

Recommendation Thoma Bravo Fund XV and Discover IV, L.P.

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Thoma Bravo Fund XV, L.P. ("TB XV") and Thoma Bravo Discover IV, L.P. ("Discover IV"). (TB XV and Discover IV are collectively referred to as the "Funds".) ERSRI committed to the predecessor funds in 2019. Cliffwater has completed its investment due diligence and operational due diligence and recommends the TB XV and Discover IV as part of ERSRI's Private Equity allocation.

Summary of TB XV and Discover IV

Fund Overview: TB XV and Discover IV will make buyout investments in software companies, primarily in the U.S. TB XV will target companies with enterprise valuations over \$900 million and Discover IV will target companies with enterprise valuations between \$300 million and \$900 million.

People and Organization: The general partner, Thoma Bravo (or the "Firm"), has a long history. Carl Thoma, Bryan Cressey, and Lee Mitchell formed Thoma Cressey Equity Partners Inc. ("TCEP") in 1998. Previously, Thoma and Cressey had been founders of Golder Thoma & Co., a firm formed in 1980 which was later renamed GTCR. TCEP formed its first fund, Thoma Cressey Fund VI, L.P., in 1998 with \$450 million of commitments. TCEP pursued buy-and-build investments in various services sectors including healthcare and business services. Orlando Bravo joined TCEP in 1998 after earning an MBA and law degree from Stanford University and helped the Firm pursue its first software company buyout. Bravo hired the Firm's senior team members who have been exclusively focused on software and technology enabled services companies since they joined. The predecessor organization was renamed from Thoma Cressey to Thoma Cressey Bravo in 2007 in recognition of the leadership role that Orlando Bravo played. Prior to the formation of Fund IX in 2008, the group split with the healthcare focused professionals forming Cressey & Company. Thoma Bravo was the firm that formed Fund IX to predominantly focus on software and technology enabled services companies. Thoma Bravo is equally owned by the six managing partners (Boro, Bravo, Crabill, Mitchell, Thoma, Spaht), four of whom have a fulltime focus on investment activity and have been working together for 17 years. The managing partners are supported by an additional 49 investment professionals, two capital market professionals, 25 operating partners/advisors and 80 operating staff professionals. While the Funds will share resources, Discover IV has 15 dedicated investment professionals led by two partners, A.J. Rhode and Hudson Smith.

Investment Strategy and Process: Thoma Bravo is focused on control-oriented investing in upper middle market and large-cap software and technology enabled services businesses. The Firm made its first software investment in January 2003 and evolved to fully focus on software and technology enabled services companies starting with Fund IX in 2008. Transactions may take the form of leveraged buyouts, corporate carve-outs, take privates, buy-and-build, and recapitalizations. Thoma Bravo partners with management and has a high level of strategic and operations involvement post-investment to increase efficiency and grow the businesses. The Funds will construct a portfolio of approximately 12 to 15 platform investments, each, during the investment period. Thoma Bravo works closely with management post-investment and is involved with its portfolio companies on a strategic and operational level. Investment professionals work with company management on debt financings, and strategic initiatives whereas operating partners take the lead on financial reporting, infrastructure building, product development, marketing, and sales. Furthermore, the Firm's operating partners and advisors typically speak to and meet

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.

with company management teams often. At a minimum, there are two operating partners assigned to each company and a majority of the companies have additional operating partners and/or operating advisors. Post-investment, the Firm seeks to execute its add-on acquisition strategy to rapidly grow its portfolio companies. Add-on acquisitions are executed only when the business is organized in a way that the add-on acquisitions further strategic goals and can be integrated into an organization that is functioning well. These add-ons are generally financed from the portfolio company's free cash flow which do not require additional equity investment. To date, Thoma Bravo has invested in over 200 add-on acquisitions to their platform businesses.

Performance: Since 2000, Thoma Bravo flagship funds (TB IX-TB XIV) have generated a net annualized IRR of 29.0% through June 2021 compared to 19.9% for the S&P IT Sector. Nine of eleven of the Thoma Bravo's mature flagship funds (funds active more than three-years as of June 30, 2021) rank in the first decile or first quartile on a net IRR, net TVPI, and net DPI basis compared to Cambridge Associates benchmarks for buyout funds formed in the same vintage year.

As of September 30, 2021, the Discover strategy outperformed the Russell 2000 index and S&P 500 IT index by a wide margin. Since inception, the Discover platform has produced a net IRR of 44.6%, outperforming the Russell 2000 index by 15.7%. The Discover platform's mature funds (Discover I and Discover II) rank in the first decile on a net IRR and net TVPI basis as of September 30, 2021 compared to Cambridge Associates benchmarks for buyout funds formed in the same vintage year. Discover Fund III is too early in development to benchmark effectively.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The TB XV will charge a management fee equal to 1.5% of commitments during investment period; 1.5% of invested capital thereafter. The Discover IV will charge a management fee equal to 2.0% of commitments during investment period; 2.0% of invested capital thereafter. Both funds charge a carried interest of 20% on a deal-by-deal basis. There is not a preferred return. The general partner will commit at least 2%.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$25 million to Thoma Bravo XV, L.P. and up to \$35 million to Thoma Bravo Discover IV, L.P. as part of ERSRI's Private Equity allocation.