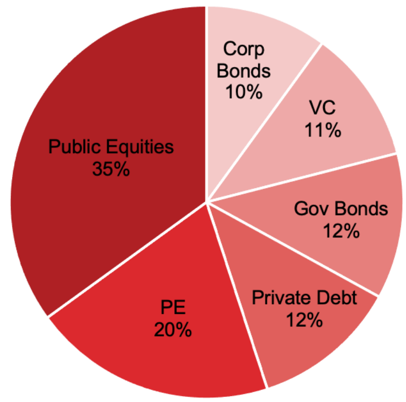
Proposal at a Glance

Ctrl Alt Elite's (CAE) proposal for the British National Sovereign Wealth Fund (BNSF) addresses the triple mandate using a three-phase deployment process, in sync with the bond issuance timeline. This approach allows it to prioritize elements of the mandate in order of their relevance for the long-term health of the British economy.

The first phase provides triage to the UK economy ("**Stabilization**") by investing in the sectors most severely impacted by Brexit; the following phase focuses on developing UK's core industries ("**Advancement**"); and the final phase will prepare UK for the future through high-risk, high-growth investments ("**Future-Proofing**").

Two of the attributes that made Ctrl Alt Elite's plan the top MIPC 2020 proposal are its structured approach to capital deployment and its clear application of the BNSF's triple mandate within each stage.

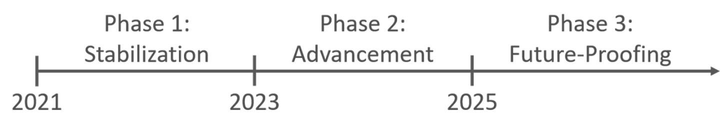
Long-Term Asset Allocation



8.0%
Overall Expected Return

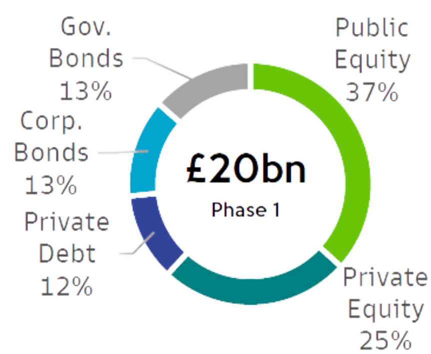
0.98
Sharpe Ratio

The final portfolio allocation (right) focus on manufacturing, retail, financial services, healthcare, infrastructure, technology and renewables as core industries.



Phase 1: Stabilization (2021)

The first phase of CAE's proposal focuses on minimizing Brexit's economic impact and mitigating disruptions to UK businesses. This is done through taking an '**active investing**' approach and making use of voting rights to affect direct change in industries of strategic importance; namely, manufacturing, retail, financial services, and healthcare. This overweight equity approach is accompanied by the usage of debt instruments to provide diversification benefits.



7.0%
Expected Return

.96
Sharpe Ratio

Keeping in line with the objective of maximizing employment, investments are primarily directed towards companies in London and economically repressed regions. With the **focus on internal stabilization**, this phase addresses all three aspects of BSNF's triple mandate.

Investment Rationale

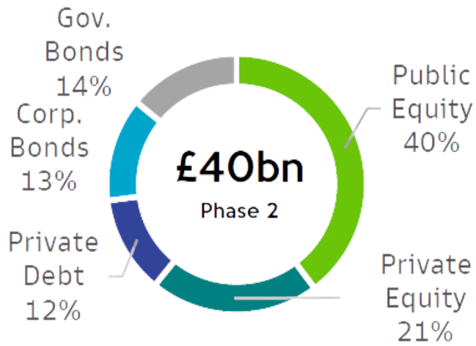
The UK's financial services industry has up to 52% revenue exposure to the EU, while healthcare and manufacturing are the sectors most vulnerable to associated supply chain disruptions. On the other hand, the retail sector is likely to be severely impacted by tariffs in the cost of a no-deal Brexit.

Phase 2: Advancement (2023)

The second phase focuses on strengthening the British economy by investing in transportation infrastructure, education, and manufacturing; with the objective of **reducing unemployment and income inequality within the country**.

7.0%
Expected Return

.87
Sharpe Ratio



These issues are addressed through supporting promising businesses operating in declining industries with transportation infrastructure development, providing additional aid in meeting these goals, in tandem with **reskilling the workforce**. Priority is provided to high unemployment regions, such as the middle and Northwestern regions of the UK. Combined with the simultaneous addressal of social issues such as employment and inequality, the designated allocation meets the objectives of the triple mandate.

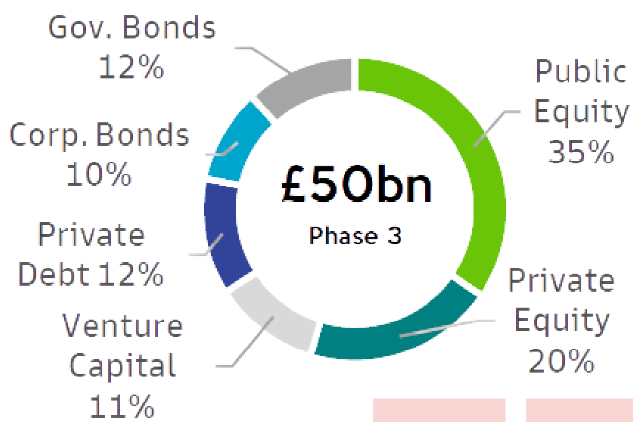
Investment Rationale

Boosting domestic supply chains through investments in rail and road infrastructure – along with the additional support provided to the manufacturing sector – are expected to provide a strong foundation for UK businesses by **increasing access to markets and resources**. Employment and income inequality will also be addressed through the investments in education infrastructure, allowing for a reskilling of the workforce.

Phase 3: Future-Proofing (2025)

The final phase will focus on preparing Britain for the future by allocating funds towards high-growth businesses with international potential, with the goal of **fortifying UK's long-term economic independence** and position as an economic world power.

With the benefit of stable returns from the first two phases, the allocation in this stage is decidedly illiquid – with technology (fintech, AI) and renewables (clean energy) being the industries in focus; this is due in part to their historical success, potential for further growth and the benefits they accrue from a favorable business environment.



8.0%
Expected Return

.98
Sharpe Ratio

Investment Rationale

The **technology and renewable energy sectors** have shown strong growth across the UK, which – in addition to improving the country's competitiveness internationally – have provided the benefit of spreading specialized skills throughout the country. Additionally, while the fintech industry is expected to represent an increasing share of the UK's labor force over time, investments in renewable energy will promote energy independence and long-term sustainability of the economy.

By targeting UK's global competitiveness and working towards establishing a leadership position within emerging industries, the final phase also meets the requirements on the triple mandate – this ensuring consistency throughout the proposal.

Final Considerations

CAE's three-stage deployment process addresses BSNF's triple mandate while ensuring that the requirements of the British economy are systematically met. This strategy contrasts with Isos' proposal, which consists of an allocation for the overall portfolio by utilizing learnings from three successful foreign SWFs. The comprehensive allocation of the sequential bond proceeds, along with a clear description of how it meets the objectives of the triple mandate in each stage, were the key factors behind the success of CAE's proposal.

This note was written by students in the FINE 464/690 Pension Funds and Retirement Systems course at McGill University under the supervision of Professor Sebastien Betermier.