



Hamilton Lane

June 2, 2022

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

Re: EQT Exeter Industrial Value Fund VI, L.P.

Dear Trustees:

EQT Exeter (“General Partner” or “Firm”) is targeting \$4 billion in commitments from limited partners for its sixth value add U.S. industrial fund, EQT Exeter Industrial Value Fund VI, L.P. (“Fund VI”). The Firm, founded in 2006 as Exeter Property Group, was established by Ward Fitzgerald and Tim Weber to serve institutional investors in the industrial real estate space. Since its founding, the Firm has grown to include strategies in North America and Europe focusing on a range of property types across the core to value-add risk spectrum. Today, EQT Exeter is a 325-person vertically integrated global platform with 181 U.S.-based employees that is led by Ward Fitzgerald, CEO and Peter Lloyd, CFO. The two U.S. industrial value add portfolio managers, Henry Steinberg and Matt Brodник, have extensive experience in operating and managing industrial assets and are involved in the underwriting, evaluation, and diligence of every deal. EQT Exeter has 23 regional offices in the Firm’s target markets with leasing, development, and property management-focused professionals. Regional heads have expertise within their respective markets and support the investment team in identifying market inefficiencies, markets with high tenant demand and tenant requirements with regards to building design and function. EQT Exeter’s regional presence, extensive network of tenant/broker relationships and operating expertise is expected to enable one-off sourcing opportunities throughout the U.S. The General Partner plans to hold a first close on approximately \$1 billion of commitments in June 2022. EQT Exeter anticipates holding a second close on July 30, 2022, and final close September 30, 2022, of approximately \$1.5 billion in each close. The General Partner will commit 1% or up to \$40 million to Fund VI.

Consistent with prior funds, EQT Exeter plans to pursue big box warehouses, last mile assets and industrial service properties in order to provide high-quality properties to logistics-oriented businesses that are improving their supply chain efficiency. The General Partner targets top distribution markets, as well as geographies demonstrating e-commerce and general economic growth. EQT Exeter plans to invest approximately 50% of Fund VI across the top five distribution center markets of New York, Dallas, Atlanta, Chicago and Los Angeles, 25% across mid-south e-commerce hubs and 25% in high growth markets, including South Florida, Charlotte, San Antonio/Austin, Washington DC, Phoenix, San Francisco and Seattle. EQT Exeter plans to invest approximately 60% of the portfolio in cash-flowing assets and expects to invest the remainder in development opportunities. The General Partner ultimately seeks to create a portfolio with a strong cash yield profile that can be sold through one or multiple bulk portfolio exits to institutional investors with exigency for industrial exposure. The Fund will target approximately 225 to 250 equity investments in the range of \$10 million to \$800 million. The General Partner has generated top-quartile returns on a net IRR and TVPI basis across all predecessor funds in the series and top-quartile returns on a DPI-basis in Funds I - IV.

The industrial, logistics and distribution property type, collectively “Industrial”, continues to be propelled by the structural shift in consumer behavior away from brick-and-mortar retail towards e-commerce. This shift in consumer behavior has fundamentally changed the way many companies utilize real estate, leading to generally smaller retail needs and much larger warehouse and distribution requirements. E-commerce distribution networks require substantially more Industrial space than traditional brick-and-mortar, with



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Green Street estimating this Industrial requirement to be roughly three times that of retail. This conversion was well underway ahead of the Covid-19 pandemic but it's since been accelerated as consumer demand has transitioned more rapidly. As such, demand for Industrial real estate space continues to grow with the sector boasting high levels of absorption, low vacancy and rent growth that has surpassed all-time highs in many US markets. The market is responding, and new supply is being delivered which will eventually moderate property price increases however expectations are for these overarching tailwinds to be supportive of the sector over the medium-term which aligns well with the expected life of Fund IV. Given these expectations, Hamilton Lane views Industrial as one of the most attractive real estate property types for investment today.

The investment thesis for investing in EQT Exeter Industrial Value Fund VI, L.P. can be summarized as follows:

- Experienced senior investment team with deep expertise in the U.S. industrial market
- Hands on approach to aggregating diversified portfolios of industrial properties
- Consistent top-quartile performance, with significant capital deployment across 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 real estate professionals. The on-site due diligence was conducted on May 6, 2022; the Fund was approved by Hamilton Lane's Investment Committee on May 18, 2022, and the recommendation to PSERS was issued on June 2, 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 EQT Exeter'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
- Confirmation that the strategy proposed for the Fund is appropriate for the private real estate portfolio

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

Scott Davies – Principal Real Assets, Conshohocken Office
Cameron Mountain – Senior Associate Real Assets, Portland Office
Bryce Smith – Analyst, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$100 million, plus reasonable normal investment expenses, to EQT Exeter Industrial Value Fund VI, L.P. (and/or related investment vehicles). Hamilton Lane makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.



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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