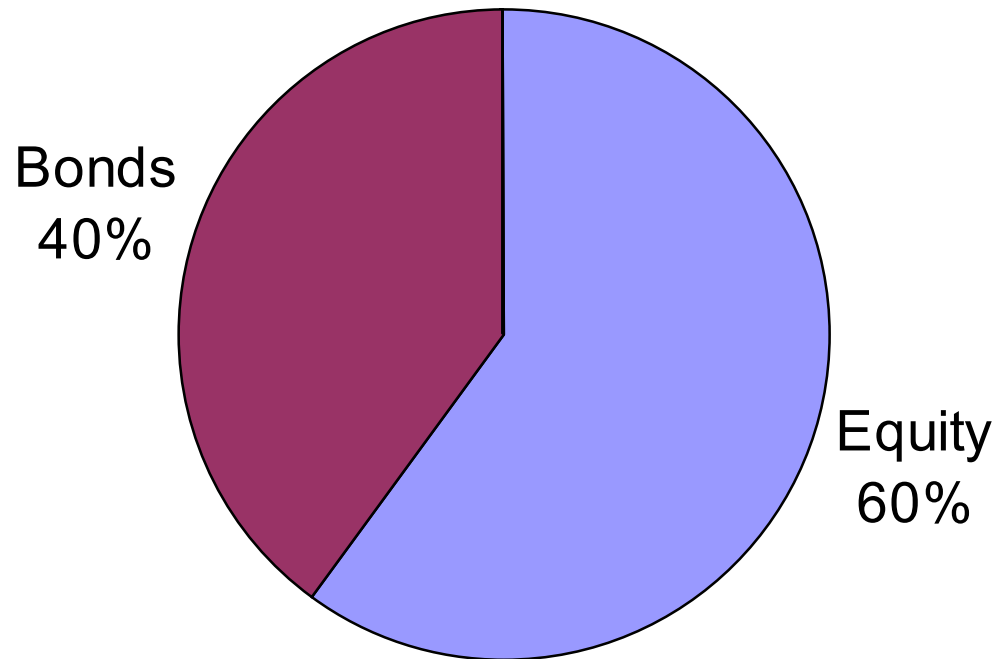
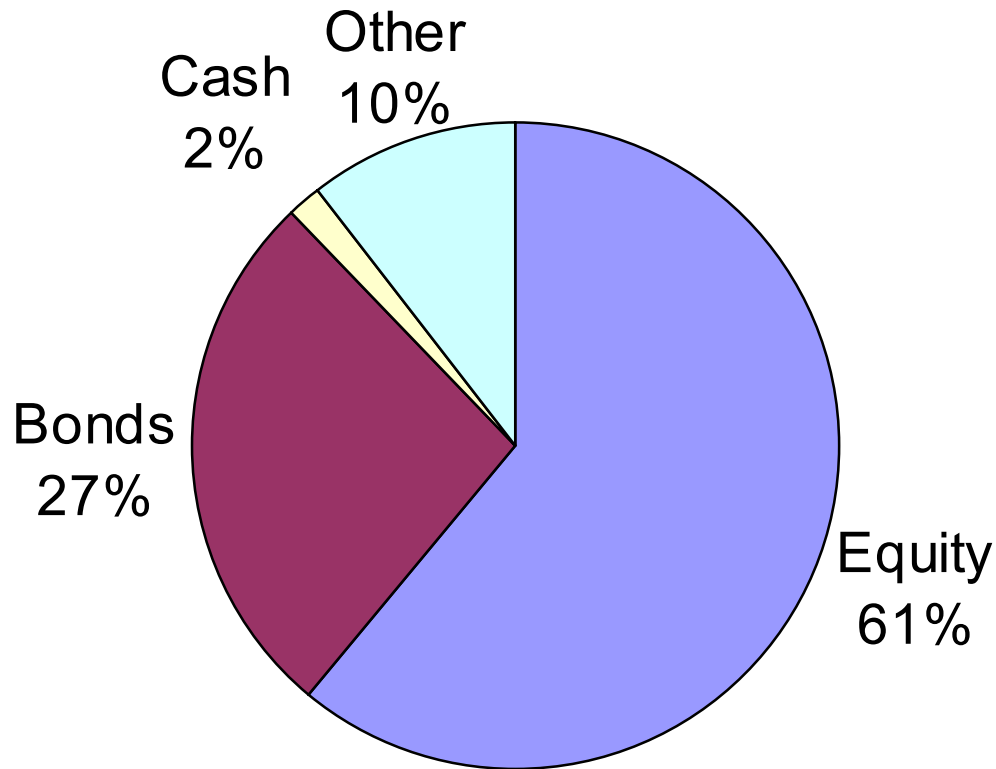


# Pension Fund/Plan Sponsor Typical Asset Allocation - 1980



Source: Tradition

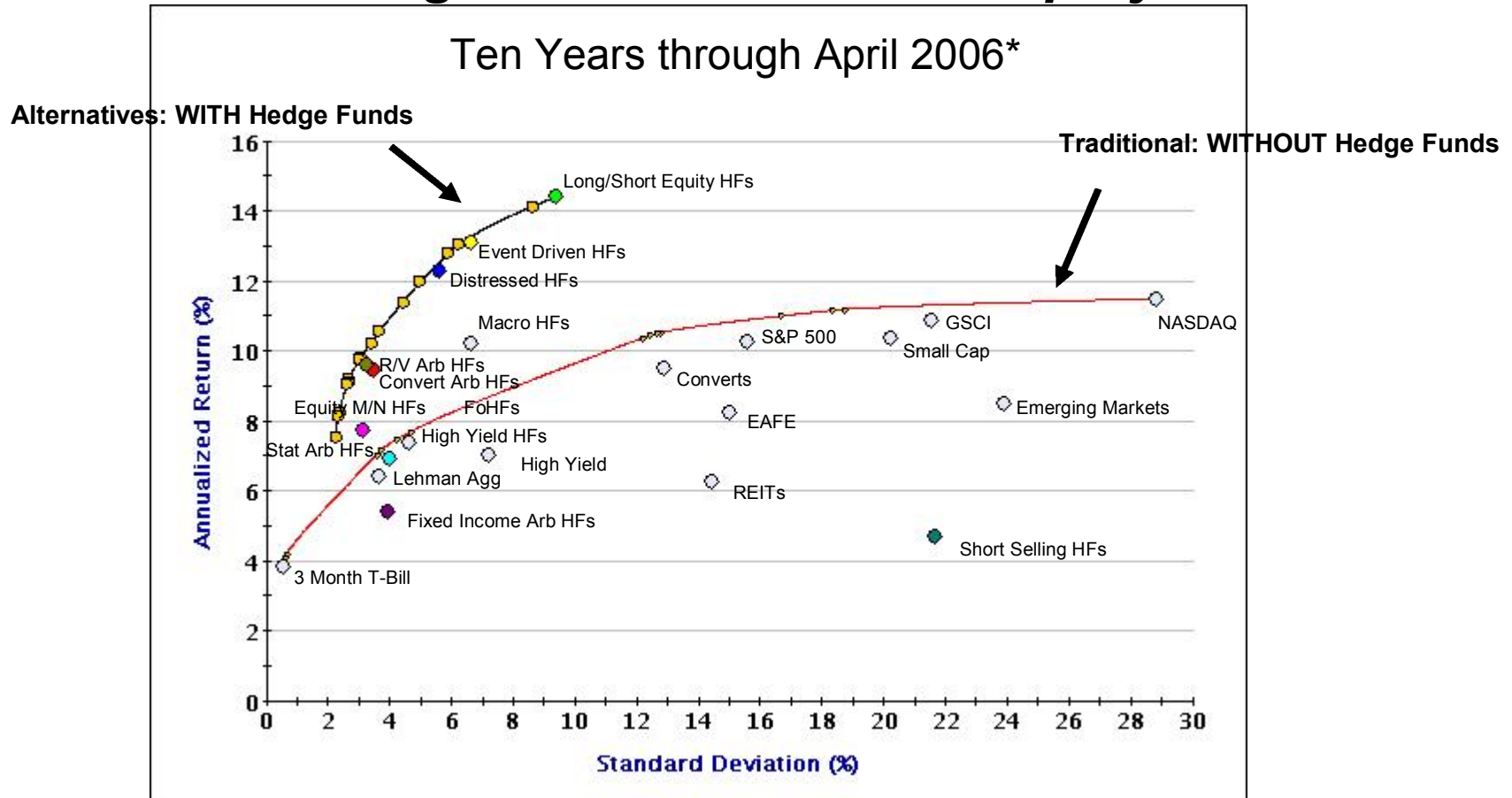
# Pension Fund/Plan Sponsor Typical Asset Allocation - 2006



Source: P&I Top 200 Pension Funds/Sponsors

# Hedge Funds as an Alternative?

## Alternatives: Hedge Funds vs. Private Equity



\* Asset classes represented by standard market indices.

Sources: All Hedge Fund Strategies: Hedge Fund Research, Inc.; GSCI: Goldman, Sachs & Co. Inc.; Lehman Aggregate: Lehman Brothers; Convertible Bonds and High Yield: Merrill Lynch; EAFE & EMF: Morgan Stanley Capital International; NASDAQ: Altvest; Russell 2000 (Small Cap): TASS; REITs and the S&P 500: Standard & Poor's; T-Bill: Bloomberg.

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# Alternatives: Hedge Funds vs. Private Equity

	Hedge Funds	Private Equity
<b>Business Model</b>		
<b>Common Value Chain</b>	← Capital raising, investment sourcing, new investment evaluation, monitoring & exit →	
<b>Unique Value Chain</b>	<ul style="list-style-type: none"> <li>Portfolio construction</li> <li>Deep market analysis</li> <li>Trading</li> <li>Hedging &amp; risk mitigation</li> </ul>	<ul style="list-style-type: none"> <li>Selling partnership to management</li> <li>Deep due diligence</li> <li>Execution process (financial engineering, M&amp;A)</li> <li>Portfolio company management</li> </ul>
<b>People Intensity (per strategy)</b>	3-10 Investment pros / Externally light	30-50 Investment pros / Externally heavy
<b>Investment Frequency</b>	Varied, but generally high	3-5 new investments p.a.
<b>Time to New Investment</b>	1 day to 4+ weeks	4 weeks to 1+ year
<b>Investment Time Horizon</b>	Highly varied -- 2 seconds to 2+ years	3-7 years
<b>Investment Liquidity</b>	Very high	Generally low
<b>Target Returns</b>	Premium to indices	20-35%+

# Alternatives: Hedge Funds vs. Private Equity

	Hedge Funds	Private Equity
<b>Economic Model</b>		
<b>LP/Investor Commitment</b>	Varied: day-to-day up to 5+ yrs	10+ years
<b>LP Investor Liquidity</b>	See above	Limited, but getting better
<b>Minimum IRR threshold</b>	Generally none	Generally 8%
<b>Fees &amp; Carry</b>	2% <u>AND</u> 20%	1.5% <u>OR</u> 20%