From: Simon, Timothy A.
Sent: 5/24/2012 9:25:13 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Cc:
Bcc:
Subject: FW: UCM Update and Greg Parsons in the news

Hope all is well. We are ovewrdue!

From: Tom Mandel [mailto:tmandel@ucmpartners.com]
Sent: Thursday, May 24, 2012 04:39 AM
To: Simon, Timothy A.
Cc: Phason, Douglas
Subject: UCM Update and Greg Parsons in the news

Commissioner Simon,

I hope all is well. I'm taking the liberty of sending you the below article that recently appeared in Crain's NY newspaper – see below. Separately, I wanted to let you know that PG&E responded to my inquiries about their Long Duration Fixed Income Mandate RFP earlier this week. Peter indicated that they have decided to go a different direction from our core competency, and have invited four other firms in for follow-up interviews. I also wanted to apologize in advance for the UCM team not coming to the NASP Conference in Baltimore to visit with you. Greg and I have to be in Chicago for pension consultant meetings on those same dates.

We hope to have the opportunity to see you in California or NYC soon.

Best regards,

Tom

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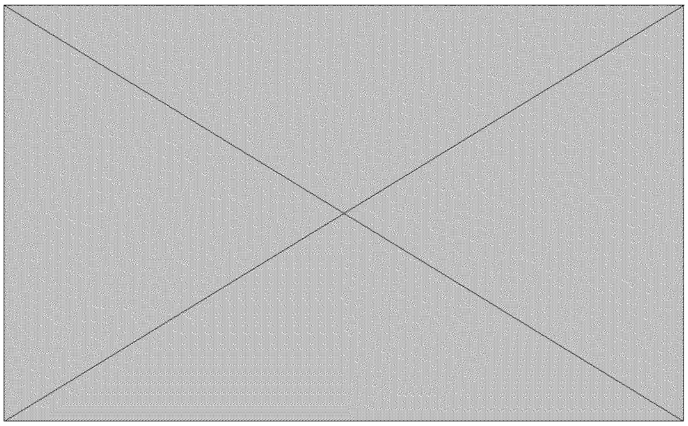
Focus, flexibility pay off for minority-owned financial firms

Emerging managers make gains, but footprint is still tiny.

By Judith Messina



Buck Ennis

GREGORY PARSONS': firm successfully weathered the recession

Published: April 29, 2012 - 5:59 am

In 2008, when Gregory Parsons became chief operating officer and later chief executive of UCM Partners, he homed in on what the firm does best: mortgage-backed securities. It was a prescient move. Since then, the $1.1 billion minority-owned firm has added three new funds, and its mortgage-backed securities strategy is performing in the top 25% of that universe.

"As a small firm, the tsunami of 2008 and 2009 was challenging," Mr. Parsons said. "But we had an unusually strong mortgage skill set ... in a sector that needed expertise."

Good performance and a renewed commitment to diversity by big investment funds are driving more money to women- and minority-owned firms. Emerging managers—firms with less than $2 billion—control a tiny fraction of the $36 trillion under management in the U.S., and they suffered in the recession, but for some, flexibility, focus and a hunger to succeed are paying off.

"Institutional investors often associate emerging managers with higher risk, but they also generate high returns because they tend to be hungrier and more nimble," said Renae Griffin, head of RG & Associates, a California firm that runs conferences and boot camps for these managers.

Between 2005 and 2010, emerging managers outperformed the industry's behemoths by an average of 72 basis points, according to a Northern Trust study. That performance is helping drive increased commitments by big funds, especially public pension funds. A manager-of-managers industry has sprung up to match emerging firms with big investors.

The idea of having strategies that generate new sources of investment return has become institutionalized," said Thurman White, CEO of Progress Management, a $7.2 billion minority-owned manager-of-managers that does business with city and state pension funds in New York.

City Comptroller John Liu last year added $500 million to the $6 billion in city pension funds allocated to emerging managers and recently hired former U.S. Commerce Department official Alex Doñé to head the private equity portion. In March, the city's Employee Retirement System trustees passed a resolution authored by Manhattan Borough President Scott Stringer to strengthen its emerging manager program. Companies such as Northern Trust and Morgan Stanley are directing capital to women- and -minority-owned asset managers

Niche success

Minority firms play in all corners of the asset management business, from hedge firms to private equity and fixed income, and their principals often have decades of experience on Wall Street. But unlike huge firms with dozens of funds, they succeed by carving out niches.

Women-owned AH Lisanti Capital Growth has gone to $300 million from $1 million in eight years, focusing on U.S. small-cap growth stocks. John Hsu, of John Hsu Capital Management, who got into the business more than 20 years ago when Asians were rare on Wall Street, said his assets under management have increased to $600 million, from $344 million, over the past five years.

The founders of newly launched, Hispanic-owned AUA Private Equity Partners are staking out lower-middle-market family-owned and Hispanic businesses.

Similarly, $440-million African-American-owned private equity firm ICV Partners focuses on small businesses. "In small companies, price is not the key driver," said CEO and Managing Partner Willie Woods. "It's mostly chemistry: Can I work with you, and can you be helpful to me? The minority struggle, in which people have done well despite the odds, plays well to that group."

Emerging firms still have their share of challenges. The overall investment business is not growing, and it's still hard for small, young firms to get a foot in the door. Manager-of-managers Capital Prospects went from zero assets in 2002 to $1 billion with eight public pension funds as clients, but needed three years to raise its first $75 million. "For an emerging firm with a small amount of assets under management to get a direct mandate from a public or private institution is near impossible," co-founder Marilyn Freeman said.

Emerging managers acknowledge that being women- or minority-owned has opened doors, but all say it wouldn't matter if they didn't perform. "At the end of the day, they were betting on me or not," Mary Lisanti, founder and CEO of AH Lisanti, said. "Credibility and the track record in the business mattered more."

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