

Dedicated Managed Accounts Platform Services

March 22, 2017

Employees' Retirement System of Rhode Island (“ERSRI”)



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Aberdeen

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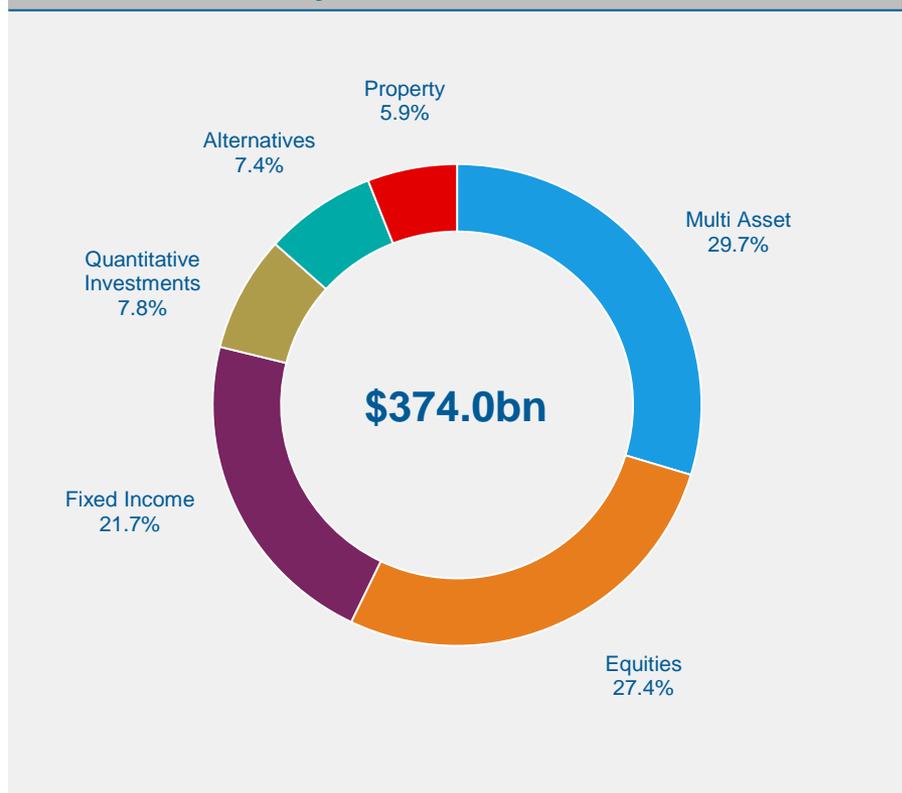
Aberdeen Asset Management - Organizational overview

- Global asset management is our primary business – sole focus on our clients' portfolios and their interests
- Geographically diverse – 39 offices in 28 countries
- Over 2,700 staff including over 650 investment professionals worldwide
- Global AuM over \$374bn

Aberdeen Solutions

- Dedicated home for specialist alternatives and multi-asset investing
- **23+** investment professionals, 8 professionals in risk/portfolio construction, **9** Operational Due Diligence professionals
- Alternative assets of \$27.8bn
- Assets of \$10.4bn in customized accounts, advisory mandates, liquid alternatives and commingled funds

Aberdeen AuM by asset class



Source: Aberdeen Asset Management, 31 Dec 16
Figures may appear not to add due to rounding. For illustrative purposes only

A diversified and global business

Aberdeen's service to limited partners

- Aberdeen is a truly global alternatives manager able to provide support and resources across the spectrum

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|---|---|--|
| ✓ Vast resources that can be tailored to evolving needs | ✓ Board, client and financial advisor presentations | ✓ Teach-Ins with Aberdeen strategy heads |
| ✓ Due diligence onsite support | ✓ Monthly strategy sessions | ✓ White papers on trading developments |
| ✓ Educational roundtables | ✓ Industry insight | ✓ Due diligence tutorials |
| ✓ Market reviews | ✓ Active conference involvement | ✓ Shared research |
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Aberdeen leverages HedgeMark & BNY Mellon

- HedgeMark, a BNY Mellon company, specializes in supporting institutional clients in the development and operation of their own dedicated managed account platforms (DMA)
- BNY Mellon offers clients various products, technology, and services to help enhance the management, administration, and oversight of their investment process

✓ Total Plan Risk Reporting	✓ FX Hedging	✓ Thought Leadership Events
✓ Coordination with ERSRI Custody Team	✓ Securities Lending	✓ Customized Training and Education Sessions
✓ Fund Administration	✓ NEXEN Gateway: Integrated Reporting across BNYM business lines	✓ Cash Management Services

Structuring, formation & onboarding

Fund Structuring & Organization

- Customize fund structure to meet the client's needs
- Experienced with various regulatory regimes and working with corporate governance providers
- Coordinate fund formation
- Coordinate the negotiation of legal agreements and establish operating procedures with fund and service providers

Investment Management Agreements

- Coordinate onboarding of each Investment Manager
- Key Fund Negotiated Terms:
 - Authority to trade account only
 - Assist client on monitorable investment guidelines
 - Availability of termination triggers, including key person and bad actor protections
 - Reporting requirements
 - Exclusion of Manager expenses
 - Liability standards of care

PB, ISDA and Account Openings

- Coordinate negotiation of legal agreements with brokers and counterparties
- Templates with multiple counterparties
- Market insight can facilitate protective terms in counterparty agreements

Operational Onboarding

- Coordinate connectivity for transfer of data between all parties
- Project management throughout the onboarding stage
- Develop operational workflow
- Data feeds
- Manager termination

Operational due diligence – key responsibilities

Operational Due Diligence

Due diligence – new funds

- Comprehensive review of:
 - fund constitutional documents
 - investment manager capabilities and processes
 - functions performed on behalf of the target fund by key service providers
 - audited financial statements
 - governance arrangements
 - jurisdictional/regulatory checks
- Quantitative appraisal of investment manager and administrator
- Presentation of report and recommendation to relevant Investment Committee

Due diligence – ongoing

- Comprehensive review of:
 - updated offering materials
 - audited financial statements
 - investment managers (annual visit)
 - administrators
 - Update of jurisdictional/regulatory checks
- Monitor regulatory changes/readiness

Custody operations

- Liquidity management/analysis
- Trade instructions/monitoring of trade process
- Investment guideline monitoring/reporting
- Corporate actions

Operational due diligence – key pillars



Manager due diligence

- Comprehensive series of desktop analysis and onsite meetings
- Includes analysis of the firm, its governance, operations, business continuity, compliance etc.



Counterparty analysis

- Review of managers' key counterparties, including legal advisors and firm's prime broker
- Provides important insights into the nature of the firm



Third party checks

- Regulatory checks on the firm and key parties
- Specialists provide legal reviews, jurisdictional checks and background checks on key individuals



Quantitative reviews

- Designed to supplement the qualitative analysis to provide an objective analysis of operational risks
- Covers firm overview, trading, valuation, middle and back office, compliance and other aspects

Strong due diligence by one of the longest running ODD teams in the industry

Risk and performance analytics

- Position-level holdings and performance analytics provide tools for robust risk assessment and reporting



Stress Testing

- Estimated Profit or Loss for funds and portfolios across a library of Major Historical Market Moves

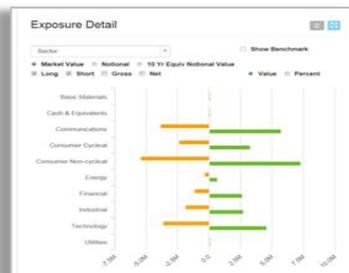


Value at Risk

- Historical and Monte Carlo Simulation (1 Day, 1 Week and 1 Month Time Horizon).
- Reporting at any level of a Fund or Portfolio
- Additional measures: incremental VAR, component VAR, conditional VAR

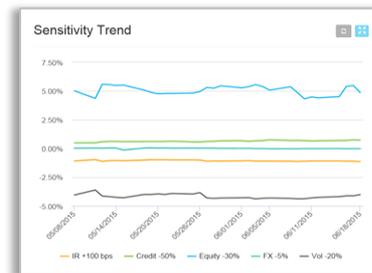
Exposure Reporting

- Net & Gross Exposure (Market Value and Notional Exposure)
- Various reporting levels (including Asset Class / Instrument Type, Currency, Region, Counterparty, Industry, Sector, Credit Rating, etc.)
- Individual Fund and aggregation of managed accounts within any number of portfolios



Sensitivity Analysis

- Expected P&L associated with a ladder of movements in Equities, Commodities, FX Rates, Interest Rates, Credit Spreads and Volatilities
- Greek sensitivities: Beta, Delta, DV01, Vega and more



Compliance and Portfolio Surveillance Monitoring

- Limits can be set to measure compliance against any risk or exposure metrics calculated by the system, including, notional values, leverage, performance, VaR, sensitivities and expected stress test P&L

Portfolio/Fund Name	Rule Name	Result	
Global High Yield	Country Limit	Success	Success
CTA Fund	Country Limit	Success	Success
CTA Fund II	Country Limit	Success	Success
Global High Yield II	Country Limit	Success	Success
Multi-Strat FoF II	Country Limit	Success	Success

Sector	Security Type Level 3	Portfolio Weights	Contribution		Contribution Long Short Fund
			Portfolio Returns	Portfolio Contributions	
Basic Materials		51.57	0.78	0.71	
Communications		1.11	-0.09	-0.11	
Consumer Cyclical		26.29	0.59	0.23	
Consumer Non-cyclical		13.30	0.59	0.25	
Energy		13.65	1.30	0.48	
Equity Index		6.24	2.86	0.28	
Financial		1.87	-0.05	-0.21	
Government		13.87	0.13	0.33	
Healthcare		11.36	1.11	0.56	
Industrials		11.92	1.58	0.61	
Technology		1.00	-1.78	-0.81	
Utilities		0.34	-1.11	-0.21	
Government		5.48	0.48	0.02	
Industrial		7.87	2.87	0.22	
Technology		29.92	6.79	0.48	
Utilities		0.39	-1.14	-0.11	
		-21.61	2.75	-0.25	
		36.04	0.00	0.00	
		100.00	0.04	-0.88	

Daily Performance and Performance Contribution

- Daily Performance and Performance decomposition of returns at various levels - Long/Short, Asset Type, Region etc.
- Position-based analysis can be run over various time horizons, to help identify sources of return over a single day, or multiple days or weeks

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