Transforming Access to Alpha

Summary of Reference Material and Discussion Guide

Xponance CEO Seminar

December 11 and 12, 2023

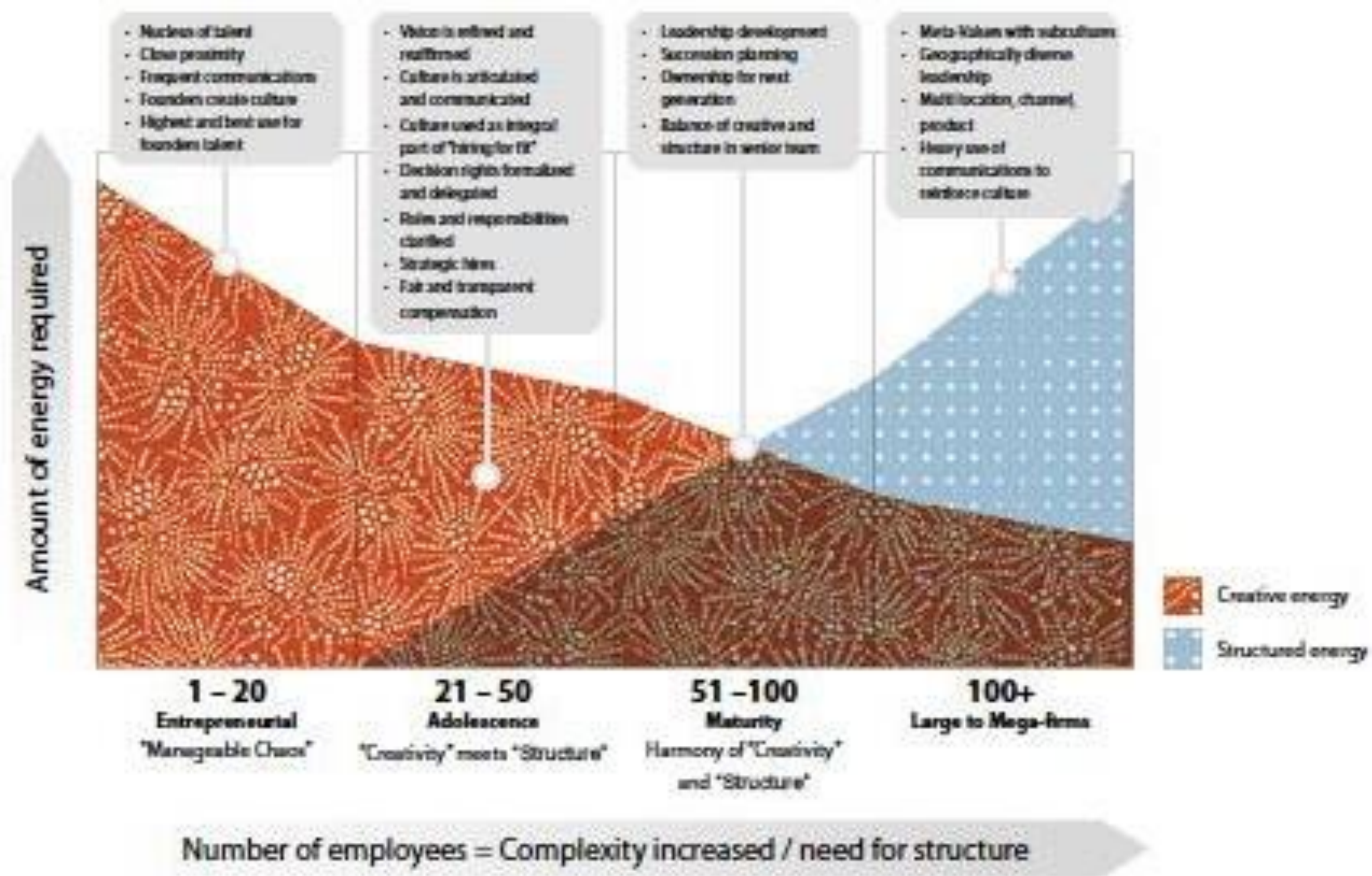
Navigating the Life Changes of a Firm

Entrepreneurship

"People look at him (her) and think, this guy's (gal's) really got it together! He's (She's) brave!" says Thomas. "And the man (woman) riding the lion is thinking, How the hell did I get on a lion, and how do I keep from getting eaten?"

Toby Thomas, CEO of EnSite

Life Stages Map (Focus Consulting)

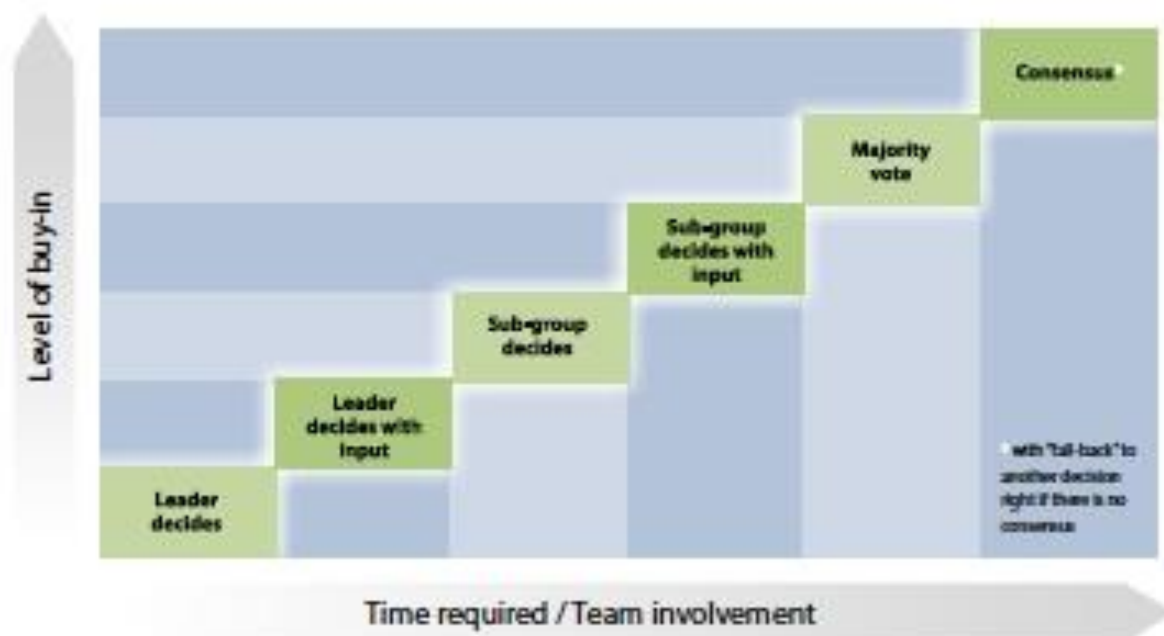


Successful Navigation of Firm Life Changes

- **Recognizing that major change requires disruption or "chaos".**
- *"Often the move from small to big is made in discreet or "quantum" segments. The change between each segment may appear chaotic, and that may trigger an unconscious reaction of danger!"*
- **Having a clear sense of your firm and/or product's "why", a definition of success, and a plan for what growth will look like for your team helps**
  - *Focus recommends that investment firms reexamine their vision and mission statements yearly to make sure they continue to accurately describe the purpose and passion of the leadership group. What do you think?*
- **Culture – or the "values, beliefs, and behaviors that would differentiate one firm from another." Increasingly it is recognized as a competitive advantage in the investment business.**
  - *Successful firms emerge because their leaders naturally practice a set of constructive behaviors, supported by useful beliefs and values."*

Evolving Decision Rights

- Decision Rights - Initially, the founder may make all the key decisions. Or the three founding partners may decide in concert, a consensus style. As the firm grows, however, they are forced to delegate decisions and to become more conscious about how decisions are made



"As a firm grows, it seeks a balance between the initial talent and entrepreneurial spirit of the founders (the ones who had a vision for creating alpha), and someone who can run all the non-investment aspects of the firm. A danger for rapidly growing firms is when their talented investment professionals spend less and less time using their natural talents for investing and more of it on running the firm. Top firms aim to keep their investment pros aligned with their passion and talent for investing. The 80/20 rule is helpful here: 80% of their time should be spent on investing. "

Successful Navigation

- **Hiring Well (Strategic Hiring) and harnessing diverse backgrounds and perspectives (Tina's add)**
- **Tina's add – Leading well by validating, inspiring, and empowering the right people in the right seats.** If a leader doesn't understand how to help other people succeed, create a world in which people feel valued and want to belong, and harness their collective genius to contribute to something larger than themselves, then his or her accomplishments will be totally dependent on the amount of time they have available in the day.

Successful Navigation

❖ Compensation

1. *Salary and bonus*

   a) *Investment performance (portfolio manager and analysts' contribution to alpha)*

   b) *Teamwork: Does the individual contribute to the development of the team through knowledge transfer, sharing experiences, providing good feedback?*

   c) *Building the business: Does the individual contribute to the revenue base? Does the individual contribute to client service? Does the individual contribute to growing new products? Does the individual contribute to brand building and public relations?*

2. *Management influence (i.e. a "say" in the business decisions)*

3. *Ownership in the business*

Successful Navigation

❖ Succession

a) *Assessment of key positions*

b) *Identification of key talent*

c) *Assessment of key talent*

d) *Generation of development plans (to train and develop targeted people)*

e) *Development monitoring and review*

Successful Navigation

Balancing Creativity and Structure

"The journey from entrepreneurial creativity (1–20 employees) to dynamic tension (over 20 and then again over 50 employees) involves the personalities and skills of the leadership team. If a firm has handled the issues discussed above skillfully, it can emerge as a larger, mature firm that has both the entrepreneurial excitement of a small firm and the necessary order and structure of a larger, professional firm. The goal is to find the balance between the two, to accept the dynamic tension that comes from welcoming a certain amount of chaos and creativity bounded by the appropriate structure. Growth in consciousness usually is part of this process because it requires embracing two very different personality structures:

- *Creative, flexible, go-with-the-flow, mad scientist.*
- *Practical, planful, structured Mr. Spock.*

Brand and Distribution Management

Brand Strategy (Prosek)

+ **Brand strategy:** Create a unique voice, brand positioning and core messages that are synthesized into a “Brand Blueprint” playbook. Establish and produce a foundational and visual identity, toolkit and templates for your company.

+ **Narrative & messaging.** Create a standalone narrative that reflects your differentiators and unique positioning in the market and provides additional key messages. Your narrative and messaging will serve as the foundation for all external and internal communications.

+ **Investor materials.** Align messaging across all qualitative and quantitative assets that reinforces your competitive advantage. Evaluate materials regularly to ensure the best brand representation. This includes:

- Fund pitchbooks
- PPMs and DDQs
- Teasers and marketing templates
- ESG policy
- Website and digital properties

Brand Strategy (Continued)

- **Digital presence**. Build and maintain a digital presence including a company microsite, social media (LinkedIn) and a handful of quality articles for search engine optimization. Consider executive communications on LinkedIn, placing bylined articles or op-ed pieces, awards and CEO-level conferences and networking opportunities.

- **Media relations / thought leadership.** Initiate a strategic news bureau program, cultivating relationships with key media to raise the firm's profile and insulate the brand for future protection. Highlight expertise and firm momentum in front of key audiences.

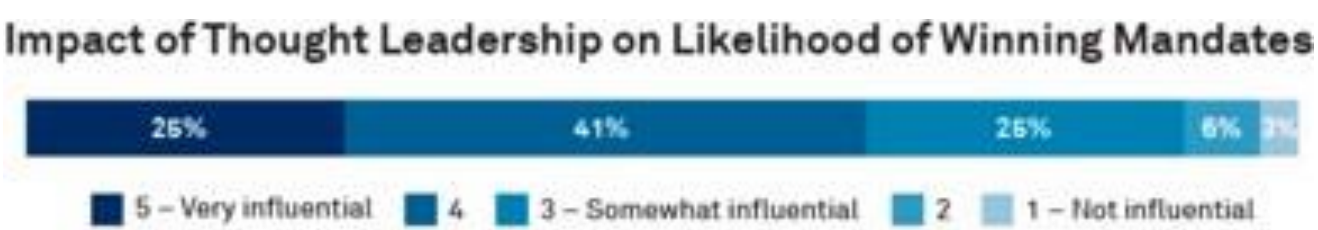
- **Conference planning and network development**. Develop a holistic conference and networking strategy to align with your business objectives and priorities. Consider which events and organizations can help your organization show up in the right rooms with the right people.

- **Presentation skills**. Practice communicating with prospects and current LPs effectively and with conviction. Learn technical tips for effective presentation delivery, including reading the room, non-verbal communications, and visual aids and understand best practices for handling a Q&A, including how to navigate difficult questions, interruptions and inaccurate information.

Thought Leadership

Thought leadership is easily and often recognized as a “nice to have” value-add. Half of U.S. investors in a recent Coalition Greenwich study identified it as a key contributor to a best-in-class brand, and a similar percentage reported it was fundamental in gaining familiarity with an asset manager. But faced with fee compression and low dispersion of returns in many asset classes, institutional investors and pension fund consultants are increasingly incorporating thought leadership and knowledge transfer as “need to have” factors in their manager selection process.

In the same study, two-thirds of global investors reported thought leadership had a high impact on the likelihood of winning mandates. In a hypercompetitive and highly commoditized market, managers that create, package and distribute differentiated thought leadership with actionable advice can tip the scales in their favor.



Note: Based on 298 respondents.
Source: Coalition Greenwich Voice of Client – 2022 Maximizing Brand Impact Study

Registered Fund Options

Market Product Comparison

Non-registered funds offer increased flexibility and expense management options over mutual funds

Attribute	Collective Funds	LLCs	Registered Funds
Permitted Investors	Qualified 401k plans, defined contribution, defined benefits, Taft-Hartley, self-employed (HR10/Keough plans), 403(b)(9) church plans	Qualified and non-qualified plans, endowments and foundations and high net worth individuals; ERISA eligibility 25% impact	Open to general public
Pricing Flexibility	High; flexible and may vary by plan; can be billed at plan level or charged to plan sponsor	High; flexible and may vary by plan; can be billed at plan level or charged to plan sponsor	Rigid; all investors pay fund's expense ratio
Relative Expenses	Low	Low	High
Portfolio Composition (Ownership of Underlying Securities)	Pooled	Pooled	Pooled
Valuation	Daily	Daily	Daily
Cash Flows	Frequent (usually daily) and less predictable cash flows	Infrequent and more predictable cash flows	Frequent (usually daily) and less predictable cash flows
Clearing	Automated through NSCC (available)	Manual	Automated through NSCC
Ratings Agency Coverage	Yes	No	Yes
Tax Requirements	None	Quarterly partnership accounting estimates, annual K-1 and Form 1065	None
Governing Documentation	Offering Memorandum & Participation Agreement	Private Placement Memorandum & Subscription Agreement	Prospectus
Legal Structure	3(c)(11) '40 Act exemption	3(c)(7) and/or 3(c)(1) '40 Act exemption	'40 Act

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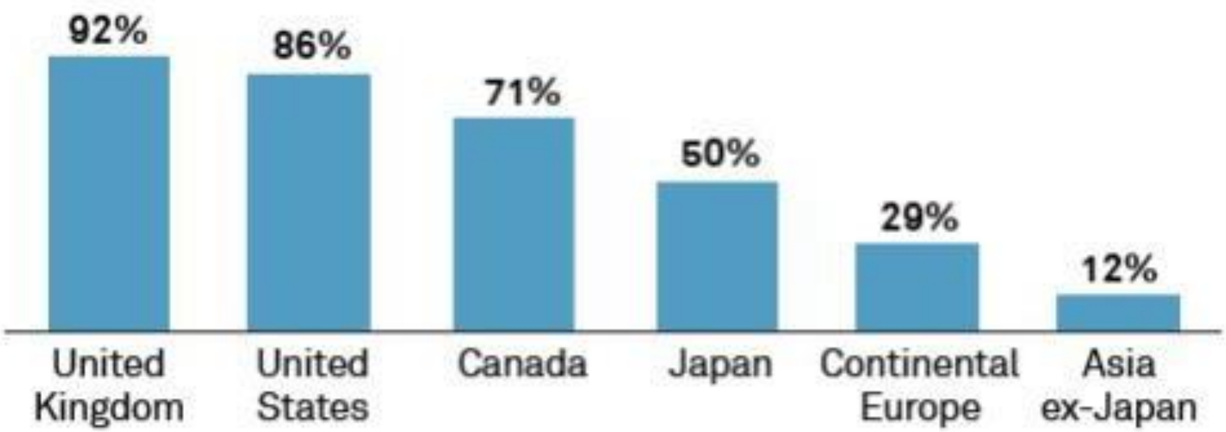
Marketing to Consultants

Consultants Are Key to Scale

Global Institutional Consultant Intermediation

Percentage of Institutional Investors



Note: Based on 229 respondents in the United Kingdom, 522 in the United States, 123 in Canada, 243 in Japan, 445 in Europe, and 127 in Asia (ex. Japan).
Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

Significant Consolidation within the Consulting Community

Note: Based on 855 respondents in 2014, 668 in 2016, 719 in 2018, and 417 in 2022.
Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

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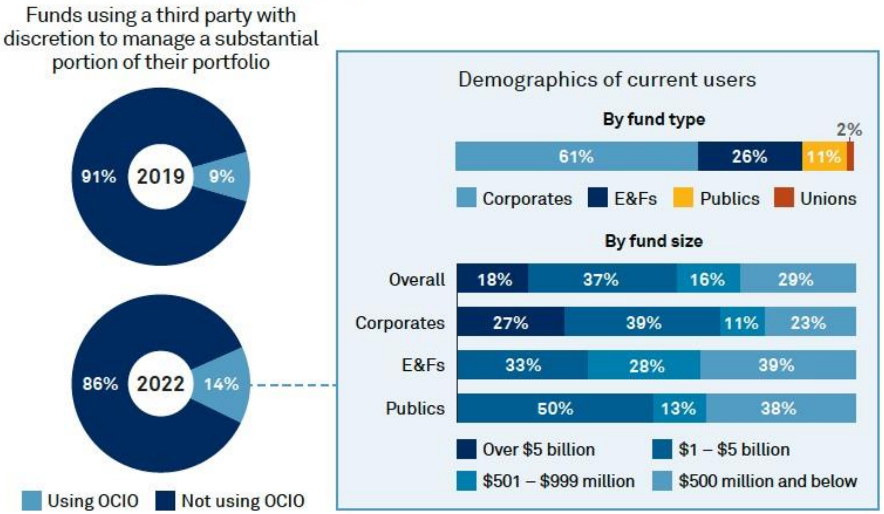
OCIO Marketplace

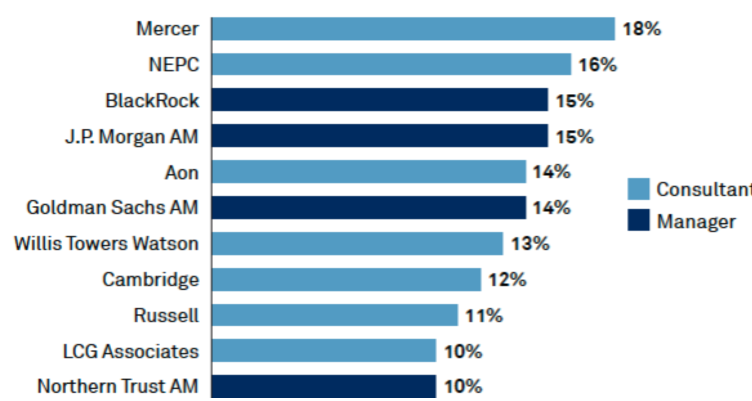
Use of OCIO—United States



Note: Based on 865 respondents in 2019 and 522 in 2022. Respondents based in the United States. Total may not equal 100 due to rounding.
Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

Top OCIO Providers Investors Would Consider—2022

United States—By Frequency of Citation



Keys to Success with Investment Consultants

1. **Employ a "one firm" approach**

2. **Segment, target and differentiate**

"Consulting firms come in various sizes and flavors and may have different approaches—for example, to active versus passive investments, listed versus private markets product strategies, and fee structures.. Many managers make the mistake of simply targeting the largest consultants. Although building relationships with these influential consulting firms can be important, your firm will not derive any benefit if the consultant is not interested in your strategy or product—or if the consultant does not have a large presence within the client base you are trying to reach. Having segmented and targeted consultants, and given that investors and consultants typically have dozens of choices, asset managers need to be able to answer the fundamental question, "Why us", "What is our differentiated proposition and how will it benefit the consultant and their clients?"

3. **Understand the consultant and their clients. Take the time to understand the topics that are of most interest to the consultant and their clients. This enables the manager to provide more relevant information on products and services, and more pertinent intellectual capital/thought leadership.**

Marketing to Consultants (continued)

4. **Field the right team**. Given the significant influence of consultants, and that consolidation is placing an even higher premium on these relationships, even small firms can benefit from having a dedicated consultant relations function. Managers. It is isn't simply about having the right number of consultant relations professionals. But they must be sophisticated enough to have need-based discussion with consultants in addition to being knowledgeable about their products and key key topics, such as client trends and ESG.

5. **Fully embrace the utility of consultant databases.**

6. **Schedule periodic relationship updates.** Attempt to meet in person at least once per year for a "relationship update." In this semiformal meeting, the manager renews the overall relationship with the consultant, and reviews the status of existing mandates and mandates in progress. The output of the meeting—in addition to reinforcing the personal bonds between manager and consultant—should be an annual agenda or a schedule of touch points for the next year.

Marketing to Consultants (continued)

7. **Be highly responsive.** A dedicated point of contact who oversees the entire relationship and can direct queries to the relevant people internally is a must-have. A quick response to questions is important, even if it is merely an acknowledgement of receipt or holding response. As a consultant noted, “If we send a note over asking for information for a particular client’s portfolio and there’s silence for a day, that’s not ideal.”

8. **Maximize meetings.** Some keys to formal meetings are to:

- Agree an agenda upfront, in order for both sides to be prepared;
- Share the materials ahead of time so that consultants can review and come prepared with questions;
- Have the right people—key decision-makers or subject-matter experts—in the room or on the call; avoid inviting too many individuals, whose participation in the meeting may not be clear.

9. **Find the right balance of support/challenge.** In addition to providing support, many consultants appreciate a manager’s view as a sounding board. “They also can be a little bit challenging or help provide some contrast of views, so not just rolling over and saying yes to everything,” says one consultant.

Marketing to Consultants (continued)

10. **Always be transparent and honest.** Be open and honest about your capabilities and ability to provide products or solutions to assist mutual clients. Importantly, this also includes instances when you feel you are not well suited to help. Consultants appreciate when managers are willing to discuss areas of weakness in addition to areas of strength. This type of dialogue leads to a level of trust that is sure to support a productive, long-term relationship.

11. **Coordinate internally**

12. **Communicate, Communicate, Communicate**. Surprises or circumventing the relationship consultant or the internal research process can ultimately hurt you.

Selling to B2B Wholesale Platforms

4 Key Trends in B2B Wholesaling Platforms (KPMG How Asset Managers Can Transform Distribution)

1. **Shrinking shelf space.** Shelf space continues to shrink at wirehouses and other wealth management firms (Nearly one-third of broker dealers have cut the number of funds available to advisors by at least 10 percent. In addition, large wealth managers are increasing their focus on centralized fund due diligence *to remove fund managers with limited track records or those deemed to be underperforming benchmarks and/or peer groups.)*

2. **Changing investor demands that are in turn changing the advisor's value proposition, reducing the role of product selection.** (Wealth management clients are demanding more comprehensive financial advice that goes beyond traditional asset appreciation into topics such as goals-based investing or cash-flow planning, estate planning, charitable giving strategies, and tax minimization).This move from selling investments to providing financial advice has helped accelerate use of managed accounts. Instead of paying commissions and sales fees, clients are typically charged a wrap fee based on assets under management (AUM). These vehicles, which are often managed by the home office or a third party, have grown by 280 percent over the past ten years. Managed accounts tend to limit the advisor's discretion to recommend specific funds.

B2B Distribution Trends

Advisor Margin Compression. With leaner support staffs, advisors have little bandwidth for building portfolios and selecting specific funds. That's why they are narrowing the list of funds to recommend to clients. Advisors look to wholesalers they deal with to be consultative experts who can explain how a particular fund can help clients achieve investment objectives. Retail investors, meanwhile, have become more focused on outcomes than benchmarks, rewarding managers for helping them to achieve personal financial goals. As a result, there is increased pressure on asset managers to provide insights into how specific fund recommendations impact the balance of risk and return best suited for achieving a client's financial goals. Asset managers that effectively impart cogent advice via the wholesale channel on topics such as expected return, volatility and diversification stand to gain market share.

B2B Distribution Trends

Demographics—As millennials displace baby boomers as the largest age demographic in the US, it will be critical for both asset managers and advisors and to understand and respond to their needs and preferences. More than other cohorts, millennial investors show interest in impact investing and funds that meet environmental, social, and governance (ESG) or socially responsible investing (SRI) criteria.

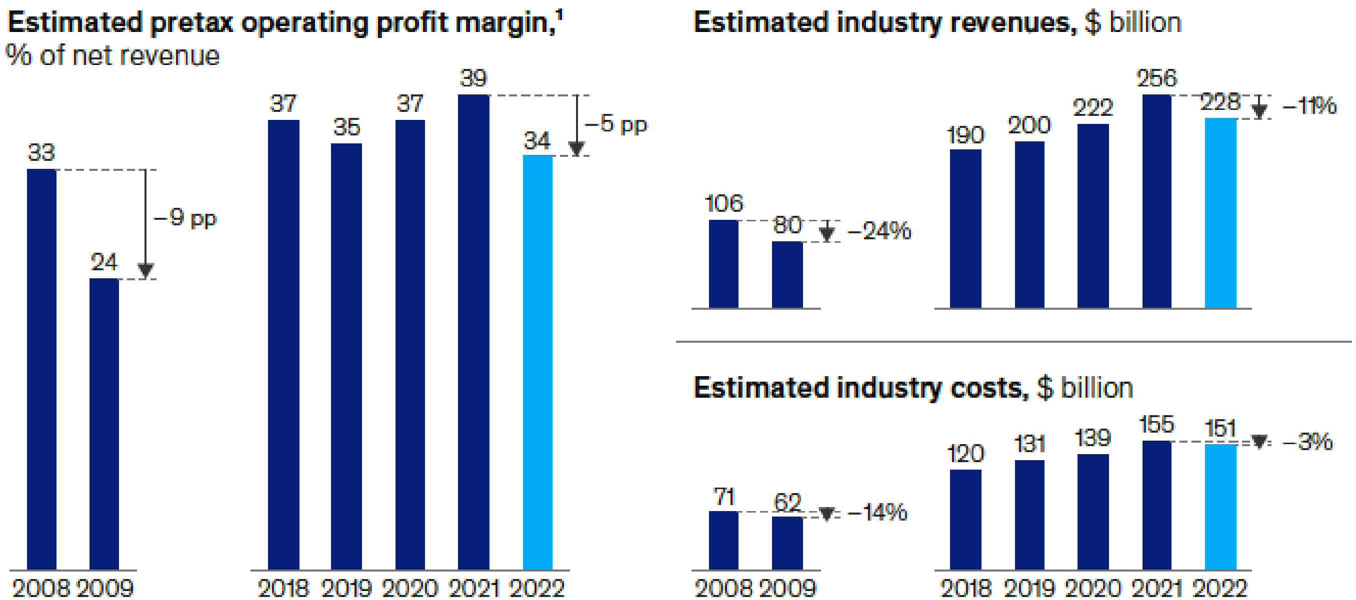
According to Morgan Stanley, 86 percent of high-net-worth millennials are interested in sustainable investing.11 Therefore, providing fund lineups that cater to the new generation and using the financial advisor channel to convey the merits of these funds are critical to remaining relevant and capturing money in motion.

Furthermore, investors increasingly expect access to private equity, private credit, commercial real estate, hedge funds and other asset classes traditionally reserved for ultra-high-net-worth or institutional investors.

Operating Expense Realities and Strategies

The Hard Numbers

Industry profit margins fell in 2022, mainly because of declining revenue, though the hit was less severe than during the 2008 financial crisis.

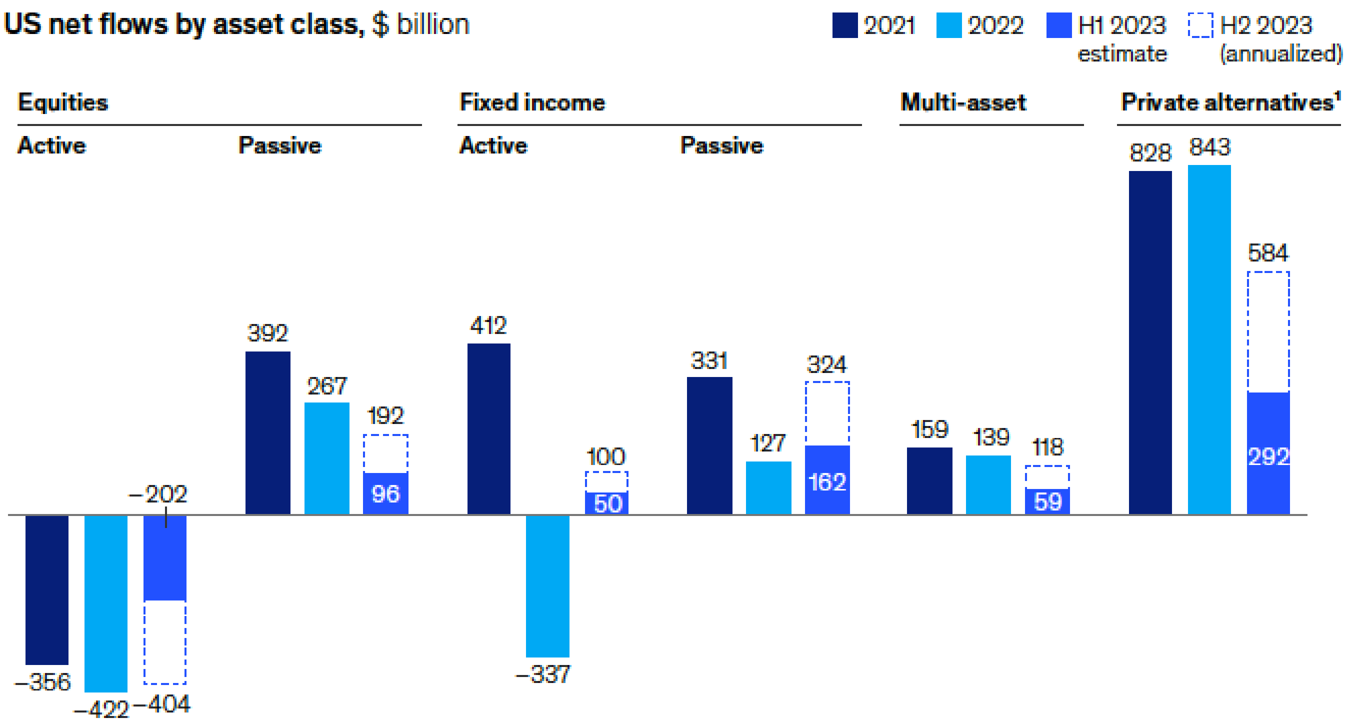


[1]Weighted average of pretax operating profit margins by revenues of firms in survey sample.
Source: McKinsey Performance Lens Global Asset Management Survey; public filings

Muted Asset Flows in 2023

Some asset classes showed signs of a muted recovery in the first half of 2023.

US net flows by asset class, $ billion



[1]Private alternatives annual fundraising for North America.
Source: McKinsey Performance Lens Global Growth Cube; Preqin

Expense Dynamics

Industry costs fell modestly in 2022, helped by lower investment management and distribution expenses.

Estimated total North American asset manager spending by function, $ billion

[1]Total annual costs divided by average assets under management during the year, in basis points.
Source: McKinsey Performance Lens Global Asset Management Survey

Expense Analysis - Compliance

You Are Responsible Under all CCO Models

- The CCO is ultimately responsible for ensuring the firm is in compliance with all applicable laws and regulations. Functionally, financial advisory firms cannot outsource the role of Chief Compliance Officer (CCO).However, this doesn't mean you necessarily need to hire a CCO dedicated solely to the compliance function. In fact, more than 95% of RIAs with less than$100 million assets under management (AUM) have a CCO who pulls double-duty for the firm.

- The Securities and Exchange Commission does allow regulated companies to appoint an external resource to the CCO role. In 2015, however, the SEC published explicit guidance that companies must not “set it and forget it” when outsourcing compliance functions. In practice, such guidance means that outside officers cannot be left to operate in the dark without detailed visibility into a firm's practices and without clear governance that allows them to act if risks emerge or violations occur.

- While the SEC does not weigh in on in-house or outsourced CCO requirements explicitly, it strongly indicates the expected responsibility and authority. Rule 206(4)-7 of the Investment Advisers Act of 1940 establishes the basic requirements. Per additional guidance published in 2004:

"An adviser's chief compliance officer should be competent and knowledgeable regarding the Advisers Act and should be empowered with full responsibility and authority to develop and enforce appropriate policies and procedures for the firm. Thus, the compliance officer should have a position of sufficient seniority and authority within the organization to compel others to adhere to the compliance policies and procedures."

Pros of Outsourced CCO

- **Cost-effective for smaller RIAs**. The U.S. median cost of a CCO, including salary, benefits, and other compensation in 2020 was $336,892, according to data from Robert Half. That figure increases to over $400,000 in major financial and tech centers such as New York City and San Francisco. Carrying this cost can be burdensome until a startup's revenue can support it.

- **Untapped knowledge**: Outsourcing provides firms with a deeper wealth of compliance resources and expertise that is not always available in-house.

- **Streamlined access/resources**: Outsourced CCOs have access to significant resources (deficiency letters, trends, etc.) to assist RIAs or funds in managing a proactive compliance program.

- **Industry-focused outlook**: Outsourced CCOs' deep experience, both in-house and from an examiner/regulatory aspect, can be instrumental in providing an ongoing, independent and fresh perspective to internal compliance programs.

- **Concentration on compliance**: As an outsourced CCO, their focus is on compliance and improving your firm's program.

Cons of Outsourced CCO

- **Potential additional scrutiny by regulators**
- **Outsourcing is essentially giving a third-party control over certain aspects of your firm's compliance program**. Without proper due diligence, firms run the risk of losing control over their compliance efforts and may not be able to adequately oversee the third party's actions. Additionally, if the third party fails to comply with laws and regulations, the firm may still be held responsible for any regulatory violations.
- **Turnover within the outsourced firms can impact a firm’s program**.
- **Some outsourced CCOs lack a full understanding of a RIAs business practices**.
- **Culture of Compliance**. It can be difficult for some outsourced CCOs to establish effective terms of communication with the firm’s principals.

Outsourced CCO Providers

Providers:

- ACA Global (bought Cipperman, Focus1, Barge Consulting and Foreside)
- Oyster Consulting
- IQ-EQ (bought Blue River Partners)
- Complysci/RIA In A Box (bought NRS and Gordian Compliance Solutions)
- Optima Partners
- Broadridge (bought SEC Compliance Solutions)
- Vigilant Compliance
- Frontline Compliance
- Adviser Compliance Consulting
- Waystone Compliance Solutions
- InnReg LLC

Disclaimer: The list has been compiled by Xponance but is not intended to be a comprehensive list . No endorsement on the part of Xponance is implied or should be inferred as a result of being listed.

Hybrid Approach

Maintaining an internal CCO but outsourcing certain functions. Such as:

- **Regulatory filing, compliance testing, and compliance training**
- **Communications archival and review processes**. With third-party software, advisers can store, retrieve, and filter communications all within a single platform, optimizing the content review process.
- **Audit preparation**
- **Cybersecurity**. Software such as RIA in a Box's Cybersecurity Solution can help firms with security training awareness, email phishing attack simulation, technology inventory and risk assessment, and crafting a sustainable information security policy.
- **Employee Trade Monitoring**. Trade monitoring software can streamline the transactions, holdings, and accounts attestations process. It can also proactively identify and resolve possible trading and firm-level policy violations by automatically flagging potential employee front running securities transactions.
- **Vendor due diligence** to ensure that third-party systems and vendors which your firm hires are operating within regulatory guidelines.

Potential Impact of AI

The Potential Impact of AI

1. **Reduced Research Costs with Natural Language Processing (NLP):** AI-powered NLP tools can quickly analyze financial reports, news articles, and earnings call transcripts, extracting key information relevant to investment decisions. This reduces the need for extensive manual research, thus saving on labor costs and time.

2. **Cost-Effective Portfolio Management with Robo-Advisors:** AI-driven robo-advisors can manage large portfolios efficiently by automatically rebalancing investments in response to market changes. This reduces the need for manual portfolio rebalancing, thereby cutting down on the associated labor costs.

3. **Efficiency in Trade Execution with AI Algorithms:** Advanced AI algorithms can optimize trade execution by finding the best prices and timing for transactions. For instance, AI can analyze market liquidity and price trends to execute large orders in a way that minimizes market impact and transaction costs.

4. Predictive Maintenance **in Trading Systems**: AI can predict failures in trading systems before they occur, reducing downtime and maintenance costs. For example, an AI system could analyze patterns in a trading system's operations to identify signs of potential system failures, allowing for preventative maintenance.

Potential Impact of AI (continued)

5. **Automated Compliance Monitoring**: AI tools can monitor transactions and communications to ensure compliance with regulatory requirements. This automation reduces the need for large compliance teams, thus saving on labor costs.

6. **Client Segmentation and Personalization**: AI can segment clients based on their behavior and preferences, enabling more targeted and efficient marketing and customer service strategies. This can reduce marketing costs and improve client retention rates.

7. **Streamlining Back-Office Operations**: AI can automate routine back-office tasks like data entry, report generation, and document verification. This automation reduces the need for manual labor and speeds up processes, leading to significant cost reductions.

8. **Optimizing Liquidity Management**: AI can analyze cash flow patterns and predict future liquidity needs, helping investment managers make more informed decisions about cash management and borrowing, thus reducing costs associated with unnecessary borrowing or cash holding

Expense Case Study – Benchmark Analysis

Index Comparison – Construction

In order to consider alternative public equity benchmarks, we need to ensure that there are available alternatives to the most widely used indices from Russell and MSCI. Bloomberg, Morningstar, and Solactive are index providers which have alternative indices available, including those which are market classification, region, market cap, style, and sector specific.

Bloomberg and Morningstar have similar market and sector classifications, however there are some differences to consider:

Market

Morningstar and Solactive classify Poland as a developed market, and therefor includes it within its developed market indices, while both Bloomberg and MSCI classify Poland within emerging markets.

Sector

Morningstar's Global Equity Classification Structure (GECS) differs form MSCI GICS classification slightly within consumer sectors but is comparable (Consumer Cyclical vs. Consumer Discretionary and Consumer Defensive vs. Consumer Staples). Bloomberg's Industry Classification (BICS) is comparable to GICS, while Solactive makes use of Factset's Economy/Sector classifications.

Market Cap

There are slight differences in cutoffs between Morningstar and MSCI indices:

Float

Bloomberg, Morningstar, and solactive have lower minimum float requirements (10% for new components) than MSCI (15%) for inclusion in equity indices.

	Morningstar	**MSCI, Bloomberg & Solactive**
Large Cap	Top 70%	Top 70%
Mid Cap	70-90%	70-85%
Small Cap	90-97%	85-99%

Index Comparison – Performance (Trailing 10-years)

Comparable Morningstar and Bloomberg indices track their Russell and MSCI counterparts closely based on several performance and risk metrics, including tracking error and correlation*.

Firm Name	Benchmark	Annualized Return	Tracking Error	Standard Deviation	Correlation	Max Drawdown
Russell	Russell 1000	11.63%	0%	15.21%	1.000	24.59%
Morningstar	US Large Cap	12.26%	0.31%	15.15%	1.000	24.91%
Bloomberg	US 1000	11.59%	0.20%	15.20%	1.000	24.90%
Solactive	USA 1000	11.58%	0.23%	15.22%	1.000	24.88%
Russell	Russell 2000	6.65%	0%	19.63%	1.000	32.17%
Morningstar	US Small Cap	7.06%	1.81%	19.74%	1.000	33.80%
Bloomberg	US 2000	6.74%	1.58%	20.33%	0.997	35.66%
Solactive	USA 2000	6.85%	1.48%	20.17%		34.97%

*All performance date is as of 9/30/2023

Index Comparison – Performance (Trailing 10-years)

Comparable Morningstar and Bloomberg indices track their Russell and MSCI counterparts closely based on several performance and risk metrics, including tracking error and correlation*.

Firm Name	Benchmark	Annualized Return	Tracking Error	Standard Deviation	Correlation	Max Drawdown
MSCI	All Country World ex-US	3.83%	0%	14.76%	1.000	27.40%
Morningstar	Global Markets ex-US	4.36%	0.37%	14.65%	1.000	26.59%
Bloomberg	World ex-US Large and Mid Cap	4.05%	0.66%	14.47%	0.999	26.78%
Solactive	Global Markets ex-US Large and Mid Cap	3.98%	0.34%	14.64%	1.000	26.79%
MSCI	Emerging Markets	3.43%	0%	16.17%	1.000	33.48%
Morningstar	Emerging Markets	3.16%	1.44%	16.55%	1.000	32.55%
Bloomberg	Emerging Markets	2.45%	1.93%	17.04%	0.995	35.61%
Solactive	Emerging Markets	3.01%	0.95%	16.68%	0.999	33.91
MSCI	All Country World	8.11%	0%	14.50%	1.000	25.34%
Morningstar	Global Markets	8.16%	0.23%	14.45%	1.000	25.12%
Bloomberg	World	8.07%	0.35%	14.37%	1.000	25.31%
Solactive	Global Markets Large and Mid Cap	8.18%	0.21%	14.41%	1.000	25.25%
MSCI	Europe, Australia, Far East	4.32%	0%	14.86%	1.000	26.88%
Morningstar	Developed Markets ex North America	4.32%	0.26%	14.83%	1.000	26.81%
Bloomberg	Developed Markets ex North America Large and Mid Cap	4.44%	0.25%	14.85%	1.000	26.54%
Solactive	Developed Markets ex North America Large and Mid Cap	4.31%	0.27%	14.84%	1.000	26.99%

*All performance date is as of 9/30/2023

Why Are Indices Necessary?

Manager

Investment managers typically require a benchmark for portfolio optimization and setting portfolio guidelines. Benchmark indices provide a starting point for how PMs should manage their portfolios from a risk and return perspective.

Consultant

When conducting searches or screening universes, consultants will often run performance metrics relative to a specific benchmark, however, managers often do not need to directly benchmark themselves to the index being used to be considered.

- For example, when running screens within eVestment, consultants begin with predefined peer groups which are categorized based on MSCI benchmarks (All EAFE, ACWI ex-US, etc.). Managers can bucket themselves or be bucketed into these peer groups without using those benchmarks within eVestment.
- Within the “All EAFE Equity” peer group in eVestment, managers list preferred benchmarks from S&P, FTSE, BNY Mellon, and others, as well as some labeling themselves benchmark agnostic.

Client

Often clients will have a preferred benchmark to be used for reporting purposes, but what benchmark relative metrics and attribution information is shown may be up to the manager.

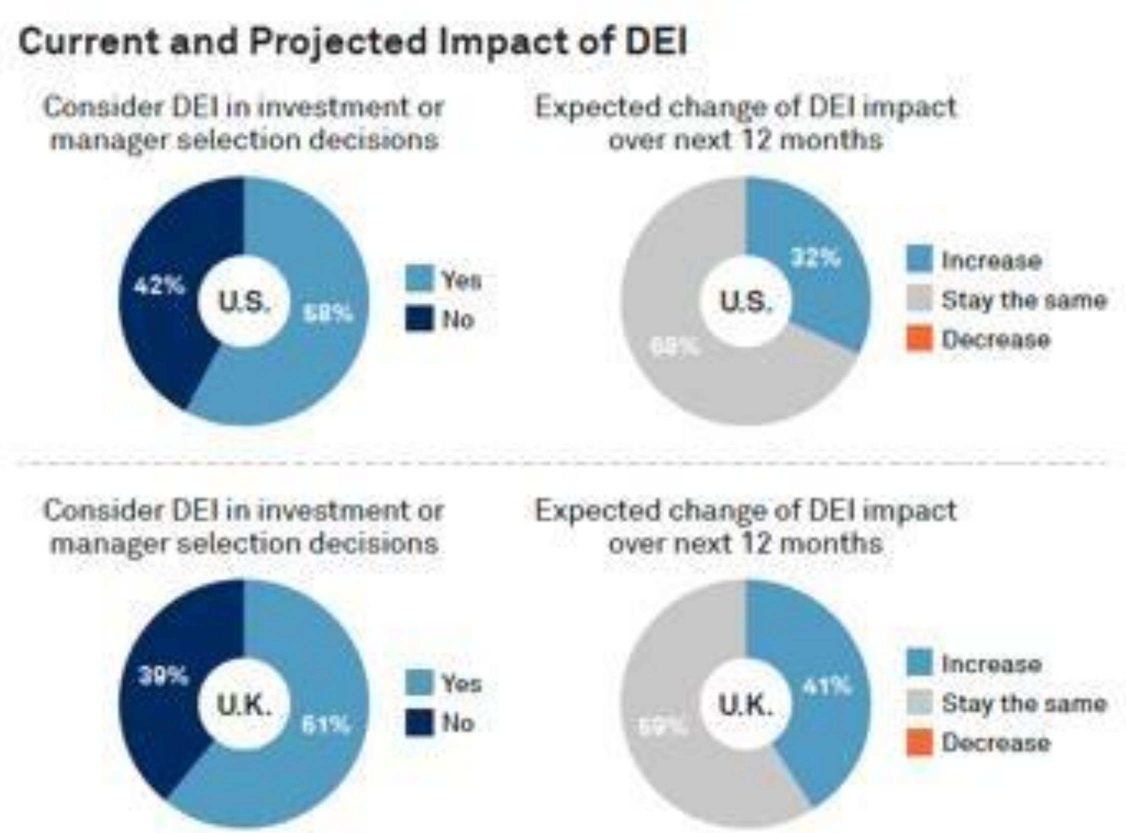
ESG and DE&I

ESG

Utilization of ESG in Institutional Portfolios

Note: Based on 140 respondents in Europe, 80 in Asia and 100 in North America in 2018.
Based on 127 respondents in Europe, 76 in Asia and 102 in North America in 2022.
Source: Coalition Greenwich Voice of Client – 2022 Delivering on ESG Study;
Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

DE&I



Note: Based on 171 respondents in the United States and 170 in the United Kingdom.
Source: Coalition Greenwich Voice of Client – 2022 Global Institutional Investors Study

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Proactive Strategies on Team Diversity

- Double blind hiring process
- Internships
- Where do you go to find talent?
- How do you harness the diversity of your team

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Incorporating Geopolitical Risk

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Transforming Access to Alpha

Geopolitical Backdrop

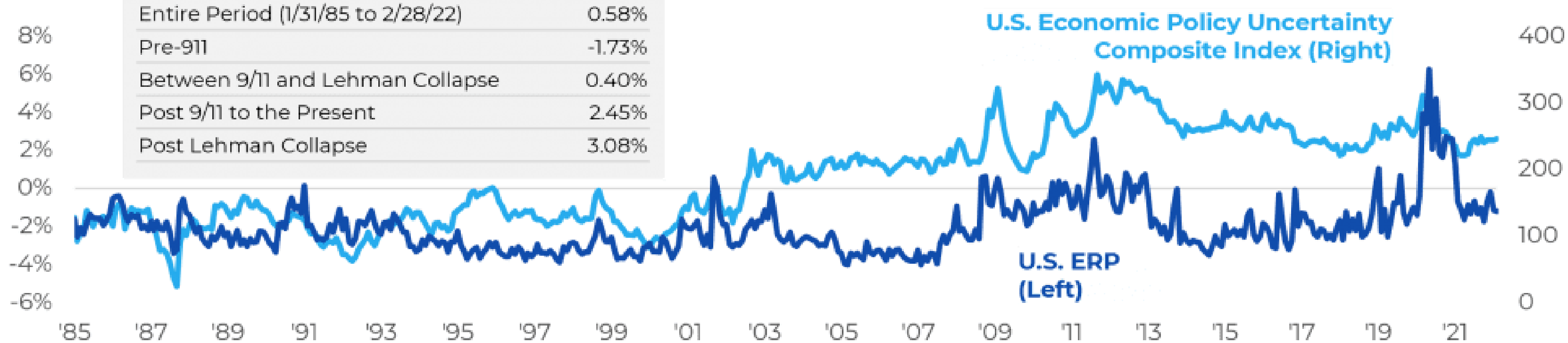
Tina Byles Williams
CEO & CIO

Geopolitics Always Mattered

It's Just that it was a Benign Tailwind

Chart 1 | **The "Great Modulation's" Support of Risk Assets was Underpinned by Geopolitical Peace Dividend from America's Global Hegemony**

Periods	Avg. ERP
Entire Period (1/31/85 to 2/28/22)	0.58%
Pre-911	-1.73%
Between 9/11 and Lehman Collapse	0.40%
Post 9/11 to the Present	2.45%
Post Lehman Collapse	3.08%



Source: eVestment

Key Geopolitical Risks

- Hegemonic Instability -> Geopolitical volatility, less global policy coordination and possibly greater investment restrictions
- Shift from Washington Consensus (the catch-all term for the Reagan-Thatcher revolution that gave us independent central banks, laissez-faire policy, deregulation, privatization, free trade, and counter-cyclical fiscal policy) to more dirigiste policies, protectionism and fiscal largesse -> structural inflation

What Is Hegemonic Instability?

- Developed by pre-eminent economic historian Charles Kindleberger to describe the interregnum between the British and American empires when the world lacked an economic hegemon that would have performed five critical roles of macroeconomic stabilization: maintain free trade, provide countercyclical global lending, guarantee stable exchange rates, coordinate economic policy across major powers, and act as a lender of last resort to foreign central banks.

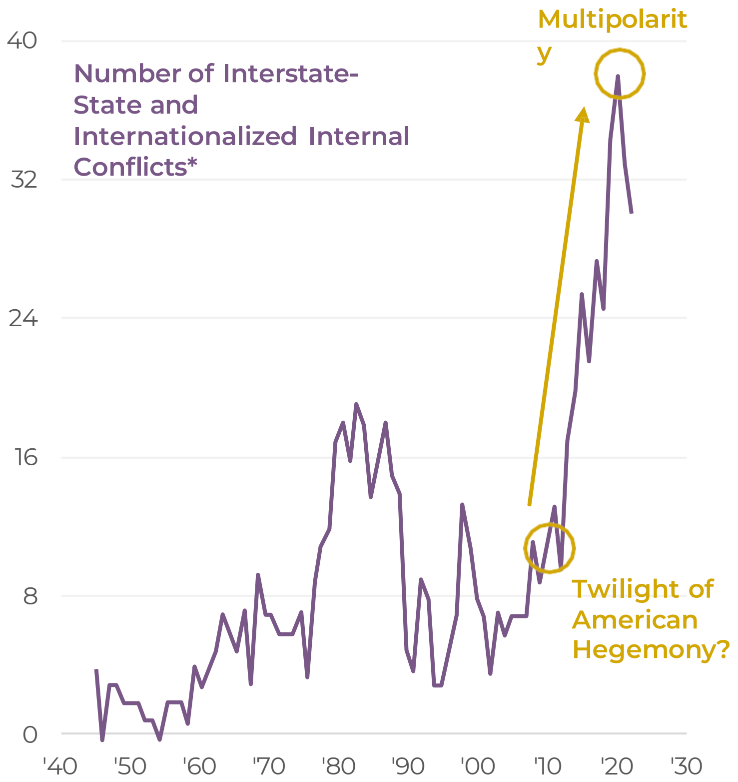
- In the 1930's hegemonic instability led to the Great Depression and global disinflation when policymakers of the time, such as the US Treasury Secretary Andrew Mellon, sought to "liquidate everything."

- Callousness was not the only reason for the disinflationary bias. Government spending was far "smaller," in terms of scope and economic capacity, and thus they did not understand how to offset private sector deleveraging with public sector leverage. Today the economic power of the state in terms of percent of GDP is larger. The US government's expenditure has gone from 8% in 1929 to 34% today.

- With the pendulum swing away from the Washington Consensus towards more dirigiste policies (in response to changing voter preferences), hegemonic instability will undergird structural inflation.

What Does Multipolarity Mean?

Conflict Increases Under Multipolarity…



*Defined as the number of conflicts between two types of Dyads (pairs): Interstate conflicts which involve two states, and internationalized internal conflicts which involve a state and organization supported by another state.

Source: UPPSALA conflict data program.

…Globalization Stagnates

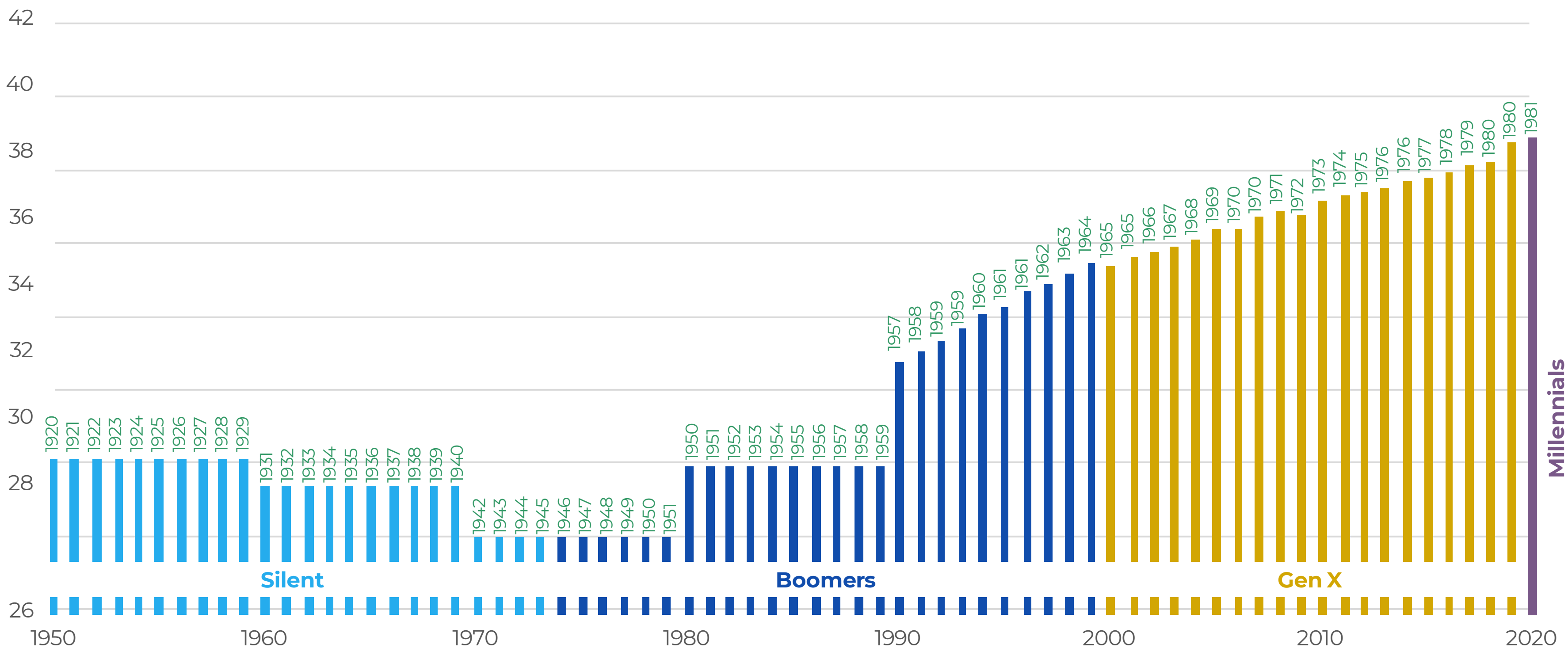
*Measured by imports as % of GDP weighted by population.

Source: Macrobond, BCA Research, Chase-Dunn C., Kawano Y., and Brewer B., "Trade Globalization since 179 waves of integration in the world system," American Sociological Review, Vol. 65, No 1 and CLOCKTOWER calculations since 1994.

THE MEDIAN VOTER AND CONSUMER IS NOW A MILLENIAL

U.S.: Median Age

Green Numbers Denote Birth Year of Median American



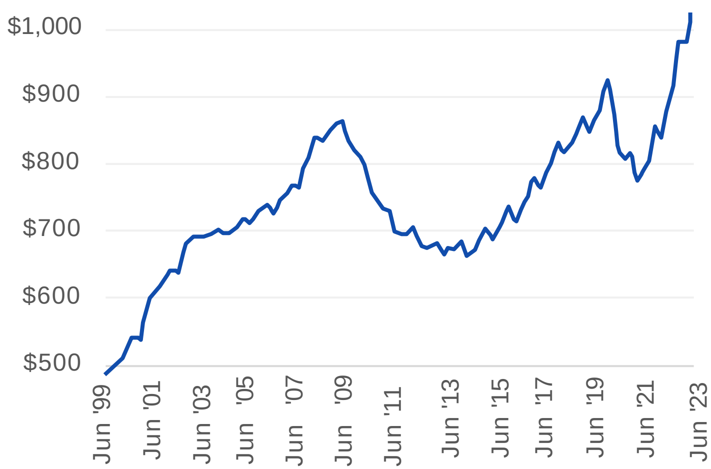
Note: Values for 2019 and 2020 are forecasts based on the 1990-2018 trend

Source: U.S. Census Bureau

The Yolo Consumer Is Back!

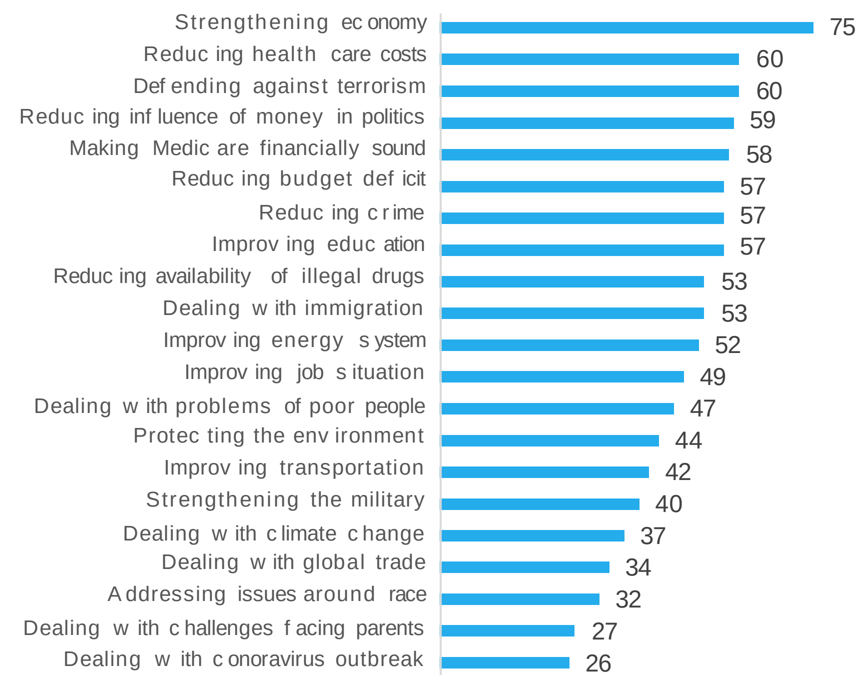
CIO Report

Total Outstanding Credit Card Balances, 1999 to Present
In billions, seasonally adjusted



Source: New York Fed Consumer Credit Panel / Equifax

While a Plurality Want Lower Deficits, It's Not Their Top Priority!
% who say ______ should be a top priority for the president and Congress to address this year



Source: Survey of U.S. adults conducted Jan 18-24, 2023
Pew Research Center

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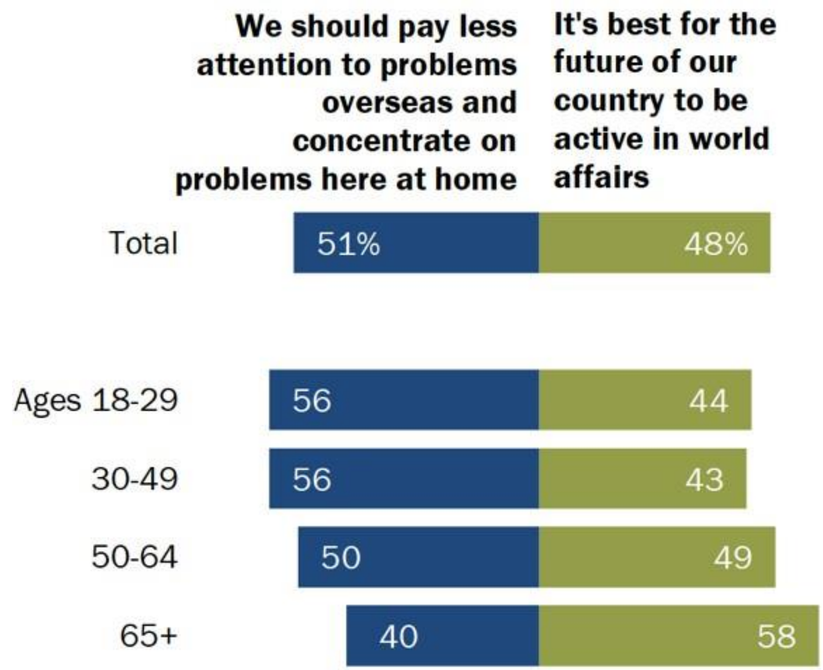
Younger Adults Less Internationally Focused Than Their Parents

Younger adults less likely to say the U.S. should be active in world affairs

% of Americans who say ...

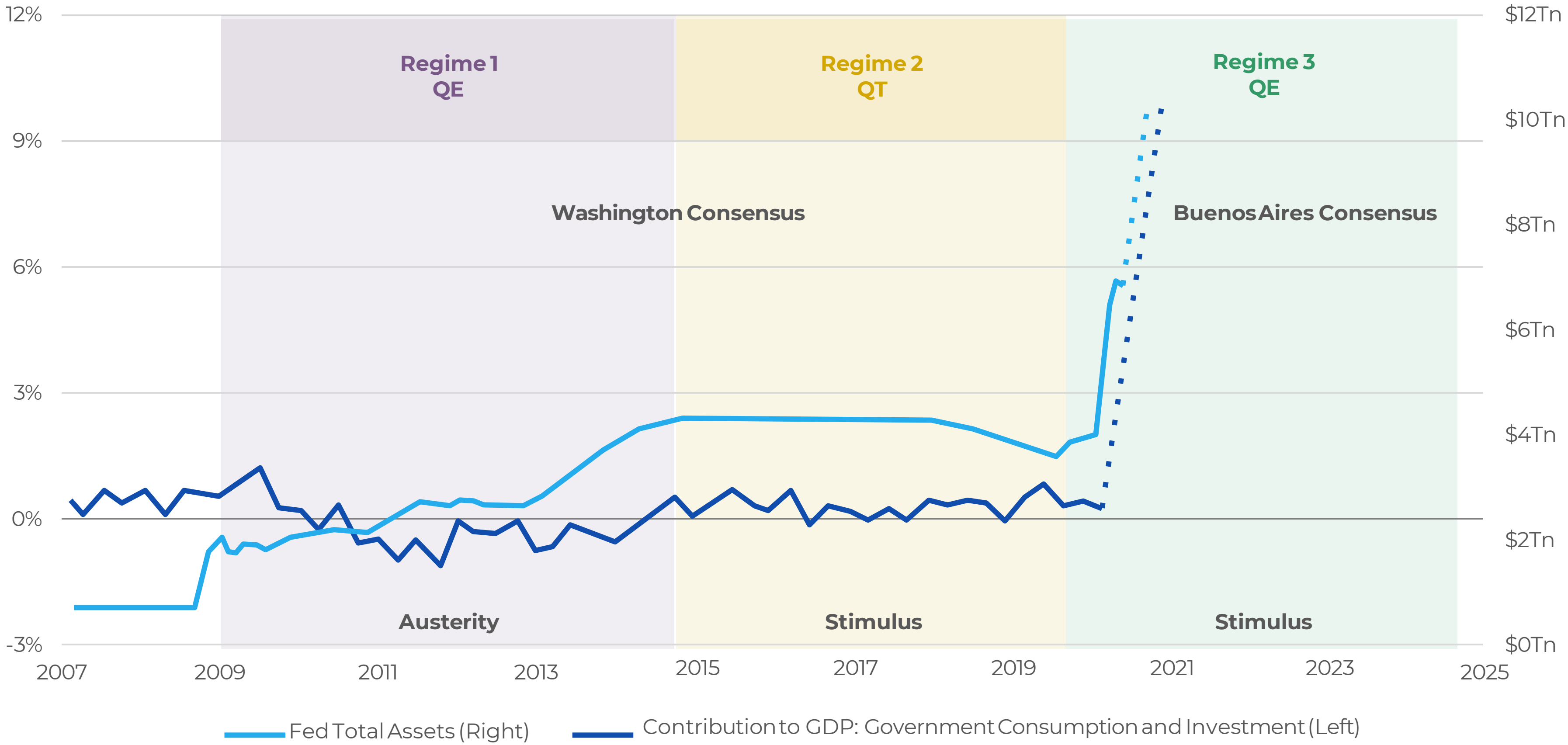


Note: Those who did not answer not shown.
Source: Survey of U.S. adults conducted May 16-22, 2022.

PEW RESEARCH CENTER

A New Economic Orthodoxy?

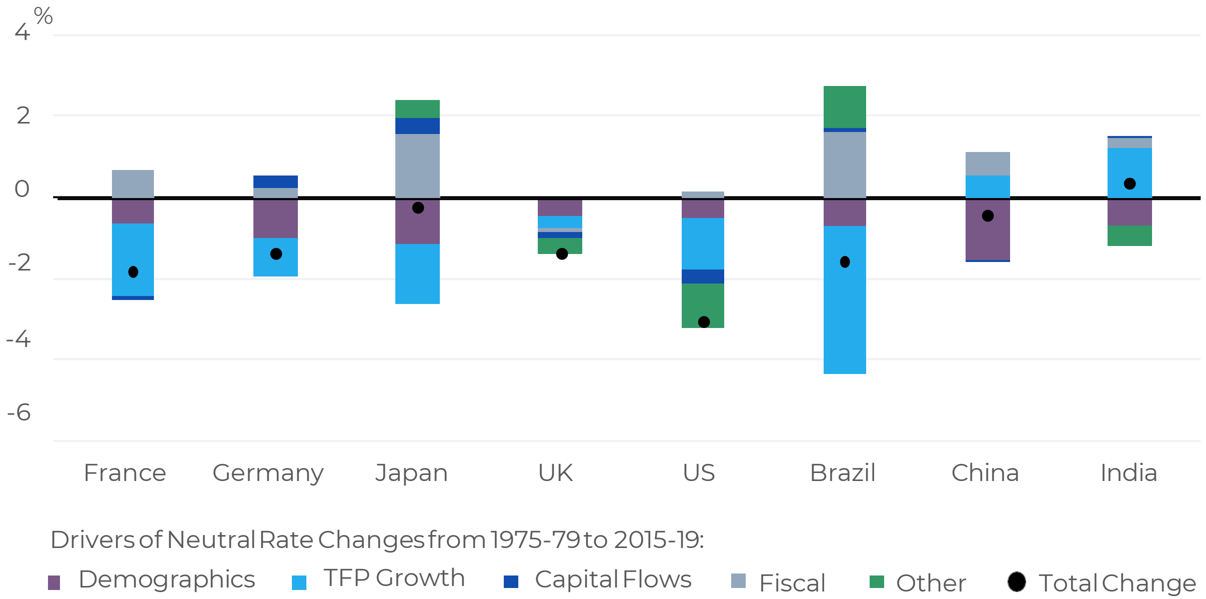
This is What the Buenos Aires Consensus Looks Like on a Chart



Source: Macrobond

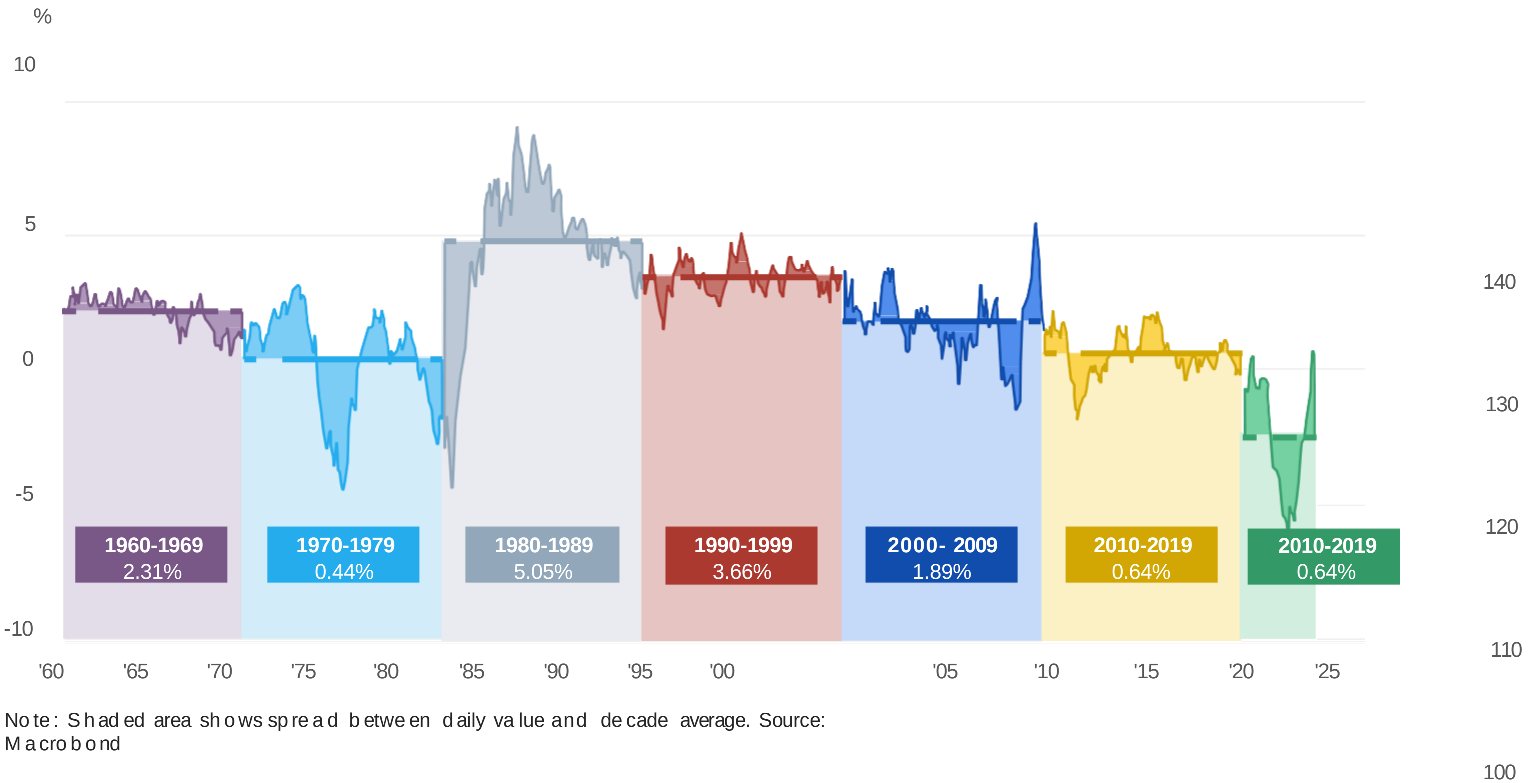
Past May Not Be Prologue

Drivers of Neutral Rate (1975-1979) to (2015 to 2019)



Source: IMF

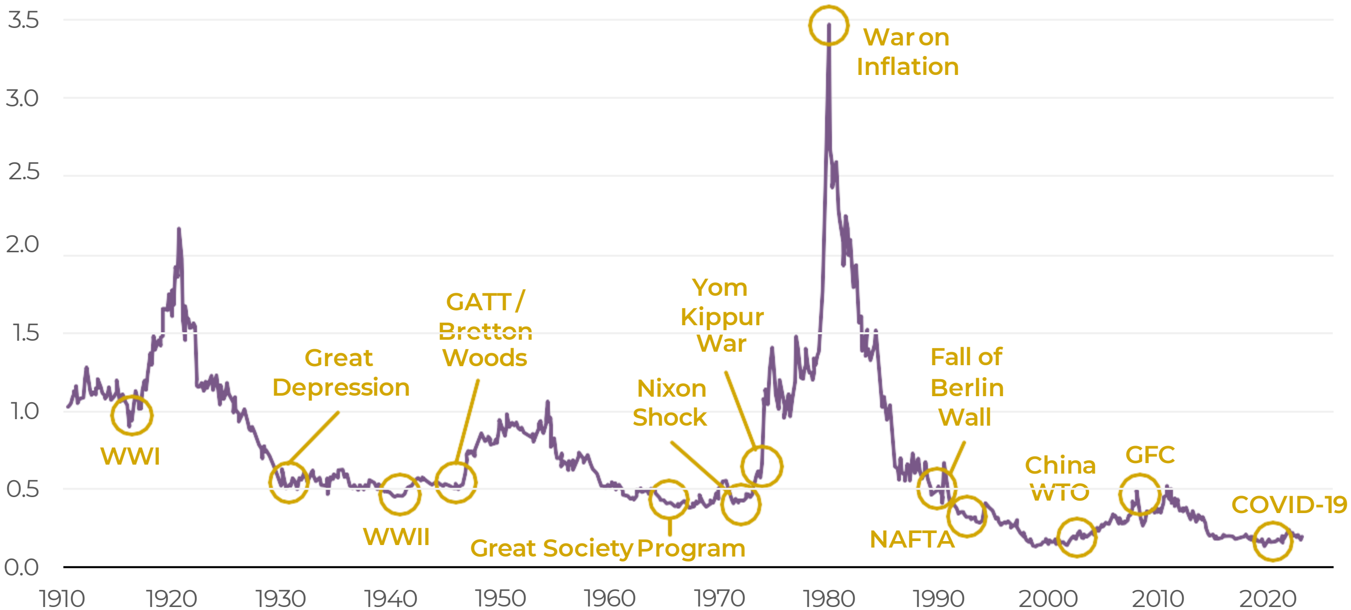
The Secular Bond Bull Market Over?



Note: Shaded area shows spread between daily value and decade average. Source: Macrobond

What Does Multipolarity Mean?

Real Assets Will Dominate in Hegemonic Interregnum Real Assets* / Financial Assets**



- Includes commodities and US real estate.

** Includes S&P 500 and 10-Year US government bonds.
Notes: Both series rebased to January 1910 = 100.

Source: Macrobond

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Options for Incorporating Geopolitical Risk

1. **Alpha opportunity, Risk avoidance or both?**

2. **Separating structural from cyclical risks**

3. **Does the price of the company reflect the risk?**

4. **Robust conditionality in information coefficients to address the market effects of geopolitical and macro-volatility**

5. **Preferences vs. Constraints Frame**. Cuts through the media's tendency to personalize political and geopolitical events into human interest stories, and instead focuses on the historical, political, economic, and constitutional/legal context in which they operate, which, despite the leader's preferences, will ultimately determine the e ficacy of his or her actions. These contextual constraints are like time, they remain undefeated, even though they do not always reveal themselves immediately. Thus, when political or economic leaders act on preferences that are at variance with their constraints, investors should ignore the noise and go long on whatever scenario will result from the leader either capitulating to his or her constraints or being replaced.