**INTRODUCTIONS – ALTS PANEL**

Moderator - Brett Graffy – senior researcher at Marquette (consultant) covering private equity, private credit and impact investments, 3 years at firm.

Brian Neale – University of Nebraska Foundation, CIO, 4 campuses, 52K students, $3.2BN in assets, invests in private credit and multi-strategy, $700MM of internal capital managed internally.

Chis Grizzard – Bayshore Capital - multifamily office based in Tampa. Invest in public markets and privates – HFs, PE, VC, PC, DA, funds, and direct companies in PC PE VC.

Kevin Lyons – Aberdeen Asset Management - $700BN in AUM – Kevin is on hedge fund and private credit team, $14BN in HF portfolios, all bespoke/smas, Kevin is co-head of Research covering macro & Credit. Hedge fund & Alt Credit (between short term and longer lock)

**Moderator Led Questions**

Q1 – Environment has shifted – from low rates to rising rates and inflation – need diff solutions – alts , so the question is, how have alts shifted for you in past 12 months?

Brian – Made changes in March 2020 – As a result of GFC (MA MN ELS) we had an over- diversified HF portfolio, easy money had been made, it became more challenging going forward, too diverse, return assumptions (4.5-5.5% range) came down, doesn’t work against a spend of 5% plus inflation. So, it does not make sense to keep our hedge funds, so in March of 2020 we divested hedge funds. So where to invest? How to deploy next marginal dollar? The answer is privates. Growth assets, some private credit. Take advantage of liquidity premium. The foundation is a perpetual investor, but the board wants to focus on quarters. We try to embrace opportunity.

Kevin – this time is not new, GFC, 9/11, techwreck. In the US, those trends continue. Now Pandemic, inflation rate, Ukraine, it has differences, markets don’t like crossroads, equities down -10%, VIX from 16 up to 24 50% increase. Tradable opportunities on the liquid side. In 2008, quick snap backs confounded managers. Volatility is just set higher; this should work towards/favor active management. Our view – index returns will disappoint; active management will beat passive. Bottoms-up, headwind expectations have increased. We expect HFs to produce going forward.

Chris – Where do you harvest illiquidity? Just net inflows? – clients moving away from fixed income and towards private credit. Since 2014 we have been leaning into private credit. Net capital flows here. The PC market has been good for our clients. Covid gave us an opp. to talk with our clients. Planning on front end, stick to it because of illiquidity planning.

Brett – we are looking into private alts - HC Royalty Asset backed.

Brian – we like mid-market buyouts strategies, niche manager. Healthcare. Tech in Venture. Issue in VC access, capacity constraints. They are starting to open up a bit. A focus on this. Looking for opportunities for marginal dollars. Credit strategies – we are taking a hard look at private credit strategies for our operating funds. But do so in a measured fashion. If you hold cash, you lose money. Not tenable. Implementation matters.

Kevin – innovation in the market, liquid alts. A total misnomer. Provide liquidity when needed. We have done them and been disappointed. Retail don’t understand. Interval fund. Think they can get liquidity. Private for a reason. You need leverage and freedom. Regulated vehicles don’t work. We find good ops in private credit. No liq. alts, we like weird idiosyncratic. Senior, collateral, asset backed. We like. We understand the cash flows. On liquid side, UICTs or MFs we have been disappointed.

Chris – liq. alts. – we don’t use. Among our UHNW clients, not much of demand. We tried trade finance, took 90 days, get away with 1/4ly redemption, more liquid, some liquidity, may or may not be there. They don’t remember that part as well. So side pockets. Marginal liquidity not worth it. Keep that money in IG bonds, then maximize, privates. We explored it, but not 40 act. Bridge too far, didn’t do what we need it do it.

Brian – geopolitical risk fallout – allocations – geographically – has it changed? It’s been a factor, vs. 6 months ago. Developed intern EM. Persistent overweight to EM will be rewarded, we still believe in it more so on developed side, but we are being more cautious, don’t want to be reactionary want to be consistent, certainly on privates. Long-term knock-on effect, new era of uncertainty, so more cautious on outside of US.

Chris – we are very global, diverse across geographies. Disappointed in Europe, US performed better. No currency risk anymore. Limits us, but okay with that. We might take more venture risk. China is not investable to us. SE Asia, India, LatAm, Brazil, still allocating. We won’t use our high risk return dollars here – so will do VC. Will justify the added risk. Midstate VC fund in India, just invested. Brazil – TAM, VC strategies. SE Asia a bit more hesitant. Not a homogenous region as the name implies.

Kevin – Central Bankers usually add liquidity, doing opposite during Ukraine and Russia. Exacerbates supply issues. Slow grow, recession. I’m not predicant, but CBs are behind. Trying to fight a war and inflation, conflicting, will affect growth. US consumer is strong. Balance Sheets are good. US is the optimistic case, Europe. Europe has more headwinds. Asia geos the way China, property sector worries. Be patient with the Asian markets. Alts – more dislocation more differentiation more makers and takers – favors active managers.

Kevin – turnover in job seekers. – Hiring has been hard. Hard to find talent, hard to pay them appropriately. Leavers 20/30 y/os, two years of experience, but they left. Hard to find. Competitive to hire. Hard to hire with a global team. Zoom interviews are only so good. Are they a good cultural fit? Wage pressures are out there.

Chris – same issues. Our analyst took the pill (Matrix reference) and we lost him to crypto world. Worst year personally, best life financially. TBD we went to the three. Hired an undergrad. Wait till they graduate. Junior accountant left, wanted to travel, and have more freedom. Very disruptive.

Brian – What is a good way to work with your team – What are we trying to do, how are we different? Mission is to provide support to students and university partners. Key to a good relationship. We want to develop relationships. What are our pain points with managers? Managers don’t have the long-term view of building a dialogue. Seems like there is pressure on salespeople from their bosses to push a timeline. Please invest time with us with no immediate action, let’s have a series of get to know you conversations.

Kevin – What has you kept you up at night? IDK. What we are most focused on is inflation and rates? Keep up with inflation - rate trading strategies, commodities, credit side differentiated. Libor + 2-4, easy to beat. A lot higher, tougher to beat. Strategies that keep up – macro managers covid was the best thing that happened to them, could not keep up with equities. Macro is a place, trading rates and commodities and f/x. Feeling positive on, finally. Rebirth of the space. High cash balance. Cash is now zero rather than -2. Macro will help us keep up.

Chris – rates is the bigger worry right now, rising rates that they can see. Losing purchasing power. Does age matter. The older clients are more sensitive. Growth strategies for the younger, but the older are concerned about losing purchasing power when in fixed income, uncomfortable place and VC is just too long for them.

Brian – inflation is biggest concern – our investment target is 8.5-9.5% p.a., 88% of portfolio is equity or equity like. If 6.3% is the inflation expectation, we will see purchasing power erosion. Trying to hold the line on tuition, it is out of control. The organization builds out 5-10 year projections and is super optimistic. It’s not just inflation, although also the diverse set of constituents. So, managing all the constituents with our constraints and what the market can give is a delicate balancing act.

**Audience Questions**

Chris Rae – Why does tuition keep going up? Brian answered – Point 1). there are many layers of management & organizational complexity. My wife is a yoga instructor at the school, and she has 8 layers between her and President. Point 2). Talent acquisition is more expensive, hard to get people into academia. Point 3). Inflation is driving everything up, 4). Public in state – tuition is lower than room & board. More sensitivity for living expenses. Level of government support, each state is different. Arms race to recruit students – Why you should have a rock-climbing wall, amenities, neat, but don’t contribute to degree completion.

Q2 – Private credit – it seems there is a rush leaving liquid credit. Trend will continue.

Chris – public versus private credit – we can get coupons of 9-10%, a little risk of inflation that can’t be made up in Libor. Now that the private credit adoption has started, it is a big ship to steer for allocator. Not easy to just curtail commitments, it is a multi-year process of increasing and decreasing. We are in a steady state, we roll capital we have, no need for more trad. fixed income. Big believers in private credit, 6-8 years.

Q3 – China? - Kevin answered - Want to see more stability before we get more opportunistic. Big presence, on the ground - offices, not increasing. Chris says we have some exposure, but our clients want to not be invested in China. Brian says you need to have expertise. We don’t pursue China as a dedicated exposure, but we have some VC, we prefer pan-Asian exposure. 1. You must have boots on the ground, people there. 2. What’s the risk adjusted return here. Limited upside, downside full of pitfalls and distractions.

Applause.