

Portable Alpha :
An Overview for CRS

Options for Outperforming Benchmark

- ***Active Management*** - Successful in only some asset classes, but it can be inconsistent.
- ***Enhanced Indexing*** – Inconsistent with un-meaningful alpha.
- ***Portable Alpha*** – Historically successful in both the generation of meaningful alpha and consistency, but limited to only a few asset classes.

What is Portable Alpha?

1. Obtain the returns of the benchmark (minus the cost: Libor), using a swap or futures program. Available benchmarks include: LB Aggregate, S&P 500, Russell 2000, and MSCI EAFE.
2. Since swaps and futures require little to no collateral (less than 5%), remaining assets are invested in a product (the “Alpha”) of your choice.

Portable Alpha works when the “Alpha” source outperforms:

1. Its management fees, and;
2. The cost of the swap/future “Beta”.



How do you obtain the Beta?

	Futures	Swaps
Liquidity	Daily	Quarterly
Counter Party Risk	Clearing House	Broker Dependent
Cost	Libor ¹ or Repo-rate ²	Libor + Premium ³
Tracking Error	Low	Low
Margin Required	5%	0-5%

Example: Ask Clifton Group to begin a \$50M futures program to match the LB Aggregate Index returns. It would only require \$2.5M (5% of \$50M) in cash for the margin account. Similar to the current cash overly futures program, benchmark returns would be reduced by Libor.

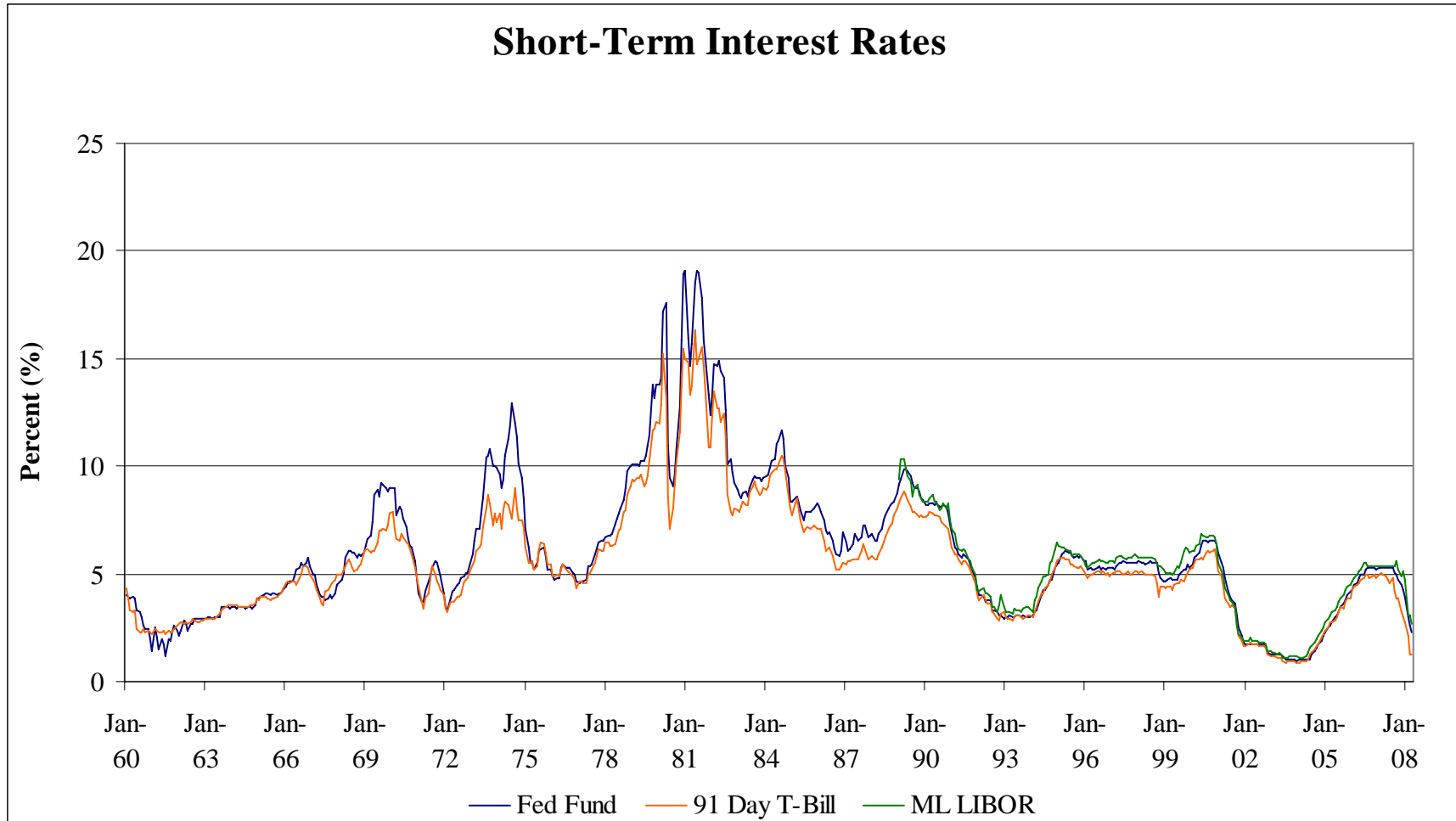
¹LIBOR = London Interbank Offered Rate: An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. The LIBOR is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.

²Repo-rate: Discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. The Repo-rate about 50 basis points less than LIBOR.

³Premium: Usually between 5 and 40 basis points. Depends on the beta, the alpha source, and the counterparty.



Libor – Historical Rates



What is the ideal Alpha source?

1. A product that consistently outperforms Libor.
2. A product with low volatility.
3. A product with low management fees or management fees aligned with outperforming Libor.
4. A product with a low cost beta program, although client can always choose to obtain the beta on its own.

- Equity Market Neutral Fund of Funds
- Multi-Strategy Hedge Fund of Funds
- Possibly Bank Loan Funds



Portable Alpha Products Vs. CRS Bond Mgrs.

Annualized Returns, net of fees, as of March 31, 2008

	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years
Austin Capital	9.4%	9.9%	8.4%	6.6%	7.6%	7.8%	7.9%	8.9%
BenchmarkPlus	6.2%	8.2%	5.6%	5.7%	7.1%	8.8%	8.9%	9.4%
Blue Rock	10.8%	9.7%	7.6%	5.8%	5.7%	6.7%	6.6%	7.5%
Blackrock	5.5%	5.8%	4.6%	4.0%	4.2%	5.5%	5.6%	6.5%
PIMCO	6.0%	6.5%	5.3%	4.3%	4.5%	5.6%	5.6%	6.4%
LB Aggregate	7.7%	7.1%	5.5%	4.4%	4.6%	5.7%	5.7%	6.5%

	9 Years	10 Years	11 Years	12 Years	13 Years	14 Years	15 Years
Austin Capital	8.5%	7.9%	8.7%	---	---	---	---
BenchmarkPlus	12.3%	12.8%	---	---	---	---	---
Blue Rock	7.1%	7.0%	7.8%	7.9%	8.5%	8.4%	8.1%
Blackrock	6.0%	6.0%	6.6%	6.4%	---	---	---
PIMCO	5.9%	6.0%	6.6%	6.5%	---	---	---
LB Aggregate	6.0%	6.0%	6.6%	6.4%	6.8%	6.6%	6.3%

On an annualized basis the Portable Alpha products consistently outperformed. The fixed income managers were in-line with the benchmark.



Portable Alpha Products Vs. CRS Bond Mgrs.

Calendar Year Returns, net of fees

	2007	2006	2005	2004	2003	2002	2001	2000
Austin Capital	12.7%	8.3%	4.0%	6.2%	10.0%	7.3%	11.7%	14.6%
BenchmarkPlus	10.3%	7.2%	0.9%	9.8%	11.3%	16.0%	12.1%	20.3%
Blue Rock	14.1%	4.7%	3.4%	5.4%	3.2%	10.3%	10.0%	11.4%
Blackrock	6.5%	4.4%	2.5%	4.6%	4.5%	10.3%	9.3%	12.2%
PIMCO	6.3%	4.9%	2.9%	4.3%	4.6%	9.7%	7.9%	12.2%
LB Aggregate	7.0%	4.3%	2.4%	4.3%	4.1%	10.3%	8.4%	11.6%

	1999	1998	1997	1996	1995	1994	1993	1992
Austin Capital	3.3%	5.4%	13.4%	---	---	---	---	---
BenchmarkPlus	27.3%	21.3%	---	---	---	---	---	---
Blue Rock	1.1%	10.2%	13.2%	9.1%	23.1%	-1.3%	12.3%	9.5%
Blackrock	0.7%	8.8%	9.7%	3.7%	---	---	---	---
PIMCO	-1.2%	9.5%	10.1%	4.0%	---	---	---	---
LB Aggregate	-0.8%	8.7%	9.7%	3.6%	18.5%	-2.9%	9.8%	7.4%

Standard Deviation as of March 31, 2008

	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years	15 Years
Austin Capital	3.2%	9.9%	3.0%	3.6%	4.1%	4.2%	4.0%	---
BenchmarkPlus	4.7%	9.1%	4.2%	4.1%	4.7%	4.8%	5.6%	---
Blue Rock	3.1%	9.7%	3.3%	3.6%	4.0%	4.0%	4.0%	4.2%
Blackrock	2.8%	5.8%	2.5%	2.8%	3.4%	3.6%	3.5%	---
PIMCO	3.3%	6.5%	3.1%	3.3%	3.7%	3.8%	3.7%	---
LB Aggregate	2.6%	7.1%	2.8%	3.2%	3.6%	3.7%	3.5%	3.7%

