



MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: November 19, 2020

Subject: NAIC Institutional Investor Virtual Roadshow with Global Endowment Management

On Wednesday, November 11, 2020, NAIC held its fifth Institutional Investor Roadshow of the year hosted by Global Endowment Management (GEM). GEM is a full-service outsourced investment office with \$11 billion in assets under management, which provides access to investment managers worldwide within portfolios designed to enable its clients to fulfill their missions. GEM's client investors include national and international charitable foundations, universities and secondary schools, research institutions and nonpartisan policy organizations. Eighteen NAIC members were invited to join GEM for the roadshow session and private, one-on-one meetings, according to GEM's investment criteria. The roadshow participants and relevant contacts, with email addresses, are included below:

Global Endowment Management

Jay Ripley, Partner – jripley@globalendowment.com

Caroline Dallas, Associate Director, Private Investment Sourcing – cdallas@globalendowment.com

Torrey Feimster, Director of Diversity, Equity & Inclusion (DEI) Advocacy –
tfeimster@globalendowment.com

Clark Goff, Analyst – cgoft@globalendowment.com

Meredith Heimbarger, Principal, Director of Impact – mheimbarger@globalendowment.com

Pedro Henriques da Silva, Analyst – phdasilva@globalendowment.com

Eric Leibrandt, Associate – eleibrandt@globalendowment.com

NAIC Leadership & Staff

Robert L. Greene, President & CEO – rgreene@naicpe.com

Carmen Ortiz-McGhee, Executive Vice President – com@naicpe.com

Alan Hughes, Chief Content Officer – ahughes@naicpe.com

David Smith, Programs & Initiatives Manager – dsmith@naicpe.com

Nia White, Senior Advisor – ngandy@naicpe.com

The 18 NAIC participating member firms and representatives included: **Argand Partners**, Kay Blackwell; **Astra Capital Management**, Nia White; **Avenue Growth Partners**, Ryan Russell; **Brasa Capital**, Alexis Lewis; **Brickell Opportunity Partners**, John Hall; **DPI**, Joanne Yoo; **Dynamk Capital**, Daniella Kranjac; **GenNx 360**, Daphne Dufresne; **Jumpstart Eclipse**, Marcus Whitney; **KAH Capital Management**, Donna Sims Wilson; **Lumos Capital Group**, James Tieng; **Madryn Asset Management**, Avi Amin; **Nile Capital Group**, Stephanie Neruda; **NOEMIS Ventures**, Simeon Iheagwam; **Pharos Capital Group**, Adam Persiani; **ROCA Partners**, Ravi Sarin; **Sango Private Equity**, Vince Williams; and **WM Partners**, Vanessa Gabela.

Bob Greene, NAIC's President and CEO, began the meeting, introducing himself and welcoming everyone to the NAIC Institutional Roadshow hosted by Global Endowment Management (GEM). He said he was delighted to introduce Global Endowment Management (GEM), which is the first capital

allocator/ LP to become a member of NAIC. He thanked the GEM team for pursuing an NAIC membership and “leveraging a very comprehensive strategy to work with the NAIC team to get to know diverse managers better.” Greene described how the format for the roadshow with GEM had been customized to allow for in-depth interaction between GEM and each of the participating NAIC members. Greene then walked through the full agenda and thanked Jay Ripley and the GEM team for hosting the event.

Jay Ripley, Partner of GEM, then welcomed all of the participants to the roadshow meeting. He said how much he appreciated GEM’s partnership with NAIC and the critical role the organization plays within the investment management ecosystem. Ripley described GEM as an outsourced CIO, serving as the investment office for 40 underlying small and mid-sized endowment and foundation clients for whom GEM manages a total \$11 billion in assets. Ripley described how GEM is a fully discretionary investment manager, whereby its clients turn over their full endowments to GEM to access a range of investment services. He said the portfolio is almost entirely managed by external investment managers. Ripley then described GEM’s history. GEM was founded in 2007 by Thruston Morton, who previously served as CEO and CIO of the Duke University Management Company (“DUMAC”) from 2000-2007, and Hugh Wrigley, who previously served as Head of the Private Investments Group at DUMAC.

Ripley shared that GEM is currently comprised of a team of over sixty people, with roughly one-third of the staff on the investment team. The Private Investment team is global and operates across asset classes, including the full range of Private Equity, Real Estate, and certain investments in Commodities. Each year, he said, the GEM team identifies Areas of Interest (“AOI’s”) where the team intends to spend their time. He said it was their goal to identify strategies, which intersect with their AOI’s, and he said was looking forward to learning more about the participating NAIC members. Ripley thanked everyone for joining, adding that he was grateful to be the first outsourced CIO to partner with NAIC.

Bob Greene thanked Jay Ripley and the GEM team for hosting the fifth NAIC Institutional roadshow of 2020. He also thanked the NAIC team for coordinating the roadshow and members’ participation. Greene emphasized his desire for the roadshow to be an informative and engaging experience. He said he was looking forward to providing an overview of the diverse manager universe, highlighting key successes and evidence of consistent diverse manager outperformance. He said this roadshow would feature a slightly different format, whereby the GEM investment team would provide in-depth insights regarding their investment process, and NAIC members would wait to introduce themselves until the private, one-one-one meetings with the GEM leadership and investment team.

Greene continued on to provide an overview of NAIC. He covered the organization’s rich fifty-year history. He mentioned how NAIC was founded in 1971 “during a similar time of crisis in the country,” following the establishment of the Office of Minority Business Enterprise by President Richard M. Nixon, which later became the Minority Business Development Agency (MBDA). Greene shared how both the Nixon administration and MBDA sought to create ownership structures for communities of color.

Greene noted that today “capital is flowing” through many NAIC member firms, several of whom have established track records, operate multi-billion-dollar firms, and have raised successive oversubscribed funds. However, he said, “we don’t believe it is flowing fast enough.” Greene described NAIC’s membership and how majority of members invest across a broad spectrum of private equity. Greene mentioned members focused on other areas of alternatives, such as Credit, Hedge, and Real estate, whose firms have become more significant as a proportion of NAIC’s total membership in recent years.

He went on to share a few statistics regarding NAIC members and their portfolio companies in the aggregate: first, NAIC members are currently invested across a broad spectrum of industries in 717 portfolio companies, and second, those portfolio companies generate over \$58 billion in annual revenues and employ a workforce of over 600,000, including 37,000 in North Carolina.

Greene shared what he believes many institutions do not fully accept—that performance is not compromised when investing with diverse managers. He noted the strong connection that exists between diverse managers and diverse entrepreneurs and said that some diverse-owned firms are able to tap into networks that others might not have. Emerging, Greene said, for diverse managers should not imply inexperienced. In fact, he demonstrated how most diverse-led firms have established track records and gained mega-firm experience at much larger firms and then moved on to create their own firms, “giving the emerging marketplace its vibrancy—it is comprised of people who bet on themselves.” While many U.S. public pensions have backed diverse managers, Greene commented on the fact that many other institutions have not.

Greene then discussed the recent research supporting the outperformance of diverse managers, including the 2019 *Examining the Returns* study, in which NAIC members outperformed the majority of U.S. Private Equity funds on a median and top quartile basis. The second study he mentioned was the 2020 *Diversifying Investments* study led by Harvard Business School professor Josh Lerner, which found that diverse alternatives managers perform as well as or better than their majority counterparts. The study, he highlighted, also presented notable data on women-led fund performance, noting the number of women-owned firms among the top performers. Greene stated that the “the studies, in aggregate, support that across asset classes, you can expect to see diverse managers represented among the top-performing funds.”

Greene continued that it is a “really good time for considering investment with diverse managers.” He highlighted the number of oversubscribed funds led by diverse managers over the last several years, 33 since 2014. Greene said that while Clearlake Capital and Vista Equity Partners are notable NAIC members who have achieved great success, “there are many NAIC members and diverse-owned firms who raise oversubscribed funds and tend to do it over and over again, proving how prolific the marketplace is today.”

Greene went on to describe NAIC’s activities over the last seven years. He covered the three tenets of NAIC’s initiatives in support of diverse managers: (1) increasing access to capital, (2) delivering market education, and (3) addressing industry challenges. Greene mentioned that NAIC’s advocacy of women-led funds has become a significant component of recent efforts to address industry challenges. He also highlighted the five NAIC MBA fellows, a record high this year, who were participating in the roadshow event.

Before turning the floor to the GEM investment team, Greene reflected on the very first NAIC Institutional roadshow with New York City Retirement Systems in 2012. He stated that since then, NAIC and its members have engaged with 96 capital allocators across 18 states with over \$13 trillion in capital under management. Greene emphasized how NAIC’s members’ performance over its peers speaks for itself and should lead institutional investors to want to access top-performing diverse managers’ funds.

Caroline Dallas, Associate Director and head of Private Investment Sourcing for GEM, then discussed the organization’s sourcing process. She began by thanking NAIC and Bob Greene. Dallas then described her

role leading private sourcing and origination with Jay Ripley to “uncover the best fund and co-investment ideas” and GEM’s dedicated sourcing function, which she said they believe is unique. Dallas remarked on what she has been reading recently about asset managers having \$4 trillion more of AUM this year and being under-allocated by what some estimate to be over \$500 billion to set the stage regarding the significant amount of dry powder in the market.

Dallas shared how she and her colleagues speak with GPs and LPs to find new opportunities. She said the dedicated sourcing function was developed because the GEM team felt it was important to have some professionals focused solely on the identification of new managers. Dallas said GEM sees approximately 1,500 private investment opportunities and only invests in 40 or so annually, which is inclusive of re-ups and co-invests. She said they arrive at 40 investments from 1,500 via their Areas of Interest (or “AOI’s”), which Ripley introduced earlier.

GEM’s current AOI’s include turnarounds and carve-outs in Special Situations and data infrastructure, including data centers, small cells or fiber infrastructure, in Real Assets. Across private equity, venture capital, and private credit, Dallas said the GEM team usually has 10 or so AOI’s. Some AOI’s, like those she shared in Special Situations and Real Assets, may remain on the list for several months or longer. Dallas said the team does a lot of “scraping”. For example, the team might pull information on every corporate carve-out completed over the last year and make sure they know each manager leading those deals. The sourcing team also tracks spin-outs. In addition to its GPs and LP peers, the team also leverages the wider specialist buyout ecosystem to find experienced investors.

Dallas described how the GEM team meets managers by attending conferences and speaking on panels like the NAIC virtual roadshow today. She said they also foster relationships with myriad referral sources, such as placement agents, like-minded investors, and trusted friends. Dallas said the GEM team, and hence, its network is growing. While their team receives a lot of active inbound, Dallas said they focus on what they “like in the space and then find who is the best” and “think about what will work and what won’t.” To exemplify, she mentioned a manager GEM recently committed to in Real Estate within the manufacturing housing sector. She said they selected the manager after reviewing a longer list of managers within that segment, because they liked the manager’s differentiated strategy of acquiring broken manufacturing housing portfolios and how they planned to improve them.

Dallas also thought it would be helpful to highlight what they believe to be red flags when reviewing managers. First, she touched on ballooning asset growth, e.g. a manager raises a \$50 million Fund I, and then sets out to raise a \$500M Fund II. Second, they are concerned with potential strategy drift. Finally, GEM is not fond of multi-product funds, or said otherwise, “huge asset managers with a ton of strategies and programs or people who look like us.” Dallas reiterated their desire to work with subject-matter experts.

The sourcing discussion continued with an overview of the GEM investment process. Dallas described the process as straightforward. She said the GEM team gets to know the managers, understands what they call their “deal box”, and assesses their relevant experience and pipelines, when applicable. They

also need to “peek behind the curtain to get comfortable with the fund’s size and portfolio construction, value creation levers, why their approach is unique, and how they stack up to others in the GEM portfolio.” Dallas said their investment team wants to be excited about every new manager in the same way they are about their existing GPs. Other components of the later-stage manager due diligence

include off-sheet references, operational due diligence, and legal review and documentation. Dallas shared that GEM's check sizes per fund are strategy-dependent, ranging from a few million dollars for small funds to \$25-50 million for larger funds. Dallas said she would be happy to speak further about GEM's sourcing process offline.

Greene thanked Caroline Dallas for the guidance she provided and opened the floor to questions. Joanne Yoo, DPI, thanked Dallas for her "robust explanation," adding that GEM's sourcing process seems both formal and informal. Yoo asked Dallas whether she feels like GEM has missed opportunities or is currently missing opportunities. Dallas responded that while her team tries to make sure they cover as much as they can, she is sure there are some missed opportunities. Dallas said her team leverages connection points between strategies to meet new firms and that they are planning to hire more investment staff to increase the diversity of "backgrounds, networks and perspectives." She noted that women currently represent the majority of the investment team and that the senior leadership team is very focused on diversity and inclusion.

Bob Greene then asked a question: what GEM believes endowments are looking for versus what public pension plans seek. Dallas shared her belief that endowments have higher risk-return thresholds. She noted that some pension plans have specific boxes to check with respect to the amounts they have to put out each year, where endowments can be more creative to access smaller opportunities. Dallas said it is for that reason that her advice is for GPs to "know your audience".

Greene said he was pleased to see the announcement by Yale University that its endowment is seeking more diversity and is encouraging and promoting more diversity. He asked what the GEM team is seeing from their client base regarding an interest in adding more diverse managers to their portfolios. Dallas described how GEM has been doing work to seek more diversity for five or six years. She explained how Meredith Heimburger, Principal and Director of Impact, has led GEM's impact and diversity work and Torrey Feimster was promoted to the role of Director of DEI Advocacy to lead GEM's firmwide diversity initiatives. Dallas described how the diversity initiatives Feimster now leads range from manager sourcing to recruiting to internal training and initiatives. She also said clients are increasingly inquiring regarding the diversity of GEM's staff and portfolios.

Dallas said she often speaks to GEM's clients about diversity and to other endowments, like Northwestern University and Princeton University, which she said have been doing great work for years on the topics of equity, inclusion, and justice. She said she feels good that many endowments have been having the discussions and taking steps ahead of the events of this summer to think about their own diversity and widening the funnel to increase access for diverse managers.

Greene then asked the other members of the GEM investment team to introduce themselves. Torrey Feimster, Director of DEI Advocacy, described how he works closely with Jay Ripley and that he is happy to have forged a strong relationship with NAIC. Pedro Henriques da Silva, Analyst, joined GEM in 2019 to facilitate with the work in Impact, assessing Impact across asset classes and geographies. Eric Leibrandt, Associate, described how he sits on the Private Investment team with Jay Ripley and Caroline Dallas, primarily focused on execution, though he also sources managers. Meredith Heimburger shared how she has been working on ESG and Impact initiatives at GEM since 2012 and now works with a team of three, including Pedro Henriques da Silva. Heimburger said she works closely with Jay Ripley and Torrey Feimster to measure Impact within their investments. She also explained how GEM looks at diversity and inclusion within its investment portfolio and she works with the wider team to explore

diversity. Heimbürger concluded saying she was very excited to meet all of the NAIC members during the session.

David Smith, NAIC's Programs and Initiatives Manager, then provided the instructions for the private, one-on-one meeting portion of the roadshow, whereby each representative of an NAIC member firm met with members of the GEM investment team for fifteen minutes. Smith encouraged NAIC members to arrive early and exchange contact information at the beginning of the meetings. Greene then wrapped up the roadshow with a final word of appreciation for Jay Ripley, Caroline Dallas, Torrey Feimster, and the entire participating team from GEM.