

**ERIC DAVIS**

**TESTIMONY TO HOUSE COMMITTEE ON  
GOVERNMENT OPERATIONS  
AND MILITARY AFFAIRS**

**APRIL 16, 2024**

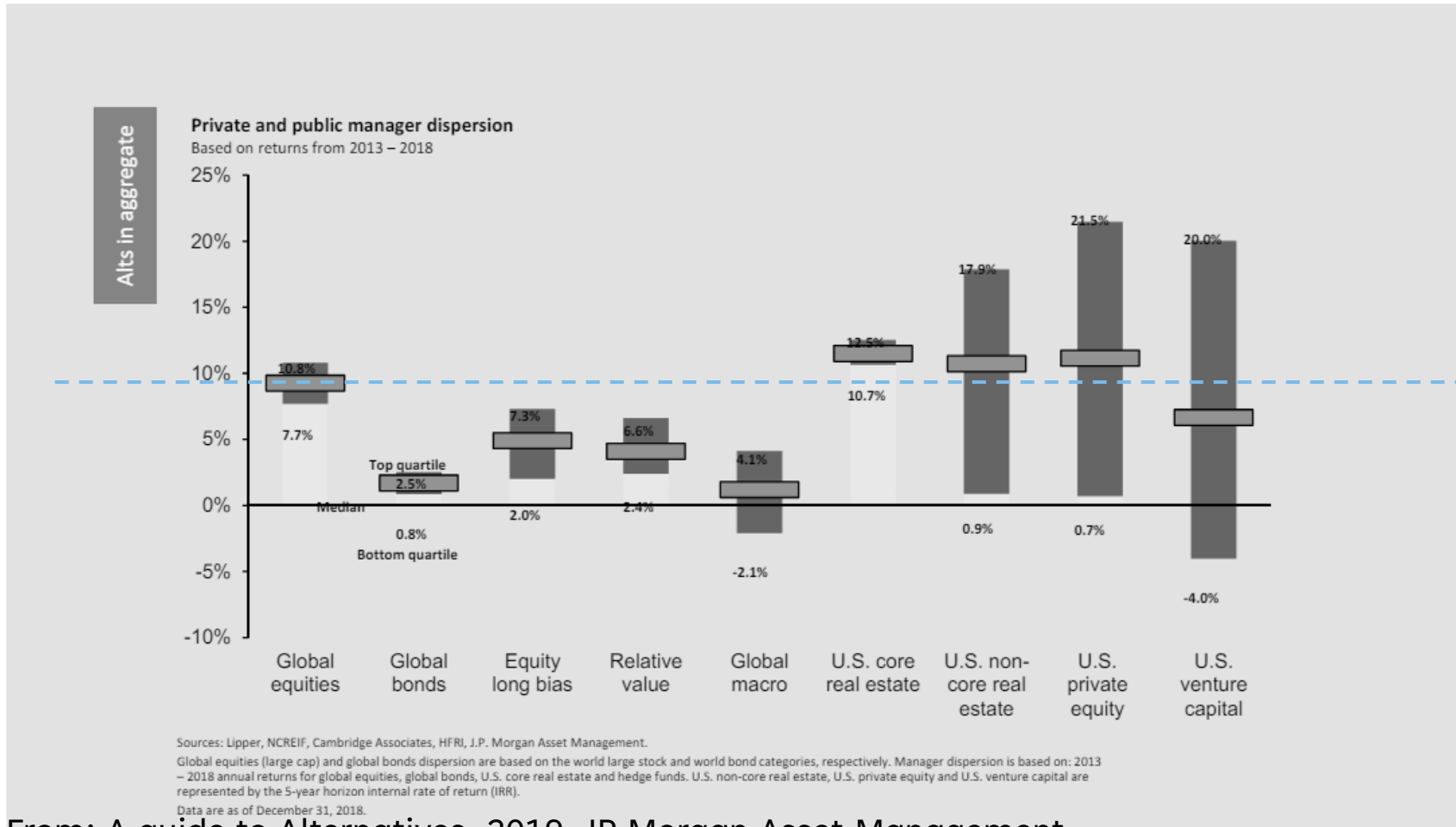
# ABOUT ERIC



- Environmental Analyst in Department of Environmental Conservation / Agency of Natural Resources
  - 11 years
- Formal Education focused in Natural Sciences
  - B.Sc. In Environmental Science
  - M.Sc. in Aquatic Ecology and Watershed Science
- Environmental Educator – 12 years
  - Lead faculty at an environmental science program for high school students taught at UVM for college credit
- VSERS Board Member and Vice-Chair
  - 6+ years & elected by VSEA members
- VPIC Alternate Member
- VSEA Treasurer
- Accredited Fiduciary Certification
  - From the National Conference on Public Employee Retirement Systems
- Member of Pension Task Force
  - Worked with legislature to identify recommendations to improve pension sustainability

# PRIVATE EQUITY DISPERSION IN PERFORMANCE

## Alternatives and manager selection



Underperforming public markets is a real risk when participating in private markets

Manager selection and access to opportunities is essential to mitigating performance risk

From: A guide to Alternatives. 2019. JP Morgan Asset Management.

Presentation to NCPERS Annual Conference. Blue hyphenated line added.

# PRIVATE EQUITY IMPACT ON RETURNS

National Conference on Public Employee Retirement Systems

## The Role of Alternative Investments

Asset Allocation Modeling: Sample Portfolios



	60/40 Portfolio	Add Real Estate	Add Infra.	Add Hedge Funds*	Add Private Credit	Add Private Equity
20 Year Expected Return (Arithmetic)*	6.8%	6.9%	7.0%	7.0%	7.1%	7.7%
20 Year Expected Return (Geometric)*	6.2%	6.4%	6.5%	6.6%	6.7%	7.1%
Standard Deviation	11.3%	10.2%	10.3%	10.2%	10.0%	10.9%
Sharpe Ratio	0.32	0.36	0.37	0.38	0.40	.41

- Alternative investments may increase expected return, while reducing volatility and improving efficiency
- An effective alternative investments program requires an enhanced risk management framework.



\* Notes: 1. Model portfolios are included for illustrative purposes. Hedge Funds example is Opportunistic Hedge Fund of Funds; Expected return excludes net-of-fee alpha that may be generated by active management; 2. Abbreviations: RE: Real Estate; Infr: Infrastructure; HF: Hedge Funds.

Private Equity in a portfolio may increase expected annual returns by 0.4 to 0.6 percent on average

Aligns with VPIC estimates

Increased funding demands & pension sustainability



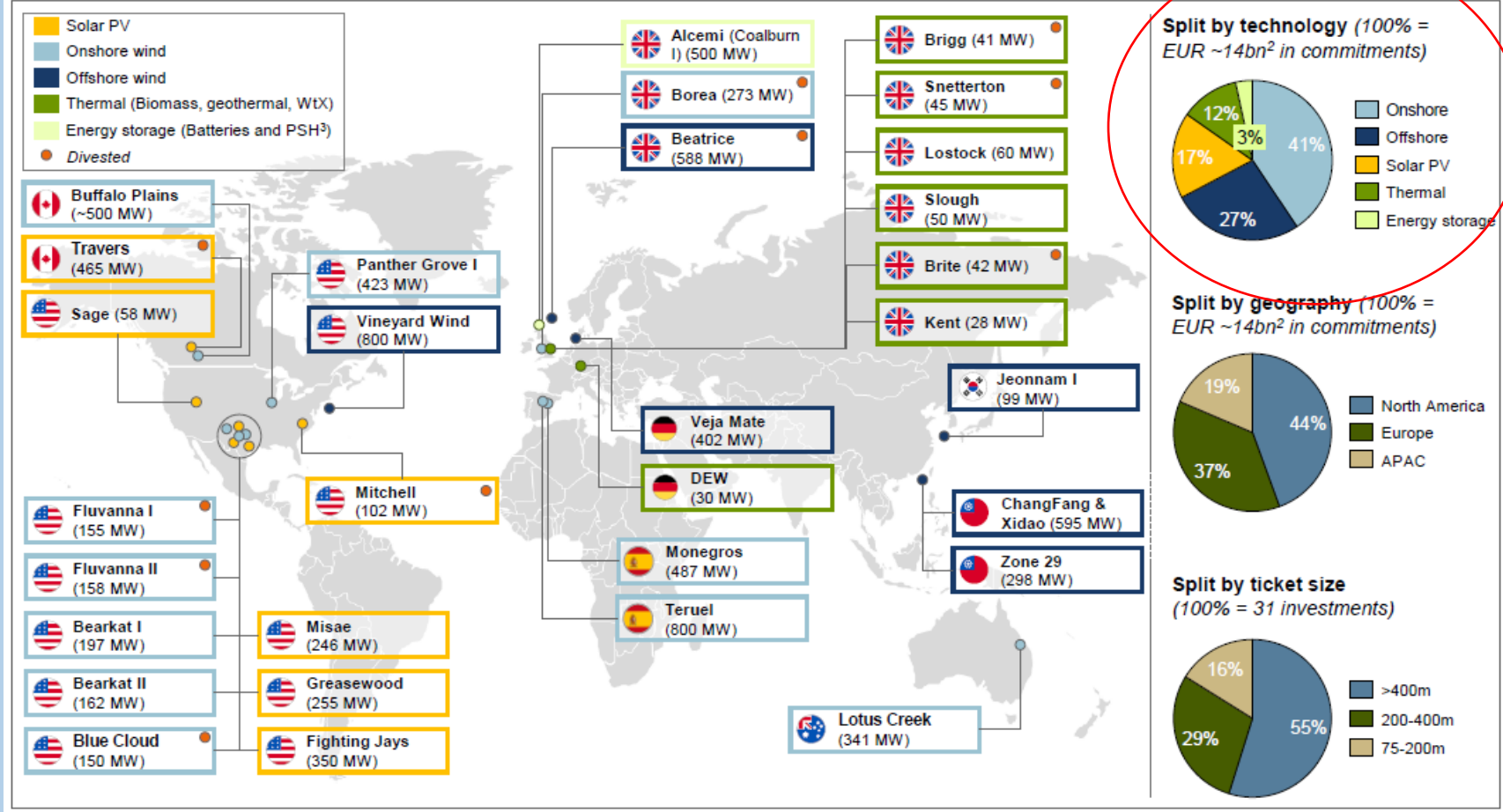
# RECENT VPIC INFRASTRUCTURE INVESTMENT

## CONCRETE ACTION

### CI Flagship Funds have a large and diversified portfolio

Large portfolio of greenfield infrastructure projects under construction or in operations<sup>1</sup> diversified across technologies and geographies

CI Flagship Fund projects under construction or in operations (100% = 31 projects with a combined capacity of ~8.5 GW)<sup>1</sup>



From a recent VPIC investment in a renewable energy infrastructure fund

concrete step toward supporting energy transition

Thought exercise: What if mix was 3% natural gas?



CLOSING  
(BENEFIT VS. COSTS OF S. 42)

&

THANK YOU

