

Hedge Fund **ALERT**

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BIGGEST HEDGE FUND INVESTORS

CalSTRS, Harvard Join Ranks of Giant Allocators

California State Teachers has emerged as one of the world's largest hedge fund investors, eclipsing institutional heavyweights including Singapore's **GIC** sovereign wealth fund, **Ontario Teachers** and the **University of Texas**.

The \$228 billion CalSTRS has \$14 billion invested in hedge fund strategies, or about 6% of the pension system's overall assets, according to data compiled by **Preqin** for **Hedge Fund Alert**. That's enough to land CalSTRS at No. 6 in the newsletter's annual ranking of the top 20 hedge fund investors based on the sizes of their portfolios.

CalSTRS shows up in the ranking for the first time this year, thanks to a restructuring of its investment portfolio, as well as improved data analysis by Preqin. Last year, the Sacramento pension implemented a new allocation dubbed "risk mitigation strategies" to hedge against market downturns. Portfolio manager **Carrie Lo**, who oversees the program, allocates to global-macro funds, trend-following commodity trading advisors, long-duration bonds and risk-premia products. The risk-mitigation portfolio currently encompasses about \$20 billion of investments.

The restructuring gave Preqin a clearer view of CalSTRS' holdings, prompting the alternative-investment database manager to reclassify billions of dollars of investments as hedge fund strategies. The risk-mitigation portfolio is just one way CalSTRS invests in hedge funds. It also allocates to alternative strategies via an "inflation-sensitive" bucket and an "innovative strategy allocation."

Also new to the ranking is **Harvard Management**, at No. 15. The \$37 billion endowment appears on the list for the first time with \$8 billion allocated to hedge funds, or about 22% of overall assets. Harvard Management raised its allocation target to that level last year after its board resolved to reduce the amount of capital managed in-house and rely more on external managers. The shift resulted in 115 layoffs.

Wisconsin Investment Board debuts on the top-20 list with \$7 billion of hedge fund investments, representing about 6% of its \$116 billion of total assets.

At the top of the ranking, **China Investment Corp.** slipped to No 5., from No. 2, as a result of Preqin recalculating the sovereign wealth funds' hedge fund holdings. The revised figure of \$16 billion is based on 8% of the \$200 billion of assets managed by a unit called **CIC International**, which oversees investments abroad. CIC International has an office in New York.

Once again, the ranking is led by **Abu Dhabi Investment Authority**, an \$828 billion sovereign wealth fund that allocates a whopping \$62 billion to hedge fund strategies. Positions two through four are filled by Dutch pension manager **APG**, with \$28 billion invested in hedge funds; Canadian pension **CPP Investment Board**, with \$18 billion; and Australia's **Future Fund**, with \$17 billion.

In terms of concentration, two Texas institutions rank among the most aggressive hedge fund allocators. University of Texas' hedge fund portfolio amounts to 22% of its overall assets, while 20th-place **Texas County & District Retirement** maintains an allocation of 21%.

Combined, the largest hedge fund investors own \$281 billion of hedge fund assets, about the same as last year. The total represents 8.5% of the \$3.3 trillion of assets managed in hedge funds globally, according to an estimate by **eVestment**.

Preqin, a London research firm focused on alternative investments, culled the top 20 from its database of more than 5,000 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.

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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 Funds (\$Bil.)	The Skinny
1	Abu Dhabi Investment Authority Abu Dhabi	Sovereign wealth fund	\$828	\$62	Size of hedge fund portfolio increased nearly 5% in past year, but continues to account for about 7.5% of overall assets. Target allocation for “alternatives” is 5-10%. ADIA’s 30-year annualized return ticked up to 7% in 2017, from 6.9% a year earlier. Hedge fund investments have included commodity-futures trader Chesapeake Capital.
2	APG Amsterdam	Pension manager	564	28	Installed Peter Branner as chief investment officer in September 2018 to fill vacancy left by Eduard van Gelderen, who quit in May and later joined Canadian pension manager PSP Investments. Total value of APG’s hedge fund stakes increased about 6% in past year, in line with increase in overall assets. APG, which mainly runs money for Stichting Pensioenfond ABP, has been investing in hedge funds since 2001.
3	CPP Investment Board Toronto	Public Pension	346	18	Total capital invested in hedge funds increased more than 10% in past year. Portfolio is showing 10-year annualized gain of 3.1%, versus 6.1% for pension as a whole. Has invested with AQR Capital, Brevan Howard Asset Management, Bridgewater Associates and Dymon Asia Capital.
4	Future Fund Melbourne	Sovereign wealth fund	106	17	Chief investment officer Raphael Arndt, speaking at Insurance Investment Forum in July, said “hedge funds depicted in the TV show ‘Billions’ are no longer relevant for institutional investors, having been replaced by managers making huge investments in data and technology.” Future Fund invests in hedge funds both directly and through funds of funds, via commingled vehicles and separate accounts. Willing to seed new managers in exchange for favorable terms and capacity rights. Has relationships with Blackrock, Blackstone, Bridgewater Associates, Citadel and Wellington Management.
5	China Investment Corp. Beijing	Sovereign wealth fund	930	16	Invests in hedge funds via CIC International unit, which has office in New York. Fan Hua, who oversees asset allocation, is looking at more opportunities in Asia in response to increasing number of fund launches there. Has deployed capital to Blackstone, Capula Investment, Morgan Stanley Alternative Investment and Oaktree Capital, among others.
6	California State Teachers Sacramento	Public pension	228	14	Cracks top-20 list for first time since Hedge Fund Alert began publishing this ranking in 2013. Increase in size of hedge fund portfolio driven by CalSTRS’ move last year to create bucket for “risk mitigation strategies” that now has \$20 billion of assets. The allocation, overseen by portfolio manager Carrie Lo, is designed to provide a cushion during market downturns. Lo previously developed a hedge fund-incubation strategy for CalSTRS.
7	Texas Teachers Austin	Public pension	151	13	Allocates roughly 8% to hedge funds, evenly split between “directional” and “stable-value” strategies. Brad Gilbert oversees hedge funds, with Lulu Llano covering directional vehicles and Steven Wilson focusing on stable-value strategies. Texas Teachers has been pushing “1-or-30” fee structure it developed with consultant Albourne Partners. Model is employed by managers representing 75% of pension’s hedge fund positions. Has had relationships with AQR Capital, Fir Tree Capital, GoldenTree Asset Management, MKP Capital and PDT Partners. Owns minority stake in Bridgewater Associates.
8	GM Asset Management New York	Corporate pension	77	12	Hedge fund stakes account for hefty 15.5% of pension’s overall assets, up from 14.5% in past year. 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.
9	GIC Singapore	Sovereign wealth fund	398	11	Overall assets jumped 11% in past year, while size of hedge fund portfolio was essentially unchanged. GIC’s allocation to hedge funds now below 3% target. Hedge fund portfolio encompasses 50 vehicles. Open to seed deals and investing with emerging managers.

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	Institution	Type	Total Assets (\$Bil.)	Hedge Funds (\$Bil.)	The Skinny
10	Ontario Teachers Toronto	Public pension	140	11	Amount invested in hedge funds has changed little in past year. Ron Mock continues to serve as interim chief investment officer following resignation of Bjarne Graven Larsen in April 2018. Danilo Simonelli was promoted to managing director for alternative investments in October. Pension has invested with GMO, Marshall Wace and ValueAct Capital. Also backed startup Deimos Asset Management, a multi-strategy operation that folded in 2016.
11	University of Texas Austin	Endowment	45	10	New asset-allocation plan launched in September 2018 cut target for "directional" hedge funds to 5%, from 15%, but boosted target for "stable-value" funds to 10%, from 6%. Also increased target for private equity funds to a whopping 25%. Texas was among first endowments to invest in hedge funds, starting in 1997. Has invested with Baupost Group, Eton Park Capital, Farallon Capital and Owl Creek Asset Management.
12	Massachusetts Pension Reserves Boston	Public pension	73	10	Rose in ranking from 16th place last year as hedge fund assets grew by some 40%. Approved plan in September 2018 to invest up to \$500 million via new emerging-manager program. Investments approved or implemented in past year include \$150 million for Summit Partners' Concentrated Growth L/S Master; \$150 million for Basswood Capital's Basswood Financial Fund; and \$200 million for Complus Asset Management's Complus Asia Macro Fund.
13	Varma Mutual Pension Varma, Finland	Pension manager	54	9	Total hedge fund allocation is little changed in past year. In August 2018, said it was looking to add one or more funds to its portfolio, earmarking at least €50 million (\$57 million). Generally invests directly in single-manager funds via commingled structures, but is open to "funds of one." Hedge fund portfolio encompasses about 45 positions including vehicles run by Blackstone, D.E. Shaw, Elliott Management and York Capital.
14	Virginia Retirement Richmond, Va.	Public pension	79	8	Hedge fund assets jumped 12% in past year, outpacing 7% increase in overall assets. Deployed \$300 million in August 2018 to global long/short equity fund run by Select Equity Group, while terminating relationship with equity manager Clough Capital. Looks at managers with track records of at least three years and minimum of \$1 billion under management.
15	Harvard Management Cambridge, Mass.	Endowment	37	8	Joins top-20 ranking for first time since Hedge Fund Alert began publishing this list in 2013. Emergence reflects move by endowment last year to increase reliance on external managers and lay off more than 100 in-house staff. Already has reached 21.5% allocation target for hedge funds. Has had relationships with Harvard spin-off Convexity Capital, Quantica Capital and Highfields Capital, which said in September 2018 that it was converting to a family office.
16	Ohio Public Employees Columbus, Ohio	Public pension	99	8	Named Paul Greff chief investment officer in June 2018 following retirement of Rick Shafer. Greff joined in 2009 as senior portfolio manager in charge of global bond and securities teams. Pension has invested with Ascend Partners, Beach Point Capital and Brigade Capital.
17	New Jersey State Investment Trenton, N.J.	Public pension	79	7	Hedge fund assets now account for 9% of overall assets, reversing a decline that began in 2016 when it cut allocation target to 6%, from 12%. Outlook remains uncertain, however, following departure in June 2018 of chairman Thomas Byrne. The state's new governor, Phil Murphy, has questioned the fees hedge fund managers charge. As of September, held stakes in funds run by Blackstone, Elliott Management, Och-Ziff Capital and Winton Capital.
18	Wisconsin Investment Board Madison, Wis.	Public pension	116	7	Invests with more than 20 managers including AQR Capital, Bridgewater Associates and short-selling specialist Kynikos Associates. Typically invests \$50 million to \$150 million per fund. Won't look at seed-capital deals, emerging managers or spin-offs.

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19	Boeing Co. pension Chicago	Corporate pension	64	6	Returns to top-20 ranking after falling off the list in 2016. Typically commits \$50 million to \$75 million per fund. Seeks strategies with high volatility, and is open to working with emerging managers.
20	Texas County & District Retirement Austin	Public pension	28	6	Maintains aggressive 25% allocation target, with investments in 33 funds. Relationships include Brevan Howard Asset Management, Highline Capital, MKP Capital, Och-Ziff Capital and York Capital.

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