

**MEMORANDUM**

**To:** Banking Committee

**From:** Board Office

**Subject:** Performance Evaluation of External Investment Fund Managers

**Date:** March 3, 2003

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**Recommended Action:**

Receive reports from the Board's investment advisor and its external investment fund managers.

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**Executive Summary:**

The Board employs an investment advisor and several money managers to guide its policy of active investment management for institutional funds as detailed in the Regent Policy Manual.

**Investment  
Policy**

The Board's investment policy stipulates that the external investment managers for the institutional portfolios shall meet with the Banking Committee, Board Office, and institutional representatives annually to review the investment outlook, structure of their portfolios, and past results.

The policy provides that the Board's investment advisor present annually a comprehensive evaluation of the performance of the Board's external fund managers.

**Presentations**

Wilshire Associates has been the investment advisor to the Board and its institutions since May 1996. Mark Brubaker of Wilshire Associates will review the annual performance of the external fund managers.

BlackRock is currently the only external fund manager that invests some of the institutional operating funds.

The Board's principal endowment fund managers include:

- Alliance Bernstein & Co., Inc.
- Invesco Capital Management
- LSV Asset Management
- Reams Asset Management
- Seneca Capital Management
- Vanguard

Representatives from external investment fund managers that have provided investment services for at least a year will make presentations as identified on page 3 of this memorandum.

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**Background:** As indicated in B.C. 2 — Investment and Cash Management Reports for the quarter ended December 31, 2002, the Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment.

The year-end market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$898.0 million. The year-end endowment/quasi-endowment investment information, as reported by Wilshire Associates, totals \$360.4 million.

### Operating

**BlackRock** BlackRock is the only external fund manager for the operating portfolio and manages approximately \$155.4 million (17.3%) of the institutional operating funds. BlackRock, the short-intermediate fixed income investment manager for institutional operating funds, secured management of institutional investment funds in December 1996. Performance results for BlackRock are reported to the Banking Committee on a quarterly basis with the institutional operating portfolios.

### Endowment

**Alliance Bernstein** Alliance Bernstein manages an international equity portfolio that utilizes a value philosophy and intensive research in constructing portfolios and invests approximately \$18.5 million or 5.1% of the Regent endowment portfolio. Originally, the Board authorized Sanford C. Bernstein & Co., Inc. to manage its international equity portfolio in 1999. Alliance Capital Management acquired Sanford C. Bernstein & Co., Inc. in 2000.

**Invesco** Invesco Capital Management manages Invesco manages portfolios of U.S. stocks and U.S. bonds separately, as approved by the Board in January 2002, with total Regent endowment/quasi-endowment assets of \$184.6 million representing 51.2% of the Regent endowment portfolios. Invesco has managed institutional endowment funds since April 1989.

**LSV Asset Mgmt.** LSV Asset Management manages small value domestic stocks and invests \$12.1 million of Regent assets representing 3.4% of the endowment portfolio. Although the Board approved the selection of LSV in January 2002, they have only managed Regent funds for two quarters. No presentation will be made.

**Reams Asset Management** Reams Asset Management managed University of Iowa quasi-endowment portfolios since July 1, 2001. This was only the second quarter that Reams managed other endowment funds. Total Regent endowment/quasi-endowment assets managed by Reams are \$85.8 million representing 23.8% of the portfolio. Reams will make its first annual presentation.

**Seneca Capital Management** Seneca Capital Management manages U.S. equity portfolios with a mid-capitalization growth orientation and invests \$25.2 million of Regent assets representing 7.0% of the endowment portfolio. Seneca has managed institutional endowment funds since May 1995.

**Vanguard** Vanguard manages large cap index funds and invests \$34.1 million of Regent assets representing 9.5% of the endowment portfolio. The Board approved the selection of Vanguard as a new index fund manager at its September 19, 2002 meeting. Since this was the first full quarter for investments with Vanguard, no presentation will be made.

**BOARD OF REGENTS BANKING COMMITTEE**  
**EXTERNAL INVESTMENT FUND MANAGER PRESENTATIONS**  
**MARCH 11, 2003**

- 9:15 a.m.        Mark Brubaker of Wilshire Consulting
- 9:45 a.m.        Report by Tanya Benc and Eric Franco of Alliance Bernstein
- 10:05 a.m.       Report by Jim Baker of Invesco
- 10:25 a.m.       Report by Susan Stannard of Seneca Capital Management
- 10:45 a.m.       Report by Marcy Rappaport of BlackRock
- 11:05 a.m.       Report by Tom Fink of Reams Asset Management Company