



State of New Jersey

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January 20, 2017

MEMORANDUM TO: The State Investment Council

FROM: Christopher McDonough
Director

SUBJECT: **Proposed Investment in BCA Cap I, L.P.**

The New Jersey Division of Investment (“Division”) is proposing an investment of up to \$300 million in BCA Cap I L.P., managed by Blueprint Capital Advisors LLC (“BCA”). Pursuant to the State Investment Council (the “Council”) regulations, the investment cannot exceed 20% of the total assets managed by BCA. Given that BCA does not currently have any assets under management, the Division will require a contractual provision that protects against this limitation being exceeded. This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

BCA was founded in 2015 to focus on sourcing and structuring bespoke relationships with managers in liquid/trading-oriented and opportunistic investment strategies, with the goal of providing differentiated exposures with a reduced fee structure.

The Division is recommending this investment based on the following factors:

Continuation of the initiative to build out the Fund Alignment and Incentive Reform Program (“FAIR”) program: The Division has created the FAIR program in an effort to reduce fees, enhance returns, and create better alignment of interests. The BCA mandate will target average management fees of 1% and incentive fees of 10% with a minimum hurdle of 3%.

Focus on opportunistic credit strategies is complementary to the Blackrock FAIR mandate as well as the Division’s current Global Diversified Credit (“GDC”) portfolio: While the Blackrock FAIR mandate will be focused solely on Risk Mitigation strategies, the BCA mandate will focus on GDC strategies as well as Risk Mitigation strategies. GDC strategies identified by BCA tend to be in niche segments of the market that the Division has difficulty accessing due to size or resource constraints.

Access to Managed Account Platform: When appropriate given the strategy and costs, investments will be structured via managed accounts, allowing BCA and the Division greater control over the account. BCA will also work with the Division to convert existing hedge fund investments to managed accounts when it makes sense from a cost perspective.

Favorable terms: The Division will pay BCA a blended management fee of 0.29% with no carry. In addition, the Division will receive 10% of BCA's adjusted gross revenues in perpetuity. A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its consultant, Cliffwater, 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. We have obtained a preliminary Disclosure Report of Political Contributions in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. We will obtain an updated Disclosure Report at the time of closing.

Please note that the investment is authorized pursuant to Articles 23 and 69 of the Council's regulations. Underlying investments in BCA Cap I L.P will be considered either global diversified credit investments, as defined under N.J.A.C. 17:16-23.1, or credit oriented hedge funds, equity oriented hedge funds, opportunistic hedge funds, or multi-strategy hedge funds, 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 January 12, 2017. 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 January 25, 2017 meeting.

Attachments

Fund Name: BCA Cap I, L.P. **January 25, 2016**

Contact Info: *Jacob Walthour, Jr., 680 Fifth Avenue, 12th floor, New York, NY 10019* □

Fund Details:		<p>Key Investment Professionals: <u>Jacob Walthour, Jr.</u>, Chief Executive Officer. Mr. Walthour has over 25 years of experience in capital markets, traditional and alternative asset management. Prior to founding BluePrint Capital Advisors ("BCA"), he served as Vice Chairman of Product and Business Development at Ramius LLC, the investment management division of Cowen & Company. <u>Carrie Pickett</u>, President. Ms. Pickett has over 15 years of experience in family office asset management, private equity, and hedge funds focused on business operations and business development. Prior to founding BCA, she served as a Managing Director at Ramius LLC, the investment management division of Cowen & Company. <u>Egidio (Ed) Robertiello</u>, Chief Investment Officer. Mr. Robertiello has over 25 years of experience in traditional and alternative strategies covering portfolio management, asset allocation, manager research and selection, funds due diligence and operations. Previously, he was Senior Portfolio Manager at CalPERS responsible for Absolute Return Strategies and Multi Asset Class Strategies. <u>Catherine Beard</u>, Director of Research. Ms. Beard has over 20 years of experience in traditional and alternative strategy investing including buy-side research and portfolio management as well as allocator experience in manager research, structuring and portfolio management. Prior to joining BCA, Ms. Beard was a Senior Manager on the Absolute Returns Team at the UAW Retiree Medical Benefits Trust.</p>
Total Firm Assets (\$bil.):	n/a	
Strategy:	Fund of Funds	
Assets in Strategy(\$bil.):	n/a	
Year Founded:	2015	
SEC Registration	No, intends to register	
GP Commitment:	TBD	

Investment Summary

BCA Cap I L.P., is managed by BluePrint Capital Advisors. The Fund will make investments in portfolios managed by hedge fund managers with the goal of providing differentiated exposures with a discounted fee structure. BCA will select sub advisors who have at least a three-year track record and are considered small to mid-sized firms, managing between \$250 million and \$1.25 billion. BCA will consider strategies across the spectrum of liquid hedge funds and opportunistic investments. BCA intends to negotiate investor-friendly terms, utilizing the large asset base of its clients as leverage with managers seeking to accelerate their growth.

Vehicle Information:

Fund Inception:	2016	Subscriptions:	Monthly with 30 days' notice
Fund Size (\$mil.):	TBD	Redemptions (notice):	Monthly upon expiration of the initial three-year lock up
Management Fee:	0.30% on the first \$225 million; 0.25% on the next \$100 million; 0.20% thereafter Management fee will be calculated on the lesser of Net Asset Value or contributions less withdraws	Lock-up:	3 years for each contribution
Profit Allocation:	N/A	Prime Broker:	Bank of New York Mellon
Highwater Mark:	N/A	Administrator:	SS&C Technologies
Hurdle Rate:	N/A	Auditor:	Deloitte Cayman
		Legal Counsel:	Greenberg Traurig, P.A.

NJ AIP Program

Recommended Allocation (\$mil):	up to \$300 million	LP Advisory Board Membership:	Yes
% of Fund:	N/A*	Consultant Recommendation:	Yes
* New Jersey's investment through BCA Cap I, L.P. will not exceed 20% of total assets under management by BCA at any time		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.