

Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: April 11, 2012

SUBJECT: Brevan Howard CMBS Fund Limited Recommendation

TO: Members of the Board

FROM: James H. Grossman, Jr., CPA, CFA
Deputy Chief Investment Officer

At the Finance Committee meeting in April, staff and Aksia will recommend that PSERS invest up to \$200 million in the Brevan Howard CMBS Fund Limited. This fund was created to take advantage of a co-investment opportunity with the Brevan Howard Master Fund. The term of the fund is to December 31, 2014 (or earlier at the discretion of the manager). The term may be extended by one year at the discretion of the manager. Staff anticipate total net returns over this period to range from approximately 20% to 60%. Capacity for this trade in the CMBS Fund is up to \$1 billion. Given that it represents a specific trade, we can't discuss the opportunity in more detail until the Executive Session of the April Finance Committee meeting.

Representatives from Brevan Howard will make a more detailed presentation to the Finance Committee in the executive session and will be available for any questions.

If you have any questions or comments prior to the meeting, please contact me at 717-720-4703.