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 Clearlake Capital Group ("Clearlake", the "GP" or the "Firm") at the September 28, 2021 Investment Committee Meeting to consider a potential investment of up to $100 million in Clearlake Capital Partners VII, L.P. ("CCP VII", the "Fund" or "Clearlake VII") , pending the satisfactory completion of legal due diligence. Clearlake is targeting capital commitments of $10 billion for CCP VII.

Investment Rationale

Staff identified CCP VII as a strong candidate for SERS' capital commitment as it offers:
- Additional exposure to a high-quality private investment manager that has generated strong net returns since inception in 2006;
- Additional exposure to a private investment manager that outperforms private peers and public indices;
- Capital preservation as evidenced by a low loss ratio, combined with a focus on downside protection;
- An "All-weather" investment strategy led by a proven and stable senior team that has invested successfully across economic cycles, with the experience and ability to pivot into distressed and special situations investments;
- Consistency with SERS' portfolio objectives as outlined in the IPS and Strategic Plan.
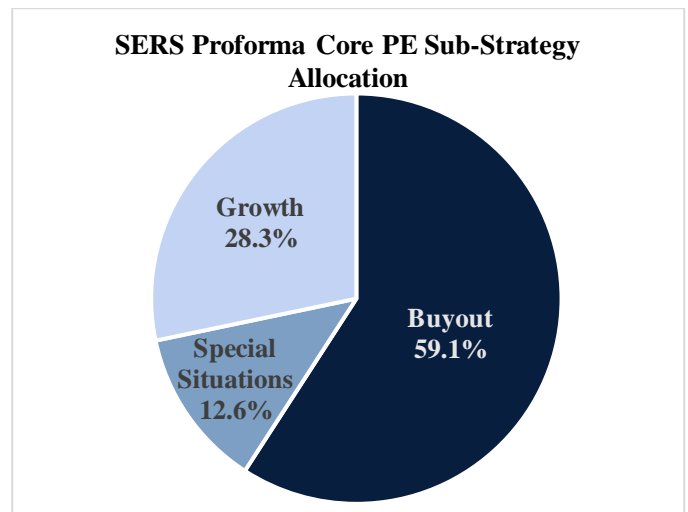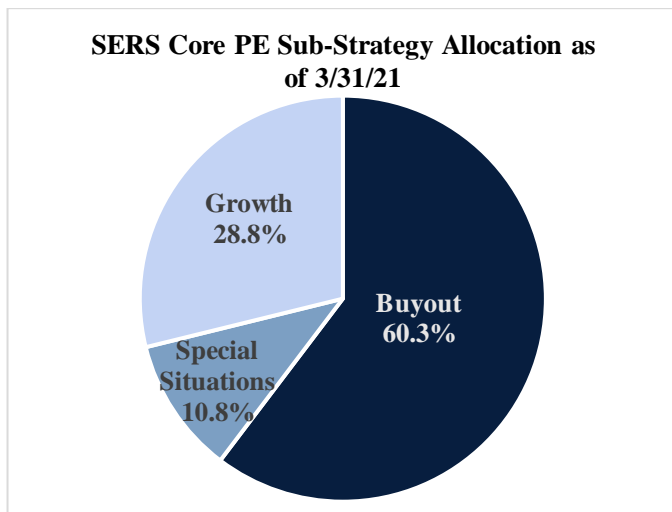
Investment Risks

Staff identified the following potential risks of a commitment to CCP VII:
- Investment team capacity to effectively invest and manage CCP VII and the other Clearlake funds.
- Potential conflicts with some CCP VII investments having overlap with other Clearlake funds.

Portfolio Implications

A commitment to CCP VII would be considered a 2021 vintage allocation to a fund which is categorized in the Private Equity asset class and Special Situations sub-asset class. As of March 31, 2021, SERS' total exposure to Special Situations represented approximately 10.8% of the total Core Private Equity portfolio. A commitment level of $100 million also reflects a position size of appx. 2% within the Core PE portfolio.

The following two charts highlight the pro forma effect a commitment to the Fund is expected to have on sub-strategy allocation within the Private Credit portfolio.

SERS Core PE Sub-Strategy Allocation as of 3/31/21
Growth 28.8%
Buyout 60.3%
Special Situations 10.8%

SERS Proforma Core PE Sub-Strategy Allocation
Growth 28.3%
Buyout 59.1%
Special Situations 12.6%

Sponsor Overview

Founded in 2006 and headquartered in Santa Monica, CA, Clearlake is a private market investment firm that employs a value-oriented, sector-driven approach to investing in North American middle-market businesses, primarily in technology and tech-enabled services, industrials, and consumer. The Firm now manages over $43 billion in assets and employs 75 people, including 28 investment professionals.

Investment Strategy

Clearlake Capital Partners VII is being formed to pursue control-oriented investments in North American, middle-market companies in three key sectors: tech, industrials, and consumer. In certain market conditions, the Fund may also pursue distressed debt and special situations investments.

Clearlake's investment philosophy is cemented through the following key tenets:

➢ Flexible and Creative Approach to Investment Structure
➢ Sector Driven Philosophy
➢ Exploit Inefficient Markets
➢ Value Focus
➢ Value Creation Through Operational Expertise

Management Team

José E. Feliciano, *Managing Partner and Co-Founder*. Mr. Feliciano co-founded Clearlake in 2006. In addition to his investing responsibilities, Mr. Feliciano is responsible for the day-to-day management of the Firm. Prior to co-founding Clearlake, he was a Partner and member of the investment committee at Tennenbaum Capital Partners, a private investment firm focused on distressed and other special situations investments. Mr. Feliciano graduated with High Honors from Princeton University, where he received a B.S. in Mechanical & Aerospace Engineering. He received his M.B.A. from the Graduate School of Business at Stanford University.

Behdad Eghbali, *Managing Partner and Co-Founder*. Mr. Eghbali co-founded Clearlake in 2006. Prior to co-founding Clearlake, Mr. Eghbali was a private equity investor at TPG where he focused on buyouts, turnarounds and other transformational investments in the business services, communications/media and technology sectors. Before joining TPG, Mr. Eghbali was a Partner at Venus Capital Management, Inc. and affiliates, a multi-strategy hybrid fund, where he focused on special situations private investments. Mr. Eghbali graduated with a B.S. in Business Administration with an emphasis on Finance from the Haas School of Business at the University of California, Berkeley.

Colin Leonard, *Partner and Managing Director*. Mr. Leonard joined Clearlake in 2007. Prior to joining Clearlake, he was an investment professional at HBK Investments L.P. where he focused on distressed investments in the industrials and transportation/logistics sectors. Mr. Leonard graduated cum laude with a B.S. in Economics (Wharton School) and a minor in Mathematics at the University of Pennsylvania.

Prashant Mehrotra, *Partner and Managing Director*. Mr. Mehrotra joined Clearlake in 2010. Prior to joining Clearlake, he was a Principal at Silver Lake Partners, where he focused on investments in technology and technology enabled industries. Before that, Mr. Mehrotra was a Principal at Tennenbaum Capital Partners. Mr. Mehrotra graduated with a B.S. and M.S. in Industrial Engineering from Stanford University, where he was also a Mayfield Fellow, and he received his M.B.A. from the Kellogg School of Management at Northwestern University.

James Pade, *Partner and Managing Director*. Mr. Pade joined Clearlake in 2013 and is currently leading the Firm's COP funds strategy. Prior to joining Clearlake, he was an investment professional at TowerBrook Capital Partners, where he focused on leveraged buyouts and distressed debt investments. Before that, Mr. Pade was an investment banker at Credit Suisse. He started his career at Google and played professional tennis on the ATP Tour. He graduated with a B.A. in Economics, with Honors in Science, Technology & Society from Stanford University.