

MICHIGAN STATE
U N I V E R S I T Y

January 16, 2013

MEMORANDUM

To: Trustee Finance Committee

From: Mark P. Haas *Mark P. Haas*
Vice President for Finance and Treasurer

Subject: New Investment Manager - Pacific Investment Management Company LLC

RECOMMENDATION

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees select Pacific Investment Management Company LLC (PIMCO) as an investment manager.

BACKGROUND

PIMCO has approximately \$1.9 trillion of assets under management in fixed income and equity strategies. PIMCO Unconstrained Bond Strategy (Fund) utilizes an absolute-return oriented, investment grade quality fixed income strategy.

The Fund employs a top-down and bottom-up investment approach. The top-down element is driven by PIMCO's cyclical and secular economic forums at which likely short to medium-term macroeconomic developments are considered. The bottom-up element is driven by PIMCO's specialist portfolio managers who are in a position to judge the relevant richness or cheapness of securities in sectors and who may be able to identify various pricing anomalies in the forward markets and in the interest rate options markets. The strategy embodies the firm's secular thinking, global themes, and integrated investment process without the constraints of a benchmark or significant sector/instrument limitations.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that Pacific Investment Management Company LLC represents an opportunity to invest with a skilled fixed income manager. The Administration plans to invest \$25 million in the Fund, which will be funded by a redemption from the Vanguard Short Term Investment Grade Fund and available cash.

cc: N. Carter, G. Klein



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