
Recommendation on Homestead Capital USA Farmland Fund III, L.P.

To: RISIC
Prepared: August 13, 2018
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Homestead Capital USA Farmland Fund III, L.P. ("Homestead III" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund.

Summary of Homestead Capital USA Farmland Fund III, L.P.

Fund Overview: Homestead III is a real asset fund acquiring row and permanent crop farmland in the United States. The strategy seeks to acquire undervalued farms and apply a well-defined set of initiatives to improve the value of the properties post acquisition.

People and Organization: The general partner of Homestead III is Homestead Capital USA LLC ("Homestead" or the "Firm"). The Firm was founded in 2012 by Daniel Little and Gabe Santos, the Managing Partners. Subsequent to the Firm's formation, Gary Thien joined as a Partner. Thien retired at the end of July 2018. Prior to forming Homestead, Little and Santos managed investment strategies for J.P. Morgan and Goldman, Sachs & Co. respectively. Thien provided more than 25 years of farmland valuation, sourcing, management, and disposition experience across the United States to the Firm and strategy. Thien's responsibilities have largely been assumed by four experienced farmland investment professionals including Tony Windham, Alex Sauer, Patrick Trainer, and Kyle Jacobs. The Firm has ten employees including eight investment professionals and utilizes nine contracted and independent regional farm managers. The Firm is equally owned by Little and Santos and has offices in San Francisco, Little Rock, Idaho Falls, and Mahomet, IL.

Investment Strategy and Process: The Firm will acquire undervalued farms and apply a well-defined set of value add initiatives. Homestead will rely on their exclusive regional farm managers who are all accredited farmland appraisers within five specified U.S. regions. Each of the regional farmland managers is highly experienced in their regions and will have prior knowledge of target investments. The regional farm managers will identify farm investments that have distinct value add opportunities that will bring the farm to a top producing status. Value-add initiatives include improvements to irrigation systems, tiling, storage, and leveling. The Fund will partner with top farm operators and apply optimal lease structures to each farm. The Fund will acquire row and permanent crop assets located in the Midwest, Mountain West, Pacific, and Delta regions of the United States. The Fund will seek to construct a diversified portfolio across regions, crop types, lease types, and operators. The Fund will add value to farm assets through operational improvements, farm manager and lease type, economies of scale, crop rotation, precision agriculture technology, and government programs. The Fund will use its regional farm management personnel to ensure that farm operators are implementing best practices techniques and maximizing crop yield.

Performance: Since 2014, Homestead Capital has raised \$575 million through its two institutional comingled funds. The two prior funds are young and have yet to produce meaningful performance. Homestead has called \$318 million from limited partners and has generated a net return of 0.99 times invested capital. Fund I has invested \$161.0 million across 20 investments, which have generated a gross return of 1.07 times invested capital and a gross IRR of 2.9% over an average holding period of 2.6. All but one of the investments in Fund I are held at or above

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cost. Fund II has invested \$157.0 million across 12 investments, which have generated a gross return of 1.03 times invested capital and a gross IRR of 5.8% over an average holding period of 0.7 years. All investments in Fund II are held at or above cost.

Investment Terms: Cliffwater finds the terms outlined in the Limited Partnership Agreement, taken as a whole, to be in accordance with industry standards. The Fund will charge a 1.5% management fee on committed capital during the four-year investment period and a 1.5% management fee on invested capital thereafter. The management fee will be offset by 100% of all transaction, investment banking, break-up, advisory, monitoring, and other such fees. The Fund has a 15% carried-interest after a 6% hurdle rate. The Fund has a 15-year term with two one-year extensions with the approval of two-thirds in interest of the limited partners. The General Partner will commit at least \$5 million to the Fund.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$25 million to Homestead Capital USA Farmland Fund III, L.P. as part of ERSRI's Inflation Protection asset class.