



Institutional Allocations

CalPERS selects new funds of funds

Neil Behrmann

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The California Public Employment Retirement System has selected three new funds of funds - Pacific Alternative Asset Management Company, 47 Degrees North Capital Management, and The Rock Creek Group.

"Subject to successful contract negotiations, the initial capital allocation to the three advisors will total \$350 million. Additional allocations are dependent upon the advisors exceeding the absolute return target," CalPERS states.

Each of the funds will work with Mosaic Investment Advisors in a collective effort to develop an emerging absolute return fund program. The balance between qualitative and quantitative elements is shifted more toward the qualitative side than was the case for the Asian and European searches.

"Because emerging funds tend to have short track records (if a track record exists at all), qualitative factors take a larger role at the initial investment stage with quantitative factors becoming increasingly prominent as the emerging fund executes its investment strategy and produces investment returns," CalPERS says. "In instances where emerging funds have short track records, the track records of the individuals will be more heavily scrutinized. While emerging funds have a higher business risk, studies have shown they often times generate higher returns early in their life cycle."

The selection of the three funds concludes a process that took nine months and began with 97 prospective funds of funds. Over a variety of different steps in the process, the list was reduced to eight firms with proven experience in identifying emerging absolute return funds, and running a successful fund of absolute return funds. Hiring multiple funds of funds for this program provide CalPERS with a large number of diversified emerging hedge funds. The three funds selected by CalPERS "have proven they have the personnel, systems, and other resources necessary capable of addressing the idiosyncrasies of emerging funds relative to investments in more established absolute return funds."

*Excerpt from www.infovest21.com