

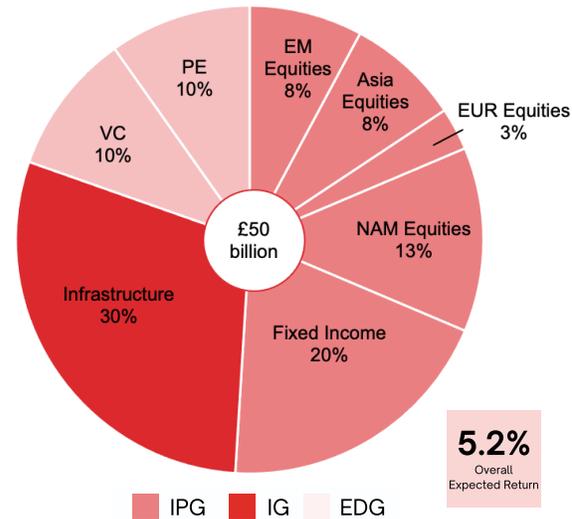
Proposal at a Glance

Isos Capital's (IC) winning proposal for the British National Sovereign Wealth Fund (BNSF) is based on the idea of "building a better UK that leaves no one behind."

To meet its investment mandate and maximize its financial, economic, and social impact for the UK, Isos proposes a three-pillar portfolio. The first pillar corresponds to the **International Portfolio Group (IPG)**, a highly diversified international portfolio, with a specific focus on foreign firms that align with UK national future interests. The **Infrastructure Group (IG)**, the second pillar, is directed towards domestic infrastructure investments at a regional level, as a means to attract foreign capital and provide both economic and social benefits for the British people. Finally, the **Enterprise Development Group (EDG)** consists of a relatively smaller enterprise development portfolio of direct private investments that aim to modernize domestic SMEs and foster economic progress over the long-term.

Unlike other proposals, Isos Capital defined quantitative metrics to help measure the impact of its decisions from a broader socioeconomic perspective and ensured alignment with the triple mandate. It complimented the risk-return metrics with other non-traditional economic and ESG metrics to create a data-driven approach. Some of these metrics include: gross value added to the UK economy, number of domestic jobs created, Gini coefficient for income equality, number of minority-owned companies, and net carbon emissions disclosures.

Long-Term Asset Allocation



International Portfolio Group

50%

Total Portfolio Allocation

Serving as the **backbone of BNSF's diversification strategy**, half of the portfolio is allocated to equities and fixed income outside of the UK, as a result reducing volatility from idiosyncratic events and preventing geographic concentration. This portion of the portfolio provides sufficient liquidity to serve interest payment obligations.

3.4%

Annual Exp. Return

Consistent with the mandate of promoting the **long-term well-being of the British population**, international investments are strategically aligned to the UK's national interests, with the potential to bring employment and capital to the region. The IPG is biased towards active management strategies, which have historically outperformed passive strategies in periods of low returns. The brings the expected Sharpe Ratio of this group to 0.43.

Isos developed an investment framework (REP), to ensure investment opportunities are screened through both traditional risk-reward and innovative metrics:

R

Reputational Risk and Political Conflict:

Protect the British commercial and government reputation

E

ESG Impact

Evaluate the environmental and social impacts on local communities

P

Potential Strategic Value-Add

Evaluate potential positive externalities to the UK economy

Infrastructure Group

30%

Total Portfolio
Allocation

This portfolio aims to enable a countrywide infrastructure revolution, with the objective of restoring market confidence in the country. To achieve this goal, the plan reinvigorates the UK's declining manufacturing sector, a **first step towards British economic independence**. The Isos plan captures the value of public-private partnerships as a way to provide massive leverage for infrastructure projects, especially in underdeveloped regions.

8.0%

Annual Exp.
Return

In this regard, the role of the BNSF within the infrastructure sector is that of a capital provider, relying on expert companies and private funds on the operational side. At the end of the day, co-investments will help restore the public's trust in national infrastructure investments, while balancing corporate interests with the needs of the British people.

Green energy is a priority for the British government, whose goal is to achieve net-zero carbon emissions by 2050. With that strategy in mind, BNSF aims to act as a champion for projects in the renewable energy sector. By analyzing the current network of renewable energy infrastructure, Isos identified a greenfield project opportunity to establish onshore wind farms south of London.

Enterprise Development Group

20%

Total Portfolio
Allocation

This portfolio focuses on private equity and venture capital (VC), targeting the cultivation of future champions, modernization of domestic SMEs and the **achievement of positive social impact for local communities**. Isos' plan denotes the portfolio take active stakes as strategic advisors to their invested companies and use the EDG as a step towards **promoting diversity and inclusion** within the UK corporate sector.

5.4%

Annual Exp.
Return

To maximize its results, the VC strategy focuses on two verticals. First, investing in early-stage start-ups, especially those with growth potential, those offering smaller size deals, and those with attractive upside potential. Second, it aims to create a nationwide accelerator network in collaboration with existing VC funds, as well as incubators and top talent from local universities.

Contributing 47% and 60% to UK's GDP and employment, respectively, SMEs are the backbone of the British economy. This sector was particularly hit by Brexit and the Covid-19 pandemic. This motivates the creation of an SME Growth arm that would provide strategic advisory and funding for future development of SMEs with growth potential. Consistent with the triple mandate, the fund would retain a special focus towards SMEs across different geographies and with minority ownership, as well as **tackle challenges stemming from the income gap and lack of EDI across the UK**.

Final Considerations

Isos Capital draws inspiration from three successful foreign SWFs and provides a compelling 3-pronged strategy to the implementation of BNSF's triple mandate, addressing the multiple viewpoints of the Board of Directors. Although Ctrl+Alt+Elite developed a clear three-stage approach to capital deployment, Isos focused on the impact of every pillar in the triple mandate.

Isos' top-down and integrated approach, well-balanced and comprehensive portfolio design, and focus on quantitative metrics beyond the Sharpe ratio made it a winning proposal.