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## Recommendation on Industry Ventures Partnership Holdings VI, L.P.

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

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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 VI, L.P. ("IVPH6"). Cliffwater has completed its investment due diligence and operational due diligence and recommends IVPH6 as a private equity investment.

### Summary of Industry Ventures Partnership Holdings VI

*Fund Overview:* Industry Ventures LLC (the "Firm" or "Industry") is raising Industry Ventures Partnership Holdings VI, L.P. (the "Fund" or "IVPH6"). The IVPH6 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 35 employees including 21 investment professionals. The investment team is split between a primary team and a secondary team. The Firm has \$4.6 billion under management with five prior funds of the IVPH6 strategy, 13 secondary only funds, and two funds targeting direct investments. The Firm is headquartered in San Francisco, has a small office in D.C. and is registered with the SEC. The Firm sold a 20% interest to a Goldman Sachs fund in 2019. The partners of the Firm continue to own 80%.

*Investment Strategy and Process:* The strategy for IVPH6 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:* Since 2006, Industry Ventures has invested \$649 million, distributed \$385 million, and generated a total return of 2.43 times invested capital and a net IRR of 25.6%. The Firm has realized 65 of 385 investments, for a gross return of 5.85 times invested capital and an IRR of 33.2%. As of March 31<sup>st</sup>, 2021, Industry Ventures' nine previous funds / vehicles have generated a net IRR of 25.6% since 2006. Investing in the Russell 2000 Growth Index<sup>1</sup> during the same period would have generated a return of 13.9%. Industry Ventures has outperformed the Index by 11.7%. 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' U.S. venture capital benchmarks. The Firm's 2019 vintage fund is too immature for meaningful benchmarking.

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*Investment Terms:* The Fund is targeting \$400 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 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 VI, L.P. as part of ERSRI's private equity allocation.

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