



**State of New Jersey**

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*Governor*

DEPARTMENT OF THE TREASURY  
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*State Treasurer*

December 8, 2011

MEMORANDUM TO: State Investment Council

FROM: Timothy Walsh  
Director

SUBJECT: **Proposed Investment in Arden Institutional Advisors, LP**

The New Jersey Division of Investment (the "Division") is proposing an addition up to **\$150 million** to our investment in **Arden Institutional Advisors, LP 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. The Pension Fund is \$800 million underweight in absolute return hedge funds and this add-on investment will move the allocation closer to target in a segment of the portfolio that should benefit from the current macro driven environment. The proposed portfolio will be managed by a very seasoned portfolio manager- Shakil Riaz, who joined Arden in 2009 after 15 years of managing an internal hedge fund of funds for J.P. Morgan's proprietary capital. The customized account provides the Division with access to closed top tier Global Macro managers and access to funds with improved liquidity. Also, the Division has the ability to review all proposed additions and redemptions within the portfolio. This will allow us to structure the portfolio in a manner that will complement the direct investment portfolio. 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 Arden Institutional Advisors, LP will be considered a multi-strategy 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 November 22, 2011. 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 December 8, 2011 meeting.

Attachments

**Fund Name : Arden Institutional Advisors, LP** **December 8, 2011**

**Contact Info:** Coby McDonald, 375 Park Avenue, 32nd Floor, New York, NY 10153 ,212-446-2025 , cmcdonald@ardenasset.com

**Fund Details:**

Total Assets (\$mil.):	\$7,100
Strategy:	Multi-Strategy FOF
Assets in Strategy(\$mil.):	\$2,174
Year Founded:	1993
SEC Registration:	Yes
GP Commitment:	\$100 mil

**Key Investment Professionals:**  
**AVERELL H. MORTIMER:** Mr. Mortimer is the Founder, President and Chief Executive Officer of Arden. Mr. Mortimer is also chairman of Arden's Investment Committee and is responsible for the firm's overall investment process. With over twenty years experience on Wall Street, Mr. Mortimer has worked in a variety of investment fields, including investment banking, venture capital and investment management. Mr. Mortimer received a B.A. from the University of Colorado in 1980 and an M.B.A. from Columbia University's School of Business in 1984.  
**SHAKIL RIAZ :** Mr. Riaz is a Managing Director at Arden and is a member of the Arden's Investment Committee with respect to the Arden PropPartners and Focused Global Macro portfolios. Mr. Riaz is responsible for leading the investment process for the Arden PropPartners funds. Previously, he was the Chief Investment Officer of J.P. Morgan PropPartners Management Corp ("JPM PP"). Prior to JPM PP, he was Chief Investment Officer for the Capital Markets Investment Program and General Manager of the predecessor Chemical Bank's offices in Cairo, Bahrain and Singapore from 1983 1991. He joined Chemical Bank in 1976 in the International Operations Group. Mr. Riaz holds a B.S. in Aerospace and Mechanical Engineering from Princeton University, a graduate diploma from the University of Stockholm and a M.B.A. from the Fuqua School of Business at Duke University.

**Investment Summary** **Existing and Prior Funds**

*New Jersey-Division of Investment is currently invested with Arden Asset Management in a diversified absolute return mandate. The relationship began in July 2006 and in 3Q11 DOI elected to transition this mandate toward more concentrated macro trading strategies given the opportunity. As part of the restructuring discussions, Arden informed the Division that they would be able to provide us with access to top tier Macro managers, many of whom are closed to new investors. These allocations were becoming available, and will continue to become available, as Arden returns capital to a large money center bank from a proprietary fund of funds they began managing for the bank in 2009. The additional allocation of \$150mil will be managed by Shakil Riaz who was managing JPM's proprietary fund of funds prior to joining Arden Asset Management.*

*The performance of Arden's standard Fund of Funds product is not relevant as the Division will be investing in a customized account*

	Arden PropPartners	HFRI Macro	S&P 500
YTD (as of Sept)	0.17%	-5.20%	-8.68%
2010	5.44%	5.70%	15.06%

*The following summarizes the investment performance of Mr. Riaz and his team while at JPM*

*	CMIP MH	HFRI Macro	MSCI World TR
Ann Returns- Since Incept:	11.56%	10.45%	5.25%
Sharpe Ratio	1.25	1.07	0.12

\* 1/1/95-6/30/09

**Vehicle Information:**

**Fund Inception:** Arden Alternative Advisors - July 2004  
**Fund Size (\$mil.):** \$2,174  
**Management Fee:** 0-\$125m: 0%, \$125m+: 30bps  
**Profit Allocation:** 7%  
**Highwater Mark:** Yes  
**Hurdle Rate:** 0-\$125m: 3M LIBOR, \$125m+: 3M L+3%  
**Additional Expenses:** approximately 25bps

**Subscriptions:** Monthly  
**Redemptions (notice):** Semi annually on 12/31 w/ 65 days notice and on 6/30 w/ 95 days notice  
**Lock-up:** None  
**Prime Broker:** N/A  
**Administrator:** UBS  
**Auditor:** Ernst & Young

**NJ AIP Program**

Recommended Allocation:	\$150 mil	LP Advisory Board Membership:	N/A
% of Fund:	7%	Consultant Recommendation:	Yes
		Placement Agent:	None
		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.