

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Selection of Fund Managers  
**Date:** January 7, 2002

**Recommended Actions:**

For the Regent endowment funds:

1. Recommend the Board approve the selection of a new small capitalization value fund manager;
2. Recommend the Board approve the selection of a large capitalization index fund manager; and
3. Recommend the Board allow the institutions to utilize Reams Asset Management as a second fixed income fund manager.

**Executive Summary:**

**Investment Policy Review** Wilshire Associates, the Board's investment advisor, completed a comprehensive review of the Board's investment policy in relation to its endowment and quasi-endowment portfolios. (B.C. 2) Those recommendations include adding:

- A small cap value manager;
- A large cap index manager; and
- A second fixed income manager.

Since the Board just recently hired Reams Asset Management to manage a portion of the fixed income assets of the University of Iowa Quasi II fund, Wilshire recommended that the Board utilized Reams as the second fixed income manager for its endowment portfolio.

**Small Cap Value Manager** Wilshire Associates identified three qualified small cap value managers to be interviewed:

- ICM Asset Management;
- LSV Asset Management; and
- William Blair & Company.

A selection committee consisting of Banking Committee members, and representatives of the universities and the Board Office are scheduled to conduct the interviews prior to the Banking Committee.

The selection committee will present its recommendation for the new small cap value manager at the Banking Committee meeting on January 16, 2002.

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Large Cap  
Index Manager

Wilshire Associates evaluated S&P 500 index fund managers and solicited fee quotes from top index managers that met the Regent investment policy. The selection committee will review Wilshire's recommendations and will present a recommendation to the Banking Committee at its January 16, 2002, meeting.

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Fixed Income  
Manager

In June 2001, the Board approved Reams Asset Management as an additional fixed income manager for the University of Iowa's Quasi II endowment fund. Based on Wilshire's recommendations, a selection committee conducted interviews and selected Reams Asset Management. Because of the recent selection process for a fixed income manager, Wishire recommends that Reams be authorized as the second fixed income manager for all Regent endowment accounts.

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**Background:**

Previous Board  
Actions

In March 1989, the Board voted to obtain the services of external endowment fund managers to handle approximately \$31 million in endowment assets. At that time, the Banking Committee favored choosing one balanced manager (INVESCO) to handle approximately two-thirds of the endowment funds with another equity manager handling the remaining one-third.

The Board, over the years, has made several changes in its investment policy and management firms. The September 30, 2001, investment report shows that the Regent endowments/quasi-endowments have grown to more than \$305 million.

At the November Banking Committee meeting, the Board approved the establishment of endowments at the three universities for the proceeds of the demutualization of Principal Mutual Holding Company. Considering the continued growth of the endowments and the significant Principal proceeds, Wilshire recommends the Board add, for its endowment portfolio, a small cap value manager, a large cap index manager, and Reams Asset Management as an additional fixed income manager.