



## **Investment Minutes**

January 10<sup>th</sup>, 2025

DLC 326

Call to Order: 1:03

### **Attendance:**

Dr, John Neal, Ed Schulenberg, Ginna Claussen, Mike Tavlin, Tina Udell, Kass Mounce, Allison Bock

D.A. Davidson: Bryan Schneider

Fiducient: Brian Samuels, Taylor Furmanski

Mercer: Michael Doyle, Matt Burke, Mark Eisenhut

### **Consent Agenda:**

Gathering to hear the three companies present their proposals.

### **Proposals:**

D.A. Davidson RFP

- Introductions: Bryan Schneider from D.A. Davidson was introduced, providing a brief history of the firm, his 16-year personal relationship with the Foundation and the support team that exists in the Omaha office.
- Proposal: Materials were shared. The discussion covered the firm's history, team, and approach, with an emphasis on their long-standing partnership with the Foundation. D.A. Davidson is flexible in adapting to the Foundation's desired approach.
- OCIO (Outsourced Chief Investment Officer) Model: D.A. Davidson explained that in an OCIO relationship, as contrasted with the existing traditional consulting relationship, the Foundation would continue to have shared responsibility with defining objectives, establishing risk and return goals, strategic asset allocation and the investment policy statement but that Davidson would be solely responsible for sub-asset class structure, manager selection and termination and portfolio rebalancing. There was discussion on whether the committee should take a more

strategic role versus being involved in the day-to-day details of managing the portfolio. Davidson expressed concern about losing accountability for performance if too many details are handled by others.

- Capital Market Risk Management and Compliance:
  - Client Level: Understand the committee's knowledge and expectations, as well as the mission's reliance on the portfolio.
  - Asset Allocation Level: Utilization of AI to review and track client data, annual advisor reviews, and internal due diligence processes to ensure compliance.
  - Manager Level: Discussed processes and procedures to avoid issues across all levels.
- Investment Philosophy & Process: The firm follows modern portfolio theory, balancing passive and active management to identify efficient asset classes and internal fund costs. The discussion also included whether to have a strategic versus tactical approach, with a focus on long-term changes versus reacting to short-term market events.
- Asset Allocation: Reviewed historical data, growth patterns, and key risk-mitigation strategies to optimize yields and manage risk.
- Capital Markets Outlook: Discussed current market conditions and their impact on the Foundation's portfolio.
- Fee Structure & Davidson's Differentiation: Davidson emphasized their employee-owned status, stability, and tenure, with most staff having been at the firm for nearly 30 years. The firm also highlighted its ability to perform well despite changing benchmarks, focusing on achieving the Foundation's mission over strictly meeting benchmark targets.
- Performance Benchmarking: There was a discussion on whether to maintain a fixed benchmark to measure long-term effectiveness and portfolio allocation. Davidson emphasized the importance of staying aligned with the mission rather than strictly adhering to benchmarks.

## Fiduciant RFP

- Introductions: Brian Samuels and Taylor Furmanski introduced Fiduciant, providing an overview of the firm's operations. Fiduciant is an independent firm, not a broker-dealer, with no director compensation, ensuring a conflict-free structure. They offer discretionary and advisory services and work with many organizations similar to the Foundation, focusing on aligning investments with mission-driven goals.
- Proposal: Materials were shared. Fiduciant's primary offerings include handling trading and investments at a reasonable cost, allowing the Foundation to focus more on its mission and programs. Fiduciant's team for the Foundation would primarily consist of Taylor and Brian. They have a high client retention rate (98%) and offer an outsourced investment office service.
- Fund Management: In a traditional consulting arrangement Fiduciant recommends actions, and the Foundation is responsible for executing them (co-responsibility). In an OCIO relationship, the Foundation shares responsibility with with Fiduciant on matters such as overall investment

objectives, risk & return goals, strategic asset allocation and the investment policy statement and Fiduciant would be solely responsible for sub-asset class structure, manager selection and termination and portfolio rebalancing. They emphasized the importance of cash flow management, including setting aside a cash allocation to cover liquidity needs, which avoids pulling funds from long-term investments during liquidity events.

- Governance Calendar: Fiduciant outlined their quarterly engagement process, providing a report every quarter and performing an annual review of portfolio performance and asset classes. They aim for a tailored, client-specific approach rather than a one-size-fits-all strategy.
- Investment Strategy: Fiduciant's philosophy focuses on long-term performance, understanding expected returns, and recognizing when to terminate managers or adjust portfolios. They aim to educate clients on asset classes, risk tolerance, and volatility. They apply both active and passive management strategies, adjusting allocations based on risk/return profiles and market conditions.
- Rebalancing and Asset Allocation: Fiduciant employs a proprietary tool for asset allocation, which forecasts expected returns over a 10-year horizon. The tool is customizable and helps assess when rebalancing is necessary based on performance. They also emphasize diversification, particularly with alternatives like real assets, and the benefits of both active and passive strategies.
- Sample Portfolio & Fee Structure: Fiduciant provided a real sample portfolio and fee schedules for their OCIO services, noting that fees would be lower if not operating under a discretionary model. They also discussed their solutions for hedge fund exposure without additional costs, and the potential for private equity options, although not available at the moment.
- Discussion Points:
  - ETFs: Emphasized the importance of timing and price.
  - Hedge Funds: Fiduciant offers hedge fund exposure as part of their portfolio without additional cost, which can help in a down market.
  - Private Equity: While not currently offered, they are open to discussing private equity options in the future.
- The firm highlighted its client-focused, flexible approach, making it adaptable to the Foundation's needs while ensuring comprehensive, long-term investment management.

#### Mercer RFP

- Introductions: Michael Doyle, Matt Burke, and Mark from Mercer introduced themselves and their roles. They provided an overview of their firm's approach and experience, emphasizing their focus on institutional investors rather than individual clients. Mercer brings a unique

perspective with its expertise in serving nonprofits and schools, providing a differentiated, curated list of investment options.

- **Proposal Overview:** Materials were shared, outlining Mercer's proposed services. They explained their approach, which combines strategic communication and governance with investment management. Their plan includes a one-year breakdown, detailing a quarterly strategic communication plan and governance timeline.
- **Mercer's Approach:** Mercer explained the difference between an advisory approach and an OCIO model, emphasizing their extensive operational support. They offer scale and access to resources at a competitive price. Their services are designed to help institutions, particularly nonprofits, navigate complex investment decisions while providing educational support and insights based on what other organizations are doing.
- **Portfolio Construction & Governance:** Mercer uses a "live document" approach to portfolio construction and works closely with clients to enhance the initial investment strategy. They emphasized the importance of an Investment Policy Statement (IPS) as a foundational tool for guiding decisions and setting benchmarks for both the Foundation and its managers. The IPS helps ensure accountability and clarity of expectations.
- **Asset Allocation Decisions:** Mercer's approach to asset allocation is based on long-term investment goals, targeting appropriate returns while considering risk tolerance, volatility, and diversification. They focus on the balance between stocks, bonds, and alternative investments, using both passive and active strategies. Their goal is to implement best-in-class managers, with an emphasis on risk management at every stage.
- **Active/Passive Balance:** The firm outlined how they approach the balance between active and passive strategies, tailored to the unique needs of nonprofit organizations. Mercer uses four primary research teams to guide investment decisions: Equity, Fixed Income, Alternatives, and ESG/SRI. These teams provide rigorous manager research and analysis.
- **Risk Management:** Mercer highlighted their comprehensive risk management process, which includes peer reviews and various methods for assessing and managing risk. Their process ensures that all investment decisions align with the Foundation's risk profile and long-term objectives.
- **Sample Portfolio:** Mercer provided a sample starting point portfolio based on their understanding of the Foundation's goals and needs, showcasing their approach to asset allocation and manager selection.
- **Overall,** Mercer's proposal emphasizes a comprehensive, tailored investment strategy that incorporates extensive research, risk management, and operational support, designed to meet the unique needs of nonprofit organizations.

Review/Discussion of prospects:

The discussion focused on comparing three proposals for OCIO services, with an emphasis on cost and environment. Key points included:

1. Mercer vs. Fiducient: Both Mercer and Feducient presented their processes, with a preference for one of the two due to various factors. Mercer was favored for having broader access to product types and offering lower costs and a deeper bench, while Feducient's smaller client base was seen as a positive for more personalized service. However, Mercer had more local clients.
2. OCIO Environment Comfort: There was concern about board/committee members in the future due to committee membership turnover not having enough expertise to make effective decisions, which is where the OCIO relationship would be a benefit. This led to a preference for a lower-cost provider.
3. Motion to Recommend Mercer: Ed made a motion to recommend Mercer in an OCIO relationship to the finance committee to replace D.A. Davidson due to Mercer's solid reputation, expertise, local clients, a deeper bench, lowest cost, and broad access to more investment resources. The motion was seconded by Tina and passed.

In summary, Mercer was chosen due to its comprehensive resources, cost-effectiveness, and local presence, making it the recommended choice for the OCIO role.

Adjourn:

Mike adjourned the meeting at 4:32