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CONESTOGA CAPITAL ADVISORS

DGHM

Channing Capital Management LLC

TRINITY STREET Asset Management

8th Annual Emerging Manager Awards

the ithaka group

WALTHAUSEN & CO. LLC

Inside*this*Issue

Emerging Manager monthly

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Callan Adds Progress Investment Analyst To Research Group

Maria Sandberg has joined investment consultant Callan Associates' global manager research group, Spokesman Scott Brown confirmed.

Sandberg was previously an investment analyst at emerging manager-of-managers Progress Investment Management Company.

At Callan, which she joined in January, Sandberg is responsible for research and analysis of domestic equity managers. She is based in the firm's San Francisco office.

Linda Cornett, assistant v.p. of marketing and client service at Progress, was out of the office and unavailable for comment.

Piscataqua Capital Hires ESG Portfolio Manager

Edward Miller has joined Piscataqua Capital Management as a portfolio manager responsible for designing customized environmental, social and governance applications for the firm's quantitative equity team.

"The ESG style has been on our radar for a while and we are very excited about Ed's experience in the space," Piscataqua CEO George Rooney said, in a statement. "There is a limited current availability of disciplined, quantitative ESG strategies and we believe the timing is right. We believe it is, and should be, a growing consideration for institutional investors."

Miller, most recently a portfolio manager at Boston-based Haber Trilix Advisors, will be based in Portsmouth, N.H. and will lead the design of ESG strategies as well as support the firm's existing lineup of strategies, which include global and non-U.S. strategies and the anticipated additions of global long/short and ESG-sensitive strategies.

Piscataqua was launched in 2012 and last year began reaching out to institutional investors (EMM, 9/4/13).

Affinity Investment Advisors Names Advisory Board Member

Dennis Shea has been appointed as a member of the advisory board at Affinity Investment Advisors, the firm announced.

Most recently, Shea served as cio and global head of equity for Morgan Stanley Investment Management, where he was responsible for teams that invested in global equities as well as the equity trading and research operations. He left Morgan Stanley in 2009.

"Dennis is a respected industry thought leader. Having him as a member of our advisory board gives us the opportunity to leverage his deep experience for the benefit of our firm's growth and our clients' success," said Gregory Lai, principal and lead portfolio manager, in a statement.

Irvine, Calif.-based Affinity was a part of Morgan Stanley for three-and-a-half years before re-launching as an independent firm in late 2010 (EMM, 1/5/11; 5/2/07).

FIS Group Announces Vendors For Newly-Launched Ecosystem

FIS Group has disclosed the initial service providers that are part of its new FIS Group Ecosystem.

The Ecosystem, which was launched on March 17, is a new platform designed by FIS to provide managers with access to capital providers as well as discounted service providers, as reported by EMM last month.

There are currently 16 providers on the platform across trading, portfolio management, marketing, compliance and IT support.

FIS Group Ecosystem Preferred Vendors

Source: FIS Group

The trading providers are Liquid Holdings, Investment Technology Group and FlexTrade Systems, while the portfolio management providers are MSCI ESG Research, QED Financial Systems and Eze Software Group.

The marketing providers are Strategic Growth Advisors, Touchpoint Solutions, Genesis Marketing Group, ProFusion and Portfolio Analytics. The compliance providers are Ashland Partners, Hardin Compliance Consulting and Focus 1 Associates. Lastly, the IT support providers are Telx and Innovative Network Solutions.

The discounts available to managers through the Ecosystem range from 10% to 63%, Sam Austin, director of marketing and client service at FIS, said during a webinar introducing the platform on March 27.

The ability to provide managers with a platform to reduce costs is vital to maintaining a vibrant emerging manager space as the costs to launch and maintain firms continues to rise, said Cesar Gonzales, Jr., senior v.p. of investment programs at FIS.

Gonzales said that in general, asset management firms need at least $1 million annually for three years of business, though the amount can vary widely depending on the needs of the partners to take salaries and other such expenses.

Senior Research Analyst Omaar Poitevien said the goal is to make the service provider offerings as robust as possible and the firm is open to manager suggestions, pointing to insurance as one area that has been brought up by firms since the Ecosystem was launched.

Hedge FoFs Rock Creek Group Loses Women-Owned Status

Hedge fund-of-funds manager Rock Creek Group, which handles several emerging manager allocations for various pension funds, is no longer a majority women-owned firm as shareholder Wells Fargo exercised its option to increase its ownership stake in the company.

Wells Fargo will now own 65% of the company, whose emerging manager clients include the New Jersey Division of Investment, the California Public Employees Retirement System, the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago and the New York State Common Retirement Fund.

The Chicago Laborers plan placed Rock Creek on watch due to the loss of the women-owned designation, according to minutes from the plan's Feb. 18 board meeting.

The plan hired Rock Creek Group in December 2013, along with fellow women-owned hedge fund-of-funds Pluscios Management, after issuing an RFP women-owned firms in July (EMM, 1/2/13; 8/1). The two firms were hired to manage $10 million.

Further details on how the change in ownership will affect the plan's mandate with Rock Creek were not available as the plan does not comment on its investments.

Wells Fargo acquired a 35% minority stake in Washington, D.C.-based Rock Creek Group in 2012 and had the option to increase the share over time (EMM, 1/2/13).

Specialized Firms Gain Marketshare, But Hurdles Still Exist: Report

Smaller, specialized firms and single manager hedge funds have gained a majority share of the institutional market, however firms looking to break into the space will face a difficult challenge as institutions turn to existing relationships for expanding their allocations, according to a webinar based on a recent report by Cogent Reports.

The report, U.S. Institutional Investors BrandScape, found that institutions currently have 50% of their assets managed by specialized managers, single manager hedge funds and non-leading broad managers. These managers were followed by leading broad managers which managed 39% of assets and internal management at 11%, said Linda York, co-author of the report, during the webinar.

The report also found that both 58% of pensions and nonprofits plan to make no changes to their investment manager lineup, while 18% of nonprofits and 15% of pensions will increase allocations to current managers.

"In general, it appears that existing relationships are quite stable as both pensions and non-profits anticipate keeping the status quo or increasing their investments with the vast majority of their current managers. Relatively few plan to decrease their investments or drop an existing manager completely and these results are supported by the relatively strong satisfaction ratings that were earned by many asset managers in our study this year," York said.

Managers hoping to obtain a portion of the assets may have to look towards the consulting space, as institutions cite frequent use of external investment consultants to identify managers, York said. Institutions reported that external investment consultants identified 64% of currently used managers, with internal investment professionals behind at 24% of managers.

Pensions had a higher respective identification rate by external consultants than nonprofits at 71% compared to 58%. Conversely, nonprofits reported a higher rate than pensions of internal identification at 30% versus 22%, respectively. York said consultant influence will also depend on the size of the institution.

"Consultant influence does certainly vary by asset size. Smaller institutions tend to rely much more on consultant recommendations and the larger up the asset size you go, billion plus, are twice as likely to rely on their in-house resources than their peers," York said.

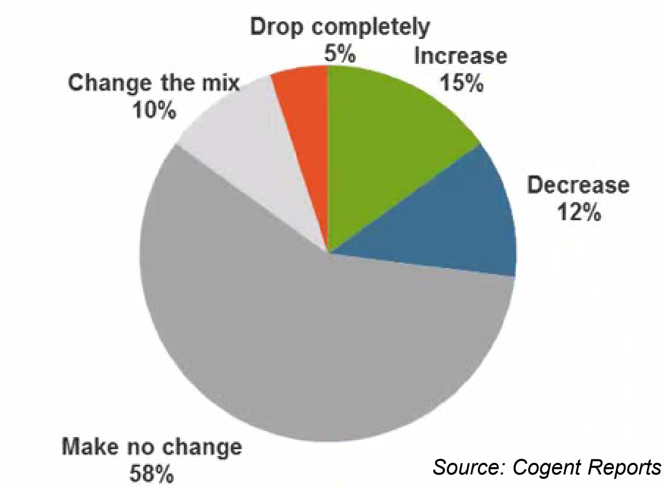
She added that while consultants are often involved in the selection process, there are instances where their recommendations are rejected.

York said the most common reason for a rejection is that the institution does not think the manager's strategy is aligned with its objectives and the second most common reason is that the institution does not feel sufficiently confident in the manager.

"That goes to show that the consultant's recommendation isn't the end-all-be-all. The institution really needs to feel confident in the asset manager and the team themselves to go with that particular recommendation," York said.

Managers can help foster confidence by understanding the institution's criteria for manager selection. The report found that 91% of pensions and 89% of nonprofits cited integrity and transparency as the highest stated criteria for selecting managers, followed by both 88% of pensions and nonprofits citing investment performance, and pensions and nonprofits citing organizational stability at 82% and 86%, respectively.

Changes To Current Asset Manager Lineup For Pensions



Source: Cogent Reports

"Improving market conditions over the past 12 months boosted investment performance for many firms, and as a result the top stated selection criteria identified by both pensions and nonprofits is now the aspect of integrity and transparency, which just edges out investment performance in terms of its overall priority and impact on the selection process," York said.

The report also found 30% of respondents anticipated increasing active international equities over the next three years, followed by 24% increasing other alternatives and 23% increasing private equity. However, 30% of investors plan on decreasing active U.S. equities followed by 22% decreasing active U.S. fixed-income, York said.

In addition, 18% of pension respondents said they were likely to adopt multi-asset strategies, followed by 11% likely to use liability driven investing strategies, and 10% likely to use opportunistic strategies. Twenty-four percent of nonprofits said they are likely to use multi-asset strategies, 14% will likely use opportunistic, and 10% will likely adopt outsourced chief investment officers.

Institutions that are moving towards allocating to passive investments cited fees and underperformance as the main drivers at 27% and 20%. Broken out, nonprofits cited underperformance as the biggest driver at 27% and pensions cited fees at 33%, the report found.

"Specifically, respondents who intended to increase their allocations to passively managed investments were asked to identify their primary reasons to increase these holdings and understandably the effects of costs and fees was identified most often but notably, however, the second most popular response overall and the primary reasons among nonprofits is the perception that active management is underperforming or not worth the price and this is certainly a signal that active managers need to continually demonstrate the value of their unique investment approach," York said.

Cogent collected data for the report through an annual online survey of a representative sample of 600 senior-level investment professionals with 55% of respondents in the nonprofit space and 45% in pensions.

PRUDENTIAL EMERGING MANAGER CONFERENCE

MAY 5, 2014   1:00 - 6:00 P.M.

Prudential's Emerging Manager Conference will be held at the NJ Performing Arts Center in Newark, NJ, on Monday, May 5, 2014, from 1:00 p.m. to 6:00 p.m. This is an inaugural event to mark the launch of Prudential's Emerging Manager Program. Prudential top executives as well as business leaders from Retirement and Variable Annuities, Manager Research and Compliance will provide an overview of the resources, commitment, due diligence process and opportunities Prudential offers emerging managers in this newly created investment program. This event will provide an opportunity for unprecedented access to key decision makers and Prudential's manager research staff. We will start with presentations and conclude with a networking reception.

Space will be limited, but we hope to accommodate as many attendees as possible. We invite senior management, compliance officers, marketing professionals or investment professionals from your organization.

We will be sending out invitations, a conference agenda and registration information in the coming weeks. If you have not done so already, please help us to get to know your firm and capabilities better by populating our emerging manager database with your firm information:
prusirg.prudential.com/ProspectManager

Prudential
Bring Your Challenges®

OPERS Sees Excess Returns From Emerging Manager Program

The $74.7 billion Ohio Public Employees Retirement System saw a net-of-fee excess return of 0.44% from its emerging manager program in 2013, according to a report to the board last month.

The plan, which had $519.8 million allocated to 10 emerging managers at the end of the year, saw seven managers outperform their benchmark, led by Hahn Capital at 6.0% and Affinity Investment Advisors at 4.3%. Lagging their benchmarks in 2013 were First Fiduciary Investments by 3.8%, Winslow Asset Management by 2.9% and Decatur Capital Management by 0.6%.

Individual Emerging Manager Performance (Period Ending 12/31/13)

Firm Name	Excess Returns (1 Year)	Excess Returns (3 Year)	Excess Returns (5 Year)	Excess Returns (7 Year)	Excess Returns (10 Year)	Since OPERS Funding
Affinity Investment Advisors	4.3%	0.8%	0.3%	0.8%	2.0%	0.8%
Dean Investment Associates	1.4%	-0.5%	1.0%	---	---	-2.1%
Decatur Capital Management	-0.6%	0.0%	-3.2%	-0.6%	1.9%	-1.6%
Elessar Investment Management	2.2%	-1.3%	1.8%	3.2%	---	-2.4%
First Fiduciary Investments	-3.8%	0.2%	-0.5%	2.5%	1.0%	-3.1%
Hahn Capital	6.0%	4.3%	3.4%	5.3%	2.5%	0.4%
Nicholas Investment Partners	3.4%	-1.3%	2.2%	---	---	-0.5%
Redwood Investments, LLC	3.2%	0.8%	-0.5%	1.6%	---	2.2%
Strategic Global	1.9%	4.2%	3.8%	1.4%	---	4.5%
Winslow Asset Management	-2.9%	-1.0%	5.3%	2.6%	3.1%	1.8%

Source: Ohio Public Employees Retirement System

Overall since funding by the plan, five of the 10 managers have provided excess returns for the plan, led by Strategic Global Advisors at 4.5% and Redwood Investments at 2.2%.

From an allocation perspective, the plan has a total allocation to the emerging manager program of 1.74% of total externally-managed public market assets. The target range of the portfolio is 0.5% to 2.0% of the externally-managed public market assets.

Dean Investment Associates has the largest allocation in the emerging manager program at roughly $66.4 million, of 0.22% of plan assets, followed by Strategic Global Advisors with $61.9 million, or 0.21%.

Relationships Vital Component To Success of Emerging Programs

The relationship between an emerging manager and an institutional investor is the most important aspect of creating and maintaining a successful emerging manager program, Jason Lamin, partner at Lenox Park.

Lamin recently completed a white paper for the Teachers Retirement System of Texas that surveyed 40 individuals at 19 different institutions titled Optimizing Your Emerging Manager Program: An Instructional Roadmap for Institutional Investors.

He said there was one main takeaway he hopes stick with institutions that read the paper.

"I think any opportunity that the plans can take advantage of to help strengthen the relationships between them and the emerging managers in particular, will be better. It is just not a space that you can operate effectively from the sidelines, you have to be in it. You have to be in a room with smaller managers to get to know the talent and buy in intrinsically," he said.

Lamin said he spent more than 100 hours with the individuals that were interviewed and the white paper is a snapshot of the best practices derived from those conversations.

"We were trying to spark something at all these places so that they would be more reflective, so they would ask themselves these questions," he said.

The paper touches on three stages of emerging manager programs, the initial stage, the institutionalized stage and the optimized stage.

The study found that an emerging manager program in its initial stage needs strong foundations, including support at the leadership level, a clear sense of mission and commitment and high performance standards. At the institutionalized stage, the program should promote organizational diversity, create an emerging manager policy and require regular reporting on the program while actively engaging the emerging manager space. The optimized stage is the level where an emerging manager program should be occasionally evaluated, a staff member should have direct responsibility for the program and an active relationship system should be in place.

The paper also assisted the Texas Teacher plan in reviewing its emerging manager engagement practices and ensuring that there is a clear and understood means for emerging managers to engage the plan. Lamin said inward reflection is an important aspect of institutions enhancing and bettering their emerging manager efforts.

“It has been a much easier thing to say the problem is with the managers, not us. And I think one thing this paper is doing, and these interivews with the LPS did, was it caused the LPs to look internally,” he said.

Regardless of the stage an institution is in and how the program is structured, including through direct investments by plan staff or utilizing outsourced providers, the relationship remains the key to success, Lamin said.

"They can't be outsourced. It is ok to outsource everything else if you have to" such as due diligence, monitoring and analytics, he said. "You can and should figure out a way to make sure you are managing the relationships directly."

The full white paper is available on the Emerging Manager Monthly research section (www.emergingmanagermonthly.com/research) or by contacting Lenox Park via e-mail at Info@lenoxpark.us.com.

Texas Public Plans Discuss Emerging Manager Programs

Although the bottom line in evaluating any emerging manager is their ability to generate alpha, the diversity and organizational structure of firms remain important factors when conducting searches, officials from a trio of Texas public pension plans said during a panel session at the *Texas Association of Public Employees Retirement Systems*' 25th Annual Conference last month in Fort Worth.

The panelists during the session, Exploring Opportunities with the Next Generation: The Texas Story, included Rhonda Smith, executive director of the Houston Municipal Employees Pension System, Jim Smith, trustee for the San Antonio Fire & Police Pension Fund, and Natalie Jenkins Sorrell, investment officer at the Dallas Employees' Retirement Fund.

"Everything we do on the investment side at Dallas, it is first and foremost and lastly about alpha generation, it's about returns. It is about what can you help bring to the bottom-line? It is about cash flow and that's what we care about, your ability to help us with that," Sorrell said. "Now that having been said, what we also care about, and what I think is very good to see is some diversity represented amongst our managers and I have no problem chatting with you about that for a bit. When you look at the make-up of the civilian employees of the city, and you look at even our staff and our board, we are a very diverse group of people, and I don't think it's unrealistic to want to see that representation in our investment managers."

The Dallas fund began filling out its new 10% allocation to emerging managers following the program's approval last year. The fund made direct hires of a domestic fixed-income and domestic equity manager before moving on to a private equity fund-of-funds invitation-only search that was recently initiated.

In Sorrell's eyes, diversity is not only limited to ethnicity and race, but includes the thought process and philosophy from an investment perspective as well.

"What about a diversity of approach, a diversity of thought? So when you look at a bottom-up approach are you all thinking about these things the same way, these credits the same way? Is anyone really challenging anyone around the table? When I think about diversity I think about it in every way, shape and form," Sorrell said.

Diversity and size make up the standard characteristics of managers in the emerging space, which are attractive to pension plans that see ability for smaller firms to generate greater alpha due to their nimbleness, among other factors.

"We're going off the premise that groups with smaller assets can outperform those with larger assets. We're looking for talented people who may have come from some of the bigger firms," Smith of San Antonio said.

The San Antonio plan currently utilizes emerging manager-of-manager firms, but Smith said the direct relationship route is one that he sees the plan examining in the future.

"We haven't gone too far into the weeds because we do have the manager of-manager program right now, but it's something we're going to look at. There are a lot of talented folks out there trying to get some money for their funds….from our perspective we're looking for nimble, talented people who can obviously get us the highest return for the smallest amount of risk."

Risk is a concern regarding every single manager, but when it comes to managers in the emerging space, Rhonda Smith says an area that is examined thoroughly is the organization and makeup of the firm. The Houston plan allocates more than $400 million to the emerging manager space, according to Smith.

> "We're going off the premise that groups with smaller assets can outperform those with larger assets..."
>
> **Jim Smith**
> *Trustee*
> *San Antonio Fire & Police Pension Fund*

"There are two sections of risk, one is the investment and performance and one is the operations. As I mentioned before, on the investment side we've got the numbers. Most of these folks are coming out, they're coming from larger firms so they know what they're doing, it's really the operations side and getting comfortable with them and knowing that you can see where they can grow and they can be enhanced," she said. "They're going to be around, do they have the appropriate controls, do they have the compliance, do they have legal and etc.? So we really have to do a lot of due diligence prior to even recommending them to the next level. Our staff gets very involved in doing the pre-screening and really we have three members on our investment staff that spend quite a bit of time making sure that this is someone that we think is going to be around and that we feel comfortable recommending to the board because the board has to be comfortable making that vote. So our issue primarily centers around the operational and infrastructure side."

While the operational side of things can be an issue for emerging firms, the plans understand this and seem to care most about a firm's knowledge of its own limitations and are working accordingly.

"It doesn't bother me at all to see some of the smaller firms outsourcing some of these others areas. If you want to focus on picking stocks or credits and you've outsourced your compliance, legal, a couple of other areas that are of a critical importance but just decided to do that for a time, that's fine," Sorrell said. "As long as it's with a reputable firm that's taking care of business that fine, but when you decide to bring it in-house…we understand in emerging firms that a person may be wearing more than one hat, but if a person is wearing four that's when we get a little concerned. Did you bring something in-house a little too soon? Were you ready to bring it in-house? Did you have the appropriate staff and resources to bring it in-house? If not, then it might be better to leave it out."

The consensus from these Texas plan officials seems to be that while the value of any manager will always come down to the bottom line, emerging firms will always represent a value and attractive option to plans beyond that so long as diversity and operational stability remain priorities.

"We've had very good success and they (diverse firms) have definitely had an effect on our bottom line," Rhonda Smith said. "Mind you these folks are coming from top-tier organizations. They didn't get there by knocking on someone's door and having nothing, they are actually adding to the intellect and performance of the organization."

UPDATE: Picking The Right Manager, A 3PM Critique

By: Steve Rubenstein
Arrow Partners

As we prepare for this month's Third Party Marketers Association conference in Boston, we felt it was an appropriate time to refresh the manager scorecard we use in identifying potential managers to represent.

For a third party marketer, there is no decision more important to make. With close to 20 years of experience, we have had a wide range of experiences, both positive and negative. Over this time, we have formalized our internal analysis into a quantitative scorecard. This scorecard is our attempt at developing a 360 degree view of a manager. It has enhanced the confidence in our manager choices and the predictability of success with the firms which we are partnering.

The purpose of our scorecard is to provide a quantitative measurement, highlight areas where we need more clarity and identify potential "red flags" and warning signs about a manager's profile. This checklist, while designed for 3PM's, can also assist managers in garnering a better understanding of their strengths and weaknesses.

The major difference between this scorecard and the one published in Emerging Manager Monthly as part of a four-part series in early 2010 is the addition of a new section titled "Infrastructure & Compliance." I trust everyone will agree that the level of due diligence in this area has significantly increased during the past several years.

Today, there are five sections and 31 key factors.

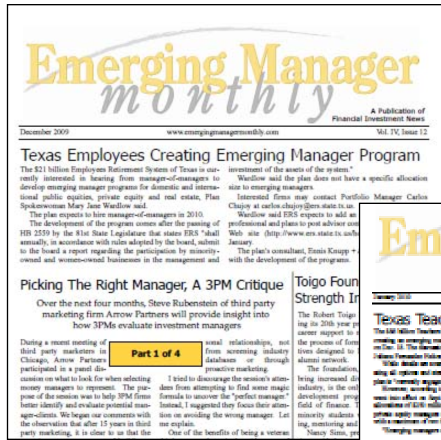
The five parts are:

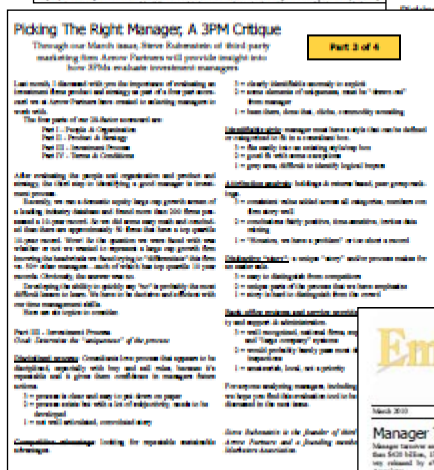
Part I: *Organization & Firm Structure*
Part II: *Product & Strategy*
Part III: *Investment Process*
Part IV: *Infrastructure & Compliance*
Part V: *Marketing Terms & Conditions*

For us, this exercise has become a repeatable and disciplined step in our manager due diligence process.

We hope you find it as valuable as we do.

A Look Back At Our Four-Part Manager Scorecard Series





The updated scorecard can be found at www.arrowpartners.com or at the end of the April issue.

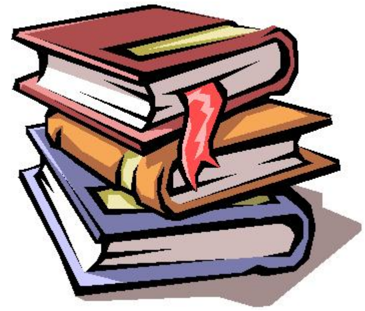
The value of Emerging Manager Monthly comes not only from our latest issue but from the resources and insights provided to our readers since 2006.

You can find features provided to our readers over the years like the Manager Scorecard by checking out our PDF archives at www.emergingmanagermonthly.com.

Research Center

All information from the research center is available for download at www.emergingmanagermonthly.com.

Submit your research by contacting Matthew McCue at mmccue@fin-news.com.



Structure: Building Blocks of a Successful Investment Management Firm

Executives considering the creation of an asset management firm, or changing a firm's current operations, often focus first on what we consider to be the later stages of building a successful enterprise. Portfolio management, investment process, sales and marketing, product development and management are all key aspects to consider but have less chance of succeeding if a framework is not first created which will encourage all employees to work for the common good of the firm, its clients, and themselves. Builders don't start with a façade which enhances curb appeal; rather the framing and invisible support is tackled first. Without it, the house will not stand.

In this, the first of a two-part series, we discuss several key elements of structure including ownership structure and management. In our next installment, we will cover outsourcing, hiring practices, team management, and the often contentious field of compensation.

-www.margoliskass.com

Other Research:

Shortcomings of Co-Investment Portfolios
-Altius Associates

An Alternative to Alternatives?
-Federal Street Advisors

An Alternative To Alternatives

Whilst the results from our third annual global private equity survey indicate that numerous challenges facing the industry remain, there appear to be signs of growing optimism amongst respondents, suggesting that perhaps we are at the dawn of a new phase of increased activity, especially in the core private equity markets of North America and Western Europe.

With the continuing improvement in debt markets in North America and the potential follow on impact this may have globally, as well as the signs of positive economic news from Europe and sustained growth across the Asia Pacific region, there appears to be supporting evidence underpinning these early signs of returning confidence.

-www.gti.org

Market Dynamics In The Year Ahead

NEPC believes incorporating an overlay strategy can provide a systematic and cost-effective approach to delivering market exposures such that investors' assets are closely aligned to their policy allocation targets. The use of an overlay solution should enhance investment returns over time, and help finely calibrate risk management in order to achieve better risk mitigation. At the same time, overlay strategies provide operational ease for program sponsors through greater liquidity and portfolio efficiency.

-www.nepc.com

Eighth Annual Emerging Manager Awards

6 Firms Take Home Awards Highlighting Top Managers

The six winners of the ***Eighth Annual Emerging Manager Awards*** have been selected. The firms, chosen by compiling the selections of a highly-respected pool of industry experts using both quantitative and qualitative measures, come from across the equity spectrum.

The awards categories were domestic all-cap, large-cap, mid-cap, small-cap and small- to mid-cap equity and international equity.

Each winner was competing with two other finalists for the awards. Finalists were selected using a quantitative screening process in conjunction with ***eVestment.***

In all, 349 products were considered for the awards. Winners will be taking home a crystal award engraved with their firm name and the asset class they were recognized for.

Awards Selection Committee

We'd like to thank our panel of judges who assisted with selecting our award winners. For the eighth year, we were able to compile a tremendous panel consisting of key decision makers with a distinct knowledge of the emerging manager space. Individual selections for the awards will remain anonymous, however each award winner did receive the majority of the votes. We ask that managers do not contact the judges regarding the awards.

Michael Miller

Managing Director

Colonial Consulting

Timothy Barron

Chief Investment Officer

Segal Rogerscasey

Cherrise Cederqvist

Vice President

Prudential Investments

All-Cap Manager of the Year

Dalton, Greiner, Hartman, Maher & Co.

Location

New York, N.Y.

Web site

www.dghm.com

Firm AUM (12/31/2013)

$1,776 million

Product AUM (12/31/2013)

$923 million

Performance (2013)

37.97%

Jeffrey Baker and Bruce Geller

Dalton, Greiner, Hartman, Maher & Co. over the past decade has transitioned into its second generation of leadership and if last year is any indication, bright things are ahead for the firm, which was named the all-cap manager of the year.

The firm's all-cap value strategy, which was launched in 1983, returned 37.97% last year, compared to 32.69% by the Russell 3000 Value Index. The strategy's assets also grew to $923 million at the end of 2013 from $603.1 million the prior year.

The firm was launched in 1982 and is 20% owned by 16 employees, with the remaining 80% owned by Boston Private. Geller and Baker were named ceo and cio, respectively, in 2007.

Large-Cap Manager of the Year

The Ithaka Group

Location

Bethesda, Md.

Web site

www.ithakagroup.com

Firm AUM (12/31/2013)

$580.3 million

Product AUM (12/31/2013)

$533.9 million

Performance (2013)

40.30%

Andrew Colyer, William Johnson and Scott O'Gorman, Jr

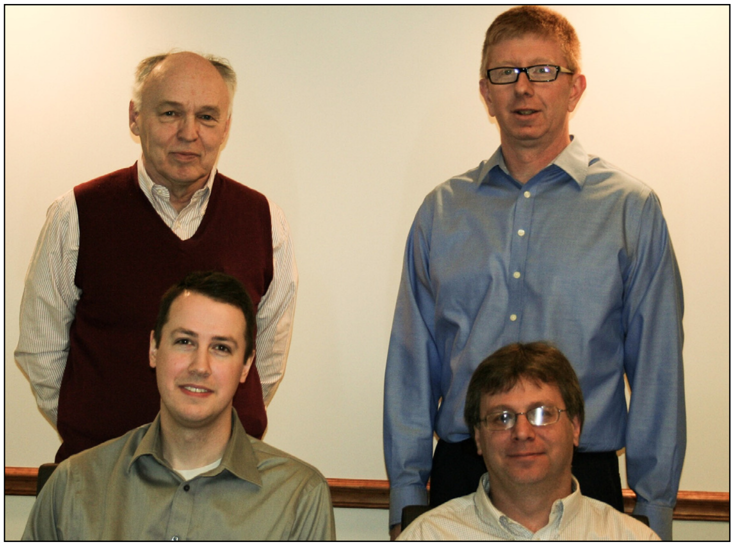
The Ithaka Group saw a nearly 100% growth in assets in 2013, which coupled with its large-cap growth strategy's strong performance, has earned the firm the desigation of large-cap manager of the year.

The firm's large-cap growth strategy returned 40.3% last year, an excess return of 682 basis points over the Russell 1000 Growth Index, and saw its assets under management grow to $533.9 million at the end of 2013 from $271.5 million at the end of 2012.

The firm was founded in 2008 by William Johnson, Scott O'Gorman, Jr., Andrew Colyer and Robert Katzen.

Small- To Mid-Cap Manager of the Year

Walthausen & Co.



Clockwise from back left: John Walthausen, Curt Lasek, Stanley Westhoff and DeForest Hinman

Location

Malta, N.Y.

Web site

www.walthausenco.com

Firm AUM (12/31/2013)

$1,411 million

Product AUM (12/31/2013)

$118.6 million

Performance (2013)

42.07%

Walthausen & Co. has garnered initial interest from the emerging manager space with its small-cap value strategy, however the firm's smid-cap value portfolio should be paid attention to as well as the firm was named the smid-cap manager of the year.

The strategy returned 42.07% in 2013, 974 basis points over the Russell 2500 Value Index. Most impressively, the strategy's assets grew to $118.6 million from 20.1 million at the end of 2012.

The firm was founded by John Walthausen in 2007 and is 100% employee-owned by six partners.

Small-Cap Manager of the Year

Conestoga Capital Advisors

Left to right: Joseph Monahan, David Neiderer, David Lawson, Robert Mitchell and William Martindale, Jr. (seated)

Location

Radnor, Pa.

Web site

www.conestogacapital.com

Firm AUM (12/31/2013)

$1,745 million

Product AUM (12/31/2013)

$1,605 million

Performance (2013)

51.46%

Conestoga Capital Advisors reached its 15-year track record in its small-cap growth strategy at the end of 2013, hitting on all cylinders as the firm was named small-cap manager of the year.

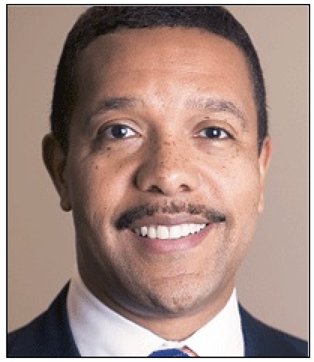
The small-cap growth strategy returned 51.46% in 2013, 8.16 percentage points above the Russell 2000 Growth Index. The strategy also saw its assets nearly double to $1.6 billion from $887.4 million in 2012.

The firm was founded in 2001 and its 100% employee-owned, with William Martindale and Robert Mitchell owning 36% and 28%, respectively.

Mid-Cap Manager of the Year

Channing Capital Management

Location
Chicago, Ill.
Web site
www.channingcapital.com
Firm AUM (12/31/2013)
$1,567 million
Product AUM (12/31/2013)
$437.5 million
Performance (2013)
41.08%



Erik McKissack

Channing Capital Management is no stranger to the emerging manager space, ranking as one of the most allocated to emerging managers. The majority of attention the firm has garnered, however, has been through its small-cap value strategy. That tide may be changing as the firm's mid-cap value strategy posted a strong 2013 that culminates with the firm's selection as mid-cap manager of the year.

The mid-cap strategy, managed by Channing CEO & CIO Erik McKissack, returned 41.08% in 2013, besting the Russell MidCap Value Index by 762 basis points and saw its assets grow to $437.5 million from $326.9 million at the end of 2012.

Chicago-based Channing was founded in 2003 by McKissack, Wendell Mackey and Rodney Herenton and is 100% minority-owned.

International Equity Manager of the Year

Trinity Street Asset Management

Location
London, England
Web site
www.trinitystreetam.com
Firm AUM (12/31/2013)
$1,807 million
Product AUM (12/31/2013)
$1,068 million
Performance (2013)
44.18%

Trinity Street Asset Management hasn't found the Atlantic Ocean to be an impediment to gaining access to U.S. investors, as the firm's international equity strategy has generated allocations from emerging manager-of-manager Northern Trust Global Advisors as well as the Wayne County (Mich.) Employees Retirement System.

The firm's investors were rewarded in 2013, as the firm's EAFE/International equity strategy returned 44.18%, compared to 22.78% by its MSCI EAFE Index benchmark. The strategy also saw a growth in assets under management to $1.068 billion at the end of 2013 from $664.1 million at the end of 2012.

The firm was founded in 2002 by Richard Bruce and is 90.1% owned by Bruce and Portfolio Manager Ed Bell, with the remaining equity held by U.S.-based HGK Asset Management.

300 North Capital Smid-Cap Strategy Garnering Inst'l Interest

James Landreth

300 North Capital has received its first emerging manager allocation in its domestic small- to mid-cap growth equity portfolio.

The firm was hired by emerging manager-of-managers North Point Advisors to manage an approximately $12 million portfolio for the Detroit Police & Fire Retirement System.

"This win is really a great momentum boost for us," said Chris Vassilopoulos, Senior V.P. of Institutional Sales at the firm.

Overall, the strategy is nearing the $200 million in assets under management threshold. "We have plenty of capacity and are very excited about the growth potential of this strategy," Vassilopoulos said.

The strategy's performance has certainly been something to get excited about, as 2013 saw excess returns of more than 1,000 basis points. The strategy returned 50.86% last year, compared to 40.65% by the Russell 2500 Index. The strategy has also returned 18.59% and 26.46% over the respective three- and five-year periods ending Dec. 31, compared to 17.15% and 24.03% by the benchmark.

James Landreth, co-portfolio manager of the strategy, has a straightforward answer for why the smid-cap growth product has performed so well.

"We are basic believers that if you buy the highest quality and fastest growing companies, when they are mispriced, over time you should outperform," said Landreth, who co-manages the strategy with Derek Johnston.

The strategy holds between 50 and 70 names. "We are fundamental bottom-up investors that embrace a disciplined process of identifying sustainably great companies when they are mispriced. As a result, we want to have a more concentrated portfolio," Landreth said. "It is concentrated to the point that we can let the stocks really drive the alpha, however, not so concentrated that any individual holding's exposure has too great an impact on the overall portfolio." he added.

Once these superior companies are in the portfolio, the seven-person investment team focuses on risk management, and specifically, avoiding any blow-ups.

"We figure if we can avoid one, two or three blow-ups per year, that will help drive the alpha more than just trying to find that next great idea…as one name can take away 100 or 200 basis points of performance," Landreth said, explaining that the investment team does a late in the quarter rigorous scrub before earnings season of all names in the portfolio.

The strategy's success, however, goes beyond avoiding the blow-ups, as the performance indicates.

The initial screening of the smid-cap universe looks at a company's growth rate and how that compares to their industry and the overall market as well as earnings consistency, quality of the management team and execution.

In narrowing the universe down to what the firm believes are the top 20% of growth companies in their respective industries, the investment team is then able to focus on vetting these approximately 400 "superior" companies.

Landreth said that once the investment team has decided a company fits their growth and quality profile, combined with a strong management team, they roll up their sleeves and begin to garner a better understanding of the organization's business model and future prospects. "

The firm typically takes an initial position size of about 1%, with a maximum weighting of 5%, though very few names in the portfolio go north of 4%, Landreth said.

Overall, the strategy will not have a sector weighting greater than 150% of the Russell 2500 Growth Index or less than 50%.

Vassilopoulos said the firm has a diverse pipeline of prospects and sees their most recent win in the emerging manager space as a harbinger of what may lie ahead.

Veteran Disabled-Owned Firm Sees Positioning In Sectors

Since the teachings of Chinese General Sun Tzu, positioning has played a central role in military strategy. It should come as no surprise that a veteran-owned asset management firm has taken a unique approach to positioning its portfolio to provide a greater opportunity at alpha while minimizing downside correlation.

Tim McIntosh

Paul McNamara

The firm, Strategic Investment Partners, is a disabled, veteran-owned firm run by Tim McIntosh and Peter McNamara with approximately $60 million in assets under management and institutional offerings in domestic large-cap growth and value equities as well as corporate bonds.

The firm has been in business since being launched by McIntosh in 1999 and McNamara joined in 2004 when he merged his firm with Strategic Investment Partners.

McIntosh and McNamara grew up together in the Harrisburg, Pa. area and both entered the armed forces, with McIntosh joining out of high school and moving into the business world after serving in the Army Military Intelligence Unit and McNamara joining the ROTC in college and having a career in the military before retiring in 2004 as a Lt. Colonel in the Special Forces.

When he retired, McNamara was designated as disabled based on the multitude of injuries he had sustained while serving, including a bad jump accident that led to a rod being put in his leg.

"We are proud of that fact that the two partners are veterans," McNamara said.

The firm's approach to the equity markets focuses on the healthcare, financial, technology and energy sectors.

"Those four sectors not only outperform the market over time, but they also work very well together with very low cross-correlations," he said, noting that approximately 80% of the holdings in the large-cap strategies are in those four sectors.

In identifying attractive companies, the team uses a factor-based approach that stresses a value factor based upon low relative price to sales ratios; a sector factor based upon research that shows healthcare, financials, technology and energy are the only sectors to consistently outperform the market over the long-term; and a dividends growth factor that examines a company's history of increasing dividend payments.

"

[The healthcare, financial, technology and energy] sectors not only outperform the market over time, but they also work very well together with very low cross-correlations.

Tim McIntosh
CIO
Strategic Investment Partners

"

"It is a defense first philosophy for the firm," said McIntosh, who in 2012 published The Sector Strategist: Using New Asset Allocation Techniques to Reduce Risk and Improve Investment Returns. "We've always focused on valuation, even in the large-cap growth composite, it is a GARP approach," McIntosh said.

The large-cap growth and value strategies each typically hold 30 to 40 companies, with a key differentiating factor in the growth strategy being the requirement that a stock maintain at least 10% earnings per share growth to be included in the portfolio.

The strategies usually take initial positions generally in the 2% to 4% range, with a max weighting of 6%. Overall, the strategies have a maximum sector weighting of 30% and at least 5% to 10% in the four key sectors. Currently, the firm has its largest sector overweight in energy at 25%.

McNamara's focus is on the macro level, assessing trends in the market and the economy that will influence the various sectors, while McIntosh takes a bottom-up approach to individual companies within those sectors.

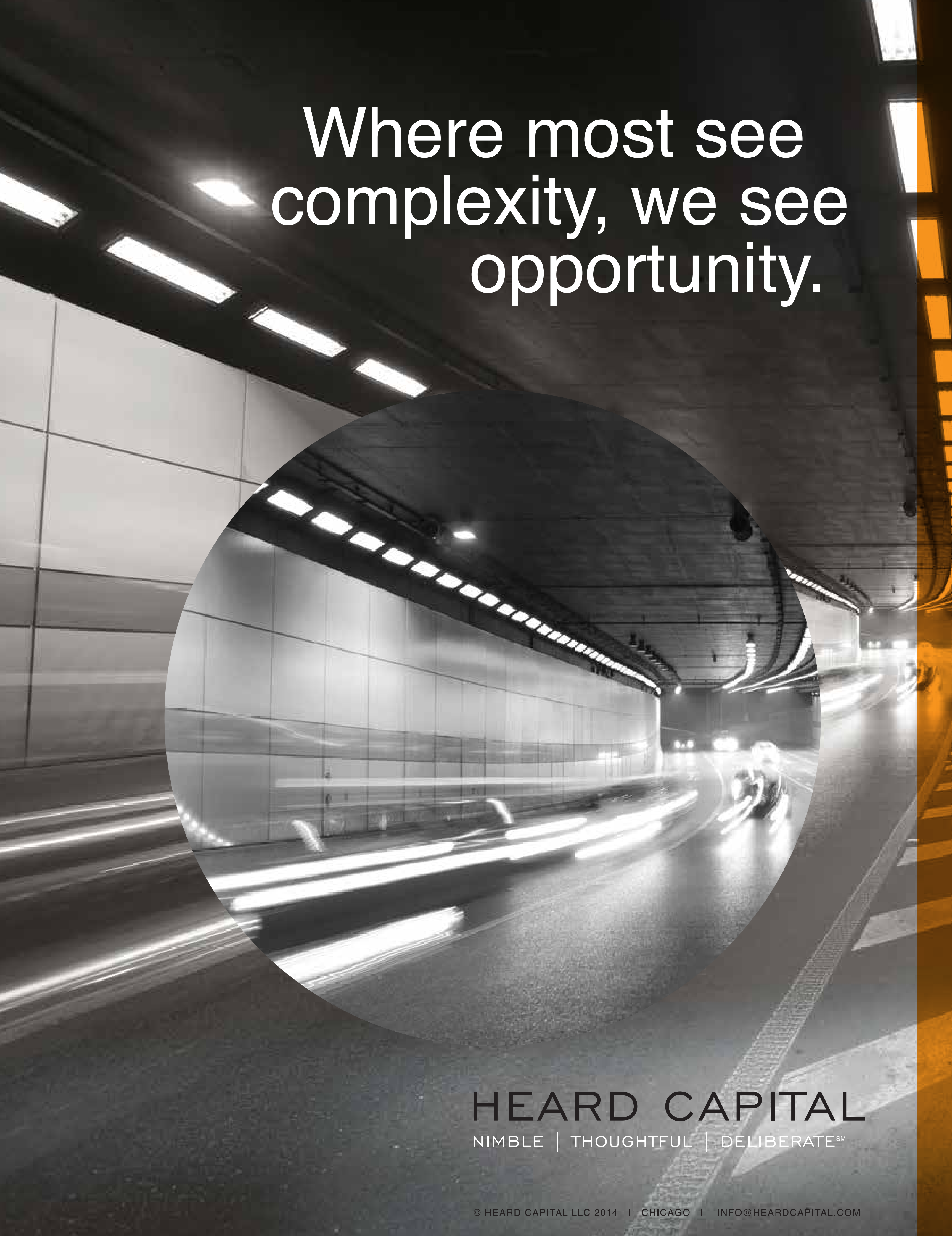
McNamara's analysis is also applied to a long/short strategy he runs that uses stock and sector exchange-traded funds based on his fundamental analysis of the macroeconomic environment.

The corporate bond strategy also uses the sector approach in the investment-grade and high-yield spaces. McIntosh said the actual defaults in the BBB and BB sectors are much lower than most would expect.

The firm brought on Genesis Marketing Group as its third-party marketer about two years ago to assist with its outreach efforts.

"If you have multiple managers who are active, this should be a good complement to most other types of managers," said Ron Oldenkamp, president of Genesis. "There are not a lot of managers who approach the market the same way SIPCO does."

Oldenkamp added that while many investors are beginning to turn toward passive investing in the large-cap space, there is a large opportunity among investors that are looking to add on satellite managers that have unique approaches to the market.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Worth Venture Partners Sees Value In Emerging Hedge Funds

Worth Venture Partners has launched a multi-manager hedge fund focusing on emerging managers.

The New York-based firm launched its Emerging Manager Onshore Fund on Feb. 3 and currently has $60 million in assets under management. The firm is currently looking to raise funds in an "accelerator" share class for early stage investors.

The majority woman-owned firm was launched by David Wertentheil and Abby Flamholz in 2012. Werentheil was previously head of prime brokerage at Lazard Capital Markets and Flamholz was most recently head of the special situations group at Stifel Nicolaus and was previously a founder at event-driven hedge fund ADAR Investment Management.

Wertentheil said the firm looks to capitalize on a structural problem in the marketplace that the pair believes has held up capital for emerging hedge funds. Namely, he said, the three key issues were that much of the institutional money was focused on large allocations and smaller firms either couldn't manage the assets or the perception was that they couldn't. It was also issues over infrastructure, which has become just as important in the due diligence process as the investment process, and finally, the move from hedge funds being a bought product to a sold product.

"We realized there was really a need to help create a funnel for institutions and private clients to access these emerging managers' returns," he said. He added that seeding platforms, which have typically served as a main form of access to emerging managers, do not focus on providing investors with access to returns.

"Most of the capital post-crisis that has come into this market has been seed capital. It hasn't been so much large institutional capital looking to just benefit from the returns," Wertentheil said, explaining that there are a large percentage of hedge fund managers that do not fit into the seeding model because they may not have a scalable strategy that could grow to multiple billions in assets under management.

The firm's clients currently include a multi-family office anchor investor and other private clients. Wertentheil said the firm is also targeting the public defined benefit plan space.

"We are very much focused on that part of the market. We think we are going to be a great solution for public pension plans that want exposure to emerging hedge fund managers as well as other institutions," Wertentheil said.

All of the firm's investments are through separately managed accounts, which allows for the operational risk to be borne by Worth Ventures as opposed to each individual manager and also allows the firm to have transparency into each underlying manager's portfolio every day. The strategy also allows investors to pay one set of fees to Worth Ventures, which pays out a portion to the underlying funds.

"By monitoring the investments daily and us effectively overseeing the managers, that is meant to give comfort to a larger investor or an investor that otherwise would not be comfortable. We are making sure that managers stick to their mandates," Flamholz said. "Between our ability to source, vet, create a portfolio and ultimately monitor the emerging hedge fund managers, we are solving a lot of the issues that typically surround them."

“

Most of the capital post-crisis that has come into this market has been seed capital. It hasn’t been so much large institutional capital looking to just benefit from the returns.

David Wertentheil
Partner
Worth Venture Partners

”

The firm currently offers eight share classes, including seven specific manager strategies and one diversified portfolio that allocates to each of the managers. Investors are able to invest in either the diversified portfolio or can create custom strategies based on the available managers.

The strategies currently include a European real estate fund, a global financials fund, an Israeli distressed credit fund, a long/short equity fund, a volatility and rate arbitrage fund, a long/short technology fund and a capital structure fund.

"Part of the thought process of this business is that an investor can do due diligence on our firm and get comfortable" rather that conducting due diligence on numerous small funds, Wertentheil said.

For hedge fund managers, the due diligence process begins with a phone call from Worth Ventures to learn more about a fund, including the background of the firm's investment professionals, what the strategy is and if it is attractive and sustainable. From there, Worth Ventures typically looks to have a meeting with the firm, either in person or on a follow-up call, depending on their location.

If Worth Ventures still has interest in a firm, the next step is a full due diligence visit that typically lasts a full two days at minimum and involves a deep dive on both the operations and investment sides of the business.

Interested managers are encouraged to contact the firm via e-mail at inquiries@worthventure.com and provide their one-page marketing piece as well as a pitch book.

Flamholz said that in the diversified series, the firm is focused on strategies that are uncorrelated to the U.S. markets, while on the platform side, market neutral funds and sustainable investing funds are often requested by investors. The firm does not focus on quantitative strategies or CTAs.

The firm is interested in managers that typically have less than $200 million in assets under management and historically has looked for some form of a track record of at least a year and a half or two years. "We are open-minded in how we access that track record, but the manager does have to have a history of running that specific strategy," Wertentheil said.

"We are in a part of the market that is historically very hard to access. We are properly equipped to do it and we are experts in it," he said.

Newer Private RE Funds Outperform, Struggle For Assets: Report

Private real estate emerging managers handling first- or second-time funds are more likely to place in the first or second quartile than more experienced managers, however, many investors are increasingly allocating to managers with longer track records, according to a recent report by Preqin.

The report, Emerging Managers in Private Real Estate, first funds placed the largest proportion in the first quartile at 29%, compared to 20% of fourth funds and higher. In addition, first funds had the lowest proportion in the bottom percentile compared to fourth funds and higher.

While emerging managers perform better with first time funds as a result of being smaller, more agile, and hungry to prove their worth, the report said, the proportion of investors that will invest in first-time funds has declined to 29% in 2013 from 56% in 2009.

"With less data and a shorter track record to base decisions on, many investors will not consider investing with emerging managers. For those that have the expertise and resources to do so however, it has the potential to be a very successful strategy," the report said.

In addition, private real estate emerging manager fundraising has also decreased over the last three years, with a decline to 63 funds raising $14.3 billion in 2013 from 98 funds raising $20.6 billion in 2011. Private real estate managers' proportion of aggregate capital raised has also declined to 18% in 2013 from 34% in 2011.

In contrast, experienced managers have accounted for an increasing proportion of aggregate capital, standing at 63% for funds closed in 2013 compared to 53% in 2011, further demonstrating that investor capital is becoming increasingly concentrated among a handful of more experienced managers.

While many investors are interested in experienced managers, 79% of fund-of-funds managers are particularly interested in investing in first-time funds, followed by 38% of superannuation schemes and 37% of insurance companies.

"Fundraising is always a particularly challenging prospect for newly established firms, and in a very crowded market with investors increasingly focusing on managers with a long track record, it is only becoming more difficult. Nevertheless, if emerging managers can present a clear and compelling investment case, and are able to reach out effectively and communicate with the wide range of institutional investors that will consider new firms, they have the potential to be very successful. Many sophisticated investors are keen to gain exposure to the most promising of new firms, which have the potential to be the next generation of leading private equity real estate managers," the report said.

The report also found that higher-risk strategies such as opportunistic and value-added funds represented 63% of emerging manager private real estate funds that closed and represented 58% of the aggregate capital raised, while funds that followed a core strategy accounted for only 5% of funds closed and represented only 2% of the capital raised.

In addition, one area of growth for private real estate funds raised by emerging managers were strategies that focused on debt, which accounted for 21% of emerging manager-raised capital in 2013 compared to 5% in 2012, the report said.

The report also said that North America has accounted for the highest growing proportion of aggregate emerging manager capital raised at 67% in 2013, a significant increase over 2010 when 39% of aggregate capital raised was by North American-focused funds.

Europe-focused emerging manager funds capital raised also increased to 23% in 2013 from 12% in 2012, however, this is a decrease from the 29% in 2010 and 27% and 2011. Conversely, Asia-focused funds decreased their proportional representation declining to 5% of aggregate emerging manager capital raised in 2013 from 21% in 2012, the report said.

Preqin collected data from the Preqin Real Estate Online database and the report can be found here (https://www.preqin.com/docs/newsletters/re/Preqin_RESL_Mar_14_Emerging_Managers.pdf).

CalPERS To Seek Emerging Manager Private Equity FoFs

The $284.1 billion California Public Employees Retirement System will search for a private equity fund-of-funds to handle a $200 million emerging manager allocation. The search is for a fund-of-funds to focus on emerging manager private equity funds and a selection of a firm will be completed by the plan later in the year.

Joe DeAnda, spokesman for CalPERS, said staff will undertake the selection process over the summer, but was unable to provide any additional details about how the search will be conducted, including if an RFP will be issued.

The new allocation will be deployed over four years and is in addition to a $100 million commitment made in 2012, the plan said in an announcement. The plan hired Credit Suisse Customized Fund Investment Group, now GCM Customized Fund Investment Group, in 2012 (EMM, 10/3/12).

The search is part of an emerging manager program review conducted by the plan's investment office and consulting firm Cambridge Associates that was presented at the plan's February investment committee meeting.

The plan considers emerging private equity funds to be those raising their first or second institutional private equity fund with assets between $500 million and $1 billion.

The plan also expects to selectively invest directly in larger emerging manager funds or fund-of-funds graduates, according to documents from the committee meeting.

The full emerging manager program review is available here (http://www.calpers.ca.gov) and here (http://www.calpers.ca.gov).

The firm also made three new commitments to emerging private equity funds through fund-of-funds GCM Customized Fund Investment Group.

The plan committed between $10 million and $15 million each to Maranon Mezzanine Fund II, Valor Equity Partners III and New Heritage Capital Fund.

Chicago Park Issues Int'l Equity RFP

The $416 million Chicago Park Employees Annuity & Benefit Fund has issued its RFP for minority-, women-, or persons with a disability-owned international equity managers to handle approximately $15 million.

The plan is looking for firms offering separate account, commingled fund or mutual fund products that will be benchmarked against the MSCI ACWI ex-U.S. Index.

A copy of the RFP and accompanying questionnaire are available on the plan's Web site (http://www.chicagoparkpension.org/RFP.html). The deadline for proposals is April 30.

The plan first approved the search in January (EMM, 3/6).

Executive Director Dean Niedospial has not responded to multiple calls seeking comment.

Dallas Police & Fire Considering Emerging Manager Program

The $3.4 billion Dallas Police & Fire Pension System has begun discussions on the potential creation of a dedicated emerging manager program, Administrator Richard Tettamant confirmed.

Tettamant told Emerging Manager Monthly at the 25th Annual TEXPERS Conference in Fort Worth, Texas last month that the plan began discussions after seeing the success of the emerging manager program being implemented at the $3.3 billion Dallas Employees Retirement Fund over the past year (EMM, 1/2/13).

General investment consultant NEPC presented an education on emerging managers and emerging manager programs at the plan's March 11 board meeting.

The plan is still in the exploratory phase at this time and further information is unavailable, according to a plan spokeswoman.

Prudential Looks To Expand Emerging Manager Offerings

Prudential Investments is looking to leverage its retail distribution channels to provide emerging managers with access to assets.

The opportunity for emerging managers is large, as roughly $250 billion of Prudential's more than $1 trillion in assets under management is managed by third-party or non-affiliated investment managers.

"Our intention is to have emerging managers try to own a portion of the assets that are managed by non- affiliated investment managers across Prudential," said Bryan Ahrens, senior v.p. of Prudential's strategic investment research group. "The big focus where we see interest is in retirement and variable annuity plans."

The move to expand its emerging manager offerings comes on the heels of the company's investments into emerging managers through its general account portfolio that saw 10 firms allocated a total of $300 million as well as the success of the AST New Discovery Asset Allocation portfolio on the firm's Prudential Annuities investment platform. The platform, launched in 2012, includes seven boutique investment management firms across domestic and international equity and fixed-income and in 2013 returned 20.18% gross of fees, compared to 19.99% by its blended benchmark.

"This was very well received from the variable annuity product area because it was very innovative, there weren't very many options like that in the financial markets, particularly in the variable annuity market segment," he said.

The New Discovery portfolio has gathered roughly $650 million in assets as of Dec. 31.

"It has full support from our organization, which was so helpful in really getting this program up and running and also provided a sense of perpetuity in the organization on an ongoing basis," Ahrens said.

Cherrise Cederqvist, v.p. in Prudential's Strategic Investment Research Group, said the company believes leveraging Prudential's strengths in the retail market could help smaller firms scale more quickly and expand their distribution channels.

"In arriving at this strategy, we really looked at the strength of the Prudential organization and what we could bring to the table," Cederqvist said. "Many (emerging managers) indicated that they would like to diversity their client base and retail seems to be something they would be interested in."

Ahrens said the strategic investment research group's interests primarily remain in the traditional asset classes, but there is an interest in understanding the alternatives space and what strategies can be managed with the constraints of a 40 Act Fund.

"We actually create the mutual fund and we have a massive distribution system. All the emerging managers need to do is manage the assets and provide reporting to us," he said. "All that heavy lifting of building those 40 Act products, we are actually assuming that."

Cederqvist said interested managers should fill out the firm's questionnaire on its Web site (https://prusirg.prudential.com/prospectManager/Public/Registration.aspx) to begin the manager research process.

St. Louis Employees Readies Emerging Manager Search

The $761 million St. Louis Employees Retirement System has approved an emerging domestic non-large-cap equity manager RFP, Employee Benefits Manager Denise Droege said.

The draft RFP was approved at the plan's March 31 meeting and is expected to be posted on the city's Web site (https://stlouis-mo.gov/government/procurement.cfm) within the next week, according to Droege. She said the search will be open to strategies investing in any capitalization outside large-cap and across the core, value and growth styles.

She added that it is unclear at this time if the plan will consider more than one manager as a part of the search and a mandate size has yet to be determined. The RFP draft was originally brought for approval by general investment consultant Summit Strategies Group in order to begin the process of implementing a new emerging manager program. The plan originally approved an emerging manager program investment policy at its Jan. 27 meeting.

The plan defines emerging managers as firms managing at least $10 million in assets and no more than $2 billion with at least a one year in operation. Additionally, at the time of contribution the plan's account can comprise no more than 10% of the plan's assets under management in the strategy.

The plan's emerging manager investment policy states that the board developed an emerging manager program because it "recognizes that even large, experienced and successful investment organizations were once small, start-up firms, with few assets under management. These firms are often started by experienced investment professionals, who show great promise, but find it difficult to compete with larger organizations."

Senior V.P. Jessica Portis serves as the plan's lead consultant with Summit Strategies.

LA Utilities Plan Allows Investing In Newer PE Firms

The $10.7 billion Los Angles Water & Power Employees Retirement Plan will now be allowed to invest in newer private equity firms, CIO Jeremy Wolfson confirmed, in an e-mail.

The plan can now invest with private equity firms that have completed only one prior fund and are starting their second fund, according to the new policy that was approved at its March 26 meeting.

The new policy also states that only investments from newer firms whose partners exhibit experience in prior fund and/or experience at another firm will be brought forward for consideration.

The current policy requires firms of proposed comments to have completed at least two funds that operated in varied business cycles.

Additionally, the new policy will also allow increased investments to direct partnerships to 40% from 20% and allow commitments to firms investing in non-U.S. assets not to exceed 35% of the entire portfolio's market value.

The plan has 1.76% allocated to private equity as of Jan. 31, with an overall 5% target.

Pension Consulting Alliance serves as the plan's general and private equity consultant.

Sonoma County Creates Opportunistic Bucket

The $2.2 billion Sonoma County (Calif.) Employees Retirement Association created an opportunistic allocation bucket that could include emerging manager investments, Senior Investment Officer James Failor said.

The opportunistic allocation will have a 0% target, however the plan is allowed to invest a maximum of 6% with individual investments targeted at 2% to 3% each, he said.

Failor said general investment consultant Hewitt EnnisKnupp is recommending two types of investments as a good fit for the allocation.

The first type is in emerging managers, or managers less well-known to the plan, that would be incubated and could be graduated to become a long-term strategic allocation. The second strategy that Hewitt EnnisKnupp is recommending is opportunistic investments that capitalize on major market dislocations, Failor said.

The plan changed its investment policy statement to accommodate such investments, however Hewitt EnnisKnupp is not recommending any specific investments at this time and it is possible that no compelling opportunities will be forthcoming, he added.

The plan is also scheduled to receive an education on emerging managers in the third quarter, which will include managers that are earlier in their life cycle (EMM, 3/6).

Dallas Employees Conducing Private Equity FoFs Search

The $3.3 billion Dallas Employees' Retirement Fund is conducting a private equity fund-of-funds invitation-only search in order to fill out the remainder of its emerging manager allocation, Executive Director Cheryl Alston said.

The plan will issue the RFP to eight previously-selected firms, which will handle approximately 2.5%, or between $25 million and $50 million, of the plan's 10% target allocation to emerging managers, Alston said.

In a follow up e-mail, Alston added that the plan hopes to have the search wrapped up some time in the third quarter and the eight firms already identified by investment consultant Wilshire Associates include Accolade Capital Management, Avanz Capital, Bank of America Merrill Lynch, Fairview Capital Partners, GCM Customized Fund Investment Group, Invesco, MB Global Partners and Muller & Monroe Asset Management.

The plan previously made emerging manager commitments of $60 million to domestic fixed-income Garcia Hamilton & Associates and $30 million to domestic small-cap value equity manager Channing Capital Management late last year (EMM, 11/6).

Illinois Muni. Shakes Up Emerging MoM Mandates With Progress

The $33.7 billion Illinois Municipal Retirement Fund approved a pair of new mandates with emerging manager-of-managers Progress Investment Management Company at its March 28 meeting, Spokesman John Krupa said, in an e-mail.

The plan approved a full withdrawal of a $410 million domestic equity mandate with Progress in order to fund a new $250 million international equity mandate and a new $160 million domestic fixed-income mandate, according to Krupa.

He said the plan made the changes to rebalance its overweight allocation to domestic equity, which was funded at approximately 45% as of March 10. The plan has a 38% target to domestic equity.

Further information on how the transition of assets would be handled as well as the status of existing domestic equity emerging manager relationships was not available and follow-up e-mails to Krupa were not returned by press time.

The plan also already had a domestic fixed-income allocation to emerging managers through Progress; it was not clear if the new allocation would impact that portfolio.

Chicago Plan Seeking Brokers

The $10 billion Public School Teachers' Pension & Retirement Fund of Chicago has issued an RFI for minority-, female- or disabled-owned broker dealers to be added to its approved list.

The plan issued the RFI because "it is committed to providing opportunities for minority, female or disabled owned broker dealers."

A copy of the RFI is available on the plan's Web site (http://www.ctpf.org/general_info/rfps/mwdbebrokerrfi2014.pdf) and the deadline for proposals is April 7.

Search Roundup

The following directory includes search and hire activity for the last month, as well as previously reported ongoing searches. The chart also includes emerging managers hired for direct investments. All amounts are in $ millions unless otherwise stated. To report manager hires and new searches, please call Gar Chung at 646-810-1073 or e-mail him at gchung@fin-news.com.

FUND NAME	FUND SIZE (M)	INVESTMENT TYPE	SIZE (M)	COMMENTS
NEW LEADS				
St. Louis Employees Retirement System	761	Emerging Managers	N/A	Plan approved an emerging domestic non-large-cap equity manager RFP at its meeting yesterday and it is expected on the city's Web site (https://stlouis-mo.gov/government/procurement.cfm) within a week. It is unclear at this time if the plan will consider more than one manager as a part of the search and a mandate size has yet to be determined.
California Public Employees' Retirement System	284,100	Private Equity Fund-of-Funds	200	Plan will search for a private equity fund-of-funds to handle a $200 million allocation dedicated to investing in emerging manager private equity funds. Search is expected to be handled over the summer with a hire later this year. Further details on how search will be conducted, including if RFP will be issued, were not immediately available.
Chicago Park Employees Annuity & Benefit Fund	416	International Equity	15	Plan issued its RFP for minority-, women-, or persons with a disability-owned international equity managers to handle approximately $15 million. A copy of the RFP and accompanying questionnaire are available on the plan's Web site (http://www.chicagoparkpension.org/RFP.html). The deadline for proposals is April 30.
Dallas Police & Fire Pension System	3,400	Emerging Managers	N/A	Plan has begun discussions on the potential creation of a dedicated emerging manager program. Plan is still in the exploratory phase at this time and further information is unavailable.
Dallas Employees' Retirement Fund	3,300	Private Equity Fund-of-Funds	N/A	Plan is conducting a private equity fund-of-funds invitation-only search in order to fill out the remainder of its emerging manager allocation. Wilshire Associates is the plan's general investment consultant.
Los Angles Water & Power Employees Retirement Plan	10,700	Private Equity Fund-of-Funds	N/A	Plan is now allowed to invest in private equity firms that have completed only one prior fund and are starting their second fund, according to the new policy that was approved at its March 26 meeting. Current policy requires firms of proposed comments to have completed at least two funds that operated in varied business cycles.
Sonoma County Employees Retirement Association	2,200	Emerging Managers	N/A	Plan created an opportunistic allocation bucket that could include emerging manager investments, such as managers less well-known to the plan, that would be incubated and could be graduated to become a long-term strategic allocation. The allocation will have a 0% target, however the plan is allowed to invest a maximum of 6% with individual investments targeted at 2% to 3% each.
FIRMS HIRED				
Illinois Municipal Retirement Fund	33,664	Fixed-Income	160	Plan approved a new $160 million domestic fixed-income mandate with emerging manager-of-managers Progress Investment Management Company at its March 28 meeting. Funding will come from plan's withdrawal of a $410 million domestic equity mandate with the firm. Remaining funds will be used to fund a new international equity mandate with the firm.
Illinois Municipal Retirement Fund	33,664	International Equity	250	Plan approved a new $250 million international equity mandate with emerging manager-of-managers Progress Investment Management Company at its March 28 meeting. Funding will come from plan's withdrawal of a $410 million domestic equity mandate with the firm. Remaining funds will be used to fund a new domestic fixed-income mandate with the firm.
FIRMS ON WATCH				
Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago	1,400	Hedge Fund-of-Funds	10	Plan placed hedge fund-of-funds manager Rock Creek Group on watch after the firm lost its women-owned designation.

CalPERS Names Acting Real Assets Senior Investment Officer

Thomas McDonagh has been appointed acting senior investment officer for real assets at the $280 billion California Public Employees Retirement System, the plan announced.

McDonagh will be responsible for implementation and management of investment strategy and policy for the plan's $27.8 billion real assets portfolio.

McDonagh, who currently serves as a senior portfolio manager in the global fixed-income asset class at the plan, takes on the acting role for Ted Eliopoulos, who has been serving as interim cio since the death of Joseph Dear.

"Tom is a valued part of our team, and has both the investment and management experience needed to lead the asset class," Eliopoulos said, in a statement. "I look forward to working with Tom and welcome him to the senior management team."

Chicago Laborers Plan Seeking Executive Director

Executive Director Maura Murrihy has left the $1.4 billion Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.

Murrihy resigned in February and Comptroller Aileen Pecora is currently serving as interim executive director.

The plan is currently conducting a search for a replacement. Further details on the search are available on the National Association of State Retirement Administrators' Web site (http://www.nasra.org).

Questions regarding the position should be directed to Assistant V.P. Elena McCall of executive recruitment firm EFL Associates at 720-200-7021 or via e-mail at emccall@eflassociates.com.

Murrihy joined the plan less than one year ago when she replaced James Capasso, who retired in November 2012.

Pecora and Board Chairwoman Stephanie Neely did not respond to messages seeking comment.

Pa. Plan Loses Executive Director

Scott Kunka, finance director of the City of Pittsburgh, left his position this month, said Tim McNulty, spokesman for Bill Peduto, the city's new mayor.

As finance director for the last eight years, Kunka was also the executive director of the $672 million Pittsburgh Comprehensive Municipal Pension Trust Fund.

Deputy Finance Director Tony Pokora was let go earlier this year as part of the new administration.

McNulty said Chief Administration Office Debbie Lestitian is serving as interim finance director as a search for a full-time director is currently underway.

Oklahoma Plan Taps Sister Agency For Interim Exec. Director

Tom Spencer has been named interim executive director of the $13 billion Teachers' Retirement System of Oklahoma, Chairman James Dickson said.

Spencer, who is currently the executive director of the $8.1 billion Oklahoma Public Employees Retirement System, said he will spend 80% of his time at the Teachers plan starting April 1.

That number will reduce by 10% each month until the contract ends on July 31, Spencer said.

"The Oklahoma Public [plan] board has agreed to permit Tom to serve as interim executive director" while the Teachers plan conducts a search, Dickson said.

OPERS Chairman DeWayne McAnally said in a statement: "Tom Spencer has done an excellent job for OPERS for more than ten years. Our Board felt it was the right thing to do to help a sister state agency while it seeks new leadership."

The Oklahoma Teachers plan has been without an executive director since October when James Wilbanks was fired. The selection of Spencer was also prompted when Assistant Executive Director Joe Ezzell retired this month.

The plan is currently in the process of hiring a search firm to find a permanent replacement.

Mass. Plan Hires Discretionary Investment Consultant

The $329 million Brockton (Mass.) Contributory Retirement System hired SEI Investments as its discretionary investment consultant at a March 31 board meeting, Executive Director Harold Hanna said.

SEI was hired over fellow finalist Russell Investments. The two firms were selected as finalists over other candidates Marco Consulting Group, Meketa Investment Group, Gray & Co. and incumbent general investment consultant NEPC.

SEI will have full discretion over the plan's investments. The plan's asset allocation is 26% to domestic equity, 13% to international equity, 30% to domestic fixed-income, 8% to international fixed-income, 8% each to real assets and real estate, 6% to private equity and 1% to cash.

Hanna said the contract of NEPC will be terminated upon the official signing of SEI, which could happen within the next few months. The contract is subject to full approval from the Massachusetts Public Employee Retirement Administration Commission.

The plan is also in the midst of real estate and fixed-income manager searches. Hanna said SEI will address those outstanding searches at the plan's April 24 board meeting.

Delaware Investments Hires Institutional Client Service Head

John Finnegan has joined Delaware Investments as senior v.p. and head of institutional client service, Spokeswoman Marlene Petter confirmed.

Finnegan will be responsible for overseeing the firm's client service group and managing institutional relationships, the firm said. He will report to J. Scott Coleman, executive v.p. and head of distribution.

Finnegan assumes the position from Gerald Nichols, who was promoted to head of ex-U.S. client services for the firm's international business, Petter said.

"John has an established track record of building successful relationships across multiple institutional and sub-advisory client segments," Coleman said, in a statement. "He has a deep understanding of the institutional marketplace, and experience as a client service officer with our firm-these are among the reasons we think he's a great choice to head our client service efforts."

Previously, Finnegan served as managing director of client relations at Turner Investments.

Turner Spokesman Tucker Hewes did not provide additional information.

Delaware Investments is a global asset management firm with more than $185 billion in assets under management.

Christian Brothers Appoints CIO

John Geissinger has been named cio of Christian Brothers Investment Services, the firm announced.

Geissinger will be responsible for developing the firm's investment policy, representing the organization, developing asset allocation models and risk management parameters, supervising the manager-of-managers function and collaborating on new products, the firm said. He succeeds Frank Haines, who retired from CBIS in August 2013.

"The depth and breadth of John's background have positioned him well to help guide CBIS to the next level of growth," said Michael O'Hern, president and ceo, in a statement. "We are confident he will prove a tremendous boon in developing investment advice for our clients and strengthening our internal dialogue about global capital markets and investment opportunities."

Most recently, Geissinger served as a partner and senior research consultant at Hewitt EnnisKnupp. A call to Hewitt Spokeswoman MacKenzie Lucas was not returned by press time.

Christian Brothers Investment Services is an investment management firm focused on socially responsible investing for Catholic institutions with more than $5 billion in assets under management.

NEPC CIO To Join Neuberger Berman

Erik Knutzen, cio of investment consulting firm NEPC, has been named multi-asset class cio at Neuberger Berman, Spokesman Alex Samuelson confirmed.

Knutzen will be responsible for developing the firm's multi-asset class strategic partnerships, driving the asset allocation process on a firm-wide level, creating related client content for strategic partnerships and multi-asset class solutions and joining in portfolio management, the firm said.

Knutzen will join the firm in early May in the newly-created position, Samuelson said. He will be based in New York and will co-report to President and CIO Joseph Amato and CIO of Fixed-Income Brad Tank.

"Erik's skills and experience complement our existing client partnership capabilities," Amato said, in a statement. "Adding a seasoned, senior multi-asset class investor to an already deep capability at the firm helps Neuberger Berman deliver more insight, ideas and peer-to-peer investment experience to these important relationships."

Knutzen has served as cio of NEPC since 2008, leading investment strategy for the firm's client base with more than $800 billion in assets under advisement. Timothy McCusker, previously director of traditional research, has been promoted to cio, according to a letter to clients.

A call to an NEPC spokeswoman was not returned by press.

MOSERS Executive Director Announces 2015 Retirement

Gary Findlay, executive director of the $8.1 billion Missouri State Employees Retirement System, will retire from the plan at the end of 2015, Spokeswoman Candy Smith confirmed.

Smith said the plan will conduct a search for a replacement and hopes to have an individual in place by July 1, 2015, which will allow for a transition period with Findlay.

The plan has issued an RFP for an executive search firm to assist in the search. A copy of the RFP is available on the plan's Web site (https://www.mosers.org) and the deadline for proposals is April 30.

Findlay as served as executive director of the plan since April 1994.

Separately, Smith said Manager of Investment Policy and Communication Christine Rackers retired on March 1.

Rackers' position is being split between Smith, who now serves as the plan's communications and strategic planning coordinator, and Omar Davis, who serves as the plan's new manager of investment compliance.

Davis joins the plan from the $1.7 billion Missouri Department of Transportation & Patrol Employees Retirement System, where he had been serving as general counsel.

Selection Criteria Scorecard
(Updated: 2014)

31 Key Factors to Evaluate Investment Managers

Part 1 of 5 - ORGANIZATION + FIRM STRUCTURE

1. **Ownership** – Independent firm and team continuity are essential
   3 = 100% owned by key decision makers
   2 = substantial ownership by professionals (> 50%)
   1 = insignificant ownership by professionals or 75% by one person

2. **Number of investment professionals** – Team size is an important consideration - more is better
   3 = 5 or more investment professionals
   2 = 2-4 professionals with plans to increase staff when assets grow
   1 = one person show

3. **Culture of firm** – Strong values, able to retain talent, solid brand, defined succession plan
   3 = leaders set positive examples, promote from within, high trust factor, team oriented
   2 = star system, layers of management, generally positive work environment
   1 = high employee turnover, business of "silos", finger pointing, fear-based

4. **Portfolio manager presentation skills** – Polished, knowledgeable, articulate, and persuasive
   3 = comfortable, passionate, professional, persuasive
   2 = credible but lesser presence, average confidence
   1 = inarticulate, rambling, needs help, creates doubt in buyer's mind

5. **Reputation and integrity** – No regulatory issues, impeccable compliance
   3 = no legal actions, clean ADV, recent SEC audit with no findings
   2 = clean or resolved minor issues, no recent SEC audit (past 5 years)
   1 = legal actions, fined or censured, this is a "deal killer"

6. **Financial strength** – well-positioned to invest in future growth
   3 = cash on balance sheet, profitable
   2 = "breaking even", limited capacity to invest in firm now
   1 = not profitable, high burn rate

7. **Manager location** – geographically desirable
   3 = major city, lots of daily flights, possible airline hub
   2 = limited flight availability, within 1-2 hour drive from major city
   1 = no direct flights, remote location

8. **Portfolio manager "pedigree"**– great references, being known in marketplace is a plus
   3 = Blue chip background, well recognized, long history of repeated success
   2 = solid background and credentials, but lesser known institutionally
   1 = "I can confirm that they worked here…that's all", not distinguishable

ARROW PARTNERS
INDEPENDENT SALES + MARKETING SINCE 1995

Selection Criteria Scorecard
(Updated: 2014)

31 Key Factors to Evaluate Investment Managers

Part 2 of 5 - PRODUCT & STRATEGY

9. Asset class activity – capacity constrained or unique and niche, easy to differentiate
3 = high demand with limited supply of quality managers
2 = consistent activity or increasing demand
1 = occasional interest or very limited demand

10. Performance - above median for 3 and 5 years; annual consistency is desired
3 = top quartile with consistency over 5+ years, low dispersion, with critical assets
2 = top 50% of peer group, with consistency over most time periods
1 = below median numbers over long term or too short a track record to be marketed

11. Assets under management – has critical mass been achieved?
3 = $200+ million small cap, $1+ billion large cap, $400+ million hedge fund
2 = less than the above, but something to work with
1 = appear to be a "startup", nothing to work with

12. Available capacity – must be sufficient to provide us with meaningful upside ($$$)
3 = significant potential annual recurring revenue, a "game-changer"
2 = annual recurring revenue projections typical of most successful 3PM relationships
1 = limited capacity, targeted campaign

13. Client breakdown – institutional buyers typically refuse to be first client; credibility is essential
3 = diversified institutional clients (5+)
2 = fewer than five institutional clients
1 = no institutional clients

14. Investment vehicles – broad distribution opportunity, firm equipped to handle different types of accounts
3 = separate accounts, commingled vehicles, mutual funds, SMA/wrap, UMAs, LPs
2 = primarily separate accounts, willing to start new vehicles
1 = separate accounts only

Selection Criteria Scorecard
(Updated: 2014)

31 Key Factors to Evaluate Investment Managers

Part 3 of 5 - INVESTMENT PROCESS

15. Disciplined process – consistency and repeatability are the foundations for success
3 = process is clear and easy to put on paper
2 = process exists but with a lot of subjectivity, needs to be further developed
1 = not well articulated, convoluted story

16. Competitive advantage – looking for repeatable sustainable advantages, can demonstrate reasons for past success
3 = clearly identifiable anomaly to exploit
2 = some elements of uniqueness, must be "drawn out" from manager
1 = cliché, commodity sounding, vanilla story

17. Identifiable style – style that can be well-defined or categorized to fit with market need
3 = fits easily into an existing style/cap box
2 = good fit with some exceptions
1 = grey area, difficult to identify logical buyers

18. Attribution analysis – holdings AND returns based, peer group rankings
3 = data confirms story with consistent value added
2 = conclusions fairly positive but not consistent over long term
1 = "Houston, we have a problem" or too short a record

19. Distinctive story – a unique history
3 = easy to distinguish from competitors
2 = unique parts of the process exist, but need to be identified
1 = story is hard to distinguish from the crowd, uphill battle

ARROW PARTNERS
INDEPENDENT SALES + MARKETING SINCE 1995

Selection Criteria Scorecard
(Updated: 2014)

31 Key Factors to Evaluate Investment Managers

Part 4 of 5 - INFRASTRUCTURE & COMPLIANCE

20. **Compliance Program –** internal control and procedures, disaster recovery, backup systems, and personal trading policies
    3 = state of the art, time-tested, complete set of manuals, able to pass institutional scrutiny
    2 = policies and procedures in place, but static, untested with limited documentation
    1 = templates "off the shelf", outdated, no oversight

21. Internal Non-Investment Professionals & Support– refers to back office, compliance and infrastructure, more dedicated resources are better (generally)
    3 = Full-time CCO, dedicated risk manager, analytics and trading systems in place
    2 = Separate compliance and risk professionals but not fully dedicated responsibilities, some systems in place
    1 = overlapping responsibilities by investment professionals, compliance and back office personnel

22. **Trading** – use of brokers, supervision, accounting, trade allocation and reconciliation
    3 = dedicated trader, fully automated, straight through processing, systematic procedure for checks and balances
    2 = part-time person, limited automation, manual checks and balances, spreadsheet-based
    1 = lack of dedicated resources, little or no automation

23. **Performance and other data** – GIPS compliant and verified
    3 = Yes, updated annually, high quality composite
    2 = in process of getting verified
    1 = No verification or plans to get verified

24. **Portfolio accounting and other service providers** – Institutional quality desired
    3 = well recognized "large company" systems, superior infrastructure
    2 = serviceable systems, enhancements needed to broadly pass due diligence inspections
    1 = major system upgrades needed

Part 5 of 5 – MARKETING TERMS & CONDITIONS

25. **Commitment and accessibility of the professionals to market** –refers primarily to the willingness to participate in the process and supply marketing effort with timely data. Over time this is perhaps the most important issue.
    3 = committed, proactively looking for dedicated marketing effort
    2 = stated desire to grow but somewhat skeptical and unsure on how to proceed
    1 = not willing to commit necessary resources, their favorite thing to say is "NO"

26. **View of 3PM business** – Proper mindset and well-researched opinion of 3PM industry
    3 = firmly committed to 3PM model, no internal sales force
    2 = wavering on creating dedicated sales effort
    1 = skeptical, micromanaging, compete with internal people, list-centric

27. **Contractual terms and conditions** – Realistic expectations, willing to negotiate agreement structure
    3 = exclusive relationship, retainer, expenses, commissions, trailers
    2 = open minded but need to learn more about 3PM business
    1 = unrealistic expectations, unwilling to commit to proper deal structure, short-term oriented

28. **Marketing history** – prefer undiscovered manager, not in databases (contrarian indicator)
    3 = "Why don't they have more money?" limited institutional presence, truly unrecognized
    2 = mild recognition in marketplace, neutral/positive reception
    1 = over marketed firm with history of ineffective sales effort, broken story

29. **Marketing materials and information requests** – must be able to answer questions and turnaround replies to inquiries promptly
    3 = manager "pushes a button" and data arrives within 1-2 days
    2 = not turn-key, labor intensive processes but potential for improvement
    1 = disaster, must pull files from archives, no process at all, everything is a "fire drill"

30. **Chemistry** – do we enjoy their company? How do we feel when they call?
    3 = can finish each other's sentence, definitely on the same page
    2 = appropriate "business relationship"
    1 = oil & water, don't respect marketing function, room service instead of restaurants

31. **Website** – are they technologically current?
    3 = nice site, lots of material, professional brand
    2 = existing but outdated site, limited web presence
    1 = no web site, no plans to launch, no interest

Composite Scoring

People & Organization	______ of total 24
Product & Strategy	______ of total 18
Investment Process	______ of total 15
Infrastructure & Compliance	______ of total 15
Marketing terms & Conditions	______ of total 21
Total Score	**______of total 93**

Total Score

93	No one is perfect! Go back, be honest and rescore yourself
78 - 92	Most desirable manager, give us a call
62 – 77	Moderate interest…we will watch until scoring improves
Below 62	No current level of interest, probably not a fit for us