

Public Investment Memorandum

Insight Partners Opportunities Fund I, L.P.

Private Equity Fund Commitment

Darren C. Foreman, CAIA

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Senior Investment Professional, Private Equity

September 21, 2020

Executive Summary:

PSERS' Investment Office Professionals ("IOP"), together with Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), recommend to the Board a commitment of up to a combined \$168.75 million to Insight Partners Opportunities Fund I, L.P. ("Opportunities Fund I" or the "Fund").

Insight Venture Management, LLC ("Insight" or the "Firm") is raising their first Fund to invest in structured preferred equity investments.

Fund Name	Insight Partners Opportunities Fund I, L.P.
Firm Name	Insight Venture Management, LLC
Target Fund Size / Hard Cap	\$875 million / \$1.25 billion
Recommended Commitment Amount	\$168.75 million
Existing Relationship	Yes
Source of Funds	Cash
Asset Class / Sub Asset Class	Private Equity / Growth Equity
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments Darren C. Foreman, Director G. Anthony Meadows, Senior Investment Professional
External Consultant Oversight	Hamilton Lane Advisors, L.L.C.

Firm Overview:

Founded in 1995 and based in New York City, Insight is a manager of private investment funds that focuses 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, Insight has raised sixteen funds with aggregate capital commitments of approximately \$31 billion, all focused on the software sector. As of March 31, 2020, the Firm has invested in over 400 companies on behalf of these funds. Insight has launched the Opportunities strategy in 2020 in response to the growing market opportunity for downside protected, convertible equity investments in high-quality software companies

Market Opportunity:

Software companies are widely recognized as having the highest quality business models in the U.S. economy, demonstrating strong margins, high levels of recurring revenue, and long-term growth and profit potential. Since 2010, the software private equity market has dramatically expanded from approximately 220 deals totaling \$7 billion in value in 2010 to over 1,200 deals totaling \$68 billion in value in 2019 (Evercore analysis, "Private Equity M&A Activity in Software").

As a result of the increased demand for private equity software investments, entry valuations and equity investments have expanded significantly. EBITDA multiples have expanded from approximately 14x in 2010 to approximately 23x in 2019. (RBC Capital Markets analysis, "Summary of Historical Leveraged Buyouts in the Software Sector over the Last 10 Years"). Over this same period, traditional debt has grown modestly within the capital structure to approximately 6x-7x EBITDA and has declined significantly as a percentage of enterprise value. Equity portions of the capital structure, which have expanded by as much as 180% during this period, are generally priced at the enterprise value across the entire equity portion of the capital structure. As a result, this homogenous equity portion does not reflect the significantly lower level of risk within the capital structure that exists immediately below the leverage (i.e. the equity that reflects the 8th, 9th, or 10th multiple of EBITDA). Insight believes this market inefficiency has driven the need for

alternative sources of financing, such as structured preferred equity, and that the Fund is well-positioned to exploit the current dislocation in the software private equity market.

The team generally plans to structure investments to be senior in liquidation preference to the underlying common equity at the time of funding. Insight believes this unique risk-reward balance offers a more attractive investment profile than many common equity opportunities in the current software leveraged buyout sector of the private equity market.

While the opportunity for structured preferred equity investments was attractive prior to the recent market dislocation, in the current COVID-impacted environment we believe that Insight will have opportunities that are even more compelling. With the software M&A market significantly impacted, debt financing markets effectively closed, and uncertainty surrounding valuations, the owners of software companies originally planning for exit events are postponing the exit process and exploring alternative liquidity solutions. For high-quality companies, structured preferred equity is an attractive alternative to a sale. Partnering with Insight provides existing software company owners the ability to partially realize gains and take more time to exit, which has become increasingly attractive in the current market environment. Insight estimates there are over 3,000 companies in its sponsor universe alone, and its established platform is uniquely positioned to execute this strategy. (Evercore analysis, "Private Equity M&A Activity in Software").

Portfolio Fit:

A commitment to the Fund will be allocated to the Growth Equity bucket of PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity Portfolio exposure, as of March 31, 2020, inclusive of a recommended \$168.75 million commitment to Opportunities Fund I:

Investment Type	Market Value	Unfunded ¹	Total Exposure	%	Pending Current Commitments		
					October 2020	Total Exposure	%
Buyout	\$ 4,831	\$ 4,159	\$ 8,990	65.7%	\$ 100	\$ 9,090	64.2%
Special Situation	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

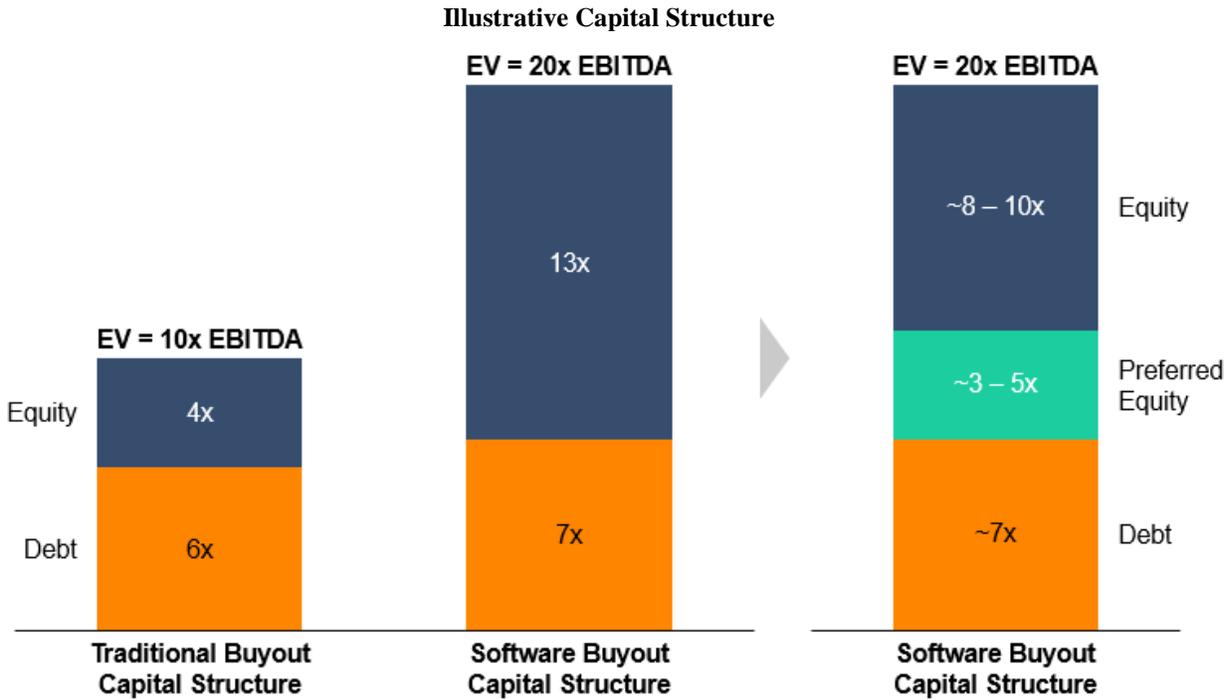
Investment Strategy:

Over their many years of experience, Insight has observed a growing market opportunity for downside protected, convertible equity investments in high-quality software companies. Recent trends have created the need for alternative sources of financing, such as structured preferred equity. It is believed the risk-reward characteristics of these transactions offer a more attractive investment profile than many common equity opportunities in the current software private equity market, particularly in the leveraged buyout sector.

This attractive risk-reward balance is achieved by making investments in target companies through a new class of equity that is senior to other equity and has a contractual return accompanied by the ability to convert into common equity, thereby offering the ability to capture the upside of equity returns as the enterprise value grows. Most investments will be structured where Insight will have the ability to select the higher of the investment multiple, IRR, or the common equity conversion which can deliver gross IRR returns in excess of 20% and expected return multiples in excess of 2.0x.

Fund investments in structured preferred equity will focus primarily on minority investments and it is expected that most investments will be accompanied by board representation and the customary minority protection rights that Insight obtains in its other minority investments.

The Fund will utilize a flexible approach when structuring investments, which may include investing in alternative transaction types that have similar risk-reward characteristics to those that Insight seeks to create and that match the targeted return profile of the Fund. Examples may include investments in convertible bonds, common equity, related equity securities, mezzanine, first lien senior debt, revolving credit facilities, and other subordinated instruments as well as stressed and distressed debt securities (in each case, directly or through the secondary private and public market). PSERS firmly believes that Insight is well suited for this strategy based on the Firm's existing resources and strengths. Below is an illustration of the proposed capital structure for Opportunities Fund I portfolio company investments:



Notes: Illustration provided by Insight. The target investments described herein are for illustrative purposes only and are indicative of the targeted portfolio of the Fund. Such information is based on numerous assumptions and estimates which may not be realized for a variety of reasons, including market conditions and opportunities. Accordingly, there is no guarantee that the Fund will have access to similar investment opportunities or that such investment opportunities will be profitable or as profitable.



Investment Team:

Insight believes in fostering a strong “team-oriented” culture focused on delivering consistent investment returns to its investors. The Firm encourages collaboration among its investment professionals and to provide an atmosphere where junior professionals are trained and mentored by senior investment team members. This atmosphere is evidenced by the fact that the six senior managing directors listed below which comprise the investment committee, have been working together at Insight for an average of 20 years and have fostered a culture rooted in constant improvement and promotion from within.

Name	Title	Yrs. Experience Insight / Total	Prior Experience
Jeffrey Horing	Managing Director & Co-Founder	25 / 34	E.M. Warburg, Pincus & Co., Goldman Sachs
Deven Parekh	Managing Director	20 / 29	Berenson Minella & Company, The Blackstone Group
Jeffrey Lieberman	Managing Director	22 / 22	McKinsey & Co, K-Line Trucking
Michael Triplett	Managing Director	22 / 24	Summit Partners, Morgan Stanley & Co., Midland Data Systems
Richard Wells	Managing Director	15 / 17	Technology Crossover Ventures, Veritas Software, Paciolan Systems, Mercer Management Consulting
Ryan Hinkle	Managing Director	16 / 16	Morgan Stanley, PPL, Inc.

Investment Highlights:

- Strong Sourcing Capabilities
- Proven Due Diligence & Deal Execution Capabilities
- Advantage of Onsite Team
- Two-Fund Structure
- Co-Investment Opportunities

Investment / Risk Considerations:

- Company Level Performance
- First Time Executing in Capital Structure
- Business & Market Risk in post COVID-19 Environment



PSERS History & Performance:

PSERS previously committed \$276 million across two funds and two co-investments sponsored by Insight. As of March 31, 2020, Insight represented \$290 million of PSERS' total exposure (NAV plus unfunded commitments). The table below summarizes PSERS' performance with Insight as of March 31, 2020 (in millions):

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Insight Partners X	2018	\$ 100	\$ 90	-	\$ 105	14.8%	1.2x
Insight Partners XI	2020	150	23	-	21	N.M.	N.M.
Funds Sub-Total		250	113	-	126	13.0%	1.1x
Co-Investments		26	23	-	24	10.4%	1.1x
Insight Total		\$ 276	\$ 136	-	\$ 150	13.1%	1.1x

Investment Committee Disclosure:

Relationship with Hamilton Lane:	Hamilton Lane has previously invested in seven Insight funds on behalf of their discretionary clients and has an advisory client (other than PSERS), who has invested in the growth equity strategy. The advisory client is also considering a potential commitment to Insight Partners Opportunities Fund I, L.P.
Introduction Source:	Existing Relationship
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.
PA Political Contributions:	None Disclosed
PA Presence:	Yes
Potential Conflicts:	We are not aware of Insight having any material conflicts.
Litigation Disclosure:	From time to time, in the normal course of business, Insight is subject to claims and legal proceedings relating to their business, including in connection with, transactions and portfolio companies. The resolution of such claims and lawsuits in the past has not had a material adverse effect on Insight. In addition, as a registered investment adviser and market participant, Insight is routinely contacted by the regulators on a variety of matters, but they are not aware of any that are expected to have a material impact on the funds Insight advises.
First Time Fund With PSERS:	No
PSERS Allocation Implementation Committee Approval:	September 21, 2020



Hamilton Lane

August 20, 2020

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

Re: Insight Partners Opportunities Fund I, L.P.

Dear Trustees:

Insight Partners, L.P. ("Insight") was founded in 1995 to focus on venture capital and growth equity investment opportunities within the software sector. Since inception, the General Partner has exclusively focused on software investments through its flagship fund line; Insight Opportunities Fund I L.P. represents the first new fund line launched by Insight since 1995. Over time, the General Partner has built out its investment team, which now includes 67 total investment professionals. Additionally, Insight has a team of 47 operating professionals dedicated to Insight Onsite, the firm's in-house consulting group that assists with diligence, execution and value creation initiatives. The General Partner is committed to organically growing talent and has historically filled senior-level roles through internal promotions. Insight expects to broadly distribute economics to professionals with meaningful involvement to its investment activity. Insight is targeting \$875 million in commitments from limited partners for its fund, Insight Partners Opportunities Fund I, L.P. (the "Fund"). Insight held a first close in August 2020 accumulating \$650 million in commitments from limited partners. Insight expects to hold an interim closes in October 2020 and December 2020 and a final close in January 2021. The General Partner will commit at least 3.0% of commitments to invest in or alongside the Fund.

The General Partner intends to continue targeting software companies as investment opportunities are expected to be driven from its existing pipeline of deal flow. The Fund will primarily target sponsor-, venture-, or founder-owned companies. Specifically, Insight is targeting high-quality companies that are facing extended hold periods with pressure to generate near-term liquidity. Through the Fund, Insight will target attractive risk-adjusted returns through structured preferred equity investments and intends to structure investments to meet minimal base case returns driven by cash yield, with convertible preferred stock to achieve potential equity upside. The Fund will primarily invest in North America-based companies, where it has established deep networks within the software space, driving significant direct deal flow. Insight will also opportunistically target companies located outside of North America, but has not established geographic allocation targets across regions. Insight intends to leverage its existing sourcing platform for deal flow for the Fund, which will be comprised of investments that do not meet the return threshold for the flagship fund. The Fund will target approximately 7 to 10 equity investments. Insight also expects to offer co-investment at a 1:1 ratio alongside the Fund.

Insight Partners' Opportunities Fund I, L.P. investment thesis can be summarized as follows:

- Established and well-known brand name through its longstanding and successful history investing in the software space
- Investment strategy targeting software companies with an attractive return profile through structuring downside protection with contractual returns and equity upside potential
- Proven ability to generate top-quartile performance in its flagship fund line across market cycles



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 5, 2020; the on-site due diligence was conducted June 11, 2020; the fund was approved by Hamilton Lane's Investment Committee on June 22, 2020 and the recommendation to PSERS was issued August 20, 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 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 Equity Partnership component of the portfolio.

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

Ilene Levinson – Principal, Bala Cynwyd Office
Gregory DiSanto – Analyst, Bala Cynwyd Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$168.75 million in Insight Partners Opportunities Fund I, 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