

Recommendation for ISQ Global Infrastructure Fund III and Co-Investment Fund

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on ISQ Global Infrastructure Fund III ("ISQ III" or the "Fund") and ISQ III Co-Investment Fund. Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's Infrastructure allocation.

Summary of ISQ Global Infrastructure Fund III

Fund Overview: ISQ III will invest in middle market infrastructure portfolio companies or assets on a global basis.

People and Organization: I Squared is a privately owned Firm founded in 2012 by Sadek Wahba, chairman and managing partner. The Firm is led and managed by its three managing partners including Wahba, Gautam Bhandari, and Adil Rahmathulla and three partners including Harsh Agrawal, Mohamed El Gazzar, and Thomas Lefebvre. Eight of the original investment professionals previously worked together at Morgan Stanley Infrastructure Partners. Initially, the Firm was partially seeded by a passive 15% minority investor that has since been bought out and more recently sold a passive minority interest to Dyal Capital in late 2019. The Firm remains independently owned and managed by its partners. I Squared now employs 145 people including 79 investment professionals and 18 asset management professionals. The senior and midlevel investment teams are broken out by three geographic regions including the Americas led by Lefebvre, Europe led by Gazzar, and Asia led by Agrawal. The Firm is headquartered in Miami with other offices in London, Hong Kong, Singapore, and New Delhi

Investment Strategy and Process: Fund III will focus on three subsectors; energy, utilities, and transportation, and three geographies; North America, Europe and select high growth economies in Asia and Latin America. Fund III will allocate approximately 67% of commitments to OECD countries and 33% to high growth non-OECD countries where risks can be mitigated. I Squared is focused on mid-market assets with a platform build up approach. The Firm will target mid-market investments that have core risk characteristics and significant value add. The Fund will opportunistically invest in larger infrastructure companies where it is able to acquire the investments at value pricing. The Fund is targeting 15% to 20% net IRRs and a 6% cash yield upon maturation of the portfolio and will utilize its proprietary in-house risk model to compare risk assets by sector and region. The Firm will seek to independently source control investments under bilateral agreements. The Firm has employed a large staff of operations professionals that play as important a role in the due diligence and management of the platform investments as the investment team. The Firm's platform company strategy allows them to avoid increasing competition in larger investments. However, The Firm will not avoid bigger assets but will ensure they provide an optimal fit within the portfolio. The Firm is differentiated by their global footprint. Few if any other global infrastructure funds have a presence in the North America, Europe, Asia, and Latin America. The Firm's optionality of investing globally and willingness to invest in the mid-market to form platform assets and to invest in larger assets is unique. Fund III expects to construct a globally diversified portfolio of 15 to 20 infrastructure assets and will limit exposure to 10% to 12% in any one asset. I Squared believes that its focus on diversification constructed with the ISQ Risk Model has created a portfolio that is better positioned to withstand social, political, or economic shock compared to a portfolio that has higher investment concentrations or higher

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correlations of cash flows among investments

Performance: Since 2014, I Squared has managed a total of two infrastructure funds totaling \$10.0 billion in total commitments. Across the two prior funds, I Squared has generated an aggregate gross IRR of 22.5%, while maintaining a 0% loss ratio across 27 total investments. Furthermore, of the 27 total investments, I Squared has fully realized four investments generating a gross IRR of 29.2% and 1.99 times gross invested capital, representing approximately \$1.12 billion of cash distributions. Fund I and Fund II have outperformed the Dow Jones Global Infrastructure Total Return Index by 12.7% and 22.6%, respectively.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a 5 year investment period and 10 year term. During the investment period, the management fee will be equal to the weighted average percentage on commitments ranging from 1.60% of the first \$100 million in commitments 1.0% of commitments in excess of \$350 million. Thereafter, the same fee percentages are applied to the sum of invested capital, indebtedness incurred in anticipation of capital contributions, and the amount committed to be contributed to underlying investments within 5 years. A 5% management fee discount will be applied to investors committing to the first closes and an additional 5% loyalty discount will be provided to existing investors committing an equal or greater amount of capital invested in the prior fund. The General Partner will receive 20% of the Fund's profits. There is a preferred return for investors of 8% per annum. The General Partner will commit at least 2% of the fund size.

Co-Investment Fund: I Squared is also forming a co-investment fund to allow limited partners in ISQ III to co-invest in future investments in ISQ III that require more capital than is available based on the size and concentration limits of ISQ III. The investments will be made at the discretion of the manager and the terms of the co-investment fund will be similar to ISQ III however the co-investment fund has a reduced management fee of 0.35% on invested capital and a reduced carried interest of 5% for commitments up to \$10 million.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million in ISQ Global Infrastructure Fund III and \$10 million to the co-investment fund as part of ERSRI's Infrastructure allocation.