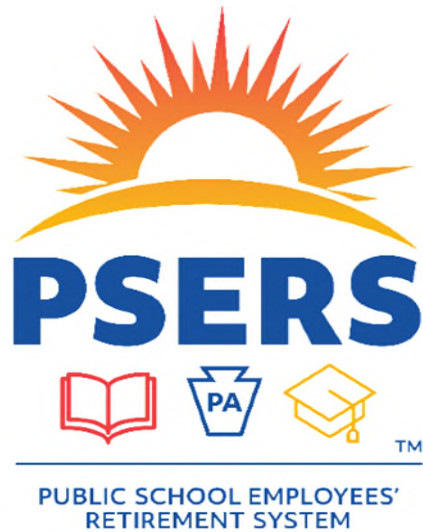




**PSERB Resolution 2024-44**  
**Re: Summit Partners Growth Equity Fund XII – A, L.P.**  
**August 16, 2024**

**RESOLVED**, that the Public School Employees' Retirement Board (the "Board") adopts the recommendation of the Investment Committee to invest an amount not to exceed \$100 million, plus reasonable and normal investment expenses, to Summit Partners Growth Equity Fund XII - A, 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.



## Summit Partners Growth Equity Fund XII, L.P. Private Equity Recommendation

**Luke M. Jacobs, CFA, CAIA**  
Portfolio Manager

**Melissa A. Quackenbush**  
Sr. Portfolio Manager

**July 2024**

# Today's Presentation

*Summit Partners Growth Equity Fund XII, L.P. ("Fund XII" 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 \$100 million to Summit Partners Growth Equity Fund XII, L.P.*
3. Strategy & Expertise
  - *Offers expertise in making investments in profitable, high growth, category-leading companies in the technology, healthcare and life sciences, and growth products and services sectors.*
4. Investment Considerations
  - *Investment expected to face certain risks consistent with Private Equity investments, and staff believes that Summit 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% <sup>1</sup>
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	\$15M
Total Primary and Co-Investments	
Remaining 2024 Budget after August	\$210M <sup>2</sup>
Est. Remaining Primary Fund Recommendations after August	\$200M
Expected to be in Target Budget Range for 2024?	Yes
Est. Co-Investment Capacity	\$403M <sup>3</sup>

<sup>1</sup> Private Equity Actual taken from Verus 2023 4Q – Total Fund Report

<sup>2</sup> Remaining to the mid-point of pacing budget

<sup>3</sup> Co-Investment Capacity as of 12/31/23

## 2. Recommendation Overview

*PSERS IO and Aksia recommend committing \$100 million to Fund XII*

Key Term	
Fund Name	Summit Partners Growth Equity Fund XII, L.P.
Firm Name	Summit Partners, L.P.
Net Return Target	20% - 25%
Investment Professionals / Employees	62 / 234
Strategy AUM <sup>1</sup>	\$21.6 billion
Target Fund Size	\$9.0 billion
Recommended Commitment Amount	\$100 million
GP Commitment	The lesser of 5% of aggregate commitments, and \$350 million
PSERS Existing Relationship	Yes
Notable Investment Committee Disclosure <sup>2</sup>	None

## 3. Fund XII Strategy & Expertise

*Demonstrated expertise in high quality growth companies in three core sectors*

1. **Sector & Geography:** Summit seeks to make 25 to 35 investments in profitable, high growth companies located predominantly in North America, in the technology, healthcare and life sciences, and growth products and services sectors.
2. **Strategy & Structure:** Summit seeks companies with potential for future growth that are category leaders, have large addressable markets with durable, secular growth trends. Summit will pursue both minority growth investments and control transactions, including growth buyouts and “buy and build” investments.
3. **Strong Track Record:** As of December 31, 2023, PSERS has committed \$595 million across six Summit funds and one co-investment, generating a net IRR of 24.8% and a net MoC of 1.97x.
4. **Team:** The Fund will be led by an experienced team of 13 Managing Directors who average 20 years of industry experience and 18 years with Summit.

# 4. Investment Considerations

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

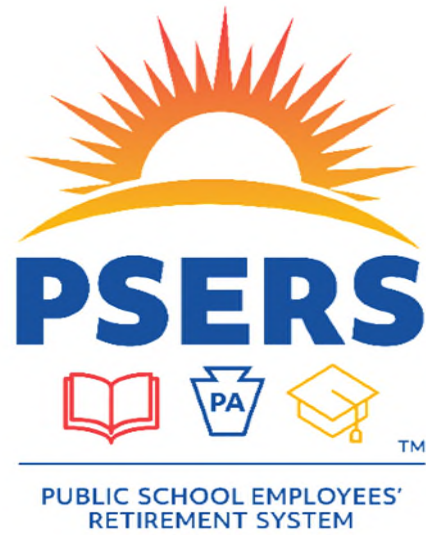
Risk	Detail	Mitigating Factors
Key Person Risk	The Fund's Key Person clause has changed from three of six departures in Fund XI, to four of eight departures in Fund XII.	<i>PSERS IOP acknowledges that the change in this provision is dilutive. However, the likelihood of this occurring is low given the long tenure of the eight key persons at Summit. If the key person clause is triggered, the investment period would be suspended.</i>
Fund Size	The Fund, at \$9 billion, will be the largest fund Summit has raised to date.	<i>PSERS has had many conversations with Summit regarding the size of Fund XII. Summit raised \$8.3 billion in Fund XI, which has been successfully deployed. Given Summit's current robust pipeline of market opportunities, PSERS IOP believes the Fund will not have challenges deploying the capital.</i>
Lack of Allocation Policy	Summit lacks a formal allocation policy and at times there may be certain investment opportunities that would be suitable for other Summit funds. This could be of concern if an LP is not in both fund vehicles and the terms and conditions, valuations, and other economics differ between the fund vehicles.	<i>In the split investment transactions, both funds enter into the transaction under the same set of circumstances (terms and conditions, valuation, economics and timing), historically splitting investments evenly between the growth equity funds, and will exit on the same deal terms and time frame.</i>

# 5. Investment Highlights

*History of successful investments in profitable growth companies and complementary fit within PSERS Private Equity portfolio*

Highlight	Detail
Sound Reputation for Growth Investing	Summit has been investing in high growth businesses for four decades, long before other private equity firms entered this space. They have successfully invested in over 500 companies within their three sectors of focus. The firm thrives off a strong culture, innovation, and continuous improvement.
Unique Sourcing Capabilities	Summit has benefitted from their unique approach to investment opportunities through their proprietary, proactive, and direct outreach. PSERS IOP believes this approach is differentiated and unique in the industry, and more importantly, will provide the Fund with an ample opportunity set of portfolio companies. Historically, over 90% of Summit’s investments have been through this sourcing effort.
Strong Performance in Prior Funds	As of December 31, 2023, PSERS has committed \$595 million across six Summit funds and one co-investment, generating a total value of \$1.0 billion, of which \$505.2 million has been realized. Over the same timeframe, in aggregate, these funds generated a net IRR of 24.8% and a net MoC of 1.97x.





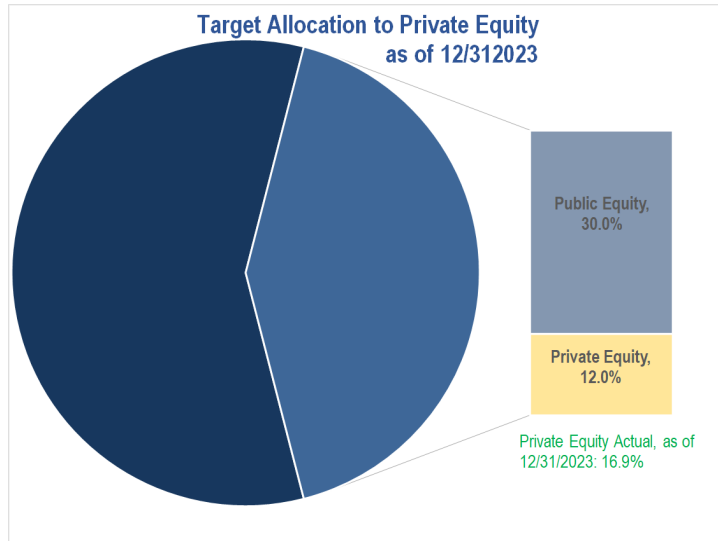
# Appendix

# Investment Committee Disclosure

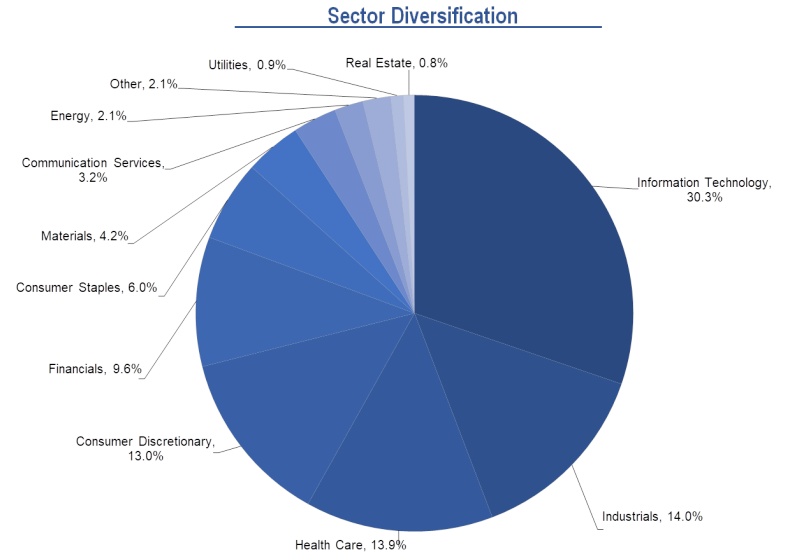
Disclosure	Response
Relationship with Aksia	As of March 31, 2024, two current Aksia advisory clients have made commitments of \$752.8 million across investments managed by Summit Partners. As of June 26, 2024, there is one other Aksia clients considering a commitment to Summit Partners Growth Equity Fund XII.
Introduction Source	Existing Relationship
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on July 26, 2024, this investment complies with the Public School Employees' Retirement Board Placement Agent 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	Summit 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



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



## Recent Fund Deployment (\$M)

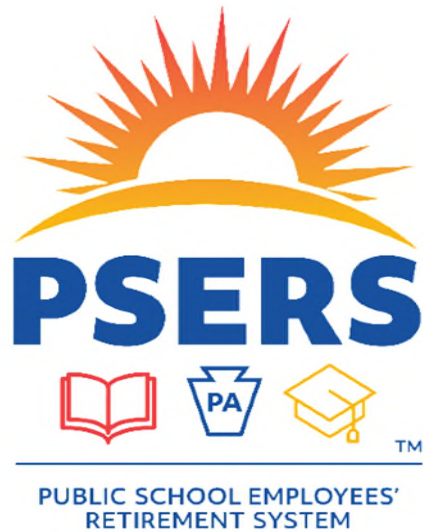
2023 Budget Items	
Clayton Dubilier & Rice Fund XII LP	\$100.0
OceanSound Partners Fund II LP	\$100.0

## 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 Color Coding: +/- 200bps **outperformance** or **underperformance** vs. Benchmark. 1 KS PME and Direct Alpha are calculated compared to Private Equity's public benchmark.

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.



## Summit Partners Growth Equity Fund XII, L.P. Private Equity Recommendation

**Luke M. Jacobs, CFA, CAIA**  
Portfolio Manager

**Melissa A. Quackenbush**  
Sr. Portfolio Manager

**July 2024**

June 26, 2024

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

Re: Summit Partners Growth Equity Fund XII-A, L.P.

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 \$100 million in Summit Partners Growth Equity Fund XII-A, L.P. ("Fund XII", the "Fund").

Summit Partners ("Summit" or the "Firm") was founded in 1984 by Gregory Avis, E. Roe Stamps, and Stephen Woodsum to invest in U.S. based, growth-stage businesses. Since inception, the Firm has grown into a global alternative asset manager, launching new platforms such as Europe Growth Equity, Venture Capital, Subordinated Debt, Credit, and Public Equity.

The Firm is currently raising Fund XII with a target of \$9.0 billion. A formal hard cap has not been established. The Fund is expected to follow a similar investment strategy as its predecessor funds, investing in profitable, growth-stage businesses across Technology, Healthcare and Life Sciences, and Growth Products and Services, primarily in the United States. The Fund is expected to pursue transactions across two deal types: unlevered transactions with minority or majority interest and control deals where the use of leverage is more likely.

Aksia's recommendation to commit 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 management company, investment team, strategy and risk, and track record;
  - Most recent investment due diligence review conducted June 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 June 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