

Manager Recommendation Memo

July 1, 2022

Board of Trustees
 Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
 5 North Fifth Street
 Harrisburg, PA 17101

Re: Caspian Keystone Focused Fund LP

Dear Trustees:

Aksia LLC ("Aksia"), having been duly authorized by the Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement, Objectives, and Guidelines, an allocation to the Caspian Focused Opportunities strategy ("Focused Opportunities" or the "Strategy") via PSERS' existing Caspian Keystone Focused Fund LP vehicle. It is further recommended that PSERS transfer Caspian Keystone Focused Fund LP to Public Fixed Income – US Corporate High Yield.

Caspian Capital LP ("Caspian" or the "General Partner") is a hedge fund manager founded in 1997 that focuses on event credit. As of March 2022, Caspian managed \$3.6 billion in AUM. Focused Opportunities, which started as a fund-of-one but recently opened to external investors, takes a long-only approach to below investment grade credit across bonds and loans. The Strategy seeks to generate excess yield by owning "off-index" credits and excess return via capital appreciation, and is expected to run with a bias toward lower-rated credit and smaller issue sizes, ideally profiting from inefficiencies in such parts of the market. The portfolio has a small allowance for bankruptcy-related situations, such as DIP (debtor-in-possession) loans, but does have an emphasis on capital preservation.

We find Focused Opportunities to be an isolation of the core competencies at Caspian: prudent credit selection and a value-oriented portfolio construction. In addition, the Strategy's portfolio management team has long-term experience investing in high yield and distressed credit.

Aksia's recommendation is based upon the following analytical factors with respect to Caspian and is made within the context of PSERS' investment guidelines:

- Investment due diligence of Focused Opportunities' investment process, including a review of their investment strategy, and investment team personnel and structure;
 - Insight report completed April 2022
- Due diligence of Caspian's operations, including a General Partner review, operations and infrastructure review, regulatory and compliance review, and Form ADV review;
 - Operational due diligence report on Caspian Select Credit International Ltd completed June 2022
- Evaluation of Focused Opportunities within the context of the current investment environment; and
- Appropriateness of Focused Opportunities as a component of the PSERS' portfolio

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in Focused Opportunities, 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 Focused Opportunities. Aksia manager recommendation memos should be reviewed with other Aksia due diligence materials, including the due diligence reports. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,



Brian Goldberg
 M.D., Head of Event Driven and Multi-Strategy



Simon Fludgate
 Partner, Head of Operational Due Diligence