

ICG Europe Fund IX SCSp Private Credit Recommendation

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January 2025

Today's Presentation

ICG Europe Fund IX SCSp (“Fund IX” or the “Fund”)

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 €150 million to the Fund*
3. Strategy & Expertise
 - *Demonstrated expertise in providing structured solutions to European borrowers*
4. Investment Considerations
5. Investment Highlights

Appendix

- Private Credit Dashboard
- Investment Committee Disclosure
- Performance Information

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 7.0% to Private Credit.
2. The current Private Credit allocation is within rebalancing ranges (+/-2%).
3. PSERS and Aksia's latest pacing analysis suggests \$550M – \$750M of commitments annually beginning in 2024 to maintain our target exposure to Private Credit (assuming prior SAA target of 6%).
4. This analysis is revisited frequently based on the actual performance of the Private Credit allocation and the broader PSERS portfolio.

SAA Allocation	
Private Credit Target	7.0%
Private Credit Actual	7.3% ¹
Pacing Budget for 2024	
Pacing Budget Range	\$550 - \$750M
Primary Investments	
2024 YTD Commitment	\$336M ³
Today's Recommendations	\$161M ³
Co-Investments	
2024 YTD Commitment	\$62.4M ⁵
Total Primary and Co-Investments	\$559M ³
Remaining Budget ²	\$91M
Est. Remaining Primary Fund Recommendations	\$153M
Expected to be in Target Budget Range for 2024?	Yes
Est. Co-Investment Capacity	\$277M ⁴

1. Private Credit Actual taken from Verus 2024 2Q – Total Fund Report

2. Remaining to the mid-point of the pacing budget

3. Based on exchange rate of 1.071612 EUR/USD as of June 30, 2024, Source: Burgiss

4. Co-Investment Capacity as of 6/30/2024.

5. Reflects commitments in USD to Togetherwork, Minimax, Ideagen, and Opella

2. Recommendation Overview

PSERS IO and Aksia recommend committing €150 million to Fund IX

Key Term	
Firm Name	Intermediate Capital Group (LSE:ICP)
Fund IX Investment Professionals / Employees	36 / 600+
Fund Name	ICG Europe Fund IX SCSp
Strategy Invested Capital, as of Q2'24	€19.7 billion
Target Return	16% Net Return
Target Fund Size	€10.0 billion
Recommended Commitment Amount	€150 million
GP Commitment	€500 million
Fund Structure	Closed-End
PSERS Existing Relationship	Yes
Notable Investment Committee Disclosure ¹	None

1. Detail in appendix (Slide 10).

3. Strategy & Expertise

Demonstrated expertise in providing structured solutions to European borrowers

Experienced Team: The Fund's strategy has over a 30-year track record of successful Pan-European investments. ICG has eight offices across Europe allowing for a local presence in each of its target markets. The Investment Committee brings continuity with over 100 years of collective experience working on ICG's European investment team, with an average tenure of 28 years per member.

Flexible Investment Strategy: ICG's investment strategy allows the Fund to invest flexibly in partnership with management teams to meet their stated objectives. The ICG Europe Strategy has evolved to focus on hybrid debt and structured equity investments, enabling cross-capital structure investment. The Fund may also invest in a variety of transaction types including corporate, opportunistic, and sponsor-backed situations, allowing the Fund to consistently deploy capital across market cycles to the transaction type that offers the best relative value.

Consistency of Returns: ICG's approach to financing performing, market-leading businesses, coupled with downside-protected structures, has resulted in consistency of returns over time. ICG has historically achieved performance in line with private equity strategies, they have done so more consistently along a narrower range of outcomes, while deriving more than two-thirds of returns from credit instruments historically.

4. Investment Considerations

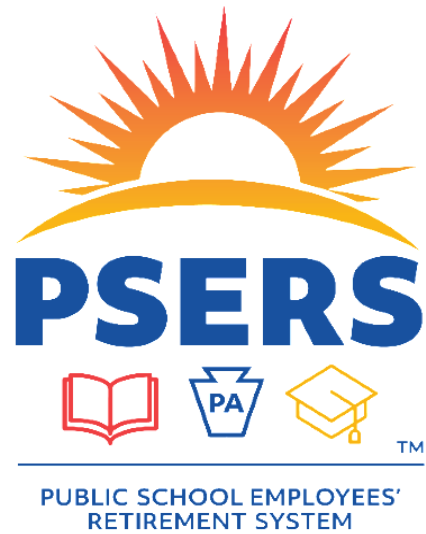
The Fund is expected to face risks consistent with European credit and structured equity investments, and staff believes that ICG has identified appropriate mitigants to those risks.

Risk	Detail	Mitigating Factors
Borrower Default Risk	As with any credit-related investment, a key risk to the Fund is default risk, or the risk that underlying borrowers fail to make required principal or interest payments.	<p><i>ICG portfolio companies typically exhibit a sustained track record of recurring revenue generation from products or services with proven market acceptance and low risk of technological obsolescence, prior to ICG's investment.</i></p> <p><i>In the event of a default, ICG has demonstrated an ability to maximize recovery, achieving an average gross MoC of 1.1x on defaulted transactions since in caption of the strategy.</i></p>
Portfolio Concentration	Relative to other private credit strategies, the Fund expects to have a more concentrated portfolio of 15 – 20 positions	<i>ICG has historically achieved narrowly banded returns on the portfolio level, despite featuring relatively concentrated portfolios. This speaks to the Firm's investment selection, partnering with strongly performing businesses, as well as structuring capabilities, which allows for both downside protection and enhanced controls via Board participation.</i>
Larger Fund Size	ICG has launched Fund IX with a €10 billion target relative to an €8 billion target for Fund VIII. This represents a 25% increase fund-over-fund	<p><i>ICG has proven effective at managing increasingly larger fund sizes, with each prior vintage deploying 100% of Fund equity commitments within the investment period and without extension.</i></p> <p><i>Dedicated investment professionals increased from 28 in Fund VIII to 36 in Fund IX. This represents a proportional increase in staff size to meet greater demands of an equivalent increase in Fund Size.</i></p>

5. Investment Highlights

Strong performance, established European presence, and Downside protection

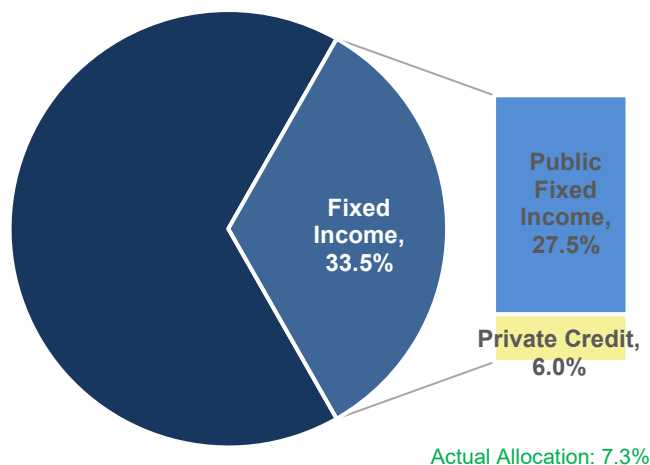
Highlight	Detail
Established Presence in Fragmented European Market	The European market is highly fragmented, consisting of diverse cultures and languages. For this reason, counterparties often choose ICG as a strategic partner to scale through geographic expansion, both across Europe and globally. This value-additive approach sets ICG apart from other scaled debt providers in Europe and allows ICG to maintain a high cost of capital.
Downside Protection	In addition to structural protections such as minimum contractual returns, equity subordination, and investor consents for subsequent indebtedness, ICG also seeks enhanced governance rights in each of its transactions. As a result of these protections, the ICG European Strategy has an attractive realized loss ratio of 0.8% historically.
PSERS' Strong Performance with ICG	PSERS' has previously committed €901 million to ICG-managed funds and co-investments, which have generated a net IRR / MoC of 15.2% / 1.59x, in Euro terms and Direct Alpha / KS PME of 12.7% / 1.71x, respectively, versus the private credit policy benchmark.



Appendix

Private Credit Portfolio *as of June 30, 2024*

Target Allocation to Private Credit as of 6/30/2024



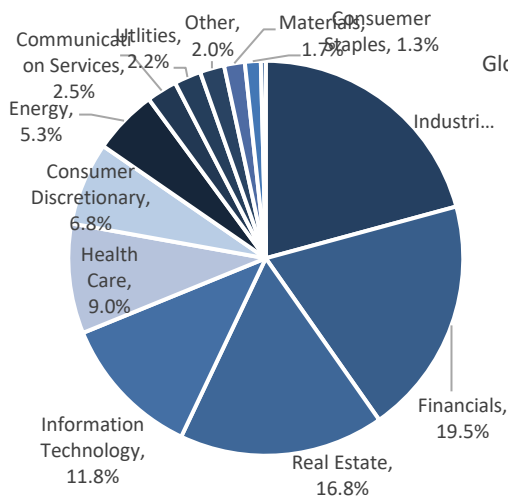
Source: Verus 2024 Q2 – Total Fund Report.

Recent Fund Deployment (\$M)

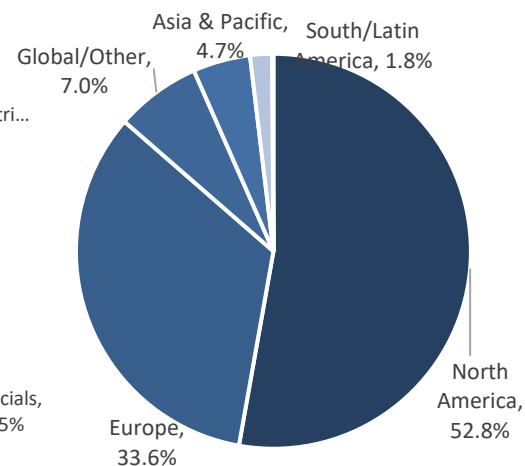
2024 Budget Items	
ICG Mid-Market II	€150m
ACORE Opportunistic Credit II, L.P	\$175m
Sixth Street SLE III*	\$165m

*Board Approved

Sector Diversification



Geography



PSERS Private Credit Portfolio Performance as of 6/30/2024

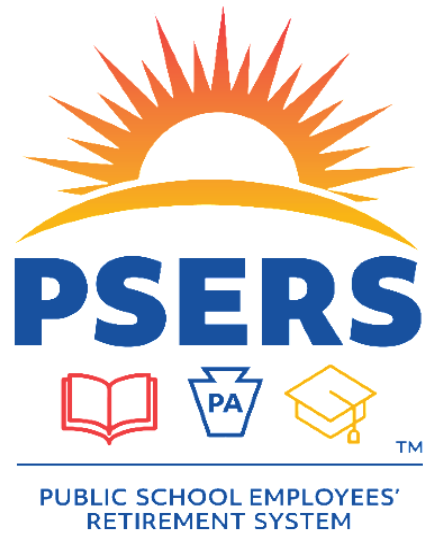
	Time-Weighted					Dollar-Weighted		
	1-Yr	3-Yr	5-Yr	10-Yr	ITD	KS PME	Direct Alpha	ITD
Direct Lending	12.6%	9.9%	8.6%	9.3%	8.1%	1.05x	1.8%	9.9%
Mezzanine	14.3%	8.0%	12.5%	10.3%	11.0%	1.13x	3.9%	10.7%
Distressed & Special Situations	10.2%	7.9%	7.6%	7.2%	7.1%	1.01x	0.2%	8.4%
Specialty Finance	12.3%	10.6%	23.1%	14.0%	13.0%	1.02x	1.1%	9.4%
Real Estate Credit	9.8%	7.7%	1.3%	2.1%	1.9%	0.89x	-4.9%	3.1%
Real Assets Credit	21.5%	21.0%	10.5%	4.1%	5.0%	0.88x	-3.0%	3.3%
Total Portfolio	12.0%	9.9%	8.4%	7.6%	7.4%	1.02x	0.6%	8.5%
Benchmark	13.3%	8.3%	7.6%	6.7%	7.0%			

Investment Committee Disclosure

Detail on PA presence and political contributions included in confidential memo

Disclosure	Response
Relationship with Aksia	As of June 30, 2024, twenty-two (22) current Aksia advisory and investment management clients have made total aggregate subscription and commitments of \$7.2 billion across investments managed by Intermediate Capital Group, including thirteen (13) current advisory accounts (\$5.4 billion) and ten (9) current investment management accounts (\$1.8 billion). As of October 25, 2024, there are four other Aksia clients considering a commitment to ICG Europe Fund IX. ¹
Introduction Source	PSERS IOP
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on 11/17/2024, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions	None.
PA Presence	None for recommended strategy.
Potential Conflicts	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in ICG IX.
Litigation Disclosure	ICG 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 ICG IX.
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 ICG IX.

1. Please note that this information, which is available to PSERS upon request, is subject to change pending further review and decision making between Aksia and its clients



ICG Europe Fund IX SCSp Private Credit Recommendation

Sean Sarraf, CFA, CAIA
Portfolio Manager

Michael Severance, CAIA
Intermediate Investment
Professional

December 2024

Manager Recommendation Memo



March 25, 2025

Board of Trustees
C/O Benjamin L. Cotton, Chief investment Officer
Pursuant to delegated authorization per Resolution 2025-18
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street
Harrisburg, PA 17101

Re: ICG Europe Fund IX SCSp

Dear Dr. Cotton:

Aksia LLC ("Aksia"), having been duly authorized by the Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement, Objectives, and Guidelines, a commitment of up to EUR 150 million to ICG Europe Fund IX SCSp ("ICG IX" or the "Fund").

Intermediate Capital Group PLC ("ICG" or the "Firm") was founded in 1989 as a mezzanine capital provider to European markets. The Firm expanded into adjacent asset classes before its IPO in 1994 and began managing third-party capital via SMAs shortly thereafter. The launch of a third-party mezzanine fund in 1998 marked ICG's entry into asset management. Today, ICG manages several business lines, across Corporate, Capital Markets, Real Asset and Secondary investments. Although the bulk of ICG's transactions remain in Europe, the Firm has twelve offices globally, which has broadened its geographical scope to include investments in North America, Asia Pacific, and Australia.

Similar to its predecessors, ICG IX will continue to focus predominantly on hybrid debt and structured equity investments, which typically comprise an equity position combined with various debt instruments of increasing seniority to create a blended 'intermediate' investment risk profile. Traditional mezzanine investments may also be featured in the portfolio. Investments are expected to be skewed towards higher quality middle and upper market companies. Overall ticket sizes tend to be more material in the context of invested enterprise values, compared to traditional mezzanine, and investment structures may benefit from elements of control through the equity structure, combined with downside protection through the debt structure. The Fund may opportunistically invest in secondary transactions, generally in more senior instruments. Overall target returns are expected to primarily comprise contractual returns (~75% historically) via PIK instruments; cash interest is expected to be limited and overall returns are likely to be back-ended and crystalized at the point of realization.

Aksia's recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of ICG's investment process, including a review of the sponsor, investment strategy, market positioning, investment personnel, and risk management;
 - Most recent investment due diligence review was conducted in August 2024.
- Due diligence of ICG's operations, including a review of its organizational structure, service providers, regulatory and compliance, LPA and financial statement analysis;
 - Most recent operational due diligence was conducted in July 2024.
- Evaluation of the ICG strategy within the context of the current investment environment; and
- Appropriateness of the ICG 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 these funds, 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,

A handwritten signature in blue ink, appearing to read "Tim Nest".

Tim Nest
Partner, Head of Private Credit

A handwritten signature in blue ink, appearing to read "Simon Fludgate".

Simon Fludgate
Partner, Head of Operational Due Diligence