State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

MEMORANDUM

TO: Members of Investment Advisory Council

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

DATE: August 8, 2020

SUBJECT: Investment Advisory Council Meeting – August 12, 2020

Enclosed is the agenda package for the Investment Advisory Council meeting on Wednesday, August 12, 2020 starting at 9:00 A.M.

The following subjects will be covered at the meeting:

Item 1: Approval of the Minutes of the July 8, 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 as of June 30, 2020
- Cash Flow Report

Item 4: Presentation by and Consideration of Fortress Private Credit Partnership

Mark Evans and Michael Terry, Principal Investment Officers, will provide opening remarks and introduce Fortress Private Credit Partnership, a Private Credit Fund opportunity.

Item 5: Presentation by and Consideration of TSSP Adjacent Opportunities (TAO) 5.0

Mark Evans and Lyndsey Farris, Principal Investment Officers, will provide opening remarks and introduce TSSP Adjacent Opportunities (TAO) 5.0, a Private Credit Fund opportunity.

Item 6: Presentation by and Consideration of Torchlight Debt Opportunity Fund VII, L.P.

Danita Johnson, Principal Investment Officer, will provide opening remarks and introduce Torchlight Debt Opportunity Fund VII, L.P., a Real Assets Fund opportunity.

Item 7: Alternative Investment Fund – Managing Partner Request for Proposal

Kevin Cullinan, Chief Risk Officer, will provide opening remarks and review the project plan and scope of services for a competitive search for a strategic partner to manage risk mitigating strategies within the Alternative Investment Fund.

Item 8: Introduction of the Connecticut Inclusive Investment Initiative

Raynald Leveque, Deputy Chief Investment Officer, will provide opening remarks and review the Connecticut Inclusive Investment Initiative.

Item 9: Other Business

- Discussion of the preliminary agenda for the September 9, 2020 IAC meeting

Item 10: Comments by the Chair

We look forward to reviewing these agenda items with you at the August 12^{th} meeting.

If you find that you are unable to attend this meeting, please email katrina.farquhar@ct.gov.

STW/kf

Enclosures

AGENDA ITEM #1

INVESTMENT ADVISORY COUNCIL
Wednesday, July 8, 2020

SUCH MINUTES ARE IN DRAFT FORM AND SUBJECT TO THE FINAL REVIEW AND APPROVAL OF THE INVESTMENT ADVISORY COUNCIL

MEETING NO. 477

Members present:
D. Ellen Shuman, Chair
Treasurer Wooden, Secretary
Thomas Fiore, representing Secretary Melissa McCaw*
Joshua Hall
Michael Knight
William Murray
Patrick Sampson
Carol Thomas

*11:59am Departure

Members absent:
Michael LeClair
Steven Muench

Others present:
Laurie Martin, Chief Investment Officer
Kevin Cullinan, Chief Risk Officer
Mark Evans, Principal Investment Officer
Katrina Farquhar, Executive Assistant
Gabrielle Farrell, Director of Communications
Lyndsey Farris, Principal Investment Officer
John Flores, General Counsel
Karen Grenon, Legal Counsel
Darrell Hill, Deputy Treasurer
Barbara Housen, Chief Compliance Officer, Deputy General Counsel
Danita Johnson, Principal Investment Officer
Harvey Kelly, Analyst
Casi Kroth, Investment Officer
Raynald Lévèque, Deputy Chief Investment Officer
Steve Meier, Senior Principal Investment Officer
Paul Osinloye, Principal Investment Officer
Olivia Wall, Investment Officer
Kan Zuo, Intern

Guests:
Kevin Alcala, Goldman Sachs
Tim Atkinson, Meketa Investment Group
Greg Balewicz, Lord Abbett
Lawrence Bancroft – Bivium
Carlton Byrd, American Triple Partners
Gar Chung, Financial Investment News
Clare Connolly, Cohen & Steers
Maguette Diop, SEIU
Mike Elio, StepStone

Dyice Ellis-Beckham – Invesco
Marilyn Freeman, Capital Prospects
Will Greene, Loop Capital
Deirdre Guice Minor, T. Rowe Price
Samuel Karasek, Pageant Media
Jim Lohr, Carpenters Labor-Management Program
Nelson McNeil, Man Investments Inc.
David Peligal, Brookfield Asset Management
William Rejeski, Goldman Sachs
Lisa Rotenberg, Goldman Sachs
Preeti Singh, WSJ Pro Private Equity
Liz Smith, AllianceBernstein
Christine Stuart, CT News Junkie & Independent Media Network
Don Triveline, Palisade Capital Management
Ann Parker Weeden, AllianceBernstein
Ryan Wagner, T. Rowe Price

With a quorum present, Chair D. Ellen Shuman called the Investment Advisory Council ("IAC") meeting to order at 9:02 a.m.

<u>Approval of Minutes of the June 10, 2020 IAC Meeting</u>

Chair Shuman called for a motion to accept the minutes of the June 10, 2020 IAC meeting. **William Murray moved to approve the minutes of the June 10, 2020 IAC meeting. The motion was seconded by Thomas Fiore. There being no further discussion, the Chair called for a vote and the motion passed.**

<u>Comments by the Treasurer</u>

Treasurer Wooden welcomed IAC members and began by discussing the monthly Cash and Bonding Report recently provided to the Governor and General Assembly, which highlighted Connecticut's currently strong cash position during the pandemic. He stated that as of June 30, 2020, the State's overall available cash is $5.7 billion with the common cash pool at $4.4 billion. He continued by stating that due to the investment team's efforts prior to and during this pandemic, CT has maintained its strong cash position despite the strained economy, spike in unemployment, and the health crisis from COVID-19.

Next, Treasurer Wooden stated the disproportionate impact of COVID-19 on communities of color and the recent murders of George Floyd, Breonna Taylor, and others has once again pulled back the curtain on how deeply entrenched structural racism and inequality is in our country. He said he has been seeing a huge response from corporate America these last couple of weeks, and has been engaging with corporate CEOs from all over our state and country, to build what he refers to as a "coalition of the willing," not the perfect, to tackle systemic racism head on as part of his corporate call to action mentioned at the last IAC meeting.

Treasurer Wooden briefly discussed performance before announcing his decision to proceed with investments in Aberdeen Standard Investments, Eaton Vance Management, Payden & Rygel, and Pacific Investment Management Company for the Emerging Market Debt mandate.

Finally, Treasurer Wooden provided a brief overview of the agenda and noted that we are in a unique position as compared to other institutional investors who have been in this asset class for an extended period of time, getting in when there is significant dislocation in the credit markets which should produce strong opportunities immediately as well as over the next few years.

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

Laurie Martin, Chief Investment Officer ("CIO"), provided an update on the Connecticut Retirement Plans and Trust Fund ("CRPTF")'s performance and commented on the capital market environment and the economic outlook.

Presentation by and Consideration of Constitution Fund V, LLC – Series E

Mark Evans, Principal Investment Officer ("PIO"), provided opening remarks and introduced representatives of Fairview Capital Partners for Constitution Fund V, LLC – Series E ("Fund V"), a Private Investment Fund ("PIF") opportunity.

Fund V, represented by JoAnn Price, Managing Partner, Kola Olofinboba, Managing Partner, and Alan Mattamana, Partner, made a presentation to the IAC.

Roll Call of Reactions for the Constitution Fund V, LLC – Series E PIF opportunity.

Mr. Fiore, William Murray, Joshua Hall, Michael Knight, Patrick Sampson, Carol Thomas and Chair Shuman provided feedback on Fund V. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray, seconded by Mr. Hall, to waive the 45-day comment period for Fund V. There being no discussion, the Chair called for a vote and the motion passed.**

Presentation by and Consideration of Goldman Sachs Private Credit Partnership

Mr. Evans and Steven Meier, Senior PIO, provided opening remarks and introduced Goldman Sachs Private Credit Partnership ("Goldman Sachs"), a Private Credit Fund ("PCF") opportunity. Goldman Sachs, represented by Mike Koester, Partner and Global Co-Head of the Firmwide Alternatives Capital Markets & Strategy Group, Greg Olafson, Partner and Co-head of the Global Credit business, Brendan McGovern, Partner and Co-head of Credit Alternatives, and Lisa Rotenberg, Managing Director and Senior Coverage Responsibility for the CRPTF, made a presentation to the IAC.

Roll Call of Reactions for the Goldman Sachs Private Credit Partnership.

Messrs. Fiore, Murray, Hall, Knight, Sampson, Ms. Thomas and Chair Shuman provided feedback on Goldman Sachs. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Mr. Hall, seconded by Ms. Thomas, to waive the 45-day comment period for Goldman Sachs. There being no discussion, the Chair called for a vote and the motion passed.**

Presentation by and Consideration of OSP Value Fund III & OSP Value Fund III-B

Mr. Evans provided opening remarks and introduced OSP Value Fund III, L.P. & OSP Value

Fund III-B, L.P. ("OSP III & III-B"), a PCF opportunity.
OSP III & III-B, represented by Jerry O'Brien, CEO & CIO and Mark Mooers, Managing Director Investor Relations, made a presentation to the IAC.

Roll Call of Reactions for the OSP Value Fund III, L.P. & OSP Value Fund III-B, L.P.PIF opportunity.

Messrs. Fiore, Murray, Hall, Knight, Sampson, Ms. Thomas and Chair Shuman provided feedback on OSP III& III-B. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Mr. Sampson, seconded by Ms. Thomas, to waive the 45-day comment period for OSP III & III-B. There being no discussion, the Chair called for a vote and the motion passed.**

Review of the IAC Budget for Fiscal Years 2021 & 2022

Chair Shuman called for a vote to approve the IAC budget for fiscal years 2021 and 2022. **A motion was made by Mr. Hall, seconded by Mr. Knight, to approve the proposed budget. There being no discussion, the Chair called for a vote and the motion passed.**

Comments by the Chair

Chair Shuman noted the next meeting will be held on August 12, 2020. She invited the council members to submit agenda items.

Other Business

There being no further business, the Chair called for a motion to adjourn the meeting. **Mr. Murray moved to adjourn the meeting and the motion was seconded by Mr. Hall. There being no discussion, the meeting was adjourned at 12:15 p.m.**

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

August 8, 2020

Members of the Investment Advisory Council

RE: Connecticut Plans & Trust Funds (CRPTF) Cash Flow Reports-Fiscal Years 2018 - 2020

Dear Fellow IAC Member:

At the August 12th Investment Advisory Council ("IAC") meeting, we will review the most recent actuarial valuation results for the pension plans and report on the fiscal year cash flows for all plans and trusts in the CRPTF.

Subsequent to the asset liability study completed in 2012, the CRPTF changed its methodology of sweeping interest and dividends to meet actual cash flow needs to a total return approach when the Liquidity Fund was established. Therefore, the attached report will show cash flows calculated with and without unrealized gains/(losses) to isolate non-cash activity from cash generating activity such as interest, dividend and realized gains/(losses).

Sincerely,

Shawn T. Wooden
State Treasurer

The Connecticut Retirement Plans and Trust Funds

Cash Flow Report
Investment Advisory Council
August 12, 2020

Liability Context – Pension Plans

	TERF	SERF	MERF	Probate Judges	State Judges
Actuarial Value of Assets	$17,951.8M	$13,795.4M	$2,867.8M	$103.2M	$245.3M
Actuarial Value of Liabilities	$34,712.0M	$36,087.9M	$3,780.8M	$118.5M	$476.2M
Funded Status	51.7%	38.2%	75.9%	87.1%	51.5%
Unfunded Actuarial Accrued Liability	$16,760.3M	$22,292.5M	$913.0M	$15.3M	$230.9M
Asset Return Assumption/Discount Rate	6.9%	6.9%	6.9%	6.9%	6.9%
Employee and Employer Contributions for FY20	$1,208.8M	$1,806.7M	$246.9M	$4.2M	$31.9M
Actual Benefits Paid for FY20	$1,837.0M	$2,124.5M	$190.0M	$5.9M	$30.2M

Note: The State Attorneys' Retirement Fund, not listed above, consists of 2 active participants contributing 5% of pay and 13 retired participants with benefit payments funded through the General Fund

TERF Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$17,063.4**	**$17,861.4**	**$18,441.1**
Employee Contributions	$311.0	$311.0	$311.0
State Contributions	$964.9	$981.3	$897.8
Total Contributions	*$1,275.9*	*$1,292.3*	*$1,208.8*
Less: Total Benefit Payments	($1,689.9)	($1,749.0)	($1,837.0)
Plus: Total Return on Investments	$1,212.0	$1,036.4	$347.0
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$798.0*	*$579.7*	*($281.2)*
Adjusted for: Non Cash Unrealized (Gains)/Losses	($651.6)	($527.7)	$1,716.2
Net Cash Flows	***$146.4***	***$52.0***	***$1,435.0***
Investment Balance – End of the year	**$17,861.4**	**$18,441.1**	**$18,159.9**

SERF Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$11,903.1**	**$12,447.4**	**$13,214.4**
Employee Contributions	$194.9	$499.2*	$187.9*
State Contributions	1,175.8	$1,299.0	$1,350.4
Federal/Other	$275.3	$327.6	$277.2
Total Contributions	*$1,646.0*	*$2,125.8*	*$1,815.5*
Less: Total Benefit Payments	($1,961.6)	($2,029.6)	(2,124.5)
Plus: Total Return on Investments	$859.9	$670.8	$209.9
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$544.3*	*$767.0*	*($99.1)*
Adjusted for: Non Cash Unrealized (Gains)/Losses	($512.3)	($290.0)	$1,290.6
Net Cash Flows FY19	***$32.0***	***$477.0***	***$1,191.5***
Investment Balance – End of the year	**$12,447.4**	**$13,214.4**	**$13,115.3**

* 2019 and 2020 contributions include ARP to Hybrid amounts of $268.5M and $2.6M

Municipal Employees Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$2,429.9**	**$2,614.4**	**$2,702.4**
Employee Contributions	$24.0	$25.0	$25.8
Municipal Contributions	$178.7*	$83.4	$103.9
Total Contributions	*$202.7*	*$108.4*	*$129.7*
Less: Total Benefit Payments	($167.3)	($180.4)	($190.0)
Plus: Total Return on Investments	$149.1	$160.0	$51.7
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$184.5*	*$88.0*	*($8.6)*
Adjusted for: Non Cash Unrealized (Gains)/Losses	(103.6)	($67.9)	$268.6
Net Cash Flows	***$80.9***	***$20.1***	***$260.0***
Investment Balance – End of the year	**$2,614.4**	**$2,702.4**	**$2,693.8**

* Includes one time contribution of $95.0M from Bridgeport pension obligation bond sale

Probate Judges Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$94.6**	**$99.4**	**$109.2**
Total Contributions	*$27.0*	*$34.1*	*$4.5**
Less: Total Benefit Payments	($27.5)	($29.4)	($5.9)
Plus: Total Return on Investments	$5.3	$5.1	$2.2
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$4.8*	*$9.8*	*$0.8*
Adjusted for: Non Cash Unrealized (Gains)/Losses	($3.5)	$2.4	$6.0
Net Cash Flows	***$1.3***	***$12.2***	***$6.8***
Investment Balance – End of the year	**$99.4**	**$109.2**	**$110.0**

* The actuarial report indicates that the employer contribution is sufficient to pay benefits

State Judges Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$209.0**	**$221.6**	**$235.0**
Total Contributions	*$27.0*	*$29.1*	*$28.6*
Less: Total Benefit Payments	($27.5)	($29.4)	($30.2)
Plus: Total Return on Investments	$13.1	$13.7	$4.8
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$12.6*	*$13.4*	*$3.2*
Adjusted for: Non Cash Unrealized (Gains)/Losses	(9.5)	$0.9	$12.5
Net Cash Flows	***$3.1***	***$14.3***	***$15.8***
Investment Balance – End of the year	**$221.6**	**$235.0**	**$238.2**

State OPEB Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$566.9**	**$842.1**	**$1,152.4**
Total Contributions	*$239.1*	*$242.6*	*$247.5*
Less: Total Benefit Payments	($0)	($0)	($0)
Plus: Total Return on Investments	$35.9	$67.7	$28.9
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$275.2*	*$310.3*	*$276.4*
Adjusted for: Non Cash Unrealized (Gains)/Losses	($29.4)	($49.9)	$4.3
Net Cash Flows	***$245.8***	***$260.4***	***$280.7***
Investment Balance – End of the year	**$842.1**	**$1,152.4**	**$1,428.8**

Trust Funds Fiscal Years 2018 - 2020 Activity ($ Millions)

	2018	2019	2020
Investment Balance – Beginning of the year	**$147.7**	**$150.4**	**$156.5**
Total Contributions	*$0.1*	*$0.2*	*$0.4*
Less: Total Distributions	($2.8)	($3.1)	($2.7)
Plus: Total Return on Investments	$5.4	$9.0	$7.7
Net Cash Flow (Incl. Unrealized Gains/(Losses)	*$2.7*	*$6.1*	*$5.4*
Adjusted for: Non Cash Unrealized (Gains)/Losses	$0.2	($0.9)	($3.9)
Net Cash Flows	***$2.9***	***$5.2***	***$1.5***
Investment Balance – End of the year	**$150.4**	**$156.5**	**$162.0**

AGENDA ITEM #4

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

August 8, 2020

Members of the Investment Advisory Council ("IAC")

Re: **Fortress Private Credit Partnership**

Dear Fellow IAC Member:

At the August 12, 2020 meeting of the IAC, I will present for your consideration an investment opportunity for the Private Credit Fund in the Connecticut Retirement Plans and Trust Funds (the "CRPTF"): the Fortress Private Credit Partnership. The Fortress Partnership would be structured as a separately managed account, which would allow the CRPTF to invest in two private credit strategies managed by the Fortress Investment Group ("Fortress"). Fortress is headquartered in New York, NY and currently has more than $30 billion of assets under management across its credit platform.

I am considering a commitment of up to $300 million to the Fortress Partnership, with the CRPTF's capital being allocated to invest alongside two Fortress private credit commingled fund strategies: Fortress Lending Fund II ("FLF II") and Fortress Credit Opportunities Fund V Expansion ("FCO V Expansion"). FLF II is a yield-oriented strategy and will primarily originate or acquire opportunistic, senior secured loans made to corporate and asset-based borrowers. FCO V Expansion executes a broader, total return strategy that invests in a range of distressed and undervalued credit and junior capital opportunities. The Fortress Partnership would provide the CRPTF with exposure to Fortress, a leading opportunistic private credit manager that is exceptionally well-positioned to invest successfully through the current challenging economic and credit environment.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by Meketa. 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** **Michael Terry, Principal Investment Officer** **Mark E. Evans, Principal Investment Officer** **Olivia Wall, Investment Officer**
DATE:	**July 31, 2020**
SUBJECT:	**Fortress Private Credit Partnership – Final Due Diligence**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to $300 million to a separately managed account (the "SMA") that will invest in the Fortress Credit Opportunities Fund V Expansion Fund ("FCO V Exp") and Fortress Lending Fund II ("FLF II") strategies, collectively the ("Fortress Funds"). The Fortress Funds are designed to take advantage of credit opportunities arising from market dislocation, structural complexity, or directly sourced off-market transactions.

The Fortress Funds are managed by affiliates of the Fortress Investment Group ("Fortress" or the "Firm"), an investment management firm based in based in New York City, NY. Fortress has approximately $43.0 billion of assets under management across various asset classes and strategies. Fortress has raised approximately $5.0 billion for FCO V Exp with an established hard cap of $7 billion as of the date herein. A first close for FCO V Exp was held in May 2020 and a final close is expected during the third quarter of 2020. FLF II has a target fund size of $1.0billion with no hard cap yet established. Fortress has held the first close for FLF II, with a final close expected during 2020.

Strategic Allocation within the Private Credit Fund

The Investment Policy Statement ("IPS") establishes target exposures, as measured by market value and unfunded commitments, to four private credit strategy categories in the Private Credit Fund ("PCF"). The FLF II strategy would be classified as a senior credit strategy based on the primary focus of the FLF investment activities. The FCO V Exp investment strategy combines elements of both the distressed and special situations strategies identified in the IPS, and, therefore, Pension Funds Management ("PFM") investment professionals recommend allocating the PCF's pro forma exposure from FCO V Exp evenly between the two categories. PFM staff notes that the PCF's strategy exposures may exceed the upper range identified in the IPS as the CRPTF is in the first year of implementing the PCF strategic pacing plan. As the PCF portfolio is built out, any one commitment may have an outsized impact on exposure levels until the PCF portfolio is more fully established. The IPS target strategy exposures as well as the PCF actual exposures as of March 31, 2020 and exposures pro forma of the recommended SMA commitment are shown in the table below.

(US$ in millions) Strategy	IPS Target Exposure Lower	IPS Target Exposure Upper	Current PCF Exposure[1]	*Recommended Fortress Allocation[2]*	Pro Forma PCF Exposure
Senior	30%	70%	48%	*$200*	60%
Mezzanine	0%	30%	0%		0%
Distressed	0%	20%	52%	*$50*	40%
Special Situations	0%	40%	0%	*$50*	0%
Total			100%	*$300*	100%

1. As of March 31, 2020. 2. Recommended FCO V Exp commitment allocated evenly to Distressed and Special Situations strategies.

The recommended SMA is consistent with the objectives of the Private Credit Fund's ("PCF) strategic pacing plan, including the identification of larger, strategic commitments to high quality credit managers capable of providing the CRPTF with access to multiple private credit strategies. A partnership with FIG would provide the CRPTF with exposure to one of the most experienced credit teams and platforms that is particularly well-suited to invest opportunistically during the complex and opportunity rich market expected to last for several years.

SMA Structure: The proposed SMA would allow the CRPTF to gain exposure to the Fortress Funds strategies that otherwise would not be possible through two separate commitments to the FLF II and FCO V Exp commingled funds that Fortress is currently raising. The CRPTF would be able to establish its own investment guidelines for the SMA, including opt-out provisions for specific investments. Subject to these guidelines, the CRPTF's SMA capital would invest pro rata in the same investments in the FLF II and FCO V Exp commingled funds at the same time and same terms. Subject to the CRPTF's agreement, the Fortress SMA may be used to reallocate capital to future Fortress funds as the investment portfolios of FLF II and FCO V are realized.

Investment Strategy and Market Opportunity

Fortress Credit Opportunities Fund V Expansion Fund LP

FCO V Exp is being established to make opportunistic credit-related investments as a continuation of the Fortress Credit Opportunity ("FCO") strategy the Firm started executing during 2008 to invest in the dislocations created by the Global Financial Crisis. Fortress has raised five FCO funds with $22 billion of capital commitments to execute this opportunistic strategy. Based on the Firm's prior experience and its favorable view on the investment horizon for FCO V Exp, the return expectations are in the 20% range.

FCO V Exp's investment objective is to generate significant current income and long-term capital appreciation through investments in a range of distressed and undervalued credit investments. In particular, Fortress seeks to identify more idiosyncratic transactions where the Firm can utilize its expertise and experience with operational and structural complexity to its advantage. Fortress expects to invest FCO V opportunistically across various sub-segments of the five broad market categories that the Firm has invested in historically: lending, corporate debt & securities, portfolios & orphaned assets, real estate, and structured finance. The FCO fund series invest primarily in North America and Western Europe, but may also invest in Australia, Asia and elsewhere on an opportunistic basis.

Fortress is raising FCO V Exp to expand the Firm's capacity to invest into market conditions that Fortress believes are highly favorable to the FCO strategy, including Fortress's ability to provide rescue financings, acquire quality assets at significant discounts to intrinsic value, and successfully navigate through complex transaction structure. Fortress began investing Fortress Credit Opportunities Fund V, LP ("FCO V") in late 2018, with a focus on idiosyncratic credit investments. As the effects of COVID-19 began to cause economic and capital markets stress early in 2020, Fortress ramped up its investment activities to purchase high credit quality securities that were available at significant discounts as certain investors sought to sell assets to generate liquidity. As a result of the initial credit market dislocation and the extremely advantageous buying opportunity, FCO V called more than 40% of the fund's capital since the beginning of March 2020 and focused much of its investment activities on the acquisition of asset-backed securities and broadly syndicated bank loans.

Fortress seeks to leverage the Firm's deep experience, infrastructure, and flexible mandate to identify opportunistic investments across the entire credit spectrum with the objective of generating the greatest returns for unit of risk. Through the FCO strategy, Fortress generally focuses on the origination or acquisition of non-control credit instruments, including rescue and litigation claims financing, the acquisition of high-quality asset-backed securities or bank loans from motivated sellers, and orphaned assets. FCO V Exp may also invest in publicly traded or privately negotiated equity securities, in conjunction with credit-related investments, or on a standalone basis, particularly with investments where management believes a company's assets are significantly undervalued. With the FCO strategy, Fortress is also willing to take control of companies or investment vehicles, when necessary, and utilize various mechanisms to either realize the return potential of an investment or to mitigate potential losses.

Due to the number of opportunities in the markets covered and the relative illiquidity in some of these sectors, Fortress expect that the FCO portfolios will be well diversified with hundreds of positions in a portfolio. Typical position size will range from 3% to 5% percent when possible with a maximum position of 15 percent per investment. Fortress is largely sector agnostic and is willing to look across nearly all sectors for opportunities it believes have favorable risk reward characteristics, including downside protection through collateral coverage and covenants.

Fortress Lending Fund II, LP ("FLF II")

FLF II is being established to originate, co-originate, or acquire primarily senior secured loans made to corporate and asset-based borrowers. While the Fortress Lending Funds ("FLF") are a relatively new fund series for Fortress, the FLF strategy leverages the Firm's vast credit skills and experience gained through the deployment of more than $60 billion of credit investments made since 2006.

The FLF II investment strategy will be a continuation of that executed with Fortress Lending Fund I, LP ("FLF I"), which was raised in 2019 with capital commitments of $1.9 billion. As a result of COVID-19's early impact on the global economy and the resultant credit market dislocation that started during the first quarter of 2020, Fortress significantly increased its FLF I investment activities to capture attractive opportunities. With FLF I now more than 80% committed, Fortress is raising FLF II to continue to invest into credit markets that Fortress categorizes as extremely favorable to the Firm's opportunistic investment strategies.

The FLF II investment objective is to make investments that provide attractive risk-adjusted returns, while limiting downside risk and producing current income on invested capital. FLF II's investments are expected to have the potential to achieve significant investment income and capital appreciation, generally with maturities of three-to-six years. FLF II's debt investments may, in some cases, be accompanied by warrants, options or other forms of equity participation. The return expectations for FLF II are to generate gross rates of return between 12% and 15% over a fund cycle. FLF II intends to achieve these results by originating and/or investing in:

- Senior secured debt of operating businesses in a wide array of corporate industries.
- Loans to asset-based borrowers, including specialty finance companies and owners of commercial real estate properties.

Fortress considers the FLF fund series to be an all-weather strategy that allows the FLF team to identify and execute on the most attractive risk-reward opportunities available across the various stages of economic and credit cycles. The FLF team has extensive credit and structured finance skills that it utilizes to identify and underwrite opportunities that result as borrowers or asset owners move through market stages including Fortress identifies as prosperity, forced liquidation, illiquidity, and reconstruction stages. With the extreme volatility that started in March 2020, Fortress pivoted to opportunities in the secondary market that resulted from other investors needing to generate liquidity. FLF I purchased more than $300 million of broadly syndicated bank loans ("BSL") in high-quality loans at a significant discount during the last two weeks of March 2020. Fortress expects this forced liquidation, with ample opportunities for attractive secondary purchases of BSLs and other investments, to last for up to an additional six months depending on the developments with COVID-19. With the extreme dislocation easing, Fortress believes the market is entering into the illiquidity phase where Fortress will pivot to originating private credit loans to provide liquidity and capital solutions to borrowers that are dealing with stress, an unworkable capital structure, or some other form of complexity.

FLF II will leverage the Firm's experience and expertise sourcing, managing, structuring loans, and assessing and mitigating risks present in special situations and distressed opportunities. Fortress will directly source opportunities for FLF II and also participate as a co-lender or investor in transactions with other like-minded investors that are active in the same markets. Fortress seeks to be the sole, controlling or lead lender in all transactions and maintains strict disciplines regarding documentation, control rights, covenants, and other structural enhancements across all FLF investments made.

FLF II will invest primarily in North America, although opportunities in Western Europe and other markets may be considered on an opportunistic basis. Fortress will seek to build a diversified FLF II portfolio through 40 to 70 transactions with an average position size of 2% to 3% of the overall fund with expectations that no position would exceed 15%.

Firm and Management Team

Fortress was founded in 1998 by Wes Edens, Rob Kaufman and Randy Nardone. In 2002, Pete Briger and Michael Novogratz joined Fortress launching the Drawbridge Special Opportunities Funds and Drawbridge Global Macro Funds, respectively. In February 2007, Fortress completed an initial public offering and became one of the first publicly traded, alternative asset managers to do so.

Fortress was acquired by SoftBank Group Corp. in December 2017 and operates as an independent business within SoftBank under the continuing leadership of Pete Briger, Wes Edens and Randy Nardone. Due to strict US regulatory requirements, SoftBank is prohibited from involvement in

Fortress's management and personnel, strategies, investment activities, etc. While SoftBank's recent stumbles within some of their funds (notably, the $100 billion Vision Fund) and investments is well known, PFM investment professionals are comfortable with the independence of Fortress within the structure and, therefore, its ability to remain isolated from current and potential parent company issues. As of March 31, 2020, Fortress had approximately $41.7 billion in assets under management. Fortress is headquartered in New York and has offices in San Francisco, London, Tokyo, Amsterdam, Atlanta, Dallas, Frankfurt, Hong Kong, Los Angeles, New Canaan, Rome, Shanghai, and Sydney.

Fortress's Credit business was launched in 2002 by Pete Briger. As of March 31, 2020, the Fortress Credit team consisted of approximately 495 professionals, including 165 investment professionals, 120 servicing and asset management professionals, and 210 across accounting, hedging, treasury, risk management, legal, and administration.

The Fortress Credit investment team is led by Managing Partners Pete Briger, Dean Dakolias, Drew McKnight and Joshua Pack, all of whom have been with Fortress for more than 15 years and have invested together through a number of credit and distressed cycles around the world, including the RTC Workout, the Asian Financial Crisis, and Global Financial Crisis.

The FLF and FCO funds are overseen by four Co-CIOs, all of whom are senior members of the Firm. The FLF Co-CIOs are Drew McKnight, Joshua Pack, Dominick Ruggiero, and Aaron Blanchette. The FCO Co-CIOs are Pete Briger, Dean Dakolias, Drew McKnight, and Joshua Pack. Summary backgrounds for the Co-CIOs are provided below.

<u>Pete Briger (FCO V Exp and FLF II)</u>. Briger is Co-Chief Executive Officer of Fortress and has been a member of the board of directors of Fortress since November 2006 Mr. Briger has been a member of the Management Committee of Fortress since 2002 Prior to joining Fortress in March 2002, Briger spent fifteen years at Goldman, Sachs Co where he became a partner in 1996.

<u>Joshua Pack (FCO V Exp and FLF II)</u>. Pack is based in Los Angeles, heads the Firm's illiquid strategies, serves on the investment committee for the Fortress Credit Funds business, and is a member of the Management Committee of Fortress. Pack has 20 years of credit investment and workout experience through multiple credit cycles Since joining the Fortress Credit Funds business at its inception in 2002. Pack has analyzed, structured and negotiated hundreds of lending, structured equity and real estate transactions Prior to joining Fortress, Pack was a Vice President with Wells Fargo Co in the capital markets group.

<u>Drew McKnight (FCO V Exp and FLF II)</u>. McKnight is based in San Francisco, heads the liquid strategies and serves on the investment committee for the Fortress Credit Funds business and is a member of the Management Committee of Fortress. Prior to joining Fortress in February 2005, McKnight was at Fir Tree Partners where he was responsible for analyzing and trading high yield and convertible bonds, bank debt, derivatives and equities for the value based hedge fund and previously worked at Goldman, Sachs Co in Leveraged Finance and the Distressed Bank Debt trading group.

<u>Dominick Ruggiero (FCO V Exp and FLF II)</u>. Ruggiero is based in New York and heads the Specialty Finance Lending Group, providing capital solutions to specialty finance companies. Prior to joining Fortress, Ruggiero was a Vice President in the Asset Securitization Group at DZ

Bank where he was a senior originator responsible for originating and structuring revolving credit facilities for the bank's asset backed commercial paper conduit.

Dean Dakolias (FCO V Exp). Dakolias serves on Fortress's Management and Operating Committees. Prior to joining Fortress in 2001, Dakolias was a Managing Director, Chief Credit Officer and co-founder of American Commercial Capital LLC (a specialty finance company) and Coronado Advisors (an SEC registered broker dealer), both of which were sold to Wells Fargo Co in 2001.

Aaron Blanchette (FLF II). Blanchette, based in Dallas, joined the Fortress Credit Funds business in 2005 as an investment analyst within the Corporate Loan and Corporate Securities groups. Aaron has been focused on underwriting and originating middle market loans for the past 13 years for the Fortress Credit Funds business. Prior to joining Fortress, Blanchette was a Portfolio Analyst with Highland Capital Management where he was responsible for covering the technology, healthcare and financial services industries for Highland's distressed hedge fund and CLOs.

The investment process for the FLF and FCO funds are run similarly and involve an iterative decision-making process involving the senior investment professionals leading a potential investment consulting with the fund's Co-CIOs. Key investment personnel on the global Credit team generally meet weekly as a group to discuss investments in process, followed by focused meetings of individual sub-investment teams. The Co-CIOs meet with senior investment professionals as often as necessary during the underwriting, structuring and negotiation of prospective investments – and are often directly involved in the day-to-day process. Information and analysis are collected and generally summarized in an investment memo.

All investment decisions require the approval of the respective fund's investment committee, which is comprised of the Co-CIOs and senior investment team of the respective fund as well as other senior members of the Fortress Credit team. The investment committee members bring a wide range of experience across sectors and asset types to the Fortress Credit decision making process.

The investment team for each investment includes a dedicated asset management team, which Fortress considers to be one of the Firm's key competitive advantages. The asset management team actively monitors each position, including investment activities, recent developments, financial updates, underlying credit updates, industry updates, and other important information related to each investment. The Fortress assets management teams are located in the U.S., Japan, Europe, and Australia. The Fortress deal sourcing teams are separate from the asset management teams, with both teams overseen by the fund Co-CIOs and credit teams.

Track Record

PFM investment professionals have focused the track record assessment herein on the FCO and FLF related strategies that are included in the recommended SMA.

Fortress Credit Opportunities Fund Series

Fortress had invested $15.8 billion across 477 positions in the FCO I though V portfolios, generating a gross internal rate of return ("IRR") and total value multiple ("TVM") of 22.3% and 1.6x, respectively, as of March 31, 2020. As of the same date, the FCO fund series had generated a net IRR of 15.6% and a net TVM as of 1.4x with a low loss ratio. Summary FCO performance as of March 31, 2020 is shown in the table on the following page.

($US in millions, as of March 31, 2020)

Fortress Credit Opportunities Funds													
Investment Performance Summary (Levered)													
								Gross/Net[1]			Quartile Rank		
Fund	Vintage Year	Fund Size	# Positions	Invested Capital	Realized Value	Unrealized Value	Total Value	TVM	IRR	DPI	TVM	IRR	DPI
FCO I	2008	$2,259	108	$4,701	$7,238	$271	$7,510	2.29x / 1.94x	30.8% / 23.1%	1.93x	1st	1st	1st
FCO II	2009	$1,378	88	$2,165	$3,268	$337	$3,606	2.04x / 1.73x	20.7% / 15.1%	1.54x	1st	1st	2nd
FCO III	2011	$2,747	117	$3,432	$4,171	$650	$4,821	1.50x / 1.34x	13.3% / 9.3%	1.16x	2nd	2nd	2nd
FCO IV	2015	$2,858	117	$3,191	$1,573	$2,109	$3,683	1.17x / 1.10x	8.0% / 4.8%	0.42x	4th	4th	2nd
FCO V	2019	$3,948	47	$2,338	$163	$2,410	$2,573	1.14x / 1.10x	28.6% / 20.3%	0.08x	1st	1st	1st
Total		**$13,190**	**477**	**$15,827**	**$16,415**	**$5,778**	**$22,193**	**1.60x / 1.40x**	**22.3% / 15.6%**	**1.04x**			

Source: Fortress, Meketa, Cambridge 12/31/19 Global Control-Orietned Distressed, Opportunistic Debt (USD) [March 31, 2020 not available].

1. Returns include the impact of recycled capital and leverage. DPI shown is net only.

Due to the broad mandate of the FCO funds, the track record quartile rankings referenced herein for the FCO Funds are compared to the Cambridge Associates Global Control-Oriented Distressed, Opportunistic Debt benchmark as of December 31, 2019.

Except for FCO IV, the more mature and substantially realized FCO funds were ranked in the first or second quartile across all relevant benchmarks as of March 31, 2020. The FCO funds compare favorably to the benchmarks even though the FCO performance is as of March 31, 2020 and the benchmarks are as of December 31, 2019, i.e., the benchmark performance does not reflect the negative impacts of COVID-19 during the first quarter of 2020.

FCO IV was largely unrealized and the fund's performance as of March 31, 2020 was impacted by the economic effects of COVID-19 and mark to market practices. PFM investment professionals note that the first quarter market values for approximately 10% of the fund's investments were negatively impacted because of COVID-19's direct impact on underlying sectors. However, Fortress views this market value impact as temporary with a recovery in performance with long-term portfolio return expectations more in line with first and second quartile performance with of a gross 15% and TVM of 1.8x.

As of March 31, 2020, the FCO fund series had a realized total loss ratio of 2.0%, which is low for the opportunistic/distressed market and evidence of the FCO team's focus on downside protection. Given the FCO focus on the distressed/opportunistic debt space, PFM investment professionals compared the loss ratios of the FCO funds by year of investment as of March 31, 2020 to the Moody's annual corporate loss ratios for the CCC and Below Investment Grade ("BIG") loss rates as of December 31, 2019. As shown in the table below, the FCO funds realized loss rate compared favorable to both the CCC and BIG market averages.

Fortress Credit Opportunities Funds			
Loss Rate Comparison			
Vintage Year	FCO	Moody's CCC	Moody's BIG
FCO 2008	10.0%	7.2%	3.6%
FCO 2009	0.0%	16.8%	7.7%
FCO 2010	4.3%	4.5%	1.6%
FCO 2011	0.1%	3.4%	1.2%
FCO 2012	0.4%	4.5%	1.6%
FCO 2013	0.2%	3.5%	1.5%
FCO 2014	0.3%	2.5%	1.1%
FCO 2015	0.2%	4.1%	2.3%
FCO 2016	0.0%	6.2%	3.1%
FCO 2017	0.0%	3.5%	1.6%
FCO 2018	0.0%	2.7%	1.3%
FCO 2019	0.0%	4.2%	2.1%
Total	**2.0%**	**5.2%**	**2.4%**

Source: CRPTF; Fortress (3/31/20) and Moodys (12/31/19) data.

Fortress Lending Fund Series

FLF I closed in December 2019 with $1.9 billion of fund commitments. Given the unprecedented market disruption caused by COVID-19 during the first quarter of 2020, FLF I called a significant amount of capital during the quarter and had invested $1.3 billion as of March 31, 2020. However, much of FLF I's performance is new and unrealized, therefore a stand-alone assessment of the FLF I's performance is not meaningful nor presented herein. Due mainly to mark to market impacts and some credit impairments, FLF I showed a gross IRR and TVM of -21% and 0.9x, respectively, as of March 31, 2020. Fortress estimates that less than 2% of the FLF I fund capital is currently impaired but expects the long-term return expectations for the fund to be in lined with targeted returns.

While the FLF funds are new vehicles for the Firm, Fortress has a long history track record of investments of the type targeted by the FLF strategy. As a performance proxy, PFM investment professionals elected to review the track record of such Fortress managed credit investments made 2006, during which time Pete Briger and/or Dean Dakolias served as the CIOs of the respective funds. More specifically, PFM investment professionals assessed the FLF proxy performance by dissecting performance into one calendar year investment periods. As shown in the table below, the Fortress team has generated solid long-term results with returns elevated during periods of heightened market or economic stress such as during the Global Financial Crisis, which demonstrated the strength and appeal of the Firm's opportunistic investment expertise. PFM investment professionals also note Fortress's FLF proxy investments experienced relatively low loss ratios both before and after the GFC further demonstrating Fortress's credit underwriting, structuring, and asset management skills and experience.

($US in millions, as of December 31, 2019)

Fortress Investment Group

Proxy FLF Fund Investment Performance Summary

Fund, Vintage	# Positions	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross TVM	Gross IRR	Gross DPI
FLR 2006	114	$6,916	$7,377	$31	$7,407	1.07x	6.17%	1.07x
FLR 2007	82	$4,566	$5,145	$	$5,145	1.13x	8.29%	1.13x
FLR 2008	40	$2,957	$3,428	$77	$3,506	1.19x	9.77%	1.16x
FLR 2009	32	$3,102	$3,544	$2	$3,546	1.14x	15.84%	1.14x
FLR 2010	86	$4,335	$5,392	$61	$5,452	1.26x	12.01%	1.24x
FLR 2011	81	$4,663	$5,650	$335	$5,984	1.28x	13.41%	1.21x
FLR 2012	99	$4,308	$4,870	$286	$5,156	1.20x	10.10%	1.13x
FLR 2013	97	$4,869	$5,695	$574	$6,270	1.29x	8.89%	1.17x
FLR 2014	98	$4,881	$5,676	$530	$6,206	1.27x	8.79%	1.16x
FLR 2015	108	$5,208	$6,177	$917	$7,094	1.36x	10.50%	1.19x
FLR 2016	73	$3,209	$3,686	$1,195	$4,881	1.52x	10.43%	1.15x
FLR 2017	78	$3,848	$4,308	$1,863	$6,170	1.60x	9.07%	1.12x
FLR 2018	84	$4,523	$4,926	$3,375	$8,301	1.84x	9.31%	1.09x
FLR 2019	88	$3,253	$3,414	$2,880	$6,294	1.93x	12.60%	1.05x
Total	**1,160**	**$60,637**	**$69,288**	**$12,124**	**$81,413**	**1.34x**	**9.81%**	**1.14x**

Proxy FLF - unlevered gross/net IRR: **9.8% / 6.6%**

Proxy FLF - levered gross/net IRR: **15.4%/11.9%**

Source: Fortress and CRPTF.

The proxy FLF investments referenced herein were not made through traditional commingled fund structures. The pro forma gross and net IRRs shown above are estimated based on the expected FLF II fee structure and leverage profile.

Key Strengths

1. **Experienced Organization with a Credit Focus.** The strategy of the Fortress Funds is to capitalize on the Firm's ability to approach investments from multiple sources – the public market, broadly syndicated loans, and internally sourced. The Firm has a large credit team consisting of nearly 500 people with deep experience within the sectors and markets in which Fortress invests. PFM investment professionals reviewed sample Fortress Credit investment memos presented to the Fortress Funds' investment committees and it was evident that the Firm has extensive credit skills and draws on expert on external advisory and legal firms as needed. Fortress has also demonstrated the ability to utilize its strengths across asset classes to engage in complex transactions where sourcing, asset knowledge, structuring capabilities, and risk management combine to create attractive investments. The Fortress Credit platform has a dedicated asset management team that actively manages investments across the platform, which allows Fortress to leverage expertise across the portfolio. In addition, Fortress managed funds own an interest in approximately 20 servicers that service over $200 billion in assets globally as of December 31, 2019. These servicer interests serve as a repository of information that provides Fortress a window into market dynamics and portfolio performance on a real-time basis. Information gleaned from the servicers can also provide insight/feedback into broader security, sector, and asset classes.

2. **All Weather Strategy.** The ability to pivot between securities, BSLs, and directly originated loans allows Fortress to adapt the strategy to different market conditions and allows the Firm to identify transactions with the best investor protections and returns. The Firm has showed its ability to successfully pivot during the COVID-19 market dislocation initially to the secondary purchases of BSL and securities in defensive businesses and then migrating back to directly originated loans to address the capital needs of liquidity constrained or otherwise stressed and distressed companies.

3. **Attractive Risk Return Profile.** The Firm's strategy is focused on generating attractive returns while limiting downside risk and preserving capital. Fortress's extensive underwriting and structuring abilities, combined with the Firm's active asset management practices have limited losses and contributed to the Firm recovering rate more than 100%, on average, since 2006.

4. **Demonstrated Strong Investment Performance.** FCO V Exp will follow the same strategy as the five prior Fortress Credit Opportunity funds. Fortress has delivered first and second quartile results with the more mature FCO I through IV portfolios. While the FLF fund series is new, Fortress has invested more than $62 billion in similar transactions since 2006, which have generated total unlevered returns approaching 9%.

Major Risks and Mitigants

1. **Increased FCO Capital Capacity.** Fortress launched FCO V in December 2018 with a final close in December 2019. Over the last approximately 15 month, FCO V invested $2.3 billion of fund capital, the majority of which was deployed in 1Q2020. FCO V Exp's hard capped fund size of $7 billion might cause concerns that the significant increase in capital may adversely affect the Firm's ability to invest capital in a manner consistent with past practice.

This concern is mitigated by the sheer size of the opportunity set caused by the market dislocation of COVID-19 as well as the size. The Fortress Credit organization has the scale and resources to deploy capital effectively at significant volume, and the Firm has a long history of tactically accelerating activities during periods of credit markets dislocations and stress, which can be extremely favorable to sophisticated credit investors such as Fortress. In addition, Fortress should be able to efficiently deploy more capital without significantly increasing the number of investments managed by acquiring or holding a larger portion of each portfolio holding.

2. **<u>Potential Conflicts Between FCO and FLF Strategies.</u>** The Fortress Funds may make investments in unaffiliated third parties where Fortress affiliates have made, are concurrently making or intend to make a different investment in the same counterparty. Such investments may, in the ordinary course, occur at different levels of the capital structure, so that the Fortress Funds' investments may be senior or junior to, and have rights and interests different from or adverse to, the investment made by Fortress Affiliates. This risk is mitigated by the Firm's policies to address potential capital position conflicts, which would result in the modification of one Fortress fund modifying its rights, typically in the senior position, in order to avoid an adversely impact on an affiliated Fortress position.

3. **<u>Fund Leverage.</u>** Leverage can be used to increase returns but can expose the Fortress Funds to additional returns risks; leverage can increase both upside and downside returns when compared to an unlevered portfolio. However, consistent with FCO I through IV, FCO V's and FLF II's leverage capacity will be capped with an incurrence covenant at 75%, including securitized debt. Additionally, FCO Fund Series leverage is primarily held at the asset, not fund level and leverage risk is mitigated by: (i) prudent asset/liability management, (ii) utilization of non-recourse debt, and (iii) non mark-to-market asset specific financing.

4. **<u>Pace of Deployment.</u>** The Fortress Funds teams have been actively investing both FCO V and FLF II, with the pace of deployment significantly accelerated after the impacts of COVID-19 began to impact global financial markets in March 2020. Normally, investors would view this as a risk due to vintage concentration. However, the Fortress Funds' mandate is to deploy capital opportunistically, particularly during periods of significant market dislocations when return opportunities are advantageous. The expertise and ability of the Fortress Credit team to deploy capital during challenging credit market cycles is one of the primary appeals of the recommended SMA. Further, Fortress invests in a diversity of assets by size, security, collateral types, and age, which mitigates the traditional concerns of vintage concentration risk.

<u>Legal and Regulatory Disclosure (provided by Legal)</u>

Through its disclosure, Fortress Investment Group, LLC ("Fortress"), discloses the following legal matters:

- In December 2016, Mr. John Cumming, a stockholder of New Senior Investment Group Inc., a former Fortress-managed permanent capital vehicle in Fortress' private equity line of business, filed a purported derivative complaint in Delaware state court. In April 2019, the parties reached a settlement for the payment of $53 million to the company and the recommendation of certain corporate governance changes. The settlement was approved by the court in July 2019.
- In January 2015, Fortress Investment Group Hong Kong notified the Securities and Futures Commission in Hong Kong that it had become aware of a potential breach of the Financial

Resources Rules, when Fortress Investment Group Hong Kong's liquid capital temporarily fell below its required level. Upon discovering the issue, Fortress took corrective action to rectify the deficiency and took measures to prevent this type of violation from occurring in the future.

- The SEC initiated an examination of Logan Circle Partners, L.P., a former Fortress affiliate, in August 2015 to assess its compliance with the provisions of the Investment Advisers Act and the Investment Company Act. The SEC noted one area regarding Logan Circle's recordkeeping requirement related to financial methodology and consolidation into its parent company's financial statements. Logan Circle responded that it believes it is in compliance with this requirement and no additional action is needed. No other issues were identified during the course of the examination.
- In June 2016, Fortress received a Letter of Warning from the CME Group alleging a highly technical violation of one of its rules with respect to an Exchange for Related Position transaction that was executed in August 2015 within Fortress' Liquid Markets business. Fortress took measures to prevent this type of alleged violation from occurring in the future.
- In June 2016, the SEC initiated a limited scope onsite examination to assess compliance with portions of the Investment Advisers Act. At the end of the examination, the SEC made a limited number of minor recommendations, which the firm agreed to implement.
- In May 2019, the SEC initiated a routine examination of Fortress Capital Formation LLC, Fortress' affiliated limited purpose broker-dealer, to assess its compliance with the securities law. In July 2019, the SEC concluded its examination recommending that Fortress Capital Formation include in its Written Supervisory Procedures a process for determining whether a registered representative may be subject to heightened supervision and procedures for applying a heightened supervision plan to any such registered representative. Fortress Capital has implemented the SEC's recommendation.
- Between 2011 and 2014, Fortress was involved in litigation over insurance policies referred to as "life settlements," which involve the sale of an interest in a life insurance policy to a third party that pays the premiums and eventually collects the death benefit. Fortress entered into several life settlements as a distressed buyer who had purchased portfolios with life settlements. Fortress brought seven lawsuits against the Phoenix Companies, alleging that Phoenix would not pay out certain death benefits. Fortress states that none of its policies were successfully challenged in court. The matter was resolved in 2015 with six out of the seven suits settling. Fortress confirmed that the firm has exited these types of positions and no longer has exposure to life settlement investments.

With respect to insurance, Fortress has not filed claims on insurance policies with regard to regulatory matters involving it or its clients, however, Fortress has filed claims on insurance policies in connection with its clients' investments.

Fortress states that it is not currently conducting any internal investigations specifically addressing the activities of any particular employees.

Fortress states it does not maintain policies and procedures addressing the manner in which internal investigations are conducted. Rather, Fortress' Legal and Compliance Department conducts internal investigations as determined to be appropriate under the circumstances.

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.

6/25/20

COMPLIANCE REVIEW FOR PRIVATE INVESTMENT FUND

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS

SUBMITTED BY

FORTRESS INVESTMENT GROUP, LLC

I. Review of Required Legal and Policy Attachments

FORTRESS INVESTMENT GROUP, LLC ("FIG LLC") a New York-based firm, completed all required legal and policy attachments. The firm disclosed no impermissible 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 (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of April 2020, FIG LLC employed 736, 5 less than the 741 employed in April 2018. The firm identified 2 women and 1 minority male as Executive/Senior Level Officials and Managers, i.e., serving at the senior most level of the firm. It reported that for the 3 year period 2018-2020, 97 women and 106 minorities were promoted within the ranks of professionals or managers. Women and minorities are much better represented at levels below Management.

Commitment and Plans to Further Enhance Diversity

FIG LLC employs a number of strategies to recruit candidates with diverse backgrounds, including job postings with female and minority-owned, and female and minority-focused recruiting agencies and networking organizations. In addition, two of the company's preferred provider executive search firms are contractually required to use reasonable commercial efforts to provide a diverse slate of candidates. Fortress also started a women's initiative last year in an effort to strengthen its commitment to attracting and retaining women. The initiative has, among other things, afforded women in U.S. offices the opportunity to offer feedback as to how the company can improve the quality of life and culture for female employees. Changes to address such feedback have commenced.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 10% (2 of 21) of these positions in both April 2020 and April 2019, down from 12% (3 of 26) in April 2018.
- Minorities held 4.8% (1 of 21) (4.8% Asian) of these positions in both April 2020 and April 2019, down from 7.7% (2 of 26) (7.7% Asian) in April 2018.

At the Management Level overall:

- Women held 13% of these positions in all 3 years reported as follows: April 2020 (18 of 144), April 2019 (20 of 151), and April 2018 (23 of 172).
- Minorities held 16% (23 of 144) (11.8% Asian, 2.1% Hispanic, 1.4% Black, and 0.7% Two or More Races) of these positions in April 2020, slightly up from 15.9% (11.3% Asian, 2.6% Hispanic, 1.3% Black, and 0.7% Two or More Races) (24 of 151) held in April 2019, and 15% (11.6% Asian, 2.3% Hispanic and 1.2% Black) (26 of 172) held in April 2018.

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

At the Professional Level:

- Women held 39% (198 of 510) of these positions in April 2020, up from 35% (164 of 469) in April 19 and 36% (170 of 475) in April 2018.
- Minorities held 41% (208 of 510) (24.1% Asian, 4.5% Hispanic, 1.2% Black, and 11% Two or More Races) of these positions in April 2020, up from 35.8% (26.2% Asian, 5.5% Hispanic, 1.5% Black, and 2.6% Two or More Races) (168 o 469) in April 2019, and 37.3% (27.8% Asian, 5.1% Hispanic, 1.7% Black, and 2.7% Two or More Races) (177 of 475) in April 2018.

Firm-wide:

- Women held 39% (284 of 736) of these positions in April 2020, up from 36% (258 of 708) held in April 2019, and 36% (270 of 741) in April 2018.
- Minorities held 35.3% (260 of 736) (20.1% Asian, 4.5% Hispanic, 2.7% Black, and 8% Two or More Races) of these positions in April 2020, up from 32.2% (21.2% Asian, 5.2% Hispanic, 3.4% Black, and 2.4% Two or More Races) (228 of 708) held in April 2019, and 32.3% (21.7% Asian, 4.9% Hispanic, 3.4% Black, and 2.3% Two or More Races) (239 of 741) in April 2018.

III. Corporate Citizenship

Charitable Giving:

Corporate citizenship and giving is a central part of Fortress' culture. Each year since 2004, the company has organized an annual charity matching program extended to all Fortress employees, whereby Fortress matches 100% donations up to $2,000 for a charity of an employee's choosing. In response to the Covid-19 pandemic Fortress accelerated the launch of the Fortress 2020 Charity Matching program and matched 100% online donations up to $2000 made between March 31 and April 30, 2020. Fortress also contributes to numerous organizations including, 100 Women in Finance, NAACP Legal Defense Fund, Stanford University Three Strikes Project, Partnership for Public Service, Partners in Health, the Red Cross, and numerous others. Notable charities Fortress employees have donated to over the years include, American Cancer Society, American Diabetes Association, Big Brothers Big Sisters New York City and City Meals on Wheels, to name a few. In addition, Fortress is starting "a corporate volunteer day" for 2020. Connecticut organizations that have benefitted from Fortress' corporate citizenship include, Make-A-Wish Connecticut, Yale University, Sacred Heart University, Stamford YMCA, The Hole in the Wall Gang Camp, and Filling in the Blanks.

Internships/Scholarships:

For approximately the past 15 years, Fortress has hosted a summer internship program for college and graduate students. Interns are exposed to various Fortress businesses, and they participate in the day to day activities of the business groups. Interns attend several programs including, a speaker series with senior management, and a modeling training boot camp; they also do a final presentation. In recent years, Fortress has also hosted several interns each summer in San Francisco in partnership with Achieve. Achieve (achieveprogram.org) is a scholarship and academic enrichment program for students from low-income families. This year, Fortress will proceed with a virtual intern program during the summer. The company will host 42 interns of which 27% are female. In 2019, 42 interns were hosted of which 26% were female.

Procurement:
Fortress does not currently have a written procurement policy or program specifically designed to foster business relationships with women-owned, minority-owned, and/or emerging businesses.

Summary of Responses to Attachment M: Evaluation and Implementation of Sustainable Principles Submitted by Fortress Investment Group LLC June 23, 2020	
Firm has an ESG policy	Yes
If yes, firm described its ESG policy	Yes
Firm provided examples of ESG factors considered in the decision-making process, explained the financial impact of these ESG factors	Yes
Designated staff responsible for sustainability policies and research	Yes
Firm provides training/resources on sustainability issues, explained sources of ESG-related data	Yes
Signatory/member of sustainability-related initiatives or groups	No
Policy for evaluating current or prospective relationships with manufacturers or retailers of civilian firearms	No
Policy that requires safe and responsible use, ownership or production of guns	Yes
Enhanced screening of manufacturers or retailers of civilian firearms	No
Enhanced screening of any industry/sector subject to increased regulatory oversight, potential adverse social and/or environmental impacts	No
Merchant credit relationships with retailers of civilian firearms and accessories	Yes
If yes, firm confirms compliance with laws governing firearms sales	Yes
Overall assessment of responses (e.g., depth of approach to ESG and integration)	Fortress included its *Credit and Real Estate Funds ESG Policy* along with its disclosure. Taken together, the firm provided a concise overview of its philosophy and approach to ESG integration. While not a signatory to any identified sustainability organizations, the firm stated that its ESG policy is consistent with the UN Principles for Responsible Investment. The firm does not have a specific policy related to manufacturers or retailers of civilian firearms, or enhanced scrutiny of any particular industry or sector. However, its disclosure detailed the methodology of its Investment Committee in assessing ESG risks. Overall, the firm's disclosure was thorough and evidence of a solid integration of ESG considerations in its investment processes.
SCORE: **Excellent - 1** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations; enhanced screening of firearms and/or higher-risk sectors **Very Good - 2** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations **Satisfactory - 3** General description of ESG philosophy and integration; some evidence of framework for ongoing ESG assessment; member of sustainability-oriented organizations **Needs Improvement - 4** Generic and/or vague description of ESG philosophy and integration; no ongoing ESG assessment; no dedicated ESG staff or resources **Poor - 5** Incomplete or non-responsive	**2**

MEKETA

INVESTMENT GROUP

Private Markets Investment Memorandum

Fortress CT Private Credit SMA

July 01, 2020

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Executive Summary

Meketa Investment Group ("Meketa") initiated its evaluation of Fortress Investment Group ("Fortress" or the "Firm") in consideration for a separately managed account (the "SMA") on behalf of Connecticut Retirement Plans and Trust Funds ("CRPTF"). The CRPTF is considering a commitment to an SMA that will invest alongside Fortress Credit Opportunities Fund V Expansion ("FCO V Exp") and Fortress Lending Fund II ("FLF II"), which are multi-investor funds currently being raised by Fortress. Meketa has familiarity with Fortress from performing a review of Fortress Lending Fund I in late 2019, as well as performing due diligence on various predecessor funds and strategies. The due diligence process for the SMA began in May 2020, with the review of due diligence questionnaires, the Limited Partnership Agreements, and other related documents provided by Fortress in relation to FCO V Exp, FLF II, and the proposed SMA. Virtual on-site due diligence meetings were conducted on June 9 and June 10, 2020 to discuss strategy, performance, personnel, and resources. Meketa also held several follow up due diligence calls with the manager. Meketa and the CRPTF are evaluating the opportunity as potentially a long-term solution to fulfill a meaningful component of the CRPTF private credit investment program.

BACKGROUND OF FIRM

Fund Name	Manager	Office Location(s)	Target Market	Target Geography
Fortress CT SMA	Fortress Investment Group	New York, San Francisco, Dallas, Los Angeles, London, Tokyo, Sydney, etc.	New issue originated and opportunistic secondary market credit	Global, with primary focus on North America and Western Europe

Fortress Investment Group, founded in 1998, is a global alternatives investment manager that currently manages $41.7 billion across credit, private equity and real estate. Pete Briger joined Fortress in 2002 and launched Fortress' credit strategies at that time. Today, Fortress Credit manages $31.9 billion in AUM on behalf of over 1,700 institutional and private investors around the world. Mr. Briger, Dean Dakolias, Drew McKnight, and Josh Pack serve as the Co-CIOs and Managing Partners of the Fortress Credit business, which manages credit assets across five business lines: Credit Hedge Funds ($5.0b AUM), Opportunistic Credit Private Equity ($15.6b AUM), Real Estate ($7.8b AUM), Lending ($2.0b AUM), and Liquid Securities and Income ($1.5b AUM).

In December 2017, Fortress was acquired by SoftBank Group, the Japanese multinational conglomerate. Fortress continues to operate as an independent business entity with full operational and investment autonomy.

The proposed SMA will invest alongside FCO V Exp and FLF II. CRPTF and Fortress are still negotiating the commitment size to the SMA. The client's prospective commitments to other private debt SMAs with other managers will determine the commitment size to Fortress. It is expected that to optimize the leverage required to execute the FLF strategy, a minimum of a $200 million equity commitment is required.

SUMMARY OF TERMS AND STRATEGY

Fund Size	Management Fee	Carry And Carry Structure	Preferred Return	Fee Income	Inv. Period And Total Term[1]
FCO V Exp: $3.0 billion FLF I: $1.0 billion	FCO V Exp: 1.5% FLF: 1.25%	FCO V Exp: 20%, whole-fund FLF II: 15%, whole-fund	FCO V Exp: 8% FLF II: 6%	100% offset	FCO V Exp: 3 years; 9 years FLF: 2 years; 6 years

The Fortress Credit Opportunities ("FCO") and Lending ("FLF") strategies provide access to a broad and flexible investment mandate within the private credit markets. While many private credit strategies focus solely on corporate credit investment strategies, Fortress' strategies are expanded to evaluate hard asset-backed and specialty finance investments. This strategy and asset-type breadth is expected to provide complementary exposure to the CRPTF private credit program.

FCO V Exp. is classified as an expansion to FCO V to capitalize on the current market environment amidst the COVID-19 dislocation. Therefore, Fortress is anticipating a quick fundraise. FCO V will be given investment allocation priority before FCO V Exp, though as a result of the expanded opportunity set and FCO V being largely committed, this is not expected to lead to materially smaller allocations for FCO V Exp.

[1] FCO V Exp will share the same investment period and term as FCO V.

FLF II serves as the successor fund to FLF I and will continue to execute the Fortress Lending strategy, which was formalized in 2019 with the FLF I fundraise. While the FLF series is new as a standalone strategy, the firm has been executing these transactions through other funds for more than 10 years.

FCO V Exp will primarily target the acquisition and origination of opportunistic stressed, and distressed corporate, commercial, and residential loans and assets. FCO V Exp. will also consider subordinated debt and equity-like risk where Fortress believes they can achieve higher returns. FLF II will look to originate and acquire senior secured debt across a wide array of asset types including corporate, asset-backed securities, specialty finance, and litigation finance. FCO targets higher returns than FLF, with the latter focused more on income and capital preservation.

TRACK RECORD SUMMARY AS OF MARCH 31, 2020 ($ IN MILLIONS)

Fund	Vintage Year	Invested[2] ($)	Realized Value[3] ($)	Total Value[3] ($)	Net Multiple[3] (X)	Net IRR[4] (%)
FCO I	2008	4,701.5	7,238.5	7,509.8	1.9	23.1
FCO II	2009	2,165.0	3,268.4	3,605.5	1.7	15.1
FCO III	2011	3,431.5	4,171.5	4,821.4	1.3	9.3
FCO IV	2015	3,190.7	1,573.4	3,682.6	1.1	4.8
FCO V	2019	2,337.9	163.5	2,573.5	1.1	20.3
Total		**15,826.5**	**16,415.3**	**22,192.8**	-	-

The FCO strategy started in 2008, and the Firm has since raised four subsequent funds. Funds I, II and III are largely realized and have produced strong results. Fund III and IV both have large unrealized values that were negatively impacted by first quarter 2020 valuations. During the first quarter both Fund II and IV had mark-to-market declines, however, most were unrealized. Fund V returns are driven by the Fund's activity and performance during the credit markets dislocation in February and March 2020.

[2] Investment-level, net of leverage and representative of funds' equity investments
[3] Levered, fund-level (capital contributions and distributions) performance liquidated as of 3/31/20

Fund	Vintage Year	Invested[3] ($)	Realized Value[3] ($)	Total Value[3] ($)	Net Multiple (X)	Net IRR[4] (%)
FLF I	2019	1,385.8	122.8	1,286.7	NM	-21.9
Total		**1,385.8**	**122.8**	**1,286.7**	**-**	**-21.9**

FLF I, a 2019 vintage fund, deployed the majority of the fund's equity commitment as of March 31, 2020. Based on March 31, 2020 valuations, which were impacted by secondary market selling and widening discount rates for private investments, Fund I experienced a mark-to-market decline during the first quarter. However, FLF I remains early in its investment period and losses are unrealized. Despite being the first fund in the lending strategy fund series, Fortress has an extensive 15 year track record of successful representative investments across other fund vehicles. Finally, preliminary FLF I performance numbers through May indicate the portfolio has significantly recovered from the March 31 valuations and overall performance has improved significantly.

SUMMARY

The proposed SMA offers the opportunity for CRPTF to leverage Fortress' broad credit platform to gain exposure to a range of lending and opportunistic sub-strategies. This exposure is expected to be complementary to the existing private credit strategies used by CRPTF, as well as those currently being considered. Though there is still significant economic uncertainty due to the COVID-19 pandemic, the resulting disruption in credit markets presents opportunities for private credit strategies to potentially earn attractive risk-adjusted returns due to more attractive pricing and lender-friendly terms. Due to the size and scope of their credit platform, the experience and consistency in Co-CIOs, and flexible mandates, Fortress appears to be uniquely positioned to take advantage of the current environment.

Manager Background

BACKGROUND OF THE FIRM

Fortress Investment Group, founded in 1998 by Wes Edens, Rob Kaufman (retired in 2012) and Randy Nardone, is a global investment management firm that invests across private equity, credit, and real estate. As of March 2020 the firm had $41.7 billion of total assets under management across this three strategy verticals. The firm is headquartered in New York with a large office in San Francisco, and twelve additional offices in locations such as Los Angeles, Atlanta, Dallas, London, Rome, Amsterdam, Tokyo, Hong Kong, Shanghai, and Sydney. The firm is majority owned by Softbank but Fortress principals still control the day-to-day management of the firm and its investment strategies.

The Fortress Credit business, which launched in 2002, is currently led by four Managing Partners and Co-CIOs, Peter Briger (San Francisco), Dean Dakolias (New York), Drew McKnight (San Francisco), and Joshua Pack (Los Angeles). These four Managing Partners average 17 years working together at Fortress. The entire Fortress Credit team consists of approximately 500 professionals across investment (165 professionals), asset management (120), and operations teams (215). Despite consistency across the credit CIOs and other members of Fortress Credit's Investment Committees, the investment team has experienced a steady level of churn historically, which should be expected to continue based on the structure and incentives within the organization.

Fortress manages several strategies and fund vehicles across its credit platform which includes the Credit Private Equity (Credit Opportunities) Strategy, Lending Fund, Drawbridge Fund and Real Estate. In addition Fortress has a $2.0 billion private equity business. The Drawbridge Special Opportunities strategy, an evergreen hedge/private fund hybrid which launched in 2002, has a broad investment strategy that encompasses the FLF strategy. The Fortress Credit Opportunities series started in 2008 with FCO I that had $2.3 billion in fund commitments and $0.7 billion in separately managed accounts. The latest FCO offering, FCO V, received $4.0 billion in fund commitments and $2.0 billion of separately managed account commitments bringing total commitments to $6.1 billion. FLF I was raised in 2018 and closed in 2019 with $1.9 billion in exclusively fund commitments. In the second quarter of 2020 Fortress began raising FCO V Exp. and FLF II.

Investment Resources and Experience

The Fortress Credit business consists of approximately 500 professionals (across 14 offices globally. This dedicated credit team includes approximately 165 investment professionals, 120 asset management professionals, and a 215-person operations staff covering accounting, hedging, treasury, legal, and support responsibilities. Fortress seeks to create a symbiotic relationship between these three groups (investment, asset management and operations) throughout the investment process from sourcing through disposition. Fortress Credit has a very senior team of investment professionals and continuity among the team with IC members averaging 12 years at Fortress (7 of 17 and 13 of 22 members in the FCO V Exp and FLF II IC committees, respectively, have been at Fortress for 15+ years). The Managing Partners, Peter Briger, Dean Dakolias, Drew McKnight, and Joshua Pack, have deep and technical experience as lenders and originators at Fortress and at their previous employers.

INVESTMENT PROFESSIONALS

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Pete Briger	Co-CEO, Managing Partner	18	32	→ Partner at Goldman, Sachs & Co. → MBA: Wharton School of Business, University of Pennsylvania; BA: Princeton University
Dean Dakolias	Co-CIO FCO, Managing Partner	19	30	→ Managing Director, Chief Credit Officer and Co-Founder of American Commercial Capital LLC and Coronado Advisors; Director at RER Financial Group → BS in Physics: Columbia University
Drew McKnight	Co-CIO FCO & FLF, Managing Partner	15	20	→ Fir Tree Partners; Goldman, Sachs & Co. → BA in Economics: University of Virginia

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Joshua Pack	Co-CIO FCO & FLF, Managing Partner	17	23	→ VP at Wells Fargo & Co.; VP at American Commercial Capital → United States Air Force Academy; BA in Economics: California State University, San Marcos
Dominick Ruggiero	Managing Director, Co-CIO FLF, Specialty Finance	14	25	→ Asset Securitization Group at DZ Bank; Managing Director and Co-Founder of Structured Finance Group at Descap Securities, Inc.; ContiFinancial Services; Lehman Brothers → BA in Economics: St. Lawrence University
Aaron Blanchette	Managing Director, Credit Funds, Co-CIO FLF	15		→ Portfolio Analyst at Highland Capital Management; Director at Ernst & Young → BBA and MBA: Baylor University
Marc Furstein	President, Credit Funds	19	28	→ COO and Co-Founder of American Commercial Capital and Coronado Advisors; Co-Manager at Goldman, Sachs & Co., Opportunistic RE Loans → MBA: Wharton School of Business, University of Pennsylvania; BA: Columbia University

Investment Strategy

The proposed investment will execute a very broad investment mandate that invests alongside the Fortress Credit Opportunities V Expansion ("FCO V Exp") and Fortress Lending Fund II ("FLF II") Funds. FCO V Exp will target positions established through secondary market purchases and asset sales that will have various upside return components. FLF II will primarily invest in new originated transactions where returns are primarily driven by the cash yield or other income components. Both strategies utilize Fortress' unique sourcing, investment and asset management capabilities across a very broad spectrum of corporate, commercial, residential and specialty credit strategies. These strategies will leverage Fortress' global presence, with investments primarily in North America and Western Europe, and opportunistic allocations in Australia, Asia, and elsewhere. In the near term, Fortress will look to take advantage of the current market environment resulting from the COVID-19 pandemic and the repricing that has occurred across credit markets. Fortress believes that as a result of this repricing, there will be forced selling or the need to refinance single assets and portfolios of assets by stressed owners and lenders. Further, Fortress believes that pricing and terms will improve for new credit origination across many sectors that are experiencing reduced lender activity.

FCO V Exp

The Fortress team will continue the same investment strategy of previous Credit Opportunities funds, primarily making opportunistic investments across i) corporate, ii) residential and commercial real estate, and iii) other consumer assets and asset-backed securities. Subsets of these investments are expected to include the following: (i) stressed, distressed, and out of favor bonds and loans, (ii) residential performing, sub-performing, or non-performing loans and securities, and (iii) opportunistic corporate and commercial loan originations, including mezzanine loans and other investments in subordinate levels of the capital structure. The Fund may also pursue publicly traded or privately negotiated equity securities, including preferred stock, common stock, and warrants. The broad mandate of FCO allows Fortress to target transactions where their complexity and size may reduce competition. FCO V Exp is expected to utilize recycling of capital commitments. The strategy is not expected to be heavily reliant on fund-level leverage.

FLF II:

Fortress Lending Fund II, which focuses more on income and capital preservation, will target multiple origination strategies including middle market corporate lending, senior commercial real estate lending, specialty finance (or lender finance), intellectual property finance, and litigation finance. FLF has the ability to opportunistically invest in the broadly syndicated bank loan and high yield markets during periods of market dislocation as these market segments usually present attractive risk-adjusted return opportunities at the same time origination markets generally seize. In FLF, Fortress will prioritize current income and generally shorter duration strategies with annual targeted yield of at least 7% with 3 to 6 year maturities. The Fund is targeting levered returns of 12-15% gross with leverage capped at 1x debt to equity, though FLF I is currently below these levels. Leverage will be used both at the portfolio investment level and aggregate portfolio level, depending on the type of investment.

Investment Process

Fortress has built a robust, proprietary sourcing network to execute both FCO Exp V and FLF II investment strategies. The Firm's longstanding experience and reputation as an opportunistic lender willing to underwrite various risks and create custom structures between the company/asset owners and lenders will continue to help the firm maintain and develop unique deal flow. The Firm leverages their investment and asset management teams' relationships with strategic buyers, operating companies, lawyers, investors, and financial institutions to generate a large pipeline of potential investments and also, importantly to Fortress, assess the relative value and attractiveness of investments across Fortress' wide range of investment sub-strategy and asset types. Given the size and breadth of the Fortress Credit team, the Firm has a reputation for evaluating complex and large transactions, particularly in the FCO strategy. Neither FCO Exp V or FLF II have explicit targets to underlying sub-strategy or asset type, and the Fund Co-CIOs will build each portfolio from the bottom up.

Throughout the investment process, the strategy Co-CIOs meet with senior investment professionals as often as necessary during the underwriting, structuring and negotiation of prospective investments, and are often directly involved in the day-to-day process. There is a weekly call and pipeline report where senior members of the Credit team will discuss investment opportunities.

The Fortress team will conduct independent investment due diligence incorporating extensive financial analysis, tax and legal assessments, asset valuations, credit analysis and industry reviews. There is a frequent dialogue between the investment professionals and asset management team throughout the entire process from the point a term sheet is completed through the disposition of investments. The asset management team will work directly with loan servicers and other service providers to maximize and optimize individual investment returns.

Investment approval requires approval by the four Co-CIOs in each Investment Committee. FCO V Exp has a 17-person committee led by strategy CIOs Pete Briger, Dean Dakolias, Drew McKnight, and Josh Pack. FLF II has a 22-person committee, led by CIOs Drew McKnight, Josh Pack, Dominick Ruggiero, and Aaron Blanchette.

Historical Performance

FCO I-V as of March 31, 2020
($ in Millions)

Fund	Year of First Investment	Committed Capital ($)	Invested Capital[4] ($)	Realized Value[6] ($)	Unrealized Value[6] ($)	Total Value[6] ($)
FCO I	2008	2,259.0	4,701.5	7,238.5	271.4	7,509.8
FCO II	2009	1,378.0	2,165.0	3,268.4	337.1	3,605.5
FCO III	2011	2,747.0	3,431.5	4,171.5	649.9	4,821.4
FCO IV	2015	2,858.0	3,190.7	1,573.4	2,109.2	3,682.6
FCO V	2019	3,948.0	2,337.9	163.5	2,410.0	2,573.5
Total		**13,190.0**	**15,826.5**	**16,415.3**	**5,777.6**	**22,192.8**

Fund	Gross IRR[5] (%)	Net IRR[7] (%)	Gross TVM[7] (X)	Net TVM[7] (X)
FCO I	30.8	23.1	2.3	1.9
FCO II	20.7	15.1	2.0	1.7
FCO III	13.2	9.3	1.5	1.3
FCO IV	8.0	4.8	1.2	1.1
FCO V	28.6	20.3	1.1	1.1

The FCO strategy started in 2008, with the Firm has investing four subsequent funds since. Funds I, II and III are largely realized and have produced strong results. The mark-to-market losses from first quarter 2020 valuations have resulted in a mark down of Fund III and IV performance. Much of the losses from this quarter were unrealized and due to changes to discount rates or actual traded positions trading down due to the COVID-19 pandemic. Fund V returns are driven by the Fund's activity and performance during the credit markets dislocation in February and March 2020.

4 Investment-level, net of leverage
5 Levered, fund-level (capital contributions and distributions) performance liquidated as of quarter end.

Historical Performance

FLF I as of March 31, 2020
($ in Millions)

Fund	Year of First Investment	Number of Investments	Invested Capital[6] ($)	Realized Value[10] ($)	Unrealized Value[10] ($)	Total Value ($)
FLF I	2019	57	1,385.8	122.8	1,163.8	1,286.7
Total		**57**	**1,385.8**	**122.8**	**1,163.8**	**1,286.7**

Fund	Gross IRR[7] (%)	Net IRR[11] (%)	Gross TVM[10] (X)	Net TVM (X)
FLF I	-20.6	-21.9	0.9x	NM
Total	**-20.6**	**-21.9**	**0.93x**	**NM**

FLF I, a 2019 vintage fund, had deployed the majority of the fund's equity commitment as of March 31, 2020. Based on March 31, 2020 valuations, which were impacted by secondary market selling and widening discount rates for private investments, Fund I experienced a mark-to-market decline during the first quarter. However, FLF I remains in its investment period and losses are unrealized. Despite being the first fund in the lending strategy fund series, Fortress has an extensive track record of very successful representative investments across its other fund vehicles dating back more than 15 years. Finally, preliminary FLF I performance numbers through May indicate the portfolio has significantly recovered from the March 31 valuations and overall performance has improved significantly.

[6] Investment-level, net of leverage
[7] Levered, fund-level (capital contributions and distributions) performance liquidated as of 3/31/20

Investment Analysis

SWOT ANALYSIS

Strengths:

→ The Fortress investment team has a broad reach into many segments and asset types in credit markets ranging from public securities to private markets. The firm has a large in-house asset management team that works directly with the investment team to manage positions and optimize performance.

→ The FCO and FLF Co-CIOs have been working together for well over a decade. These individuals are supported by large investment committees that oversee each segment of the portfolios.

→ Both FCO and FLF strategies utilize an opportunistic approach where portfolio composition is expected to shift depending on the opportunity set. Fortress has exhibited the ability to consistently source unique transactions over various market environments in both strategies.

→ The prior FCO funds' track record is very strong and prior fund performance ranks favorably relative to peers. While the first FLF fund is still early in its life, Fortress has a long track record of successfully deploying capital in the strategy and achieving strong returns with very low losses.

Weaknesses:

→ Fortress has experienced steady investment team turnover with managing directors.

  → Mitigating factor(s): While there has been steady churn at these levels, the Co-CIOs and most senior investment committee members have been stable for more than ten years. High turnover should be expected given the structure and incentives of the team.

→ Both FCO V Exp and FLF II strategies will receive allocations after other Fortress funds.

  → Mitigating factor(s): While a pro rata allocation policy is considered ideal, it does not appear as either fund will be adversely affected by this policy if the opportunity set from COVID-19 is significantly expanded. FCO V is largely invested, so will only have capital to invest through recycling. FLF similarly receives allocations after the Drawbridge fund invests its recycled capital.

→ There is no hard cap for FCO V Exp or FLF II.

  → Mitigating factor(s): Fortress has historically exhibited discipline in the timing and sizing of prior funds.

→ Due to the niche nature and complexity of underlying assets, FCO and FLF often use affiliated entities for origination, servicing, or other functions. Further, the asset management team remuneration comes from the Fortress funds. FCO will also potentially make investments with longer term holding periods, which is evidenced by some legacy Fund I and II positions.

  - → Mitigating Factor(s): This structure is commonly used due to advantages that can come from using internal or affiliated groups for various services. Fortress discloses conflicts and expenses, and these are discussed with the LPAC.

Opportunities:

- → Due to increased regulation and continued restructuring of banks and specialty finance companies since the Global Financial Crisis, there remains continued opportunities to expand non-bank lending across sectors including consumer, legal and asset-backed sectors.
- → The COVID-19 pandemic has led to significant volatility in credit markets ranging from public securities to portfolios of loans and assets. Both FCO V Exp and FLF II have the ability to rotate exposure into secondary market transactions during these periods of volatility.
- → FCO V Exp should benefit from a large increase in borrowers that require flexible capital due to unique balance sheet issues arising from business issues resulting from COVID-19. These borrowers will be willing to borrower at higher rates and cede certain upside potential and rights given the current market environment.

Threats:

- → There remains significant uncertainty with how COVID-19 will impact the global economy. Many businesses and industries are likely to suffer long-term or permanent changes that will likely impact their ability to service debt.
- → Certain Fortress sub-strategies rely on open capital markets to achieve their target returns through refinancing.
- → Fortress will be an early entrant into some nascent lending strategies and market segments that are unproven through a credit cycle.
- → Since the initial dislocation in March, several billion dollars of capital has been raised in private strategies that focused on capital solutions, opportunistic and distressed debt investing. The larger funds in this universe will likely compete directly with FCO V Exp.

Appendices

Professional Biographies

Pete Briger, Co-Chief Executive Officer, Managing Partner of the Fortress Credit Funds business

Mr. Briger is Co-Chief Executive Officer of Fortress and has been a member of the board of directors of Fortress since November 2006. Mr. Briger has been a member of the Management Committee of Fortress since 2002. Prior to joining Fortress in March 2002, Mr. Briger spent fifteen years at Goldman, Sachs & Co., where he became a partner in 1996. Mr. Briger is a member of the Council on Foreign Relations and the Chairman of the U.S. Soccer Investment Committee. In addition, Mr. Briger serves on the board of several charitable organizations, including the UCSF Foundation and Tipping Point. Mr. Briger received a B.A. from Princeton University and an M.B.A. from the Wharton School of Business at the University of Pennsylvania.

Dean Dakolias, Co-Chief Investment Officer of Fortress Credit

Mr. Dakolias is the Co-Chief Investment Officer of the Fortress Credit Funds business. Mr. Dakolias also serves on Fortress's Management and Operating Committees. Prior to joining Fortress, Mr. Dakolias was a Managing Director, Chief Credit Officer and co-founder of American Commercial Capital LLC (a specialty finance company) and Coronado Advisors (an SEC registered broker dealer), both of which were sold to Wells Fargo & Co. in 2001. Mr. Dakolias was previously a director at RER Financial Group ("RER") where he was responsible for the firm's acquisition efforts as a principal and as a provider of third party due diligence and asset management. Mr. Dakolias serves on the Board of Trustees for the American School of Classical Studies at Athens, as well as for the Cathedral of St. John the Divine. Mr. Dakolias is a member of the Executive Committee of The Hellenic Initiative and a member of the Council on Foreign Relations. Mr. Dakolias received a B.S. in Physics from Columbia University.

Drew McKnight, Managing Partner of the Fortress Credit Funds business

Mr. McKnight is based in San Francisco, heads the liquid strategies and serves on the investment committee for the Fortress Credit Funds business and is a member of the Management Committee of Fortress. Prior to joining Fortress in February 2005, Mr. McKnight was at Fir Tree Partners where he was responsible for analyzing and trading high yield and convertible bonds, bank debt, derivatives and equities for the value-based hedge fund. Prior to Fir Tree, Mr. McKnight worked at Goldman, Sachs & Co. in Leveraged Finance and the Distressed Bank Debt trading group. Mr. McKnight received a B.A. in Economics from the University of Virginia.

Joshua Pack, Managing Partner of the Fortress Credit Funds business

Mr. Pack is based in Los Angeles, heads the illiquid strategies and serves on the investment committee for the Fortress Credit Funds business and is a member of the Management Committee of Fortress. Mr. Pack has 20 years of credit investment and workout experience through multiple credit cycles. Since joining the Fortress Credit Funds business at its inception in 2002, Mr. Pack has analyzed, structured and negotiated hundreds of lending, structured equity and real estate transactions. Prior to joining Fortress, Mr. Pack was a Vice President with Wells Fargo & Co. in the capital markets group. Before that, Mr. Pack was a Vice President with American Commercial Capital, an independent specialty finance company focused on corporate and real estate lending to middle market businesses that was subsequently acquired by Wells Fargo & Co. in 2001. Mr. Pack serves as a Director on multiple corporate and philanthropic Boards. Mr. Pack attended the United States Air Force Academy and received a B.A. in Economics from California State University, San Marcos.

Dominick Ruggiero, Managing Director

Mr. Ruggiero is a Managing Director of the Credit Funds Business and is Co-CIO of the Fortress Lending Fund and Co-CIO of the Fortress Secured Lending Fund. Mr. Ruggiero is based in New York and heads the Specialty Finance Lending Group, providing capital solutions to specialty finance companies. Prior to joining Fortress in 2006, Mr. Ruggiero was a Vice President in the Asset Securitization Group at DZ Bank where he was a senior originator responsible for originating and structuring revolving credit facilities for the bank's asset backed commercial paper conduit, His responsibilities also included managing the bank's syndications as well as the structuring and placing private placement and 144A term securitizations. Prior to DZ Bank, he was a Managing Director and co-founder of the Structured Finance Group at Descap Securities Inc., focusing on the structuring and placing of term securitizations, warehouse lines and subordinated debt. Before Descap, Mr. Ruggiero was with ContiFinancial Services where he was responsible for the structuring and placement of over $2 billion of private placement and 144A securitization transactions in mostly esoteric asset classes for many first-time issuers. Mr. Ruggiero started his career at Lehman Brothers, where he was on the mortgage backed securities trading desk. Mr. Ruggiero received a B.A. in Economics from St. Lawrence University.

Aaron Blanchette, Managing Director & Co-CIO of the Fortress Lending Fund

Mr. Blanchette is a Managing Director of the Credit Funds Business and is Co-CIO of the Fortress Lending Fund. Mr. Blanchette, based in Dallas, joined the Credit Funds business at Fortress in 2005 as an investment analyst within the Corporate Loan and Corporate Securities groups. Mr. Blanchette has been focused on underwriting and originating middle market loans for the past 13 years for the Fortress Credit Funds. Prior to joining Fortress, Mr. Blanchette was a Portfolio Analyst with Highland Capital Management where he was responsible for covering the technology, healthcare and financial services industries for Highland's distressed hedge fund and CLOs. Before that, Mr. Blanchette was a Director in Ernst & Young's restructuring advisory services group where he advised debtors, senior lenders and unsecured creditor committees in various distressed situations. Mr. Blanchette received his B.B.A and M.B.A from Baylor University.

Marc Furstein, President of the Fortress Credit Funds business

Mr. Furstein is a member of the firm's Management Committee. Prior to joining Fortress in July 2001, Mr. Furstein co-founded and was the Chief Operating Officer of American Commercial Capital (a specialty finance company) and Coronado Advisors (an SEC registered broker dealer). Both companies were sold to Wells Fargo in 2001. Prior to that, Mr. Furstein was co-manager of the opportunistic real estate loan business of Goldman, Sachs & Co. Mr. Furstein was also involved in the acquisition of distressed business, consumer and real estate loans and had responsibility for the management of more than 60 portfolios of such assets. In this role, he designed and oversaw the implementation of financial reporting, tax, compliance and asset management systems, policies and procedures. Mr. Furstein received a B.A. from Columbia University and an M.B.A. from the Wharton School at the University of Pennsylvania.

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

August 8, 2020

Members of the Investment Advisory Council ("IAC")

Re: Consideration of TSSP Adjacent Opportunities Partners (C), L.P.

Dear Fellow IAC Member:

At the August 12, 2020 meeting of the IAC, I will present for your consideration an investment opportunity for the Private Credit Fund ("PCF") of the Connecticut Retirement Plans and Trust Funds ("CRPTF"): TSSP Adjacent Opportunities Partners (C), L.P. ("TAO 5.0"). TAO 5.0 is being raised Sixth Street Partners, a credit and credit-related investment management headquartered in San Francisco, CA with offices globally.

I am considering an investment of up to $250 million in TAO 5.0, which will invest in a broad range of credit and related opportunities generated across the Sixth Street Partners platform, including direct lending, opportunistic, and special situations investments. The Sixth Street investment team has successfully honed its investment strategies to focus on optimizing risk-reward dynamics through disciplined underwriting and valuation practices, with a heavy emphasis on downside protection. Through the differentiated TAO 5.0 structure, the CRPTF would be able to efficiently establish a core PCF holding to provide the CRPTF with exposure to an array of attractive strategies executed by a well-established, high quality manager.

Attached for your review is the recommendation from Laurie Martin, Chief Investment Officer, and the due diligence report prepared by Meketa. 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** **Lyndsey Farris, Principal Investment Officer** **Mark E. Evans, Principal Investment Officer** **Olivia Wall, Investment Officer**
DATE:	**July 27, 2020**
SUBJECT:	**TSSP Adjacent Opportunities Partners (C), L.P. – Final Due Diligence**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to $250 million to TSSP Adjacent Opportunities Partners (C), L.P. ("TAO 5.0" or the "Fund"). TAO 5.0 will invest in a broad range of credit opportunities generated across the Sixth Street Partners ("Sixth Street" or the "Firm") platform, including direct lending, opportunistic, and special situations investments.

The Fund's general partner and manager are affiliates of Sixth Street Partners, a credit and credit-related investment management firm with more than $34 billion of assets under management. The Firm was founded in 2009 and is headquartered in San Francisco, CA with eight additional offices globally.

Sixth Street is raising TAO 5.0 as the latest in a series of funds ("TAO Global") that invest alongside each other in the TSSP Adjacent Opportunities ("TAO") strategy. Sixth Street has raised $9.4 billion of committed capital across the three predecessor funds in the TAO Global series. As of the date herein, Sixth Street had closed on more than $8.5 billion of commitments for TAO 5.0 with a hard cap of $12 billion and a final close scheduled during the third quarter of 2020.

Strategic Allocation within the Private Credit Fund

A TAO 5.0 commitment would provide the CRPTF with the opportunity to access multiple private credit strategies available across the Sixth Street platform, all of which are consistent with the strategies identified for the Private Credit Fund ("PCF") in the Investment Policy Statement ("IPS") as well as in the PCF's strategic pacing plan. Because the TAO Global funds are invested dynamically across a variety of strategies, Pension Funds Management ("PFM") investment professionals attributed the pro form exposure of a TAO 5.0 commitment between Senior (40%), Mezzanine (20%), Distressed (20%), and Special Situations (20%) strategies in the table below. PFM staff note that during the initial stages of the PCF strategic pacing plan implementation, the strategy exposures may deviate from the ranges identified in the IPS as each prospective commitment may have an outsized impact on strategy exposure levels until the PCF portfolio is more fully established.

(US$ in millions) Strategy	IPS Target Exposure Lower	IPS Target Exposure Upper	Current PCF Exposure[1]	*TAO 5.0*	Pro Forma PCF Exposure
Senior	30%	70%	59%	*$100*	53%
Mezzanine	0%	30%	0%	*$50*	6%
Distressed	0%	20%	13%	*$50*	15%
Special Situations	0%	40%	28%	*$50*	26%
Total			100%	*$250*	100%

1. Actual as of March 31, 2020 combined with $462.5 million of approved commitments not yet closed.

The recommended TAO 5.0 commitment is consistent with the PCF strategic pacing plan's objectives, including partnering with high quality, experienced managers and the commitment of capital to larger, strategic vehicles that can provide the CRPTF with exposure to multiple credit strategies. A TAO 5.0 commitment would allow the CRPTF to efficiently access a differentiated, all-weather strategy that will be dynamically allocated to the best risk-reward opportunities by a proven Sixth Street investment team.

<u>TAO1.0 and TAO Global</u>: Sixth Street formed several sidecar vehicles in 2011, collectively referred to as TAO 1.0, to invest alongside a Sixth Street managed opportunistic distressed credit and private equity fund, TPG Opportunities Partners II. The TAO 1.0 vehicles were traditional, closed end funds that are in harvest mode and do not invest alongside the TAO Global funds.

Sixth Street formed several investment vehicles in 2014 that comprised TAO 2.0. The TAO 2.0 vehicles were structured as evergreen funds and were the first in the TAO Global fund series that now includes TAO 3.0, TAO 4.0, and TAO 5.0. Unlike other evergreen fund structures, each new TAO fund, e.g., TAO 5.0, does not buy into an existing portfolio. Rather, once a new TAO fund is formed it generally only invests in new transactions alongside the pre-existing TAO Global funds. Through the TAO Global structure, each investor retains the option to continue with or terminate all, or some portion, of its original commitment once an initial commitment period ends and then periodically thereafter. Based on the recommended TAO 5.0 commitment, the CRPTF's initial commitment period would be for five and one-half years at which time the CRPTF could decide to continue with or reduce all, or a portion, of its TAO 5.0 commitment. The CRPTF would have the opportunity to make the same decision every two years thereafter.

Investment Strategy and Market Opportunities

The TAO Global strategy was designed to invest across the entire spectrum of credit and credit-related strategies available through the broader Sixth Street platform. Sixth Street believes its multi-strategy approach allows TAO Global to pursue the best risk-reward opportunities independent of credit cycles or the corporate default rate environment. This allows TAO Global to migrate in and out of various themes, dislocations, asset classes, borrower types, and geographies while successfully preserving principal and retaining the potential for outperformance. While the TAO Global strategy results in dynamic exposures across the Sixth Street platform, an overarching portfolio construction and risk management principle is a primary focus on top of the capital structure risk.

The TSSP Adjacent Opportunities strategy is designed to invest (i) in the Adjacencies platform, so called because these investments fall outside of the defined mandates of the other core Sixth Street platform strategies, or (ii) as a co-investor in certain opportunities thar are too large for one of the other core Sixth Street platform strategies. The core Sixth Street platform strategies that TAO co-invests with most frequently include Fundamental Strategies, Specialty Lending, Infrastructure, Growth, Opportunities (Special Situations), and Agriculture. Sixth Street also has a Credit Market Strategies platform, which is focused on broadly syndicated loan and collateralized loan obligations opportunities, but the TAO Global platform is expected to have little exposure to this platform outside of periods involving extreme credit market dislocations.

An overview of the core Sixth Street platforms is provided below.

- *Fundamental Strategies* generally focus on secondary credit opportunities with larger cap companies experiencing stress or distress. This is not a trading strategy as Sixth Street targets longer-term, downside-protected investments focused predominately on "first dollar" risk. Fundamental Strategies may include the acquisition of fulcrum securities that may be used by Sixth Street to lead a restructuring to improve a company's prospects. TAO 1.0 and the TAO Global funds had committed more than $2 billion to Fundamental Strategies opportunities as of March 31, 2020, with such investments generating a gross internal rate of return ("IRR") in the mid-teens.
- *Specialty Lending* is primarily focused on directly originated, first lien and unitranche first lien loans, which occasionally include upside participation potential. Sixth Street's Specialty Lending platform is comprised of Sixth Street Specialty Lending, Inc. (NYSE: TSLX), a publicly traded business development company that invests in US middle market direct lending transactions, and the Sixth Street Specialty Lending Europe funds that invest in European middle market direct lending transactions. As of March 31, 2020, TAO 1.0 and the TAO Global funds had invested and committed close to $2 billion into Specialty Lending transaction, which had generated a gross IRR in the mid-teens.
- The *Growth* platform provides structured financing solutions for late stage growth companies where Sixth Street can leverage its flexible mandate and structuring expertise as a competitive advantage over traditional debt, growth equity, and control-driven investors. Sixth Street utilizes its credit underwriting practices for these opportunities and generally seeks to structure downside protection as well as upside return potential through customized financing solutions. As of March 31, 2020, TAO 1.0 and the TAO Global funds had invested over $1 billion in Growth investments, which had generated a gross IRR exceeding 20%.
- Sixth Street's *Infrastructure* investments are generally focused on special situations opportunities that are often created by government incentive plans that can create dislocations and unintended consequences for the owners of infrastructure assets, including power, renewables, social infrastructure, transportation, and utilities. Compared to more traditional infrastructure investors, Sixth Street focuses on developing investment opportunities that provide more downside protection through structural security, relatively low asset-level leverage, and a reliance on current cash flow generation rather than asset

sales to produce returns. TAO 1.0 and TAO Global had invested and committed more than $1 billion into Infrastructure investments as of March 31, 2020, which had generated gross IRRs in the mid to high teens.

- The Sixth Street *Opportunities (Special Situations)* platform focuses on control-oriented credit investment opportunities involving stressed or distressed corporations or asset special situations. Sixth Street may seek to provide rescue financings to companies dealing with stress due to a sector dislocation or some idiosyncratic condition such as excessive leverage or insufficient liquidity. With more distressed companies, Sixth Street may seek to acquire credit instruments with the goal of leading a restructuring to enhance value through operating improvements post-restructuring. The Opportunities platform also seeks to acquire special situations assets, including non-performing, underperforming and orphaned loans. TAO 1.0 and the TAO Global funds had invested more than $1 billion in Opportunities investments as of March 31, 2020 with gross returns in the high teens.
- *Agriculture* investing is a smaller and newer component of the Sixth Street platform and focuses primarily on US, cash yielding assets where the Firm utilizes its disciplined credit underwriting practices to originate investments with favorable risk-reward profiles. TAO 1.0 and TAO Global funds had invested less than $0.3 billion in Agriculture investments, which held at cost as of March 31, 2020.

The TAO Global funds also invest in opportunities from the Adjacencies platform, including non-control distressed debt, stressed asset or corporate investments, and non-distressed, defensive yield opportunities with low correlation to macroeconomic conditions, e.g., biotech royalties. These "between the box" opportunities do not fit the mandates of the other Sixth Street platform strategies; however, Sixth Street believes these adjacent opportunities can provide the TAO Global funds with exposure to stable, generally lower risk, lower yielding returns through various market conditions. The TAO Global funds had invested and committed more than $4 billion in adjacent opportunities investments as of March 31, 2020, which had generated a gross IRR of just over 10%.

Sixth Street focuses on a thematic investing approach that incorporates both top-down and bottom-up research. The Firm's investment model is predicated on early identification of themes, sourcing strategies to produce favorable investment opportunities within these themes, and migrating away from themes when the opportunity set has diminished. Themes span across multiple fund strategies, usually driven by observed or anticipated dislocations and often result from cross-platform sourcing initiatives. Upon identification of a new theme, the dedicated Sixth Street sourcing team will incorporate individuals from across the platform that are best suited to assist in identifying the most promising investment opportunities related to that theme.

Sixth Street's strong strategic sourcing and services platforms are competitive differentiators that allow the Firm to source prospects directly, underwrite opportunities on a granular basis, and create and execute value-creation plans. Sixth Street seeks to create favorable skewed risk-reward characteristics by targeting investments that are difficult to source, analyze, or execute due to embedded complexity. Sixth Street believes avoiding losses is critical to achieving attractive long-term compounded returns. Sixth Street's strong focus on establishing a quantifiable downside foundation is core to its deep value thought process and is typically the first screen in evaluating an investment opportunity. Sixth Street's ability to assess downside risk due to historical perspective, intellectual capital, and real-time inputs is a key differentiator for the Firm. Sixth Street's strong credit culture and focus on downside protection is evidenced by the TAO Global realized loss ratio 0.2% on more than $11 billion of invested capital as of March 31, 2020.

Once the downside has been thoroughly assessed, Sixth Street seeks to acquire or create favorable investment opportunities through attractive enterprise value attachment points or valuations while creating customized structures to provide downside protection for each investment. The ability to create highly customized structures allows the Firm to transact more effectively and with deal dynamics that are more favorable to Sixth Street as compared to more commoditized financings. Additionally, Sixth Street targets investment structures that have cash flow characteristics such as interest and amortization payments, royalty and milestone payments, or other cash yielding features that allow for de-risking over the life of an investment. Since inception, 85% of the TAO portfolio has been cash generative. Finally, TAO is the beneficiary of the specialized intellectual capital across Sixth Street's platform; sector teams, captive servicers, international offices, portfolio companies, and operating professionals are all leveraged to benefit the TAO Global funds. These resources allow the team to "get smart" on an industry or an investment situation quickly, resulting in a differentiated view and certainty of execution across opportunities of interest. This approach has enabled Sixth Street to effectively focus efforts on high conviction investments where the Firm believes it has a unique angle or differentiated capability to lead a successful investment.

Sixth Street does not depend on general market improvement for value creation; instead, value creation comes from utilizing the Firm's flexible but disciplined structuring practices, unlocking embedded value through operations capabilities and asset management, and through restructuring influence when needed. The broad knowledge and cross platform insights in country, sector, and operations establish incremental credibility in negotiations and often help Sixth Street lead or materially influence decisions and restructurings, if necessary. Importantly, Sixth Street has proven expertise in effectively realizing its investment positions to maximize investor returns, whether realizations are achieved through cash flow, repayment at maturity, refinancing, IPO, strategic sale, or workout.

Sixth Street will continue to build the TAO Global portfolio to be diversified by transaction, borrower, sector, and jurisdiction. Due to the broad opportunity set in which TAO Global invests, the transactions are generally expected to range from $100 million to $150 million per company on the low end to $500 million to $600 million on the high end. While the Sixth Street platform invests globally, 65% to 75% of the new TAO Global investments are expected to be US opportunities with the balance of the exposure from Europe, Australia, New Zealand, Canada and Japan.

Sixth Street's unique approach is expected to create a TAO Global portfolio with downside protection and outperformance potential especially in the current market environment. From 2015 through 2019, the TAO Global funds invested an average of more than $2.1 billion in 31 transactions per year. Sixth Street generally describes this period as fraught with risks for credit market investors due to negative late cycle conditions, including an increased volume of corporate debt issuance, rising leverage levels, and weakened credit documentation. The Firm enacted its late cycle playbook to prudently avoid many of these risks, including maintaining fund size discipline. The heightened credit market risk prior to March 2020 combined with the negative economic impacts of the COVID-19 pandemic should create a market opportunity that is very favorable to Sixth Street and the TAO Global funds due to market and sector dislocations, an increase in stressed and distressed credit and asset opportunities, and reduced competition from certain alternative sources of capital dealing that are capital constrained or dealing with portfolio challenges.

Firm and Management Team

Sixth Street Partners was founded in 2009 by Managing Partner and Chief Investment Officer Alan Waxman and several co-founding Partners. Sixth Street was originally formed as part of TPG Capital organization to allow Waxman and several of his former colleagues at Goldman Sachs to continue the opportunistic investment strategy they had successfully executed as part of the Goldman Sachs Americas Special Situations Group ("AmSSG"). While part of the TPG Capital platform, the Sixth Street business was managed and controlled autonomously by the Sixth Street team. In April 2017, Sixth Street sold a passive, minority interest in the Firm to Dyal Capital Partners, with the proceeds used to expand Sixth Street's platform and increase the team's alignment with its investors. In May 2020, Sixth Street became independent from TPG. The two firms entered into a multi-year transitional services agreement, and TPG retains a passive minority interest in Sixth Street.

Prior to co-founding Sixth Street, Waxman was a Partner at Goldman Sachs and was co-head of AmSSG, where he worked with eight individuals who are now Partners at Sixth Street. Today, Sixth Street is led by Waxman and 17 Partners. The senior leadership team is based in San Francisco, New York, London, and Dallas. Sixth Street has more than 270 employees, including approximately 148 investment professionals based in San Francisco, New York, Houston, Dallas, Boston, London, Hong Kong, and Melbourne. Sixth Street operates under a "one-team" construct, in which team members have key focus areas but frequently act as generalists and are incentivized to share opportunities across the platform when sourcing and underwriting potential investments. As such, many of the opportunities explored by TAO Global arise out of channels shared by Sixth Street's other investing platforms.

The Sixth Street "Federation" of back and middle office resources supports all of the Sixth Street investment strategies. The Federation is led by four Partners and has more than 120 professionals across disciplines including fund and management company accounting, legal and compliance, operations, IT, human capital management, financial planning and strategy and tax. The Federation team oversees external fund administrators and handles investor and management reporting, treasury, loan settlements, structuring, negotiation, execution, and all other non-investment functions.

Track Record

Sixth Street had invested $11.6 billion across TAO 1.0 and the TAO Global funds as of March 31, 2020, which generated a gross IRR of 13% and a total value multiple ("TVM") of 1.2x across 204 transactions. The TAO Global funds had invested in 178 of these transaction as of March 31, 2020, with the TAO Global funds generating a gross IRR and TVM of 12.3% and 1.2x, respectively, on $11.2 billion of capital. As of the same date, Sixth Street had fully realized 61 of the TAO Global investments, which generated a gross IRR of 21.3% and a gross TVM of 1.3x with only two investments realized below cost.

Due to its evergreen structure, a comparative analysis of the TAO Global funds to traditional vintage year benchmarks is not relevant. PFM investment professionals instead assessed the TAO Global track record based on the investments made in each year between 2014 and 2020 as summarized in the table below.

($US in millions, as of March 31, 2020)

Sixth Street Partners TAO Investment Performance Summary									
Fund	# Deals	Invested Capital	Realized Value	Unrealized Value	Total Value	Gross TVM	Gross IRR	Gross DPI	Total[1] Loss Ratio
TAO 1.0 , 2012	26	$374	$544	$14	$558	1.5x	22.6%	1.5x	0.5%
TAO Global									
TAO Global, 2014	9	$384	$489	$108	$597	1.6x	18.1%	1.3x	0.0%
TAO Global, 2015	39	$2,489	$2,474	$639	$3,113	1.3x	10.3%	1.0x	1.2%
TAO Global, 2016	22	$1,563	$1,181	$819	$2,000	1.3x	15.8%	0.8x	2.4%
TAO Global, 2017	28	$2,616	$1,919	$1,042	$2,961	1.1x	10.1%	0.7x	2.6%
TAO Global, 2018	34	$1,923	$739	$1,426	$2,165	1.1x	10.4%	0.4x	2.5%
TAO Global, 2019	33	$1,933	$478	$1,689	$2,167	1.1x	18.5%	0.2x	2.8%
TAO Global, 2020	13	$324	$1	$331	$332	1.0x	27.2%	0.0x	2.6%
TAO Global Total	**178**	**$11,233**	**$7,280**	**$6,054**	**$13,335**	**1.2x**	**12.3%**	**0.6x**	**2.2%**
TAO 1.0 and Global Total	**204**	**$11,607**	**$7,825**	**$6,068**	**$13,893**	**1.2x**	**13.0%**	**0.7x**	**2.1%**

Source: CRPTF and Sixth Street Partners.
1. Total loss ratio includes realized and unrealized losses.

PFM investment professionals note that the TAO Global summary performance as of March 31, 2020 was negatively impacted by mark-to-market valuations at the end of the quarter due to COVID-19's effect on broader capital market values at that time. The comparable TAO Global returns as of December 31, 2019 were in the range of 150 to 250 basis points higher than the results shown above. The impact on performance is expected to be temporary, and the TAO Global portfolio had no significant credit quality or permanent impairment concerns as of March 31, 2020.

Importantly, TAO Global's historical returns have generally been generated through unlevered, investments involving first dollar risk, practices that Sixth Street expects to continue with the TAO 5.0 investments. The Firm's hyper focus on optimizing risk-reward outcomes and downside protection is also demonstrated by the low realized loss experience of the TAO 1.0 and TAO Global funds, which were 0.0% and 0.2%, respectively as of March 31, 2020. The increase in TAO Global unrealized loss ratio as of March 31, 2020 was also due to the COVID-19 related impact on mark-to-market valuations at that time.

To provide an assessment of the returns generated for investors in TAO 2.0, TAO 3.0, and TAO 4.0, PFM investment professionals reviewed the gross and net cashflows to a hypothetical $100 million investor in each of these vehicles. The estimated returns below assume that an investor in a TAO Global vehicle, e.g., TAO 3.0, participated in all investments in that vehicle and remained invested through the performance measurement date, which is December 31, 2019 in the table on the following page.

($US in millions, as of December 31, 2019)

Sixth Street Partners, TAO						
Investment Performance Summary for $100MM LP						
		Gross/Net			PME+[2]	
Fund	Vintage	TVM[1]	IRR	DPI	X	%
TAO 2.0	2014	1.3x / 1.3x	13.4% / 8.3%	0.8x / 0.7x	1.11x	6.3%
TAO 3.0	2015	1.2x / 1.3x	15.1% / 10.5%	0.6x / 0.6x	1.09x	7.1%
TAO 4.0	2017	1.2x / 1.2x	18.5% / 11.9%	0.4x / 0.4x	1.05x	6.9%

Source: Sixth Street Partners

1. Net includes the impact of cash flow recycling.
2. Index used is Bloomberg Barclays Global High Yield Index.

PFM investment professionals also assessed the TAO Global funds' public market equivalent performance, which is a methodology used to compare the net returns generated by TAO Global fund investors to the returns generated if the TAO Global funds' cash flows had been invested in a comparable public market index. Specifically, the Public Market Equivalent Plus ("PME+") methodology was used to compare TAO 2.0, TAO, 3.0 and TAO 4.0 returns to the those that would have been generated in the Bloomberg Barclays Global High Yield index. As shown in the table above, the respective net TVM multiple for each of TAO 2.0, TAO 3.0, and TAO 4.0 exceeded the comparable PME+ multiple (X) value as of December 31, 2019. Similarly, TAO 2.0, TAO 3.0, and TAO 4.0 outperformed the PME+ IRR (%) for the index as of December 31, 2019. The PME+ analysis indicates that investors in each of the three TAO Global funds benefited from investing in these private funds as compared to the index.

Key Strengths

1. **All Weather Strategy.** The TAO Global strategy allows its investors to benefit from Sixth Street's flexibility to pursue a wide range of investment opportunities that leverages the Firm's sector expertise and disciplined underwriting, structuring and valuation practices. The multi-strategy approach allows TAO Global to invest in favorable risk-reward opportunities independent of broader economic conditions or a specific corporate default rate environment. While Sixth Street has the expertise to pursue stressed and distressed situations during downturns, the TAO Global funds are well-positioned to outperform in more benign market environments where attractive opportunities require high-barrier-to-entry skill sets, such as differentiated sourcing, structuring, or operational capabilities. The effectiveness of the TAO strategy has been demonstrated by the favorable absolute and relative returns of the TAO Global portfolio during the accommodative credit environment of 2014 to 2019.

2. **Seasoned, Cohesive Investment Team and Growing Organization.** Sixth Street's senior leadership team has over 250 years of collective investment experience and has generated consistent returns across various credit and economic cycles. The Sixth Street team has invested and committed approximately $30 billion of capital since 2009 across the Firm's platform of strategies. Prior to Sixth Street's founding, eight of the 18 Partners previously worked together in the Goldman Sachs Special Situations Group, where they successfully executed similar credit and credit-related strategies. The Firm's leadership has demonstrated a commitment to developing and investing in the investment and operations infrastructure to

support the growth of Sixth Street's assets under management, while the Firm has continued to generate strong returns for its investors.

3. **Differentiated Portfolio.** Sixth Street's business model of operating across special situations, growth investing, direct lending, par liquid credit, fundamental public strategies, infrastructure, agriculture, and adjacencies creates a differentiated capability and opportunity set compared to other traditional credit or credit-related investors. Sixth Street's differentiated sourcing channels and focus on high barrier to entry opportunities generally provides TAO Global investors with exposure to a portfolio of investments that are not widely available through other managers. For example, Sixth Street was the only general partner, or played a differentiated role than other general partners involved in investments that comprised 80% of TAO Global's unrealized value as of December 31, 2019.

4. **Specialized Sector Intellectual Capital Combined with "One-Team" Culture.** Sixth Street's leadership has combined the Firm's sector expertise with a "one-team" organizational structure that is critical to its core investment principles of identifying and executing against the most favorable risk-reward opportunities across various market segments and cycles. The Firm utilizes this approach to screen out unattractive opportunities early, which allows Sixth Street to focus its time and resources building early conviction on more complex opportunities, often with a better understanding and time advantage relative to potential competitors. The Sixth Street strategy relies on being able to migrate across themes and asset classes, and shift people and resources to the most attractive opportunities at any given time. While Sixth Street professionals may have key areas of focus by strategy or vehicle, team members frequently act as generalists across the Firm and are incentivized to share opportunities across the platform under "one-team" culture that is critical to the success of the Sixth Street platform approach.

5. **Evergreen Structure.** The TAO Global structure would allow the CRPTF to establish a core, multi-strategy holding in the PCF portfolio with the optionality to extend or modify after an initial commitment period and every two years thereafter. The opportunity to establish exposure to the breadth of strategies and opportunities across the Sixth Street platform is particularly advantageous as the CRPTF is seeking to efficiently implement the PCF strategic pacing plan.

Major Risks and Mitigants

1. **Increase in Fund Size & Organizational Capacity.** With a hard cap of $12 billion, the TAO 5.0 capital raise will likely exceed the existing TAO Global fund capital commitments of $9.4 billion as of December 31, 2019. Such a significant increase in capital available may raise concerns of underperformance due to capacity constraints and style drift. PFM investment professionals gained comfort with this risk for several reasons. With close to 150 investment professionals, the Firm has sufficient capacity to invest larger pools of capital and can invest more per company without deviating from its investment strategies. Sixth Street has a well-established practice of raising pools of capital commensurate with the Firm's assessment of the going forward market opportunity. For example, Sixth Street purposefully raised only $1.9 billion of commitments for TAO 4.0 in 2017 based on the Firm's view that opportunities in the credit markets were not particularly favorable at that time. During a relatively benign period for credit and a growing economy from 2015 through 2019, Sixth Street effectively deployed

more than $2 billion per year over from the TAO Global funds. Sixth Street has targeted a significant largely raise for TAO 5.0 due to the Firm's current expectations that the impacts of COVID-19 will provide a significant increase in the supply of opportunistic, stressed and distressed investment opportunities particularly well-suited to Sixth Street's strengths as a provider of flexible, customized capital solutions. However, TAO 5.0 includes a "V-Shaped Termination" clause not included with the prior TAO Global funds, which would go into effect if Sixth Street determines that the economic and capital markets dislocation was not as prolonged or deep as currently expected. In this scenario, Sixth Street would be able to terminate or reduce investor commitments on a pro rata basis.

2. **Potential Allocations Conflicts with Other Sixth Street Vehicles.** The TAO Global funds co-invest with the other Sixth Street platforms in certain larger investments as well as in adjacent opportunities that do not fit the mandates of the other Sixth Street platforms. As such, there may be potential conflicts of interest when co-investment opportunities are allocated between various Sixth Street funds. To mitigate these potential conflicts, Sixth Street has instituted an allocation policy across all Sixth Street funds for which the targeted investment is appropriate and capital is available. Per the Firm's allocation practices, an impartial allocation committee determines the final allocations across all funds.

3. **Strategic Fit.** Subject to the CRPTF's standard policy and legal restrictions, Sixth Street will have the discretion to invest the TAO Global portfolio consistent with its opportunistic mandate. Consequently, the CRPTF may gain exposure to securities or asset types such as equity or real assets, respectively, that are not targeted core holdings for the PCF. While this possibility does exist, PFM investment professionals are not concerned with these potential exposures in the PCF portfolio due to Sixth Street's focus on first dollar risk and heavily structured transactions, which are consistent with the PCF's mandate. Moreover, the overwhelming majority of the TAO Global's investment activities involve corporate finance and yield-oriented transactions aligned with the PCF guidelines.

4. **Recent Disaffiliation from Parent Company.** Sixth Street announced that its agreement to separate from TPG in January 2020 and completed the legal separation in May 2020. As Sixth Street had been run autonomously of TPG since 2009, the disaffiliation is not expected to materially impact Sixth Street and has gone smoothly to date. While there is a transitional services agreement in place, none of the shared resources are investment related and there has been no turnover resulting from the disaffiliation. TPG maintains a passive minority interest in Sixth Street and, therefore, it has an economic interest in ensuring that Sixth Street successfully transitions to a fully independent organization. Nonetheless, the CRPTF would continue to closely monitor the impact of the structural changes should the recommended TAO 5.0 investment be made.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure to the Office of the Treasurer, TSSP Adjacent Opportunities GenPar, L.P. ("TAO" or the "Fund")), states (i) it has no material legal or non-routine regulatory matters, (ii) no material claims under its fidelity, fiduciary or E&O insurance policies, and (iii) no ongoing internal investigations to report. In addition, there have been no legal or regulatory matters related to its manager, Sixth Street Advisers, LLC, which have, or are likely to have, a material impact on TAO or any of its investors. The Fund states it has adequate procedures in place to undertake internal investigations of its employees, officers and directors. Sixth Street Advisers, is an investment advisor registered with the SEC. As such, Sixth Street Advisers has adopted compliance policies and procedures in support of its fiduciary duties to its investment funds and other advisory clients, and has a dedicated regulatory compliance function.

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 PRIVATE INVESTMENT FUND

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS

SUBMITTED BY

<u>TSSP ADJACENT OPPORTUNITIES GENPAR, L.P.</u>

I. Review of Required Legal and Policy Attachments

TSSP ADJACENT OPPORTUNITIES GENPAR, L.P. ("Sixth Street") a Texas-based company, completed all required legal and policy attachments. The company disclosed no impermissible 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 (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of June 2020, Sixth Street employed 253, 52 less than the 201 employed in December 2018. The company identified 4 women and 7 minorities (9% and 16% respectively, of all employees in this category) as Executive/Senior Level Officials and Managers, i.e., serving at the senior- most level of the company. It reported that for the 3 year period 2018-2020, 31 women and 30 minorities were promoted within the ranks of professionals or managers.

Commitment and Plans to Further Enhance Diversity

Sixth Street is increasingly focused on partnering with organizations that address the lack of diversity in the workforce and ways to create a more inclusive work environment. Prior to engaging with a recruiter, the company ensures the recruiting partner is committed to diversity. Sixth Street partners with Jopwell, a career advancement platform for African American, Latinx, and Native Americans; Paradigm Strategy, a diversity and inclusion strategy company that partners with leading companies to build more inclusive organizations; and the Toigo Foundation whose mission is to foster career advancement of underrepresented talent. Through the Sixth Street New Hire Advisor Program each new hire is partnered with a team member outside of their direct team upon joining. The advisor is responsible for providing a steady touch point for the new hire during their onboarding. The company's recruitment and retention committees focus on building a pipeline of talented candidates from diverse backgrounds, expanding the network of external organizations for internship and lateral hiring opportunities, and broadening the scope of relationships with current key partnerships. Current partners include Sponsors for Educational Opportunity (SEO) and Girls Who Invest.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 9% (4 of 43) of these positions in June 2020, up from 8% (3 of 38) in December 2019, but down from 11% (4 of 37) in December 2018.
- Minorities held 21% (9 of 43) (14% Asian, 2.3% Hispanic, and 4.7% Unknown) of these positions in June 2020, up from 18.4% (7 of 38) (13.2% Asian, 2.6% Hispanic, and 2.6% Unknown) held in December 2019, and 18.9% (7 of 37) (10.8% Asian, 2.7% Hispanic, and 2.7% Unknown) held in December 2018.

At the Management Level overall:

- Women held 16% (19 of 116) of these positions in June 2020, up from 12% (13 of 106) in December 2019, and 13% (12 of 91) in December 2018.

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

- Minorities held 26.7% (31 of 116) (19% Asian, 2.6% Hispanic, 1.7% Black, and 4% Unknown) of these positions in June 2020, up from 25.5% (27 of 106) (17% Asian, 2.8% Hispanic, 1.9% Black, and 3.8% Unknown) held in December 2019, and 23.1% (21 of 91) (15.4% Asian, 2.2% Hispanic, 3.3% Black, and 2.2% Unknown) held in December 2018.

At the Professional Level:

- Women held 34% (35 of 102) of these positions in June 2020, down from 36% (37 of 104) held in December 2019, but up from 32% (30 of 94) held in December 2018.
- Minorities held 40.2% (41 of 102) (24.5% Asian, 5.9% Hispanic, 4.9% Black, 1.0% Two or More Races, and 3.9% Unknown) of these positions in June 2020, down from 44% (46 of 104) (26.9% Asian, 3.8% Hispanic, 8.7% Black, 1.0% Two or More Races and 3.8% Unknown) held in December 2019 but up from 35.1% (33 of 94) (25.5% Asian, 2.1% Hispanic, 6.4% Black and 1.1% Unknown) held in December 2018.

Company-wide:

- Women held 30% (69 of 233) of these positions in June 2020, 30% (67 of 227) in December 2019, and 29% (58 of 201) in December 2018.
- Minorities held 33.9% (79 of 233) (21% Asian, 4.3% Hispanic, 4.3% Black, 0.4% Two or More Races and 3.9% Unknown) of these positions in June 2020, slightly down from 34.4% (78 of 227) (21.1% Asian, 3.5% Hispanic, 5.3% Black, 0.4% Two or More Races and 4% Unknown) held in December 2019, but up from 29.9% (60 of 201) (19.9% Asian, 2.5% Hispanic, 5% Black, and 2.5% Unknown) held in December 2018.

III. Corporate Citizenship

Charitable Giving:

Community Engagement and social impact are important to Sixth Street. In response to the covid-19 pandemic Sixth Street supported over a dozen organizations providing economic relief, safety resources and holistic support for heavily affected populations. The mission of Sixth Street Gives is to increase the equality of opportunity for low income youth by providing financial support, volunteerism and other resources to impactful non-profits in the regions where Sixth Street operates. The company partners with organizations including, Boys & Girls Club of San Francisco, Bay area Discovery Museum, Heart House Dallas, among many others. In addition, Sixth Street employees serve as board members of these organizations. Sixth Street also encourages employee giving through a 1:1 matching program for employee donations to non-profits.

Internships/Scholarships:

Sixth Street has partnered with SEO since 2015, taking part in SEO's Alternative Investments Fellowship program, a ten-month fellowship, open to first and second year investment banking analysts of color, that focuses on helping fellows compete for positions in Private Equity and Alternative Investments. Sixth Street also partners with Girls Who Invest, Paradigm, RARE, among others organizations focused on diversity. The Sixth Street Sponsorship Program matches partners with females and underrepresented professionals of the company to provide "active career advancement through advocacy, support and intervention". Black Students of Notre Dame Alternative Investment Trek is an initiative created by a partner at Sixth Street and the Chair of Africana Studies. It allows a hand-selected group of students from Notre Dame to utilize their fall and spring breaks in San Francisco to spend a day at Sixth Street, Accel Ventures, and Golden Gate Capital to learn more about the alternatives industry.

Procurement:

Sixth Street does not currently have a written procurement policy or program specifically designed to foster business relationships with women-owned, minority-owned, and/or emerging businesses.

Summary of Responses to Attachment M:
Evaluation and Implementation of Sustainable Principles

Submitted by Sixth Street Partners

June 23, 2020

Firm has an ESG policy	Yes
If yes, firm described its ESG policy	Yes
Firm provided examples of ESG factors considered in the decision-making process, explained the financial impact of these ESG factors	No
Designated staff responsible for sustainability policies and research	Yes
Firm provides training/resources on sustainability issues, explained sources of ESG-related data	Yes
Signatory/member of sustainability-related initiatives or groups	No
Policy for evaluating current or prospective relationships with manufacturers or retailers of civilian firearms	No
Policy that requires safe and responsible use, ownership or production of guns	No
Enhanced screening of manufacturers or retailers of civilian firearms	Yes
Enhanced screening of any industry/sector subject to increased regulatory oversight, potential adverse social and/or environmental impacts	Yes
Merchant credit relationships with retailers of civilian firearms and accessories	No
If yes, firm confirms compliance with laws governing firearms sales	N/A
Overall assessment of responses (e.g., depth of approach to ESG and integration)	Sixth Street's disclosure included its *Responsible Investment Policy* , which described its philosophy and approach to ESG integration. The firm stated that its policy is consistent with the UN Principles for Responsible Investment; however, they provided no specific examples of the financial impact of ESG factors. The firm is seeking to become a signatory to the UN PRI. Sixth Street does not have a specific policy regarding civilian firearms; however it does conduct enhanced screening of industries subject to increased regulatory oversight.
SCORE: **Excellent - 1** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations; enhanced screening of firearms and/or higher-risk sectors **Very Good - 2** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations **Satisfactory - 3** General description of ESG philosophy and integration; some evidence of framework for ongoing ESG assessment; member of sustainability-oriented organizations **Needs Improvement - 4** Generic and/or vague description of ESG philosophy and integration; no ongoing ESG assessment; no dedicated ESG staff or resources **Poor - 5** Incomplete or non-responsive	**3**

MEKETA INVESTMENT GROUP

Private Markets Investment Memorandum

Sixth Street TAO 5.0

July 28, 2020

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Executive Summary

Meketa Investment Group ("Meketa") initiated its evaluation of Sixth Street Partners, LLC ("Sixth Street", "SSP" or the "Firm") in consideration for a commitment to TSSP Adjacent Opportunities 5.0 ("TAO 5.0" or "the Fund") on behalf of Connecticut Retirement Plans and Trust Funds ("CRPTF"). The potential CRPTF commitment to TAO 5.0 will invest in the evergreen vehicle called TAO Global ("TAO"), which is a program that has had three prior fundraises. The due diligence process for TAO 5.0 began in May 2020, with the review of due diligence questionnaires, the Limited Partnership Agreements, and other related documents provided by Sixth Street. Virtual on-site due diligence meetings were conducted on June 8 and June 9, 2020 to discuss strategy, performance, personnel, and resources. Meketa also held several follow up due diligence calls with the manager. Meketa and the CRPTF are evaluating the opportunity as potentially a long-term solution to fulfill a meaningful component of the CRPTF private credit investment program.

BACKGROUND OF FIRM

Fund Name	Manager	Office Location(s)	Target Market	Target Geography
Sixth Street TAO 5.0	Sixth Street Partners, LLC	San Francisco, New York, Houston, Dallas, Boston, London, Hong Kong, Melbourne and Luxembourg	Broad credit strategy focusing on primary and secondary markets, and performing and non-performing credit	Global with primary focus on North America and Western Europe

Sixth Street Partners is a global credit and credit-related investment platform with over $34 billion in assets under management. Sixth Street employs approximately 250 professionals across nine offices and is managed by 18 Partners. The investment team is organized into eight platforms: Special Situations, Fundamental Strategies, Capital Solutions, Direct Lending, Infrastructure, Agriculture, Adjacencies and Par Liquid Credit.

Sixth Street was founded in 2009 by Managing Partner and Chief Investment Officer, Alan Waxman along with ten co-founding Partners. Prior to forming Sixth Street, Mr. Waxman was a Partner and the Co-Head of the Americas Special Situations Group ("AmSSG") at Goldman Sachs & Co. ("Goldman Sachs"). Currently, eight of the other seventeen Partners worked in AmSSG at Goldman Sachs. In March 2020, Sixth Street and TPG decided to part ways and have a multi-year contract as they separate shared infrastructure. Sixth Street is majority employee owned with passive minority stakes owned by TPG and Dyal Capital.

Below is the summary of the terms for an investor between $250 million to $1 billion Long-Term Partner which is the target by CRPTF.

SUMMARY OF TERMS AND STRATEGY

Fund Size	Management Fee	Carry And Carry Structure	Preferred Return	Fee Income	Inv. Period And Total Term
$12 billion cap	0.15% on unfunded commitment; 1.25% on invested capital	17.5%; Deal-by-Deal basis	5%	100% offset	Evergreen with 5.5 year initial lock-up

The TAO Global strategy and Fund are designed to invest across the Sixth Street investment platform, which occurs either through co-investing on larger deals alongside the firm's dedicated strategies, or investing in deals sourced through by the Firm which don't fit in a dedicated fund. TAO has a flexible mandate which allows it to migrate through themes, asset classes, and geographies that are expected to provide the most attractive risk-adjusted return characteristics. They will focus on investments that present this unique return profile due to complexity or the proprietary nature of the transaction. The Fund will be a well-diversified portfolio across underlying asset class, strategies and number of positions. TAO Global typically invests at the top of the capital structure with a preference for cash generative investments. The Sixth Street platform has a global scope, however the majority of the portfolio is expected to be invested in the United States. Sixth Street is targeting up to $12 billion of new capital for TAO 5.0, which will invest alongside the additional TAO vintages bringing the total TAO Global capital to approximately $20 billion.

TRACK RECORD SUMMARY AS OF MARCH 31, 2020 ($ IN MILLIONS)

Fund	Year of First Investment	Number of Investments	Invested Capital ($)	Realized Value ($)	Unrealized Value ($)	Total Value ($)	Gross IRR (%)	Gross TVM (X)	Loss Ratio (%)
TAO 1.0	2012	26	374.0	554.2	14.2	558.3	22.6	1.5	0.5
TAO Global	2014	178	11,232.7	7,280.3	6,054.3	13,334.6	12.3	1.2	2.2

TAO GLOBAL BY INVESTMENT VEHICLE[1] AS OF 3/31/2020

Fund	Vintage Year	Gross IRR (%)	Net IRR (%)	PME[2] (%)	Gross TVM (X)	Net TVM (X)	Recycle Adjusted Net TVM (X)	PME (X)
TAO 2.0	2014	12.2	7.4	3.4	1.24	1.15	1.29	1.05
TAO 3.0	2015	12.6	8.4	1.6	1.19	1.13	1.24	1.02
TAO 4.0	2017	14.3	8.3	-5.5	1.13	1.07	1.11	0.95

Sixth Street has invested more than $10 billion since the inception of TAO Global. While returns of the 2.0, 3.0, and 4.0 vintages appear low on an absolute basis, this is primarily driven by the endpoint of March 31, 2020, as the portfolios suffered markdowns during the most recent quarter after the market selloff that took place as a result of the COVID-19 pandemic. The performance of the traches as of December 31, 2019 reflect more attractive absolute returns. Further, the prior TAO vintages all outperform the public high yield market on a Public Market Equivalent ("PME") basis.

[1] Representing fee structure for a $100 million investor
[2] Bloomberg Barclays Global High Yield Index.

SUMMARY

The proposed commitment to TAO 5.0 offers the opportunity for CRPTF to leverage the entire Sixth Street platform to gain exposure to a wide range of credit and credit-related strategies. The Fund utilizes the experienced and deep investment team to build and manage a very diversified portfolio. The main risk for TAO 5.0 appears to be related to the firm's ability to invest the new capital commitments that will be added to the existing capital base. This risk appears to be mitigated by the aforementioned firm resources, as well as the firm's already well established and robust sourcing strategy, as these seem to be already capable of supporting a larger platform. Further, as a result of the COVID-19 pandemic, Sixth Street is expecting to see a significant increase in deal flow with attractive return potential across their platform. The TAO 5.0 opportunity appears potentially compelling as a core part of a private credit allocation as it is a longer-lived investment and will offer broad asset class exposure.

Manager Background

BACKGROUND OF THE FIRM

Sixth Street Partners is a global credit and credit-related investment platform with over $34 billion in assets under management. Sixth Street employs approximately 250 professionals across nine offices and is managed by 18 Partners. The Firm is organized across eight platforms: Special Situations, Fundamental Strategies, Capital Solutions, Direct Lending, Infrastructure, Agriculture, Adjacencies and Par Liquid Credit.

Sixth Street was founded in 2009 by Managing Partner and Chief Investment Officer, Alan Waxman along with ten co-founding Partners. Prior to forming Sixth Street, Mr. Waxman was a Partner and the Co-Head of the Americas Special Situations Group ("AmSSG") at Goldman Sachs & Co. ("Goldman Sachs"). Mr. Waxman was promoted in 2005 to Co-Head of the Americas Special Situations Group at Goldman Sachs, where he was responsible for managing $18 billion of Goldman Sachs' capital. Currently eight of the other seventeen Partners worked in AmSSG at Goldman Sachs.

Sixth Street was initially founded under the TPG Capital ("TPG") umbrella with the goal to re-create the investment strategy pursued under AmSSG at Goldman Sachs. Initially the Firm begin investing through TPG Partners VI, L.P. and TPG Financial Partners in investment opportunities across corporate distressed for control, special situations and corporate dislocations. Through these two vehicles, Sixth Street invested $2.2 billion of capital. Since then, Sixth Street has managed a series of private investment vehicles including a public traded business development company and a series of dedicated accounts and collateralized loan obligation vehicles. While Sixth Street was always managed separately from TPG, they agreed to formally separate in early 2020. Sixth Street is majority employee owned with passive minority stakes owned by TPG and Dyal Capital.

The TSSP Adjacent Opportunities Partners ("TAO") program is currently the largest pool of capital at the firm. TAO invests across all eight firm investment platforms and is designed to give investors open-end, evergreen exposure after an initial investment period. After the market dislocation in 2020 as a result of the COVID-19 pandemic, Sixth Street launched TAO 5.0. It is expected that Sixth Street is targeting a significant increase to the TAO capital base with TAO 5.0.

Investment Resources and Experience

Sixth Street is led by Alan Waxman (CIO and Managing Partner) and 17 other Partners. The investment team consists of 143 professionals based in San Francisco, New York, Houston, Dallas, Boston, London, Hong Kong and Melbourne. The Partners have an average of 8 years tenure at Sixth Street and 22 years of industry experience. Along with the Partners, the senior investment team has 31 Managing Directors who have an average of 5 years of tenure at Sixth Street and 18 years of industry experience. The senior investment team is supported 23 Principals, 30 Vice Presidents, 39 Associates and 2 Analysts.

The distribution of investment professionals across the sub-strategies is: 51 professionals are focused Special Situations and Adjacency, 10 professionals on Fundamental Strategies, 11 professionals on Capital Solutions, 34 professionals on direct lending, 14 professionals on Par Liquid Credit and Structured Credit, and 8 professionals on Infrastructure. The investment team has 6 professionals focused on strategy and capital formation and 4 on operations leadership.

Sixth Street has a dedicated sourcing platform and professionals that support it across all sub-strategies. The size and sophistication of this sourcing platform appear to distinguish Sixth Street from many of their peers.

INVESTMENT PROFESSIONALS

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Alex Waxman	Managing Partner and CIO	11	22	→ Goldman Sachs → BA: University of Pennsylvania;
Brain D' Arcy	Partner and CEO Sixth Street Broker Dealer	5	12	→ TPG, Goldman Sachs → B.A: University of Notre Dame
Matt Dillard	Partner	11	15	→ Silver Point Capital → B.S.: University of Pennsylvania

Name	Title	Years At Manager	Total Years' Experience	Relevant Experience/Degree
Joshua Easterly	Partner and CEO of TSLX	10	23	→ Goldman Sachs, Wells Fargo → B.S.: California State University, Fresno
Michael Fishman	Partner and Director of TSLX	9	34	→ Wells Fargo → Rochester Institute of Technology
James Gates	Partner	7	33	→ Starwood Capital, Goldman Sachs, Arthur Andersen → B.S.: DePauw University
Jennifer Gordon	Partner and CCO	6	20	→ Goldman Sachs, White & Case LLP → J.D.: Fordham University B.A.: University of Michigan
Michael Griffin	Partner	9	18	→ Golub Capital → BBA: University of Iowa
Robert Karicod	Partner and CFO	4	22	→ Cerberus Capital, Ernst & Young → M.P.A.: University of Texas at Austin B.B.A..: University of Texas at Austin
Clint Kollar	Partner	11	20	→ Greywolf Capital, Goldman Sachs → A.B.: Harvard College
Michael McGinn	Partner	2	18	→ Goldman Sachs → B.B.A.: University of Notre Dame
Bornah Moghbel	Partner	11	16	→ Silver Point Capital, UBS → B..A.: University of California, Berkeley
Vijay Mohan	Partner	11	19	→ Halcyon Asset Management, Goldman Sachs → B.A.: Columbia University
Michael Muscolino	Partner	11	21	→ FG Companies, Goldman Sachs, Andersen Consulting. → M.B.A.: University of Chicago B.S.: University of Illinois at Urbana-Champaign
Douglas Paolillo	Partner	7	29	→ Blackstone, GSO, Trimaran Advisors, JP Morgan → B.S.: Providence College
Steven Pluss	Partner and CRO	7	34	→ Goldman Sachs, RTV Ventures → M.B.A.: Southern Methodist University B.B.A.: Texas A&M University
Robert Stanley	Partner and President of TSLX	9	21	→ Wells Fargo → B.S.: University of Maine
David Stiepleman	Partner and COO	10	22	→ Goldman Sachs, Gottlieb Steen & Hamilton LLP → J.D.: Columbia University → B.A.: Amherst College

Investment Strategy

The Fund is presently designed to invest across the Sixth Street investment platform either through co-investing with the fund's dedicated strategies (Special Situations, Capital Solutions, Specialty Lending, etc.) or investing in deals sourced through the Firm, which don't have a dedicated fund. TAO has a flexible mandate, which allows it to migrate through themes, asset classes, and geographies, which are expected to provide the most attractive risk-adjusted return characteristics. They will focus on investments that have these characteristics due to complexity or the proprietary nature of the transaction. The Fund will be diversified across platforms and is expected to have an average position size of 1%. The strategy is focused on downside protection and will not indiscriminately move out on the risk spectrum for additional return. The TAO funds have typically invested at the most senior portion of the capital structure with more than 80% of prior investments at the top of the capital struture. Although the Sixth Street platform has a global scope, TAO Global is expected to be focused primarily on the US with remaining exposures to Europe, Australia, New Zealand, Canada and Japan. The TAO program is managed as a distinct portfolio, and not simply an overflow or co-investment platform. The investment committee reviews and sizes each new position within the context of the existing portfolio and considers portfolio-level risk exposures and characteristics.

The eight Sixth Street investment platforms that will be utilized for TAO Global are Special Situations, Fundamental Strategies, Capital Solutions, Adjacencies, Direct Lending, Infrastructure, Agriculture and Liquid Credit.

Investment Process

The initial stages of Sixth Street's investment process rely heavily on their dedicated sourcing individuals and system. This system attempts to identify investment themes early and then establish a robust sourcing strategy to fully surround each theme. The investment themes are continuously and systematically developed to take advantage of dislocations and other changes in the market environment through both "top-down" and "bottom-up" analysis.

Once a potential deal has been entered into the system, the senior investment team will build a deal team that will be led by a senior professional whose experience most closely matches the opportunity with additional senior and junior professionals supporting this individual. During the due diligence process, the deal team is in regular discussion with the Sixth Street Capital Committee (consisting of the Partners) and updates are provided at the weekly Global Cross Platform meeting as a way to prioritize and manage the pipeline during the diligence process. Due diligence analysis includes an assessment of the business or asset, an industry review, capital structure evaluation, valuation and sensitivity analysis, management meetings, liquidation analysis, and finally an operational and regulatory review.
The deal team will prepare diligence materials and present their findings and analysis to the Sixth Street Capital Committee which must approve each investment.

After an investment is made, the same deal team responsible for making the investment monitors the position for any fundamental changes and opportunities for return enhancement. The team conducts formal quarterly reviews where the senior investors scrutinize the performance of positions. The firm employs operations professionals internally to support value creation initiatives, as well as servicing partnerships to actively manage single assets, when appropriate.

Historical Performance

As of March 31, 2020
($ in Millions)

Fund	Year of First Investment	Number of Investments	Invested Capital ($)	Realized Value ($)	Unrealized Value ($)	Total Value ($)	Gross IRR (%)	Gross TVM (X)	Loss Ratio (%)
TAO 1.0	2012	26	374.0	554.2	14.2	558.3	22.6	1.5	0.5
TAO Global	2014	178	11,232.7	7,280.3	6,054.3	13,334.6	12.3	1.2	2.2

The table above separates TAO 1.0, which was raised as a standard closed end fund, and the remaining TAO Global platform, which was raised as longer-term evergreen tranches. The table below shows the performance of the subsequent TAO investor tranches.

TAO Global by investment Vehicle[3] as of 3/31/20

Fund	Vintage Year	Gross IRR (%)	Net IRR (%)	PME[4] (%)	Gross TVM (X)	Net TVM (X)	Recycled Adjusted Net TVM (X)	PME (X)
TAO 2.0	2014	12.2	7.4	3.4	1.24	1.15	1.29	1.05
TAO 3.0	2015	12.6	8.4	1.6	1.19	1.13	1.24	1.02
TAO 4.0	2017	14.3	8.3	-5.5	1.13	1.07	1.11	0.95

TAO 2.0, 3.0, and 4.0 tranches have outperformed the PME benchmark since their inceptions. The relatively low absolute returns of these funds are primarily driven by the endpoint of March 31, 2020, as the portfolios suffered markdowns during the most recent quarter after the market selloff that took place as a result of the COVID-19 pandemic. The performance of the tranches as of 12/31/2019 below reflect more attractive absolute returns as well as relative to the peer group and PME.

TAO Global by investment Vehicle[3] as of 12/31/19

Fund	Vintage Year	Gross IRR (%)	Net IRR (%)	PME[4] (%)	Top Quartile[5] (%)	Median[5] (%)	Gross TVM[6] (X)	Net TVM (X)	Recycled Adjusted Net TVM (X)	Top Quartile[5] (X)	Median[5] (X)	PME (X)
TAO 2.0	2014	13.4	8.3	6.3	11.1	8.2	1.27	1.16	1.33	1.37	1.25	1.11
TAO 3.0	2015	15.1	10.5	7.1	11.9	9.4	1.23	1.15	1.29	1.33	1.23	1.09
TAO 4.0	2017	18.5	11.9	6.9	16.5	9.1	1.17	1.10	1.14	1.18	1.12	1.05

[3] For a $100 million investor fee structure
[4] Bloomberg Barclays Global High Yield Index.
[5] Cambridge Associates (All Regions: Senior Debt, Subordinated Debt, Opportunistic Credit, Distressed Control) as of December 31, 2019.

The performance tables above show net IRRs for a $100 million investor in those investment vehicles. Investors that are committing between $250 million and $1 billion in TAO 5.0 will have marginally lower fees and higher net returns.

Investment Analysis

SWOT ANALYSIS

Strengths:

→ There has been significant continuity on the investment team with Alan Waxman and eight of the current partners of the firm working together since inception of the firm in 2009 and prior to that at Goldman Sachs. Mr. Waxman brings strong experience from his tenure as Co-Head of Goldman Sachs Americas Special Situations Group. Collectively, the seventeen total partners have an average of 8 years tenure at Sixth Street and 22 years of industry experience.

→ The Fund is supported by a large investment team with broad coverage across many segments of credit markets. Along with the Partners, the senior team has 31 Managing Directors who have an average of 5 years of tenure at Sixth Street and 18 years of industry experience.

→ TAO Global is built to take advantage of the entire Firm's capabilities with the portfolio consisting of investments across all eight platforms. The TAO strategy provides investors with a broadly diversified portfolio and exposure across the credit spectrum.

→ The Firm has built a strong sourcing engine that consists of 20 dedicated sourcing professionals, a proprietary system, and JV partnerships with specialized firms. This has resulted in a large portion of the Firm's investments coming from non-auction sources.

→ TAO Global's open-ended structure provides more flexibility to the investors than a typical closed end fund. The structure provides the ability to actively manage the allocation through partial redemptions of both committed capital and gains after the initial lock up.

→ The TAO Global platform has produced very consistent results since inception with very low loss ratios, demonstrating the firm's focus on capital structure positioning and capital preservation.

Weaknesses:

→ The Fund will co-invest with the Firm's single-strategy dedicated funds in certain platforms. When this happens, the dedicated strategies will receive allocation preference over TAO.

  → *Mitigating factor(s): TAO Global has historically built out a very diversified portfolio and doesn't appear to be reliant on small investments for diversity or to generate returns.*

→ TAO Global returns have historically had a very large gross-to-net spread with relatively high Fund expenses.

  → *Mitigating factor(s): These costs are driven by larger fixed costs in running the TAO platform, which may decrease as the overall size of the TAO Global platform grows. Further, Sixth Street believes this platform is essential to managing positions and optimizing returns.*

- → TAO 2.0, 3.0 and TAO 4.0 vintages have experienced relatively low absolute returns as of March 31, 2020.
  - → *Mitigating factor(s): These vintages were negatively impacted by mark-to-market declines in valuations because of the selloff from the COVID-19 pandemic. Many of these losses are unrealized.*
- → TAO 5.0 is targeting a large additional capital commitment to the overall TAO platform. This will result in an increase in the expected average annual deployment of the platform.
  - → *Mitigating factor(s): TAO Global has been able to invest effectively in a benign credit environment. With the more expansive opportunity set due to dislocation caused by COVID-19, the Firm is expected to be able to deploy the larger Fund size. Further, the firm appears to be appropriately staffed to support a larger capital base.*

Opportunities:

- → The active market dislocation has resulted in a large expected opportunity set across the Sixth Street investment platforms, particularly in corporate debt, securitized opportunities, and loan portfolios. Even if the market continues its recovery, there are likely to be many opportunities from companies and portfolios that need to restructure because of limited economic activity during the COVID-19 shutdown.
- → TAO Global should benefit from a large increase in borrowers that require flexible capital due to unique balance sheet issues due to unforeseen business issues resulting from COVID-19. These borrowers will be willing to borrower at higher rates and cede certain upside potential and rights given the current market environment.
- → The COVID-19 pandemic has led to significant volatility in credit markets ranging from public securities to loan/asset portfolios. TAO Global has the ability to rotate exposure into secondary market transactions during these periods of volatility.

Threats:

- → There remains significant uncertainty with how COVID-19 will impact the global economy. Many businesses and industries are likely to suffer long-term or permanent changes that will likely impact their ability to service debt.
- → Since the initial dislocation in March, several billion dollars of capital has been raised in private strategies that focused on capital solutions, opportunistic and distressed debt investing. The larger funds in this universe will likely compete directly with TAO Global, even if not a single fund can compete across the whole spectrum of opportunities pursued by TAO Global.

SUMMARY

The proposed commitment to TAO 5.0 offers the opportunity for CRPTF to leverage the entire Sixth Street platform to gain exposure to a wide range of credit and credit-related strategies. The Fund utilizes the experienced and deep investment team to build and manage a very diversified portfolio. The main risk for TAO 5.0 appears to be related to the firm's ability to invest the new capital commitments that will be added to the existing capital base. This risk appears to be mitigated by the aforementioned firm resources, as well as the firm's already well established and robust sourcing strategy, as these seem to be already capable of supporting a larger platform. Further, as a result of the COVID-19 pandemic, Sixth Street is expecting to see a significant increase in deal flow with attractive return potential across their platform. The TAO 5.0 opportunity appears potentially compelling as a core part of a private credit allocation as it is a longer-lived investment and will offer broad asset class exposure.

Appendices

Professional Biographies

Alan Waxman, Managing Partner and Chief Investment Officer

Mr. Waxman is the Managing Partner and the Chief Investment Officer of Sixth Street based in San Francisco. He is also the Co-CIO of TSL Advisers, LLC. Prior to founding Sixth Street, he was a Partner at Goldman Sachs. During his career at Goldman Sachs, he co-headed AmSSG, which invested Goldman Sachs' capital in both the public markets and private transactions in distressed and special situations. AmSSG's investment strategy focused on investing across the capital structure in undervalued companies, distressed assets, and idiosyncratic opportunities. He also served as Chairman of the Investment Committee for AmSSG and Goldman Sachs Specialty Lending Group. From 2002 to 2005, Mr. Waxman authored the business plan and co-built the Goldman Sachs Specialty Lending Group, which focused on middle market hybrid lending and rescue financing transactions. In 2001, he was a Co-Portfolio Manager on the Proprietary Distressed Bank Debt Desk and was Head of the Hybrid Lending Group. Mr. Waxman began his career at Goldman Sachs in 1998. He holds a B.A. in International Relations from the University of Pennsylvania and currently serves on the Board of Overseers for the University's College of Arts and Sciences, as well as on the board of The Tipping Point Community and the Advisory Council of the Boys and Girls Club of the Peninsula, which are focused on fighting poverty and inequality of opportunity in the San Francisco Bay Area.

Brain D'Arcy, Partner

Mr. D'Arcy is a Partner of Sixth Street, CEO of the Sixth Street Broker Dealer, member of the Sixth Street Allocations Committee and focuses on capital formation and strategic initiatives. Mr. D'Arcy joined TPG in 2011 and was responsible for building TPG's high net worth and wealthy family relationship platform until joining Sixth Street in 2015. Prior to joining TPG, Mr. D'Arcy worked as a private equity and private real estate specialist in the Alternative Capital Markets Group at Goldman Sachs & Co., where he also co-ran the GS Internal Secondary Private Equity Program. He received a B.A. in Economics and History, magna cum laude and Phi Beta Kappa from the University of Notre Dame.

Matt Dillard, Partner

Mr. Dillard is a Partner of Sixth Street based in San Francisco, focusing on Corporate Special Situations opportunities. Prior to joining Sixth Street, Mr. Dillard worked as a distressed credit and equity analyst at Silver Point Capital. Mr. Dillard began his career in the Technology, Media and Telecom Group of

Lazard. He received a B.S. in Economics, summa cum laude, from the Wharton School of the University of Pennsylvania

Joshua Easterly, Partner

Mr. Easterly is a Partner of Sixth Street and the Chief Executive Officer of TSLX based in New York. Mr. Easterly serves as Chairman of TSLX's Board of Directors and Co-CIO of TSL Advisers, LLC. Prior to joining Sixth Street, Mr. Easterly was a Managing Director at Goldman Sachs, where he worked in AmSSG with Alan Waxman and most recently held the position of AmSSG's Chief Investment Officer. He also held the positions of Head of Distressed Principal Investing and Co-Head of Goldman Sachs Specialty Lending Group. Other leadership roles during Mr. Easterly's tenure at Goldman Sachs included Co-Head of AmSSG Asset Investing and Co-Head of AmSSG Private Equity. In such positions, Mr. Easterly served on various boards of directors of companies in which AmSSG invested. Prior to joining Goldman Sachs in March 2006, Mr. Easterly was Senior Vice President, Northeast Regional Originations Manager at Wells Fargo Foothill, the $8 billion commercial finance company of Wells Fargo & Co. In this role, he was responsible for all origination and underwriting efforts in New York and Boston and was a member of the Credit Committee and Senior Management team. Mr. Easterly received a B.S. in Business Administration, magna cum laude, from California State University, Fresno

Michael Fishman, Partner

Mr. Fishman is a Partner of Sixth Street and Director of TSLX based in San Francisco. Mr. Fishman has been an executive in corporate lending for more than 20 years with senior management experience in credit, portfolio management and primary loan originations. Prior to joining Sixth Street, Mr. Fishman was the Executive Vice President and National Director of Loan Originations at Wells Fargo Capital Finance, formerly known as Wells Fargo Foothill and Foothill Capital Corporation. In this role, Mr. Fishman sat on the senior investment committee and was responsible for primary and secondary lending, loan distribution and syndications, strategic transactions and new lending products. Mr. Fishman has also sat on the Board of the American Bankruptcy Institute. Mr. Fishman holds a degree in Finance from Rochester Institute of Technology.

James Gates, Partner

Mr. Gates is a Partner of Sixth Street based in San Francisco, focusing on capital formation and strategic initiatives. Prior to joining Sixth Street, Mr. Gates was a Partner and Executive Vice President of Starwood Capital Group, L.P., a real estate investment firm based in Greenwich, Connecticut. Mr. Gates worked in the Investment Banking Division of Goldman Sachs and served as an Executive Director in its London office beginning in 1987. Prior to 1984, Mr. Gates was associated with the Tax Division of

Arthur Andersen LLP in Chicago, specializing in corporate and partnership taxation. Mr. Gates was admitted to the state bars of Illinois and Indiana after graduating with honors from Indiana University School of Law. He received a B.S., with distinction, from DePauw University. Mr. Gates is the Founder and President of the Alopecia Areata Initiative, a scientific research foundation and sits on the board for Akili Interactive Labs.

Jennifer Gordon, Partner and Chief Compliance Officer

Ms. Gordon is a Partner of Sixth Street, Chief Compliance Officer and Deputy Chief Operating Officer of Sixth Street based in New York. Prior to joining Sixth Street, Ms. Gordon spent 10 years at Goldman Sachs, where most recently she was a Managing Director co-heading Americas Securities Division Compliance, and was a member of the Securities Division Risk Committee, the Securities Division Client and Business Standards Committee and the Global Special Situations Group Investment Committee. During her tenure at Goldman Sachs, Ms. Gordon worked closely with Alan Waxman, covering AmSSG. Ms. Gordon was previously an associate at the law firm of White & Case LLP. Ms. Gordon received her J.D. from Fordham University School of Law and her B.A. in International Relations from the University of Michigan.

Michael Griffin, Partner

Mr. Griffin is a Partner of Sixth Street based in London, and leads our European direct lending business.Prior to this, Mr. Griffin was a Sixth Street senior investment professional on secondment at Candlewick Asset Management Limited, Sixth Street's former UK middle market loan management business owned jointly with Goldman Sachs, advising with respect to a portfolio of distressed and performing assets. Mr. Griffin was previously one of the first senior credit underwriters in the TSLX platform. Prior to his time at Sixth Street, Mr. Griffin was a Senior Vice President at Golub Capital where he was responsible for underwriting, executing and managing investments in middle market companies. He graduated with a BBA in Finance from the Tippie College of Business at the University of Iowa.

Robert Karicod, Partner and Chief Financial Officer

Mr. Karicod is a Partner of Sixth Street, Chief Financial Officer and Co-Director of Operations of Sixth Street based in Dallas. Prior to joining Sixth Street, Mr. Karicod was a Partner and Director of Financial Reporting and Valuation at Cerberus Capital Management. Mr. Karicod began his career as a financial analyst at Ernst and Young and spent over a decade in audit and transaction advisory services roles. Mr. Karicod earned an M.P.A. and B.B.A. from the University of Texas at Austin.

Clint Kollar, Partner

Mr. Kollar is a Partner of Sixth Street, based in San Francisco, focusing on Sixth Street's investment sourcing initiatives. Prior to joining Sixth Street, Mr. Kollar was the Head Trader for Greywolf Capital for five years. Mr. Kollar began his career at Goldman Sachs in the bank debt capital markets group in 2000. He became a trader on Goldman Sachs' distressed sell-side bond desk in 2001. Mr. Kollar spent his last two years at Goldman Sachs as the Head Trader for the Special Situations Investing Group, working with Alan Waxman. Mr. Kollar received an A.B. with honors in Economics from Harvard College.

Michael McGinn, Partner

Mr. McGinn is a Partner of Sixth Street and Co-Head of Sixth Street's Capital Solutions platform, and is based in New York. Prior to joining Sixth Street, Mr. McGinn was a Managing Director in AmSSG at Goldman Sachs, which he joined in 2006. From 2013 through 2018, Mr. McGinn was co-head of PCI, AmSSG's growth capital business. Prior to co-heading PCI, Mr. McGinn worked in AmSSG's MultiStrategy Investing Group and Specialty Lending Group. Before joining AmSSG, Mr. McGinn worked in Goldman Sachs Global Investment Research Division. Mr. McGinn received a B.B.A. in Finance and Business Economics, magna cum laude, from the University of Notre Dame.

Douglas Paolillo, Partner

Mr. Paolillo is a Partner of Sixth Street, Portfolio Manager and Head of TSSP Institutional Credit Partners based in New York. Prior to joining Sixth Street, he was an original member of Blackstone Debt Advisors (BDA) with oversight responsibilities for all aspects of the business, including serving as portfolio manager, head of research and a member of BDA's U.S. and European credit committees during BDA's growth from inception to $8 billion in global AUM. Following Blackstone's acquisition of GSO Capital Partners in 2008, he was a member of the GSO Customized Credit Strategies' Global Management Committee and Investment Committee. As a Senior Portfolio Manager and Investment Committee member he oversaw the management of GSO/Blackstone's U.S. CLO portfolios. Prior to joining Blackstone in 2002, Mr. Paolillo was a Senior Analyst at Trimaran Advisors and an associate in the Corporate Finance Group at JP Morgan/Chase Manhattan Bank. Mr. Paolillo received a B.S. in Business Administration from Providence College.

Michael Muscoloino, Partner

Mr. Muscolino is a Partner of Sixth Street based in San Francisco, focusing on Sixth Street's European investing efforts and Asset Special Situations globally. He serves as a director on the boards of various Sixth Street-managed portfolio companies. Prior to joining Sixth Street, Mr. Muscolino was a Principal at FG Companies, a consumer and commercial finance advisory firm providing strategic consulting and investment banking services to banks, finance companies and their investors. From 1999 to 2007, Mr. Muscolino worked at Goldman Sachs in AmSSG with Alan Waxman and, prior to AmSSG, in the Financial Institutions Group of the Investment Banking Division. Prior to Goldman Sachs, Mr. Muscolino worked in the Financial Services practice of Andersen Consulting providing technology and business process consulting services to financial services clients. Mr. Muscolino earned an M.B.A. with honors from the University of Chicago Booth School of Business and a B.S. with honors in Mechanical Engineering from the University of Illinois at Urbana-Champaign.

Bornah Moghbel, Partner

Mr. Moghbel is a Partner of Sixth Street based in New York, focusing on Corporate Special Situations opportunities. Prior to joining Sixth Street, Mr. Moghbel worked as a distressed credit and equity analyst at Silver Point Capital. Mr. Moghbel began his career in the Financial Sponsors Group at UBS Investment Bank. He received a B.A. in Economics, with high honors, and a minor in Business Administration from the University of California, Berkeley.

Vijay Mohan, Partner

Mr. Mohan is a Partner of Sixth Street based in San Francisco, focusing on Corporate Special Situations. Prior to joining Sixth Street, Mr. Mohan was a Managing Principal at Halcyon Asset Management, a multi-billion dollar fund based in New York, where he focused on credit and special situations investments. Prior to joining Halcyon in 2005, Mr. Mohan worked in AmSSG at Goldman Sachs with Alan Waxman. Mr. Mohan began his career at Goldman Sachs in the Technology, Media and Telecom Group of the Investment Banking Division. Mr. Mohan received a B.A. in Economics, summa cum laude and Phi Beta Kappa, from Columbia University.

Steven Pluss, Partner and Chief Risk Officer

Mr. Pluss is a Partner and Chief Risk Officer of Sixth Street based in Dallas. Prior to joining Sixth Street, Mr. Pluss was Co-Head and Chief Credit Officer of Goldman Sachs Specialty Lending Group with oversight responsibilities for all aspects of the business. He joined the Goldman Sachs Specialty Lending Group in 2004 as Chief Underwriting Officer, working with Alan Waxman, and was named Managing Director in 2006. Prior to joining Goldman Sachs, Mr. Pluss was a Founder and Managing Member of RTV Ventures, a commercial finance lending joint venture with Goldman Sachs Credit Partners, from 1999 to 2003. Mr. Pluss has 29 years of experience in credit investing, bankruptcy restructurings, banking and commercial finance, and has been involved in highly leveraged transactions providing debt and equity financing to companies undergoing a turnaround, recapitalization, or rapid growth. Mr. Pluss earned a M.B.A. from Southern Methodist University and a B.B.A. from Texas A&M University.

Robert Stanley, Partner

Mr. Stanley is a Partner of Sixth Street, Co-Head of Sixth Street's Capital Solutions Platform, and President of TSLX based in San Francisco. He is responsible for origination efforts in TSLX. Prior to joining Sixth Street, Mr. Stanley was with Wells Fargo Capital Finance, a provider of specialized senior secured financing to companies throughout the United States and Canada, from 2000 to 2011. While at Wells Fargo, Mr. Stanley served in multiple roles in an underwriting and origination capacity, including Director of Loan Originations (where he was responsible for lead development and generation of commercial loans ranging from $15 to $500 million) and in multiple credit focused roles, including Vice President responsible for loan underwriting activities. He holds a B.S. in Business Administration with a concentration in Finance from the University of Maine.

David Stiepleman, Partner and Chief Operating Officer

Mr. Stiepleman is a Partner and Chief Operating Officer of Sixth Street based in San Francisco. Prior to joining Sixth Street, Mr. Stiepleman was a Managing Director and the Deputy General Counsel of Fortress Investment Group, where he was the lead lawyer responsible for the firm's new business initiatives. Prior to joining Fortress in 2007, Mr. Stiepleman was lead counsel to AmSSG, working with Alan Waxman, and the Mortgages Department at Goldman Sachs. In those roles he served as a member of the AmSSG Investment Committee and the Mortgages Capital Committee. Prior to Goldman Sachs, Mr. Stiepleman was a lawyer at Cleary Gottlieb Steen & Hamilton LLP where he represented corporates, funds and sovereigns in mergers and acquisitions and fund formation in the United States and Europe. Mr. Stiepleman received a J.D. from Columbia University and B.A. in French and Political Science from Amherst College. He serves on the Advisory Council of the Prison University Project, an intellectually rigorous, inclusive Associate of Arts degree and college preparatory program at San Quentin State Prison in Northern California.

SIXTH STREET™

TAO OVERVIEW

PRESENTATION TO STATE OF CONNECTICUT RETIREMENT PLANS AND TRUST FUNDS

August 2020

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Please note this Presentation contains various examples or subsets of investments. As the investments shown are intended to be examples or subsets demonstrating a particular theme or process, they inherently may not represent all investments that could be categorized or described on a particular page and in the aggregate may represent only a small percentage of existing and historical investments led by Sixth Street. Investments in other companies may have materially different results. There is no assurance that any investments discussed herein will remain in the applicable fund at the time you receive this information. It should not be assumed that any investment not shown would perform similarly to the examples shown. It should not be assumed that recommendations made in the future will be profitable, will equal the performance of the investments in this Presentation, or will not incur losses. Future investments may be under materially different economic conditions, including interest rates, market trends and general business conditions, affecting different investments and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Further investments may be made under different economic conditions, using different strategies, and may have materially different results. Please see the notes to historical performance summaries for important information and detail relating to the performance history presented in this Presentation.

The market analysis, estimates and similar information, including all statements of opinion and/or belief, contained herein are subject to inherent uncertainties and qualifications and are based on a number of assumptions. All statements in this Presentation (and oral statements made by Sixth Street personnel regarding the subjects of this Presentation) other than historical facts are forward-looking statements, which rely on a number of assumptions concerning future events and are subject to a number of uncertainties and factors outside of Sixth Street’s control which could cause actual results to differ materially from such statements. See the disclaimer on forward-looking statements on the following page.

No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein, and nothing shall be relied upon as a promise or representation as to the future performance of any investment. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

[Continued on Next Page]

DISCLAIMER (CONT.)

Sixth Street generally presents performance-related data and returns at the fund level, which may not be indicative of an individual Limited Partner's results. Limited Partners should refer to their capital account statements for individual results. Unless otherwise noted, "Gross IRR" and "gross returns" refer to an aggregate, annual, compound, gross internal rate of return on investments. Gross returns do not reflect management fees and carried interest born by investors in a fund, which will reduce returns and in the aggregate may be substantial. Additional disclosures on Sixth Street's management fees are described in Part 2 of its Form ADV. In the case of portfolios of realized and unrealized investments, the gross returns are based on a combination of realized value and internal valuations by Sixth Street of unrealized investments as of a particular date. The actual realized returns on a fund's unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of realization, any related transaction costs and the timing and manner of disposition, all of which may differ from the assumptions on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized return of these unrealized investments may differ materially from the returns indicated thereon. Where gross performance figures are noted in this document please refer to the full track record for further detail.

Financial indices and benchmarks are unmanaged, do not reflect management or performance fees, assume reinvestment of income, are shown for illustration purposes only, and have limitations when used for such purposes because they may have volatility, credit or other material characteristics that are different from the Fund. Indices should not be relied upon as a fully accurate measure of comparison. Benchmarks are used solely for purposes of comparison and the comparison does not mean that there will necessarily be a correlation between the returns described herein and the benchmarks. There are limitations in using financial indices for comparison purposes because, among other reasons, such indices may have different volatility, diversification, credit, and other material characteristics (such as number or type of instrument or security).

Information throughout the Presentation derived from sources other than Sixth Street have not been independently verified.
Future investments may be under materially different economic conditions, including interest rates, market trends and general business conditions, affecting different investments and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Further investments may be made under different economic conditions, using different strategies, and may have materially different results.

Valuation marks are as of 3/31/2020, unless otherwise noted. Since that time, as a result of the COVID-19 pandemic and actions intended to slow the pandemic, the value of certain assets may have declined.

Securities are offered through Sixth Street BD, LLC, 2100 McKinney Avenue, Suite 1500, Dallas, TX 75201, an affiliate of Sixth Street and a member of FINRA. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the investments in this Presentation. Complaints concerning services provided by Sixth Street BD may be directed to SixthStreetCompliance@tpg.com.

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AGENDA

SIXTH STREET EXECUTIVE SUMMARY

OVERVIEW	• Multi-asset class platform dedicated to pursuing special situations, middle market direct lending and credit oriented adjacent opportunities on a global basis • Founded in 2009, a continuation of the strategy employed by the Sixth Street leadership team at Goldman Sachs – Alan Waxman was Chairman of the Investment Committee and co-head of Goldman Sachs Americas Special Situations Group
SIXTH STREET PLATFORMS	1. **Opportunities Platform** – Focus on special situations and opportunistic credit with private equity-like base case target returns 2. **Fundamental Strategies Platform** – Focus on secondary credit opportunities in large corporate capital structures under stress or distress 3. **Growth Platform** – Focus on structured financing solutions for late stage growth companies underwritten as credit but with upside optionality to base case returns 4. **Specialty Lending Platform** – Focus on direct credit origination at the top of capital structure with inflation / reinvestment protection 5. **Infrastructure Platform** – Focus on stressed, highly structured and niche areas within infrastructure 6. **Agriculture Platform** – Focus on North American cash yielding assets, predominantly in permanent crops 7. **Credit Market Strategies Platform** – Focus on the broadly syndicated leveraged market both directly and through CLO equity and liabilities 8. **Adjacencies Platform** – "Between the box" investments outside the mandates of the other Sixth Street platforms, as well as participation in larger deals alongside them
SIXTH STREET TEAM	• Over 270 dedicated professionals primarily based in North America, Europe, and Asia – Collectively, the senior investment team has over 250 years of investing experience – Senior investment team based in San Francisco, New York, Dallas, London, and Hong Kong ◦ 9 of the 18 Partners worked together at Goldman Sachs prior to forming Sixth Street • Sixth Street leverages captive sourcing / servicing platforms to source and execute deals and manage investments

Note: As of June 2020.

SIXTH STREET PLATFORM

SIXTH STREET™

Opportunities	Fundamental Strategies	Growth	Specialty Lending	Infrastructure	Agriculture	Adjacencies	Credit Market Strategies
Corporate Distressed-for-Control	Stressed Public Credit	Growth Debt	European Mid Market Direct Lending	Stressed	Cash Yielding Assets	Defensive Yield	Bank Loans
Corporate Dislocations	Distressed Public Credit	Stapled Solutions	US Mid Market Direct Lending	Structurally Complex	Uncorrelated Return Characteristics	Uncorrelated Assets	CLOs
Asset Special Situations	“2-step” and Other Opportunistic Situations	“Sixth Street Playbook” Structured Equity		Niche		Stressed Opportunities	Structured Credit

TAO Vehicles

1. AUM presented as of 3/31/2020 plus additional capital commitments closed through 7/9/2020.

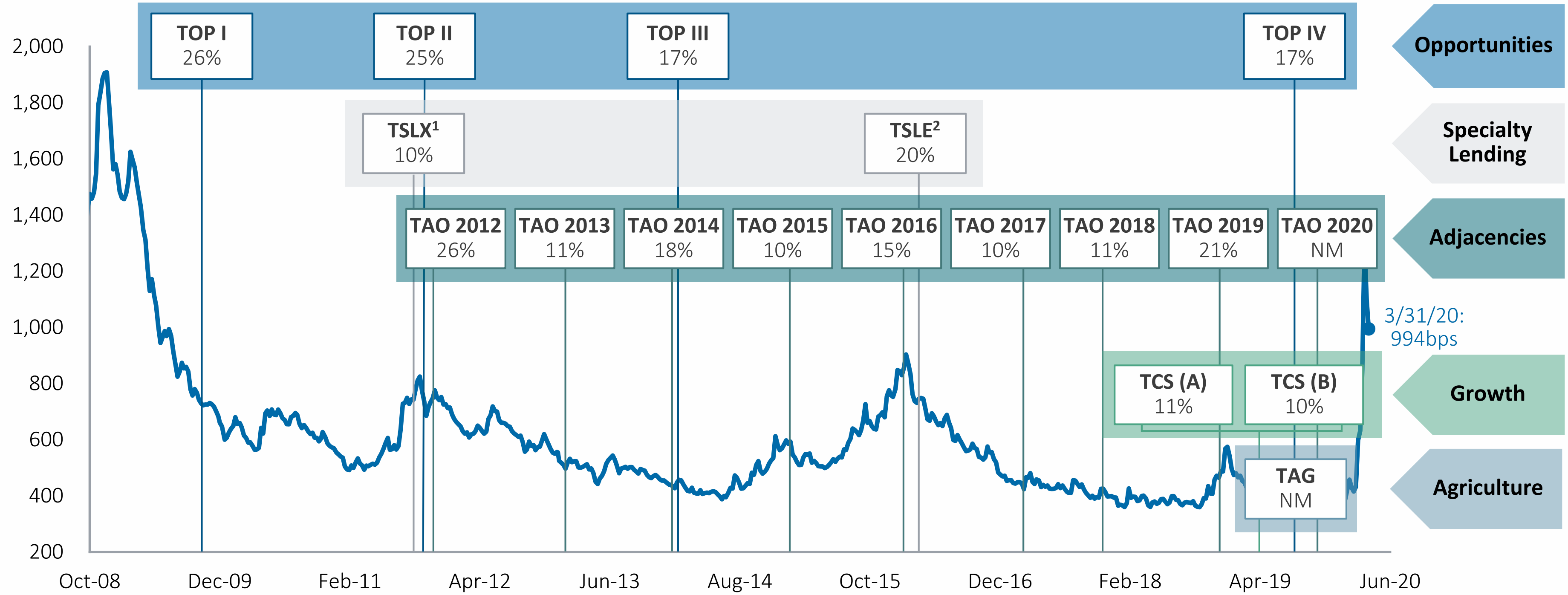
$46 BILLION[1] ACROSS 8 SIXTH STREET FUND FAMILIES

SIXTH STREET ALPHA

Performance vs. Index

SIXTH STREET GROSS IRR PERFORMANCE

Overlaid with High Yield Spread-to-Maturity



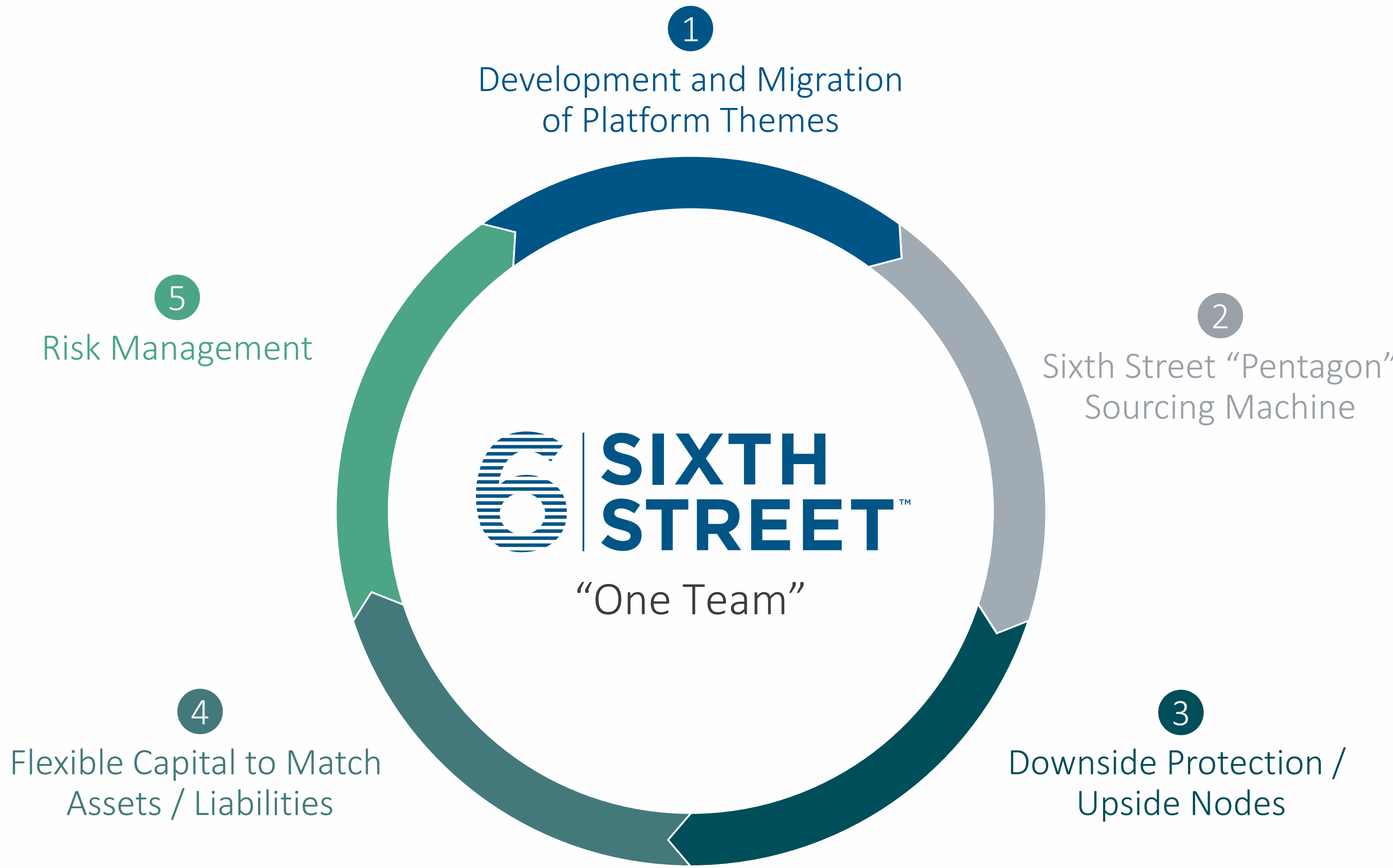
1. TSLX Net IRR represents the annualized return rate (implied discount rate), calculated using investor cash flows, including cash received from capital called from investors, equity raised in public markets or through private placements, DRIP issuances, cash distributed to investors and the ending book net asset value or ending total market capitalization of TSLX as of 3/31/2020
2. Represents TSLE I gross IRR, levered as of 3/31/2020

Note: Performance as of 3/31/2020 unless otherwise noted. Past performance is not necessarily indicative of the future performance of such funds or future funds, and such funds' investments may be made under materially different circumstances and under a different mix of investment strategies. Performance is shown on a gross basis in order to show asset-level rates of return which are comparable to the High Yield Index and are not distorted by timing of a fund's payback of management fees and expenses. Gross returns do not reflect management fees and carried interest born by investors in a fund, which will reduce returns and in the aggregate may be substantial. Please refer to the track record for a detailed historical performance summary and related notes including net returns and information regarding the calculation of all performance figures represented herein. This is available subject to the execution of a confidentiality agreement

Source: Credit Suisse High Yield Index II, shown as of 3/31/2020

CONSISTENT ALPHA RETURN GENERATION ACROSS SIXTH STREET PLATFORM

KEY ELEMENTS OF SIXTH STREET INVESTMENT PHILOSOPHY



5 KEY ELEMENTS OF SIXTH STREET INVESTMENT PHILOSOPHY

SIXTH STREET TEAM

Note: As of June 19, 2020

272 PERSON TEAM (148 INVESTMENT PROFESSIONAL, 124 FEDERATION)

DIVERSITY & INCLUSION COMMITTEE

Mission Statement

Sixth Street is built on great judgement, hard work, and a culture of collaboration. We seek colleagues that bring an original perspective and differentiated insight. Diversity of experience, thought, and background are integral to platform success and investment judgement.

The Committee will seek to promote and advance a culture of diversity and inclusion to better represent and serve our communities, investors, and counterparties.

Key 2020 Partnerships

paradigm

SEO

MLT

ND AFRICANA STUDIES

JOPWELL Unlocking Opportunity

girls who invest®

1754 Columbia College

rare | Diversity Recruitment Excellence

Amherst College Charles Hamilton Houston Internship Program

SIXTH STREET BREADTH OF PORTFOLIO

Chobani

Project Lundy

Hunt

Project Bills
CREDIT SUISSE

iHeartMEDIA

Kensington

Servihabitat
CaixaBank

Spotify

GE

CAPITAL CROSSING

AGRIGLOBE

AIRTRUNK

Ironwood

Project Pine /
Project Forest

Note: As of June 2020. Investments selected to represent variety of transaction structures and investment strategies and is not comprehensive

OMNIVOROUS, THEMATICALLY DRIVEN STRATEGY SPANNING SIXTH STREET PLATFORM

SIXTH STREET ILLUSTRATIVE INVESTMENTS

Project Lundy

- 2012 purchase of a ~$2.5B notional portfolio of securities in distressed European companies, primarily based in the UK
- Largely senior secured debt, with some junior / mezzanine exposure (typically held pro rata with senior exposure)

Chobani®

- 2014 rescue financing for the leading producer of Greek yogurt and third-largest overall yogurt producer in the U.S.
- $750M second lien debt facility plus warrants for up to 35% of the business

Spotify®

- 2016 pre-IPO financing for a global leader in on-demand music streaming
- $1B debt financing which converted to equity upon the company's direct listing in 2018

PETSMART

- 2018 investment in North America's leading provider of pet products and services, with over 1,500 brick and mortar stores and an internet retailer, Chewy
- $310M acquisition of the publicly traded term loan and unsecured bonds, which had traded off due to investor concerns about earnings and capital structure

Note: Investments are shown for illustrative purposes only and is not intended to be, and must not be, taken as the basis for an investment decision. It should not be assumed that any investment not shown would perform similarly to the examples shown. Past performance does not guarantee future results.

AGENDA

1. Introduction to Sixth Street

2. **TAO Overview**

TAO OVERVIEW

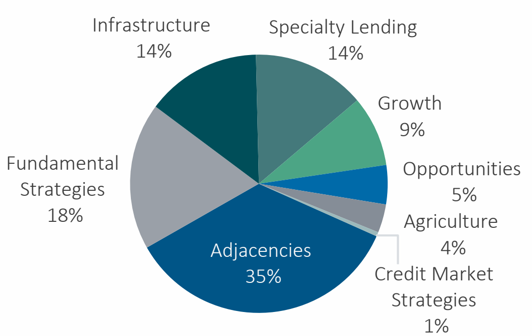
STRATEGY	• Reincarnation of highly opportunistic "balance sheet" from the Goldman Sachs Americas Special Situations Group platform • TAO is designed to flexibly allocate across multiple sub-strategies within credit and special situations and generate attractive risk adjusted returns at each point in the credit cycle – Today, the portfolio is weighted towards "defensive yield" investments which generate cash yield and are generally uncorrelated to financial markets – We believe the COVID 19 crisis may result in an increased volume of rescue financings, portfolio acquisitions, and distressed for control opportunities, and may therefore result in a shift of weightings in the TAO portfolio in the near term
STRUCTURE	• Differentiated fund structure – J-curve sensitive fee structure – Modified promote structure – LP commitment duration management • Initial capital raising and investments beginning in 2012, with total commitments to TAO vehicles today of $21.4 billion[1]
PERFORMANCE[2]	• $13,699 million equity invested and committed[3] • Strong TAO track record with intense focus on managing risk units at this part of the late cycle – 2012 – 1.7x gross MoM, 26% gross IRR, 19% net IRR – 2013 – 1.3x gross MoM, 11% gross IRR, 7% net IRR – 2014 – 1.6x gross MoM, 18% gross IRR, 13% net IRR – 2015 – 1.2x gross MoM, 10% gross IRR, 6% net IRR – 2016 – 1.3x gross MoM, 15% gross IRR, 10% net IRR – 2017 – 1.1x gross MoM, 10% gross IRR, 6% net IRR – 2018 – 1.1x gross MoM, 11% gross IRR, 7% net IRR – 2019 – 1.1x gross MoM, 21% gross IRR, 15% net IRR – 2020 – 1.0x gross MoM, NM gross IRR, NM net IRR

1. Total TAO commitments exclude (i) commitments made by Sixth Street-affiliated and "friends and family" investors as well as (ii) commitments for which a termination election has been submitted.
2. As of 3/31/2020. Please refer to the following two pages for additional disclaimers on the estimation of net IRRs by TAO vintage, along with the performance summaries in the Appendix for further performance detail and disclosure
3. Includes TAO 1.0 and TAO Global as of 6/24/2020. Includes committed capital that is not yet funded
Note: For each of the TAO annual vintages represented, please see the applicable historical performance summary and related notes for each fund which includes a fund description and important information regarding the calculation of all performance figures represented herein. Past performance is not indicative of future results

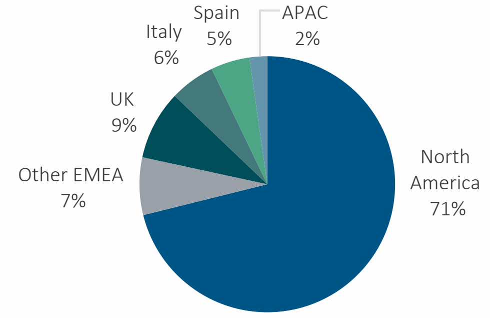
TAO GLOBAL CURRENT PORTFOLIO

Current Portfolio Characteristics

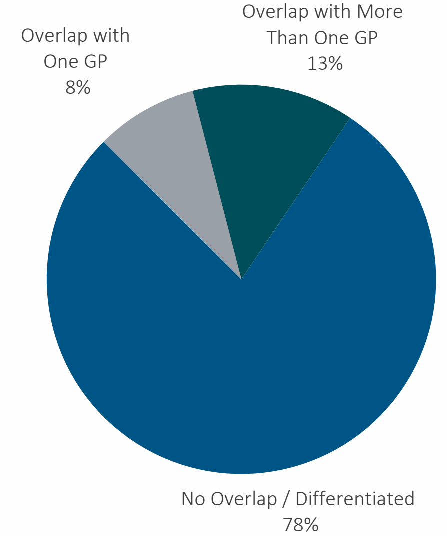
HUNTING GROUND BREAKDOWN[1]



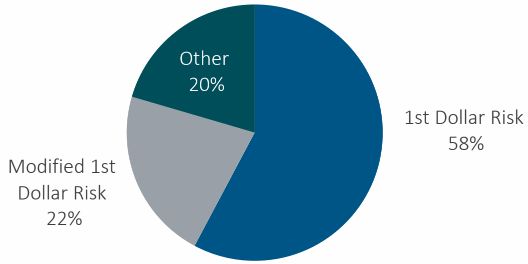
GEOGRAPHIC MIX[3]



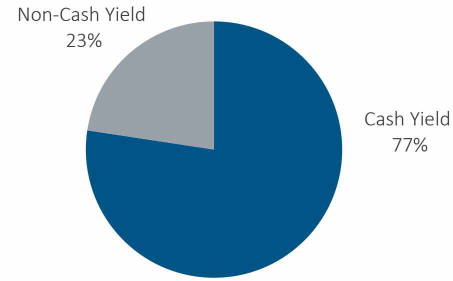
DIFFERENTIATED PORTFOLIO



COMMITTED INVESTMENTS BY CAPITAL STRUCTURE[2]



CASH YIELD



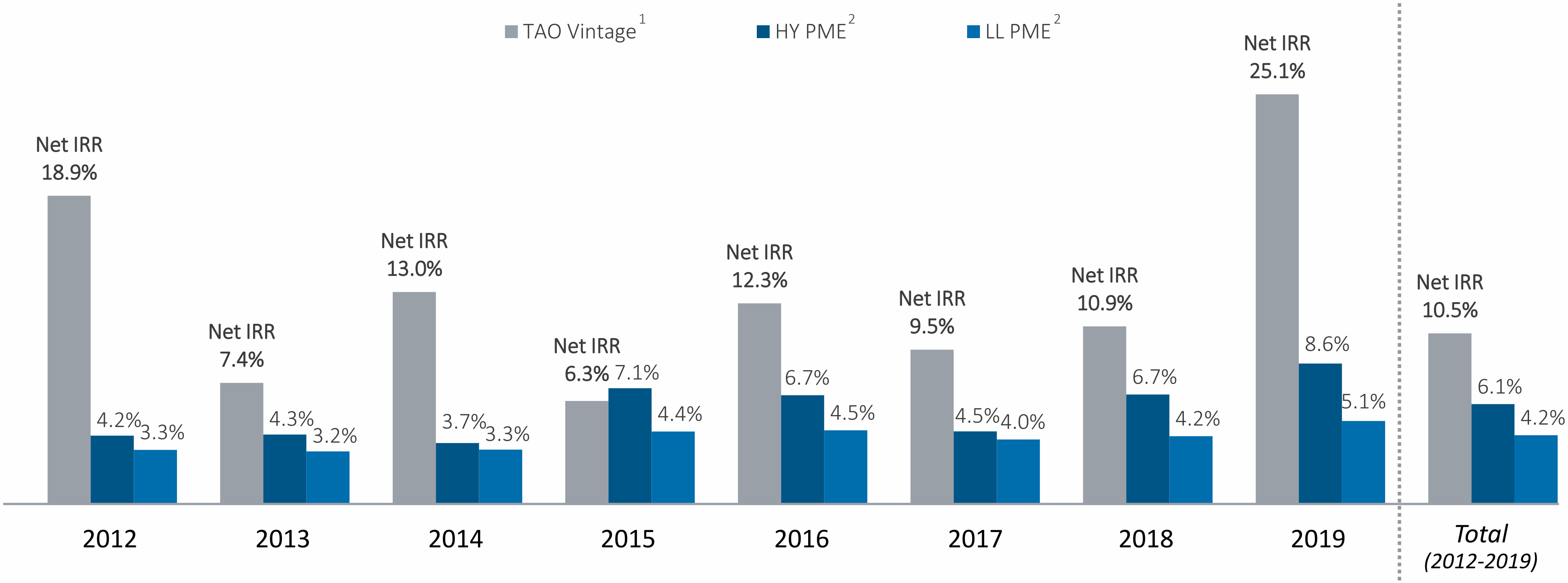
1. Hunting Grounds are based on the Sixth Street Platforms. Given specific investments may, and often do, fall under multiple Sixth Street Platforms, for the purpose of this analysis each investment has been assigned to one primary Hunting Ground based on the following criteria. The Infrastructure, Agriculture, Growth, and Credit Market Strategies Hunting Grounds include all investments in Infrastructure, Agriculture, Growth, and Credit Market Strategies, respectively. The Fundamental Strategies Hunting Ground includes all investments in Fundamental Strategies that do not overlap with the Infrastructure, Agriculture, Growth, or Credit Market Strategies Platforms. The Specialty Lending Hunting Ground includes all Specialty Lending investments that do not overlap with the Infrastructure, Agriculture, Growth, Credit Market Strategies, and/or Fundamental Strategies Platforms. The Opportunities Hunting Ground includes all Opportunities investments that do not overlap with the Infrastructure, Agriculture, Growth, Credit Market Strategies, Fundamental Strategies, and/or Specialty Lending Platforms. Adjacencies includes all remaining investments
2. First dollar risk represents top of the capital structure. Modified first dollar includes investments with attachment points at less than 25% LTV. Other includes unsecured debt, mezzanine, structured finance and certain equity positions
3. The geographic location(s) of investments for purposes of this presentation are determined at the General Partner's discretion based on a variety of factors including, but not limited to, (a) the location(s) in which the borrower/issuer is domiciled, headquartered, conducts significant operations and/or derives significant revenues, and/or (b) the location(s) of key assets of the borrower/issuer (including assets providing security in respect of the relevant investment).Regarding Sixth Street cross-over transactions (i.e., those investment consummated by two or more Sixth Street Funds), the geographic designation(s) of particular investments may vary across discrete Funds (e.g., if an investment has as strong nexus to both the UK and the U.S., it may be designated as a U.S. investment by a Fund that focuses on the U.S., whereas a Fund that focuses on Europe may designate it as a European investment). With regard to the pie chart above, Europe was selected as the sole geographic designation for certain investments that had nexuses to Europe and one or more other regions

Note: Based on Unrealized Value for TAO Global as of 3/31/2020

TAO PERFORMANCE VS. CERTAIN PUBLIC BENCHMARKS

As of December 31, 2019

Public Market Equivalent ("PME") Benchmark Analysis



Source: Bloomberg Finance, as of 12/31/2019

Note: Past performance does not guarantee future results, which may vary. Unless otherwise noted, all performance numbers are as of 12/31/2019 and are subject to change.

1. For TAO annual vintages, Net IRR calculations are hypothetical. These calculations are not actual returns to limited partners and do not reflect the actual returns of any single investor. Returns are based on a set of fee and expense assumptions applicable to a TAO Limited Partner with a commitment of less than $200 million and who elected to a 5.5-year minimum commitment period. These hypothetical performance results are being presented for illustrative purposes only and actual results may vary significantly. Please refer to the track record for a detailed historical performance summary and related notes including net returns and information regarding the calculation of all performance figures represented herein. This has been separately provided to North Dakota on the TAO virtual data site.
   - The management fee assumptions include annual fee rates of (i) 1.35% on equity invested and (ii) 0.65% on unused capital commitments.
   - The expense impact assumption represents the actual gross to net TAO expense impact during the quarter ended 12/31/2019 which is 1.04%. To note, this figure can fluctuate higher or lower over time.
   - Additionally, the calculation assumes a carried interest rate of 17.5%
2. The J.P. Morgan Domestic High Yield Index ("HY PME") and J.P. Morgan U.S. Leveraged Loan Index ("LL PME") benchmarks shown above are presented as a Public Market Equivalent ("PME") analysis based on the actual timing of investor cash flows in the TAO vehicles. Index performance has been adjusted to include 75bps impact from management fees, as these indices cannot be accessed directly. Please refer to the disclaimers at the beginning of this presentation for additional disclosure regarding the use of benchmark indices.

Strong historical outperformance vs. comparable public benchmarks

AGENDA ITEM #6

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

August 8, 2020

Members of the Investment Advisory Council ("IAC")

Re: **Torchlight Debt Opportunity Fund VII L.P.**

Dear Fellow IAC Member:

At the August 12, 2020 meeting of the IAC, I will present for your consideration an investment opportunity for the Real Assets Fund in the Connecticut Retirement Plans and Trust Funds (the "CRPTF"): Torchlight Debt Opportunity Fund VII L.P. ("DOF VII" or the "Fund"). This opportunity is sponsored by Torchlight Investors, a New York-based investment management firm that focuses primarily on real estate debt strategies.

I am considering a commitment of up to $100 million to DOF VII which presents an opportunity for CRPTF to generate cash yield while enhancing portfolio diversification. The Fund's principal objective is to achieve a positive return on capital through origination and/or acquisition of commercial real estate debt investments. Torchlight seeks to opportunistically invest in both private and public debt across property types and U.S. markets in a diversified portfolio that will offer both current income and risk mitigation. With an experienced team, a disciplined credit and real estate underwriting process, and strong asset management capabilities, the Fund is well positioned take advantage of opportunities resulting from dislocation in commercial real estate debt 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 D. Leveque, Deputy Chief Investment Officer
Kevin Cullinan, Chief Risk Officer
Danita Johnson, Principal Investment Officer
Casi Kroth, Investment Officer

DATE: **August 3, 2020**

SUBJECT: **Torchlight Debt Opportunity Fund VII L.P. – Final Due Diligence**

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to $100 million to Torchlight Debt Opportunity Fund VII ("DOF VII", or the "Fund") which will invest in a diversified portfolio of commercial real estate related debt investments. The Fund's general partner, Torchlight Debt VII GP, LP, (the "GP"), is an affiliate of Torchlight Holdings, LLC ("Torchlight" or the "Firm") a 100% employee-owned investment management firm located in New York City.

Torchlight is targeting a $1.5 billion Fund size with a $2.25 billion hard cap. The Fund held a first close on June 30, 2020 and as of July 31, 2020 Torchlight has closed on $1.1 billion of commitments.

Strategic Allocation within the Real Assets Fund

DOF VII is a value add/opportunistic fund targeting a net internal rate of return ("IRR") of 10%-12% with a 6% quarterly distribution. A commitment to the Fund would be allocated to the real estate portfolio of CRPTF's Real Assets Fund ("RAF"). As of March 31, 2020, CRPTF's total real estate allocation by market value was 7.1%, which is underweight the policy target allocation of 10%. PFM investment staff and the CRPTF real estate consultant, NEPC believe that the Fund's investment strategy, detailed below, is in line with the asset class strategic plan to maintain steady commitments to the real estate sector and to reduce the core allocation to within policy range. As of December 31, 2019, 35.8% of the portfolio, by net asset value, was invested in non-core real estate, which is underweight the target non-core allocation of 50%. The Fund presents an opportunity for RAF to increase the non-core allocation and enhance portfolio diversification while generating current income.

Firm and Management Team

Dan Heflin, Chief Executive Officer and Co-Chief Investment Officer, founded Torchlight in 1995 to provide investment management services to institutional clients seeking exposure to middle market commercial real estate debt investments. Dan has 33 years of professional experience and prior to Torchlight, worked at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen

LLP. Co-Chief Investment Officer, Marc Young, joined the firm in 2009. Marc has 27 years of professional experience, and prior to Torchlight, worked at CWCapital and AIG Global Investments. Dan Heflin and Marc Young are supported by 58 professionals in investment management, asset management and credit, financial control, compliance, and investor relations. In 2002, the ING Group acquired a minority interest in the Firm, resulting in a rebranding to ING Clarion Capital, LLC. In 2010, Dan Heflin repurchased the minority interests of ING Group and established Torchlight as an independent investment manager. In 2012, the firm's senior management team, including all members of both the Investment and Operating Committees, acquired interests in the firm through an equity purchase plan. Torchlight is now owned exclusively by the firm's senior officers.

Torchlight's investment management team, led by Dan Heflin and Marc Young, is responsible for acquisitions, deal structuring, portfolio management and risk management. The members of the Investment Committee ("IC"), responsible for overseeing and implementing investment strategy, include Dan Heflin and Marc Young; Samuel Chang, Portfolio Manager; Greg Dineen Chief Credit Officer; and Gianluca Montalti, Head of Asset Management. Members of the Investment Committee are involved in every aspect of the investment process, including due diligence for potential acquisitions, credit underwriting and monitoring. In addition to being IC members, Sam Chang leads the acquisitions process for public investments, and Greg Dineen leads the credit underwriting team. Members of the IC have unique and complementary backgrounds in commercial real estate, mortgage structuring, origination, portfolio management, risk management, capital markets, securitization and distressed debt workouts. This combination of practical real estate and capital markets expertise allows Torchlight to identify, understand and invest in strategies that are not generally available to conventional large commercial real estate debt investors.

In 1998, Torchlight formed Torchlight Loan Services ("TLS"), a nationally rated special servicer that provides loan servicing, distressed loan workout and property asset management services. TLS has resolved over 650 loans with a par value of $10.8 billion and has managed 230 properties with a total value of $2.3 billion. In addition, TLS has acted as special servicer for over $11 billion of structured commercial real estate debt and managed over $552.0 million of distressed loans. For investments in the subordinate "controlling class" of a commercial mortgage backed securities ("CMBS') pool, the Firm will appoint TLS as the special servicer. As the appointed special servicer, TLS will have the ability to negotiate and approve the composition of the CMBS collateral pool and will be responsible for the workout and resolution of any non-performing loans within the pool.

Investment Strategy

DOF VII will pursue a broad-based opportunistic commercial real estate debt strategy, seeking to generate strong returns through current income, capital appreciation, interest and origination fees. DOF VII will invest in both public and private markets across a diversified portfolio of commercial real estate investments including senior loans, mezzanine loans, preferred equity, Investment Grade and Subordinated CMBS, equity positions in participating mortgages, and debt or equity issued by real estate companies. This broad opportunity set allows Torchlight the flexibility to invest across the capital stack, to employ various strategies to navigate market cycles and to avoid product types it considers overvalued. DOF VII will limit its aggregate exposure to any single property to 15% of committed capital and will also limit its exposure to a single borrower to 25% of committed capital. The Fund will invest in the U.S., targeting markets with strong population and job growth and limited new supply. Exposure to properties located outside of the United States is limited to 15% of committed capital, and leverage is capped at 30% of total fund assets.

Torchlight executes its strategy focused on four key principles: sourcing advantage, high current income, downside mitigation and upside optionality. Over the firm's 25-year history, the team has developed long-standing relationships across the real estate industry which allows the firm to access deals directly at issuance or to acquire investments, including distressed assets, through the secondary market. In constructing a portfolio, Torchlight seeks to blend investments with varying degrees of risk and return in order to meet the objectives of the fund. Key attributes of targeted investments are embedded risk-mitigations, such as high cash flows, credit enhancement, control rights, covenants, and optionality. The firm's credit underwriting approach ensures investments can be held to maturity and have sufficient collateral in the case of underperformance.

Investment due diligence includes fundamental credit analysis, local market research, legal documentation review and stress testing of the structure and cash flow models to create base, upside and downside scenarios. Post-closing, the asset management team is responsible for monitoring, business plan development and execution, distressed debt workouts, hold/sell analysis and asset disposition. The Firm's monitoring activities are designed to identify potential risks of an investment well in advance of a credit event. When covenants are breached, the team will reassess the investment thesis and likelihood of outcomes, then either modify the terms of the investment or foreclose on the collateral. For CMBS, if the surveillance process leads to a material decline in credit expectations, an analysis of the position is completed to evaluate the credit of the underlying real estate assets, cash flow implications affecting the yield, the payback period, and the recovery potential.

Market Opportunity

Torchlight believes that the full effects of the coronavirus outbreak on the U.S. commercial real estate market is still unclear and that additional market volatility will lead to dislocations in both public and private markets. As the COVID-19 pandemic began spreading in the U.S., AAA CMBS spreads widened by as much as 100 to 150 basis points and BBB- CMBS spreads widened by as much as 800 basis points, creating a unique buying opportunity for Torchlight DOF VI. The current dislocation will likely yield significant opportunities over the DOF VII investment period, and Torchlight will be well-positioned to take advantage of dislocations. Summarized below are areas in which Torchlight anticipates potential opportunity for the Fund.

Public Securities

- ***Secondary Market CMBS***: Liquidity-constrained investors may be forced to sell assets quickly at distressed prices where the Fund can buy these seasoned bonds with appealing risk/return profiles.
- ***Freddie Mac Securities***: Torchlight is seeing more attractive pricing on Freddie Mac K-series multifamily backed bonds as liquidity issues have forced some participants to the sidelines.
- ***New Issue CMBS:*** The firm believes that investment grade and subordinate bonds from better quality originators will have more favorable pricing where loan sellers may be motivated to reduce risk on their balance sheets.

Private Investments

- ***Financing Opportunities:*** New originations in the senior mortgages, mezzanine loans and preferred equity space to acquire assets or to recapitalize underperforming properties.
- ***Distressed Note Purchases***: First mortgages, subordinate mortgages and mezzanine loans that can be acquired at a discount.
- ***Rescue Capital***: Recapitalization of distressed companies balance sheets or companies with increased liquidity needs. Torchlight believes this distress will provide a unique buying opportunity to acquire assets at a significant discount and to then restructure and stabilize.

Track Record

Since 1995, Torchlight has acquired and managed over $23 billion in commercial real estate-related investments. The investment team has demonstrated an ability to both invest at different parts of the real estate capital stack, and to take advantage of opportunities arising across the real estate investment cycle by shifting strategy focus. The chart below illustrates the evolution of Torchlight's debt strategy, and the firm's ability to generate attractive cash yield in various market environments.

Torchlight Debt Series Evolution					
Fund	Vintage Year	Fund Size (M)	Public/Private	Predominant Composition	Net Income Return
DOF I	2003	$283	100% Public	CMBS Subordinate	13.5%
DOF II	2006	$732	72%/28%	CMBS Credit	3.9%
DOF III	2008	$765	83%/17%	Distressed Investments	11.1%
DOF IV	2012	$942	51%/49%	CMBS Subordinate and Private Investments	7.8%
DOF V	2015	$1,359	58%/42%	CMBS Credit and Private Investments	8.9%
DOF VI	2017	$1,684	46%/54%	CMBS Credit and Private Investments	---

Two of Torchlight's prior funds, Debt Opportunity Fund V ("DOF V") and Debt Opportunity Fund VI ("DOF VI"), have unrealized value remaining. Both funds are invested across a diverse set of strategies and property types with the majority of investments in the multifamily, office and industrial sectors, 63% and 72% in DOF V and DOF VI respectively.

Fee Analysis

Torchlight's management fee is 1.5% on committed and invested capital with discounts offered to investors for commitment size and closing timing. At a commitment size of $100 million, CRPTF would be able to take advantage of commitment size discounts in addition to fee reductions from CRPTF's relationship with NEPC. The performance fee structure for DOF VII includes 20% carried interest over a preferred return of 8.0% with a 50/50 GP/LP catch-up.

Fund VII Advisory Committee

Torchlight has agreed to appoint CRPTF to the Fund VII Advisory Committee. The Committee, consisting of members representing the limited partners, will meet at least annually and as required to consult with the GP as to potential conflicts of interest and key-person substitutions, among other matters.

Key Strengths

- Strong Management Team: DOF VII will be managed by an experienced and proven real estate team which has on average 25 years of work experience and has invested the DOF series together since 2003. Over the past five years, the team has added a Chief Credit Officer and a Chief Operating Officer to bolster its operations functionality. This stability has enabled Torchlight to develop a strong investment culture that will help the firm invest over the coming years.
- Sourcing: Torchlight has developed long-standing relationships with a broad network of companies and key individuals within the commercial real estate industry which has provided a strong pipeline of deals across the spectrum of debt strategies. In 2019, Torchlight screened $27.4 billion of potential private transactions, of which $7.5 billion advanced to the review stage of Torchlight's investment process. Of those, Torchlight negotiated and closed on $422 million of private investments.
- Flexible, Relative-Value Investment Strategy: Torchlight is an experienced lender across both public and private debt with the ability to invest opportunistically across the entire capital stack from senior debt to equity. The Fund's investments across various capital structures and property types is indicative of its ability to pursue relative value and to adapt to the investable opportunity set. Given the current market uncertainty, the team's flexibility to adapt to changing market conditions represents a competitive advantage.
- Servicing Platform: Torchlight Loan Services, the firm's servicing platform, serves as important source of market intelligence in the CMBS and real estate debt markets for the team. TLS has serviced $16.1 billion par value of commercial real estate debt and managed $2.1 billion of real estate equity across 214 properties. In addition, using TLS as a servicer provides Torchlight insight into the underlying loans and credits in a CMBS pool along with real-time market information versus an external servicer.
- Rigorous Credit and Collateral Underwriting: During underwriting, Torchlight performs both a comprehensive credit and collateral analysis of the borrower/partner and the real estate that will secure the investment. The underwriting for each investment includes gathering and reviewing all material information relating to the financial and physical condition of the subject property, the financial and credit position of the sponsor, the market forces in the area where the property is located, and other factors necessary to ensure that the proposed investment meets the Fund's underwriting requirements.
- Structuring Capabilities: Torchlight's underwriting process and legal analysis focuses on identifying risks at the Sponsor and collateral level and structuring loans to mitigate downside risks. Concurrent with an underlying collateral review, the team analyzes the related investment structure and credit enhancement (if any) which may include minimum debt service cash ratios, minimums on debt yields, net operating income and occupancy.

Major Risks and Mitigants

- Relatively Low Sponsor Commitments: Torchlight has committed $10 million or the lesser of 1% of the $1.5 billion target fund size for DOF VII. As in DOF V and VI, the partners committed the lesser of 1% of aggregate commitments or $10 million to both funds. Typically to ensure strong GP/LP alignment, PFM would prefer to see a commitment of ~2%.

Mitigant – Although 1% is at the lower end of the market range of GP commitments, PFM believes there is adequate alignment between Torchlight and investors as Torchlight is funding its commitment through personal funds and not through loans or proceeds from the sale of a minority interest. Torchlight's nine partners have committed over $60 million of employee capital to the DOF series and will contribute an additional $10 million to DOF VII. Additionally, the DOF series of funds represents the primary line of business at Torchlight, and the senior professionals have no other significant sources of income further aligning their interests with the limited partners.

- Firms Performance During the Global Financial Crisis ("GFC"): DOF II was a 2006 vintage, $732.1 million fund raised prior to the GFC primarily exposed to CMBS B-pieces which was adversely affected by the GFC downturn. Although the Fund did not meet its performance target, it returned substantially all of investors' capital.

  Mitigant - Torchlight did not contemplate a loss ratio as severe as what was experienced during the GFC and took losses in its subordinated positions. As a result, Torchlight now applies more stringent credit underwriting to stress for these scenarios. Going forward, Torchlight also will position the fund in more diversified, higher subordinated, and defensive positions to reduce downside risk and credit losses.

- Potential Conflict of Interest: Torchlight owns TLS, and it may benefit economically from DOF business, regardless of fund performance. As part of the Fund's opportunistic strategy, Torchlight will invest in the subordinate "controlling class" of a CMBS trust which allows the firm the right to appoint TLS as the CMBS special servicer.

  Mitigant - The Fund formation documents require TLS to charge market rates to the CMBS trust for providing these services. CRPTF will be able to review these charges through its position on the Advisory Committee.

- Market and Credit Risk: Significant market disruption could result in a rise in defaults and/or the loss of value of the underlying collateral. This, as well as interest rate movement could have a significant negative impact on the returns of the Fund and require a significant amount of resources.

  Mitigant -Torchlight's credit and real estate underwriting, and its asset management/workout capabilities help to mitigate key market risks associated with the strategy as the team has incorporated into the investment process lessons learned over years of investing in various market environments. This process, focused on risk mitigation, is applied across the range of private and public debt strategies, including the origination and acquisition of loans, securities and CMBS. To mitigate losses, the team typically invests in the capital stack where there is significant equity cushion to absorb value declines. With respect to interest rate risk, loans are structured primarily as floating rate. However, the Fund will also enter into hedging transactions or require a borrower to purchase a LIBOR cap at the time of closing to mitigate the risk of adverse changes in interest rates and spreads.

Legal and Regulatory Disclosure (provided by Legal)

In its disclosure to the Office of the Treasurer, Torchlight Investors, LLC ("Torchlight"), states (i) it has no material legal or non-routine regulatory matters, (ii) no material claims under its fidelity, fiduciary or E&O insurance policies, and (iii) no ongoing internal investigations to report. Torchlight states it has adequate procedures in place to undertake internal investigations of its employees, officers and directors. The firm's Chief Compliance Officer and Chief Executive Officer would coordinate with outside legal counsel for advice as to next steps and whether, and to what extent, the firm should conduct an internal investigation.

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.

6/26/20

COMPLIANCE REVIEW FOR DEBT OPPORTUNITY FUND VII

SUMMARY OF LEGAL AND POLICY[1] ATTACHMENTS

SUBMITTED BY

TORCHLIGHT INVESTORS, LLC

I. Review of Required Legal and Policy Attachments

TORCHLIGHT INVESTORS, LLC ("Torchlight") a New York-based firm, completed all required legal and policy attachments. The firm 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 May 2020, Torchlight employed 58, 2 more than the 56 employed in December 2018. The firm identified 1 women and 4 minorities male as Executive/Senior Level Officials and Managers, i.e., serving at the senior most level of the firm. It reported that for the 3 year period 2018-2020, 3 women and 6 minorities were promoted within the ranks of professionals or managers. Minorities are very well represented at the Executive Senior/Level comprising 40% of all Executive Senior/Level employees. Women are not as well represented at this level, comprising only 10% of all Executive Senior/Level employees.

Commitment and Plans to Further Enhance Diversity

Torchlight recognizes that its industry, real estate asset management, is not yet where "we would like to be" when it comes to diversity of our workforce. Torchlight believes that the proactive development of youth and the creation of opportunities will help to close the gap in the next generation of real estate asset management professionals. Torchlight supports community organizations that foster educational and professional opportunities for underrepresented individuals. Recent initiatives include: Breakthrough New York - sponsorship to support mentoring of middle school through college students from low income backgrounds; PREA Foundation - donation to the partnership with Sponsors for Educational Opportunity (SEO) to help further the interests and values of the institutional real estate investment community by advancing industrywide diversity and inclusion; and Toigo Foundation - donation to help build stronger, more diverse organizations through the inclusion and advancement of underrepresented talent.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 10% (1 of 10) of these positions in all 3 years reported, i.e., in May 2020, December 2019 and December 2018.
- Minorities held 40% (4 of 10) (20% Asian and 20% Hispanic) of these positions in all 3 years reported, i.e., in May 2020, December 2019 and December 2018.

At the Management Level overall:

- Women held 20% (7 of 35) of these positions in May 2020, slightly down from 21% (7 of 34) held in December 2019, but up from 16% (5 of 31) in December 2018.
- Minorities held 22.9% (8 of 35) (11.4% Asian, 8.6% Hispanic and 2.9% Black) of these positions in May 2020, slightly down from 23.5% (8 of 34) (11.8% Asian, 8.8% Hispanic and 2.9% Black) in December 2019, and down from 25.8% (8 of 31) (12.9% Asian, 9.7% Hispanic and 3.2% Black) in December 2018.

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

At the Professional Level:

- Women held 29% (5 of 17) of these positions in May 2020, down from 31% (5 of 16) held in April 2019 and 30% (6 of 20) held in December 2018.
- Minorities held 29.4% (5 of 17) (23.5% Asian and 5.9% Hispanic) of these positions in May 2020, down from 31.3% (25% Asian and 6.3% Hispanic) (5 of 16) in December 2019, and 35% (7 of 20) (30% Asian and 5% Hispanic) in December 2018.

Firm-wide:

- Women held 19% (11 of 58) of these positions in May 2020, down from 32% (18 of 56) held in December 2019, and 29% (16 of 56) held in December 2018.
- Minorities held 25.9% (15 of 58) (13.8% Asian, 8.6% Hispanic, and 3.4% Black) of these positions in May 2020, slightly down from 26.8% (14.3% Asian, 8.0% Hispanic and 3.6% Black) (15 of 56) held in December 2019, and down from 30.4% (17 of 56) (17.9% Asian, 8.9% Hispanic and 3.6% Black) held in December 2018.

III. Corporate Citizenship

Charitable Giving:

Torchlight views good corporate citizenship as a core value that is central to the operation of the firm. It believes that its responsibility extends to community concerns and societal advancement. Torchlight has developed Torchlight Cares (TLC), a program to reflect its dedication to responsible business practices, inclusive relationships and philanthropic and charitable actions. The core mission of TLC is to drive educational initiatives, foster career development, encourage diversity and support underserved communities. TLC initiatives are driven by employees. Through TLC, employees support organizations that focus on education, health, animal welfare, vulnerable populations, children and hunger, among others. The following are a sample of organizations supported: Coalition for the Homeless, First Step Job Training Program (mentoring displaced women in New York City), St. Bart's Crossroads Community Service (food drive), Power My Learning (donations of technical equipment), and Dennis W. Holder Scholarship Fund for Children of Firefighters (donation). Most recently, Torchlight donated a substantial amount of personal protection equipment to a Connecticut-based hospital to aid healthcare workers that are treating COVID-19 patients.

Internships/Scholarships:

Torchlight's summer internship program focuses on college students aspiring to enter investment management. It is an intensive, eight-week program that pairs students with teams and individual mentors. Participants receive one-on-one training and learn about the business through projects and assignments. Torchlight also conducts resume writing and interview skills career prep workshops to assist interns. Many interns have been from diverse backgrounds. Internship Diversity for 2020: 100% minority or female to date (incoming class, three of five positions have been filled); 2019: 60% minority or female; and 2018: 60% minority or female.

Procurement:

In 2019, Torchlight and its Funds spent over a million dollars on contracts with women and minority-owned businesses, as well as on engagements led by a woman or minority. While Torchlight does not currently have a written procurement policy or program specifically designed to foster business relationships with women-owned, minority-owned, and/or emerging businesses the firm endeavors to engage vendors that reflect the diversity of the communities in which "we live and work". Torchlight utilizes a diverse group of vendors at the firm, fund and investment levels.

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Summary of Responses to Attachment M: Evaluation and Implementation of Sustainable Principles Submitted by Torchlight Investors LLC June 23, 2020	
Firm has an ESG policy	Yes
If yes, firm described its ESG policy	Yes
Firm provided examples of ESG factors considered in the decision-making process, explained the financial impact of these ESG factors	Yes
Designated staff responsible for sustainability policies and research	Yes
Firm provides training/resources on sustainability issues, explained sources of ESG-related data	Yes
Signatory/member of sustainability-related initiatives or groups	No
Policy for evaluating current or prospective relationships with manufacturers or retailers of civilian firearms	No
Policy that requires safe and responsible use, ownership or production of guns	No
Enhanced screening of manufacturers or retailers of civilian firearms	No
Enhanced screening of any industry/sector subject to increased regulatory oversight, potential adverse social and/or environmental impacts	Yes
Merchant credit relationships with retailers of civilian firearms and accessories	No
If yes, firm confirms compliance with laws governing firearms sales	N/A
Overall assessment of responses (e.g., depth of approach to ESG and integration)	Torchlight shared its ESG policy, which provided good insights into its philosophy and approach to ESG integration. While not a signatory to any identified sustainability organizations, the firm "regularly reviews" ESG-related materials distributed by the UN Principles for Responsible Investment and Global Real Estate Sustainability Benchmark ("GRESB"). The firm does not have a specific policy related to manufacturers or retailers of civilian firearms; however, it does conduct enhanced scrutiny of certain industries and sectors that are subject to increased regulatory oversight (e.g., CMBS issuances). Torchlight disclosed that it has, in the past, included terms in side letters which restrict investments in manufacturers, distributors or retailers of firearms.
SCORE: **Excellent - 1** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations; enhanced screening of firearms and/or higher-risk sectors **Very Good - 2** Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations **Satisfactory - 3** General description of ESG philosophy and integration; some evidence of framework for ongoing ESG assessment; member of sustainability-oriented organizations **Needs Improvement - 4** Generic and/or vague description of ESG philosophy and integration; no ongoing ESG assessment; no dedicated ESG staff or resources **Poor - 5** Incomplete or non-responsive	**2**

NEPC Private Markets Investment Due Diligence Report

Torchlight Investors, LLC

Torchlight Debt Opportunity VII, LP

August 2020

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Executive Summary

Torchlight Investors, LLC ("Torchlight," "Manager," or "Firm") is seeking $1.5 billion for Torchlight Debt Opportunity Fund VII ("Fund" or "Fund VII"), its tenth closed-end real estate fund and seventh real estate debt fund. The Firm's three other non-debt focused funds include: liquid long only, short only, and a long/short fund. The Fund is seeking to continue the strategy employed by the Firm's prior real estate debt funds in which it seeks to generate a strong current income (enhanced with some capital appreciation and other sources of return such as deferred interest or origination fees) by investing in a diversified portfolio of commercial real estate debt. The Manager will focus on senior and junior mortgage loans, CMBS, CDOs, mezzanine debt, and preferred equity. The Fund is targeting to achieve a 1.3x-1.5x net equity multiple and a net 10%-12% IRR with a 6% annual income distribution while using maximum leverage of 30% of total fund assets. The Fund will seek to make investments in the $5 to $75 million range and will be diversified by property type and geography within in the US.

Torchlight is a privately-held real estate investment manager with approximately $3.1 billion in assets under management, as of December 31, 2019. Torchlight was founded in 1995 and it has acquired over $23 billion in public and private commercial real estate investments. Torchlight Investors was founded by Daniel Heflin as a joint venture with Jones Lang Wooten Realty Advisors. In 1998, Torchlight registered as an investment advisor with the SEC. In 2002, ING Group acquired a passive minority interest in the firm, which was renamed ING Clarion Capital, LLC. In several transactions starting in 2010, Daniel Heflin used personal funds to repurchase the interests of ING Group, as well as the passive interests held by former affiliates of ING and Torchlight. Since 2010, Torchlight has been an independent investment advisor owned by senior management and a former colleague.

In addition to its investment advisory activities, Torchlight operates Torchlight Loan Services, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services. As of December 31, 2019, Torchlight Loan Services was named as the special servicer on $11.9 billion of structured commercial real estate debt (*i.e.,* CMBS trusts) and has worked out $10.9 billion in distressed debt since inception.

Positives:

- **Flexible investment strategy –** The investment strategy is broad, allowing the Manager to invest opportunistically across public and private debt. This is particularly attractive following the recent financial market turmoil, as it will allow the Fund to capitalize on a wide array of opportunities. The Fund will pursue investments across the spectrum of commercial debt, including individual loans, senior and mezzanine mortgage loans, CMBS, preferred equity, and equity positions, participating mortgages, and debt or equity issues by real estate companies.

- **Team expertise across debt strategies –** Torchlight is an experienced investor and lender across the commercial real estate capital structure and is experienced in managing loan workouts. Torchlight has over 25 years of experience as a lender and investor in commercial real estate debt. Since its inception, Torchlight has acquired over $23 billion in public and private commercial real estate investments and has $3.1 billion of assets under management. Additionally, Torchlight operates Torchlight Loan Services, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.

- **Thoughtful portfolio construction –** Over the course of the Firm's history, it has learned valuable lessons that have been incorporated into the Firm's fundamental principles for investment and asset management. The Firm focuses on constructing a portfolio with a high current income return, mitigating downside risk through stress testing its investments pre- and post-acquisition, maintaining disciplined underwriting, and structuring investments with optionality to capture upside and/or control the assets on the downside.

- **Strong current income –** The Fund is targeting a 10-12% net IRR to investors, of which 6%+ will be in the form of current income distributed quarterly. Historically, Torchlight's funds have provided a strong current income component. A focus on current income allows Torchlight to return capital quickly and reduce terminal value risk.

Negatives:

- **Levered strategy creates borrowing risk –** The Fund uses financial leverage to enhance its returns. This leverage comes in the form of warehouse lines and a subscription facility. This risk is somewhat mitigated in that the Fund is limited to leverage of 30% at Fund's total assets. Torchlight maintains near-term liquidity options from its portfolio cash, unfunded LP commitments, and available subscription financing sufficient to retire its financing under warehouse credit facilities. Torchlight regularly assesses the composition of the collateral used with its warehouse lines and price shock that would trigger a reduction in lending to ensure that the portfolio is constructed to address any potential re-margining.

- **Poor performance from pre-GFC fund –** Fund II was a 2006-vintage fund that invested into the global financial crisis ("GFC"). Fund II had $732 million in committed capital and is now fully realized, but underperformed relative to other real estate funds of this vintage. NEPC believes that the fund should have provided better downside protection. Torchlight has learned from its experience with Fund II and works diligently to construct its portfolios and its capital management more carefully post-GFC. Torchlight stress tests its downside scenarios to account for severe macro situations, such as those experienced during the GFC, and creates more defensive and diversified portfolios with higher degrees of subordination.

Fund Characteristics

Investment Vehicle	Delaware Limited Partnership
Investment Manager	Torchlight Investors, LLC
Target Size/Max Size	$1.5B / $2.25B
Amount Raised	$1.1B as of July 31, 2020
Minimum Investment Size	$10 million, although the GP may accept lower amounts in its discretion
Target Final Close Date	First Quarter 2021
Investment Period	Three years from the date of the Final Closing
Fund Term	Ten years from the date of the Final Closing, subject to two one-year extensions
Sponsor's Investment	The lesser of $10M or 1% of aggregate Capital Commitments
Assets Under Management	$3.1B
Investment Focus	Commercial real estate debt investments
Geographic Focus	U.S.
Projected Number of Investments	75 to 125 investments
Deal Size	$5 to $75 million
Target Fund Return	Net 10%-12% IRR and 1.3x-1.5x TVPI to investors
Leverage	Up to 30% of the fund assets
Annual Management Fee	The Fund's standard asset management fee is 150 bps, calculated on Capital Commitments during the Commitment Period and on Invested Capital thereafter. Fee discounts may be available due to investment size or other considerations.
Other Fees	The Fund may utilize the services of its affiliate, Torchlight Loan Service, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.
Organizational Costs	Fund will bear up to $2.25M
Carried Interest	20% with a 50/50 catch-up
Preferred Return	8%
Distribution Waterfall	Full "European Style" distribution waterfall. First 100% to LPs until invested capital on all investments plus preferred return has been distributed. Then 50% to GP as catch-up until 20% carried interest is received. Thereafter, 80%/20% LP/GP split.
ERISA Fiduciary	The Fund intends to avoid being considered to hold plan assets for the purpose of ERISA. Torchlight is a Qualified Professional Asset Manager (QPAM) under ERISA (although, Torchlight does not manage plan assets at the present time).
Fund Auditor	PricewaterhouseCoopers LLP
Fund Legal Counsel	Shearman & Sterling LLP; Metsch and Metsch LLP
Placement Agents	None
Website	http://www.torchlightinvestors.com

Firm Description

Firm Overview

Torchlight was founded in 1995 to provide investment management services to institutional clients seeking exposure to commercial real estate debt markets. Since its inception, Torchlight has acquired over $23 billion in public and private commercial real estate investments and has $3.1 billion of assets under management. Torchlight has sponsored ten investment funds for institutional clients, including public and corporate pension funds, endowments and foundations, and sovereign wealth funds. Over more than two decades, Torchlight has invested across the spectrum of commercial real estate investments, including: private senior and mezzanine loans, preferred equity, equity and investment grade and non-investment grade CMBS.

Torchlight was founded by Daniel Heflin as a joint venture with Jones Lang Wooten Realty Advisors. In 1998, Torchlight registered as an investment advisor with the SEC. In 2002, ING Group acquired a passive minority interest in the firm, which was renamed ING Clarion Capital, LLC. In several transactions starting in 2010, Daniel Heflin used personal funds to repurchase the interests of ING Group, as well as the passive interests held by former affiliates of ING and Torchlight. Since 2010, Torchlight has been an independent investment advisor owned by senior management and a former colleague.

In addition to its investment advisory activities, Torchlight operates Torchlight Loan Services, a nationally rated special servicer which provides loan servicing, distressed loan workout and property asset management services. As of December 31, 2019, Torchlight Loan Services was named as the special servicer on $11.9 billion of structured commercial real estate debt (i.e., CMBS trusts) and has worked out $10.9 billion in distressed debt since inception.

Team Overview

The Firm consists of 58 professionals, inclusive of ten owner-partners. Torchlight's investment and portfolio management activities are directed by a senior team whose members average 24 years of experience in the industry. The Firm operates completely from its headquarters in New York City.

The Firm's Investment Committee is responsible for overseeing and implementing the Fund's investment strategy. The Investment Committee consists of five members who vote by majority:

- Samuel Chang, Partner – Investment Management
- Greg Dineen, Chief Credit Officer
- Daniel Heflin, Partner – Chief Executive Officer, Co-Investment Officer
- Gianluca "Luca" Montalti, Partner – Asset Manager
- Marc Young – Partner, Co-Investment Officer

Please see **Addendum A** for biographies of the key professionals.

Recent Turnover/ Key Departures

Torchlight reported that 15 senior investment professionals (Vice President and above) have departed in the past five years. These departures include one partner who left to pursue other opportunities in 2017 and the Chief Operating Officer who retired in 2018. In addition, the Manager has hired 15 senior professionals in the past five years. Torchlight is a well-known firm in the industry and has evidenced an ability to attract and hire high-quality human resources.

Succession Planning

There is no formal written succession plan. Torchlight has a deep bench of firmwide leadership and none of the key personnel have identified retirement dates or indicated intent to depart the Firm. Every major leadership position at Torchlight has an immediate successor in place that management believes capable of responsibility for the given group in case of an unplanned departure. The Firm is majority owned by Daniel Heflin. There is an insurance policy in place that would be triggered in the event of his death. This insurance policy is designed to be able to buy out his estate's ownership interest in the company with his shares being divided up pro rata amongst the remaining partners.

Fund Investment Strategy

Investment Strategy

The Fund will focus primarily on commercial real estate debt investments. Torchlight believes that its approach provides a favorable risk-return profile allowing Torchlight to target a net return of 10%+.

The Fund will pursue investments across the spectrum of debt and other interests relating to commercial real estate, including, but not limited to, interests in individual loans secured by commercial real estate, senior and mezzanine mortgage loans, CMBS, preferred equity and equity positions, participating mortgages, and debt or equity issued by real estate companies.

<u>Target Investments: Commercial Real Estate Loan Interests</u>

- **Senior Loans***:* Senior commercial loans are typically secured by a first lien mortgages representing 55% to 70% of the value of the underlying asset.
  - Senior loans may further be structured as senior positions ("A-Notes") and junior positions ("B-Notes"). A-Notes will generally represent up to 50% of the value of the underlying asset and may be sold into a CMBS transaction. The B-Note will provide credit support to the A-Note and may comprise between 10% and 20% of the senior loan. Any mezzanine financing and equity would typically be subordinate to the B-Note.
- **Mezzanine Loans and Preferred Equity**: Mezzanine commercial mortgage loans are structured as subordinate loans typically secured by an equity interest in the entity that owns the property, and generally produce a return that is fixed or tied to a floating benchmark interest rate and that may depend on the performance of the property. Returns on preferred equity investments generally are dependent upon the performance of the property.
- **Commercial Mortgage Backed Securities***:* CMBS are generally multi-class debt or pass through securities backed by a pool of senior mortgages secured by stabilized commercial real property. Such commercial real property may include office, multifamily, industrial, hotel, retail, and other asset types. The Fund invests in investment grade CMBS and non-investment grade CMBS. The non-investment grade bonds are often sold together, known collectively as the "B-Piece" or "Subordinate CMBS" investment.
  - With over $1 trillion in CMBS outstanding, there is an active secondary market that provides beneficial liquidity, current cashflow, and agility to the Fund portfolios. CMBS are structured and rated AAA through unrated, enabling an investor to elect different risk and yield targets. The pool of stabilized senior loans collateralizing CMBS Trusts typically have lower average loan-to-value ratios than mezzanine loans or preferred equity, an indication of a lower risk profile. Torchlight believes that many CMBS are subject to less credit risk than mezzanine financing or preferred equity while affording equivalent returns. Subordinate CMBS may present "base case" scenario returns comparable to the gross returns of mezzanine real estate funds and real estate private equity funds. Significant barriers to entry may preclude many smaller, conventional commercial real estate investors from participating in the Subordinate CMBS market.
  - <u>Investment Grade CMBS</u> - Investment Grade classes of CMBS (e.g., AAA rated through BBB- rated) have yields that currently range from 2% to 8% and credit enhancement levels that currently range from 6% to 30%. Torchlight believes these bonds often trade at attractive yields when compared to other debt instruments with similar risk profiles.
  - <u>Subordinate CMBS</u> - The Subordinate CMBS investor, as the first to experience losses from payment defaults on the underlying loans of the trust, is allotted certain rights to mitigate the risk to its investment.
    - Negotiate "Kick-outs" – During the acquisition due diligence process, the CMBS sponsor will provide potential Subordinate CMBS buyers with non-public, asset-level information on the proposed loan collateral for the CMBS trust. As a new issue

Subordinate CMBS buyer, Torchlight has the ability to underwrite each loan and to negotiate for the removal ("kick-out") of lower quality loans from the collateral pool of the trust. This critical tool provides a degree of control over the collateral and the ability to shape the risk profile of the final Subordinate CMBS investment. The ability to negotiate the composition of the collateral pool varies as market demand for Subordinate CMBS ebbs and flows. Torchlight looks to be most active in the Subordinate CMBS market when conditions enhance Torchlight's ability to influence the collateral pool. Torchlight considers the potential to remove lower quality loans from the collateral pool to be important when purchasing CMBS Subordinates and effectively managing risk of the investment.

- Control of Loan Workouts – The most subordinate tranche of the trust is also typically designated the "Controlling Class," and in that capacity has the right to appoint the special servicer to the trust. The special servicer is responsible for determining and executing the workout strategy for defaulted loans in the pool. When Torchlight Funds own the Controlling Class, Torchlight expects to appoint its affiliate Torchlight Loan Services as the special servicer, rather than a third party. This enables Torchlight to receive real time updates and provide direct input over the workout process and recovery strategy.

- Negotiate Governing Terms – Prior to the issuance of the CMBS trust, the Subordinate CMBS buyer has some ability to negotiate certain terms of the Pooling and Servicing Agreement that governs the CMBS trust, such as approval rights, fees, and loan transfer provisions.

Torchlight has been employing these tools for many years as a successful investor in Subordinate CMBS.

Target Fund Return
The Fund is targeting to achieve 10%-12% net IRRs and 1.3x-1.5x net equity multiples.

Target Fund Size
The Manager is seeking to raise $1.5 billion in capital commitments for the fund and there is a $2.25 billion hard cap.

Target Investment Types
The Fund will focus primarily on commercial real estate debt investments.

Target Geographic Focus
Although the Fund may invest up to 15% of committed capital outside the United States, the manager expects to invest 100% diversified across the United States.

Target Deal Size
Consistent with prior funds in the debt series, the Fund will typically make investments in the range of $5–$75 million and expects to make 75 to 125 investments. No more than 15% of the outstanding aggregate capital commitments will be invested in a single investment.

Use of Leverage
The Fund has a maximum allowable leverage of 30% of the Fund assets. Individual invests are not expected to be leveraged greater than 60% loan-to-value.

Recycling of Capital
Reinvestment of capital is permitted during the Investment Period.

Environmental, Social, and Governance Considerations
The Firm has a formal ESG policy. As part of ESG policy, the investment team focuses on sustainability-related issues throughout the investment cycle and across its portfolio. Although Torchlight is mindful of

ESG issues, as an investor that targets predominantly commercial real estate debt investments, the implementation and enforcement of ESG initiatives are typically within the control of the borrower. Torchlight believes that the evaluation of ESG elements can lead to the identification of investment risks as well as opportunities to obtain incremental return for our clients. ESG considerations are incorporated in the day-to-day analysis performed by Torchlight's investment team as part of Torchlight's underwriting and asset management processes. Factors such as environmental, governance, health, safety, human rights and conflict of interests are evaluated during Torchlight's due diligence process. Torchlight believes the consideration of such factors can contribute to cost efficiency and potentially increase profitability of investments.

Torchlight has received a rating of 2 based on NEPC's proprietary ESG Ratings system, where 5 indicates no integration and 1 indicates a best in class approach. The full ESG review is available in **Addendum B**.

Manager's View of Current Market Conditions

Torchlight believes the current market uncertainty will likely yield significant opportunities over the coming quarters. Torchlight will continue to focus on target markets exhibiting strong fundamentals and will look for opportunities that present strong relative value for investors. Torchlight believes that the current dislocation will afford the Fund with opportunities to invest in:

Public Securities

- Secondary Market CMBS: Seasoned bonds with appealing risk/return profiles where liquidity constrained investors may be forced to sell assets quickly at distressed prices
- Freddie Mac Securities: Improved pricing on multifamily backed bonds as participants are forced to the sidelines
- Primary Market CMBS: Investment grade and subordinate CMBS where loan sellers may be motivated to reduce risk on their balance sheets

Private Investments

- Financing Opportunities: Loans on newly constructed underperforming properties or maturing assets with over-levered bridge loans
- Distressed Note Purchases: First mortgages, subordinate mortgages, mezzanine loans, JV equity and preferred equity positions
- Rescue Capital: Recapitalization for companies with distressed balance sheets or have increased liquidity needs

Expected Fund Investor Base

The Firm's investor base is diverse, including public pension plans, corporate pension plans, endowments and foundations, and other investor types.

Example of Prior Investment

Kichler Lighting Distressed Senior Note. Torchlight identified this senior loan through its monitoring of loans through Torchlight Loan Services. The predecessor fund, Fund V, was able to acquire the loan by exercising a par purchase option (acquiring the loan at par from the CMBS trust). Torchlight acquired the distressed note through a par purchase option for $24.6 million ($39 per square foot), a 37% discount to the most recent appraised value of $39.0 million ($62 per square foot).

Torchlight believed that the senior loan on the 100% leased, 630,000 square foot industrial building was unlikely to secure financing to retire the outstanding principal balance prior to the balloon payment when the loan was scheduled to mature on July 1, 2017. Torchlight believed that the opportunity stemmed, in part, from a borrowing entity comprised of 22 unaffiliated individuals (tenant-in-common investors) which would be unable to agree on the business plan to refinance the property.

Torchlight believed it had significant downside protection: In 2016, the property produced a net operating income of $3.1 million, equating to a debt yield of 12.5% and a 1.66x debt-service-coverage ratio. The property was 100% leased; the Cleveland industrial market vacancy was 4.3%. The borrower acquired the property in 2007 for $35.8 million ($57 per square foot) as part of a sale-leaseback with the tenant, which has been in occupancy at the property since 1992. The asset serves as the headquarters of Kichler Lighting, one of the largest residential lighting manufacturers in the U.S. with sales of $393 million and net income of $42 million in 2016.

Torchlight's business plan was to restructure the loan with the existing borrower or foreclose and take title. The loan had a contractual cashflow of $16.4 million over the remaining term of the base lease which reduced Torchlight's basis to $13 per square foot by 2022.

In Q4 2019, the borrower paid off our senior loan in full. Torchlight realized a gross IRR of 12.4% and a gross equity multiple of 1.26x.

Fund Investment Process

Deal Sourcing

Torchlight sources its investments through a variety of channels. Through its 25-year history as a lender and investor in commercial real estate debt, Torchlight has developed long-standing relationships with a broad network within the commercial real estate industry. These include public and private owner-operators of institutional quality real estate; large scale management companies; trading, origination and capital markets desks at major investment and commercial banks; and a wide array of loan sale, investment sale, and debt and equity advisers and intermediaries.

Market participants recognize Torchlight as a firm that can act thoughtfully and quickly and close efficiently. These strengths often provide the Firm with exclusive negotiating opportunities. In addition, Torchlight's recognition as an experienced investor and lender across the commercial real estate capital structure, combined with the activities of its distressed mortgage workout business, may present the firm with non-brokered opportunities that have not been shopped in the broader market.

Roughly 70% to 75% of the private real estate investments made by Torchlight in Funds IV and V were sourced through direct relationships with either owner-operators (new originations) or original portfolio lenders (note acquisitions) which, in many cases, provide repeat opportunities. The balance of the private investments in Funds IV and V were sourced through broker relationships of Torchlight and debt workout relationships of Torchlight Loan Services.

In 2019, Torchlight screened $27.4 billion of potential private transactions, of which $7.5 billion advanced to the review stage of Torchlight's investment process. Of those, Torchlight negotiated and closed on $422 million of private investments. Torchlight evaluates most U.S. CMBS issuance ($97.8 billion was issued in 2019).

Investment Process

Initial Review

The team meets on a weekly basis to review and discuss potential investment opportunities. At the preliminary stage, a proposed investment package is received from the seller or borrower and usually includes a transaction description, asset summaries and an electronic data file. This information is analyzed using Torchlight's proprietary research and underwriting. A potential investment's impact on portfolio diversification and its correlation with the portfolio's existing return and volatility is also considered. If the potential transaction meets the risk/return objectives of the Fund, the due diligence process begins.

Full Due Diligence and Deal Structuring

Torchlight conducts detailed due diligence that includes:

- Real Estate Level Review – Torchlight's fundamental real estate analysis involves submarket research, site inspections, rent roll reviews, operating statement analysis, borrower or key principal credit analysis, review of third-party reports, including appraisals, engineering reports, and environmental reports, and other idiosyncratic underwriting processes as determined on an asset-by-asset basis.

- Analysis of the Investment Structure – Concurrent with an underlying collateral review, Torchlight analyzes the related investment structure and credit enhancement (if any). The transaction is modeled so that cash flows scenarios can be evaluated at the property-level and, when evaluating securities, at the deal-level. Loan-level and (in the case of securities) tranche-level cash flow projections are generated on which to base a pricing analysis of the proposed investment.

- Sensitivity and Stress Analysis – Torchlight's investment model is then used to generate various scenario analyses that stress underlying property metrics and the economic environment. Torchlight models a minimum of three scenarios: a downside case (i.e., a recession scenario with higher vacancy, lower rents and higher cap rates), an upside case, and the base case, which reflects Torchlight's opinion of the expected performance of individual properties and mortgages under stable conditions, and the resulting loss-adjusted return from the related investment.

- Legal Analysis – Torchlight reviews pertinent legal documents with counsel to ensure the targeted transaction's framework is sound and provides adequate investor protections and control rights. In particular, Torchlight reviews representations and warranties from the seller or borrower, remedies for breaches of representations and warranties by the seller or borrower and procedures for special servicing of defaulted mortgage loans.

Investment Committee Approval

The Investment Committee meets weekly. The Firm's Investment Committee consists of five members who vote by majority:

- Samuel Chang, Partner – Investment Management
- Greg Dineen, Chief Credit Officer
- Daniel Heflin, Partner – Chief Executive Officer, Co-Investment Officer
- Gianluca "Luca" Montalti, Partner – Asset Manager
- Marc Young – Partner, Co-Investment Officer

Please see **Addendum A** for the biographies of the key professionals.

Exit

Each proposed investment is first considered on a hold to maturity basis. Torchlight must be comfortable with holding a debt investment to maturity even if the expected strategy is to sell the investment before maturity.

The exit strategies that Torchlight will employ for the Fund investments will largely depend on the market conditions surrounding the Fund's investments. Torchlight will evaluate relevant market data such as market spreads, liquidity, real estate debt market conditions, and other financial and economic factors, in order to maximize returns. The primary exit strategies that Torchlight will likely consider include:

- Sell after seasoning: Under this strategy, the Fund would retain select investments for a period of time during which the Fund would receive current income while its investments and/or the underlying collateral would stabilize or improve, thereby increasing the credit enhancement and/or reducing the associated risk premium. A sale would be considered as the investment stabilizes and/or as market conditions improve.

- Recapitalization/Resecuritization: This approach utilizes a financing vehicle as an exit strategy for the Fund. Some or all of the Fund's investments would be financed (e.g., recapitalized) and the net proceeds would be distributed to the Fund. Whether the Fund would be able to successfully employ this strategy would largely depend on (a) the debt and capital market conditions at the particular time, (b) developments in rating agency approaches, and (c) the credit performance of the Fund's investments. This strategy could be employed one or more times with respect to portions in the Fund's portfolio.

- Hold-to-maturity: Under this scenario, all or a portion of the Fund's debt investments would be held until their respective maturities.

- Portfolio sale: In certain market environments, the potential may exist to sell all or a portion of the Fund's entire portfolio at an attractive valuation to a large strategic buyer that is interested in entering the market or seeking additional exposure to the asset class.

Value Creation

Portfolio assets are monitored on an ongoing basis and are re-evaluated at least quarterly to identify any material changes. Torchlight's ongoing fundamental credit surveillance tracks and analyzes factors that are critical to the investment's expected performance. These may include reviews of market analysis, site inspections, rent roll reviews, operating statement analysis, borrower or key principal credit analysis, review of third-party reports, including appraisals, engineering reports, environmental reports and other underwriting processes.

In this process, Torchlight may also evaluate relevant market data such as market spreads, liquidity, real estate debt market conditions, and other financial and economic factors, in order to maximize returns on Fund investments. Additional analysis on suitable replacement investments will be performed concurrently with this process. This data and analysis drive the decision to hold or sell an investment.

Assets that are meeting or exceeding Torchlight's expectations may be positioned for disposition.

Assets that are considered to have the potential to underperform are evaluated closely by the asset management team. Torchlight evaluates the credit of the underlying real estate assets, cashflow implications affecting the yield, the payback period, and recovery potential. For private real estate assets, Torchlight may work with the borrowers or property managers to consider alternative business plans which may include repositioning, debt restructuring or in some case, foreclosure.

Following a full analysis of the position and alternatives, if the projected deterioration causes the position to fail to meet the requirements of the Fund, Torchlight will look to sell the position. If a determination is made that an investment needs to be sold, the most common method of sale is to ask multiple broker/dealers to simultaneously bid on the asset. Once all bids are received, portfolio managers review the highest bids to see if they meet the Fund's target sale level. Dispositions of private real estate and CMBS disposition strategies are presented to the Investment Committee for approval.

Risk Mitigation

Each investment undergoes extensive due diligence prior to acquisition. When originating commercial real estate loans, Torchlight negotiates appropriate oversight and rights to approve important decisions, as well as rights and remedies that enable Torchlight to force change of management or obtain control of the property in the event that the borrower violates loan covenants. Safeguards may range from covenants to meet minimum performance thresholds to personal recourse against individuals for specific acts of the borrower. Common covenants include minimum debt-service-coverage ratios, minimum debt yields, minimum net operating incomes and minimum occupancy. These tools serve the additional purpose of easing the path to obtaining title should such action prove necessary.

Torchlight focuses on investments with embedded risk-mitigators such as high cash flows, favorable credit enhancement (either structurally or through the collateral's positioning), effective control rights, other investor protections and optionality.

The Manager seeks to blend investments with varying degrees of risk and return in order to meet the risk-reward objectives of the Fund.

Fund Economics

Management Fee
The Fund's standard marketed annual management fee is 150 basis points, charged on committed capital during the investment period and on invested capital thereafter. Fee discounts may be available to investors based on commitment amount or other considerations.

Distribution Waterfall
The distribution waterfall is calculated on a portfolio basis (i.e., European style).

1. First, 100% to the limited partners until they have received distributions equal to their capital contributions.

2. Second, 100% to the limited partners until they receive an 8% cumulative compounded annual preferred return on their capital contributions.

3. Third, 50% to the limited partners and 50% to the General Partner until the General Partner has received 20% of the non-return-of-capital distributions.

4. Thereafter, 80% to the limited partners and 20% to the General Partner.

Other Fees and Expenses
The Fund will bear all legal, organizational and offering expenses up to $2.25 million. The Fund may utilize the services of its affiliate, Torchlight Loan Service, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.

Sponsor's Investment
Torchlight will invest 1% of the committed capital up to $10 million.

Fund Administration, Structure and Policies

Firm Office Locations
Torchlight Investors is located at 280 Park Avenue, New York, NY 10017.

Fund Structure
The Fund will be structured as a Delaware Limited Partnership.

ERISA Provisions
The Fund intends to avoid being considered to hold plan assets for the purpose of ERISA. Torchlight is a Qualified Professional Asset Manager (QPAM) under ERISA (although, Torchlight does not manage plan assets at the present time).

UBTI Considerations
The General Partner anticipates that it will make investments that may generate UBTI. Tax-exempt investors may invest through a feeder fund that is expected to block most UBTI.

Labor Policy
The Firm does not have a labor policy.

Key Person Provision
In the event that there are not at least three Approved Executive Officers, one of whom must be either Daniel Heflin or Marc Young (or an approved successor), involved in the management of the Partnership on a day to day basis, for any reason (including the sustained illness, disability or termination of employment of a Key Executive Officer on a full-time basis) the Fund shall cease to make any new investments other than Pending Investments and Follow-on Investments.

If the General Partner has proposed a substitute individual or individuals to the Advisory Committee within 90 days, and the Advisory Committee has approved such substitution within 90 days of such proposal, the Commitment Period will be resumed.

GP Removal Provisions
The General Partner may be removed (a) without cause by the affirmative consent of 75% in interest of the Limited Partners at any time, provided that a substitute General Partner has been approved by a 75% in interest of the Limited Partners; and (b) with cause by the affirmative consent of a majority vote of the Limited Partners.

LP Advisory Committee
The Manager shall establish an Advisory Committee consisting of no more than nine full voting members and no less than five.

Valuation Policy
The Torchlight valuation policy is in accordance with FASB requirements. The Fund holdings are valued in accordance with FASB and audited annually by PricewaterhouseCoopers LLP in conjunction with the annual fund audit.

In general, valuations are based on best available information, including, in order of priority, most recent market prices, third-party valuations (e.g., appraisals or quotations from dealers) in the absence of recent market transactions, and recent sales on comparable assets in the absence of third-party valuations.

Current Litigation
Torchlight reports no significant litigation pending. The only legal proceedings affecting Torchlight and its affiliates are those typically associated with managing a large portfolio of real estate. Richard Metsch is the Chief Compliance Officer. Corporate legal services are provided externally by Shearman & Sterling LLP.

Neither the Firm nor the General Partner have ever been charged or convicted of a felony crime, including fraud by the SEC or any other regulatory agency.

Addendum A: Key Fund Professionals

Detailed Biographies – Investment Team

Employee Bios		
Name		
Brian Arment	Brian is a Senior Vice President in the asset management and credit group. He has 20 years of professional experience. Prior to Torchlight, Brian worked at Allgemeine HypothekenBank Rheinboden AG, Hypo Real Estate and Robertson Stephens.	
	Education	Brian holds a BA from the University of Massachusetts.
Scott Barsky	Scott is a Vice President in the investor relations group. He has 11 years of professional experience. Prior to Torchlight, Scott worked at Bank of America Merrill Lynch.	
	Education	Scott holds a BA from the University of Virginia.
Gregory Breskin	Greg is a Senior Vice President in the investment management group. He has 32 years of professional experience. Prior to Torchlight, Greg worked at Ossipee Capital, WestRiver Capital Management, Brookfield Asset Management, Ocwen Financial Corporation and John Alden Life Insurance Corporation.	
	Education	Greg holds an MBA from the University of Miami and a BA from the University of Richmond.
Michael Butz	Mike is a Partner in the investment management group and a member of the Operating Committee. He has 25 years of professional experience. Prior to Torchlight, Mike worked at Hypo Real Estate, Morgan Stanley and Nomura Securities.	
	Education	Mike holds a BS from Lehigh University.
Samuel Chang	Sam is a Partner in the investment management group as well as a member of the Investment and Operating Committees. He has 21 years of professional experience.	
	Education	Sam holds a BS from Columbia University.
Robert Del Monaco	Bob is a Senior Vice President and the Chief Financial Officer of Funds. He has 20 years of professional experience. Prior to Torchlight, Bob worked at Czech Asset Management, FrontPoint Partners, Archeus Capital Management, GlobeOp Financial Services and Long-term Capital Management. Bob is a Certified Public Accountant in the State of New Hampshire.	
	Education	Bob holds an MS from Baruch College – City University of New York and a BS from Sacred Heart University.
Irina Devane	Irina is a Senior Vice President in the financial control group. She has 14 years of professional experience. Prior to Torchlight, Irina worked at Ride Safely.	
	Education	Irina holds a BA from Touro College.
Greg Dineen	Greg is the Chief Credit Officer in the asset management and credit group and a member of the Investment Committee. He has 17 years of professional experience. Prior to Torchlight, Greg worked at B2R Finance, Guggenheim Partners and Credit Suisse.	
	Education	Greg holds a BS from Villanova University.
Felipe Dorregaray	Felipe is a Partner and Chief Operating Officer as well as a member of the Operating Committee. He has 23 years of professional experience. Prior to Torchlight, Felipe worked at The Carlyle Group / Metropolitan Real Estate Equity Management, LLC, ABN AMRO, Inc., and Salomon Smith Barney, Inc.	
	Education	Felipe holds an MBA from the American University and a BS from the University of Miami.

Employee Bios

Name		
Bradley Erlich	Brad is a Vice President in the asset management and credit group. He has 12 years of professional experience. Prior to Torchlight, Brad worked at Bear Stearns.	
	Education	Brad holds a BA from the University of Pennsylvania.
Wayne Gavioli	Wayne is a Senior Vice President in the investment management group. He has 11 years of professional experience.	
	Education	Wayne is a CFA Charterholder and holds an AB from Harvard University.
Daniel Greenholtz	Dan is a Vice President in the asset management and credit group. He has 15 years of professional experience. Prior to Torchlight, Daniel worked at CWCapital and SNS Property Finance.	
	Education	Daniel holds a BA from University of Maryland.
Daniel Heflin	Dan is a Partner, Chief Executive Officer and a co-Chief Investment Officer as well as a member of the Investment and Operating Committees. Dan was the Founder of Torchlight and has 32 years of professional experience. Prior to Torchlight, Dan worked at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen LLP. Dan is a Certified Public Accountant in the State of New York.	
	Education	Dan holds an MS from the London School of Economics and Political Science and a BA from Texas Christian University.
Angela Johnson	Angela Johnson is a Senior Vice President in the investor relations group. She has 14 years of professional experience. Prior to Torchlight, Angela worked at KKR, Partners Group, RLJ Development (RLJ Lodging Trust) and Merrill Lynch.	
	Education	Angela holds an MBA from Harvard Business School and a BBA from the University of Texas at Austin.
Heidi Kaufman	Heidi is a Senior Vice President in the investor relations group. She has 15 years of professional experience. Prior to Torchlight, Heidi worked at H/2 Capital Partners and Hypo Real Estate	
	Education	Heidi holds a BS from Saint Thomas Aquinas College.
Robert Kopchains	Bob is a Partner in the investor relations group as well as a member of the Operating Committee. Bob has 28 years of professional experience, including 21 in the financial services industry. Prior to Torchlight, Bob worked at American Express TRS Company.	
	Education	Bob holds an MBA from New York University and a BA from Middlebury College.
Abbey Kosakowski	Abbey is a Senior Vice President in the acquisitions group. She has 24 years of professional experience. Prior to Torchlight, Abbey worked at JPMorgan, Lehman Brothers and as a practicing attorney.	
	Education	Abbey holds a JD and BS from the University of Florida.
Daniel Lockwood	Daniel is a Senior Vice President in the investment management group. He has 20 years of professional experience. Prior to Torchlight, Daniel worked at World Class Capital Group, Guggenheim Partners, Zurich Alternative Management, and Credit Suisse.	
	Education	Daniel holds a BA from Pennsylvania State University.
Gianluca Montalti	Luca is a Partner in the asset management and credit group as well as a member of the Investment and Operating Committees. He has 22 years of professional experience. Prior to Torchlight, Luca worked at Investcorp International, Greenstreet Real Estate Partners and LaSalle Investment Management.	
	Education	Luca holds an MBA from the University of Chicago and a BBA from the University of Michigan.

Employee Bios		
Name		
John Pittenger	John is a Vice President in the asset management and credit group. He has 13 years of professional experience. Prior to Torchlight, John worked at BlackRock.	
	Education	John holds an MBA from Rutgers University and a BA from Franklin & Marshall College.
Michael Romo	Mike is a Partner in the investor relations group as well as a member of the Operating Committee. He has 24 years of professional experience. Prior to Torchlight, Mike worked at Hawkeye Partners and Giuliani Partners.	
	Education	Mike holds a BBA from Southern Methodist University.
Brian Sedwitz	Brian is a Vice President in the investment management and acquisitions group. He has 10 years of professional experience. Prior to Torchlight, Brian worked at K2 Advisors and Fannie Mae.	
	Education	Brian is a CFA Charterholder and holds a BS from Georgetown University.
Jonathan Stein	Jon is a Senior Vice President in the investment management and acquisitions group. He has over 15 years of professional experience. Prior to Torchlight, Jon worked at Allegiant Real Estate Capital, Realty Finance Trust, Brookfield Asset Management and Credit Suisse.	
	Education	Jon holds an MBA from Columbia Business School, a JD from Georgetown University and a BA from Harvard University.
Marc Young	Marc is a Partner, a co-Chief Investment Officer as well as a member of the Investment and Operating Committees. He has 26 years of professional experience. Prior to Torchlight, Marc worked at CWCapital and AIG Global Investments.	
	Education	Marc holds an MBA from Temple University and a BS from Pennsylvania State University.
Jennifer Yuen	Jen is a Partner in the investor relations group. She has 21 years of professional experience as well as a member of the Operating Committee. Prior to Torchlight, Jen worked at Credit Suisse and Deutsche Bank.	
	Education	Jen holds an MBA and a BS from New York University.

Addendum B: ESG Rating

RATING OUTPUT

General Fund Information	
Firm	Torchlight Investors, LLC
Fund	Torchlight Debt Opportunity VI, LP
Strategy-Type	Real estate debt
Firm AUM	$3.1 billion
Strategy AUM	$3.1 billion
Portfolio Managers	Daniel Heflin and Marc Young

ESG Rating
ESG 2

Analyst Opinion
Torchlight has a formal ESG Policy, which is used throughout its investment process. Torchlight believes that responsible stewardship of an investment includes the advancement of ESG principles where consistent with the underlying investment objective. In addition to good corporate citizenship, Torchlight believes that the evaluation of ESG elements can lead to the identification of investment risks as well as opportunities to obtain incremental return for its clients.

Evaluation Criteria and Commentary	
Firm-Level	
Firm-Level Commitment	Torchlight supports community organizations that help to foster educational and professional opportunities for underrepresented individuals, including: PREA Foundation, Toigo Foundation, Coalition for the Homeless, College Education treks, and Breakthrough New York.
Resources	The Firm does not dedicate a single person to ESG oversight.
Engagement Policies	Torchlight integrates its ESG review throughout the investment process from acquisition through disposition.
Strategy-Level	
Overview	Torchlight believes that ESG considerations are important. However, the Firm does not pass on deals because of weak ESG policies of a borrower or weak implementation at the asset level.
Integration Process	ESG considerations are incorporated in the day-to-day analysis performed by Torchlight's investment team as part of Torchlight's underwriting and asset management processes. Factors such as environmental, governance, health, safety, human rights and conflict of interests are evaluated during Torchlight's due diligence process. .
Resources	Torchlight does not have any dedicated resources. However, all professionals are responsible for following the Firm's ESG guidelines.

ESG Ratings are on a scale of 1 through 5, with 1 indicating a best in class approach and 5 indicating no integration.

Disclaimers and Disclosures

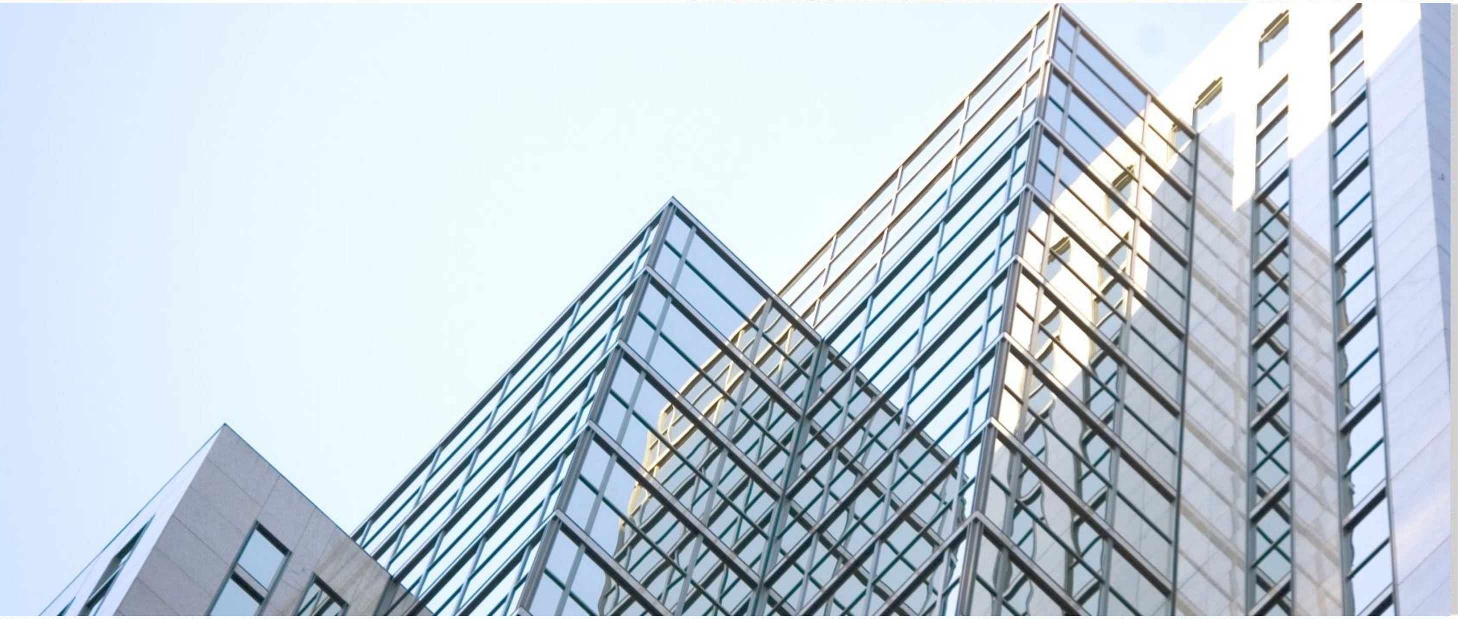
- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

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
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

Torchlight Investors

August 2020



Disclaimer

The information contained within is intended for one-on-one discussion purposes only, is subject to clarification during such discussion, and may not be relied upon for any other purpose. The information contained herein is confidential.

This is not an offer to sell or a solicitation to buy any security, investment product or any advisory service, nor do these materials constitute investment advice. Investments in our sponsored funds are offered pursuant offering memoranda that are available from us upon request. Those documents contain important information about a fund's investment risks, fees and expenses and should be reviewed carefully in connection with any decision to invest. Any reproduction or use of this information in whole or in part, is prohibited other than with prior written approval of Torchlight Investors, LLC ("Torchlight Investors" or "Torchlight").

Nothing contained herein shall be relied upon as a representation as to future performance. The information set forth herein includes estimates, projections and significant elements of subjective judgment and analysis which Torchlight believed to be reasonable when made. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such estimates or projections will be realized. Information presented herein is based in part on information obtained from third parties that Torchlight has not independently verified.

Performance of specific assets is presented on a gross basis without taking into account the effect of fund-level management and incentive fees, or other fund-level expenses. Had such other expenses been included, the indicated returns would be lower. Additional information on fees are described in Torchlight's Form ADV and in the offering documents of the fund. Case studies are summary in nature and do not necessarily include all material details.

Fund-level IRRs and equity multiples are net of fees and expenses; investor-level returns may vary, depending on timing of subscription and potential taxes specific to the investor. Fund-level IRR and equity multiple calculations include capital contributions from non-fee-paying investors (GP and affiliates); these contributions account for less than 1% of committed capital and do not materially affect the Fund's reported net returns. Actual returns of investors may be materially lower than those projected depending upon the extent and manner in which actual market, economic and asset specific conditions vary from Torchlight assumptions. Projections involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Projections are inherently subjective and may be based on information that has been obtained from third-party sources and has not been verified by Torchlight. There can be no assurance that the projected performance will ultimately be achieved by the Torchlight funds or specific assets.

Each fund described herein is or was managed as a separate portfolio with its own investments, objectives, policies and risks. Accordingly, performance of the funds described herein may not be an appropriate source of comparison for other Torchlight Funds. Additional information related to the methodology used herein, or the specific positions in the portfolio, will be provided upon request. The earlier funds in the Debt Fund series were named "Torchlight Debt Opportunity Fund" and are referred as "Torchlight Debt Funds" for consistency.

Disclaimer

Certain information discussed in this presentation, including references to estimated investment returns, constitutes forward-looking statements within the meaning of U.S. federal securities law. Although Torchlight believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Among other matters, Torchlight has made various assumptions regarding interest rates, market cycles, default rates, commercial real estate fundamentals and correlations among them. Forward-looking information is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those predicted. In particular, no assurance can be offered that any estimated investment return expectation will be achieved or that any referenced investment strategy will be implemented successfully. This presentation is intended to be viewed solely by a sophisticated investor who has, or together with the investor's professional adviser, has significant experience in real estate-related assets. Any person reviewing this presentation is encouraged to discuss the limitations of this presentation, especially those relating to Torchlight's assumptions and relevant risks and uncertainties, both with Torchlight's representatives and any professional advisers retained by the reviewer.

Torchlight undertakes no obligation to update these materials.

Scenario Assumptions

The Torchlight Base Case and Downside scenarios are based upon assumptions and analysis regarding future events and conditions as described below. The Base Case makes assumptions about the timing and nature of the economic recovery from the COVID-19 pandemic and assumes the economic environment, credit markets and real estate fundamentals are relatively stable following recovery. The Downside scenario is not intended as a worst-case scenario but rather is based on projections, estimates and assumptions that are less favorable than Torchlight's Base Case assumptions, including assumptions related to the economic recovery from the COVID-19 pandemic. Actual performance can be lower than the Downside scenario.

The market values of publicly traded securities are based on information from one or more of the following sources: quotations from dealers, third party pricing services and market transactions of comparable securities. The market values of private assets are based on a methodology which uses comparable market data specific to the underlying loans and properties such as market capitalization rates, market rents, vacancy levels, etc. To the extent an asset is illiquid or otherwise difficult to value, we may apply our judgment and in reaching a valuation. Such values may differ from the values that would have been determined had a broader market for the assets existed and the differences could be material. This is particularly true in light of the uncertainties surrounding the COVID-19 pandemic.

Projections are based upon certain assumptions and analysis regarding future spreads, default rates, interest rates, market trends and industry trends, as well as factors relating to specific assets, such as an individual property's most recent operating statements and lease rollover information. Reviews of individual assets are used to adjust baseline assumptions made by Torchlight regarding cap rates, rental rates and vacancy rates among different property types. In the analysis Torchlight may consider the likelihood and severity of mortgage default, extensions of maturity and future investment activity.

The targeted return for Torchlight Debt Fund VII does not represent a projection of the returns that will be achieved by investors in Fund VII. Rather, it represents the returns that Torchlight believes can be achieved under Torchlight's Base Case scenario in light of the Fund's investment strategy.

TORCHLIGHT INVESTORS

Presenter Biographies

Daniel Heflin

Partner, Chief Executive Officer, Co-Chief Investment Officer

Daniel Heflin is the Chief Executive Officer and Co-Chief Investment Officer of Torchlight Investors. He is a member of the Investment and Operating Committees of the firm. In 1995, Mr. Heflin founded Torchlight Investors, an independent SEC-registered investment advisor. Under Mr. Heflin's management, Torchlight has acquired over $23 billion in commercial real estate investments and currently manages over $2.8 billion in capital. Torchlight has sponsored ten investment funds for institutional clients in opportunistic, value-add and hedge fund strategies for institutional investors, including public and corporate pension funds, endowments and foundations, and sovereign wealth funds. Mr. Heflin's professional career includes over 33 years of fixed income and real estate experience. Prior to Torchlight, Mr. Heflin held positions at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen LLP. While with Arthur Andersen, Mr. Heflin received his Certified Public Accountant license in the State of New York. He holds an MS from the London School of Economics and Political Science and a BBA from Texas Christian University.

Angela Johnson

Senior Vice President

Angela Johnson is a Senior Vice President at Torchlight Investors. Prior to Torchlight, Ms. Johnson worked at KKR as a real estate product specialist and was responsible for global capital raising activities. Prior to that, Ms. Johnson was with Partners Group in its investment solutions group where she was a real estate and private infrastructure specialist responsible for capital raising, client relationships and transaction sourcing. Ms. Johnson also worked at RLJ Development (now RLJ Lodging Trust) in the investment analysis and portfolio management division. She worked at Merrill Lynch in both the global principal investments group and the investment banking division's financial institutions group. Ms. Johnson holds an MBA from Harvard Business School and a BBA from the University of Texas at Austin. She is a Robert Toigo Foundation fellow and member of the Toigo Alumni Endowment Advisory Board and the McCombs BBA Advisory Board at the University of Texas at Austin.

TORCHLIGHT INVESTORS

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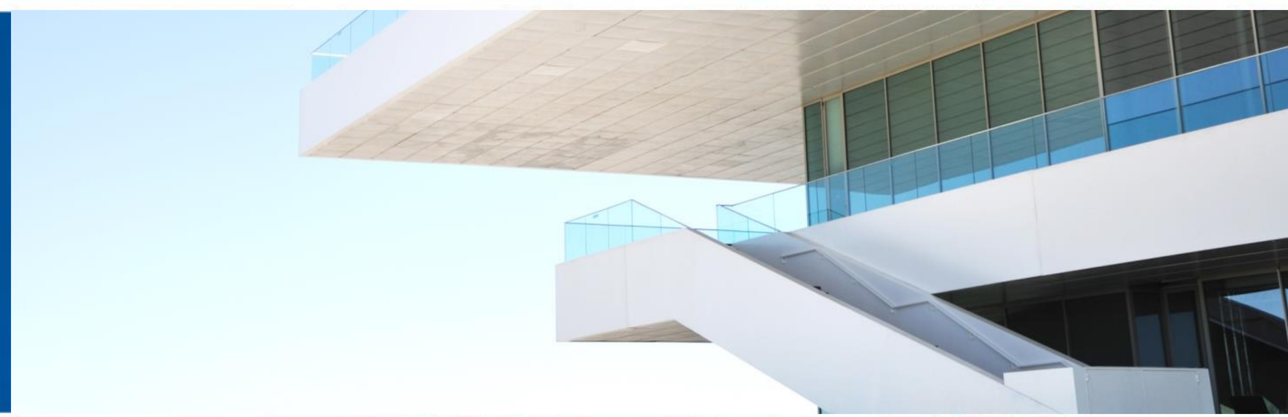


Unless otherwise noted, all information is as of the date of this presentation and the source of information is Torchlight Investors.

Date of presentation: 8/12/20

TORCHLIGHT INVESTORS

Torchlight Investors Overview

Section I

TORCHLIGHT INVESTORS

Firm Overview

Firm

1995:	Company is founded
1998:	Special Servicing platform is formed
2002:	ING purchases 40% of Torchlight
2010:	Management buys back ING stake
Present:	Torchlight is 100% employee owned

- $2.8 billion in assets under management

- Investment Types
  - Mortgages and mezzanine loans
  - Preferred equity
  - Equity
  - CMBS

- Distressed Debt Workout
  - Workout of 696 loans since inception with a total par amount of $10.9 billion
  - Management of 230 properties since inception totaling $2.3 billion of real estate equity

Torchlight Representative Investor List

Arkansas Teacher Retirement System
CenturyLink Investment Management Company
Clal Insurance Company
Contra Costa County Employees' Retirement Association
Employees' Retirement System of the State of Hawaii
Employees' Retirement System of Texas
Houston Firefighters' Relief and Retirement Fund
Illinois Municipal Retirement Fund
Laborers' Pension Fund of Chicago
Los Angeles Water and Power Employees' Retirement Plan
MoDOT and Patrol Employees' Retirement System
Nebraska Investment Council
New York City Retirement Systems
San Diego City Employees' Retirement System
State of Wisconsin Investment Board
Sutter Health
Texas Municipal Retirement System
Texas Treasury Safekeeping Trust Company
United Food and Commercial Workers International Union
Utah Retirement Systems
West Virginia Investment Management Board

The information above is as of 3/31/20.
The investors above were included in this list because they have recently invested in Torchlight sponsored funds and permit Torchlight to disclose their names. It is not known whether the investors listed above approve or disapprove of the advisory services provided by Torchlight Investors. Less than 0.5% of Torchlight is owned by a former colleague.

Firm Organization

Torchlight Senior Team
Average Experience: 21 Years

Investment Professionals

Daniel Heflin*+
CEO, Co-CIO
London School of Economics (MS)
Texas Christian University (BBA)

Marc Young*+
Co-CIO
Temple University (MBA)
Penn State University (BS)

Michael Butz+
Investment Management
Lehigh University (BS)

Samuel Chang*+
Investment Management
Columbia University (BS)

Gregory Dineen*+
Chief Credit Officer
Villanova University (BS)

Wayne Gavioli
Investment Management
Harvard University (AB)

Gianluca Montalti*+
Asset Management
University of Chicago (MBA)
University of Michigan (BBA)

Financial Control and Investor Relations

Felipe Dorregaray+
Chief Operating Officer
The American University (MBA)
University of Miami (BS)

Angela Johnson
Investor Relations
Harvard University (MBA)
University of Texas (BBA)

Robert Kopchains+
Investor Relations
New York University (MBA)
Middlebury College (BA)

Michael Romo+
Investor Relations
Southern Methodist University (BBA)

Jennifer Yuen+
Investor Relations
New York University (MBA)
New York University (BS)

Torchlight Organization

Investment Management
- Acquisitions
- Deal Structuring
- Portfolio Management
- Risk Management

Asset Management & Credit
- Credit Underwriting
- Business Plan Execution
- Loan Workout
- Management of Real Estate Equity

Financial Control
- Accounting
- Human Resources
- Compliance
- Operations

Investor Relations
- Relationship Management
- Client Reporting
- Business Development
- Marketing

* Indicates Investment Committee, + Indicates Partner

TORCHLIGHT INVESTORS

Torchlight Investment Expertise

Private Markets	Public Markets
Senior Loans	Investment Grade CMBS
Mezzanine Loans / Preferred Equity	Subordinate CMBS
Participating Debt / JV Equity / Equity	Freddie Mac K-Series

Diversification Across Major Property Types

Multifamily

Office

Industrial

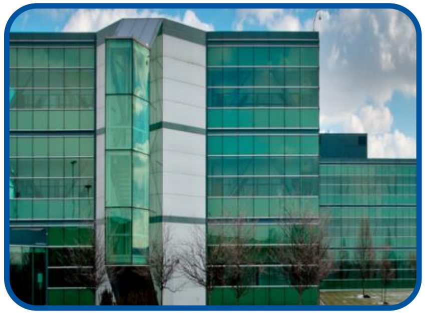
Retail

Hospitality

TORCHLIGHT INVESTORS

Torchlight Investment Strategy

Torchlight executes a U.S. value-add strategy focused on four key principles



Sourcing Advantage

- Networks developed over two decades
- Special servicer relationships

High Current Income

- Target income producing assets
- Target high cash-on-cash yield

Downside Mitigation

- Attractive basis
- Defensive structuring
- Prudent leverage

Upside Optionality

- Minimum multiple
- Opportunistic exit strategies
- Upside participation

Torchlight Investors Experience

Torchlight is one of the few commercial real estate managers with a track record of investing in both public and private debt across the capital stack

Cycle Tested	**25 Years** Investing in Commercial Real Estate	**11** Institutional Investment Funds Launched	**$19 Billion** Invested in Institutional Funds
Investment Expertise	**25 Years** Average IC Professional Experience	**15 Years** Average IC Tenure at Torchlight	**350+** Investment Transactions In the Debt Fund Series
Differentiated Downside Risk Mitigation	**22 Years** Workout Experience	**25%** Average Debt Fund Series Fund Level Leverage	**6.8%** Debt Fund Series Net Income Return

As of: 3/31/20

Average Debt Fund Series fund level leverage is calculated as a simple average across Debt Fund I-VI. Fund level leverage includes borrowing on subscription facilities and repurchase agreements. Additional information on the methodology used is available upon request.

TORCHLIGHT INVESTORS

Torchlight Positioning

Torchlight pursued more defensive investments as the cycle lengthened

Observation		Approach		Execution
Market participants taking more risk	→	Target stabilized assets	→	**71%** Of investments were in senior loans and IG CMBS since January 2019
Constrained multifamily supply	→	Target cash flowing multifamily	→	**82%** Of direct investments were in multifamily since January 2018
Oversupply of hotels and rise of e-commerce	→	Avoid hotel and retail	→	**2016, 2017** Last direct hotel and retail investment
Increasing number of buyers of subordinate CMBS	→	Avoid subordinate CMBS deals	→	**2018** Last new-issue subordinate CMBS investment

As of: 3/31/20

TORCHLIGHT INVESTORS

Commercial Real Estate Markets

Section II

COVID-19 Economic Implications

Since March, COVID-19 has infected more than 15 million people worldwide, bringing economic uncertainty

U.S. Economic Impact (as of April 30, 2020)	
Reduced air travel and tourism	**26%** Hotel Occupancy
Financial market volatility	**82.7** CBOE Volatility Index Hits All Time High on March 16th
Forced shutdown of non-essential businesses	**46** States Closed Non-Essential Businesses
Supply/demand imbalance in energy	**-$40.32** Price per Barrel of WTI Crude Oil Futures Hits All Time Low on April 20th
Historic highs in unemployment	**14.7%** U.S. Unemployment Rate

Source: Smith Travel Research, CBOE, West Texas Intermediate, Department of Labor
The price per Barrel of WTI Crude Oil futures reflects an intra day price

Looking Forward

The shape of the U.S. recovery will largely be determined by the length of the health crisis and government actions

Market Factors
(COVID-19 Pandemic Recovery)

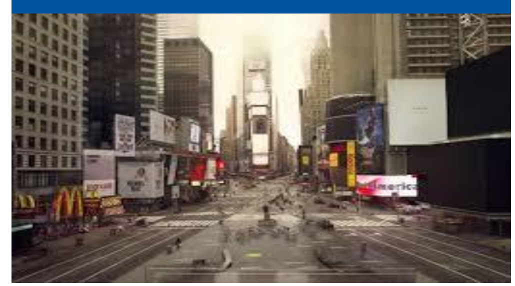
Potential Second Wave of COVID-19 Spread

Additional Stimulus

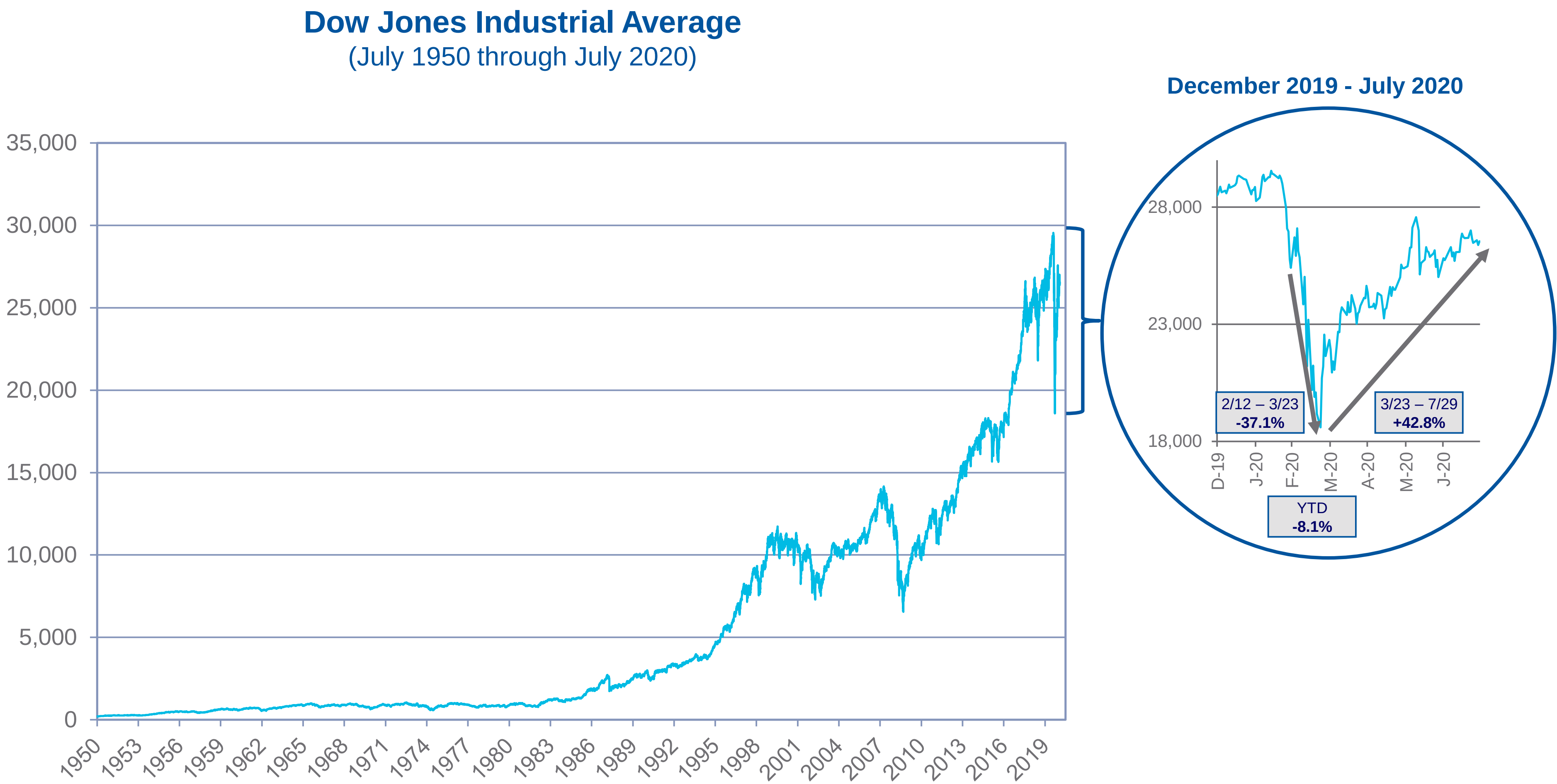
U.S. Elections

Structural Unemployment & Social Unrest

Behavioral Change



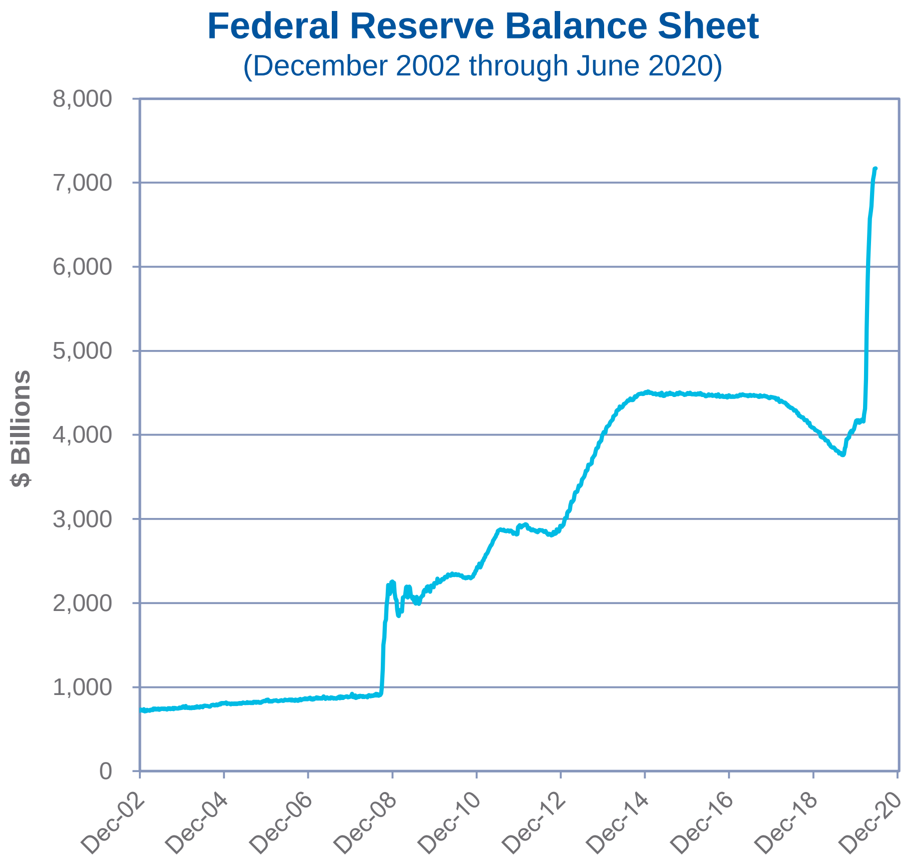
Equity Markets

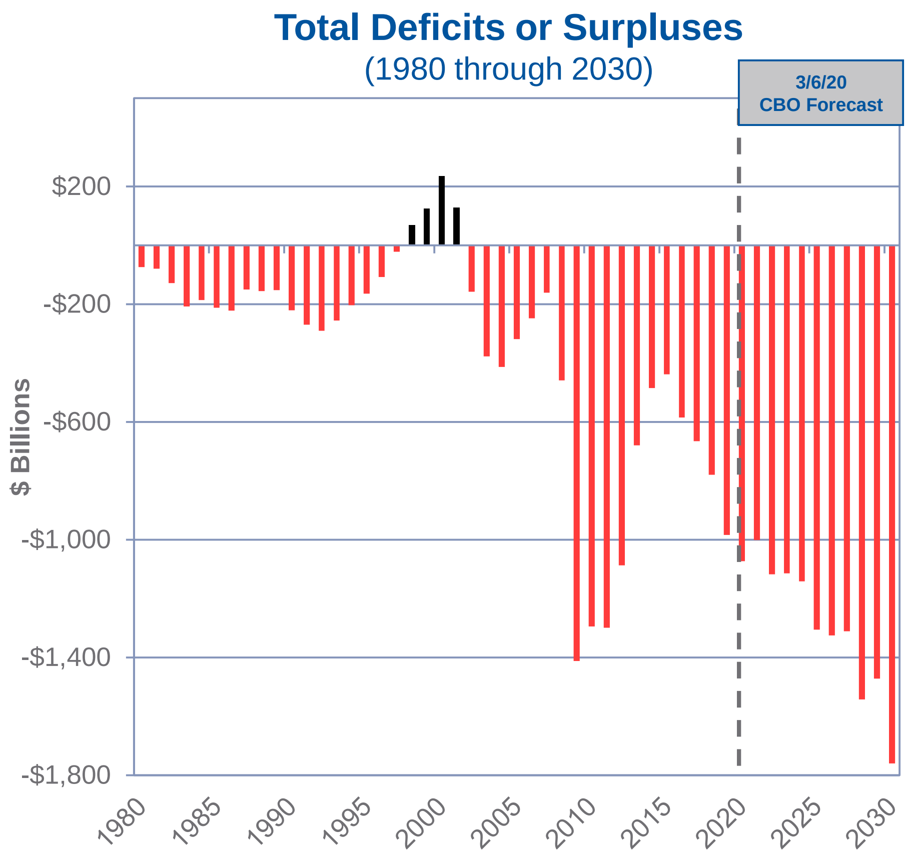


As of 7/29/20
Historical data is not adjusted for inflation.
Source: S&P Dow Jones Indices

Government Response

To date, the U.S. government has authorized $3.1 trillion of stimulus spending to combat COVID-19; $1.2 trillion more than the 2008 stimulus





Source: Federal Reserve Bank of St. Louis
Congressional Budget Office

A Dovish Fed

Torchlight believes the Federal Reserve's policy will continue to be dovish

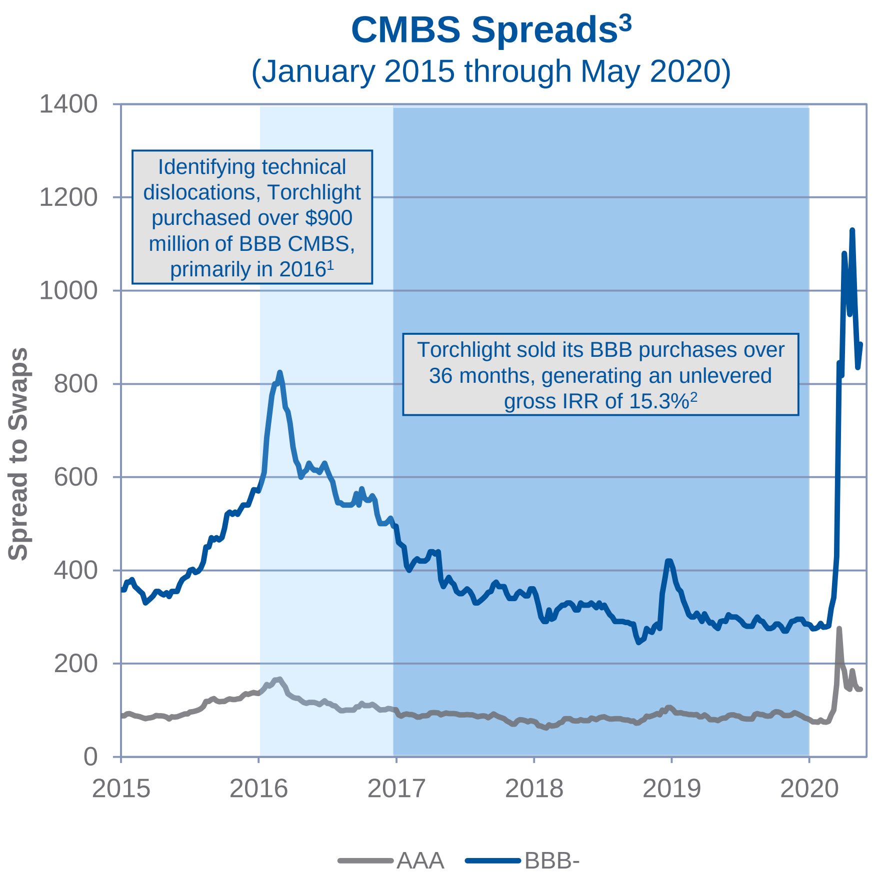
Date	Projected Short-Term Rate Hikes		What happened?		Actual Short-Term Rate Hike
June 2013	4	→	Taper Tantrum	→	1 (25 bp)
December 2015	4	→	Oil prices fell: $104 to $26 July 2014 → February 2016	→	1 (25 bp)
June 2016	4	→	Brexit	→	1 (25 bp)
September 2018	3	→	Growth Concerns	→	1 (25 bp)
December 2018	0	→	Trade War	→	-3 (-75 bp)
December 2019	0	→	Pandemic	→	-2 (-150 bp)

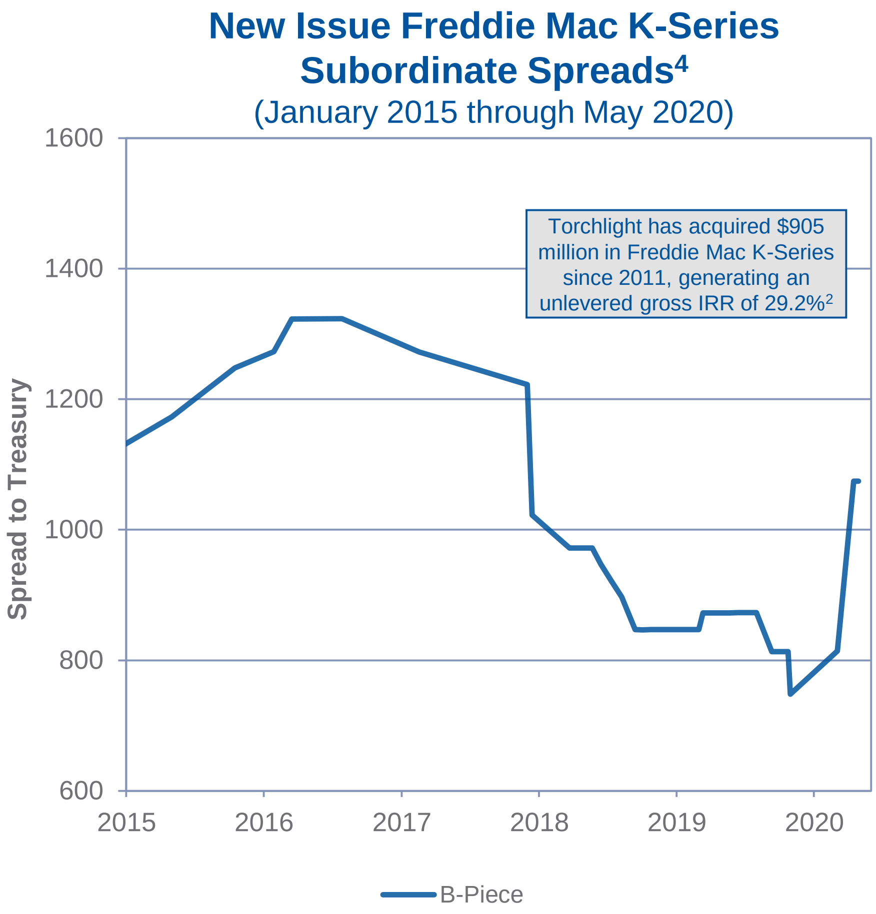
Source: Federal Open Market Committee Meeting Minutes
Projected rate hikes are taken from the median projections of the FOMC
Short-term is defined as 12-18 months out from the original meeting date

TORCHLIGHT INVESTORS

Evaluating Opportunistic Securities

Torchlight has a 25 year track record of executing opportunistic strategies during periods of market volatility





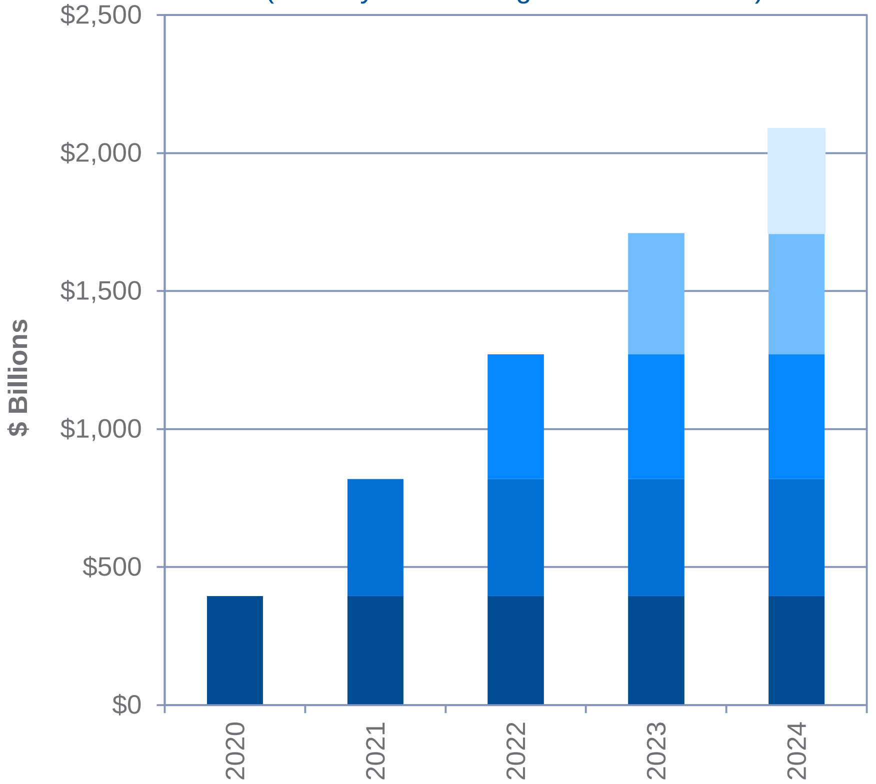
1. BBB investments were made from 1/14/2016 through 6/05/2019 (although purchases were primarily made in 2016) in Torchlight Debt Fund IV and Torchlight Debt Fund V. 2.Performance data as of 3/31/20. 3. Source: JPM 4. New Issue Freddie Mac K-Series Subordinate Spreads are based upon purchases by Torchlight of new issue Freddie K-Series subordinate bonds as well as market color obtained by Torchlight. Accordingly, the information in this table represents an approximation of spreads during the relevant period.

TORCHLIGHT INVESTORS

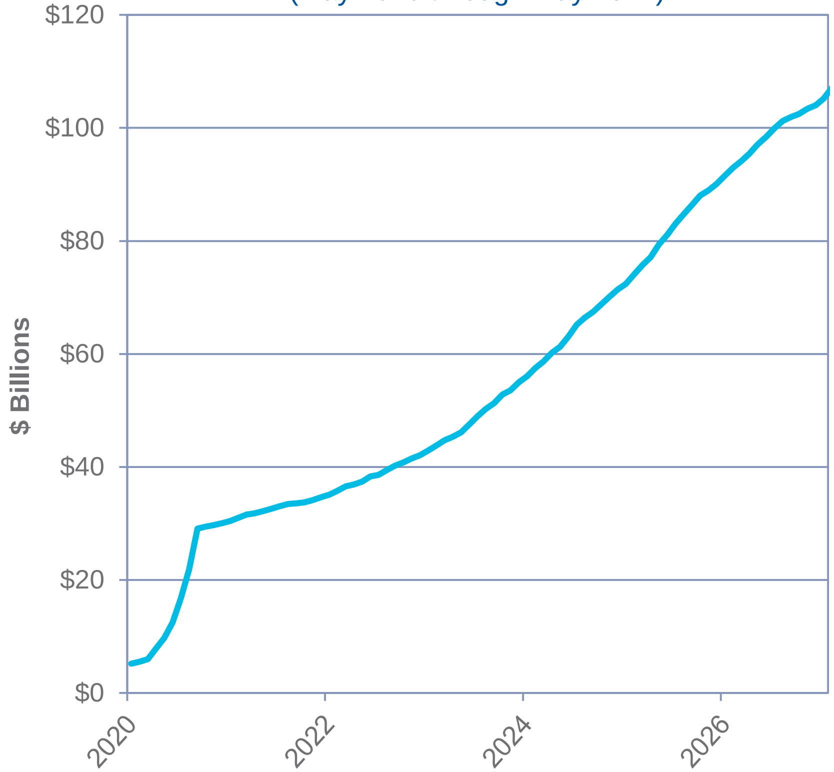
Opportunity: Distressed Debt and Refinancing Gaps

Torchlight believes it has sourcing advantages for acquiring distressed notes

Cumulative Commercial Mortgage Maturities
(January 2020 through December 2024)



BAML Conduit CMBS Cumulative Projected Defaults
(May 2020 through May 2027)



Source: Trepp, BAML

TORCHLIGHT INVESTORS

Real Estate Debt Opportunities

Torchlight's ability to invest in public and private commercial real estate debt enables it to identify and pursue opportunities with the most favorable risk adjusted returns

Public Securities	Private Investments
Investment Grade CMBS	Distressed Note Acquisitions
Interest Only Strips	Recapitalizing Distressed Deals
Freddie Mac K-Series	Acquisition Financing for Local Operators

Rescue Capital
Whole Loan Portfolio Sales
Liquidity for Entity Level Investments / Recapitalizations

Torchlight Debt Fund VII

Section III

Torchlight Debt Fund VII

Torchlight Debt Fund VII is Torchlight's 11th institutional fund

Target Investments

- Fund's flexible mandate allows Torchlight to invest across the capital stack and employ various strategies to navigate market cycles

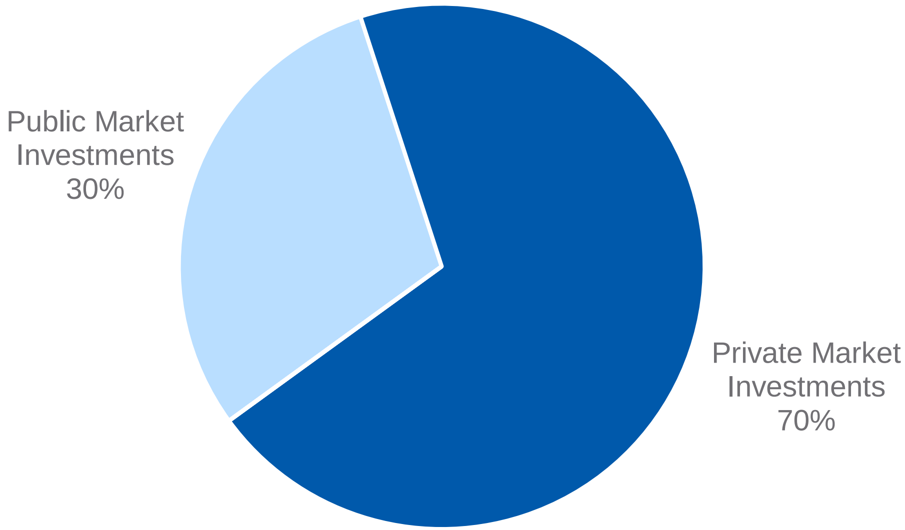
Private Markets	Public Markets
Senior Loans	Investment Grade CMBS
Mezzanine Loans / Preferred Equity	Subordinate CMBS
Participating Debt / JV Equity / Equity	Freddie Mac K-Series

There can be no assurance that the Fund will meet its investment objectives or otherwise carry out its investment program successfully.

Investment Strategy – Portfolio Allocation

Torchlight believes that the current commercial real estate environment presents an attractive investment opportunity to achieve net returns of 10% to 12%

Initial Target Portfolio Allocation



Portfolio Construction

Debt Fund VII will seek to blend investments with varying degrees of risk and return. Torchlight's priorities include:

- High Cash Yield
- Mitigate Downside Risk
- Disciplined Underwriting
- Investments with Potential Upside

Targeted net annualized return of 10% to 12% is before tax that may be deducted on distributions payable to certain investors. There can be no assurance that the Fund will meet its investment objectives or otherwise carry out its investment program successfully. Torchlight's targeted returns for Debt Fund VII do not represent a projection of the fund's actual returns. Rather, they represent objectives for the Fund that Torchlight considers reasonable based upon Torchlight's Base Case scenario assumptions. Net Returns reflect deductions for management fees and incentive fees. Please refer to Scenario Assumptions Disclaimers for additional details.

TORCHLIGHT INVESTORS

AGENDA ITEM #7

State of Connecticut
Office of the Treasurer

SHAWN T. WOODEN
TREASURER

August 8, 2020

Members of the Investment Advisory Council ("IAC")

Re: **Consideration of the Prudence Crandall LLC Managing Partner Search for direct implementation of Risk Mitigation / Crisis Risk Offset Strategy**

Dear Fellow IAC Member:

At the August 12, 2020 meeting of the IAC, I will present for your information the proposed project plan for the purposes of procuring a new managing partner for the Connecticut Retirement Plans and Trust Funds' ("CRPTF") Prudence Crandall LLC (PC LLC) and Thomas Welles LLC (TW LLC) allocations and investment portfolios. My office will conduct a competitive search through a Request for Proposal ("RFP"), which will include the required screening and selection criteria summarized in the attachment hereto.

The scope of the new PC LLC managing partner mandate would encompass, but not be limited to the following: (1) advising on investment strategy and portfolio construction; (2) conducting due diligence on prospective investment managers, including an assessment of each manager's Environmental, Social, and Governance policies and practices; (3) monitoring and reporting at the portfolio and fund level; and, (4) access to research, information, and educational services to optimize the investment returns of the CRPTF's PC LLC portfolio.

Currently, our PC LLC manager services are provided through contracts with two existing hedge fund-of fund managers ("HFoFs"): Prudence Crandall Fund III, LLC ("PC III"), currently managed by The Rock Creek Group ("Rock Creek"); Prudence Crandall Fund IV, LLC ("PC IV"), currently managed by K2 Advisors, LLC ("K2") and Thomas Welles, LLC ("TW LLC"), currently managed by Appomattox.

The proposed RFP project plan is designed to complete the comprehensive search, selection, and contracting processes in accordance with state procurement policies. We will work with our current managers to ensure there are no disruptions in service while the new manager contract is put in place.

I look forward to discussing this search with you at the August 12th IAC meeting.
Sincerely,

Shawn T. Wooden
State Treasurer

State of Connecticut Retirement Plans & Trust Funds
Prudence Crandall LLC Managing Partner Search
Proposed Project Plan

GENERAL PROCESS	Timing	PFM	Treasurer	IAC
Review and Approve Draft RFP and Proposed Project Plan and Search Criteria	Week of August 3, 2020	Incorporate Treasurer's comments; send to Treasurer for approval	Review and approve project action plan	
Present Proposed Project Plan/Selection Criteria	August 12, 2020		Present to IAC	Comment and advise
Issue RFP	August 21, 2020	Post RFP on Treasurer's website		
RFP Deadline	September 25, 2020	Verify submissions		
Conduct Due Diligence and Select Semi-Finalists	September - October 2020	Review RFP responses; Conduct due diligence, interview candidates and provide semi-finalist recommendations	Review recommendation and approve semi-finalist candidates	
Interview Semi-Finalists	October - November 2020	Participate in interviews	Interview firms/ Select finalist(s) for presentation to the Treasurer during 2nd half of June 2020	IAC invited to participate in interviews
Present Treasurer's Recommendation to IAC	November 11, 2020		Present finalist(s) at IAC meeting and request waiver of 45-day comment period	Review Treasurer's recommendation and communicate feedback. Act on waiver request
Treasurer's Review	Week of November 11, 2020		Consider feedback of IAC	
Designate Preferred Vendor	Week of November 16, 2020		Finalize selection/designate Preferred Vendor. Announce decision to IAC at June 10th meeting	
Notify Preferred Vendor	Week of November 16, 2020	Draft Preferred Vendor notification letter	Issue notification letter	
Negotiate Fee and Contract Terms	Initiate Nov/Dec if IAC waives comment period.	Participate in negotiations; prepare and review contract and submit to Treasurer for approval	Approve contract terms and consultant fees; sign contract	
Obtain Final Contract Authorization	December 2020	Work with the Attorney General's Office to secure final execution of contract		
Award Contract	December 2020			

State of Connecticut Retirement Plans & Trust Funds
Prudence Crandall LLC Managing Partner Search
Proposed Project Plan

1. Organization/Management

a. Firm size, management, and ownership
b. Stability (financial and organization)
c. Size and experience of professionals/team dedicated to alternative investments consulting and monitoring services
d. Technology and reporting capabilities
e. Commitment to client service excellence with the resources available to support the CRPTF's on-going needs
f. Transparency and accuracy of communication
g. Duty of care/loyalty to client with no potential conflicts of interest with Firm's other business lines
h. Risk management – organization, process and security

2. Relevant Experience and Client Base

a. Expertise in providing consulting services for alternative investments allocations and portfolios and more specifically, direct investment in risk mitigation strategies (aka crisis risk offset)
b. Expertise in providing consulting services for large institutional multi-asset class allocations and portfolios
c. General understanding of the CRPTF's existing alternative investments portfolios and on-going consulting needs
d. General understanding of the CRPTF's existing asset allocation and expertise in large institutional strategic asset allocation overall processes
e. Independent research to support investment strategy development and execution, including quantitative and qualitative analysis of managers, strategies, and market developments
f. Depth and strength of investment research staff, including proven capabilities to identify and evaluate top-performing managers as well as sophisticated skills providing absolute and relative performance analysis, benchmarking, and attribution
g. Well-established and experienced team and practices to ensure that the CRPTF's reporting, monitoring, compliance, and other requirements are delivered at the highest levels of timeliness and quality
h. Expertise in providing consulting services and support for large institutional multi-asset class separate (dedicated) managed accounts
i. Client access to information services and platforms used for portfolio monitoring, reporting, and research
j. Consulting philosophy and team cohesion, number of years firm and management team have provided similar consulting services to institutional clients, specifically public pension plans
k. References from public pension and other clients similar to the CRPTF
l. Number of client relationships added and terminated in last five years

3. Other Specific Criteria

a. Responsible corporate citizenship and commitment to CRPTF's Policies (e.g., Diversity Principles, Responsible Gun Policy)
b. Incorporation of Environmental, Social and Governance issues into the investment strategy development and selection process
c. Possible site visit
d. Manager's identification of any terms of the CRPTF's Personal Services Agreement that are not negotiable

4. Cost of Proposal

Connecticut Inclusive Investment Initiative (C3)

August 6, 2020

Contents

Introduction

The Connecticut Inclusive Investment Initiative ("C3") is an institutional investment program designed to generate strong risk adjusted performance utilizing emerging and diverse investment management firms that, for multiple reasons[1], would not otherwise have access to the broader Connecticut Retirement Plans and Trust Funds ("CRPTF") portfolio.

The objective of C3 is to access investment opportunities managed by emerging and diverse investment teams that will add value over the long term and allow the CRPTF to develop relationships with the next generation of investment talent.

Definition of Emerging and Diverse Manager

The C3 program will afford opportunities to both emerging and diverse managers to compete for investment mandates so long as such managers are fully capable of discretionary investment management consistent with the goals of the CRPTF and fiduciary standards.

Relative to the asset class category, the C3 program defines an emerging manager as an asset management firm that is newly formed or relatively small that has the minimum amount of assets under management ("AUM") and/or length of track record.

The C3 program defines a diverse manager as an asset management firm with the following qualifications: owned in a majority form by either minority individuals, women, veterans or persons with a disability[2]. On a case-by-case basis, the C3 program will consider a diverse manager as firm ownership by a group which qualifies as a protected class under Connecticut law[3].

Connecticut Inclusive Investment Initiative Goal

The goal of the C3 program is to develop emerging and diverse managers through an investment program that could potentially transition to a direct allocation or commitment from the overall CRPTF portfolio. The target market value of the C3 program in aggregate, for the public market and alternative asset classes, is between 5 and 10 percent of the CRPTF assets with the majority of the allocation invested with diverse investment managers.

[1] Multiple reasons include limited track record, lack of scale, tenure and other objective factors
[2] refer to Connecticut General Statutes § 4a-60a(e) – Minority Business Enterprise
[3] refer to Connecticut General Statutes § 4a-60a(a)(1)

Public Market Asset Classes

Global Equity, Global Fixed Income

In the public market asset classes, the C3 program will utilize investment platforms as a way to source emerging and diverse managers. Given the internal investment due diligence process and capital restrictions, this approach has proven to be an efficient way to allocate capital. The primary role of the investment platforms is to identify new investment talent and to provide support to develop these managers into becoming direct relationships for the CRPTF.

Alternative Asset Classes

Hedge Funds, Private Equity, Real Assets, Real Estate, Private Credit

In the alternative asset classes, the C3 program will seek to target emerging and diverse managers in a variety of structures (e.g., fund commitments, co-investments, joint-ventures, seeding arrangements, secondary investments, etc.). The C3 program will look to utilize both investment platforms as well as direct commitments as a way to source emerging and diverse managers in these asset classes.

Summary of Program Asset Class Criteria

Diverse managers, across all asset classes, must be majority owned by minority individuals, women or persons with a disability as defined by Connecticut state law.

Emerging managers must meet the criteria detailed below, by asset class:

	Public Market Asset Classes		Alternative Asset Classes		
	Global Equity	**Global Fixed Income**	**Hedge Funds**	**Private Equity / Private Credit**	**Real Assets / Private Real Estate**
Total Firm Assets	< $10B	< $10B	< 3B	< $5B	< $5B
Fund Size	N/A	N/A	N/A	< $2B	< $2B
Fund #	N/A	N/A	N/A	Third generation or earlier	Third generation or earlier
Firm Tenure	< 10 years	< 10 years	< 7 years	Minimum one year	Minimum one year

Emerging managers with criteria outside these requirements will be considered on a case-by-case basis.

Connecticut Inclusive Investment Initiative Lifecycle

The C3 program will seek to facilitate the development of emerging and diverse managers through a structured tiered framework designed to create, support, and transition best in class institutional quality investment managers.

Tier 1: Entry Stage

The Connecticut Inclusive Investment Initiative will utilize both investment and seeding platforms as well as direct commitments to emerging and diverse managers. Investment platforms utilized by the CRPTF will have the experience, relationships, and resources to adequately evaluate emerging and diverse managers, conduct due diligence, and assist these managers to transition to institutional portfolios.

Seeding platforms can also identify potential emerging and diverse investment teams that possess unique and niche investment strategies. These seeding platforms can develop emerging and diverse managers to prove their investment thesis and to help them become established in the industry.

The investment or seeding platform would be responsible for monitoring these managers and would partner with the Office of the Treasurer relative to oversight and reporting on fund strategies and performance. Within established guidelines, the investment platforms have discretion for the portfolio of emerging and diverse managers and are responsible for the performance of their overall asset class mandate.

In the public market asset classes, sub-managers could be in the Tier 1 stage for a duration of up to five years. The investment platform managers will work with the sub-managers enabling them to gain operational and business support, by guiding and mentoring investment managers while they build their track record. In the case of the alternative asset classes, the emerging and diverse manager may have a longer duration in Tier 1 relative to the horizon of the specific fund.

Tier 2: Expansion Stage

Emerging and diverse managers who move to the Tier 2 stage qualify for additional funding within the investment platform structure. These emerging and diverse managers will have achieved the following milestones:

- Generated superior returns relative to peers as well as the applicable benchmark;
- Grown their capacity to accept a more significant capital allocation but not yet able to receive a full capital allocation available to direct managers in the CRPTF;
- For alternative investments - raised a follow-on fund with prior funds demonstrating realizations and strong investment performance relative to funds in the same strategy and vintage year.

Tier 2 investment managers would have the time to demonstrate a longer track record of performance, build their business and infrastructure, and position their firm for an increased allocation and would be working to develop the following:

- Stability in ownership, leadership, critical investment team members, and business continuity measures;
- Healthy growth of assets under management;
- Adequate operations support (e.g., compliance, reporting, trading, etc.);
- Experience with managing additional capital;
- Ability to comply with the legal and disclosure requirements for the State of Connecticut;
- Live performance record greater than three years, and, on average, demonstrated investment experience of three years or more for a proposed strategy.

Tier 3: Transition Stage

The transition stage marks the time where emerging and diverse managers are able to receive a direct allocation from the broader CRPTF portfolio. These managers would have developed a strong relationship with the Office of the Treasurer and demonstrated a track record of strong performance. Transition of sub-managers to the larger portfolio will free up capital to allocate to other emerging and diverse managers in the pipeline.

Transition Requirements:
The following criteria will be considered when deciding whether and when a potential emerging or diverse manager should move into the broader CRPTF portfolio:

- Strategy is consistent with the asset allocation of the broader portfolio;
- The investment manager has the ability to manage additional capital;
- For public market asset classes and hedge funds - performance over the three-year and five-year periods must exceed the individually prescribed index benchmark or peer group, net of fees;
- For alternative asset classes - performance of the prior fund must be in the first or second quartile versus peers of the same strategy and vintage year with regard to the internal rate of return and return multiples.

Should an emerging or diverse manager be recommended for transition, the firm will subsequently undergo the standard full due diligence process as established by the CRPTF.

Engagement and Advocacy

The strength of the C3 program will depend on its ability to engage the broader community of emerging and diverse investment managers through partnerships with industry groups and other public pension plan emerging manager programs, commitment from the leadership of the CRPTF, and the annual Connecticut Inclusive Investment Initiative conference.

Disclosure of Program Metrics

Working with investment platform managers, the Office of the Treasurer will monitor and disclose the use of emerging and diverse managers within the CRPTF on a quarterly basis. C3 program metrics will include the following:

- Comparative analysis of the emerging and diverse managers relative to all asset managers during the relevant period on a total plan and asset class level;
- Utilization of emerging and diverse manager firms, their ownership, and operations by diverse group membership;
- Progress and success of the C3 program goals during the relevant period on a total plan and asset class level

Connecticut Inclusive Investment Initiative (C3)

History & Background

- The Connecticut Horizon Fund ("CHF") was an initiative created in 2004 to diversify the management of the State's pension assets and enhance portfolio returns, while providing opportunities for minority- or women-owned, Connecticut-based, and emerging investment management firms.

- The Pension Funds Management division launched the CHF program by initially hiring four fund-of-funds managers in the public markets asset classes, who were given the discretion to hire and supervise small and emerging firms as sub-managers, which included minority- and women-owned firms, Connecticut-based, and emerging investment firms.

- Over time, the CHF program developed in other asset classes. In 2007, a CHF allocation was made in the Private Equity Fund through three fund-of-funds mandates. In 2014, the program extended into the Alternative Investment Fund with two hedge fund-of-funds managers. In the Real Assets Fund, in 2018, a direct manager mandate was established in the CHF program.

- The CHF program has been revised and is now branded as the Connecticut Inclusive Investment Initiative (C3).

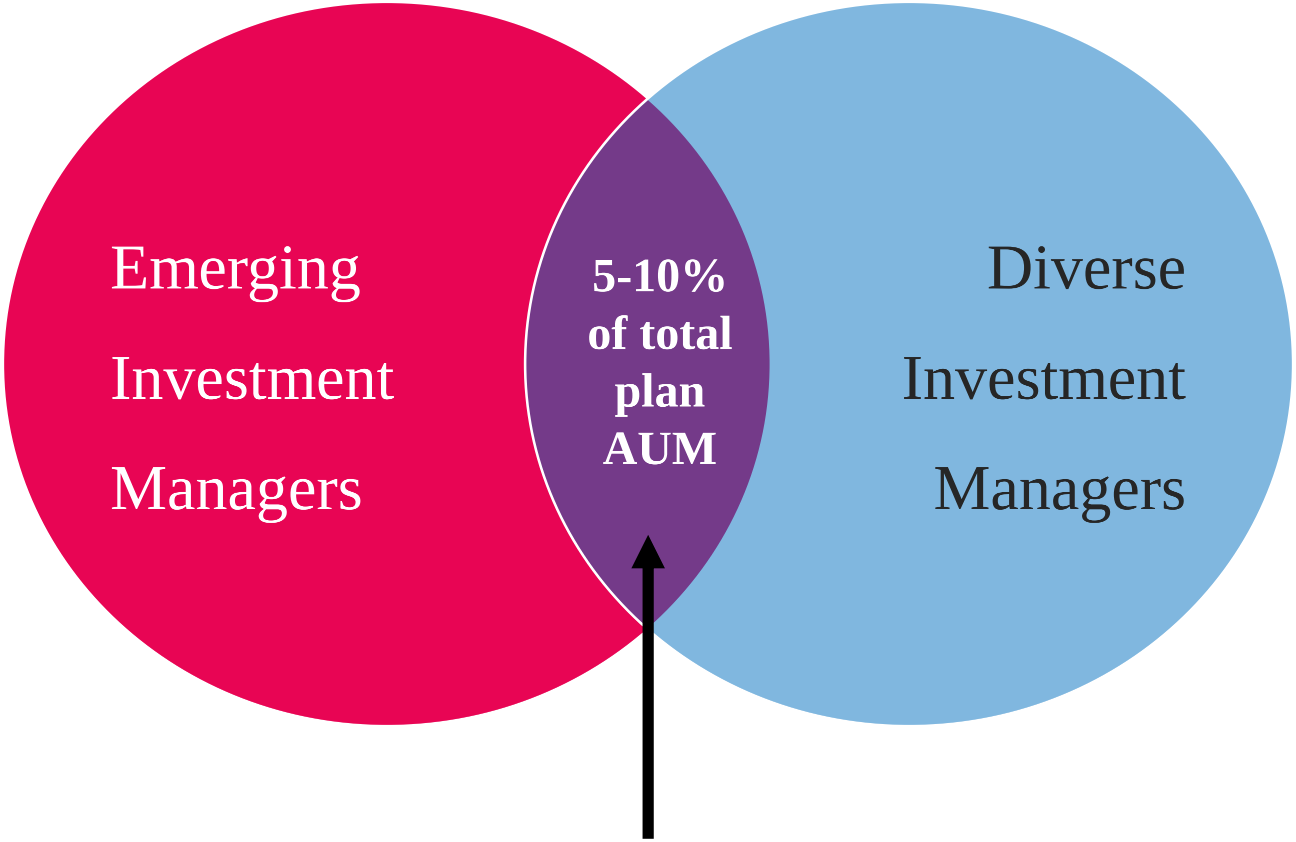
Key Elements of the Program

- The main purpose and mission of the Connecticut Inclusive Investment Initiative (C3) program remain the same as those previously established.
- We have revised the policy to acknowledge today's dynamic market environment and breadth of new investment strategies with a goal of positioning C3 for continued and sustained success.

Key Elements of the C3 Program:

Definition of Emerging and Diverse	Program Lifecycle	Total Plan Allocation
Program Target	Engagement, Advocacy, Accountability	Branding

Definition of Emerging and Diverse



Majority allocated to Emerging and Diverse Investment Managers

Lifecycle for Participating Managers

Tier 1: Entry Stage

- Utilize investment platforms in Public Markets asset classes or fund of fund and direct mandates in Alternatives asset classes

Tier 2: Expansion Stage

- Expanded access to underlying managers by investment staff in coordination with platform and consultants

Tier 3: Transition Stage

- Position underlying managers for success in broader plan portfolio, while bringing in new managers into Tier 1 and maintain target exposure

Future of the Connecticut Inclusive Investment Initiative

- Engagement with Broader Community
  - Engage with other institutional investors (e.g., DB plans, Corporate plans, and E&Fs)
  - Sponsor an annual Connecticut Inclusive Investment Initiative Conference

- Advocacy of Emerging and Diverse Managers
  - Forge partnerships with other world-class investment managers
  - Create platform for sourcing undiscovered and emerging firms

- Accountability of Program
  - Provide disclosure of program's statistics and metrics
  - Chart measurement of progress with respect to stated program goals