



*Asset
Management*

IAFE Conference, June 3, 2004 Asset Allocation Panel

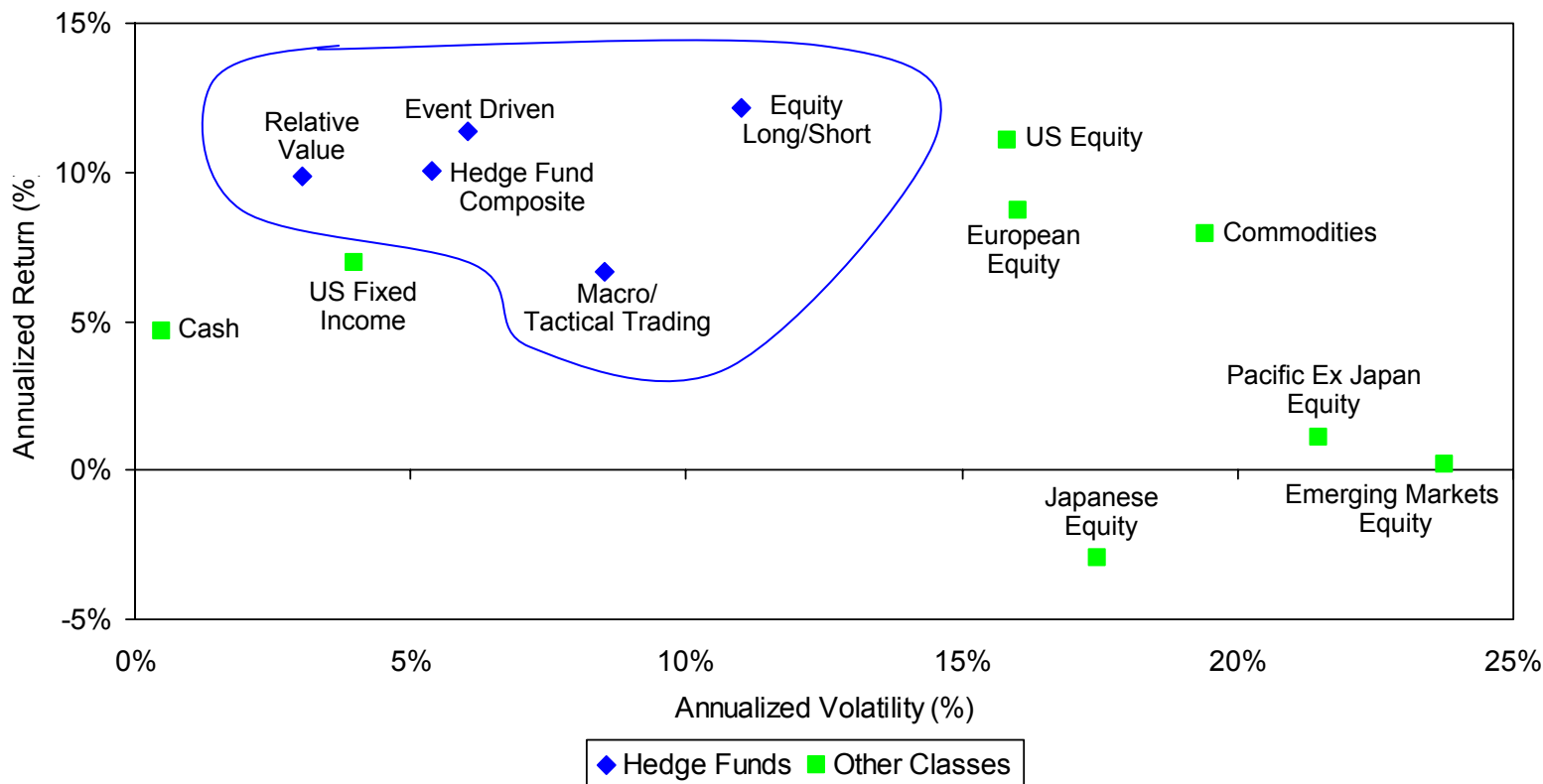
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Absolute Return Strategies/Hedge Funds

- Increasing Interest Among Institutional Investors
 - Thought provoking academic papers
 - Greater transparency/improved risk controls
 - Historical performance
- Possible New Asset Class
- Transportable Alpha

Hedge Fund Performance vs. Other Asset Classes

(Jan '94 to Dec '03)



Source: CSFB Tremont, The Barclay Group and Bloomberg. Hedge fund composite based on equally weighted CSFB Tremont indices.

Asset Allocation Decision

- Historical Hedge Fund Data Not Well Suited to Optimization
- Qualitative Factors
 - Fiduciaries comfort with relatively new asset class
 - Expertise/resources for due diligence
 - Maverick/headline/career risk
 - Liquidity requirements

GM's Experience with ARS/Hedge Funds

- Late-'90s/Started to Use as Portable Alpha
- 2001/Separate Asset Class
 - 1% allocation/\$700 million
 - Case compelling but not ready for significant commitment
- 2004/New Contribution Prompted Higher Allocation
 - Return expectations/shortfall constraints call for:
 - Greater reliance on alpha (skill-based) strategies and less on beta (market-based) strategies
 - 9%-13% allocation to alternative investments (skill-based strategies and private equity)