
Recommendation for Wynnchurch Capital Partners V, L.P.

To: RISIC
Prepared: November 26, 2019
From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on Wynnchurch Capital Partners V, L.P. ("Wynnchurch V" or the "Fund"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Fund as part of ERSRI's Private Equity allocation.

Summary of Wynnchurch V

Fund Overview: Wynnchurch V will pursue a sector-focused buyout strategy to acquire industrial and manufacturing companies with an equity investment ranging from \$30 million to \$150 million.

People and Organization: Wynnchurch (or "the Firm") was founded in 1999 by John Hatherly and two former partners. Prior to co-founding the Firm, Hatherly spent 12 years at General Electric Capital Corporation in various roles including leading GE Capital's Merchant Banking Group and managing the group's leveraged buyout lending activities. The Firm has 38 employees including 30 investment professionals. The investment professionals include three managing partners, seven managing directors, two operations managing directors, and four operating partners. The investment professionals are divided into deal origination, deal execution and operating responsibilities. The Firm is headquartered in Rosemont, Illinois. The Firm has offices in Toronto, Canada and El Segundo, California.

Investment Strategy and Process: Wynnchurch plans to continue with its strategy of buying privately owned industrial and manufacturing companies, as well as completing corporate carve-out transactions. The Fund will pursue the acquisition of underperforming companies, stressed and distressed businesses, cyclical companies, as well as healthy companies that can be acquired at a discount. Post-investment, Wynnchurch works with company management on organic growth initiatives and to pursue add-on as well as transformative acquisitions during the ownership period. Wynnchurch opportunistically looks for platform companies through direct contact with potential private and corporate sellers, small bankers and brokers, and by canvassing middle market and larger investment banks to find companies that have proven difficult to sell. Wynnchurch is differentiated by its strategy of engaging in complex transactions and its in-house operations-focused resources which are used to assess potential investments and work with company management on organic growth and operational improvement initiatives. Wynnchurch intends to build a portfolio of 20 to 25 platform companies including five larger equity investments. The Fund will invest in smaller buyout transactions on an opportunistic basis.

Performance: As of June 30, 2019, the Firm generated a net IRR of 21.5% and a net return of 1.75 times invested capital. The Firm's first two funds returned more than 2.0 times paid-in capital on a net basis and the third fund is expected to meet this level as it exits additional companies. Fund IV is early in its development and its companies are performing well. Each prior fund has outperformed the public index by a wide margin. Overall, Wynnchurch has outperformed the Russell 2000 index by 12.8%. The Firm's prior funds largely rank in the first and second quartile compared to other buyout-focused funds formed in the same vintage years. Given the early-stage of Fund IV, the benchmarking of this fund is less relevant.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with

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industry standards. The management fee is 2% of aggregate commitments during the six year investment period and, thereafter, 2% of invested capital. The Fund charges a carried interest of 20% with an 8% preferred return.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$50 million to Wynnchurch Capital Partners V, L.P. as part of ERSRI's Private Equity allocation.