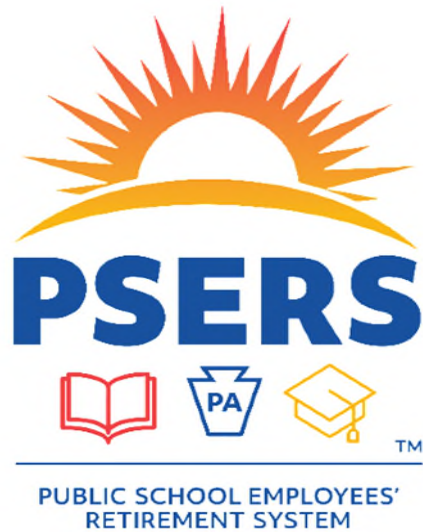


PSERB Resolution 2025-23
Re: K6 Private Investors, L.P.
March 21, 2025

RESOLVED, that the Public School Employees' Retirement Board (the "Board") accepts the recommendation that the Investment Committee and commits an amount not to exceed \$100 million, plus reasonable and normal investment expenses, in K6 Private Investors, LP and/or related investment vehicles in accordance with the recommendation of Jarrett Richards, Portfolio Manager and Aksia, LLC.

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 contract.



K6 Private Investors, L.P. Private Equity Recommendation

Ryan Rathman
Senior Portfolio Manager

Jarrett Richards
Portfolio Manager

March 2025

Today's Presentation

K6 Private Investors, L.P. ("K6")

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 K6*
3. Strategy & Expertise
 - *Experienced single-strategy, single fund series, lower middle market enterprise software specialist*
4. Investment Considerations
5. Investment Highlights

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 a target allocation of 12.0% to Private Equity.
2. The current overweight is due to an allocation reduction and slower-than-projected distributions in 2023 and 2024.
3. Aksia's latest pacing analysis suggests \$1.4B-\$2.0B of annual commitments to reach the target exposure in 2026. IOP propose a range of \$700M-\$1.0B in 2025 to scale into long-term target commitment levels.
4. The pacing analysis is revisited frequently based on the actual performance of the Private Equity allocation and the broader PSERS portfolio.

SAA Allocation	
Private Equity Target	12.0%
Private Equity Actual	15.7% ¹
Pacing Budget for 2025	
Proposed Pacing Budget Range	\$700M - \$1.0B
Primary Fund Commitments	
YTD Commitments	\$0
March 2025 Recommendations	\$233M
Co-Investments	
YTD Commitments	\$10M
Total Primary and Co-Investments	\$243M
Remaining Budget ²	\$607M
Est. Remaining Primary Fund Recommendations	\$550M
Expected to be in Target Budget Range?	Yes

1. Private Equity Actual sourced from Verus 2024 Q3 Total Fund Report
2. Remaining to the mid-point of the pacing budget

2. Recommendation Overview

PSERS IO and Aksia recommend committing \$100 million to K6 Private Investors, L.P.

Firm Name	K1 Investment Management (“K1”)
Investment Professionals / Employees	130 total employees / 122 investment professionals
Fund Name	K6 Private Investors, L.P. (“K6”)
Strategy Invested Capital ¹	\$18 billion
Target Return	25% Net IRR / 3x Net MoC
Target Fund Size / Hard Cap	\$6.25 billion / \$6.5 billion
Recommended Commitment	\$100 million
GP Commitment	~\$125 million
Fund Structure	Closed-End
PSERS Existing Relationship	Yes
Notable Investment Committee Disclosures ²	None

3. K6 Strategy & Expertise

K1 will apply its consistent, specialized strategy to capitalize on the market opportunity in lower middle market enterprise software

- 1. Market Opportunity:** The market opportunity for K6 is characterized by (1) increased spend on enterprise software to drive business efficiencies; (2) the adoption of artificial intelligence; (3) a large lower middle market opportunity set with reasonable valuations, and (4) a consolidation of software (platform building).
- 2. Strategy:** The Fund will seek to acquire controlling interests in 18-20 lower middle market enterprise software companies (sub-\$100M revenue). K1 will build the portfolio with companies that fulfill its five key investment criteria: (1) mission critical applications, (2) system of record, (3) high recurring revenue, (4) high revenue retention, and (5) customer diversification.
- 3. Portfolio Fit:** A commitment to K6 is consistent with portfolio goals to increase exposure to lower middle market buyout strategies, specialist single-strategy managers, and managers who have demonstrated operational expertise rather than high leverage to drive returns.

4. Investment Considerations

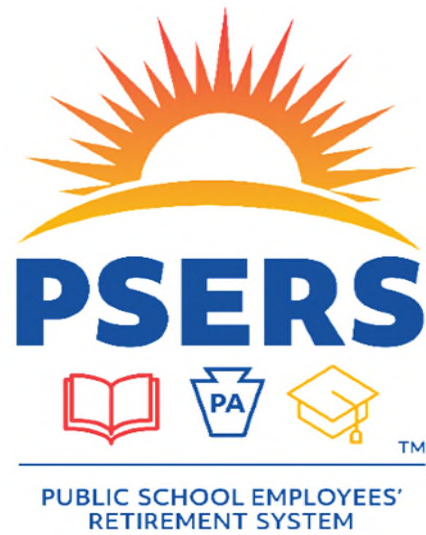
The risks for K6 are consistent with Private Equity buyout strategies

Risk	Detail	Mitigating Factors
Growth of Fund Size	Fund sizes have grown with each successive K1 fund. K1-K3 were sub-\$1B funds; K4 was a \$2B fund; K5 was a \$5B fund; and K6 is projected to be a \$6.25B fund.	<i>K1 has consistently invested in lower middle market enterprise software with average revenue at acquisition remaining consistent across the fund series. The recent funds have invested primarily in control vs. minority positions, allowing K1 to deploy capital efficiently while maintaining the strategy.</i>
M&A Strategy and Integration	K1 implements a “buy-and-build” strategy, initially purchasing one platform company and then acquiring three to four add-on businesses to grow the platform with complementary offerings. This strategy introduces integration risk.	<i>K1 is deeply experienced in sourcing and integrating add-on acquisitions (214 add-on acquisitions to-date). A dedicated M&A team collaborates with portfolio company management teams to identify complementary and accretive add-ons to the existing platform. K1 Ops, the Deal Lead, and portfolio company executives then programmatically oversee the integration utilizing a playbook of best practices and lessons learned.</i>
Key Person Risk	Neil Malik is the founder, CEO, and sole equity owner of K1. Mr. Malik is the face of K1 and an effective and respected leader of the K1 team.	<i>Mr. Malik is a “Super Key Person” whose departure from the firm would cease the investment period. IOP have favorable impressions of the other Managing Partners, having reviewed their track records and discussed their investment philosophies.</i>

5. Investment Highlights

K1's specialized expertise matches today's market opportunity

Highlight	Detail
Specialist Investors: Single Office, Single Strategy	In a market where investment managers are regularly launching new fund series to target different deal sizes, new geographies, or the “en vogue” strategy, K1 remains laser-focused on investing solely in lower middle market enterprise software from its single office. All senior-level K1 employees are significantly invested in each fund. IOP believes that the specialized, single fund series approach creates strong alignment between the Firm and its limited partners.
Reset in Tech Multiples Creates Attractive Entry Valuations	Over the past five years, software company valuations spiked, and on the heels of higher interest rates, have since returned to normalized and relatively inexpensive levels. Software revenue multiples teetered around 10x for 2019 and the first half of 2020 before a sharp increase to 15-17x between September 2020 and August 2021. Multiples have reverted to ~7x, the lowest valuation multiples in 10 years. K1 remained disciplined during the run-up in valuations and took five years to deploy K5, exhibiting patience to discover suitable software companies at discounted multiples.
Focus on Growth and Profitability	K1 has delivered organic and inorganic revenue growth (approximately evenly split) to its portfolio companies, and with the market's focus shift toward profitability over “growth at all costs”, K1 has been able to successfully achieve this as well, growing portfolio company EBITDAs meaningfully between 2022 and 2024.



Appendix

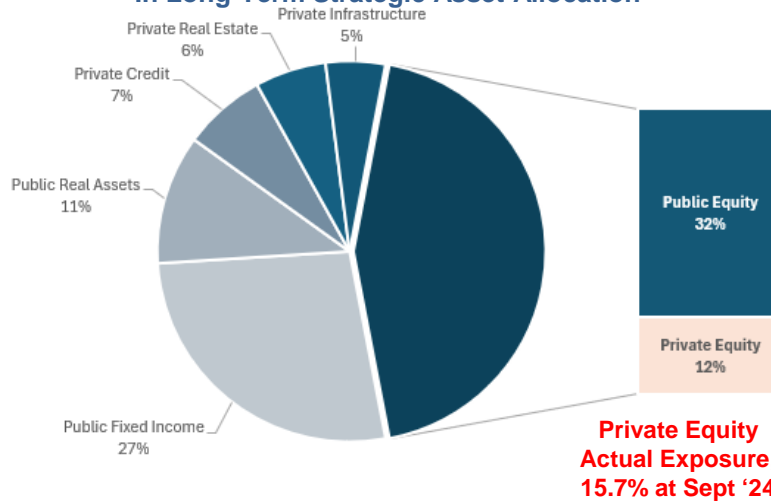
Investment Committee Disclosure

Disclosure	Response
Relationship with Aksia	As of November 30, 2024, three (3) current Aksia advisory clients have made total aggregate subscriptions of \$572 million across investments (including the Fund) managed by K1 Investment Management. As of February 18, 2025, there are no other Aksia clients considering a commitment to K6 Private Investors. ¹
Introduction Source	Existing Relationship
Compliance with Placement Agent Policy	As confirmed by PSERS' Office of Chief Counsel on Feb 13, 2025, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.
PA Political Contributions	No reportable political contributions
PA Presence	None
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	K1 receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. To the best of the sponsor's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on the Firm or the fund.
Has the Firm reimbursed and/or paid for PSERS IOP travel in the past two calendar years?	No
Certification of 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.

1. Please note that this information, which is available to PSERS upon request, is subject to change pending further review and decision making between Aksia and its clients

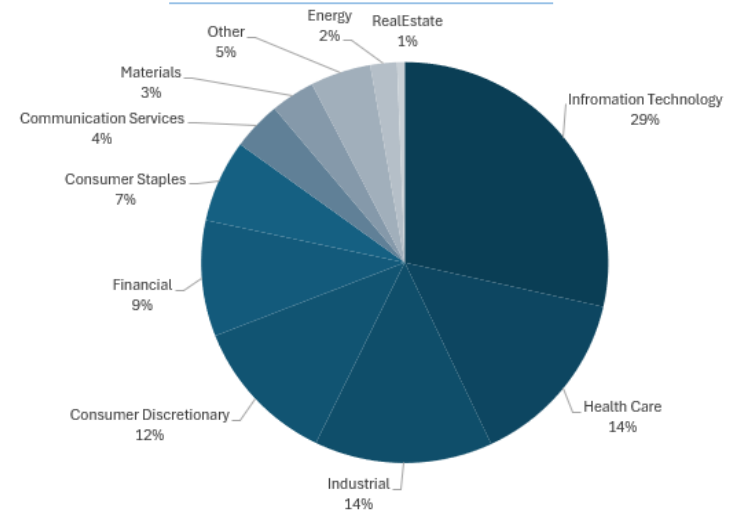
Private Equity Portfolio *as of September 30, 2024*

Target Allocation to Real Assets In Long-Term Strategic Asset Allocation



Note: 3.1% figure sourced from Verus 2024 3Q – Total Fund Report

Sector Diversification³



³ Sector Diversification as of June 30, 2024

Recent Fund Commitments (\$M)

2024	
LLR Equity Partners VII	\$125M
Summit Partners Growth Equity Fund XII	\$100M
2025	
Stellex Capital Partners III	\$100M
K6 Private Investors, LP	\$100M

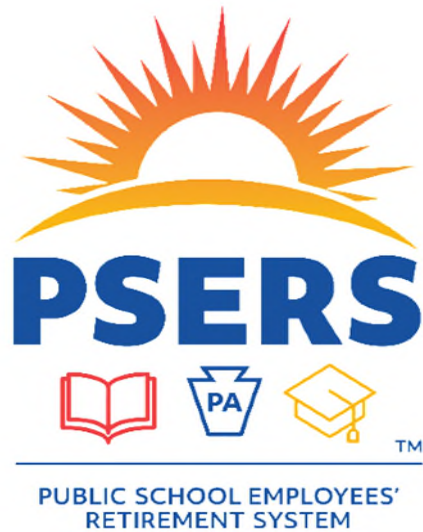
Portfolio Performance

	Time-Weighted Return					10-Yr PME Analysis	
	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	KS-PME	Direct Alpha
Buyout	4.6%	6.5%	13.3%	11.2%	11.7%	1.0x	1.6%
Growth Equity	9.5%	3.1%	19.7%	19.3%	18.9%	1.3x	9.4%
Venture Capital	6.8%	-1.1%	12.9%	7.8%	7.8%	0.9x	-1.8%
Co-Investment	7.0%	4.9%	16.2%	17.7%	22.9%	1.3x	6.6%
Total Portfolio	5.3%	5.3%	14.5%	12.2%	12.3%	1.1x	2.5%
Benchmark	7.9%	4.5%	13.6%	12.4%	13.0%		

Color-coding: **outperformance** or **underperformance** vs. benchmark.

¹ KS PME and Direct Alpha are calculated compared to Private Equity's PME benchmark (MSCI ACWI IMI with USA Gross, Non-US Net Index, unhedged; ticker M1WDW\$GI).

² Benchmark for TWR comparisons is the PE Policy Benchmark



K6 Private Investors, L.P. Private Equity Recommendation

Ryan Rathman
Senior Portfolio Manager

Jarrett Richards
Portfolio Manager

March 2025

January 30, 2025

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

Re: K6 Private Investors

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 K6 Private Investors (the "Fund").

K1 Investment Management ("K1" or the "Firm") was founded by Neil Malik in 2010 to pursue lower middle market enterprise software investments. Malik, who had previously founded the growth equity practice at Kayne Anderson, was joined at inception by two of his Kayne Anderson colleagues, Taylor Beaupain and Hasan Askari. He was later joined by Ron Cano from Vista Equity in 2014, which rounded out the senior leadership team. The Firm raised its first fund in 2011 and has continued to invest out of one platform where it has raised a total of \$8.0 billion in capital commitments across its five commingled funds and one overage fund. The Los Angeles-based manager has grown to over 100 professionals across its investment team and captive consulting firm, K1 Operations.

K1 is a control-oriented investor focused on acquiring bootstrapped enterprise software businesses with less than \$100 million in annual revenue. Despite the fund size increase, K1 has indicated that it will seek to build a less diversified portfolio of 14 to 20 investments by focusing on more control buyout transactions and reserving additional equity for M&A. The team is organized by functional area with dedicated resources to sourcing, execution, diligence, and operations that facilitate each stage of the investment process. The sourcing team is responsible for K1's extensive proactive outreach efforts with the goal to originate both platforms and add-ons outside of intermediated processes. As K1 is typically the first institutional investor, K1 leverages its investment team and K1 Operations to professionalize its portfolio companies through operational improvements and subsequently seeks to scale and diversify its small initial platform investments through a buy-and-build approach.

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 February 2025
- 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 February 2025
- 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, Co-Lead of Private Equity



Simon Fludgate
Partner, Head of Operational Due Diligence