



Virginia State University
Board of Visitors Meeting
November 18, 2022

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Firm Overview

Who We Are

Consequent Capital Management:

- **An independent investment advisor registered with the Securities & Exchange Commission under the Investment Advisors Acts of 1940.**
- **Trusted fiduciary with our investors and clients including public and private pension funds, endowments, foundations and corporations.**
- **Full-service minority owned investment advisory firm serving clients for 31 years with approximately \$740MM under advisement¹.**
- **We specialize in sourcing, selecting, and monitoring emerging and diverse investment managers.**

¹ as of September 30, 2022

Investment Advisory Overview

Investment Consulting

General Portfolio Advisory

Investment Policy Development & Review

Asset Class Structures and Strategies

Investment Manager Due Diligence & Selection
(including Emerging & Diverse Managers)

Risk Management

Portfolio Construction

Dynamic/Tactical Asset Allocation Overlays

Fund Performance Monitoring & Reporting

Researching Investment Ideas

Board/Investment Committee Meetings

Board Member Education

Assistance with Audits and GASB Reporting

Investment Review Services & Performance
Evaluation

Investment Management

Multi-Manager Platform

With managers that span the spectrum of asset classes, our multi-manager platforms are suited for specialized investment needs at a cost-effective rate

Outsourced CIO

We strive to offer one of the brightest and most experienced teams to set and monitor the direction of investment programs for public plans and endowments

Multi-Strategy Alternatives Funds of Funds

We leverage our extensive network and manager vetting expertise to source unique opportunities in the alternatives space

Our Approach to Investment Consulting Engagements

Overview of Investment Consulting Engagement

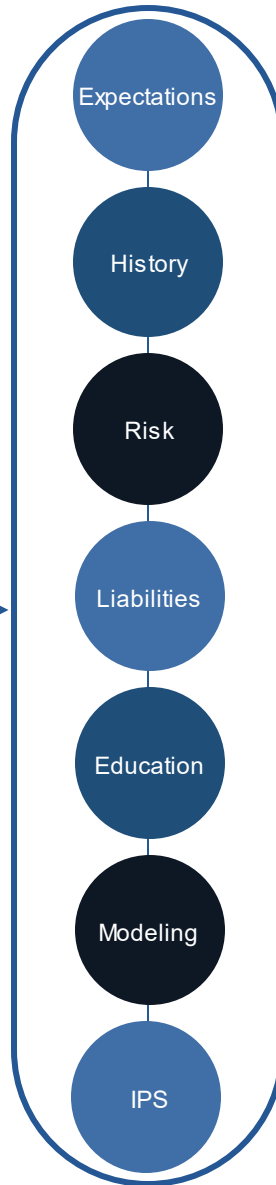
- **Serve as an extension of Finance and Investment department staff**
- **Utilize a team approach to serve the client**
- **Leverage all internal resources to provide the highest level of client service and to add value throughout advisory engagement**
- **Provide comprehensive portfolio analysis, construction, risk management and monitoring**
- **Accept fiduciary responsibility for investment advice**



Investment Plan Policy Statement

Evaluate the Investment Policy Statement

We believe the Investment Policy Statement (IPS) is the most critical document because it serves as the “blueprint” in governing the investment of the assets. The specific steps are as follows:



Discuss with Trustees and staff the current operating procedures and set expectations

Review historical information and current investment policies

Determine collective risk tolerance of the Trustees

Analyze any actuarial reports or spending policies to fully understand current and future liabilities

Provide educational sessions on asset classes, focusing on the risk exposures, the drivers of return, and the diversification benefits of the asset class or investment strategy

Model investment policies, incorporating risk tolerances, regulatory requirements, current capital market projections, and any actuarial projections or spending policies

Present an Investment Policy Statement (IPS), which include investment criteria, manager selection and/or removal procedures, target asset mix, allocation ranges, investment styles, and rebalancing strategies

Process for Asset Allocation

Asset Allocation – Our Approach

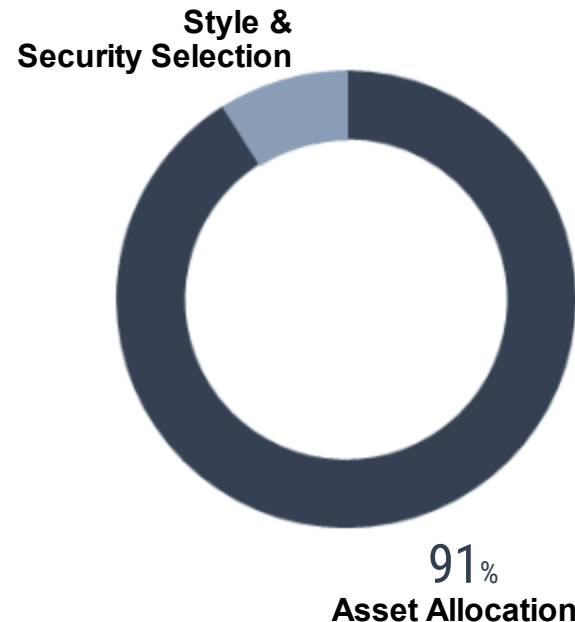
- Studies indicate that over 90% of the long-term total fund return variability was attributable to Asset Class Allocation.
- We focus on understanding the sources of return within a portfolio
- We utilize several methods to analyze portfolios returns, including back-testing, stress-testing, and simulations (i.e., Monte Carlo)

Asset Allocation is...

- The process of optimally diversifying the Fund's assets across asset classes.
- The method for balancing expected returns and risks.
- The primary tool for controlling the volatility of returns (risk).

Asset Allocation is NOT...

- Selecting individual stocks
- Predicting next year's winners
- Timing the market



Process for Asset Allocation Analysis

Our goal is to assist you in selecting an asset allocation and re-balancing procedures that:

- **Minimize the *Magnitude* of under performance and negative returns**
 - **Minimize the *Frequency* of under performance and negative returns**
 - **Minimize the *Duration* of under performance and negative returns**
-
- **Identify and Define Objectives**
 - **Liquidity Needs**
 - **Spending Policy**
 - **Program Design**
 - **Time Horizon**
 - **Return Target**
 - **Assess the Trustees' Risk Tolerance**
-
- **Determine Appropriate Asset Classes**
 - **Historical Model**
 - **Optimize Asset Classes**
 - **Forecasting Model**
 - **Allocate to Alternatives**
 - **Model Investment Policy Alternatives**
 - **Select an Appropriate Asset Allocation**

Diverse, Emerging, ESG & Impact Investment Managers

Diverse, Emerging Investment Managers

What We Believe

- **There is untapped value in overlooked managers and strategies**
- **Those with the ability and commitment to discover and nurture opportunities in small and niche strategies have the potential to yield superior returns for investors and clients**

Our Solution

- **Assist in expanding the universe of investment managers in the portfolio**
- **Customized solutions for clients**
- **Flexible structures and cost efficiency provides additional support to investment staff in the identification, due-diligence selection and monitoring of diverse and emerging investment managers**

Diverse, Emerging Investment Managers Solutions

Why implement this solution?

Similar types of solutions have been implemented throughout the United States with institutional investment platforms. There are several reasons these programs and or solutions are undertaken:

1. Diversity of trustees and plans
2. Increase in the number of emerging and diverse investment managers (diversify portfolio)
3. Alpha generation opportunities
4. Limited staffing and resources
5. Mandates—Legislative
6. Progressive in a changing marketplace
7. Promote businesses in geographic region

Diverse & Emerging Investment Managers Solutions Program

How can the solution be implemented?

We can provide the advisory solutions to clients in several different structures:

A. Non-Discretionary Investment Consulting

- Identification and sourcing of selected strategies of investment managers
- Due diligence/research
- Recommendation/Write-up

B. Emerging and Diverse Investment Manager Program (Non-Discretionary)

- Determine program size
- Development of structure, IPS, asset allocation
- Conduct due diligence
- Recommendations
- Portfolio construction
- Portfolio monitoring and rebalancing
- Performance reporting

C. Discretionary Multi-Asset Class Portfolio

- Mandate program size
- Development of asset allocation
- Conduct due diligence
- Portfolio construction
- Portfolio monitoring and rebalancing
- Performance reporting

Investment Advisory Solutions: Benefit

- **Increased diversification of investment managers and investment strategies**
- **Customized portfolio approach to asset classes and allocations**
- **Ease of administration**
- **Promote emerging and diverse investment managers**
- **Provide additional resources to investment staff**

Disclosure

Disclosure

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