

15TH ANNUAL INVESTMENT MANAGER WEBINAR

MAY 20, 2025

Presented by NEPC's Investment Team



PROPRIETARY & CONFIDENTIAL

AGENDA

- **NEPC Introduction and Firm Update**
- **NEPC Investment Team Overview**
- **NEPC Investment Process**
- **Investment Manager Searches & Activity**
- **Key Initiatives**
 - Supporting NEPC's Operational Transformation
 - Operational Due Diligence Spotlight



NEPC UPDATE



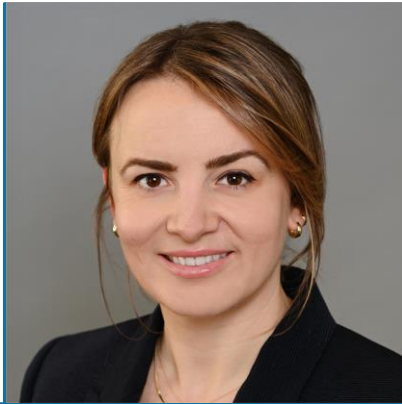
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TODAY'S SPEAKERS



**William Forde, CFA,
CAIA**

Partner, Head of
Marketable Equity



**Nedelina (Nina)
Petkova**

Sr. Investment Director,
Global Equities



Kevin Lau-Hansen

Principal, Head of
Operational Due
Diligence

ABOUT NEPC

- Our success as a firm is fueled by our love for this business
- We are aligned with your interests
- We invest heavily in research and people



STRATEGIC PARTNERSHIP

with Hightower Advisors



365 EMPLOYEES

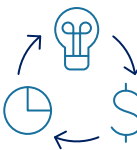


8 REGIONAL OFFICES



100% OF REVENUE

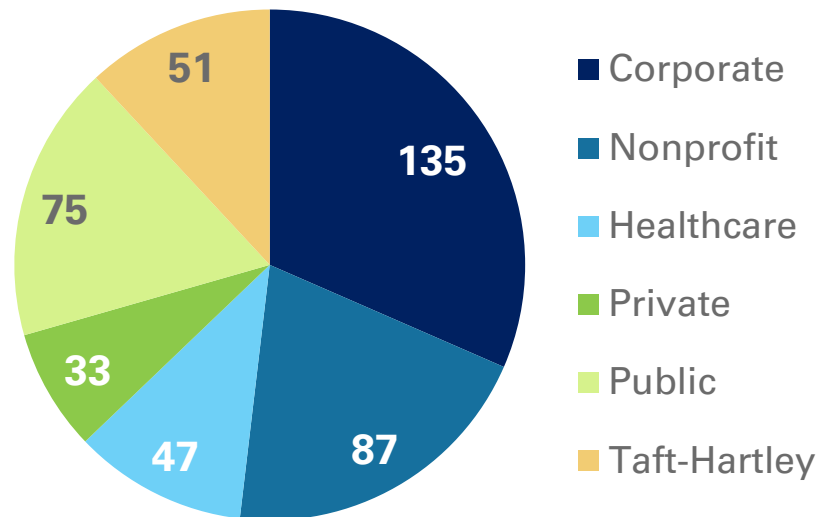
from advisory consulting and
OCIO services



7 PRACTICE TEAMS

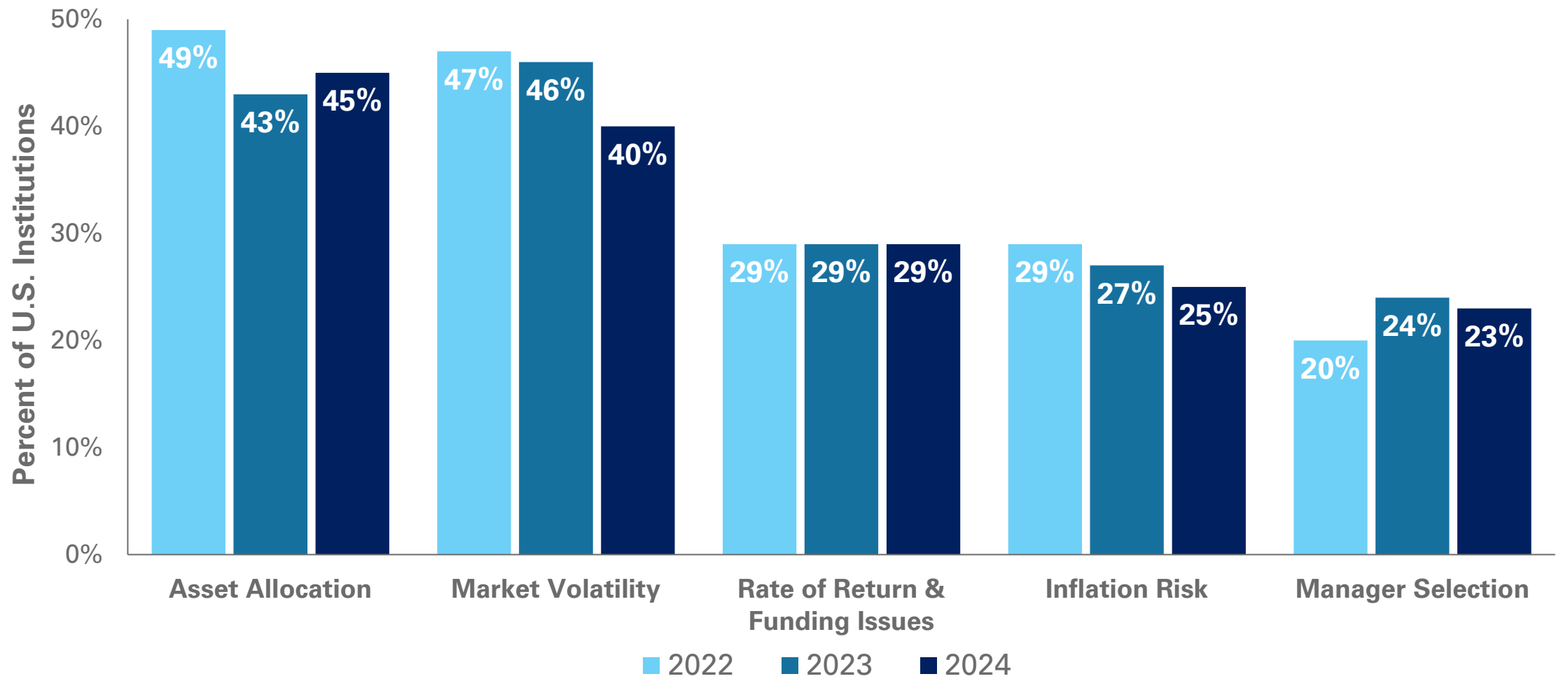
deliver expertise by client type

428 CLIENTS



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

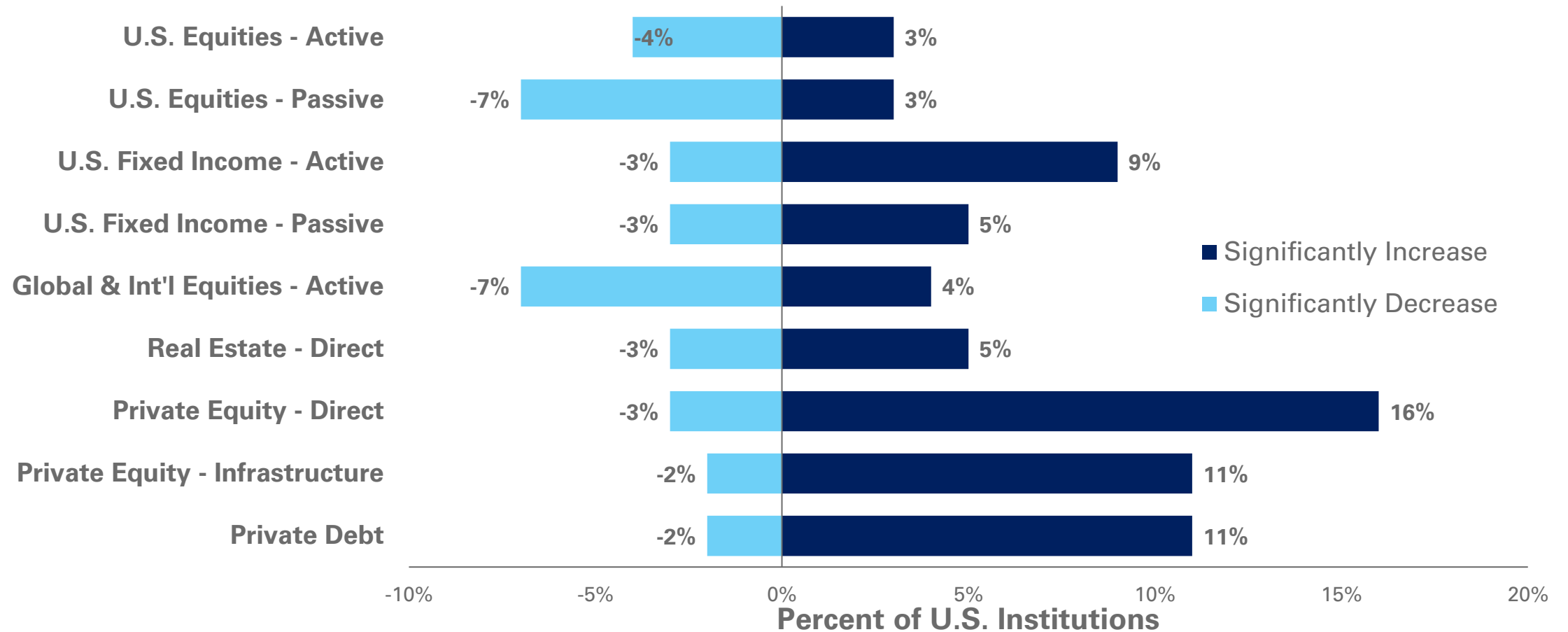
KEY CHALLENGES FOR INSTITUTIONAL INVESTORS



Source: Coalition Greenwich 2024 U.S. Institutional Investors Study.

INSTITUTIONAL INVESTORS

EXPECTED ASSET ALLOCATION SHIFTS NEXT THREE YEARS



NEPC INVESTMENT TEAM OVERVIEW



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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		
Equities Will Forde , CFA, CAIA, Head of Marketable Equity Investments* Rosann Halleran Sr. Investment Director Nedelina Petkova Sr. Investment Director Rob Britenbach , CFA, CIPM Investment Director Sean Burbank Investment Director Lily Fayerweather , CFA, CAIA Investment Director Alex Rickels , CFA Investment Director Kristina Tomasik Investment Director Zreh Gupta Sr. Investment Associate	Credit & Diversifying Strategies Dulari Pancholi , CFA, CAIA, Head of Credit & Diversifying Strategy Investments* Alec Rapaport Sr. Investment Director+ Kadmiel Onodje , CAIA Sr. Investment Director Conor Fitzell , CFA Investment Director Raj Palekar Sr. Investment Analyst	Private Equity Joshua Beers , Head of Private Equity Investments* Nick Mann Sr. Investment Director+ Andrew Pettersen , CFA Sr. Investment Director+ Brian Cronin Investment Director Sam Jeannotte Sr. Investment Analyst Michael Barth Investment Analyst Reema Kaakarli Investment Analyst	Private Debt Oliver Fadly , Head of Private Debt Investments* Colton Lavin , CFA Sr. Investment Director Brandon Heaney , CFA Investment Director Lindsay Powers Sr. Investment Analyst Samantha Karlson Investment Associate	Real Assets Matthew Ritter , CAIA, Head of Real Assets Investments* Larissa Davy Sr. Investment Director+ Shelley Santulli Sr. Investment Director+ Eli Johnson Investment Director Matt Treveloni Sr. Investment Analyst Evan Canney Investment Analyst Andrew Fournier Investment Analyst
Operational Due Diligence Kevin Lau-Hansen , Head of Operational Due Diligence+ Eric Breusch , Inv. Director Brenna McGready , Sr. Inv. Analyst Charles Tilden , Sr. Inv. Analyst				

THOUGHT LEADERSHIP FROM NEPC RESEARCH

TOPICAL PIECES

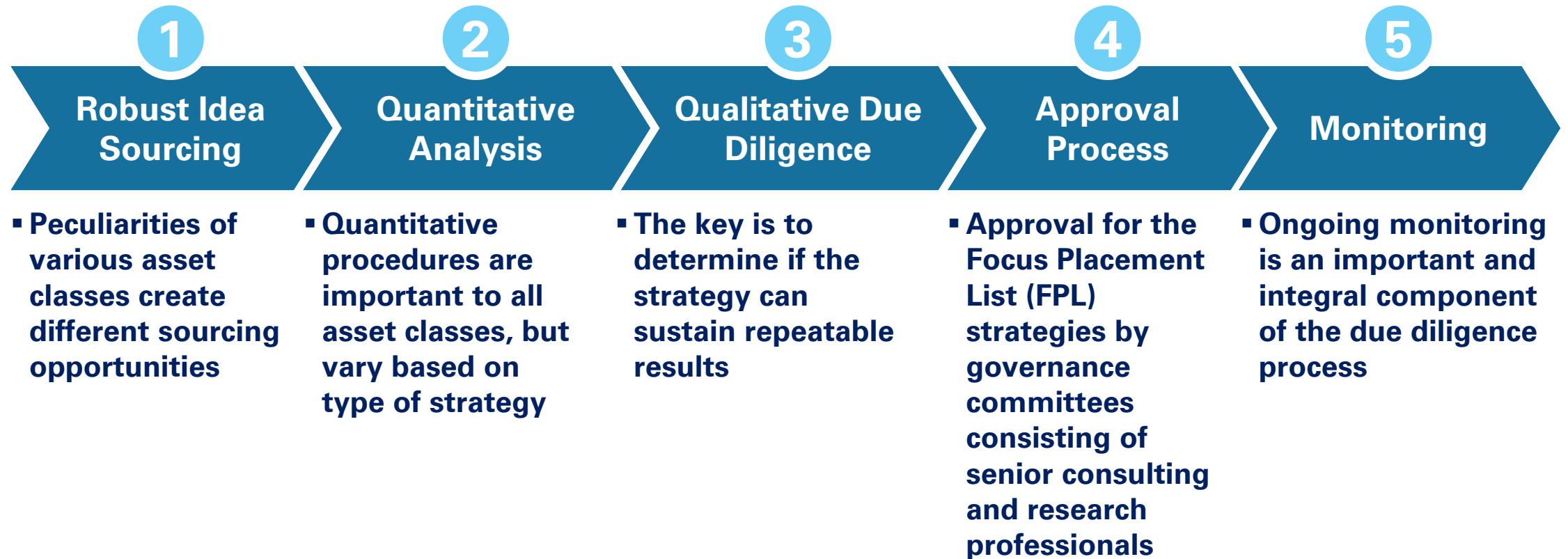
- **Extension Strategies Come Into Their Own (April)**
- **Choosing the Right Diversifying Strategies for Your Portfolio (April)**
- **The New Mainstay in Private Market Deals: Continuation Vehicles (Feb)**
- **NEPC's 2025 Annual Investment Letter (Feb)**
 - Diversification in the Face of FOMO: Staying Home While the Party Goes On

NEPC INVESTMENT PROCESS



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MANAGER RESEARCH PROCESS



INVESTMENT FRAMEWORK OVERVIEW

Sustainable outperformance is driven by **Second-Level Thinking¹**, proprietary quantitative analysis and a relentless focus on alignment of incentives



What do stats say?

Proprietary tools used to facilitate Second-Level Thinking¹, helping us identify true skill

- **Luck vs. skill**
- **Likelihood of success**
- **Alpha expectations**
- **Performance**
 - Absolute
 - Relative
 - Peer comparison
 - Public market equivalent

Manager's edge?

Identify the investment edge of a strategy.
Is it sustainable?

- **People & resources**
- **Investment philosophy, strategy & process**

Are incentives aligned?

GP/LP Alignment
Manager/Client Alignment

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

INVESTMENT FRAMEWORK EXAMPLE

Investment Rating	2	
Analyst Opinion (30.0%)	2	Analyst opinion based on data and experience
Firm/Organization (12.5%)	2	
Ownership	2	Independent, outside ownership
Culture	2	Integrity, cohesiveness, inclusiveness
Business Strategy	3	Fund size growth, competing pools of capital
Organizational Stability	3	Going concern risk, succession plan
Firm Reputation	1	Headline risk, reference, governance
People & Resources (12.5%)	1	
Team Structure	1	Decision makers, focus, resources
Compensation	2	Team incentives
Turnover	3	Departures vs. Additions
Investment Strategy & Process (22.5%)	2	
Investment Philosophy & Edge	2	Define investment edge and whether its sustainable
Investment Underwriting Process	2	Deal sourcing, lifecycle of investment, value creation
Portfolio Construction	3	Specific questions by strategy type
Risk Management	2	Fund composition, leverage, background check, ODD
Product & Pricing	2	Fees/carry, key person
Performance (22.5%)	3	Luck vs. Skill, Breakeven information ratio, factor attribution

MANAGER RATING & STATUS

INVESTMENT RATING

1	NEPC's Investment Strategy Team 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's Investment Strategy Team 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's Investment Strategy Team 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's Investment Strategy Team to a 2 rating rather than a 1 rating.
3	NEPC's Investment Strategy Team has a constructive view of the strategy and believes the strategy can play an appropriate role in certain clients 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's Investment Strategy Team 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.

DUE DILIGENCE STATUS

Watch	Issues have surfaced which may or may not undermine the long-term viability of the firm/strategy but are not considered serious in the near-term. Close monitoring is appropriate until issues are resolved.
Hold	Serious issues surfaced which bring into the question the viability of the firm/strategy . Further investigation is appropriate. A firm/strategy with a Hold status cannot participate in searches unless a client specifically requests.
Client Review	Very serious issues have surfaced with the firm/strategy. Issues may be significant enough to violate the original investment thesis. Clients are advised to formally review the relationship. A firm/strategy with a Client Review status cannot participate in searches unless a client specifically requests. A 48-Hour Letter will be distributed to clients with exposure.
Terminate	NEPC has lost confidence in the firm/strategy and recommend that clients terminate their relationship with the firm/strategy. A firm/strategy with a Terminate status cannot participate in searches unless a client specifically requests. A 48-Hour Letter will be distributed to clients with exposure.



Source: NEPC

INVESTMENT MANAGER SEARCHES AND ACTIVITY



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SEARCHES & REVIEWS CONDUCTED IN 2024

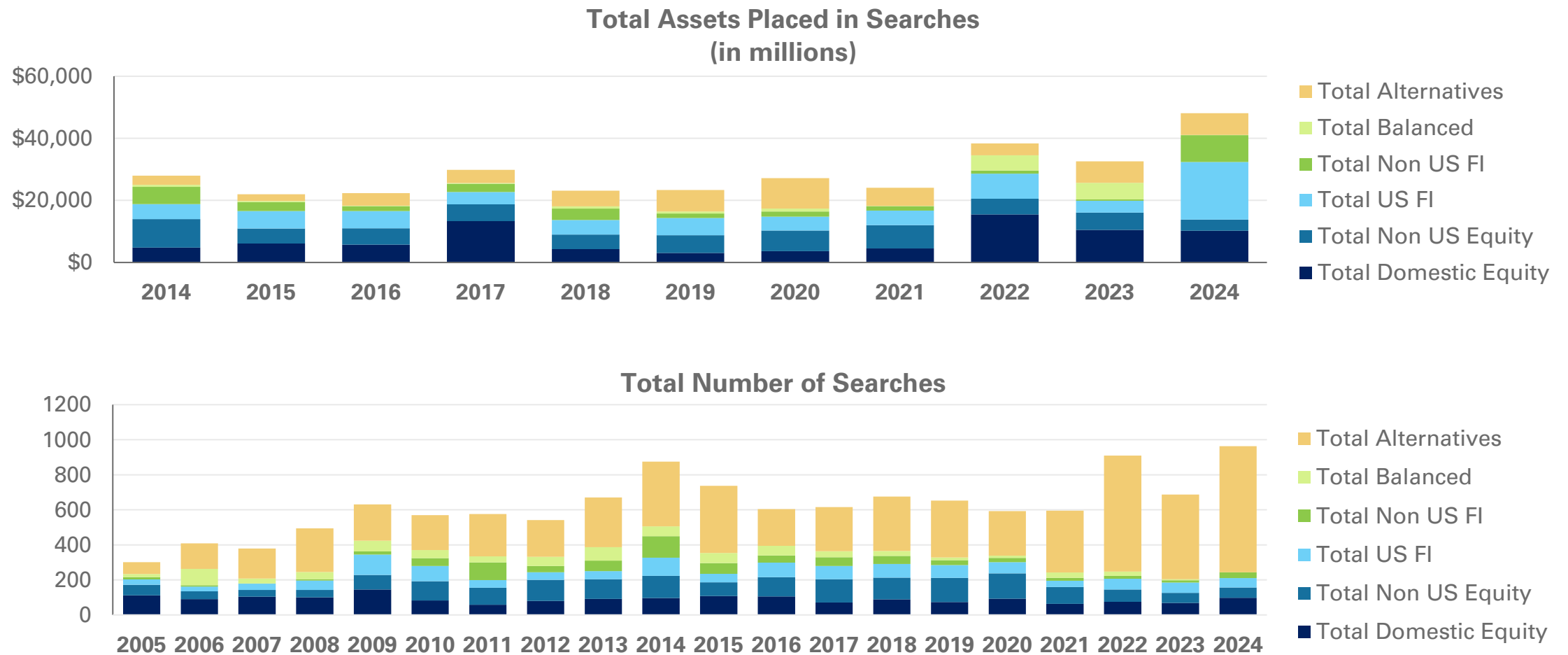
Searches & Reviews by Asset Class

Large Cap Equity	26
Small/Mid Cap & Mid Cap Equity	34
Small Cap Equity & Micro Cap Equity	15
All Cap Equity (includes MLPs)	9
Int'l Equity/Global Equity/Emerging Equity	59
Passive	2
Fixed Income	53
High Yield Bonds	12
Global Bonds/Emerging Market Debt	33
GAA/TAA (includes Risk Parity & LifeCycle)	1
Hedge Funds	35
Real Estate	42
Real Assets	39
Private Equity (includes Private Debt)	603
Liquid Alt Beta	0

**Total Searches and Reviews:
963**

**Total Search Assets:
\$48 Billion**

HISTORICAL SEARCH ACTIVITY



Source: CRM Research Requests and Hired Products Placed by NEPC as of 12/31/2024. Total Assets are total size of mandates for Public Market manager searches, and commitment amount/asset value for Private Market portfolio reviews.



KEY INITIATIVES

Supporting NEPC's
Operational
Transformation



KEY INITIATIVES

SUPPORTING OUR OPERATIONAL TRANSFORMATION



Investment in Backstop as Our Research Library and Tool

- 2024 implementation of Backstop as hub for investment and client data
- Greater efficiency across our investment group and new ability to produce research deliverables at scale

Backstop is our centralized database but its power comes from the data we give it:

NEPC Research
Insights

Manager Materials

eVestment

DiligenceVault DDQs

NEPC'S ODD TEAM



**Kevin
Lau-Hansen**

Principal, Head of ODD

- Joined in 2014 and rejoined in 2023
- 14 years of industry experience



**Charlie
Tilden**

Investment Director, ODD

- Joined NEPC in 2022
- 6 years of industry experience



**Eric
Breusch**

Investment Director, ODD

- Joined NEPC in 2025
- 19 years of industry experience



**Brenna
McGeady**

Sr. Investment Analyst,
ODD

- Joined NEPC in 2023
- 3 years of industry experience

INITIAL ODD PROCESS

**Hedge Funds and Private Markets Funds Go Through This Process;
Should Take Approximately 4-8 Weeks**



Document Review

- Offering Docs (LPA/PPM)
- DDQ & Investor Presentation
- Audited Financial Statements
- Valuation Policy
- Compliance Policy
- Form ADV
- Business Continuity Plan/Disaster Recovery Plan



Onsite Visit

- Meet with top executives at the managers including
 - COO
 - CFO
 - CCO
 - CTO



"Trust But Verify"

- Verify relationships and confirm assets held or accounted for by
 - Administrator
 - Prime Brokers
- Run background checks on key individuals at manager



Final Recommendation

- Write detailed memo with positives and negatives
- Recommend an ODD Rating of A, B, C, or F

ONGOING MONITORING

Designed to Identify Material Changes Affecting Managers and Strategies

**Initial
ODD**

Annual Updates & ODD Survey

**Revisit every
3 years**

- Annual ODD update calls held with FPL hedge fund managers plus review of any updated key documents, audited financial statements, and Form ADV
- ODD questions included in Annual DDQ sent to hedge fund and private markets strategies to which NEPC clients have exposure
 - Strives to identify material changes clients should know about including
 - Ownership changes
 - Personnel turnover
 - Litigation or regulatory action
 - Dramatic changes in assets
 - Service provider changes
- Revisits include all steps detailed in the initial ODD process

ODD RATINGS

Rating	Description
A	Operationally Acceptable: No material operational issues that would prevent NEPC from recommending the strategy to any type of client.
B	Operationally acceptable; may not be suitable for all clients: Suitable for clients that are willing to assume a moderate level of operational risk.
C	Suitable only for clients with a higher risk tolerance and acceptance of stated risks: The firm/strategy has operational issues requiring client attention before investment.
F	Operationally Deficient: The firm/strategy is not operationally acceptable and cannot be recommended for inclusion in client portfolios; clients with exposure may be recommended to terminate.

KEY INITIATIVES

NEW REGULATORY DEVELOPMENTS

▪ **Outbound Investment Rule**

- NEPC has created a questionnaire in DiligenceVault and has been sending it to managers as we review them as part of new fund reviews
- Need certifications from managers that they will comply with the rule in order to move forward with recommending a fund to our clients
- Recent decision to expand to any manager that has or can have private investments in their portfolio, so more managers will receive it in phases

NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

This memo should not be considered customized investment advice. Please contact NEPC for advice specific to your investment program.

The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

These materials were prepared by NEPC, LLC, an affiliate of Hightower Advisors, LLC. 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.

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

