
Recommendation for Odyssey Investment Partners Fund VI, L.P.

To: RISIC
Prepared: October 10, 2019
From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Odyssey Investment Partners Fund VI, L.P. ("Odyssey VI" 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 Odyssey VI

Fund Overview: Odyssey VI is a middle-market buyout fund targeting aerospace and defense, insurance services, safety and testing, automated equipment and components, industrial services, equipment rental, pharma services, energy services, and packaging sectors.

People and Organization: Odyssey Investment Partners ("Odyssey" or the "Firm") was founded by Steven Berger, Mussafar Mirza, Brian Kwait, and Bill Hopkins in 1997. The four partners were recruited to the predecessor firm, Odyssey Partners, in 1992 to run the private equity business. Today, Berger, Hopkins, and Kwait, remain in leadership roles as Chairman, Vice Chairman, and CEO. The Firm, headquartered in New York City, has 30 investment professionals. The Firm has raised five previous funds totaling \$5.2 billion in commitments.

Investment Strategy and Process: Odyssey is a middle market focused buyout firm predominantly targeting U.S. based companies. The Firm is broadly focused on industrial and business services companies with key sub-sectors being aerospace, defense, healthcare, distribution, packaging, energy, rental, and insurance. Odyssey anticipates individual portfolio companies requiring between \$170 million to \$350 million of equity during Fund VI, or an average of \$200 million to \$250 million. Odyssey acquires companies where the team believes there is an opportunity to achieve substantial growth through operational changes, as well as acquisitions. Odyssey's investment strategy is differentiated by the team's thematic approach. Odyssey develops investment themes both in sub-sectors where it has invested previously, and occasionally in services sectors that are new for the Firm. This intensive, research-based approach allows the Firm to source opportunities through less competitive situations. The Firm's successful track record and the team's method of working cooperatively with company executives has led to an extensive network of industry-based executives that Odyssey relies upon for insight, company introductions, and executive (candidate) referrals. Odyssey typically works as a productive partner to management with a focus on developing and executing its operational roadmap. The Firm is known for working with businesses to achieve tremendous organic and inorganic growth during its ownership.

Performance: As of June 30, 2019, the Odyssey funds have generated a net return of 2.06 times invested capital, a 33.4% net IRR, and 1.60 times DPI in aggregate. Three of the Firm's four mature funds rank in either the first decile or first quartile on a net IRR, TVPI, and DPI basis. The benchmark for the Firm's first fund is not fully available. Fund V does not compare favorably to the Cambridge Associates benchmark for buyout funds formed in 2014. The development of Fund V is consistent with prior funds given Odyssey's preference to wait until each company attains a considerable amount of growth before monetizing an investment. Cliffwater expects the Fund V performance to improve and ultimately compare favorably with other U.S. buyout funds

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formed in 2014. As of June 30, 2019, each of Odyssey's four mature funds have outperformed the Russell 2000 index by 7% or more per year, net of fees.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. Fund VI has a six-year investment period and ten-year fund term. The Fund charges a management fee of 2.0% on committed capital during the investment period and 1.75% on invested capital thereafter. The Fund charges a 20% carried interest with an 8% preferred return. The General Partner will invest an amount equal to at least 3% of the Fund.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million to Odyssey Investment Partners Fund VI, L.P. as part of ERSRI's Private Equity allocation