2017 Winter Investment Advisory Board Summit

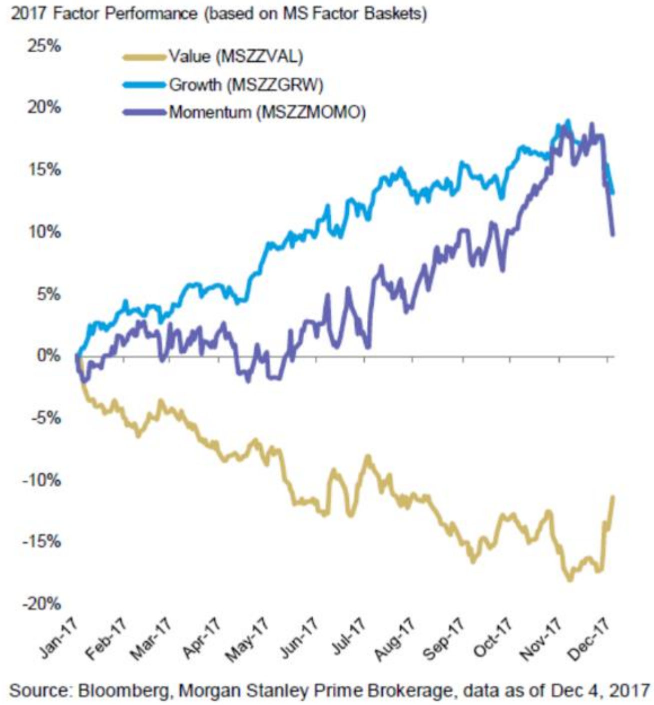
The Windrose Investment Summit is a full day of investment dialogue, including members of the investment team and the Investment Advisory Board. The Board consists of leading investors from well-known groups such as M.I.T., Boston Children's Hospital, Boston College, Bowdoin College, D.E. Shaw and Union Park Capital. The day of meetings is followed by a keynote speaker at dinner and includes Windrose clients.

Windrose Advisors hosted a one-day Investment Advisory Board ("IAB") Summit in December 2017. The event provided a venue for sharing investment ideas, discussing market opportunities and important context for the current economic environment. The discussion focused on a number of current topics, including recent market conditions and private investments. The cross-pollination of investment ideas and market opinions between the WA Investment Team and the IAB should continue to enhance portfolio positioning and manager selection for WA clients through changing market environments. To supplement the IAB's discussions, WA hosted Mark Mandel of Wellington to share his thoughts on the growth of passive investing, the implications of passive investing on the broader market, and how best to take advantage of these market dynamics.

Following are some of the key takeaways from the Advisory Board discussion:

Dealing with an expensive market:

- Equity market performance in 2017 has been driven by growth and momentum stocks (mainly in the Information Technology sector) while value stocks have lagged, as shown in the chart to the right.
- While it may be tempting to invest in those styles with the best recent performance such as growth and momentum, performance chasing typically does not work well. The value factor, though out of favor recently, should provide superior long-term returns.
- Specifically, value-oriented opportunistic strategies offer a good contrarian hedge against a potential market rotation.



Source: Bloomberg, Morgan Stanley Prime Brokerage, data as of Dec 4, 2017

Private Investment Program:

- IAB members advise keeping a focus on investment multiples (target of greater than 2x for private equity) rather than internal rates of returns when evaluating the performance and assessing the risk of a private equity portfolio.
- Today's low credit yields and expensive equity valuations make distressed credit strategies attractive.

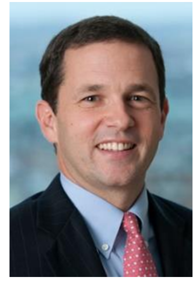
Source: Cambridge Associates

WINDROSE ADVISORS

A: 800 South Street, Suite 600, Waltham, MA 02453
T: 617.421.1750
W: www.windroseadvisor.com

2017 Winter Investment Advisory Board Summit

The Windrose Investment Summit is a full day of investment dialogue, including members of the investment team and the Investment Advisory Board. The Board consists of leading investors from well-known groups such as M.I.T., Boston Children's Hospital, Boston College, Bowdoin College, D.E. Shaw and Union Park Capital. The day of meetings is followed by a keynote speaker at dinner and includes Windrose clients.

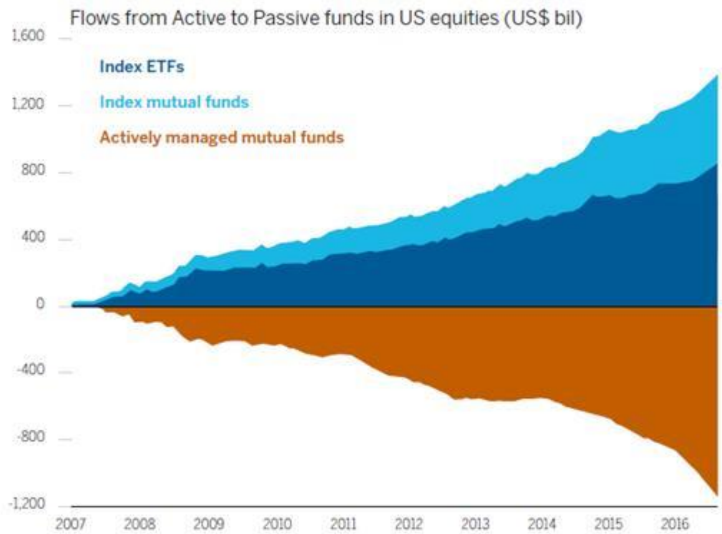


Mark D. Mandel, CFA serves as the Senior Managing Director/Senior Vice President and Portfolio Manager at Wellington Management Group LLP and has been its Director of Global Industry Research since 2002. Wellington Management invests over $1 trillion in assets worldwide.

Following are some of the key takeaways from Mark's discussion:

Impact of Fund Flows from Active to Passive in U.S. equities:

- There has been an unprecedented wealth transfer from active to passive funds in U.S. Equities. The chart to the below illustrates the tremendous growth in passive investments.
- The S&P 500 has experienced an unprecedented run-up following the great financial crisis. This positive performance has created a trend for retail investors to search for the lowest cost option without considering underlying exposures, thereby making a cost decision rather than an investment decision.
- Large passive investors have concentrated the investor base at several corporations, especially among small- and mid-capitalization companies. This has created complacency and an autopilot approach to money management.
- Index valuations are extremely high, yet approximately 40% of the companies comprising the S&P 500 are not growing revenues. For instance, the S&P 500 offers a 2% exposure to successful online retailer Amazon, but approximately 5% of the index is also comprised of struggling retail companies such as Macy's, Kohl's and Target.



Source: Wellington Management

Active Management Opportunity Set:

- Lately we have seen higher dispersion within sectors than between sectors, allowing active managers to outperform by picking the best companies within a sector. For example, in the consumer discretionary sector, it has been the disruption of technology which has created a disparity between brick and mortar retailers such as Macy's versus online and e-commerce companies such as Amazon.
- Active managers have historically outperformed in emerging markets. Mark suggests diversifying away from the U.S., particularly to Asia where immense population drives secular growth. The composition of emerging market indices is often dominated by "first generation" companies that were able to grow and profit when these countries were in the early stages of development. Companies with the potential to benefit from future domestic economic development are often only a small minority of index holdings.

WINDROSE ADVISORS

A: 800 South Street, Suite 600, Waltham, MA 02453
T: 617.421.1750
W: www.windroseadvisor.com

WINDROSE ADVISORS

Investment Research / Commentary Disclaimer:
Last Updated: December 2017

This material has been prepared by Windrose Advisors, LLC on the basis of publicly available information, internally developed data and other sources believed to be reliable. The information provided herein is for general informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities or commodities, or investment advice relating to securities or commodities, or a representation that any security or commodity is a suitable or appropriate investment for any person. All information herein is written and prepared for large and experienced institutional investors with the highest degree of financial sophistication and knowledge and the capacity to withstand and assess any financial losses. Opinions expressed herein are current opinions as of the date appearing in this material only and are subject to change without notice. In the event any of the assumptions used herein do not prove to be true, results could vary substantially. All investments entail risks. There is no guarantee that investment strategies will achieve the desired results under all market conditions. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those discussed, if any. No part of this document may be reproduced in any manner, in whole or in part, without the prior written permission of Windrose Advisors, LLC. You may not rely on the statements contained herein. Windrose Advisors, LLC shall not have any liability for any damages of any kind whatsoever relating to this material. You should consult your advisors with respect to these areas. By accepting this material, you acknowledge, understand and accept the foregoing. Additional information, including management fees and expenses, is provided on Windrose Advisors' Form ADV Part 2.