

Recommendation on Paine Schwartz Partners Food Chain Fund VI and Co-Investment

To: RISIC
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From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Paine Schwartz Partners Food Chain Fund VI. ("PSP VI" or the "Fund") and an allocation for co-investment to invest along the Fund on a no-fee, no carry basis. Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund and co-investment as part of ERSRI's Private Equity allocation.

ERSRI committed to the to predecessor funds (PSP IV and PSP V) in 2015 and 2018 respectively. In 2021, ERSRI committed \$15 million to a co-investment fund to invest along side PSP IV on a no-fee, no-carry basis.

Summary of PSP VI and Co-Investment

Fund Overview: Paine Schwartz Partners Food Chain Fund VI will invest in businesses providing products and services to the food and agriculture sector. The co-investment allocation will invest alongside PSP VI in selected opportunities on a no fee, no carry basis.

People and Organization: Paine Schwartz Partners ("PSP" or the "Firm") was founded in 2007 by Dexter Paine and Kevin Schwartz, who previously worked together at their predecessor firm Fox Paine. Paine is no longer involved in the day-to-day management of the Firm. Schwartz, managing partner and CEO, along with Angelos Dasios, managing partner and CIO, lead PSP. The managing partners are joined at the senior level by partners Alex Corbacho and Dr. Lutz Goedde. Collectively, the four senior members represent the leadership team and investment committee. In total, the Firm comprises a cross-functional team of over 50 professionals including 17 investment professionals and six person Portfolio Excellence Platform ("PEP") professionals. Additionally, PSP has eight dedicated operating partners and six Food Chain Advisory Board members. The Firm has \$4.8 billion under management and is headquartered in NYC.

Investment Strategy and Process: Paine Schwartz Partners Food Chain Fund VI will invest in businesses providing products and services to the food and agriculture sector. (Fund IV and Fund V were fully dedicated to this strategy whereas prior funds had a broader private equity approach.) The strategy focuses on two core themes including Productivity & Sustainability that adheres to the need to enhance productivity and improve sustainability across production systems to feed a growing, global population and Health & Wellness that targets an increasing consumer consciousness and focus on healthier more sustainable products. PSP has become the leading private investor in the agribusiness sector with demonstrated sector knowledge and a leading highly experienced investment and operations team that includes industry leading talent. Target equity investment of \$50 million to \$500 million per company inclusive of co-investment. The Fund will invest in 10 to 12 portfolio companies over a five-year investment period and a hold period of approximately seven to 10 years. The Fund may invest up to 20% in growth equity investments.

PSP established a co-investment vehicle (PSP V Co-Investment Fund) for ERSRI to co-invest alongside PSP V in 2021. ERSRI committed \$15 million to this vehicle and to do date no investments have been made. We are recommending that this co-investment fund be extended for co-investments alongside PSP VI. The investments will be made at the discretion of the manager though ERSRI can veto any investment.

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.

The terms of the co-investment fund will be similar to PSP VI with the exception that no investment fees or carried interest will be charged.

Performance: Since 1998, Paine Schwartz Partners has made a total of 24 food and agribusiness platform investments and 45 add-on transactions in Funds II-V, representing \$3.3 billion of Invested Capital, including approximately \$975 million of co-investment. As of December 31, 2021, these 24 investments have generated a gross return of 2.00 times invested capital and a gross IRR of 156.3%. As of December 31, 2021, the PSP's five prior funds generated an aggregate net IRR of 12.2%, outperforming the MSCI ACWI Agriculture & Food Chain Index by 2.1%. It is important to note that Fund IV and Fund V, which will follow the same strategy as Fund VI, outperformed the MSCI ACWI Agriculture & Food Chain Index by 1.9% and 19.9%, respectively. As of December 31, 2021, Fund IV had generated fourth quartile performance on an IRR and TVPI basis and third quartile performance on a DPI basis, and Fund V had generated second quartile performance on an IRR and DPI basis and third quartile performance on a TVPI basis, relative to Cambridge Associates' U.S. Buyout benchmark. We note that the Cambridge benchmark is broad and not specific for the agricultural and food sector.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund will charge a 2.0% management fee during the five-year investment period and 2.0% of net invested capital thereafter. The Fund will charge a 20% carry on a fund-wide basis with an 8% preferred return. The general partner will commit up to 2% of total commitments.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$30 million to Paine Schwartz Partners Food Chain Fund VI as part of ERSRI private equity allocation. Cliffwater also recommends extending the ability of ERSRI's existing unused commitment to PSP V Co-Investment Fund be utilized for co-investments in PSP VI.