

Contact: Patrice Sayre

### **FUND MANAGER ISSUES**

**Action Requested:** Recommend that the Board approve:

- ▶ Adding the following non-U.S. equity investment managers within the endowment portfolios of SUI and ISU (UNI invests in SUI's long-term endowment):
  - ◆ Arrowstreet Capital All World ex-U.S.
  - ◆ EARNEST Partners International Equity
- ▶ Terminating international equity fund manager GMO Foreign Fund and reallocate assets to the proposed new managers.

**Executive Summary:** The Board of Regents investment policy requires that the investment advisor (Wilshire Consulting) provide recommendations and advice on matters regarding investment manager selection, retention, and termination.

(<http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm>)

Institutional staff and Board Office staff conducted an investment manager search facilitated by Wilshire Consulting. The purpose was to identify one or more candidates in an effort to improve investment performance.

**Background and Analysis:** As part of the search process, Wilshire provided a search report covering six firms offering non-U.S. equity strategies. Wilshire's information included evaluations for each candidate based on a number of qualitative and quantitative factors. The areas covered by Wilshire's evaluation of each firm include the following:

- ◆ Organization
- ◆ Information
- ◆ Forecasting
- ◆ Implementation
- ◆ Performance / Attribution
- ◆ Fees (appropriate for asset style and investment strategy)

Of the six candidates, two were evaluated in greater detail and telephonic interviews were conducted on May 23, 2013. Collectively, institutional staff, Board Office staff, and Wilshire support the hiring of the following two new investment managers, subject to fully executed agreements between the universities and each investment manager:

- ◆ Arrowstreet Capital All World ex-U.S.
- ◆ EARNEST Partners International Equity

Within non-U.S. equities, State Street Global Advisors currently manages approximately half of the assets in an index fund. With approval of these investment managers, there would be three investment managers represented in the asset class. The target allocation to each new manager will not exceed one-third of total non-U.S. equity assets, but may be less based on further portfolio construction analysis by Institutional staff and Wilshire.

As of March 31, 2013, the combined SUI and ISU portfolios managed by GMO Foreign Fund totaled \$60.789 million.