



Public Investment Memorandum

Bridgepoint Development Capital IV, L.P.

Private Equity Fund Commitment

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May 5, 2020



Recommendation:

PSERS Investment Office Professionals, together with Hamilton Lane Advisors, L.L.C. (“Hamilton Lane”), recommend the Board commit up to £125 million plus reasonable normal investment expenses to Bridgepoint Development Capital IV, L.P. (the “Fund”, “BDC IV”, “BDC” or “Fund IV”). Bridgepoint Group Advisers Limited, (“Bridgepoint”, or the “Firm”) is raising Fund IV to invest in businesses in the European lower middle market. Fund IV will follow the same investment strategy and process the Firm has deployed since 2009. The Fund is targeting commitments of £1 billion, with a hard cap of £1.5 billion.

Fund Name	Bridgepoint Development Capital IV, L.P.
Firm Name	Bridgepoint Group Advisers Limited
Target Fund Size / Hard Cap	£1.0 billion / £1.5 billion
Recommended Commitment Amount	£125.0 million
Existing Relationship	Yes
Source of Funds	Cash
Asset Class / Sub Asset Class	Private Equity / European Lower Middle Market Buyout
Investment Office Oversight	Charles J. Spiller, Deputy CIO / Non-Traditional Investments Darren C. Foreman, Director, Private Markets Luke M. Jacobs, Manager
External Consultant Oversight	Hamilton Lane Advisors, L.L.C

Firm Overview:

During the 1990’s, Bridgepoint operated originally as a subsidiary of the European banking group, NatWest. The Firm gradually increased the proportion of external funds under management and raised their first external fund, Bridgepoint Europe Fund I, in 1998. In 2000, the Bridgepoint Partners and employees completed the acquisition of the management company from NatWest. Bridgepoint is majority owned by its employees. Dyal Capital acquired a passive, minority share of the Firm in 2018.

Since becoming an employee owned business, Bridgepoint has implemented and refined an investment strategy emphasizing active ownership and wide ranging business transformations to drive high quality risk adjusted returns regardless of the external macro environment.

The market position of their flagship funds (Bridgepoint Europe) has been further reinforced over the last 10 years with the launch of private equity strategies - Bridgepoint Development Capital and Bridgepoint Growth. These complementary private equity strategies have reinforced and expanded Bridgepoint’s market and sector coverage, as well as their industrial networks. Together, these Bridgepoint funds also deepen the groups’ broader corporate relationships across a wider range of enterprise values and market segments creating access to opportunities at earlier stages of investing.

A summary of Bridgepoint’s strategies is shown in the table below:

Strategy	AUM ¹	Focus/Description
Bridgepoint Europe Funds	€16.3 billion	Started in the 1990’s, this strategy focuses on the middle buyout market segment across Western Europe.



Bridgepoint Development Capital	€1.5 billion	Started in 2009, this strategy focuses on the lower middle market buyout segment across Western Europe.
Bridgepoint Growth	€0.1 billion	Started in 2016, this strategy focuses on earlier stage investments in growth companies with enterprise values less than £30M in the U.K. and Nordic markets.
Bridgepoint Credit	€1.3 billion	Started in 2016, this strategy was established to exploit the opportunity for alternative lenders to provide flexible financing solutions to high quality middle market companies across Europe.

(1) AUM as of December 31, 2019.

Market Opportunity:

The Fund will seek to invest in compelling lower middle market growth companies typically with enterprise values of between £30M and £150M, targeting opportunities in Western Europe with a focus on the U.K., France and the Nordic regions.

The opportunity for BDC IV will be to invest in companies that exhibit:

- **Businesses with sustainable growth potential.** Typically, these companies will benefit from global trends, with their underlying markets likely growing 5-15% annually and have the potential to deliver annual EBITDA and revenue growth of 15-20% under Bridgepoint's ownership. The Fund will focus on sectors and niches with strong underlying structural growth usually exhibiting operating markets that are growing materially faster than the broader economy.
- **Companies with opportunities for international expansion** – To date, 23 out of 32 companies (72%) that BDC has invested in have featured international growth as a pillar of their business plans. BDC remains well placed to leverage Bridgepoint's network of 12 offices in facilitating access to new markets globally.

The U.K., France and the Nordic regions are home to a deep pool of investment opportunities with over 35,000 companies estimated to be in the target enterprise value size range of the Fund. Each region is a market where BDC enjoys a high profile and outstanding deal sourcing. Unlike many of its competitors, which are typically single country funds, BDC's broader geographic focus means it is less exposed to country specific risks. With a deeper pool of opportunities, it is also able to be more selective and disciplined, a key attribute in what has been a fully priced environment.

Investment Instruments

Investments in the Fund will primarily consist of majority (i.e. control) equity positions.

Portfolio Fit:

The Fund will be allocated to the Buyout bucket of PSERS' Private Equity portfolio. The table that follows summarizes PSERS' projected exposure inclusive of a recommended £125 million commitment to BDC IV:

Investment Type (\$M)	NAV	%	Unfunded¹	%	Total Exposure¹	%
Buyout	\$ 5,400.3	63.3%	\$ 3,308.1	68.8%	\$ 8,708.4	65.3%
Special Situations	1,183.7	13.8%	704.9	14.6%	1,888.6	14.1%
Venture Capital	1,068.9	12.5%	722.9	15.0%	1,791.8	13.4%
PE Internal	869.3	10.2%	71.6	1.4%	940.9	7.0%
Total	\$ 8,522.2	100.0%	\$ 4,807.5	100.0%	\$ 13,329.7	100.0%

(1) Include post Q4'2019 pending/closed commitments.

A commitment to the Fund allows PSERS to continue its relationship with a high-conviction manager that PSERS has known since 1998. BDC IV is well-positioned to execute their small to mid-market investment strategy across the existing market environment across Western Europe. The Fund's return target exceeds the return objective for the PSERS' Private Equity portfolio.

Investment Strategy:

Bridgepoint is raising BDC IV to capitalize on the opportunity to create and realize value from the extensive universe of rapidly growing businesses in the European lower middle market sector.

The Fund's investment approach will draw on the broader Bridgepoint network and deep expertise of its sector teams to originate attractive investment opportunities which meet BDC's strict investing criteria.

BDC IV will target European companies operating in domestic and international markets, mostly in Europe. By leveraging the benefits of technology to accelerating growth, improving margins and facilitating internationalization, the targeted companies have the potential to deliver strong revenue and EBITDA growth.

BDC invests across six sectors: Business Services, Consumer, Financial Services, Healthcare, Manufacturing & Industrials and Technology & Media. These sectors are consistent with those of Bridgepoint Europe. BDC will seek to construct a sector balanced portfolio for BDC IV, but there are no sector specific limitations.

The Fund's investment platform provides material points of differentiation versus BDC's competitors in the lower middle market via:

- International capability and reach - Bridgepoint offers the scale and resources with over 272 full time staff, across 12 offices in Europe, the U.S. and Asia. Such international reach is an uncommon attribute for a fund investing in the lower middle market.
- Bridgepoint's network used for origination – BDC's ability to leverage the origination efforts of the wider Firm's networks including Bridgepoint Europe's Investment Team for its European buyout strategy (£200M to £1B enterprise value transactions) and its Bridgepoint Growth strategy (less than £30M enterprise value growth investments) is a distinct advantage compared to its peers. Therefore, BDC will invest in the middle enterprise value space between the Bridgepoint Europe Funds and the Bridgepoint Growth Funds.



- Multi decade market presence in European lower middle market - Bridgepoint's long standing reputation in the lower middle market, having invested in the European lower middle market since the early 1990's, and in the UK since 1984, is an asset in establishing credibility with vendors and advisers and in sourcing and securing new investment opportunities.
- Sector insight - BDC's targeted sector focus and experience and its ability to further utilize the insight of Bridgepoint Europe's experienced sector teams when originating new investment ideas provides an advantage over its competition.
- A highly experienced and successful Investment team with Bridgepoint legacy – the BDC partners have an average of 13 years experience with Bridgepoint and have been involved in 63 transactions for BDC and Bridgepoint Europe which have realized proceeds of €4.3 billion and a 2.8x multiple. The BDC team of 28 investment professionals, led by nine partners, has local insight and a wide network of relationships.
- Private equity discipline and institutional investment judgement - The wider Bridgepoint platform has over 30 years of existence. The Firm's process and culture are replicated in BDC, providing a rigorous approach to investment selection.
- These points have enabled BDC to secure the majority of its investments from positions of exclusivity and assemble a portfolio that has achieved an annual EBITDA growth of 22% since inception.

Investment Team:

The Fund has their own investment team within Bridgepoint, providing flexibility in the execution of investment decisions, portfolio management and business strategy.

BDC has its own board that meets regularly to cover key fund, regulatory, legal and financial matters. BDC has a dedicated investment team of 28 professionals located across offices in London, Paris and Stockholm, where they are able to originate and execute opportunities in local markets.

BDC benefits from an autonomous management structure within Bridgepoint, allowing for the efficient evaluation of investment opportunities, while maintaining investment standards, processes and disciplines consistent with those of Bridgepoint Europe.

The BDC Investment Team supports the BDC Partners in all aspects of the business from origination to investment execution to portfolio management. The majority of the team has previously worked in either the investment banking or management consulting sectors with each team member bringing important insights and new relationships to BDC. The team includes 19 individuals who speak multiple languages, allowing them to work across the BDC office network.

BDC also benefits from the scale of the Firm's international footprint of 12 offices. Their locally resourced teams together with the Firm's international capabilities, provide BDC with an important local angle in sourcing transactions, particularly where international expansion is a key component of future growth.

The table below summarizes the experience of the Fund's Investment Partners:

Name	Title	Yrs. Experience Bridgepoint Partners / Total	Prior Experience
Michael Black*	BDC Managing Partner	23 / 23	NatWest Group
Alan Payne	Partner	23 / 23	Deloitte



Olivier Nemsguern	Partner	6 / 15	Activa Capital
Johan Dahlfors*	Partner	9 / 17	Argan Capital
Robin Lawson*	Partner	10 / 12	LEK, Rothschild, Hermes Private Equity
Stephen Bonnard	Partner	10 / 12	Deloitte, Hermes Private Equity
Mark Stroud	Partner	10 / 14	Deloitte, Hermes Private Equity
Adrian Willetts	Senior Partner	23 / 29	PricewaterhouseCoopers LLP, Lloyds Development Capital (LDC)
Bertrand Demesse	Partner	5 / 14	Lazard, Edmond de Rothschild Capital Partners

*Key Person for BDC IV

Additionally, the BDC Board Directors are listed below.

Name	Title	Yrs. Experience Bridgepoint Partners / Total	Prior Experience
William Jackson	Bridgepoint Managing Partner, Chairman of the Group Board	31 / 31	NatWest Group
Michael Black*	BDC Managing Partner	23 / 23	Natwest Group
Raoul Hughes*	Bridgepoint Vice Chairman	31 / 31	NatWest Group
Alan Payne*	BDC Partner, U.K.	23 / 23	Deloitte
Xavier Robert*	BE Partner, Head of U.K.	21 / 21	Total
Olivier Nemsguern*	BDC Partner, France	6 / 15	Activa Capital
Chris Busby*	BE Partner, Head of Northern Europe	22 / 22	PricewaterhouseCoopers LLP
Johan Dahlfors*	BDC Partner, Nordic Region	9 / 17	Argan Capital
John Barber	Bridgepoint Senior Partner	12 / 26	Helix Associates, WSGP Partners and Morgan Stanley
Paul Gunner	Group Chief Financial Officer	20 / 22	NatWest Group

*Key Person for BDC IV



Investment Highlights:

- Brand Name in Lower Middle Market Investments across Europe
- History of Attractive Return Generation
- Strong Deal Flow & Discipline
- Proven Value Creation Success in Prior Investments
- Responsible Investment Thesis

Investment / Risk Considerations:

- Uncertainty of European Macro Environment
- Cyclicalities of Investments
- Minority Positions
- Use of Leverage
- Currency Risk
- Public Company Holdings

PSERS History & Performance:

PSERS is invested in eight funds managed by Bridgepoint Partners. A summary of fund data and performance is presented below (as of 12/31/2019). All amounts are reported in USD.

Fund (\$M)	Portfolio	Vintage	Commitment	Contributions	Distributions.	NAV	Net IRR	Net MOIC
Bridgepoint Europe	PE	1998	75	75	135	0.1	12.4%	1.81
Bridgepoint Europe II, L.P.	PE	2001	305	312*	612	1.1	29.4%	1.96
Bridgepoint Europe III, L.P.	PE	2005	224	249*	253	63.4	2.9%	1.27
Bridgepoint Europe IV, L.P.	PE	2008	336	370*	514	66.6	9.8%	1.57
Bridgepoint Europe V, L.P.	PE	2015	168	166	59.2	162	14.2%	1.33
Bridgepoint Europe VI, L.P.	PE	2018	112	16	0	18.0	15.8%	1.09
Bridgepoint Capital II, L.P.	PE	1998	81	81	166	0.2	18.6%	2.05
Bridgepoint Dev. Cap III, L.P.	PE	2016	99	52	12.1	73.8	42.3%	1.64
Total			\$1,403	\$1,324	\$1,753	\$386	14.9%	1.61

*Contribution amount is greater than commitment amount because of recycling.



Investment Committee Disclosure:

Relationship with Hamilton Lane:	Hamilton Lane will have 25 discretionary clients that will be allocating to BDC IV, with aggregate commitments across the clients totaling \$300M.
Introduction Source:	Fund Sponsor, prior history with Bridgepoint Partners
Placement Agent:	Bridgepoint 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:	Bridgepoint has two portfolio investments in PA.
Conflicts of Interest:	We are not aware of Bridgepoint having any investment 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.
PSERS History with Investment Manager:	PSERS previously committed \$1.36 billion across eight Bridgepoint managed partnerships.
PSERS Allocation Implementation Committee Approval:	May 5, 2020



Hamilton Lane

February 14, 2020

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

Re: Bridgepoint Development Capital Fund IV

Dear Trustees:

Bridgepoint Capital ("Bridgepoint") was founded in 1984 as part of Westminster Bank as NatWest Equity Partners; the General Partner spun out of National Westminster Bank in 2000 and rebranded itself as Bridgepoint. The General Partner manages investment vehicles across multiple strategies, including small, mid-market and large buyout, growth equity and private debt. Bridgepoint Development Capital ("BDC") was established in 2009 when Bridgepoint acquired the Hermes Private Equity Funds. The large BDC-dedicated team is led by Michael Black and consists of 29 professionals, including two Partners focused on Portfolio Management, based across London, Paris and Stockholm. The team is split across the General Partner's core regions, allowing investment professionals to develop local expertise and networks to source and execute opportunities in local markets. Bridgepoint maintains a highly structured approach, with oversight by senior leadership from across the Bridgepoint platform to maintain consistency of decision-making and ensure an integrative approach with the other product lines. The BDC Operating Committee, oversees day-to-day strategy, resourcing from across the platform, initial review of investments and monitoring of the portfolio. Opportunities are elevated to the Investment Advisory Committee, which is composed of six Partners with relevant regional and sector experience from across the platform on a deal-by-deal basis. Bridgepoint is targeting £1.0 billion in commitments from limited partners for its fourth mid-market buyout fund, Bridgepoint Development Capital Fund IV (the "Fund"). Bridgepoint expects to hold a first close in Q2 2020. The General Partner will commit at least 2.0% of commitments to invest in or alongside the Fund.

Consistent with prior funds and the broader platform, the Fund will target investments across its six core sectors: business services, consumer, healthcare, manufacturing & industrials, technology & media and financial services. The Fund will pursue opportunities across three geographies, the U.K., the Nordics and France, targeting lower-middle market companies with outsize growth potential. BDC professionals drive sourcing by using their local networks to develop relationships with stakeholders and management teams to develop angles in competitive processes and illustrate the dynamic capabilities of the broader Bridgepoint platform. The Fund intends to primarily target majority, control investments, but will continue to complete minority investments where appropriate governance rights can be structured. The General Partner seeks to drive value creation through top-line growth and margin expansion, influencing companies through board-level participation. An important tenet of the value creation strategy is international growth, either on a pan-European or global basis, supported by the broader Bridgepoint global presence. The General Partner is differentiated by the investment heritage of its overall platform and its ability to drive international expansion. The Fund will target approximately 15 to 20 equity investments in the range of £20 million to £100 million, targeting companies with enterprise values between £30 million and £150 million. Bridgepoint has generated attractive net returns in the prior funds with effective fund management.

Bridgepoint Development Capital Fund IV's investment thesis can be summarized as follows:



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- Highly regarded and experienced European investor with deep local presence and a powerful brand
- Large, local investment teams which are integrated into the broader Bridgepoint platform
- Collaborative approach to value creation focused on EBITDA growth
- Attractive net performance across prior funds

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 November 1, 2019; the on-site due diligence was conducted December 10, 2019; the fund was approved by Hamilton Lane's Investment Committee on December 16, 2019 and the recommendation to PSERS was issued February 14, 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 Bridgepoint'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:

Jim Strang – Chairman of EMEA, London Office
Fredrik Green – Analyst, London Office
Oscar Scott – Analyst, London Office

Based on the above, Hamilton Lane recommends that PSERS commit up to £125 million in Bridgepoint Development Capital Fund IV. 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