

Contacts: Andrea Anania
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FUND MANAGER RECOMMENDATION

Action Requested: Approve:

- ◆ Neuberger Berman's Full Market High Yield strategy in the long-term endowment portfolios; this selection replaces Post Advisory Group following organizational developments which included material personnel changes; and
- ◆ Transition and implementation as described below.

Executive Summary: This recommendation follows a diligent search process that began with consideration of the entire universe of high yield fixed income investment managers. Wilshire then provided a detailed search report on a reduced list of seven potential managers, each being highly rated by Wilshire's research process.

From there, further review and discussion was conducted under the leadership of Audit/Compliance and Investment Committee Chair Jack Evans, and included institutional and Board Office staff. Financial Advisor Mike Dudkowski of Wilshire Consulting facilitated in-person interviews with the following three organizations:

- ◆ Neuberger Berman
- ◆ Oaktree Capital Management
- ◆ PENN Capital Management Co.

Each investment manager candidate demonstrated organizational strength, resources, and expertise in high yield fixed income markets. Chair Evans and institutional personnel collectively decided that Neuberger Berman would be the best overall fit. Specifically, Neuberger Berman demonstrated unique ability to produce attractive results in varying types of market environments while managing risk.

Transition and Implementation

If this fund manager is approved by the Board of Regents, subject to finalization of due diligence by the universities, Wilshire will work with staff at the universities to efficiently transition assets.

The specific investment vehicle to be employed in connection with this recommendation is a commingled fund oriented towards institutions. Because entry into this fund is not possible before August 29, 2011, the Neuberger Berman High Income Fund (institutional share class) is recommended for usage on an interim basis to maintain the desired investment market exposure.

The Neuberger Berman High Income Fund is managed in the same strategy and by the same portfolio management team as that which participated in the search process described above. This mutual fund invests primarily in U.S. dollar-denominated fixed-income securities that are rated below investment grade and issued by U.S. and foreign corporations, governments, and agencies. It may also invest in interests in bank loans.

Background: The Board of Regents' Investment Policy may be found in Chapter 7.04 of its **Policy Manual** (<http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm>)