

Recommendation for Atalaya Asset Income Fund V, L.P.

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

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

Summary of Atalaya Asset Income Fund V

Fund Overview: AAIF V will make investments in performing financial assets that are backed by consumer, commercial, or real estate assets targeting cash yields of 7% to 10%.

People and Organization: Atalaya Capital Management ("Atalaya" or the "Firm") was founded in March 2006 by Ivan Zinn, Partner and Chief Investment Officer. Prior to founding Atalaya, Zinn helped establish a similar investment strategy at two multi-strategy hedge funds. The Firm is 80% owned by employees and 20% by Dyal Capital Partners. Atalaya currently manages \$5.3 billion of assets, of which approximately 21% is the Firm's Asset Income strategy. Other strategies managed by the Firm include higher risk, opportunistic credit strategies and CLOs. Atalaya currently has 32 investment professionals who focus on sourcing, due diligence, and asset management. The investment team is led by five partners including Ivan Zinn, Raymond Chan, Joshua Ufberg, David Aidi, and Matthew Rothfleisch. All partners, with the exception of Drew Phillips, COO, are members of the investment team. The Firm's headquarters is in New York City.

Investment Strategy and Process: The Fund will originate loans backed by financial assets and purchase portfolios of short duration performing loans. The Asset Income strategy focuses on lower risk and return situations where the underlying assets are typically performing versus sub- or non-performing. The General Partner will focus on lending against or purchasing commercial and consumer financial assets or real estate. Commercial assets may include equipment leases, tax credits, and purchase order financing. Consumer assets may include unsecured installment loans and auto loans. In addition, the General Partner may selectively finance other assets where the risk and return meet the Fund's objectives. The Fund is expected to invest in 30 to 40 positions, many of which will have numerous underlying borrowers, where the typical investment from the Fund will range from \$20 million to \$40 million. The Fund will be predominantly invested in the U.S. with a limit of 15% in non-U.S. dollar-denominated investments. Atalaya focuses on opportunities that can generate gross IRRs of 12% to 17% where there is strong collateral protection and predictable cash flows. The Fund is expected to generate a cash yield of 7% to 10% with an overall net return of 10% to 13%. Atalaya does not intend to use fund-level leverage to achieve the Fund's return target and has not employed leverage in the strategy to date.

Performance: Since 2012, Atalaya has raised four prior asset income funds totaling approximately \$1.7 billion in committed capital. As of September 30, 2020, the Firm has called \$1.8 billion from limited partners, distributed \$1.4 billion, and created a fair market value of \$700 million for a net return of 1.31 times paid-in capital. Investing in the Barclays High Yield Index at the same pace over the same period would have generated a return of 4.9%. Atalaya has outperformed the index by 3.8%.

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Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards. The Fund has a two-year investment period and a five-year term. The Fund will charge a management fee equal to 1.5% of invested capital. The Fund will charge a 15% carried interest with a preferred return of 5%.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$30 million Atalaya Asset Income Fund V, L.P. as part of ERSRI's Private Credit allocation.