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Guests: Jeff Willardson, Warren Henderson, Siddarth Sudhir, Jay Nicholas, Peter Nguyen, Craig Dandurand, Brian Russell

Video Transcript

Ed Robertiello:
First off, welcome and I won't have everybody say good morning again. My name is Ed Robertiello. I am the senior portfolio manager responsible for the Absolute Return Strategies at CalPERS. I joined in July, so this is basically my fifth month on the job. There are a few things we wanted to accomplish today, but I want to make this as informal as possible. First of all I want to hopefully give everyone a chance and opportunity to meet our, the CalPERS team and our strategic advisors and senior members of our strategic advisors and number two learn a little bit about the ARS program and hopefully a lot about their merging and diverse managers program, and number three is really how to access the program and good understanding of our manager selection criteria and process. So what I would like to do is just introduce our panel here and let them talk a little bit about their organizations, what they do for CalPERS and what they're looking for in emerging and diverse managers, so all the way to my left is Warren Henderson. He's the managing partner of Mosaic Investments. Mosaic helps us a lot with sourcing managers. Next to him is Jeff Willardson. He's the director and PM for PAAMCO, so one of our investment advisors. And then Siddarth Sudhir from Rock Creek again another of our investment partners. And Jay Nicholas who is the global head of operational due diligence at UBS. UBS is our, our general advisor and partner, so looking after not only the emerging managers program but also our direct program. And then of course, the CalPERS staff has Peter Nguyen, Brian Russell and Craig Dandurand who is our portfolio manager.

Hopefully you have had some contact with our team, but if not, we will also be around for the luncheon and also the meet and greet afterwards, so I would like to leave as much time for questions as possible today. So let me just give you a brief overview of the ARS portfolio and the emerging managers program. I think you saw on Joe's slide earlier this morning that we have 2.1 percent of the total CalPERS portfolio, so just over $5 billion. CalPERS started investing in hedge funds back in 2002 so we are just over ten years' experience with, with hedge funds. Seventy percent of that is in our direct program so directly to investment hedge fund managers and then the other 30 percent is through fund of hedge funds. Now the fund of hedge funds program has specific areas of concentration. So obviously one of them is the emerging managers program and then we use a couple of funds for Asian based managers and then for European based managers. And so we have a staff of five people in, that are managing the $5.1 billion. So obviously we need the help of our advisors to scour the globe in those far-flung areas. The emerging managers program was started in April of

2007, so we have had just over five years' experience in that and we quickly grew that program to 10 percent of the ARS program. Today it stands at just about 11 percent so we have about $560 million allocated to emerging managers program and I think at that level of percentage allocation and dollars that we are probably one of the biggest institutional investors in emerging managers. CalPERS is probably the biggest institutional investor in basically anything they do but, but we are pretty proud of that. It has stayed at 10 percent and as I said we used the advisors and we used four advisors, three of which are investments and Mosaic. 47 degrees north is our other advisor. They are not here today. Let me just, okay, so the role of ARS in our total portfolio is really to diversify away some of the equity risk that exist in the total CalPERS portfolio. So if you saw today that about 50 percent of the assets in the portfolio are to global public equities, so our benchmark is T-bills plus 5, one year T-bills plus 5, volatility of six to eight percent annualize standard deviation and to have a beta to those, to the global equity market of less than 0.2. So we are looking really for diversified sources of alpha and trying to stay away from market beta.

We invest both in the direct program and the emerging managers program across all strategies some more than others and those are actively managed allocations so when, when a program or strategy goes out of favor we reduce the allocation. We are definitely focused on absolute return and that is what Joe and the board is looking for, for us from. Access obviously we have, and I think you just got a handout of the contact information for each one of our advisors. We also have the IPTS system which is the investment proposal tracking system where you can submit your proposals. We expect our advisors to give feedback to every manager. Sometimes it takes a little longer because we are all busy and there is a lot of activity going on, but why don't I at this point turn it over to the advisors. They will talk a little bit about their organization, their role within the CalPERS portfolio and, within the ARS portfolio and the services they provide and how you can access them. Warren, maybe I'll just turn it over to you first.

Warren Henderson:
Sure. It is officially afternoon so I can ask you again, good afternoon. How is everyone? Good, good. We do collectively appreciate the fact that you folks have spent the time and energy to come to Sacramento, even in the adverse weather to hear what specifically Absolute Return Strategies folks have to, have to say and offer because I interface with quite a few of you. I understand that you don't always get the details so I understand as Ed just said access because access is very important. It's very critical that you know that these folks really do care about emerging managers. They care about you. They care about diversity.

So let me just tell you having said that, that in anticipation of hearing from my colleagues here, you're going to have quite a few questions. We have an extended question period which I will facilitate the Q&A but I want you to just take time and make some careful notes about some of the issues or some of the

experiences that you had and you might want to ask those, ask those questions. We have again allocated sufficient time for you to do that.

So let me just tell you a little bit about Mosaic. Mosaic is, we're a consulting firm. We're a consulting firm that I started back in 2001 as a result of spending about 12 years at State Street, both at State Street Corporation with the, on the custody side and then State Street Global Adviser on the asset management side. Our practice motto is that we work exclusively with alternative emerging managers, private equity, private equity real estate and hedge funds. We help managers to become institutionally ready and institutional quality. And you know it's an interesting business motto because there's not a whole lot of money in it but we think that the notion that you folks are required and needed in this business to provide the new ideas, innovative creative strategies is, was important when I was at Stage Street it's important today, it's especially important to CalPERS. So effectively CalPERS pays us to find you and we use all kinds of databases and we interact with you at conferences. As I said, I know many of you but what our role is really is to help you to navigate your way through this process at CalPERS, so you got as Ed just mentioned and Lori earlier, you got this IPTS proposal system, you've got the advisors, you've got traditional ways to try to access CalPERS, which is a very complex large organization with as you can see limited staff. This is, this is it.

So we're there to help you think about when you do have access, when you are preparing your proposal, when you are trying to access PAAMCO or Rock Creek or 47 or UBS that you actually put your best foot forward, that you're actually thinking about what it takes to be, to pitch to or position yourself to an institutional investor. It's not a high net worth. It's not a family office. This is a fiduciary and a very large fiduciary that needs to understand how you're going to add value to their portfolio and how you're going to add value to what they're doing.

Now again the Mosaic motto is that we understand that and so what we want to try to do is to interface with you, phone calls, emails, whatever it is so that you can appreciate how to best position yourself to these advisors. Okay. So we, our business model is that we help with business plans which is helpful to you in terms of litigating that institutional, that fiduciary risk. Emerging managers are by definition typically new and small. They are emerging. One of the things that the advisors or consultants want you to think about is your business. You might be the brightest portfolio or strategist and have the greatest pedigree but they want you to be an institutional quality, institutional grade firm because once they spend all the time and energy and the advisors get to due diligence they want to make sure there is a back to the shirt, that there is actually a company, an organization behind that because they don't want the money back. They are long term investors. Once they invest with you they want to invest with you for the long period. They want to make sure that you are quality and standard that they can do that.

I have probably taken up a lot of time. I just wanted to let you guys know that again PERS pays us to help you and so if you have any questions after today or any questions at any time in terms of how to navigate your way to get your strategy in front of the advisors or the appropriate people with CalPERS, Mosaic is the firm to do that. You will have contact information and I'm happy to answer your questions later. So with that, let me turn it over the UBS, Jay?

Jay Nicholas:
Sure. I wanted to thank CalPERS also for inviting us to come to this and all of you for coming as well to explain how we work. I thought what I'd do; I'll give you a quick overview about UBS AIS to give you a little bit of a background there.

We are managing 26 billion currently. We have got 50 dedicated investment people looking at around the world primarily in New York, London, Hong Kong. We have an office in Tokyo and Zurich as well. The operational due diligence team which I head has eight people based out of New York and London. In terms of investment when we talk about emerging managers we have a slightly different definition than CalPERS so I thought I would explain that to you as well.

In our mind it's usually firms that have been around for less than three years. They've got less than 500 million in assets. Typically are looking for what we call acceleration capital, so you're trying to get yourself off the ground. Even more quickly we have noticed many times when we tend to invest it helps bring in other investments as well to the firm. The one thing we do sometimes look for though when we invest in emerging managers is some preferential liquidity many times or transparency, sometimes fee reductions depending. There is not really anybody who is too small for us to actually speak to but it's key to point out that performance is very important so having a pedigree and a background out of another, whether it's an investment banker or another hedge fund, we want to be able to know that at least you came from a quality place and that we can somehow substantiate your background and the performance that you've contributed to the place that you used to be at and we will do that via a lot of reference sourcing in the industry. It's important to us that there is an alignment of interest between us and the manger which means that we usually want to see you having some skin in the game for lack of a better definition and also that we have a very good understanding of what your investment process is and then because of my background your operational process.

A couple of facts just kind of looking at what I have here is that since I guess for like the last ten/twelve years we have allocated over $160 billion to hedge fund managers. It's fair to say that based on the emerging manager definition we use about 37 percent has been allocated based on the number of funds and we actually, that comes out to about 48 percent of our assets deployed. So when we find a smaller manager that we like we will actually put dollars into it and behind it. Now with that, I guess one last thing is when we look at it by strategy it tends to breakdown a little really rough here with numbers but it's about 1/3

equity, 1/3 trading, looks like it's about 20 percent relative value and then about 10 percent credit is where that money tends to go to.

Along those lines what I would say is when I look at managers, I'll give you a quick background on myself, so I head up the operational due diligence group. I came up through Price Waterhouse. I did audit taxing consulting with them. I left them to join a hedge fund O'Conner when they were converting from a proprietary shop into a stand alone hedge fund and did that for a few years and then have been with this firm for ten years. Some key takeaways that we look for when we come in is institutional. Like how do we get comfortable that you are going to have all of your processes in place so that if CalPERS makes an investment or we make an investment that we can be confident about the NAVs that you're actually producing and that you're not going to have a large operational error. You know, it's fair to say that these have made headlines, Madoff would be an extreme example but even over in Asia you had AIJ. So periodically something comes up and so we spend a lot of time trying to make sure that hopefully won't happen to us and when Joe Dear talked about the three P's of performance, plumbing, people, he didn't want to focus on plumbing and people but that's what I do. So the big takeaways that we look for are firm and fund structure. The way you're set up. Does it make sense and kind of going into that staffing and that comes down to who are you actually hiring not only on the front office side but on the back office side. Do you have a COO or CFO that is confident because the other issues that I'll mention as big red flags that cause us not to invest usually come about because the COO or CFO isn't very confident. It also ties into the number of people you actually have so if you're a really small firm we understand we need to work with you in terms of how to get good segregation of duties but at the same time we still have to make sure you have enough segregation to get us comfortable. The advantage to having somebody like UBS or CalPERS invest is that when we do it tends to be in large size so it kind of solves those problems a little bit in terms of your ability to go hire one or two more staff to make things happen.

Compliance has become an enormous issue. It goes without saying. People have probably heard about form PF. Things are going on in Europe. There's insider trading that's cropping up all over the place. Expert networks. A key thing that we have focused on, we have been focusing more and more on is, do you have people or outsourced providers that really understand the compliance framework to keep yourselves out of trouble because nothing is going to bring a firm down faster than getting in trouble with the government. Service providers is another big topic. You know when we speak to some emerging managers especially as they are smaller is many times they will try to go to second or even third tiered providers for the obvious reason, they will do it for a lower cost and the question is, is that okay or not. We spend a lot of time with the service provider we don't know going on site to make sure we can answer that question. If we are not comfortable, we will let you know and basically insist that you have to change but the service providers that we need to get comfortable include the

auditor, the prime brokers, the FCMs, the administrators, the legal counsel and what I would say is the ones that have been around doing it longer, they get it. Okay, so if you're talking to a law firm that's third tier that hasn't had many clients we can usually tell when we read the offering docs which means there is going to be a massive rewrite involved where we will get our in-house counsel on the phone to walk through with them and make changes.

In terms of valuations you know some guys are going to be simple equity long short. Some people if they are in credit or others can just be more complex. The biggest takeaway is making sure that you guys have policies and procedures that make sense, you do them consistently and there's some way to verify that. I'm happy to go into that in a little bit more detail but the one takeaway is the front office can't be doing the evaluations and that's, with a lot of emerging managers that's what we see and we insist that doesn't take place and then finally what I would walk away with is the reconciliation processes. We look at new firms that are getting going is not reconciling the books and records on a frequent enough basis and the reality is you should really be doing this on a daily basis. There's sometimes we can live with it a little less frequently than that but that means you have very, very low trade volumes for us to get comfortable with it. So that's just the couple key takeaways and like I said happier in the Q&A session to go into much more in depth than what we look for, for institutional framework.

Ed Robertiello:
Great. Jeff, why don't you tell us something?

Jeff Willardson:
Sure. I'll jump in here. It's a pleasure to be here representing PAAMCO. We've been around now for nearly 12 years. We started in January of 2000 effectively so we've been in business for a while as a hedge fund of funds managing currently about $8-1/2 billion. We are very privileged to have been able to work with CalPERS on a number of fronts for the past several years and running emerging manager portfolios for them on a few dedicated basis, one is an emerging manager product which I'm the portfolio manager for, which is a concentrated subset of managers that are eligible across our broad multi-strat so PAAMCO is an organization. We run money largely for institutions like CalPERS, pension plans and endowments and the like, sovereign wealth funds and we have a number of strategies that we employ. It is a multistrategy approach so we'll talk to any and everybody.

You know, we've gotten the reputation over the years for being willing and able to invest in emerging managers. It certainly wasn't necessarily the original business plan but as we have evolved as an organization our main goal as you've heard many times today is to deliver performance at the end of the day to our clients and one of the places that we find that we get very good performance is from emerging managers, from younger managers. So that's been something that we've really gravitated towards and we often can be a nice compliment to

large plans such as CalPERS that runs direct portfolios of hedge funds and some of the larger multi-strats and larger hedge funds in the world we don't typically invest in those. Most notably because there's not a tremendous amount of value that PAAMCO can bring to the table to help you identify a 30 billion dollar hedge fund. You can find those on your own so we tend to scour the universe and I'm grateful for Warren's commits. We talk a lot with his organization to try to find people starting out, so the way that you'll run into us is often at emerging managers conferences, a lot of the big prime brokers have those. Those, we are there. Those tend to not be very fruitful for us. We like to source and find our opportunities through much more off beaten channels.

I'm thinking about some of the managers that are currently in our queue and those managers have really come to us through a series of opportunistic meetings through the years often which happened before somebody might even leave their current firm and so that relationship building is exactly what you're doing now which is relevant and important for how you're going to get started. A lot of people I think sometimes think that as soon as I have a certain AUM or certain track record that's when I need to engage at PAAMCO or Rock Creek or UBS. I would argue that that's potentially even a little bit too late. The longer you have a track record without raising a tremendous amount of assets the more questions I think that raises in a lot of respect so I would encourage you to continue that relationship building process early.

Like I said, we can be day one investors. We can be and will be early on in your lifecycle. We can chat when it's just you and a business plan and a resume. I've had more meetings in coffee shops and airports and restaurants than probably any place else because it's really just helping people understand and form the basis of an idea. At the end of the day, this is a key man, key woman opportunity and that talent, that drive is often what we are investing in. We like to get involved early because it's often PAAMCO's preference to help write that script, that blueprint, that playbook so we can help design the systems and help make recommendations on exactly how you should be, how you can be institutional quality from day one. It's not that you have to be when we first meet but to get a dollar, you know, it needs to be there and as Jay said we often write pretty sizable checks worth 100 million dollars so it's pretty easy to think about getting there with an investment firm from somebody like a PAAMCO.

So I don't want to bore you with our organization too much but just a couple things that I wrote down as I've thought about this process. I've been looking at and investigating and interviewing managers like this for a long time now throughout my history with PAAMCO going on six years. A couple of things I'll just say quickly. Think about your organization competing not just for emerging managers dollars but for any and all performance allocations, so when we invest we typically look at managers from a performance and a fit prospective not necessarily emerging. It's nice that they are and quite often they are about two thirds or nearly 75 percent of our money is invested in emerging managers but

it's not an exclusive start. That, that tends to be kind of a get you to the party criteria, so a lot of managers tend to lead with the below a certain AUM. I have a certain track record length and that, that qualifies you for inclusion in our portfolio and that's often not the case. I think that's a mistake that young managers make. It's very often as was said here many times on performance. Think about from our prospective, think about the early, I think Jay said this well, think about the early risks that we take as a day one investor and what that might mean for our relationship. So we take key person risk more so than a large established firm does with several employees and lots of history in AUM. We take start up risk, firm risk, business risk. There's all kind of things that we take, that we are willing to take but that we effectively need to be compensated for and the way that we do that is through effectively and aggressively negotiating terms including things like separate accounts, full position level transparency. We don't invest in any fund that we don't get all positions for at minimum on a monthly basis, so being flexible with your offering in terms of the structure and the fees and how you're engaging a firm like ours is very important to make those tradeoffs and that's not just extracting value us from you. It's much more about being willing to partner with an organization and allowing us to provide perspectives on how to be institutional quality.

So for, for no fee at all we'll tell you everything that you need to do to be considered institutional quality such that you can last far beyond, you know, a PAAMCO investment where (indiscernible). You know this is a little bit of an odd one I would say to be able to get money from an organization like us it's often about fit into the portfolio. It's not just about your opportunity and your time to break out and shine. It's often does it make sense in our current portfolio and that's really evolved over time. If you think about where our portfolio currently stands, you know, we have a sizable investment already. Most often it's in managers that we're comfortable with, that we know, that if you think about things in terms of a framework like a core satellite we've often got a lot of those core boxes already checked meaning we've got stable relationships with managers who we've been invested in for a long time thick and thin. So often when we're looking for new managers into the portfolio it's to access or complete a very specific exposure. So think about your exposure not in terms of a broad multi-strat offering that's going to be widely palatable to a lot of different people. It might be a very specific thing even a specific trade.

We have done things with startup managers where it's, it can be as little as a position, a theme, a set of positions, so that's a much more opportunistic way that we can access emerging manager talent that might not be, you know, the best news to hear because that's not exactly stable for an organization for us to be, you know, in one month and out the next. We're never, we never trade that frequently but more often I think going forward our focus is about extracting much more opportunistic and timely ideas than just finding firms that we can invest in for a long, long time. That's still a core part of our business but that's one trend that I thought was worth mentioning.

And then finally two things, how to think about communicating your ability to run money outside of a larger parent organization that you most likely came from is a huge point of focus for us so access to information, your network, your willingness to, to be able to act and trade based on the information systems that you had before. Often it's the case when you leave a firm you don't have that same network that you used to, so your ability to generate the money that you used to base on that historical relationship has changed so we really want to understand how that's a continuation of what's likely to come and then finally just thinking about running a business. A lot of times we are not investing just every time. We are not investing just in strategies and opportunities. It's about investing in people and businesses. And so how you think about structuring your business, how you think about setting up things to last beyond you is often an important part of our focus. So I thought those were just a few things I'd leave you guys with.

Ed Robertiello:
Siddarth?

Siddarth Sudhir:
Yes. No, thank you Ed and I wanted to thank CalPERS specifically for giving us the opportunity to speak to all of you and I guess I would like to start off with saying is that CalPERS has been actually a pioneer in investing in emerging managers actually. We have been investing with them since 2007 and the relationship has been great. And I think the way we look at it, just to give you a little background about Rock Creek and then I will specifically to our emerging manager investment process but Rock Creek was started in 2003 by two founders who came from the World Bank and since then we started with around 300 million (indiscernible) over 7 billion now. We invest in across all hedge fund strategies with a particular focus on investing in smaller managers. So our process is we have, we tend to invest in emerging managers and then over time we do have accounts which allow us to graduate them into more of our established mandates. So when we invest with a manager it's, we are looking for much more of a longer term relationship, so while we do consider emerging managers and for specific mandates like CalPERS, our intention is to grow a relationship much beyond that.

Regarding, echoing some of the things that Jeff and Jay said I think one thing that we look for on the investment side and I'll address operational as well is what is the edge that people bring. You know it's very easy to say that I'm an emerging manager and this is an emerging manager program therefore I should be given an opportunity. But just to give you an example there are a lot of people that will come and talk to us and they'll say they share a very similar idea that maybe an established manager has or something that we will have heard, so it is an extremely competitive industry. I mean the fees are reasonably high and these are institutional assets that we are managing. So we have a responsibility

to invest with managers who can demonstrate an edge. I can't speak highly enough on that point. A lot of people will come from a similar investment backing background or come from a very similar thing but the question that we really need to ask ourselves is; what is that specific edge that you're brining to the table? Is it informational? Is it sourcing? The way you structure the trade? What is it that's kind of unique in that approach and why is it that I should invest with you versus somebody else who might be more established or not an emerging manager who is offering something similar? So that's a question that you people like yourself should think about as you kind of, when you come to speak to us because it shows whether you're able to compete not just for emerging managers assets, that's just one source, but more generally will you be able to become a success for hedge fund firms, so I think that's very important.

Number two, I think it's very important to have, depending on which strategy you're running, I think the barriers of entry are particularly different. If it's a loan shark, it's an exchange trade market that is one thing. If it's credit what is, what is the composition of your team? Have you thought about a business plan? How many people do you need? How much assets do you need to get certain trade lines with the various banks. So where are you in the process? How will you kind of reach those milestones? Are you self-funding it for the first two years if you are below breakeven? A lot of work that we do when we invest in emerging managers is understanding their business plan. Where do they reach breaking assets? What is their plan for kind of meeting those milestones? So spending a lot of time really thinking through your business plan. You know obviously as we enter 2013 the regulatory climate has increased. The cost of running a business has gone up significantly particularly if you're in a city like New York or any of the other large metropolitan areas. Rent has gone up. Cost of service providers has gone up. At the same time, we are in an environment where interest rates are near zero so we are in the business or producing performance and as Joe Dear mentioned 7-1/2 percent is the target and we expect all our managers to reach that when you're on a portfolio of emerging managers and just to echo what Jeff said more over so emerging managers because we are taking the risk of startup. We are taking the risk of business so having that extra compensation is particularly important.

Just to talk a little bit about how the investment process works. I mean obviously we like to talk to everybody and we will provide feedback to as many people as we can but again the way we are kind of structured is that we do have to down views in terms of where the macro opportunities are and that kind of drives our asset allocation. So for example as you can imagine in early '09 we were invested heavily in credit and then we moved away from credit as the market rallied so that too kind of drives our asset allocation process. While you might be a very good manger it may not specifically be the strategy that we are kind of allocating to because at the end of the day we are managing a portfolio. We are trying to produce the highest risk adjusted returns for a portfolio. So top down allocation is a significant portion of that. So even if you know you contact us and

this might not be the right time there will always be a point and a sight which would be a good environment for you and so I always tell managers to continue the dialog, send us newsletters, I think there was a slide earlier about communication information. Keep us updated as to your progress and eventually there will be a time and place where you know we can complete our due diligence and is a right fit in the portfolio. I can't stress that enough.

We think of each manager as almost like stock in the portfolio so they represent a certain position and so after position opens up that's, then we come out seeking you. The other thing that I think is important and I think Jay went through this on operations, we are investing money and draw fees much like these other two organizations. We manage 100 percent institutional capital from the folks like CalPERS, other endowment foundations and public pension plans so it is in our best thing that we invest with managers with the highest institutional quality so best in class service providers, the ability to have a separate back office from front office. A lot of managers I don't think, they are very good portfolio managers but they tend not to realize what it takes to as they say build one of the piece of the pipes to keep the business going. Running a portfolio is very different from running a business and ability to have that skill set is very important. We encourage people to have an independent back office with a very established CFO and having a good team that, that is able to manage that part of the process and obviously for more complex strategies it's even more important if you're trading over the counter instruments, credit, that facet of the business is particularly important so we, we really, we have a dedicated office and due diligence team which works with the manager and insure that everything is kosher. And we have an approved list of service providers which we share with the manager in terms of these are people that we would look after in order to possibly make an investment. And so between the investment and operation due diligence that's a process. The one thing I would say is that you know as you guys make up dates and want to keep the communication line open we are always there. But I think keeping us updated through emails and that way is good but I would recommend also not using us as a way of constantly saying okay, are we there yet, are we there yet as kids famously say as we go on vacations, because you have to look at it from our point of view. We are usually managing a portfolio that tends to be most of the time fully funded so usually when you're looking for opportunities and you've kind of already created that relationship with us and you are on our radar screen, we will definitely get back in touch with you. The important thing is, you know, maintain the dialog, keep us updated in terms of your performance. We'll definitely have telephone calls but just that tends to be a tendency that just because you're an emerging manager it's almost like an obligation or a right to kind of contact us. The important thing is that we will, we believe that we've covered all strategies. We treat people equally across all strategies and we will get back to you but sometimes be patient because sometimes investment process and operation process takes time. So with that I will.

Ed Robertiello:
Thank you all. I just want to mention that everyone's bio is on that QR thing that Lori talked about this morning so if you scan that thing everyone's bio will be on there. As promised we are leaving a lot of time. I think we have another half hour yet for Q&A. If you're shy and don't want to raise your hand, I think there are some cards going around that maybe we can, you can write it down but please let's, let's open the dialog to the questions.

Warren Henderson:
So the question I have is one for the panel on, so as I understand it we have IPTS which is a proposal process. You have advisors which if you go to the website you'll see that same contact information and so you, so access problem is kind of solved in as much as you at least know how if you go to the website how to get to the advisor if you have any questions you got to get through us. I guess what I, the question I'm trying to get at is what I hear mostly from emerging managers is this whole point about feedback, time and adequate feedback so if Peter or if Brian wants to cover IPTS proposal process I think it would be helpful for these folks to understand that the, you know, kinds of things they should be thinking about to prepare a proposal to submit and then what happens once they submit the proposal and then I'll ask the advisors for some feedback in terms of when is time adequate because I hear, I don't want to mope too much but I hear a lot from the emerging managers that the kind of feedback they get isn't the kind of feedback you guys just described about it being helpful for them to understand where they missed the mark or what they need to do to improve either their business or communication. So let's handle the proposal piece first if Brian or Peter wants to.

Ed Robertiello:
Well, so obviously we do have this portal and as Lori said please use it, be thoughtful about it so think about what you want to propose on there and present yourself in the most favorable way as possible. Again we will forward those to one of our advisors and so the IPTS system is monitored. We have to report to the investment committee every single month on how many we received and what's the status of them. But I do encourage you to also go directly to our advisors because they are allocating more capital than we are and we will know when they, when they review a manager that we send to them. We will also know when they, they manage (indiscernible) portfolios for us so it's only a CalPERS portfolio and there are some specific requirements that we, that we need to get from them before they make an allocation, they run the name by us, we make sure that we get the, what is that representation called for the…

Male Panelist:
The FPI.

Ed Robertiello:
The what?

Male Panelist:
IPM.

Ed Robertiello:
Yeah, yeah. The placement questionnaire and if you're going to use a placement agent don't go to CalPERS. Come direct. Okay. Even if it's the CIL just come direct. Come directly to CalPERS. And why don't I let the advisors talk about their, one other thing about, about their feedback but if you have presented to one of our advisors or through the IPTS system and it's been a period of time and you haven't heard back, contact us, because something has fallen through the cracks. That's not our intention and so it may not be in a week. It may not be in a month but if it's beyond that you should, you should be hearing something from us. You guys want to add anything on that or?

Peter Nguyen:
I just want to add we do have a certain number of days to respond back to you guys, it's what 60 days and if you, if you have any new updates and whatnot just use the same reference number and just get on the system and update with that and then basically the information comes directly to me so every asset classes has a direct contact through IPTS and we do have a certain number of days to respond back to you guys so any question can be done through email and whatnot, so there's, there's somebody at the end of the tunnel to respond back to you guys.

Warren Henderson:
Another thing is if you copy me on the communication to the advisors about, you know, the fact that there has been a proposal and the proposal has been sent to the advisor. So I also want to know if something is slipping through the cracks. I mean I heard the question clearly opposed to Joe earlier today about something slipping through the cracks and a manager felt like they weren't being responded to. We do want to know about that so you can come if it's, if it's one of the advisors they want to know about it but if they are not getting back to you, let me know. We will talk to the staff and we will get it done. We are working for you.

Jay Nicholas:
Okay I guess I'll just jump in real quick. I mean typically CalPERS will inform us which managers they would like us to take a look at and which would be covered by the investment team first. They will schedule a meeting. It could either be via telephone or it could be onsite. We will also get all the due diligence information from you marking any material ahead of time, have the meeting, draft up kind of what our views were on the manager in the meeting in terms of how it, how they compare to piers and how we think it fits into the CalPERS program and then we'll typically send, have a discussion and sometimes send information back to CalPERS and that's our process. If we decide to move forward at that point, then my team on the operational due diligence side will get involved and that's when

we would tend to do a lot of the heavy lifting to make sure you were actually meeting the institutional standards we'll need and I guess both these guys talked earlier about how it's a partnership, so at the point we start moving forward the view is it is definitely a partnership. Our goal is to make sure you guys meet that minimum standard which may not necessarily be best practice in the industry, best practice across all areas can be very difficult but we will be very involved in terms of making sure you meet that institutional standard that we need to get comfortable with.

Warren Henderson:
So Jay I just want to understand that you are actually communicating what you just said to the managers (indiscernible) in a way that they understand when they fall and where they don't meet an institutional quality, I mean you…

Jay Nicholas:
I can speak specifically on the operational due diligence side. It's very consolidative approach. If somebody is failing in certain areas, we are very direct about that. And then we will also provide suggestions on what they can do to make changes and if they have other ideas than us that's fine. We're willing to listen but at the end of the day those changes have to be made and we have agreed upon time frames in terms of which, when it needs to be done. So to be clear if we go into meet somebody and say wow, you know, we need something fixed, we would like to see it in two months before this can move forward and somebody was to drag it out for 14 months, I'm not following up with them every month to make sure that it's getting done. You know, so it's going to be, we have this agreed upon time frame. I'll go back to you. Have you guys reached this, have you reached this point or not. And the reality is, you know, money has a finite amount of time when it's actually going to be put to work so if somebody doesn't move quickly to take care of things (indiscernible). On the operational due diligence side we are very direct.

Siddarth Sudhir:
I guess I would just add that we have an email where we get all the proposals, CalPERS, what's it called forward to us or we get it automatically from you guys through email. We have a team of a few people that constantly screen the inbox and evaluate all the proposals and I think it's important that obviously you guys have taken the time to think about your business and respond with a proposal, so we go through that box quite fiercely and look through all the proposals. It does take us time. I mean you can imagine the number of hedge funds that are out there and the startups that have come around. So, you know, maybe we don't get back to you on day one or day two but definitely it is our target to get back to each and every one of you in a reasonable amount of time and usually our due diligence process works so that initially a member of the investment team responsible for that strategy so it could be if it's a long, short of it's an even (indiscernible) there's some member of the emerging manager team with the investment person responsible for that (indiscernible) group that will have like a

initial call after receiving maybe a proposal or your business plan depending on which phase site that you are in. And during that call we kind of go through and understand what is that specific edge which I've discussed earlier that you guys have. Why should we look at you and so on and so forth. And then we generally have a discussion internally about what our thoughts are between the investment person and the emerging manager team like where does this manager fit into the whole scheme? Should we move forward? Is that fit, is it important to move forward? How does it compare to other appeals that we are seeing and based on that we then try to give feedback to the manager. And usually feedback could be like at this point in time this is not a strategy that we are looking for because the opportunities is not that attractive or maybe we have enough managers funded in that space already that we have a good relationship and there's not that much done with them so new manager relationships is not what we are looking for.

Another thing could be that at this point we don't feel like the institutional pipes are in place as Jay mentioned. In which case we do advise in terms of you know you should look for service providers or we might have questions about certain alignment of interest in terms of one manager we felt, could have invested a larger portion of the liquid net worth in the fund or they have certain things which could have been done better in terms of the investment team structure. So we can give suggestions compared to other managers who are also starting up maybe a very simple strategy. So we like to provide that feedback and we always encourage managers just because we may not invest within the next few months to constantly keep a dialogue because if an opportunity doesn't exist now it doesn't mean it doesn't exist tomorrow, so constantly keep the relationship, keep us updated on performance. You know, we love going through new research, reading newsletters in terms of what you guys are doing so definitely keep us posted and you know any time the way the markets are these days the opportunity can change very dynamically, so we definitely like to build a relationship as we feel it's, the time is right.

Craig Dandurand:
Let me hop on the points that Siddarth just made there as soon as I stop coughing. I don't think there's a better advertisement for what you can do than a well written newsletter and one that essentially is produced on a regular basis so it helps us see your investment process over time. The numbers themselves are of some utility but they don't really give us the full context of how those numbers were created and so if you show the initiative to put something like that together to put your thoughts to paper, it really helps us understand before we have even had the first conversation with you whether or not frankly you have a thought process that makes it worth it for our time and for your time to have that first conversation.

Warren Henderson:

So Craig that, that's interesting so UBS and staff receives proposals or interactions with direct investment folks but most of these folks are emerging managers that are going to be typically directed to your fund-to-fund, so your advisors for allocations. So again do, so if there's, you might, A) do you receive proposals for direct investments and do you make direct investments with emerging managers and B) does the, do the advisors, I guess Siddarth already said he does, read the information or somebody in the firm read the newsletter or update. Okay. So do you receive proposals for direct investments?

Craig Dandurand:
Oh, yeah. Oh, yeah. Hundreds on a monthly basis. The problem quite frankly Warren is that, and we do our best to try to move people to IPTS in order to maintain some degree of consistency with dealing with the approach.

Warren Henderson:
Good.

Craig Dandurand:
Every month I probably get between three and four dozen emails with performance from a manager who found me by hook or by crook. And the information is hey, look at these great numbers and there's nothing behind it and it's very hard for me to even frankly find myself inclined to move that manager to IPTS because if they're going to go about putting somebody from an organization of this size on a distribution list and to put something that is, to be perfectly frank, tremendously sloppy in front of me it does not inspire me to want to maintain a dialog with that manager. Our time is too limited. On the other hand if I have a manager who has put out something thoughtful, either in terms of a simple performance report or in terms of a letter or an inquiry, I do my very best. I can't promise that every single one gets, gets a response but I do my best and I think that I can speak for the entire team when I say that we do our very best to make sure that at least it gets caught in the funnel. For the simple reason that the broader a net we cast to find true investing talent the better off we are full stop and that's, so that's where the effort is placed.

Ed Robertiello:
So basically if you send an email to us directly the only obligation we have to respond is to be polite. If you send it to IPTS, we will respond and we owe you a response. If you send it to our advisors, they owe you a response.

Jeff Willardson:
I just echoed two things to I think what Craig said which was quite good. I think about one manager right now who is going through our pipeline who hasn't even left his current firm yet, but who we have been having an active dialog with for probably the last two years. So in our initial conversations we learned about positions that he's tied to or responsible for in his current fund. He learned about positions that were equally kind of jointly invested in and so our dialogue over the

past year and a half has been very specific to targeted investment views that he has on a particular trade that we really care about. So we have, speaking advertisement we have gained more confidence in his ability to understand an investment to walk through a process. It's much more and it's much more personal. It's much more in depth. A letter as well written as those can be, they're sometimes impersonal so that personal connection for us has been huge and when he is ready to break out and do his own thing we're, we're going to be there because we just had that dialog. So I think that kind of personal connect, so that dialog of understanding what we're doing to Siddarth's point and what you can potentially represent as thoughtful investment approaches can often be an ensuring way to bridge that gap.

Warren Henderson:
So it's encouraging though to these folks (indiscernible) if they can get some indication from you that that's what happening. I know, I know you got some folks that you're talking to that you have said you've been tracking for two years. But there are other folks that you may not feel compelled or, you know, you might not have the time to respond to just to tell them where they are or if you do like the newsletter, Craig are you saying I like your newsletter or are you saying referring right away to PAAMCO or Rock Creek or 47 or asking them, to the portal. Again the theme today from this morning until now is about communication and so we've had a great program. We're moving to a better program. So if we can agree that we should try to get back to folks and I know I talked to Ed about this is on a timely adequate way a thoughtful way, then I think that improves, one of the things that improves the program.

Craig Dandurand:
And we do try to have a number of different avenues for that communication to exist. I do want to answer one question though as posed about where does Altura Capital figure into this process and the answer is to be honest they don't really fit into the process. They do have a database that has occasionally been look at in the past but really the best way to get in front of it is through IPTS and through the team that you have in front of you here.

Warren Henderson:
Now before you, we get cards with questions but there are two microphones out there and I know this isn't a fashion group you got, Ed's got a question, one or two.

Ed Robertiello:
No, I think this one might be helpful. It is, the question is what is the favored product structure? A) manage accounts, B) limited partner, C) mutual funds. I would have to say probably C is not very useful at all. And mutual funds because we are in a different world here. So let me just tell you about our direct program and then I'll let our advisors talk a little bit because I know that they do both of these. But, so in the direct program we operate under the three pillar approach.

So control of assets, transparency and alignment of interest so obviously that leads to manage accounts or fund-of-ones and so that's how we do our direct program which helps us with all of that and helps the manager get through some of their MFN stuff as well. I know PAAMCO and Rock Creek and UBS have views on that as well.

Jeff Willardson:
Yeah, just quickly separate accounts. I would say buy and large it would be very unlikely for us to invest in anything going forward that was not a PAAMCO only vehicle of some shape. There are various degrees of that but for the most part that is our preferred mode of investment going forward.

Siddarth Sudhir:
I think (indiscernible) flexible like I think for certain managers based on the strategy if it's a very targeted investment strategy we like to have our own reason to kind of execute that and they have done that with a few managers where we plan on going through with them. We like a more concentrated version of what they're running and we work with the manager to kind of understand that. The other thing is we don't mind being an early investor in the comingle fund as well for some period of time if it kind of helps get other institutional investors to kind of join, so we are open to doing that. Again being an early investor again we obviously will negotiate better fees, transparency, liquidity and so on. So we are open to both approaches but I think the key is that we want to insure that we are getting the exposure from the manager that we are looking for so if that means a fund of one that's a fund of one. If the comingle fund represents that, we don't mind being an early investor if that helps the manager.

Jay Nicholas:
Yeah, UBS we are indifferent. We will do whatever CalPERS chooses to do and in house we are able to comingle funds, fund of ones, managed accounts. It's, it just depends upon the circumstance. We can handle all of it.

Warren Henderson:
I have a question, a question was directed to me. When a firm is submitting a proposal through the portal, should they contact Mosaic first and I always tell them yeah I would because what I could do is talk to you about, you know, current, I talk to these folks all the time so I could help you to think about how to put your best foot forward with the proposal. I could also tell you that while you're putting it in through IPTS, you might also consider sending it directly to the three advisors. There is no, they're not mutually exclusive, there's no order in this. It's just about, I think of, I tend to think of IPTS as the idea, you know, because you want to try to get your idea that's unique, excited, different. It might even be considered to go across, you know, the CalPERS program. You might want the fixed income guys to take a look at it as well as the hedge fund guys. So it's, I look at it as a broad platform that, I shouldn't say just the hedge fund (indiscernible), you're trying to get to the CalPERS organization and all of its

allocation and not just to the hedge fund advisors. So that's how I would think about that, but you call me we can talk about that and it's changed that's what I'm here for.

Ed Robertiello:
There was one, another question here and I'll leave that up to the advisors quickly. In your selection process where did the data aggregators fall in?

Jeff Willardson:
You mean like, like a third party risk aggregator?

Ed Robertiello:
No, like, I think what they mean is like the list of managers.

Jeff Willardson:
Databases.

Ed Robertiello:
Yeah, PSN, Wilshire, eVestment.

Jeff Willardson:
Yeah, we look at all those. We have access to all those. Rarely do we really focus on that. It's when we engage in a dialog with each manager it's much more about the information that you provide directly to us that we'll rely on and run all of our, all of our analytics off.

Male Panelist:
Let me say one thing about that though, I think if you think about when you're looking to get capital from somebody you're really in essence applying for a job. If you were looking for a job someplace, would you apply to one place or would you apply to 20 and if you were to apply to one place, would it be a monolithic government agency. I know where I'd be sitting on that and so I think the more different ways that you can advertise yourself to the broader community the better off you are and so the inherent harm in getting some of your data to a database is zero. Get it out there.

Ed Robertiello:
Is there a question in the back?

Male Audience Member:
Yeah, I had a question especially to the allocators. Can you comment on the attractiveness of strategies that may be high yielding but limited capacity? I presume that CalPERS is looking for strategies that can scale to very large sizes. I am wondering about Rock Creek, PAAMCO and even CalPERS when you are investing in an emerging manager if their strategy has a limit, capacity limit of 200 million or less is that still viable?

Male Respondent:
If you can give us the whole 200, then we'll take it.

Siddarth Sudhir:
I can speak to that a little bit. I think, yeah. I think when we discuss with the manager understanding the capacity and scale of strategy is obviously very important. We do invest in strategies, you know, where obviously we would want strategy assets and obviously the manager goes beyond certain points it does, it does bring red alerts to the investment team and risk team so that's a separate point. But usually when we invest early with managers who have a strategy that's somewhat not very scalable we usually have negotiated capacity rates with those managers because obviously you know if you were a day one investor and the strategy proves to be fruitful we obviously would like to have some of the capacity for some of our other relationships who want more established managers or some of our clients like CalPERS who could do investments and want to utilize that so that's how we kind of approach that.

Jeff Willardson:
I'd say specifically on 200 that's probably on the smaller side in terms of overall capacity. We don't have any problem being all of the capacity. You probably don't like it as much as we're comfortable with it because you want to diversify your base. So if you're thinking about diversifying a $200 million capacity base and all of a sudden we get 50 instead of 200, you know, it takes just as much work for us to do, you know, a 50 million dollar investment as a $500 million investment so I would say for the most part you need to be scalable up to probably 500 to 750 on the lower end before we get real excited because we just need to make, our process doesn't change regardless of the size. We just need to make sure we can make an investment if we need to.

Female Audience Member:
I have a question. So we've talked a lot about hiring managers, (indiscernible) what does it take to fire a manager or what factors are most highly considered when you are in fact terminating a manager?

Jay Nicholas:
Do you want us to answer that first or do want to?

Male Panelist:
Sure go ahead. I have a similar answer.

Jay Nicholas:
Yeah, it could be a couple different things. Obviously if performance is not falling in line with what the expectations for it that we had in the beginning it would definitely be in the discussions and there's a good chance you can be removed. I would say if people had strategy (indiscernible) what we understood you would

be doing there needs to be a very good explanation of why that's the case. I'm just hitting some big bullet points. Operationally if you start not being able to keep up with what you need to be, we would definitely even if we're invested put you guys on heightened monitoring or essentially say look you are going to fail if you don't make some changes here in the next month or two otherwise we are going to remove you from the platform. I mean those are some quick bullet points.

Siddarth Sudhir:
Yeah just to add to Jay, I think at Rock Creek we have an independent risk group which monitors managers performance and obviously we get position level as well as (indiscernible) data from all managers. Then obviously there are certain flags that come up, so for instance it's just not performance and this is a, a lot of people get confused with risk management. It's not just underperforming but it could be over performing because if we, you produce like 6 percent and they are only expecting you to really be in the 2 percent area that would be a flag as well because that could be the result of (indiscernible) or it could be excess of leverage being taking so there are certain flags that we have, that our risk management group kind of focuses on and they will then alert the appropriate investment person who will have a much more serious dialog with the manager and then those recommendations we take to the investment company.

Male Panelist:
What would be a surprise? I mean you would communicate, again let's go back to miscommunication a manager should be aware of well before they get shot what's going on, right? I mean we have dialogs that will tell them where they fell short or what you would for them to improve on and give them some time.

Male Panelist:
Yeah, I don't have much to add. I think those are well said. It could be any number of things but I would say the most important thing for us is to have a healthy partnership and a dialog with managers for them to understand what we're looking for. It's most often a performance, a risk and a return objective, so as long as they are delivering that we, we talk pretty much every week with our managers and as long as they're delivering that then that relationship continues. So when it start deviating to Warren's point we will be very clear about the fact that it's not what we would expect and then if it's because of, you know, of other opportunities that managers are seeing and they want to gravitate towards other areas that's not an automatic fire either. I would say there's no, other than kind of operational due diligence type issues, there is no real automatic fire for us. It's never size. It's never age. It's, it's things we can work with. It's just about having the right dialog and making sure that we know what we are getting and you're communicating what you're planning on delivering.

Male Audience Member:

Yeah, okay. Can you maybe Jay, Jeff or Siddarth, can you spread some prospective on numbers in terms of how many applicants or managers submit? How many get approved? How many are on the time line? I know those variables are moving around but if you could just shed some light I mean are we looking at 1 in 1,000, 1 in 100. You know what I mean, just give me something.

Jay Nicholas:
It's hard, I can't answer that for the CalPERS program. Specifically what I can tell you is on average we look at about 600 new funds a year and of that I was thinking this past year we probably made 60 new investments. So that would have been new to our platform, you know, and then CalPERS would be a subset of that is what I would say.

Male Audience Member:
So you're telling me there's a chance.

Jeff Willardson:
It's similar numbers I think on any typically year. We are seeing between 600 and 1,000 different new manager relationships but remember the way that we work is we are not managing money for a dedicated CalPERS only pool and we are evaluating managers just for that. When you come to PAAMCO you, it's good and it's bad but you open yourself up to get an allocation on the whole 8½ billion dollars.

Male Panelist:
Can I get you to repeat that though because I think folks need to understand that you are using a portfolio, a building process, a manager selection process that is PAAMCOs and that PAAMCO is going to apply a PAAMCO standard to everything there, to all managers that are coming through that process.

Jeff Willardson:
Right. So the CalPERS standard is the PAAMCO standard because they came to us because they approve and appreciate the way that we look at managers and run our due diligence process. So the bar is not higher or lower for this separate pool of capital it's the same bar for every single manager. That's why we say you're competing not just for emerging manager buckets or diversity buckets in some cases it's literally just for performance and enroll in the portfolio. If we see 600 to 1,000 a year, you know, we are probably at any given time doing sort of the next phase of hardcore due diligence on I would say probably maybe 50 managers a year and then actually probably making allocations to half that, roughly around 20 different managers per year. I don't know.

Male Panelist:
I want to differentiate because they are offering customized portfolio for a specific client. So that client tells them what they want. That's not the case here.

Jeff Willardson:
Yeah, well we do have a separate portfolio that's being managed for us but not in a comingled portfolio.

Male Panelist:
Right, but you don't tell them what's in it or what you want in it.

Male Panelist:
Right, these are probably discretionary mandates. Yes.

Male Panelist:
Right. As long as they fit the…

Male Panelist:
As long as they fit their process.

Male Panelist:
Right.

Male Panelist:
And the mandate of emerging managers.

Male Panelist:
Correct.

Male Panelist:
Which is under 2 billion as a firm, under 1 billion in the product or fund, so pretty liberal bench mark there.

Male Audience Member:
So you mentioned there were 560 million that were absolute return strategies in emerging managers. How many managers is that if I make up the 560 what range of allocations does that represent?

Male Panelist:
So I think across the three providers advisors we have about 60 managers, 60 separate managers and I don't know what the average size of allocations are.

Jeff Willardson:
Well if I, if I apply the average allocation to all of PAAMCO, not just the PERS investment so a typical check from PAAMCO to manager is in the probably 150 million dollar range.

Male Audience Member:
If they are going to PAAMCO they are going into everyone here. (indiscernible)

Jeff Willardson:
Not necessarily everyone but it can be everyone. In some cases it might be a small concentrated mix of managers or clients desiring a specific customized portfolio but it's not always the aggregate.

Male Audience Member:
Again I mean for 550 million program and 60 managers…

Male Panelist:
Yes, let me chime in. So across the 60 managers on average the allocations about three to 15 million depending on the strategy and the risk profile of the actual fund so it's between 3 and 16 million, something like that.

Male Panelist:
But the point is, is that PAAMCO could allocate outside of our program and does and will same with Rock Creek so there's a lot bigger opportunity than the 560 billion, million that we have.

Male Panelist:
Yeah we in the past, we have had managers in our fund to fund programs that have ended up in the direct portfolio as well. We have allocated to a whopping three directs since 2009. Two of those three were sitting in fund-to-fund before we, migrated, we didn't migrate them but we added them to the direct portfolio.

Warren Henderson:
You know that's kind of why they don't want people to come at them specifically thinking (indiscernible) mentioned they don't want you to coming at them with an emerging manager head set it's just, just come at them with your, your best description of the strategy, organization and firm and let them decide where they want to allocate, whether it's to PERS (indiscernible) access but the advisors are going to determine which accounts you're going to go into.

Siddarth Sudhir:
Yeah, I think Warren made a great point. I think, you know, a lot of people communicate saying (indiscernible) things so are we eligible for that. We are less than 200. I think the better approach would be to say this is my strategy. This is what I'm about and then we can (indiscernible). In fact many of the emerging manager relationships begin small and then usually they become a core part of our holdings, so the opportunity to grow much like what Jeff and Jay said is it can begin and can multiply into different areas.

Male Audience Member:
Because I hear from an early stage hedge fund managers is, Siddarth just mentioned but C means different things to different people but first time funds I heard yes. Do I hear equity position? No.

Jeff Willardson:
No for PAAMCO.

Jay Nicholas:
No for UBS.

Siddarth Sudhir:
Yeah, no. We like, we take (indiscernible).

Ed Robertiello:
Anything else you would like to report to this audience about early stage, early stage in both using the business and early stage in terms of AUM. Is there anything else that you've, you've talked about how to position yourself but are there any real show stoppers that you would like to communicate to the group?

Siddarth Sudhir:
One thing that we really like and I think it is something that, you know, has become increasingly important given the environment that we are in, is we like people who have actually had the ability to trade. What we find is we have a lot of emerging managers who have been like research analysts or very good research analysts but don't directly translate that into becoming a good portfolio manager. So our research has shown that people who are kind of held even a corporate portfolio manager role or have actually managed a portfolio as opposed to just suggesting ideas tends to be stronger at it, so I would advise people looking to startup to have more of, prior to starting up your firm to have more of a kind of a trading as well as a money management role before that because we feel that's important. A lot of people we find who just are very good analysts and they may have picked some of the best, they may even be an institutional investor but that doesn't necessarily mean a good portfolio manager.

Another thing I would stress is to think about the people that you bring along. While you may be really good I think like as a firm they like to kind of evaluate the rest of the team and in fact a large portion of what we spend is we like to go through and talk to each member of the team independently and particularly the back up as we want to know what kind of operational background did the person, is the person a CPA, did they work as an auditor, what kind of background do they bring. Have they been working at another hedge fund which makes it much easier sort of start up another hedge fund so things like that, so really be thoughtful about the people that you put together because that's equally important as your skill set.

Male Respondent:
So Siddarth, good response. How do I present that to you?

Siddarth Sudhir:

I think you present it by introducing, the people that we really like kind of bring one of two key people on the telephone call initially and kind of introduce them as being, it's not me, myself and I but this is a team that I kind of put myself together with and that I'm letting, will succeed with me.

Male Respondent:
With collateral materials. Where do I put that on the first page, second page?

Siddarth Sudhir:
I think you put that with all the bios usually in a typical pitch book you will have your bio if your the CEO or CIO but I would actually some emerging firms, I would kind of highlight it because you don't have much of a track record. I would highlight, put it up front.

Ed Robertiello:
We will be presenting an updated annual review of the program at the investment committee. It's an open form. If you happen to be in Sacramento, come into our auditorium or if not you can watch it on the web so we will be reviewing the program, the performance and our objectives for the plan. I want to thank everyone for coming. Again reminder that we will all be at the lunch spread out at different tables. Hopefully they have assigned you specific tables that we're at so we can continue the dialog and then also I know some of us will be around after lunch as well to answer any questions. Again thanks, thanks for the, to our advisors for participating. We value them and their role as you know. Thank you.