

## MEMORANDUM

**To:** NAIC Members

**From:** Robert L. Greene, President & CEO

**Date:** December 9, 2021

**Subject:** NAIC Institutional Investor Roadshow hosted by the Institutional Limited Partners Association (ILPA)

On December 1, 2021, NAIC held its eleventh and final NAIC Institutional Investor Roadshow of the year, which was hosted by the Institutional Limited Partners Association (ILPA), a global organization dedicated exclusively to advancing the interests of limited partners and their beneficiaries through best-in-class education, research, advocacy, and events. ILPA represents over 500 limited partner member institutions representing more than \$2 trillion of private equity assets under management (AUM). Four ILPA member institutions participated in the event: AC Ventures, APG Asset Management, Illinois Municipal Retirement Fund, and the Los Angeles City Employees Retirement System (LACERS). The roadshow was NAIC's first engagement with APG Asset Management and the second NAIC Institutional Investor Roadshow hosted by ILPA.

### Institutional Limited Partners Association

**Steve Nelson**, CEO – [snelson@ilpa.org](mailto:snelson@ilpa.org)

**Jennifer Choi**, Managing Director, Industry Affairs – [jchoi@ilpa.org](mailto:jchoi@ilpa.org)

**Samantha Anders**, Senior Associate – [sanders@ilpa.org](mailto:sanders@ilpa.org)

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### Participating Allocators

#### **AC Ventures**

**Hector Shibata**, Director of Investments & Portfolio – [hector.shibata@arcacontal.com](mailto:hector.shibata@arcacontal.com)

**Catalina Ruiz Abondano**, Consultant – [cruiz.acventures@gmail.com](mailto:cruiz.acventures@gmail.com)

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#### **APG Asset Management**

**Gregory Jania**, Global Co-head of Private Equity – [greg.jania@apg-am.com](mailto:greg.jania@apg-am.com)

#### **Illinois Municipal Retirement Fund (IMRF)**

**Rosa Perez**, Investment Officer – [rperez@imrf.org](mailto:rperez@imrf.org)

#### **Los Angeles City Employees Retirement System (LACERS)**

**Clark Hoover**, Investment Officer – [clark.hoover@lacers.org](mailto:clark.hoover@lacers.org)

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Nia White, Advisor, Capital Access – ngandy@naicpe.com

The 32 NAIC member firms and their respective representatives selected to participate in the event included: **AIN Ventures**, Sherman Williams; **Argand Partners**, Kay Blackwell; **Arkview Partners**, Vijay Mehta; **Avenue Growth Partners**, Ryan Russell; **BharCap Partners**, Jim Rutherford; **Boresight Capital**, Bryson Clements; **Brasa Capital**, Alexis Lewis; **Clearlake Capital**, Marcelia Freeman; **Community in Space**, Jose Ocasio-Christian; **Corsair Capital**, Laura Hill; **Development Partners International**, Joanne Yoo; **DigitalDx Ventures**, Michele Colucci; **Dominus Capital**, Michael Smart; **Dynamk Capital**, Daniella Kranjac; **Excel Group**, Natalie Ho; **Fairview Capital Partners**, Michele Chow-Tai; **GenNx360 Capital Partners**, Carmen Rojas; **Graham Allen Partners**, Kevin Deeth; **HarbourVest Partners**, Craig Fowler; **Jacmel Growth Partners**, Nick Jean-Baptiste; **Kah Capital Management**, Donna Sims Wilson; **Leeds Illuminate**, Kara McCrossan; **Lumos Capital Group**, James Tieng; **Muller & Monroe**, Irwin Loud; **Nile Capital Group**, Stephanie Neruda; **Pharos Capital Group**, Adam Persiani; **Pilot Growth**, Alexandra Echevarria-Brown; **Sagard**, Johnita Mizelle; **Standard General**, Jerry Bright; **Standard Real Estate Investments**, Jerome Nichols; **Trident**, Eric Taylor; and **WM Partners**, Vanessa Gabela.

Bob Greene, NAIC's President & CEO, opened the meeting welcoming everyone to the NAIC Institutional Investor Roadshow hosted by ILPA, which he noted was the final NAIC roadshow of the year. Greene highlighted how NAIC has been working closely with ILPA over the last several years and acknowledged the ILPA's service to limited partners and the marketplace. Greene then thanked Jen Choi, Managing Director of Industry Affairs, and Samantha Sanders, Senior Associate, from ILPA for their collaboration with NAIC and also recognized Steve Nelson, CEO of ILPA, for his leadership.

Steve Nelson then provided welcome remarks. He began thanking the members of his team, Choi and Sanders, who he said deserve the credit for ILPA's contributions. He said ILPA values the partnership with NAIC and the opportunity to host multiple NAIC Institutional Investor Roadshows. He said the roadshows are "tangible examples of the ILPA Diversity in Action initiative, which he said ILPA is broadly advocating. He added there are now 200 signatories to the initiative, and that there have been several other recent developments on the diversity, equity, and inclusion (DEI) front.

Nelson said the widely-recognized ILPA due diligence questionnaire has been enhanced to take a deeper dive into DEI with a dedicated section on the topics. Nelson added that the revised questionnaire with robust questions regarding diversity has been downloaded 2,200 times, which he said was a "good indication that people are interested in engaging on it." Nelson shared his hope that the NAIC Institutional Investor Roadshows would put "everyone and those on the call further down the road." He also said that ILPA recently launched a diversity matrix template, which has been downloaded by ILPA members over 1,000 times. Nelson said he would end with the fact that he has been "so pleased with the uptake there." He thanked Carmen Ortiz-McGhee, NAIC's Chief Operating Officer, and Bob Greene, and the rest of the NAIC team for the partnership and "for helping us to collectively advance."

Greene then introduced each of the participating capital allocators and ILPA members and asked them to provide a high-level overview of their organizations:

### **APG Asset Management**

Gregory Jania, Global Co-head of Private Equity of APG Asset Management, introduced the institution. He shared that APG manages €50 billion in private equity and that the portfolio is roughly split between two-thirds of the portfolio in funds and one-third of the portfolio in co-investments and secondaries. Jania said APG is invested with 100 general partner relationships and in 100 co-investments. Jania described the broader APG portfolio, which has €650 billion under management, and the very large pension plan clients APG represents.

### **AC Ventures**

AC Ventures, based in Mexico City, is an international corporate venture capital fund investing globally in start-ups and venture capital funds. The representatives from AC Ventures did not present during the general session.

### **Illinois Municipal Retirement Fund**

Rosa Perez, an Investment Officer of Illinois Municipal Retirement Fund (IMRF), represented the \$55 billion pension plan. Perez described how IMRF has a diverse manager program with targeted goals to invest in minority and women-owned firms, which the plan defines as those with a minimum of 51% diverse ownership at the management company level. Perez said that \$12 billion of assets are currently managed by minority- and women-owned firms across all asset classes. Perez described how the majority of IMRF's alternatives portfolio is invested in private equity and real estate and over 25% of the alternatives portfolio is managed by minority- and women-owned funds. She said IMRF invests directly in funds and through investment partners. Perez also discussed how investments are made via RFPs per the Illinois pension code.

### **Los Angeles City Employees Retirement System (LACERS)**

Clark Hoover, Investment Officer, represented the Los Angeles City Employees Retirement System (LACERS). It had been over five years since NAIC and its members last traveled to Los Angeles to meet with the LACERS team for an NAIC Institutional Investor Roadshow. Hoover said that LACERS had \$26.3 billion of assets under management as of the prior day close. He described how he is part of the Private Markets team. Hoover said that LACERS has a dedicated Emerging Managers team and that most of the plan's emerging managers are in the Private Markets portfolio. He concluded discussing how California's legislation "prevents targeting diversity."

Greene then acknowledged several members of the NAIC team. He thanked David Smith for his leadership of the NAIC Institutional Roadshows. Greene introduced Carmen Ortiz-McGhee, NAIC's Chief Operating Officer, and NAIC's newest team member, Marissa Mahoney, Director of Partnerships and Alliances. Greene then walked through the remaining agenda items. He said he would provide an overview of the diverse manager marketplace, which would be followed by a Q&A session and a ten-minute break before the afternoon of pre-arranged one-on-one meetings between the participating allocators and NAIC members.

Greene then began the NAIC Market Overview. He described how NAIC is a 50-year-old organization with members collectively managing \$262 billion in assets and representation across all ethnic diversities and a growing number of women-led firms. He described how NAIC member firms cover every industry segment, including retail, healthcare, transportation, apparel, IT, software, commercial services, restaurants, hotel, leisure, consumer, and non-durables.

Greene continued describing the membership on a collective basis. He shared that NAIC members invest in 940 portfolio companies globally, employing over 1.6 million people in the U.S. and generating \$96 billion in annual revenue. He shared that NAIC is the largest network of diverse-owned private equity firms and hedge funds and that NAIC members generate news daily for actively investing, exiting deals, and raising funds. Greene then covered the key take-aways for the session:

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

Greene summarized, “diversity can be a performance enhancer.”

Greene then described NAIC’s membership by asset classes. He said buyout funds represent the largest membership category. Greene said buyout firms range from the larger members with multibillion-dollar funds to those raising first-time funds. He described the large number of fund of fund members who represent the bulk of the emerging and diverse manager space, primarily focused on private equity with some also managing funds focused on hedge and other alternatives asset classes. Greene said that hedge funds are a growing category and that NAIC now has close to 20 hedge fund members.

Greene shared how NAIC’s heritage is drawn from the MESBIC program, noting that in the early days 100% of NAIC members were growth equity and venture firms. Greene also mentioned the increasing number of real estate firms joining NAIC and the growing list of “household name” members now associated with NAIC via affiliations and partnerships.

Greene continued that it is essential to track the talent migrating from the list of well-known firms. He shared how the founding partners from NAIC member firms Stellex Capital Management spun out of The Carlyle Group and those from Siris, Sycamore Partners, Clearlake, and Vista Equity Partners first invested on behalf of firms like Goldman Sachs and Golden Gate Capital. Greene emphasized that the emerging manager story is “simply individuals who have chosen to bet on themselves, which gives them greater alignment of interests with their LPs, endure the arduous task of raising their first, second, and third funds, put performance up on the board to make sure they can continue to be viable, return capital to their LPs, and ultimately achieve success.”

Greene spoke about the institutional investors with significant diverse manager partnerships, including several public pension plans, such as the Teacher Retirement System of Texas, Virginia Retirement System, New York Common Retirement Fund, New York City Retirement Systems, and the Illinois Municipal Retirement Fund, along with corporate plans like Verizon and Exelon. Greene shared his excitement about the vibrancy of the emerging manager marketplace. However, he tempered that with the reality that the same questions are being asked as those raised 20 years ago, regarding the benefits of investing with emerging and diverse managers and where to find them. Greene stated, “diverse manager allocations have not kept pace with overall plan assets.” He shared his hope that “the investment management space would one day look more like the broader society.”

Greene continued, “all investment strategies should be based on research that edifies the pathway” before he mentioned the 2021 edition of the NAIC biennial performance study, *Examining the Returns*, which he said is the only bottoms-up analysis of the diverse manager marketplace. He stated that over the last twenty years the research studies have resulted in the same findings—diverse managers not only perform well, but that they can perform at the benchmarks, and in many cases, are exceeding the benchmarks. Greene discussed the process for the *Examining the Returns* studies, where NAIC member firms’ returns are analyzed and reviewed by KPMG. He also shared that the Cambridge private equity benchmarks had been used before NAIC moved to the Burgiss benchmarks for the 2019 and 2021 studies, and that diverse managers have outperformed both benchmarks across vintages.

Greene said, “it is past time for every allocator in the country to have a diverse manager strategy to get the outperformance in every asset class.” He also walked through 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 added, “Anyone not recognizing the contributions diverse managers can make to investment portfolios is fundamentally looking past what is obvious.” He noted that a third study by Josh Lerner commissioned by the Knight Foundation would be released the following week and commended ILPA for working with its members to focus on the diverse manager space.

Greene then spoke about NAIC member deal activity, noting that NAIC announces members’ transactions and fund news on its website ([www.naicepe.com](http://www.naicepe.com)). He commented on recent, newsworthy deals executed by Clearlake, Sagard, Arkview, and Dynamk Capital. Greene then shared his view that it is important to hear from other allocators about their experiences investing with diverse managers. He 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 champions” regarding the contributions diverse managers are making to their portfolios and offered they would all be happy to share their experiences directly.

Greene then spoke about the significant level of oversubscription across 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. Greene spoke about the significance of the NAIC Oversubscription chart. He said that each tile on the chart represents a diverse manager that raised more money than the fund target and, in some cases, the hard cap. Greene stated that 27 diverse-owned firms have raised 54 oversubscribed funds since 2015. He said prior to 2013, there had been no consistent record of oversubscribed funds led by diverse managers. Greene said the chart is a testament to two things: (1) the extraordinary diverse manager performance and (2) more capital allocators wanted to partner with these diverse managers. He added that it also tells us there is a need to expand the marketplace as NAIC is working towards with its NextGen program.

Greene covered NAIC’s three primary areas of focus: (1) increasing access to capital, which he described as the highest priority, (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 and the *Managers in the Market (MINT)* quarterly distribution. Greene described how Nia White, NAIC’s Capital Allocator Advisor, has helped to lead the NAIC Institutional Investor Roadshows over the last seven years and that they have enabled NAIC members to engage with over 100 capital allocators. Greene then discussed how the *Managers in*

*the Market* publication is “a great report with a lot of information on who is raising, how much, and who to contact,” which 140 capital allocators have opted in to receive.

Greene explained how NAIC delivers market education. Examples he discussed include the *Examining the Returns* performance studies; IntelligentNAIC, *NAIC LP Insights*, and ENGAGE. Greene shared how the *NAIC LP Insights* sessions provide for educational, in-depth conversations with industry leaders. Greene also described how the ENGAGE initiative is executed in partnership with GCM Grosvenor and the Diverse Asset Manager Initiative and is the most comprehensive trustee education program within the alternative investment space. He said that ENGAGE will resume in 2022.

Greene continued with 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 to launch their firms and (2) the advancement of women in alternatives. Greene described NextGen (Next Generation of Private Equity Firms) in more detail. He said it is a “bootcamp” offering comprehensive training on everything required to launch a firm and raise a fund, including packaging the story, preparing track records, fundraising, and building out the back-office infrastructure. Greene said NextGen began as a 12-module program but has been expanded to 16 modules. He announced that the upcoming NextGen program would run every Friday from the second week of February through the second week of April 2022. Greene shared how NAIC launched NextGen with a goal of training 100 managers and ended up with 220 managers who have completed the NextGen training. He said a good number of the past participants have become NAIC members and launched funds.

Greene continued with NAIC’s goal to dramatically increase the number of women succeeding in the alternatives space via its Women in Alternatives initiative. He described how the initiative—*In, Up, and Beyond*—aims to help women enter the alternatives industry, advance up the continuum, and move beyond their firms as experienced alternative investment professionals. Greene shared how the NAIC Paradigm Changers internship program has helped women from non-traditional backgrounds with strong quantitative and technical skills. He said the Paradigm Changers program was piloted this past summer with 17 undergraduate and MBA candidates via the sponsorships of 14 NAIC member firms.

Greene highlighted the phenomenal impact of Paradigm Changers. He also announced NAIC is now accepting applications for the 2022 interns and program sponsors and noted that the program is executed in collaboration with Toigo. Greene said NAIC is also recruiting its first cohort of fellows for its training program for mid-level female professionals. He then touched on the last part of the Women In Alternatives initiative to support experienced female investment professionals in the creation of their own firms, noting “people tend to hire others that look like them” and the ability women-owned firms have to drive more gender balance across the industry.

Greene then commented on the U.S. map, which visually depicts the states where NAIC has held Institutional Investor Roadshows since 2014. Greene said NAIC has met with over 147 capital allocators managing, collectively, over \$13 trillion dollars across 23 states. He shared his appreciation for the capital allocators who have helped NAIC to get there and his hope that ILPA may help NAIC to expand its engagement to states it has not yet reached via the NAIC Institutional Investor 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.
- Many sophisticated institutional investors are expanding their allocations toward high-performing emerging and diverse managers.

David Smith thanked Greene and then provided instructions to access the one-on-one meetings following the general session. He then invited questions from NAIC members. Michelle Chow-Tai from Fairview Capital Partners thanked NAIC for its work and the awareness it brings to the marketplace. She then asked Greg Jania of APG Asset Management about the ideal investment for the APG private equity portfolio. Jania said the average fund commitment is \$350 million but that APG will go down to a \$100 million check size. He said the sweet spot for APG's general partners is for those with an AUM above \$1 billion but that a few of its general partners manage under \$1 billion in assets. Jania said the dominant private equity strategies are buyout and growth funds. Chow-Tai asked whether APG invests with funds of funds, and he responded that APG does not.

Greene then thanked each of the participating capital allocators and applauded them for their interest in increasing diversity in pursuit of better performance. He then thanked the entire ILPA team and ended the general session.