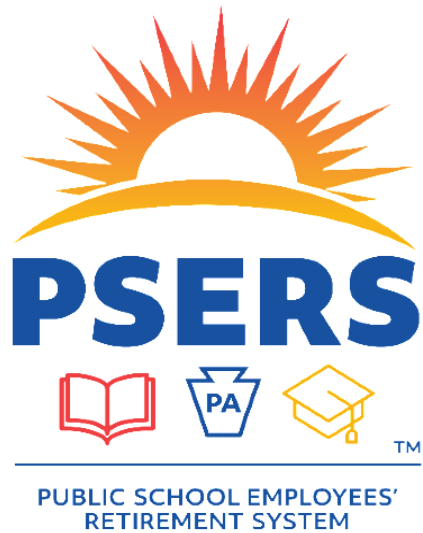




PSERB Resolution 2024-43
Re: LLR Equity Partners VII, L.P.
August 16, 2024

RESOLVED, that the Public School Employees' Retirement Board (the "Board") adopts the recommendation of the Investment Committee to invest an amount not to exceed \$125 million, plus reasonable and normal investment expenses, to LLR Equity Partners VII, L.P., and/or related investment vehicles.

The final terms and conditions of the investment are subject to legal due diligence and must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contracts.



LLR Equity Partners VII, L.P. Private Equity Recommendation

Luke M. Jacobs, CFA, CAIA
Portfolio Manager

July 2024

Today's Presentation

LLR Equity Partners VII, L.P. ("LLR VII" or the "Fund")

Main Presentation

1. Asset Class Considerations
 - *Recommendation is consistent with PSERS Strategic Asset Allocation (SAA) and current year commitment planning.*
2. Recommendation Overview
 - *PSERS IO and Aksia recommend committing \$125 million to LLR Equity Partners VII, L.P.*
3. Strategy & Expertise
 - *Offers expertise in making investments in lower middle market growth companies in the technology and healthcare sectors.*
4. Investment Considerations
 - *Investment expected to face certain risks consistent with Private Equity investments and staff believes that LLR has identified appropriate mitigants to those risks.*
5. Investment Highlights
 - *Consistent historical performance and complementary fit with PSERS private equity portfolio.*

Appendix

- Investment Committee Disclosure
- Private Equity Dashboard

1. Asset Class Considerations

Recommendation is consistent with PSERS Strategic Asset Allocation (SAA) and current year commitment planning

PSERS SAA and Pacing

1. PSERS SAA has established long term targets of 12.0%.
2. The current overweight is expected to decrease over the next 3 years before reaching the long-term target.
3. PSERS' most recent pacing model (November 2023) suggested \$800M – \$1.2B of commitments annually to reach our target in ~3 years (2027).
4. 2024 budget is currently set for approximately \$550M in primary investments.

SAA Allocation	
Private Equity Target	12.0%
Private Equity Actual (12/31/23)	16.9% ¹
Anticipated Date to Reach Allocation	2027
Pacing Budget for 2024	
Targeted Pacing Budget	\$400M - \$700M
Primary Investments	
2024 YTD Commitment	\$100M
August 2024 Recommendations	\$225M
Co-Investments	
2024 YTD Commitment	\$15
Total Primary and Co-Investments	\$340M
Remaining 2024 Budget after August	\$210M ²
Est. Remaining Primary Fund Recommendations after August	\$200M
Expected to be in Target Budget Range for 2024?	Yes
Est. Co-Investment Capacity	\$403M ³

¹ Private Equity Actual taken from Verus 2023 4Q – Total Fund Report

² Remaining to the mid-point of pacing budget

³ Co-Investment Capacity as of 12/31/23

2. Recommendation Overview

PSERS IO and Aksia recommend committing \$125 million to LLR VII

Key Term	
Fund Name	LLR Equity Partners VII, L.P.
Firm Name	LLR Management HoldCo, L.P.
Net Return Target	20% - 25%
Investment Professionals / Employees	46 / 106
Strategy Invested Capital ¹	\$6.4 billion (across Funds I - VII)
Target Fund Size	\$2.25 billion
Recommended Commitment Amount	\$125 million
GP Commitment	At least 5% of aggregate commitments, or \$112.5 million
PSERS Existing Relationship	Yes
Notable Investment Committee Disclosure ²	None

3. LLR VII Strategy & Expertise

Demonstrated expertise in lower middle market growth companies

- 1. Sector & Geography:** LLR VII's strategy seeks to make investments in U.S.-based, lower middle market growth companies, specifically in the technology and healthcare sectors.
- 2. Portfolio Construction:** The Fund will have a diversified portfolio of 20 – 25 companies, with an average investment range of \$50 million to \$100 million.
- 3. Growth Capital Experience:** LLR seeks established companies with potential for future growth, supported by double-digit revenue growth and strong gross margins. LLR is typically the first institutional investor in its portfolio companies and invests alongside founders and management teams to create shared long-term growth objectives.

4. Investment Considerations

Investment expected to face certain risks consistent with Private Equity investments and staff believes that LLR has identified appropriate mitigants to those risks

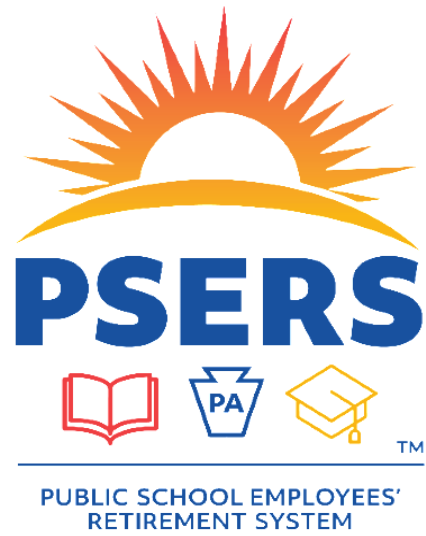
Risk	Detail	Mitigating Factors
Fund Size	At \$2.25 billion, the Fund will be the largest vehicle LLR has raised to date.	<i>Historically, each predecessor fund has been marginally larger than its predecessor fund with the increase from Fund VI to Fund VII intended to be ~ \$450M. As in prior funds, the average equity investment will be < \$100M.</i>
Execution Risk	The Fund may experience some economic and regulatory risks in the technology and healthcare sectors that may negatively impact the performance of the Fund.	<i>It is believed these two sectors have fewer cyclical risks compared to other industry sectors. It is anticipated these portfolio companies will provide software solutions and services resulting in inelastic demand profiles. Additionally, LLR offers deep knowledge and high conviction in both of these sectors, with over two decades of investing experience.</i>
Minority Investors in LLR	Goldman Sachs Asset Management's Petershill Partners have a minority interests in LLR.	<i>Petershill's minority investment was announced publicly in November 2022. This is a minority, passive investment and has not impacted team dynamics, strategy, process and alignment LLR has with their LP's.</i>

Note: Please see Aksia and PSERS confidential memos for additional discussion on risks and mitigants

5. Investment Highlights

Consistent historical performance and complementary fit within PSERS Private Equity portfolio

Highlight	Detail
Consistent and Stable Performance in Prior Funds	As of September 30, 2023, PSERS has committed \$919 million across LLR’s six funds (excluding co-investments) generating a total value of \$1.66 billion, of which \$1.13 billion has been realized. Over the same timeframe, in aggregate, these funds generated a net IRR of 19.0% and a net MoC of 1.99x.
Lower Middle Market Dynamics	LLR has been investors in the lower middle market for over two decades. Generally, the lower middle market (i.e., companies exhibiting revenues between \$2 million and \$100 million) has lower valuation multiples than core and upper middle market companies.
Strong Opportunity Set and Deal Flow	It is believed there are about 100,000 companies in the lower middle market space. LLR intends to focus exclusively on the technology and healthcare sectors, where they have deep sector knowledge and strong relationships to generate attractive deal flow and opportunities. The Fund will attempt to identify solid businesses with suboptimized growth plans which can benefit from the Firm's value creation initiatives.



Appendix

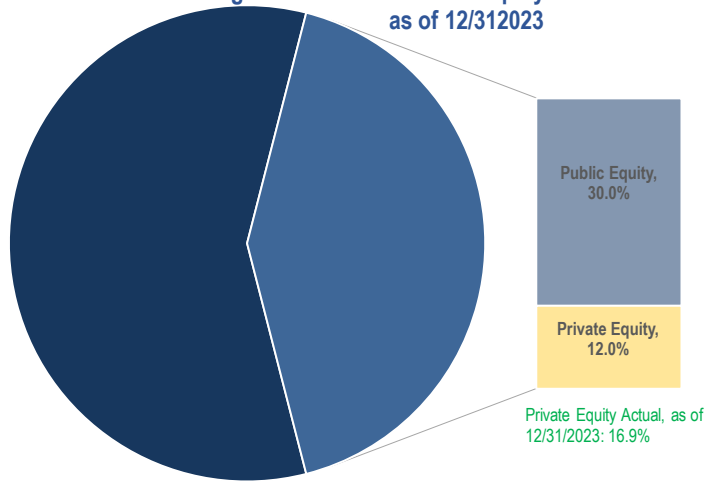
Investment Committee Disclosure

Disclosure	Response
Relationship with Aksia	As of January 31, 2024, two current Aksia advisory clients have made total aggregate subscriptions and commitments of \$1.1 billion across investments managed by LLR Equity Partners. As of May 6, 2024, there are two other Aksia clients considering a commitment to LLR Equity Partners VII.
Introduction Source	Existing Relationship
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on April 23, 2024, this investment complies with the Board's policy.
PA Political Contributions	None Disclosed
PA Presence	Yes, see 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	LLR receives communications from regulators and is 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 the Fund.
Has the Firm reimbursed and/or paid for PSERS IOP travel in the past two calendar years?	No
Certification of Due Diligence Costs	IOP certifies that PSERS paid all travel costs, if any, and was not reimbursed for the travel costs related to due diligence of the Fund

Private Equity Dashboard

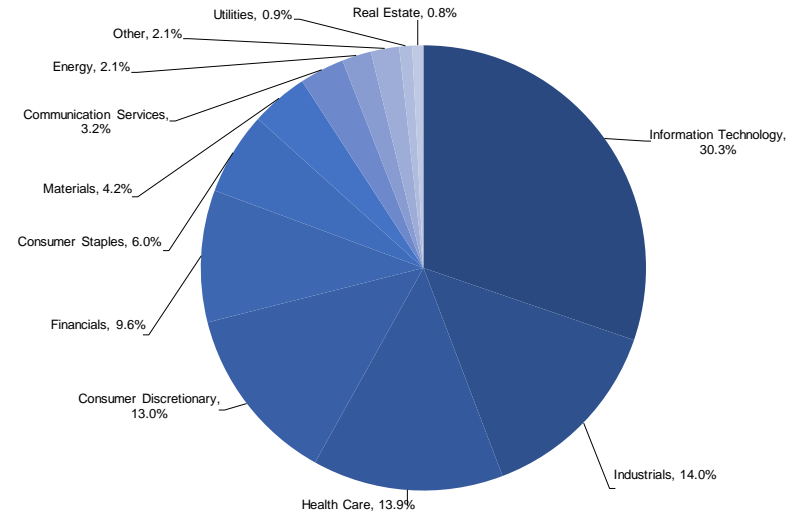
As of December 31, 2023

Target Allocation to Private Equity as of 12/31/2023



Note: Actual figure sourced from Verus 2023 4Q – Total Fund Report

Sector Diversification



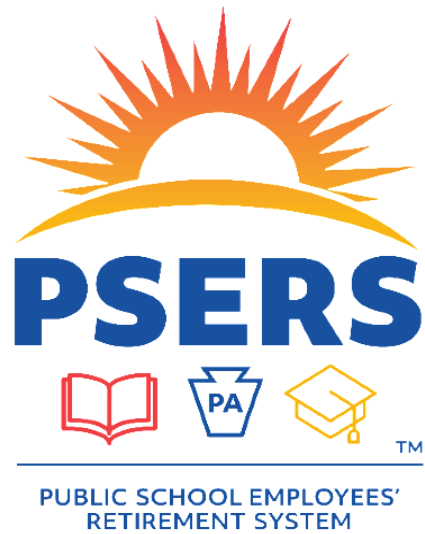
Recent Fund Deployment (\$M)

2023 Budget Items	
Clayton Dubilier & Rice Fund XII LP	\$100.0
OceanSound Partners Fund II LP	\$100.0

PSERS Private Equity Portfolio Performance

	Time-Weighted					Dollar-Weighted		
	1-YR	3-YR	5-YR	10-YR	ITD	KS PME	Direct Alpha	ITD
Buyout	5.7%	14.4%	14.0%	11.3%	15.7%	1.13x	4.1%	12.2%
Growth Equity	6.3%	18.3%	20.7%	19.2%	18.1%	1.38x	8.6%	20.0%
Venture Capital	11.8%	6.9%	13.8%	8.5%	5.7%	0.87x	-2.6%	6.2%
Private Equity Co-Investment	11.6%	17.8%	19.5%	20.6%	25.2%	1.40x	11.4%	22.3%
Total Portfolio	6.9%	14.7%	15.4%	12.4%	11.0%	1.12x	3.2%	11.8%
Benchmark	17.5%	4.1%	10.8%	8.3%	10.3%			

The PSERS Blended Index Benchmark: a blend of inception to 12/31/98 is 70% Russell 3000 & 30% MSCI x US Net Total Return, 12/31/98 to 12/31/18 is 70% Russell 3000 & 30% MSCI ACWI x US, 1/1/19 to 9/30/22 is 65% MSCI USA Small Cap & 35% MSCI ACWI x US Small Cap, and 10/1/22 to present is 70% MSCI USA Small Cap TR Index & 30% MSCI ACWI ex USA Small Cap Net TR Index.



LLR Equity Partners VII, L.P. Private Equity Recommendation

Luke M. Jacobs, CFA, CAIA
Portfolio Manager

July 2024

May 6, 2024

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

Re: LLR Equity Partners VII LP

Aksia LLC ("Aksia"), having been duly authorized by Board of PSERS, has evaluated and hereby recommends, in line with PSERS' Investment Policy Statement, Objectives, and Guidelines, an amount not to exceed \$125 million in LLR Equity Partners VII, L.P. ("LLR VII or the "Fund").

LLR Partners ("LLR" or the "Firm") was established in 1999 by three founders, Seth Lehr, Ira Lubert, and Howard Ross. Today, the Firm has 96 investment professionals and 19 non-investment professionals. The Firm is led by Mitchell Hollin, Scott Perricelli, David Reuter, Howard Ross, and Jack Slye and is supported by six Partners. In 2022 Goldman Sachs Asset Management's Petershill funds acquired a 10.75% stake of the Firm.

The Firm is currently raising LLR VII, targeting \$2.25 billion in capital commitments. The Fund will continue the strategy pursued by earlier funds and target lower middle market growth companies within the technology and healthcare sectors, with \$10.0 million to \$100.0 million of revenue and enterprise values typically less than \$200.0 million. Technology investments will primarily include software and tech-enabled businesses. Healthcare investments may include healthcare IT and healthcare services businesses.

Aksia's recommendation to commit as described above is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of the Fund's investment process, including a review of the sponsor, investment strategy, market positioning, investment personnel, and risk management;
 - Most recent investment due diligence review conducted March 2024
- Due diligence of the Fund's operations, including a review of its organizational structure, service providers, regulatory and compliance, and financial statement analysis;
 - Most recent operational due diligence review conducted March 2024
- Consideration of the Fund's strategy within the context of the current investment environment; and
- Consideration of the Fund's strategy as a component of PSERS' portfolio

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives, and circumstances may not be identical to those of PSERS. 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,



Thomas Martin
Partner, Head of Private Equity and Real Assets Strategies



Simon Fludgate
Partner, Head of Operational Due Diligence