

# Segal Marco Advisors' Strategic Update

November 12, 2020

# Today's Presenters



**John DeMairo**  
*President & CEO*  
[jdemairo@segalmarco.com](mailto:jdemairo@segalmarco.com)



**Tim Barron, CAIA**  
*Senior Vice President & Chief Investment Officer*  
[tbarron@segalmarco.com](mailto:tbarron@segalmarco.com)



**Sue Crotty**  
*Senior Vice President*  
[scrotty@segalmarco.com](mailto:scrotty@segalmarco.com)



**Michael Joyce, JD, CEBS**  
*Senior Vice President*  
[mjoyce@segalmarco.com](mailto:mjoyce@segalmarco.com)



**Alan Kosan, JD**  
*Senior Vice President, Head of Alpha Investment Research*  
[akosan@segalmarco.com](mailto:akosan@segalmarco.com)



**Linda McDonald**  
*Senior Vice President, Director of Research*  
[lmcdonald@segalmarco.com](mailto:lmcdonald@segalmarco.com)



**Geoff Strotman, CFA**  
*Senior Vice President, Director of Research*  
[gstrotman@segalmarco.com](mailto:gstrotman@segalmarco.com)



**Ben Hall, CAIA, IMC**  
*Vice President*  
[bhall@segalmarco.com](mailto:bhall@segalmarco.com)



**TJ Kistner, CFA, CAIA**  
*Vice President*  
[tkistner@segalmarco.com](mailto:tkistner@segalmarco.com)



**Maureen O'Brien**  
*Vice President, Proxy Voting/Corporate Governance*  
[mobrien@segalmarco.com](mailto:mobrien@segalmarco.com)



**Kathleen Pabla, CFA**  
*Vice President, Director of Research*  
[kpabla@segalmarco.com](mailto:kpabla@segalmarco.com)



**Benjamin Patzik, CFA, CPA**  
*Vice President*  
[bpatzik@segalmarco.com](mailto:bpatzik@segalmarco.com)



**Michael St. Germain**  
*Vice President*  
[mstgermain@segalmarco.com](mailto:mstgermain@segalmarco.com)



**Francois Otieno, CAIA**  
*Director*  
[fotieno@segalmarco.com](mailto:fotieno@segalmarco.com)



**Donell Ward**  
*Director*  
[dward@segalmarco.com](mailto:dward@segalmarco.com)

---

# Agenda



# COVID-19

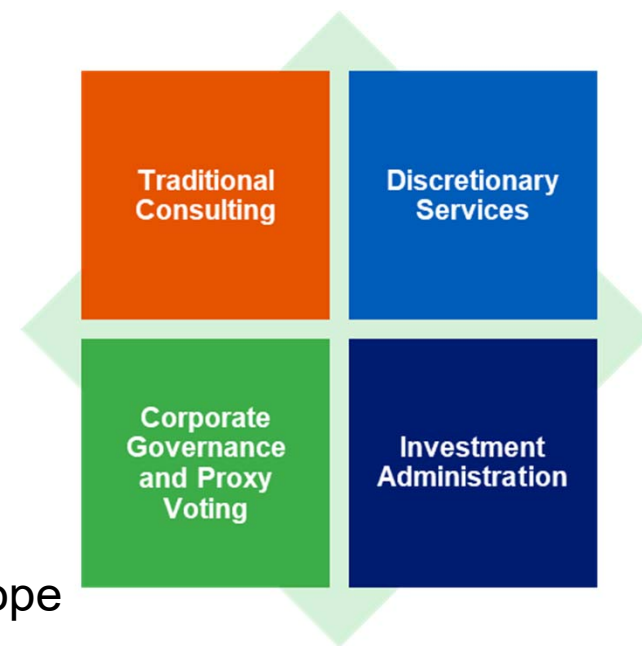
## *Company Reaction*

- Segal Marco maintains and updates a business continuity plan to enable the firm to continue to provide services to clients in the event of a natural disaster, including a global health crisis like COVID19
- As a result of the firm's significant investment in technology, our transition was seamless delivering uninterrupted services to our clients since March 13, 2020
- In addition, senior management, business operations, including our information technology and information security professionals meet regularly to (i) coordinate our response to the changing operating environment and (ii) to ensure that we are able to meet our contractual obligations to clients
- We would also like to note that neither Segal Marco nor its parent, Segal, received any financial assistance from federal, state or local governments
- Our commitment to our employees and our clients remains firm and the financial strength of our company allows that without requiring outside support



# Segal Marco Advisors – Today

- Wholly-owned subsidiary of Segal, established in 1969
  - 100% employee owned
- SEC registered Investment Adviser
- Our primary line of business is providing investment consulting services
- 121 employees across 11 offices in N. America and Europe
  - 36 consulting group
  - 38 research group
  - 47 client service group
- 878 plans (448 clients) with \$668 billion in assets (as of 6/30/2020)



# Organizational Chart



\*Rogerscasey Canada

# Year in Review – 2020 YTD

- Produced strong financial results
- Solid new business in a challenging environment
- Continued to diversify revenue by market, by source
- Strategic hires to enhance footprint capabilities
- Enhanced compliance, operations cyber security and quality
- About Segal



# Achievements

- 50+ years of excellence
- One of the largest independent employee-owned firm
- Recognized industry leader
  - Greenwich Quality Award
  - NABTU A+
  - Heartland Capital/Georgetown initiatives for labor and the working poor
- Experience and depth of research and consulting talent
- Diverse client base
- New and improved website
- Active engagement in DOL/SEC regulatory process



# Diversity and Inclusion at Segal Marco

- Segal Group Diversity & Inclusivity Committee
- Women's Leadership Council
- Training on Bias Awareness and Prevention of Discrimination
- Women's Investment Professional Board Member
- National Association of Securities Professionals
- Diverse Manager Initiative and Annual Outreach Event
- Proxy voting and corporate governance practice advocates for racial and gender diversity at publicly traded firms
- The ESG Committee surveyed our top investment managers on their diversity practices

# What Are Our Clients Thinking About?

## How are our clients doing?

- Spring: Cash is king – shock and awe – unclear about contributions and markets
- Summer: What's next – business must go on – some lifting of the fog
- Fall: Fatigue
  - Are there opportunities we need to think about given market stress
  - Committees are back focusing on relative returns of their plans and managers
    - Increased frustration with a concentrated market – significant client education
    - Value, small cap and non U.S. struggles on top of the list
- By and large there is the same dichotomy in client's economic outlook as there is in broader economy
  - Contrast arts, entertainment, travel and leisure with technology, health care
  - Region and trade impacting a client's success or stress
  - Public sector will face challenges moving in 2021 as stimulus/support and budgets are clarified
  - Corporate (our definition) Higher Education/E&F versus health systems and traditional corporate



# What Are Our Clients Thinking About?

## What does 2021 and beyond look like?

- Capital Market Assumptions
  - With the unexpected steep drop in interest rates, assumptions anticipated to dip lower in 2021
  - Constant discussion on impact of reduction of the actuarial assumption rate
  - Risk continues to be a larger part of discussions – not just market volatility but funding volatility and concerns on complicated, expensive & opaque products in the alternatives space
- Alternative Plan Design Conversations
  - Variable Annuity Plans
  - Cash Balance Plans
- Generational Changes Impact on Client Governance

---

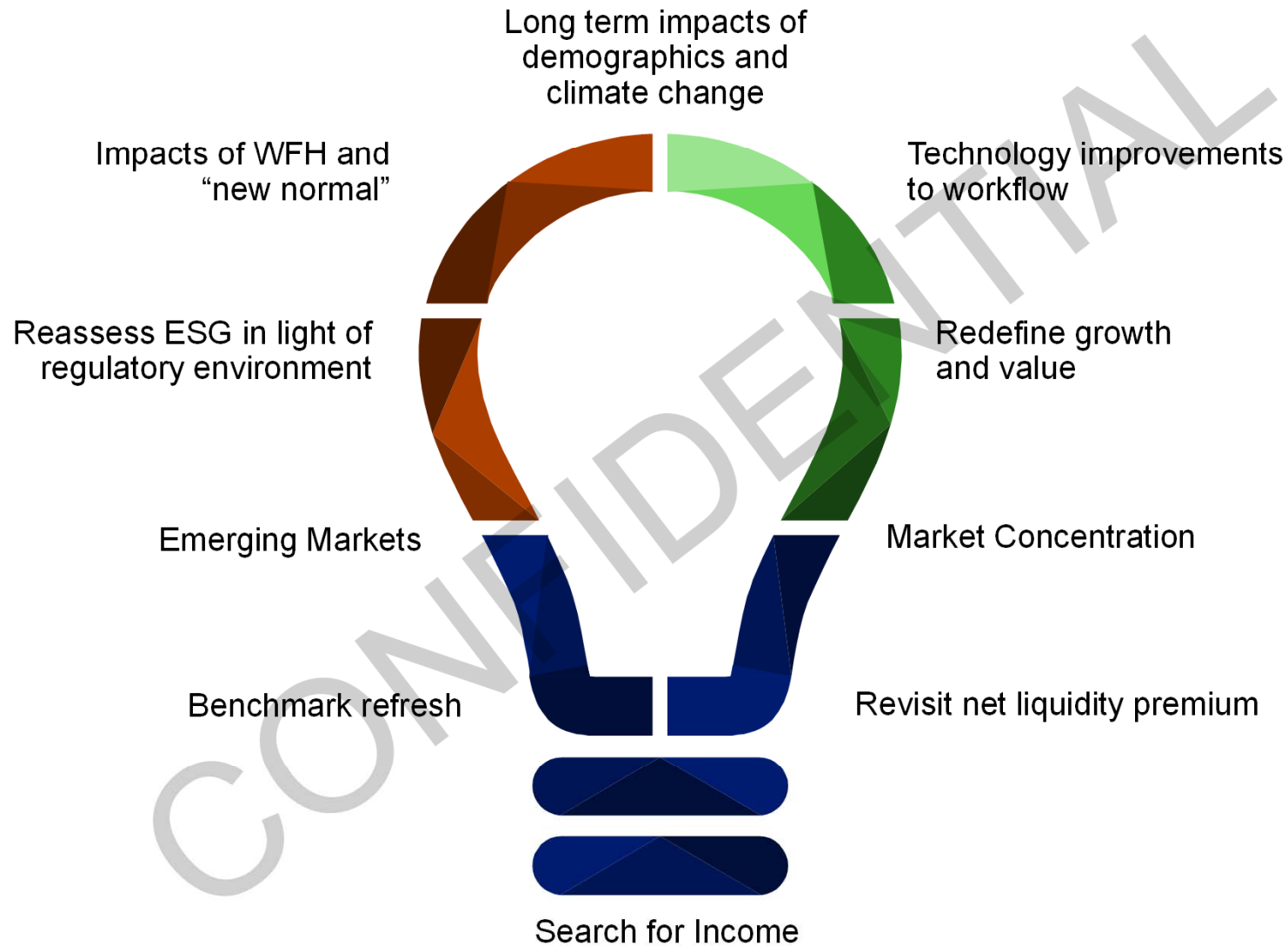
# Agenda



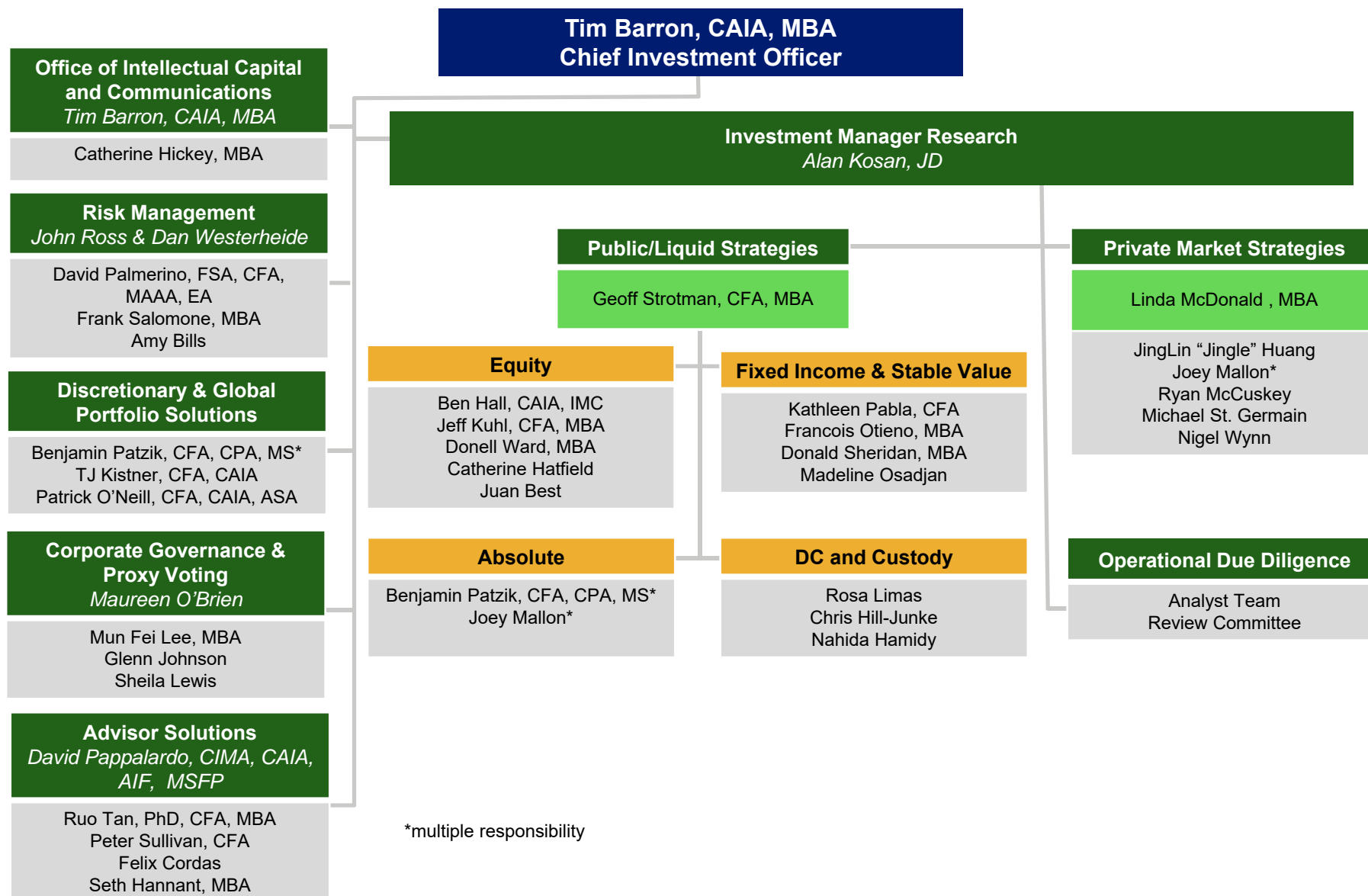
# Research Agenda – 2019

	Scorecard
<ul style="list-style-type: none"> <li>➤ Investigate everything (cannibas to crypto)               <ul style="list-style-type: none"> <li>• But don't do everything</li> </ul> </li> </ul>	Continue
<ul style="list-style-type: none"> <li>➤ Strategic relationships for clients with asset managers</li> </ul>	Continue
<ul style="list-style-type: none"> <li>➤ Three pronged approach to ESG and Impact</li> </ul>	Check
<ul style="list-style-type: none"> <li>➤ Retain, hire, train and mentor team for excellence</li> </ul>	Continue
<ul style="list-style-type: none"> <li>➤ Lower costs where possible</li> </ul>	Continue
<ul style="list-style-type: none"> <li>➤ Develop Corporate Sustainability Report for Segal Marco</li> </ul>	Check
<ul style="list-style-type: none"> <li>➤ Support consultants and clients in attaining investment goals</li> </ul>	Continue
<ul style="list-style-type: none"> <li>➤ Guiding Themes               <ul style="list-style-type: none"> <li>• Tough to make money in the Global Agg</li> <li>• Late cycle</li> <li>• Opportunism and selectivity</li> </ul> </li> </ul>	

# Added Emphasis for 2021



# Specialized Research Capabilities



# Alpha Team

**Tim Barron, CAIA, MBA**  
Chief Investment Officer

**Investment Manager Research**  
*Alan Kosan, JD*

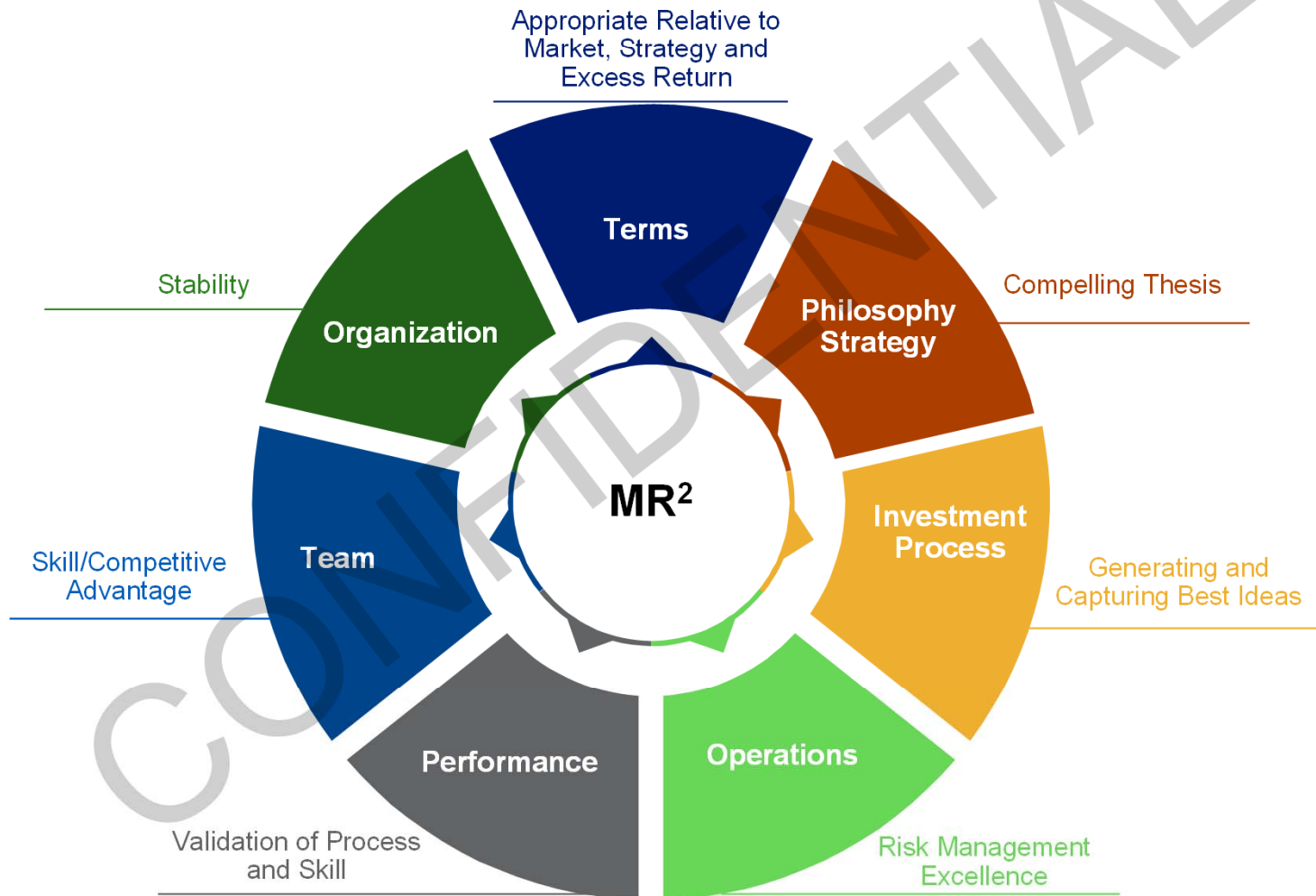
Public/Liquid Strategies		Private Market Strategies	Operational Due Diligence
Geoff Strotman, CFA, MBA		Linda McDonald, MBA	Analyst Team Review Committee
Equity	Fixed Income & Stable Value	JingLin "Jingle" Huang Joey Mallon* Ryan McCuskey Michael St. Germain Nigel Wynn	
Ben Hall, CAIA, IMC Jeff Kuhl, CFA, MBA Donell Ward, MBA Catherine Hatfield Juan Best	Kathleen Pabla, CFA Francois Otieno, MBA Donald Sheridan, MBA Madeline Osadjan		
Absolute	DC and Custody		
Benjamin Patzik, CFA, CPA, MS* Joey Mallon*	Rosa Limas Chris Hill-Junke Nahida Hamidy		

\*multiple responsibility



# Seven Principles

Our proprietary Manager Research and Ranking (MR<sup>2</sup>) evaluation process identifies top-tier managers best-equipped to achieve your investment objectives

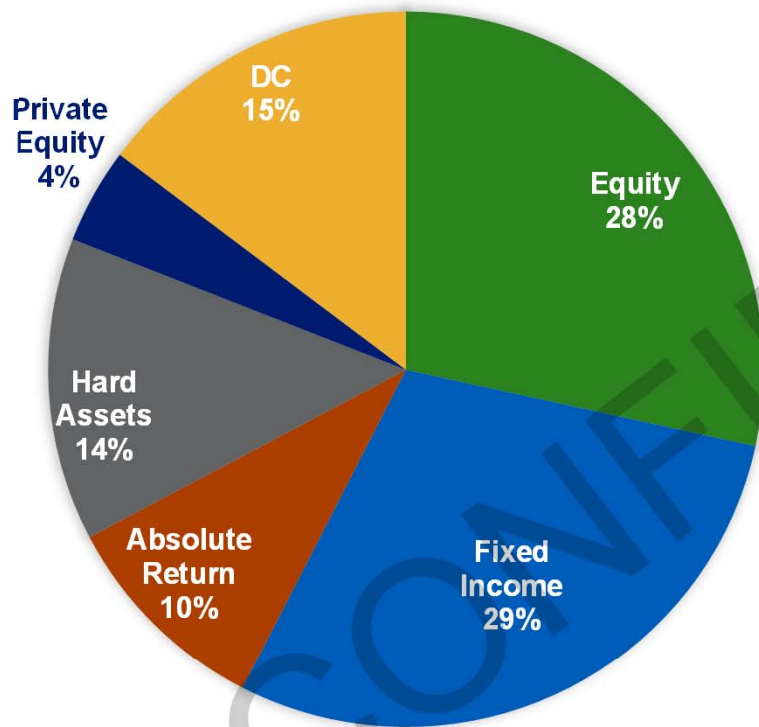


# 2020 Alpha Research Focus

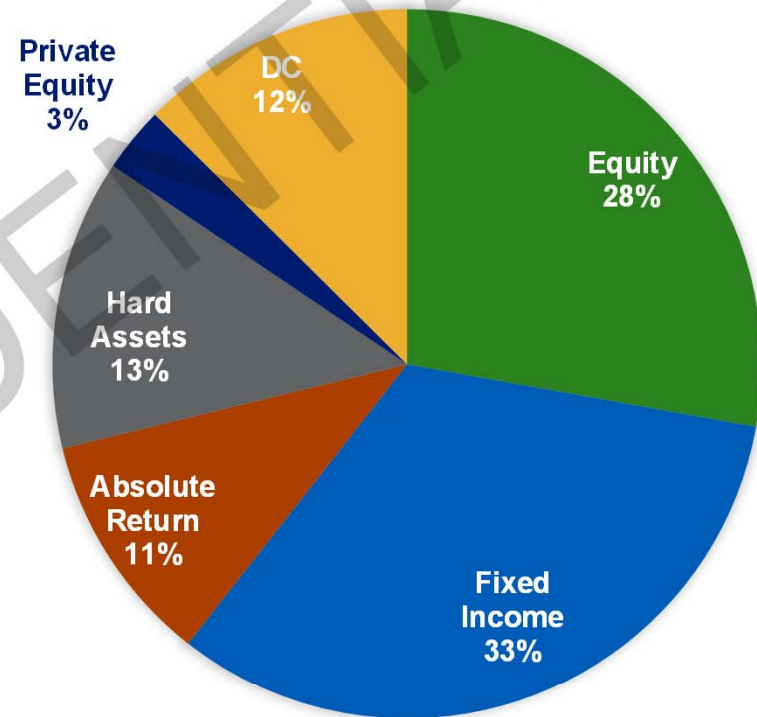
- Re-validate manager theses in COVID-era
- Emerging /Minority/Women-Owned Firms
- Diversity & Inclusion Practices/Metrics
- ESG products and factor usage
- Distressed/Dislocation Cyclical Strategies
- Opportunistic investments broadly
- Private market manager liquidity forecasts
- Recommended roster refresh across asset classes: special focus on PM
- RCP-friendly & ERISA standard of care options
- Intermediary channel products
- Focus on fees

# Non-Discretionary Manager Search Activity

2019 Searches  
Total – 278



2020 Searches YTD\*  
Total – 302



\* Through October 31

# Non-Discretionary Manager Search Activity – 2020

<b>US Equity</b>	<b>53</b>	<b>Non-US Equity</b>	<b>31</b>	<b>Fixed Income</b>	<b>99</b>
All Cap Core	7	Canadian Equity	3	Bank Loans	2
All Cap Value	1	Global All Cap	9	Core	17
Large Cap Core	8	Global Large Cap Core	1	Core Plus	11
Large Cap Growth	6	International All Cap	3	Emerging Markets Debt	1
Large Cap Value	9	International Core	3	Global	25
Mid Cap Core	4	International Growth	2	Global (Hedged)	2
Mid Cap Growth	1	International Value	1	High Yield	1
Mid Cap Value	3	International Small Cap	5	Intermediate	4
Small Cap Core	10	Emerging Markets	4	Long Duration	7
Small Cap Growth	1			Multi-strategy	1
SMID Cap Growth	2			Opportunistic Credit	2
SMID Cap Value	1			Private Credit	17
				Private Debt	4
				Short Duration	3
				Treasury	2

\* Through October 31

# Non-Discretionary Manager Search Activity – 2020

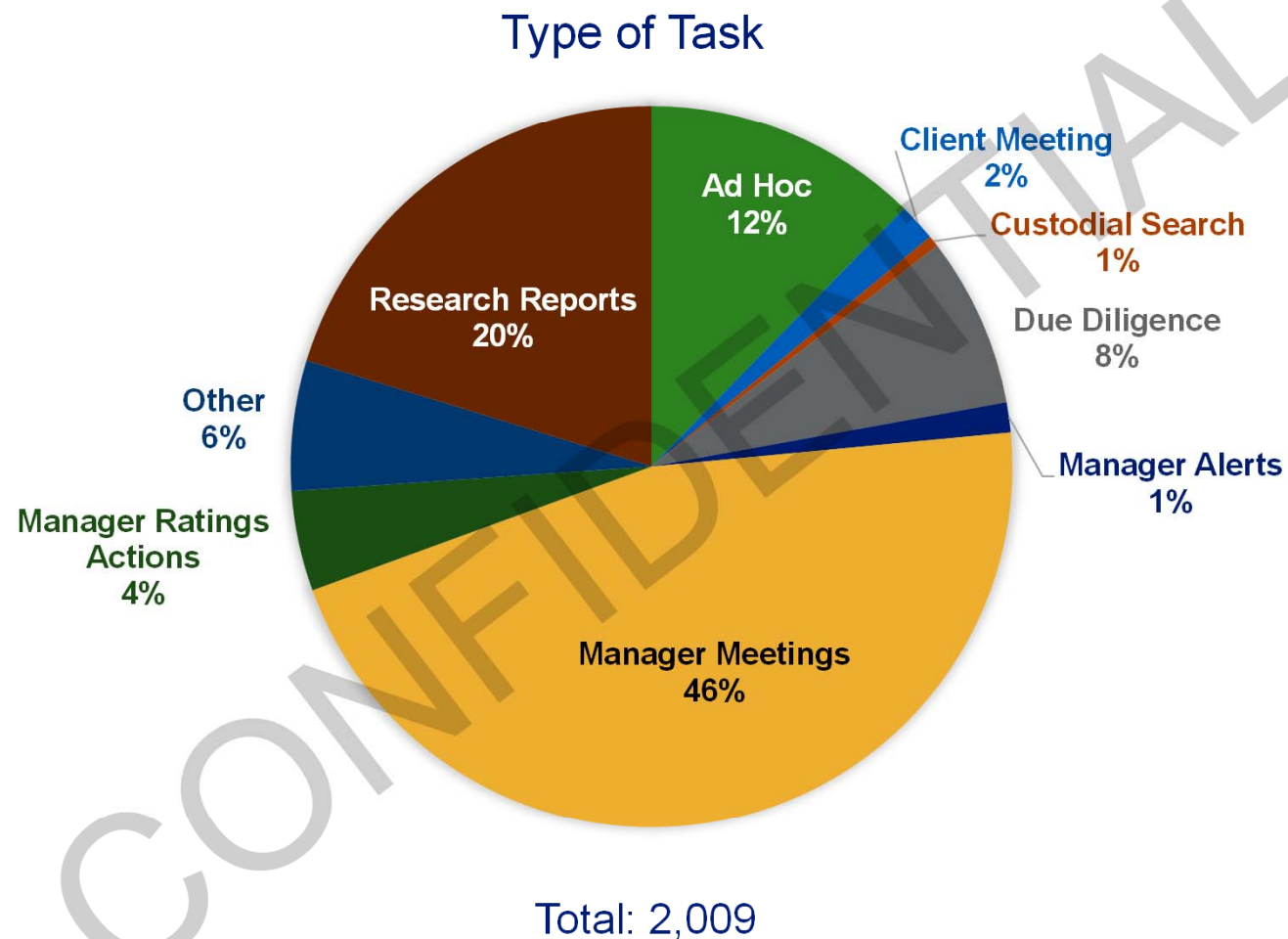
<b>Hard Assets</b>	<b>40</b>	<b>Absolute Return</b>	<b>32</b>	<b>Defined Contribution</b>	<b>38</b>
Core Real Estate	9	Equity Long/Short	1	Alternatives	2
Core Infrastructure	11	Fund of Hedge Funds	8	High Yield	1
Core Plus RE	4	Multi-Asset Class	23	Commodities	1
Diversified Infrastructure	4			GTAA	1
Opportunistic RE	6			US Large Cap Growth	5
Value Add RE	6			US Large Cap Value	3
				US Mid Cap Growth	1
				US Mid Cap Value	1
				US Small Cap Growth	1
				US Small Cap Value	1
				Target Date Funds	21

<b>Private Equity</b>	<b>9</b>
Diversified Private Equity	5
Fund of PE Funds	1
Secondaries	3

\* Through October 31

# Other Alpha Research Tasks YTD 2020 \*



\* Through October 31

# 2020 Areas of Focus – Hard Assets

## Vehicle & Strategy Categories Covered by Private Market Research

Liquid	Multi-Manager	Primaries – O/E & C/E Funds	Secondaries
<ul style="list-style-type: none"> <li>➤ Real Estate Securities</li> <li>➤ Infrastructure</li> <li>➤ Natural Resources</li> <li>➤ Commodities</li> <li>➤ MLPs</li> <li>➤ Diversified Real Assets</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commingled</li> <li>➤ Multi Asset Class</li> <li>➤ Evergreen</li> </ul>	<ul style="list-style-type: none"> <li>➤ Real Estate</li> <li>➤ Infrastructure</li> <li>➤ Timber</li> <li>➤ Farmland</li> <li>➤ Energy</li> <li>➤ Other</li> </ul>	<ul style="list-style-type: none"> <li>➤ Traditional LP Pooled Interests – Real Estate, Infrastructure &amp; Timber</li> <li>➤ Multi-Asset Class</li> </ul>

## Themes Covered by Private Markets Research

Liquid	Multi-Manager	Primaries	Secondaries
<ul style="list-style-type: none"> <li>➤ Broader diversification – infrastructure</li> <li>➤ Completion Programs</li> <li>➤ ASG Channel</li> </ul>	<ul style="list-style-type: none"> <li>➤ Prudent Diversification with less Beta</li> <li>➤ Completion Programs</li> </ul>	<ul style="list-style-type: none"> <li>➤ RE Value Add, Opp &amp; Debt – capitalize on disruption</li> <li>➤ Infrastructure – yield focus, capitalize on disruption</li> <li>➤ Lifescience</li> <li>➤ Cold Storage</li> <li>➤ Communications</li> <li>➤ Renewables</li> </ul>	<ul style="list-style-type: none"> <li>➤ Real Estate</li> <li>➤ Timber</li> </ul>

### Discretionary Program: 19 allocations totaling \$355M

- Real Estate Debt, Opportunistic Real Estate, Value Add Infrastructure

# 2020 Areas of Focus – Private Equity

## Vehicle & Strategy Categories Covered by Private Market Research

Multi-Manager	Primaries	Secondaries
<ul style="list-style-type: none"> <li>&gt; Commingled</li> <li>&gt; Fund of Ones/SMAs</li> <li>&gt; Evergreen</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Lower/Upper Mid-Mkt LBO</li> <li>&gt; Select Large Cap LBO</li> <li>&gt; Early-Stage/Expansion VC</li> <li>&gt; Growth Equity</li> <li>&gt; Special Situations</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Traditional LP Pooled Interests</li> <li>&gt; GP-Led/Asset-Specific</li> <li>&gt; Multi-Asset Class</li> </ul>

## Themes Covered by Private Markets Research

Multi-Manager	Primaries	Secondaries
<ul style="list-style-type: none"> <li>&gt; Prudent Diversification with less Beta</li> <li>&gt; Completion Programs</li> <li>&gt; Implementation of DC-Plan based PE programs</li> <li>&gt; Impact</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Cyclical sector focus</li> <li>&gt; Carve-outs/Turnaround</li> <li>&gt; Impact</li> <li>&gt; Automation</li> <li>&gt; Lifescience</li> <li>&gt; Enterprise SaaS</li> <li>&gt; Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Single Asset/Pooled Interests</li> <li>&gt; Direct Equity</li> <li>&gt; Preferred Equity</li> <li>&gt; Venture Capital</li> </ul>

### Discretionary Program: 28 Commitments from 8 Funds totaling \$411M

> VC = \$174M; LBO = \$104M; Growth = \$14M; Special Situations = \$120M



# 2020 Areas of Focus – Fixed Income

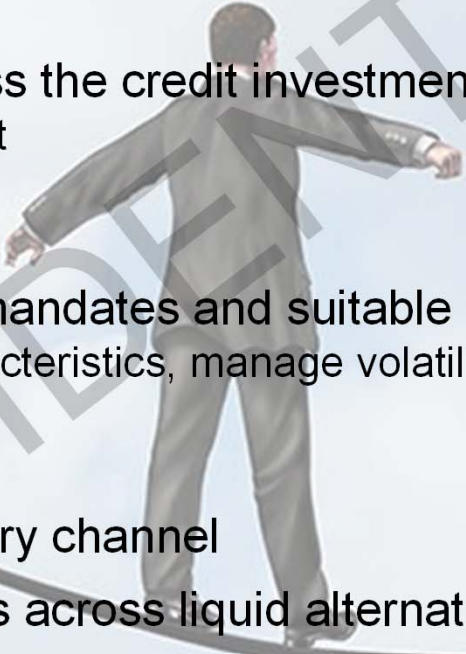
- Emerging Managers and Related Initiatives
- Environmental, Social and Governance (ESG)
- Private Credit and Private Debt
  - Direct Lending/Mezzanine
  - Specialty Private Credit Funds
  - Dislocation Funds
- Preferred Stock
- Core/Core Plus
- Multi-Sector Fixed Income Strategies
- Unconstrained Fixed Income



# 2020 Areas of Focus – Equity

- Deepening relationships and understanding of existing Recommended managers:
  - How COVID is impacting your business?
  - Changes to our manager coverage based on remote work environment
- Growth vs. Value considerations, and impact on client portfolio construction
  - Mega-cap momentum dynamic, and impact on active share
- Opportunities to incrementally improve our roster of Recommended managers across the cap spectrum in U.S. and Overseas.
  - Uptick in client interest in Global strategies
- Developing ESG landscape – broad integration vs. specialist products
- Diversity & Inclusion – minority-owned managers and engagement with existing managers
- Vehicles and Fees:
  - Working with managers to launch new vehicles that increase accessibility for clients to our best ideas – both institutional and advisor solutions group
- Continuing to develop and integrate junior members of the team (Juan Best & Catherine Hatfield)

# 2020 Areas of Focus – Absolute Return

- 
- Review the value proposition of MACS
  - Evaluate and formalize benchmarking approach to liquid alternative strategies, including hedge funds
  - Expand coverage and capability across the credit investment landscape
    - Stressed and distressed corporate credit
    - Structured credit
    - Special situations / opportunistic
  - Assess viability of direct hedge fund mandates and suitable bucketing schemes
    - Reduce portfolio beta / correlation characteristics, manage volatility
    - Introduce differentiated forms of alpha
    - Enhance return
  - Expand access to financial intermediary channel
  - Women and minority owned mandates across liquid alternatives
  - Expanding ESG

# Global Portfolio Solutions

## Key Initiatives

- Relative value of alternative investment strategies
- “Road maps” for capital deployment across alternative investment strategies
- Model portfolio construction, inclusive of alternative investment strategies, that vary based on risk and return appetite
- Elevate “best ideas” across investment strategies (while accounting for suitability considerations)
- Proprietary product development

## Research Themes of Particular Interest Today

1. Playing Defense
  - Liquidity management / Cash management
  - Defensive equity
  - Select hedge fund / HFOFs / MACS
  - Portfolio hedges?
2. Playing Offense
  - Private / Specialized credit
  - Private equity secondaries
  - Select hedge fund / HFOFs / MACS
  - Opportunistic strategies

---

# Agenda



# Corporate Governance Efforts on Diversity & Inclusion

- We joined with clients to ask all Russell 3000 firms to disclose the racial composition of their corporate boards in the 2021 proxy statement filings
- We are working with our proxy voting research providers on options for capturing racial disclosure to determine the feasibility of using the data to inform our proxy votes
- We are working with the Midwest Investors Diversity Initiative and the 30% Coalition to select companies to engage individually on the topic of racial and gender diversity ahead of 2021 shareholder meetings
- 2020: 85 companies added a woman to the board following shareholder engagement through the 30% Coalition
- Since 2016: 32 companies adopted the Rooney Rule for board searches and 56 women and/or people of color added to corporate boards
  - Women: 50
  - Racially diverse women: 13
  - Racially diverse men: 6



Thank You for Your  
Partnership

We Appreciate It