

# 14<sup>TH</sup> ANNUAL INVESTMENT MANAGER WEBINAR

MAY 30, 2024

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 Introduction and Update**
- **Allocator Outlook and Investment Manager Search Activity**
- **NEPC Investment Coverage & Process**
- **Key Initiatives**
  - NEPC's new Boston office location
  - Update on new London Office

# TODAY'S SPEAKERS



**Dulari Pancholi,  
CFA, CAIA**

Partner, Head of Credit  
and Diversifying  
Strategies



**Larissa Davy**

Sr. Investment Director



**Andrew Pettersen,  
CFA**

Sr. Investment Director



# NEPC UPDATE



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# 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



**357 EMPLOYEES**



**8 REGIONAL OFFICES**



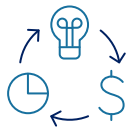
**EMPLOYEE-OWNED**

50 Partners



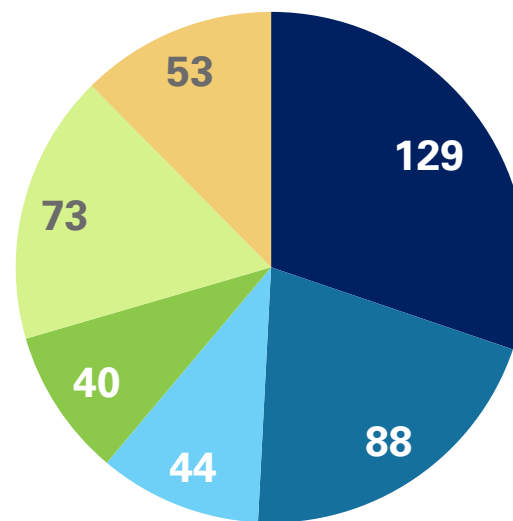
**100% OF REVENUE**

from advisory consulting and OCIO services



**7 PRACTICE TEAMS**

deliver expertise by client type



**427 CLIENTS**

■ Corporate

■ Nonprofit

■ Healthcare

■ Private

■ Public

■ Taft-Hartley

**\$1.6 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 4/1/2024, clients as of 1/1/2024

# ALLOCATOR OUTLOOK



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# KEY CHALLENGES FOR INSTITUTIONAL INVESTORS

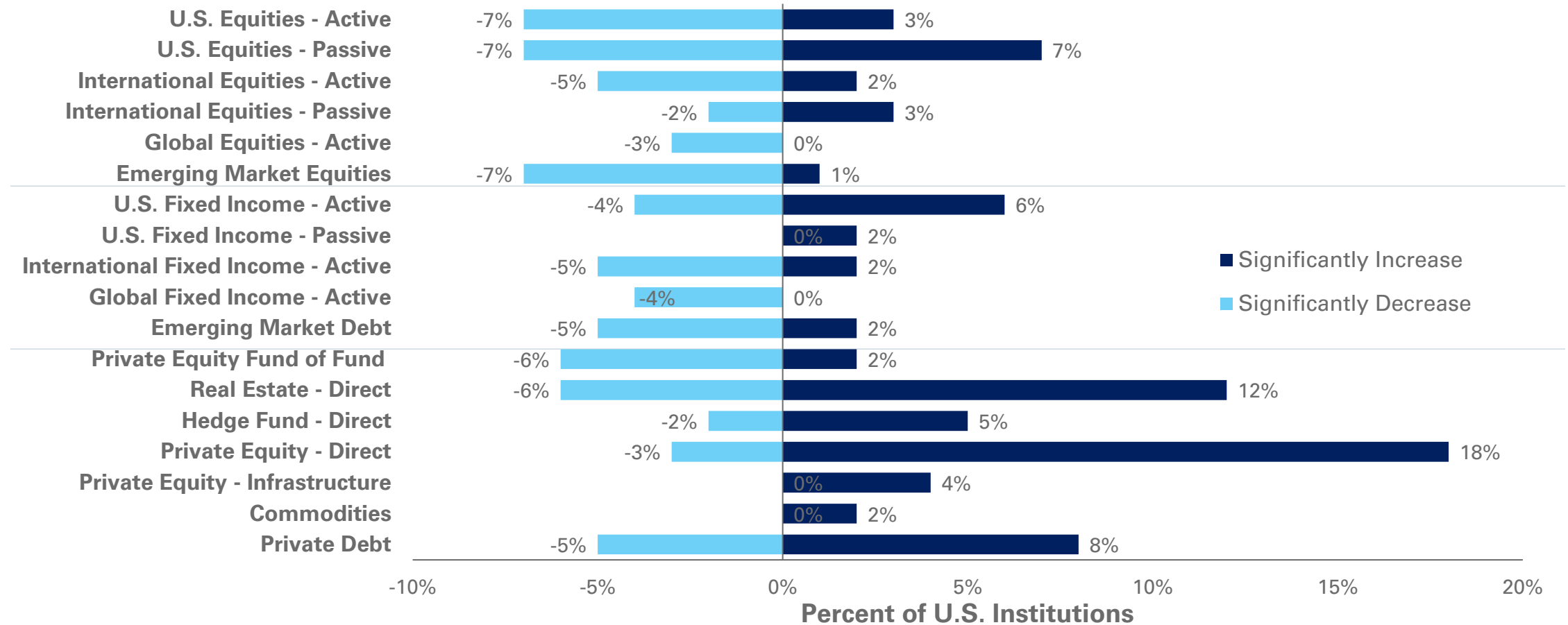


Source: Coalition Greenwich 2022 U.S. Institutional Investors Study.



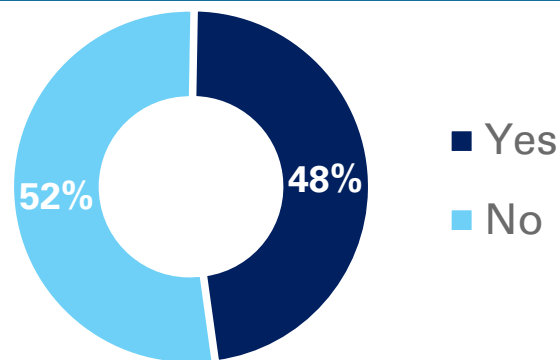
# INSTITUTIONAL INVESTORS

## EXPECTED ASSET ALLOCATION SHIFTS NEXT THREE YEARS

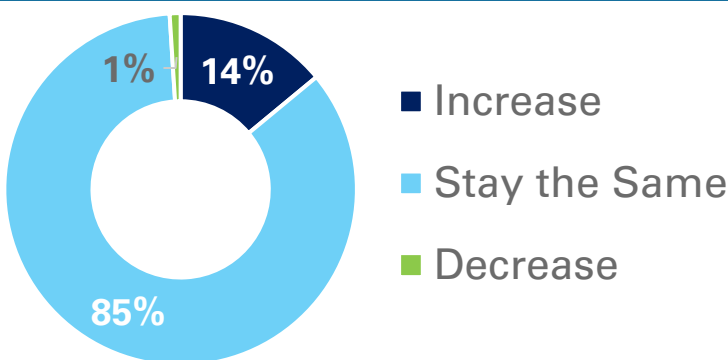


# ESG & DEI CONSIDERATIONS

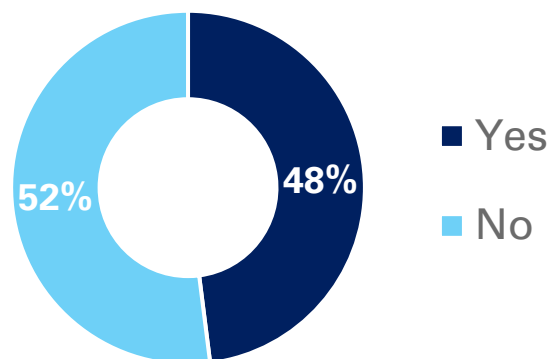
## Consider ESG in Manager Selection



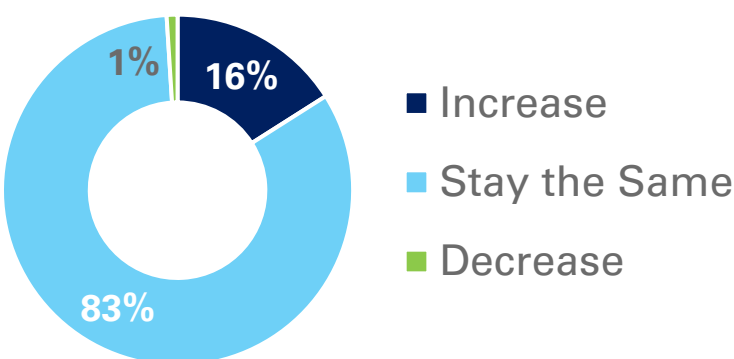
## Expected Change of ESG Impact Over Next 12 Months



## Consider DEI in Manager Selection



## Expected Change of DEI Impact Over Next 12 Months



# INVESTMENT MANAGER SEARCHES AND ACTIVITY



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# SEARCHES & REVIEWS CONDUCTED IN 2023

## Searches & Reviews by Asset Class

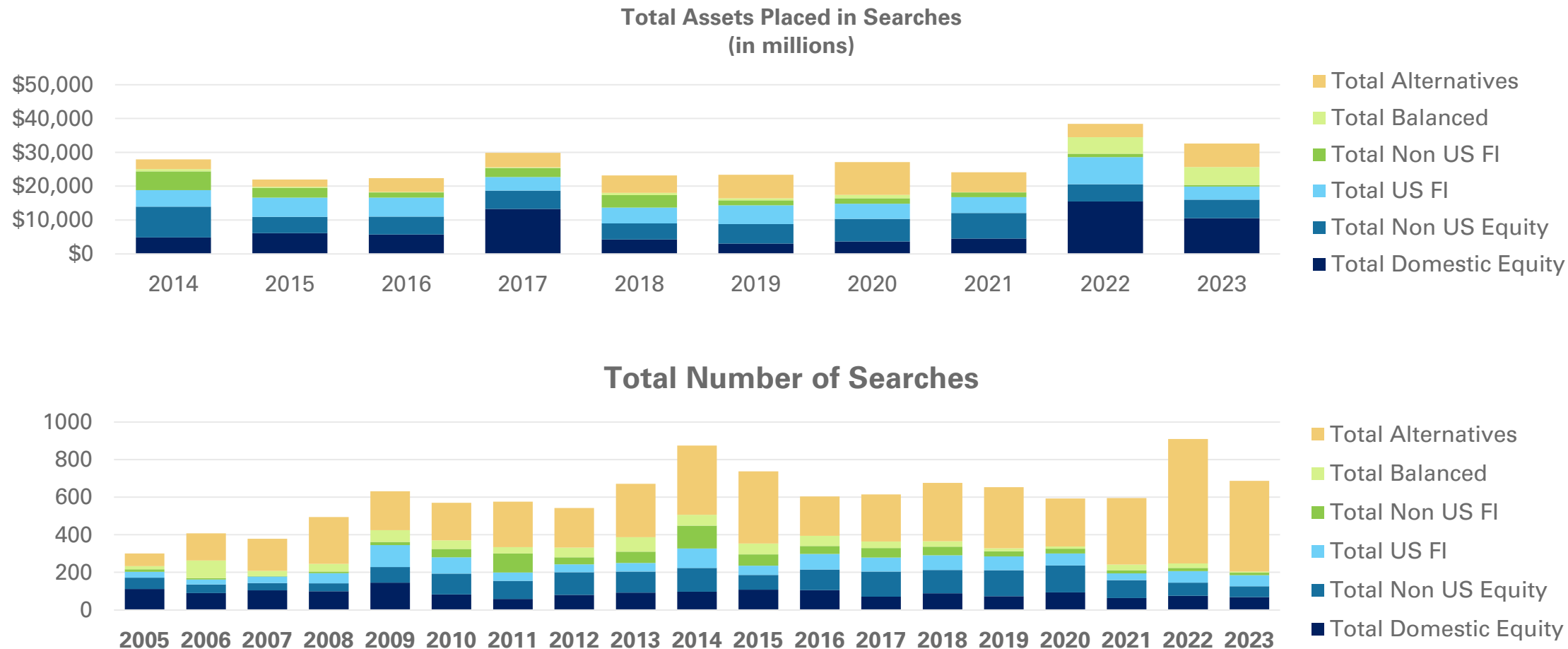
Large Cap Equity	16
Small/Mid Cap & Mid Cap Equity	12
Small Cap Equity & Micro Cap Equity	11
All Cap Equity (includes MLPs)	1
Int'l Equity/Global Equity/Emerging Equity	58
Passive	9
Fixed Income	59
High Yield Bonds	19
Global Bonds/Emerging Market Debt	13
GAA/TAA (includes Risk Parity & LifeCycle)	6
Hedge Funds	43
Real Estate	37
Real Assets	11
Private Equity (includes Private Debt)	392
Liquid Alt Beta	0

**Total Searches and Reviews:  
687**

**Total Search Assets:  
\$32 Billion**



# HISTORICAL SEARCH ACTIVITY



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.

# NEPC COVERAGE & RESEARCH PROCESS



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# NEPC INVESTMENT TEAM OVERVIEW

## CHIEF INVESTMENT OFFICER

Tim McCusker, FSA, CFA, CAIA

## 69 PROFESSIONALS

### ASSET ALLOCATION

**Phillip Nelson, CFA,**  
Head of Asset  
Allocation\*

### PORTFOLIO CONSTRUCTION

**Tim Bruce,**  
Head of Portfolio  
Construction\*

### INVESTMENT STRATEGY

**Sarah Samuels,**  
CFA, CAIA,  
Head of Investment  
Strategy Selection\*

### OCIO PORTFOLIO STRATEGY

**Scott Perry, CAIA,**  
Head of Portfolio  
Strategy\*

### RESEARCH OPERATIONS

**Dawn Swift,**  
Head of Research  
Operations

### EQUITIES AND CLIENT STRATEGY

**Will Forde,**  
CFA, CAIA, Head of  
Marketable Equities\*

### CREDIT & DIVERSIFYING STRATEGIES

**Dulari Pancholi, CFA,**  
CAIA,  
Head of Credit &  
Diversifying  
Strategies\*

### PRIVATE EQUITY

**Joshua Beers,** Head  
of Private Equity  
Investments\*

### PRIVATE DEBT

**Oliver Fadly,**  
Head of Private Debt  
Investments\*

### REAL ASSETS

**Matthew Ritter, CAIA,**  
Head of Real Assets  
Investments\*

### OPERATIONAL DUE DILIGENCE

**Kevin Lau-Hansen,**  
Head of Operational  
Due Diligence



As of 4/1/2024

\*Ownership interest in NEPC (Partner) .

# NEPC INVESTMENT STRATEGY TEAM OVERVIEW

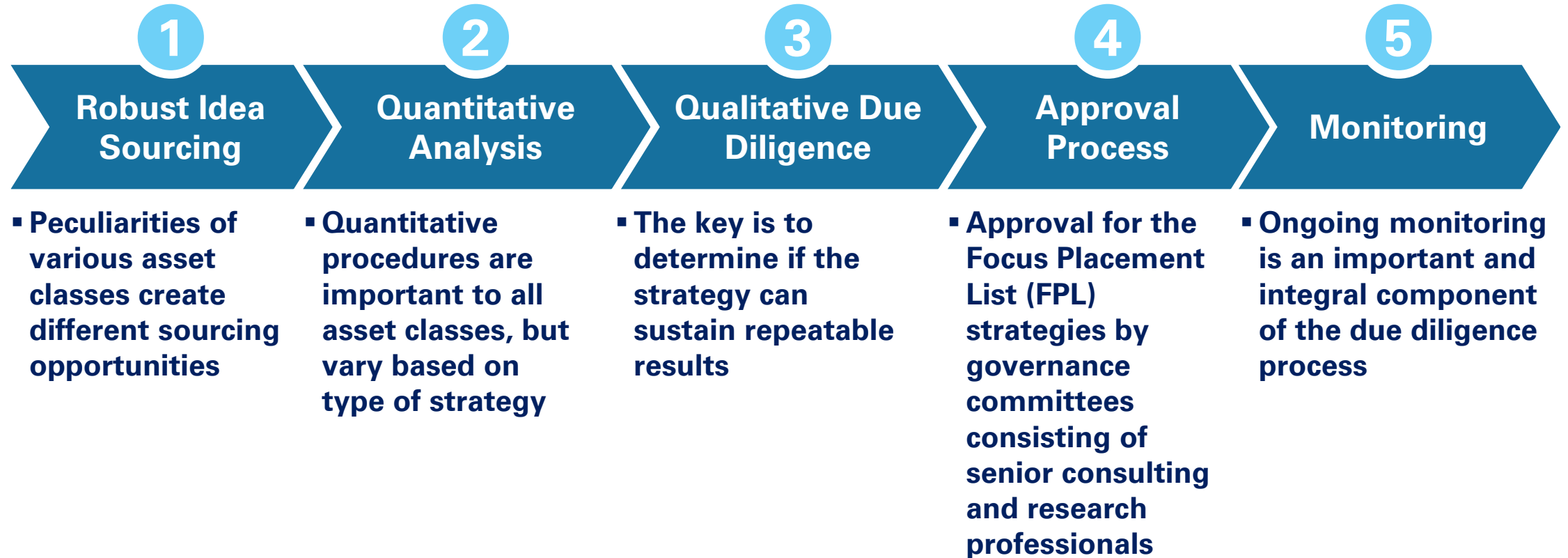
INVESTMENT STRATEGY SELECTION Sarah Samuels, CFA, CAIA, Head of Investment Strategy Selection*				
MARKETABLE SECURITIES (Long-Only & Hedge Funds)		PRIVATE MARKETS		
<b>Equities</b> <b>Will Forde</b> , CFA, CAIA, Head of Marketable Equity Investments* <b>Rosann Halleran</b> Sr. Investment Director <b>Nedelina Petkova</b> Sr. Investment Director <b>Rob Britenbach</b> , CFA, CIPM Investment Director <b>Lily Fayerweather</b> , CFA, CAIA Investment Director <b>Alex Rickels</b> , CFA Investment Director <b>Kristina Tomasik</b> Investment Director <b>Daniel Schutz</b> Sr. Investment Analyst <b>Zreh Gupta</b> Sr. Investment Associate <b>Jackie Patterson</b> Sr. Investment Associate	<b>Credit &amp; Diversifying Strategies</b> <b>Dulari Pancholi</b> , CFA, CAIA, Head of Credit & Diversifying Strategy Investments* <b>Alec Rapaport</b> Sr. Investment Director+ <b>Kadmiel Onodje</b> , CAIA Sr. Investment Director <b>Conor Fitzell</b> , CFA Investment Director <b>Kyan Nafissi</b> , CFA Investment Director <b>Raj Palekar</b> Sr. Investment Analyst <b>Briana Vertucci</b> Investment Analyst  <b>Client Strategy</b> <b>Steve Gargano</b> Sr. Investment Director <b>Istvan Meszaros</b> Investment Director	<b>Private Equity</b> <b>Joshua Beers</b> , Head of Private Equity Investments* <b>Nick Mann</b> Sr. Investment Director+ <b>Andrew Pettersen</b> , CFA Sr. Investment Director <b>Brian Cronin</b> Investment Director <b>Sam Jeannotte</b> Sr. Investment Analyst <b>Reema Kaakarli</b> Investment Analyst	<b>Private Debt</b> <b>Oliver Fadly</b> , Head of Private Debt Investments* <b>Brandon Heaney</b> , CFA Investment Director <b>Colton Lavin</b> , CFA Investment Director <b>Lindsay Powers</b> Sr. Investment Analyst	<b>Real Assets</b> <b>Matthew Ritter</b> , CAIA, Head of Real Assets Investments* <b>Neil Sheth</b> Partner* <b>Shelley Santulli</b> Sr. Investment Director+ <b>Larissa Davy</b> Sr. Investment Director <b>Eli Johnson</b> Sr. Investment Analyst <b>Matt Treveloni</b> Sr. Investment Analyst <b>Evan Canney</b> Investment Analyst <b>Andrew Fournier</b> Investment Associate
<b>Operational Due Diligence</b> <b>Kevin Lau-Hansen</b> , Head of Operational Due Diligence <b>Brenna McGready</b> , Sr. Investment Analyst <b>Charles Tilden</b> , Sr. Investment Analyst				



As of 4/1/2024, \*Ownership interest in NEPC (Partner), +Principal designation for leadership within the Firm.



# MANAGER RESEARCH 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 Thinking<sup>1</sup>**
- **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**



<sup>1</sup><https://www.oaktreecapital.com/docs/default-source/memos/2015-09-09-its-not-easy.pdf>

# 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.



# 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 products**

# KEY INITIATIVES



# KEY INITIATIVES

- **NEPC Boston office is moving to a new office location starting June 2024**
  - 225 Franklin Street, Boston MA 02110
- **London Office**

# LONDON OFFICE



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# DISCUSSION TOPICS

- **Progress report**
- **Road map / next steps for the London office**
- **Current economic landscape**
- **Investment themes**

# PROGRESS REPORT

- ✓ Register NEPC, UK
- ✓ Complete business set up
- ✓ Find an office
- ✓ Re-locate employees

## THE TEAM

Larissa Davy & Andrew Pettersen

Research and NEPC leadership  
IT, Compliance, Legal, Finance

# LONDON OFFICE ROAD MAP

## MISSION

To build a global presence that provides advantages to sourcing investment ideas, informing macro perspectives and maintains NEPC's competitive position

## BUILD NETWORKS

- Existing manager relationships
- Competitors
- Local Institutions
- Conferences
- MWBE networks

## PROMOTE THE BRAND

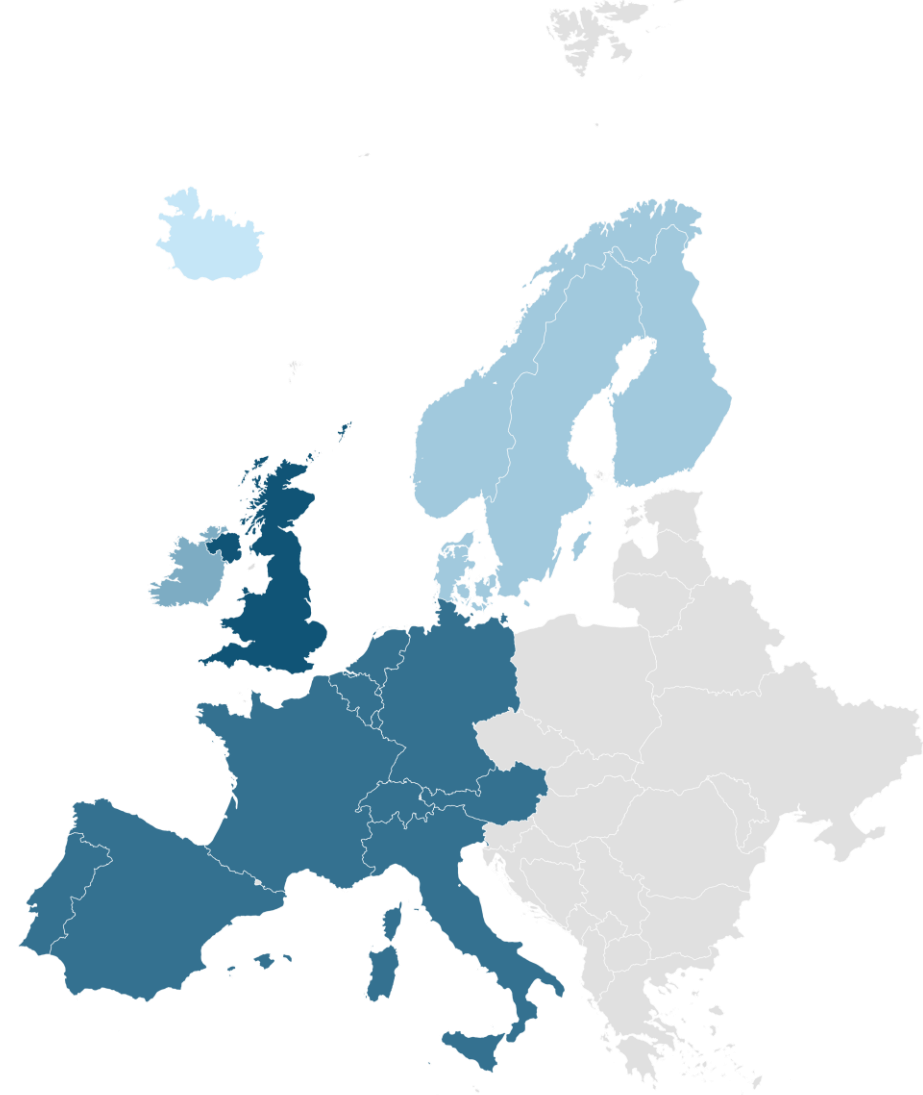
- Press release
- Quarterly blog
- Connect with NEPC affiliate organizations
- Host/attend events

## SOURCE IDEAS

- Private markets
- Alignment of US and European objectives

# CURRENT EUROPEAN ECONOMIC LANDSCAPE

- Western, developed Europe dominant
- Fragmented region despite the EU
- Trade and currency dependencies
- Brexit, COVID and Geopolitical unrest
- Labor markets and population decline
- High sovereign debt and bank-controlled lending
- A backdrop of higher rates and higher inflation



# INVESTMENT THEMES

- **Infrastructure**
  - Energy transitions
  - Digital
- **Private Equity**
- **Private Debt**
- **Pockets of Real Estate**



# TO BE CONTINUED...



# THANK YOU!



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# 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



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