



Investment Committee Memorandum

PSG V L.P.

Private Equity Asset Class

April 28, 2021

Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group, recommend that the State Employees' Retirement System Investment Committee interview Providence Strategic Growth, L.L.C. ("Providence Strategic Growth", "PSG", the "Firm" or the "GP") at the April 28, 2021 Investment Committee Meeting to consider a potential commitment of up to \$50 million to PSG V L.P. ("PSG V" or the "Fund"), pending the satisfactory completion of legal due diligence. PSG V is targeting capital commitments of \$3.25 billion.

Investment Rationale

SERS Staff identified PSG V as a strong candidate for SERS' capital commitment as it offers:

- Strong Absolute Performance
 - The level of net returns are attractive, the attribution of returns comes from demonstrably repeatable sources and capital preservation has been strong.
- Strong Relative Value
 - PSG's track record ranks highly against private peer managers in each of its preceding funds.
 - PSG earns significant alpha above the liquid policy benchmark and comparable sector liquid benchmarks.
 - PSG's returns rank favorably to SERS' existing portfolio and have been accretive to portfolio performance.
- Secular Growth Exposure with Sector Specialist
 - Attractive software business models.
 - Software expenditures expected to grow multiples of U.S. GDP growth, with re-acceleration due to the pandemic.
- Advantaged Market Positioning
 - Large pool of resources brought to the lower middle market through the investment, sourcing, operations and senior advisory teams.
 - Sector-specialist competition less prevalent in the U.S. lower middle market.
- Consistent with SERS' Portfolio Objectives as outlined in the IPS and Strategic Plan.

Investment Risks

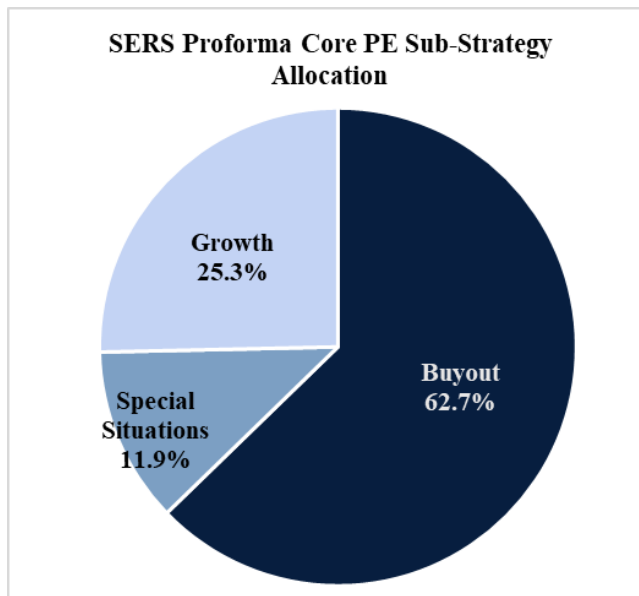
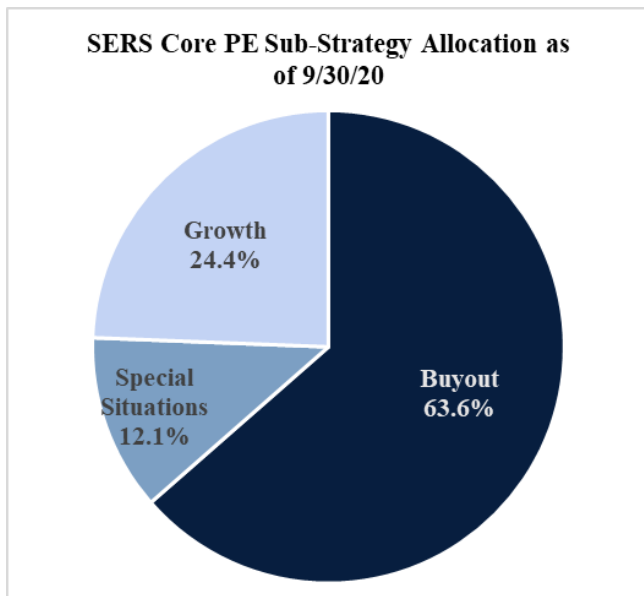
SERS Staff identified the following potential risks of a commitment to PSG V:

- Software Market Valuations
- Fund Size Growth & Team Capacity

Portfolio Implications

A commitment to PSG V would be a 2021 vintage allocation in the Private Equity asset class and Growth Equity sub-asset class. As of September 30, 2020, SERS' market value of Growth Equity investments was approximately 22.7% of the Core PE portfolio. This commitment aligns with SERS' Strategic Investment Plan initiative of making fewer commitments to top-tier managers. SERS is targeting this commitment of up to \$50 million, or 8.7% of the 2021 strategic plan pacing budget for the Private Equity portfolio. This commitment also reflects a position size of appx. 1.5% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of September 30, 2020 on the left, and a prospective view of the allocation post a commitment to PSG V on the right.



Sponsor Overview

Providence Strategic Growth has historically been an affiliate of the Providence Equity Partners (“PEP”) platform, which has attracted more than \$49 billion of aggregate capital commitments in its history and is headquartered in Providence, Rhode Island. In 2013, PEP launched this standalone growth equity platform to capitalize on lower-middle-market investment opportunities that PEP’s flagship funds rejected due to the smaller company size. Based on lessons learned from a prior growth equity endeavor branded Providence Growth Investors, PEP decided to bring on a dedicated team to manage this fund. Peter Wilde, a Managing Partner for the Providence Equity Partners flagship vehicle, recruited Mark Hastings under the Providence Equity Partners banner to lead the strategy. Mr. Hastings was previously managing a successful growth equity portfolio at CIBC, but had to spin-out due to financial industry regulations resulting from the Global Financial Crisis.

Under the Providence Equity banner, PSG has built its organization to a team of over 80 professionals in the US and Europe, while raising and investing five institutional commingled funds in the process. The Firm is led by the CEO, Mark Hastings, who works alongside the Chairman, Peter Wilde and 15 Managing Directors, several of whom have worked together in various capacities over the last 15 years.

Investment Strategy

PSG’s investment strategy is to target growth equity investments in lower middle market software and technology-enabled companies in North America. PSG makes both majority and significant minority investments in near breakeven or profitable companies with an emphasis on founder-owned or led companies that have not taken prior institutional capital.

The strategy has the following additional attributes:

- Dedicated sourcing effort to drive robust deal flow.
- Target attractive business models with consistent investment characteristics.
- M&A expertise that drives creation of franchise businesses.
- Operating expertise that results in soundly integrated and governed businesses with organic growth potential.
- Thoughtful and deliberate portfolio management strategy.

Management Team

Mark Hastings, *Chief Executive Officer* - Prior to joining Providence in 2013, Mark most recently served as Managing Partner and Founder of Garvin Hill Capital. Mark is currently a director of Abacus Next, Arcoro, Burning Glass Technologies, Evercommerce, GlobalTranz, Jobcase, Netsurion, Property Brands, Skybox, SnapApp and Vertical Knowledge. He served on the boards of seven of Garvin Hill's ten portfolio companies including CashEdge, Amcom, Skybitz, Innovation Interactive, Invision, Cortera, and Renew Data. Prior to spinning out of CIBC to form Garvin Hill in 2009, Mark led CIBC's technology focused growth equity team in the United States. At CIBC, Mark developed the successful investment strategy and recruited the team. He was the primary deal originator and investment team leader. While at CIBC, Mark served on the boards of Seisint, Verid, Adaytum, and Fuelquest. Prior to joining CIBC in 2002, Mark was a principal and general partner at BCI Partners from 1997-2002. Mark started his investment career at Edison Ventures in 1995. Mark earned a Master of Business Administration from the Wharton School at the University of Pennsylvania and a Bachelor of Arts from Colorado College.

Peter Wilde, *Managing Director* - Peter is the global sector head of Providence's education and information investment team and is currently a director of Asurion, Blackboard, Galileo Global Education, KPA, NACE Schools, Study Group, Tes Global and Vistage. Peter was formerly a director of several other Providence portfolio companies. Peter led the effort to establish the Providence Strategic Growth platform in the Providence franchise. Prior to joining Providence in 2002, Peter was a general partner at BCI Partners ("BCI"), where he began his career in private equity in 1992. While at BCI, he was involved in many of BCI's investment activities in media, education and information services companies. Prior to BCI, Peter worked at LaSalle Partners in the acquisitions group. Peter received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Colorado College.

Lori Ali, *Managing Director* - Prior to joining Providence in 2018, Lori was a principal at Lori B. Ali Executive Coaching & Consulting, LLC. She has been an executive coach and consultant for several years, applying her executive coaching training and previous fifteen years of diverse business and management experience. Prior to being an executive coach, Lori was on the leadership team at Outside the Classroom (now EverFi), and oversaw the account management division at Advisory Board Company. Lori is a graduate of the Massachusetts School of Professional Psychology's graduate program in executive coaching and received a Bachelor of Arts from Hobart & William Smith Colleges.

William Aliber, *Managing Director* - Prior to joining Providence in 2018, Bill was the CFO of Ascend Learning, a leading provider of educational content, software and analytics. Ascend Learning was owned by Providence for ten years and Bill was the CFO for nearly nine of those years, during which time revenue increased from \$150 million to over \$450 million and the company completed numerous acquisitions. Prior to Ascend Learning, Bill was the CFO of Hallmark Card's various entertainment related businesses. Bill received a Master of Business Administration from the University of Chicago and a Bachelor of Arts from Brown University.

John Clancy, *Managing Director* - Prior to joining Providence in 2016, John was the president of Radius Worldwide, the leading provider of international business services and software. He is currently a director confidential of Arcoro, Boston Logic, Evercommerce and SnapApp. John has over 20 years of experience in building high growth, market leading software and technology enabled businesses. Previously, he was the CEO and president of Azuki Systems, now part of Ericsson, a leading provider of over-the-top video delivery to mobile and tablet devices. John was also the president of Iron Mountain Digital, where he grew revenues from \$40 million to \$250 million over a 5-year period. Prior to Iron Mountain, he was the COO at Connected Corporation, an early pioneer in the SaaS market and leader in PC data protection. John works with PSG portfolio companies on strategic planning, operational excellence and to help maximize go to market opportunities. He received a Bachelor of Arts from Assumption College.

Rick Essex, *Managing Director* - Prior to joining PSG in 2019, Rick served as the Chief Financial Officer of Blackboard Inc. where he was instrumental in driving both strategic and operational efforts. Prior to Blackboard, Rick was the Chief Financial Officer of Survey Sampling International ("SSI"), where he led the global business through a period of strong organic and inorganic growth, including the successful acquisition and integration of numerous businesses, the sale of the company to HGGC and subsequent merger with Research Now, which created Dynata, one of the world's largest providers of first-party data solutions and services. Rick originally joined Providence Equity Partners in 2003 and served as a Principal of the firm before leaving to join SSI as CFO in 2012. Prior to Providence, Rick served as a Vice President of BCI Partners

and also held roles at Dillon Read & Co and Arthur Andersen. Mr. Essex earned a Bachelor of Science in Accounting and Business Administration from Washington and Lee University and a Master of Business Administration from Columbia University.

Marco Ferrari, Managing Director - Prior to joining PSG in 2014, Marco was a Principal at BV Investment Partners, where he focused on information services, communications and business services investments. Marco is currently a director of Abacus Next, Government Brands, Impact, NXTsoft, Payrix, Pineapple Payments, Propertybase, Snap! Raise, Sovereign Sportsman Solutions, Therapy Brands, Transit Technologies, Tribute Technology, and Vehlo. Prior to BV Investment Partners, he was an investment partner at Siemens Venture Capital. Marco received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Harvard University.

Adam Marcus, Managing Director - Prior to joining PSG in 2019, Adam was a Partner at OpenView Venture Partners, where he focused on software investments. At OpenView, Adam was on the boards of Instructure (NYSE: INST), Kareo, VTS, Spredfast (sold to Vista), UnBoundID (sold to Vista), Monetate (sold to Vista), Instantly (sold to SSI) and Fieldaware. Prior to OpenView Partners, he was an investor at Battery Venture where he invested in ExactTarget (Sold to Salesforce for \$2.5B). He is currently a director of Assembly, Chatmeter, Lusha and SevenRooms. Mr. Marcus received a Master of Business Administration from the Tuck School at Dartmouth College and a Bachelor of Arts from Franklin and Marshall College.

John Marquis, Managing Director - Prior to joining PSG in 2014, John worked in investment banking at Needham & Company where he focused on mergers, acquisitions and financings in the technology and semiconductor industries. He is currently a director of EverCommerce, Inhabit IQ, LogicMonitor, NXTsoft and Sovereign Sportsman Solutions. Prior to Needham & Company, John held positions at Citigroup and Jane Street Capital. John received a Bachelor of Science from Boston College's Carrol School of Management Honors Program.

Tom Reardon, Managing Director - Prior to joining PSG in 2015, Tom was a general partner at WestView Capital Partners, where he focused on software and technology-enabled business service investments. Tom is currently a director of Conversica, FluentStream, Formstack, INE, ShootProof, Skybox Security, ThreatConnect and Validity. Prior to joining WestView, he was a director at CIBC. Before CIBC, Tom co-founded Revolution Partners as an associate and worked at Robertson Stephens & Co. as an analyst in the software group. Tom received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Harvard College.

William Skarinka, Managing Director - Prior to joining PSG in 2016, Bill was a vice president with General Catalyst Partners, a Boston-based venture capital and growth equity firm, where he focused on investments in the software and technology-enabled services sectors. He is currently a director of 2ndWave Software, LegitScript, Propertybase and Tribute Technology. Prior to General Catalyst Partners, Bill was in the investment banking group at Cowen and Company in New York. Bill received a Bachelor of Arts from Bowdoin College.

Matthew Stone, Managing Director - Prior to joining PSG in 2015, Matt was a vice president with Monitor Clipper Partners, a Boston-based growth equity firm, where he focused on investments in the technology-enabled services, consumer and healthcare services sectors. He is currently a director of Abacus Next, Assembly, Lumaverse Technologies, Netsurion, Next Glass and ShootProof. Prior to Monitor Clipper Partners, Matt was an associate at Metalmark Capital, a New York-based private equity firm. Before Metalmark Capital, he was an investment banking analyst in Merrill Lynch's New York office working in the Telecommunications and Media Group. Matt received a Bachelor of Science in Commerce from the University of Virginia.