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Core Principles

Why do we care about asset allocation at all? This fundamental question lies at the heart of our investment strategy. Historically, asset allocation has been guided by modern portfolio theory, which posits that non-correlated cash flow streams can generate similar returns with much lower risk. By diversifying our investments across various asset classes, we aim to achieve a balanced portfolio that mitigates risk while maximizing returns. Additionally, rebalancing is crucial in maintaining this balance, ensuring that our portfolio remains aligned with our long-term objectives.

Drawing upon four decades of collective institutional investment experience, OneWell operates under a set of core principles designed to navigate the complexities of global markets and deliver sustained long-term value. Our approach, outlined below, combines rigorous analysis with a pragmatic understanding of market dynamics.

Our Investment Pillars:

1. **Long-Term Equity Orientation:** We maintain deep conviction in the enduring power of equity markets, both public and private, to drive wealth creation over extended horizons.

2. **Efficient Public Markets:** We acknowledge the high efficiency of broad public markets, particularly in developed economies. As such, we advocate for a core allocation to low-cost index strategies, which provide diversified exposure with minimal friction.

3. **Targeted Active Management:** We recognize that pockets of inefficiency persist, particularly in international markets, specialized sectors like biotechnology, and small-cap equities. Therefore, we selectively engage with exceptional active public managers. These partnerships are predicated on their demonstrated ability to generate alpha through deep domain expertise and a differentiated investment approach.

4. **Private Equity:** Within private equity, we prioritize partnerships with managers operating in structurally inefficient segments, particularly the lower mid-market. We seek managers with a proven track record of value creation through an operationally intensive approach,

typically in specific sectors with deep domain expertise.

5. **Real Assets & Other Uncorrelated Assets:** Real Estate and Real Assets, including energy and metals/mining, and select uncorrelated assets (e.g., trade credit) can play a role in portfolio diversification and protection against inflationary pressures.

6. **Other Alternatives:** We strategically allocate to gold and digital assets to mitigate currency and geopolitical risks, recognizing their potential as alternative stores of value.

7. **Tactical Cash Allocation:** Cash serves a dual purpose: ensuring near-term liquidity and providing the flexibility to capitalize on market dislocations and emerging opportunities.

Portfolio Construction: A Dynamic and Disciplined Approach

We adopt a policy range approach to asset allocation for a hypothetical portfolio ranging from $25 million to $100+ million, recognizing the dynamic nature of market opportunities and the extended time horizon required for private equity deployments.

- **Policy Ranges vs. Fixed Allocations:** We establish flexible policy ranges for each asset class rather than adhering to rigid point allocations. This approach allows us to capitalize on compelling opportunities while avoiding the pitfalls of forced asset allocation.
- **Disciplined Rebalancing:** We maintain a rigorous rebalancing discipline to prevent portfolio drift caused by momentum and recency biases. This ensures that the portfolio remains aligned with its long-term strategic objectives.
- **Strategic Private Equity Deployment:** We acknowledge that building a robust private equity portfolio requires a multi-year commitment. We adopt a patient and deliberate approach, prioritizing quality over speed.

Asset Class	Policy Range
Public Equity: Global Equities (Index)	20-40%
Public Equity: Third-Party Active Management	10-20%
Private Equity: Lower Mid-Market & Growth Equity	25-35%
Inflation Protection: Real Estate, Real Assets, Other Uncorrelated Returns	5-10%

Alternatives: Gold & Digital Assets	0-5%
Cash:	3-8%

Why Diversification Matters?

The recent dominance of the S&P 500, particularly its low-cost ETF representation, has understandably led to a contemplation of simplicity: Why deviate from a strategy that has delivered such outstanding results over a decade?

History is replete with instances where regional market dominance, initially perceived as perpetual, ultimately succumbed to the cyclical nature of global capital flows. The Japanese market's ascendancy in the late 20th century, or the subsequent rise of emerging markets led by China, serve as recent reminders. A diversified portfolio proactively incorporating exposure to diversified markets would have significantly outperformed a purely domestic strategy.

Furthermore, the S&P 500's current composition, heavily weighted towards the "Magnificent Seven" and large-cap growth names, presents a significant concentration risk. These stocks, trading at historically elevated valuations relative to their small-cap, mid-cap, and value-oriented counterparts, are vulnerable to mean reversion. While such valuation disparities can persist for extended periods, a recalibration will likely disproportionately impact a portfolio exclusively tethered to this narrow segment.

OneWell Approach To Public Equity:

Our approach to developed markets will be characterized by a blend of passive and active management designed to optimize returns while mitigating risk.

- Direct Indexing (Core Exposure): We will establish a foundation through low-cost index funds, primarily tracking the MSCI World Index, which provides broad exposure to 23 developed markets. This core allocation, representing over 65% of our public equity exposure, will offer efficient diversification, the potential for tax-loss harvesting, and a very low underlying expense ratio/cost. Based on evolving macroeconomic conditions, we will maintain the flexibility to strategically overweight specific markets, including the U.S.
- Targeted Active Management (Alpha Generation): We recognize the potential for alpha in less efficient market segments, so we will selectively partner with exceptional active managers. These allocations will focus on strategies in small and mid-cap equities, emerging markets, and biotechnology or strategies demonstrating a differentiated investment approach. Our network leverages managers with proven track records and

the potential to generate superior risk-adjusted returns, even after accounting for their higher underlying performance fees.

Equally crucial is our commitment to avoiding specific investment strategies that we believe will detract from long-term performance.

- *Long/Short Equity Funds (Hedge Funds)*: While historically a staple of endowment portfolios, empirical evidence suggests that hedge funds, on average, have failed to deliver on their promise of reduced market correlation and superior risk-adjusted returns. The combination of market correlation during downturns, underperformance during uptrends, and high fees dampens our enthusiasm for this asset class.
- *Emerging Market Indices*: The inherent inefficiencies and governance risks within many emerging market public markets make broad index exposure a less desirable strategy.
- *"Black Box" / Quantitative Funds*: The lack of transparency and the challenges associated with due diligence make "black box" and purely quantitative strategies unsuitable for our rigorous investment framework.

OneWell Approach To Private Equity:

Private Equity strategies include venture capital, growth equity, and leveraged buyouts. The ability to privately source investment opportunities and add value over long periods suggests that Private Equity should generate strong risk-adjusted returns in exchange for its illiquidity. Indeed, we expect Private Equity to be the largest source of alpha (as well as market beta) over the long run. The asset class plays to the innate strengths of UHNW and endowment-minded clients: long-term investment horizon and tolerance for illiquidity.

The OneWell team brings a distinctive approach to PE investing. Across the OneWell investment principles, we bring decades of investing in private markets as direct investors and allocators at elite endowments and for family offices. Our cumulative experience informs our approach to PE investing, which focuses on private equity managers operating predominantly in the lower mid-market space with deep operational and sector expertise.

We identify the lower mid-market as fertile ground for long-term alpha. This conviction stems from several factors. (1) Lower mid-market acquisitions typically occur at more conservative valuations, providing a crucial margin of safety. Furthermore, lower leverage often characterizes these transactions, minimizing downside risk. (2) Lower mid-market deals often represent the first time institutional capital enters founder-operated and bootstrapped businesses, presenting an opportunity to implement best practices, professionalize operations, and accelerate growth trajectories. (3) Additionally, given the smaller company size in the lower mid-market, there is a broader spectrum of exit options, including strategic buyers, a wide array of private equity firms, and public markets, making it a more liquid part of the PE ecosystem. (4) Finally, we find strong alignment with GPs in the lower mid-market, given their intense focus on generating performance-based returns versus fee-based AUM. There is, however, a wider dispersion of GP returns in the lower mid-market, placing a strong emphasis on high-quality manager selection.

Within PE, we will avoid exposure to lower-returning categories such as infrastructure, secondaries, and private credit funds. We will only opportunistically consider VC opportunities when we can access the best managers. Returns are highly concentrated in VC firms, particularly with a few elite managers, many of whom are capacity-constrained.

Real Estate / Real Assets / Uncorrelated Returns:

Provides diversification and a hedge against unanticipated inflation. Expected to produce long-term compound returns similar to public developed market equities (but less than private equity investments). A steady flow of income creates baseline liquidity. We will selectively pursue both private and public managers. We seek managers with distinct competitive advantages in their niche who can add value across market cycles. These investments, which include passive or enhanced passive (e.g., custom Metals & Mining basket) strategies, improve portfolio liquidity and facilitate rebalancing. Within real estate, for private strategies, we prefer managers who focus on either a specific property type or geography with in-house operational expertise. We emphasize strategies that generate steady income.

Gold & Digital Assets:

Owning Gold and Digital Assets in a low-cost (ETF structure) is a low-cost and efficient way to bring additional diversification benefits to a well-rounded portfolio. Having modest exposure to these asset classes is a valuable complement to a well-diversified portfolio.

Cash Balances:

Cash serves a dual purpose: it ensures near-term liquidity and provides the flexibility to capitalize on market dislocations and emerging opportunities. Further, as part of a healthy commitment to the private equity asset class, thoughtful cash management is needed to ensure uncalled capital commitments are appropriately anticipated and reserved for, and to avoid ill-timed or forced selling of public securities to meet pending capital commitments.

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