

## Recommendation for Industry Ventures Partnership Holdings VII, L.P.

To: RISIC  
Prepared: March 19, 2024  
From: Tom Lynch, Senior Managing Director

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The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on Industry Ventures Partnership Holdings VII, L.P. ("IVPH7" 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 allocations.

### Summary of Industry Ventures Partnership Holdings VII

**Fund Overview:** Industry Ventures LLC (the "Firm" or "Industry") is raising Industry Ventures Partnership Holdings VII, L.P. The IVPH7 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, 20% secondary partnership investments, and 40% direct investments.

**People and Organization:** Industry Ventures was founded in 2000 by Managing Director Hans Swildens to complete early-stage software and information technology investments. Recognizing the need for liquidity in the venture capital market following the dotcom crash, Industry Ventures completed its first secondary investment in 2002. Industry Ventures manages funds across four strategies, including the Partnership Holdings funds, the Direct funds, the Secondary funds, and the Tech Buyout funds. The Firm has raised \$7.2 billion for 18 Secondary funds and associated vehicles, ten prior Partnership Holdings funds and overage vehicles, four Direct funds and related vehicles, and two Tech Buyout funds. Industry Ventures has 23 investment professionals. Professionals at or above the principal level are organized by strategy, with the exception of Hans Swildens who oversees all investment activities at the Firm. Senior Managing Director Roland Reynolds, Managing Director Jonathan Roosevelt, and Principals Brian Langner and Fanni Fan oversee the investment of the Early-Stage Funds, which include the Partnership Holdings and Direct strategies. The Firm is headquartered in San Francisco and has offices in Washington D.C. and London. The Firm is 80% owned by employees and 20% by Petershill Partners.

**Investment Strategy and Process:** IVPH7 will invest in small early-stage venture capital funds and venture capital-backed companies through early secondary purchases, direct investments, primary commitments, and pro-rata special purpose vehicle investments. The Fund will only acquire secondary interests in early-stage venture capital funds that are less than 50% drawn. SPV investments will typically be structured to provide capital for its managers that lack available capital to complete pro-rata follow-on investments. For direct investments, the Fund will typically invest in companies alongside a venture capital manager, on the same terms as that manager. The Firm expects to deploy 40% of the Fund in primary commitments to early-stage venture capital managers, 20% of the Fund in early secondary purchases of limited partner interests in early-stage venture funds, and 40% of the Fund in direct investments and pro-rata special purpose vehicles.

**Performance:** Since 2006 through September 2023, Industry Ventures has invested \$1.0 billion across the Partnership Holdings funds and distributed \$639 million. In aggregate, the Partnership Holdings funds have generated a net return of 2.24 times paid-in capital and a net IRR of 21.3%. The Firm has realized 112 of 524 total investments for a gross return of 4.43 times invested capital and a gross IRR of 28.5%. As of September 30, 2023, Industry Ventures' Partnership Holdings funds have generated direct alpha of 12.9% relative to the

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*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.*

Russell 2000 Growth Total Return Index, indicating significant outperformance of the index. Three of the prior six funds rank in the top quartile for IRR in the Cambridge U.S. Venture Capital universe and three rank in the second quartile.

*Investment Terms:* Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund will charge a management fee equal to 1% of total commitments during the first six years of the fund; thereafter, the management fee will be equal to 95% of the prior year's management fee. The Fund charges a carried interest of 5% on primary commitments, 10% on early secondaries, 10% on SPVs, and 20% on direct investments; subject to a 6% preferred return with a 100% GP catch-up.

#### Cliffwater Recommendation

Cliffwater recommends an investment of up to \$30 million to Industry Ventures Partnership Holdings VII, L.P. as part of ERSRI's Private Equity allocation and an investment of up to \$1 million as part of OPEB's Private Equity Asset allocation.