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Consultant Let Go Over 'Failure' To Include Emerging Mgrs.

An approximately $150 million endowment has terminated its investment consultant effective June 30 over its failure to make a dedicated effort to include emerging managers, minority managers and other diverse asset managers in its portfolio.

The $145 million Riverside Church endowment ended its relationship with investment consultant Cambridge Associates after 20 years due to the firm's dismissal of the endowment's directive, according to a letter to Cambridge from Finance Committee Chairwoman Lisa Hinds.

"Non-traditional asset management teams exist throughout this country that have the ability to meet or exceed the performance targets we set periodically for our portfolio," the letter stated. "Instead of rallying to support our legitimate directive, it appears that our instructions either were ignored or summarily dismissed by your team."

The New York-based church's directive to include emerging and minority managers "were not delivered to advance social or political goals," according to the letter.

Erika Davies, director of external affairs at the Association of Black Foundation Executives, which has been promoting the inclusion of minority asset managers in portfolios, said the move signals a change in how institutions interact with their

See CONSULT, Page 3

Consulting Relationships Give Highest Probability Of Accessing Public DB Plans

Asset management firms are finding that investment consulting relationships are both the sources of success and frustration to accessing institutional clients, according to research from Cerulli Associates.

In its report, *The Evolving Investment Consulting Industry and Business Model*, Cerulli's survey of marketing professionals at institutional asset managers found that 53% of the firms plan on placing greater emphasis on fostering consultant relationships, as Cerulli's research indicates that consultant-intermediated business accounted for roughly 60% of 2012 asset flows, with the remainder coming from direct sales.

Managers said they believe that building consultant relationships is the best way to partner with pension investors, as 90% of firms believed that going through consultants gave them the highest probability of accessing the public defined benefit space. Eighty-three percent said they believed that garnering corporate defined benefit and Taft-Hartley plan relationships could be best accomplished through consultants as well.

The survey also found that firms with $10 billion or less in assets under management had a greater share of consultant-generated business at 75%, compared to 48% from firms with greater than $50 billion in assets under management.

"Partnering with investment consultants is a beneficial strategy for firms with a small salesforce and limited distribution resources. While the due diligence process can be grueling, efforts expended could pay off handsomely with multiple wins and less time and resources employed thereafter," the report said.

While asset managers found that accessing investment consultants can be keys to growth and success, the survey

See CERULLI, Page 3

Small HFs Gain Little Ground As Larger Funds Hoard Assets

Hedge fund managers with less than $1 billion in assets under management only attracted a small amount of assets added to the industry between 2008 and 2013, according to a new report by Citi Investor Services.

The report, *Opportunities and Challenges for Hedge Funds in the Coming Era of Optimization*, found that firms with less than $1 billion in assets under management only attracted 6% of the $1.22 trillion in assets added to the industry between the fourth quarter of 2008 and the fourth quarter of 2013, whereas 84% of assets went to firms with over $1 billion.

In addition, the average assets under management of a firm with less than $1 billion in Q4 2013 was $69 million, only a small rise from $60 million in Q4 2008, the report said.

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CalSTRS Takes Ownership Stake In Activist Hedge Fund Manager

The $183.3 billion California State Teachers Retirement System has taken its first ownership stake in an asset management firm, Spokesman Ricardo Duran confirmed, in an e-mail.

The plan acquired a 30% stake in activist hedge fund manager Legion Partners Asset Management in February and will invest up to $200 million with the firm in $50 million increments, Duran said.

Duran said the acquisition of the ownership stake was primarily a mechanism to reduce the plan's fees with the manager as a portion of the fees will be returned to the plan through the ownership stake.

He said there is no concerted effort or ongoing program to seed managers and the investment was in an area in which the plan sought to expand its exposure. "This particular deal happened to make sense along these lines, so we executed it," he said.

Duran said that because there is no organized effort to seed funds, there is no particular point-person at the plan, however, CalSTRS is "always willing to meet with and listen to managers in the activist space."

NYC Names New CIO

Scott Evans has been named the new cio of the New York City Retirement Systems, City Comptroller Scott Stringer announced.

Evans, a 27-year veteran of TIAA-CREF who retired in 2012 as president of asset management at the firm, will be responsible for overseeing the city's nearly $150 billion in assets from its five pension funds.

The plans recently announced a $1 billion increase to its emerging manager programs (EMM, 5/7).

"Scott is a respected and experienced finance professional who will bring decades of knowledge to the Comptroller's Office Bureau of Asset Management," Stringer said, in a statement.

Evans will take over on July 14 from Seema Hingorani, who has served as cio since the departure of Larry Schloss last year.

Hingorani had previously served as director of public equities and hedge funds for the Bureau of Asset Management prior to taking over the cio duties. She will depart on June 30.

Hingorani and Eric Sumberg, spokesman for the comptroller's office, did not return calls seeking additional information.

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CONSULT: Advisor Change Part of Diversity 'Momentum'

Continued From Page 1

consultants.

"I believe it is a first step. It is part of the momentum we are seeing now. I know increasingly, our members and our partners at looking at our work and taking it very seriously as a fiduciary responsibility," she said. "For a client to say that, I hope what it signals to consulting firms is that it is in their best interests to be more inclusive in their process and to even go above and beyond and find talent outside their normal network."

Davies said she isn't aware of any other institutions that have terminated their consultant over this issue and said the hope is not that plans will fire consultants, but rather that consultants will change their policies and practices when it comes to expanding their manager coverage.

ABFE earlier this year released a case study between the Silicon Valley Community Foundation and investment consultant Colonial Consulting that discussed the organization's efforts to expand their coverage of women- and minority-owned asset managers, a dialogue that began through the urging of the foundation to better understand Colonial's manager research efforts in the area.

Davies said the Riverside Church's decision is part of a broader move by institutions to do their own homework in order to hold consultants accountable. "I think tougher questions are going to come and from that, a desire for better answers," she said.

It is unclear if the church has appointed a new investment consultant at this time, as Hinds did not respond to e-mails seeking comment by press time.

> "For a client to say that, I hope what it signals to consulting firms is that it is in their best interests to be more inclusive in their process and to even go above and beyond and find talent outside their normal network."
>
> **Erika Davies**
> *Director of External Affairs*
> *Association of Black Foundation Executives*

The New York-based church issued an RFP for an investment consultant last September that emphasized the background and quality of the firm's investment research and methodology, breadth and depth of capabilities of alternatives and access to and research of small and emerging asset managers.

Cambridge said in a statement: "We've enjoyed a long relationship with The Riverside Church, admire the institution and wish them well."

At Deadline: Philly Makes Local, Diverse & Emerging Mgr. Hires

The $4.9 billion Philadelphia Public Employees Retirement System made 10 local, diverse and emerging manager hires totaling $290 million at its board meeting yesterday, Director of Investments Christopher DiFusco said, in an e-mail.

The plan hired six domestic equity managers, three fixed-income managers and one international equity manager, with the allocations to each manager ranging from $15 million to $50 million. The exact amount allocated to each manager was not provided.

The domestic equity managers hired were large-cap managers Brandywine Global Investment Management and Lyrical Partners, mid-cap managers Hahn Capital Management and Herndon Capital Management and small-cap managers GW Capital and Apex Capital Management.

In fixed-income, the plan hired core manager Longfellow Investment Management, core-plus manager Logan Circle Partners and mid-grade bond manager GW Capital.

In international equity, the plan hired Cheswold Lane Asset Management. Additional international equity managers are expected to be considered at the plan's July 24 meeting, DiFusco said.

All of the hires are pending successful contract negotiations.

The plan began the search for local, diverse and emerging domestic equity managers in September, fixed-income managers in November and international equity managers in January (EMM, 9/24; 11/7; 1/8).

CERULLI: Consultants Frustrating

Continued From Page 1

said that they can also cause great deals of frustration.

Seventy-seven percent of consultant relations professionals stated that the turnover of contacts at investment consulting firms is the greatest source of frustration, which makes it more difficult to build relationships and gain traction, Cerulli said.

"The consolidation within the consulting industry exacerbated talent flow in the wake of the recent financial crisis," the survey found.

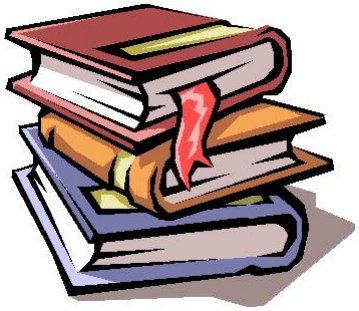
Even more daunting for asset managers is securing face-time with gatekeepers, as 73% of consultant relations professionals ranked closed-door policies as the second greatest barrier to access behind turnover.

With face-time being so pivotal to gaining access to decision-makers, asset managers said that networking at conferences and industry events was ranked as the most effective means to target the investment consultant community, with 87% of consultant relations professionals citing this as an effective technique.

"Given the powerful impact of investment consultants on institutional sales, it's not surprising asset managers are focusing more on further developing these relationships," said Michele Guiditta, associate director at Cerulli, in a statement. "Firms are devoting significant resources to these efforts and plan on continuing to do so."

The full report can be found by contacting the firm through its Web site (https://www.cerulli.com).

Research Center



All information from the research center is available for download at www.emergingmanagermonthly.com.

Submit your research by contacting Matthew McCue at mmccue@fin-news.com.

Investment Managers See Operations as Competitive Advantage: SEI Survey

Improving operations remains a priority for investment managers as investors and regulators continue to demand deeper levels of transparency. However, a new survey from SEI indicates operational capabilities are also becoming a key competitive advantage. The poll reveals that more than three-quarters of investment managers believe there is a 'somewhat strong' or 'very strong' link between their operational capabilities and their business competitiveness and performance, while 69 percent believe that their investors also see a 'somewhat strong' or 'very strong' link.

Tackling better data and information management may also be important in delivering customized reporting and analytics -- items which almost 40 percent of respondents said their clients ask for most frequently. Customization continued to be a theme, as respondents reported that 33 percent of clients ask about more customized portfolios. Although investors appear to desire more individualized solutions, investment managers seem to be meeting their clients' transparency needs as only six percent said that 'more transparency' was what they were asked for most by clients.

-www.seic.com

Other Research:

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Concentration or Diversification

With broad equity markets performing exceptionally well over the last five years, there has been much debate over the benefits of active versus passive investment strategies. As strong proponents of fundamental investing, we have long believed that well-executed, actively managed strategies outperform passive index-based approaches over full market cycles. But within the active management camp, there remains significant discussion over how to best deliver that outperformance.

A centerpiece to that debate is the topic of concentration versus diversification. Many believe that concentrating your investment in a small number of stocks is necessary for outperformance, and diversification merely dilutes returns. While we agree that concentrated portfolios are one way to deliver outperformance, concentration is neither a requirement nor a predictor of good results.

We would argue instead that the real key to achieving outperformance is differentiation.

-www.federalstreet.com

Hangover Redux

We have paid close attention to this capital overhang in private equity markets during the current cycle, and have considered several strategies that we believe can benefit our clients. These include investing in managers who are poised to take advantage of pricing anomalies and/or the strong exit environment. To this end, we have focused a great deal of our research efforts on the smaller segments of the market in buyout, including growth equity and secondary strategies. -www.nepc.com

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Cook County Pension Fund
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Illinois Municipal Employees Retirement Fund
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New York State Common Retirement Fund
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North Carolina Department of State Treasurer
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Consortium 2014 is produced by RG + Associates, a consultancy focused on development and execution of initiatives that serve the finance community through domestic/international strategic forums and targeted business development and marketing solutions.

Domestic Large-Cap, Small-Cap Core Equity Firm Opens Doors

The domestic large-cap core and small-cap core equity team of HGMR Investment Management has launched Isthmus Partners.

The new firm, based in Madison, Wisc., is headed by co-founders Frank Gambino, David Hackworthy, Joel McNeil and Victor Rodriguez, who have worked together since 2003, and is owned by the four individuals along with Equity Research Analyst Jeremy Baier.

Gambino said the team left HGMR, which is a part of Baird Advisors, on May 30.

"The main decision was to be able to have full operating control of the resources that we believe in building a firm," said Gambino, previously director of equity research and senior portfolio manager at HGMR, citing that the team believes having full operating control is in the best interests of its clients.

At HGMR, the large-cap core strategy had $374 million in assets at the end of the first quarter and the small-cap core strategy had $36 million, according to eVestment. The majority of the assets were from high-net-worth investors.

Gambino said the philosophy and process will remain the same moving forward. The two strategies are relatively concentrated, with the small-cap portfolio holding between 55 and 60 companies and the large-cap strategy holding between 35 and 45, according to the firm's Web site.

A Baird spokesman did not provide comment by press time.

Mutual Funds & ETFs

AMI Asset Mgmt. Launches Large-Cap Growth Mutual Fund

AMI Asset Management has launched a mutual fund version of its domestic large-cap growth equity strategy.

The strategy was launched at the end of the first quarter, said Matt Dorband, director of sales and marketing at the Los Angeles-based firm.

"We've had a number of clients come to us and say, 'why don't you have this vehicle'," Dorband explained.

The mutual fund, which trades under the ticker AMILX was seeded with internal assets.

The fund is managed in the same manner as the firm's large-cap growth strategy, which has a track record dating back to 1998.

"It's been a proven strategy that has worked over multiple market cycles and we feel that now that the track record has been established, we could hope to achieve similar returns moving forward," he said.

The firm currently has approximately $1.3 billion in assets under management, including $730 million in its large-cap growth strategy, and believes the mutual fund will provide access to clients who were unable to invest with the firm in the past.

"Now that we have this vehicle, we really feel that we are in a position to continue the rapid growth that we have already experienced as this is another way for clients to access our large-cap growth strategy," Dorband said.

Further information on the mutual fund is available through the firm's Web site (http://www.amiassetmanagement.com/mutual-fund).

Larch Lane, Rothschild Launching Multi-Mgr. Liquid Alts. Fund

Larch Lane Advisors and Rothschild Asset Management are launching a joint venture company that will act as an investment advisor for a multi-manager liquid alternatives 40 Act fund, the firms announced.

The company, Rothschild Larch Lane Management Company, will bring together Larch Lane's expertise in early-stage hedge fund investing and hedge fund seeding with Rothschild's global research of liquid hedge fund managers and distribution, the firms said.

"The combined experience of Rothschild and Larch Lane creates a partnership that is uniquely positioned to offer investors a liquid alternatives strategy designed to provide diversification of asset classes and investment styles," said Mark Jurish, founder and ceo of Larch Lane, in a statement. "We believe this will be a compelling solution among the current liquid alternatives 40 Act offerings."

According to the prospectus filed with the Securities and Exchange Commission, the fund will initially allocate to relative value fund Ellington Management Group, global macro funds Karya Capital Management and Mizuho Alternative Investments and long-biased equity fund Winton Capital Management.

Recently launched a mutual fund or seeking insights into the process?
Let us know.
Contact Matthew McCue at mmccue@fin-news.com or 646-810-1075.

EAM Investors Sells Minority Stake To Enhance Marketing

Northern Lights Capital Group and WHV Investment Management have announced an investment in EAM Investors.

The two firms will take an evenly-split minority stake in EAM, which currently manages approximately $987 million across its domestic and international equity strategies. The firms declined to provide specifics on the minority stake.

Both Northern Lights and WHV will assist EAM with sales and distribution, among other management functions.

"That is going to be important for them, they are a young firm and we have collectively between us a strategic asset in a well-positioned sales and distribution force," said Andrew Turner, ceo of WHV and a founding partner of Northern Lights.

Turner said WHV will also help the Cardiff-by-the-Sea, Calif.-based firm launch mutual funds of their strategies moving forward to enhance the distribution capabilities.

Jack Swift, a managing director at Northern Lights, said that the focus will be on growing the firm's international small-cap, emerging markets small-cap and international micro-cap strategies. EAM recently received a seed allocation for its international micro-cap strategy from the Oregon Investment Council, as reported by EMM in April.

Travis Prentice

"The partnership with Northern Lights and WHV brings considerable resources and an extensive, experienced team to our efforts," EAM Co-Founder and CIO Travis Prentice said, in a statement. "In addition, our firms share the same vision of what it takes to be successful in the investment management business."

Prentice co-founded EAM in 2007 with Montie Weisenberger and Josh Moss, with investment banking firm ROTH Capital Partners holding a 44% stake. It was not clear if the new deal included a portion of ROTH's shares in the firm.

The EAM investment is the first deal involving both Northern Lights and WHV.

"Obviously we know each other really well, all the way at the board level, so there is a lot of comfort and affinity between the organizations," Turner said. "It is certainly not out of the question that we would do another partnership together."

IronHorse Capital Management Bolsters Marketing Efforts

IronHorse Capital Management has bolstered its marketing efforts and launched a mutual fund as it looks to expand its distribution channels for its liquid alternative global equity strategy.

The firm, launched in 2009 by President Kerr Tigrett, CIO Chad Cunningham and investment committee member and chairman of the board David Waddell, currently manages roughly $40 million, largely from high-net-worth investors.

IronHorse was started in hopes of creating a liquid alternative product that could provide risk management aspects to a global equity product and not charge hedge fund-type fees, Tigrett said.

The Memphis, Tenn.-based firm launched the Global Conductor Fund, a mutual fund vehicle, on Dec. 26 under the ticker symbol RAALX and an institutional share class under RAILX .

Additionally, the firm brought on John Daly on April 1 as managing director of national sales to oversee marketing and distribution. Daly has previously worked at firms such as Alliance Capital, Lockwood Advisors and Franklin Square Capital Partners.

Daly said the firm is looking to the independent broker-dealer community and has also brought on third-party marketing firm Dolan Capital to assist with its efforts.

Cunningham said the firm always planned to launch the mutual fund after establishing a track record on the strategy—which now stands at over four years—as a means to expand its distribution channels.

The strategy, which has a track record dating back to Dec. 31, 2009, is built with a bottom-up fundamental process that aims to take risk off the table and "cut off tails" ahead of major downside events, Cunningham said.

He said the process is more quantitatively-oriented in that he focuses on fundamental metrics such as cash flow and other fundamental multiples like price to book ratio.

"If I want to be a true value manager, I need to be able to institute a process that allows me to ignore the headlines and focus on valuation and a reversion to the mean event that is positive for us," he said.

Cunningham likened the strategy's market adjustments to an aircraft carrier turning rather than a motor boat, meaning that the portfolio adjustments are more subtle and gradual than tactical long/short funds or macro funds that can drastically change positions from one month to the next.

In general, the strategy holds 50 to 100 names, with no name greater than a 5% position.

To help manage risk exposure from the top-down, Cunningham utilizes a model that focuses on three indicators to identify when a fully hedged position should be implemented: valuation, economic and technical.

The valuation measure is based on a normalized five-year price to earnings ratio, a market-based Q-Ratio and domestic and international valuations, while the economic measure looks at six-month annualized leading economic indicators and various regional indicators, while the technical measure looks at intermediate price momentum, both positive and negative.

Daly said the firm's strategy should fit well as a core allocation for investors.

"You look at the philosophy around what we are doing here and the fact that there really wasn't something in the space that I saw to be really what we do. I think that is very valuable and will present a very compelling choice," he said.

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Investcorp Looks To Align Interests With Emerging HFs

Investcorp believes the key to a successful relationship between an investment provider and an emerging hedge fund is an alignment of interests in ensuring the business grows and is sustainable, says Nick Vamvakas, managing director and head of development for Investcorp's Single Manager Platform business.

The single manager business, which provides emerging managers with seeding and acceleration capital as well as distribution and business support, launched in 2004 and currently has relationships with five emerging hedge fund managers.

Vamvakas said the single manager business creates a "true alignment with the manager" because the firm is a co-investor that wants the managers to grow their business. "We are not just providers of capital," he said.

Along with providing investment capital to the emerging manager, Investcorp also provides marketing and sales services as part of the relationship.

Investcorp pays full fees on the investment capital, which generates operating capital for the emerging manager. "We know the manager requires that revenue," he said, adding that the sales relationship is at no additional cost to the managers. "If the business doesn't grow, we will not earn an economic revenue share."

He said Investcorp does not believe in the buy-back model that some seeding arrangements use because it puts additional strains on the manager to end that relationship and restricts their ability to invest in its business and people.

"We would rather take a little more duration risk with a manager, align ourselves with the manager and make sure it is a solid business," he said, noting that the while each deal is unique to the manager, the time horizon on a deal is approximately five to seven years.

The firm recently added David Walsh to the single manager business, with responsibility for identifying and sourcing emerging hedge funds and structuring and developing relationships with the managers in the business.

He joins a team that includes Vamvakas and David Modiano. Walsh, who was previously part of the capital introduction group at UBS, will report to Vamvakas.

Walsh and Modiano are the initial contacts for interested managers and can be reached at 212-599-4700.

"David has been identifying and working with early-stage hedge fund managers for years in his prior roles," said Lionel Erdely, head and cio of the hedge funds group at Investcorp, in a statement. "We believe his background will enhance our capabilities in identifying and sourcing new hedge fund talent early in their life cycle. His addition is a boost to our seeding and emerging manager program as we work to execute on our plans to significantly grow our investment universe."

The single manager business currently has relationships with European distressed credit manager Eyck Capital, equity event-driven manager Kortright Capital Partners, global macro fixed-income manager Kingsguard Advisors, convertible arbitrage manager Silverback Asset Management and multi-asset class structured credit manager Prosiris Capital Management.

> "We know that the manager requires that revenue. If the business doesn't grow, we will not earn an economic revenue share."
>
> **Nick Vamvakas**
> *Head of Development-Single Manager Platform*
> *Investcorp*

Khing Oei, managing partner of London-based Eyck Capital, said in an e-mail that the firm had received interest from multiple parties due to its unique allocation strategy and the current landscape in the European market and was attracted to Investcorp because of the firm's track record in identifying high quality emerging managers.

"We're still early in our partnership, but we've already benefited tremendously from their support. They provide resources in the form of capital, but also lend their distribution and knowledge of best-in-class hedge fund activities," Oei said. "In short, Investcorp is a great partner that is always there when you need them but also gives managers the flexibility to pursue their strategy. We're very excited about our partnership and all that we will accomplish together."

Vamvakas said Investcorp is opportunistic in the managers it invests with and looks at all areas of the market. Currently, among the strategies the firm is interested in are global long/short equities, relative value and U.S. special situations strategies.

Typically, the firm will make two to three deals per year, with capital coming from Investcorp's balance sheet. The typical investment is in the $50 million to $100 million range.

The firm has been approached by over 1,700 managers in the past three-and-a-half years, Vamvakas said.

Vamvakas said the firm can provide seeding or acceleration capital to managers and when vetting firms wants to initially see that the investment professionals have previous experience successfully executing the strategy, are differentiated from their peers and also understand the requirements of building a firm and maintaining significant downside risk protection.

"We will review the manager from a business perspective to make sure that the manager understands the commitment and the passion that is required to establish a hedge fund business," he said, adding, "We want a plan. We want to make sure the manager understands the commitment and is someone we can work with."

R&D Capital Offers Unique Structured Notes Strategy

R&D Capital Management has come to market with an active structured notes strategy, which it believes to be the first of its kind in the U.S.

The Denver-based firm was launched by Robert Truscheit and David Sturgeon after the pair had realized the benefits to investing in structured notes for Truscheit's family office, Capital Strategies.

Truscheit said he began investing in structured notes, which are debt obligations issued and guaranteed by banks, during the financial crisis due to the attractiveness of their stable returns with downside protection.

"The markets were so volatile at the time and it was just an extremely interesting concept we had never seen before, and it helped us to reduce the volatility in the portfolio," Sturgeon said.

Sturgeon said they were looking to reduce the volatility of the portfolio while maintaining its equity exposure, which led to the slow build-out of the portfolio and the laying of the foundation for the strategy's risk management controls, diversification controls and counterparty controls.

"We let it run for probably 36 or 38 months building an internal track record, incubating it within the family office, just to try and prove to ourselves and other investors that this strategy is a low volatility investment strategy that delivers low- to mid-teen returns," he said.

With a track record in place, Sturgeon said they knew they had something unique that could be rolled out to investors. Currently, the fund manages approximately $10 million in assets seeded through Capital Strategies and has just begun to market to investors through the assistance of marketing firm 4Peaks Capital.

"We knew the drawbacks were going to be that it is a new asset class so there is the education process associated with speaking with investors, but it also helps to open the door and get your foot in the door because you tend to have a lot of fund-of-funds and investors that are looking for that next new strategy they have never heard of before," Sturgeon said.

Truscheit said the product lends itself well to fund-of-funds and pension plans that are looking for strategies with returns in the 10% to 15% range each year with low correlations to the overall market.

Sturgeon said the strategy focuses on running multiple discounted cash flow valuations on a company to identify a best and worst case pricing scenario, then use historical realized volatilities to predict the levels of downside protection needed in a note and understand the level of upside potential.

"By doing that, we are typically removing close to two standard deviations of risk from the portfolio, this has allowed us to experience losses on around 10% of the structured notes we have invested in," he said.

Sturgeon said the firm focuses on two areas: rates of inflation and GDP growth. By understanding where various regions of the world economy are going in terms of GDP growth and inflation and constructing a thesis around which areas are going to do better or worse based on those expectations, the firm is able to build positions.

"We believe that the expectations around GDP growth and inflation, positive or negative, are what drives markets," he said.

Overall, 30% of the portfolio consists of commodities, currencies and fixed-income, with the remainder in domestic and foreign equities.

"We are really just kind of positioning ourselves as a true hedge fund where we are taking out downside risk," he said.

Truscheit said he believes the firm is the only hedge fund in the United States offering managed structured notes.

"This is a [asset] class that we think should be evaluated compared to a lot of other classes. The macro hedge fund market and the returns are just not that good and we are not only beating all of those returns, we are beating them with a higher Sharpe ratio. We believe that these facts warrants a closer look at this asset class," he said.

CITI: Consultants Tend To Push Institutions To Larger HFs

Continued From Page 1

Smaller firms also had a hard time securing capital as hedge fund-of-funds, which were a main capital source for small managers, experienced net outflows every year since 2008 with assets under management only growing 12% in that time period.

These managers are also facing additional pressure from a due diligence standpoint, as expectations surrounding infrastructure costs, team build-outs and compliance guidelines to pass due diligence evaluations are growing larger, the report found.

Investment consultants also had a big impact on investors' choices in managers and tended to push institutions toward the largest hedge fund managers, equating size with safety and making the industry more difficult for smaller managers.

However, the report found that a subset of investors known as direct allocators were interested in smaller, creative, niche managers.

Direct allocators, which account for 75% of assets in the market, target managers just over $1 billion in assets because they are best positioned to absorb large $100 million-plus mandates, deploy capital and build their advisory relationships, the report said.

The report also found that the hedge fund industry is thriving and Citi expects to see the hedge fund pools of capital double to $5.8 trillion in 2018 from $2.9 trillion in 2013.

Citi conducted 138 in-depth interviews with hedge funds, investors, consultants and other firms representing $1 trillion in hedge fund assets and $14.8 trillion in overall assets managed or advised.

The report can be found on Citi's Web site (http://www.citibank.com/icg/global_markets/prime_finance/docs/Opportunities_and_Challenges_for_Hedge_Funds_in_the_Coming_Era_of_Optimization.pdf).

The authors of the report were unavailable for comment.

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8 pm | Dinner

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The Waldorf=Astoria Hotel

Thursday, June 12th, 2014

6 pm | Reception

7 pm | Dinner Program

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Baltimore County Plan Eyes Emerging Large-Cap Growth Mgr.

The $2.9 billion Baltimore County (Md.) Employees Retirement System is in the midst of a search for emerging domestic large-cap growth equity managers, Investment Administrator Robert Burros said.

The plan has been undertaking a search for an emerging large-cap growth manager to handle between $10 million and $25 million over the past few months and opted at its May 13 meeting to take another look at the space, Burros said. The plan was scheduled to interview Hamlin Capital Management and High Pointe Capital Management at its June 10 meeting, however, investment consultant CASI Institutional Consulting, which is assisting in the search, told the plan it wanted to review other managers.

CASI may bring back the two originally selected firms for interviews or select brand new firms, Burros said. Interviews are likely to take place in July or August. The plan works with CASI Chairman and CEO Myron Howie.

Interested firms should contact CASI through the firm's Web site (http://casiinstitutional.com/contact-us/). A call to the firm seeking additional information on its search process was not returned.

The search is being conducted due to the recent graduation of incumbent emerging large-cap growth manager Herndon Capital Management. NEPC is the plan's general investment consultant.

-Request For Proposals-

Los Angeles City Employees' Retirement System

ACTIVE SMALL CAP EQUITY EMERGING MANAGER FUND-OF-FUNDS MANDATE SEARCH

The Los Angeles City Employees' Retirement System (LACERS), a $13.5 billion public pension fund, is seeking qualified investment management firms to actively manage up to $100 million in a long-only small cap equity emerging managers fund-of-funds strategy. The proposed strategy must currently be benchmarked against the Russell 2000 Index or Wilshire 4500 Index.

On June 9, 2014, the search document, which details the minimum qualifications each respondent must meet in order to be considered, as well as the required City forms, will be available on LACERS website: lacers.org and on the website of LACERS General Fund Consultant, Wilshire Associates:

http://www.wilshire.com/investment-consulting/manager-research/manager-search

The deadline for submitting proposals is 5:00 P.M. PDT on July 11, 2014.

Illinois Teachers Increases Emerging Manager Target

The $43.6 billion Teachers' Retirement System of Illinois approved increasing the target allocation in its emerging manager program to $750 million from $500 million at its May board meetings, Spokesman Dave Urbanek confirmed, in an e-mail.

There are no specific plans for how the additional $250 million will be allocated or distinct strategies the plan will focus on, Urbanek said. He added that the additional allocation to the program gives the plan more flexibility in encouraging and developing both new or existing firms.

The plan does not issue formal searches for emerging managers and funds are not designated for any one asset class, according to Urbanek.

Urbanek said the 18 firms that make up the plan's emerging manager program handled a total of $687.4 million as of March 31 due to investment return growth within some initial allocations.

ISBI Tops $1.7B In Active Emerging & Minority Managers

The $14.4 billion Illinois State Board of Investment has a total of $1.72 billion with active emerging and minority-owned managers and an additional $1.57 billion with minority-owned passive equity manager RhumbLine Advisers, according to a March 31 report.

The plan currently has investments with nine emerging managers and two minority managers, according to the report, which was presented by general investment consultant Marquette Associates at a May 2 emerging manager committee meeting.

Overall, there is approximately $1.6 billion invested with emerging managers and $1.69 billion invested with minority managers.

Aside from RhumbLine, the largest allocations are to LM Capital, which handles $461 million for the plan, Opus Capital at $119 million, Herndon Capital at $116 million, Ariel's international equity strategy at $110 million and Garcia Hamilton at $103 million.

Maryland Plan Terminates Credo

The $703 million Howard County (Md.) Retirement Plan terminated domestic mid-cap growth equity manager Credo Capital Management at its March 27 meeting, according to minutes.

Credo had at one point managed $14 million for the plan, however, the firm had its mandate trimmed to $3 million to reduce risk in June 2013.

The plan first placed the firm on watch in 2012 due to performance reasons.

The plan will split the $3 million equally among incumbents William Blair & Co. and Brown Capital Management.

Summit Strategies Group is the plan's general investment consultant.

Search Roundup

The following directory includes search and hire activity for the last month, as well as previously reported ongoing searches. The chart also includes emerging managers hired for direct investments. All amounts are in $ millions unless otherwise stated. To report manager hires and new searches, please call Gar Chung at 646-810-1073 or e-mail him at gchung@fin-news.com.

For further information on finsearches' daily search leads and mandates awarded and lost, please visit finsearches.com or contact Gene Dolinsky at 646-810-1072 or gdolinsky@finsearches.com

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FUND NAME	FUND SIZE (M)	INVESTMENT TYPE	SIZE (M)	COMMENTS
NEW LEADS				
Los Angeles Fire & Police Pension System	17,729	Emerging Managers	N/A	Plan is expected to hear a recommendation to conduct a search for direct emerging manager relationships at its June 5 board meeting. Plan previously approved investing $100 million in direct emerging manager relationships at its April 17 board meeting and anticipates hiring five or six direct emerging managers in total. Further information is unavailable at this time.
Teachers' Retirement System of Illinois Teachers' Retirement System of Illinois	43,590	Emerging Managers	750	Plan approved increasing the target allocation in its emerging manager program to $750 million from $500 million. Plan does not issue formal searches for emerging managers as the program is an ongoing initiative in which funds are allocated to eligible managers identified by the plan as potential 'good fits' for the overall investment program. Funds are also not designated for any one asset class.
Baltimore County Employees Retirement System	2,900	Large-Cap Growth	25	Plan is conducting search for emerging domestic large-cap growth equity managers to handle a $10 million to $25 million mandate due to the recent graduation of Herndon Capital Management. Plan's consultant CASI Institutional Consulting decided to restart a search at the May 13 meeting and will likely hold finalist interviews in July or August. Firm had originally recommended interviews with Hamlin Capital Management and High Pointe Capital Management and the firms may or may not be recommended again for interviews.
Colorado Public Employees' Retirement Association	43,900	Emerging Manager	N/A	Plan's investment committee will continue discussions on the potential addition of a dedicated emerging manager program and has had discussions over the last several months. No decisions have been made at this time.
ONGOING				
Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago	1,442	Emerging Manager/Manager-of-Managers	95	Plan selected emerging manager-of-manager finalist interviews with FIS Group, Legato Capital Management and Progress Investment Management Company for its May 12 board meeting. Further information is unavailable at this time. Search is being conducted due to performance concerns regarding incumbent Northern Trust Global Advisors.
St. Louis Employees Retirement System	768	Emerging Managers	N/A	Plan expects to hear a report and shortlist of firms in its emerging domestic non-large-cap equity manager search from general investment consultant Summit Strategies Group at either its June or July meeting. Plan received a total of 22 RFP responses. Further information is unavailable at this time.
Los Angeles City Employees' Retirement System	13,500	Emerging Manager/Manager-of-Managers	N/A	Plan will issue its RFP for domestic small-cap equity emerging manager-of-managers on June 9. A copy of the RFP will be available on general investment consultant Wilshire Associates' Web site (http://www.wilshire.com/investment-consulting/manager-research/manager-search).
FIRMS HIRED				
Detroit Police & Fire Retirement System	3,153	Emerging Managers	N/A	Plan's emerging manager-of-managers North Point Advisors recently hired emerging managers Quantum Capital and 300 North Capital. Further information is unavailable at this time.

Investment Duo Launches Advisory Firm Nu Paradigm

Chris DeMeo and Russell O'Brien have launched Nu Paradigm Investment Partners, which intends to provide a tailored approach to institutional investors seeking a full range of advisory services.

The genesis of the firm came from the duo's work with clients in their previous roles at Russell Investments, as well as DeMeo's most recent position as head of investment, Americas at Towers Watson and O'Brien as a senior director with FLAG Capital Management.

"We felt what has been happening is that there is less of a focus on what problems to solve and how to have an efficient portfolio," DeMeo said. "We decided that taking a step back and asking, 'what are problems investors are facing and what are best ways to address them'" led to the creation of Nu Paradigm.

DeMeo and O'Brien said the Boston-based firm's structure allows for the implementation of an investment portfolio across an array of models, from a traditional consulting role or a strategic partner in a specific asset class all the way to a fully outsourced portfolio, based on the needs of a particular client.

MassPRIM Hires Senior Investment Officer

Andre Clapp has joined the $58.2 billion Massachusetts Pension Reserves Investment Management Board as senior investment officer for public markets, Spokeswoman Nicole Giambusso confirmed.

Clapp, who began June 2, will be responsible for domestic equity, international equity and emerging markets equity at the plan, Giambusso said. He reports to Sarah Samuels, senior investment officer and director of public markets and investment research.

Most recently, Clapp served as a portfolio manager in the international active division at GMO, where he was solely responsible for more than $700 million of equities. GMO Spokeswoman Abbi Baranski could not provide additional information.

Contra Costa County Hires CEO

Gail Strohl, retirement program administrator for the Phoenix City Employees Retirement System, has been named ceo of the $6.6 billion Contra Costa County (Calif.) Employees Retirement Association. Her first day is July 28.

Strohl, who joined the $2.2 billion Phoenix plan in September, resigned on May 12. She joined the plan last year from the San Diego County Employees Retirement Association.

A call to the Phoenix City Manager's Office seeking comment was not returned by press time.

NEPC Names Principal

Sean Ruhmann has been promoted to principal and director of real assets research at NEPC, Director of Consulting Services and Principal Steven Charlton confirmed.

Ruhmann is responsible for leading real assets research at the firm as well as assisting in due diligence activities and real estate research, Charlton said. He also provides consulting services for the non-traditional asset classes to clients.

It's a newly-created position as part of recognition of Ruhmann's work at the firm, Charlton said. He reports to Neil Sheth, director of hedge fund research.

"Sean has been an exceptional contributor to the firm and a strength in the real assets area. By creating this position, the firm wanted to recognize his contributions and his skill set," Charlton said.

Most recently, Ruhmann served as senior consultant of private markets at NEPC. He will retain the responsibilities from that position.

Santa Barbara County Names Interim CEO

The $2.4 billion Santa Barbara County (Calif.) Employees Retirement System has appointed Greg Levin as interim ceo following approval of a six month contract at a May 28 board meeting.

Levin has previous experience as an internal auditor for the County of Santa Barbara, comptroller of the City of San Diego and as the cfo of a nonprofit endowment, according to an announcement on the plan's Web site.

Levin fills the position vacated by Gary Amelio, who left the plan earlier this month to become ceo of the San Bernardino County Employees' Retirement Association.

The plan posted an RFI/RFP for executive search firms to handle the recruitment of its open ceo position on its Web site (http://www.countyofsb.org) in April.

Lastly, Assistant CEO Rhonda Cavagnaro has left the plan, according to plan staff. Further information on her departure was not available.

St. Paul Names New E.D.

The $1 billion St. Paul Teachers' Retirement Fund Association announced the hiring of Jill Schurtz as executive director. She will take over for Paul Doane, who will retire on June 30.

Schurtz, who began in her new position this month, was most recently ceo of Robeco-Sage Capital Management and before that was a tax lawyer at Skadden, Arps, Slate, Meagher & Flom.

Doane first joined the plan in 2011 to replace Phil Kapler, who resigned the previous August. Prior to that, Doane was the executive director of the Arkansas State Teachers Retirement Systen.

FEG Hires Quantitative Analysis Director

Mark Koenig has joined Fund Evaluation Group as director of quantitative analysis, the firm announced.

"We believe Mark's skill set will help us better evaluate, monitor, and manage portfolio risk. Further, his expertise will also allow us to enhance our modeling capabilities," said Christopher Meyer, managing principal and cio, in a statement.

Prior to his new position, Koenig was v.p. and director of quantitative strategies at Fifth Third Asset Management.

FEG also hired four research analysts: Sam Ragan for global equities, Peter Kistinger in real assets, Dan Tirpack in private equity and P.J. Neumann in liquid alternative investments.

Most recently, Ragan was a securities analyst at Meyer Capital Management, Tirpack was an investment banking intern at Paragon Capital Group and Neumann was a research intern at Berkeley Square Partners. Further details on Koenig were not available.

In addition, FEG restructured its equity manager due diligence team because of the blurring between active and passive management and the increased number of "structured" investment strategies, the firm said.

The firm is moving away from having analysts focus on strict traditional style categories to focusing on structured mandates and conviction level of active managers, the firm said. FEG also integrated long/short equity manager research into the global equities team.

FEG has approximately $41 billion in assets under advisement.

Curian Capital Names CIO

Curian Capital has named Walt Czaicki as cio and senior v.p. in the asset management group, Spokeswoman Melissa Hernandez confirmed.

Czaicki is responsible for overseeing manager selection and monitoring investment process, asset allocation and capital market analysis, the firm said.

He has been serving as acting cio since January, when former CIO and Senior V.P. Steve Young left the firm, Hernandez said.

"We have expanded the scope of our investment strategies, distribution channels and the overall size of the asset management team," President and CEO Michael Bell said, in a statement. "Walt is the ideal leader to continue this expansion and to serve the evolving needs of our clientele. His extensive background in managing a large asset management organization and overseeing innovative investment strategies will be a tremendous advantage to our firm."

Most recently, Czaicki served as v.p. for platform management in Curian's asset management group, responsible for manager selection, model allocations and advisor communications. Hernandez said the firm will determine a replacement for Czaicki soon.

RBC Hires PMs For Impact Investing Team

RBC Global Asset Management has added two members to its impact investing team, Spokesman Matt Gierasimczuk confirmed.

Catherine Banat has been appointed as institutional portfolio manager and Sara DeWolfe has been named associate portfolio manager, Gierasimczuk said. Banat is based in New York and DeWolfe is based in Minneapolis and both will report to John Utter, head of institutional client service for RBC Global US.

Both professionals are responsible for client service and expertise for the $800 million Access Capital Community Investment Strategy, a fixed-income portfolio supporting underserved communities, according to the firm. Banat focuses on serving impact investing clients and implementing solutions based on each client's customized requirements and DeWolfe is serving as the day-to-day contact for impact investing clients.

Banat's position is newly-created while DeWolfe succeeds Amy Buser, who left in October to pursue other opportunities, according to Gierasimczuk.

"As long-time advocates of community development, we have had the unique opportunity to see first-hand how impact investing programs can positively impact underserved communities while earning a market rate of return," said Ron Homer, co-founder of the strategy and managing director for RBC, in a statement. "Our impact investing solution has a 15-year track record and has seen a steady uptick in flows and search activity over that time. The growth of our team will allow us to provide greater impact investing awareness, expertise and service to our clients."

Most recently, Banat worked with the $147.9 billion New York City Retirement Systems as special assistant to the cio in the Bureau of Asset Management and DeWolfe joined the firm from Advantus Capital Management, where she was a portfolio management analyst serving fixed-income investors.

Former Rhode Island CIO Joins Alternatives Firm FlowPoint

Ken Goodreau has joined alternatives investment manager FlowPoint Capital Partners as cio and portfolio manager, according to an announcement.

In his new role, Goodreau will be responsible for leading FlowPoint's investment strategy as well as its consultant relations and marketing functions, the Boston-based firm said.

Goodreau joins FlowPoint from Tiedemann Investment Group, where he served as cio of alternative investment subsidiary TIG Advisors since 2012, after departing from his role as cio of the State of Rhode Island Employee Retirement System.