

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: July 27, 2011

SUBJECT: Robeco Transtrend Diversified Fund LLC Recommendation

TO: Members of the Board

FROM: Robert E. Little, CPA
Portfolio Manager, External Public Markets, Risk & Compliance

At the August Finance Committee meeting, staff and Aksia will recommend that PSERS invest in the Robeco Transtrend Diversified Fund LLC (Fund) managed by Transtrend BV. This Fund is an open-ended fund that uses futures to generate returns in the financial and commodity markets. Transtrend positions the Fund to be long in upward trends, short in downward trends, and out of markets where no trend can be observed.

Transtrend started the Diversified Trend Program in 1992. Transtrend applies a robust and diverse systematic trading methodology to their trend following strategy. This trading system has generated consistent returns over time. In addition, the trading system has produced strong returns in upward-trending and downward-trending markets. The Transtrend DTP Enhanced Risk (USD) profile within the Diversified Trend Program was started in 1995. Since inception, the strategy has returned 15.72%. The Fund has good diversification characteristics to major equity and fixed income indices and to our existing large absolute return managers in our program.

Staff likes the uncorrelated returns and diversification aspects of the Fund. Staff recommends a \$200 million investment to this Fund, an amount which is within the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines as amended from time to time.

Included for your review are Aksia's recommendation, a presentation prepared by staff, a presentation prepared by Robeco who will be at the Finance Committee to present, and the resolution recommending the investment in the Robeco Transtrend Diversified Fund LLC.

If you have any questions or comments prior to the meeting, please contact me at 717-720-4707.