2011 AIMS Alternative Investments Symposium

Our eleventh annual two-day conference, held on November 2nd and 3rd in New York City, featured a series of in-depth discussions with the founders and CIOs of several of the world’s leading hedge fund and private equity organizations. We were joined by over 500 attendees from 35 countries, representing approximately $8.3 trillion in assets.

Highlights of this year’s conference included:

- Keynote remarks from President George W. Bush, 43rd President of the United States and Founder of the George W. Bush Foundation.
- Perspectives from 40 industry thought-leaders from around the world.
- Observations from select hedge fund and private equity organizations, investing across all strategies and regions.
- Conversations focusing on today’s macro-economic and geo-political issues, as well as specific investment ideas for 2012.
- Discussions with CIOs from many of the world’s leading sovereign wealth funds, pension plans, financial institutions, endowments, and foundations.
- Insights from senior leaders of Goldman Sachs and investment professionals from the AIMS Group.
- Portfolio reviews and program-specific analyses for investors in select AIMS Hedge Fund Strategies and AIMS Private Equity Group investment strategies.
Agenda

Wednesday, November 2, 2011
Goldman Sachs Conference Center, 200 West Street, New York City

8:00am  Registration and Breakfast

8:30am  Opening Remarks
- J. Christopher Kojima, Managing Director, Goldman Sachs AIMS Group

8:45am  CIO Perspectives: How Are CIOs Investing in Alternatives?
- David Marcus, Chief Investment Officer, The Juilliard School
- Judy Mares, Vice President and Chief Investment Officer, Alliant Techsystems Inc.
- Tim Walsh, Director, New Jersey Division of Investment

9:15am  A Conversation with Bridgewater Associates
- Robert P. Prince, Co-Chief Investment Officer, Bridgewater Associates

9:45am  The Growth and Emerging Markets: Exploring Strategies Around the World
- Ian Mukherjee, Founder and Chief Investment Officer, Amiya Capital LLP
- Geraldine Sundstrom, Strategy Manager, Brevan Howard Emerging Markets Strategies Master Fund

10:15am  The Questions We’re Asking
- J. Christopher Kojima, Managing Director, Goldman Sachs AIMS Group

10:30am  Break

10:45am  A Conversation with The Carlyle Group
- David M. Rubenstein, Co-Founder and Managing Director, The Carlyle Group

11:15am  Preserving Fundamental Views in Today’s Markets
- Frank Brosens, Co-Founder, Taconic Capital Advisors
- Dinakar Singh, Founder and Chief Executive Officer, TPG-Axon Capital

11:45am  CTAs in Context: Trading on Technicals
- David Harding, Founder, Chairman and Head of Research, Winton Capital
- F. Helmut Weymar, Managing General Partner, Baxter Partners LP, President, Twin Chimney, Inc.

12:15pm  Lunch

12:30pm  Global Geo-Political Risks and Opportunities
- Dr. Richard N. Haass, President, Council on Foreign Relations

1:15pm  Thought Leadership Forum: Tomorrow’s Investment Ideas
- Christopher James, Managing Partner, Partner Fund Management, L.P.
- William A. Ackman, Chief Executive Officer and Portfolio Manager, Pershing Square Capital Management, L.P.
- Lee S. Ainslie III, Managing Partner, Maverick Capital, Ltd.

2:00pm  Exploring Energy: Navigating Today’s Commodities Markets
- Arjun N. Murti, Co-Director of Americas Equity Research and Commodities & Industrials Business Unit Leader, Global Investment Research, Goldman Sachs
- Andrew J. Hall, Chairman, President and Chief Executive Officer, Astenbeck Capital Management LLC and Phibro Trading LLC

2:30pm  Break

3:00pm  The Regulatory and Political Environment
- Senator Judd A. Gregg, Former U.S. Senator from the State of New Hampshire; 76th Governor of New Hampshire
- Arthur Levitt, Former Chairman, U.S. Securities and Exchange Commission

3:30pm  Perspectives on Europe: Opportunities Amidst Regional Volatility
- Javier de Jaime Guijarro, Managing Partner, CVC Capital Partners
- Joe Giannamore, Co-Managing Partner, AnaCap Financial Partners
- Nicolai Tangen, Chief Executive Officer and Chief Investment Officer, AKO Capital LLP

4:00pm  Launching a New Course: Building a Successful Investment Organization
- Pierre-Henri Flamand, Founder and Chief Investment Officer, Edoma Partners LLP
- Eric W. Mandelblatt, Managing Partner and Chief Investment Officer, Soroban Capital Partners

4:30pm  Plenary Sessions Conclude

4:30pm  Pre-Dinner Break or Breakout Sessions
- Portfolio reviews for current Goldman Sachs clients in AIMS Hedge Fund Strategies
- Ice Cream Reception with the AIMS Private Equity Group
- Tours of the National September 11 Memorial (adjacent to 200 West Street)
- Walking tours of 200 West Street

6:00pm  Cocktail Reception
- Performances by musicians from The Juilliard School

6:45pm  Dinner

7:15pm  Welcome Remarks
- Gary D. Cohn, President and Chief Operating Officer, Goldman Sachs

7:30pm  A Conversation with President George W. Bush
- Faryar Shirzad, Global Head of the Office of Government Affairs, Goldman Sachs
- President George W. Bush, 43rd President of the United States and Founder, George W. Bush Foundation

7:30pm  Dinner

6:00pm  Welcome Remarks
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Agenda
Thursday, November 3, 2011
Goldman Sachs Conference Center, 200 West Street, New York City

8:00am Registration and Breakfast

8:30am A Conversation with TPG Capital
   - James G. Coulter, Founding Partner, TPG Capital

9:00am The Private Equity Landscape Today
   - J. Christopher Kojima, Managing Director, Goldman Sachs AIMS Group
   - Michael J. Brandmeyer, Managing Director, Goldman Sachs AIMS Group

9:15am Private Equity in Today’s Environment: Perspectives on Value Creation
   - Kevin T. Callaghan, Managing Director, Berkshire Partners LLC
   - Michael G. Fisch, President and Chief Executive Officer, American Securities LLC
   - Nic Humphries, Chief Executive Officer, HgCapital

9:45am Risk Management in Challenging Markets
   - David A. Viniar, Chief Financial Officer, Goldman Sachs

10:00am A Buyout Case Study: A Conversation with TBL and Dunkin’ Donuts
   - Anthony J. DiNovi, Co-President, Thomas H. Lee Partners
   - Nigel Travis, Chief Executive Officer, Dunkin’ Brands, Inc.; President, Dunkin’ Donuts

10:30am Break

10:45am Navigating the Capital Markets
   - Craig W. Packer, Head of Leveraged Finance in the Americas Financing Group, Goldman Sachs

11:00am Dislocations and Distress: Opportunities in Credit Investing
   - Edward Muñóz, Founding Partner, Chief Executive Officer and Portfolio Manager, Silver Point Capital
   - Kevin Ulrich, Chief Executive Officer and Portfolio Manager, Anchorage Capital Group, L.L.C.

11:15am Thought Leadership Forum: Tomorrow’s Investment Ideas
   - Neal Moszkowski, Founder and Co-Chief Executive Officer, TowerBrook Capital Partners
   - Pierre F. Lapeyre, Jr., Co-Founder and Senior Managing Director, Riverstone Holdings LLC
   - Frank Tang, Chief Executive Officer, FountainVest Partners

11:45am Policy Perspectives on Europe
   - Ambassador Kristen Silverberg, Former U.S. Ambassador to the European Union
   - Ambassador Daniel V. Speckhard, Former U.S. Ambassador to Greece

2:00pm The Economic Outlook
   - Sharmin Mossavar-Rahmani, Chief Investment Officer of the Private Wealth Management Group, Goldman Sachs
   - Jan Hatzius, Chief Economist and Co-Head of Economics, Commodities and Strategy Research in the Americas and Global Economics Research, Goldman Sachs

3:00pm Looking Forward: Private Equity Opportunities in 2012 and Beyond
   - Michael J. Brandmeyer, Managing Director, Goldman Sachs AIMS Group
   - Harold P. Hope III, Managing Director, Goldman Sachs AIMS Group

3:15pm Plenary Sessions Conclude

3:30pm Breakout Sessions
   - Goldman Sachs AIMS Hedge Fund Strategies portfolio review
   - Goldman Sachs AIMS Private Equity Partners portfolio review (limited to existing investors)
   - Secondary Market Update and Goldman Sachs AIMS Vintage Funds Platform Overview

4:30pm Event Concludes
A Conversation with Bridgewater Associates

Despite the challenging macroeconomic and political issues of 2011, tactical trading managers have been able to identify investment opportunities generated by shocks, natural disasters, and geopolitical uncertainty. Robert P. Prince, Co-Chief Investment Officer of Bridgewater Associates, the largest hedge fund manager in the world, participated in the 2011 AIMS Alternative Investments Symposium in a conversation on macro investing with Kent A. Clark of the Goldman Sachs AIMS Group. Mr. Prince works with Ray Dalio, Greg Jensen, and the Bridgewater research team to execute the firm’s fundamentally driven, systematic investment process. The discussion explored a wide variety of topics, ranging from Bridgewater’s investment philosophy to the firm’s current views. Mr. Prince described how Bridgewater has formalized its thought process through the identification of hundreds of economic and market relationships that determine the way the global economy functions over time. Bridgewater’s models suggest that we are currently in the early stages of a deleveraging process, something the manager believes is not fully understood by many investors and policymakers. Bridgewater has conducted extensive research into European sovereign debt, and Mr. Prince explained, “the basic problem is very simple…the amount of debt the periphery has is more than the...continued on page 7

A Conversation with President George W. Bush

We were pleased to welcome President George W. Bush, 43rd President of the United States and Founder of the George W. Bush Foundation, to the Symposium dinner on Wednesday, November 2nd. After a welcome from Goldman Sachs President and Chief Operating Officer Gary D. Cohn, President Bush offered his views on a number of topics in a conversation with Faryar Shirzad, Global Head of the Office of Government Affairs at Goldman Sachs. President Bush spoke candidly with Mr. Shirzad about his Presidency and his opinions on current global topics. The evening provided a unique opportunity for Symposium attendees to hear directly from an influential former American President. In total, Goldman Sachs Asset Management hosted more than 500 individuals representing 35 nations. Prior to dinner and President Bush’s keynote address, guests had the opportunity to participate in tours of the National September 11 Memorial Site.

President George W. Bush, 43rd President of the United States and Founder of the George W. Bush Foundation

Gary D. Cohn, President and Chief Operating Officer of Goldman Sachs
2011 AIMS Alternative Investments Symposium

Invited speakers share investment ideas.

Clockwise from top left: William A. Ackman, CEO and Portfolio Manager of Pershing Square Capital Management, L.P., Christopher James, Managing Partner of Partner Fund Management, L.P., Lee S. Ainslie III, Managing Partner of Maverick Capital, Ltd., J. Christopher Kojima, Global Head of the Goldman Sachs AIMS Group, Frank Tang, CEO of FountainVest Partners, Pierre F. Lapeyre, Jr., Co-Founder and Senior Managing Director of Riverstone Holdings LLC, Neal Moszkowski, Founder and Co-CEO of TowerBrook Capital Partners

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[private sector] wants to hold. You have an imbalance. So now we have...an indefinite dependence on the public sector to fill the gap. There’s just not enough money, and the EFSF is not big enough...It’s a manifestation of too much debt that with a fixed exchange rate process then requires a very painful adjustment. Every day is just a new chapter in the yet unfolding story.”

According to Mr. Prince, the situation in Europe is just one symptom of the current global imbalance. Many emerging market countries, including China, have been serving as creditors to overly indebted developed market countries, and as a result of inflexible exchange rates, they are operating with overly loose monetary policies, a relationship that may come under stress during the deleveraging process that Bridgewater believes is underway.

Regarding manager selection, Mr. Prince highlighted that many managers have a long equities or credit bias, which means “there is a limit as to how consistent they can be in their performance, because all markets go up and down. Over a very long period of time, they’re likely to make money because of the risk premium, but they’re likely to be inconsistent.” Mr. Clark summarized, “so [investors] should look for macro managers that are not just closet long-biased.” Mr. Prince agreed, “if you’re good at picking managers, don’t [just] get the risk premium, go get the managers.”
Risk Management in Challenging Markets

Since 2008, risk management has been a key focus for investors in all asset classes. David A. Viniar, Chief Financial Officer of Goldman Sachs, shared his insight and perspectives on the past few years, as well as some views on the markets today. In his address, Mr. Viniar highlighted four central themes in risk management.

First, he emphasized the importance of liquidity in protecting against the unknown. Mr. Viniar noted that throughout history, inadequate liquidity, not inadequate capital, has caused financial institutions to be challenged.

Mr. Viniar also pointed out that the size of an institution and the diversification of its revenue sources are crucial. For many financial organizations, it has proven helpful to be a large institution, but only where there are diversified revenue sources and appropriate relative size and concentration of positions.

Mr. Viniar next explained the significance of understanding and planning for tail risk, tested through stress testing and scenario analyses.

Finally, Mr. Viniar noted that the existence of risk management processes on paper does not necessarily mean good risk management. The key is to implement risk management processes diligently over time. He suggested that leadership must set the tone in order to merge process and execution.

A Conversation with The Carlyle Group

As global economies fluctuate, private equity continues to adapt. In an interview with Timothy J. O’Neill, Global Co-Head of the Investment Management Division at Goldman Sachs at the 2011 AIMS Alternative Investments Symposium, David M. Rubenstein, Co-Founder and Managing Director of The Carlyle Group, provided investors with insight into the evolution of the private equity industry, debt challenges facing the United States and Europe, and China’s growth potential.

Mr. Rubenstein commented that while private equity has certainly been affected by the economic recession, it is far from disappearing. Funds are now harder to raise, with smaller transactions and fewer near-term distributions, but limited partners can benefit from lower fees and increased co-investment opportunities. Going forward, investors can also expect more minority transactions and increased investment in the emerging markets.

Mr. Rubenstein noted “the industry will continue to grow. It’ll change.”

Mr. Rubenstein painted a challenged picture of the macro economy, with debt challenges continuing to impact the United States and Europe for at least another four to five years. He described the current U.S. debt growth rate as formidable, across the U.S. national debt, as well as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation debt. “The only way we’re going to solve this problem [is] to cut spending,” he said, before continuing, “And you’ve got to increase revenues, which is another word for taxes.” The current debt problem, Mr. Rubenstein explained, is too large for the U.S. to inflate its way out. This ultimately will impact private equity because businesses are afraid to invest in uncertain environments, when they may risk higher taxes and stricter regulatory policies.

Despite the issues in the U.S. and Europe, Mr. Rubenstein believed that China is fertile ground for private equity. “If you invest in China...for a three, five, ten-year period...and you’re not overleveraged, you’re going to do extremely well.” Mr. Rubenstein acknowledged that China also has its problems to address, but said that the country had grown 10% annually for 30 years and that growth had slowed only slightly. “You’ve got to be very careful,” he said, “[but] the larger deals that have been done in China...have worked out generally well for investors, and done pretty well for private equity firms.”

Despite the effects of the economic recession, Mr. Rubenstein and the Carlyle Group continue to identify new markets and opportunities. Mr. Rubenstein expressed his continued confidence that private equity is a nimble industry that can and will evolve as the markets continue to change.
CIO Perspectives: How are CIOs Investing in Alternatives?

Craig Russell, Head of the Americas Institutional Business and Co-Head of Alternative Capital Markets at Goldman Sachs, chaired the first panel of the 2011 AIMS Alternative Investments Symposium, featuring David Marcus, Chief Investment Officer of The Juilliard School, Judy Mares, Vice President and Chief Investment Officer of Alliant Techsystems Inc., and Tim Walsh, Director of New Jersey Division of Investment. Representing the diverse perspectives of a public fund, a corporate pension, and a not-for-profit organization, the panelists shared their views on alternatives investing.

The 4th annual AIMS Diagnostic Survey offers insights and views from over 500 hedge fund and private equity managers and investors on the macro environment, their portfolios, and the alternative investments industry. Echoing the findings of the AIMS Diagnostic Survey, Mr. Marcus noted that 50% of Juilliard’s endowment is allocated to alternatives. Mr. Marcus looks to these investments both for alpha and as a method “to dampen volatility [and access] strategies that are hopefully less correlated, at least in most normal markets.” Like Mr. Marcus, Ms. Mares has introduced creative new ways to incorporate alternatives at Alliant Techsystems. Ms. Mares specifically looked toward niche private equity allocations, such as mezzanine funds and secondary allocations, which provided “good cash flow, mitigated the J-curve and had a shorter time horizon.”

Mr. Walsh highlighted the alignment of interests in alternatives, saying he has been a proponent of alternatives based on the alignment of interests with investors, which can be achieved in the form of incentive fees and investments alongside client capital, which he views as a positive for the industry.

While the three panelists agreed that allocations to alternative investments are integral to portfolio strategies, they acknowledged that alternatives face unique issues given the resources required for due diligence and general benchmarking issues. Managing approximately $13 billion in alternatives across only ten professionals, Mr. Walsh noted the importance of additional resources, such as advisors or consultants, to act as an extension of staff and as a checks-and-balances system. The panelists also described difficulties in benchmarking alternatives, particularly in private equity. For this reason, some adopt benchmarks based on the risk free rate, while others use more sophisticated beta-oriented benchmarks to measure performance.
**The Growth and Emerging Markets: Exploring Strategies Around the World**

During the 2011 AIMS Alternative Investments Symposium, Tuan Lam and David J. Mullane of the Goldman Sachs AIMS Group engaged in a conversation with emerging markets-focused investors Ian Mukherjee, Founder and Chief Investment Officer of Amiya Capital LLP, and Geraldine Sundstrom, Strategy Manager of the Brevan Howard Emerging Markets Strategies Master Fund to discuss their views on the outlook for growth and emerging markets, and current investment opportunities.

As the largest growth market, China was a significant focal point of the discussion. Mr. Mukherjee offered a cautious outlook, articulating that “what has concerned us is the huge increase in lending in China.” Mr. Mukherjee described several negative implications, noting that other countries which have historically experienced similarly rapid credit expansions subsequently experienced challenging consequences. While acknowledging that “at the moment, China is definitely the country that people love to hate,” Ms. Sundstrom offered a more sanguine outlook. Ms. Sundstrom argued that pessimism relating to the country is driven by a misunderstanding of a number of factors, including its capital account and the time horizon of its political leaders. In Ms. Sundstrom’s view, China has several natural advantages, including a political system that allows leaders to have a longer-term perspective, a high savings rate, and a closed capital account which essentially allows the country to finance itself.

The panelists also highlighted a number of interesting opportunities across other growth and emerging markets. Ms. Sundstrom discussed local fixed-income opportunities in Brazil and South Africa, while Mr. Mukherjee commented that given his cautious outlook on China, there may be some interesting short investment opportunities.

The panelists also offered views on how best to access the opportunities in growth and emerging markets. Mr. Mukherjee commented that in some instances, global companies with exposure to emerging markets can be a preferable way of accessing emerging markets due to better corporate governance and transparency, and a greater focus by management on maximizing shareholder value. Conversely, Ms. Sundstrom noted that she prefers to invest directly in emerging markets “where valuations are cheaper, where interest and carry are higher, and where the public finances are sound.”

![Geraldine Sundstrom, Strategy Manager of the Brevan Howard Emerging Markets Strategies Master Fund](image1)

**AIMS Diagnostic Survey respondents were more optimistic about prospects in the Growth and Emerging Markets**

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<th>Region</th>
<th>Improvement</th>
<th>Unchanged</th>
<th>Deterioration</th>
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<tr>
<td>Asia Ex-Japan</td>
<td>80%</td>
<td>10%</td>
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<tr>
<td>Growth and Emerging Markets (BRIC, N-11, etc.)</td>
<td>70%</td>
<td>20%</td>
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<td>Japan</td>
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Preserving Fundamental Views in Today’s Markets

The macro-dominated environment of recent months has presented challenging conditions for fundamental investors, who have frequently had to navigate the seemingly indiscriminate buying and selling of risk assets as headlines have changed. In this panel, Richard J. Quigley of the Goldman Sachs AIMS Group sat down with Frank Brosens, Co-Founder of Taconic Capital Advisors, and Dinakar Singh, Founder and Chief Executive Officer of TPG-Axon Capital, who offered their perspectives on the investment opportunities available to fundamental investors.

While both panelists painted a gloomy picture of the macro environment, citing the potential for many years of complex restructuring and public sector deleveraging, Mr. Brosens and Mr. Singh were constructive on the investment opportunity set going forward. In particular, Mr. Singh observed that with the backdrop of 2008 fresh in investors’ memories, markets have punished sectors and asset classes that experienced the most severe drawdowns during the financial crisis. According to Mr. Singh, this has resulted in extremely attractive pricing of risk. However, Mr. Singh cautioned that “we are in a global climate change world, where Cat 5 storms are going to be more frequent and pretty severe”; thus, the attractive pricing of risk does not come free.

Mr. Brosens echoed these sentiments, highlighting less liquid investments as a segment of the market that has experienced significant dislocation. Mr. Brosens noted that many firms, particularly those that gated or side-pocketed in 2008, are focused predominately on liquid investments today. Thus, Mr. Brosens concluded that “given the large amount of assets in our industry that can invest in the liquid space compared with the relatively small portion of those assets that can commit to the very illiquid area, the returns there are substantially higher.”

Delving into the dichotomy of a challenging macro backdrop coupled with attractive risk premia, the panelists offered insights into portfolio construction, which seeks to preserve capital while capitalizing on dislocations. For Mr. Brosens, the process begins with managing the duration of investments across different strategies. For example, shorter duration investments that involve hard catalysts, such as merger arbitrage, typically exhibit relatively low beta to broader markets. However, longer duration investments, such as distressed credit opportunities, may exhibit more drastic moves as discount rates change. Managing the duration of investments across the portfolio, as well as determining how best to hedge long duration exposure, plays an integral role in the portfolio construction process.

Mr. Singh likened portfolio construction to being a quarterback of an American football team. Whether it is “a sunny day, on a good field” or “a blizzard,” you’re playing the same position, but the strategy implementation differs. Mr. Singh noted that while very tight hedges are effective, these sometimes limit upside potential. Thus, it may be advantageous to allow for some mismatch between longs and shorts, as long as the risks associated with the mismatch are understood.

Looking ahead, Mr. Brosens and Mr. Singh agreed that macro headwinds might continue to present challenging conditions for fundamental investors. However, as they each illustrated, even in such an environment, success can be achieved by demonstrating the ability to identify opportunities with the most attractive risk premia, while constructing portfolios that can withstand exogenous shocks.
CTAs in Context: Trading on Technicals

While they may be one of the oldest hedge fund strategies, Commodity Trading Advisors (CTAs) may also be one of the least understood. With their focus on technical factors, such as historical prices and market signals, rather than fundamental information, CTAs can challenge efficient markets theory and investor intuition. In certain market environments, CTAs’ quantitative approach to following market trends may create returns, when other strategies may not.

At the 2011 AIMS Alternative Investments Symposium, Kent A. Clark of the Goldman Sachs AIMS Group, discussed key issues in CTA investing with David Harding, Founder, Chairman and Head of Research at Winton Capital, and F. Helmut Weymar, Managing General Partner of Baxter Partners LP and President of Twin Chimney, Inc. (Dr. Weymar co-founded Commodities Corporation, a derivatives trading firm that gained a reputation for identifying and cultivating some of the best trading talent in the industry. Commodities Corporation is the predecessor firm to AIMS Hedge Fund Strategies.) These panelists, two of the most experienced CTA managers in the industry, focused on misconceptions regarding their strategies, the role of human intervention in CTA models, and challenges involved in selecting the right CTA managers for a portfolio.

The panelists began by explaining why they believe trend-following works. Dr. Weymar stated that certain “underlying fundamentals are actually trend-like themselves” and that investors do not behave in accordance with efficient market theory. Dr. Weymar expanded on this notion, explaining that “people react gradually to new news, as opposed to discounting it instantly.” Mr. Harding noted that in his experience of over 25 years, he has had to choose between two things: “the evidence, versus the orthodox theory that says markets are efficient,” and he chooses to go with the evidence.

Both Dr. Weymar and Mr. Harding agreed that systematic CTAs offer a more rigorous investment approach than many discretionary investment managers. Mr. Harding contrasted discretionary managers, who “work out what they think today, and then do it” with Winton’s approach of “evaluating ideas over 50 years of data.” To skeptics of this statistical approach, he argued that “the idea that you can use mathematics in markets, which are entirely comprised of numbers, should not be a surprise.”

On discretionary intervention, Dr. Weymar concluded: “99.9% of the time, it’s a mistake to discretionally override...but you need to leave yourself a reserve.”

Given their complex nature and the large performance dispersion between CTA managers, the task of identifying the best managers is a challenge. Mr. Clark summarized it as “the problem of the black box.” Both panelists agreed that key qualities of a good manager include extensive experience, intellect, a disciplined approach, and creativity. Dr. Weymar also highlighted the importance of a track record, as “often a lot of IQ does not translate into making a lot of money.”
Global Geo-Political Risks and Opportunities

In the decade since 9/11, the global landscape has changed dramatically, and much of that change occurred in the last year. To help interpret these events for investors, the 2011 AIMS Alternative Investments Symposium welcomed Dr. Richard N. Haass, President of the Council on Foreign Relations, author of eleven books on foreign policy, and veteran of the U.S. Departments of State and Defense.

Dr. Haass began with concern that Europe’s economic situation will become a protracted condition rather than a finite crisis, given challenged European issues such as low growth rates and the aging population. Dr. Haass also shared observations on issues in the Middle East, including political repression and the developing Iranian nuclear program. Moving east, Dr. Haass noted tensions between North Korea and South Korea, as well as India and Pakistan.

Dr. Haass balanced his concerns with more optimistic situations. Dr. Haass is confident that the 21st century will continue to look different than the 20th century in that he does not expect any conflicts rising to the scale seen in the 20th century, especially in light of its rise to economic prominence over the past two decades. He sees this same kind of growth beginning in parts of Africa, and in the Asia-Pacific region. On globalization broadly, despite an unsuccessful Doha Development Round of the World Trade Organization negotiations and nagging currency issues, he has been pleasantly surprised at the lack of protectionism around the world, particularly in the wake of 2008.

Dr. Haass admitted there remain important unanswered questions relating to the Arab Spring as well as China’s growth trajectory, and further acknowledged that while conflicts will likely not reach the scale seen in the 20th century, there is still uncertainty.

Navigating the Capital Markets

The leveraged finance markets have exhibited considerable volatility over the past five years, seizing up during the credit crisis, setting a record for new issuance of high yield bonds in 2010, and then experiencing great challenge during the summer of 2011. Christian von Schimmelmann of the Goldman Sachs AIMS Group was joined by Craig W. Packer, Head of Leveraged Finance in the Americas Financing Group at Goldman Sachs, to discuss developments in the high yield bond and leveraged loan markets, the current financing environment, and the market outlook.

Mr. Packer outlined the sharp swings that have characterized the leveraged finance markets since the credit crisis, tying movements in volumes and pricing to shifts in investor sentiment. He focused on the events of the summer of 2011, remarking

continued on page 15
Exploring Energy: Navigating Today’s Commodities Markets

Energy continues to be a topic of particular interest for investors given recent geopolitical events and market volatility. Andrew J. Hall, Chairman, President and Chief Executive Officer of Astenbeck Capital Management LLC and Phibro Trading LLC, offered his view on the drivers of this volatility and the outlook for energy markets in an interview with Arjun N. Murti, Co-Director of Americas Equity Research and Commodities & Industrials Business Unit Leader within the Global Investment Research Division at Goldman Sachs.

One of the highlights of the discussion revolved around the impact of recent events in Libya on crude oil markets. Mr. Hall and Mr. Murti touched upon the resulting global responses, including increased crude oil production out of Saudi Arabia and the release of crude oil from the Strategic Petroleum Reserve.

Mr. Hall and Mr. Murti also discussed whether tightness in the supply and demand of crude oil markets is likely to lead to changes in prices and, consequently, consumer activity. Mr. Hall noted that despite the favorable headlines highlighting increased production in the U.S. from new drilling technologies, non-OPEC oil supply has not grown in 2011. Combined with the decreasing production rates of OPEC countries, crude oil supply going forward is highly constrained, particularly as growth economies, such as China, continue to increase their rates of consumption. Mr. Hall believes that prices would have to reach levels that cause demand destruction in order to change in consumer behavior. Mr. Hall remarked that “history does not often repeat itself, but it does rhyme.” Deep experience focusing on the fundamental imbalances between supply and demand can strategically position investors to understand and potentially benefit from the opportunities in the energy space today.

Private equity GPs participating in the AIMS Diagnostic Survey expected the healthcare, energy, and technology sectors to offer the greatest investment potential in the coming year.
As prospects for regulatory change impact the decision-making processes of CEOs and CIOs around the world, we welcomed Senator Judd A. Gregg, former U.S. Senator from the State of New Hampshire and 76th Governor of New Hampshire and Arthur Levitt, former Chairman of the U.S. Securities and Exchange Commission, to reflect on today’s political landscape and proposed regulatory changes in a conversation with Harold P. Hope III of the Goldman Sachs AIMS Group. Senator Gregg and Mr. Levitt shared concerns over the economic impact of near-term U.S. uncertainty and European political processes, but expressed optimism arising from select efforts in the U.S. Congress and from the 2012 election cycle in America.

The conversation also covered how the evolving regulatory landscape will affect hedge fund and private equity, and how investors might modify their approach to evaluating these investment managers.

According to the AIMS Diagnostic Survey, LPs generally remained at or below their target allocations to private equity and hedge funds

Capital Markets continued

that “we saw a real widening very quickly... as the European crisis heated up.”

Borrowing has become less expensive since September 2011, as the European sovereign debt crisis has stabilized and investors have become less risk-averse. Mr. Packer attributed the speed with which interest rates fell in October and November to banks’ low inventories of high yield bonds and leveraged loans, noting that, “when the market closed after the credit crisis, there was $350 billion worth of committed deals sitting on the banks’ books....the picture in 2011 was very different than that, the total backlog this year peaked at $35 billion and even despite the markets of the last few months, that number has been whittled down to $15 billion.” As investors’ appetite for higher-yielding credit increased in the fall, demand exceeded supply, resulting in higher market prices and lower interest rates.

The financing available in 2010 and the first half of 2011 led to a surge of opportunistic issuance by corporations; in contrast, the high yield bonds and leveraged loans that have been issued in October 2011 have been almost exclusively for leveraged buyouts by private equity firms. Reflecting on the buyout transactions since markets re-opened in October, Mr. Packer commented, “there is a willingness by the banks to finance. It is not as robust as it was at the beginning of the year, given the volatility, so there will be more pressure on the right credit, the right size, and in particular, how long banks will...leave a commitment open.”

Looking forward, Mr. Packer expects the new issuance market for financings to remain strong. Referencing low interest rates, low default rates, and returns that are attractive relative to other asset classes, he emphasized the markets’ favorable technicals. Mr. Packer ended by reminding the audience that leveraged finance issuance tends to come in spurts, observing that “we’ve historically been a market of windows.” Private equity managers around the world hope that the window remains open.

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A Conversation with TPG Capital

Private equity investing is known for its focus on the micro aspects of businesses, but today finds itself in a macro-driven environment. James G. Coulter, Founding Partner of TPG Capital, discussed how the industry has adapted to the events and changes of the last few years, and where he sees opportunity today and into the future.

Mr. Coulter noted that private equity, with its cyclical nature, experienced a dramatic turn from being crowned as the “Kings of Capitalism” in 2007, to having the industry challenged in 2008 and 2009. Reflecting on recent history, Mr. Coulter described that many of the obstacles faced by managers three years ago, including the debt refinancing wall and a surplus of “dry powder”, are today lesser concerns. With much of the financing wall replaced, refinanced or stretched out, and “dry powder” back to industry-average levels after notable growth in the deal market over the last two years, he hoped that private equity managers could look forward to having more conversations around their roles as investors, rather than discussing the state of the industry at large.

Turning to the topic of investing, Mr. Coulter described several areas of interest in the current fluid environment. At the macro-level, he identified distressed investing as an area of focus, particularly with specific opportunities in Europe, the U.S. housing market, and the private equity middle market. Acknowledging the broader volatility in global markets, he emphasized the importance of developing an independent view, and being careful to avoid chasing the opportunities of yesterday.

In the context of these macroeconomic themes, Mr. Coulter discussed how TPG continues to focus on operational improvements at their portfolio companies, and described the multiple ways in which value may be created beyond simple cost-cutting. Focusing instead on generating growth, he described the unique, micro-level solutions that have been applied to some investments to drive increased revenues as well as improved margins. In the emerging markets, the importance of being able to provide operational expertise was highlighted as central to TPG’s investment approach. In particular, he believed the ability to bring global experience and partner it with local knowledge was key to maximizing returns in this space.
Perspectives on Europe: Opportunities Amidst Regional Volatility

The widespread political and economic instability in Europe might suggest an opaque and uninviting landscape. But looking deeper at the nuances of the European investment environment, investors can find opportunities in certain geographies and sectors that have the potential to yield attractive returns. In one panel discussion at the 2011 AIMS Alternative Investments Symposium, Marc O. Boheim and David J. Mullane of the Goldman Sachs AIMS Group engaged in a conversation with European-focused investors Javier de Jaime Guijarro, Managing Partner of CVC Capital Partners, Joe Giannamore, Co-Managing Partner of AnaCap Financial Partners, and Nicolai Tangen, Chief Executive Officer and Chief Investment Officer of AKO Capital LLP, to provide their insight and perspective.

Despite the markets’ generally negative view of Europe and European assets, the panelists identified a wide-range of opportunities, particularly in defensive sectors or healthy sub-sectors of industries that are under pressure. Mr. Giannamore noted that, despite the weakness in the broader sector, he believes “there are lots of micro-economies within the financial services sector which offer tremendous opportunities if you are able to triage the sector in a way that allows you to be counter-cyclical.”

Despite the increased scrutiny and pressure on the Mediterranean countries, including Spain, Mr. de Jaime noted that if investors believe that “the euro will survive and Spain will remain an integral part, [then] now is the time to be investing in Spain.”

Mr. Tangen noted that “in difficult economic times market leaders generally do well because they have better access to talent, a diversified geographic footprint, and better distribution,” and that it is also “very important to find companies which can grow organically, even in a weak economy.”

All three panelists highlighted the necessity of a deep understanding of the operational aspects of a business and the in-house expertise to support companies and work with management to drive value. Mr. Giannamore commented that “growth in Europe, along with the rest of the developed world, will remain slow” requiring careful selection of companies experiencing strong secular growth. Mr. Giannamore noted that any solution to the European sovereign debt crisis will involve the governments of Europe realizing that “their constituency is not their domestic electorate but it’s also the capital markets.”

The macro and micro opportunities highlighted by the panelists helped to balance the negative view of Europe as a whole, reinforcing how careful asset selection and active portfolio management can serve to create opportunities amidst regional volatility. The panelists believed that acquiring the right European assets in the context of a diversified portfolio may prove to be an effective strategy for investors in the long term.
Launching a New Course: Building a Successful Investment Organization

With the pace of new hedge fund launches increasing dramatically in the last year, the 2011 AIMS Alternative Investments Symposium welcomed the founders behind two successful hedge fund launches in the past few years—Pierre-Henri Flamand, Founder and Chief Investment Officer of Edoma Partners LLP and Eric W. Mandelblatt, Managing Partner and Chief Investment Officer of Soroban Capital Partners. New launches often offer investors the excitement of fresh investment talent and new strategies, but may also present new risks to be carefully evaluated and addressed.

On the one year anniversary of the launch of the two funds, Jennifer A. Barbetta and Steven L. Bossi of the Goldman Sachs AIMS Group sat down with Mr. Flamand and Mr. Mandelblatt to discuss the unique challenges and opportunities of building a new fund.

With any first-time fund, there exists business and execution uncertainty. For Mr. Mandelblatt, “the question was, could we build the business while simultaneously building the portfolio?” In response, “the most critical hire that we made out of the gate...was a CFO/COO to really help gold plate the back office side of our business...and put in place the best-in-class processes, technologies and back office functionality.” In addition to building the platform, Mr. Flamand emphasized building the relationship with investors. He noted that Edoma “came to a market where there was a great deal of mistrust” from investors following blow-ups in 2008, the widespread creation of side pockets and the enforcement of investor gates. Mr. Flamand sought “feedback so our largest investors in particular had the ability to shape the prospectus.”

Despite start-up challenges, Mr. Mandelblatt and Mr. Flamand highlighted benefits, such as attention from service providers, team motivation, and dynamics. The founders observed that Wall Street firms tend to provide significant resources to new launches. Mr. Flamand noted that “if you’re perceived as a team that has the potential to do well over time as a client...the Street is extremely willing to help in terms of [new issue] allocations, coverage by the analysts and access to companies.”

Mr. Flamand noted that “having your name on the door” adds a “significant amount of pressure,” so “the hunger, the motivation to succeed at the initial stage [was] very high.” Mr. Mandelblatt added that there is inherent flexibility in being newer and smaller relative to larger, established managers.

Mr. Bossi echoed these remarks sharing his observation that some investors actually believe newer managers offer better returns because they can be more nimble, manage a smaller base of capital, and may be hungrier than more established peers. Investors are best equipped to reap the benefits of a new fund when matched with a strong focus on building the operations and offering early investors the ability to negotiate terms.
Private Equity in Today’s Environment: Perspectives on Value Creation

The slowing global macroeconomic environment continues to challenge investors seeking growth and yield. Kevin T. Callaghan, Managing Director of Berkshire Partners LLC, Michael G. Fisch, President and Chief Executive Officer of American Securities LLC, and Nic Humphries, Chief Executive Officer of HgCapital, joined Michael J. Brandmeyer of the Goldman Sachs AIMS Group in a discussion, sharing their insight into the long-term strategies and fundamentals that enable successful private equity managers to create value and generate outperformance in a variety of economic backdrops.

The panelists noted that some successful managers, in addition to being highly selective across a rigorously-vetted asset pool, are narrowing their focus and incubating deep sector expertise. “In terms of how we find opportunities, we very much view it as an inch wide, mile deep strategy...[Private equity investors] need to understand every single thing about a sector backwards so that over five to ten years of developed knowledge, [they] basically become much more like a trade investor than a purely financial investor,” explained Mr. Humphries.

With sector expertise, broad relationship networks, and disciplined investing fundamentals, buyout firms in particular are well-positioned to capitalize on opportunities. “It’s a much more competitive world, and middle market firms with a strong set of values and strong set of historic management relationships do have significant advantages,” observed Mr. Fisch.

The managers highlighted double-digit revenue and earnings growth across their portfolios, as evidence of positive asset selection and cultivation. “We’re mindful from our own data set that [over] the past three or four years, our portfolio of hopefully well-selected [assets] grew at a compounded annual rate greater than 10% for revenue and earnings,” highlighted Mr. Callaghan, an observation echoed by Mr. Humphries and Mr. Fisch.

Mr. Brandmeyer attributed the consistency of strong returns to manager focus. “One of the reasons why [investors] have liked your strategies is your focus. You have a focus on a specific style of investment, a focus on certain sectors, and a focus on certain geographies.”

When evaluating private equity GPs, LPs were most focused on the alignment of LPs’ and GPs’ interests, fees, and the GPs’ focus on portfolio company operations, according to the AIMS Diagnostic Survey.
A Conversation with Apollo Global Management

Leon Black, Chairman of the Board and Chief Executive Officer of Apollo Global Management, LLC and Managing Partner of Apollo Management, L.P., joined Eric S. Lane, Global Co-Head of the Investment Management Division at Goldman Sachs, to discuss a wide array of topics including Apollo’s geographic and product expansion, the attractiveness of private equity, and the current economic environment.

Mr. Black touched on several of Apollo’s strategic initiatives, including the firm’s acquisition of Gulf Stream Asset Management, which expanded Apollo’s senior loan business, and its joint venture with ICICI, which broadened the firm’s reach into the Indian market. He also noted the attractiveness of the firm’s traditional private equity business, given the historic outperformance of private equity relative to other asset classes and the alignment of interests between limited partners and general partners. He advised limited partners not to react hastily in turbulent times but to stick with managers with proven track records that were disciplined, flexible and opportunistic.

“We’re residing within numerous dark clouds right now,” said Mr. Black about the current economic environment, but he cited three trends that would signal the worst was over: a healthier housing market, increased job creation and more positive and clear political leadership.

Mr. Black predicted that the U.S. was not likely headed for a recession, given the strong cash position of many corporations. However, a slowdown was likely to occur in the fourth quarter driven by Europe, which he believes is in worse shape, and,

Venture Capital: Transformative Trends and Technology

Despite current concerns about the health of the global economy and wide-ranging fear around the possibility of a double-dip recession, the world of venture capital has seen more optimistic headlines. James M. P. Feuille, General Partner of Crosslink Capital, and Dr. Ravi Viswanathan, General Partner at New Enterprise Associates, sat down with Michael R. Miele of the Goldman Sachs AIMS Group to discuss these and other current trends within the venture capital landscape and how the industry has evolved over the last decade.

Regarding a potential bubble in venture capital, especially around social media, Dr. Viswanathan contrasted the current interest to that of the dot.com era, noting that “ten years ago, some of those [companies] weren’t real companies, and I think here, you have real market-altering, market-changing global companies that are doing great.” Mr. Feuille added that “the valuations are very rich, but are relatively contained.”

While social media is currently in the spotlight, clean technology has suffered a fall from grace from its heyday a few years ago. Both panelists continue to see opportunity going forward as cleantech start-ups mature into more traditional companies which trade on fundamentals, though Dr. Viswanathan cautioned that “until that happens, it’s going to be tough waters.”

In addition to current investment trends, the venture industry has evolved as the commitment volume has waned, while angel investors and other unconventional venture capitalists have gained influence.

continued on page 23
Policy Perspectives on Europe

A recurring theme throughout panel discussions during the 2011 AIMS Alternative Investments Symposium was the political and economic instability in Europe. Over the past few months, events in Europe have led to dramatic volatility in global markets, and investors face an increasingly difficult task of reconciling changing government policy with its impact on markets and underlying businesses. Hugh Lawson, Co-Head of Alternative Capital Markets at Goldman Sachs, welcomed Ambassador Kristen Silverberg, former U.S. Ambassador to the European Union, and Ambassador Daniel V. Speckhard, former U.S. Ambassador to Greece, to share their views on Europe.

The Ambassadors opined that the European Union’s interdependence will likely prevent it from dismantling. Ambassador Silverberg pointed out that “the European Union has exclusive authority over a few important things, including negotiating international trade agreements” and shared authority over “a long, long list of things” from telecommunications to fisheries. As a result, she reasoned, “the cost for a country of either deciding that it’s going to go it alone [or] of deciding that it’s willing to upset its domestic regulatory system [is] always going to be too high a price to pay.” Ambassador Speckhard underscored the strong incentive to maintain the European Union in noting that the European Central Bank’s “job is supporting the monetary policy and the currency of the European Union.”

Both Ambassadors expect the growth trajectory of the European Union to slow. Ambassador Speckhard suggested that countries in accession might reconsider the appeal of joining the E.U. after witnessing the consequences of relinquishing independent monetary policy. Ambassador Silverberg echoed that some European citizens remain skeptical of the European Union, and that its composition will likely look similar in five years.

The Ambassadors agreed, however, that U.S. monetary aid is less relevant than U.S. policy in addressing the crisis. According to Ambassador Silverberg, “internal European decision-making works much better when the U.S. has a clear and coherent position.” Ambassador Speckhard suggested that we are unlikely to see new capital invested at this point of uncertainty and behind the scenes policy work that does not require a vote will be essential to help shore up assets. Ambassador Silverberg suggested that the gap in funding may eventually come from Germany.

While monetary stimulus and government austerity packages are being proposed by the E.U. in an effort to curb the economic slowdown, the Ambassadors warned of externalities. Ambassador Silverberg identified decreased defense spending as a potential casualty of these measures. With only five NATO countries meeting the defense spending requirement, she believes further cuts would be a “big mistake, especially when we see [the Chinese making] investments in the Chinese Navy, cyber capabilities, space capabilities.” Ambassador Speckhard reiterated concern that “as the money gets tighter and tighter….we’re going to have more and more difficulty projecting power around the world, and it’s going to have consequence in how we interact.”

Apollo Global continued

as a result, could present opportunities for distressed buyers.

In his view, the U.S. debt markets would need to decline another 10-15% before being interesting enough to “back up the trucks” in buying distressed debt, but growth rates in Europe were insufficient to support the debt held by banks. He contrasted the U.S. approach of allowing banks to earn their way out of trouble, with that of Europe, which he characterized as more “draconian.” He estimates there is nearly €1.5 trillion of assets that would be sold, which represents an opportunity for those investors savvy enough to capitalize on it.
Dislocations and Distress: Opportunities in Credit Investing

As the global markets change and evolve after the 2008 Financial Crisis, distressed securities continue to be a focus for investors seeking risk. After a resurgence of volatility to levels not seen since the collapse of Lehman Brothers shook the markets in recent months, the 2011 AIMS Alternative Investments Symposium welcomed distressed investing veterans Edward Mulé, Founding Partner, Chief Executive Officer and Portfolio Manager of Silver Point Capital, and Kevin Ulrich, Chief Executive Officer and Portfolio Manager of Anchorage Capital Group, L.L.C., to share their views on distressed investing in today’s environment in a panel discussion with Steven L. Bossi of the Goldman Sachs AIMS Group.

Mr. Mulé argued that as long as a systemic or macro event in Europe is avoided, distressed assets should do well. Mr. Mulé pointed out that today’s distressed cycle happens to be very liquidation-heavy, “in fact, the most liquidation-heavy of any cycle that we’ve seen.” The good news about liquidations, he added, is that they tend to be significantly less correlated to the markets and should generate reasonable returns regardless of how the market behaves.

Mr. Ulrich elaborated on the opportunity set, highlighting that in today’s market, if you can find issuers that have low underlying credit volatility, but where their security prices experience elevated market volatility, then you can find real opportunities to invest in performing credit. To illustrate this, Mr. Ulrich described a telecommunications company with fully contracted revenues, implying steady cash flows regardless of the markets, where the company’s bonds have been fluctuating between 10.5% and 17% yields.

Mr. Mulé also pointed to post-reorganization equity as another avenue for generating returns. While he warned that the space used to be one where an investor could simply buy an index, today it is important to be able to identify companies that have been truly transformed through bankruptcy, as a result of an increased dispersion of returns between issuers that do well and those that do not do well.

Lastly, the conversation turned to credit opportunities today in the distressed European markets, specifically opportunities focused on banks that have announced massive disposition programs. On these opportunities, Mr. Ulrich warned, “you’ve got to be very, very careful in Europe, and you have to differentiate between liquid assets and illiquid assets; you definitely have to have the right fund structures to hold both.”

Both Mr. Mulé and Mr. Ulrich agreed that the current macroeconomic conditions required credit investors to have an increased awareness of the risks presented by elevated levels of volatility. More positively, both managers also emphasized that volatility can present attractive opportunities which investors with the right level of expertise and risk tolerance can access.

Venture Capital continued

Mr. Feuille observed that there has been a dramatic decline in the number of venture funds, creating a more favorable environment for the surviving funds. Dr. Viswanathan agreed that “for the first time, capital is actually becoming a competitive weapon in venture capital.” Both panelists regarded the increased significance of angel investors as a source of opportunity and new deal flow, although also noted that the rise and fall of angel funding in the business comes and goes with the market cycle.

Historically venture capital has been viewed as a hits business, with a more volatile risk/reward profile, and outsized returns on a single transaction compensating for the loss of capital on numerous others. Both Mr. Feuille and Dr. Viswanathan emphasized the importance of a more balanced approach—while having hits is clearly important, minimizing losers is critical to generating strong returns. Today, given the dynamic transaction and technology environment, the risks associated with venture capital investments are more complex than ever, while the opportunity for returns continues to expand for leading managers.
The Economic Outlook

Sharmin Mossavar-Rahmani, Chief Investment Officer of the Private Wealth Management Group at Goldman Sachs, and Dr. Jan Hatzius, Chief Economist and Co-Head of Economics, Commodities and Strategy Research in the Americas and Global Economics Research at Goldman Sachs, discussed issues that have contributed to uncertainty in the global economy.

Dr. Hatzius noted that U.S. economic indicators suggest that the U.S. would experience weak growth through early 2012 due to an intensification of fiscal restraint and spillover effects of European debt issues. He outlined three key potential spillover impacts, including weakened export demand, tightening of U.S. financial conditions, and pull-back of credit provided by U.S. banks. Despite these negative pressures, Dr. Hatzius still maintains a slightly positive outlook. After a decade of negative balances, “the private sector is running a very large financial surplus [and] is spending far below its overall income. That is reducing debt levels, improving credit quality, and ultimately it’s likely to be a source of stronger demand growth.”

Dr. Hatzius also suggested that the recent inflation uptick is temporary and “beyond 2012, maybe even beyond 2013, inflation is going to be perhaps too low rather than too high, and the risk of deflation to [the U.S.] is more real than the risk of really substantial inflation.” He noted that there is room for additional quantitative easing in the first half of 2012.

Ms. Mossavar-Rahmani described the investment opportunities in the U.S. given strong earnings and further strengthening of corporate balance sheets over the last few years. She highlighted the higher-than-expected earnings in the third quarter and its potential impact on next years’ projections. She then referenced the Goldman Sachs Investment Strategy Group’s tactical tilt towards being overweight U.S. high yield, noting “it’s not that we’re wildly bullish, we just think that people are being a little bit too pessimistic.” Ms. Mossavar-Rahmani further commented that current yields are attractive, especially when factoring in historical and expected default rates.

Investor optimism toward current investment opportunities continued to moderate compared to prior years’ AIMS Diagnostic Surveys
Institutional Attendees

A
AAC Capital Partners Holding BV
ABN AMRO Bank N.V.
Advanced Finance & Investment Group LLC
Advent Capital Management, LLC
Aegis Limited
AFA Pty Ltd
AKO Capital LLP
Alcoa Inc.
Alfa Mutual Insurance Company
Allianz Tecsys Inc.
Allied World Assurance Company Holdings, AG
Allstate Insurance Company
American International Assurance Company, Limited
American International Group, Inc.
The American Red Cross
American Securities LLC
Amica Mutual Insurance Co.
Amiya Capital LLP
AnaCap Financial Partners
Anchorage Capital Group, L.L.C.
The Andrew W. Mellon Foundation
Angermayer, Brumm & Lange
Unternehmensgruppe GmbH
Apollo Global Management, LLC
Ariel Holdings, Ltd.
Ascension Health
Asian Cultural Council
Astenbeck Capital Management LLC
ASTM International
AT&T Investment Management Corporation
ATP Private Equity Partners
Austin College
Autozone Inc.
AXA Equitable Financial Services, LLC
AXIS Capital Holdings Limited

B
Bank Gutmann Aktiengesellschaft
Bank J. Safra (Switzerland) Ltd
Bank of Japan
Battelle Memorial Institute
Baxter International Inc.
Baylor University
Beneficial Life Insurance Company
Berkeley Partners LLC
The Boston Consulting Group
Brevan Howard Asset Management LLP
Bridgewater Associates

C
California Institute of Technology
Cambridge Associates LLC
Capricorn Investment Group LLC
Cardano Risk Management BV
The Carlyle Group
Casey Family Programs
Cathay Life Insurance Co., Ltd.
Central Bank of the Republic of China (Taiwan)
Charles Stewart Mott Foundation
Chevron Corporation
Chrysler Group LLC
Clairvue Capital Partners
Clearbrook Global
The College Board
College of the Holy Cross
Consultoria Organizacional
Council on Foreign Relations
Crosslink Capital
CUNA Mutual Group
CVC Capital Partners

D
D. E. Shaw & Co., L.P.
Dahab Associates, Inc.
The Dai-Ichi Life Insurance Company, Limited
Denlow Private Trust Company Ltd.
Development Bank of Japan Inc.
DJE Kapital AG
The Doctors Company
Dominion Resources, Inc.
Doris Duke Charitable Foundation
Dunkin’ Brands Group, Inc.
DWS Investments Distributors, Inc.

E
Edoma Partners LLP
Emory University
Endurance Specialty Holdings Ltd.
Enstar Group Limited
Everest Re Group, Ltd.
Exelon Corporation

F
F·E·G·S
The Fennia Group
The Flaxley Company
Flick Privatstiftung
Fortress Investment Group LLC
FountainVest Partners
Foursquare Foundation
Fugua Capital Corporation
Future Fund Board of Guardians

G
General Motors Asset Management Corporation
GenSpring Family Offices LLC
Georgetown University
Graystone Consulting

H
Halifax Regional Municipality Pension Plan
Harbor Capital Advisors, Inc.
Hartford Investment Management Company
Harvard Management Company, Inc.
Hershey Trust Company
Hewitt EnnisKnupp, Inc., an Aon Company
HgCapital
Highland Consulting Associates, Inc.
The Hong Kong Jockey Club
HSBC Global Asset Management Limited

I
Infinity Capital, L.L.C.
Integris, Inc.
Invesco National Trust Company
The Iyo Bank, Ltd.

J
Jacobs Holding AG
JANA Partners LLC
The Johnson Company
Juggernaut Capital Partners, L.P.
The Juilliard School

K
Kaiser Permanente
Kåpan Pensioner
Kemper Corporation
Keylink Capital International
Korea Life Insurance Co., Ltd.

L
Lazard Freres & Co. LLC
Lee Munder Capital Group, LLC
The Lincoln National Life Insurance Company
Lloyds Banking Group plc
Lockheed Martin Investment Management Co.
Los Angeles County Employees Retirement Association

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Maverick Capital, Ltd.
McGill University
MEAG New York Corporation
Mercer LLC
Mercy College
Metropolitan Employee Benefit System
Metropolitan Life Insurance Company
Mitsui Sumitomo Insurance Co., Ltd
Mizuho Securities USA Inc.
Momentum Alternative Investments (Pty) Ltd.
Morgan Stanley Smith Barney LLC
MTS Health Partners, L.P.
MWM Investments Ltd.

N
Navigation Capital Partners
NEPC, LLC
New Enterprise Associates
New Jersey Division of Investment
The New York City Employees Retirement System
New York Life Insurance Company
The New York State Common Retirement Fund
The New York State Nurses Association Pension Plan
NewYork-Presbyterian Hospital
Nippon Life Insurance Company
NLI International Inc.
Nordea Bank AB
North American Management
North Sea Capital
Northwestern Mutual Capital
Novartis AG

O
Office of Hawaiian Affairs
The Ohio State University
OneAmerica Financial Partners, Inc.
The OPEC Fund for International Development
Oregon Public Employees Retirement Fund

P
Palestra Capital LLC
Partner Fund Management, L.P.
Peninsula Participações Ltda.
Perella Weinberg Partners LP
Performance Equity Management, LLC
Pershing Square Capital Management, L.P.
Phibro Trading LLC
PineBridge Investments
PKA Ltd.
Portfolio Evaluations, Inc.
Princeton Theological Seminary
Promark Global Advisors, Inc
Protocol Capital Management, LLC
Prudential Financial, Inc.
Quilvest
Radian Group Inc.
Raymond James & Associates, Inc.
RCL Advisors
RGA Reinsurance Company
Riverstone Holdings LLC
RMB Capital Management
Rocaton Investment Advisors, LLC
Rock-Tenn Company
Rogerscasey, Inc.
Royal Neighbors of America
Russell Investments
Saban Capital Group, Inc.
Sageworth
Sampension
The Santander Group
Saudi Arabian Monetary Agency
SECOR Asset Management, LP
Segal Advisors, Inc
Shelter Mutual Insurance Company
Shinkin Central Bank
Silver Point Capital
The Skillman Foundation
Smithsonian Institution
SMN Investment Services GmbH
Social Insurance Organization of the Kingdom of Bahrain
Sompo Japan Insurance Inc.
Soroban Capital Partners
SPF Beheer bv
State Farm Mutual Automobile Insurance Company
Stewart J. Rahr Foundation
Stockton Holdings Limited

T
Taconic Capital Advisors
Taiyo Life Insurance Company
Teachers’ Retirement Allowances Fund
Texas A&M University
Thomas H. Lee Partners
Thomas Jefferson University
TIAA-CREF Individual & Institutional Services, LLC
Toisa Limited
Tokio Marine Asset Management Co., Ltd.
TowerBrook Capital Partners
Toyota Motor Sales, U.S.A., Inc.
TPG Capital
TPG-Axon Capital
The Travelers Indemnity Company
Tudor Investment Corporation

U
U.S. Securities and Exchange Commission
UAW Retiree Medical Benefits Trust
UJA-Federation of New York
UMWA Health and Retirement Funds Unipension
Universal American Corp.
The University of Pennsylvania

V
Viking Global Investors LP
Vision Capital LLP

W
Warburg Alternative Investments AG
Washington Research Foundation
Watch Tower Bible and Tract Society of Pennsylvania
Wells Fargo Advisors, LLC
Western World Insurance Group
Willett Advisors LLC
Wilshire Associates
Winton Capital
Wisconsin Alumni Research Foundation
The Wolfson Foundation
Wyoming Retirement System

Y
YMCA of the USA

Z
Zurich Alternative Asset Management, LLC

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2012 Save the Dates

- **GSAM 2012 Growth Markets Summit**
  Tuesday, April 24th - Wednesday, April 25th, 2012
  
  Goldman Sachs Asset Management will be hosting the **2012 Growth Markets Summit** on April 24th and 25th in New York. Led by the Chairman of Goldman Sachs Asset Management, Jim O’Neill, we will be joined by speakers from around the world, including leading investment fund managers, CEOs, CIOs, government leaders, political scientists, and experts across the industry and throughout Goldman Sachs.

- **AIMS 2012 Alternative Investments Symposium**
  Wednesday, October 24th - Thursday, October 25th, 2012
  
  The Goldman Sachs AIMS Group will be hosting the **2012 Alternative Investments Symposium** on October 24th and 25th in New York. We will be joined by a diverse array of speakers, including the leaders and founders of the world’s leading hedge fund and private equity organizations. Our annual two-day event will address wide-ranging investment themes, macroeconomic opportunities, geo-political perspectives, and unique insights across several markets.
Recent Publications

2011 Alternative Investments Diagnostic
The AIMS Diagnostic Survey features insights and views from over 500 hedge fund and private equity managers and investors on the macro environment, their portfolios, and the alternative investments industry.

AIMS Perspectives
The AIMS Perspectives is a quarterly publication that synthesizes issues, identifies opportunities, and raises questions developed over the course of our discussions with hundreds of leading hedge funds, private equity managers, traditional long-only managers, and leading CIOs around the world.
Recent White Papers

Hedge Fund Manager Selection: A Look Behind the Screens
We discuss the importance of selecting talented managers when developing a hedge fund portfolio and the challenges involved in locating and evaluating such managers. We also examine the components of a robust manager selection program, including an investor’s sourcing network, strategy expertise, due diligence process, investment decision-making process and the ongoing monitoring of managers in the portfolio.

Investing in Equity Long/Short Hedge Funds
We provide an overview of Equity Long/Short hedge fund investing, including an analysis of the potential risk-adjusted return benefits of Equity Long/Short strategies compared to other equity investment strategies. We also examine the diversification benefits that an allocation to Equity Long/Short strategies may provide within a broader equity portfolio. We conclude with a discussion of some of the considerations of investing in Equity Long/Short hedge funds, and the importance of careful manager selection.

Investing in Event Driven Hedge Funds
We provide an overview of several of the investment strategies used by Event Driven hedge funds and their underlying sources of returns. We also discuss the role of Event Driven hedge funds within a broader asset allocation, and considerations investors should examine when adding Event Driven exposure to their portfolio. In particular, we explore the idiosyncratic nature of Event Driven investing and the portfolio benefits of allocating to Event Driven hedge funds.

Investing in Global Macro Hedge Funds
We begin with an overview of the Global Macro hedge fund strategy and explore its evolution. Next, we describe several drivers of the market imbalances that Global Macro managers aim to take advantage of in generating returns. We will then look at the rationale for including Global Macro hedge funds in a portfolio, examining the potential diversification of portfolio risk in addition to absolute return characteristics. Lastly, we explore the key considerations when investing in Global Macro hedge funds and how these challenges may be addressed.

Investing in Managed Futures Hedge Funds
We begin by defining CTAs, Managed Futures, and other key terms, while briefly exploring their evolution. We then investigate some of the market dynamics that Managed Futures funds seek to exploit, followed by an assessment of the role they can play within an investment portfolio. Finally, we close by discussing a few important considerations when investing in Managed Futures and how some of the risks associated with the strategy can be monitored and managed.

Hitting the Curve Ball: Risk Management in Private Equity
Risk management in private equity, where data is scarce and often challenging to interpret, has historically been limited to the decision of whether or not to invest in a particular fund. We examine the sources of risk in private equity, from the individual company and fund level though the private equity manager’s organization and investor’s portfolio level, and methods for more accurately measuring, analyzing, and actively mitigating these risks are described.

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