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Office of the Treasurer
September 13, 2011

Members, Investment Committee

AUTHORIZATION TO ENTER CONTRACT NEGOTIATIONS WITH NEW PRIVATE EQUITY MANAGER

Recommendation: that the Investment Committee authorize the Executive Vice President for Finance and Administration, or his designee, to enter into contract negotiations with a new private equity manager.

Background: At the March 28, 2011 Investment Committee meeting, University investment staff and consultant, R.V. Kuhns & Associates (“RVK”), reviewed the current status of the private equity program including a pacing analysis that indicated the University needs to make future commitments in excess of \$100 million to the asset class over the next few years in order to prudently reach and maintain the 7% target allocation. Staff and RVK advised that a separate account manager should be hired in order to have more flexibility and control over investment guidelines and achieve a lower fee structure versus a traditional commingled fund-of-funds.

Staff and RVK issued a request for proposals for a private equity separate account manager in May 2011 and received proposals from 31 firms. Staff and RVK evaluated the proposals, conducted conference call interviews with four semi-finalists and on-site due diligence visits with three finalists. The manager selected was determined to be the best overall value for the University based on the ownership structure of the firm; experienced and stable investment team; top-down tactical asset allocation approach combined with bottom-up portfolio construction; strong historical investment performance; emphasis on accurate and timely reporting to investors; and attractive structure and financial terms for the separate account. The University will commit \$100 million to the new manager which will be invested through a separate fund-of-one vehicle. It is anticipated that the capital will be committed to underlying private equity investments over five vintage years.

The name of the new manager is not disclosed as it could jeopardize contract negotiations.

Action Taken: Approved Disapproved Other _____