

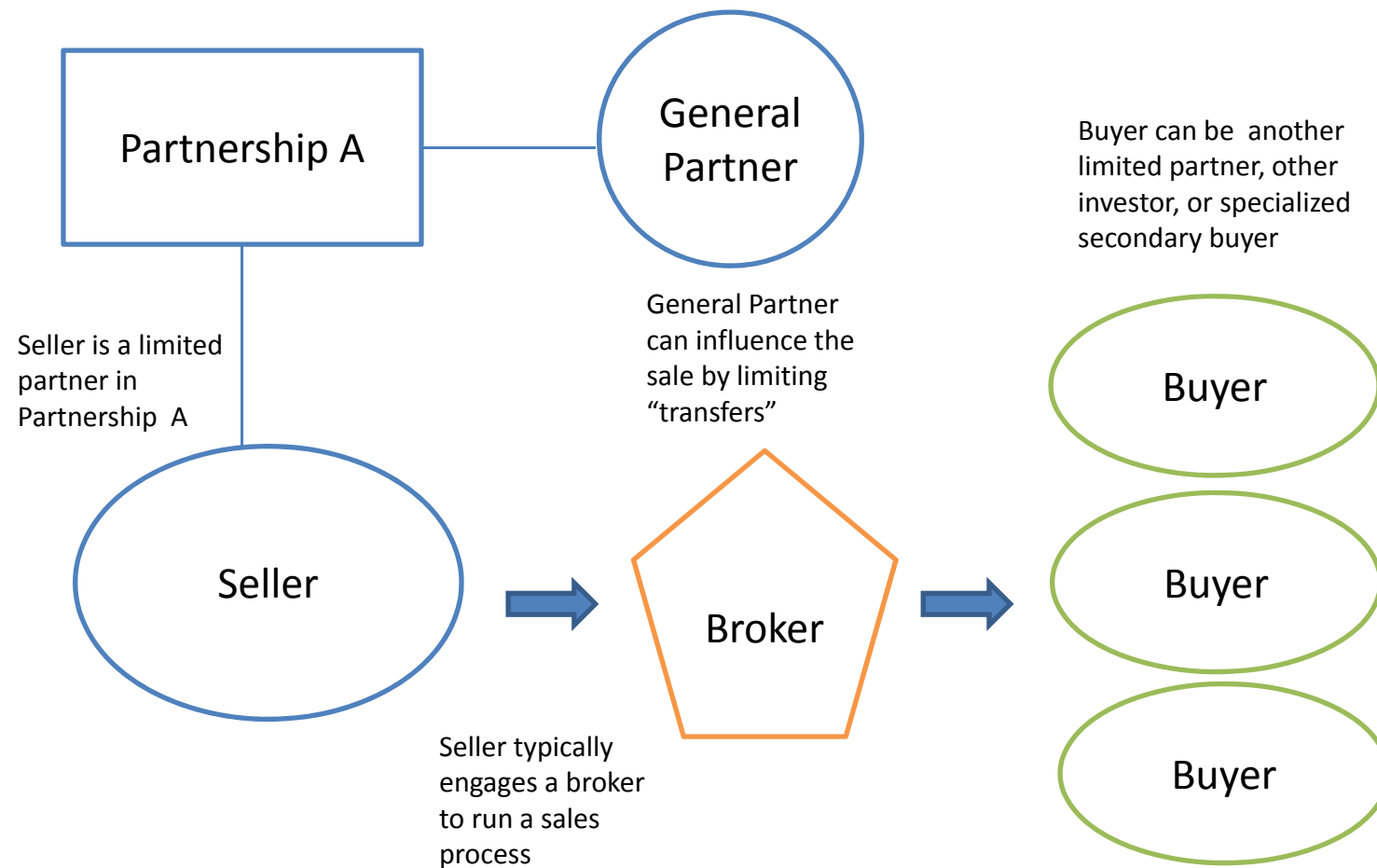


Los Angeles • New York

Secondary Investing

March 27, 2018

Secondary Transaction



Factors that Influence Pricing

Quality of General Partner	<ul style="list-style-type: none">• Hard to access funds
Type of Strategy	<ul style="list-style-type: none">• Buyout versus venture capital
Maturity	<ul style="list-style-type: none">• Fully invested v. mostly uncalled
Quality of Portfolio	<ul style="list-style-type: none">• Near exits

Secondary Investing Objectives and Strategy

Three objectives for secondaries:

1. Access to “top-tier” general partners
2. Deployment of capital and J-curve reduction
3. Attractive returns

Investment strategy:

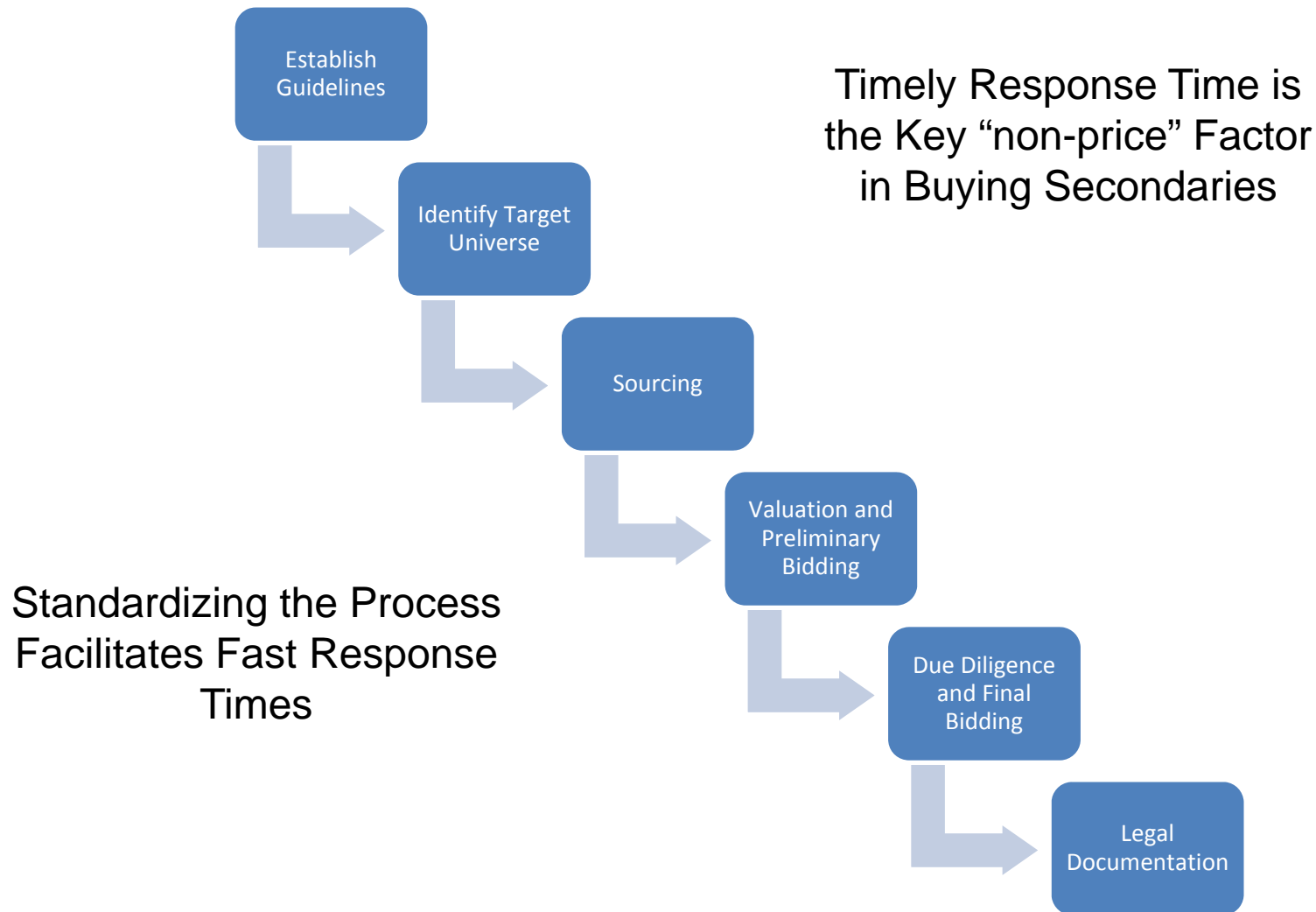
Proactive sourcing of secondary opportunities

Sourcing secondaries overlaps sourcing primaries

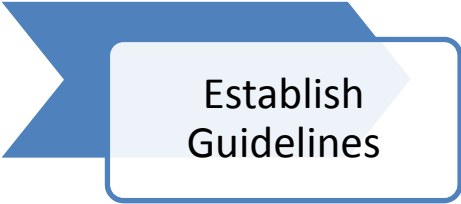
Disciplined valuation

Opportunistic capital deployment

Investment Process



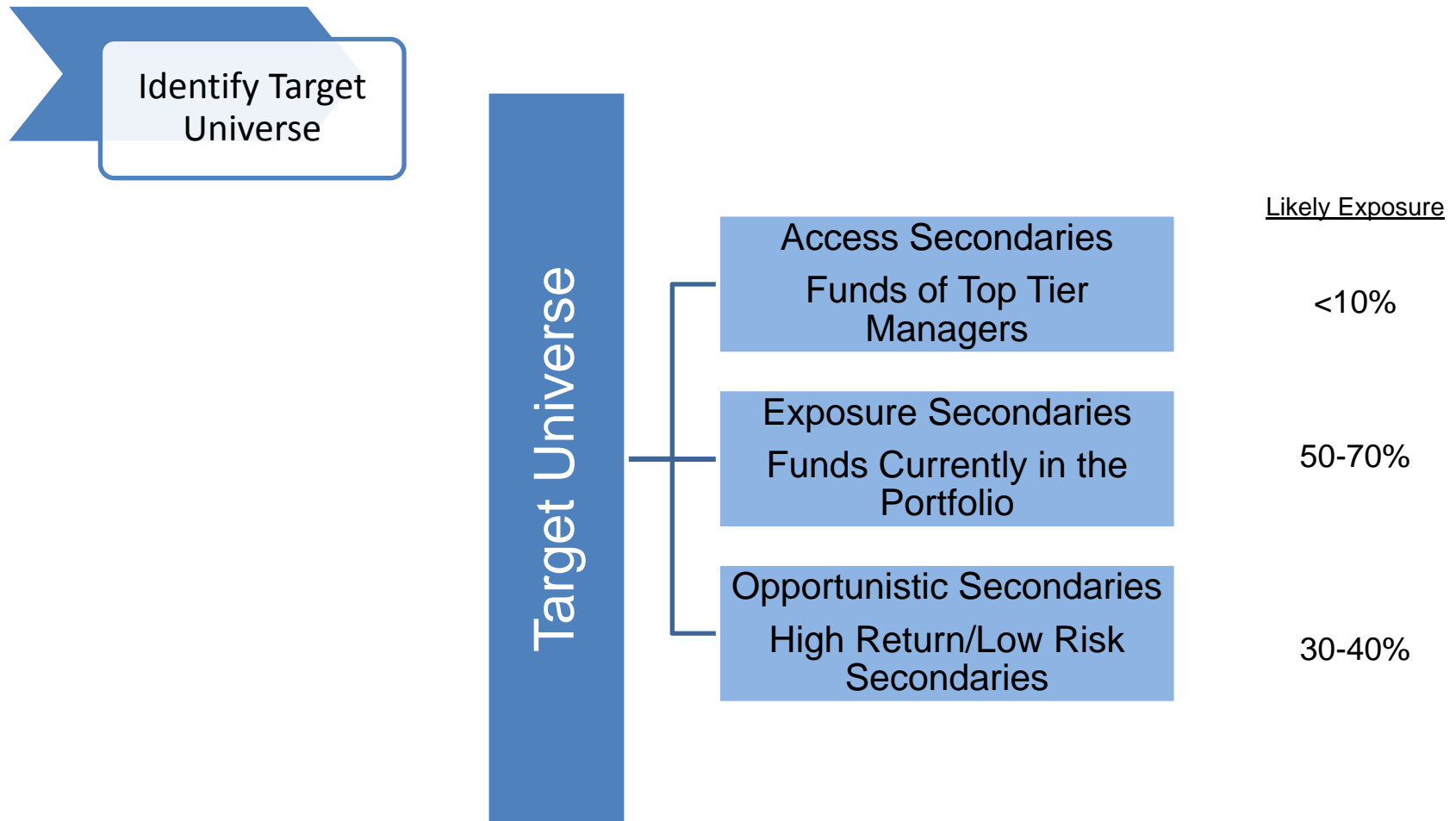
Investment Process



Establish
Guidelines

Guideline	Sample
Asset Classes	Private Equity, Opportunistic Credit, Real Estate, and Infrastructure
Portfolio Allocation	20% of target allocation
Time Diversification	No more than 50% of annual planned exposure increase
Minimum Size	\$1 million exposure for access or for funds currently in the portfolio \$5 million exposure for opportunistic secondaries
Return Hurdle	15% expected return for access or funds currently in the portfolio 20% expected return for opportunistic secondaries
Funded Level	No limit on access or for funds currently in the portfolio Minimum 50% funded for opportunistic secondaries

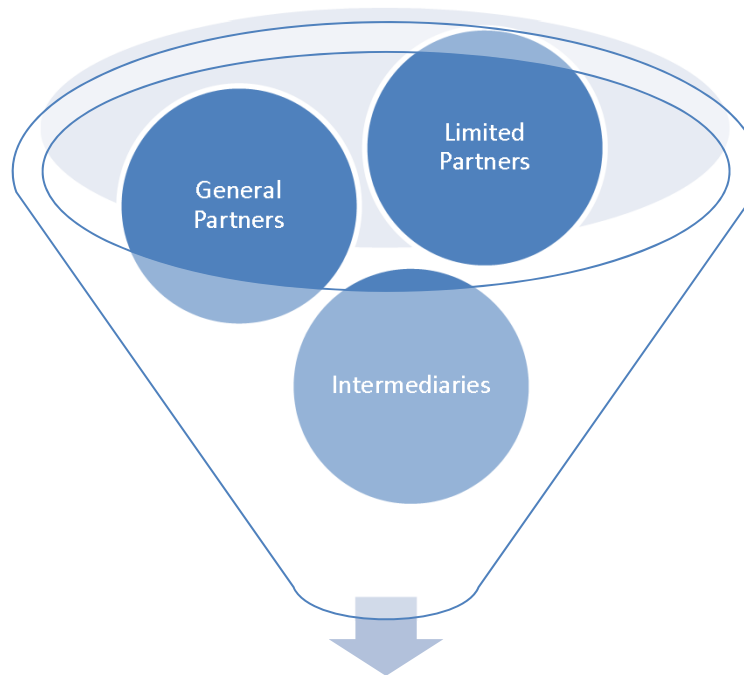
Investment Process



Investment Process

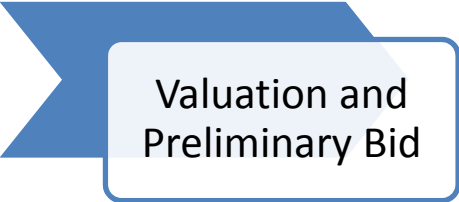
Sourcing

Proactive Calling Program
on Three Groups



Secondary Opportunities

Investment Process



Valuation and
Preliminary Bid

Fast Response Process for Submitting Preliminary Bids

Check List for Guideline Fit

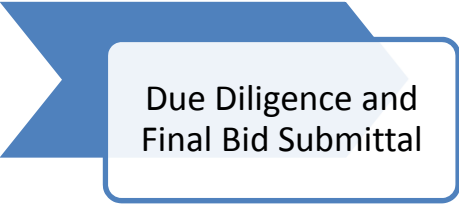
Standard Template for NDA

Adopt Cliffwater Secondary Pricing Model

Establish Standard Data Inputs and Sources

Establish Standard Protocol for Timing and
Documentation for Final Close

Investment Process



Due Diligence and
Final Bid Submittal

Disciplined Process for Submitting Final Bids

Check List for Due Diligence

Stress Test Secondary Pricing Model

Provide Standard Purchase Sale Agreement

Legal Review

Submit Binding Bid

Investment Process

Process	
A	Staff will submit non-binding IOIs to the seller that specify the bid is contingent on an SIC vote on the next SIC meeting date
B	The SIC will be presented with confidential material prior to the meeting to prepare for discussion
C	SIC will vote to approve up to a certain price/discount
D	For new primary commitments staff will recommend commitments with built in capacity for future secondaries. For example: " commitment up to \$50mm which may be made up of primary commitments or secondary acquisitions at a later date, as long the secondary commitments are not above par". If secondary interests are above par an SIC vote is required.

Tiers							
Tier	Description	Likely Exposure	Discretion	Target Return	Min Percent funded	Min Commitment Size	Max Commitment Size
Tier 1	Existing portfolio funds approved by SIC	40% - 60%	SIC vote if not subject to "D" above	15%	No minimum	\$1mm	No more than total aggregate of \$50mm. However, if the GP concentration goes above 10% or staff pursues an aggregate commitment above \$50mm it goes to the SIC
Tier 2	Existing GPs approved by SIC, but funds not currently in the portfolio	40% - 60%	SIC vote	15%	25%	\$5mm	\$50mm. However, if the GP concentration goes above 10% it goes to the SIC
Tier 3	Access- providing access to an ongoing relationship in a new high quality manager (GP)	<10%	SIC vote	15%	25%	\$1mm	\$50mm
Tier 4	Opportunistic - steep discount buy of a high quality portfolio	20% - 40%	SIC vote	20%	50%	\$10mm	\$50mm

* all of the above are subject to existing constraints and plan guidelines such as percent of investor base limits, strategy limits, sector weight limits, geographic weight limits, and GP concentration limits