TO: Investment Funds Committee
FROM: Kalib Simpson
SUBJECT: Kennedy Lewis Master Fund IV L.P.
DATE: February 14th, 2025

Recommendation: $100 MM Commitment
Targeted Returns: 12%-14% Net; Unlevered; 1.5x MOIC
Asset Class: Fixed Income – Private Credit
Asset Class Target: 10% for Long-Term Permanent Funds (2025)
Fund Target: $4.0bn
Fund Term: 3-year investment period with one 1-year extension option; 4-year harvest period with two 1-year extension options (1 GP; 1 LP)
Management Fee: 1.0% on committed and called capital (6 month fee holiday)
Performance Fee: 15.0% with an 7% preferred return; 100% GP catch-up; European waterfall

Summary:

I recommend an investment up to $100 million in the Kennedy Lewis Master Fund IV L.P. Commitments of at least $100mm will receive an LPAC seat. Kennedy Lewis was founded in 2017 by David Chene and Darren Richman and the Fund is the fourth in the firm's flagship credit series. Kennedy Lewis' opportunistic credit funds pursue a flexible all-weather investment strategy. The fund will target event-driven and opportunistic financings across public and private markets. The team will focus on stressed as well as performing credit deals in the U.S. and Europe. The fund will not employ fund level leverage. Kennedy Lewis' strategy focuses on middle-market companies ($300mm-$3bn EV) that face disruption as well as high growth companies that are causing disruption. The team look for opportunities whose outcomes are based on distinctive catalyst-oriented factors rather than market technical or other idiosyncratic movements. Kennedy Lewis has been able to gain access to proprietary deal flow through its six main "verticals." During normal credit markets, the fund will focus in deals in Life Sciences, Power, TMT, Homebuilder Finance and other tactical opportunities. During market dislocations, the team will invest in cyclically challenged companies that are mispriced by the market. Kennedy Lewis' first three funds are first and second quartile in the Preqin universe for IRRs and MOICs all while delivering a loss ratio of 18bps. The exceptional risk adjusted returns highlight the firm's focus on credit underwriting, structuring strong collateral and covenant packages. Importantly, the firm also focuses on capital structure seniority. Given the potential for future market volatility, their ability to augment portfolio construction and pivot the portfolio into mispriced public securities and offer highly bespoke capital solutions will position the fund to generate exceptional returns. The fund will be unlevered and diversified across sectors and industries. In summary, Kennedy Lewis provides the State's portfolio opportunistic credit exposure that is complimentary to the existing core mandates while maintaining the focus on maximizing risk adjusted returns and minimizing downside risks.

Distinguishing Characteristics:

1. **All Weather Opportunistic Strategy** – The manager has proven that it can source and structure attractive credit deals in various interest rate and spread environments and still achieve the stated fund objectives (Exhibit A & B). The manager's thesis is to identify misunderstood or undervalued companies while avoiding significant margin and revenue volatility. The team has been adept at recognizing market trends and tactically shifting allocations across their core vertical competencies in both private and public companies. Fund I was heavily tilted towards power whereas Fund II had a significant Homebuilder Finance bias and Fund III invested in opportunities in Power.

2. **Track Record –** Funds I-III have generated very strong returns for LPs and funds I and II rank in the first quartile in the Preqin universe for TVPI. Fund I is 1st quartile for IRR while Fund II is 2nd quartile. Fund I's Net IRR is 13.6% and Fund II's Net IRR is 11.5% (Exhibit C). Fund III's Net IRR is 12.5%. The median Cambridge opportunistic credit peers generated 2%-4% lower annual returns in comparison to the funds.

3. **Exceptional Downside Protection –** Kennedy Lewis has a loss ratio of 0.18%, gross realized and projected, on over $12bn of capital invested in the fund series dating back to 2017. Due to the higher risk nature of opportunistic credit investment, most peers experience a loss ratio between 1.5% - 2.5%. Additionally, the firm has a win/loss ratio over 96%. The peer average is 90%. The manager has not only been able to identify winning deals but has avoided significant losses when their underwritten thesis does not manifest.

Risks:

1. **Homebuilder Concentration –** Approximately 25% of Funds II and III are invested in Kennedy's Homebuilder Finance vertical. The manager has expressed similar exposure in Fund IV contingent upon market conditions. The portfolio is comprised of 18 counterparties in 33 MSA's and over 52,000 housing lots. Concentration to Lennar as a counterparty has decreased by doubled digits in the last 5 years greatly improving counterparty risk.

2. **Relatively Benign Market –** Kennedy Lewis was founded in 2017 and has generally benefitted from a risk on financial market. The entire team has not invested through an entire investment cycle together. However, the investment team is very deep (42 staff) and experienced. The senior team have, on average, 24 years of experience and worked together at Blackstone and CarVal.

3. **Deal Concentration –** The Fund's LPA does not explicitly assign maximum exposure guidelines for lending type, seniority or credit quality. There are multiple mitigating factors that minimize the risk that the fund would deviate substantially from the stated guidelines. In conversations with Doug and the other founding partners, they stated that their internal rule is a 10% limit to one issuer or borrower. In practice, the highest conviction names have been capped at 7%. Analyzing the first three vintages, the manager has not deviated from their objective. Positions sizing considers volatility and the risk of loss.

Track Record & Fund Statistics:

Exhibit A: Non-Sponsor Sourcing Ecosystem

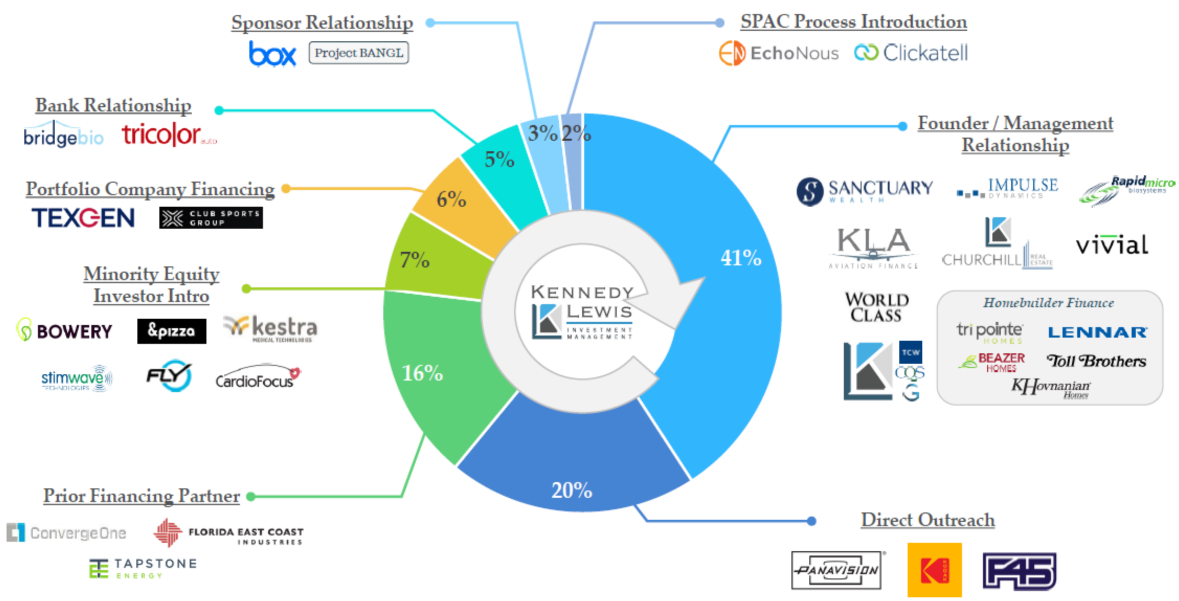
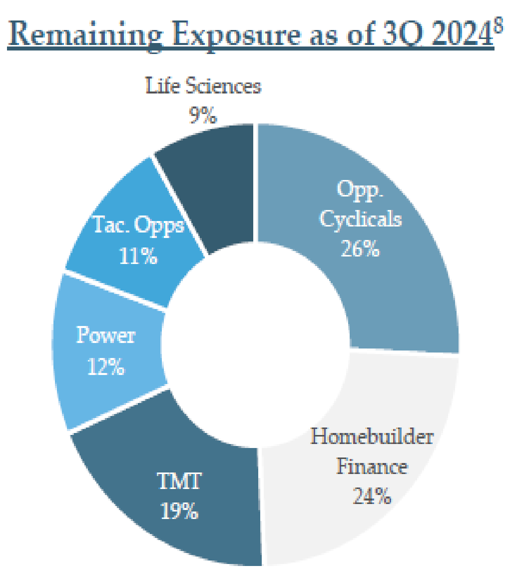


Exhibit B: Representative Portfolio Construction

FUND II:



FUND III:

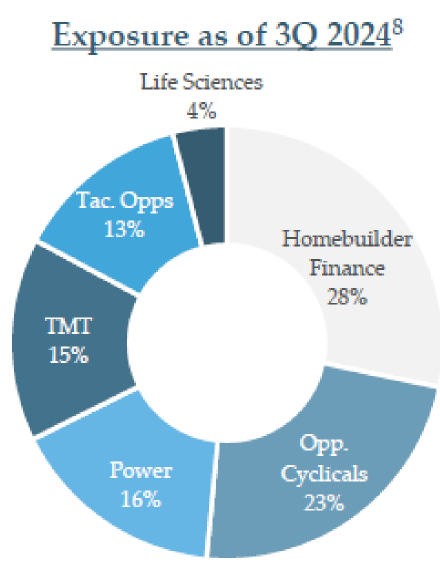


Exhibit C: Performance Track Record

Performance as of September 30, 2024 unless stated otherwise

						Based on the actual "blended" fee rate[5,6]		
Fund	Vintage	Commitments[1,2]	Period	% Called *(as of today)*[3]	Loss Ratio[2,4]	DPI[8] *(as of today)*	TVPI	Net IRR
Fund I	2017	$516mm	Harvest	92%	0.9%	1.14x	1.57x	13.61%
Fund II	2020	$2.0bn	Harvest	93%	0.2%	0.21x	1.44x	11.51%
Fund III*[6]	2021	$3.6bn	Investment	71%	0%	N/A	1.22x	12.53%
Fund III Co-Invest	2022	$235mm	Investment	60%	0%	N/A	1.16x	12.95%

Exhibit D: Market Opportunity: Homebuilder Finance

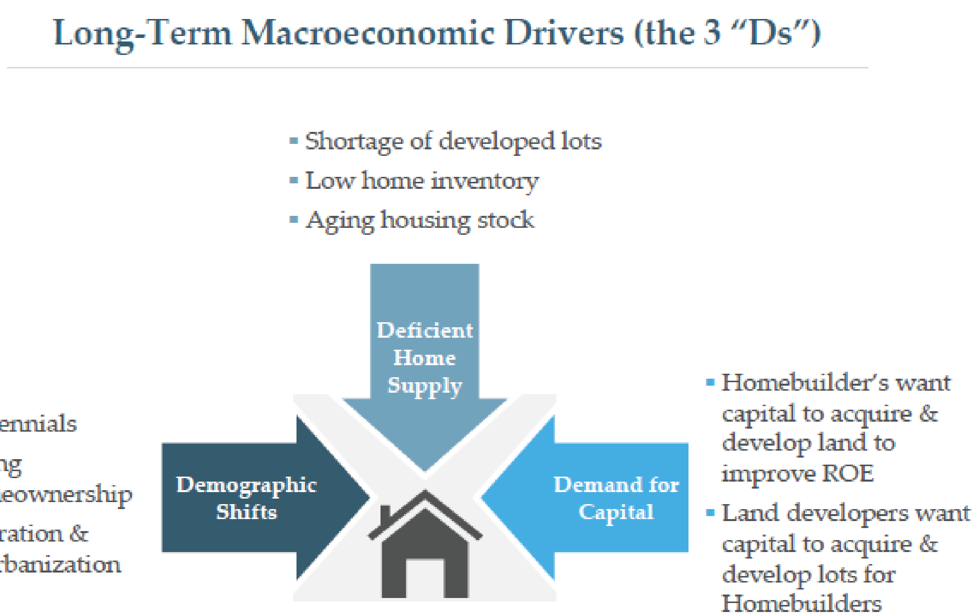
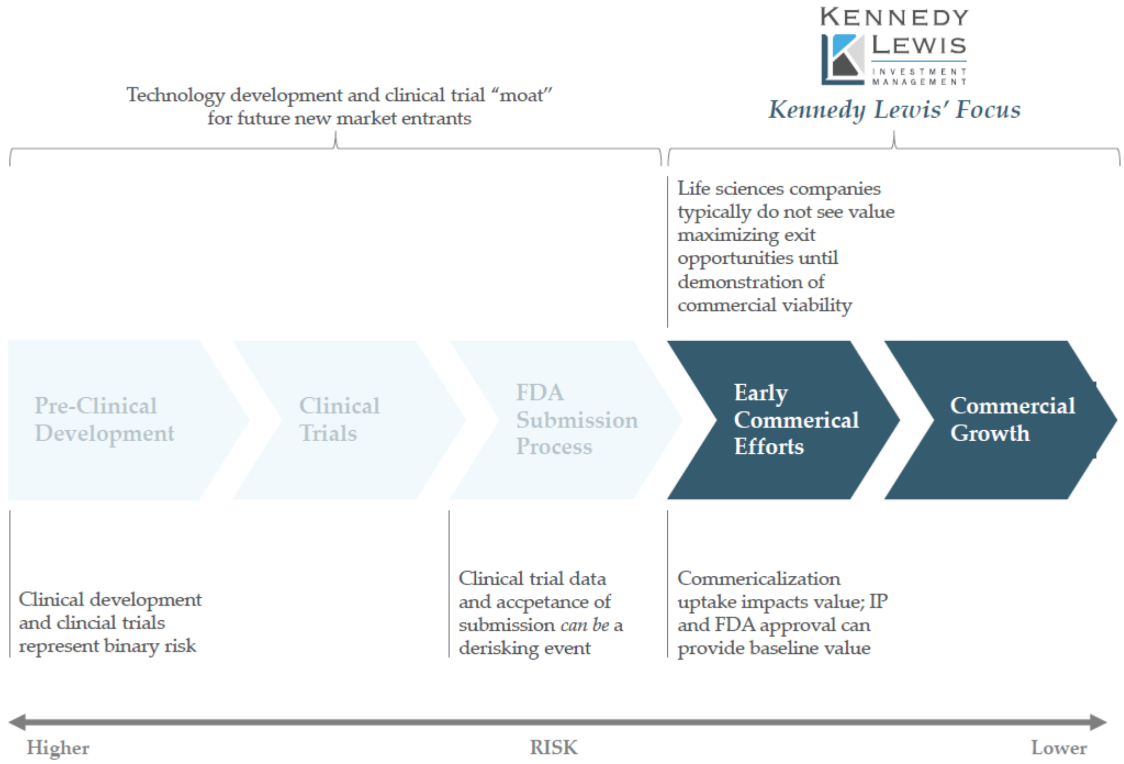


Exhibit E: Market Opportunity: Life Sciences



Terms and Fees:

Fund Size: $4.0 billion; $500 million Co-Investment Fund

GP Investment: At least 1% of total LP commitments.

Targeted Investments: Event-driven and opportunistic financings across public and private markets. Focused on performing and stressed opportunities in the US and Europe in the following vertical: life sciences, power, TMT, tactical opportunities and homebuilder finance.

Term: 3-year investment period and one 1-year extension option; 4-year harvest period and two 1-year extension options

Management Fee: 1% on committed and called capital

Carry: 15%

Preferred Return: 7%; 100% GP catch-up; European Waterfall

Key Person Trigger: Either of David Chene or Darren Richman

Due Diligence:

Meetings: Due diligence calls on 8/1/2024, 9/11/2024 and 2/3/2025. Meeting in Cheyenne on 03/18/2024 and in New York on 12/10/2025.

Service Providers:

The Firm's service providers are listed below:

Auditor:	Deloitte & Touche
Administrator:	HedgeServ
Legal Counsel:	Seward & Kissel LLP
Custodian:	U.S. Bank

Reference List:

I spoke with two institutions. Both funds are currently invested or are in the final stages of due diligence.

All conversations were conducted via phone. They were highly constructive of Kennedy Lewis's strategy and expressed high conviction in the manager's personnel and thesis. No one contacted expressed any concern of note regarding compliance, process or personnel. They stated that client communication was promptly handled and that the staff was easily accessible.

LPs contacted:

Katie Green
Deputy Chief Investment Officer
Vermont Pension Investment Committee

Joseph Fazio
Senior Vice President
Sompo

Biographies:

David Chene: David Chene co-founded Kennedy Lewis with Darren Richman in 2017. Mr. Chene is a Co-Portfolio Manager and a Co-Managing Partner of Kennedy Lewis, and he Co-Chairs the Firm's Investment Committee and Executive Committee. Mr. Chene was formerly a Managing Director with CarVal Investors, responsible for managing the US Corporate Securities business based in Minneapolis, from 2012 to 2016. Prior to his role in the US, he was Co-Head of CarVal's European Corporate Securities business based in London. In both roles, he focused on special situations and distressed investments, including the firm's global liquidations exposures and European financial investments. Before joining CarVal, Mr. Chene worked at Credit Suisse in London, running the firm's European Distressed business, and was responsible for risk management across the firm's European Leveraged Finance trading activities. Mr. Chene received a BA in Business Economics and Accounting from the University of California at Los Angeles in 2001.

Darren Richman: Darren Richman co-founded Kennedy Lewis. Mr. Richman is a Co-Portfolio Manager and a Co-Managing Partner of Kennedy Lewis, and he Co-Chairs the Firm's Investment Committee and Executive Committee. Mr. Richman was formerly a Senior Managing Director with Blackstone from 2006 to 2016. He focused on special situations and distressed investments, and he sat on the Investment Committee for many of GSO's special situation-oriented funds. Before joining GSO Capital Partners, Mr. Richman worked at DiMaio Ahmad Capital, where he was a Founding Member and the Co-Head of its Investment Research Team, from 2003 to 2006. Prior to joining DiMaio Ahmad, Mr. Richman was a Vice President and Senior Special Situations Analyst at Goldman Sachs, from 1999 to 2003. Mr. Richman received a BS/BA degree in Accounting from the University of Hartford in 1993, and an MBA from NYU's Stern School of Business in 2000.

Doug Logigian: Doug Logigian joined Kennedy Lewis in 2020 and is a Co-Managing Partner and the President of the Firm. Mr. Logigian serves on the Firm's Investment Committee as well as the Executive Committee. Mr. Logigian was formerly a Senior Managing Director with Blackstone from 2006 to 2019. He was the Head of Capital Markets and a Portfolio Manager for GSO Capital Partners, and he sat on the Investment Committee for GSO's special situation-oriented funds. Mr. Logigian also served on Blackstone's Capital Markets Committee. Prior to his portfolio management responsibilities, Mr. Logigian served as the Head Trader across the GSO alternatives platform, where he oversaw the operations of the trading desk and transacted in all of the asset classes in which GSO trafficked. Mr. Logigian received a BA with honors from Harvard University.