

MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: March 3, 2022

Subject: NAIC Institutional Investor Virtual Roadshow hosted by the Office of the New York City Comptroller

On February 23, 2022, the National Association of Investment Companies held its second Institutional Investor Roadshow of the year hosted by the Office of the New York City Comptroller Brad Lander. The Comptroller's Bureau of Asset Management oversees the investment portfolio of the New York City Retirement Systems, which is comprised of five pension systems. The Systems, as of December 2021, had approximately \$274.7 billion in assets under management, making it the fourth largest public pension plan in the U.S. The five pension funds comprising the Systems are the New York City Employees' Retirement System (NYCERS), the Teachers' Retirement System of the City of New York (TRS), the New York City Police Pension Fund (POLICE), the New York City Fire Pension Fund (Fire), and the New York City Board of Education Retirement System (BERS). Contact information for the Office of the New York City Comptroller, the Bureau of Asset Management (BAM), and its partner firms is included below:

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The 23 NAIC member firms and their respective representatives selected to participate in the event included: **Antara Capital**, Kate Ivers; **Argand Partners**, Kay Blackwell; **Arkview Capital**, Vijay Mehta; **Avante Capital Partners**, Ivelisse Simon; **BKCoin Capital**, Kevin Kang; **Boresight Capital**, Bryson Clements; **Brasa Capital Management**, Alexis Lewis; **Chicago River Capital**, Dwight Skerritt; **DCIF**, Tom Soto; **Development Partners International**, Joanne Yoo; **Elizabeth Park Capital Management**, Fred Cummings; **Excel Group**, Emma Ackermann; **Jacmel Growth Partners**, Nick Jean-Baptiste; **Kah Capital Management**, Donna Sims Wilson; **Lumos Capital Group**, James Tieng; **Muller & Monroe Asset Management**, Irwin Loud III; **Ocean Park Investments**, J.Dennis Jean-Jacques; **Pharos Capital Group**, Adam Persiani; **Selcouth Capital Management**, Keith Hwang; **Stellex Capital Management**, Courtney

Mehrotra; **Three Line Capital**, Vincent P Thompson; **Trident**, Eric Taylor; and **Valor Equity Partners**, Joseph Haslip.

Bob Greene, NAIC's President & CEO, began the meeting welcoming everyone to the NAIC Institutional Investor Roadshow hosted by the Office of the New York City Comptroller Brad Lander and the Bureau of Asset Management. Greene thanked the hosts on behalf of the NAIC members, sharing it was NAIC's fourth roadshow with the Office of the New York City Comptroller and BAM and noting it was the highest number of roadshows to date with any allocator. Greene then individually thanked John Adler, Chief ESG Officer, for his efforts on the roadshow, New York City Comptroller Brad Lander, and Mike Haddad, Interim CEO, for their participation. He then acknowledged the NAIC leadership and staff and the Fruition Consulting team for coordinating the event.

Greene then invited Comptroller Brad Lander to provide remarks. Lander thanked Greene and the NAIC team, noting that NAIC's Chairman, Joseph Haslip recently met with his team. He began his commentary emphasizing how diversity is a very important issue for his office and BAM. Lander said diversity, equity, and inclusion "is something that I just want you to know is really personally very important." He stressed that performance and asset allocation should not be considered separately from diversity. Lander stated, "we want the best managers, and to achieve that you need the broadest set of managers to choose from." He shared that New York City's Systems manage \$275 billion in assets and said ESG is a primary focus, along with paying attention to fund-level and systemic risks. Another focus area he touched on was the climate crisis, commenting that "it is not coming, it is already here."

Lander continued, "systemic racism is a barrier to returns for shareholders." He said New York City needs to work with folks like NAIC to grow its investment programs. He also shared the view that when diverse managers move from emerging to emerged, they should have a "real shot" to manage the System's assets. Lander said his team needs partners to help identify good managers. He said NAIC has been critical in helping to making introductions and "pushing to help us do better for our portfolio, our city, and the economy."

Lander then introduced others from his office and BAM. He said Mike Haddad, Interim CIO, would cover the portfolio and introduce each of the investment officers. He then spoke about New York City's former CIO, Alex Doñé, who he credited for advancing the Systems in numerous ways. Lander shared he was grateful that Haddad had stepped in as interim CIO and has been working hard and closely with the System's trustees. He added that there is a national search for a permanent CIO. He then introduced John Adler, who previously ran the mayor's office and is now the Chief ESG Officer working with Jimmy Yan, Director of ESG. Lander described how the BAM team is focused on growing its emerging manager program, which is and must be "deeply integrated across asset classes." Lander remarked that he "doesn't want to only host the greatest number of NAIC roadshows but also wants to have the most to show for it." He concluded that he was "lucky to have the job and grateful to Haddad and the team."

Mike Haddad then covered the specifics of the New York City investment portfolio. He referred to Comptroller's Lander comments and restated that Minority/ Women-owned Business Enterprises (MWBE) remain a big priority and how grateful he and his colleagues are to Alex Doñé for his former leadership. He spoke about the role BAM plays in providing retirement security to over 700,000 members, retirees, and beneficiaries through the allocation of its \$275 billion in assets. He described how BAM's fiduciary duties include "prudent allocation and diversity, equity, and inclusion (DEI) in everything we do."

Haddad then provided an overview of the System's MWBE and Emerging Manager Programs. He said the Systems have a goal to allocate 12% of assets to MWBE managers across active U.S. based investments. He spoke about the Private Equity Direct Emerging Manager Program, which he said is now on Fund III. He described how the Boards allow the investment team to have discretion in these funds and how proud he was of this program, which was successfully built by Alex Doñé. Haddad shared the program's track record at a 2.1x MOIC and an IRR of almost 25% and discussed the Private Markets First-Time Fund and Early-Stage Manager Programs and the Emerged/ Transition Programs for managers with a track record of success in private equity and public markets. Haddad stated that New York City Systems had \$21.8 billion or 12.2% of invested and committed capital with emerging and MWBE managers as of December 31, 2021, broken down as follows: infrastructure (27%), private equity (24%), public equity (17%), hedge funds (16%), public fixed income (7%), private real estate (4%), and alternative credit (2%).

Haddad then covered BAM's diversity initiatives. BAM is working to appoint a Director of Diversity, Equity & Inclusion and Emerging Manager Strategy. BAM also seeks to increase MWBE and emerging manager utilization in alternatives by continuing to build out first-time fund and early-stage manager programs in private equity, real estate, alternative credit, and infrastructure. Haddad shared how BAM wants to expand opportunities for diverse managers to engage with its staff and consultants. Additionally, he said the investment staff wants to increase the number of successful smaller managers it transitions to direct allocations. The other initiatives he discussed were implementing DEI assessment tools for all managers and expanding shareholder strategies to increase diversity while promoting racial and gender justice. Haddad then highlighted the primary contacts for his team and investment partner firms across private equity, real estate, infrastructure, and hedge funds.

Several BAM Investment Officers then introduced themselves. Eneas Kadziela, Head of Private Equity, said he had met many of the participating NAIC members in the past. He shared how he has been on the private equity team at BAM for seven years and was Alex Doñé's first hire when he assumed leadership of the team. John Gluszek, Acting Head of Real Estate, described the investment program with GCM Grosvenor and said it is currently 41% allocated. He noted that prior to the program, the plan had two managers, both women and one a woman of color, that were previously emerging managers and had graduated. He invited NAIC members investing in real estate to contact him or his colleague, Janet Londoño-Valle. Petya Nikolova, Head of Infrastructure, said it was nice to see everyone and that she looked forward to the private meetings. Nikolova shared that she had been with BAM for 10 years, and she spoke about the emerging managers program in infrastructure, which began two years ago.

Ekaterina Schuman, an Investment Officer in hedge funds, said she has been with BAM for five years and previously worked with a multi-family office and a large investment bank. Leon Dunkin, an Investment Officer in hedge funds, said he had met many of the NAIC participants when he was previously on the private equity team. Dunkin shared that he has been with BAM since 2007, and that he looked forward to meeting the managers he has not met during the one-on-one sessions. He said hedge fund allocations are currently at \$3 billion, and the team invests directly with external managers. Wesley Pulisic, Head of Alternative Credit, discussed the new program that was launched with GCM Grosvenor, which he said is almost completely allocated across 10 managers to date. He also introduced two of his colleagues in alternative credit, Brent Pasternack and Yuanyan (Tina) Suo.

Greene then began the NAIC Marketplace Insights portion of the agenda, noting he would skip a few of the slides, given the experience the Comptroller's office and BAM staff have had with NAIC. Greene described how NAIC is the largest network of diverse-owned private equity firms and hedge funds and

that NAIC's membership currently consists of 150 firms representing over \$260 billion in assets under management (AUM). He shared NAIC's primary objective to increase the flow of capital to diverse managers and women.

Greene covered the global employee impact of NAIC member firms. He shared how NAIC members invest in a broad spectrum of industries and have invested in over 940 portfolio companies. He noted that last year, NAIC portfolio companies collectively generated over \$177 billion in top-line revenue, while employing over 1,600,000 people across the U.S.

Greene then described NAIC's membership by asset classes. He said buyout firms are the largest category of membership. He highlighted the fund of funds members, noting that NAIC has most if not all the fund of funds that actively invest in this space as members, including some of BAM's service providers, such as Neuberger Berman, JP Morgan, GCM Grosvenor, and Fairview Capital. He noted that Joseph Haslip inspired the inclusion of hedge funds about six years ago, and that NAIC now has 15 of 16 hedge fund members.

Greene covered the growth, expansion, and venture categories, which he shared is where NAIC's heritage began. He described how NAIC has worked hard to regain access to those marketplaces to address the tremendous wealth gap between communities of color and their majority counterparts. Greene said, "venture capital, the opportunity to start something with a white sheet of paper and grow it and create value and ultimately participate in the full continuum is still the best way to create wealth in America." He then discussed how some of the largest and most popular firms in the asset management industry have chosen to partner with NAIC, including Blackstone, BlackRock, William Blair, Barings, and others. Greene then spoke about Asland Capital Partners and Brasa Capital Management, who are two of NAIC's real estate members, in that rapidly growing membership category.

Greene then discussed the importance of tracking where the talent goes from the list of well-known firms. He said, "whether you call them diverse or a subset of emerging managers, they are all experienced investors." He noted how NAIC has member firms that are over twenty years old, such as ICV and Palladium, and newer firms, but that none of the investors are new investors. He said NAIC members draw their heritage from the likes of Goldman Sachs, Golden Gate Capital, Ripplewood, and Credit Suisse and launch firms like Stellex Capital Management and One Rock. He added, "there is no greater alignment than when a founder rolls up their sleeves to build the culture and do the work." Greene commended the BAM team for their efforts to identify top-performing emerging managers, graduate them, and find ways to still do more.

Greene continued, "performance is the only thing that matters, and diverse managers perform as well as their peers," highlighting documented research on diverse manager performance, noting that some diverse managers and NAIC members are top decile across vintages. He said anyone thinking diverse managers come as a compromise to returns is wrong and added "if you are not investing with diverse managers, you are probably in breach of your fiduciary duties." He brought attention to two NAIC members, Avance Investment Management and Recognize Partners, which have raised first-time billion dollar funds.

Greene then referenced testimonials from Johara Farhadieh, CIO of Illinois State Board of Investments; Alex Doñe, former CIO of New York City Retirement System, and Jarvis Hollingsworth, the Chairman of Texas Teachers, sharing "there is no one better to give a reference, than those that have done the work" regarding the contributions diverse managers have made to their portfolios. Greene then covered the

significant level of 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 27 diverse-owned firms have raised 54 oversubscribed funds since 2015 and that prior to 2014, no diverse manager had raised an oversubscribed fund.

Greene covered 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 F.A.S.T. (Fundraising Advisory Support Tracker) process, noting that the BAM team has been receptive of the managers NAIC has introduced. Greene then explained how NAIC delivers market education and mentioned ENGAGE, an initiative executed in partnership with GCM Grosvenor and the Diverse Asset Manager Initiative to launch the most comprehensive trustee education program within the alternative investment space.

Greene continued with the third area of focus for NAIC to address industry challenges. He described NextGen (the Next Generation of Private Equity Firms). Greene shared how NextGen offers training by investors and service providers covering everything required to launch a firm. He shared that the current NextGen program runs every Friday for nine weeks and will conclude the second week of April 2022. He then shared how NAIC is extremely focused on the advancement of women in alternatives and described how NAIC's Women in Alternatives initiative—*In, Up, and Beyond*—aims to help women enter the alternatives industry, move up the continuum, and advance independently beyond their firms as experienced alternative investment professionals.

Greene then commented on the U.S. map, which visually depicts the states where NAIC has held, either in person or virtually, Institutional Roadshows since 2014. NAIC has met with over 148 capital allocators managing, collectively, over \$13 trillion dollars across 23 states. Greene described how the roadshows have been very successful, especially with repeat participants like New York City Retirement Systems, and shared his hope that NAIC will one day cover each state across the 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.

Greene then asked members whether there were any questions. J.Dennis Jean-Jacques of Ocean Park Investments asked about the focus of BAM's hedge fund strategy, specifically whether commitments are made seeking risk mitigation or alpha generation. Ekaterina Schuman said BAM is seeking managers who can generate returns and fit into one of their four buckets. She said the team is happy to look at anyone who approaches them. Leon Dunkin added that BAM has a defensive strategy for hedge funds, not necessarily looking for what is going to outperform when the market is going up, "but what will show the value of hedge funds when the market is going down."

Kristen Emery of Fruition Consulting then provided instructions to access the one-on-one meetings following the general session. Greene then thanked Comptroller Lander, Mike Haddad, and John Adler for generously sharing their time and being engaged and enthusiastic about working with NAIC. He then wished everyone productive one-on-one meetings and ended the session.