

FALL FORUM 2018

NMS MANAGEMENT PRESENTS

The Investment Management Forum for Endowments & Foundations

Mandarin Oriental
Washington, D.C.
September 23 – 26, 2018

Fall Forum Faculty

FORUM HOST

Nancy M. Szigethy
Founder
NMS Management, Inc.

FORUM CHAIRMEN

Sally M. Dungan
Chief Investment Officer
Tufts University

Rob Roy
Vice President/
Chief Investment Officer
Adventist Health System

Paula J. Volent
Chief Investment Officer and
Senior Vice President
Bowdoin College

FEATURED SPEAKERS

John Authers
Chief Investment Columnist
Financial Times

Mark Blyth
The William T. Rhodes '57
Professor of International
Economics
The Watson Institute for
International and Public Affairs,
Brown University

Amy Myers Jaffe
Director of the Program on Energy
Security and Climate Change
Council on Foreign Relations

Larry Meyer
President
Monetary Policy Analytics Inc.
Former Governor of the Federal
Reserve Board (1996-2002)

Rick Rieder
CIO of Global Fixed Income
BlackRock

Chris Voss
CEO
The Black Swan Group
Former FBI Lead
Hostage Negotiator
Author
Never Split the Difference

SPEAKER FACULTY

Steven T. Algert

Managing Director, Investments
The J. Paul Getty Trust

Oscar Anderson

Managing Director,
Portfolio Manager –
CVC Global Credit
Opportunities Fund
CVC Credit Partners

Scott Bacigalupo

Managing Director
Member of the
Capital Markets Group
Allen & Company

Jonathan Bailey

Managing Director, Head of
Environmental, Social and
Governance Investing
Neuberger Berman

Paul Britton

Founder and
Chief Executive Officer
Capstone Investment Advisors, LLC

Libby Cantrill

Managing Director,
Head of Public Policy
PIMCO

Haydee Celaya

CEO and
Chief Investment Officer
Avanz Capital

Amy L. Chen

Chief Investment Officer
Smithsonian Institution

Robert Citrone

Founder/Portfolio Manager
Discovery Capital Management

Kristi W. Craig

Director of Private Markets
Georgetown University

Sonali Dalal

Chief Investment Strategist
The Pennsylvania State University

Carmel Daniele

Founder, CEO & CIO
CD Capital Asset Management Ltd

Ellen J. Ellison

Chief Investment Officer
University of Illinois Foundation

Nancy C. Everett

Chief Investment Officer
VCU Investment Management
Company

Vanita W. Gaonkar

Investment Officer
Robert Wood Johnson Foundation

Libby P. George

Director of Investments
NC State University

Neal Graziano

Director of Investments
W.K. Kellogg Foundation

Karen Harris

Managing Director,
Macro Trends Group
Bain & Company

David J. Holmgren

Chief Investment Officer
Hartford HealthCare

Christopher K. Johnson

Senior Adviser and
Freeman Chair in China Studies
Center for Strategic &
International Studies (CSIS)

Chun W. Lai

Deputy Chief Investment Officer
The Rockefeller Foundation

Meena Lakshman

Director of Investments
The Leona M. and Harry B.
Helmsley Charitable Trust

John R. Luthi

Director of Investments
Bucknell University

Dharmesh Maniyar

Managing Director,
Senior Portfolio Manager
Tudor Investment Corporation

Matthew R. McBrady

Managing Director of Investments
Cystic Fibrosis Foundation

Karen L. Mercer

Senior Vice President
and Treasurer
AARP

Jennifer L. Neppel

Director, Cash & Investments
Catholic Health Initiatives

Scott F. Perry

Partner
NEPC, LLC

Adam J. Smith

Director of Absolute Return
& Real Assets
The Cleveland Clinic Foundation

Samantha Surrey

Managing Partner
Surrey Capital Partners

Maria Vassalou

Partner,
Portfolio Manager Global Macro
Perella Weinberg Partners

Schedule

Sunday, September 23, 2018

4:00 pm - 5:00 pm

Early Registration

Early registration will be held in the Hotel Lobby

5:30 pm

Opening Reception

Please join us at the Opening Reception.

Monday, September 24, 2018

7:30 am

Forum Registration and Breakfast

8:15 am

Welcome & Introductions

Nancy M. Szigethy, NMS Management, Inc.

Remarks from the
Forum Chairmen

Sally M. Dungan, Tufts University
Rob Roy, Adventist Health System
Paula J. Volent, Bowdoin College

8:30 am

Opening Address:

Is This Time Different?

The Federal Open Market Committee faces a significant challenge given current indicators amid the current environment. The unemployment rate, the pace of inflation and rising interest rates present data that may be incorporated into the determination of monetary policy. How effectively can the Fed do so and strike the right balance, and manage inflationary pressures to avert a recession? What are the indicators that may guide policy actions by the Fed and what are the possible outcomes? This presentation will examine the current economic environment, the direction of monetary policy, and offer insights as to the implications for investors.

Speaker: Larry Meyer, Monetary Policy Analytics Inc.; Former Governor of the Federal Reserve Board (1996-2002)

9:30 am

Navigating Fixed Income Markets

The era of ultralow rates may finally be ending, but long-term structural forces continue to influence global fixed income markets. Furthermore, economies and markets are in the process of adjusting to what might be the most dramatic technology evolution in history. Disruptions are transforming the fundamentals of business and economies in a way that holds immense implications for productivity, growth, inflation and interest rates. This presentation will explore these market dynamics and assess the implications for endowment and foundation investors.

Speaker: Rick Rieder, BlackRock

Schedule

Monday, September 24, 2018

10:15 am

Break

10:45 am

Asset Allocation:
Positioning Your Portfolio
for Late-Stage Investing

As investors face the challenges of delivering returns in a late-stage investing environment, the specter of inflation, rising interest rates, geopolitical events, and equity valuations add the complexity of managing portfolios with increased risk. This session will explore how endowments and foundations are looking at their asset allocation and what, if any, changes they may be contemplating to accommodate for the current environment. How are factors reflecting the priorities, risk assumptions, and liquidity needs of their institutions being integrated into the asset allocation process? Are new approaches being undertaken, or just refinements to the existing policy portfolio? This candid discussion will allow members an opportunity to learn how peers are addressing the asset allocation conundrum.

Conducted by: Chun W. Lai, The Rockefeller Foundation

Discussants: Ellen J. Ellison, University of Illinois Foundation
Meena Lakshman, The Leona M. and Harry B. Helmsley Charitable Trust

11:30 am

Greater as a Whole –
The Power of Stewardship Alpha

As CIOs, we all seek the best way to invest. Finding this truth requires stepping back to deeply understand your institution's purpose, your investment beliefs, and the culture of your organization. The AHS mission is "Extending the healing ministry of Christ". By aligning our purpose and process while deeply integrating the investment team within the operating business, AHS has focused their time and resources on the most impactful elements. This focus has produced a persistent source of value for their core mission. This is stewardship alpha.

Speaker: Rob Roy, Adventist Health System

12:15 pm

Luncheon

Schedule

Monday, September 24, 2018

1:15 pm

Oil Prices and the
Macro Environment:
Headwind or Helper?

Since the 1990s, as asset allocation became an increasingly important investment strategy for pension funds and endowments, many investors turned to natural resources, and in particular, oil and natural gas field development partnerships, energy high yield bonds, and commodity funds, as potentially high return building blocks to portfolio construction. But the collapse in oil prices in 2014 raised questions anew about the risk-reward ratio for energy investors in light of both macro commodity cycle risk as well as new, more structural risks related to climate change. Amy Myers Jaffe will discuss whether oil prices will be a headwind to the macro outlook for 2019 and 2020 and what energy trends can tell us about long term economic trend lines. Some of the issues to be covered in the presentation will include: Do investors need to worry about volatility in oil and gas pricing in the near term? What are the medium-term prospects for oil and gas commodity cycles? Who is better positioned vis-à-vis energy to dominate global markets in the coming decades, China or the U.S.? How relevant are environmental, social and governance factors (ESG) like climate risk to future energy investing? The session will close with a lively Q&A period.

Speaker: Amy Myers Jaffe, Council on Foreign Relations

2:15 pm

Private Equity Investing:
The Road Ahead

The panelists will share their insights on the state of private equity markets today from their perspective as endowment and foundation investment officers. As significant allocators to the space, they will comment on the extent to which private equity strategies can generate excess returns by adding value in the current environment. The scope of the discussion will include valuations, expected returns going forward, fundraising levels, the impact of rising interest rates on the asset class, and regions around the globe that are particularly attractive. What are the advantages and risks of allocating capital domestically and overseas to private equity funds? What analysis and assumptions should prudent investors undertake to ensure the investments they make will be successful? Are risk premiums today delivering high enough returns to justify the risk and illiquidity? This session will review major trends, risks and opportunities in the sector, drawing on the experience and knowledge of the participants.

Conducted by: Nancy C. Everett, VCU Investment Management Company

Discussants: Kristi W. Craig, Georgetown University
Neal Graziano, W.K. Kellogg Foundation

3:00 pm

Break

Schedule

Monday, September 24, 2018

3:30 pm

Trump, Tariffs and Twitter:
Implications of Trump's
Washington and the
November Midterms on the
Macro-Investing Environment

The presenter will explore the good, the bad and the ugly about today's Washington, including how significant and durable the recent fiscal stimulus this late in the economic cycle is. What does a Trump Fed mean for monetary policy? How seriously should we take President Trump on his trade policy? What is next as it relates to China-U.S. trade relations? Are there any looming geopolitical threats that could materially disrupt markets? And what do November's mid-term elections mean for the Washington policymaking environment?

Speaker: Libby Cantrill, PIMCO

4:15 pm

Are Hedge Funds
Regaining Their Luster?

Changes in the macro environment have presented opportunities for some hedge fund managers to deliver higher returns, creating greater optimism for the sector. During this session, allocators will share their experiences, and opinions on the various dimensions of hedge fund investing, and explore what, if anything, they are focused on that is new and different. What role do hedge funds currently play in endowment and foundation portfolios and how can they be successfully utilized to meet portfolio objectives? What are realistic return expectations, and what are investors requiring from managers as it relates to terms, transparency, capacity and other related factors? Is the manager selection process at your institution "top-down" or manager-driven? Which hedge fund strategies are performing well and which are not? This session will provide an opportunity to gain insights from peers, assess what is going right in the hedge funds sector, and where there is room for improvement.

Conducted by: Steven T. Algert, The J. Paul Getty Trust

Discussants: Vanita W. Gaonkar, Robert Wood Johnson Foundation
Matthew R. McBrady, Cystic Fibrosis Foundation

5:15 pm

Sessions Conclude
Reception Immediately Following

Reception and Membership Dinner immediately following at the Mandarin Oriental. All members are welcome to join us.

6:30 pm

Membership Dinner

The Membership Dinner is the perfect occasion to catch up with old friends and create valuable new connections. Dinner seating will begin at 6:30pm in the Oriental Ballroom.

The Membership Dinner will feature a special performance by entertainer Michael Chaut. Michael is a seasoned professional magician who has captivated audiences for over 25 years at venues like: *The Rainbow Room, Feinstein's at Loews Regency, The Copacabana, Tavern On The Green, Cipriani, The Water Club* and *The Waldorf Astoria*.

Schedule

Tuesday, September 25, 2018

7:00 am - 7:30 am

Breakfast & Peer Networking for Endowments & Foundations only

7:30 am - 8:45 am

**Closed-Door Sessions for
Endowments & Foundations Only**

Session A: Contemplating Portfolio Risks

Both at the macro level via global economics and monetary policy, and on the micro level via qualitative and quantitative measures, investment offices manage a multitude of risk factors across their portfolios. For each institution, the analysis and process is unique to institutional objectives and their related risk tolerance. This peer-to-peer discussion is intended to be a practical exchange of ideas focused on risk factors most relevant to, and selected by those investors attending the session, and may include:

- Performance risks
- Equity risks
- Recessionary risks
- Inflation risk
- Liquidity risks
- Headline risks
- Governance risks
- Political Environment and potential trade war risks
- Investment Manager risk
- Currency risk related to international and emerging market investments

Co-Facilitators: David J. Holmgren, Hartford HealthCare
Jennifer L. Neppel, Catholic Health Initiatives

Session B: Best Practices in Manager Due Diligence Techniques

In challenging investment environment, the bar for fund managers to earn and maintain a spot in an allocators portfolio is exceedingly high. As investors strive to assess the quality and performance of current and potential investment managers, what tools and resources can best be applied in service to their portfolios? This session will explore best practices in due diligence, with an emphasis on specific and practical approaches. The discussion will explore what new quantitative tools are available, various approaches by peer investment offices, key diligence questions, key operational steps, documentation and strategies for communication of decisions, application of new software tools to enhance processes, and nuances of diligence strategies by asset class. Participants are encouraged to share their experiences with the group.

Co-Facilitators: John R. Luthi, Bucknell University
Karen L. Mercer, AARP

8:15 am

Breakfast for All Other Attendees

Schedule

Tuesday, September 25, 2018

8:55 am

Remarks from the
Forum Chairmen

Sally M. Dungan, Tufts University
Rob Roy, Adventist Health System
Paula J. Volent, Bowdoin College

9:00 am

The Great Transformation:
Capital and Labor Trends
Reshaping the Coming Decade

The speaker will present an analysis on the collision of demographics, automation and inequality, and how they may dramatically reshape our world, triggering economic disruption far greater than we have experienced over the past 60 years. In the U.S., a new wave of investment in automation could stimulate as much as \$8 trillion in incremental investments and abruptly lift interest rates. By the end of the 2020s, automation may eliminate 20% to 25% of current jobs, hitting middle-to low-income workers the hardest. As investments peak and then decline, anemic demand growth may constrain economic expansion, and global interest rates may again test zero percent. Faced with market imbalances and growth-stifling levels of inequality, many societies may seek to reset the government's role in the marketplace. The speaker will examine to what extent investors may need to reconsider both opportunities, key stakeholders and potential changes not just in regulation but potentially in broader government programs.

Speaker: Karen Harris, Bain & Company

9:45 am

Paula Volent in Conversation
with Scott Bacigalupo

*Trends in Venture Capital and the IPO Market
An interview with Scott Bacigalupo, Allen & Company*

In this interview, Scott Bacigalupo will share his perspective on current trends in the Tech IPO markets, and about venture capital, along with developing trends in these areas.

Conducted by: Paula J. Volent, Bowdoin College

Interviewee: Scott Bacigalupo, Allen & Company

10:30 am

Break

11:00 am

The China Challenge in
Xi Jinping's "New Era"

At the conclusion of the 19th Party Congress in the fall of 2017, the Chinese Communist Party announced a new "guiding ideology" for steering China's future direction--"Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era." China's astonishing growth over the last few decades in both economic might and international influence represents the most fundamental shift in the global balance of power in more than a century. How the United States--and the rest of the world--adapt to that challenge will fundamentally shape the evolution of the economic, military, and, perhaps, ideational outlines of the global order going forward. This presentation will examine the full scope of China's multifaceted rise, and how the many changes made by President Xi both inside and outside China have brought those dimensions into stark relief. It also will discuss how the policies of the Trump Administration are impacting, and being impacted by, China's ascent to great power status on the world stage.

Speaker: Christopher K. Johnson, Center for Strategic & International Studies (CSIS)

Schedule

Tuesday, September 25, 2018

11:45 am

Is the Environment Providing
Fertile Ground for Global Macro?

The confluence of events, trends and factors influencing the global economy and financial markets has created a complicated environment for investors, characterized by new and difficult challenges. As geopolitical events, rising interest rates and increased volatility shape financial market conditions, should asset allocators give global macro another look? The discussion will examine how the global macro investment strategy has evolved, evaluate the pros and cons, and assess to what extent the use of technology and machine learning is providing enhancements to the investment process. Are we turning towards an investing environment more favorable to global macro's success? Can global macro offer diversification to investor portfolios, or do the levels of risk and concerns about the use of leverage outweigh the potential for superior investment returns?

Conducted by: Adam J. Smith, The Cleveland Clinic Foundation

Discussants: Dharmesh Maniyar, Tudor Investment Corporation
Maria Vassalou, Perella Weinberg Partners

12:30 pm

Luncheon

1:30 pm

Let's Keep it Simple:
Understanding Populism,
Disruption, and Change

Pitch: President Trump's bilateral approach to trade issues ignores the fact that economic growth is not solely generated at the level of the national economy. Rather, growth is also produced at the global level as the co-product of three interdependent 'growth regimes.' The first, based in the U.S. and the UK runs persistent deficits and pays for them with Dollars. The other two regimes, based in East Asia and the European Union, run the corresponding surpluses, earning and holding dollars via exports that these countries turn back into U.S. dollar assets, which allows further consumption in the deficit countries. Increasing frictions over trade, especially in the areas of intellectual property rights, risks upsetting this fragile system. This talk explains why, regardless of who would be in the White House, such conflict is inevitable, and what it means for the global economy over the next decade.

Speaker: Mark Blyth, Brown University

2:30 pm

The Great Unwind:
ZIRP in the Punchbowl

As the Fed ends quantitative easing, and the ECB tapers its bond buying activity, what are the implications for fundamental credit investing? The behavior of global capital markets during decade-long periods of 1999-2007 and 2008-2018 are similar in many respects. Notably, with the exception of a few outlier sectors, corporate borrowing costs marched steadily lower, and asset prices generally rose. The reasons for the market directionality were different, but not unrelated. What is the difference in market behavioral response between a surprise withdrawal of demand and a well-telegraphed and commonly expected end to ECB corporate debt buying? Do we think about below-investment grade credit as an alternative asset only because we all remember that something bad happened ten years ago? What will it mean for the evolution of junk debt if the next phase of the market is not cataclysmic, but rather the orderly restoration of dispersion and price discovery?

Speaker: Oscar Anderson, CVC Credit Partners

Schedule

Tuesday, September 25, 2018

3:15 pm

Break

3:45 pm

Emerging Markets
in the Cross Hairs

Emerging markets are in bear territory and the latest sell-off is stoking fears about what may lie in store. The crisis in Turkey, the potential impact of trade wars, political risks across the globe, and the strength of the dollar may all have implications for where EM go from here. How should endowments and foundations assess the current environment? Is it best to avoid all EM investments because the tumult is broad-based and may get worse? Or should allocators take the opportunity to buy cheap assets with an eye towards the long-term? The discussants will offer their opinions on the current market dynamics and offer their perspective on specific countries and strategies which may still be ripe for investment and why. The session will also address the question of currency risk and the extent to which investors may consider hedging emerging markets exposure.

Conducted by: John Authers, *Financial Times*

Discussants: Haydee Celaya, Avanz Capital
Robert Citrone, Discovery Capital Management

4:30 pm

Negotiation Secrets from a
Former FBI Hostage Negotiator

Chris Voss has used his many years of experience in international crisis and high stakes negotiations as an FBI agent to develop a unique program and team that applies these globally proven techniques to the business world. The strategies Chris deploys, help companies secure and close better deals, save money, and solve internal communication problems between senior management and employees. In this presentation members will gain insights on:

- Why “yes” is the last thing you want to hear in assessing trustworthiness when conducting due diligence.
- If it’s not “yes” that you want to hear, what is it that you do want to hear?
- How to use “no” to find out what’s negotiable in terms and conditions.
- What are the 3 kinds of “yes” and why is each one of little or no use?
- What a “calibrated no” is and why it’s worth at least 5 yeses.

Speaker: Chris Voss, The Black Swan Group; Author, *Never Split the Difference*

5:30 pm

Sessions Conclude
Reception Immediately Following

This evening’s reception is a time for members to relax and reflect on the new ideas and fresh insights collected during our time together at this year’s Fall Forum.

Schedule

Wednesday, September 26, 2018

7:15 am - 7:45 am

Private Breakfast & Peer Networking for Endowments & Foundations Only

7:45 am - 9:00 am

Closed-Door Sessions for
Endowments & Foundations Only

Royalties as a Niche Investment Strategy: Pros and Cons

This session will explore the merits of investing in royalties as a diversifying strategy, which can generate returns through stable income streams with relatively low risk. Royalties can be structured across various asset classes and investment vehicles, often uncorrelated with equity markets. But what are the risks? This discussion will explore various royalty strategies across the spectrum of music, pharma, energy, intellectual property and other areas.

Co-Facilitators: Amy L. Chen, Smithsonian Institution
Sonali Dalal, The Pennsylvania State University

8:30 am

Breakfast for All Other Attendees

9:10 am

Remarks from the
Forum Chairmen

Sally M. Dungan, Tufts University
Rob Roy, Adventist Health System
Paula J. Volent, Bowdoin College

9:15 am

Opening Address:
Update on the Volatility Markets

2017 was a tail event for volatility with the CBOE Volatility Index (ticker symbol: VIX) printing below a level of 10 52 times throughout the year. Putting this into context, since inception of the VIX in 1990, the VIX closed below 10 only 68 times in the past 29 years! Following the Great Financial Crisis in 2008, the options market structure has evolved due to a reduction in availability of banks' balance sheet resulting primarily from increased regulation. As a result, we see that the volatility markets may affect broader, larger, extrinsic markets more so than anticipated. In this presentation, recent observations on the volatility markets and the role that volatility can play in an institutional investor's portfolio will be discussed.

Speaker: Paul Britton, Capstone Investment Advisors, LLC

Schedule

Wednesday, September 26, 2018

10:00 am

Deploying ESG Strategies in
Endowment/Foundation Portfolios

As interest in the ESG space has increased significantly among asset allocators, investment managers have created new products and incorporated changes into their investment processes. This session will focus on the sharing of practical experiences in utilizing ESG strategies, both from the perspective of the institutions who allocate to them, from the perspective of a consultant who advises on the use of ESG strategies in investor portfolios, and from a manager who provides ESG strategies. The panelists will focus on the ability of ESG investment strategies to add value without sacrificing returns, the potential pitfalls to watch out for, and a special emphasis on best practices in due diligence in the space.

Conducted by: Scott F. Perry, NEPC, LLC

Discussants: Jonathan Bailey, Neuberger Berman
Libby P. George, NC State University

10:45 am

Break

11:15 am

Mining: Assessing the Sector
and the Opportunity-Set

This presentation will cover current market dynamics in the mining sector and explore where we are currently in the mining cycle in relation to investments and spending. What are the global macro-economic factors driving demand for minerals? What supply constraints are there in the minerals and mining sectors to respond to demand? What are the different stages of the life cycle of a mining project and the respective risks and benefits of each stage? What implications do current market dynamics have for investors?

Speaker: Carmel Daniele, CD Capital Asset Management Ltd

12:00 pm

Innovations & Opportunities
in Life-Sciences

This presentation will focus on the dynamic shaping opportunities in the life sciences sector. The speaker will share her insights on factors which characterize the current environment and drivers of the opportunity-set going forward. Ms. Surrey will offer ideas and opinions related to a number of areas, including among others, regulatory developments, innovations in biotechnology, valuations, and the use of technology at healthcare companies.

Speaker: Samantha Surrey, Surrey Capital Partners

12:45 pm

Forum Concludes

Luncheon immediately following for all members
(Grab n' Go Lunches will be available)