



Specialized Strategies Group



Wealth
Management

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About us

We are the Specialized Strategies Group at RBC Wealth Management in Los Angeles, California. We have been working with Superfund sites for more than 25 years. During our careers, we collectively managed over \$1 billion in assets. Today, the sites start at \$10 million in accumulated funds, are geographically located throughout the United States, and are in various stages of remedy (i.e., pre-consent decree, remedial design/remedial action and operations, maintenance and monitoring). Our clients include multiparty sites as well as smaller, single party sites.

Why sites hire us

We are hired for our conservative investment thesis, cash management experience and skill in creating income streams to help meet clients' needs.

An advantage we have over other financial advisors is we understand the culture of the investment committees and the varying levels of complexity unique to each site. Sites benefit from working with a team and parent company with deep resources, a reputation for putting the interests of clients ahead of our own and a passion for investing funds for sites.

We have a well-rounded team that is experienced, responsive and can serve as financial advisors over a long-time horizon. We collaborate with all parties involved in overseeing the site and provide high touch service and support.

Our services

- Work with the project manager and/or investment committee to analyze the projected cashflow needs during the stages of remedy
- Recommend an asset allocation of liquid securities (i.e., bonds, stocks)
- Manage liquidity needs, both expected and unexpected
- Reviewing, evaluating and rebalancing of the portfolio to adjust the asset allocation to respond to market conditions and changing liquidity needs
- Continuous coordination with the various parties involved (project manager, investment committee, trustees, accountants, legal counsel, consultants affiliated with the site)
- Ad hoc meetings as requested by committee members
- Monthly reporting on assets

- Portfolio review meetings held virtually with the investment committee or steering committee
- Documentation of meeting minutes for the benefit of committee members
- Rebalancing in real-time (on an as-needed basis) to react to market conditions, site needs or to bring portfolio in line with the client's IPS
- RBC's annual consolidated tax reporting

Potential responsible parties (PRP) groups face challenges with sites

The remedy components for sites consist of the Remedial Investigation and Feasibility Studies or RI/FS stage where initial costs are estimated, and the high-cost remedial design/remedial action (RD/RA) work followed by the lower cost maintenance and monitoring (OM&M) work. During the early remedy period, the RD/RA budget is merely an estimate of cash flow. These estimates provide a low and high range of project costs. There is no certainty in the timing and total costs since there is tremendous uncertainty in treatment volume and effectiveness of technologies. In addition, RD/RA timelines generally have several cashflow-heavy action items that are conducted in parallel.

Not every site will have a lifetime commitment, but many projects will have a long but unpredictable tail (i.e., steady costs with occasional larger payouts for equipment repair/replacement and dealing with the unexpected). Alternatively, projects sometimes do have perpetual timelines with uncertain long-term costs. In either case, cumulative OM&M costs can exceed the planned remedial action costs.

PRP groups have an open liability on the books and may be subject to additional cash calls or assessments if settlement funds fall short. This is not ideal and PRP groups would strongly prefer to limit their additional capital call exposure after the consent decree is signed.

Our process of solving these challenges

We understand that delays and changes to the liquidity schedule are inevitable, but we start by forming a baseline expectation for cashflow needs over time. Most sites desire a conservative asset allocation. Our goal is to help maximize returns for an agreed upon level of risk.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

We spend a considerable amount of time educating committees on their investment choices. For example, savings accounts carry very little risk, but they offer little in the way of reward because they do not pay very much interest. This is especially true in a low interest environment like we are currently experiencing. Stocks can offer investors potentially good returns, but they also carry a higher degree of risk as there is no guarantee you won't lose principal value in a stock.

PRP groups generally prefer investments that are less likely to lose money, even if it sacrifices growth potential. The investment committee provides valuable input on their own draft IPS before it is formalized. The client's IPS document details topics such as the ones listed below:

- Governance
 - Responsibilities for determining investment policy, executing investment policy, and monitoring the results of implementation of the policy
 - Process for reviewing and updating the investment policy
 - Responsibility for engaging and discharging external advisors
 - Responsibilities for determining asset allocation
 - Responsibilities for risk management, monitoring and reporting
 - Investment, return and risk objectives
 - Overall investment objective
 - Return requirements
 - Benchmark selection
 - Risk tolerance of the investing entity
 - Time horizon and termination
 - Liquidity needs
 - Tax considerations
 - Permitted investments
 - Risk management
 - Performance measurement and reporting accountabilities
 - Appropriate metrics for risk measurement and evaluation
 - Process for rebalancing portfolios to target allocations
 - Asset allocation plan
 - Capital market assumptions (5-to-10-year investment horizon)
 - Projected cash flow needs
- After the clients finalize their own IPS, it is possible for us to design a portfolio of diversified asset classes and make educated assumptions about the risk (variability) over time.
- Our plan for sites is to provide liquidity management, income streams and long-term growth with an emphasis on preserving capital and meeting or exceeding operating costs. We also match payout patterns that minimize float to help maximize return.
 - Our plan can match payout patterns which minimizes float and can help maximize investment return.
 - Our process is disciplined, which is a benefit to groups that cannot tolerate more financial uncertainty on top of the regulatory, technical, safety and logistical challenges they face. We will refer to the client's IPS at every quarterly review to confirm that we are meeting stated objectives.

What we need to get started

If interested in working with our team, we request the following:

- Legal documents such as the consent decree or trust agreement
- Projected cashflow schedule from the project manager
- An initial telephone meeting with the project manager/trustee(s)/head of the investment committee to ask questions specific to the site

We will prepare a proposal and review the RFP that covers topics such as:

- Our experience in wealth planning managing Superfund assets for sites
- Recommended process for working with your investment committee (i.e., development of investment strategy, frequency of meetings, reporting)
- Recommended investment strategy (i.e., how to help maximize returns in today's market while maintaining sufficient cash to cover the scope of the work)
- Our services and fee quote

We then ask for an interview with the investment committee/steering committee to review the RFP, determine fit and set expectations.

Thank you for your consideration. We look forward to working with you on future sites.

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Strengthening your financial securitySM

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