



State of Rhode Island
Office of the General Treasurer

Shamrock Capital Content Fund III, L.P. - Staff Recommendation
June-2022

RECOMMENDATION: Approve a commitment up to \$30 million to Shamrock Capital Content Fund III, L.P. (“SCCF III”) and expand Shamrock Capital Content Fund II Co-Invest, L.P. SPV (“SCCF Co-Invest”) to invest alongside CCF III. ERSRI made a \$20 million commitment to Shamrock Capital Content Fund II, L.P. (“SCCF II”), a 2020 vintage fund, and \$10 million co-investment to SCCF Co-Invest, a 2021 vintage vehicle. As of 5/31/2022, SCCF Co-Invest had approximately \$5.98M of uncalled capital remaining. ERSRI also committed \$30 million to Shamrock Capital Growth Fund V, L.P. (“SCGF V”), a 2021 vintage, as part of ERSRI’s Private Equity allocation. SCGF V is managed by separate team that employs a complementary strategy targeting growth and buyout equity investments in media, entertainment, and communications (“MEC”) sector companies.

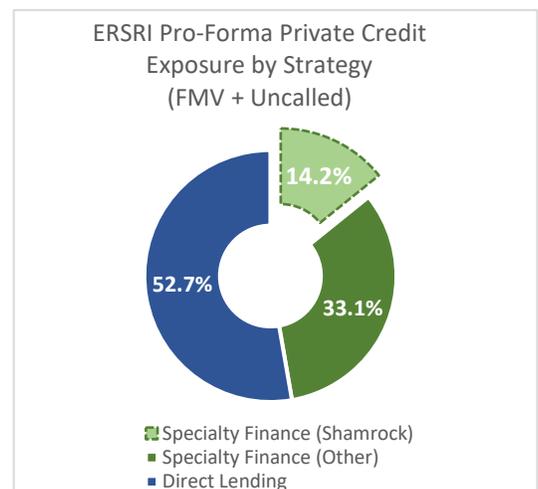
Current Partnerships	Vintage Year/ Initial Investment	Type	Values in USD				Net Performance		
			Amount Committed	Amount Drawn	Amount Distributed	Amount Unfunded	Valuation	Net IRR (%)	Net Multiple of Investment
Shamrock CCF Fund II, L.P.	2020	Private Credit	20,000,000	7,770,105	2,186,135	14,415,776	5,611,196	0.45%	1.00
Shamrock CCF II Co-Invest	2021	Private Credit	10,000,000	4,024,760	642,416	5,975,240	3,964,197	12.24%	1.14

ASSET CLASS: Private Credit

SUB-STRATEGY: Specialty Finance

ALLOCATION: The target allocation for Private Credit allocation is 3.0%. As of 5/31/2022 the allocation is 2.8%. The pacing plan for private credit is \$170 million per year committed to 2-4 funds per year at \$30 - \$50 million per fund. Pending approval of the recommended commitment to SCCF III, ERSRI will have committed \$80 million to the 2022 vintage year-to-date.

PORTFOLIO FIT: ERSRI’s Private Credit portfolio is primarily comprised of a core of direct lending strategies complemented by a set of specialty finance strategies that provide additional diversification. As with prior content funds, SCCF III will primarily invest in the rights to participate in cash flows generated by content. The fund will make 10-20 investments across various media segments including film, television, music, video games, and sports. Content assets are less correlated with traditional credit assets and provide diversification from broader economic cycles. The content royalty segment occupies a specialized niche in investment markets and remains comparatively less competitive, providing opportunities for skillful managers like Shamrock to step in as an alternative source of capital. The Shamrock team has a wealth of experience in sourcing deals, forecasting cash flows, and valuing content assets. ERSRI’s investments with Shamrock represent the plan’s only exposure to content IP and royalty strategies. Pending



approval of the recommendation, Shamrock would represent 14.2% of Private Credit exposure (NAV + uncalled) and Specialty Finance would represent 47.3% of exposure as of 5/31/2022.

MERITS: Shamrock's key strengths derive from its firm-wide reputation in the media and entertainment space. The content strategy has a dedicated team of seven investment professionals, which it expects to grow to 11-12 members over the course of the SCCF III. The content team is led by Partners Patrick Russo and Jason Sklar, who contribute deep asset sourcing networks and are experts in content valuation and have a combined five decades in the industry. The team is able to source unique assets on a proprietary or semi-proprietary basis through its extensive relationships with capital market participants including brokers, banks, and lenders, as well as with content owners such as studios, producers, directors, writers, artists, agents and managers, and estates. Shamrock sourced 85% of SCCF I deals and 78% of SCCF II deals via proprietary or limited processes.

Shamrock is a preferred partner to content owners due to its value-add capabilities within the space. After making an investment, Shamrock takes an active role by implementing a value creation plan (VCP) overseen by Operating Partner Andrew Landenberger that leverages the content team's relationships with operators, distributors, and advisors to execute strategic initiatives. These initiatives include changing distribution partners or renegotiating distribution relationships, pursuing new licensing opportunities, exploring derivative works such as sequels or spin-offs, auditing and optimizing content royalty collections, and managing banker relationships.

CONCERNS: The underlying assets of SCCF III are long dated in nature and have potentially indefinite investment lives. Due to the draw-down nature of the fund, the firm may need to find opportunities to liquidate assets through transactions such as secondary sales which are subject to market cycle risk. This is mitigated by the firm's ability to exit through other means such as securitization through public markets or conversion of the fund into an evergreen vehicle providing long-term yield. The team has a broad network of potential buyers with additional long-term content holders drawn to the space in recent years, attracted by the long-term cashflows and diversified nature of the asset class. Additionally, SCCF III will have the right to extend its fund life by an extra year twice at GP discretion and indefinitely thereafter with LPAC approval, ensuring that the fund will not be forced to liquidate in a poor market environment or enter a rushed process.

ESG: Shamrock ranks as **Neutral** on ESG. The content investment team utilizes a qualitative ESG template when evaluating potential investments but does not have a dedicated ESG committee or policy yet. Shamrock recently engaged Verability as an ESG consultant and is working to update its policies, procedures, and reporting, as well as to establish an ESG committee.

Shamrock is committed to maintaining an open and inclusive work environment. The firm established a DEI Committee that works to foster education about equality and inclusiveness, to create opportunities for underrepresented groups, and to improve the diversity of Shamrock's deal and employee hiring funnels. Shamrock established a DEI fellowship program to create opportunities for talented students of underrepresented backgrounds and has hired two interns from this program for the summer of 2022. In April 2022, Shamrock announced a partnership with Ownership Works, a nonprofit that aims to develop and provide tools for implementation of broad-based employee ownership programs to create better work and financial opportunities for all employees.

FEES: The fees are in accordance with industry standards. SCCF III's will charge a 2% fee on committed capital during the investment period and 2% on invested capital thereafter. The incentive fee is 20% on a fund-wide basis after an 8% hurdle. SCCF Co-Invest is charging only expenses and has a 0% management fee and 0% carry.