

# FOX Global Investment Forum™

FOR EXPERIENCED INVESTMENT DECISION MAKERS

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September 10, 2015 | The Harvard Club | New York, NY



## Agenda

Thursday, September 10, 2015

REGISTRATION AND BREAKFAST .....	8:00 A.M. ....	NORTH ROOM 3 <sup>RD</sup> FLOOR
WELCOME AND INTRODUCTION .....	8:45 A.M. ....	BIDDLE ROOM 3 <sup>RD</sup> FLOOR
CREATING GREATER CLIENT ENGAGEMENT IN THE INVESTMENT CONVERSATION .....	9:00 A.M. ....	BIDDLE ROOM 3 <sup>RD</sup> FLOOR
MORNING BREAK .....	10:00 A.M. ....	NORTH ROOM 3 <sup>RD</sup> FLOOR
ONE FAMILY'S PERSPECTIVE: BUILDING A VISION FOR AN INVESTMENT PROGRAM .....	10:15 A.M. ....	BIDDLE ROOM 3 <sup>RD</sup> FLOOR
ENERGY OPPORTUNITIES: HOW TO MAKE MONEY IN OIL, GAS AND POWER SECTORS .....	11:15 A.M. ....	BIDDLE ROOM 3 <sup>RD</sup> FLOOR
LUNCHEON .....	12:30 P.M. ....	WEST ROOM 3 <sup>RD</sup> FLOOR

### CONCURRENT BREAKOUT SESSIONS / INTERACTIVE PEER EXCHANGE – A

<b><u>BREAKOUT 1-A PEER DIALOGUE:</u></b> <b>STRATEGIC CIO NETWORK (SCION)</b> FAMILIES EMPLOYING AN INTERNAL CIO IN THEIR FAMILY OFFICE .....	1:30 P.M. ....	SLOCUM ROOM 3 <sup>RD</sup> FLOOR
<b><u>BREAKOUT 2-A PEER DIALOGUE:</u></b> <b>EXTERNAL INVESTMENT STRATEGIES NETWORK (EISN)</b> FAMILIES EMPLOYING AN EXTERNAL CIO OR INVESTMENT STRATEGIST .....	1:30 P.M. ....	CAMBRIDGE 1 2 <sup>ND</sup> FLOOR
<b><u>BREAKOUT 3-A IMPACT INVESTING IN THE FAMILY OFFICE:</u></b> TRANSLATING A COMPELLING CONCEPT INTO A SOUND STRATEGY .....	1:30 P.M. ....	CAMBRIDGE 3 2 <sup>ND</sup> FLOOR
<b><u>BREAKOUT 4-A KEY TO ACCESSING TOP QUARTILE HEDGE FUNDS</u></b> <b>AND ALTERNATIVE INVESTMENTS / REQUISITE DUE DILIGENCE .....</b>	1:30 P.M. ....	BIDDLE ROOM 3 <sup>RD</sup> FLOOR

## Agenda (continued)

Thursday, September 10, 2015

**AFTERNOON BREAK** ..... **2:45 P.M.** ..... **CAMBRIDGE 4  
2<sup>ND</sup> FLOOR  
&  
NORTH ROOM  
3<sup>RD</sup> FLOOR**

**CONCURRENT BREAKOUT SECOND SESSIONS / INTERACTIVE PEER EXCHANGE – B**

**BREAKOUT 1-B PEER DIALOGUE DIRECT INVESTING NETWORK (DIN)  
FAMILIES INTERESTED IN NON-FUND PRIVATE EQUITY OPPORTUNITIES** ..... **3:00 P.M.** ..... **CAMBRIDGE 3  
2<sup>ND</sup> FLOOR**

**BREAKOUT 2-B CIO COMPENSATION STRUCTURES IN FAMILY OFFICES** ..... **3:00 P.M.** ..... **SLOCUM ROOM  
3<sup>RD</sup> FLOOR**

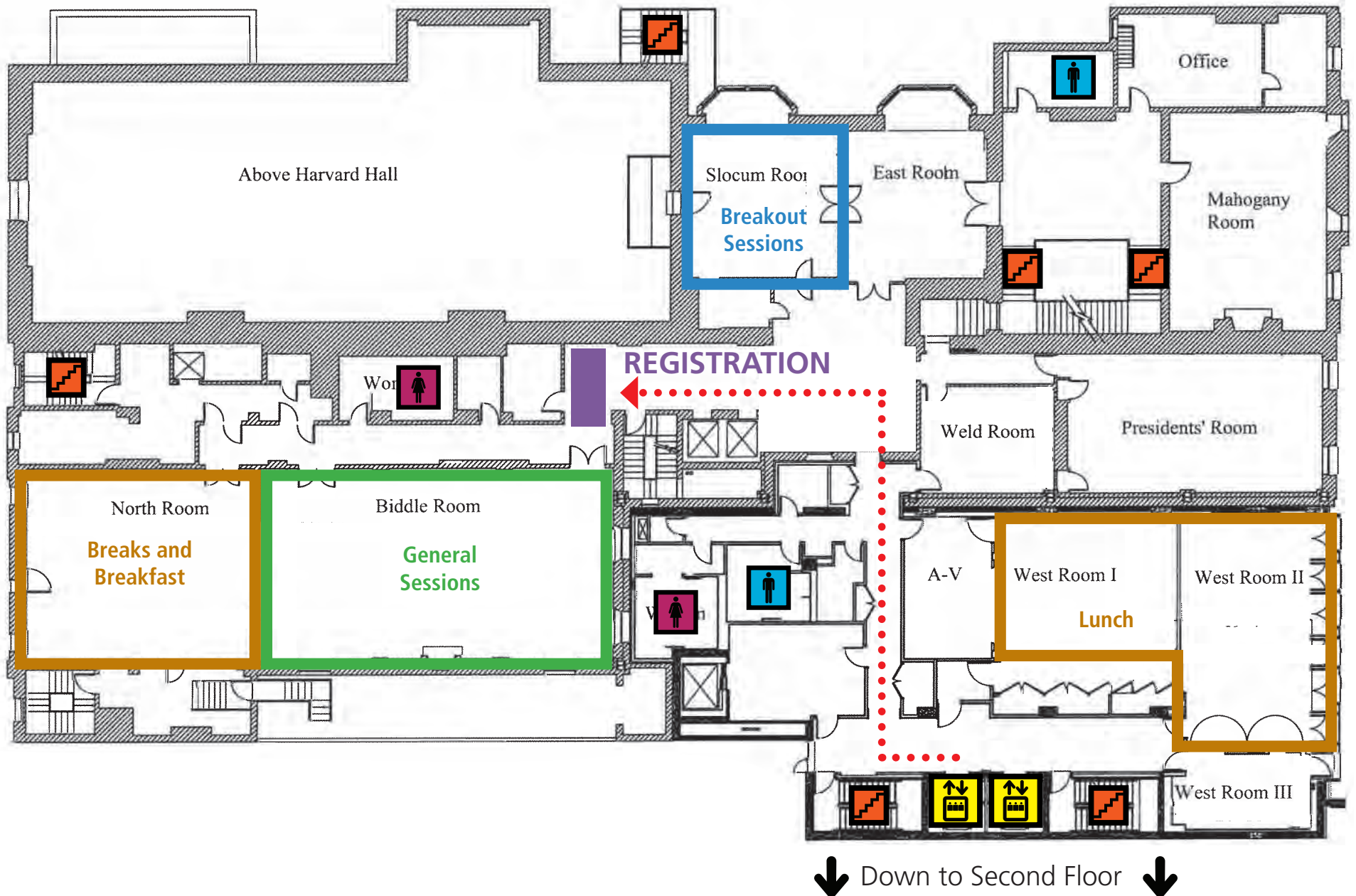
**BREAKOUT 3-B HEDGING PRIVATE INVESTOR PORTFOLIOS  
DURING MAJOR CURRENCY SWINGS** ..... **3:00 P.M.** ..... **CAMBRIDGE 1  
2<sup>ND</sup> FLOOR**

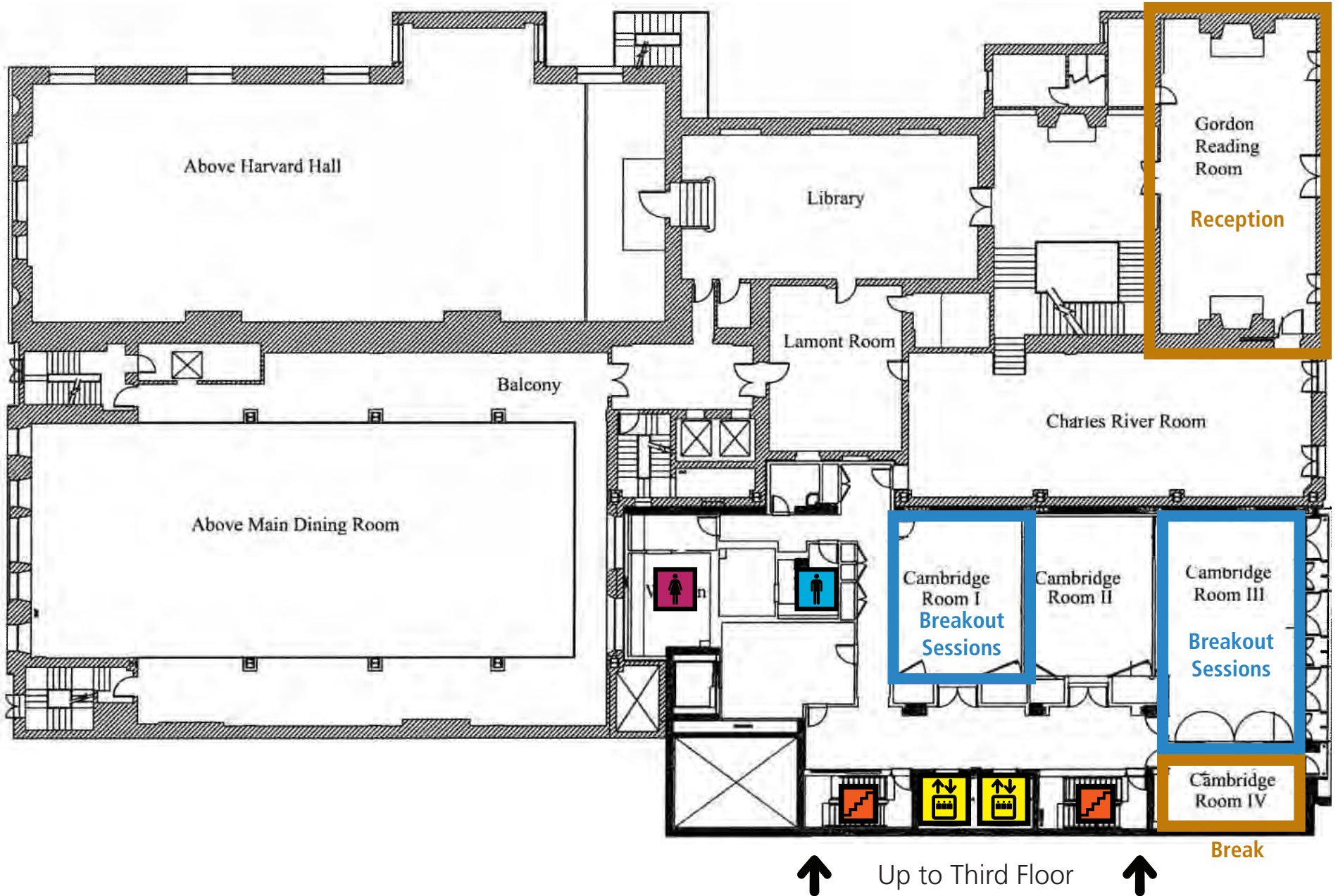
**BREAKOUT 4-B TAKING A 25 YEAR TIME HORIZON  
(PERPETUAL CAPITAL) IN PRIVATE EQUITY** ..... **3:00 P.M.** ..... **BIDDLE ROOM  
3<sup>RD</sup> FLOOR**

**CONTRARIAN, VALUE ORIENTED PRIVATE EQUITY INVESTMENTS** ..... **4:30 P.M.** ..... **BIDDLE ROOM  
3<sup>RD</sup> FLOOR**

**WRAP UP AND KEY TAKEAWAYS** ..... **5:30 P.M.** ..... **BIDDLE ROOM  
3<sup>RD</sup> FLOOR**

**CLOSING NETWORKING RECEPTION** ..... **5:45 P.M.** ..... **GORDON  
READING ROOM  
2<sup>ND</sup> FLOOR**

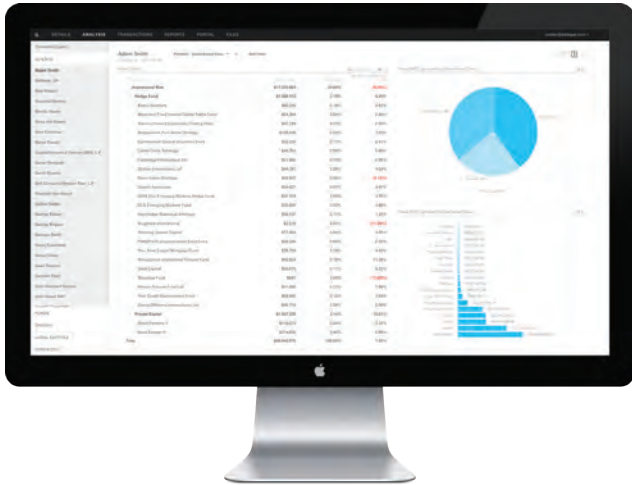






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**The Addepar investment management platform gives family offices a complete, accurate and investor-centric picture across every portfolio. Our technology empowers family offices to navigate the increasingly complex world of finance.**

“Addepar removed the massive challenges we faced before. We can now run a performance report across any entity, make templates for efficiency, or customize an ad hoc report whenever we want - it’s very easy. It makes analytics so much faster, more reliable, and simple.”

**Caxton Alternative Management**  
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## Elevate Your Family Office with Addepar



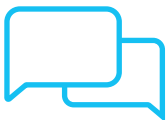
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Suite 500  
Chicago, IL 60607

## Creating Greater Client Engagement in the Investment Conversation

Macro economic trends can shape the future for clients and their families and influence investment decision-making. Michael Cole and Dan Rauchle will examine the use of a framework—including five themes (political, demographic, social, environmental, and technological)—to establish an investment program and engage investment discussion with multi-generational families. These five components of a thematic investing approach and the rationale behind them will be explored and tied to “purpose” based investing and long-term investment plans of families. The session will focus on how to better engage clients in the investment conversation and the approach used by one advisor. Session includes Q&A with the audience.



**Michael A. Cole**

**President, Ascent Private Capital Management of U.S. Bank**

As the President and founder of Ascent Private Capital Management of US Bank, Michael Cole is fulfilling one his family's core values.

“My parents taught me and my two sisters that we are all citizens of a larger planet and that we needed to look for ways to give back,” Cole said from his San Francisco office. “For me, the greatest way to give back is to empower people who have great wealth to use their resources – both financial and personal – to do great things for themselves and their families, live great lives and make a positive impact on the planet.”

Through Ascent Private Capital Management, Cole and his team provide ultra-high net worth clients with a unique and distinctive suite of wealth-management services that combine traditional wealth management offerings – financial planning, investment consulting, financial administration, private banking, trust and estate services – with cutting-edge “wealth impact” services that help some of the country's wealthiest families with governance, risk management, education, stewardship, family leadership and communication. Ascent, since its creation in 2010, has won numerous industry awards and recognition. From the time that he was a 23-year-old financial advisor selling pensions and employee benefits to wealthy businessmen in the New York City area, Cole has been a student of success. “I learned early that ‘knowledge is power’ and that I needed to learn everything there was to know about my work – from the technical side of the business to rapport with people,” Cole said. “I also learned what it took to succeed and what the activities were that led to success. Cole was such a student of success that, when he was only 35, Merrill Lynch named him president of Merrill Lynch Trust after working at the firm for only two years. He then went on to even greater professional success at Wells Fargo, where he held senior wealth management positions and was selected to build, develop and serve as national director of the Family Wealth Group and the Wealth Planning Center at Wells Fargo. The Family Wealth Group, which was subsequently rebranded as Abbott Downing, is now one of the largest Multi-Family Offices in the United States. Now Cole spends the majority of his time sharing his vision of how Ascent Private Capital Management can help families with exceptional net worth act strategically to make an impact with their wealth. “I believe there is no higher calling than to help people move forward in a direction that creates a positive change in how they manage their wealth and impact the world,” he said.

Cole also spends a great deal of time interacting with clients and working with his team. He prides himself on knowing how to hire great people and empower them to execute his vision. “My management style is to have fun and be passionate,” he said. “I find it exceptionally rewarding and challenging to work with clients and team members in a business where you interface with interesting, successful people who have the resources and abilities to do amazing things”

Cole earned a bachelor’s degree from Emory University in Atlanta, Georgia. He is also a Certified Financial Planner.



**Daniel J. Rauchle**  
**CIO, Ascent Private Capital Management of US Bank**

With more than 25 years in executive positions with some of the industry’s most respected organizations, Dan has both broad and deep experience in economic and investment strategy, portfolio construction, investment risk management, private investment structures and alternative investments, including hedge and private capital funds. In addition to advising clients on portfolio strategy and risk, he has been instrumental in developing proprietary risk assessment practices, SEC-registered hedge funds and over a decade of managing hedge fund of funds.

Prior to joining Ascent, Dan was President of Wells Fargo Alternative Asset Management, LLC, as well as the founder and head of Wells Fargo’s RiskOptics (SM) investment risk assessment practice. Prior to joining Wells Fargo, Dan was a Director with Charles Schwab’s Investment Management and Retirement divisions. Prior to Schwab, Dan was the head of U.S. Bank’s Qualivest mutual fund complex.

Dan earned an MBA in finance and investments/real estate investment analysis from the University of Wisconsin—Madison, a J.D. from the University of Wisconsin School of Law and a bachelor’s degree in finance from the University of Wisconsin—Oshkosh. He has served on boards for Habitat for Humanity, the American Red Cross, and Hedge Fund Research LLC, and The Clearing House.



## One Family's Perspective: Building a Vision for an Investment Program

Family member and private investor Oakleigh Thorne will be part of an interactive discussion through the use of a moderator regarding his investment approach since the sale of his family's business, Commerce Clearing House, 20 years ago. He will share the lessons he has learned in the process and also talk about his experiences as a diversified investor in both public and private markets. Mr. Thorne will discuss building his vision for a substantial direct investing program, sourcing unique and interesting deals (such as Gogo Inflight Internet) and incorporating such a program into a family's overall portfolio. Session includes Q&A with the audience.

### Speaker:



**Oakleigh Thorne**  
**CEO, Thorndale Farm, LLC**

Oakleigh Thorne founded, and serves as CEO of, Thorndale Farm LLC, which oversees the Thorne family investment portfolio, including investments in Gogo Inc.; ShopperTrak RCT Corporation; Helix Education (formerly Datamark, Inc.), and MachineryLink Inc., as well as a diversified portfolio of indirect investments. Thorne served as Chairman and CEO of eCollege.com

[NASDAQ: ECLG], a leading provider of outsource services to the postsecondary education industry, from May of 2000 until July 2007, when the company was sold to Pearson PLC. Prior to founding Thorndale Farm in 1996, he served as CEO of Commerce Clearing House, Inc. (CCH) a leading provider of tax and business law information, software, and services. Thorne led the sale of CCH for \$1.9 billion to Wolters Kluwer, a Dutch publishing company, in January of 1996. Prior to joining CCH in 1986, Thorne received his MBA from Columbia University and before business school was a newspaper reporter at the *Boston Globe* and the *Baltimore News American*. He received his MS in journalism from Boston University in 1980. Thorne's extracurricular activities include playing polo, fly fishing and rooting for the Boston University Terrier hockey team.

# One Family's Perspective: Building a Vision for an Investment Program

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Oakleigh Thorne, CEO, Thorndale Farm, LLC

September 10, 2015

FOX Global Investment Forum



# Thorndale Farm Mission

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# Introduction – when CCH sold in 1996

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- Thorne trusts owned about 55%.
- Trusts for Grand Parents received \$500mm on after tax basis.
- Thorndale Farm, LLC was formed in 1996 to manage those trusts.

# The Mission was Simple.

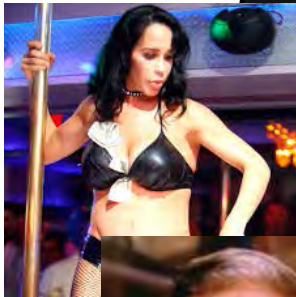
## ■ MISSION:

- To make sure each senior generation of Thornes had a comfortable income, and
- To invest CAPITAL wisely so that future generations could enjoy the same privilege.

### **Our goal:**

*The REAL dollars that each member of future generations receives when their parents' "estate matures" = the same dollars their parents received*

# To do that, we must defeat the four evil forces:

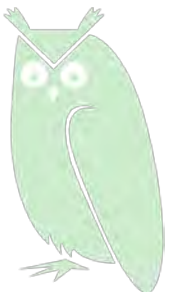


- **Inflation** - historically 3.3%
- **Estate Tax** – Federal and State
- **Generational Multiplication**
- **Over-spending**

# How do we defeat the evil forces???

## ■ Strategy

- Take maximum advantage of really good trusts,
- Meet income needs of current primary beneficiaries (per “Magic Formula”),
- Invest a portion of assets in a well diversified, long-term, tax efficient portfolio,
- Concentrate the rest of our assets in direct investments to generate new wealth.



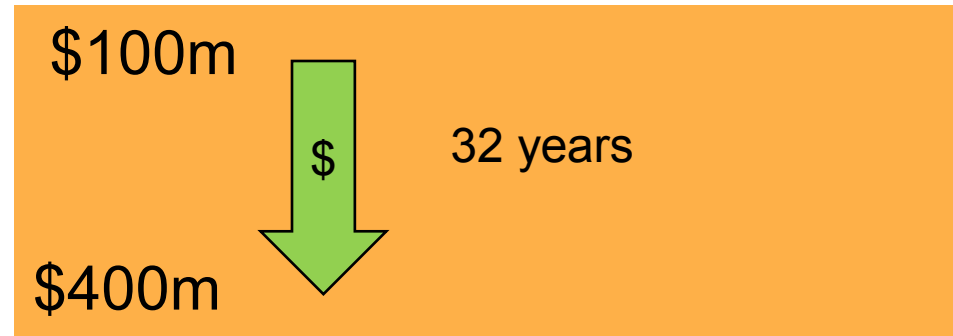
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# MAGIC FORMULA



# For kids to receive same \$s as their parents received...

- We must quadruple money every 32 years
  - 4 children get as much as parents in one gen.



- To do that, we need a 4.5% return

# So how do we figure out how much we can spend?

- Start with our target return of 10%

Target Return = 10%

Less:

Inflation = 3%

Fees/Taxes = 1%

Equals = 6%

Less:

Req. Return = 4.5%

Equals = 1.5%

# So “Magic Formula” says we only distribute 1.5% of assets annually

- Low spend rate allows for
  - Power of compounding on more of original return
  - Investment in more illiquid, higher return assets



# *The good news is...*

- As capital grows, the 1 - 1.5% we target for distributions grows with it...

<b>Capital</b>	\$100m	\$150m	\$200m	\$250m
<b>Distributions</b>	\$1.5m	\$2.25m	\$3.0m	\$3.75m

## Energy Opportunities: How to Make Money in Oil, Gas and Power Sectors

Stuart Porter will discuss investment opportunities in energy such as oil and gas as well as renewables. Mr. Porter will talk about energy pricing and US shale production, the energy renaissance in North America versus conditions in the rest of the world, and the role of technology in the energy sector. In addition to more traditional energy sources, Mr. Porter will also address the opportunity around renewables. Bottom line, the session will focus on one question: How do you make money in energy? Session includes Q&A with the audience.

### Speaker:



**Stuart Porter**  
**Founder and CEO, Denham Capital**

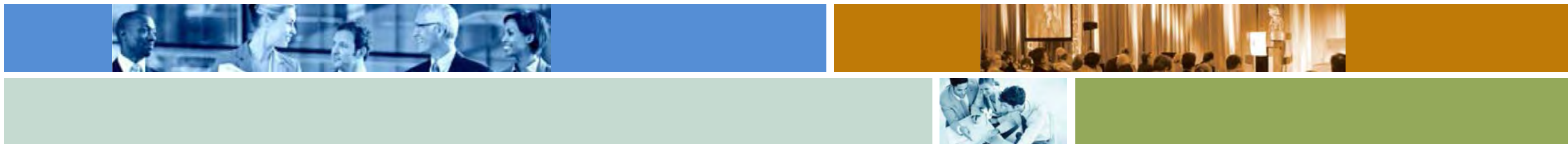
Stu Porter is the Founder and CEO of Denham Capital, a \$7.9 billion global private equity firm focused on oil and gas, power and mining. Denham has been at the forefront of building a global energy and resources investment platform, with offices in Boston, Houston, London, São Paulo and Perth. Stu has almost three decades of senior investment experience. Prior to founding Denham, Stu was a founding partner of Sowood Capital Management, a Vice President at Harvard Management Company and an associate at Goldman Sachs and Cargill Financial Markets. Stu began his career in his teenage years as a runner at the Chicago Board of Trade during the summers while he attended the University of Michigan. Stu also used his tuition money to trade as a local in the bond pit at the Chicago Board of Trade while he attended The University of Chicago's Booth School of Business. In addition to his full time role at Denham Capital, Stu is a founder and seed investor in, and serves as Chairman of, Phase Capital, a quantitative investment firm focused on risk based asset allocation. He is also a seed investor in Potamus Trading, a market-making firm built by cutting-edge computer scientists, and an early investor in a number of other early-stage ventures covering a range of interests. Stu also serves on the boards of St. Sebastian's School and the Massachusetts Society for the Prevention of Cruelty to Children, and is co-head of the New England Development Committee for the University of Michigan's Capital Campaign.

## Energy Opportunities: How to Make Money in Oil, Gas and Power Sectors

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Stuart Porter, Founder and CEO, Denham Capital

September 10, 2015  
FOX Global Investment Forum



- Collapse in oil prices is due to US Shale replacing the marginal barrel from the least reliable producers in OPEC
- Energy renaissance is phenomenon unique to North America
  - Geology, capital formation, regulatory, mineral rights, infrastructure
- We are at the front end of the technology curve
  - Resource recovery continues to improve
- Non–North American supply is challenged

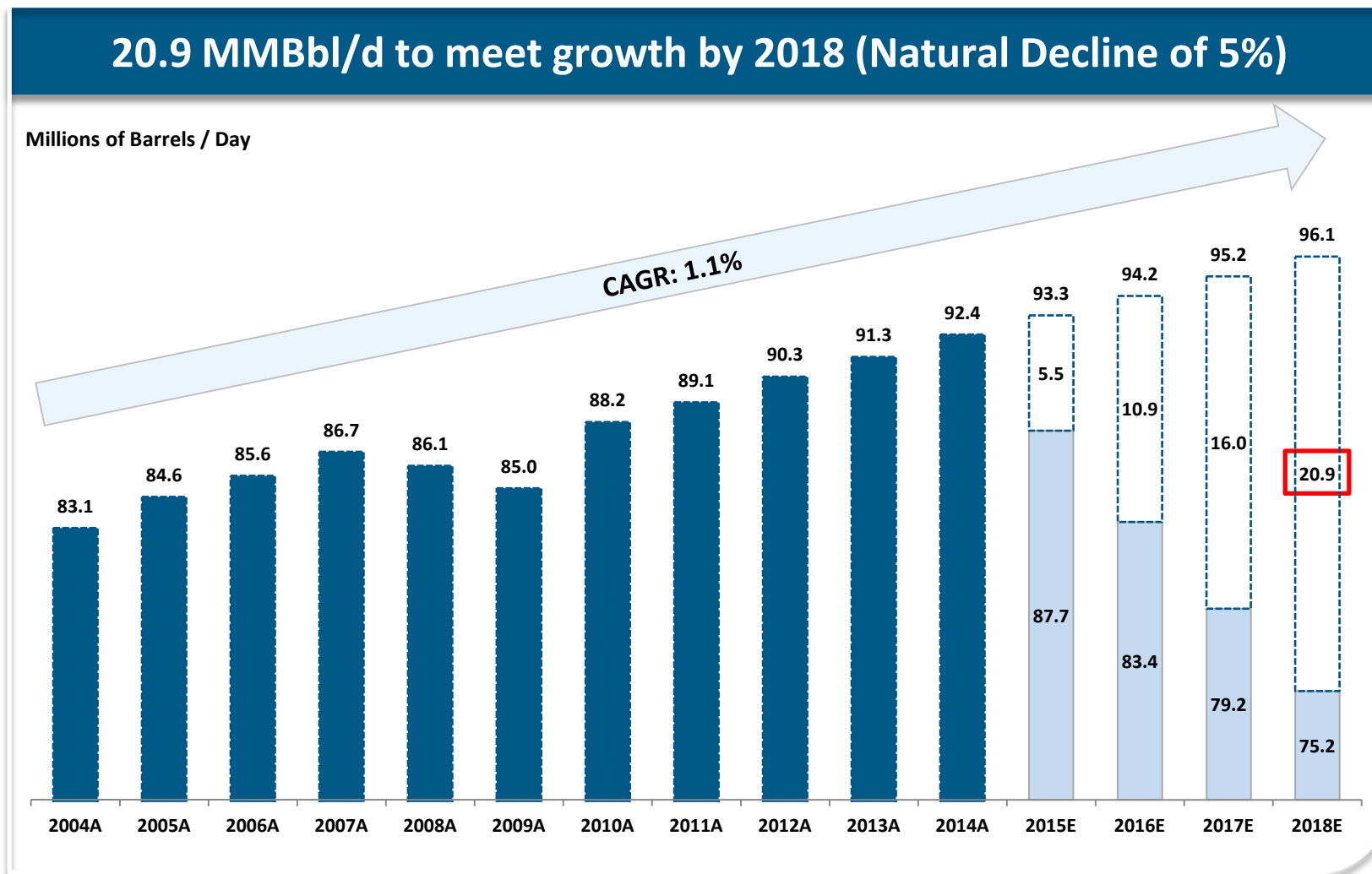
Estimated Calls on BTUs assuming Normal Growth									
Significant Demand Growth from 2014 to 2020									
GDP Growth Rate: 3%   BTU Factor: 0.5x									
Fuel Type	(MMBoe/d)							Total Call '14-'20	Per Year
	2011	2012	2013	2014	2015	2020	2025		
Oil	88.9	89.8	91.1	92.5	93.9	101.1	108.9	<b>8.6</b>	1.4
BioFuels	1.2	1.2	1.2	1.2	1.3	1.4	1.5	<b>0.2</b>	0.0
Natural Gas	58.5	59.8	60.7	61.6	62.6	67.4	72.6	<b>5.8</b>	1.0
Coal	72.9	74.7	75.8	77.0	78.1	84.2	90.7	<b>7.2</b>	1.2
Nuclear	12.1	11.2	11.4	11.6	11.7	12.6	13.6	<b>1.0</b>	0.2
Hydro	16.0	16.6	16.9	17.1	17.4	18.8	20.2	<b>1.7</b>	0.3
BTU Total	249.5	253.4	257.2	261.0	264.9	285.4	307.5	<b>24.4</b>	4.1
Renewables	4.1	4.8	4.8	4.9	5.0	5.2	5.4	<b>0.3</b>	0.1
<b>Total</b>	<b>253.6</b>	<b>258.1</b>	<b>262.0</b>	<b>265.9</b>	<b>269.9</b>	<b>290.6</b>	<b>312.9</b>	<b>24.7</b>	4.1

Assumes 3% GDP growth and a BTU factor of 0.5x  
Sources: FBR Research, BP Statistical Review, IMF

Unless otherwise noted, all figures in US\$ as of 12/31/14. Forecasts and projections contained herein are based on internal information and/or outside sources believed to be reliable. There can be no assurance that any forecast or projection will be realized. Actual financial performance can be expected to differ materially from the projections set forth herein. Past performance is not an indication of future results. See "Notice to Recipients" for important additional information.



# Historical and Projected Global Oil Consumption



Source: EIA and IEA—World Energy Outlook 2013.

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# Increase in US Rig Count and Production

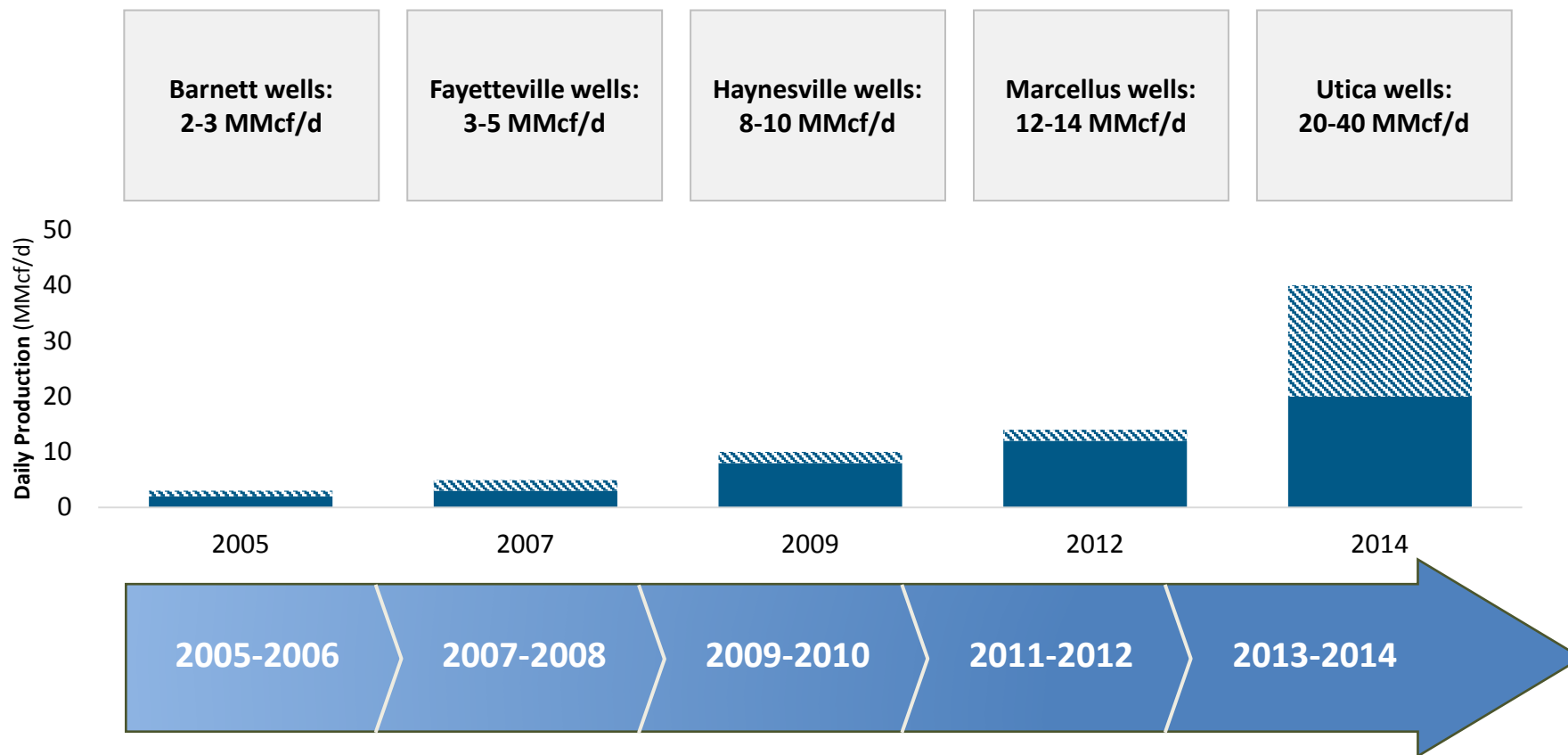
	U.S. Onshore Horizontal Rigs			U.S. Production (MMbl/d, Bcf/d)		
	2011	2014	% Change	2011	2014	% Change
<b>Oil</b>	686	1,220	<b>+78%</b>	5.6	8.7	<b>+54%</b>
<b>Gas</b>	618	266	<b>-57%</b>	65.9	74.8	<b>+13%</b>

- Surge in onshore horizontal rigs drilling for oil resulted in 54% production growth
- Despite a 57% reduction in onshore horizontal rigs targeting natural gas, production still climbed 13%

Source: EIA, Baker Hughes Rig Count.

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# Productivity: New Finds Outperform Earlier Plays

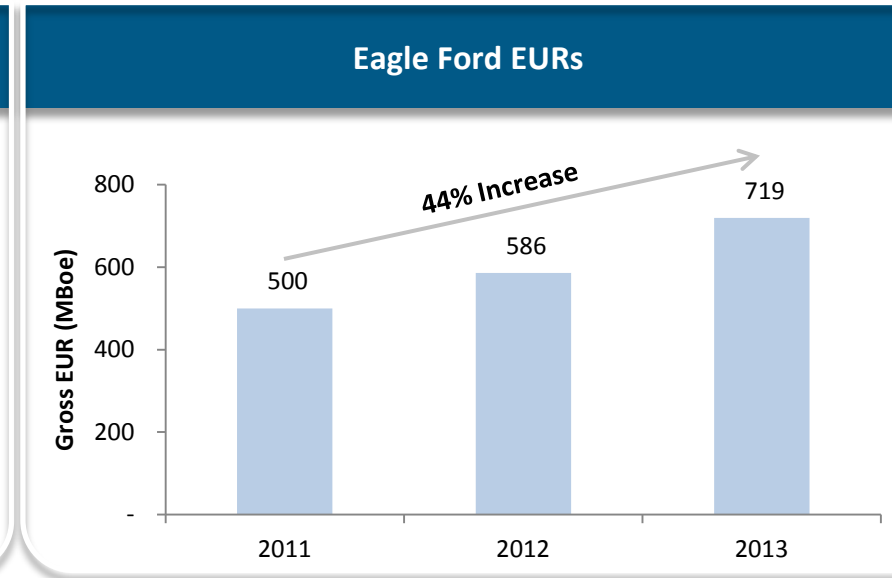
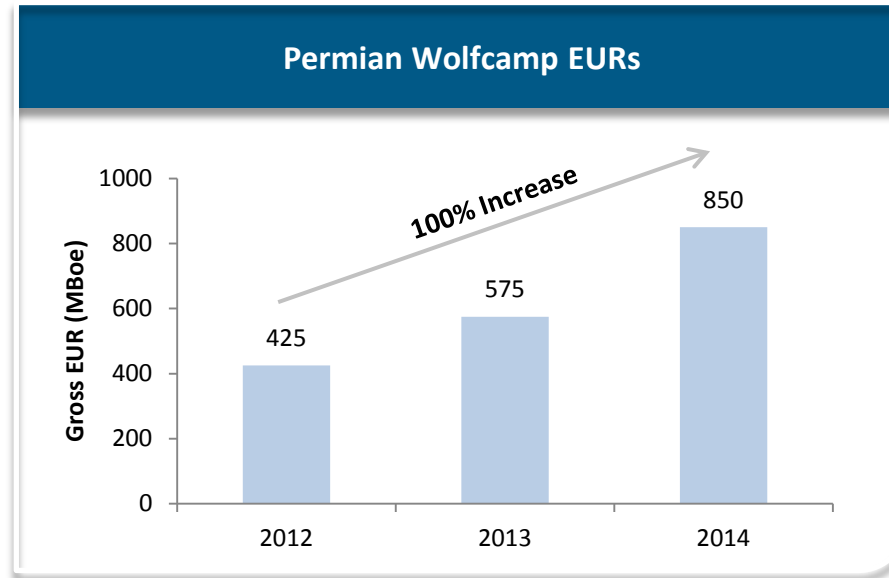


- Productivity across the industry has increased dramatically; wells can produce 6x-15x more gas today vs. 10 years ago
- This has meaningful implications on long term gas prices and will cause the gas market in the U.S. to be further regionalized from a pricing perspective

Source: Jefferies estimates

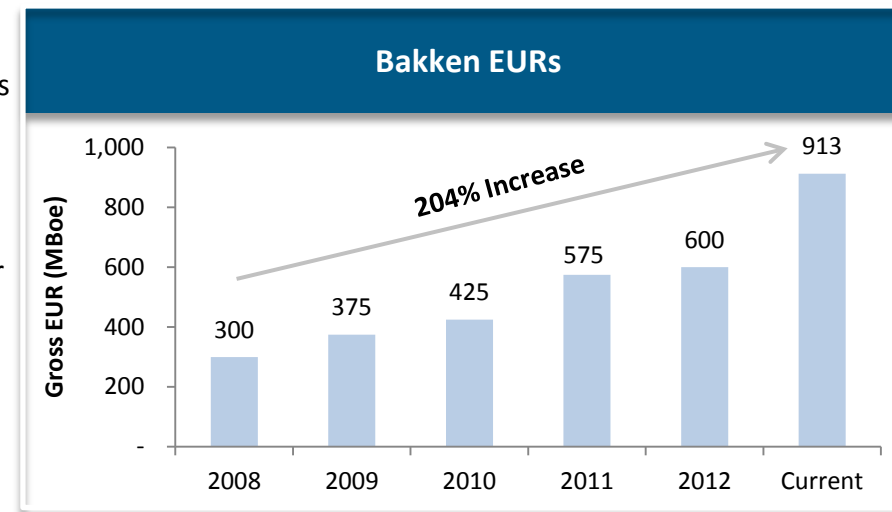
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# Technology Continues to Improve Well Results



## Key Points

- Operators are using advances in technology to improve recoveries across numerous plays
- EURs have trended upwards as companies move up the learning curve
- In addition, drilling costs have generally fallen based on a number of factors:
  - Increase in pad drilling as leases become HBP
  - Consolidated, integrated infrastructure
  - Economies of scale as development ramps up

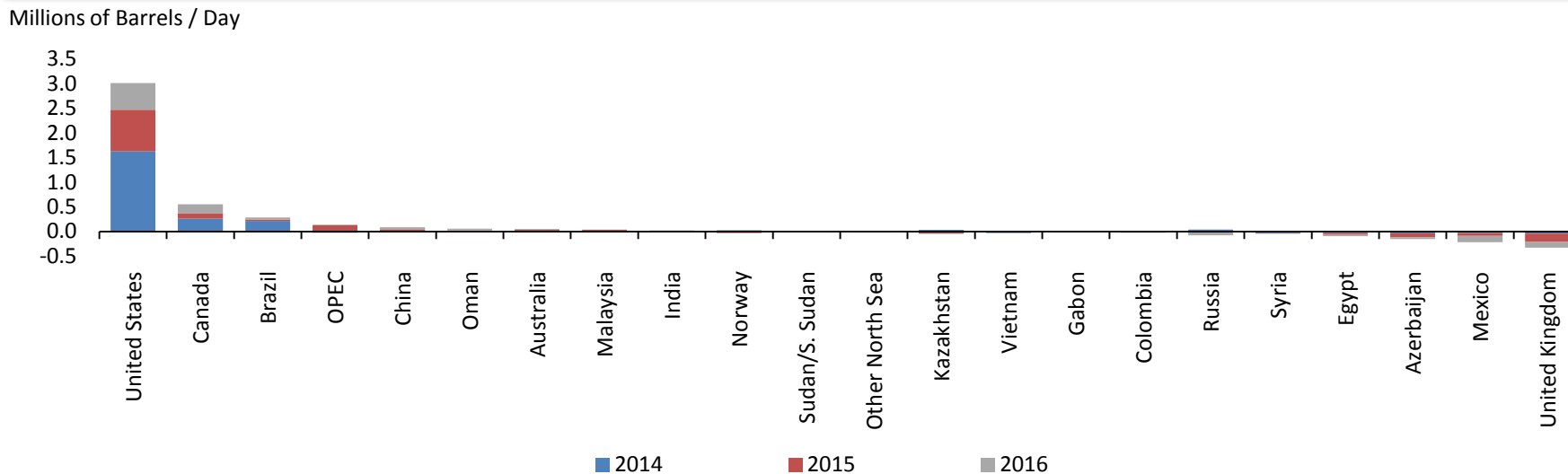


Source: Public data  
 Note: Eagle Ford, Wolfcamp and Bakken EURs based on EP Energy, Pioneer Natural Resources and Marathon Oil public disclosure

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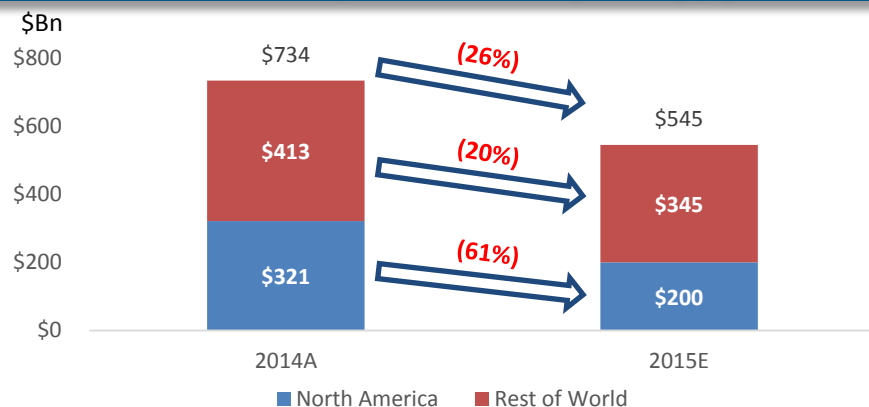
# Crude Oil and Liquids Production Growth

## Vast Majority of Supply Growth Driven by U.S.



Source: EIA

## Drastic E&P Capex Cuts Will Impact Supply



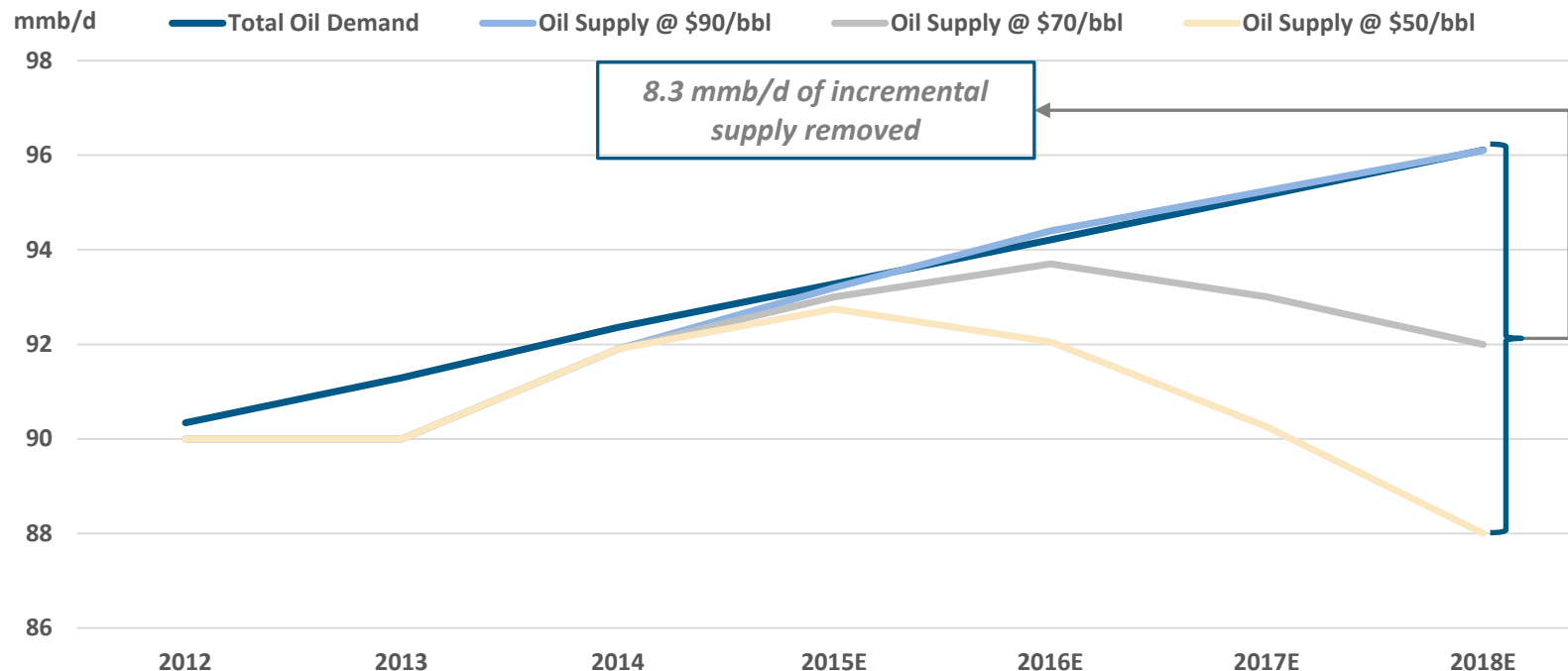
- ▶ Global onshore rig count in 2015 is expected to fall 21% year-over-year, with North America accounting for over 70% of the global decline
  - ▶ From 4Q '14 to 2Q '15, U.S. horizontal rigs targeting oil declined 54%

Source: IHS

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# Higher Oil Prices Needed to Meet Demand

\$70 Oil Leaves Market Undersupplied 2017+



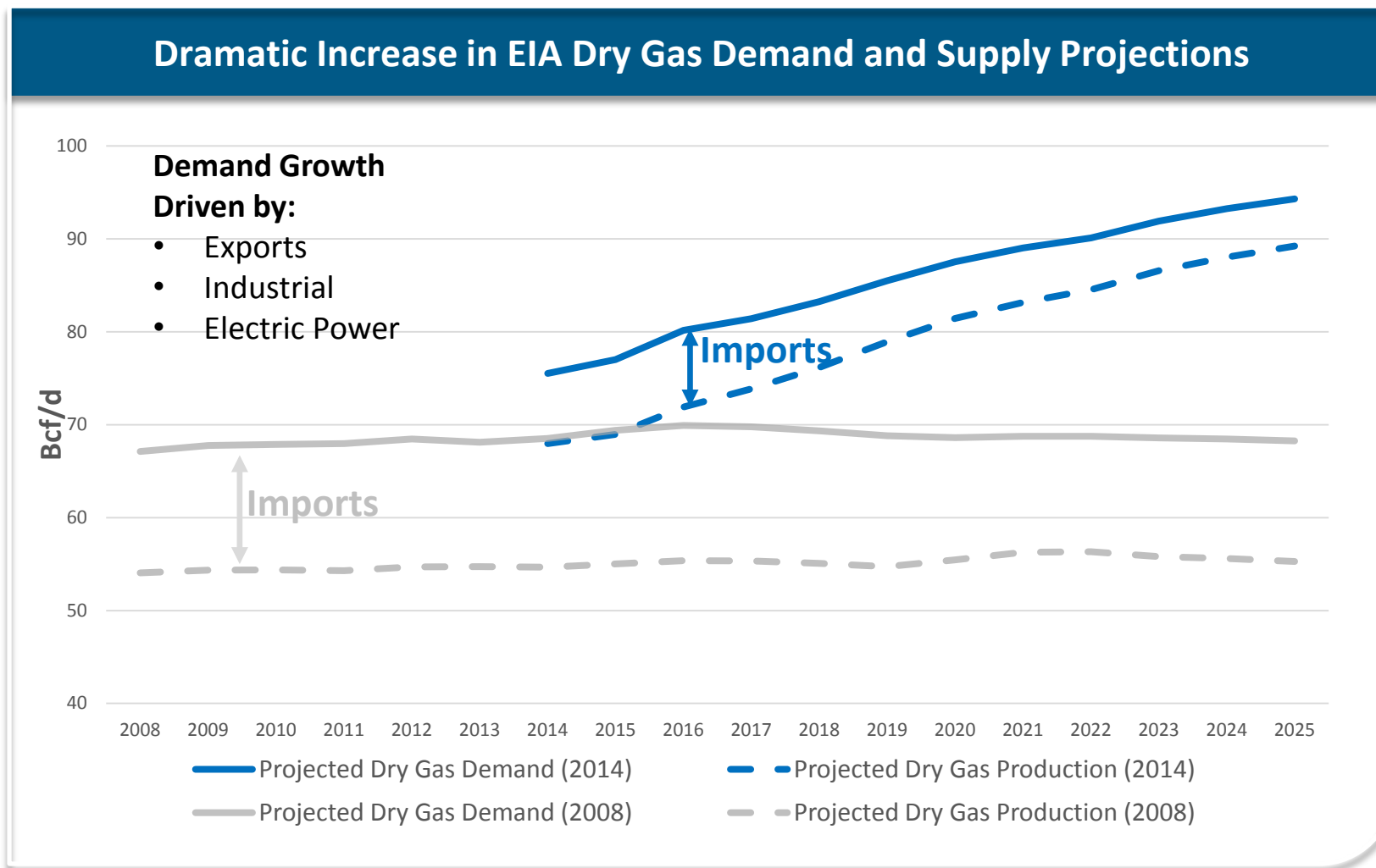
- Greatest source of incremental supply removed at \$50 oil versus \$90 oil is North American shale
  - Current rig count in big three basins in North America, Permian, Bakken and Eagle Ford, is ~30% below the level required to hold production flat

Source: Rystad Energy, EIA, IEA, Morgan Stanley Research estimates.

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# U.S. Dry Gas Supply and Demand Projections

2008 vs 2014

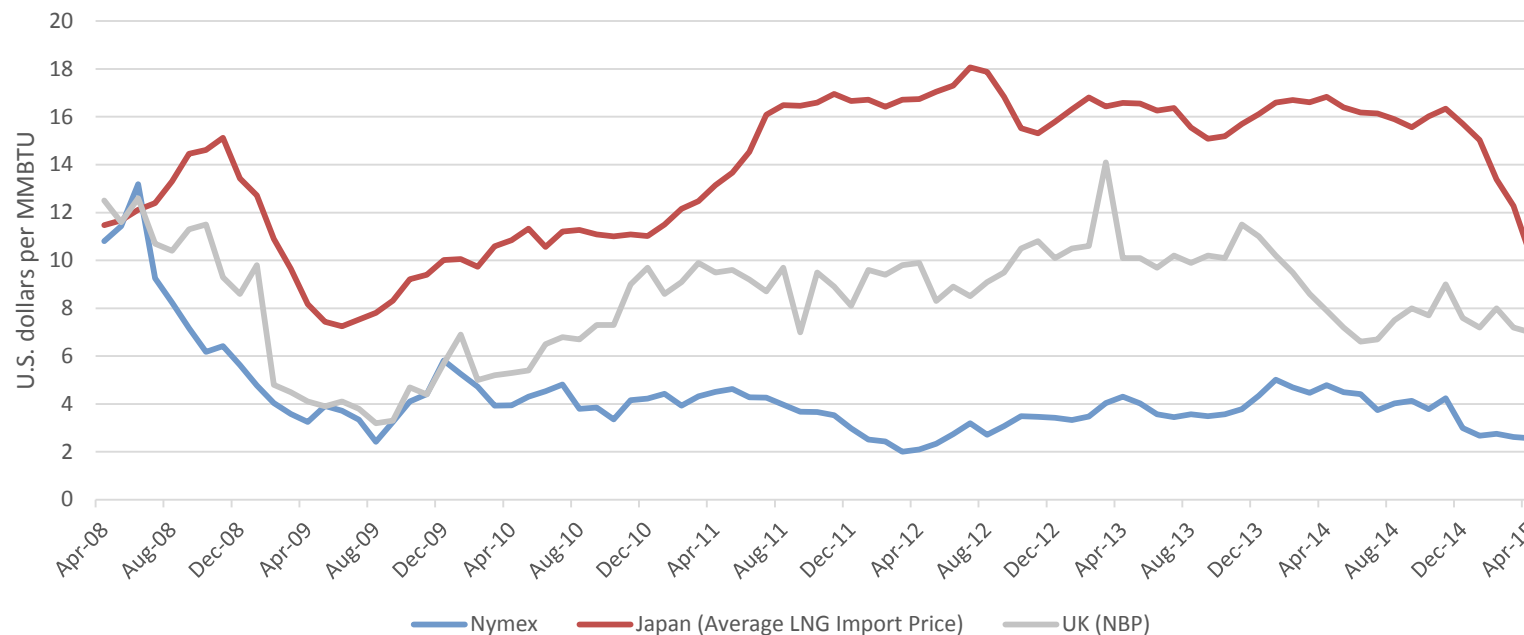


Source: www.eia.gov

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## Significant Divergence of Natural Gas Spot Prices at Major Global Markets

U.S. dollars per million British thermal units (MMBTU)



- Low Natural Gas prices offer significant savings to U.S. consumers
  - \$310B USD in 2014 @ Japan prices<sup>1</sup>
  - \$130B USD in 2014 @ UK Prices<sup>1</sup>

1. Assumes US Consumption of 26 Quadrillion BTU

Source: Bloomberg

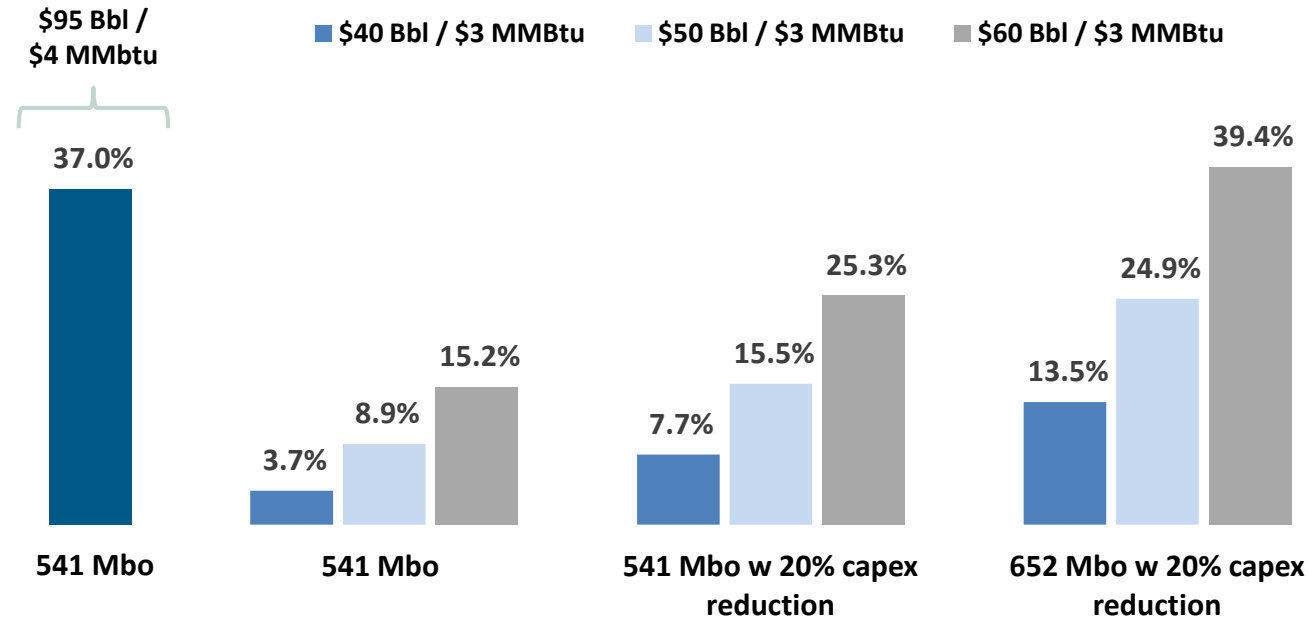
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- E&P business is not about price but MARGIN
- Important to own high quality assets
- Lower service and drilling costs have meaningful impact on margin
- Continuous learning means higher recovery of hydrocarbons
- Best basins have multiple hydrocarbon bearing zones

# Asset-Level Margin is What Matters

## Illustrative Wolfcamp A Single Well IRRs\*



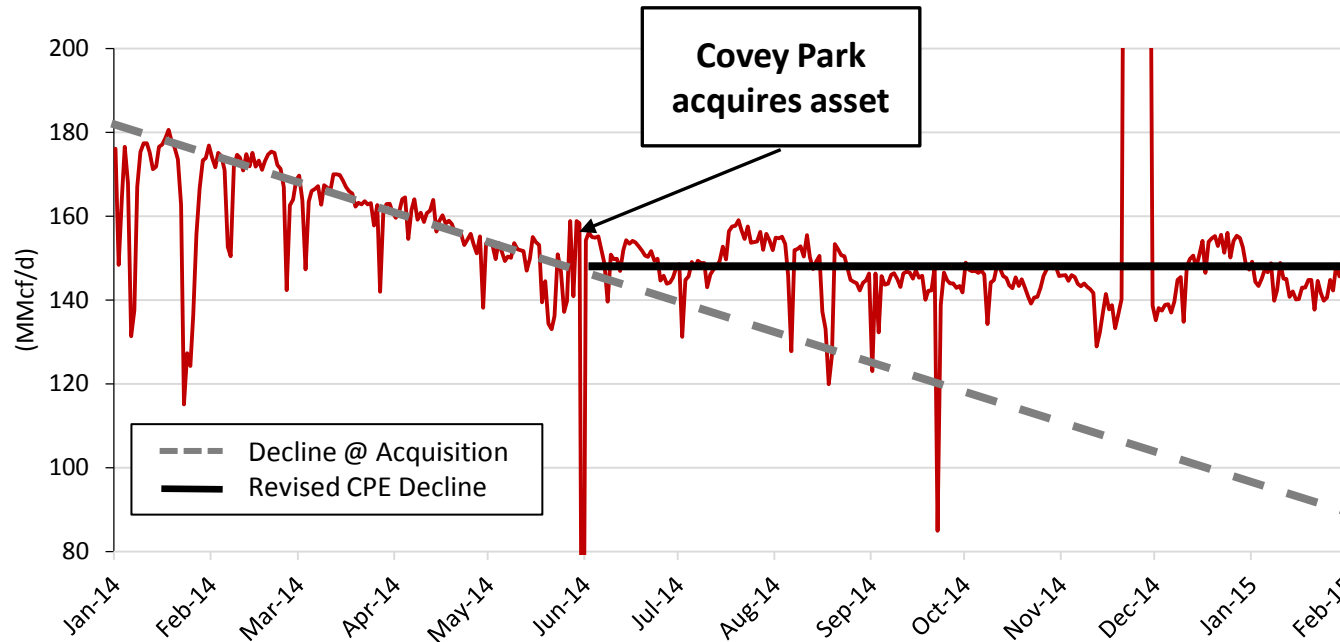
*There are reasons to be both bullish and bearish on future oil prices... BUT regardless of nominal oil price, margin is what really matters*

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# Creation of Alpha at Covey Park

Value is Created at the Wellhead by Denham's Experienced Management Teams

## Covey Park Production Decline<sup>1</sup>



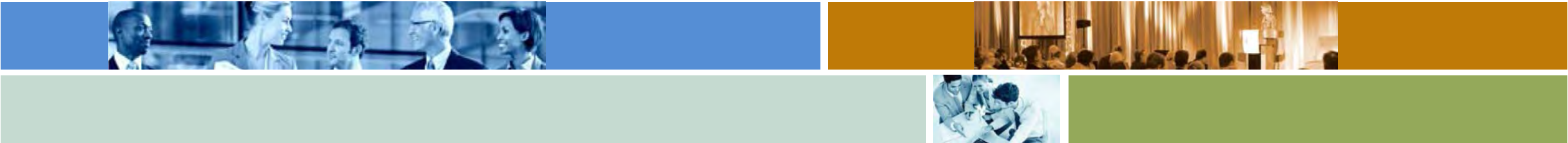
- Covey Park slows decline following East Texas acquisition
- Added ~30-40 mmcf/d of wedge production without drilling a well
  - F&D costs of \$0.44/mcf

1. Decline for Covey Park East Texas Asset not an indication of future results. See "Notice to Recipients" for important additional information.

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# Renewables

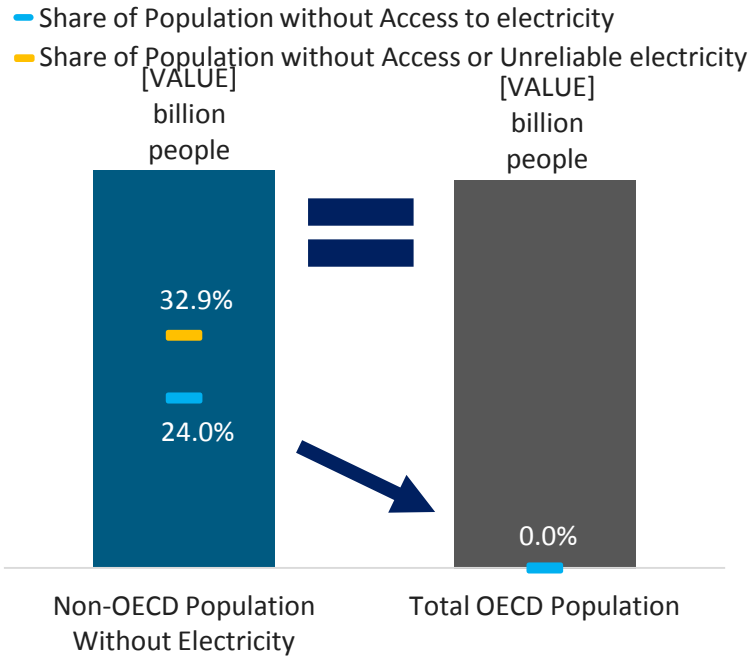
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# Power Demand Growth is in Emerging Markets

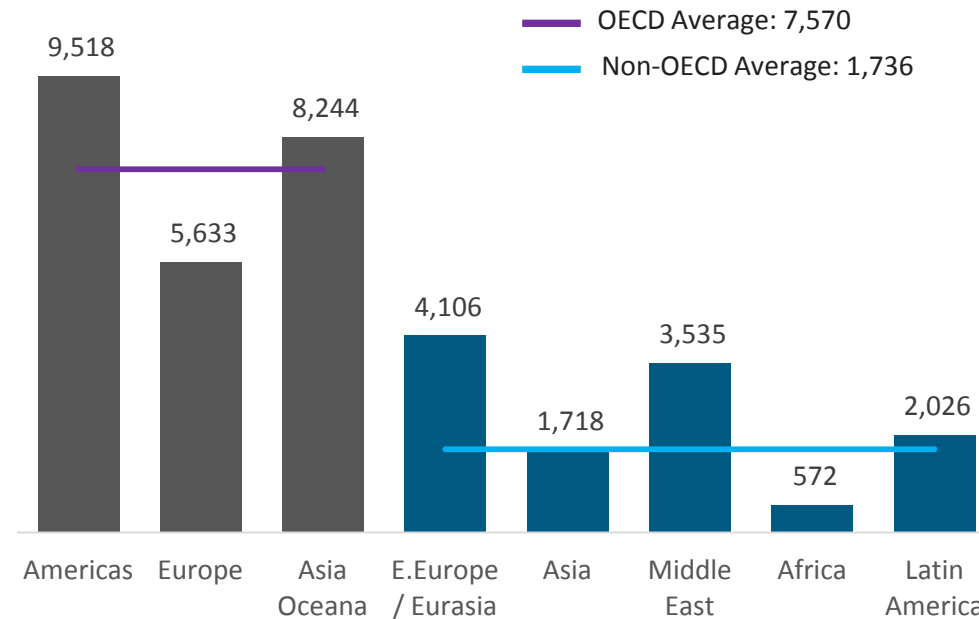
## Share of Population without Access to Electricity

% of total population



## Electricity Consumption per Capita in OECD vs. Non-OECD Regions

kWh per capita

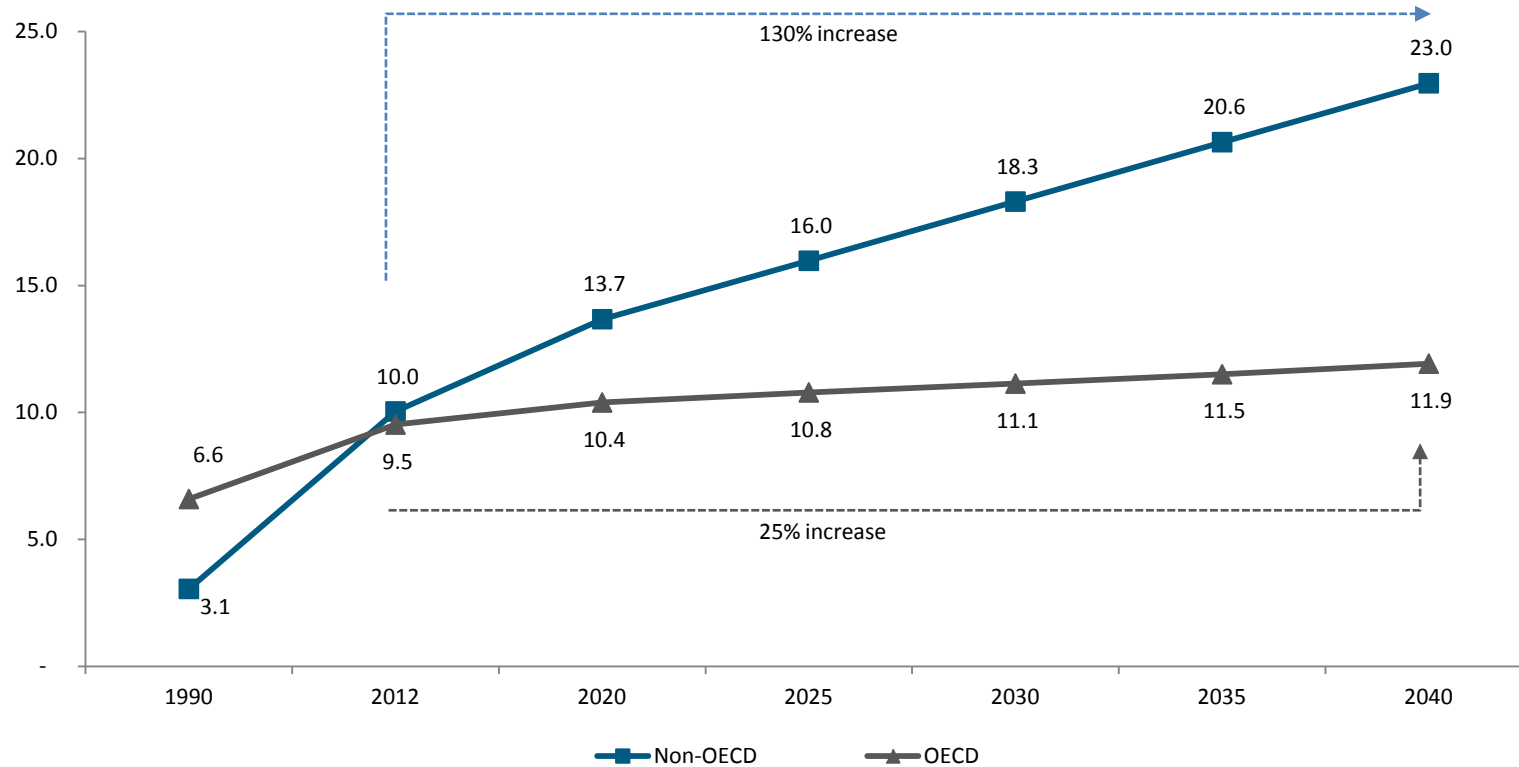


Source: IHS CERA, International Energy Agency, The World Bank

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# Power Demand Growth is in Emerging Markets

**World Electricity Generation**  
(trillion kilowatt-hours)



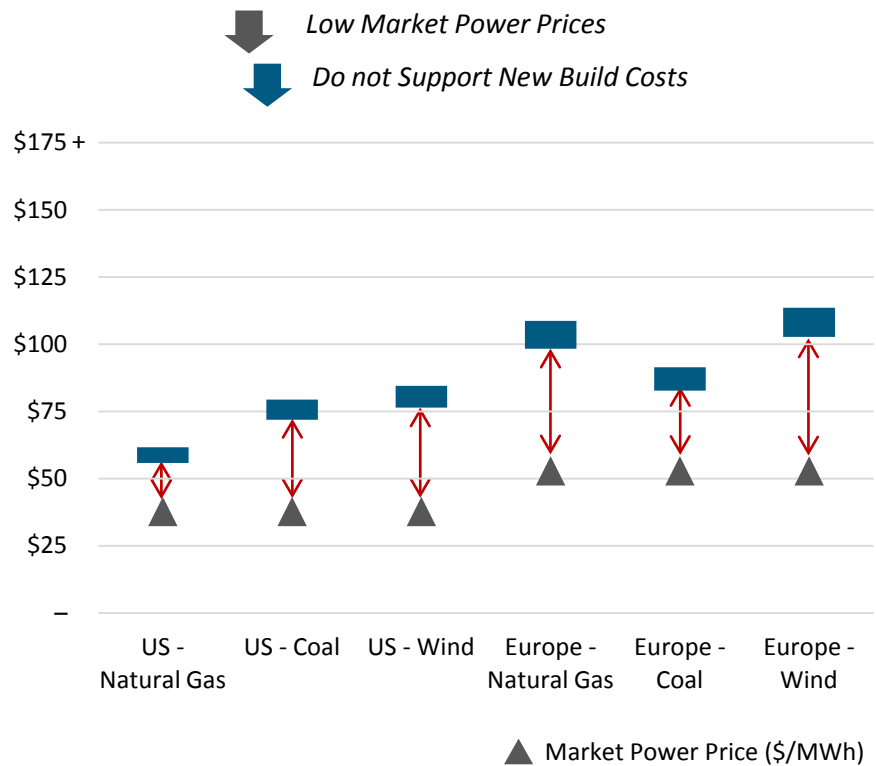
**High growth and capacity short markets create opportunities for development of competitively priced, modern power projects**

Source: International Energy Agency.

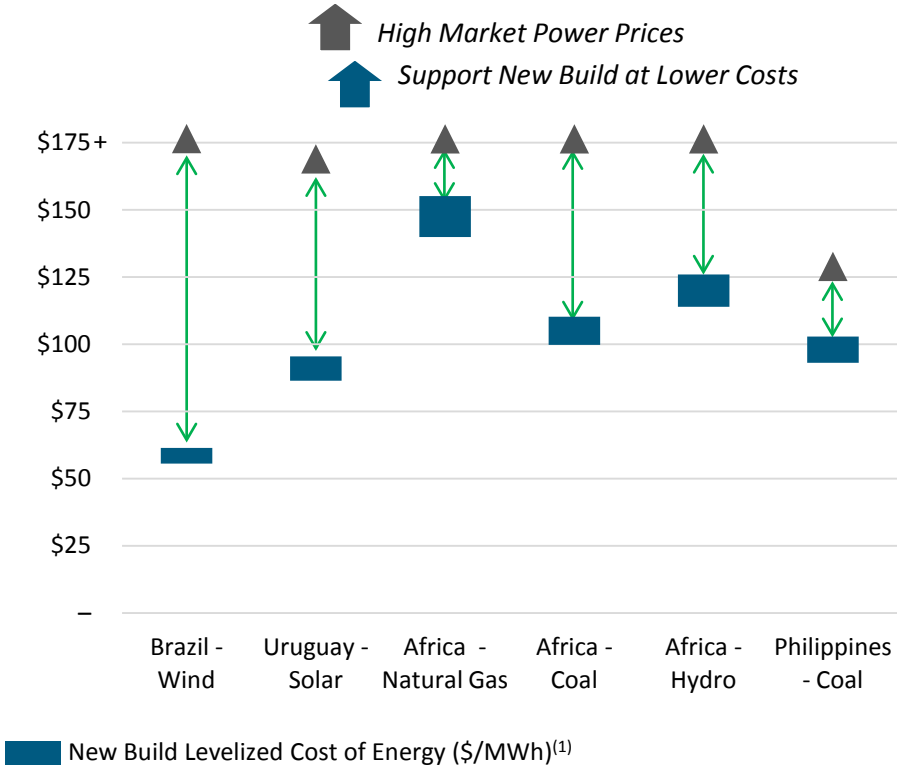
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# High-Growth Economies Support New Build Power

**US & Europe Cost of Power vs. New Build Cost (\$/MWh)**



**Developing Countries Cost of Power vs. New Build Cost (\$/MWh)**



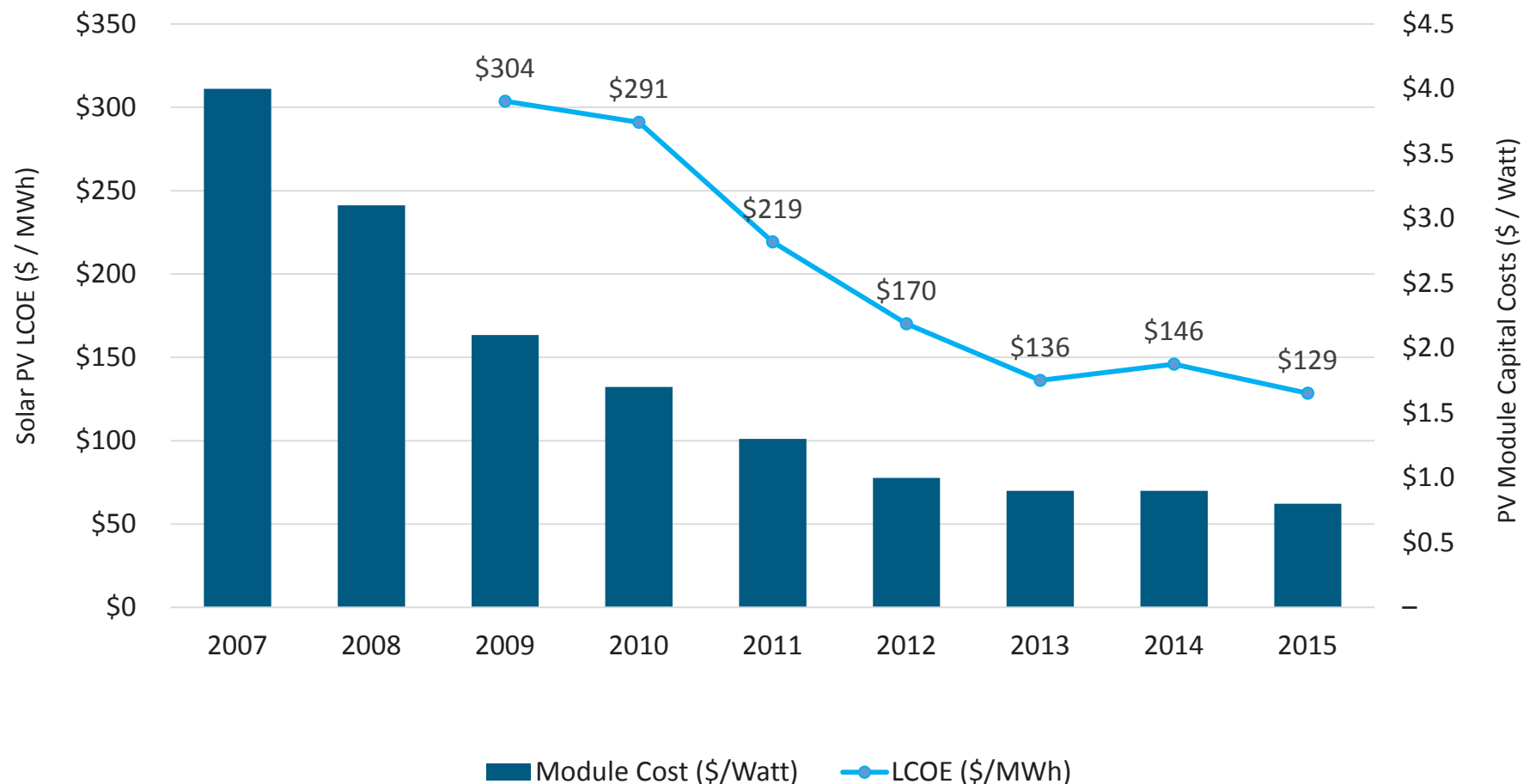
- ▶ **New generation capacity additions will be driven by developing markets where there is a fundamental need for power**
- ▶ **High growth and capacity short markets can create opportunities for development of competitively priced, modern power projects that can reduce power costs**

(1) Levelized cost of electricity is the long-term electricity price required to achieve a required standardized equity hurdle rate for the power projects across various technologies.

Source: Bloomberg New Energy Finance, IHS, World Energy Outlook, AEMO, UTE, TASC. Market power prices shown are historical wholesale power prices, or their market equivalent.

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# Solar PV Capital Costs over Time



Source: BNEF, UBS.

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# Emerging Asset Class and Global Search for Yield

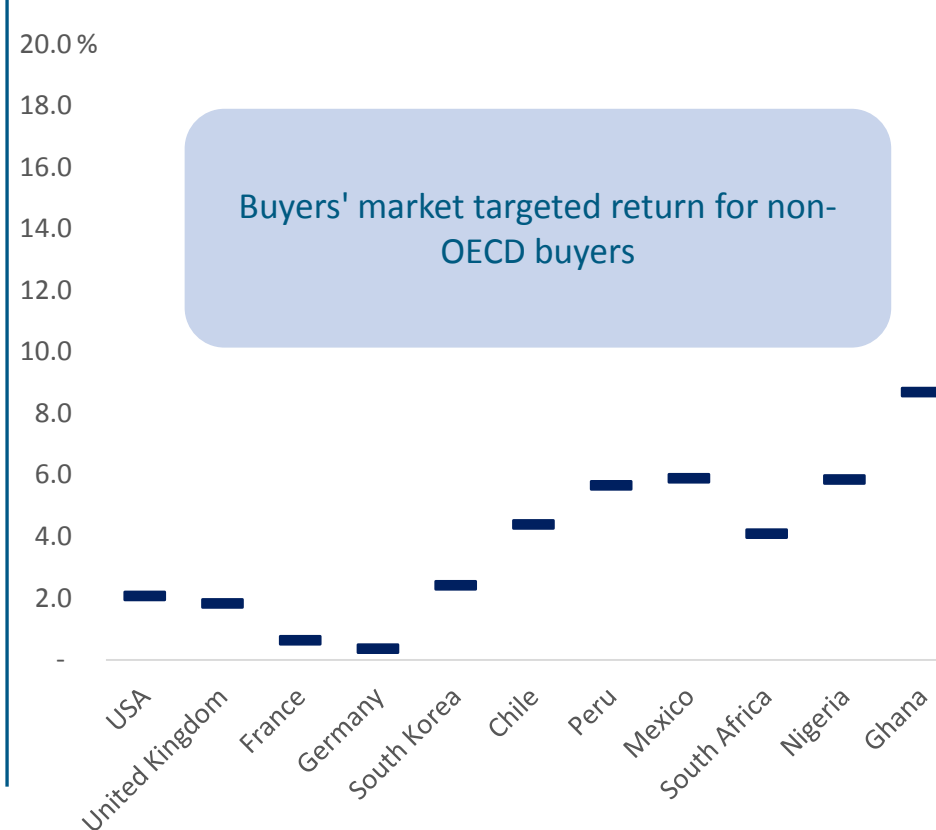
## Power YieldCo's Growth

USD millions



## Global Sovereign Yields Remain Low

10Y Government Bonds



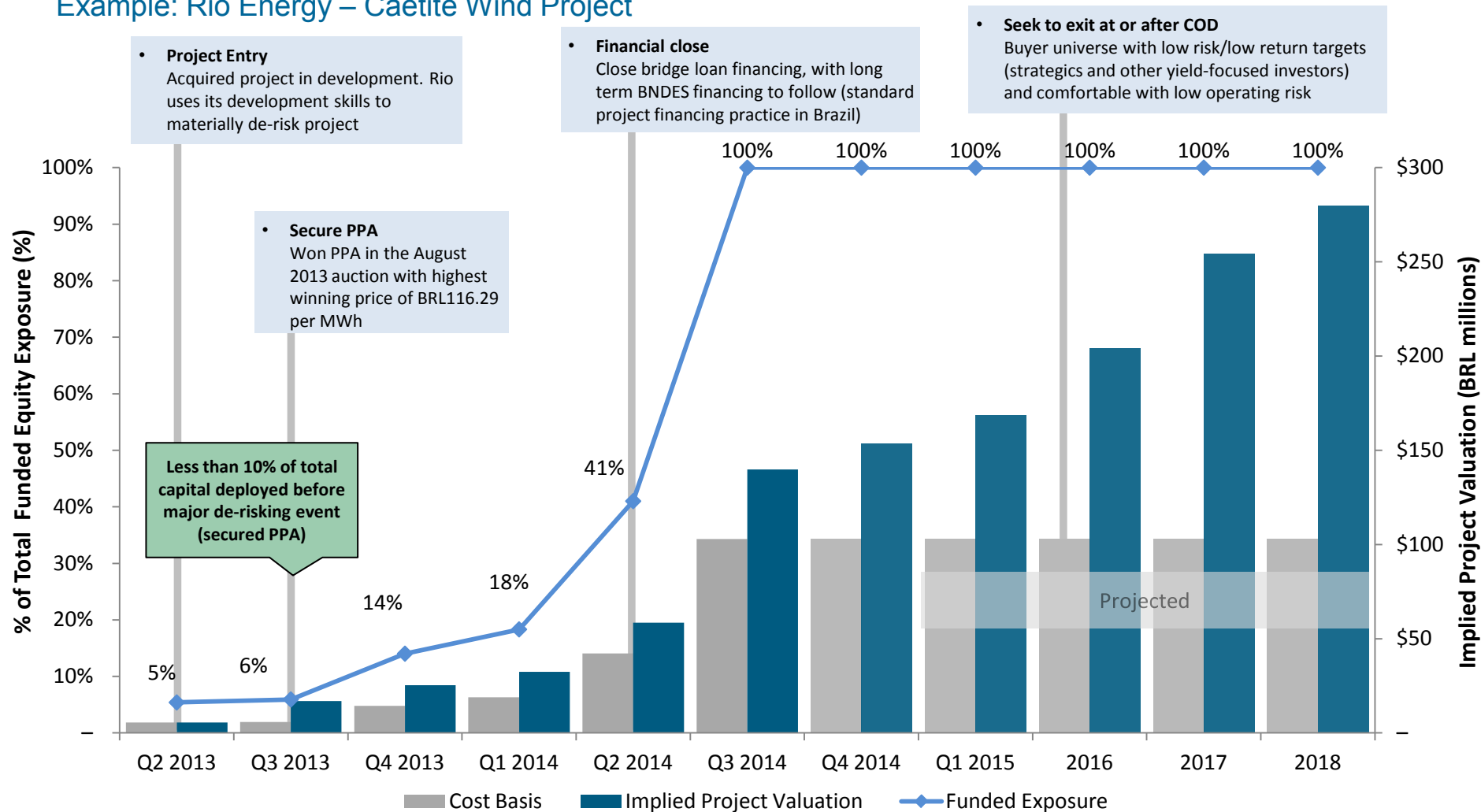
**Similar to MLPs in US oil and gas industry, YieldCos have emerged as an asset class of choice for income-oriented investors**

Source: Bloomberg, CapitalIQ.

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# Capital Staging and Value Creation

## Example: Rio Energy – Caetite Wind Project



Source: Rio Energy estimates.  
 Implied valuation is based on a DCF valuation of the Caetite wind project, using a 16+% after-tax levered lifecycle return, a 12-month construction period, and sale at COD+4 using a 12% exit discount rate. Project is assumed to be held at cost until signing PPA, at which point the DCF valuation is risk-adjusted until COD.

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## **Breakout 1-A Peer Dialogue: Strategic CIO Network (SCION) – Families Employing an Internal CIO in Their Family Office**

### **Facilitators:**



**Karen Clark**  
**Managing Director of Councils, Family Office Exchange**

With over 25 years of experience advising families of wealth, Karen Clark is responsible for running several FOX Peer Councils, which are the fastest growing part of the FOX service offering. Karen's expertise includes creating strategies and partnering with advisors to develop, coordinate and facilitate thoughtful strategies for clients and their families. She works with families focusing on matters such as family governance, education, intergenerational wealth transfer, philanthropy, and creating successful successors.

In her role as a family office executive, Karen was responsible for structuring/planning for cross-border families and their related entities. She developed comprehensive ecosystems to support those families, including education programs for the families' rising generation leaders. Karen also facilitated the development of an ESG investing program.

Karen is a respected speaker on subjects of direct investing, cross-border planning and the traits of a successful family office. As a seasoned investment professional, Karen advises on all aspects of sound planning and investment management including tax-efficient structures, the importance of asset location, asset allocation, manager selection, ongoing monitoring and insightful reporting.

Karen's past experience includes a Director at Sandaire Limited, and similar roles at BNY Mellon Private Wealth Management in Los Angeles and Bank of America's Private Bank in Miami and San Francisco. She is a member of the Financial Planning Association and the Society of Trust and Estate Practitioners.



**Linda Shepro**  
**Managing Director, Family Office Exchange**

Linda was previously the CFO of a large Midwestern family office and served on the investment screening committee for the family's direct investments. In that role she also worked directly with the portfolio companies' financial and technology teams. Linda is a former manager at Price Waterhouse Coopers (both audit and consulting). She was Vice President in the M&A group of a Fortune 100 company. Subsequently, she was co-founder, partner and CFO of Shepro Braun Systems, whose flagship product, Total Return, provided comprehensive back office solutions to family offices and hedge funds. From 2011 to 2014 Linda served as Founder, Co-Managing Partner, CFO and COO of FDX Holdings LLC, d.b.a. FDX Capital LLC.

Linda earned her B.S. in Accounting and Finance, graduating magna cum laude from Indiana University. She holds an MBA from Northwestern University's Kellogg Graduate School of Management and is a CPA.

## **Breakout 2-A - Peer Dialogue: External Investment Strategies Network (EISN) – Families Employing an External CIO or Investment Strategist**

### **Facilitator:**



**Charles B. Grace, III**  
**Managing Director, Family Office Exchange**

Charles B. Grace, III is Managing Director at FOX. Charlie works on strategic planning projects for families and family offices as well as wealth management advisor clients. Assignments have included work on advisor selection, education of the next generation, leadership and succession, governance, family office structuring, among others. Charlie is active on the family office and advisor membership and research sides at FOX, including investment focused studies and other initiatives. He has experience facilitating member and client meetings for FOX.

Charlie has been active for over twenty years in the family office community advising high net worth families and serving as a resource to high net worth families and family offices. He advised on investment portfolios and wealth management generally for almost 10 years working day-to-day at the multi-family office Ashbridge Investment Management, LLC. and the single family office Ashbridge, LLC. His responsibilities included client relationships, business development, and membership on the firm's investment committee, as well as business operations and firm strategy as Chairman of the Management Committee of the \$1 billion investment advisory firm. Charlie has been quoted in various publications on the subject of private wealth management, including The Wall Street Journal, Financial Times, and Worth Magazine and presented at many conferences focused on private investors and family offices.

In addition to his responsibilities at FOX, Charlie has been active on the Board of the single family office Ashbridge, LLC since 1992 and in 2010 was named President. He is a Trustee and member of the Investment Committee of the non-profit Tuttle Fund, Inc. in New York City.

Charlie graduated from the Washington College of Law with a J.D. and is a member of the New York State Bar. He received a B.A. and M.A. in history from Bates College and the American University, respectively.

## Breakout 3-A - Impact Investing in the Family Office: Translating a Compelling Concept into a Sound Strategy

### Speaker:



**Abigail Noble**  
CEO, The ImPact

Abigail Noble joined as CEO of The ImPact in August 2015 after five years at the World Economic Forum where she created and led the Impact Investing initiatives. The ImPact is a nonprofit social enterprise which helps families make more impact investments, more effectively. The ImPact is both a curated private network of family offices who commit to make impact investments and a data-driven platform through which those families can access insights to arrive at more informed investment decisions. At the World Economic Forum, she co-authored six reports including the frequently cited “Margins to Mainstream” and “Impact Investing: A Primer for Family Offices.” Prior, Abigail was Head of Africa and Latin America for the Schwab Foundation for Social Entrepreneurship. She is a graduate of Harvard and Tufts, and is a Fulbright Scholar and CFR member.

# Impact Investing in the Family Office: Translating a Compelling Concept into a Sound Strategy

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Abigail Noble, CEO, ImPact

September 10, 2015

FOX Global Investors Forum



# What is Impact Investing?

An investment **approach** that **intentionally** seeks to create both **financial return** and positive **social impact** that is actively **measured**

Impact investing is an investment approach across asset classes (e.g. public and private equity, debt, etc.); it is a criteria by which investments are made

Investments motivated by the intention to create a social or environmental good are clearly impact investments. If the intention is financial gain, even if the corollary is social or environmental value, the designation of impact investing is less certain

There should be measurable evidence that social or environmental value has been created in order for an investment to be classified as an impact investment

The degree of financial return may vary widely from recovery of principal to significantly above market returns

Impact investments can include investments in infrastructure, poverty alleviation, environmental improvement, economic development, etc. but they must meet defined and measurable objectives; job creation cannot be the sole criterion for considering an investment to be an impact investment since most investments create jobs



## Philanthropy

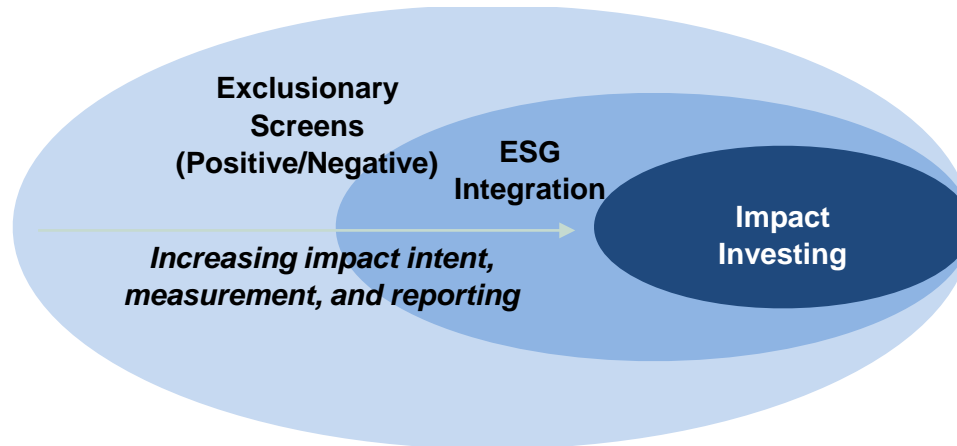
## Traditional Investing



Impact investors are different than philanthropists in that they are interested in a financial return as well as a positive social impact

Impact investors are different than traditional mainstream investors in that they seek out and intentionally choose investments that have a social impact

### Sustainable and Responsible Investing Overview



- Impact investments intend to generate financial return and measurable social benefit
- Return profile and strategies for generating impact vary.
- Impact investments can be made across asset classes, sectors, and geographies.

GEOGRAPHY	SECTOR	ASSET CLASS	IMPACT STRATEGY	RETURN PROFILE
<ul style="list-style-type: none"><li>• Continent</li><li>• Country</li><li>• State</li><li>• Rural</li><li>• City</li></ul>	<ul style="list-style-type: none"><li>• Energy</li><li>• Environment</li><li>• Housing</li><li>• Education</li><li>• Employment</li><li>• Agriculture</li><li>• Access to Finance</li><li>• Healthcare</li></ul>	<ul style="list-style-type: none"><li>• Public Equities</li><li>• Private Equity</li><li>• Venture Capital</li><li>• Fixed Income</li><li>• Real Assets</li><li>• Agriculture</li><li>• Social Impact</li><li>• Bonds</li></ul>	<ul style="list-style-type: none"><li>• People</li><li>• Product</li><li>• Place</li><li>• Process</li><li>• Model</li><li>• Behavior</li><li>• ESG</li><li>• SRI Screens</li></ul>	<ul style="list-style-type: none"><li>• Market</li><li>• Below Market</li></ul>

*But also attributes with which to differentiate an impact investing strategy*



**9,000,000,000**

**2050 GLOBAL POPULATION,  
CREATES OPPORTUNITIES & CHALLENGES<sup>1</sup>**

**FOOD, WATER, ENERGY DEMANDS INCREASE SUBSTANTIALLY BY 2030**



**50%<sup>2</sup>**



**40%<sup>3</sup>**



**50%<sup>2</sup>**



**\$10 Trillion**

**2050 GLOBAL BUSINESS OPPORTUNITIES IN  
HEALTH, EDUCATION, AGRICULTURE AND OTHER  
SUSTAINABILITY SECTORS<sup>4</sup>**

**EFFECTIVELY POSITIONING BY BUSINESSES IS CRITICAL FOR FUTURE GROWTH AND COMPETITIVENESS**

**Source:** (1) World Population Prospects: the 2012 Revision. United Nations, 2013 (2) *Global Trends 2030: Alternative Worlds*. National Intelligence Council, 2012 (3) United Nations World Water Development Report No. 4. UNESCO, UN-Water, WWAP, March 2012 (4) *Vision 2050: The new agenda for business*, World Business Council for Sustainable Development, 2010

# Impact Investing is a Growing Sector

~310

IMPACT INVESTMENT FUNDS GLOBALLY<sup>1</sup>

8.76

BILLION (US\$)

EUROPEAN ASSETS MANAGED ACCORDING TO SRI PRINCIPLES IN 2012<sup>2</sup>

34

PERCENT

IMPACT FUNDS INVESTING IN SUBSIDIARIES COMMITTED CAPITAL IN SAHARAN AFRICA<sup>3</sup>

60

BILLION

6.57

TRILLION (US\$)

US ASSETS MANAGED ACCORDING TO SRI PRINCIPLES IN 2012<sup>5</sup>

1

TRILLION (US\$)  
OPTIMISTIC MARKET  
POTENTIAL ESTIMATE BY  
2020<sup>4</sup>

64

PERCENT

US PENSION FUNDS THAT EXPECT TO MAKE AN IMPACT INVESTMENT<sup>6</sup>

1672

COMPANIES

COMPANIES RATED BY GIIRS IN Q42013\*

~ 110

ORGANIZATIONS MEMBERS OF GIIN<sup>‡</sup>

**Source:** (1) Pacific Community Ventures, Duke University, Impact Assets: Impact Investing 2.0; (2) Global Sustainable Investment Review 2012; (3) JP Morgan Social Finance: Perspectives on Progress; (4) JP Morgan Social Finance: Impact Investments, An Emerging Asset Class; (5) US SIF 2012 Report on Sustainable and Responsible Investing Trends in the United States; (6) Deloitte Survey of 50 US Pension Funds with AUM totaling US\$800 billion

**Note:** † In the JP Morgan / GIIN, March 2014

‡ The Global Impact Investing Network is a not-for-profit organization dedicated to increasing the scale and effectiveness of impact investing

Impact investing enables families to be explicit about their shared values and to reflect them in their investment and wealth management decisions.

- To unite families on shared values and inter-generational legacy
- Because solid risk-adjusted returns should not come at the cost of creating the world we want our children to live in.
- Given there is a shortage of expertise and data-driven insights with which family offices can make informed decisions.

An impact investing strategy aligned with family values can help to engage a younger generation in the leadership and management of a family office.

- Get Started: **Ready-Fire-Aim** (*not ready-aim-fire*)
- Be Visionary : **Prioritize Impact over Risk**
- Be Patient: but Constantly **Measure, Evaluate and Adjust**
- **Don't be Holier than Thou** :
  - Everyone needs money to survive. *Remember*: Hedge Funds and Private Equity Funds need to get high returns for their investors (pension funds); Pension Funds need to get high returns for their peeps (grandma and grandpa); Grandma and Grandpa need...
  - Impactful organizations need financial resources; profit can be good for impact *Remember*: razor thin margins are like thin oxygen –can't move as nimbly / scale as fast.
- Team Sport: many players on the field so...
  - coordinate assistance to investees
  - collaborate to co-invest for win-win outcomes
  - share information to reduce “missed goals”

# And then....Chart Your Family's Course into Impact Investing

*Reach Internal Alignment*

*Implement and Evaluate*

## Step 1

### Define Vision

- Clarify motivation and context
- Define impact goals and evaluation

## Step 2

### Determine Engagement Strategy

- Evaluate fit within existing portfolio
- Decide on impact portfolio construction approach

## Step 3

### Develop Investment Guidelines

- Review existing or develop new investment guidelines, integrating impact goals

## Step 4

### Execute Strategy

- Source investments
- Perform due diligence

## Step 5

### Evaluate Portfolio, Adjust Strategy

- Monitor financial and impact results
- Evaluate outcomes and adjust your investment strategy

Deepen Knowledge, Update and Evolve Impact Investment Vision



**Justin Rockefeller**  
*Trustee*



The Rockefeller Brothers Fund is a private, family foundation helping to advance social change that contributes to a more just, sustainable, and peaceful world. It was created in 1940 by the sons of John D. Rockefeller, Jr.—John D. 3rd, Nelson, Winthrop, Laurance, and David—as a vehicle by which they could share advice and research on charitable activities and coordinate their philanthropic efforts to better effect. Abby “Babs” Rockefeller Mauzé, the eldest child and only daughter of John D. Rockefeller, Jr. and Abby Aldrich Rockefeller, joined the RBF’s board in 1954 and served as a trustee until her death in 1976. John D. Rockefeller, Jr. made a substantial gift to the Fund in 1951, and in 1960 the Fund received a major bequest from his estate. Together, these constitute the original endowment of the Fund.



...to help other families engage with Impact Investing

The ImPact is a non-profit social enterprise committed to providing its members with the knowledge, data driven insights, and relationships they need to begin making more impact investments, more effectively. Members are families (through their family offices and family businesses) who have the enthusiasm, resources and influence with which to move significant investment capital into impact investing.

The ImPact is a network of families committed to making investments with measurable social impact. **Results matter:** members track the financial progress and measurable impact of their impact investments, and when possible, share those data with others who have made The Pact.

Learn more: [www.theimpact.org](http://www.theimpact.org)

or email us: [abigail@theimpact.org](mailto:abigail@theimpact.org) and [justin@theimpact.org](mailto:justin@theimpact.org)

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## **Breakout 4-A - Key to Accessing Top Quartile Hedge Funds and Alternative Investments / Requisite Due Diligence**

### **Speaker:**



**B. Scott Reid**  
**Senior Advisor, Thayer Street Partners**

Scott currently advises Thayer Street Partners, a NYC based early stage growth equity firm backed by high quality family offices, endowment and foundations, and HNW investors.

Thayer Street provides growth equity and structured finance capital to tech-enabled businesses and financial service companies.

Prior to Thayer Street, Scott was President and Partner of One East Capital where he was responsible for all non-investment activities including business development, compliance, regulation, and operations. Before joining One East in 2010, Scott was a partner and managing director at Auda International, a multi-billion dollar investment management firm that specialized in hedge fund and private equity funds for 10+ years. As a member of Auda's Executive Committee Scott managed the firm's hedge fund business with responsibility for its strategic direction including business development, portfolio management, manager selection and all client activities. Prior to Auda, Scott worked in equity sales and trading in Moscow, Russia.

Scott received a Bachelor of Arts (BA) in International Relations from the University of Virginia, and a Masters (MA) in International Economics and Russian Studies from the Johns Hopkins School of Advanced International Studies ("SAIS").

# Key to Accessing Top Quartile Hedge Funds and Alternative Investments / Requisite Due Diligence

---

Scott Reid, Advisor, Thayer Street Partners

September 10, 2015  
FOX Global Investment Forum



<u>Biography</u>	3
<u>An Allocator's Perspective</u>	4
<u>A Manager's Perspective</u>	7
<u>Conclusion</u>	11
<u>Q &amp; A</u>	

## SCOTT REID

### **Senior Advisor – Thayer Street Partners (2014 – Present)**

Thayer Street Partners is an emerging growth equity firm that makes private equity and private debt investments into technology enabled business and financial services companies.

### **President – One East Partners (2010 – 2014)**

One East Partners is an event driven hedge fund co-founded in 2006 and managed by Jim Cacioppo.

### **Partner / Managing Director (Hedge Fund Group) – Auda Advisor Associates (1999 – 2009)**

Founded as the New York based investment office for the Harald Quandt of Germany Family, Auda became a multi-billion dollar alternative investment firm that specializes in hedge funds and private equity.

### **Education**

Johns Hopkins School of Advanced International Studies (“SAIS”), M.A. 1996

University of Virginia, B.A., 1988

After 10+ years as a hedge fund allocator and 4 years as the President of an event driven hedge fund (the other side of the table) what I have learned?

## Not an Asset Class

- Hedge funds are subject to the same rules, regulations, stresses and strains of traditional managers
- The Hurdle Should Be High
  - Hedge fund managers have greater mandate flexibility
  - Hedge fund managers provide less liquidity
  - Hedge fund managers charge higher fees

## Demand Transparency

Regular access to key decision makers, monthly fact sheets/exposures, top losers/winners, and regular commentary

## Focus on Attribution

- Carefully analyze historic and current attribution, to include:
- gross/net exposures
  - sub-strategy allocations
  - sub-strategy attributions



After 10+ years as a hedge fund allocator and 4 years as the President of an event driven hedge fund (the other side of the table) what I have learned?

## Idea Generation

- How are ideas sourced, by the team or an individual?
- Is this approach repeatable?
- Provide multiple examples to illustrate

## Scalability

- How scalable are the trading ideas?
- Is this process the same as when smaller? If not, how different?  
Be specific
- Will alpha at lower AUM become beta at higher AUM? Study historical attributions and exposures

## Operations / Administration / Risk Management

### Scope of questions

Cross questioning – Throughout the due diligence engage independently with multiple layers of non-investment / non-marketing professionals

### Due Diligence Questionnaires

Many Portfolio Managers are familiar with their own DDQ's. Do they know and follow their own stated guidelines?

### Risk Management

How dependent or independent is the risk management process from the portfolio manager? Understand exactly how it works. Demand samples to illustrate.

### Legal Documentation

A pitchbook is **NOT** a legal document. Dig deep. Like nearly all analysis the “devil is in the details.” Pitchbooks generally do not cover “tail events.”

What are the key investor and prospective investor question that most managers believe dig most effectively into their strategy and business?

**Most important criteria to consider before allocating to external managers**

- Managers relevant portfolio management experience
  - Most great analysts struggle with decision making
  - Most great decision struggle with business management
- Manager's relevant business experience
- Opportunity set – the right time for the strategy
- Long-term investment outlook

**Most effective due diligence questions**

- Best/worst trades and business decisions made. Lessons learned
- Current market outlook and portfolio position
- What are the manager's greatest current concerns about the portfolio and business?

What are the key investor and prospective investor question that most manager's believe dig most effectively into their strategy and business?

## **Least effective due diligence questions**

- Describe your investment process
- Describe your investment strategy
- Describe your competitive advantage compared to other hedge fund managers

## **Common manager pitfalls (stresses they feel that will not be openly discussed with you)**

- Short-term return focus (especially for new launches)
- Mismatching assets and liabilities (to attract assets)
- Style drift (to generate short-term returns)

## Optimizing One's Time With a Portfolio Manager

### Meeting Preparation

- Prepare in advance
- What do you wish to get out of the meeting? Get to know the manager (look and feel), market outlook, or discussion of specific current or past ideas
- Do not repeat questions answered in the pitchbook, or otherwise easily answered by marketing professionals

### Portfolio Management / Asset Allocation

- Discuss current / best ideas in the portfolio
- Key portfolio and position inflection points
  - What are they?
  - How do these drive changes within the portfolio?

## Optimizing One's Time With a Portfolio Manager

### Motivations

What are the manager's key motivations? Dig deep as this is critical to understand the likelihood of continued success or a slow, long-term decline of the strategy and business

### Succession

- What does the manager seek for the future of their business?
- Do they wish to create a legacy firm?
- If so, what have they done to plan for such?
- Demand details

## - The Hurdle is High

- Hedge funds are not an asset class. They are subject to the same stresses and rules as traditional managers albeit with greater flexibility, longer-term lock-ups and higher fees.

## - Devil is in the Details

- Assume nothing
- Ask the simple, silly questions
- Read the fine print
- Connect the research dots

## - Hedge Fund Managers are Human

- Like all humans hedge fund managers are living, breathing organs who evolve over time and throughout a career. Regularly check and double check why you still like, trust and believe in your hedge fund managers.



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## **Breakout 1-B Peer Dialogue: Direct Investing Network (DIN) – Families Interested in Non-Fund Private Equity Opportunities**

### **Facilitators:**



**Karen Clark**  
**Managing Director of Councils, Family Office Exchange**

With over 25 years of experience advising families of wealth, Karen Clark is responsible for running several FOX Peer Councils, which are the fastest growing part of the FOX service offering. Karen's expertise includes creating strategies and partnering with advisors to develop, coordinate and facilitate thoughtful strategies for clients and their families. She works with families focusing on matters such as family governance, education, intergenerational wealth transfer, philanthropy, and creating successful successors.

In her role as a family office executive, Karen was responsible for structuring/planning for cross-border families and their related entities. She developed comprehensive ecosystems to support those families, including education programs for the families' rising generation leaders. Karen also facilitated the development of an ESG investing program.

Karen is a respected speaker on subjects of direct investing, cross-border planning and the traits of a successful family office. As a seasoned investment professional, Karen advises on all aspects of sound planning and investment management including tax-efficient structures, the importance of asset location, asset allocation, manager selection, ongoing monitoring and insightful reporting.

Karen's past experience includes a Director at Sandaire Limited, and similar roles at BNY Mellon Private Wealth Management in Los Angeles and Bank of America's Private Bank in Miami and San Francisco. She is a member of the Financial Planning Association and the Society of Trust and Estate Practitioners.



**Linda Shepro**  
**Managing Director, Family Office Exchange**

Linda was previously the CFO of a large Midwestern family office and served on the investment screening committee for the family's direct investments. In that role she also worked directly with the portfolio companies' financial and technology teams. Linda is a former manager at Price Waterhouse Coopers (both audit and consulting). She was Vice President in the M&A group of a Fortune 100 company. Subsequently, she was co-founder, partner and CFO of Shepro Braun Systems, whose flagship product, Total Return, provided comprehensive back office solutions to family offices and hedge funds. From 2011 to 2014 Linda served as Founder, Co-Managing Partner, CFO and COO of FDX Holdings LLC, d.b.a. FDX Capital LLC.

Linda earned her B.S. in Accounting and Finance, graduating magna cum laude from Indiana University. She holds an MBA from Northwestern University's Kellogg Graduate School of Management and is a CPA.

## Breakout 2-B - CIO Compensation Structures in Family Offices

### Speaker:



**Bruce Benesh**  
**Tax Partner, Grant Thornton**

Bruce is a tax partner with Grant Thornton LLP and has more than 35 years of experience in executive compensation, tax planning relating to compensation arrangements and international human resource consulting. Before joining Grant Thornton, Bruce was the partner-in-charge of Arthur Andersen's North American and Latin American Human Capital Practice and the Divisional President of a consulting practice for a publicly traded company.

Bruce has broad consulting experience in many industries with companies ranging from closely held family businesses and single family offices to multi-national corporations. His experience includes advising clients and executives on all aspects of strategic compensation planning, benefits and human resource issues, including competitive total compensation arrangements for executives, change-of-control and severance arrangements, qualified pension, stock bonus plans, life insurance planning, welfare benefit plans, and nonqualified executive compensation arrangements.

He also has extensive experience in the design and implementation of long-term, equity-based incentive plans for single family offices, privately held and other publicly held companies.

Bruce is a certified public accountant and a member of both national and state organizations, including the American Institute of Certified Public Accountants.

Bruce has written numerous articles dealing with compensation and tax issues that have been published in such journals as The Tax Advisor, Taxes, Small Business Taxation, Trusts and Estates, Tax Ideas and Journal of Accountancy. He lectures frequently on executive compensation and business planning, focusing primarily on designing incentive plans (with a special emphasis on simulated equity plans) and organizational structures to motivate corporate performance and drive growth.

Bruce holds a Bachelor's degree in Business and Economics from Hendrix College in Conway, Arkansas, and a Masters in Accountancy with an emphasis in taxation from the University of Oklahoma.

# CIO Compensation Structures in Family Offices

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Bruce K. Benesh, Partner- in- Charge, Grant Thornton

September 10, 2015

FOX Global Investment Forum



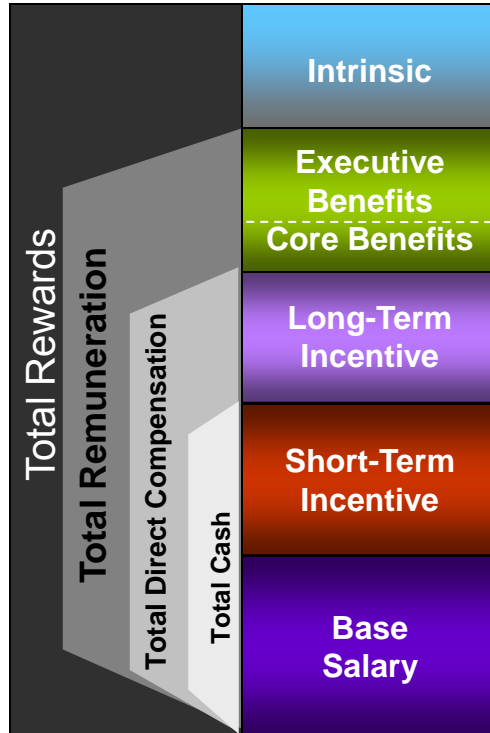
- Market Pricing
- General Compensation Structure for Investment Management Team
  - Annual Incentive Design
  - Long-Term Incentive Design
  - Benefit Practices
- Employment Agreement Considerations
- Case Study
- Best Practices

## Market Pricing

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# Chief Investment Officer (CIO) Compensation Components



- Work environment
- Geographic location
- Supplemental executive perquisites
- Typically not at-risk based on performance
- Basic benefits competitively targeted against the market
- Total direct compensation
- Long-term incentive opportunity, typically covers 3 – 5 year period
- Short-term (annual) performance measures reviewed and approved annually
- Pay at-risk for performance
- Base salary (not at-risk for performance)
- Calibrated to target market based on job content and scope

*Both decision processes and competitiveness of these elements must be consistent with applicable tax provisions*

- Market data and appropriate matches are an important reference point for establishing and administering compensation
- The market pricing process should focus on the content of the jobs and not just on matching titles
- Often the data reflects a composite of market data from multiple survey sources, including, but not limited to: family office, private company, financial services industry, hedge funds, and general industry roles
- Compensation benchmarking data is often presented at the 25th, 50th, and 75th percentiles of the market for base salary, total cash compensation, and total direct compensation

**Below is benchmarking market data for a CIO, Sr. Portfolio Manager, and Portfolio Manager roles showing compensation market compensation at Base Salary, Total Cash Compensation (TCC) (Base Salary + Annual Incentive) and Total Direct Compensation (TCC + Long-term Incentive):**

Position	Assets Under Management	Base Salary			Total Cash Compensation			Total Direct Compensation		
		25th Percentile	50th Percentile	75th Percentile	25th Percentile	50th Percentile	75th Percentile	25th Percentile	50th Percentile	75th Percentile
Chief Investment Officer	\$500 Million	\$220,000	\$295,000	\$390,000	\$340,000	\$435,000	\$610,000	\$455,000	\$585,000	\$805,000
Senior Portfolio Manager	\$500 Million	\$200,000	\$245,000	\$295,000	\$290,000	\$350,000	\$425,000	\$390,000	\$475,000	\$575,000
	\$100 Million	\$185,000	\$225,000	\$270,000	\$245,000	\$300,000	\$360,000	\$335,000	\$410,000	\$495,000
Portfolio Manager	\$500 Million	\$150,000	\$210,000	\$275,000	\$215,000	\$300,000	\$395,000	\$290,000	\$405,000	\$535,000
	\$100 Million	\$145,000	\$190,000	\$250,000	\$185,000	\$250,000	\$325,000	\$260,000	\$345,000	\$445,000



## General Compensation Structure for Investment Management Team

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# General Compensation Structure

Compensation Component	President	CIO	Private Equity Leader
Base Salary	X	X	X
Discretionary Bonus			
Annual Incentive	X	X	X
Supplemental Deferred Compensation	X	X	
Co-Investment Opportunity	X	X	X
Carried Interest Participation	X		X
Transaction Bonus	X	X	

## Best Practice Design

- Defined performance period and payment timeframe
- Annual goals established with threshold, target and maximum levels of performance
- Annual goals should be developed with the following guidelines in mind:
  - 80% opportunity to achieve threshold performance
  - 50% opportunity to achieve target performance
  - 10% - 20% opportunity to achieve maximum performance
- Corresponding incentive opportunity targets should be established
- Straight-forward design that can easily be communicated and understood by participants
- Clearly linked to the family's strategies and goals
- Formal plan document that establishes participation/eligibility, plan period, payment schedule, termination provisions, etc.

# Annual Incentive Plan

## Establishing Goals and Performance Metrics

- Goals should be established early in the fiscal year, preferably by end of first quarter
- Goals should be measureable, realistic and attainable
- Where possible, performance measures should be established at threshold, target and maximum
- Goals should reflect an appropriate blend of overall family office performance, portfolio performance, and individual performance
  - Should be clearly linked to family office strategy and objectives
- Weighting of categories should be consistent for all participants
- Performance should be assessed after the end of the fiscal year
- Payouts should be targeted within the first quarter of the new year
  - If employment at time of payout is required, timing can be flexible
  - If payouts occur as if earned at the end of the fiscal year, Internal Revenue Code §409A requirement that payments must be made within first 2.5 months

## Grant Thornton has found the following structure to be very effective for family offices:

- **Part 1:** 25% of the annual incentive is based the overall return of all assets under management
- **Part 2:** 25% of the annual incentive is based on investment results vs. the benchmark or hurdle rate of return on outside investments
- **Part 3:** 50% of the annual incentive is based on meeting individual performance expectations

# Annual Incentive Plan Design Sample

## Annual Incentive Goals

Chief Investment Officer	Threshold %:	25%	Threshold \$:	\$62,500
Annual Salary: \$250,000	<b>Incentive Target %:</b>	<b>50%</b>	<b>Incentive Target \$:</b>	<b>\$125,000</b>
	Maximum %:	75%	Maximum \$:	\$187,500

PERFORMANCE AWARD CRITERIA						PERFORMANCE RESULTS		
COMPANY PERFORMANCE	Weighting	Incentive Target \$	Threshold	Target	Maximum	Actual Performance	Level of Achievement	Bonus Earned
Achievement of FY 2016 Overall Investment Return Goal	25.0%	\$31,250	TBD	TBD	TBD	TBD	TBD	TBD
Achievement of FY 2016 Investment Results vs. Benchmark:	25.0%	\$31,250	TBD	TBD	TBD	TBD	TBD	TBD
INDIVIDUAL PERFORMANCE		0 = Unsatisfactory	1 = Partially Meets Expectations	2 = Meets Expectations	3 = Exceeds Expectations			
Overall Performance:	50.0%	\$62,500		<b>TBD</b>		TBD	TBD	TBD
<b>TOTAL:</b>	<b>100%</b>	<b>\$125,000</b>				<b>TOTAL:</b>		<b>\$0</b>

Bonus payment earned:  Percent of bonus opportunity earned:  Percent of base salary:

## Overview

**The use of long-term incentives is a growing trend among family offices.**

**Purposes of implementing long-term incentive plans include:**

- Aligning the interest of both the family office and the executives on a mid and long-term basis
- Increase competitiveness of compensation levels with other investment firms from which employees are recruited
- Incent employees to achieve performance levels above what normally would be accomplished – increasing the value of the company
- Provide a retention mechanism through the use of golden handcuffs
- Provide additional compensation opportunity in a tax efficient way

- Starting value of the portfolio/asset size
  - Determine a starting value of the AUM and the date of measurement, to be held constant every year
- Performance Benchmarks
  - Determine what performance criteria or fund benchmarks will be used to measure the rate of return against
- Vesting
  - Consider how you want the awards to vest to the executives
    - Ratable – X% per year over Y years – i.e., 20% vested per year over five years
    - Cliff – 100% vested after Y years – i.e., 100% vested after 5 years



- Payout periods
  - Can be lump sum after vesting, or spread over two to three years
- Participants
  - Consider limiting to certain key executives and investment professionals
- Determine LTI opportunity levels for participants
- Termination features
  - Consider utilizing termination features for events such as: Death and disability; Retirement; Termination without cause; etc.

Vehicle	Best Uses
Phantom Stock	<ul style="list-style-type: none"> <li>• Family offices with strong involvement in/oversight of family operating companies</li> <li>• Can be use for an array of participants – from one to many</li> </ul>
Carried Interest	<ul style="list-style-type: none"> <li>• Family offices with a private equity function</li> <li>• Participation usually limited to CIO/private equity roles</li> </ul>
Supplemental Deferred Compensation	<ul style="list-style-type: none"> <li>• Small family offices focused on managing family's affairs and investments</li> <li>• Single or limited participants</li> </ul>
Investment Opportunity	<ul style="list-style-type: none"> <li>• Family offices with a private equity function or similar investment opportunities</li> <li>• Participation should be limited to a select group of key employees</li> </ul>
Transaction Bonuses	<ul style="list-style-type: none"> <li>• Family offices with a private equity function</li> <li>• Current employees involved in transaction and in support/management of portfolio company leading up to a transaction</li> </ul>

Vehicle	Key Features
Phantom Stock	<ul style="list-style-type: none"><li>• Allows participants to share in growth of the company/companies without having actual equity</li><li>• Compensation based on increases in the value of the company/companies</li><li>• Plans typically designed to provide ongoing value</li><li>• Provide a good return on investment to the family</li><li>• Must ensure adherence to 409A</li><li>• <i>Sense of ownership without giving up actual / stock/ equity</i></li></ul>
Carried Interest	<ul style="list-style-type: none"><li>• Designed as an incentive to maximize performance of an investment</li><li>• Participants share in profits from the investment, once a return of capital and an agreed-upon "hurdle rate" is achieved by investors</li><li>• A participant's carried interest allocation, or "carry", may vest immediately or over time</li><li>• Payouts typically occur upon a transaction</li><li>• Carried interest allocations within a family office private equity function may be lower than the typical allocations at a private equity fund manager</li></ul>

Vehicle	Key Features
Supplemental Deferred Compensation	<ul style="list-style-type: none"><li>• Simple to design and administer</li><li>• Contribution can be determined as a function of annual incentive</li><li>• Vesting may be pro-rata over time, or based on achievement of specific performance criteria</li><li>• Investment returns fluctuate with family's, or</li><li>• Rabbi trust arrangement with investment choices</li><li>• Must ensure adherence to 409A</li></ul>

Vehicle	Key Features
Co-Investment Opportunity	<ul style="list-style-type: none"><li>• Allow employees to invest alongside the family in certain investment opportunities</li><li>• In some cases, key employees may be provided "leverage" through the use of loans from the family to increase the amount of their investments (loans can be recourse or non-recourse)</li><li>• Investment minimums should be established; the potential administrative burden for small investments may not be warranted</li><li>• Termination provisions may need defining; otherwise, ongoing investment by and communication required with former employees</li><li>• Dodd-Frank considerations on who can participate</li></ul>
Transaction Bonuses	<ul style="list-style-type: none"><li>• An alternative to broad carried interest participation</li><li>• Provides additional compensation opportunity for those supporting a transaction</li><li>• Provides a retention mechanism rather than an ongoing obligation to employees, even if no longer employed by the family office</li><li>• Create a bonus pool with established percent of carried interest allocation</li><li>• Bonus pool payouts typically occur upon a transaction</li></ul>

Triggering Event	Treatment of contributions
Death & Disability	100% immediate vesting of all contributions; Contributions will be paid out after the event occurs
Retirement	100% immediate vesting of all contributions; Contributions will be paid out in full at the next normally scheduled payment date
Termination without Cause	100% immediate vesting of all contributions; Contributions will be paid out over the next three years at the normally scheduled payment dates
Termination for Cause	Forfeit all unvested contributions and vested but unpaid contributions
Voluntary Resignation	Forfeit all unvested contributions; Contributions that are vested will be paid out over the next three years at the normally scheduled payment dates

## Benefits typically found in family offices:

- Health and welfare benefits, including:
  - Healthcare insurance
  - Dental insurance
  - Life insurance
  - Short-term disability insurance
  - Long-term disability insurance
  - 401(k) plan – with employer match
- Supplemental life insurance for executives
- Supplemental disability insurance for executives
- Employment agreements with severance/salary continuation for executives
  - Common for executives, especially if relocation is required

# Benefits Prevalence

## Core Employee Benefits

Component	Financial	
	Service Industry	Family Offices*
<b>Survivor Benefits</b>		
Basic Group Life	98%	78% - 90%
Supplemental Group Life	82%	69%
Basic Accidental Death	98%	54% - 84%
Supplemental Accidental Death	46%	
Business Travel Accident		
Dependent Group Life	94%	
Group Survivor Income		
<b>Disability Benefits</b>		
Short-Term Disability	89%	59% - 82%
Long-Term Disability	98%	69% - 85%
<b>Medical Plan Benefits</b>		
Hospital/Medical Plan	88%	97% - 99%
Retiree Coverage		
Prescription Drug Coverage	88%	97% - 99%
Separate Dental Coverage	98%	73% - 87%
Vision Care	84%	44% - 69%
<b>Retirement/Savings</b>		
Defined Benefit Pension Plans	37%	7% - 9%
401(k) Plans with Employer Match	100%	79% - 81%

\* Prevalence range developed from multiple sources



# Case Study

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## Background

- CIO for a family office with approximately \$500 million asset base invested in multiple asset classes
- Serves a large multi-generational family with numerous beneficiaries and employees

## Issue

- Family wishes to secure the CIO's employment through a long-term incentive plan
- CIO believes current compensation package is not competitive with market
- Grant Thornton was engaged to assess the market competitiveness of the CIO's compensation package and develop a long-term plan

The position was benchmarked to family office and market surveys in addition to actual proxy data for similarly-sized organizations. The results\* are reflected below.

	Base Salary	Annual Incentive	Total Cash Compensation	Long-Term Incentive Plan	Total Compensation
<b>Actual</b>	\$250,000	\$125,000	\$375,000	\$0	\$375,000
<b>Market Median</b>	\$295,000	\$140,000	\$435,000	\$150,000	\$585,000
<b>% From Median</b>	-18.00%	-12.00%	-16.00%	-100.00%	-56.00%

**NOTE:** Actual and market compensation data are representative for purposes of this case study example, and should not be construed as actual market data.

## Overall Solution

- The annual base salary was adjusted to bring the CIO to market
- Grant Thornton worked with the family to establish new targets: better aligning annual incentive pay to market and rewarding the CIO for exceeding performance measures

## Annual Incentive

- Performance measures established at threshold, target and maximum
- Achievement level determined through both financial metrics and job performance

	Achieve Percentage of All Benchmarks		
	Threshold	Target	Max
<b>Adjusted Base Salary</b>		\$295,000	
<b>Bonus Opportunity %</b>	25.0%	<b>50.0%</b>	75.0%
<b>Bonus Opportunity \$</b>	\$73,750	<b>\$147,500</b>	\$221,250
<b>Total Cash Compensation</b>	\$368,750	<b>\$442,500</b>	\$516,250

## Long-Term Incentive

- The annual contribution would align the CIO's total compensation with that of the market, provided the same benchmarks and performance measures implemented under the annual incentive plan are met
- If target performance is met by the CIO, then the bridge between total direct compensation and market direct compensation is met

	Achieve Percentage of All Benchmarks		
	Threshold	Target	Max
<b>Adjusted Base Salary</b>		\$295,000	
<b>Total Cash Comp Opportunity</b>	\$368,750	<b>\$442,500</b>	\$516,250
<b>LTI Opportunity %</b>	25.0%	<b>50.0%</b>	75.0%
<b>LTI Opportunity \$</b>	\$73,750	<b>\$147,500</b>	\$221,250
<b>Total Direct Comp Opportunity</b>	\$442,500	<b>\$590,000</b>	\$737,500

## Observations

- Retention of key executive was a high priority to the family
- Performance metrics should be a combination of key financial measures and individual executive performance
- Granting actual equity was not appropriate for the long-term plan so long-term deferred compensation program with annual grants was used
- Golden handcuffs were designed into the long-term plan so that part of the compensation was vested and part unvested
- Deferred compensation plans often are implemented in conjunction with a long-term incentive plan

# Best Practices Checklist

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- ❑ Fully understand all costs of the compensation and benefit programs in place, and under a variety of circumstances
- ❑ Prepare financial models of scenarios to evaluate both upper and lower limits of the compensation structure
- ❑ Understand how compensation is aligned with the interests of the family and their goals and strategies
- ❑ Evaluate whether the compensation program reflects pay for performance and meets the return on investment threshold
- ❑ Establish meaningful targets for performance-based compensation and ensure adherence to the goals
- ❑ Consider whether compensation plans support both short and mid-term objectives and the long-term strategic plan



- ❑ Evaluate whether consideration has been given to a variety of performance-based financial and non-financial metrics, and whether those metrics are balanced appropriately in the design of incentive plans
- ❑ Consider whether the compensation programs allow the family office to attract, retain, and motivate the best and highest quality senior executives
- ❑ Seek out the expertise of compensation consultants, legal counsel and other advisors who are independent from senior management



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## Breakout 3-B - Hedging Private Investor Portfolios During Major Currency Swings

### Speaker:



**Mark Astley**  
**CEO, Millennium Global**

Mark is responsible for the implementation and execution of business strategy and overall management of the firm on a day-to-day basis. He also chairs the Executive Management Committee of Millennium Global Investments Ltd.

Mark joined the firm in 2002 and was appointed to the Board of Directors in 2008. Mark is focused on continuing to develop Millennium Global's objective of delivering the full spectrum of currency investment solutions to global institutional investors through a bespoke operational platform and premier governance infrastructure.

Mark began his career at Schroder Investment Management undertaking research and then managing portfolios in equity, fixed income and foreign exchange markets in Schrodgers' London, Hong Kong and New York businesses. Latterly, Mark was responsible for macro strategy in Schrodgers' USD 3 billion multi-currency fixed income business, focusing on duration management, country allocation and currency overlay. Mark was awarded a sponsorship to and graduated from Loughborough University with a BSc in Banking and Finance.

Mark is an Associate of the CFA Society of the UK and is registered with the Financial Conduct Authority in the UK and the US Commodity Futures Trading Commission.

# Hedging Private Investor Portfolios During Major Currency Swings

Mark Astley, CEO, Millennium Global

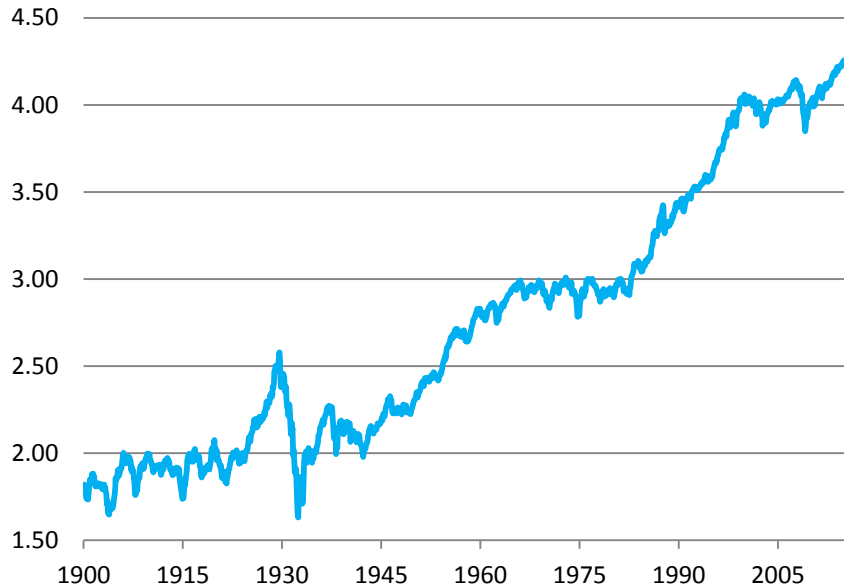
September 10, 2015

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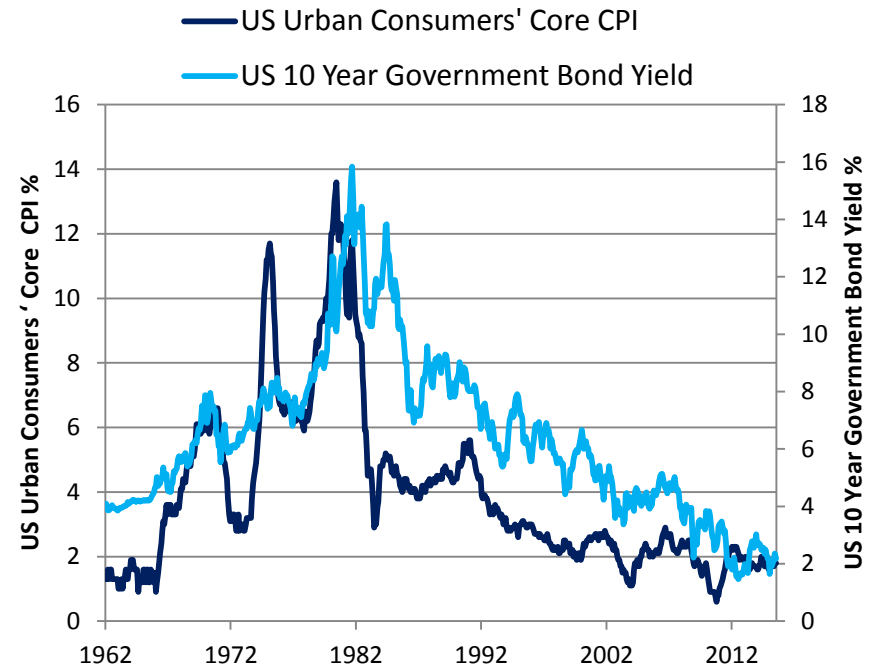
## EQUITIES RELATE TO LONG-TERM ECONOMIC GROWTH

Dow Jones Industrial Average  
(1900 to 2015) Log Scale



Source: Bloomberg, Jan 1900 to July 2015.

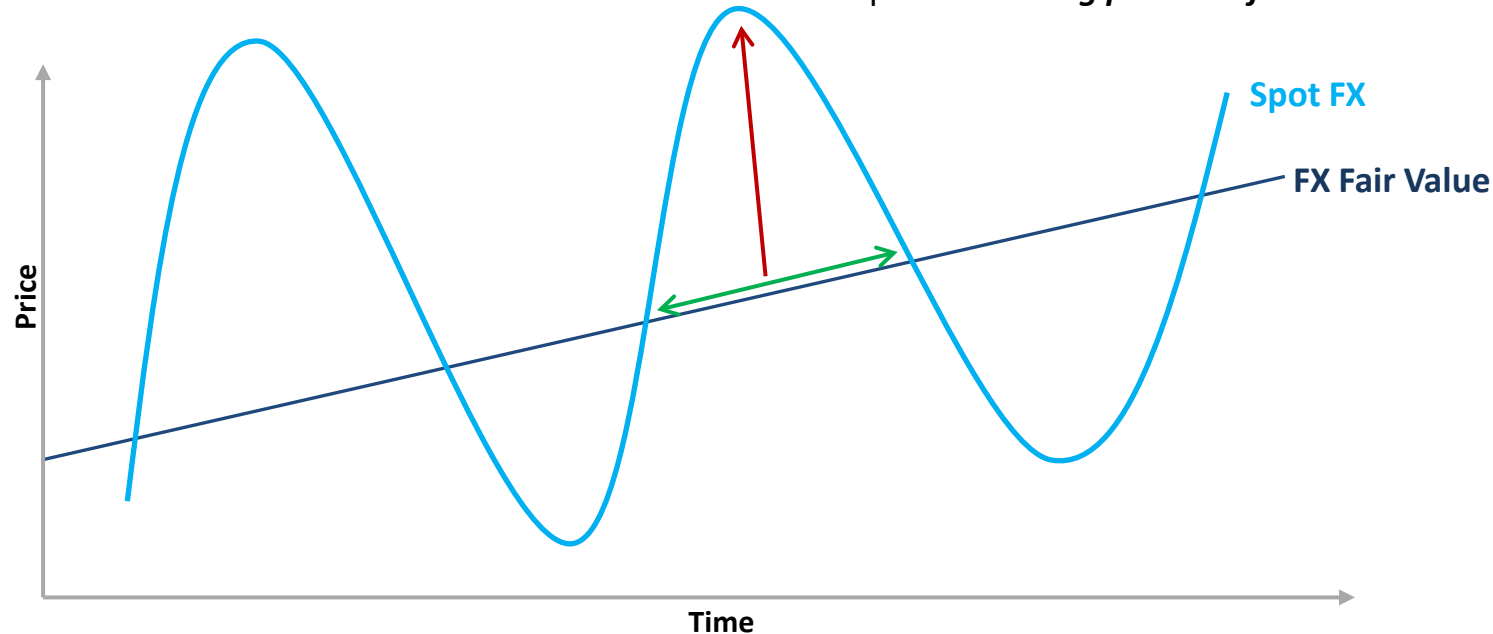
## BONDS RELATE TO THE LONG-TERM INFLATION CYCLE



Source: Bloomberg, Jan 1962 to July 2015.

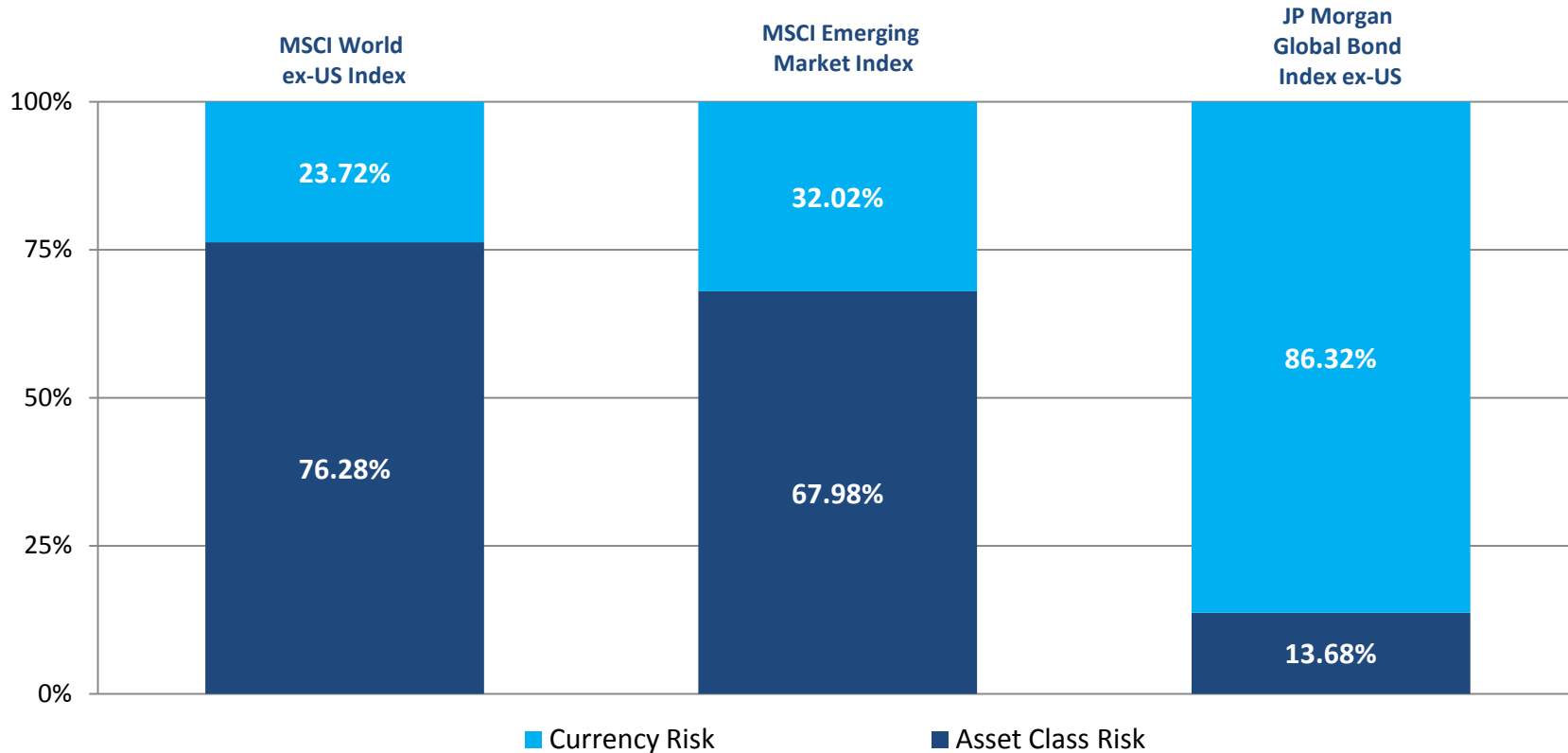
# The Characteristics of Currency Markets

- The Fair Value of a currency moves gradually over time
- Currency markets exhibit long term cyclical behaviour around Fair Value
- Currencies deviate from Fair Value due to the impact of global economic and financial variables
- Deviations from Fair Value can be **substantial** and can persist for **long periods of time**



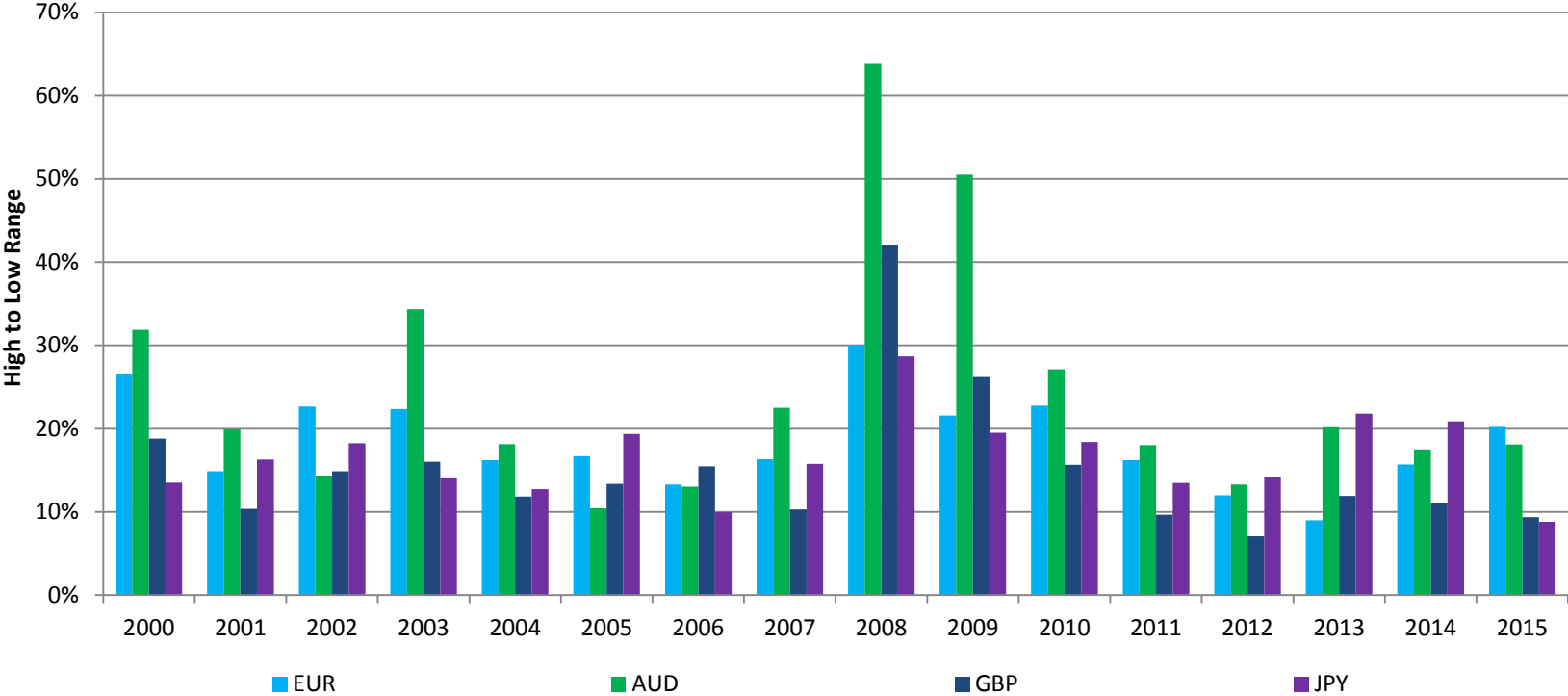
All representations are for illustrative and information purposes only. The information provided above may be reviewed, varied or amended at any time without notice or issuance of an update or follow-up document.

# Currency Risk In International Asset Portfolios is Significant



Source: Millennium Global and Bloomberg, January 1990 to June 2015. MSCI Emerging Market Index data is from December 1998 to June 2015  
Asset class risk is calculated as the variance of the monthly hedged returns of the indices.  
Currency Risk is the variance of monthly currency returns in the indices.  
Currency returns were calculated as the difference between the returns of the hedged indices the returns of the unhedged indices.

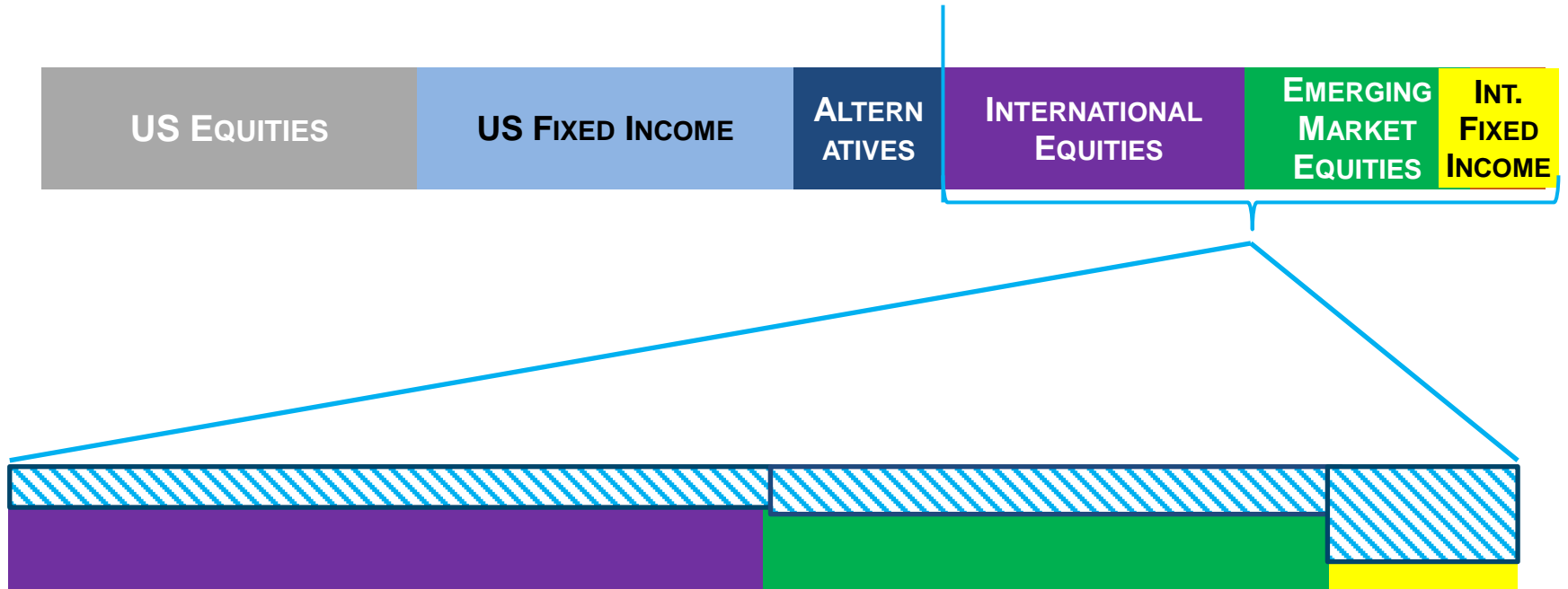
# Annual High / Low Ranges for USD Exchange Rates



Source: Bloomberg Jan 2000 to July 2015.



# Specimen Portfolio Allocation



■ International Equities   ■ Emerging Market Equities   ■ International Fixed Income   ▨ Foreign Exchange Risk

- ***International Asset Exposure has Substantial FX Risk***

All representations are for illustrative and information purposes only. The information provided above may be reviewed, varied or amended at any time without notice or issuance of an update or follow-up document.

## What Can You Do About Currency Risk?

- **Do Nothing**
- **Hedge it Away**
- **Actively Manage Currency Exposure**

- **Do Nothing:**

*“It is a zero-sum game”*

*“It will come out in the wash”*

*“If you like the asset, you must like the currency”*

**THIS IS THE POSITION OF HIGHEST RISK**

- **Hedge Currency Risk Away:**

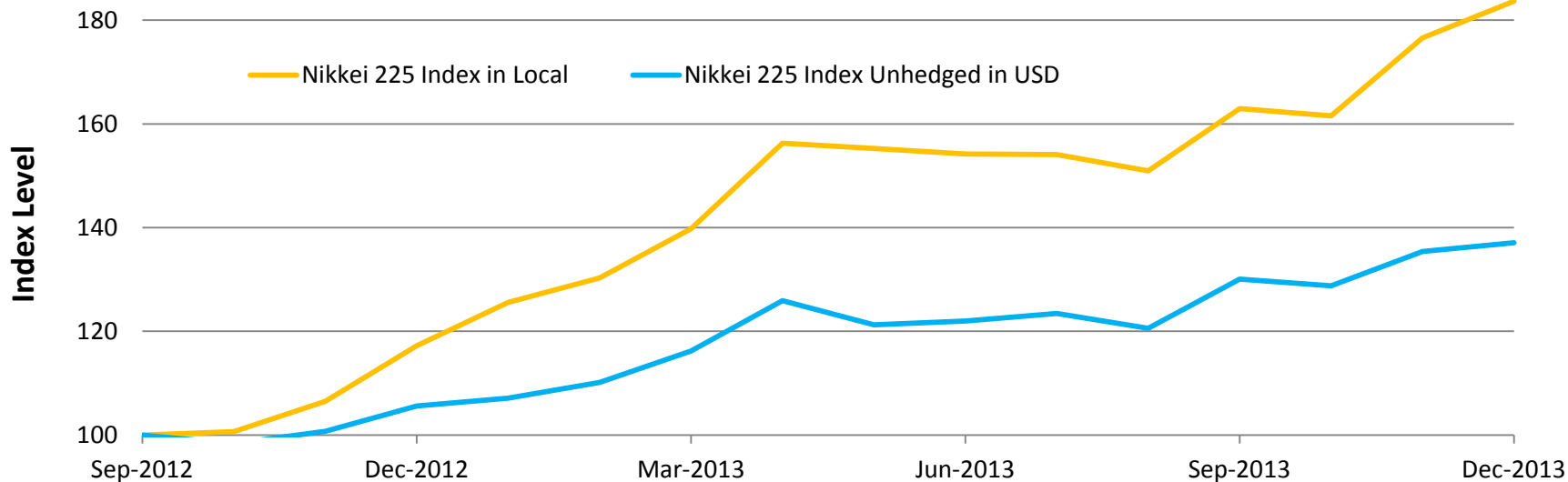
*“I don’t want the risk so hedge all currency exposure”*

*“Hedging will mean I don’t have to deal with currency issues”*

**THIS IS THE POSITION OF HIGHEST CASH FLOW IMPACT**

# What Can Happen if you Do Nothing?

## Investment in Japanese Equities – Unhedged Currency Risk

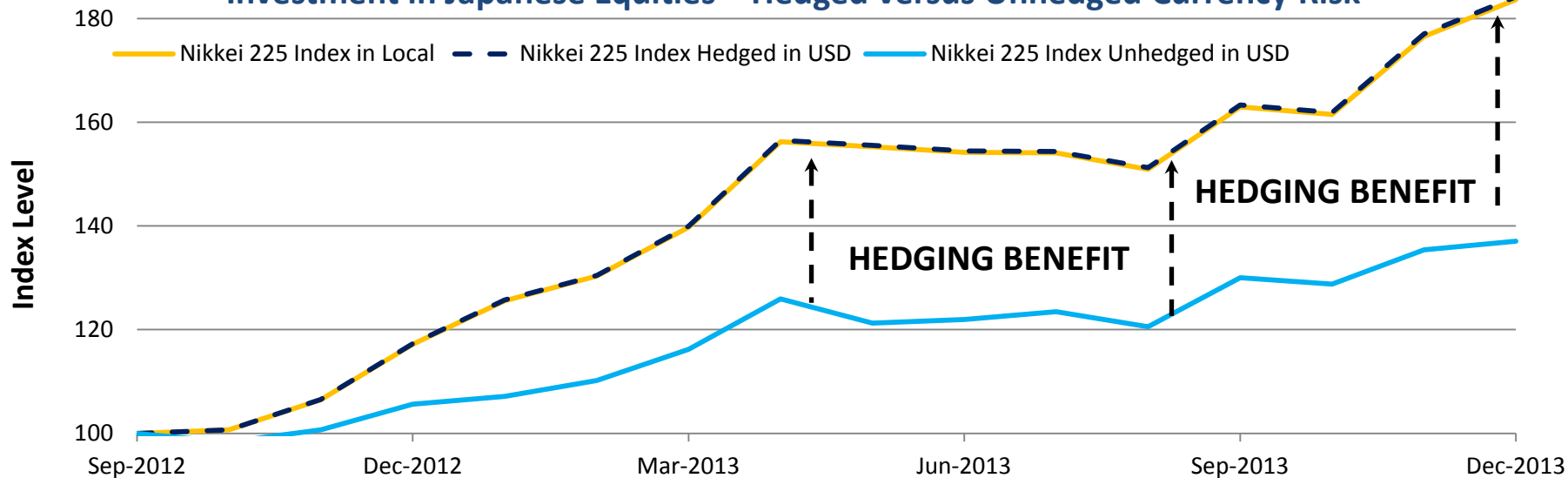


	Nikkei 225 Index in Local (Rebased to 100)	Nikkei 225 Index Unhedged in USD (Rebased to 100)
<b>30 September 2012</b>	100.00	100.00
<b>31 December 2013</b>	183.66	137.07
<b>Return</b>	83.66%	37.07%

Source: Millennium Global and Bloomberg, 31 December 2013. Any statistics with respect to indices are used for illustrative purposes only.

# Sometimes, Hedging Makes Sense...

## Investment in Japanese Equities – Hedged versus Unhedged Currency Risk

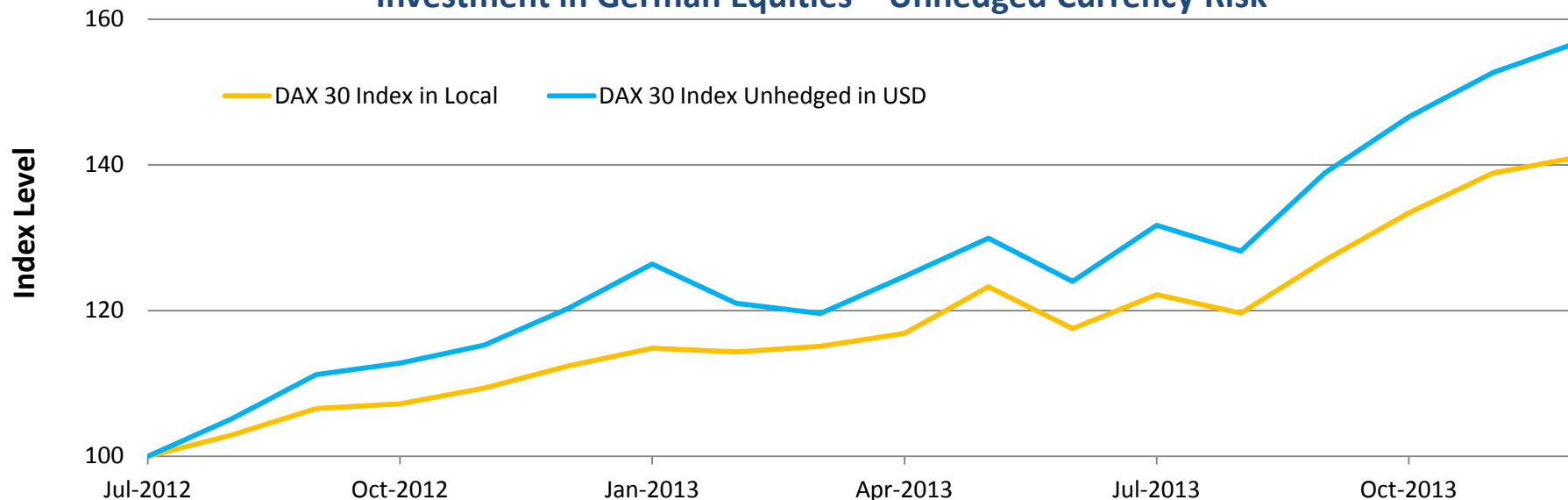


	Nikkei 225 Index in Local (Rebased to 100)	Nikkei 225 Index Hedged in USD (Rebased to 100)	Nikkei 225 Index Unhedged in USD (Rebased to 100)
<b>30 June 2012</b>	100.00	100.00	100.00
<b>31 December 2013</b>	183.66	184.18	137.07
<b>Return</b>	83.66%	84.18%	37.07%

Source: Millennium Global and Bloomberg, 31 December 2013. Any statistics with respect to indices are used for illustrative purposes only.

# What Can Happen if you Fully Hedge Currency Exposure in your Portfolio?

## Investment in German Equities – Unhedged Currency Risk

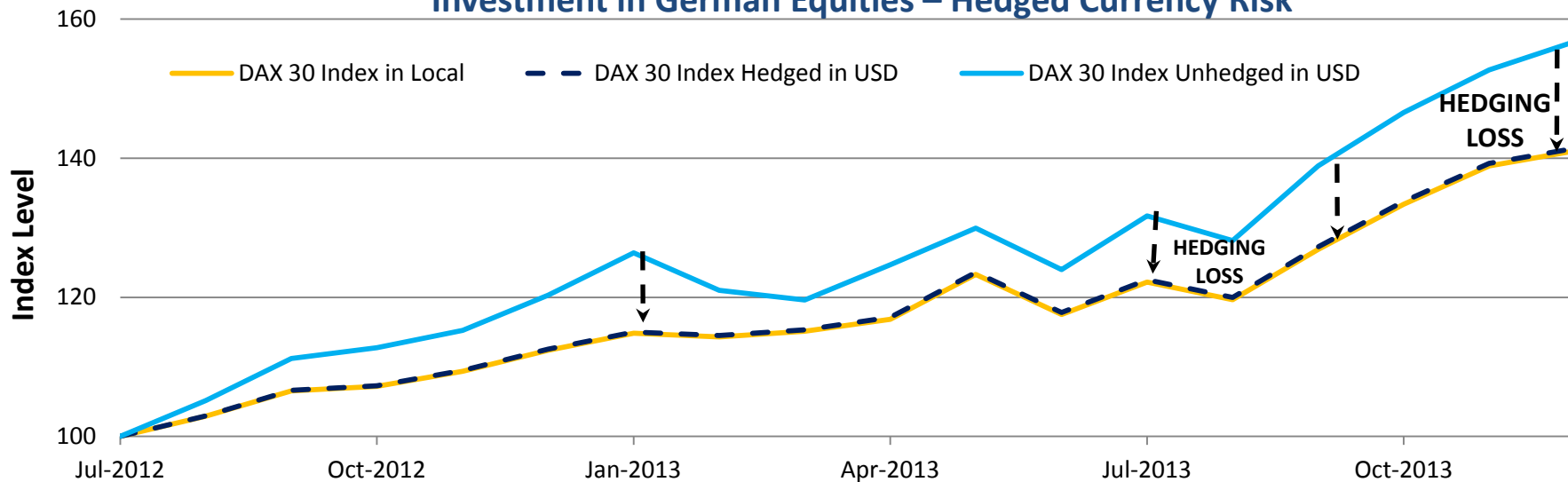


	DAX 30 Index in Local (Rebased to 100)	DAX 30 Index Unhedged in USD (Rebased to 100)
<b>31 July 2012</b>	100.00	100.00
<b>31 December 2013</b>	141.05	156.78
<b>Return</b>	41.05%	56.78%

Source: Millennium Global and Bloomberg, 31 December 2013. Any statistics with respect to indices are used for illustrative purposes only.

# Sometimes, Unhedging is Better...

## Investment in German Equities – Hedged Currency Risk



	DAX 30 Index in Local (Rebased to 100)	DAX 30 Index Hedged in USD (Rebased to 100)	DAX 30 Index Unhedged in USD (Rebased to 100)
<b>31 July 2012</b>	100.00	100.00	100.00
<b>31 December 2013</b>	141.05	141.44	156.78
<b>Return</b>	41.05%	41.44%	56.78%

Source: Millennium Global and Bloomberg, 31 December 2013. Any statistics with respect to indices are used for illustrative purposes only.



# Employing an Active Currency Overlay



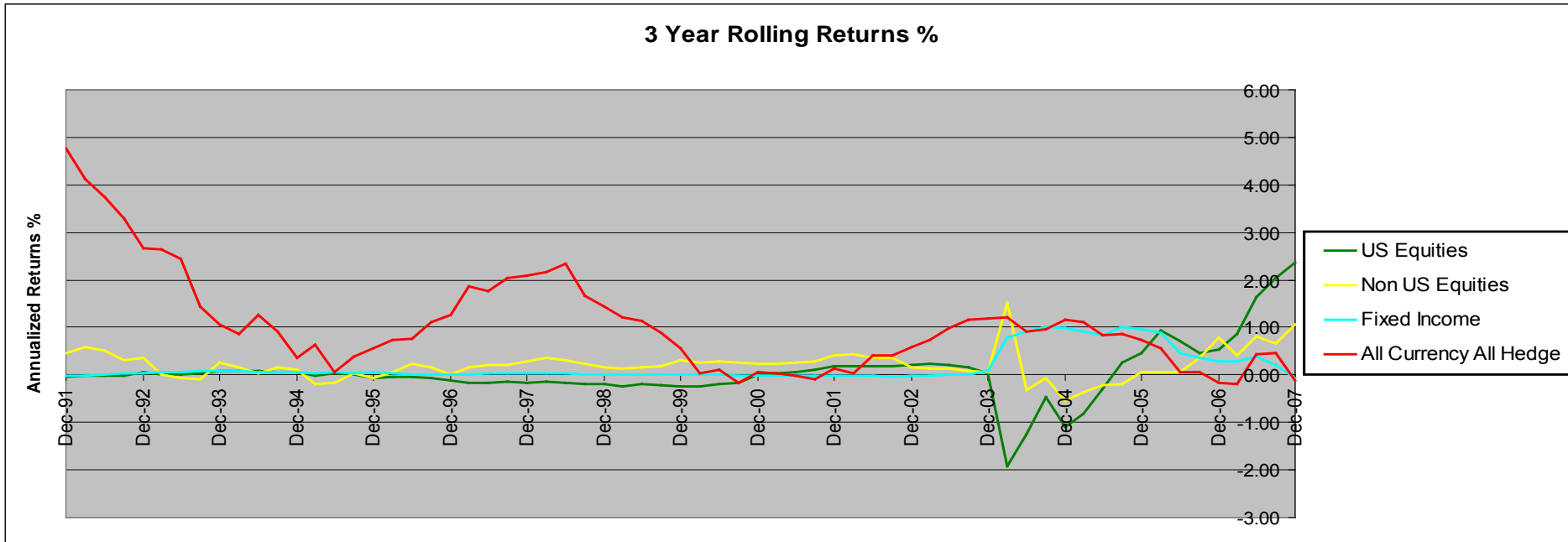
All representations are for illustrative and information purposes only.



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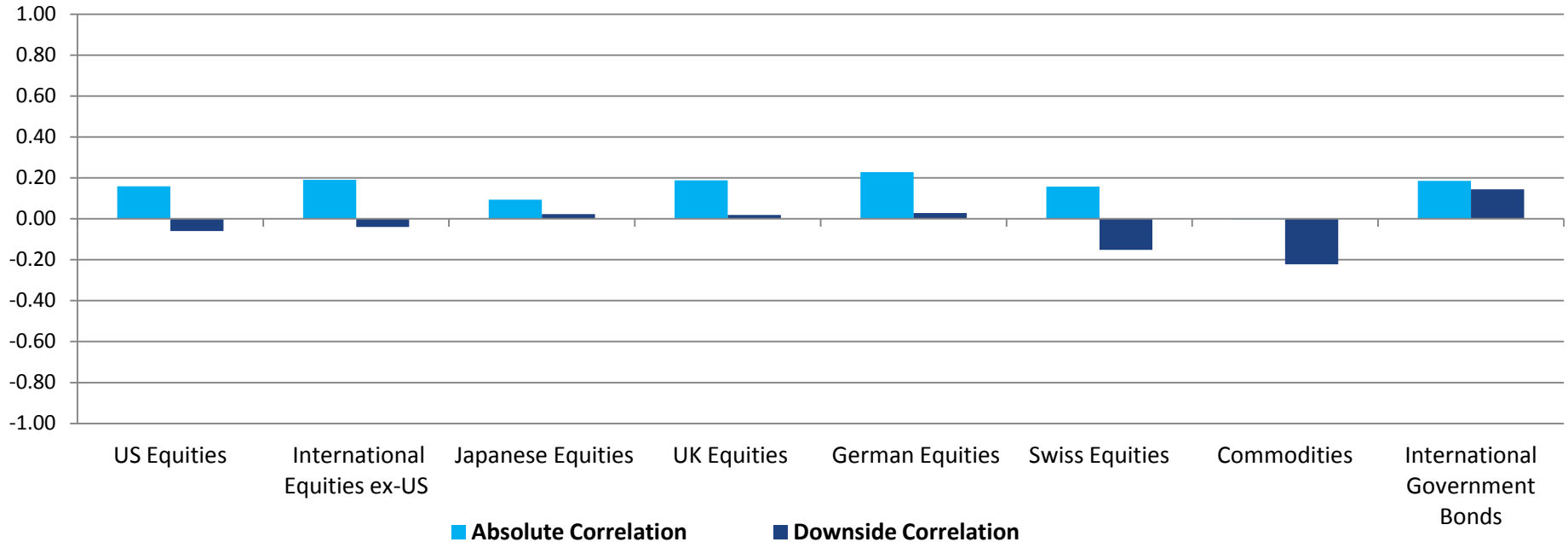
# Can you Make Attractive Returns from Investing in Currency Markets?

## 3 Year Rolling Returns of Managers of Major Asset Classes (from Russell Manager Universe)



The chart plots US Equities using the Russell Equity Only Active Manager Universe vs. The Russell 1000 index; Non US Equities using the Russell Non US Equity Active Manager Universe vs. The MSCI EAFE index; and US Fixed Income using the Russell US Active Core Fixed Income Active Manager Universe vs Lehman Brothers US Aggregate Bond index. The currency manager overlay universe includes actively managed external accounts which are dominated on USD based accounts.

# Currency Managers: Correlation with other Asset Classes

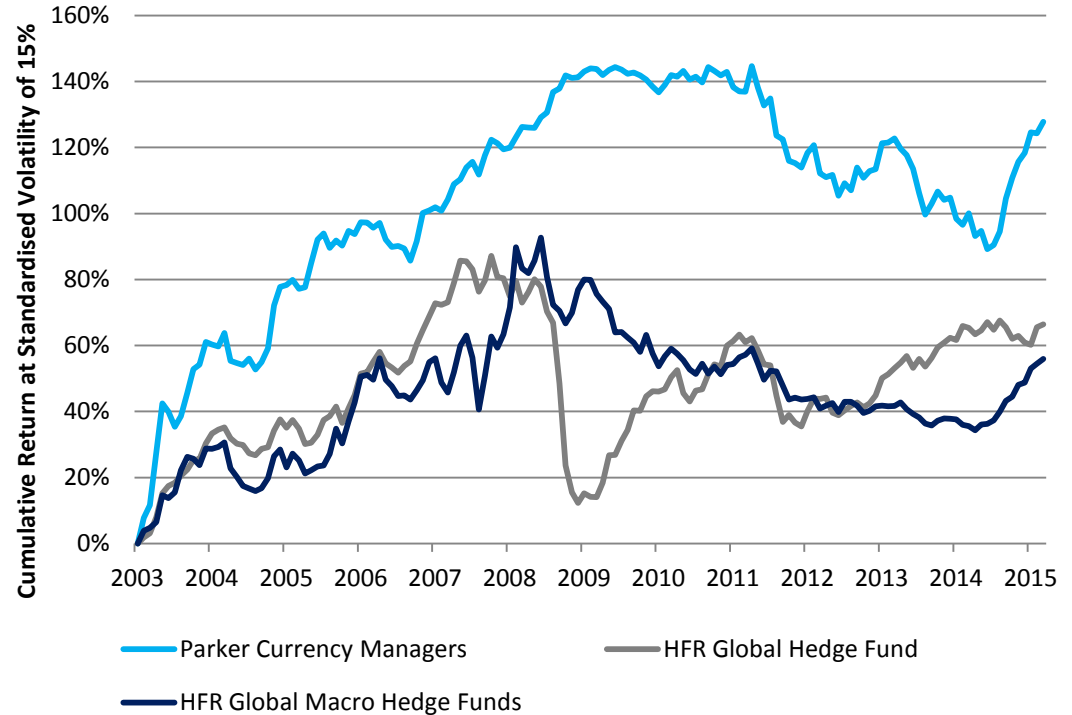


Source: Millennium Global & Bloomberg for July 1996 – June 2015.

Returns for: **Currency Managers represent the returns of the Parker Global Currency Manager Index**, US equities represent the returns of the S&P 500, International Equities ex-US represent the returns of the MSCI World ex-US Index, Japanese equities represent the returns of the Nikkei Index, UK equities represent the returns of the FTSE 100 Index, German equities represent the returns of the DAX Index, Swiss equities represent the returns of the SMI Index, Commodities represent the returns of the Goldman Sachs Commodities Prices Index and International Government Bonds represent the returns of the JPMorgan Global Aggregate Government Bond Index. The above statistics with respect to the various indices are used for comparative purposes only.

# Currency Managers as a Source of Alpha

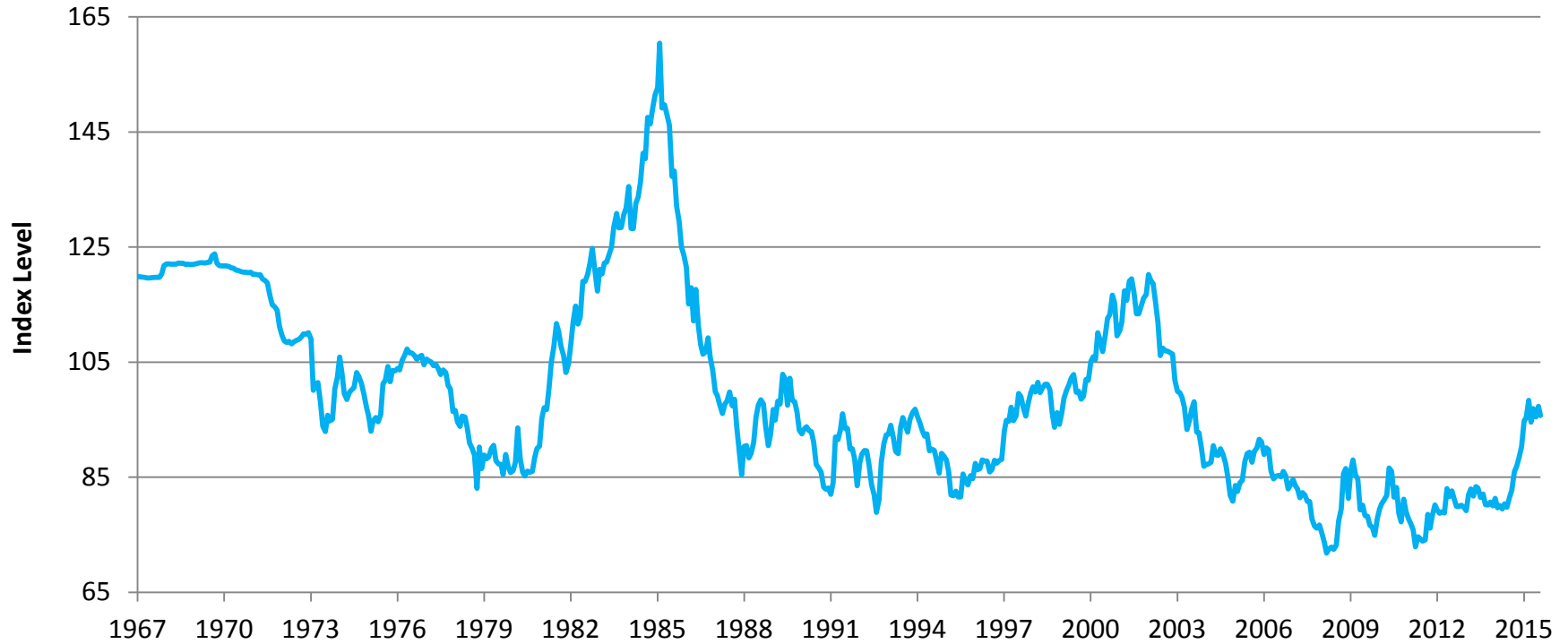
	Parker Currency Managers	HFR Global Hedge Funds	HFR Global Macro Hedge Funds
<b>Annualised Return</b>	10.50%	5.46%	4.60%
<b>Annualised Volatility</b>	15.00%	15.00%	15.00%
<b>Information Ratio</b>	0.70	0.36	0.31



Source: Millennium Global & Bloomberg for January 2003 – March 2015.

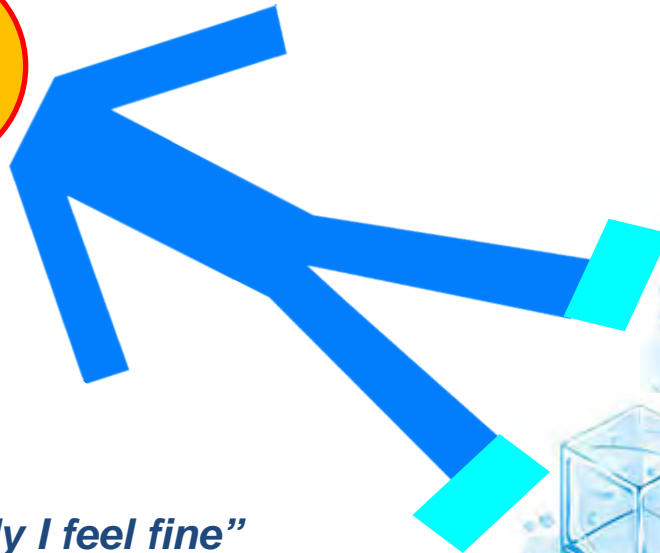
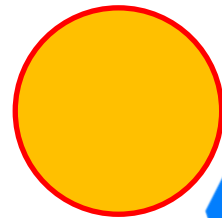
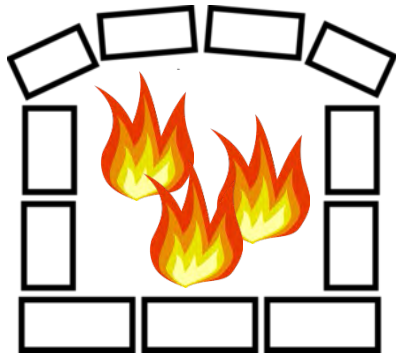
The above statistics with respect to the various indices are used for comparative purposes only. The indices are not to be understood to mean that there is a correlation between the Product's returns and any such indices. It should not be assumed that the Product will invest in any specific investments that comprise the indices. Returns have been adjusted to a standardised 15% ex-post volatility. Returns for: Currency Managers represent the returns of the Parker Global Currency Manager Index, Global Hedge Funds represent the returns of the HFR Global Hedge Fund Index and Macro Hedge Funds represent the returns of the HFR Macro Hedge Fund Index. Cumulative returns are additive, not compounded.

# Long Term Performance of the US Dollar Index (DXY)



Source: Millennium Global and Bloomberg, 31 July 2015. Any statistics with respect to indices are used for illustrative purposes only.

# Statistically Averages can be Misleading...



*“Statistically I feel fine”*

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## Breakout 4-B - Taking a 25 Year Time Horizon (Perpetual Capital) in Private Equity

### Speakers:



**Praveen R. Jeyarajah**  
**President, Astor Place Holdings**

Mr. Jeyarajah joined Select Equity in July 2015 to lead Astor Place Holdings, the firm's long-term private investing effort. Prior to joining Select Equity, Mr. Jeyarajah was an Executive Vice President, Corporate Development at Rexnord Corporation. Prior to Rexnord Corporation, Mr. Jeyarajah was a Managing Director at Cypress Group, LLC. Mr. Jeyarajah was also a Managing Director in The Carlyle Group's U.S. leveraged buyout fund. Mr. Jeyarajah has a B.A. from Rutgers College and an M.B.A. from The Wharton School of Business.



**George S. Loening, Chairman**  
**CFO of Select Equity Group**

Mr. Loening founded Select Equity in January 1990. He has been responsible for the portfolio management of the Small-Mid Cap strategy (the Firm's US long-only strategy) since its inception in January 1991, of SEG Partners (the Firm's US long/short strategy) since its inception in April 1998, of the SEG Blackwall Fund (the Firm's US core long-only strategy) since its inception in January 2008 and the co-portfolio management of the Vandam Street Fund (the Firm's global long-only strategy) since its inception in November 2013. Mr. Loening is a member of the Firm's Management Committee. Mr. Loening received a B.A. from Columbia University.

## Contrarian, Value Oriented Private Equity Investments

Wilbur Ross and Stephen Toy will discuss the current investment climate and strategies for uncovering contrarian, value-oriented investments. This moderated “fireside chat” will focus on global macro themes as well as specific opportunistic investment trends. Session includes Q&A with the audience.

### Speakers:



**Wilbur L. Ross Jr.**  
**Chairman, and Chief Strategy Officer of WL Ross & Co. LLC**

Wilbur L. Ross, Jr. is Chairman of WL Ross & Co. LLC which he founded in 2000 to buy private equity funds which he had begun at Rothschild Inc. He previously had been Executive Managing Director of Rothschild for 24 years. Invesco acquired WL Ross & Co. LLC in 2006.

Mr. Ross has assisted in more than \$400 billion of corporate restructurings and is the only person elected to both the Private Equity Hall of Fame and the Turnaround Management Hall of Fame. Among his most notable turnaround investments are International Steel Group, International Coal Group, Bank United, Bank of Ireland, American Home Mortgage Corp, Assured Guaranty and Navigator Holdings. He is Chairman of WL Ross Holding Corp, a \$500 million equity Special Purpose Acquisition Corp. listed on NASDAQ, and Vice Chairman of Bank of Cyprus. He is a board member of ArcelorMittal, EXCO Resources, Sun Bancorp and other corporations. He also is a trustee of the Brookings Institution and the Chairman of its Economic Studies Council. He previously served as privatization advisor to New York City Mayor Rudy Giuliani and was appointed by President Bill Clinton to the board of the U.S.-Russia Investment Fund. Mr. Ross serves on the Dean’s Advisory Council of Harvard Business School and on the board of the Yale University School of Management and its new International Center in Beijing. President Kim Dae-jung awarded him a medal for helping South Korea during its financial crisis and in November 2014, the Emperor of Japan awarded him The Order of the Rising Sun, Gold and Silver Star.

Mr. Ross holds a CFA and is a graduate of Yale University and of Harvard Business School (with distinction). He currently is listed as number 190 on the Forbes 400 list.



**Stephen J. Toy**  
**Senior Managing Director and CoHead of WL Ross & Co. LLC**

Stephen J. Toy, Senior Managing Director and Co-Head of WL Ross & Co. LLC. He is Chairman of the Investment Committee and a member of the firm's Management Committee. Mr. Toy is one of the founding members of WL Ross & Co. and has been involved in all phases of the firm's development since its formation. Over the last eighteen years, Mr. Toy has executed investments in the automotive, media, telecommunication, banking, railcar leasing and building materials sectors. Mr. Toy currently serves on the board of directors for Amalgamated Bank, Compagnie Europeenne de Wagons, International Automotive Components Group, Permian Basin Materials LLC, Plaspar Participacoes SA and WL Ross Holding Corp. From 1996 to 2000, he worked in the Mergers & Acquisitions and Corporate Restructuring Group of Rothschild Inc. and from 1994 to 1996 he worked in the Public Finance Group at O'Brien Partners Inc. Mr. Toy graduated summa cum laude with a B.S. in Business Administration in 1994 from the State University of New York at Albany.

The **FOX Direct Investing Network** is composed of 75+ family offices focused on direct investing. The families in the Network are vetted to ensure their active interest in direct investment deal flow. Members join the Network for the robust peer-to-peer discussions- sharing experiences, advice, and information on deals. They also enjoy FOX-developed programming on direct investing topics. Ultimately, FOX members join the Network to learn what other families are doing, to broaden their industry exposure, and to enhance their deal flow.



### Attributes of FOX Direct Investing Network Members

- Investors who take a long term view with a non-prescriptive timeframe
- Network members willing to share their Rolodex and expertise
- Sharing deals with like-minded private capital investors
- Experienced investors willing to review deals in a timely fashion
- Trustworthy and confidential when working with other families
- Able to fulfill a governance role when appropriate

### Benefits of Belonging to the FOX Direct Investing Network

- Meet and work with vetted peers who are active in direct private equity investing giving you the opportunity to share in the experience and deal opportunities that your peers bring to the meetings.
- Access FOX research on family direct investing trends and behaviors
- Gain instant feedback on questions and requests via the online community of fellow FOX Direct Investing Network members
- The FOX Direct Investing Network is moderated by Karen Clark and Linda Shepro, Managing Directors, both investment industry veterans Participate in live Network peer-exchange sessions at FOX Global Investment Forum™, FOX Fall Forum™, and other in-person Network meetings scheduled throughout the year

For more information about this Network, please contact  
**Karen Clark** at 312.327.1282 or email [kclark@familyoffice.com](mailto:kclark@familyoffice.com) or  
**Linda Shepro** at 312.327.1221 or email [lshepro@familyoffice.com](mailto:lshepro@familyoffice.com).

The **FOX External Investment Strategy Network** is an invitation only network for wealth owners and senior family office executives who engage and oversee an external CIO or investment strategist to manage their investable assets. Member families pursue a diversified approach to managing their wealth and generally have a wealth preservation rather than wealth creation approach. Their time horizon is long term and multi-generational. Investment decision-making may be discretionary or non-discretionary. The family itself or single family office may or may not create its own consolidated investment reports. The network and the peer exchange are supported by FOX research and resources. FOX staff will facilitate the dialogue and the networks will also draw on third parties and their expertise.



### Attributes of FOX External Investment Strategy Members

- Clear investment objectives/strategy and oversight of outside strategic advice
- Minimum portfolio size of \$100 million
- Written policy statements for significant investment entities and/or relationships
- Documented investment research and asset allocation process by third party advisors
- Clear decision-making process combining internal review and external resource and meet at least semi-annual to provide direction and oversight of investments

For more information about the network, please contact Charlie Grace at 312.327.1216 or email [cgrace@familyoffice.com](mailto:cgrace@familyoffice.com).

### Benefits of Belonging to the FOX External Investment Strategy Network

- Meet and work with vetted peers who are active in overseeing third party strategic advisors giving you the opportunity to share in the experience and best practices
- Participate in live network peer-exchange sessions at FOX Global Investment Forum and other in-person network meetings scheduled throughout the year
- Access FOX research on investment trends and behaviors of multi-generation families and the industry that serves them
- Join in webinar programs throughout the year programmed specifically for the FOX External Investment Strategy network.
- Gain instant feedback on questions and requests via the online community of fellow FOX External Investment Strategy Network members
- This Network is moderated by Charlie Grace, Managing Director at FOX, an investment and wealth management industry veteran with 20 years of experience

The **FOX Strategic CIO Network** is a “by invitation only” peer group of family office CEOs and CIOs committed to building multi-asset class portfolios that are constructed to consistently outperform traditional benchmarks. This is a carefully selected group of family offices that use a best-in class approach to selecting and managing investments.



The network is supported by a member database that provides consistently calculated performance data and demographics allowing members to review asset allocation and performance data for private family portfolios. Members are able to study the underlying indicators of performance and discuss the analysis with peers in the network. The shared data and analytics have the potential to be a source of sophisticated peer benchmarking.

SCION members commit to report their asset allocation using a common lexicon of asset classifications and related after tax, net of fees performance information on a quarterly basis.

### Attributes of FOX Strategic CIO Members

The office must have a proven process for investing family capital, defined as:

- An experienced investment professional making investment decisions (in either the CEO or CIO role),
- Clear investment objectives/strategy,
- Minimum portfolio size of \$100 million,
- Written policy statements for significant investment entities and/or relationships,
- Professional, documented investment research and asset allocation process
- A functioning Investment Committee or qualified professionals that meet at least quarterly to provide direction and oversight
- A willingness to collaborate with other CIOs in the network

Opportunities to meet with peers in person and by phone are fostered to gain unique insights on economic and demographic trends, investment philosophy, strategy shifts, and tactical allocations.

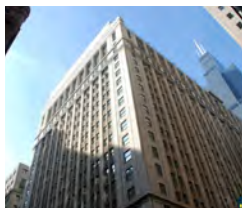
### Additional Benefits of Belonging to the FOX Strategic CIO Network

- Engagement with family office investment peers who are active in multi-asset portfolio investing, share and gain insights about how your peers are addressing key investing issues and participate in discussions about the unique role and challenges of investing for a family office.
- Participation in live Network peer-exchange sessions at the FOX Global Investment Forum™, and other in-person Network meetings scheduled throughout the year.
- Access to FOX curated research on investing trends and behaviors via a secure page on the FOX website.
- Joining in webinar programming throughout the year programmed specifically for family office investment professionals.
- Participation in a private on line community only for SCION members.
- The FOX SCION Network is moderated by David Toth, Director of Advisor Research, an investment industry veteran with over 25 years of experience.

For further information on the FOX SCION Network, contact **David Toth** at 312.327.1275 or email [dtoth@familyoffice.com](mailto:dtoth@familyoffice.com).

## FOX Fall Forum™

October 21-23, 2015, JW Marriott, Chicago, IL



Our largest conference, the FOX Fall Forum™ is open to all FOX members and by invitation to select prospects who are not yet members. Held annually in Chicago, the FOX Fall Forum provides an opportunity for wealth owners, family office professionals and wealth advisors to hear from the industry leaders on current trends and meet in peer groups to discuss practical solutions. The Forum covers a wide range of topics, including:

- Governance
- Investment
- A Seminar Day for families and family office executives only

## FOX Trustees and Beneficiaries Workshop

November 17-18, 2015

Convence Conference Center, New York, NY



This day and a half workshop will provide attendees a deeper understanding of the core trustee duties and powers as well as the trustee's responsibilities for educating and mentoring the beneficiaries.

Come learn from experts in the field who will provide a balanced perspective of the legal, investing, and human behavioral aspects of being a trustee. The attendees will be comprised of your peers who are trustees or beneficiaries of family trusts.

Attendees of this workshop will learn to:

- Understand the duties and powers of a trustee
- Recognize the importance of building an effective relationship with the beneficiaries
- Differentiate between mandatory and discretionary distribution
- Manage the risks of serving as a trustee

## FOX Global Owners Forum™

December 1-2, 2015, The Biltmore, Coral Gables, FL



Our newest Forum, the FOX Global Owners Forum™ is designed exclusively for family leaders. It will provide new insights on the specific challenges of enterprise owners, providing an occasion to think about long term issues, meet peers with whom they share common experiences, learn from families who are wrestling with transitions just like yours, and to hear from experts on key issues for the enterprise family.

Highlights from the FOX Global Owners Forum include:

- "Building Blocks for a Family Enterprise," a presentation by FOX Founder and CEO Sara Hamilton
- "Generational Views on the Family Enterprise," featuring four family groups speaking about their experiences in U.S., European and Latin American countries
- An investment panel on developing a global family wealth strategy

Central to the FOX mission is the study of issues that members face in leading their families, managing their assets, and operating their family offices. These are the most recent FOX research studies by topic.

## Enterprise Family Planning

### Engaging the Client of the Future

Securing the Future: Managing Threats and Opportunities through Effective Risk Planning

Taking the Long-Term View of the Family Enterprise

The Challenges of Shared Ownership

The State of the Art in Family Wealth Management

## Family Business

Boundaries that Matter: Managing Family Assets Separately from the Family Business - SFO Solution

Managing Family Capital Generated by the Family Business

Protecting the Future: Managing Family Wealth Separately from the Family Business - MFO Solution

## Investing

### 2015 FOX Global Investment Survey

Investing Amid Uncertainty

Navigating the Wealth Management Landscape

Rethinking Investment Risk Management

Selecting the Right Trusted Advisor

## Risk

Building a Family Enterprise Plan to Deal With Future Uncertainty

Insurance Matters: The Case for Strategic Insurance Planning

Recasting the Central Role of the Family Office as Risk Manager

Securing the Future: Managing Threats and Opportunities through Effective Risk Planning

## Small Family Office Sustainability

Innovating to Survive and Thrive: Meeting the Challenge of Small Family Office Sustainability

Investing in the Future: A Look Inside the Small Family Office

**Bold title published in 2015**

*List as of 03/25/2015*

## Single Family Office Practices

### Engaging the Client of the Future

50 Best Practices for an Enduring Family Enterprise

FOX Benchmarking 2014: Family Office Benchmarking Report

FOX Benchmarking 2014: Family Office Compensation Report

FOX Benchmarking 2013: Compensation and Benefits Survey

FOX Benchmarking 2013: Investment Survey

FOX Benchmarking 2013: Technology in the Family Office

FOX Guide to the Professional Family Office

FOX Insights: New Thinking in Family Wealth

How Wealth Owners Measure Value: Evaluating the Performance of Your Wealth Advisor or Family Office

The Cost of Complexity: Understanding Family Office Costs

## Technology and Reporting

Best Practices in Reporting Toolkit

Financial Reporting in the Family Office

FOX Technology Guide

## Wealth Owner Education

FOX Guide to Family Education

Global Family Office Primer: Purposeful Management of Family Wealth

Preparing the Next Generation for the Responsibilities of Ownership

U.S. Family Office Primer: Purposeful Management of Family Wealth

## Wealth Advisor Best Practices

### Engaging the Client of the Future

### 2014 Multi-Family Office and Wealth Advisor Benchmarking

Best Practices for Leading Wealth Advisors

### *The FOX Wealth Advisor Series*

Enhancing the Client Service Experience

Standing Out in the Crowd: Strategies for Marketing and Leveraging Relationships

The Enduring Enterprise: Building a Sustainable Wealth Advisory Business

The Enterprise Sales Process: Best Practices in Business Development

Pricing for Profitability: Pricing Practices in an Evolving Ultra-Wealth Marketplace





## 2015 FOX Global Investment Forum Evaluation

Thank you for taking a few minutes to evaluate the 2015 FOX Global Investment Forum. Your feedback will help us provide better programming at future FOX events.

Are you a FOX member?

- Yes
- No

If so, what type of FOX member are you?

- Thought Leaders Council
- Family Office Member
- Multi-Family Office Council Member
- Advisor Member

What were your objectives for attending this event? (check all that apply)

- Professional Education
- Networking
- Investment Trends
- Investment Solutions
- All of the above
- Other \_\_\_\_\_

Please rate your overall experience:

- Excellent
- Very Good
- Good
- Fair
- Poor









What topics or speakers would you like to hear at future forums?

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Please provide any suggestions that you feel would improve the overall quality and appeal of this event.

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If you were to recommend this forum to another family or firm, what would you say?

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Would you like to receive CPE credit? If so, please provide your contact information below.

- Yes
- No

Please provide your contact information:

First Name \_\_\_\_\_

Last Name \_\_\_\_\_

Company \_\_\_\_\_

Email \_\_\_\_\_

Phone \_\_\_\_\_