

MICHIGAN STATE UNIVERSITY

April 10, 2014

MEMORANDUM

To: Trustee Finance Committee

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

Subject: New Investment Manager - Kabouter Management, LLC

RECOMMENDATION

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

BACKGROUND

Kabouter Management, LLC (Kabouter) is a developed global ex U.S. manager with approximately \$690 million of assets under management. Kabouter International Small Cap Select Strategy (Fund) invests in small-cap, recession-resistant companies listed in developed international markets.

The Fund uses a quantitative screening model to identify prospective investments with high profitability, a strong balance sheet, and consistent earnings growth. A fundamental, bottom-up analysis is then applied to determine companies poised to benefit from secular growth themes. This results in a portfolio of approximately 35-45 stocks.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that Kabouter Management, LLC represents an opportunity to diversify MSU's developed global ex U.S. equity portfolio by investing with a firm whose strategy is complementary to existing managers. The Administration plans to invest \$25 million in the Fund to be funded by available cash.

cc: L. Simon, J. Youatt, S. Udpa, B. Beekman, B. Noto, G. Klein, N. Carter



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