

FALL FORUM 2016

NMS MANAGEMENT PRESENTS

# The Investment Management Forum for Endowments & Foundations

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Mandarin Oriental  
Washington, D.C.  
September 25 – 28, 2016

# Fall Forum Faculty

## FORUM HOST

**Nancy M. Szigethy**  
Founder  
NMS Management, Inc.

## FORUM CHAIRMEN

**Sally M. Dungan**  
Chief Investment Officer  
Tufts University

**Jeff Pippin**  
Senior Vice President &  
Chief Investment Officer  
Pepperdine University

**Paula J. Volent**  
Senior Vice President for Investments  
Bowdoin College

## FEATURED SPEAKERS

**Robert D. Arnott**  
Chairman & Chief Executive Officer  
Research Affiliates, LLC

**Steven Drobny**  
Founder and Chief Executive Officer  
Drobny Capital

**Arminio Fraga**  
Founding Partner  
Gávea Investimentos

**Adam Grant**  
Professor  
The Wharton School of Business  
at the University of Pennsylvania  
Author  
*Give and Take* and *Originals*

**Philipp Hildebrand**  
Vice Chairman  
BlackRock Inc.

**Dr. Ashby Monk**  
Executive and Research Director  
Stanford Global Projects Center  
Senior Research Associate  
University of Oxford

**Myron Scholes**  
Professor, Emeritus, Stanford University  
Chief Investment Strategist  
Janus Capital Group

**Ian Shepherdson**  
Chief Economist  
Pantheon Macroeconomics

## SPEAKER FACULTY

**Christopher A. Abbate**  
Managing Director  
Riverstone Holdings LLC

**Steve Algert**  
Managing Director, Investments  
The J. Paul Getty Trust

**John Authers**  
Senior Investment Columnist  
*Financial Times*  
Author  
*The Fearful Rise of Markets,  
Europe's Financial Crisis*

**Joseph S. Bohrer**  
Chief Investment Officer  
Lafayette College

**Gordon G. Chang**  
Author  
*The Coming Collapse of China*

**Amy L. Chen**  
Chief Investment Officer  
Smithsonian Institution

**Andrew Conner**  
Interim Chief Investment Officer  
Johns Hopkins University

**Isaac Corré**  
Chief Executive Officer and  
Portfolio Manager  
Governors Lane LP

**Jeremy T. Crigler**  
Chief Investment Officer  
Tulane University

**Michael Edleson**  
Chief Risk Officer  
The University of Chicago

**Ellen J. Ellison**  
Chief Investment Officer  
University of Illinois Foundation

**Scott Ferguson**  
Managing Partner  
Sachem Head Capital Management

**Li Gang**  
Chairman/CEO  
CEPHEI Capital Management

**Chris Giles**  
Economics Editor  
*Financial Times*

**Fernando Guerrero**  
Managing Partner &  
Chief Investment Officer  
Varadero Capital, L.P.

**David Halpert**  
Founder, Portfolio Manager  
Prince Street Capital Management

**Jeremy D. Hedberg**  
Partner and Co-Head of Corporate  
and Traded Credit  
Vårde Partners, Inc.

**David F. Holstein**  
Portfolio Manager  
Capital Group

**Raymond A. Jacobson**  
Chief Investment Officer  
Davidson College

**Bertrand Julien-Laferrrière**  
Head of Real Estate  
ARDIAN

**John Labanowski**  
Founder, Portfolio Manager  
Brenham Capital Management, L.P.

**Paul Lambert**  
Head of Currency  
Insight Investment

**Ken Lee**  
Director of Investments  
Carnegie Corporation of New York

**Mary Anne Marsh**  
Principal  
Dewey Square Group

**Charlie McNairy**  
Chief Executive Officer  
International Farming Corporation

**Dominique Mielle**  
Partner and Senior Portfolio Manager  
Canyon Capital Advisors, LLC

**Anthony T. O'Toole**  
Chief Financial and Investment Officer  
Truth Initiative

**John C. Pomeroy, Jr.**  
Chief Investment Officer/  
Chief Risk Officer  
The Pennsylvania State University

**James E. Rehlaender**  
Chief Executive Officer  
Northwood Securities LLC

**Michael R. Reist**  
Chief Investment Officer  
Phillips Academy

**David Sherr**  
Founder and Managing Partner  
One William Street Capital  
Management, L.P.

**Zoltan Varga**  
Head of Asian Investing  
Executive Managing Director  
Member of the Partner  
Management Committee  
Och-Ziff Capital Management Group

**Steve Westly**  
Managing Partner  
The Westly Group

**Shawn D. Wischmeier**  
Chief Investment Officer  
Margaret A. Cargill Philanthropies

**Eric Yip**  
Founder & Chief Investment Officer  
Alder Hill Management

# Schedule

Sunday, September 25, 2016

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**4:00 pm - 5:00 pm**

Early Registration

*Early registration will be held in the Hotel Lobby*

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**5:30 pm**

Welcome Reception

Please join us as we kick off the 2016 Fall Forum with a Welcome Reception.

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Monday, September 26, 2016

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**7:30 am**

*Forum Registration and Continental Breakfast*

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**8:15 am**

Welcome & Introductions

Nancy M. Szigethy, NMS Management, Inc.

Remarks from the  
Forum Chairmen

Sally M. Dungan, Tufts University  
Jeff Pippin, Pepperdine University  
Paula J. Volent, Bowdoin College

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**8:30 am**

Opening Address:

The U.S. Business Cycle is  
Normalizing, but Europe and Asia  
Plot Different Courses...  
...How Should Investors Respond?

Investors around the world have become very comfortable with the idea that growth in the U.S. and other developed economies will be slow for the foreseeable future, and that inflation has been vanquished forever. The job of central banks, in this world, is to maintain ultra-accommodative policy, supporting both stock and bond markets. But the U.S. business cycle is beginning to look increasingly inflation-prone as wage pressures build, and the Fed's inflation view is driven very substantially by labor costs. What will happen to markets if the Fed has to respond to upside inflation risks? Will Europe follow Fed tightening? How will China react to an unwanted monetary tightening? And what can investors do as global economies and policies diverge?

*Speaker:* Ian Shepherdson, Pantheon Macroeconomics

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**9:30 am**

Morning Keynote:

A Global Macro Approach to  
Real Money Management

In the current environment real money allocators are struggling to find an appropriate model in a low yield, high risk, zero interest rate world. The conventional wisdom only adjusts strategic asset allocations following a market crisis, always looking backwards instead of forwards. A dynamic approach, grounded in global macro insights, provides guidance on how endowments and foundations can implement certain elements of macro hedge fund strategies, developing a new paradigm of portfolio construction. This presentation will highlight how to optimize hedge fund allocations in order to impact overall portfolio construction and performance.

*Speaker:* Steven Drobny, Drobny Capital

# Schedule

Monday, September 26, 2016

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**10:15 am**

Break

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**10:45 am**

Keynote Address:  
Investing in Brazil

*Topic: Investing in Brazil*

*Speaker:* Arminio Fraga, Gávea Investimentos

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**11:45 am**

The Opportunity-Set in  
Emerging Markets

As investors contemplate a low-return environment and the changing global investment climate, the question of how to consider allocations in emerging markets remains a dilemma. What is the current risk/return assessment and what factors should investors be mindful of as the macro environment continues to shift dramatically? What are the implications of the recent significant inflows of capital into emerging market equity funds? Will allocations to emerging markets deliver returns given ongoing monetary policy and investor sentiment that rates may remain low? What are the relative opportunities in public versus private markets? How are emerging markets likely to perform relative to developed markets in the mid-term and the long-term? What regions and countries may be ripe for investment? The discussants will offer their perspective and insights related to opportunity and risk in emerging markets, covering specific regions and cities.

*Moderator:* Chris Giles, *Financial Times*

*Discussants:* David Halpert, Prince Street Capital Management  
David F. Holstein, Capital Group

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**12:30 pm**

Luncheon

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**1:30 pm**

The Known versus the Unknown:  
What President Clinton, or  
President Trump, Will Mean for  
America and the World

A candid and in-depth analysis of the presidential candidates and the current dynamics of their general election campaigns will provide members with insights that will not be found anywhere else. This session will focus on the election prospects of Hillary Clinton and Donald Trump becoming the next President of the United States, what their respective presidency will mean for the U.S. and global economies, as well as for specific markets. A strong populist sentiment dominated both primaries and it will be a significant factor in the general election. Voters' anger and concerns about the economy have been underestimated not only in this election but also abroad as we witnessed with Brexit. These two factors are inextricably linked and likely to determine along with others who will become the 45th President of the United States.

*Speaker:* Mary Anne Marsh, Dewey Square Group

# Schedule

Monday, September 26, 2016

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**2:30 pm**

**The Future of Europe after Brexit:  
What Investors Need to Know**

In the wake of Brexit, investors seek to understand the implications on financial markets of this historical structural change on the global stage. The presentation will explore what the future of Europe may look like with an emphasis on insights and takeaways for endowment and foundation investors.

*Speaker:* Philipp Hildebrand, BlackRock Inc.

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**3:15 pm**

Break

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**3:45 pm**

**Defining Characteristics of  
Successful Fund Managers:  
New Launches, Spin-Outs and  
Emerging Managers**

Against the backdrop of low to no yields and extended volatile global equity markets, capital allocators are highly motivated to think differently about how to generate returns. At the same time, market dynamics going forward may demand different skillsets from managers in a changing investment environment. This session will focus on the specific area of new launches, spin-outs and emerging managers – with an emphasis on early identification of manager talent. Going forward, what will the indicators and characteristics of successful fund managers be? From the perspective of three fund managers in various stages of launch and early growth, the discussion will highlight their experiences, positioned to provide allocators with insights on manager selection.

*Conducted by:* Ellen J. Ellison, University of Illinois Foundation

*Discussants:* Isaac Corré, Governors Lane LP  
Scott Ferguson, Sachem Head Capital Management  
Eric Yip, Alder Hill Management

# Schedule

Monday, September 26, 2016

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**4:45 pm**

**Adapting to a New  
Investing Environment**

Many investors confer about the possibility that the future as it relates to investing endowment and foundation portfolios may be characterized by different challenges amid an environment that has vastly changed and may now include the sobering reality of low-returns for many years ahead. If this is the case, how might capital allocators shift their approach and thinking about positioning their investments and managing their assets to meet the return objectives of their institutions? In this session seasoned chief investment officers will share their perspective on the challenges that lay ahead.

*Conducted by:* Jeff Pippin, Pepperdine University

*Discussants:* Amy L. Chen, Smithsonian Institution  
Andrew Conner, Johns Hopkins University  
Anthony T. O'Toole, Truth Initiative

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**5:30 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**

This year's Membership Dinner will feature a special performance by The Capitol Steps, a critically acclaimed and award-winning musical satire troupe. The Capitol Steps was born in December 1981 as a group of Senate staffers who set out to parody the very people and places that employed them. They figured if entertainers could become politicians, then politicians could become entertainers! Together the performers have worked in a total of eighteen Congressional offices and represent 62 years of collective House and Senate staff experience. In the last 35 years, The Capitol Steps have recorded over 36 albums, performed in countless shows around the country, and have been featured on NBC, CBS, ABC and PBS.

This evening's performance will showcase their newest material of song parodies and skits from their latest album "What to Expect When You're Electing."

# Schedule

Tuesday, September 27, 2016

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**7:00 am - 7:30 am**

*Breakfast & Peer Networking for Endowments & Foundations only*

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**7:30 am - 8:45 am**

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

*Session A: Communicating Effectively & Managing Expectations*

For CIOs, communicating effectively with all constituencies, both inside and outside of the institution can make a significant difference. As market dynamics continue to shift and an environment of low returns seems all but certain going forward, sober discussions about return expectations, budgeting, spending and other issues are a challenge for stake-holders at institutions across the industry. Candid conversations with investment committees, board members, faculty, parents, students and other important constituents can be critical in achieving alignment relating to the objectives of the institution and the success of the investment team. This session will provide an opportunity for members to share their experiences and offer each other ideas and solutions to improve and sustain good communication in their organizations.

*Co-Facilitators:* Jeremy T. Crigler, Tulane University  
Michael R. Reist, Phillips Academy

*Session B: The Pluses and Minuses of Hedge Funds*

While investors are now faced with an all but certain low return environment, many are re-visiting their hedge fund allocations. Given the underperformance of hedge funds over the last few years, how do investors view their value add, and the role hedge funds play in endowment and foundation portfolios today? To what extent will hedge funds have the ability to deliver out-performance in the years ahead and how will the relationship between GPs and LPs evolve as the investment landscape is transformed by macro factors? This private discussion for endowments and foundations will weigh the pluses and minuses of hedge funds.

*Co-Facilitators:* Steve Algert, The J. Paul Getty Trust  
Joseph S. Bohrer, Lafayette College

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**8:15 am**

*Continental Breakfast for Members*

# Schedule

Tuesday, September 27, 2016

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**8:55 am**

Remarks from the  
Forum Chairmen

Sally M. Dungan, Tufts University  
Jeff Pippin, Pepperdine University  
Paula J. Volent, Bowdoin College

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**9:00 am**

Opening Address:

**The Dominance of Tails and Time  
Diversification in Determining  
Compound Returns in Investment  
Management**

Compound returns, not average returns or performance relative to a benchmark, should be our major focus. They are enhanced most by mitigation of tail losses and participation in tail gains, each period of time. The options market prices provide valuable information about the risk of each period's gains and losses.

*Speaker:* Myron Scholes, Nobel Prize recipient in Economics, 1997;  
Chief Investment Strategist, Janus Capital Group

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**9:45 am**

China in Transition:  
What Should Investors Expect?

During this session, discussants will explore current geo-political factors, financial market dynamics and granular investment themes as they relate to the current environment. As China continues to face challenges with slowing economic growth, will China make the changes in monetary policy and market reforms necessary to change its trajectory? Will China's political leadership transition in 2017 have implications for investors, and if so what will these changes portend? The discussants will also share their perspective on a number of issues relevant to investors: What is the state of China's banking system and the extent to which there may be increasing liquidity risk? Is a rising non-performing loan cycle likely, and if so what are the signposts likely to be? Is China moving towards the development of more robust capital markets? What is the state of China's domestic equity market? What will the future of China's A-Share be? The session will also provide an opportunity for members to garner insight on what sectors and strategies may offer the most attractive investment opportunities for those deploying capital in China - as panelists share their opinion regarding distressed credit, long/short equity, A-Shares, event-driven, venture capital, private equity and other strategies.

*Moderator:* John Authers, *Financial Times*

*Discussants:* Gordon G. Chang, Author, *The Coming Collapse of China*  
Li Gang, CEPHEI Capital Management  
Zoltan Varga, Och-Ziff Capital Management Group

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**10:45 am**

Break

# Schedule

Tuesday, September 27, 2016

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## 11:15 am

**The State of Energy Markets and the Opportunity-Set for Investors**

This panel discussion will engage participants on the trends and dynamics currently at work in the energy markets, along with an assessment of the investment opportunities presenting across the sector. Is now the time to invest? Are allocators finally adding to their exposures? Which strategies if any are ripe for investment? Our panelists will share their observations about what opportunities investors can capitalize on and what the risks are to avoid in the current environment. Where are the most attractive investment opportunities likely to be found? While the session will focus on granular investment opportunities, some emphasis will be placed on the issues driving change in the industry.

*Moderator:* Ken Lee, Carnegie Corporation of New York

*Discussants:* Christopher A. Abbate, Riverstone Holdings LLC  
John Labanowski, Brenham Capital Management, L.P.  
Steve Westly, The Westly Group

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## 12:15 pm

Luncheon

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## 1:15 pm

**The Use of Currencies in Endowment & Foundation Portfolios**

*An Interview with Paul Lambert, Insight Investment*

In this interview, Paul Lambert will share his perspective on how currencies can be used to create solutions for endowment and foundation portfolios. Many investors have seen their international investments diminished in the wake of currency market fluctuations. Should CIOs hedge foreign investments in full or in part? What are the pros and cons? Are dynamic hedging programs a viable option? In this interview, Mr. Lambert, will share his insights on macro factors in currency markets and the potential solutions that can benefit institutional investors.

*Conducted by:* Shawn D. Wischmeier, Margaret A. Cargill Philanthropies  
*Interviewee:* Paul Lambert, Insight Investment

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## 2:00 pm

**Credit Extension: The State of Bank Disintermediation and Opportunities for Fixed-Income Investment**

Since the credit crisis, new regulations, increased institutional risk-aversion, and higher capital requirements have simultaneously prevented banks and other financial institutions from providing traditional credit extension to wide swaths of the U.S. economy while reducing liquidity in the securitization markets. An evolving credit extension opportunity has emerged in the form of relatively simple and transparent credit products originated utilizing robust data analytics with dynamic risk based pricing. These opportunities have and are becoming available in predictable and meaningful volumes, allowing alternative capital providers to begin filling the void caused by the retreat of traditional financial institutions and to participate in uncorrelated return streams, including through public asset-backed securities markets. This presentation will focus on market dynamics and the opportunity-set for investors.

*Speaker:* Fernando Guerrero, Varadero Capital, L.P.

# Schedule

Tuesday, September 27, 2016

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**2:45 pm**

Break

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**3:15 pm**

**Afternoon Keynote Address:  
How Technology Will Change the  
Business of Investing**

Technology helps institutional investors streamline and strengthen operations, manage and distribute knowledge, access unique (and otherwise expensive) markets, and level the playing field with the private financial services industry generally. To be sure, technological innovation always comes with growing pains and challenges, but it is still not something any long-term investor can ignore. In this presentation, Dr. Ashby Monk explores how technology will change the business of institutional investment.

*Speaker:* Dr. Ashby Monk, Stanford Global Projects Center; University of Oxford

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**4:15 pm**

**Fighting Group Think:  
Promoting a Culture of Innovation**

To survive and thrive, organizations need original thinking. Yet most individuals stay silent instead of voicing their best ideas—and many leaders stifle dissent rather than encouraging it. Adam Grant's presentation will explore how we can all get better at recognizing and championing new ideas, how to overcome fear and doubt and how to build cultures that welcome diverse perspectives and honest feedback. He will discuss why late entrants typically beat first movers, friendly managers end up being the least supportive, devil's advocates often backfire but contrarian opinions are useful even when they're wrong, and the values that help organizations prosper early on are the same ones that thwart their growth later. His insights on unleashing originality in organizations and teams will be illuminated in a talk that will be both surprising and entertaining.

*Speaker:* Adam Grant, The Wharton School of Business at the University of Pennsylvania

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**5:15 pm**

**Sessions Conclude  
Reception Immediately Following**

After two days of sessions, connect with colleagues and peers for a relaxing evening and friendly conversation.

# Schedule

Wednesday, September 28, 2016

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**7:15 am - 7:45 am**

*Private Breakfast & Peer Networking for Endowments & Foundations Only*

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**7:45 am - 8:45 am**

Closed-Door Session for  
Endowments & Foundations Only

*Integrating Asset Allocation and Risk Management – A Practical Discussion*

Designing and implementing an asset allocation in a changing environment where asset values remain high, interest rates remain low, and where markets are characterized by increased volatility remains a significant challenge of the investment office. Many investors foresee a low return environment for many years ahead. At the same time, managing portfolio risk and considering the portfolio in an integrated manner, aligning the risk profile of the institution with the need to generate returns – is an objective that many institutions are addressing with vigor. How should investors adapt in order to meet return objectives and manage risk? Are there new ways to look at investing the portfolio? Will manager selection play an increased role? This facilitated discussion will provide an opportunity for peer investment officers to share ideas and exchange views on how their respective teams are approaching these important subjects.

*Co-Facilitators:* Michael Edleson, The University of Chicago  
John C. Pomeroy, Jr., The Pennsylvania State University

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**8:15 am**

*Continental Breakfast for All Other Attendees*

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**8:55 am**

Remarks from the  
Forum Chairmen

Sally M. Dungan, Tufts University  
Jeff Pippin, Pepperdine University  
Paula J. Volent, Bowdoin College

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**9:00 am**

Opening Address: Data Mining,  
Performance Chasing and the  
Quest for Real Returns

We know that past is not prologue. In a world of lofty past returns, and low current yields, how do we gauge forward return expectations? With low future returns, how can endowments and foundations earn respectable real returns? A wider opportunity set (diversification into out-of-mainstream markets), the quest for alpha (the driver behind the smart beta revolution), and contrarian active asset allocation can all help. Each of these is *also* an open invitation for performance chasing, which is a proven path to disaster. Are some flavors of “smart beta” setting us up for tears? Since the capital markets do not reward comfort, how do we avoid performance chasing? How do we stay the course, when cheap markets get cheaper?

*Speaker:* Robert D. Arnott, Research Affiliates, LLC

# Schedule

Wednesday, September 28, 2016

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## 10:00 am

### Investment Opportunities in Credit Strategies

As investors seek returns for their portfolios evaluating allocations across asset classes and strategies, credit remains an area of perennial interest to investors. In the current environment, are dynamics at work in credit markets that may set into motion an opportunity for significant returns? With interest rates expected by many to remain low, what are the implications for investors who allocate to credit strategies? What are the expected returns and downside risks related to various strategies? The discussants will share their opinions regarding the trends they believe are driving the value proposition for specific strategies and what endowments and foundations might expect from the sector going forward. The session will explore corporate credit, high yield, CLOs, and structured credit among other approaches.

*Moderator:* Raymond A. Jacobson, Davidson College

*Discussants:* Jeremy D. Hedberg, Värde Partners, Inc.  
Dominique Mielle, Canyon Capital Advisors, LLC  
David Sherr, One William Street Capital Management, L.P.

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## 11:00 am

### Break

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## 11:30 am

### European Real Estate Investing: Interpreting the New Investment Landscape

In a post Brexit environment when so much uncertainty remains, this session is designed to explore through candid discussion the environment as it is evolving for investments in Europe with a specific emphasis on public and private real estate investing. How is the economic and financial market environment evolving post Brexit? How are recent and upcoming referenda changing the course of the EU, and what impact will this have on investors? The discussion will also focus on the subject of real estate valuations, investor sentiment in the search for yield; current real estate supply and demand fundamentals, the dilemma of whether or not to buy real estate in the UK; the merits of investing in public versus private real estate in Europe; and specific real estate strategies that may offer attractive returns for investors.

*Moderator:* John Authers, *Financial Times*

*Discussants:* Bertrand Julien-Laferrière, ARDIAN  
James Rehlaender, Northwood Securities LLC

# Schedule

Wednesday, September 28, 2016

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**12:15 pm**

**Agriculture in the New  
Food Economy**

The new food economy values fresh, healthy and authentic food that connects the consumer with the farmer. This connection gives consumers transparency into production practices and access to a growing number of quality indicators such as organics or GMO-free. We believe that success in the new food economy relies on technology and a community of partners. New innovations in agricultural technology (“AgTech”) is making food production safer, cleaner and more friendly to the environment. Strategies to identify, validate and scale the most promising technologies will differentiate firms that succeed in the new food economy. Despite the power of vertical integration, the transformation of the food economy is ultimately a collective effort. Systemic transformation of the food economy will only be achieved when an ecosystem of partners with a shared vision create the new food economy together. This presentation will explore the latest innovations in the sector and what the opportunity-set may be for investors.

*Speaker:* Charlie McNairy, International Farming Corporation

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**1:00 pm**

**Forum Concludes**

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