CLIFFWATER LLC

Recommendation for DCVC Bio II, L.P.

To:	RISIC
Prepared:	May 27, 2020
From:	Thomas Lynch, CFA, Senior Managing Director

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

Summary of DCVC Bio

Fund Overview: DCVC Bio will make early stage venture capital investments in computational biotech and agtech companies.

People and Organization: The Fund is managed by Data Collective (or the "Firm"), a venture capital firm founded in 2011 by Matt Ocko, Zachary Bogue, and Dr. Michael Driscoll to pursue early-stage venture capital investments in innovative deep tech companies. The Firm manages six institutional venture capital funds, including three seed and early-stage focused funds, two opportunity funds which pursued follow-on investments in existing DCVC companies, and the Firm's most recent fund which is a combination of early stage and opportunity fund capital. In 2018, DCVC launched a dedicated platform of biology funds, called DCVC Bio, upon the hiring of Kiersten Stead and John Hamer, former investors at Monsanto Growth Ventures. DCVC Bio will focus on life sciences investing in companies with a computational angle. While the flagship DCVC team can be helpful in diligence and have complimentary experience in certain areas of the DCVC opportunity set, the DCVC Bio funds have a separate and distinct investment mandate.

Investment Strategy and Process: DCVC Bio II will pursue early stage venture capital investments, primarily seed and series A deals in computational biotech and computational agtech investments in the United States and Western Europe. DCVC Bio II will target initial equity investments of approximately $5 million to $10 million in early-stage companies for a typical average ownership percentage of 15% to 18%. Initial seed investments may be less than $1 million. The Firm will reserve approximately 55% of commitments for follow-on rounds in the best performing deals in the portfolio, typically deploying up to $20 million in a given investment, including follow-on capital. The Fund will target a portfolio of approximately 15 to 20 deals and a net return of at least 3 times invested capital. The Fund is expected to be relatively concentrated, enabling a single strong performing investment to return at least the total fund size. DCVC Bio is differentiated by the platform's sector focus as well as the Firm's leading reputation as an early-stage venture capital investor in deep-tech companies. The broader network of DCVC and its equity partners may provide the DCVC Bio team with a differentiated network for sourcing investments and conducting diligence on advanced technology and intellectual property

Performance: DCVC Bio has managed one prior institutional fund, which has generated a net return of 1.44 times invested capital and a net IRR of 60.2%. The platform has not realized any investments to date. Investing in the Russell 2000 Growth Index[1] during the same period would have generated a return of 15.6%. DCVC Bio has outperformed the Index by 44.7%; however, the Fund is very young and unrealized. The Firm's prior fund has generated first decile performance on a net IRR and net TVPI basis relative to Cambridge Associates' U.S. venture capital benchmarks.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards for early stage venture capital funds. The Fund will charge a management fee equal to 2% of total commitments during the Fund's first seven years; thereafter, the management fee will be reduced by 10% per year, but not below 1.5% of total commitments, until the expiration of the term (including extensions). The management fee will be offset by 100% of all directors', consulting, break-up, and equivalent fees and 100% of all placement agent fees. The Fund will charge a 20% carried interest at the fund-level until net gains reach 2x aggregate contributions (3x fund net return), then 100% GP catch-up until the GP receives 25%, then 25% thereafter.

Cliffwater Recommendation

Cliffwater recommends an investment of up to $20 million DCVC Bio II, L.P. as part of ERSRI's Private Equity allocation.

---

[1] Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index data may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Cliffwater LLC. FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof. The Russell 2000 ® Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.