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## Recommendation for Chorus Capital Credit Fund V, L.P.

To: RISIC  
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The purpose of this memo is to provide the RISIC with a summary of Cliffwater's recommendation on Chorus Capital Credit Fund V, 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 Credit Asset allocation.

### Summary of Chorus Capital Credit Fund V, L.P.

**Fund Overview:** Chorus Capital Fund V ("Fund V", the "Fund") will invest in significant risk transfers ("SRTs") whereby a globally systematically important bank ("G-SIB") or domestically systematically important banks ("D-SIB") issue a synthetic securitization to receive Tier 1 regulatory capital relief.

**People and Organization:** Chorus Capital Management Ltd ("Chorus", the "Firm") is a London-based investment firm that has specialized in significant risk transfer ("SRT") transactions since its founding in 2011. Chorus was founded by Gilles Marchesin, Cyril Armleder and Simon Christofides. Marchesin has served as CEO since the Company's inception, with Armleder and Christofides always serving passive investor roles. Kaikobad Kakalia joined Chorus Capital as CIO in 2014. Prior to joining Chorus Capital, Kaikobad ran the structured finance team within the treasury department of ABN AMRO and subsequently RBS, which originated, structured, and executed more than 20 risk transfer transactions. The Firm is 100% employee owned. Today, Chorus continues to operate out of its headquarters in London with 28 full-time employees and \$2.8 billion assets under management.

**Investment Strategy and Process:** Chorus Capital Fund V ("Fund V", the "Fund") will invest in significant risk transfers ("SRTs") whereby a globally systematically important bank ("G-SIB") or domestically systematically important banks ("D-SIB") issue a synthetic securitization to receive Tier 1 regulatory capital relief. Fund V will primarily target SRTs issued by G-SIBs and D-SIBs domiciled in Europe, and to a lesser extent banks domiciled in North America. The Fund is not expected to face regional banks as counterparties. The Fund will structure both first loss and mezzanine attachments points pending the perceived risk of the reference portfolio. While the Fund may pursue purchases of SRTs in the secondary market, primary investments either through bi-lateral or club transactions will constitute most if not all of the Fund portfolio. The Fund will not use leverage beyond that of a subscription line. The Fund will target a net return of 12-13%. Fund V will seek to build a portfolio of 20-25 transactions with an average expected hold size of \$100 million to \$150 million. The Fund is capped at 25% of capital to be invested in any one SRT transaction, and 25% exposure to any one issuing bank. Underlying obligor exposure referenced by the Fund is capped at 1% if the obligor is mapped to an investment grade rating, and at 0.5% if the obligor is mapped to a sub-investment grade rating. Large corporate exposure is expected to comprise 80-90% of the Fund with SME or trade finance exposure expected to comprise the difference. Look-through reference obligor exposure is expected to be 60% or more European, 20%-30% North American, and 0%-10% ROW.

**Performance:** As of September 30, 2023, Chorus has invested \$2.8 billion across 48 transactions generating a net 8.9% IRR and 1.19x MOIC. Note that the Chorus track record largely falls during a timeframe when base rates were essentially zero. Moreover, as measured by realized loss given defaults versus market implied loss given defaults, Chorus has outperformed in 46 of 48 or 96% of its transactions. Relative to the Morningstar Leverage Loan Index, Chorus' prior investments have outperformed by 4.2% per year.

**Investment Terms:** Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a seven-year term and an 18-month investment period. After, the investment period, investors can take cash distributi. or elect to recycle proceeds into a new three-year investment

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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.*

period. The Fund charges a 1.25% management fee on invested capital and a 15% carried interest with a 6% preferred return.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$20 million to Chorus Capital Credit Fund V, L.P. as part of ERSRI's Private Credit allocation and an investment of up to \$2 million to Chorus Capital Credit Fund V, L.P. as part of OPEB's Private Credit allocation.