



Public Investment Memorandum

CIM Infrastructure Fund III, L.P.

Private Infrastructure Commitment

February 10, 2022



Executive Summary

William P. Stalter, Senior Portfolio Manager, together with Hamilton Lane Advisors, L.L.C (“Hamilton Lane”), recommend to the Board a commitment not to exceed a combined \$250 million plus reasonable normal investment expenses, to CIM Infrastructure Fund III, L.P. and/or related investment vehicles (the “Fund” or “Infra III”).

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|---------------------------------|--|
| Fund Name | CIM Infrastructure Fund III, L.P. |
| Firm Name / General Partner | Firm: CIM Group, LLC (“CIM” or the “Firm”) General Partner (“GP”): CIM Infrastructure III GP, LLC Manager: CIM Capital, LLC |
| Target Fund Size | \$1.5 billion USD / \$2.5 billion USD hard cap |
| Recommended Commitment Amount | \$250 million USD |
| Existing Relationship | New Relationship |
| Source of Funds | Cash |
| Asset Class / Sub Asset Class | Real Assets / Private Infrastructure |
| Investment Office Due Diligence | William P. Stalter, Senior Portfolio Manager Cody E. Steele, Intermediate Investment Professional |
| Investment Office Oversight | William P. Stalter, Senior Portfolio Manager Cody E. Steele, Intermediate Investment Professional |
| External Consultant Oversight | Hamilton Lane |

The Firm

CIM was established in 1994 to be a leading partner for investors seeking to invest in real assets located in and serving urban communities with a principal focus on North America. CIM is an alternative real assets manager offering investment strategies in infrastructure and real estate. CIM continues to be led by its three original founders, Richard Ressler, Avi Shemesh, and Shaul Kuba, who have worked together to own and operate real assets for over 25 years. As of September 30, 2021, CIM has over \$28.8 billion of assets owned and operated, has over 1,000 U.S. based employees, and has invested in more than 725 assets in North America across its various strategies.

Market Opportunity

In the United States, the majority of infrastructure assets are owned on a state and local level, particularly those that fit the size profile that CIM expects to target in Infra III (consistent with its prior strategies). State and municipal funding sources for the maintenance and improvement of such infrastructure assets continue to be strained – while the secular demand for new and modern infrastructure assets continues to grow. This imbalance presents a significant opportunity for private capital with on-the-ground teams in relevant municipalities to provide funding for these critical assets and services. Specifically, Infra III will target investments in (i) renewable energy; (ii) digital infrastructure; (iii) waste and water management; and (iv) transportation and social infrastructure.

The underlying demand drivers vary in their specifics by sector but are generally tied to core measures of growth within the economy (population, GDP, housing starts, etc.), while each sector faces certain geography specific considerations as well (such as organic waste processing being more attractive in markets with bans on organic waste going to landfills or transportation projects potentially being more attractive in markets offering construction incentives). CIM’s local teams in key markets are well positioned to understand and capitalize on these opportunities as they arise.

Investment Team

CIM is an established manager that benefits from its global platform, which invests across real estate, credit, and infrastructure assets. Senior investment professionals bring more than 23 years of infrastructure investing experience on average and are specialized by sub-sector. CIM’s infrastructure investment platform is led by Jennifer Gandin, who has led CIM’s infrastructure strategy since its inception in 2007. She is supported by the various sector leads including



David Blackford (Digital Infrastructure), Simon Ang (Waste & Wastewater), and Damien Mitchell (Transportation & Energy Transition).

CIM's dedicated infrastructure investment team is supported by the General Partner's Real Assets Services Group. This team is a shared resource that provides asset management, development, construction, engineering, and operational expertise across CIM's real assets platform.

Investment Strategy

CIM has identified four key infrastructure sectors within North America where it intends to focus (i) renewable energy; (ii) digital infrastructure; (iii) waste and water management; and (iv) transportation and social infrastructure. CIM expects to focus on the smaller end of the infrastructure market with typical equity investments of \$50 million to \$150 million per transaction. CIM believes these opportunities may fall below the target range of many large-scale fund managers as well as the multitude of direct pension funds that typically target equity investments of \$500 million and above.

By leveraging its community-focused investment platform of over 1,000 employees across the United States as well as the wide external industry network of the senior infrastructure investment team, CIM will aim to source and secure proprietary investment opportunities. CIM also has an extensive real property related services team covering development and property management services to assist the investment teams in delivering upon more complicated value-added business plans.

Investment Instruments

Investment instruments primarily will consist of control equity stakes in companies, portfolios, and standalone assets in the renewable energy, digital infrastructure, waste and water management, transportation, and social infrastructure sectors. The Fund also may invest in debt securities and has discretion to enter into derivative transactions to hedge interest rate and foreign currency exposures.

Investment Highlights

- Strong track record over many years
- Experienced senior leadership team
- Expansive in-market operating presence
- Commitment to ESG

Investment / Risk Considerations

- General investment risks / mitigation in practice
- Use of financial leverage
- Allocation policy



Portfolio Fit

The Fund will be allocated to PSERS' Private Infrastructure portfolio. The table below summarizes PSERS' Private Infrastructure portfolio, as of 9/30/2021, inclusive of the recommended \$250 million commitment to the Fund.

PSERS Investment Office Professionals ("PSERS IOP" or "IOP") note that this \$250 million commitment would be the first Infrastructure Fund commitment of 2022 and remains below Hamilton Lane's previously presented \$800 million - \$1 billion pacing range for 2022 in Private Infrastructure. PSERS IOP also notes that as of September 30th, 2021, Private Infrastructure was 0.90% of PSERS total fund exposure compared to a long-term target in the current Strategic Asset Allocation (SAA) of 5.0%. Even with the pending current commitments, the allocation to Private Infrastructure will be well below the long-term target.

| Investment Type | Market Value | Unfunded | Total Exposure | Pending Current Recommendations | |
|-----------------|--------------|----------|----------------|---------------------------------|----------------|
| | | | | Dec 2021 + March 2022 | Total Exposure |
| Infrastructure | \$ 633.6 | \$ 907.7 | \$ 1,541.3 | \$ 550.0 | \$ 2,091.3 |

All dollar amounts in millions

Investment Committee Disclosure

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|--|---|
| Relationship with Hamilton Lane | Hamilton Lane represents clients with commitments to current and prior CIM funds. |
| Introduction Source | Hamilton Lane / PSERS IOP |
| Placement Agent | In accordance with Board policy, no placement agents were used, and no payments from or on behalf of PSERS to Placement Agents shall be made in connection with securing PSERS' investment in the Fund. Any placement fees paid by the Fund will be borne by the investors whose commitments gave rise to such fees and will also result in a corresponding reduction to such investors' management fees. No placement fees will be borne by PSERS. As confirmed by PSERS' Office of Chief Counsel on February 9, 2022, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy. |
| PA Presence | No material presence |
| PA Political Contributions | None Disclosed |
| Conflicts of Interest | PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS investment in the Fund. |
| PSERS History with the Investment Manager | New Relationship |
| Litigation Disclosure | CIM receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. At this time and to the best of CIM's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on CIM or the Fund. |
| Disclosure of External Manager-Paid Travel | CIM reimbursed and/or paid the following amounts related to PSERS IOP travel during the last two calendar years: 2020: \$0 2021: \$0 |
| Certification of Due Diligence Costs | IOP certifies there was no travel associated with the due diligence of Infra III and PSERS was not reimbursed for any costs related to the due diligence of Infra III. |
| PSERS Allocation Implementation Committee Approval | February 14, 2022 |