

MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: September 2, 2021

Subject: NAIC Institutional Investor Virtual Roadshow hosted by BlackRock

On August 6, 2021, NAIC held its eighth NAIC Institutional Investor Roadshow of the year hosted by the BlackRock, which has established a partnership with NAIC. Twenty-seven (27) members of the BlackRock investment team from across BlackRock Private Equity Partners, BlackRock Private Credit, and BlackRock Alternative Advisors joined the event to meet with twenty-five (25) NAIC member firms. The roadshow participants and relevant contacts, with email addresses, are included below:

BlackRock

Multi-Asset Strategies and Solutions Representatives:

Ryan Marshall, Managing Director, Co-Head of Multi-Asset Strategies & Solutions (MASS) –
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Rowena Carreon, Managing Director, Americas Head of the Client Fulfilment Team –
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Alternative Advisors Team Representatives:

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Hovik Adamyan, CFA, Director, Research Analyst – Hovik.adamyan@blackrock.com

Alternative Solutions Group Representatives:

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Vidy Vairavamurthy, Director, Head of Quantitative Research – Vidy.vairavamurthy@blackrock.com

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NAIC Leadership & Staff

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

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The 25 NAIC member firms and their respective representatives selected to participate in the event included: **Advent Capital Management**, Alex von Ziegesar; **Argand Partners**, Kay Blackwell; **Ariel Alternatives**, Les Brun; **Avance Investment Management**, David Perez; **Avante Capital Partners**, Ivelisse Simon; **BCK Capital**, Isaac Tak; **BKCoin Capital**, Kevin Kang; **Chicago River Capital**, Chris Melvin; **Clearlake Capital Group**, Marcelia Freeman; **GenNx360 Capital Partners**, Daphne Dufresne; **GPI Capital**, Philip Lo; **Grain Management**, Kathlika Fontes; **Hollis Park Partners**, Ajai Thomas; **ICV Partners**, Kristie Goodman; **IMB Partners**, Lamar Warren; **NexPhase Capital**, Ted Yun; **Ocean Park Investments**, J. Dennis Jean-Jacques; **One Rock Capital Partners**, Deepa Madhani; **Palladium Equity Partners**, Katherine Tercek; **ROCA Partners**, Ravi Sarin; **Standard General**, Jerry Bright; **Stellex Capital Management**, Courtney Mehrotra; **Valor Equity Partners**, Joseph Haslip; **VC Include**, Taj Eldridge; and **Veristar Capital Management**, Kenney Oh.

Bob Greene, NAIC's President & CEO began the meeting welcoming everyone to the NAIC Institutional Investor Roadshow hosted by BlackRock. He described the work leading up to the event as "a labor of love," noting that NAIC and BlackRock have been working on plans for this day for almost a year. Greene said 25 NAIC members representing roughly four asset classes were in attendance, along with a full complement of investment team members from BlackRock. Greene added he "couldn't be more excited

about the opportunity to work with BlackRock on increasing access to capital to diverse managers within private equity, credit, hedge funds, real estate and other asset classes.”

Greene continued with his appreciation for the hard work of several members from the BlackRock team, including Ryan Marshall, Rowena Carreon, Kenneth Saffold, Hovik Adamyan, Tiffany Perkins, Cameron Smith, Miles Farmer, and others. Greene also thanked the NAIC team, including Carmen Ortiz-McGhee, COO, and Jasmine Elbarbary, Alliance & Marketing Manager, on the partnership side; David Smith, Program & Initiatives Manager, for coordinating the roadshows and presentations; and Diana McCaskill and her team at Fruition Media for the technical production. Greene then covered the agenda for the session before handing it over to Ryan Marshall.

Marshall thanked Greene and everybody at NAIC for helping BlackRock to host the roadshow, along with all of the NAIC managers who gathered to spend time with the BlackRock team. Marshall said he was responsible for BlackRock’s Multi-Asset Strategies and Solutions business (MASS), which he described as “an asset allocator.” Marshall said the capital allocating side of the firm leverages BlackRock building blocks, along with the extensive use of third-party funds. He commented that today’s event was “too long a time coming” and “the fact that this is our first-time event is an indication that we have a lot more to do in this space.” Marshall shared his commitment, as a senior leader at BlackRock, along with the full backing of the firm to increase its work with diverse managers.

Marshall stated that BlackRock has approximately \$7 billion allocated to organizations that are majority diverse-owned, which compares to about \$100 billion dollars in total allocations to third-party managers. He shared the firm’s dissatisfaction with the proportion of allocations to diverse managers, despite being above industry standards. He said, “we know that we can do more, and today is a small down payment.” Marshall shared how alternatives are playing a more significant role and that BlackRock has a fiduciary responsibility to the clients whose funds it manages to find alpha. Marshall stated his belief, from experience and the research he has seen, that “diversity drives outcomes, including alpha generation.” He said that BlackRock seeks to bring alpha into its portfolios via diverse sources of returns.

Marshall continued that BlackRock brings the “three C’s” to its manager partners—“cash, content and connections.” He elaborated on each, first describing how the firm brings cash, via its allocations to third-party managers and “hopefully to many of you.” Regarding content, Marshall shared his hope to provide greater access than BlackRock has provided in the past to BlackRock’s resources, including its educational academies and areas of expertise, such as risk management and trading. Finally, on connections, Marshall described BlackRock’s global client base, which he said many of its managers have had an opportunity to leverage to develop direct relationships with organizations and pools of capital around the world. He added he hopes “this is something that we can be bringing that will benefit all of your organizations.”

Marshall disclosed that BlackRock can sometimes be a difficult place to navigate and offered that NAIC members trying to determine the appropriate contact within the firm may always contact Rowena Carreon, Managing Director and the Americas Head of the Client Fulfilment Team for MASS, or him directly “to increase the probability of being able to do business together.” Marshall concluded with one final request for continual feedback. He shared, “We need feedback and engagement, so we can help you and at the same time deliver superior investment outcomes for the clients for whom we are asset allocating.” Marshall thanked everyone again before turning the floor back over to Greene. Greene thanked Marshall for his remarks and partnership and then shifted to the NAIC Overview presentation.

NAIC Overview

Greene introduced NAIC as the largest network of diverse private equity firms and hedge funds and the oldest and largest organization in the diverse asset manager marketplace. He introduced NAIC's membership of 130 firms who together manage \$240 billion in assets across every alternative asset class and shared how NAIC members range from firms raising their first fund to firms with over \$1 billion in AUM, including the largest member firm with over \$75 billion in AUM.

Greene shared how many people are surprised by the breadth of NAIC's membership. He described how member firms are active across the entire alternative asset class, including private equity, venture capital, growth equity, hedge funds, real estate, as well as credit platforms. Greene said NAIC's membership also includes a full complement of fund of funds with a growing list of hedge funds, which is now up to roughly 16 hedge fund members. Greene then covered the increasing number of real estate firms joining NAIC, and lastly, a growing number of service providers and other partners. He shared how NAIC members invest in every industry in the economy, highlighting the high level of activity in software, commercial services, and transportation.

Greene stated there is a growing population of diverse managers, and their track record and ongoing performance is not only competitive with the marketplace, but in many cases is outperforming various aspects of the marketplace. Greene pointed out how it is very important to "decouple the term diverse manager from the term emerging manager," explaining that an emerging manager is not a new investment professional, and diverse managers are not new investment professionals. He shared how most principals of NAIC firms come with decades of investment experience and from firms like The Carlyle Group, Goldman Sachs, Ripplewood, and Golden Gate. He discussed how many diverse managers spin out of firms with household names within financial circles and take bets on themselves to launch firms and raise funds. Greene described how those firms have become established, generating track records that prove their strategies, and shared how many more institutional investors are recognizing the benefit of investing with them.

Greene reflected on Marshall's earlier comments about diverse managers generating alpha and said the research on the marketplace supports diverse managers consistently generate alpha. He mentioned that NAIC, in collaboration with Aon and KPMG, produces the only bottoms-up review of the performance of diverse managers in a biennial *Examining the Returns* study. He said the studies have proven that diverse managers not only perform well, but that they can perform at the benchmarks, and in many cases, are exceeding the benchmarks. Greene also mentioned 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. He encouraged each of the roadshow participants to review the research studies that have been assembled on the NAIC website (naicpe.com).

Greene then touched on recent NAIC member deal activity, noting that it has picked up significantly with members transacting on nearly a daily basis. He commented on recent, newsworthy deals executed by OceanSound, Grain Management, GenNx360, and One Rock. He added that NAIC deal activity has increased since the onset of the pandemic.

Greene then referenced testimonials from Johara Farhadieh, CIO of Illinois State Board of Investments; Alex Doñe, CIO of New York City Retirement System, and Jarvis Hollingsworth, the Chairman of Texas

Teachers. He stated, “They're all saying great things about the contributions that diverse managers are making to their portfolios. They've been brothers and sisters in arms in terms of being willing to ask tough questions within their jobs, as well as their other service providers around diversity and inclusion.”

Greene then covered the significant oversubscription within recent diverse-led fund offerings, which he said supports broad institutional investor recognition that diverse managers can outperform, and their funds can be outstanding investment opportunities. He highlighted how 17 diverse-owned firms have raised 30 oversubscribed funds since 2015, which he described as a real testament to their performance and investment success.

Greene then described NAIC’s three primary areas of focus: (1) increasing access to capital, (2) delivering market education, and (3) addressing key industry challenges. Examples Greene provided of NAIC’s efforts to increase the access diverse managers have to manage capital included the NAIC Institutional Investor Roadshows, the *Managers in the Market* quarterly distribution, and the NAIC LP Meetups. Greene then 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 to address industry challenges. He began with the Establishing the Next Generation of Private Equity Firms Symposia (NexGen), a 12-module course to help experienced investors launch their own firms. He then shared how NAIC is extremely focused on the advancement of women in alternatives. The NAIC Women in Alternatives mission, he described, is led by NAIC’s Ortiz-McGhee, who has collaborated with senior women across the investment industry to execute 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 mentioned the NAIC Paradigm Changers internship program, which NAIC piloted this summer across 12 firms and included 17 young women at the undergraduate and graduate levels from a wide range of academic and professional backgrounds, providing a path for more women to enter the private equity industry.

Greene then commented on the U.S. map, which visually depicts the locations of the NAIC Institutional Roadshows since 2014. Greene said NAIC has met with over 113 capital allocators managing, collectively, over three trillion dollars over the course of the last eight years across 23 states. He described the roadshows as an extremely successful initiative, which gives NAIC “the opportunity to bring GPs into the offices of various capital allocators and give each other an opportunity to be heard, to be considered, and hopefully to become partners.” Greene shared his hope that NAIC will one day cover the entire country via the roadshows.

Greene 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;
- and
- many sophisticated institutional investors are expanding their allocations toward high-performing emerging and diverse managers.

BlackRock

Greene then handed it over to Rowena Carreon to discuss BlackRock's sourcing and investment processes. Carreon thanked Greene and everyone for participating. She shared her excitement about the event and "kicking off what we intend to be a series of roadshows." Carreon introduced herself as a Managing Director within BlackRock's Multi-Asset business and Chair of its Diverse Manager Program Steering Committee. She said there were a number of colleagues participating today, which some clients refer to as the "BlackRock swarm" and includes senior investors and researchers from across the Multi-Asset Strategies & Solutions and BlackRock Alternative Investors (BAI) businesses. She referred to Marshall's earlier comments that MASS and BAI currently have allocations to third-party managers totaling \$107 billion.

Carreon continued with an overview of BlackRock's manager sourcing and investment processes. She described how her team sources managers at two levels—the individual team level and at the firm platform level. The investment team sources managers and investment opportunities through a combination of "deep research and local expertise." Carreon shared how BlackRock has relationships across a diverse slate of hundreds of general partnerships, and each of the investment teams directly fosters relationships. She provided an example of how the Private Equity researchers maintain a systematic process for mapping local private equity markets across the Americas, EMEA, and APAC and leverage on the ground researchers in each of those regions "to continually gather market intelligence through existing relationships and a proactive calling effort." BlackRock supplements this with country-specific research.

Carreon described BlackRock's approach to building relationships as "differentiated by consistent personal interaction that builds trust with these GPs and, in turn, positions BlackRock as a strong LP and a direct co-investment partner." She added that the team also sources new and exclusive investment opportunities and provided examples of the Hedge Fund team consistently anchoring emergent strategies and programs. She said the firm has a track record of working with hedge fund managers early in their life cycles "to identify, develop and fund investment opportunities that are generally unavailable to a wider investor base."

Carreon elaborated on how the MASS and BAI investment teams leverage the BlackRock platform and its 2,000+ BlackRock investment professionals. She discussed the centralized Capital Markets team that utilizes BlackRock's networks and systematically links the firm's internal and external partners and opportunities. For the year ended March 31, 2021, Carreon said BlackRock sourced 5,730 deals across 60 countries, and ultimately, invested in five percent of the transactions. She added that referrals for deals from the broader BlackRock team are also sent to the relevant investment team.

Carreon then described BlackRock's due diligence process. She said the research teams have a "disciplined and scalable investment process that includes sourcing, screening, underwriting, selection, approval, and ongoing monitoring and risk management." Carreon said BlackRock's teams utilize the full capability of the firm's proprietary models and leverage the broader technology and infrastructure through Aladdin, BlackRock's risk management system. She said investment opportunities are evaluated through multiple dimensions with specific processes across asset classes. Generally speaking, Carreon said the investment teams employ a consistent scorecard approach to assist in developing a holistic view and evaluation of a given manager against certain due diligence considerations, such as the organization, personnel, investment process, and performance. She then described the criteria in more detail.

Carreon described the organizational due diligence and its focus on the management of the business, inclusive of firm stability, alignment of interest, strategy, growth, leadership, structure, the stability of its personnel, and its support network. She then talked about the manager's investment process, and questions around the investment rationale, pipeline generation, research, portfolio construction, and risk management. For performance, Carreon said there are quantitative factors, such as absolute and relative returns, track records, and for emerging managers, unrealized portfolio status and portfolio value creation.

The investment team performs a desk review, first requesting information on a manager's policies, procedures, and internal controls to inform an onsite diligence visit. She said the onsite due diligence process has been conducted virtually during the pandemic. During the onsite session, the researchers meet with senior members of functional areas to verify the data and processes that managers have outlined in their governance documents. The researchers also request demos of some of the key operational systems. Carreon shared that the investment teams utilize proprietary models, such as the quantitative portfolio analysis model the Private Equity team uses to do systemic attribution analysis and determine how different sponsors add value. She described another example of how the Hedge Fund team uses a risk factor model, which attributes performance through parametric and non-parametric analysis, scenario analysis, and sensitivity testing.

Carreon reflected on Marshall's earlier comments and the belief across BlackRock that investing with diverse managers can generate unique and differentiated deal flow and increase the opportunity for alpha. She shared how BlackRock launched the Diverse Manager program earlier this year, recognizing that and the importance of delivering competitive returns to its clients. Carreon said the investment team also integrates specific diversity & inclusion criteria within its qualitative evaluation of managers, whereby the investment team assesses the philosophy, approach, compositional diversity, inclusion, culture, investment process, and people policies. Carreon said that Blackrock has allocated seven percent of its portfolio to majority-owned diverse managers and another seven percent to partially owned diverse managers. She said investments to various managers have come through LP commitments, as well as from investments across the allocation businesses. Carreon concluded that she looks forward to speaking to the managers one-on-one and through a continued partnership.

Greene thanked Carreon for her comments and then asked the audience if there were any questions. The first question was from Lynn Baranski from BlackRock Private Equity Partners. She asked how the Private Equity team could stay apprised of all of the diverse managers that are coming to market. Greene thanked Baranski for her question and said that NAIC could serve as an ongoing resource, and he would ensure that each of the participants from BlackRock receive a copy of the NAIC *Managers in the Market* report he mentioned earlier. He added that NAIC also posts new member announcements on LinkedIn and that two to three member firms were joining each month. Greene added that NAIC shares databases and member lists with BlackRock via the established partnership. He did say there are other groups in the marketplace that do a great job at sourcing managers as well, and that NAIC was excited to be working with BlackRock in its effort to engage with more top-performing diverse managers.

Dwight Skerritt of Chicago River Capital asked how BlackRock balances track record versus size, specifically for hedge funds. Carreon asked Nas Noorizadeh from the Hedge Fund Solutions team to address that question. Noorizadeh, based in London, commented that the session had been "a very interesting introduction and educational." Noorizadeh said they look to back managers early and are sometimes the first and only dollars with a hedge fund manager to capture additional alpha over a life

cycle and grow with them over time. She said the team does not have minimum age or size requirements and that investing early is an integral part of their ethos. Noorizadeh shared the team's attempt to address managers spinning out of larger organizations often cannot take a track record with them by questioning and understanding a manager's investment process philosophy and how they might have invested over time and through cycles. Marshall thanked Noorizadeh, along with Bob Greene and the NAIC team again for organizing the roadshows. He ended with, "they're fantastic—outstanding."

Greene then asked David Smith to provide instructions to access the one-on-one meetings. Following the technical instructions, Greene said that notes of the meeting would be provided to each of the NAIC members. Greene then thanked the entire BlackRock team and ended the session with a final remark: "We look forward to future road shows, and we look forward to seeing the numbers move. I know BlackRock is all about making the numbers move."