



Hamilton Lane

January 20, 2022

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

Re: CIM Infrastructure Fund III, L.P.

Dear Trustees:

CIM Group, Inc. ("CIM Group," "General Partner"), founded in 1994, was originally established as a vertically-integrated owner/operator of real assets and related credit strategies. Today, the General Partner is managed by an executive committee, which is comprised of the firm's managing partners including Richard Ressler, Avi Shemesh, and Shaul Kuba. The managing partners average approximately 23 years of total infrastructure experience and approximately 16 years of tenure with CIM. CIM's infrastructure platform is led by Jennifer Gandin, who has led CIM's infrastructure strategy since its inception in 2007. The dedicated, infrastructure-focused investment team consists of Ms. Gandin, four additional senior investment professionals and 16 mid- and junior-level professionals, as well as 14 dedicated operational professionals. CIM's dedicated, infrastructure investment team is further supported by the General Partner's Real Assets Services Group, which is expected to provide in-house expertise across development, contracting/leasing, permitting, engineering and day-to-day operations for Fund investments outside of the dedicated operations professionals. The General Partner expects the Fund to benefit from the broader CIM platform, which is comprised of 534 other professionals across Real Asset Services, compliance, operations, HR, legal, financial & capital markets, and marketing. The General Partner has experienced no senior-level turnover across its infrastructure platform to date. CIM is targeting \$1.5 billion in commitments from limited partners, with a hard cap of \$2.5 billion, for its third fund, CIM Infrastructure Fund III, LP (the "Fund"). CIM is planning on holding the first close in March 2022 on approximately \$700 million to \$1 billion in commitments and has a final close targeted for March 31, 2023. The General Partner will commit \$20 million to the Fund.

The General Partner seeks to continue its strategy from prior funds of improving existing infrastructure assets that enable the sustainable growth of urban communities in North America. CIM plans to invest the Fund into core-plus and value-add infrastructure assets within the renewable energy, digital infrastructure, waste/water management and transportation/social infrastructure sectors. The General Partner plans to invest across the capital stack in high-quality, core-plus and value-added opportunities targeting the lower, middle-market space where it believes there is less competition and greater opportunity for value creation. CIM expects the Fund to be at least 95% invested in North American but will consider other geographies on an opportunistic basis, given that the Fund does not have any geographic limitations. CIM plans to target both brownfield and greenfield opportunities. The General Partner seeks to leverage the senior investment team's 20-plus years of industry experience as well as its broader network to drive differentiated deal flow for the Fund, given that approximately 90% of prior deals originated from off-market channels sourced through management teams, investment banks and industry veterans/consultants. CIM seeks to create value through operational improvements driven by EBITDA growth and multiple expansion. The Fund will target approximately 15 to 20 equity investments in the range of \$25 million to \$150 million. The General Partner has shown an ability to construct high quality and diverse portfolios through adverse market environments including the GFC and COVID-19 Pandemic.



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The investment thesis for investing in CIM Infrastructure Fund III can be summarized as follows:

- Experienced, senior investment team with deep expertise in North American infrastructure
- Adaptive approach to infrastructure investing with targeted focus on the lower middle-market
- Attractive performance across prior funds

Hamilton Lane's recommendation is based upon the following analytical factors and is made within the context of the Commonwealth of Pennsylvania, Public School Employees' Retirement System's ("PSERS") investment guidelines.

- Detailed due diligence including interviews with industry peers and private equity professionals. The on-site due diligence was conducted January 7, 2022; the fund was approved by Hamilton Lane's Investment Committee on January 18, 2022, and the recommendation to PSERS was issued January 20, 2022.
- 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.
- Detailed operational due diligence including interviews with CIM Group's back-office team, to review the controls and processes surrounding the firm's finance, fund administration, tax, legal, compliance, IT, HR, and accounting functions.
- 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 infrastructure portfolio.

The individuals at Hamilton Lane who were involved in the due diligence process for the Fund are:

Lars Pace – Principal, Conshohocken Office

Cameron Mountain – Senior Associate, Portland Office

Nickolaus Hess – Analyst, Portland Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$250 million, plus reasonable normal investment expenses, to CIM Infrastructure Fund III, L.P. (and/or related investment vehicles). Hamilton Lane 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. Hamilton Lane does not provide legal or other non-investment-related advice.

Sincerely,

Michael Koenig,
Chief Client Officer

Corina English,
Principal