



ROUNDTABLE FOR CONSULTANTS AND INSTITUTIONAL INVESTORS

Chicago ♦ The Four Seasons Hotel
October 19-21, 2009

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INSTITUTIONAL INVESTOR INSTITUTE

It Ain't Necessarily So

The financial crisis has forced investors and consultants to reevaluate some basic investment tenants – from the efficient market hypothesis to the efficient frontier approach and from asset allocation principles to concepts of diversification. Meanwhile, pension plans under the weight of significant equity losses are deferring payments, cutting benefits and switching to defined contribution systems. Endowments and foundations faced with significantly reduced resources and continued expense commitments are reevaluating spending policies, alternative investment allocations and outsourcing options. How should consulting firms respond to this rapidly changing institutional investor landscape? How are investors coping?

In a series of sessions offering formal presentations, panel discussions and informal conversations, Roundtable participants will explore a range of issues relating to institutional strategies as well as investment practices.

RISK MANAGEMENT PRACTICES

The global financial crisis has focused investor attention on risk management. As pension plans, endowments and foundations enhance their attention to this issue, they're also trying to determine what worked, and what didn't work in existing risk management approaches. What lessons have been learned? What processes, procedures and technology solutions can they rely on in order to manage risk more effectively?

NEW ASSET ALLOCATION STRUCTURES

Following the financial turmoil of 2008, investors are reevaluating their asset allocation structures. Some are embracing passive versus active strategies, others are looking to limit downside risk and increase liquidity, while still others are focused on structuring their portfolio to weather the high inflationary environment they expect in the future. Some investors are moving away from traditional style boxes and encouraging managers to range more widely, while others are constraining managers into categories based on the primary risk factors. This panel of investors and outside experts will share their thoughts on the latest thinking in asset allocation strategies to pursue in the new environment.

NEW ASSET ALLOCATION STRUCTURES: DISCUSSION GROUPS

Following the asset allocation panel discussion, participants will join small, informal discussion groups to continue the dialogue about changes in views of asset allocation. Each group will be co-led by a consultant and an asset manager.

THE CONSULTANT MODEL(S) OF THE FUTURE: WHICH WILL PROSPER? WHICH WILL FAIL?

A number of new competitors to consulting firms have emerged, including funds of funds, and outsourcing businesses. Meanwhile, rising costs are putting substantial financial pressure on the traditional consulting model of trading dollars for hours. As consultants seek to widen their purview, they have run into concerns about consultant conflicts of interest, not only in their traditional fields, but now in the 401(k) space. How will consulting firms adapt to these trends? Can they charge higher fees in exchange for more sophisticated services? Will performance-based fee models take hold? A panel of industry leaders will give their views on the current state of the consulting industry and its prospects for the future.

THE NEW FIXED INCOME PORTFOLIO

Some investors moved up the risk curve with their fixed income portfolios and are now rethinking their strategy. According to a first quarter Russell Investments survey, 67% of managers are bullish on corporate bonds versus 61% on riskier junk bonds. What role should fixed income play in a portfolio?

PORTABLE ALPHA'S FUTURE

Portable alpha was supposed to help investors outperform the market with limited incremental risk. But many found it didn't quite work that way. Now, however, some asset managers are suggesting a new role for this strategy: They believe it can be used to manage risk. So what, exactly, is portable alpha supposed to achieve? And can this approach deliver on the promises?

THE OUTSOURCING OPTION

As alternative investments have become a larger component of investors' portfolios, many institutions have been weighing whether to outsource management of their alternatives portion to knowledgeable external managers and advisors to build an in-house staff overseeing these investments. What are the pros and cons of choosing this path? When is outsourcing a viable option? How much of the portfolio management process can and should be outsourced? Are their risks of being "hollowed out" if an institution becomes too removed from oversight of its investments and investment managers?

IS THE WORLD UNCOUPLING OR NOT

Where should investors look for the upturn in global markets? Is the U.S. still the one and only locomotive in the global economy? Or are other nations likely to lead the next upturn in the global economy? How can investors determine which markets will turn up first and position themselves to capitalize on these opportunities?

SURVIVING A PROLONGED BEAR MARKET

The U.S. is in the cross-hairs of a recession that many believe will be deep and lengthy. Many market commentators foresee an extended period of limited returns in the equities market. How can an investor respond to an era of dismal expectations? What strategies should be pursued in a period of low or negative returns? Is this a time for taking risks – or avoiding them?

INVESTOR AND CONSULTANT PRIVATE CONVERSATIONS

At this year's Roundtable, time has been set aside for informal dialogue among institutional investors and another for consultants. Each will be peer led.

PRIVATE EQUITY: IS IT ON THE SKIDS?

Private equity firms which had hoped to take advantage of opportunities that emerge as a result of the global economic turmoil are now under the gun. Cash strapped investors are turning their backs on private equity investments; some are exploring the sale of private equity partnerships in the secondary market. How they will be reshaped as firms is also open for discussion. Will the basic private equity model survive? How will the terms and ownership structures of private equity partnerships change? Will firms forge closer ties with sovereign wealth fund and what are the implications for U.S. investors?

LDI: THE '08 SUCCESS STORY

Spurred by balance sheet issues and expected accounting rule changes, more than 20 percent of defined benefit plans currently use liability-driven investing strategies and an equal percentage are considering doing so according to a P&I/Putnam survey. While LDI is considered the home run of 2008, there are a number of outspoken critics. Which LDI strategies been most effective? Why are some of the largest plans holding out?

FORMER CIOs SPEAK OUT

There is much wisdom to be gained from those who have sat at the epicenter of the pension and endowment worlds. This session will bring together those who have held leadership positions investing the assets of CalPERS among others during the boom period. During this conversation we will garner their perspectives on the investment landscape, plan/fund governance and staffing as well as other important pension fund and eleemosynary issues.

HEDGE FUND INSTITUTIONAL FORUM

Alternative Investments Post-2008

Institutional interest in alternative investments spans the spectrum from outright outrage and cutbacks to increased allocations. How should investors view hedge funds and other alternative offerings in light of today's difficult market conditions? How can consultants help clients think about these investments? What education and counsel can asset managers provide investors?

This year's Roundtable brings together consultants, investment investors and asset managers to explore these and other important investment issues. Leading thinkers will put forth provocative new ideas. Interactive sessions and small group discussion will ensure a lively exchange of views.

THE POST-MELTDOWN HEDGE FUND WORLD

The hedge fund universe has contracted as assets under management have plummeted and the number of hedge funds has declined. What kinds of funds have survived the shakeout? How are hedge funds grappling with counterparty risks, a shake out in prime brokers, and the prospective of new regulations? What do current market results and investor attitudes mean for the hedge fund world's size, returns, and fees? Where are the best investment opportunities? This panel of alternative industry leaders will share their views with participants.

REGULATORY REFORM: WILL THERE BE A MAJOR OVERHAUL OF FINANCIAL RULES

The framework in which hedge funds operate seems destined to undergo significant changes. The Obama Administration has proposed sweeping reforms of the nation's financial regulatory system. Meanwhile, three international hedge fund bodies – The President's Working Group, the Alternative Investment Management Association and the Managed Funds Association -- have all proposed new global hedge fund industry standards. What reforms are likely to be enacted? Which agencies will garner new powers? And how will hedge funds respond to a new regulatory environment?

LESSONS CONSULTANTS HAVE LEARNED

A number of the consulting firms which advise clients on alternative investments have been tarred by the financial market downturn. What could they and should they have done differently? What lessons have consultants learned over the last 12 months regarding liquidity, transparency and counterparty risks? How are they responding to the call for more careful scrutiny of hedge funds and better due diligence procedures? What additional information are they demanding from hedge fund managers – and how relevant will this information prove to be? This panel of consultants will share their thoughts.

WALTER ISAACSON SPEAKS OUT

Walter Isaacson is repeatedly tapped for his views of domestic and foreign policy. President and CEO of the Aspen Institute, a nonpartisan educational and policy studies organization based in Washington, D.C., Isaacson has been the Chairmen and CEO of CNN and the Managing Editor of *TIME*.

CREDIT OPPORTUNITIES: DARKEST BEFORE THE DAWN?

A number of investors are seeking opportunities in the after-math of the subprime crisis. But how real are the opportunities presented by distressed securities, and what risks are bound up with those apparent opportunities? How is this distressed debt cycle unfolding in comparison with past cycles. What are the structural differences resulting from changes in capital markets, bankruptcy laws and the profile of investors?

STRUCTURING YOUR PORTFOLIO: COMMINGLED VERSUS SEPARATE VERSUS MANAGED ACCOUNTS

After last year gates and suspensions dynamics in the industry, some of the most sophisticated investors in alternatives are now demanding customized fund of funds programs. Is the concept of being the Master of your own universe a hot topic or a necessity? Which vehicle – separate vs. commingled – is best for which investor? What criteria should inform the decision-making process? Can asset managers effectively provide what investors desire? what are the right AUM levels to optimize such structures?

THE COMING BOOM IN INFRASTRUCTURE INVESTMENTS

Investors are eyeing the \$100b in infrastructure spending included in the Obama Administration's stimulus package, and many seek the potential for enormous investment opportunities. What will a surge in infrastructure spending mean for investors? How well can investors evaluate the ability of infrastructure projects to generate the revenues required to repay their debts? Is the growing popularity of this sector inevitably going to lead to too much money chasing too few deals? Speakers in this session will help investors get a better fix on the risks and rewards being created in infrastructure.

THE EMERGING SHAPE OF THE FINANCIAL MARKETPLACE

The 2008 market meltdown has brought sweeping changes in the financial marketplace. Several major investment banks have disappeared or become commercial banks. The roster of commercial banks has also been transformed. New secondary markets have been created for many once-illiquid instruments. And most importantly investor attitudes about prospective risks and returns have been transformed. What will the U.S. financial marketplace end up looking like, and how will the role of key players evolve?

PORTFOLIO CONSTRUCTION: DISCUSSION GROUPS

These discussion groups – co-led by an investor, a consultant and a hedge fund manager – will explore the new opportunities in hedge fund construction and the prevailing pitfalls and how best to avoid them. When is a fund of fund approach right for a plan/fund? When is a direct hedge fund approach more appropriate – or something in between? How can consultants and asset managers best assist in investors' decision-making?

TAKING ANOTHER LOOK AT HEDGE FUND DUE DILIGENCE

As the financial crisis has threatened the existence of substantial numbers of hedge funds, investors and consultants are taking a second look at the due diligence processes they have been using to select hedge fund investments. What did they miss in scrutinizing hedge fund strategies and practices? What are the lessons of the current hedge fund shakeout? What new attributes and variables need to be factored into the due diligence process?