



Secondary Fund Commitment

Coller International Partners VII, L.P.

April 30, 2015

See Last Page for Disclaimer

Charles J. Spiller, Managing Director
Private Markets and Real Estate

Coller International Partners VII, L.P. – Secondary Fund

Overview

- Fund size is \$5.5 Billion with a hard cap of \$6.5 Billion.
- Pursues investments in a private equity fund, a portfolio company or other assets in the secondary market.

Fund Strategy

- The firm believes they have the ability to deliver liquidity solutions in complex situations. There is typically a direct relationship between the challenges a seller faces in achieving liquidity and that seller's flexibility around pricing. Coller has developed the ability to craft liquidity solutions in even the most complex or challenging situations. Investments by Coller are highly customized to each seller's needs and often involve market innovations.
- Coller believes the market for secondary's will continue to grow, as the private equity asset class attracts new investors and increased allocations, and as investors continue to use secondary sales to manage the size and shape of their portfolios. The firm believes they are well positioned to develop the customized solutions these situations will require.

Investment Team

- Coller has a global team of 160 people, led by 15 partners and 50 investment professionals, which make them the world's largest group dedicated to secondary investing.
- The firm has offices in London, New York and Hong Kong.

Coller International Partners VII, L.P. – Secondary Fund

GP “Value Add”

- Consistent investment performance across economic cycles.
- Global platform for maximum investment flexibility.
- Market leading ability to deliver liquidity solutions in complex situations.
- A well suited approach to current market opportunity.
- A ‘single fund’ philosophy for complete alignment with investors.

Market Opportunity

- Coller believes that the strengths it brings to the market – a truly global platform, a deep talent pool, an entrepreneurial culture, a strong brand, a disciplined investment process, and highly developed risk management and execution capabilities – will enable the firm to continue identifying and executing attractive secondary investments.

Coller International Partners VII, L.P. – Secondary Fund

Risks and Mitigants

- Competition - Over the past several years, an increasing number of secondary investment funds and other capital pools targeted at the secondaries sector have been formed, and additional capital will likely be directed at this sector in the future. Coller's long history makes them uniquely positioned in this space.
- Market conditions for secondaries - Higher valuations and increased liquidity and return of capital in the private equity investments market may result in fewer attractive investment opportunities being available for the Fund. Their investment strategy is highly responsive to market conditions.
- No established market for secondary investments - There is not an established market for secondary investments and although there has been an increasing volume of sales of secondary investments, no liquid market is expected to develop. As a long term investor, it would be extremely unlikely PSERS would need to exit the fund before the term expires.

Performance as of December 31, 2014 (\$ Millions):

Fund Name	Vintage Year	Fund Size (\$M)	Fund Net Multiple	Fund Net IRR	Quartile Ranking
CIP I	1995	\$84	1.6x	23%	1st
CIP II	1998	\$240	1.6x	25%	1st
CIP III	2000	\$712	1.5x	16%	1st
CIP IV	2002	\$2,594	1.4x	12%	2nd
CIP V	2007	\$4,775	1.5x	10%	1st
CIP VI	2012	\$5,456	1.4x	25%	Too early

Coller International Partners VII, L.P. – Secondary Fund

History with PSERS

- This will be PSERS' second commitment to Coller. PSERS committed \$100 million to Coller International Partners VI, a 2012 vintage fund.

Board Issues

- Pennsylvania Presence – none.
- Placement Agents – N/A
- PA Political Contributions – none.
- Relationship with Consultant – none.

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount not to exceed \$100 Million plus reasonable normal investment expenses.

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April 8, 2015

Board of Trustees
Pennsylvania Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re: Collier International Partners VII, L.P.

Dear Trustees:

Collier Capital (“Collier” or “the Firm”) is sponsoring its seventh private equity fund, Collier International Partners VII, L.P. (“the Fund” or “CIP VII”). The Fund will pursue the same investment goals that Collier Capital has achieved since the founding of the business in 1990, seeking to identify, evaluate, structure and execute highly customized secondary investments in private equity assets. The strategy focuses on assembling a portfolio of seasoned secondary interests in limited partnerships and direct investments, typically at a discount to reported net asset value and diversified by manager, investment strategy, vintage year, geography, industry sector and type of fund. During the investment screening process, consideration is given to the impact of a prospective investment on the composition of the overall portfolio of that Collier Fund. Since its inception in 1990, Collier has grown to more than 160 employees including a team of more than 50 investment professionals. The majority of staff operates out of its headquarters located in London. A total of 29 employees (including 16 investment professionals) are based in the New York office and 2 people, both investment professionals, are located in Hong Kong, where Collier established an office in 2011. The General Partner will make a minimum capital commitment of 1% of aggregate commitments.

A key element of Collier’s investment strategy is focusing on buying fully or nearly fully invested portfolios. This allows Collier to employ a disciplined bottom-up approach to analyzing the underlying portfolio. Typically, mature funds have more companies close to realization than younger funds resulting in more predictable and timely distributions. Collier targets investment opportunities on a global basis. By identifying markets that are experiencing liquidity constraints or regulatory change, Collier can identify investors who are motivated to sell, resulting in higher quality opportunities. Collier believes that the private equity secondary market will continue to grow. The drivers for further development of the market are: a structural growth in the private equity asset class from increasing primary fundraising volumes; increasingly active approaches to portfolio management such as addressing over-exposures to “bubble-year” vintages; continued re-assessment by financial institutions of their approach to the asset class; sponsor-initiated transactions; the emergence of new sellers such as pension funds prompted by the move from defined benefit to defined contribution plans or institutional investors in Asia and emerging markets.



Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers and private equity professionals. The on-site due diligence visit was performed on November 13, 2014.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

The individuals at Portfolio Advisors who were primarily involved in the due diligence process for the Fund are:

Peter Schwanitz – Managing Director, Zurich Office
Mario Haidacher – Associate, Zurich Office

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$100 million of limited partnership interests in Collier International Partners VII, L.P. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

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. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,

WILLIAM J. INDELICATO
MANAGING DIRECTOR