

IC 1

Office of the Treasurer
September 9, 2013

Members, Investment Committee

AUTHORIZATION FOR INVESTMENT STAFF TO PERFORM ON-SITE DUE
DILIGENCE VISIT OF GLOBAL TACTICAL ASSET ALLOCATION MANAGER
SEARCH FINALIST AND ENTER CONTRACT NEGOTIATIONS WITH THE
MANAGER IF RESULTS OF ON-SITE VISIT ARE SATISFACTORY

Recommendation: that the Investment Committee authorize the investment staff to perform an on-site due diligence visit of the finalist in the global tactical asset allocation manager search and enter into contract negotiations with the manager if the results of the on-site visit are satisfactory.

Background: In June 2013, the Investment Committee established a new 8% global tactical asset allocation (“GTAA”) asset class in conjunction with approval of a new asset allocation strategy designed to generate a 7.5% average annual long-term return. Phase 1 of the new asset allocation, consisting of various liquid strategies, is expected to be implemented by January 1, 2014. Phase 2, consisting of illiquid private equity and private real estate strategies, will be implemented over several years to ensure appropriate vintage year diversification.

The 8% GTAA allocation will consist of two managers, with 4%, or approximately \$40 million, managed by each. PIMCO currently manages a GTAA strategy for the University within the real return asset class and has been selected as one of the managers for the new GTAA allocation and a second manager must be hired soon as part of the Phase 1 implementation.

The University issued a request for proposals for a new global tactical asset allocation manager in June 2013 and received 16 proposals. Investment staff and consultant, R. V. Kuhns & Associates, evaluated the proposals and conducted conference call interviews with three managers. The manager selected was determined to be the best overall value for the University based on the experienced and stable investment team; consistent investment philosophy utilizing long-term asset class return forecasts; discretion to invest in a broad array of asset classes and strategies; and attractive historical risk-adjusted performance. The selected manager is also complementary to PIMCO’s GTAA strategy.

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

Action Taken: Approved Disapproved Other _____