



Hamilton Lane

August 16, 2021

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

Re: Incline Elevate Fund II, L.P.

Dear Trustees:

Incline Management, L.P. (“Incline,” “General Partner”) was founded in 2011. The Elevate investment team is led by Thomas Ritchie, Evan Weinstein and Victor Martinelli with oversight from Jack Glover who remains actively involved in the deal selection process as well as with post-investment decisions and portfolio monitoring. The group has meaningful experience investing in middle-market companies across Incline’s target sectors and has demonstrated their expertise together through attractive performance in the prior fund. Incline’s dedicated investment team operates within the broader platform and is supported by shared business development, technology & operations and back-office professionals who also operate across fund lines. The General Partner maintains a network of operating executives who assist with sourcing, evaluating and monitoring investments, which differentiates it from other small buyout peers in the space who often do not have access to these resources. Incline has been thoughtful about growing its Elevate team since the prior fundraise, having added six additional investment professionals and expecting several others in the near term. Incline allocates carried interest across the platform and amongst its investment professionals, which promotes alignment and incentivizes across the platform. Incline is targeting \$500 million in commitments from limited partners for its second fund, Incline Elevate Fund II, L.P. (the “Fund”). Incline expects to hold a first and final close targeted for the week of 10/11/21. The General Partner will commit 5% (up to \$35 million) of commitments to invest in or alongside the Fund.

Since inception, Incline has maintained an exclusive focus on distribution, business services and light manufacturing companies operating in North America, leading to significant expertise that allows it to identify businesses with strong growth characteristics. Through its Elevate fund line, the General Partner expects to capitalize on opportunities in the middle market while reserving opportunities in the lower and upper ends of the middle market for its Ascent and Flagship products. The General Partner is well positioned to capitalize on the middle market and participates in multiple sourcing channels to generate deal flow. Incline’s dedicated sourcing platform has allowed it to maintain significant networks with boutique investment banks, business brokers, accountants, lawyers and company executives who assist in identifying opportunities. Incline pursues majority control positions and often seeks to be the first source of institutional capital, where it can have significant influence and provide value through a hands-on approach. The General Partner leverages the expertise of its technology & operations team and operating executives to drive value creation initiatives focused on technology, systems, eCommerce, digital marketing and salesforce effectiveness. The Fund will target approximately 10 to 12 equity investments in the range of \$40 million to \$85 million. Although it remains early, Fund I has demonstrated significant outperformance compared to peers, generating top-quartile performance across all metrics.

Incline Elevate Fund II’s investment thesis can be summarized as follows:

- Cohesive senior investment team supported by an institutionalized platform
- Consistent sector focus with the ability to capture opportunities in the center of the middle market



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- Attractive performance driven by quick markups across the portfolio

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 on-site due diligence was conducted July 13, 2021; the fund was approved by Hamilton Lane's Investment Committee on August 16, 2021, and the recommendation to PSERS was issued August 16, 2021.
- 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 portfolio.

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

Christian Kallen – Co-Head of Fund Investments, Conshohocken Office

Jeff Sowden – Associate, Conshohocken Office

Lauren Hennigan – Analyst, Conshohocken Office

Based on the above, Hamilton Lane recommends that PSERS commit up to \$100 million, plus reasonable normal investment expenses, to Incline Elevate Fund II, L.P. (and/or related investment vehicles). 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