



State of New Jersey

CHRIS CHRISTIE
Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
P.O. BOX 290
TRENTON, NJ 08625-0290

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

May 18, 2012

MEMORANDUM TO: State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Investment in Visium Balanced Fund, L.P.**

The New Jersey Division of Investment (“Division”) is proposing an investment of up to \$150 million in **Visium Balanced Fund, L.P.** (“Visium” or “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment for a number of reasons:

Specialized Health Care Expertise: The firm’s specialized sector focused research gives them an edge over generalist funds that invest in the healthcare space. Visium has six portfolio management teams for the Fund responsible for pharmaceuticals, biotech, medical services and medical devices sub-sectors. The Division will look to leverage relationship to generate investment ideas for internally managed portfolios.

Market Neutral Exposure: The Fund is managed with a market neutral exposure (+/-10%), making it a good complement to the long-biased orientation of a number of the managers in the equity-oriented hedge fund portfolio.

Experienced Portfolio Manager with Large Team: Visium was founded in November 2005 by Dr. Jacob Gottlieb along with the healthcare team which spun out of Balyansy Asset Management. Dr. Gottlieb has 14 years experience in the investment industry, a medical degree from NYC Medical School and a BA from Brown University. Visium has 75 employees, 49 of which are investment professionals. Thirty of the investment professionals are dedicated to the Fund. The senior members of the investment team have worked together for an average of six years.

Attractive Return Profile: 10.93% annualized return with 9.74% SD from inception through March 2012. The Fund ranks in the top quartile since inception among equity long/short managers on an absolute return and risk adjusted return basis.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its hedge fund consultant, Cliffwater LLC, undertook extensive due diligence on the proposed investment in accordance with the Division's Alternative Investment Due Diligence Procedures. As part of its due diligence process, staff determined that the fund has not engaged a third-party solicitor (a "placement agent") in connection with New Jersey's potential investment.

We will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. In addition, the proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that the investment is authorized pursuant to Articles 69 and 100 of the Council's regulations. The Visium Balanced Fund, L.P Fund will be considered an equity oriented hedge fund investment, as defined under N.J.A.C. 17:16-100.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on May 16, 2012. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's May 24, 2012 meeting.

Attachments

Fund Name: Visium Balanced Fund, LP

May 24, 2012

Contact Info: Kelly DeMeester, 950 Third Avenue, Floor 29, New York, NY 10022

Fund Details:

Total Firm Assets (\$bil.):	\$3.5 billion	Key Investment Professionals: Dr. Jacob Gottlieb: Founder, Managing Partner and CIO. He leads portfolio management and sits on the risk management and allocation committee. Prior to forming Visium, Dr. Gottlieb was a portfolio manager at Balyasny Asset Management and has 14 years experience. Dr. Jerry Wu and Mr. Ryan Ogg: Partner & Portfolio Managers, co-run the biotech portfolio with 11 and 12 years experience respectively. Mr. Sanjay Valvani: Partner & Portfolio Manager, runs the specialty pharma portfolio with 12 years experience. Mr. Anthony Sterling: Portfolio Manager, runs the healthcare services portfolio with 17 years experience. Mr. Doug Nigen and Mr. Shalabh Gupta: Portfolio Managers, co-run the international portfolio with 17 and 14 years experience respectively.
Strategy:	Healthcare focused Long/Short	
Assets in Strategy(\$bil.):	\$2.4 billion	
Year Founded:	2005	
SEC Registration	Yes	
GP Commitment:	Approximately 3%	

Investment Summary	Track Record			
<p>Visium is a Healthcare sector focused fund which invests in equities and credit on a global basis. The fund is managed with low net exposure, and seeks to generate returns through fundamentally driven single-name ideas. Six portfolio management teams have sub-sector and geographic areas of coverage, and aim to generate diversified, uncorrelated alpha streams. The subsectors include pharmaceuticals, biotechnology, medical services, and medical devices. These teams are overseen by Jacob Gottlieb the CIO.</p>	<i>As of 3/31/12</i>	<i>Visium Balanced Fund</i>	<i>HFRI Equity Hedge (total) Index</i>	<i>S&P 500 Health Care</i>
	1 yr	1.49	-3.90	13.77
	3 yr	13.64	10.66	15.47
	5 yr	8.38	1.28	2.18
	2011	1.95	-8.38	10.17
	2010	24.51	10.45	0.72
	2009	22.00	24.57	17.05
	2008	-13.95	-26.65	-24.49
2007	17.30	10.48	5.41	

Vehicle Information:

Fund Inception:	2005	Subscriptions:	Monthly
Fund Size (\$mil.):	\$2.4 billion	Redemptions (notice):	Quarterly (60 days)
Management Fee:	2%	Lock-up:	1 yr soft lock up w/ 5% redemption fee within first 12 mos.
Profit Allocation:	20%	Prime Broker:	Morgan Stanley, J.P. Morgan, Credit Suisse Securities
Highwater Mark:	Yes	Administrator:	Morgan Stanley Fund Services USA, LLC (onshore) Bermuda, Ltd. (offshore)
Hurdle Rate:	No	Auditor:	Rothstein Kass & Company, P.C.
Additional Expenses:	86 bps onshore, 95 bps offshore	Legal Counsel:	Seward & Kissel LLLP, Maples & Calder (Offshore)

NJ AIP Program

Recommended Allocation:	\$150 million	LP Advisory Board Membership:	N/A
% of Fund:	6.25%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.