

Recommendation for Pollen Street Capital IV, L.P.

To: RISIC
Prepared: November 26, 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 Pollen Street Capital IV, L.P. ("Pollen Street IV" 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 Pollen Street IV

Fund Overview: Pollen Street IV will pursue a sector-focused buyout strategy to lower middle-market companies in the financial and business services sectors in Europe, with a primary focus on the U.K.

People and Organization: The Firm's founding partners completed a spin-out from RBS in November 2013 to establish the Pollen Street as a stand-alone organization. The Firm is led by managing partner Lindsey McMurray, supported by fellow founding partners James Scott, Michael England, Matthew Potter, and Ian Gascoigne. Prior to forming Pollen Street, McMurray was head of the equity finance team at RBS. A dedicated special opportunities fund, Pollen Street Capital I ("PSC I"), was formed in December 2007. The fund was established for McMurray and the team to focus on investing in equity and debt investments in the financial & business services sectors. A second fund, Pollen Street Capital II ("PSC II"), was established in 2014 as a vehicle to carve-out a handful of PSC I investments and provide an additional £90 million for follow-on capital. Fund II was structured as a secondary investment and helped establish Pollen Street as an independent firm with capital from the start. The Firm established its first independent vehicle in 2016, Pollen Street III ("PSC III"), raising a total of £402 million in capital commitments. The Firm has 13 investment professionals including six partners and seven mid/junior professionals. The Firm is majority owned by the partners with a passive minority share owned by the investment firm, Marshall Wace.

Investment Strategy and Process: Pollen Street will target control investments in fast growing companies in the business & financial services sectors. The Firm will seek to grow smaller, "challenger" companies into next generation market leaders. The Firm invests broadly throughout multiple subsectors of the business & financial services industries. Examples include high growth lending, insurance, wealth management, services, payments, and technology. Fund IV is expected to complete 12 to 14 investments in companies with enterprise values up to £200 million and EBITDA up to £20 million. Investments are expected to require between £20 million and £100 million of equity per platform. Target companies will typically exhibit some form of downside protection in the form of stable cash flows, recurring revenue, and / or asset backing. Additionally, Pollen Street will seek platforms that can support organic and inorganic growth. The Firm's investment team will seek to accelerate growth through creating a diverse service offering, supporting geographic expansion, improving technology and pricing, augmenting management teams, and sourcing and completing strategic add-on acquisitions.

Performance: As of June 30, 2019, Pollen Street has generated a net IRR of 15.9% (in GBP) since inception, which includes the team's total performance at RBS and Fund III. Pollen Street has outperformed the FTSE 100 (GBP) Index during the same period by 16.3%. Each prior fund has outperformed the public index by a wide margin. Funds I and II have generated first and

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second quartile results versus the Cambridge Associates Buyout Vintage Year benchmark. Fund III, the Firm's initial institutional fund since the establishment of the Firm, is generating top quartile performance early in its life.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The management fee is 2% of aggregate commitments during the five year investment period and, thereafter, 2% of invested capital. The Fund charges a carried interest of 20% with an 8% preferred return.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million to Pollen Street Capital IV, L.P. as part of ERSRI's Private Equity allocation.