MICHIGAN STATE
UNIVERSITY

December 4, 2013

MEMORANDUM

To: Trustee Finance Committee

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

Subject: New Investment Manager - Pennant Capital Management, LLC

RECOMMENDATION

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees select Pennant Capital Management, LLC as an investment manager.

BACKGROUND

Pennant Capital Management, LLC (Pennant) is a marketable alternative manager with approximately $6.6 billion of assets under management. Pennant Windward Fund, Ltd. (Fund) invests long/short in U.S. equities with a small amount of exposure to Western European equities.

The Fund uses bottom-up, fundamental analysis to identify 35-60 long positions and 50-65 short positions. Long positions are held in growth-oriented companies with a sustainable competitive advantage, companies that are trading at a discount to earnings, and companies with enhanced earnings expectations due to a transformational event. Short positions are held in overvalued securities that have a catalyst that is expected to produce a decline in value.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that Pennant Capital Management, LLC represents an opportunity to further diversify the marketable alternative portfolio. The Administration plans to invest $30 million in the Fund. An investment of $17 million will be funded from available cash by January 1, 2014 and the remainder when capacity is available.

cc: N. Carter, G. Klein

OFFICE OF THE
VICE PRESIDENT FOR
FINANCE

Mark P. Haas
Vice President for Finance
and Treasurer

Michigan State University
Hannah Administration Building
426 Auditorium Road, Room 412
East Lansing, Michigan
48824

Phone 517.355.5014
Fax 517.353.6772
www.finance.msu.edu

MSU is an affirmative-action,
equal-opportunity employer.