

MICHIGAN STATE
UNIVERSITY

April 3, 2013

MEMORANDUM

To: Trustee Finance Committee

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

Subject: New Investment Manager - Highclere International Investors

RECOMMENDATION

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees select Highclere International Investors (Highclere) as an investment manager.

BACKGROUND

Highclere has approximately \$2.4 billion of assets under management of which \$870 million is invested in the Highclere International Investors SMID Strategy (Fund). The Fund invests in best-in-class companies at attractive valuations. Active stock selection determines the sector and country exposure.

The Fund's investment process is systematic, methodical, and research-driven. Ideas are generated by database screening to identify companies with market capitalizations between \$1 billion and \$10 billion which meet growth and valuation criteria. The firm uses financial analysis to identify the quality, strength, and liquidity of the balance sheet and cash flow; and conducts fundamental analysis on each company's products, franchise, market opportunity, and management. The firm typically invests in countries that make up the EAFE Index and may invest up to 20% of the portfolio in emerging markets.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that Highclere International Investors represents an opportunity to invest with a skilled global ex U.S. manager. The Administration plans to invest \$10 million in the Fund, which will be funded by a redemption from the Vanguard Total International Stock Index ETF.

cc: N. Carter, G. Klein



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