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Public Investment Memorandum

**Insight Partners Fund XII, L.P.**

Private Equity Fund Commitment

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May 18, 2021



## **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 \$200.0 million plus reasonable normal investment expenses, in Insight Partners Fund XII, L.P. (the "Fund"), and/or related investment vehicles.

The recommended commitment of \$200.0 million would be allocated as follows: \$150 million to Insight Partners Fund XII (Fund XII) and/or related investment vehicles, including sidecars in 2021, and \$50 million to a possible future follow-on vehicle. The contemplated follow-on vehicle would invest in Fund XII investments where additional capital is necessary, but not available from Fund XII, to drive growth in select portfolio companies. The follow-on vehicle would be subject to IOP review and PSERS' Asset Implementation Committee (AIC) approval and would be subject to Board policies in force at the time of commitment.

Insight Venture Management, LLC ("Insight" or the "Firm") is raising their 12<sup>th</sup> fund to invest in growth-stage software, software-enabled services, and internet businesses.

Fund Name	Insight Partners Fund XII, L.P.
Firm Name	Insight Venture Management, LLC
Target Fund Size / Hard Cap	\$11.5 billion / \$13.0 B
Recommended Commitment Amount	\$200.0 million
Existing Relationship	Yes
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 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 service ("SaaS") subscription-based business models with a high degree of recurring revenue. Since inception, Insight has raised 18 funds with aggregate capital commitments of approximately \$32 billion, all focused on the software sector. As of December 31, 2020, the Firm has invested in over 425 companies on behalf of these funds.

## **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<sup>1</sup>.

Given these funding statistics, there will continue to be a significant ecosystem of high-quality companies serving the information technology sector, offering Insight a large and compelling set of investment opportunities.

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<sup>1</sup> Evercore analysis, "Private Equity M&A Activity in Software"



Insight is primarily focused on four sectors of the software industry:

1. **Horizontal Software as a Service (SaaS):** Companies that provide functionally specific or enterprise-wide software solutions that can be used by businesses across various industries. Examples include software solutions such as marketing automation, sales productivity and enablement, human resources systems, and supply chain management.
2. **Vertical Software as a Service (SaaS):** Companies that provide software solutions that are focused on businesses in specific industries such as financial services, healthcare, energy, retail, transportation, hospitality, and education.
3. **Infrastructure Software:** Companies that provide software that automates and protects IT infrastructure and is primarily deployed within datacenters. Examples include software solutions in areas such as security, identity management, IT service management, and data back-up and recovery.
4. **Internet Services:** Companies that provide an online service for businesses and consumers, primarily in the form of online marketplaces that exhibit strong repeat customer behaviors. Examples include consumer services marketplaces in areas such as food delivery and specialized goods (e.g., antiques, watches).

**Portfolio Fit:**

A commitment to the Fund will be allocated to the Venture Capital bucket of PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity Portfolio exposure, as of December 31, 2020, inclusive of a recommended \$200.0 million commitment to the Fund:

Investment Type	Market Value	Unfunded <sup>1</sup>	Total Exposure	%	Pending Current Commitments		
					June 2021	Total Exposure	%
Buyout	\$ 7,334	\$ 4,963	\$ 12,297	76.2%	\$ -	\$ 12,297	75.5%
Growth Equity	791	792	1,583	9.8%	-	1,583	9.7%
Venture Capital	794	271	1,065	6.6%	200	1,265	7.5%
Internal Co-invest	1,017	175	1,192	7.4%	-	1,192	7.3%
<b>Total</b>	<b>\$ 9,936</b>	<b>\$ 6,201</b>	<b>\$ 16,137</b>	<b>100.0%</b>	<b>\$ 200</b>	<b>\$16,337</b>	<b>100.0%</b>

<sup>1</sup>Includes commitments approved through May 2021

**Investment Strategy:**

Insight is a leader in growth software investing and has been resident in the sector for 25 years. Insight's core objective is to find the most compelling, high-growth opportunities in the software space and provide these companies with the strategic and operational support to be well-positioned at exit and achieve attractive returns to investors. Insight's success in executing its strategy begins with selecting the most attractive companies it identifies through its comprehensive coverage of the market and deep domain expertise, both of which are augmented by the scale of Insight's platform and a consistent focus on the software sector.

By focusing on SaaS companies that have homogenous business models and a high degree of recurring revenue, Insight is able to execute a consistent playbook for value creation post-investment. Over time, the investment in data and analytics to evaluate information collected from Insight's investments as well as deals evaluated has enabled the Firm to identify patterns and the key value drivers for SaaS businesses with an increasing degree of accuracy. Insight believes this ability has driven increased consistency in the portfolio, which has generated top-quartile returns since 2005.



Insight's investment strategy will be substantially similar to the investment strategy pursued in previous Insight funds and has four core elements:

1. Deep Domain Expertise in Software
2. Advantages of a Scaled Platform
3. Proprietary Deal Sourcing Engine
4. Insight's internal "Onsite Team" of Software Experts

Together, these four core elements create a differentiated strategy for generating attractive returns.

**Senior 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 provides an atmosphere where junior professionals are trained and mentored by senior investment team members. The six senior managing directors listed below, who comprise the Investment Committee, have been working together at Insight for an average of 21 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	26 / 33	E.M. Warburg; Pincus & Co.; Goldman Sachs
Deven Parekh	Managing Director	21 / 30	Berenson Minella & Company; The Blackstone Group
Jeffrey Lieberman	Managing Director	23 / 23	McKinsey & Company; K-Line Trucking
Michael Triplett	Managing Director	22 / 24	Summit Partners; Morgan Stanley & Co.; Midland Data Systems
Richard Wells	Managing Director	15 / 18	Technology Crossover Ventures; Veritas Software; Paciolan Systems; Mercer Management Consulting
Ryan Hinkle	Managing Director	17 / 17	Morgan Stanley; PPL, Inc.

**Investment Highlights:**

- Full Lifecycle Investment Strategy
- Strong Sourcing Capabilities
- Proven Due Diligence & Deal Execution Capabilities
- Advantage of Insight Onsite Team
- Co-Investment Opportunities

**Investment / Risk Considerations:**

- Company Level Performance
- Total Addressable Market
- Business & Market Risk in post COVID-19 Environment
- Regulatory Matters

### PSERS History & Performance:

PSERS previously committed \$444 million across three funds and two co-investments sponsored by Insight. As of December 31, 2020, Insight represented \$577 million of PSERS' total exposure (NAV plus unfunded commitments). The table below summarizes PSERS' performance with Insight as of December 31, 2020 (in millions):

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Insight Partners X	2018	\$100.00	\$ 97.77	\$ 6.58	\$194.36	48.4%	2.1x
Insight Partners XI	2020	150.00	72.29	-	92.28	64.5%	1.3x
Insight Opportunities I	2020	168.75	14.85	-	14.85	n/a	1.0x
<b>Funds Sub-Total</b>		<b>418.75</b>	<b>184.91</b>	<b>6.58</b>	<b>301.49</b>	<b>51.5%</b>	<b>1.7x</b>
Co-Investments		25.60	22.60	-	38.13	51.9%	1.7x
<b>Insight Total</b>		<b>\$444.35</b>	<b>\$ 207.51</b>	<b>\$ 6.58</b>	<b>\$339.62</b>	<b>51.5%</b>	<b>1.7x</b>

### Investment Committee Disclosure:

<b>Relationship with Hamilton Lane:</b>	<p>Nineteen discretionary Hamilton Lane clients and commingled products have committed an aggregate \$600.5M across prior Insight funds. Ten discretionary Hamilton Lane clients and commingled products have made co-investments alongside Insight, totaling approximately \$95.1M. Finally, six discretionary Hamilton Lane clients and commingled products have made secondary purchases of Insight funds totaling \$101.4M.</p> <p>Preliminary Hamilton Lane allocation data as of April 20, 2021, indicates that 22 discretionary Hamilton Lane clients and commingled products plan to commit an aggregate \$392.8M to the Fund. Please note that this information is subject to change pending client by client discussions and updated information is available from Hamilton Lane to PSERS upon request.</p>
<b>Introduction Source:</b>	Existing Relationship
<b>Placement Agent:</b>	<p>In accordance with Board policy, no placement agents were used, and no payments from or on behalf of PSERS to Placement Agents shall be made in connection with securing PSERS' investment in the Fund.</p> <p>Any placement fees charged to the Fund in connection with securing commitments from other investors (excluding PSERS) will result in a corresponding reduction to management fees.</p> <p>As confirmed by PSERS' Office of Chief Counsel on April 26, 2021, this investment complies with the Public School Employees' Retirement Board Placement Agent Policy.</p>
<b>Political Contributions:</b>	Yes. Political contributions have been disclosed to PSERS.
<b>PA Presence:</b>	Yes
<b>Potential Conflicts:</b>	We are not aware of Insight having any material conflicts.
<b>Litigation Disclosure:</b>	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.
<b>First Time Fund With PSERS:</b>	No
<b>PSERS Allocation Implementation Committee Approval:</b>	May 18, 2021