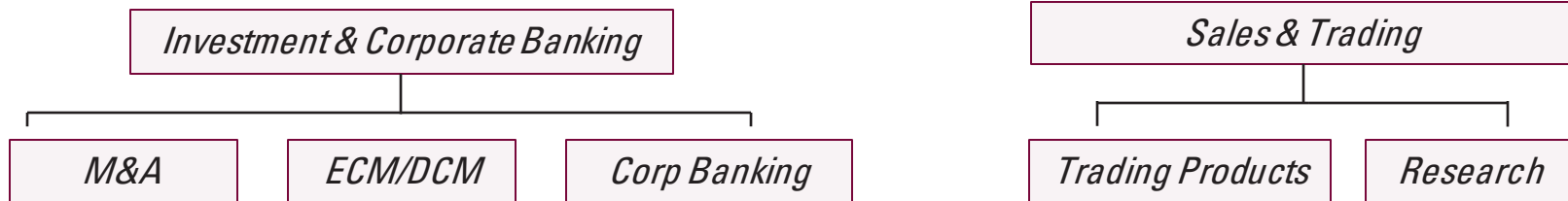


DeGroote Finance & Investment Council

Intro to Buy-Side 2021-2022

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Sell-Side



Capital Markets



Buy-Side



What is the Buy-Side?

The **"Buy-Side"** is a segment of financial markets made up of investing institutions that buy securities for money-management purposes

The Role of the Buy Side



Manage Client's Money



Make Investment Decisions



Earn Best Risk-Adjusted ROI



Performance Research & Due Diligence



Perform Financial Modelling & Valuation



Find and Recruit Investor Capital



Grow AUM



Analyze economic and political trends

Top Firms

Private Equity

Blackstone

KKR

THE CARLYLE GROUP

TPG

WARBURG PINCUS

Venture Capital

GREYCROFT

SEQUOIA

GeorgianPartners

brightspark

EXTREME VENTURE PARTNERS [E]^x

Hedge Funds

CITADEL

Point72

POLAR

AQR

BRIDGEWATER

Pension Funds

CPP Investments

CDPQ

ONTARIO TEACHERS' PENSION PLAN

PSP

OMERS



Within the Buy Side

Private Equity

Private equity typically refers to investment funds, generally organized as limited partnerships (LP), that buy and restructure companies that are not publicly traded

Venture Capital

Venture capital funds typically invest in early-stage businesses with high growth potential and may have limited access to capital

Hedge Funds

A hedge fund is an investment fund that trades in relatively liquid assets and can make extensive use of more complex trading and risk management to improve performance

Pension Funds

Pension funds manage large amounts of money to preserve and grow capital provided on behalf of a company and its employees. They are amongst the largest institutional investors

Careers on the Buy Side

Portfolio Management

Wealth Management

Private Equity

Venture Capital

Hedge Fund

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Buy-Side Areas

Asset Management falls within the buy-side of finance and includes Investment Firms, Pension Funds, Family Offices, PE/VC Firms, Hedge Funds. Typically, students will transition from the sell-side to the buy-side into one of the 5 categories listed

I



Investment Firms

- Private or public firms that manage money on behalf of clients in institutional or private wealth
- Investments are typically made in equity securities, bonds, and funds.
- Goals are to grow client capital; the firm is compensated through an asset management fee and commission or fees per trade

II



Pension Funds

- Governmental or large corporate entities managing pension assets on behalf of pensioners
- Typically, the largest funds will invest in multi-asset classes both in the private and public sector
- Goals are to grow pensioners capital faster than the rate of withdrawal. Firms are compensated by beating their respective benchmark

III



- Like a hedge fund, family offices are dedicated to managing one or several high-net-worth family assets
- Invests in multi-asset classes in both the public and private sector
- Compensation is through asset management fees while goals are to grow and preserve a client's capital

IV



PE/VC Firms

- Private firms acting as general partners, investing capital raised from limited partners (LPs) into PE assets
- PE investment can take several forms and focus on a variety of different assets & business stages
- VC firms look at early-stage growth business and support them as they grow

V



Hedge Funds

- Fewer regulatory restrictions typically focused on public market investments, with flexibility across multiple asset classes
- Typically have various strategies in Long/Short equity, Market-neutral, Distressed credit, and Global macro
- Goal is to earn risk-adjusted returns superior to benchmarks, and they are compensated through Carried Interest and Management fees



What is Investment Management?

- Investment management refers to the **handling of financial assets and other investments** - not only buying and selling them
- Management includes devising a short or long-term strategy for acquiring and disposing of portfolio holdings
- It can also include banking, budgeting, and tax services and duties, as well
- The term most often refers to managing the holdings within an investment portfolio, and the trading of them to achieve a specific investment objective

Pros & Cons

Pros:

- Professional analysis
- Full-time diligence
- Ability to time or outperform the market
- Ability to protect portfolio in down times

Cons:

- Sizeable fees
- Profits fluctuate with market
- Challenges from passively managed vehicles, robo-advisors

Investment Management in the Real World

- The top 20 investment management firms in the world **control a record 43% of all the global assets under management**
- In other words, these firms control some **\$40.6 trillion worth** of these global assets
- Some of the leading firms worldwide include Bank of America Global Wealth and Investment Management, Morgan Stanley Wealth Management, and J.P. Morgan Private Bank.

Top Investment Managers in Canada



Global Asset
Management



TD Asset
Management



CIBC
Asset Management

BLACKROCK



GLOBAL ASSET
MANAGEMENT

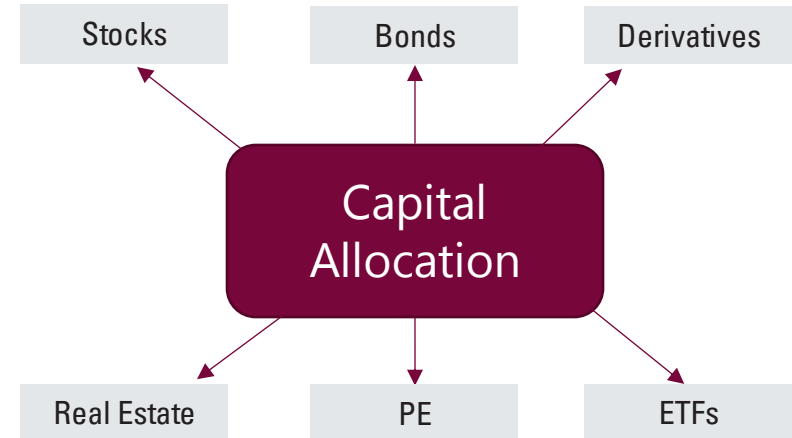
What is a Pension Fund

- Governmental or large corporate entities managing pension assets on behalf of pensioners
- Typically, the largest funds will invest in multi-asset classes both in the private and public sector
- Goals are to grow pensioners capital faster than the rate of withdrawal. Firms are compensated by beating their respective benchmark
- Top Pension Funds include CPP Investments, OTPP, OMERS, and PSP
- Opportunities are endless and often entered after several years in traditional sell-side careers

Key Employers



Where do Pension Funds Invest



Open vs. Closed Pension Funds

Open pension funds are custodians of at least one pension plan with no membership restriction. Closed pension funds support pension plans that are only open to specific employees.

Closed pension funds can be further classified into:

Single-Employer Pension Funds

Multi-Employer Pension Funds

Related Member Pension Funds

Individual Pension Funds

What are Family Offices?

- Family offices are private wealth management advisory firms, serving **ultra-high-net-worth individuals (HNWI)**
- They provide a broad spectrum of **private wealth management services** to one or a small number of ultra-high-net-worth families.
- Besides financial services, family offices also offer planning, charitable giving advice, concierge, and other comprehensive services.
- Single-family offices serve one individual and their family, while multi-family offices serve a few families benefiting from economies of scale.

Lifestyle Management

- Many family offices act as a personal concierge for families, handling their personal affairs and catering to their lifestyle needs
- This could include conducting background checks on personal and business staff, providing personal security for home and travel, aircraft and yacht management, travel planning and fulfillment, and streamlining business affairs



Different Disciplines

- Family offices are a well-coordinated, collaborative effort by a team of professionals from the legal, insurance, investment, estate, business, and tax disciplines.
- Often, a family office provides high-level financial planning through an integrative approach.
- Combining asset management, cash management, risk management, financial planning, lifestyle management, and other services, family offices help clients navigate the complex world of wealth management.

Top Global Family Offices



BEZOS EXPEDITIONS



What is Private Equity?

- Private equity refers to investment funds, generally organized as limited partnerships, that buy and restructure companies that are not publicly traded
- Private equity firms can purchase publicly traded companies making them private (typically through a leveraged buy-out)
- There are different classifications of PE firms that invest in different types of assets and utilize different funding strategies, today we will cover 3 categories:
- **Leveraged Buy-Outs (LBOs), Venture Capital, and Search Funds**

Venture Capital

- Venture Capital Funds typically invest in **early-stage businesses with high growth potential** and may have limited access to capital
- VC's can present high risks for investors but also offer the potential for attractive returns
- VCs are an essential source of capital for ambitious start-ups looking to pursue new innovative businesses
- Examples of businesses that utilized venture capital as a source of funding include:



Leveraged Buy-Outs (LBO)

- A Leveraged Buy-Out is a transaction where a company is acquired using a large portion of debt
- **The justification for utilizing a significant amount of leverage (debt) is to achieve a greater IRR**
- The use of leverage significantly increases returns on equity. It also increases the risks of significant downsides which is why private equity firms typically target stable companies that generate predictable cash flows

Search Funds

- A search fund is an investment vehicle through which an entrepreneur **raises funds from investors in order to acquire a company in which they wish to take an active, day-to-day leadership role**
- In the first stage, a small group of investors back operating managers to search for a target company to acquire and in the second stage the general manager takes an operational role in the acquired company
- Search funds are typically started by intelligent business school graduates who have a background in private equity, investment banking, or management consulting

What is Venture Capital?

- Venture Capital funds typically invest in **early-stage businesses with high growth potential** and may have limited access to capital
- Venture Capital can present high risks for investors but also offer the potential for attractive returns
- Venture Capital is an essential source of capital for ambitious start-ups looking to pursue new innovative businesses



Venture Capital Exit Strategies

- An important aspect of venture capital is the investors exit strategy which dictate the overall return for the investors
- Venture Capital exit strategies are contingency plans to liquidate a position in a financial assets once predetermined criteria have been met or exceeded
- Effective exit strategies are planned for every positive or negative contingency
- There are pros and cons to different exit strategies and depending on the timeline and target company some may or may not be viable

Venture Capital Valuation Methods

- **Venture Capital Method:** Utilizing market multiples to arrive at the future terminal value of the business and dividing by a discount factor that represents an investors anticipated rate of return
- **Payne Scorecard Method:** Uses an average valuation of similar start-ups and applies weights of specific parameters. The target company is then assigned scores in the respective categories based on the benchmark of its peer



What are Hedge Funds?

- A hedge fund is an investment fund that **trades in relatively liquid assets and can make extensive use of more complex trading, portfolio construction and risk management techniques** to improve performance, such as short selling, using leverage and derivatives
- Only accessible institutions or accredited investors
- Accredited investors must meet a specific net worth requirements typically being a net worth exceeding \$1 million or an income over \$200,000 for the previous 2 years

Pros & Cons

Pros:

- Competitive performance
- Irrespective of market conditions
- Diversification
- Less regulatory requirements
- Leverage

Cons:

- Due diligence is challenging
- Lack of transparency
- Higher fees
- Requires substantial capital

Strategies & Structure

- Hedge Funds are usually set up as **limited partnerships** that include general and limited partners where the general partners are the investment managers, and the limited partners are the investors
- Fee structure in a hedge fund include a management fee on AUM and an incentive fee
- Different hedge funds focus on different strategies and specific investment vehicles to drive returns (event-driven, macro, relative value, and long-short equity)

Canadian Hedge Funds



LYNWOOD
— CAPITAL —



Sprott



CLEARWATER
CAPITAL

Sionna
Investment Managers®

AGILITH
CAPITAL INC.

DeGroote Finance & Investment Council

Top Canadian Firms

Pension Funds



Venture Capital



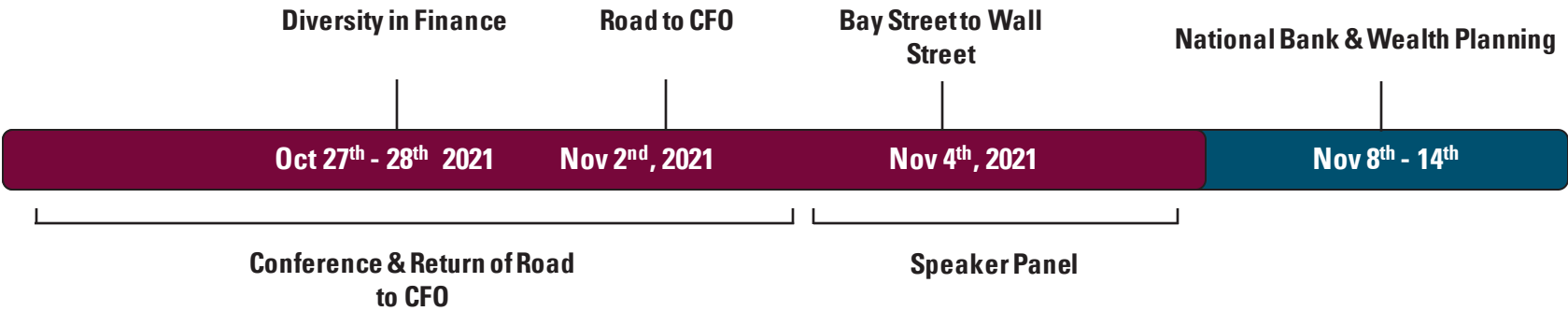
Private Equity



Hedge Funds



Timelines



Event Descriptions

Diversity in Finance



DFIC is hosting a **Diversity in Finance Conference**, learn tips from speakers from the Big 6 Banks!

Road to CFO



Come and hear from the CFO of **PwC Canada** and the VP & CFO of **Transunion Canada**!

DeGroote Finance & Investment Council

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DeGroote Finance & Investment Council

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