Key Considerations for Investment Manager Relationships

Firm

1. Firm structure is a reflection of the values and culture of the organization.
2. A clear vision of the firm, reflecting its history and future objectives, should exist.
3. Investment management is a people driven business, with leading firms characterized by:
    a. A stable, cohesive team
    b. Ownership and compensation structures that reflect the contributions of team members and serve to retain world-class investment talent
    c. A learning culture/investment process
4. Appropriate investment in operations and resources.
5. Operate with a culture of compliance and client focus.
6. Potential conflicts of interest should be openly identified and mitigated.
7. A firm's investor base should be well matched to the firm's investment strategy and can enhance stability.
8. Constructive and transparent engagement with investors leads to more durable partnerships.
9. Operate with a consciousness of its role as a steward of the University's capital.

Investment Strategy

10. Operate with an identifiable and repeatable investment process.
11. Well understood sources of return and risk for the strategy, which should be observable in successful past performance.
12. Additionally, there should be clear risk/return and liquidity expectations in times of market stress.
13. The strategy should be discernibly additive to the risk and return characteristics of the total portfolio, reflecting a unique and compelling source of return.

Fund Structure & Terms

14. Fund structure and terms should reflect the liquidity, risk, and return objectives of underlying strategy.
15. A high standard of transparency into the portfolio and organization is expected.
16. Key professionals should have a meaningful amount of personal capital invested alongside investors.
17. Fees should properly incent the manager for value creation.
18. Key person protections in place when needed.
19. Protective terms: preferred/hurdle rates, high-water marks, gates, etc.

Operations

20. Adequate understanding of risks broadly: portfolio, operational, liquidity, regulatory, etc.
21. Demonstrated independence of the middle and back-office functions of the organization.
22. Valuation procedures should be clear, fair, well-documented, and readily assessable.
23. Counterparty relationships must be well-defined and associated risks mitigated as much as possible.
24. Service providers (custodians, administrators, auditors, etc.) should be high-quality, well-established, and available to investors.

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