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Incubating the Investment Firms of the Future: Looking for Outstanding Portfolio Managers and Disciplined Entrepreneurs.

Strategic Investment Group of Arlington, VA , in the Greater Washington, D.C. area, has developed a unique and innovative track record of incubating superior investment management firms. Founded in 1987 by former senior members of the World Bank pension staff, the group and its affiliates have grown to nearly \$18 billion in assets under management. These affiliates include Numeric Investors, LP, Emerging Markets Investors Corporation, Emerging Markets Management, L.L.C. and Strategic Fixed Income, L.L.C. Now, on behalf of CalPERS, the largest public pension fund in the country, Strategic is searching for start-up investment managers to replicate their success. Strategic and CalPERS have formed a joint venture to provide seed capital, assets under management, and business advice and assistance to start-up or young money management firms in exchange for a share of the equity of these businesses. The rationale? "The highest operational leverage comes in the first ten years of a firm's life," said Hilda Ochoa-Brillembourg, President and CEO of Strategic, in a recent address to money managers at an AIMR (Association of Investment Management and Research) conference. She explained that investment firms experience their highest growth rate in assets and profitability in their first five years and also produce their highest value added (what academics refer to as "alpha") for their clients in their first ten years. CalPERS has recognized that its ability to deliver superior results for its pensioners depends on broad market returns as well as on its ability to meet the challenge of its large size by finding ways to tap into a range of innovative investment strategies. By investing in new or young firms, it can expect not only to capture higher value added in its managed portfolios, but also to reap significant gains from its ownership in the investment management firms. Says Ms. Ochoa-Brillembourg, "We like to call our business model 'the new form of venture capital,' in which asset holders truly partner with business entrepreneurs, by full sharing in ownership at the management firm level." Since the program was announced last year, Strategic has received more than one hundred twenty five inquiries and business proposals. One firm, Golden Capital Management, LLC, a U.S. equity manager based in Charlotte, has already been funded with \$200 million in managed assets, and many others are at varying stages of the due diligence process. Strategic is looking to build a portfolio of outstanding investment managers in all marketable asset classes. In addition, Strategic is also considering investment, in parallel with the CalPERS program, in non-traditional start-ups, including real estate, private equities, hedge funds and other alternatives.

Interested parties should visit www.2strategic.com or call Jacqueline Williams at 703-243-4433.