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Observations and Recommendations

Observations and Recommendations

Absolute Return portfolio has achieved its investment objectives over both the short and long term

Most funds in the portfolio have met expectations

Two recommendations:

1. Redemption from Winton due to performance and overlap with CPC portfolio
2. Evaluate other Market Neutral strategies for potential replacement of Winton

Notes on analysis:

1. Actual returns and pro forma returns are shown for the portfolio. Pro forma return represents what the portfolio would have returned using the current managers, the actual returns of the current managers, and the current manager weights.
2. Alpha and beta calculations based on regression calculations and are relative to MSCI ACWI

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Portfolio Objectives

Absolute Return Portfolio Objectives

Role in the total fund is to reduce total fund risk by reducing return volatility

Portfolio objectives:

- Low equity beta/correlation
- Equity market downside protection
- Good alpha generation

NEPC Assumptions:

- Return 5.7%
- Risk 8.1%

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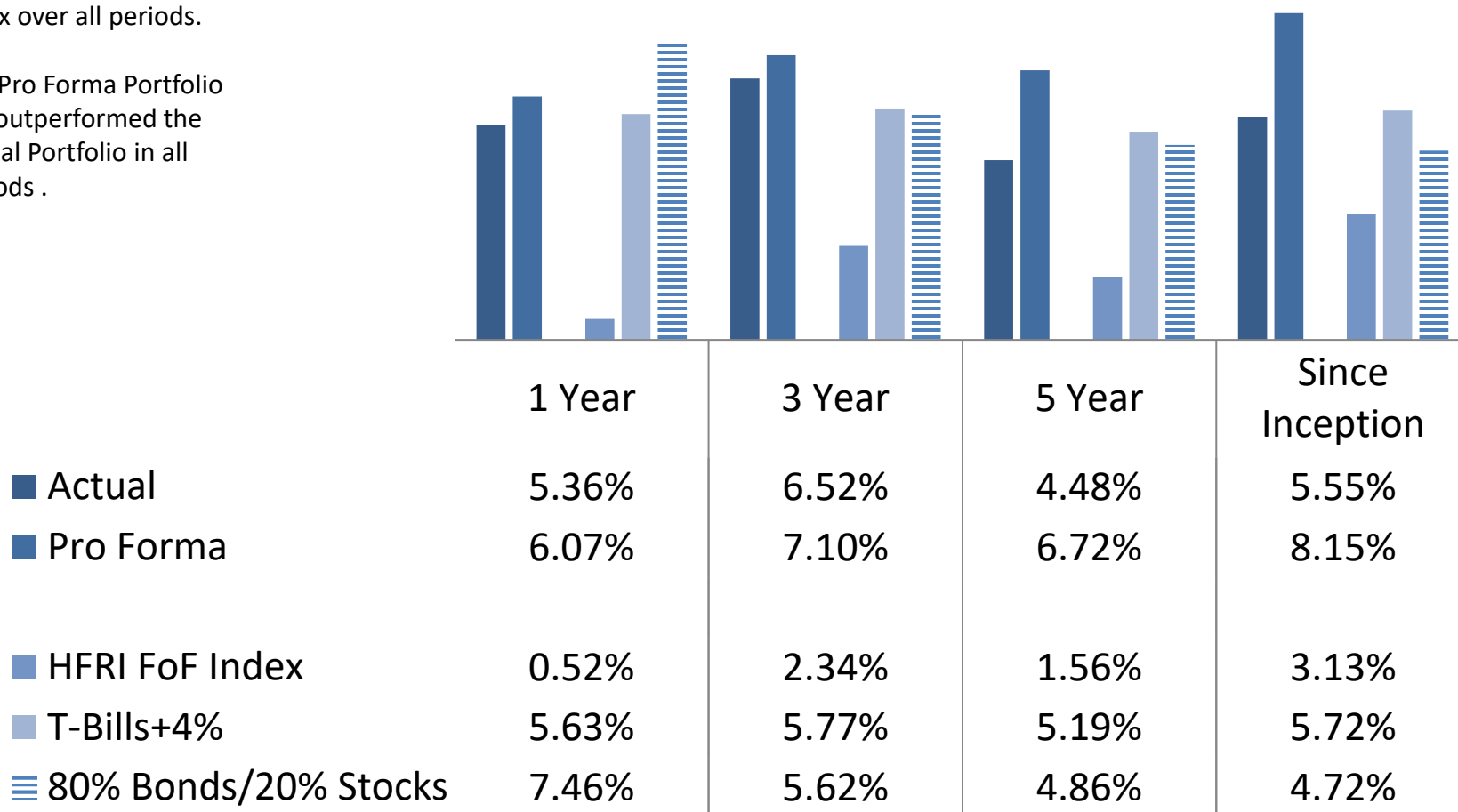
Performance Evaluation through June 2020

Performance Review – Total Return

Pro Forma and Actual portfolios have outperformed HFRI FoF Index over all periods.

The Pro Forma Portfolio has outperformed the Actual Portfolio in all periods .

Annualized Net Returns through June 2020

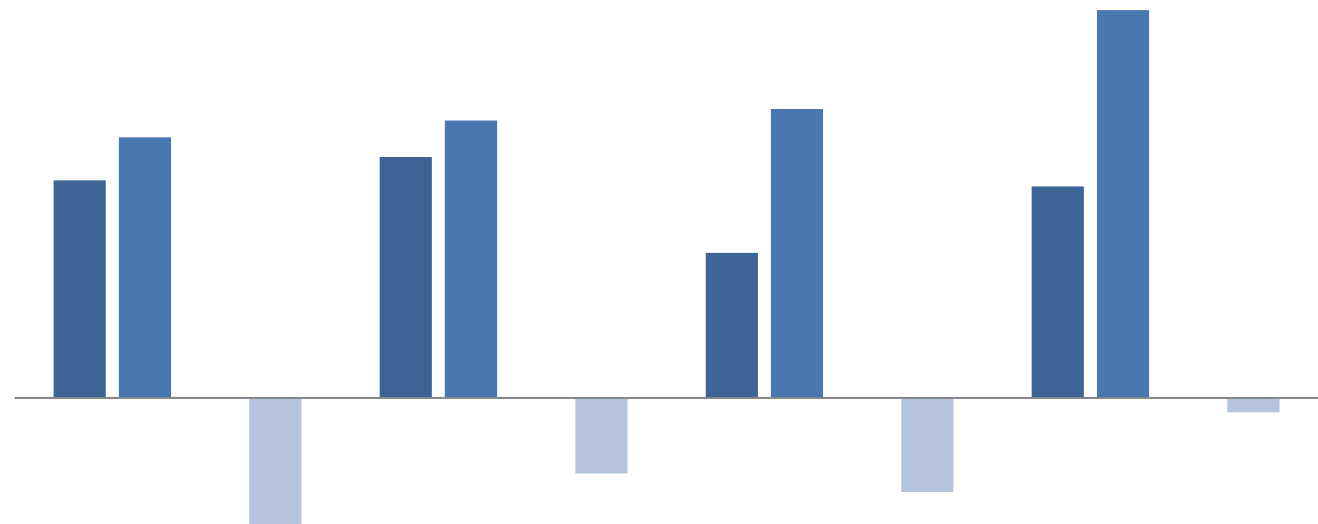


Performance Review – Alpha (to MSCI ACWI)

Annualized Net Returns through June 2020

Pro Forma Portfolio has generated strong alpha of 4.82% or higher over 5 years and longer periods

Actual Portfolio has generated less alpha due to legacy managers but more alpha than benchmark



- Actual
- Pro Forma
- HFRI FoF Index

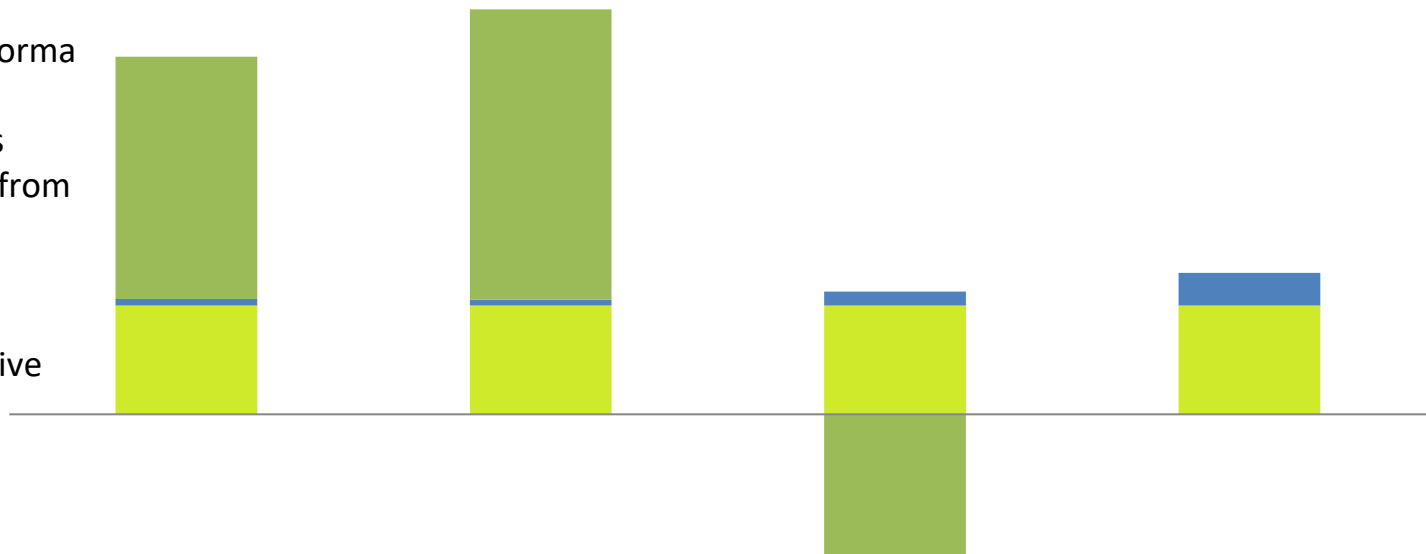
	1 Year	3 Year	5 Year	Since Inception
Actual	3.63%	4.02%	2.42%	3.53%
Pro Forma	4.35%	4.63%	4.82%	6.47%
HFRI FoF Index	-2.12%	-1.26%	-1.57%	-0.24%

Performance Review – One Year Attribution

Annualized Net Returns through June 2020

72% of the Pro Forma Portfolio's performance has been generated from Alpha

The benchmark generated negative alpha over this period



Alpha

Beta

Risk Free

Actual

3.63%

0.10%

1.63%

Pro Forma

4.35%

0.09%

1.63%

HFRI FoF Index

-2.12%

0.21%

1.63%

MSCI ACWI

0.00%

0.49%

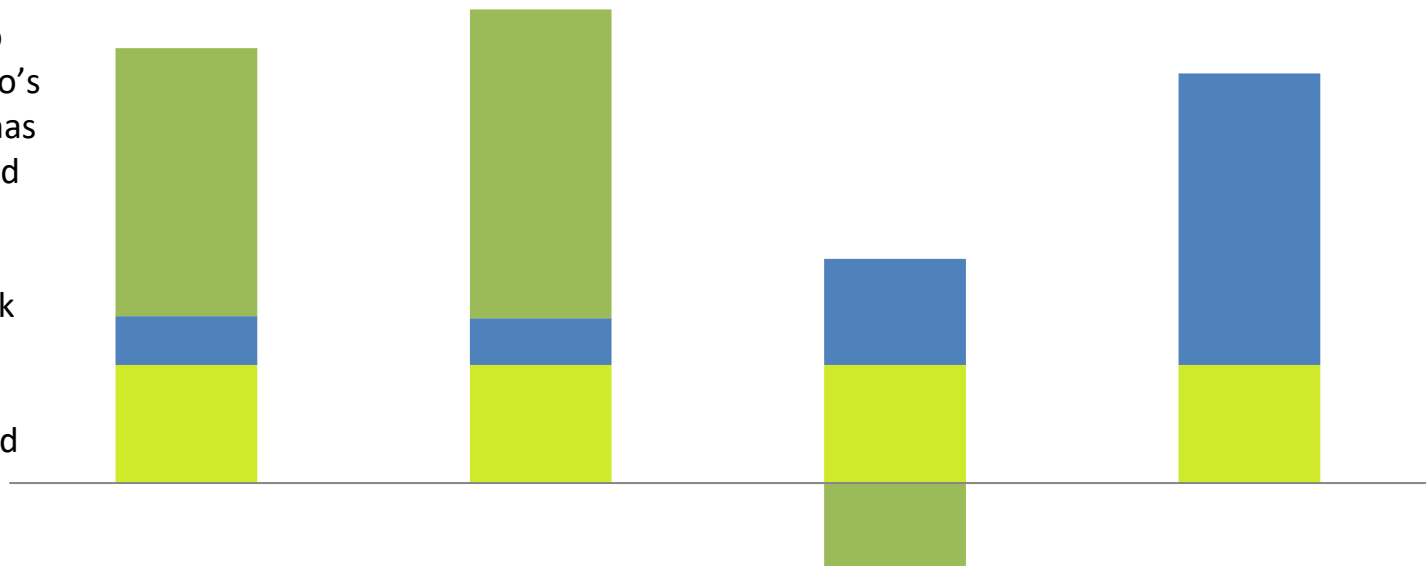
1.63%

Performance Review – Three Year Attribution

Annualized Net Returns through June 2020

71% of the Pro Forma Portfolio's performance has been generated from Alpha

The benchmark generated negative alpha over this period



Alpha

Beta

Risk Free

Actual

4.02%

0.73%

1.77%

Pro Forma

4.63%

0.70%

1.77%

HFRI FoF Index

-1.26%

1.59%

1.77%

MSCI ACWI

0.00%

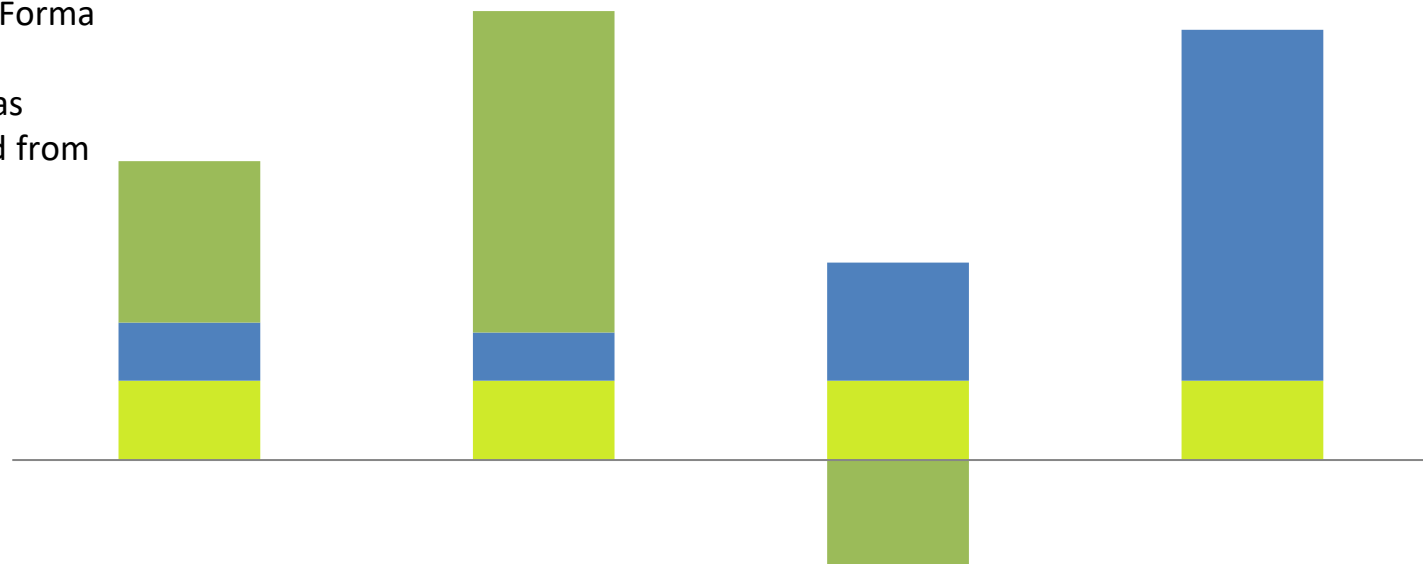
4.37%

1.77%

Performance Review – Five Year Attribution

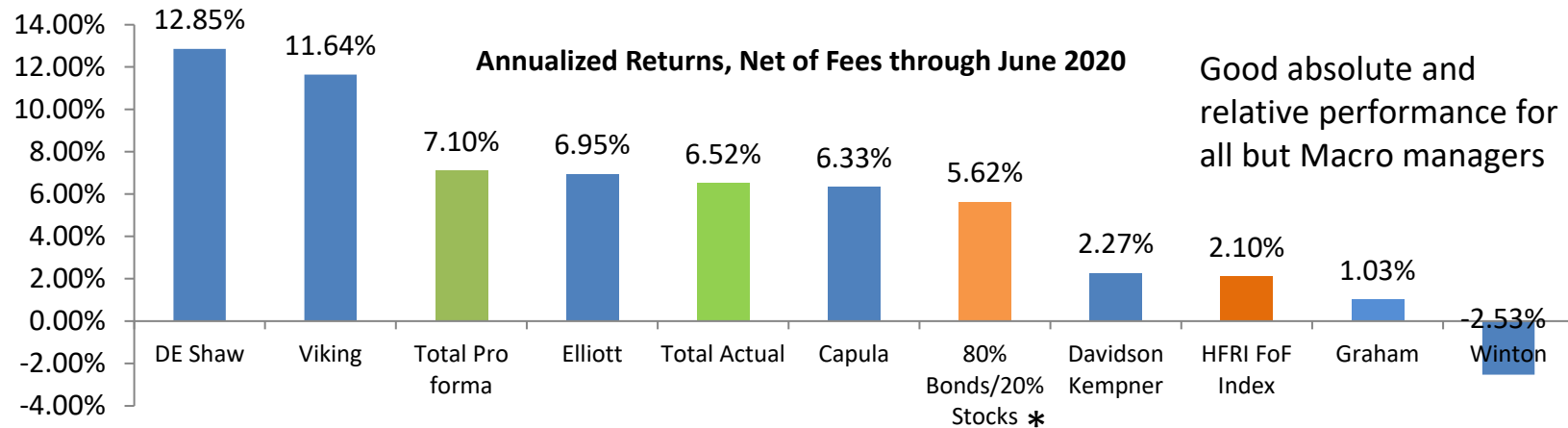
Annualized Net Returns through June 2020

72% of the Pro Forma Portfolio's performance has been generated from Alpha



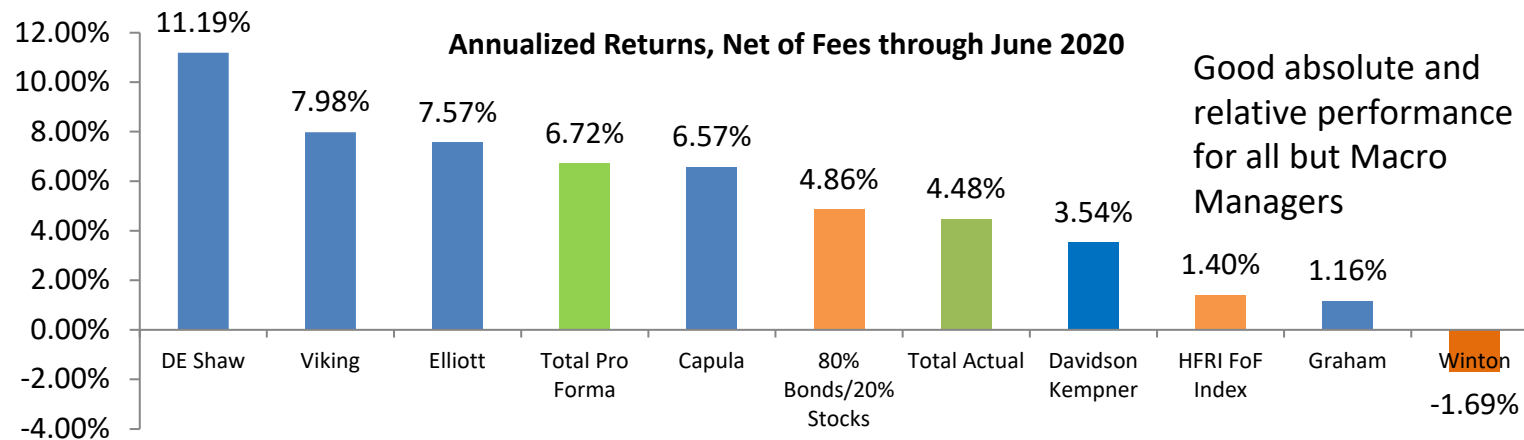
	Actual	Pro Forma	HFRI FoF Index	MSCI ACWI
Alpha	2.42%	4.82%	-1.57%	0.00%
Beta	0.87%	0.72%	1.77%	5.26%
Risk Free	1.19%	1.19%	1.19%	1.19%

Manager Performance – Three Years



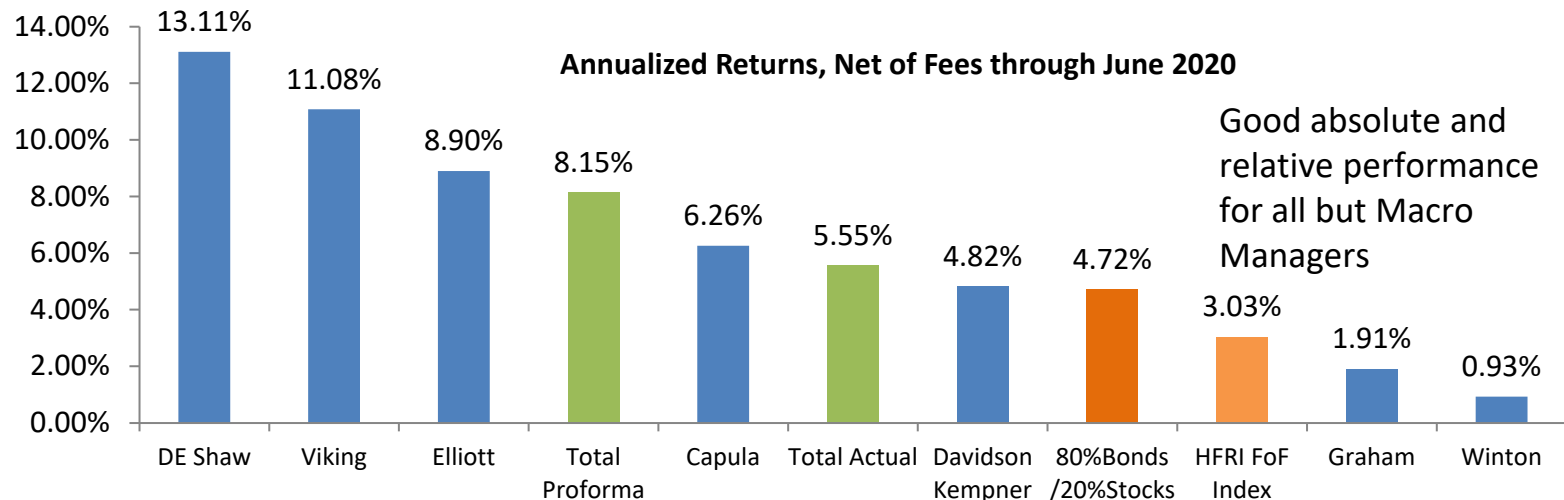
	Total Actual	Total Pro Forma	Capula	DE Shaw	Graham	Winton	Davidson Kempner	Elliott	Viking	HFRI FoF Index
Three Years										
#months	36	36	36	36	36	36	36	36	36	36
Total Return	6.52%	7.10%	6.33%	12.85%	1.03%	-2.53%	2.27%	6.95%	11.64%	2.10%
Total Risk	3.28%	3.20%	1.41%	4.35%	9.89%	9.30%	5.78%	3.08%	8.54%	6.39%
Return/Risk	1.99	2.22	4.50	2.95	0.10	(0.27)	0.39	2.25	1.36	0.33
Correlation	0.80	0.78	(0.13)	0.15	0.73	0.46	0.73	0.28	0.70	0.92
Beta	0.17	0.16	(0.00)	0.05	0.45	0.26	0.26	0.06	0.37	0.36
Beta Return	0.73%	0.70%	-0.02%	0.20%	1.95%	1.16%	1.15%	0.26%	1.61%	1.59%
Beta Risk	2.70%	2.59%	-0.08%	0.76%	7.25%	4.30%	4.28%	0.95%	5.99%	5.92%
Alpha	4.02%	4.63%	4.59%	10.88%	-2.69%	-5.45%	-0.65%	4.93%	8.26%	-1.26%
Alpha Risk	1.86%	1.88%	1.41%	4.28%	6.73%	8.24%	3.87%	2.93%	6.08%	2.39%
Info Ratio*	2.16	2.47	3.27	2.54	(0.40)	(0.66)	(0.17)	1.68	1.36	(0.53)
Risk-free	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%

Manager Performance – Five Years



	Total Actual	Total Pro Forma	Capula	DE Shaw	Graham	Winton	Davidson Kempner	Elliott	Viking	HFRI FoF Index
Five Years										
#months	60	60	60	60	60	60	60	60	60	60
Total Return	4.48%	6.72%	6.57%	11.19%	1.16%	-1.69%	3.54%	7.57%	7.98%	1.40%
Total Risk	3.22%	2.66%	1.54%	3.90%	8.69%	8.98%	4.60%	3.56%	8.93%	5.40%
Return/Risk	1.39	2.52	4.27	2.87	0.13	(0.19)	0.77	2.13	0.89	0.26
Correlation	0.73	0.72	(0.16)	0.17	0.52	0.27	0.67	0.24	0.59	0.89
Beta	0.17	0.14	(0.01)	0.05	0.32	0.17	0.22	0.06	0.36	0.34
Beta Return	0.87%	0.72%	-0.06%	0.26%	1.66%	0.89%	1.14%	0.33%	1.91%	1.77%
Beta Risk	2.40%	1.97%	-0.18%	0.73%	4.58%	2.45%	3.15%	0.92%	5.26%	4.88%
Alpha	2.42%	4.82%	5.44%	9.74%	-1.70%	-3.77%	1.20%	6.05%	4.87%	-1.57%
Alpha Risk	2.16%	1.79%	1.53%	3.83%	7.39%	8.64%	3.35%	3.44%	7.22%	2.31%
Info Ratio*	1.12	2.69	3.56	2.54	(0.23)	(0.44)	0.36	1.76	0.68	(0.68)
Risk-free	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%

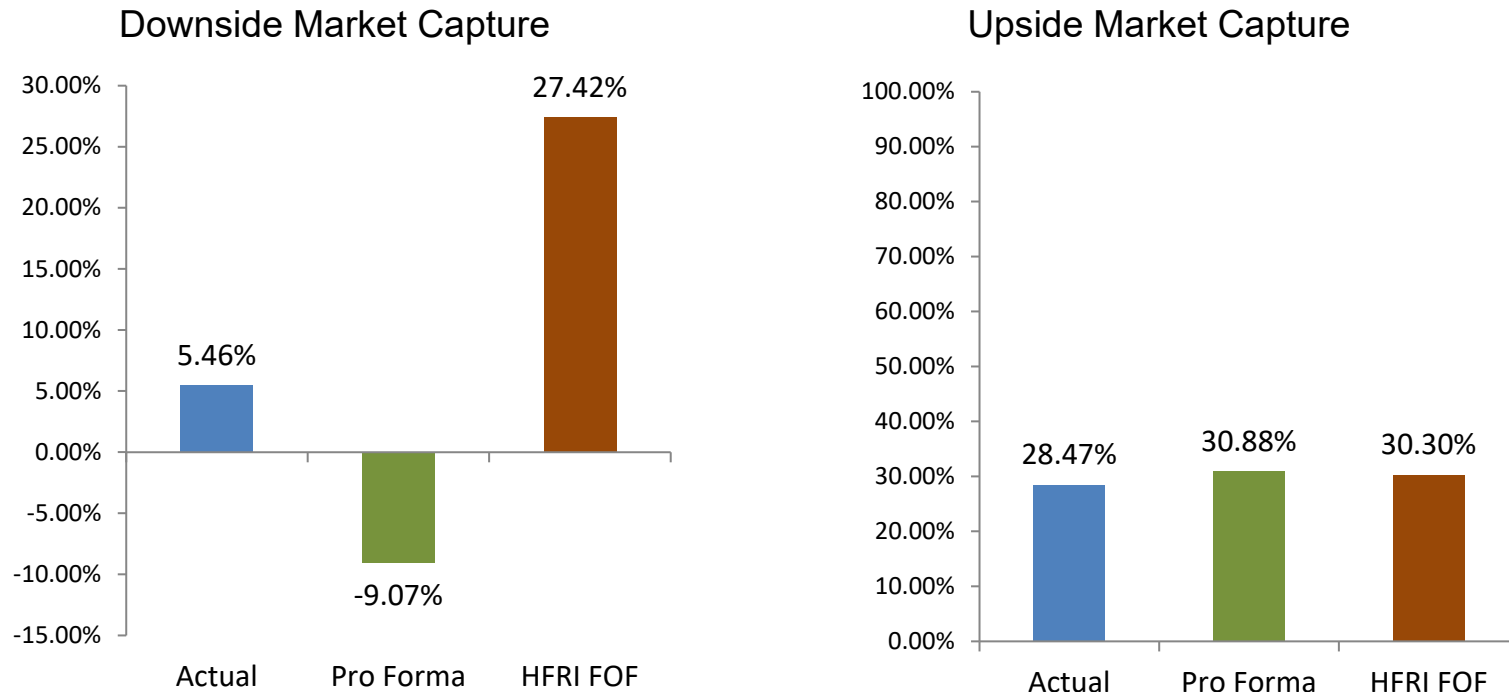
Manager Performance – Since Inception



Good absolute and relative performance for all but Macro Managers

SI	Total Actual	Total Pro Forma	Capula	DE Shaw	Graham	Winton	Davidson Kempner	HFRI FoF Index	Viking	HFRI FoF Index
#months	104	101	102	103	101	102	103	103	102	103
Total Return	5.55%	8.15%	6.26%	13.11%	1.91%	0.93%	4.82%	8.92%	11.08%	3.03%
Total Risk	3.16%	2.52%	1.75%	4.19%	7.19%	8.78%	3.78%	3.40%	7.76%	4.61%
Return/Risk	1.76	3.23	3.58	3.13	0.27	0.11	1.28	2.63	1.43	0.66
Correlation	0.68	0.61	(0.22)	0.17	0.41	0.27	0.63	0.26	0.55	0.86
Beta	0.17	0.12	(0.02)	0.06	0.23	0.18	0.19	0.07	0.33	0.31
Beta Return	1.30%	0.94%	-0.21%	0.49%	1.76%	1.53%	1.55%	0.58%	2.73%	2.55%
Beta Risk	2.18%	1.59%	-0.32%	0.78%	2.97%	2.39%	2.44%	0.92%	4.27%	4.02%
Alpha	3.53%	6.47%	5.74%	11.89%	-0.59%	-1.33%	2.56%	7.61%	7.63%	-0.24%
Alpha Risk	2.29%	1.95%	1.72%	4.12%	6.54%	8.45%	2.89%	3.27%	6.48%	2.25%
Info Ratio*	1.54	3.31	3.34	2.89	(0.09)	(0.16)	0.89	2.33	1.18	(0.11)
Risk-free	0.71%	0.74%	0.73%	0.72%	0.74%	0.73%	0.72%	0.72%	0.73%	0.72%

Downside/Upside Equity Market (MSCI ACWI) Capture



The Pro Forma Portfolio has produced superior downside capture (negative), generating on average positive returns in down equity markets

The Pro Forma Portfolio has produced upside market capture comparable to Actual Portfolio and HFRI Fund of Funds Index

Note: Data for period Jan 2012 – June 2020

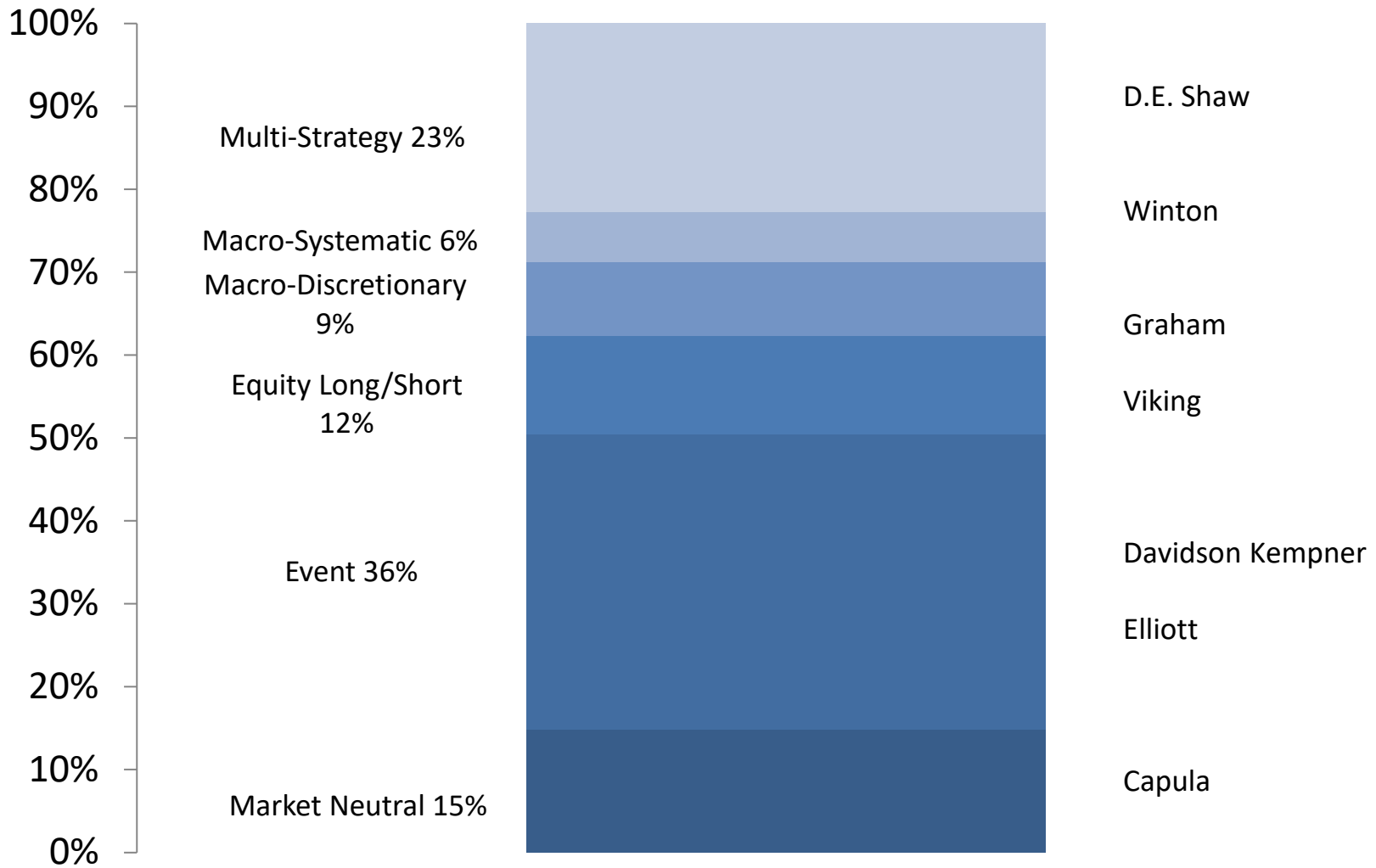
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Portfolio Exposures

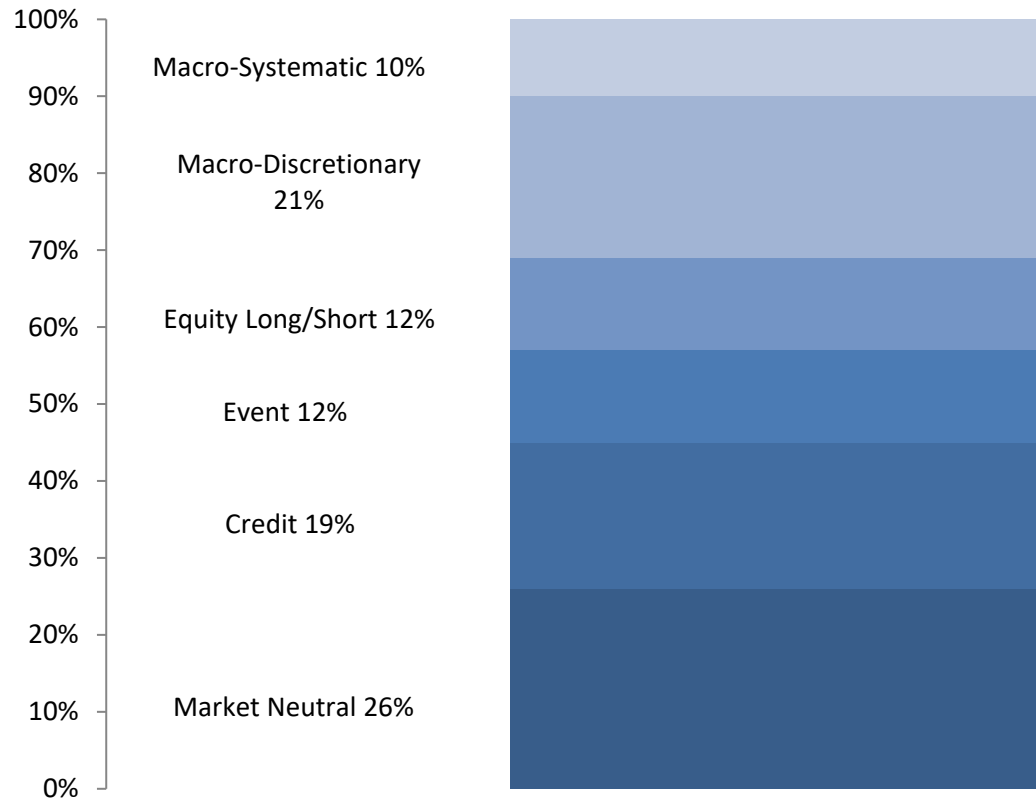
Portfolio versus Construction Objectives

Five Year Beta (ACWI)			Five Year Alpha (annualized, net)	
Capula	(0.01)		9.74%	DE Shaw
DE Shaw	0.05		6.05%	Elliott
Elliott	0.06		5.44%	Capula
Total Pro Forma	0.14	← Objective for the Absolute Return Low Beta	4.87%	Viking
Winton	0.17		4.82%	Total Pro Forma
Davidson Kempner	0.22	and	1.20%	Davidson Kempner
Graham	0.32		-1.57%	HFRI FoF Index
HFRI FoF Index	0.34	High Alpha	-1.70%	Graham
Viking	0.36		-3.77%	Winton

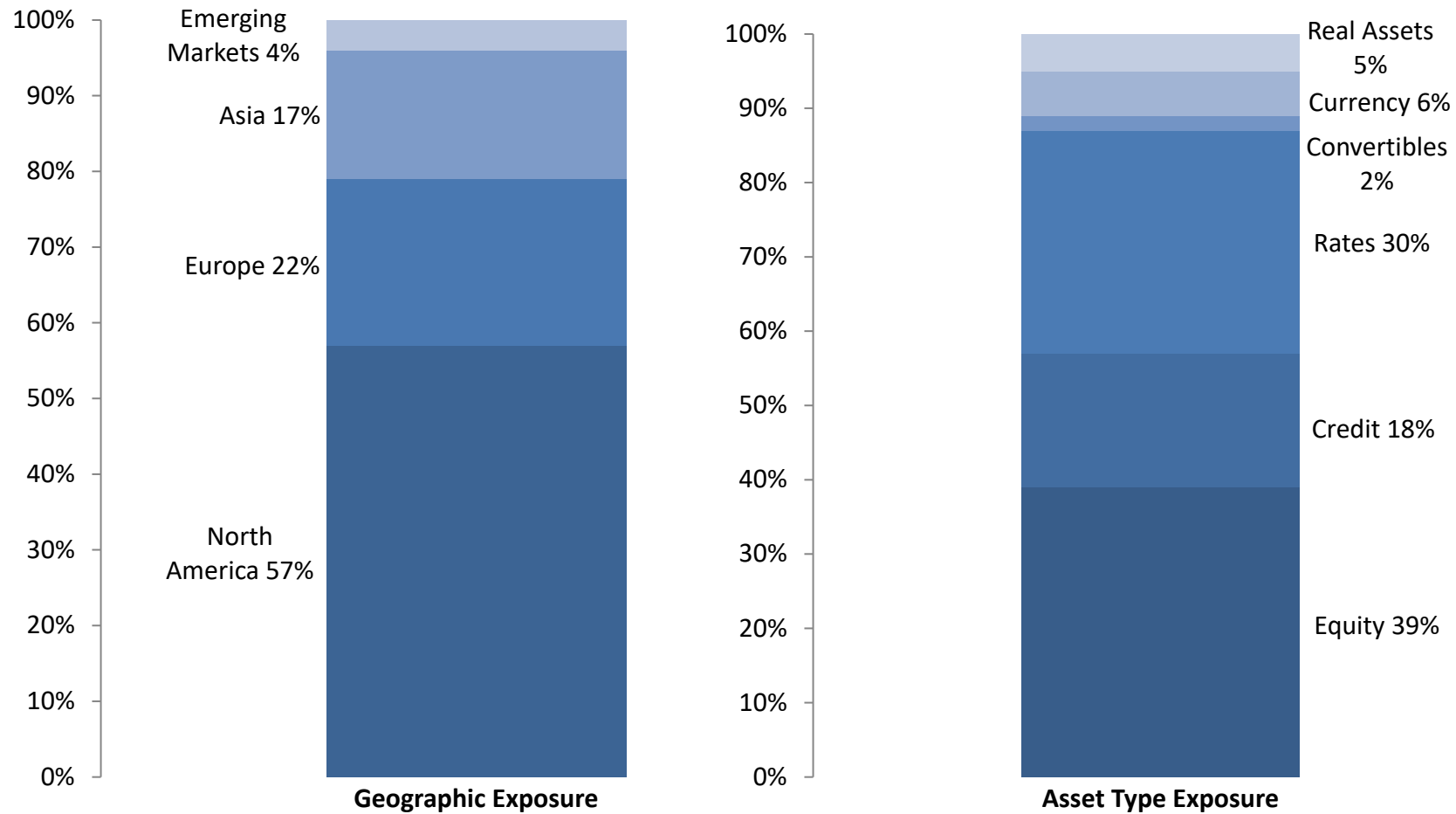
Portfolio Construction (Strategy Allocation by Cliffwater Manager Designation)



Portfolio Construction (Manager Portfolio Positioning)



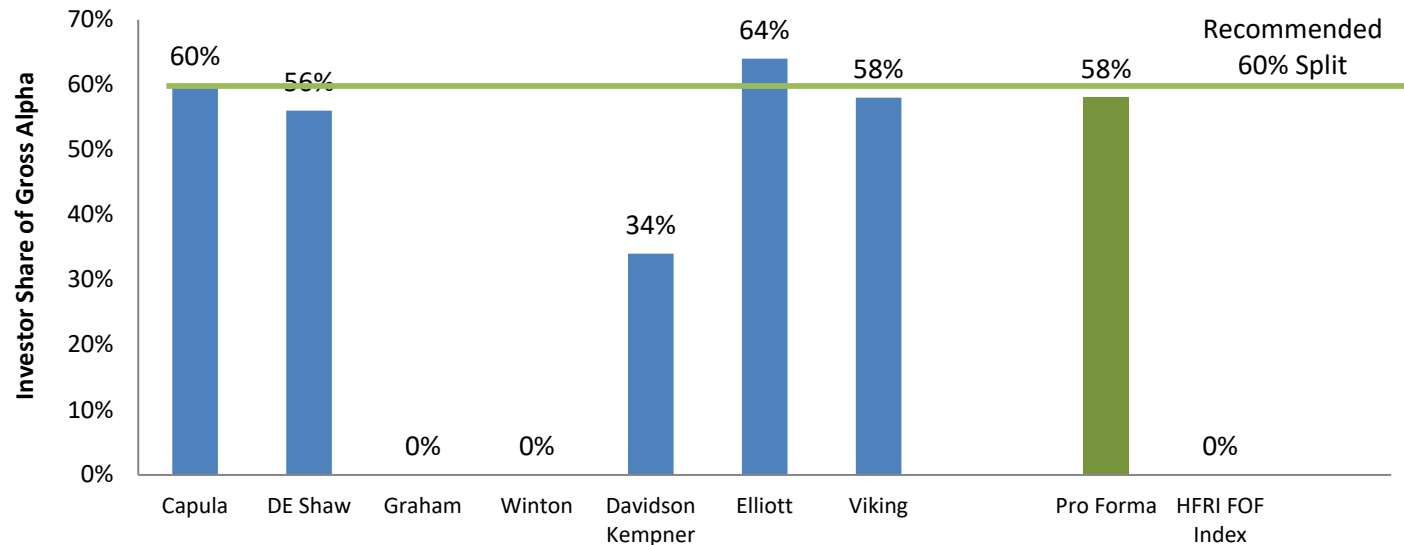
Portfolio Construction – Geography and Asset Type



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Fees and Economics

Fees and Sharing of Economics



Five Year Performance

	Management Fee	Performance Fee	Net of Fees		Gross of Fees		Gross Alpha Split	
			Total Return	Alpha	Total Return	Alpha	Manager	Investor
			Capula	2.00%	20.00%	6.57%	5.44%	10.21%
DE Shaw	3.00%	30.00%	11.19%	9.74%	18.99%	17.53%	44%	56%
Graham	1.80%	20.00%	1.16%	-1.70%	3.25%	0.39%	535%	-435%
Winton	0.80%	16.00%	-1.69%	-3.77%	-1.21%	-3.30%	-14%	114%
Davidson Kempner	1.50%	20.00%	3.54%	1.20%	5.93%	3.59%	66%	34%
Elliott	1.50%	20.00%	7.57%	6.05%	10.96%	9.44%	36%	64%
Viking	1.50%	20.00%	7.98%	4.87%	11.47%	8.37%	42%	58%
Total Pro Forma	1.85%	21.62%	6.72%	4.82%	10.24%	8.33%	42%	58%
HFRI FOF Index	1.50%	20.00%	1.40%	-1.57%	3.25%	0.28%	657%	-557%

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Winton Replacement Analysis

Background

Purpose of analysis is to quantify to impact of substituting various alpha sources/strategies for Winton

Four alpha sources/strategies were used: credit, market neutral, event driven, equity long/short

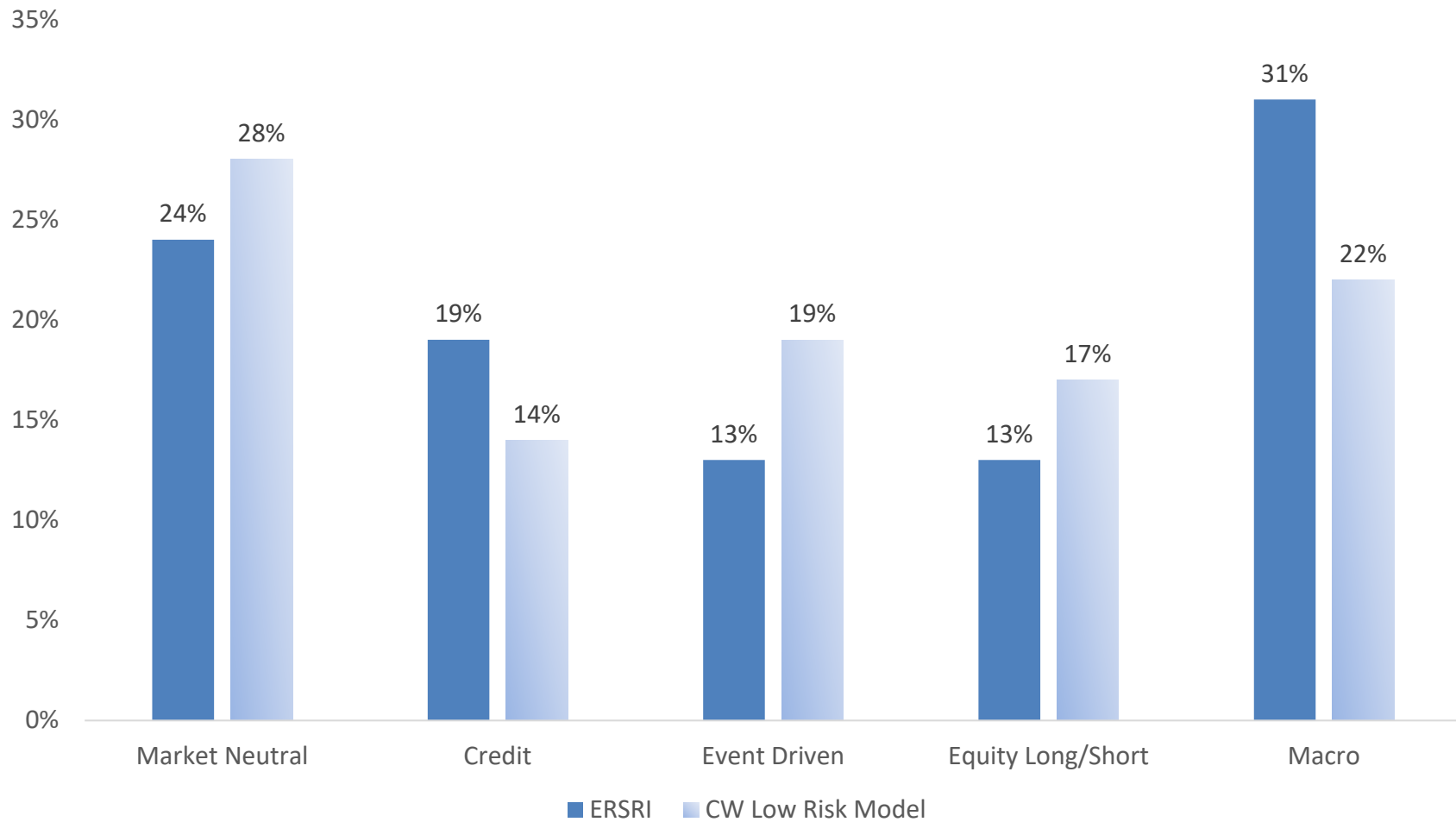
Two substitution analyses were performed:

1. Manager universe data as proxy for adding to strategies. Cliffwater universe of institutional quality funds were used as benchmarks for alpha sources/strategies
2. Actual manager replacements comparing impact on pro forma portfolio results. Four managers were selected from Cliffwater's A-Rated universe of managers:
 - Credit – GCA Credit Opportunities
 - Market Neutral– Laurion Partners
 - Event Driven – P Squared
 - Equity Long/Short – MW Global Opportunity

Returns over the past five years ending June 30, 2020 were used

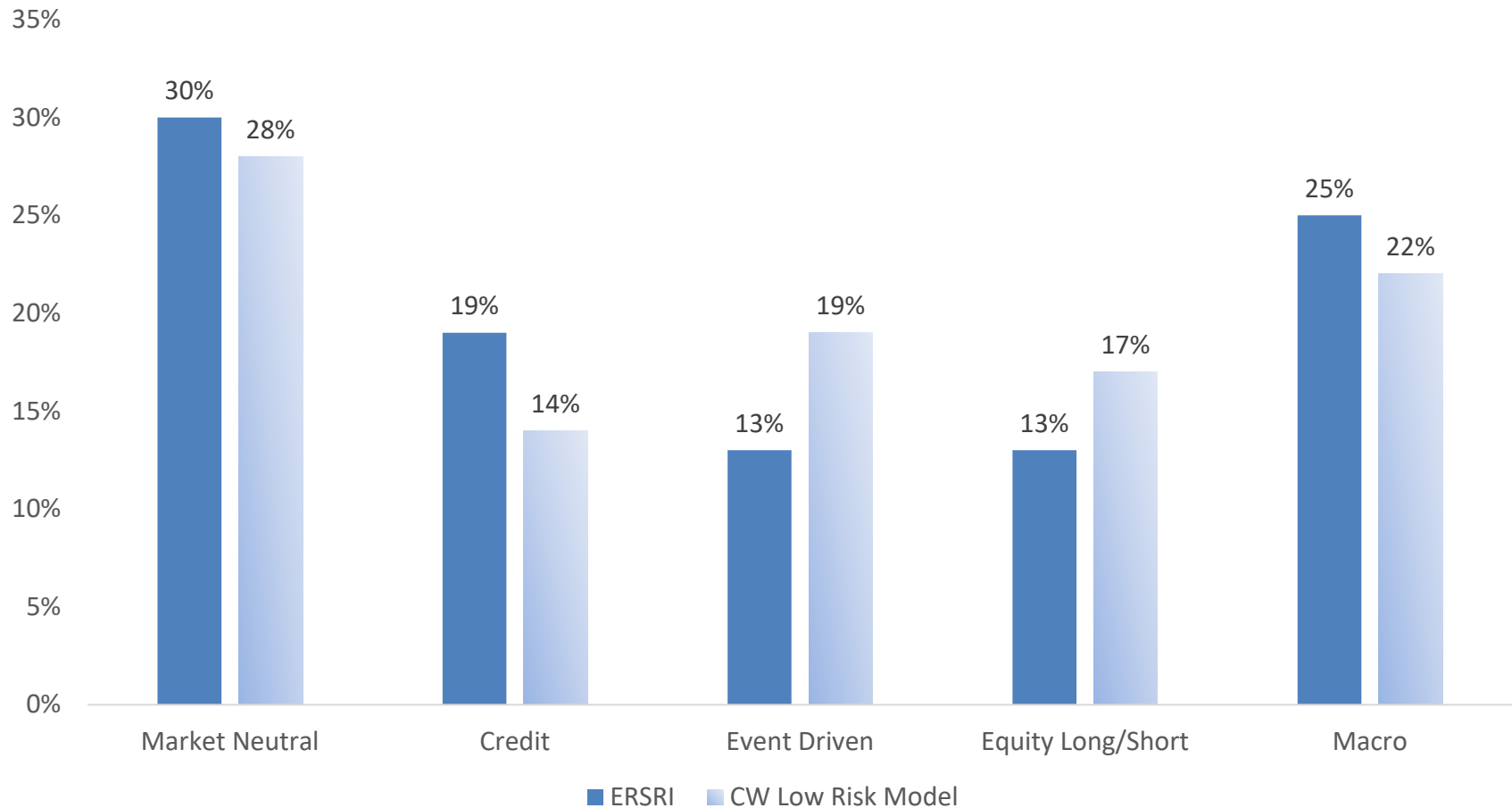
Portfolio Strategy Exposure (as allocated by manager)

Absolute Return Portfolio (including Winton) versus Cliffwater Low Risk Model Portfolio



Portfolio Strategy Exposure (as allocated by manager)

Absolute Return Portfolio Adjusted by Replacing Market Neutral for Winton versus Cliffwater Low Risk Model Portfolio



Alpha Source Substitutes – Manager Universe

Fund/ Strategy	Return	Risk	Sharpe Ratio	Beta	Beta Return	Beta Risk	Alpha Return	Alpha Risk	Info Ratio
Portfolio - Actual	4.48%	3.22%	1.39	0.17	0.87%	2.40%	2.42%	2.16%	1.12
Portfolio – Pro Forma	6.72%	2.66%	2.52	0.14	0.72%	1.97%	4.82%	1.79%	2.69
Winton	-1.69%	8.98%	-0.19	0.17	0.88%	2.48%	-3.76%	8.63%	-0.44
Alpha Source Substitutes – Manager Universe									
Credit	2.01%	5.86%	0.34	0.29	1.49%	4.22%	-0.67%	4.06%	-0.17
Market Neutral	2.59%	1.99%	1.30	0.08	0.41%	1.15%	0.99%	1.62%	0.61
Event Driven	0.85%	6.97%	0.12	0.43	2.20%	6.22%	-2.54%	3.13%	-0.81
Equity Long/Short	2.17%	7.08%	0.31	0.42	2.13%	6.03%	-1.15%	3.72%	-0.31

Note: Alpha source substitutes consist of composite results of Cliffwater’s universe of institutional quality funds for each strategy/alpha source. Data represents five years ending June 30, 2020

Alpha Source Substitutes – Manager Universe

Fund/ Strategy	Return	Risk	Sharpe Ratio	Beta	Beta Return	Beta Risk	Alpha Return	Alpha Risk	Info Ratio
Portfolio - Actual	4.48%	3.22%	1.39	0.17	0.87%	2.40%	2.42%	2.16%	1.12
Portfolio- Pro Forma	6.72%	2.66%	2.52	0.14	0.72%	1.97%	4.82%	1.79%	2.69
Pro Forma Excluding Winton	7.23%	2.70%	2.68	0.13	0.70%	1.94%	5.33%	1.87%	2.85
Pro Forma Portfolio Replacing Winton with Each Substitute									
Credit	6.93%	2.80%	2.47	0.14	0.75%	2.07%	4.98%	1.89%	2.64
Market Neutral	6.96%	2.61%	2.67	0.13	0.69%	1.90%	5.08%	1.79%	2.84
Event Driven	6.86%	2.86%	2.40	0.15	0.79%	2.19%	4.88%	1.84%	2.64
Equity Long/Short	6.94%	2.88%	2.41	0.15	0.79%	2.18%	4.96%	1.89%	2.62

Portfolio shows material improvement in risk and return with exclusion of Winton

All strategy replacements provided improved risk and return relative to current portfolio

Market Neutral provides moderate risk improvements relative to the portfolio excluding Winton

Alpha Source Substitutes –Actual Managers

Alpha Source	Fund	Return	Risk	Sharpe Ratio	Beta	Beta Return	Beta Risk	Alpha Return	Alpha Risk	Info Ratio
	Portfolio -Actual	4.48%	3.22%	1.39	0.17	0.87%	2.40%	2.42%	2.16%	1.12
	Winton	-1.69%	8.98%	-0.19	0.17	0.88%	2.48%	-3.76%	8.63%	-0.44
Credit	GCA	3.87%	2.09%	1.85	0.08	0.41%	1.13%	2.26%	1.76%	1.28
Market Neutral	Laurion	10.51%	6.48%	1.62	-0.10	-0.55%	-1.51%	9.86%	6.30%	1.57
Event Driven	Psquared	9.55%	5.50%	1.74	0.05	0.26%	0.73%	8.09%	5.45%	1.49
Equity Long/Short	MW GO	6.93%	6.34%	1.09	0.01	0.06%	0.15%	5.68%	6.34%	0.90

Note: Alpha source substitutes consist of selected managers by strategy that are A-Rated by Cliffwater. Data represents five years ending June 30, 2020

Substitution Analysis – Actual Managers

Alpha Source	Fund	Return	Risk	Sharpe Ratio	Beta	Beta Return	Beta Risk	Alpha Return	Alpha Risk	Info Ratio
Portfolio - Actual		4.48%	3.22%	1.39	0.17	0.87%	2.40%	2.42%	2.16%	1.12
Portfolio – Pro Forma		6.72%	2.66%	2.52	0.14	0.72%	1.97%	4.82%	1.79%	2.69
Potential Actions Using Actual Managers										
Redeem but not replace Winton		7.23%	2.70%	2.68	0.13	0.70%	1.94%	5.33%	1.87%	2.85
Replace Winton with:										
Credit	GCA	7.04%	2.61%	2.70	0.13	0.69%	1.90%	5.15%	1.79%	2.88
MN	Laurion	7.43%	2.51%	2.96	0.12	0.63%	1.72%	5.60%	1.81%	3.10
ED	Psquared	7.37%	2.62%	2.81	0.13	0.68%	1.87%	5.50%	1.84%	2.99
ELS	MW GO	7.22%	2.60%	2.78	0.13	0.67%	1.84%	5.36%	1.84%	2.92

Portfolio shows material improvement in risk and return with exclusion of Winton
 All alpha source replacements provided improved risk and return relative to current portfolio
 Market Neutral, Event, and ELS add alpha return relative to X-Winton portfolio
 Market Neutral provides the largest improvement in results

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