



State of Rhode Island
Office of the General Treasurer

**Shamrock Capital Growth Fund VI, L.P. & Shamrock Clover Fund I, L.P. - Staff
Recommendation**
April-2024

RECOMMENDATION:

- **Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”): Approve a commitment of up to \$20 million to Shamrock Capital Growth Fund VI, L.P. (“SCGF VI”) and \$10 million to Shamrock Capital Clover Fund I, L.P. (“Clover I”).** ERSRI previously committed i) \$20 million to Shamrock Capital Content Fund II, L.P. (“Shamrock CCF”), a 2020 vintage fund, ii) \$30 million to Shamrock Capital Growth Fund V, L.P. (“Shamrock CGF V”), a 2021 vintage fund, iii) \$30 million to Shamrock Capital Content Fund III, L.P. (“Shamrock CCF III”), a 2022 vintage fund. In addition, ERSRI committed \$10 to Shamrock CCF II Co-Invest I-A in 2020, with 0% fees and 0% carry (exposure in *Appendix 1*, performance in *Appendix 2*). The Content Fund investments are managed by a separate team and are a part of the ERSRI Private Credit Allocation.
- **Rhode Island OPEB System Trust (“OPEB”): Approve a commitment of up to \$1 million to Shamrock Capital Growth Fund VI, L.P. (“Shamrock CGF IV”) and \$500,000 to Shamrock Capital Clover Fund I, L.P. (“Clover I”).**

ASSET CLASS: Private Equity (ERSRI), Private Growth – Private Equity (OPEB)

SUB-STRATEGY: Lower and Middle-Market Buyout and Growth Equity

ALLOCATION:

- **Rhode Island Employees Retirement Systems Pooled Trust:** The target allocation for Private Equity is 12.5% and the allocation as of 3/31/2024 is ~16.5%. The current pacing plan for the 2024 vintage is \$240 million committed to 5-10 funds at \$15-40 million per fund. Pending approval of this recommendation, ERSRI’s 2024 vintage commitments will be \$118 million.
- **Rhode Island OPEB System Trust:** The target allocation for Private Growth is 5.0% and the Private Equity sub-strategy is targeted to be ~80% of the asset class (i.e., 4.0% at the OPEB Trust level). The actual allocation to Private Equity as of 3/31/2024 is ~0.86%. The current pacing plan for 2024 is \$9 million committed to 5-10 primary funds at \$0.5-2 million per fund. Pending approval of this recommendation, ERSRI’s 2024 vintage commitments will be \$4.25 million.

PORTFOLIO FIT:

- **Rhode Island Employees Retirement Systems Pooled Trust (“ERSRI”):** ERSRI’s Private Equity allocation is composed of a core of buyout strategies, complemented by venture capital, growth equity, and opportunistic credit investments. Rhode Island targets 60-80% of the allocation to be in buyout strategies and seeks to build a portfolio diversified by geography, sector, and company size. Both SCGF VI and Clover I will target companies in the media, entertainment, and communications (“MEC”) sectors as well as adjacent services companies within North America. Clover I was launched to pursue smaller transactions which have a high growth potential but were no longer a fit for the flagship funds as Shamrock’s growth required the strategy to concentrate on larger deals. SCGF VI will target the lower middle market with equity investments of \$45M - \$500M+ per deal whereas Clover I will target the lower market with deal sizes from \$20M - \$45M, each targeting 12 to 15 portfolio companies. These two strategies will have separate investment teams but will share resources. They will have a shared investment team and a shared value creation team. In addition to these two funds, Shamrock also has a debt fund that they launched in 2015 to invest in intellectual property of entertainment assets. Pending approval

of the proposed recommendations, Shamrock would represent 2.2% of ERSRI's Private Equity portfolio and 2.9% of the buyout exposure (NAV + uncalled commitment) (see *Appendix 4*).

- **Rhode Island OPEB System Trust ("OPEB"):** The Private Growth portfolio allocates to Private Equity (as described above) and Non-Core Real Estate strategies and is ramping up to its target allocation through commitments made in tandem with ERSRI. Pending approval of the recommendations, Shamrock would represent ~6.6% of OPEB's Private Growth exposure and ~8.9% of its Private Equity exposure (see *Appendix 5*).

MERITS:

- **Strong Performance:** Shamrock has 45+ years of experience in Media, Entertainment, and Communications ("MEC"). Shamrock has exhibited strong returns and ranked #4 in pitchbooks 2022 Global Manager Performance Score League Tables for PE Growth/Expansion Funds. The firm has achieved a low loss ratio which is attributable to their low use of leverage. They have developed a repeatable and proven process of sourcing and value creation that has created a strong track record. Shamrock's strong performance (net IRR 46% and net MOIC 3.5x) across Shamrock Growth Fund I to III hasn't been reflected in Shamrock CGF V. Shamrock has been conservatively marking up the valuation in most of its holding period. Roughly 70-80% of Shamrock's markups have occurred within 12 months prior to exits. Some Shamrock CGF V portfolio companies have already seen significant top-line growth.
- **Sourcing:** Shamrock has access to a unique proprietary deal pipeline due to the strong relationships they have developed as well as through their established reputation within the industry. The firm proactively reaches out to companies to develop relationships and develop a strong network. Their location in Los Angeles positions them to be in the hub of the MEC sector, enabling Shamrock to connect directly with their target companies. When sourcing, the firm considers a list of value creation capabilities and develops a formal value creation plan before they even make the investment. Additionally, Shamrock has been able to leverage their strong reputation in the industry in order to access deals at a fair valuation.
- **Thematic Approach:** The firm aims to identify opportunities through market mapping exercises and idea generation. Shamrock develops a list of current themes they are focusing on and assigns a theme to each deal team who is responsible for deep diving into it. Shamrock performs extensive research in target markets before making an investment, developing an expertise within the MEC sector.

CONCERNS:

- **Key Person Risk:** Steve Royer is 59 years old and owns the largest stake in the company at 42%. He has established a strong network in the industry and has been the firm's leader for about 33 years.
 - **Mitigant – Long-Tenured Team:** The three senior partners have an average tenure of 25 years. Though Royer plans to be fully involved in CGF VI and Clover I, he has begun developing a succession plan and has started distributing management activity more broadly across the other senior partners.
- **Ever-evolving Sector:** With the consistent evolution of technology, the MEC sectors are always changing. This forces the firm to be dynamic with their strategy.
 - **Mitigant – Specialized Experience:** Shamrock has been focused consistently on this strategy since 1978. Their thematic approach also allows the firm to dynamically shift their focus as the sector evolves. Additionally, the firm's long history and focused expertise in the industry positions them well to be able to identify trends early.

ESG: Shamrock Capital Advisors is rated as an **Integrator** with respect to their ESG practices.

- **ESG:** Shamrock has an ESG policy and considers ESG in their sourcing and due diligence process. The firm also has an established ESG Committee. In 2023, Shamrock shared their first Annual ESG Report in order to share ESG metrics with stakeholders. Additionally, the firm asks portfolio companies to fill out an annual monitoring questionnaire to track ESG initiatives.
- **DEI:** The firm has a DE&I Committee. Shamrock aims to include diverse candidates in job searches and fosters talent through their Fellowship Program. Their annual ESG monitoring questionnaire filled out by portfolio companies also includes DE&I metrics. Shamrock is also a founding partner of Ownership Works, a nonprofit organization created to develop shared ownership in the workplace. The firm also launched Women in Media Investing ("WIMI") in 2022.

FEES: Fees for Shamrock are in-line with industry standards.

- Management Fee: SCGF VI and Clover I will charge a 2% management fee during the investment period and 2% of invested capital thereafter. The management fee will be offset by 100% of fees.
- Carried Interest: 20% carried interest on a deal-by-deal basis, 8% preferred return, 100% Catchup to the GP, and a clawback of excess carried interest.

Appendix 1: ERSRI Prior Fund Exposure

Current Partnerships	Fund Exposure*						
	Vintage Year/ Initial	Type	Amount	Amount Drawn	Amount	Amount	Valuation
	Investment		Committed		Distributed	Unfunded	
Shamrock Capital Content Fund II LP	2020	Private Credit	\$20,000,000	\$ 16,258,887	\$ 5,018,722	8,759,835.25	\$13,468,461
Shamrock CCF II Co-Invest I-A	2020	Private Credit	\$10,000,000	\$ 4,340,120	\$ 2,015,590	\$ 5,659,880	\$ 4,084,514
Shamrock Capital Content Fund III LP	2022	Private Credit	\$30,000,000	\$ 796,753	\$ -	\$29,203,247	\$ (15,710)
Shamrock Capital Growth Fund V	2021	Buyout	\$30,000,000	\$ 17,123,396	\$ 160,969	\$13,037,573	\$16,138,886

*Data as of 12/31/2023

**Includes Shamrock Private Credit Exposure

Appendix 2: ERSRI Prior Fund Performance

Current Partnerships	Vintage Year/ Initial	Type	Net Performance*			Public Market Equivalent (PME)	
			Net IRR (%)	Net Multiple	Distributed to	Net Index PME IRR**	Fund Excess Return (Fund IRR - PME)
				of Investment	Paid-In Capital		
Shamrock Capital Content Fund II LP	2020	Private Credit	8.17%	1.14	0.31	4.16%	4.01%
Shamrock CCF II Co-Invest I-A	2020	Private Credit	13.94%	1.41	0.46	3.29%	10.65%
Shamrock Capital Content Fund III LP	2022	Private Credit	NV	NV	NV	NV	NV
Shamrock Capital Growth Fund V	2021	Buyout	-4.03%	0.95	0.01	14.32%	-18.35%

*Data as of 12/31/2023

** Long Nickels PME Methodology

**US High Yield Net Index PME IRR for Shamrock Capital Content Fund; MSCI ACWI Net Index PME IRR for Shamrock Capital Growth Fund

*** Includes Shamrock Private Credit Exposure

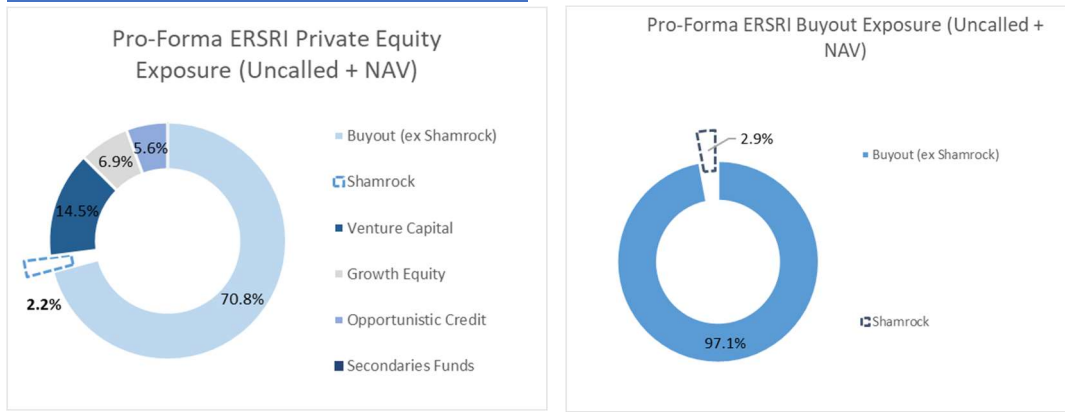
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Appendix 3: ERSRI Private Equity Buyout Managers

Manager	Buyout (ERSRI)		Buyout (ERSRI)		
	Exposure in MM USD* (NAV+Uncalled)	Geographic Focus	Sector Focus	Size	
Advent International	108.70	Global	Diversified	Large	
Altaris Capital Partners	34.40	North America	Healthcare & Lifesciences	Middle	
Bain Capital	28.11	North America	Diversified	Large	
Baring Private Equity Asia	123.55	Asia	Diversified	Large	
Birch Hill Equity Partners	0.36	North America	Diversified	Middle	
Carlyle Group	61.22	Asia	Diversified	Large	
Centerbridge Partners	28.60	Global	Diversified	Middle	
Charlesbank Capital Partners	41.51	North America	Diversified	Middle	
CVC Capital Partners	155.47	Europe	Diversified	Large	
EnCap Investments	74.89	North America	Energy	Middle	
Endeavor Capital	52.25	North America	Diversified	Small	
Eureka Equity Partners	32.30	North America	Diversified	Small	
First Reserve	0.01	Global	Energy	Middle	
ECM Equity Capital Management	20.88	Europe	Diversified	Middle	
Green Equity - Leonard Green & Partners	1.22	North America	Diversified	Middle	
Hastings Equity Partners	36.86	North America	Energy	Small	
Havenerest Capital Management	38.08	North America	Healthcare & Lifesciences	Small	
Nautic Partners	106.72	North America	Diversified	Middle	
Nordic Capital	6.38	Europe	Diversified	Middle	
Oaktree Capital Management	11.44	Europe	Diversified	Middle	
Odyssey Investment Partners	56.58	North America	Diversified	Middle	
Paine Schwartz Partners	129.44	North America	Diversified	Middle	
Parthenon Capital	94.56	North America	Diversified	Middle	
Pollen Street Capital	61.35	Europe	Business & Financial Services	Middle	
Providence Equity Partners	26.34	North America	Media, Entertainment, & Communication	Middle	
Riverside Company	156.97	North America	Diversified	Middle	
RLH	48.07	North America	Business & Financial Services	Middle	
Shamrock Capital Advisors*	28.39	North America	Media, Entertainment, & Communication	Middle	
Siris Capital Group	28.39	North America	Software & IT	Middle	
Southwest - Gen Cap America	65.29	North America	Diversified	Small	
Tenex Capital Management	48.16	North America	Diversified	Middle	
Thoma Bravo	93.63	North America	Software & IT	Middle	
TPG Capital	122.51	Global	Diversified	Large	
Trilantic Capital Management	0.55	Global	Diversified	Middle	
Vinci Capital	2.16	Latin America	Diversified	Middle	
Wynchurch Capital	41.17	North America	Manufacturing & Industrial	Middle	

* Excludes Shamrock Private Credit Exposure

Appendix 4: ERSRI Portfolio Fit



* Excludes Shamrock Private Credit Exposure

Appendix 5: OPEB Portfolio Fit

