

PRIVATE CREDIT SEMI-ANNUAL BOARD UPDATE

For the period ended June 30, 2021

Report Prepared For:

Pennsylvania State Employees' Retirement System



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PERFORMANCE SUMMARY

StepStone Group LP (“StepStone”) was engaged by Pennsylvania State Employees' Retirement System (“SERS”) to provide Private Credit services for prospective investment opportunities, as well as portfolio management.

StepStone monitors investments under the entity Pennsylvania State Employees' Retirement System (“the Portfolio”).

The following table illustrates the Portfolio's since inception investment performance as of June 30, 2021, as well as the quarter-over-quarter and year-over-year change.

The Portfolio is generating a since inception net IRR of 20.0% at June 30, 2021, up 93 basis points quarter-over-quarter.

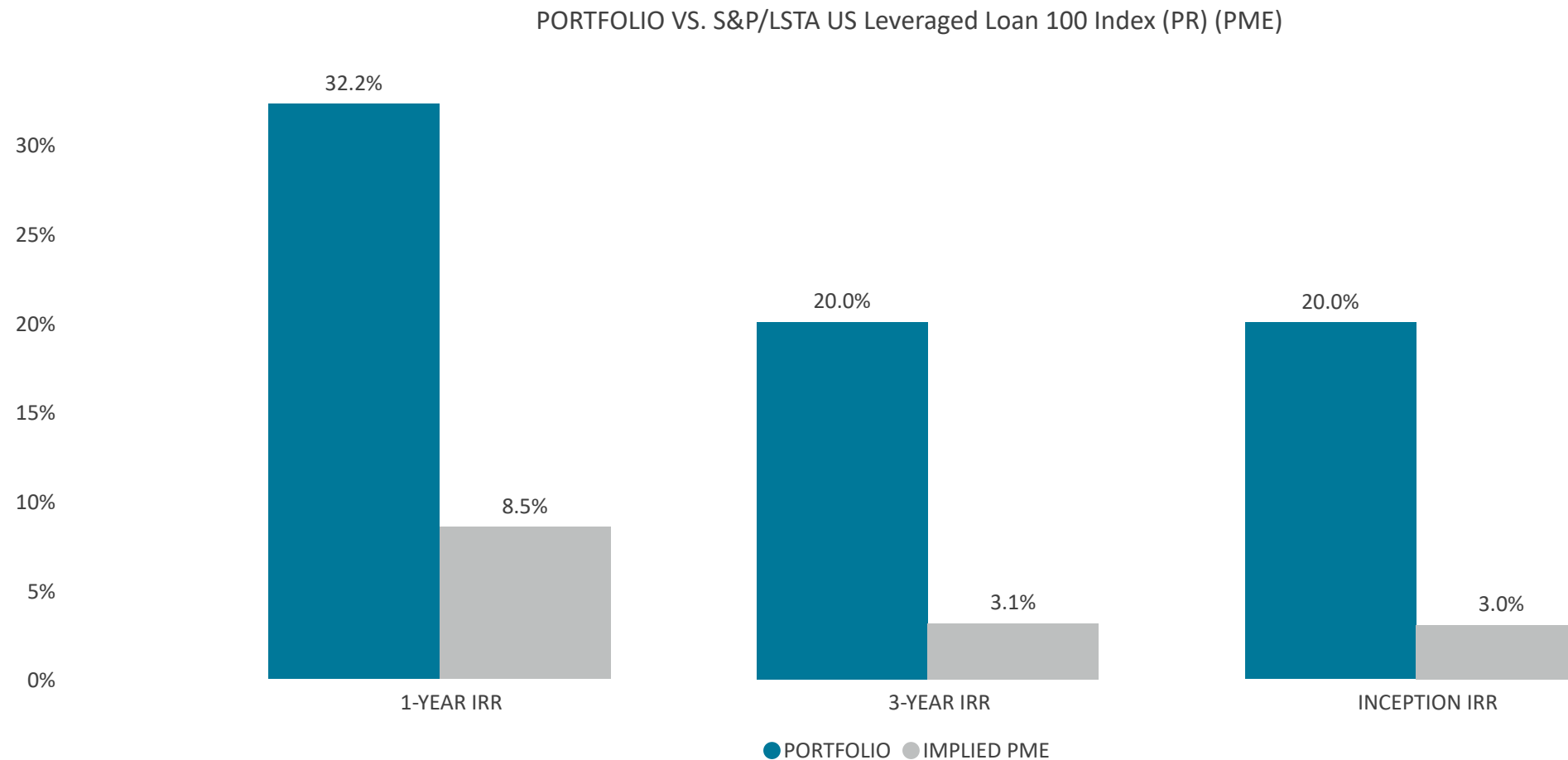
As of June 30, 2021. In USD millions.

SERS PORTFOLIO PERFORMANCE SUMMARY					
	JUNE 30, 2021	MARCH 31, 2021	JUNE 30, 2020	QUARTERLY Δ	ANNUAL Δ
Number of Managers	10	10	9	0	1
Number of Investments	17	17	16	0	1
Number of Active Investments	17	17	16	0	1
Committed Capital	\$1,556.5	\$1,555.2	\$1,474.2	\$1.3	\$82.3
Unfunded Commitment	822.9	938.4	992.7	(115.5)	(169.9)
Total Exposure	1,698.0	1,675.4	1,490.2	22.6	207.9
Total Contributed	825.1	702.6	503.0	122.5	322.0
Total Distributed	157.4	128.3	33.1	29.1	124.3
Total Market Value	875.1	737.0	497.4	138.1	377.7
Since Inception G/L	207.5	162.7	27.6	44.8	179.9
Total Value	\$1,032.6	\$865.3	\$530.6	\$167.2	\$502.0
Net DPI	0.2x	0.2x	0.1x		
Net TVM	1.3x	1.2x	1.1x		
Net IRR	20.0%	19.1%	6.7%	93 bps	1,328 bps

Past performance is not necessarily indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses.

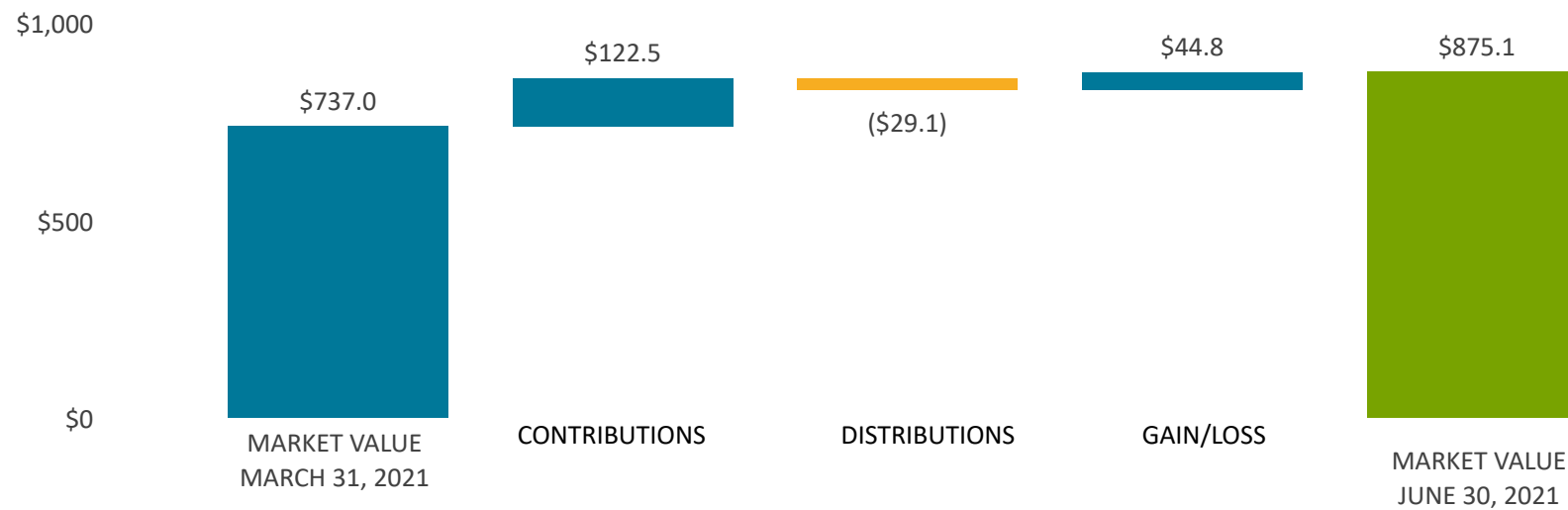
PERFORMANCE SUMMARY CONTINUED

The following table illustrates the Portfolio's point-to-point investment performance as of June 30, 2021, as well as the public market equivalent (PME) based on the S&P/LSTA US Leveraged Loan 100 Index (PR) index.



QUARTERLY VALUATION MOVEMENT

During the second quarter of 2021, the value of the Portfolio increased by \$44.8 million, or 6.1%.



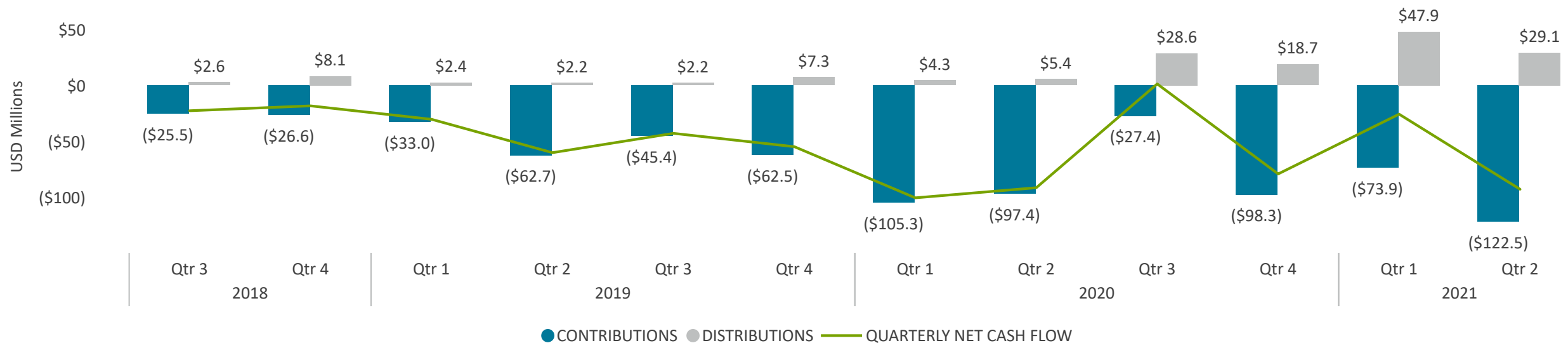
FUND GEOGRAPHIC DIVERSIFICATION

As of June 30, 2021. In USD millions.

GEOGRAPHY	NAV	% OF TOTAL	UNFUNDED	% OF TOTAL	TOTAL EXPOSURE	% OF TOTAL
North America	\$725.4	82.9%	\$633.2	77.0%	\$1,358.6	80.0%
Europe	\$149.8	17.1%	\$189.7	23.0%	\$339.4	20.0%
Total	\$875.1	100.0%	\$822.9	100.0%	\$1,698.0	100.0%

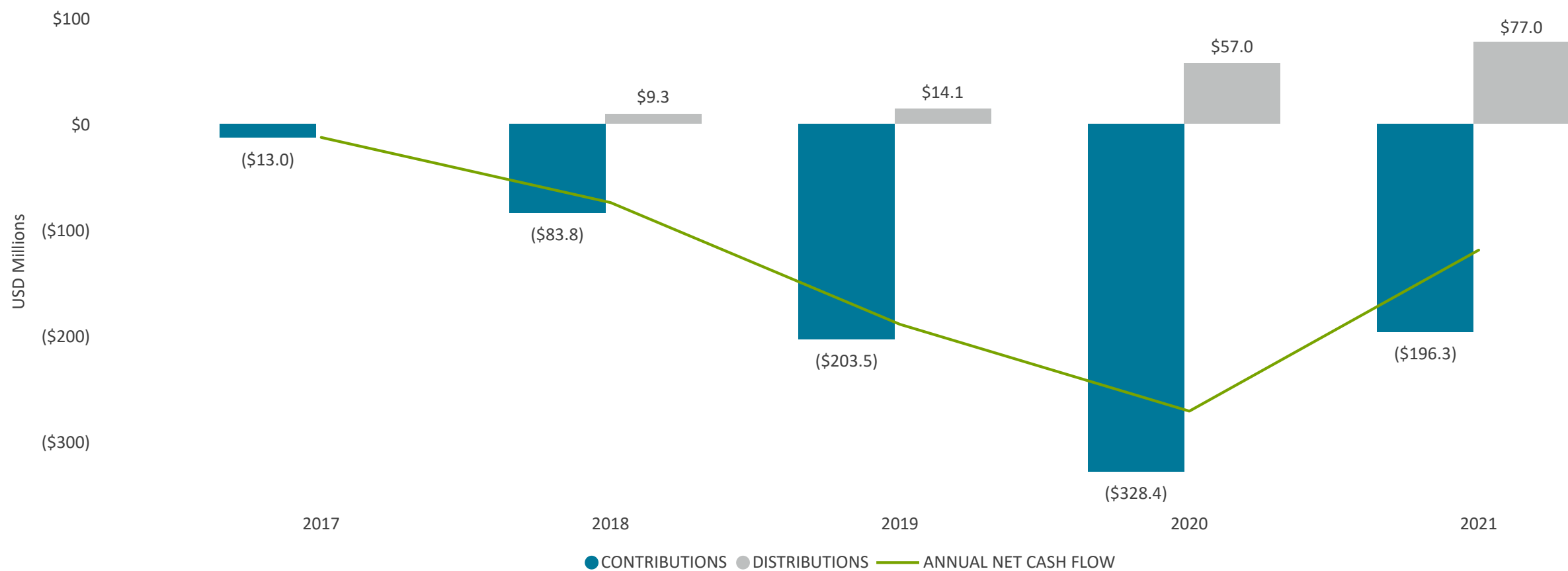
QUARTERLY CASH FLOW ACTIVITY

During the second quarter of 2021, the Portfolio contributed \$122.5 million and received \$29.1 million of distributions, for a net cash outflow of \$93.3 million.

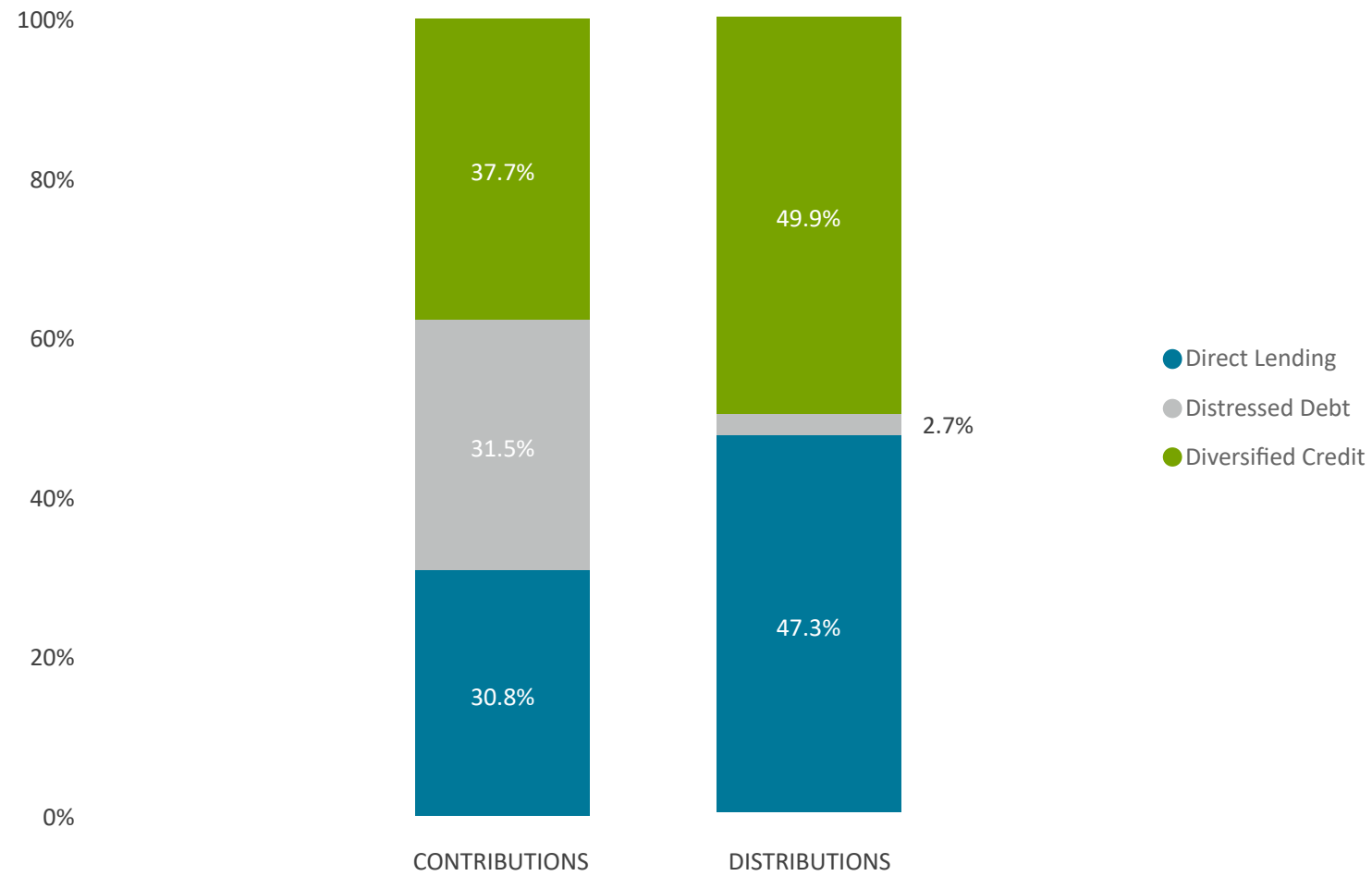


ANNUAL CASH FLOW ACTIVITY

During the six months ended June 30, 2021, the Portfolio contributed \$196.3 million and received \$77.0 million of distributions, for a net cash outflow of \$119.3 million.

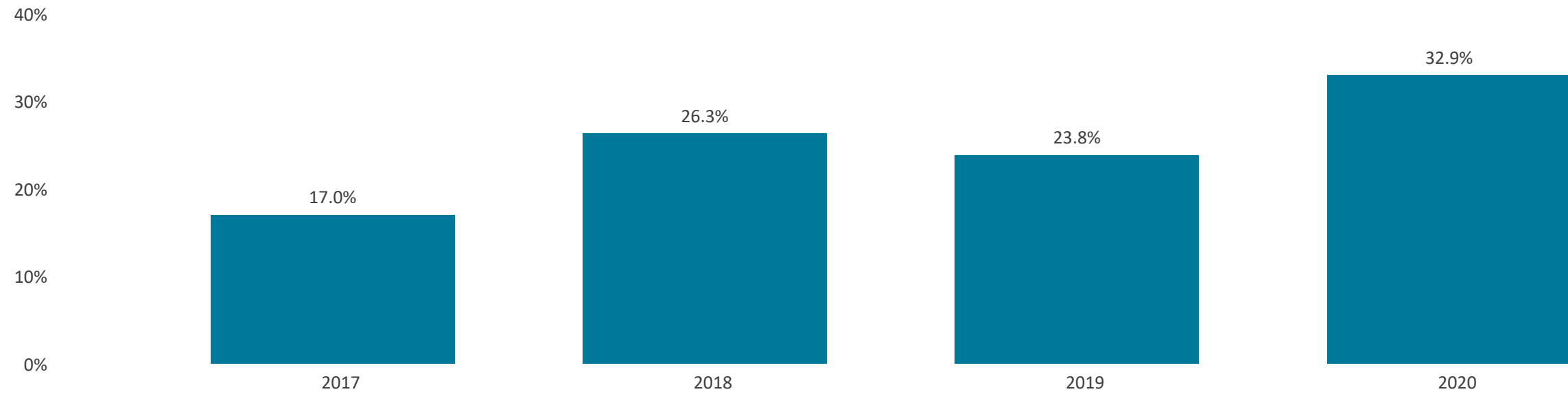


CASH FLOW BY SECTOR



UNFUNDED % BY VINTAGE YEAR

The following chart provides unfunded commitments by vintage year as a percentage of the Portfolio's total unfunded commitments.



SCHEDULE OF INVESTMENTS BY VINTAGE YEAR

As of June 30, 2021

VINTAGE	FUND	SECTOR	COMMITMENT	CONTRIBUTIONS	DISTRIBUTIONS	MARKET VALUE	GAIN/LOSS	TVM	IRR	IRR RANK	TVM RANK
2017	Audax Direct Lending Solutions Fund-A	Direct Lending	100,000,000	72,634,792	20,528,073	NM	NM	NM	NM	NM	NM
2017	Glendon Opportunities Fund II	Distressed Debt	150,000,000	90,000,000	-	NM	NM	NM	NM	NM	NM
2017	Sixth Street TAO 4.0 (B)	Diversified Credit	100,000,000	83,384,036	26,970,701						
2017 Total			350,000,000	246,018,828	47,498,774	272,529,022	74,008,969	1.3x	20.6%	First	First
2018	Apollo Hybrid Value Fund	Diversified Credit	100,000,000	114,889,156	48,007,703	NM	NM	NM	NM	NM	NM
2018	Brightwood Capital Fund IV	Direct Lending	100,000,000	100,000,000	29,380,621						
2018	ICG Europe Fund VII	Diversified Credit	93,305,950	60,954,067	485,395	NM	NM	NM	NM	NM	NM
2018	Permira Credit Solutions IV Master (Feeder) SCSp	Direct Lending	75,000,000	31,563,096	4,392,867	NM	NM	NM	NM	NM	NM
2018	Sixth Street Opportunities Partners IV	Distressed Debt	50,000,000	28,555,356	3,729,515	NM	NM	NM	NM	NM	NM
2018	Sixth Street TAO Contingent (D)	Diversified Credit	150,000,000	59,419,801	9,958,990	NM	NM	NM	NM	NM	NM
2018 Total			568,305,950	395,381,476	95,955,091	391,379,475	91,953,090	1.2x	16.9%	First	Second
2019	Ares PA Opportunities Fund, L.P. - Distressed Debt	Distressed Debt	100,000,000	60,841,038	2,724,300	NM	NM	NM	NM	NM	NM
2019	Clearlake Opportunity Partners II	Diversified Credit	75,000,000	19,063,943	209,533	NM	NM	NM	NM	NM	NM
2019	ICG Europe Mid-Market Fund	Diversified Credit	78,200,529	16,419,966	821	NM	NM	NM	NM	NM	NM
2019	ICG North American Private Debt Fund II	Direct Lending	50,000,000	17,796,348	4,707,154	NM	NM	NM	NM	NM	NM
2019 Total			303,200,529	114,121,295	7,641,808	138,751,923	32,272,437	NM	NM	NM	NM
2020	Ares PA Opportunities Fund, L.P. - Direct Lending	Direct Lending	100,000,000	-	-	NM	NM	NM	NM	NM	NM
2020	Ares PA Opportunities Fund, L.P. - Diversified Credit	Diversified Credit	100,000,000	10,977,016	102,746	NM	NM	NM	NM	NM	NM
2020	HPS Mezzanine Partners 2019	Direct Lending	75,000,000	49,972,727	6,233,781	NM	NM	NM	NM	NM	NM
2020	Permira Susquehanna Opportunities - Credit	Direct Lending	60,000,000	8,591,409	-	NM	NM	NM	NM	NM	NM
2020 Total			335,000,000	69,541,152	6,336,527	72,473,228	9,268,603	NM	NM	NM	NM
Total: Commonwealth of Pennsylvania State Employees' Retirement System			1,556,506,479	825,062,750	157,432,200	875,133,649	207,503,099	1.3x	20.0%	First	First

SCHEDULE OF INVESTMENTS BY SECTOR

As of June 30, 2021

SECTOR	FUND	VINTAGE	COMMITMENT	CONTRIBUTIONS	DISTRIBUTIONS	MARKET VALUE	GAIN/LOSS	TVM	IRR	IRR RANK	TVM RANK
Direct Lending	Ares PA Opportunities Fund, L.P. - Direct Lending	2020	100,000,000	-	-	NM	NM	NM	NM	NM	NM
Direct Lending	Audax Direct Lending Solutions Fund-A	2017	100,000,000	72,634,792	20,528,073	NM	NM	NM	NM	NM	NM
Direct Lending	Brightwood Capital Fund IV	2018	100,000,000	100,000,000	29,380,621						
Direct Lending	HPS Mezzanine Partners 2019	2020	75,000,000	49,972,727	6,233,781	NM	NM	NM	NM	NM	NM
Direct Lending	ICG North American Private Debt Fund II	2019	50,000,000	17,796,348	4,707,154	NM	NM	NM	NM	NM	NM
Direct Lending	Permira Credit Solutions IV Master (Feeder) SCSp	2018	75,000,000	31,563,096	4,392,867	NM	NM	NM	NM	NM	NM
Direct Lending	Permira Susquehanna Opportunities - Credit	2020	60,000,000	8,591,409	-	NM	NM	NM	NM	NM	NM
Direct Lending Total			560,000,000	280,558,372	65,242,496	260,946,709	45,630,833	1.2x	11.8%	Second	Second
Distressed Debt	Ares PA Opportunities Fund, L.P. - Distressed Debt	2019	100,000,000	60,841,038	2,724,300	NM	NM	NM	NM	NM	NM
Distressed Debt	Glendon Opportunities Fund II	2017	150,000,000	90,000,000	-	NM	NM	NM	NM	NM	NM
Distressed Debt	Sixth Street Opportunities Partners IV	2018	50,000,000	28,555,356	3,729,515	NM	NM	NM	NM	NM	NM
Distressed Debt Total			300,000,000	179,396,394	6,453,815	237,741,384	64,798,805	NM	NM	NM	NM
Diversified Credit	Apollo Hybrid Value Fund	2018	100,000,000	114,889,156	48,007,703	NM	NM	NM	NM	NM	NM
Diversified Credit	Ares PA Opportunities Fund, L.P. - Diversified Credit	2020	100,000,000	10,977,016	102,746	NM	NM	NM	NM	NM	NM
Diversified Credit	Clearlake Opportunity Partners II	2019	75,000,000	19,063,943	209,533	NM	NM	NM	NM	NM	NM
Diversified Credit	ICG Europe Fund VII	2018	93,305,950	60,954,067	485,395	NM	NM	NM	NM	NM	NM
Diversified Credit	ICG Europe Mid-Market Fund	2019	78,200,529	16,419,966	821	NM	NM	NM	NM	NM	NM
Diversified Credit	Sixth Street TAO 4.0 (B)	2017	100,000,000	83,384,036	26,970,701						
Diversified Credit	Sixth Street TAO Contingent (D)	2018	150,000,000	59,419,801	9,958,990	NM	NM	NM	NM	NM	NM
Diversified Credit Total			696,506,479	365,107,984	85,735,888	376,445,556	97,073,460	1.3x	21.2%	First	First
Total: Commonwealth of Pennsylvania State Employees' Retirement System			1,556,506,479	825,062,750	157,432,200	875,133,649	207,503,099	1.3x	20.0%	First	First

END NOTES

Performance Summary

Commitment reflects current commitment include FX fluctuations for non-USD funds.

Contributed Capital includes contributions for investments, management fees and expenses to underlying partnership investments.

Net DPI, or Distributed to Paid-In-Multiple, is calculated as Distributed Capital divided by Contributed Capital.

Net TVM, or Total Value Multiple, is calculated as Total Value, which is comprised of Market Value plus Distributed Capital, divided by Contributed Capital.

Net IRR is net of managers' fees, expenses, and carried interest.

Portfolio Performance vs Benchmarks

Benchmark is a dollar-weighted calculation of quarterly changes in the S&P/LSTA U.S. Leveraged Loan 100 Index. S&P Dow Jones is the source and owner of the trademark, service marks and copyrights related to the S&P Dow Jones Indexes.

Returns shown are dollar-weighted IRR.

Schedule of Investments by Vintage Year & Sector

Commitment reflects current commitment including FX fluctuations for non-USD funds.

Contributions includes management fees and expenses.

Gain/Loss represents since inception total value change of active investments unless otherwise noted.

NM- Not Meaningful

IRR for certain vehicles may have been impacted by StepStone's or the underlying GPs' use of subscription-backed credit facilities by such vehicles.

Fund quartile rankings provided by Burgiss Private iQ as of June 30, 2021 and represent sector-comparable funds aggregated by vintage year, asset class and geography in which SERS made investments.

These figures have been prepared by Stepstone on behalf of SERS and have not been provided by any General Partner.

Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses.

Definitions on Pages 12-13 - Redacted