

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Performance Evaluation of External Investment Fund Managers  
**Date:** March 4, 2002

**Recommended Action:**

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

**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.

Wilshire Associates has been the investment advisor to the Board and its institutions since May 1996. The Board's principal endowment fund managers include Invesco Capital Management, Seneca Capital Management, Alliance Bernstein & Co., Inc., and Reams Asset Management. BlackRock is the only external fund manager that invests some of the institutional operating funds.

**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**

Mark Brubaker of Wilshire Associates will review the performance of the external fund managers.

Representatives from each of the external investment fund managers 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, 2001, 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 \$825.2 million. The year-end endowment/quasi-endowment investment information, as reported by Wilshire Associates, totals \$319.2 million.

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Alliance  
Bernstein

Alliance Bernstein manages an international equity portfolio that utilizes a value philosophy and intensive research in constructing portfolios and invests approximately \$10.9 million or 3.4% 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.

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BlackRock

BlackRock is the only external fund manager for the operating portfolio and manages approximately \$140.7 million (17.1%) of the institutional operating funds. The institutions manage the remaining 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.

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Invesco

Invesco Capital Management manages a balanced portfolio investing in U.S. equity and fixed income markets with total Regent assets of \$244.3 million representing 76.5% of the Regent endowment portfolios. Invesco has managed institutional endowment funds since April 1989.

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Reams Asset  
Management

Reams Asset Management handles new deposits into the University of Iowa quasi-endowment portfolios, which totals \$32.2 million representing 10.1% of the Regent endowment portfolio. Reams has only managed these deposits since July 1, 2001; therefore, they will not make a performance presentation this year.

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Seneca Capital  
Management

Seneca Capital Management manages U.S. equity portfolios with a mid-capitalization growth orientation and invests \$31.9 million of Regent assets representing 10.0% of the endowment portfolio. Seneca has managed institutional endowment funds since May 1995.

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**BOARD OF REGENTS BANKING COMMITTEE**  
**EXTERNAL INVESTMENT FUND MANAGER PRESENTATIONS**  
**MARCH 13, 2002**

- 1:15 p.m.        Mark Brubaker of Wilshire Consulting
- 1:30 p.m.        Report by Bob Prusiewicz of Alliance Bernstein
- 1:50 p.m.        Report by Jim Baker of Invesco
- 2:10 p.m.        Report by Susan Stannard of Seneca Capital Management
- 2:30 p.m.        Report by Cheryl Sylwester of BlackRock