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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MAY 2002

VOL. III, NO. 5

Tiger-Backed Team Launches Fund

A former **Morgan Stanley** emerging markets team that recently left to start a hedge fund shop with seed capital from hedge fund giant **Julian Robertson**, has launched its first fund, *Emerging Sovereign Fund.*

See story, page 2

NATURE GROUP TO FINALIZE STRATEGY

The **Nature Conservancy**'s board, which oversees $1 billion in assets, will meet on June 7 to finalize its alternatives strategy and settle the details for its first hedge fund search. The Charlottesville, Va.-based fund has been considering an alternatives allocation since last summer (*AIN*, August 2001). The Conservancy's investment committee met in April and decided to recommend a 15%, or $150 million, alternatives allocation to the board, said **John "Woody" Bolton**, director of investments.

Bolton said in general it will be looking for approaches that are conservative, broad-based

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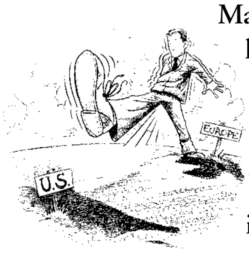
MAN BEEFS UP U.S. PRESENCE



Man Investment Products Inc., the U.S. division of London-based hedge fund giant **Man Group plc**, is ramping up its U.S. team in an effort to penetrate the U.S. hedge fund mart. The firm is a major player internationally, with $10.5 billion under management, but has only had a minimal presence in the U.S. **John Kelly**, president of the U.S. division, said he recently hired **Kirk Strawn**, as a v.p. for institutional sales. Strawn was previously managing director of

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TREASURY TO PROPOSE ANTI-LAUNDERING RULES BY JUNE

The **Treasury Department**'s law enforcement bureau, the **Financial Crimes Enforcement Network** (FinCEN), is planning to issue proposed anti-money laundering rules for hedge funds by June 1. FinCEN will then open the rules up for a 60-day comment period, said **John Gaine**, president of the **Managed Funds Association** (MFA). Following the terrorist attacks of last Sept. 11, Congress passed the USA PATRIOT Act, which detailed some basic

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PEQUOT PREPS DISTRESSED DEBT FUND

Pequot Capital Management, one of the world's largest hedge fund shops, launched a distressed debt hedge fund on Wednesday. The *Pequot Special Opportunities Fund* has an unusually long lockup period of three years and a minimum investment of $2 million for high-net-worth individuals and $10 million for institutional investors. The firm is looking to raise $250 million. The fee is 1.75% for management and 20% for performance over an 8% hurdle rate, the official said. **Sheila Clancy**, director of marketing at Pequot, was in a meeting and unavailable for comment at press time. —*Mia-Margaret Laabs*

In The News

CSFB's Sloan Departs; Derivatives Exec To Take Top Slot

Credit Suisse First Boston's **Robert Sloan** is vacating his role as global head of the alternative capital group and equity finance. At the same time, **Art Mbanefo**, a managing director in the equity derivatives group, will be taking over for Sloan, according to an official at the firm. A spokeswoman for CSFB declined to comment on Sloan or Mbanefo. It could not be learned by press time whether Sloan will be leaving the firm altogether or what his new role may be.

Tiger-Backed Managers Kick Off Emerging Markets Fund

Kevin Kenny, **Mete Tuncel** and **Yoon Chang**, the former **Morgan Stanley** emerging markets team that recently left to start their own hedge fund shop with seed capital from hedge fund giant **Julian Robertson** (*AIN*, Feb.), have kicked off their first fund, *Emerging Sovereign Fund*. The team, housed at Robertson's Park Avenue office, is rolling out a long/short strategy that focuses on emerging sovereign government debt.

Kenny, a managing partner, said the fund will allocate 75% to sovereign debt denominated in external currency or dollars and 25% to sovereign debt issued in a country's local currency. He added that the fund could also have a net exposure to markets based on the attractiveness of the overall asset class, but said that it will not make plays on emerging market equity or corporate debt, noting that equity and corporates do not meet the liquidity perimeters of the fund. Kenny said the fund should have $125 million in assets under management by June 1. He declined to comment on how much of that money came from seed investor Robertson.

The fund, which will also have an offshore component, will carry a 1.5% management fee and a 20% performance fee, with a minimum for investment of $1 million. Kenny said the return profile of the fund is to generate absolute returns between 15-20% per year and that the firm is using **Credit Suisse First Boston** and **Citigroup**'s **Salomon Smith Barney** as its prime brokers. He added that the fund will close to new investors at $200 million and will grow organically to $500 million, at which point the fund will return capital to investors to keep the fund at $500 million.

Tudor Looks To External Managers

Tudor Investment Corporation, one of the largest hedge funds, with more than $5 billion in assets under management, is looking for a director of external investments and has retained the services of **Heidrick & Struggles**, a global executive search firm. The position, which has not yet been filled, will be responsible for finding third-party hedge fund managers to invest the Greenwich, Conn.-based firm's proprietary partner capital, said a Tudor official. He noted the firm will not allocate client assets to these external funds.

"It's going to be a major challenge for whomever gets that business," said one leading hedge fund manager, adding "Managing money for the best of the best is going to be a tough job. Imagine a rookie getting up to bat for **Derek Jeter** during a game. He may be good, but there's a lot of pressure there." The parameters for selecting the external managers have not yet been set.

The money that would go into the external funds would not be pulled out of any existing investments, said the Tudor official, noting a large portion of the partners' assets are still very much invested alongside the outside investors. However, the partners have made an abundance of money—which may be more than what the firm wants to put into the existing strategies, said the official. The official said total assets allocated to outside managers could total a few hundred million dollars. A Tudor spokeswoman confirmed the search, declining further comment.

INSIDE THE BUYSIDE

Max Re

Max Re is a publicly traded Bermuda-based reinsurance company with significant alternative allocations and close ties to the hedge fund industry. The company's largest and founding shareholder is **Louis Bacon**'s **Moore Capital Management**. Max Re was established in Bermuda three years ago with a business plan that called for 40% of its assets to be invested in alternative investments with the remainder to be dedicated to U.S. investment-grade fixed income, said **Keith Hynes**, cfo. The company is domiciled in Bermuda because it offers fewer regulatory burdens for insurance companies, he noted.

Investors who purchase Max Re's **Nasdaq**-traded stock are afforded indirect exposure to hedge funds given the composition of the company's investment portfolio. This exposure recently caused the company to announce it was expecting to report lower-than-anticipated earnings for the first quarter due to a hedge fund of funds return of less than 50 basis points.

"...We are more concerned with downside protection than upside potential."

The bulk of the company's $630 million alternative portfolio, except its internally managed 4% private equity slug, is a hedge fund of funds mandate, *Max Re Diversified Strategies*, overseen by Moore Capital. The relationship is not a traditional fund of funds arrangement because Max Re has input over hiring managers and strategy, said Hynes. Moore Capital manages some of the assets directly and also acts like a consultant for the entire alternative portfolio, he added. Max Re's fund of funds portfolio is spread out among roughly 50 hedge funds with styles including global macro, long-short equity and convertible arbitrage. The reinsurer is not currently looking for additional managers, but will consider further additions on an opportunistic basis, said Hynes.

Low Volatility Investing

The main criteria used to judge prospective hedge fund managers is volatility, said Hynes. Max Re has a strong preference for managers with low volatility returns. Institutional investors are generally more concerned with volatility than high-net-worth hedge fund investors, but Max Re is even more concerned than other institutional investors, Hynes noted. "As an insurance company, we are more concerned with downside protection than upside potential," he added. Unlike pension funds, insurance companies have more complicated liabilities that must be matched with investments. Also, as a publicly traded company, Max Re is concerned with the volatility of its investment portfolio because it impacts quarterly earnings.

This low volatility emphasis has prevented some managers with returns approaching 25% from landing assignments, said Hynes. "We'd prefer a stable 15[%] to a volatile 25[%]," he added. Max Re measures a manager's volatility by using its standard deviation of return, said Hynes. He declined to specifically quantify a minimum threshold or elaborate regarding the reinsurer's quantitative analysis. Max Re also places some transparency and liquidity requirements on managers. The reinsurer looks for either monthly or quarterly liquidity, said Hynes. Additionally, all managers need to provide returns on a weekly basis, he added.

Max Re's transparency, and liquidity requirements have been met by all its managers and only a few prospective managers have been turned downed solely for not meeting these guidelines, said Hynes.

Portfolio Shifts

Max Re has been using its new cash flow over the past six months to increase its global macro and distressed debt allocations, which currently stand at 7% and 6% of the portfolio, respectively. The reinsurer has also been paring down its 3% merger arbitrage and 5% long-short equity allocations. Merger, or risk, arbitrage has not performed well lately because there has been less M&A activity, said Hynes. He added long-short managers, many of whom make claims of being market-neutral, tend to have long biases and subsequently have not performed well due to the poor performance of U.S. equity markets. Distressed debt is attractive now because of historically wide credit spreads, while the broad-based, albeit riskier, global macro strategy has performed better than other strategies and still has upside potential. Each alternative allocation has a pre-established ceiling to maintain diversity, said Hynes. He declined to quantify the specific allocation caps.

Max Re

TOTAL ASSETS: $1.7 billion

ALTERNATIVE ALLOCATION: 39%
Global macro: 7%
Distressed debt: 6%
Long-short equity: 5%
Convertible arbitrage: 5%
Diversified arbitrage: 5%
Opportunistic: 4%
Private equity: 4%
Risk arbitrage: 3%

TRADITIONAL ASSET ALLOCATION: 61%
U.S. investment-grade fixed income: 61%

Manager News

MAN BEEFS

(continued from page 1)

institutional sales and marketing at **ING Furman Selz Capital Management**. It could not be determined by press time who replaced Strawn. Calls to an ING Furman Selz Capital Management spokeswoman and Strawn were not returned by press time.

Kelly has also transferred several European Man executives to develop and market single-manager hedge funds, funds of funds and structured products for U.S. investors. **Martin Syms** was made a v.p. within intermediary network, where he will lead the hedge fund distribution effort in the U.S. Man executives **Adrian Blumfield** and **Fakhruddin Khawaja** have also joined the U.S. team as v.p. for business development and v.p. for sales support, respectively. Syms was based in Switzerland, where he directed the central sales support unit. Blumfield was head of Man Group's strategic planning, based in London; and Khawaja was a managing director with **MAN-AHLI Investment Bank**, a joint venture between Man Group and **Al-Ahli Bank**, Bahrain. All, including Strawn, report to Kelly and be based in the firm's Chicago headquarters. —*Katrina Dean Allen*

Another One Bites The Dust

Goldman Loses Fund Of Fund Exec

Goldman Sachs has just lost another executive in its Hedge Fund Strategies Group. **Afroz Qadeer**, a v.p. responsible for running several of its funds of funds, left the $4.5 billion group. It could not be learned what prompted Qadeer's departure or whether he will be replaced, and calls to a Goldman spokeswoman were not returned before press time.

Qadeer is the most recent in a string of high-profile departures from the group. Over the last year, the firm has seen a slew of defections beginning with **Sandra D'Italia**, a managing director and head of the multi-manager funds. Others soon followed suit, including **John O'Hara** and **Anne McNulty**, both managing directors, and **Chris Setten**, a v.p. on the manager selection team. **Sue Osborne** and **Grover Cable**, v.p.s; **Vinti Khanna** and **Mohsen Mazarehi**, associates; and **J Jung**, analyst; have also left the group.

Jon Knudsen, v.p., and **Kathy Filiponi**, associate, responsible for portfolio management and manager selection, are the two remaining members of the original nine-member team, according to an industry official familiar with the group. Industry rumor is that the departures were prompted by changes in the structure of the group made by **George Walker**, who became co-head with **Roch Hillenbrand** of the Hedge Fund Strategies Group. Walker became the co-head when Goldman's online venture, **GS.com**, shut down last year.

Moore Hires Soros Alum

Moore Capital Management, the $10 billion hedge fund run by **Louis Bacon**, has recently hired **Douglas Reid**, a former **Soros Fund Management** alum. Reid, the former head of banking and finance at Soros, was brought on board as a principal to be part of a team responsible for selecting third-party hedge fund managers, said an official at Moore. Like **Tudor Investment Corporation**, Moore is searching for external managers to manage partners' capital (see related story, page 2). Most recently, Reid was with Westchester, N.Y.-based **Titan Advisors**, a fund of funds shop.

Billion Dollar Manager Enters Hedge Fund Mart

David Dreman, chairman and cio of **Dreman Value Management**, which runs $7.5 billion in assets in separately managed accounts and **Zurich Scudder Investments** mutual funds that bear the Zurich and Dreman names, has entered the hedge fund arena. Dreman, co-portfolio manager along with **Nelson Woodard**, a Dreman managing director, has launched a long/short equity, deep-value hedge fund.

Lloyd Jagai, cfo, said the fund, dubbed *Dreman Contrarian Hedge Fund*, kicked off with $16 million and has both a domestic and offshore entity. The fund carries a 1% management fee and a 20% performance fee, and has a $1 million minimum for investment. Jagai said it will look to capitalize on under-valued and over-valued situations in the market. The firm uses **Morgan Stanley** as its prime broker. *Dreman Contrarian Hedge Fund* is offered through Dreman Value Management.

Thales Snags Baker Analyst To Head New Team

Thales Fund Management, which has over $1 billion in assets under management, has wooed **Marco Battaglia** away from **Baker Street Capital Partners** to head its newly created fundamentals team. An official familiar with the firm said that Battaglia will be heading up a team whose responsibility is to enhance the performance of the firm's statistical arbitrage hedge fund. The official added that the New York-based firm is planning to hire several additional analysts and traders for Battaglia's new team. Battaglia was formerly a senior analyst at

Baker Street Capital Partners.

When reached at Thales, Battaglia declined to comment about his recent hire or how many staffers the firm would add to the fundamentals team. A spokesman from Baker Street Capital Partners said the firm is currently looking to fill Battaglia's vacant position and is talking to several potential candidates.

Torrey Taps Dresdner Exec For Institutional Sales

The Torrey Funds has hired **Don Stracke**, the former director of corporate client services at **Dresdner RCM Global Investors**, as a managing director in its institutional group. Stracke said he will be responsible for selling Torrey's nine different funds of funds to pension plans, foundations and endowments, adding that the firm has seen a huge demand for alternatives from the institutional sector. Torrey has $450 million in assets under management.

Most recently, New York-based Torrey has launched one new fund of funds, *Torrey Absolute Return Fund*. The firm recently filed with the **Securities and Exchange Commission** plans to launch three additional funds dubbed *Torrey U.S. Strategy Partners*, *Torrey Multi-Strategy Partners* and *Torrey International Strategy Partners*. The funds will carry a 2% management fee, a 0.15% investor servicing fee and an administrative fee of between 0.2% and 0.25%. The minimum for investment will be $100,000, and each additional investment requires a $25,000 minimum.

Scudder Manager Leaves To Roll Out Hedge Fund

Shahram Tajbakhsh, the former lead portfolio manager with **Zurich Scudder Investments**' quantitative project management group, left the firm last week to start his own hedge fund shop, **Mathematical Capital Management**. Based in San Francisco, the firm is gearing up to launch a long/short quantitative equity hedge fund, *Mathematical Partners*, by July 1. Tajbakhsh said the fund would focus 55% on U.S. domestic equity and 45% on international equity.

At Scudder, Tajbakhsh was the lead portfolio manager on international and domestic long-only funds, managing over $1.4 billion in assets. A spokewoman from Scudder could not confirm who—if anyone—in the group has taken over Tajbakhsh's funds or whether the firm would look to hire another portfolio manager to replace him.

The fund carries a 1% management fee and a 20% performance fee, with a minimum for investment of $250,000. Tajbakhsh said he will look to raise $50 million within the first year the fund is running, adding that he also has plans to launch an offshore version.

He added that although he has not made a final decision on a prime broker, he is currently in serious talks with **ABN AMRO**.

Winston Snags Duke Management Hedge Fund Honcho

Winston Partners has tapped **Jonathan Scanlon**, the former head of the public securities and hedged strategies team at **Duke Management Company** of **Duke University**, as a managing director in its hedge fund group. **Martin Bush**, co-founder of the McLean, Va.-based firm and brother of President **George W. Bush**, said Scanlon will oversee the investment process, researching and selecting hedge fund managers for the firm's five funds of funds. Scanlon said Duke Management Company is currently searching for his replacement. Calls to Duke were not returned by press time. At Duke, Scanlon led a five-member team that researched and hired managers as well as developed the plan's asset allocation policy. Winston Partners has $615 million in its five hedge funds of funds. The firm also offers several private equity investments in addition to its menu of fund of funds.

Madison Funds Readies Its First Hedge Funds

Hedge fund firm Madison Funds is getting ready to debut its first funds, *Madison Relative Value Arbitrage Fund* and *Madison MicroCap Opportunities Fund*. Third parties will be responsible for portfolio management of both hedge funds, which are slated to be launched within the next month, said **John Peterson**, a partner at the firm. The firm decided to outsource the portfolio management of its first funds so that Peterson and partner **David Byck** could focus on marketing them.

Wayne Himelsein and **Jason Mandel** of New York hedge fund shop **Himelsein Mandel Fund Management** will manage the relative value arbitrage fund, Peterson said. **Gerald Perritt** and **Michael Corbit** of **Perritt Capital Management**, a Chicago-based mutual fund firm that runs $100 million in a micro-cap mutual fund and separately managed accounts, will manage the micro-cap fund, he added.

Himelsein Mandel has been running $36 million in a relative value arbitrage strategy for both a domestic and offshore fund, as well as separately managed accounts. Mandel, a managing partner at Himelsein Mandel, said he plans to pool the capital of his own funds with that of the *Madison Relative Value Arbitrage Fund* until it accumulates $250 million in assets. At that point Mandel will assess whether to continue taking capital for Himelsein Mandel's own proprietary funds as well as for

Madison Relative Value Arbitrage Fund. *Madison Relative Value Arbitrage Fund* will carry a 1% management fee and a 20% performance fee, and have a $250,000 minimum for investment. **Goldman Sachs** is its prime broker.

Corbit said the *Madison MicroCap Opportunities Fund* will carry a 2% management fee and a 20% performance fee, with a minimum for investment of $250,000. He said the fund will be open to institutional investors, high-net-worth individuals and fund of funds. **ABN AMRO** is the prime broker.

Cumberland Taps Investment Banker

Hedge fund manager **Cumberland Associates** has hired **Gerold Klauer**, co-founder of New York-based boutique investment bank **Gerard Klauer Mattison**, as a managing director. Klauer, who helped form the boutique in 1989, will be a managing director at Cumberland, using his contacts in investment banking to build relationships for the hedge fund. Klauer said that he joined Cumberland because of his long-standing business and personal relationships with the fund's principals, **Bruce Wilcox** and **Andrew Wallach**. **Kevin Windorf**, spokesman, said that GKM has no plans to replace Klauer, who had been vice chairman and a member of the firm's management committee.

During his time at GKM, Klauer also managed the *GFLK Partners* hedge fund, which was eventually rolled into the *GKM Pattern Recognition* hedge fund.

Boldwater Rolls Out Its First Fund

Boldwater Capital Management has kicked off its first hedge fund, a high-yield and distressed debt fund, with $10 million in assets under management. The *Credit Opportunities Fund* will make long and short investments in non-investment grade issuers and will focus on the U.S. market, said **Joseph Morgart**, co-founder and managing partner. The Boston-based firm was started by a group of seven people that include co-portfolio managers **Howard Rubin** and **Barry Coffman**. Rubin was formerly a director at $41 billion **Standish**, **Ayer & Wood**, and Coffman was a v.p. in **Fidelity Management & Research**'s high-income division.

The fund carries a 1.5% management fee and a 20% performance fee, with a $1 million minimum for investment. The firm has also launched an offshore version of the fund, which carries the same fee structure and minimum for investment. The firm will look to grow the fund to $250 million, at which point it will reassess and determine whether it should continue to accept new money, Morgart said. He added that the ideal capping point of the fund is $500 million. The firm is also looking to hire a high-yield trader and is in serious discussions with a potential candidate. Morgart declined to identify the candidate. The firm's prime broker is **Goldman Sachs**.

HBV Kicks Off Multi-Manager Fund

HBV Capital Management has rolled out a multi-manager hedge fund, *HBV Multi-Strategy Fund* , that is targeting institutional investors and is available both domestically and offshore. New York-based HBV Capital already runs three other funds whose strategies each include U.S. risk arbitrage, European risk arbitrage and hedged distressed, said **Jonathan Bean**, principal. The new fund will hold the same positions as HBV's existing three funds, he added, noting the firm launched the new fund to meet client demand for a multi-strategy fund whose positions mirror strategies already employed at the firm. **William Harley**, a principal at the $550 million shop, is the portfolio manager for the fund. *HBV Multi-Strategy Fund* carries a 1.5% management fee and a 20% performance fee, with a $1 million minimum for investment.

Berens Creates CFO Slot

New York-based **Berens Capital Management**, a hedge fund of funds shop that focuses on long/short equity for high-net-worth individuals and institutional investors, has created a chief financial officer position. The firm has hired **Laura Finkler**, ex-cfo for **Griphon Asset Management**, said **Kathleen Phillips**, research analyst. Berens, which opened in November 2000, created the position because it previously did not have a dedicated person focusing on administration and back-office support, said Phillips. Finkler said she left Griphon in 2000 and worked as an independent tax consultant before joining Berens. Her first order of business, she said, is to take control of the firm's finances and fund accounts.

K2 Advisors Woos Away Hedge Fund Top Dogs

New York-based fund of fund K2 Advisors has snagged **Steven Ezzes** and **Kelsey Biggers**, formerly with **Thomas H. Lee Capital** and **Measurisk**, respectively, as managing directors. **William Douglass**, co-founder of K2 Advisors, said Ezzes will head up the firm's research effort on potential hedge fund managers for its fund of funds and Biggers will be responsible for directing its risk management program.

At Thomas H. Lee Capital, Ezzes worked alongside **Thomas Lee**, investing in hedge funds and private equity. Ezzes said he has not yet been replaced, and a spokeswoman from Thomas H. Lee Capital declined to comment. At Measurisk, Biggers, a founder and formerly the ceo, had been a vice chairman. **Andrew Lapkin**, chief operating officer, said that **Peter McClean** has been the ceo since Biggers stepped down to be vice chairman last year and for the moment the firm is not looking for someone to replace Biggers. K2 Advisors has $1 billion in assets under management.

Vendor News

Lehman Exec Hops To Head UBS Cap Intro Effort

Lehman Brothers' **Joseph Pescatore** has vacated his position as head of capital introductions to head **UBS Warburg LLC**'s fledgling effort, which was officially kicked off earlier this year. **Andrew Dabinett**, managing director and head of sales and marketing for UBS' hedge fund services, said that Pescatore will be responsible for developing the capital introductions business in the U.S. for the firm. He added that the firm had been searching for an experienced capital introductions executive and Pescatore fit the bill. **Ross Bartfield**, a v.p. in the capital introductions group, who has been heading the effort since his hire earlier this year, will now report to Pescatore. **Alan Pace**, head of U.S. sales and marketing at Lehman Brothers, declined to comment on Pescatore's departure or whether there were plans to replace him.

At the same time, UBS Warburg LLC has also added additional prime brokerage staff. **Vijay Sundaram** and **Gerry Polizzi** have been hired as executive director for global risk management and a director in sales and marketing, respectively. Sundaram, who was previously at **Merrill Lynch** in the same position, reports to **Richard Del Bello**, head of equity finance. Polizzi hails from **Credit Suisse First Boston**, where he was a managing director in prime brokerage sales. Calls to Merrill Lynch and CSFB were not returned before press time.

SSB Offers Wireless Platform For Hedge Fund Managers

Citgroup's **Salomon Smith Barney** prime brokerage group has unveiled a wireless capability that allows hedge fund clients to access account balance, rate or position information from a remote location. SSB's *PrimeWireless* service also allows hedge fund managers to request securities for short sales via their **BlackBerry** devices, said **James Martin**, a director within equity finance. He added that in the past managers have made short sale requests via telephone or fax, but now hedge fund managers can not only make requests, but they can also receive direct correspondence from the trading desks fulfilling their orders. SSB can also send its clients bulletins with corporate action news on securities, affording hedge fund managers the opportunity to take advantage of market situations.

SSB Derivatives Expert Moves To Prime Brokerage Sales

Citigroup's **Salomon Smith Barney** Prime Brokerage group has added derivatives veteran **Tom Sheridan** to head up its institutional sales effort, according to **Sal Campo**, managing director and head of marketing. Sheridan, who formerly co-headed global sales for equity derivatives and was most recently working as a managing director in the e-commerce group, is responsible for ramping up the group's prime brokerage business by selling its products and services to medium and large hedge funds. Campo said the firm is going after hedge funds with more than $50 million in assets under management.

Salomon Smith Barney, which is currently in the process of being re-branded under the Citigroup name, is aggressively trying to attract new hedge fund clients due to increased competition in the market. Campo said the firm has spent the last year ramping up staff and creating a suite of products to attract hedge fund managers looking for more from their prime broker than just clearing and executing services. Sheridan, who has been at SSB for the past 19 years, said his derivatives background is key to his position as more and more hedge fund managers are looking to derivatives as a way to gain more exposure.

ABN AMRO Rolls Out Chat Room For Hedge Fund Managers

ABN AMRO Prime Brokerage Services has kicked off a hedge fund chat platform, dubbed Prime*Chat*, according to **Robert Sherry**, ceo. Sherry said Prime*Chat* allows the firm's hedge fund clients to communicate with each other during the trading day on a secure platform. "It allows hedge fund managers to discuss business-related issues on a real-time basis," added Sherry. Hedge fund managers can talk to other ABN AMRO prime brokerage clients about operations and management, industry trends and market development. The platform can be accessed through Prime*Access*, the prime brokerage group's secure, password-protected web-based portfolio management and reporting system.

Lehman Snags Goldman Execs For Prime Brokerage Biz

Lehman Brothers has wooed away former **Goldman Sachs** executives **Jeff Fernandez** and **Keith Burrus** to join its prime brokerage unit. Fernandez has joined as head of U.S. product development and Burrus as team leader for U.S. client services. Additionally, Lehman has transferred **Mizra Rahman** to the role of v.p. in the equity finance product development team, said **Alan Pace**, head of U.S. sales and marketing. Fernandez, Burrus and Rahman declined to comment. Calls to a **Goldman Sachs** spokeswoman were not returned by press time.

International Report

London Fund To Conduct PE Search, Eyes Hedge Funds

The **Corporation of London**, which has £400 million ($583 million) in pensions assets and around £500 million in the *Bridge House Estates Fund* and *City's Cash Funds*, will begin a search for private equity fund of funds providers in two months and may also look for hedge fund managers. The scheme will consider whether to invest in hedge funds in two months, once it has finished its asset allocation review, said **Colin Duck**, corporate treasurer in London. The scheme has 1% of total assets already invested in private equity, 3% is committed to private equity funds, and it plans to move up to 5% in the long-term. Once the review is complete, it will start actively looking for private equity fund of funds providers, which predominantly invest in the U.S., to handle GBP10-15 million, he continued. Hedge funds will also be on the agenda at a trustee meeting that should take place in a couple of months, but he declined to speculate on the potential size of the brief until the review is complete.

EU Group To Work On First Hedge Fund Regulation

The **European Commission** wants the **Committee of European Securities Regulators** (CESR) for the first time to work on issues surrounding the regulation of hedge funds and derivatives in Europe. There is currently no pan-European regulatory regime for hedge funds or derivatives, said **Stephen Robinson**, a partner at **Macfarlanes**, a London-based law firm. A policy developed on the European level would make the rules virtually similar from country to country. Details of the request are not yet available because the Commission has not given a formal mandate to CESR, but it has decided the products are an area which need to be further examined for regulation, said **Linda Kane**, a Commission spokeswoman. **Xavier Tessier**, deputy director of international relations at CESR, declined comment.

Each EU country has its own approach to the complex products, which varies mainly on lines of investor protection measures, Robinson said. Such measures include a minimum subscription amount for investment or some substantiation that the investor knows the nature of the investment. In the U.K., under the **Financial Services Authority**, this is done with a sign-off from an accountant, certifying that the investor qualifies as professional.

Vienna Pensions Fund Eyes PE, Hedge Funds

The €1.6 billion **APK-Pensionskasse**, a multi-employer defined benefit pension fund in Vienna, is reviewing its asset allocations in order to increase returns, and this process will likely lead the fund to conduct searches for private equity and hedge fund managers. Following the review, it may also conduct global high-yield bond searches and may revamp its approximately €560 million equity portfolio, which would spark management changes. "You won't see the 1990s returns for a while, so we are looking at where we can achieve high returns in the long term," explained **Günther Schiendl**, head of asset management. The fund plans to determine the size of the new allocations in the next two months, he added. Apart from saying that it will invest 1% initially in private equity and hedge funds, Schiendl declined to predict the size of the potential tenders. He expects the alternative managers to be on board in the second quarter.

APK was eyeing investing an eventual figure of 10% of total assets in alternative assets last year, but to date has not actively been searching for feasible options. It was also looking to invest in high yield in 2000 but decided the move was not viable at that time. "There is the old idea of investing into high yield. It has been a bad asset class, but tides may be changing," Schiendl explained. "We will be checking several ideas in the next few months...[to] see if [the] global sector would be good," he continued.

The scheme has around 20 investment managers and allocates roughly 35% of total assets to equity, 60% to bonds and 5% to real estate.

NATURE GROUP

(continued from page 1)

and global. He added that the investment committee has decided to avoid the fund of funds route, which it considers too expensive, in favor of selecting individual managers. Bolton added that the chairman of the investment committee will offer his recommendations at a preliminary meeting on May 23. Although the nonprofit fund does not use a consultant, Bolton said it will use its close contacts with the **University of Virginia Investment Management Company** (UVIMCO), also of Charlottesville, to select managers. The fund also remains open to possible private equity allocations, said Bolton.

—Ramez Mikdashi

Red Cross To Search For Hedge Funds

The $800 million **American National Red Cross** is considering seeking hedge fund managers to handle its first foray into the asset class. "We are looking at it for the moment, and we have not decided on the strategy yet," said **Christina Samson**, treasurer at the Washington, D.C., fund. She added that the fund has not yet decided on an amount to invest. At last count, the fund allocated 61% to domestic equity, 20% to fixed income, 16% to international equity and the remainder to real estate and cash.

Oklahoma Police Relaunches Fund of Funds Search

The $1.2 billion **Oklahoma Police Pension & Retirement System** has relaunched its $40-80 million search for a fund of funds manager. The plan is looking to find a customized low volatility U.S. fund of funds that includes various arbitrage and market-neutral strategies. The search originally kicked off last fall with a formal request for proposals, but the plan relaunched the search with a new RFP to address transparency issues, such as sector exposure and concentration, said **George Tarlas**, of St. Louis-based **Asset Consulting Group**, the plan's consultant. The new RFP is also more specific with regards to each underlying strategy, he added. The first RFP resulted in a number of proposals that did not fit the fund's needs, noted Tarlas. Although the pension has hired fund of funds managers in the past, he noted, this is the first time it is looking for a low-volatility strategy. Tarlas added that he hopes to have selected the finalists in the next 60 days.

The fund of funds will be used to complement the system's fixed-income allocation, said **Robert Wallace**, the plan's executive director. He declined to elaborate and referred further inquiries to Tarlas.

Colorado Pension On The Lookout For Private Equity Opportunities

The $28 billion **Colorado Public Employees Retirement Association** (Colorado PERA) is on the prowl for new opportunities in private equity, according to **Kevin Kester**, director of alternatives. Colorado PERA has a $3 billion private equity portfolio, which represents 11% of its total asset allocation. The fund does not have a fixed target for new investments. Its portfolio is diversified across private equity classes and includes foreign investments. Kester noted that he is looking for opportunities across different types of private equity and will consider global investments but added PERA places a primary emphasis on the U.S. and a secondary emphasis on Europe. He added that he only wishes to receive proposals in writing. PERA does not use a consultant and is not presently considering hedge funds.

Ontario Teachers Eye Hedge Fund Managers

The C$70 billion ($44.76 billion) **Ontario Teachers Pension Plan Board** is on the lookout for U.S. hedge funds to possibly replace incumbent managers that suffer from style drift. The plan does not have any managers currently on watch, but it tends to replaces managers at a rate of one or two a year, said **Robert Bertram**, executive v.p. of investments. Most plans tend to not replace managers this frequently, but this would not be considered unprecedented, said **George Tarlas**, a consultant at St. Louis-based **Asset Consulting Group**.

The pension, which does not have a fixed target for hedge funds, is currently invested with an array of mostly U.S. managers and funds of funds representing all major styles except macro, said Bertram. He declined to disclose the amounts invested in hedge funds or the consultants he uses for due diligence.

On the private equity side, the pension plan has a C$3 billion ($1.92 billion) portfolio and is on the lookout for a variety of private equity styles on an opportunistic basis, Bertram said. Half of the plan's private equity investments are invested directly by its own private equity investment division, but the remainder is allocated to external U.S. and other foreign private equity managers.

UNC To Continue Increasing Alts Exposure

The $1.1 billion **University of North Carolina at Chapel Hill** endowment is expected to increase its 44% allocation to alternative investments within the next two years by an unknown amount. "If we were living in a perfect world without reporting and board requirements, we would go to 100% in alternatives to take advantage of the illiquidity and management premium inherent to alternatives," said CIO **Mark Yusko**. "But in the world we are living in, you are not going to get there, so we will just be heavily weighted to alternatives."

Colorado Pension Seeks Private Equity

The $2.3 billion **Colorado Fire & Police Retirement Association** is looking to fill up its 8% target allocation to private equity and is studying the hedge fund asset class as well. The Greenwood Village, Colo.-based fund has so far invested $125 million, or approximately 5.4%, of its portfolio in venture capital, buyout, distressed, international and energy funds, said **Bill Morris**, cio.

The fund uses La Jolla, Calif.-based **Pacific Corporate Group** as its consultant. Morris noted that PCG has full discretion to screen and select managers on behalf of the association. The fund's lead consultant at PCG is **Tara Blackburn**. Morris noted that he is looking to maintain a well-diversified private equity portfolio and added manager selection will be opportunistically driven. He does not have a timeframe for reaching the 8% target.

On the hedge fund front, Morris said the association is studying the entire universe of hedge funds in conjunction with its general consultant, **Alan Emkin** of **Pension Consulting Alliance**, of Encino, Calif. Morris added, however, a decision has not been made on whether to invest in hedge funds.

City Of Pittsburgh To Increase U.S. Private Equity

The $450 million **City of Pittsburgh Comprehensive Municipal Pension Trust Fund** is planning to invest $20 million in U.S. private equity over the next five to 10 years, according to **Mark Adams**, assistant director. The fund has a private equity target of 5% and has invested only $2 million in the asset class so far. Adams noted that the type of private equity the fund would consider would depend on recommendations made by the fund's board and consultant. All inquiries should be addressed to consultants **Pete Holway** and **Doug Monty** at **Hirtle Callaghan & Co.**, West Conshohocken, Penn. The fund does not plan to invest in hedge funds.

N.C. Fund Considers Absolute Return Strategies

The $430 million **Winston Salem Employees' Retirement System** is in the initial stages of studying the absolute return asset class, according to **Loris Colclough**, administrator. He added that he is interested in evaluating funds, but stresses that his plan's study is in a preliminary phase. He also pointed out that the city will be working with its consultant before making a decision on a manager. The fund's local consultant is **Jack Sheffield** of **Deutsche Banc Alex. Brown**, in Winston Salem, N.C.

Manitoba Fund Weighs First Alt Searches

The C$2 billion ($1.3 billion) **Teachers' Retirement Allowances Fund** (TRAF) may conduct searches for a maiden alternative allocation, which could include U.S. hedge funds of funds and private equity. Any initial investment would be minimal, roughly C$20-25 million, and the final targets or specific strategies have not yet been determined, said **Alfred Black**, chairman of the board. Winnipeg, Manitoba-based TRAF recently decided to review its investments and conducted a study, which revealed that the traditionally plain vanilla fund had room for some alternative investments, he noted. The decision to make the alternatives push is contingent upon board approval, and the matter will be discussed at an upcoming meeting in the next few months, said Black. Other alternative possibilities include local private equity and debt investments in Manitoba, he added.

Purdue To Ramp Up Real Estate Allocation

The $1.3 billion **Purdue University** endowment is looking to increase its real estate allocation to 5% from 2.5%, according to **Ken Burns**, executive v.p. and treasurer. The decision to search for U.S. managers will be finalized in the next two to four months, he said. Burns plans to hire managers in the following two to four months after that date, depending on the endowment's cash flow situation, he added.

The real estate allocation is part of the school's 12.5% alternatives allocation, which includes hedge funds and private equity. Burns said he has no plans to increase those allocations. The university is authorized to invest up to 25% in alternatives. The endowment's lead consultant is **Bruce Benjamin** of the **Fund Evaluation Group** in Indianapolis, Ind. Burns does not wish to receive calls from managers before June.

Oregon Foundation Switches Consultant, Reviews Portfolio

The **Northwest Health Foundation** has hired a new consulting firm and as a result, is conducting a comprehensive review of its $65 million portfolio, which may result in reallocations, including but not limited to alternatives. The foundation, which expects the review to be finished in 60-90 days, has hired Portland consultant **Garbis Mechigian** of **CTC Consulting**.

The fund, which operates in Oregon and southwest Washington, had previously used another Portland-based consultant, **Allen Scherlie** of **Arnerich Massena & Associates**, but decided to search for a new consultant last October because Scherlie left Arnerich, said **David Hooff**, v.p. of finance at the foundation. The foundation had been satisfied with its consulting relationship but viewed Scherlie's departure as an appropriate time to consider other shops, he explained. Calls to Mechigian and Arnerich Massena were not returned by press time.

The foundation has a 10% allocation to alternatives (private equity, distressed debt and sector-focused opportunity funds) and a 10% allocation to absolute return funds. It hired a number of alternatives managers last year (*AIN*, February 2001). Most recently it increased its commitment to *Commonsense Partners*, a long-short absolute return fund of funds, by $1.5 million in January.

Search & Hire Directory

The following directory includes search and hire activity for the past month. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. All amounts are in US$ millions unless otherwise stated. To report manager hires and new searches, please call ***Mark Faro*** *at (212) 224-3287,* ***Ramez Mikdashi*** *at (212) 224-3615 and* ***Katrina Dean Allen*** *at (818) 502-2540 or fax (212) 224-3939.*

Potential Searches

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
American National Red Cross, Falls Church, VA	USD800	Endowment	US/ Alternative/ Hedge Fund	N/A	N/A	Fund is considering doing its first foray into hedge funds before year end 2002.
AMR Corporation, Fort Worth, TX	USD13,000	Corporate D.B.	US/ Alternative/ Private Equity	USD520	Unknown	Considering raising its private equity stake to 10% from 6%.
Arapahoe County, Littleton, CO	USD140	Public D.B.	US/ Alternative/ Hedge Fund	N/A	Watershed Investments, Littleton, CO	The plan will investigate hedge-funds. Searches may result.
Birmingham-Southern College, Birmingham, AL	USD125	Endowment	Global/ Alternative/ Private Equity	N/A	Brad Osborne, Merrill Lynch Consulting Services Group, Birmingham, AL	Will consider proposals in writing. Does not wish to receive phone calls.
Birmingham-Southern College, Birmingham, AL	USD125	Endowment	Global/ Alternative/ Hedge Fund-of-Funds	USD6	Brad Osborne, Merrill Lynch Consulting Services Group, Birmingham, AL	Does not wish to receive phone calls. Will consider pro posals in writing for hedge fund-of-funds.
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	US/ Alternative/ Private Equity	USD118	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Pivotal Partners is on watch. No timeframe set for possible replacement.
Colorado Fire & Police Retirement Association, Englewood, CO	USD2,300	Public D.B.	Global/ Alternative/ LBO	N/A	Tara Blackburn, Pacific Corporate Group, La Jolla, CA	Looking for buyout managers on an opportunistic basis. Pacific Corporate Group has full discretion on selection of managers.
Colorado Fire & Police Retirement Association, Englewood, CO	USD2,300	Public D.B.	Global/ Alternative/ Energy	N/A	Tara Blackburn, Pacific Corporate Group, La Jolla, CA	Looking for managers on an opportunistic basis. Pacific Corporate Group has full discretion on selection of managers.
Colorado Fire & Police Retirement Association, Englewood, CO	USD2,300	Public D.B.	Global/ Alternative/ Venture Capital	N/A	Tara Blackburn, Pacific Corporate Group, La Jolla, CA	Looking for VC managers on an opportunistic basis. Pacific Corporate Group has full discretion on selection of managers.
Colorado Fire & Police Retirement Association, Englewood, CO	USD2,300	Public D.B.	Global/ Alternative/ Distressed Debt	N/A	Tara Blackburn, Pacific Corporate Group, La Jolla, CA	Looking for distressed managers on an opportunistic basis. Pacific Corporate Group has full discretion on selection of managers.
Colorado Fire & Police Retirement Association, Englewood, CO	USD2,300	Public D.B.	Global/ Alternative/ Hedge Fund	N/A	Allan R. Emkin, Pension Consulting Alliance, Encino, CA	Is currently studying all hedge fund styles in conjunction with consultant. No timeframe for decision to invest.
Colorado Public Employees Retirement Association, Denver, CO	USD28,000	Public D.B.	Global/ Alternative/ Private Equity	N/A	None	Looking for opportunities across different types of private equity. Primary focus is U.S., secondary focus in Europe.
Corporation of London Pension Fund (Bridge House Estates, Citys Cash Funds), London, U.K.	GBP900	Public D.B.	Global/ Alternative/ Hedge Fund	N/A		Hedge funds will be on the agenda at a trustee meeting that should take place in a couple of months. Started researching the asset class, but has had no formal discussions with the trustees.
Lewis and Clark College, Portland, OR	USD140	Endowment	US/ Alternative/ Private Equity Fund-of-Funds	N/A	Rebecca Gratsinger, R.V. Kuhns & Associates, Portland, OR	Committee may increase its alternatives stake, and hire a hedge fund-of-funds manager and a private equity manager. Decision is expected to be made at the end of May 2002.
Louisiana State Employees Retirement System, Baton Rouge, LA	USD6,700	Public D.B.	US/ Alternative/ Hedge Fund-of-Funds	USD240	Peter Gerlings, New England Pension Consultants, Cambridge, MA	The plan will consider adding the asset class after its asset liability study is completed. The plan could make a 2-4% allocation.

Source: iisearches.com - The Premier Marketing and Research Tool for Investment Managers. For further information please go to www.iisearches.com

Potential Searches (cont'd)

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
Mineworkers Pension Scheme and British Coal Staff Superannuation Scheme, Sheffield, U.K.	GBP24,000	Public D.B.	Global/ Alternative/ Private Equity	N/A		The fund plans to increase its allocation to private equity to 5% over the next few years. No further details are available.
Montgomery Asset Management, San Francisco, CA	USD7,500	Money Manager	US/ Alternative/ Hedge Fund	N/A	Unknown	The firm is considering launching a new hedge fund-of-funds and will be seeking to hire hedge fund managers.
Ontario Teachers' Pension Plan Board, Toronto, ONT	CAD70,000	Public D.B.	US/ Alternative/ Hedge Fund	N/A	Unknown	Typically replaces one or two of its incumbent managers a year for style drift.
Ontario Teachers' Pension Plan Board, Toronto, ONT	CAD70,000	Public D.B.	Global/ Alternative/ Private Equity	N/A	Unknown	Looking for private equity managers on an opportunistic basis.
Pittsburgh (City of), Pittsburgh, PA	USD470	Public D.B.	US/ Alternative/ Private Equity	USD20	Peter Holway, Hirtle, Callaghan & Company, West Conshohocken, PA	All inquiries should be referred to consultants Peter Holway and Doug Monty at Hirtle Callaghan & Co.
University of North Carolina At Chapel Hill, Chapel Hill, NC	USD1,100	Endowment	US/ Alternative	N/A	None	The fund is considering increasing its 44% exposure in alternative investments to an unspecified amount over the coming two years. The fund is not taking calls from marketers.
Winston Salem Employees' Retirement System, Winston Salem, NC	USD430	Public D.B.	US/ Alternative/ Absolute Return	N/A	Jack Sheffield, Deutsche Banc Alex. Brown, Winston Salem, NC	Fund is in preliminary stages of studying asset class. Will only make a decision in conjunction with consultant.

New Searches

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
Corporation of London Pension Fund (Bridge House Estates, Citys Cash Funds), London, U.K.	GBP900	Public D.B.	Global/ Alternative/ Private Equity Fund-of-Funds	GBP15		Fund will start surveying the market for potential private equity fund-of-fund providers in two months. The scheme has 1% in private equity, 3% is committed to private equity funds and it plans to move up to 5%.
Louisiana Municipal Police Employees Retirement System, Baton Rouge, LA	USD1,000	Public D.B.	US/ Alternative/ Convertibles	USD40	Summit Strategies Group, St. Louis, MO	Fund is expected to issue RFP in the next few weeks. The allocation should be USD30-USD50 million.
Oklahoma Police Pension & Retirement System, Oklahoma City, OK	USD1,200	Public D.B.	US/ Alternative/ Hedge Fund-of-Funds	USD80	George Tarlas, Asset Consulting Group, St. Louis, MO	Looking for a customized low-volatility U.S. fund-of-funds product that would include various arbitrage and market-neutral strategies. Expects to select finalists by end of June 2002.
Pennsylvania State Employees Retirement System, Harrisburg, PA	USD25,000	Public D.B.	US/ Alternative/ Absolute Return	N/A	Cambridge Associates, Boston, MA	Interviewing 4 candidates. Next board meeting is on June 6, 2002.
Smith College, Northampton, MA	USD935	Endowment	US/ Alternative/ Energy	N/A	Elizabeth Kent, Cambridge Associates, Boston, MA	Will hire additional energy managers over next 2-3 years as part of new USD32.7M allocation to inflation-hedging investments.
Smith College, Northampton, MA	USD935	Endowment	US/ Alternative/ Timberland/Vineyards	N/A	Elizabeth Kent, Cambridge Associates, Boston, MA	Will search for managers over the next 2-3 years as part of new USD32.7M allocation to inflation-hedging investments.
Teachers' Retirement Allowances Fund (Manitoba), Winnipeg, MAN	CAD2,000	Public D.B.	Global/ Alternative/ Hedge Fund-of-Funds	CAD25	Unknown	Decision to make a push in alternatives depends on board approval. Board meeting expected in one or two months.
Teachers' Retirement Allowances Fund (Manitoba), Winnipeg, MAN	CAD2,000	Public D.B.	Global/ Alternative/ Private Equity	CAD25	Unknown	Decision to invest in private equity, local private equity and debt investments depends on decision by board. Board meeting expected in one or two months.
University of Pennsylvania, Philadelphia, PA	USD3,300	Endowment	US/ Alternative/ Hedge Fund	USD128	None	The fund is seeking to hire hedge fund managers to handle a 4% increase. The fund's current allocation to absolute return is 16%.
Yorkshire Forward - Partnership Investment Fund, Leeds, U.K.	GBP0	Operating Fund	UK/ Alternative/ Venture Capital	N/A		Regional development agency seeking manager for new objective 2 fund aimed at plugging the equity gap in the Yorkshire and Humber region. Deadline for requests to participate is May 15, 2002.

Updated Searches

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
APK-Pensionskasse, Vienna, Austria	EUR1,600	Union/ Multiemployer D.B.	Global/ Alternative/ Private Equity	EUR16		Expects to commit 1% of total assets to alternatives by the end of 2Q 2002.
APK-Pensionskasse, Vienna, Austria	EUR1,600	Union/ Multiemployer D.B.	Global/ Alternative/ Hedge Fund	EUR16		Expects to commit 1% of total assets to alternatives by the end of 2Q 2002.
Arapahoe County, Littleton, CO	USD140	Public D.B.	US/ Alternative/ Derivatives/Futures	USD5	Dale Connors, Watershed Investments, Littleton, CO	The plan has decided not to investigate futures due to uncertainty about the asset class.
Board of Pensions of the Evangelical Lutheran Church in America, Minneapolis, MN	USD5,200	Corporate D.B.	Global/ Alternative/ Hedge Fund	N/A	None	The Board does not have any plans to invest in hedge funds in the foreseeable future.
East of England Development Agency, Cambridge, U.K.	GBP20	Foundation	UK/ Alternative/ Venture Capital	GBP20		Has interviewed managers to run the regional venture capital fund and will disclose identity of the selected manager by the end of April 2002. Original manager pulled out due to internal restructuring.
Health Super, Camberwell, Australia	AUD3,500	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Hedge Fund-of-Funds	AUD175		Fund is interviewing for fund-of-funds mandate and may make an appointment by end of May.

Source: iisearches.com - The Premier Marketing and Research Tool for Investment Managers. For further information please go to www.iisearches.com

Updated Searches (cont'd)

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
Indiana Public Employees' Retirement Fund, Indianapolis, IN	USD12,000	Public D.B.	US/ Alternative/ Private Equity	N/A	Micah Fannin, Strategic Investment Solutions, San Francisco, CA	Search is ongoing. Fund is always seeking opportunities in alternatives.
Indiana Public Employees' Retirement Fund, Indianapolis, IN	USD12,000	Public D.B.	US/ Alternative/ Distressed Debt	N/A	Strategic Investment Solutions, San Francisco, CA	Search is ongoing. Fund is always seeking opportunities in alternatives.
Indiana Public Employees' Retirement Fund, Indianapolis, IN	USD12,000	Public D.B.	International/ Alternative/ Private Equity	N/A	Strategic Investment Solutions, San Francisco, CA	Search is ongoing. Fund is always seeking opportunities in alternatives.
Indiana Public Employees' Retirement Fund, Indianapolis, IN	USD12,000	Public D.B.	US/ Alternative/ LBO	N/A	Strategic Investment Solutions, San Francisco, CA	Search is ongoing. Fund is always seeking opportunities in alternatives.
Indiana Public Employees' Retirement Fund, Indianapolis, IN	USD12,000	Public D.B.	US/ Alternative/ Absolute Return	N/A	Strategic Investment Solutions, San Francisco, CA	Search is ongoing. Fund is always seeking opportunities in alternatives.
Lewis and Clark College, Portland, OR	USD140	Endowment	US/ Alternative/ Hedge Fund-of-Funds	N/A	Rebecca Gratsinger, R.V. Kuhns & Associates, Portland, OR	Committee may increase its alternatives stake, and hire a hedge fund-of-funds manager and a private equity manager. Decision is expected to be made at the end of May 2002.
Nature Conservancy (The), Arlington, VA	USD1,000	Endowment	Global/ Alternative/ Hedge Fund	USD150	None	Will finalize investment strategies at June 7, 2002 board meeting.
Nature Conservancy (The), Arlington, VA	USD1,000	Endowment	US/ Alternative/ Private Equity	USD42	None	Will finalize investment strategies at June 7, 2002 board meeting.
Pennsylvania State Employees Retirement z**System**, Harrisburg, PA	USD25,000	Public D.B.	US/ Alternative/ Timberland/Vineyards	N/A	Cambridge Associates, Boston, MA	Board is interviewing Berwind Property, Campbell Timber Fund and OCM Mezzanine fund. Next board meeting is June 6, 2002.
Presbyterian College, Clinton, SC	USD80	Endowment	US/ Alternative	N/A	Watson Wyatt Investment Consulting, Chicago, IL	Upon conducting an asset allocation study, fund has decided not to allocate to alternatives.
University of Cincinnati, Cincinnati, OH	USD950	Endowment	US/ Alternative/ Hedge Fund	N/A	Chris Meyer, Fund Evaluation Group, Cincinnati, OH	Decided against investing in hedge funds after annual asset allocation study. May revisit in August 2002.
University of Dayton, Dayton, OH	USD410	Endowment	US/ Alternative/ Venture Capital	USD21	None	Seeking to fill alternatives allocation of up to USD20.7M with distressed debt, venture capital, and separate property real estate fund-of-funds managers. No decisions until August 2002 allocation meeting.
University of Dayton, Dayton, OH	USD410	Endowment	US/ Alternative/ Distressed Debt	USD21	None	Seeking to fill alternatives allocation of up to USD20.7M with distressed debt, venture capital, and separate property real estate fund-of-funds managers. No decisions until August 2002 allocation meeting.

Completed Searches

Barclays Bank U.K. Retirement Fund, Dorset, U.K.	GBP10,700	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Private Equity	N/A		HarbourVest Partners (U.K.) Ltd.
Barclays Bank U.K. Retirement Fund, Dorset, U.K.	GBP10,700	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Private Equity	N/A		Blackstone Capital Partners
Barclays Bank U.K. Retirement Fund, Dorset, U.K.	GBP10,700	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Private Equity	N/A		ABRY Partners
Barclays Bank U.K. Retirement Fund, Dorset, U.K.	GBP10,700	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Private Equity	N/A		Candover Investments
Barclays Bank U.K. Retirement Fund, Dorset, U.K.	GBP10,700	Hybrid DB-DC/ Cash Balance	Global/ Alternative/ Private Equity	N/A		Coller Capital
Birmingham-Southern College, Birmingham, AL	USD125	Endowment	US/ Alternative/ Hedge Fund-of-Funds	USD2	Brad Osborne, Merrill Lynch Consulting Services Group, Birmingham, AL	Alternative Investment Group
Birmingham-Southern College, Birmingham, AL	USD125	Endowment	US/ Alternative/ Hedge Fund-of-Funds	USD2	Brad Osborne, Merrill Lynch Consulting Services Group, Birmingham, AL	K2 Advisors
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	US/ Alternative/ Convertible-Arbitrage	USD10	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Symphony Asset Management
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	US/ Alternative/ Merger Arbitrage	USD10	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Evnine-Vaughan Associates
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	US/ Alternative/ Hedge Fund	USD10	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Andor Technology
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	Global/ Alternative/ Merger Arbitrage	USD10	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Atticus Capital Management
California Public Employees Retirement System (CalPERS), Sacramento, CA	USD150,000	Public D.B.	International/ Alternative/ Private Equity	USD10	Rosalind Hewsenian, Wilshire Associates, Santa Monica, CA	Liberty Square Asset Management
Canada Pension Plan Investment Board, Toronto, ONT	CAD14,000	Public D.B.	Global/ Alternative/ Private Equity	CAD120	None	Coller Capital
Canada Pension Plan Investment Board, Toronto, ONT	CAD14,000	Public D.B.	Europe/ Alternative/ Private Equity	CAD140	None	Candover Investments
Canada Pension Plan Investment Board, Toronto, ONT	CAD14,000	Public D.B.	Global/ Alternative/ Private Equity	CAD236	None	Apollo Advisors
College of the Holy Cross, Worcester, MA	USD360	Endowment	US/ Alternative/ Distressed Debt	USD10	Cambridge Associates, Boston, MA	GSC Recovery Fund

Source: iisearches.com - The Premier Marketing and Research Tool for Investment Managers. For further information please go to www.iisearches.com

Completed Searches (cont'd)

Fund & City	Total Amt(Mlns)	Fund Type	Assignment	Mandate Size (Mlns)	Consultant	Comments
Commonwealth Superannuation Scheme/Public-Sector Superannuation Scheme, Canberra, Australia	AUD10,000	Public D.B.	Global/ Alternative/ Hedge Fund-of-Funds	AUD50		Financial Risk Management
Commonwealth Superannuation Scheme/Public-Sector Superannuation Scheme, Canberra, Australia	AUD10,000	Public D.B.	Global/ Alternative/ Hedge Fund-of-Funds	AUD50		Harris & Associates
European Investment Fund, Luxembourg	EUR3,000	Permanent Fund	Europe/ Alternative/ Venture Capital	EUR29		MVM International Life Sciences II
Franklin College, Franklin, IN	USD65	Endowment	US/ Alternative/ Hedge Fund	USD1	Oxford Financial Advisors, Indianapolis, IN	Aurora Investment Counsel
Hong Kong Jockey Club, Hong Kong, China	HKD9,000	Surplus Fund	Global/ Alternative/ Hedge Fund	N/A		Mesirow Asset Management
Hong Kong Jockey Club, Hong Kong, China	HKD9,000	Surplus Fund	Global/ Alternative/ Hedge Fund	N/A		Quellos Group
Illinois State Teachers Retirement System, Springfield, IL	USD24,000	Public D.B.	US/ Alternative/ Private Equity	USD50	Gordon Dickinson, Callan Associates, San Francisco, CA	Banc One Investment Advisors Corporation
Independent Schools Superannuation Trust, Adelaide, Australia	AUD300	Corporate D.C.	International/ Alternative/ Private Equity Fund-of-Funds	AUD4		Wilshire Australia Pty Ltd
Massachusetts Pension Reserves Investment Management Board, Boston, MA	USD30,000	Public D.B.	US/ Alternative/ Distressed Debt	USD75	Pathway Capital Management, Irvine, CA	Angelo, Gordon & Company
New York State Teachers' Retirement System, Albany, NY	USD78,000	Public D.B.	US/ Alternative/ Private Equity	USD200	Mark Kline, Callan Associates, Morristown, NJ	HarbourVest Partners
New York State Teachers' Retirement System, Albany, NY	USD78,000	Public D.B.	US/ Alternative/ Private Equity	USD40	Mark Kline, Callan Associates, Morristown, NJ	The Shansby Group
Nordea Private Equity, Copenhagen, Denmark	USD180	Money Manager	Global/ Alternative/ Private Equity Fund-of-Funds	N/A		Hamilton Lane Advisors
Nottinghamshire County Council Pension Fund, Nottingham, U.K.	GBP1,500	Public D.B.	Europe/ Alternative/ Private Equity Fund-of-Funds	GBP7		Pantheon Ventures
Nottinghamshire County Council Pension Fund, Nottingham, U.K.	GBP1,500	Public D.B.	Europe/ Alternative/ Private Equity Fund-of-Funds	GBP7		Coller Capital
Oklahoma School Land Trust, Oklahoma City, OK	USD1,200	Endowment	US/ Alternative/ Timberland/ Vineyards	USD25	Scott Cooprider, Holbein Associates, Addison, TX	TimberVest, LLC
Overseas Private Investment Corp., Washington, DC	USD4,000	Corporate D.B.	South America/ Alternative/ Private Equity	USD180	None	Baring Private Equity Partners
University of St. Thomas (Minnesota), Minneapolis, MN	USD300	Endowment	US/ Alternative/ Hedge Fund	N/A	Carter Harrison, DeMarche Associates, Overland Park, KS	Commonfund
University of St. Thomas (Minnesota), Minneapolis, MN	USD300	Endowment	US/ Alternative/ Hedge Fund	N/A	Carter Harrison, DeMarche Associates, Overland Park, KS	Quellos Group

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TREASURY TO

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requirements, but left it up to FinCEN to finalize the details. A FinCEN spokeswoman declined to comment.

Hedge fund managers, used to operating in loosely regulated environs, need to get prepared for serious compliance work. Anti-money laundering compliance, long-required of the nation's banks, is now an issue for all financial institutions, including hedge funds. This could be a major culture shock for hedge fund managers who are not as accustomed as mutual fund complexes to regulatory burdens, noted **Bruce Treff**, national director of investment management regulatory consulting for **Arthur Andersen**. Hedge funds may not be highly regulated, but they do deal with entities that are, noted **Andrew Pernambuco**, a principal at **Alexandra Investment Management**, a $280 million convertible arbitrage fund. "…Everyone we deal with, including lawyers, brokers and accountants, are regulated. We have to comply with their standards," he said, noting the firm did not have all of the required policies in place as of April 24 but did have some procedures in place before USA PATRIOT was enacted.

There was some debate whether hedge funds were required to comply with the act, but the MFA recently weighed in on the subject by encouraging its members to comply with the act as a sound practice (*AIN*, 4/9).

The MFA has provided guidance for hedge funds to comply with act, as hedge funds and other financial institutions were supposed to have developed written guidelines by April 24. FinCEN issued its interim rules last month, but provided the hedge fund industry a temporary reprieve. This was a welcomed development. "Many firms were not ready to meet this deadline," noted **Roger Coffin**, a partner and co-head of **PricewaterhouseCoopers**' regulatory practice.

Complying With The Act

The act has four main components that apply to all financial institutions.

- Hedge funds will need to establish internal anti-money laundering guidelines.
- An anti-money laundering compliance officer needs to be designated.
- A training program needs to be created.
- The system must be tested by an independent audit.

The act requires hedge funds to designate an anti-money laundering compliance officer, but unlike mutual fund complexes that already have dedicated compliance staff, hedge funds will likely turn to their legal counsel to fill that role, said Treff. The MFA's guidance said the compliance officer should be charged with monitoring the hedge fund's day-to-day compliance, which includes reviewing any reports of suspicious activity. The compliance officer should also conduct the employee anti-money laundering training required under the act.

A bright spot for hedge funds is that some of their inherent characteristics will make it easier to comply with the USA PATRIOT Act. Hedge funds have significantly fewer investors than mutual funds and do not offer daily redemptions, said Treff. "Most clients already knew their investors well enough to know they were not terrorists or not laundering money," added **Ron Geffner**, an attorney at **Sadis & Goldberg**. Indeed, **John Lyons**, president of **Keefe Managers**, a $140 million hedge fund shop, noted "We don't have a particularly non-vanilla list of limited partners. Long before the PATRIOT Act, we knew who our LPs were. We meet them three times a year. Also, we're fortunate in that we don't have a cast of thousands to go back and re-document." These same characteristics also may make it less palatable for launderers to target hedge funds, especially because of the liquidity concerns, said Gaine.

Safe Harbor?

The USA PATRIOT Act contains a safe-harbor provision that prevents hedge funds from being sued by investors for providing required information under the act, said Gaine. This is important because hedge fund managers' confidentiality agreements with investors would typically prevent the manager from sharing this information. The problem is that some parts of the act, such as the filing of suspicious activity reports (SARs), only call for voluntary actions on the part of the hedge fund manager, and it is not clear whether the safe harbor provision applies to these actions, said Gaine.

Another concern will be dealings with foreign investors that buy in to hedge funds through offshore administrators. The laws of some of these jurisdictions conflict with the administrators' reporting obligations under the USA PATRIOT Act, said Gaine. He added that some of the larger off-shore jurisdictions will likely take steps to comply with the act, but administrators that are unable to comply will need to be replaced.

—Mark Faro

Quote of the Month

"*Most clients already knew their investors well enough to know they were not terrorists or not laundering money.*"—**Ron Geffner**, *an attorney at* ***Sadis & Goldberg****, commenting on his hedge fund clients' familiarity with their investors (see story, page 1).*

One Year Ago in Alternative Investment News

The $55 billion **University of California System** hired **David Russ**, formerly head of global equity, fixed income and alternative investments at the **University of Texas Investment Management Company**, as its new investment chief.