

LIBOR-Plus Allocation -
Ultra-Short High Yield

Radcliffe Capital Management, L.P.

June 6, 2012

Joseph W. Sheva, CPA

Radcliffe Capital Management, L.P.

Overview of the Firm

- SEC registered investment advisor
- Founded in 1996
- Pennsylvania-based
- 100% employee-owned
- AUM \$1.1 billion in high yield, short duration fixed income strategies

Investment Team

- Specialized and highly experienced team
 - 12 employees
 - 5 credit professionals with an average of over 14 years of experience
 - Steve Katznelson, Partner & CIO, has over 22 years experience investing in and managing large portfolios of fixed income securities
 - Christopher Hinkel, Partner & Director of Research has over 16 years experience investing in high yield credit.

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Opportunity – Target Universe Advantages:

- Bonds trade at excess yields due to supply/demand imbalances
- Short-term corporate bonds rated below investment grade are often mispriced

Target Universe:

- Corporate Bonds (primarily below investment grade)
- High risk adjusted yields
- Focused on issuers that have:
 - Strong operating fundamentals;
 - No covenant risks; and
 - Excess existing liquidity to repay the short-term debt

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PSERS Investment Strategy:

- Use in PSERS LIBOR Plus Fund to enhance returns and provide diversification in a sector of the credit market that is difficult to analyze without specific expertise
- Unlevered separate account
- Investment Guidelines, Addendum Y3, will be used to manage risk

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PSERS Investment Objective:

- To generate a positive absolute net of fees in excess of 6-month LIBOR plus 25 bps return annually with an Information Ratio of 0.30 or greater over a rolling 3-year period.

Investment Results:

- Radcliffe Ultra-Short Duration Fund* NOF returns as of April 30, 2012:
 - » 2012 YTD – 4.64%
 - » 2011 – 3.70%
 - » 2010 – 10.06%
 - » Since Inception: 8.97% annualized

* Fund uses leverage (1.58:1 as of 4/30/2012)

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Other

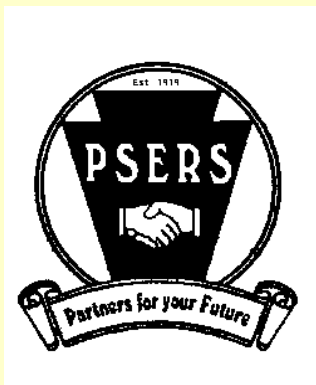
- Relationships with Wilshire: None
- Placement Agents: None
- Political Contributions in PA: None
- Introduction Source: PSERS Staff
- History with PSERS: None

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Recommendation

Staff, together with Wilshire Associates, recommends (i) that the Board retain Radcliffe Capital Management, L.P. to manage an initial amount of \$200 million in their Ultra-Short High Yield strategy, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines.

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