
Recommendation for CVC Capital Partners Fund VIII, L.P.

To: RISIC
Prepared: May 27, 2020
From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on CVC Capital Partners Fund VIII, L.P. ("CVC VIII" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's Private Equity allocation.

Summary of CVC VIII

Fund Overview: CVC VIII will make control buyout investments with a focus on Europe and North America.

People and Organization: CVC Capital Partners, L.P. ("CVC," or the "Firm") began operations in 1981 as the private equity arm of Citigroup under the name Citicorp Venture Capital Europe. In 1993, the European private equity team spun-out under the new name of CVC Capital Partners. Today, the Firm is led by three of the founders who act as Co-Chairmen, Donald Mackenzie, Rolly van Rappard, and Steve Koltes. The Firm has over 500 employees, with more than 180 investment professionals across all fund strategies. Supporting the Co-Chairmen and COO, the Flagship European-focused funds have 115 dedicated investment professionals. The CVC managing partners have an average tenure of approximately 17 years at the Firm. CVC has 11 country teams located in the UK, United States, Nordics, Netherlands, Belgium, Poland, France, Germany, Italy, Spain, and Brazil. CVC investment professionals are deeply rooted in their local markets and maintain close relationships with corporations, management teams, family owners, governments and portfolio company employees, both directly and via their large networks of experienced senior executives and local Industrial Advisory Board Members. The Industrial Advisory Board Members, who are leading business professionals based in the various local markets, work with the CVC investment professionals to identify investment opportunities. In addition to the investment resources, CVC has a dedicated operations team and a dedicated capital markets team.

Investment Strategy and Process: The Fund will make primarily control investments in fundamentally sound, well-managed and cash generative businesses across Europe and North America. The primary investment focus is Western Europe, with capped exposure to North America (25%) and areas outside of Europe and North America (15%). Fund VIII will employ a broad sector and geographical investment approach, utilizing its large number of strategically focused offices and personnel. CVC investment professionals add value by focusing on growing earnings and improving the quality, focus and efficiency of its portfolio companies. CVC invests with quality management teams and seeks to increase operational efficiency, reduce costs, pursue growth initiatives organically and through acquisition and optimize the capital structures of companies. The Fund is expected to be comprised of 30 to 40 platform companies with equity checks expected to range from €200 million to €1 billion. CVC typically focuses on investments with enterprise values between €1 billion and €5 billion.

Performance: Across the Firm's seven prior flagship fund vehicles and one co-investment fund, CVC has generated a total net return in EUR of 1.81 times invested capital, net IRR of 20.5%, and 1.33 times DPI. As of December 31, 2019, the Firm's realized investments have generated a gross return of 2.64 times invested capital and a gross IRR of 27.9%. As of December 31, 2019,

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CVC's previous funds, seven flagship funds plus the Tandem co-investment vehicle, have generated a net IRR of 20.5% in EUR. Investing in the Euro denominated MSCI Europe Index during the same period would have generated a return of 4.9%. CVC has outperformed the index by 15.6%. Six of the Firm's seven flagship funds have each outperformed the index by over 10%. The Firm's five mature flagship funds (CVC I through CVC V) have all generated first quartile net IRR's since inception, and first and second quartile results on a TVPI and DPI basis. The Firm's more recent funds, CVC VI and CVC VII, are continuing to develop, generating first and second quartile results across all benchmark metrics.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund will charge a 1.5% management fee during the six-year investment period and 1.25% of invested capital thereafter. The management fee will be offset by 100% of director fees, advisory, break-up and other transaction fees. The General Partner will receive 20% carried interest on a deal-by-deal basis; 6% preferred return; 100% catch-up.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million CVC Capital Partners VIII, L.P. as part of ERSRI's Private Equity allocation.