

## Recommendation for CVC Capital Partners IX, L.P.

To: RISIC  
Prepared: April 17, 2023  
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 CVC Capital Partners Fund IX, L.P. ("CVC IX" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's and OPEB's Private Equity allocation.

### Summary of CVC IX

**Fund Overview:** CVC IX will make control buyout investments with a focus on Europe and North America.

**People and Organization:** CVC Capital Partners, L.P. ("CVC," or the "Firm") began operations in 1981 as the private equity arm of Citigroup under the name Citicorp Venture Capital Europe. In 1993, the European private equity team spun-out under the new name of CVC Capital Partners. The Firm is currently led by Co-Chairs Donald Mackenzie and Rolly van Rappard and Managing Partner & COO Fred Watt. The three individuals comprise CVC Group. Supporting the three members of CVC Group is a fourteen-member Board of Directors, which is responsible for making high-level advisory business decisions. The Firm has over 800 employees, with more than 360 investment professionals across all fund strategies. Supporting the Co-Chairmen and COO, the Flagship European-focused funds have 171 dedicated investment professionals including 85 senior professionals. CVC has 15 country teams located in the UK, United States, Nordics, Netherlands, Belgium, Poland, France, Germany, Italy, Spain, Brazil, and Asia. CVC investment professionals are deeply rooted in their local markets and maintain close relationships with corporations, management teams, family owners, governments and portfolio company employees, both directly and via their large networks of experienced senior executives and local Industrial Advisory Board Members. The Industrial Advisory Board Members, who are leading business professionals based in the various local markets, work with the CVC investment professionals to identify investment opportunities. In addition to the investment resources, CVC has a dedicated operations team and a dedicated capital markets team.

**Investment Strategy and Process:** The Fund will make primarily control investments in fundamentally sound, well-managed and cash generative businesses across Europe and North America. The primary investment focus is Western Europe, with capped exposure to North America (25%) and areas outside of Europe and North America (15%). Fund IX will employ a broad sector and geographical investment approach, utilizing its large number of strategically focused offices and personnel. CVC investment professionals add value by focusing on growing earnings and improving the quality, focus and efficiency of its portfolio companies. CVC invests with quality management teams and seeks to increase operational efficiency, reduce costs, pursue growth initiatives organically and through acquisition and optimize the capital structures of companies. The Fund is expected to be comprised of 30 to 40 platform companies with equity checks expected to range from €250 million to €1.5 billion. CVC typically focuses on investments with enterprise values between €1 billion and €5 billion.

**Performance:** As of December 31, 2022, across the Firm's eight prior flagship fund vehicles and one co-investment fund (Tandem), CVC has generated a total net return in EUR of 1.78 times invested capital, net IRR of 20.6%, and net DPI of 1.1 times. The Firm's realized investments across the Flagship funds have generated an aggregate gross return of 3.0 times invested capital and a gross IRR of 29.2%. As of

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*This report reflects information only through the date hereof. Our due diligence and reporting rely upon the accuracy and completeness of financial information (which may or may not be audited by the fund manager) and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may not be disclosed except as required by applicable law.*

December 31, 2022, CVC's previous funds (including the flagship funds and Tandem) have generated a net IRR of 20.6% in EUR. Investing in the Euro denominated MSCI Europe Index during the same period would have generated a return of 5.7%. CVC has outperformed the index by 14.9%. The Firm's five most mature flagship funds (CVC I through CVC V) have all generated first quartile and first decile net IRR's since inception, and first and second quartile results on a TVPI and DPI basis. CVC VI, a 2014 vintage fund that was invested over a five-year period, has generated second quartile results on a net IRR and net TVPI basis.

*Investment Terms:* Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund will charge a 1.5% management fee during the six-year investment period and 1.25% of invested capital thereafter. The management fee will be offset by 100% of director fees, advisory, break-up and other transaction fees. The General Partner will receive 20% carried interest on a deal-by-deal basis with a 6% preferred return. The General Partner will invest at least 3% of total commitments.

#### Cliffwater Recommendation

Cliffwater recommends an investment of up to Euro 30 million to CVC Capital Partners IX, L.P. as part of ERSRI's Private Equity allocation and an investment of up to Euro 1 million to CVC Capital Partners IX, L.P. as part of OPEB's Private Equity allocation.