



State of New Jersey

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July 24, 2024

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Private Equity Investment – Summit Partners Growth Equity Fund XII A, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$100 million in Summit Partners Growth Equity Fund XII A, L.P. (“Summit XII”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Strong Overall Performance & Portfolio Fit: A commitment to Summit Partners Growth Equity Fund XII allows the Division to make a commitment to a new, high-conviction growth manager that can help produce strong returns for the private equity portfolio. The manager has a strong track record and a 40-year history of investing in core areas of healthcare, technology, and growth products and services. When benchmarked against growth funds of similar vintages, the Growth Equity funds have consistently produced first and second quartile rankings.

Experienced Team & Thematic Approach: Summit has an established and experienced team led by a deep bench of Managing Directors and Partners. Managing Directors on the investment team average 24 years of career investing experience and 17 years at Summit; Partners average 14 years investing experience and 10 years at Summit. Since Fund VIII, the Summit team has been organized along sector-focused teams, allowing the senior investors to leverage their industry networks and knowledge to drive sourcing and investing activity across the platform. This thematic approach has led to attractive, more concentrated and lower loss-ratio funds in recent years.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the fund engaged a third-party solicitor (“placement agent”) in the fundraising of the fund, but the placement agent was not used to solicit, or compensated in connection with facilitating, New Jersey’s potential investment.

Summit Partners has a formal Responsible Investing Policy and Responsible Investing Committee. Summit’s Responsible Investing Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council’s ESG Policy. Summit incorporates Responsible Investing considerations into its investment process and will continue to monitor these factors post investment.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. Summit Partners Growth Equity Fund XII A, L.P. is considered a private equity investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on July 12, 2024. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s July 24, 2024 meeting.

Attachment

Summit Partners Growth Equity XII, L.P.

- **DOI Commitment:** \$100 million to Summit Partners Growth Equity XII, L.P.
- **Strategy:** Growth
- **Investment Focus:** Summit Growth Equity XII will follow an investment strategy consistent with prior Summit funds, acquiring minority and majority interests in North American growth companies in one of three sectors: technology, healthcare & life sciences, and growth products and services. Summit conducts extensive research to identify investment opportunities and leverages an experienced team of investors and operators to create value for portfolio companies. Fund XII will seek to complete 25-35 investments with equity checks ranging from \$75-500 million.
- **Target Returns:** 3.0x MOIC / 30% IRR (gross)
- **Investments Thesis:**
 - Strong historical performance
 - Experienced and established investment team
 - Core growth investor focused on profitability
 - Sector specific investment strategy

Fund Name: Summit Partners Growth Equity XII, L.P. **July 24, 2024**

Contact Info: David Schiller, 222 Berkeley Street, 18th Floor, Boston, MA

Fund Details:

Total Firm Assets:	\$37 Billion	<p>Key Investment Professionals:</p> <p>Peter Chung: Mr. Chung is a Managing Director and CEO at Summit Partners. Peter joined the firm in 1994 and previously worked as Goldman Sachs in M&A. Peter has served as the Firm’s Chief Executive Officer since 2015.</p> <p>Scott Collins: Mr. Collins joined Summit Partners in 1996 and is focused primarily on the technology sector. He founded the firm’s London office in 2001, which he managed through 2016. Prior to Summit Partners, Scott worked as a strategy consultant with McKinsey & Company in the financial institutions group.</p> <p>Darren Black: Mr. Black joined Summit Partners in 2013 and focuses primarily on the healthcare & life sciences sector. Prior to Summit, Darren was a Managing Partner with SV Life Sciences, where he focused on healthcare services, healthcare information technology and pharmaceutical services.</p> <p>Craig Frances: Mr. Frances joined Summit Partners in 2003 and focuses primarily on the healthcare & life sciences sector. Prior to Summit, Craig was founder and manager of three successful companies. He was also the Chief Medical Resident at the University of California, San Francisco.</p> <p>John Carroll: Mr. Carroll first joined Summit Partners in 1993 as an Associate. Today, as a Managing Director, he focuses primarily on business services and tech-enabled services opportunities. Prior to Summit, John worked at BayBank.</p> <p>Christopher Dean: Mr. Dean joined Summit Partners in 2001 and co-leads the Growth Products & Services team. Prior to Summit, Chris worked for Morgan Stanley, J.H. Whitney & Co. and Sun Microsystems.</p> <p>Matthew Hamilton: Mr. Hamilton joined Summit Partners in 2005 and is a Managing Director on the Growth Products & Services team. Prior to Summit, Matt worked for Senator Olympia Snowe in the United States Senate.</p>
Strategy:	Growth Equity	
Year Founded:	1984	
Headquarters:	Boston, MA	
GP Commitment:	At least the lesser of 5% and \$350 million	

Investment Summary **Existing and Prior Funds** Net as of 12/31/2023

Fund XII will target profitable, high-quality growth companies in three primary sectors: technology, healthcare & life sciences, and growth products and services. The Fund is expected to invest roughly 1/3 to each sector with no set limits as to allow flexibility for varying market opportunities. Based on deep sector expertise, as well as extensive research and diligence, the Summit team will make investments in companies they believe to be category leaders; investments are made with thematic views of a sector in mind.

<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns: Net IRR, Net TVPI, Net DPI</i>
Summit GE VIII	2012	Growth Equity	25.9%, 2.51x, 2.08x
Summit GE IX	2016	Growth Equity	27.6%, 2.21x, 1.1x
Summit GE X	2019	Growth Equity	18.1%, 1.43x, 0.23x
Summit GE XI	2021	Growth Equity	14.0%, 1.13x, 0x

Source of Returns -Aksia
IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Summit GE XII, L.P.			
Inception:	2024	Auditor:	Ernst & Young
Fund Size :	A target amount of \$9 billion of limited partner commitments	Legal Counsel:	Kirkland and Ellis
Management Fee:	1.0% on Commitments - Year 1; 1.85% of Commitments - Year 2; 2% of Commitments the remainder of the Investment Period; thereafter the earliest of (i) the first day of the sixth twelve-month period after the First Draw-Down Date, (ii) Draw Down of Successor Fund occurring on or after the fourth anniversary of the First Draw-Down Date (or the fourth anniversary if a Successor Fund has drawn down prior to such date), or (iii) occurrence of a Cessation Event, annual fee will be reduced to 90% of preceding 12-month period.		
Incentive Fee:	20% with a 8% Hurdle		
Additional Expenses:	100% Management Fee Offset		

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$100 million	LP Advisory Board Membership:	TBD
% of Fund:	1.11%	Consultant Recommendation:	YES
		Placement Agent:	YES
		Compliance w/ Division Placement Agent Policy:	YES
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.