

ACTIVELY alpha

Making the move to implementation strategies at the 2004 Alternative Investment Conference

The theme for the fourth annual Alternative Investment Conference—held at the scenic Fairmont Banff Springs in Banff, Alberta (see photo)—was “Alternatives in Action: Practical approaches to alternative investing for pension funds.” With this in mind, we tried to solicit even more plan sponsor input when crafting the agenda. Many told us that they’d already made allocations to more mainstream alternative asset classes such as private equity or real estate, but were having difficulty with some of the concepts around hedge fund strategies; clearly, there is a need for an educational retreat—such as this one—addressing alternative investing implementation issues.

Our keynote this year was George Martin, associate director of the Center for International Securities and Derivatives Markets at the University of Massachusetts, who debunked numerous “myths” about hedge funds, including the perception that they are absolute return vehicles, the importance of the sources of alpha attributable to hedge funds, and more.

That presentation set the tone for a lively day-and-a-half of debate and discourse on how best to approach

alternative asset classes from a plan sponsor perspective. Along the way, we heard practical implementation strategies for private equity, hedge funds and fund-of-funds allocations, as well as warnings of the dangers of poor manager and investment selection practices.

In what has become a traditional way to close the conference, the “Crossfire” session saw service providers and plan sponsors raise issues that need to be addressed if alternative investments are to gain greater acceptance in the institutional investment world. Will the efficiency and increasing number of hedge funds make it harder to find alpha in the future? What is the single biggest impediment for plan sponsors who want to add alternative investments to their portfolio? Is trustee and board education all it could be?

The answer to these questions—and indeed to all the issues raised during the conference—depends as much on plan sponsors’ comfort with alternatives as it does on the future direction of capital markets. In the pages that follow, you’ll find 15 presentations from alternative investment providers, finance academics and pension plan sponsors which feature the latest thinking on alternatives.

The 2004 Alternative Investment Conference was presented in partnership with the Richard Ivey School of Business at the University of Western Ontario in London, Ontario. ■

—James Lewis, managing editor

