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## Recommendation Star America Infrastructure Fund II, L.P.

To: RISIC  
Prepared: March 18, 2019  
From: Thomas Lynch, CFA, Senior Managing Director

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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Star America Infrastructure Fund II, L.P. ("Star II" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund.

### Summary of Star II

*Fund Overview:* Star II is an infrastructure fund generally targeting medium size infrastructure projects in North America that are sponsored by government entities (also known as "public-private partnerships" or "PPPs").

*People and Organization:* Star America Infrastructure Partners, LLC ("Star" or the "Firm") was formed in 2011 by Christophe Petit and William Marino. Star initiated fundraising for its first fund in 2012 and held a final close with \$300 million of commitments in 2013. Prior to forming the Firm, Marino and Petit had worked together on PPP projects in different roles and at different firms. The Firm consists of 20 total employees, which includes 10 investment professionals, four asset management professionals, and two business development professionals. The Firm has experienced low turnover with one senior departure. Star's headquarters is located in Roslyn, N.Y.

*Investment Strategy and Process:* Fund II will primarily focus on greenfield infrastructure projects that are at or near the beginning of construction. Star will seek to be the controlling equity partner with development consortiums bidding on new infrastructure projects sponsored by various government bodies in North America. Star will also invest in revenue-risked assets and brownfield assets requiring significant redevelopment that may require additional efforts to mitigate downside risk but have the potential for higher returns. Overall, Star will construct a portfolio of low risk infrastructure projects that generate a high risk adjusted return where Star can add upside through value-add initiatives. Fund II will make equity investments ranging from \$20 million to \$75 million in 15 to 20 investments across multiple infrastructure sectors. Fund II target sectors include transportation (bridges, roads, transit, rails, ports, tunnels), social (student housing, hospitals, schools, courthouses and other buildings), environmental (water, wastewater, lighting, energy efficiency) and communications (datacenters and fiber optic).

*Performance:* As of September 30, 2018, Fund I has generated a net IRR of 14.8%. Investing in the Dow Jones Brookfield Global Infrastructure Index during the same time-period would have generated a net return of 4.7%. Fund I has outperformed the Index by 10.1%. As of September 30, 2018, Star America Fund I had generated first quartile on both a net IRR and net DPI basis relative to Cambridge Associates' Global Infrastructure benchmark. On a net TVPI basis, Fund I had generated second quartile performance.

*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 1.5% of commitments during the commitment period and 1.5% of invested capital thereafter. The management fee will be offset by 100% of all break-up, directors', monitoring, advisory, underwriting, syndication, and investment banking fees. The Fund will charge a 20% carried interest after a preferred return of 8%. The Fund has a five-year investment period and a ten-year term.

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Cliffwater Recommendation

Cliffwater recommends an investment of up to \$20 million to Star America Infrastructure Fund II L.P. as part of ERSRI's private infrastructure allocation.