

## Recommendation for The Column Group Crossover Fund II, L.P.

To: RISIC  
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From: Thomas Lynch, CFA, Senior Managing Director

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

### Summary of The Column Group Crossover Fund II

**Fund Overview:** The Column Group Crossover Fund II will make late-stage venture capital investments and opportunistic public equity investments in life sciences companies.

**People and Organization:** The Column Group ("TCG") was founded in 2005 by David Goeddel and Peter Svenilsson to focus on high-potential scientific ideas that can be built into valuable drug discovery companies. TCG has raised over \$2 billion in its venture capital funds and has generated consistent first quartile performance in those funds. TCG saw the opportunity to invest in many mispriced public companies with strong science but poor investor support. TCG hired Chen Yu in 2021 to make crossover stage (both private and public) investments outside of the TCG portfolio. The TCG team and science partners will be active in providing ideas for the investments outside of the TCG portfolio, but the ultimate investment decision will come from the dedicated TCG Crossover team. The dedicated TCG Crossover team will be led by managing partner Chen Yu, who spent 12 years at Vivo Capital leading the firm's post investment management team and the cross-border investment practice. Chen is supported by two partners that joined the TCG team soon after Fund I was raised, Cariad Chester and Simon Basseyn, a principal and two analysts. Chester and Basseyn have been senior investment professionals at hedge funds and crossover public fund vehicles. Chester is a Partner in the Palo Alto office. Prior to joining The Column Group Crossover ("TCGX"), Chester was a Managing Director at Aquilo Capital, where he led investments in biotechnology companies developing human therapeutics. Prior to Aquilo Capital, he served as a research scientist in the lab of Dr. Holbrook Kohrt at Stanford University. His research focused on understanding tumor-immune system interactions during cancer onset, progression, and treatment. He has authored or co-authored over 20 peer-reviewed manuscripts and presented research at conferences in Canada, the US, and China. Dr. Simon Basseyn is a Partner in the NYC office. Prior to joining TCGX, Basseyn was a senior analyst at Ghost Tree Capital, a life-sciences focused hedge fund based in New York. Basseyn also holds an M.D. degree from University of Pennsylvania.

**Investment Strategy and Process:** The Fund will pursue late-stage venture and public equity positions in drug discovery and development companies. The Fund will focus on drug discovery companies in the U.S. and Europe (90-95% of total commitments) and China opportunistically. The Fund will invest in both public and private biotech companies. The Fund's public investments are expected to focus on structured financings including PIPES, IPOs, and registered directs where the Fund is able to directly negotiate and purchase shares from the company. The Fund's private investments are expected to be primarily comprised of later stage financings where the Fund can expect a liquidity event (either an IPO or sale) within three to four years. TCG team members across all platforms will help source new investments for the Crossover team. The Fund is expected to consist of eight to twelve private portfolio companies requiring \$30 million to \$40 million of capital each and 20 to 25 public portfolio companies requiring \$15 million to \$20 million of capital each. The Fund will target a return of two to three times net TVPI.

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*This report reflects information only through the date hereof. Our due diligence and reporting rely upon the accuracy and completeness of financial information (which may or may not be audited by the fund manager) and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may not be disclosed except as required by applicable law.*

*Performance:* TCG Crossover Fund I (“TCGX Fund I”) has invested \$564 million across 45 investments, generating a net return of 1.22 times invested capital and a net IRR of 27.2%. The Fund has realized 11 public investments which in aggregate have been realized below cost with an average hold period of 1.2 years. Realized investments represent 14.1% of total invested capital and generated a gross return of 0.81 times invested capital and a gross IRR of -20.7%. As of December 31, 2022, TCGX Fund I has generated a net IRR of 27.2%. Investing in the Russell 2000 Growth Index<sup>1</sup> during the same period would have generated a return of -18.7%. TCGX has outperformed the Index by 45.9%. TCGX Fund I is currently generating first decile returns on a net IRR, net TVPI, and net DPI basis relative to Cambridge Associates’ U.S. venture capital benchmarks as of September 30, 2022.

*Investment Terms:* Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund will charge a management fee equal to 2.5% of commitments during the investment period; thereafter until the first anniversary of the investment period (4 years), 1.5% of commitments; thereafter 1% of commitments. The management fee will be offset by 100% of all commitment, break-up, closing, investment banking, placement, monitoring, consulting, advisory, directors’, and other similar fees. On a fund-wide basis, the Fund will charge a carried interest of (i) 20% until distributions reach 2.5x aggregate contributions, followed by (ii) 90% catch-up until the General Partner receives 25% of all profits, and then (iii) 25% thereafter.

#### Cliffwater Recommendation

Cliffwater recommends an investment of up to \$15 million to The Column Group Crossover Fund II as part of ERSRI’s Private Equity allocation and an investment of up to \$1 million to The Column Group Crossover Fund II as part of OPEB’s Private Equity Asset allocation.

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