



June 21, 2021

Board of Trustees
Commonwealth of Pennsylvania
Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re: Summit Partners Growth Equity Fund XI, L.P.

Dear Trustees:

Summit Partners, L.P. ("Summit," "General Partner") was founded in 1984 as a spin out of TA Associates. Summit has since been investing in growth equity companies within its target sectors, thus developing deep industry expertise and strong brand recognition. The General Partner is expected to benefit from the broader Summit platform, specifically the growth equity team, as it relates to market insight, deal sourcing and diligence, as well as Summit's proprietary sourcing software, Alpha5. The senior investment team at Summit is highly experienced and cohesive, with the majority of professionals having joined the General Partner at the junior level. Investment professionals are aligned by industry-specific verticals, allowing for deep expertise and relationship sourcing to be developed, as well as knowledge sharing across products. Summit distributes carried interest broadly down to the vice president level, which has resulted in investment professionals being incentivized on a long-term basis, with limited senior level turnover. Summit is targeting \$7 billion in commitments from limited partners for its eleventh fund, Summit Partners Growth Equity Fund XI, L.P. (the "Fund"). Summit expects to hold a first and final close on October 1, 2021. The General Partner will commit 5% (up to \$350 million) of commitments to invest in or alongside the Fund.

Since inception, the General Partner has maintained an exclusive focus on three core sectors: technology, healthcare & life sciences, and growth products & services. Summit seeks profitable growth companies within its sectors that have established business models, healthy cash flow generation, attractive unit-level economics, and rapid revenue growth. The General Partner employs a proactive sourcing approach, leveraging its proprietary workflow software, Alpha5, and direct relationships within the industry to generate significant deal flow. Summit maintains the ability to flexibly pursue both minority and majority positions, shifting its focus based on the opportunity set and seller dynamics. By leveraging the expertise of its sector-specialized investment professionals and the insights from its Value Enhancement team, the General Partner is able to drive growth at portfolio companies regardless of ownership or investment type. The Value Enhancement team is structured to provide support in key value creation areas that are designed to drive meaningful growth, including operations, human capital & talent, technology & data science, and capital markets. The Fund will target approximately 25 to 35 equity investments in the range of \$75 million to \$500 million. Summit has generated attractive net performance across prior funds with Funds VII through X generating top-quartile returns on both a TVPI and net IRR basis.

Summit Partners Growth Equity Fund XI's investment thesis can be summarized as follows:

- Longstanding growth equity investor benefiting from sector specialization and an in-house value-add team
- Consistent sector focus with advantaged sourcing and value-add capabilities
- Attractive, top-quartile performance with a limited loss ratio across prior funds



Hamilton Lane

Hamilton Lane's recommendation is based upon the following analytical factors and is made within the context of Commonwealth of Pennsylvania, Public School Employees' Retirement System's ("PSERS") investment guidelines.

- Detailed due diligence, including interviews with industry peers and private equity professionals. The initial review was completed June 1, 2021; the on-site due diligence was conducted June 11, 2021; the fund was approved by Hamilton Lane's Investment Committee on June 21, 2021, and the recommendation to PSERS was issued June 21, 2021.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Detailed operational due diligence including interviews with Summit's back-office team, to review the controls and processes surrounding the firm's finance, fund administration, tax, legal, compliance, IT, HR, and accounting functions.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the private equity portfolio.

The individuals at Hamilton Lane who were involved in the due diligence process for the Fund are:

John Stake – Managing Director, Conshohocken Office

Conor Kelly – Associate, Conshohocken Office

Lauren Hennigan – Analyst, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$150 million, plus reasonable normal investment expenses, to Summit Partners Growth Equity Fund XI, L.P. (and/or related investment vehicles). Hamilton Lane makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

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. The scope of this recommendation is limited to the investment merits of the Fund. Hamilton Lane does not provide legal or other non-investment-related advice.

Sincerely,

Michael Koenig,
Chief Client Officer

Corina English,
Principal