UTAH SCHOOL & INSTITUTIONAL TRUST FUNDS OFFICE

Statement of Investment Beliefs

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CONTENTS

The following document outlines beliefs, principles, and philosophies that SITFO's board and staff agree to use as guiding principles. It is neither policy nor a procedural manual. The primary purpose is to assist in governance and decision making. Board and staff should consider this a living document and discuss improvements as needed.

WHO WE ARE

The Utah State Legislature created the School & Institutional Trust Funds Office (SITFO) as an independent agency within state government. SITFO has a five-person board of trustees with the state treasurer acting as ex officio chairperson. Staff are expected to be comprised of investment professionals with a range of experience, skills, and expertise to fulfill the expected responsibilities as outlined in the IPS. SITFO is mindful of compensation as an important tool for recruiting and retaining talent as outlined in statutes. Trustees are expected to be experienced investment professionals nominated via a robust and independent process outlined in statute.

The purpose of SITFO is to invest Trust Lands Administration (TLA) revenues in a manner that supports a distribution policy in perpetuity while providing for intergenerational equity between current and future beneficiaries. Trusts are managed for the sole benefit of their respective beneficiaries.

Trusts are managed with similar asset allocations because return and risk objectives are the same. There is significant benefit of scale for the smaller trusts invested alongside the Permanent State School Fund, which accounts for a significant majority of combined assets. In addition to the School Trust Fund, there are 10 smaller institutional trust funds:

- Miners’ Hospital
- Institute for the Blind
- Reservoirs Fund
- Normal School
- University of Utah
- School of Mines
- Utah State University
- Utah State Hospital
- Deaf School Fund
- State Industrial School

The source of investable financial assets is the same across all trusts, however, the size of contributions differs. The relative importance of contributions is likely to decrease over time because:

- SITFO expects the trusts to grow through compounding of investments
- SITFO takes a conservative approach in evaluating the land assets as a diminishing revenue source

Characteristics

Board and staff are expected to be fluent in the strengths and weaknesses of modern portfolio theory and bring significant investment experience to the agency.

Operating with a relatively small group of decision makers allows the agency to better avoid governance and behavioral finance pitfalls that seem to prevail with larger institutions. Significant layers of bureaucracy can delay decision making or create distance between principals and actionable information.

SITFO expects to take advantage of experienced professionals and a beneficial organizational structure to efficiently implement objective, research-oriented recommendations.

To mitigate the challenges of a complex and growing portfolio, SITFO sees value in utilizing third-party vendors when needed to leverage resources and increase efficiencies e.g., investment consultants, research and software providers, and external investment management. However, SITFO believes customization and discretion are important tools in optimizing the benefits of third parties.

Given SITFO's time horizon is measured in decades, it can afford to take volatility and illiquidity risks that ultimately facilitate meeting investment objectives.

It is SITFO's fiduciary responsibility to objectively consider investment opportunities and ground its analysis in research and portfolio theory. Prudent analysis should drive investment decision making and the risk and return potential of each investment should be carefully considered. Political considerations are not allowed to affect the portfolio as that is inconsistent with fiduciary responsibility.

Humility can be an antidote to the errors described in behavioral finance literature. Ignorance and arrogance can be detrimental to good decision making. Accordingly, it behooves the agency to remind itself of potential weaknesses, prepare thorough analyses, utilize checklists, adhere to disciplines, and be open-minded and receptive to peer challenges.

Behavioral

The scope of this document doesn't allow for a complete review of behavioral finance, however, the subject merits attention to facilitate discussion and a shared understanding. There is an attempt to address the themes of overconfidence, loss aversion, inertia, group behavior, and other cognitive and emotional biases throughout the document. In addition to this document, the investment policy statement outlines other protocols to assist in limiting behavioral biases.

Price and Opportunity Cost Awareness

Understanding the cycle (economic, market, style, strategy) and outlining the portfolio's subset of expected returns in the near to intermediate term can help frame investment decisions such as new mandates, rebalancing, etc.

Investment opportunities with higher expected returns may be less common, considered out of favor, or misunderstood but should not be discarded based on perceived headline risk or conventional wisdom.

No action is also an action. In other words, deciding not to act based on significant uncertainty differs from poorly thought-out and poorly executed decisions. However, great opportunities are almost always accompanied by significant uncertainty. Staff and trustees acknowledge they are expected to make decisions to act, or not, in the face of significant uncertainty and will make decisions based on a disciplined, long-term view and not based on emotions.

Governance and Management

Governance is most helpful when it provides robust checks and balances. It is least helpful when it fosters groupthink, is used as a shield from taking responsibility, or is abused for political purposes.

Board members have the benefit of not working day to day on the portfolio and are an important source of perspective and inquiry.

Board members usually are not doing the level of research and due diligence that staff or consultants should be performing, and thus trustees have delegated manager selection to staff. This also suggests staff and consultants provide additional support when requested by board members. SITFO staff should source and promote the best ideas without bias.

SITFO should spend significant time developing and retaining talent. McKinsey & Company summarizes two reasons how top tier public institutions can attract and retain talent: (1) the ability to deploy patient capital with minimal constraints, and (2) the higher purpose of furthering a social good. It's important to facilitate the former and communicate the latter. "Minimal constraints" is understood as avoiding non-investment related constraints and political interference.

Performance Measurement

SITFO selects investments based on expected outcomes in an overall portfolio context not out of fear of being different from the past, peers, or one's own biases. It is important to use benchmarks and peer groups in investment analysis to foster accountability and support objectivity. While peer rankings are a helpful relative measure at the manager level, they should not play a meaningful role in measuring SITFO's unique investment objective and their impact should be relatively small.

Benchmarks and peer performance are important reference points but have their own weaknesses due to construction and sampling issues. On occasion, when approaching extreme points in the market cycle, cap-weighted benchmarks and peer groups can become metrics of herd mentality.

Benchmarking is best done when the factor exposures of the portfolio are considered and well-understood, and when appropriate time horizons are referenced. Additionally, benchmarks at the manager, asset class, and total portfolio level should be constructed to reflect expected outcomes, as well as measure performance relative to applicable factor exposures.

Multiple perspectives can add insight. Therefore, decisions to hire, terminate, or retain investment managers should not be based solely on historical performance. While past performance should be analyzed to better understand the manager's process and capabilities, these decisions should be holistic and comprehensive in nature. Greater weight should be given to factors that are expected to drive future performance, which could include but are not limited to:

- Organizational strength and culture
- Integrity, talent, and skill of professionals
- Validity of investment philosophy
- Soundness and disciplines of investment process
- Nature of opportunity set
- Risk management

EFFICIENT MARKET RESPONSE

While SITFO does not believe markets are strictly efficient, as per the spectrum of forms of the efficient market hypothesis, it acknowledges there are many skilled investors seeking to profit from inefficiencies and competing with those investors for relative performance is a zero-sum game. Importantly, SITFO believes it is possible to identify skilled managers in advance through a thorough, disciplined, and objective effort conducted by professionals with significant experience and skills pertaining to manager research and selection.

Passive Management

Passive investing can be an effective way to minimize tracking error and peer risk, reduce fees, reduce business risk, gain efficient access to multiple markets, and optimize the fee budget between lower and higher expected alpha sources. Thus, cap-weighted indices can be a fundamentally important way to gain access to many markets. Even in markets that may be considered inefficient and therefore present higher potential for active managers, SITFO may consider passive investments to minimize active risks or simply to gain exposure as needed.

Active Management

Active management can be an important source of incremental returns, but talent, skill, and discipline are necessary to exploit this potential. There are active strategies or styles engineered to deliver specific exposures or investment outcomes that are not provided for in a passive format. In these instances, more favorable consideration of active investment decision making is warranted. Uncommon skill, disciplined philosophy and process, rich opportunity set, and appropriate risk management are all necessary for an active manager to outperform. Additionally, an investor must be independent-minded and opportunistic, as well as innovative, relative to other participants.

Rules-Based Management

Between passive and active management, SITFO may find rules-based strategies that serve its needs. Many investment strategies can be explained and even replicated by “strategy betas” or factors which are investable. Factor-based investing as demonstrated by French, Fama, Asness, Arnott, and other academics and market participants over the decades strongly suggest there are cost effective rules-based alternatives to consider.

RISK

A simple, but effective definition of risk is the permanent loss of capital, however, risk can be measured in several ways and is not limited to quantitative elements alone. Qualitative elements also represent significant risks.

As stated above, SITFO's long time horizon allows it to tolerate volatility and illiquidity. So, it's appropriate to tolerate properly compensated risk that might be imprudent for individuals or pension plans with finite horizons or specific liabilities with different objectives. SITFO remains mindful that the accounting treatment of contributions as a corpus not to be violated, driving the emphasis on downside risks.

Defining Risk

Relevant factors for defining risk may include high valuations, fees, timing, inflation, fraud, illiquidity, downside volatility/drawdowns, equity beta, interest rate beta/duration, credit risk, operational risk, business risk, opportunity cost, leverage, currency, and political risk.

Volatility as a risk measure is helpful and informative, but insufficient alone, as it treats gains and losses identically. Metrics that look at downside volatility and include skew and kurtosis of return profiles add value. As do qualitative overlays such as liquidity, regulatory, and political risks.

Volatility and high valuations are linked to permanent loss of capital, primarily through buying at high valuations and selling at low valuations, which converts an unrealized loss into a permanent loss. It is important to remain objective when selling assets at any point and to consider opportunity costs as well.

Risks that are most likely to lead to permanent loss of capital are inflation, fraud, extremely high valuations, and excessive fees.

Risk Management

Diversification is one of the most powerful tools in risk management. Investment correlations and distributions are typically nonstationary and non-normal, though most models reduce parameters to such assumptions. It is important to consider an array of scenarios and measure an investment's risks across multiple metrics before committing assets.

Monitoring risks on a regular basis is important to observe incremental changes that may accrue over time. This also includes the qualitative elements of an investment manager.

Risk Tolerance

Given the difficulty or nuance in defining risk, risk tolerances can be referenced across several aspects of the portfolio, such as the quantitative (volatility, downside volatility, VaR) and the qualitative (illiquidity, fee levels, counterparty risk).

It bears repeating that risks unfamiliar to the layperson, such as complex strategies, uncommon geographies, and illiquidity, may be appropriate for SITFO as an organization with a time horizon measured in decades. SITFO will hold itself and those responsible to a high standard of due diligence to best manage these risks.

A more detailed discussion of risk is found in the appendix.

ASSET ALLOCATION

Asset allocation is the predominant driver of portfolio return and risk. A long-term or strategic asset allocation is therefore the most significant method of protecting the portfolio from short-term decisions influenced by unsound investment practices, such as emotional decision making, political pressure, or performance chasing. Asset allocation decisions are considered through both a quantitative and qualitative framework that incorporate a variety of risks, scenarios, and outcomes. The asset allocation should reflect the advantage and the ability of the portfolio to withstand a moderate level of risk, including illiquidity, as discussed throughout this document.

Defining an Asset Class

Asset classes can be defined as a grouping of investment strategies or exposures that perform similarly in most environments, possess relatively high correlations and common risk drivers, are institutionally investable, and add value in a total portfolio framework.

Aggregating asset classes and sub-asset classes into fewer groups by their expected role or purpose in the portfolio (e.g., growth, defensive, inflation protection) can be beneficial. This type of grouping can be a high-level simplification that assists in communicating to stakeholders, improving governance and decision making, and provides for more efficient modeling and implementation.

Diversification

Diversification is significant to an optimized portfolio that maximizes returns for a given level of risk. Diversification helps protect against any one portfolio segment causing the total portfolio to exceed expected risk and loss parameters.

Ranges and Rebalancing

Rebalancing is essential to achieving the benefits of diversification.

Adhering to a predetermined asset allocation with sufficiently narrow ranges around the target weights avoids common behavioral pitfalls by providing fewer opportunities to make mistakes.

Because of volatility, large one-time additions or redemptions can introduce timing risk that SITFO can minimize through a multi-tranche approach.

Valuations

Adding an additional asset class to the portfolio may make sense from a diversification perspective if, for example, it exhibits relatively low correlation to the current portfolio. However, it may not make sense to add that same asset class at a given point in time due to an expensive valuation. Valuations can be incorporated through forward-looking risk and return assumptions to judiciously implement new investments.

Evolution

SITFO recognizes the value of adhering to a long-term asset allocation yet also recognizes it is imprudent to ignore changes in markets and innovations or developments in investment strategies. It is prudent to continuously research and examine both the asset allocation and its underlying techniques and be willing to make revisions when evidence suggests it may be beneficial.

ASSET CLASS STRUCTURE AND MANAGER SELECTION

While portfolio risk and return characteristics are largely determined by asset allocation decisions, asset class structure and manager selection drive performance at the margins. Furthermore, asset class structure and manager selection are the actual implementation methods by which the portfolio will gain exposure to various asset classes. Asset class structure and manager selection can add value through a rigorous and consistent due-diligence process, while still allowing flexibility to take advantage of unique strategies.

Structure and Bias

Asset class structure and manager selection should reflect the purposes of the asset classes as that is the primary channel for implementing the strategic allocation.

Benchmarks represent the neutral position. Therefore, asset class and manager biases should be justified by sound investment logic and capture structural inefficiencies associated with their respective asset class.

Co-investments can be an effective way to reduce fees and assist in pacing of private investments. A simple approach to avoid the need to underwrite each co-investment is to commit capital to a given fund with an additional earmarked amount for co-investing. If each co-investment is allocated pro-rata, then discretion remains with the portfolio manager who has already underwritten each investment and is acting as a fiduciary.

Manager Diversification

Like diversification at the security and asset class level, diversification of managers is a tool to minimize firm risk, avoid concentration of themes, diversify alpha sources, and reduce the risk of underperformance.

Over-diversification is an expensive way to capture asset class betas, as alpha is a zero-sum game. Therefore, when utilizing active managers, it is important to retain alpha-generating ability, while still diversifying enough to mitigate the risks mentioned above. This implies some level of concentration vs. maximum diversification.

Manager Selection

Uncommon skill, disciplined philosophy and process, opportunity set, and risk management are expected to enable an active manager to outperform. The combined experience of staff and consultant, in conjunction with a disciplined process, allows for identifying, hiring, and working with the highest caliber professionals.

Each new manager should be an additive to the portfolio by enhancing diversification, accessing a new asset class, adding a new and/or differentiated alpha generation source, and/or improving risk and return characteristics.

Both quantitative and qualitative aspects should be assessed in identifying skillful managers. Past performance should have limited influence in manager selection decisions, such as facilitating risk contributions, or understanding persistence and evidence of experience.

APPENDIX

Public Equity Investment Beliefs, Principles, and Philosophy

SITFO’s long time horizon allows the agency to tolerate a variety of risks such as volatility, illiquidity, and unconventional or nascent funds/strategies. SITFO is benchmark aware but has a total portfolio mindset and is outcome oriented.

SITFO respects the efficient market hypothesis, though does not consider cap-weighted indices superior outside of minimizing TE and fees and presents their own risks, such as concentration in highest valued stocks and an overweight to momentum.

SITFO prefers a core-satellite approach in public equity. Core managers are intended to represent the breadth of the asset class and are typically passive or rules-based. Satellite managers are intended to have higher skill, present a higher tracking error and potential for outperformance with diversification.

Each new manager should be additive to the portfolio by enhancing diversification, providing new exposures, and generally improving portfolio or asset class level risk and return characteristics. Too many managers or too similar of strategies included in the portfolio may result in offsetting exposures.

Low net exposure managers are not appropriate for the Growth portfolio unless the potential for alpha is deemed highly probable or the risk profile is predictive of market-like returns.

Private Equity Investment Beliefs, Principles, and Philosophy

SITFO is building a PE portfolio that focuses on managers with persistent outperformance who add value through operations or structural inefficiencies, not driven primarily by financial leverage.

SITFO strives to build relationships with and gain access to capacity constrained managers and emerging managers who have strong track records.

SITFO is mindful of GP alignment and focuses on firm lifecycle and fund size as part of its analysis.

All managers will be held to the expectation of meeting or exceeding upper-quartile benchmarks for their sub-asset class to qualify for investment consideration, regardless of geography or sub-sector focus.

Across the sub-asset classes of PE, SITFO has developed theses for the types of manager exposure it is seeking:

- VC: Focus on earlier stages, with a preference for managers who are leveraging data and technology or community to identify outstanding opportunities. SITFO is open to both emerging managers and those who are investing outside of Silicon Valley as part of their thesis.
- Buyout/Growth: Focus on lower/middle market managers with differentiated sourcing who leverage operational value-add to improve portfolio companies and source unique and growing platforms.
- Secondaries/Opportunistic: Focus on secondary exposure to generate vintage year diversification in the early days of SITFO's PE portfolio; continue to evaluate the broader trends in PE to opportunistically back managers that are building something new or don't fit into other sub-asset classes.

Public Real Assets Investment Beliefs, Principles, and Philosophy

Public real assets are expected to be the portfolio's primary link to inflation and the second highest contributor to return and risk. SITFO aims to provide a link to inflation and thus bring an element of diversification, though most public real asset investments also have equity, credit, or interest rate risk.

SITFO believes it can classify investments into three broad sectors; real estate, natural resources, and infrastructure. The three broad sectors can be expressed through a variety of security types. SITFO does not include TIPs in real assets simply because long duration TIPS are driven by duration risk and short-term TIPs provide cash-like returns. Commodity futures are consolidated into the category of natural resources.

Given the breadth of the opportunity set and the lack of a widely adopted index, or funds that track a widely adopted index, SITFO relies on a blend of rules-based and active managers.

Asset class structuring for real assets is complicated by the lack of inflationary regimes and historical data for the variety of asset classes and security types currently available.

Private Real Assets Investment Beliefs, Principles, and Philosophy

Private real assets (including private real estate) serve as both the total portfolio's primary mechanism for inflation protection, as well as diversifier for the total portfolio. In addition, real assets provide a return competitive with the growth category investments.

While it is difficult, if not impossible, to have a perfect link to inflation, this is a priority objective that SITFO must balance with sensitivity to economic growth and diversification.

SITFO has established a long-term return target of CPI + 7.5% for the private real assets allocation. This is an aggressive target that suggests SITFO will prioritize strategies further up the risk-return curve, often value-added and opportunistic strategies. Core strategies can be considered based on liquidity and return expectations.

Opportunities that offer a link to inflation, provide diversification, and meet return objectives are likely to be less traditional. Such opportunities will be given consideration and judged on their merits. All managers will be held to the expectation of providing a link to inflation and exceeding benchmarks via their competitive advantages.

SITFO’s preference for strategies further up the risk-return curve catalyzes the importance of strong manager selection. The combined experience of staff and consultant, in conjunction with a disciplined process, allows for identifying, hiring, and working with the highest caliber GPs.

Private real assets include a mix of equity and debt-oriented products. The asset class is diverse with various underlying strategy types, each exhibiting various levels of sensitivity to inflation and growth. SITFO categorizes the universe as follows: infrastructure, natural resources, and opportunistic.

Public Income Investment Beliefs, Principles, and Philosophy

SITFO targets much of the expected return for the income category to be derived from contractually obligated or asset backed cash flows from securities higher in the capital structure than equities. While SITFO estimates the overall volatility and realized losses of the income category to be lower than the growth category, it is aware of the amount of risk and correlation in times of crisis.

SITFO believes the public income category can generate equity-like returns while also diversifying away from corporate equity risk by either diversifying the borrowers or the collateral, e.g., consumer credit (securitized), natural disaster (ILS), transportation and other hard assets (credit), and non-U.S. sovereign/currency (EMD).

SITFO aims to limit duration to the extent possible in the income bucket through floating-rate or shorter fixed-rate structures and higher coupon securities.

There are limited options for passive implementation within the investment universe described, therefore SITFO does not target passive investing.

SITFO’s tolerance for illiquidity allows for the use of open-ended, private vehicles that allow redemptions.

Private Debt Investment Beliefs, Principles, and Philosophy

SITFO believes that a strong private debt portfolio will allow the trusts to diversify away from traditional fixed income markets, giving up liquidity in anticipation of a higher return from lending to borrowers (or against assets) who cannot, or prefer not to, meet the resource and time intensive demands of public markets.

SITFO broadly defines private debt as corporate, asset-backed, or other debt or debt-like securities held within a closed-end fund structure.

Private debt spans a wide range of strategy types, each of which is categorized by SITFO as having an orientation of capital preservation (direct lending, asset-backed) or return seeking (distressed, opportunistic).

SITFO prefers to avail itself of private debt in its search for returns as a diversifying alternative with competitive returns. SITFO has established a hurdle return of CPI + 6.5% net for the private debt allocation.

SITFO believes that a 60 / 40 split to return seeking and capital preservation, respectively, along with thoughtful sub-asset class strategy and manager selection, catalyzes a realistic pathway to achieving its return objectives.

The bulk of the exposure is expected to come from opportunistic or multi-strategy funds which are expected to navigate credit cycles through thoughtful allocation across various risk and collateral profiles. SITFO will include high conviction “satellite” positions as well based on expected benefits to the asset class structure.

SITFO will attempt to partner with managers that know their advantages and limitations and work within a well-established framework. Key areas for competitive advantages within private debt include sourcing networks, collateral and structuring expertise, and workout capabilities. The combined experience of staff and consultants, in conjunction with a disciplined process, allows for identifying such managers.

Defensive Investment Beliefs, Principles, and Philosophy

Asset allocation that relies on core fixed income as a primary diversifier against equity drawdowns faces headwinds due to lower expected returns from high quality bonds.

The evolution from core to core-plus fixed income and the use of alternatives for downside protection adds equity beta and negative convexity.

A more direct approach is to buy equity puts. This would be a reliable, but costly hedge and is difficult to maintain from a behavioral perspective.

Cash provides optionality and has reliably low volatility, though it does not provide positive convexity and risks being eroded over time through inflation and presents an opportunity cost via the “cash drag.”

SITFO’s response is to maintain an allocation to strategies that avoid equity beta, are systematic, dynamic, and provide convexity and liquidity.

Risk Management Beliefs, Principles, and Philosophy

SITFO’s risk management is primarily aimed at ensuring the CPI+5% return hurdle is met over the long-term with an attractive profile of a narrow confidence interval and favorable skew.

Risk management is aimed at identifying and managing both the intended and unintended risks to improve the likelihood of meeting its objective.

SITFO focuses on downside risk, as that is of greater concern than upside risk with negative tail events having a probability of impacting the distribution and return objectives.

SITFO is aware that simplifying assumptions about financial markets, such as the normality of returns, unchanging correlations, efficient markets, etc. should be applied with healthy skepticism as these assumptions may be approximately true during normal environments, but they do not hold during tail events.

SITFO sees its benchmarks as critical reference points and communication tools to locate performance on the journey to CPI+5% as per the asset allocation design and relies on benchmark relative measures to understand and communicate risk internally and externally.

SITFO believes that a diversified portfolio will include asset classes that do not have investable benchmarks or benchmarks that may not be suitable for passive implementation.

Illiquidity risk can be beneficial to meeting return objectives. SITFO focuses on two types of illiquidity:

- The first is the inability to redeem capital from an investment vehicle, regardless of the liquidity of underlying holdings. SITFO focuses on its asset-liability matching with an emphasis on periods of market stress to be certain sufficient liquidity is available.
- The second is related to measuring private market risk where the underlying assets are illiquid. SITFO appreciates and avails itself of the less frequent marking of private assets from an accounting perspective but does not rely on these marks for measuring and assessing investment risk. SITFO uses statistical methods to proxy the private funds and convert their returns to use them in various analyses.

Position sizing and concentration are important risks for SITFO as these can be beneficial or detrimental. SITFO uses risk management to determine position sizing and number of line items when constructing the portfolio.

Manager selection and monitoring rely on risk management to measure the contribution to total portfolio risk with an ex-ante perspective to the extent possible.

Path Dependent Metrics (Conditional Expected Drawdown, Max Drawdown) – Path dependent risk metrics are an interesting alternative to single period metrics like volatility. Path dependent metrics capture the entire path of asset behavior and can be more revealing. For instance, path dependent measures penalize subsequent back-to-back losses, while volatility does not.

Below are statements of belief by several common (not all) metrics to provide further insight into SITFO's risk management:

- Tracking Error (TE)
  - → SITFO does not prioritize lower TE in every instance. Expected return per unit of risk is judged in a comprehensive manner to determine the potential benefit of TE.
- Volatility
  - → SITFO does not prioritize volatility (and related metrics such as Sharpe) on a stand-alone or line-item basis. High volatility is warranted in many cases, and it can be managed through correlation or position sizing. Total portfolio volatility is a key compliance metric and SITFO focuses on the downside implications of volatility. SITFO prioritizes downside risk metrics such as drawdowns, CVaR, and semi-standard deviation.
- Beta
  - → SITFO has an ongoing interest in understanding the equity beta throughout the portfolio as it appears in many asset classes and typically contributes more to risk than its dollar weight implies.
- Correlation
  - → SITFO is acutely aware that correlations between asset classes are not static over time. For instance, in tail risk events, many assets are known to suddenly increase in correlation to equities.
- Trend
  - → SITFO is aware of the dynamics of trend or momentum in financial markets. Research suggests that markets generally trend, and that, on average, following trends can improve risk-adjusted returns. SITFO monitors trend in nearly all asset classes as a component of risk management.
- Valuations
  - → SITFO tracks the valuation metrics for each asset class. While valuations are not as useful as short-term risk metrics, they are predictable for longer-term returns and useful at extremes for monitoring risk.