

Governor's Council on Women and Girls

Leadership Subcommittee

December 15, 2022

3:00pm-4:00pm

Today's Agenda

- I. Call to Order and Subcommittee Mission
- II. Office of the Treasurer Presentation on the Connecticut Inclusive Investment Initiative (Ci3)
- III. Updates from Leadership Committee Work Groups
- IV. Other Updates
- V. Public Comment Period
- VI. Adjourn

Our charge:

To promote women leadership in both the public and private sectors, particularly government elected and appointed officials, corporate boards and executive management, educational institutions, non-profit organizations and the media with the ultimate goal of achieving gender parity such that gender in workforce leadership proportionately represents the Connecticut population.

Co-Chairs:

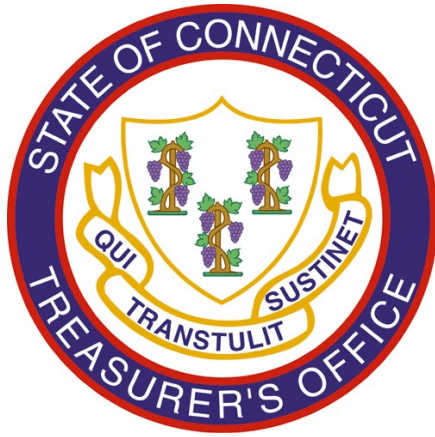
Lt. Governor Susan Bysiewicz

State Department of Education Commissioner Charlene Russell-Tucker

Department of Administrative Services Commissioner Michelle Gilman

Director of Legislative Affairs, Jennifer Putetti, Office of the State Treasurer

Office of the Treasurer Presentation on the Connecticut Inclusive Investment Initiative (Ci3)



Connecticut Inclusive Investment Initiative (Ci³) Overview

December 15, 2022

Office of the State Treasurer

- As a principal fiduciary of the Connecticut Retirement Plans and Trust Funds (“CRPTF”), the State Treasurer is responsible for managing the invested assets for approximately 300,000 state and municipal employees, teachers, retirees, and survivorships, as well as for trust funds that support academic programs, grants, and initiatives throughout Connecticut.
- The Pension Funds Management Division (“PFM”) of the State Treasurer’s Office administers the six state pension funds and twelve trusts known collectively as the CRPTF.
 - One sub-unit, the Short-Term Investment Group, invests short-term assets for the Short-Term Investment Fund, longer-term civil list funds, the liquidity fund for the CRPTF and other internally managed portfolios.
 - PFM also oversees proxy voting, promotes corporate governance best practices, and engages in activities material to the financial performance of the companies in which the CRPTF invests.
- The CRPTF’s investment portfolios are primarily externally managed and are structured as separate accounts, limited liability corporations, or limited partnerships.
- The CRPTF’s total market value was approximately \$41.8B as of the June 30, 2022 fiscal year-end.

Connecticut Horizon Fund to Ci³

- The Connecticut Horizon Fund ("CHF") was an initiative created in 2004 to diversify the management of the State's pension assets and enhance portfolio returns, while providing opportunities for minority- or women-owned, Connecticut-based, and emerging investment management firms.
- The CHF program was initially launched by hiring four fund-of-funds managers in the public market asset classes, i.e., public equity and fixed income.
 - The fund-of-funds managers were given the discretion to hire and supervise small and emerging firms as sub-managers, which included minority- and women-owned firms, Connecticut-based, and emerging investment firms.
- Over time, the CHF program was expanded to other asset classes.
 - In 2007, allocations were made to three private equity fund-of-funds managers.
 - In 2014, allocations were made to two hedge fund-of-funds managers.
 - In 2017 and 2018, additional allocations were made to two private equity fund-of-funds managers.
 - In addition, Connecticut made several direct commitments to real estate and private equity funds led by diverse and emerging managers.
- The Connecticut Inclusive Investment Initiative ("Ci³") as developed in 2020 to build upon and enhance the CHF program.

Key Elements of the Ci³

- The Ci³'s primary purpose and mission remain the same as the CHF program.
To provide Emerging and Diverse managers opportunities to compete for investment mandates consistent with the goals of the CRPTF's investment objectives and fiduciary standards
- The Ci³ enhancements acknowledge today's dynamic market environment and breadth of new investment strategies with a goal of positioning Ci3 for continued and sustained success.



The Ci³ Emerging & Diverse Manager Definition

- **Emerging manager:**

- An asset management firm that is newly formed or relatively small that meets the criteria for assets under management (“AUM”) and/or length of track record.
- The Ci³ emerging manager guidelines established for each asset class are highlighted below.

	Public Market Asset Classes		Alternative Asset Classes		
	Global Equity	Global Fixed Income	Hedge Funds	Private Equity / Private Credit	Real Assets
Total Firm Assets	< \$10B	< \$10B	< \$3B	< \$5B	< \$5B
Fund Size	N/A	N/A	N/A	< \$2B	< \$2B
Fund #	N/A	N/A	N/A	Third generation or earlier	Third generation or earlier
Firm Tenure	< 10 years	< 10 years	< 7 years	Minimum one year	Minimum one year

- **Diverse manager:**

- An asset management firm with the following qualifications:
 - Owned in a majority form by either minority individuals, women, veterans or persons with a disability¹.
 - On a case-by-case basis, the Ci³ program will consider a firm as diverse if it has ownership by a group which qualifies as a protected class under Connecticut law²

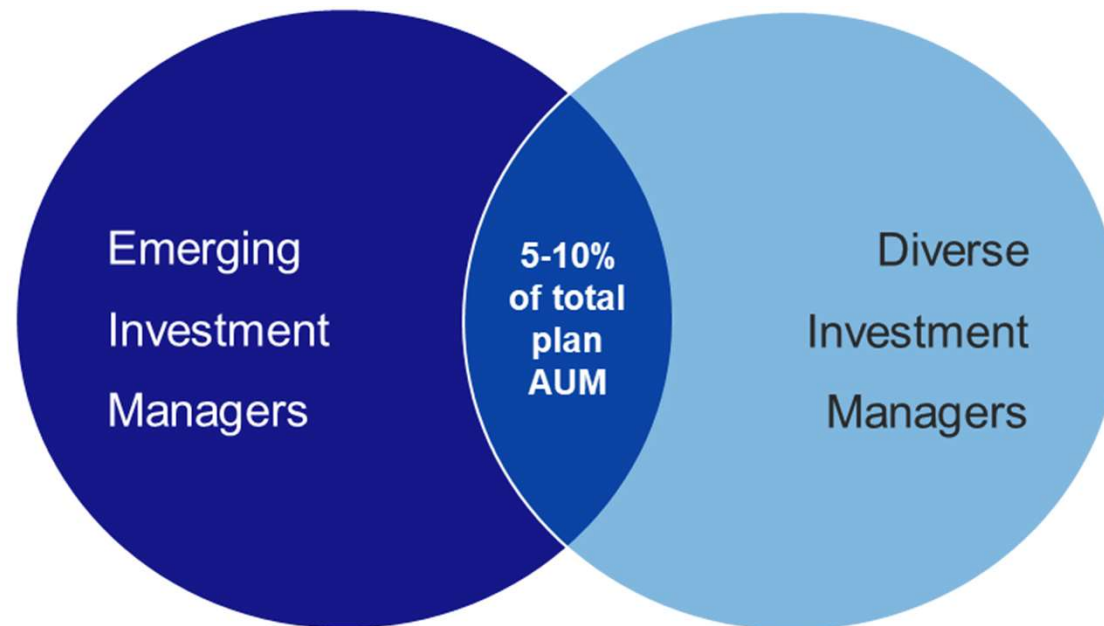
¹ refer to Connecticut General Statutes § 4a-60a(e) – Minority Business Enterprise

² refer to Connecticut General Statutes § 4a-60a(a)(1)

Ci³ Goals & Objectives

- **Goals**

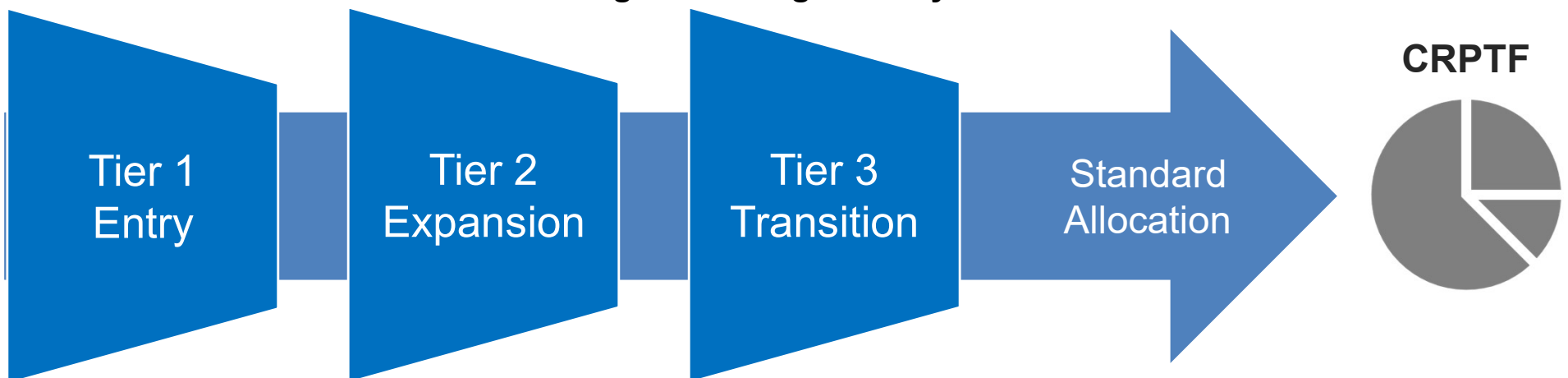
- To generate strong risk adjusted investment performance utilizing emerging and diverse investment management firms.
- The program targets having Ci³ designated managers investing between 5% and 10% of the CRPTF's assets, with the majority of the allocation invested with diverse investment managers.
- Creating the potential for top-performing managers to transition to a direct allocation or commitment from the CRPTF through a structured Ci³ manager lifecycle program.



Ci³ Manager Access Points & Lifecycle

- Ci³ was designed to provide emerging and diverse managers with multiple access points and a structured tiered framework to create, support, and transition best in class institutional quality investment managers along a development lifecycle.
- **Tier 1: Entry Stage**
 - Primarily utilizes a manager of managers (“MoM”) model through which the CRPTF allocates capital to a MoM that commits capital to underlying investments managed by emerging and diverse firms.
 - The CRPTF may also seek to make a direct commitment to select Ci³ designated managers that are further along the development lifecycle.
- **Tier 2: Expansion Stage and Tier 3: Transition Stage** allows expanded access to CRPTF capital for those managers demonstrating superior investment returns and capacity to manage larger capital pools in strategies that are consistent with the broader CRPTF asset allocation objectives.

Ci³ Program Manager Lifecycle



Source: CRPTF Staff

Future of the Ci³

- **Engagement with Broader Community**
 - Engage with other institutional investors (e.g., DB plans, Corporate plans, and Endowments & Foundations)
 - Sponsor an annual Ci³ Conference
- **Advocacy of Emerging and Diverse Managers**
 - Forge partnerships with other world-class investment managers
 - Create platform for sourcing undiscovered and emerging firms
- **Accountability of Program**
 - Provide disclosure of program's statistics and metrics
 - Chart measurement of progress with respect to stated program goals

Ci³ Update

Ci³ Program Partners

Public Markets
Global Equity & Global Fixed Income

Private Markets
Private Equity, Real Estate, Infrastructure and Natural Resources



BIVIUM CAPITAL



~\$2.1B

Total Capital Allocated incl. Unfunded Commitments

~5.0%

Percent of CRPTF incl. Unfunded Commitments

49

Number of Investments (Sub-advisors and direct commitments)

Data shown as of June 30, 2022

Summary of Activity To Date

Public Asset Classes - \$1B of Capital Allocated

- The Ci³ program funded Domestic Equity, Global Equity, and Global Fixed Income MoM partners
 - **Bivium** and **Leading Edge** awarded \$40M and \$160M, respectively, for Domestic Equity
 - **Xponance** awarded a \$100M mandate for Developed International Equity
 - **Rock Creek Group** awarded \$200M mandate for Emerging Markets Equity
 - **Attucks** awarded \$500M mandate for Core Fixed Income, High Yield and Emerging Market Debt

Summary of Activity To Date

Private Asset Classes – Over \$1B of Capital Commitments Closed

- Treasurer Wooden has approved direct commitments to several General Partners that fit the parameters for inclusion in the Ci³ program
 - **Aldrich Capital** Fund II & Fund II Co-Investment - \$75M commitment
 - **Avance** Fund I – \$100M commitment
 - **Basis Investment Group** Fund II - \$125M commitment
 - **Centre Lane** Credit III - \$100M commitment
 - **Grain Communications Fund** III & Fund III Co-Investment - \$125M commitment
 - **OneRock** Capital Partners III - \$125M commitment
 - **Rubicon** First Ascent I - \$50M commitment
 - **Stellex** Capital Partners II – \$200M commitment
 - **Penzance** DC Real Estate - \$50M commitment
- Additionally, Treasurer Wooden has approved commitments to the following MoMs
 - **GCM Grosvenor** - \$300M for a customized Ci³ mandate focused on Real Estate and Private Equity managers
 - **RockCreek** - \$100M for a customized Ci³ mandate focused on Private Credit managers

MoM Case Study: Global Fixed Income

- Attucks was awarded \$500M mandate for Core Fixed Income, High Yield and Emerging Market Debt
 - Attucks serves as the MoM and is responsible for allocating capital to underlying managers that meet the investment mandate and Ci³ criteria.
 - As of June 30, 2022, the following sub-advisors had been allocated capital by Attucks.

Attucks Global Fixed Income Sub-Advisors	Strategy	Diverse Ownership
Integrity Fixed Income Management	Core Gov't / Credit	Woman Owned
Semper Capital Management	Core Active MBS	African American/ Veteran Owned
Ramirez Asset Management	Core Taxable Munis	Hispanic Owned
Weaver C. Barksdale	Core Plus	Woman Owned
Palmer Square Capital Management	Core Income Plus	Woman Owned
SKY Harbor Capital Management	Broad High Yield	Woman Minority Owned
Strategic Income Management	High Yield	Non-Applicable
RVX Asset Management	EM Credit	Hispanic Owned
New Century Advisors	EM Sovereign	Woman Owned

Source: CRPTF Staff

Case Study: Ci³ Manager Lifecycle



- CIO/ female owner (since 2013) was a leader on Wall Street in this niche with decades of experience.
- Corporate and structured credit boutique that seeks to exploit absolute and relative value opportunities while mitigating interest rate and credit risks.
- Top-notch intellectual capital, track record of performance. Multi-step, holistic investment process is consistently applied by a team with experience through multiple credit cycles. Utilize proprietary structured credit modeling, fundamental credit analysis and scenario analysis. Unique in the emerging manager universe.
- **Transitioned Tier in October 2022**

Manager Diversity Statistics

Ci³ / CRPTF Diverse Manager Statistics

Diversity Classification	Ci ³ Sub-Advisors-Public Market Mandates			
	Number of Sub-Advisors	% of Total Advisors	Net Asset Value	% of NAV of All Sub-Advisors
African-American Owned	10	27.9%	\$ 285,576,515	21.6%
Woman Owned	14	44.9%	\$ 460,194,131	34.8%
Hispanic Owned	3	19.8%	\$ 202,716,276	15.3%
Asian American Owned	6	19.2%	\$ 196,650,455	14.9%
Native American Owned	1	4.2%	\$ 42,991,309	3.2%
Veteran Owned	1	2.7%	\$ 27,403,250	2.1%
Connecticut Based	1	2.6%	\$ 27,111,852	2.0%

Total Net Asset Value \$ **1,232,598,957***

Source: CRPTF as of June 30, 2022

*excludes cash

Diversity Classification	CRPTF Manager Diversity Statistics			
	Number of Managers & Sub-Advisors	% of Total Advisors	Net Asset Value	% of NAV of All Diverse Managers
Connecticut Based	10	7.8%	\$ 3,245,886,268	22.2%
Women Owned	10	9.4%	\$ 3,930,761,338	26.9%
Minority Owned	18	17.8%	\$ 7,415,801,929	50.8%

Total Number of Managers **38**

Total Net Asset Value \$ **14,592,449,535**

Source: CRPTF as of June 30, 2022

Update from Leadership Committee Work Groups

Upcoming Council of Women and Girls' Panels

January 2023

- Women in Middle and High Schools Teaching Computer Science
- Women in Farming

February 2023

- Black History Month panel
- Women in Domestic Violence Fields

March 2023

- International Women's Day
- Women in Health Sciences

Other Updates

2023 Meeting Schedule

Full Council Meetings

- January 10
- April 11
- July 11
- October 17

Leadership Subcommittee Meetings

- March 22
- June 21
- September 20
- December 20

Public Comment

Announcements

Thank you, everyone!

Next meeting: Wednesday, March 22nd, 3-4 p.m.
