



MATARIN CAPITAL

Investing with Insight and Integrity

**THE PATIENCE PREMIUM:  
Driving a Long-Term Investment Approach  
to Achieve the Global Goals**

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# Behavioral Heuristics

There are many reasons why investors...

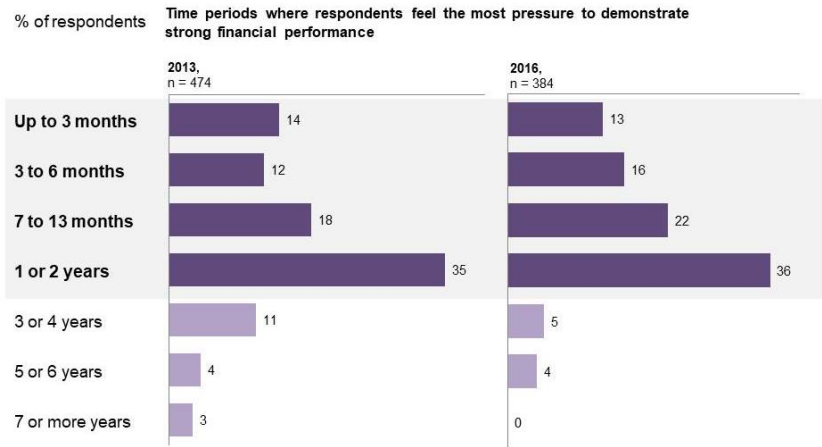


Long-term investing is not behaviorally easy to do. Some of the “behavioral heuristics” that it plays on are:

1. **Recency Bias:** the tendency to put too much emphasis on the recent past.
2. **Herd Behavior:** chasing trends rather than sticking to a long-term thesis.
3. **Loss aversion:** the pain of sitting with short term losses can make it hard to stick to a long-term position.
4. **Ambiguity Aversion:** It is hard for the human mind to easily conceive of the long-term future, much less act on it.

Long-term investing is behaviorally hard to do, making this a less competitive space.

# CEOs Feel Pressure to Deliver on Short-Term Goals



Source: Barton, Dominic. 2016. *Rising to the challenge of short-termism*. FCLT Global

- The competition for short-term alpha is only increasing due to contemporary trends in the marketplace.
- The markets are becoming shorter and shorter term in their perspective.
- As shareholders' perspectives become shorter term, businesses are also forced to have a very short-term focus in the way that they plan for the future.

# Global Long-Term Challenges



- The long-term goals for society and the planet will require a major multi-sector effort (SDG 17: Partnerships for the Goals).
- For example, in order to achieve the SDGs by 2030, it's been estimated that it may require up to \$7 trillion in fresh capital per year between now and 2030<sup>1</sup>.
- Mobilizing that amount of investment capital will require bringing traditional investors to the table.
- How do we encourage traditionalist investors and corporations to start thinking about sustainability?

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<sup>1</sup> World Bank President Kim

[http://live.worldbank.org/investing-for-positive-impact?CID=IFC\\_TT\\_IFC\\_EN\\_EXT?cid=SHR\\_WBLSiteShare\\_EN\\_EXT](http://live.worldbank.org/investing-for-positive-impact?CID=IFC_TT_IFC_EN_EXT?cid=SHR_WBLSiteShare_EN_EXT)

# Investment Process: The Patience Premium

A “Normal” Fixed Income Yield Curve



- Similar to the term structure of interest rates, in which longer term bonds offer higher interest rates, equity investors may also earn a “Patience Premium” for longer-term investment.
- The “Patience Premium” can be realized through thoughtfully-constructed buy-and-hold investment strategies in global stock markets.

# Investment Process:

## The Patience Premium Score

The Patience Premium indicators represent the same fundamental concepts that are implemented in Matarin’s actively-managed factor-based investment strategies.

Patience Premium Factors:

### Business

Solid business results and stable growth over a long-term period

### Catalyst

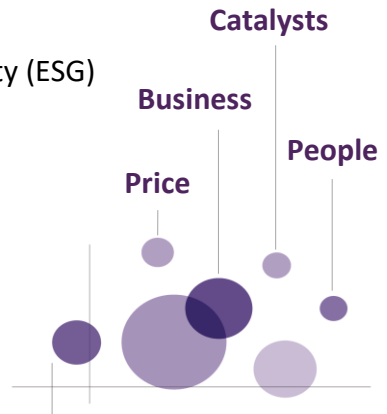
Long-term Progress Toward Sustainability (ESG)

### People

Strong leadership  
Avoid “empire builders”

### Price

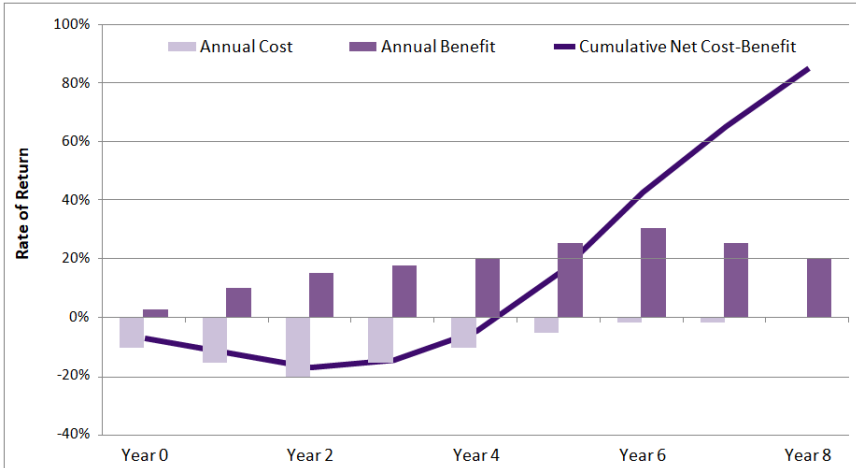
Inexpensive valuations



- Matarin’s investment team partnered S&P Dow Jones Indices’ (“SPDJ”) research and development team to provide research for Matarin’s design of the custom index methodology.
- This is the first time that SPDJI’s R&D team has collaborated with an outside firm on the research and development for use with a custom index methodology.

# Investment Process: Capturing ESG Momentum

*A Stylized Example*



Source: Matarin Capital Management, LLC

## **The J-Curve of “Progress Toward Sustainability”**

- Sustainability and ESG indicators are important parts of the Patience Premium score.
- Perhaps there is a “J-curve” for sustainable investments that makes them well-suited to long-term investment strategies.
- Because when companies invest to become more sustainable, there can be an immediate cost in the early years on cash-flows or earnings in the short-term focus. But in later years progress toward sustainability can pay off.
- Matarin is partnered with the ESG data provider Sustainalytics on the calculation of these proprietary ‘ESG Controversy’ and ‘Progress Toward Sustainability’ indicators.

# Join the Movement



**CHANGE THE MARKETS,  
CHANGE THE WORLD!!**

## How is it affecting your industry?

*The Global Long-term Index is not  
“just another investment product.”*

### JOIN the Movement!

- The vision for the Global Long-term Index is more than another investment vehicle.
- The idea is that an “index” and a “patience premium” can initiate a conversation about long-termism.
- At Matarin, we believe that if we can change the markets, we can change the world. And for starters, if we can just change our time horizons, it will have a major impact.
- Let’s explore what we can do together to make the world more Patient.



# Appendix:

## Matarin's Background & Mission

### Background

- Founded July 2010
- Investment Team has worked together for over 19 years
- 100% employee owned
- Certified women-owned business

### Mission

- Matarin Capital Management aspires to be a symbol of stewardship within the investment management industry
- We are dedicated to delivering above benchmark risk adjusted investment returns through insight, passion, and diligence
- We aim to build strategic alliances with our clients based on the highest ethical standards

*Registration as an Investment Adviser and certification as a women-owned business do not require any particular skill or training.*

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