

MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: September 14, 2021

Subject: NAIC Institutional Investor Virtual Roadshow with Illinois State Universities Retirement System (SURS), Aksia Torreycove, and Fairview Capital Partners

On May 11, 2021, NAIC held its fourth Institutional Investor Roadshow of the year, which was hosted by State Universities Retirement System (SURS) and included two of its advisors, Aksia Torreycove and Fairview Capital Partners. NAIC held a prior roadshow with the Illinois SURS investment team and most of its trustees in February 2016. Twenty-one NAIC member firms participated in a general market overview session and one-on-one meetings with senior members of each allocator's investment staff. The roadshow participants and relevant contacts, with email addresses, are included below:

Illinois SURS

Kim Pollitt, Senior Investment Officer – kpollitt@surs.org

Alex Ramos, Investment Officer, – aramos@surs.org

Aksia Torreycove

Mike Krems, Partner – mike.krems@askia.com

Heidi Poon, Managing Director, Private Equity – heidi.poon@aksia.com

Charles Pender, Associate – charles.pender@aksia.com

Fairview Capital Partners

Joanne H. Price, Co-Founder & Managing Partner – jprice@fairviewcapital.com

Kwesi Quaye, Principal – kquaye@fairviewcapital.com

Aakar Vachhani, Partner – avachhani@fairviewcapital.com

NAIC Leadership & Staff

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

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

Jasmine Elbarbary, Alliance & Marketing Manager – jelbarbary@naicpe.com

The twenty-one NAIC member firms and their respective representatives who participated in the event include: **Argand Partners**, Kay Blackwell; **Avante Capital**, Jeri Harman; **Avenue Growth Partners**, Ryan Russell; **DigitalDx Ventures**, Michele Colucci; **Dominus Capital**, Michael Smart; **FVLCRUM Partners**,

Marques Martin; **GenNx 360 Capital Partners**, Daphne Dufresne; **GPI Capital**, Philip Lo; **Graham Allen Partners**, Kevin Deeth; **Griot Partners**, DC Moore; **Kah Capital Management**, Donna Sims Wilson; **L'Attitude Ventures**, Cecilia Sanchez; **Lumos Capital Group**, James Tieng; **Madryn Asset Management**, Avi Amin; **NexPhase Capital**, Ted Yun; **Nile Capital Group**, Mel Lindsey; **Otundi Ventures**, Nnena Nkongho; **Pharos Capital Group**, Adam Persiani; **Recast Capital**, Sara Zulkosky; **Valor Equity Partners**, Joseph Haslip; and **WM Partners**, Vanessa Gabela.

Bob Greene, NAIC's President and CEO, began the session welcoming everyone and noting the high level of participation. He said that 21 NAIC managers had joined to meet the staff from Illinois SURS, Aksia Torreycove, and Fairview capital. He thanked everyone for devoting half of their day to the roadshow. He then turned the floor to Kim Pollit, a Senior Investment Officer of SURS. Pollit described how he oversees the private equity portfolio. Pollitt said he also was joined Alex Ramos, an Investment Officer of SURS, who is responsible for much of the traditional growth portfolio and the manager diversity portfolio and assists with private equity. Pollit reiterated the warm welcome from Greene and thanked everyone for joining the meeting. Pollit said he looked forward to speaking everyone and expressed a desire to each manager "to learn more about your firm, the status of the funds you're raising, and what kind of capabilities you have in the private equity space."

Pollit then provided background on the SURS private equity portfolio. He said SURS has an 11% target to private equity. As of March 31, 2021, Pollit said the portfolio had about \$1.9 billion in NAV, which represents 8.4% of the total fund. He said the 11% target resulted from a 2018 asset/liability study, and shared that SURS was in the middle of another asset/liability study and works in conjunction with the Board and Meketa on that effort. He said the team was "tentatively hoping that the board approves a new policy set of policy targets in June." Pollit commented that he would expect to see allocations to private markets increase because "it's hard to get to our 6.75% return assumption without doing so." He then shared that the annual pacing for private equity is approximately \$400 million to \$450 million.

Pollit described how the representatives from Aksia Torreycove and Fairview Capital would further describe how they work with SURS. He said that Aksia Torreycove is the discretionary private equity adviser, with whom they have been working for almost two years after being selected in June 2019. Pollit shared that when Aksia Torreycove began committing on its behalf later that year, it marked "a new way for us to invest in private equity was a much more direct route," which he said has worked "very well." He described how the staff previously used separate accounts and, more recently, fund of funds.

Pollit said that Aksia Torreycove helps to set top-line portfolio strategy and pacing objectives, and the SURS investment team maintains full discretion in making fund commitments within certain parameters. He said that SURS has been given a legislative goal that 20% of fund commitments be made to groups that are diverse or women-owned. He said that in the two years since Aksia Torreycove has been selected, they've helped SURS to be successful in exceeding that goal and are close to 30% of commitments to diverse and women-owned firms. Pollit said that they have been "thrilled with that and expect that to continue."

Pollit continued that SURS typically makes commitments between \$25 million and \$75 million, which he said makes sense for several reasons. He acknowledged that type of sizing can present some problems with accessing the smaller end of the market and smaller funds. Pollit added, "we want to be intentional about accessing that space, so we've again partnered with Fairview Capital." He described how SURS has been working with Fairview to cover the smaller end of the market since 2014 and has committed \$75 million into a fund of one called the Lincoln Fund. The Lincoln Fund is focused on diverse junior partners.

Pollit shared that the Board made an additional commitment of \$100 million in the fall to expand the Lincoln Fund, which they have named Series B. The Series B fund will focus on diverse partners at the smaller end of the venture and buyout space with a goal to complement the investments being made. Pollit announced that Fairview had recently launched Lincoln Fund B and is just beginning to make commitments on SURS' behalf.

Pollitt then introduced the representatives from Aksia Torreyco: Mike Krems, Partner; Heidi Poon, Managing Director; and Charles Pender, Associate. He then introduced the three representatives from Fairview Capital: Joanne Price, Co-Founder & Managing Partner; Aakar Vachhani, Partner; and Kwesi Quaye, Principal. Pollit said that each of the representatives from the partnering advisory firms would be participating in the breakout sessions. He thanked everyone again for participating and then turned it over to the team from Aksia Torreyco to provide remarks.

Mike Krems thanked Pollit and said it was good to see familiar faces and meet with managers his team had not previously met. He continued with an overview of Aksia Torreyco. Krems explained how Torreyco was an independent consultant, which Aksia Torreyco acquired just over a year ago. He described how the organization is significant in the private equity space with 90 institutional clients, over \$240 billion of assets under advisement, and \$10 billion of assets under management. Krems said the firm spans the alternative space, including private equity, private credit, real estate, hedge funds, and real assets via business verticals in each one of those lines.

Krems shared that Aksia Torreyco has 316 professionals across seven offices around the globe and that it is a 100% employee-owned organization, which is very active in the private markets. He said the goal of the firm is to help clients achieve their goals in whatever method suits their resources and goals. Krems explained how Aksia Torreyco acts as a discretionary manager. Krems went on to describe the "three legs to the stool when evaluating investments." First, he said the team seeks top risk-reward opportunities. The second leg he said the team considered is whether there are diversity goals, such as targets for commitment to minority, women, and disabled-owned businesses consistent with the statute of Illinois. He then addressed the statute's qualification requirements and said the owners of the business must be citizens of the U.S. or lawful permanent residents and meet the criteria of majority (51%) minority or women-ownership.

Krems said the third leg of the stool is the prospect of good co-investment opportunities. He said that SURS has an active co-investment program and added "when we see all those things together, it gets to be a very exciting opportunity for the SURS portfolio." Krems described how Aksia Torreyco coordinates with Fairview "to make sure that we're in sync and there is coordination on behalf of SURS for their portfolio." He then turned it over to the Fairview team to provide remarks.

Joanne Price then introduced herself and her colleagues from Fairview Capital. Price shared that she was "most pleased to work with NAIC, and given Fairview's history with NAIC, it is always a pleasure and it is exciting to see the work that NAIC is doing across the emerging manager and diverse manager landscape." She then spoke about how Fairview and Aksia Torreyco are coordinated and cooperative with clear lines of delineation. Price continued that Fairview focuses on first-, second- and third-time funds that are under \$500 million with a primary interest in venture followed by growth. Price described how Fairview is open to meeting new diverse managers and works to understand their investment strategies and whether they would be a fit for SURS. She encouraged NAIC members to reach out to her colleagues and the SURS team to engage with the SURS plan. Price added that SURS has been "proactive from the beginning" and that the partnerships among SURS, Aksia Torreyco, and Fairview has been "working very well." She concluded, "Fairview is very pleased to be a part of the SURS family."

Greene thanked Pollitt, Krems, and Price and then described the three primary goals of the NAIC Institutional Investor Roadshows over the last eight years. He said the first goal was to better understand and learn about the participating capital allocators that welcomed NAIC to connect and meet with them. Greene said the second goal was to share market insights, including data around diverse manager performance and other market activities. The third goal he described was “to give the managers and the institutional investor, as well as their service providers, the opportunity to meet, to connect, to develop relationships and hopefully to increase the flow of capital to top-performing diverse managers.”

Greene then provided an overview of NAIC. He shared how NAIC is the industry trade association for and largest network of diverse-owned private equity firms and hedge funds. He said that NAIC’s membership consists of 120 firms representing over \$225 billion in assets under management (AUM). Greene stated that NAIC’s managers span ethnic and gender diversity and invest in a broad spectrum of industries. He added that NAIC managers have 873 global portfolio companies with \$96 billion of aggregated top-line revenue and nearly 700,000 employees, including roughly 17,000 across the state of Illinois.

Greene also covered key-takeaways about the diverse manager marketplace:

- 1) There is a vibrant and growing population of diverse-owned firms;
- 2) The track record and ongoing performance is competitive with the broader market and does not require a lowering of underwriting standards; and
- 3) A growing number of institutional investors are allocating increased capital to diverse-owned managers, evidenced by frequent oversubscription.

Greene described NAIC’s membership across asset classes and emphasized that “if there's anything that we'd like for you to take away is that diverse managers perform as well as the marketplace and, in some cases, outperform the marketplace.” He then discussed the research he said is critical to understanding the diverse manager marketplace: first, the *Diversifying Investments* Study (2020) and second, the *Examining the Returns* NAIC Performance Study (2019). He described how the first study, *Diversifying Investments*, led by Harvard Business School professor Josh Lerner, documented three key findings: (1) diverse managers perform as well as their general market counterparts, (2) there is a deep pool of diverse managers, and (3) one would be reasonable to assume a portfolio of diverse managers would outperform the standard industry benchmarks. Greene highlighted how investors could attribute diverse manager outperformance to the 29 oversubscribed funds led by diverse managers since 2015 via member examples. Greene summarized how the chart depicting oversubscribed diverse-led funds “is a testament of extraordinary performance in the prior fund and a belief in the team’s track record, strategy, and acknowledgement that the manager is producing an extraordinarily high conviction on the part of LPs that want to be in that fund’s next line.”

Greene then spoke about NAIC’s programs and initiatives. He described how NAIC’s programs, initiatives and resources fall into three categories: (1) increasing access to capital for members and the broader diverse manager universe, (2) delivering market education, and (3) addressing industry challenges. Examples Greene provided of NAIC’s efforts to increase the access diverse managers have to manage capital included the roadshow, the *Managers in the Market* quarterly distribution, and the NAIC LP Meet-Ups. Greene also mentioned the F.A.S.T. (Fundraising Advisory Support Tracker) used to introduce new NAIC members to capital allocators whose investment criteria they meet. Next, Greene explained how NAIC delivers market education and mentioned Intelligent NAIC, the data aggregation resource used to showcase NAIC member firm demographics and analytics in aggregate form.

Greene continued with the third area of focus for NAIC, addressing industry challenges. He mentioned NAIC's MBA Fellowship Program, which provides MBA students with exposure to the alternatives space. The other industry challenge Greene said NAIC was extremely focused on is the advancement of women in alternatives. The NAIC Women in Alternatives mission he said was a three-pronged strategy— *In, Up, and Beyond* —to help women enter the alternatives industry, move up the continuum and beyond their firms as experienced alternative investment professionals. Greene noted how Joanne Price had been involved in NAIC's Women in Alternatives Program since its inception and how Ortiz-McGhee has been leading the effort.

Greene then turned to the U.S. map, which visually represents the NAIC Institutional Investor Roadshow stops since 2014. He spoke about how NAIC members have engaged with capital allocators along the east and west coasts, highlighting several institutional investors in Texas and Illinois. He then spoke about his hope that NAIC would continue to cover additional parts of the map. Greene then summarized his presentation:

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

Greene then transitioned to instructions for the private meetings to follow a short break. David Smith provided details to access and participate in the one-on-one meetings. Greene thanked everyone from the SURS, Aksia Torreyco, and Fairview Capital teams for spending the time with NAIC and its members.