

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Performance Evaluation of External Investment Fund Managers
Date: March 12, 2001

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 Procedural Guide. 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, and Sanford C. Bernstein & Co., Inc. BlackRock is the only external fund manager that invests some of the institutional operating funds.

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 endowment fund managers.

Mark Brubaker of Wilshire Associates will review the performance of the three endowment fund managers. Representatives from each of the external investment fund managers will make presentations as identified on page 3 of this memorandum.

Background:

As indicated in B.C. 2 — Investment and Cash Management Reports for the quarter ended December 31, 2000, the Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment.

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$806.0 million.

- BlackRock manages approximately \$91.2 million (11.3%) 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.

The endowment/quasi-endowment investment information, as reported by Wilshire Associates, totals \$289.7 million. Wilshire Associates Incorporated has served as the Board's investment advisor since May 1996. Wilshire has worked with the universities, Board Office, and Banking Committee to review and recommend investment policy, structure, and strategies as well as to summarize the quarterly performance of the endowment fund managers.

- INVESCO Capital Management manages a balanced portfolio investing in U.S. equity and fixed income markets with total Regent assets of \$243.8 million representing 84.2% of the Regent portfolios. Invesco has managed institutional endowment funds since April 1989.
- Seneca Capital Management manages U.S. equity portfolios with a mid-capitalization growth orientation and invests \$33.9 million of Regent assets representing 11.7% of the portfolio. Seneca has managed institutional endowment funds since May 1995.
- Sanford Bernstein manages an international equity portfolio that utilizes a value philosophy and intensive research in constructing portfolios and invests approximately \$12.0 million or 4.1% of the Regent endowment portfolio. Sanford Bernstein has managed the international equity component of the portfolio since June 1999.

BOARD OF REGENTS BANKING COMMITTEE
EXTERNAL INVESTMENT FUND MANAGER PRESENTATIONS
MARCH 21, 2001

- 1:15 p.m. Mark Brubaker of Wilshire Associates
- 1:30 p.m. Report by Andrea Tasker and Jonathan Mann of Sanford
Bernstein
- 1:50 p.m. Report by George Hauptfuhrer and Jim Baker of INVESCO
- 2:10 p.m. Report by Susan Stannard of Seneca Capital Management
- 2:30 p.m. Report by Cheryl Sylwester and Shelley Walker of BlackRock