



MLP Allocation

**Salient Capital Advisors, LLC  
and  
Atlantic Trust Private Wealth Management**

June 5, 2012

Joseph W. Sheva, CPA

# Master Limited Partnership Snapshot

A “Master” Limited Partnership (MLP) is an organization structure with publicly traded partnership interests

Businesses are organized as MLPs for tax reasons

MLPs must have 90% of their income from “qualifying sources” – approximately 60% of MLPs are Oil and Natural Gas Pipeline companies

Simplified, MLPs serve as the “toll roads” of the U.S. energy complex – U.S. Energy Infrastructure

There are approximately 80 securities in MLP universe

# PSERS MLP UPDATE

## **PSERS Current View:**

- 2% dedicated allocation to MLPs in the IPS
- One existing manager – Harvest Fund Advisors, LLC

## **Manager Search:**

- Wilshire identified several managers for consideration
- Staff and Wilshire met with three potential managers
- Salient and Atlantic Trust, along with Harvest, were deemed to be the top managers

## **Other Comments:**

- Overlap of holdings (90% overlap of the top 20 holdings)
- 3-year rolling correlation of excess returns
- Same fee structure offered to all three managers

# **Salient Capital Advisors, LLC**

## **Overview of Salient Partners, L.P.**

- Founded in 2002 in Houston, TX
- \$17 billion AUM and 110 employees

## **Overview of Salient Capital Advisors, LLC**

- SEC registered investment advisor
- Founded in 2006
- \$2.2 billion AUM

## **Overview of the MLP Team**

- 15 employees, 9 MLP investment professionals
- \$750 million AUM

# Salient Capital Advisors, LLC

## **PSERS Investment Objective:**

- To generate positive risk adjusted returns in excess of 200 bps or more annually above the S&P MLP Index with an Information Ratio of 0.30 or greater over a rolling 3-year period.

## **Salient Results:**

- Tracking error of 4.24%
- Rolling 3-year information ratio: 1.30
- GOF Alpha for the period ended March 31, 2012
  - One-year: 434 bps
  - Three-year: 752 bps

# Salient Capital Advisors, LLC

## Other

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

# **Atlantic Trust Private Wealth Management**

## **Overview of Invesco**

- Global Investment Management Firm with over \$600 billion AUM and more than 6,000 employees worldwide.

## **Overview of Atlantic Trust Private Wealth Management**

- Wholly-owned by Invesco
- \$19.5 billion AUM
- 200 employees, 23 investment professionals

## **MLP Team – Group within Atlantic Trust**

- 5 investment professionals
- \$1.0 billion AUM

# Atlantic Trust Private Wealth Management

## **PSERS Investment Objective:**

- To generate positive risk adjusted returns in excess of 200 bps or more annually above the S&P MLP Index with an Information Ratio of 0.30 or greater over a rolling 3-year period.

## **Atlantic Trust Results:**

- Tracking error of 3.17%
- Rolling 3-year information ratio: 0.82
- GOF Alpha for the period ended March 31, 2012
  - One-year: 923 bps
  - Three-year: 353 bps



# Atlantic Trust Private Wealth Management

## Other

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

# Salient Capital Advisors, LLC

## Recommendation

Staff, together with Wilshire Associates, recommends (i) that the Board retain Salient Capital Advisors, LLC to manage an initial amount of \$250 million in their MLP 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.

**DISCLAIMER:** This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.

# Atlantic Trust Private Wealth Management

## Recommendation

Staff, together with Wilshire Associates, recommends (i) that the Board retain Atlantic Trust Private Wealth Management to manage an initial amount of \$250 million in their MLP 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.

**DISCLAIMER:** This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.



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