



Investment Committee Memorandum

Insight Associates XI, L.P.

Private Equity Asset Class

December 3, 2019

Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group, recommend that the State Employees' Retirement System Investment Committee, subject to further legal due diligence, interview Insight Venture Management, LLC ("Insight", the "GP" or the "Firm") at the December 3, 2019 Investment Committee Meeting to consider a potential investment of up to \$75 million in Insight Partners XI, L.P. ("Fund XI", the "Fund" or the "Partnership"). SERS has previously committed \$250M to five Insight funds.

Investment Rationale

Staff identified Insight Partners XI as a strong candidate for SERS' capital commitment as it offers:

- Additional exposure to a high-quality manager that has generated strong net returns since inception in 1995;
- Additional exposure to a private investment manager that outperforms private peers and public indices;
- Exposure to high growth, disruptive software companies with significant contractual, recurring revenue in an industry that is forecasted to grow at 20%+ annually through 2027 according to Gartner Market Databook;
- Capital preservation as evidenced by lower than industry loss ratios;
- A commitment to Fund XI is consistent with SERS' strategy of concentrating commitments to top-tier investment managers.

Investment Risks

Staff identified the following potential risks of a commitment to Fund XI:

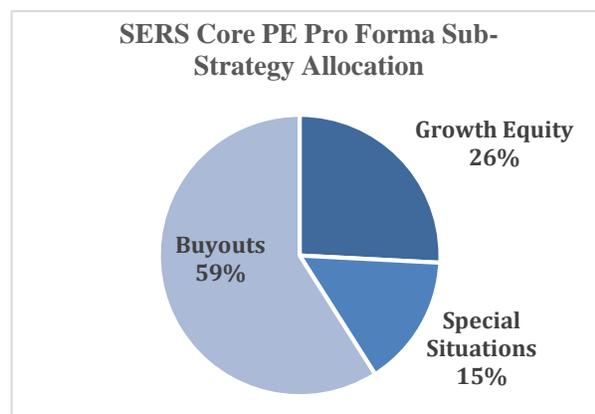
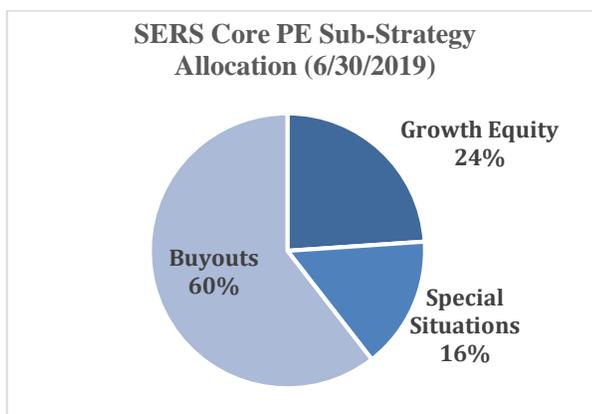
- Increasing fund size could lead to strategy drift as the Firm could focus on larger deals.
- Team capacity to effectively invest a larger fund.

Portfolio Implications

A commitment to Insight Partners XI would be considered a 2020 vintage allocation to a fund which is categorized in the Private Equity asset class and Growth Equity sub-asset class.

An allocation to Fund XI is consistent with the strategic initiatives of "making fewer, larger commitments to top-tier managers" as outlined in SERS' Strategic Investment Plan. SERS is targeting a commitment to Fund XI of up to \$75 million, which represents 11.5% of the strategic plan pacing budget for the private equity asset class in 2020.

The following series of pie graphs highlight the pro forma effect a commitment to the Fund is expected to have on sub-strategy and geographic allocation.



Sponsor Overview

Founded in 1995 and based in New York, Insight Partners focuses primarily on investing in growth-stage software, software-enabled services, and internet businesses. Since inception, Insight has raised 14 funds, inclusive of four co-investment funds, with aggregate capital commitments of approximately \$19 billion and has invested in over 350 companies.

The Firm is led by a cohesive team of 12 Managing Directors supported by a team of 46 deal sourcing professionals and an in-house, 50-person operations team (“Insight Onsite” or “Onsite”). Onsite was established in 2000 to share expertise and best practices to building growth-stage software companies. Over time, this team grew out of necessity as Onsite became a critical component of Insight’s investment philosophy. The current team is organized like a software company with seven “Centers of Excellence” in talent, product & tech, marketing, sales, business development, customer success, and strategy/M&A.

Investment Strategy

Since inception, Insight has been focused on investments in growth-stage software, software-enabled services, and Internet businesses. The Firm targets small- to mid-cap companies, primarily headquartered in North America, with established momentum and potential for significant revenue growth and profitability. Insight also targets software companies with slower growth but that have strong potential to accelerate growth through acquisitions.

Insight Partners XI will seek to create a portfolio of 50+ companies with investments ranging up to \$500 million of equity.

There are four key elements that Insight considers core to the strategy:

- Deep domain expertise
- Advantages of a scaled platform
- Proprietary deal sourcing engine
- Insight Onsite.

Management Team

Jeffrey Horing, *Managing Director, Team Leader and Co-Founder*. Mr. Horing co-founded Insight in 1995. From 1990 to 1994, he was a member of the technology investing group at E.M. Warburg, Pincus & Co., prior to which, he worked in the capital markets group at Goldman, Sachs & Co. Mr. Horing received an MBA from the M.I.T. Sloan School of Management and received dual undergraduate degrees from the University of Pennsylvania’s Moore School of Engineering and the Wharton School, graduating with high honors and Phi Beta Kappa.

Deven Parekh, *Managing Director and Team Leader*. Mr. Parekh joined Insight in 2000. From 1992 to 1999 he was at Berenson Minella & Company, a New York-based merchant banking firm where he was a Principal and served on the firm’s M&A committee. Prior to Berenson Minella, he was with The Blackstone Group, where he was involved in both M&A advisory and principal activities. Mr. Parekh is a Henry Crown Fellow of the Aspen Institute. Mr. Parekh received a BS in Economics from the Wharton School at the University of Pennsylvania.

Jeffrey Lieberman, *Managing Director and Team Leader*. Mr. Lieberman joined Insight in 1998. Prior to joining Insight, Mr. Lieberman was a management consultant at McKinsey & Company, where he focused on strategic and operating issues in the financial services, technology and consumer products industries. Mr. Lieberman received dual undergraduate degrees from the University of Pennsylvania’s Moore School of Engineering and the Wharton School, where he graduated with honors.

Michael Triplett, *Managing Director and Team Leader*. Mr. Triplett joined Insight in 1998. From 1994 to 1997, Mr. Triplett was as an investment professional at Summit Partners, where he focused on sourcing investments in software companies. Prior to this, Mr. Triplett worked as a financial analyst at Morgan Stanley & Co. and at Midland Data Systems. Mr. Triplett graduated from Dartmouth College with a BA in Economics, cum laude.