

Hedge Fund www.HFAlert.com ALERT

BIGGEST HEDGE FUND INVESTORS

Hedge Fund Holdings Grow for Biggest LPs

The amount of money the world's largest limited partners have invested in hedge funds increased by 10% in the past year, even as **Calpers** commenced a high-profile retreat from the sector.

The top 20 institutional investors, measured by the sizes of their hedge fund portfolios, collectively hold \$245 billion in single-manager and multi-manager vehicles, according to data compiled by **Preqin** for **Hedge Fund Alert** (see Page 7). That compares to \$223 billion a year ago — for a growth rate roughly in line with the industry as a whole. According to **eVestment**, global hedge fund assets stood at \$3 trillion at the end of September, up 9% from \$2.75 trillion a year earlier.

Perhaps the most conspicuous change in the top-20 ranking is the disappearance of **Calpers**, which announced in September that it was liquidating its \$4 billion absolute-return portfolio for a variety of reasons, including cost and complexity. The \$296 billion pension ranked 19th on last year's list of the world's biggest hedge fund investors.

Calpers' move triggered widespread debate about whether other large pension systems would follow suit. While it's too soon to draw conclusions, four other U.S. public pensions — **Maryland State Retirement, Massachusetts Pension Reserves Investment Management, Ohio Public Employees Retirement and Virginia Retirement System** — appear on the top-20 list for the first time this year.

With their vast pools of money and long-term investment horizons, pensions represent a unique opportunity for hedge fund managers — though with few exceptions, they're accessible only to the biggest fund operators. "They are out of reach for a majority of managers," said **Don Steinbrugge**, who runs

fund-marketing firm **Agecroft Partners** of Richmond, Va. "Unless one of these top investors has an emerging-manager program, they probably will not consider investing with a manager unless they have at least \$1 billion under management, and potentially a lot more."

Fourteen of the 20 biggest hedge fund investors are pensions or pension managers serving government or private-sector employees in the U.S., Canada and Europe. Not surprisingly, the majority are in the U.S. and Canada, but the Netherlands counts three operations — **APG, MN** and **PGGM** — with a combined \$625 billion of pension assets.

That said, sovereign-wealth funds dominate the top of the ranking, occupying three of the first five slots and four of the top 10.

Abu Dhabi Investment Authority is in a league of its own, with a hedge fund portfolio that Preqin estimates at \$57.8 billion — nearly 2% of total hedge fund assets globally. Among investors that were on the list last year, Abu Dhabi's portfolio also posted the sharpest growth — up 23% from \$47 billion in the fourth quarter of 2013.

Hedge fund allocations range from a high of 29% for the **University of Texas** endowment to a low of 3% for Singapore sovereign wealth fund **GIC**.

Preqin, a London research firm focused on alternative investments, culled the top 20 from its database of more than 4,900 investors. The data is obtained directly from the institutions, as well as from regulatory filings, financial reports and Freedom of Information Act requests. Hedge Fund Alert supplemented Preqin's data with its own reporting. ❖

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Top 20 Institutional Investors in Hedge Funds

Data compiled by Preqin, with supplemental reporting by Hedge Fund Alert

	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
1	Abu Dhabi Investment Authority Abu Dhabi	Sovereign wealth fund	\$770.0	\$57.8	Hedge fund portfolio has grown more than 20% from a year ago, in line with increase in total assets. Maintains 5-10% target for hedge funds and commodity-trading advisors. Favors event-driven, relative-value and discretionary-macro strategies.
2	China Investment Corp. Beijing	Sovereign wealth fund	650.0	26.0	Assets in hedge funds up more than 10% over the past year, consistent with growth of overall portfolio. Started targeting hedge funds only in 2009, but quickly ramped up the portfolio. Current allocation to the sector: about 4%. Has invested with Blackstone, Capula Investment and Oaktree Capital. Operation is led by chief investment officer Li Keping.
3	APG Amsterdam	Pension manager	484.6	21.3	Hedge fund portfolio gained 2% in 2013 following a 7.7% increase in 2012, topping unspecified benchmark in both years. System holds stakes in some 30 single-manager funds and 10-plus funds of funds, mostly on behalf of Dutch pension plan ABP. Advised by New Holland Capital, a New York team that spun off in 2004.
4	Future Fund Melbourne, Australia	Sovereign wealth fund	92.3	12.6	Mainly deploys fresh capital to existing managers, but will consider new relationships. Favors discretionary macro strategies. Has invested with Blackstone, Brevan Howard Asset Management and Bridgewater Associates.
5	Texas Teachers Austin	Public pension	130.0	12.0	Reduced hedge fund target to 8% of overall assets, from 9%, in September 2014, following an asset-allocation study that also resulted in lower exposure to equities. Has been investing in hedge funds since 2001, allocating capital both to single-manager vehicles and funds of funds. Acquired stake in Bridgewater Associates in 2012.
6	CPP Investment Board Toronto	Public pension	206.4	11.2	Hedge fund bucket has shrunk more than 20% from a year ago, even as overall assets grew. Portfolio is heavy on long/short equity, fixed-income and special-situations vehicles. Has invested with AQR Capital, Brevan Howard Asset Management, Bridgewater Associates and Pershing Square Capital. In early 2014, hired former Tranberg Capital executive Dureka Carrasquillo to launch an "in-house hedge fund" from CPP's London office.
7	Ontario Teachers Toronto	Public pension	128.1	11.1	Known as a savvy risk manager, spreads hedge fund investments among more than 150 vehicles, committing around \$75 million to each. In early 2014, promoted alternative-investment chief John Mock to chief executive.
8	University of Texas Austin	Endowment	34.0	9.9	Has been investing in hedge funds since 1997, seeking equity-like returns with bond-like volatility. Allocates roughly 30% of assets to private investments, including about 40 hedge fund managers. Has invested with Baupost Group, Centerbridge Partners, Eton Park Capital and Viking Global.
9	GIC Singapore	Sovereign wealth fund	100.0	9.6	In May 2014, lured Bernie Hsu from Hewlett-Packard's pension plan to focus on hedge fund investments. Hsu had been overseeing HP's alternative-investment portfolios. GIC, previously known as Government of Singapore Investment Corp., held stakes in about 50 hedge funds as of late 2013, with research staff in nine cities worldwide. Lim Chow Kiat is chief investment officer. His predecessor, Ng Kok Song, left in early 2013 to launch a global-macro fund.

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	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
10	New Jersey State Investment Council Trenton, N.J.	Public pension	\$81.2	\$8.6	Recent investments include a \$300 million commitment to Solus Alternative Asset Management and \$200 million for Dyal Capital Partners 2, a private equity fund that buys stakes in large, established hedge fund managers. In May 2014, named Christopher McDonough chief investment officer, after predecessor Timothy Walsh left for Hong Kong-based Gaw Capital. Subsequently renewed contract with Cliffwater to serve as hedge fund advisor for another three years.
10	Varma Mutual Pension Varma, Finland	Pension manager	50.4	8.6	Hedge fund portfolio was showing a five-year annualized return of 12.1% at the end of 2013. Has positions with 35 managers, including AQR Capital, D.E. Shaw and Elliott Management. System manages retirement assets for small-business owners in Finland.
12	Maryland State Retirement Baltimore	Public pension	45.0	7.7	Chief investment officer Melissa Moye resigned in August, and a successor has yet to be named. Hedge fund portfolio rose 3.4% in 2013, underperforming 7.3% gain in benchmark HFRI Fund of Funds Composite Index.
13	GM Asset Management New York	Corporate pension	78.7	7.2	Typically maintains a 9% target allocation for hedge funds. Has invested with Cerberus Capital, ESL Investments and Stone Lion Capital. Runs more than 30 retirement plans for U.S. auto giant and its affiliates, even after outsourcing a big portfolio to Prudential in 2012.
14	Ohio Public Employees Retirement Columbus, Ohio	Public pension	90.5	6.3	Active investor in hedge funds since 2006, targeting operators with at least \$1 billion under management. Anticipates new commitments will boost allocation to \$6.6 billion by yearend 2014. Has invested with Beach Point Capital, BHR Capital, Brigade Capital, Graham Capital and Taconic Capital.
15	CTC MyCFO Chicago	Multi-family office	41.0	6.2	Changed name from CTC Consulting in mid-2014. Manages money for some 300 ultra-affluent families. Also acts as sub-advisor for fund of funds run by BA Hedge Fund Solutions.
16	Texas County & District Retirement Austin	Public pension	24.5	6.0	Approaching aggressive 25% target allocation for hedge funds. In July 2014, deployed another \$50 million to Highline Capital, on top of \$150 million it invested in 2013. Also has worked with Brevan Howard Asset Management, MKP Capital, Och-Ziff Capital and York Capital.
17	MN The Hague	Pension manager	118.9	5.9	Manages assets on behalf of Netherlands and U.K. pensions. Is narrowing scope of hedge fund portfolio to focus on commodity, fixed-income, global-macro and market-neutral strategies. Expected result is decrease in number of managers it works with to about 25, from around 35 in 2013.
18	Massachusetts Pension Reserves Investment Management Boston	Public pension	60.7	5.8	Started push in mid-2014 to lower fees it pays fund managers. Effort entails moving some capital to separate accounts from commingled funds. Also will look at vehicles offering hedge fund-like strategies at lower costs. Relying on fund-of-funds shop Arden Asset Management for advice.
18	PGGM Zeist, Netherlands	Pension manager	22.4	5.8	Hedge fund portfolio encompasses positions in 30-40 single-manager vehicles. System manages retirement assets for healthcare professionals, architects, artists and other private-sector workers in the Netherlands.
20	Virginia Retirement System Richmond, Va.	Public pension	65.0	5.2	Active investor expects hedge fund portfolio to achieve annualized returns 800 bp above the Russell 3000 Index. Will consider funds with lockup periods of up to five years. Added Beach Point Capital to hedge fund portfolio in June 2014. Also has invested with Highbridge Capital and Jana Partners.

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