

Recommendation on Industry Ventures Partnership Holdings V, L.P.

To: RISIC
Prepared: February 17, 2018
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Industry Ventures Partnership Holdings V, L.P. ("IVPH5"). Cliffwater has completed its investment due diligence and operational due diligence and recommends IVPH5 as a private equity investment in ERSRI's Growth Class.

Summary of Industry Ventures Partnership Holdings V

Fund Overview: Industry Ventures LLC (the "Firm" or "Industry") is raising Industry Ventures Partnership Holdings V, L.P. (the "Fund" or "IVPH5"). The IVPH5 is a fund of funds vehicle targeting primary and secondary investments in small venture capital funds. The Fund will also make direct investments in venture capital backed companies. The target allocation for the Fund is 40% primary partnership investments, 40% secondary partnership investments, and 20% direct investments.

People and Organization: Industry was formed in 2000 by Hans Swildens, Chief Executive Officer. The Firm was originally set up to be a seed stage venture capital firm, but moved into secondary investing with the downturn of the venture capital industry in 2001. The Firm has 25 employees including 11 investment professionals. The investment team is split between a primary team and a secondary team. The Firm has \$2.3 billion under management with four prior funds of the IVPH5 strategy, eight secondary only funds, and one fund targeting direct investments. The Firm is headquartered in San Francisco, has a small office in D.C. and is registered with the SEC.

Investment Strategy and Process: The strategy for IVPH5 is to invest in early stage venture capital with a focus on small funds targeting a net annualized return to limited partners of 20%-25%. The Fund will complement a targeted 40% allocation to primary commitments with a 40% target allocation to secondary investments that can be purchased at a discount to "market value" and a 20% target allocation to direct investments in venture backed companies. Industry will make primary and secondary investments in venture capital funds targeting companies with less than \$20 million in revenue. These funds are often the first institutional capital investing in these underlying companies. Direct investments will typically be sourced as co-investments with other venture capital funds in more mature companies.

Performance: As of September 30, 2017, Industry's eight prior funds have generated a net annualized IRR of 19.3%. Investing in the Russell 2000 Growth Index during the same period would have generated a return of 12.5%. Six of the firm's prior seven mature funds have generated second quartile or better performance on a net IRR basis relative to Cambridge Associates US Venture Capital benchmark.

Investment Terms: The Fund is targeting \$250 million in commitments and will have a 10 year term. The General Partner will charge a management fee of 1% of committed capital for the first six years. After the sixth year, the management fee is based on contributed capital and declines to 95% of the prior year's fee each year. After a preferred return of 6% is achieved, the General Partner will receive a carried interest of 5% on primary commitments, 10% on secondary investments, and 20% on direct investments. The management fee will be offset by 100% of

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directors, consulting, advisory, and transaction fees. The General Partner is committing the lesser of 2% of capital commitments or \$5 million.

Cliffwater Recommendation

Cliffwater recommends a commitment up to \$30 million to Industry Ventures Partnership Holdings V, L.P. as part of ERSRI's private equity allocation in the Growth Class.