

# Hedge Fund www.HFAlert.com ALERT

## BIGGEST HEDGE FUND INVESTORS

### Ohio Sets Pace for Pension Allocations to Hedge Funds

**Ohio Public Employees** has emerged as the most active hedge fund investor among public pensions in North America.

The \$90.3 billion pension system substantially increased its commitments to hedge funds in the past year, boosting the total to \$13.2 billion, or nearly 15% of overall assets, according to data compiled by **Preqin** for **Hedge Fund Alert**. Ohio Public Employees now ranks fifth among the top 20 institutional investors, measured by the sizes of their hedge fund portfolios, moving up from 14th place a year earlier (see ranking on Pages 5-6).

In the process, it leapfrogged other pensions that have long maintained outsized allocations to hedge funds, including **Ontario Teachers**, **Texas Teachers**, **Maryland State Retirement** and **New Jersey State Investment Council**. Ohio Public Employees now stands with Dutch pension manager **APG** and three sovereign-wealth funds — **Abu Dhabi Investment Authority**, **China Investment Corp.** and Australia's **Future Fund** — among the five most active hedge fund investors globally.

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. The ranking counts only primary investors in hedge funds, and excludes asset-gatherers such as funds of funds and wealth managers.

Collectively, the institutions on the top-20 list — which also encompasses corporate pensions, endowments and an insurance company — have \$261.6 billion allocated to single-manager and multi-manager hedge fund vehicles, up about

7% from a year ago. That amounts to about 9% of global hedge fund assets, based on a **Hedge Fund Research's** current estimate of \$2.9 trillion for the industry.

Many public pensions continue to increase their allocations to hedge funds more than a year after **Calpers** beat a high-profile retreat from the sector. "You see both crosscurrents: Calpers scaling back while others are starting to increase their hedge fund assets," said **Michael Hennessy**, co-founder of **Morgan Creek Capital**, a Chapel Hill, N.C., firm that runs multi-manager vehicles.

Ohio Public Employees didn't return telephone messages seeking comment on its hedge fund program. But in its "2015 Investment Plan," interim chief investment officer **Richard Shafer** noted the pension undertook a major reallocation of assets from traditional to alternative investments in the wake of the financial crisis. "These changes were made to reduce the volatility of the [pension's] assets while continuing to earn high risk-adjusted returns," wrote Shafer, who formally was promoted to chief investment officer in September.

The top-20 investors list is dominated by pension systems, with eight public pensions, three corporate plans and two European pension managers among them. New to the ranking this year are a public pension, **New York Common Fund**, and a corporate plan, **Boeing Co. Pension Fund**.

Meanwhile, six institutions previously among the top 20 dropped off the list, including **Massachusetts Pension Reserves Investment Management**, better known as MassPRIM, and **Virginia Retirement System**. A European pension manager, Netherlands-based **MN**, also slipped below the top 20. ❖

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## BIGGEST HEDGE FUND INVESTORS

## 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	<b>Abu Dhabi Investment Authority</b> Abu Dhabi	Sovereign wealth fund	\$773.0	<b>\$58.0</b>	Has held top spot for three years running, with hedge fund assets up from \$47 billion in 2013. Maintains 5-10% allocation target for hedge funds and commodity-trading advisors. Favors event-driven, relative-value and discretionary-macro strategies. In November 2015, shut down its only satellite office, in London, but said move didn't signal a shift in focus.
2	<b>China Investment Corp.</b> Beijing	Sovereign wealth fund	746.7	<b>29.9</b>	Hedge fund assets up 15% in the past year, consistent with overall holdings. Has been investing in hedge funds only since 2009, but quickly ramped up the portfolio. Has invested with Blackstone, Capula Investment, Morgan Stanley Alternative Investment Partners and Oaktree Capital, among others.
3	<b>APG</b> Amsterdam	Pension manager	498.6	<b>21.9</b>	After two years of marginal growth, hedge fund portfolio slightly below 5% allocation target. Invests mostly on behalf of Dutch pension plan ABP, with stakes in some 30 single-manager funds and 10-plus funds of funds. Advised by New Holland Capital, a New York team that spun off in 2004.
4	<b>Future Fund</b> Melbourne, Australia	Sovereign wealth fund	117.8	<b>14.9</b>	Hedge fund assets are up 18% in the past year. Opportunistic investor often rebalances its portfolio. Known for aggressively negotiating favorable fee structures. BlueCrest Capital, Brevan Howard Asset Management and Bridgewater Associates are among blue-chip managers it has worked with.
5	<b>Ohio Public Employees</b> Columbus, Ohio	Public pension	90.3	<b>13.2</b>	Has leapt past Texas Teachers, Maryland State Retirement and New Jersey State Investment Council to claim the lead among U.S. public pensions investing in hedge funds. Named Richard Shafer chief investment officer in September 2015, replacing John Lane. Around same time, redeemed \$115 million from Och-Ziff Capital and invested \$150 million with Kepos Capital. Now slightly exceeds 14% allocation target. Has been investing in hedge funds since 2006, targeting managers with at least \$1 billion.
6	<b>CPP Investment Board</b> Toronto	Public Pension	255.4	<b>12.7</b>	Hedge fund portfolio has grown 13% in past year, reversing dip in prior year. Favors long/short equity, fixed-income and special-situations vehicles. Has invested with AQR Capital, Brevan Howard Asset Management, Bridgewater Associates and Pershing Square Capital.
7	<b>Ontario Teachers</b> Toronto	Public pension	119.7	<b>12.2</b>	Known as a savvy risk manager that spreads hedge fund investments among more than 150 vehicles, committing around \$75 million to each. Total hedge fund assets are up about 10% in past year. In March 2015, deployed undisclosed amount to newly formed multi-strategy firm Deimos Asset Management, following its spinoff from Guggenheim Partners.
8	<b>Texas Teachers</b> Austin	Public pension	131.5	<b>11.8</b>	Hedge fund portfolio has contracted slightly as pension executed plan to reduce its allocation target to 8%, from 9%. Has been investing in hedge funds since 2001, allocating capital to a mix of funds of funds and single-manager vehicles. Has worked with AQR Capital, King Street Capital and Och-Ziff Capital, and owns minority stake in Bridgewater Associates.
9	<b>University of Texas</b> Austin	Endowment	35.2	<b>11.3</b>	Allocates 32% of overall assets to hedge funds, the highest allocation among the Top 20 investors. Hedge fund assets up 14% in past year. Since 1997, has used hedge funds to seek equity-like returns with bond-like volatility. Has worked with Baupost Group, Centerbridge Partners, Eton Park Capital and Viking Global.
10	<b>GIC</b> Singapore	Sovereign wealth fund	320.0	<b>9.6</b>	Hedge fund assets stayed flat despite big increase in overall assets, and despite arrival last year of former Hewlett-Packard pension executive Bernie Hsu to oversee hedge fund investments. GIC maintains research staff in nine cities worldwide. Former investment chief Ng Kok Song now runs global-macro fund Makena Capital.

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	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
11	<b>New York Common Fund</b> Albany, N.Y.	Public Pension	\$184.5	<b>\$8.4</b>	Active hedge fund investor since 2003 has worked with Angelo, Gordon & Co., Brevan Howard Asset Management, Fortress Investment and D.E. Shaw, among others. In early 2015, finished deploying \$300 million apiece to Graticule Asset Management's Graticule Asia Macro Fund and Bridgewater Associates' All Weather fund.
12	<b>Varma Mutual Pension</b> Varma, Finland	Pension manager	47.9	<b>7.9</b>	Has been paring back on its hedge fund investments after exceeding 16% allocation target. Works with about 45 managers including AQR Capital, D.E. Shaw and Elliott Management. System manages retirement assets for small-business owners in Finland.
13	<b>Maryland State Retirement</b> Baltimore	Public pension	45.7	<b>7.8</b>	Held stakes in 28 hedge funds as of October 2015, representing 17% of overall assets. Has gradually moved away from funds of funds in favor of single-manager vehicles. Recent investments include \$100 million to a catastrophe-bond fund managed by Nephila Capital.
14	<b>New Jersey State Investment Council</b> Trenton, N.J.	Public pension	79.0	<b>7.7</b>	Recent investments include \$100 million apiece to two vehicles run by Laurion Capital and \$250 million to Stone Milliner Macro Fund, run by Stone Milliner Asset Management. In May 2015, initiated redemption of \$522 million from fund-of-funds operator Arden Asset Management, citing staff turnover. But subsequently agreed to leave some money with Arden pending completion of firm's sale to Aberdeen Asset Management.
15	<b>BT Pension Scheme</b> London	Corporate pension	63.1	<b>7.3</b>	Among the biggest U.K. pensions, BT has invested with BlueCrest Capital, Bridgewater Associates and Dexion Capital. Also owns alternative asset manager Hermes Investment.
16	<b>Texas County &amp; District Retirement</b> Austin	Public pension	25.2	<b>6.5</b>	Recent investments include \$50 million in Davidson Kempner Special Opportunities Fund 3, an opportunistic-credit vehicle run by Davidson Kempner Capital. Now exceeds aggressive 25% allocation target for hedge funds. Has invested with Brevan Howard Asset Management, Highline Capital, MKP Capital, Och-Ziff Capital and York Capital.
17	<b>Stanford Management</b> Stanford, Calif.	Endowment	30.5	<b>6.3</b>	Robert Wallace, who once worked for Yale University investment chief David Swenson, took over top job in July following departure of John Powers. Stanford has been active hedge fund investor since 2006, with current allocation target of 22%. Powers is now at Credit Suisse, where he co-heads a new unit that buys minority stakes in hedge fund managers.
18	<b>GM Asset Management</b> New York	Corporate pension	80.5	<b>6.1</b>	Hedge fund portfolio has shrunk 15% in past year, and now is below 9% allocation target. 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, besides a big portfolio outsourced to Prudential.
19	<b>Boeing Co. Pension Fund</b> Chicago	Corporate pension	61.1	<b>6.1</b>	Has been investing in hedge funds since 2003, with a portfolio that hovers around 35 positions. Although currently at 10% allocation target, might deploy additional capital in 2016. Has worked with Alyeska Investment, Basso Capital and Grosvenor Capital.
20	<b>AIG</b> New York	Insurance company	520.7	<b>6.0</b>	Long-time hedge fund investor typically holds positions with 100 or more managers. Current holdings include Pelham Capital's long/short equity fund and a distressed-credit vehicle managed by FOC Partners.

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