

13TH ANNUAL INVESTMENT MANAGER WEBINAR

MAY 18, 2023

Presented by NEPC's Research Team



PROPRIETARY & CONFIDENTIAL

NEPC INVESTMENT MANAGER RESEARCH

Our Goal

To work constructively with the asset management community to deliver innovative and high-quality investment strategies that meet and exceed our clients' objectives

AGENDA

- **NEPC Update & Allocator Outlook**
- **NEPC Research Coverage & Process**
- **Investment Manager Search Activity**
- **Key Initiatives**
 - NEPC's Approach to Fee Negotiations
 - DEI Initiatives & Explorer Ratings Platform



TODAY'S SPEAKERS



**Sarah Samuels,
CFA, CAIA**

Partner, Head of
Investment Manager
Research

- Wellesley College Investment Office
- Mass PRIM
- Girls Who Invest, PEWIN, CFA Boston Society Vice Chair



Rosann Halleran

Sr. Investment Director

- NEPC Diverse Manager Committee



Nina Petkova

Sr. Investment Director

- Co-Chair NEPC's Diverse Manager Committee



**Lily Fayerweather,
CFA, CAIA**

Investment Director

- ESG Specialist
- NEPC Impact Committee
- NEPC Diverse Manager Committee



NEPC UPDATE



ABOUT NEPC

- Our success as a firm is fueled by our love for this business
- We remain independent to prioritize client interests
- We invest heavily in research and people



356 EMPLOYEES



7 REGIONAL OFFICES



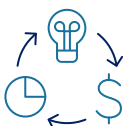
EMPLOYEE-OWNED

50 Partners



100% OF REVENUE

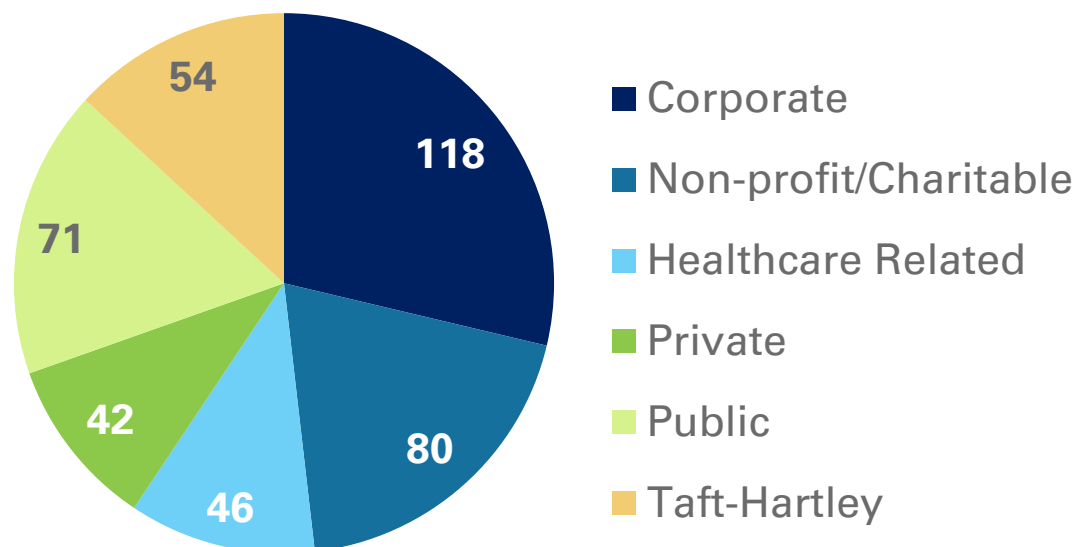
from advisory consulting and OCIO services



7 PRACTICE TEAMS

deliver expertise by client type

411 CLIENTS



\$1.4 TRILLION

Assets Under Advisement

NEPC also has a practice team dedicated to supporting our clients' defined contribution plans across all client types.



Employees as of 1/1/2023, clients as of 10/1/2022

FEEL SMALL

BUT BE BIG

Feel Small

- **Be flexible and customized in our partnership with you**
- **Dedicated segment experts to anticipate your needs**
- **Identify niche managers and investment ideas**

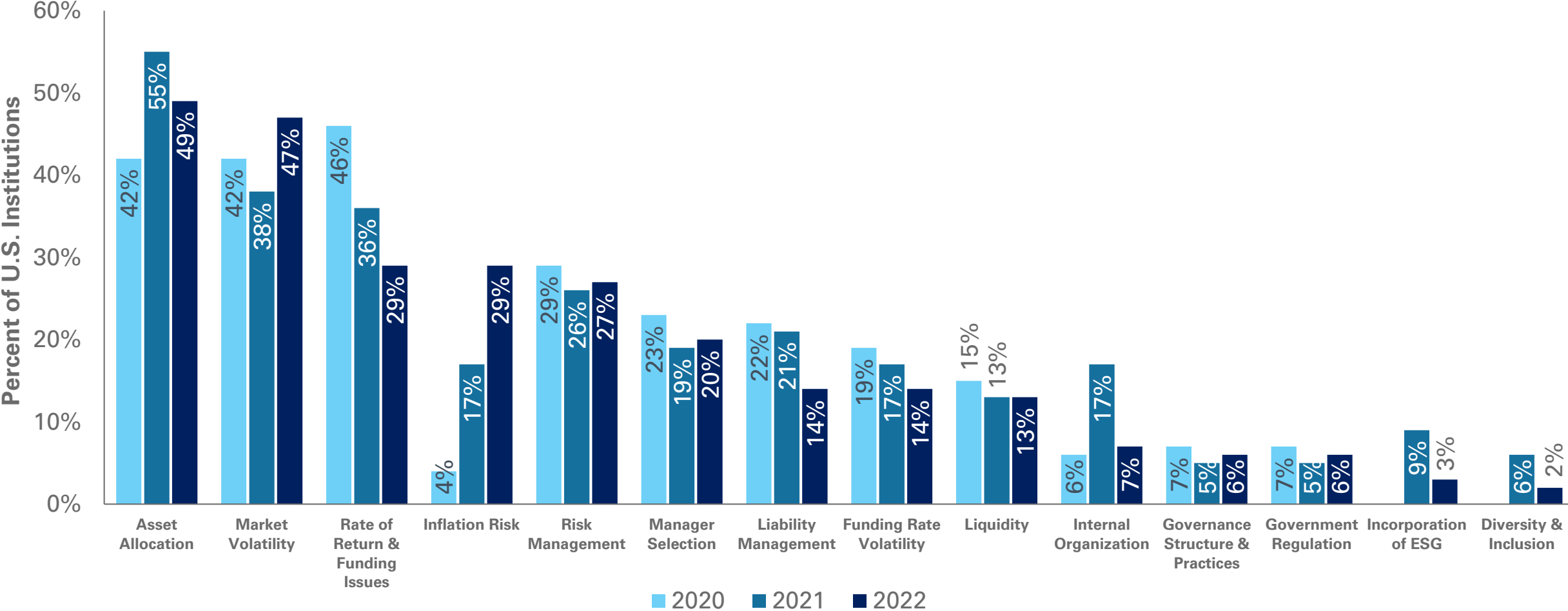
Be Big

- **Have deep resources at your disposal**
- **Benefit you by using our size for manager fees and access**
- **Share learnings and insights from all client segments**

ALLOCATOR OUTLOOK



KEY CHALLENGES FOR INSTITUTIONAL INVESTORS

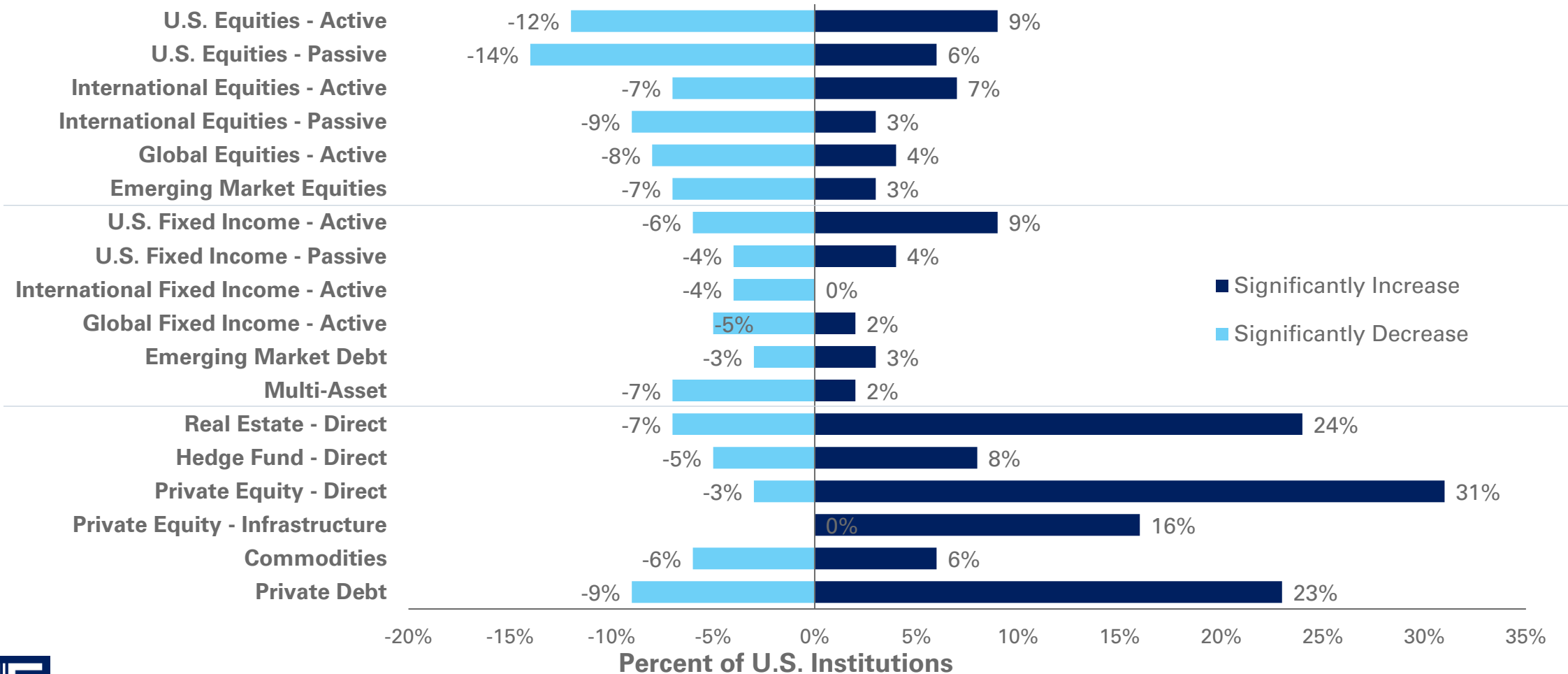


Source: Coalition Greenwich 2022 U.S. Institutional Investors Study.



INSTITUTIONAL INVESTORS

EXPECTED ASSET ALLOCATION SHIFTS NEXT THREE YEARS



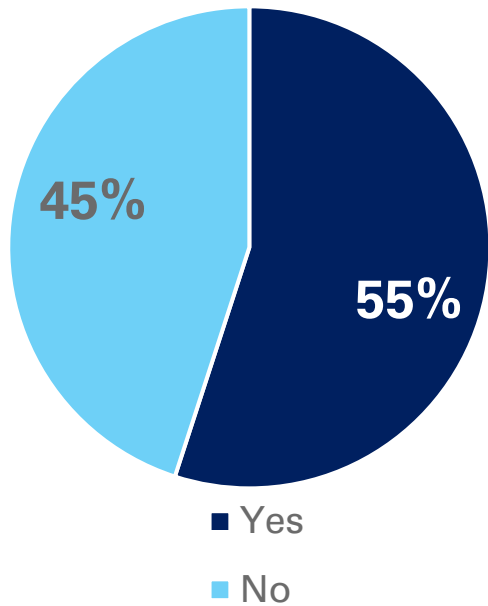
Source: Coalition Greenwich 2022 U.S. Institutional Investors Study



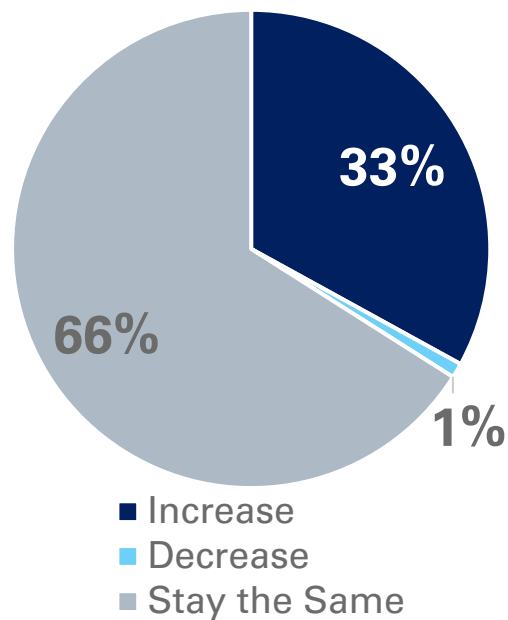
ESG & DEI

ESG & DEI ARE INCREASINGLY IMPORTANT TO ALLOCATORS

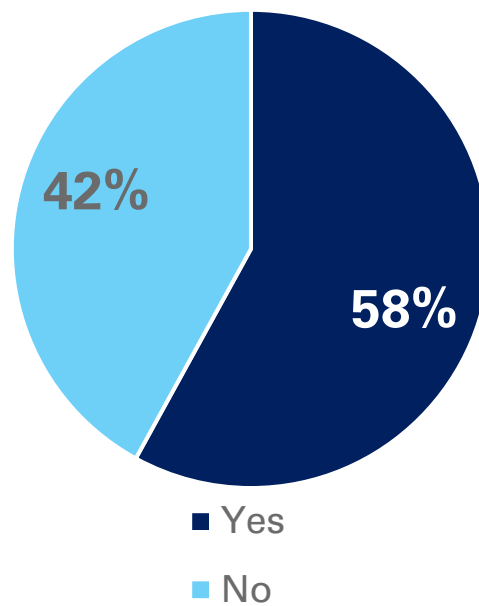
Consider ESG in Investment or Manager Selection Decisions



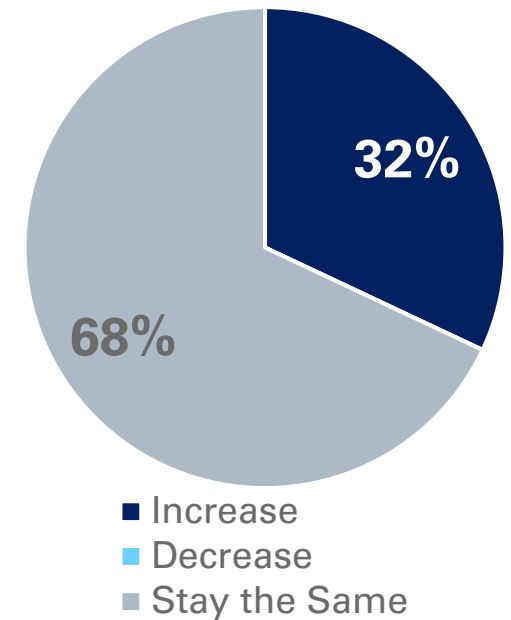
Expected Change of ESG Impact Over Next 12 Months



Consider DEI in Investment or Manager Selection Decisions



Expected Change of DEI Impact Over Next 12 Months



NEPC COVERAGE & RESEARCH PROCESS



RESEARCH TEAM OVERVIEW

Tim McCusker, FSA, CFA, CAIA, Partner*
Chief Investment Officer

ASSET ALLOCATION

Phillip Nelson, CFA, Partner*
Head of Asset Allocation

PORTFOLIO CONSTRUCTION

Timothy Bruce, Partner*
Head of Portfolio Construction

GLOBAL RESEARCH

Neil Sheth, Partner*
Head of Global Research

RESEARCH OPERATIONS

Dawn Swift,
Head of Research Operations

OPERATIONAL DUE DILIGENCE

Kevin Lau-Hansen,
Head of Operational Due Dilligence

PORTFOLIO STRATEGY

Scott Perry, CAIA, Partner*
Head of Portfolio Strategy

INVESTMENT MANAGER RESEARCH

Sarah Samuels, CFA, CAIA, Partner*,
Head of Investment Manager Research

MARKETABLE SECURITIES RESEARCH (Long-Only & Hedge Funds)

EQUITIES

Will Forde, CFA, CAIA, Partner*,
Head of Equity

CREDIT & MULTI-ASSET

Dulari Pancholi, CFA, CAIA, Partner*,
Head of Credit & Multi-Asset Investments

PRIVATE MARKETS RESEARCH

PRIVATE EQUITY

Joshua Beers,
Partner*, Head of Private Equity
Investments

PRIVATE DEBT

Oliver Fadly, Principal+,
Head of Private Debt Investments

REAL ASSETS

Matt Ritter, CAIA,
Partner*,
Head of Real Assets Investments

As of 05/08/23

*Ownership interest in NEPC (Partner)

+Principal designation for leadership within the Firm.



RESEARCH TEAMS

OCIO

Scott Perry, CAIA, Partner*
Head of Portfolio Strategy

Brian Donoghue, Partner*
Sr. Director of Portfolio Strategy

Chris Klapinsky, CFA, Partner*
Sr. Director of Portfolio Strategy

James Reichert, CFA, Partner*
Sr. Director of Portfolio Strategy

Sujatha Bhat, CFA, CAIA,
Sr. Investment Director

Varun Raman
Investment Director

Mike Zampitella
Investment Director

David Jennings
Sr. Investment Analyst

Nick Leibold
Investment Analyst

PORTFOLIO CONSTRUCTION

Timothy Bruce, Partner*
Head of Portfolio Construction

Elton Thomaj, CAIA, Principal+
Sr. Investment Director

Brandon Jones, Principal+
Sr. Investment Director

Alex Goroshko,
Investment Director

Ryan Pelletier,
Investment Director

Thomas Chianelli,
Business Analyst

Kyle Tenczar,
Sr. Investment Analyst

ASSET ALLOCATION

Phillip Nelson, CFA, Partner*
Head of Asset Allocation

Jennifer Appel, CFA,
Sr. Investment Director

Robert Goldthorpe, ASA,
Investment Director

Jack Yuan,
Investment Director

Appy Bubna,
Managing Editor

OPERATIONAL DUE DILIGENCE

Kevin Lau-Hansen, Head of Operational Due
Dilligence

Catherine Hull,
Sr. Investment Director

Charlie Tilden,
Sr. Investment Analyst

GLOBAL RESEARCH

Neil Sheth, Partner*

As of 05/08/23

*Ownership interest in NEPC (Partner)

+Principal designation for leadership within the Firm.



INVESTMENT MANAGER RESEARCH TEAM

INVESTMENT MANAGER RESEARCH

Sarah Samuels, CFA, CAIA, Partner*

MARKETABLE SECURITIES (LONG-ONLY & HEDGE FUNDS)

PRIVATE MARKETS

Equities

Will Forde, CFA, CAIA
Head of Equities*

Rosann Halleran

Sr. Investment Director

Nina Petkova

Sr. Investment Director

Robert Britenbach, CFA
Investment Director

Lily Fayerweather, CFA,
CAIA

Investment Director

Alex Rickels, CFA
Investment Director

Kristina Tomasik

Investment Director -
Custody

Daniel Schutz

Sr. Investment Analyst

Credit & Multi-Asset

Dulari Pancholi, CFA, CAIA
Head of Credit & Multi-
Asset*

Alec Rapaport

Sr. Investment Director+

Kadmiel Onodje

, CAIA

Sr. Investment Director

Kyan Nafissi

, CFA

Investment Director

Phillip Falk

, CFA

Investment Director

Conor Fitzell

, CFA

Sr. Investment Analyst

Raj Palekar

Sr. Investment Analyst

Briana Vertucci

Investment Analyst

Client Strategy Research

Steve Gargano

Sr. Investment Director

John Shanklin

, CFA, CAIA

Sr. Investment Director

Istvan Meszaros

Investment Director

Private Equity

Joshua Beers

Head of Private Equity*

Eric Harnish

Sr. Investment Director+

Nick Mann

Sr. Investment Director

Andrew Pettersen, CFA, Senior
Investment Director

Mason Williams

Investment Director

Brian Cronin

Sr. Investment Analyst

Samantha Jeannotte

Investment Analyst

Reema Kaakarli

Investment Associate

Real Assets

Matt Ritter

, CAIA

Head of Real Assets*

Neil Sheth

Partner*

Shelley Santulli

Sr. Investment Director+

Larissa Davy

Sr. Investment Director

Eli Johnson

Sr. Investment Analyst

Matt Treveloni

Investment Analyst

Evan Canney

Investment Analyst

Andrew Fournier

Investment Associate

Private Debt

Oliver Fadly

Head of Private Debt+

Colton Lavin

, CFA

Investment Director

Brendan Heaney

, CFA

Investment Director

Lindsay Powers

Investment Analyst

Manager Search & Research Associates

Jordan Battles

Investment Associate

Luke Turo

Investment Associate

As of 05/08/23

*Ownership interest in NEPC (Partner)

+Principal designation for leadership within the Firm.



MANAGER RESEARCH PROCESS



- Peculiarities of various asset classes create different sourcing opportunities

- Quantitative procedures are important to all asset classes, but vary based on type of strategy

- The key is to determine if the strategy can sustain repeatable results

- Approval for the Focus Placement List (FPL) strategies by governance committees consisting of senior consulting and research professionals

- Ongoing monitoring is an important and integral component of the due diligence process

NEPC INVESTMENT PROCESS – DUE DILIGENCE

We believe a combination of quantitative analysis of a track record and qualitative analysis of incentive alignment allows us to identify the top investment managers and deliver to clients sustainable alpha

Quantitative Analysis

We use proprietary tools to facilitate second-level thinking, which helps us identify true skill.

- **Second-Level Thinking¹**
- **Luck vs. skill**
- **Likelihood of success**
- **Alpha expectations**
- **Performance**
 - Absolute
 - Relative
 - Peer Comparison

Qualitative Analysis

Investment Process

We focus on identifying the investment edge of a strategy and determining whether it is sustainable and repeatable. We also evaluate whether the team is resourced sufficiently to support the investment process.

- **People & Resources**
 - Portfolio Managers & Analysts
 - Additional Resources
- **Investment Philosophy, Strategy & Process**
 - Investment edge/thesis
 - Investment Philosophy
 - Research Process
 - Portfolio Construction
 - Risk Management

Alignment of Incentives

We spend significant time understanding whether the client and the manager are aligned.

- **Business strategy**
- **Viability/profitability**
- **Succession planning**

NEPC DUE DILIGENCE PROCESS

Investment Due Diligence

- **Marketing Pitchbook**
- **Historical Data**
 - Returns
 - Characteristics
 - Holdings
 - Attribution
 - Exposures
- **Due Diligence Questionnaire**
- **ESG Questionnaire**
- **Portfolio Company/Holding Case Studies**
- **NEPC Investment Framework**
 - Ownership, culture, business strategy, viability
 - Portfolio managers, analysts, additional resources
 - Investment philosophy and edge
 - Research process
 - Portfolio construction
 - Risk management
 - Quantitative analysis of track record and exposures: returns- and holdings-based
- **Fee Negotiations**
- **Formal Review and Approval by NEPC Due Diligence Committee or Alternative Asset Committee**

Team & Firm Due Diligence

- **Reference Calls**
- **Key Person Risk**
- **Onsite Visit***
 - Meet with team together and individually, both senior and junior team members
 - Systems demo
 - Evaluate lifecycle of a trade
- **Operational Review**
- **Form ADV**
- **GIPS Compliance Status**

COVID-Era Enhancements

- **Video Conference Calls**
 - Senior and junior investment team members
 - Business leaders (C-Suite)
 - Back office team members
 - Virtual office tour (with floorplan)
- **Additional Reference Calls**
- **Individual and Firm Background Checks**
- **Non-US Strategies: ODD may be Outsourced to Local Providers**



Note: Not all due diligence steps apply to every investment strategy. *When travel is not restricted due to pandemic

MANAGER RATING SCALE

Due Diligence Rating	2
Analyst Opinion Score	2
Firm/Organization	2
People & Resources	3
Investment Philosophy, Strategy & Process	3
Performance	1
Due Diligence Status	No Action

Rating	Description
1	NEPC Research views 1-rated strategies as best ideas. The strategy has a clearly articulated investment thesis, and the manager is sufficiently resourced and incentivized to execute on the thesis. NEPC Research has high conviction that 1-rated strategies are positioned to deliver on a stated investment thesis and target return over a full investment cycle.
2	NEPC Research has a positive view of the strategy. The strategy has a clearly articulated investment thesis, and the manager is sufficiently resourced and incentivized to execute on the thesis. A single factor or mosaic of factors may lead NEPC Research to a 2-rating rather than a 1-rating.
3	NEPC Research has a constructive view of the strategy and believes the strategy can play an appropriate role in certain client portfolios. Through initial and/or ongoing research of a strategy, NEPC has not identified unreasonable risks from an organizational, process, operational or investment perspective.
4	NEPC Research has conducted a reasonable level of due diligence and has an unfavorable view of the strategy due to issues, weaknesses or risks that we believe would challenge the manager's ability to execute on a stated investment thesis.
5	NEPC has conducted a reasonable level of due diligence on the strategy and has significant concerns about the effectiveness or viability of the strategy. Through the due diligence process, NEPC has uncovered serious issues, weaknesses or risks that we believe challenge the manager's ability to execute on a stated investment thesis.



Source: NEPC

INVESTMENT MANAGER SEARCHES AND ACTIVITY



SEARCHES & REVIEWS CONDUCTED IN 2022

Searches & Reviews by Asset Class

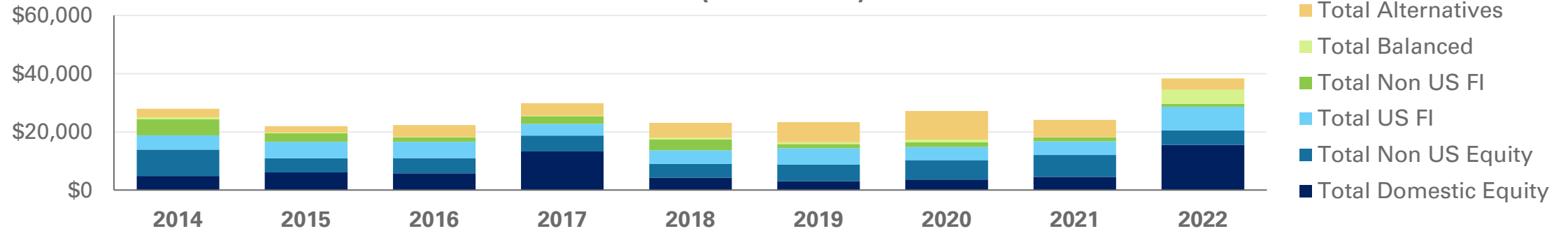
Large Cap Equity	27
Small/Mid Cap & Mid Cap Equity	6
Small Cap Equity & Micro Cap Equity	15
All Cap Equity (includes MLPs)	1
Int'l Equity/Global Equity/Emerging Equity	70
Passive	26
Fixed Income	56
High Yield Bonds	6
Global Bonds/Emerging Market Debt	16
GAA/TAA (includes Risk Parity & LifeCycle)	24
Hedge Funds	74
Real Estate	31
Real Assets	42
Private Equity (includes Private Debt)	516
Liquid Alt Beta	0

**Total Searches and Reviews:
910**

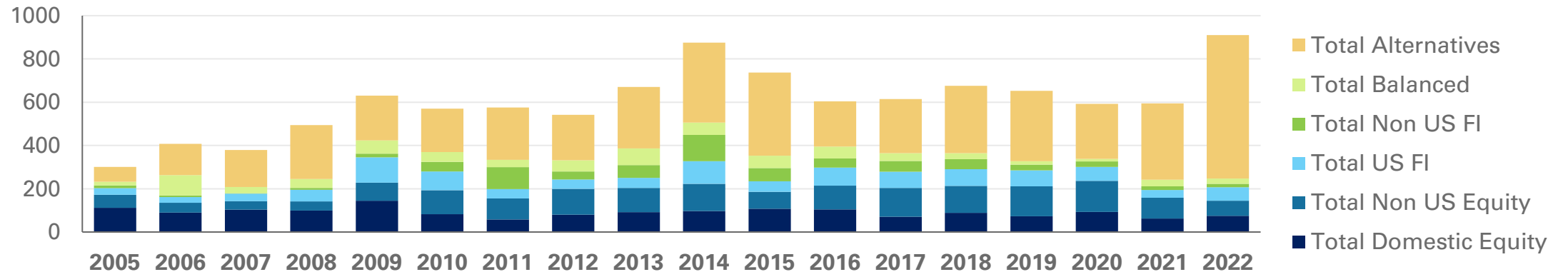
**Total Search Assets:
\$38 Billion**

HISTORICAL SEARCH ACTIVITY

Total Assets Placed in Searches (in millions)



Total Number of Searches



Source: CRM Research Requests and Hired Products Placed by NEPC as of 12/31/2022. Total Assets are total size of mandates for Public Market manager searches, and commitment amount/asset value for Private Market portfolio reviews.



KEY INITIATIVES



KEY INITIATIVES

- **Fee Negotiations**
- **DEI & Explorer Ratings Platform**

NEPC'S APPROACH TO FEE NEGOTIATIONS



NEPC RESEARCH

FOCUS ON INVESTMENT MANAGER FEE SAVINGS FOR CLIENTS

- **NEPC Research Team has actively negotiated fee discounts for its clients for many years**
- **Proprietary data analysis tool mines our databases and calculates these savings for clients**
- **NEPC currently has investment manager fee savings with 460 investment Fund Vehicles representing:**
 - 195 comingled marketable securities funds
 - 24 hedge funds
 - 85 private markets funds
 - 156 SMAs

NEPC RESEARCH

FOCUS ON INVESTMENT MANAGER FEE SAVINGS FOR CLIENTS

- **Key NEPC principles regarding investment manager fee process:**
 - Fees should not represent more than 20-25% of Fund's outperformance over a passive benchmark over the medium-long term
 - Search books list the performance and fees for all the managers being considered along with the eVestment universe median fees. Negotiated fees are also shown next to these "standard" fees where applicable.
 - Proactively targeting high exposure Investment Managers/Funds where NEPC clients do not have a discount to standard fees and/or performance does not justify the fees charged



DEI INITIATIVES



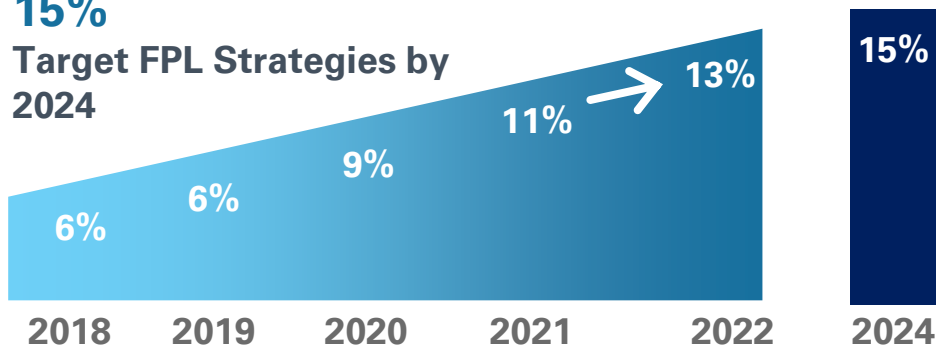
A YEAR IN REVIEW

2022 ACCOMPLISHMENTS

Public Markets

15%

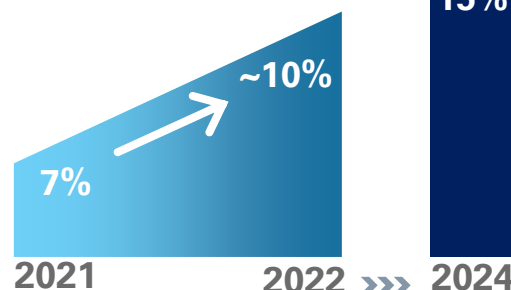
Target FPL Strategies by 2024



OCIO

10%

Target Exposure for OCIO accounts by 2022



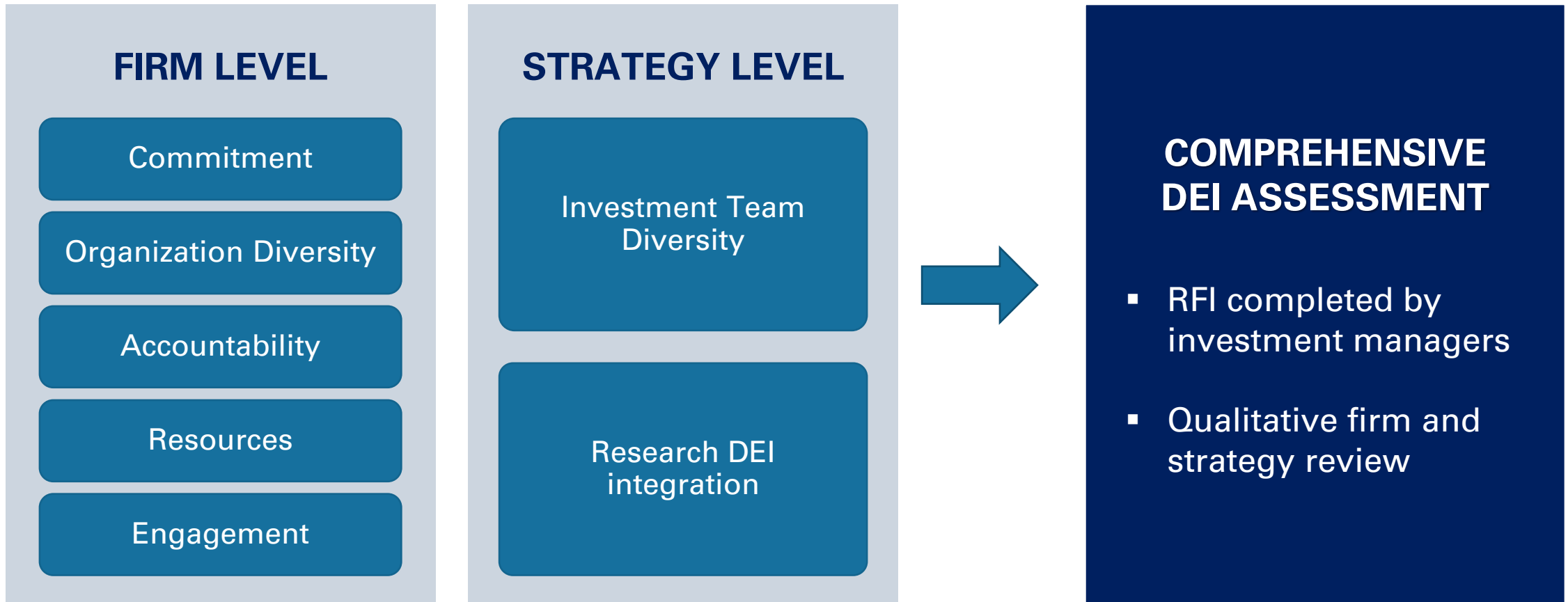
15%

Target Exposure for OCIO accounts by 2024

- **We are on track on each of the goals set as part of our Diverse Manager Policy**
- **Completed our 2nd Annual DEI Progress Report**
 - First annually-produced report of its kind that tracks progress of DEI efforts across NEPC’s business
- **Our 4th annual Equitable Manager Participation Workshop proved to be a continued success**
 - Over 88 diverse firms participated in the 2022 event including over 17 one-on-one sessions with Research
- **Successfully launched first IDAC Summit in September**
 - 200+ registered asset managers, allocators and consultants

DEI RATINGS

GOING BEYOND OWNERSHIP



CFA'S DEI CODE INITIATIVE

USING OUR INFLUENCE TO PROMOTE WIDER ADOPTION

The DEI Code helps firms to clearly demonstrate their commitment to improving DEI programs within their organizations and across the wider investment industry

- **NEPC has been a signatory since April 2022**
- **In October, NEPC Research reached out to over 2,100 investment firms**
 - 720 responses received so far
 - We have seen # of signatories to the CFA's DEI Code triple since



Pipeline



Talent Acquisition



Promotion and Retention



Leadership



Influence



Measurement

THE EXPLORER PROGRAM

WHAT IS IT?

- **Identify, engage with, and rate select diverse-owned and –led firms of high conviction who are not currently 1- or 2-rated**
 - Brings visibility to diverse-owned and –led managers that have comparable characteristics to FPL firms and strategies but may differ in some ways, including lower assets under management, shorter track records, limited back office resources, higher fees and a unique investment approach
- **The sourcing, vetting, and diligencing of strategies on the Explorer program is exactly the same as our FPL strategies**
 - Each strategy will go through NEPC’s normal investment framework
 - Fully vetted by our Due Diligence and Alternative Asset Committees for at least a 3-rating
 - Research responsibility and due diligence for Explorer strategies will remain with each of the Researchers

A LOOK AHEAD...

2023 ACCOMPLISHMENTS AND GOALS

- **2022 NEPC DEI Progress Report (3rd year in a row)**
- **NEPC to host 5th Annual Equitable Manager Participation Day in fall**
- **The DMC is also looking for new and creative ways to expand our efforts across private markets**
 - Continued expansion of the Explorer Program to Alternatives
 - Increased collaboration between the DMC and Research to identify more diverse alternative managers based on client demand
- **Leverage our 2022 DEI & Impact survey of consultants to help guide our efforts over the next two years**
 - Focusing on finding strategies that meet both impact and DEI criteria where possible, with capacity to meet levels of interest
 - Targeted outreach on current and prospective FPL strategies to client teams who expressed interest

FINAL THOUGHTS



HOW BEST TO WORK WITH NEPC

- **Stay on top of our views (www.nepc.com)**
- **Bring your best ideas forward**
- **Be prepared to offer highly competitive pricing**
- **Focus on Quality not Quantity**
- **Be willing to take “No” for an answer**

NEPC PUBLICATIONS AND RESOURCES

- Capital Market Assumptions
- Megatrends
- Strategic Views
- Portfolio Tilts
- Annual Asset Allocation Letter
- Quarterly Market Webinars
- NEPC Market Outlook
- Monthly Pension Monitor
- Monthly Market Commentary
- Weekly Insights
- Topical Blogs and White Papers



WHAT MANAGERS SHOULD EXPECT FROM NEPC

- **Information about client needs and search activity**
- **Our views on the market and our key messages to clients**
- **Our framework for evaluating managers**
- **Responsiveness to meeting requests**
- **Candid feedback**

NEPC DISCLOSURES

Past performance is no guarantee of future results.

The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Data used to prepare this report was obtained directly from various sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

NEPC may provide background information on fund structures or the impact of taxes but investors should contact their legal counsel or tax professional for specific advice on such matters.

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Alternative Investments

1. It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds and private equity:
2. Performance can be volatile and investors could lose all or a substantial portion of their investment
3. Leverage and other speculative practices may increase the risk of loss
4. Past performance may be revised due to the revaluation of investments
5. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
6. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
7. These funds are not subject to the same regulatory requirements as registered investment vehicles
8. Managers may not be required to provide periodic pricing or valuation information to investors
9. These funds may have complex tax structures and delays in distributing important tax information
10. These funds often charge high fees
11. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy

THANK YOU

