



State of New Jersey

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DEPARTMENT OF THE TREASURY
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SHOAIB KHAN
Director

January 26, 2024

MEMORANDUM TO: State Investment Council
FROM: Shoaib Khan, Director
SUBJECT: Proposed Investment in Man NJ Solution

The New Jersey Division of Investment (“Division”) is proposing an investment up to \$300 million in Man NJ Solution (“NJ Solution” or the “Fund”) managed by Man Group. 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 based on the following factors:

Institutional infrastructure with a sustained history of performance. Man Group is one of the world’s largest alternative investment managers with more than 30 years of experience, managing \$161 billion. The firm focuses on delivering performance through a diverse spectrum of specialist investment disciplines, empowered by the latest technology. Over its history, Man Group has shown resilience during economic downturns, demonstrating its ability to successfully navigate through dynamic financial markets. Man AHL and Man Numeric are part of one of the globe’s largest research infrastructures concentrating on alternative investments. They each take advantage of Man Group’s scale, utilizing the firm’s comprehensive infrastructure of trading, risk management, and execution. This enables them to offer a comprehensive, risk-mitigation solution for limited partners.

Defensive characteristics to equity markets. Man Group’s custom solution provides a stable return source with capital protection in times of market crises with favorable liquidity and terms. The portfolio does not take directional market risk and will tactically hedge to stay within risk parameters. The portfolio is diversified across a range of risk mitigating strategies that provide differentiated sources of returns. Since inception in January 2007, the portfolio returned 8.01% net annualized returns compared to HFRI RV: Multi-Strategy Index of 3.71% returning consistent, attractive returns.

Alignment of interest and favorable terms. The Fund features attractive terms with a management fee of 0.775% and a 4.5% incentive fee on a blended basis. The underlying portfolio liquidity is high with 77.5% having weekly liquidity and 22.5% having monthly liquidity. Man Group has extensive experience constructing customized solutions similar to the Division’s separately managed account and benefits from their stable Limited Partner base including pensions, endowments, and sovereign wealth funds.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached. Division staff and the Division’s 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 utilized an internal affiliate to facilitate the potential investment, but that such affiliate does not constitute a placement agent for purposes of the Council's Placement Agent Policy

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.

The Firm has a formal Responsible Investment Policy. The Firm's current Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council's ESG Policy.

Please note that the investment is authorized pursuant to Articles 69 and 100 of the Council's regulations. Man NJ Solution will be considered an Absolute Return Strategy 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 IPC was held on July 17, 2023. An update was sent to each member of the IPC and a meeting was held on January 23, 2024. 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 31, 2024 meeting.

Attachments

Sincerely,

Shoaib Khan
Director, New Jersey Division of Investment

Man NJ Solution

- **DOI Commitment:** up to \$300 million in a fund-of-one customized portfolio
- **Strategy:** Risk Mitigation Strategies – Core Portfolios
- **Investment Focus:** Diversified portfolio investing in five uncorrelated strategies seeking to mitigate equity market drawdowns while providing a positive long-term return. Portfolio allocated to crisis return strategies (equity market neutral, trend following and volatility overlays), macro (quantitative macro) and risk based tactical asset allocation
- **Target Returns:** 3 Month T-Bill + 4.5% with 6% volatility, exhibiting zero to negative equity market beta with positive performance during market contractions
- **Investment Thesis:**
 - Extensive experience managing a range of alternative strategies, including macro discretionary and quantitative strategies
 - Long-standing successful track record of developing customized solutions across the entire Man platform which seek to meet individual client objectives
 - Proven track record through various market environments
 - Secured beneficial terms with favorable liquidity

Fund Name: Man NJ Solution **January 26, 2024**

Contact Info: Simon Harding, 1345 Avenue of the Americas, New York, NY 10105

Fund Details:

Total Firm Assets (\$bil):	\$161.2 billion	<p>Key Investment Professionals: Peter van Dooijeweert is the Head of Defensive and Tactical Alpha, focusing on delivering innovative, customised solutions to clients. Peter specialises in designing risk mitigating portfolios through the use of futures and options overlays, combined with Man Group's diversifying discretionary and systematic strategies. Peter also partners with clients to deploy their balance sheets to invest in market dislocations at the strategy, asset class or single security level. Previously, Peter was Head of Multi-Asset Solutions at Man Solutions. Prior to joining Man Group in June 2018, Peter was a portfolio manager at Paloma Partners between 2013 and 2017, where he was responsible for managing a global volatility portfolio and a multi-asset tail hedge protection plan. He started his career with Goldman Sachs in Tokyo in 1995 before moving on to Soros as a volatility portfolio manager. Subsequently, he launched and managed a volatility hedge fund seeded by Tudor Investment. Peter holds a degree in accountancy from Wake Forest University and also studied at Tokai University in Japan. Dr Darrel Yawitch is Chief Risk Officer of Man Group investments with responsibility for risk management of Man Solutions, Man AHL, Man Numeric and Man GLG. Dr Yawitch joined Man Group via Man GLG in 2011. Prior to this, he worked at Investec Bank PLC for over 10 years where he headed the Market Risk and Asset and Liability Management teams for the bank before working in the Principal Finance area. Dr Yawitch holds a BSc (Hons) degree from the University of the Witwatersrand, Johannesburg, an MSc (Quantum Fields and Fundamental Forces) from Imperial College, London and a PhD in Theoretical Physics from Kings College, London. Dr Yawitch is a Fellow of the Faculty of Actuaries.</p>
Strategy:	Multi-Strategy	
Year Founded:	1997	
Headquarters:	London, England	
SEC Registration:	Yes	
GP Commitment:	\$3 million	

Investment Summary **Annualized Returns**

<p>Man Group has designed a custom solution using components across their six investment engines that create a favorable risk mitigating portfolio. Engineered to provide idiosyncratic returns to equity markets with favorable liquidity. Their large scale of infrastructure allows them to manage a complex solution and generate impactful returns, making it a core holding in the RMS portfolio. These adaptable strategies provide defensive returns during equity market drawdowns and exogenous macroeconomic shocks</p>		Man Group/NJ **	HFRI RV: Multi-Strategy Index	HFRI FOF: Market Defensive Index
	YTD	1.59%	3.17%	0.31%
	3 Year	6.22%	4.46%	4.64%
	5 Year	5.95%	4.00%	3.16%
	Since Inception*	8.01%	3.71%	2.32%
		*Jan 2007		
	** Modeled	As of Oct 2023	Source of Returns - Cliffwater	

Vehicle Information:

Fund Inception:	2024	Class A	Class B	Redemptions (notice):	77.5% Weekly (3 business days' notice), 22.5% Monthly (30 business days' notice)
Fund Size:	\$303 million	\$234.8 million	\$68.2 million	Lock-up:	None
Management Fee:	0.775%**	0.77%	0.80%	Prime Brokers:	Morgan Stanley
Profit Allocation:	4.5%***	0.00%	20.00%	Custodian:	BNY Mellon
Highwater Mark:	YES	NO	YES	Auditor:	Deloitte
Hurdle Rate:	none	None	None	Legal Counsel:	Simmons & Simmons LLP
Admin Expenses:	0.09%				

NJ AIP Program

Recommended Allocation (\$mil):	up to \$300 million	LP Advisory Board Membership:	N/A
% of Fund:	99.01%	Consultant Recommendation:	YES
		Placement Agent:	N/A
		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.
 **The fund level management fee of 0.775% is calculated based on the proposed initial allocation of capital between two share classes to maintain the launch exposures. The management fee for Class A is 0.77% (rounded to 2 decimal places) and the management fee for Class B n.b. there will be no Investment Manager led rebalance between the classes on an ongoing basis and therefore blended Management Fee across the share classes may drift through time
 ***The fund level performance fee of 4.5% is calculated based on the relative capital allocation at inception to Class B which has a performance fee of 20%. Class A has no performance fee.