



Recommendation Stonepeak Infrastructure Fund II and Fund III Co-Investment Funds.

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation to amend and increase its commitment to Stonepeak Master Co-Investment Partners L.P. ("SMCP" or the "Fund"). SMCP was originally structured to co-invest in parallel with Stonepeak Infrastructure Fund II ("SIF II") for larger investments that require more capital than is available for SIF II. Investors in SMCP invest with lower fees than SIF II. This memo provides a recommendation to amend the SMCP to allow for co-investing with Stonepeak Infrastructure Fund III ("SIF III") and for ERSRI to increase its commitment to SMCP from \$10 million to \$20 million.

Stonepeak Infrastructure Partners was founded in 2011 by Michael Dorrel and Trent Vichie. The Founders previously ran the infrastructure business for Blackstone and previously were members of the Macquarie Infrastructure and Real Assets infrastructure group. In total, the Firm employs 58 investment and back office support professionals. The Founders are supported by four senior managing directors and 32 other investment professionals.

Stonepeak focuses on North American middle-market infrastructure investments where they will apply a high level of downside risk protection through contracting or by investing in infrastructure assets that have monopolistic characteristics or have high barriers to entry. The Firm will directly source and negotiate deals and will seek to avoid competitive auctions. Stonepeak will target investments through a thesis driven strategy and will seek to build relationships with owners of potential investments, in some cases before an owner is seeking capital. Stonepeak will add new contracts with investment grade counterparties to reposition non-core infrastructure assets into core assets. Once an investment has been converted to a core infrastructure asset, Stonepeak will seek to generate upside value by selling the core asset to an infrastructure fund or other strategic investor who has a lower cost of capital. In addition to de-risking non-core infrastructure assets, Stonepeak will create value through operational improvements or meaningful add-on growth investments to create a larger asset that will fall into the highly competitive large core infrastructure market. Stonepeak has differentiated itself from most other infrastructure funds with its middle-market target, a direct and early sourcing methodology, and a non-core to core strategy.

ERSRI committed \$43 million to SIF II (Vintage Year 2015) and \$35 million to SIF III. (Vintage Year 2017) ERSRI also committed \$10 million to SMCP. As of December 31, 2018, SIF II is 73% invested, has returned 49% of committed capital, and has generated a net IRR of 12.9%. SIF II has invested in 11 portfolio companies across the energy, telecommunications, and transportation sectors. Approximately 50% of invested capital was allocated to five midstream companies on an opportunistic basis. The five midstream investments are generating a gross return of 1.4 times invested capital. SIF III is still early in its investment period and has invested 10% of its committed capital. SMCP has invested 87% of committed capital and has generated a net IRR of 4.56%. Fund III's first investment is in a joint venture in an MLP to build out large pipelines in the Gulf Coast and Permian Basin. The Fund's second investment is the acquisition of a large agriculture cold storage company with 112 locations and 826 million of cubic feet of cold storage and distribution in the U.S. and Europe.

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Cliffwater Recommendation

Cliffwater recommends ERSR amend SMCP to allow for co-investing with Stonepeak Infrastructure Fund III (“SIF III”) and for ERSRI to increase its commitment to SMCP from \$10 million to \$20 million.