

MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: February 6, 2023

Subject: NAIC Institutional Investor Roadshow hosted by New York University

On January 26, 2023, NAIC held its first NAIC Institutional Investor Roadshow of the year hosted by the Investment Office of New York University ("NYU"). The roadshow was NAIC's first with the endowment plan.

New York University

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The 38 NAIC member firms and their respective representatives selected to participate in the event included: **Advaita Capital**, Gayatri Sarkar and Brandon Celestin; **AIN Ventures**, Sherman Williams; **Albor Ventures**, Charlie Booth; **Ardinall**, Maria Jelescu; **Argand Partners**, Kay Blackwell; **Arkview Capital**, Joon Chang; **Asland Capital Partners**, James Simmons; **Auldbress Partners**, Maude Delice; **Author Capital Partners**, Duane Jackson and Nick Brand; **BharCap Partners**, Ethan Wang and Jim Rutherford; **Black Operator Ventures**, James Norman; **Brasa Capital**, Eric Samek and Alex De Almeida; **Brightwood Capital Advisors**, Sengal Selassie; **Chicago River Capital**, Christopher Melvin and Robert Melvin; **Clearlake Capital**, Marcelia Freeman; **DigitalDx Ventures**, Melody Po and Michele Colucci; **Dux Capital**, Jose Luis Silva; **Dynasty Equity**, Carolyn Prioleau; **East Chop Capital**, Carrington Carter, Calvin Butts, and Leonard Allen-Smith; **Elizabeth Park Capital Management**, Craig Cimoroni; **GenNx360 Capital Partners**, Daphne Dufresne and Carmen Rojas; **GPI Capital**, Philip Lo; **Heard Capital**, Priya Kaftan; **Include Ventures**, Keith Spears and Tina Hahn; **Kah Capital Management**, Adama Kah and Donna Sims Wilson; **L2 Point**, Danielle Beyer and Kerstin Dittmar; **Leeds Illuminate**, Susan Cates and Kara McCrossan; **Nile**

Capital Group, Stephanie Neruda; **PAAMCO Prisma**, Jonathan Rin; **Recast Capital**, Sara Zulkosky; **Standard Real Estate Investments**, Lindsay Louie; **Tola Capital**, Tashi Schmidt; **Trident**, Eric Taylor and Ragini Chawla; **True Equity Growth**, Dehdan Miller; **Tuatara Capital**, Al Foreman; **Ulu Ventures**, Kathy Chen; **Visionario Venture Capital**, Keith Levy; and **WM Partners**, Vanessa Gabela and Anibal Montes.

Bob Greene, NAIC's President & CEO, began the meeting sharing his excitement to reconvene for the first NAIC Institutional Roadshow of the New Year. He said he was delighted to bring everyone back together and to be joined by the full team from NYU's endowment. Greene shared his appreciation for Kathleen Jacobs, Chief Investment Officer of the NYU Investment Office, for her engagement and support. He added he was happy to be able to introduce the endowment's investment team to NAIC member firms.

Greene then thanked the Fruition Media team, led by Diana McCaskill and including Kristen Emery and Chris Maeoka, for their efforts related to the organization and production of the roadshow. He then thanked Carmen Ortiz-McGhee, Chief Operating Officer; Marissa Mahoney, Director of Partnerships and Alliances; Kristen Perlman, Director of Marketing and Communications; Dawn Simmons, Member Services Coordinator; Alan Hughes, Chief Content Officer; and Nia White, Advisor, Capital Access.

Greene continued that the NAIC Institutional Investor Roadshow has been taking place for nearly 10 years and that he was happy it has been so successful. Greene said that NAIC members have raised over \$21 billion via relationships that have developed through the roadshow engagements. He shared his aspiration the number would continue to increase over time and then handed the floor to Kathleen Jacobs.

Jacobs shared she was very pleased to participate after a long period of planning and preparation. She thanked the NAIC team and members for making themselves available and shared she was looking forward to meeting managers individually. Jacobs told the group she has been the Chief Investment Officer of the NYU Investment Office for seven years. She said she was joined by the entire investment team, who would introduce themselves later during the general session.

Jacobs provided a brief overview of the endowment. She said her investment team manages \$5.5 billion in assets across the endowment, primarily, and the School of Law. Jacobs said both portfolios follow the same investment and due diligences processes and invest *pari passu*. She stated the endowment's investment strategies and manager-selection processes are based on a belief that diversity of perspectives and backgrounds leads to better decisions. Jacobs said the endowment does not have a diverse manager mandate but that the importance of diversity is taken very seriously.

Jacobs then described NYU's DEI efforts. She said over \$2 billion of the portfolio (57%) is actively managed capital invested with managers that are partially or wholly-owned by women or diverse professionals. Jacobs continued that 23% of the capital is managed by firms that are over 50% diverse-owned, 84% of the managers have women or minorities in senior investment roles, and 95% have women or minorities in non-senior investment roles. Jacobs described how NYU requests information and reviews managers on the basis of the diversity of their firms and teams, sharing the response levels have varied while transparency and reporting have been improving. She said trends have been "on the upswing" and that she was excited to have introductions to each of the NAIC member firms.

Jacobs continued to discuss manager sourcing and selection. She said there are specific criteria the investment team follows. Jacobs said the team typically spends multiple years getting to managers. She

said the NYU endowment portfolio ranks in the 95th percentile for manager concentration. She asked the managers the NYU team would be meeting with to think about the session as a starting point, noting the team typically needs firms to have three-year track record and at least \$500 million in assets to make a commitment. Jacobs continued that NYU cannot be more than 10% of a fund's assets and said the minimum check size is approximately \$50 million. She closed saying that her team could be helpful with introductions to other investors, providing their perspectives and feedback, and other ways.

Greene then asked the team to introduce themselves and their asset classes. Paul Cotter, Director of Investments, introduced himself. He said he had been with the NYU Investment Office for 10 years. He described how he has covered different asset classes during his tenure and currently leads public equity and works on private equity—from venture capital and growth equity to buy-outs. Adri Chaikin, Managing Director, shared it was her first week as part of the NYU Investment Office team and how she will primarily cover hedge funds but will also work on real estate and real assets. Todd Elfman, Associate Director of Investments, said he has been at NYU for over five years. He shared his main areas of focus are real estate, real assets, private equity, and private credit. Cynthia Nascimento introduced herself and spoke about her coverage of private equity, private credit, and public equities. Adam Kobor, Managing Director of Investments, said he has been with NYU for seven years and covers strategic asset allocations, risk management, fixed income, and credit strategies. Parth Patel, Investment Analyst, shared that he joined the endowment during August 2022 and covers hedge funds, fixed income, and strategic asset allocation.

Greene thanked the entire team for their participation and began the NAIC Market Overview. He explained how one of the key goals of the NAIC Institutional Investor Roadshow series is to provide insight and education that might not be as apparent to most market participants. Greene shared how the diverse manager marketplace has not been well covered, and that he hoped the presentation would show how diverse managers have delivered extraordinary and consistent performance.

Greene described how NAIC is an organization that is over 50 years old and has 185 members managing over \$335 billion in alternative assets. He shared how NAIC provides education, advocacy, and industry events to increase the flow of capital to diverse managers, defined as ethnic minorities and/or women investing across the alternative asset class. Greene spoke about how NAIC members invest across a broad spectrum of industries, including healthcare, real state, software, retail, and many others. He said NAIC members have invested in over 3,100 portfolio companies globally, generated \$177 billion in 2021 revenue, and employ 2.2 million people worldwide.

Greene spoke about common misconceptions about the diverse manager space, including the belief that investing with diverse managers is “niche investing” or riskier. He described how many NAIC members have over 10 and 20 years of investment experience prior to launching their own firms. Greene said, “emerging managers are not new investors...they all have significant experience and have taken bets on themselves.” He then spoke about the significant number of deals NAIC members execute on a weekly basis, dispelling myths about the low volume of diverse manager deal activity.

Greene then covered NAIC's membership by asset classes. He said the largest category of membership continues to be within the buyout space. Greene then described how growth and expansion and venture capital have been the two fastest growing categories of membership and are the two segments most closely aligned with closing the wealth gap. He briefly touched on each of the other membership categories, noting the growth in hedge fund membership from zero to approximately 15 hedge funds

over the last seven years, the rapid expansion of the real estate category, and the addition of high-quality firms across other areas, including investment management.

Greene spoke about the numerous member firms with billions of dollars under management, previously described as “emerging managers” as they were spinning out of the best-known firms. He shared examples of NAIC members gaining experience at some of the most widely known firms, such as The Carlyle Group, Goldman Sachs, and Credit Suisse, and moving on to lead firms with top-quartile performance and names like “Stellex, Sycamore Partners, One Rock, and Siris.” Greene elaborated on the connection between Carlyle and Stellex, noting that Ray Whiteman, Co-Founder of Stellex, was the first African-American partner at The Carlyle Group, and left Carlyle to start his own firm and continue upon the strategy he built there. Greene noted, “though Stellex is younger, they have more experience than the group they left.” He acknowledged Jacob’s point that this roadshow is “the starting point,” and reiterated the importance of understanding the track record of each of the managers participating in the roadshow.

Greene then covered the research studies, which have documented the outperformance of diverse managers. He spoke about the NAIC performance study, *Examining the Returns*, which is produced biennially in collaboration with KPMG and several fund of funds in the space and reported NAIC member firms produced higher net IRRs than the Burgiss median quartile in 76.5 percent of the vintage years studied since 1998. Greene said *Examining the Returns* is the only analysis of cash-on-cash returns within the diverse manager space. Greene also discussed the research Harvard Business School professor Josh Lerner has produced, which documents the outperformance of diverse managers from the private equity, hedge fund, and real estate categories and covers the strong performance of women-owned alternatives firms. Greene highlighted how the research supports that one could expect a diverse manager program with effective manager selection to outperform the overall market.

Greene then spoke about the high volume of NAIC member deal activity. He shared how NAIC member firms are making news on a nearly daily basis, entering and exiting deals, and closing funds. Greene highlighted how two diverse managers, Avance and RECOGNIZE, made news closing billion-dollar first-time funds. He added, “This is not about social investing. Diverse managers are not the ‘S’ in ESG. To Kathleen’s earlier points, it is more of the ‘G’ and just good governance to embrace diversity.”

Greene moved on to cover the testimonials from Johara Farhadieh, CIO of Illinois State Board of Investments (ISBI); Michael Trotsky, CIO of Massachusetts Pension Reserves Investment Management (MassPRIM), and Jarvis Hollingsworth, the Chairman of Texas Teachers. Greene spoke about how Mass PRIM allocated \$400 million to diverse managers in 2022 under Trotsky’s leadership. He added that Farhadieh has led ISBI to become “an incubator for diverse managers, where significant alpha has been generated,” and Hollingsworth has chaired the TRS plan twice and been a market leader in diverse manager commitments. Greene said, “don’t take our word, look at what peers and others, including other endowments, have said about diverse manager performance.”

Greene spoke about the significant level of oversubscription across recent diverse-led fund offerings. He described how each tile on the chart represents a diverse manager’s journey to raise a certain amount of funds, efforts to market the fund based on the team, track record, and strategy, and success in closing a fund in excess of their fund target. Greene stated 37 diverse-owned firms have raised 64 oversubscribed funds since 2015. He noted the oversubscription has occurred across asset classes, noting Brasa in real estate, Nexphase and Valor in growth equity, and Brightwood in private credit.

Greene then covered NAIC's three primary areas of focus: (1) increasing access to capital, (2) delivering market education, and (3) addressing key industry challenges. He discussed the NAIC Institutional Investor Roadshows, which have increased the access diverse managers have to manage capital for almost a decade. Greene explained how NAIC delivers market education via IntelligentNAIC, which makes factoids available making the case for the outperformance of diverse managers; the NAIC performance studies; and the video offerings, including NAIC's *Perspectives*, 60- to 90-second videos, and *Insights*, a longer format interview series.

Greene then covered the third area of focus for NAIC to address industry challenges. He shared how NAIC is extremely focused on two areas: (1) helping experienced investors launch their firms and (2) the advancement of women in alternatives. Greene described NextGen (the Next Generation of Private Equity Firms) in more detail, which has evolved from an in-person symposium held on one day to a nine-week symposium. He added that the 2023 NextGen would begin the following week and end with an in-person closing session at Goldman Sachs. Greene then discussed NAIC's goal to increase the number of women succeeding in the alternatives space via its Women in Alternatives initiative led by NAIC's COO, Carmen Ortiz-McGhee. He described how the initiative—*In, Up, and Beyond*—aims to help women enter the alternatives industry, advance during their careers, and move beyond their firms as experienced alternative investment professionals. Greene spoke about the "Beyond" part of the Women in Alternatives initiative to support female investment professionals in the creation of their own firms, noting it should help women create firms and hire more people who look like them.

Greene then highlighted the map of the U.S. depicting the states where NAIC has held Institutional Investor Roadshows since 2014. He said NAIC has met with 160 capital allocators managing, collectively, over \$13 trillion dollars across 22 states. Greene said while there has been limited exposure to certain parts of the country, he believes "groups that have taken the time to do the work and meet the managers have realized the benefits of their efforts."

Greene then summarized the NAIC presentation:

- NAIC member firms offer a wide range of private equity and hedge fund strategies.
- The marketplace is recognizing that emerging managers are experienced investors.
- Several emerging and diverse managers, including NAIC members, are outperforming their larger, better-known peers.
- Some of the top-performing and most oversubscribed funds are those of diverse managers.
- Many sophisticated institutional investors are expanding their allocations toward high-performing emerging and diverse managers.

Greene said he appreciates NYU's acceptance of the opportunity to collaborate today and then invited questions. Jose Luis Silva from Dux Capital said his firm invests in early-stage venture capital and is based in Austin. He thanked NAIC and NYU for organizing the event and asked the NYU Investment Office to comment on their point of view on the current macro environment and how it impacts their strategy going forward. Kathleen Jacobs said she is personally pessimistic over the six to nine months. She continued that the investment strategy is based on a long-term view (over ten years). Jacobs added that the team wants to stay close to the strategic market allocation during periods of turmoil. She described the team's commitment to consistently invest in private markets in accordance with its pacing plans, but said the endowment is at its equity allocation and has moderated views on near-term returns. Jacobs added, "you have a couple of years to put capital to work, so it could be a good buying opportunity though the short term is negative." She provided a final comment regarding an asset allocation strategy to move from short duration to extending duration.

Greene asked Jacobs to discuss NYU's journey towards investing in funds led by diverse managers. He asked how the Investment Office is approaching the marketplace. Jacobs responded, "It is not this big strategy, it is how we think and live." She said her team has a mandate to deliver the best returns on a risk-adjusted basis, has always tried to think and act broad in sourcing, and is excited to meet managers they don't know. Jacobs shared their baseline premise—"if you all look the same, can you really debate an idea effectively?", and described the diversity of the NYU Investment Office. Jacobs said, "You are making the sourcing more efficient for us, so we are excited for this."

Cynthia Nascimento, Managing Director of Investments, asked the next couple of questions. She asked what the process entails to become an NAIC member. She then asked how NAIC identifies potential members, whether the requests are in-bound and/or word of mouth. Greene described how NAIC is a member-firm organization. He said that interested members are typically firms with funds already under management. Greene described how the NAIC team reviews each manager's portfolio, and for newer firms, the team checks references. He described how the references typically include fund of funds and former colleagues, including reference calls with other members. Greene said that membership dues are also "a check regarding a manager's level of seriousness." He continued, "we don't really recruit, but we get a lot of inbounds," and added, "NAIC regularly turns down applicants, who are not serious about raising funds."

Greene then asked the NYU team how they think about opportunities in real estate and whether there were any particular strategies the team found to be most interesting. Todd Elfman said the real estate asset class has been leveraged to provide diversification, returns, income collection, and inflation protection. He added the team invests across the real estate asset classes. He said that in recent times, there has been greater interest in multi-family and industrial opportunities. Jacobs offered another way to view the real estate strategy, sharing it tends to be value-added. She said leverage is "scarier in core, and we tend not to do retail or operating businesses like hotels."

Jim Simmons, Asland Capital Partners, introduced himself and his firm, describing it as real estate value-added. He commented on Jacobs' earlier remarks regarding the requirement for a three-year track record and asked if a new manager needs a three-year track record or whether a manager's prior track record is considered. Jacobs responded that a prior track record makes a difference. She stated, "the hurdle is not the investment piece of it; it is the business risk of starting a firm and building a team." Jacobs continued, "newer firms tend to go through two rounds of evolution, and we need to see institutional operational capabilities." She concluded her remarks with the three pillars of NYU's due diligence process: (1) manager due diligence, (2) operational due diligence, which she said is managed by a separate group outside the investment team, and (3) legal due diligence, emphasizing "track record does matter."

Greene then asked Kristen Emery of Fruition Media to provide housekeeping instructions and next steps for the one-on-one meetings. Greene said he wanted to thank Kathleen Jacobs and her team once again for being so generous with their time. Jacobs responded she was "thrilled to be here" and was amazed by what NAIC had achieved. Emery then provided instructions for the 15-minute meetings with 5-minute rotational periods and wished everyone fruitful meetings. Greene reiterated the importance of timeliness for each of the meetings, thanked Emery for the guidance, and thanked everyone for their attention during the session.