

Public Investment Memorandum

Greenoaks Capital Opportunities Fund III LP

Private Equity Fund Commitment

Patrick G. Knapp, CFA
Portfolio Manager, Private Equity

Darren C. Foreman, CAIA
Director, Private Equity

September 21, 2020



Executive Summary:

PSERS' Investment Office Professionals ("IOP"), together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommends to the Board a commitment of up to \$100 million to Greenoaks Capital Opportunities Fund III LP ("GCO III", "Fund III", or the "Fund").

Greenoaks Capital Partners ("Greenoaks", "GCP", or the "Firm") is raising the Fund to continue investing in global internet-enabled, growth-stage companies.

Fund Name	Greenoaks Capital Opportunities Fund III LP
General Partner	Greenoaks Capital Partners, LLC
Target Fund Size / Hard Cap	\$850 million / \$850 million (inclusive of GP commitment)
Recommended Commitment Amount	\$100 million
Existing Relationship	No
Source of Funds	Cash
Asset Class / Sub Asset Class	Private Equity / Venture Capital
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments Darren C. Foreman, Director Patrick G. Knapp, Portfolio Manager
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

Firm Overview:

Greenoaks, founded in 2012, is a San Francisco-based investment firm focused on identifying and investing in growth stage, internet-enabled businesses. Rather than considering the internet as a sector in and of itself, Greenoaks takes the view that it is an enabler of product, process, and business-model innovations that allow companies to offer new and better value propositions to customers in a variety of sectors and business models. Despite these innovations, the Firm believes many companies will be quickly copied or poorly adopted with few companies ever producing free cash flow (cash produced in excess of operational costs and capital expenditures). However, Greenoaks believes a limited subset of these companies will be competitively advantaged and drive enormous value creation in large addressable markets. Greenoaks, therefore, maintains a highly selective, data-driven process run by a unique team in the late stage venture/early growth space.

Investment Strategy:

Greenoaks' goal is to make meaningful, long term investments in businesses capable of growing free cash flow at above market rates over long periods of time. The Firm believes these companies possess specific traits which Greenoaks seeks to build conviction around including:

- Exceptional management characterized by high energy, intellectual honesty, and extraordinary capabilities including a strong grasp of operational details, demonstrated ability to build data-driven, systems-oriented organizations, and the ability to attract and retain high quality talent
- Large addressable markets where the business can create broad platforms and capture an expanding portion of customer spend over time
- An incredible customer experience indicated by low customer acquisition cost, attractive customer acquisition payback periods, and sustained repeat customer behavior



- Attractive unit economics that show a clear path to profitability at scale
- Durable competitive advantages that prevent the natural erosion of margins due to competitive forces

Greenoaks seeks to invest as early as they can develop conviction around these areas. Typically, their initial investment is in the Series B round or later. Given their focus on rigorous fundamental underwriting, the Firm pursues a relatively concentrated investment approach with 10 – 12 portfolio companies per fund. Downside protection is sought through deep understanding of business and market dynamics, the compounding nature of the companies they invest in, and identification of a variant view which results in mispricing at their point of investment. This concentrated portfolio allows them to devote a substantial amount of team resources to their investments, both in due diligence and post investment, as well as maintain high underwriting standards. Initial investments generally range from \$20 million to \$60 million, with the expectation that additional investment may be made in subsequent rounds, allowing for the benefit of investing as an insider and experience working with portfolio company management.

The Firm places a high priority on sourcing potential opportunities well before their point of investment, recognizing the best opportunities are developed over a period of months or years. They maintain an active outbound effort directed by thematic research and data efforts focused on monitoring specific signals across a variety of areas including, but not limited to, credit card data, app usage, and employee movement. Complimenting their outbound efforts, Greenoaks proactively cultivates inbound opportunities through their burgeoning reputation and network.

More than 1,200 companies are reviewed by the Greenoaks' 13 person investment team annually with initial interactions in companies of interest led by one or two investment team members. This number is winnowed quickly as clear absence of their investment criteria are often evident. A small subset (~100) are subject to deeper review by a team of two or three investment team members to validate desired characteristics and identify key topics for further diligence. Detailed company data is requested at this point and Greenoaks' investment team conducts diligence, such as analysis of customer cohort behavior through transaction logs, quantifying customer sentiment through web scraping and filtering of reviews, and building a detailed understanding of the company's immediate and potential addressable market. For approximately 20 companies per year, the entire Greenoaks investment team becomes involved at a granular level. Granular analysis occurs on the unit economics, customer benchmarking, and company-specific data analyses. The analysis also includes survey work, detailed reference calls, and third-party audits. All of this work culminates in a due diligence document laying out the investment narrative, key points and concerns, and relevant findings. The entire investment team participates in reviewing these investments via an open debate where members are divided into teams on either side of the investment case. Ultimately, the final investment decision lies with Greenoaks' Managing Partners, Neil Mehta and Benjamin Peretz, who must unanimously agree on the few (<5) investments Greenoaks makes in any given year.

Post investment, Greenoaks seeks to provide strategic support to the portfolio companies and founders they are invested in. This support is not limited to a specific individual who led the investment for Greenoaks, but rather the entire Greenoaks team. The deep understanding of the businesses developed through pre-investment due diligence is leveraged in order to be constructive partners, and ongoing data efforts used in monitoring are often shared with companies to provide strategic insights.

Given their focus on investing in market leading businesses, Greenoaks underwrites companies with the expectation for realizations via the public market in a five to seven-year time frame.

Market Opportunity:

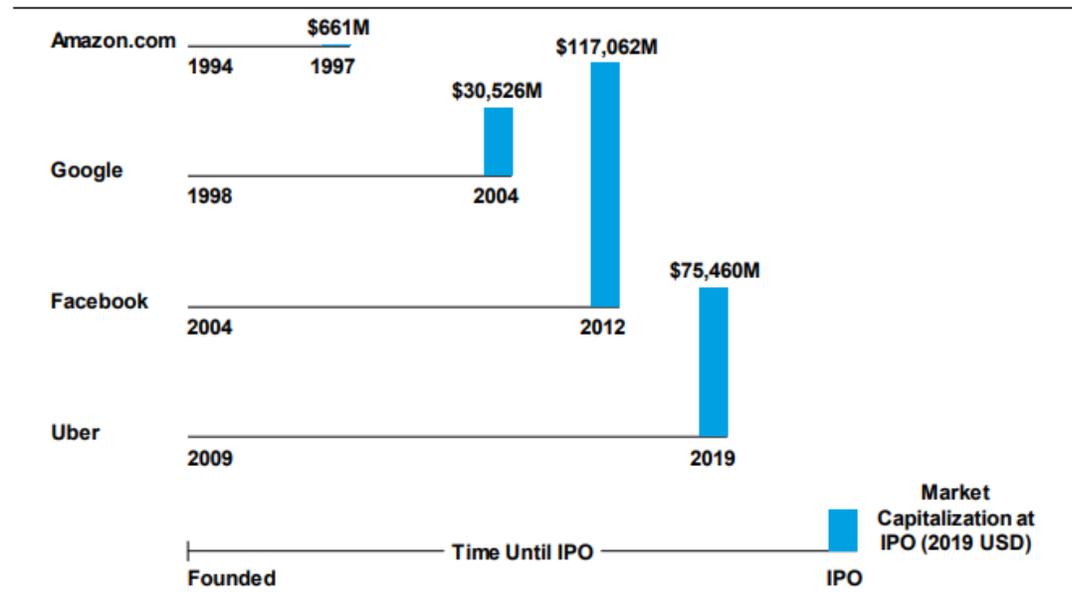
Greenoaks will pursue global growth opportunities in internet-enabled businesses with an estimated exposure of 50% North America and 50% rest of world. International investments will particularly focus on Southeast Asia, India, Europe, and Latin America. The Firm does not believe it possesses the requisite expertise and networks to successfully invest directly into China.

The venture ecosystem in the United States has seen some dramatic changes over the past decade. Large \$100 million plus financings of venture-backed companies have gone from being essentially nonexistent to regular occurrences as these companies stay private longer.



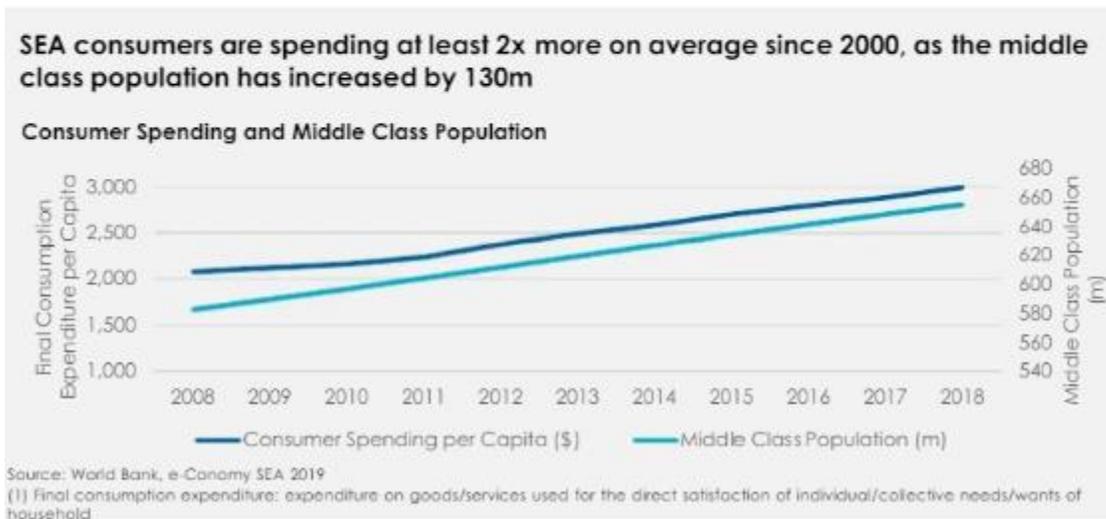
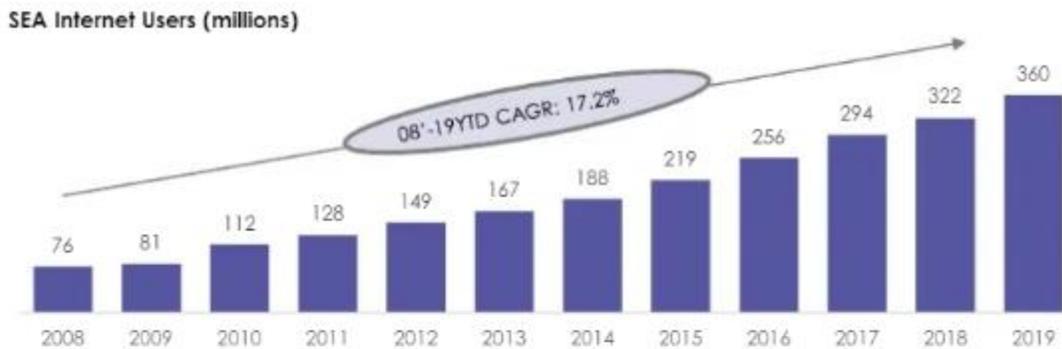
1) Source: CB Insights, \$100M+ equity financing rounds to US VC-backed tech companies compared to VC-backed tech IPOs
 2) Source: CB Insights, Median time between first funding and IPO for US VC-backed tech companies that went public that year

Correspondingly, the value created by venture-backed companies increasingly accrues to investors before they go public. Consider, for example, that Amazon has gained nearly all of its current \$1.7 trillion market cap (8/31/20) as a public company, having IPO-ed at a mere \$661 million. Public market investors have benefitted from dramatic wealth creation by participating in Amazon. A decade later when Facebook IPO-ed, it was already valued at \$117 billion and is currently valued at \$835 billion (8/31/20), merely 7x its IPO value.



While Facebook's seven-fold return in the public market is still an attractive return, it pales in comparison with post-IPO performance of many older venture-backed companies. Most venture-backed companies (even many of those with current lofty valuations) will not achieve such rosy outcomes. However, this trend toward wealth creation in successful businesses being disproportionately captured by private investors is real, does not appear to be changing, and is one that PSERS has largely not taken advantage of.

In Southeast Asia, different dynamics are at play. The region, which includes countries like Singapore, Thailand, Malaysia, and the Philippines, has a significantly lower but rapidly growing internet penetration rate. Notably, 90% of the region's 360 million internet users access the web through their mobile phones.¹ The middle class continues to grow in the region leading to increased consumer spending.

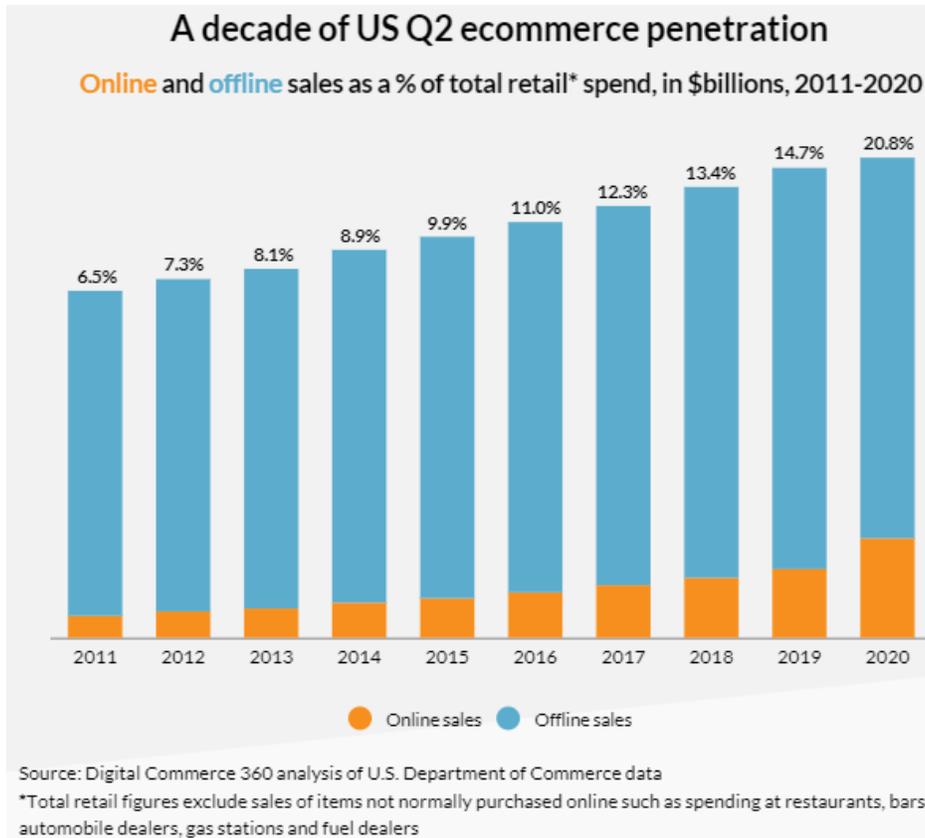


The increasingly connected and prosperous population of this region is expected to drive significant spending through the internet channel with estimates suggesting transaction values tripling to \$300 billion by 2025².

Apart from macro dynamics in the various target geographies Greenoaks will target, the COVID-19 pandemic has served as a great enabler for internet businesses, compressing years of adoption into a relatively short time period.

¹ Google, Temasek, and Bain & Co.: e-Conomy SEA 2019

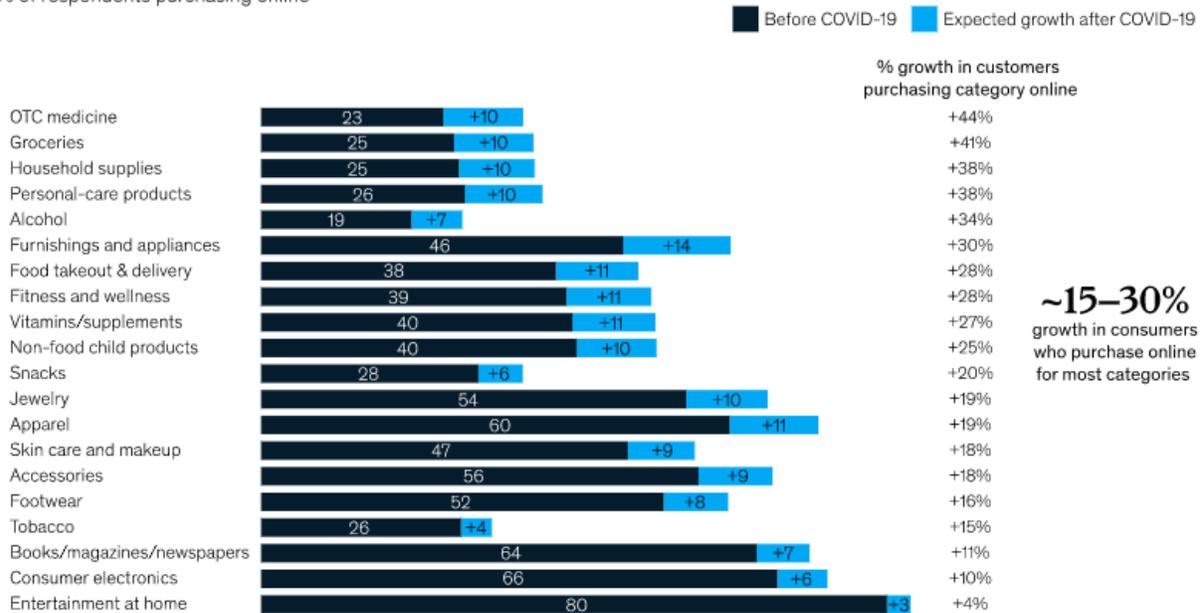
² Google, Temasek, and Bain & Co.: e-Conomy SEA 2019



The pandemic has significantly shifted retail sales online and caused rapid growth in several categories as well as changes in consumer behavior.

Consumers' use of online channels before and expected use after COVID-19^{1,2}

% of respondents purchasing online³



¹Q: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?
²Q: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?
³ Respondents who indicated that they have not bought the category online and do not intend to do so in the next 2 weeks are classified as not purchasing online.
Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 6/15-6/21/2020, n = 2,006, sampled and weighted to match the US general population 18+ years

Consumers who have tried a new shopping behavior since COVID-19 started¹
% of respondents



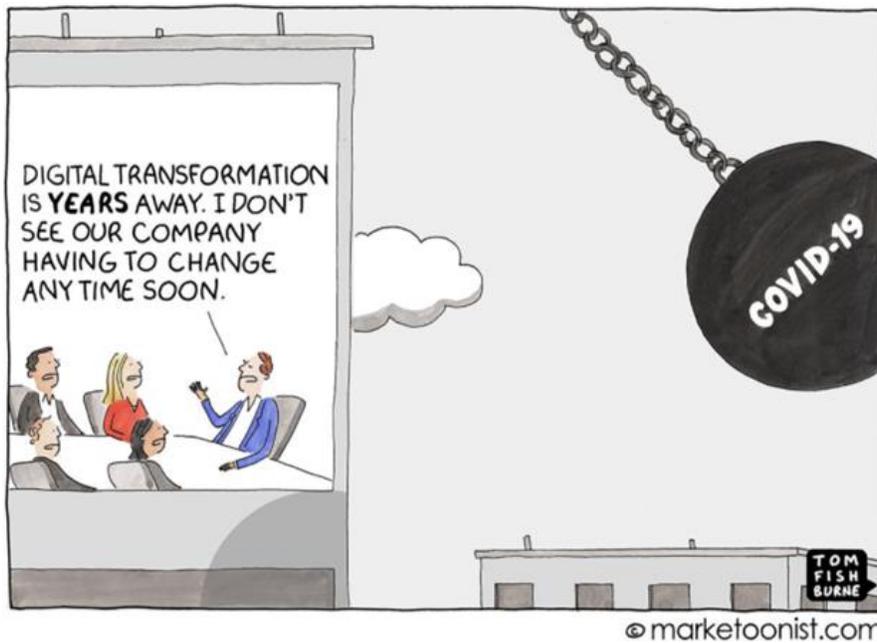
¹Q: Since the coronavirus (COVID-19) situation started (ie, in the past ~3 months), which of the following have you done? 25% consumers selected "none of these."

²Q: Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) situation has subsided? Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and what I did before coronavirus"; "will keep doing this and NOT go back to what I did before coronavirus."

³"New shopping method" includes curbside pickup and delivery apps.

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 6/15-6/21/2020, n = 2,006, sampled and weighted to match the US general population 18+ years

This stands in sharp contrast to many sectors and business models where COVID-19 has caused highly negative disruption and uncertainty, at least in the near term. There are also indications that the shifts in digitization are a lasting step change in the trend versus a temporary reaction.



Portfolio Fit:

A commitment to GCO III will give PSERS' Private Equity portfolio, specifically in the venture capital space, exposure to high-growth companies with a manager that has historically provided attractive returns relative to public markets. Greenoaks will also invest in geographies PSERS has modest overall exposure to. A commitment to the Fund will be allocated to the Venture Capital/Growth Equity sleeve of PSERS' Private



Equity portfolio. The table below summarizes PSERS' projected Private Equity exposure, as of March 31, 2020, inclusive of a recommended \$100 million commitment to GCO III:

Investment Type	Market Value ¹	Unfunded ¹	Total Exposure	%	Pending Current Commitments		
					October 2020	Total Exposure	%
Buyouts	\$ 4,831	\$ 4,159	\$ 8,990	65.7%	\$ 100	\$ 9,090	64.2%
Special Situations	1,068	761	1,829	13.4%	100	1,929	13.6%
Venture Capital / Growth Equity	1,109	879	1,988	14.5%	269	2,257	16.0%
Internal Co-invest	687	186	873	6.4%	-	873	6.2%
Total	\$ 7,695	\$ 5,985	\$ 13,680	100.0%	\$ 469	\$14,149	100.0%

¹Includes commitments approved through August 2020

Investment Team:

The Greenoaks team is led by three Partners, Neil Mehta, Benjamin Peretz, and Benjamin Solarz, and ten additional investment professionals. The investment team is collectively responsible for investment sourcing, due diligence, and ongoing monitoring. Greenoaks intentionally operates with a small, collaborative team and generally operates with a “promote from within” mentality. The Firm’s goal is to be a place where high performing investors can spend their entire career. It is not expected that there will be significant hires within the Fund’s life.

In addition to the investment team members, Greenoaks has an 18-person team focused on finance and firm operations.

Investment Highlights:

- Unique Team Composition
- Rigorous Underwriting
- Delighted Founder Group
- Creative Deal Making
- Portfolio Management

Investment / Risk Considerations:

- Unrealized Portfolios
- Nascent Reputation
- Concentration Risk
- Public Investment

PSERS History & Performance:

This will be PSERS' first investment with Greenoaks.



Investment Committee Disclosure:

Relationship with Hamilton Lane:	None
Introduction Source:	Greenoaks was introduced by another investment manager currently engaged by PSERS.
Placement Agent:	None
PA Political Contributions:	None Disclosed
PA Presence:	Yes, one portfolio company employing approximately 500 Pennsylvanians.
Potential Conflicts:	We are not aware of Greenoaks having any material conflicts.
Litigation Disclosures:	The Fund 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.
First Time Fund with PSERS?	Yes
PSERS Allocation Implementation Committee Approval:	September 21, 2020

Oversight Responsibility:

Investment Office:	Charles J. Spiller Deputy CIO, Non-Traditional Investments Darren C. Foreman Director Patrick G. Knapp Portfolio Manager
External Consultant:	Hamilton Lane Advisors, L.L.C.



Hamilton Lane

June 15, 2020

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

Re: Greenoaks Capital Opportunities Fund III, L.P.

Dear Trustees:

Greenoaks Capital Partners (“Greenoaks”) was founded in 2012 to target investments in global technology-enabled, internet businesses. The two founders, Neli Mehta and Benjamin Peretz, have invested in the internet sector for over 10 years, developing investment expertise in the industry. Messrs. Mehta and Peretz have built out the investment team with professionals who have experience underwriting cash flow businesses, helping to implement a consistent and differentiated strategy in the internet sector. The General Partner utilizes a data-driven sourcing and underwriting approach, leveraging internally developed and third-party data sets, monitoring its data sets for indicators to identify companies exhibiting significant future cash flow potential. Through its consistent sourcing and underwriting approach, Greenoaks is able to remain highly selective and implement a disciplined strategy. Additionally, Greenoaks has demonstrated its commitment to organically growing talent, evidenced by the recent promotion of three professionals to Principal. Greenoaks broadly distributes carried interest across the entire platform, and also maintains 15% of the economics to be allocated to outperforming investment professionals, providing further incentive. Greenoaks is targeting \$850 million in commitments from limited partners for its third fund, Greenoaks Capital Opportunities Fund III, L.P. (“Fund III”). Greenoaks held a first close in March 2020, and expects to hold a final close in Q4 2020. The General Partner will commit approximately \$15 million to invest in or alongside the Fund.

Greenoaks is expected to continue its strategy of targeting internet businesses that demonstrate strong customer experience and that are positioned for sustainable long-term growth. The General Partner opportunistically targets companies on a global basis: however the majority of Fund III’s portfolio is expected to be companies based in the United States and Asia. Greenoaks primarily targets series B or subsequent financing rounds, with opportunistic allocation to early-stage companies demonstrating high-growth potential. The General Partner has developed a fundamental cash-flow underwriting approach, targeting companies that are expected to generate significant future free cash flow and compounding growth. Additionally, Greenoaks has historically structured downside protection at entry in select equity investments to ensure a base case return is achieved. Greenoaks targets companies with varying revenue at entry, and instead places a more significant focus on future revenue growth potential. Greenoaks seeks to be the lead or co-lead investor, enabling it to work alongside management teams to drive post-investment growth. The Fund will target approximately 10 to 12 equity investments in the range of \$20 million to \$100 million. Greenoaks has generated top-quartile net IRR and TVPI across prior funds.

Greenoaks Capital Opportunities Fund III’s investment thesis can be summarized as follows:

- Experienced senior investment team with thoughtful organizational development
- Rigorous underwriting approach to build a global portfolio of durable, sustainable internet businesses
- Attractive unrealized performance 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 April 2, 2020; the on-site due diligence was conducted May 27, 2020 by video conference; the fund was approved by Hamilton Lane's Investment Committee on June 15, 2020 and the recommendation to PSERS was issued June 15, 2020.
- 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 Greenoaks' 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
Murillo Horta – Associate, Rio de Janeiro Office
Amanda Machado de Andrade – Analyst, Rio de Janeiro Office
Gregory DiSanto – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$100 million in Greenoaks Capital Opportunities Fund III, 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