



Investment Committee Memorandum

HarbourVest PA Co-investment Fund L.P.

Private Equity Asset Class

February 25, 2020

Investment Recommendation

SERS' Investment Office Staff recommend that the State Employees' Retirement System Investment Committee interview HarbourVest Partners ("HarbourVest", the "GP" or the "Firm") at the February 25, 2020 Investment Committee Meeting to consider a potential commitment of up to \$200 million to a separately managed account named the HarbourVest PA Co-investment Fund L.P. ("the SMA", or the "Partnership"). As this SMA has been directly negotiated to have a custom investment mandate for SERS, it is a fund of one and the proposed commitment will be the fund size. Furthermore, there is no firm closing schedule, but SERS has agreed to target completing legal due diligence and closing by June 30, 2020 should approval be attained.

Investment Rationale

Staff identified HarbourVest PA Co-investment Fund as a strong candidate for SERS' capital commitment as it offers:

- SMA strategy represents meaningful step forward in achieving funding objectives set out in PPMAIRC report;
- Bespoke co-investment solution crafted to satisfy numerous SERS objectives;
- High level of coverage with SERS' existing core PE managers determined by cross checking HarbourVest track record and reference calls with SERS' PE managers. SERS will benefit from joining with HarbourVest's existing capacity, relationship history and negotiating power;
- Access to one of the industry's largest co-investment teams with 50 dedicated co-investment professionals sourcing in excess of 700 co-investment opportunities per year and having completed over 400 co-investments since 1984;
- Extendibility of partnership to other parts of HarbourVest's platform including secondaries, private credit and infrastructure.

Investment Risks

Staff identified the following potential risks of a commitment to HarbourVest PA Co-investment Fund:

- Risk of Adverse Selection.
- Higher Volatility of Co-investment Distribution.

Portfolio Implications

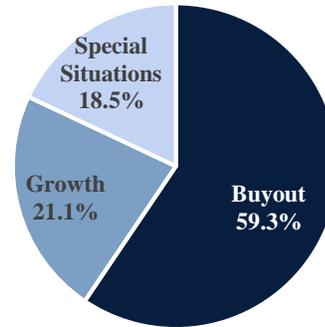
A commitment to HarbourVest PA Co-investment Fund would be considered an allocation across the 2020-2022 vintages, which is categorized in the Private Equity asset class and is expected to touch multiple Private Equity sub-asset classes. An allocation to HarbourVest PA Co-investment Fund is consistent with the strategic plan initiatives of pursuing co-investment opportunities and fee savings as outlined in SERS' Strategic Investment Plan.

SERS is targeting a commitment to the SMA of up to \$200 million, of which approximately \$60 million is expected to be deployed in 2020, representing approximately 10% of the strategic plan pacing budget. A commitment level of \$200M also reflects an expected fully stabilized position size of approximately 5% within the Core PE portfolio. The table below outlines SERS' private equity commitments year to date that are either approved or pending approval by the Board, including a potential commitment to the SMA.

SERS Core PE Sub-Strategy Allocation as of 09/30/19



SERS Proforma Core PE Sub-Strategy Allocation



Sponsor Overview

HarbourVest was founded in 1978 by Brooks Zug and Ed Kane. The Firm initially focused on venture capital partnership investments, making its first investment in 1978 and quickly expanding into buyout partnership investments in 1981. HarbourVest formed its first institutional fund-of-funds in 1982 and made its first direct investment in 1983. By 1990, HarbourVest expanded outside of the United States and began offering programs dedicated to Europe, Asia Pacific and other emerging markets. Since inception, the Firm has committed over \$58 billion to investments globally and has grown to more than 500 employees with global offices in Boston, Beijing, Bogota, Hong Kong, London, Seoul, Tel Aviv, Tokyo and Toronto. Today, HarbourVest manages capital for a wide variety of clients, including corporate and public pension plans, endowments and foundations, insurance companies, sovereign wealth funds, and financial institutions globally.

Investment Strategy

The investment strategy of the HarbourVest PA Co-investment Fund will center on the development and implementation of a customized global private equity solution designed to launch an institutionalized co-investment program. The main objective of the SMA will be to create long term outperformance compared to public markets, while leveraging the institutional knowledge of HarbourVest to limit volatility and downside risk. This will be achieved through three key areas: portfolio construction, deal sourcing and due diligence & monitoring.

Management Team

Peter Lipson, Managing Director (Boston) - Peter Lipson focuses on global direct co-investments as well as primary and secondary investments in Latin America. Peter serves as the Chair of the Firm’s Credit Investment Committee. He joined HarbourVest in 1997 as an associate focused on direct co-investments in operating companies and rejoined the Firm’s direct investment team in 2001 after receiving his MBA. Peter was instrumental in establishing HarbourVest’s presence in Bogotá including building relationships with institutional investors and general partners in the region. He currently splits his time between Boston and Bogotá. Peter serves as a director of Finanzcheck, Mimeo.com, and Towne Park. Before joining HarbourVest, he worked as a financial analyst in the Mergers & Acquisitions Group at Salomon Brothers. Peter received a BA in Economics from the University of California, San Diego in 1993, an MS in Information Systems from the University of Virginia in 1995, and an MBA from Harvard Business School in 2001.

Ian Lane, Managing Director (Boston) - Ian Lane joined HarbourVest in 2003 and focuses on direct co-investments in venture, buyout, and mezzanine transactions and serves as the Chair of the Firm’s Direct Investment Committee. He led several of the Firm’s investments, including Acclaris, Advanced Health, Datatel, Digital Insight, eTapestry, Lightower, M-Qube, National Cardiovascular Partners, Nexidia, Planview, Secure-24, Wayfair (NYSE: W), and Zayo (NYSE: ZAYO). Additionally, Ian serves on the Board of Overseers at Beth Israel Deaconess Medical Center, a teaching and research affiliate of Harvard Medical School. Ian’s previous experience includes two years with J.P. Morgan where he was an investment banking analyst in the mergers and acquisitions group. While earning his undergraduate degree, Ian founded and managed

a chain of martial arts schools in Florida. Ian received a dual BS/MS (with honors) in Accounting from the University of Florida in 2001 and an MBA from Harvard Business School, where he graduated with distinction in 2008.

Corentin du Roy, CFA, *Managing Director (London)* - Corentin du Roy joined HarbourVest in 2003 and focuses on direct co-investments in buyout, growth equity, and mezzanine transactions in Europe and around the world. He serves as a director of EA Pharma, Flash Networks, and Inelo. He has been involved with several of HarbourVest's direct coinvestments including Deliveroo, Eaton Towers, Klarna, Marle, GTS Central Europe (acquired by Deutsche Telekom), Omega Pharma (acquired by Perrigo), Minimax, Prosol (Grand Frais), Nycomed (acquired by Takeda), Kiala (acquired by UPS), and Loxam. He joined the Firm from AXA Investment Managers, where he was an equity and high-yield debt research analyst focusing mainly on the telecom sector. Fluent in French, Corentin received a BS (with distinction) in Business Administration from Paris IX Dauphine University in 1999 and received the Chartered Financial Analyst designation in 2002.

Jeffrey Keay, *Managing Director (Boston)* - Jeff Keay joined HarbourVest in 1999 and focuses on global secondary investments across a range of transaction types. Jeff is based in Boston and also worked in the Firm's London office. Jeff is the Chair of the Firm's Secondary Investment Committee and he currently serves on a number of advisory boards. Prior to joining the Firm, Jeff spent three years at Ernst & Young LLP, where he specialized in the venture capital and financial services industries. His previous experience also includes working at the Financial Accounting Standards Board. Jeff received a BA (cum laude) in Economics and Accounting from the College of the Holy Cross in 1996.

Edward Powers, *Managing Director (Boston)* - Ed Powers is a member of HarbourVest's primary investment team, focusing on meeting the targeted mandates of institutional investors by seeking investment opportunities in emerging managers, diverse managers, the lower middle market, and underserved markets. He is responsible for capital formation, relationship management, investment origination, and due diligence. Ed joined HarbourVest in 2016 as part of the Firm's acquisition of the BAML Capital Access Funds business, which he co-founded in 2002. Before that, he worked for the Bank's community development group, where he originated investments in a variety of community development equity products, including affordable housing and community development financial institutions. Ed received a BA in English and Economics from the University of Pennsylvania and an MBA and MA in Public Policy from the University of Chicago.