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Public Investment Memorandum

**Oak HC/FT Partners V, L.P.**

Private Equity Fund Commitment

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February 11, 2022

**Executive Summary:**

G. Anthony Meadows, Portfolio Manager, together with Hamilton Lane Advisors, L.L.C. (“Hamilton Lane”), recommend to the Board a commitment not to exceed a combined \$100 million plus reasonable normal investment expenses, in Oak HC/FT Partners V, L.P. (the “Fund” or “Fund V”), and/or related investment vehicles.

Oak HC/FT Management Company LLC (“Oak HC/FT” or the “Firm”) is raising their fifth fund to invest in Healthcare Information & Services (“Healthcare” or “HC”) and Financial Technology (“Fintech” or “FT”). The Firm expects to employ the same investment strategy with Fund V as they have in the past four funds.

Fund Name	Oak HC/FT Partners V, L.P.
Firm Name	Oak HC/FT Management Company, LLC (“Oak HC/FT” or the “Firm”)
Target Fund Size / Hard Cap	\$1.75 billion / To Be Determined
Recommended Commitment Amount	\$100 million
Existing Relationship	Yes
Source of Funds	Private Equity Distributions
Asset Class / Sub Asset Class	Private Equity / Growth Equity
Investment Office Professionals Due Diligence Team (“IOP”)	G. Anthony Meadows, Portfolio Manager Philip S. VanGraafeiland, Intermediate Investment Professional
Investment Office Oversight	Darren C. Foreman, Director G. Anthony Meadows, Portfolio Manager
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

**Firm Overview:**

Formed by a spinout from Oak Investment Partners in 2014, Annie Lamont, Andrew Adams, and Patricia Kemp co-founded Oak HC/FT, a venture and growth equity investment firm based in Greenwich, CT. Lamont, Adams, and Kemp have invested together for nearly 20 years and collectively share over 70 years of industry experience. The Firm is dedicated to a single strategy of investing in early stage and growth opportunities within Healthcare and Fintech. They’ve raised and invested four funds, and are currently seeking commitments for their fifth pool of capital, Fund V. The Firm employs 36 professionals across their Greenwich, Boston, and San Francisco offices.

Fund I closed in June 2014 with total capital commitments of \$500 million. As of September 30, 2021, approximately \$465 million has been invested by Fund I across 21 portfolio companies. As of November 30, 2021, Fund I has achieved 12 liquidity events resulting in a 9.1x gross Multiple of Capital (“MoC”) on partially and fully realized investments, and has 11 remaining active investments with a fair market value of \$1.4 billion. As of September 30, 2021, Fund I has distributed a total of \$824.3 million to its limited partners.

Fund II closed in March 2017 with total capital commitments of \$600 million and has also achieved strong performance to date. As of September 30, 2021, approximately \$528 million has been invested by Fund II across 22 portfolio companies, and the fund has achieved 3 liquidity events resulting in a 5.9x gross MoC on partially and fully realized investments. Fund II’s active portfolio investments of 20 investments had a fair market value of \$2.5 billion as of September 30, 2021.

Fund III closed in July 2019 with total capital commitments of \$800 million. As of September 30, 2021, approximately \$696 million has been invested by Fund III across 20 portfolio companies, and the fund has one partial realization representing a 12.5x gross MoC. Fund III’s 20 active portfolio investments had a fair market value of \$1.5 billion as of September 30, 2021.



Fund IV closed in February 2021 with total capital commitments of \$1.4 billion. As of November 30, 2021, approximately \$754.1 million has been invested across 19 portfolio companies. With this additional capital deployment, the fund is over 50% invested. Fund V will not be activated until Fund IV is fully invested and reserved, which Oak HC/FT expects to occur in the near term.

### **Market Opportunity:**

According to the Center for Medicare and Medicaid Services (“CMS”), Healthcare remains one of the largest and fastest growing markets in the United States. Approximately \$4.1 trillion was spent on Healthcare in the U.S. in 2020, representing 19.7% of U.S. GDP and a 9.7% increase year-over-year.<sup>1</sup> Though a significant portion of this growth was driven by federal spending in response to the COVID-19 pandemic, the Healthcare sector has been a consistent and meaningful component of the economy, hovering around 17% of GDP over the last ten years.<sup>1</sup> CMS expects Healthcare to maintain its importance and projects national Healthcare spending from 2019 to 2028 will grow by 5.4% per annum versus U.S. GDP growth expectations of 4.3%.<sup>1</sup> Though the industry’s size, scope, and importance has created a complex and heavily regulated system, it has also produced the need for innovative solutions that seek to better serve the population and improve patient outcomes. Adoption of Healthcare delivery models such as telehealth, virtual care, and in-home care have accelerated. Tech-enabled solutions that reduce the complexity, costs, and/or burden within the Healthcare and pharmaceutical industry, such as cloud computing solutions, artificial intelligence, and big data analytics, continue to emerge and create attractive investment opportunities. The Oak HC/FT investment team is well positioned to capitalize on these developing themes due to their extensive experience and firmly established relationships within the Healthcare sector.

Fintech also comprises a meaningful part of the U.S. economy. Accounting for more than 16% of the U.S. GDP in 2020, the Fintech industry helps business and consumers transact, borrow, invest, and manage money, all activities crucial for driving economic activity. Technology is rapidly changing how financial services are delivered. The Fintech landscape remains healthy and active as evidenced by the increased number of global Fintech unicorns<sup>2</sup> from 75 in 2020 to 167 in 2021, and half of the top 10 U.S. venture capital-backed tech IPOs in 2021 were Fintech companies.<sup>3</sup> Between 2021 and 2030, the Fintech market is expected to grow from \$110 billion to \$698 billion, an approximate 20% annual growth rate.<sup>4</sup> An investor in Fintech since its inception, Oak HC/FT anticipates Fund V will pursue several investment themes with significant room to grow, such as payments, full stack solutions, and cybersecurity. For example, McKinsey & Company predicts global payments will grow 6-7% annually and reach \$2.5 trillion by 2025, and a report from PricewaterhouseCoopers forecasts cashless transaction volume will nearly triple by 2030, suggesting no shortage of opportunity.<sup>5, 6</sup>

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<sup>1</sup> The Center for Medicare & Medicaid Services, 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>

<sup>2</sup> Company valued at \$1 billion or more

<sup>3</sup> SVB Financial Group, 2021, “State of Fintech”

<sup>4</sup> Allied Market Research, 2021, “Global Opportunity Analysis and Industry Forecast, 2021–2030”

<sup>5</sup> McKinsey & Company, 2021, “The 2021 McKinsey Global Payments Report”

<sup>6</sup> PricewaterhouseCoopers, 2021, “Navigating the Payments Matrix”

### Portfolio Fit:

A commitment to the Fund would be allocated to the Growth Equity sleeve of PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity Portfolio exposure, as of September 30, 2021, inclusive of a recommended \$100 million commitment to the Fund:

Investment Type	Market Value	Unfunded <sup>1</sup>	Total Exposure	%	Pending Current Recommendations		
					Mar 2022	Total Exposure	%
Buyout	\$ 9,102	\$ 3,931	\$ 13,033	71.7%	\$ 100	\$ 13,133	71.5%
Growth Equity	1,454	742	2,196	12.1%	100	2,296	12.5%
Venture Capital	1,090	287	1,377	7.6%	-	1,377	7.5%
Internal Co-invest	1,306	248	1,554	8.6%	-	1,554	8.5%
<b>Total</b>	<b>\$ 12,952</b>	<b>\$ 5,208</b>	<b>\$ 18,160</b>	<b>100.0%</b>	<b>\$ 200</b>	<b>\$ 18,360</b>	<b>100.0%</b>

<sup>1</sup>Includes commitments approved through February 2022

### Investment Strategy:

Oak HC/FT expects to invest Fund V with the same approach as their previous four funds. The Firm seeks companies with strong growth potential, led by talented entrepreneurs. The portfolio is expected to target 8-9 early stage and 16-18 growth stage investments, with an average investment size of \$40 million and \$75 - \$100 million, respectively. Geographically, the Fund will mainly focus on opportunities in the U.S., and may have exposure to Europe, Israel, and Latin America. The Fund, like its four predecessors, will invest exclusively within Healthcare and Fintech. The team does not set specific parameters for how much capital to deploy into one sector over another. Rather, they find allowing for flexibility to opportunistically invest where the attractive opportunities are is preferred over defining specific amounts of capital to allocate to each sector. Historically, their funds have been weighted more to Healthcare than Fintech. The Firm strongly values their partnerships with entrepreneurs and executives. Leveraging deep relationships with individuals and teams who have previously engaged with Oak HC/FT is a core tenet within their investment strategy.

### Senior Investment Team:

Oak HC/FT's Co-Founders and Managing Partners, Annie Lamont, Andrew Adams, and Patricia Kemp have worked together for over 20 years and have an average of 31 years of private equity experience. Oak HC/FT's investment team is comprised of 23 professionals organized into sector-specific Healthcare and Fintech groups dedicated to identifying, retaining, and attracting exceptional executive teams for the Firm's portfolio companies. The three co-founders comprise the Firm's decision-making body, their Investment Committee.

Name	Title	Yrs. Experience Oak HC/FT / Total	Prior Experience
Annie Lamont*	Co-Founder and Managing Partner	8 / 35	Oak Investment Partners; Hambrecht & Quist
Andrew Adams*	Co-Founder and Managing Partner	8 / 24	Oak Investment Partners; Capital Resource Partners; Alex Brown
Patricia Kemp*	Co-Founder and Managing Partner	8 / 34	Oak Investment Partners; Cendant (formerly CUC International); Hewlett Packard; Merrill Lynch
Nancy Brown	General Partner	7 / 35	McKesson Technology Solutions; MedVentive; athenahealth
Matt Streisfeld	General Partner	7 / 14	LLR Partners; Lightyear Capital; Keefe; Bruyette & Woods
Vig Chandramouli	Partner	7 / 11	LLR Partners
Dan Petrozzo	Partner	4 / 25	Intralinks; Goldman Sachs; Fidelity Investments; Morgan Stanley; Deutsche Bank AG
Billy Deitch	Partner	4 / 12	Francisco Partners; TPG Growth; UBS



Name	Title	Yrs. Experience Oak HC/FT / Total	Prior Experience
Oivind Lorentzen	Principal	6 / 8	Morgan Stanley
Andy Smith	Principal	5 / 8	Safeguard Scientifics; Credit Suisse
Allen Miller	Principal	2 / 8	Matrix Partners; McKinsey

\* Investment committee member

**Investment Highlights:**

- Consistent Team & Performance
- Talent Team
- Sector Expertise
- Executive in Residence & Repeat Entrepreneurs

**Investment / Risk Considerations:**

- Potential Headline Risk
- Fund Size and Coverage
- Change in Regulatory Environment
- Business & Market Risk in post COVID-19 Environment

**PSERS History & Performance:**

PSERS has previously committed to one fund with Oak HC/FT. As of September 30, 2021, the Firm represented \$98.9 million of PSERS' total exposure (NAV plus unfunded commitments). The table below summarizes PSERS' performance with Oak HC/FT as of September 30, 2021 (in millions):

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Oak HC/FT Partners IV, L.P.	2021	\$ 100.0	\$ 29.8	\$ 0.0	\$ 28.8	n/a	1.0x



**Investment Committee Disclosure:**

<b>Relationship with Hamilton Lane:</b>	<p>Sixteen discretionary Hamilton Lane clients and commingled products have committed an aggregate \$448.6 million across prior Oak HC/FT funds. Additionally, two discretionary Hamilton Lane clients and commingled products have made co-investments alongside Oak HC/FT totaling approximately \$11.9 million.</p> <p>To date, eleven discretionary clients have closed commitments to Fund V, with preliminary allocations totaling \$157.5M. Hamilton Lane is not aware of any advisory clients considering a commitment at this time. These allocations remain subject to change as clients work through their respective processes.</p>
<b>Introduction Source:</b>	Existing Relationship
<b>Placement Agent:</b>	<p>Oak HC/FT Management Company, LLC has not and will not enter into any agreement and/or other arrangement to pay a fee to and/or to otherwise compensate any placement agent, finder, intermediary, or other individual to identify, contact, and/or solicit investors to invest in Oak HC/FT Partners V, L.P.</p> <p>As confirmed by PSERS' Office of Chief Counsel on January 11, 2022, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.</p>
<b>Political Contributions:</b>	None Disclosed
<b>PA Presence:</b>	Yes
<b>Potential Conflicts:</b>	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in the Fund.
<b>Litigation Disclosure:</b>	Oak HC/FT receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. At this time and to the best of Oak HC/FT's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on Oak HC/FT or the Fund.
<b>Disclosure of External Manager-Paid Travel:</b>	<p>Oak HC/FT reimbursed and/or paid the following amounts related to PSERS IOP travel during the last two calendar years:</p> <p>2020: \$0 2021: \$0</p>
<b>Certification of Due Diligence Costs:</b>	IOP certifies there was no travel associated with the due diligence of Fund V and PSERS was not reimbursed for any costs related to the due diligence of Fund V.
<b>First Time Fund With PSERS:</b>	No
<b>PSERS Allocation Implementation Committee Approval:</b>	February 11, 2022