

# Harnessing the power of the NOYACK Score

## *Research Methodology*

### Overview

The NOYACK Score was developed with a specific purpose in mind: to provide a holistic and accessible assessment of private investment offerings. NOYACK strives to enhance transparency in a notoriously opaque industry. Our Score is designed to provide **a framework for informed decision-making** and due diligence, offering a **qualitative assessment** that goes beyond mere performance figures. By leveraging the NOYACK Score, investors and financial advisors can better evaluate strategies, understand their risk-adjusted potential, and align their investment goals with the most suitable opportunities across private market.

The NOYACK Score does not express a view on a given asset class. Instead, its primary objective is to **evaluate each strategy within the context of an appropriate peer group**. Our goal is to identify strategies that we believe can outperform their peer group on a risk-adjusted basis over time and highlight strategies we believe may underperform their peer group.

Portfolios are placed in a given category based on the asset class that it specializes in, based on the principle that **different strategies within a similar peer group share comparable risk factors**. NOYACK's coverage spans across Fine Art, Private Credit, Private Equity, Real Estate, and Venture Capital peer groups. The aggregate performance of such categories differs materially over time; hence, their distinction is meaningful to investors and helps investors compare and select strategies that align with their objectives.

It is important to note that the NOYACK Score is not intended as a standalone measure of an investment offering's worth. Rather, it serves as a tool that complements and enhances the overall due diligence process. By incorporating the NOYACK Score into their analysis, investors and financial advisors can gain **valuable insights** and a more **comprehensive view of the investment landscape**.

### Methodology

#### Step 1: Collect Data Across 7 Scoring Criteria

NOYACK has identified 7 key areas that are crucial to evaluating strategies' alpha potential: **Alignment, Performance, Market Risk, Business Risk, Liquidity Risk, Debt Risk, and Transparency**. These areas create the foundation for

NOYACK’s research framework and give investors and financial advisors a standardized rubric to make justified investment decisions.

To determine their conviction in a strategy, NOYACK analysts evaluate an investment offering with respect to these **7 scoring criteria**. Each criterion encompasses a set of metrics and data points that serve to inform the analyst’s review.

						
<b>Alignment</b>	<b>Performance</b>	<b>Market Risk</b>	<b>Business Risk</b>	<b>Liquidity Risk</b>	<b>Debt Risk</b>	<b>Transparency</b>
GP capital commitment	Manager track record	Competitive risk	Parent organization	Cash flow constraints	Interest rate risk	Investor experience and support
Portfolio manager stock ownership	Past performance	Systemic/macro & idiosyncratic risks	Portfolio construction & management	Investor exit rights	Leverage strategy	Key information disclosure
Upfront and performance fees	Team quality and experience	Target market opportunity	Team depth and continuity	Liquidity cushion		Valuation discipline

Though each research report provides an in-depth review of a portfolio, investment strategy and deal terms, a NOYACK Score assesses **the merits of one portfolio share class**. Some multishare funds offer multiple share classes with different fee structures and total return time periods, which may result in different assessments. NOYACK’s policy is to **prioritize share classes on the basis of accessibility**, favoring lower minimum investment amounts and non-exclusive distribution channels. The Price Tag section of the report highlights any fee differences between share classes to facilitate any further research.

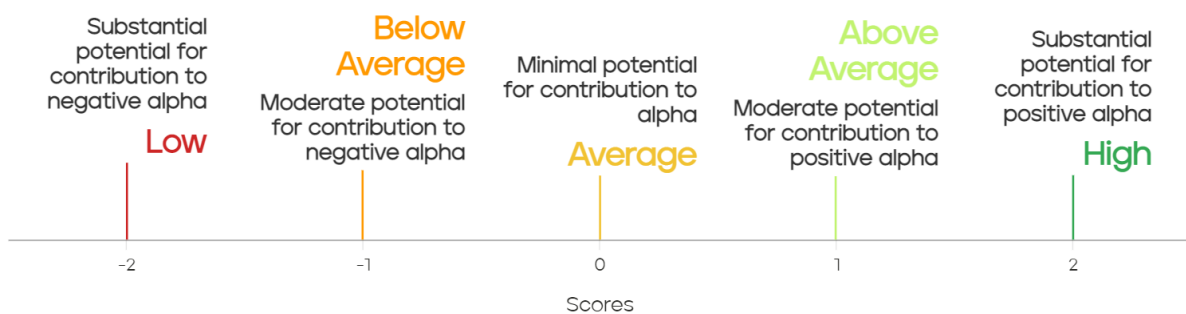
## Step 2: Assign a Qualitative Assessment for each Criterion

To ensure a rigorous evaluation process, we employ a combination of data collection methods from **interviews with asset managers to hands-on research** conducted by our specialists as they decipher SEC filings among other relevant sources.

NOYACK’s research may include sending detailed due diligence questionnaires to asset managers, which are carefully structured to elicit both favorable and unfavorable responses. Our proprietary assessment process combines the questionnaire answers with our specialists’ in-depth analysis. This process generates qualitative assessments for each scoring criterion, which are in turn approved by a Scoring committee.

For each scoring criterion, analysts assign an assessment that takes the form of: Low, Below Average, Average, Above Average, and High. This assessment reflects **whether we expect a criterion to contribute to positive alpha generation versus its peer group.**

An Average assessment indicates that we do not expect such criterion to contribute while Below Average and Low assessments indicate that we expect the criteria to subtract value in alpha terms. **The scale gradation is associated with a point system** on a -2 to +2 basis.



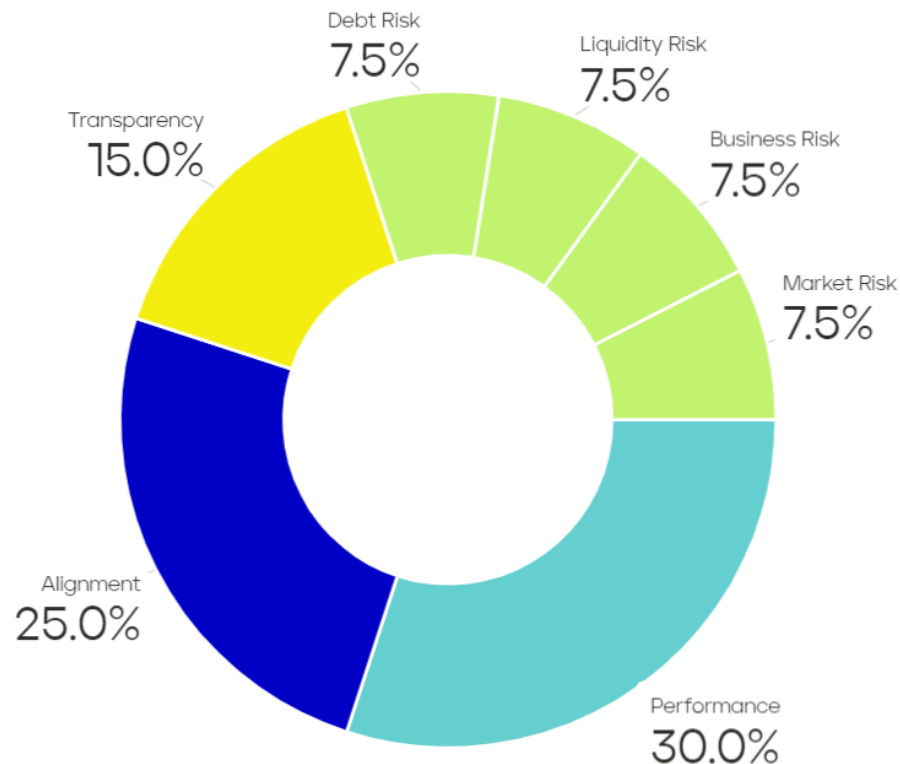
The **scale gradation is reversed when evaluating risk factors.** A High Risk assessment indicates substantial potential for contribution to **negative alpha** while a Low Risk assessment means that we expect a substantial potential for contribution to **positive alpha.**



### Step 3: Translate Qualitative Assessments into a Quantitative Score

The next step translates qualitative assessments into a quantitative score: the Alpha Potential. The Alpha Potential is **derived using a weighted scoring model.** NOYACK's scoring methodology starts with the baseline assumption that a strategy's alpha potential is equal to 0 before considering the effect of the

scoring criteria identified in step 1. The **Alpha Potential** is then derived by **weighing the scores** assigned for each criterion as follows:



The equation to compute a strategy's alpha potential is thus the following:

$$\begin{aligned} & (\text{Alignment Score} \times 0.25) + (\text{Performance Score} \times 0.3) \\ & + (\text{Transparency Score} \times 0.15) + (\text{Market Risk Score} \times 0.075) \\ & + (\text{Business Risk Score} \times 0.075) + (\text{Liquidity Risk Score} \times 0.075) \\ & + (\text{Debt Risk Score} \times 0.075) = \mathbf{Alpha Potential} \end{aligned}$$

#### Step 4: Derive NOYACK Score using a Relative Scoring System

The standardized structure of our analysis allows a high degree of comparisons across investment vehicles and asset classes. Each scoring criterion is universally relevant to assess a strategy.

While the predictive weighted scoring model of the Alpha Potential is great to offer a comprehensive evaluation, the premise of its underlying qualitative assessments is to **determine the relative merits of strategies that share comparable risk factors and opportunities to add value**. Pricing in the contemporary art market for example, is more susceptible to volatility than private credit loan prices or private equity assets that are not subject to mark-to-market volatility.

Funds that operate in these markets do not only face different risk factors, but they often seek different objectives with different investment styles. For instance, value creation in private credit typically arises from the ability to identify mispriced credit opportunities, skilful underwriting, and effective portfolio management. However, the scope for direct operational interventions and strategic value addition may be more limited compared to private equity or venture capital investments. As a result, different investment styles in different asset classes may **offer fewer or more opportunities to derive alpha from active management**.

Therefore, while the Alpha Potential is a great way to quantify the value of a strategy, it is limited in its ability to offer relevant comparisons across asset classes. The NOYACK Score is a more intuitive and powerful **relative scoring system** that enables investors to make informed decisions on the relative merits of competing investment vehicles. Relative scoring is a type of assessment in which **strategies' scores are determined by comparing them against their peer group**.

NOYACK aggregates the Alpha Potential of competitive offerings and divides them into equally large subsections on a **10-tier scale ranging from 0.5 to 5 stars**. NOYACK's research methodology and analytical structure provides investors both (a) the toolkit and insights to make investment decisions across asset classes and (b) a ranking system to evaluate the ability of strategies to outperform their peer group over time.

## Our Code of Ethics

NOYACK is committed to upholding the principle of independence in its research activities. NOYACK delivers unbiased and impartial analysis that serves the best interests of investors and advisors. This requires a strict policy of integrity that **prohibits asset managers from seeking or compensating reviews**.

To prevent any potential conflict of interest, NOYACK also ensures that its **researchers are unaffiliated** with any asset managers under review. The investment research team comprises seasoned writers, financial analysts, professors, wealth management analysts, and investment researchers who cover a wide range of asset classes across private markets. Each researcher abides by the NOYACK code of ethics in ensuring objective analysis that conveys NOYACK's genuine assessment of a strategy, including negative reviews when warranted. The combined expertise of our investment research team amounts to more than 80 years of experience in conducting thoughtful evaluation of investment products.

The data and analyses contained in each research report are the property of NOYACK and are protected by copyright and other intellectual property laws. The information provided is intended solely for informational purposes and should not be construed as investment advice. It is not an offer to buy or sell a security, and it is **not intended to be used as the sole basis for any investment decision**. Readers should conduct their own independent analysis and consult with a qualified financial advisor before making any investment decisions.

The information contained in each research report is believed to be accurate and reliable based on sources believed to be reliable, but NOYACK makes no representation or warranty, express or implied, as to its completeness, accuracy, or timeliness. The **data and analyses are subject to change without notice** and NOYACK is not obligated to update this information.

Reports may contain **forward-looking statements and projections which are subject to risks and uncertainties**, and actual results may differ materially. Past performance is not indicative of future results. The use of the information contained in any research report is at the sole risk of the reader, and NOYACK shall not be responsible for any losses, damages, or expenses incurred by any person as a result of reliance on the information conveyed in the reports.