



RETIREMENT BOARD CALENDAR SHEET
Retirement Board Meeting of August 12, 2020

To: The Retirement Board

Through: Jay Huish 
Executive Director

William J. Coaker, Jr. – CFA, MBA
Chief Investment Officer

Kurt Braitberg, CFA, CAIA
Managing Director, Public Markets

From: Han N. Pham
Director, Public Equity

Patrick Li
Investment Analyst, Public Equity

Date: August 12, 2020

Agenda Item:

Recommendation to Hire Alatus Capital to manage an European public equity portfolio for up to \$300 million.

Recommendation:

Staff and NEPC, SFERS' general consultant, recommend that Alatus Capital ("Alatus") be retained for active investment management services for European public equity. The recommendation is for an investment of up to \$300 million in Alatus Long-Only European Equity strategy (the "Strategy"). The Strategy consists of a concentrated portfolio of 15-18 high quality European businesses with strong free cash flows.

If the Retirement Board agrees with this recommendation, the following motion should be adopted:

Move that the Retirement Board of the San Francisco City and County Employees' Retirement System approve the engagement of Alatus Capital for active investment management services for up to \$300 million.

Attachments:

- Staff Memorandum
- NEPC Memorandum



SFERS
San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System

Date: August 12, 2020

To: The Retirement Board

Through: Jay Huish *JH*
Executive Director

William J. Coaker, Jr. – CFA
Chief Investment Officer

From: Kurt L. Braitberg – CFA, CAIA
Managing Director, Public Markets

Han N. Pham
Director, Public Equity

Patrick Li – CFA
Investment Analyst, Public Equity

Subject: Recommendation to Hire Alatus Capital

Description of Investment

Investment Staff (“Staff”) is recommending engaging Alatus Capital (“Alatus” or the “Firm”) for active management services for a separately managed account of up to \$300 million in Alatus’ European public equity strategy. If SFERS does not invest the full \$300 million by August 2021, Staff will make another recommendation to the Board to invest the remaining amount.

Alatus launched its long-only Inflection Fund on September 1, 2012 and had \$1.3 billion in assets as of June 30, 2020. The Fund is a concentrated portfolio with approximately 15 equity long positions with each weighing 4%-8%. There are no short positions. The Fund does not use leverage.

Alatus had total assets under management of \$1.8 billion as of June 30, 2020. Assets include its Long-Short and the Long-Only strategies.

Investment Rationale

SFERS seeks to invest with exceptional managers who have unique, significant, and sustainable competitive advantages, and a high alignment of interest with their investors. Staff believes Alatus possesses all these characteristics.

Richard Vogel and Antoine Firmenich founded Alatus in January 2007 with the focus on long-term capital preservation and appreciation through investments in European publicly traded equities. The Firm has a differentiated investment approach based on a proprietary free-cash-flow framework to invest in high quality leading global companies based in Europe. They opportunistically invest in European equities that are often mispriced and avoid sectors where free-cash-flow generation is difficult to predict such as biotech, banks, insurance companies, energy and metals & mining companies. Alatus has a long-term investment horizon and consistently applies its free-cash-flow approach to each position. The Fund's concentrated portfolio allows the investment team to thoroughly diligence each investment to build conviction so that each position can have a meaningful impact on performance.

The Long-Only Fund has strong historical annualized net performance of 10.0% (versus 2.8% for MSCI Europe USD) since inception. In addition to strong historical performance, Alatus' performance profile and exposures are differentiated versus its benchmark and SFERS Public Equity portfolio. Staff expects an investment in Alatus will be additive to SFERS' return profile and risk exposures. Please refer to the performance section beginning on page 12 for returns analysis and to Appendices B1 through C1 for additional performance analysis and an exposure comparison.

Alatus also has a strong alignment of interest with investors as the entire Firm is dedicated solely to fundamental European equity research. Internal capital represents approximately 9% (~\$160 million) of the Firm's AUM as of June 30, 2020. The fee structure also includes both a management fee and performance fees relative to a benchmark (see Fee section on page 11 for details), which incentivizes Alatus to focus on outperformance and not gathering assets.

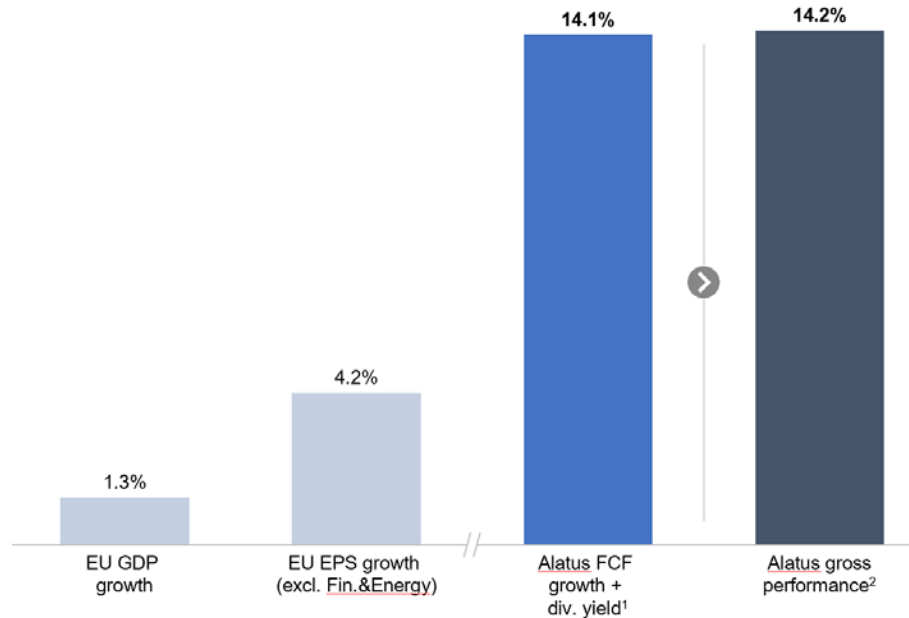
Role in SFERS Portfolio

An investment in Alatus is part of the ongoing evolution of the Public Equity portfolio from diversified, style-constrained managers to concentrated, high-active share, unconstrained specialist fundamental equity strategies.

The SFERS public equity portfolio has been underweight Europe for the last several years (15.2% vs. 18.6% for MSCI ACWI IMI as of 3/31/2020), which has been a positive as European equities have broadly lagged over the last 10 years (MSCI Europe +6.3% annualized vs. S&P 500 +14.0% and MSCI ACWI 9.7%).

Staff believes Alatus' differentiated focus on free-cash-flow based research on leading global European based businesses in niche industries will provide alpha and be additive to the portfolio. European equities broadly have lagged and European economic growth has been weak with EU GDP of 1.3% annualized from 2012 to 2019, but Alatus' portfolio companies have grown FCF and dividends of 14.1% over the same time period, which is roughly in-line with Alatus' gross performance. Alatus' portfolio of 15-18 global leaders is not dependent on European growth. As of June 30, 2020, they generated 37% of revenue from Europe, 33% from North America, 20% from Asia Pacific, and the remaining from rest of world.

Exhibit 1: Alatus' Performance versus EU Growth 2012-2019



¹ FCF growth FY11-12E of top 10 positions. Dividend yield = FY20E dividend / share price on July 7, 2020.

² Performance provided is the composite of accounts managed by Alatus long-only strategy, gross of management and performance fees (EUR) as of June 30, 2020.

Source: Company reports, World Bank, Capital IQ, Alatus estimates

Alatus' strategy is differentiated as evidenced by its high active share¹ of 92.7% relative to the SFERS Public Equity portfolio and 92.5% relative to MSCI Europe. Alatus' top positions in DSM (global nutrition and materials company), Wolters Kluwer (information tool provider for health, tax, and accounting), Lonza (Swiss biotech manufacturer), and SAP (German enterprise resource planning "ERP" software) would be additive to the SFERS Public Equity portfolio.

Business/Organization

Alatus Capital Ltd is an investment manager based in Geneva, Switzerland and was founded by Richard Vogel and Antoine Firmenich in 2007. They have worked together and managed segregated accounts since 2003. In 2007, the founders pooled their segregated accounts to launch their flagship long/short fund, the Aquilus Inflection Fund, which they opened to external investors.

In 2012, the Firm started managing the long book of the flagship hedge fund, fully invested, as a separately managed account on behalf of a European foundation. In 2014 a long-only UCITS fund was launched, and in 2016 the Firm created a second long-only managed account, mirroring the

¹ Active share is a measure of the percentage difference between two portfolios or indices.

first one, for a large university endowment in the United States. In 2017, at the request of a US foundation, the Firm launched a Cayman commingled long-only fund, which mirrors the existing managed accounts. As of June 30, 2019, approximately 75% of total assets under management are in the long-only strategy.

Alatus is a European value-based investment manager with a long-term, FCF-based investment approach. Alatus Inflection Long Only Fund is a highly concentrated portfolio of European public equities. The Fund seeks to invest in quality businesses that exhibit capital compounding and capital preservation. The Fund has compounded 10.0% net annually since inception in 2012 versus 2.8% for MSCI Europe USD. Total Firm AUM was \$1.8 billion as of June 30, 2020.

Investment Team

Alatus Capital employs 12 people, which includes five investment professionals comprised of two partners and three senior analysts. Richard Vogel and Patrick McNeill are the two partners on the investment team. Mr. McNeill is a Partner and Investment Director who joined Alatus in January 2008 and has managed the portfolio alongside Mr. Vogel since that time. Mr. Vogel and Mr. McNeill co-lead the investment process and the resulting portfolios. The three senior investment analysts are generalists who conduct fundamental research, financial analysis, and strategic analysis. Over the last 12 years, the Firm has experienced no turnover on the investment team.

Alatus' key professionals are:

- Richard Vogel is the Founding Partner, Managing Director and CIO of Alatus Capital Ltd. He has been managing European equity portfolios and selecting stocks since 1993. Over the last 26 years, he has developed deep knowledge of the management teams and business drivers in continental Europe. He joined the Vontobel Group in 1993 and was appointed Vice-President of the Group's institutional asset management division. He was promoted to head the European equity research and portfolio management team and was lead the European equity strategy for the entire Vontobel Group, with \$35 billion of assets under management. During this time, he was the sole manager of institutional European and global equity portfolios with assets in excess of \$400 million. Consistently outperforming corresponding benchmarks, Mr. Vogel was appointed to the Vontobel investment policy committee. Following his time at Vontobel, Mr. Vogel gained valuable experience managing Eastern European equities at Eastern European Heritage Fund and Teopa Capital. He previously worked for the Boston Consulting Group, advising clients on restructuring and business strategy. Mr. Vogel earned an MBA from Harvard Business School and a B.A. (lic. Oec.) from the University of St. Gallen.
- Patrick McNeill is a Partner and Investment Director. He co-manages the investment team with Mr. Vogel. He has 18 years of experience in private equity, mergers and acquisitions, corporate banking, and principal investing. From 2005 to 2007, Mr. McNeill worked at Terra Firma Capital Partners, a €6 billion private equity fund based in London. During this time, he led and was involved in several transactions and investments in aircraft leasing, waste management, power and utilities. He previously worked for five years in in the

Mergers and Acquisitions department at Morgan Stanley in New York and London. In this capacity, he advised on numerous transactions in general industrials, financial services and telecom. He also had management duties and assumed staffing responsibilities for the European investment bank. From 1995 to 1998, he worked in Corporate Banking for Paribas in Geneva, financing commercial shipping companies. Mr. McNeill received an MBA from Columbia Business School, where he was elected to Beta Gamma Sigma and on the Dean's list. He also earned a Master's degree in Physics from the Swiss Federal Institute of Technology with a special focus on semi-conductor lasers. Mr. McNeill is part of the adjunct faculty at University of Lausanne's HEC, where he teaches a class in valuation and financial statement analysis.

- Antoine Firminech is a Founding Partner and Director. Dr. Firmenich has stepped back from his responsibilities at Alatus over the last several years. He currently is not involved in the daily management of the portfolio but continues to be a subject matter expert for Alatus. He has extensive experience in managing industrial businesses, deep knowledge of corporate governance, and biotech expertise. From 1996 to 2006, he held several successful global executive management positions within Firmenich International, the world's second largest flavor and fragrance producer. Between 1995 and 1996, as Executive in Residence at Sierra Ventures, he developed and implemented the early-stage investment strategies for BB Biotech, then the world's largest biotech fund (\$450 million). Prior, he was a fellow at the Howard Hughes Medical Institute at Stanford University and an investigator at the Center for Cancer Research at MIT. Dr. Firmenich earned an MBA from Stanford University, a Ph.D. in Biochemistry from Stanford Medical School and a B.Sc. in Life Sciences from MIT.
- Marcus Hanreich is a Senior Analyst. He is generalist and supports Mr. Vogel and Mr. McNeill. Prior to joining Alatus in 2010, he worked at Swisscanto Asset Management. Mr. Hanreich graduated with a Master's from HEC Lausanne.
- Edouard Broutin is a Senior Analyst. He is a generalist and supports Mr. Vogel and Mr. McNeill. Mr. Broutin joined Alatus in 2012 after completing his studies at the top of his class. He graduated with a B.Sc. from HEC Lausanne.
- Francesco Di Carlo is a Senior Analyst. He is generalist and supports Mr. Vogel and Mr. McNeill. Prior to joining Alatus in 2019, he spent most of his career at the Boston Consulting Group where, in addition to advising clients on strategy and corporate development, he worked closely with private equity funds to perform due diligence on investments across industries and geographies. He earned an MBA from Columbia Business School, an M.Sc. from the London School of Economics, and a B.Sc. from Northeastern University.

Investment Philosophy

Alatus' investment philosophy is focused on value investing to identify quality European businesses that compound and preserve capital. Alatus seeks companies with double-digit FCF growth over the next three-to-five years and seeks a margin of safety on the investment.

The companies in Alatus's portfolio need to exhibit topline and bottom-line growth, a margin of safety, and free-cash flow generation.

- Topline / bottomline growth opportunity: Businesses must be in attractive and resilient markets that have visibility of demand. Secular trends should drive the steady growth in these markets, which should weather unfavorable market conditions. Alatus seeks companies that have strategic moats in their markets usually driven by advantageous cost structures or pricing power.
- Margin of safety: Businesses should be cash generative at an attractive valuation even if they were to not invest in growth. For instance, since inception, the average normalized free-cash-flow yield of the portfolio has been in excess of 7%. This means that, on average, companies could sustainably distribute a 7% yield to shareholders at minimum.
- FCF generation and inflection: Businesses must be able to grow their free-cash-flow into double-digits in the next three-to-five years. The source of this growth can be reinvestment of strong existing free-cash-flows or a company specific inflection point. Inflection points for FCF generation could be a strategic redirection, restructure, or the end of an investment cycle. Through in-depth analysis, Alatus capitalizes on companies' whose cash generation is underappreciated.

Alatus invests in European-based companies that are leading businesses and franchises that operate globally. Since corporate governance and minority shareholder rights are important to the Fund, Alatus generally invests in Western Europe. The Fund avoids companies with markets caps below EUR 1.5 billion and generally do not invest in banks, insurance, energy, metals & mining and biotech due to the binary nature of those industries where free-cash-flow is difficult to predict.

The Alatus investment team has deep experience in fundamental research, financial analysis, and strategic analysis. A couple of the investment analysts were top students at HEC Lausanne where Mr. McNeill taught the valuation and financial analysis class. Mr. McNeill draws on several years of prior experience being an adjunct professor of the financial analysis course and running Morgan Stanley's new associate program of the Investment Banking division in London. The investment team truly has a deep passion and rigorous skillset for understanding financial statements and creating complex models. With years of experience analyzing financial statements, the investment team are experts in identifying asymmetries between profit recognition and cash flow generation resulting in an investment edge.

Investment Process

Alatus has implemented a structured, bottom up and replicable investment process over the last 12 years. The Firm has defined steps and methodologies to ensure consistency, which leads to superior investment results. Mr. Vogel, as CIO, supervises all investments, and together with Mr. McNeill, Investment Director, they implement the investment process and construct the portfolio. They collaborate with the three analysts with respect to the fundamental research,

financial analysis, and business analysis. The analysts are well-integrated in all parts of the investment process. Moreover, the entire investment team is dedicated solely to one investment strategy, which is fundamental European equity.

Alatus first constructs a select investment universe and then applies a five-stage investment process to select a concentrated set of quality names.

To construct the investible universe, the investment team has strict parameters around geography, sector, liquidity, and certain quality and free-cash-flow metrics.

- Geography – The team is focused on companies listed in Western Europe. Due to new regulations such as MiFID II² and deteriorating sell-side research quality, the European markets are inefficient, and opportunities can be found.
- Sector – Alatus avoids sectors where free-cash-flow generation is uncertain due to variability in commodity prices or speculation. The team generally does not invest in biotech, banks, insurance, energy, and metals & mining.
- Liquidity – Liquidity is paramount given the concentrated nature of the final portfolio. European listed companies below EUR 1.5 billion market cap are generally excluded.
- Company metrics – The team screens for companies that exhibit strong business quality and valuation factors, which include growth, profit margins, operating leverage, and free-cash-flow yield.

After the screening criteria is applied, the universe of investable companies is filtered down from around 10,600 European listed companies to 400. From this select investment universe, the investment team applies a five-stage investment process.

1. Idea Generation – The full investment team identifies mispriced quality companies. The investment screen is constantly updated based on the proprietary screening metrics to have a target list. The team also attends industry conferences and taps into their extensive network of advisors.
2. Phase I Analysis – A high level, top down view of the potential investment thesis is created to gauge the reward and risk profile of each potential investment. The team reviews the company's historical financials, researches the market opportunity, and prepares their proprietary analytical template. The team discusses the thesis in an internal investment meeting. This phase can take at minimum one or two days and usually involves the CIO, the Investment Director, and an analyst.
3. Phase II Analysis – If the Phase I Analysis is positive, the team enters a rigorous Phase II Analysis where they conduct in-depth due diligence and robust financial analysis on the potential investment. The team builds bottom-up financial models driven by company

² MiFID II is a legislative framework instituted by the European Union (EU) to regulate financial markets in the bloc and improve protections for investors. It seeks to standardize practices across the EU and restore confidence in the industry, especially after the 2008 financial crisis.

specific inputs and compare financial reporting with cash generation. The team uncovers “tricks” in accounting and accruals and fully understands the company’s capital requirements and investment cycles in the future. The investment team conducts market research through meeting and calls with all stakeholders in the industry value chain. This phase takes three to eight weeks and usually involves the CIO, the Investment Director, and an analyst.

4. Final Investment Review – The entire investment team reviews all the work that was developed in the prior steps of the investment process. During the meeting, the investment team validates the investment thesis as it pertains to all the inputs gathered, the margin of safety as well as the risk/reward over the next three to five years. All members of the investment team participate in this final review.
5. Investment Monitoring – The team constantly monitors the performance of their portfolio companies. Alatus conducts regular on-site meetings and visits to key manufacturing sites. The team compares existing companies to other better potential opportunities. When the team assess that the market value of the investment approaches intrinsic value, the team might sell the position even if the horizon is cut short. If there are any other material changes to the investment thesis uncovered during the monitoring, the fund exits the position.

Portfolio Construction and Risk Management

Mr. Vogel and Mr. McNeill co-manage the portfolio and together they make all decisions regarding portfolio positions and sizing. Alatus adopts a “think-like-an-owner” approach and concentrates their investments in a target portfolio of 15 to 18 investments. The top five core positions often represent around 40% of total invested assets.

The Fund does not take any specific positioning with respect to region, sector or macro themes as the portfolio is constructed with the pursuit of alpha through stock selection in mind. The typical position size ranges from 4% to 8% at cost. If position sizes appreciate due to performance, Alatus will trim the position and generally keep a name under 10%. Moreover, Alatus avoids having more than two portfolio companies in the same industry to diversify the portfolio. The max industry concentration will be kept to a third of the overall portfolio. The investment team also ensures the liquidity of the portfolio. Currently, assuming a 25% participation rate of the 20-day average daily trading volume, the Firm can convert 94% of their assets to cash within 30 days.

Separate from the investment team that handles the portfolio construction and management, there is a risk management team of three operations people, which is independent from portfolio management. The risk management team is responsible for the consistent monitoring and review of adherence to the Firm’s constraints and guidelines on the operations side. This team is significantly involved in the real-time monitoring of the P&L, portfolio concentration, and exposure limits in addition to compliance checks for sales and trading. There is daily communication between the investment team and the risk management team to ensure the Fund is within its mandate.

Environmental, Social and Governance

As part of Staff's due diligence, the SFERS Public Equity and ESG teams held a call with Alatus to discuss the Firm's approach to environmental, social, and governance (ESG) considerations. Additionally, Alatus completed the SFERS ESG Due Diligence Questionnaire ("ESG DDQ") and provided a copy of its current ESG Policy & Process, answers to a supplemental set of SFERS' questions on ESG, and its January 2020 ESG Portfolio Report.

Staff believes that Alatus' ESG policy and practices are robust and well-integrated into the Firm's investment process. Fundamentally, ESG factors are a key part of Alatus' investment approach to build a portfolio of high quality companies with long-term durable business. When conducting due diligence, Alatus always evaluates the quality of management teams and corporate governance; they view management behavior and corporate governance as key components to build sustainable competitive advantages. Certain industries with relatively high ESG risk such as Oil & Gas, Utilities, Airlines, Steel, Tobacco, and Firearms are excluded from Alatus' investment universe due to their low growth and lack of cash flow visibility.

Alatus has an ESG analysis process that is formalized and structured around four stages, which is integrated in the qualitative work already being conducted:

1. Collect ESG performance fact-base. The team gathers ESG data about the company from third party ESG providers which include Sustainalytics and ISS Governance Quality.
2. Identify potential red flags. Focus on factors that are below average relative to peers.
3. Perform materiality analysis. For each red flag identified, the team assesses if any are material. If material, the ESG concern must be addressed or moved in a positive direction by management before a final investment is made.
4. Conduct final investment review and monitoring. The team generates an ESG scorecard that describes all ESG considerations during the final investment review. Alatus regularly reviews and updates the ESG information quarterly and engages with management on material red flags.

Alatus believes their ESG process has led to value creation through open discussions with company management. For example, their analysis on a European contract development and manufacturing organization (CDMO) resulted in below average scores on some environmental metrics around water and energy consumption. After speaking with the management team, Alatus discovered that the ESG issues were due to a legacy business in industrials. The company had already set ESG goals, which were achieved well ahead of schedule. The investment team also learned that the company was looking toward the future and setting new objectives for 2030. This engagement revealed an environmentally conscious management team that reinforced the company's long-term and sustainable business approach.

Alatus is in the process of considering whether to formally support ESG initiatives like the United Nations-supported Principles for Responsible Investing (PRI), Climate Action 100+, and the Investor Statement on Climate Change.

From a business standpoint, Alatus as a company is 100% carbon neutral by acquiring carbon credits for all their employees via Conservation International. Members of the team are also involved in other philanthropic engagements focused on education, health, and the environment.

Due Diligence

Staff has engaged with Alatus for over a year and is impressed by the team and its track record.

Meetings are listed below:

- On-site SFERS and Alatus at SFERS office in San Francisco (July 30, 2019)
- On-site SFERS and Alatus at Alatus office in Geneva, Switzerland (September 19, 2019)
- Virtual conference SFERS and Alatus (June 3, 2020)
- Virtual conference SFERS and Alatus (July 7, 2020)
- Virtual conference SFERS and Alatus (July 22, 2020)
- Virtual conference SFERS and Alatus (July 28, 2020)

Staff has met with the following members of the Alatus team multiple times over several meetings:

- Richard Vogel, Founding Partner and CIO
- Patrick McNeill, Partner
- Antoinne Firmenich, Founding Partner
- Jerome Haag, Chief Operating Officer and Chief Financial Officer
- Drew Zielinski, Head of Investor Relations
- Marcus Hanreich, Senior Analyst
- Edouard Broutin, Senior Analyst
- Francesco Di Carlo, Senior Analyst

Staff has also conducted several reference checks on Alatus with other established institutional investors including a leading US institution with endowment and pension assets, family office, and foundations. In addition, Staff has conducted reference checks and/or reviewed diligence material from consultants such as NEPC and Cambridge Associates.

Through these engagements, Staff believes Alatus is a strong European manager that exhibits a differentiated investment philosophy, high alignment of interests, consistency in their stated strategy, and strong historical performance.

Standard Fund Fee Structure

Alatus currently offers two fee options for its long-only European Fund (see details in the table below). Alatus is offering SFERS a separately managed account and details of the fee structure are subject to ongoing negotiations. SFERS expects to have a more favorable fee structure due to the size of its potential investment of up to \$300 million.

Exhibit 2: Standard Fee Structures for the Alatus Inflection Long-Only European Fund

	Share Class 1	Share Class 2
Lock-Up	Monthly	Two-year rolling
Annual Management Fee	1.20%	0.90%
Performance Allocation	20.0%	20%
Hurdle	STOXX Europe 600 Net*	STOXX Europe 600 Net*
High Water Mark	Perpetual	Perpetual
Liquidity	Monthly, 90 days' notice	Monthly (subject to lock-up), 120 days' notice
Minimum Investment	\$10 million	\$100 million

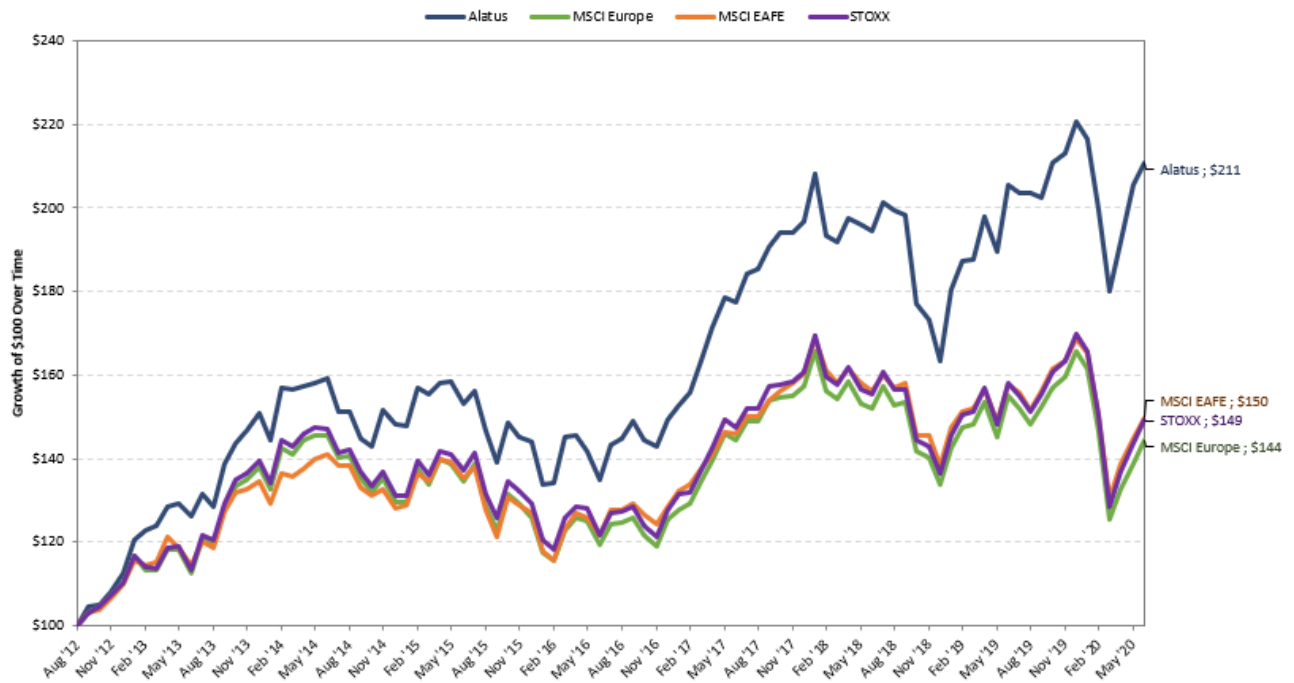
*STOXX Europe 600 Net is Alatus standard benchmark. They have other clients who use MSCI Europe as an index. MSCI Europe consists of approximately 435 companies, all of which are in STOXX Europe 600. The indices are highly correlated (99% over the last 10 years).

Performance³

Outperformance Since Inception

Since inception, Alatus has compounded returns in excess of the European public equity benchmarks. \$100 invested in Alatus at inception would be worth \$211 today, versus \$150 for MSCI EAFE, \$149 for the STOXX Euro 600, and \$144 for MSCI Europe.

Exhibit 3: Cumulative Growth of \$100 – Alatus vs. European Indices



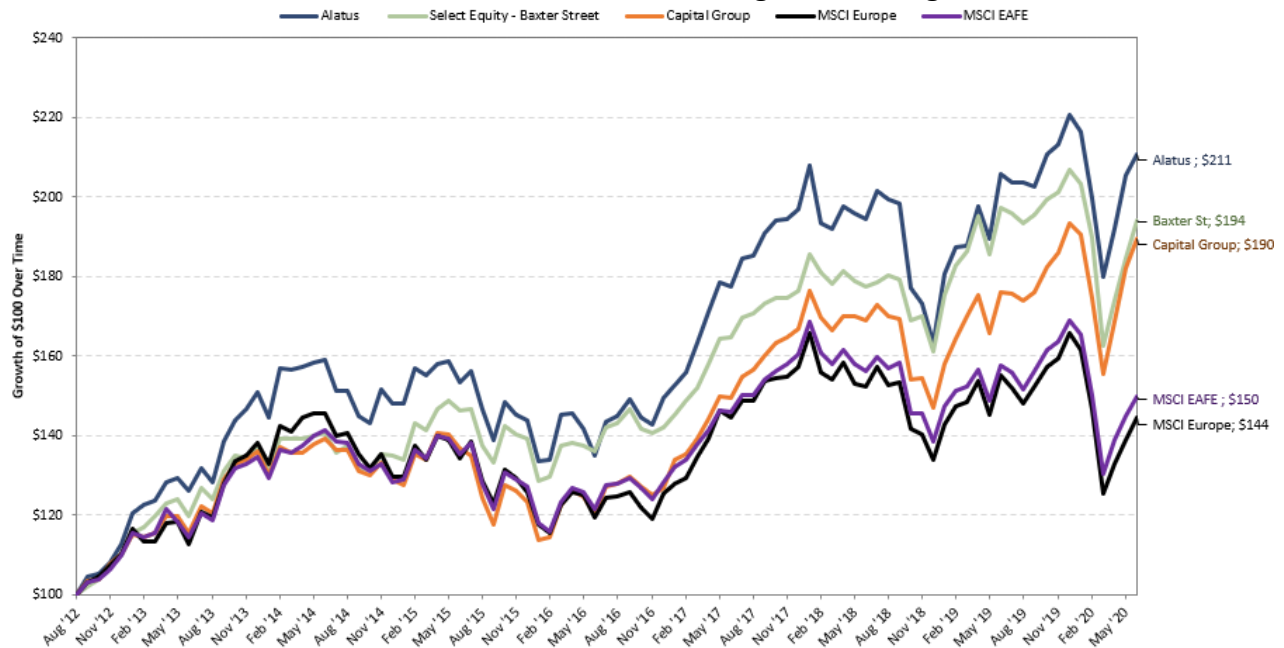
Alatus has performed exceptionally well against the MSCI Europe index. This can be seen in Alatus’s Information Ratio.⁴ Over the trailing 5-years ending June 30, 2020, Alatus’ information ratio was 0.99, one of the highest amongst its European peers, and its annualized alpha was 5%. Alatus has upside capture of 108% and down capture of 82%. Alatus’s volatility is the highest compared to current EAFE managers who have European exposure.

³ All performance displayed net of fees.

⁴ Information Ratio measures the portfolio returns beyond the returns of a benchmark, compared to the volatility of those returns.

Alatus has outperformed SFERS’ existing EAFE managers since 2012. Cumulative growth of the EAFE managers since September 2012 is detailed below.

Exhibit 3: Cumulative Growth of \$100 – Alatus vs. Existing EAFE Managers



Performance Deviations from Benchmark

The performance of Alatus’ concentrated portfolio of 15-18 stocks will materially deviate from the benchmark (Stoxx 600 Europe Net or MSCI Europe with 435 companies). Alatus’ performance is driven in the long run by the value creation of its portfolio companies and short periods of deviation from the benchmark is to be expected, when such value creation is not fully reflected share prices.

We provide some details of recent performance deviations. The last three years have seen strong swings in equity market sentiments (recession fears in Q4 2018, extreme bull market in 2019, and Covid-19 crisis in 2020). Alatus’ portfolio has remained relatively stable as the investment team does not expect to make broad portfolio changes due to short-term swings in market sentiment. Alatus focuses on investing in business-resilient cash-flow-generating global leaders, that can grow their FCF double digit over the next 3-5 years because of company-specific business drivers.

2018 Underperformance:

- The portfolio underperformance in 2018 (-17.1% vs. -14.9% for MSCI Europe) took place in 4Q during a period of sharp decline in global equity markets.
 - As of September 30, 2018, the portfolio was up +5.6% on a gross basis vs. its benchmark +0.9%.

- As of December 31, 2018, the portfolio was down -12.7% on a gross basis vs. its benchmark.
- This correction in global equities was driven by recessionary fears and was exacerbated by poor liquidity in European equity markets.
- The fundamental performance of Alatus' portfolio companies was strong overall with normalized FCF per share up 12.5% on average.
 - The market performance in 2018 did not reflect the fundamentals of the portfolio companies.

2019 Outperformance:

- The portfolio outperformance in 2019 (35.2% net vs. 23.8%) was mostly due to:
 - An average normalized FCF per share growth of +13% in 2019.
 - A catch-up from the strong 2018 underlying performance not reflected in 2018 share price performance.
 - The catch-up from the Q4 underperformance was rapid and took place in 1Q 2019
 - As of March 31, 2019, the portfolio was up +18.3% on a gross basis vs. its benchmark +13.0%

2020 YTD Outperformance:

- The portfolio has outperformed in 2020 as of June 30, 2020 (-4.5% vs. -12.8%).
- The portfolio outperformance YTD has been driven by:
 - The business resilience of the portfolio companies overall. The top five positions are expected to grow their FCF per share in 2020.
 - Alatus' ability to redeploy capital during severe market drawdowns into new long-term portfolio companies at attractive prices.

Investment Example – Lonza.

Business Description

Lonza Group AG is a Swiss multinational chemicals and drug manufacturing company based in Basel, Switzerland with a market cap of CHF 35 billion and enterprise value of CHF 39 billion. It is a market leader as a Biologics⁵ contract development and manufacturing organization (CDMO), which is a growing but fragmented market. CDMO companies offer additional manufacturing capacity or specialty services to pharmaceutical companies who otherwise do not have the expertise, operational efficiency, or scale to bring their assets to market.

⁵ A biologic is manufactured in a living system such as a microorganism, plant, or animal cell (versus small molecule drugs, which are chemically derived). Most biologics are very large, complex molecules or mixtures of molecules. Many biologics are produced using recombinant DNA technology.

High Barriers to Entry in CDMO Market

- Customers want the fastest time to market and a strong compliance track record. A larger more established CDMO can retain current clients and attract new ones easier.
- CDMOs require complex technical expertise in the development and therapeutics space. CDMOs need to be well versed in managing multiple complex clinical and commercial projects at scale.
- Switching costs are extremely high to go to another CDMO, which only increase over time. Regulatory approvals of biologics drugs are contingent on the CDMO facility.
- Contract terms are extensive in nature and last 5-10 years, which locks in customers.
- Large capital expenditures are needed to build new manufacturing biologics plants, which can extend the timeline and stretch financials for new competitors.

Investment Thesis

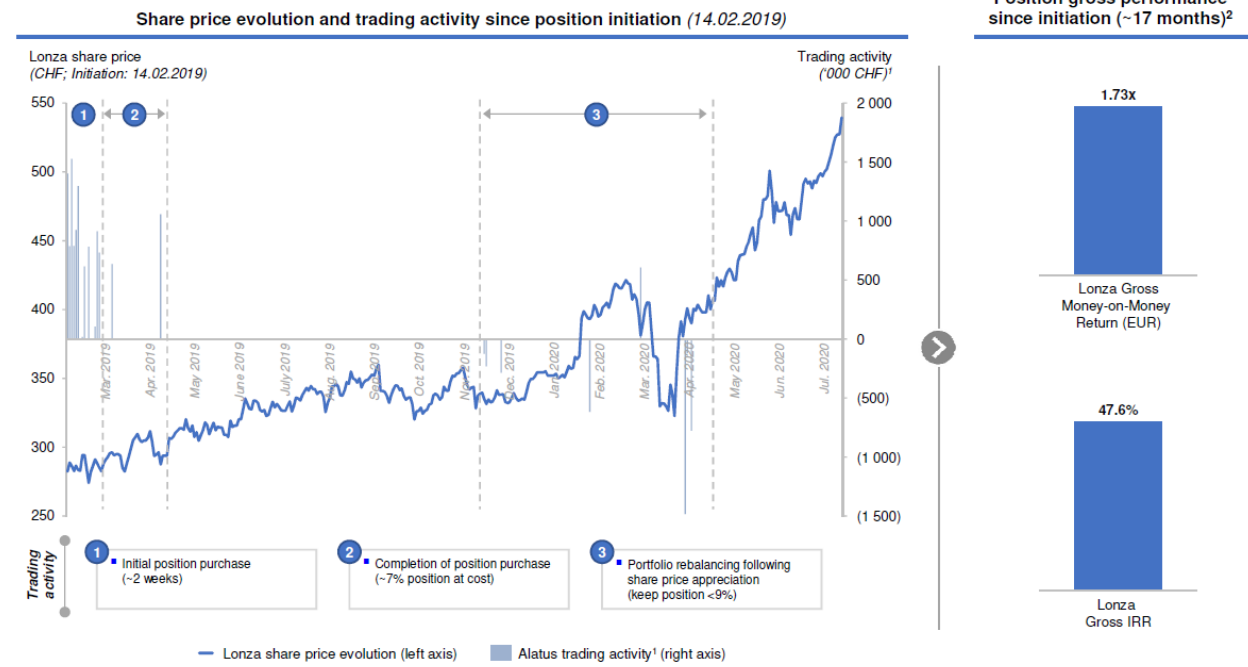
The Biologics CDMO market is growing 15% per year, which is driven by Biologics drug sales and an increase in outsourcing. Since 2013, there is an accelerating trend in the number of FDA approved Biologics drugs whereby now 8 of the top 10 drugs on the market are based on large (biological) molecules versus none in 2008. Outsourcing to CDMOs is expected to increase as more venture-backed biotech companies enter the space with no manufacturing ability. The vast majority of new drugs do not successfully complete clinical trials and get regulatory approvals. Thus, drug companies do not want to invest billions of dollars in manufacturing capacity until they have received regulatory approval. Once they do receive clinical success and regulatory approval, it is a race to quickly scale up production before their patents expire.

These strong market trends coupled with high barriers to entry provide Lonza with a long runway for growth. Lonza captured an estimated 11% share of the \$11 billion plus CDMO market in 2018. Lonza has strong double digit FCF growth and was at an inflection point to accelerate their growth based on their capex cycle.

The key to Lonza's investment thesis is their newly established Pharma Biotech and Nutrition (LBN) division that accounts for 70% of sales and 80% of EBITDA. Lonza does not provide granularity on this division's five sub-segment; however, through robust due diligence, Alatus is able to triangulate on the financials of these sub-segments, and in doing so, gauge the key drivers and dynamics of growth that come from these sub-segments to better understand the potential upside. By talking to peers, discussing with management, and analyzing financials through a FCF-based approach, Alatus ascertained that Lonza's reported 2018 number of clinical and commercial projects Biologics CDMO sales were substantially undervalued compared to market estimates.

Alatus initially purchased Lonza in February 2019 and completed the position at 7% at cost. Since then, it has returned 1.73x gross money-on-money (EUR) and achieved a 47.6% gross IRR since that time. Alatus has trimmed the position following share price appreciation in line with their max position guidelines. As of May 31, 2020, Lonza accounted for 8.3% of holdings.

Exhibit 4: Lonza Stock Chart



Key Considerations

European Equity Beta – European equity markets have historically underperformed global markets over multi-year horizons and are often labeled as a value trap. Low economic growth and political tensions have weighed on broad European equities. Alatus concentrates its portfolio on the highest quality businesses that are based in Europe with global revenues. Alatus also avoids cyclical industries that have contributed historically to European underperformance.

Benchmark Agnostic – Alatus constructs its portfolio based on fundamental bottom up analysis without considerations about its benchmark. They focus on achieving the highest risk-adjusted return possible. Their concentrated portfolio of 15-18 stocks will deviate materially from its benchmark. Staff notes the high tracking error and low correlation exhibited by the Fund when compared to public equity benchmarks and SFERS’ existing portfolio. Staff is comfortable as the public equity portfolio needs to be differentiated in order to outperform.

Investor Concentration – Alatus currently has \$1.3 billion in assets in its European long-only strategy, the majority of the capital is from a large U.S. institutional investor with pension and endowment assets. The institution has been invested with Alatus since 2016 and considers them a high conviction manager with no plans to terminate them. SFERS will have a separately managed account so it reduces some of the concern regarding potential large client withdrawals.

Key Highlights

Proven Investment Team – Richard Vogel, Patrick MacNeil, and Antoine Firmenich have been working together for over 12 years. They are a proven team as evidenced by their performance and firm culture. Each Partner excels at different skills from portfolio management to financial analysis, to subject matter expertise. These skill sets complement each other in their continued execution of their strategy.

Superior Investment Performance – The Fund has strong historical net performance of 10.0% (versus 2.8% for MSCI Europe USD) annualized net returns since inception. Alatus also has strong risk-adjusted returns as illustrated in its Sharpe Ratio and Information Ratio. Alatus focus on businesses with strong FCF has resulted in strong up capture of 108% and down capture of 82% (see Appendix B2 for details).

Unique and Consistent Strategy – Alatus has a clearly defined, differentiated, and repeatable investment process focused on an FCF framework that they have followed through their history of investing. This approach has been accretive to their performance.

Interest Alignment – Alatus’s internal capital represent approximately 9% (~\$160 million) of the total AUM as of June 30, 2020. They are well aligned in the decisions they make for the portfolio in order to compound and preserve capital for their institutional investors. Furthermore, the entire firm is focused solely on European public equity investing.

Recommendation

Staff is recommending engaging Alatus Capital for active management services for a separately managed account of up to \$300 million in an European public equity long-only strategy. If SFERS does not invest the full \$300 million by August 2021, Staff will make another recommendation to the Board to invest the remaining amount.

Appendix A - Summary of Key Terms

Investment	Alatus Inflection Long Only Strategy
Firm	Alatus Capital Ltd.
Investment Type	European Equity – Long Only
Capacity	Total Firm AUM \$1.8 billion as of July 1, 2020
Geography	Western Europe
Benchmark	MSCI Europe
Investment Objective	Pursue superior returns in European value investing by identifying quality European businesses through an FCF-based approach.
Investment Universe	European Public Equity
Capitalization Range	1.5 billion EUR and above
Number of Holdings	14-18 positions. Typical investment size is 4%-8%
Position Limits	Individual names: 4%-8 % at cost; 10% max
Sector Limits	None
Cash Holdings	Typically runs fully invested (95-99%)
Private Investments	None
Derivatives Usage	No leverage. May rarely use CFD or currency forwards with permission
Leverage	No leverage.
Time to be Fully Invested	3- 12 months
Lock-Up	None
Withdrawals/Redemption	None
Key Persons	Richard Vogel & Patrick McNeill
Standard Management Fee for Fund	Share Class 1: 1.20% Share Class 2: 0.90%
Standard Performance Allocation for Fund	Share Class 1: 20% of the excess performance over the performance of STOXX Europe 600 net index. Share Class 2: 20% of the excess performance over the performance of STOXX Europe 600 net index.
Reporting	Annually: audited financial statements and necessary tax/reporting requirements Quarterly: Investor letters, detailed exposures, attribution and holdings information Monthly: unaudited performance reports, capital account statements, exposure and attribution information

Appendix B1 – Returns Analysis

Calendar Year Returns

	6 mos						4 mos		
	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proposed Manager									
<i>Alatus</i>	-2.0	35.2	-17.1	31.8	3.8	-2.8	-1.9	34.2	12.5
<i>MSCI Europe</i>	-12.8	23.8	-14.9	25.5	-0.4	-2.8	-6.2	25.2	10.2
Existing Managers									
<i>Capital Guardian</i>	-1.9	31.7	-12.1	31.7	2.8	-4.2	-5.2	23.4	10.1
<i>MSCI EAFE</i>	-11.3	22.0	-13.8	25.0	1.0	-0.8	-4.9	22.8	9.7
<i>Baxter Select Equity</i>	-6.2	28.4	-8.6	24.2	1.9	3.1	-1.3	24.5	9.8
<i>MSCI ACWI ex US</i>	-11.0	21.5	-14.2	27.2	4.5	-5.7	-3.9	15.3	9.8
Other Major Indices									
<i>S&P 500</i>	-3.4	30.7	-4.9	21.1	11.2	0.7	13.0	31.5	2.0
<i>MSCI ACWI</i>	-6.3	26.6	-9.4	24.0	7.9	-2.4	4.2	22.8	6.1

Annualized Returns Ending June 30, 2020

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	7.8 Yr ¹
Proposed Manager								
<i>Alatus</i>	2.5	4.1	5.9	11.8	6.6	4.8	7.6	10.0
<i>MSCI Europe</i>	-6.8	-2.5	0.0	4.9	1.5	-0.1	3.6	2.8
Existing Managers								
<i>Capital Guardian</i>	7.6	5.9	8.3	12.1	6.7	5.3	7.4	4.9
<i>MSCI EAFE</i>	-5.1	-2.1	0.8	5.4	2.1	1.0	3.9	3.0
<i>Baxter Select Equity</i>	-1.7	4.5	5.6	9.3	5.8	5.5	7.2	5.1
<i>MSCI ACWI ex US</i>	-4.8	-1.8	1.1	5.7	2.3	1.0	3.7	2.6
Other Major Indices								
<i>S&P 500</i>	6.9	8.3	10.1	11.8	10.1	9.5	11.4	7.0
<i>MSCI ACWI</i>	2.1	3.9	6.1	9.2	6.5	5.5	7.8	5.0

Notes: All manager returns are reflected net of fees in USD. Returns for SFERS existing managers are reflective of SFERS' experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used.

¹7.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B2 – Returns Characteristics

Relative to MSCI Europe for the Period Sep 1, 2012 – Jun 30, 2020

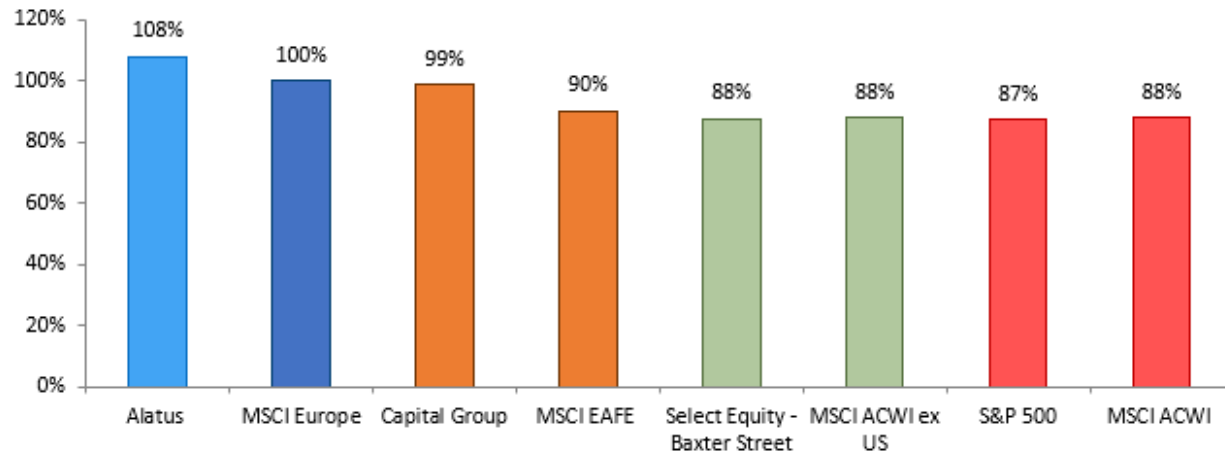
	Ann. Sharpe Ratio	Ann. Tracking Error	Ann. Info. Ratio	Beta	Ann. Alpha	R-Sq.	Corr.	Avg. Up Capture	Avg. Down Capture	Value Added
Proposed Manager										
<i>Alatus</i>	0.7	5.2	0.99	0.96	5.1	87.5	0.94	108.0%	82.2%	5.2
<i>MSCI Europe</i>	0.3	0.0	---	1.00	0.0	100.0	1.00	100.0%	100.0%	0.0
Existing Managers										
<i>Capital Guardian</i>	0.6	4.8	0.77	0.90	3.9	88.6	0.94	98.6%	78.4%	3.7
<i>MSCI EAFE</i>	0.4	2.9	0.16	0.91	0.8	96.1	0.98	90.2%	85.2%	0.5
<i>Baxter Select Equity</i>	0.7	5.4	0.74	0.82	4.5	85.9	0.93	87.7%	62.8%	4.0
<i>MSCI ACWI ex US</i>	0.3	4.2	-0.06	0.90	0.1	91.4	0.96	88.0%	86.2%	-0.3
Other Major Indices										
<i>S&P 500</i>	0.9	8.3	0.89	0.74	8.0	66.8	0.82	87.1%	43.8%	7.4
<i>MSCI ACWI</i>	0.7	5.6	0.67	0.82	4.2	84.9	0.92	88.0%	64.5%	3.8

Notes: All manager returns are reflected net of fees in USD. Returns for SFERS existing managers are reflective of SFERS' experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used.

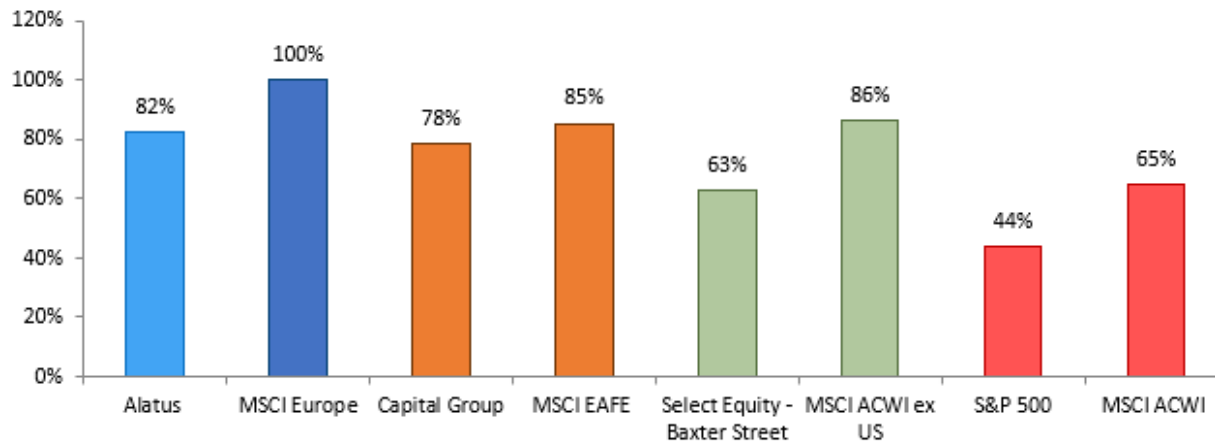
¹7.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B3 – Up and Down Capture and Monthly Returns

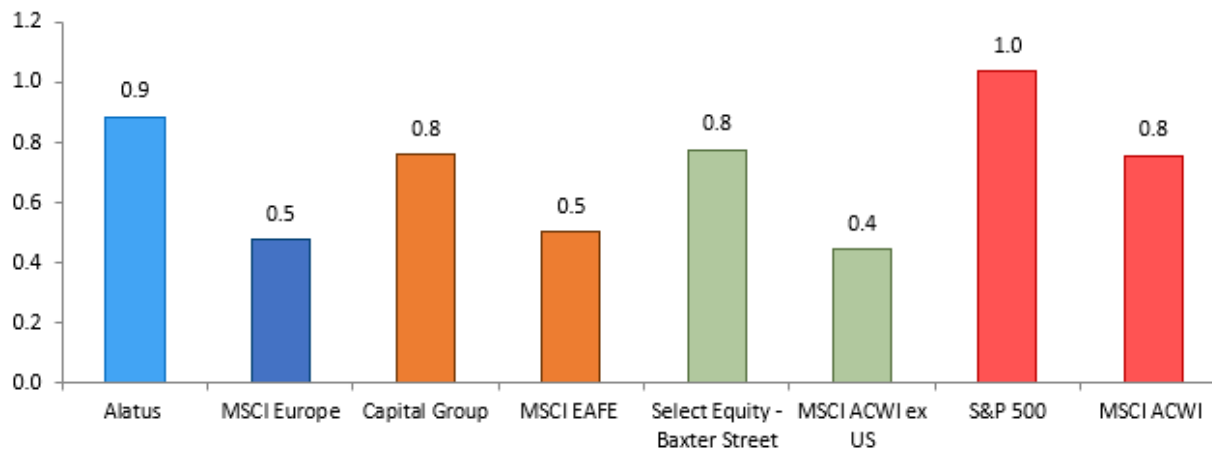
Up Market Capture versus MSCI Europe¹



Down Market Capture versus MSCI Europe¹



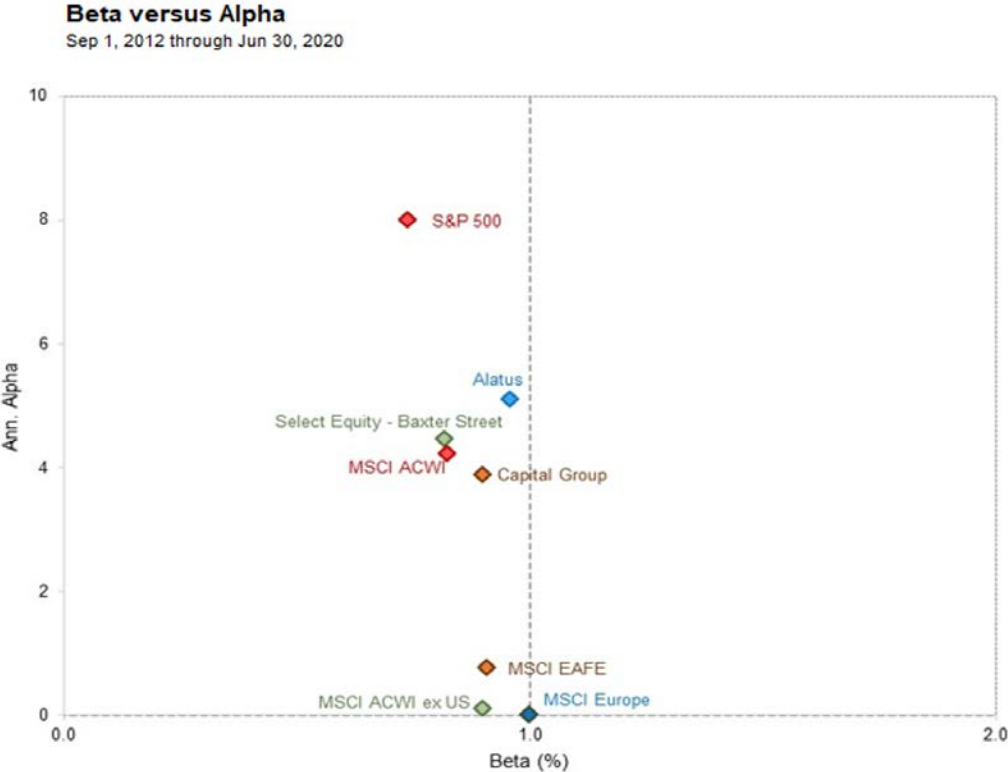
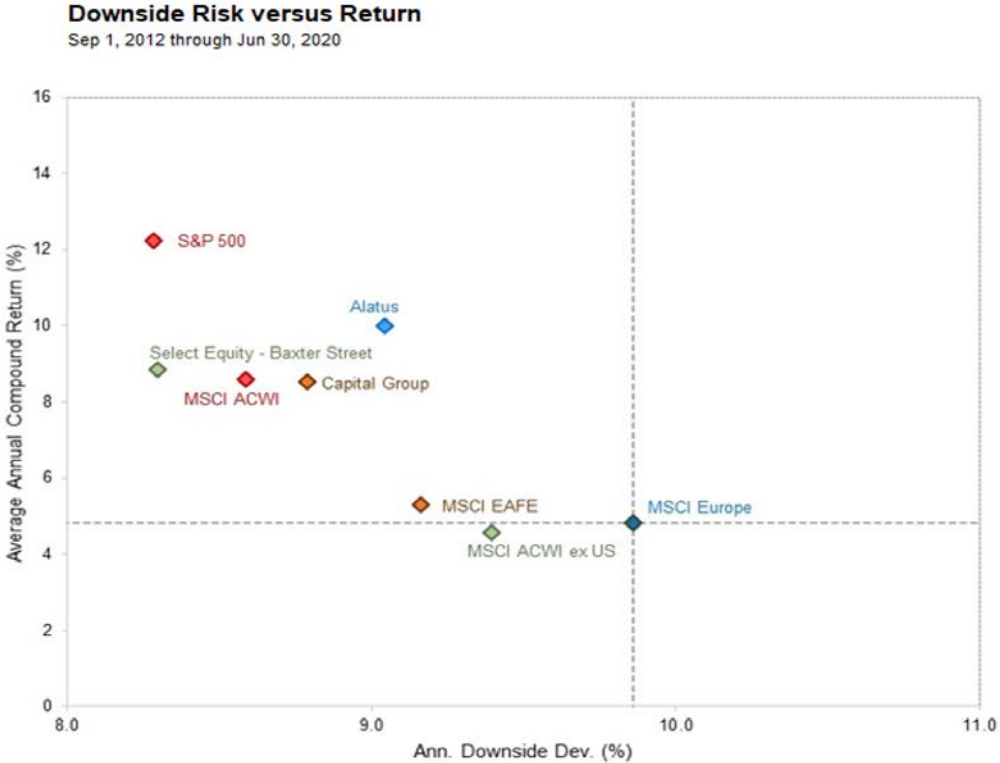
Average Monthly Performance¹



Notes: All manager returns are reflected net of fees in USD. Returns for SFERS existing managers are reflective of SFERS' experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used.

¹7.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B4 – Risk and Returns Analysis

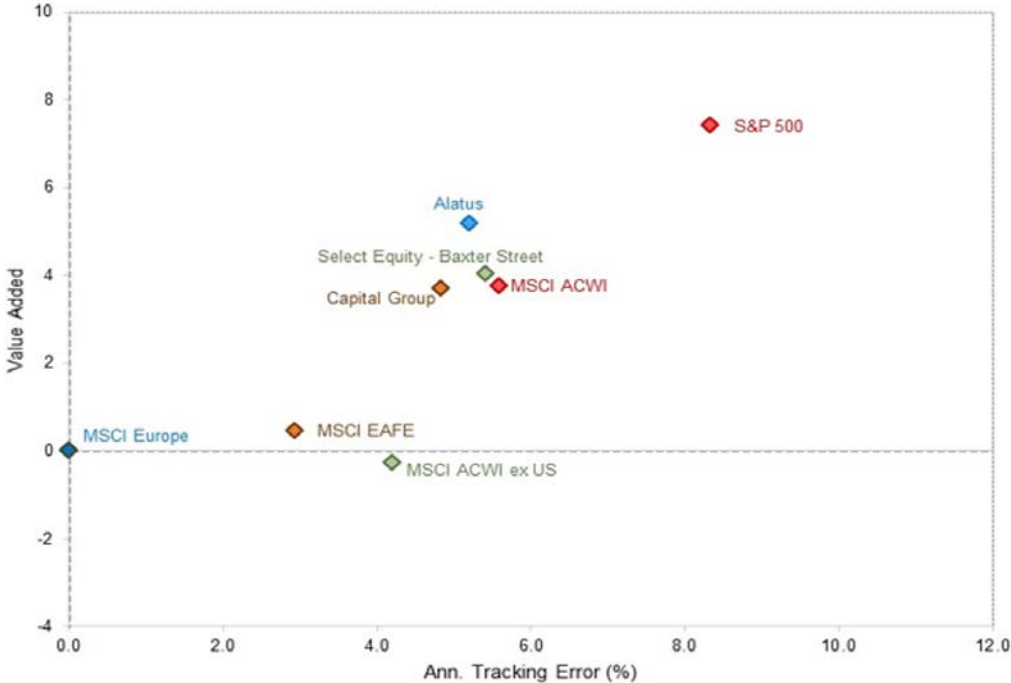


Notes: All manager returns are reflected net of fees. Returns for SFERS existing managers are reflective of SFERS’ experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used. 7.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B4 – Risk and Returns Analysis

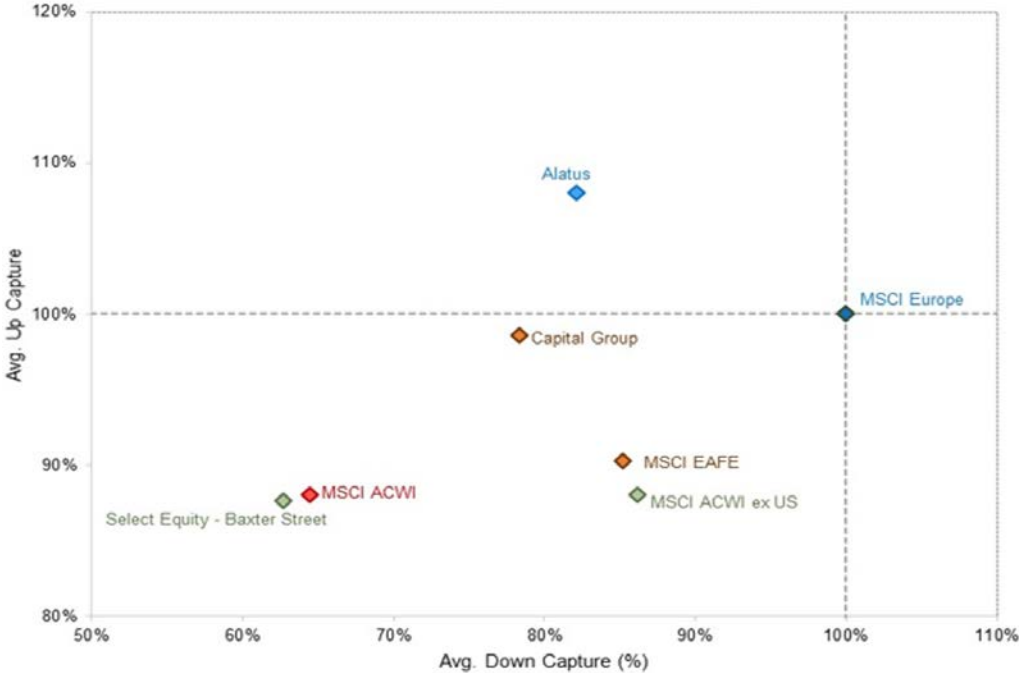
Tracking Error versus Value Added

Sep 1, 2012 through Jun 30, 2020



Down Capture versus Up Capture

Sep 1, 2012 through Jun 30, 2020

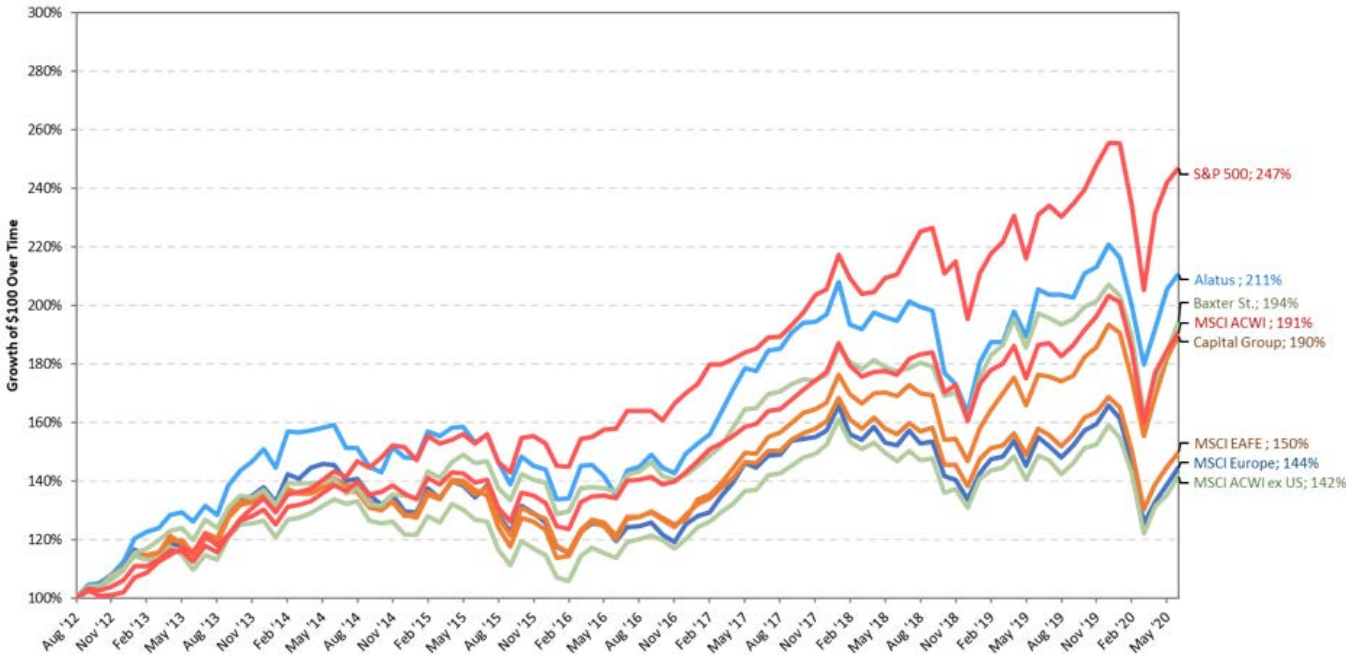


Notes: All manager returns are reflected net of fees. Returns for SFERS existing managers are reflective of SFERS’ experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used. 17.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B4 – Risk and Returns Analysis

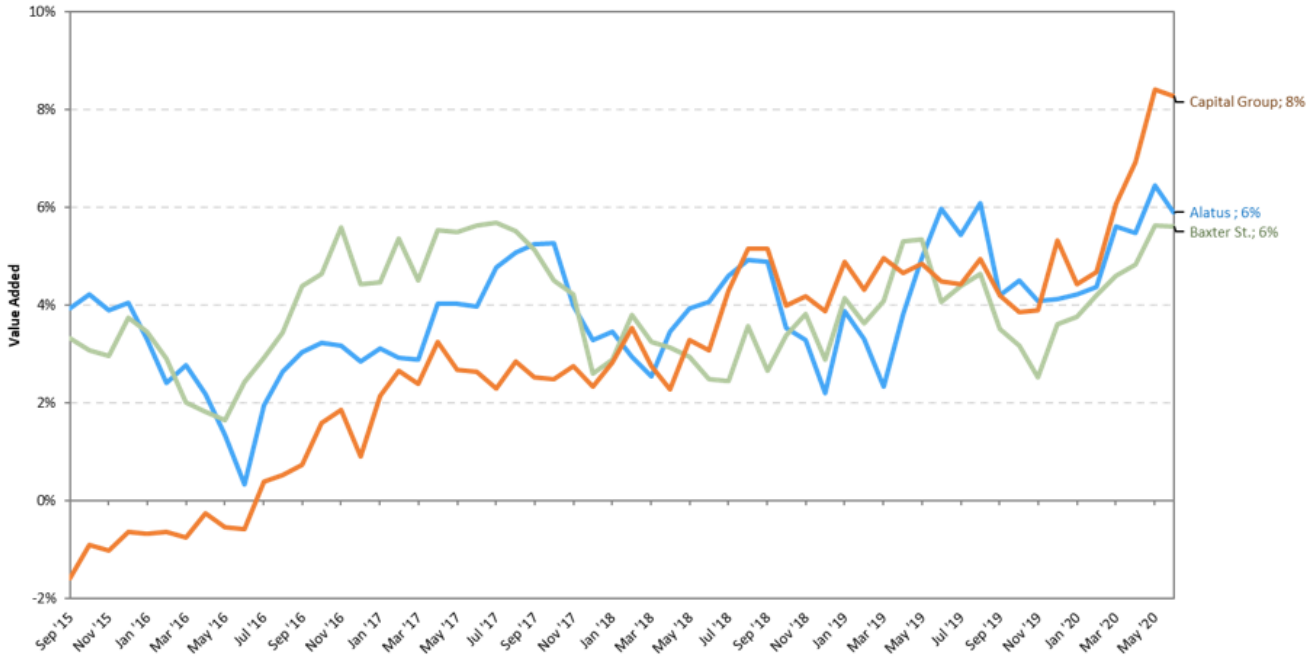
Growth of \$100

Sep 1, 2012 through Jun 30, 2020



Rolling 3 Year Value Added vs MSCI Europe

Sep 1, 2012 through Jun 30, 2020

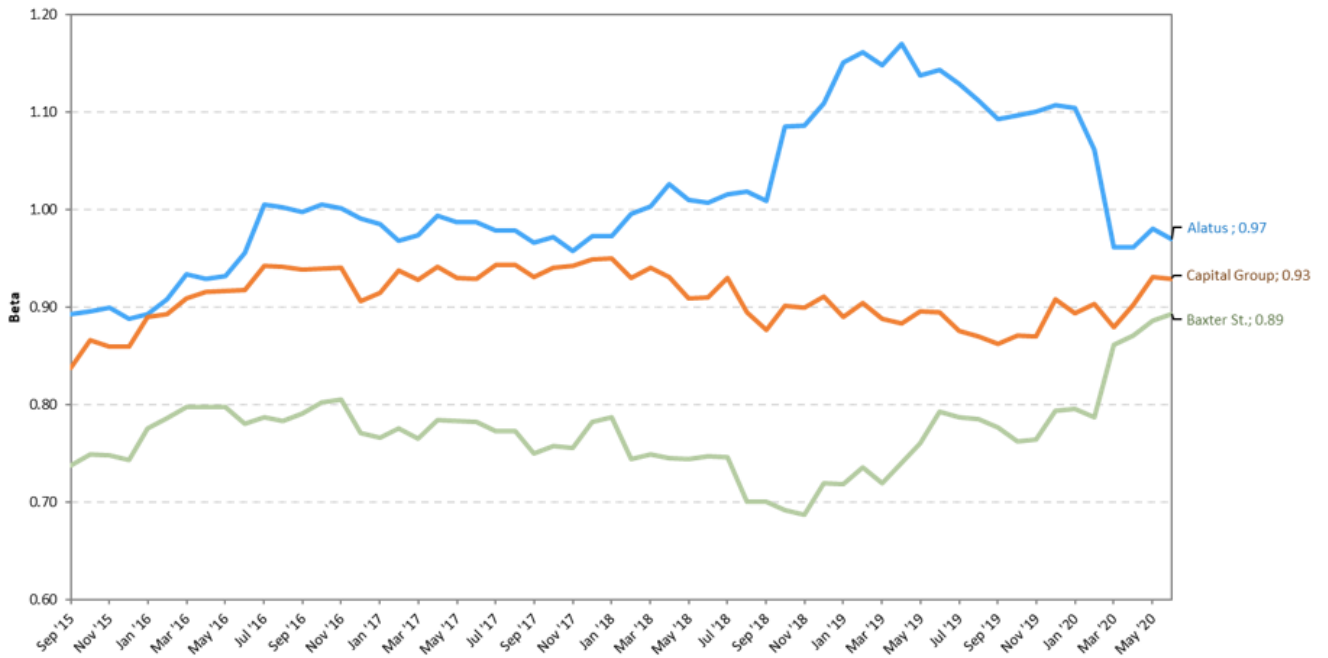


Notes: All manager returns are reflected net of fees. Returns for SFERS existing managers are reflective of SFERS’ experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used. 7.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix B4 – Risk and Returns Analysis

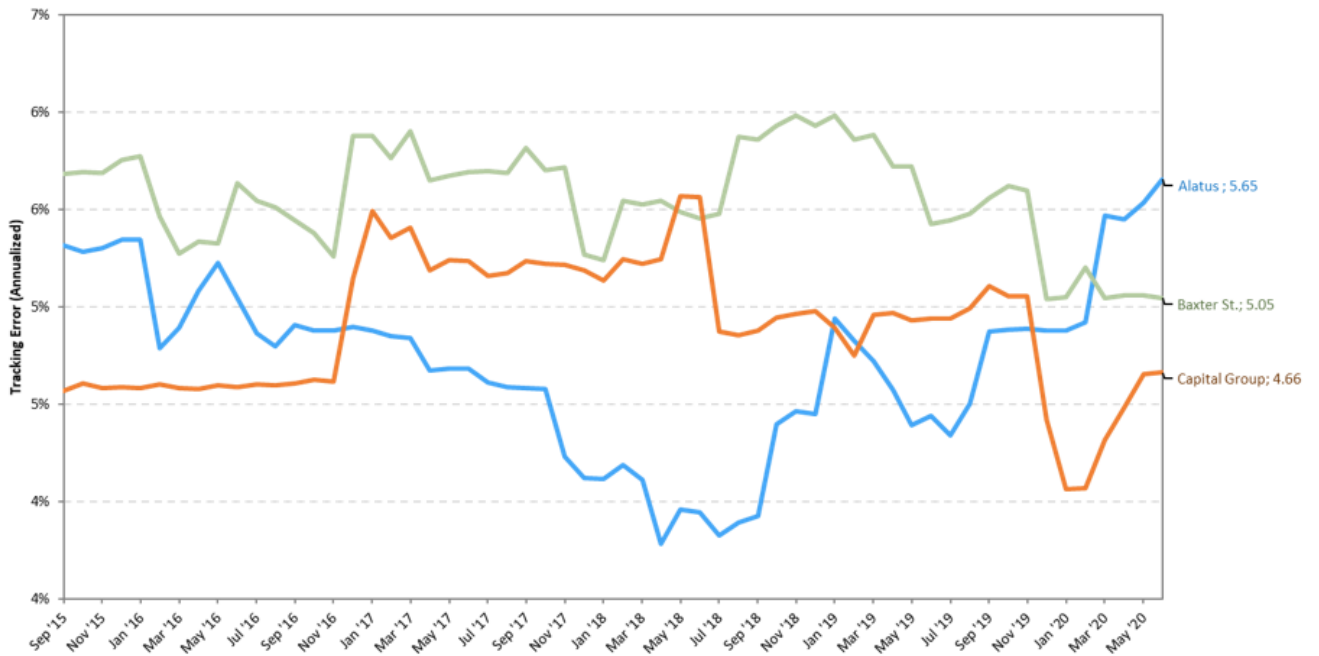
Rolling 3 Year Beta vs MSCI Europe

Sep 1, 2012 through Jun 30, 2020



Rolling 3 Year Tracking Error vs MSCI Europe

Sep 1, 2012 through Jun 30, 2020

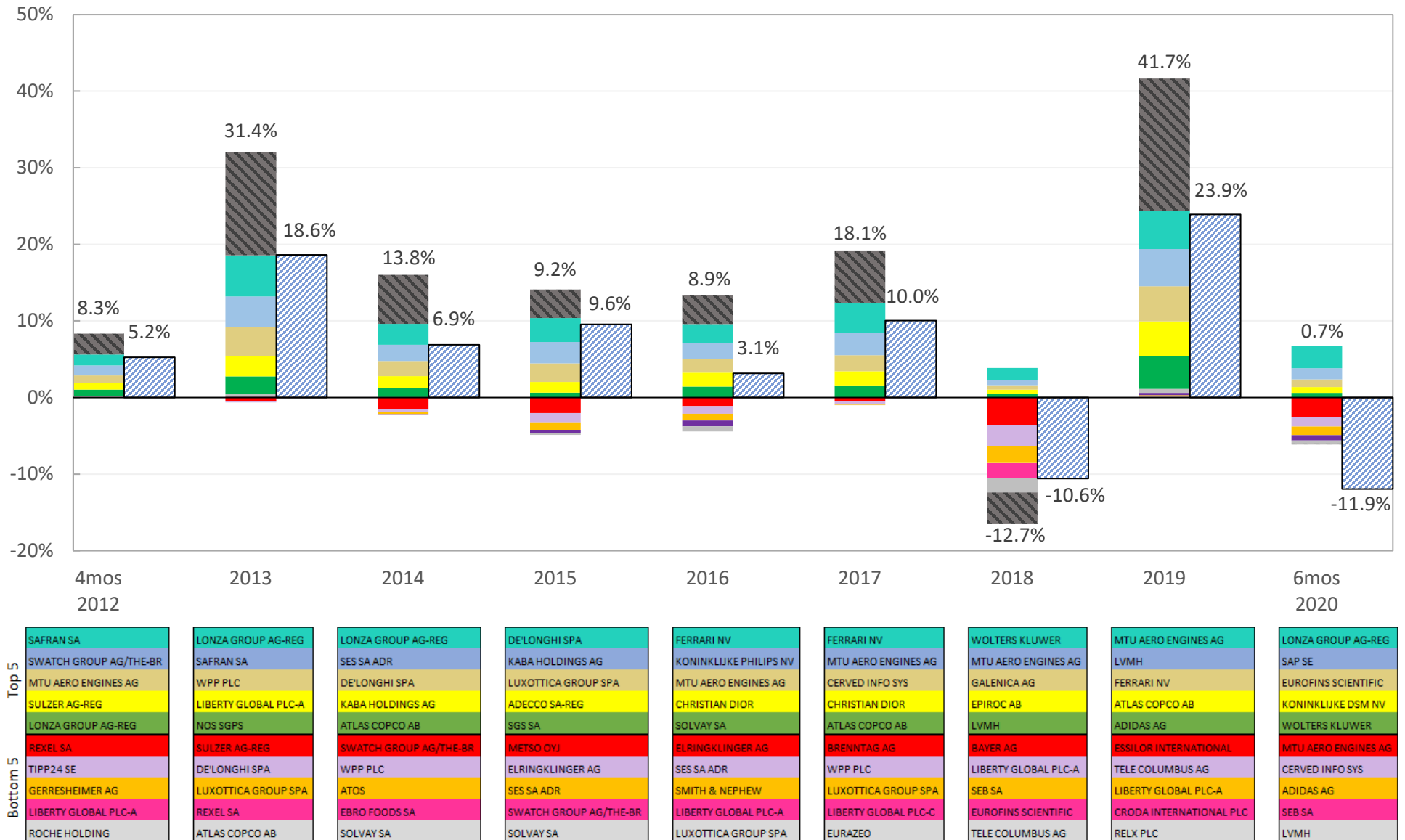
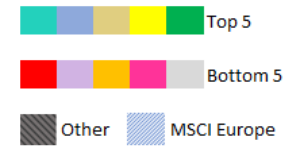


Notes: All manager returns are reflected net of fees. Returns for SFERS existing managers are reflective of SFERS' experienced performance since the first full month after investment. Prior to that, composite level strategy returns are used.

17.8 years reflects the period since inception of the Alatus Inflection Long Only strategy.

Appendix C1: Top and Bottom 5 Contributors to Yearly Return since Inception

Alatus Capital Recommendation



Notes: Contribution to returns are in gross EUR. MSCI Europe returns are in net EUR. Data labels above each chart represent total portfolio level or index level returns.

NEPC Research Strategy Tear Sheet

Alatus Capital

Inflection Long-Only Equity Strategy

July 2020



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

Alatus Capital SA

Inflection Long-Only Strategy

General Fund Information	
Firm Name	Alatus Capital
Fund Name	Alatus Inflection Long-Only Strategy
Firm Address	Rue Vallin 2, Geneva CH-1201, Switzerland
Firm Inception Date	2007
Fund Inception Date	2012
Firm AUM	\$1.769 billion (as of June 30, 2020)
Fund AUM	\$1.289 billion (as of June 30, 2020)
Closed or Open	Open

NEPC Recommendation	
NEPC Recommendation	NEPC supports Staff's recommendation to SFERS to hire Alatus. We believe that Alatus utilizes a compelling investment approach, has experienced leadership and investment personnel, and has demonstrated a strong long-term track record. As such, NEPC believes the Alatus strategy strongly aligns with SFERS objectives.

This memo provides a summary of information received by NEPC from the manager through video phone calls, review of marketing materials and legal documents. This strategy has not been rated by NEPC's Due Diligence Committee.



Firm & Strategy Evaluation	
Firm History	<p>Alatus Capital is a European equities investment manager based in Geneva, Switzerland, and founded in 2007. Richard Vogel and Antoine Firmenich started the firm and Patrick McNeill joined shortly after to Co-Lead the investment team. Richard Vogel and Antoine Firmenich co-own the firm. The economic ownership does not represent the sharing of the economics. There is a profit-sharing formula, along with a cash bonus pool via a lending program. Team members are given loans as a form of deferred compensation and each year a percentage of the loan is forgiven and invested in the fund. This program is three years long and it renews. Loan amounts can differ depending on seniority.</p> <p>The investment team consists of five professionals and they collectively apply the investment process as one team. Richard Vogel is the CEO, CIO, and Portfolio Manager. Patrick McNeill is the Investment Director and also a Portfolio Manager. Together, they manage the investment process and the resulting portfolios assisted by Marcus Hanreich, Francesco Di Carlo, and Edouard Broutin, the three senior investment analysts. The team has been stable with no turnover since inception of the firm. They all have diverse backgrounds with experience spanning from asset management, investment banking and private equity to management consulting and executive roles in industrial companies. Over the years, the analysts have developed certain areas of experience and expertise, and as a result, responsibilities amongst them are split based on sector familiarity and work load. In certain instances, the team draws on the expertise of Antoine Firmenich in subject matters where he has knowledge and experience. The strategy involves limited trading, which is carried out by Patrick McNeill. The analysts are meant to be generalists in their respective areas of expertise in order for them to remain objective in various types of markets as opposed to potentially promoting the best of the worst if they were solely long-only sector specialists. Jerome Haag is the COO and CFO, responsible for the firm's operations, compliance, finance, and risk management.</p> <p>Peak AUM for the firm was \$1.9 billion at the end of 2017. The investor base includes endowments, foundations, pension funds, and large family offices.</p>
Investment Edge	<p>Alatus's investment edge is threefold, 1) hyper focus on European equities, 2) highly concentrated portfolio allows the team to perform deep fundamental research on their investments, and 3) the 3-5 year investment horizon provides time arbitrage as the team can take advantage of mispricing opportunities created by short-term investors. They invest in niche global leaders where there is free cash flow generation visibility and substantial margin of safety. The team has been stable and their location in Geneva away from the busy city of London gives them a differentiated view on companies.</p>
Investment Process	<p>Alatus has developed a differentiated investment framework designed to combine capital compounding with investment protection. They look for free cash flow generation and margin of safety. The team will source ideas from a variety of avenues whether it's through their proprietary screening process, external consultants, or other resources within their network. The proprietary screen filters companies with a minimum market cap of \$1 billion and return on capital typically around 20%. During this step they also exclude banks, energy, commodities, biotech, and utilities, which leaves them with 400-800 companies. The next screen focuses on free cash flow generation and cash conversion as well as return on invested capital. They will also analyze balance sheets and accounting practices. In the next phase the team evaluates the market growth drivers, competition, and upside/downside risks. If a company passes this stage a detailed valuation and financial analysis is conducted. At this stage they will also meet with company management and other industry participants to develop value chain mapping and company moat dynamics. ESG materiality is also reviewed. There are about 50 companies that pass these steps. The team will then decide the best ideas for the portfolio based on upside potential and risk. The remaining companies will make up a watchlist library. In a given year about 20 names go through in-depth research and about 3 new investments are made. Patrick McNeill is in responsible for the financial modeling and Richard Vogel is responsible for the strategic analysis. The junior team members are both generalists and sector specialists. Richard Vogel has the ultimate decision-making power, but an investment committee was established to seek consensus. Position sizing is based on conviction levels.</p>

Alatus Capital SA

Inflection Long-Only Strategy

Portfolio Construction	<p>Alatus focuses on niche businesses growing globally (e.g. healthcare, digital transition, consumer goods, business services); diversify across sectors, but avoid banks, insurance, commodities, biotech and utilities. The portfolio is all-cap and tends to hold 15-18 stocks. The median market cap of the portfolio is currently \$21 billion.</p> <p>The team has quarterly calls with their portfolio companies, and they have a rule for diversified growth drivers across the portfolio. An idea can be in the same industry, but it needs to have a differentiated growth driver to fit in the portfolio. The team has ongoing monitoring of valuation, upside potential, market cap, liquidity, and exposures. The COO is in charge of generating these reports.</p> <p>Alatus incorporates ESG materiality into their bottom-up analysis of investment ideas. The team builds a comprehensive ESG case for each investment. They will identify potential red flags and then evaluate whether the issue at stake is material. During the final investment review, ESG is one of the investment criteria they consider.</p>	
	Projected Number of Investments	15-20 Companies
	Types of Investments	Common Equities, Derivatives for Currency Hedging
	Portfolio Constraints	Limited
	Expected / Maximum Use of Leverage	No Leverage
Performance	<p>Alatus has produced a strong track record since its launch in September 2012.</p> <p>The strategy has generated 12.1% and 5.6% of excess return over the 1-year period ending June 30, 2020, and since inception (September 2012), respectively against the MSCI Europe Index. Stock selection is the primary source of alpha. Textiles, Apparel & Luxury Goods, Life Sciences Tools & Services, and Aerospace & Defense were the largest positive industry contributors to performance. Media and Chemicals were the laggards. Germany and France led the way from a country perspective with the UK being the laggard. MTU Aero Engines, LVMH, and Ferrari were the three best performing stocks. Essilor International was the weakest performer.</p> <p>The strategy has been in the top quartile for excess returns over the trailing 1-, 3-, and 5-year periods against the All Pan European Equity peer universe. Similarly, the strategy sits in the top quartile for information ratio over those time periods.</p>	



Preliminary Observations	
Preliminary Positives	<ul style="list-style-type: none"> • Experienced Portfolio Manager: Richard Vogel and Patrick McNeill are responsible for much of the success of the strategy. • Concentrated Strategy: Alatus focuses on investing in a select group of companies that have strong marketing positions, high barriers to entry and other strong fundamental characteristics. A long term buy and hold approach has allowed Alatus to focus on 15-18 companies over a multiple year period which allows Alatus to complete extremely comprehensive analysis on the companies and industries. • Strong Track Record: The strategy has generated a strong track record since inception in 2012. The strategy has generated 1210 bps and 560 bps of excess return over the 1-year period ending June 30, 2020, and since inception (September 2012), respectively when compared to the MSCI Europe Index. The strategy has been in the top quartile for excess returns over the trailing 1-, 3-, and 5- year periods against the All Pan European Equity peer universe. Similarly, the strategy sits in the top quartile for information ratio over those time periods.
Preliminary Negatives	<ul style="list-style-type: none"> • Asset breakdown: Assets are concentrated in a few large clients which can put other clients at risk if there are any shifts in allocations. Investors should monitor the liquidity of the strategy in the event that the AUM drops quickly. • Key Person Risk: Richard Vogel and Patrick McNeill are the key people related to the strategy. • Fees: Alatus has premium fees compared to other Pan European Long Only Equity peers.

Key Biographies	
Name / Position	Experience
Richard Vogel, Founding Partner, CEO and CIO	<p>Richard is Co-Founder, CEO and Chief Investment Officer of Alatus. He oversees the investment process and portfolio management on a daily basis, supervising the investment team. He has over 25 years of experience investing in European companies.</p> <p>Richard started his career in asset management at Vontobel Group in 1993 and was appointed Vice-President of the Group's institutional asset management arm. He was promoted to head the European equity research and portfolio management team, and was placed in charge of European equity strategy for the entire Vontobel Group, with \$35 billion of assets under management. During this time, he was the sole manager of institutional European and global equity portfolios with assets in excess of \$400 million. Consistently outperforming corresponding benchmarks, Richard was appointed to the Vontobel investment policy committee. Following his time at Vontobel, Richard gained valuable experience managing Eastern European equities at Eastern European Heritage Fund and Teopa Capital.</p> <p>Prior to his career in asset management, Richard worked for the Boston Consulting Group in London, advising European corporates on restructuring and business strategy.</p> <p>Richard holds an MBA from the Harvard Business School (class of '93) and a BA from the University of St Gallen.</p>
Antoine Fimenich, Founding Partner	<p>Antoine is Co-Founder of Alatus and Managing Director of Aquilus Pte Ltd, a research subsidiary of the Manager in Singapore. He is not involved in day-to-day portfolio management but invited to participate to Investment Committee meetings.</p> <p>Antoine has been managing various investment portfolios since 1993 and actively investing with Richard for over two decades. He is a Director of Firmenich International, serving on its Audit, Finance and Risk Committee as well as its Governance & Compensation Committee, and previously on its Nomination Committee. He is a past Chairman of Sentarom, the holding company of the Firmenich group of companies, having served as a Director since 2004. He is a past Director of Nobel Biocare, the world's largest implant & digital dentistry firm. He was appointed by the President of Stanford University onto the Advisory Council of its GSB.</p> <p>Antoine has extensive experience in managing industrial businesses. From 1996 to 2006, he held a number of successful global executive management positions within Firmenich International, the world's second largest flavor and fragrance producer. Between 1995 and 1996, as Executive in Residence at Sierra Ventures, he developed and implemented the high-return early-stage investment strategies for BB Biotech, then the world's largest biotech fund (\$450 million). Prior he was a fellow at the Howard Hughes Medical Institute at Stanford and an investigator at the Center for Cancer Research at MIT.</p> <p>Antoine holds an MBA from Stanford University, a Ph.D. in Biochemistry from Stanford Medical School (under the tutelage of Dr. Paul Berg, Nobel Laureate), and a B.Sc. in Life Sciences from MIT, where he was John Asinari award winner, Scholastic All-American, and elected to Phi Beta Kappa and Sigma Xi.</p>
Patrick McNeill, Partner and Investment Director	<p>Patrick joined Alatus as Partner and Investment Director in 2008 and co-leads the investment team with Richard. He has 20 years of experience in private equity, mergers and acquisitions, corporate banking and principal investing.</p> <p>From 2005 to 2007, Patrick worked at Terra Firma Capital Partners, a €6 billion private equity fund based in London. During this time, he led and was involved in a number of transactions and investments in aircraft leasing, waste management, and infrastructure. Prior to that, he was in the Mergers and Acquisitions department at Morgan Stanley, working for five years in New York and London. In this capacity, he advised on numerous transactions in general industrials, financial services and telecom. He also performed management duties and assumed staffing responsibilities for the European investment bank. From 1995 to 1998, Patrick worked in the Corporate Banking department of Paribas in Geneva, financing commercial shipping companies.</p> <p>Patrick holds an MBA from Columbia Business School, where he was a teaching assistant in corporate finance, was elected to Beta Gamma Sigma and on the Dean's list. He also holds a</p>

Alatus Capital SA

Inflection Long-Only Strategy

	<p>Master's degree in Physics from the Swiss Federal Institute of Technology with a special focus on semi-conductor lasers.</p> <p>Patrick was a member of the adjunct faculty at HEC Lausanne from 2010 until 2017, where he taught a class in valuation and financial statement analysis.</p>
--	---

Fund Terms & Provisions

Investment Vehicle(s)	<p>Separate Accounts (Subject to minimum size TBD)</p> <p>UCITS</p> <p>Alatus Inflection Long Only Fund, LTD.</p>
------------------------------	---

Cayman Fund Terms

Share Class Name	Series 1 (Standard Terms)
Share Class Open/Closed	Open
Currency	EUR, USD, CHF
Minimum	\$10 M
Annual Management Fee	1.20%
Incentive Fee	20% (over STOXX Europe 600)
Hurdle	STOXX Europe 600 Net Return
Lock Up	None
Subscriptions	Monthly
Redemptions	Monthly, 90 Days' Notice



Alatus Capital SA

Inflection Long-Only Strategy

Performance

Overview

The Alatus monthly performance presented below is net of fees. The Comparative eVestment Pan-Europe Equity universe is gross of fees. The universe includes all strategies self-identified as Pan-Europe including Large Cap, All Cap, Small Cap strategies.

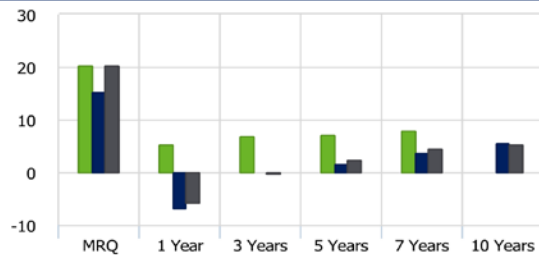
Alatus Capital SA
Alatus Long-Only Strategy

6/2020
MSCI Europe-ND

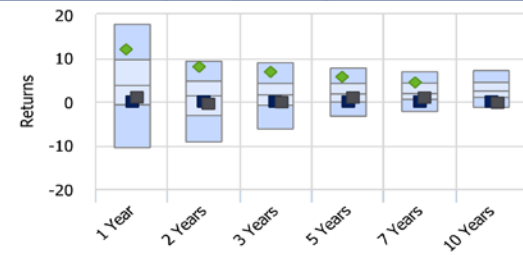
Excess Returns - Alatus Long-Only Strategy

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.6	1.6	4.5	0.8	4.2	-0.5	---	---	---	---	---	---	10.8
2019	4.0	0.4	-0.5	1.9	1.2	1.8	0.9	2.5	-3.2	0.8	-0.3	-0.4	11.4
2018	0.2	-1.1	0.4	0.2	2.4	0.0	0.2	1.8	-0.9	-3.1	-1.2	-1.2	-2.3
2017	0.1	0.9	0.7	1.3	-0.5	0.5	0.9	0.4	-0.4	1.3	-0.1	-0.1	6.3
2016	-0.6	2.1	2.1	-2.3	-2.0	-0.4	2.1	0.7	2.1	0.2	0.9	-0.5	4.2
2015	-0.2	-0.1	1.6	-2.5	1.1	-0.3	-1.3	1.0	-0.5	-0.3	-0.5	1.8	0.0
2014	-0.5	1.4	0.9	-2.1	-0.3	0.6	-1.1	-0.4	-0.5	1.4	3.4	2.0	4.3
2013	1.2	4.7	1.1	-0.6	0.4	2.5	-3.0	-1.2	0.8	-0.6	1.0	0.6	8.9
2012	---	---	---	---	---	---	---	---	1.5	-0.9	0.3	1.2	2.3

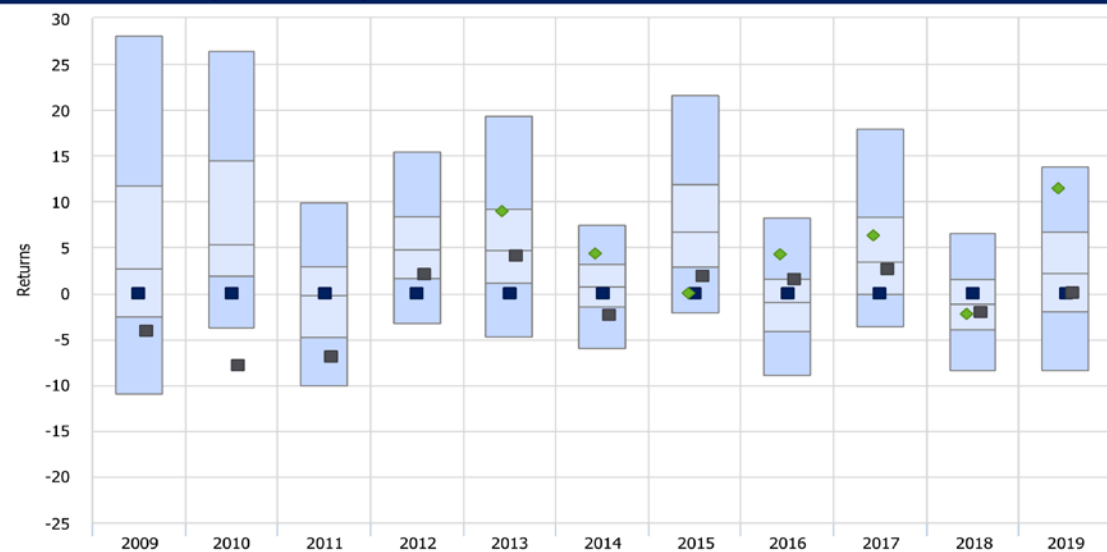
Total Return: Performance vs. Benchmark



Excess Return (Trailing Periods)



Excess Return Rank (Calendar Year)



Universe: eVestment Pan-Europe Equity

- ◆ Alatus Capital SA: Alatus Long-Only Strategy
- MSCI Index: MSCI Europe-ND
- STOXX Index: EURO STOXX-ND
- + Universe Median

³FTSE 3-Month T-Bill
All results in USD using Spot Rate (SR).



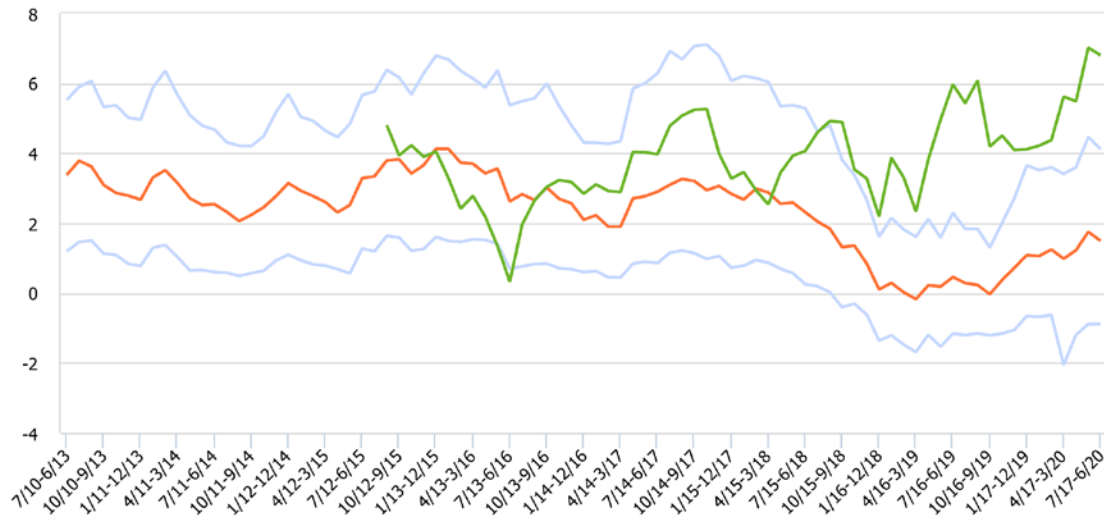
Alatus Capital SA

Inflection Long-Only Strategy

Alatus Capital SA
Alatus Long-Only Strategy

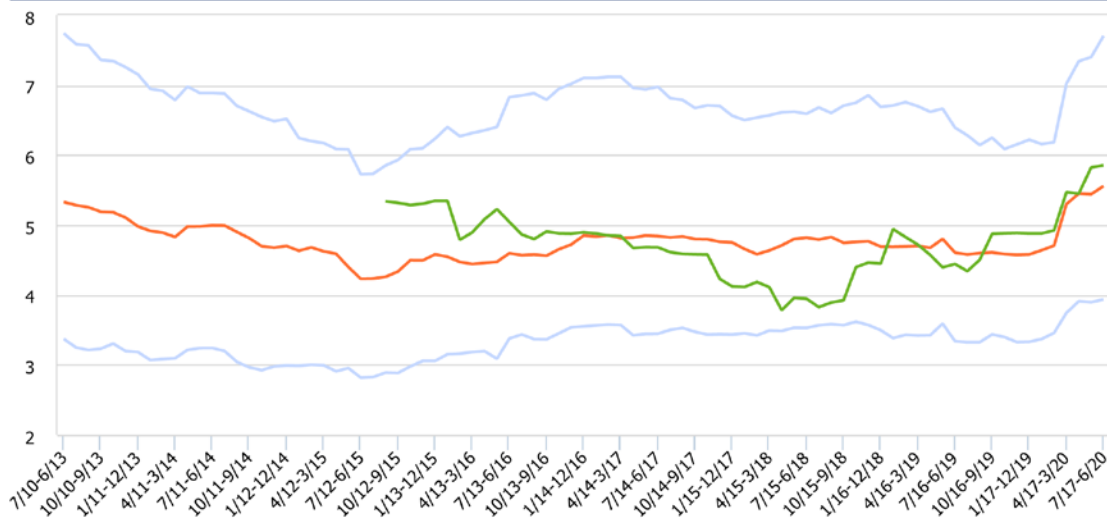
6/2020
MSCI Europe-ND

Rolling 3 Year Excess Return



Percentiles: The blue lines are the 25th and 75th Percentiles for the selected Peer Universe, while the orange line is the median.

Rolling 3 Year Tracking Error



Percentiles: The blue lines are the 25th and 75th Percentiles for the selected Peer Universe, while the orange line is the median.

Universe: eVestment Pan-Europe Equity

- ◆ Alatus Capital SA: Alatus Long-Only Strategy
- ²STOXX Index: EURO STOXX-ND
- ¹MSCI Index: MSCI Europe-ND
- + Universe Median

³FTSE 3-Month T-Bill
All results in USD using Spot Rate (SR).

Disclaimers and Disclosures



Alatus Capital SA

Inflection Long-Only Strategy

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile, and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy

