



National Association of
Investment Companies

The Largest Network of Diverse-Owned
Private Equity Firms and Hedge Funds

1300 Pennsylvania Avenue, NW, Suite 700
Washington, DC 20004

MEMORANDUM

To: NAIC Members

From: Robert L. Greene, President & CEO

Date: April 7, 2022

Subject: NAIC Institutional Investor Virtual Roadshow hosted by Mercer

On March 31, 2022, the National Association of Investment Companies (NAIC) held its third Institutional Investor Roadshow of the year, which was hosted by **Mercer**. Mercer invited four clients to join its team for the event: **Blue Cross Blue Shield of Louisiana (BCBSLA)**, **Mercy Investment Services**, **Uplifting Capital**, and **Yale New Haven Health**. Mercer is the largest investment consultant and delegated services (OCIO) provider, with over \$15 trillion in assets under advisement and over \$380 billion in assets under management (as of 3/31/2021). The event was Mercer's fourth roadshow with NAIC and NAIC's initial engagement with three of the participating allocators Blue Cross Blue Shield of Louisiana (BCBSLA), Mercy Investment Services, and Uplifting Capital.

Host Organization

Mercer

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Participating Allocators

Blue Cross Blue Shield of Louisiana (BCBSLA)

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Mercy Investment Services

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Uplifting Capital Inc.

Jonathan Firestein, Director, Investments – jonathan@UpliftingCapital.com

Yale New Haven Health

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NAIC Leadership & Staff

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The 41 NAIC member firms and their respective representatives selected to participate in the event included: **Act One Ventures**, Alejandro Guerrero; **Advaita Capital**, Gayatri Sarkar; **AIN Ventures**, Sherman Williams; **Antara Capital**, Mary Kate O'Neill; **Arkview Capital**, Vijay Mehta; **Auldbress Partners**, Maude Delice; **BlackOpsVC**, Ebony Peay-Ramirez; **Boresight Capital**, Bryson Clements; **Brasa Capital Management**, Alexis Lewis; **Centre Lane Partners**, Upacala Mapatuna; **Corsair**, Laura Hill; **Development Partners International**, Joanne Yoo; **DigitalDx Ventures**, Michele Colucci; **Diverse Communities Impact Fund (DCIF)**, Tom Soto; **Dominus Capital**, Michael Smart; **Dux Capital**, Daniel Santamarina; **Excel Group**, Emma Ackerman; **GPI Capital**, Philip Lo; **Grain Management**, Kathlika Fontes; **Include Ventures**, Tina Hahn; **JPMorgan Asset Management**, Charles Willis, Jr.; **Kah Capital Management**, Donna Sims Wilson; **Lafayette Square**, Stephen Usher; **LAT VC Partner**, Kennie Blanco; **Leeds Illuminate**, Kara McCrossan; **Lightspring Capital Partners**, Meghan Otis; **Lumos Capital Group**, James Tieng; **Madryn Asset Management**, Dr. Avinash Amin; **NexPhase Capital**, Ariana Scotti; **Nile Capital Group**, Stephanie Neruda; **PAAMCO Prisma**, Von Hughes; **Palladium Equity Partners**, Dale O'Connell; **Pharos Capital Group**, Adam Persiani; **Recast Capital**, Sara Zulkosky; **Sagard**, Zi Chong; **Sango Capital**, Vincent Williams; **Stellex Capital Management**, Courtney Mehrotra; **True Equity Growth**, Dehdan Miller; **Tuatara Capital**, Al Foreman; **Valor Equity Partners**, Joseph Haslip; and **WM Partners**, Vanessa Gabella.

Bob Greene, NAIC's President and CEO, welcomed everyone to the fourth NAIC Institutional Investor Roadshow hosted by Mercer, acknowledging that it had attracted the largest number of participating NAIC members to date. He thanked the Mercer team and its 15 representatives for being great partners. He specifically acknowledged Aimee Ridge, who would be speaking on behalf of Mercer, Brad Young for his ongoing support, and Robert Nelson for helping to organize the meeting. Greene then introduced the NAIC team: Joseph Haslip, Chairman; Carmen Ortiz-McGhee, Chief Operating Officer; Marissa Mahoney, Director of Partnerships and Alliances; Kristin Perlman, who recently joined as Director of Marketing and Communications; and Nia White, Capital Allocator Advisor, along with the production team from Fruition Media led by Diana McCaskill. Greene then covered the agenda for the event and turned the floor to Aimee Ridge to provide host remarks.

Ridge thanked everyone for attending the roadshow. She said the roadshows with NAIC over the last few years have proven to be a "reliably valuable piece of the larger matrix that Mercer is leading when it

comes to diverse manager investing.” She shared how Mercer is committed to making sure it moves the needle from the current “absurd numbers today in 2022 at around three percent of capital going to diverse led firms.” She also acknowledged that it was the final day of Women's History Month and shared how she has been involved in various events over the last 31 days and seen firsthand dedicated efforts to make real change. Ridge added that Women's History Month, Black History Month, and Pride all highlight inequality and injustices while celebrating what makes us great. She said it takes more than awareness, as it takes action to see and understand the problems, humble self-reflection, and an even greater amount of courage to make changes.

Ridge then spoke about the data and market figures on diverse managers across alternatives that would be featured in the NAIC overview. She recommended that everyone access the research reports on the NAIC website. Ridge shared how she is always surprised that an industry driven by statistics, competitive analysis, and market research does not pay attention to “data that keeps showing there is an increased likelihood of outperformance when diversity is in the room.” She shared her hope that more people respond to the actual data. Ridge also offered a comparison that Bitcoin is getting more movement these days than minority-led firms and said that is why the Mercer team and its clients are present.

Ridge shared she leads Mercer’s diverse manager research and is the chair of the Investment Committee for DEI Investments. She offered advice for the private meetings—that the Mercer clients ask managers to share their stories, why they started their firms, and where they see their firms growing in the future to prepare for the long partnerships that exist in private markets. Ridge concluded that she was looking forward to the breakout sessions and thanked Bob Greene and the NAIC team for putting the event together and everyone for their participation.

Greene thanked Ridge for her host remarks and acknowledged each of Mercer’s clients in attendance: Blue Cross Blue Shield of Louisiana, Mercy Investment Services, Uplifting Capital, and Yale New Haven Health. He added that NAIC loves to see “new places and new faces because what it really means is we're expanding the conversation, and this conversation has actually gone on really far too long with far too small an audience.” Greene commended Mercer for bringing together such a great group and giving NAIC the opportunity to share.

Greene continued that there is too little fact-based research information broadly known about the diverse marketplace, which is what allows “almost every investment fad to eclipse diverse managers when it comes out.” He commented on the BRICs, which became popular and outpaced diverse manager commitments. Greene noted that when other forms of active management launched, they also became eminently more popular and that, “you can hear far more today about ESG, Bitcoin, and other forms of digital currency.” He continued that NAIC is still in the business of talking about diversity, because “diversity performs, and the data that NAIC has delivered over a 25-year period supports that diverse managers have performed extremely well.”

Greene began the NAIC Market Overview describing how NAIC is a 51-year-old, 501(c)6 organization with 155 members collectively managing over \$260 billion in assets. He described how NAIC provides education, advocacy, and industry events and NAIC’s members have invested in 940 portfolio companies globally, generated \$177 billion in revenue, and across the United States employ 1.6 million people. He added that NAIC members invest across a broad spectrum of industries, including retail, health care, transportation, apparel, IT software, and many others.

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, and in many cases outperforms, the broader market.
- A growing number of institutional investors are allocating increased capital to diverse-owned managers, evidenced by frequent oversubscription.

He then described the volume of deal activity, noting that 2021 was a record year with pent-up deal activity from 2020, and highlighted that the 2022 deal flow is on pace to exceed the prior year's levels.

Greene then described NAIC's membership by asset classes. He said one of the things he is most proud of is the tremendous growth in membership, noting that NAIC's membership has grown from roughly 50 firms four years ago to over 150 member firms. Greene also pointed out that NAIC distinguishes itself from other membership organizations with firms as members instead of individual members to "focus on the interests and needs of the firm." He described how NAIC began as a private equity association and has expanded to include all of the alternative asset classes.

Greene continued that the deepest footprint of membership is within the buyout space and includes other private equity strategies such as fund of funds. He discussed the addition of hedge funds, which has grown to almost 20 member firms. Greene described how growth and expansion and venture capital have been the two fastest growing categories of membership with 20 firms in each, as NAIC has spent time focusing on the wealth gap in America, particularly for African-Americans and Latinos, and understanding "the connection between addressing that wealth gap, creating wealth for entrepreneurs, creating wealth for friends and family that invest in those deals and also the employees alike." Next, he touched on the real estate members firms, which have increased from zero to 10 members over the last year. Greene also noted the full complement of service providers and other firms that see the value of working with NAIC.

Greene then covered the emerging manager story and said one must understand that "some of them are new firms, but they are not new investors." He described how NAIC's membership spans from firms in their first year of existence raising their first fund to managers with a 20-year track record. Greene continued that to appreciate the heritage of NAIC, one must also understand the heritage of the well-known private equity and alternative investment industry names, including Goldman Sachs, The Carlyle Group, Golden Gate Capital, Ripplewood, and Credit Suisse, "all places where NAIC member firms have apprenticed, learned their craft, developed their track record and then bet on themselves by creating new firms." He noted the direct connection the founders of Stellex and Sycamore Partners had to The Carlyle Group and Golden Gate, respectively. Greene added, "We're not asking you to do something that lowers or compromises performance or your experience hurdles, your track record hurdles, or anything else. What we're asking you to do is look in a different place to find it."

Greene then touched on the increased interest NAIC member firms are receiving from the large pension plans, mid-sized to small pension plans, corporate investors, endowments, foundations, and family offices. He noted the unfortunate part of the story—that the denominator is so big that as the market increases five to 10 percent, diverse managers aren't keeping pace with the overall capital flows, reflecting on Ridge's earlier comments.

Greene continued discussing the wealth of research documenting the outperformance of diverse managers. He discussed the 2021 NAIC performance study, *Examining the Returns*, where NAIC member firms produced higher net IRRs than the Burgiss median quartile in 76.5 percent of the vintage years studied between 1998 – 2020. Greene also covered 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, and the series of studies commissioned by the Knight Foundation on diverse manager performance. Greene highlighted what the research on diverse manager performance has found over the last 20 years—diverse managers in most cases are performing as well as, or better than, the marketplace. He added, “It is realistic to expect that if you had a diverse manager program with effective manager selection, you could expect it to outperform.”

Greene then spoke about recent NAIC member deal activity, commenting on newsworthy deals executed by GenNx360 and Clearlake, and newer firms such as RECOGNIZE and OceanSound Partners. He said NAIC members are producing increasingly interesting deals both on the buy side and the sell side. Greene then referred to testimonials from Johara Farhadieh, CIO of Illinois State Board of Investments; Michael Trotsky, CIO of Massachusetts Pension Reserves Investment Management, and Jarvis Hollingsworth, the Chairman of Texas Teachers and summarized their comments, stating “diverse managers have been integrated into their investment program, and they have been used effectively to drive alpha.”

Greene covered the significant level of oversubscription across recent diverse-led fund offerings, which he said shows how much capital is flowing into the marketplace. He described how each tile on the chart represents that a diverse manager went into the marketplace to raise a certain amount of funds, raised in excess to their cap on that amount of funds, and that demand was left on the table. Greene shared 32 diverse-owned firms have raised 59 oversubscribed funds since 2015.

Greene then highlighted 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 and the *Managers in the Market (MINT)* quarterly distribution. Greene explained how NAIC delivers market education via a suite of programs that are largely about research, data, and information packaged and presented in intriguing ways.

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 launch their firms and (2) the advancement of women in alternatives. Greene described NextGen (the Next Generation of Private Equity Firms) in more detail, which has evolved from an in-person symposium held on one day to a nine-week symposium with 14 modules, where NAIC has trained 220 aspiring diverse managers.

Greene continued with NAIC’s goal to dramatically increase the number of women succeeding in the alternatives space via its Women in Alternatives initiative, which is led by Carmen Ortiz-McGhee. He described how the initiative—*In, Up, and Beyond*—aims to help women enter the alternatives industry, advance during their careers, 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 and executed in partnership with Toigo.

Greene said NAIC has also recruited a cohort of fellows for its training program for mid-level female investment professionals and is supporting them with hard and soft skill training and mentorship. 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 the “Beyond” component should help women “do what other groups have done, which is disproportionately higher or over-index on hiring people who look like them.”

Greene then commented on the map of the U.S. depicting the states where NAIC has held Institutional Investor Roadshows since 2014. Greene said NAIC has met with 148 capital allocators managing, collectively, over \$13 trillion dollars across 23 states, both physically and virtually. He said there is still more for NAIC to do to access the Heartland but that NAIC is proud that we have met with supportive allocators throughout the east and west coasts, the South, and the Midwest.

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.

Greene then asked each of the participating allocators to introduce themselves.

Blue Cross Blue Shield of Louisiana

Melanie Parent Williams, Investment Manager, represented Blue Cross Blue Shield of Louisiana (BCBSLA). BCBSLA began in New Orleans in February 1934 when representatives of six area hospitals got together and formed the Hospital Service Association of New Orleans, a nonprofit, mutual insurer that offered a form of pre-paid hospital care. BCBSLA serves 1.8 million Louisianians through nine regional offices.

Mercy Investment Services

Samuel Martin, Investment Analyst, represented Mercy Investment Services, an asset management firm based in St. Louis, which was established in 2009. Sisters of Mercy is a foundation that is run by Roman Catholic women to help others who suffer from poverty, sickness, and lack of education. The Sisters of Mercy created Mercy Investment Services for the collective investment and professional management of the endowment, operating, and other funds of the Sisters of Mercy and their ministries that choose to participate.

Uplifting Capital

Jonathan Firestein, Director of Investments, represented Uplifting Capital, a tech-forward private markets impacting investment and engagement platform designed specifically for financial advisors, as well as the families and institutions they serve. Uplifting Capital is committed to unlocking a better experience that will increase the flow of resources to funds and companies solving the world’s most important problems.

Yale New Haven Health

Mallika Nair, Investment Strategist, represented Yale New Haven Health, Connecticut’s leading healthcare system, consisting of Bridgeport Hospital, Greenwich Hospital, Lawrence + Memorial Hospital, Yale New Haven Hospital and Westerly Hospital and a physician foundation, Northeast Medical Group. With more than 29,486 employees and 7,569 medical staff, the Yale New Haven Health System

had 153,005 inpatient discharges in Fiscal Year 2021, 3.6 million outpatient encounters, generated more than \$5.6 billion in net revenue and accumulated total assets of approximately \$6.5 billion.

Following the allocator introductions, Greene asked if there were any questions. Vincent Williams from Sango Capital asked whether NAIC would be holding an in-person annual conference this year. Greene shared the “breaking news” that NAIC is planning a large reception to be held in New York and likely in July, while the annual LP Meetup will continue to be held virtually. He said the reception will take place most likely in July in New York City and include numerous capital allocators and multi-year corporate partners. Carmen Ortiz-McGhee added that more information would be released in the next few weeks along with invitations to register. She added, “I look forward to seeing everyone in person. It's been too long.”

Kristen Emery of Fruition Media provided instructions to access the one-on-one meetings following the general session. Greene then listed each of the NAIC member firms who participated in the roadshow event. He reminded each of the members to be on time for the private meetings and concluded the roadshow thanking Amy Ridge and the Mercer team for their partnership.