
Recommendation for Shamrock Capital Growth Fund V, L.P.

To: RISIC
Prepared: February 16, 2021
From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Shamrock Capital Growth Fund V, L.P. ("SCGF V" 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 Shamrock Capital Growth Fund V

Fund Overview: SCGF V will make lower middle-market buyouts and growth equity investments in North American media, entertainment, communications, and related services companies.

People and Organization: The predecessor of Shamrock Capital Advisors, LLC ("Shamrock" or the "Firm"), Shamrock Holdings, was founded in 1978 as the family office of Roy E. Disney. Shamrock Holdings initially invested money from the family of Roy E. Disney and later raised third-party capital on a deal-by-deal basis. Early on, approximately half of the firm's investments were in media and entertainment companies. In 2001, Shamrock Holdings formed Shamrock Capital Growth Fund, L.P. to invest in U.S.-based media, entertainment and communications assets in the lower middle market. In 2010, after Roy E. Disney passed away, the Shamrock Capital Growth Fund team, led by Stephen Royer, acquired a majority interest in the private equity business to effectuate a spin out forming the Firm. Later, in 2017, the Firm acquired the balance of the interests from the Disney family and is now wholly owned by the current partners. Since 2001, the Firm's partners have raised four commingled private equity funds as part of the Firm's flagship growth equity series, totaling approximately \$1.6 billion of capital commitments.

The Shamrock Capital team has deep industry experience. The team is led by three senior partners, including Stephen Royer, Michael LaSalle, and Andrew Howard, who have an average tenure of 21.7 years. The three senior partners are supported by two partners Laura Held and Michael Wilkins, one operating partner Brian Barnum, three vice presidents, and three associates. All senior members of the investment team work on origination, execution, and post-investment company related work. The Firm's office architecture is open allowing team members to work collaboratively and easily share information. In total, the Firm has 22 investment professionals located in the Firm's office in Los Angeles.

Investment Strategy and Process: Shamrock Capital Growth Fund V will invest in lower middle market media, entertainment, and communications companies. Fund V will target businesses with a total enterprise value in the range of \$50 million to \$300 million which is consistent with the size companies that Shamrock has invested in previous funds. Transactions will take the form of leveraged buyouts, growth equity investments, and recapitalizations. Minority, growth equity investments will be structured with significant negative controls. Shamrock's proactive origination work has enabled the team to close investments outside of competitive processes and to have more time to complete due diligence. Following investment, Shamrock professionals are active in figuring out how to accelerate company growth and improve competitive positioning. Shamrock is active in adding new management team members and customers through strong industry relationships. Shamrock is considered a top-tier sector focused fund in the media, entertainment, and communications sector. Shamrock's 40 years of institutional knowledge have enabled the Firm to establish an early identification of thematic trends and changes in target sectors.

The views expressed herein are the views of Cliffwater only through the date of this report and are subject to change based on market or other conditions. All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. This report is being distributed for informational purposes only and should not be considered investment advice. The information we provide does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. Past performance does not guarantee future performance.

Performance: Since 2001, Shamrock has raised \$1.6 billion of total commitments across four prior dedicated private equity funds and invested a total of approximately \$1.1 billion in 37 investments. The Firm has called \$1.3 billion, distributed \$1.6 billion, and generated a net return of 1.97 times invested capital and a net IRR of 24.9%. As of September 30, 2020, Shamrock's four previous funds have generated a net IRR of 24.9% since 2001. Investing in the Russell 2000 Index¹ during the same period would have generated a return of 14.5%. Shamrock has outperformed the Index by 10.4%. Three of the Firm's prior funds have generated second quartile or better performance on a net IRR, net TVPI, and net DPI basis relative to Cambridge Associates' U.S. buyout benchmarks. Fund III is a top decile firm ranked by net IRR, net TVPI, and DPI. The Firm's 2016 vintage fund has been impacted by Covid-19. Several of the companies are still young or recovering from an initial Covid-19 downturn in revenue and EBITDA. Shamrock employs a conservative valuation policy and expects Fund IV to recover in performance.

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. The Fund will charge a 2.0% management fee on committed capital during the five-year investment period and 2.0% of net invested capital thereafter. The Fund will charge a 20% carried interest with an 8% preferred return.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$30 million Shamrock Growth Capital Fund V, L.P. as part of ERSRI's Private Equity allocation.

¹ Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index data may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Cliffwater LLC. FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof. The Russell 2000[®] Index is a trademark/service mark of the Frank Russell Company. Russell[®] is a trademark of the Frank Russell Company.