



**OFFICE OF
STATE TREASURER
DENISE L. NAPIER**

NEWS

FOR IMMEDIATE RELEASE

Friday, July 23, 2004

**Nappier Announces Creation of Connecticut Horizon Fund to
Increase Opportunity for Women, Minority, Connecticut-based and
Newly Emerging Investment Firms**

Smaller Connecticut Firms Will Have New Chance to Earn Share of Treasury Business

State Treasurer Denise L. Nappier, with the unanimous support of Connecticut's Investment Advisory Council, has announced the formation of the Connecticut Horizon Fund (CHF) -- an initiative intended to diversify the management of the state's pension fund while providing opportunities for investment firms owned by Connecticut-based and emerging firms, as well as firms owned by women and minorities, to compete for a share of Treasury investment business..

The Connecticut Horizon Fund is expected to represent between 2.5 and 5 percent of the \$20 billion portfolio of the Connecticut Retirement Plans & Trust Funds (CRPTF). It will ultimately encompass all asset classes, and will include innovative investment strategies currently in development within the financial services industry. The goal of the CHF is to enhance portfolio returns through innovations, while nurturing the next generation of investment ideas.

"Our efforts are always grounded, first and foremost, in prudent investing, and what is in the best interest of the pension fund and its beneficiaries," said Nappier. "That said, in virtually every area of government, procurement policies and hiring procedures dictate a good faith effort to allocate business to a diverse array of investment service providers. I believe that our dealings with the financial industry should be no different."

In launching the Connecticut Horizon Fund, the Treasurer's Office, in consultation with the Investment Advisory Council, will maintain high standards of screening and selection criteria. In addition to considering proposals from firms based in Connecticut, as well as firms owned by women and minorities, small and emerging firms with assets of less than \$2 billion are also being considered for participation in the Connecticut Horizon Fund.

"Establishment of this Fund will provide the State with opportunities to do business with investment managers with solid track-records that have the capacity and capability to add value to the pension fund," Nappier said. "This is especially important for smaller Connecticut-based firms whose growth can have a direct impact on the Connecticut economy."

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The Connecticut Horizon Fund is being established consistent with the pension fund's guiding policy document, the Investment Policy Statement (IPS), which calls for "opportunities for emerging, minority and women-owned and Connecticut-based investment managers to compete for investment contracts so long as such managers are fully capable of providing investment management services consistent with investment strategy and fiduciary standards."

The Treasurer noted that the multiple-asset class approach being pursued allows for the flexibility to invest with managers where there are opportunities and quality investment products or ideas. Nappier said that investments will be made in phases, and as opportunities arise with the selected managers, which were announced yesterday at a meeting of the Investment Advisory Council (IAC). Initial screening of candidates was coordinated by the pension fund's external consultant, CRA RogersCasey, along with members of the IAC.

The selected fund-of-fund managers, all of whom were interviewed by the IAC in April, are: Bivium Capital Partners, Capital Prospects, FIS Funds Management, and Progress Investment Management. The size of the mandate for each manager is currently being finalized. Nappier noted that each of the managers selected to participate in the Connecticut Horizon Fund will be monitored as part of their underlying asset class, and will be tracked as part of a separate annual report to the IAC related to the CHF.

Since the beginning of Nappier's administration, the Connecticut Treasury has made efforts to create successful and long term relationships with minority-owned, women-owned, Connecticut-based and emerging firms.

In 2000, a domestic equity brokerage program was developed to achieve similar goals. First as a pilot program, and then as an ongoing program, the initiative has proven to be successful and has been endorsed by the Investment Advisory Council. In 2003, just over 13 percent of all commissions paid to domestic equity brokers went to minority-owned firms, compared with less than 1 percent in the previous year. Connecticut-based brokers earned more than 27% of total commissions paid, nearly 2% went to women-owned firms, and almost 6% were paid to emerging firms. At the present time, there are 11 participating Connecticut-based brokers, three women-owned brokers, four emerging brokers and 22 minority-owned brokers.

In addition, in May 2004 after a competitive bidding process, the Connecticut Treasury awarded an investment advisory contract to a minority- and women-owned firm. The size of the portfolio, \$670 million, is the largest initial assignment ever given to a minority owned management firm in the history of the Connecticut Treasury.

For the five years ended March 31, 2004, investment performance for Connecticut's \$20 billion pension fund was in the top quartile of all funds in the TUCS Universe of public funds with assets greater than \$1 billion.