

**Commonwealth of Pennsylvania  
Public School Employees' Retirement System**

**DATE:** January 3, 2014

**SUBJECT:** Anderson Global Macro Fund, Ltd. Recommendation

**TO:** Members of the Board

**FROM:** Robert E. Little, CPA   
Portfolio Manager, Non-Traditional Investment Strategies

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At the January Finance Committee meeting, staff and Aksia will recommend that PSERS invest in the Anderson Global Macro Fund, Ltd. (Fund). This Fund will invest assets based on medium and longer term thematic macro views in developed and emerging market countries.

Founded in 2012 by Keith Anderson, the co-founder and former CIO at BlackRock and former CIO at Soros Fund Management, the experience and depth of the senior management team is unique for a start-up investment manager. Anderson's market insights regarding the economy and central bank policy will aid PSERS in our management of the overall fund.

Staff recommends that the Board invest \$150 million in 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 letter, a presentation prepared by staff, a confidential presentation prepared by Anderson Global Macro, and the resolution recommending the investment in the Fund. Representatives from Anderson Global Macro will make a presentation to the Finance Committee and will be available for any questions.

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

Manager Recommendation Memo

January 03, 2014

Board of Trustees  
 Pennsylvania Public School Employees' Retirement System  
 5 North Fifth Street  
 Harrisburg, PA 17101

Re: Anderson Global Macro Fund, Ltd.

Dear Trustees:

Aksia LLC, having been duly authorized by the Board of PSERS, has evaluated and herewith recommends a direct allocation to Anderson Global Macro Fund, Ltd. ("Anderson") in line with Exhibit D of PSERS Investment Policy Statement, Objectives, and Guidelines.

Anderson is managed by a senior team led by Keith Anderson, former CIO and co-founder of BlackRock and more recently, CIO of Soros Fund Management, which makes it one of the more promising single PM macro launches in recent memory. Other key investment professionals are John Lipsky, who was previously the #2 official at the IMF, Christopher Wiegand, a former Chief Economist at Soros, and Zameer Arora, who worked closely with Keith at Soros and managed his own portfolio there as well. The team possesses a well-rounded skill set with respect to macro research/analysis, trade structuring, and portfolio management. Furthermore, the senior nature of the team should help to counter what is generally a risk with "single risk-taker" macro funds (excessive dogmatism), as Mr. Anderson would likely not have hired such individuals if he desired a chorus of "yes men." Our overall rating is based on a peer group of single risk-taker macro funds, which, in general, tend to have lumpier returns than those pursuing the diversified macro model.

Aksia's recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines:

- Due diligence of Anderson's investment strategy, including a review of their investment strategy, investment team and structure, and risk management process;
- Due diligence of Anderson's operations, including an operations and infrastructure review, regulatory and compliance review, PPM review, and Form ADV review;
- Evaluation of Anderson's strategy within the context of the current investment environment; and
- Appropriateness of Anderson as a component of PSERS' portfolio.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in Anderson, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of Anderson. Aksia manager recommendation memos should be reviewed with other Aksia due diligence materials, including the full Investment Review and Operational Review. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,



Bruce Ruehl  
 Partner, Head of Portfolio Advisory, Americas



Norman Kilarjian  
 Partner, Head of Relative Value & Tactical Trading



Absolute Return Allocation

# Anderson Global Macro Fund, Ltd.

January 23, 2014

Robert E. Little, CPA  
Portfolio Manager, Non-Traditional Investment Strategies

# Anderson Global Macro Fund, Ltd.

## **Overview of Anderson Global Macro, LLC**

- Founded in 2012 by Keith Anderson (CIO)
  - Co-founder and former CIO at BlackRock (1988-2008)
  - Former CIO at Soros Fund Management (2008-2011)
- Manage assets of approximately \$420 million
  - Only one strategy
  - Only one fee structure, no preferential terms
  - Partner and employee money represents a significant portion of the strategy assets
- Office located in New York City
- 17 employees
  - Includes 8 investment professionals (CIO, 3 senior level global macro strategists, portfolio manager, 2 risk analysts, and a trader)

# Anderson Global Macro Fund, Ltd.

## **Fund Strategy**

- Investment focus based on medium and longer term thematic macro views in developed and emerging market countries
- Express these macro views through a portfolio of concentrated positions
  - The typical portfolio will consist of 5 or more investment themes

## **Fund Targets**

- Returns
  - Low double digit returns
- Volatility
  - 12 to 15% annualized
- Correlation
  - Low correlation to equity beta over the long term

# Anderson Global Macro Fund, Ltd.

## **Key Investment Considerations**

- PSERS will gain access to the vast experience of Anderson's investment team
  - Very senior and deep team for a start-up organization
- The concentrated number of themes and trades in the portfolio will provide PSERS with transparency to Anderson's market insights on the economy and central bank policy
  - These insights will aid in the management of the overall fund

## **Key Investment Risks**

- Keith Anderson is the principal risk taker for the Fund
  - Early Redemption and Excess Redemption Fees will be waived if Keith Anderson no longer participates in the management of the Fund
- The concentrated number of themes can result in the increased volatility of returns

# Anderson Global Macro Fund, Ltd.

## **Portfolio Use**

- Invest \$150 million in the Anderson Global Macro Fund, Ltd.
- Include this investment in the Absolute Return asset class

## **History with PSERS**

- This investment will be PSERS' first investment with Anderson Global Macro, LLC

## **Other**

- Relationship with Aksia: None
- Placement Agents: None
- Political Contributions in PA: None
- Introduction Source: Aksia

# Anderson Global Macro Fund, Ltd.

## Fund Terms

- Management fee: 1%
- Performance fee: 20%
- Hurdle rate: 0%
- High water mark: Yes
- Subscriptions: Accepted on a monthly basis
- Lock up period: One year soft lock (3% early redemption fee payable on amounts withdrawn in the first year)
- Liquidity:
  - Quarterly at each calendar quarter end with 45 days prior written notice
  - Full redemption over two quarters
- Redemption Fee:
  - 3% early redemption fee payable to the fund on amounts withdrawn in the first year
  - 3% excess redemption fee payable to the fund on amounts withdrawn in any calendar quarter in excess of 50% of the NAV
- Transparency: Strategy-level transparency is available on a monthly basis



# Anderson Global Macro Fund, Ltd.

## Recommendation

Staff, together with Aksia LLC, recommends (i) that the Board invest \$150 million in the Anderson Global Macro Fund, Ltd., and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time, provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner.

**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.