

## **David Deutsch Speaks at LRG Capital Group Summit**

### *SDCERA CIO Discusses Asset Allocation, Fees, Transparency*

**Larkspur, CA, September 5, 2006** -- LRG Capital Group, a global merchant bank that invests in small and mid-cap public companies, today announced that David Deutsch, the Chief Investment Officer of the San Diego County Employee Retirement Association Pension Fund (SDCERA) spoke at an investor forum the firm recently held in San Diego.

Mr. Deutsch stated that the average fixed 4-5% pension allocation to hedge funds makes no sense as alternative investments should not be treated as a separate asset class, with each investment opportunity being viewed as a "one off deal".

He added that fund-of-funds have bred mediocrity and he expects downward pressure on their fee structure as institutional investors become more sophisticated and make greater use of multi-strategy managers. Deutsch also expects to see downward fee pressure on most emerging funds that are competing for assets with larger and established outfits.

On the pertinent topic of transparency, Deutsch said that many hedge funds still do not offer transparency and he doesn't expect this to change in the near term, especially with the larger funds. He relies on return based factors to offset the absence of transparency from these managers commenting that "no one cares about inefficiencies and transparency if a manager produces outsized returns."

Lawrence Goldfarb, CEO of LRG Capital Group cited that smaller managers are willing to give transparency, unless the information provided can materially hurt the fund. Goldfarb agreed with Deutsch's prediction on fee compression and noted that fees will also come down for single strategy managers who consistently underperform and have an 'asset gatherer' as opposed to 'alpha hunter' mentality.

Deutsch said that SDCERA has been successful in negotiating lower fees through longer lock-up periods. From Goldfarb's point of view, longer lock-ups do benefit the fund manager, but also the investor as they are not at the mercy of other investors redeeming ahead of them.

#### **About LRG Capital Group**

LRG Capital Group is a global investment, banking and advisory boutique that focuses on public and private companies in the technology, life sciences, hospitality, real estate, and entertainment sectors. The firm provides capital via private equity, commercial loans, and structured debt financing, and guides and advises clients on mergers and acquisitions, corporate finance advice and other strategic alternatives. Headquartered in San Francisco with offices in New York and Miami, LRG Capital Group excels at relationship-focused guidance and financing.

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