

**Alameda County Employees'
Retirement Association**

ACERA

REAL ASSETS POLICY

Amended: December 17, 2020

ACERA REAL ASSETS POLICY

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Real Assets Policy

I. SCOPE

This Real Assets Policy (“RA Policy” or “Policy”) governs all investments in the Real Assets (“RA”) asset class made by Alameda County Employees’ Retirement Association (“ACERA”). Established in April, 2011 the RA Policy is subject to all provisions of applicable law and applicable limitations and requirements of ACERA’s General Investment Guidelines, Policies and Procedures. If there is any conflict between this RA Policy and ACERA’s General Investment Guidelines, Policies and Procedures pertaining to investments in the RA asset class, the Policy prevails. The ACERA Board (Board) reserves the right to amend, supplement, and/or rescind the Policy at any time.

II. PURPOSE

The purpose of the Policy is to:

1. Set forth the RA investment policies and guidelines which are deemed to be appropriate and prudent;
2. Establish criteria against which RA investment opportunities are to be measured; and
3. Serve as a review document to guide the ongoing oversight of ACERA’s Real Assets Portfolio on a consistent basis.

The Policy also defines roles and responsibilities of the Board, the ACERA Investment Committee (IC), the ACERA Staff (Staff), the ACERA RA Consultant (Consultant), and the RA Investment Managers hired by ACERA to manage its assets (Managers).

It is expected that the Policy will be a living document and that changes will be made from time-to-time to reflect experience, evolving investment products, and opportunities and changes in the economic and capital market environment.

The RA asset class is designed to produce positive expected returns and to protect against domestic inflation.

The RA portfolio is principally intended to:

1. Exceed the RA Policy benchmark on a net of fees basis.
2. Protect against domestic inflation and trending inflation, especially during periods of unexpected inflation.
3. Add alpha and diversification to the ACERA portfolio.

III. LEGAL AUTHORITY

The Policy is established in accordance with Article XVI, Section 17 of the California Constitution and California Government Code sections 31594 and 31595, which establish the exclusive authority and fiduciary responsibility of the Board for the investment and administration of the ACERA Trust Fund (“Fund”).

IV. TYPES OF REAL ASSETS INVESTMENTS

The RA portfolio will invest in both liquid and illiquid strategies that will seek to provide a positive expected return and exhibit a positive correlation to domestic inflation. Liquid strategies may consist of publicly-traded equities, commodities, inflation protected bonds (TIPS) and other exchange listed securities that are believed to provide an appropriate hedge to inflation. In addition, the RA portfolio will invest in private limited partnerships and secondaries in sectors with inflation sensitive assets including, but not limited to, energy, mining, infrastructure, timberland, and farmland

All RA investments/strategies made through privately-placed funds are considered Alternative Investments.

RA investments include, but are not limited to, the following:

1. Commodities
2. Treasury Inflation Protected Securities (TIPS), Inflation Break-evens
3. Developed and Emerging Market Currencies
4. Natural Resources - Related Equities
5. Infrastructure - Related Equities
6. Gold, Other Precious Metals
7. Publicly-traded Real Estate Investment Trusts (REITs)
8. Privately-placed Energy Funds
9. Privately-placed Mining Funds
10. Privately-placed Infrastructure Funds
11. Farmland, Timber
12. Publicly-traded Energy Master Limited Partnerships (MLP's)
13. Other Inflation-Hedging Assets

V. STRATEGIC OBJECTIVE OF REAL ASSETS INVESTMENTS

The strategic objective of real assets investments is to generate a positive, domestic inflation-sensitive return in excess of the asset class's assigned benchmark. The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in RA assets.

VI. STRATEGIC ALLOCATIONS TO REAL ASSETS

The target allocation to the Real Assets Asset Class is 5.0% of the total Fund. The RA target portfolio will consist of both liquid and illiquid investments with a target allocation between the two pools of investments, at commitment level, as follows:

Permanent RA Portfolio¹	Target Allocations
Liquid Pool (publicly-traded)	25%
Commodities	5%
Natural Resources	10%
Infrastructure	10%
Illiquid Pool (privately-placed)	75%
Natural Resources	25%
Infrastructure	50%

The Liquid Pool serves four purposes:

1. Provide a high correlation to inflation
2. Allow ACERA to fund its RA target allocation, providing the Total Fund with RA risk exposures to the private real asset strategies
3. Act as a drawdown vehicle to fund commitments made by ACERA within the illiquid portfolio.
4. Ensure that ACERA has sufficient liquidity either to meet the Total Fund’s needs and/or to take advantage of attractive investment opportunities

It is expected that the liquid pool will comprise the majority of the RA portfolio until privately-placed commitments are made and investment dollars are called.

The Illiquid Pool serves two purposes:

1. Provide a return premium above the publicly-listed infrastructure and natural resource equity markets.
2. Enhance portfolio diversification by reducing the RA portfolio’s public equity correlation

It is expected that the RA assets will be managed on a discretionary basis by investment managers, who are evaluated and monitored by Staff and Consultant. All investment managers will adhere to specific investment guidelines which are generally consistent with the intent of the Policy. Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category above. While specific investments may incur losses of all or part of the capital invested, it is expected that a diversified RA Portfolio will produce a positive return that exceeds the RA Policy benchmark. The risks associated with RA investments will be viewed within the context of the entire Fund. ACERA may take on over and under weights to sub-asset classes within the RA Portfolio to

¹ Please see the Addendum to this RA Policy for the interim asset allocation ranges.

improve its risk/return posture based upon an assessment of the relative attractiveness of all available opportunities.

VII. SPECIFIC GUIDELINES FOR REAL ASSETS PORTFOLIO

ACERA will gain exposure to RA investments by hiring external investment managers either directly or through participation in secondary RA markets. It is expected that the RA Portfolio will exceed the custom, blended benchmark net of all fees and expenses over a 7-10-year period (full market cycle).

The RA Portfolio is to be implemented over 3 to 5 years and diversified as follows:

By sub-asset class: Among natural resources, infrastructure, commodities, and other similar investments.

By vintage year: Roughly equal amounts of new funding will be invested or committed in each calendar year, with significant deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

By Investment Manager: No more than twenty (20) percent of the Fund's total five (5) percent target allocation to the RA Portfolio may be invested/committed to any one illiquid private investment vehicle.

By geography: Through investments/commitments to funds on a global basis to provide protection against domestic inflation.

By industry sector: As a result of the diversified investments/commitments outlined above, it is expected that the RA Portfolio will generally be diversified by sector/industry.

VIII. ROLES AND RESPONSIBILITIES

The delineation of roles and responsibilities is important for effective administration of ACERA's RA Portfolio. The duties and responsibilities of the Board, IC, Staff, Consultant, and Managers are stated below:

A. Board

The Board shall be responsible for approving the Policy that governs the RA Portfolio and approving the Investment Plans for ACERA's RA Portfolio. From time-to-time the Board, with input from the IC, shall review the Policy to determine whether amendments are advisable. The Board shall also be responsible for reviewing and approving all RA commitments/investments that are recommended by the IC, Staff, and Consultant.

B. Investment Committee

The IC shall be responsible for the following:

1. Recommending to the Board a Policy to govern all investments in or commitments to the RA asset class;
2. Reviewing the Policy, evaluating proposals for amendments, if any, and making recommendations to the Board;
3. Reviewing and approving Investment Plans for ACERA's RA Portfolio;

4. Reviewing RA investments/commitments recommended by Staff and Consultant and recommending them to the Board for approval.

C. Staff

Staff shall be responsible for oversight of ACERA's RA Portfolio. Staff's responsibilities shall include, but not be limited to the following:

1. Developing and recommending all necessary changes to the Policy with input from Consultant;
2. Developing and maintaining specific procedures, if necessary, to comply with the approved Policy with input from Consultant;
3. Reviewing, conducting due diligence, and, if satisfied, recommending RA investment/commitment proposals to the IC. Staff and Consultant shall provide the IC all required reports;
4. Monitoring the RA Portfolio for performance and compliance with the Policy;
5. Monitoring the performance of the underlying Managers and their compliance with a) the investment guidelines as set forth in their respective contracts; b) the Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
6. Conducting comprehensive annual reviews of ACERA's RA Portfolio and the individual investments in the Portfolio;
7. Reporting to the IC any violations of the Policy with appropriate recommendations;
8. Assisting ACERA's legal department in contract negotiations with the selected Managers;
9. Evaluating RA investment opportunities with Consultant's input on an ongoing basis; and
10. Evaluating and making recommendations for retention and termination of Managers.

D. Consultant

Consultant hired by the Board is a fiduciary to ACERA and its Board. Consultant shall independently and continuously monitor and analyze the performance of ACERA's RA Portfolio and make related recommendations to serve the best interests of the plan members. Consultant shall assist Staff in developing the Policy and recommending all necessary changes to the Policy. In addition, Consultant shall be responsible for:

1. Analyzing the asset allocation of the RA Portfolio by type, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
2. Developing an investment plan for ACERA's RA Portfolio annually;
3. Developing a search strategy for highly qualified RA investments and maintaining a robust database containing information on qualifying Managers;
4. Recommending highly qualified investments to Staff and/or the Investment Committee upon completion of a thorough due diligence process and providing the required reports to Staff and/or the IC;
5. Ongoing monitoring of the investment performance of ACERA's RA Portfolio and individual investments in the Portfolio;
6. Conducting ongoing due diligence on Managers, notifying ACERA of any significant developments and adverse events and providing analysis and advice on such issues;
7. Monitoring Managers' compliance with a) their respective investment guidelines as set forth in their contracts; b) the Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures;
8. Assisting Staff in contract negotiations with the selected Managers;

9. Submitting performance evaluation reports and conducting comprehensive reviews of the RA Portfolio and individual Managers when appropriate, semi-annually to the IC in conjunction with the regular quarterly performance report and review;
10. Making recommendations for retention or termination of Managers;
11. Attending IC and Board meetings as needed; and
12. Performing other duties in accordance with the terms of its contract and applicable State and Federal law

E. Managers

Managers are fiduciaries and shall manage ACERA's assets prudently and in the best interests of ACERA and its members. Managers shall abide by all applicable policies and procedures established by ACERA and comply with applicable law. Managers shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) the Policy; and c) applicable requirements of ACERA's General Investment Guidelines, Policies and Procedures. They shall also:

1. Communicate with Staff and/or Consultant promptly regarding investment strategy, investment results, and any non-conforming issues that may have significant and/or negative impact on the portfolio;
2. Cooperate fully with Staff, Consultant, ACERA's custodian, and other ACERA vendors concerning requests for information;
3. Submit reports to Staff and Consultant in accordance with their contract terms; and
4. Attend meetings as needed.

IX. DUE DILIGENCE PROCESS FOR RA INVESTMENT SELECTION

ACERA recognizes that a proper due diligence process is essential to control the risks associated with RA investments and, therefore, hereby establishes the following due diligence processes for both its Consultant and Staff:

A. Consultant

Consultant shall conduct extensive, documented due diligence before making any RA investment recommendations to Staff and the IC. Consultant shall involve Staff in the due diligence process when appropriate. Consultant shall, but not be limited to:

1. Assessing the reputation of the individuals who manage the RA investments. Consider background checks, internet searches, and in-person meetings with these individuals, etc.;
2. Conducting on-site visits to the offices of the Managers;
3. Checking references from other investors that have invested in these RA investments, and, when advisable, from competitors;
4. Determining that the RA investment funds are audited, at least annually, by a reputable and recognized external auditing firm;
5. Reviewing Managers' investment strategies, policies, operating procedures, and historical performances;
6. Reviewing and understanding the valuation procedures employed by the Managers;
7. Reviewing business terms of all legal agreements and other related documents for the RA investments under consideration, such as offering memorandum, legal agreements, and SEC Forms ADV;
8. Assessing what exit strategies exist to avoid future investments in or liquidate exiting investments from strategies exhibiting poor performance; and

9. Reviewing the investments for potential exposure to Unrelated Business Taxable Income (UBTI).

B. Staff

Staff shall ensure that Consultant has conducted extensive, documented due diligence on all RA investment proposals recommended to Staff and the IC. Staff shall participate in Consultant’s due diligence process when appropriate and shall also:

1. Review the comprehensive analysis report prepared by Consultant on its recommended RA investments;
2. Conduct independent internal due diligence on the recommended investment, including, but not limited to: meeting with Managers and their proposed management teams, performing background checks on related parties, review of the offering materials and proposed investment contracts, and attending onsite diligence meetings at the Managers’ offices.
3. Verify the appropriateness of each recommended RA investment with consideration to the Policy, the investment plan for ACERA’s RA Portfolio and other applicable investment policies;
4. Discuss all issues related to the recommended RA investments with Consultant and if necessary, with the Managers; and
5. Arrange presentations to the IC for all recommended RA investments to allow the IC to make recommendations to the Board for approval.

X. PERFORMANCE EVALUATION CRITERIA

When appropriate, the specific performance evaluation criteria, including, but not limited to benchmarks, for Managers will be established in the investment agreements between ACERA and individual Managers.

Performance of the RA portfolio will be measured against the following blended benchmark:

S&P Global LargeMidCap Commodity and Resources Index	35%
S&P Global Infrastructure Index	60%
Bloomberg Commodity Index	5%

Individual managers will be measured against their respective benchmarks.

Privately-placed and publicly-traded Natural Resources	S&P Global LargeMidCap Commodity and Resources Index
Privately-placed and publicly-traded Infrastructure	S&P Global Infrastructure Index
Privately-placed and publicly-traded Commodities	Bloomberg Commodity Index

XI. MONITORING AND REPORTING

Consultant and Staff will monitor and analyze the RA Portfolio closely so that the strategic objective(s) of the Portfolio can be met.

Managers shall submit all reports to Staff, Consultant, ACERA's custodian, and other ACERA vendors in accordance with their respective contracts.

Consultant shall submit all reports to Staff in accordance with its contract terms and the Policy.

Consultant, in conjunction with Staff, shall perform evaluations of ACERA's RA Portfolio and the underlying Managers annually and, when appropriate, semiannually. Consultant shall report the findings to Staff and the IC.

XII. REAL ASSETS INFORMATION DISCLOSURE POLICY

ACERA is a public agency subject to the California Public Records Act (Cal. Gov. Code §6250 *et seq.*), which provides generally that all records relating to a public agency's business are open to public inspection, disclosure and copying, unless specifically exempted. The investment of the ACERA Fund is a matter of legitimate public interest; however, the Legislature has determined that the public interest requires that certain information regarding privately-placed funds remain exempt from disclosure. (Cal. Gov. Code §6254.26.) Therefore, regarding RA investments, it shall be the policy of ACERA to disclose only those records described in California Government Code Section 6254.26, subdivision (b). Specifically, ACERA will disclose the following categories of documents:

1. The name, address, and vintage year of each RA investment;
2. The dollar amount of the commitment made to each RA investment vehicle by ACERA since inception;
3. The dollar amount of cash contributions made by ACERA to each RA investment vehicle since inception;
4. The dollar amount, on a fiscal year-end basis, of cash distributions received by ACERA from each RA investment vehicle;
5. The dollar amount, on a fiscal year-end basis, of cash distributions received by ACERA plus remaining value of fund assets (or interest in) attributable to ACERA's investment in each RA investment vehicle;
6. The net internal rate of return of each RA investment vehicle since inception;
7. The investment multiple of each RA investment vehicle since inception;
8. The dollar amount of the total management fees and costs paid on an annual fiscal year-end basis, by ACERA to each RA investment vehicle; and
9. The dollar amount of cash profit received by ACERA from each RA investment vehicle on a fiscal year-end basis.

All other records regarding such RA investments shall be exempt from disclosure to the fullest extent permitted under applicable law. Notwithstanding the preceding, ACERA reserves the right to withhold any record on the basis that the public interest in disclosure is clearly outweighed by the public interest in withholding the record (Cal. Gov. Code §6255).

XIII. TABLE OF AMENDMENT DATES

March 17, 2016

October 18, 2018

May 15, 2019²

December 17, 2020

² This amendment reflects the updated “Natural Resources” index in the Real Assets Portfolio benchmark composite (see Section X Performance Evaluation Criteria) from the “S&P Global LargeMidCap Natural Resources Index” to the “S&P Global LargeMidCap Commodity and Resources Index” as reported to the Investment Committee on May 15, 2019.

Appendix I

List of Reports Required for Each Investment Recommendation/Approval

Name of Report	Source
Recommendation/Approval memo	Staff
Recommendation/Approval memo	Consultant
Executive Summary of the Fund	Consultant and Staff (separately prepared)
Compliance Checklist	Staff
Comprehensive Due Diligence Report (Available to Trustees upon request owing to confidentiality)	Consultant
Manager Pitchbook	Manager

Appendix II

Executive Summary Report Template

Fund Name

Section I: General Information

Fund Name; Total AUM of the Firm; Current Target Fund Size; Previous Fund Size; Fund Focus; etc.

Section II: Investment Management

Organizational Structure; Management Group; Experience; Personnel Turnover; etc.

Section III: Investment Strategy

Investment Philosophy; Investment Strategy; Investment Process; Investment Objective; etc.

Section IV: Risk Management

Risk Control Methodology; Exit Strategy; etc.

Section V: Investment Rationale

Section VI: Investment Concerns

Section VII: Performance (example)

Benchmark:

Net Returns (%):

Period Ending Dates	YTD	1Year	3Years	5Years	Since Inception
Gross Fund/Account Results					
Net Fund/Account Results					
Benchmark					
Relative Performance: Account – Benchmark					
Gross Fund/Account – Benchmark					
Net Fund/Account – Benchmark					

Section VIII: Key Terms

Fund Term; Preferred Return; Investment Period; Management Fee; Other Fees; Fee Discounts; General Partner Carry; GP Commitment; Advisory Board; Clawbacks; No-Fault Divorce; Key-Person Events; Closing Schedule; Drawdown Schedule; etc.

Appendix III

Compliance Checklist Template for RA Investment/Commitment

Target allocation to RA asset class: 5% of the Total Fund

<u>RA Policy</u>	<u>Investment Fund</u>	<u>In Compliance</u>
1. Permissible Legal Structures		
Any legally permissible vehicle will be allowed including, but not limited to, separate accounts, commingled funds, joint ventures, limited partnerships, corporations, and limited liability companies.	<i>Specific legal structure.</i>	<i>Yes, No, or N/A</i>
2. Investment Methods		
Individual limited partnership funds Primary and/or Secondary Separate accounts Discretionary Separate Accounts Commingled Funds ETF's Fund-of-funds Direct investments/Co-Investments Combination of the above	<i>Specific investment methods.</i>	<i>Yes, No, or N/A</i>
3. Investment Characteristics		
RA may include, but not be limited to, commodities, energy, mining, timberland, farmland (natural resources), infrastructure, renewables, and debt-related / special situations.	<i>Specific investment type.</i>	<i>Yes, No, or N/A</i>
<u>Commodities</u> : typically, futures, options on futures, and/or swaps on exchange-traded commodity instruments. <u>Natural Resources</u> : typically purchase assets/companies in the energy, mining, timberland, and/or farmland industries. <u>Infrastructure</u> : typically purchase privately-held assets and/or companies in the infrastructure sector <u>Other RA Assets</u> : investments include debt-like instruments, sub-industry investments (e.g. renewables) or any asset which exhibits an inflation protection component with an attractive risk/return characteristic.	<i>Specific investment characteristics.</i>	<i>Yes, No, or N/A</i>
RA Investments may be denominated in USD or other currencies.	<i>Specific currency denomination.</i>	<i>Yes, No, or N/A</i>

RA Policy**Investment Fund****In Compliance****4. Portfolio Diversification**

<u>By sub-asset class</u> : among commodities natural resources, infrastructure, and debt-related/special situations.	<i>Specific investment type.</i>	<i>Yes, No, or N/A</i>
<u>By vintage year</u> : roughly equal amounts of new funding may be committed in each calendar year with deviations permitted.	<i>Specific vintage year.</i>	<i>Yes, No, or N/A</i>
<u>By Investment Fund</u> : <=20% of the target allocation to total RA may be committed to any one illiquid private investment vehicle.	<i>Specific commitments to the Investment Fund.</i>	<i>Yes, No, or N/A</i>
<u>By geography</u> : commitments to funds located and/or investing both inside and outside of the U.S.	<i>Specific location.</i>	<i>Yes, No, or N/A</i>

5. Return Expectation

Custom Benchmark or Blend (see Primary Benchmark in Policy) (net of all fees) in aggregate.	<i>Specific return target(s).</i>	<i>Yes, No, or N/A</i>
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6. Investment Allocations

<u>RA Portfolio</u> : range 0-5% of the total Fund. <u>Liquid Pool (publicly-traded)</u> : range 10% - 100% Commodities: range 0%-10% Natural Resources: range 5%-35% Infrastructure: 5%-55% <u>Illiquid Pool (privately-placed)</u> : range 0-90% Natural Resources: range 0-30% Infrastructure: range 0-60%	<i>Expected allocations to the RA Portfolio and to the underlying portfolios including specific commitment to the Investment Fund.</i>	<i>Yes, No, or N/A</i>
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RA Investment Plan for YEARSApproved: *DATE***Investment Fund****In compliance**

Specific Investment Plan.	<i>Specific commitment to the Investment Fund.</i>	<i>Yes, No, or N/A</i>
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APPENDIX IV

Details of Disclosure Policy For Real Assets Investments (“RA Funds”)

1. Upon request, ACERA shall disclose : (i) the name, address and vintage year of each RA Fund; (ii) the dollar amount of capital committed to each RA Fund by ACERA since inception; (iii) the dollar amount of cash contributions made to each RA Fund by ACERA since inception; (iv) the dollar amount of distributions received by ACERA from each RA Fund on a fiscal yearend basis; (v) the market value of ACERA’s investment in each RA Fund on a fiscal yearend basis; (vi) each RA Fund’s net internal rate of return (“IRR”) since inception; (vii) the investment multiple of each RA Fund since inception; (viii) the dollar amount of total management fees and expenses paid on an annual fiscal yearend basis, by ACERA to each RA Fund; and (ix) the dollar amount of cash profit received by ACERA from the RA Fund on a fiscal yearend basis. (*See* Cal. Govt. Code § 6254.26(b).)

2. ACERA shall disclose at least once annually in a report presented at a meeting open to the public : (i) the fees and expenses that ACERA pays directly to the RA Fund, the RA Fund manager or related parties; (ii) ACERA’s pro rata share of fees and expenses not included in (i) that are paid from the RA Fund to the RA Fund manager or related parties; (iii) ACERA’s pro rata share of carried interest distributed by the RA Fund to the RA Fund manager or related parties; (iv) ACERA’s pro rata share of aggregate fees and expenses paid by all of the portfolio companies held by the RA Fund to the RA Fund manager or related parties; (v) the information outlined in Section 1, above, and (vi) the gross and net IRR of the RA Fund, since inception. (*See* Cal. Govt. Code § 7514.7.)

All other records regarding such Absolute Return investments shall be exempt from disclosure to the fullest extent permitted under applicable law.

Notwithstanding the preceding, or anything else in this Policy, ACERA reserves the right to withhold any record when “on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.” (*See* Cal. Govt. Code §6255(a).) This weighing process contemplates a case-by-case balancing test between competing public interests based on the facts presented as the statute has been interpreted by the courts.³

³ *Michaelis, Montanari & Johnson v Superior Court*, 38 Cal.4th 1065, 1071 (2006).

ADDENDUM

Interim Asset Allocation Ranges (Expected 5-8 Years)

For Real Assets Portfolio

To facilitate the rapid transition of the Real Assets Portfolio from one that is highly exposed to exchange-traded commodities into an investment fulfillment structure that has a better expected return profile and is better aligned with the target RA Asset Allocation and the asset class's purpose, the RA portfolio will adopt an interim asset allocation range. This interim asset allocation range temporarily accommodates higher-than-target capital to the Liquid Pool, which can be invested in immediately, and lower-than-target capital to the Illiquid Pool, which takes time to allocate capital to.

The Illiquid Pool (75% of the RA Asset Allocation target) is comprised of illiquid, privately placed investment vehicles that typically cannot be invested in all at once. These vehicles must first be committed to, then, over their investment periods (typically 3 – 7 years), they call investors' capital to fund investors' long-term commitments. As a result, it is expected that the process of building out the Illiquid Pool with these vehicles will take several years.

In the meantime, to rapidly alter the RA Portfolio's investment exposure from one that is highly exchange-traded commodity focused into one that is better aligned with the asset class's purpose and objectives, the Liquid Pool will temporarily (over the next 5 – 8 years) be over allocated to. This over allocation to the Liquid Pool will, over time, be reduced as the Illiquid Pool is built out and rises towards its asset allocation target.

As commitments are made to the illiquid, privately-placed vehicles in the Illiquid Pool and the associated capital is called, the Liquid Pool will be used as a draw down vehicle to fund the Illiquid Pool capital calls dollar for dollar. Over time, as this process plays out, both the Liquid and Illiquid Pools will increasingly move towards their target asset allocation until finally reaching them in approximately 8 years. This addendum and the below Interim Asset Allocation Ranges demonstrate the wide ranges these sub-asset classes are expected to assume during this process and over the interim period.

RA Asset Sub Class	Interim Asset Allocation Ranges
Liquid Pool (publicly-traded)	10%-100%
Commodities	0%-10%
Natural Resources	5%-35%
Infrastructure	5%-55%
Illiquid Pool (privately-placed)	0%-90%
Natural Resources	0-30%
Infrastructure	0-60%