Cerberus PSERS Levered Loan Opportunities Fund (Increase)	Senior Loans	75.0
Galton Onshore Mortgage Recovery Fund IV, L.P.	Real Assets	150.0
PIMCO BRAVO Fund III Onshore Feeder, L.P.	Real Assets	250.0
Park Square – PSERS Credit Opportunities Fund (Increase)	Senior Loans	150.0
Total (2017)¹		\$ 925.0

¹ Total 2017 new commitments exclude \$75M commitment to Bain Capital Special Situations Asia since this commitment will be funded via PSERS’ existing managed account with Bain Capital Credit

Quarterly Net Cash Flow Activity

- Contributions of \$319.2M outpaced distributions of \$216.7M for the quarter
- Contributions of \$968.0M outpaced distributions of \$742.5M over the LTM ended December 31, 2017
 - During 1Q2018, preliminary quarterly distributions of \$189.4M outpaced quarterly contributions of \$187.1M



Top Quarterly Contributors and Distributors
Top Cash Flow Contributors during the Quarter (\$M)

Partnership	VY	Strategy	Paid-In	% of Total
Cerberus PSERS Levered Loan Opportunities Fund, L.P.	2015	Senior Loans	\$48.1	15.1%
PIMCO BRAVO Fund Onshore Feeder III, L.P.	2017	Real Assets	\$38.4	12.0%
Carlyle Energy Mezzanine Opportunities Fund II, L.P.	2015	Mezzanine	\$38.3	12.0%
Bain Capital Distressed and Special Situations 2016 (A), L.P.	2015	Opportunistic	\$36.3	11.4%
LBC-P Credit Fund, L.P.	2016	Senior Loans	\$35.0	11.0%
Total			\$196.1	61.4%

Top Cash Flow Distributors during the Quarter (\$M)

Partnership	VY	Strategy	Distributed	% of Total
International Infrastructure Finance Company Fund, L.P.	2013	Real Assets	\$59.0	27.2%
Bain Capital Distressed and Special Situations 2013 (A), L.P.	2012	Opportunistic	\$42.4	19.6%
Apollo European Principal Finance Fund II (Dollar A), L.P.	2012	Opportunistic	\$28.3	13.1%
ICG Europe Fund V, L.P.	2011	Mezzanine	\$18.0	8.3%
Varde Scratch and Dent Feeder, L.P., The	2014	Real Assets	\$14.9	6.9%
Total			\$162.6	75.0%

Top LTM Contributors and Distributors

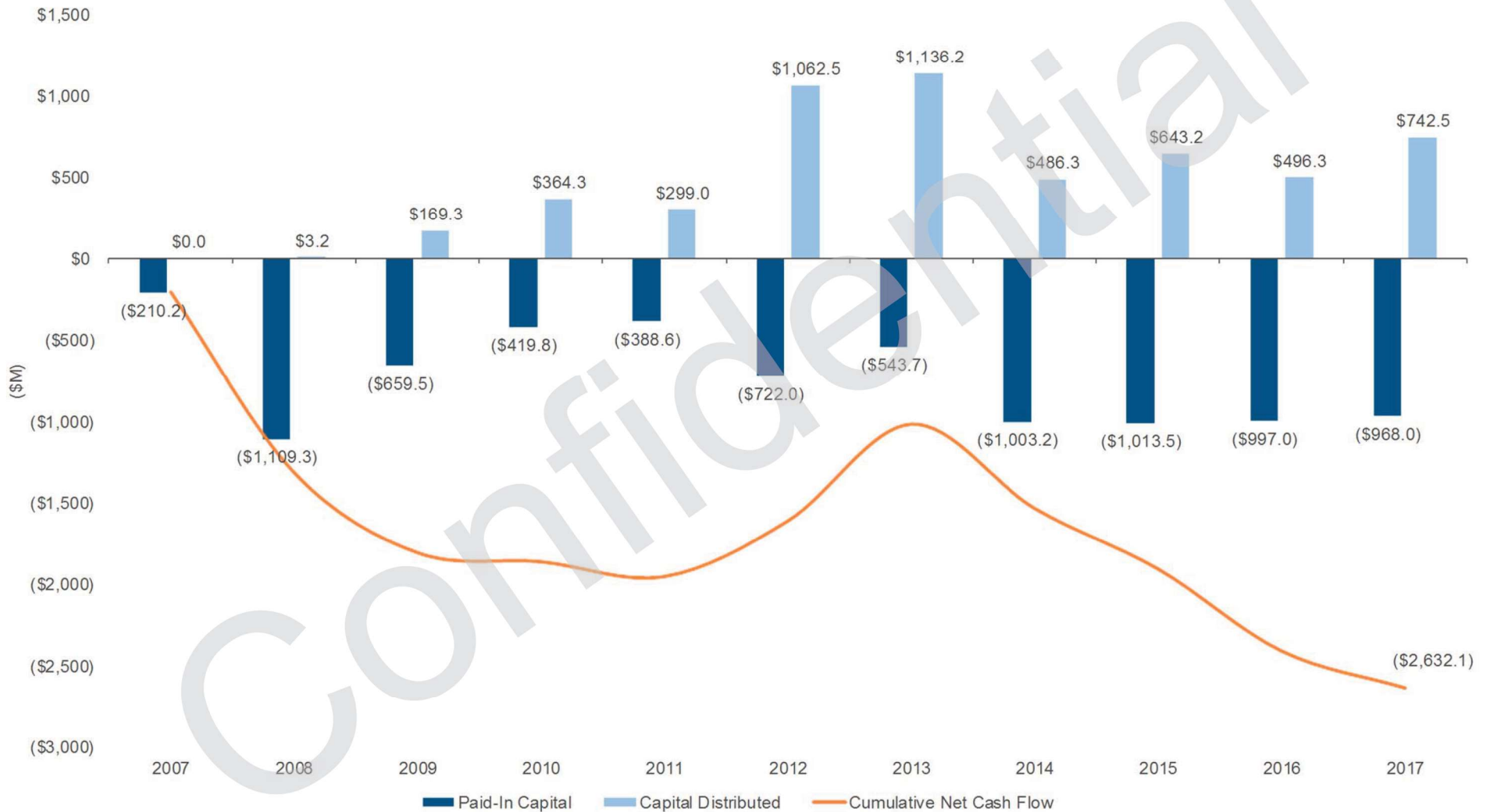
Top Cash Flow Contributors During the Year (\$M)

Partnership	VY	Strategy	Paid-In	% of Total
Cerberus PSERS Levered Loan Opportunities Fund, L.P.	2015	Senior Loans	\$132.3	13.7%
LBC-P Credit Fund, L.P.	2016	Senior Loans	\$105.0	10.8%
ICG Europe Fund VI, L.P.	2015	Mezzanine	\$84.0	8.7%
Carlyle Energy Mezzanine Opportunities Fund II, L.P.	2015	Mezzanine	\$64.5	6.7%
Bain Capital Distressed and Special Situations 2016 (A), L.P.	2015	Opportunistic	\$62.9	6.5%
Total			\$448.7	46.4%

Top Cash Flow Distributors During the Year (\$M)

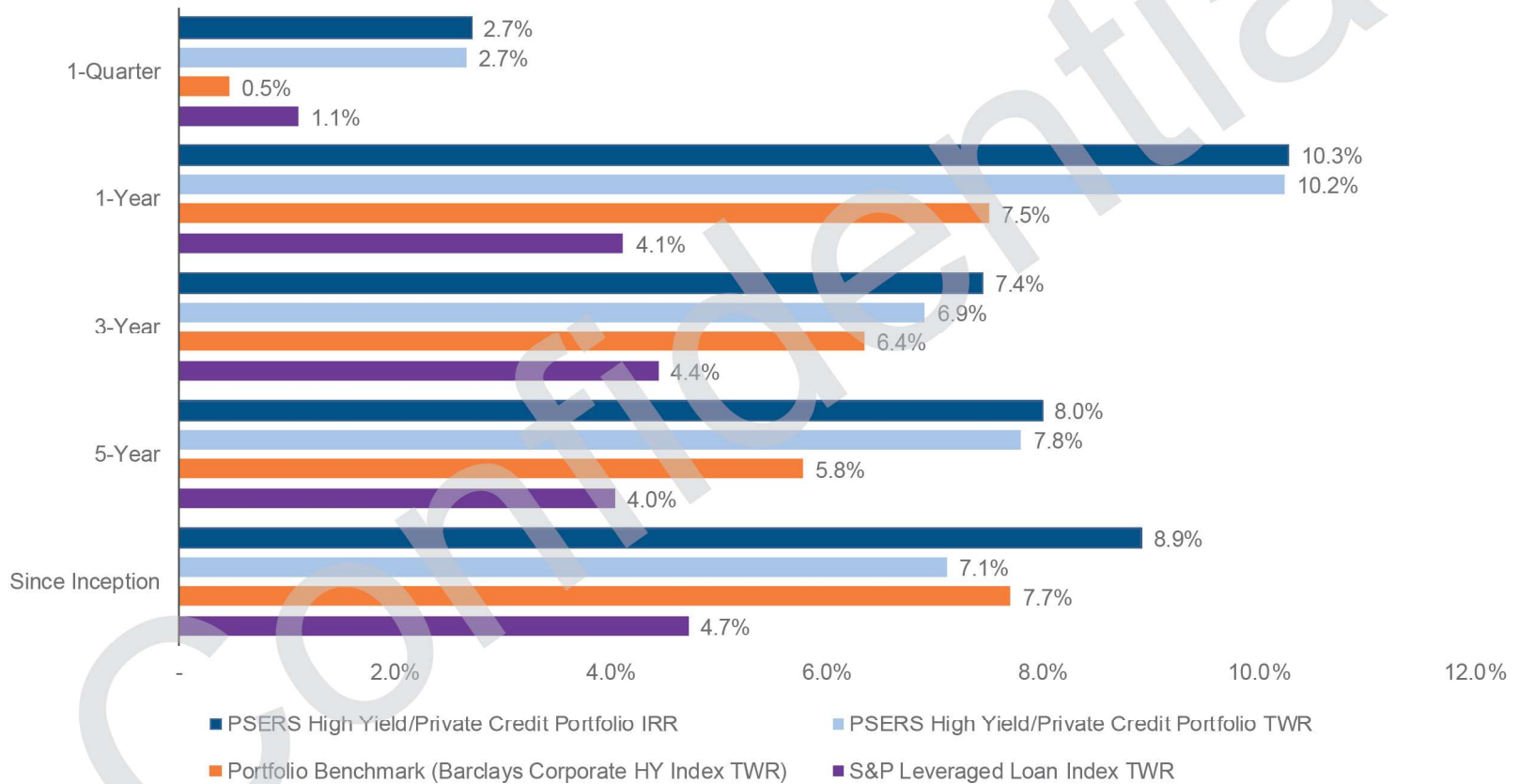
Partnership	VY	Strategy	Distributed	% of Total
Apollo European Principal Finance Fund II (Dollar A), L.P.	2012	Opportunistic	\$86.2	11.6%
Bain Capital Distressed and Special Situations 2013 (A), L.P.	2012	Opportunistic	\$79.0	10.6%
Galton Onshore Mortgage Recovery Fund III, L.P.	2013	Real Assets	\$71.3	9.6%
ICG Europe Fund V, L.P.	2011	Mezzanine	\$69.7	9.4%
International Infrastructure Finance Company Fund, L.P.	2013	Real Assets	\$67.9	9.1%
Total			\$374.1	50.4%

Cumulative Net Cash Flow Activity through December 31, 2017



Performance vs. Benchmark

- The Portfolio IRR outperformed the Portfolio Benchmark over all time periods while the Portfolio TWR outperformed the Portfolio Benchmark over the 1-QTR, 1-YR, 3-YR, and 5-YR time periods
- The Since Inception IRR and TWR outperformed the S&P Leveraged Loan index over all time periods



Note: The Total Portfolio returns include hedging of foreign currency since June 2015; prior to this date, the foreign currency was not hedged

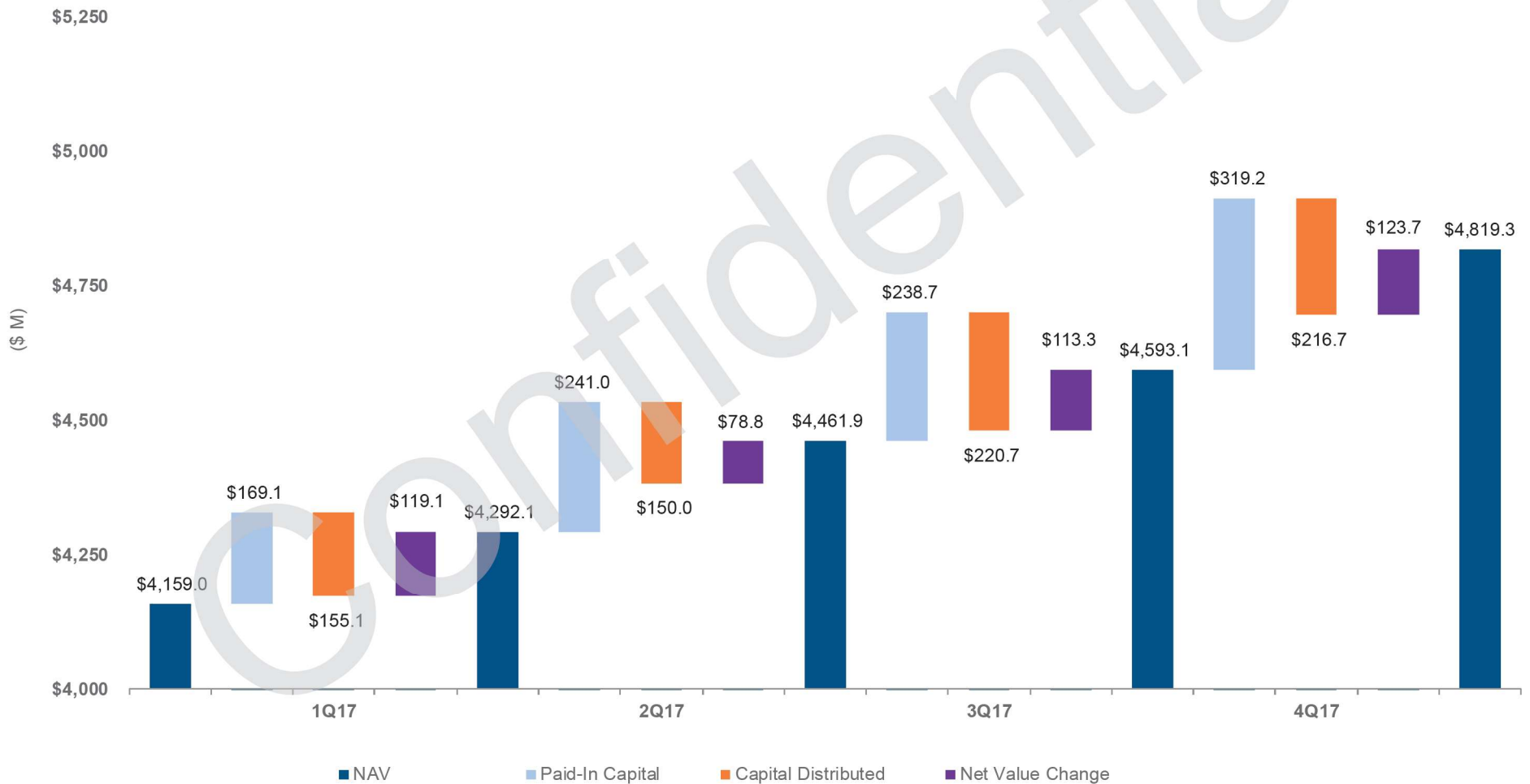
Note: Barclays US Corporate High Yield Index and S&P Leveraged Loan Index data provided by Aon.

* Dollar-weighted (IRR); Time-weighted (TWR)

** Since Inception date: October 2007

Quarter-over-Quarter Net Value Bridge

- Net Value Change isolates the realized and unrealized performance of the underlying investments made by partnerships in the Portfolio. The Net Value Bridge illustrates these movements
- The Portfolio generated a Net Value Gain in each quarter over the last year



Top & Bottom Quarterly Contributors/Detractors ¹

Top Quarterly Contributors as Measured by Net Value Change (\$ in Millions)

(\$M) Investment	VY	Quarterly Appreciation	12/31/17 NAV	1-Qtr IRR	Since Inception IRR
Bain Capital Distressed and Special Situations 2013 (A), L.P.	2012	\$14.9	\$262.5	5.7%	6.5%
ICG Europe Fund VI, L.P.	2015	\$12.9	\$143.2	9.4%	58.7%
Bain Capital Credit Managed Account (PSERS), L.P.	2009	\$9.0	\$376.5	2.4%	9.0%
Avenue Energy Opportunities Fund, L.P.	2014	\$8.6	\$252.3	3.5%	11.8%
ICG Europe Fund V, L.P.	2011	\$6.8	\$149.8	4.6%	7.9%
Appreciation (Top 5)		\$52.2	\$1,184.3	4.5%	9.1%
Appreciation (Remaining 32)		\$79.9	\$3,389.8	2.5%	9.5%
Total Appreciation (37)		\$132.1	\$4,574.1	3.0%	9.4%

Bottom Quarterly Detractors as Measured by Net Value Change (\$ in Millions)

(\$M) Investment	VY	Quarterly Depreciation	12/31/17 NAV	1-Qtr IRR	Since Inception IRR
TOP NPL (A), L.P.	2011	(\$2.4)	\$13.0	(15.2%)	19.8%
Cerberus Levered Loan Opportunities Fund II, L.P.	2012	(\$0.8)	\$127.4	(0.6%)	8.3%
International Infrastructure Finance Company Fund, L.P.	2013	(\$0.5)	\$87.8	(0.5%)	7.4%
Galton Onshore Mortgage Recovery Fund IV, L.P.	2017	(\$0.3)	\$7.2	N/A	N/A
Oaktree Loan Fund 2x, L.P.	2007	(\$0.1)	\$11.2	(0.7%)	2.6%
Depreciation (Top 5)		(\$4.1)	\$246.6	(1.6%)	5.7%
Total Depreciation (5)		(\$4.1)	\$246.6	(1.6%)	5.7%
Total Portfolio (43)		\$123.7	\$4,819.3	2.7%	8.9%

¹ Performance relating to liquidated investments, the Oxygen currency hedge, and investments generating no value change during the year are included within Total Portfolio return figures

Top & Bottom LTM Contributors/Detractors ¹

Top LTM Contributors as Measured by Net Value Change (\$ in Millions)

(\$M) Investment	VY	LTM Appreciation	12/31/17 NAV	1-YR IRR	Since Inception IRR
ICG Europe Fund VI, L.P.	2015	\$41.2	\$143.2	64.4%	58.7%
ICG Europe Fund V, L.P.	2011	\$40.9	\$149.8	29.5%	7.9%
HayFin Special Opportunities Credit Fund (Parallel), L.P.	2012	\$34.6	\$127.1	26.2%	5.2%
Bain Capital Distressed and Special Situations 2013 (A), L.P.	2012	\$33.4	\$262.5	12.1%	6.5%
Bain Capital Credit Managed Account (PSERS), L.P.	2009	\$32.0	\$376.5	9.3%	9.0%
Appreciation (Top 5)		\$182.1	\$1,059.1	19.0%	8.5%
Appreciation (Remaining 33)		\$306.4	\$3,589.4	9.8%	9.5%
Total Appreciation (38)		\$488.5	\$4,648.5	11.9%	9.3%

Bottom LTM Detractors as Measured by Net Value Change (\$ in Millions)

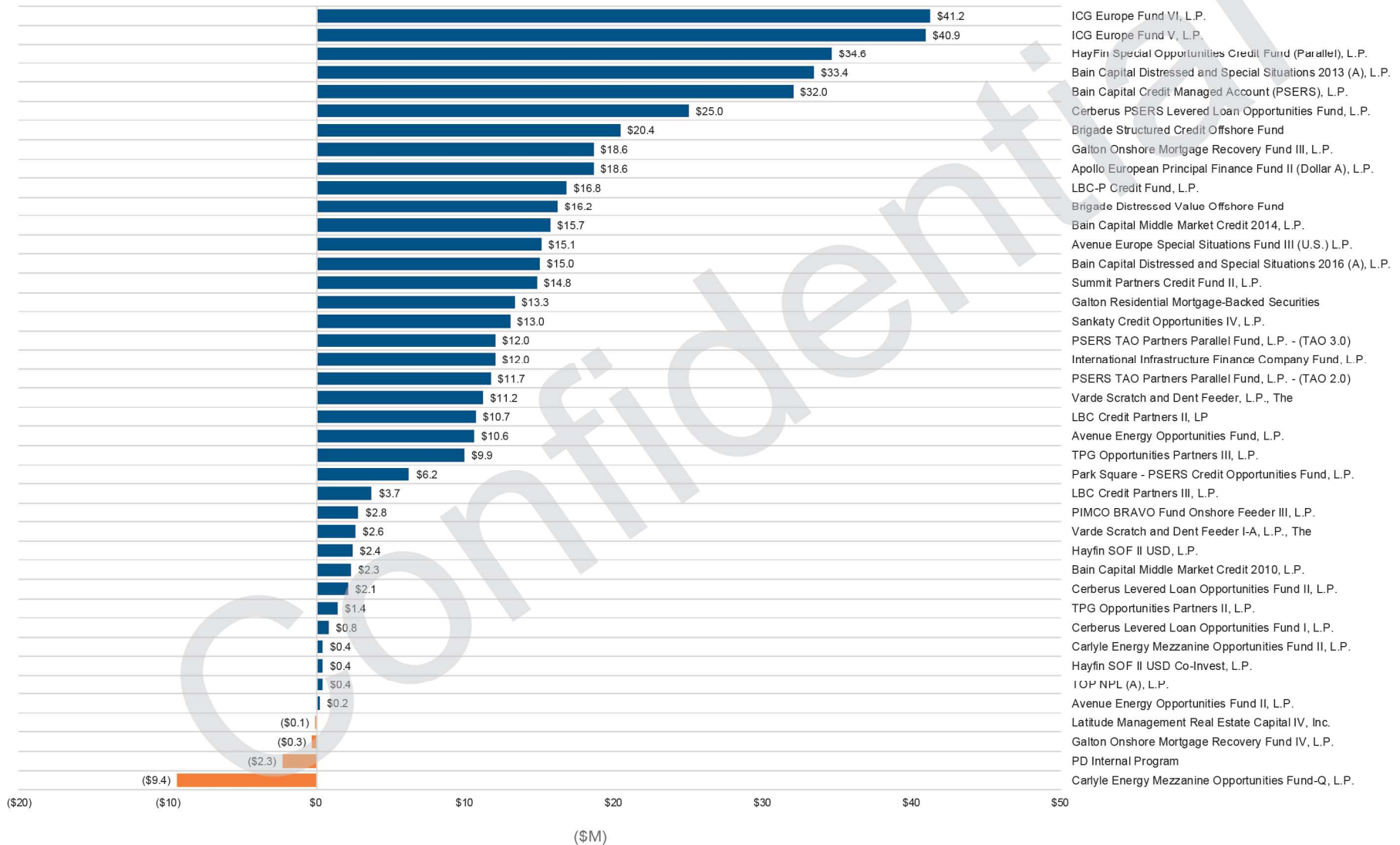
(\$M) Investment	VY	LTM Depreciation	12/31/17 NAV	1-YR IRR	Since Inception IRR
Carlyle Energy Mezzanine Opportunities Fund-Q, L.P.	2012	(\$9.4)	\$112.3	(9.5%)	(10.6%)
PD Internal Program	2013	(\$2.3)	\$42.3	(8.8%)	(15.7%)
Galton Onshore Mortgage Recovery Fund IV, L.P.	2017	(\$0.3)	\$7.2	N/A	N/A
Latitude Management Real Estate Capital IV, Inc.	2017	(\$0.1)	\$10.5	N/A	N/A
Depreciation (Top 4)		(\$12.1)	\$172.3	(9.2%)	(11.5%)
Total Depreciation (4)		(\$12.1)	\$172.3	(9.2%)	(11.5%)

Total Portfolio (43)		\$434.8	\$4,819.3	10.3%	8.9%
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¹ Performance relating to liquidated investments, the Oxygen currency hedge, and investments generating no value change during the year are included within Total Portfolio return figures

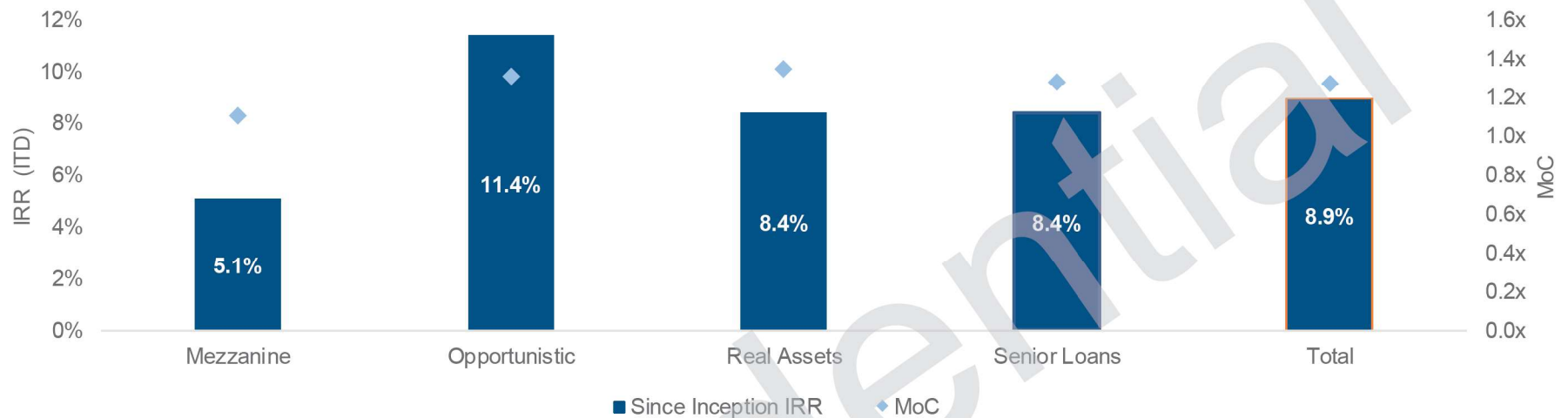
LTM Valuation Movements

- Portfolio appreciated \$434.8 million for the last 12 months (+10.2%)



Note: The Oxygen currency hedge, liquidated investments, and investments generating no value change during the year have been excluded from chart; however, their performance has been included in Total Portfolio Appreciation

Portfolio Strategic Diversification



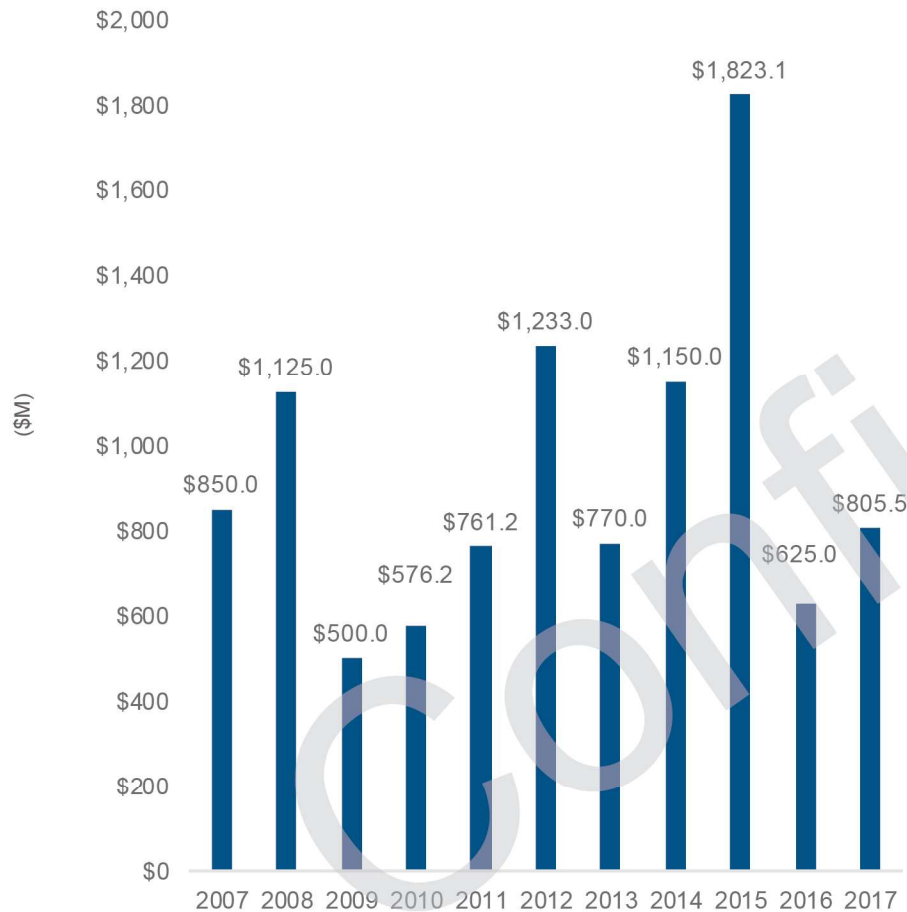
Strategy	NAV (\$M)	Total Exposure ¹ (\$M)	MoC	1 QTR IRR	1 YR IRR	3 YR IRR	5 YR IRR	Since Inception IRR
Mezzanine	\$729.3	\$1,035.7	1.1x	4.5%	16.4%	1.5%	4.4%	5.1%
Opportunistic	1,939.1	2,700.5	1.3x	3.2%	10.1%	9.0%	9.2%	11.4%
Real Assets	617.4	1,118.7	1.3x	1.2%	10.0%	6.9%	7.1%	8.4%
Senior Loans	1,534.9	2,508.7	1.3x	2.1%	11.4%	8.7%	8.6%	8.4%
Total	\$4,819.3	\$7,365.9	1.3x	2.7%	10.3%	7.4%	8.0%	8.9%

¹ Total Exposure = NAV + Unfunded Commitments

Note: The Oxygen currency hedge is included in the total performance

Portfolio Vintage Year Diversification

Historical Vintage Year Commitments



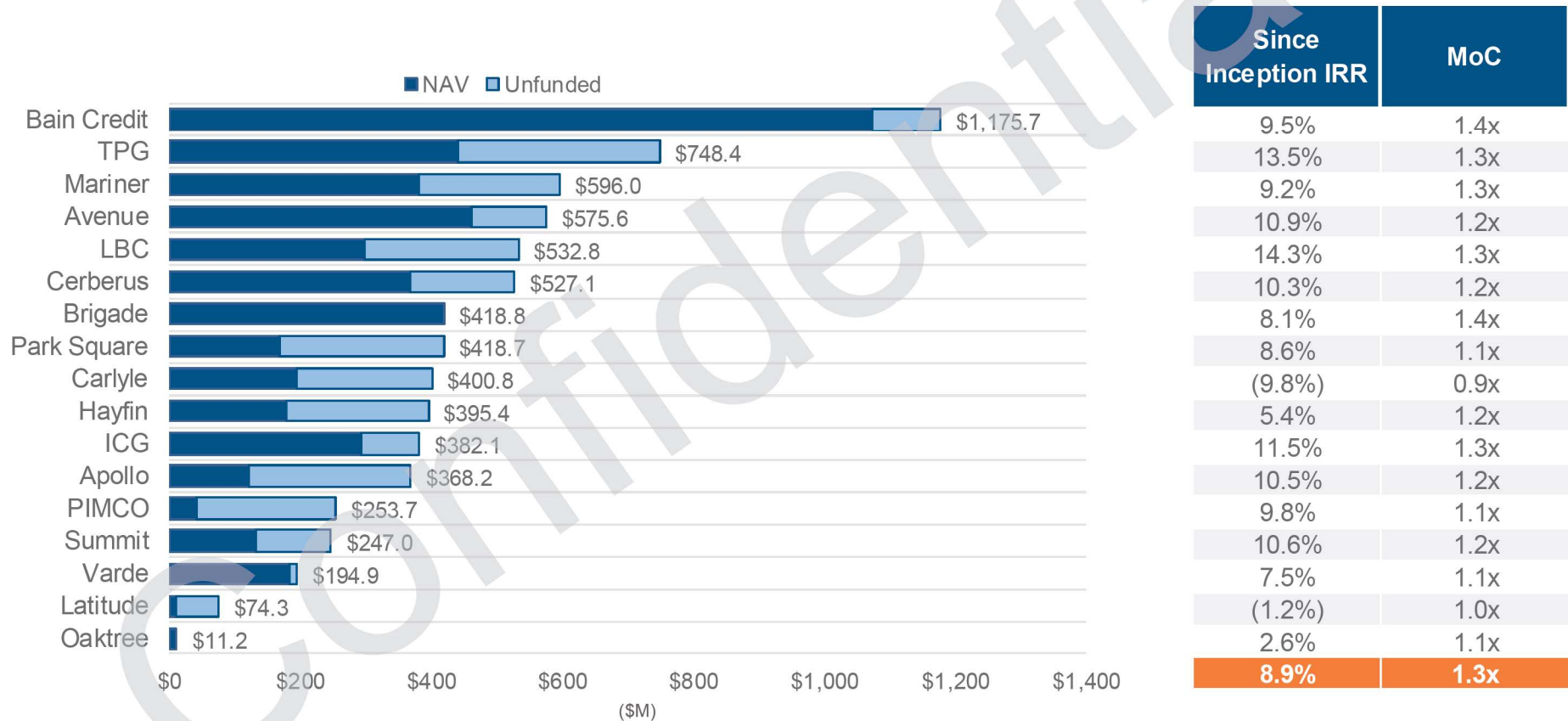
VY	Total Exposure ¹ (\$M)	MoC	Since Inception IRR
2007	\$11.2	1.3x	6.3%
2008	90.7	1.4x	13.9%
2009	376.5	1.6x	9.0%
2010	219.9	1.4x	9.7%
2011	415.6	1.4x	9.8%
2012	951.3	1.1x	5.1%
2013	585.7	1.1x	6.7%
2014	1,317.7	1.2x	9.4%
2015	1,953.1	1.2x	16.6%
2016	634.8	1.1x	14.3%
2017	809.2	1.0x	9.0%
Total	\$7,365.9	1.3x	8.9%

¹ Total Exposure = NAV + Unfunded Commitments

Note: The above analysis takes into account the vintage year of the fund, not necessarily when PSERS committed capital

Portfolio Relationship Exposure

- \$7.3 billion total exposure across 17 sponsors; comprised of \$4.8 billion NAV and \$2.5 billion undrawn capital
 - Largest exposure to Bain Credit across 6 Funds
 - Waning exposure to Oaktree as fund nears liquidation



** IRR and MoC figures are presented in local currency (EUR). In the case of Hayfin, returns were derived by taking a weighted average (based on USD reported NAV) of Fund I and Fund II Local returns given commitments are denominated in both EUR and USD

Note: The Oxygen currency hedge, liquidated investments, and PD Internal Program investments have been excluded from chart but are included in performance totals

Portfolio Holding Level Exposure

- The Portfolio's largest exposure was to the Financials sector
 - Zero of the top 10 holdings were classified within this sector
- The top Portfolio company,
 - Exposed market value: \$65.8M

Industry Exposure by Exposed Market Value ¹

Sector	9/30/2017	12/31/2017	Change
Financials	23.9%	21.7%	(2.2%)
Real Estate	17.7%	19.0%	1.3%
Consumer Discretionary	14.6%	15.6%	1.0%
Industrials	10.7%	11.0%	0.3%
Energy	9.3%	9.7%	0.4%
Health Care	5.7%	6.1%	0.4%
Information Technology	5.5%	5.6%	0.1%
Materials	5.5%	4.8%	(0.7%)
Consumer Staples	3.3%	2.9%	(0.4%)
Utilities	1.9%	1.9%	-
FoF Holding	0.8%	0.8%	-
Telecommunication Services	0.9%	0.8%	(0.1%)
Other Investments	0.3%	0.2%	(0.1%)

Geographic Exposure by Exposed Market Value ¹

Region	9/30/2017	12/31/2017	Change
North America	74.1%	75.1%	1.0%
Western Europe	21.7%	20.9%	(0.8%)
Rest of World	3.2%	3.1%	(0.1%)
Asia	1.1%	0.9%	(0.2%)

Public/Private Holdings by Exposed Market Value ¹

Public/Private	9/30/2017	12/31/2017	Change
Private	94.8%	95.0%	0.2%
Public	5.2%	5.0%	(0.2%)

¹ Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level. May not sum to 100% due to rounding.

Top Ten Underlying Companies

Rank	Company Name	Partnership	Public/Private	Sector	Country	NAV ¹	% of Portfolio	Prior Rank
1			Private	Industrials	Germany	\$65.8	1.1%	1
2			Private	Consumer Discretionary	United States	53.3	0.9%	N/A
3			Private	Energy	United States	51.5	0.9%	3
4			Private	Energy	United States	42.3	0.7%	4
5			Private	Energy	United States	41.1	0.7%	6
6			Private	FoF Holding	Cayman Islands	40.1	0.7%	5
7			Private	Industrials	United Kingdom	27.2	0.5%	N/A
8			Private	Health Care	United States	27.1	0.5%	N/A
9			Private	Energy	United States	26.8	0.4%	N/A
10			Private	Materials	Netherlands	26.2	0.4%	8
Total						\$401.4	6.8%	

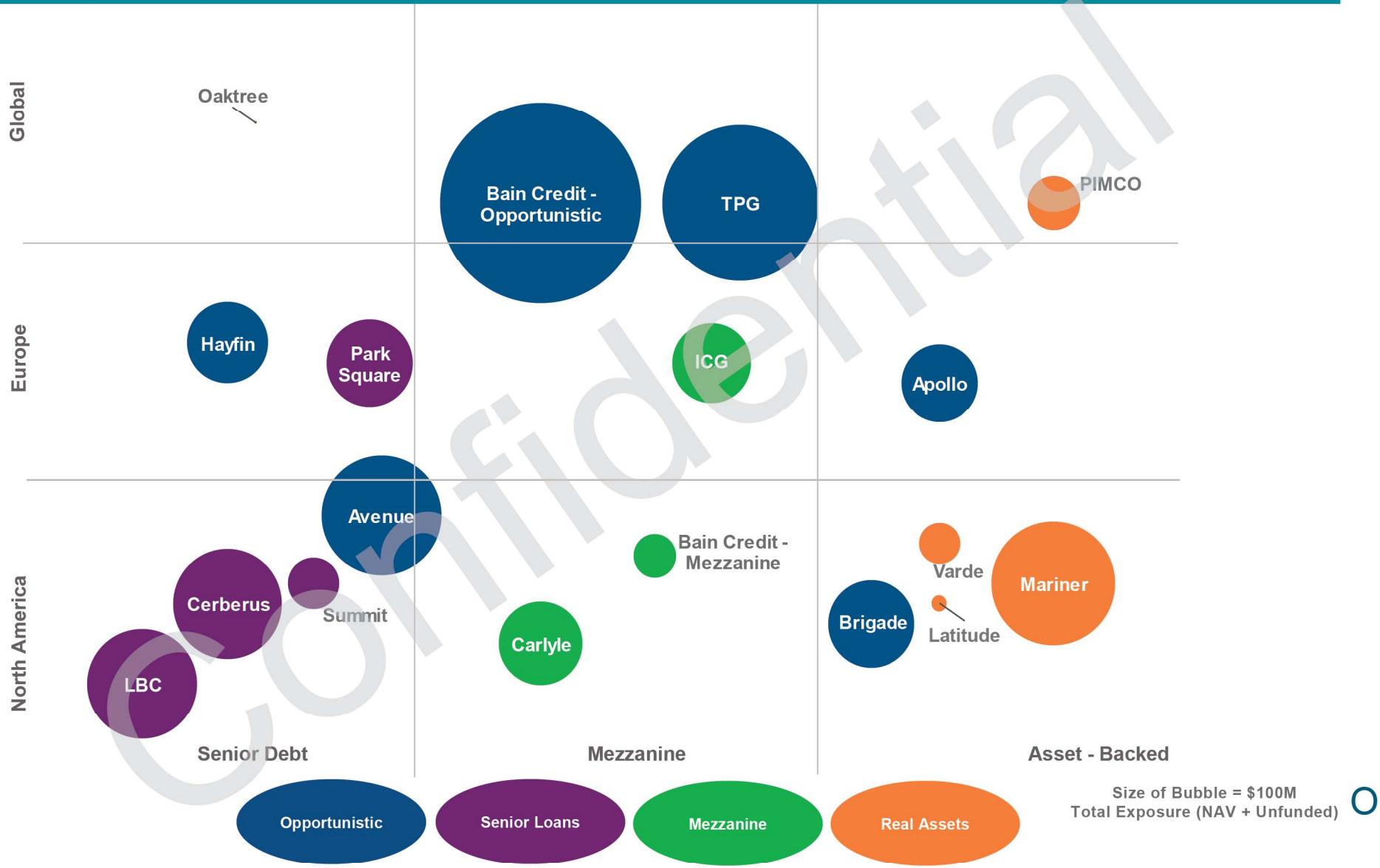
¹ Exposed Market Value is LP's share of Market Value at the Portfolio Holding Level. Total may not sum due to rounding.

Fund	Vintage Year	Strategy	Commitment	Contributions	Distributions	NAV	Since Inception IRR	DPI	MoC
Apollo European Principal Finance Fund II (Dollar A), L.P.	2012	Opportunistic	\$200,000,000	\$265,267,762	\$205,964,519	\$121,420,749	10.5%	0.8x	1.2x
Apollo European Principal Finance Fund III, L.P.	2017	Opportunistic	200,000,000	-	-	-	N/A	N/A	N/A
Avenue Energy Opportunities Fund II, L.P.	2017	Opportunistic	100,000,000	25,000,000	-	25,203,364	1.2%	-	1.0x
Avenue Energy Opportunities Fund, L.P.	2014	Opportunistic	200,000,000	200,482,570	4,292,342	252,281,207	11.8%	0.0x	1.3x
Avenue Europe Special Situations Fund III (U.S.) L.P.	2015	Opportunistic	200,000,000	161,576,694	405,469	183,404,013	9.3%	0.0x	1.1x
Bain Capital Credit Managed Account (PSERS), L.P.	2009	Senior Loans	500,000,000	500,000,000	425,000,000	376,516,323	9.0%	0.9x	1.6x
Bain Capital Distressed and Special Situations 2013 (A), L.P.	2012	Opportunistic	350,000,000	350,000,000	159,583,890	262,548,587	6.5%	0.5x	1.2x
Bain Capital Distressed and Special Situations 2016 (A), L.P.	2015	Opportunistic	250,000,000	157,875,000	4,219,200	180,010,778	17.5%	0.0x	1.2x
Bain Capital Middle Market Credit 2010, L.P.	2010	Mezzanine	250,000,000	242,500,000	267,552,873	32,580,288	9.6%	1.1x	1.2x
Bain Capital Middle Market Credit 2014, L.P.	2013	Mezzanine	200,000,000	190,000,000	48,174,215	167,322,297	6.2%	0.3x	1.1x
Blackrock Mortgage Investors, L.P.	2007	Real Assets	500,000,000	500,580,834	748,833,975	-	8.0%	1.5x	1.5x
Brigade Distressed Value Offshore Fund	2011	Opportunistic	100,000,000	100,000,000	-	159,399,605	7.7%	-	1.6x
Brigade Structured Credit Offshore Fund	2014	Opportunistic	200,000,000	200,000,000	-	259,446,759	8.6%	-	1.3x
Carlyle Energy Mezzanine Opportunities Fund II, L.P.	2015	Mezzanine	250,000,000	86,916,197	2,840,006	81,872,274	(4.2%)	0.0x	1.0x
Carlyle Energy Mezzanine Opportunities Fund-Q, L.P.	2012	Mezzanine	200,000,000	241,825,301	82,881,412	112,343,015	(10.6%)	0.3x	0.8x
Cerberus Levered Loan Opportunities Fund I, L.P.	2011	Senior Loans	200,000,000	164,921,336	188,784,699	8,759,325	7.5%	1.1x	1.2x
Cerberus Levered Loan Opportunities Fund II, L.P.	2012	Senior Loans	225,000,000	181,318,905	108,100,076	127,439,873	8.3%	0.6x	1.3x
Cerberus PSERS Levered Loan Opportunities Fund, L.P.	2015	Senior Loans	300,000,000	226,395,285	49,228,400	231,351,587	26.0%	0.2x	1.2x
Galton Onshore Mortgage Recovery Fund III, L.P.	2013	Real Assets	150,000,000	165,000,000	86,497,432	99,853,608	7.1%	0.5x	1.1x
Galton Onshore Mortgage Recovery Fund IV, L.P.	2017	Real Assets	150,000,000	7,500,000	-	7,188,536	(4.2%)	-	1.0x
Galton Residential Mortgage-Backed Securities	2010	Real Assets	326,181,940	326,181,940	304,661,427	187,327,300	9.8%	0.9x	1.5x
Hayfin SOF II USD Co-Invest, L.P.	2016	Senior Loans	40,000,000	6,443,383	153,836	6,818,920	7.6%	0.0x	1.1x
Hayfin SOF II USD, L.P.	2016	Senior Loans	160,000,000	50,815,253	8,441,280	45,324,594	8.3%	0.2x	1.1x
HayFin Special Opportunities Credit Fund (Parallel), L.P.	2012	Senior Loans	257,993,345	190,181,530	99,859,335	127,054,403	5.2%	0.5x	1.2x
ICG Europe Fund V, L.P.	2011	Mezzanine	261,215,837	294,923,761	210,375,718	149,777,313	7.9%	0.7x	1.2x
ICG Europe Fund VI, L.P.	2015	Mezzanine	173,126,162	108,011,831	9,520,253	143,169,252	58.7%	0.1x	1.4x
International Infrastructure Finance Company Fund, L.P.	2013	Real Assets	150,000,000	150,000,000	86,529,783	87,819,467	7.4%	0.6x	1.2x
Latitude Management Real Estate Capital IV, Inc.	2017	Real Assets	75,000,000	11,250,000	643,870	10,496,233	(1.2%)	0.1x	1.0x
LBC Credit Partners II, LP	2008	Senior Loans	375,000,000	348,832,992	432,685,596	34,676,603	15.1%	1.2x	1.3x
LBC Credit Partners III, L.P.	2013	Senior Loans	240,000,000	228,987,894	183,812,486	98,164,540	11.2%	0.8x	1.2x
LBC-P Credit Fund, L.P.	2016	Senior Loans	350,000,000	157,500,000	10,488,380	166,178,304	21.2%	0.1x	1.1x
Oaktree Loan Fund 2x, L.P.	2007	Senior Loans	350,000,000	350,181,233	375,134,448	11,213,452	2.6%	1.1x	1.1x

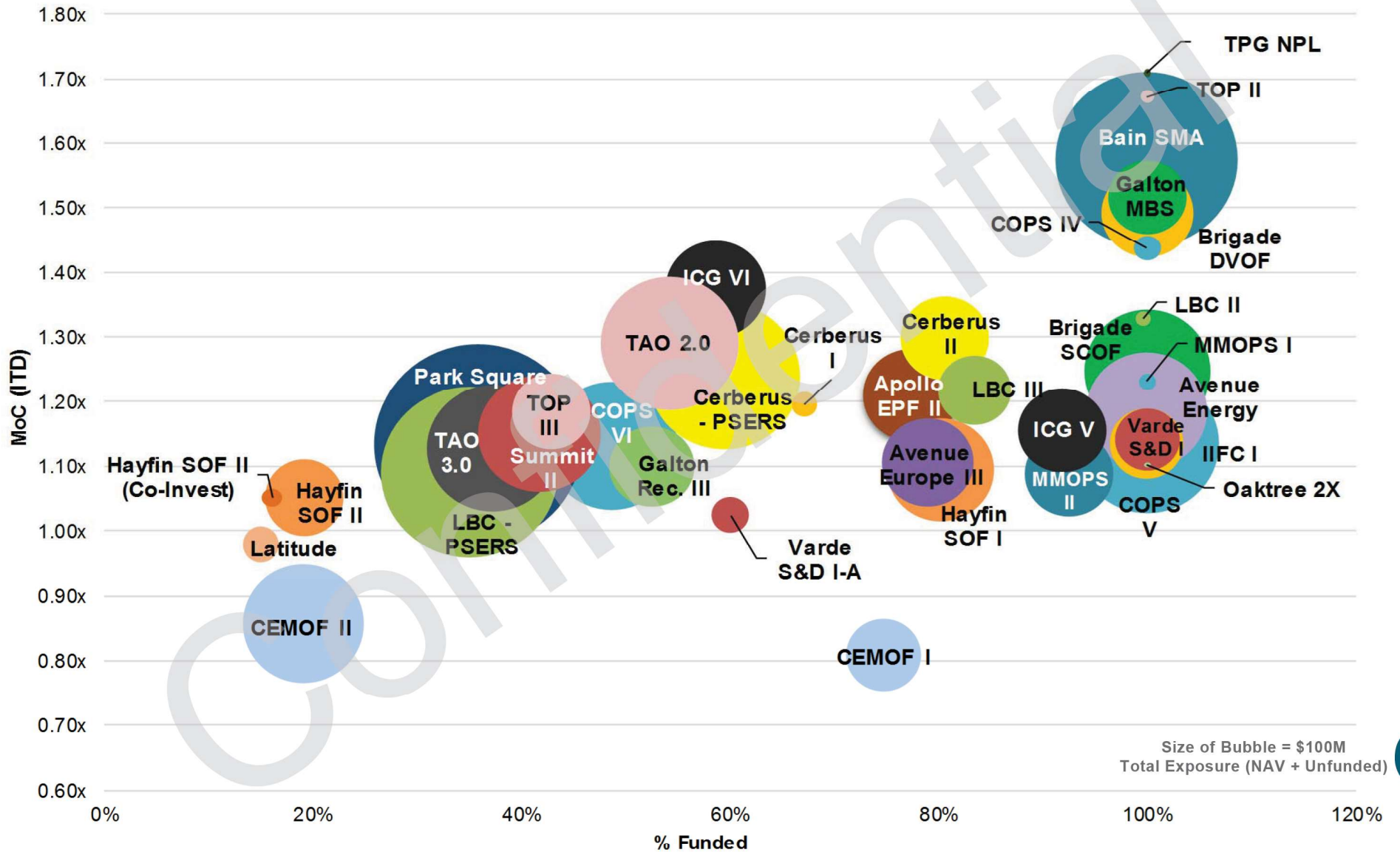
Fund	Vintage Year	Strategy	Commitment	Contributions	Distributions	NAV	Since Inception IRR	DPI	MoC
Park Square - PSERS Credit Opportunities Fund, L.P.	2015	Senior Loans	400,000,000	158,650,000	8,830,000	168,468,986	8.6%	0.1x	1.1x
PD Internal Program	2013	Mezzanine	60,487,022	60,165,930	2,017,990	42,266,588	(15.7%)	0.0x	0.7x
PIMCO BRAVO Fund Onshore Feeder III, L.P.	2017	Real Assets	250,000,000	38,398,814	-	41,159,136	9.8%	-	1.1x
PSERS TAO Partners Parallel Fund, L.P. - (TAO 2.0)	2014	Opportunistic	250,000,000	179,392,263	33,057,915	180,962,758	8.3%	0.2x	1.2x
PSERS TAO Partners Parallel Fund, L.P. - (TAO 3.0)	2015	Opportunistic	250,000,000	120,669,034	1,334,408	138,382,255	11.7%	0.0x	1.2x
Sankaty Credit Opportunities IV, L.P.	2008	Opportunistic	500,000,000	475,000,000	635,929,388	54,620,014	11.6%	1.3x	1.5x
Summit Partners Credit Fund II, L.P.	2014	Senior Loans	200,000,000	180,580,355	77,703,651	132,938,119	10.6%	0.4x	1.2x
TCW Credit Opportunities Fund, L.P.	2008	Opportunistic	250,000,000	212,500,000	288,930,527	-	21.5%	1.4x	1.4x
TOP NPL (A), L.P.	2011	Opportunistic	100,000,000	62,440,762	94,299,645	12,985,692	19.8%	1.5x	1.7x
TPG Opportunities Partners II, L.P.	2011	Opportunistic	100,000,000	69,900,623	90,757,749	26,560,971	16.4%	1.3x	1.7x
TPG Opportunities Partners III, L.P.	2014	Opportunistic	150,000,000	76,657,405	12,940,622	81,899,014	11.2%	0.2x	1.2x
Varde Scratch and Dent Feeder I-A, L.P., The	2016	Real Assets	75,000,000	63,750,000	2,142,315	64,522,515	6.4%	0.0x	1.0x
Varde Scratch and Dent Feeder, L.P., The	2014	Real Assets	150,000,000	150,078,274	56,998,766	119,040,703	7.7%	0.4x	1.2x
Total			\$10,219,004,307	\$8,034,854,936	\$5,402,705,923	\$4,819,274,069	8.9%	0.7x	1.3x

Note: The Oxygen currency hedge, has been excluded from chart; however, its performance has been included in the Total

Exposure by Security Type & Geographic Focus



MoC & Percent Funded



Note: The Oxygen currency hedge, liquidated investments, and PD Internal Program investments have been excluded from chart but are included in performance totals

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