

Absolute Return Portfolio Rebalancing Recommendation

To: RISIC
Prepared: January 17, 2022
From: Thomas Lynch, CFA, Senior Managing Director

The purpose of this memo is to provide RISIC with Cliffwater's rebalancing recommendation for proceeds of the partial redemption from DE Shaw Composite Fund.

DE Shaw Composite Fund, one of seven funds in the Absolute Return Portfolio (or "Portfolio"), has made a mandatory redemption to all investors on December 31, 2021. The mandatory redemption follows a frequent practice of DE Shaw Composite Fund whereby the Fund redeems profits for the calendar year in order to manage the Fund's overall size.

The mandatory redemption for the Portfolio is \$27.2 million or 4% of the Portfolio and 16% of DE Shaw Composite Fund holding as of December 31, 2021.

Cliffwater recommends that the redemption from DE Shaw Composite Fund plus an additional \$2.8 million (or a total of \$30 million) be reinvested in another fund in the Portfolio, Aristeia Partners. The recommendation is based on the following:

1. As of December 31, 2021, and before the DE Shaw Composite Fund redemption, the invested allocation to the Absolute Return Portfolio was 6.26%, slightly below the 6.5% target. Reinvesting the redemption proceeds will maintain the Absolute Return Portfolio near, though slightly below, the target allocation.
2. Reinvesting the proceeds in Aristeia Partners will improve manager diversification. Aristeia Partners is currently the smallest position in the portfolio at \$43.3 million or 6.4% of the total Portfolio. On a pro forma basis for the reinvestment, Aristeia represent \$73.3 million or 10.4% of the Portfolio.
3. As further discussed in the Absolute Return Portfolio Review, Aristeia Partners has performed well since it was added to the portfolio in January of 2021.
4. The increased allocation is expected to maintain the return and risk objectives of the Portfolio.

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.