

Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group, recommend that the State Employees' Retirement System Investment Committee interview Francisco Partners ("Francisco Partners", the "GP" or the "Firm") at the February 25, 2022 Investment Committee Meeting to consider a potential commitment of (i) up to \$100 million to Francisco Partners VII, L.P. ("Fund VII"), (ii) up to \$50 million to Francisco Partners Agility III, L.P. ("Agility III"), and (iii) up to \$50 million to a Sidecar Co-Investment Vehicle, subject to the satisfactory completion of legal due diligence. Francisco Partners is targeting commitments of \$10 billion and \$2.25 billion for Fund VII and Agility III, respectively.

Investment Rationale

Staff identified Francisco Partners VII and Francisco Partners Agility III as strong candidates for SERS' capital commitments as they offer:

- History of strong investment return;
- History of strong operating performance and capital preservation;
- Sector specialist in a secular growth market;
- Consistency with SERS' portfolio objectives;
- A manager with a strong commitment to ESG and DEI.

Investment Risks & Mitigants

Staff identified the following potential risks of a commitment to the Francisco Partners equity funds:

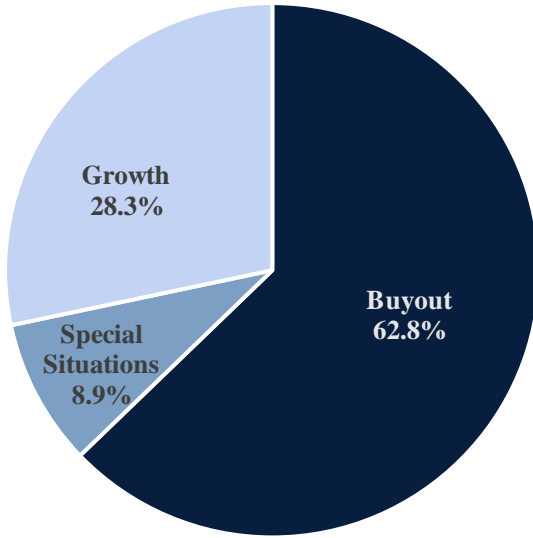
- Team capacity.
- Competitive dynamics for software/tech market.
- Valuation and leverage levels.

Portfolio Implications

The recommended commitments to Francisco Partners would be a 2022 vintage allocation in the Private Equity asset class and Buyout sub-asset class. As of September 30, 2021, SERS' market value of Buyout investments was approximately 62.8% of the Core PE portfolio. This commitment aligns with SERS' Strategic Investment Plan initiatives of making fewer commitments to top-tier managers. SERS is targeting a total of up to \$200 million in commitments to Francisco Partners, or 25% of the 2022 strategic plan pacing budget for the Private Equity portfolio. This commitment also reflects a position size of appx. 3.4% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of September 30, 2021 on the left, and a prospective view of the allocation post a \$200 million commitment to Francisco Partners on the right.

SERS Core PE Sub-Strategy Allocation as of 9/30/2021



SERS Projected Core PE Sub-Strategy Allocation

