

IC 4

Office of the Treasurer
September 9, 2008

Members, Investment Committee

APPROVAL OF CONTRACT AMENDMENTS WITH PIMCO AND WELLINGTON
FOR THE MANAGEMENT OF REAL RETURN ALLOCATIONS

Recommendation: that the Investment Committee approve contract amendments with PIMCO and Wellington for the management of real return allocations of 5.25% and 1.75%, respectively.

Background: The Investment Committee approved a revised asset allocation on June 16, 2008, which includes a new allocation to the real return asset class. Investment consultant, R.V. Kuhns & Associates (“RVK”) and investment staff reviewed leading real return asset managers, two of which are PIMCO and Wellington, existing investment managers for the University. As a result of this review, RVK recommends hiring PIMCO and Wellington for the real return mandate, splitting the 7% total allocation 75%, or 5.25%, to PIMCO, and 25%, or 1.75%, to Wellington. The two strategies are very different and the combination of the two should enable the University to achieve or exceed the 6.75% return target for this asset class, at or below the 8.5% volatility (risk) targeted for this asset class. PIMCO’s strategy utilizes a variety of fixed income securities in addition to standard real return investments such as TIPS, commodities and real estate. Wellington’s strategy utilizes global equities in certain industries (e.g. core energy, metals, mining, agriculture, livestock, forest products and real estate) in addition to TIPS and commodities.

The attached RVK memo provides further background for this recommendation.

Action Taken: Approved Disapproved Other _____