



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
P.O. BOX 290
TRENTON, NJ 08625-0290

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

January 11, 2013

MEMORANDUM TO: State Investment Council

FROM: Timothy Walsh
Director

SUBJECT: **Proposed Additional Investment in Omega Overseas Partners,
Class B Fund**

The New Jersey Division of Investment ("Division") is proposing an additional investment ("investment") of up to \$150 million in **Omega Overseas Partners, Class B Fund** ("Omega"). 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:

Opportunity to expand investment with successful, experienced hedge fund manager: The Division originally invested \$75 million in Omega Overseas Partners in January 2007. That investment has generated an annualized 7.48% return compared to annualized 2.10% return for S&P 500 Index and is now valued at approximately \$112 million.

Attractive return profile: Omega Overseas Partners has generated a 13.79% annualized return with 15.36% Standard Deviation from inception in 1992 to October 2012. The fund ranks in the top quartile on an absolute as well as on a risk adjusted basis among HFRI universe and HFRI Equity Hedged (Total) Index universe over most time periods.

Experienced Investment Manager: Leon Cooperman is a highly respected stock picker who spent 25 years at Goldman Sachs, including 22 years in the Investment Research Department, before founding Omega, where he has built a 20 year track record.

Favorable terms: The Division's existing and future investment are at better than average hedge fund terms with a management fee of 1.0% and 15% performance fee.

Omega was founded by Leon Cooperman in January 1992. Mr. Cooperman was previously a General Partner of Goldman Sachs and was the Chairman and CEO of GS Asset Management. The firm manages \$7.0 billion in long biased Long/Short Equities through funds and separate accounts. Omega has 36 employees, 22 of which are investment professionals.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its 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 has not engaged a third-party solicitor (a "placement agent") in connection with New Jersey's potential investment.

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. In addition, the proposed investment must comply with the Council's regulation governing political contributions (N.J.A.C. 17:16-4).

Please note that the investment is authorized pursuant to Articles 69 and 100 of the Council's regulations. The Fund will be considered an equity oriented hedge fund 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 Committee was held on January 9, 2013. 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 17, 2013 meeting.

Attachments

Fund Name: Omega Overseas Partners, Ltd. **January 17, 2013**

Contact Info: **Denis Wong, 88 Pine St, New York, NY 10005 (212) 495-7067**

Fund Details:

Total Firm Assets (\$bil.):	\$7 b	Key Investment Professionals: Leon Cooperman, Founder, Chairman & CEO: <i>Previously, Mr. Cooperman had been a General Partner of Goldman Sachs and was the Chairman an Chief Executive Officer of Goldman Sachs Asset Management. Mr. Cooperman worked at Goldman Sachs for 25 years.</i> Steven G. Einhorn, Vice Chairman: <i>Mr. Einhorn is primarily responsible for the fund's macro economic research and macro investments. Prior to Omega, Mr. Einhorn oversaw more than 700 research analysts at Goldman Sachs, where he was the partner-in-charge of the Global Investment Research Department. Mr. Einhorn became a Partner in 1986 and a Managing Director in 1996.</i> Denis Wong, COO: <i>Mr. Wong oversees the operations and business functions and has served at Omega for over 10 years. He has over 30 years experience working at such firms as Steinhardt and Schulte Roth Zabel.</i> Edward Levy CFO: <i>Mr. Levy is responsible for the Accounting Department. He has served at Omega for over 18 years. He has over 25 years experience working at such firms as Seneca Capital, Goldstein Golub Kessler.</i>
Strategy:	Long/Short Equity	
Assets in Strategy(\$bil.):	\$1.5 billion	
Year Founded:	1992	
SEC Registration	Yes	
GP Commitment:	approx. \$267 million	

Investment Summary **Existing and Prior Funds**

Omega Advisors, Inc. ("Omega" or the "fund") was founded in January 1992 by Leon Cooperman, a former General Partner of Goldman Sachs and Chairman and Chief Executive Officer of Goldman Sachs Asset Management. Omega manages \$7.0 billion in a long biased equity long/short strategy. Omega employs a fundamental, equity long/short strategy that incorporates macroeconomic research and trading into the investment process. The fund is managed with limited gross short exposure and net exposure typically ranges between 65% to 80%. The fund is predominantly focused on the U.S. equity markets but will invest in developed markets in western Europe and Japan. The fund leverages its macroeconomic research to invest a limited amount of capital opportunistically across asset classes, including fixed income, commodities, and currencies.

	<i>As of 10/31/2012</i>	<i>Fund</i>	<i>HFRI Strategy Benchmark</i>	<i>S&P 500</i>
1- Year		26.45	2.29	15.21
3- Year		18.44	3.39	13.21
5- Year		7.02	-1.00	0.36
Inception		13.79	11.40	8.18
YTD 2012		24.58	5.36	14.29
2011		-1.50	-8.38	2.11
2010		19.22	10.45	15.06
2009		52.64	24.57	26.46
2008		-35.15	-26.65	-37.00

Vehicle Information:

Fund Inception:	1992	Subscriptions:	Monthly
Fund Size (\$mil.)(total of 4 funds):	\$4.2 b	Redemptions (notice):	Annually, with 45 days notice
Management Fee:	1.00%	Lock-up:	1 year
Profit Allocation:	15%	Prime Broker:	Goldman, Sachs & Co. and JPMorgan Chase & Co.
Highwater Mark:	Yes	Administrator:	Self-administered (Onshore)/SS&C Technologies (Offshore)
Hurdle Rate:	No	Auditor:	McGladrey LLP
Additional Expenses:	approx. 10 bps	Legal Counsel:	Dechert

NJ AIP Program

Recommended Allocation (\$mil):	\$272 million*	LP Advisory Board Membership:	N/A
% of Fund:	3.90%	Consultant Recommendation:	Yes
		Placement Agent:	None
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

* includes existing investment and proposed additional investment