



State of Rhode Island
Office of the General Treasurer

Shamrock Capital Growth Fund V, L.P. - Staff Recommendation

February-2021

RECOMMENDATION: Approve up to \$30 million to Shamrock Capital Growth Fund V, L.P. as a part of the ERSRI Private Equity allocation. Previously, ERSRI made a \$20 million primary commitment and a \$10 million co-investment to Shamrock Capital Content Fund II, L.P., a 2020 vintage fund. The Content Fund is managed by a separate team and employs a complementary strategy targeting content intellectual property across TV, film, music, and gaming which pay royalties. The Content Fund investments are part of the ERSRI Private Credit allocation.

ASSET CLASS: Private Equity

SUB-STRATEGY: Middle-market buyout and growth equity

ALLOCATION: The target allocation for private equity is 11.25% and the allocation as of 1/31 is 8.6%. The pacing plan for private equity is \$270 million per year committed to 5 - 10 primary funds per year at \$20 - \$60 million per primary fund.

PORTFOLIO FIT: ERSRI has emphasized deploying into middle-market buyout and growth strategies with a sector focus and/or operational value-add strategy. Shamrock targets lower middle-market growth firms in the media, entertainment, and communications (MEC) sectors as well as adjacent MEC technologies and services companies. Shamrock typically invests alongside founders as first institutional capital to help grow and professionalize their businesses. Transactions will take the form of leveraged buyouts, minority growth equity investments and recapitalizations. This strategy is complementary to ERSRI's current private equity portfolio which does not have any active MEC focused strategies and only a 5% exposure to growth equity.

MERITS: Shamrock's key strengths derive from its long history of investing in the MEC sector. The firm develops and staffs themes within MEC to identify companies that will benefit from emerging trends. Shamrock and its partners have strong reputations and deep relationships in their sector, providing a unique proprietary deal pipeline. The firm will often know the company or managing team well before a sale process. The firm is favorably viewed by founders who are looking for supportive partners with sector expertise. Additionally, Shamrock is flexible in its deal structures and is willing to participate in minority transactions to accommodate sellers. These factors combine to help Shamrock maintain discipline as they can compete based on their value proposition rather than price alone.

CONCERNS: Shamrock has experienced some recent turnover as two partners departed in early 2020. While these partners contributed to deals in Shamrock's earlier funds, neither had any active deals at the time of their departure. Furthermore, Shamrock has cultivated a strong reputation at the firm level within MEC that transcends any one team member. Deals often come to Shamrock because of the firm's history and the collective relationships. Themes and deals are staffed as teams which mitigates any risks from these individual departures, with multiple current partners having participated on deals of the recently departed partners.

ESG: Shamrock ranks as an integrator on ESG. The firm has an ESG policy and its investment team integrates ESG factors into its underwriting process. The firm's diligence process includes an ESG Checklist that is presented to the investment committee for review. The firm is further developing its ESG evaluation process which will integrate PWC's Private Equity "ESG Wheel" into its diligence process. There is a strong culture of emphasizing diversity and inclusion at the firm. Shamrock's Diversity and Inclusion Committee works with its portfolio companies to promote best practices.

FEES: The fees are in accordance with industry standards. There is a 2% management fee and a 20% carry with an 8% preferred return.