

Manager Recommendation Memo

April 11th, 2012

Board of Trustees
Pennsylvania Public School Employees' Retirement System
5 North Fifth Street
Harrisburg, PA 17101

Re: BlueTrend Fund, Ltd

Dear Trustees:

Aksia LLC, having been duly authorized by the Board of PSERS, has evaluated and herewith recommends a direct allocation to BlueTrend Fund, Ltd ("BlueTrend"). In the ongoing development of PSERS' portfolio of absolute return funds, Aksia recommends an initial allocation in line with Exhibit D of PSERS Investment Policy Statement, Objectives, and Guidelines.

BlueTrend is a diversified commodity trading advisor (CTA) that applies a systematic trading methodology to a trend-following strategy in over 150 markets that include equities, bonds, energy, commodities, interest rates, metals and foreign exchange. The program has developed price oscillators based upon current and historical price information over varying time windows to generate trade execution signals. The manager's strengths include its trade methodology, its diversification of markets, its execution platforms and partners, and interaction between the quantitative team that manages the model and the trading teams that face the markets. Primary risks associated with this fund include increasing correlations among asset classes and short-term trend reversals which could whipsaw the fund. Sudden market dislocations and short-term volatility will also impact the fund's performance.

Aksia's recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Due diligence of BlueTrend's investment strategy, including a review of their investment strategy, investment team and structure, and risk management process.
- Due diligence of BlueTrend's operations, including an operations and infrastructure review, regulatory and compliance review, private placement memorandum review, Form ADV review, and financial statement review.
- Evaluation of BlueTrend's investment strategy within the context of the current investment environment.
- Appropriateness of BlueTrend for the Absolute Return component of PSERS' portfolio.

This recommendation is confidential, given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in BlueTrend, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the BlueTrend Fund, Ltd. Aksia manager recommendation memos should be reviewed with other Aksia due diligence materials,

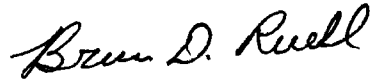
including the full Investment Review and Operational Review. In addition, please consult your tax, legal and/or regulatory advisors before allocating to any private investment fund.

Please feel free to contact us should you have any questions about this recommendation.

Respectfully,



Norman Kilarjian
Partner, Head of Tactical Trading and
Relative Value



Bruce Ruehl
Partner, Head of Aksia Americas Advisory



Absolute Return Program Allocation

BlueCrest Capital Management LLC BlueTrend Fund Limited

April 26, 2012

Robert E. Little, CPA
Portfolio Manager
External Public Markets, Risk & Compliance

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Overview of BlueCrest Capital

- Founded in 2000 by two ex-JP Morgan employees
- Fully owned by partners of the firm
- Manage assets of approximately \$31 billion

Investment Team

- 59 employees as of February 29, 2012
 - 24 employees in systematic modeling
 - 26 employees in systematic implementation
 - 9 employees in systematic execution

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Fund Strategy

- Financial and commodities markets are inefficient
- These inefficiencies lead to market trends
- Use futures to trade in all major sectors (bonds, commodities, equity indices, and currencies) across 28 different markets

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Value Proposition

- BlueTrend generates non-discretionary trades on the basis of the strength of trading signals generated to profit from statistical characteristics of the market
- These trading signals have historically generated consistent positive returns
- Risk management contained within the portfolio optimization process is completely systematic
- The primary risk constraint is to limit draw-downs by maintaining sufficient diversification and liquidity within the portfolio

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Performance, net of fees (through 02/29/2012)

	YTD	1 Year	3 Year	5 Year	Inception to Date
BlueTrend Fund Limited, class B shares	2.05%	-1.79%	7.31%	17.60%	16.58%

The return data is net of a 2% management fee and 20% performance fee.

Inception date, class B shares: February 2005

BlueCrest Capital Management LLC

BlueTrend Fund Limited

PSERS Objective

- Invest in uncorrelated return streams
 - Historical correlation with the MSCI ACWI IMI: -0.07
 - Historical correlation with the DJ UBS Commodity Index: 0.14
 - Historical correlation with the Barclays Aggregate Index: 0.01
 - Historical correlation to PSERS' largest absolute return managers:
 - AQR Offshore Multi-Strategy: -0.22
 - BlackRock Global Alpha: 0.02
 - Bridgewater Pure Alpha: 0.53
 - Brigade Leveraged Capital Structures: -0.21
 - Historical correlation to PSERS' other trend following manager:
 - Robeco Transtrend: 0.73
- Annualized Return and Volatility of the BlueTrend Fund Limited (class B shares) since 02/2005
 - Annualized Return: 16.58%
 - Standard Deviation: 14.19%
 - Sharpe Ratio: 1.00

Portfolio Use

- Staff intends to invest \$250 million in the BlueTrend Fund Limited and include this investment in the Absolute Return Program.

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Fund Terms

- Management fee: 2%
- Performance Fee: 20% of the increase in NAV over the high water mark
- Hurdle rate: 0%
- High water mark: Yes
- Lock up period: None
- Redemption Fee: None
- Liquidity: Monthly with 30 business days notice
- Gate: 25% at the fund level
- Transparency: Risk-level transparency is available on a weekly basis

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Other

- Relationship with Aksia: None
- Placement Agents: None
- Political Contributions in PA: None
- Introduction Source: Aksia
- History with PSERS: This investment would be the first investment with BlueCrest Capital Management LLC

BlueCrest Capital Management LLC

BlueTrend Fund Limited

Recommendation

Staff, together with Aksia LLC, recommends (i) that the Board invest \$250 million in the BlueTrend Fund Limited, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner.

DISCLAIMER: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.

Appendix - Correlations

Correlation, class B shares (as of 02/2012)	BlueTrend Fund Limited	MSCI AC World Index IMI	DJ UBS Commodity	Barclays Aggregate	Barclays Global Aggregate
BlueTrend Fund Limited	1.00				
MSCI AC World Index IMI	-0.07	1.00			
DJ UBS Commodity	0.14	0.67	1.00		
Barclays Aggregate	0.01	0.15	0.08	1.00	
Barclays Global Aggregate	0.27	0.48	0.45	0.75	1.00



Absolute Return Program Allocation

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