



State of New Jersey

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DEPARTMENT OF THE TREASURY
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State Treasurer

March 22, 2012

MEMORANDUM TO: State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Investment in BlueCrest Capital International Limited (BCI)**

The New Jersey Division of Investment (the "Division") is proposing an investment of up to \$200 million in **BlueCrest Capital International Limited ("BCI")**. 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:

Attractive Returns: BCI has generated excellent absolute and risk-adjusted performance with a since inception annualized return of 13.72% and a Sharpe ratio of 1.85 through January 2012. This performance places BCI in the top quartile of all hedge funds and global macro hedge funds on an absolute performance basis and the top percentile on a risk adjusted performance basis.

Complementary Exposure: BCI complements the portfolio's direct absolute return managers well with correlations of: Brevan Howard .26, Winton .28, and Lynx .18. The fund also has low correlation to other macro managers under consideration.

Diversified Portfolio: The fund trades a highly diversified portfolio of securities across the foreign exchange, global fixed income, and global equities markets. The current breakdown by strategy is as follows: Rates 60%, Fixed Income Absolute Return 20%, Fixed Income Relative Value 5%, Equity Derivatives 3%, Liquid Credit 7%, Cross Asset Convexity 3%, and Venture Finance 1% (amortizing out of fund).

Experienced Head Portfolio Manager: Michael Platt is widely considered one of the best Macro managers in the industry. Prior to establishing BlueCrest in April 2000, he was a managing director at JP Morgan in London where he was responsible for relative value proprietary trading. Mr. Platt joined JP Morgan in September 1991 and he assumed responsibility for developing its swaps business and subsequently its options trading business. In April 1996, he became head of trading for all swaps products relating to the eleven founder nations of the European single currency.

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 BlueCrest Capital International Limited (BCI) fund will be considered an opportunistic 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 March 14, 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 March 22, 2012 meeting.

Attachments

Fund Name : BlueCrest Capital International Limited

March 22, 2012

Contact Info: Garret Berg, 9 West 57th Street, 12th Floor, New York, NY 10019 (212) 451-2529 gberg@nyc.bluecrestcapital.com

Fund Details:

Total Assets (\$mil.):	\$28,700	Key Investment Professionals: Michael Platt: Co-Founder and CIO. Co-founded BlueCrest Capital Management LLP in 2000. Mr. Platt has 20 years experience in this strategy. Dr. Leda Braga: President and Head of Systematic Trading. Ms Braga has 18 years experience. Andrew Dodd: CFO with 18 years experience. Paul Dehadray: General Counsel with 16 years experience. Peter Cox: COO with 24 years experience. Cathy Kerridge and Jeremy Sambrook:Principals These listed here make up the executive committee which is the primary governing body of BlueCrest Capital Management LLP and meet quarterly to review material business strategy, results and risk.
Strategy:	Discretionary Global Macro Fund	
Assets in Strategy(\$mil.):	\$9,030	
Year Founded:	Dec-00	
SEC Registration:	Yes	
GP Commitment:	Approximately 2%	

Investment Summary	Track Record (Initial Share Class)				
<p><i>The fund utilizes relative value strategies to express core macro views, primarily in the fixed income and currency markets. The strategy is built on a specialist model with teams of traders focused on specific asset classes and market segments. The fund is currently comprised of an allocation to a diversified group of strategies including rates, fixed income relative value, fixed income absolute return, liquid credit, equity derivatives, cross asset convexity, and venture finance.</i></p>	As of 1/31/12		BCI	HFRI Macro	S&P 500
	1 Year	5.3%	-2.3%	4.2%	
	3 Year	18.4%	3.1%	19.2%	
	5 Year	15.5%	4.9%	0.3%	
	Since Fund Inception	13.7%	7.5%	1.9%	
	2011	6.1%	-4.0%	2.1%	
	2010	12.8%	8.1%	15.1%	
	2009	45.4%	4.3%	26.5%	
	2008	6.3%	4.8%	-37.0%	
	2007	10.8%	11.1%	5.5%	

Vehicle Information:

Fund Inception:	Dec-00	Subscriptions:	Monthly
Fund Size (\$mil.):	\$9,030	Redemptions (notice):	90 Days
Management Fee:	2.00%	Lock-up:	1 yr soft lock up
Profit Allocation:	20%	Prime Broker:	JP Morgan and UBS
Highwater Mark:	Yes	Administrator:	GlobeOp
Hurdle Rate:	No	Auditor:	Ernst & Young
Additional Expenses:	Onshore: 0.36%, Offshore: 0.28%	Legal Counsel:	Simmons & Simmons, Maples and Calder

NJ AIP Program

Recommended Allocation:	\$200 million	LP Advisory Board Membership:	N/A
% of Fund:	2.21%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	TBD

*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.