



Public Investment Memorandum

Insight Partners XI, L.P.

Venture Capital Fund Commitment

Darren C. Foreman, CAIA
Director, Private Markets

Luke M. Jacobs, CFA
Manager, Private Markets

November 21, 2019



Recommendation:

PSERS Investment Professionals, together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommend to the Board a commitment of up to \$150 million to Insight Partners XI, L.P., ("Insight XI" or the "Fund").

Firm Overview:

Founded in 1995 and based in New York, Insight Venture Management, LLC ("Insight" or the "Firm") is an investment manager of private investment funds (the "Insight Funds" or the "Funds") which focus primarily on investing in growth-stage software, software-enabled services, and Internet businesses. The Firm has a particular focus on software as a service ("SaaS") subscription-based business models with a high degree of recurring revenue. Since inception in 1995, Insight has organized fourteen Insight Funds with aggregate capital commitments to date of approximately \$19 billion, all focused on investing in the software sector and has invested in over 350 companies on behalf of the Insight Funds. Insight is now establishing (together with its parallel partnerships), the Fund with a target of \$7.25 billion in capital commitments.

From their beginnings, Insight has fostered a strong team-oriented culture focused on delivering consistent investment returns to its investors. The Firm maintains its principal office in New York City to encourage collaboration among its investment professionals and to provide an atmosphere where junior professionals are trained and mentored by its senior investment team. This atmosphere is evidenced by the fact that the six senior managing directors, Ryan Hinkle, Jeff Horing, Jeff Lieberman, Deven Parekh, Mike Triplett, and Richard Wells, have been working together at Insight for an average of 19 years and have fostered a culture rooted in constant improvement and promotion from within.

The Firm retains a strong entrepreneurial culture that encourages proactivity and initiative and believes in recognizing and rewarding any outstanding contributions across all areas of the Firm that contribute to attractive and consistent investment returns for its investors. The Firm's commitment to excellence is also manifested in the constant investment being made to enhance team resources, improve effectiveness through better infrastructure and technology, and harness data to more systematically evaluate and drive value creation in portfolio investments

Fund Size:

The Fund is seeking equity commitments up to \$7.25 billion, with a hard cap of \$8 billion.

Investment Strategy:

Insight is a leader in growth software investing and has invested in the sector for 24 years. Insight's core objective is to find the most compelling, high-growth opportunities in the software space and provide these companies with the strategic and operational support to be well-positioned at exit to achieve attractive returns for investors. Insight believes that success in executing its strategy begins with best-in-class selection of the most attractive companies, which is achieved through comprehensive coverage of the market and deep domain expertise, supported by the scale of Insight's platform.

By focusing on SaaS companies that have homogenous business models and a high degree of recurring revenue, Insight is able to execute a consistent playbook for value creation post-investment. Over time, the investment in data and analytics to evaluate information collected from Insight's investments, as well



as deals evaluated, has enabled the Firm to identify patterns and the key value drivers for SaaS businesses with an increasing degree of accuracy. It is believed this has driven increased consistency in the portfolio, which has generated top-quartile returns since 2005.

Insight's strategy has four core elements:

Deep Domain Expertise in Software - Insight focuses primarily on growth-stage software, software-enabled services, and Internet businesses, with a particular emphasis on SaaS business models. The Firm targets small to mid-cap companies with established momentum and potential for significant revenue growth and profitability. Insight also targets software companies with slower growth but with strong potential to accelerate growth through acquisitions. Insight seeks to operate as management's primary financial/strategic partner and a flexible source of capital for these companies, Insight will invest through both minority and majority investments and typically negotiates board positions and rights to influence change. Insight has been a resident in the software sector for over 20 years and believes this tenure and distinct focus give it a clear advantage over many of its peers in identifying and winning high-quality transactions, providing strategic and operational value-add to its portfolio companies, and successfully exiting investments.

Advantages of a Scaled Platform - Insight's strategy is built on a data-centric and scalable framework. Insight believes that a core driver of returns in growth-stage software is best-in-class selection, which requires comprehensive coverage of the market to be able to identify the top opportunities from as complete a selection universe as possible. At the same time, the software market is growing exponentially, requiring greater scale to maintain market coverage and investment selection rigor. Insight's ability to consistently generate returns and maintain its focus in the lower middle market is derived from this scale, which begins with its high-volume sourcing engine supported by a massive proprietary data set and investment in technology and artificial intelligence to continually enhance these capabilities and better predict outcomes. Post investment, Insight has built the operational scale to actively manage a growing portfolio.

Proprietary Deal Sourcing Engine - For over 15 years, Insight has run a robust institutionalized outbound proprietary deal origination platform that contributes significant deal flow at attractive valuations. This platform has culminated in a robust model proven in comprehensively covering the market, and using data collated through this process to more precisely pinpoint growth drivers and indicators of success. Over 30 full-time employees identify and make contact with technology companies every year, contributing to a database of over 120,000 companies around the world. Of the 48 investments in new portfolio companies completed by Insight in 2018, Insight's proprietary deal origination team sourced 26.

Insight Onsite Team of Software Experts - A significant percentage of Insight's professional staff is dedicated to improving the strategy and execution of its portfolio companies. Insight's portfolio operations team - Insight Onsite ("Insight Onsite" or "Onsite") - was established in 2000 and has been significantly enhanced over time. The team is comprised of over 45 experts and is organized like a software company with "Centers of Excellence" ("COEs") in Talent, Product and Technology, Marketing, Sales, Business Development, Customer Success and Strategy and M&A. Insight believes that no other competing firm has a similarly institutionalized practice and that, when weighing proposals from competing sources of capital, target management teams view Insight's expertise as differentiated and attractive.

Investment Team:

The following list represents the Managing Directors and Team Leaders who will be dedicated to the Fund:

Name	Title	Yrs. Experience At the Firm	Prior Experience
Jeffrey Horing*	Managing Director & Co-Founder	24	Warburg Pincus, Goldman Sachs



Deven Parekh*	Managing Director	19	Berenson Minella, Blackstone
Jeffrey Lieberman*	Managing Director	21	McKinsey & Company
Michael Triplett*	Managing Director	21	Summit Partners
Richard Wells*	Managing Director	14	Mercer Consulting
Ryan Hinkle*	Managing Director	16	Morgan Stanley
Anika Agarwal	Managing Director	5	Mayfield Fund, Goldman Sachs
Ross Devor	Managing Director	6	Thoma Bravo, Morgan Stanley
Matthew Gatto	Managing Director	9	Verizon, Deutsche Bank
Nikitas Koutoupes	Managing Director	18	CT Space, McKinsey & Company
Peter Sobloff	Managing Director	21	I2 Technologies, Think Systems
Ian Sandler*	Managing Director & COO	3	Citadel, Carlyle Group
Teddie Wardi	Managing Director	2	Atomico, Dawn Capital

*Member of Investment Committee

Investment Instruments:

The Fund will make private investments primarily through equity investments in growth-stage as well as more mature software, software-enabled services and Internet companies.

Market Opportunity:

There continues to be a significant flow of high-quality companies serving the information technology sector, and many of these companies will present Insight with compelling investment opportunities.

Insight is primarily focused on four sectors of the software industry:

- Horizontal Software as a Service (SaaS) - Companies that provide functionally-specific or enterprise wide software solutions that can be used by businesses across various industries. Examples include software solutions such as marketing automation, sales productivity and enablement, human resources and supply chain management. Examples from recent Insight Funds include Episerver (marketing automation), Conga (sales productivity), Diligent (corporate governance) and Monday.com (project management).
- Vertical Software as a Service (SaaS) - Companies that provide software solutions that are focused on businesses in specific industries such as financial services, healthcare, energy, retail, transportation, hospitality and education. Examples from recent Insight Funds include Fenargo (financial services), CentralReach (healthcare), Bullhorn (staffing and recruitment) and Kira (legal).
- Infrastructure Software - Companies that provide software that automates and protects IT infrastructure and is primarily deployed within datacenters. Examples include software solutions in areas such as security, identity management, IT service management and data back-up and recovery. Examples from recent Insight Funds include Checkmarx (security), JFrog (software development) and LiveAction (network management).
- Internet Services - Companies that provide an online service for businesses and consumers, primarily in the form of online marketplaces that exhibit strong repeat customer behaviors. Examples include consumer services marketplaces in areas such as food delivery and



specialized goods (e.g., antiques, watches). Examples from recent Insight Funds include Calm (consumer-focused meditation app), ezCater (business-focused catering delivery marketplace) and N26 (mobile banking).

Investment Highlights:

- Unique Culture
- Solid Track Record
- Strong Sourcing Abilities

Investment/Risk Considerations:

- Larger Fund Size
- Risks of Company Level Performance

PSERS History & Performance:

This will be PSERS' second commitment to an Insight Partners fund. PSERS committed to Insight Partners X, L.P. in 2017.

Fund (\$M)	Portfolio	Vintage	Commitment	Contributions	Distributions	NAV	Net IRR	Net MOIC
Insight Partners X, L.P.	VC	2018	100	70	0	77	16.7%	1.10x
Total			\$ 100	\$ 70	\$ 0	\$ 77	16.7%	1.10x

Portfolio Fit:

A commitment to the Insight Partners XI will be allocated to the Venture Capital sleeve of PSERS' Private Markets portfolio and provide exposure to the technology sector. The table below summarizes PSERS' projected Private Markets exposure as of June 30, 2019 (in millions):

Investment Type	Market Value ¹	%	Unfunded ^{1, 2}	%	Total Exposure	%
Private Equity	\$5,579	64.5%	\$3,707	74.4%	\$9,286	68.1%
Special Situations	\$1,181	13.6%	\$621	12.4%	\$1,802	13.2%
Venture Capital	\$1,078	12.5%	\$591	11.8%	\$1,669	12.2%
Internal Co-invest	\$816	9.4%	\$67	1.3%	\$883	6.5%
Total	\$8,654	100.0%	\$4,985	100.0%	\$13,640	100.0%
¹ As of June 30, 2019; ² Includes commitments approved through October 2019.						

Investment Committee Disclosure:



Relationship with Hamilton Lane:	Hamilton Lane expects to have 11 client accounts commit approximately \$265M to Insight XI.
Introduction Source:	PSERS has been an investor with Insight since 2017
Placement Agent:	Insight has not engaged a placement agent in soliciting business from PSERS and no placement agent will receive any fees in connection with an investment in the Fund by PSERS. Insight has retained Evercore Group, Fund Placement Israel, Magenta Capital Services, Sparring Partners, UBS and HMC Itajuba as placement agents to assist in the marketing of the Fund. As a limited partner in the fund, PSERS would fund their portion of the expense which is then fully (100%) offset against management fees.
PA Political Contributions:	None Disclosed
PA Presence:	None
Potential Conflicts:	None Disclosed
History with PSERS:	Yes, please see "PSERS History and Performance"
PSERS Allocation Implementation Committee Approval Date:	November 21, 2019

Oversight Responsibility:

Investment Office:	Charles J. Spiller Deputy CIO, Non-Traditional Investments	Darren C. Foreman, CAIA Director	Luke M. Jacobs, CFA Manager
External Consultant:	Hamilton Lane		



November 5, 2019

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

Re: Insight Partners XI, L.P.

Dear Trustees:

Insight Venture Management, LLC ("Insight") was founded in 1995 and has focused on investing in venture and growth-stage software, software-enabled services and internet businesses since inception. Insight has consistently grown its investment and portfolio operations teams through promotions and external hires, on pace with growth in assets under management; in aggregate, Insight employs 58 investment professionals, 48 operating professionals ("Onsite") and 54 back-office support professionals. Deal teams are typically led by one Partner, at least one Managing Director, at least one Vice President, two Associates or Analysts and one to two Onsite professionals. The investment team is supported by a team of 48 Onsite professionals, who act as in-house consultants throughout the life of the investment. The Onsite team is comprised of subject matter experts who are able to lead value creation in areas including portfolio company talent recruitment, product & technology, go to market strategy and M&A. Insight has established a best-in-class outbound sourcing platform to identify a large quantum of investment opportunities, providing it with a broad view of the market and emerging trends, while allowing it to remain selective in its pursuit of high-quality, high-growth enterprise software businesses. Insight is targeting \$7.25 billion in commitments from limited partners for its eleventh growth equity fund, Insight Partners XI, L.P. (the "Fund"). Insight expects to hold a first close in December 2019 and a final close in 1H 2020. The General Partner will commit at least 3% of commitments to invest in or alongside the Fund.

Consistent with prior funds, the Fund will target post-revenue, high-growth software businesses with a focus on software as a service platforms, new media and infrastructure software. Within the software segment, Insight is thoughtful towards constructing a portfolio of businesses with diversified end markets. The General Partner has developed deep networks within the enterprise software industry and invests primarily in North America where it is best equipped to leverage its relationships to drive direct deal flow. Insight has developed a metrics-driven sourcing platform to provide broad market coverage, identify emerging technology trends and build relationships with founders and management teams to position Insight as a partner of choice. Insight maintains a multi-stage strategy by targeting both growth and buyout stage investments in order to capture a broader opportunity set of high-quality businesses with attractive return profiles. Insight is differentiated from its growth-stage peers by its scale and operating platform, which enable it to write large checks and drive value from a control position. Insight is differentiated from traditional buyout peers as it focuses on driving top-line growth as opposed to expanding EBITDA margins through cost-cutting initiatives, and by its venture capital perspective, which leads to a different view on growth pathways. The General Partner focuses on creating value through organic and add-on revenue growth, and through multiple expansion as it diversifies revenue streams and stabilizes businesses. Insight estimates that the Fund will target 65 to 75 equity investments in the range of \$10 million to \$150 million. The General Partner has consistently generated top-quartile returns across recent mature funds, demonstrating its ability to consistently identify high-quality growth stage enterprise software businesses.

Insight Partners XI's investment thesis can be summarized as follows:



Hamilton Lane

- Experienced senior investment team supported by integrated sourcing and operating professionals
- Targeted sector focus with ability to underwrite and identify high-quality, high-growth businesses
- Consistent outperformance versus growth peers while preserving capital across market cycles

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 August 8, 2019; the on-site due diligence was conducted September 10, 2019; the Fund was approved by Hamilton Lane's Investment Committee on September 30, 2019 and the recommendation to PSERS was issued November 5, 2019
- 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 Insight'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 Markets Partnership component of the portfolio

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

Miguel Luina – Principal, San Francisco Office

Jenith Jacob – Senior Associate, Bala Cynwyd Office

Lauren Hennigan – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$150 million in Insight Partners XI, L.P. 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