Our Investment Philosophy and Process

| Stan Miranda |

We manage multi-asset class investment portfolios and invest in every major asset class. We build each client's portfolio from the ground up, customized to a client's investment objectives, risk constraints, time horizon, liquidity needs and the like. We do not believe that 'one size fits all' offerings meet the needs of sophisticated clients, whether individuals or institutions, with specific investment objectives and constraints. Our portfolio construction goes beyond simple asset allocation and is built on the back of our seven core investment beliefs:

1. Long-term investors out-perform short-term investors.

2. Multi-asset class portfolios continue to reap benefits from diversification; however, looking through asset classes to 'risk betas' is critical to ensuring true diversification.

3. Formulating an appropriate risk budget based on expected return targets and sticking to it (i.e., no market timing) will deliver the best investment results over the long-term.

4. Extreme market environments occasionally provide tactical asset allocation opportunities that can enhance investment returns.

5. The vast majority of active asset managers do not justify their fees as their returns can be replicated with low cost passive instruments (e.g., ETFs).

6. Picking active managers that can outperform in the future requires deep research conducted by a highly specialized team. It requires rigorous quantitative analysis to understand if the returns are from manager skill or just market exposure, and judgment on whether this skill is sustainable.

7. A portfolio constructed with a small set of exceptional managers for 'alpha' and passive low cost instruments for market exposure or 'beta' is the most efficient use of the fee budget. In our opinion, properly constructed, such a portfolio can deliver 2-3% of outperformance after all fees per annum on average over a full market cycle.

The essence of our client portfolio construction and management is a four-step process of 1) setting the overall portfolio risk budget, 2) allocating this risk across asset classes, 3) manager selection and access 4) portfolio monitoring against relevant benchmarks.

Risk Budgeting: The risk budgeting process starts with a deep understanding of 1) the client's objectives, 2) the purpose of the capital and 3) the client's risk tolerance. This can be a fairly elaborate process especially when the client is an institution as it involves interviews with each investment committee member and the documentation or updating of the Investment Policy Statement (IPS). The IPS serves to document the risk and return objectives, asset allocation, liquidity limits, currency policy and governance to include each party's role in the investment process, for example client, Investment Office (Partners Capital) and any trustees, investment committee and financial staff (if relevant). Alternatively, the setting of the risk budget and policy setting stage could be less involved where we simply inherit the past risk budget and related IPS, to the extent there is one.

We believe that the best performing institutional portfolios over the long term, at various places on the risk spectrum, have been those which have maintained the most static and consistent levels of risk through full investment cycles including deep downturns. Maintaining risk requires the institution to constantly measure and monitor the look-through market exposures of the underlying asset managers comprising the overall portfolio and rebalancing to target risk

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levels (market exposures) and asset allocation when the collective risk of the managers deviates from long-term targets. This is our approach to managing risk of our client portfolios which is labor and IT-system intensive and requires strong asset manager relationships with the accompanying transparency. This approach avoids the usual performance 'leakage' which accompanies overall portfolio management that seeks to time market risk exposure or leave the collection of asset managers to do this in an uncoordinated and often unintentional manner.

We prefer to budget for risk using market betas, rather than return volatility (standard deviation) measures. Managing portfolios to a volatility target tends to have one rebalancing in a manner that effectively is buying high and selling low. Rebalancing overall portfolio risk to market beta targets does the opposite.

For each client, we recommend targets for overall portfolio and individual market risk (beta) levels. Each client has their mix of market risks distilled into a single risk measure which we set and monitor as their desired risk level. We refer to this as their 'equivalent net equity beta' (ENEB). A higher ENEB indicates a higher level of portfolio risk.

Client portfolio ENEBs generally range from 35% to 80% depending on a client's risk tolerance and time horizon, with the majority of our permanent endowments near or at the higher end of this range. Individual's risk budgets vary most, as one would expect given risk budget is so personal. So, for example, a portfolio with an ENEB of 70% would have a similar risk to holding 70% in public equities and 30% in cash.

Asset Allocation: After setting the overall risk budget and agreeing the high level investment policies, we set long-term strategic asset class allocation targets. We seek to earn excess returns with lower risk by optimizing asset allocation across the various asset classes or market betas including equity, credit, inflation and interest rates, and through capturing 'alpha' opportunities in less efficient asset classes. We formulate a high-level investment strategy based on our analysis of the macroeconomic landscape and of the investment opportunities within each asset class.

The asset allocation process starts with deep fundamental analysis of the global macroeconomic and market environment. We construct portfolios based on scenario analysis to establish a 'base' case and probabilities of alternative outcomes. This drives research on the attractiveness of each asset class and the most attractive investment strategies in each asset class. Portfolios are then constructed around the best asset managers representing these asset classes and strategies within the overall portfolio risk budget and ENEB target. Risk management is, firstly, about knowing what specific risks are being taken in the portfolio by looking through to the underlying manager exposures and, secondly, about having a good sense of what one should be paid for taking those risks. We monitor look-through risk on a quarterly basis and re-assess the client's risk budget on an annual basis to ensure portfolio positioning is aligned with what is occurring in the macroeconomic and market context.

While we tend to think about portfolio construction as optimizing across the various market betas (e.g., equity, credit, inflation and interest rates), we also think about asset allocation in more traditional terms across the following asset classes: fixed income (e.g., government bonds), credit (including liquid and illiquid investment opportunities), absolute return strategies, hedged equities, global or public equities, private equity, inflation-linked bonds, commodities, core property and private equity real estate.

Asset class labels often conceal the different mix of market risk to which a given asset class is exposed. Hedge funds, for example, cross almost all different types of markets including credit, commodities, interest rates, etc. Even equities have exposure to credit and resources beta which behaves differently from equities in different environments. With a given risk budget, it is essential to allocate this risk budget deliberately and thoughtfully to the most efficient mix of market risks or betas. At the highest level, the seven key market exposures we consider for client portfolio allocation include:

1. Developed market equities
2. Emerging market equities
3. High yield credit
4. Interest rates
5. Inflation-linked bonds
6. Property markets
7. Commodities prices

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We believe that the market exposures of the portfolio are the best definition of the risk we are taking in client portfolios. We measure market exposure with betas. The past performance of a given asset manager can be correlated against a string of different market indices to arrive at that manager's alpha and beta to each market exposure (as measured by various market indices – e.g., MSCI World equities). A given manager's normative betas are established from a combination of this historical analysis, current manager exposure reports and conversations with the manager.

We set beta budgets for each of these seven risks and manage portfolios within defined ranges around those targets, watching how the collection of managers may be moving risks deep within their own portfolios.

The principles that govern how we allocate the risk budget to the seven risks are two-fold: a) we seek to exploit the 'free lunch' from risk diversification across markets, even if the benefit is lower than historically due to higher correlations, and b) we exploit certain tactical opportunities that may arise due to mispricing in certain markets. For example, in 2012 we held a heavy overweight to credit beta in the belief that investors were being paid an above average rent for their capital, and this contributed to performance.

We then overlay this with each client's liquidity budget to determine what proportion of the resulting asset allocation can be deployed in illiquid assets versus liquid asset classes (such as private equity, property and private credit strategies). We also take into consideration any client-specific investment restrictions at this point in the process.

Finally, the proposed asset allocation is stress-tested against various market scenarios using statistical and Monte Carlo analysis to show how a given mix of asset classes might behave in various past crises.

Manager Selection: We start with the premise that most asset managers have no economically justifiable reason for remaining in business, as average market performance can be attained in most asset classes paying virtually no fees. As such, identifying the asset managers that will outperform their peers is not easy. This assessment of any manager requires a combination of art and science, rooted in years of experience and learning from good and bad decisions. The best asset managers cannot be chosen in isolation but must be grouped with relevant peers for direct comparison of their teams, strategies, past performance, operations, terms and risk controls. Veteran specialists of each investment sector (sub-asset class within geographic market) must make these tough decisions, informed by a deep understanding of the specific sector of the investment world and the critical requirements for success in that sector.

We have shaped our manager evaluation framework based on over 5,000 asset managers we have evaluated (>10,000 screened) in the last twelve years across all asset classes and geographic markets. This framework cannot be distilled down into a finite set of diagnostics, but rather is a dynamic model that varies by asset class, geographic market, specific strategy, market conditions and economic environment. We believe that, to spot the most talented managers, 'it takes one to know one'. Accordingly, our team includes many veteran asset managers and face-to-face manager evaluation is conducted by our most senior team members.

The increased competition for alpha has made the endeavour of manager selection even more difficult. Our experience has taught us that exceptional managers typically operate within a structurally attractive environment with a discernible competitive advantage. In addition, they have a stable and cohesive management team with strong personal incentives. The best managers will have a significant portion of their own personal assets at risk against their success. These qualitative considerations inform our initial filter of the universe of available managers. Our beta-oriented risk framework helps us to evaluate the skill of a manager, as demonstrated by the relative performance of the portfolio versus the performance of its market beta exposures over time. With the help of this analysis, we seek to pay fees only where we expect true outperformance or alpha is sustainable over and above market exposures the manager may hold.

When we find outperformance, we test the repeatability of this outperformance by forensically decomposing a manager's past outperformance that came from exposure management, geographic selection, industry selection and security selection. Our analysis has convinced us that outperformance based on exposure management is the least reliable of these sources, and that outperformance based on security selection, especially over

several years, is very good proof of a sustainable edge, and positive future performance.

Our experience indicates that concentrating capital in a core set of 20-30 exceptional managers is the optimal way to structure portfolios for outperformance within acceptable broad return volatility parameters.

Access to the best asset managers: Inevitably, many of those asset managers we believe to be the best are closed to new capital and new investors. Partners Capital aims to exploit the rare openings with those managers by virtue of our reputation as loyal, long-term sophisticated investors who have the potential to contribute to the asset manager's success. We are experts on investment businesses with our core training in business strategy, finance and operations. Asset managers recognize our ability to be a true partner, offering insights on operational, team, financial and other critical requirements for building a successful asset management business. In addition, Partners Capital's community of shareholders, investment committee members and clients often bring valuable relationships with many of the leading asset managers, which have led to exceptional access for Partners Capital.

Ongoing Portfolio Monitoring: We monitor portfolios against relevant benchmarks representing equivalent market risk and to determine asset allocation and manager alpha. Only with this rigorous framework can clients fully and accurately understand their return on investment in becoming a client of Partners Capital. We have not found any other firm as transparent as us in demonstrating whether they
are accretive to or a destroyer of value to clients.

Our internal processes are built around a quarterly client portfolio review cycle and a quarterly asset manager risk monitoring cycle, overlaid with intra-quarter market response processes. Client portfolios are reviewed quarterly for changes in look-through manager exposure and overall compliance with the agreed investment policy specifically focusing on risk level, asset allocation, manager concentration/sizing, liquidity and currency exposure. Client portfolios are rebalanced as required at this time. These reviews tend to coincide with quarterly client investment committee meetings. Every liquid approved asset manager is reviewed quarterly for concerns about changes in strategy, risk, leverage, liquidity and team changes. Generally there will have been a face-to-face manager meeting during the quarter. Finally, where there are extreme market or manager events, we implement intra-quarter rebalancing or manager changes.

Asset Classes In Which We Invest

We invest across all major asset classes. We do not exclude any asset classes from our investment program but may at times tactically avoid investing in an asset class based on the current market environment and the attractiveness of the opportunity. Investments fall into one of 13 major asset classes based on the underlying market risks and liquidity of the strategy:

- **Cash:** Cash and cash equivalents.

- **Fixed Income (government bonds)**: Nominal bonds issued by sovereign governments which offer contractual income yield and repayment of principal, typically with limited to no credit risk.

- **Liquid Credit:** Offers contractual income yield and repayment of principal with the risk of loss due to credit risk. Includes investment grade bonds, high yield bonds, bank loans, emerging market sovereign bonds and asset-backed credit such as residential and commercial mortgage-backed securities and student loans.

- **Private Debt:** Offers contractual income yield and repayment of principal with the risk of loss due to credit risk. Includes strategies such as direct corporate lending and mezzanine financing, collateralized loan obligations (CLO's), structured credit originations and securitizations, and healthcare and pharmaceutical financing.

- **Absolute Return:** These are strategies with low market exposure resulting in uncorrelated sources of return, driven largely by active manager skill. Managers would generally have a broad geographic remit to achieve the greatest alpha across multiple asset classes including equities, interest rates, credit, currencies and commodities.

- **Hedged Equities:** These are strategies which will typically take both long and short positions in publicly listed equities. Investing in both long and short positions results in a lower equity market exposure than long-only equity investing.

- **Developed Market Public Equities:** Long-only or long-biased strategies investing in publicly listed equities of developed countries.

- **Emerging Market Public Equities:** Long-only or long-biased strategies investing in publicly listed equities of developing countries.

- **Private Equity:** Typically investments made in private companies. Fund management teams are skilled at improving operating profits and strategies will seek to sell companies at higher prices once earnings have grown and are more stable in nature.

- **Private Equity Real Estate:** Typically investments in private real estate development or redevelopment projects. May also include distressed properties and real estate debt.

- **Core Property:** Commercial stabilized properties including offices, retail, logistics, apartments, hotels, etc. Offers income yields and the opportunity for some long-term capital appreciation and inflation protection.

- **Inflation Linked Bonds:** Bonds issued by sovereign governments where the principal is adjusted upward for inflation on an annual basis. Instruments would typically be local in order to hedge against local inflation.

- **Commodities:** Investments generally through futures contracts on oil, gas, agriculture, minerals and metals which provide inflation protection and exposure to global economic growth.

Our Asset Manager Due Diligence Process

Manager selection is our primary core competence. We strive more than anywhere else in our business to constantly drive our capability in the field of knowing which active asset managers are most likely to consistently generate excess returns in the future. Much of our learning is highly proprietary in this area, starting with our quantitative analytics in evaluating manager past performance, to how we manage a face-to-face meeting with an individual asset manager, through to our approaches to operational due diligence. We invest hugely in internal training of our teams, with asset manager selection dominating the training curriculum.

Below, we provide a brief set of highlights, attempting to point out where our approach to manager selection most differs from that of others.

Partners Capital Manager Selection Philosophy

We believe that the vast majority of active asset managers do not justify their fees due to the absence of true outperformance. Apparent manager outperformance is often the result of specific market risks, and not manager skill. Rather than using traditional manager index benchmarks, Partners Capital uses a systematic look-through risk quantification process to separate market risks (beta) from manager skill (alpha). Measuring the portion of return that can be replicated passively (i.e., beta) enables an investor to determine what portion of the return, if any, is derived from manager skill (alpha return) and most importantly, whether the alpha exceeds the fees paid to the manager. Historical performance after all fees and costs is an important determinant of whether an asset manager gets through our initial screens to then qualify for proper due diligence. After clearing this initial screen, we view strong past performance as a case for potential future mean reversion. In other words, we are wary of chasing past performance.

Past performance is not necessarily indicative of future returns, so isolating managers with true historical alpha is only part of the equation. We believe that identifying outperforming managers in advance of future outperformance is only possible with significant manager due diligence teams comprising veteran investors who span all asset classes and geographic markets. The “human factors” are paramount in manager selection. Our manager selection process is underpinned by our 50 investment professionals spread across our four offices in London, Boston, New York, Singapore and Hong Kong and over 12 years of meeting and evaluating thousands of asset managers across most asset classes. The most senior members of our investment team meet with managers and drive our manager selection decisions and risk monitoring.

Partners Capital Manager Selection Process

In the course of our initial phase of due diligence for any given manager search, we build the investment case for an opportunity in the form of sub-asset class analysis (focused on supply of opportunities versus capital available to exploit these opportunities). This defines the manager search specification. From this specification, we identify and screen from various internal and external databases a 'long list' of managers (circa 30-100) down to a 'short list' of managers (circa 3-10). The long list is populated with managers from what we call our "triangulation data base" where we monitor the names of managers who populated the portfolios of many of the most highly respected institutional and private investors around the world. We are careful to avoid "group think" about managers for whom everyone seems to be clamoring for as these tend to be candidates for growing assets too fast. Our long list is screened down to a short list according to the quality and experience of their team, their apparent competitive edge, their investment and risk management processes, their fees and terms, the quality of the existing investor base and their historical performance. As described above, we then perform rigorous quantitative analysis of each manager's historical performance using proprietary investment analytics (our ROIC analysis tool in particular) and multivariate regression analysis to separate performance attributable to market exposures (beta) from true manager outperformance (alpha). Private equity and property investments analysis similarly seeks to separate out what financial markets, leverage, and market sector growth contributed to performance as opposed to exceptional post acquisition value-add, operating profit growth and deal sourcing value-added. Operational due diligence (ODD) factors (including but not limited to regulatory exposures, technology and infrastructure security, segregation of duties, etc.) are also considered during the course of this early screening phase.

The short list of surviving screened managers is then subjected to rigorous detailed due diligence, including a series of face-to-face asset manager due diligence meetings which result in a full side-by-side comparison against the peer set going deeper on the basis of what we refer to as the 6-Ps framework covering people, process, philosophy (strategy), performance, references (LPs) and terms (price). The bulk of the analysis is spent going deep into specific investments in order to understand fully and test the manager's competitive advantage. We are looking for exceptional insights, interpretations of facts or implementation. The number of due diligence meetings with the approved manager can be between three and ten meetings and can span a period of two months to two years. Final due diligence is presented to our Internal Investment Committee (IIC), which consists of our seven investment partners, with a clear recommendation on the preferred manager for investment and an explicit indication of alternate choices. A key principle in our manager selection process is that the best manager decisions are made in the context of a high quality peer group, never in isolation. Our best manager decisions are made when we are truly struggling between the two or three finalists. We find that too many investors consider a given manager in isolation and miss the key step of peer group analysis. We triangulate our due diligence findings with our network, including clients, shareholders and other distinguished institutional investors.

Final investment decisions most often rest on the personal profiles of the key decision-makers inside the manager, looking at their intelligence, expertise, tenure, alignment of interests, work ethic and character. As such, much of this exercise is qualitative and accordingly requires the involvement of our senior team in manager visits and is also supplemented with independent background checks on each key person. We believe maturity is critical to evaluating individuals. If we can generalize, the best managers are 'maniacal' about risks and loss of capital and manage to outperform over the long-term by defending in the downturns. (Feel free to request a copy of our whitepaper titled "Cracking the Code" which we wrote for two working dinners, held in New York and Boston, where we brought together 25 of our most respected asset managers to debate how the manager selection game will change in the future).

Once a manager is approved, we continue to monitor the risks and performance of a manager through our quarterly manager risk reporting process, combined with periodic visits by our investment team members.

Our Risk Management Process

Most clients think of risk management as a process of minimizing or eliminating risk while achieving target returns. At its simplest level, such risk management is achieved in our client portfolios through asset class and asset manager diversification and through a deep understanding of each asset manager's specific investment strategy and the 'look through' risks imbedded in this strategy. Each manager's strategy can be decomposed into separate market risks that enable Partners Capital to assess the likely performance of the strategy in different scenarios. We use this analysis to 'pressure test' a client's portfolio both at inception and periodically.

Our insights about risk management stem from our perspective that there are some risks that we want to take and for which we believe we will be paid attractive returns and other risks that pay insufficient returns. For example, investors are paid explicitly for taking default risk on a corporate bond by being paid interest income for the loan. Examples of risks that investors are not paid for include manager conflicts, fraud, theft, trading errors, extreme asset class or asset manager concentration (the opposite of diversification) and foreign currency risk. This distinction is critical to avoid the danger of not achieving target returns.

We would assert that the primary reason investors fail to achieve long-term target returns is that they were not diligent about adhering to their target risk level. A risk management system should clearly delineate desired 'paid for' risk from undesired 'unpaid for risk'. The list of possible risks (i.e., negative surprises to the value of assets) is endless, which can serve to confuse and complicate any risk management process even further. We think the following five categories of risk capture the bulk of the most important exposures to financial asset values: 1) market risk, 2) liquidity risk, 3) leverage, 4) manager risk and 5) internal operational risk.

In the table below, we define each of these five concepts in terms of the risks that are paid for or not. It is rarely crystal clear which risks an investor is paid for, but one helpful rule is that if you cannot eliminate the potential damage to asset values from a given risk, then you should be getting paid for taking that risk.

Type of Risk	Paid for (so budget intelligently)	Not paid for (so seek to eliminate)
Market Risk	• Quoted price volatility • Volatility of income from assets (e.g., profits and dividends from companies = equity risk) • Default risk (= credit market risk) • Value decline from rising interest rates (= interest rate risk) • Real value decline from inflation (= inflation risk) • Country, political and repatriation risk • Government intervention (e.g., nationalization, taxation, regulation)	• Conflicts of interest • Currency risk • Concentration risk, e.g.: – single stock risk – too few asset classes – too narrow geographic spread • Natural disaster (unless an insurer) or war • Moving overall portfolio risk away from target (either from tactical asset allocation or from managers collectively moving away)
Manager Risk	• Underperformance of the market (beta) net of fees • Concentration • Budgeted illiquidity • Budgeted leverage • Legal claims • Business failure (costs > revenue)	• Strategy drift (in most cases) • Excessive leverage • Excessive illiquidity • Key team member death/departures • Fraud, theft • Insider trading abuses • Not having budgeted market risk (unless a macro manager) • Investor redemption risk
Liquidity Risk	• Locking up capital in an investment (e.g., start-up venture) or with an asset manager (private equity fund) because a long-term strategy earns more than a short-term one (the 'illiquidity premium')	• Excessive allocations to illiquid assets relative to spending needs • Mismatch between the liquidity of a manager's fund (based on investor terms) and the underlying liquidity of investments
Leverage	• Prudent leverage for the environment and opportunity set	• Excessive leverage • Less than prudent leverage (can cost you)
Internal Operational Risk	• None are paid for	• Fraud and theft • Trading errors • Regulatory or legal issues

The first important delineation is between market risk and all other risks. Market risk is the primary source of investment return and is also referred to as beta. In contrast, alpha is return over and above what one expects to be paid for the market risk or beta. Manager risk is in essence 'alpha risk'.

The crux of market risk management at Partners Capital is rooted in knowing what aggregate market risks are embedded in each client's portfolio as we look through to each underlying asset manager's portfolio, the risks they are taking and how they are changing such risks over time. Market risk optimization is achieved by maintaining the overall portfolio risk in line with budget, diversifying across all asset classes (or types of market risk) and diversifying within asset classes across the most attractive strategies for the prevailing environment.

We break out market risk into four sub-categories, namely 1) equity risk, 2) credit risk, 3) interest rate risk and 4) inflation risk. We monitor such risks through our on-going interaction with each asset manager and with our in-house system to look through each client's portfolio to measure the risk exposure against the agreed budgeted level and mix of risks. Rebalancing to a targeted mix of risks is a critical step for ensuring the portfolio has the overall budgeted risk and we don't experience a loss from having let risk drift upward. There is a similar risk of losing upside, if one lets market risk inadvertently drift downwards (e.g., by managers getting defensive). Many experienced this latter risk in 2009 and missed the market recovery.

The main market risks we seek to eliminate virtually (as we believe we will not be paid for taking these) are currency risk, security concentration (vs diversification) and moving the overall portfolio risk away from its long-term target. These are all controversial points of investment philosophy, but we believe we can prove all of these are risks should be eliminated in a well risk-managed portfolio.

Our risk management processes are concentrated in the four following core firm activities:

Firm Activity	Aspects of Risk Management	Responsibility
Portfolio Construction	• Set risk budget in line with return targets • Diversify across asset classes • Diversity across asset managers (minimum and maximum position sizes) • Manager look-through beta exposure from our manager 'beta-base' • Stress testing against all scenarios	Client team for client portfolio construction Central Research Team for policy portfolio construction
Initial Asset Manager Due Diligence	• Full Quantitative Evaluation Diagnostic (QED) applied to historical performance • Degree of historical risk taken • Third Party background checks on management • Operational due diligence • Regulatory history (SEC, FCA, etc.)	Asset Class Teams
Ongoing Portfolio Monitoring	• Quarterly comparison of portfolio dimensions with Investment Policy Statement guidelines (i.e., risk level, asset allocation within range, liquidity within range, look-through leverage, currency exposure, etc.) • Update stress tests against revised set of scenarios	Client team
Ongoing Asset Manager Monitoring	• Quarterly risk management system as described below, focused on 'red flagged' changes in performance, management, strategy, AUM, leverage and risk level.	Asset Class Teams

Risk management is overseen centrally by Paul Dimitruk, our Executive Chairman. However, the responsibility for risk management is shared among all of our investment professionals as indicated in the right hand column above.

How We Work With Clients

We assist clients in the development of a formal Investment Policy Statement as described above. This document details the investment objectives, time horizon, target level of risk, illiquidity budget, benchmarking policy, and other considerations such as spending policy and social responsibility objectives. We find that one-on-one interviews with clients, and where client is institutional this means with Investment Committee members to be the most effective means of capturing the deepest understanding of portfolio objectives, risk profile and optimal governance.

In our experience, we have come to believe that the following four decisions are paramount to creation of the most effective Investment Policy:

1. Determine the return objective for the portfolio. This is driven primarily by the client's spending and liquidity needs and expected inflation over the long run.

2. Determine the risk level required to achieve the return objective. This requires a clear set of capital market expectations (e.g., forecasts for market returns, volatility and cross-correlations by asset class) to determine the expected return for a given asset allocation at a given risk level. We use mean-variance optimization analysis and our own forecast of asset class returns over a 10-year period to develop the optimal strategic asset allocation.

3. Determine the illiquidity budget. We believe there is a persistent 'illiquidity premium' that can be harvested from Private Equity, Private Equity Real Estate and Private Debt strategies and these strategies are typically the highest returning strategies over the long term. Any investor's 'illiquidity budget' is a function of their overall time horizon, spending needs and liabilities, rebalancing liquidity needs, currency hedging margin and worst-case net private investment capital calls. We have developed useful tools for helping clients to arrive at their optimal illiquidity budget.

4. Governance over portfolio management: Clear accountability tends to drive the best long-term investment performance. Consensus decision-making can hurt portfolio performance. We have developed useful tools (Partners Capital RAID analysis) for clarifying and documenting roles and responsibilities for all key decisions and actions, from high-level investment objectives to day-to-day implementation.

Once appointed as outsourced investment office for a client, the engagement ramp-up period would take approximately one quarter and involve the following key actions:

Implementation Process	Timeline
1. **Complete risk survey with client and where relevant with all members of client team (e.g. Trustees, investment committee members, family members etc..)** Collect any specific additional issues and concerns about optimal portfolio management. Translate survey output to recommend overall risk budget, asset allocation targets, illiquidity budget and return benchmarks for the portfolio. Update Investment Policy Statement as necessary.	Initial 4-5 weeks
2. **Conduct introductory meetings with internal finance staff (if relevant) and external advisers on tax, legal, accounting etc...** to review current operational infrastructure, tax questions, investment restrictions, new structuring options if required for holding investments, and to discuss allocation of future responsibilities. Gain direct access to manager and account statements for reporting functions. Review third-party service providers (e.g. Custodians) versus providers currently used by Partners Capital. If necessary set up new custodial, brokerage accounts and manage these on ongoing basis.	Initial 5-6 weeks
3. **Meet and underwrite current portfolio managers, focusing on managers** we know less well. Partners Capital to provide report to client with preliminary keep/monitor/redeem recommendations.	Initial 6-8 weeks

Implementation Process	Timeline
4. Conduct full look-through factor risk exposure analysis on all managers. Based on manager exposure reports, manager meetings and multi-factor regression analysis of liquid fund past performance, establish normative look-through beta exposure. Examine summary beta levels vs preliminary targets.	Initial 6-8 weeks
5. Meet with client to agree revisions to Investment Policy Statement, review recommended portfolio changes and agree the division of responsibilities. Partners Capital to present a portfolio construction 'roadmap' for the specific portfolio changes that are envisioned with a related time-line and funds flows ('sources and uses'), including recommended manager redemptions, 'trims', 'top-ups' and new allocations.	After first 8 weeks
6. Implement agreed investment recommendations and generate first performance report. Initiate and monitor redemptions and liquidations, complete private placement documents for client executed investments, and execute new investments in accordance with presented 'roadmap'. Illiquid asset class changes would be executed over an agreed multi-year phasing period based on availability of funds (from redemptions and new funds), an appropriate mix of vintage years and attractiveness of illiquid opportunities at each stage of implementation.	End of first full quarter

Clients receive: 1) a monthly "flash report" summarizing the performance and balance of the investments in an abbreviated format, 2) a quarterly consolidated statement of investments containing a detailed review of investment balances, cash flows, and performance results by investment and asset class with detailed benchmarking, and 3) detailed performance attribution at the portfolio and manager levels. Monthly flash reports are typically completed within three weeks from month-end, quarterly reports are typically completed within three to four weeks from quarter-end, and performance attributions are presented and discussed in reoccurring scheduled client meetings.

All Partners Capital produced reports are reconciled to independent external sources, including but not limited to custodians, administrators and asset managers. We have invested significant resources in our reporting system, including the integration of third-party applications. We believe our reporting capability is at the forefront of the industry, with fund-level benchmarking, transaction flows and detailed performance attribution in addition to the standard closing balance information.

We would expect to formally meet clients on a quarterly basis to discuss investment performance, the macro environment, tactical asset allocation moves, normal rebalancing and any potential manager changes. Performance discussions are focused on both three-year rolling performance and fiscal year-to-date. We generally add a 'deep dive' into one asset class as a special topic for each quarterly meeting. In lieu or in addition to this, we sometimes have a core asset manager address the IC. A quarterly statement is sent in advance along with previous meeting minutes and formal IC meeting briefing materials to be added to any other materials that the IC Chairman would wish to distribute in advance. We do not hesitate to contact clients outside of the formal meeting cycle if a situation was to arise that required a more timely decision and we felt it warranted advance discussion.

The level of detail and discussion on tactical moves and manager changes is something which would require your guidance. Our different investment committee clients have different appetites and preferences for this detail. Our bias is to have you share in our thinking and to collect your input, but this can be concentrated with subsets of the investment committee or left entirely with us.

A client's investment policy is generally reviewed at the beginning of each new fiscal year in the first IC meeting of the year. This discussion covers all key elements of the Investment Policy including risk budget, asset allocation, liquidity budget, concentration limits, currency exposure, etc.

The portfolio is monitored on an on-going basis in between formal client review meetings.

Our Key Points Of Difference

- **Independence and aligned incentives:** We are independent and therefore avoid conflicts of interest when selecting, in our opinion, the 'best of breed' managers for each investment strategy. We share no economics with the managers we select for our clients. We use our global scale to secure preferential terms, which flow through to our clients, at every level of service provider (asset managers, custodians, brokerage, FX). Our fees are linked to performance and we are investors ourselves as we co-invest with our clients, giving weight to our investment recommendations.

- **Team pedigree:** We recruit veteran investors from some of the most highly respected firms (e.g., Bain Capital, BC Partners, TPG, Tudor, Investcorp, Fremont, Schroders, Goldman Sachs, Morgan Stanley) in the belief that it takes one to know one (i.e., to assess asset managers). We then train them to be ever more accomplished experts in their dedicated asset class and in client portfolio management.

- **Advanced proven institutional investment strategy:** The foundation of our investment strategy is the 'endowment model,' enhanced by over our 12-year history of constructing bespoke client portfolios in a challenging array of market environments. Unique to our evolved strategy is acute risk control at the overall portfolio level, based on constant monitoring of look-through manager market risk exposures. We are committed to diversified, all-asset-class portfolios with significant focus on Private Equity, Real Estate and Credit in addition to Liquid Market strategies.

- **Asset class expertise:** We have no bias or concentration of asset class expertise, but rather have deep asset class experts organized into five different asset class teams covering public equities, private equity, credit and fixed income, property and resources and absolute return hedge funds.

- **Truly global:** 'One office with seven locations' covering Europe, Asia and North America. Client portfolios reflect a global opportunity set.

- **Due diligence capability to identify exceptional asset managers:** This is our core competence rooted in the accumulated experience of research on over 5000 asset managers. Our global team of 50 investment professionals triangulate with some of the best investors in the world, including our clients, to validate our own deep due diligence in selecting managers.

- **Rare manager network insiders:** Access to the best asset managers are often below the radar of the majority of investors, opening and closing, before most become aware. Our investment team members are dedicated to a specific asset class and have built relationships with, who we believe to be, the best asset managers in the space and with other highly respected institutional investors in these asset classes. Combining this with our current client base and strategic shareholders, we devote significant senior resource to gain access to exceptional closed managers and to get in the door of newer managers before the door shuts behind us. We use our $15 billion of purchasing power to seek reduced fees and improvement in other terms for our clients.

- **End-to-end investment solution and service:** Our investment platform is supported by a world-class 54-person operations and client service team that manages investment execution, performance reporting, and other portfolio administration services. Our global team has deep experience in executing and administering investments across all asset classes and currencies globally.

- **Tested by the most sophisticated investors:** Many of our clients are leaders in the investment world. This is our special franchise and has us continuously tested by world class asset-manager clients.

- **One and only one business:** We are an outsourced investment office (OCIO). We have no other businesses to distract us from this one.

Firm Profile

Partners Capital is a leading Outsourced Investment Office located in London, Boston, New York City, San Francisco, Paris, Singapore and Hong Kong serving investment professionals, endowments, foundations, pensions and high net-worth families globally. We provide wholly independent advice on asset allocation and access to what we believe to be best-of-breed asset managers across all asset classes and geographic markets. This access is strongly enhanced by the quality of our community of shareholders and clients, most of whom are veteran investors themselves in specialist sectors around the world.

The firm was founded in 2001 by investment professionals seeking an independent and conflict free adviser to provide portfolio construction advice and rigorous analysis of investment opportunities. From its initial focus as the "money managers to the money managers" with a base of 70 clients, Partners Capital has grown to become an adviser to endowments and foundations as well as prominent family offices and successful entrepreneurs across the U.S., U.K., Europe and Asia. Endowments have become a large proportion of the institutional client base, which now includes Oxford and Cambridge Colleges, and many of the most highly respected museums and charitable foundations located around the world.

Among Partners Capital services are bespoke outsourced investment solutions for endowments, foundations and tax-efficient and tax-deferred investment strategies for taxable private clients. Partners Capital predominantly advises on entire portfolios but also specialty strategies, such as Private Equity or Private Debt strategies.

Partners Capital deploys an investment philosophy that embraces many of the powerful diversification benefits of the "endowment model" of investing. However we apply a more dynamic approach to asset allocation, which seeks to clearly delineate between performance derived from market factors as opposed to the skill of individual managers.

Today, with over $26 billion of assets under management, Partners Capital's clients comprise an equal mix of private individuals and institutional clients. Many of our clients are among the most sophisticated investors in the world, with a sound understanding of investment principles and experience across multiple asset classes.

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