

Recommendation for Pollen Street Capital V, L.P.

To: RISIC
Prepared: July 18, 2023
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 V, L.P. (or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's and OPEB's Private Equity allocation.

Summary of Pollen Street Capital V

Fund Overview: Pollen Street Capital V will target control investments in lower middle-market business & financial services companies based in the UK, Ireland, and opportunistically in Continental Europe.

People and Organization: Pollen Street Capital ("Pollen Street" or the "Firm") was established by five founding partners in 2013 as a spin-out of the Royal Bank of Scotland ("RBS"). The founding partners group was led by Lindsey McMurray, who was appointed head of the RBS equity finance team in 2005. Prior to forming Pollen Street, the partners focused on investing in equity and debt investments in the financial and business services sectors. A dedicated pool of capital, Pollen Street Capital I ("PSC I"), was allocated to the team by RBS in December 2007. Upon setting up Pollen Street as an independent firm, the partners established Pollen Street Capital II ("PSC II") in 2014. PSC II transferred assets from PSC I and raised an additional £90 million for follow-on capital. The Firm has since raised institutional capital for PSC III (2016) and PSC IV (2021). The Firm established a dedicated credit team. Today, the Firm has £3 billion under management (£1.8 billion in private equity and £1.2 billion in credit). The Firm continues to be led by Lindsey McMurray, and Michael England is head of the PSC equity funds. The five founding partners remain actively engaged. In 2022, the Firm combined with Honeycomb Investment Trust, a UK listed trust. The public entity was renamed Pollen Street plc. Pollen Street plc is 36% owned by the Firm's partners. The Firm is based in London with 82 employees including 18 private equity professionals.

Investment Strategy and Process: Pollen Street invests in lower middle market financial services & business services companies in Europe, with a primary focus on the UK. The target companies are fast-growing, tech-enabled businesses that represent the next generation of market leaders. These 'challengers' typically exhibit modern and innovative offerings and extensive data capabilities. The Firm utilizes a thematic approach to target core subsectors of lending, payments, technology-enabled service, wealth management, and insurance. The Fund will target companies with enterprise values up to £200 million, investing £40 million to £100 million of equity per company. The Fund will seek to invest in 12 to 14 portfolio companies over a five-year investment period. Pollen Street targets a gross return of 3.0 times invested capital at the fund level. The Fund is expected to invest at least 50% in the UK and up to 50% across Continental Europe. The Firm has a dedicated team of seven professionals focused on driving technology developments, sales performance, sharing of best practices, ESG initiatives, and operational efficiencies for portfolio companies.

Performance: Fund I through Fund IV, have generated a total net return of 1.6 times invested capital, 16.5% net IRR, and 1.2 times net DPI as of March 2023 (in GBP). Since inception, Pollen Street has outperformed the MSCI Europe (GBP) Index by 17.6%.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a five-year investment period and a ten-year term. The Fund will charge a 2.0%

This report reflects information only through the date hereof. Our due diligence and reporting rely upon the accuracy and completeness of financial information (which may or may not be audited by the fund manager) and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may not be disclosed except as required by applicable law.

management fee during the five-year investment period and 2.0% of net invested capital thereafter. The management fee will be offset by 100% of all director, transaction, monitoring, and other such fees. Pollen Street is offering the following fee discount schedule for limited partners participating in the first close window: a 6-month fee holiday for a commitment of at least €30 million; a 12-month fee holiday for a commitment of €40 million to €45 million; an 18-month fee holiday a commitment of €45 million or greater. The Fund will charge a carried interest of 20%, on a fund-level, with an 8% preferred return.

Cliffwater Recommendation

Cliffwater recommends an investment of up to £30 million to Pollen Street Capital V as part of ERSRI's Private Equity allocation and an investment of up to £1 million to Pollen Street Capital V as part of OPEB's Private Equity Asset allocation. The commitment amount will reach the minimum commitment for the 6-month fee holiday.