The New York Bus Driver Pension and Relief Fund (“BDPRF”) has been internally managing a long-only US equity portfolio since January 2000.

The equity portfolio’s mandate is tracking-error based and uses the S&P 500 as its benchmark.

Recently, the CIO has decided to complement the long-only US equity portfolio with an allocation to US equity long/short hedge funds in order to add Alpha.

The due diligence team has been working on three equity long/short hedge funds.

1. Please describe the strength and weaknesses of each one of these hedge funds:

* From a quantitative standpoint
* From an investment due diligence standpoint
* From an operational due diligence standpoint

1. Which one of the three hedge funds, if any, would you recommend BDPRF invest in and why?
2. What other information, if any, would you find useful to have to conduct your analysis?

Note that in answering this question, beyond some of the qualitative information, you need to perform various Risk/Reward analyses that we talked about in class, and think about the covariance between the funds and the S&P500.

You should start this analysis ASAP, but of course will be adjusting it as you learn more from the lectures, including the “Due Diligence” lecture on October 1st , several days prior to the case being due and discussed on October 6th.