



Private Equity and Venture Capital Fund Commitment

Summit Partners Growth Equity Fund VIII, L.P. and Summit Partners Venture Capital Fund III, L.P.

August 10, 2011

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Summit Partners Growth Equity Fund VIII, L.P. and Summit Partners Venture Capital Fund III, L.P. – Private Equity and Venture Funds

Overview

- Summit Growth Equity Fund size is \$3 billion and the Summit Venture Capital Fund size is \$450 million
- Provide expansion capital to profitable, growing companies with strong, successful management teams
- Investment size requiring more than \$45 million in equity will be allocated to Summit VIII and investments smaller than \$45 million will be allocated to Summit VC III
- Summit has consistently outperformed the market over the 26-year history of the Firm by achieving top-quartile rankings for 5 out of the previous 7 growth equity funds. Two funds are ranked in the second quartile of which, one is still heavily unrealized and in harvest phase

Fund Strategy

- Summit's target markets must have sufficient size and growth potential to enable portfolio companies to increase their revenues and profits substantially
- Summit attempts to maximize investment returns by often pursuing companies that have no previous professional equity investors, thereby reducing valuations
- Targeted industries include business services, communication technology and services, consumer products, education, energy, financial services, healthcare and life sciences, industrial products, internet and information services, media and entertainment, semiconductors and electronics, and software

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Investment Team

- Summit has a cohesive, stable team that promotes from within the Firm
- The 13 active Managing Directors have an average tenure with Summit of 15 years and have accumulated over 200 collective years of private equity and venture capital experience
- Summit's staff of 90 investment professionals allow the Firm to cultivate deal expertise at multiple layers in the organization

GP "Value Add"

- Summit utilizes a well established "cold-calling" Associate program that leads to proprietary deal flow. Approximately 70% of the Firm's historical investments were sourced through this program
- By generating these sourcing leads, Summit can develop deeper relationships with management teams over time, conduct more thorough diligence and provide the firm advantages in winning
- Summit's disciplined fundamental research has generated a proprietary database of more than 194,000 companies

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Performance

- The 7 prior core Summit Funds have invested \$5.6 billion and have generated total value of \$15 billion or 2.7x invested capital
- Realized investments from these funds have generated 4.1x invested capital or \$11.1 billion of proceeds on \$2.69 billion of cost basis with a realized loss ratio of 22%

Market Opportunity

- By investing primarily in later-stage growth companies, liquidity can be achieved much earlier than in more traditional early-stage venture capital investments
- Emphasis on capital preservation and established track record reinforces that time spent on due diligence and deal structuring is an important component of the investment process

History with PSERS

- This is PSERS first investment in a Summit fund

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Board Issues

- Pennsylvania Presence – Summit has 5 PA portfolio companies at a cost of \$32.4 million and employing 855 employees.
- Placement agent – No outside placement agent is used for these funds
- PA Political Contributions – None
- Relationship with Consultant – PA F of F - \$10M in Fund VII, \$10M in European Fund, \$11M in VIII Fund, \$4 M in VC III Fund and \$15.5M in Sub-Debt IV Fund, and \$5.5M (total) in PA Secondary Fund

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$100 million plus reasonable normal investment expenses in Summit Partners Growth Equity Fund VIII, L.P.
- Staff, together with Portfolio Advisors, recommends that the Board invest in Summit Partners Venture Capital Fund III, L.P. an amount equal to 25 percent of the committed capital, but not to exceed \$25 million plus reasonable normal investment expenses

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