
Recommendation on Level Equity Growth Partners IV and Opportunities Fund 2018

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 Level Equity Growth Partners IV, L.P. and Level Equity Opportunities Fund 2018, L.P. ("Fund IV" and "Opportunities Fund" or collectively as the "Funds"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Funds.

Summary of Level Equity Growth Partners IV and Level Equity Opportunities Fund 2018

Fund Overview: Fund IV will make growth equity investments in small-cap software companies. Investors in Fund IV will also be making a commitment to the Opportunities Fund which will make follow-on investments in Fund IV companies where more capital is required than available in Fund IV.

People and Organization: The general partner of the Funds is Level Equity Management, LLC ("Level" or the "Firm"). Level was founded in 2009 by Ben Levin and George McCulloch (the "Founders") who were joined by Sarah Sommer. McCulloch and Sommer previously worked together at Insight Venture Partners ("IVP"), where Levin and McCulloch were managing directors and Sommer was a senior associate. The three professionals joined IVP in 2003 and currently serve as Level Equity's partners, along with Charles Chen, who will be promoted to partner for Fund IV. Chen joined Level Equity in 2013 as a vice president and has been subsequently promoted to principal and most recently, partner. Chen was previously a member of the infrastructure investment team at Technology Crossover Ventures and was a member of Morgan Stanley's Technology Investment Banking Group. The four partners have an average of 20 years of total experience, an average of 16 years of private equity experience and an average of eight years at Level Equity. The senior team has invested together for the majority of their professional careers creating a consistency and common understanding of the profile of ideal target investments in small, fast growing companies. The partners are supported by one principal, two vice presidents, one senior associate, eight associates and a chief technology officer.

Investment Strategy and Process: Level is a lower middle-market growth equity investor with a primary focus on North American software and technology-enabled service companies. The Firm invests in rapidly growing, privately held companies with enterprise values typically below \$300 million and revenue below \$50 million. The Firm may opportunistically pursue larger investments. The Firm focuses on companies that are growing by over 50% per annum and have capital efficient business models. Target companies are asset light businesses and have no customer concentration. Level Equity is often the first institutional investor identified through an outbound origination team of associates modeled after larger growth equity firms where the team members have previously worked. Level Equity invests in the software, Internet, media, and technology-enabled services sectors. The Fund will target a portfolio of 15 to 25 investments ranging from \$5 million to \$50 million, with a sweet spot of \$10 million to \$30 million. Fund IV can invest up to 25% of capital outside of North America. Level Equity has invested companies based in Europe and Australia, in addition to the United States. The Fund will pursue both minority and majority deals, but almost all of the prior investments were minority transactions. Minority positions will include significant structuring to help preserve downside protection, including features such as preferred securities and liquidation preferences.

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The Opportunities Fund will pursue follow-on investments in existing Fund IV portfolio companies which are seeking further capital to fund growth. The allocation policy will provide preference to Fund IV for growth equity transactions, and allocation will overflow to the Opportunities Fund once Fund IV has determined that the flagship fund is adequately allocated to a given deal, typically between 10% to 15% of the fund. Level anticipates that the Opportunities Fund 2018 will invest in five to 10 companies, and deploy 75% of capital in follow-on investments of existing Fund IV portfolio companies and 25% of capital in simultaneous platform investments alongside the flagship funds, typically in the case of a large initial investment.

Performance: As of March 31, 2018, Level Equity's four previous funds have generated a net IRR of 21.2% since 2011. Investing in the Russell 2000 Growth Index¹ during the same period would have generated a return of 14.6%. The first two funds have generated either first or second quartile performance on a net IRR basis when compared to Cambridge Associates Buyout Universe.

Investment Terms: Cliffwater finds the terms outlined in the Limited Partnership Agreement, taken as a whole, to be in accordance with industry standards. Fund IV has a ten year term with a six year investment period. Fund IV will charge a 2.5% management fee on committed capital during the investment period and a 2.0% 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. Fund IV has a 20% carried-interest subject to an 8% preferred return. The Opportunities Fund terms differ from Fund IV with a management fee of 1.0% on invested capital and a 15% carried interest until the limited partners receive a 20% annualized IRR, then carried interest will be equal to 20%. The general partner will commit at least \$2% to each of the two funds.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$35 million to Level Equity Growth Partners IV, L.P. and up to \$15 million to Level Equity Opportunities Fund 2018, L.P. as part of ERSRI's Private Growth asset class.

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