



Public Investment Memorandum

Insight Partners Fund XIII, L.P.

Private Equity Commitment

Allocation Implementation Committee
Approval Date: March 10, 2023



Executive Summary

G. Anthony Meadows, Portfolio Manager, and Aksia, L.L.C. (“Aksia”), recommend to the Board a commitment of up to a combined \$130 million, plus reasonable normal investment expenses, in Insight Partners Fund XIII, L.P. (the “Fund” or Fund XIII), and/or related investment vehicles.

The recommended commitment of \$130 million would be broken into two parts. Of that total, \$80 million would be a 2023 commitment to Fund XIII and/or related investment vehicles, including sidecars, which would count toward the PSERS private equity (PE) pacing for that year. The remaining \$50 million would not be committed or counted against the PE pacing in 2023. It would count against a future year’s PE pacing only if it is approved by the PSERS Asset Implementation Committee (AIC). The contemplated follow-on vehicle would invest in Fund XIII investments where additional capital is necessary, but not available from Fund XIII, to drive growth in select portfolio companies. The follow-on vehicle would be subject to IOP review and 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 13th fund to invest in growth-stage software, software-enabled services, and internet businesses.

Fund Name	Insight Partners Fund XIII, L.P. (the “Fund” or “Fund XIII”)
Firm Name	Insight Venture Management, LLC (“Insight” or the “Firm”)
Target Fund Size / Hard Cap	\$17.0 billion / \$17.0 billion
Recommended Commitment Amount	\$130 million (\$80 million for Fund XIII + \$50 million for possible future follow-on vehicle)
Existing Relationship	Yes
Asset Class / Sub Asset Class	Private Equity / Venture Capital
Investment Office Professionals Due Diligence Team (“IOP”)	G. Anthony Meadows, Portfolio Manager Patrick G. Knapp, Senior Portfolio Manager
Investment Office Oversight	Darren C. Foreman, Director G. Anthony Meadows, Portfolio Manager
External Consultant Oversight	Aksia
ESG Policy (Y / N)	Y



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 25 funds with aggregate capital commitments of approximately \$53 billion, all focused on the software sector. The Firm has invested in over 750 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. According to Bain & Company, tech deals accounted for 25% of total buyout value and 31% of deal count in 2021. Software deals comprised 90% of total tech value in 2021^A.

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.

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-service marketplaces in areas such as food delivery and specialized goods.

Fund Investment Strategy

Insight is a leader in growth software investing and has been resident in the sector for over 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 strong returns since 2005.

^A <https://www.bain.com/insights/software-global-private-equity-report-2022/>



Insight's investment strategy will be substantially similar to its investment strategy deployed in previous funds. That strategy 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.

PSERS History & Performance

PSERS has previously committed to seven funds and three co-investments with Insight. As of September 30, 2022, the Firm represented \$855.4 million of PSERS' total exposure (NAV plus unfunded commitments). The table below summarizes PSERS' performance with Insight as of September 30, 2022 (in millions).

Fund	Vintage Year	Original Commitment	Contributions	Distributions	NAV	Net IRR	Net MoC
Insight Partners X, L.P.	2018	\$ 100.0	\$ 102.7	\$ 43.4	\$ 205.8	31.4%	2.4x
Insight Partners XI, L.P.	2019	150.0	145.9	.3	232.8	31.3%	1.6x
Insight Opportunities Fund I, L.P.	2020	75.0	59.3	-	64.2	8.0%	1.1x
Honeydew Co-Invest, L.P.	2020	93.8	77.0	-	83.1	7.2%	1.1x
Insight Partners XII, L.P.	2021	75.0	44.5	-	36.3	-22.3%	0.8x
Insight Partners XII Buyout Annex Fund, L.P.	2021	50.0	27.6	-	25.5	-9.6%	0.9x
Insight Vision Capital II, L.P.	2022	\$ 20.0	-	-	-	N/A	N/A
Funds Sub-Total		\$ 563.8	\$ 457.0	\$ 43.7	\$ 647.7	26.0%	1.5x
Co-Investments		69.3	65.1	-	96.5	30.5%	1.5x
Insight Total		\$ 633.1	\$ 522.1	\$ 43.7	\$ 744.2	26.4%	1.5x

Portfolio Fit

A commitment to the Fund would be allocated to the Venture Capital sleeve of PSERS' Private Equity portfolio. The table below summarizes PSERS' projected Private Equity portfolio exposure inclusive of a recommended \$80 million commitment to the Fund^B:

Investment Type	Market Value ¹	Unfunded ^{1,2}	Total Exposure	%	Pending Current Recommendations		
					Total Exposure		%
					Dec 2022	\$ M	
	\$ M	\$ M	\$ M		\$ M	\$ M	
Buyout	\$ 7,972	\$ 3,117	\$ 11,089	68.3%	\$ -	\$ 11,089	67.9%
Growth Equity	1,803	738	2,541	15.6%	-	2,541	15.6%
Venture Capital	978	177	1,155	7.1%	80	1,235	7.6%
Internal Co-Invest	1,305	156	1,461	9.0%	-	1,461	8.9%
Total	\$ 12,058	\$ 4,188	\$ 16,246	100.0%	\$ 80	\$ 16,326	100.0%

¹As of December 31, 2022;

² Includes all commitments up to last Board meeting and/or notational ballot voting

^B \$80 million is shown in this illustration, reflecting what is impacting the private equity budget and total exposure. Should the additional \$50 million in the recommendation be utilized, that amount would be reflected in the year it impacts the private equity budget and total exposure.



Investment Highlights

- Strategy Exposure
- Advantage of Insight Onsite Team
- Co-Investment Opportunities
- Recycling of Invested Capital

Investment / Risk Considerations

- Market Risk
- Public Market Exit Risk
- Regulatory Matters
- Early-Stage Risk

Investment Committee Disclosure

Relationship with Aksia:	Three Aksia clients have committed an aggregate \$163 million across prior Insight funds on a non-discretionary basis. As of March 2023, one other Aksia client committed to Insight Partners XIII. Please note that this information, which is available to PSERS upon request, is subject to change pending further review and decision making between Aksia and its clients.
Introduction Source:	Existing Relationship
Compliance with Placement Agent Policy:	As confirmed by PSERS' Office of Chief Counsel on March 7, 2023, this investment complies with the Board's policy.
PA Political Contributions:	Yes, disclosed
PA Presence:	Yes
Potential Conflicts:	PSERS is not aware of any actual or potential conflicts of interest that would be created by PSERS' investment in the Fund.
Litigation Disclosure:	Insight receives communications from regulators and may be involved in litigation from time to time in the ordinary course of business. At this time and to the best of Insight's knowledge, the Firm and its funds are not involved in any litigation which has or may have a material effect on Insight or the Fund.
Has the Firm reimbursed and/or paid for PSERS IOP travel in the past two calendar years?	No
Certification of Due Diligence Costs:	IOP certifies there was no travel associated with the due diligence of Insight Partners Fund XIII, L.P., and PSERS was not reimbursed for any travel costs related to due diligence of the Fund.