



Public Investment Memorandum

Summit Partners Growth Equity Fund XI-A, L.P.

Private Equity Fund Commitment

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July 12, 2021



Executive Summary:

PSERS' Investment Office Professionals ("IOP"), together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommend to the Board a commitment of up to a combined \$150 million plus reasonable normal investment expenses in Summit Partners Growth Equity Fund XI-A, L.P. ("Fund XI" or the "Fund"), and/or related investment vehicles.

Summit Partners, L.P. (the "Firm") is raising their 11th flagship growth equity fund, Summit Partners Growth Equity Fund XI. The Firm is expected to deploy the same growth-oriented investment philosophy utilized in prior funds and maintain their technology, healthcare & life sciences, and growth products & services sector focus. The general partner is targeting a fund size of \$7.0 billion in commitments.

Fund Name	Summit Partners Growth Equity Fund XI-A, L.P.
Fund General Partner	Summit Partners GE XI, L.P. (the "GP")
Management Company	Summit Partners, L.P. ("Summit Partners", "Summit", or the "Firm")
Target Fund Size / Hard Cap	\$7.0 billion / none stated
Recommended Commitment Amount	\$150 million
Existing Relationship	Yes
Source of Funds	Private Equity Distributions
Asset Class / Sub Asset Class	Private Equity / Growth Equity
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments Darren C. Foreman, Director Philip VanGraafeiland, Intermediate Investment Professional
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

Firm Overview:

Summit Partners was founded in 1984 by Stephen Woodsum, Roe Stamps, and Gregory Avis, all former investors at private equity firm TA Associates. Since then, the Firm has evolved into a global asset manager with \$28 billion under management across the US growth equity, European growth equity, venture capital, debt, and public equity asset classes. In 2014, Peter Chung was selected to lead Summit Partners as CEO. The Firm's strategies are supported by a large, experienced team of 235 employees, of which 101 are investment professionals, based across offices in Boston, Menlo Park, London, and Luxembourg. Within US growth equity, the Firm has invested in more than 360 companies.

Market Opportunity:

As with previous funds, the Firm's investment approach to Fund XI remains thesis-driven and rooted in constant assessment of and thematic research within the technology, healthcare & life sciences, and growth products & services sectors. From a portfolio construction perspective, the team does not set specific sector weight targets for capital deployed, favoring the flexibility to invest where most opportunistic.

Technology: Despite strong growth in recent years, enterprise IT spending in North America continues to remain healthy, reaching \$1.2 trillion in 2020, and is forecasted to continue to grow at a 6.4% CAGR through 2024.¹ Of the segments within enterprise IT, enterprise application software is forecasted to grow at a 12.1% CAGR, reaching \$182 billion, over the same time period.² Expected growth is partially driven by

¹ Source: Gartner, December 2020, "Forecast: Enterprise Application Software, Worldwide, 2019-2024, 4Q20 Update"

² Source: Gartner, December 2020, "Forecast: Enterprise Application Software, Worldwide, 2019-2024, 4Q20 Update"



companies' continued efforts to digitize products, operations, and infrastructure, while the COVID-19 pandemic has shown firms shortening the timeframes on their adoption strategies, and potentially providing additional tailwind to growth rates in the coming years. Select examples of active themes for the Firm include secular growth in e-commerce adoption and related enabling technologies, solutions that drive flexibility and efficiency in complex global supply chains, and an increasing need for cybersecurity.

Healthcare & Life Sciences: US healthcare accounts for approximately one-fifth of the nation's economy and represents a \$3.8 trillion industry with expectations to continue to accelerate through 2024.³ Transformation and innovation remain prevalent within the sector as ongoing trends, such as the rise of value-based care service models, provider consolidation, and advances in gene editing and immunotherapy, provide growth and investment opportunities. Select investment themes for the Firm include integrated, coordinated provider organizations; consumer driven healthcare; proactive management providers with low reimbursement risk; research-focused life sciences companies; and healthcare technology companies serving provider-focused trends.

Growth Products & Services ("GPS"): In addition to companies within the technology and healthcare & life sciences sectors, Summit Partners also seeks to invest in companies within several industries that exhibit the growth characteristics defined by their investment strategy. Such industries include but are not limited to financial services, business services, consumer, and industrial technology. The investment team seeks companies that typically leverage technology, information, and value-add service models to drive deep relationships with both B2B and B2C customers, and can turn these capabilities into predictable, high-quality revenue streams with high gross margins and strong free cash flow. Select investment themes for the Firm include the power of social media in shaping consumer decisions; infrastructure providers to e-commerce brands; non-risk bearing insurance brokerage; and tech-enabled high-value recurring product and service offerings.

Summit's investment universe is not limited solely to the areas mentioned above. The team continues to seek and identify new sub-sectors and themes that provide attractive growth opportunities. Of greater importance than any specific sector or theme is the repeatable process which Summit has designed, and refined over time, to source, structure, enhance, and exit investments in category-leading companies.

Portfolio Fit:

A commitment to Fund XI would be allocated to the Growth Equity sleeve in PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity exposure, as of December 31, 2020, inclusive of a recommended maximum amount of \$150 million commitment to the Fund:

Investment Type	Market Value	Unfunded*	Total Exposure	%	Pending Current Commitments		
					Jun/Aug 2021	Total Exposure	%
Buyout	\$ 7,391	\$ 4,948	\$ 12,339	76.0%	\$ -	\$ 12,339	74.4%
Growth Equity	823	792	1,615	9.9%	150	1,765	10.7%
Venture Capital	795	271	1,066	6.6%	200	1,266	7.6%
Internal Co-Invest	1,053	163	1,216	7.5%	-	1,216	7.3%
Total	\$ 10,062	\$ 6,174	\$ 16,236	100.0%	\$ 350	\$ 16,586	100.0%

* Includes commitments approved through May 2021

Investment Strategy:

Since inception, Summit's growth equity investment strategy has been grounded in a fundamental belief that profitable growth is the most reliable producer of superior risk-adjusted returns across market cycles.

³ Source: Centers for Medicare and Medicaid Services, March 2020, "National Health Expenditure Projections, 2019–28: Expected Rebound In Prices Drives Rising Spending Growth"



The Firm seeks to invest in privately-held companies at an inflection point in their evolution. Target companies are typically category-leaders with established business models; a history of rapid growth and free cash flow generation; attractive unit-level economics; and leadership capable of sustaining that growth. These companies are typically, but not always, profitable at the time of investment, often founder-led, and frequently have strong recurring revenue business models and growth rates significantly in excess of their industry peers.

In many cases, these high-growth, category-leading companies are not actively seeking capital. The growth equity team is able to create equity investment opportunities through consistent senior-level engagement, demonstration of the Firm's deep sector expertise and domain knowledge, an aligned approach to partnership, a tangible ability to enhance value post-closing, and the strength of the Summit brand.

Investment Team:

Summit Partners' US Growth Equity team is comprised of 42 dedicated investment professionals. Given the strategy's disciplined focus, the Firm segments their team into three sector-specific groups. Each of these groups are led by several managing directors, senior investment professionals with deep expertise in their respective areas of focus. In total, the US Growth Equity team contains 13 managing directors with a collective average of 17 years at the Firm and 19 years of investing experience. The Fund also benefits from their firmwide Value Enhancement platform, a team of 15 in-house professionals separate from the US Growth Equity team, that provides value-add capabilities at a portfolio company level. Summit Partners also utilizes valuable partnerships with experienced executives within the industries the Fund targets, who assist with sourcing, due diligence, and management of portfolio companies.

Investment Highlights:

- Strong, long-tenured investment team and organization
- Refined idea generation and deal sourcing processes
- Track record
- Established value enhancement platform

Investment / Risk Considerations:

- Market and peer competition
- Fund and investment size
- Key person risk

PSERS History & Performance:

A commitment to Summit Partners Growth Equity Fund XI would represent PSERS' sixth primary fund investment. PSERS has invested in the Firm's previous three growth funds, two venture capital funds, and one co-investment. The table below summarizes PSERS' performance with Summit Partners as of December 31, 2020 (in millions):

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net TVPI
Summit Partners Growth Equity Fund VIII-A, L.P.	2012	\$ 100.0	\$ 111.3	\$ 206.7	\$ 59.1	26.5%	2.33x
Summit Partners Growth Equity Fund IX-A, L.P.	2017	\$ 100.0	\$ 110.8	\$ 35.0	\$ 158.7	32.2%	1.74x
Summit Partners Growth Equity Fund X-A, L.P.	2020	\$ 150.0	\$ 56.4	---	\$ 78.6	39.0%	1.17x
Summit Partners Venture Capital Fund III-A, L.P.	2012	\$ 25.0	\$ 26.8	\$ 54.3	\$ 5.7	17.7%	2.22x



Summit Partners Venture Capital Fund IV- A, L.P.	2015	\$ 50.0	\$ 47.9	\$ 39.3	\$ 49.9	39.2%	1.75x
Co-Investment	2021	\$ 20.0	\$ 20.0	---	---	---	---

* Co-Investment is too recent to report performance.

Investment Committee Disclosure:

Relationship with Hamilton Lane:	<p>Six discretionary Hamilton Lane clients (includes one non-current discretionary client) and commingled products have committed an aggregate \$411.5 million across prior Summit funds. Additionally, four discretionary Hamilton Lane clients and commingled products have made co-investments alongside Summit totaling approximately \$75 million. Additional capital of \$3 million has been committed through secondary transactions (two discretionary clients and commingled products).</p> <p>Preliminary Hamilton Lane allocation data as of June 30, 2021, indicates that 11 discretionary Hamilton Lane clients and comingled products plan to commit an aggregate \$142.4 million to Summit Partners Growth Equity Fund XI. Please note that this information is subject to change pending client by client discussions and updated information is available from Hamilton Lane to PSERS upon request.</p>
Introduction Source:	Existing relationship
Placement Agent:	<p>In accordance with Board policy, no placement agents were used, and no payments from or on behalf of PSERS to Placement Agents shall be made in connection with securing PSERS' investment in the Fund.</p> <p>Any placement fees charged to the Fund in connection with securing commitments from other investors (excluding PSERS) will result in a corresponding reduction to PSERS' management fees.</p> <p>As confirmed by PSERS' Office of Chief Counsel on 6/30/21, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.</p>
PA Political Contributions:	None disclosed
PA Presence:	Yes (Please refer to table in Confidential Memo)
Potential Conflicts:	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in the Fund.
Litigation Disclosure:	The Firm receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. PSERS is not currently aware of any litigation which has or may have a material effect on Summit Partners, the Fund, or any prior fund.
First Time Fund With PSERS:	No
PSERS Allocation Implementation Committee Approval:	July 12, 2021