



Fiduciary Investors Roundtable for Collaboration and Partnerships (FIRCAP)

Executive Summary

The Fiduciary Investors Roundtable for Collaboration and Partnerships ("FIRCAP") was established in 2015 as a platform for asset owners to collaborate on innovative private market strategies. Since then, FIRCAP has hosted four meetings, including: February 2016 (Quebec City, Canada); September 2016 (London, UK, in partnership with Railpen Investment Management); April 2017 (Quebec City, Canada); and November 2017 (New York City, USA, in partnership with the NYC Comptroller's Office).

This document outlines describes FIRCAP's origins, objectives and operating model.

CONTEXT

Over the past decade, pension plans, sovereign wealth funds and other long-term investors (asset owners) have increasingly recognized a need to change the way that they invest in private market activities. This has been prompted by several factors, including:

- (i) The lack of alignment between asset owners and external asset managers has become a source of concern and has driven many of them to re-assess their external management strategies;
- (ii) Despite widespread demand for long-term capital to support everything from innovation to infrastructure, traditional intermediated fund structures have not evolved quickly enough to provide an appropriate range of investment vehicles. The resulting global deficit of long-term capital has created opportunities for those asset owners that can find innovative approaches to structure and own investments, often in collaboration with peers;
- (iii) As a result, asset owners are increasingly looking for ways to reduce their dependency on intermediaries, lower fees, find ways to maximize the alignment of interests with their co-investors and take better advantage of their unique characteristics, notably deep pockets, long term horizon and deep roots and knowledge of local markets ("home turf advantage").

This situation led some innovative large asset owners to build strong in-house investment capabilities to invest directly in private markets. The 2008 global financial crisis accelerated this trend and increased the number of asset owners moving towards what is sometimes called "the Canadian model". The growing number of funds developing in-house direct investment capacity also prompted many of them to increase their collaboration with one another. By developing closer relationships, they could both learn from each other and establish collaborative investment strategies that leverage their collective resources to optimize their mutual economic interests over the long run.

In 2010, the Quebec City Conference (QCC), now QCC Quebec City-Toronto, created the Institutional Investors Roundtable (IIR), an independent, not-for profit, invitation-only platform designed to enable high-level, direct and confidential discussions among senior investment executives of those asset owners who have, or were developing, in-house, direct private

market teams¹. These asset owners (mainly pension plans and sovereign wealth funds) created the IIR as their forum to explore ways of improving their collaboration around private markets, including by sharing insights on the development of new investment vehicles and by collaborating on large scale co-investment platforms. To preserve the intimacy required for meaningful peer-to-peer discussions, the IIR is restricted to a group of roughly 40 of the largest global institutional investors identified by the IIR Board.

MISSION & STRATEGY

While this trend began in the community of large asset owners who had the capability and intent to build in-house teams, interest and attention to the possible advantages of investing more directly in private markets has expanded to a growing number of asset owners who, for a variety of reasons (mainly governance constraints or insufficient size), do not expect to build significant in-house teams in the medium term.

Just as with the IIR, this second community of asset owners would also benefit from a forum to promote peer collaboration by sharing experiences, combining resources and taking better advantage of their characteristics as long-term investors, notably by developing investment platforms with peers. There is therefore a need for an independent, not-for-profit, invitation-only forum designed by and for like-minded asset owners to enable them to work more effectively with peers to innovate the strategies and structures for accessing private market investment opportunities.

Of course, the approach to collaboration and the resultant co-investment structures will be different for asset owners who do not have significant internal teams. This is principally because they are more likely to rely on the specialized skills of advisors and consultants when identifying, developing and approving new investment structures, and are more likely to use externally managed vehicles for implementation. As a result, these asset owners also generally need to interact with a larger community to identify peers with whom they can pool resources and capital to implement the strategies.

A potentially important source of new, more aligned structures is asset owners who have already built in-house teams and whose investment strategies or operating models provide a business rationale for investing assets on behalf of like-minded peers. These asset owners can also provide an important source of expertise and advice for others in the community.

A group of leading asset owners (listed below under “Committee of Peers”) decided to support the creation of a new forum inspired and modelled on the IIR, but customized to respond to their specific needs. The above-described mission can be achieved if supported by four components:

A forum to build relationships with peers: This platform is limited to senior executives (“decision-makers”) and structured around an agenda that enables the sharing of best practices and expertise, and wherever possible focus on and promote concrete opportunities to develop collaborative models for investing in private markets. It will likely, over time, also provide opportunities for peers to discuss collaboration on other operational and investment activities outside of private markets;

¹The IIR’s Board is composed of its seventeen members, who are: the Abu Dhabi Investment Authority (ADIA), ATP (Denmark), British Columbia Investment Management Corporation (BCI, Canada), Caisse de dépôt et placement du Québec (CDPQ, Canada), CDC International Capital (subsidiary of Caisse des dépôts et consignations, France), Canada Pension Plan Investment Board (CPPIB), China Investment Corporation (CIC), Future Fund (Australia), GIC Special Investments Pte Ltd (Singapore), Hong Kong Monetary Authority (HKMA), Ontario Teachers’ Pension Plan (OTPP, Canada), PGGM (Netherlands), Queensland Investment Corporation (QIC, Australia), Russian Direct Investment Fund (RDIF), Temasek International Pte Ltd (Singapore), TIAA (U.S.A.) and the IIR’s Founder and CEO Christian Racicot.

A secretariat resource to support collaboration: As with the IIR, the FIRCAP benefits from a secretariat that understands asset owners' needs and has the expertise to support their collaboration initiatives.

Access to other sources of expertise and capacity: This includes the involvement, as appropriate and in a controlled manner, of consultants, advisors and external managers;

A focus on tangible outcomes and aligned partners: The FIRCAP prioritizes tangible opportunities to deploy capital in more aligned structures, notably through the development by peers of investment platforms and other types of peer-led structures. While implementation is likely to involve external managers, FIRCAP prioritises peer collaboration structures created by asset owners who have in-house, direct investment capabilities that can be made available to peers, including through investment platforms.

THE FIRCAP PLATFORM

The FIRCAP is an independent, not-for profit and invitation-only platform designed to support collaboration between senior investment executives and strategic advisors of:

Asset owners who do not currently have sufficient in-house resources to invest directly on their own and see the need to work with peers to innovate how they access private market investments, and are interested to share with peers how they may develop the internal capabilities required to better collaborate by:

Sharing investment strategies, best practices and expertise to take better advantage of their characteristics of long-term investors and improve the efficiency of their investment activity, particularly in private markets;

Pooling their resources and networks to explore innovative investment models or specific investment opportunities;

Developing innovative investment vehicles suiting their strategies and constraints of scale or governance; or

Where relevant, sharing experience and advice on how to build the institutional and human resources capacity to manage funds in-house.

Asset owners with strong in-house investment teams who are seeking creative ways to attract aligned capital from peers with a long-term investment horizon by supporting or establishing investment platforms on friendlier or better aligned terms than those generally offered by the asset management market; through high-level, direct and confidential discussions with the primary objective of increasing long-term risk-adjusted returns for themselves and other fiduciary investors.

FIRCAP PARTICIPANTS

Participation is strictly limited to those institutions and individuals identified below:

- (i) "Eligible institutions": Institutional investors (pension funds and other asset owners) that are interested in exploring new investment models and new ways of collaborating with peers. The FIRCAP is not open to investors whose mandate involves managing a significant proportion of assets for third parties.
- (ii) "Eligible participants": Senior investment executives (senior staff with "signing authority") of Eligible institutions, their Plan Sponsors, or their consultants and strategic advisors.
- (iii) "Eligible observers": Senior executives from external managers may participate in individual FIRCAP meetings when relevant to specific subjects proposed for discussion by Eligible Participants. Their attendance is on the basis that they can contribute their expertise and resources to achieve the objectives defined by a fiduciary investor participant of FIRCAP. No marketing is permitted.

Past participants of FIRCAP meetings include senior investment professionals from the following 30 organizations:

Aviva Pension Fund (UK), BBC Pension Fund (UK), Black Coral Capital (USA), BIMCOR (Canada), British Airways Pension Investment Management (UK), CAAT Pension Plan (Canada), Caisse de dépôt et placement du Québec (Canada), Canada Post Pension Plan (Canada), Desjardins Group Pension Fund (Canada), Fire and Police Pension Association of Colorado (USA), Fonditel Pension Fund (Spain), HSBC Pension Fund (UK), Ireland Strategic Investment Fund (Ireland), Lloyds Pension Fund (UK), London Pension Fund Authority (UK), Montepio Loreto (Spain), National Bank Pension Plan (Canada), New York City Comptroller's Office (USA), OMERS (Canada), Ontario Pension Board (Canada), OPTrust (Canada), Pensions Infrastructure Platform (UK), Railpen Investment Management (UK), Royal Mail Pension Plan (UK), Saskatchewan Healthcare Employees Pension Plan (Canada), SUN Group (India), Surrey County Council Pension Fund (UK), TIAA (USA), University of Toronto Asset Management Corporation (Canada), World Bank Treasury (USA).

PARTICIPATION FEE

Participation in the FIRCAP meetings and the QCC is free of charge for eligible participants and observers (see definition in "FIRCAP participants" above).

FIRCAP FORMAT AND FUNDING

- (i) The FIRCAP's agenda, format, guest list and content are determined by a Committee of Peers (more information below) solely to fulfill its mission. No participant or group of participants has disproportionate rights or influence in the FIRCAP.
- (ii) No promotional or sales activities are permitted within the FIRCAP Meeting.
- (iii) The FIRCAP is apolitical in its activities and does not engage in any political advocacy nor does it speak on behalf of participants.
- (iv) All discussions held within the FIRCAP are confidential to allow participants to openly explore investment ideas and opportunities in depth.
- (v) The FIRCAP is funded by QCC, a not-for-profit organisation founded in 2003 whose mission and objectives are described in more detail below.
- (vi) No sponsorship of the FIRCAP is permitted.
- (vii) The FIRCAP will be funded by revenues paid to QCC by sponsors of the QCC. Sponsors of the QCC do not have access to FIRCAP meetings (see definition of eligibility in "FIRCAP participants" above) or influence its agenda.

FIRCAP COMMITTEE OF PEERS

The FIRCAP's Committee of Peers is the decision-making body that advises on FIRCAP's policies, including those relating to content and eligible participants. It is envisaged that the group will grow to 12 members, to be chosen among peers by the existing committee members who are:

- Jordan Berger, Managing Director – Strategic Relationships and Portfolio Intelligence, OPTrust (Canada);
- Paul Bishop, Investment Director, RailPen Investments (UK);
- Scott Evans, CIO, New York City Retirement Systems (USA);
- Paul Manias, Managing Director – OMERS Platform Investments, OMERS (Canada);
- Dale Martin, Head of Illiquid Alternatives – Colorado Fire and Police Pension Plan (USA)
- John Panagakis, Head of Asset Management Business Development, TIAA-CREF (USA);
- Jim Pittman, Senior Vice President – Private Equity, bcIMC (Canada); and

- QCC, represented by Tom Rotherham-Winqvist (Vice President), Gordon Hagart (Vice President) and Christian Racicot (CEO & Chair of the Committee of Peers)

FIRCAP ADVISORY COMMITTEE

The Advisory Committee supports the FIRCAP by providing strategic advice, market insights and introductions to eligible institutions. The Advisory Committee is currently composed of: Jacques Demers, former CEO of OMERS Strategic Investments; Bart A. Heenk, Managing Director of Avida International; David Parrish, Partner, Jackson Walker LLP; and Tim Hodgson, Head of Thinking Ahead Group 2.0 at WillisTowersWatson.

ABOUT QCC

QCC is a not-for-profit organization whose mission is to support private investment activities producing societal benefit by addressing a specific need in the market place. Its modus operandi is to create customized by-invitation-only forums to create action-oriented communities of aligned stakeholders which are each aimed at solving specific market dislocations and to support them logistically and financially. QCC has so far established the Institutional Investors Roundtable (IIR); the Tech Innovation Platform (TIP) and the FIRCAP. It also organizes the QCC Conference.

QCC is a not-for profit corporation supported by the Governments of Canada, Quebec, Ontario and British Columbia, and by private sponsors, including Business Development Bank of Canada, Deloitte and National Bank of Canada.