


**Commonwealth of Pennsylvania
Public School Employees' Retirement System**

DATE: June 11, 2013

SUBJECT: DCPF VI Oil and Gas Co-Investment Fund, L.P.

TO: PSERS Finance Committee/Board

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

At the January 2012 Board meeting, the Board approved a \$100 million commitment to Denham Commodity Partners Fund VI, L.P. (Denham). At closing PSERS was cut back to \$75 million due to oversubscription to the \$3.05 Billion fund.

Denham operates in three verticals, with strategic allocation to each: Oil & Gas, 50%; Power & Renewables, 25%; and Mining & Minerals, 25%. 44% of the 50% allocation to the Oil and Gas sector is invested and committed. The Oil & Gas sector has seen a significant increase in deal opportunities, and the fund's pipeline would suggest that the allocation will be pre-maturely exhausted. Denham is raising a \$750 million co-investment fund exclusively for the Oil & Gas vertical. This will allow for more deals with smaller investments to manage the remaining commitment. The plan is to share future oil and gas investments tentatively 40% to Denham and 60% to the co-investment fund. The terms are consistent with Denham terms.

As a result of Denham's investment success to date, I am recommending the Board approve PSERS to invest up to the \$25 million remaining from Resolution 2012-02 in the DCPF VI Oil and Gas Co-Investment Fund, L.P.