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Office of the Treasurer  
September 9, 2008

Members, Investment Committee

APPROVAL OF CONTRACT AMENDMENT WITH CAPITAL GUARDIAN  
AND AUTHORIZATION TO ENTER CONTRACT NEGOTIATIONS WITH TWO NEW FIRMS  
FOR THE MANAGEMENT OF NON-U.S. EQUITY ALLOCATION

**Recommendation:** that the Investment Committee approve a contract amendment with Capital Guardian and authorize the University's Purchasing Division to enter into contract negotiations with two new firms for the management of the non-U.S. equity allocation.

**Background:** The Investment Committee approved a revised asset allocation and manager structure on June 16, 2008, which includes an increase in the non-U.S. equity asset class from 15% to 20%, plus a change in strategy to include more emerging markets exposure. The MSCI All Country World ex. U.S. ("ACW ex. U.S.") index was approved as the benchmark for the non-U.S. equity asset class, versus the MSCI Europe, Australasia, and Far East ("EAFE") index that was previously used, which only includes the developed markets.

Investment staff and R. V. Kuhns & Associates ("RVK") issued a Request for Proposals for non-U.S. equity managers in July 2008 and received proposals from 26 firms on 32 different strategies. Staff and RVK performed the evaluation of proposals and recommend that Capital Guardian be retained to manage a 10% core allocation in their ACW ex. U.S. strategy, complemented by one growth manager and one value manager, each with allocations of 5%. Capital Guardian's ACW ex. U.S. strategy has achieved top-quartile returns in this universe and the University will not incur transactions costs that would be associated with a manager change.

The recommendation to retain Capital Guardian and hire complementary growth and value managers, along with the supporting rationale, is included in a confidential memo from RVK dated August 26, 2008, which was distributed to the Investment Committee. Disclosure of the names of the growth and value managers could jeopardize the contract negotiations with these firms.

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Action Taken:     Approved     Disapproved     Other \_\_\_\_\_