



September 2, 2022

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

Re: Incline Equity Partners VI, L.P.

Dear Trustees:

Incline Management, L.P. (“Incline”, “General Partner”) was founded in 2011 by Jack Glover, Justin Bertram and Wali Bacdayan as a spin-out of PNC Equity Management Corporation. Today, Jack Glover continues to oversee the operations of the broader Incline platform, ensuring cohesive processes and culture. The dedicated investment team is led by Senior Partner Leon Rubinov and Partners John Morley and Joe Choorapuzha, all of whom have significant investment and industry expertise. The senior team is well-tenured, with several of its members previously working together at PNC Equity Management Corporation before founding Incline. The investment team benefits from the value-creation efforts of the Catalyst Group and the sourcing efforts of the Business Development team. The Catalyst Group is currently comprised of six dedicated operational professionals and is led by Kyle Roemer. Incline has thoughtfully grown the team in line with increasing fund sizes and the addition of new fund lines. Incline is a reputable investor with a well-known brand name in its target sectors of business services, distribution and light manufacturing. The General Partner has invested in its core sectors since inception, narrowing its focus to route-based and “hourglass” distribution models, outsourced essential services, tech-enabled services, vertical software and tech-enabled manufacturers. Incline has maintained its focus in lower middle market companies despite increasing fund sizes. The General Partner is targeting \$1.75 billion in commitments from limited partners for its sixth fund, Incline Equity Partners VI, L.P. (the “Fund”). Incline expects to hold a first close on December 15, 2022, with a final close targeted for 2023. The General Partner will commit at least 5.7% of commitments to invest in or alongside the Fund.

The General Partner has maintained a consistent focus on the value-added distribution, business services and specialized light manufacturing sectors in the United States since inception. Incline maintains a unique sourcing approach, leveraging the Business Development team to source a wide range of opportunities and having the investment team members narrow the focus and begin due diligence on potential opportunities. Incline seeks control-oriented investments where it can drive significant value through operational improvements, strategic add-on acquisitions and management team enhancements. The General Partner expects to place one or more of its operating professionals within a portfolio company’s management team and/or board of directors. The Catalyst Group drives specific value creation initiatives at the portfolio company level, utilizing the expertise of its team members to enhance value creation efforts. Catalyst Group members are primarily focused on technology, go to market, operations, digital marketing and talent and will work directly with portfolio companies on an as-needed basis. In line with increasing fund sizes, the General Partner has increased its target investment size from the prior fund, targeting 10 to 12 investments with check sizes ranging between \$125 million and \$275 million in the Fund. Incline has delivered attractive performance in prior funds, with its more mature funds generating top-half performance on a net IRR basis as of 3/31/22. Incline has proven its ability to return capital, generating top-quartile DPI while keeping its average hold period for realized investments under four years. As of 6/30/22, Fund V had been marked at a 1.1x gross multiple and a 16.6% gross IRR.

Incline Equity Partners VI, L.P.’s investment thesis can be summarized as follows:



Hamilton Lane

- Longstanding focus on lower-middle market within targeted sectors
- Increasingly formalized value creation initiatives and operating scale offers differentiation from peers
- Attractive performance across prior funds with proven ability to return capital

Hamilton Lane's recommendation is based upon the following analytical factors and is made within the context of the 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 on August 8, 2022; the on-site due diligence was conducted on August 12, 2022; the fund was approved by Hamilton Lane's Investment Committee on August 29, 2022; and the recommendation to PSERS was issued on September 2, 2022.
- 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 Incline'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:

Christian Kallen – Global Co-Head of FIT, Conshohocken Office

Jeff Sowden – Senior Associate, Conshohocken Office

Catherine Oliver – Analyst, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$125 million in Incline Equity Partners VI, 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