State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

M E M O R A N D U M

TO: Members of Investment Advisory Council

FROM: Shawn T. Wooden, State Treasurer and Council Secretary

DATE: April 16, 2020

SUBJECT: Investment Advisory Council Meeting – April 23, 2020

Enclosed is the agenda package for the Investment Advisory Council meeting on Thursday, April 23, 2020 starting at 9:00 A.M.

The following subjects will be covered at the meeting:

Item 1: Approval of the Minutes of the March 11, 2020 IAC Meeting

Item 2: Opening Comments by the Treasurer

Item 3: Update on the Market and the CRPTF Performance

Laurie Martin, Chief Investment Officer, will provide an update on the capital market environment and will report on the following:

- The CRPTF performance for the quarter ending March 31, 2020

Item 4: Private Credit Fund Opportunities

Mark Evans, Principal Investment Officer, will provide an overview of our Private Credit market strategy and the opportunities in the current environment.

Item 5: Presentation by and Consideration of Altaris Health Partners V, L.P.

Mark Evans, Principal Investment Officer, will provide opening remarks and introduce Altaris Health Partners V, L.P., a Private Investment Fund opportunity.

Item 6: Presentation by and Consideration of Hg Genesis 9, L.P. & Hg Saturn 2, L.P.

Mark Evans, Principal Investment Officer, will provide opening remarks and introduce Hg Genesis 9, L.P. & Hg Saturn 2, L.P., Private Investment Fund opportunities.

Item 7: Presentation by and Consideration of Homestead Capital USA Farmland Fund III, L.P.

Danita Johnson, Principal Investment Officer, will provide opening remarks and introduce Homestead Capital USA Farmland Fund III, L.P., a Real Assets Fund opportunity.

Item 8: **Presentation by and Consideration of Rockpoint Real Estate Fund VI, L.P**

Danita Johnson, Principal Investment Officer, will provide opening remarks and introduce Rockpoint Real Estate Fund VI, L.P., a Real Estate Fund opportunity.

Item 9: **Report on Corporate Governance**

Christine Shaw, Assistant Treasurer for Policy, will report on corporate governance activities for the quarter ended March 31, 2020.

Item 10: **Other Business**

- Discussion of the preliminary agenda for the May 13, 2020 IAC meeting

Item 11: **Comments by the Chair**

We look forward to reviewing these agenda items with you at the April 23rd meeting.

If you find that you are unable to attend this meeting, please call Katrina Farquhar at (860) 702-3110.

STW/kf

Enclosures

INVESTMENT ADVISORY COUNCIL
Wednesday, March 11, 2020

AGENDA ITEM #1

MEETING NO. 473

Members present:	Thomas Fiore, representing Secretary Melissa McCaw
	Joshua Hall*
*11:14am Departure	Michael Knight
	Steven Muench
	Richard Ross
	Patrick Sampson
	Carol Thomas, Interim Chair
	Shawn T. Wooden, Treasurer
Absent:	Michael LeClair
Others present:	Laurie Martin, Chief Investment Officer
	Kevin Cullinan, Chief Risk Officer
	Mark Evans, Principal Investment Officer
	Katrina Farquhar, Executive Assistant
	Lyndsey Farris, Principal Investment Officer
	Karen Grenon, Legal Counsel
	Darrell Hill, Deputy Treasurer
	Barbara Housen, Chief Compliance Officer, Deputy General Counsel
	Danita Johnson, Principal Investment Officer
	Raynald Lévèque, Deputy Chief Investment Officer
	Steve Meier, Senior Principal Investment Officer
	Paul Osinloye, Principal Investment Officer
Guests:	Dyice Ellis Beckham, Invesco
	Drianne Benner, Appomattox
	LaRoy Brantley, Meketa Investment Group
	Judy Chambers, Meketa Investment Group
	Brandon Colon, Meketa Investment Group
	Maguette Dicp, SEIU
	Will Greene, Loop Capital
	Chris Morgan, Franklin Templeton
	Mary Mustard, Meketa Investment Group
	Matt Ritter, NEPC
	Liz Smith, AllianceBernstein
	Peter Woolley, Meketa Investment Group

With a quorum present, Interim Chair Carol Thomas called the Investment Advisory Council ("IAC") meeting to order at 9:04 a.m.

Approval of Minutes of the February 19, 2020 IAC Meeting

Chair Thomas called for a motion to accept the minutes of the February 19, 2020 IAC meeting. **William Murray moved to approve the minutes of the February 19, 2020 IAC meeting. The motion was seconded by Thomas Fiore. There was one abstention from Steven Muench. There being no further discussion, the Chair called for a vote and the motion passed.**

Comments by the Treasurer

Treasurer Wooden, began his opening remarks by sharing recent corporate governance activities, including the agreements reached with Amgen and Bristol Myers-Squibb regarding the need for further disclosure in connection with their clawback polices. Next, he discussed the significant market volatility over recent weeks and the impact that it has had on the investment program. He reviewed the actions he is taking at the Office of the Treasurer ("OTT") in response to the COVID-19 virus and stated that the OTT is following the guidance provided by the Centers for Disease Control ("CDC") to keep our employees and our workspace healthy. Finally, Treasurer Wooden announced that six firms were under consideration for index and enhanced index investment management as well as transition management services for the Passive Panel manager search.

Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for Month Ending January 31, 2020

Laurie Martin, Chief Investment Officer ("CIO"), provided an update on the CRPTF's performance and commented on the capital market environment and the economic outlook. Then Steve Meier, Senior Principal Investment Officer, reviewed similarities and differences between the market volatility today versus the global financial crisis of 2009.

Presentation by and Consideration of the Finalists for the Passive Panel Investment Manager Search

Laurie Martin, CIO, provided opening remarks and introduced the six finalists for the Passive Panel Investment Manager Search.

RhumbLine Advisers, represented by Denise D'Entremont, President, Julie Lind, Portfolio Manager, and Antonio Ballestas, Portfolio Manager; Piedmont Investment Advisors, represented by Kila Weaver, Vice President – Marketing and Client Services, Sumali Sanyal, Co-CIO; State Street Global Advisors, represented by Taylor Famiglietti, Client Relationship Manager, Mike Feehily, Global Head of Equity beta team, and Patrick Bresnehan, North American Head of Fixed Income beta team; Northern Trust Corporation, represented by Mac Nickey, Director – Public Funds, Bill Kincaide, Director - Transition, and Jacob Weaver, Director – Global Equity; BlackRock, represented by Zaneta Koplewicz, Managing Director - Senior Relationship Manager, Emily Foote, Senior Strategist – Index Equity, Kit Donovan, Senior Strategist - Systematic Fixed Income, and Adam Esposito, Transition Management; and T. Rowe Price, represented by Deirdre Guice-Minor Institutional Business Development, Ryan Wagner, Institutional Client Services, and Ann Holcomb, Director of Equity Research, presented for the IAC.

Roll Call of Reactions for the Finalists for the Passive Panel Investment Manager Search

Messrs. Fiore, Murray, Muench, Michael Knight, Richard Ross, Patrick Sampson, and Chair Thomas provided feedback on the finalists for the Passive Panel manager search.

Chair Thomas called for a motion to waive the 45-day comment period. **A motion was made by Mr. Muench, seconded by Mr. Murray, to waive the 45-day comment period for the six Passive Panel finalists. There being no discussion, the Chair called for a vote and the motion passed.**

Consideration of the Search Process for Emerging Manager Program Search

Ms. Martin provided an overview of the project plan and scope of services for the Emerging Manager Program request for proposal.

Chair Thomas asked for a motion to endorse the search process for the Emerging Manager Program. **A motion was made by Michael Knight, seconded by Mr. Murray, to endorse the Emerging Manager Program search. There being no discussion, the Chair put the question to a vote and the motion was passed unanimously.**

Other Business

Chair Thomas noted the next meeting will be held on April 23, 2020. She invited the council members to submit agenda items.

Comments by the Chair

There being no further business, the Chair called for a motion to adjourn the meeting. **Mr. Muench moved to adjourn the meeting and the motion was seconded by Mr. Murray. There being no discussion, the meeting was adjourned at 11:59 a.m.**

TEACHER'S RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

AGENDA ITEM #3

											Compound, annualized returns			
Funds *Benchmark*	**Percent Holdings**	**Policy Weights**	**Lower Range**	**Upper Range**	**Market Value (mil.)**	**Month**	**Three Months**	**Fiscal YTD**	**Calendar YTD**	**One Year**	**Three Year**	**Five Year**	**Seven Year**	**Ten Year**
Teacher's Retirement Fund	**100.0%**				**$18,396.5**	**-3.40**	**-1.53**	**1.66**	**-3.63**	**6.08**	**6.42**	**5.79**	**6.81**	**7.57**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*6.02*	*6.89*	*5.87*	*6.93*	*7.74*
Dynamic Benchmark						*-3.43*	*-1.48*	*1.87*	*-3.72*	*5.67*	*6.60*	*5.62*	*6.66*	*N/A*
Domestic Equity	**21.0%**	**20.0**	15.0	25.0	**$3,856.5**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.40**	**8.76**	**11.95**	**12.24**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$2,156.2**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.54**	**3.32**	**5.69**	**6.48**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*6.44*
Emerging Markets ISF	**9.9%**	**9.0**	4.0	14.0	**$1,818.1**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**3.62**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*3.07*
Core Fixed Income	**15.5%**	**16.0**	11.0	21.0	**$2,844.6**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**6.0%**	**5.0**	0.0	10.0	**$1,099.8**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.97**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.3%**	**6.0**	1.0	11.0	**$1,156.4**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.65**	**6.60**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.0%**	**5.0**	0.0	10.0	**$925.0**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.06**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.4%**	**1.0**	0.0	3.0	**$450.5**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.01**	**1.36**	**0.84**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate[(1)]	**6.4%**	**10.0**	5.0	15.0	**$1,185.6**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.26**	**8.98**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment[(1)]	**7.5%**	**10.0**	5.0	15.0	**$1,383.6**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**13.36**	**12.97**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*13.15*	*13.25*
Alternative Investment Fund	**8.3%**	**7.0**	2.0	12.0	**$1,520.3**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**3.92**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*1.52*	*N/A*

[(1)] Reported on a quarterly basis with a 90 day lag

STATE EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
State Employees' Retirement Fund	**100.0%**				**$13,315.2**	**-3.42**	**-1.55**	**1.63**	**-3.66**	**6.06**	**6.53**	**5.83**	**6.84**	**7.62**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*6.07*	*6.91*	*5.87*	*6.93*	*7.80*
Dynamic Benchmark						*-3.45*	*-1.51*	*1.85*	*-3.75*	*5.68*	*6.70*	*5.71*	*6.75*	*N/A*
Domestic Equity	**21.0%**	**20.0**	15.0	25.0	**$2,790.1**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.40**	**8.76**	**11.95**	**12.24**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$1,560.8**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.54**	**3.32**	**5.68**	**6.48**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*6.44*
Emerging Markets ISF	**10.0%**	**9.0**	4.0	14.0	**$1,326.8**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**3.62**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*3.07*
Core Fixed Income	**15.4%**	**16.0**	11.0	21.0	**$2,056.6**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**6.0%**	**5.0**	0.0	10.0	**$796.8**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.97**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.3%**	**6.0**	1.0	11.0	**$833.0**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.65**	**6.60**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.0%**	**5.0**	0.0	10.0	**$671.9**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.07**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.4%**	**1.0**	0.0	3.0	**$314.2**	**0.15**	**0.45**	**1.39**	**0.30**	**2.27**	**2.02**	**1.37**	**0.84**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate[(1)]	**6.4%**	**10.0**	5.0	15.0	**$858.0**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.26**	**8.98**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment[(1)]	**7.5%**	**10.0**	5.0	15.0	**$1,003.7**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**13.37**	**12.97**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*13.15*	*13.25*
Alternative Investment Fund	**8.3%**	**7.0**	2.0	12.0	**$1,103.4**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**3.92**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*1.52*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

MUNICIPAL EMPLOYEES RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns Three Year	Five Year	Seven Year	Ten Year
Municipal Employees' Retirement Fund	**100.0%**				**$2,710.5**	**-3.40**	**-1.53**	**1.79**	**-3.64**	**6.08**	**6.12**	**5.71**	**6.31**	**7.06**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*5.91*	*6.45*	*5.61*	*6.36*	*7.37*
Dynamic Benchmark						*-3.43*	*-1.48*	*1.92*	*-3.73*	*5.63*	*6.25*	*5.51*	*6.05*	*N/A*
Domestic Equity	**20.9%**	**20.0**	15.0	25.0	**$565.2**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.40**	**8.76**	**11.95**	**12.23**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.6%**	**11.0**	6.0	16.0	**$315.6**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.32**	**5.69**	**6.48**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*6.44*
Emerging Markets ISF	**9.9%**	**9.0**	4.0	14.0	**$268.3**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.68**	**3.62**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*3.07*
Core Fixed Income	**15.4%**	**16.0**	11.0	21.0	**$418.7**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**6.0%**	**5.0**	0.0	10.0	**$161.6**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.97**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$168.3**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.65**	**6.60**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.1%**	**5.0**	0.0	10.0	**$137.4**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.07**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.6%**	**1.0**	0.0	3.0	**$71.1**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.84**	**0.83**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate[1]	**6.4%**	**10.0**	5.0	15.0	**$174.2**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.26**	**8.97**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment[1]	**7.5%**	**10.0**	5.0	15.0	**$204.0**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**13.37**	**12.97**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*13.15*	*13.25*
Alternative Investment Fund	**8.3%**	**7.0**	2.0	12.0	**$226.1**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**3.92**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*1.52*	*N/A*

[1] Reported on a quarterly basis with a 90 day lag

OPEB FUND

Net of All Fees and Expenses
Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
OPEB	**100.0%**				**$1,334.3**	**-3.40**	**-1.50**	**1.90**	**-3.63**	**6.52**	**6.06**	**5.65**	**6.10**	**N/A**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*6.21*	*6.35*	*5.58*	*6.35*	*N/A*
Dynamic Benchmark						*-3.43*	*-1.46*	*1.97*	*-3.72*	*6.51*	*6.35*	*5.64*	*N/A*	*N/A*
Domestic Equity	**20.5%**	**20.0**	15.0	25.0	**$273.4**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.42**	**8.75**	**11.95**	**N/A**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*N/A*
Developed Markets ISF	**11.5%**	**11.0**	6.0	15.0	**$153.8**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.56**	**3.32**	**5.68**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**9.8%**	**9.0**	4.0	14.0	**$130.9**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.17**	**1.66**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**15.3%**	**16.0**	11.0	21.0	**$204.2**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.93**	**N/A**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*N/A*
Emerging Market Debt	**5.9%**	**5.0**	0.0	10.0	**$78.6**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.95**	**4.53**	**1.98**	**N/A**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*N/A*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$82.7**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.07**	**4.33**	**4.62**	**N/A**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*N/A*
Inflation Linked Bonds	**5.2%**	**5.0**	0.0	10.0	**$70.0**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.02**	**N/A**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*N/A*
Liquidity Fund	**3.7%**	**1.0**	0.0	3.0	**$49.5**	**0.15**	**0.45**	**1.39**	**0.31**	**2.27**	**2.08**	**1.42**	**0.87**	**N/A**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*N/A*
Real Estate(1)	**6.3%**	**10.0**	5.0	15.0	**$84.2**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.69**	**8.19**	**N/A**	**N/A**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*N/A*	*N/A*
Private Investment(1)	**7.3%**	**10.0**	5.0	15.0	**$97.6**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.05**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*N/A*	*N/A*
Alternative Investment Fund	**8.2%**	**7.0**	2.0	12.0	**$109.5**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*N/A*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

PROBATE JUDGES EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year (Compound, annualized returns)	Five Year (Compound, annualized returns)	Seven Year (Compound, annualized returns)	Ten Year (Compound, annualized returns)
Probate Judges Employees' Retirement Fund	**100.0%**				**$110.6**	**-3.41**	**-1.53**	**1.89**	**-3.64**	**5.95**	**6.07**	**5.70**	**6.34**	**7.12**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*5.97*	*6.50*	*5.67*	*6.46*	*7.40*
Dynamic Benchmark						*-3.44*	*-1.48*	*1.98*	*-3.73*	*5.94*	*6.36*	*5.60*	*6.21*	*N/A*
Domestic Equity	**20.9%**	**20.0**	15.0	25.0	**$23.1**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.95**	**12.23**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$12.9**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.32**	**5.69**	**6.48**
MSCI EAFE IMI						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*6.44*
Emerging Markets ISF	**10.0%**	**9.0**	4.0	14.0	**$11.1**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.94**	**3.18**	**1.67**	**3.62**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*3.07*
Core Fixed Income	**15.4%**	**16.0**	11.0	21.0	**$17.1**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**5.9%**	**5.0**	0.0	10.0	**$6.6**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.98**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.3%**	**6.0**	1.0	11.0	**$6.9**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.65**	**6.60**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.1%**	**5.0**	0.0	10.0	**$5.6**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.06**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.3%**	**1.0**	0.0	3.0	**$2.5**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.01**	**1.36**	**0.84**	**0.83**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate(1)	**6.5%**	**10.0**	5.0	15.0	**$7.2**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.26**	**8.97**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment(1)	**7.5%**	**10.0**	5.0	15.0	**$8.4**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**13.37**	**12.97**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*13.15*	*13.25*
Alternative Investment Fund	**8.4%**	**7.0**	2.0	12.0	**$9.2**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**3.92**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*1.52*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

STATE JUDGES RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 29, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
State Judges Retirement Fund	**100.0%**				**$238.5**	**-3.41**	**-1.52**	**1.91**	**-3.66**	**6.10**	**6.16**	**5.73**	**6.35**	**7.24**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*5.91*	*6.45*	*5.61*	*6.36*	*7.37*
Dynamic Benchmark						*-3.44*	*-1.48*	*2.00*	*-3.75*	*6.04*	*6.40*	*5.60*	*6.16*	*N/A*
Domestic Equity	**20.9%**	**20.0**	15.0	25.0	**$49.7**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.40**	**8.76**	**11.95**	**12.24**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$27.9**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.32**	**5.69**	**6.49**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*6.44*
Emerging Markets ISF	**9.9%**	**9.0**	4.0	14.0	**$23.6**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**3.62**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*3.07*
Core Fixed Income	**15.4%**	**16.0**	11.0	21.0	**$36.7**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**6.0%**	**5.0**	0.0	10.0	**$14.3**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.98**	**4.80**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$14.8**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.65**	**6.60**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.1%**	**5.0**	0.0	10.0	**$12.1**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.06**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.6%**	**1.0**	0.0	3.0	**$6.1**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.84**	**0.79**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate(1)	**6.4%**	**10.0**	5.0	15.0	**$15.4**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.26**	**8.97**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment(1)	**7.6%**	**10.0**	5.0	15.0	**$18.0**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**13.37**	**12.97**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*13.15*	*13.25*
Alternative Investment Fund	**8.3%**	**7.0**	2.0	12.0	**$19.8**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**3.92**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*1.52*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

STATE'S ATTORNEYS' RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / Benchmark	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns: Three Year	Five Year	Seven Year	Ten Year
State's Attorneys' Retirement Fund	**100.0%**				**$2.1**	**-3.40**	**-1.52**	**1.90**	**-3.64**	**5.33**	**5.92**	**5.24**	**5.91**	**6.24**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*8.42*	*7.02*	*5.73*	*6.77*	*N/A*
Dynamic Benchmark						*-3.43*	*-1.48*	*1.99*	*-3.73*	*6.92*	*6.67*	*5.51*	*5.77*	*N/A*
Domestic Equity	**20.8%**	**20.0**	15.0	25.0	**$0.4**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.95**	**12.23**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$0.2**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**N/A**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*N/A*	*N/A*
Emerging Markets ISF	**9.9%**	**9.0**	4.0	14.0	**$0.2**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.94**	**3.18**	**N/A**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*N/A*	*N/A*
Core Fixed Income	**15.4%**	**16.0**	11.0	21.0	**$0.3**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**3.00**	**3.88**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**6.0%**	**5.0**	0.0	10.0	**$0.1**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.97**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$0.1**	**-1.91**	**0.70**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.62**	**6.57**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.1%**	**5.0**	0.0	10.0	**$0.1**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.24**	**1.06**	**3.27**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.6%**	**1.0**	0.0	3.0	**$0.1**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.84**	**0.84**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate[(1)]	**6.5%**	**10.0**	5.0	15.0	**$0.1**	**N/A**	**1.05**	**3.46**	**1.01**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Private Investment[(1)]	**7.5%**	**10.0**	5.0	15.0	**$0.2**	**N/A**	**0.92**	**6.76**	**0.44**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Alternative Investment Fund	**8.4%**	**7.0**	2.0	12.0	**$0.2**	**-0.25**	**0.52**	**2.84**	**0.05**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

AGRICULTURAL COLLEGE FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Agricultural College Fund	**100.0%**				**$0.7**	**1.70**	**3.56**	**6.16**	**3.60**	**10.78**	**4.49**	**3.32**	**2.97**	**4.34**
Policy Benchmark						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*4.29*
Dynamic Benchmark						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*N/A*	*N/A*
Core Fixed Income	**99.0%**	**100.0**	100.0	100.0	**$0.7**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund [1]	**1.0%**				**$0.0**	**0.15**	**0.44**	**1.64**	**0.29**	**2.32**	**1.68**	**1.08**	**0.62**	**0.69**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

[1] Operational cash balance

ANDREW C. CLARK FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Andrew C. Clark Fund	**100.0%**				**$1.3**	**-1.26**	**0.62**	**3.84**	**-0.46**	**8.19**	**5.29**	**4.26**	**4.67**	**5.82**
Policy Benchmark						*-1.23*	*0.66*	*4.08*	*-0.39*	*9.17*	*5.70*	*4.41*	*4.89*	*5.79*
Dynamic Benchmark						*-1.27*	*0.63*	*4.05*	*-0.44*	*8.90*	*5.76*	*4.44*	*N/A*	*N/A*
Domestic Equity	**14.6%**	**15.0**	10.0	20.0	**$0.2**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.94**	**12.22**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**10.0%**	**11.0**	6.0	16.0	**$0.1**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**5.69**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**3.8%**	**4.0**	0.0	5.0	**$0.0**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**69.7%**	**67.0**	57.0	77.0	**$0.9**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund	**1.8%**	**3.0**	0.0	4.0	**$0.0**	**0.15**	**0.45**	**5.93**	**0.30**	**6.85**	**4.74**	**3.02**	**2.06**	**1.71**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

SOLDIERS' SAILORS' & MARINES' FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Soldiers' Sailors' & Marines Fund	**100.0%**				**$81.1**	**-1.26**	**0.60**	**3.78**	**-0.46**	**8.19**	**5.28**	**4.26**	**4.65**	**5.69**
Policy Benchmark						*-1.23*	*0.66*	*4.08*	*-0.39*	*9.17*	*5.70*	*4.41*	*4.89*	*5.55*
Dynamic Benchmark						*-1.27*	*0.61*	*4.01*	*-0.45*	*8.91*	*5.75*	*4.45*	*N/A*	*N/A*
Domestic Equity	**14.6%**	**15.0**	10.0	20.0	**$11.8**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.42**	**8.76**	**11.96**	**12.24**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**10.0%**	**11.0**	6.0	16.0	**$8.1**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**5.69**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**3.8%**	**4.0**	0.0	5.0	**$3.1**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**69.3%**	**67.0**	57.0	77.0	**$56.2**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund	**2.3%**	**3.0**	0.0	4.0	**$1.9**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.84**	**0.83**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

SCHOOL FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
School Fund	**100.0%**				**$12.5**	**-1.32**	**0.57**	**3.74**	**-0.54**	**8.18**	**5.28**	**4.27**	**4.67**	**5.75**
Policy Benchmark						*-1.23*	*0.66*	*4.08*	*-0.39*	*9.17*	*5.70*	*4.41*	*4.89*	*5.79*
Dynamic Benchmark						*-1.34*	*0.57*	*3.95*	*-0.53*	*8.88*	*5.74*	*4.45*	*N/A*	*N/A*
Domestic Equity	**14.8%**	**15.0**	10.0	20.0	**$1.9**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.96**	**12.23**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**10.2%**	**11.0**	6.0	16.0	**$1.3**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**5.69**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**4.1%**	**4.0**	0.0	5.0	**$0.5**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**69.4%**	**67.0**	57.0	77.0	**$8.7**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund	**1.5%**	**3.0**	0.0	4.0	**$0.2**	**0.31**	**0.91**	**2.22**	**0.62**	**3.77**	**3.37**	**2.18**	**1.32**	**1.17**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

IDA EATON COTTON FUND

Net of All Fees and Expenses
Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
IDA Eaton Cotton Fund	**100.0%**				**$2.7**	**-1.27**	**0.60**	**3.82**	**-0.47**	**8.18**	**5.29**	**4.26**	**4.66**	**5.82**
Policy Benchmark						*-1.23*	*0.66*	*4.08*	*-0.39*	*9.17*	*5.70*	*4.41*	*4.89*	*5.79*
Dynamic Benchmark						*-1.28*	*0.61*	*4.04*	*-0.46*	*8.88*	*5.75*	*4.44*	*N/A*	*N/A*
Domestic Equity	**14.6%**	**15.0**	10.0	20.0	**$0.4**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.95**	**12.23**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**10.0%**	**11.0**	6.0	16.0	**$0.3**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**5.69**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**3.8%**	**4.0**	0.0	5.0	**$0.1**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**69.2%**	**67.0**	57.0	77.0	**$1.9**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.29**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund	**2.3%**	**3.0**	0.0	4.0	**$0.1**	**0.15**	**0.45**	**5.92**	**0.30**	**6.84**	**5.10**	**3.21**	**2.27**	**1.77**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

HOPEMEAD FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Hopemead Fund	**100.0%**				**$4.3**	**-1.30**	**0.57**	**3.78**	**-0.51**	**8.13**	**5.25**	**4.23**	**4.63**	**5.56**
Policy Benchmark						*-1.23*	*0.66*	*4.08*	*-0.39*	*9.17*	*5.70*	*4.41*	*4.89*	*5.79*
Dynamic Benchmark						*-1.31*	*0.58*	*4.01*	*-0.50*	*8.85*	*5.72*	*4.42*	*N/A*	*N/A*
Domestic Equity	**14.9%**	**15.0**	10.0	20.0	**$0.6**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**11.94**	**12.22**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**9.9%**	**11.0**	6.0	16.0	**$0.4**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.33**	**5.69**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**3.8%**	**4.0**	0.0	5.0	**$0.2**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**68.4%**	**67.0**	57.0	77.0	**$2.9**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.85**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Liquidity Fund	**2.9%**	**3.0**	0.0	4.0	**$0.1**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.85**	**0.85**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

ARTS ENDOWMENT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns: Three Year	Five Year	Seven Year	Ten Year
Arts Endowment Fund	**100.0%**				**$19.6**	**-4.51**	**-2.27**	**0.84**	**-4.93**	**4.81**	**4.50**	**3.78**	**4.30**	**5.28**
Policy Benchmark						*-4.55*	*-2.35*	*1.18*	*-4.97*	*5.78*	*5.07*	*4.03*	*4.62*	*5.62*
Dynamic Benchmark						*-4.54*	*-2.37*	*1.08*	*-4.99*	*5.17*	*N/A*	*N/A*	*N/A*	*N/A*
Domestic Equity	**27.4%**	**28.0**	23.0	33.0	**$5.4**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.43**	**8.77**	**11.94**	**N/A**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*N/A*
Developed Markets ISF	**15.4%**	**17.0**	12.0	22.0	**$3.0**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.57**	**3.34**	**5.68**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*5.98*	*N/A*
Emerging Markets ISF	**12.0%**	**12.0**	7.0	17.0	**$2.4**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.96**	**3.19**	**1.67**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*1.58*	*N/A*
Core Fixed Income	**16.9%**	**16.0**	11.0	21.0	**$3.3**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**2.95**	**3.84**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**7.9%**	**8.0**	3.0	13.0	**$1.6**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**N/A**	**N/A**	**N/A**	**N/A**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*N/A*	*N/A*	*N/A*	*N/A*
High Yield	**9.3%**	**9.0**	4.0	14.0	**$1.8**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**N/A**	**N/A**	**N/A**	**N/A**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*N/A*	*N/A*	*N/A*	*N/A*
Inflation Linked Bonds	**9.3%**	**9.0**	4.0	14.0	**$1.8**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*N/A*	*N/A*	*N/A*	*N/A*
Liquidity Fund	**1.7%**	**1.0**	0.0	3.0	**$0.3**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**1.98**	**1.33**	**0.82**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*

POLICEMEN AND FIREMEN SURVIVORS' BENEFIT FUND

Net of All Fees and Expenses

Periods Ending February 29, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Policemen and Firemen Survivors' Benefit Fund	**100.0%**				**$37.4**	**-3.41**	**-1.53**	**1.91**	**-3.64**	**5.97**	**6.23**	**5.81**	**6.66**	**7.36**
Policy Benchmark						*-3.03*	*-1.08*	*2.22*	*-3.25*	*5.82*	*6.60*	*5.71*	*N/A*	*N/A*
Dynamic Benchmark						*-3.44*	*-1.48*	*2.01*	*-3.73*	*5.87*	*6.47*	*5.65*	*N/A*	*N/A*
Domestic Equity	**20.8%**	**20.0**	15.0	25.0	**$7.8**	**-7.97**	**-5.23**	**1.64**	**-7.88**	**7.09**	**9.41**	**8.76**	**12.20**	**12.41**
Russell 3000						*-8.19*	*-5.64*	*1.22*	*-8.29*	*6.90*	*9.28*	*8.72*	*11.90*	*12.48*
Developed Markets ISF	**11.7%**	**11.0**	6.0	16.0	**$4.4**	**-8.78**	**-7.94**	**-5.06**	**-11.01**	**-1.19**	**3.55**	**3.32**	**N/A**	**N/A**
MSCI EAFE IMI Net						*-9.15*	*-8.12*	*-3.38*	*-11.16*	*0.83*	*4.62*	*3.36*	*N/A*	*N/A*
Emerging Markets ISF	**9.9%**	**9.0**	4.0	14.0	**$3.7**	**-5.35**	**-3.29**	**-2.23**	**-9.51**	**1.30**	**4.95**	**3.18**	**N/A**	**N/A**
MSCI Emerging Markets IMI						*-5.46*	*-3.20*	*-3.66*	*-9.80*	*-2.43*	*4.25*	*2.40*	*N/A*	*N/A*
Core Fixed Income	**15.3%**	**16.0**	11.0	21.0	**$5.7**	**1.70**	**3.57**	**6.10**	**3.60**	**10.68**	**4.45**	**3.28**	**3.03**	**3.91**
Barclays U.S. Aggregate Bond Index						*1.80*	*3.69*	*6.30*	*3.76*	*11.68*	*5.01*	*3.58*	*3.29*	*3.93*
Emerging Market Debt	**5.9%**	**5.0**	0.0	10.0	**$2.2**	**-2.62**	**0.90**	**-0.12**	**-2.64**	**4.55**	**3.94**	**4.52**	**1.97**	**4.79**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-2.19*	*0.94*	*1.74*	*-2.07*	*6.73*	*4.87*	*4.05*	*1.99*	*5.01*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$2.3**	**-1.91**	**0.69**	**1.85**	**-1.33**	**4.97**	**4.08**	**4.34**	**4.62**	**6.57**
FTSE High Yield Market Capped Index						*-1.72*	*0.32*	*1.99*	*-1.74*	*5.38*	*4.54*	*4.79*	*4.91*	*6.89*
Inflation Linked Bonds	**5.2%**	**5.0**	0.0	10.0	**$2.0**	**-0.49**	**2.36**	**3.71**	**1.22**	**7.78**	**4.38**	**2.25**	**1.03**	**3.25**
Barclays World Gov't Inflation Linked Bond Index						*-0.12*	*2.83*	*3.99*	*2.16*	*8.62*	*4.36*	*2.72*	*1.21*	*3.34*
Liquidity Fund	**2.6%**	**1.0**	0.0	3.0	**$1.0**	**0.15**	**0.45**	**1.39**	**0.30**	**2.26**	**2.02**	**1.37**	**0.84**	**0.84**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.51*	*0.80*	*1.67*	*0.65*	*2.50*	*1.95*	*1.32*	*0.99*	*0.77*
Real Estate(1)	**6.4%**	**10.0**	5.0	15.0	**$2.4**	**N/A**	**1.05**	**3.46**	**1.01**	**5.65**	**6.68**	**8.19**	**9.20**	**8.93**
*ODCE Index 1Q in Arrears^*						*N/A*	*1.31*	*2.32*	*0.00*	*5.20*	*6.41*	*8.35*	*9.14*	*9.66*
Private Investment(1)	**7.5%**	**10.0**	5.0	15.0	**$2.8**	**N/A**	**0.92**	**6.76**	**0.44**	**14.18**	**14.01**	**13.04**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*1.75*	*6.47*	*0.00*	*5.42*	*11.83*	*10.39*	*N/A*	*N/A*
Alternative Investment Fund	**8.4%**	**7.0**	2.0	12.0	**$3.1**	**-0.25**	**0.52**	**2.84**	**0.05**	**7.24**	**4.52**	**3.09**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.39*	*1.16*	*3.29*	*0.77*	*5.18*	*3.38*	*2.11*	*N/A*	*N/A*

(1) Reported on a quarterly basis with a 90 day lag

TEACHER'S RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

AGENDA ITEM #3

											Compound, annualized returns			
Funds *Benchmark*	**Percent Holdings**	**Policy Weights**	**Lower Range**	**Upper Range**	**Market Value (mil.)**	**Month**	**Three Months**	**Fiscal YTD**	**Calendar YTD**	**One Year**	**Three Year**	**Five Year**	**Seven Year**	**Ten Year**
Teacher's Retirement Fund	**100.0%**				**$16,312.7**	**-10.54**	**-13.78**	**-9.05**	**-13.78**	**-6.09**	**2.17**	**3.58**	**4.92**	**5.90**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.67*	*3.04*	*3.83*	*5.16*	*6.21*
Dynamic Benchmark						*-9.55*	*-12.92*	*-7.86*	*-12.92*	*-4.46*	*2.77*	*3.60*	*4.81*	*N/A*
Domestic Equity	**20.4%**	**20.0**	15.0	25.0	**$3,326.6**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.83**	**9.05**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.3%**	**11.0**	6.0	16.0	**$1,848.3**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.36**	**0.36**	**3.29**	**4.24**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*4.16*
Emerging Markets ISF	**9.5%**	**9.0**	4.0	14.0	**$1,547.6**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.41**	**1.13**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*0.47*
Core Fixed Income	**17.1%**	**16.0**	11.0	21.0	**$2,790.0**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.7%**	**5.0**	0.0	10.0	**$921.7**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.17**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.3%**	**6.0**	1.0	11.0	**$1,023.7**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.98**	**2.67**	**4.99**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.4%**	**5.0**	0.0	10.0	**$874.7**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.24**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.2%**	**1.0**	0.0	3.0	**$361.6**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.00**	**1.41**	**0.85**	**0.80**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate(1)	**6.7%**	**10.0**	5.0	15.0	**$1,095.4**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.97**	**8.28**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment(1)	**7.0%**	**10.0**	5.0	15.0	**$1,140.6**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**10.39**	**10.74**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*9.76*	*10.63*
Alternative Investment Fund	**8.5%**	**7.0**	2.0	12.0	**$1,382.4**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**2.28**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*1.59*	*N/A*

(1) Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

STATE EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

											Compound, annualized returns			
Funds *Benchmark*	**Percent Holdings**	**Policy Weights**	**Lower Range**	**Upper Range**	**Market Value (mil.)**	**Month**	**Three Months**	**Fiscal YTD**	**Calendar YTD**	**One Year**	**Three Year**	**Five Year**	**Seven Year**	**Ten Year**
State Employees' Retirement Fund	**100.0%**				**$11,888.9**	**-10.60**	**-13.87**	**-9.15**	**-13.87**	**-6.22**	**2.24**	**3.60**	**4.94**	**5.95**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.68*	*3.06*	*3.83*	*5.16*	*6.25*
Dynamic Benchmark						*-9.62*	*-13.01*	*-7.95*	*-13.01*	*-4.59*	*2.85*	*3.68*	*4.89*	*N/A*
Domestic Equity	**20.2%**	**20.0**	15.0	25.0	**$2,406.7**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.83**	**9.05**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.4%**	**11.0**	6.0	16.0	**$1,356.5**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.36**	**0.36**	**3.29**	**4.24**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*4.16*
Emerging Markets ISF	**9.5%**	**9.0**	4.0	14.0	**$1,129.4**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**1.13**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*0.47*

Funds / Benchmark	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
Core Fixed Income	**17.1%**	**16.0**	11.0	21.0	**$2,033.5**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.6%**	**5.0**	0.0	10.0	**$670.4**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.17**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$737.4**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.98**	**2.67**	**4.99**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.3%**	**5.0**	0.0	10.0	**$635.0**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.24**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.3%**	**1.0**	0.0	3.0	**$272.5**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.86**	**0.81**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate(1)	**6.8%**	**10.0**	5.0	15.0	**$802.6**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.97**	**8.28**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment(1)	**7.1%**	**10.0**	5.0	15.0	**$845.2**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**10.39**	**10.74**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*9.76*	*10.63*
Alternative Investment Fund	**8.4%**	**7.0**	2.0	12.0	**$999.6**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**2.28**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*1.59*	*N/A*

(1) Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

MUNICIPAL EMPLOYEES RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Municipal Employees' Retirement Fund	**100.0%**				**$2,420.0**	**-10.56**	**-13.81**	**-8.96**	**-13.81**	**-6.09**	**1.94**	**3.50**	**4.48**	**5.49**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.91*	*2.66*	*3.58*	*4.63*	*5.91*
Dynamic Benchmark						*-9.57*	*-12.95*	*-7.83*	*-12.95*	*-4.51*	*2.48*	*3.49*	*4.28*	*N/A*
Domestic Equity	**20.1%**	**20.0**	15.0	25.0	**$487.6**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.84**	**9.05**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.3%**	**11.0**	6.0	16.0	**$274.3**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.36**	**0.36**	**3.29**	**4.24**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*4.16*
Emerging Markets ISF	**9.4%**	**9.0**	4.0	14.0	**$228.4**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**1.14**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*0.47*
Core Fixed Income	**17.2%**	**16.0**	11.0	21.0	**$415.0**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.73**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.6%**	**5.0**	0.0	10.0	**$136.0**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.17**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$149.0**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.97**	**2.67**	**4.99**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.4%**	**5.0**	0.0	10.0	**$129.9**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.24**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.6%**	**1.0**	0.0	3.0	**$62.0**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.85**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate[(1)]	**6.7%**	**10.0**	5.0	15.0	**$163.0**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.97**	**8.27**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment[(1)]	**7.1%**	**10.0**	5.0	15.0	**$171.8**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**10.39**	**10.74**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*9.76*	*10.63*
Alternative Investment Fund	**8.4%**	**7.0**	2.0	12.0	**$203.1**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**2.28**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*1.59*	*N/A*

[(1)] Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

OPEB FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year (Compound, annualized returns)	Five Year (Compound, annualized returns)	Seven Year (Compound, annualized returns)	Ten Year (Compound, annualized returns)
OPEB	**100.0%**				**$1,211.9**	**-10.60**	**-13.85**	**-8.90**	**-13.85**	**-5.89**	**1.91**	**3.39**	**4.31**	**N/A**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.96*	*2.61*	*3.49*	*4.72*	*N/A*
Dynamic Benchmark						*-9.62*	*-12.98*	*-7.84*	*-12.98*	*-3.92*	*2.60*	*3.55*	*N/A*	*N/A*
Domestic Equity	**20.0%**	**20.0**	15.0	25.0	**$241.8**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.83**	**9.04**	**N/A**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*N/A*
Developed Markets ISF	**11.3%**	**11.0**	6.0	15.0	**$137.1**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.36**	**3.28**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**9.4%**	**9.0**	4.0	14.0	**$113.9**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.38**	**-0.41**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**16.9%**	**16.0**	11.0	21.0	**$205.4**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.66**	**3.94**	**2.94**	**2.70**	**N/A**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*N/A*
Emerging Market Debt	**5.6%**	**5.0**	0.0	10.0	**$67.3**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.17**	**1.17**	**-0.41**	**N/A**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*N/A*
High Yield	**6.0%**	**6.0**	1.0	11.0	**$73.2**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.97**	**2.64**	**N/A**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*N/A*
Inflation Linked Bonds	**5.6%**	**5.0**	0.0	10.0	**$67.7**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.40**	**1.37**	**0.19**	**N/A**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*N/A*
Liquidity Fund	**3.5%**	**1.0**	0.0	3.0	**$42.3**	**0.09**	**0.39**	**1.48**	**0.39**	**2.13**	**2.08**	**1.46**	**0.89**	**N/A**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*N/A*
Real Estate[1]	**6.6%**	**10.0**	5.0	15.0	**$79.6**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**N/A**	**N/A**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*N/A*	*N/A*
Private Investment[1]	**6.8%**	**10.0**	5.0	15.0	**$83.0**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*N/A*	*N/A*
Alternative Investment Fund	**8.3%**	**7.0**	2.0	12.0	**$100.5**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*N/A*	*N/A*

[1] Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

PROBATE JUDGES EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year (Compound, annualized returns)	Five Year	Seven Year	Ten Year
Probate Judges Employees' Retirement Fund	**100.0%**				**$98.4**	**-10.58**	**-13.84**	**-8.89**	**-13.84**	**-6.18**	**1.88**	**3.48**	**4.50**	**5.53**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.88*	*2.70*	*3.64*	*4.72*	*5.95*
Dynamic Benchmark						*-9.58*	*-12.96*	*-7.79*	*-12.96*	*-4.25*	*2.58*	*3.58*	*4.43*	*N/A*
Domestic Equity	**20.3%**	**20.0**	15.0	25.0	**$19.9**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.84**	**9.04**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.3%**	**11.0**	6.0	16.0	**$11.2**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.36**	**0.36**	**3.29**	**4.24**
MSCI EAFE IMI						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*4.16*
Emerging Markets ISF	**9.5%**	**9.0**	4.0	14.0	**$9.3**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**1.14**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*0.47*
Core Fixed Income	**17.1%**	**16.0**	11.0	21.0	**$16.8**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.66**	**3.94**	**2.94**	**2.73**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.6%**	**5.0**	0.0	10.0	**$5.6**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.16**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.1%**	**6.0**	1.0	11.0	**$6.1**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.97**	**2.67**	**4.99**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.4%**	**5.0**	0.0	10.0	**$5.3**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.24**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.0%**	**1.0**	0.0	3.0	**$2.0**	**0.08**	**0.39**	**1.48**	**0.39**	**2.11**	**2.00**	**1.40**	**0.85**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate(1)	**6.8%**	**10.0**	5.0	15.0	**$6.7**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.97**	**8.27**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment(1)	**7.1%**	**10.0**	5.0	15.0	**$7.0**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**10.39**	**10.74**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*9.76*	*10.63*
Alternative Investment Fund	**8.6%**	**7.0**	2.0	12.0	**$8.5**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**2.28**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*1.59*	*N/A*

(1) Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

STATE JUDGES RETIREMENT FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
State Judges Retirement Fund	**100.0%**				**$213.0**	**-10.61**	**-13.88**	**-8.90**	**-13.88**	**-6.13**	**1.96**	**3.50**	**4.50**	**5.64**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.91*	*2.66*	*3.58*	*4.63*	*5.91*
Dynamic Benchmark						*-9.61*	*-13.00*	*-7.80*	*-13.00*	*-4.18*	*2.62*	*3.57*	*4.37*	*N/A*
Domestic Equity	**20.2%**	**20.0**	15.0	25.0	**$42.9**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.84**	**9.04**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.4%**	**11.0**	6.0	16.0	**$24.2**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.36**	**3.29**	**4.24**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*4.16*
Emerging Markets ISF	**9.4%**	**9.0**	4.0	14.0	**$20.1**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**1.14**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*0.47*
Core Fixed Income	**17.1%**	**16.0**	11.0	21.0	**$36.4**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.66**	**3.94**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.8%**	**5.0**	0.0	10.0	**$12.3**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.17**	**-0.40**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.2%**	**6.0**	1.0	11.0	**$13.1**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.97**	**2.67**	**4.99**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.5%**	**5.0**	0.0	10.0	**$11.6**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.24**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.1%**	**1.0**	0.0	3.0	**$4.5**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.86**	**0.77**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate[(1)]	**6.8%**	**10.0**	5.0	15.0	**$14.4**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.97**	**8.27**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment[(1)]	**7.1%**	**10.0**	5.0	15.0	**$15.2**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**10.39**	**10.74**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*9.76*	*10.63*
Alternative Investment Fund	**8.5%**	**7.0**	2.0	12.0	**$18.2**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**2.28**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*1.59*	*N/A*

(1) Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

STATE'S ATTORNEYS' RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
State's Attorneys' Retirement Fund	**100.0%**				**$1.9**	**-10.60**	**-13.85**	**-8.90**	**-13.85**	**-6.87**	**1.70**	**3.02**	**4.10**	**4.90**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.25*	*3.20*	*3.71*	*5.03*	*N/A*
Dynamic Benchmark						*-9.59*	*-12.97*	*-7.79*	*-12.97*	*-4.56*	*2.87*	*3.50*	*4.14*	*N/A*
Domestic Equity	**20.1%**	**20.0**	15.0	25.0	**$0.4**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.04**	**9.91**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.3%**	**11.0**	6.0	16.0	**$0.2**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.36**	**N/A**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*N/A*	*N/A*
Emerging Markets ISF	**9.4%**	**9.0**	4.0	14.0	**$0.2**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.38**	**N/A**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*N/A*	*N/A*
Core Fixed Income	**17.1%**	**16.0**	11.0	21.0	**$0.3**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.94**	**2.94**	**2.78**	**3.73**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.7%**	**5.0**	0.0	10.0	**$0.1**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.19**	**1.16**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.1%**	**6.0**	1.0	11.0	**$0.1**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.98**	**2.64**	**4.96**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.5%**	**5.0**	0.0	10.0	**$0.1**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.40**	**1.37**	**0.23**	**2.72**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.2%**	**1.0**	0.0	3.0	**$0.0**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.02**	**1.42**	**0.86**	**0.83**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate[(1)]	**6.8%**	**10.0**	5.0	15.0	**$0.1**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Private Investment[(1)]	**7.1%**	**10.0**	5.0	15.0	**$0.1**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Alternative Investment Fund	**8.6%**	**7.0**	2.0	12.0	**$0.2**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

(1) Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

AGRICULTURAL COLLEGE FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Agricultural College Fund	**100.0%**				**$0.7**	**-1.44**	**2.10**	**4.63**	**2.10**	**7.75**	**3.98**	**2.98**	**2.75**	**3.98**
Policy Benchmark						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*4.07*
Dynamic Benchmark						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*N/A*	*N/A*
Core Fixed Income	**99.5%**	**100.0**	100.0	100.0	**$0.7**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.73**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund [1]	**0.5%**				**$0.0**	**0.08**	**0.38**	**1.72**	**0.38**	**2.16**	**1.67**	**1.12**	**0.63**	**0.67**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

[1] Operational cash balance

ANDREW C. CLARK FUND
Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns: Three Year	Five Year	Seven Year	Ten Year
Andrew C. Clark Fund	**100.0%**				**$1.2**	**-4.94**	**-5.38**	**-1.30**	**-5.38**	**1.57**	**3.35**	**3.23**	**3.79**	**5.08**
Policy Benchmark						*-4.61*	*-4.99*	*-0.72*	*-4.99*	*2.44*	*3.93*	*3.41*	*4.07*	*5.14*
Dynamic Benchmark						*-4.45*	*-4.87*	*-0.58*	*-4.87*	*2.36*	*4.04*	*3.47*	*N/A*	*N/A*
Domestic Equity	**13.2%**	**15.0**	10.0	20.0	**$0.2**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.03**	**9.90**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**9.2%**	**11.0**	6.0	16.0	**$0.1**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.37**	**3.29**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**3.4%**	**4.0**	0.0	5.0	**$0.0**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**72.7%**	**67.0**	57.0	77.0	**$0.9**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund	**1.5%**	**3.0**	0.0	4.0	**$0.0**	**0.09**	**0.39**	**6.02**	**0.39**	**6.70**	**4.73**	**3.07**	**2.07**	**1.70**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

SOLDIERS' SAILORS' & MARINES' FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Soldiers' Sailors' & Marines Fund	**100.0%**				**$77.1**	**-4.90**	**-5.34**	**-1.30**	**-5.34**	**1.62**	**3.36**	**3.24**	**3.79**	**5.04**
Policy Benchmark						*-4.61*	*-4.99*	*-0.72*	*-4.99*	*2.44*	*3.93*	*3.41*	*4.07*	*5.01*
Dynamic Benchmark						*-4.41*	*-4.83*	*-0.58*	*-4.83*	*2.42*	*4.05*	*3.50*	*N/A*	*N/A*
Domestic Equity	**13.1%**	**15.0**	10.0	20.0	**$10.1**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.05**	**9.92**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**9.1%**	**11.0**	6.0	16.0	**$7.1**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.37**	**3.29**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**3.4%**	**4.0**	0.0	5.0	**$2.6**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**71.8%**	**67.0**	57.0	77.0	**$55.4**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.94**	**2.94**	**2.73**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund	**2.6%**	**3.0**	0.0	4.0	**$2.0**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.86**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

SCHOOL FUND

Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds *Benchmark*	**Percent Holdings**	**Policy Weights**	**Lower Range**	**Upper Range**	**Market Value (mil.)**	**Month**	**Three Months**	**Fiscal YTD**	**Calendar YTD**	**One Year**	Compound, annualized returns **Three Year**	**Five Year**	**Seven Year**	**Ten Year**
School Fund	**100.0%**				**$11.6**	**-4.90**	**-5.42**	**-1.35**	**-5.42**	**1.58**	**3.36**	**3.25**	**3.81**	**5.02**
Policy Benchmark						*-4.61*	*-4.99*	*-0.72*	*-4.99*	*2.44*	*3.93*	*3.41*	*4.07*	*5.14*
Dynamic Benchmark						*-4.41*	*-4.92*	*-0.63*	*-4.92*	*2.36*	*4.03*	*3.49*	*N/A*	*N/A*
Domestic Equity	**13.0%**	**15.0**	10.0	20.0	**$1.5**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.05**	**9.91**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**9.2%**	**11.0**	6.0	16.0	**$1.1**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.36**	**3.29**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**3.5%**	**4.0**	0.0	5.0	**$0.4**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**73.2%**	**67.0**	57.0	77.0	**$8.5**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.94**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund	**1.1%**	**3.0**	0.0	4.0	**$0.1**	**0.16**	**0.78**	**2.39**	**0.78**	**3.47**	**3.37**	**2.32**	**1.36**	**1.17**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

IDA EATON COTTON FUND

Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
IDA Eaton Cotton Fund	**100.0%**				**$2.6**	**-4.93**	**-5.38**	**-1.30**	**-5.38**	**1.56**	**3.36**	**3.23**	**3.79**	**5.08**
Policy Benchmark						*-4.61*	*-4.99*	*-0.72*	*-4.99*	*2.44*	*3.93*	*3.41*	*4.07*	*5.14*
Dynamic Benchmark						*-4.44*	*-4.88*	*-0.58*	*-4.88*	*2.35*	*4.04*	*3.47*	*N/A*	*N/A*
Domestic Equity	**13.2%**	**15.0**	10.0	20.0	**$0.3**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.05**	**9.91**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**9.2%**	**11.0**	6.0	16.0	**$0.2**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.37**	**3.29**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**3.4%**	**4.0**	0.0	5.0	**$0.1**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**72.2%**	**67.0**	57.0	77.0	**$1.9**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.95**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund	**2.0%**	**3.0**	0.0	4.0	**$0.1**	**0.08**	**0.39**	**6.01**	**0.39**	**6.68**	**5.09**	**3.26**	**2.20**	**1.76**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

HOPEMEAD FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

												Compound, annualized returns			
Funds *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
Hopemead Fund	**100.0%**				**$4.1**	**-4.95**	**-5.44**	**-1.36**	**-5.44**	**1.50**	**3.31**	**3.20**	**3.76**	**4.85**
Policy Benchmark						*-4.61*	*-4.99*	*-0.72*	*-4.99*	*2.44*	*3.93*	*3.41*	*4.07*	*5.14*
Dynamic Benchmark						*-4.47*	*-4.94*	*-0.64*	*-4.94*	*2.29*	*3.99*	*3.45*	*N/A*	*N/A*
Domestic Equity	**13.5%**	**15.0**	10.0	20.0	**$0.6**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.13**	**5.84**	**9.03**	**9.90**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**9.1%**	**11.0**	6.0	16.0	**$0.4**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.37**	**3.29**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**3.4%**	**4.0**	0.0	5.0	**$0.1**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**-0.40**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**71.4%**	**67.0**	57.0	77.0	**$2.9**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.65**	**3.94**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Liquidity Fund	**2.6%**	**3.0**	0.0	4.0	**$0.1**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.87**	**0.84**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

ARTS ENDOWMENT FUND

Net of All Fees and Expenses
Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
											Compound, annualized returns			
Arts Endowment Fund	**100.0%**				**$17.5**	**-10.74**	**-15.14**	**-9.99**	**-15.14**	**-7.43**	**0.45**	**1.47**	**2.52**	**4.02**
Policy Benchmark						*-10.70*	*-15.14*	*-9.65*	*-15.14*	*-6.63*	*1.06*	*1.68*	*2.83*	*4.37*
Dynamic Benchmark						*-10.54*	*-15.01*	*-9.58*	*-15.01*	*-7.02*	*N/A*	*N/A*	*N/A*	*N/A*
Domestic Equity	**26.4%**	**28.0**	23.0	33.0	**$4.6**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.14**	**5.85**	**9.05**	**N/A**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*N/A*
Developed Markets ISF	**15.0%**	**17.0**	12.0	22.0	**$2.6**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.33**	**0.37**	**3.30**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*3.56*	*N/A*
Emerging Markets ISF	**11.4%**	**12.0**	7.0	17.0	**$2.0**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.52**	**0.40**	**-0.39**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*-0.74*	*N/A*
Core Fixed Income	**18.8%**	**16.0**	11.0	21.0	**$3.3**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.66**	**3.94**	**2.94**	**2.72**	**3.69**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**7.6%**	**8.0**	3.0	13.0	**$1.3**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**N/A**	**N/A**	**N/A**	**N/A**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*N/A*	*N/A*	*N/A*	*N/A*
High Yield	**9.2%**	**9.0**	4.0	14.0	**$1.6**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**N/A**	**N/A**	**N/A**	**N/A**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*N/A*	*N/A*	*N/A*	*N/A*
Inflation Linked Bonds	**10.1%**	**9.0**	4.0	14.0	**$1.8**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**N/A**	**N/A**	**N/A**	**N/A**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*N/A*	*N/A*	*N/A*	*N/A*
Liquidity Fund	**1.4%**	**1.0**	0.0	3.0	**$0.2**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**1.98**	**1.38**	**0.83**	**0.81**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*

POLICEMEN AND FIREMEN SURVIVORS' BENEFIT FUND

Net of All Fees and Expenses

Periods Ending March 31, 2020

Funds / *Benchmark*	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Three Year (Compound, annualized returns)	Five Year (Compound, annualized returns)	Seven Year (Compound, annualized returns)	Ten Year (Compound, annualized returns)
Policemen and Firemen Survivors' Benefit Fund	**100.0%**				**$33.5**	**-10.59**	**-13.85**	**-8.88**	**-13.85**	**-6.23**	**2.01**	**3.59**	**4.73**	**5.89**
Policy Benchmark						*-9.62*	*-12.55*	*-7.61*	*-12.55*	*-3.85*	*2.79*	*3.68*	*N/A*	*N/A*
Dynamic Benchmark						*-9.59*	*-12.96*	*-7.77*	*-12.96*	*-4.29*	*2.68*	*3.63*	*N/A*	*N/A*
Domestic Equity	**20.1%**	**20.0**	15.0	25.0	**$6.7**	**-13.61**	**-20.42**	**-12.20**	**-20.42**	**-8.81**	**4.12**	**5.84**	**9.29**	**10.09**
Russell 3000						*-13.75*	*-20.90*	*-12.70*	*-20.90*	*-9.13*	*4.00*	*5.77*	*8.96*	*10.15*
Developed Markets ISF	**11.3%**	**11.0**	6.0	16.0	**$3.8**	**-13.55**	**-23.07**	**-17.92**	**-23.07**	**-15.35**	**-2.35**	**0.36**	**N/A**	**N/A**
MSCI EAFE IMI Net						*-13.90*	*-23.51*	*-16.82*	*-23.51*	*-14.06*	*-1.30*	*0.33*	*N/A*	*N/A*
Emerging Markets ISF	**9.4%**	**9.0**	4.0	14.0	**$3.2**	**-14.68**	**-22.80**	**-16.58**	**-22.80**	**-14.30**	**-1.54**	**0.39**	**N/A**	**N/A**
MSCI Emerging Markets IMI						*-16.19*	*-24.40*	*-19.26*	*-24.40*	*-18.91*	*-2.53*	*-0.90*	*N/A*	*N/A*
Core Fixed Income	**17.0%**	**16.0**	11.0	21.0	**$5.7**	**-1.44**	**2.11**	**4.57**	**2.11**	**7.66**	**3.94**	**2.94**	**2.81**	**3.75**
Barclays U.S. Aggregate Bond Index						*-0.59*	*3.15*	*5.68*	*3.15*	*8.93*	*4.82*	*3.36*	*3.19*	*3.88*
Emerging Market Debt	**5.7%**	**5.0**	0.0	10.0	**$1.9**	**-15.84**	**-18.06**	**-15.94**	**-18.06**	**-11.90**	**-2.18**	**1.16**	**-0.41**	**2.62**
50% JPM EMBI Global Div / 50% JPM GBI EM Global Div						*-12.46*	*-14.28*	*-10.94*	*-14.28*	*-6.61*	*-0.13*	*1.60*	*0.16*	*3.38*
High Yield	**6.1%**	**6.0**	1.0	11.0	**$2.1**	**-11.37**	**-12.55**	**-9.74**	**-12.55**	**-7.78**	**0.08**	**1.97**	**2.64**	**4.96**
FTSE High Yield Market Capped Index						*-11.78*	*-13.32*	*-10.02*	*-13.32*	*-7.92*	*0.33*	*2.33*	*2.88*	*5.28*
Inflation Linked Bonds	**5.6%**	**5.0**	0.0	10.0	**$1.9**	**-5.30**	**-4.15**	**-1.79**	**-4.15**	**0.34**	**2.41**	**1.37**	**0.20**	**2.69**
Barclays World Gov't Inflation Linked Bond Index						*-4.47*	*-2.40*	*-0.66*	*-2.40*	*1.61*	*2.74*	*1.97*	*0.51*	*2.86*
Liquidity Fund	**2.4%**	**1.0**	0.0	3.0	**$0.8**	**0.08**	**0.39**	**1.47**	**0.39**	**2.11**	**2.01**	**1.41**	**0.86**	**0.82**
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						*0.64*	*1.30*	*2.33*	*1.30*	*2.95*	*2.15*	*1.45*	*1.08*	*0.83*
Real Estate[1]	**6.7%**	**10.0**	5.0	15.0	**$2.3**	**N/A**	**-5.75**	**-3.47**	**-5.75**	**-1.34**	**4.20**	**6.71**	**7.92**	**8.23**
*ODCE Index 1Q in Arrears^*						*N/A*	*-6.65*	*-4.49*	*-6.65*	*-3.13*	*3.41*	*6.23*	*7.68*	*9.14*
Private Investment[1]	**7.1%**	**10.0**	5.0	15.0	**$2.4**	**N/A**	**-15.85**	**-10.56**	**-15.85**	**-4.83**	**7.19**	**9.12**	**N/A**	**N/A**
*Russell 3000 + 250 basis points 1Q in Arrears^*						*N/A*	*-16.12*	*-10.69*	*-16.12*	*2.25*	*5.42*	*6.92*	*N/A*	*N/A*
Alternative Investment Fund	**8.6%**	**7.0**	2.0	12.0	**$2.9**	**-9.49**	**-9.44**	**-6.92**	**-9.44**	**-5.55**	**0.84**	**1.19**	**N/A**	**N/A**
90-Day T-Bill + 300 basis points						*0.53*	*1.30*	*3.84*	*1.30*	*5.26*	*3.56*	*2.22*	*N/A*	*N/A*

[1] Actual performance, reported one quarter in arrears,
has been adjusted for anticipated losses experienced in the markets during the March 2020 quarter.

MEKETA
INVESTMENT GROUP

State of Connecticut Retirement Plans and Trust Funds

April 2020

Private Credit Program Update

Connecticut Private Debt Program

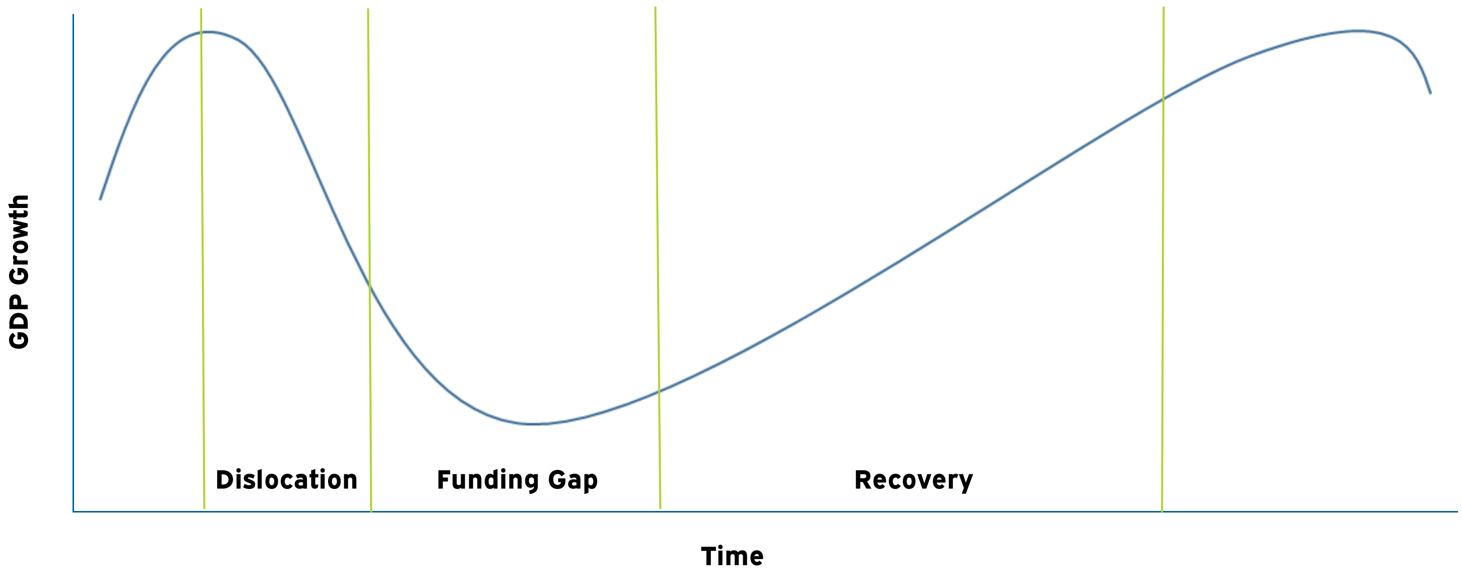
Investment Objective

- Long-term return objective of 10%, net of fees
  - The program will also be measured versus peer private credit and public markets credit benchmarks.
- Focus on Yield-Oriented strategies with complementary Total Return exposure
  - Long-term target of 75% Yield-Oriented/25% Total Return

Initial Program Targets

- 5% target allocation
- **Evergreen "Core" Investments**: two to three investments implemented in first three years
  - Evergreen vehicles allow investors to leverage their size for greater efficiency, scope and lower fees.
- **Traditional Closed-End Investments**: two to four per annum
  - Access to smaller investments and themes, or more opportunistic investments
- Prioritize long-term general partner relationships
  - Large evergreen accounts
  - Recommitting to follow-on funds when appropriate

Credit Cycle Investment Playbook: Overlaying Credit Cycle on Economic Cycle



- The phases of the credit cycle remain consistent, however the length of each remains the biggest unknown variable.
- We expect each credit sector (corporate, asset-backed, securitized, etc.) and industry to follow a unique path. This will likely create many investment opportunities over multiple years in the fallout from the COVID-19 pandemic.

Credit Cycle Investment Playbook: "Dislocation"

- "Dislocation" Characteristics
  - Very little visibility on overall economic activity and borrowers' cash flow profile.
  - Indiscriminate liquidity-driven selling across credit markets which, due to higher transaction costs, is usually first seen in assets perceived as most liquid and highest quality.
  - Selling will be exacerbated by market participants that have utilized mark-to-market and/or high levels of leverage.
  - Dislocation periods tend to be temporary (measured in weeks, potentially months).
- Target Private Credit Investment Opportunities
  - Initial price shocks in liquid/public debt. Managers that can be liquidity providers should benefit from forced selling and debt trading at a significant discount to recovery value.
  - Dislocation subsides when market liquidity approaches normal levels.
- March/April 2020 examples:
  - 1) High quality senior secured bank loan of issuer with limited COVID-19 exposure, strong cash flows and no near term liquidity needs trading in low-$80s at 2-year yields of ~15%.
  - 2) Portfolio of mortgage loans sold at distressed levels due to a margin call on leverage. This portfolio traded at a price low enough to produce a mid-teens yield even if when modelling in a prolonged period without interest payments and significant defaults and losses.
  - 3) Certain A-rated structured credit debt tranches trading at 1-year yields of 18%. This tranche has the ability to withstand a prolonged period of defaults much greater than experienced during the Global Financial Crisis.

Credit Cycle Investment Playbook: "Funding Gap"

- "Funding Gap" Characteristics
  - Capital markets begin to get more visibility on magnitude and duration of drawdown.
  - Credit spreads remain wide but borrowers look to access new capital to maintain flexibility.
- Target Private Credit Investment Opportunities
  - Opportunity to provide fresh capital to borrowers that have experienced short-term period of stress, but are not expected to need to restructure (i.e. special situations or capital solutions).
  - New debt will usually have senior capital structure positioning which provides downside protection, and call protection or equity upside components to provide upside return potential.
- March/April 2020 examples:
  - 1) Negative cash flow company with significant equity value raising very low LTV debt that includes additional equity-like upside feature. Blended target return of 20+%.
  - 2) Company in media industry with limited COVID-19 exposure violated loan covenant and needed to raise additional debt capital to cure covenant issue and also provide support to the balance sheet. The financing was completed at low leverage levels even at the current lower valuation. An origination discount and call protection lead to a target net return of 15%+.

Credit Cycle Investment Playbook: "Recovery"

- "Recovery" Characteristics
  - Capital markets open largely open for most companies, though highly levered or non-growing companies will struggle to raise traditional capital.
  - Borrowers that cannot access capital markets and traditional funding are forced to sell assets or restructure liabilities.
  - Companies are generally restructured or recapitalized using trough valuations creating upside potential.
- Target Private Credit Investment Opportunities
  - Control-oriented strategies tend to be required to maximize return.
  - Corporate distressed and rescue finance.
  - Portfolio sales (loan and asset) from banks, finance companies and private investment portfolios.
  - Active structured credit strategies.
- March/April 2020 examples:
  - Currently limited

Evergreen Private Credit

Meketa Investment Group believes that the CRPTF should consider investing in two to three evergreen private credit investment vehicles.

- Unlike closed-end funds with predetermined investment periods followed by a harvest period and wind down, evergreen vehicles continuously reinvest proceeds to maintain consistent exposure over long periods of time.

	Evergreen Vehicle	Traditional Closed-End Vehicle
Investment Strategy	• Customizable • Ability to access multiple strategies across a GP credit platform • Can quickly adapt to new market opportunities	• Tends to be single-strategy focused • "Off the shelf"
Investment Period / Total Term	• Ongoing / Open-ended • Investor initiated distributions and liquidation	• 3 years / 7 years
Fees	• Tend to be lower than closed-end funds • Potential for fee netting	• Standardized • Difficult to negotiate
Operational / Governance Burden	• Initially high, very little ongoing	• LP must evaluate and underwrite follow-on funds every 2-3 years
Investment Minimum	• $100 to $500 million	• $5 million
Monitoring / Reporting	• Greater investment transparency • Customizable, client-specific reporting usually available	• Standard transparency and reporting requirements

State of Connecticut
Office of the Treasurer

Shawn T. Wooden
Treasurer

April 16, 2020

Members of the Investment Advisory Council ("IAC")

Re: Consideration of Altaris Health Partners V, L.P.

Dear Fellow IAC Member:

At the April 23, 2020 meeting of the IAC, I will present for your consideration a private equity opportunity for the Private Investment Fund ("PIF") in the Connecticut Retirement Plans and Trust Funds ("CRPTF"): Altaris Health Partners V, L.P. ("AHP V"). The Fund has a target size of $2.5 billion and is being raised by Altaris Capital Partners ("Altaris"), based in New York, NY.

I am considering an investment of up to $100 million in AHP V, a fund that will make control and influential minority private equity investments in healthcare and healthcare-related companies, primarily headquartered in North America. The Fund will provide the CRPTF with increased exposure to Altaris, an existing PIF manager that has generated strong returns for the CRPTF since 2003. Altaris' expertise and focus on value-oriented opportunities with companies seeking to increase efficiencies in the large and complex healthcare sector should prove particularly compelling during the fund's investment period.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by StepStone. I look forward to our discussion of these materials at next week's meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER

MEMORANDUM

DECISION

TO:	**Shawn T. Wooden, Treasurer**
FROM:	**Laurie Martin, Chief Investment Officer**
CC:	**Darrell V. Hill, Deputy Treasurer** **Raynald D. Leveque, Deputy Chief Investment Officer** **Kevin Cullinan, Chief Risk Officer** **Mark E. Evans, Principal Investment Officer** **Olivia Wall, Investment Officer**
DATE:	**February 4, 2020**
SUBJECT:	**Altaris Health Partners V, L.P. – Final Due Diligence**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds (the "CRPTF") consider a commitment of up to $100 million to Altaris Health Partners V, L.P. ("AHP V", or the "Fund"). AHP V will focus on making control and influential minority private equity investments in healthcare and healthcare-related companies, primarily headquartered in North America and opportunistically in Western Europe. The Fund has a target size of $2.5 billion fund size with a $3.0 billion hard cap.

The Fund's general partner, AHP V GP, L.P. (the "GP"), is an affiliate of Altaris Capital Partners ("Altaris" or the "Firm"). Altaris, based in New York, NY and founded in 2003, is focused exclusively on private equity healthcare investing and currently has over $2.5 billion in assets under management. The GP held a first close on the Fund in December 2019 and expects to hold a final close during the first quarter of 2020.

Strategic Allocation within the Private Investment Fund

The Fund's buyout strategy falls under the Corporate Finance allocation of the Private Investment Fund ("PIF"). The IPS establishes target allocation ranges of 70% to 100% to Corporate Finance investments within the PIF portfolio as measured by a percentage of total exposure, defined as market value plus unfunded commitments. The PIF's total exposure to Corporate Finance strategies was approximately 81%, as of September 30, 2019.

More specifically, the Fund's strategy would be categorized as a middle-market buyout fund. As of September 30, 2019, middle-market buyout funds represented approximately 8% of the PIF's estimated total market value. A Fund commitment would be consistent with the PIF's Strategic Pacing Plan objectives of targeting a 12% long-term allocation, as measured by market value, to the middle-market buyout sub-strategy. A Fund commitment would provide the CRPTF with additional exposure to Altaris, which has successfully executed its value-oriented, private equity healthcare investment strategy to generate attractive returns for the CRPTF as summarized in the table on the following page.

($US in millions, as of September 30, 2019)

Fund	Vintage Year	Fund Status	CRPTF Commitment	Net TVM	Net IRR
AHP I	2003	Liquidated	$40	1.7x	13%
AHP II	2008	Harvesting	$40	2.6x	27%
AHP III	2014	Harvesting	$50	1.8x	30%
AHP IV	2018	Active	$40	1.1x	20%
Constellation IV	2018	Active	$10	1.3x	19%

Altaris raised Altaris Constellation III, L.P. and Altaris Constellation Partners IV, L.P. (collectively, the "Constellation Funds") as committed overflow vehicles to invest alongside Altaris Health Partners III, L.P. ("AHP III") and Altaris Health Partners IV, L.P. ("AHP IV"), respectively. Altaris has utilized the Constellation Funds for investments that require equity in excess of the appropriate allocation for AHP III or IV. The Constellation Funds have provided Altaris with the capacity to underwrite larger transactions, thereby providing certainty to counterparties while avoiding the Firm having to take on the risk of syndicating equity co-investment capital. Altaris is not raising another Constellation vehicle alongside AHP V Fund due to the increased Fund size as discussed further below.

Investment Strategy and Market Opportunities

AHP V will continue a similar investment strategy of the previous Altaris funds with a focus on making control and influential minority private equity investments in mid-market companies that operate in, or serve, the healthcare ecosystem. Altaris specifically targets investments in companies that add value and efficiency to the healthcare system by improving patient outcomes, increasing system efficiencies, reducing avoidable costs, and aligning stakeholder's interests. Across the large and diverse healthcare market, Altaris generally focuses on four sub-sectors: pharmaceuticals and related services; medical devices/diagnostics; payors/insurance; and, provider services verticals. Altaris generally avoids investments in market segments with significant reimbursement risk, including those reliant on public funding sources or providing patient care. Consistent with prior Altaris funds, the GP expects that the Fund will primarily focus on investments in companies that are headquartered in North America with selective investments in Europe.

The U.S. healthcare industry is large and complex and continues to grow while facing meaningful changes and challenges. The Centers for Medicare & Medicaid Services ("CMS") estimates that U.S. healthcare expenditures totaled $3.5 trillion in 2017[1], or approximately 18% of U.S. gross domestic product. CMS projects that U.S. healthcare spending will grow at an average annual rate exceeding 5% through 2027, resulting in an estimated $6 trillion market. Altaris identifies four key factors driving the continued growth in healthcare spending: (i) demographic shifts toward an older U.S. population with the baby-boomer generation turning 65; (ii) increased demand for more and higher quality care; (iii) continuous innovation, which often results in costly new products and services; and, (iv) the inherent inefficiencies of the healthcare industry wrought by factors such as fragmentation, regionalization, the misalignment of interests, and litigation risks.

[1] Centers for Medicare & Medicaid Services; projections from CMS Office of the Actuary.

Altaris seeks to leverage the Firm's deep healthcare care sector experience, knowledge and networks to identify attractive investment opportunities, with a particular focus on value-oriented opportunities resulting from complicated deal dynamics and/or shifting competitive landscapes. While Altaris has always focused on the healthcare sector, the Firm has refined its strategy to emphasize more complex and differentiated opportunities, including carve-outs, break-ups, corporate partnerships, take-privates, and buyouts involving family owned or founder-led companies. The Firm believes this opportunity set is less competitive as fewer private equity firms have the sector expertise or credibility to execute as effectively as Altaris while strategic buyers are less likely to be interested in the operational challenges that may be involved. Further, Altaris has found that the opportunity to transact with larger corporations, particularly those seeking to divest non-core assets or dealing with complexities, offers better value versus competing in traditional auctions for middle-market companies. Altaris is typically seeking to acquire companies at EBITDA multiples below market averages and/or at a discount to intrinsic value. Per StepStone's research, Altaris' average entry EBITDA multiple was 7.8x across its last 30 platform investments, which compares favorably to a middle market average acquisition multiple of 9.4x.

While maintaining a value-orientation, Altaris' investment strategy will remain focused on investment opportunities that have the potential for growth, through both acquisitions and organic initiatives, as well as operating enhancements. Organic initiatives include the recruitment of executive management and value-add board members as well as strategic plan developments and efficiency improvements. The strategic plan developed for each Altaris portfolio company often includes the objective of increasing the scale and strategic value of each investment through follow-on acquisitions. The fragmented nature of the healthcare market provides ample opportunity for Altaris to identify and execute targeted add-ons for each portfolio company. The Firm has supported its portfolio companies in sourcing, structuring, and financing 85 add-on acquisitions.

The Firm provides strategic and operational support to its portfolio companies by having members of the Altaris Operating Network, a roster of healthcare industry executives well-known to the Firm, serve as advisors, consultants or board members for each company. Members of the Altaris Operating Network may occasionally join a portfolio company's management team on a permanent or interim basis. In addition, these highly experienced executives also contribute to the Firm's sourcing and due diligence efforts. Altaris generally capitalizes its companies with prudent leverage levels to provide each company with the time and flexibility to implement growth initiatives while also providing a financial cushion to preserve capital if challenges develop. As of September 2019, Altaris has closed 11 investments that had no leverage at the time of acquisition. Examining the Altaris companies that were acquired with leverage shows an average net leverage multiple at entry of 3.4x EBITDA, which is lower than the middle market healthcare average of 4.1x per StepStone's research.

Similar to prior funds, Altaris will seek to build a concentrated Fund portfolio of about 10 platform companies, at the pace of two to three deals a year. The GP, however, does expect the average investment per company to increase to approximately $250 million with a targeted investment range of $100 million to $500 million per platform company. The Fund's expected increase in average investment size is consistent with Altaris identifying more attractive opportunities involving larger assets or companies, whether due to corporate owners seeking to divest non-core assets or out-of-favor public companies that may be undervalued by public investors. Altaris expects to achieve this higher average in AHP V by making two to three larger investments with the balance sized toward the lower of the targeted investment range. Historically, Altaris has utilized capital from its Constellation Funds to flex up to invest in larger transactions. However, Altaris believes that the Fund's targeted size will provide the Firm with the capacity and competitive advantage to execute larger investment opportunities, where the GP has found less frequent competition. Therefore, Altaris is not raising another Constellation fund in conjunction with AHP V.

Firm and Management Team

Altaris was founded in 2003 by George Aitken-Davies, Daniel Tully, and Michael Kluger, all of whom had previously worked together in Merrill Lynch's healthcare investment banking and private equity groups. Michael Kluger transitioned to the role of Senior Advisor to the Firm in 2016 and subsequently retired. Altaris is currently led by George Aitken-Davies and Daniel Tully (the "Co-Founders"), who are have been responsible for oversight of the Firm and all Altaris funds. The Altaris management company is owned and controlled by the Co-Founders with no outside investor involvement.

Altaris currently has 19 employees, including an investment team of 11 professionals. Altaris maintains only one office in New York, New York, which the Co-Founders believe is critical to sustaining a collaborative culture. In addition to the Co-Founders, Altaris' senior investment professionals currently includes two managing directors, one principal, and one vice president that are supported by two senior associates and three associates. Altaris expects to continue to add junior investment professionals to the organization, with the goal of promoting from within as professionals gain experience and assimilate well at Altaris. The Co-Founders are also planning to add resources to support the investment team and Firm, including investor relations, capital markets and legal roles professionals. While the Altaris investment team has remained relatively small, the Firm's non-investment staff has expanded significantly. These resources, combined with the planned hires across legal, capital markets and investor relations, will increase the investment team's capacity to dedicate more time to investment management.

The lean Altaris investment team works collaboratively with the Altaris Operating Network. The Firm will continue to work with Altaris Operating Network members as consultants or advisors to Altaris or its portfolio companies rather than having a dedicated in-house operating team. Altaris has found this model to be most effective due to the diversity of its healthcare investments and the variety of services that may be needed by specific portfolio companies.

Track Record

Since inception, Altaris had invested $2.8 billion in 46 deals, generating a gross internal rate of return ("IRR") and total value multiple ("TVM") of 29% and 2.2x, respectively, as of September 30, 2019. Eliminating cross-fund investments, these 46 deals involved investments in 34 distinct companies. As of September 30, 2019, Altaris had realized 24 of these investments, which generated a gross IRR of 28% and a TVM of 3.0x on $0.7 billion of invested capital. As shown in the table on the following page, Altaris had generated a net IRR of 20% and net TVM of 1.7x as of September 30, 2019.

(Altaris Data $US in millions, as of September 30, 2019)

Altaris Health Partners														
Investment Performance Summary														
Fund	Vintage Year	Fund Size	Fund Status	# Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross/Net			Quartile Rank		
									TVM	IRR	DPI	TVM	IRR	DPI
AHP I	2003	$350	Liquidated	12	$279	$666	-	$666	2.4x / 1.7x	23% / 13%	2.4x / 1.7x	3rd	3rd	3rd
AHP II	2008	$415	Harvesting	12	$344	$1,142	$74	$1,216	3.5x / 2.6x	38% / 27%	3.3x / 2.5x	1st	1st	1st
AHP III	2014	$513	Harvesting	11	$461	$346	$659	$1,006	2.2x / 1.8x	42% / 30%	0.8x / 0.7x	1st	1st	1st
Constellation III	2016	$165	Harvesting	5	$127	$8	$192	$200	1.6x / 1.4x	25% / 19%	0.1x / 0.1x	1st	1st	2nd
AHP IV	2018	$1,085	Active	5	$481	-	$603	$603	1.3x / 1.1x	30% / 20%	0.0x / 0.0x	1st	1st	2nd
Constellation IV	2018	$240	Active	1	$68	-	$98	$98	1.4x / 1.3x	32% / 19%	0.0x / 0.0x	1st	1st	2nd
Total		**$2,768**		**46**	**$1,759**	**$2,163**	**$1,626**	**$3,789**	**2.2x / 1.7x**	**29% / 20%**	**1.2x / 1.0x**			

Source: Altaris, CRPTF, Burgiss Private iQ 6/30/19 All U.S. Private Equity Buyouts Benchmark (USD). Quartile Rank based on net returns.

As of September 30, 2019, all Altaris funds, with the exception of AHP I, were ranked as first or second quartile funds across all relevant Burgiss Private iQ benchmarks. PFM staff notes that while AHP I generated strong gross returns, the fund's net performance was negatively impacted by the inefficient deployment of capital and protracted hold times due the effects of the Global Financial Crisis. AHP I also had a loss ratio of 17%, while subsequent Altaris funds had not generated a realized loss as of September 30, 2019. Altaris' inception to date loss ratio of 4% is below market averages and is indicative of the Firm's value-orientation, prudent use of leverage, and focus on capital preservation and downside.

Key Strengths

1. **Strong Healthcare Sector Focus.** Altaris has remained exclusively focused on investing in the healthcare sector since its founding in 2003. The Firm's U.S. healthcare target market continues to see positive macro-demographic tailwinds, which should help drive demand and bolster returns in the future. These macro-demographic tailwinds include: (i) an aging population that generally requires more medical attention, (ii) higher overall obesity levels which lead to increased risk for chronic medical conditions, and (iii) active "baby boomers" with disposable incomes that are focused on wellness. The Firm's deep sector experience and networks should continue to provide Altaris with competitive advantages to identify compelling investment opportunities and generate attractive returns across the large and complex healthcare market.

2. **Demonstrated Strong Investment Performance.** The Fund will follow the same strategy as AHP I through IV, with AHP II through IV all ranked as first quartile performing funds as of September 30, 2019 on a net TVM, IRR and distributed to paid in, or DPI, basis. The Firm has shown strong performance and low loss ratios spanning multiple economic cycles, while maintaining its value-oriented buying discipline and prudent use of leverage. Altaris' expertise with more complex transactions has allowed the Firm to continue to acquire assets at below market average purchase multiples.

3. **Significantly Above Market GP Commitment.** For AHP V, the GP anticipates committing 10% of total aggregate commitments. For the $3.0 billion hard caped fund size, this translates to a $300 million GP commitment, which will largely be funded by the Co-Founders through cash contributions and management fee offset. Consistent with AHP IV, the Altaris GP commitment to the Fund will be well above the market average GP commitment of 2%, fostering strong financial alignment with limited partners.

Major Risks and Mitigants

1. **Increased Fund Size.** Altaris is targeting a $2.5 billion fund size for AHP V with a $3.0 billion hard cap, representing a significant increase from AHP IV and Constellation IV's combined $1.3 billion of committed capital. Such a significant fund size increase raises concerns that potential Fund returns could be adversely impacted by both the investment team's capacity to effectively deploy a larger pool of capital and the potential for style drift, including the pursuit of larger investments.

   The Altaris investment team capacity concern is mitigated by several factors. First, while the Altaris investment team is lean, the Firm has demonstrated its ability to effectively manage the number of investments expected in the Fund's portfolio. Altaris I through III held an average of 11 platform companies per fund. Altaris IV is expected to have seven platform companies when the fund is fully committed. Altaris expects to populate the Fund with approximately ten platform investments. Assuming Altaris commits the Fund over four years, or an average of 2.5 deals per year, the Firm's four Managing Directors and one Principal will provide sufficient capacity to manage the Fund's expected investment pacing. In addition, Altaris plans to add legal, capital markets and investor relations professionals and resources that will increase the time and attention investment professionals can dedicate to investment management. Lastly, Altaris is positioning several AHP III portfolio companies to be sold during 2020, which will reduce the number of portfolio companies under management as the Fund ramps up its investment period.

   PFM investment professionals gained comfort with Altaris' rationale and ability to scale its average investment size, which the Firm has done with all prior funds. Altaris has successfully invested in value-oriented, more complex transactions since its inception. More recently, Altaris has frequently identified value-oriented investment opportunities involving larger counterparties, including corporates selling non-core assets, undervalued public companies, etc. The style drift concern is mitigated by Altaris' expectation that only two to three deals within the Fund are expected to be on the larger side relative to core deal sizing. Altaris has shown the historical ability to manage a select number of larger deals alongside smaller ones, including two investments in AHP IV that are expected to receive more than $350 million of total equity capital from AHP IV and other Altaris funds.

2. **Pace of Deployment.** Altaris IV completed its first investment in June 2018 and had committed about 44% of its capital through September 2019. Altaris V's targeted final close of Q1 2020 would be just under two years after the prior Flagship Fund's first investment. A rapid deployment pace raises concerns that the manager may be exhibiting less investment discipline. A review of AHP IV's investments to date demonstrates that Altaris has remained focused on its target markets while staying consistent with the Firm's low purchase price and leverage disciplines. Additionally, the pace of deployment of AHP IV was accelerated with the purchase of two AHP II portfolio companies, which was supported by the advisory boards of both AHP II and IV. Altaris indicated that it had recently converted pipeline opportunities into investments at a higher rate than its historical averages, particularly with larger and more complex deals. The GP is now right-sizing AHP V to align with Altaris' portfolio construction strategy for the Fund with an expectation that its investment pacing will return to longer term historical averages.

3. **Management Fees.** The Fund's fee structure calls for a 2% management fee, which is higher than market averages for a fund in the $2 billion to $3 billion size range. According to StepStone's SPI database, more than half of all buyout funds in this size range charged a management fee of less than 2%. While fees may cause concerns regarding economic incentives, PFM investment professionals believe the GP's significantly above market commitment to the Fund is a strong statement regarding alignment of interests. In addition, this concern is partially allayed by the GP's plans to continue to build out the Firm's professional resources, including additions to the investment team.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure to the Office of the Treasurer, Altaris Capital Partners, LLC ("Altaris" or the "Company"), states there are no material legal or non-routine regulatory matters. The Company states it has no material claims under its fidelity, fiduciary or E&O insurance policies, and no ongoing internal investigations to report.

Altaris' ADV is consistent with its disclosure to the Office of the Treasurer.

The Company states it has adequate procedures to undertake internal investigations of its employees, officers and directors.

Compliance Review (provided by Compliance)

The Chief Compliance Officer's Workforce Diversity & Corporate Citizenship review is attached.

Environment, Social & Governance Analysis ("ESG") (provided by Policy)

The Assistant Treasurer for Policy's Evaluation and Implementation of Sustainable Principles review is attached.

12/19/19

COMPLIANCE REVIEW FOR ALTARIS HEALTH PARTNERS V, L.P.

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS
SUBMITTED BY
ALTARIS CAPITAL PARTNERS, LLC

I. Review of Required Legal and Policy Attachments

ALTARIS CAPITAL PARTNERS, LLC ("Altaris") a New York-based company, completed all required legal and policy attachments. Altaris disclosed no third party fees, campaign contributions, known conflicts, gifts or legal/regulatory proceedings.

II. Workforce Diversity (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of September 2019, Altaris employed 18, 5 more than the 13 in April 2017. No women and 1 minority is an Executive/Senior Level Official and Manager. For the 3 year period 2017-2019, the company promoted 1 woman and 1 minority within the ranks of professionals or managers. Women are not well represented at the senior-most level of the firm (i.e., the Executive/Senior Level Official and Manager category), nor at the Professional level. Minorities (Blacks and Asians) are relatively well represented at all levels of the firm.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 0% of these positions in all 3 years reported as follows: 2019 (0 of 6), 2018 and 2017 (0 of 5).
- Minorities held 16.7% (16.7% Black) or (1 of 6) of these positions in 2019, 0% (0 of 5) in 2018, and 20% (20% Two or More Races) or (1 of 5) in 2017.

At the Management Level overall:

- Women held 22% (2 of 9) of these positions in 2019, up from 20% (2 of10) in 2018 and 11% (1 of 9) in 2017.
- Minorities held 11.1% (11.1% Black) (1 of 9) of these positions in 2019, 10% (10% Black) (1 of 10) of these positions in 2018, and 11.1% (11.1%Black) (1 of 9) in 2017.

At the Professional Level:

- Women held 0% of these positions in 2019 (0 of 6), and in 2018 (0 of 4), down from 50% (1 of 2) in 2017.

[1] The Treasury's Policy Unit will prepare a separate Summary with respect to the company's ESG submission.

- Minorities held 33.3% (33.3% Asian) or (2 of 6) of these positions in 2019, up from 0% (0 of 4) in 2018, but down from 50% (50% Asian) (1 of 2) in 2017.

Company-wide:

- Women held 28% (5 of 18) of these positions in 2019, up from 25% (4 of 16) in 2018, but down from 31% (4 of 13) in 2017.
- Minorities held 16.7% of these positions (11.1% Asian and 5.6% Black) (3 of 18) in 2019, up from 6.3% (6.3% Black) (1 of 16) in 2018, but down from 23.1% (7.7% Asian, 7.7% Black and 7.7% Two or More Races) or (2 of 13) in 2017

III. Corporate Citizenship

Charitable Giving:
Altaris believes that a commitment to corporate citizenship is part of a sound investment program. Altaris expects all of its service providers to engage in good corporate citizenship, which includes workforce diversity, procurement of goods and services, and supporting the communities where the company does business. It supports numerous charitable and civic organizations, including St. Jude Children's Hospital, and Tufts Medical Center and Floating Hospital for Children, among many others[2].

Internships/Scholarships:
Altaris did not specifically respond to this question.

Procurement:
Altaris did not specifically respond to this question.

[2] Altaris identified 50 charitable organizations as a sample of those which it supports.

ALTARIS CAPITAL PARTNERS, LLC

3 YEAR WORKFORCE DIVERSITY (SNAPSHOT)

WOMEN

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2019	0%	22%	0%	28%
2018	0%	20%	0%	25%
2017	0%	11%	50%	31%

September 2019: 0% or 0 of 6 Executives is a Woman; Total Employees Firm Wide 18

MINORITIES

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2019	17%	11%	33%	17%
2018	0%	10%	0%	6%
2017	20%	11%	50%	23%

September 2019: 17% or 1 of 6 Executives is a Minority; Total Employees Firm Wide 18

Prepared by Compliance Unit 12/19/19

Summary of Responses From Altaris Capital Partners, LLC

to Attachment M: Evaluation and Implementation of Sustainable Principles

Submitted by the Treasury's Policy Unit

Altaris has established an ESG policy, and its Investment Committee is responsible for its implementation. The firm's policy sets forth a number of steps it takes to "appropriately identify and manage ESG issues and opportunities in its investing activities" as part of the due diligence review. The firm specifically cited the following considerations as to whether a prospective investment:

- Conducts business in way that avoids adverse environmental and public health or safely results;
- Has in place governance structures that provide appropriate levels of oversight of audit, risk management, and potential conflicts of interest;
- Is in compliance with applicable national, state, and local labor laws;
- Prohibits bribery and other improper payments to public officials;
- Prohibits child or forced labor or discriminatory employment practices.

The firm cited several examples of investments where ESG factors played a central role in the decision to proceed (one, involving investment in non-opioid pain management; another, an investment related to cyber risk management and HIPAA compliance for healthcare providers). In addition, the firm leverages the board seats for its portfolio companies to influence management of ESG factors and their connection with key corporate decisions.

The firm is not a member of any sustainability-oriented organizations cited by the Treasury. That said, the firm indicated that its ESG program "continues to evolve and be improved," and that its goal is to designate an "ESG champion" to guide the evolution of its policy.

Overall, the firm's disclosure suggests a good effort to integrate ESG factors into its due diligence process, and reflects noteworthy progress since its last disclosure to the Treasury in 2017.

State of Connecticut

Retirement Plans and Trust Funds

Recommendation Report

Altaris Health Partners V

December 26th, 2019

Table of Contents

Executive Summary

Fund	Altaris Health Partners V ("Altaris V", "Fund V", "AHP V", or the "Fund")
General Partner	Altaris Capital Partners ("Altaris", the "GP" or the "Firm")
Report Date	Data as of September 30, 2019
Fundraising	The Firm is currently raising Altaris Health Partners V ("Altaris V", "Fund V" or the "Fund") with a target of US$2.5 billion and a hard cap of US$3.0 billion on LP commitments. The increase in fund size will allow Altaris to build a portfolio of 8 to 10 control equity investments averaging between US$100 million and US$500 million each. The Firm is not formally raising a co-investment overage vehicle in tandem with Altaris V, as the GP believes the main fund is sized appropriately for the opportunities the Firm is pursuing. However, the GP has communicated that it is open to giving co-investment allocation to those LPs with co-invest appetite. The GP is looking to hold a first closing in December 2019 and a final closing for the Fund in Q1 2020. The GP is committing at least 10% of LP capital commitments.
Source	Connecticut Retirement Plans and Trust Funds ("CRPTF") sourced the investment opportunity directly for evaluation for the Private Investment Fund ("PIF"). Altaris is an existing manager in the PIF portfolio.
Key Terms	Management Fee: 2.00% Management Fee per annum during the Investment Period. Thereafter, 2.00% per annum on the Actively Invested Capital. Carried Interest: The Carried Interest allocation will be 20% after an 8% Preferred Return for Limited Partners (with 100% catch-up), subject to clawback. Termination Provisions: There is no for cause termination provision. The no fault termination provision is permitted at any time following the expiration or termination of the Investment Period, and upon the vote of an Aggregated 75% in Interest. Key Person: Following the Initial Closing, in the event that either Mr. Aitken-Davies or Mr. Tully ceases to be a Principal or fail to devote substantially all of their business time and efforts to the investment and other activities of the Fund and any Related Investment Fund (unless an Aggregated 66⅔% in Interest have previously approved a replacement for any such Principal), the General Partner within 30 days of such occurrence shall notify the Limited Partners in writing and a replacement period (the "Replacement Period") shall commence. If, following the conclusion of the Replacement Period, one or more suitable replacements have not been found as described above, then the Investment Period may be terminated by a vote of an Aggregated Majority in Interest obtained within 60 days following the conclusion of the Replacement Period.

Investment Strategy

Altaris is a Middle Market private equity firm focused on making control equity and influential minority investments in healthcare companies. The Firm generally invests across four primary verticals: pharmaceuticals, medical devices and diagnostics, provider services and payors and insurance. Specifically, the Firm targets companies that add value to the healthcare system by providing products and services which improve patient outcomes, increase system efficiency, eliminate unnecessary costs and align stakeholder incentives. Further, Altaris avoids companies with direct exposure to government spending programs or businesses providing patient care. The Firm expects to predominantly invest in companies headquartered in North America but may invest in portfolio companies that are domiciled or have operations in other geographies. Altaris V will seek to build a concentrated portfolio of 8 to 10 platform companies. The Fund's investments are expected to vary with respect to size, type of security and use of leverage. However, the Firm plans to invest on average between US$100 to US$500 million in profitable companies.

Management Team

Altaris' 10-person investment team is led by its two founders, George Aitken-Davies and Daniel Tully (the "Co-Founders"), who formed Altaris in 2003 after working together in Merrill Lynch's private equity and healthcare investment banking groups. The Co-Founders and two additional Managing Directors, David Ellison and James O'Brien, comprise the senior investment team. Messrs. Ellison and O'Brien joined in 2007 and 2010 during the deployment of AHP I and AHP II, respectively.

Track Record

Since the Firm's founding in 2003, Altaris has raised four private equity funds and two overage vehicles with aggregate capital commitments of US$2.8 billion. In aggregate the funds have invested in 39 transactions (34 portfolio companies) and generated a net TVM/net IRR of 1.7x / 20%, as of September 30, 2019. All of the funds since AHP I have generated top quartile returns. Across 24 realized investments, the Firm has generated a gross TVM/IRR of 3.0x/28%. The Firm has delivered these returns with a low loss ratio of 4%, or 7% on realized investments, concentrated in AHP I.

(US$ in millions, as of September 30, 2019)

Altaris Investment Performance

Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
AHP I	2003	$350	12	$279	$666	-	$666	2.4x	23%	17%	1.7x	13%	1.7x
AHP II	2008	415	12	344	1,142	74	1,216	3.5x	38%	0%	2.6x	27%	2.5x
Realized Funds		**$765**	**24**	**$623**	**$1,808**	**$74**	**$1,882**	**3.0x**	**28%**	**8%**			
AHP III	2014	$513	11	$461	$346	$659	$1,006	2.2x	43%	0%	1.8x	30%	0.7x
Constellation III	2016	165	5	127	8	192	200	1.6x	27%	0%	1.4x	19%	0.1x
AHP IV	2018	1,085	5	481	-	603	603	1.3x	34%	3%	1.1x	20%	0.0x
Constellation IV	2018	240	1	68	-	98	98	1.4x	33%	0%	1.3x	19%	0.0x
Unrealized Funds		**$2,003**	**22**	**$1,137**	**$355**	**$1,552**	**$1,907**	**1.7x**	**40%**	**1%**			
Total Realized Companies			**24**	**647**	**1,891**	**20**	**1,911**	**3.0x**	**28%**	**7%**			
Total Unrealized Companies			**22**	**1,112**	**272**	**1,606**	**1,878**	**1.7x**	**39%**	**1%**			
Total		**$2,768**	**46**	**$1,759**	**$2,163**	**$1,626**	**$3,789**	**2.2x**	**29%**	**4%**	**1.7x**	**20%**	**1.0x**

Investment Evaluation

(+) Cohesive, Experienced Team: The two Co-Founders, Messrs. Aitken-Davies and Tully, average 21 years of private equity experience and 28 years of relevant experience. Both previously worked in Merrill Lynch's private equity and healthcare investment banking groups, where they accumulated additional experience working together. David Ellison and Jim O'Brien joined as junior professionals and have been promoted to MD over tenures of 12 and 10 year, respectively, demonstrating the Firm's focus on the development of internal talent. Additionally, the Firm recently promoted Garikai Nyaruwata to Principal and considers him a rising star. The Altaris investment team of 10 investment professionals represents a 40% increase in team size since the launch of Fund III in 2013. The Firm maintains a lean team but continues to manage Firm growth through junior to mid-level hires and will also look to add functional expertise to support the team and portfolio companies (ie legal, capital markets).

(+) Experienced Healthcare Sector Specialist: Since inception, Altaris has exclusively focused on the healthcare sector and has invested across multiple economic cycles. Healthcare is a US$3.3 trillion market in the US, growing at ~5% annually and representing 18% of US GDP. StepStone prefers to work with GPs dedicated to specific sectors as it generally promotes greater expertise, more effective sourcing and increased post-investment value creation through relevant subject-matter knowledge, as well as more meaningful industry networks.

(+) Below Market Purchase Prices and Leverage: Altaris demonstrates strong valuation discipline and generally invests at purchase multiples lower than the broader market average. Across the Firm's 30 platform investments that were valued on an EBITDA basis at acquisition, Altaris paid an average of 7.8x EBITDA at entry, which compares favorably to the Small and Middle Market healthcare averages of 8.1x and 9.4x EBTIDA, respectively. Additionally, the Firm structures its portfolio companies conservatively, with average net debt at entry of 1.8x EBITDA across all deals since inception, or 3.4x excluding unlevered deals.

(+) Strong Investment Performance with Capital Preservation: As of September 30, 2019, Altaris has invested US$1.8 billion and generated gross and net returns of 2.2x/29% TVM/IRR and 1.7x/20% TVM/IRR, respectively. Altaris has generated strong returns with a 4% loss ratio. In aggregate, Altaris has fully realized 24 investments as of September 30, 2019, representing 37% of invested capital. These investments have generated a gross TVM of 3.0x and a gross IRR of 28%, with a loss ratio of 7%.

(+) Above-Market GP Commitment: The team is contributing at least 10% of LP capital commitments, funded in part by cash and management fee offset. A substantial majority of this contribution will be made by the Founders, while the remaining senior team members are contributing smaller amounts commensurate with their wealth generation to date. StepStone considers this to be well above market and attractive with respect to team and LP alignment.

(-) Increase in Fund Size: Fund V is targeting US$2.5 billion and a hard cap of US$3.0 billion of LP commitments, a significant step up from Fund IV. At its hard cap, the Fund will represent a 126% increase in fund size over the AHP IV/ACP IV combined capitalization of US$1.33 billion. The Firm's overall increase in AUM could put pressure on the Firm to deploy capital leading to potential strategy shift and/or capacity constraints on the team. The concern with growth in AUM is partially mitigated by the intended portfolio concentration of 8 to 10 deals, and the current health of the active portfolio.

(-) Team Capacity: Altaris has a lean team of 10 investment professionals, including four senior MDs. Through September 2019, the Firm was managing 14 unrealized and partially realized portfolio companies across Funds III and IV. The size of the unrealized portfolio and capital to be deployed across Funds IV and V raises concern regarding the GP's capacity. Some of this risk is mitigated by the near-term exit activity, health of the current portfolio, experienced and developing team, and anticipated Fund V portfolio construction and pacing. StepStone estimates nine active companies, excluding the near-term exits, public companies and rolled minority investments. While not an immediate issue, the Firm needs to manage continued team growth to ensure adequate staffing in the event of future departures or portfolio company challenges.

(-) Rapid Deployment and Immaturity of Fund IV: Through September 2019, Fund IV was 44% invested across five deals and had no realizations. The fund remains early in its life cycle, having made its first investment in Q2 2018. Including capital reserved for add-on acquisitions, the Fund is 60% committed and expected to conclude with two additional investments in during the first half of 2020, including one recently announced transaction and another in advanced stages of diligence. StepStone would prefer to see a more fully invested and mature Fund IV ahead of raising Fund V but recognizes the need for fundraising given near-term pipeline activity. The GP intended Fund IV to be invested across 12-15 investments, but given migration to larger scale transactions, the Firm will be invested in fewer deals (7-8 deals) and in a faster timeframe.

Recommendation

StepStone believes that a commitment to AHP V represents an attractive opportunity to invest in one of the most successful healthcare managers in the US. Since inception, Altaris has exclusively focused on the healthcare sector and has invested across multiple economic cycles. The Firm is led by a cohesive and experienced senior team comprising two Co-Founders, Messrs. Aitken-Davies and Tully, who average 21 years of private equity experience and 28 years of relevant experience. The Firm has posted strong returns and done so on a risk-adjusted basis. Since the Firm’s founding in 2003, Altaris has raised four private equity funds and two overage vehicles with aggregate capital commitments of US$2.8 billion. In aggregate the funds have invested in 39 transactions (34 portfolio companies) and generated a net TVM/net IRR of 1.7x / 20%, as of September 30, 2019. All of the funds since AHP I have generated top quartile returns. Across 24 realized investments, the Firm has generated a gross TVM/IRR of 3.0x/28%. The Firm has delivered these returns with a low loss ratio of 4%, or 7% on realized investments, concentrated in AHP I.

Investment Strategy

Altaris is a Middle Market private equity firm focused on making control equity and influential minority investments in healthcare companies. The Firm generally invests across four primary verticals: pharmaceuticals, medical devices and diagnostics, provider services and payors and insurance. Specifically, the Firm targets companies that add value to the healthcare system by providing products and services which improve patient outcomes, increase system efficiency, eliminate unnecessary costs and align stakeholder incentives. Further, Altaris avoids companies with direct exposure to government spending programs or businesses providing patient care. The Firm expects to predominantly invest in companies headquartered in North America but may invest in portfolio companies that are domiciled or have operations in other geographies.

Core to the Firm's strategy is Altaris' ability to harness its network in the healthcare industry. Altaris has cultivated a network of corporations, entrepreneurs, healthcare industry operators, not-for-profit providers, clinicians, consultants, deal finders, investment bankers, lenders, lawyers, and accountants. Altaris will continue to leverage these relationships to generate high quality deal flow, support investment decision making, and exercise influence over investment outcomes. StepStone believes that Altaris' healthcare focus and reputation provide the Firm with a competitive advantage over its competitors.

Altaris V will seek to build a concentrated portfolio of 8 to 10 platform companies. The Fund's investments are expected to vary with respect to size, type of security and use of leverage. However, the Firm plans to invest between US$100 to US$500 million in profitable companies. Fund V will continue the Firm's strategy of investing at below-market multiples by sourcing less competitive, complex transactions types, including carve-outs, break-ups, corporate partnerships, take-privates and family/founder buyouts. Further, the Fund will structure downside protection with conservative use of leverage and meaningful liquidation preferences in its minority investments.

Post-investment, Altaris will seek to add value through active engagement in areas such recruitment of management talent and value-added board members, development of strategic plans and senior level access to customers and suppliers, efficiency improvements, and M&A. Altaris is also well situated to help its portfolio companies navigate the highly-regulated healthcare landscape given the Firm's deep sector expertise and strong operating network.

Portfolio Characteristics

Sector Focus: Altaris' investment strategy is focused on investing across a variety of sub-sectors within the healthcare ecosystem, including pharmaceuticals, medical devices and diagnostics, payors and insurance, and provider service industry verticals. Following Fund III, the Firm formally instituted sector-specialization amongst its investment professionals, further establishing Altaris' focus on the outlined sub-sectors. The Firm will generally avoid investments that are dependent on reimbursement models, which Altaris believes present higher risk levels. In general, however, the Firm pursues investments it believes capitalize on the evolving healthcare landscape, rather than targeting pre-defined sub-sector allocation thresholds.

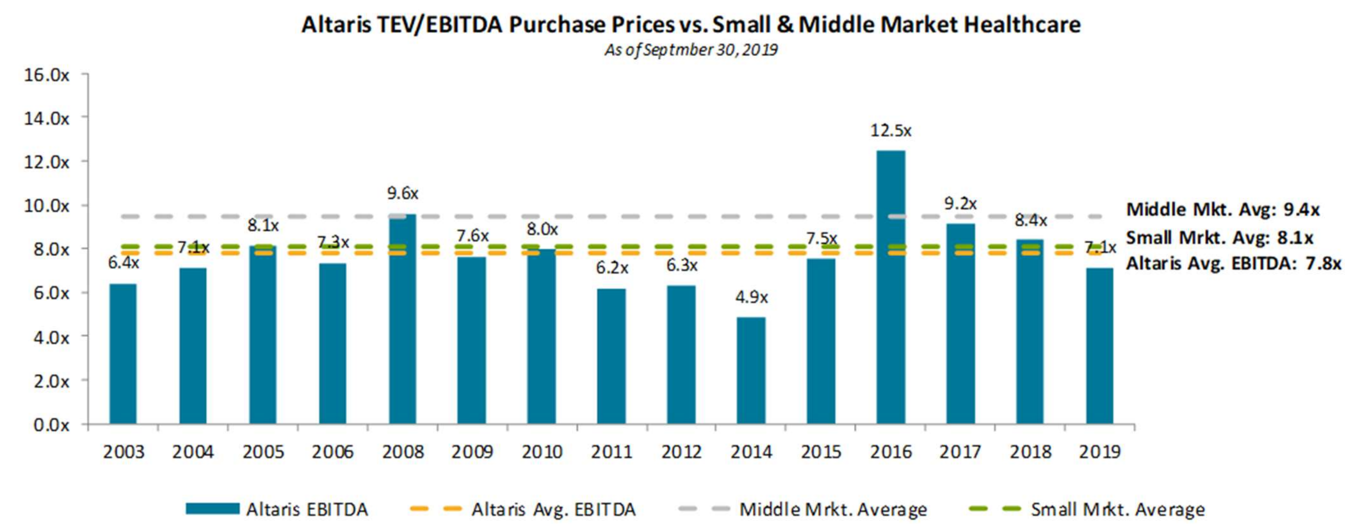
Investment Size: Altaris expects to invest in 8 to 10 portfolio companies for Fund V, with approximately US$100 million to US$500 million of equity in each. This is a wide range that will give them the opportunity to see more deal flow. However, the upper end of the range represents a significant step-up from Altaris' previous funds. The average combined equity from Fund IV and Constellation IV was US$132 million, and the average combined equity of Fund III and Constellation III was US$48 million. StepStone notes that Altaris' ability to generate returns in the upper-end of the Middle Market remains relatively unproven, as the Firm's larger investments remain immature. Fund IV's three transactions of companies above US$200 million TEV have an average holding period of 0.9 years.

There are several mitigating factors to Altaris' move up market. First, the Firm's migration to larger transactions is driven by its search for value and less competitive transactions. Altaris has found that larger scale assets with complexity provide for opportunities to transact outside of competitive processes at attractive valuations. Altaris is able to prevail in more complex situations due to their industry expertise relative to other generalist firms, their ability to price in and accept risks other firms and ICs are averse to, and the market's aversion to businesses in need of management team replacement. Consequently, Altaris has increased its focused on complex transactions where it has an angle, including carve-outs/break-ups, corporate partnerships, and take-privates. Historically, the Firm has invested 47% of capital (18 of the 39 portfolio companies) in carve-outs/break-ups and corporate partnerships. Altaris has cultivated a strong network of corporate relationships that will help the Firm source and execute these transactions, with several actionable transactions in its pipeline.

Additionally, the Firm has grown companies to meaningfully larger enterprise values and has demonstrated Altaris' ability to manage and exit upper Middle Market companies. Altaris has achieved this growth through both organic initiatives as well as considerable M&A. For the Firm's 39 platform investments, Altaris has completed 85 add-on acquisitions.

Purchase Prices: StepStone compared Altaris' annual average entry multiples to both the average Small and Middle Market healthcare industry metrics, according to StepStone's SPI database. StepStone analyzed both those investments that were valued on an EBITDA basis at acquisition, as well as those that were valued on a revenue basis at acquisition. Across 30 platform investments which were valued on an EBITDA multiple basis at entry made between spanning 2003 to 2019, Altaris paid an average purchase price of 6.8x EBITDA. This compares well to an average of 8.1x EBITDA across Small Market healthcare and 9.4x for Middle Market healthcare transactions during the same period, according to StepStone's SPI database.

Altaris TEV/EBITDA Purchase Price vs. Small & Middle Market Healthcare Investments



Leverage and Equity Contribution: Altaris has historically used conservative amounts of leverage, with an average net debt/EBITDA at entry of 1.8x, which compares favorably to the average for Small and Middle Market healthcare companies according to StepStone's SPI database. Across its platform, there were eleven deals where Altaris did not use any leverage at entry. Excluding these eleven unlevered transactions, Altaris' has an average net debt to EBITDA multiple of 3.4x, upon entry.

Competitive Landscape

The Healthcare market is deep, both in terms of the number of businesses that operate in the region and the number of transactions completed on an annual basis. StepStone highlights five firms who are likely to overlap with Altaris' strategy and/or deal-flow:

- **RoundTable Healthcare Partners:** RoundTable Healthcare Partners ("RoundTable") primarily makes equity investments in leveraged buyout transactions of Middle Market healthcare companies within North America. RoundTable employs a buy-and-build acquisition strategy, seeking to leverage its experienced team of Operating Partners to enhance portfolio company value. RoundTable targets investments within the medical devices, pharmaceuticals, and healthcare products & services sectors. RoundTable seeks to invest US$30-140 million in companies and is therefore targeting slightly smaller opportunities than Altaris.
- **Linden Capital Partners:** Linden Capital Partners ("Linden") targets management buyouts and corporate carve-outs of established Middle Market healthcare and life sciences businesses. The Firm looks to invest US$50-250 million in companies with EBITDA of US$10-30 million, focusing on the healthcare services, distribution and products sectors. Linden seeks to avoid investments with regulatory, scientific or execution/commercialization risk. Linden has historically had more volatile portfolio performance than Altaris.
- **Water Street Partners:** Water Street Partners ("Water Street") is focused on creating market-leading companies in attractive healthcare segments by creatively partnering with management teams and owners of healthcare companies. Water Street targets companies that it believes can serve as platforms for transformational growth, working with management to expand product breadth, service capabilities and geographic reach. Water Street has historically achieved lower returns than Altaris.
- **Waud Capital Partners:** Waud Capital Partners ("WCP") is a middle market buyout firm targeting control investments in lower middle market assets with the opportunity to grow organically and create platforms through acquisitions. WCP's primary target industries will be Healthcare Services, and Business and Technology Services. WCP will partner with industry executives within these industries in order to drive value creation in its portfolio companies. WCP invests ~US$50 – US$150 million in these opportunities. Comparatively, Altaris has a deeper domain than Waud in the healthcare industry given the Firm's singular healthcare focus.
- **Welsh, Carson, Anderson & Stowe:** Welsh, Carson, Anderson & Stowe ("WCAS") is Middle Market buyout firm that invests in healthcare and technology opportunities. The firm pursues a deal size agnostic strategy with exposure to buyouts, growth equity investments, buy and builds and small alpha investments. The firm invests approximately US$100 300 million per transaction. WCAS has historically generated lower returns than Altaris.

StepStone believes that Altaris is adequately differentiated from most of its competitors because of its deep sector knowledge, strong track record and broad industry network. Additionally, the Firm's risk mitigating approach differentiates it from competitors focused on investments within either the industry's earlier stage investments or in sectors with increased reimbursement risk exposure. With the recent fund size and migration up-market, the Firm is not expected to compete with its LMM healthcare competitors on a regular basis. Altaris views its likeliest competitors to be strategics.

Evaluation of the Strategy

Merits

- ▲ **Healthcare Sector Specialist in an Attractive & Growing Industry:** Since inception, Altaris has exclusively focused on the healthcare sector, investing across multiple economic cycles. Healthcare is a US$2.6 trillion market in the US, growing at ~5% annually and representing 18% of US GDP. An aging global population and the implementation of the ACA has aided the expansion of healthcare spending, a trend which is expected to continue. Altaris aims to invest in businesses that address the current needs of the healthcare system by improving patient outcomes, reducing costs, and increasing efficiency. StepStone prefers to work with GPs dedicated to specific sectors as it generally promotes greater expertise, more effective sourcing and increased post-investment value creation through relevant subject-matter knowledge, as well as more meaningful industry networks.

- ▲ **Attractive Entry Valuations:** Altaris has maintained valuation discipline and generally invested at entry valuation multiples lower than the broader market average. Across the Firm's 30 platform investments that were valued on an EBITDA basis at acquisition, Altaris paid an average of 7.8x EBITDA at entry, which compares favorably to the Small and Middle Market healthcare averages of 8.1x and 9.4x EBTIDA, respectively. Further, across the Firm's nine platform investments were valued on a revenue basis at acquisition, Altaris paid an average of 1.5x revenue at entry, which compares favorably to the Small and Middle Market healthcare averages of 1.9x and 2.1x revenue, respectively.

- ▲ **Below Market Use of Leverage:** Altaris has an average net debt to EBITDA multiple of 1.8x, upon entry, across all deals, including those which were closed without the use of leverage. Of the 39 platform investments completed as of September 30, 2019, 11 have been closed without the use of leverage. Excluding these 11 unlevered transactions, Altaris has an average net debt to EBITDA multiple of 3.4x, upon entry. StepStone considers Altaris' debt levels to be conservative relative to the industry.

Risks

- ▼ **Increasing Target Deal Size:** Fund V's average target investment size is US$100 million to US$500 million, allowing the Firm the flexibility to target larger scale transactions. The Firm completed one large scale transaction in Fund IV and has a number of actionable opportunities of this size in its pipeline. This represents a notable step-up from Altaris' previous funds. The average aggregated equity check of Fund IV and Constellation IV was US$110 million. As such, the GP's ability to generate returns at this size remains unproven. By being able to complete corporate carve-outs and take privates that are larger in size, Altaris has been able to generate a robust pipeline of opportunities outside of auction processes and to remain disciplined on purchase price and leverage, which have consistently been below market. While StepStone's analysis focuses on company size at time of Altaris' transactions, portfolio companies often experience healthy growth organically and through M&A under Altaris ownership. Altaris noted wanting to have the ability to buy companies of a size similar to ones they are selling.

- ▼ **Regulated Industry:** The healthcare industry is subject to government rules and regulations, an environment that is currently uncertain. Regulation and funding provided to government programs may change in the short term, altering the dynamics of the industry and where dollars are spent. Altaris targets businesses that are generating revenue and that address the needs of the healthcare system by improving patient outcomes, reducing costs and increasing efficiency. Additionally, the Firm targets investments that have limited government reimbursement exposure.

- ▼ **Cross-Fund Transactions:** As of September 30, 2019, 29% of Fund IV's invested capital was deployed into cross-fund transactions. Generally, StepStone would prefer the Firm source original opportunities to avoid potential conflicts of interest as well as promote portfolio diversity. Key drivers of the cross-fund transactions were the pending expiry of Fund II term, the companies' need for additional capital to execute on their business plans, including diversifying the revenue base, and the Firm's belief that the fair market values of the companies were suitable and attractive for Fund IV. Fund IV's cross-fund investments were predicated on high conviction in the companies and respective industries, viewed as attractive business with strong potential. Prior to Fund IV's investments, the Firm had been invested in the companies for an average for 7.5 years. As a result, Altaris was able to monitor the development of both companies and markets, and therefore develop a well-informed thesis informed by its considerable information advantage. Fund IV's cross-fund investments approved by both the limited party advisory boards of Funds II and IV. Further, the Firm employed a third party valuation firm, to conduct a third-party valuation review and issue fairness opinions in respect of the pricing of the transaction.

- **Fund Size Increase:** At its hard-cap, Fund V will be 126% larger than the aggregated vehicle of Fund IV and Constellation IV, and 343% larger than the aggregated vehicle of Fund III and Constellation III. Fund V is sized to allow them to complete a few more deals than Fund IV with the flexibility to complete larger equity transactions of up to US$500 million. Despite targeting a fund size that is double the size of its predecessor, the GP plans to deploy it across a relatively similar number of investments. Fund IV will likely conclude with seven to eight portfolio companies and Fund V will target eight to 10 investments. This partially mitigates concerns with the team's ability to invest and manage a substantially larger fund, from a capacity perspective. Across its nearly 39 platforms, the GP has completed 85 add-on acquisitions. Given its preference for conservative capital structures in growing healthcare companies, the larger fund will facilitate continued accretive M&A activity. Altaris has demonstrated investment discipline in its sourcing of deals outside of auction processes and in targeting complex and/or larger scale unique transactions in an effort to find value in today's heated market environment. This discipline, combined with the GP's sector expertise, gives StepStone comfort that the GP will continue to adhere to its strategy and approach with a larger fund size.

- **Management Fees:** Altaris V is charging 2% on committed capital during the investment period and 2% on invested capital after the investment period. According to *StepStone's SPI Database*, this is above market for funds sized between US$2 billion and US$3 billion. Within this range, 53% of Private Equity Buyout funds charged less than 2% management fees during the investment period and 81% of funds charged less than 2% after the investment period. The management fees are facilitating the GP's 10% commitment to the Fund, as it is partially funded through management fee offset.

Management Team

Altaris Capital Partners was founded in 2003 by George Aitken-Davies, Michael Kluger and Daniel Tully. Prior to forming Altaris, they worked together in Merrill Lynch's private equity and healthcare investment banking groups, where they gained experience investing in and managing companies using the same investment philosophy and processes that form Altaris' core strategy today. While Messrs. Aitken-Davies and Kluger held various senior positions, Mr. Tully served as the Global Head of healthcare equity capital markets at Merrill Lynch before departing to form Altaris. Prior to his time at Merrill Lynch, Mr. Aitken-Davies received a Master's degree in Molecular and Cellular Biochemistry from the University of Oxford. After leaving Merrill Lynch and before co-founding the Firm, Mr. Kluger was a founding partner of Liberty Partners, a Florida-based private equity firm, where he specialized in healthcare investments. In 2016, Mr. Kluger transitioned from his role as a Managing Director to a part-time role as a Senior Advisor and has since retired. Messrs. Aitken-Davies and Tully continue to lead and manage the Firm today. They have an extensive network within the healthcare industry, assembled over multiple decades, providing access to corporations, entrepreneurs, operators, non-profits and clinicians.

Messrs. Aitken-Davies and Tully manage the Firm with support from two Managing Directors whom have been with Altaris for approximately ten years. David Ellison joined Altaris in 2007 as an Associate to support the Firm's Managing Directors and aid with execution and monitoring of Fund I. Prior to joining Altaris, Mr. Ellison was a member of the global healthcare investment banking group at Lehman Brothers. Mr. Ellison was promoted to the role of Managing Director during the deployment of Fund III and is part of the Firm's senior investment team. In 2010, James O'Brien joined Altaris from his roles within the investment banking and equity capital markets groups at Merrill Lynch. Mr. O'Brien was a Principal at the start of AHP IV and has since been promoted to Managing Director. Altaris continues to manage a lean team, but which has grown in seniority since the Firm's earlier funds, AHP I and AHP II, when the founders were largely supported by a rotational class of Associates.

Professionals

Altaris' investment team consists of ten investment professionals: four Managing Directors, one Principal, one Vice President, one Senior Associate, and three Associates. The Managing Directors have an average tenure of over 14 years with Altaris. All of Altaris' professionals are located in the Firm's New York City office.

The Co-Founders provide strong and stable leadership to the team and remain critical members of Altaris, fully committed to the investment activities and decision-making process. Dan Tully is nearer retirement age but remains fully engaged with Altaris and committed to Fund V with no intentions to retire in the foreseeable future. While the Co-Founders continue to play central roles, they are supported by three strong investment professionals in the two MDs and Principal. During StepStone's reference calls, portfolio company CEOs often mentioned David Ellison and Jim O'Brien as being regular points of contact. David Ellison in particular was often cited as being highly engaged in transactions, in sourcing, diligence, and portfolio monitoring.

Following Fund III, the Firm began to institute sector specialization at the senior level. This benefits deal flow, as the Firm builds stronger relationships with intermediaries, operators and corporates. Mr. Ellison leads investments in the provider and payor services sectors. Mr. O'Brien leads investments in the medical device and diagnostics sectors. Garikai Nyaruwata is primarily responsible for investments in the pharmaceuticals sector. While the senior team has sector specialties, the junior professionals on the investment team are generalists within healthcare. The Co-Founders are also generalists, with experience and networks across sub-sectors. However, the Firm is not "siloed" into sector teams and remains collaborative across the different subsectors within healthcare.

Altaris Investment Team Experience

Altaris Capital Partners Investment Professionals						
Professional	Title	Prior Experience	Joined Altaris	Altaris Tenure	Investment Experience	Relevant Experience
Managing Directors						
George Aitken-Davies	Co-Founder & Managing Director	Merril Lynch	2002	17	17	21
Daniel Tully	Co-Founder & Managing Director	Merril Lynch	2002	17	24	34
David Ellison	Managing Director	Lehman Brothers	2007	12	12	14
James O'Brien	Managing Director	Merril Lynch	2010	9	9	13
Average - Managing Directors				***14***	***16***	***21***
Junior/Mid Level Investment Professionals						
Garikai Nyaruwata	Principal	McKinsey & Company	2015	4	4	8
Nicholas Fulco	Vice President	CCMP Capital Advisors	2018	2	9	9
Peter Partee	Senior Associate	Wells Fargo	2017	2	2	5
Max Meehan	Associate	Bain & Co	2018	1	1	3
Michael Ambrosia	Associate	Citigroup	2018	1	1	3
Myles Tang	Associate	Lazard	2019	0.3	1	2
Average - Junior/Mid Level				***2***	***3***	***5***

In addition to the dedicated investment team at Altaris, the Firm maintains relationships with a network of healthcare industry operators who collectively hold, or have held, management or executive positions across a wide range of industry subsectors (the "Altaris Operating Network"). Members of the Altaris Operating Network are not employees of Altaris, but are third-party consultants or executives occasionally retained by Altaris to provide services to certain current or prospective portfolio companies. Altaris typically engages members of this informal network to assist during the sourcing and due diligence phases of a potential investment and to perform ongoing roles at portfolio companies such as board members, advisors, consultants or as part of management. The Operating Network currently comprises 21 executives with roles at Altaris portfolio companies, as CEOs, board members, or Chairmen.

Turnover

In the past ten years, four investment professionals at or above the Vice President-level have departed the Firm. This includes Michael Kluger, one of the Firm's co-founders and a Managing Director, who announced his retirement at the age of 68 in 2016. Having discussed the Firm's turnover with Altaris, StepStone is not concerned with the level of turnover or the circumstances behind the departures. Most Associates are expected to rotate out and those Vice Presidents that are not being considered for a Managing Director role will most likely leave under a mutual agreement.

Capacity

To assess the team's capacity, StepStone analyzed Altaris' historical investment pace and how Fund V will likely to be invested. The analysis assumes the GP invests Fund V over the full six year investment period, and assumes the GP does not make additional senior hires/promotions during the investment period of the Fund. Fund V is targeting a US$2.5 billion fund size and US$3 billion hard cap, to be deployed across 8 to 10 investments. This implies an average investment of US$200 to US$240 million per deal, assuming the Fund is 90% invested into companies. With four Managing Directors, the projected investment pace suggests that each MD will be responsible for 2 to 3 deals in the Fund, or 0.4 deals per MD per year assuming utilization of the full investment period. This is a reasonable ratio of new deals per MD. The senior professionals are supported by Mr. Nyaruwata, who the Co-Founders believe is on the Managing Director-track and capable of leading deals, adding additional senior capacity in the near future. StepStone notes that the unrealized portfolio is healthy and maturing with three exits expected in the next 12 months

Altaris Capacity Analysis

Altaris Capital Partners Capacity Analysis

As of Sep 30, 2019

	Altaris I	Altaris II	Altaris III	Altaris IV	Altaris V Target	Altaris V Hard Cap
Vintage Year	**2004**	**2008**	**2014**	**2018**	**2020**	**2020**
Fund Size	$350	$415	$513	$1,085	$2,500	$3,000
% Growth		19%	24%	112%	130%	176%
Investment Period *(years)* [1]	4	6	4	2	6	6
Fund invested capital (+ projected) [2]	$279	$344	$461	$977	$2,250	$2,700
Co-Invest Capital	$91	$123	$127	$216		
Total Invested Capital (+ projected)	$370	$467	$588	$1,193	$2,250	$2,700
Number of Investments (+ projected)	12	12	12	7	10	10
Avg. Investment Size	$28	$35	$46	$153	$203	$243
Total Number of MDs	3	3	3	4	4	4
Investment Pacing:						
Avg. Number of New Deals per Year	3.0	2.0	2.9	3.5	1.7	1.7
Avg. Number of New Deals per MD	4	4	4	2	3	3
Avg. Annual New Deals per MD	1.0	0.7	1.0	0.9	0.4	0.4
Avg. Capital Invested per Year	$93	$78	$147	$596	$375	$450
Avg. Annual Capital Invested per MD	$31	$26	$49	$149	$94	$113

Source: Altaris, StepStone Analysis.

1. Invesmtent period calculated as time between first and last investment for prior funds.

2. Calculated using actual invested capital for AHP I - III. Assumes that 90% of fund size will be invested for AHP IV and V

GP Commit

The team is making a 10% GP commitment to the Fund, promoting strong alignment of interest and incentives. The GP commitment is funded through a combination of cash and management fee waiver, which is more tax efficient.

Investment Committee

The AHP V Investment Committee consists of the four Managing Directors. Each prospective investment has a deal team, which typically consists of three or four investment professionals, including one or two of the Managing Directors. To approve an investment decision, the Investment Committee requires an affirmative vote from the four MDs.

Evaluation of the Management Team

Merits

- ▲ **Cohesive, Experienced Team:** The two Co-Founders, Messrs. Aitken-Davies and Tully, average 21 years of private equity experience and 28 years of relevant experience. Both previously worked in Merrill Lynch's private equity and healthcare investment banking groups, where they accumulated additional experience working together. David Ellison and Jim O'Brien are internally promoted MDs with tenures of 12 and 10 years, respectively, demonstrating the Firm's focus on the development of internal talent. The Altaris investment team includes 10 investment professionals, including four Managing Directors. This represents a 40% increase in team size since the launch of Fund III in 2014. Additionally, the Firm has promoted Garikai Nyaruwata to Principal and considers him as a rising star. The Firm maintains a lean team but continues to manage Firm growth through junior to mid-level hires and will also look to add functional expertise to support the team and portfolio companies (ie legal, capital markets).

- ▲ **Healthcare Industry Expertise:** Over the past 30 years, the Managing Directors have repeatedly proven their ability to add value to LMM healthcare companies by employing their industry knowledge and expertise. The success of this expertise and focus is demonstrated by the GP's overall performance since inception. Based on reference calls, StepStone believes that the GP's sector expertise and focus is critical in sourcing attractive deal flow, as many MM companies are looking for both financial and strategic support from sponsors.

- ▲ **Above Market GP Commitment:** For Fund V, the GP anticipates committing 10% of total aggregate commitments, which, for the target fund size of US$2.5 billion, translates to a US$250 million commitment to the Fund. StepStone considers this to be meaningfully above the typical market rate of 2%, fostering strong alignment with LPs.

Risks

- ▼ **Potential Capacity Issues:** Altaris has a lean team of 10 investment professionals, including four senior MDs. Through September 2019, the Firm has 14 unrealized and partially realized portfolio companies across Funds III and IV. The size of the unrealized portfolio and capital to be deployed across Funds IV and V raises concern regarding the GP's capacity. Three of the 14 investments are expected to be sold in the next 12 months, providing additional capacity. Excluding these near-term exits, minority rolled positions and public companies, the team is managing a portfolio of nine active investments. The team is not burdened by a legacy or underperforming portfolio, allowing it to focus sufficient time and attention to Fund V investments. Although the team remains small in size, it is a highly experienced and intelligent team that has demonstrated its ability to generate top quartile returns across funds and economic cycles. There is good amount of internal development as seen by the regular level of promotions. A fifth professional is expected to become MD in the next three years. The Firm plans to hire functional experts which it views as necessary as they move upmarket into larger deals and increasingly pursue complex carve-out transactions. The team expects to complete 2 to 3 new deals per year, which is in line with historical investment pacing.

Track Record

Since raising its first fund in 2003, Altaris has invested US$1.8 billion across 46 investments (39 transactions and 34 unique companies excluding cross fund investments) across four funds and two overage vehicles. As of September 30, 2019, the Firm's investments are valued at US$3.8 billion, driving aggregate gross returns of 2.2x TVM/29% IRR and net returns of 1.7x TVM/20% IRR. Of these investments, 24 investments representing US$647 million, or 37%, of invested capital have been realized, generating a gross TVM/IRR of 3.0x/28%.

The unrealized portfolio as of September 30, 2019 comprises 22 investments (15 transactions excluding cross fund investments) representing US$1.1 billion of invested capital, marked at 1.7x/39% gross TVM/IRR with an unrealized loss ratio of 1%. As of September 30, 2019, invested capital across Fund IV, Constellation IV, and Constellation III is entirely unrealized, generating a second quartile DPI in each instance. Fund III began investing in 2014 and has returned 75% of invested capital driven by one full exit, one partial exit, and three dividend recaps. Fund I is fully realized and Fund II is substantially realized with one remaining investment which has been signed to be sold. Altaris' overall loss ratio is 4% and the loss ratio on realized investments is 7%, concentrated in Fund I. The team has learned lessons from these early losses which drives their increased focus on capital preservation and downside protection, as evidenced by the negligible loss ratios since AHP I.

Altaris Performance Summary

(US$ in millions, as of September 30, 2019)

Altaris Investment Performance													
Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
AHP I	2003	$350	12	$279	$666	-	$666	2.4x	23%	17%	1.7x	13%	1.7x
AHP II	2008	415	12	344	1,142	74	1,216	3.5x	38%	0%	2.6x	27%	2.5x
Realized Funds		**$765**	**24**	**$623**	**$1,808**	**$74**	**$1,882**	**3.0x**	**28%**	**8%**			
AHP III	2014	$513	11	$461	$346	$659	$1,006	2.2x	43%	0%	1.8x	30%	0.7x
Constellation III	2016	165	5	127	8	192	200	1.6x	27%	0%	1.4x	19%	0.1x
AHP IV	2018	1,085	5	481	-	603	603	1.3x	34%	3%	1.1x	20%	0.0x
Constellation IV	2018	240	1	68	-	98	98	1.4x	33%	0%	1.3x	19%	0.0x
Unrealized Funds		**$2,003**	**22**	**$1,137**	**$355**	**$1,552**	**$1,907**	**1.7x**	**40%**	**1%**			
Total Realized Companies			**24**	**647**	**1,891**	**20**	**1,911**	**3.0x**	**28%**	**7%**			
Total Unrealized Companies			**22**	**1,112**	**272**	**1,606**	**1,878**	**1.7x**	**39%**	**1%**			
Total		**$2,768**	**46**	**$1,759**	**$2,163**	**$1,626**	**$3,789**	**2.2x**	**29%**	**4%**	**1.7x**	**20%**	**1.0x**

Relative Performance

Altaris has delivered strong net returns that consistently rank in the first quartile on a net TVM and net IRR basis, aside from Fund I, which generated third quartile net returns across all rankings. Fund I's underperformance relative to the benchmark is mainly the product of losses on two investments, which account for 98% of AHP I's losses and 74% of Altaris' losses as a firm. Fund I and Fund II were impacted by a large gross-to-net spread of 0.7x/10% and 0.9x/11%, respectively. The Firm's most recent fund, AHP IV, and its accompanying co-investment vehicle, Constellation IV, are off to a promising start and rank in the first quartile on a TVPI and net IRR basis, and in the second quartile on a DPI basis.

Altaris Relative Performance

(US$ in millions, as of September 30, 2019)

Altaris Net Relative Performance						Private iQ – United States – First Quartile			Private iQ – Altaris – Quartile Rank		
			Altaris								
Fund	Vintage	Fund Size	Net TVM	Net IRR	DPI	Net TVM	Net IRR	DPI	Net TVM	Net IRR	DPI
AHP I	2003	$350	1.7x	13%	1.7x	2.4x	25%	2.3x	Third	Third	Third
AHP II	2008	415	2.6x	27%	2.5x	2.1x	21%	1.7x	First	First	First
AHP III	2014	513	1.8x	30%	0.7x	1.7x	25%	0.6x	First	First	First
Constellation III	2016	165	1.4x	19%	0.1x	1.3x	19%	0.2x	First	First	Second
AHP IV	2018	1,085	1.1x	20%	0.0x	1.1x	10%	0.0x	First	First	Second
Constellation IV	2018	240	1.3x	19%	0.0x	1.1x	10%	0.0x	First	First	Second
Total		**$2,768**	**1.7x**	**20%**	**1.0x**						

Source: Private iQ U.S. Buyout benchmark as of September 30, 2019.

Performance Since Fund IV Diligence

StepStone analyzed Altaris' performance as of September 30, 2019 relative to the date of StepStone's most recent underwriting of Fund IV, which was completed as of December 31, 2016. As shown in Figure 40, since Fund IV's underwriting, Fund II's DPI has nearly caught up with net TVM and the fund has exited the majority of its portfolio companies. AHP III has seen net returns decrease on a net IRR and DPI basis, due to the portfolio aging 33 months with only a 0.2x increase in gross TVM overall. Constellation III has experienced strong value creation, with the value of the portfolio increasing 0.4x above cost and generating a 19% IRR.

Performance Since StepStone's Last Underwriting

Altaris Investment Performance										
	Vintage	Net TVM			Net IRR			DPI		
Fund	Year	12/31/16	9/30/19	Δ	12/31/16	9/30/19	Δ	12/31/16	9/30/19	Δ
AHP I	2003	1.7x	1.7x	0.0x	13%	13%	0%	1.7x	1.7x	0.0x
AHP II	2008	2.4x	2.6x	0.2x	28%	27%	0%	2.0x	2.5x	0.4x
AHP III	2014	1.7x	1.8x	0.0x	46%	30%	-16%	0.8x	0.7x	-0.2x
Constellation III	2016	1.0x	1.4x	0.4x	0%	19%	19%	0.0x	0.1x	0.1x

Note: Net TVM and DPI, as of December 31, 2016, were calculated by StepStone during Fund IV's underwriting.

Evaluation of the Track Record

Merits

- ▲ **Strong Performance in Funds II & III:** Since inception in 2003, Altaris has deployed US$1.8 billion across 34 portfolio companies (46 investments and 39 transactions). As of September 30, 2019, the Firm's investments are valued at US$3.8 billion, resulting in an aggregate gross TVM of 2.2x. Aside from Fund I, all of Altaris' funds and co-investment vehicles rank in the first quartile on the basis of net TVM and net IRR compared to the Burgiss U.S. Buyout benchmarks. Notably, Altaris has proven its ability to generate strong returns through a downcycle. Altaris made eight investments across Funds I and II between 2006 and 2008, all of which have been fully realized, generating a gross TVM of 3.5x with only one realized loss.

- ▲ **Attractive Realized Returns:** Across the Firm's prior funds, Altaris has fully or substantially realized 24 investments as of September 30, 2019. These investments have generated a gross TVM of 3.0x and represent ~37% of invested capital across the four funds and two co-investment vehicles. Funds I and II are realized and Fund III has already seen meaningful liquidity, with full or partial realizations in four portfolio companies, generating a DPI of 0.7x, as of September 30, 2019.

- ▲ **Low Loss Ratio:** As of September 30, 2019, Altaris has generated a low total loss ratio of 4% with only four deals (out of 39 transactions) that have generated losses. The majority of losses are concentrated in the Firm's earliest fund, Fund I, which accounts for 76% of the Firm's total losses since inception. The Firm's overall loss ratio compares favorably to the average loss ratio over the same time period of 11% for the small buyout investments, per StepStone's SPI Database.

Risks

- ▼ **Immaturity of Fund IV:** As of September 30, 2019, Fund IV has invested approximately US$481 million across five platform investments, or 44% of its aggregate commitments. The fund was initially slow to deploy, making its first investment in Q2 2018, but has since been invested rapidly, with five investments having been completed in the span of 12 months. Altaris has identified its last two Fund IV investments, which it expects to close in Q4 2019 or Q1 2020. One of the two deals will be a cross-fund investment, representing the first deal in Fund V. StepStone would prefer to see more maturity in Fund IV ahead of the Fund V fundraise. Since inception, Altaris has made between one and four investments per year. Although the number of investments increased in 2017 and 2018, StepStone notes that, on a unique basis, Altaris only invested in three new companies in each year, which is in line with the Firm's historical investing patterns. In later years, Altaris was constrained by its smaller fund size as the GP sought out larger transactions, which caused the Firm to spread equity commitments across contributions from multiple funds. The strong, early performance of Fund IV's cross-fund investments is encouraging. Fund IV's investments cross-fund have increased the value of the unrealized portfolio. The Firm has conviction that these investments will meet or exceed the growth reflected in their current valuations.

- ▼ **Unrealized Portfolio Largely Concentrated Around a Single Company:** In aggregate, one transaction represented US$390 million of invested capital across two funds and two co-investment vehicles. This single company comprises 44% of equity deployed in Fund IV and 19% of total fund commitments. This single company accounts for 35% of unrealized value at the Firm, leaving Altaris' platform and two of its substantially unrealized funds highly exposed to the performance of a single investment. The company was purchased at a roughly 12% discount to market valuation through a take-private transaction in June 2018. The Firm was able to attain an attractive purchase price relative to trading value due to the complexities associated with separating the company's business lines, which have since been organized into two companies and are operating successfully standalone entities. The GP believes both assets are substantially undervalued at where they are held today.

Fundraising

The Firm is currently raising Altaris Health Partners V ("Altaris V", "Fund V" or the "Fund") with a target of US$2.5 billion and a hard cap of US$3.0 billion on LP commitments. The increase in fund size will allow Altaris to build a portfolio of 8 to 10 control equity investments averaging between US$100 million and US$500 million each. The GP is looking to hold a first closing in December 2019 and a final closing for the Fund in Q1 2020. The GP is committing at least 10% of LP capital commitments.

Portfolio Fit

The Fund meets the investment criteria and guidelines set forth in CRPTF's Investment Policy Statement. Altaris would be considered a 2020 commitment to the Middle Market Buyout portfolio within the Private Investment Fund. As of June 30, 2019, Connecticut's investments in Middle Market Buyout funds represented 8% of aggregate PIF exposure, defined as NAV plus unfunded, and has generated a net IRR of 15%. Inclusive of PIF investments approved after June 30, 2019, a US$100 million commitment to the Fund would increase PIF's Middle Market Buyout exposure to 11%.

Altaris Health Partners V	CRPTF Current Exposure	IRR	CRPTF Pro Forma Exposure
Strategy			
Middle Market Buyout	8%	15%	11%

Note: Table reflects active investments only, liquidated funds excluded.

Environmental, Social & Governance

Altaris has implemented a formal Environment, Social and Governance ("ESG") policy to guide investment professionals in the evaluation of prospective and active portfolio companies. While Altaris' ESG policy is influenced by the United Nations Principles for Responsible Investment ("UNPRI"), the Firm is not a signatory to the UNPRI.

Altaris' senior professionals are primarily responsible for ensuring that the consideration of ESG issues is integrated into the Firm's decisions. Where additional subject matter expertise is needed, external resources will be engaged and utilized as necessary.

The Altaris investment team is responsible for documenting ESG concerns during the diligence process. Further, Altaris' strategy is predicated on improving patient outcomes while also aligning stakeholder incentives. This generally results in a positive social impact as Altaris' portfolio companies make healthcare more efficient and available. StepStone also notes that the healthcare industry is heavily regulated and the Firm's portfolio companies must adhere to several governing bodies, including the Food and Drug Administration.

Example: Altaris' investment in Community Pharmacy Partners ("CPP") was motivated by the demand for a solution for the opioid epidemic in the United States. Per the Center for Disease Control and Prevention: "Opioids were involved in 47,600 overdose deaths in 2017 (67.8% of all drug overdose deaths)." Despite media attention focusing on illegal substances, both legal and illegal opioids have contributed to the growing crisis. To combat this trend, CPP provides patients with safe and efficacious alternatives (ie topicals) to prescription opioids for pain management.

Example: During StepStone's onsite with Altaris, the Firm gave an ESG example wherein a portfolio company shut down operations at a manufacturing facility due to the presence of a moth. The facility was used for drug development and production; therefore, the moth presented a potential contamination concern. This example demonstrates the Firm's commitment to maintaining best-in-class business operations across its portfolio, and the high standards that healthcare companies are held to.

Relevant ESG-related information is communicated to limited partners as part of the regular fund reporting communications. Altaris has not made any formal commitments in fund formation documents or side letters to report on ESG issues beyond normal LPAC materiality thresholds.

StepStone notes that while Altaris is not a signatory of the UNPRI, it has adopted processes and procedures that are generally consistent with its principles. As an investor that places emphasis on taking an advisory approach to working with portfolio companies, Altaris has the ability to drive meaningful improvements at portfolio companies. StepStone believes that the Firm's ESG processes with respect to investments are adequate but would prefer for Altaris to become a signatory to the UNRPI.

Through StepStone's diligence, it is apparent that the Firm's approach to healthcare investing is aligned with responsible investing, in that the Firm seeks investments that address the needs of the healthcare system by improving patient outcomes, increasing system efficiency, reducing costs and aligning stakeholder incentives. The Firm's investment is CPP was partially motivated by the positive societal impact to the widespread issue of opioid abuse.

Recommendation

StepStone believes that a commitment to AHP V represents an attractive opportunity to invest in one of the most successful healthcare managers in the US. Since inception, Altaris has exclusively focused on the healthcare sector and has invested across multiple economic cycles. The Firm is led by a cohesive and experienced senior team comprising two Co-Founders, Messrs. Aitken-Davies and Tully, who average 21 years of private equity experience and 28 years of relevant experience. The Firm has posted strong returns and done so on a risk-adjusted basis. Since the Firm's founding in 2003, Altaris has raised four private equity funds and two overage vehicles with aggregate capital commitments of US$2.8 billion. In aggregate the funds have invested in 39 transactions (34 portfolio companies) and generated a net TVM/net IRR of 1.7x / 20%, as of September 30, 2019. All of the funds since AHP I have generated top quartile returns. Across 24 realized investments, the Firm has generated a gross TVM/IRR of 3.0x/28%. The Firm has delivered these returns with a low loss ratio of 4%, or 7% on realized investments, concentrated in AHP I.

Appendix I
Summary of Due Diligence Performed

In our review of the offering, we conducted the following additional due diligence:

- August 2019
    - Interim update with GP
- October – November 2019
    - Attended AGM
    - Met onsite with members of the Fund's investment team
    - Prepared and completed an investment memorandum

Appendix II
Investment Team Member Biographies

George Aitken-Davies, Managing Director, Co-Founder

Mr. Aitken-Davies co-founded Altaris. Prior to the formation of Altaris, he held various positions in Merrill Lynch's private equity and healthcare investment banking groups. Mr. Aitken-Davies received a Masters in Biochemistry from the University of Oxford and investigated the metabolism of bovine prion protein for his research dissertation at the Università di Padova, Italy. Mr. Aitken-Davies currently serves on the Board of Overseers of the Children's Hospital of Philadelphia and as a trustee of the Senator Foundation.

Daniel Tully, Managing Director, Co-Founder

Mr. Tully co-founded Altaris. Prior to the formation of Altaris, he held various positions with Merrill Lynch, including serving as the firm's global head of healthcare equity capital markets, and as a member of Merrill Lynch's private equity and investment banking groups. Mr. Tully received a B.S. in Economics from the University of Pennsylvania, Wharton Undergraduate Program.

David Ellison, Managing Director

Mr. Ellison is a managing director at Altaris. Prior to joining Altaris, Mr. Ellison was a member of the global healthcare investment banking group at Lehman Brothers where he assisted clients in the execution of a number of mergers, acquisitions and corporate finance transactions across various healthcare sectors. Mr. Ellison graduated from Washington and Lee University with a degree in Mathematics and Economics.

James O'Brien, Managing Director

Mr. O'Brien is a managing director at Altaris. Prior to joining Altaris, Mr. O'Brien was a member of the investment banking and equity capital markets groups at Merrill Lynch where he executed a number of mergers, acquisitions and corporate finance transactions across various industries. Mr. O'Brien received a B.A. in History from Princeton University.

Appendix III
Market Map

Glossary

Term	Definition
Balanced Stage Venture Capital	A Venture Capital fund focused on both Early Stage and Late Stage companies
Bridge Financing	Temporary funding that will eventually be replaced by permanent capital from equity investors or debt lenders
Buyout	Fund whose strategy is to acquire controlling interests in companies
Carried Interest	The general partner's share of the profits. The carried interest, rather than the management fee, is designed to be the general partner's chief incentive to strong performance.
Co/Direct Investment	Investment made directly into a company, rather than indirectly through a fund
Committed Capital	Total dollar amount of capital pledged to a fund
Contributed Capital	Total capital contributed to a fund for investments, fees and expenses, including late closing interest paid, less returns of excess capital called and bridge financing
Cost Basis	Remaining amount of invested capital
Debt	Security type that signifies a repayment obligation by a company (e.g. senior debt, subordinated debt, bridge loan etc.)
Distressed	A company's final Stage of development. Company is generally experiencing operational or financial distress
Distressed / Turnaround	Fund whose strategy it is to acquire the Equity or Debt of companies experiencing operational or financial distress
Distributed Capital	Capital distributed to the limited partners, including late closing interest earned
Dow Jones US Total Stock Market Total Return Index	The Dow Jones US Total Stock Market Total Return Index measures all U.S. equity securities with readily available prices. It is a free float-adjusted market capitalization weighted index and is calculated with dividend reinvestment
DPI (Distributions to Paid In / The Realization Multiple)	Total gross distributions divided by total gross contributions
Early Stage	A company's first Stage of development. Company is generally generating modest or no revenues
Equity	Security type that signifies ownership of a company (e.g. common stock, preferred stock, warrants, etc.)
Expansion Stage	A company's third Stage of development. Company is generally experiencing high growth and nearing profitability
Exposure	Sum of Remaining Value plus Unfunded Commitment
Fund-of-Funds	Fund whose strategy is to make investments in other funds
Fund Stage	A fund progresses through three stages over its life: investment (investment period), distribution (post-investment period), and liquidation
Geographic Region	Market location of a company: North America, Western Europe, Africa/Middle East, Latin America, Asia/Pacific Rim
Growth Equity	Fund whose strategy is to invest in companies to expand or restructure operations, enter new markets or finance an acquisition without a change of control of the business
Infrastructure	Fund whose strategy is to acquire interests in physical structures and networks that provide the essential services for society's economic and social needs, e.g. roads, tunnels, communication networks, etc.
Internal Rate of Return (IRR)	The discount rate that results in a net present value of zero of a series of cash flows. The IRR considers both cash flow timing and amount and is the preferred performance measure for private market funds
Invested Capital	Capital invested by a fund in portfolio holdings
Investment Type	Classification of an investment vehicle: Primary Fund, Secondary Fund, Fund-of-Funds
J-Curve	Refers to the shape of the curve illustrating a fund’s performance over time. During the initial years of a fund's life, as a result of illiquidity, stagnant valuations, fees and expenses, a fund’s performance tends to be negative (the bottom of the “J”). Eventually, as portfolio companies are realized or increase in value and fees become a smaller percentage of overall contributions, performance improves and investors’ returns move up the “J” shaped curve
Large	Company with a Size greater than $1 billion
Late Stage	A company's second Stage of development. Company is generally generating high revenue growth and high losses

Term	Definition
Loss Ratio	The percentage of capital in deals with a total value below cost, over total invested capital
Lower-Mid	Company with a Size greater than $100 million, but less than $250 million
Lower Quartile	The point at which 75% of all returns in a group are greater and 25% are lower.
Mature	A company's fourth Stage of development. Company is generally generating modest to no growth and operating profitably
Mega Buyout	Fund whose strategy is to acquire or recapitalize Large businesses, Fund size over $6 billion
Mezzanine	Fund whose strategy is to acquire subordinated debentures issued by companies
Middle-Market Buyout	Fund whose strategy is to acquire or recapitalize middle-market businesses, Fund size between $1-$3 billion
MSCI ACWI Index - Total Return	The MSCI ACWI Total Return is a reflection of the performance of the MSCI ACWI Index, including dividend reinvestment, as calculated by Bloomberg. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices
Multi-Strategy	A Fund that invests across multiple strategies
Natural Resources	Fund whose strategy is to acquire interests in naturally occurring, economically valuable raw materials and all physical facilities and capabilities required for the extraction, refinement, and delivery to end users, e.g. oil and gas properties, timberland, etc.
Net Asset Value ("NAV")	In the context of this report, represents the fair value of an investment, as defined within each limited partnership agreement, yet in compliance with the governmental regulation, generally prepared on a GAAP basis
Net IRR	Annualized effective compound rate of return using daily contributions, distributions and Remaining Value as of the Report Date, net of all fees and expenses, including late closing interest
Percent Interest	Represents an investor's economic interest in a fund based upon the investor's commitment divided by total fund commitments
Primary Investment	An interest in a private equity fund acquired directly from the fund manager during the fundraising period
Public Market Equivalent (PME)	A private equity benchmark that represents the performance of a public market index expressed in terms of an IRR, using the same cash flows and timing as the investor's investment activity in private equity. The PME serves as a proxy for the return the investor could have achieved by investing in the public market. The PME benchmark return assumes cash flows are invested at the end of each day
Publication Date	Refers to the date this report was created as reflected in the Executive Summary
Quartile	Segment of a sample representing a sequential quarter (25%) of the group.
Real Assets	Fund whose strategy is to invest in assets that are tangible or physical in nature such as land, machinery, and livestock
Real Estate	Fund whose strategy is to acquire interests in real estate property
Realized Capital	Capital distributed to a fund from portfolio holdings
Recallable / Recyclable Capital	Capital that has been previously distributed by a fund to investors but may be called again for investment purposes. It is generally associated with realizations that have occurred in the early years of a fund or refers to uninvested capital that has been temporarily returned (i.e. returns of excess capital)
Recapitalization	The reorganization of a company's capital structure
Remaining Value	Capital account balance as reported by the General Partner, generally on a fair value basis
Report Date	Refers to the end date of the reporting period as reflected on the cover page
Return on Investment (ROI)	Ratio of Realized Capital plus Unrealized Value to Invested Capital

Term	Definition
Russell 1000® Total Return Index	The Russell 1000® Total Return Index measures the performance, including dividend reinvestment, of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.
Russell 3000® Total Return Index	The Russell 3000® Total Return Index measures the performance, including dividend reinvestment, of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.
RVPI (Residual Value to Paid In)	The current value of all remaining investments within a fund divided by total gross contributions
S&P 500 Price Index	The S&P 500 Price Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
S&P 500 Total Return Index	The S&P 500 Total Return Index is a reflection of the performance of the S&P 500 Index, including dividend reinvestment. All regular cash dividends are assumed to be reinvested in the S&P 500 Index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.
Secondary Investment	Investments that involve the purchase of private equity fund interests or portfolios of direct investments in privately held companies from existing institutional Investors
Sector	Industry in which the company operates: technology, telecommunications, healthcare, financial services, diversified, industrial, consumer, energy, etc.
Size	Capitalization size of a company: Large, Upper-Mid, Lower-Mid, Small
Small	Company with a Size of less than $100 million
Small Business Investment Company (SBIC)	Lending and investment firms that are licensed and regulated by the Small Business Administration (SBA). The licensing enables them to borrow from the federal government to supplement the private funds of their Investors
Small Buyout	Fund whose strategy is to acquire or recapitalize Small businesses
Stage	The course of development through which a company passes from its inception to its termination: Early, Late, Expansion, Mature, Distressed
Sub-Asset Class	Private equity investments are generally classified as Buyout, Venture Capital, Mezzanine, Distressed/Turnaround, and Fund-of-Funds
Subordinated Debt	Debt with inferior liquidation privileges to senior debt in case of a bankruptcy and consequently, will carry higher interest rates than senior debt to compensate for the subordination.
Term Sheet	A summary of key terms between two or more parties. A non-binding outline of the principal points which definitive agreements will supercede and cover in detail.
TVM (Total Value Multiple) / TVPI (Total Value to Paid In)	Net asset value plus gross distributions divided by total gross contributions
Unfunded Commitment	Amount of capital that remains to be contributed to a fund as defined in a fund's limited partnership agreement
Unrealized Value	Holding value of a portfolio company assigned by the General Partner, which generally represents fair value
Upper-Mid	Company with a Size greater than $250 million but less than $1 billion
Upper Quartile	The point at which 25% of all returns in a group are greater and 75% are lower.
Venture Capital	Fund whose strategy is to make investments in Early Stage and/or Late Stage companies
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Write-Down	A reduction in the value of an investment.
Write-Off	The write-down of a portfolio company's holdings to a valuation of zero and the venture capital investors receive no proceeds from their investment.
Write-Up	An increase in the value of an investment.

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ALTARIS

Investors in the Healthcare Industry

December 2019

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All "$" references herein are to United States Dollars.

Altaris Capital Partners

Healthcare-Focused Investment Firm

Overview

- Founded in 2003
- $2.7 billion equity capital under active management
- Based in New York
- Healthcare industry is large, growing, fragmented and complex

Well-honed, industry-specialized investment strategy

- Targeting companies that deliver value and efficiency to the healthcare system
- Leveraging industry knowledge and network
- Growth-oriented buyouts
- Focus on complicated and value-based situations (e.g. carve-outs, break-ups, corporate partnerships, agent of change)
- Active approach to influencing the investment outcome

Track record[1]

- 40 investments to date; 28 realized / substantially realized

FUND	VINTAGE	SIZE	GROSS IRR	NET IRR	GROSS MOI	NET MOI
AHP IV	2017	$1,085.0	33.2%	22.4%	1.4x	1.2x
Constellation IV	2017	$240.0	36.4%	23.7%	1.6x	1.4x
AHP III	2013	$512.5	40.7%	29.9%	2.3x	1.8x
Constellation III	2016	$165.0	26.6%	20.4%	1.7x	1.5x
AHP II	2008	$415.0	38.5%	27.5%	3.6x	2.6x
AHP I	2004	$350.0	22.8%	13.1%	2.4x	1.7x

1) As of December 31, 2019.

Please see endnotes in this Presentation for important related disclosures and definitions. Past performance is not necessarily indicative, or a guarantee, of future results.

Altaris Team

Culture: Honesty, Fairness, Teamwork, Rigor

Investment Professionals

GEORGE AITKEN-DAVIES **Co-Founder, Managing Director** Merrill Lynch University of Oxford MBIOC Biochemistry	DANIEL TULLY **Co-Founder, Managing Director** Merrill Lynch University of Pennsylvania BS Economics	DAVID ELLISON **Managing Director** Lehman Brothers Washington & Lee University BA Mathematics & Economics	JAMES O'BRIEN **Managing Director** Merrill Lynch Princeton University BA History
GARIKAI NYARUWATA **Principal** McKinsey & Company Univ. of Cape Town; Univ. of Oxford BS Economics, MSci. Economics	LANA DWEIK **Vice President, Capital Markets** Antares Capital Wellesley College BA Mathematics	NICHOLAS FULCO **Vice President** CCMP Capital Advisors Boston College BA International Studies	MELANIE BOYLE **Senior Associate** Barclays Princeton University BA Molecular Biology
PETER PARTEE **Senior Associate** Wells Fargo Washington & Lee University BA Economics & Politics	MICHAEL AMBROSIA **Associate** Citibank Princeton University BA Economics & Finance	MAX MEEHAN **Associate** Bain & Company Harvard University AB Chemistry	MYLES TANG **Associate** Lazard Frères & Co. Amherst College BA Economics

Operations

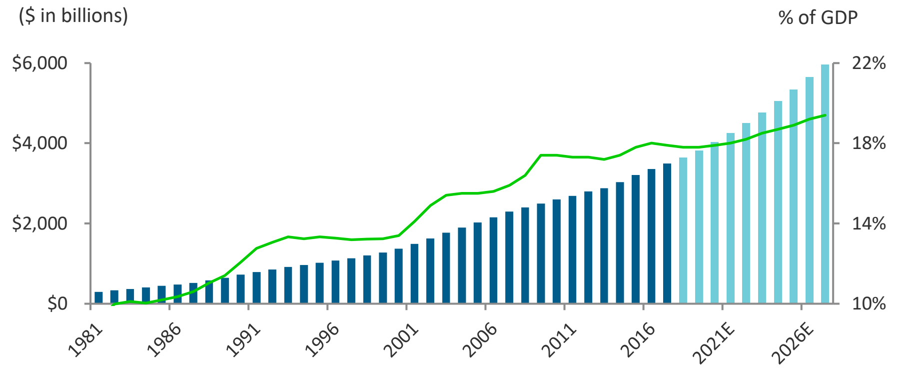
CHARLES MULLENS **Chief Financial Officer** JC Flowers, Deloitte & Touche University of Scranton BS Accounting	IRINA LYSOCHENKO **Controller** Pomona Capital, PwC Pace University BA Computer Science, MS Accounting	OTABEK KHAKIMOV **Assistant Controller** Deloitte & Touche Queens College BA Accounting & Economics
JENNIFER GRACI **Office Manager** Merrill Lynch	COURTNEY POPE **Operations Associate** ONEX Corporation State Univ. of New York at Plattsburgh BS Hospitality Management	NIKKI ROUEL **Operations Associate** Theorem Capital Cal. State Univ. of Northridge BS Consumer Sciences & Marketing

Healthcare Industry: Key Dynamics

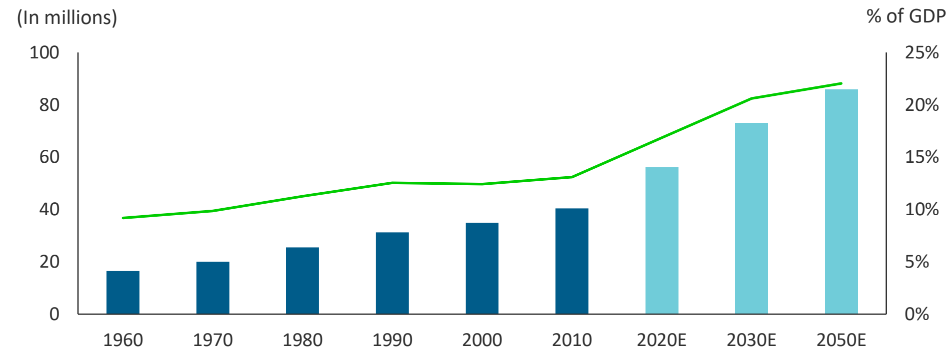
Large, Growing, Fragmented, Complex

$3.6 trillion	18% of GDP	5.5%	10,000	90%
Annual expenditure in U.S.	In 2017	Projected growth 2017-2027	Americans turning 65 every day	Spending on chronic conditions

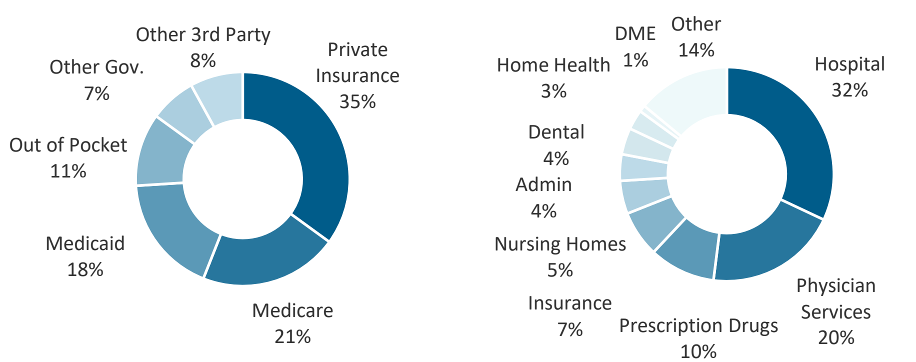
U.S. Health Spending



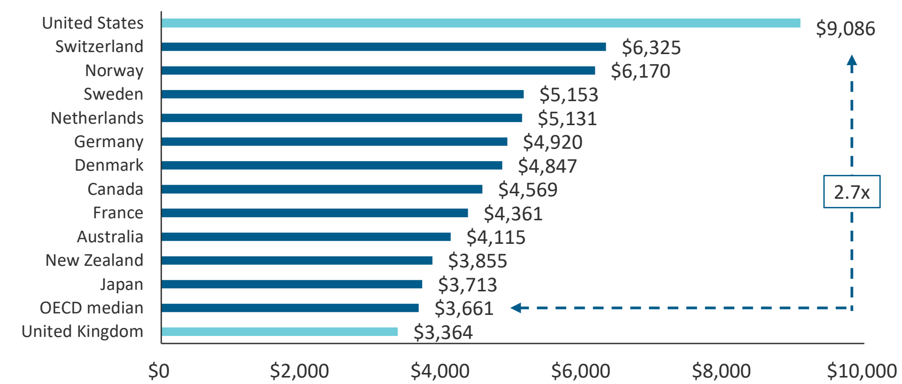
Population > 65 Years of Age



Spending Breakdown



Spend Per Capita



Sources: Centers for Medicare & Medicaid Services, December 2019. United States Census Bureau, September 2018. The Fiscal Times, 2017. "Multiple Chronic Conditions in the US.", Rand Corp, 2017. The Commonwealth Fund, "U.S. Health Care from a Global Perspective.", 2015.

Altaris Investment Strategy

Companies that Address the Needs of the Healthcare System

Central Tenets	Trends
Improve patient outcomes	Consolidation / "re-verticalization"
	Digitization of paper-based systems and interoperability
	Innovation in patient care
Eliminate unnecessary costs to the system	Increasing regulation and compliance oversight
	Shift to lower cost setting
	Integration/coordination of care
Increase efficiency	Outsourcing of non-core functions
	Payment model reform
	Shortage of clinicians
Align stakeholder incentives	Value based purchasing
	Consumer engagement

Leveraging Healthcare Knowledge and Network

Attractive Deal Flow; Disciplined Investment Process

- Corporates
- Health Systems
- Industry Executives
- Deal Intermediaries
- Portfolio Companies
- Proprietary Thesis Development

✓ Attractive fundamental value
✓ Downside protection / capital preservation
✓ Multiple paths to achieve target return
✓ Upside asymmetry

~2 – 4
Investments per year

Typical Altaris Transactions

- Carve-outs
- Breakups
- Corporate partnerships
- Overlooked / undervalued public situations
- First institutional capital, founder / family businesses
- Agent of change

There can be no assurance regarding the composition of any Fund's investments or the frequency of consummated investments.

Case Study: Take Private and Breakup

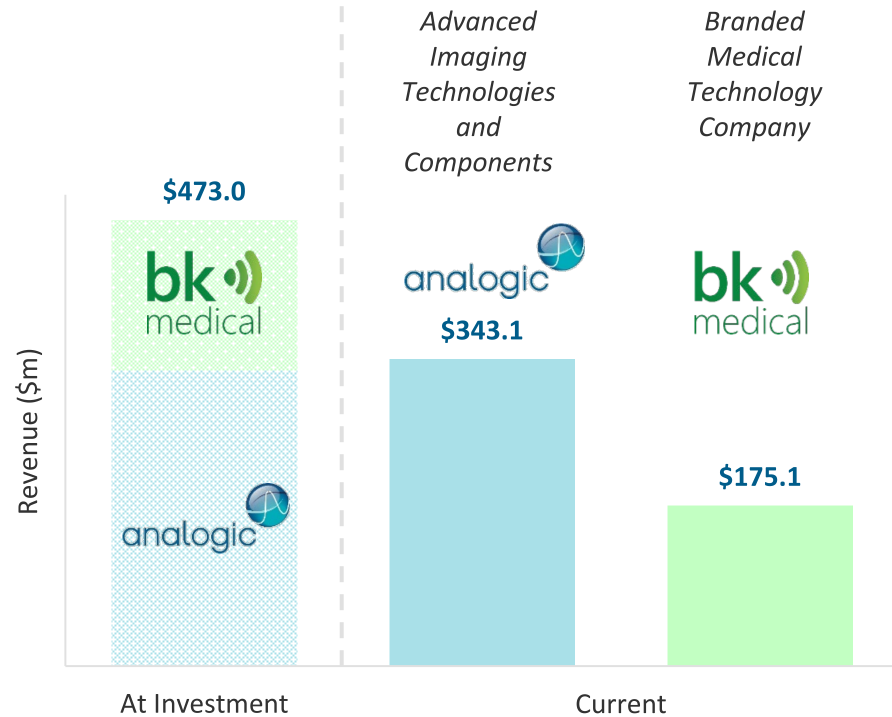
- Analogic is a provider of image generation and detection products and components
- bk medical is a branded ultrasound company, primarily for use in urological and surgical procedures
- Headquarters: Peabody, MA
- Analogic Employees: 914 / bk medical Employees: 635

Transaction Background

- Analogic was a public company that had struggled with repeated management turnover and strategic shifts
- In June 2017, Analogic announced a review of "strategic alternatives" with a view to split up the company
- Altaris proactively sought to participate as a potential buyer for non-core business units
- After 7 months of diligence and negotiation, Altaris agreed to acquire the entire company in April 2018 at a 12.5% discount to market value

Value Creation (to date)

- Split Analogic and bk medical into two separate companies
- Reset senior management, including:
  - Replaced CEO
  - Replaced CFO
  - Replaced multiple business unit heads



Investment Summary ($m)

Net Debt	$466.5
Equity Value	392.0
Transaction Value	$866.5
Multiple of PF EBITDA	*8.4x*

Please see endnotes in this Presentation for important related disclosures. Past performance is not necessarily indicative, or a guarantee, of future results.

Endnotes

Realized Value represents the sum of gross proceeds generated from dispositions and distributions and includes principal repayments, equity proceeds, interest and dividends.

Gross internal rates of return (“Gross IRR”) are aggregate, compound, annual gross internal rates of return and are based on actual cash flows unless otherwise noted. Gross IRRs do not reflect management fees, partnership expenses, carried interest, taxes, transaction costs and other expenses borne by investors, which in the aggregate are expected to be substantial. Gross IRR for unrealized investments and substantially realized investments with remaining interest have been calculated by assuming the remaining interest has been sold off as of December 31, 2019 at the Current Value.

Gross multiple on investment (“Gross MOI”) is the ratio of Total Value to Invested Capital and is reflected on a gross basis and does not reflect net proceeds distributed to investors as Gross MOI does not reflect management fees, partnership expenses, carried interest, taxes, transaction costs and other expenses borne by investors, which in the aggregate are expected to be substantial.

Realized investments represent investments for which there has been a sale, redemption, repurchase or recapitalization of all of the investment. Altaris considers an investment “Substantially Realized” when the aggregate proceeds received by the relevant Altaris Fund in respect of a portfolio company exceed the amount of capital invested by such Altaris Fund in such portfolio company. Unrealized investments are investments for which there has been no significant disposition related to the original investment. Unrealized investments may include investments in respect of which there have been partial minority dispositions and/or receipt of interest or other current income earned in respect the portfolio investment (for example, interest income on equity-linked securities). An investment is considered “Fully Exited” when it has gone through a change in control transaction.

Net internal rate of return (“Net IRR”) represents the compound annual rate of return generally received by a fund investor bearing its full share of management fees and carried interest, calculated after payment of applicable management fees, partnership expenses, transaction costs and other expenses borne by investors and distributions or payments (on an actual or pro forma basis) of the general partner’s carried interest. Net IRR is based on the actual timing of investment cash flows. An individual limited partner’s net IRR may vary based upon the timing of the limited partner’s capital contributions and amount of management fees paid, which may differ from those of other limited partners for various reasons and, consequently, may differ from the Net IRR stated herein.

Net multiple on investment (“Net MOI”) represents the multiple on invested capital, on a net basis, calculated after giving effect to all management fees, partnership expenses, transaction costs, carried interest and other expenses borne by investors.

Net performance results included herein do not reflect amounts attributable to the commitments of the general partner and its affiliates that are limited partners (which generally do not pay management fees or a carried interest with respect to their commitments).

Certain of the Altaris Funds have borrowed utilizing a capital call credit facility to finance investments prior to issuing a capital call to limited partners, and such fund-level borrowings, where applicable, are reflected in the IRR calculations. The related delay of capital calls will increase the Net IRR reflected herein (in some cases, materially).

AGENDA ITEM #6

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

April 16, 2020

Members of the Investment Advisory Council ("IAC")

Re: Consideration of Hg Genesis 9, L.P. and Hg Saturn 2, L.P.

Dear Fellow IAC Member:

At the April 23, 2020 meeting of the IAC, I will present for your consideration two, related private equity opportunities for the Private Investment Fund ("PIF") of the Connecticut Retirement Plans and Trust Funds ("CRPTF"): Hg Genesis 9, L.P. ("Genesis 9") and Hg Saturn 2, L.P. ("Saturn 2"). Genesis 9 and Saturn 2 are being raised by Hg LLP ("Hg"), a private equity-focused investment manager headquartered in London, United Kingdom.

I am considering commitments of up to €68 million (approximately $75 million) to Genesis 9 and $100 million to Saturn 2, both of which will focus on control-oriented, growth buyout investments in software and tech-enable services companies that are primarily headquartered in Northern Europe. While Hg's funds pursue opportunities in the same targeted sectors, Genesis 9 focuses on middle market companies and Saturn 2 focuses on upper middle market and larger cap companies. Genesis 9 has a target fund size of €3.6 billion while Saturn 2 has a $4.1 billion target fund.

Investments in Genesis 9 and Saturn 2 would provide the CRPTF with exposure to Hg, the premier private equity firm focused on the European software and services markets. Hg's sector expertise and experience investing in these mission-critical services companies across market cycles should continue to provide the firm with sustained competitive advantages for the benefit of Genesis 9 and Saturn 2 investors.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by StepStone. I look forward to our discussion of these materials at next week's meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER

MEMORANDUM

DECISION

TO:	**Shawn T. Wooden, Treasurer**
FROM:	**Laurie Martin, Chief Investment Officer**
CC:	**Darrell V. Hill, Deputy Treasurer** **Raynald D. Lévèque, Deputy Chief Investment Officer** **Kevin Cullinan, Chief Risk Officer** **Mark E. Evans, Principal Investment Officer** **Olivia Wall, Investment Officer**
DATE:	**February 11, 2020**
SUBJECT:	**Hg Genesis 9, L.P. and Hg Saturn 2, L.P. – Final Due Diligence**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("Connecticut") consider commitments of up to (i) €68 million (approximately $75 million) to Hg Genesis 9, L.P. ("Genesis 9") and (ii) $100 million to Hg Saturn 2, L.P. ("Saturn 2"), collectively (the "Funds"). The Funds will make control-oriented, growth buyout investments in software and tech-enable services companies that are primarily headquartered in Northern Europe. Genesis 9 and Saturn 2 will both pursue the same sector-focused strategy, but each fund will focus on different market segments with Genesis 9 pursuing mid-market companies while Saturn 2 targets the upper mid-market.

The general partners of the Funds are affiliates of Hg LLP ("Hg" or the "Firm"), an investment manager, with offices in London, Munich and New York. Hg currently has $12.3 billion in assets under management. Genesis 9 has a target fund size of €3.6 billion with an expected hard cap of approximately €4.4 billion. Hg is targeting a Saturn 2 fund size of $4.1 billion with an expected hard cap approaching $4.9 billion. Hg expect to hold a first close on the Funds in February 2020 and a final close during the second quarter of 2020.

Strategic Allocation within the Private Investment Fund

The Funds' buyout strategy falls under the Corporate Finance allocation of the Private Investment Fund ("PIF"). The IPS establishes target allocations ranges of 70% to 100% to Corporate Finance investments within the PIF portfolio as measured by a percentage of total exposure, defined as market value plus unfunded commitments. The PIF's total exposure to Corporate Finance strategies was approximately 81% as of September 30, 2019.

More specifically, Genesis 9 and Saturn 2 would be categorized as middle and large market buyout funds, respectively. As of September 30, 2019, middle market and large buyout funds represented 8.1% and 11.5%, respectively, of the PIF's estimated total market value. Commitments to Genesis 9 and Saturn 2 would be consistent with the PIF's Strategic Pacing Plan objectives of targeting a 12% long-term allocation, as measured by market value, to both the middle and large market buyout sub-strategies. In addition, Hg's focus on investment opportunities in northern Europe aligns well with the Strategic Pacing Plan's geographic diversification objective of having approximately 19% of the PIF's market value invested in Europe. As of September 30, 2019, approximately 4.6% of the PIF's market value was managed by firms with a primary focus on European companies.

The recommended Saturn 2 and Genesis 9 commitments would represent Connecticut's first partnership with Hg. Pension Funds Management ("PFM") investment professionals believe that the Funds present a compelling opportunity to gain PIF exposure to the preeminent European software and services focused private equity firm. Hg's well demonstrated sector and investment expertise has allowed the Firm to generate strong absolute and relative returns while experiencing lower loss ratios than its peers.

Investment Strategy and Market Opportunities

Hg currently manages three fund series: (i) Hg Mercury ("Mercury"), (ii) Hg Genesis ("Genesis"), which is also the Firm's flagship fund series, and (iii) Hg Saturn ("Saturn"). Each of the Hg fund series pursue a uniform strategy of buyout investments primarily in Northern European companies that operate in the software and tech-enabled services ("Software & Services") sectors. Hg utilizes the resources and experience of the largest dedicated Software & Services investment team in Europe to identify and capture investment opportunities from the lower to upper middle market. The distinction between the Hg funds is based only on the size of the target companies and expected investment per company. Mercury targets businesses with enterprise values of between €100 million and €500 million where Hg expect to invest up to €165 million per company. Genesis targets businesses with enterprise values of between €500 million and €1.5 billion at entry where Hg expects to invest between €175 million and €525 million per company. Saturn targets companies with enterprise values above €1.5 billion at entry where Hg expects each transaction to require more than €600 million of equity capital.

While the Firm has investment teams dedicated to each fund series, Hg leverages the shared expertise, resources and market presence of one Firm for the benefit of each fund series. Hg believes its well-honed investment focus and practices have allowed the Firm to support its companies' long-term growth objectives with limited operating volatility. Specifically, Hg has developed an investment strategy focused on particular sub-sectors that exhibit attractive long-term growth profiles and certain business model characteristics, including: (i) mission critical business to business products and services, (ii) high levels of recurring and repeat revenue, (iii) fragmented customer bases to avoid customer and revenue concentration risks, (iv) defensible businesses with high margins resulting from intellectual property protection, (v) resiliency with little cyclicality/price sensitivity, and (vi) low customer churn rates.

Hg further narrows its targeted investments to sub-sectors that the Firm refers to as "Hg clusters." Through Hg's experience and market intelligence, these sub-sectors have been identified by Hg as exhibiting materially faster growth rates and greater resilience than the broader economy. Today, the Hg clusters include Software & Services companies serving the following markets: (i) tax & accounting, (ii) enterprise resource planning & payroll, (iii) legal & compliance, (iv) automotive, (v) insurance, (vi) tech services for small and medium-sized enterprises, (vii) capital markets & wealth management IT, and (viii) healthcare IT. To ensure depth of market coverage within each cluster, Hg has built eight dedicated cluster teams, comprised of investment professionals from each fund series, to execute its long-term approach to building relationships with and following targeted businesses. Hg utilizes these cluster teams to track companies closely, often for years before a company is large enough or ready to pursue an investment partner. Hg's sourcing efforts are aided by its reputation as a long-term repeat and successful Software & Services investor in Europe, which benefits the Firm through a significant network effect.

Fueled by macro developments driving increased global spending on software and related services, Hg believes that the European Software & Services market will continue to expand. Further, Hg estimates that there is a gap between tech spending levels in the US and Europe despite both economies generally having higher labor costs, which have been shown to be an incentive to invest in software and technology to increase productivity. Currently, Hg estimates that the companies in the European Software & Services market with enterprise values below €5 billion generate approximately €153 billion in revenue. By way of comparison, similarly sized companies in the US generate approximately €175 billion in revenue.

Specific to the Genesis investment opportunity set, Mergermarket research shows that the volume of European software and services transactions involving companies with enterprise values between €500 million and €1.5 billion grew at a compounded annual rate of 12% between 2010 and 2018. Moreover, Hg has identified more than 8,200 mid-market Software & Services companies that fall within Genesis' target size and operate within an Hg cluster. As expected, the market opportunity for European software companies aligning with Saturn's mandate is smaller yet provides ample opportunities for Hg. The Firm has identified more than 750 European Software & Services companies that match Saturn's investment criteria; between 2016 and 2018, there was an average of 20 European software transactions per year involving companies with enterprise values above €1.5 billion.

The Funds' investment strategies will remain focused on companies either headquartered, or having significant operations, in Norther Europe with an emphasis on opportunities in the UK/Ireland, Germany, France, the Benelux region, and Scandinavia. Unlike the U.S. where there are few to no regional barriers to hinder a Software & Services company from scaling to serve a national market opportunity, there can be significant regulatory, linguistic/cultural, and financial systems differences between countries and regions across Europe. As a result, Hg has often found that there are mid-sized companies that are country or regional "champions" with strong market positions that might not be possible in larger, more homogenous markets.

Due to the fragmented nature of the Software & Services segments targeted within the Hg clusters, the Firm often seeks to expand its portfolio companies through add-on acquisitions. Through such strategies, Hg may seek to support a country champion to grow its business across a wider region of Europe. Hg also looks to drive value by transforming select companies from regional competitors into transatlantic companies by expanding from Europe into North America, or vice versa. Hg opened a New York office in 2019 to support the Firm's identification of North American companies that may be add-on candidates for an existing Hg company in Europe, or a new platform investment that Hg would seek to expand into Europe through follow-on acquisitions.

Hg was one of the early adopters of utilizing a dedicated portfolio management team, which it started in 1999, to work alongside investment professionals to drive the value creation process. Hg currently has a 30-person Portfolio Team that supports the long-term growth of the Firm's portfolio companies in collaboration with its investment professionals and executive teams. The Hg Portfolio Team is comprised of both former C-suite level executives with deep operating experience as well as functional experts in the areas that have proven to be most relevant to companies targeted by Hg. These areas include growth, data and analytics, technology, offshoring and product, talent and organization, finance & M&A, and ESG & sustainability. The Portfolio Team also supports the Firm's due diligence practices while senior members of the Portfolio Team often serve on the boards of Hg portfolio companies.

Hg will seek to construct the Genesis 9 portfolio with 10 to 12 platform investments, at the rate of two to three investments per year requiring total equity of between €200 million and €600 million per investment. Hg expects that Genesis 9 will make investments of €175 million to €525 million, with the balance of any equity requirements typically provided through limited partner co-investment. While the number of investments in Genesis 9 is expected to be similar to that of Genesis 8, Hg expects to invest more capital per platform company consistent with the market segment targeted by Genesis and the Firm's expected use of add-on acquisitions to increase the strategic value of its portfolio companies.

Hg will seek to make eight to 10 platform investments in Saturn 2 with the fund making investments of €325 million to €675 million per company. While Hg expects that each Saturn 2 company will generally require more than €600 million of equity capital, Hg has a long history of providing significant co-investment opportunities to its limited partners. PFM investment professionals note that Hg intentionally sized the first Saturn fund at a scale that was intentionally smaller than the identified market opportunity. Hg made this deliberate decision to allow the Firm time to buildout a dedicated Saturn team and further prove out the Saturn strategy.

Firm and Management Team

Hg was formerly known as Mercury Private Equity ("MPE") and represented the private equity arm of Mercury Asset Management ("Mercury"), which was a subsidiary of UK-based asset management SG Warburg. Mercury was acquired by Merrill Lynch in 1997. In December 2000, MPE negotiated a spin out from Merrill Lynch, rebranded itself as HgCapital, and has been fully independent and 100% owned by its Partners since. In 2017, HgCapital rebranded itself again as Hg.

In 2001, with the launch of Genesis 4, the Firm stopped investing in venture capital stage companies and refined its focus entirely on equity investments in growth-oriented middle market buyouts. At the time, Hg targeted investments in the consumer and leisure, healthcare, industrials, and Software & Services sectors. Further refinements in Hg's strategy and sectors of focus were led by Nic Humphries, who joined the Firm in 2001 and founded the Firm's Software & Services team. Humphries started his investing career in 1990 and has focused exclusively on technology and software investing since 1994. His previous private equity experience includes positions with Barclays Private Equity and 3i. Humphries became Hg's CEO and Senior Managing Partner in 2007 following a planned leadership succession.

Under Humphries' leadership, Hg began to narrow the Firm's focus on Software & Services investments due to inconsistent performance of the other sector groups. As result, Hg began winding down its consumer and leisure, healthcare, and industrials investment activities between 2008 and 2013 with those teams Hg disbanded over time.

Hg's senior leadership team includes Humphries and Managing Partners Justin von Simson and Matthew Brockman. Justin von Simson joined Hg in 2002 with prior experience at Goldman Sachs and Deloitte. Matthew Brockman joined Hg in 2010 after having spent a decade managing private equity investments at Apax Partners. The Firm's Managing Partners are responsible for the Firm's overall strategy and oversight of day-to-day operations in conjunction with Steven Batchelor, Hg's Chief Operating Officer. Hg's Investment Committee (the "IC") is responsible for approving investment decisions and overseeing the development of investment themes. The IC is comprised of six permanent members and three members representing the fund series for which an investment is being considered. The permanent members of the Hg Investment Committee are Brockman, who serves as chair, Humphries, and von Simon as well as four senior Partners on Hg's investment team. In addition, Hg has a Realisation Committee (the "RC"), which is responsible for reviewing and approving all exit and recapitalization opportunities. The RC is also responsible for monitoring and reviewing the performance of each portfolio company relative to plan as well as quarterly valuations and risk management. The RC is comprised of nine senior members of Hg's investment, Portfolio, and executive teams.

Hg's firm-wide investment team consists of 77 investment professionals, including 18 partners that primarily operate out of London, with additional offices in Munich and New York. Each of Hg's three fund series has a dedicated investment team. Genesis is led by Nic Humphries, Matthew Brockman and Justin von Simson, who are supported by a dedicated team of 40 investment professionals, comprised of eight partners, five directors, five principals and 22 junior investment professionals. Saturn is led by Nic Humphries and Justin von Simson, who are supported by a dedicated team of 17 investment professionals comprised of four partners, two directors, three principals and eight junior investment professionals. The Hg investment teams work closely with the Portfolio Team members, which are fully integrated into the Firm's sourcing, due diligence and post-investment value creation practices. In addition, Hg investment teams are also supported by a network of 30 industry advisors, who provide additional insight into the Software & Services markets. Hg often appoints its industry advisors to serve as the non-executive chairperson on portfolio company boards.

<u>Track Record</u>

PFM investment professionals do not view funds raised prior to Genesis 4 as relevant to the analysis of Hg's track record given the age and dissimilar investment strategy and leadership of the Mercury funds. Therefore, the track record assessment included herein is focused only on the Hg funds raised since 2001, after the Firm became independent from Merrill Lynch.

Since Hg Genesis 4 L.P. ("Genesis 4"), a 2001 vintage year fund, Hg has invested approximately £7.7 billion in 91 deals across eights funds within its Genesis, Mercury and Saturn fund series. These investments had generated a gross internal rate of return ("IRR") and total value multiple ("TVM") of 24% and 2.0x, respectively, as of September 30, 2019. Hg had realized 58 investments as of the same date, which generated a gross IRR of 24% and returned £7.3 billion of value on £3.3 billion of invested capital. On a net basis, Hg's overall investment track record had generated a net IRR of 17% and a net TVM of 1.8x as of September 30, 2019.

Hg's composite performance includes the Firm's investments in the consumer and leisure, healthcare, and industrials sectors made in Genesis 4 through 6. Hg funds became 100% Software & Services focused beginning with Mercury I, a vintage year 2012 fund. Therefore, Hg's overall track record summarized in the table below is less indicative of Hg's current strategy and investment performance due to the inclusion of the discontinued sector investments in Genesis 4 through 6.

HG Data as of: 9/30/2019 *(GBP in millions)*

HG Investment Partners														
Investment Performance Summary														
Fund	Vintage Year	Fund Size	Fund Status	# Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross/Net TVM	Gross/Net IRR	Gross/Net DPI	Quartile Rank TVM	Quartile Rank IRR	Quartile Rank DPI
Mercury 1	2012	£380	Harvesting	12	£330	£577	£290	£867	2.6x / 2.2x	38% / 26%	1.8x / 1.5x	1st	1st	1st
Mercury 2	2017	£595	Investing	4	£278	£150	£352	£502	1.8x / 2.3x	90% / 608%	0.5x / 0.2x	1st	1st	1st
Genesis 4	2001	£742	Liquidated	21	£629	£1,453	-	£1,453	2.3x / 2.0x	32% / 23%	2.3x / 2.0x	3rd	3rd	3rd
Genesis 5	2006	£958	Liquidated	12	£727	£1,430	£49	£1,478	2.0x / 1.7x	16% / 11%	2.0x / 1.6x	2nd	2nd	2nd
Genesis 6	2009	£1,900	Liquidated	19	£1,780	£3,712	£154	£3,867	2.2x / 1.8x	18% / 12%	2.1x / 1.7x	2nd	3rd	1st
Genesis 7	2013	£2,000	Harvesting	13	£1,798	£1,506	£2,619	£4,125	2.3x / 2.0x	27% / 21%	0.8x / 0.8x	1st	1st	2nd
Genesis 8	2017	£2,550	Investing	7	£1,383	£40	£1,630	£1,669	1.2x / 1.2x	25% / 43%	0.0x / 0.0x	2nd	1st	2nd
Saturn 1	2017	£1,500	Investing	3	£775	-	£1,129	£1,129	1.5x / 1.4x	44% / 51%	0.0x / 0.0x	1st	1st	2nd
Grand Total		***£10,625***		***91***	***£7,700***	***£8,867***	***£6,223***	***£15,090***	***2.0x / 1.8x***	***24% / 17%***	***1.2x / 1.1x***			
Mercury Total		**£975**		**16**	**£608**	**£727**	**£642**	**£1,369**	**2.3x / 2.2x**	**42% / 31%**	**1.2x / 1.1x**			
Genesis Total		**£8,150**		**72**	**£6,317**	**£8,140**	**£4,452**	**£12,592**	**2.0x / 1.8x**	**23% / 16%**	**1.3x / 1.2x**			
Saturn Total		**£1,500**		**3**	**£775**	**-**	**£1,129**	**£1,388**	**1.5x / 1.4x**	**44% / 51%**	**0.0x / 0.0x**			

Source: HG, Burgiss Private iQ European Buyout Benchmark (in EUR). Quartile Rank based on net returns as of June 30, 2019.

In comparison to the relevant Burgiss Private iQ benchmarks, Hg's funds focused exclusively on Software & Services (Mercury 1, Mercury 2, Genesis 7, Genesis 8 and Saturn 1) are ranked as first or second quartile funds based on net TVM, IRR and distribution to paid in ("DPI") metrics.

The Genesis 4 through 6 funds, which were invested in a broader set of sectors, rank predominately as second or third quartile performers across most metrics. However, when isolating the Software & Services investments in Genesis 4 through 6 Genesis 4, the ranking of these funds improves to the first and second quartiles across the relevant benchmarks. The 29 Software & Services investments in Genesis 4 through 6 generated a gross IRR of 29% and gross TVM of 2.6x as of September 30, 2019.

Hg's 68 Software & Services investments had generated a gross/net IRR and TVM of 29%/22% and 2.1x/1.8x, respectively, as of September 30, 2019. PFM investment professionals note that Hg has delivered these attractive returns while maintaining a loss ratio of less than 3% across the Firm's core Software & Services strategy.

Key Strengths

1. **Leading European Software & Services Focused Manager.** Hg has been investing in the European Software & Services sector since 2001 before exclusively focusing on the sector in 2012. The Firm's European Software & Services target market remains highly fragmented given Europe's diverse languages, cultures and political boundaries. Hg has the largest team of professionals exclusively focused on the Software & Services in Europe, which provides the Firm with the resources, networking and expertise to consolidate this highly fragmented industry with accretive add-on acquisitions across geographies. Additionally, Hg's three fund series provide the Firm with broad market investment capability by allowing Hg to capture

investment opportunities with companies of various sizes. Overall, Hg's deep sector experience and networks should continue to provide the Firm with competitive advantages to identify compelling investment opportunities and generate attractive returns for the Funds.

2. **Demonstrated Strong Investment Performance.** The Funds will follow the same, exclusive Software & Services focused strategy that Hg has successfully executed since 2012. All of Hg's prior funds focused exclusively on Software & Services investments were ranked in the first and second quartile as of September 30, 2019 across all relevant metrics. PFM investment professionals note that Hg has generated consistent and strong performance with all Software & Services investments made since 2001, with exceptionally low loss ratios while investing across various economic cycles. Hg's loss ratio of 2.7% compared very favorably to the European Middle Market and Large Market Buyout benchmark of 13% identified in Stepstone's research.

3. **LP Friendly Terms.** Hg's proposed management fee for Saturn 2 is 1% of committed capital during the investment period, which steps down to 0.75% on invested capital thereafter. This fee structure compares favorably to typical market averages of 1.5% to 2% on committed capital for funds of similar size to Saturn 2. The proposed management fees for Genesis 9 are in line with market norms. Hg also expects to continue to offer substantial co-investment opportunities to the Funds' limited partners, particularly for Saturn 2 investors, which provides the opportunity to decrease the effective management fees on committed and invested capital.

Major Risks/Concerns and Mitigants

1. **Above-Average Purchase Price Multiples.** Hg has historically been willing to pay above market average purchase price multiples for the higher growth, quality companies it targets. In addition, Hg has also used above market leverage levels to finance these investments. Paying higher than market average EBITDA multiples, combined with the attendant higher leverage levels, raises concerns that investment performance may be adversely impacted by the dual challenges of driving increased value and excessive leverage levels. These concerns are mitigated by Hg's disciplined focus on select Software & Services markets, where Hg seeks companies with attractive growth profiles, recurring revenue business, strong margins, and high free cash flow conversion rates. The Firm has demonstrated its capacity to create sector leaders and value by maximizing organic expansion via revenue growth, EBITDA margin expansion, and accretive acquisitions. Hg has demonstrated its ability to "blend down" initial purchase price multiples for platform investments through add-on acquisitions, often purchased at below market multiples. Hg's successful navigation of high market prices and leverage is best evidenced by the Firm's consistent investment track record, which shows more than 85% of Hg's partially and fully realized Software & Services investments have generated an IRR in excess of 20% and a TVM greater than 2x.

2. **Cross-Fund Transactions / Potential Conflicts of Interest.** Due to Hg's significant presence in the European Software & Services market, the Firm may be involved as both a seller and buyer of the same company, particularly as a company's enterprise value increases in line with Hg's fund series. These potential cross-fund transactions may result from Hg's identifying opportunities to drive significantly higher value creation potential through a longer hold period, or another Hg portfolio effectively serving as a strategic acquirer for an asset held in a different

Hg fund. Such possibilities raise concerns of conflicts of interest, including whether Hg's involvement on both sides of the transaction may lead to Hg's "selling" fund not receiving the highest value for the asset being sold.

To consider whether to extend the hold period of an asset, potentially resulting in a cross-fund transaction, Hg has organized formal review and assessment practices that it calls a "re-underwrite" process that is overseen by the Hg Investment Committee and Realization Committee. The purpose of the re-underwrite is to objectively consider the investment's go-forward return potential, risks, and alternatives for liquidity or partial realizations. Hg's historical re-underwrites have shown Hg's commitment to avoid all real and perceived conflicts of interest via its use of new independent due diligence teams, valuation by third parties, and resetting of the management incentive plan with each re-underwrite. It should be noted that Hg's historical cross-fund investments have involved other institutional investors that provide a market check to potential conflicts involving valuation. In addition, all prospective cross-fund transactions are reviewed by the respective limited partner advisory committees of any Hg funds that may be involved. PFM investment professionals are comfortable that Hg's practices to manage potential conflicts of interest are robust.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure, Hg Pooled Management Limited (the "Manager") references an investigation by the Competition and Markets Authority ("CMA") in London, which involves an allegation of abusive drug pricing. Specifically, it is alleged that one of the companies acquired by Hg Capital LLP (parent of Hg) for HG Fund 6, Concordia (f/k/a Mercury Pharma), dramatically increased the price of a drug for a thyroid condition. Concordia was the sole manufacturer of this drug, and it is alleged that Concordia abused its dominant position in the market. It is believed that the CMA named Hg Capital LLP, because at one point, it was on the board of Mercury Pharma. The Manager represents that there is nothing in the investigation to indicate that Hg Capital acted fraudulently. Further, much of the CMA's investigation is focused on the period after Hg's Fund 6 exited this investment, and as a result, Hg believes it has a strong defense.

Hg indicates that it does not have any material claims under its fidelity, fiduciary or E&O insurance policies; or ongoing investigations to report.

The Manager states it has adequate procedures to undertake internal investigations of its employees, officers and directors. Hg has a whistleblower policy which allows staff to report any grievance to Hg's Compliance Officer, who has the authority to investigate as needed.

Compliance Review (provided by Compliance)

The Chief Compliance Officer's Workforce Diversity & Corporate Citizenship review is attached.

Environment, Social & Governance Analysis ("ESG") (provided by Policy)

The Assistant Treasurer for Policy's Evaluation and Implementation of Sustainable Principles review is attached.

COMPLIANCE REVIEW FOR Hg SATURN 2 AND Hg GENESIS 9

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS

SUBMITTED BY

HG POOLED MANAGEMENT LIMITED

I. Review of Required Legal and Policy Attachments

HG POOLED MANAGEMENT LIMITED ("Hg"), a London, United Kingdom (UK)-based firm, completed all required legal and policy attachments. With respect to Legal and Policy *Attachment B, Nondiscrimination Affidavit*, Hg submitted a modified document referencing UK anti-discrimination laws. The modified document contains sufficient representation that Hg's internal policies comply with applicable non-discrimination laws in its local UK jurisdiction. The firm disclosed no third party fees, campaign contributions, known conflicts, or gifts. Its disclosure of legal/regulatory proceedings is being reviewed by the Legal Unit.

II. Workforce Diversity[2]

As of December 2019, Hg employed 175, which reflects an increase of 61 employees since December 2017. The firm reported that 20% of those serving at the "management level overall" are women, and that women represent 8% of those serving at the senior-most level of the firm, i.e., the Executive/Senior Level Official and Manager category. Over the 3 year period reported (2017 through 2019), 9 women were promoted into professional or managerial positions. Overall, while women are represented at the management level, they are much better represented at levels below management.

Workforce Statistics

For Executive/Senior Level Officials and Managers:
- Women held 8% (2 of 23) of these positions in December 2019, 10% (2 of 21) in December 2018 and 6% (1 of 18) in December 2017.

At the Management Level overall:
- Women held 20% (12 of 61) of these positions in December 2019 and also in December 2018 (10 of 51), up from 8% (3 of 39) in December 2017.

At the Professional Level:
- Women held 32% (17 of 53) of these positions in December 2019, up slightly from 31% (12 of 39) in December 2018, and 23% (7 of 30) in December 2017.

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[1] The Treasury's Policy Unit will prepare a separate Summary with respect to Hg's ESG submission.

[2] While Hg submitted data/information regarding male/female composition of its workforce, no data/information was submitted with respect to ethnic/racial composition. Ethnic/racial information is not tracked in the UK.

Firm-wide:

- Women held 41% (71 of 175) of these positions in December 2019, down from 43% (61 of 143) in December 2018, but up from 40% (45 of 114) in December 2017.

III. Corporate Citizenship

Charitable Giving: Hg strives to be a good corporate citizen and gives back to society and its communities. The firm is committed to charitable giving and each year donates 1% of its total profits to charitable causes. By way of example, Hg has been a long-standing supporter of Impetus-PEF, a charity that seeks to transform the lives of young people from disadvantaged backgrounds. In 2018, Hg broke a record for Impetus-PEF, committing the largest ever one-off donation. This lump sum represents a new method of long-term commitment from the private equity industry, where a share of Hg's profits arising from an investment fund are committed to the charity. The scale of this donation benefits thousands of disadvantaged youth. Hg's employees also donate time and money to charities of their choice. In 2018, employees and Hg together donated over £1million to 30 plus charities.

Internships/Scholarships: Hg does not currently provide scholarships, however, it is committed to providing industry training and development for its employees. The firm believes that its executives are "a critical source of sustainable competitive advantage and will ultimately lead to the generation of higher returns for investors." Hg has implemented mentoring programs which are open to employees firm-wide. One-on-one executive coaching is provided to address individual development needs. Hg is also committed to building diverse teams. In June 2018, the firm held its inaugural Female Leadership Forum, at which over 80 women from Hg and its portfolio companies gathered to share experiences, network and learn new skills. The goal is to provide attendees with support to advance their careers as women leaders. The firm did not specifically address "internships".

Procurement: Hg does not have a written procurement policy or program with respect to women-owned, minority-owned and/or emerging businesses.

HG POOLED MANAGEMENT LIMITED

3 YEAR WORKFORCE DIVERSITY** (SNAPSHOT)

WOMEN

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2019	8%	20%	32%	41%
2018	10%	20%	31%	43%
2017	6%	8%	23%	40%

December 2019: 8% or 2 of 23 Executives are Women; Total Employees Firm Wide 175

**No data/information was submitted with respect to ethnic/racial composition. Ethnic/racial information is not tracked in the UK.

Prepared by Compliance Unit 1/22/20

SUMMARY OF RESPONSES FROM HG POOLED MANAGEMENT LIMITED

TO ATTACHMENT M: EVALUATION AND IMPLEMENTATION OF SUSTAINABLE PRINCIPLES

SUBMITTED BY THE TREASURY'S POLICY UNIT

Hg has been a signatory to the U.N. Principles of Responsible Investment (UNPRI) since 2012. In 2019, the firm earned an AA+ score (A+ for Strategy & Governance and A+ for Private Equity) from UNPRI's annual assessment. It has also been certified as a Carbon Neutral company; the firm secures offsets against its carbon footprint by supporting the Acre Amazonian Rainforest project.

The firm provided a robust and comprehensive disclosure of how ESG considerations are embedded into its entire deal process. In 2018, Hg overhauled and relaunched its Responsible Business framework, including a Responsible Investment Policy that considers 19 ESG factors deemed relevant to their portfolio. The firm screens all potential new investments against its exclusion list (which includes tobacco, coal, arms and sanctioned products). And, once an investment is made, during the first six months of ownership the firm's Investment Team conducts a "more in-depth ESG review" to identify areas for improvement, with a focus on issues such as cybersecurity, employee engagement and diversity and inclusion. Currently, there are 32 portfolio companies with a formal sustainability policy, and each company's board is evaluated annually – including an assessment of ESG as part of their risk strategy.

Hg employs a Head of Responsible Investment to oversee the firm's sustainability efforts. In addition, Hg provides their employees with ongoing training related to its Responsible Investment Policy, and also relies on external resources such as PwC for ESG-related projects.

Overall, the firm's disclosure was exemplary.

State of Connecticut

Retirement Plans and Trust Funds

Recommendation Report

Hg Genesis 9

February 10th, 2020

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Executive Summary

Fund

Hg Genesis 9 ("Genesis 9" or the "Fund")

General Partner

Hg LLP ("Hg" or the "Firm")

Report Date

Data as of September 30, 2019

Fundraising

Hg is currently raising €3.6 billion in total commitments to Hg Genesis 9 ("Genesis 9" or the "Fund").While the Firm has not yet established a hard cap for Genesis 9, Hg has communicated to StepStone that it expects to eventually establish a hard cap of approximately €4.4 billion. Hg anticipates holding a first, and potentially final, close of Genesis 9 in March / April 2020 at the Fund's hard cap. This timing coincides with the timing that Hg expects Genesis 8 to be 70% drawn (a pre-requisite to holding a close on Genesis 9). In tandem with the Genesis 9 raise, the Firm is also targeting raising €960 million in total commitments to Hg Mercury 3 and US$4.1 billion in total commitments to Hg Saturn 2.

Source

Connecticut Retirement Plans and Trust Funds ("CRPTF") sourced the investment opportunity directly for evaluation for the Private Investment Fund ("PIF").

Key Terms

Management Fee: 1.75% Management Fee per annum of Third Party Commitments during the Investment Period. Thereafter, 1.50% per annum on Third Party Acquisition Cost of Investments less those Investments which have been subject to a Realisation.

Carried Interest: The Carried Interest allocation will be 20% after an 8% Preferred Return for Limited Partners (with 100% catch-up), subject to clawback.

Termination Provisions: For cause termination of the Fund permitted upon the removal of the General Partner; Investors may remove the General Partner upon the written consent of Investors who hold more than 50% of Total Fund Commitments. No fault termination of the Fund permitted after the second anniversary of the Start Date with written consent of Investors who hold more than 75% of Total Fund Commitments.

Key Person: Until the end of the Investment Period, if the Named Executives continuing to meet their Time Devotion Requirement represent less than, in aggregate six Named Executive Points (or such other aggregate amount of Named Executive Points in place from time to time), then the Manager shall not issue any further Drawdown Notices for the purposes of making New Investments or make any New Investments subject to customary carveouts. The Manager shall promptly notify the Investors of any Key Person Event and in any event within 10 Business Days after becoming aware of such Key Person Event.

Investment Strategy

Hg is a pan-European Buyout manager that pursues control investments in Software & Services businesses, predominantly across Northern Europe. Across its platform, Hg manages three programs: Hg Mercury (“Mercury”), Hg Genesis (“Genesis”), HG’s flagship fund, and Hg Saturn (“Saturn”). Each of these products pursue a uniform strategy, but within different market segments. Mercury targets Software & Services businesses with total enterprise value (“TEV”) at entry of between €100 million and €500 million. Genesis targets Software & Services businesses with TEV at entry of between €500 million and €1.5 billion. Finally, Saturn targets Software & Services businesses with TEV at entry in excess of €1.5 billion. Hg’s three products leverage the Firm’s best-in-class Software & Services expertise to target primarily European businesses with specific business model criteria. Business model criteria are designed around "bathtub-like" characteristics that allow for retained revenue to grow steadily, just as a bathtub fills steadily with water. Hg’s Firm-wide origination effort is oriented towards eight sub-sectors / “Hg clusters,” in which Hg has developed a significant network effect, and has invested repeatedly and successfully: Tax & Accounting, ERP & Payroll, Legal & Compliance, Automotive, Insurance, SME Tech Services, Capital Markets & Wealth Management IT and Healthcare IT. Genesis 9’s objective is to create sector leaders by maximizing organic expansion and consolidating fragmented markets in order to generate compelling risk-adjusted returns. This objective is bolstered by Hg’s efforts to acquire businesses that are supported by non-macroeconomic trends, such as an above-GDP rate of enterprise formation, increasing regulatory oversight, increasing software penetration, etc. Such non-macroeconomic trends should also support attractive performance in less buoyant markets. The Genesis Team will leverage the broader Hg platform to source Middle Market Software & Services opportunities and will seek to construct a portfolio of 10 to 12 platform investments, deploying total equity of between €200 million and €600 million.

Management Team

Genesis is led by Senior Partner Nic Humphries and Managing Partners Matthew Brockman and Justin von Simson, who are supported by eight additional Partners (collectively, the “Partner Group”). The Partner Group is further supported by 32 investment professionals, including five Directors, five Principals, seven Senior Associates, eight Associates and seven Analysts (collectively, the “Investment Team”). This represents the largest Investment Team relative to Hg’s other Mercury and Saturn teams. Complementing Hg’s three dedicated investment teams is the Firm’s shared Portfolio Team, currently at 30 professionals, which represents a pool of internal operational resources that work alongside investment teams to maximize value creation across Hg’s portfolio. Together, the Investment Team and Portfolio Team pursue a “hands-on” investment strategy that is focused on improving portfolio companies’ operations and growing them via add-on acquisitions.

Track Record

StepStone has focused its analysis on Genesis 4-8. These funds were raised and invested after the Firm gained its independence from Merrill Lynch (2000). Therefore, they are not biased by the priorities and policies of Hg's previous owner. Since 2001, Hg has deployed approximately £6.3 billion in 72 investments (70 companies) across five Genesis private equity funds. This invested capital has yielded £12.6 billion of total value, generating a gross TVM/ IRR of 2.0x/23% (8.4% loss ratio) and a net TVM/IRR of 1.8x/16% as of September 30, 2019. Approximately 65% of total value has been realized (£8.1 billion), while 35% of total value remains active (£4.5 billion). StepStone notes that over the deployment of Genesis 4-8, the Firm refined its sector teams to focus on areas that represent a high incidence of companies with target business model characteristics and in which it has been consistently successful. This refinement process led to the disbandment of the Firm's Consumer & Leisure, Healthcare and Industrials teams between 2008 and 2017, as a result of inconsistent and underwhelming performance relative to other sector teams. Today, Hg focuses solely on the Software & Services sector.

(£ in millions, as of September 30, 2019)

Hg Investment Performance

Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
Genesis 4	2001	£742	21	£629	£1,453	-	£1,453	£123	2.3x	31%	19.5%	2.0x	23%	2.0x
Genesis 5	2006	958	12	727	1,430	49	1,478	146	2.0x	16%	20.1%	1.7x	11%	1.6x
Genesis 6	2009	1,900	19	1,780	3,712	154	3,867	245	2.2x	18%	13.8%	1.8x	12%	1.7x
Realized Funds		**£3,600**	**52**	**£3,135**	**£6,595**	**£203**	**£6,798**	**£514**	**2.2x**	**23%**	**16.4%**			
Genesis 7	2013	£2,000	13	£1,798	£1,506	£2,619	£4,125	£17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Unrealized Funds		**£4,550**	**20**	**£3,182**	**£1,545**	**£4,249**	**£5,794**	**£17**	**1.8x**	**27%**	**0.5%**			
Total Realized Companies			**52**	**3,193**	**6,785**	**25**	**6,810**	**526**	**2.1x**	**23%**	**16.5%**			
Total Unrealized Companies			**20**	**3,124**	**1,355**	**4,427**	**5,782**	**4**	**1.9x**	**22%**	**0.1%**			
Total		**£8,150**	**72**	**£6,317**	**£8,140**	**£4,452**	**£12,592**	**£530**	**2.0x**	**23%**	**8.4%**	**1.8x**	**16%**	**1.2x**

Investment Evaluation

(+) Well-Run Organization with Strong Leadership: Mr. Humphries is the clear leader of the organization and is relentless in his pursuit of performance and disciplined in cutting less talented investors from the team in order to maintain the highest quality organization possible. Mr. Humphries is a thoughtful and proactive leader, who measures performance based on (Key Performance Indicators, ("KPIs"), that align the team with Limited Partners (e.g. value creation). Mr. Humphries has made great strides in recent years in addressing areas of weakness within the Firm that had not historically generated sufficient value (e.g. by disbanding the Healthcare, Consumer & Leisure and Industrials teams). Today, the Firm is arguably one of the better-run private equity firms in Europe with an exclusive focus on the Software & Services sector.

(+) Unique Software & Services Capabilities in Europe: In recent years, Hg has observed a proliferation of European Software & Services companies with TEV at entry both above and below the addressable investment size range of its flagship Genesis product. However, Hg did not wish simply to expand the size of Genesis, which would have risked forcing the Firm to deviate from its Middle Market segment. Therefore, Hg established two additional products with dedicated teams: Mercury (2012) focuses on Small Market Software & Services investments, while Saturn (2017) focuses on Large Market Software & Services investments. These three distinct products strengthen the Firm's relative market position within the Software & Services sector, which has allowed it to develop an ecosystem that enhances its ability to capture Software & Services investment opportunities across a range of size segments. This combined capability is unique within the European private equity landscape and allows Hg to "move up and down the TEV stack" within its target Software & Services sector.

(+) Hg Cluster Expertise: Hg pursues a Firm-wide origination effort that is focused on eight "Hg Clusters," or sub-sectors which represent Software & Services market segments that deliver faster and more resilient growth than the broader economy. Each of the eight Hg Cluster Teams has dedicated Partner leads and consists of 10 to 17 Mercury, Genesis and Saturn investment professionals, thereby ensuring depth of coverage within each cluster across different size segments. Each team "deep mines" each Hg Cluster to identify and track target companies, thereby enhancing conviction in the most compelling opportunities over time. By maintaining direct dialogue with vendors and management teams, Hg Cluster Teams are better-positioned to "unlock" investment opportunities as they become increasingly actionable across various TEVs

(+) Attractive Absolute & Relative Performance: Since 2001, Genesis has deployed approximately £5.3 billion in 49 Software & Services investments across five funds, generating a gross TVM/IRR of 2.1x/29% (3.0% loss ratio) and a net TVM/IRR of 1.9x/21% as of September 30, 2019. Realized performance has also been strong, having generated a realized TVM/IRR of 2.5x/31% across 29 realized investments. Relative performance has been attractive, with each of Genesis 4-8's Software & Services funds achieving first or second quartile performance to date across all metrics. Genesis 4-6 qualify as first or second quartile performers across most metrics when Software and Services investments are isolated. Genesis 7-8 are first quartile on a stand-alone basis given their exclusive Software and Services emphasis. StepStone's PME and peer group analysis also highlight Genesis' ability to generate outperformance relative to public equity markets and select high quality peers.

(-) Genesis Operates in a Competitive Segment of the Market: Genesis acquires well-positioned, growing Middle Market businesses operating within attractive sub-sectors. This model is not unique in the European Buyout market. However, Software & Services specialists in the Middle Market segment have not emerged in Europe to the same degree as they have in North America. Those that have emerged typically (i) pursue trans-Atlantic strategies with larger fund sizes; (ii) lack a specialist focus; or (iii) target opportunities below Genesis' proposed TEV range. As such, StepStone believes that there are currently only a handful of managers that may compete with Genesis 9 on a regular basis.

(-) Above-Average Purchase Price Multiples: It is challenging to source growth-oriented, recurring revenue, high margin, cash generative businesses at market prices in today's environment. As such, in each year since 2003, Genesis paid above-market multiples for its assets relative to the benchmark. However, the Genesis Team did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Performance has been strong in nearly every vintage.

(-) Diminishing Primary Deal Flow: As Genesis has scaled its funds, Hg has acquired an increasing number of secondary assets. While 42% of investments since inception have been secondary assets, within Genesis 7-8, this portion has increased to 83% and 71%, respectively. However, the flow of sponsor-to-sponsor Buyouts presents a predictable sourcing channel for Hg, as private equity owners seek to realize value by selling portfolio companies. Hg also believes that it is able to identify value creation opportunities that may not have been identified by prior owners as a result of the Firm's sector-specialist knowledge and relationship networks. Genesis has generated strong performance from assets acquired from financial sponsors (2.1x gross TVM; 2.5x realized TVM) founders (2.6x gross TVM; 2.1x realized TVM) and through take-private transactions (gross TVM of 3.0x). This dynamic provides StepStone with comfort that Hg can continue to deliver attractive performance, regardless of sourcing channel.

(-) Re-Underwriting Assets / Potential Conflicts of Interest: Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons (e.g. Visma has been owned by Hg funds since 2006; IRIS has been owned by Hg funds since 2004). Hg refers to this "sell vs. re-invest / hold" decision-making process as a "re-underwrite." To the extent that a re-underwrite involves the sale of an asset from one Hg fund to another Hg fund, this introduces the potential for conflicts of interest. StepStone believes that re-underwrite opportunities with this profile may be evaluated during the investment period of Genesis 9. While StepStone would prefer that the Genesis Team avoid all perceived conflicts of interest, it acknowledges that Hg has adopted a robust conflicts mitigation process. Historical implementation of this process has also been robust, thereby mitigating major concerns of Limited Partners (as confirmed by references completed by StepStone).

Recommendation

StepStone believes that a commitment to Genesis 9 represents an attractive opportunity to gain exposure to a portfolio of Middle Market Software & Services businesses in Europe through an established Software & Services investor with a well-developed platform, extensive operating experience and an attractive track record across the cycle. Hg has proven its ability to achieve strong performance in the face of difficult economic conditions, particularly within its Software & Services investments. Since 2001, Genesis has deployed approximately £5.3 billion in 49 Software & Services investments across five funds, generating a gross TVM/IRR of 2.1x/29% (3.0% loss ratio) and a net TVM/IRR of 1.9x/21% as of September 30, 2019. Realized performance has also been strong, having generated a realized TVM/IRR of 2.5x/31% across 29 realized investments. Relative performance has been attractive, with each of Genesis 4-8's Software & Services funds achieving first or second quartile performance to date across all metrics. StepStone's PME and peer group analysis also highlight Genesis' ability to generate outperformance relative to public equity markets and select high quality peers.

Investment Strategy

Hg is a pan-European Buyout manager that pursues control investments in Software & Services businesses, predominantly across Northern Europe. Across its platform, Hg manages three programs: Hg Mercury ("Mercury"), Hg Genesis ("Genesis;" the Firm's "flagship" product) and Hg Saturn ("Saturn"). Each of these products pursues a uniform strategy, but within different market segments: Mercury targets Software & Services businesses with total enterprise value ("TEV") at entry of between €100 million and €500 million; Genesis targets Software & Services businesses with TEV at entry of between €500 million and €1.5 billion; and Saturn targets Software & Services businesses with TEV at entry in excess of €1.5 billion.

Genesis 9's objective is to create sector leaders by maximizing organic expansion and consolidating fragmented markets in order to generate compelling risk-adjusted returns. This objective is bolstered by Hg's efforts to acquire businesses that are supported by non-macroeconomic trends, such as an above-GDP rate of enterprise formation, increasing regulatory oversight, increasing software penetration, etc. Such non-macroeconomic trends should also support attractive performance in less buoyant markets.

Hg's three products target businesses target businesses that typically have a base of predictable revenue (e.g. through a SaaS delivery model) that provides a foundation from which to grow year-over-year through up-selling, cross-selling and price optimization. Target businesses are also typically asset-light and scalable, with high EBITDA margins and strong free cash flow conversion. These business model characteristics lend themselves to defensive, sustained growth and make target businesses generally less sensitive to economic cycles, thereby reducing the need to use excessive debt as a means to amplify performance.

The Firm's sector approach is at the core of its sourcing model. Hg targets the Software & Services sector through a cluster approach that pre-identifies select sub-sectors exhibiting materially faster growth rates and greater resilience than the broader economy. When a particular cluster is identified, Hg "deep mines" it to identify and track preferred targets over the long-term, building conviction in their growth potential. This approach allows the Firm to track opportunities in greater detail, and enables partnership-oriented dialogues with vendors and management teams (occasionally allowing Hg to pre-empt sale processes).

Portfolio Characteristics

Middle Market Focus: Genesis 9 targets Middle Market businesses with TEV at entry of between €500 million and €1.5 billion. As Genesis' fund sizes have scaled, the Firm has shifted its focus towards larger businesses. While all Genesis 4 Software & Services investments had TEV at entry of <€250 million, all Genesis 8 Software & Services investments had TEV at entry of >€250 million (weighted average TEV at entry of €587 million). Likewise, 57% of Genesis 8 investments had TEV at entry within Genesis 9's target TEV range, thereby highlighting that Genesis is already operating in Genesis 9's target segment. Hg's decision to target larger businesses is justified by the strong growth of deal flow within this size segment. European Software & Services opportunities within this TEV range have increased at a CAGR of 12% between 2010 and 2018 (average of 33 transactions p.a. across the market between 2016 and 2018), driven by market consolidation and the establishment of European regional Software & Services leaders. While this segment of the market is growing, StepStone believes that Genesis 9's focus on larger businesses reduces the pool of attractive investment opportunities relative to predecessor funds and increases the likelihood of competition. However, StepStone believes that the Firm's sector focus, strong sourcing networks and current pipeline should be sufficient to generate the two to three investments per annum that Genesis 9 will target. On a realized and unrealized basis, Hg has generated attractive returns across a range of TEV at entry. However, Hg has been most successful in investments with TEV at entry of between €500 million and €1 billion, while other larger investments remain unrealized and are tracking well. In aggregate, Hg has not generated a single realized or unrealized loss within Software & Services businesses with TEV at entry of >€250 million. This dynamic provides StepStone with comfort that larger TEV at entry does not necessarily translate into lower returns or a greater proportion of losses. This is an important conclusion, given the anticipated step-up in Genesis 9's size.

Northern European Focus: Hg operates from three offices in London, Munich and New York, and invests across various Northern European geographies, with a focus on the UK / Ireland, France, and the DACH, Nordic and Benelux regions. Hg reserves the right to complete select investments in other geographies (up to 20% of total fund size), including North America. Hg has deployed a majority of each of Genesis 4-8's invested capital into the UK / Ireland and the DACH region. Within Genesis 7-8, the Firm has pursued a broader geographic mandate, with 50% and 42% of portfolio companies domiciled outside these regions, respectively. Northern European markets (as defined by the UK / Ireland, France, DACH, Nordic and Benelux regions) collectively represent 86% of Genesis 8 investments to date. Genesis 4-8 has deployed 43% of invested capital in the UK/Ireland. However, France and the DACH, Nordic and Benelux regions collectively represent an additional 41% of invested capital. Each of these Northern European geographies have generated attractive performance to date, particularly on a realized basis.

Purchase Prices: In pursuing target businesses, Hg seeks to negotiate from a preferred position whenever possible. However, it is challenging to source growth-oriented, recurring revenue, high margin, cash generative businesses at market prices in today's environment. This is particularly true in the Information Technology ("IT") sector (includes Software & Services), which is characterized by healthy valuations across macroeconomic cycles. In each year, Genesis paid above-market multiples for its assets relative to the benchmark. However, Hg did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Resulting performance has been strong in nearly every vintage.

Entry Leverage: In 13 of 17 years since 2003, Genesis has utilized leverage at entry that was above-market relative to the benchmark. This trend has been more pronounced in recent years, with Hg utilizing leverage at entry that was above-market relative to the benchmark in each of the last six years. While Genesis Software & Services asset leverage at entry has been high relative to the benchmark, Genesis targets businesses with attractive growth profiles, high levels of recurring revenue and strong free cash flow profiles. This provides greater security on debt paydown, which enables Genesis to employ higher levels of leverage, while still retaining sufficient flexibility to execute investment plans. Genesis also exhibits a modest gearing ratio across its portfolio (34% since 2003 across Software & Services investments), which is broadly in line with the European IT Buyout average for the period of (36%).

Competitive Landscape

While North America has a well established and successful group of Software specialists, Europe does not. In situations where Hg does encounter generalist private equity players, the Firm's deep domain expertise and proactive sourcing approach often positions it well to source differentiated deal flow. StepStone believes that Hg is well-positioned to address the sizeable Middle Market Software & Services segment in Europe. In StepStone's view, there are four broad categories of buyers with whom the Genesis Team may compete:

- **Global / Trans-Atlantic / Pan-European Generalists with Technology Teams:** Many large generalist private equity firms have established Technology sector teams. While these teams are specialized in name, often the relevant investment professionals are not solely dedicated to the Software & Services sector and have responsibility for multiple sectors. These additional responsibilities diminish their ability to compete with dedicated Software & Services specialists, both in terms of technical know-how and sourcing. Within these firms, key decision-makers typically lack detailed sector knowledge, thereby adding risk to the execution of transactions.

- **Country / Regional Funds:** Certain European country / regional funds have developed strong sourcing networks and achieved successful track records in their respective markets. However, these firms tend to focus on Growth Equity or Small Market Buyout opportunities. They also tend not to have appropriately-sized funds to deploy at least €200 million of equity into a single investment. In StepStone's view, Hg is more likely to encounter these parties when seeking to complete add-on acquisitions for larger platform investments.

- **Industrial Buyers:** Corporate acquirers, including SAP, Cisco, Microsoft and Google, have been active in the Software & Services M&A market, and StepStone anticipates this trend to continue during the investment period of the Fund. However, existing owners and/or management teams also often wish to retain significant stakes in their businesses following a sale in order to participate in future value creation. In such instances, private equity can be perceived as an attractive alternative to selling to an industrial buyer, even if industrial buyers are willing to pay higher upfront prices for businesses.

- **North American Software Funds:** Large Market Software & Services firms tend to be U.S.-based and have not established themselves in the European Software & Services ecosystem, nor have they made a concerted effort to do so. Instead, they have focused their attention and resources on the U.S. market, given its scale and large quantum of deal flow. These parties have historically invested in Europe only opportunistically or not at all (e.g. Vista has only completed three investments (two companies) in Europe to date, the last of which was completed in 2017), and most do not have a physical presence in Europe. According to Hg, as supported by Mr. Humphries' personal relationships with these U.S. firms, "U.S. players won't try to conquer Europe, just as Hg won't try to conquer the U.S."

Genesis represents one of the largest Middle Market Buyout teams in Europe targeting Software & Services opportunities. While a number of firms have transactional expertise in the Middle Market segment, few have both Middle Market expertise and Software & Services expertise within the same team, and even fewer pursue this combination in a dedicated manner across a large portion of Europe. As such, StepStone believes that Genesis is differentiated, albeit not unique, within the European ecosystem and is well-positioned for success.

Evaluation of the Strategy

Merits

- ▲ **Attractive Market Segment:** The proliferation of Software & Services is one of the most important and impactful features of the modern global economy, with wide-ranging implications for businesses across sectors (e.g. efficiency gains, innovation, automation, etc.). Companies recognize this and Software & Services investments now represent a material and increasing proportion of corporate capital expenditures. As Software & Services penetration increases across end markets, investments into Software & Services has become increasingly mission-critical for businesses seeking a competitive advantage or just seeking to "keep up" in their race for market share. As such, there exist favorable tailwinds and growth opportunities for today's Middle Market Software & Services businesses in Europe.

- ▲ **Unique Software & Services Ecosystem:** In recent years, Hg has observed a proliferation of European Software & Services companies with TEV at entry both above and below the addressable investment size range of its flagship Genesis product. However, Hg did not wish simply to expand the size of Genesis, which would have risked forcing the Firm to deviate from its Middle Market segment. Therefore, Hg established two additional products with dedicated teams: Mercury (2012) focuses on Small Market Software & Services investments, while Saturn (2017) focuses on Large Market Software & Services investments. These three distinct products strengthen the Firm's relative market position within the Software & Services sector, which has allowed it to develop an ecosystem that enhances its ability to capture Software & Services investment opportunities across a range of size segments. This combined capability is unique within the European private equity landscape and allows Hg to "move up and down the TEV stack" within its target Software & Services sector.

- ▲ **Target Business Model Characteristics:** Hg's three products target businesses with specific business model criteria, including: business critical B2B products / services; recurring / repeat revenue; low customer concentration; defensible business models with high margins; low cyclicality / price sensitivity; and low customer churn rates. While growth (organic and inorganic) is the cornerstone of Genesis 9's investment strategy, the Genesis Team also seeks to protect against downside risks. Genesis 8 portfolio companies have attractive growth profiles (average L3Y Revenue / EBITDA growth of 26% / 27%), high levels of recurring revenue (average of 83%) and low levels of customer churn (average of 6%). StepStone views the financial profile of Hg's investments positively, particularly in light of elevated entry valuations.

Risks

- ▼ **Hg Operates in a Competitive Segment of the Market:** Hg acquires well-positioned, growing Middle Market businesses operating within attractive sectors. This model is not unique in the European Buyout market, which can lead to intense competition for assets. The Genesis Team is organized both by product and by cluster, which has allowed the Firm to develop broad relationship networks within its respective areas of expertise. While Genesis is not the only Middle Market manager targeting the Software & Services sector, StepStone believes the size and depth of knowledge of the Firm's broader team provides competitive advantages relative to most competitors.

- ▼ **Above-Average Purchase Price Multiples:** It is challenging to source growth-oriented, recurring revenue, high margin, cash generative businesses at market prices in today's environment. This is particularly true in the IT sector (includes Software & Services), which is characterized by healthy valuations across macroeconomic cycles. In each year since 2003, Genesis paid above-market multiples for its assets relative to the benchmark. However, the Genesis Team did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Performance has been strong in nearly every vintage.

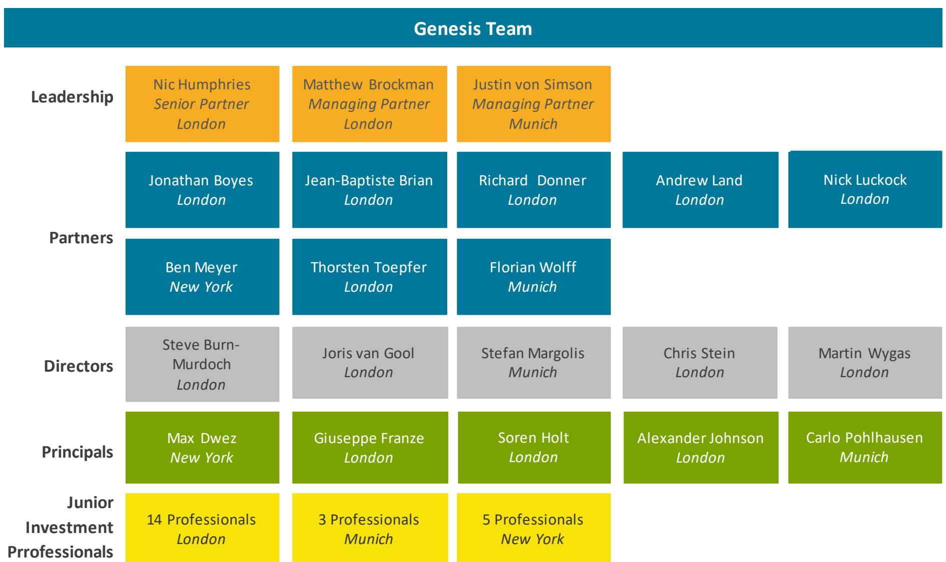
- **Step-Up in Fund Size:** Genesis 9's anticipated size of **€**4.4 billion represents a ~44% step up from that of Genesis 8. As a result, the Genesis Team is expected to complete larger transactions, which are executed in a more competitive environment / segment of the market. In conversations with StepStone, Hg has highlighted that the cluster teams have identified >8,250 Middle Market Software & Services companies that potentially fit with Genesis 9's investment strategy / cluster focus (73 are on the Tier-1 and Tier-2 pipeline). Hg expects to deploy Genesis 9 into approximately the same number of investments as Genesis 7-8, though with modestly larger equity checks. StepStone believes that this will not represent a material drift in strategy, given the quantum of co-investment offered to Limited Partners in recent funds (the risk is less about strategy drift and more about the quantum of co-investment that will be offered). Since the launch of Genesis 8, Hg has increased the size of the Genesis Team by 11 investment professionals. Hg plans to hire additional professionals during the investment period of Genesis 9. The Genesis Team expects to exit 10 investments during the next 24 months. StepStone believes that these exits, combined with planned hires, should position the Genesis Team well from a capacity perspective to monitor, drive value within and realize its remaining portfolio while also investing Genesis 9.

Management Team

The Genesis Team is led by Messrs. Humphries, Brockman and von Simson, who are supported by eight additional Partners (collectively, the "Partner Group"). The Partner Group is further supported by 32 investment professionals, including five Directors, five Principals, seven Senior Associates, eight Associates and seven Analysts (collectively, the "Investment Team"). This represents the largest Investment Team relative to Hg's other product teams. Together with the Firm's dedicated Portfolio Team of 30 professionals, the Investment Team pursues a "hands-on" investment strategy that is focused on improving portfolio companies' operations and growing them via add-on acquisitions.

While Hg was conceived as a UK-centric firm, it has gradually evolved into a pan-European Firm with a limited office network. As with Hg's other product teams, the Genesis Team operates out of London, Munich and New York. In 2019, Hg opened its third office in New York to support the Firm's existing activities, as well as bolt-on acquisitions, exits and the occasional new investment that has a "European angle" (e.g. Sovos and Mitratech). However, 84% of the Genesis Team is based in either London or Munich.

Genesis Team Composition



Professionals

The Genesis Team is staffed with professionals who have spent the majority of their careers operating in the Firm's target Northern European markets. Prior to their tenures at Hg, the Partners came exclusively from corporate finance, operating and consulting backgrounds. The Partners are each between 41 and 58 years of age (average age of 46) and have significant principal investing experience. StepStone, as supported by references, believes that the Partners have developed and demonstrated the appropriate experience to source and execute Middle Market investments and the necessary skills to operate within their respective clusters.

Mr. Humphries joined Hg in 2001 and is the Firm's Senior Partner. Since assuming the role of Senior Partner in 2007, Mr. Humphries has instilled a greater sense of accountability into the team. For example, he introduced a KPI-driven culture that measures the success of investment-related activities across the Firm based on tangible results. Under his leadership, Hg disbanded its Healthcare, Industrials and Consumer & Leisure teams due to underwhelming contributions to portfolio appreciation and Firm profitability. Mr. Humphries also delegated critical responsibilities to other members of the team based on relative capabilities in order to allow him the time to focus on his core skill as a "deal guy." As a result of Mr. Humphries' humble leadership qualities and performance-driven mentality, he is broadly respected by his colleagues and is firmly positioned as Hg's leader.

StepStone believes that Mr. Humphries is a strong leader and critical to the success of the Firm and Saturn 2. As such, he represents significant key person risk, should anything happen to him during the life of the Fund. StepStone discussed succession matters with Mr. Humphries, who expressed that his retirement is “a long way off.” However, should anything involuntary prevent Mr. Humphries from continuing in his role, Mr. von Simson and Mr. Brockman would migrate to a full-time role.

Mr. Brockman joined Hg in 2010, having spent a decade at Apax Partners where he served as a Partner and led investments in the TMT, Consumer and Services sectors. In addition to leading the Mercury Team, Mr. Brockman currently serves as Chairperson of Hg’s IC and is a member of the Hg Board, which has responsibility for strategic and operational matters. StepStone has observed that Mr. Brockman is thoughtful, yet direct, and has embraced his role as Chairman of the IC. StepStone believes that Mr. Humphries’ decision to allocate various Firm management roles amongst the three Managing Partners has allowed each of them to better focus on their respective areas of strength. Mr. Brockman also spends time on Genesis activities and has, therefore, been involved in a number of opportunities outside Mercury. Given his various Firm management responsibilities, Mr. Brockman is expected to spend a minority of his time on investment-related activities for Genesis 9. Although StepStone considers Mr. Brockman to be important to the success of Genesis, other Partners are expected to lead deal-making / deployment within Genesis 9. However, given his role as Chairman of Hg’s IC, StepStone believes that Mr. Brockman represents key person risk, should anything happen to him during the life of the Fund.

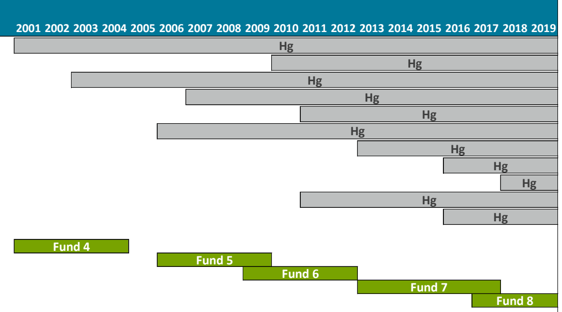
Prior to joining Hg in 2002, Mr. von Simson spent a number of years at Goldman Sachs and Deloitte. Mr. von Simson currently leads Hg’s Munich office and serves as Managing Partner alongside Mr. Brockman, who together are responsible for overseeing the Firm’s day-to-day functions. Mr. von Simson also leads Hg’s Saturn Team (committing between one-third and one-half of his time to this strategy) alongside Mr. Humphries and is a member of the RC. Mr. von Simson is credited with building the Firm’s brand across the DACH region and the Munich office, which has grown strongly under his leadership. As a result of his continued contribution to Hg’s investment-related activities, StepStone believes that Mr. von Simson represents a degree of key person risk, albeit to a lesser extent than Messrs. Humphries and Brockman.

As supported by references, StepStone has been impressed with the Partner Group and believes it to represent one of the strongest senior teams within the European Software & Services space. In addition to Messrs. Humphries, Brockman and von Simson, StepStone has identified Jonathan Boyes and Jean-Baptiste Brian as rising stars within the Firm and likely future leaders of the Genesis Team. Beyond the Partner Group, StepStone understands that two Principals are likely to be promoted to Partner during the investment period of Genesis 9 as a result of their significant contributions to Genesis 7 and 8. Overall, StepStone believes that the strength the Partner Group, in combination with a bench of experienced Directors and Principals, should limit any negative impact of anticipated or unanticipated departures from the team.

<u>Tenure of Partner Group</u>

Genesis Senior Investment Team

Name	Title	Nationality	Age	Previous Experience	Total Relevant Experience	Hg Tenure
Nic Humphries	Senior Partner	British	51	Barclays Private Equity; 3i	29	18
Matthew Brockman	Managing Partner	British	48	Apax Partners	24	9
Justin von Simson	Managing Partner	German	45	Goldman Sachs; Deloitte	22	16
Richard Donner	Partner	British	58	n /a	36	12
Andrew Land	Partner	British	47	Och-Ziff Capital Management; Credit Suisse	24	8
Jonathan Boyes	Partner	British	42	Oliver Wyman; Mercer	18	14
Jean-Baptiste Brian	Partner	French	41	TPG; Morgan Stanley	17	7
Nick Luckock	Partner	British	46	Apax Partners	16	3
Ben Meyer	Partner	U.S.	41	Temasek; Spire Capital Partners; UBS	19	1
Thorsten Toepfer	Partner	Austrian	41	H&F; Morgan Stanley; McKinsey & Co.	16	8
Florian Wolff	Partner	German	41	Advent International; McKinsey & Co.	19	3
Partner Total:					**240**	**99**
Partner Average:			**46**		*22*	*9*



Source: Hg, StepStone analysis

Complementing Hg's three dedicated investment teams is the Firm's Portfolio Team, which was established in 1999 and represents a pool of internal operational resources that work alongside investment teams to maximize value creation across Hg's portfolio. Led by Dawn Marriott-Sims and Amanda Good, the Portfolio Team currently consists of 30 professionals with significant industry and/or functional experience. The Portfolio Team works together with Hg's Investment Teams during the due diligence phase (to input into value creation strategies) and post-investment (to execute specific value creation projects). Portfolio Team professionals may also sit on portfolio company boards alongside investment professionals.

Turnover

Hg has experienced a high degree of turnover of senior professionals in recent years, with 21 senior-level departures since 2014, 13 of which represented departures from the Genesis Team. Of the 13 senior Genesis departures since 2014, five individuals left as a result of the disbandment of the Healthcare and Industrials teams, while other professionals either departed by mutual decision or voluntarily.

StepStone is not concerned about the level of turnover within the team in recent years, given Mr. Humphries' heavy focus on KPI management of the team and the associated strengthening of the organization at all levels. Within the last two years, Hg completed four new hires at the level of Principal and above to compensate for the above-mentioned departures. StepStone believes the resulting team to be of a high quality and highly driven to succeed. Given the relative youth of the Partner Group (average age of 46) and the significant financial incentivization of the team, Hg does not anticipate any material changes to the management of the Firm during the investment period of each of Genesis 9.

Capacity

The Genesis Team intends to invest Genesis 9 across 10 to 12 portfolio companies. StepStone analyzed Genesis' historical investment pace as well as the likely investment pace of Genesis 9. Assuming Genesis 9 raises €4.4 billion of total commitments, it is expected that the team will invest approximately €4.0 billion (90% of commitments), write an average equity check per portfolio company of €360 million and invest evenly over a five-year period.

Given the pace of deployment within Genesis 8 and the continued expansion of the Investment Team, StepStone is not concerned about the Genesis Team's ability to deploy Genesis 9. StepStone believes that Hg has demonstrated the ability to divest at scale and manage its capacity appropriately. The Genesis Team has raised sequentially larger funds without being challenged from a deployment perspective. For example, Genesis 8 has been deployed at a swift pace into assets that StepStone believes to be of high quality (55% invested in 18 months). Given the size of the Genesis Team and Portfolio Team as well as the Firm's extensive infrastructure, StepStone believes that Hg is well-positioned to deploy Genesis 9.

GP Commit

The team will commit an amount equal to at least 2.0% of the total commitments to Genesis 9 (**€**88 million based on an assumed fund size of **€**4.4 billion).

Committees

Hg has established three Firm-wide committees – the Hg Board, Investment Committee ("IC") and Realization Committee ("RC"). These committees operate across all three Hg products in order to optimize decision-making. As illustrated in Figure 7, these committees leverage a range of experienced professionals across functions.

Committee Composition

Hg Board	Investment Committee	Realization Committee
Matthew Brockman (*Chair - Mercury / Genesis*) Nic Humphries (*Genesis / Saturn*) Justin von Simson (*Genesis / Saturn*) Steven Batchelor *(COO)* Stephen Bough *(Non-Executive Director)* Tom Attwood *(Non-Executive Director)*	Matthew Brockman (*Chair - Mercury / Genesis*) Nic Humphries (*Genesis / Saturn*) Sebastien Briens (*Mercury*) Nick Luckock *(Genesis)* Thorsten Toepfer (*Genesis*) Nick Jordan (*Mercury*) + three "Fund-Specific" Partners	Andrew Land (*Chair - Genesis*) Justin von Simson (*Genesis / Saturn*) Steven Batchelor *(COO)* Amanda Good (*Portfolio Partner*) Jean-Baptiste Brian *(Genesis)* David Issott (*Mercury*) Juan Campos *(Saturn)*

Investment Committee

Hg's IC is responsible for matters involving new equity capital related to platform investments, add-on acquisitions, equity cures, etc. The IC consists of nine Partners from across the Firm's investment teams. No professional has a veto right and affirmative IC votes require a simple majority to pass (quorum requires five IC members' participation). The IC typically meets on a weekly basis and is responsible for reviewing investment opportunities at key stages throughout the investment process.

The IC includes six permanent members: Messrs. Brockman (Chair), Humphries, Briens, Luckock, Toepfer and Jordan. The IC also includes three "fund-specific" representatives, who formally participate in situations that are unique to their products (i.e. Mercury, Genesis and Saturn). This design combines Firm-wide institutional knowledge / experience with product-specific domain expertise.

Realization Committee

Hg's RC oversees the delivery of portfolio company business plans. The RC consists of seven permanent members, who meet on a bi-weekly basis to discuss recent and/or underperforming investments as well as investments that are in their exit-planning phase. The RC conducts exit reviews on a semi-annual basis and decides on all matters related to the return of equity capital, including exits, recapitalizations, etc. Relative to other private equity managers, StepStone believes that Hg takes a proactive and unemotional approach to generating liquidity with a clear focus on maximizing returns for investors.

Allocation Policy / Conflicts

Each of Hg's three products has been designed as a distinct investment strategy within the broader Hg platform Hg's internal allocation policy is officially defined by equity check size (including anticipated future equity requirements). Investments requiring less than €200 million of equity will be allocated to Mercury 3; investments requiring between €200 million and €600 million of equity will be allocated to Genesis 9; and investments requiring greater than €600 million of equity will be allocated to Saturn 2. To date, Hg has not faced any allocation issues between funds.

Allocation discussions are managed by the Firm's Conflicts Committee, which consists of the Firm's Senior Partner (Mr. Humphries), COO (Mr. Batchelor) and General Counsel (Mr. Jessop). The Conflicts Committee has primary responsibility for settling any conflict issues that may arise between individual Hg funds. The Limited Partner Advisory Board is notified of any conflicts related to actionable investment opportunities at the appropriate time.

Re-Underwrite Process

Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons, while still aligning with overall fund-level targets (e.g. Visma has been owned by Hg since 2006; IRIS has been owned by Hg since 2004). Hg refers to this "sell vs. re-invest / hold" decision-making process as a "re-underwrite," which consists of a full investment evaluation. To ensure that the same level of decision-making rigor and objectivity is applied, both the IC and RC are involved in the evaluation alongside relevant Investment Teams. While StepStone would prefer that Hg avoid all perceived conflicts of interest, it acknowledges that Hg has adopted a robust conflicts mitigation process. Historical implementation of this process has also been robust, thereby mitigating major concerns of Limited Partners (as confirmed by references completed by StepStone).

Evaluation of the Management Team

Merits

- ▲ **Well-Run Organization with Strong Leadership:** Mr. Humphries is the clear leader of the organization and is relentless in his pursuit of performance and disciplined in cutting less talented investors from the team in order to maintain the highest quality organization possible. Mr. Humphries is a thoughtful and proactive leader, who measures performance based on KPIs that align the team with Limited Partners (e.g. value creation). He has made great strides in recent years in addressing areas of weakness within the Firm that had not historically generated sufficient value (e.g. by disbanding the Healthcare, Consumer & Leisure and Industrials teams). Today, the Firm is arguably one of the better-run private equity firms in Europe.

- ▲ **Experienced Software & Services Team:** Genesis' Partner Group has worked together for an average of nine years and has more than 240 years of collective principal investing experience. Genesis' Partner Group are well-regarded private equity investors in the Software & Services sector and have developed strong relationships with founders, families, entrepreneurs, corporations and institutions across Northern Europe. The Investment Team supporting Genesis Partners consists of 32 professionals, who are spread across the Firm's three offices in London, Munich and New York. StepStone, as supported by references, believes the current team to be of high quality and sufficiently large to execute on its investment strategy**.**

- ▲ **Hg Cluster Teams:** Hg pursues a Firm-wide origination effort that is focused on eight "Hg Clusters," which represent market subsegments of the Software & Services sector that deliver faster and more resilient growth than the broader economy. The team "deep mines" each Hg Cluster to identify and track target companies, thereby enhancing conviction in the most compelling opportunities over time. By maintaining direct dialogue with vendors and management teams, Hg Cluster Teams are better-positioned to "unlock" investment opportunities as they become increasingly actionable. Each Hg Cluster Team has dedicated Partner leads and consists of 10 to 17 Mercury, Genesis and Saturn investment professionals, thereby ensuring depth of coverage within each cluster across different size segments.

- ▲ **Fully Integrated Portfolio Team:** Hg's Firm-wide Portfolio Team consists of 30 professionals and represents a strong complement to the Genesis Team. The Portfolio Team is fully integrated into the Firm's sourcing, due diligence and value creation processes. This team plays a critical role in internal decision-making, supports various projects and takes interim management positions (as required). During the next few years, Hg intends to expand its Portfolio Team to at least 40 dedicated specialists (i.e. as large as Hg's Genesis Team, which consists of 43 investment professionals).

Risks

- ▼ **Team Concentration in London:** With 84% of the Investment Team based in London, Genesis' presence in certain Northern European markets (e.g. France) is light. Hg pursues a Firm-wide origination effort that is focused on eight clusters, which represent market segments that deliver faster and more resilient growth than the broader economy. This cluster-oriented approach (as opposed to a geographic approach) limits the need for substantial numbers of investment professionals to be based outside London. Having most investment professionals work together out of Hg's office in London allows the Firm to build a common culture, manage the various teams efficiently and train junior professionals. While most professionals are based in London, the Genesis Team, consists of natives of some of Hg's core geographies, including the UK, Sweden, Germany and France. This allows team members to collaborate closely, while leveraging their relevant networks and "local touch" skills across Europe.

- ▼ **Team Turnover:** Since 2014, the Hg's Investment Teams have experienced 21 departures, 13 of which were departures from the Genesis Team. The majority of the Firm's departures since 2014 were the result of performance management, including the rationalization of Hg's sector teams (i.e. the disbandment of the

Healthcare, Consumer & Leisure and Industrials teams). StepStone is not concerned about the level of team turnover in recent years, and believes the current team to be of high quality and motivated. Since the fundraise of Genesis 8, the Firm has proven its ability to recruit talented, experienced senior professionals, as demonstrated by the hiring of Messrs. Wolff (Advent International), Meyer (Temasek) and Luckock (Actis).

- **Re-Underwriting Assets / Potential Conflicts of Interest:** Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons (e.g. Visma has been owned by Hg funds since 2006; IRIS has been owned by Hg funds since 2004). Hg refers to this “sell vs. re-invest / hold” decision-making process as a “re-underwrite.” To the extent that a re-underwrite involves the sale of an asset from one Hg fund to another Hg fund, this introduces the potential for conflicts of interest. Hg establishes a “new investment” deal team that is distinct from the existing deal team monitoring the asset. This new deal team assesses the opportunity to invest new capital into the asset, including the commissioning of independent financial, commercial and technical due diligence as well as a discrete investment thesis / business plan. Hg invites third parties to evaluate and bid on re-underwrite candidates at arms-length in order to determine a fair market valuation for the asset in question (i.e. Hg does not determine the valuation for the asset, even when an Hg fund participates in a transaction). Hg’s IC evaluates any new investment opportunity into a re-underwrite candidate, while Hg’s RC evaluates any realization event related to a re-underwrite candidate. These two committees are not permitted to discuss the new investment / realization opportunity with each other throughout the process. If a transaction between parties is agreed, then the Advisory Boards for the selling and buying funds must each approve the transaction before it can be consummated. Hg’s carried interest structure and framework ensures that investment professionals across each Hg product are incentivized to maximize value from their own team’s investments.

Track Record

StepStone has focused its analysis on Genesis 4-8. These funds were raised and invested after the Firm gained its independence from Merrill Lynch (2000). Therefore, they are not biased by the priorities and policies of Hg's previous owner.

Since 2001, Hg has deployed approximately £6.3 billion in 72 investments (70 companies) across five private equity funds. This invested capital has yielded £12.6 billion of total value, generating a gross TVM/ IRR of 2.0x/23% (8.4% loss ratio) and a net TVM/IRR of 1.8x/16% as of September 30, 2019. Approximately 65% of total value has been realized (£8.1 billion), while 35% of total value remains active (£4.5 billion).

Hg Genesis Absolute Performance Since 2001 (Post-Independence from Merrill Lynch) – Total Track Record

(£ in millions, as of September 30, 2019)

Hg Investment Performance														
Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
Genesis 4	2001	£742	21	£629	£1,453	-	£1,453	£123	2.3x	31%	19.5%	2.0x	23%	2.0x
Genesis 5	2006	958	12	727	1,430	49	1,478	146	2.0x	16%	20.1%	1.7x	11%	1.6x
Genesis 6	2009	1,900	19	1,780	3,712	154	3,867	245	2.2x	18%	13.8%	1.8x	12%	1.7x
Realized Funds		**£3,600**	**52**	**£3,135**	**£6,595**	**£203**	**£6,798**	**£514**	**2.2x**	**23%**	**16.4%**			
Genesis 7	2013	£2,000	13	£1,798	£1,506	£2,619	£4,125	£17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Unrealized Funds		**£4,550**	**20**	**£3,182**	**£1,545**	**£4,249**	**£5,794**	**£17**	**1.8x**	**27%**	**0.5%**			
Total Realized Companies			**52**	**3,193**	**6,785**	**25**	**6,810**	**526**	**2.1x**	**23%**	**16.5%**			
Total Unrealized Companies			**20**	**3,124**	**1,355**	**4,427**	**5,782**	**4**	**1.9x**	**22%**	**0.1%**			
Total		**£8,150**	**72**	**£6,317**	**£8,140**	**£4,452**	**£12,592**	**£530**	**2.0x**	**23%**	**8.4%**	**1.8x**	**16%**	**1.2x**

Software & Services Track Record

StepStone has further narrowed the performance of these funds to highlight investments in the Software & Services sectors, which has been the exclusive focus of Hg since Genesis 7. To do so, StepStone constructed a synthetic Software & Services track record for Genesis 4-6, with vintage years established based on the year in which each fund completed its first Software & Services investment.

Since 2001, Hg has deployed £5.3 billion across 49 Software & Services investments (47 companies). This invested capital has yielded £11.1 billion of total value, generating a gross TVM/IRR of 2.1x/29% (3.0% loss ratio) and a net TVM/IRR of 1.9x/21% as of September 2019. 60% of total value has been realized (£6.7 billion), while 40% of total value remains active (£4.5 billion).

Hg Genesis Absolute Performance Since 2001 (Independence from Merrill Lynch) – Software & Services

(£ in millions, as of September 30, 2019)

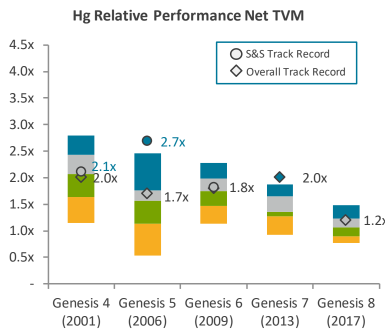
Hg Investment Performance														
Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
Genesis 4 (S&S)	2001	£742	9	£283	£778	-	£778	£8	2.8x	36%	3.0%	2.1x	26%	2.1x
Genesis 5 (S&S)	2006	958	5	305	1,032	49	1,080	-	3.5x	34%	0.0%	2.7x	27%	2.6x
Genesis 6 (S&S)	2009	1,900	15	1,498	3,329	154	3,483	133	2.3x	19%	8.9%	1.8x	14%	1.7x
Realized Funds		**£3,600**	**29**	**£2,086**	**£5,138**	**£203**	**£5,341**	**£142**	**2.6x**	**29%**	**6.8%**			
Genesis 7	2013	£2,000	13	£1,798	£1,506	£2,619	£4,125	£17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Unrealized Funds		**£4,550**	**20**	**£3,182**	**£1,545**	**£4,249**	**£5,794**	**£17**	**1.8x**	**27%**	**0.5%**			
Total Realized Companies			**29**	**2,143**	**5,329**	**25**	**5,354**	**155**	**2.5x**	**31%**	**7.2%**			
Total Unrealized Companies			**20**	**3,124**	**1,355**	**4,427**	**5,782**	**4**	**1.9x**	**22%**	**0.1%**			
Total		**£8,150**	**49**	**£5,267**	**£6,684**	**£4,452**	**£11,136**	**£159**	**2.1x**	**29%**	**3.0%**	**1.9x**	**21%**	**1.3x**

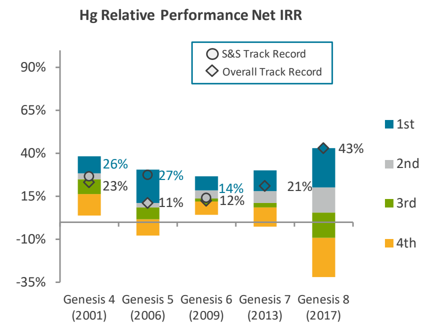
Relative Performance

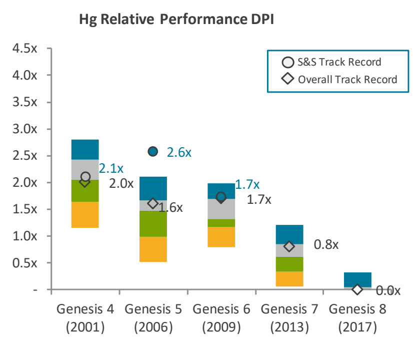
Below details the net performance of Genesis 4-8, as of September 30, 2019 relative to the European Buyout benchmark, according to the Burgiss Private iQ database as of June 30, 2019.

- **<u>Genesis 4-6:</u>** Genesis 4-6 qualify as second quartile performers across most metrics, with certain first and third quartile performances as well. StepStone does not anticipate meaningful changes to the relative performance of these funds.
- **<u>Genesis 7-8:</u>** Genesis 7 is a first quartile performer on the basis of net TVM and net IRR, and a second quartile performer on the basis of DPI. StepStone believes that Genesis 7 preserves moderate upside potential from current valuations, driven by the near-to-medium term realizations of P&I, A-Plan and Citation. Genesis 8 is a second quartile performer on the basis of net TVM and a first quartile performer on the basis of net IRR. However, benchmarking is of limited use at this early stage in the development of 2017 vintage funds. Genesis 8 is predominately unrealized, has been deployed at a steady pace and is young (average of 0.9 years). StepStone believes that Genesis 8 preserves significant potential for valuation uplift as a result of further planned value creation initiatives across the portfolio.

<u>Relative Performance</u>





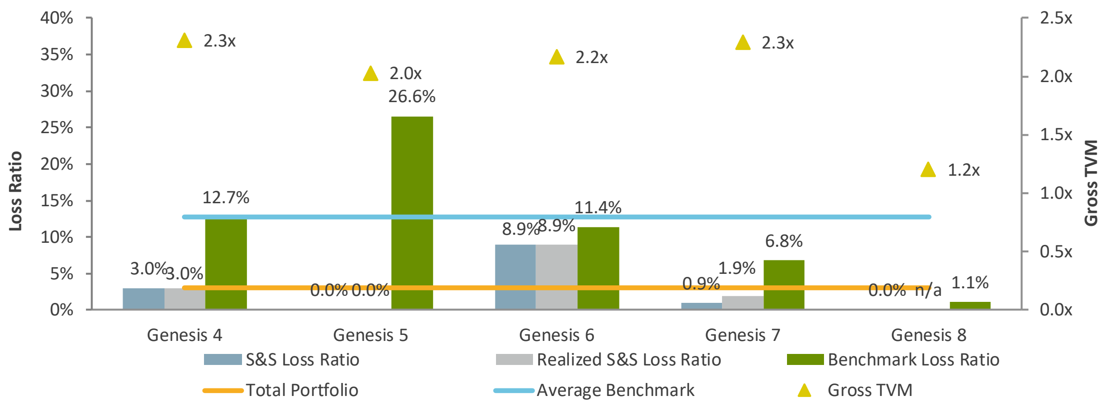


Loss Ratio Analysis

Hg has generated a total weighted average loss ratio of 8.4% across Genesis 4-8, which is below the average of the European Middle Market and Large Market Buyout benchmark for similar vintage funds (13%). However, Hg's loss ratios have improved over time as a result of refinements to the Firm's investment strategy and team (e.g. the disbandment of the Firm's underperforming Healthcare, Industrials and Consumer & Leisure teams) and an increased focus on larger, more defensive businesses in recent funds. Focusing this loss ratio analysis on Genesis' Software & Services track record, the weighted average loss ratio reduces to 3.0%. StepStone believes this is exceptionally low and, when combined with the strong absolute performance of Genesis' Software & Services investments, contributes to a very strong risk-adjusted return profile. As of September 30, 2019, Hg has not generated a single realized or unrealized loss within Software &

Services businesses with TEV at entry of greater than €250 million. This bodes well for all three Hg products, including Genesis 9.

Loss Ratio by Fund vs. European Buyout Benchmark (Genesis 4-8) – As of September 30, 2019



Evaluation of the Track Record

Merits

- **Strong Absolute / Realized Performance:** Since 2001, Genesis has deployed approximately £5.3 billion in 49 Software & Services investments across five funds. This invested capital has yielded approximately £11.1 billion of total value, generating a gross TVM/IRR of 2.1x/29% (3.0% loss ratio) and a net TVM/IRR of 1.9x/21% as of September 30, 2019. Realized performance has also been strong, having generated a realized TVM/IRR of 2.5x/31% across 29 realized investments**.**

- **Strong Relative Performance:** Genesis has generated strong relative performance, with each of Genesis 4-8's Software & Services funds achieving first or second quartile performance to date across all metrics. StepStone's PME and peer group analysis also highlight Genesis' ability to generate outperformance relative to public equity markets and select high quality peers.

- **Low Loss Ratio / Strong Risk-Adjusted Return Profile:** Genesis 4-8's Software & Services investments have generated a total loss ratio of 3.0% since inception. StepStone believes this is exceptionally low and, when combined with the strong absolute performance of Genesis' investments, contributes to a very strong risk-adjusted return profile.

Fundraising

Hg is currently targeting raising **€**3.6 billion in total commitments for Hg Genesis 9. In tandem, the Firm is also targeting raising **€**960 million in total commitments to Hg Mercury 3 and US$4.1 billion in total commitments to Hg Saturn 2. While the Firm has not yet established a hard cap for Genesis 9, Hg has communicated to StepStone that it expects to eventually establish a hard cap of approximately €4.4 billion. Hg anticipates holding a first, and potentially final, close of Genesis 9 in March / April 2020 at the Fund's hard cap. This timing coincides with the timing that Hg expects Genesis 8 to be 70% drawn (a pre-requisite to holding a close on Genesis 9).

Portfolio Fit

The Fund meets the investment criteria and guidelines set forth in CRPTF's Investment Policy Statement. Genesis 9 would be considered a 2020 commitment to the Middle Market Buyout portfolio within the Private Investment Fund. As of June 30, 2019, Connecticut's investments in Middle Market Buyout funds represented 8% of aggregate PIF exposure, defined as NAV plus unfunded, and has generated a net IRR of 15%. Inclusive of PIF investments approved after June 30, 2019, a US$150 million commitment to the Fund would increase PIF's Middle Market Buyout exposure to 9%.

Hg Genesis 9	CRPTF Current Exposure	IRR	CRPTF Pro Forma Exposure
Strategy			
Middle-Market Buyout	8%	15%	9%

Note: Table reflects active investments only, liquidated funds excluded.

Environmental, Social & Governance

Hg's mission is to invest in opportunities that generate both financial value and sustainable growth. To this end, in October 2012, Hg adopted a Responsible Investment Policy ("RI Policy"), according to which Hg seeks to embed ESG into its investment process and portfolio company engagement. In July 2012, Hg also became a signatory to the United Nations Principles for Responsible Investment ("UNPRI") and will continue to be committed to adhering to RI principles. In 2019, Hg received an AA+ score (A for Strategy & Governance and A for Private Equity) from UNPRI's annual assessment. Hg also formally commits 1% of Firm profits and carried to charitable causes annually.

Hg's RI initiative is led by a dedicated full-time professional, Caroline Löfgren. Mrs. Löfgren (previously Head of GSK's Supply Chain Sustainability) joined Hg in October 2017 as the Head of Responsible Investing. Hg developed a framework tailored specifically to Software & Services companies. The Sustainable Business framework highlights key ESG areas for portfolio companies, along with support provided by Hg. Existing and prospective companies are assessed against the framework, which is focused on three areas: Essentials (e.g. cybersecurity, governance), Employees (e.g. diversity) and Society (e.g. environment, transparency).

Responsible investment and sustainability / ESG matters are integrated in various materials which the Hg makes available for prospective investors during a fundraise. Hg makes formal commitments to Responsible Investing in fund formation contracts, LPAs and side letters. The Firm acknowledges the exclusion policy of some of its Limited Partners, which preclude investments in certain industries and types of businesses.

Given Hg's sole focus on Software & Services companies, Hg seeks to leverage the benefits generated via the "network effect" across the portfolio via a combination of in-person forums and through an online portal, Hg "Hive" (a community that connects over 1,000 executives across Hg and the Portfolio). Hg's Portfolio Team hosts targeted forums across several business areas and executive levels.

Hg's latest version of the RI Policy was adopted in March 2019 and is currently being reviewed with the aim to publish an updated policy in March 2020. With fulltime oversight, Mrs. Löfgren ensures that the RI Policy is effectively implemented both within Hg and across our portfolio companies. Hg's Operations Committee has overall responsibility for the policy.

Hg provides regular training and tools so that RI-related risks and opportunities can effectively be identified and managed within their activities and roles. When considering new investments, Hg considers the inherent ESG risks present in the industry vertical in which the company operates in. If the inherent ESG risk is considerable, Hg conducts an enhanced ESG due diligence with an external party. Following an investment, the RC is responsible for the ongoing monitoring and assessment of portfolio companies. All of Hg's businesses are assessed against the Sustainable Business framework as part of the onboarding process post-investment. Hg's recent assessment (2018) showed that 90% of portfolio companies have a Code of Conduct in place. Hg are requiring the remaining 10% to put implement this at the earliest opportunity and provide support to facilitate this.

- ESG Example 1: Hg conducts an "Industry Standards" based cybersecurity maturity assessment across all portfolio companies to identify potential risks, highlight areas for improvement and support the establishment of appropriate solutions. All portfolio companies have completed the assessment and are taking actions to improve their scores. Since April 2017, over 90 assessments have been conducted portfolio wide score has been improved by over 25%
- ESG Example 2: Hg asks portfolio companies to measure and manage employee engagement. 84% of portfolio companies are currently measuring employee engagement scores, however, the way it is measured varies across the portfolio. One of Hg's portfolio companies, Citation, has been identified as best practice on employee engagement and employee satisfaction. Citation has won The Sunday Times 100 Best Companies to work for three consecutive years. Citation has shared its employee engagement surveys across the Hg portfolio for others to learn from.

Hg publishes an External RI report on its website annually in accordance with UNPRI reporting. In addition, the HgCapital Trust annual report includes details on its RI Policy and the progress that Hg portfolio companies have made on ESG. ESG updates are also provided at Hg's Annual General Meeting and Limited Partners Advisory Committees.

StepStone is impressed by Hg's advocacy of RI and Sustainability efforts, underpinned by its status as a signatory of UNPRI and its rating of AA++ (2019). Hg as a firm holds a number of memberships in the most important industry associations, such as UNPRI and Invest Europe. StepStone deems Hg's policies and additional implemented measures and tools to be appropriate and further advanced than most of its European Buyout peers. StepStone welcomes Hg's proactive approach to implementing and monitoring ESG across the portfolio. StepStone also notes that the RI Policy is reviewed and updated on an annual basis to ensure continuous compliance with UNPRI principles.

Beyond the incident mentioned above, StepStone is not aware of any historical ESG related incidents or fines. StepStone does not expect any material issues to arise in the future, given Hg's proactive approach to RI and fulltime oversight by its dedicated full-time professional, Caroline Löfgren.

Recommendation

StepStone believes that a commitment to Genesis 9 represents an attractive opportunity to gain exposure to a portfolio of Middle Market Software & Services businesses in Europe through an established Software & Services investor with a well-developed platform, extensive operating experience and an attractive track record across the cycle. Hg has proven its ability to achieve strong performance in the face of difficult economic conditions, particularly within its Software & Services investments. Since 2001, Genesis has deployed approximately £5.3 billion in 49 Software & Services investments across five funds, generating a gross TVM/IRR of 2.1x/29% (3.0% loss ratio) and a net TVM/IRR of 1.9x/21% as of September 30, 2019. Realized performance has also been strong, having generated a realized TVM/IRR of 2.5x/31% across 29 realized investments. Relative performance has been attractive, with each of Genesis 4-8's Software & Services funds achieving first or second quartile performance to date across all metrics. StepStone's PME and peer group analysis also highlight Genesis' ability to generate outperformance relative to public equity markets and select high quality peers.

Appendix I
Summary of Due Diligence Performed

In our review of the offering, we conducted the following additional due diligence:

- January 2019
    - Interim update with GP
- October – December 2019
    - Met onsite with members of the Fund's investment team
    - Prepared and completed an investment memorandum

Appendix II
Investment Team Member Biographies

Nic Humphries, Senior Partner

Nic is the Senior Partner and Executive Chairman of Hg and Head of the Saturn fund. He has ultimate responsibility for Hg's strategy, management and governance. He focuses on larger software investments that provide daily-use mission critical applications for accountants, lawyers, tax/compliance professionals and designers/engineers/scientists.

Nic is currently a director on the boards of IRIS, Sovos and Visma. He has led or co-led more than 30 investments over the last 27 years, including Addison (accounting software – sold to Wolters Kluwer), CSG (legal/ERP software – sold to Advanced plc), e-conomic (SaaS ERP – sold to Visma), Foundry (design & VFX software – sold to Roper Technologies Inc), Geneva Technology (telecom OSS software – sold to Convergys Inc), IRIS (Accounting/ERP software), NextGenTel (telecoms), RAET (payroll software – sold to Visma), Rolfe & Nolan (banking software – sold to ION Trading), Visma (ERP software), Xyratex (storage networking – listed on Nasdaq and sold to Western Digital).

Nic started his investing career in 1990. He focused exclusively on Technology/software since 1994 and joined Hg in 2001 as founder of the firm's Technology Team. From 1990-2001 he was a director at Barclays Private Equity (now Equistone), Geocapital and 3i plc. He holds a first class degree in Electronic Engineering and was a IEEE and National Engineering Council scholar. He is a World Fellow of the Duke of Edinburgh Awards and supporter of The Royal Foundation, Impetus and The Nature Conservancy.

Justin von Simson, Managing Partner

Justin is a Managing Partner, Member of the Hg Investment Committee, the Realisation Committee and is also a member of the Hg board. Justin is also responsible for Hg's Munich office. Justin joined Hg in 2002. He is currently a Director of Noventic, Mobility Holding and Transporeon. His previous investment activities included Medifox, Raet, P&I, QUNDIS, SimonsVoss, Teufel, SFC, SLV, Schleich, Hofmann Menü, Schenck Process, Hirschmann and FTE.

Prior to Hg, Justin was employed by Goldman Sachs and Deloitte. He holds a degree in Economics and Business Administration from the University of Cologne.

Matthew Brockman, Managing Partner

Matthew is a Managing Partner, Chair of the Hg Investment Committees and is a member of the Hg board. Matthew focuses on day to day leadership of the firm including the Genesis and Mercury funds.

Matthew joined Hg in 2010 and originally led the development of the software focused Mercury funds, acting across many of the investments in that fund including Allocate, Intelliflo and Sequel Business Solutions. He remains a board member of several Hg fund investments including Mitratech and Achilles.

Prior to joining Hg, Matthew was a Partner at Apax Partners and has a B.Eng (1st class) from Imperial College, London and an MBA from Harvard Business School where he was a Fulbright Scholar.

Jonathan Boyes, Partner

Jonathan is a Partner and focuses on software investments in financial, regulatory, tax & accounting and ERP sectors. He is currently a director on the boards of Access Group and Sovos. Jonathan has led or co-led a number of Hg's current and prior technology investments including Access, Sovos, Ullink, IRIS, Foundry, Computer Software Holdings, Epyx and NetNames.

Jonathan joined Hg in 2006, having previously worked for Oliver Wyman/ Mercer Management Consulting. He is from the UK and has a Masters in Engineering from Cambridge University and an MBA with distinction from INSEAD.

Jean-Baptise Brian, Partner

Jean-Baptiste is a Partner, focusing on investments in software businesses, with a particular interest in SME and enterprise software. Jean-Baptiste currently sits on the boards of Access, Allocate, EidosMedia, Litera, Mitratech, TeamSystem, and Visma.

Prior to joining Hg at the beginning of 2013, Jean-Baptiste worked at TPG Capital for seven years where he was a member of the tech team. Jean-Baptiste began his career at Morgan Stanley and holds an MSc in Management from HEC Paris and a Masters in Law from Université Paris-Sud.

Richard Donner, Partner

Richard is a Partner at Hg and a member of the Capital Markets team. Richard has completed more than 175 transactions over the last 25+ years and now works across all funds, providing senior level support in financing and execution. He has particular expertise in the public-to-private deals and, more generally, in capital markets operations. He also has overall responsibility for Hg's relationships with banks and financial institutions.

Richard has a degree in Politics, Philosophy and Economics from the University of Oxford.

Andrew Land, Partner

Andrew is a Partner, chairs the Hg Realisation Committee and is a member of the Operating Committee. He leads investments in Financial Services and serves on the boards of A-Plan and CogitalGroup, having previously been a director of Zenith, NetNames, Voyage Care, Kinapse and Atlas Knowledge.

Prior to joining Hg in 2011, Andrew was a Managing Director at Och-Ziff, having started his investing career in 1994 with Credit Suisse. He has an LL.B (Hons) from the University of Edinburgh and an MBA from INSEAD.

Nick Luckock, Managing Partner

Nick is a Partner at Hg and a member of the Hg Investment Committee. He focuses on investments in software and services with an increasing commitment to financial technology opportunities. Nick holds responsibility for Hg's investments in Achilles and Gentrack, having recently led the successful sales of both JLA and Radius.

Previously a Partner at Actis LLP, Nick has extensive private equity experience, having commenced his investing career in 2001 at Apax Partners. He has led investments in a number of different markets and across a broad range of sub-sectors including m-commerce, wealth management, payments, professional services, distribution platforms and data monetisation businesses.

Nick completed an MBA with Distinction at INSEAD and a Bachelor of Commerce and Arts (Honours) from the University of Melbourne in Australia. Nick is a long serving Governor of The Basildon Academies, one of the largest single site secondary academies in England, and serves on both the Staffing and Finance Committees.

Ben Meyer, Partner

Ben is a Partner, co-leads the New York office and sits on the board of Litera.

He joined Hg in 2018 from Temasek where he led US late-stage growth, buyout and strategic public investments in technology & communications, including the firm's investments in BluJay Solutions, Global Healthcare Exchange, INTAPP and Amazon.

Prior to joining Temasek, Ben served as a Principal at Spire Capital Partners where he covered the communications services & infrastructure, tech-enabled business services and information services sectors. He served as a Board Director or Observer for Spire's investments in AssetNation, AssetBuyer, Carpathia, Lighthouse eDiscovery, Tarpon Towers and Veraction. Ben started his career in UBS Investment Bank's communications group.

Ben received a Bachelor of Science in Business Administration degree majoring in Finance and minoring in Economics from Georgetown University, where he graduated magna cum laude.

Thorsten Toepfer, Partner

Thorsten is a Partner focusing on investment in compliance-driven as well as information services. He sits on the Investment Committee and on the boards of A-Plan and CogitalGroup. He co-led the acquisition of Citation, was previously a director of Radius and JLA, and was involved in the sale of SHL.

He joined Hg in 2011 from Hellman & Friedman, where he worked on European investments. Prior to this he worked for Morgan Stanley and McKinsey.

Thorsten holds a Master of Commerce from the Vienna University of Economics and Business Administration, a CEMS Master in International Management and an MBA with high distinction from Harvard Business School. A native German speaker, Thorsten is also conversant in French.

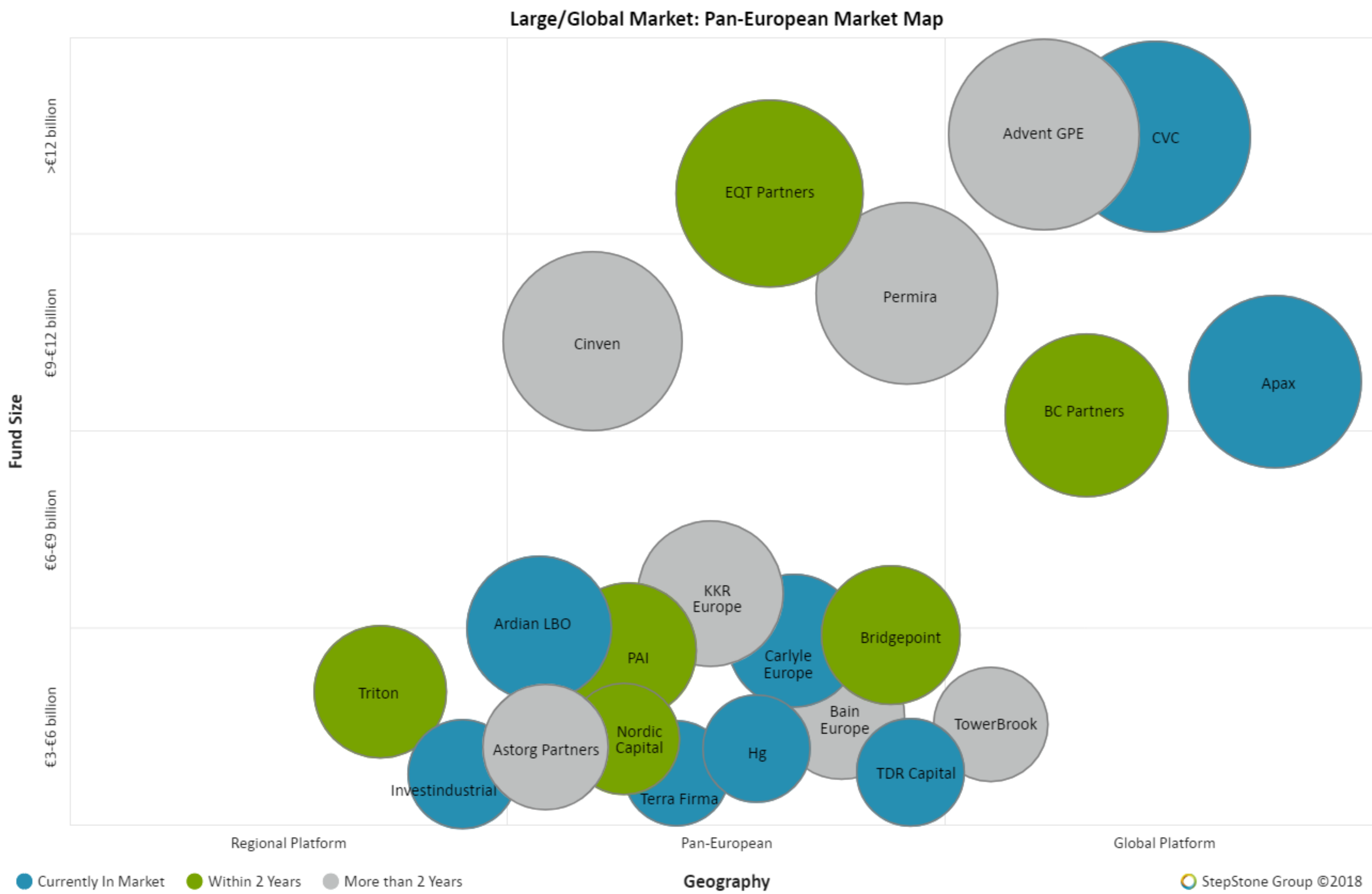
Florian Wolff, Partner

Florian is a Partner working from the Munich office. Besides developing our activities across the DACH region, his sectoral focus is on the broader European Automotive & Engineering and Financial Services sectors. Florian is also currently a Board member of CogitalGroup and Mobility Holdings.

Florian joined in 2016 after more than 14 years with Advent International and McKinsey & Company where he had focused on both Financial Services and Industrials, working primarily in Europe but also spending time in North America and the Middle East.

Florian holds an M.A. from Cambridge University, an M.Sc. from the London School of Economics and a Ph.D. from the WHU-Koblenz.

Appendix III
Market Map



Glossary

Term	Definition
Balanced Stage Venture Capital	A Venture Capital fund focused on both Early Stage and Late Stage companies
Bridge Financing	Temporary funding that will eventually be replaced by permanent capital from equity investors or debt lenders
Buyout	Fund whose strategy is to acquire controlling interests in companies
Carried Interest	The general partner's share of the profits. The carried interest, rather than the management fee, is designed to be the general partner's chief incentive to strong performance.
Co/Direct Investment	Investment made directly into a company, rather than indirectly through a fund
Committed Capital	Total dollar amount of capital pledged to a fund
Contributed Capital	Total capital contributed to a fund for investments, fees and expenses, including late closing interest paid, less returns of excess capital called and bridge financing
Cost Basis	Remaining amount of invested capital
Debt	Security type that signifies a repayment obligation by a company (e.g. senior debt, subordinated debt, bridge loan etc.)
Distressed	A company's final Stage of development. Company is generally experiencing operational or financial distress
Distressed / Turnaround	Fund whose strategy it is to acquire the Equity or Debt of companies experiencing operational or financial distress
Distributed Capital	Capital distributed to the limited partners, including late closing interest earned
Dow Jones US Total Stock Market Total Return Index	The Dow Jones US Total Stock Market Total Return Index measures all U.S. equity securities with readily available prices. It is a free float-adjusted market capitalization weighted index and is calculated with dividend reinvestment
DPI (Distributions to Paid In / The Realization Multiple)	Total gross distributions divided by total gross contributions
Early Stage	A company's first Stage of development. Company is generally generating modest or no revenues
Equity	Security type that signifies ownership of a company (e.g. common stock, preferred stock, warrants, etc.)
Expansion Stage	A company's third Stage of development. Company is generally experiencing high growth and nearing profitability
Exposure	Sum of Remaining Value plus Unfunded Commitment
Fund-of-Funds	Fund whose strategy is to make investments in other funds
Fund Stage	A fund progresses through three stages over its life: investment (investment period), distribution (post-investment period), and liquidation
Geographic Region	Market location of a company: North America, Western Europe, Africa/Middle East, Latin America, Asia/Pacific Rim
Growth Equity	Fund whose strategy is to invest in companies to expand or restructure operations, enter new markets or finance an acquisition without a change of control of the business
Infrastructure	Fund whose strategy is to acquire interests in physical structures and networks that provide the essential services for society's economic and social needs, e.g. roads, tunnels, communication networks, etc.
Internal Rate of Return (IRR)	The discount rate that results in a net present value of zero of a series of cash flows. The IRR considers both cash flow timing and amount and is the preferred performance measure for private market funds
Invested Capital	Capital invested by a fund in portfolio holdings
Investment Type	Classification of an investment vehicle: Primary Fund, Secondary Fund, Fund-of-Funds
J-Curve	Refers to the shape of the curve illustrating a fund’s performance over time. During the initial years of a fund's life, as a result of illiquidity, stagnant valuations, fees and expenses, a fund’s performance tends to be negative (the bottom of the “J”). Eventually, as portfolio companies are realized or increase in value and fees become a smaller percentage of overall contributions, performance improves and investors’ returns move up the “J” shaped curve
Large	Company with a Size greater than $1 billion
Late Stage	A company's second Stage of development. Company is generally generating high revenue growth and high losses

Term	Definition
Loss Ratio	The percentage of capital in deals with a total value below cost, over total invested capital
Lower-Mid	Company with a Size greater than $100 million, but less than $250 million
Lower Quartile	The point at which 75% of all returns in a group are greater and 25% are lower.
Mature	A company's fourth Stage of development. Company is generally generating modest to no growth and operating profitably
Mega Buyout	Fund whose strategy is to acquire or recapitalize Large businesses, Fund size over $6 billion
Mezzanine	Fund whose strategy is to acquire subordinated debentures issued by companies
Middle-Market Buyout	Fund whose strategy is to acquire or recapitalize middle-market businesses, Fund size between $1-$3 billion
MSCI ACWI Index - Total Return	The MSCI ACWI Total Return is a reflection of the performance of the MSCI ACWI Index, including dividend reinvestment, as calculated by Bloomberg. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices
Multi-Strategy	A Fund that invests across multiple strategies
Natural Resources	Fund whose strategy is to acquire interests in naturally occurring, economically valuable raw materials and all physical facilities and capabilities required for the extraction, refinement, and delivery to end users, e.g. oil and gas properties, timberland, etc.
Net Asset Value (“NAV”)	In the context of this report, represents the fair value of an investment, as defined within each limited partnership agreement, yet in compliance with the governmental regulation, generally prepared on a GAAP basis
Net IRR	Annualized effective compound rate of return using daily contributions, distributions and Remaining Value as of the Report Date, net of all fees and expenses, including late closing interest
Percent Interest	Represents an investor’s economic interest in a fund based upon the investor’s commitment divided by total fund commitments
Primary Investment	An interest in a private equity fund acquired directly from the fund manager during the fundraising period
Public Market Equivalent (PME)	A private equity benchmark that represents the performance of a public market index expressed in terms of an IRR, using the same cash flows and timing as the investor’s investment activity in private equity. The PME serves as a proxy for the return the investor could have achieved by investing in the public market. The PME benchmark return assumes cash flows are invested at the end of each day
Publication Date	Refers to the date this report was created as reflected in the Executive Summary
Quartile	Segment of a sample representing a sequential quarter (25%) of the group.
Real Assets	Fund whose strategy is to invest in assets that are tangible or physical in nature such as land, machinery, and livestock
Real Estate	Fund whose strategy is to acquire interests in real estate property
Realized Capital	Capital distributed to a fund from portfolio holdings
Recallable / Recyclable Capital	Capital that has been previously distributed by a fund to investors but may be called again for investment purposes. It is generally associated with realizations that have occurred in the early years of a fund or refers to uninvested capital that has been temporarily returned (i.e. returns of excess capital)
Recapitalization	The reorganization of a company’s capital structure
Remaining Value	Capital account balance as reported by the General Partner, generally on a fair value basis
Report Date	Refers to the end date of the reporting period as reflected on the cover page
Return on Investment (ROI)	Ratio of Realized Capital plus Unrealized Value to Invested Capital

Term	Definition
Russell 1000® Total Return Index	The Russell 1000® Total Return Index measures the performance, including dividend reinvestment, of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.
Russell 3000® Total Return Index	The Russell 3000® Total Return Index measures the performance, including dividend reinvestment, of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.
RVPI (Residual Value to Paid In)	The current value of all remaining investments within a fund divided by total gross contributions
S&P 500 Price Index	The S&P 500 Price Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
S&P 500 Total Return Index	The S&P 500 Total Return Index is a reflection of the performance of the S&P 500 Index, including dividend reinvestment. All regular cash dividends are assumed to be reinvested in the S&P 500 Index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.
Secondary Investment	Investments that involve the purchase of private equity fund interests or portfolios of direct investments in privately held companies from existing institutional Investors
Sector	Industry in which the company operates: technology, telecommunications, healthcare, financial services, diversified, industrial, consumer, energy, etc.
Size	Capitalization size of a company: Large, Upper-Mid, Lower-Mid, Small
Small	Company with a Size of less than $100 million
Small Business Investment Company (SBIC)	Lending and investment firms that are licensed and regulated by the Small Business Administration (SBA). The licensing enables them to borrow from the federal government to supplement the private funds of their Investors
Small Buyout	Fund whose strategy is to acquire or recapitalize Small businesses
Stage	The course of development through which a company passes from its inception to its termination: Early, Late, Expansion, Mature, Distressed
Sub-Asset Class	Private equity investments are generally classified as Buyout, Venture Capital, Mezzanine, Distressed/Turnaround, and Fund-of-Funds
Subordinated Debt	Debt with inferior liquidation privileges to senior debt in case of a bankruptcy and consequently, will carry higher interest rates than senior debt to compensate for the subordination.
Term Sheet	A summary of key terms between two or more parties. A non-binding outline of the principal points which definitive agreements will supercede and cover in detail.
TVM (Total Value Multiple) / TVPI (Total Value to Paid In)	Net asset value plus gross distributions divided by total gross contributions
Unfunded Commitment	Amount of capital that remains to be contributed to a fund as defined in a fund's limited partnership agreement
Unrealized Value	Holding value of a portfolio company assigned by the General Partner, which generally represents fair value
Upper-Mid	Company with a Size greater than $250 million but less than $1 billion
Upper Quartile	The point at which 25% of all returns in a group are greater and 75% are lower.
Venture Capital	Fund whose strategy is to make investments in Early Stage and/or Late Stage companies
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Write-Down	A reduction in the value of an investment.
Write-Off	The write-down of a portfolio company's holdings to a valuation of zero and the venture capital investors receive no proceeds from their investment.
Write-Up	An increase in the value of an investment.

IMPORTANT INFORMATION

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All valuations are based on current values provided by the general partners of the Underlying Funds and may include both realized and unrealized investments. Due to the inherent uncertainty of valuation, the stated value may differ significantly from the value that would have been used had a ready market existed for all of the portfolio investments, and the difference could be material. The long-term value of these investments may be lesser or greater than the valuations provided.

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Prospective investors should inform themselves and take appropriate advice as to any applicable legal requirements and any applicable taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments. Each prospective investor is urged to discuss any prospective investment with its legal, tax and regulatory advisors in order to make an independent determination of the suitability and consequences of such an investment.

An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein.

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

State of Connecticut
Retirement Plans and Trust Funds

Recommendation Report

Hg Saturn 2

February 10th, 2020

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Executive Summary

Fund	Hg Saturn 2 (“Saturn 2” or the “Fund”)
General Partner	Hg LLP (“Hg” or the “Firm”)
Report Date	Data as of September 30, 2019
Fundraising	Hg is now establishing Hg Saturn 2 (“Saturn 2” or the “Fund”) targeting US$4.1 billion in total commitments. While the Firm has not yet established a hard cap for Saturn 2, StepStone has learned that a hard cap will likely be established in the near-term at approximately US$4.9 billion. Hg anticipates holding a first close in February 2020 at between ~US$3.0 billion and ~US$3.5 billion in total commitments (between 65% and 80% of the Fund’s anticipated hard cap), with a final close to occur in April 2020 at the hard cap. In tandem, Hg is also current targeting the raising of €960 million in total commitments to Hg Mercury 3 ("Mercury 3") and €3.6 billion in total commitments to Hg Genesis 9 (“Genesis 9”).
Source	Connecticut Retirement Plans and Trust Funds (“CRPTF”) sourced the investment opportunity directly for evaluation for the Private Investment Fund (“PIF”).
Key Terms	<u>Management Fee</u>: 1.00% Management Fee per annum of Third Party Commitments during the Investment Period. Thereafter, 0.75% per annum on Third Party Acquisition Cost of Investments less those Investments which have been subject to a Realisation. <u>Carried Interest</u>: The Carried Interest allocation will be 20% after an 8% Preferred Return for Limited Partners (with 100% catch-up), subject to clawback. <u>Termination Provisions</u>: For cause termination of the Fund permitted upon the removal of the General Partner upon the written consent of Investors who hold more than 50% of Total Fund Commitments. No fault termination of the Fund permitted after the second anniversary of the Start Date with written consent of Investors who hold more than 75% of Total Fund Commitments. <u>Key Person:</u> Until the end of the Investment Period, if the Named Executives continuing to meet their Time Devotion Requirement represent less than, in aggregate seven Named Executive Points (or such other aggregate amount of Named Executive Points in place from time to time), then the Manager shall not issue any further Drawdown Notices for the purposes of making New Investments or make any New Investments subject to customary carveouts. The Manager shall promptly notify the Investors of any Key Person Event and in any event within 10 Business Days after becoming aware of such Key Person Event.

Investment Strategy

Hg is a pan-European Buyout manager that pursues control investments in Software & Services businesses, predominantly across Northern Europe. Across its platform, Hg manages three programs: Hg Mercury ("Mercury"), Hg Genesis ("Genesis") and Hg Saturn ("Saturn"). Each of these products pursue a uniform strategy, but within different market segments: Mercury targets Software & Services businesses with total enterprise value ("TEV") at entry of between €100 million and €500 million; Genesis, the Flagship fund series, targets Software & Services businesses with TEV at entry of between €500 million and €1.5 billion; and Saturn targets Software & Services businesses with TEV at entry in excess of €1.5 billion. Hg's three products leverage the Firm's best-in-class Software & Services expertise to target primarily European businesses with specific business model criteria. Business model criteria are designed around "bathtub-like" characteristics that allow for retained revenue to grow steadily, just as a bathtub fills steadily with water. Hg's Firm-wide origination effort is oriented towards eight sub-sectors / "Hg clusters," in which Hg has developed a significant network effect, and has invested repeatedly and successfully: Tax & Accounting, ERP & Payroll, Legal & Compliance, Automotive, Insurance, SME Tech Services, Capital Markets & Wealth Management IT and Healthcare IT. Saturn 2's objective is to support compounding growth by maximizing organic expansion and consolidating fragmented markets in order to generate compelling risk-adjusted returns. This objective is buttressed by Hg's efforts to acquire businesses that are supported by non-macroeconomic trends, such as an above-GDP rate of enterprise formation, increasing regulatory oversight, increasing software penetration, etc. Such non-macroeconomic trends should also support attractive performance in less buoyant markets.

Management Team

The Saturn Team is led by Senior Partner Nic Humphries and Managing Partner Justin von Simson, who are supported by a dedicated team of 17 investment professionals, including four Partners, two Directors, three Principals and eight junior professionals (collectively, the "Investment Team"). 95% of the Saturn Team is based in either London or Munich. Complementing Hg's three dedicated investment teams is the Firm's shared Portfolio Team, currently at 30 professionals, which represents a pool of internal operational resources that work alongside investment teams to maximize value creation across Hg's portfolio. Together, the Investment Team and Portfolio Team pursue a "hands-on" investment strategy that is focused on improving portfolio companies' operations and growing them via add-on acquisitions.

Track Record

Given the limited history of the Saturn fund series, StepStone focused its analysis on the more recent Genesis funds (Genesis 4-8,) Mercury 1-2 and Saturn 1. Each of these funds was raised and invested after the Firm gained its independence from Merrill Lynch in 2000 and, therefore, is not biased by the priorities and policies of the Firm's previous owner. Since 2001, Hg has deployed approximately £7.7 billion in 91 investments (84 companies) across eight private equity funds. This invested capital has yielded £15.1 billion of total value, generating a gross TVM/IRR of 2.0x/24% (7.1% loss ratio) and a net TVM/IRR of 1.8x/17% as of September 30, 2019. Approximately 59% of total value has been realized (£8.9 billion), while 41% of total value remains active (£6.2 billion). StepStone notes that over the Firm's history, Hg has refined its sector teams to focus on areas that represent a high incidence of companies with target business model characteristics and in which it has been consistently successful. This refinement process led to the disbandment of the Firm's Consumer & Leisure, Healthcare and Industrials teams between 2008 and 2017, as a result of inconsistent and underwhelming performance relative to other sector teams. Today, Hg focuses solely on the Software & Services sector.

(£ in millions, as of September 30, 2019)

Hg Investment Performance

Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
Genesis 4	2001	£742	21	£629	£1,453	-	£1,453	£123	2.3x	31%	19.5%	2.0x	23%	2.0x
Genesis 5	2006	958	12	727	1,430	49	1,478	146	2.0x	16%	20.1%	1.7x	11%	1.6x
Genesis 6	2009	1,900	19	1,780	3,712	154	3,867	245	2.2x	18%	13.8%	1.8x	12%	1.7x
Realized Funds		**£3,600**	**52**	**£3,135**	**£6,595**	**£203**	**£6,798**	**£514**	**2.2x**	**23%**	**16.4%**			
Mercury 1	2012	£380	12	£330	£577	£290	£867	£18	2.6x	39%	5.5%	2.2x	26%	1.5x
Genesis 7	2013	2,000	13	1,798	1,506	2,619	4,125	17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Mercury 2	2017	575	4	278	150	352	502	-	1.8x	108%	0.0%	2.3x	608%	0.2x
Saturn 1	2017	1,500	3	775	-	1,129	1,129	-	1.5x	47%	0.0%	1.4x	51%	0.0x
Unrealized Funds		**£7,005**	**39**	**£4,565**	**£2,273**	**£6,020**	**£8,293**	**£35**	**1.8x**	**31%**	**0.8%**			
Total Realized Companies			**58**	**3,336**	**7,280**	**25**	**7,305**	**544**	**2.2x**	**24%**	**16.3%**			
Total Unrealized Companies			**33**	**4,364**	**1,588**	**6,198**	**7,786**	**4**	**1.8x**	**24%**	**0.1%**			
Total		**£10,605**	**91**	**£7,700**	**£8,867**	**£6,223**	**£15,090**	**£548**	**2.0x**	**24%**	**7.1%**	**1.8x**	**17%**	**1.1x**

Investment Evaluation

(+) Well-Run Organization with Strong Leadership: Mr. Humphries is the clear leader of the organization and is relentless in his pursuit of performance and disciplined in cutting less talented investors from the team in order to maintain the highest quality organization possible. Mr. Humphries is a thoughtful and proactive leader, who measures performance based on Key Performance Indicators ("KPIs") that align the team with Limited Partners (e.g. value creation). Mr. Humphries has made great strides in recent years in addressing areas of weakness within the Firm that had not historically generated sufficient value (e.g. by disbanding the Healthcare, Consumer & Leisure and Industrials teams). Today, the Firm is arguably one of the better-run private equity firms in Europe. Mr. Humphries is also the co-leader of the Saturn Team, and is personally well-reputed throughout Europe and North America as a leading Software & Services investor.

(+) Purpose-Built and Dedicated Saturn Team: The Saturn Team is led by Messrs. Humphries and von Simson, who are supported by a dedicated team of 17 investment professionals. With the Saturn Team, Mr. Humphries' current goal is to build out a team that is too big for Saturn 1 / Saturn 2, but big enough for Saturn 3. As such, the Saturn Team has over-recruited to the point where it is now larger than its intended size when the product was conceived. This is the result of Mr. Humphries' view that it is unreasonable to expect any team to operate at 100% in its early years. Mr. Humphries believes that the current Saturn Team is operating at 50% to 60% of its capacity today, since some professionals are still getting up to speed and learning the "Hg way." Over time, he expects this to normalize, thereby significantly increasing the capacity of the Saturn Team, which will also reduce reliance on him as a deal lead.

(+) Unique Software & Services Ecosystem: In recent years, Hg has observed a proliferation of European Software & Services companies with TEV at entry both above and below the addressable investment size range of its flagship

Genesis product. However, Hg did not wish simply to expand the size of Genesis, which would have risked forcing the Firm to deviate from its Middle Market segment. Therefore, Hg established two additional products with dedicated teams to address both smaller (Mercury) and larger (Saturn) segments of the market. These three distinct products strengthen the Firm's relative market position within the Software & Services sector, which has allowed it to develop an ecosystem that enhances its ability to capture Software & Services investment opportunities across a range of size segments. This combined capability is unique within the European private equity landscape and allows Hg to "move up and down the TEV stack" within its target Software & Services sector.

(+) Hg Cluster Expertise / Cultivated Tier-1 and Tier-2 Pipeline: Hg targets the Software & Services sector through a cluster approach that pre-identifies select sub-sectors exhibiting materially faster growth rates and greater resilience than the broader economy. When a particular cluster is identified, Hg "deep mines" it to identify and track preferred targets over the long-term, building conviction in their growth potential. With the evolution of Hg into a Software & Services specialist that operates across the Small Market, Middle Market and Large Market segments, the Firm is also capitalizing on opportunities to invest in businesses that it has tracked for many years, as those businesses expand into larger segments of the market. This is particularly pronounced within Saturn's deal pipeline. Saturn 1's first three investments, Visma, IRIS and Argus Media, were each tracked by Hg for more than 15 years prior to Saturn 1's investment.

(+) Strong Absolute Software & Services Performance Across Nearly All Metrics: Since 2001, Hg has generated a Software & Services gross TVM/IRR of 2.1x/29% and a net TVM/IRR of 1.8x/22% as of September 30, 2019. During this period, loss ratios have been immaterial, at 2.7%, compared to the European Middle Market and Large Market Buyout benchmark of 13%, thereby representing a very strong risk-adjusted return profile. Since 2001, Hg has also generated a strong realized Software & Services gross TVM/IRR of 2.6x/31%. Relative Software & Services performance has also been strong, with all funds (synthetic and otherwise) generating first or second quartile performance across all metrics (a significant majority of which were first quartile). The above synthetic reference refers to the isolation of Software & Services historical investment performance within Genesis 4-6 on a stand-alone basis; all funds after Genesis 6 exclusively focus on Software & Services. Performance relative to a targeted group of high quality peers has also been strong. Saturn 1 has also generated strong early performance, having achieved a gross TVM/IRR of 1.5x/47%, with a 0% loss ratio.

(+) Value Creation from Intrinsic Factors: The Saturn Team prefers to rely substantially on intrinsic value creation factors (e.g. growth and cash flow) as opposed to extrinsic value creation factors (e.g. exit multiple and leverage) during its ownership period. As of September 30, 2019, value creation within Saturn 1 has been predominantly driven by revenue growth and EBITDA margin expansion. StepStone is further encouraged that Hg values Saturn 1 assets below their publicly-listed peers.

(+) Proven Ability to Navigate Economic Cycles: Hg has proven its ability to achieve strong performance in the face of difficult economic conditions, particularly within its Software & Services investments. Hg's Software & Services investments made since 2001 have generated a weighted average loss ratio of 2.7% across multiple economic cycles. StepStone believes this is exceptionally low and, when combined with the strong absolute performance of Hg's Software & Services investments, contributes to a very strong risk-adjusted return profile. As of September 30, 2019, Hg has not generated a single realized or unrealized loss within Software & Services businesses with TEV at entry of greater than €250 million. This bodes well for all three Hg products, including Saturn 2.

(+) LP-Friendly Management Fee: Saturn 2's management fee (1% on committed capital; steps down thereafter to 0.75% on unrealized / projected acquisition cost) has been designed to provide for an improved gross / net spread relative to traditional private equity fund terms, which typically charge between 1.5% to 2.0% management fee**.**

(-) Key Person Risk / Part-Time Commitment to Saturn 2: Mr. Humphries is a critical member of the team and has been instrumental in guiding the Firm's investment policy and organizational build-out since he assumed the role of Senior Partner in 2007. Given his variety of responsibilities, he is expected to spend one-third to one-half of his time on Saturn 2, with the balance spent on other Hg matters. However, Mr. Humphries has been instrumental in all Saturn 1 investments to date. StepStone discussed succession matters with Mr. Humphries, who expressed that his retirement is "a long way off." However, should anything involuntary prevent Mr. Humphries from continuing in his role, Mr. von Simson would migrate to a full-time role on the Saturn product and would be joined in a Saturn leadership capacity by Mr. Brockman. In the absence of an "involuntary" departure, Mr. Humphries believes that Saturn is a "natural resting place" for him over time.

(-) Limited Deal Flow in Saturn 2's Target Segment: Saturn naturally faces a more limited quantum of qualifying deal flow relative to Genesis and Mercury as well as Hg's generalist peers given its target investment TEV size. Nonetheless, StepStone believes that Saturn faces a growing market opportunity within the European Software & Services market which has produced between one and 33 Large Market Software & Services deals per year since 2010 and this trend is improving. Hg's tenure in the Software & Services market and its strong reputation as a European sector specialist allow the Firm to engage with asset owners to "unlock" investment opportunities and deal flow that are not readily available to broader market participants. This dynamic is evidenced in Saturn's deal flow pipeline, which currently includes four Tier-1 opportunities, all of which have a material probability of success. If two convert, then Saturn 1 is fully invested and Saturn 2 has a "head start" on deployment, given that it has not yet held a first close.

(-) Above-Average Purchase Price Multiples: Given Hg's quality and growth orientation in the Large Market segment, it is challenging to source investment opportunities at below market prices in today's competitive environment. In each year since 2003, Hg has paid above-market multiples for its assets relative to the European IT Buyout benchmark of TEV/EBITDA multiples. However, Hg did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Performance has been strong in nearly every vintage. The Saturn Team also targets quality assets with growth factors that it can control. One of these controllable growth factors is accretive M&A designed to "blend down" entry multiples and extract synergies. All Saturn 1 assets to date have completed M&A and operate within fragmented markets that should allow for further M&A in the future (Visma and IRIS have completed 34 and 5 add-ons, respectively, at accretive blended entry multiples). The Saturn Team also adopts a cautious underwriting approach – every Saturn 1 investment to date has been underwritten to include meaningful multiple contraction at exit. The Saturn Team prefers to rely substantially on intrinsic value creation factors (e.g. growth and cash flow) as opposed to extrinsic value creation factors (e.g. exit multiple and leverage) during its ownership period.

(-) Re-Underwriting Assets / Potential Conflicts of Interest: Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons (e.g. Visma has been owned by Hg funds since 2006; IRIS has been owned by Hg funds since 2004). Hg refers to this "sell vs. re-invest / hold" decision-making process as a "re-underwrite." To the extent that a re-underwrite involves the sale of an asset from one Hg fund to another Hg fund, this introduces the potential for conflicts of interest. StepStone believes that re-underwrite opportunities with this profile may be evaluated during the investment period of Saturn 2. While StepStone would prefer that Hg avoid all perceived conflicts of interest, StepStone acknowledges that Hg has adopted a robust conflicts mitigation process. Historical implementation of this process has also been robust, thereby mitigating major concerns of Limited Partners (as confirmed by references completed by StepStone).

Recommendation

StepStone believes that a commitment to Hg Saturn 2 represents an attractive opportunity to gain exposure to a portfolio of Large Market Software & Services businesses in Europe through an established Software & Services investor with a well-developed platform, extensive operating experience and an attractive track record across multiple economic cycles. Hg has proven its ability to achieve strong performance in the face of difficult economic conditions, particularly within its Software & Services investments. Across all Hg Software & Services investments made since 2001, the Firm has generated a weighted average loss ratio of 2.7%.

Investment Strategy

Hg is a pan-European Buyout manager that pursues control investments in Software & Services businesses, predominantly across Northern Europe. Across its platform, Hg manages three programs: Hg Mercury ("Mercury"), Hg Genesis ("Genesis," the Firm's "flagship" product) and Hg Saturn ("Saturn"). Each of these products pursues a uniform strategy, but within different market segments. Mercury targets Software & Services businesses with total enterprise value ("TEV") at entry of between €100 million and €500 million. Genesis targets Software & Services businesses with TEV at entry of between €500 million and €1.5 billion. Saturn targets Software & Services businesses with TEV at entry in excess of €1.5 billion.

Hg Saturn 1 ("Saturn 1") was established as a vehicle to execute a Large Market Software investment "thesis," for which the market opportunity was expanding and into which other European Buyout managers were not investing in a dedicated or consistent manner. Saturn 1 was intentionally sized at a small scale relative to the Large Market businesses it was targeting in order to (i) construct a concentrated portfolio of Large Market businesses (given the expanding, but still modest number of qualifying investment opportunities), and (ii) allow for significant co-investment flow to Limited Partners (c.1:1 co-investment-to-primary commitments offered as of December 2019).

Having successfully built out its Saturn Team, prosecuted the Firm's initial Large Market "thesis," observed the expansion of the market opportunity and generated strong early performance, Hg is now establishing Hg Saturn 2 ("Saturn 2" or the "Fund") as a more traditional fund product / strategy, with associated portfolio construction criteria (e.g. targeting eight portfolio companies instead of four). However, with Saturn 2, Hg has not yet deliberately "right-sized" the Saturn product relative to the scale of target investments. As such, Saturn 2's fund size is expected to continue to provide significant co-investment flow to Limited Partners – median of >€400 million of co-investment on every investment, with the three largest target opportunities requiring >€1 billion of co-investment.

Saturn targets Software & Services businesses with TEV at entry in excess of €1.5 billion. Saturn 2's objective is to support compounding growth by maximizing organic expansion and consolidating fragmented markets in order to generate compelling risk-adjusted returns. This objective is buttressed by Hg's efforts to acquire businesses that are supported by non-macroeconomic trends, such as an above-GDP rate of enterprise formation, increasing regulatory oversight, increasing software penetration, etc. Such non-macroeconomic trends should also support attractive performance in less buoyant markets.

Hg's three products target businesses that typically have a base of predictable revenue (e.g. through a SaaS delivery model) that provides a foundation from which to grow year-over-year through up-selling, cross-selling and price optimization. Target businesses are also typically asset-light and scalable, with high EBITDA margins and strong free cash flow conversion. These business model characteristics lend themselves to defensive, sustained growth and make target businesses generally less sensitive to economic cycles, thereby reducing the need to use excessive debt as a means to amplify performance.

The Firm's sector approach is at the core of its sourcing model. Hg targets the Software & Services sector through a cluster approach that pre-identifies select sub-sectors exhibiting materially faster growth rates and greater resilience than the broader economy. When a particular cluster is identified, Hg "deep mines" it to identify and track preferred targets over the long-term, building conviction in their growth potential. This approach allows the Firm to track opportunities in greater detail, and enables partnership-oriented dialogues with vendors and management teams (occasionally allowing Hg to pre-empt sale processes).

Portfolio Characteristics

Sector Specialist: Since 2012, Hg has focused exclusively on companies with B2B business models and strong commonalities within the Software & Services sectors. This more focused strategy commenced during the investment period of Genesis 6 and was fully realized with Genesis 7, Mercury 1 and Saturn 1. Prior to this shift, Hg had completed a sizeable proportion of investments within the Software & Services sectors, which represented at least 42% of invested capital since Genesis 4. Across Genesis 4-8; Mercury 1-2 and Saturn 1, Software has attracted the highest proportion of Hg's invested capital (57%) and has generated an attractive 2.0x gross TVM and a 2.6x realized TVM across 43 investments. Software performance has been consistently attractive with low volatility, as demonstrated by a 3.7% loss ratio, produced by four of 43 Software investments to date. Services represents Hg's second most popular sector by invested capital (29%) and has generated a 2.1x gross TVM and a 2.4x realized TVM across 24 investments. The sector's low loss ratio of 0.6% (produced by a single realized investment), combined with attractive absolute performance, represents appealing risk-adjusted returns. Healthcare, Industrials, Consumer & Leisure and Media investments combine to represent 14% of invested capital. Each of these sectors produced results that were below expectations, with moderate to high loss ratios. Hg has fully realized all investments completed within its non-core sectors.

Large Market Focus: Saturn 2 targets Large Market businesses with TEV at entry of greater than €1.5 billion. StepStone believes that Saturn's focus on larger businesses reduces the pool of investment opportunities, which has the potential to result in deployment pressure. However, Hg's fund architecture, which tracks a multitude of businesses across the TEV spectrum, is deliberately organized to ensure that Hg is well-positioned to capture investment opportunities regardless of TEV size (e.g. Genesis targets eventually scale to the size of Saturn targets, etc.). As of June 2019, Hg has identified over 450 Tier 1-4 Saturn targets, including 43 Tier 1-2 Saturn targets with TEV of greater than €1.5 billion. European Software & Services opportunities within this segment have increased at a CAGR of 47% since 2010. StepStone believes that the current opportunity set presented by the Saturn pipeline is sufficient to generate the one to two investments p.a. that Saturn 2 will seek to complete during its investment period.

European Focus: Hg operates from three offices in London, Munich and New York. While Hg will focus on investments in European companies, opportunities outside the continent (e.g. North America) will not be ruled out if they fit with other core elements of Saturn 2's investment strategy (e.g. target sub-sectors, target business model characteristics, etc.). Hg has deployed a majority of each of Genesis 4-8 and Mercury 1-2's invested capital into the UK / Ireland and the DACH region. Within Genesis 7, Genesis 8, Mercury 2 and Saturn 1, the Firm has pursued a broader geographic mandate, with 50%, 58%, 50% and 50% of portfolio companies domiciled in these regions, respectively. Northern European markets (as defined by the UK / Ireland, France, DACH, Nordic and Benelux regions) collectively represent 90% of Genesis 8, Mercury 1-2 and Saturn 1 investments to date (100% of Saturn 1 investments).

Purchase Prices: In pursuing target businesses, Hg seeks to negotiate from a preferred position whenever possible. However, it is challenging to source growth-oriented, recurring revenue, high margin, cash generative, Large Market businesses at below market prices in today's competitive environment. This is particularly true in the Information Technology ("IT") sector (including Software & Services), which is characterized by competition and healthy valuations across macroeconomic cycles. In each year, Hg paid above-market multiples for its assets relative to the benchmark. However, Hg did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Resulting performance has been strong in nearly every vintage.

Leverage and Equity Contribution: While Saturn portfolio companies' leverage at entry has been high relative to the benchmark, Saturn targets businesses with attractive growth profiles, high levels of recurring revenue and strong free cash flow generation. This provides greater comfort in portfolio companies' ability to service their debt, which enables Saturn to employ higher levels of leverage while still retaining sufficient flexibility to execute investment plans. Saturn also exhibits a low blended entry gearing ratio across its portfolio of four investments (three companies) of 23%, which is below the European Technology Buyout average for the period 2017 to 2019 of 35%.

Competitive Landscape

Saturn 2's sole focus on Large Market Software & Services businesses (predominantly in Europe) narrows the range of potential competitors. In StepStone's view, there arefive broad categories of buyers with whom the Saturn Team may compete for investment opportunities:

- **<u>Large Market Generalist Funds:</u>** Many Global, trans-Atlantic and pan-European firms have completed one or more Large Market Software & Services investments in the past. However, given their generalist strategies, investment professionals do not often have the technical know-how or bandwidth to commit the necessary resources to be successful in the Large Market Software & Services space in more than an opportunistic fashion. StepStone believes that these managers are unlikely to compete with Saturn 2 for deal flow in a consistent manner.

- **<u>Large Market Firms with TMT Sector Teams:</u>** Many Global, trans-Atlantic and pan-European firms have large funds and experienced TMT sector teams with Software & Services track records. As a result, Saturn 2 may occasionally compete with some of these managers.. However, none of these firms with TMT sector teams approach Software & Services in a dedicated manner, instead spreading their attention across a range of TMT sub-sectors.

- **<u>North American Software Funds:</u>** Large Market Software firms, tend to be U.S.-based and have not firmly established themselves in the European Software ecosystem, nor have they made a concerted effort to do so. Instead, they have focused their attention and resources on the U.S. market, given its scale and large quantum of deal flow. These parties have historically invested in Europe only opportunistically or not at all and most do not have a physical presence in Europe:

While StepStone believes that these firms' Software expertise, coupled with significant fund sizes, does create the potential for credible competition, (i) Hg's reputation as a preeminent Software investor in Europe; (ii) target Saturn 2 opportunities' emphasis on European growth; and (iii) local management teams' bias towards partnering with European investors that appreciate the nuances of investing across Europe's heterogeneous landscape, represent sustainable advantages for Saturn 2 when competing for European Software assets.

- **<u>European Software Funds:</u>** Software specialists in Europe have historically been active in the Venture Capital and Growth Equity segments of the market. However, Software specialists in the Buyout segment have not emerged in Europe, as they have in the U.S. As such, Europe does not have any sizeable Software specialists that will compete with Saturn 2. Hg believes that there exist few active investment professionals in Europe with the necessary level of experience in both the Large Market segment and the Software sector to compete effectively with Saturn 2.

- **<u>Industrial Buyers:</u>** Certain industrial buyers, including Cisco, Microsoft and Google, have operated as consolidators within the Software & Services space in the past. However, industrial buyers often focus on "horizontal plays" (i.e. software that is useful in a wide range of industries), given their scale. In contrast, Saturn 2 emphasizes "vertical plays" (i.e. software that addresses the needs of a discernible market). While certain Middle Market and Large Market vertical Software & Services players could act as consolidators within their verticals, most do not have the financial resources to acquire assets of the size that Saturn 2 targets. Existing owners and/or management teams of vertical Software & Services businesses also often wish to retain significant stakes in their businesses following a sale in order to participate in future value creation. In such instances, private equity is often perceived as an attractive alternative to selling to an industrial buyer, even if industrial buyers are willing to pay higher upfront prices for businesses.

Hg represents the largest dedicated Software & Services specialist team in Europe. While a number of firms have transactional expertise in the Large Market segment, few have both Large Market expertise and Software & Services expertise within the same team, and even fewer pursue this combination in a dedicated manner in Europe. As such, StepStone believes that the Saturn Team is unique within the European ecosystem and is well-positioned for success as a result of the volume it sees within a focused sector remit. Hg has a geographically heterogeneous network of relationships that creates a base of qualifying deal flow that "bubbles up" as companies get larger. This has contributed to Hg's reputation as the "go-to" buyer (and seller) of Software & Services businesses in Europe.

Evaluation of the Strategy

Merits

- ▲ **Attractive Market Segment:** The proliferation of Software & Services is one of the most important and impactful features of the modern global economy, with wide-ranging implications for businesses across sectors (e.g. efficiency gains, innovation, automation, etc.). Companies recognize this and Software & Services investments now represent a material and increasing proportion of corporate capital expenditures. As Software & Services penetration increases across end markets, investments into Software & Services has become increasingly mission-critical for businesses seeking a competitive advantage or just seeking to "keep up" in their race for market share. As such, there exist favorable tailwinds and growth opportunities for today's Large Market Software & Services businesses in Europe, which are poised to continue to lead their respective industries over the long-term.

- ▲ **Unique Software & Services Ecosystem:** In recent years, Hg has observed a proliferation of European Software & Services companies with TEV at entry both above and below the addressable investment size range of its flagship Genesis product. However, Hg did not wish simply to expand the size of Genesis, which would have risked forcing the Firm to deviate from its Middle Market segment. Therefore, Hg established two additional products with dedicated teams: Mercury (2012) focuses on Small Market Software & Services investments, while Saturn (2017) focuses on Large Market Software & Services investments. These three distinct products strengthen the Firm's relative market position within the Software & Services sector, which has allowed it to develop an ecosystem that enhances its ability to capture Software & Services investment opportunities across a range of size segments. This combined capability is unique within the European private equity landscape and allows Hg to "move up and down the TEV stack" within its target Software & Services sector.

- ▲ **Hg Cluster Expertise / Cultivated Tier-1 and Tier-2 Pipeline:** Hg targets the Software & Services sector through a cluster approach that pre-identifies select sub-sectors exhibiting materially faster growth rates and greater resilience than the broader economy. When a particular cluster is identified, Hg "deep mines" it to identify and track preferred targets over the long-term, building conviction in their growth potential. With the evolution of Hg into a Software & Services specialist that operates across the Small Market, Middle Market and Large Market segments, the Firm is also capitalizing on opportunities to invest in businesses that it has tracked for many years, as those businesses expand into larger segments of the market. This is particularly pronounced within Saturn's deal pipeline (12 Tier-1, 31 Tier-2 and 215 Tier-3 opportunities as of December 2019). Saturn 1's first three investments, Visma, IRIS and Argus Media, were each tracked by Hg for more than 15 years prior to Saturn 1's investment.

- ▲ **Target Business Model Characteristics:** Hg's three products target businesses with specific business model criteria, including: business critical B2B products / services; recurring / repeat revenue; low customer concentration; defensible business models with high margins; low cyclicality / price sensitivity; and low customer churn rates. While growth (organic and inorganic) is the cornerstone of Saturn 2's investment strategy, the Saturn Team also seeks to protect against downside risks. Saturn 1 portfolio companies have attractive revenue and EBITDA growth profiles with high levels of recurring revenue and low levels of customer churn. StepStone views the financial profile of Hg's investments positively, particularly in light of elevated entry valuations.

Risks

- ▼ **Limited Deal Flow in Saturn 2's Target Segment:** Saturn faces a more limited quantum of qualifying deal flow relative to Genesis and Mercury as well as Hg's generalist peers. This dynamic suggests that Saturn 2 may face deployment pressure during its investment period. However, with Saturn 2, the Saturn Team has expanded its target market opportunity from a sole focus on Software businesses to a broader focus on Software & Services businesses. StepStone believes that this expanded remit is appropriate and will contribute to additional qualifying deal flow. The European Software & Services market is also an established and growing market opportunity that has produced between one and 33 Large Market Software & Services deals per year since 2010 and this trend is improving. This compares to the total European Software & Services market, which, as of September 2019, includes approximately 311 transacted deals (from approximately 58 in 2010; +21% CAGR). Further, transacted deal flow within Saturn 2's market segment (TEV >€1.5 billion) has grown at a CAGR of 47% since 2010. However, Hg's experience is that this only represents the "tip of the iceberg." There is a large amount of potential deal flow that resides "beneath" this to which the broader market does not have access or does not have an angle. Hg's tenure in the Software & Services market and its strong reputation as a European sector specialist allow it to engage with asset owners to "unlock" investment opportunities that are not readily available to market participants. The Saturn Team is currently in advanced due diligence on four Tier-1 opportunities, all of which have a material probability of success. If two convert, then Saturn 1 is fully invested and Saturn 2 has a "head start" on deployment, given that it has not yet held a first close. Hg is currently considering its options in the event that the first Saturn 2 investment requires funding prior to the Fund's first / final close in 1Q20.

▼ **Above-Average Purchase Price Multiples:** Given Hg's quality and growth orientation in the Large Market segment, it is challenging to source investment opportunities at below market prices in today's competitive environment. In each year since 2003, Hg has paid above-market multiples for its assets relative to the European IT Buyout benchmark of TEV/EBITDA multiples. However, Hg did so for above-average quality assets as a result of the Firm's strict focus on attractive business model characteristics that lend themselves to defensive, sustained growth and limited sensitivity to economic cycles. Performance has been strong in nearly every vintage. The Saturn Team targets quality assets with growth factors that it can control. One of these controllable growth factors is accretive M&A designed to "blend down" entry multiples and extract synergies. All Saturn 1 assets to date have completed M&A and operate within fragmented markets that should allow for further M&A in the future (Visma and IRIS have completed 34 and 5 add-ons, respectively, at accretive blended entry multiples). The Saturn Team also proactively navigates today's elevated valuation environment by adopting a cautious underwriting approach – every Saturn 1 investment to date has been underwritten to include meaningful multiple contraction at exit. The Saturn Team prefers to rely substantially on intrinsic value creation factors (e.g. growth and cash flow) as opposed to extrinsic value creation factors (e.g. exit multiple and leverage) during its ownership period.

Neutral

▶ **Fund Size:** Saturn 1 was established to execute a Large Market Software investment "thesis," for which the market opportunity was expanding and into which other European Buyout managers were not investing in a dedicated manner. Having successfully built out its Saturn Team, prosecuted the Firm's initial "thesis," observed the expansion of the market opportunity and generated strong early performance, Hg is now establishing Saturn 2 as a more traditional fund product / strategy, with associated portfolio construction criteria (e.g. targeting eight portfolio companies instead of four). However, with Saturn 2, Hg has not yet "right-sized" the Saturn product relative to the scale of target investments. As such, Saturn 2's fund size is expected to continue to provide significant co-investment flow to Limited Partners.

Management Team

The Saturn Team is led by Senior Partner Nic Humphries and Managing Partner Justin von Simson, who are supported by a dedicated team of 17 investment professionals, including four Partners, two Directors, three Principals and eight junior professionals (collectively, the "Investment Team"). Together with the Firm's dedicated Portfolio Team of 30 professionals, the Investment Team pursues a "hands-on" investment strategy that is focused on improving portfolio companies' operations and growing them via add-on acquisitions. 95% of the Saturn Team is based in either London or Munich.

Saturn Team Composition

Saturn Team				
Leadership	Nic Humphries *Senior Partner* *London*	Justin von Simson *Managing Partner* *Munich*		
Partners	Juan Campos[1] *London*	Mads Hansen *London*	Martin le Huray *London*	Gero Wittemann *New York*
Directors	Michael Biehl *Munich*	David Toms[1] *London*		
Principals	Drew Hovancik *London*	Viviana Kane *London*	Manuela Thomys *London*	
Junior Investment Professionals	7 Professionals *London*	1 Professional *Munich*		

Note: 1. Juan Campos (Capital Markets Team) and David Toms (Research) are not exclusive to the Saturn Team and do not engage in the all deal execution responsibilities
Source: Hg, StepStone analysis

Professionals

Mr. Humphries joined Hg in 2001 and is the Firm's Senior Partner. Since assuming the role of Senior Partner in 2007, Mr. Humphries has instilled a greater sense of accountability into the team. For example, he introduced a KPI-driven culture that measures the success of investment-related activities across the Firm based on tangible results. Under his leadership, Hg disbanded its Healthcare, Industrials and Consumer & Leisure teams due to underwhelming contributions to portfolio appreciation and Firm profitability. Mr. Humphries also delegated critical responsibilities to other members of the team based on relative capabilities in order to allow him the time to focus on his core skill as a "deal guy." As a result of Mr. Humphries' humble leadership qualities and performance-driven mentality, he is broadly respected by his colleagues and is firmly positioned as Hg's leader.

StepStone believes that Mr. Humphries is a strong leader and critical to the success of the Firm and Saturn 2. As such, he represents significant key person risk, should anything happen to him during the life of the Fund. StepStone discussed succession matters with Mr. Humphries, who expressed that his retirement is "a long way off." However, should anything involuntary prevent Mr. Humphries from continuing in his role, Mr. von Simson would migrate to a full-time role on the Saturn product and would be joined in a Saturn leadership capacity by Mr. Brockman. In the absence of such a scenario, Mr. Humphries suggests that Saturn is a "natural resting place" for him over time (he currently commits between one-half and three-quarters of his time to Saturn).

Prior to joining Hg in 2002, Mr. von Simson spent a number of years at Goldman Sachs and Deloitte. Mr. von Simson currently leads Hg's Munich office and serves as Managing Partner alongside Mr. Brockman, who together are responsible for overseeing the Firm's day-to-day functions. Mr. von Simson also co-leads Hg's Saturn Team (committing approximately one quarter of his time) alongside Mr. Humphries and is a member of the Realization Committee ("RC"). Mr. von Simson is credited with building the Firm's brand across the DACH region and the Munich office, which has grown strongly under his leadership. As a result of his continued contribution to Hg's investment-related activities, StepStone believes that Mr. von Simson represents a degree of key person risk, albeit to a lesser extent than Messrs. Humphries and Brockman.

Tenure of Senior Saturn Team Members

Saturn Senior Investment Team

Name	Title	Nationality	Age	Previous Experience	Total Relevant Experience	Hg Tenure	2001	…	2014	2015	2016	2017	2018	2019
Nic Humphries	Senior Partner	British	51	Barclays Private Equity; 3i	29	18	Hg							
Justin von Simson	Managing Partner	German	45	Goldman Sachs; Deloitte	22	16		Hg						
Juan Campos	Partner, Capital Markets	Spanish	44	Lone Star Funds; Goldman Sachs	17	2						Hg		
Mads Hansen	Partner	Danish	45	Montagu; Platinum Equity; PAI	16	1							Hg	
Martin le Huray	Partner	British	48	OMERS; 3i	24	1							Hg	
Gero Wittemann	Partner	German	39	CVC	15	2						Hg		
Michael Biehl	Director	German	39	Blackstone; Warburg Pincus; Merrill Lynch	12	2						Hg		
David Toms	Director	British	45	Numis	16	2						Hg		
											Saturn 1			
Partner Total:					**123**	**40**								
Partner Average:			**45**		*21*	*7*								
Partner/Director Total:					**151**	**44**								
Partner/Director Average:			**45**		*19*	*6*								

Source: Hg, StepStone analysis

With the Saturn Team, Mr. Humphries' current goal is to build out a team that is too big for Saturn 1 / Saturn 2, but big enough for Saturn 3. As such, the Saturn Team has over-recruited to the point where it is now larger than its intended size when the product was conceived. This is the result of Mr. Humphries' view that it is unreasonable to expect any team to operate at 100% in its early years. Mr. Humphries believes that the current Saturn Team is operating at 50% to 60% of its capacity today, since some professionals are still getting up to speed and learning the "Hg way." Over time, he expects this to normalize, thereby significantly increasing the capacity of the Saturn Team, which will also reduce reliance on him as a deal lead.

Complementing Hg's three dedicated investment teams is the Firm's Portfolio Team, which was established in 1999 and represents a pool of internal operational resources that work alongside investment teams to maximize value creation across Hg's portfolio. Led by Dawn Marriott-Sims and Amanda Good, the Portfolio Team currently consists of 30 professionals with significant industry and/or functional experience. The Portfolio Team works together with Hg's Investment Teams during the due diligence phase (to input into value creation strategies) and post-investment (to execute specific value creation projects). Portfolio Team professionals may also sit on portfolio company boards alongside investment professionals.

Turnover

The Saturn Team has experienced two departures (one Partner-level and one Director-level departure) since inception. The Partner's departure was the result of retirement, while the Director's departure was due to lack of fit.

Capacity

Factoring in the status of the Saturn 1 portfolio as of December 2019, StepStone believes that the Saturn Team is well-positioned from a capacity perspective to invest Saturn 2. The Saturn Team intends to invest Saturn 2 across eight to 10 portfolio companies (expected to be eight). Assuming Saturn 2 raises US$4.9 billion of total commitments, it is expected that the team will invest approximately US$4.4 billion (90% of commitments), write an average equity check per portfolio company of US$488 million and invest evenly over a five-year period.

Given the pace of deployment within Saturn 1 (potential to be fully deployed within c. 2.5 years), and the continued expansion and maturation of the Saturn Team, StepStone has limited concern regarding the Saturn Team's ability to deploy Saturn 2 at its hard cap. StepStone has focused significant attention during its diligence on the size of the market opportunity for Saturn 2's investment strategy and the ability of the team to complete one to two platform investments per year. StepStone concluded that it is comfortable with the Saturn Team's ability to prosecute its strategy within the relatively narrow large-cap Software & Services market in Europe.

GP Commit

The team will commit an amount equal to at least 2.0% of total commitments to Saturn 2 (US$98 million based on an assumed fund size of US$4.9 billion).

Committees

Hg has established three Firm-wide committees – the Hg Board, Investment Committee ("IC") and Realization Committee ("RC"). These committees operate across all three Hg products in order to optimize decision-making. These committees leverage a range of experienced professionals across functions.

Committee Composition

Hg Board	Investment Committee	Realization Committee
Matthew Brockman (*Chair - Mercury / Genesis*) Nic Humphries (*Genesis / Saturn*) Justin von Simson (*Genesis / Saturn*) Steven Batchelor *(COO)* Stephen Bough *(Non-Executive Director)* Tom Attwood *(Non-Executive Director)*	Matthew Brockman (*Chair - Mercury / Genesis*) Nic Humphries (*Genesis / Saturn*) Sebastien Briens (*Mercury*) Nick Luckock *(Genesis)* Thorsten Toepfer (*Genesis*) Nick Jordan (*Mercury*) + three "Fund-Specific" Partners	Andrew Land (*Chair - Genesis*) Justin von Simson (*Genesis / Saturn*) Steven Batchelor *(COO)* Amanda Good (*Portfolio Partner*) Jean-Baptiste Brian *(Genesis)* David Issott (*Mercury*) Juan Campos *(Saturn)*

Investment Committee

Hg's IC is responsible for matters involving new equity capital related to platform investments, add-on acquisitions, equity cures, etc. The IC consists of nine Partners from across the Firm's investment teams. No professional has a veto right and affirmative IC votes require a simple majority to pass (quorum requires five IC members' participation). The IC typically meets on a weekly basis and is responsible for reviewing investment opportunities at key stages throughout the investment process.

The IC includes six permanent members: Messrs. Brockman (Chair), Humphries, Briens, Luckock, Toepfer and Jordan. The IC also includes three "fund-specific" representatives, who formally participate in situations that are unique to their products (i.e. Mercury, Genesis and Saturn). This design combines Firm-wide institutional knowledge / experience with product-specific domain expertise.

Realization Committee

Hg's RC oversees the delivery of portfolio company business plans. The RC consists of seven permanent members, who meet on a bi-weekly basis to discuss recent and/or underperforming investments as well as investments that are in their exit-planning phase. The RC conducts exit reviews on a semi-annual basis and decides on all matters related to the return of equity capital, including exits, recapitalizations, etc. Relative to other private equity managers, StepStone believes that Hg takes a proactive and unemotional approach to generating liquidity with a clear focus on maximizing returns for investors.

Allocation Policy / Conflicts

Each of Hg's three products has been designed as a distinct investment strategy within the broader Hg platform Hg's internal allocation policy is officially defined by equity check size (including anticipated future equity requirements). Investments requiring less than €200 million of equity will be allocated to Mercury 3; investments requiring between €200 million and €600 million of equity will be allocated to Genesis 9; and investments requiring greater than €600 million of equity will be allocated to Saturn 2. To date, Hg has not faced any allocation issues between funds.

Allocation discussions are managed by the Firm's Conflicts Committee, which consists of the Firm's Senior Partner (Mr. Humphries), COO (Mr. Batchelor) and General Counsel (Mr. Jessop). The Conflicts Committee has primary responsibility for settling any conflict issues that may arise between individual Hg funds. The Limited Partner Advisory Board is notified of any conflicts related to actionable investment opportunities at the appropriate time.

Re-Underwrite Process

Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons, while still aligning with overall fund-level targets (e.g. Visma has been owned by Hg since 2006; IRIS has been owned by Hg since 2004). Hg refers to this "sell vs. re-invest / hold" decision-making process as a "re-underwrite," which consists of a full investment evaluation. To ensure that the same level of decision-making rigor and objectivity is applied, both the IC and RC are involved in the evaluation alongside relevant Investment Teams. While StepStone would prefer that the Saturn Team avoid all perceived conflicts of interest, it acknowledges that Hg has adopted a robust conflicts mitigation process. Historical implementation of this process has also been robust, thereby mitigating major concerns of Limited Partners (as confirmed by references completed by StepStone).

Evaluation of the Management Team

Merits

- ▲ **Well-Run Organization with Strong Leadership:** Mr. Humphries is the clear leader of the organization and is relentless in his pursuit of performance and ruthless in cutting less talented investors from the team in order to maintain the highest quality organization possible. Mr. Humphries is a thoughtful and proactive leader, who measures performance based on KPIs that align the team with Limited Partners (e.g. value creation). He has made great strides in recent years in addressing areas of weakness within the Firm that had not historically generated sufficient value (e.g. by disbanding the Healthcare, Consumer & Leisure and Industrials teams). Today, the Firm is arguably one of the better-run private equity firms in Europe. Mr. Humphries is also the co-leader of the Saturn Team, and is personally well-reputed throughout Europe and North America as a leading Software & Services investor.

- ▲ **Purpose-Built and Dedicated Saturn Team:** The Saturn Team is led by Messrs. Humphries and von Simson, who are supported by a dedicated team of 17 investment professionals. With the Saturn Team, Mr. Humphries' current goal is to build out a team that is too big for Saturn 1 / Saturn 2, but big enough for Saturn 3. As such, the Saturn Team has over-recruited to the point where it is now larger than its intended size when the product was conceived. This is the result of Mr. Humphries' view that it is unreasonable to expect any team to operate at 100% in its early years. Mr. Humphries believes that the current Saturn Team is operating at 50% to 60% of its capacity today, since some professionals are still getting up to speed and learning the "Hg way." Over time, he expects this to normalize, thereby significantly increasing the capacity of the Saturn Team, which will also reduce reliance on him as a deal lead.

- ▲ **Hg Cluster Teams:** Hg pursues a Firm-wide origination effort that is focused on eight "Hg Clusters," which represent market sub-segments that deliver faster and more resilient growth than the broader economy. The team "deep mines" each Hg Cluster to identify and track target companies, thereby enhancing conviction in the most compelling opportunities over time. By maintaining direct dialogue with vendors and management teams, Hg Cluster Teams are better-positioned to "unlock" investment opportunities as they become increasingly actionable. Each Hg Cluster Team has dedicated Partner leads and consists of 10 to 17 Mercury, Genesis and Saturn investment professionals, thereby ensuring depth of coverage within each cluster across different size segments.

- ▲ **Fully Integrated Portfolio Team:** Hg's Firm-wide Portfolio Team consists of 30 professionals and represents a strong complement to the Saturn Team. The Portfolio Team is fully integrated into the Firm's sourcing, due diligence and value creation processes. This team plays a critical role in internal decision-making, supports various projects and takes interim management positions (as required). During the next few years, Hg intends to expand its Portfolio Team to at least 40 dedicated specialists (i.e. as large as Hg's Genesis Team, which consists of 43 investment professionals).

- ▲ **LP-Friendly Management Fee:** Saturn 2's management fee (1% on committed capital; steps down thereafter to 0.75% on unrealized / projected acquisition cost) has been designed to provide for an improved gross / net spread relative to traditional private equity fund terms, which typically charge between 1.5% to 2.0% management fee.

Risks

- ▼ **Key Person Risk:** StepStone believes that Mr. Humphries remains critical to the success of the Firm and Saturn 2. As such, he represents significant key person risk, should anything happen to him during the life of the Fund. StepStone discussed succession matters with Mr. Humphries, who expressed that his retirement is "a long way off." However, should anything involuntary prevent Mr. Humphries from continuing in his role, Mr. von Simson would migrate to a full-time role on the Saturn product and would be joined in a Saturn leadership capacity by

Mr. Brockman. In the absence of an "involuntary" departure, Mr. Humphries believes that Saturn is a "natural resting place" for him over time (he currently commits between one-third and one-half of his time to Saturn).

- **Team Turnover:** The Saturn Team has experienced two departures since inception only two years ago. The Partner-level retirement does not appear to have had a long-term negative impact. The Director that departed did not lead any Saturn 1 investments. StepStone views the Director's departure as a net positive and in line with Hg / Mr. Humphries' focus on maintaining the highest quality team possible. StepStone discussed plans for the Saturn Team with Mr. Humphries, who expressed his strong support for the current bench of Principals, who he believes will be Partners someday. The Saturn Team also expects to refresh its junior ranks in response to certain professionals being promoted and others being transitioned out of the Firm over time. Hg has proven its ability to recruit talented, experienced professionals, as demonstrated by the external hiring of a number of Saturn and Mercury team members.

- **Re-Underwriting Assets / Potential Conflicts of Interest:** Hg initially underwrites investments to three-to-five year holding periods. However, in certain historical instances, Hg has identified the potential to drive further value creation within portfolio companies over longer time horizons (e.g. Visma has been owned by Hg funds since 2006; IRIS has been owned by Hg funds since 2004). Hg refers to this "sell vs. re-invest / hold" decision-making process as a "re-underwrite." To the extent that a re-underwrite involves the sale of an asset from one Hg fund to another Hg fund, this introduces the potential for conflicts of interest. Hg establishes a "new investment" deal team that is distinct from the existing deal team monitoring the asset. This new deal team assesses the opportunity to invest new capital into the asset, including the commissioning of independent financial, commercial and technical due diligence as well as a discrete investment thesis / business plan. Hg invites third parties to evaluate and bid on re-underwrite candidates at arms-length in order to determine a fair market valuation for the asset in question (i.e. Hg does not determine the valuation for the asset, even when an Hg fund participates in a transaction). Hg's IC evaluates any new investment opportunity into a re-underwrite candidate, while Hg's RC evaluates any realization event related to a re-underwrite candidate. These two committees are not permitted to discuss the new investment / realization opportunity with each other throughout the process. If a transaction between parties is agreed, then the Advisory Boards for the selling and buying funds must each approve the transaction before it can be consummated. Hg's carried interest structure and framework ensures that investment professionals across each Hg product are incentivized to maximize value from their own team's investments.

Track Record

StepStone has focused its analysis on Genesis 4-8, Mercury 1-2 and Saturn 1. Each of these funds was raised and invested after the Firm gained its independence from Merrill Lynch in 2000 and, therefore, is not biased by the priorities and policies of the Firm's previous owner.

Since 2001, Hg has deployed approximately £7.7 billion in 91 investments (84 companies) across eight private equity funds. This invested capital has yielded £15.1 billion of total value, generating a gross TVM/IRR of 2.0x/24% (7.1% loss ratio) and a net TVM/IRR of 1.8x/17% as of September 30, 2019. Approximately 59% of total value has been realized (£8.9 billion), while 41% of total value remains active (£6.2 billion).

Hg Absolute Performance Since 2001 (Independence from Merrill Lynch) – Total Track Record

(£ in millions, as of September 30, 2019)

Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
				Hg Investment Performance										
Genesis 4	2001	£742	21	£629	£1,453	-	£1,453	£123	2.3x	31%	19.5%	2.0x	23%	2.0x
Genesis 5	2006	958	12	727	1,430	49	1,478	146	2.0x	16%	20.1%	1.7x	11%	1.6x
Genesis 6	2009	1,900	19	1,780	3,712	154	3,867	245	2.2x	18%	13.8%	1.8x	12%	1.7x
Realized Funds		**£3,600**	**52**	**£3,135**	**£6,595**	**£203**	**£6,798**	**£514**	**2.2x**	**23%**	**16.4%**			
Mercury 1	2012	£380	12	£330	£577	£290	£867	£18	2.6x	39%	5.5%	2.2x	26%	1.5x
Genesis 7	2013	2,000	13	1,798	1,506	2,619	4,125	17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Mercury 2	2017	575	4	278	150	352	502	-	1.8x	108%	0.0%	2.3x	608%	0.2x
Saturn 1	2017	1,500	3	775	-	1,129	1,129	-	1.5x	47%	0.0%	1.4x	51%	0.0x
Unrealized Funds		**£7,005**	**39**	**£4,565**	**£2,273**	**£6,020**	**£8,293**	**£35**	**1.8x**	**31%**	**0.8%**			
Total Realized Companies			**58**	**3,336**	**7,280**	**25**	**7,305**	**544**	**2.2x**	**24%**	**16.3%**			
Total Unrealized Companies			**33**	**4,364**	**1,588**	**6,198**	**7,786**	**4**	**1.8x**	**24%**	**0.1%**			
Total		**£10,605**	**91**	**£7,700**	**£8,867**	**£6,223**	**£15,090**	**£548**	**2.0x**	**24%**	**7.1%**	**1.8x**	**17%**	**1.1x**

Software & Services Track Record

StepStone has dissected the performance of these funds in order to focus on Software & Services investments, which Hg has pursued exclusively since 2012. To do so, StepStone constructed a synthetic Software & Services track record for Genesis 4-6, with vintage years established based on the year in which each fund completed its first Software & Services investment.

Since 2001, Hg has deployed £6.7 billion in 68 Software & Services investments (61 companies). This invested capital has yielded £13.6 billion of total value, generating a gross TVM/IRR of 2.1x/29% (2.7% loss ratio) and a net TVM/IRR of 1.8x/22% as of September 30, 2019. 54% of total value has been realized (£7.4 billion), while 46% of total value remains active (£6.2 billion).

Hg Absolute Performance Since 2001 (Independence from Merrill Lynch) – Software & Services

(£ in millions, as of September 30, 2019)

Fund	Vintage Year	Fund Size	# of Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Losses	Gross TVM	Gross IRR	Loss Ratio	Net TVM	Net IRR	DPI
				Hg Investment Performance										
Genesis 4 (S&S)	2001	£742	9	£283	£778	-	£778	£8	2.8x	36%	3.0%	2.1x	26%	2.1x
Genesis 5 (S&S)	2006	958	5	305	1,032	49	1,080	-	3.5x	34%	0.0%	2.7x	27%	2.6x
Genesis 6 (S&S)	2009	1,900	15	1,498	3,329	154	3,483	133	2.3x	19%	8.9%	1.8x	14%	1.7x
Realized Funds		**£3,600**	**29**	**£2,086**	**£5,138**	**£203**	**£5,341**	**£142**	**2.6x**	**29%**	**6.8%**			
Mercury 1	2012	£380	12	£330	£577	£290	£867	£18	2.6x	39%	5.5%	2.2x	26%	1.5x
Genesis 7	2013	2,000	13	1,798	1,506	2,619	4,125	17	2.3x	27%	0.9%	2.0x	21%	0.8x
Genesis 8	2017	2,550	7	1,383	40	1,630	1,669	-	1.2x	26%	0.0%	1.2x	43%	0.0x
Mercury 2	2017	575	4	278	150	352	502	-	1.8x	108%	0.0%	2.3x	608%	0.2x
Saturn 1	2017	1,500	3	775	-	1,129	1,129	-	1.5x	47%	0.0%	1.4x	51%	0.0x
Unrealized Funds		**£7,005**	**39**	**£4,565**	**£2,273**	**£6,020**	**£8,293**	**£35**	**1.8x**	**31%**	**0.8%**			
Total Realized Companies			**35**	**2,286**	**5,823**	**25**	**5,848**	**173**	**2.6x**	**31%**	**7.6%**			
Total Unrealized Companies			**33**	**4,364**	**1,588**	**6,198**	**7,786**	**4**	**1.8x**	**24%**	**0.1%**			
Total		**£10,605**	**68**	**£6,650**	**£7,411**	**£6,223**	**£13,634**	**£177**	**2.1x**	**29%**	**2.7%**	**1.8x**	**22%**	**1.1x**

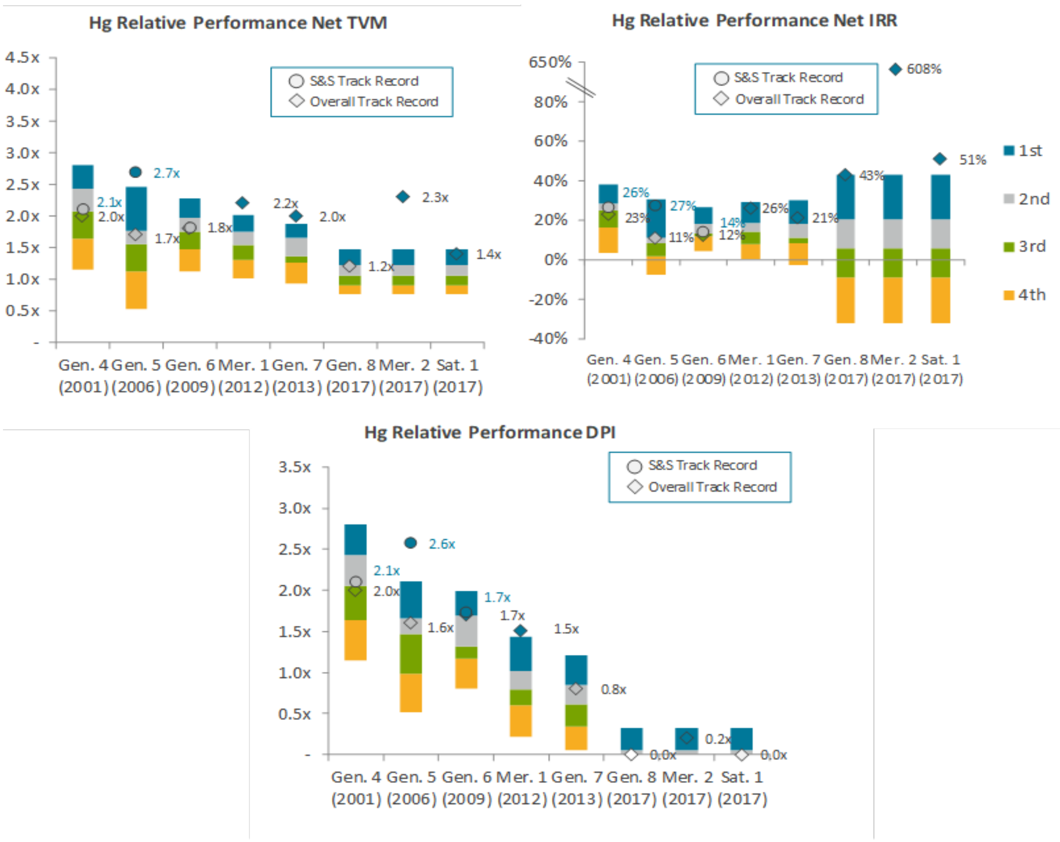
Relative Performance

Below details the net performance of Genesis 4-8, Mercury 1-2 and Saturn 1 as of September 30, 2019 relative to the European Buyout benchmark, according to the Burgiss Private iQ database as of June 30, 2019.

- **Genesis 4-6:** Genesis 4-6 qualify as second quartile performers across most metrics, with certain first and third quartile performances as well. StepStone does not anticipate meaningful changes to the relative performance of these funds.
- **Genesis 7-8:** Genesis 7 is a first quartile performer on the basis of net TVM and net IRR, and a second quartile performer on the basis of DPI. StepStone believes that Genesis 7 preserves moderate upside potential from current valuations, driven by the near-to-medium term realizations of P&I, A-Plan and Citation. Genesis 8 is a second quartile performer on the basis of net TVM and a first quartile performer on the basis of net IRR. However, benchmarking is of limited use at this early stage in the development of 2017 vintage funds. Genesis 8 is predominately unrealized, has been deployed at a steady pace and is young (average of 0.9 years). StepStone believes that Genesis 8 preserves significant potential for valuation uplift as a result of further planned value creation initiatives across the portfolio.
- **Mercury 1-2:** Both Mercury 1 and 2 are first quartile performers across all metrics. Mercury 1 has a weighted average holding period of 3.3 years and Hg believes that it preserves potential for additional valuation uplift as a result of ongoing value creation initiatives and exits in excess of holding valuations. Mercury 2 is showing positive early momentum, with all assets currently performing on or ahead of plan. Given the youth (weighted average age of 1.1 years) and quality of the fund's portfolio, StepStone believes that Mercury 2 preserves substantial upside potential from current valuations.
- **Saturn 1:** Saturn 1 is a first quartile performer on the basis of net TVM and net IRR. Given Saturn 1's youth (weighted average age of 1.1 years) and the concentrated nature of the portfolio (two companies as of September 30, 2019), benchmarking is of limited use at this stage of development. However, the fund has

madestrong early progress, with both Visma and IRIS delivering early mark-ups, mainly driven by strong operational performance.

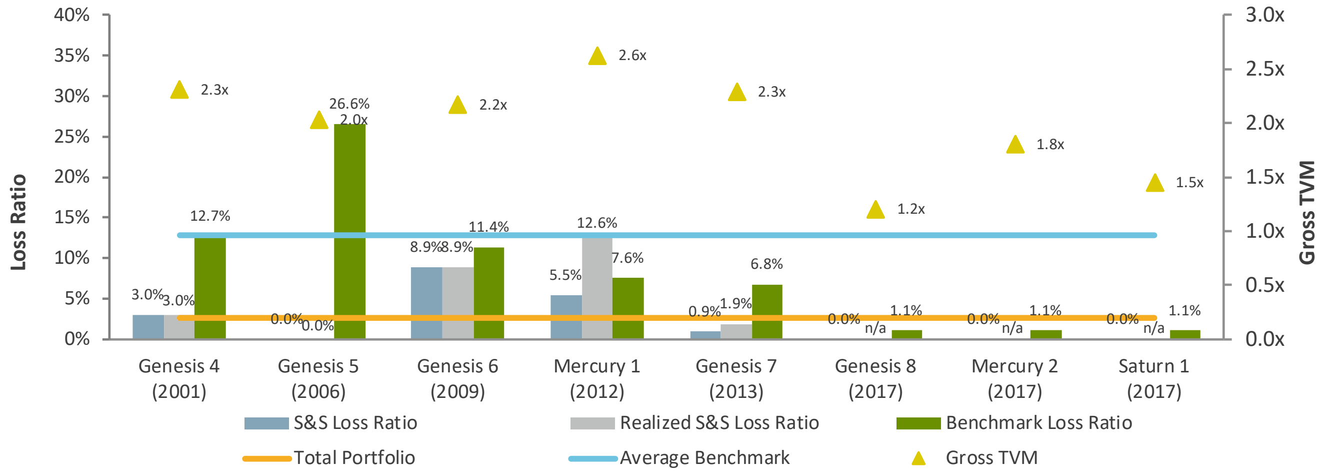
Relative Performance



Loss Ratio Analysis
Hg has generated a total weighted average loss ratio of 7.1% across Genesis 4-8, Mercury 1-2 and Saturn 1, which is below the average of the European Middle Market and Large Market Buyout benchmark for similar vintage funds (13%). However, Hg's loss ratios have improved over time as a result of refinements to the Firm's investment strategy and team (e.g. the disbandment of the Firm's underperforming Healthcare, Consumer & Leisure and Industrials teams), and an increased focus on larger, more defensive businesses in recent funds.

Focusing this loss ratio analysis on Hg's Software & Services track record, the weighted average loss ratio reduces to 2.7%. StepStone believes this is exceptionally low and, when combined with the strong absolute performance of Hg's Software & Services investments, contributes to a very strong risk-adjusted return profile. As of September 30, 2019, Hg has not generated a single realized or unrealized loss within Software & Services businesses with TEV at entry of greater than €250 million. This bodes well for all three Hg products, including Saturn 2.

Loss Ratio by Fund vs. European Buyout Benchmark (Genesis 4-8, Mercury 1-2, Saturn 1) – As of September 30, 2019



Evaluation of the Track Record

Merits

- **Strong Absolute Performance with Low Loss Ratios:** Since 2001, Hg has deployed £6.7 billion in 68 Software & Services investments (61 companies) across eight funds. This invested capital yielded £13.6 billion of total value, generating a gross TVM/IRR of 2.1x/29% and a net TVM/IRR of 1.8x/22% as of September 30, 2019. During this period, loss ratios have been immaterial, at 2.7%, compared to the European Middle Market and Large Market Buyout benchmark of 13%. StepStone believes this is exceptionally low and, when combined with the strong absolute performance of Hg's Software & Services investments, contributes to a very strong risk-adjusted return profile. As of September 30, 2019, Hg has not generated a single realized or unrealized loss within Software & Services businesses with TEV at entry of greater than €250 million**.**

- **Strong Realized Performance / Exit Deliverability:** Since 2001, Hg has generated a realized gross TVM/IRR of 2.6x/31% across 35 Software & Services investments. These realized investments represent 54% of total value (£7.4 billion), highlighting Hg's ability to exit investments. Since 2014, Hg has only realized one investment at a value below its latest fair market valuation prior to exit (average of 36% uplift at exit).

- **Strong Relative Performance:** Relative performance has also been strong, with all Software & Services funds (synthetic and otherwise) generating first or second quartile performance across all metrics, a significant majority of which were first quartile. Performance relative to a targeted group of high quality peers has also been strong.

- **Value Creation from Intrinsic Factors:** The Saturn Team prefers to rely substantially on intrinsic value creation factors (e.g. growth and cash flow) as opposed to extrinsic value creation factors (e.g. exit multiple and leverage) during its ownership period. As of September 30, 2019, value creation within Saturn 1 has been predominantly driven by revenue growth and EBITDA margin expansion. StepStone is further encouraged that Hg values these assets below their publicly-listed peers.

Fundraising

Hg is establishing Hg Saturn 2 targeting US$4.1 billion in total commitments. In tandem, Hg is also current targeting the raising of **€**960 million in total commitments to Hg Mercury 3 ("Mercury 3") and **€**3.6 billion in total commitments to Hg Genesis 9 ("Genesis 9"). While the Firm has not yet established a hard cap for Saturn 2, StepStone has learned that a hard cap will likely be established in the near-term at approximately US$4.9 billion. Hg anticipates holding a first close in February 2020 between US$3.0 billion and US$3.5 billion in total commitments (between 65% and 80% of the Fund's anticipated hard cap), with a final close to occur in April 2020 at the hard cap.

Portfolio Fit

The Fund meets the investment criteria and guidelines set forth in CRPTF's Investment Policy Statement. Saturn 2 would be considered a 2020 commitment to the Large Buyout portfolio within the Private Investment Fund. As of June 30, 2019, Connecticut's investments in Large Buyout funds represented 12% of aggregate PIF exposure, defined as NAV plus unfunded, and has generated a net IRR of 9%. Inclusive of PIF investments approved after June 30, 2019, a US$100 million commitment to the Fund would increase PIF's Large Buyout exposure to 14%.

Hg Saturn II	CRPTF Current Exposure	IRR	CRPTF Pro Forma Exposure
Strategy			
Large Buyout	12%	9%	14%

Note: Table reflects active investments only, liquidated funds excluded.

Environmental, Social & Governance

Hg's mission is to invest in opportunities that generate both financial value and sustainable growth. To this end, in October 2012, Hg adopted a Responsible Investment Policy ("RI Policy"), according to which Hg seeks to embed ESG into its investment process and portfolio company engagement. In July 2012, Hg also became a signatory to the United Nations Principles for Responsible Investment ("UNPRI") and will continue to be committed to adhering to RI principles. In 2019, Hg received an AA+ score (A for Strategy & Governance and A for Private Equity) from UNPRI's annual assessment. Hg also formally commits 1% of Firm profits and carried to charitable causes annually.

Hg's RI initiative is led by a dedicated full-time professional, Caroline Löfgren. Mrs. Löfgren (previously Head of GSK's Supply Chain Sustainability) joined Hg in October 2017 as the Head of Responsible Investing. Hg developed a framework tailored specifically to Software & Services companies. The Sustainable Business framework highlights key ESG areas for portfolio companies, along with support provided by Hg. Existing and prospective companies are assessed against the framework, which is focused on three areas: Essentials (e.g. cybersecurity, governance), Employees (e.g. diversity) and Society (e.g. environment, transparency).

Responsible investment and sustainability / ESG matters are integrated in various materials which the Hg makes available for prospective investors during fundraising. Hg makes formal commitments to Responsible Investing in fund formation contracts, LPAs and side letters. The Firm acknowledges the exclusion policy of some of its Limited Partners, which preclude investments in certain industries and types of businesses.

Given Hg's sole focus on Software & Services companies, Hg seeks to leverage the benefits generated via the "network effect" across the portfolio via a combination of in-person forums and through an online portal, Hg "Hive" (a community that connects over 1,000 executives across Hg and the Portfolio). Hg's Portfolio Team hosts targeted forums across several business areas and executive levels.

Hg's latest version of the RI Policy was adopted in March 2019 and is currently being reviewed with the aim to publish an updated policy in March 2020. With fulltime oversight, Mrs. Löfgren ensures that the RI Policy is effectively implemented both within Hg and across our portfolio companies. Hg's Operations Committee has overall responsibility for the policy.

Hg provides regular training and tools so that RI-related risks and opportunities can effectively be identified and managed within their activities and roles. When considering new investments, Hg considers the inherent ESG risks present in the industry vertical in which the company operates in. If the inherent ESG risk is considerable, Hg conducts an enhanced ESG due diligence with an external party. Following an investment, the RC is responsible for the ongoing monitoring and assessment of portfolio companies. All of Hg's businesses are assessed against the Sustainable Business framework as part of the onboarding process post-investment. Hg's recent assessment (2018) showed that 90% of portfolio companies have a Code of Conduct in place. Hg are requiring the remaining 10% to put implement this at the earliest opportunity and provide support to facilitate this.

- ESG Example 1: Hg conducts an "Industry Standards" based cybersecurity maturity assessment across all portfolio companies to identify potential risks, highlight areas for improvement and support the establishment of appropriate solutions. All portfolio companies have completed the assessment and are taking actions to improve their scores. Since April 2017, over 90 assessments have been conducted portfolio wide score has been improved by over 25%
- ESG Example 2: Hg asks portfolio companies to measure and manage employee engagement. 84% of portfolio companies are currently measuring employee engagement scores, however, the way it is measured varies across the portfolio. One of Hg's portfolio companies, Citation, has been identified as best practice on employee engagement and employee satisfaction. Citation has won The Sunday Times 100 Best Companies to work for three consecutive years. Citation has shared its employee engagement surveys across the Hg portfolio for others to learn from.

Hg publishes an External RI report on its website annually in accordance with UNPRI reporting. In addition, the HgCapital Trust annual report includes details on its RI Policy and the progress that Hg portfolio companies have made on ESG. ESG updates are also provided at Hg's Annual General Meeting and Limited Partners Advisory Committees.

StepStone is impressed by Hg's advocacy of RI and Sustainability efforts, underpinned by its status as a signatory of UNPRI and its rating of AA++ (2019). Hg as a firm holds a number of memberships in the most important industry associations, such as UNPRI and Invest Europe. StepStone deems Hg's policies and additional implemented measures and tools to be appropriate and further advanced than most of its European Buyout peers. StepStone welcomes Hg's proactive approach to implementing and monitoring ESG across the portfolio. StepStone also notes that the RI Policy is reviewed and updated on an annual basis to ensure continuous compliance with UNPRI principles.

Beyond the incident mentioned above, StepStone is not aware of any historical ESG related incidents or fines. StepStone does not expect any material issues to arise in the future, given Hg's proactive approach to RI and fulltime oversight by its dedicated full-time professional, Caroline Löfgren.

Recommendation

StepStone believes that a commitment to Hg Saturn 2 represents an attractive opportunity to gain exposure to a portfolio of Large Market Software & Services businesses in Europe through an established Software & Services investor with a well-developed platform, extensive operating experience and an attractive track record across the cycle. Hg has proven its ability to achieve strong performance in the face of difficult economic conditions, particularly within its Software & Services investments. Across Genesis 4-8, Mercury 1-2 and Saturn 1 Software & Services investments (and across multiple economic cycles), Hg has generated a weighted average loss ratio of 2.7%.

Appendix I
Summary of Due Diligence Performed

In our review of the offering, we conducted the following additional due diligence:

- January 2019
  - Interim update with GP
- October – December 2019
  - Met onsite with members of the Fund's investment team
  - Prepared and completed an investment memorandum

Appendix II
Investment Team Member Biographies

Nic Humphries, Senior Partner

Nic is the Senior Partner and Executive Chairman of Hg and Head of the Saturn fund. He has ultimate responsibility for Hg's strategy, management and governance. He focuses on larger software investments that provide daily-use mission critical applications for accountants, lawyers, tax/compliance professionals and designers/engineers/scientists.

Nic is currently a director on the boards of IRIS, Sovos and Visma. He has led or co-led more than 30 investments over the last 27 years, including Addison (accounting software – sold to Wolters Kluwer), CSG (legal/ERP software – sold to Advanced plc), e-conomic (SaaS ERP – sold to Visma), Foundry (design & VFX software – sold to Roper Technologies Inc), Geneva Technology (telecom OSS software – sold to Convergys Inc), IRIS (Accounting/ERP software), NextGenTel (telecoms), RAET (payroll software – sold to Visma), Rolfe & Nolan (banking software – sold to ION Trading), Visma (ERP software), Xyratex (storage networking – listed on Nasdaq and sold to Western Digital).

Nic started his investing career in 1990. He focused exclusively on Technology/software since 1994 and joined Hg in 2001 as founder of the firm's Technology Team. From 1990-2001 he was a director at Barclays Private Equity (now Equistone), Geocapital and 3i plc. He holds a first class degree in Electronic Engineering and was a IEEE and National Engineering Council scholar. He is a World Fellow of the Duke of Edinburgh Awards and supporter of The Royal Foundation, Impetus and The Nature Conservancy.

Justin von Simson, Managing Partner

Justin is a Managing Partner, Member of the Hg Investment Committee, the Realisation Committee and is also a member of the Hg board. Justin is also responsible for Hg's Munich office. Justin joined Hg in 2002. He is currently a Director of Noventic, Mobility Holding and Transporeon. His previous investment activities included Medifox, Raet, P&I, QUNDIS, SimonsVoss, Teufel, SFC, SLV, Schleich, Hofmann Menü, Schenck Process, Hirschmann and FTE.

Prior to Hg, Justin was employed by Goldman Sachs and Deloitte. He holds a degree in Economics and Business Administration from the University of Cologne.

Juan Campos, Capital Markets Partner

Juan is a Partner at Hg and a member of the Capital Markets team. He also sits on Hg's Realisation Committee. Juan brings over 15 years of capital markets experience, having served in Sponsor financing capacities in New York and London. Prior to Hg, Juan was the Head of Capital Markets at Lone Star Funds where he was responsible for the capital market activities of the private equity efforts in Europe.

Previously, Juan spent over a decade in the Investment Banking Division at Goldman Sachs, both in New York and London, where he focused on leveraged finance sponsor transactions. He led a large number of complex sponsor financings across a wide range of sectors, having completed over 100 transactions during his career.

He holds a Diplom-Kaufmann (MBA) degree from WHU – Otto Beisheim School of Management and a Masters of Science in Financial Mathematics from New York University. He speaks Spanish, German and English.

Mads Hansen, Partner

Mads is a Partner at Hg where he is focused on software investments from the firm's upper mid-market Saturn fund. He currently sits on the board of Visma.

Mads was previously a partner at Montagu Private Equity and before that he was the Head of Platinum Equity's European Deal Execution team in London. Prior to this he enjoyed a spell at PAI in Paris and London. Mads has been involved in and lead numerous transactions across Europe and the US and sat on a number of Boards including

Equatex, Unifeeder, Covidence, DEAS, Contego, Hansen Protection and Montagu PE. Mads is a Danish national and has an MBA from Georgetown University in Washington, D.C.

Martin Le Huray, Partner

Martin is a Partner and focuses on Software and Services investments from the Hg Saturn fund. Martin was previously Co-Head of European Private Equity at OMERS, where he was responsible for building and developing OMERS' European private equity business.

Martin was involved in all of OMERS' European investments, led many and sat on the boards of V. Group, Civica and Alexander Mann amongst others, as well as the Global Investment and Management Committees.

Prior to OMERS, Martin was at 3i for many years, and has in total over 25 years of private equity and M&A experience working on deals in the UK, continental Europe and North America. Martin has a B.A. from London University, a Masters from Oxford University and an MBA from INSEAD.

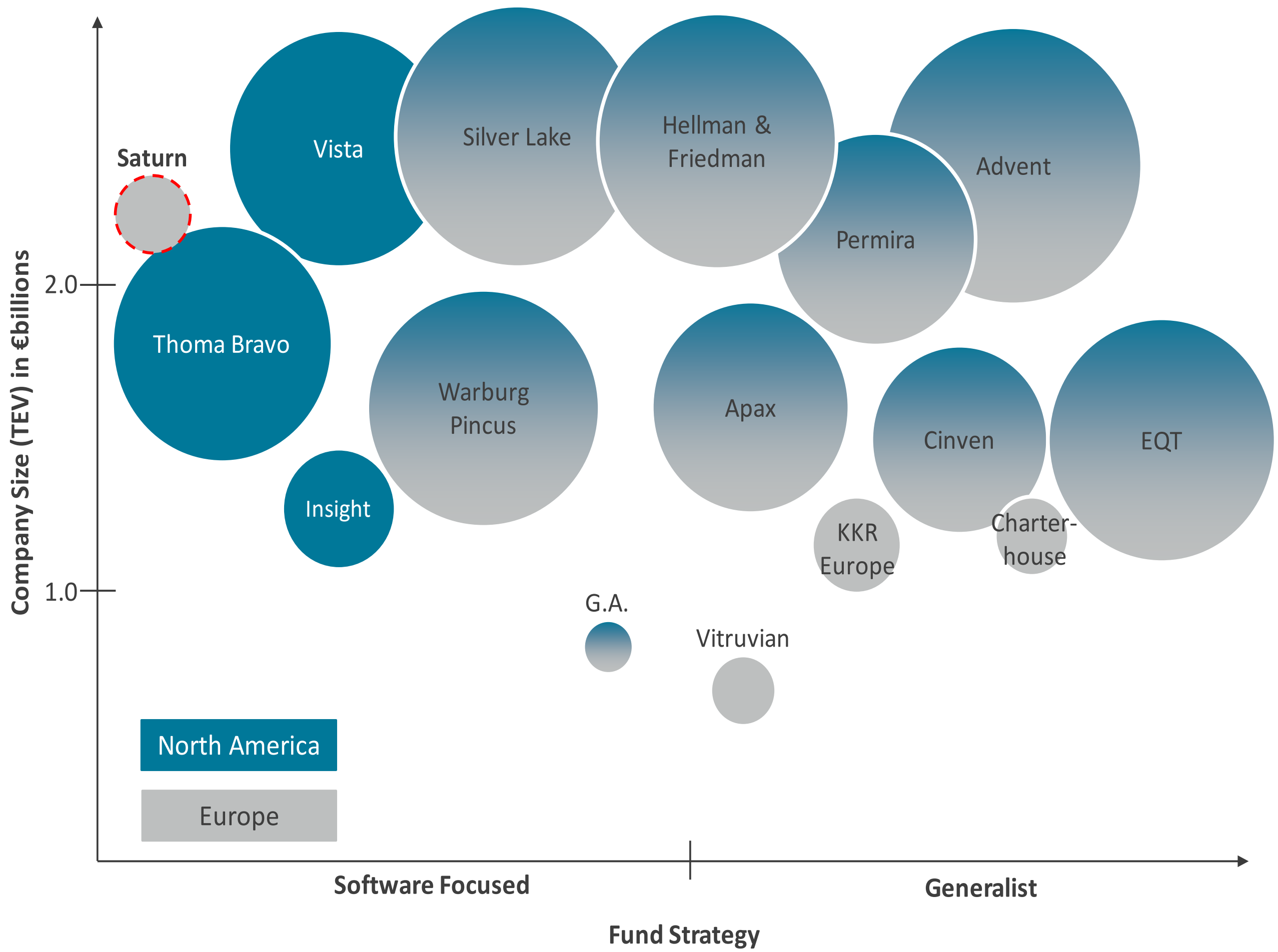
Gero Wittemann, Partner

Gero is a Partner, co-leading the New York office having joined the firm in 2018.

He was previously a Managing Director at CVC, where he spent the previous 15 years and was part of the team that started the firm's expansion into North America. Gero was involved with a number of CVC's investments, including Univar and Pilot Flying J.

A fluent speaker of German, English and French, he graduated from WHU Otto Beisheim Graduate School of Management with a master's degree in business administration and also attended the Olin Graduate School of Business at Washington University and HEC Lausanne.

Appendix III
Market Map



Glossary

Term	Definition
Balanced Stage Venture Capital	A Venture Capital fund focused on both Early Stage and Late Stage companies
Bridge Financing	Temporary funding that will eventually be replaced by permanent capital from equity investors or debt lenders
Buyout	Fund whose strategy is to acquire controlling interests in companies
Carried Interest	The general partner's share of the profits. The carried interest, rather than the management fee, is designed to be the general partner's chief incentive to strong performance.
Co/Direct Investment	Investment made directly into a company, rather than indirectly through a fund
Committed Capital	Total dollar amount of capital pledged to a fund
Contributed Capital	Total capital contributed to a fund for investments, fees and expenses, including late closing interest paid, less returns of excess capital called and bridge financing
Cost Basis	Remaining amount of invested capital
Debt	Security type that signifies a repayment obligation by a company (e.g. senior debt, subordinated debt, bridge loan etc.)
Distressed	A company's final Stage of development. Company is generally experiencing operational or financial distress
Distressed / Turnaround	Fund whose strategy it is to acquire the Equity or Debt of companies experiencing operational or financial distress
Distributed Capital	Capital distributed to the limited partners, including late closing interest earned
Dow Jones US Total Stock Market Total Return Index	The Dow Jones US Total Stock Market Total Return Index measures all U.S. equity securities with readily available prices. It is a free float-adjusted market capitalization weighted index and is calculated with dividend reinvestment
DPI (Distributions to Paid In / The Realization Multiple)	Total gross distributions divided by total gross contributions
Early Stage	A company's first Stage of development. Company is generally generating modest or no revenues
Equity	Security type that signifies ownership of a company (e.g. common stock, preferred stock, warrants, etc.)
Expansion Stage	A company's third Stage of development. Company is generally experiencing high growth and nearing profitability
Exposure	Sum of Remaining Value plus Unfunded Commitment
Fund-of-Funds	Fund whose strategy is to make investments in other funds
Fund Stage	A fund progresses through three stages over its life: investment (investment period), distribution (post-investment period), and liquidation
Geographic Region	Market location of a company: North America, Western Europe, Africa/Middle East, Latin America, Asia/Pacific Rim
Growth Equity	Fund whose strategy is to invest in companies to expand or restructure operations, enter new markets or finance an acquisition without a change of control of the business
Infrastructure	Fund whose strategy is to acquire interests in physical structures and networks that provide the essential services for society's economic and social needs, e.g. roads, tunnels, communication networks, etc.
Internal Rate of Return (IRR)	The discount rate that results in a net present value of zero of a series of cash flows. The IRR considers both cash flow timing and amount and is the preferred performance measure for private market funds
Invested Capital	Capital invested by a fund in portfolio holdings
Investment Type	Classification of an investment vehicle: Primary Fund, Secondary Fund, Fund-of-Funds
J-Curve	Refers to the shape of the curve illustrating a fund’s performance over time. During the initial years of a fund's life, as a result of illiquidity, stagnant valuations, fees and expenses, a fund’s performance tends to be negative (the bottom of the “J”). Eventually, as portfolio companies are realized or increase in value and fees become a smaller percentage of overall contributions, performance improves and investors’ returns move up the “J” shaped curve
Large	Company with a Size greater than $1 billion
Late Stage	A company's second Stage of development. Company is generally generating high revenue growth and high losses

Term	Definition
Loss Ratio	The percentage of capital in deals with a total value below cost, over total invested capital
Lower-Mid	Company with a Size greater than $100 million, but less than $250 million
Lower Quartile	The point at which 75% of all returns in a group are greater and 25% are lower.
Mature	A company's fourth Stage of development. Company is generally generating modest to no growth and operating profitably
Mega Buyout	Fund whose strategy is to acquire or recapitalize Large businesses, Fund size over $6 billion
Mezzanine	Fund whose strategy is to acquire subordinated debentures issued by companies
Middle-Market Buyout	Fund whose strategy is to acquire or recapitalize middle-market businesses, Fund size between $1-$3 billion
MSCI ACWI Index - Total Return	The MSCI ACWI Total Return is a reflection of the performance of the MSCI ACWI Index, including dividend reinvestment, as calculated by Bloomberg. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices
Multi-Strategy	A Fund that invests across multiple strategies
Natural Resources	Fund whose strategy is to acquire interests in naturally occurring, economically valuable raw materials and all physical facilities and capabilities required for the extraction, refinement, and delivery to end users, e.g. oil and gas properties, timberland, etc.
Net Asset Value (“NAV”)	In the context of this report, represents the fair value of an investment, as defined within each limited partnership agreement, yet in compliance with the governmental regulation, generally prepared on a GAAP basis
Net IRR	Annualized effective compound rate of return using daily contributions, distributions and Remaining Value as of the Report Date, net of all fees and expenses, including late closing interest
Percent Interest	Represents an investor’s economic interest in a fund based upon the investor’s commitment divided by total fund commitments
Primary Investment	An interest in a private equity fund acquired directly from the fund manager during the fundraising period
Public Market Equivalent (PME)	A private equity benchmark that represents the performance of a public market index expressed in terms of an IRR, using the same cash flows and timing as the investor’s investment activity in private equity. The PME serves as a proxy for the return the investor could have achieved by investing in the public market. The PME benchmark return assumes cash flows are invested at the end of each day
Publication Date	Refers to the date this report was created as reflected in the Executive Summary
Quartile	Segment of a sample representing a sequential quarter (25%) of the group.
Real Assets	Fund whose strategy is to invest in assets that are tangible or physical in nature such as land, machinery, and livestock
Real Estate	Fund whose strategy is to acquire interests in real estate property
Realized Capital	Capital distributed to a fund from portfolio holdings
Recallable / Recyclable Capital	Capital that has been previously distributed by a fund to investors but may be called again for investment purposes. It is generally associated with realizations that have occurred in the early years of a fund or refers to uninvested capital that has been temporarily returned (i.e. returns of excess capital)
Recapitalization	The reorganization of a company’s capital structure
Remaining Value	Capital account balance as reported by the General Partner, generally on a fair value basis
Report Date	Refers to the end date of the reporting period as reflected on the cover page
Return on Investment (ROI)	Ratio of Realized Capital plus Unrealized Value to Invested Capital

Term	Definition
Russell 1000® Total Return Index	The Russell 1000® Total Return Index measures the performance, including dividend reinvestment, of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.
Russell 3000® Total Return Index	The Russell 3000® Total Return Index measures the performance, including dividend reinvestment, of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.
RVPI (Residual Value to Paid In)	The current value of all remaining investments within a fund divided by total gross contributions
S&P 500 Price Index	The S&P 500 Price Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
S&P 500 Total Return Index	The S&P 500 Total Return Index is a reflection of the performance of the S&P 500 Index, including dividend reinvestment. All regular cash dividends are assumed to be reinvested in the S&P 500 Index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.
Secondary Investment	Investments that involve the purchase of private equity fund interests or portfolios of direct investments in privately held companies from existing institutional Investors
Sector	Industry in which the company operates: technology, telecommunications, healthcare, financial services, diversified, industrial, consumer, energy, etc.
Size	Capitalization size of a company: Large, Upper-Mid, Lower-Mid, Small
Small	Company with a Size of less than $100 million
Small Business Investment Company (SBIC)	Lending and investment firms that are licensed and regulated by the Small Business Administration (SBA). The licensing enables them to borrow from the federal government to supplement the private funds of their Investors
Small Buyout	Fund whose strategy is to acquire or recapitalize Small businesses
Stage	The course of development through which a company passes from its inception to its termination: Early, Late, Expansion, Mature, Distressed
Sub-Asset Class	Private equity investments are generally classified as Buyout, Venture Capital, Mezzanine, Distressed/Turnaround, and Fund-of-Funds
Subordinated Debt	Debt with inferior liquidation privileges to senior debt in case of a bankruptcy and consequently, will carry higher interest rates than senior debt to compensate for the subordination.
Term Sheet	A summary of key terms between two or more parties. A non-binding outline of the principal points which definitive agreements will supercede and cover in detail.
TVM (Total Value Multiple) / TVPI (Total Value to Paid In)	Net asset value plus gross distributions divided by total gross contributions
Unfunded Commitment	Amount of capital that remains to be contributed to a fund as defined in a fund's limited partnership agreement
Unrealized Value	Holding value of a portfolio company assigned by the General Partner, which generally represents fair value
Upper-Mid	Company with a Size greater than $250 million but less than $1 billion
Upper Quartile	The point at which 25% of all returns in a group are greater and 75% are lower.
Venture Capital	Fund whose strategy is to make investments in Early Stage and/or Late Stage companies
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Vintage Year	The calendar year in which an investor first contributes capital to a fund
Write-Down	A reduction in the value of an investment.
Write-Off	The write-down of a portfolio company's holdings to a valuation of zero and the venture capital investors receive no proceeds from their investment.
Write-Up	An increase in the value of an investment.

IMPORTANT INFORMATION

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Prospective investors should inform themselves and take appropriate advice as to any applicable legal requirements and any applicable taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments. Each prospective investor is urged to discuss any prospective investment with its legal, tax and regulatory advisors in order to make an independent determination of the suitability and consequences of such an investment.

An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein.

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

Building businesses that change how we all do business

Hg introduction
April 2020

Agenda

Hg Representatives

Nic Humphries
Senior Partner and
Head of Saturn fund

Martina Sanow
Deputy
Chief Operating Officer

Mathijs de Bruijn
Client Services

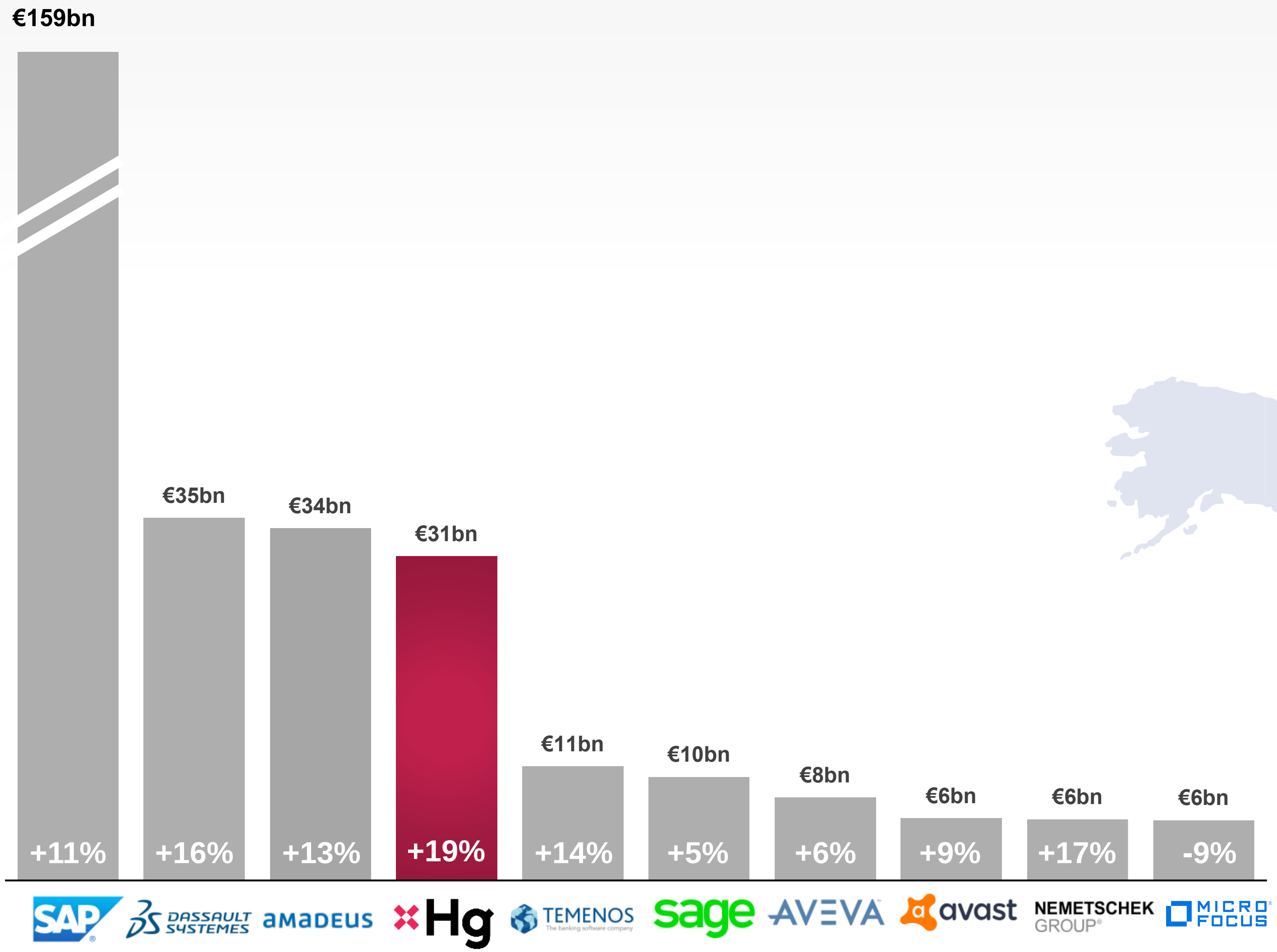
Introduction to Hg

Hg

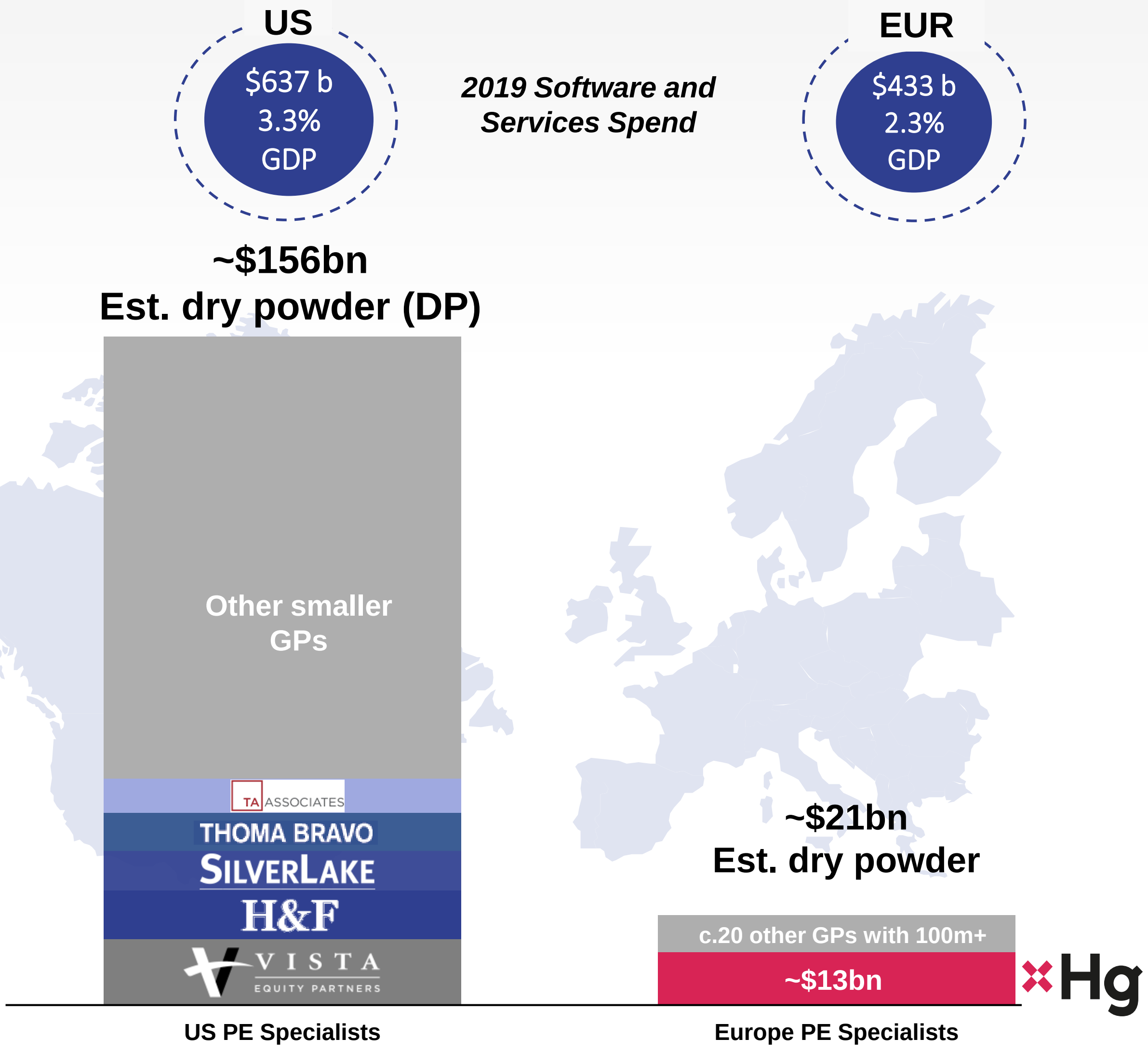
EXPERTISE IN TECH & SERVICES	▪ Founded in 1990 and 100% owned by the Partners ▪ 72 platform investments in software and services businesses, with 37 realisations ▪ Realised returns of 2.6x / 34% gross IRR generated on > $10 billion of proceeds
EUROPEAN SCALE	▪ 3x the size of Hg's nearest competitor in European tech investing ▪ Focus on European businesses in clearly-defined 'Hg Clusters' ▪ Successful history of building transatlantic and global champions
RESILIENT, RECURRING GROWTH	▪ Nearly 90% of investments returned >2x gross multiple and/or >20% gross IRR ▪ Growth-oriented value creation strategy; buying stable and resilient, recurring revenue businesses ▪ Investment in mission-critical software and services such as tax and payroll
BENEFITTING FROM REACH	▪ Team of over 200; headquartered in London, with offices in Munich & New York ▪ Largest dedicated tech team in Europe ▪ Fourth largest tech firm in Europe, with the fastest growth

Unique competitive position in Europe

'Hg Inc' would be the #4 technology firm in Europe (by EV), with the fastest growth…

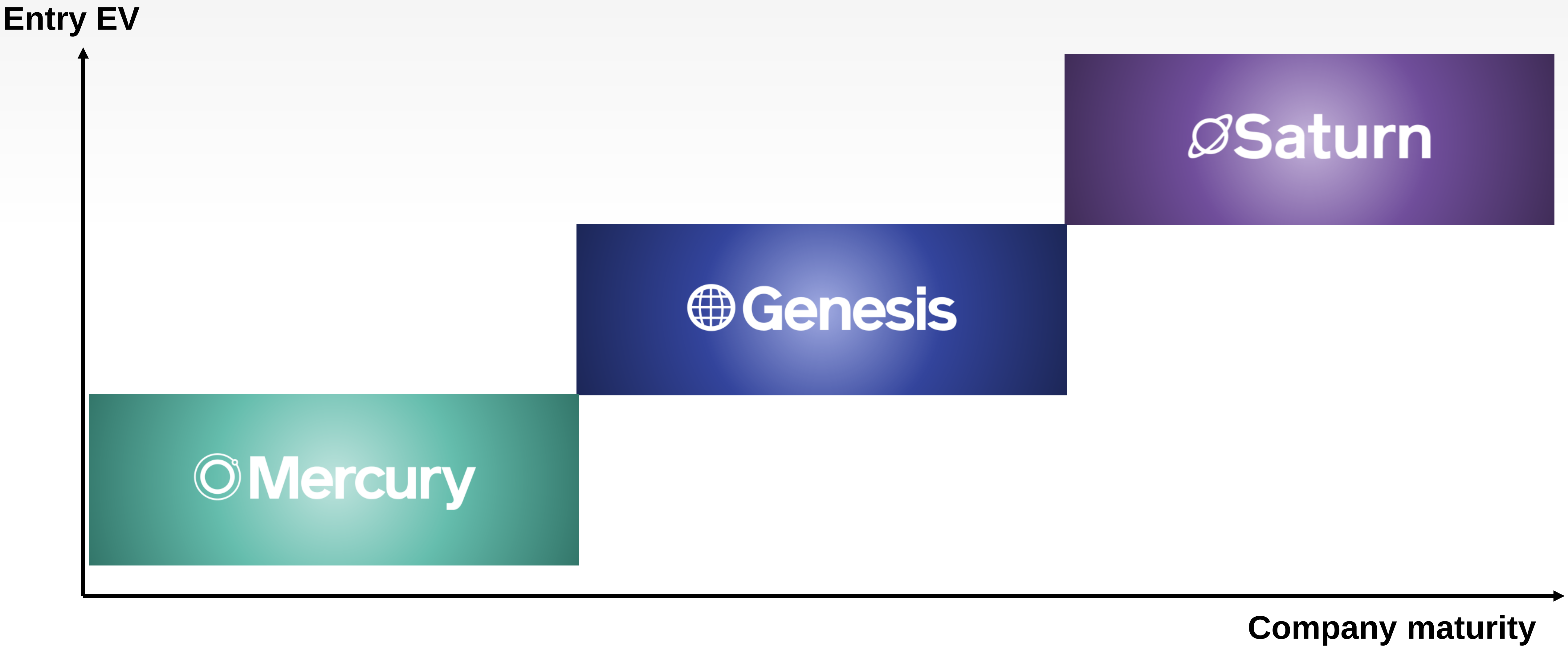


…and few specialised firms are based in the region



"Hg Inc" source: Factset, latest available LTM financials (Micro Focus uses FYE18 (Oct) and forecast FY19 growth); Hg data LTM 31 October2019; growth rates include both organic and inorganic growth
"Specialisation" source: Preqin and internal Hg analysis. Note, dry powder analysis excludes fund of funds, secondary funds and asset managers, and only considers firms with a broadly comparable industry focus to Hg.

Single strategy across three funds - delivering broad market coverage



Focus on mission-critical software and services to businesses

20 years of focus on “Hg Sweet-spot” business models

Business critical need delivered as software or service

Subscription or repeat revenue model

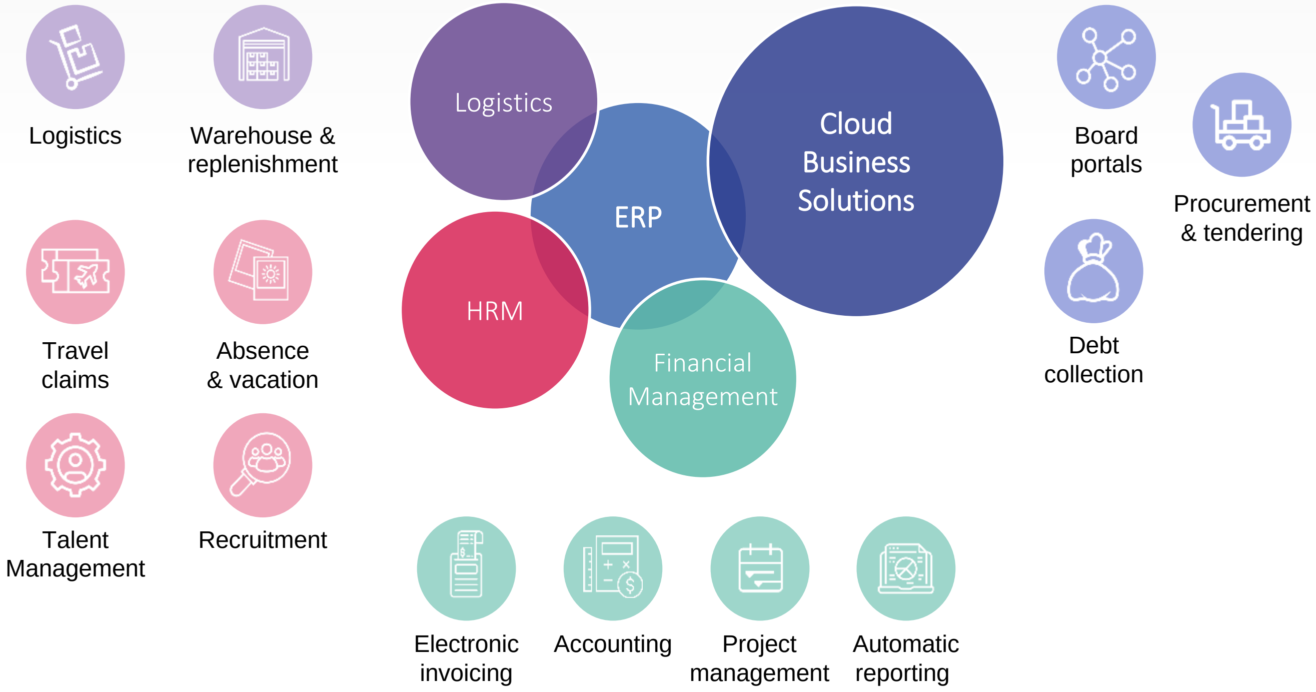
Utilising years of accumulated IP > high margins

Fragmented customer base

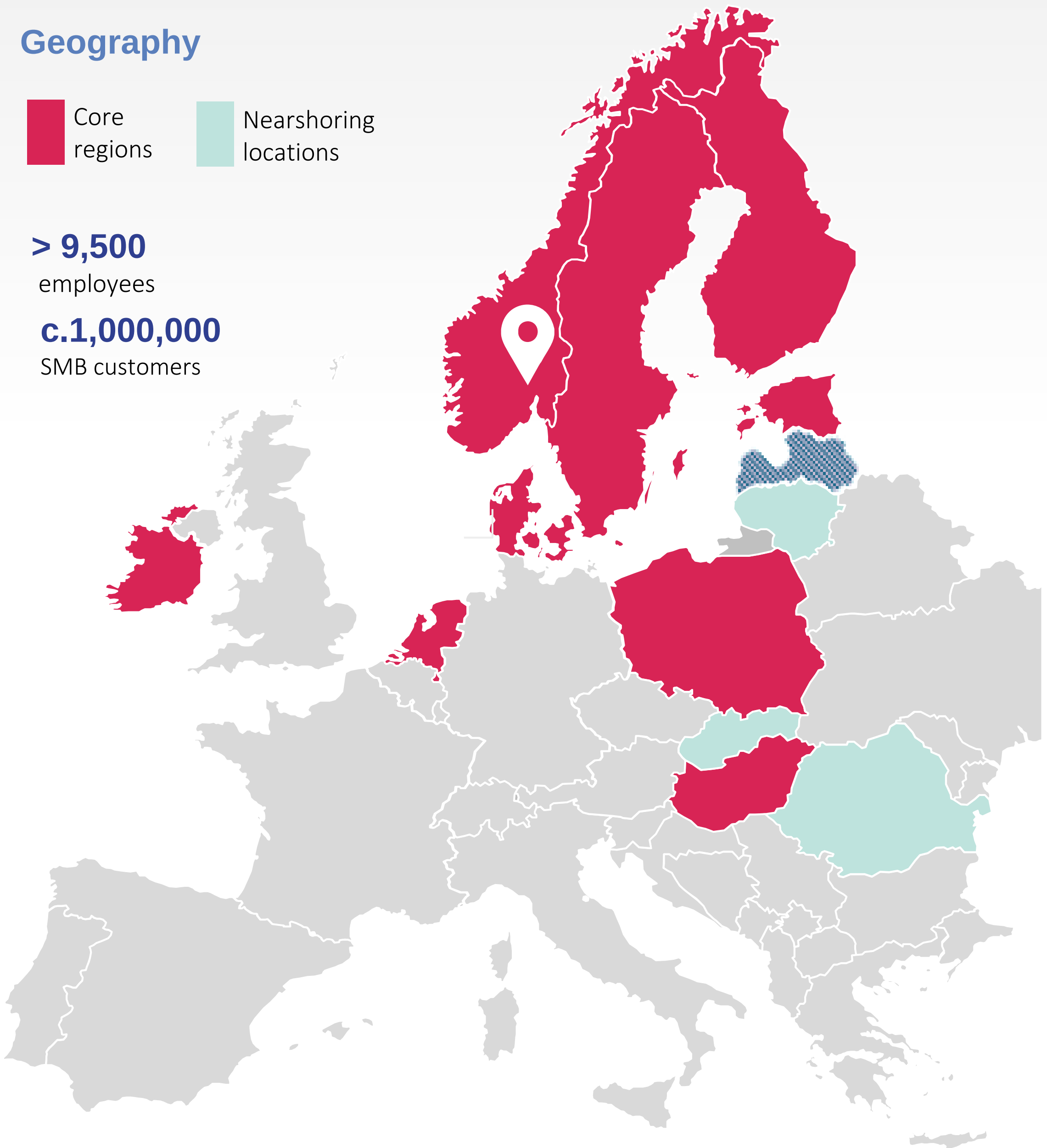
Visma: A leading provider of mission critical software to SME businesses and the public sector

VISMA ×Hg

Product Suite



Geography

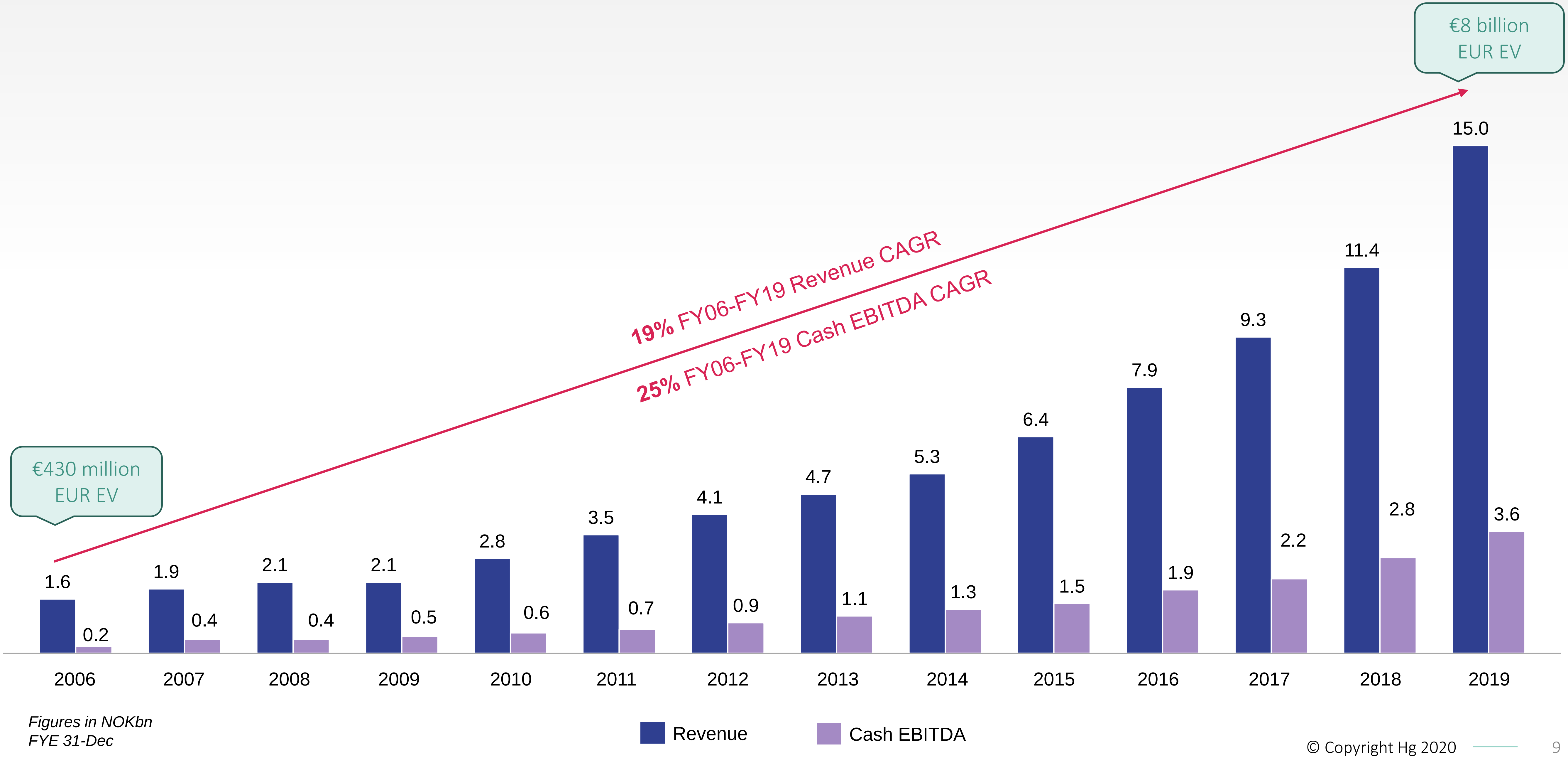


> 9,500
employees

c.1,000,000
SMB customers

Uninterrupted revenue and EBITDA growth throughout the financial crisis; aggregate returns of >20x gross multiple and >30% gross IRR

VISMA ×Hg



Figures in NOKbn
FYE 31-Dec

Artificial Intelligence

Voice

Financial Services

Growing sustainable businesses which are great employers

Hg ESG and Sustainability at a glance

>200	30	4.5	>40%	AA++	1%
Employees across three offices	Nationalities across Hg's team	Average Glassdoor score	Women in Hg's team	2018 UNPRI rating	of profit and carry to charitable causes

1. Charitable giving

- Hg donates 1% of firm's annual profits and 1% of the carried interest in every fund to charitable causes
- Last financial year alone, Hg LLP donated over £1 million to charity

2. Sustainable business practice

- Hg seeks to operate on a carbon-neutral basis
- Invest behind "sustainable" businesses, compliant with ESG framework and managed for the long term

3. Job creation

- Building diverse teams, both internally and amongst portfolio companies
- Generate employment growth across our portfolio

Year	2014	2015	2016	2017	2018
FTE growth	9.0%	11.5%	8.7%	16.8%	21.5%

Diversity (of thought, background, experience – and gender)

>40% female employees at Hg

58% of <mid-level investment team hires in 2018/19 were female

30 nationalities from around the world

Dawn Marriott
Head of Portfolio Team and CEO of Cogital

Amanda Good
Portfolio Team Partner

Martina Sanow
Deputy Chief Operating Officer

Caroline Lofgren
Head of Responsible Investment

Hg's two largest portfolio companies are run by female CEOs

Combined market cap of >$11 billion

VISMA

Merete Hverven
CEO

IRIS

Elona Mortimer-Zhika
CEO

Appendix

COVID-19

COVID 19: Three areas of focus

PEOPLE

- Protect and safeguard the health and wellbeing of the workforce
- Move everyone to a 'work from home' situation to limit contagion risk
- Provide necessary equipment to facilitate employees to serve its customers remotely
- **c.95%** of employees is WFH

REVENUE & COSTS

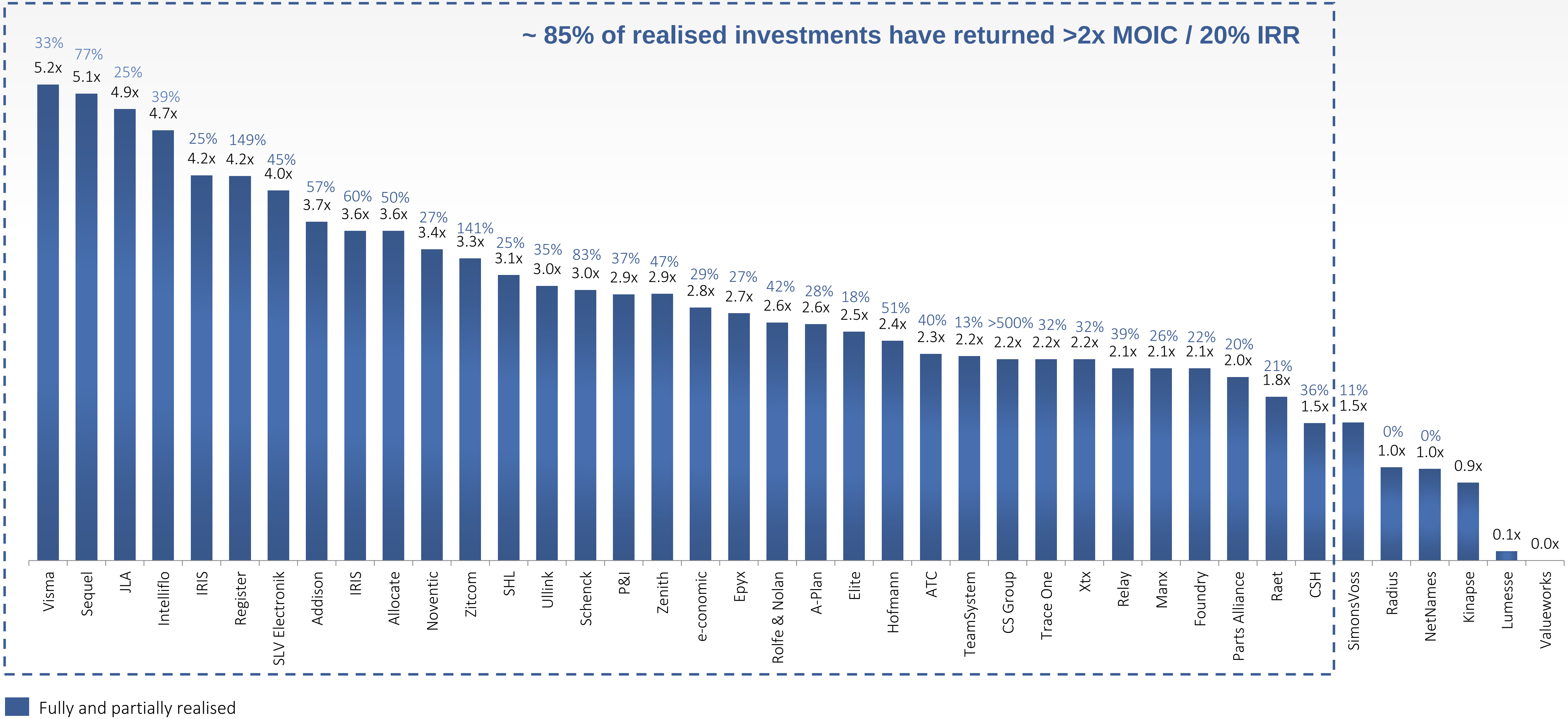
- Hg invests in business critical software and services under recurring payment models; these are inherently robust businesses
- Predominantly invested in tax, accounting, ERP, payroll; those legal requirements will not disappear, even with employment down
- **c.80%** of current portfolio revenue is recurring (based on NAV)

LIQUIDITY & COVENANTS

- Typical Hg businesses deliver c.100% cash conversion to drive strong cash flow profile
- Prudent use of leverage means businesses are less cash constraint; >90% of value creation comes from growth
- Sufficient cash to continue for c.6 months without income
- **3+ years** until the first bulk of debt starts to mature

>$10bn billion of software and services proceeds returned at 2.6x / 34% IRR

Realised Software & Services track record



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State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

April 16, 2020

Members of the Investment Advisory Council ("IAC")

Re: Homestead Capital USA Farmland Fund III, L.P.

Dear Fellow IAC Member:

At the April 23, 2020 meeting of the IAC, I will present for your consideration a Real Assets Fund investment opportunity for the Connecticut Retirement Plans and Trust Funds; Homestead Capital USA Farmland Fund III, L.P. (the "Fund"), a value-add fund sponsored by Homestead Capital USA, LLC a private equity firm headquartered in San Francisco with a focus on farmland investing.

I am considering an investment of up to $75 million in the Fund, which seeks to invest in farmland properties located throughout the Mountain West, Pacific, Midwest and Delta regions of the U.S. The Fund's principal objective will be to generate attractive risk-adjusted returns with consistent current yield by acquiring, improving, and selling a diversified portfolio of high-quality row and permanent croplands. As demand for food is expected to remain constant, the Fund's strategy has the potential to provide downside protection, income, and appreciation within a segment of the market that has historically produced solid returns with lower volatility even during periods of disruption and slow growth.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by Meketa Investment Group. I look forward to our discussion of these materials at next week's meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER

MEMORANDUM

DECISION

TO: **Shawn T. Wooden, Treasurer**

FROM: **Laurie Martin, Chief Investment Officer**

CC: **Darrell V. Hill, Deputy Treasurer**
Raynald D. Leveque, Deputy Chief Investment Officer
Danita Johnson, Principal Investment Officer
Olivia Wall, Investment Officer
Kevin J. Cullinan, Chief Risk Officer

DATE: **March 2, 2020**

SUBJECT: **Full Due Diligence: Homestead Capital USA Farmland Fund III, L.P.**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to $75 million to Homestead Capital USA Farmland Fund III, L.P**.** ("Homestead III" or the "Fund"). The general partner of the Fund is Homestead Capital USA Farmland Fund III, GP, L.P. ("GP"), an affiliate of Homestead Capital USA, LLC ("Homestead" or the "Firm"). Homestead is headquartered in San Francisco with regional offices in Little Rock, AR, Idaho Falls, ID and Mahomet, IL.

The GP is targeting a $600 million fund size ($700 million hard cap), and seeks to acquire and manage a diversified portfolio of farmland properties comprised of high-quality row and permanent croplands located throughout the Mountain West, Pacific, Midwest and Delta regions of the U.S. The final close for the Fund will be held in June 2020. As of December 31, 2019, Homestead III had closed on $406 million of fund commitments and had closed one investment in Fund III.

Strategic Allocation within the Real Assets Portfolio

The Fund's strategy falls under the Infrastructure and Natural Resources sub-allocation of the Real Assets Fund ("RAF"). As of December 31, 2019, Infrastructure and Natural Resources had a total allocation of 0.4% which is underweight when compared to the total target allocation of 4.2%. Pension Funds Management ("PFM") investment professionals and the CRPTF Real Asset Fund consultant, Meketa, believe that an investment in Homestead III is in line with the 2019 Pacing and Strategic Plan to add natural resource exposure outside of the Energy sector. The Fund's investment strategy detailed below is an attractive opportunity for the RAF to generate cash yield and enhance portfolio diversification, as farmland investments have low correlations to fixed income and equities.

Overview

Homestead is a private equity firm based in San Francisco with an exclusive emphasis on U.S. farmland investments. Gabriel ("Gabe") Santos and Daniel ("Dan") Little (jointly the "Managing Partners") cofounded Homestead in 2012 when they were both working in Hong Kong. In late 2013, Gary Thien joined the firm as a founding partner, to help establish the Firm's Regional Farm

Manager ("RFM") network, before retiring from the firm in mid-2018. Additionally, Han Xu joined the firm and helped create Homestead's initial proprietary platform, but left the firm in 2014 after deciding not to move from Hong Kong to the U.S.

Both Managing Partners as well as many members of the team have a combination of education and experience in finance and investment in addition to personal roots in the farming and agriculture industry. Prior to founding Homestead, Gabe Santos, who is the grandson of migrant farm workers, worked for Goldman Sachs' investment banking natural resources group where he advised clients on public and private equity financings, and invested in the agriculture commodity space. Dan Little who grew up on his family's farm in Ohio worked as a fund manager and head of a global portfolio management team at J.P. Morgan. After meeting in Hong Kong, the two formed the idea to launch an agriculture-focused fund management business to acquire farms where the team could add value through efficiency and capital improvement strategies. When Thien joined the firm, he brought more than 25 years of farmland valuation, sourcing, management and disposition experience across the United States. After his retirement, Thien's responsibilities were assumed by other members of the investment team, and he no longer holds an economic interest in the firm.

Homestead has built an investment and farm operations team with deep experience in both agriculture and finance to support its farmland value-add strategy. The firm's 11-person team currently includes eight investment professionals covering specific crops, regions including portfolio management, acquisitions, and due diligence and three back-office staff. Additionally, Homestead's eight member RFM network is comprised of independently contracted, professional U.S. farmers that all have a common affiliation to the American Society of Farm Managers and Rural Appraisers ("ASFMRA"). While the RFM network is non-exclusive, Homestead does retain first look rights for all investment opportunities sourced by the RFMs and has consent rights for any new business taken on by RFMs. Given Homestead's operational focus, the RFM network creates differentiating, local farm management capabilities and provides access to proprietary deal flow and "off-market" farms for sale.

Homestead raised Fund I in 2014 largely with seed capital from Dan Little's former manager and other investors in exchange for an economic interest in the firm and carried interest. The founding partners funded the remaining capital required to launch Fund I. In early 2018, Homestead acquired the equity interest from all 3rd party investors and became an employee owned organization with Santos and Little each owning a 50% interest. However, the Firm's seed investors retain a carried interest of 14.5% of Homestead III.

<u>Investment Strategy</u>

Homestead's strategy is to purchase U.S. farmland assets, implement capital improvements, generate rental income from farmer tenants and then to realize the increase in the value of the underlying land via farm sales. Homestead's farmland value-add strategies to generate capital appreciation include: (i) capital improvements, (ii) improved farm management via operator/lessee selection, (iii) identifying economies of scale, (iv) efficient crop selection/rotation, (v) utilization of precision agricultural technology, and (vi) participation in government programs. In terms of portfolio construction, Homestead III will follow the same strategy as the predecessor funds and build a geographically and agriculturally diverse U.S. portfolio of high-quality row and permanent crops. Approximate geographic expectations include 30%-40% Pacific, 30%-40% Mountain West, 10%-15% Delta and 10%-15% Midwest. Approximate allocations between overall crop types are 60% row and 40% permanent. Approximate allocations between lease types are 80%

cash rent or cash/flex and 20% net share. The Fund expects to build a diversified portfolio of ~35-45 farms throughout the U.S., with a typical equity check size between $5-$30 million; Homestead aims for this smaller farm size as the Firm views this as a less competitive segment; this size is also too large for non-corporate farmers and too small for large institutional investors. The Fund's projected gross unlevered internal rate of return ("IRR") is 11-13%, including an annual gross cash yield of 5-7%. Homestead limits total fund level debt to 35%.

Row crops are defined as agricultural plants with pre-productive and harvesting periods that both occur at least once a year. Given this short maturity period, such crops have a short "j-curve" return profile, generate cash-flow more frequently and are therefore viewed as lower risk relative to permanent crops. However, row crops are primarily bulk commodity products traded in global markets and generally are lower margin and more sensitive to tariffs. Homestead's target row crops include corn, soybeans, rice, cotton, potatoes, seed potatoes, alfalfa, sugar beets, malting barley, wheat and onions. Tony Windham, based in Little Rock, AK leads the Firm's row crop investments. Prior to joining Homestead, Windham served 28 years with the University of Arkansas Division of Agriculture.

Permanent crops are perennial crops that often grow on trees or vines with pre-productive and harvesting periods that span different years. Some mature permanent crops will also peak in productivity and then decline, and so tree/vine age is an important factor in estimating farm productivity and value. As a result, permanent crops have a longer "j-curve" return profile, but generally yield higher value crops given the need for additional processing which improves margins. Homestead's target permanent crops include almonds, apples, cherries, wine grapes, citrus and persimmons.

Portfolio Management

Given Homestead's intense bottom-up operational focus, the Firm relies on its proprietary database and analytical platform to continuously monitor farm performance and value-add initiatives- despite also having a physical local presence via its RFM network. This platform tracks individual farm characteristics that include crop yields, climate patterns, soil quality, water rights/drainage, and commodity price drivers in order to monitory crop performance, and overall asset value. This bottom-up approach is paired with a top-down investment approach to portfolio construction to ensure proper diversification at the portfolio level. Homestead uses this proprietary platform to simulate the impact of additional farms, crop types, regions and lease types on portfolio level IRR and stress test for various downside scenarios.

Risk Management

Homestead seeks to generate attractive risk-adjusted cash yields by managing a portfolio of diversified U.S. farmland that derives cashflow primarily from contractual rental income and secondly, from crop profit shares. Homestead manages farm income volatility by heavily tilting the portfolio towards cash rents via a blend of Cash and Cash/Flex leases. Cash agreements are a fixed, per acre rent that is paid in cash by farm operators to Homestead. Cash/Flex agreements are essentially Cash agreements with an additional clause that increases the lease payment if the crop yield or crop price (or both) are higher than a certain specified level. Net Share Minimum agreements are slightly more volatile than Cash or Cash/Flex agreements and therefore higher yielding. With Net Share agreements, Homestead receives a negotiated minimum payment, to secure downside protection, plus a set percentage of net revenues from the operators (excluding farming costs). Homestead utilizes crop insurance and commodity hedging to secures downside protection, whenever feasible.

Market Opportunity

U.S. Farmland provides investors with long duration, safe-haven characteristics that buttress the asset classes' role in an institution's diversified portfolio. Since World War II, the U.S. experienced two periods of sustained real GDP contractions: 1973-1975 and 2007-2009. In both periods, farmland showed low to negative correlations as the asset class delivered strong returns that outperformed both the fixed income and equity markets, making farmland a diversifier within a portfolio. The farmland asset class also offers meaningful inflation protection. Since the early 1900's, the U.S. experienced three periods of elevated inflation: 1915-1920, 1940-1951 and 1967-1981. In all three periods, farmland provided investors with meaningful inflation protection with asset value gains that outpaced equities.

Within farmland investing, the more defensive approach is to invest in unlevered U.S. farmland that is leased to high-quality farmers with certain return expectations; Homestead's 80% portfolio construction of Cash and Cash/Flex leases takes this approach. A more aggressive farmland investing approach assumes operating risk to various degrees; Homestead's 20% portfolio construction of Net Share Minimum leases provides some of this exposure-but operational risk is dampened with built in annual payment minimums.

U.S. Farmland also offers unique downside protection given strong, long-standing, wide- ranging, crop insurance programs to considerable bipartisan approval. While, there are a wide range of subsidies currently provided to U.S. farmers, crop insurance is the most important federal program helping farmers today. Currently, the U.S. government helps farmers by subsidizing approximately 60% of the insurance premium to protect against declines in commodity prices and production yields. Least of all, land provides a tangible backstop with the potential for alternatives uses.

While portfolio diversification can be achieved by also investing directly in commodities, farmland leases provides investors with resilient annual income that is fundamentally less volatile than the underlying agricultural commodities. Agricultural commodity prices are often inversely related to crop yields, and crop pricing drivers are often determined by distinct supply and demand drivers (including weather, trade tensions, diseases and pests). In contrast, farmland leases, particularly Cash and Cash/Flex leases, provide predicable rent flows, with payments typically received prior to planting, so that cash flows are independent of crop performance. Ultimately farmland is a capital asset and investors purchase it to obtain the long-term future earnings. Near-term commodity price fluctuations tend to have little impact on land values for two key reasons: (i) most owners of farmland think in terms of multi-year if not multi-decade holding periods, so a property's long-term income potential is far more important than the current year's outlook and (ii) there are various strategies employed by farmers to mitigate the risks of declining commodity prices, including purchasing crop insurance or changing crop strategies. Higher crop yields also dampened the impacts of lower crop prices as farms get more efficient. As a result, farmland values are not directly linked to short-term movements in commodity prices, but rather by factors that influence long-term income-generating potential.

Despite the overall diversification benefit U.S. farmland provides an institutional portfolio, there are certain factors that make investing in the asset-class specifically more attractive today. These factors include: the run-up of an over decade long bull market, prevalence of family-owned farms, increase in the average age of farmers, lack of farmer succession plans and the global macroeconomic/structural factors of higher human populations coupled with lower availability of arable land.

Since 2009, U.S. farmland values have been a considerable laggard as the asset class has been impacted by low crop prices over the bull-market period. This stands in sharp contrast to the relative performance of the prior decade, which was marked by the Great Financial Crisis which bolstered farmland values. U.S. Farmland is critical infrastructure where recessions tend to drive asset values higher.

Despite the rise of corporate commercial farming, only ~11% of U.S. farms by acreage are not family owned. The bulk of U.S. farms are owned by families with about 69% classified as small-mid size and 20% classified as large sized. Such market fragmentation provides investors with return opportunities from farm consolidation and productivity arbitrage as corporate farms generate higher outputs, more efficiently.

According to the USDA's 2017 Census of Agriculture, the average age of farmers is 59.4 years with six times as many farmers age 65 and older vs. 34 and younger. Additionally, the majority of U.S. farmers do not have succession plans and thus often provide Homestead with an under-valued investment opportunity following farmer retirements. Overall, the lack of succession plans and higher farmer ages have lowered the motivation for long-term capital improvements and thus create a natural market for Homestead's value add farming strategy.

Farmland is also supported by strong long-term, global macroeconomic fundamentals including higher populations and lower supply or arable land. Longer life expectancies, higher birth-rates and the rise in the global middle-class are expected to result in food demand increases and consumptions pattern changes. The OECD Development Centre estimates that the world's middle-class will increase from 1.8 billion people in 2009 to 3.2 billion by 2020 and to 4.9 billion by 2030 as more people emerge from poverty levels. The income effect is expected to result in the increase of meat consumption, which has a multiplier effect on the demand of grains. For example, approximately seven pounds of grains are necessary to produce one pound of beef, and two to three pounds of feed are required to produce one pound of chicken.

The supply of arable land, including the scarcity of water is also expected to continue to decrease following urbanization, and the effects of desertification and erosion. The most productive crop-producing regions with established routes (e.g., roads and waterways) to end markets continue to diminish most quickly to development activities. According to the United Nations Food and Agriculture Organization ("FAO"), between 1999-2009, per capita arable land decreased 15% in the U.S., 12% in China and 15% in India. Overall, the amount of land available for agriculture globally has steadily decreased and is expected to make the remaining quality farmland more valuable.

<u>Track Record</u>

Homestead seeks to invest in a portfolio of farms and generate an annual gross cash yield of 5-7%, in addition to the capital appreciation of the farmland for a total target gross unlevered return between 11%-13%. The Fund's more conservative leasing strategy makes returns more comparable to U.S. bond real returns than real estate private equity, but with a higher coupon.

Homestead I is fully deployed, and Homestead II is approximately 90% deployed when factoring farms under contract since September 30, 2019. As of September 30, 2019, the investments in Funds I and II are substantially unrealized. Homestead I fully realized one investment, which was held over a two-year period, for a gross IRR of 13.14% and multiple of 1.22x. The remainder of the realizations in both funds have been related to small divestments and harvesting yields.

Homestead and its network of RFMs are still implementing value add initiatives that have not yet been reflected in valuations. In addition, many of the farms are still early in their value creation development processes and are just beginning to generate yield. Therefore, most of the portfolios are held at cost, as both write-ups and write downs have been minimal. Although capital appreciation has yet to take place, cash yields from rents have been taking place. As of September 30, 2019, Inception to date ("ITD") average annual cash yields for Homestead I was 3.6% and 4.5% for Homestead II.

Homestead III has closed one investment in October 2019, a row crop farm located in the Delta region with three more investments scheduled to close in March 2020.

Homestead Data as of 9/30/19, USD Millions

Fund	Vintage	Fund Size, $	Number of investments	Invested, $	Realized Value, $	Unrealized Value, $	Total Value, $	Gross Multiple, x	Gross IRR, %	Net Multiple, x	Net IRR, %	Average Annual Cash Yield, ITD	Loss Ratio,%
Homestead I	2014	173	20	175	39	144	183	1.1x	1.4%	1.0x	-0.4%	3.6%	2.0%
Homestead II	2016	402	24	265	27	266	293	1.1x	5.1%	1.0x	0.3%	4.5%	0.3%

Key Strengths

- Experienced and Connected Team: The team's collective experience creates a balanced combination of skills across the agricultural and finance sectors. The Homestead investment team and RFMs regularly hold collaborative calls to discuss portfolio initiatives and progress against each farm's operating plan. While the team has experienced rapid growth since its founding, to date, there have been few senior departures from the firm. Departure exceptions include Gary Thein, Han Zu and Alex Sauer, who all amicably left the firm for personal reasons.

- Sourcing Capabilities: Homestead has developed a unique sourcing capability through the RFM network and the firm's relationships with farm owners, managers and appraisers. The 11-member RFM network creates differentiating, farm management capabilities and provides local access to proprietary deal flow and/or "off-market" farms for sale. While the RFM team is not exclusive to Homestead, the Firm does retain first look rights for all investment opportunities sourced by the RFMs and has consent rights for any new business taken on by RFMs. The RFM's local farm management approach also allows RFM's to conduct "pre-due-diligence" on local farms before they are formally brought to market.

- Value Add Strategy: Homestead focuses on acquiring farms where the Firm can add value through efficiency and capital improvement strategies. The Fund seeks to transform undermanaged and under-performing farmland to high yielding production through the identification of multiple value-add opportunities. A few of the Homestead's value add initiatives include capital improvements such as improving irrigation systems, utilizing of top-tier farm operators, and implementing optimal lease structures and crop rotation plans.

- Portfolio Construction: Homestead's systemic and diverse approach to portfolio construction allows investors to gain farmland exposure without an overconcentration to a single: U.S. geographic area, crop type, or lease type. This diverse asset selection acts as a natural hedge to the risks inherent in farming, including weather, pests etc. The team will not acquire farmland assets that will over-expose the Fund to any of these risks.

- Positive Macro Tailwinds: According to a December 2019 Meketa research report, over the coming decades, food and agriculture is expected to expand significantly, driven by increases in demand resulting from global population growth, expansion of the global middle class, and changing consumer habits. World populations are projected to experience significant growth over the coming decades and drive demand for agricultural products. According to the US Census Bureau's International Data Base, there were approximately 7.6 billion people living on the planet in 2019, and by 2050, that figure is projected to exceed 9.5 billion people, representing a 25% increase or almost 1.9 billion additional people that will need to be fed.

Risks and Mitigants

- Few Realizations: Homestead I and II are immature as Homestead and RFMs have been implementing value add initiatives that have not yet been reflected in market value valuations. Given the length of time required to implement these initiatives, most of the portfolio is held at cost-with only one investment realization to date.

  Mitigant - Agriculture investments are long-term in nature. The long-time horizon and limited realizations are offset with annual cash yields generated from farm rents. Therefore, while market capitalization is slow to mature, the investor still generates resilient current income as the investments develop.

- Inherent Farming Risks: Investments in farmland are inherently subject to various risks, including (i) adverse natural conditions such as pests, disease and poor weather, (ii) import and export restrictions or tariffs, (iii) governmental subsidy changes, and environmental laws and regulations, among others.

  Mitigant - Homestead's focus on agricultural and geographic diversity as a risk management tool, coupled with its row crop tilt and more conservative focus on cash and cash/flex rents help alleviate these inherent risks. A diversified portfolio of high-quality U.S. farmland protects investors from natural single commodity, single region volatility. Such crop diversity also insulates from different end markets, as not all crops are necessarily destined for export, but rather consumed domestically. Lastly, while government subsidy programs may change, the U.S. has a long, bipartisan history of supporting its agricultural industry. Additionally, wherever possible, Homestead will utilize market and government crop insurance and hedging tools, where appropriate, to mitigate downside risk.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure to the Office of the Treasurer, Homestead Capital USA LLC ("Homestead" or the "Company"), states there are no material legal or non-routine regulatory matters. The Company states it has no material claims under its fidelity, fiduciary or E&O insurance policies, and no ongoing internal investigations to report.

Homestead's ADV is consistent with its disclosure to the Office of the Treasurer.
The Company states it has adequate procedures to undertake internal investigations of its employees, officers and directors.

Economics/Fees

- Management Fees:1.5% of commitments during investment period; thereafter, 1.5% of unreturned capital that has been invested, budgeted, reserved or committed.

- Carried Interest: 15% performance fee over 6% return hurdle per annum.
- Term:15-year term with 2 one-year extensions.
- Waterfall: Fund Level, no GP catchup.

Compliance Review (provided by Compliance)

The Chief Compliance Officer’s Workforce Diversity and Corporate Citizenship review is attached.

Environmental Social and Governance (“ESG”) Analysis (provided by Policy)

The Assistant Treasurer for Policy’s Evaluation and Implementation of Sustainable Principles review is attached.

4/13/20

UPDATED **COMPLIANCE REVIEW FOR HOMESTEAD CAPITAL FUND III**
SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS
SUBMITTED BY
HOMESTEAD CAPITAL USA LLC

I. Review of Required Legal and Policy Attachments

HOMESTEAD CAPITAL USA LLC ("Homestead"), a San Francisco California-based firm, completed all required legal and policy attachments. It disclosed no impermissible third party fees, campaign contributions, known conflicts, gifts or legal/regulatory proceedings.

II. Workforce Diversity (See Also 4 year Workforce Diversity Snapshot Page Attached)

As of March 31 2020, Homestead employed 13, 5 more than the 8 employed as of December 31, 2017. The firm identified 1 minority (a Hispanic male) as an Executive/Senior Level Official and Manager (i.e., the senior-most job category), however no women are in this category.

Two women and 2 minorities were identified as key managers and/or senior officers. The firm reported that one minority male was promoted within the ranks of professionals or managers in 2019.

Minorities (Hispanics and Asians) are well represented at the Executive or senior-most level of the firm, and also at the Professional level. While women are not represented at the Executive or senior-most level of the firm, and the Professional level, they represent 20% Management and 23% Firm-wide.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 0% of these positions in all years reported as follows: 2020 (0 of 2), and (0 of 3) in 2017-2019.
- Minorities held 50% (1 of 2) (50% Hispanic) of these positions in 2020, and 33% (1 of 3) (33% Hispanic) in 2017-2019.

At the Management Level overall:

- Women held 20% (2 of 10) of these positions in 2020, up from 11% (1 of 9) of these positions in both 2019 and 2018, and 14% (1 of 7) in 2017.
- Minorities held 20% (2 of 10) (10% Asian and 10% Hispanic) of these positions in 2020, up from 11% (1 of 9) (11% Hispanic) in both 2019 and 2018, and 14% (1 of 7) (14% Hispanic) in 2017.

[1] The Treasury's Policy Unit will prepare a separate Summary with respect to Homestead's ESG submission.

At the Professional Level:

- Women held 0% of these positions in all years reported as follows: 2020 (0 of 2), 2019 (0 of 1), 2018 (0 of 1), 2017 (0 of 0).
- Minorities held 50% (1 of 2) (50% Asian) of these positions in 2020, 100% (1 of 1) (100% Asian) in both 2019 and 2018, and 0% (0 of 0) in 2017.

Firm-wide:

- Women held 23% (3 of 13) of these positions in 2020, up from 18% (2 of 11) in 2019 and 2018, but down from 25% (2 of 8) in 2017.
- Minorities held 31% (4 of 13) (23% Asian and 7.7% Hispanic) of these positions in 2020, up from 18% (2 of 11) (9% Asian and 9% Hispanic) in 2019 and 2018, and 13% (1 of 8) (13% Hispanic) in 2017.

III. Corporate Citizenship

Charitable Giving:
Homestead does not yet have an official corporate citizenship policy however, one of the firm's goals "is to produce higher standards of living and quality of life for the rural communities that surround our investments." Homestead supports organizations that focus on "farm management and farmland investing" such as, the American Society of Farm Managers and Rural Appraisers (ASFMRA). ASFMRA's objectives are to develop, improve, promote and advance, without profit to itself, the professions of farm and ranch management, agricultural consulting and related fields. Homestead also supports rural foodbanks, rural higher education institutions and local charities. The firm matches up to $1,000 per year per employee's contribution to eligible non-profits.

Internships/Scholarships:
Homestead does not currently have a formal internship or scholarship program but expects that as the firm grows and its resources increase, a firm-wide internship program "will be a critical recruiting and training tool."

Procurement:
The firm operates its farms through third-party operators, and therefore does not procure supplies directly. However Homestead "strongly encourages our operating partners to conduct business with diverse and woman-owned" businesses. One of the criteria for partnering with local operators is their commitment to diversity and inclusion.

HOMESTEAD CAPITAL USA LLC- UPDATED 4/13/20

4 YEAR WORKFORCE DIVERSITY (SNAPSHOT)

WOMEN

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2020	0%	20%	0%	23%
2019	0%	11%	0%	18%
2018	0%	11%	0%	18%
2017	0%	14%	0%	25%

March 2020: 0% or 0 of 2 Executives is a Woman; Total Employees Firm Wide 13

MINORITIES

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2020	50%	20%	50%	31%
2019	33%	11%	100%	18%
2018	33%	11%	100%	18%
2017	33%	14%	0%	13%

March 2020: 50% or 1 of 2 Executives is a Minority; Total Employees Firm Wide 13

Prepared by Compliance Unit 4/13/20

Summary of Responses From

Homestead Capital USA LLC

to Attachment M: Evaluation and Implementation of Sustainable Principles

Submitted by the Treasury's Policy Unit

While Homestead is not a signatory to the UN Principles of Responsible Investment, nor a member of any of the sustainability-oriented organization identified by the Treasury (e.g., Carbon Disclosure Project; International Corporate Governance Network; Investor Network on Climate Risk or UK Stewardship Code), the firm disclosed that its approach to investing is consistent with the Principles.

Homestead has its own formal ESG Policy which revolves around three core themes: environmental sustainability, labor rights and community trust. All ESG-related decisions are addressed by the firm's Investment Committee and senior management. The firm's investment professionals work with regional farm managers and internal management teams to identify and research ESG-related risks at the farm level. The firm noted its team's focus on improving the long-term sustainability of the land, and cited the following as examples of how it achieves these ends:

- Use of global positioning sampling to obtain granular-level soil characteristics of a property to determine which nutrients may be deficient or lacking;
- Use of variable rate technology to specifically apply the appropriate amounts of soil amendments in areas of a property that require it, thereby reducing over-application;
- Reliance on no-till technologies to reduce soil erosion, water runoff, fuel needs, and soil moisture loss;
- Implementation of soil and water conservation measures; and
- Upgrading irrigation equipment to reduce water usage, efficiency, and electricity or fuel consumption.

Homestead noted that it prioritizes partnerships with operators that pay fair wages, actively monitor working conditions, and train workers and supervisors, a so-called "worker centric model within an active monitoring framework."

Overall, Homestead's disclosure included a number of examples of how ESG is integrated into its investment processes, and reflected a thorough and thoughtful approach to ESG and sustainable farm management practices.

MEKETA
INVESTMENT GROUP

Private Markets Investment Memorandum

Homestead Capital USA Farmland Fund III L.P.

Approved - September 28, 2018

Updated – February 21, 2020

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Executive Summary

Meketa Investment Group ("Meketa") initiated its due diligence of Homestead Capital USA Farmland Fund III, L.P. (the "Fund" or "Fund III") in the Spring of 2018 when Homestead Capital ("Homestead" or the "Firm") formally began its fundraising process. Meketa first met with Homestead in 2014 when the Firm was fundraising for Homestead Capital USA Farmland Fund I ("Fund I"), its first fund. Several Meketa clients committed capital to Fund I. In 2016, Homestead raised capital for Homestead Capital USA Farmland Fund II ("Fund II") with several Meketa clients also committing capital to the vehicle. Meketa is familiar with Homestead, is on the Limited Partner Advisory Board ("LP Advisory Board") of both Fund I and II, and has conducted several visits to farmland properties with the entire investment team and several RFMs. Additionally, we have conducted a thorough review of the Fund's PPM, materials in the virtual data room, and Homestead's response to our due diligence questionnaire.

As of December 2019, Fund III has secured a total of $402 million of commitments from existing and new investors. To accommodate ongoing due diligence efforts from prospective investors, the LP Advisory Board approved a fundraising extension for Fund III from October 2019 to June 30, 2020. In conjunction with the extension, Homestead established a hard cap for the Fund to not exceed $700million.

BACKGROUND OF FIRM

Fund Name	Manager	Office Location(s)	Target Market	Target Geography
Homestead Capital USA Farmland Fund III	Homestead Capital	San Francisco, CA	U.S.	Farmland

Homestead was founded in 2012 by Gabe Santos and Dan Little and is headquartered in San Francisco, CA. Gary Thien joined Homestead as a Founding Partner in early 2013 and helped recruit and establish its regional farm manager ("RFM") network. Gabe and Dan met and became close friends while working in the financial industry in Hong Kong. As they brainstormed the idea of Homestead, they were introduced to Gary who initially served as a consultant to them and subsequently became a Partner. Dan's former boss at JP Morgan, Paul Scibetta, helped provide Homestead with seed capital in exchange for an economic interest in the Firm and its funds' carried interest. Homestead raised a total of $173 million of commitments for Fund I in 2014 and $400 million of commitments for Fund II in 2016. In early 2018, Homestead acquired the equity interest from 3rd party investors and became an employee owned organization. In July 2018, Gary Thien retired from the Firm. The Homestead team currently comprises eight investment professionals and eleven RFMs and has plans on expanding the team further.

SUMMARY OF TERMS AND STRATEGY

Fund Size	Management Fee[1]	Carry And Carry Structure	Preferred Return	Fee Income	Inv. Period And Total Term
$700 million	1.5%	15%; Fund-level	6%	100%	4 years/15 years

General terms of the Fund are similar to Fund II with a 15 year term, management fees of 1.5%, and a 15% carried interest based on a European waterfall after a 6% preferred return. While the $4.0 million GP Commitment amounts to approximately 0.6% of the expected Fund size and is relatively low for a private equity fund, it does represents a meaningful amount to the team. With a larger vehicle, Homestead expects to complete more deals at similar transaction sizes relative to Fund II.

Homestead will continue its strategy of investing in U.S. farmland properties and improving the land through capital improvements and implementation of operational improvements, efficiencies, and best farming practices. The Fund will seek to create a diversified portfolio of approximately 35 to 45 farmland investments with the typical investment ranging in size from $5 million to $25 million in all equity transactions at acquisition. Homestead may opportunistically and conservatively utilize debt subsequent to closing and limit aggregate portfolio debt to 35%. The Fund will seek diversification across geography, tenant farmer, lease type, and underlying crop type. Expectations of geographic exposure include 35% to 45% to the Pacific, 30% to 40% in the Mountain West, 10% to 20% in the Delta, and 10% to 20% to the Midwest. Allocations between row and permanent crops are anticipated to be approximately 60% and 40%, respectively. Homestead seeks to maximize investment returns through increased crop yields and land appreciation.

TRACK RECORD SUMMARY[1]
AS OF AS OF SEPTEMBER 30, 2019
($ IN MILLIONS)

Fund	Vintage Year	Invested ($)	Realized Value ($)	Total Value ($)	Net Multiple (x)	Net IRR (%)	Avg. Cash Yield (%)	PME (NcreifFarm)
Fund I	2014	174.8	39.1	182.9	1.0	-0.4	3.6	8.5
Fund II	2016	264.9	27.2	292.8	1.0	0.3	4.5	5.7

As of September 30, 2019, Fund I and Fund II were both held near cost and predominantly unrealized. Fund I is fully deployed, and Fund II is approximately 90% committed when factoring in transactions that have closed or were under contract subsequent to September 30, 2019.

Many of the properties, particularly Fund II, are still early in the value creation development process and are just beginning to generate yield. Fund I and II are immature and have average holding periods of 3.5 years and 1.5 years, respectively. Homestead and its RFMs have been implementing value add initiatives, and the processes are ongoing and have not yet been reflected in the valuations. Although the funds have yet to experience significant write-ups, the portfolios have also experienced low loss ratios to date. Prior funds range from $1.5 million to $45.0 million in size and are diversified across U.S. regions.

EXISTING FUND III INVESTMENTS:

Scarlet Tucker III

In October 2019 Fund III closed on the acquisition of Scarlet Tucker III, a property of roughly 2,300 acres located in the Delta Region of Arkansas, for a purchase price of approximately $10.5 million. Projected future capital expenditures for this project total $0.8 million and will be used primarily to improve drainage and irrigation efficiency. The transaction occurred on an off-market basis before the property was officially marketed through an auction process and further expands Homestead's presence in the region. Planned crops will include soybeans, rice, cotton, and corn.

[1] Historical performance figures, as reported by the Manager, are as of September 30, 2019 while applicable PME returns are as of the most recent cash flow data available: March 31, 2018.

Maroon Crenshaw III (March 2020, $13.45 million acquisition)

Fund III has executed a PSA to acquire a farm in Quitman County, MS comprising 3,653 acres (3,126 tillable) with excellent water supply and stable aquifer. Homestead has allocated a capex budget of $1.9 million to be spent on land levelling, conversion of dryland to irrigated land, and the construction of a with grain storage facility.

Blue Humboldt III (March 2020, $6.3 million acquisition)

Fund III has acquired two tracts of land in Coles County, IL comprising 580 acres (558 tillable) high quality land and drainage. The farms are corn and soybean farms located in a highly competitive market with productive soils. The thesis is that the high quality farms will result in high demand from farming tenants.

Blue Murdock III (March 2020, $23.4 million acquisition)

Fund III acquired the Blue Murdock property located in Douglas County, IL comprising 2,180 acres (2,031 tillable). The corn and soybean farm is located in a highly competitive market with excellent soils. The property has a complete pattern tile drainage system, and its scale and contiguous footprint will allow for efficient farming activities.

SUMMARY

Homestead Capital USA Farmland Fund III represents a compelling investment opportunity to invest in U.S. farmland with an experienced and connected investment team. The team has built relationships with eleven regional farmland managers that provide access to an attractive pipeline of row and permanent crop investments. Homestead also believes its focus on smaller deals, typically between $5 million and $25 million, is a less competitive segment of the market. Homestead also focuses on value add opportunities post acquisition for improving the land through capital improvements and implementation of operational improvements, efficiencies, and best farming practices. Fund III is expected to offer diversified exposure across U.S. geographies, tenant farmer, lease types, and crop type.

Key considerations include the limited track record for Funds I and II, the non-exclusive nature of RFM relationships, the departures of Gary Thein and Alex Sauer, and rapid growth of the team over the past year. The value add initiatives currently being implemented within the portfolio have the potential to significantly improve production and enhance value over the long term. The RFM relationships that were started by Gary are expected to remain intact after his retirement. Homestead has first look rights for all investment opportunities sourced by the RFMs and have consent rights for any new business taken on by the RFMs. While Homestead has been rapidly expanding and growing, the Co-Founders are focused on maintaining the Firm's culture and close communication and collaboration amongst its team members.

Partnership Terms and Manager Background

MANAGEMENT/GOVERNANCE

Type of Partnership	Delaware Partnership
Legal Counsel	Kirkland & Ellis LLP
Auditor	Deloitte & Touche LLP
Placement Agent	NA

FEES, TERMS AND CONDITIONS ANALYSIS.

Below is a summary of the key terms and conditions that appear in Homestead Capital USA, LLC's Private Placement Memorandum, the response to Meketa Investment Group's Due Diligence Questionnaire, and the Draft Limited Partnership Agreement as of May 18, 2018. Please note that these terms are subject to change based on ongoing or future negotiations between the General Partner and Limited Partners, including Meketa Investment Group acting on behalf of its clients.

Fund Size & Hard Cap	$600 million ($700 million hard cap) Rating: Neutral Comments: Homestead received LPAC consent to extend the final close date from October 2019 to June 30, 2020. In conjunction with the approval, a hard cap was set at $700 million. The increase in fund size will allow Homestead to complete more transactions relative to prior funds.
Investment Period	4 years Rating: Neutral Comments: In line with market standards
Total Term	15 years Rating: Neutral Comments: The term is the same as Fund II but represents an increase from Fund I's ten year term. The extended term is appropriate for the long term nature of farmland development strategies. Homestead may extend the term by two consecutive one-year periods with the first requiring consent from the LP Advisory Board and second requiring a majority approval of the Fund's Limited Partners.
GP Commitment	$4.0 million Rating: Negative Comments: The GP Commitment represents a 0.6% contribution based on the expected size of the Fund, and Homestead may offset up to 50% of the commitment through management fee offsets. While the amount is small relative to other private equity firms, the GP Commitment for the Fund and prior funds represents a meaningful amount of the team's net worth. Dan and Gabe will fund $3.0 million and the rest of the team will fund the remaining $1.0 million. All carry recipients contribute an amount meaningful to their own personal situation.

Co-investment Policies	Homestead may, in its sole discretion, provide co investment opportunities to one or more Limited Partners. Rating: Neutral Comments: In line with market standards. Homestead has been the sole equity investor for past investments and reasonably expects the same for the Fund.
Diversification Limits	Without LP Advisory Board consent, the Fund will not: → invest more than 20% (excluding bridge financing) in any one investment; → invest more than 30% (including bride financing) in any one investment; a merger or combination of farmland assets under a common platform will not be considered a violation; → invest outside the U.S.; → invest more than 50% in any one region; → invest more than 50% in permanent crops Rating: Neutral Comments: The diversification limitations are appropriate for Homestead's strategy.
Management Fee	1.5% of commitments during the investment period; thereafter, 1.5% of unreturned capital that has been invested, budgeted, reserved, or committed for portfolio investments. Rating: Neutral Comments: In line with market standards.
Preferred Return	6% Rating: Negative Comments: While the preferred return is the same as Fund II, it represents a decrease from 7% in Fund I.
Carried Interest	15% Rating: Positive Comments: The carried interest is the same as Fund II and is a decrease from the standard carried interest of 20% for Fund I. Many farmland funds have a 20% carried interest.
Carry Structure	Whole Fund Rating: Positive Comments: A European carry waterfall structure calculated on a whole fund basis provides greater protections to Limited Partners and limits the occurrence of a clawback.
Catch-Up Provision	15% to the General Partner Rating: Neutral Comments: In line with market standards.
Clawback	At partnership liquidation, the General Partner is required to repay any excess carried interest received, net of taxes. Rating: Neutral Comments: In line with market standards.

Fund Level Leverage	Homestead may establish a credit facility secured by the unfunded commitments of the Fund. Borrowings under the facility must be repaid in full within 120 days, unless the LP Advisory Board consents to an extension. Rating: Neutral Comments: In line with market standards.
Fee Income	100% management fee offset for any directors', consulting, advisory, transaction, break-up fees received by the General Partner. Rating: Positive Comments: In line with market standards.
Organizational Expenses	Up to $1.75 million Rating: Neutral Comments: In line with market standards. The amount does represent an increase from $1.5 million for Fund II.
Recall/Recycle Provisions	Homestead may recycle proceeds from capital transactions that occur during the Investment Period limited to the amount of capital invested. Rating: Neutral Comments: In line with market standards.
Key-Person Provision	The General Partner will promptly notify its Limited Partners if there ceases to be at least two Approved Executive Officers active in the Fund's affairs ("Cessation Event") during which time new investment activity will be suspended. A majority Limited Partner interest may reinstate investment activity within 6 months of the Cessation Event. The Approved Executive Officers include Gabe Santos and Dan Little. Rating: Neutral
No-Fault Termination	Limited Partners constituting at least 75% of commitments may remove the General Partner at any time for any reason. Rating: Positive Comments: The existence of a no-fault termination clause is a positive term.
Legal Structure	Homestead will use its reasonable best efforts to ensure the Fund qualifies as a Venture Capital Operating Company or limit participation by Benefit Plan Investors so that it is not deemed to hold Plan Assets. Rating: Neutral Comments: In line with market standards.

ESTIMATED IMPACT OF FEES

Aggregate fees charged by the General Partner are estimated to reduce the Fund's gross IRR by approximately 375 basis points.

This estimate is produced by first modeling expected Fund cash flows over its full life cycle, and then reducing the annual net cash flows based on estimated fees paid by Fund Limited Partners to the General Partner. Fund cash flow models employ contribution and distribution rate assumptions that are determined by observing historic rates for similar funds, and adjusting such rates based on forward-looking expectations. In the model, fees paid to the Fund's General Partner are based on certain assumptions regarding Fund terms and conditions, most of which reflect the terms currently offered by the General Partner. With respect to Homestead Capital USA Farmland Fund III, the model incorporates carried interest of 15%, a preferred return of 6%, an aggregate Fund size of $700 million, organizational expenses of $1.75 million, and annual management fees of 1.5% per year of commitments during the Investment Period, and 1.5% per year of remaining investment value thereafter.

Gross IRR	0%	5%	10%	15%	20%
Impact on Performance (bps)	225	225	350	425	500

BACKGROUND OF THE FIRM

The concept of Homestead grew out of Dan Little and Gabe Santos' mutual desire to create a more entrepreneurial career path for themselves than available on their previous respective platforms, JP Morgan and Goldman Sachs. The two met in 2008 through a mutual acquaintance while they were both based in Hong Kong. As they and their wives became friends, they began having more serious conversations about what kind of business venture, and ultimately private equity fund they might launch together. Building on a common interest in the agricultural sector - Dan's family owns farmland in Ohio, Dan had made some of his own investments, and Gabe's parents were hired farm workers in California - they conducted research into the space, and utilized their professional and personal networks to refine their concept.

A key relationship in the formation of Homestead was clearly Dan's college-based friendship with the son of former US Secretary of Agriculture and ex-Iowa Governor, Tom Vilsack. Through this connection, Dan and Gabe met Gary Thien, a professional farmer and farmland manager with 40 years of experience and relationships in the industry. Gary initially served as a consultant to Dan and Gabe while they were seeding the Homestead idea and subsequently joined as a Partner. Tony Windham, Patrick Trainor, and Kyle Jacobs joined Homestead in 2017, 2018, and 2018, respectively, as additional senior investment professionals.

Another key connection in launching Homestead was Dan's relationship with his former boss at JP Morgan, Paul Scibetta. Currently CEO of his own private equity firm, Mr. Scibetta and his friends and family (collectively "Seed Investor") provided startup and working capital in exchange for an economic interest in Homestead and claims on its funds' carried interest. At the start of Fund II, Homestead reduced Mr. Scibetta's carried interest and Homestead economic interests from 19% to 14.5%. In 2018, Homestead acquired the Seed Investor's interest in the management company, thus making the Firm employee owned. The Seed Investor still retains a 14.5% interest in the Fund's carried interest, and it is Homestead's intention to gradually reduce this amount with subsequent funds.

To create on the ground sourcing and farm management capabilities, Homestead established a network of region-specific professional farmers. These regional farm managers ("RFMs") all had a common affiliation to the American Society of Farm Managers and Rural Appraisers ("ASFMRA") and had long standing relationship with Gary Thien and each other.

Homestead has grown its RFM network from five in Fund I to eleven currently that provide deal sourcing, local intelligence, and farm management capabilities across the Pacific, Midwest, Delta, and Mountain West regions.

Homestead held a final close for Fund I in 2015 with a total of $173 million of commitments. In 2016, Homestead raised a total of $402 million of commitments for Fund II.

Investment Resources and Experience

Homestead is headquartered in San Francisco, CA where it currently staffs eight professionals. Homestead also has investment professionals located in Little Rock, AR, Idaho Falls, ID, and Mahomet, IL. Additionally, Homestead's eleven RFMs have a presence in the local regions in which they operate providing Homestead with local deal sourcing, intelligence, and farm management capabilities.

Dan Little, Gabe Santos, and Ryan Gallant are primarily responsible for portfolio management responsibilities. In 2020, Scott Bozzo will join the Homestead team to focus on sourcing, acquisitions, and management of permanent crop opportunities. Tony Windham is Scott Bozzo's counterpart who leads row crops. Ryan Gallant and Patrick Trainor were recently promoted to Managing Director.

Homestead expects to add several investment professionals and RFMs in the near term. Six junior level positions are expected to be filled including a general analyst, an operations associate, and associates for each of row crops, permanent crops, acquisitions, and due diligence. Homestead also anticipates two additional RFM will join the Pacific team.

INVESTMENT PROFESSIONALS

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Dan Little	Co-Founder, Portfolio Manager	7	16	→ Fund Manager, J.P Morgan → BA, Hamilton College; Masters, Columbia College
Gabe Santos	Co-Founder, Portfolio Manager	7	16	→ Global Natural Resources Group, Goldman Sachs → BA, UCLA; J.D., Georgetown Univ. Law
Tony Windham	Vice President, Row Crops	3	26	→ Director, Arkansas Cooperative Extension Service, Univ. of Arkansas → BS, MS, & PhD, Mississippi State Univ.

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Scott Bozzo	Vice President Permanent Crops	<1	13	→ Associate Director, UBS Farmland Investors → BA, California State University of Fresno
Ryan Gallant	Managing Director, Portfolio Manager	3	11	→ Vice President, Goldman Sachs → Portfolio Construction & Risk Management, JP Morgan → BSE, Duke Univ.; CFA Charterholder
Patrick Trainor	Managing Director Acquisitions	2	16	→ Executive Vice President & Head of Portfolio Management, Westchester Group
Kyle Jacobs	Vice President, Due Diligence	2	16	→ Second Generation farmer, Silver K Farms; → BS from BYU

The biographies of Homestead's eleven RFMs are located in the Appendix of this document.

DEPARTURES

Name	Entry Year	Last Title	Exit Year	Reason
Alex Sauer	2016	Vice President - Permanent Crops	2020	Had a desire to pursue an entrepreneurial passion
Gary Thien	2012	Director – Due Diligence	2018	Retirement
Han Xu	2012	Head of Data Analytics	2014	Family decision not to move to the U.S.

PERSONNEL COMMENTS

Homestead has experienced three departures since its formation in 2012: Han Xu in 2014, Gary Thien in 2018, and Alex Sauer in 2020. Han Xu helped create the Firm's initial data management and analytics platform. At the launch of Fund I, Han and his wife made the difficult decision to not move from Hong Kong to the U.S. Gary Thien, who was instrumental in establishing Homestead's RFM network, made a decision to retire in 2018 after signaling his departure over the past two years. Homestead has made several senior level additions to absorb his roles and responsibilities, and the RFM network remains in place and is growing. In addition to preserving Gary Thien's professional relationships, his two sons have joined Homestead as Midwest RFMs. Alex Sauer (Vice President of Permanent Crops) announced he will be leaving the Firm in 2020 in order to pursue an entrepreneurial passion. Scott Bozzo has been hired and will assume Alex's responsibilities. Alex's carried interest for Fund II is partially vested, and he will continue funding his portion of the GP commitment.

The majority of Homestead's investment professionals are early in their professional careers and succession is not currently an issue.

Because Homestead is still a relatively new and rapidly growing organization with several investment professionals located outside of its headquarters, it needs to ensure a consistent culture and investment process is implemented across the organization. While observations indicate a collaborative and cooperative working relationship amongst the team, this should be monitored going forward.

COMPENSATION

The Partners will be compensated by a guaranteed payment and their equity interest in the Firm. Other employees' compensation will be in the form of a base salary, the potential for an annual incentive bonus, and the potential to receive carried interest in the Fund.

The table below provides details on the GP Commitment funding and expected allocations of carry for the Fund. Dan Little and Gabe Santos intend to use a portion of their equity ownership to further compensate current and future employees. The vesting schedule for carried interest is 20% upon the first anniversary of the initial close, 40% after the third anniversary of the initial close, and 40% after the fifth anniversary of the initial close.

Recipient	GP Commitment (%)	Carried Interest (%)
Dan Little	37.5	30.0
Gabe Santos	37.5	30.0
Seed Investor	0.0	14.5
Investment Team	25.0	25.5

Seed Investor, in exchange for providing capital to support Homestead's startup costs, received an equity interest in the Firm and a portion of the carried interest of its funds. Seed Investor had a 19% interest in Fund I's carry and 19% of its equity ownership. During Fund II, Homestead reduced Seed Investor's equity and carried interest to 14.5%. At the beginning of 2018, Seed Investor agreed to sell its equity interest back to Homestead but still retains a 14.5% interest in the Fund's carry. Homestead intends on further reducing Seed Investor's interest in the carry with subsequent funds.

Investment Strategy

Homestead's strategy is to provide core exposure to U.S. farmland assets which entails ownership of land and receiving rental income from farmer tenants. Homestead will also improve the land when possible and seek opportunistic exposure to crop production, crop prices, and direct operations through its lease arrangements with tenant farmers. Homestead is specifically targeting smaller farmland properties in the range of $5 million to $25 million to take advantage of the highly fragmented ownership of U.S. farmland. Importantly, this range appears less competitive than even smaller properties sought by individuals and larger ones sought by major farmland funds or direct institutional investors, allowing Homestead to optimally leverage its Regional Farmland Managers and their sourcing pipelines.

Homestead will seek to create a portfolio of 35 to 45 U.S. farmland assets, diversified by geography, crop type, and revenue arrangement that will target gross unlevered returns in the range of 11% to 13% with a high degree of yield potential of 5% to 7% and land appreciation upon exit. The Fund has established regional targets for deploying capital: Midwest (10% to 20%); Delta (10% to 20%); Mountain West (30% to 40%; and Pacific (35% to 45%). To some degree, these targets also define crop diversification, for example orchards in the Pacific, alfalfa in the Mountain West, and rice and soybeans in the Delta. Homestead's current for crop type allocations is 40% permanent crops and 60% row crops. With a 15 year term, Homestead may consider longer term opportunities, such as greenfield permanent crop development, as an increasing part of its strategy. Homestead may utilize a combination of permanent debt and revolving credit lines and will limit aggregate portfolio usage to less than 20%.

Homestead will earn income under a variety of lease terms, ranging from lower risk cash rents with no exposure to production costs or revenues, percentage crop shares where costs and revenues are allocated between the Fund and the operator/tenant, to higher risk custom/direct strategies where Homestead takes on operational execution, price exposure, and full upside potential. Leases are typically one- to three-year terms, and so may change over the course of the holding period as Homestead negotiates arrangements that optimize a farm's risk-return profile and market conditions. Homestead will look to keep existing high quality tenants or replace them with top-tier operators. Excellent tenant candidates are often managers that have been farming adjacent farmland and want to expand and scale their operations. In all cases, Homestead's tenants must currently utilize advanced farming techniques, machinery, technology, and industry best practices.

While Homestead's portfolio is expected to ultimately constitute core farmland investments, many of the investments will involve value-add farm management plans that may entail capital improvements, introduction of new crops or alternative rotation schemes, engaging better operators, and/or more favorable lease, marketing, and distribution arrangements. For example, Homestead will invest in capital improvements to enhance the productivity and value of the land including irrigation, drainage, storage, and increasing farming acreage. Homestead also will optimize the crop rotations on the farmland to maximize profits and sustain the soil, including introducing new and higher value crops where it is economical to do so (e.g., replacing alfalfa with new almond trees or corn with sweet potatoes).

EXISTING INVESTMENTS AND PIPELINE

The Fund has not yet made any investments.

Investment Process

Homestead will utilize a bottom-up approach to sourcing investment opportunities to assemble a portfolio of farmland consistent with its investment strategy and return targets. The RFMs are on the front line for sourcing and understand the farmland attributes Homestead is looking for from each of the four regions. Homestead will capitalize on the RFMs' relationships to source off-market transactions for the Fund, but also will consider properties with broker representation as well as auctions if the opportunity is attractive. While the RFMs may manage properties for other clients, Homestead is the largest client for each RFM, and they have a contractual obligation to provide Homestead with first look for all sourced investment opportunities. Additionally, Homestead has consent rights for any new non-Homestead business that they may take on.

The RFMs will rely on their farming network, including owner-operators, independent managers, appraisers, crop marketers, distribution agents, product suppliers, service providers, and other well-networked friends and business associates. Their regional presence and network can provide unique insight into special circumstances, local politics, or sales driven by family dynamics. Farmers can be particular about who they sell their land to and are generally wary of Wall Street. Homestead's RFMs are known individuals with strong reputations and provide credibility that Homestead will be good farming neighbors and stewards of the land.

Once an RFM identifies a target property, a summary is provided to the appropriate row or permanent Farm Management team for preliminary review. Upon successful screening, the opportunity is then shared with the broader investment team at the weekly pipeline call. Once a desktop review has been completed, a Preliminary Investment Memo is presented to the Investment Committee ("IC"). At this stage, there is close coordination between the Acquisitions, Farm Management, and Due Diligence teams to establish and complete the due diligence plan. The plan includes a checklist of due diligence items and typically entails an on-site farm visit and meeting with the tenant-farmer or farm owner, a review of publicly available information on the farm such as soil and aerial maps, verification of water or mineral rights, speaking with local input suppliers and grain dealers, and establishing an operating plan and budget, including value-add capex opportunities. A final IC Memo is then presented to the IC for review and approval. The IC is comprised of Dan Little, Gabe Santos, Scott Bozzo, Tony Windham, Ryan Gallant, and Patrick Trainor. Approval to invest requires majority consent from the IC.

Homestead relies on its proprietary, cloud-based database and analytics platform, Granary 2.0, to track data and information including county yields, climate patterns, soil quality and consistency, water rights, drainage issues, and commodity prices. The platform also incorporates Homestead's underwriting models and has capabilities to conduct analytics at the farm or portfolio level. Granary 2.0 provides Homestead with robust capabilities for valuing prospective and executed farmland investments, portfolio construction and diversification, and risk management as it relates to crop type, operator, region, and other factors.

Once investments are made, the RFMs take the lead, in coordination with Farm Management, to implement the strategy, including any capital projects, securing operators and other service providers, and overseeing operations. The Homestead team and RFMs hold regular calls on how each farm is progressing against its operating plan and to discuss any issues. RFMs make both scheduled and unannounced visits to the farms in the portfolio.

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Historical Performance[1]

As of September 30, 2019

($ in Millions)

Fund	Year of First Investment	Number of Investments	Invested Capital ($)	Realized Value ($)	Unrealized Value ($)	Total Value ($)
Fund I	2014	20	174.8	39.1	143.8	182.9
Fund II	2016	24	264.9	27.2	265.6	292.8
Total		**44**	**439.7**	**66.3**	**409.4**	**475.7**

Fund	GROSS IRR (%)	NET IRR (%)	AVG. CASH YIELD (%)	GROSS TVM[2] (x)	NET TVM (x)	LOSS RATIO[3] (%)
Fund I	1.4	-0.4	3.6	1.1	1.0	2.0
Fund II	5.1	0.3	4.5	1.1	1.0	0.3

As of September 30, 2019, Fund I and Fund II are still in the early development stages of value creation as both are held near cost and predominantly unrealized. Homestead has been implementing value add initiatives within the farms, and the process is ongoing and not yet reflected in the current holding valuations. Some examples of Homestead's value add approach are provided at the end of this section. Although the funds have yet to experience significant write-ups, the portfolios have also experience low loss ratios to date. Prior funds have transaction sizes ranging from $1.5 million to $45.0 million in size and are diversified across U.S. regions. In aggregate, 11 investments representing 38% of invested capital has been deployed in the Mountain West. Additionally, 14 deals comprising 27% of invested capital have been completed in the Pacific region while 10 deals representing 23% of invested capital have been completed in the Delta region (surrounding areas of the lower Mississippi River). Finally, seven deals have been completed in the Midwest which collectively account for 11% of invested capital. Average deal size for the Delta, Midwest, and Pacific regions range from $7 million to $10 million while average deal size for the Mountain West is more than $14 million.

[1] Historical performance figures, as reported by the Manager, are as of September 30, 2019.

[2] Total Value Multiple (TVM) equals Realized Value plus Unrealized Value, divided by Invested Capital.

[3] Loss Ratios represent the proportion of invested capital that has resulted in realized and unrealized losses in a portfolio as of the most recent cash flow data available: March 31, 2018. The Ratio is calculated by taking the sum of lost capital (invested capital minus an investment's total value) for all investments that have generated a negative return, then dividing that amount by total invested capital across the entire portfolio.

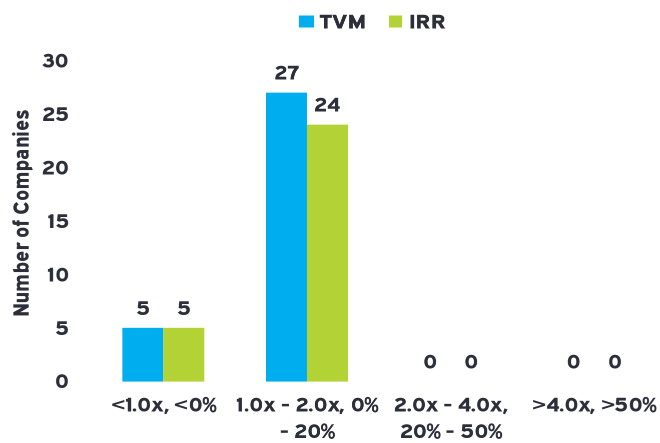
Fund I is fully deployed, and Fund II is approximately 90% committed when factoring in transactions that have closed or were under contract subsequent to September 30, 2019.

In October 2019 Fund III closed on the acquisition of Scarlet Tucker III, a property of roughly 2,300 acres located in the Delta Region of Arkansas, for a purchase price of approximately $10.5 million. Projected future capital expenditures for this project total $0.8 million and will be used primarily to improve drainage and irrigation efficiency. The transaction occurred on an off-market basis before the property was officially marketed through an auction process and further expands Homestead's presence in the region. Planned crops will include soybeans, rice, cotton, and corn.

The following charts are based on most recent cash flow data provided by Homestead: March 31, 2018

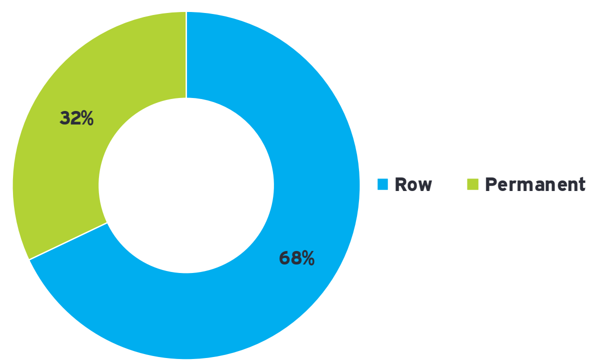
PERFORMANCE RANGE - AGGREGATE

As of March 31, 2018, all 32 investments from Funds I and II were unrealized and still very early on in the investment stage. As a result, most investments are still held near cost. 27 investments have multiples between 1.0x and 2.0x, with the best performing investment producing a 1.7x multiple on invested capital. Five investments have been slightly written down, with three of those five being in Fund II. No investments are below a 0.85x multiple..



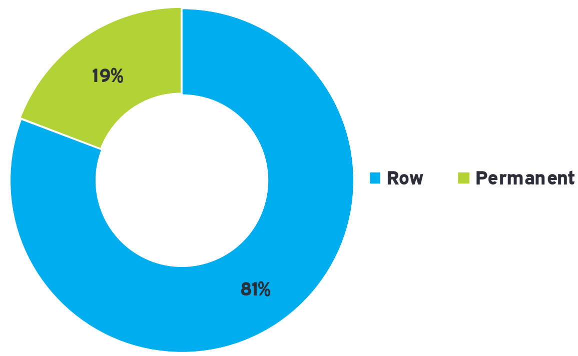
INVESTED CAPITAL BY TYPE – FUND I

Fifteen investments and 68% of invested capital in Fund I were Row Crops. The remaining five investments and 32% of invested capital were Permanent Crops. Row Crops and Permanent Crops produced multiples of 1.1x and 1.0x, respectively, with each containing one investment each that has been slightly written-down.



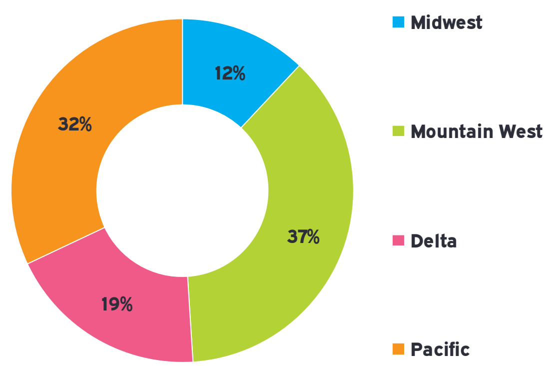
INVESTED CAPITAL BY INDUSTRY – FUND II

Nine investments and 83% of invested capital in Fund II were Row Crops. Three investments and 17% of invested capital were Permanent Crops. Row Crops produced a 1.0x multiple, while Permanent Crops produced a 1.1x multiple. There were two Row Crop investments that were written-down, while only one Permanent Crop investment was written-down in Fund II.



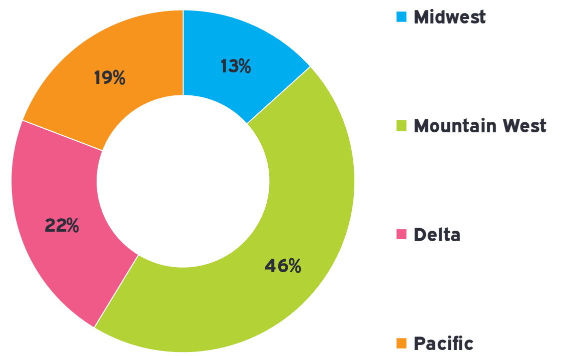
INVESTED CAPITAL BY GEOGRAPHY – FUND I

The Mountain West consisted of seven investments and 37% of invested capital for Fund I. Both the Pacific and the Midwest had five investments, but the Pacific was over double amount of invested capital. All regions produced 1.1x multiples except for the Pacific, which produced a 1.0x multiple.



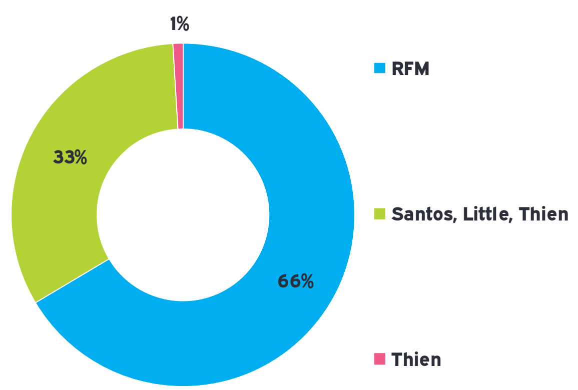
INVESTED CAPITAL BY GEOGRAPHY – FUND II

All regions in Fund II consisted of three investments each. However, the Mountain West consisted of 47% of invested capital, with an average deal size of $24 million. All regions produced a 1.0x multiple except for the Pacific, which had a 1.1x multiple.



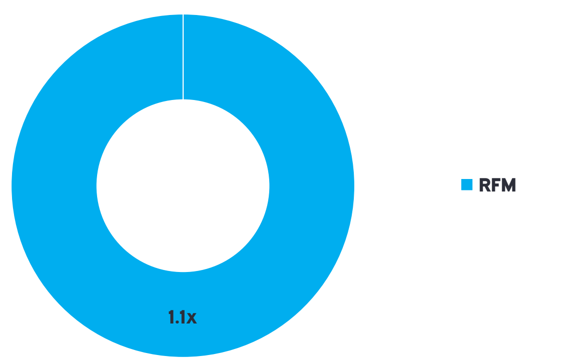
SOURCING – FUND I

RFMs sourced fourteen deals and 67% of invested capital in Fund I, while team members sourced the remaining six deals and 33% of invested capital. RFMs investments produced a 1.1x multiple, while deals that Santos, Little, and Thien sourced together produced a 1.0x multiple. The one deal that Thien sourced on his own produced a 1.7x multiple.



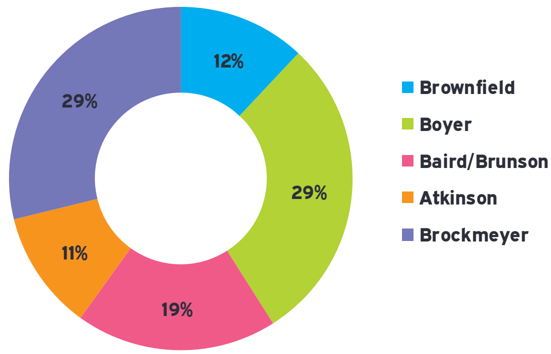
SOURCING – FUND II

All twelve investments in Fund II were sourced via RFMs, supporting the claim that RFMs are very important to Homestead's sourcing strategy and a key competitive advantage.



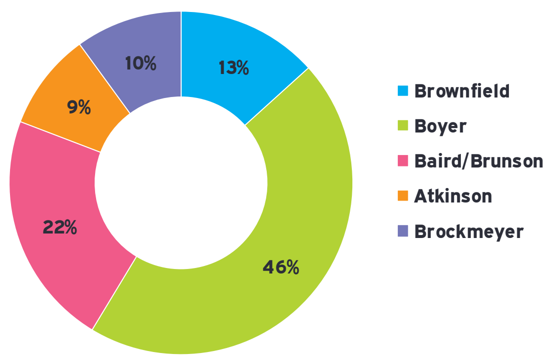
REGIONAL FARM MANAGER – FUND I

In Fund I, both Boyer and Brockmeyer sourced 29% of invested capital, with Boyer sourcing six deals and Brockmeyer sourcing four deals. Atkinson only sourced two deals and 11% of invested capital but had the highest return at 1.2x on invested capital.



REGIONAL FARM MANAGER – FUND II

Boyer, Baird/Brunson, and Brownfield all sourced three deals. However, Boyer's deals consisted of 47% of invested capital, Baird/Brunson had 23%, and Brownfield had 14%. Brockmeyer sourced two deals while Atkinson sourced one deal. All RFMs had mutliples of 1.0x except for Brockmeyer, who had a 1.1x multiple.



AVERAGE PRICE PER ACRE

Across all four regions, the Delta region had the lower average cost per acre at acquisition. The Mountain West and Midwest regions were increasingly more expensive. However, both of those regions saw a decrease in price per acre from Fund I to Fund II. The Pacific region was the most expensive, with the average price being 7 10x more per acre than the other three regions. The Pacific region has favorable climate conditions and tends to grow high value crops such as wine grapes, nuts, and apples

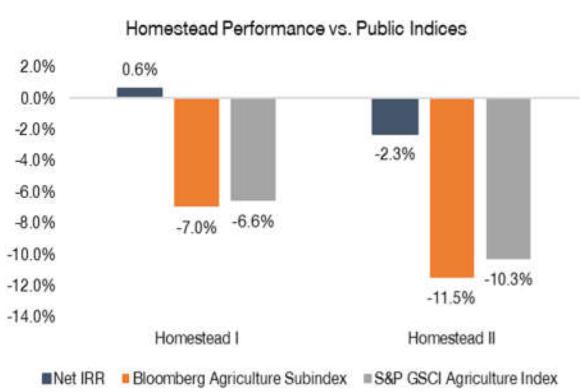
Region	Fund I ($/acre)	Fund II ($/acre)
Midwest	9,470	7,880
Mountain West	6,858	5,710
Delta	4,969	5,265
Pacific	35,529	90,847

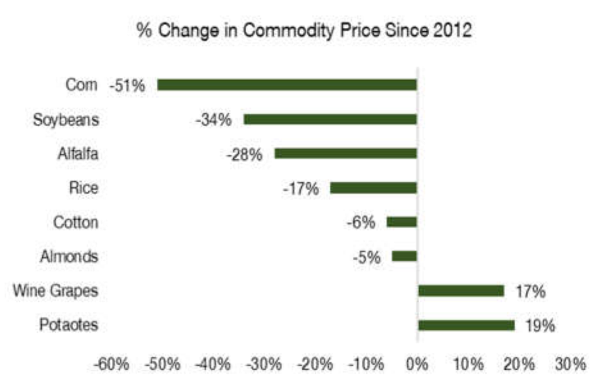
Benchmarking Homestead's Portfolio

The NCREIF Farmland index is comprised of seven reporting institutional portfolios that reflect a small portion of the total universe of institutional properties. Only income producing properties are included in the index, so development farms are not represented. Until recently, the index was overrepresented by two to three institutional investors in the farmland market. NCREIF also does not require participating institutions to get appraisals by external parties. Because of this, internal valuations or appraisal timing may skew the valuations represented in the index. Each quarter, data contributing institutions submit market values for each qualifying farmland property based on what the institution believes is the fair value. The method can make for an imperfect comparison by relying on surveys and periodic appraisals and not actual transactions.

Homestead uses NCREIF as a data point, but not as a benchmark against their portfolios. To track land values, Homestead triangulates a variety of sources including the USDA, NCREIF, land-grant universities, the Realtors Land Institute, American Society of Farm Managers and Rural Appraisers, and the Federal Reserve.

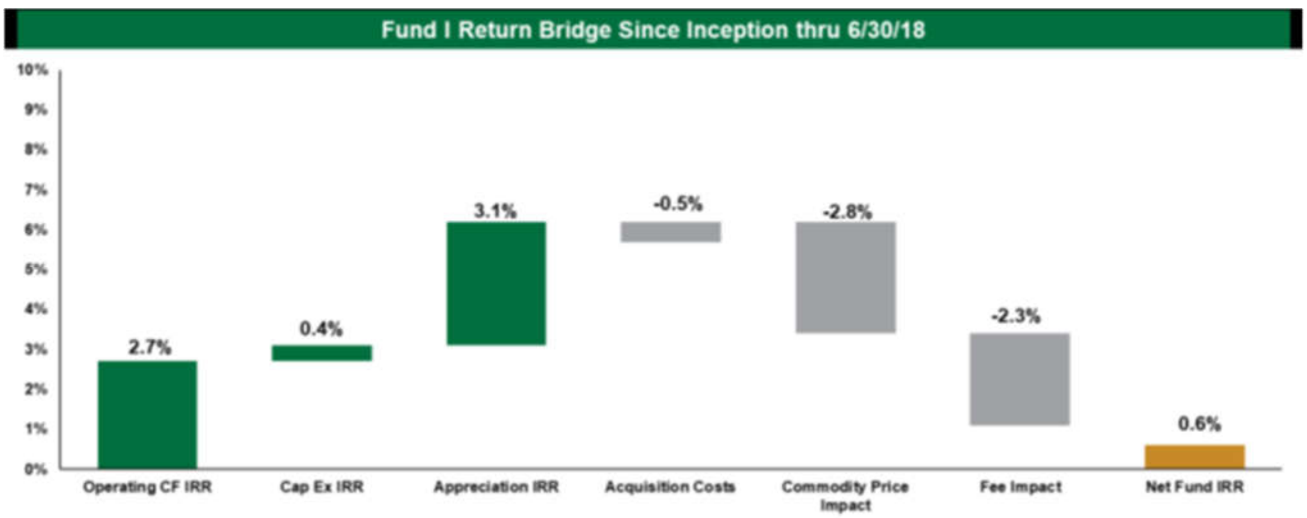
To better put into perspective the returns that Homestead has for its first two funds, Homestead offered comparisons to Bloomberg Agriculture Subindex and S&P GSCI Agriculture Index. Neither are perfect comparisons, but represent another comparison as the funds continue through their development stages. Bloomberg Agriculture Subindex and S&P GSCI Agriculture Index represent a return on underlying commodity futures prices and does not reflect full farmland value. These comparisons better show the effect on farmland income and commodity price impact, which is a component of Homestead's return. An example of the fluctuation in farmland income can be shown with corn revenue per acre from USDA data. In the 67 years from 1950 to 2017, corn farms experienced positive revenue in 33 years and losses in 34 years. The gains in positive years outweigh the losses, so as a long term investment income is robust.



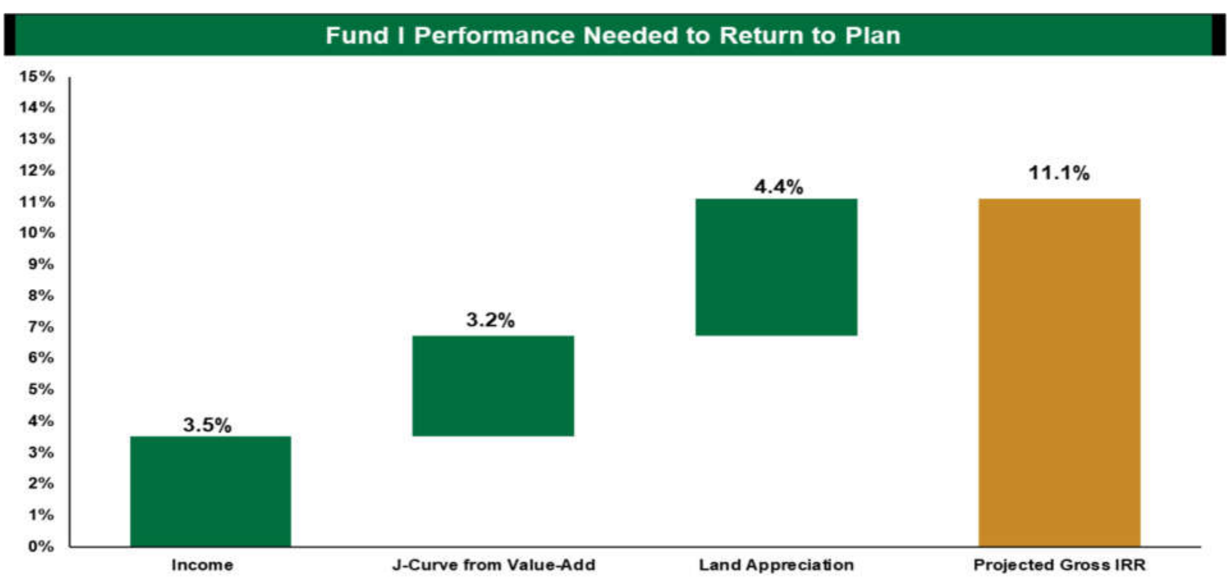


Inception to Date IRR Analysis

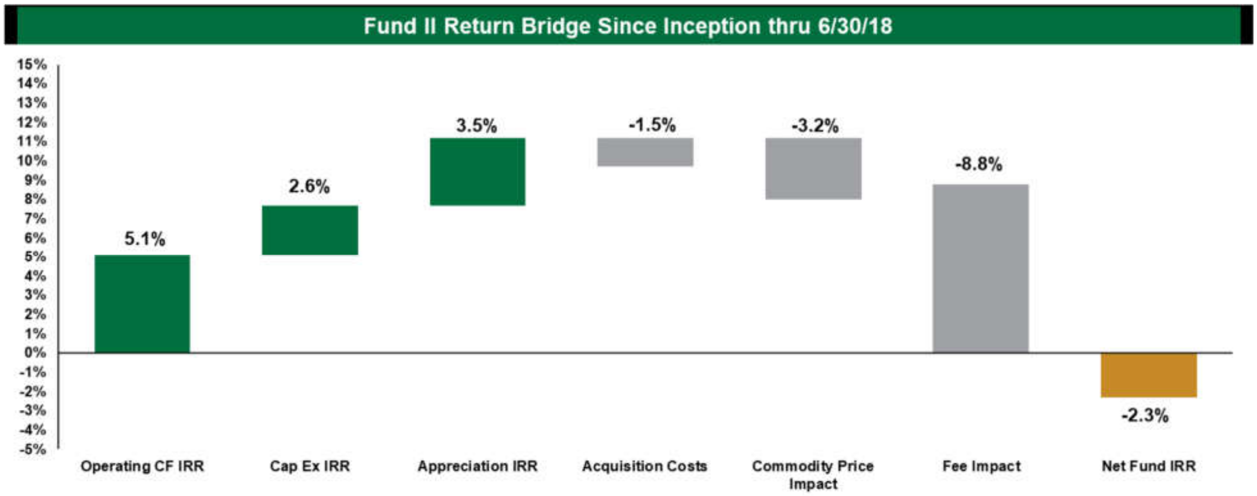
Homestead provide detail on the return bridge for the inception to date IRR for the funds. Fees and commodity price decreases have been the main drivers to the flat performance. Homestead also believes their valuation approach is conservative and adjustments to value are for material price movements only. An example of this is with the recent disposition of Blue Spruce. The investment was carried at the original acquisition cost of $9,000 per acre. The property sold for $10,500 per acre to a third party, realizing a significant markup after acquisition.



As commodity prices recover, income and land values will benefit with renegotiation of leases and future appraisals that are performed every three years. The value-add initiatives are detailed later in the property details section.



Homestead II is still in the J-curve and investment's holding period is less than one year.



Homestead I Portfolio Summary

In looking at the underlying assets for Fund I, there are 20 farms acquired between 2014 and 2016 and are primarily in the development stage of implementation. Four farms are currently below expectations, four are exceeding expectations, and the other 12 are in line with the initial underwriting. The charts that follow give additional detail into all 20 farms in Fund I.

Homestead had a partial sale of 120 acres in its property Blue Spruce, which is detailed below in the case studies. The Fund exited the remaining position in the third quarter showing that selected exit opportunities will be executed with strategic investors. Since a significant amount of the remaining portfolio is under development, Homestead is hesitant to sell large portions of the portfolio where value-add projects have not yet run their course. Given the current commodity price environment, Homestead believes it is prudent to wait until we see a recovery in crop prices before we actively market the portfolio.

BELOW EXPECTATIONS

Project		Key Performance Drivers	Performance to Date
Red Birch		➢ Negotiate favorable lease ➢ Produce export quality hay ➢ Improve irrigation plan ➢ Implement soil nutrition program	➢ Underperformed due to operator issue and had to replace operator ➢ Replaced operator with top tier operator from Red Willow and settled for an average cash rent which escalates once work to improve farm is complete ➢ Completed soil nutrition plan, put in wheel tracks for pivots, and repaired irrigation mainline
Crop Type	Row		
Initial Acquisition	2014		
Cost	$7.1		
Current IRR	-1.7%		
Projected IRR	3-8%		
Scarlet Elm		➢ Negotiate net share lease ➢ Converting non-crop acreage to producing cropland ➢ Large scale precision leveling programs	➢ Farm originally encumbered with a below-market cash rent lease which we then converted into a net share ➢ The largest driver of performance was the heavy rains and bad weather during the 2016 crop year which resulted in a no-plant ➢ We have subsequently changed operators and implemented a major capex work, including leveling 2,686 acres
Crop Type	Row		
Initial Acquisition	2015		
Cost	$19.1		
Current IRR	1.1%		
Projected IRR	6-8%		
Gray Poplar		➢ Increase cash rents ➢ Sale of non-contiguous acreage ➢ Change operator	➢ Cash rental rate declined modestly in 2017 due to sustained lower prices in corn and soybeans ➢ Since our acquisition the carrying value of the property has depreciated by approximately 5%, consistent with IN farmland values of similar quality
Crop Type	Row		
Initial Acquisition	2015		
Cost	$4.5		
Current IRR	0.1%		
Projected IRR	4-8%		
Yellow Aspen		➢ Identify lower performing varieties and replace with high value varieties ➢ Improve marketing program and increase sales/ton ➢ Partner with top quality operator	➢ Crop production by the Pinot Noir and Chardonnay varieties fell below budget forecasts due to inclement weather in 2016 and 2017 ➢ Poor margins and the appearance of virus on the Pinot Gris varieties resulted in decision to remove all acres after the 2017 harvest, and two adjacent Chardonnay blocks, for redevelopment to Pinot Noir vines, which are much more profitable to grow ➢ The carrying value of Yellow Aspen was reduced to reflect the vines removed for redevelopment ➢ Approximately $3,000,000 is budgeted to complete the redevelopment project. Planting will occur in 2019
Crop Type	Permanent		
Initial Acquisition	2015		
Cost	$23.5		
Current IRR	-6.5%		
Projected IRR	7-10%		

ABOVE EXPECTATIONS

<table>
<tr><th colspan="2">Project</th><th>Key Performance Drivers</th><th>Performance to Date</th></tr>
<tr><td colspan="2">Blue Spruce</td><td rowspan="6">➢ Valuation arbitrage
➢ Sale of non-contiguous acreage</td><td rowspan="6">➢ Sale of 120 acreage parcel within 7 months of ownership
➢ Full exit of remaining acreage in Q3 2018</td></tr>
<tr><td>Crop Type</td><td>Row</td></tr>
<tr><td>Initial Acquisition</td><td>2016</td></tr>
<tr><td>Cost</td><td>$3.3</td></tr>
<tr><td>Current IRR</td><td>11.0%</td></tr>
<tr><td>Projected IRR</td><td>11.1%</td></tr>
<tr><td colspan="2">Gold Oak</td><td rowspan="6">➢ Certification of wetland mitigation bank
➢ Sale of mitigation bank credits</td><td rowspan="6">➢ Certification of 11.26 credits in 2017
➢ Sale of 9.38 credits in 2018
➢ Demand outlook for continued sale of credits remains strong</td></tr>
<tr><td>Crop Type</td><td>Row</td></tr>
<tr><td>Initial Acquisition</td><td>2015</td></tr>
<tr><td>Cost</td><td>$1.6</td></tr>
<tr><td>Current IRR</td><td>20.0%</td></tr>
<tr><td>Projected IRR</td><td>14-16%</td></tr>
<tr><td colspan="2">Yellow Pine</td><td rowspan="6">➢ Acquire adjacent ground and convert to almond production
➢ Drill new irrigation well to ensure adequate water
➢ Improve persimmon packing efficiency</td><td rowspan="6">➢ Additional adjacent acreage was acquired at the end of 2014; work on 70 acres of redevelopment and new plantings to persimmons and almonds began in 2015
➢ A new irrigation well was drilled and new persimmon packing equipment was installed, increasing packing efficiency, capacity, and lowering labor costs
➢ Operating results have exceeded expectations, averaging over 10% annual cash-on-cash yield since inception</td></tr>
<tr><td>Crop Type</td><td>Permanent</td></tr>
<tr><td>Initial Acquisition</td><td>2014</td></tr>
<tr><td>Cost</td><td>$3.4</td></tr>
<tr><td>Current IRR</td><td>14.7%</td></tr>
<tr><td>Projected IRR</td><td>14-20%</td></tr>
<tr><td colspan="2">Silver Maple, LLC</td><td rowspan="6">➢ Leverage distressed sale situation by negotiating long-term lease with attractive rent escalators
➢ Extend solar lease option on the farm</td><td rowspan="6">➢ Homestead negotiated long-term triple-net lease with a biennial rent escalator (rent increases every 2 years at a 5% compound rate) with a large chipping potato producer
➢ The arrangement provides for minimal capital needs and high visibility into an attractive income stream
➢ Property has appreciated by 6% since acquisition</td></tr>
<tr><td>Crop Type</td><td>Row</td></tr>
<tr><td>Initial Acquisition</td><td>2016</td></tr>
<tr><td>Cost</td><td>$13.9</td></tr>
<tr><td>Current IRR</td><td>11.9%</td></tr>
<tr><td>Projected IRR</td><td>9-12%</td></tr>
</table>

IN LINE WITH EXPECTATIONS

Project		Key Performance Drivers	Performance to Date
Green Spruce		➢ Capital improvement plan ➢ Change crop rotation ➢ Partner with leading operator ➢ Negotiate a net share lease	➢ Major capital work to upgrade irrigation system across 3 farms: Removed 2 miles of concrete ditches: ➢ Constructed new irrigation canal ➢ Installed center pivot irrigation systems ➢ Capex plan enabled a change of crop rotation and a partnership with the leading potato producer under a net share ➢ Underwriting plan on track for two potato rotations
Crop Type	Row		
Initial Acquisition	2014		
Cost	$4.7		
Current IRR	5.0%		
Projected IRR	8-10%		
Scarlet Oak		➢ Negotiated net share lease ➢ Deploy capex for precision leveling to improve drainage ➢ Increase crop production yields ➢ Improve irrigation efficiency	➢ Since inception capital activity has included: Precision leveling of 113 acres ➢ Expanding a tail water reservoir ➢ Installation of two re-lift stations ➢ Due to the significant dirt work around the leveling and drainage pipe installation, soybean yields have not yet reached normalized levels but rice yields have been 8% -15% higher than state averages ➢ Property value has appreciated modestly, which is consistent statewide.
Crop Type	Row		
Initial Acquisition	2014		
Cost	$4.9		
Current IRR	2.8%		
Projected IRR	5-7%		
Blue Oak USA		➢ Increase cash rents ➢ Negotiate long-term lease with nursery	➢ Cash rents in top 1/3 of comp universe ➢ Secured long-term lease with nursery with value about 70% higher than row crop leases ➢ Total return impacted by drop in corn and soybean prices and IL land values
Crop Type	Row		
Initial Acquisition	2014		
Cost	$5.7		
Current IRR	5.7%		
Projected IRR	6-9%		
Red Willow		➢ Favorable lease economics ➢ Improved water supply ➢ Produce export quality hay	➢ Negotiated lease for $450/acre (more than double state and county average) due to irrigation improvements, soil quality, top tier operator and strategic location adjacent to hay press ➢ Improved water supply by adding: Precision Dragon Line Sprinkler System ➢ 5 new pumps ➢ 2 new wells ➢ Hay crop was contracted for pressing and export
Crop Type	Row		
Initial Acquisition	2015		
Cost	$19.4		
Current IRR	3.2%		
Projected IRR	6-10%		

Project		Key Performance Drivers	Performance to Date
White Cedar		➢ Identify lower performing varieties and replace with high value varieties ➢ Improve marketing program and increase sales/ton ➢ Partner with top quality operator	➢ 20+ acres of Granny Smith apples were removed from production and grafted to Pink Lady and Sugar Bee varieties. We anticipate higher profitability from these varieties once they mature ➢ 2016 net income exceeded our expectations by over 30%, as a partial crop failure in cherries was more than overcome by stellar production and marketing of the apples and grapes ➢ 2017 performance is projected to come in below our targets for the year despite a bumper cherry crop. Industry wide apple quality issues have reduced realized prices and revenue, which is the main driver of the annual underperformance
Crop Type	Permanent		
Initial Acquisition	2015		
Cost	$5.4		
Current IRR	9.9%		
Projected IRR	10-14%		
Yellow Oak		➢ Identify lower performing varieties and replace with high value varieties ➢ Reduce frost risk ➢ Improve citrus production yield	➢ Substantial redevelopment work planting additional acres and removing and replacing poor performing cultivars. In addition, new wind machines for frost protection and electric pump motors were installed ➢ 53% of the ranch acreage has been under development in various stages since acquisition ➢ Above-budget operating results in 2017 were followed by a challenging 2018 crop that suffered from inclement weather throughout the growing season
Crop Type	Permanent		
Initial Acquisition	2015		
Cost	$9.7		
Current IRR	5.5%		
Projected IRR	12-15%		
Yellow Pine II		➢ Drill new irrigation well ➢ Improve almond cultural practices through high-quality operator ➢ Improve almond production yield potential through cultural practices	➢ 2016 net income underperformed primarily from greater than anticipated costs related to deferred maintenance of the orchard and equipment by the previous owner ➢ The irrigation pump and filter issues have been repaired, in addition to the drilling of a new irrigation well. Pruning activities were also increased to clean up the trees, stimulate new growth and increase crop yield potential.
Crop Type	Permanent		
Initial Acquisition	2015		
Cost	$13.0		
Current IRR	1.5%		
Projected IRR	9-14%		
Maroon Magnolia		➢ Negotiated favorable lease economics ➢ Convert non-productive acreage into crop production, thereby increasing total tillable acres and income	➢ Since acquisition, the vast majority of capex has been invested in precision-leveling about 220 acres of CRP and other low productivity cropland ➢ Over time, this is expected to triple the income potential of that acreage and provide an accretive boost to asset value
Crop Type	Row		
Initial Acquisition	2016		
Cost	$8.8		
Current IRR	3.5%		
Projected IRR	6-8%		

Project		Key Performance Drivers	Performance to Date
Blue Palm		➢ Increase cash rents ➢ Sale of non-productive land and improvements	➢ Cash rents in top 1/3 of comp universe ➢ Since acquiring the farm we have parceled off and sold 2 residences ➢ Total return impacted by drop in corn and soybean prices and IL land values
Crop Type	Row		
Initial Acquisition	2016		
Cost	$5.7		
Current IRR	3.1%		
Projected IRR	5-8%		
Brown Oak		➢ Lease conversion ➢ Partner with high-quality operator ➢ Improve irrigation infrastructure	➢ Negotiated net share lease with leading operator, allowing us to benefit from contracted processed potato sales leading to higher prices and less volatility ➢ Invested in irrigation upgrades including a new pump station, mainline, and the pay off of BOR water which makes the farm more attractive to potential buyers upon exit ➢ Project has increased in value by approximately 8% since acquisition
Crop Type	Row		
Initial Acquisition	2016		
Cost	$2.8		
Current IRR	7.8%		
Projected IRR	8-10%		
Brown Willow		➢ At least 2 potato rotations ➢ Favorable lease economics ➢ High quality operator ➢ Convert dryland to irrigated acres	➢ On track for 2 potato rotations ➢ Entered into attractive net share with large processed potato producer with fixed contracts with McCain, etc. ➢ Converted 97 acres from dryland to irrigated by adding corners and converting CREP acres ➢ New processing facility in area driving appreciation
Crop Type	Row		
Initial Acquisition	2016		
Cost	$9.5		
Current IRR	1.4%		
Projected IRR	8-10%		

<table>
<tr><th colspan="2">Project</th><th>Key Performance Drivers</th><th>Performance to Date</th></tr>
<tr><td colspan="2">Brown Maple</td><td rowspan="6">➢ Favorable lease economics
➢ High quality operator
➢ Increase irrigated acreage
➢ Deliver above market potato yields to show improved capability of farm</td><td rowspan="6">➢ Secured top quartile rent with a high quality operator
➢ Favorable lease economics
➢ Added new pivot and moved old pivot to unused corners which added 26 irrigated acres that we had placed no value on at acquisition
➢ Delivered potato yields 25cwt/acre above Idaho avg.</td></tr>
<tr><td>Crop Type</td><td>Row</td></tr>
<tr><td>Initial Acquisition</td><td>2016</td></tr>
<tr><td>Cost</td><td>$6.6</td></tr>
<tr><td>Current IRR</td><td>7.1%</td></tr>
<tr><td>Projected IRR</td><td>8-10%</td></tr>
</table>

Homestead has been acquiring and creating value within its farms since 2014. During this time, several crops have experienced price decreases. Corn had decreased approximately 20% from January 2014 ($4.42/bushel) down to $3.51/bushel through March 2018. Soybean prices fell from an average of $12.90/bushel to $9.81/bushel (24% decrease), and almonds have declined from $4.00/pound to $2.53/pound. In an environment of declining commodity prices, Homestead has been creating value within their properties that may not be reflected in their carrying values at present, but will benefit Fund I and Fund II over the long term. Two examples of creating value in their current portfolio is listed below.

CASE STUDIES

Project Blue Spruce (Illinois)

Blue Spruce is a row crop farmland property located in Northern Illinois that primarily produces corn and soybeans. Homestead I purchased the asset in May of 2016 comprising three tracts which including the main 246 acre parcel and two smaller parcels totaling 120 acres. Homestead originally sourced this transaction through a neighboring landowner who operated the property and wanted to maintain access to the land. The neighbor did not have the financial capability to purchase the property, and Homestead was able to negotiate a deal with the owner prior to an auction process to purchase the farm and retain the neighbor as the operator. The privately negotiated deal allowed Homestead to purchase the land at a discount to comparable sales in the region. After just seven months of owning the farm, Homestead negotiated with the neighbor to sell the smaller two tracts for a return of 15% on the partial sale despite a 12% decline in corn prices and a 3% decline in comparable Illinois farmland. In mid-2018, Homestead was under contract to sell the remaining acreage under terms that generated a net project return of 12.6%.

Project Green Spruce (Oregon)

Green Spruce comprises three row crop farms located in Malheur County, Oregon. Homestead purchased the three properties between 2013 and 2015 for total acres of 747 acres at $4,904 per acre. The original crops grown on the property included alfalfa, wheat, and corn. Homestead partnered with a top producing potato and beet operator who had been farming in the region for close to 60 years. Homestead identified that the land needed significant capital improvements including a new irrigation system and relocation of a canal to improve efficiency. The team established an appropriate capex plan to upgrade systems and change the crop rotation. The transformation is currently underway with a transitioned to corn, potatoes, and sugar beet crops. The lease structure with the operator is a net share agreement where Homestead seeks to capitalize on improved prices, growth, and outlook. While the full value of the transformation has not been reflected in the valuation, the execution plan is on track.

Other Issues

LEGAL ISSUES

No legal issues involving the Firm or its investment team were reported by Homestead. Homestead will promptly notify the LP Advisory Board after it becomes aware of the occurrence of any pending lawsuit or legal proceeding that may adversely and materially affect the Fund.

POTENTIAL CONFLICTS

Homestead has stated that there have been no material conflicts of interest within the Firm to date. Should any potential or actual conflicts arise in the future, Homestead shall seek the advice and majority consent of its LP Advisory Board.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE

Homestead has a formal ESG Policy that helps guide the firm and team in maximizing both annual return and asset value of agricultural properties acquired through management practices and improvements that focus on the long-term sustainability of the land. Homestead believes this approach will lead to higher crop production, higher net farm incomes, and increased asset values.

The Firm believes that effective corporate governance and ESG are an essential part of making smart investment decisions. As a result, the General Partner's plan to play an active role in the corporate governance of its portfolio farms by maintaining sustainable farming practices and ensuring that the operators comply and uphold the highest standard of ESG related policies. Farms will typically achieve their maximum value when managed in an environmentally conscious way. Homestead believes that improving a property, focusing on long-term sustainability, and using best sustainable management practices will lead to higher crop production, higher net incomes, and maximum asset values.

Some examples that Homestead and its RFMs have undertaken include:

- Use of global positioning sampling to obtain granular-level soil characteristics of a property to determine which nutrients may be deficient or lacking
- Use of variable rate technology to specifically apply the appropriate amounts of soil amendments in areas of a property that require it thereby reducing over-application
- Reliance on no-till technologies to reduce soil erosion, water runoff, fuel needs, and soil moisture loss

- Implementation of soil and water conservation measures
- Upgrading irrigation equipment to reduce water usage, efficiency, and electricity or fuel consumption

INTERNAL CONTROLS

Cash Flow Management and Accounting

Meketa Investment Group's due diligence for Homestead Capital USA Farmland III, L.P. included an Operations Review of existing practices relating to: cash flow management; and accounting, policies, controls, and auditing. Homestead Capital outsources the farm-level accounting function to Dickinson and Clark and the fund level accounting function to Conifer Financial Services (a subsidiary of SS&C Technologies). Both activities are overseen by Peter Susko, Homestead's Chief Financial Officer, and Andrea Davidson, Homestead's Finance Director and Controller.

Cash flow management strengths include:

- Division of control is very good. Each transfer needs to be signed by both Conifer and Homestead, and is recorded in two different systems for later reconciliation.
- Capital call and distribution notices are clear, detailed, and created in a timely manner.
- Conifer Financial Services is used as Fund Administrator. This is a well-established service group with a solid track record for accuracy, servicing many private markets clients.

Accounting-related strengths include:

- Separate books and records used at the Fund and asset level.
- Dual-track accounting system of recording and tracking transactions, at both an individual asset and fund level.

Valuations

Homestead Capital USA Farmland III appears to meet best practices for accounting and valuation policies, which are deemed appropriate for this investment vehicle. We were able to identify that the valuation methodologies used are in line with the policies of the Manager and are in line with industry standards. The financial statements will be audited annually by Deloitte & Touche LLP and prepared according to United States generally accepted accounting standards. The Fund is not required to submit valuations to the LP Advisory Board for review and concurrence and does not plan to do so.

REPORTING

Homestead will furnish a quarterly Capital Account Statement for Limited Partners, audited annual financial statements, unaudited quarterly financial statements, quarterly descriptive investment information for each portfolio investment, and annual tax information. Generally, Homestead makes quarterly reports available within 45 days after the end of the quarter for the first three quarters, and within 90 days after the end of the fiscal year (December).

MIG's Operations Review of Homestead Capital USA Farmland II included a review of reporting to date for Homestead I and Homestead II, in which Meketa clients are invested, and a review of reporting related information in DDQs and elsewhere. Overall, Meketa is comfortable with Homestead's reporting practices and accuracy.

FUND MARKETING

Homestead briefly engaged Dan Drake from Allegro Securities to assist with fundraising efforts for Fund III. Homestead terminated his contract as of December 31, 2019. As a result, Homestead is not currently utilizing a placement agent to assist with fundraising for Fund III. Homestead did not use a placement agent for its prior two funds.

No compensatory relationship exists between Meketa and Homestead or Allegro Securities.

LIMITED PARTNERS

Homestead has raised a total of $402 million of commitments from Limited Partners. Homestead is in discussions with several prospective investors with soft-circle commitments totaling approximately $200 million.

Limited Partners	Total Commitment ($ in millions)
Washington State Investment Board	150
New Jersey State Retirement	100
District of Columbia Retirement Board	35
Maine PERS	30
Rhode Island State Retirement	25
Others	62
Total	**402**

Investment Analysis

SWOT ANALYSIS

Strengths:

→ RFM NETWORK – Homestead has built a network of eleven Regional Farm Managers that assists with deal sourcing, evaluation, and property management within their respective regions. The RFMs are prominent figures in their geographies and are members and leaders of their local ASFMRA organization. Six of 32 deals in Funds I & II were sourced through RFMs.

→ PROPRIETARY DEAL FLOW – The networks of Homestead's investment professionals and RFMs provide the Fund with unique market intelligence and deal sourcing that are often executed in off market transactions in limited or no competition situations.

→ TEAM – The Homestead team, including its RFMs, have been working together for several years and have known each other for even longer. Their collective experience brings together a complementary blend of skill sets across finance, farm management and operations, portfolio management, and legal. Homestead expects to make several mid and junior level additoins to its team in the near term.

→ VALUE-ADD EXECUTION – While still early, Homestead and its RFMs have been executing to plan its roadmap for value creation through capex improvements, partnering with high quality tenant farmer, and optimizing farming operations. In general, Homestead managed farms have experienced increased crop yields and above-market rents.

→ DIVERSIFIED EXPOSURE – Homestead will provide diversified exposure to farmland across geography, lease type, crop type, and tenant farmers.

→ LESS COMPETED MARKET – While the Fund represents a sizable increase from its prior fund, it seeks to maintain its focus on the smaller and less competitive segment of the farmland market. In general, the $5 million to $25 million segment is too small for the larger funds or direct institutional investors to consider and too large for non-corporate farmers or individual investors to access.

→ CARRIED INTEREST – The Fund's 15% carried interest is relatively lower than many other farmland private equity funds.

Weaknesses:

→ LIMITED PERFORMANCE – Funds I and II are primarily unrealized and held at or close to cost.
  - → Mitigating Factor(s): Fund I recently realized an investment for a 12.6% IRR in an opportunistic value arbitrage. The average holding periods for Fund I and II investments are 3.5 years and 1.5 years, respectively, and value creation is still underway for both portfolios.

→ NON-EXCLUSIVE RFMS – RFMs are non-exclusive contractors that may manage farms of other clients.
  - → Mitigating Factor(s): Homestead is the largest client for each RFMs and has a right to first look at each investment opportunity and consent rights for any new non-Homestead business. By remaining non-exclusive, RFMs are still considered independent allowing them to better source deals and operators.

→ SMALL GP COMMITMENT – The team is contributing $4.0 million (or approximately 0.6% based on a $700 million size) with up to half being funded from management fee offsets.
  - → Mitigating Factor(s): Homestead's vehicles are structured with a European waterfall, and a significant portion of the Co-Founders' net worth are locked up in Homestead managed funds. The Fund's GP Commitment represents an increase from the $1.5 million commitment for Fund II.

→ SENIOR DEPARTURES – Gary Thien made a decision to retire from Homestead in 2018, and Alex Sauer made the decision to pursue another opportunity in 2020.
  - → Mitigating Factor(s): While Gary was instrumental in establishing Homestead's RFM network, his departure is not expected to have an adverse effect on it. The network has grown to 11 RFMs including the addition of Adam and David Thien, Gary's two sons. Scott Bozzo will join the team shortly and assume Alex's responsibilities.

→ ORGANIZATION AND TEAM GROWTH – The Homestead team has experienced rapid growth over the past few years. With several recent hires located outside of its San Francisco headquarters and the departures of Gary Thien and Alex Sauer, it will be important for Homestead to maintain its culture and close team collaboration.

Opportunities:

→ FRAGMENTED OWNERSHIP – U.S. farmland ownership is highly fragmented and dominated by small scale farms owned by individuals and families. The average age of the U.S. farmland owner is of retirement age, and an ownership transfer is underway. As fewer individuals are continuing the family farming business, ownership of farmland is increasingly being consolidated with institutional investors.

→ INCREASING GLOBAL DEMAND – Global demand for food and agricultural products will continue to increase as world population is projected to increase by over 30% to 9.3 billion by 2050. Additionally, the growing ranks of the middle class in emerging markets countries will increase the consumption of food and meats as their incomes rise. The U.S. will continue playing a significant role in supplying the world with food.

→ MACHINE TECHNOLOGY – Increased use of machinery allows farmers to significantly scale operations and increase the farmland they operate. Machinery and the cost of land is very capital intensive. In an effort to free up capital, many tenant farmers are opting to lease and operate farmland as opposed to owning and operating farmland.

→ FARMLAND TECHNOLOGY – Increased use of technology allows farmers to optimize efficiencies, the use of inputs (e.g., fertilizers, nutrients, pesticides), and risks including production, weather, and pests.

→ GOVERNMENT SUPPORT – The U.S. government is highly supportive of its farming industry including the subsidized crop insurance program and recently announced tariff relief package for U.S. farmers.

Threats:

→ GOVERNMENT POLICY – Changes in government policy, as it relates to industry specific issues, may affect trade, crop insurance, and credit financing assistance programs. Global trade issues and tariffs have the potential to impact U.S. agriculture exports.

→ COST AND AVAILABILITY OF LABOR – Increasing labor costs, as a result of increased minimum wages at the stage and federal level, may impact farm profitability and investment returns.

→ LOWER COMMODITY PRICES – The Fund will derive income from the lease arrangements with its farmer tenants which are subject to counterparty risk. A sustained low commodity price environment may place pressure on farm profits which may in turn limit a farmer's ability to pay its base rents. Additionally, custom/direct operations will have increased exposure to commodity prices.

→ COMPETITION – Interest in farmland as an asset class has grown significantly. Several new private equity managers, including Homestead, have formed to make investments in the space. Additionally, sovereign wealth funds, pension funds, and other institutional investors are actively making direct investments in farmland. Lots of dry powder stands ready to be invested within the asset class which may present increased competition for Homestead.

→ WEATHER AND DISEASE – Investments in farmland are subject to risks as they relate to natural disasters, inclement weather, disease, and access to water.

→ GMOS – An overwhelming majority of U.S. farmland utilizes GMO crop varieties. Domestic and international regulation and/or restrictions on the use of GMO modified seeds may impact the business operations and profitability of U.S. farm operators.

COMPETITION

International Farming Corp./U.S. Farming Realty Trust IV

→ U.S. Farming Realty Trust III closed on just over $500 in 2014 and the team is expected to launch Fund IV soon.
→ USFRT III strategy is to invest in U.S. farmland, lease and partner with farmer tenants, improve land and crop yields by investing in capex projects, and develop storage and processing facilities. The fund conducts experimental Top Trials on each of its properties to help maximize yields on the farmland.
→ Meketa has clients invested in IFC's prior fund, U.S. Farming Realty Trust II.

Ceres-Sprott Institutional Farmland Fund/Ceres Partners & Sprott Resources Investment Corp.

→ Ceres-Sprott Institutional Farmland Fund I launched in March 2018 targeting $500 million for a close-end partnership.
→ Sprott is sponsoring the fund with a commitment of $50 million and will be providing operational and marketing support. Ceres will manage the portfolio and will have full investment authority.
→ Ceres will focus on row crop farmland located in North America that can be improved with their value add strategy. Value add opportunities will include improving or adding irrigation systems, building storage for grain and other crops, or adding solar leases to enhance returns.

Red Reef Farmland Opportunities Fund I/Red Reef Partners

→ Red Reef Farmland Opportunities Fund launched in 2018 targeting $300 million in capital commitments.
→ Established in 2009, Red Reef Partners specializes in North American farmland acquisitions and operations. Red Reef focuses on third party tenant operated farms in regions with abundant water resources and productive soils.
→ Red Reef focuses on sourcing deals leveraging its network and diversifying portfolios by region, crop type, and operating model.

Folium Agricultural fund I/Folium Capital

→ Folium Agricultural Fund I closed in 2018 exceeding their initial target of $250 million.
→ Folium was formed in 2015 by three former managing directors who built the timber and agricultural portfolios at Harvard Management Company. The group was seeking to raise two separate vehicles, Timber Fund I and Agriculture Fund I.

→ The team will seek opportunities primarily in North America, Latin America, Eastern Europe, Iberian Peninsula, Nordic countries, and Oceania.

Full Harvest Agricultural Opportunities Fund III/Chess Ag Full Harvest Partners

→ Founded by former Goldman Sachs trader, Shonda Warner, in 2006.

→ Chess Ag raised two prior funds before launching their third vehicle in 2017. The Fund has had difficulty raising capital looking to transition to more institutional investors.

→ Their strategy is a focus on buying farms with technology at the forefront of agricultural change. The Fund will take advantage of rising incomes and a growing middle class, with consumers becoming more health conscious and therefore increasing demand for higher quality foods.

Water Asset Management/Water Property Investors II

→ Not in market. $350 million target with a $500 million hard cap.

→ Closed-end vehicle. 2% management fee; 8% preferred return; 20% carried interest.

→ WPI II will seek to acquire and repurpose water rights in the Western U.S. It will seek to create a portfolio of 70% water-rich farmland and 30% water resource assets (e.g., water rights, water effluent credits, conservation credits, and water storage assets. WPI II will seek to monetize its assets through the sale or lease of water to higher-value municipal, industrial, and environmental consumers.

US Farm Trust Advisors/US Farm Trust

→ Not in market. $300 million raised in 2015 below its $400 million target.

→ UPREIT vehicle. 1.5% management fee; 1% acquisition fee; 1% disposition fee.

→ US Farm Trust will acquire, lease, and manage row crop farmland comprising corn, soybeans, wheat, cotton, and rice. Initial acquisition leverage will not exceed 50%, and the total fund leverage will not exceed 50% to 60% LTV. Income will be derived from base rents plus a percentage of income above a threshold.

SUMMARY

Homestead Capital USA Farmland Fund III represents an attractive opportunity to invest in U.S. row and permanent crop farmland with an experienced and connected management team. The team will utilize its regional farmland management network to source attractive acquisitions for Fund III's portfolio. Homestead's value-add approach seeks to improve the land through capital improvements and implementation of operational improvements, efficiencies, and best farming practices to maximize land value and crop production. The Fund is expected to be diversified across U.S. geographies, tenant farmer, lease types, and crop type. Relative to prior funds, Fund III is expected to have increased allocations to permanent crops and custom/direct leases. Meketa Investment Group believes an investment in the Fund is compelling for the following reasons:

→ RFM NETWORK – Homestead has built a network of eleven Regional Farm Managers that assists with deal sourcing, evaluation, and property management within their respective regions. The RFMs are prominent figures in their geographies and are members and leaders of their local ASFMRA organization.

→ PROPRIETARY DEAL FLOW – The networks of Homestead's investment professionals and RFMs provide the Fund with unique market intelligence and deal sourcing that are often executed in off market transactions in limited or no competition situations.

→ TEAM – The Homestead team, including its RFMs, have been working together for several years and have known each other for even longer. Their collective experience brings together a complementary blend of skill sets across finance, farm management and operations, portfolio management, and legal. Homestead expects to make several mid and junior level additions to its team in the near term.

→ VALUE-ADD EXECUTION – While still early, Homestead and its RFMs have been executing to plan its roadmap for value creation through capex improvements, partnering with high quality tenant farmer, and optimizing farming operations. In general, Homestead managed farms have experienced increased crop yields and above-market rents.

→ DIVERSIFIED EXPOSURE – Homestead will provide diversified exposure to farmland across geography, lease type, crop type, and tenant farmers.

→ LESS COMPETED MARKET – While the Fund represents a sizable increase from its prior fund, it seeks to maintain its focus on the smaller and less competitive segment of the farmland market. In general, the $5 million to $25 million segment is too small for the larger funds or direct institutional investors to consider and too large for non-corporate farmers or individual investors to access.

→ CARRIED INTEREST – The Fund's 15% carried interest is relatively lower than many other farmland private equity funds.

There are several considerations involving a commitment to Homestead III that need to be considered. Homestead's track record is limited due to the short timeframe that the firm has been investing. The average holding period of Fund I and Fund II is 3.5 years and 1.5 years, respectively, so both portfolios are early in the development and value creation stages. Although Homestead has a network of eleven RFMs, they are not exclusive relationships. However, Homestead is the largest client for all of the RFMs and have right to first look on opportunities. Homestead has experienced some departures. Gary Thien, who was instrumental in establishing the RFM network, retired in 2018. His retirement is not expected to impact Homestead's relationships with the RFMs. The team has also experienced rapid growth outside of their main headquarters in San Francisco. The Co-Founders emphasize its current culture will be maintained and close team collaboration with new team members and RFMs will continue.

Appendices

Professional Biographies

Daniel Little, Co-Founder & Portfolio Manager (40)

Mr. Little is a Co-Founder and Portfolio Manager at Homestead Capital and is a member of the firm's Investment Committee. He brings over 15 years of professional investment and agricultural experience with a focus on portfolio construction and risk management. He was previously a Fund Manager at J.P. Morgan, leading the Global Access portfolio management team's investment efforts in Asia where he was also a senior member of the Asia Local Investment Committee and served on the Global Investment Committee and Global Portfolio Construction Committee. He holds a Bachelor of Arts in Economics and German from Hamilton College and a Master's Degree in International Affairs/International Finance & Business from Columbia University. Mr. Little is from Ohio where he owns a farm near Wooster.

Gabe Santos, Co-Founder & Portfolio Manager (40)

Mr. Santos is a Co-Founder and Portfolio Manager at Homestead Capital and is a member of the firm's Investment Committee. He brings over 15 years of investment, acquisition, and agricultural experience to the firm. Mr. Santos was previously with the Global Natural Resources Group within the Investment Banking Division at Goldman, Sachs & Co. While at Goldman, he advised clients on buy-side and sell-side transactions, public and private equity financings, and other strategic advisory initiatives across the agricultural sector. Prior to joining Goldman, Mr. Santos was a mergers and acquisitions attorney. Mr. Santos received a B.A. from the University of California, Los Angeles (UCLA) and a J.D. from Georgetown University Law Center.

Tony Windham, Vice President (58)

Dr. Windham is a Vice President at Homestead Capital and is a member of the firm's Investment Committee. He is primarily focused on the management and acquisition of Homestead's row crop investments. Dr. Windham previously served 28 years with the University of Arkansas Division of Agriculture and was most recently Director of the Arkansas Cooperative Extension Service. While at the University of Arkansas, Dr. Windham was responsible for leading the statewide research and extension programs with the goal of improving farmer productivity and profitability. He has deep experience in agricultural finance, crop budgeting, commodity marketing and farm management.

Dr. Windham earned his B.S. degree in Agricultural Engineering Technology and Business and his M.S. and Ph.D. degrees in Agricultural Economics from Mississippi State UniversityHe is a member of the American Society of Farm Managers and Rural Appraisers where he served as Chair of the Editorial Committee and as a member of the Executive Council as Academic Vice President. Dr. Windham is a native of Scott County, Mississippi where he grew up on a beef cattle farm.

Scott Bozzo, Vice President (35)

Scott Bozzo is a Vice President at Homestead Capital and will be primarily focused on the sourcing, acquisition and management of permanent crop properties. Prior to joining Homestead Capital, Mr. Bozzo was an Associate Director with UBS Farmland Investors (a division of UBS Global Real Estate) and a member of their Investment Committee. In his 7+ years with UBS, Mr. Bozzo's responsibilities included diligence for and underwriting of new investments, analyzing capital expenditure projects for many of the portfolio's permanent crops, negotiating leases with tenants, and evaluating commodity market trends. Mr. Bozzo managed a diversified portfolio in the Western Region that consisted of vineyards in CA's acclaimed Napa, Sonoma, and Monterey Counties; almonds, pistachios, and commodity row crops in CA's Central Valley; vegetables, apples and berries in the Salinas Valley and in the Oxnard Plain; and row crops and vegetables in Yuma, AZ. Mr. Bozzo is currently on the Board of Directors for the CA Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA). He has been highly involved within ASFMRA and received his Accredited Farm Manager (AFM) designation from the organization. Mr. Bozzo served on the Young Professionals Network (YPN) Leadership Committee within ASFMRA and was a key contributor in forming the organization to help further young professionals in their farm management and appraisal careers. Mr. Bozzo received his bachelor's degree in finance with an emphasis in real estate from California State University of Fresno, where he graduated Cum Laude. Mr. Bozzo continues to be a guest speaker at Fresno State, encouraging college students to pursue careers in agriculture. His spare time is spent with his wife and 2 children in Lodi, CA.

Ryan Gallant, CFA, Managing Director (32)

Mr. Gallant is a Vice President and Portfolio Manager at Homestead Capital and is a member of the firm's Investment Committee. He focuses on all aspects of the firm's capital allocation decisions including underwriting, capital expenditures, risk management, portfolio construction, and dispositions. Mr. Gallant's background includes a diverse range of analytical investment experience prior to joining Homestead, most recently as a Vice President in the Global Investment Research Division of Goldman Sachs where he was a high yield and distressed debt analyst. He began his career at J.P. Morgan where he initially focused on portfolio construction and risk management for a suite of global multi-asset class investment vehicles and later traded fixed income securities. Mr. Gallant holds a B.S.E. in Mechanical Engineering from Duke University and is a CFA charterholder.

Patrick Trainor, Managing Director (36)

Mr. Trainor is a Vice President and Head of Acquisitions at Homestead Capital and is a member of the firm's Investment Committee. Prior to joining Homestead Capital, he served as Executive Vice President and Head of Portfolio Management for the Westchester Group ("Westchester"), a TIAA-CREF majority owned subsidiary. In this role, he was responsible for overall portfolio construction, management, and reporting for all client accounts and funds, while also participating on Westchester's Global Investment Committee. Prior to taking over the portfolio management function he served as Westchester's Director of Acquisitions for the US Row Crop business and lead of the Midwest region.

Kyle Jacobs, Vice President (33)

Mr. Jacobs is a Vice President at Homestead Capital and focuses on farmland due diligence of row and permanent crop farms. He has over 15 years of experience in production agriculture in the Mountain West. Prior to joining Homestead, Mr. Jacobs spent his career as a second-generation farmer at Silver K Farms based in Idaho. In addition to his vast agricultural network, he brings a deep knowledge of a wide range of crops, including potatoes, barley, wheat, triticale, corn, and alfalfa. Mr. Jacobs holds a B.S. in Business `Management from Brigham Young University in Idaho. He is also a former Board Member of Potatoes USA, a leading marketing organization representing the 2,500 commercial US potato growers.

Chad Wong, Analyst (25)

Mr. Wong is an Analyst at Homestead Capital and focuses on financial analysis, research and other portfolio management-related activities. Prior to joining Homestead, Mr. Wong was an Analyst at Barclays in New York City. Mr. Wong holds a B.S. in Finance and Economics from New York University.

Regional Farm Managers

Ray Brownfield AFM, ARA, Midwest Manager

Mr. Brownfield is the Midwest Region Head for Farm Management and Due Diligence for Homestead Capital. Mr. Brownfield has over 45 years of agricultural property experience. During his career, he has worked in farm management and real estate brokerage for Continental Illinois Bank & Trust Company, First National Bank of Peoria, The Northern Trust Bank, Capital Agricultural Property Services, Inc., and John Greene Land Company. Additionally, Mr. Brownfield is a member of the Chicago Farmers, a member of the advisory board for the Chicago High School for Agricultural Sciences and serves on the Illinois State University College of Applied Sciences and Technology Dean's Advisory Board.

David R. Thien AFM, ALC, Midwest Manager

David Thien is the Midwest Region Co-Head of Farm Management and Due Diligence for Homestead Capital. He graduated from Iowa State University in 1999 with a degree in Agricultural Business and Agronomy. He is an Accredited Farm Manager through the ASFMRA and Accredited Land Consultant through the RLI. He is a licensed real estate broker in Iowa and a certified general real property appraiser in Iowa. David has served on a variety of committees through ASFRMA and is currently the Vice President of the Iowa Chapter of Realtors Land Institute. David manages a variety of farms in Iowa, Nebraska, and Northern Missouri. He was named Farm Manager of the Year by Syngenta, Ag Professional magazine, and ASFMRA in 2005. David has expertise in land management, land acquisition, and wetland mitigation banking.

Adam M. Thien AFM, ARA, Midwest Farm Manager

Adam Thien is the Midwest Region Co-Head of Farm Management and Due Diligence for Homestead Capital. He graduated from Iowa State University in 2002 with a degree in Horticulture. He is an Accredited Farm Manager through the ASFMRA. He is a licensed real estate salesperson in Iowa and Nebraska an associate general real property appraiser in Iowa. Adam has served on a variety of committees through ASFRMA and is currently the President-Elect of the Iowa Chapter of ASFMRA. Adam manages a variety of farms in Iowa, Nebraska, and Northern Missouri. He was named Farm Manager of the Year by Syngenta, Ag Professional magazine, and ASFMRA in 2005. Adam has expertise in land management, land acquisition, and wetland mitigation banking.

Thomas V. Boyer AFM, ARA, Midwest Farm Manager

Mr. Boyer is the Mountain West Region Head for Farm Management and Due Diligence for Homestead Capital. Mr. Boyer was formerly President of the American Society of Farm Managers and Rural Appraisers. He received his BS degree from Brigham Young University in Agricultural Economics and a Master's degree from BYU in Agricultural Business. Since 1980, Mr. Boyer has been providing short and long term farm management and consulting for farmland in the Mountain West. His areas of expertise include farm and ranch rural real estate appraisal, farm and ranch management, strategic farmland planning, and leadership and management training. In the past Mr. Boyer has worked with, Amoco Production Company, Chevron Oil Company, local governments, economic development agencies, banks, and credit unions, Western Wyoming Community College, Utah State University, and the University of Wyoming, the Government of Ecuador and the Government of India. Mr. Boyer is an Accredited Farm Manager and Accredited Rural Appraiser.

Carrie Gibson, Mountain West Manager

Ms. Gibson is a Regional Farm Manager in the Mountain West Region for Homestead Capital. She received her B.S. in Accounting from Weber State University and her MAcc (Master of Accounting) degree from Brigham Young University and has successfully passed the CPA exam. She received her accredited Agricultural Consultant (AAC) designation through the American Society of Farm Managers and Rural Appraisers. Ms. Gibson has vast agricultural experience and specializes in farm management, rural appraisal, agricultural consulting, and acquisitions.

Brandon Vining, Mountain West Manager

Mr. Vining is a Certified Crop Consultant and Mountain West Region Farm Manager for Homestead Capital. Mr. Vining was formerly a Certified Crop Adviser at Simplot, where he was responsible for consulting with growers across the region on fertilizer and chemical needs. He brings a vast agricultural network across Idaho, Oregon, and Utah, and has deep experience working with a broad range of crops produced in Mountain West, including potatoes, sugar beets, barley, wheat, corn, and alfalfa. Mr. Vining received his B.S. in Botany from Idaho State University.

Larry Wright, Mountain West Manager

Mr. Wright is a Mountain West Region Farm Manager for Homestead Capital. Mr. Wright grew up on a farm in Coalville, Utah and has worked on several large-scale improvement projects on farms in the Mountain West Region. Mr. Wright was formerly an accountant at Pepperidge Farm, where he was responsible for inventory management, internal control verification for payroll, receiving, and training new employees in the accounting department. Larry has a background with farming in the Mountain West Region as well as Farm Management from an accounting perspective. Mr. Wright has a B.A. in Accounting from Utah State University.

George E. Baird IV AFM, Delta Manager

Mr. Baird is the Delta Region Co-Head of Farm Management and Due Diligence for Homestead Capital. He grew up on a cotton farm in Sunflower County, Mississippi. He graduated from Mississippi State University in 1993 with a degree in Agriculture Economics. He is an Accredited Farm Manager through the ASFMRA and was the Arkansas Chapter President in 2000. Mr. Baird manages a wide variety of crops including soybeans, rice, cotton, sorghum, and corn. He was named Farm Manager of the Year by Syngenta, Ag Professional magazine, and the ASFMRA in 2006. Mr. Baird has expertise in land development and precision leveling.

Stephen Brunson II AFM, Delta Manager

Mr. Brunson is the Delta Region Co-Head of Farm Management and Due Diligence for Homestead Capital. Mr. Brunson grew up on a row crop and cattle farm in west Tennessee, and he graduated from Mississippi State University with a Bachelor degree in Agriculture Economics and Business Administration as well as a Masters in Agricultural Economics. He is an Accredited Farm Manager through the American Society of Farm Managers and Rural Appraisers. In 1997, Mr. Brunson was recognized as Professional Farm Manager of the Year by ASFMRA. In addition to his 25 years of experience in professional farm management, he has accumulated extensive experience in land development

Darrell Atkinson, AFM, AAC, Pacific Manager

Mr. Atkinson is the Pacific Region Head for Farm Management and Due Diligence for Homestead Capital. He graduated with a Bachelor of Science degree in Business Administration with a concentration in finance from California State University, Bakersfield. His years of experience in agricultural finance and management qualify him to provide clients with expertise in financial analysis of large and complex agribusiness operations as well as development and placement of debt facilities. He was formerly National President of the American Society of Farm Managers and Rural Appraisers (ASFMRA) and President of the California Chapter of ASFMRA. He is an Accredited Farm Manager (AFM) and an Accredited Agricultural Consultant (AAC).

Richard Brockmeyer, Pacific Manager

Mr. Brockmeyer is a Regional Farm Manager in the Pacific Region for Homestead Capital. He is the son of a high school ag teacher from Bakersfield, CA, earned his Ag Business-Ag Economics degree from Cal State-Fresno, and went on to get an MBA from Stanford University before beginning his career in permanent crop agricultural investment and management. He has deep experience in the production, business, and marketing aspects of permanent crop agriculture, with an emphasis on the wine grape sector. Prior to partnering with Homestead, he was responsible for all vineyard property acquisitions for a $300mm institutional investment fund, acquiring properties in Napa, Sonoma, Santa Barbara and Mendocino Counties in California, with additional holdings in Oregon and Washington. He is a former President of the California Chapter of ASFMRA and helped create the Accredited Agricultural Consultant (AAC) designation for the national ASFMRA.

Historical Performance Details

Fund II Investments[6]

As of March 31, 2018 ($ in Millions)

Company	Industry	Date Acquired	Cost ($)	Realized Proceeds ($)	Total Value ($)	Gross TVM (X)	Gross IRR (%)
Unrealized Investments							
Black Alpha II	Row	Dec-16	7.4	0.1	7.5	1.0	2.8
Brown Alpha II							
White Alpha II	Permanent	Dec-16	10.5	0	10.4	1.0	-1.6
Yellow Alpha II	Permanent	Dec-16	13.1	0.2	15.2	1.2	15.8
Blue Alpha II	Row	Jun-17	8.4	0.2	8.6	1.0	3.6
Purple Alpha II	Row	Jun-17	21.4	0	21.8	1.0	2.7
Brown Bravo II	Row	Sep-17	2.6	0	2.6	1.0	4.8
Blue Bravo II	Row	Mar-18	5.4	0	5.5	1.0	NM
Brown Delta II	Row	Mar-18	45.2	0	46.3	1.0	NM
Maroon Alpha II	Row	Mar-18	10.8	0	10.6	1.0	NM
Scarlet Alpha II	Row	Mar-18	2.9	0	2.8	1.0	NM
Yellow Bravo II	Permanent	Mar-18	2.6	0	2.7	1.1	NM
Total Unrealized Investments			154.7	0.8	159.4	1.0	5.8
Total			**154.7**	**0.8**	**159.4**	**1.0**	**5.8**

Fund I Investments[7]

As of March 31, 2018 ($ in Millions)

Company	Industry	Date Acquired	Cost ($)	Realized Proceeds ($)	Total Value ($)	Gross TVM (x)	Gross IRR (%)
Unrealized Investments							
Green Spruce	Row	Mar-14	4.7	0.7	5.5	1.2	5.0
Scarlet Oak	Row	Mar-14	4.9	0.4	5.4	1.1	2.8
Blue Oak USA	Row	Jun-14	5.7	0.5	6.4	1.1	4.0
Red Birch	Row	Sep-14	7.1	0.2	6.7	0.9	-1.7
Yellow Pine	Permanent	Sep-14	3.4	0.8	5	1.5	14.7
Gold Oak	Row	Mar-15	1.6	0.1	2.7	1.7	20.0
Red Willow	Row	Mar-15	19.4	2.2	21.2	1.1	3.2
Scarlet Elm	Row	Mar-15	19.1	0.9	19.7	1.0	1.1
Gray Poplar	Row	Dec-15	4.5	0.3	4.5	1.0	0.1
White Cedar	Permanent	Dec-15	5.4	0.8	6.4	1.2	9.9
Yellow Aspen	Permanent	Dec-15	23.5	0.7	20.4	0.9	-6.5
Yellow Oak	Permanent	Dec-15	9.7	0.4	10.7	1.1	5.5
Yellow Pine II	Permanent	Dec-15	13	0.8	13.4	1.0	1.5
Maroon Magnolia	Row	Mar-16	8.8	0.4	9.4	1.1	3.5
Blue Palm	Row	Jun-16	5.7	0.6	6	1.1	3.1
Blue Spruce	Row	Jun-16	3.3	1.3	3.8	1.1	11.0
Brown Oak	Row	Jun-16	2.8	0.2	3.2	1.1	7.8
Silver Maple, LLC	Row	Jun-16	13.9	1.4	16.9	1.2	11.9
Brown Willow	Row	Sep-16	9.5	0.2	9.7	1.0	1.4
Brown Maple	Row	Dec-16	6.6	0.2	7.2	1.1	7.1
Total unrealized Investments			172.7	13.0	184.3	1.1	2.9
Total			**172.7**	**13.0**	**184.3**	**1.1**	**2.9**

Homestead I Row

Property	Region	State	Lease Type	Description
Blue Palm	Midwest	Illinois	Cash Lease	Cash Rent with annual renewals
Gray Poplar	Midwest	Indiana	Cash Lease	Cash Rent with annual renewals
Brown Maple	Mountain West	Idaho	Cash Lease	2 yr. cash rent lease 2017 & 2018
Red Birch	Mountain West	Utah	Cash Lease	Changed from net share with alfalfa producer to a new operator and cash rent renewed annually to stabilize performance
Red Willow	Mountain West	Utah	Cash Lease	Due to high quality ground, able to negotiate multi-year cash rent lease starting in 2017.
Gold Oak	Midwest	Iowa	Cash Lease & Mitigation Bank Credits	60 acres into wetland mitigation bank exceed cash rent value
Blue Oak USA	Midwest	Illinois	Cash/Flex Lease	Cash Rent with annual renewals & 2 flex to participate in corn/soybean recovery
Silver Maple, LLC	Mountain West	Colorado	Cash/Flex Lease	Potato operator of the farm uses farm as source of seed, so Homestead took advantage and negotiated long-term cash rent with biennial rent escalators above market rates
Maroon Magnolia	Delta	Mississippi	Net Share	Capex projects in precision leveling about 220 acres of CRP and other low productivity cropland is expected to triple income potential
Scarlet Elm	Delta	Arkansas	Net Share	Take advantage of stable income, outlook of rice & soybeans, and improved performance with new drainage system.
Scarlet Oak	Delta	Arkansas	Net Share	Outlook of soybean and rice and precision leveling improvements will enhance potential
Brown Oak	Mountain West	Idaho	Net Share	When cash rent lease expired in 2016, negotiated net share to participate in recover and future outlook of corn, potatoes, sugar beets, and barley
Brown Willow	Mountain West	Idaho	Net Share	Net share with four year crop rotation of potatoes, sugar beets, and barley
Green Spruce	Mountain West	Oregon	Net Share	Changed crop rotation after nw irrigation infrastructure from alfalfa, wheat and corn to two rotations of potatoes, corn, and sugar beets

Onsite Meeting Notes

Homestead Capital USA Farmland Fund III

Conference Call

December 8, 2017

MANAGER ATTENDEES

→ Gabe Santos

CF

MEKETA ATTENDEES

→ Gerald Chew

PERFORMANCE

Funds I and II are held close to cost. Fund I has a tilt toward permanent crop development and will have a yield of approx. 3%. Fund II's yield is closer to 5%

STRATEGY

Brown Delta II - Homestead is about to close a large transaction by year-end. This would be a $60 million transaction comprised of approximately $35mm farmland value and $25mm of storage and processing assets. The deal is being structured with two years of upfront rent, which help the j-curve and comprise a three year lease on the land and five year lease on the storage/processing. Tenant capacity is about 50% and it only needs ~50% utilization to be profitable. There is a need for storage in the area. The tenant was looking to free up capital since he is trying to orchestrate a new french fry processing plant to the potato farming area. By owning the storage and processing assets, it gives the farmers greater pricing leverage over the marketers.

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TEAM & RESOURCES

In preparation of Gary Thien's eventual gradual step-down of time and into retirement, Homestead has made offers to several investment professionals to take over his role.

→ Kyle Jacobs, VP of Due Diligence, will join in January 2018. He comes from a family farming business in Idaho. He has an educational background in finance and accounting and knows how to operate a farming operation. He has great relationships within the farming community.

→ VP of Acquisitions. Offer is out to this person (mid 30's) who is an investment professional at one of the largest agriculture asset managers (I think it's TIAA-CREF). This person hasn't formally notified his employer because he is waiting for his year-end bonus. Homestead will look to make the announcement early next year.

SUMMARY

With the closing of Brown Delta II, Fund II will be over 50% committed. Their pipeline is robust and strong. Because some of their large anchor investors need significant time for capital planning purposes, they have communicated to OR and WSIB that they anticipate fundraising by Q3 2018 for Fund III. Fund III would likely target $600mm +- $100mm. New investor interest is indicating a strong fundraise. They are appreciative of Meketa's support and would provide our clients with the allocations they want. Fund III won't be activated until Fund II is fully allocated, likely in 2019. OR and WSIB have expressed commitments in excess of $100mm each. New Torrey Cove and Cliffwater clients are interested in big ticket sizes as well. Homestead has developed a deep network of resources within the farming community that provide unique advantages for sourcing and operations. A key concern is that performance of Fund I and II is still early with no realizations (aside from small divestments and harvesting yields). Additionally, we must continue to evaluate the composition of the LP base and ensure that they are not influencing the strategy of the investment manager (e.g., TRS recently told me WSIB tried to influence a manager to target a lower risk and lower returning strategy).

Meeting Notes

Homestead Capital USA Farmland Fund III

Vicksburg, MS

June 19, 2018

MANAGER ATTENDEES:

- Ryan Gallant
- Chad Wong
- Tony Windham
- Patrick Trainor
- Kyle Jacobs
- George Baird (Delta RFM)
- Steve Brunson (Delta RFM)
- Ardith Morgan (Delta RFM Team)
- Alex Sauer
- Andrea Davidson
- Daniel Little
- Gabe Santos
- Peter Susko

MEKETA ATTENDEES:

- Gerald Chew

MARKET OUTLOOK:

- Farmland asset values continue to be stable despite crop price and farmer income volatility.
- Grain inventories have begun to fall in 2018 after increasing since 2013.
- Crop prices have varied: cotton and feed grains are down while cabernet grapes, fruits, and nuts are up (over past four years).
- U.S. has second largest farmland position behind India, China, Russia, and Brazil are 3rd, 4th, and 5th, respectively.
- Exports are important for U.S. agriculture. U.S. trading partners are diverse and vary by crop:
  - Soybeans: 63% China, 25% other, 7% EU, 5% Mexico
  - Wheat: 58% other, 13% Japan, 12% Mexico, 10% Philippines, 7% S. Korea
  - Corn: 27% Mexico, 24% other, 23% Japan, 11% Columbia, 8% S. Korea, 7% Peru

  - Cotton: 32% other, 19% China, 19% Vietnam, 10% Turkey, 9% Indonesia
- Almonds – U.S. produces 62% of global almonds of which 68% for exports.
- Soybeans – U.S. represents 35% of global production with Brazil and Argentina at 29% and 17%, respectively.
- China tariffs will impact U.S. soybean exports with Brazil as beneficiary; however, Brazil will not be able to supply China and its domestic demand. Brazil will have to import from U.S. New trade routes/partners will be established as a result of tariff wars.
- U.S. will protect its agriculture industry; uncertainty is timing of relief to farmers.
- U.S. farmers will supply non-GMO or organics for higher price; cost of conversion is expensive (three year transition).
- Greater institutionalization of asset class will present return upside for farmland. Ibanks have been reaching out to Homestead to become more educated and informed.

PRIOR FUND PERFORMANCE & PERFORMANCE NOTES AS OF DECEMBER 31, 2018 ($ IN MILLIONS)

Fund	Vintage	nIRR	Net Multiple
Fund I	2014	-0.10	1.0
Fund II	2016	NM	1.0

Fund I is comprised of 19,181 acres across 29 farms (20 platforms) and 14 crop types. Almonds represent the highest portion of profit at 19%. Geographic exposure is 38% Mountain West, 31% Pacific, 19% Delta, and 12% Midwest. 40% cash/flex, 29% share, and 31% custom. Portfolio is tracking below expectation primarily due to lower commodity grain prices (e.g., soybean, corn, wheat, etc). Pacific Region is in J-curve with 25% of its permanent acreage under development. Liquidation IRRs for farms range from 22% (Gold Oak) to -2.6% (Yellow Aspen). Homestead expects a net IRR of 7-11% with annual yield between 6-9%.

Fund II is comprised of 20,000 acres across 13 farms (12 platforms) and 7 crop types. Potatoes represent the largest crop exposure; factoring in capex development capital, apples will be largest crop. Geographic exposure is 48% Mountain West, 23% Pacific, 18% Delta, and 11% Midwest. 59% cash/flex, 18% net share, and 23% custom. Expectations that Pacific exposure will increase and Mountain West will decrease as remainder of fund is invested. Homestead expects Fund II to ultimately generate a nIRR of 11-14% with 9-12% yield.

PORTFOLIO COMPANIES

Homestead's farmland platform includes $575 million of AUM diversified across 40k acres and 13 states.

- → Yellow Aspen – Wine grape vineyard in Santa Barbara comprising 285 net acres. Asset is custom farmed. In September 2016, record temperatures affected net income and damaged fruit. In 2018, Homestead began redevelopment on 90 acres that will remove all Pinot Gris vines and replaced with Pinot Noir. Acres continue to decrease in space which should put upward pricing on Pinot Noir grapes.
- → Yellow Alpha II – Wine grape vineyard in Napa where prior AGM was held. Installation of four new wind machines for frost protection. Relative to prior owner, prices received for Cabernet Sauvignon, Petit Verdot, Sauvignon Blanc, Merlot, Malbec, and Syrah are higher; prices for Cabernet Franc are lower. Old vineyards and trellises have been removed, soil amendments added, deep ripping, and install of underground drainage and tiling. Cover crop has been mowed in preparation of new cabernet sauvignon vineyard install/planting.
- → Blue Spruce – Illinois corn and soybean farmland comprised of three separate tracts: 246 acres and two smaller parcels totaling 120 acres. Seller was keen on completing a quick transaction instead of price maximization of selling tracts separately. After first harvest, Homestead sold the two smaller parcels for a 16% return. The larger tract was sold in July 2018 that generated a total return of 11% return. Overall, Homestead was able to opportunistically capitalize on a pricing arbitrage and generate an attractive return despite a weak corn (-13%) and soybean (-21%) price environment.
- → Gold Oak – Farmland conversion to wetland mitigation banking opportunity. 60 acres have been converted with 31.5 credits available for sale. Additional 43 credits are expected to be released soon during second phase of development. Sale of two credits generated a net return of $270k. Based on recent sales prices and development outlook (and demand for credits), outlook is good

STRATEGY:

Homestead continues to deploy a value-add strategy that leverages the relationships of its numerous RFMs to source and monitor its farmland properties. Diversification is a key tenet of Homestead's approach which will consider operator, lease type, tenant, crop type, and geography exposure. Cash rent exposure will provide portfolio stability while custom/direct operations of permanent crops will provide upside potential.

Fund III is likely to comprise more exposure to permanent crops and custom/direct farming relative to prior funds. Also, the Pacific and Mountain West regions will have a greater focus over the Delta and Midwest regions.

TEAM & RESOURCES:

Homestead has a new office located in downtown SF off of Market Street. In the past, Homestead operated out of shared office space. The San Francisco office currently has eight employees. Tony Windham operates out of Little Rock, AR, Patrick Trainor out of Mahomet, IL, and Kyle Jacobs out of Idaho Falls, ID. Gary Thien will retire at the end of July 2018. His retirement has been expected and signaled over the past year. Gary's responsibilities will be reallocated amongst the team.

Recent additions to the team include:

→ Patrick Trainor, Vice President of Acquisitions – formerly EVP and Head of Portfolio Management at Westchester; based in Mahomet, IL
→ Kyle Jacobs, Vice President of Due Diligence – second generation farmer; strong network in Mountain West; specific knowledge of potatoes, barley, wheat, triticale, corn, and alfalfa
→ Chad Wong, Financial Analyst – former ibanker at Barclays
→ David Thien, Midwest RFM
→ Adam Thien, Midwest RFM
→ Dan Spencer, Delta RFM

Likely additions to the team in the near term include:

→ General Analyst
→ Associate for row crops
→ Associate for permanent crops
→ Associate for acquisitions
→ Associate for due diligence
→ Operations Associate
→ Pacific RFM
→ Pacific RFM

Third party resources include:

→ Tax and Audit – Deloitte
→ Legal – Kirkland & Ellis, Jess Vilsack
→ Fund Admin - Conifer

Homestead has upgraded its data management platform away from its proprietary platform (Granary) to Granary 2.0 based off of Anaplan, a cloud-based platform that has better analytics and sensitivity analysis. Anacap provides a centralized platform that communicates with the various business segments of Homestead: budget, modeling, reporting, accounting, pipeline, PM, and DD analysis. A demo was provided.

Homestead will seek to increase and enhance its communication with its LPs. This will include a year end update call and semi-annual portfolio farm performance metrics.

OTHER NOTES:

Gabe and Dan will acquire Gary's interest in the management company upon his retirement. Additionally, Homestead acquired Paul Scibetta's interest in the management company earlier this year.

SUMMARY:

The annual meeting was held in Vicksburg, MS where we toured their row crop farmland operations. Site visits included corn and cotton farmland, a cotton co-op packaging warehouse, and the observation of a team actively drilling a water well for the property. The farmer tenant is one of the largest operators there with approximately 30k acres farmed (some owned and some leased) between himself and his brother. He was very interested in partnering with Homestead because of their desire to reinvest in the land.

The departure of Gary Thien won't have a large impact on the Homestead strategy and organization, since the RFM network he established is stable and continues to grow. He will still likely be peripherally involved, and his two sons are also joining the organization which helps preserve the industry relationships his family brings. The team has grown considerably with three senior hires located in remote offices outside of San Francisco and there are several more planned additions in the near future. It will be important to monitor culture, collaboration, and communication amongst the team as the organization grows.

Fund I is still early and progressing well considering the decline in commodity grain prices since 2014. Fund II is also very early and much of the value-add is just being implemented.

Farmland remains a nascent asset class but is increasingly attracting institutional interest. Homestead has assembled a strong team of experienced professionals and is well positioned to execute in this sector.

Reference Checks

Meketa Investment Group conducts a large amount of due diligence before we evaluate references for the partnership's General Partners. Prior to this stage, we have already met numerous times with the key professionals at the partnership, and have evaluated fully the partnership's investment strategy.

The function of the reference check is twofold. First, reference checks provide insight into the personal integrity and character of the General Partners. A lack of integrity that is hidden during a series of formal meetings can sometimes be uncovered by discussions with references. Second, reference checks provide deeper insight into the partners' investment experience and reputation.

SCOPE OF REFERENCE CHECKS

As part of Meketa Investment Group's due diligence of Homestead Capital USA Farmland Fund III, we requested that Homestead Capital USA, LLC provide us with personal references for each of the firm's managing partners.

We discussed with each of the references the nature of their relationship with Homestead Capital USA, LLC, and the reference's perception of the company's integrity, work ethic, character, and professional acumen. We asked further for the reference to discuss the specific individuals within Homestead Capital USA, LLC, to gain a better assessment of the firm's depth.

OUTCOME OF REFERENCE CALLS

Meketa Investment Group has contacted various references provided by Homestead Capital USA, LLC, as well as other references.

- → Homestead's RFM network provides a distinct competitive advantage over peers. While others are following a similar framework, Homestead has a more extensive network and demonstrated execution of sourcing and farm management.
- → The addition of Gary Thien's two sons as RFMs helps bridge the gap with his retirement.
- → Homestead is coming back to the market fast. Lots of opportunities to pursue but also want the organization to maintain discipline. With the larger fund size, will expect to more deals at similar sizing. Looking to restrict fundraise initiation for next vehicle at higher threshold.
- → Fund III will have more exposure to permanent crops and custom/direct farming. This will ratchet up risk but also expected returns. Homestead's RFMs are capable of execution in the Pacific where much of the permanent crop exposure will be.
- → Buyout of Paul Scibetta's interest in the Firm is good progress for Homestea

Background Checks

U.S. background checks were conducted for the following individuals during Meketa Investment Group's review of a previous fund:

Dan Little, Co-Founder

Gabe Santos, Co-Founder

U.S. background checks cover the following:

→ Executive Overview
→ Regulatory and Litigation Summary
→ Biographies
→ Our vendor's "Watch List" Notification
→ Multiple Educational Verifications
→ Other Professional Credentials Verification
→ NFA/CFTC & FINRA Regulatory Registrations
→ FINRA/NASD Disclosure Events Research
→ Investment Advisor Registrations Research
→ SEC & NASD Arbitration & Disciplinary Action Archives
→ SEC Cases & Proceedings
→ Stock Exchange Disciplinary Decisions
→ Corporate Affiliations Research
→ Multiple State Criminal Records
→ Multiple State Department of Corrections Incarceration, Parole, and Probation Records
→ Multiple County-Level Criminal Record Research
→ National Bankruptcies, Liens, and Judgments
→ Federal Criminal, Civil, Appellate, and Bankruptcy
→ National Civil Court Record Research
→ Name, Social Security Number Validation, and Address History
→ Multiple Property Records Research

* When appropriate, basic UK research is included on the individual

Meketa Investment Group engages third-party service providers to perform background checks to, among other things, reveal the civil and criminal legal histories of key managers of prospective pooled investment vehicle investment managers. Based on the information supplied by such service providers, assuming its accuracy, reliability and completeness, none of the key managers of Homestead Capital USA, LLC has been the subject of (a) any federal or state (or where applicable foreign) criminal action, investigation or proceeding that claims or alleges fraud or violation of any federal or state securities law, rule or regulation, or (b) any federal or state (or where applicable foreign) civil action brought by the investors of a pooled investment vehicle for violation of duties owed to such investors.

U.S. background checks were conducted for the following three individuals:

Tony Windham, Vice President

Patrick Trainor, Vice President

Kyle Jacobs, Vice President

U.S. background checks cover the following:

→ Executive Overview
→ Regulatory and Litigation summary
→ Biographies
→ 2-year WatchList
→ SEC & FINRA Arbitration & Disciplinary Action archives
→ Stock Exchange Disciplinary decisions
→ Multiple Education verifications
→ Selective Employment history lookups
→ Corporate Affiliations research
→ Other Professional Credentials verification
→ Business Filings research
→ FINRA Disclosure Events research
→ Investment Advisor Registrations research
→ NFA/CFTC & FINRA Regulatory Registrations
→ Property Record research
→ Multiple State Criminal Records
→ Multiple State Department of Corrections Incarceration, Parole & Probation records
→ Multiple Court Level Criminal Records research
→ National Bankruptcies, Liens, & Judgments
→ Federal Criminal, Civil, Appellate, & Bankruptcy records
→ State Civil Court Records research & UCC Filings
→ Name, Social Security Number Validation, Relatives & Address History

* When appropriate, basic UK research is included on the individual

Meketa Investment Group engages third-party service providers to perform background checks to, among other things, reveal the civil and criminal legal histories of key managers of prospective pooled investment vehicle investment managers. Based on the information supplied by such service providers, assuming its accuracy, reliability and completeness, none of the key managers of Homestead Capital USA, LLC has been the subject of (a) any federal or state (or where applicable foreign) criminal action, investigation or proceeding that claims or alleges fraud or violation of any federal or state securities law, rule or regulation, or (b) any federal or state (or where applicable foreign) civil action brought by the investors of a pooled investment vehicle for violation of duties owed to such investors.

Homestead Capital

Investing in U.S. Farmland

Homestead Capital USA Farmland Fund III, L.P.

An Established Farmland Investment Platform with a National Footprint

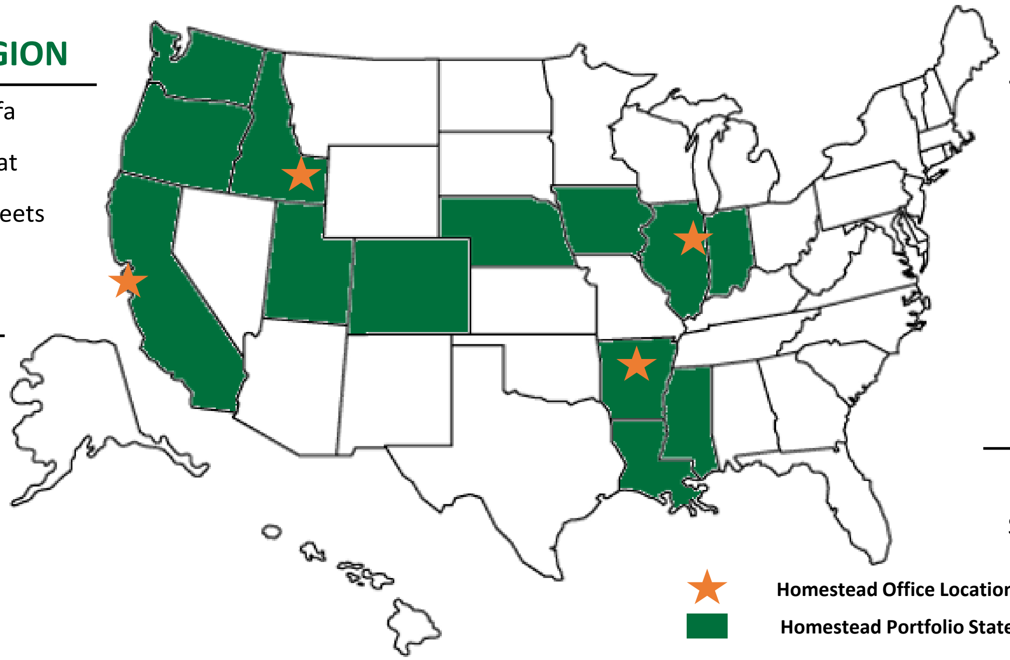
2012	50%	$980+	~48,000
YEAR FOUNDED	MINORITY OWNERSHIP of GP	AUM[1] (mm)	CROP ACRES

MOUNTAIN WEST REGION

Potatoes	Alfalfa
Malting Barley	Wheat
Onions	Sugar Beets

PACIFIC REGION

Almonds	Wine Grapes
Apples	Citrus
Cherries	Persimmons



MIDWEST REGION

Corn

Soybeans

Nursery

Mitigation Bank

Alfalfa

DELTA REGION

Corn	Rice
Soybeans	Cotton

INVESTMENT VEHICLE	FUND I	FUND II	FUND III
Vintage	2014	2016	2018
Fund Size	$173mm	$401.5mm	$600mm[4]
Total Investment Projects [2]	20	23	30-45[4]
Projected Gross Unleveraged IRR[3]	6-9%	10-14%	11-13%

Homestead Capital

Data as of 9/30/2019. 1. Refers to committed capital from Fund I through Fund III, including the General Partner's commitment.; 2. Projects may include multiple farms and reflects realized and unrealized investments; 3. Projected returns are based on Homestead assumptions and subject to change, see end of presentation for more details; 4. Fund III data for 'Fund Size' and 'Investments Completed' reflects Homestead's current projections.

High Quality Institutional Investor Base

Diverse investor base

- 98% institutional investor base across Funds I, II & III
- Most recent funds benefited from a strong group of returning investors and attracted a number of new, high-quality limited partners
- Investor base spans a broad range of partners:
  - 7+ University Endowments
  - 10+ Pension Funds
  - 4+ Foundations
  - 2 Fund-of-Funds
  - Insurance and HNWs

Homestead's Key Building Blocks

Deliver best-in-class risk-adjusted returns

Local Presence

- ❑ Local offices
- ❑ Regional Farm Managers
- ❑ Farm operators
- ❑ Consultants and legal advisors

Value-Add

- ❑ Redevelopment
- ❑ Higher & better use
- ❑ Crop & operator optimization
- ❑ Capital improvements
- ❑ Technology & sustainability

Financial Analytics

- ❑ Asset modeling & budgeting
- ❑ Portfolio construction
- ❑ ROI focus
- ❑ Scenario analyses
- ❑ Risk management

Robust Governance

Culture of Continuous Improvement and Open Communication

Experienced Investment Team With Complementary Skillsets

Differentiated Farmland Investment Strategy
Value-add farmland investment examples

Higher and Better Use

Gold Oak
- Converted soggy acreage into a wetland mitigation bank
- Phase I completed in 2017 with 37.5 acres of credits issued
- Transforming a low-single-digit cap rate property to a mid-teens yield generator

Solar development
- Analyzing opportunity from a portfolio perspective
- Executed options on four Fund I properties
- Options offered asymmetric upside potential with limited risk
- Plan to continue exploring development potential where the opportunity exists

Gold Oak: wetland trees prior to planting

Up-branding, Rejuvenation

Yellow Alpha II
- Multi-year approach to improve quality, pricing, crop mix
- Marketing efforts drove ~30% price gain in 1st year of ownership
- Applications filed to trademark the vineyard name
- Ripped out 20 acres of under-performing varietals, began work to improve drainage

Purple Alpha II
- Modernizing a 4th generation row crop farm
- Acquisition entailed title clean-up, lot line adjustments, agreements with historic stakeholders
- Planed improvements now mostly complete: 1,375 acres leveled, 12 miles of drainage ditches cleared, and 11 new wells drilled

Purple Alpha II: ditch clearing

Farm Repositioning

White Alpha II
- Conversion from center-pivot-irrigated alfalfa to high-density apple orchard.
- In 2017, we placed deposits on nearly 800k trees and began construction on a 12mm gallon reservoir.
- First set of plantings completed spring of 2018; as of summer 2019 nearly all trees have been planted.

Yellow Delta II
- Replanting 46 acres of old navel oranges to more profitable, modern citrus varieties.
- In the process of completing the establishment of 26 acres of lemons that were planted in 2018.
- Drilled 2 new wells and refurbished the older, existing wells.

White Alpha II: reservoir construction

Continued Investment

White Cedar
- Grafted 35+ acres of apples from Granny Smith to Pink Lady and SugarBee varieties
- At current prices, we expect these trees to generate 2x to 3x the gross revenue per acre of prior plantings.
- Both new varieties have shown strong market share growth and are well-suited for local growing conditions.

Yellow Pine
- Installed new persimmon packing equipment, which is expected to improve quality control, food safety, and pack-out efficiency while lowering labor costs.
- Replanted unprofitable cherry, plum, and apricot acreage to almonds and our proprietary persimmon variety.

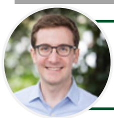
White Cedar: newly grafted tree

Homestead Capital Team


Daniel Little
Co-CEO


Gabe Santos
Co-CEO

Portfolio Management


Ryan Gallant
MD, Portfolio Manager


Chad Wong
Associate

Farm Management, Due Diligence, Acquisitions


Tony Windham
VP, Row Crops


Patrick Trainor
MD, Acquisitions


Scott Bozzo
VP, Permanent Crops


Kyle Jacobs
VP, Due Diligence


Max Prager
Analyst

TBD
Acquisitions Analyst

Operations


Peter Susko
CFO


Andrea Davidson
Controller


Annie Luong
Finance Manager


Jess Vilsack
Outsourced Legal Counsel

Regional Farm Managers

Midwest	Mountain West	Delta	Pacific
Ray Brownfield	Skye Root	George Baird	Darrell Atkinson
Jason Lestina	Tom Boyer	Steve Brunson	Richard Brockmeyer
David Thien	Carrie Gibson	Dan Spencer	TBD
Adam Thien	Brent Lawson	Ardith Morgan	TBD

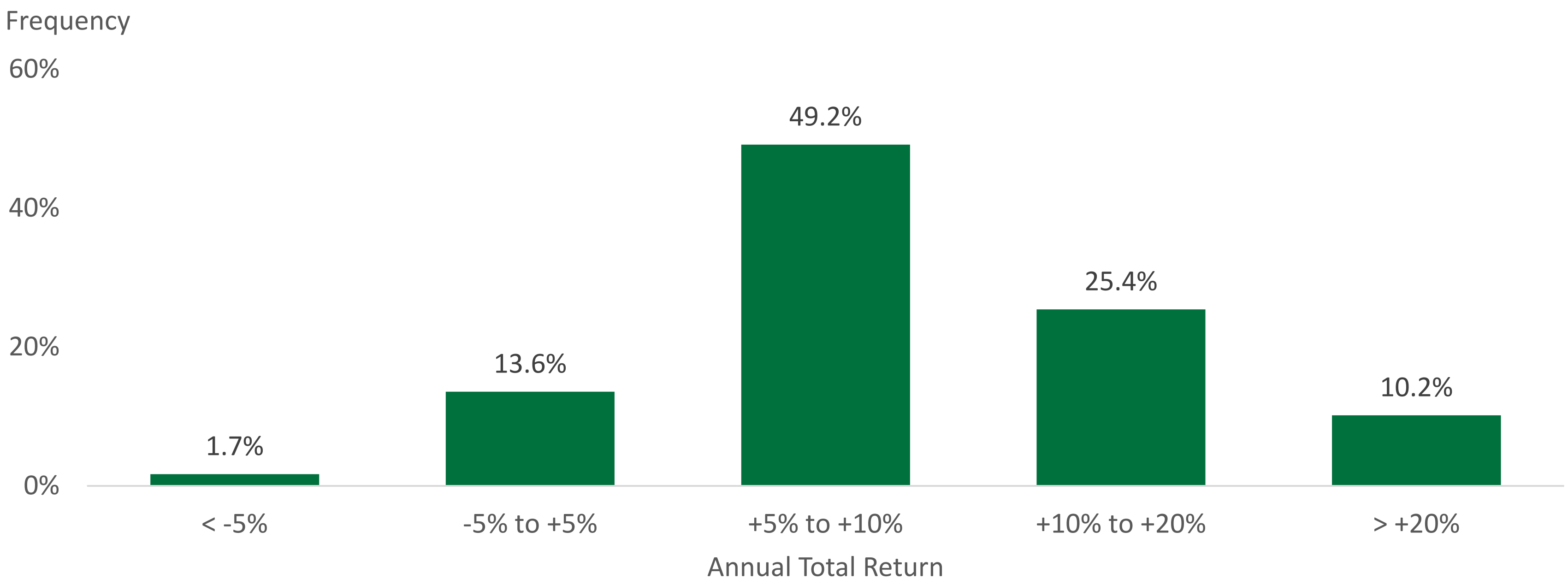
Planned Near-Term Addition

Regional farm managers are independent contractors retained by Homestead Capital to assist in the identification, management and disposition of Fund assets in their respective regions. Each of the operating partners are compensated by the fund based on, and incentivized to meet, among other things, capital appreciation and yield targets on farms acquired by Homestead Capital in their regions.

Consistent Historical Return Profile With Asymmetric Upside Potential

- Since 1960, farmland has delivered annual total returns that averaged 9.7%
- There were 21 years in which returns were greater than 10% and these occurred across a variety of economic backdrops
- During this time period there were only four years in which total returns were negative, all of which occurred during the 1980's farm crisis

Dispersion of annual total returns for U.S. farmland (1960 – 2018)*



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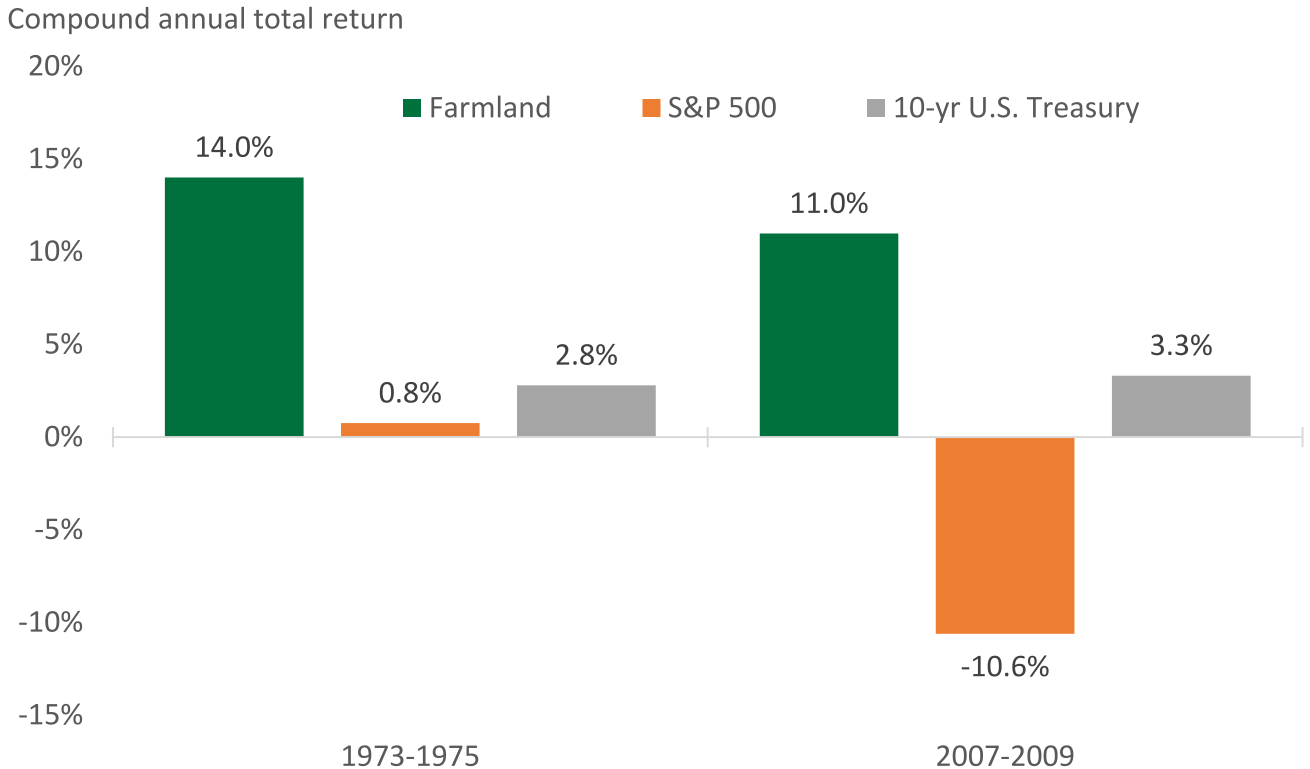
*Total return includes income and price appreciation. Reflects NCREIF farmland index data for all periods for which this data is available (1992 onward). Prior to 1992, data reflects total return on farm assets as published in the USDA's Farm Income and Wealth Statistics.

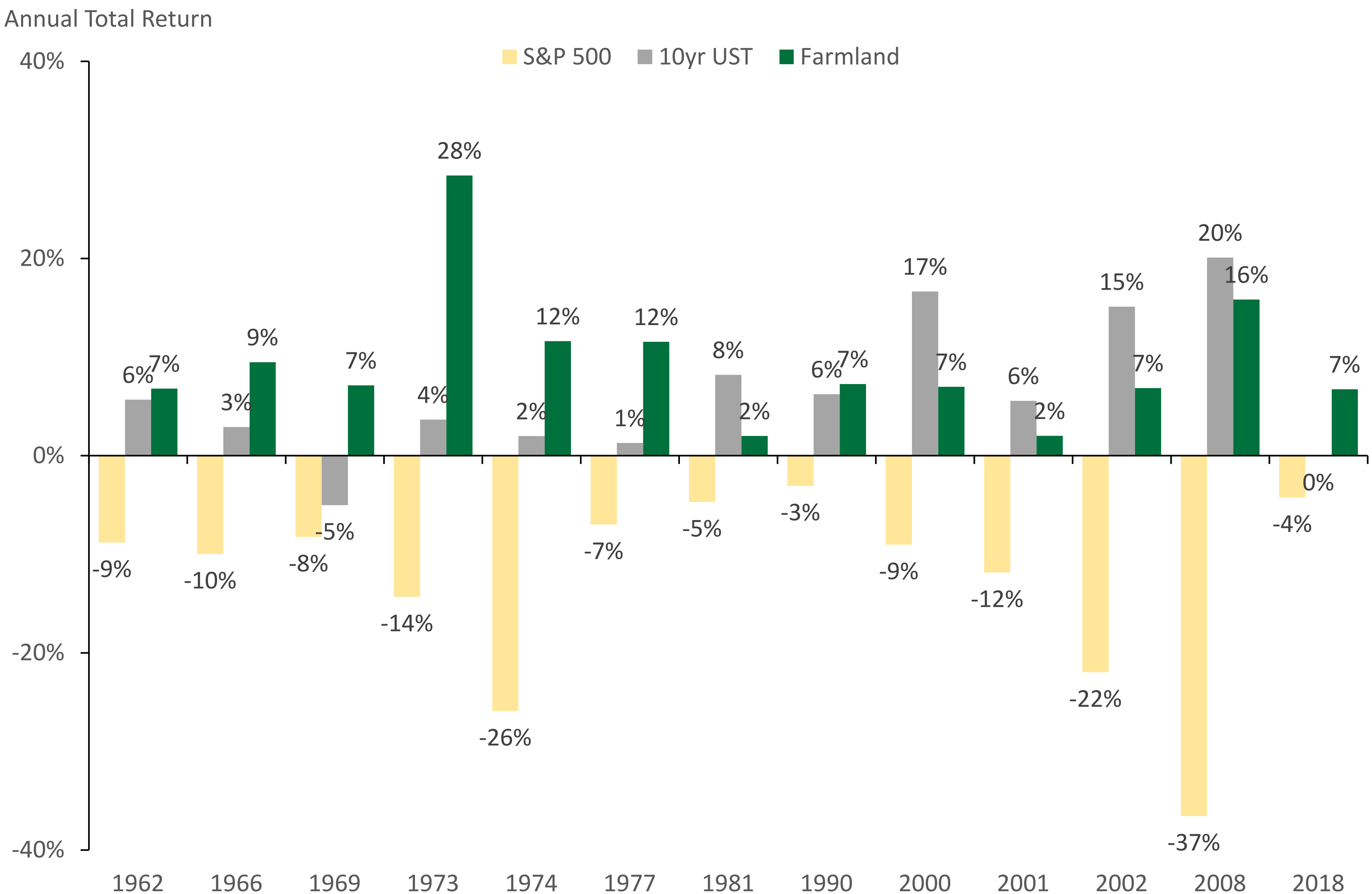
Farmland Outperformance During Economic Contractions

- **Since World War II, the U.S. has experienced two period of sustained real GDP contraction: 1973-1975 and 2007-2009. In both periods, farmland delivered strong returns and dramatically outperformed both equities and bonds.**



Source: Farmland total return data sourced from the USDA for the 1973-1975 period and from NCREIF for the 2007-2009 period. Real GDP data sourced from Federal Reserve Economic Data. S&P 500 and 10-yr U.S. Treasury data sourced from NYU professor Aswath Damodaran.

Farmland Outperformance During Market Downturns



Homestead Capital

Source: S&P 500 and 10-yr U.S. Treasury data obtained from the Federal Reserve database in St. Louis as sourced via New York University Professor Damodaran. Farmland data through 1991 reflect total rate of return on farm assets as published by the USDA, subsequent data from NCREIF.

Crucial to Meeting the Needs of a Growing Population

- ***By 2050, the world's population is projected to increase by roughly 35%, or over 2 bn people.***
- ***This growth, along with changing diets, is expected to require a doubling of crop production.***
- ***Ability to bring additional acreage under production is limited; FAO projects only a 5% increase globally over the next 30 years. Meanwhile, US farmland acreage continues to shrink with 1mm acres lost last year alone.***
- ***Sustainably managed, highly productive cropland will be essential to meeting these challenges***

Source: Food and Agriculture Organization of the United Nations: "How to Feed the World in 2050". National Geographic: "Feeding the World". USDA: "Farms and Land in Farms".

Homestead ESG Policy and Commitment

- *Homestead has long recognized that environmental, social and governance (ESG) issues can have a significant impact on our business, in terms of making investments, managing investments, raising funds and creating value in each investment. We believe that investing in U.S. farmland in a responsible manner can contribute to helping rural communities and their various stakeholders by making necessary capital investment in the agricultural sector. Our bottom-up approach and local presence best positions us to work directly with local farmers, farm workers and citizens of farm communities. Homestead Capital intends to maximize both the annual return and asset value of the agricultural properties acquired through management practices and improvements that focus on the long-term sustainability of the land. We believe this approach will ultimately lead to higher crop production, higher net incomes and increased asset values.*

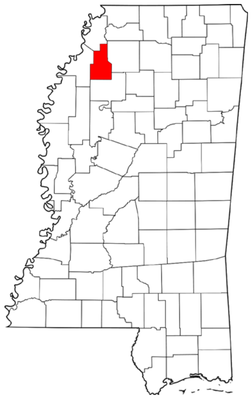
Signatory of:

PRI Principles for Responsible Investment

- Comply with relevant regulations governing the protection of human rights, occupational health and safety, the environment, and the labor, and business practices of the jurisdictions in which we conduct business.
- Adhere to the highest standards of conduct intended to avoid even the appearance of negligent, unfair or corrupt business practices.
- Regard implementation of our ESG engagement activities as an integral part of how we do business.
- Instruct Homestead investment professionals in the identification and management of ESG risks and opportunities, and provide them with appropriate support and assistance.
- Identify ESG risks and opportunities prior to the acquisition of companies entrusted to our care and control, and manage ESG risks and opportunities following acquisition.
- Recognize that our ESG activities are of an on-going nature and to encourage continual improvement in ESG performance at the companies we own.
- Our VPs of Row and Permanent Crops will review the policy's effectiveness and implementation on a regular basis, and will report relevant findings, progress and recommendations to the Investment Committee.
- Distribute this policy and related ESG information to all Homestead employees and appropriate operators of farms in our care and control.
- Encourage dialogue on how we can accommodate ESG issues in a way that is consistent with our Limited Partners' and other stakeholders' initiatives in these areas.

Project Maroon Crenshaw III: Overview

Quitman County, MS



Lease Type

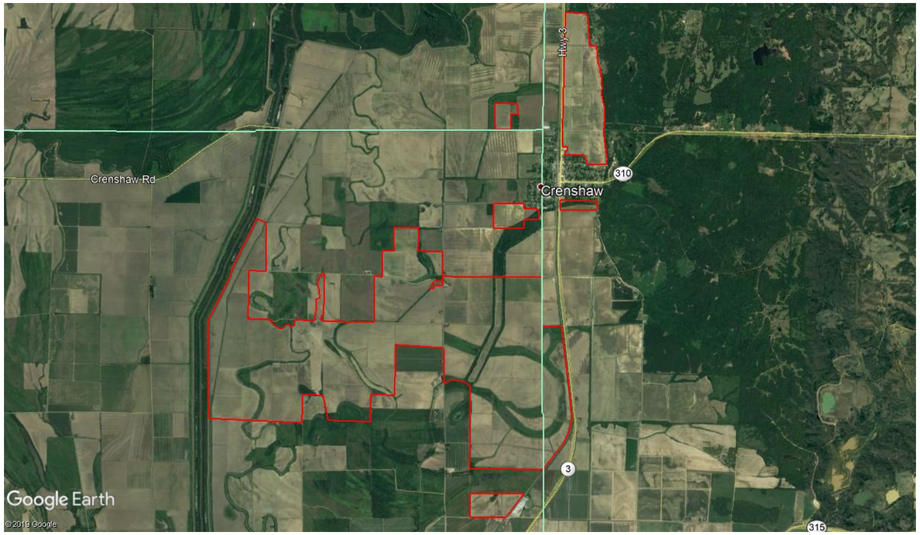
Cash Rent Transitioning to Net Share
with a Cash Rent Minimum

Acquisition Summary

Expected Closing Date:	April 2020
Crop Acreage:	3,126
Acquisition Cost[1]:	$13,449,250
Per Acre:	$4,303

Investment Background and Value Add Strategy

- Homestead has executed a Purchase and Sale agreement to acquire Maroon Crenshaw III, located primarily in Quitman County, MS. The farm consists of 3,653 total acres and 3,126 tillable acres.
- This is a rice, soybean, and corn farm located in a competitive part of northern Mississippi. The water is excellent with abundant supply and a stable aquifer. The soils are diverse and allow for flexibility in the cropping rotation.
- This opportunity was sourced off-market through an existing relationship Homestead's Regional Farm Manager has with the Seller's ag lender. It was important to the selling family that the transaction was handled quietly, as this family has owned the land for multiple generations.
- The expected capex budget is $1,850,000 and will be spent on land leveling, conversion of dryland to irrigated land, and the construction of a grain storage facility. The grain storage will allow additional acres of rice and corn to be grown on the farm.



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1. Acquisition cost includes land cost and all costs of closing.

Project White Alpha II: Overview

Grant County, WA

Investment Background and Value Add Strategy

- Greenfield orchard opportunity located in the Babcock Ridge area of Central Washington.
- Despite its location in prime apple growing territory, the property was being operated as a row crop farm at the time of acquisition.
- Capex related to orchard construction and development will comprise the bulk of invested capital.
- Construction efforts continue and nearly all tree plantings have been completed. We anticipate that our first crop will be harvested in 2020.

Lease Type

Direct/Custom Operation

Acquisition Summary

Closing date:	December 2016
Crop acreage:	390
Acquisition cost:	$7.2mm
Per acre:	$18,484
Invested capital[1]:	$18.8mm
Allocated Capital:	$29mm

[1]Invested capital as of 6/30/2019.

General Information

Past performance is not necessarily indicative of future results. There can be no assurance that unrealized investments will be realized at the valuations assumed herein and used to calculate performance information contained herein. While valuations of unrealized investments are based on certain assumptions that Homestead Capital believes are reasonable under the circumstances, estimates of unrealized value are subject to numerous variables that are subject to change over time. Therefore, amounts actually realized in the future may differ, perhaps materially, from the estimated unrealized values used in connection with the performance calculations presented herein, and no investor has received the stated returns.

Prospective investors should bear in mind that past performance is not a guarantee, projection or prediction of future results. There can be no assurance that the Funds and projects presented herein will achieve comparable results or that the Funds will be able to implement their investment strategies and investment approaches or achieve their investment objectives. Actual gross and net returns for the Fund may vary significantly from the returns set forth herein. The returns presented herein are also based on models, estimates and assumptions about performance believed to be reasonable under the circumstances, but actual realized returns on the investments will depend on, among other factors, the ability to consummate attractive investments, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the returns presented herein are based.

Any projections or other estimates, including estimates of returns or performance, are “forward looking statements” and are based upon certain assumptions that may change. Due to various risks and uncertainties, actual events or results or the actual performance of the Funds and their projects may differ materially from those reflected or contemplated in such forward-looking statements. Moreover, actual events are difficult to project and often depend upon factors that are beyond the control of the General Partner and its affiliates.

In considering any performance information contained herein, recipients should bear in mind that there can be no assurance that the investments by Homestead Capital and the Funds will achieve comparable results or that the projected returns, will be met. There can be no assurances or guarantees that(i) the Funds’ investment objectives will be realized, (ii) the Funds’ investment strategy will prove successful, or (iii) investors will not lose all or a portion of their investment in the Funds. The performance information summarized herein has not been audited. The ultimate returns realized will depend on numerous factors that are subject to uncertainty. Certain core assumptions and elements of the methodology related to the performance information included herein are described in the Definitions of Terms.

The performance information contained herein has been prepared in good faith and is based on sources and data believed by Homestead Capital to be reliable, but no representations are made as to the accuracy or completeness of any such information.

No assurance, representation or warranty is made by any person that any of the projected returns will be achieved, and no recipient of this Memorandum should rely on such projections. None of Homestead Capital, its affiliates or any of their respective directors, officers, employees, partners, advisers or agents make any assurance, representation or warranty as to the accuracy of any projected returns (or inputs thereto). Nothing contained herein may be relied upon as a guarantee, promise or forecast or a representation as to the future.

Disclaimer

This confidential presentation (this “Presentation”) is qualified in its entirety by reference to the confidential Private Placement Memorandum of Homestead Capital USA, L.P. (the “Fund”) (as modified or supplemented from time to time, the “Memorandum”), the agreement of limited partnership of the Fund, as may be amended and/or modified from time to time and the subscription agreement related thereto, copies of which will be made available upon request and should be reviewed before purchasing a limited partnership interest in the Fund. Statements in this Presentation are made as of **Q3 2019** unless stated otherwise, and neither the delivery of this Presentation at any time nor any sale of the limited partnership interests described herein shall under any circumstances create an implication that the information contained herein is correct as of any time after such date. This Presentation is not intended to be relied upon as the basis for an investment decision, and is not, and should not be assumed to be, complete. The contents herein are not to be construed as legal, business, or tax advice, and each prospective investor should consult its own attorney, business advisor, and tax advisor as to legal, business, and tax advice. In considering any performance information contained herein, prospective investors should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results or that target returns, if any, will be met.

Any investment in the Fund is subject to various risks, none of which are outlined herein. A description of certain risks involved with an investment in the Fund can be found in the Memorandum; such risks should be carefully considered by prospective investors before they make any investment decision.

This Presentation does not constitute an offer or solicitation in any state or other jurisdiction to subscribe for or purchase any limited partnership interests described herein. Homestead Capital USA LLC (“Homestead Capital”) and its affiliates reserve the right to modify any of the terms of the offering and the limited partnership interests described herein. Recipients of this Presentation agree that Homestead Capital, its affiliates and their respective partners, members, employees, officers, directors, agents, and representatives shall have no liability for any misstatement or omission of fact or any opinion expressed herein. Each recipient further agrees that it will (i) not copy, reproduce, or distribute this Presentation, in whole or in part, to any person or party (including any employee of the recipient other than an employee directly involved in evaluating an investment in the Fund) without the prior written consent of Homestead Capital; (ii) keep permanently confidential all information contained herein that is not already public; and (iii) use this Presentation solely for the purpose set forth in the first paragraph above.

Except as otherwise provided in a written agreement between the recipient of this Presentation and Homestead Capital or its affiliates, if the recipient receives a request under any applicable public disclosure law to provide, copy or allow inspection of this Presentation or other information regarding or otherwise relating to Homestead Capital, the Fund or any of their respective affiliates, the recipient agrees to (i) provide prompt notice of the request to Homestead Capital, (ii) assert all applicable exemptions available under law and (iii) cooperate with Homestead Capital and its affiliates to seek to prevent disclosure or to obtain a protective order or other assurance that the information regarding or otherwise relating to Homestead Capital, the Fund or any of their respective affiliates will be accorded confidential treatment.

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

April 16, 2020

Members of the Investment Advisory Council ("IAC")

Re: Rockpoint Real Estate Fund VI, L.P.

Dear Fellow IAC Member:

At the April 23, 2020 meeting of the IAC, I will present for your consideration a Real Assets Fund investment opportunity for the Connecticut Retirement Plans and Trust Funds; Rockpoint Real Estate Fund VI, L.P., a value add fund sponsored by Rockpoint Group LLC, a private equity real estate firm headquartered in Boston.

I am considering a commitment of up to $150 million to the opportunistic fund which targets a broad range of real estate-related investments, with a particular focus on acquiring office and multifamily assets located in gateway coastal markets of the United States. The fund will invest in well-located undervalued properties where a proactive property management approach can create value and will primarily focus on markets that share the following real estate-based value drivers: (i) strong and diverse economic drivers, (ii) relative constraints on new supply, (iii) scale, and (iv) long-term liquidity. With an experienced and stable team, a disciplined investment process and significant dry powder, the Fund is well positioned take advantage of opportunities resulting from dislocation in commercial real estate markets.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by NEPC. I look forward to our discussion of these materials at next week's meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER

MEMORANDUM

DECISION

TO:	**Shawn T. Wooden, Treasurer**
FROM:	**Laurie Martin, Chief Investment Officer**
CC:	**Darrell V. Hill, Deputy Treasurer** **Raynald Leveque, Deputy Chief Investment Officer** **Kevin Cullinan, Chief Risk Officer** **Danita Johnson, Principal Investment Officer** **Olivia Wall, Investment Officer**
DATE:	**January 28, 2020**
SUBJECT:	**Final Due Diligence: Rockpoint Real Estate Fund VI, L.P**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") make a commitment of up to $150 million to Rockpoint Real Estate Fund VI, L.P. ("Rockpoint VI" or "the Fund"). The general partner of the Fund is Rockpoint Real Estate Fund VI GP, LLC ("General Partner", or "GP"), and the Fund will be managed by Rockpoint Group LLC ("Rockpoint" or "the Firm"). Rockpoint is a U.S.-based private equity real estate firm headquartered in Boston with additional offices in San Francisco, Dallas, and London.

Real Estate Fund Portfolio Fit

Rockpoint Real Estate Fund VI, L.P is a value add/opportunistic fund targeting an 18%-20% gross IRR (13%-15% net) with a focus on capital appreciation and moderate leverage. A commitment to the Fund would be allocated to the non-core portion of CRPTF's Real Estate Fund ("REF"). As of September 30, 2019, the REF had a non-core real estate allocation of 32.9% which is underweight compared to the target non-core allocation of 50%. PFM Investment Staff and the CRPTF Real Estate Fund consultant, NEPC believe that the Fund's investment strategy, detailed below, is in line with the 2019 Pacing and Strategic Plan to rebalance the REF portfolio and is an attractive opportunity for the Real Estate Fund to enhance portfolio diversification and total returns.

Overview

Rockpoint was founded in 2003 and is led by William H. Walton and Keith B. Gelb, who have been working and investing together for 24 years, and by additional managing members Paisley Boney, Thomas F. Gilbane and Aric M. Shalev. The firm represents a continuation of the investment activities undertaken at Westbrook Real Estate Partners, LLC ("Westbrook" or "WREP"), a real estate investment company co-founded by William Walton in 1994, and which Keith Gelb joined in 1994. Before Rockpoint's formation, Westbrook sponsored four opportunistic investment vehicles from 1995- 2003 investing across 146 transactions, totaling $4.0 billion in invested equity.

In 2003, five of the six managing members of Westbrook along with a majority of WREP's domestic and asset management professionals left Westbrook to form Rockpoint. The firm currently employs over 60 employees -of which 23 are investment professionals - whose experience covers all major real estate asset classes and a broad range of geographic regions. Rockpoint has cultivated a team culture which encourages collaboration, professional development and mentorship of junior investment professionals. Ownership is shared broadly across the firm and there has been minimal turnover since inception with no senior turnover in recent years. The firm's senior real estate investment team members have an average of 18 years of real estate experience and an average of 15 years working together.

Since 2003, Rockpoint has raised approximately $14 billion of equity capital through funds and co-investments with over $11 billion specifically in the opportunistic space: the balance of equity capital is invested through the core-plus fund series. The opportunistic series targets an 18% - 20% gross IRR by investing in a broad range of real estate-related investments, with a particular focus on acquiring office, multifamily and hospitality assets with a secondary focus on other asset classes. Rockpoint Real Estate Funds IV-VI have focused on investing in major coastal markets in the U.S. Funds I-III employed the same underlying strategy as the more recent funds but also invested in developed markets in Europe and Asia. The team made the decision to shift focus to the U.S. markets where they had made most of their prior investments and where they could more effectively execute their hands-on investment strategy.

Following Rockpoint's strategic emphasis on asset-level property management: in 2015, the Firm formed an in-house property management company, Rockhill Management, LLC ("Rockhill"). Rockhill, an affiliate of Rockpoint with 70 dedicated employees, exclusively serves properties owned by Rockpoint sponsored funds. Rockhill creates value for Rockpoint investment properties by providing economies of scale, and service consistency across select properties. As of December 31, 2019, Rockhill provided property-level services for 30 investments across four Rockpoint-sponsored funds representing 20.5 million square foot portfolio across the Greater Boston, New York, San Francisco Bay, South Florida, Southern California, and Washington, D.C. metropolitan areas.

Investment Strategy

Rockpoint VI is the sixth opportunistic real estate investment vehicle of Rockpoint and the tenth opportunistic vehicle involving Bill Walton and Keith Gelb, including those opportunistic funds the team invested together prior to forming Rockpoint. Fund VI will continue to employ the value investment strategy of acquiring assets below replacement cost and providing asset-level improvement through proactive asset-management. The Fund targets high-quality, well-located investments in the office, hotel and multifamily sectors where a proactive property management approach can unlock and/or create value. The opportunistic platform will also focus on complex situations that offer attractive risk-adjusted returns due to inefficient pricing, which may include restructuring and/or recapitalizing dysfunctional partnerships or other unique situations.

At the property level, the team's value approach includes 1) focusing on real estate assets with intrinsic long-term value, 2) seeking to acquire investments at discounted values relative to stabilized cash flows and replacement cost, 3) underwriting investments on an unleveraged basis, 4) customizing capital structures to optimize risk-adjusted returns and 5) using leverage prudently. As part of the underwriting process for each property, Rockpoint develops a strategic plan which generally reduces operating expenses, implements a cost-effective capital expenditure program, and improve revenue streams. With respect to market selection, Rockpoint

VI will primarily focus on U.S. gateway city markets with strong and diverse economic drivers, relative constraints on new supply, scale, and long-term liquidity. Past U.S. market investment examples include Boston, Arlington, San Jose, New York, Washington D.C., Austin, Miami, San Francisco, Seattle, and Los Angeles.

Rockpoint is targeting a $3.0 billion fund size, with a $3.5 billion hard cap and will seek a net IRR and multiple of 13-15% and 1.6x-1.8x, respectively utilizing conservative underwriting assumptions and prudent leverage, generally in the 60% to 65% range, with maximum portfolio-wide leverage capped at 75%.. The Fund currently expects the average investment size in the Fund to be approximately $60 million and the average transaction size approximately $200 million. In addition, Rockpoint typically underwrites a 3- to 5-year hold period for investments in the opportunity Funds. The investment period for the fund began in May and Fund VI has invested in four assets which together aggregate 22% of current fund commitments, and approximately 15%-20% of target fund commitments.

<u>Track Record</u>

Since 1994, Rockpoint's co-founders with others have sponsored 15 commingled funds and related co-investment vehicles through Rockpoint and a predecessor firm. In total, they have raised approximately $22 billion in capital commitments and invested or committed to invest in 415 transactions with a total peak capitalization of approximately $58 billion (inclusive of fund equity, co-investor equity and debt). These investments are currently projected to generate an aggregate gross IRR of 20.8% (13.4% net) and an aggregate gross multiple of 1.6x (1.4x net), while employing peak leverage of approximately 64%, with the most recent six funds ranking in the first quartile on an IRR basis. The U.S. investments made by these ten funds, which represent the primary focus of Rockpoint's current investment program, are projected to generate a 23.1% gross IRR and 1.7x gross multiple on a cumulative basis.

For additional detail, see Rockpoint Opportunistic Track Record (Page 7).

<u>Key Strengths</u>

- <u>Experienced and Cohesive Team</u>: The Fund will be led by co-founders, William H. Walton and Keith B. Gelb, who have been working and investing together for 24 years at Rockpoint and the predecessor firm (WREP) and have an average of 34 years of real estate/finance experience. Rockpoint's next level of senior investment professionals (which include Mr. Boney, Mr. Gilbane and Mr. Shalev) have an average of 19 years of real estate/finance experience and an average of 15 years working together at Rockpoint.

- <u>Hands-on Asset Management:</u> Rockpoint's strategy is focused on creating value by improving operational efficiencies at the property level. The investment professionals are responsible for all stages of an investment's asset management process, from underwriting/acquisition through business plan execution and ultimate liquidation. This approach leads to more rigorous acquisition underwriting, implementation of value enhancement strategies, and greater control over business plan execution.

- <u>In-House Asset Management and Servicing</u>: Rockpoint's active approach to servicing assets via the Rockhill affiliate provides the ability to anticipate 'issues' early on and therefore the opportunity to minimize risk. The manager's ability to leverage its in-house manager also better assures execution of each property's underwritten business plan and property level service consistency. Rockhill focuses on personalized service, premium amenities, environmental sustainability, and proactive relationship management, taking a concierge-like approach to property management in order to foster an elevated tenant experience.

- Active Portfolio with Reduced J-curve: The Investment Period for Fund VI commenced on May 15, 2019. Fund VI has committed to invest in four investments ($537 million of equity) in line with the Fund's opportunistic strategy of targeting multifamily, office and hotel properties across U.S. coastal city markets. The Fund's timely deployment of capital is attractive for CRPTF which would benefit from a reduction in the J-curve by investing in an active portfolio with a shorter ramp-up period.

- Attractive Fees: Based on a $150 commitment, CRPTF would qualify for a management fee break (1.125% vs 1.50%). In addition, Limited Partners who commit more than $100 mm will have carried interest in the co-investment program reduced to ½ of main fund carried interest; all others remain subject to main fund carried interest and catch-up.

- Track Record: Since inception, each of Rockpoint's funds has generated a positive return with respect to investments located in the United States. The investments made by the opportunity funds in the United States (which is anticipated to be the geographic focus of Fund VI) represent approximately 84% of the investments made by the opportunity Funds and are projected, upon full realization to generate a gross IRR of 23.1% and gross multiple of 1.7x.

- Investment Discipline: Rockpoint has employed a disciplined investment approach, evidenced by its measured investment pace during periods of uncertainty. For example, during the Westbrook IV investment period, the Fund halted acquisition activity for almost two years. Similarly, during the first half of Rockpoint Fund III's investment period (2007 to 2009), the firm halted investment activity after committing only 14% ($357 million) of the fund's capital commitments, before restarting investment activity in late 2009 to take advantage of opportunities coming out of the GFC.

Risks and Mitigants

- Affiliated Transactions – To the extent that the Firm's affiliate, Rockhill performs property-level services for a Rockpoint-sponsored property, Rockhill will be entitled to receive property-level service fees. The Firm's use of its management affiliate to provide services to properties within the Fund poses a potential conflict with respect to fees charged and the holding period of assets.

    - The use of affiliates is not uncommon in the real estate investment sector, and as described in the preceding sections of this report, there are a number of advantages to this structure for the Fund. Rockpoint seeks to mitigate any risks/conflicts by the following: Fees will be based on a schedule that is disclosed to all investors and which will not exceed market rates for such services, Rockpoint will provide the Advisory Committee with information as to how such market rates were identified, and additional information regarding specific amounts paid to Rockhill on a quarterly basis will be shared in the Fund's financial statements.

- Multi-Strategy Platform**:** In addition to the opportunistic funds, Rockpoint also sponsors the Rockpoint Growth and Income Investments ("RGI) fund series which invests in moderate risk, moderate return real estate assets located primarily in major coastal U.S. markets. This represents a conflict with respect to competing deal flow and resources.

- The firm has minimal overlap in deal flow between the two platforms as the targeted investments for each group of funds have different profiles, including distinct targeted returns and asset risk levels. In cases where certain investment opportunities may exhibit characteristics at least partially consistent with the parameters for both funds, Rockpoint has implemented processes and procedures to mitigate potential conflicts. To support the activities of both investment platforms, Rockpoint has enhanced its existing team with a substantial number of new professional hires over the past five years.

Fundraising

As of December 31, 2019, Fund VI has closed on approximately $2.7 billion in fund commitments, including $239 million in co-investment commitments from a number of investor comprised of public pensions, sovereign wealth funds, fund of funds, and other institutional investors. The Fund currently expects to conclude its fundraising period no later than April 30, 2020.

Economics

Management Fees:

1.50% Management Fee for total commitments up to and including $50 million
1.250% Management Fee for total commitments $50 million - $100 million
1.125% Management Fee for total commitments above $100 million - $200 million

Carried Interest:

20% Carried Interest over 9% return hurdle per annum; Carry Catch Up 60% to GP, 40% to LP

Other:

- No Carry Escrow
- GP Commit 1.5%
- 4-year Investment Period
- Fund Term 5/15/2027 with two consecutive one-year extension options

Fund VI Advisory Committee

Fund VI has established an Advisory Committee consisting of members representing the Limited Partners and the General Partner, who will serve as a non-voting member. Representation is offered to all Limited Partners with Capital Commitments of at least $100 million. The Advisory Committee will meet at least annually and as required to consult with the General Partner as to potential conflicts of interest and methods of valuation, among other matters. The Fund VI Advisory Committee is currently comprised of 17 members.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure to the Office of the Treasurer, Rockpoint Group LLC ("Rockpoint" or the "Company"), states that a former managing member of Rockpoint Group LLC, filed suit in December 2018 in Delaware Chancery Court, against Rockpoint Group LLC, for breach of contract. In the suit, plaintiff disputes amounts allegedly owed to him in connection with an investment in Rockpoint by Blackstone Strategic Capital Holdings. Rockpoint has stated that it believes the suit is without merit, and regardless of the outcome, the suit will have no adverse effect on the Fund or the firm and its operations. The Company states that it has no material claims under its fidelity, fiduciary or E&O insurance policies, and no ongoing internal investigations to report.

Rockpoint's ADV is consistent with its disclosure to the Office of the Treasurer.

The Company states that it has adequate procedures to undertake internal investigations of its employees, officers and directors. The Company notes that all employees are required on an annual basis to complete a Disciplinary Questionnaire regarding any legal or disciplinary event experienced by such employee that could be material to a client's or prospective client's evaluation of Rockpoint's advisory business or the integrity of its management.

<u>Compliance Review (provided by Compliance)</u>

The Chief Compliance Officer's Workforce Diversity and Corporate Citizenship review is attached.

<u>Environmental Social and Governance ("ESG") Analysis (provided by Policy)</u>

The Assistant Treasurer for Policy's Evaluation and Implementation of Sustainable Principles review is attached.

OFFICE OF THE STATE TREASURER

MEMORANDUM

Rockpoint Opportunistic Track Record

The tables below summarizes the performance of the Flagship Funds and well as each fund's portfolio breakdown and strategy evolution.

Table I - Westbrook and Rockpoint Funds- All Investments

Westbrook and Rockpoint Funds - All Investments
As of June 30, 2019 ($ in millions)

Fund	Vintage	# Investments	Capital Commitments	Fund Status	Peak Invested Equity	Gross IRR	Gross Multiple	Net IRR	Net Multiple	Net DPI
Westbrook Real Estate Fund I, L.P.	1995	35	$684	Liquidated	$805	34.1%	2.6x	27.2%	2.2x	2.8x
Westbrook Real Estate Fund II, L.P.	1997	27	$743	Liquidated	$752	17.8%	1.7x	12.8%	1.5x	1.7x
Westbrook Real Estate Fund III, L.P.	1998	44	$1,242	Liquidated	$1,327	11.3%	1.5x	7.8%	1.3x	1.5x
Westbrook Real Estate Fund IV, L.P.	2000	40	$1,250	Liquidated	$1,137	28.8%	2.0x	20.3%	1.6x	1.8x
Rockpoint Real Estate Special Fund, L.P.	2003	7	$100	Liquidated	$51	25.3%	1.7x	18.8%	1.5x	0.9x
Rockpoint Real Estate Fund I, L.P.	2004	48	$904	Liquidated	$876	26.3%	1.4x	11.5%	1.2x	1.4x
Rockpoint Real Estate Fund II, L.P.	2005	59	$1,703	Harvesting	$1,661	-0.2%	1.0x	-2.3%	0.9x	0.9x
Rockpoint Real Estate Fund III, L.P.	2007	55	$2,518	Harvesting	$2,336	22.3%	1.6x	13.9%	1.4x	1.5x
Rockpoint Real Estate Fund IV, L.P.	2011	38	$1,952	Harvesting	$1,890	24.7%	1.6x	16.0%	1.4x	1.1x
Rockpoint Real Estate Fund V, L.P.	2015	43	$2,602	Active	$2,420	17.6%	1.8x	12.3%	1.5x	0.2x
		396	**$13,698**		**$ 13,253**	**20.8%**	**1.6x**	**13.4%**	**1.4x**	**1.2x**

Table II - Portfolio Geographic, Strategy and Sector Allocations

Westbrook and Rockpoint Funds - All Investments
As of June 30, 2019 ($ in millions)

	Portfolio Breakdown (% Peak Equity)								
Fund	**US %**	**Non US %**	**Equity%**	**Debt%**	**Multifamily %**	**Office %**	**Hotel %**	**Other %**	**Peak Leverage**
Westbrook Real Estate Fund I, L.P.	100%	0%	74%	26%	14%	15%	23%	49%	48%
Westbrook Real Estate Fund II, L.P.	71%	29%	83%	17%	11%	27%	19%	43%	46%
Westbrook Real Estate Fund III, L.P.	91%	9%	94%	6%	2%	33%	16%	48%	53%
Westbrook Real Estate Fund IV, L.P.	62%	38%	95%	5%	26%	31%	20%	23%	68%
Rockpoint Real Estate Special Fund, L.P.	70%	30%	74%	26%	40%	15%	19%	26%	55%
Rockpoint Real Estate Fund I, L.P.	71%	29%	85%	15%	20%	25%	8%	47%	58%
Rockpoint Real Estate Fund II, L.P.	60%	40%	87%	13%	27%	41%	15%	17%	72%
Rockpoint Real Estate Fund III, L.P.	79%	21%	84%	16%	5%	50%	33%	12%	39%
Rockpoint Real Estate Fund IV, L.P.	100%	0%	100%	0%	44%	36%	17%	4%	54%
Rockpoint Real Estate Fund V, L.P.	100%	0%	100%	0%	29%	41%	23%	6%	61%
	83%	**17%**	**91%**	**9%**	**21%**	**37%**	**21%**	**21%**	**56%**

11/18/19

COMPLIANCE REVIEW FOR ROCKPOINT FUND VI, LP

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS

SUBMITTED BY

ROCKPOINT GROUP, L.L.C.

I. Review of Required Legal and Policy Attachments

ROCKPOINT GROUP, L.L.C. ("Rockpoint") a Dallas Texas-based company, completed all required legal and policy attachments. The company disclosed no third party fees, campaign contributions, known conflicts, or gifts. It disclosed one legal proceeding which is being reviewed by the Legal Unit.

II. Workforce Diversity (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of October 2019, Rockpoint employed 78, 9 more than the 69 employed as of December 2017. The company identified 1 minority female as an Executive/Senior Level Official and Manager. Rockpoint reported that for the 3 year period 2017-2019, it promoted 8 women and/or minorities within the ranks of professionals or managers. Women are better represented at the Professional level than at the Management level. Overall, minorities are relatively well represented at all levels of the company, except the senior-most Executive level.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 6% (1 of 16) of these positions in October 2019, down from 8% (1 of 13) held in both December 2018 and December 2017.
- Minorities held 6% (100% Two or More Races, 0% Asian, 0% Black, 0% Hispanic) or 1 of 16 of these positions in 2019, down from 8% (100% Two or More Races, 0% Asian, 0% Black, 0% Hispanic) or 1 of 13 of these positions in both December 2018 and December 2017.

At the Management Level overall:

- Women held 18% (6 of 33) of these positions in October 2019, up from 13% (4 of 30) in December 2018, and 15% (4 of 27) in December 2017.
- Minorities held 18% (9% Asian, 0% Black, 3% Hispanic, 6% Two or More Races) or 6 of 33 of these positions in 2019, down slightly from 17% (10% Asian, 0% Black, 3.3% Hispanic, 3.3% Two or More Races) or 5 of 30 of these positions in December 2018, but up from 15% (7% Asian, 0% Black, 4% Hispanic, 4% Two or More Races) or 4 of 27 of these positions held in December 2017.

At the Professional Level:

- Women held 31% (11 of 36) of these positions in 2019, down from 38% (13 of 34) in December 2018, and 41% (14 of 34) in December 2017.

[1] The Treasury's Policy Unit will prepare a separate Summary with respect to Rockpoint's ESG submission.

- Minorities held 14% (3% Asian, 0% Black, 11% Hispanic, 0% Two or More Races) or 5 of 36 of these positions in 2019, up from 12% (6% Asian, 0% Black, 6% Hispanic, 0% Two or More Races) or 4 of 34 of these positions in December 2018, but matching the 12% (6% Asian, 0% Black, 6% Hispanic, 0% Two or More Races) or 4 of 34 of these positions held in December 2017.

Company-wide:

- Women held 33% (26 of 78) of these positions in 2019, down from 36% (26 of 73) in December 2018, and 38% (26 of 69) in December 2017.
- Minorities held 17% (6% Asian, 0% Black, 8% Hispanic, 3% Two or More Races) or 13 of 78 of these positions in 2019, up from 15% (8% Asian, 0% Black, 6% Hispanic, 1% Two or More Races) or 11 of 73 of these positions in December 2018, and 15% (7.2% Asian, 0% Black, 6% Hispanic, 1.4% Two or More Races) or 10 of 69 of these positions held in December 2017.

III. Corporate Citizenship

Charitable Giving:

"As a responsible corporate citizen, Rockpoint believes in supporting the needs of the communities in which we work and live." The Management Committee encourages employees to become involved with and support organizations that are meaningful on a personal and community level. Numerous organizations focused on healthcare, human services and industry-related endeavors, including the following, have been supported: Boston Children's Hospital (Corporate Cup), Ronald McDonald House and Intrepid Fallen Hero's Fund. No details were provided regarding the level of financial contribution or employee volunteerism.

Internships/Scholarships:

Rockpoint has partnered with organizations, including Sponsors for Educational Opportunity and Girls Who Invest. Both focus on identifying and training college students from underrepresented populations in the real estate and asset management industry. Both also facilitate connecting students to meaningful internships and employment opportunities. Rockpoint has hosted three Girls Who Invest scholars over the last few years and expects to host two in the summer of 2020. The company does not formally sponsor any scholarships at this time. Rockpoint has formed an "internal committee" to explore initiatives to achieve broader representation of cultures, genders and backgrounds throughout the organization. The initiatives will focus on recruiting, training and staff retention. Rockpoint is in the process of engaging a third-party consultant in Q4 2019 to assist with development of a "robust and action-oriented" diversity policy and a plan of action to facilitate the company's diversity objectives.

Procurement:

Rockpoint does not currently track the status of vendors and firms with respect to women/minority/emerging business-owned.

ROCKPOINT GROUP L.L.C.

3 YEAR WORKFORCE DIVERSITY (SNAPSHOT)

WOMEN

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2019	6%	18%	31%	33%
2018	8%	13%	38%	36%
2017	8%	15%	41%	38%

October 2019: 6% or 1 of 16 Executives is a Women; Total Employees Firm Wide 78

MINORITIES

	EXECUTIVE	MANAGEMENT	PROFESSIONAL	FIRMWIDE
2019	6%	18%	14%	17%
2018	8%	17%	12%	15%
2017	8%	15%	12%	15%

October 2019: 6% or 1 of 16 Executives is a Minority; Total Employees Firm Wide 78

Prepared by Compliance Unit 11/18/19

SUMMARY OF RESPONSES FROM

ROCKPOINT GROUP

TO ATTACHMENT M: EVALUATION AND IMPLEMENTATION OF SUSTAINABLE PRINCIPLES

SUBMITTED BY THE TREASURY'S POLICY UNIT

Rockpoint became a signatory to the UN Principles of Responsible Investment (PRI) in 2020. Otherwise, the firm is not a member of any of the sustainability-oriented organizations identified by the Treasury (e.g., Carbon Disclosure Project; International Corporate Governance Network; Investor Network on Climate Risk or UK Stewardship Code).

Rockpoint and its affiliate Rockhill Management (the firm's dedicated property service management company) have partnered with Global Real Estate Sustainability Benchmark (GRESB) for environmental monitoring initiatives. The firm disclosed that in 2019, it was awarded 4 out of 5 Green Stars in its peer group.

The firm identified three ESG factors that it deems material to its investment strategy: (1) reducing utility consumption and applying sustainable principles that enhance property values; (2) working with organized labor to ensure fair wages and profitability for investors; and (3) maintaining transparency and accountability to investors through reporting and ongoing communications.

Rockpoint also cited a number of "ESG objectives and goals" related to the manner in which its affiliate Rockhill manages portfolio holdings, including: monthly benchmarking of energy and water usage; pursuing LEED and Energy Star certification, where appropriate; reducing greenhouse gas emissions and improving efficiency in utilities of 5% per year across its portfolio; and active engagement with tenants to promote sustainable practices. Its property manager has an "ESG Best Practices Group" that discusses these initiatives on a monthly basis.

Overall, Rockpoint's disclosure suggests that there is room for improving how it conveys the manner in which it integrates ESG into its investment processes. The firm may wish to consider a formal ESG policy, as well as a clearer articulation of its how its work with GRESB informs its evaluation of investment opportunities.

NEPC Private Markets Investment Due Diligence Report

The Rockpoint Group

Rockpoint Real Estate Fund VI, L.P.

December 2019

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

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Executive Summary

The Rockpoint Group ("Rockpoint," "Manager," "General Partner," or "Firm") is targeting $3.0 billion for Rockpoint Real Estate Partners Fund VI, L.P. ("Fund" or "Fund VI"). The Fund will focus on non-core real estate investments in major coastal markets in the United States.

Rockpoint seeks to acquire high-quality assets at significant discounts to replacement cost. The Firm will continue to target major coastal cities and markets that share a common set of attributes including: strong and diverse economic drivers, barriers to new supply, and long-term liquidity. The strategy will focus on a broad range of assets, where Rockpoint believes that it can drive value through active asset management, which includes leasing of vacant space, selective repositioning/redevelopment, and development. The Fund is expected to be diversified by property types (primarily multifamily, office, hospitality). The Fund is targeting to achieve a 14% to 16% net internal rate of return ("IRR") and a 1.6x to 1.8x net equity multiple.

Rockpoint was founded in 2003 by Managing Members Bill Walton and Keith Gelb, along with three additional Partners, all of whom were previously Partners at Westbrook Real Estate Partners ("Westbrook"). Since inception, three of the original partners have left the Firm and five professionals were made partners. There are now seven partners with Bill Walton and Keith Gelb maintaining controlling votes. The Firm has raised $9.8 billion for its non-core strategy and has additionally deployed $2.4 billion through three core-plus vehicles (the Rockpoint Income and Growth series). The Firm is headquartered in Boston, with offices in San Francisco, Dallas, Jacksonville, and London[1]. In 2018, The Blackstone Group bought a 20% minority stake in Rockpoint. Blackstone is a passive investor, with no control rights over Rockpoint's investing activities.

As of this writing, Rockpoint has raised $2.8 billion in committed capital for Fund VI and plans to hold a final close in early 2020. Fund VI has invested in four assets ($558 million of equity). This portfolio includes two multifamily properties and two office assets. NEPC toured two of these assets (100 Summer Street – office and Overlook Ridge – multifamily); we consider these assets to be consistent with the stated strategy, albeit at the lower end of the risk spectrum.

[1] The Jacksonville office is a part-time office for Mr. Walton, while the London office is the workplace for Hadi Nasser, who leads to Firm's international capital raising activities.

Positives:

- ***Experienced team with limited turnover:*** The Fund will be managed by the same proven and experienced real estate team which has been responsible for investing Rockpoint's commingled Funds since 2003, in addition to several funds invested while at Westbrook Partners. Rockpoint is led by Bill Walton and Keith Gelb, Managing Members and co-founders of Rockpoint, who have been working and investing together for 24 years. The Firm's Founders are supported by additional Managing Members Paisley Boney, Tom Gilbane and Aric Shalev, who have been working and investing together as a group with Mr. Walton and Mr. Gelb for 14 years. Rockpoint's senior real estate investment team members have an average of 18 years of real estate experience and an average of 16 years working together. Over the last five years, the team has experienced no senior-level turnover. This stability has enabled Rockpoint to develop a strong culture that should help the Firm to successfully invest over the coming years.

- ***Deep market knowledge:*** Historically, Rockpoint has maintained a targeted approach to market selection. Although there are no geographic limitations enshrined in the Fund's operating agreement, the Firm has focused primarily on gateway coastal cities, which have deep liquidity, with a small focus on secondary cities such as Seattle. This narrow focus has helped the Firm's senior investment professionals to develop a wide network of brokers, financial sponsors, investment bankers, and operating partners, which has resulted in a strong pipeline of investable assets.

- ***Flexible investment mandate:*** Rockpoint will seek to opportunistically invest its capital across property types and markets. Additionally, the Firm will maintain the ability to acquire or develop assets, based on the Fund's current opportunity set. Rockpoint has generated consistent performance across property types, demonstrating the Firm's ability to tactically allocate capital based upon the relative attractiveness of each property type. Historically, Rockpoint's office, hospitality, and multifamily deals have generated (realized and unrealized) gross equity multiples of 1.42x, 1.52x, 1.40x, respectively.

Negatives:

- ***Multiple pools of capital:*** In 2014, Rockpoint raised its first "Income and Growth" Fund, a core-plus strategy focused on stable, income-producing properties. To-date Rockpoint has raised three closed-end funds and deployed $2.4 billion of capital in this strategy. Rockpoint has developed an allocation policy so that new deals are properly matched with the appropriate strategy. With that said, Rockpoint has acknowledged that there may be deals that overlap between the Income and Growth Fund and Fund VI. Per the allocation policy, Fund VI will always receive preference in the allocation of an asset that may be appropriate for both mandates.

- ***Poor performance from pre-GFC fund:*** Rockpoint's 2005 vintage fund, Fund II, with $1.7 billion of committed capital is marked at a -2.7% IRR. As compared to peers in the ThomsonOne Global Value-Add and Opportunistic Real Estate Fund Universe, this fund places in the third quartile on an IRR and TVPI basis. Much of this under performance was driven by capital-intensive deals, particularly those outside the United States. By Fund IV (~2011), Rockpoint made the decision that its core strength was in U.S. markets, and subsequently closed its international offices. NEPC believes that this decision has helped the firm to focus its strategy to the markets it knows best. Furthermore, although the Fund VI investment guidelines permit up to 20% ex-US investments, management stated it has no intent to actively seek deals outside of the US.

Rockpoint Real Estate Fund VI, L.P.
Diversified Non-Core Real Estate

Fund Characteristics

Investment Vehicle	Rockpoint Real Estate Fund VI, L.P.
Investment Manager	The Rockpoint Group
Target Size/Max Size	$3 billion/$3.5 billion
Amount Raised	$2.8 billion, as of 10/31/19, including $239 million of side-car commitments
Minimum Investment Size	$25 million, subject to General Partner discretion
Target Final Close Date	Q1 2020 (First Close occurred on 4/19/19)
Investment Period	Four years from the date of the initial closing
Fund Term	Eight years from the date of the initial closing, subject to two one-year extensions with Advisory Committee approval
Sponsor's Investment	At least 1.5% of total capital commitments
Assets Under Management	$5.6 billion, as of 3/31/19
Investment Focus	Diversified real estate
Geographic Focus	United States
Projected Number of Investments	20-30
Deal Size	$50-$150 million of equity, with possibility for larger deals
Target Fund Return	14%-16% net IRR, 1.6x-1.8x net equity multiple
Leverage	Leverage will be capped at 75% LTV at the Fund-level
Annual Management Fee	During the investment period, fees are 1.5% of committed capital. Following the investment period, fees are 1.5% of invested capital. Fees step down 25 basis points for Limited Partners committing over $50 million, $100 million, $200 million, and $300 million
Other Fees	In addition to organizational costs, the Fund will pay all expenses, costs and liabilities relating to its operations, leasing, brokerage, construction management, and legal fees incurred
Organizational Costs	Fund will bear all expenses up to $2.75 million
Carried Interest	20%
Preferred Return	9%
Distribution Waterfall	The distribution waterfall is as follows: • 100% to Limited Partners until they have received a return of their capital plus an 9% cumulative compound annual return on their capital • 40% to Limited Partners and 60% to the General Partner, as carried interest, until the distributions to the General Partner equal 20% of the cumulative distributions • 80% to Limited Partners and 20% to the General Partner as carried interest
ERISA Fiduciary	The Firm is not an ERISA fiduciary
Fund Auditor	Ernst & Young LLP
Fund Legal Counsel	Simpson Thacher & Bartlett LLP
Placement Agents	None
Website	http://www.rockpointgroup.com

Firm Description

Firm Overview
Rockpoint is a real estate private equity firm headquartered in Boston, with additional offices in San Francisco, Dallas, and London. Rockpoint was founded in 2003 and is led by Managing Members and Cofounders William H. Walton and Keith B. Gelb, who have been working and investing together for 24 years. Previously, Mr. Walton and Mr. Gelb were Partners at Westbrook Partners, where they invested approximately $4 billion of LP capital. In 2003, five of six Partners of Westbrook decided to leave the Westbrook and form Rockpoint. These five partners were responsible for managing the Westbrook funds through their final liquidation in December 2014.

Rockpoint has raised six closed-end non-core real estate funds, totaling over $9.5 billion in committed capital. In 2014, the Firm raised its first core-plus closed-end Fund and has since raised two additional funds. This strategy has deployed $2.4 billion since the inception. The Firm also owns Rockhill Property Management, an in-house property management platform that exclusively manages Rockpoint's office assets.

Team Overview
Rockpoint's group of U.S.-based real estate professionals are comprised of approximately 70 investment professionals in Boston, San Francisco, and Dallas. The senior investment team consists of seven Managing Directors who have an average tenure of 16 years working together. An additional eleven, for a total of 18, professionals make up the Firm's Investment Committee, which serves as an advisory body to the Firm's Managing Members, i.e., the Investment Committee only recommends investment to the Managing Members who have the ultimate decision-making power. Although, as a matter of practice, the Managing Members make investment decisions unanimously, the two senior partners (Mr. Walton and Mr. Gelb) have a veto vote.

Key Fund Professionals		
Name	**Position**	**Location**
Keith Gelb	Managing Member, Co-Founder	Boston
Bill Walton	Managing Member, Co-Founder	Jacksonville
Paisley Boney	Managing Member	Boston
Dan Domb	Managing Member	Boston
Tom Gilbane	Managing Member	Boston
Hank Midgley	Managing Member	Boston
Aric Shalev	Managing Member	San Francisco
Jason Chiverton	Principal	Boston
Kyle Gardner	Principal	Boston
TK Inbody	Principal	San Francisco
Fred Borges	Principal	Boston
Steven Chen	Principal	Boston
Ben Parsons	Principal	San Francisco
Zack Bernstein	Vice President	San Francisco
Greg Dunn	Vice President	San Francisco
Ian Macnab	Vice President	Boston
Patrick Ryan	Vice President	Boston
CB Scherer	Vice President	Boston

Recent Turnover/ Key Departures

Rockpoint has experienced no senior turnover in the past five years. The Firm does not make lateral hires from other real estate investment firms, and prefers instead to train associates with two to three years of investment banking experience and raise them up the ranks.

Fund Investment Strategy

Investment Strategy
Despite its conservative market outlook, Rockpoint expects current market conditions to provide attractive value creation opportunities that will align with the Firm's strengths. Rockpoint intends to make investments that are expected to generate returns from a combination of cash flow and appreciation, generally using leverage of under 70% loan-to-value. Such opportunities may include:

- Investments with compelling cost bases relative to stabilized and potential cash flows, replacement costs, and comparable market sales.
- Investments in assets that are expected to generate attractive market returns on cost that also offer opportunities to increase value through proactive asset management and property management and without relying on broad market growth.
- Complex situations that offer attractive risk-adjusted returns due to inefficient pricing and/or opportunities for asset-level value creation
- Opportunities to recapitalize or acquire assets from owners facing financial pressure, liquidity constraints, and/or failed partnerships
- Opportunistic, high-quality redevelopment opportunities in markets that benefit from strong supply/demand fundamentals.

Target Return
The Fund is targeting a range of 14%-16% net annualized total returns.

Target Fund Size
Rockpoint is targeting $3 billion in capital commitments, with a hard cap of $3.5 billion. The Manager reserves the right to increase the Fund's size by 10% to allow for "last minute" allocations from new investors, i.e., the Fund can be capitalized up to $3.85 billion.

Target Geographic Focus
The Fund will focus primarily on investment opportunities in the United States. Rockpoint will seek to make investments in coastal gateway cities (Boston, New York, Washington DC/Northern Virginia) with a secondary focus on Seattle, Southern Florida and Hawaii. The Fund may invest up to 20% of the Capital Commitments outside the U.S.

Target Deal Size
The Manager will target equity investments of $50 to $150 million but it has the ability to do larger deals.

Use of Leverage
Leverage will be limited to 75% loan-to-value at the Fund-level.

Manager's View of Current Market Conditions
Despite nominally strong economic growth for the United States as a whole, Rockpoint believes that current market conditions remain challenging, particularly given uneven macroeconomic growth across markets, geopolitical and other uncertainty, elevated pricing against a backdrop of inconsistent growth in fundamentals across many asset classes and markets, and the strong private equity real estate fundraising.

GDP growth and recovering employment have supported demand fundamentals, particularly in Rockpoint's target markets. New supply for most property types generally remains in balance with demand, particularly within the submarkets and property types in which Rockpoint is primarily focused. Finally, Rockpoint expects that demand for high-quality properties with stable cash flows will provide substantial exit liquidity for assets whose value enhancement strategies have been successfully executed.

Expected Fund Investor Base

The current investor base in the Fund is diverse and includes pension plans, endowments, foundations, Taft Hartley plans and family offices.

Investment Limitations

There are relatively few limitations which runs the risk of strategy drift. This risk is mitigated by the Firm's recent track record colored by the Firm's experience historically with investing globally coupled with qualified investment professionals.

Without approval of the Fund's Advisory committee, the Fund may not:

- Invest more than 20% of total capital commitments in a single investment
- Invest more than 20% of total capital commitments in assets outside of the United States
- Invest more than 10% of total capital commitments in unentitled land

Fund Economics

Management Fee
Rockpoint will charge a headline management fee of 1.5% on committed capital during the Fund's investment period. After the investment period, the management fee will be charged on invested capital.

For investors committing the following amounts, the following fee schedule will be applicable:

- Between $50 million and $100 million: 1.250%
- Between $100 million and $200 million: 1.125%
- Between $200 million and $300 million: 1.000%
- Over $300 million: 1.250%

Distribution Waterfall
The Fund's distribution waterfall is as follows:

1. 100% to Limited Partners until they have received a return of their capital plus a 9% cumulative compound annual return on their capital

2. 40% to Limited Partners and 40% to the General Partner, as carried interest, until the distributions to the General Partner equal 20% of the cumulative distributions

3. 80% to Limited Partners and 20% to the General Partner

Other Fees and Expenses
The Fund will bear all organizational expenses relating to the establishment and operations of interests in the Fund up to a maximum aggregate amount of $2.75 million. The Fund will bear all costs and expenses relating to the business of the Fund.

Sponsor's Investment
Rockpoint will commit up to 1.5% of total aggregate commitments.

Fund Administration, Structure and Policies

Fund Structure
The Fund is structured as a Delaware Limited Partnership.

ERISA Provisions
The Manager intends to operate the Fund so that it qualifies as a "venture capital operating company." Therefore, the Fund's assets should not be deemed to be "plan assets" subject to ERISA.

UBTI Considerations
The Fund expects to incur leverage and to carry out its investment strategy in a manner that is likely to generate unrelated business taxable income ("UBTI") to a Limited Partner that is a tax-exempt organization.

Labor Policy
Rockpoint does not have a formal labor or responsible contractor policy.

Key Person Provision
The Investment Period will be suspended, if at any time during the Investment Period, both Mr. Walton and Mr. Gelb cease to have an active role in the affairs of the Fund, or substantially devote all of their business time and effort in any 12-month period to the Fund's activities.

General Partner Removal Provision
Without Cause Removal: At any time following the first anniversary of the final close, Limited Partners holding 75% of the interests may remove the General Partner and terminate the Manager without cause.

For Cause Removal: If the Manager is found to have engaged in certain removal conduct, a majority of the Limited Partners may remove the GP for cause.

LP Advisory Committee
The Fund has an LP Advisory Committee comprised of Limited Partners and the General Partner (who will serve as a non-voting member). Representation will be offered to all Limited Partners with Capital Commitments of at least $100 million.

The Advisory Committee includes 15 investors representing:
- Eight U.S. pension funds
- Three Asian sovereign wealth funds
- One U.S. asset management firm
- One Middle Eastern sovereign wealth fund
- One private U.S. pension
- One Asian endowment

SEC Audit
Rockpoint has been registered with the SEC since 2012, but has not yet been audited. However, the Firm engages a third-party firm, ACA Compliance, to perform mock audits annually, which should mitigate the risk of a future audit resulting in findings.

Valuation Policy
Rockpoint's valuation policy calls for no external appraisals by independent third parties. This risk is mitigated by what appears to be a robust valuation policy that informs thoughtful procedures.

Distribution of Carried Interest
The Firm splits carry as follows: 70% house (7 partners) / 30% others (approx. 13 professionals – Vice President level and up). We generally like to see carry broadly distributed as practicable; we consider this on the lower end of the range of reasonable/market.

Current Litigation

In the ordinary course of business, Rockpoint is a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims.

Currently, one former Managing Member has an open lawsuit (a breach of contract dispute) against Rockpoint, seeking undisclosed and uninsured monetary damages related to the Rockpoint's minority interest sale to Blackstone. Rockpoint has not disclosed the amount of damages being sought by this lawsuit. We recommend clients inquire directly with Rockpoint regarding this matter if such is a gating item.

Firm Track Record

Fund Track Record

Fund-Level Returns									
Fund	Vintage Year	Capital Committed	Capital Funded	Reported Value	Amount Distributed	Total Value, Net of Carry	TVPI Multiple	DPI Multiple	Current Net IRR
Rockpoint Real Estate Special Fu	2003	$100.0	$53.2	$0.0	$79.8	$79.8	1.5x	1.5x	18.8%
Rockpoint Real Estate Fund I,	2004	$903.6	$927.6	$0.0	$1,136.9	$1,136.9	1.2x	1.2x	11.5%
Rockpoint Real Estate Fund II	2005	$1,702.6	$1,803.1	$60.0	$1,492.3	$1,552.4	0.9x	0.8x	(2.7%)
Rockpoint Real Estate Fund III	2007	$2,517.6	$2,535.2	$129.7	$3,364.7	$3,494.3	1.4x	1.3x	13.9%
Rockpoint Real Estate Fund IV	2011	$1,951.8	$2,033.9	$642.9	$2,061.5	$2,704.4	1.3x	1.0x	16.2%
Rockpoint Real Estate Fund V	2015	$2,602.1	$2,266.5	$2,237.2	$467.9	$2,705.0	1.2x	0.2x	12.7%

Note: Data as of 06/30/2019 and provided by the Manager. Returns are net of management fees.

Rockpoint Real Estate Fund VI, L.P.
Diversified Non-Core Real Estate

Track Record Benchmarking

For benchmarking purposes, we compared Rockpoint's non-core fund series performance to the Thomson One North American Value-Add & Opportunistic Closed-End Real Estate Fund universe.

Vintage Year Benchmarking Analysis

Net IRR	Rockpoint Group			Vintage Year Benchmark Net IRR Comparison			
Vintage Year	Fund	Current Net IRR	Quartile	# Funds	Upper Quartile	Median	Lower Quartile
2003	Rockpoint Real Estate Special Fu	18.8%	NA	0	0.0%	0.0%	0.0%
2004	Rockpoint Real Estate Fund I,	11.5%	2	29	11.8%	5.7%	(5.2%)
2005	Rockpoint Real Estate Fund II	(2.7%)	3	49	3.3%	(0.2%)	(5.6%)
2007	Rockpoint Real Estate Fund III	14.0%	1	56	9.0%	6.4%	0.7%
2011	Rockpoint Real Estate Fund IV	16.5%	3	48	21.2%	16.7%	12.3%
2015	Rockpoint Real Estate Fund V	13.5%	2	37	15.3%	11.3%	9.0%

DPI Multiple	Rockpoint Group			Vintage Year Benchmark DPI Multiple Comparison			
Vintage Year	Fund	DPI Multiple	Quartile	# Funds	Upper Quartile	Median	Lower Quartile
2003	Rockpoint Real Estate Special Fu	1.5x	NA	0	0.0x	0.0x	0.0x
2004	Rockpoint Real Estate Fund I,	1.2x	2	29	1.6x	1.2x	0.6x
2005	Rockpoint Real Estate Fund II	0.8x	3	49	1.1x	0.9x	0.6x
2007	Rockpoint Real Estate Fund III	1.3x	2	56	1.4x	1.3x	0.9x
2011	Rockpoint Real Estate Fund IV	1.0x	4	48	1.7x	1.4x	1.1x
2015	Rockpoint Real Estate Fund V	0.2x	3	37	0.4x	0.3x	0.1x

TVPI Multiple	Rockpoint Group			Vintage Year Benchmark TVPI Multiple Comparison			
Vintage Year	Fund	TVPI Multiple	Quartile	# Funds	Upper Quartile	Median	Lower Quartile
2003	Rockpoint Real Estate Special Fu	1.5x	NA	0	0.0x	0.0x	0.0x
2004	Rockpoint Real Estate Fund I,	1.2x	2	29	1.6x	1.2x	0.7x
2005	Rockpoint Real Estate Fund II	0.9x	3	49	1.3x	0.9x	0.7x
2007	Rockpoint Real Estate Fund III	1.4x	2	56	1.5x	1.4x	1.0x
2011	Rockpoint Real Estate Fund IV	1.3x	4	48	1.8x	1.6x	1.5x
2015	Rockpoint Real Estate Fund V	1.2x	3	37	1.3x	1.2x	1.2x

Note: Benchmark data as of 03/31/2019. Benchmark is the Cambridge Associates Thomson One North American Value-Add & Opportunistic Closed-End Real Estate fund benchmark.

Notes:
1. *$ in millions; data as of 06/30/2019 and provided by the Manager.*
2. *For benchmarking purposes, we compared fund performance to the Cambridge Associates Thomson One North American Value-Add & Opportunistic Real Estate Fund universe with data as of 06/30/2019.*
3. *IRRs are net and are calculated after the deduction of carried interest and expenses charged directly to the respective Fund. TVPI multiples are calculated using fund-level contributions and fund-level distributions to date as well as the respective fund's equity balance, net of promote.*
4. *GREEN shaded cells indicate that the fund outperformed the benchmark. RED shaded cells indicate that the fund underperformed the benchmark.*

Key Fund Professionals

Detailed Biographies – Investment Team

Paisley Boney, Managing Member

Paisley Boney is involved in Rockpoint's eastern United States investment and asset management activities. Mr. Boney is based in Rockpoint's Boston office. Prior to joining Rockpoint in 2004, Mr. Boney worked at Wachovia Securities in the Real Estate Investment Banking Group for two years.

Mr. Boney received a B.A. in economics from Washington & Lee University.

Dan Domb, Managing Member

Dan Domb is involved in Rockpoint's Eastern United States investment and asset management activities. Mr. Domb is based in Rockpoint's Boston office. Prior to joining Rockpoint in 2006, Mr. Domb worked at UBS in the Real Estate, Lodging and Leisure Investment Banking Group for two years.

Mr. Domb received a B.S. in Finance and Accounting from the Leonard N. Stern School of Business.

Keith Gelb, Managing Member and Co-Founder

Keith Gelb is a Managing Member and co-founder of Rockpoint and is responsible for the overall operations and management of Rockpoint, as well as overseeing the origination, structuring and asset management of all of Rockpoint's investment activities. Mr. Gelb is based in Rockpoint's Boston office. Prior to co-founding Rockpoint, Mr. Gelb was a managing member of Westbrook Real Estate Partners. Prior to joining Westbrook in 1994, Mr. Gelb worked at Morgan Stanley in the Investment Banking Group for two years, where he focused on corporate finance and mergers and acquisitions.

Mr. Gelb received a B.S. from the Wharton School of the University of Pennsylvania.

Tom Gilbane, Managing Member

Tom Gilbane oversees Rockpoint's eastern United States investment and asset management activities. Mr. Gilbane is based in Rockpoint's Boston office. Prior to Rockpoint, Mr. Gilbane was involved in Westbrook's eastern United States and European investment and asset management activities. Prior to joining Westbrook, in 1999, Mr. Gilbane worked the Merrill Lynch in the Real Estate Investment Banking Group.

Mr. Gilbane received a B.S. in engineering Brown University.

Hank Midgley, Managing Member

Hank Midgley oversees Rockpoint's capital raising, new business development, and investor relations. Mr. Midgley is based in Rockpoint's Boston office. Prior to joining Rockpoint in 2010, Mr. Midgely worked at Beacon Capital Partners as Managing Director in the Global Capital Raising and Investor Relations Group. Prior to Beacon, Mr. Midgley worked at Tishman Speyer.

Mr. Midgley received a B.A. from Dartmouth College and an M.B.A. from Harvard Business School.

Aric Shalev, Managing Member

Aric Shalev oversees Rockpoint's investment and asset management activities in the western United States. Mr. Shalev is based in Rockpoint's San Francisco office. Prior to Rockpoint, Mr. Shalev was involved Westbrook's western United States investment activity. Prior to Westbrook, Mr. Shalev worked at Morgan Stanley in the Mergers and Acquisitions and Restructuring Group.

Mr. Shalev received a B.S. from the Wharton School of the University of Pennsylvania.

Bill Walton, Managing Member and Co-Founder

Bill Walton is a Managing Member and co-founder of Rockpoint and is responsible for the overall operations and management of Rockpoint, as well as overseeing the origination, structuring and asset management of all of Rockpoint's investment activities. Mr. Walton maintains offices in Jacksonville and Boston. Mr. Walton co-founded was a Managing Member of Westbrook Real Estate. Prior to Westbrook, Mr. Walton was a Managing Director in the Real Estate Group at Morgan Stanley.

Mr. Walton received an A.B. from Princeton University and an M.B.A. from Harvard Business School.

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- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
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1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager’s realm of expertise or contemplated investment strategy

ROCKPOINT
GROUP

APRIL 2020

ROCKPOINT REAL ESTATE FUND VI

Prepared for: State of Connecticut

PLEASE REFER TO THE ENDNOTE SUMMARY FOR INFORMATION RELATED TO COVID-19.

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ROCKPOINT OVERVIEW

EXECUTIVE SUMMARY

ROCKPOINT REAL ESTATE FUND VI, L.P. ("ROCKPOINT FUND VI")

- Expands upon Rockpoint's long-standing opportunistic real estate investment program which targets primarily office, multifamily and hospitality investments in select coastal markets in the United States
- Employs Rockpoint's fundamental value investment approach by: (i) acquiring assets at compelling cost bases relative to replacement cost and cash flow; and (ii) identifying opportunities to add value at the asset level through proactive asset management and strategic property management
- Targets an 18%-20% gross IRR (resulting in 13%-15% net) with a focus on capital appreciation and moderate leverage
- Eleven Rockpoint and WREP opportunistic funds spanning 25 years, which are currently projected to generate a cumulative 20.8% gross IRR, 13.2% net IRR, 1.6x gross multiple and 1.4x net multiple with average Peak Leverage of approximately 64%
  - The U.S. investments made by these 11 funds, which represent the primary focus of Rockpoint's current investment program and approximately 84% of Peak Invested Equity, are projected to generate a 23.0% gross IRR and 1.7x gross multiple on a cumulative basis

EXPERIENCED SPONSOR WITH STRONG TRACK RECORD

- Privately held, multi-strategy real estate investment manager focused on U.S. opportunities, with a 25-year track record of generating strong risk-adjusted returns
  - Opportunistic platform targets returns of 18%-20% gross (resulting in 13%-15% net)
  - Growth and income platform targets returns of 11%-12% gross (resulting in 9%-10% net)
- Disciplined investment approach targets gateway markets, select asset types, compelling acquisition bases and the ability to transform underutilized or underperforming assets through active asset and strategic property management
- Extensive network contributes to substantial deal flow, including direct sourcing and non-competitive opportunities
- Consistent strategy of maximizing risk-adjusted returns across growth and income and opportunistic risk profiles, differentiated by scope of asset management initiatives and composition of return (cash flow vs. appreciation)
- Strong risk-adjusted returns across multiple business cycles over last two decades, with moderate use of leverage

Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

STRATEGIC FOCUS

FUNDAMENTAL VALUE APPROACH

- Target high-quality, well-located assets located primarily in gateway markets on the East Coast and West Coast of the United States
- Acquire investments at compelling bases relative to replacement cost and stabilized cash flow with intrinsic long-term value
- Underwrite investments on an unlevered basis and then customize capital structures to prudently enhance returns based on each investment’s unique risk-return profile

GEOGRAPHICAL AND PRODUCT TYPE FOCUS

- Target primarily U.S. coastal markets with strong long-term economic drivers, constraints on new supply, scale, and long-term liquidity
- Assess opportunities across all major property types, with an emphasis on investments in office, multifamily and hospitality and a lesser focus on other property types
- Evaluate equity and debt investments, but maintain a primary focus on equity investments offering substantial downside protection

INVESTMENT SOURCING

- Leverage (a) on-the-ground market knowledge, (b) broad-based, substantive industry relationships and (c) reputation for integrity, reliability, creativity and performing under limited time constraints, to generate attractive and often directly sourced investment opportunities

PROACTIVE ASSET MANAGEMENT AND STRATEGIC PROPERTY MANAGEMENT

- Target assets with opportunities to increase value through aggressive asset management, which may involve more focused oversight of operating expenses, implementation of capital expenditure programs to upgrade or reposition under-utilized assets, retaining and expanding existing tenants and re-leasing vacant space, as well as other initiatives to increase revenue
- Identify complex situations that offer attractive risk-adjusted returns due to inefficient pricing and/or opportunities for asset-level value creation, which may include restructuring and/or recapitalizing dysfunctional partnerships or other unique situations
- Selectively pursue discrete, best-in-class development or redevelopment opportunities in markets that benefit from strong supply/demand fundamentals
- Seek to generate opportunistic returns on a risk-adjusted basis primarily through appreciation, using prudent underwriting assumptions and leverage generally in the 55% to 65% range
- Selectively leverage and expand Rockpoint’s capabilities in creating value at the property level through the engagement of Rockhill

EXPERIENCED TEAM

- Continuity of leadership and organic development of senior investment team reinforces team stability, investment processes and organizational cohesiveness
- Experienced and tenured senior leadership team with substantive knowledge and expertise across target markets, fund management and investor relations
- Senior investment professionals average 19 years of experience and 15 years of investing together
- Focus on promotion from within, balanced by strategic growth of junior team; 25 net professional hires over the last five years to support expansion into growth and income strategy

ROCKPOINT PROFESSIONAL STAFF BY FUNCTION AND LOCATION

NAME	BOSTON	DALLAS	SAN FRANCISCO	TOTAL
Investments – Senior Staff	9	-	3	**12**
Investments – Junior Staff	8	-	6	**14**
Finance and Accounting	8	12	-	**20**
Legal	4	6	1	**11**
Investor Relations	7	-	-	**7**
Information Technology	3	1	1	**5**
Total	**39**	**19**	**11**	**69**

MANAGEMENT COMMITTEE / SENIOR INVESTMENT TEAM

NAME	PRIMARY ROLE	ROCKPOINT	INDUSTRY
MANAGING MEMBERS / MANAGEMENT COMMITTEE			
Keith Gelb	Co-Founder / All Investments	26 years	28 years
Bill Walton	Co-Founder / All Investments	26 years	41 years
Dan Domb	Investments – New York	14 years	16 years
Tom Gilbane	Investments – East Coast	21 years	23 years
Aric Shalev	Investments – West Coast	23 years	25 years
Hank Midgley	Investor Relations	10 years	17 years
OTHER SENIOR INVESTMENT PROFESSIONALS			
Kyle Gardner	Investments – DC Metro	15 years	18 years
TK Inbody	Investments – Bay Area	16 years	20 years
Jason Chiverton	Investments – Los Angeles	13 years	15 years
Fred Borges	Investments – East Coast	9 years	12 years
Steve Chen	Investments – East Coast	9 years	13 years
Ben Parsons	Investments – West Coast	10 years	12 years
Patrick Ryan	Investments – East Coast	7 years	10 years

ESTABLISHED PRESENCE IN TARGET MARKETS

Note: "Rockpoint" column denotes years at Rockpoint and WREP and "Industry" column denotes years of real estate/finance experience. Boston headcount includes two employees who also maintain an office in Jacksonville and London. Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

DIVERSITY AT ROCKPOINT: KEY PROGRAM COMPONENTS

A HOLISTIC APPROACH TO DIVERSITY AND INCLUSION

- Fostering a diverse and inclusive work environment is central to Rockpoint's culture and corporate values, as we work to enhance our representation of different genders, ethnicities and perspectives to more broadly reflect the populations we serve
- As a company, we have dedicated significant time and resources over the last several years to implementing practices that will facilitate building greater diversity in our workforce, and to cultivating an inclusive culture in which employees from all backgrounds and walks of life can thrive
- While changes will not happen overnight given our organic development of the investment team (vs. lateral hiring), we have made a long-term commitment to increase the composition of historically underrepresented populations both within our firm, and in the industry overall, going forward
- In support of these objectives, Rockpoint has developed a formal diversity and inclusion (D&I) strategy framed by the following actionable items:
  - Clear, measurable long-term goals to define desired outcomes and track progress
  - Formal D&I committee comprised of senior leaders and key functional heads to drive D&I initiatives and take accountability for results
  - Exploration of additional avenues for recruitment of investment talent with the goal of broadening the pool of diverse talent
  - Mitigation of potential for bias in our hiring process via practices such as blind resume screening, quantifiable personality assessments, and clearly defined job descriptions
  - Program to collect feedback on how the Company is perceived by employment candidates
  - Unconscious bias training for managers to build greater awareness of our own potential biases and how they may manifest in the workplace
  - Continued and new programs to encourage retention and development (e.g. mentorship, affinity groups, programs to enhance work/life balance, etc.)
  - Support of industry efforts to increase diversity via partnerships with prominent trade organizations and by using our influence to promote the need for diversity among our service providers, vendors and partners
  - Commitment by executive leadership to actively and vocally support D&I initiatives and to demonstrate such commitment in our employee interactions

Please refer to the Appendix for additional detail regarding Rockpoint's Diversity and Inclusion Program.

INVESTMENT PERFORMANCE

WESTBROOK I-IV AND ROCKPOINT OPPORTUNISTIC FUNDS

AS OF THE FOURTH QUARTER 2019 UNAUDITED, IN MILLIONS	WREF I	WREF II	WREF III	WREF IV	ROCKPOINT SPECIAL FUND	ROCKPOINT FUND I	ROCKPOINT FUND II	ROCKPOINT FUND III	ROCKPOINT FUND IV	ROCKPOINT FUND V	ROCKPOINT FUND VI	TOTAL WREF I-IV AND ROCKPOINT FUNDS
Investment Period	1/95-5/97	5/97-7/98	7/98-9/00	9/00-9/03	9/03-2/04	2/04-7/05	7/05-7/07	7/07-7/11	11/11-5/15	5/15-5/19	5/19-5/23	**1/95-5/23**
Capital Commitments*	$684	$743	$1,242	$1,250	$100	$904	$1,703	$2,518	$1,952	$2,602	$2,541	**$16,238**
Number of Investments	35	27	44	40	7	48	59	55	38	43	4	**400**
Peak Invested Equity	$805	$752	$1,327	$1,137	$51	$876	$1,661	$2,336	$1,890	$2,465	$534	**$13,833**
Total Realized and Projected Remaining Proceeds	$1,887	$1,286	$1,894	$2,229	$87	$1,246	$1,601	$3,810	$3,043	$4,351	$1,029	**$22,463**
Distributions to Investors To-Date**	234%	160%	141%	175%	156%	130%	90%	145%	117%	31%	0%	**121%**
Estimated Liquidation Gross IRR - All Investments	34.1%	17.8%	11.3%	28.8%	25.3%	26.3%	-0.8%	22.3%	24.3%	18.8%	NM	**20.8%**
Estimated Liquidation Gross Multiple - All Investments	2.6x	1.7x	1.5x	2.0x	1.7x	1.4x	1.0x	1.6x	1.5x	1.4x	NM	**1.5x**
Estimated Liquidation Net IRR - All Investments	27.2%	12.8%	7.8%	20.3%	18.8%	11.5%	-2.9%	13.9%	15.2%	11.1%	NM	**13.3%**
Estimated Liquidation Net Multiple - All Investments	2.2x	1.5x	1.3x	1.6x	1.5x	1.2x	0.8x	1.4x	1.3x	1.2x	NM	**1.3x**
Projected Gross IRR - All Investments	**34.1%**	**17.8%**	**11.3%**	**28.8%**	**25.3%**	**26.3%**	**-0.7%**	**22.3%**	**23.7%**	**16.7%**	**NM**	**20.8%**
Projected Gross Multiple - All Investments	**2.6x**	**1.7x**	**1.5x**	**2.0x**	**1.7x**	**1.4x**	**1.0x**	**1.6x**	**1.6x**	**1.8x**	**NM**	**1.6x**
Projected Net IRR - All Investments	**27.2%**	**12.8%**	**7.8%**	**20.3%**	**18.8%**	**11.5%**	**-2.9%**	**13.9%**	**15.0%**	**11.6%**	**NM**	**13.2%**
Projected Net Multiple - All Investments	**2.2x**	**1.5x**	**1.3x**	**1.6x**	**1.5x**	**1.2x**	**0.8x**	**1.4x**	**1.4x**	**1.5x**	**NM**	**1.4x**
Peak Invested Equity - U.S. Investments	$805	$533	$1,207	$700	$36	$624	$993	$1,847	$1,890	$2,465	$534	$11,633
% of All Investments - Peak Invested Equity	100%	71%	91%	62%	70%	71%	60%	79%	100%	100%	100%	84%
Projected Gross IRR - U.S. Investments	**34.1%**	**20.9%**	**10.1%**	**30.5%**	**24.6%**	**25.8%**	**5.5%**	**34.8%**	**23.7%**	**16.7%**	**NM**	**23.0%**
Projected Gross Multiple - U.S. Investments	**2.6x**	**1.9x**	**1.4x**	**2.0x**	**1.9x**	**1.4x**	**1.3x**	**1.8x**	**1.6x**	**1.8x**	**NM**	**1.7x**

*Rockpoint expects to target Capital Commitments of approximately $3.0-$3.5 billion in total for Fund VI. As of March 15, 2020, Fund VI has closed on approximately $2.5 billion in fund commitments and $239 million in co-investment commitments, and is currently expected to conclude its fundraising period no later than April 30, 2020.
**Called Capital and Distributions to Investors To-Date are as of March 15, 2020.
Note: Opportunistic Funds target an 18%-20% gross IRR. WREF I, WREF II, WREF III, WREF IV, Rockpoint Special Fund and Rockpoint Fund I have been fully liquidated and therefore their projected and estimated returns equal their actual returns. Total Estimated Liquidation Gross and Net Returns do not include Rockpoint Fund VI returns. Projected Gross Returns and Net Returns and Estimated Liquidation Gross Returns and Net Returns for Rockpoint Fund VI are not meaningful (“NM”) at this time because such funds have not yet invested substantially all of its capital commitments. Totals may not sum due to rounding.
Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

ROCKPOINT FUND VI: PORTFOLIO OVERVIEW

FUNDRAISING AND INVESTMENT UPDATE

- As of March 15, 2020, Fund VI has closed on approximately $2.8 billion in commitments, including $239 million in co-investment commitments, and is currently expected to conclude its fundraising period no later than April 30, 2020
- Investment Period commenced on May 15, 2019
- To date, Fund VI has acquired four investments, which together aggregate 21% of current fund commitments, and approximately 15%-20% of target fund commitments

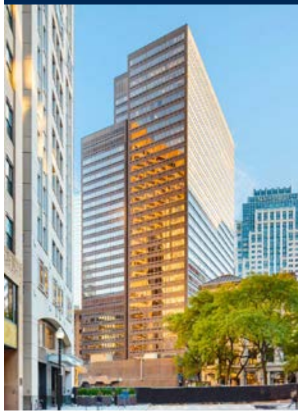
INVESTMENT	ACTUAL / PROJECTED ACQUISITION DATE	PROPERTY TYPE	LOCATION	PEAK INVESTED EQUITY ($mm)
CURRENT PORTFOLIO				
Livermore Multifamily	10/19	Multifamily	Livermore, CA	$48.9mm
Overlook Ridge	10/19	Multifamily	Malden/Revere, MA	$165.9mm
Treat Towers	10/19	Office	Walnut Creek, CA	$66.3mm
100 Summer Street	09/19	Office	Boston, MA	$253.2mm
Subtotal Investments				**$534.3mm**

Livermore Multifamily

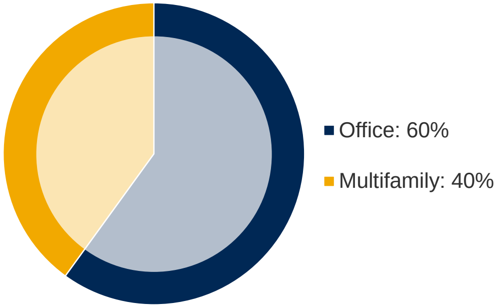
Overlook Ridge

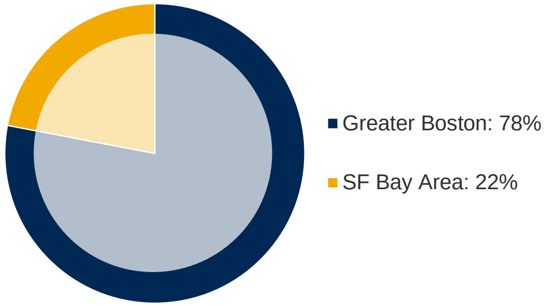
Treat Towers

100 Summer Street



PRO FORMA PORTFOLIO DIVERSIFICATION *





*Pro Forma diversification reflects projected Peak Invested Equity for closed and committed investments as of December 31, 2019.
Note: Peak Invested Equity is subject to change. Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

APPENDICES

FUND VI – CURRENT PORTFOLIO

LIVERMORE MULTIFAMILY – LIVERMORE, CA

FUND VI TRANSACTION SUMMARY

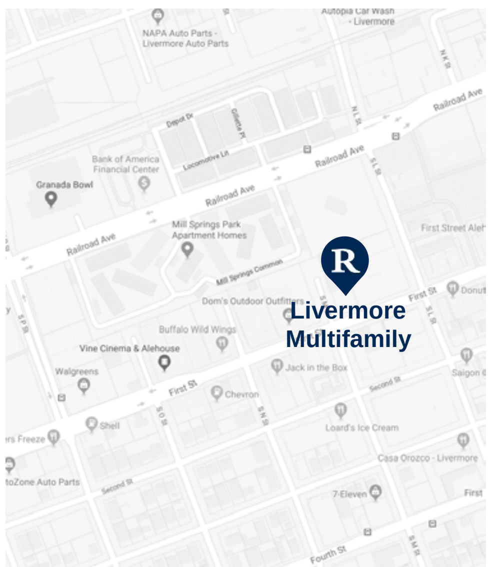
A fully entitled, 4-acre development site planned for the construction of 222 multifamily units and 13,966 square feet of retail space, located in the Tri-Valley submarket of the East Bay, approximately 30 miles from both Oakland and San Jose, in Livermore, California

GENERAL INFORMATION

Acquisition Date / Projected Exit Date:	October 2019 / November 2023
Property Type:	Multifamily
Location:	Livermore, CA
Asset Size:	222 units
All-in Basis at Underwriting:	$475k/unit (residential only); $113.1mm
Fund Ownership:	95.0%
Investment Thesis:	Value Creation
Monetization Status:	Unrealized

FINANCIAL HIGHLIGHTS AS OF DECEMBER 31, 2019

Cost Basis / Peak Invested Equity:	$26.9mm / $48.9mm
Fair Value:	$26.9mm
Loan-to-Value:	0.0%



INVESTMENT RATIONALE AT ACQUISITION

- Property's desirable location within the Tri-Valley submarket, along the primary retail corridor in downtown Livermore, with convenient access to major thoroughfares and public transit options, and in close proximity to schools and employment centers in the Tri-Valley and broader Bay Area market
- Ability to acquire a fully entitled site planned for a market-rate, multifamily development at an attractive basis relative to recent sales of newly constructed, comparable product
- Property's attractive potential cash flow profile, with a market return on cost of 5.75-6.25% based on untrended market rents
- Opportunity to benefit from the Tri-Valley's compelling multifamily fundamentals, including (i) a growing employment base, (ii) favorable demographics, and (iii) limited new supply
- Opportunity to deliver a best-in-class multifamily property with a premium amenity package and desirable unit mix, which should appeal to the Property's target demographic
- Downside protection provided by a cost overrun guaranty from the operating partner

KEY OBJECTIVES AT ACQUISITION

- Secure final building permits and complete development of the 222-unit residential project
- Lease residential units upon delivery

HIGHLIGHTS AND ACCOMPLISHMENTS

- The investment was acquired in October 2019
- In November 2019, Rockpoint completed demolition of the previously existing retail structures and broke ground at the property

Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

OVERLOOK RIDGE – MALDEN AND REVERE, MA
FUND VI TRANSACTION SUMMARY

A portfolio of 1,386 multifamily units, across two properties ("Alterra" and "Chase") totaling over 1.26 million square feet, located just north of downtown Boston, at the border of Malden and Revere, Massachusetts

GENERAL INFORMATION	
Acquisition Date / Projected Exit Date:	October 2019 / September 2023
Property Type:	Multifamily
Location:	Malden and Revere, MA
Asset Size:	1,386 units
All-in Basis at Underwriting:	$300k/unit; $415.5mm
Fund Ownership:	100.0%
Investment Thesis:	Value Creation
Monetization Status:	Unrealized

FINANCIAL HIGHLIGHTS AS OF DECEMBER 31, 2019	
Cost Basis / Peak Invested Equity:	$165.9mm / $165.9mm
Fair Value:	$165.9mm
Loan-to-Value	60.1%

INVESTMENT RATIONALE AT ACQUISITION

- Property's desirable location in close proximity to downtown Boston, directly accessible to Route 1 and within a few miles of the Malden Center subway station
- Property's physical attributes, including (i) a community setting with expansive and multiple on-site amenities, including swimming pools, tennis and basketball courts, playgrounds, and other communal areas, (ii) spacious and modern units with high-end finishes, and (iii) a master plan that protects the property from becoming too densified
- Ability to acquire a high-quality property at an attractive basis relative to replacement cost (reflecting a 25-35% discount) and comparable sales
- Property's attractive cash flow profile, with a market return on cost of 5.25-5.75%
- Opportunity to benefit from (i) the favorable demographics and strong employment growth within Greater Boston, (ii) the strong multifamily fundamentals in Malden and Revere, including low vacancy levels and robust tenant demand, as residents are priced out of the surrounding downtown Boston and Cambridge submarkets, and (iii) limited new supply of comparable yet affordable product for the target renter pool
- Opportunity to (i) drive rent growth and new tenant demand through a cosmetic renovation and (ii) improve operations through proactive asset management

KEY OBJECTIVES AT ACQUISITION

- Complete a targeted capital improvement plan at Alterra and increase rents to market rates as leases roll
- Improve operational efficiencies across both properties and enhance cash flow

HIGHLIGHTS AND ACCOMPLISHMENTS

- The investment was acquired in October 2019
- Rockpoint is evaluating potential operating expense savings at the property

Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

TREAT TOWERS – WALNUT CREEK, CA

FUND VI TRANSACTION SUMMARY

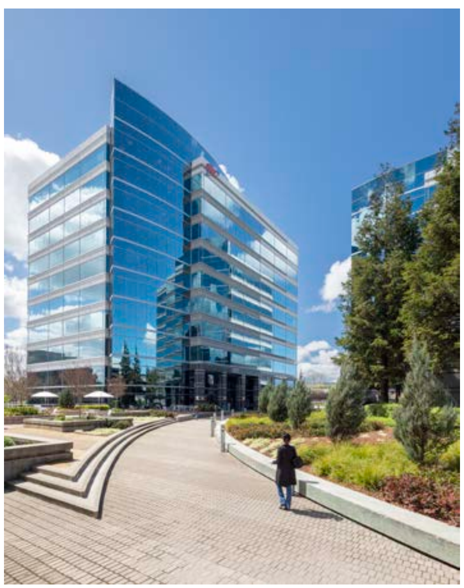
A two-building, 378,705 square foot, class A office property, located in the Pleasant Hill BART submarket of Walnut Creek, California

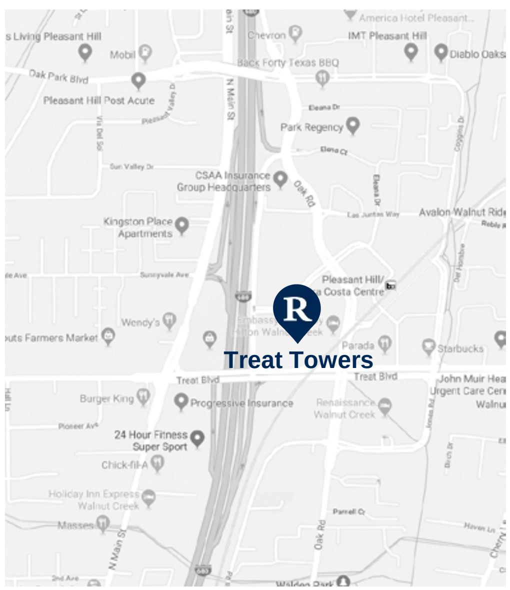
GENERAL INFORMATION

Acquisition Date / Projected Exit Date:	October 2019 / October 2024
Property Type:	Office
Location:	Walnut Creek, CA
Asset Size:	378,705 square feet
All-in Basis at Underwriting:	$505/sf; $191.3mm
Fund Ownership:	100.0%
Investment Thesis:	Value Creation
Monetization Status:	Unrealized

FINANCIAL HIGHLIGHTS AS OF DECEMBER 31, 2019

Cost Basis / Peak Invested Equity:	$66.6mm / $66.3mm
Fair Value:	$66.6mm
Loan-to-Value :	65.4%





INVESTMENT RATIONALE AT ACQUISITION

- Property's desirable location in Walnut Creek, adjacent to the I-680 freeway, within one block of the Pleasant Hill BART station, and proximate to numerous retail and dining amenities
- Property's status as the highest quality physical construction in the market, with features including (i) attractive setbacks, ceiling heights and window lines, (ii) efficient floorplates, and (iii) a comprehensive amenity package, including a fitness center, a conference facility and ample parking
- Ability to acquire a high-quality property at an attractive basis that reflects a 30-35% discount to replacement cost
- Property's compelling existing and potential cash flow profile, with a going-in cap rate of 6.5-7.0% and a market return on cost of 7.0-7.5%
- Opportunity to benefit from Walnut Creek's compelling office fundamentals, characterized by (i) solid rent growth and robust demand, (ii) limited new office development, and (iii) relatively low volatility during market downturns
- Downside protection provided by a diversified tenant base and staggered lease rollover schedule
- Opportunity to reposition the property and drive rents through proactive asset management and a targeted capital improvement plan

KEY OBJECTIVES AT ACQUISITION

- Implement a hands-on asset and property management strategy, including a proactive leasing program and further upgrades to the tenant amenities and other common areas
- Increase rents to market rates as leases roll

HIGHLIGHTS AND ACCOMPLISHMENTS

- The investment was acquired in October 2019
- Upon acquisition, Rockpoint engaged Rockhill Management to provide property-level services
- As of December 31, 2019, the property was 98% leased
- Rockpoint is currently evaluating a lobby, plaza and tenant amenity renovation plan

Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

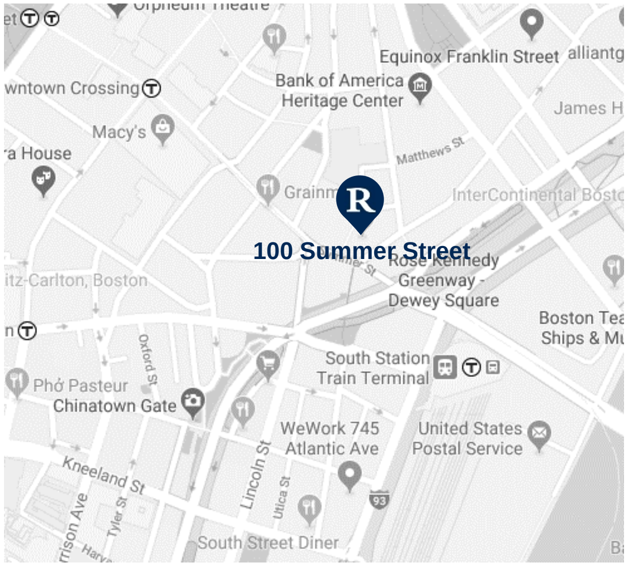
100 SUMMER STREET – BOSTON, MA

FUND VI TRANSACTION SUMMARY

A 1,118,537 square foot, 32-story, class A office building located in the heart of Downtown Boston, Massachusetts

GENERAL INFORMATION	
Acquisition Date / Projected Exit Date:	September 2019 / September 2024
Property Type:	Office
Location:	Boston, MA
Asset Size:	1,118,537 square feet
All-in Basis at Underwriting:	$721/sf; $806.7mm
Fund Ownership:	100.0%
Investment Thesis:	Value Creation
Monetization Status:	Unrealized

FINANCIAL HIGHLIGHTS AS OF DECEMBER 31, 2019	
Cost Basis / Peak Invested Equity:	$219.2mm / $253.2mm
Fair Value:	$236.9mm
Peak Leverage:	69.7%



INVESTMENT RATIONALE AT ACQUISITION

- Property's prominent location on Summer Street in Downtown Boston, within a two-minute walk of South Station and easily accessible to Logan International Airport, I-93 and I-90
- Property's physical features, including (i) a recently renovated lobby and tenant amenity center, and (ii) efficient floorplates that accommodate both single and multi-tenant configurations
- Ability to acquire a high-quality property at an attractive basis that reflects a 25-35% discount to replacement cost
- Property's compelling potential cash flow profile, with (i) a market return on cost of 5.75-6.25%, and (ii) the opportunity to lease current and expected near-term vacancy of prime space up to market rates
- Opportunity to benefit from Downtown Boston's compelling office fundamentals, characterized by (i) low vacancy rates and strong rent growth driven by robust tenant demand, which has been further reinforced by the lack of availability and affordability in the neighboring Cambridge submarket, and (ii) limited new office development given high barriers to entry

KEY OBJECTIVES AT ACQUISITION

- Implement a proactive asset and property management strategy, including an aggressive leasing program and a targeted capital expenditure plan
- Increase rents to market rates as leases roll

HIGHLIGHTS AND ACCOMPLISHMENTS

- The investment was acquired in September 2019
- Upon acquisition, Rockpoint engaged Rockhill Management to provide property-level services
- As of December 31, 2019, the property was 87% occupied

Please refer to Endnote Summary for additional information regarding performance return methodology, calculations and definitions.

SELECT BIOGRAPHIES

BIOGRAPHIES

Keith Gelb
Managing Member and Co-Founder

Keith Gelb is a Managing Member and co-founder of Rockpoint and is responsible for the overall operations and management of Rockpoint, as well as overseeing the origination, structuring and asset management of all of Rockpoint's investment activities. Mr. Gelb is based in Rockpoint's Boston office. Prior to co-founding Rockpoint, Mr. Gelb was a managing member of Westbrook Real Estate Partners, L.L.C. ("WREP"), the predecessor firm of Rockpoint. Prior to joining WREP in 1994, Mr. Gelb worked at Morgan Stanley in the Investment Banking Group for two years, where he focused on corporate finance and mergers and acquisitions. Mr. Gelb holds advisory or board positions with several educational institutions and other non-profit organizations. Mr. Gelb received a B.S. from the Wharton School of the University of Pennsylvania.

Hank Midgley
Managing Member

Hank Midgley oversees Rockpoint's capital raising, new business development and investor relations activities. Mr. Midgley is based in Rockpoint's Boston office. Prior to joining Rockpoint in 2010, Mr. Midgley worked at Beacon Capital Partners as a Managing Director in the Global Capital Raising and Investor Relations Group for three years. Prior to joining Beacon Capital, Mr. Midgley worked at Tishman Speyer as a Senior Director in the Equity Capital Markets and Asset Management Groups for three years. Mr. Midgley received a B.A. from Dartmouth College and an M.B.A. from Harvard Business School.

Tanya Oblak
Senior Managing Director

Tanya Oblak is involved in Rockpoint's investor relations and U.S. capital raising activities. Ms. Oblak is based in Rockpoint's Boston office. Prior to joining Rockpoint in 2015, Ms. Oblak worked at Silverpeak Real Estate Partners and its predecessor, Lehman Brothers ("Lehman"), for 15 years, most recently as a Managing Director and Head of Investor Relations and Marketing. Prior to joining Lehman's Real Estate Private Equity Group, Ms. Oblak worked in the firm's Real Estate Investment Banking Group for two years. Ms. Oblak received a B.A. from Middlebury College and an M.B.A. from Northwestern University's Kellogg School of Management.

ENDNOTE SUMMARY

ENDNOTE SUMMARY

All financial information set forth in this presentation is as of December 31, 2019 ("Quarter End") and reflects only the investments closed or committed as of Quarter End, unless otherwise specifically noted.

1. GENERAL STATEMENTS REGARDING PROJECTED PERFORMANCE

Past performance of Rockpoint's previous investments is not intended to be indicative of future results. There can be no assurance that Rockpoint will be able to make similar investments or achieve comparable results.

There can be no assurance that Rockpoint will be able to identify properties that are positioned to benefit from its fundamental value investment approach or that the properties identified will be able to realize, in whole or in part, the opportunities identified in any investment approach. As with any investment, there is the potential for profit as well as the possibility of loss.

Aggregated gross and net projected returns referred to in this presentation with respect to the Rockpoint funds are hypothetical in nature and are shown for illustrative, informational purposes only. Such projected returns do not reflect the actual or expected returns of any single fund or portfolio strategy. In calculating such aggregate projected returns, the components of the performance information for each separate fund have been aggregated as if all investments were held by a single fund over the actual and projected dates of ownership for such investments, and such calculation otherwise has been made pursuant to the same methodology used for any single fund. In addition, the actual returns of each fund included in the aggregate projected returns may be higher or lower than the aggregated projected returns presented. However, no investor in any fund has necessarily achieved the returns presented in the performance information above, because an investor's participation in the applicable funds may have varied.

Historic and current market trends are not reliable indicators of actual future market behavior or future performance of any particular investment and are not to be relied upon as such. The actual future market behavior or future performance of any particular investment may vary materially and there can be no assurance that investors will receive any return of capital.

Rockpoint's projections are hypothetical in nature and are for illustrative purposes only. Rockpoint's projected returns or projected remaining proceeds may not reflect the value or proceeds obtainable in a sale of such investments under current or future economic, political, operational and market conditions. If Rockpoint were to liquidate such investments under current market conditions, the values obtained would likely be materially lower than those indicated in the projections contained herein as such projected returns generally assume, among other factors, the successful implementation of Rockpoint's business plan at the time of disposition, which may, among other factors, include an improvement in current market conditions.

2. KEY DEFINITIONS USED IN ROCKPOINT PRESENTATIONS

All-in Basis represents the total gross consideration (both debt and equity) contributed or projected to be contributed to the underlying investment by the applicable Rockpoint fund and all third-party partners and lenders, including, without duplication, purchase price, acquisition costs, debt, financing costs and anticipated capital expenditures during the fund's ownership. All-in-Basis may not include (i) re-invested investment proceeds or (ii) the use of credit facility borrowings or fund proceeds that are anticipated to be repaid from the subject investment.

Capital Commitments are as of March 15, 2020 (unless otherwise noted).

Cost Basis includes amounts funded by the applicable Rockpoint fund to the underlying investments including acquisition costs incurred, and is (i) offset by capital distributions received from the underlying investment and (ii) prior to adjustments for unrealized gains and losses. In certain situations, Cost Basis may include interim capital or short-term financing funded by credit facility borrowings.

Fair Value is the price that would be received for the applicable Rockpoint fund's position in an investment if such investment was sold in an orderly transaction between market participants at the measurement date, and is calculated pursuant to (i) Rockpoint's valuation methodology which has been approved by the applicable Rockpoint fund's advisory committee, and (ii) the accounting requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 820 "Fair Value Measurements," as described in more detail in the notes of the most recent financial statements of the applicable Rockpoint fund.

Loan-to-Value represents a loan-to-value calculation utilizing the applicable Rockpoint fund's allocable share of each investment's (i) gross asset value and (ii) third party debt, as calculated in accordance with the fund's partnership agreement. Accordingly, where applicable, assumed debt for which capital has been reserved for and short-term indebtedness secured by capital commitments may be excluded from the Loan-to-Value calculation. For simplicity, the aggregate allocable share of the applicable Rockpoint-sponsored fund (including all related parallel funds and AIVs as applicable, but excluding any related side car fund or other related co-investment vehicle) of each investment's gross asset value and third party debt is used in the Loan-to-Value calculations.

Peak Invested Equity is the maximum capital contributed or projected to be contributed by the investors to an investment on a peak basis, including credit facility borrowings that are anticipated to be repaid from capital calls from investors. Peak Invested Equity is subject to fluctuate over time and, for certain investments, includes recycled investor capital. References to equity invested or capital committed include the investment or commitments of the applicable general partner or any other Rockpoint affiliate. There can be no assurance or guarantee that committed amounts will be fully deployed.

ENDNOTE SUMMARY

2. KEY DEFINITIONS USED IN ROCKPOINT PRESENTATIONS (continued)

Peak Leverage is a loan-to-cost metric that presents the applicable Rockpoint fund's (including related parallel funds and AIVs, as applicable, but excluding any related side car funds or other co-investment vehicles) allocable share of the maximum principal amount of third party debt not secured by or anticipated to be repaid by investor capital commitments (excluding cash-out refinancings), projected to be outstanding at any one time over the projected life of the underlying investment, as a percentage of total capitalization on a peak basis for such investment. In certain cases, the current Loan-to-Value for an investment that has not called all anticipated investor capital may be higher than the Peak Leverage ratio, which is based on Peak Invested Equity as opposed to current Fair Value.

Net Professional Hires include employee additions and departures over the past five years, and exclude former employees who were focused on non-U.S. or residential land investment activity in prior funds, neither of which are a current focus for Rockpoint, and also exclude former Rockpoint asset management professionals who transitioned to Rockpoint's affiliated property-level services company, Rockhill Management.

Investment Thesis is a classification summarized in the detailed Offering Memorandum for each fund, and includes (i) Value Creation Opportunities, (ii) Complex Situations or (iii) Distressed/Restructuring Opportunities. Value Creation Opportunities may involve more focused management of operating expenses, implementation of capital expenditure programs to upgrade or reposition under-utilized assets, re-leasing vacant space or other revenue enhancement initiatives. Additionally, on a limited basis, Rockpoint may pursue moderate-risk development opportunities such as build-to-core multi-family investments. Complex situations typically involve several disciplines of real estate investment and may offer attractive risk-adjusted returns, as they are often priced inefficiently due to asset-specific issues and/or short-term capital market dislocations. Examples of complex situations may include: (i) restructuring and/or recapitalizing dysfunctional partnerships or acquiring assets from owners who need to sell, often due to divergent objectives; or (ii) mezzanine debt origination for high-quality real estate assets with the potential for attractive risk-adjusted returns. Distressed/restructuring opportunities can be situation-specific, such as with individual owners or a class of owners under unique pressure, or systemic, such as with an industry-wide real estate market disruption or more generalized financial system dysfunction. These opportunities may exist when: (i) mezzanine, mortgage or other lenders choose to sell their interests at discounts to par when borrowers are in default or are experiencing financial distress on fundamentally sound real estate assets; (ii) financially distressed borrowers or lenders require recapitalization with new equity or debt capital; or (iii) individual or corporate owners consider liquidating their non-core properties to meet near-term profit and/or capital requirements.

Monetization Status reflects the classification of investments as Committed, Unrealized, Partially Realized or Realized as of Quarter End. Partially Realized category includes investments in which an asset with an allocated portion of the investment-level basis has been sold, is under contract to be sold or realized, or, in the case of residential land investments or refinancings, generally where 100% of the Peak Invested Equity has been returned. The valuations of partially realized investments include both proceeds realized to date and Rockpoint's projection of remaining proceeds, as described in further detail above. Actual realized returns and realization dates will depend on various factors, including future operating results, market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transactional costs and timing and manner of disposition, all of which may differ materially from the assumptions and circumstances on which the current valuations are based. Approved / pending investments may not be consummated, or may be closed on terms that differ from current underwriting. Accordingly, the actual realized return of the partially realized investments may differ materially from and be substantially lower than the returns indicated.

3. PERFORMANCE RETURN CALCULATION AND METHODOLOGY

Performance return projections contained herein are based on business plans as of Quarter End and are subject to change. Unless otherwise noted, performance return projections are based on the aggregate financial information for the applicable Rockpoint fund (including all related parallel funds and AIVs, but excluding any side car funds, other co-investment vehicles and any related feeder entities, including blocker corporations, holding partnerships and their associated costs, which may include entity-level taxes). The aggregate performance projections for the applicable Opportunity Funds presented herein exclude the performance projections for its co-investment vehicles.

Distributions to Investors To-Date are calculated by computing actual distributions by the applicable fund to its investors (which are after reduction for general partner carried interest and other fund-level expenses) divided by the lesser of contributed capital and capital commitments but do not reflect the payment of management fees.

Estimated Liquidation Gross Returns and Net Returns calculations reflect the actual realized proceeds as of Quarter End and are calculated as further described above, except the projected monthly investment inflows and outflows have been replaced with the net asset value of the funds as of Quarter End, utilizing the Fair Values reported in the unaudited financial statements. Because each of the Westbrook Funds, Rockpoint Special Fund and Rockpoint Fund I has been liquidated, the Estimated Liquidation Gross Returns and Estimated Liquidation Net Returns for each such fund are equivalent to its actual returns.

ENDNOTE SUMMARY

3. PERFORMANCE RETURN CALCULATION AND METHODOLOGY (continued)

Projected Gross IRR and Projected Gross Multiple (the "Projected Gross Returns") reflect the projected investment-level and fund-level returns based on the amount and timing of Peak Invested Equity and Realized Proceeds and Projected Remaining Proceeds, and are before reduction for management fees, general partner carried interest, and other fund-level expenses, all of which will reduce returns to investors and are expected to be substantial. Investment-level Projected Gross Returns are calculated based on the actual and projected monthly investment-level inflows and outflows based on the actual and anticipated execution of the funds' business plans as more fully discussed below. Projected Gross Returns incorporate the use of a credit facility, which results in an increase of Projected Gross Returns, and are shown after reduction for allocated interest expense associated with credit facility borrowings.

Projected Gross Returns for a fund are the result of aggregating the actual and projected investment-level cash flows described above into a model for each fund (each a "Fund Model"). In preparing projections used in the Fund Model for unrealized and partially realized investments, Rockpoint maintains a business plan for each investment which considers cash flows from operations, financings, and dispositions and takes into consideration certain factors to form assumptions including, but not limited to, rental rates, absorption pace, leasing costs and concessions, operating expenses, development and capital costs, potential capital structures, capitalization rates, debt, asset value, net disposition proceeds projected sales and realization dates, and other timing. The Projected Gross Returns for fully realized investments reflect actual results that, in certain cases, include projected residual proceeds yet to be received. Projected Gross Returns are calculated based on (i) each date capital is drawn or projected to be drawn from the investors and (ii) each date an investment generates proceeds or is projected to generate proceeds, as applicable. Projected Gross Returns for an investment are not reduced by proceeds invested in an investment from a credit facility borrowing or fund proceeds (i.e. proceeds from the same investment or a different investment), however, realized proceeds for an investment will be reduced by such amounts prior to calculating Projected Gross Returns.

Projected Gross Multiple for a fund is calculated by dividing (i) the Realized and Projected Remaining Proceeds of all investments in such fund (after reduction for the amount of any recycled investor capital), by (ii) the lesser of (x) total capital commitments and (y) Peak Invested Equity for such investments. Capital commitments do not include reserve commitments (where applicable), which, for certain funds, may be called after the investment period. Projected Gross Multiple for an individual investment is calculated by dividing (i) the Realized and Projected Remaining Proceeds for such investment, by (ii) the Peak Invested Equity for such investment.

While Rockpoint believes that the projections used in calculating Projected Gross Returns are based on reasonable assumptions, there is no guarantee that the assumptions made are accurate. Actual results may be substantially lower and there can be no assurance that these amounts or results will be achieved. Because each of the Westbrook Funds, Rockpoint Special Fund and Rockpoint Fund I has been liquidated, the Projected Gross Returns for each such fund are equivalent to its actual gross returns. The Projected Gross Returns are not necessarily representative of any particular investor's projected return.

Projected Net IRR and Projected Net Multiple ("the Projected Net Returns") reflect the projected net fund-level returns and are calculated by reducing the fund-level Gross Returns for management fees, general partner carried interest and other fund-level expenses and have not been reduced for taxes, withholdings or expenses required by the tax structuring for certain non-U.S. investors. The Projected Net Returns presented are based on the weighted average management fee rate for each Rockpoint fund (including all related parallel funds and AIVs, but excluding any side car funds and other co-investment vehicles) plus any established fee reductions and/or waivers defined in the partnership agreements and applicable amendments, which is as follows: Rockpoint Fund I: 1.40%, Rockpoint Fund II: 1.33%, Rockpoint Fund III: 1.43%, Rockpoint Fund IV: 1.38%, and Rockpoint Fund V: 1.37%. Individual investor returns will vary due to the different management fee rates for each investor, and variations may be significant. The Projected Net Returns are not necessarily representative of any particular investor's projected return. While Rockpoint believes that the estimates and projections are based on reasonable assumptions, actual results may be substantially lower from the estimates and projections indicated herein. There can be no assurance that these amounts or results will be achieved. Because each of the Westbrook Funds, Rockpoint Special Fund and Rockpoint Fund I has been liquidated, the Projected Net Returns for each such fund are equivalent to its actual net returns.

Total Realized and Projected Remaining Proceeds from investments reflect actual realized proceeds as of Quarter End and Rockpoint's projections of remaining investment-level proceeds and are reduced for (i) allocated interest expense and principal repayments (to the extent repaid from the investment) associated with credit facility borrowings and (ii) the amount of any proceeds utilized by an investment from another investment, but are before reduction for management fees, general partner carried interest, taxes and other fund-level expenses. Projections of remaining proceeds are based on Rockpoint's business plans, as more fully discussed in the definition of Projected Gross IRR and Projected Gross Multiple above. Actual realized returns and realization dates will depend on various factors, including future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transactional costs and timing and manner of disposition, all of which may differ materially from the assumptions and circumstances on which the current valuations are based. Accordingly, the actual realized returns may be materially different and substantially lower than the projected returns and the realization dates may be materially different from timing presented herein. There can be no assurance or guarantee that these amounts or results will be achieved. Because each of the Westbrook Funds, Rockpoint Special Fund and Rockpoint Fund I has been liquidated, the "Realized and Projected Remaining Proceeds" for each such fund is equivalent to its actual realized proceeds.

Subsets reflect all projected performance returns of subsets of assets (such as returns for U.S. only, fully or partially realized or unrealized investments of a fund, or target markets or property types only), are model returns and do not reflect actual results of any fund. These figures should be reviewed in conjunction with the overall performance of the applicable fund. Since these investments represent only a subset of a fund, only actual or projected gross returns are provided.

ENDNOTE SUMMARY

3. PERFORMANCE RETURN CALCULATION AND METHODOLOGY (continued)

Target Markets and Target Property Types Only Subset: The information reflects the activity of (i) the Opportunity Funds' investments for office, multifamily and hotel investments and (ii) the Growth and Income Funds and their affiliated co-investment vehicles' investment for office and multifamily investments, located only in the Greater Boston, New York, San Francisco Bay, Southern California (which primarily consists of the greater Los Angeles and San Diego areas) and Washington, D.C. metropolitan areas, each as of Quarter End. Investments with multiple property types or multiple markets were included only if 50% or more of its Peak Invested Equity is made up of the specified property type and specified market. The investments in the target markets and target property types represent only 45% of the Peak Invested Equity across the Opportunity Funds on a global basis and 54% of the Peak Invested Equity with respect to the Opportunity Funds' U.S. investments, and 97% of the Peak Invested Equity across the Growth and Income Funds. The Growth and Income Funds have invested exclusively in the United States. Since these investments represent a subset of each of the Opportunity Funds' and Growth and Income Funds' investments, only Gross Returns are presented.

U.S. Only Investment Performance: Investments in the United States represent approximately 84% of the Opportunity Funds' Peak Invested Equity and 86% of Peak Invested Equity across the Opportunity and Growth and Income Funds. Since these investments represent a subset of the Opportunity Funds' investments, only Gross Returns are presented.

WREF I-IV Performance: WREF I-IV performance reflects the performance of four opportunistic private real estate funds sponsored by Westbrook Real Estate Partners ("WREP") co-founded by Bill Walton in 1994. WREF I-IV were closed and invested prior to 2003. In 2003, WREP determined that it would not sponsor additional investment funds, and five of the six managing members of WREP, including Mr. Walton, Mr. Gelb and three other managing members who have since retired from Rockpoint, formed Rockpoint. The five managing members, who controlled the Westbrook Funds, were joined by 12 senior real estate professionals from WREP, including now Managing Members Mr. Gilbane and Mr. Shalev, and a majority of WREP's domestic investment professionals. The one WREP managing member that did not join Rockpoint, together with several former WREP real estate professionals, formed a new company that operates under another name and the Managing Members are not associated with the funds that have been sponsored by that company.

4. CORONAVIRUS AND PUBLIC HEALTH EMERGENCIES

As of March 31, 2020, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. Moreover, with the continued spread of COVID-19, governments and businesses are likely to take increasingly aggressive measures to help slow its spread. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Funds and their portfolio companies and could adversely affect the Funds' ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds' portfolio companies, the Funds' ability to source, manage and divest investments and the Funds' ability to achieve its investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds, their portfolio companies, and Rockpoint may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

AGENDA ITEM #9

OFFICE OF THE STATE TREASURER MEMORANDUM

TO: Members of the Investment Advisory Council

FROM: Christine Shaw, Assistant Treasurer for Policy

DATE: April 13, 2020

SUBJECT: ***Report on Corporate Governance Activities for 4Q19 and 1Q20 Update on Shareholder Resolutions filed for the 2020 Proxy Season***

Set forth below is a report of the Treasury's corporate governance activities for the fourth quarter of 2019 (October 1, 2019 through December 31, 2019) and the first quarter of 2020 (January 1, 2020 through March 31, 2020). In addition, there is an update on shareholder filings and engagements for the 2020 proxy season.

Proxy Voting

The following chart summarizes the votes cast at domestic and international companies during 4Q19 and 1Q20:

CRPTF's Proxy Voting: 4Q19 and 1Q20

	# of annual general meetings		# of votes cast		% of votes cast in support of management	
	4Q2019	1Q2020	4Q2019	1Q2020	4Q2019	1Q2020
Domestic Companies	84	113	717	1040	78.66	83.08
International Companies	163	54	1380	679	83.26	85.13

The CRPTF's domestic and international proxy votes are posted on the Treasury's website and can be accessed at http://www.ott.ct.gov/pension_votingsummary.html.

Corporate Governance Activities

From September through December of 2019, the CRPTF filed eight shareholder resolutions for the 2020 proxy season on issues ranging from clawback disclosure to pay equity and separation of board chair and CEO. To date, agreements have been reached with six companies — leading to withdrawal of the resolutions — and two resolutions will go to a vote at the next annual general meeting of shareholders.

Details of the withdrawn resolutions are as follows:

- **Amgen, Inc. and Bristol Myers-Squibb:** The CRPTF was primary filer of resolutions calling for annual disclosure of the application of their respective clawback policies. (Clawback policies allow for the recoupment of monies paid to executives who have engaged in conduct that results in significant financial harm to a company, such as liability for anti-competitive practices or other legal liability.) These resolutions were filed because both Amgen and Bristol Myers-Squibb are facing a number of class action lawsuits alleging anticompetitive conduct associated with their manufacture and pricing of their prescription medications. After engagement with the companies, each agreed to the action sought in the resolution and ,consequently, the resolutions were withdrawn. (See attached press releases for additional information.)

- **Assurant, Inc. & HCA Healthcare:** Led by primary filer New York City Comptroller's Office, Connecticut co-filed resolutions calling for a board report on gender pay equity. Given that the healthcare industry and insurance sectors have some of the largest pay gaps of all U.S. industries, these resolutions called for the companies to report annually on gender-based pay gaps among their employees, and the specific steps (e.g. policies goals, practices, etc.) that the board intends to take to eliminate such disparities. The resolution also called on the boards of each company to proactively facilitate an environment that promotes opportunities for equal advancement for women. In a dialogue with Assurant, the company agreed to hire an independent third party compensation consultant to ensure that they are compensating their employees fairly and equitably, and to assist in expanding their gender pay disclosure. In separate conversations, HCA's management agreed to publish information regarding gender pay on its website. In light of these agreements, New York City withdrew the resolutions on all filers' behalf.

- **Charter Communications:** Led by primary filer, Illinois State Treasurer's Office, and joined by co-filers New York State Common and Boston Trust Walden, the CRPTF filed a resolution urging the company to prepare an annual sustainability report. The report would include disclosure of the company's strategies for managing greenhouse gas emissions as well as quantitative metrics. (According to a 2018 report by the Governance & Accountability Institute, 86% of S&P 500 companies published sustainability reports.) In response to our filing, Charter informed filers that they were in the process of preparing a sustainability report and outlined topics for the report, which include human capital management; diversity initiatives; and climate-related sustainability. The company has since become a member of the Carbon Disclosure Project, and is working toward identifying climate strategies and additional disclosure for its shareholders. While the company was unable to commit to a timeframe for additional reporting, it agreed to continued engagement with filers on enhanced disclosure. Based on this commitment, the resolution was withdrawn.

- **Pfizer, Inc.:** Led by primary filer International Brotherhood of Teamsters and co-filed by the CRPTF, and in partnership with the Investors for Opioids and Pharmaceutical Accountability ("IOPA"), a resolution was filed seeking deferral of payments of certain bonus incentives that apply to performance measurement periods of less than one year. The rationale for this resolution is essentially the inverse of a clawback disclosure — rather than seek disclosure of the circumstances under which misconduct clawbacks are applied, investors are seeking a delay of the payout of bonuses in order to allow for better assessment of risk and performance over a longer time horizon. As part of a coordinated strategy with filers of similar resolutions at other pharma companies (including Abbvie, Cardinal Health and Gilead, among others), a working group was established in order to engage on a set of best practices for bonus deferral. Consequently, the resolution with Pfizer was withdrawn in light of their participation with the working group.

The following two resolutions will go to a shareholder vote:

- **Johnson & Johnson ("JNJ):** Led by the Illinois State Treasurer's Office and joined by members of the IOPA (including New York City Comptroller's Office, Trillium Asset Management, JLens and Interfaith Responsibility Resource Center), Connecticut filed a resolution calling for a board report on the company's exposures related to opioids, as well as the governance measures the company has implemented to monitor and manage the associated financial risks. After several discussions with the company, JNJ informed investors they did not plan to prepare a standalone board risk report. Consequently, the resolution will go to a shareholder vote on April 23, 2020. Two major proxy advisory firms, Institutional Shareholder Services and and Glass Lewis, have each recommended that their clients vote in favor of the resolution.

- **Facebook, Inc.:** This is the second year that the CRPTF has co-filed an independent board chair resolution, calling on the company to separate the positions of Chairman and CEO. Primary filer is Trillium Assert Management, and additional cofilers include the New York City Comptroller and Illinois State Treasurer. It bears noting that Google, Microsoft, Apple, Oracle and Twitter have all separated these roles, as well as 86% of the companies in the S&P 500. The resolution will go to a shareholder vote again this year at Facebook's annual meeting in May. (There is a chance that Facebook's annual meeting could be postponed by 45 days, given that the SEC has granted companies a 45 day grace period due to COVID-19.). While last year's resolution did not receive a majority vote — by virtue of the company's dual class structure and Mark Zuckerberg's control of the majority of outstanding shares — it did receive support of 68% of the non-insider vote, up from 51% of non-insider votes on a similar resolution filed in 2017.

Update on the Northeast Investors' Diversity Initiative

In October of 2019, Treasurer Wooden launched the Northeast Investors' Diversity Initiative ("NIDI"), a regional partnership dedicated to increasing corporate board diversity inclusive of gender, race and ethnicity at companies headquartered in the Northeast. Coalition members include: the treasurers of Rhode Island, Maine, Massachusetts and Vermont; New York City Comptroller; Boston Common Asset Management; Boston Trust Walden; Howard Miller Investments; Pax World Funds; SEIU; Trilllium; and Zevin Asset Management.

Letters were sent to 20 small- to mid-cap companies in the CRPTF's portfolio (with a market capitalization of less than $6 billion). Engagement with these companies is ongoing, and we expect to announce the appointment of new diverse board members after annual meetings have been held in the spring.

Other Engagements

The Securities and Exchange Commission invited public comment on two significant proposed rules that would impact the manner in which proxy advisory firms provide advice to investors like the CRPTF, and that would raise the resubmission threshold for certain resolutions. On January 31, 2020, Treasurer Wooden submitted his own comment letter to the SEC, and joined as a signatory on comment letters sent to the SEC by the National Association of State Treasurers, Principles for Responsible Investment and CERES.

On March 26, 2020, Treasurer Wooden joined nearly 300 global institutional investors, with roughly $7.7 trillion in assets under management, in signing on to an Investor Statement on Coronavirus Response that highlighted the impact of the COVID-19 disruption on workers, and the long-term profitability of companies. Treasurer Wooden also directed letters to 70 companies within the CRPTF portfolio, primarily in the consumer services and consumer goods industries, as well as companies based in Connecticut, urging them to take steps to protect their workforces so that companies can resume operations following the COVID-19 disruption.

STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

FOR IMMEDIATE RELEASE: March 20th, 2020
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State Treasurer Shawn T. Wooden Announces Agreement with Bristol-Myers Squibb Company

Company Will Publicly Disclose Compensation Recovered from Executives Engaged in Misconduct

HARTFORD, CT – Treasurer Shawn T. Wooden, the principal fiduciary of the Connecticut Retirement Plans and Trust Funds (the "CRPTF"), announced today an agreement with Bristol-Myers Squibb ("BMY"), a multinational biopharmaceutical company based in New York, concerning annual disclosure of compensation recovered from executives engaged in misconduct(also known as "clawback policies"). This follows the recent announcement of a similar agreement with Amgen, a California-based pharmaceutical company.

Clawback policies allow for the recoupment of monies paid to executives who have engaged in conduct that results in significant financial harm to a company, such as liability for anti-competitive practices or other legal liability. In recent years pharma companies like Amgen and Bristol-Myers Squibb have faced lawsuits, and paid millions to settle claims related to the marketing and pricing of their drugs. Every multi-million payout for the misconduct of company executives ultimately costs investors. Going forward we expect the Board to go after the compensation that was paid to executives who cost the company and its shareholders these losses.

The CRPTF was the lead-filer on a shareholder resolution with BMY, with Rhode Island General Treasurer Seth Magaziner co-filing the resolution.

"I made disclosure of clawback provisions with pharmaceutical companies a top priority of my corporate governance plan for 2020 and am glad to see the recent success -- first with Amgen, and now, with Bristol-Myers Squibb. Clawback provisions and how they are applied are important indicators of how boards monitor risky behavior that results in liability for the company," stated Treasurer Shawn T. Wooden. "As an investor in Bristol-Myers Squibb, we are pleased to see the company's commitment to disclose how its board recaptures compensation from executives engaged in conduct harmful to the company and its shareholders."

Treasurer Wooden added, "Clawback disclosure is a meaningful demonstration of BMY' commitment to transparency of how it addresses misconduct. We commend the Board for their responsiveness to the interests of shareholders, and to the long-term interests of the company.

"With this agreement, Bristol-Myers Squibb has agreed to strengthen its corporate governance practices and taken an important step toward the transparency that investors, including members of the Rhode Island pension system, deserve," said Rhode Island General Treasurer Seth Magaziner. "Treasurer Wooden's leadership was essential to the success of this collaboration."

In the agreement with the CPRTF, BMY agreed to publicly disclose the general circumstances of any application of its clawback policy or recoupment provisions against any executive officers, for underlying events that have been publicly disclosed in BMY's filings with the Securities and Exchange Commission ("SEC").

In December, Wooden took the lead in filing a shareholder resolution calling for clawback disclosure, as part of his administration's priority corporate governance engagements for the 2020 proxy season. After several discussions with the company, BMY agreed to the annual disclosure sought by Connecticut, and the resolution was withdrawn.

The CRPTF is a member of Investors for Opioid and Pharmaceutical Accountability (IOPA), a broad coalition of 59 investors, including public pension plans and other institutional investors, that collaboratively engage with manufacturers, distributors and retailers around the risks associated with the opioid epidemic. For the 2020 proxy season, the IOPA broadened its engagement focus beyond manufacturers and distributors of opioids to include pharmaceutical companies and their pricing practices. Among another initiatives, the coalition files shareholder resolutions and seeks reports to investors on how boards evaluate risks. BMY was one of many companies that was targeted by IOPA for the 2020 proxy season.

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As of March 4, 2020, the CRPTF owned 394,944 shares of BMY with an approximate value of $23,928,395 and fixed income valued at $8,159,648.

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STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

FOR IMMEDIATE RELEASE: March 3rd, 2020
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STATE TREASURER SHAWN T. WOODEN ANNOUNCES AGREEMENT WITH AMGEN INC.

COMPANY WILL PUBLICLY DISCLOSE APPLICATION OF ITS CLAWBACK POLICY

HARTFORD, CT – Treasurer Shawn T. Wooden, the principal fiduciary of the Connecticut Retirement Plans and Trust Funds ("CRPTF"), announced today an agreement with Amgen, Inc., a multinational biopharmaceutical company based in California, concerning annual disclosure of compensation recovered from executives engaged in misconduct (also known as "clawback policies").

Clawback policies allow for the recoupment of monies paid to executives who have engaged in conduct that results in significant financial harm to a company, such as liability for anti-competitive practices or other legal liability.

Treasurer Wooden stated, "Clawback provisions and how they are applied are important indicators of how boards monitor risky behavior that results in liability for the company. As an investor in Amgen, we are pleased to see the company's commitment to disclose how its board recaptures compensation from executives engaged in conduct harmful to the company and its shareholders."

Amgen has faced a number of class action lawsuits alleging anticompetitive conduct associated with the manufacture of its prescription medications. The company's lead drug is Neulasta, which has been cited as among the top 7 treatments with the most significant, unsubstantiated price hikes in 2017 and 2018.[1]

In the agreement with the CPRTF, Amgen agreed to publicly disclose the general circumstances of any application of its clawback policy or recoupment provisions against any executive officer, whether current or former, as well as the aggregate amount of compensation recovered, when the underlying event has been publicly disclosed in Amgen's filings with the Securities and Exchange Commission ("SEC").

[1] *See Humira, Rituxan top list of U.S. drugs with biggest price increases: report*, Reuters, October 8, 2019, https://www.reuters.com/article/us-usa-healthcare-drugpricing/humira-rituxan-top-list-of-u-s-drugs-with-biggest-price-increases-report-idUSKBN1WN1BE

In December, Wooden took the lead in filing a shareholder resolution calling for clawback disclosure, as part of his administration's priority corporate governance engagements for the 2020 proxy season. After several discussions with the company, Amgen agreed to the annual disclosure sought by Connecticut, and its resolution was withdrawn.

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Treasurer Wooden added, "Clawback disclosure is a meaningful demonstration of Amgen's commitment to transparency of how it addresses misconduct. We commend the Board for their responsiveness to the interests of shareholders, and to the long-term interests of the company."

As of February 17, 2020, the CRPTF owned 173,401 shares of Amgen with an approximate value of $38,751,655 and fixed income valued at $2,251,000.

[1] *See Humira, Rituxan top list of U.S. drugs with biggest price increases: report*, Reuters, October 8, 2019, https://www.reuters.com/article/us-usa-healthcare-drugpricing/humira-rituxan-top-list-of-u-s-drugs-with-biggest-price-increases-report-idUSKBN1WN1BE

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STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

FOR IMMEDIATE RELEASE: April 6, 2020
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CONNECTICUT TREASURER CALLS ON COMPANIES TO RETAIN WORKERS, PROVIDE PAID LEAVE DURING THE COVID-19 GLOBAL PANDEMIC

JOINS NEARLY 200 INSTITUTIONAL INVESTORS IN URGING COMPANIES TO PRIORITIZE SAFETY, MAINTAINING RELATIONSHIPS WITH WORKERS AND SUPPLY CHAIN

HARTFORD, CT – State Treasurer Shawn T. Wooden, the principal fiduciary of the $33 billion Connecticut Retirement Plans and Trust Funds (the "CRPTF"), called on more than 70 companies in which the CRPTF invests to commit to protecting workers and their supply chains in the midst of the global reaction to the COVID-19 pandemic.

In a letter to companies in the retail, hotel and entertainment sectors, Treasurer Wooden emphasized that Connecticut, as a long-term investor, is focused on the impact of the health crisis on the companies in which it invests, and the essential role that their workers will play in ensuring the ongoing sustainability of these companies.

Treasurer Wooden stated, "We are keenly interested in ensuring that the company emerges from the COVID-19 crisis ready and able to resume operations. We also are mindful of the impact of disruptions on workers — those who will be hardest hit by the pandemic, and who make up the human capital that will be essential to the company and our economy getting back to business."

Treasurer Wooden's letter follows the release last week of an Investor Statement on Coronavirus Response, co-signed by the Treasurer and approximately 195 institutional investors across the country, representing roughly $4.7 trillion in assets under management. The Statement called on companies to provide paid leave to all employees, retain workers, and maintain relationships with suppliers and customers. The Statement also asked companies to suspend share buybacks and limit executive and senior management compensation for the duration of this crisis.

Wooden added, “During this time of unprecedented health and economic stress, we should do everything within our means to respond to COVID-19 in a manner that minimizes the adverse impact on companies’ human capital that will be necessary for our recovery and long-term value creation. These times will require sustained commitment from the public and private sectors.”

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Pensions&Investments
NEWS

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Some plans already taking action on risk, liquidity

JAMES COMTOIS

Shawn T. Wooden said the Connecticut fund is in a 'pretty good position now' because of steps taken before the crisis.

Photo: Bill Morgan

Although this crisis is proving to be a trying time for struggling pension funds, a number of underfunded public plans have already taken steps to mitigate risk and ensure liquidity.

"I came in with a clear sense that the market wasn't going to continue to roar for the next decade," said Shawn T. Wooden, state treasurer and principal fiduciary of the $37 billion Connecticut Retirement Plans & Trust Funds, Hartford. "And as a long-term investor we have to think long term. So, very early on, I talked a lot about risk and risk management."

Mr. Wooden's office lowered the state's $18.7 billion Teachers' Retirement System's assumed rate of return to 6.9% from 8% to manage expectations. His team also revised investment policy guidelines, which included decreasing its global equities exposure, increasing fixed income and using hedge funds for risk mitigation.

In addition, in August Mr. Wooden named Kevin Cullinan as chief risk officer — a new position for the treasurer's office — to monitor risk across the entire portfolio.

The Connecticut treasurer added that liquidity for the state plans is strong, and the CRPTF "is being managed very defensively."

"Because of the action that my team has taken over the past 14 months or so, we're in a pretty good position now," Mr. Wooden said. "I didn't expect this significant health crisis creating such a severe downturn, but the steps that we took were all of the things one should be doing in this environment."

Connecticut isn't the only plan that had been anticipating a market downturn.

"The markets have been volatile for some time now and we've been preparing for a market downturn," said Angela Miller-May, CIO of the $10.5 billion Chicago Public School Teachers' Pension & Retirement Fund.

To strengthen and diversify its portfolio, Chicago Teachers has begun to shift its private equity investments to more direct investing with fund managers and reduced funds-of-funds investing, and has begun to diversify across developed and emerging markets. In real estate, it also increased its focus on more income-generating assets over appreciating assets. And across the whole investment portfolio it has moved toward more active management.

"If you waited until this moment to get a plan together, you're just caught," Ms. Miller-May added. "We don't want to make any rash decisions."

Rich Robben, CIO of the Frankfort-based Kentucky Retirement Systems, said that the $16.8 billion retirement plan already had a conservative asset allocation due to its challenged funded status, which stood at 32.8% as of June 30.

"We were running only about 30% public equities, with a large overweight to core fixed income," Mr. Robben said, adding that the plan entered the current coronavirus crisis with "$3 billion of dry powder." Over the month of March, the plan bought more than $1 billion in stocks.

Kentucky will continue to rebalance its public equities exposure and take advantage of opportunities in the credit market as they present themselves, Mr. Robben said.

"Given that ... even our best funded plans are funded at less than 50% it keeps us from being particularly aggressive," he added.