



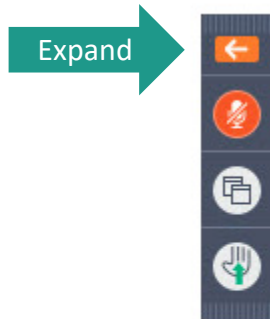
# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



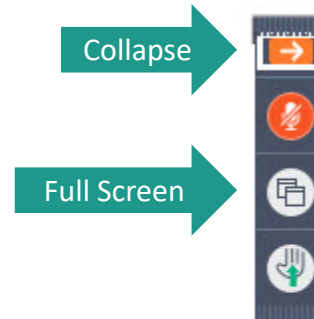
FEBRUARY 6, 2020

**Emerging & Diverse Manager Diligence Days Webinar**

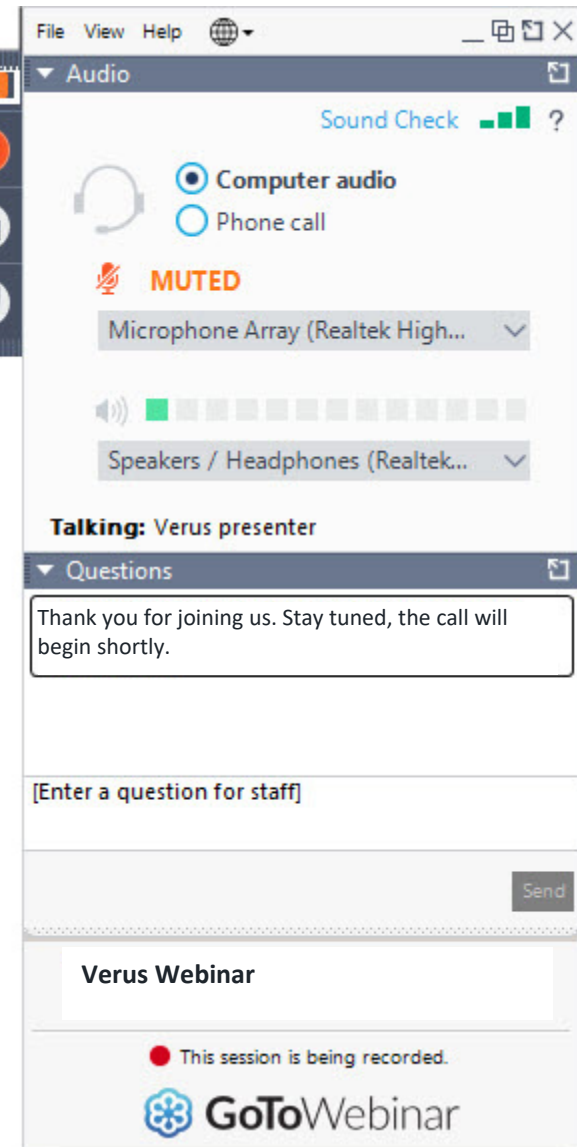
# Question instructions



Use the orange arrow to expand or collapse the control panel



Ask questions here



# Emerging & diverse manager diligence days webinar

Verus<sup>777</sup>

VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

## IMPORTANT INFORMATION

Dial in: 1 (877) 309-2074 U.S. & Canada

Access Code: 131-565-545

Playback Info: Will be available on the website after the call:  
<https://www.verusinvestments.com/edm-diligence-days/>

Audio Options: You may choose to listen through the webcast on your computer *or* dial in.

## PRESENTERS:



**Ian Toner, CFA**  
Chief Investment Officer



**Margaret Jadallah**  
Managing Director  
Senior Consultant



**Marianne Feeley, CFA**  
Managing Director  
Public Markets



**Francis Griffin**  
Director  
Private Markets

# Why are we doing this?

- Creating a healthy diverse infrastructure of managers is good for clients
- Encouraging diversity of thought can be good for outcomes
- Purposefully avoiding simplistic rules of thumb improves our thinking and our process

# 2019 Sampling of survey results

Of the survey respondents:

- **38%** of managers took 2-4 years to break-even
- **50%** were seeded with over \$1 million in start-up capital
- **53%** of the firms were self-funded
- **50%** of the firms outsourced 2 or less functions, keeping most functions in-house
- **44%** won their first mandate in 1-2 years
- **31%** won their first mandate in 3-5 years
- Most managers found success for new accounts in MOM, public funds or family offices

We'll  
conduct this  
survey again  
in 2020.

We  
encourage  
you to  
respond and  
will share  
the results.

# 2019 event recap

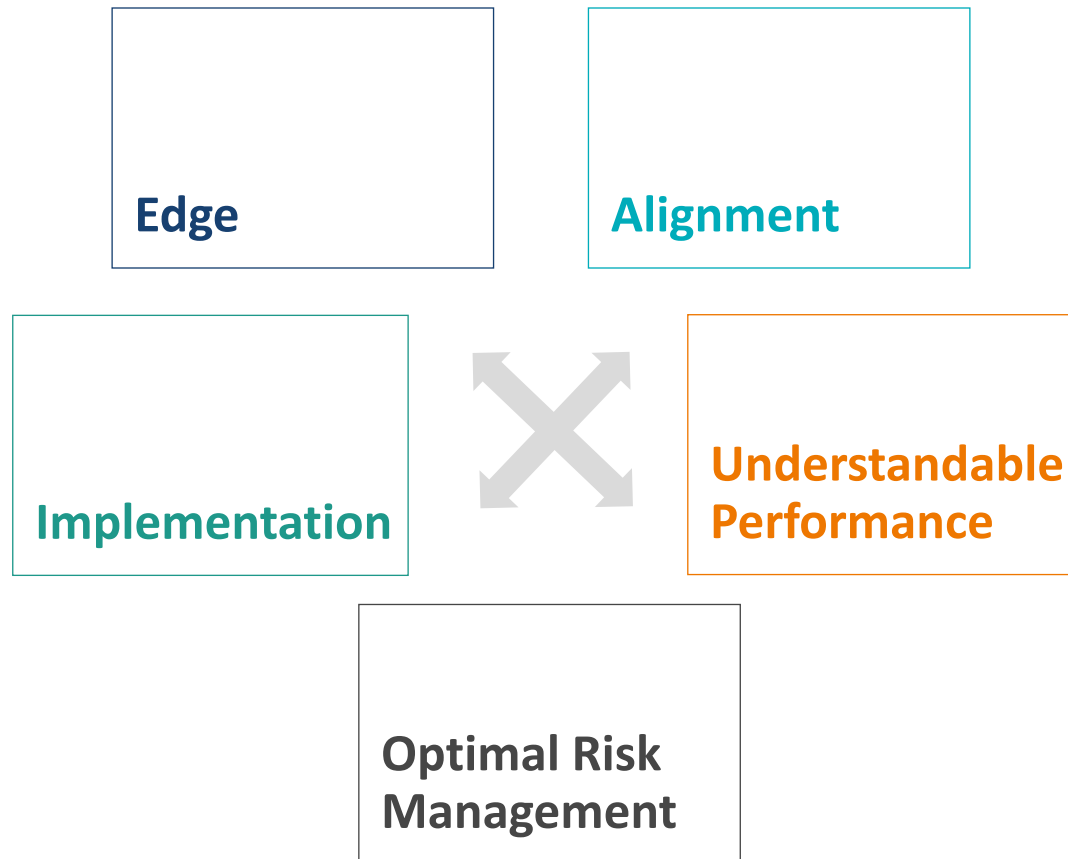
## 44 Meetings over 6 days

- **Seattle office:** 26 meetings
- **Los Angeles office:** 5 meetings
- **San Francisco office:** 13 meetings
  
- **US Equity:** 18 meetings
- **Non-US Equity:** 13 meetings
- **Fixed Income:** 10 meetings
- **Real Assets/Private Markets:** 3 meetings
- **Hedge Funds:** no meetings
  - There were a handful of applicants, but none with data on Aksia

# What have we done since then?

- **12** follow up meetings from the 2019 event
  - **4** of these were on site
- Initiated contact with **5** additional emerging/diverse managers who did not participate in 2019 event
- Public Markets research pipeline overall: over **30** emerging/diverse products with a high or medium priority for additional research
- **5** investment strategies approved for usage in client portfolios
- **4** manager searches have included emerging/diverse products; 3 of 4 have resulted in emerging/diverse firms receiving assets
- **Target:** to increase the number of fully vetted products managed by emerging/diverse firms that we are able to recommend to clients

# Products of emerging / diverse managers evaluated according to Verus principles





# Due diligence steps toward approval



## ASSET CLASS UNIVERSE

- Idea generation
  - Screening of eVestment
  - Cultivation of Verus network
- Quantitative analysis: returns, risk characteristics, portfolio characteristics, investment firm characteristics
- Review of existing research



## DESK RESEARCH

- Review manager-provided information
  - Detailed review of return history and risk exposures of the portfolio
  - Detailed review of firm history, team history and remuneration
  - Introductory meeting or conference call



## REVIEW AND APPROVAL

- Meeting with a decision-maker, typically face to face
  - Follow up meetings/calls as necessary
  - Requests for supplemental data
  - Investigation of risk characteristics and performance
  - Testing against Verus research principles
  - Public Markets team devil's advocate review
  - Operational due diligence as needed

# How to qualify for a meeting

- We're asking firms to update their firm and product profiles in the eVestment database.
  - In addition, Hedge Funds need to be on Aksia.
- Submit all information noted in the InHub questionnaire by **February 28, 2020**.
  - <https://open.theinhub.com/verus/edmdays>
- We will review all material received and respond by **March 13, 2020** with the status of scheduling a meeting.

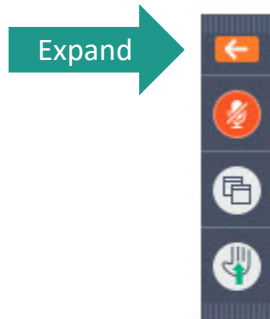
*We're aiming for introductory meetings with firms we haven't met with before to fulfil the goal of expanding our emerging/diverse universe.*

# What are our goals for this event?

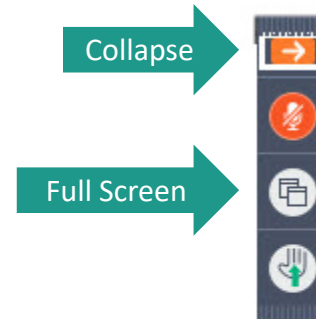
- Identify a greater number of emerging/diverse firms who can be recommended in manager searches for clients
- Examine and encourage diversity of thought which can be good for outcomes
- Broaden our research process, including a thoughtful and inclusive view towards emerging/diverse firms

Goals for the  
2020 Emerging  
& Diverse  
Manager Due  
Diligence Days

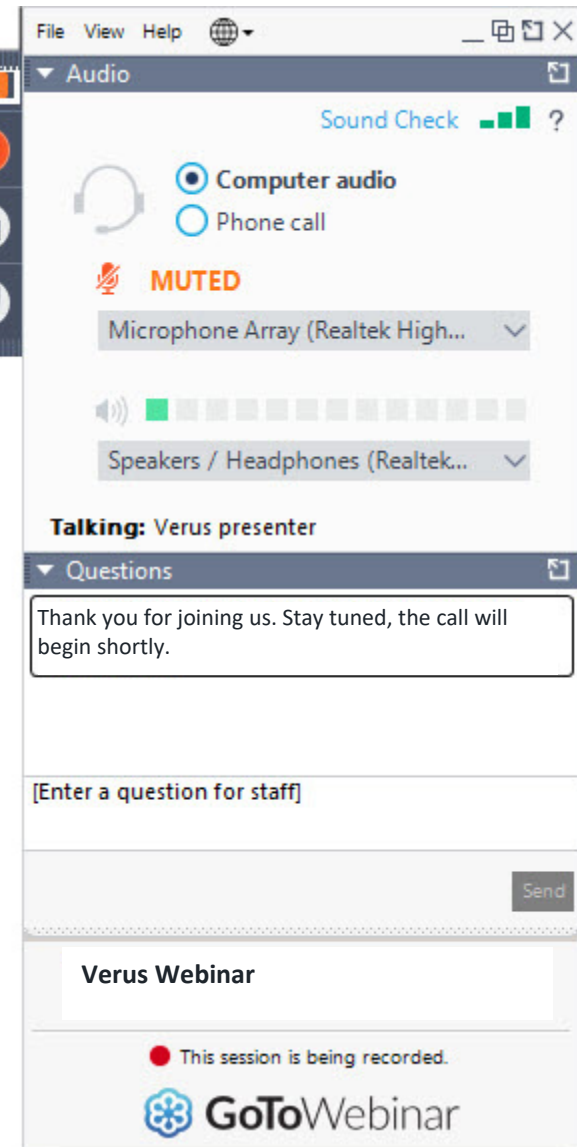
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# Thank you