

Contact: Patrice Sayre

### **FUND MANAGER ISSUES**

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

- ▶ Bank Loans as a new Fixed Income sub asset class for the diversified operating, intermediate diversified, and long term portfolios of SUI and ISU (only SUI maintains an intermediate diversified portfolio). For each portfolio, the proposed sub asset class target allocation is 5% (range of 0-10%) with a corresponding decrease in the Core Fixed Income sub asset class.
- ▶ Adding product offerings by any of the following finalist candidates for bank loan investment management. Pending board approval of this new Fixed Income sub asset class, these strategies will be used in the diversified operating, intermediate diversified, and long term portfolios of SUI and ISU (only SUI maintains an intermediate diversified portfolio.)
  - ◆ Guggenheim Partners Asset Management
  - ◆ ING Investment Management
  - ◆ Western Asset Management

**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>)

Pending approval of a new fixed income sub asset class allocation to bank loans (typically floating rate obligations with little duration exposure), Institutional staff and Board Office staff will complete this fund manager search and selection process. The process will continue to be facilitated by Wilshire Consulting with a goal of identifying one or more suitable candidates among the finalist list recommended by Wilshire Consulting.

**Background and Analysis:** The search process was initiated with Wilshire providing an initial search report covering eleven firms offering bank loan strategies. Wilshire's report included information for each candidate and covered a number of qualitative and quantitative factors. Areas covered by Wilshire's evaluation of each candidate include the following:

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

In addition to final due diligence of each candidate's investment approach, additional screening based on suitable investment vehicles, appropriate fees, and amenable legal terms will be completed and considered in the final selection decision.