



State of Oregon  
Office of the State Treasurer  
350 Winter Street NE, Suite 100  
Salem, Oregon 97301-3896

OREGON INVESTMENT COUNCIL  
September 28, 2011  
Meeting Minutes

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon, Ted Wheeler

Staff Present: Darren Bond, Karl Cheng, Garrett Cudahey, Jay Fewel, Sam Green, John Hershey, Julie Jackson, Perrin Lim, Ben Mahon, Mike Mueller, Tom Rinehart, Ron Schmitz, James Sinks, Michael Viteri

Consultants Present: Allan Emkin and John Linder (PCA), Pete Keliuotis and John Meier (SIS), David Fann, Ken Lee and Tom Martin (PCG)

Legal Counsel Present: Dee Carlson, Oregon Department of Justice  
Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:00 am by Harry Demorest, Chair.

**I. 9:00 a.m.: Review and Approval of Minutes**

**MOTION:** Mr. Demorest brought approval of the July 27, 2011 minutes to the table. Treasurer Wheeler moved approval of the minutes. The motion was seconded by Ms. Durant and passed by a vote of 5/0.

Ron Schmitz, Chief Investment Officer gave an update on the most recent funds approved by the Private Equity and Real Estate Committees:

**Private Equity Actions**

**September 27, 2011 the PEC approved the following:**

Endeavour Capital Fund VI, for up to \$100 million  
HarbourVest Partners 2012 Direct Fund, L.P. for \$50 million

**II. 9:01 a.m.: Global Infrastructure Partners – OPERF Alternatives Portfolio**

Staff recommended that the OIC authorize a \$150 million commitment to Global Infrastructure Partners Fund II, L.P.. John Hershey, Alternatives Investment Officer, introduced Bayo Ogunlesi, Managing Partner with Global Infrastructure Partners. The founding partners established GIP 2006 with strategic sponsorship and investment from Credit Suisse and GE. Their first fund was a \$5.6 billion fund. The investment firm is currently seeking to close its second fund with approximately \$5.0 billion of capital commitments.

GIP will target control positions in core and core plus infrastructure assets in the energy, transport, and water/wastewater sectors, which mirrors the same target sectors as Fund I. Within the energy sector, the Fund will evaluate opportunities in regulated utilities, natural gas and liquids gathering,

processing, transport, and storage as well as power subsectors such as contracted generation, transmission and distribution and renewable energy infrastructure. Within the broader transport sector, GIP will focus on airports, marine ports, and freight rail. Within the water sector, the Fund will consider opportunities in water distribution, wastewater treatment and integrated waste management and recycling infrastructure.

While the fund will invest globally, its focus will be on the Organization for Economic Co-operation and Development (OECD) markets, primarily in North America, Europe and Australia. GIP II will target a gross IRR of 15-20 percent with a current cash yield to be built out over two to three years, which is in line with their Fund I experience to date.

**MOTION:** Ms. Durant moved approval of the staff recommendation subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

### **III. 9:40 a.m.: AQR Delta Fund – OPERF Alternatives Portfolio**

Staff recommended the OIC authorize a \$100 million commitment to AQR Delta Fund. Mr. Hershey introduced Gregor Andrade, Principal, and Adam Berger, Vice President, from AQR. The AQR Delta Fund is a multi-strategy portfolio of various hedge fund strategies. The Fund seeks exposure to a roughly equal risk weighted portfolio of hedge fund risk premia captured by strategies such as: global macro, convertible and merger arbitrage, event driven, equity market neutral and equity long/short, emerging markets, managed futures and fixed income relative value. By combining a diverse set of strategies, AQR seeks to build a portfolio that is largely uncorrelated to both the equity and bond markets, which makes it a valuable diversifier to a portfolio with large existing exposures to the equity and bond markets, such as OPERF's portfolio.

Hedge fund strategies can offer an excellent source of diversification to a heavily weighted equity and bond portfolio. AQR is a significant partner to OPERF and provides an attractive way for OPERF to access a diverse set of hedge fund strategies in a liquid and cost effective investment vehicle.

There was a question and answer period following the presentation.

**MOTION:** Ms. Durant moved approval of the staff recommendation subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

### **IV. 10:40 a.m.: Emerging Markets Mandate-William Blair – OPERF Public Equity**

Michael Viteri, Sr. Investment Officer, and Ben Mahon, Investment Officer, along with SIS recommend hiring William Blair's Emerging Markets product for the OPERF portfolio, subject to the successful negotiation of terms. The mandate will be funded with liquidated Pictet assets (approximately \$200 million). OIC policy 04-05-01 will be amended accordingly. At the July 27, 2011 OIC meeting, staff and SIS recommended, and the board approved, the hire of Axiom International Investors as a replacement for Pictet Asset Management. In the days following the meeting, but prior to initiating funding, staff received notification that Axiom's lead portfolio manager, Luis Soares, would be leaving the firm.

It was believed by staff and SIS that Axiom's partnership structure and equity participation promoted organizational stability. Elements such as comprehensive employment contracts and personal investment in firm strategies also supported this viewpoint. Mr. Soares's departure appears to be an anomaly resulting from very high demand for talented and experienced emerging market professionals.

Staff has proposed William Blair as a compelling alternate for the vacated emerging markets mandate. William Blair was a finalist in the last two emerging markets searches and was also a finalist in recently performed International Growth and International Small Cap searches. Staff has a very high regard for William Blair and the international capabilities of its investment professionals.

**MOTION:** Ms. Durant moved approval of the staff recommendation, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Solomon seconded the motion. The motion was passed by a vote of 5/0.

**V. 11:20 a.m.: 2012 OIC Meeting Calendar Dates**

The 2012 OIC meeting schedule was reviewed. The October 3 meeting was moved to September 19 and the November 7 meeting was moved to October 31. The updated calendar will be brought to the next meeting if necessary.

**VI. 11:23 a.m.: Annual Common School Fund Review**

Mike Mueller gave an annual update on the Common School Fund along with John Meier from SIS.

**VII. 11:25 a.m.: Asset Allocations and NAV Updates**

Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ending August 31, 2011.

**VIII. 11:27 a.m.: Calendar – Future Agenda Items**

Mr. Schmitz highlighted future agenda topics.

**IX. 11:30 a.m.: Other Business**

There was no other business discussed.

**Public Comments:**

There were no public comments.

Mr. Demorest and Treasurer Wheeler thanked Mr. Schmitz for his service and wished him the best of luck in the future.

The meeting adjourned at 11:32 a.m.

Respectfully submitted,



Julie Jackson  
Executive Support Specialist