

## Recommendation on Industry Ventures Partnership Holdings IV, L.P.

To: RISIC  
Prepared: January 27, 2016  
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 Industry Ventures Partnership Holdings IV, L.P. Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund.

### Summary of Industry Ventures Partnership Holdings IV, L.P.

*Fund Overview:* Industry Ventures LLC (the "Manger" or "Industry") is raising Industry Ventures Partnership Holdings IV, L.P. (the "Fund" or "IVPH4"). The IVPH4 is a fund of fund vehicle targeting primary and secondary investments in small venture capital funds. The Fund will also make co-investments. The target allocation for the Fund is 40% primaries, 40% secondaries, and 20% co-investments.

*People and Organization:* Industry was formed in 2000 by Hans Swildens, Managing Director. The Firm was originally set up to be a seed stage venture capital firm, but moved into secondary investing with the downturn of the venture capital industry in 2001. The Firm has 25 employees including 12 investment professionals. The investment team is split between a primary team and a secondary team. The Firm has \$2.0 billion under management with two prior funds of the IVPH4 strategy, eight secondary only funds, and a number of separate accounts. The Firm is headquartered in San Francisco, has a small office in D.C. and is registered with the SEC.

*Investment Strategy and Process:* The strategy for IVPH4 is to invest in early stage venture capital with a focus on small funds targeting a net annualized return to limited partners of 20%-25%. The Fund will complement a targeted 40% allocation to primary commitments with a 40% target allocation to secondary investments that can be purchased at a discount to "market value" and a 20% target allocation to co-investments.

*Performance:* As of June 30, 2015, Industry's three prior funds of the same strategy as IVPH4 have generated a net annualized IRR of 26.4%. Since 2006, Industry's three prior funds of this strategy have invested \$140 million, distributed \$23 million and created a fair value of \$217 million for a total return of 1.7 times invested capital. All prior funds have generated first quartile performance on a net IRR basis relative to Cambridge Associates universe of U.S. Venture Capital Funds.

*Investment Terms:* IVPH4 is targeting \$200 million in commitments. The Fund will have a 10 year term with a four year investment period. The General Partner will charge a management fee of 1% of committed capital for the first seven years. After the seventh year, the management fee is based on contributed capital and declines to 95% of the prior year's fee each year. After a preferred return of 6% is achieved, the General Partner will receive a carried interest of 5% on primary commitments, 10% on secondary investments, and 20% on co-investments. Limited partners receive 100% of distributions until they have been returned all contributed capital plus the preferred return. The General Partner is committing 2% of the fund up to a maximum of \$4 million.

### Cliffwater Recommendation

Cliffwater recommends an investment of \$10 million in Industry Ventures Partnership Holdings IV, L.P.

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