

# IC 3

Office of the Treasurer  
September 13, 2011

Members, Investment Committee

## AUTHORIZATION TO ENTER CONTRACT NEGOTIATIONS WITH NEW REAL ESTATE 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 real estate manager.

Background: At its June 16, 2008 meeting, the Investment Committee approved a revised asset allocation that established value-added and opportunistic real estate allocations in addition to the core real estate allocation. University investment staff and consultant, R.V. Kuhns & Associates (“RVK”), developed an implementation plan to hire managers for the new value-added and opportunistic allocations over several years in order to ensure appropriate vintage year diversification. The University has committed \$28 million to date to four value-added managers and future commitments are needed to reach the 4% target allocation for non-core real estate (separate value-added and opportunistic allocations have been combined to form one “non-core” allocation).

Staff and RVK issued a request for proposals to hire one or more non-core real estate managers in June 2011 and received 26 proposals. Staff and RVK evaluated the proposals and selected a manager that will provide non-U.S. real estate exposure in order to provide geographic diversification for the existing real estate portfolio, which is exclusively US-focused. The University will commit \$10 million to the new manager. The University will also commit an additional \$6 million to Contrarian Capital, which was approved by the Committee in June 2010. The additional funds will result in a total commitment of \$10 million to Contrarian’s Real Estate Debt Fund II, L.P.

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

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