

Aon Investments
Retirement and Investment

Aon Opportunistic Credit Fund

Town of Wilton
November 2, 2020

Discussion Led by Ed Bardowski

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Terms of Proposal Regarding Aon Investments USA Inc.

Fund Discussion

Principal Terms of Proposal Regarding Aon Investments USA Inc (AIUSA) Fund Discussion:

- Discussions regarding discretionary AIUSA private funds are conducted between the Plan and an Aon Securities LLC (AS LLC) representative directly.
- AS LLC is a FINRA registered broker-dealer and an SEC registered investment adviser, and an indirect subsidiary of our ultimate parent, Aon plc. Only properly FINRA licensed registered representatives can directly engage in the sales or distributions of Aon funds offered by AS LLC acting as placement agent. AIUSA does not receive any commission for any sales of AS LLC distributed securities.
- The Plan agreed to the discussions with an AS LLC representative.
- The Plan Investment Committee (or similar Plan Committee), in its sole discretion, will authorize any investment in any Aon Investments USA Inc. funds or hire AIUSA for any services.



Market Opportunity

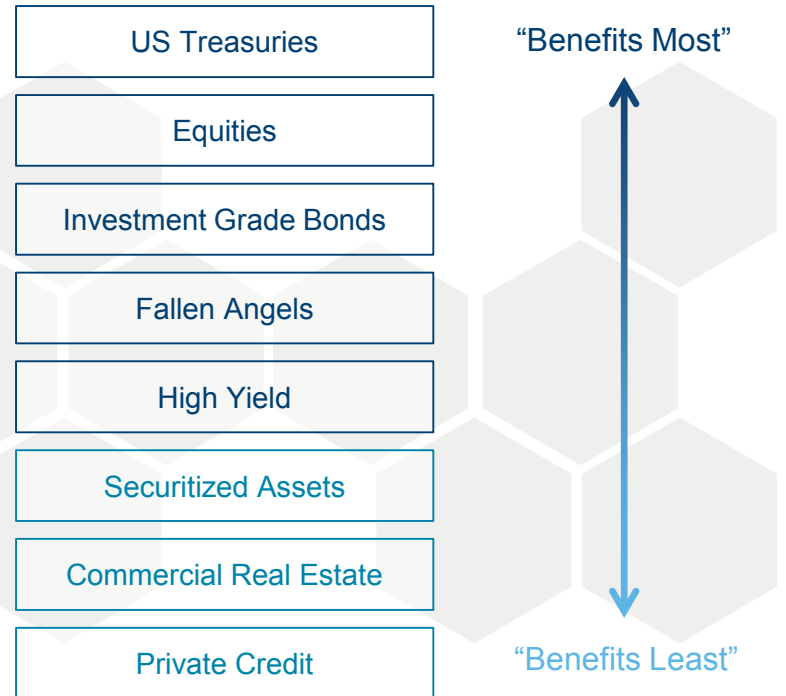
A Market of “Haves” and “Have-Less”...

Some markets have been propped up by the fiscal and monetary measures deployed, others not so much

US Monetary and Fiscal Support

Money Market Mutual Fund Liquidity	IG Bond Buying
QE Infinity	Paycheck Protection Program \$669 bn
Primary Dealer Credit Facility	-1.5% Fed Cut
Fallen Angels Support	TALF 2.0
Commercial Paper Funding Facility	CARES ACT \$2.3tn

Who Benefits Most and Less?

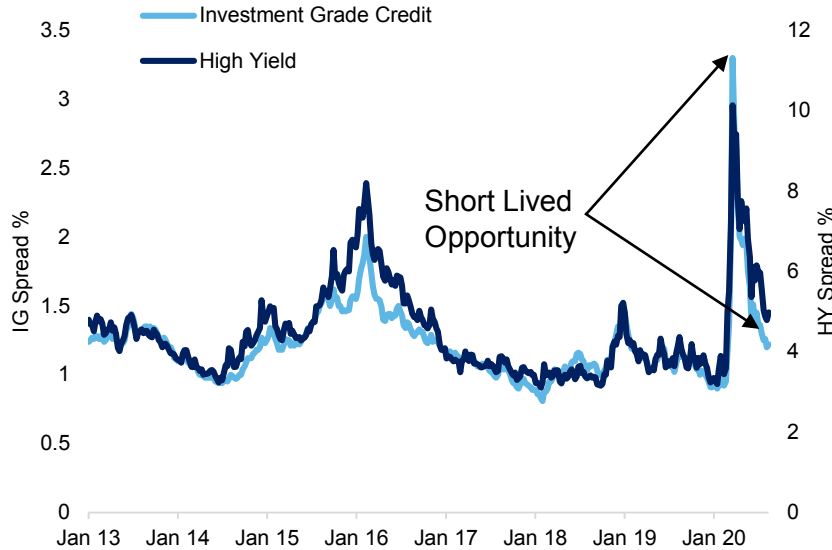


Valuations In the “Have-Less” Remain Above Average

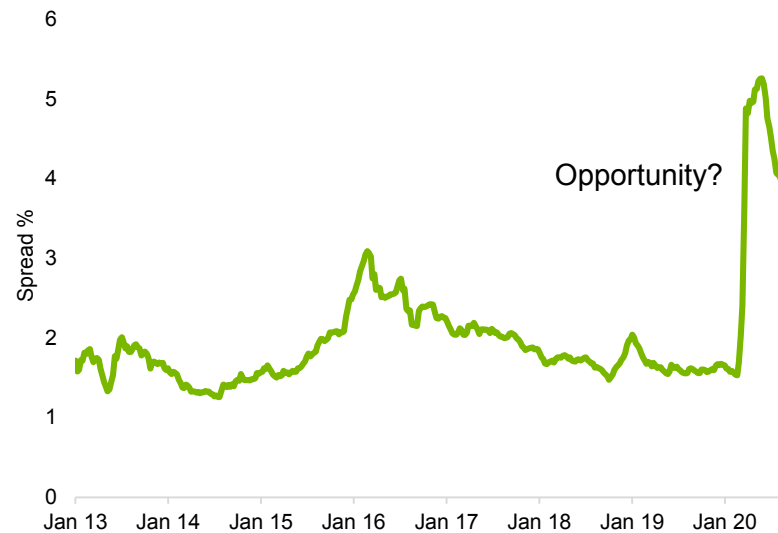
Markets that have benefited from the Fed have seen spreads come in quickly...

... but not all markets benefited and value can still be found.

US Investment Grade and High Yield Spreads

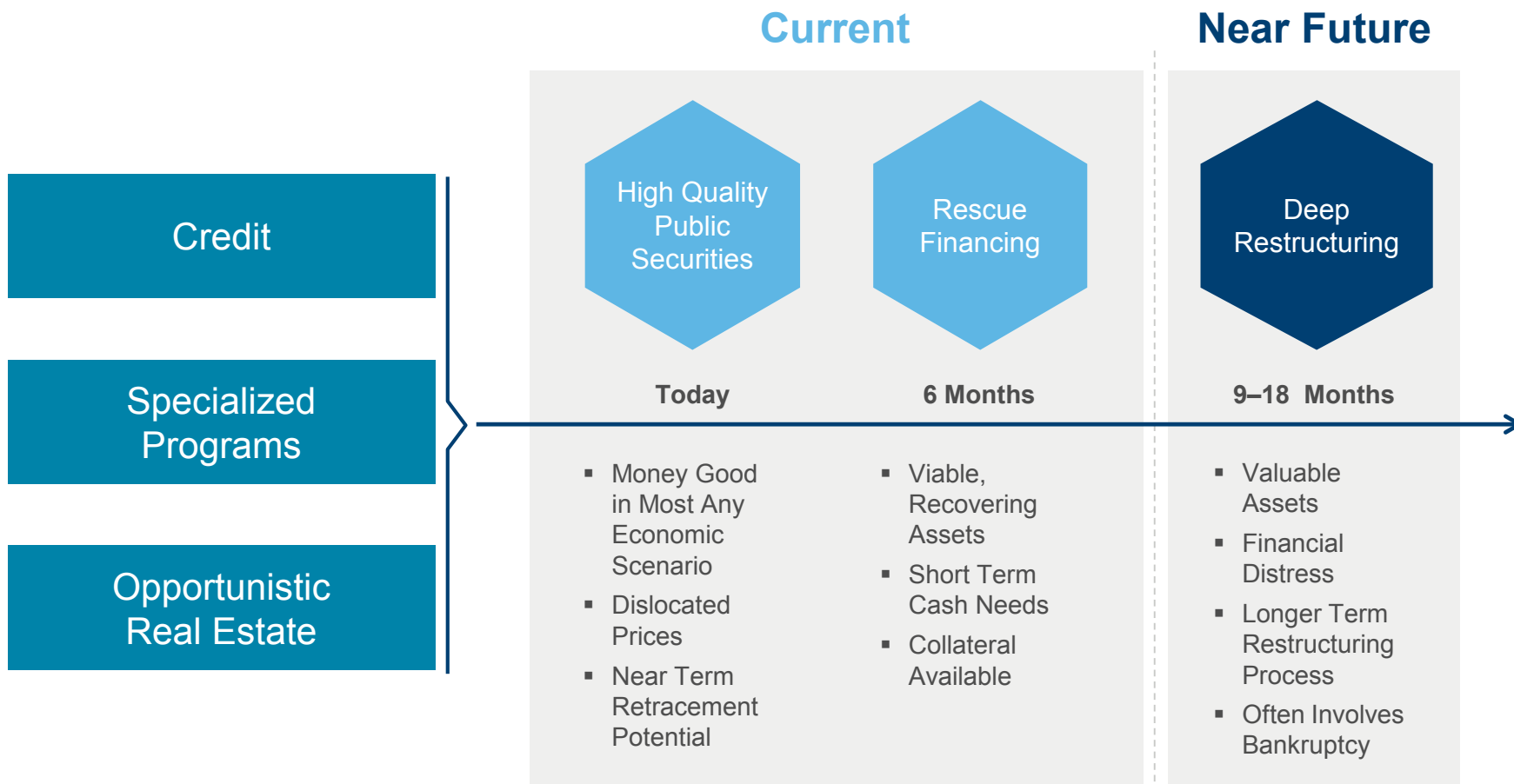


CMBS ex AAA Spread



Source: Bloomberg

Different Opportunities Will Play Out At Different Times



Not all client experiences are the same and implementation periods may vary significantly from those presented based on a client's specific circumstances.

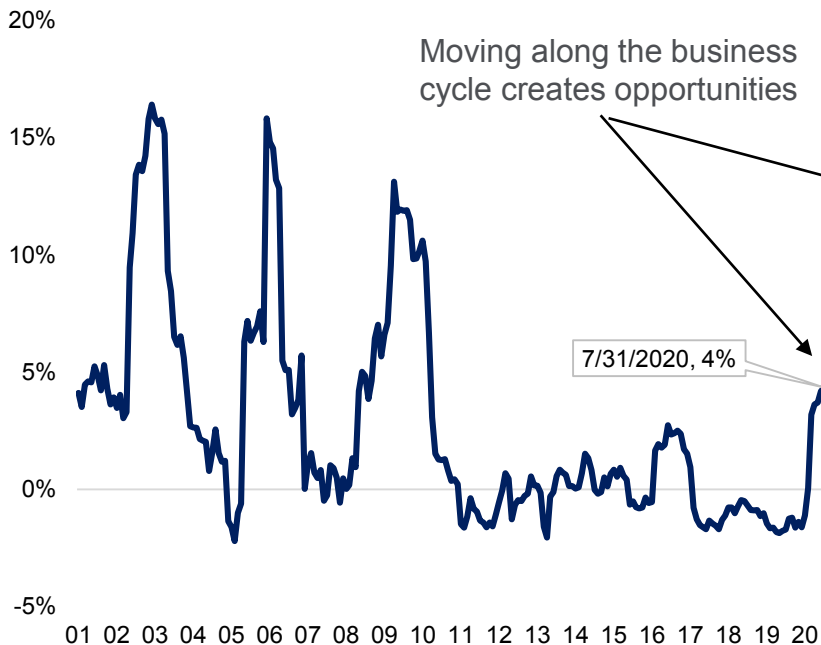
What's Happening Right Now

Liquidity-Driven Corporate Credit Dislocations	Stressed and Distressed Credit	Real Estate Credit
Dynamic allocations to CLO tranches	Purchasing portfolios of whole loans from stressed pools, with the goal to re-securitize	Seasoned bonds with appealing risk/return profiles, where investors are forced sellers
Asset-backed securities benefitting from Fed lending facilities	Direct loans to US companies in need of cash	Financing opportunities on newly constructed underperforming properties
Collecting coupon on synthetic high-yield index tranches, purchased below par	Providing debt financing during bankruptcy, to benefit from company's exit from bankruptcy	Rescue capital for companies with distressed balance sheets or increased liquidity needs

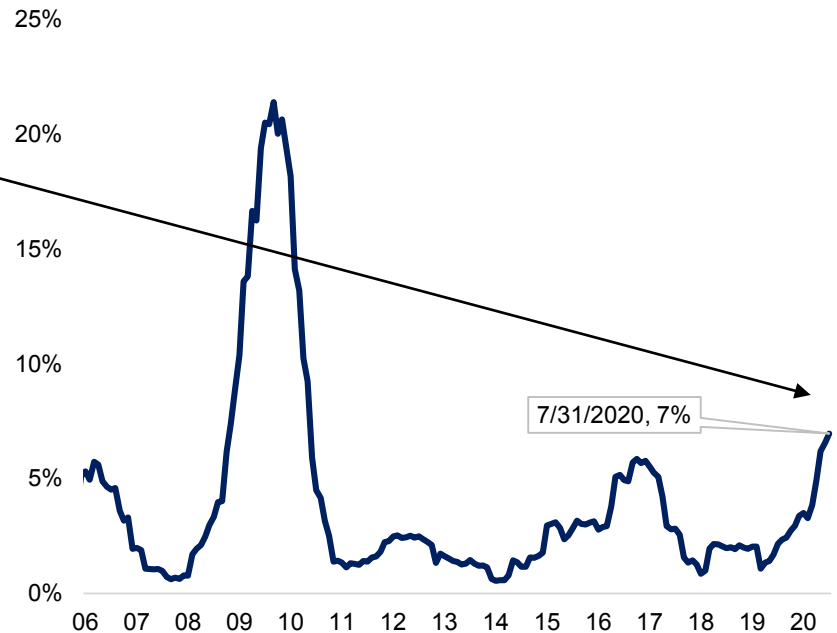
Looking Ahead More Opportunities May Appear

Stress in credit markets creates opportunities, and this is something that will occur through time

Net Fallen Angels Downgrades
Last 12 Month Percent of BBB Index



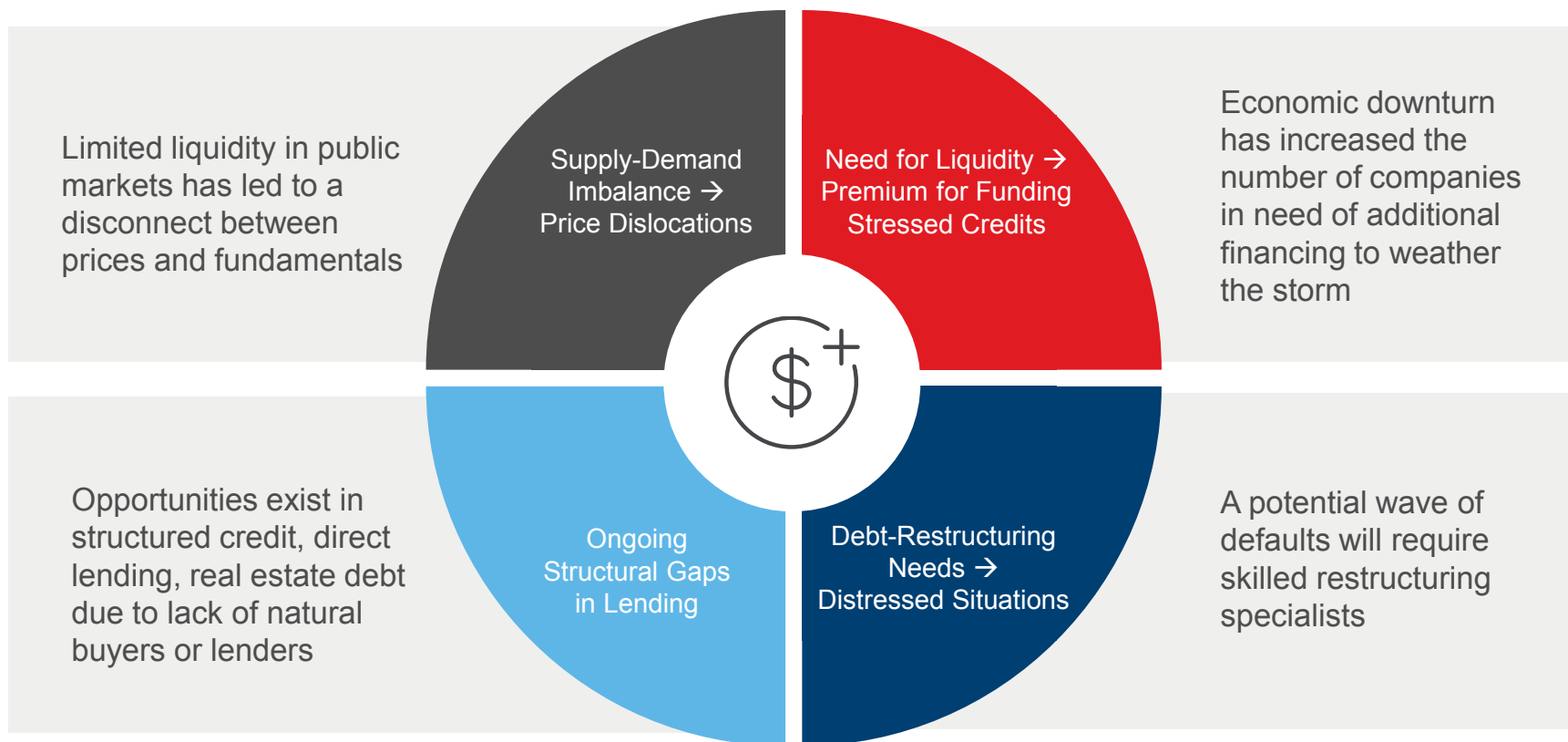
High Yield Default Rate
Par Weighted Default Rate



Source: Aon, BoA Merrill Lynch

The Conditions are in Place for Higher Risk Adjusted Returns

Excess Supply + Lack of Demand + Liquidity Premium + Debt Restructuring Needs
=
Higher Risk-Adjusted Returns



What Does a Typical Opportunistic Credit Strategy Look Like?

Investment Details

Investment Horizon: 5 to 7 Years

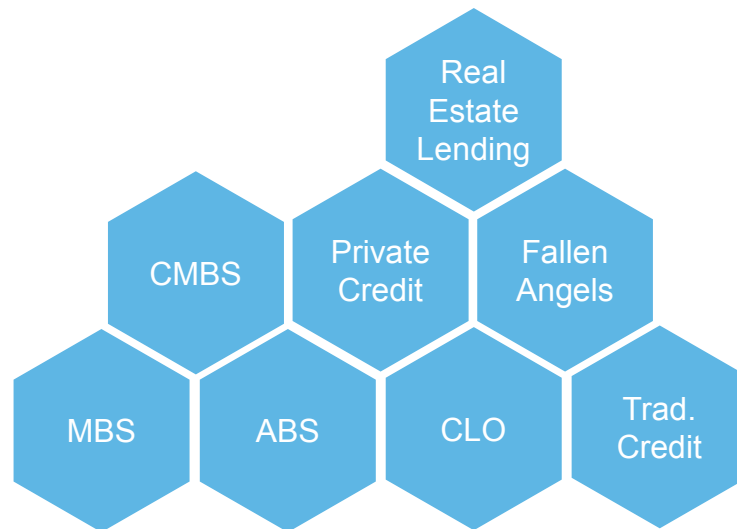
Target Return Range: High single-digits to low-teens

Expected Risk Range: Comparable to high yield fixed income

Management Fee: Typically, 50bps to 200bps; performance fee 0% to 20%

Asset Class Fit: Opportunity Allocation / Private Debt / Return Seeking Fixed Income

Target Opportunities



Range of asset types targeted across credit, securitized assets, and real estate, that are not heavily represented in existing credit portfolios



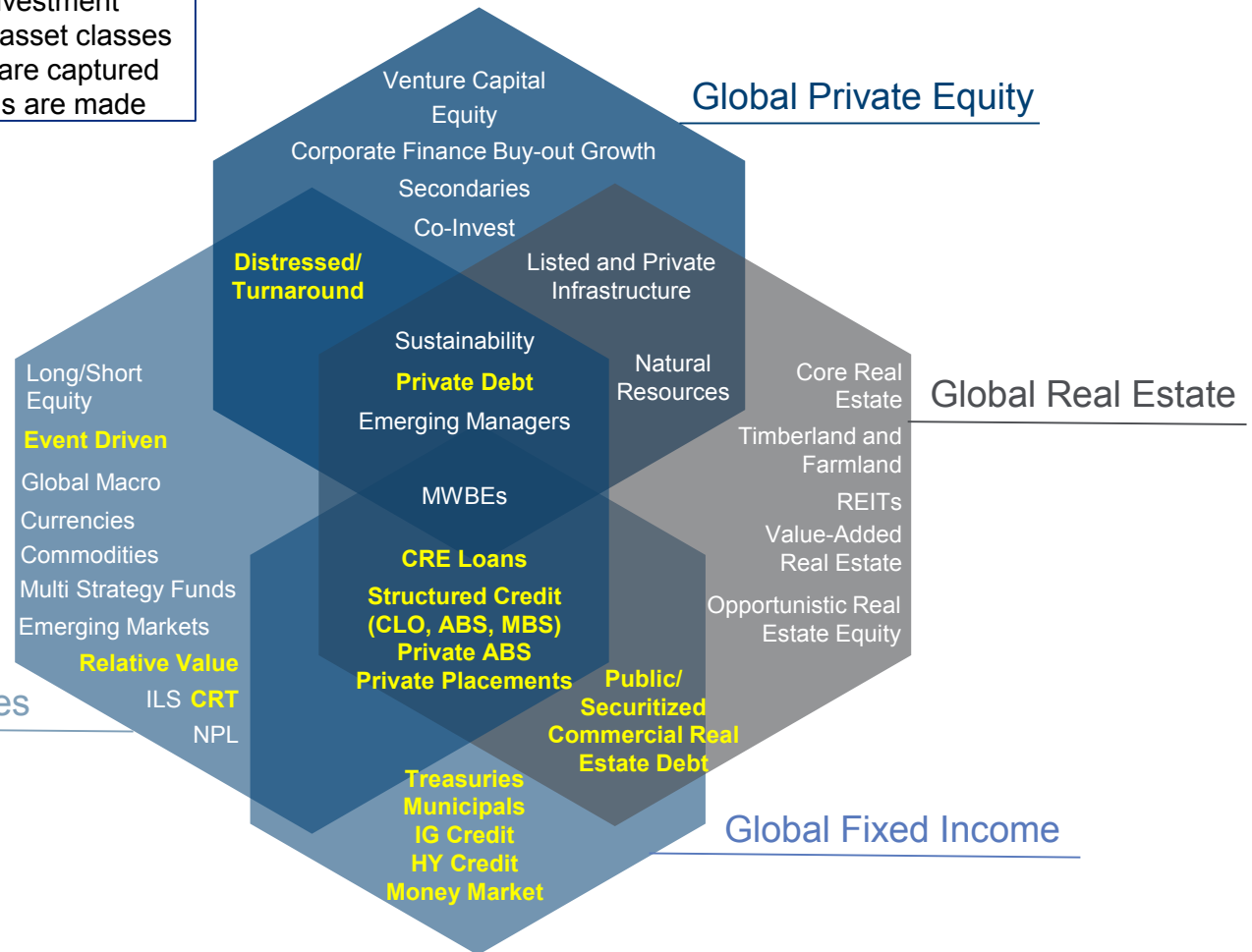
Sourcing and Investment Due Diligence

Access to Broad, Global Credit Investment Capabilities

Talent and insights from an investment community comprising all related asset classes to ensure all ideas across credit are captured and best relative-value decisions are made

3,000+

Total due diligence meetings conducted in 2019



MWBEs = Minority and Women Business Enterprises

Due Diligence Process Overview

Sourcing

Experienced research teams include:

- Fixed Income
- Real Estate
- Liquid Alternatives

Teams meet frequently to present an investment summary and determine those that warrant deeper due diligence

Fund Summary produced with critical information about the organization, strategy, team, performance, and terms and conditions

Preliminary Due Diligence

Introductory meetings and calls provide insight into the strategy and the organization.

Investment process is examined for signs of edge or distinctive features.

An initial set of positives and concerns/open issues is composed along with a preliminary suitability conclusion

In-depth Due Diligence

Full due diligence review conducted during several on-site meetings

Analysis and ratings determined on six investment criteria:

- Business Stability
- Professionals and Staff
- Strategy, Process, and Implementation
- Risk Management
- ODD
- Terms and Conditions

Operational Due Diligence

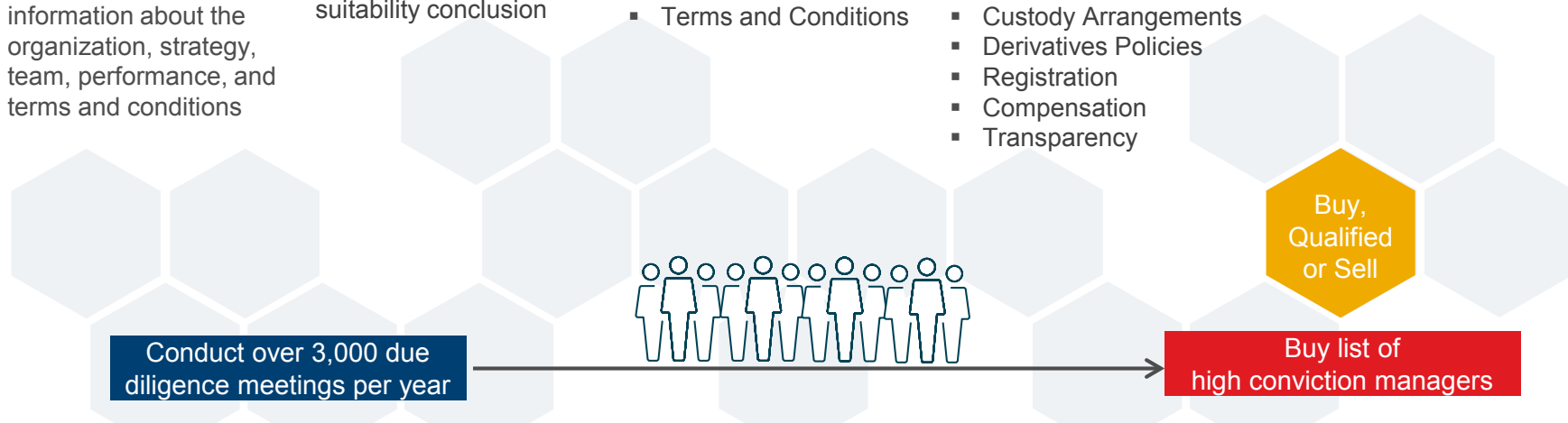
An dedicated Operational Risk Solutions and Analytics (ORSA)* team conducts research on non-investment factors including:

- Governance
- Service Providers
- Process Documentation
- Key Man Provisions
- Trade Process
- Financing Agreements
- Counterparty Risk
- Valuation
- Custody Arrangements
- Derivatives Policies
- Registration
- Compensation
- Transparency

Final Rating; Terms and Legal Review

Upon completion of the debrief report and ORSA analysis, the manager is presented to the respective research team's investment committee for approval and vote on final rating

A legal review is conducted for the specific investment vehicle before investment



*Aon's Operational Risk Solutions and Analytics Group is an independent entity from Aon Investments USA Inc. Investment advice is provided by Aon Investments USA Inc.

ORSA Overview*



Our **Operational review process** is a multi-faceted assessment of:

- Corporate and organizational structure and governance
- Regulation, compliance, and audit/testing functions
- Risk management program
- Technology and BC/DR
- Service provider selection and monitoring
- Strategy specific trade and transaction controls
- Strategy specific administration and valuation
- Fund structures (when applicable)



Team of specialists responsible for Operational Due Diligence (ODD)

- Global team based in London, New York, Chicago and Bangalore
- Focus on experienced, senior professionals
- Core ODD team supported by data gathering and processing team



Independent Assessments

- Recommended for pre-investment due diligence activities
- Indicative ratings framework

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Aon's Resources and Track Record of Managing Opportunistic Investments



Track Record of Managing Opportunistic Funds

- Aon Private Credit Opportunities Fund launched in 2018 to take advantage of dislocations in private markets
- Committed capital: \$315.3 MM
- Net IRR: 9.0% through Q4 2019¹
- Inception of Track Record: Q2 2018



Our Best Ideas from Global Research Platform

- More than 130² professionals dedicated to Investment Manager Research, including 100+³ dedicated to alternative strategies
- Collaboration across asset classes, public and private markets, and geographies



Experienced Portfolio Management Team

- Portfolio management team with experience managing through multiple cycles
- Top-down market views combined with bottom-up analysis
- Allocation based on relative value



¹ Past Performance is no guarantee of future results. Returns are net of sub-advisor fees and expenses, but do not reflect the deduction of Aon advisory fees. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Please refer to Appendix for other General Disclosures.

² Total combined research staff as of 6/30/2020 includes 55 GIC Manager Research Staff, 77 Townsend colleagues from advisory, portfolio management and strategy teams. Offshore, Innovation, and Support staff represent additional colleagues. Some team members have cross team responsibilities or reporting lines outside the manager research function, includes Aon Investments and its global Aon affiliates.

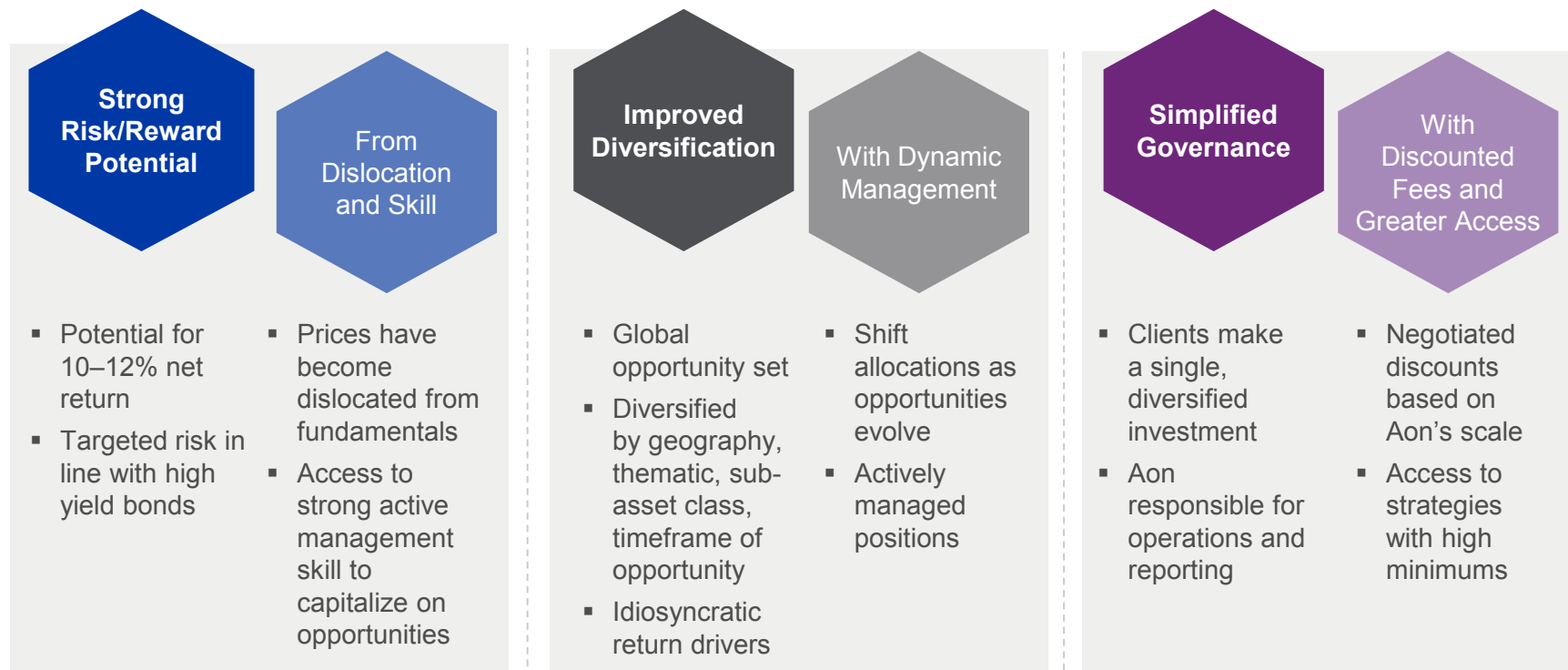
³ Total combined Alts research staff (Liquid Alts, PE, Townsend, GIC RE) as of 6/30/2020, includes Aon Investments and its global Aon affiliates.



Fund Characteristics and Terms

Aon Opportunistic Credit Fund: An Efficient Way to Access Aon's Best Credit Ideas

- Targets a **10–12% net return** by pursuing **global opportunities** in credit markets
- Low beta to equity and public credit markets; attractive entry prices provide natural downside protection



Target returns are based on objectives of the funds which are not guaranteed and may not be realized. A confidential offering statement sets forth the terms of an investment in the Aon Opportunistic Credit Fund, including risk factors, conflicts of interest, fees and expenses, and tax-related information. Such material must be reviewed prior to any determination to invest in any fund. Aon Securities LLC, member FINRA/SIPC – **Ed Bardowski**
Diversification does not ensure a profit, nor does it protect against loss of principal. Diversification among investment options and asset classes may help to reduce overall volatility.

Implementation Advantages

Collaboration Across Global Teams

Managers selected across regions, strategies, and vehicles

Dynamic Management

Portfolio is actively managed to take advantage of evolving opportunities

Governance





An investment committee of senior portfolio management and research professionals responsible for selecting, sizing and monitoring manager investments

Execution

One diversified* feeder fund, which includes all fees, legal, trading and manager due diligence

*Diversification does not ensure a profit, nor does it protect against loss of principal. Diversification among investment options and asset classes may help to reduce overall volatility.

Illustrative Portfolio

Opportunity Type	Target Allocations	Allocation Range	Manager Focus	Security Types
 Public corporate, securitized and structured credit	25%	10–50%	Invest in dislocated securities, while avoiding credits with deteriorating fundamentals	Leveraged loans, high yield bonds, CLOs, asset-and mortgage-backed securities, that trade at a discount and are expected to revert to their fair value
 Opportunistic credit	50%	25–75%	Identify stressed capital structures through deep fundamental analysis and add value through restructurings, workouts and turn-arounds	Leveraged loans, distressed bonds, structured credit, rescue financing, nonperforming loans.
 Public and private real estate credit	25%	10–40%	Flexible approach to investing in public and private markets, while also allocating to targeted sectors	Public and private RE credit across IG, and HY, some exposure to structured credit tranches
Total Fund		6–12 Managers		

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Target Portfolio Investments*

Opportunity Type	Manager	Target Allocation	Unique Value	Target Return	Geographic Focus
Public corporate, securitized and structured credit	A	18%	Invests in undervalued assets, including distressed situations, and uses specialized skills to actively manage them back to full value; provides capital directly to resilient companies with near-term liquidity challenges as they are managed back to full value in a space with limited number of lenders available	15% gross	UK/Europe
	B	15%	Targets asymmetric returns, driven by reduced liquidity and other dislocations, in collateralized loan obligations (CLOs), residential mortgages (RMBS), asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS)	15% net IRR over a 5 year period	Global
Opportunistic credit	C	15%	Opportunistic strategy focused on mispriced assets and stressed capital structures across leveraged loans, high yield bonds, securitized credit, crossover investment grade debt, and special situations, that may be driven by factors outside of broader market cycle; concentrated portfolio built using deep credit underwriting	12–15%	US Focused
	D	17%	Active trading in long and short positions to capture deviations from fundamental value in corporate bonds, loans, ABS, RMBS, and CMBS, using cash and synthetic instruments	8–12%	US Focused
	E	15%	Event-driven approach to investing in distressed assets, including litigations, liquidations, and restructurings in credit, structured credit and other securities; specialized skill and active approach to catalyst-driven opportunities	10%	US Focused
Public and private real estate credit	F	20%	Takes advantage of dislocations in public markets such as CMBS and single asset/single borrower securities (“SASB”), and acquires and originates private real estate debt in a space with diminished supply of capital	10–12%	US Focused

*Based on expected commitments, portfolio may change prior to final close.

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Fund Terms

Target Return	10–12% net
Legal Structure	Drawdown fund
Minimum Commitment	\$1 million
Term	6 years with 2 1-year extensions at Manager’s discretion and additional extensions allowed with investor consent
Investment Period	Ends on 12/31/2021; a large portion of capital expected to be called soon after first close
Drawdowns	7 days’ prior written notice
Expected Distributions	Expected to start after 12 months, with majority of investors’ capital to be returned within 3–5 years
Management Fee and Expenses¹	0.25% per annum of the Shareholder’s Capital Commitment during the investment period; 0.25% per annum on invested capital thereafter. Clients will bear underlying Fund fees and operating expenses
Expected First Close	July 2020
Expected Final Close	12 months after first close
Benchmark²	Primary: LIBOR+6% Secondary: Barclays HY Bonds Index (12.5%), SP/LSTA Levered Loan Index (12.5%), HFRI Asset Backed Index (25.0%), HFRI ED: Distressed/Restructuring Index (25.0%), Barclays U.S. CMBS 2.0 index (25.0%)
Valuation Frequency and Reporting	Quarterly

¹Capital Commitments above \$100M would experience a fee of 20bps.

²Indices cannot be invested in directly. See slide 22 for index definitions related to this custom benchmark.

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Index Definitions

Bloomberg Barclays US CMBS 2.0: The US CMBS 2.0 Index is a rules-based index constructed to measure the market of investment-grade CMBS conduit and fusion deals issued since the beginning of 2010. To date, these securities have been issued as private placements and are therefore not eligible for the Barclays Capital US Aggregate Index. While many of the CMBS 2.0 deals are already eligible for the broader Barclays Capital US Investment-Grade CMBS Index, this new index also captures additional securities with a broader set of eligibility criteria including a lower minimum deal size of \$250 million. Sub-indices based on quality rating and average life will also be available.

Bloomberg Barclays Corporate High Yield Bond Index: An index that covers the U.S.D-dominated, non- investment grade, fixed rate, taxable corporate bond market. Debt issues from emerging market countries are excluded. Securities are classified as high-yield if the middle rating is Ba1/BB+ or below.

HFRI Distressed/Restructuring Index: Strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments which are publicly traded, in some cases actively and in others under reduced liquidity but in general for which a reasonable public market exists. In contrast to Special Situations, Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

HFRI RV: Fixed Income-Asset Backed Index: Fixed Income: Asset Backed includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a fixed income instrument backed physical collateral or other financial obligations (loans, credit cards) other than those of a specific corporation. Strategies employ an investment process designed to isolate attractive opportunities between a variety of fixed income instruments specifically securitized by collateral commitments which frequently include loans, pools and portfolios of loans, receivables, real estate, machinery or other tangible financial commitments. Investment thesis may be predicated on an attractive spread given the nature and quality of the collateral, the liquidity characteristics of the underlying instruments and on issuance and trends in collateralized fixed income instruments, broadly speaking. In many cases, investment managers hedge, limit or offset interest rate exposure in the interest of isolating the risk of the position to strictly the yield disparity of the instrument relative to the lower risk instruments

LIBOR: London interbank offered rate, the basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans.

S&P Leverage Loan Index: A daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change.

Legal Disclosures and Disclaimers

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ATTN: Aon Investments Compliance Officer

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