

TO: Employees' Retirement System of Rhode Island
FROM: Meketa Investment Group
DATE: January 12, 2021
RE: IPI Partners II, L.P

On behalf of the Employees' Retirement System of Rhode Island (ERSRI), Meketa Investment Group has conducted due diligence of IPI Partners II (the Fund or Fund II) and its sponsor IPI Partners, LLC. The opportunity is being considered as part of the non-core real estate portfolio. Based on ERSRI's investment strategy, the merits of the Fund and the information provided in this summary, Meketa is of the opinion that an investment in the Fund is a prudent investment for the Employees' Retirement System of Rhode Island (ERSRI). Meketa's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered as tax, legal or transaction-structuring advice. In making any investment decision with respect to this Fund, ERSRI may rely on this report but must also make its own examination and assessment of the Fund and the terms of the offering, including the merits and risks involved.

Investment Overview

The IPI Partners Fund II, LP is a value-added closed-end Fund targeting data centers and other technology and connectivity-related assets across the U.S. and globally.

Organization

Based in Chicago, IPI Partners is an investment firm exclusively focused on the tech real estate sector. Founded in 2016, IPI Partners is jointly owned and controlled by ICONIQ Capital and Iron Point Management. The strategic GP joint venture brings to bear ICONIQ's access to leading technology companies and Iron Point's history of investing in technology real estate.

IPI Partners employs a 16-person dedicated team (consisting of professionals outside of ICONIQ and Iron Point) that are responsible for the day-to-day management of the Fund. The Firm plans to hire additional professionals over the next year to further build out the team.

Since inception, IPI has raised one fund, IPI Data Center Partners Fund I, with a total of \$1.5 billion in aggregate commitments. It completed its investment period in December 2019

Fund Strategy

IPI Partners II will execute a blended risk strategy, including core, value-added and opportunistic exposures. It intends to make control investments in data center assets and other technology and connectivity-related assets, with a focus on the global capacity needs of large, high-quality tech and other enterprise end users. IPI will be customer-focused to meet the needs of users across asset types and geographies. The Fund will invest in properties in the United States and globally. Investments outside of the United States will not exceed 40% of aggregate commitments.

IPI Partners II seeks to execute its investment strategy across three risk-return segments with an expected portfolio composition of 20% stabilized, 40% value-add, and 40% development. The Fund intends to utilize debt subject to a 65% portfolio level limitation, and is targeting a 13% to 17% gross IRR and 1.8x to 2.0x gross MOIC.

Fund II has invested \$64.7 million across four investments including three data centers and one fiber property, and expects to close on its fifth investment in January 2021.

Performance

As of September 30, 2020, Fund I is 100% invested across nine properties, including capital reserved for follow on investments across the existing portfolio. Four investments are partially unrealized and five investments are fully unrealized. Fund I is generating a 15.7% net IRR and 1.4x net TVM.

Terms

The management fee is an amount equal to 1.5% per annum of the capital committed during the investment period and 1.5% of invested capital thereafter. The preferred return structure for the Fund is 7%. After investors have received their initial preferred return of 7% and a return of all invested capital, there is a 50% GP catch-up. IPI Partners will receive 20% of all remaining profits. There is also an LP claw-back in place. The total partnership term is 12 years, inclusive of a four-year commitment period, with two one-year extensions. The General Partner's commitment will be \$20 million, which is equal to approximately 0.6% of the ~\$3.0 billion total Fund size.

Recommendation

Meketa recommends that an investment of \$30 million be considered in Fund II as part of the non-core real estate portfolio. This recommendation adds diversification and is consistent and in context with the existing investments and the role of non-core real estate within the Private Growth section of the total fund.