



NEPC, LLC

ENDOWMENTS & FOUNDATIONS

A Holistic Approach to Building Investment Programs

NEPC's consulting services to endowments and foundations are grounded in the understanding that an institution's investment decisions should be closely linked to its mission, the goals it has set for the organization, and its future spending needs. With comprehensive expertise in every aspect of program management – overall policy and design, spending-driven asset allocation, traditional and alternative manager searches, risk controls, performance assessment, and education on new investment ideas – we offer invaluable, proactive guidance tailored to your fund's goals.

An Employee-Owned, Research-Driven Innovator

NEPC, LLC is one of the nation's largest independent, full service investment consulting firms, serving over 300 retainer clients with total assets over \$665 billion. Headquartered in Cambridge, Massachusetts and with offices throughout the United States, we're known for incisive expertise and exceptional service. And results: NEPC's collective client base has outperformed national averages¹ in most years since our founding in 1986.

Development of Investment Policy based on your Goals and Spending Needs

We listen closely to gain a full understanding of your goals and objectives, and of your spending needs, to build a well-conceived investment policy statement—the cornerstone of a successful program. The statement outlines the fund's goals and objectives; identifies future liability needs, defines asset classes and investment managers; sets a target asset allocation; lays out investment guidelines and restrictions; specifies the roles of fund fiduciaries; and spells out reporting requirements. We also develop guidelines for each of the fund's investment managers.

Asset Allocation Informed by Multidimensional Risk Analysis

Our approach goes beyond traditional tools such as mean-variance analysis, to encompass spending requirements, risk budgeting, and scenario testing. By capturing and quantifying a diverse set of risks, this approach rectifies the shortcomings of the traditional efficient-frontier approach. We partner with you to devise a flexible asset allocation plan that is both strategic and opportunistic in achieving your fund's goals. NEPC has particular expertise in liability-driven asset allocation. Through economic scenario analyses, we are able to balance the projected real growth of fund assets with fund liabilities (e.g., spending).



NEPC's investment solutions for endowments and foundations balance current spending needs with the quest for growth in program assets.

Our services:

- Goal-setting and investment policy development
- Formulation of spending policy
- Strategic asset allocation – a holistic, long-term approach
- Spending needs integrated with risk budgeting, scenario analysis, liquidity planning, and traditional mean-variance modeling
- Portfolio structuring (e.g., active versus passive, flexible mandates)
- Investment manager searches
 - Traditional and alternative assets
- Tactical /opportunistic investment strategies
- Thought leadership shared with clients
- Ongoing education of investment committee and staff
- Due diligence and monitoring of manager compliance with FAS 157 standards
- Performance analysis and attribution for the total fund, each asset class, and manager
- Searches for custodians

Portfolio Planning and Structuring within Asset Classes

Taking your goals, objectives, and liquidity requirements into account, we work with you to select and hire an appropriate mix of managers and strategies for each asset class. Examples include the balance of active versus passive strategies; adoption of flexible mandates; and selection of investments that best meet your requirements for liquidity from the asset class and its subcomponents (e.g., value/growth, venture/buyout, long-short/long-only strategies).

Expertise in Manager Searches for Traditional and Alternative Investments

Soup to nuts, we handle the process of seeking out, identifying, and engaging the best investment managers for your program in traditional asset classes as well as alternatives such as private equity, hedge funds and real assets. We visit hundreds of firms each year to continuously update our proprietary search database and tap major public databases to identify best-in-class managers. Our extensive network of personal contacts built up over years is also brought to bear in evaluating providers.

We Share Our Intellectual Capital with Clients

Your investment committee members and staff will gain valuable insights from our ground breaking research on major investment topics and fiduciary issues – on site, online, and at client conferences hosted by NEPC. A categorized listing of white papers and position pieces authored by our professionals is available on our website, www.nepc.com.

Rigorous and Ongoing Scrutiny of Investment Managers and Market Trends

Our Due Diligence Committees for traditional and alternative assets, led by senior NEPC partners, set a firm-wide policy on the investment firms to be included in our searches, ensuring a consistent process for all our clients. The Committees also assess manager performance, and evaluate new products and technology across all asset classes. Our Asset Allocation Committee reviews economic and capital market trends to identify strategic and tactical asset allocation opportunities.

Industry-Leading Data Sources and Technology for Measuring Performance

Our performance reports are designed to help you make informed investment decisions. Customized by client, the quarterly reports provide relevant peer and market comparisons to benchmark performance of the total fund, each asset class, and each manager. Sources of under- and outperformance and the risk levels inherent in each manager's process are identified. The reports also compare current fund allocations to policy targets, and portfolio holdings to guidelines, helping to ensure compliance.

¹ National averages are represented by the median fund in the \$2.5 trillion ICC Universe. Please note that NEPC does not have discretion over client assets, so a client's investment performance may not be attributable solely to NEPC's advice.



Your organization is dedicated to its mission, and so are we.

YOU DEMAND MORE. So do we.SM

ONE MAIN STREET
CAMBRIDGE, MA 02142

TEL: 617.374.1300
FAX: 617.374.1313

www.nepc.com



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