

Approved by the Regents
July 18, 2013

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Public Equity

Action Requested: Approval of the Kiltearn Partners

Background and Summary: We recommend the approval of the Kiltearn Partners, an Edinburgh, Scotland based public equity manager, with an initial funding of \$100 million from the Long Term Portfolio.

Established in 2011 by Murdo Murchison, Kiltearn specializes in managing portfolios of global public equities for institutional investors. They have a track record of adding value through security selection. Previously, Murdo Murchison spent 15 years focused on global public equity investing at Franklin Templeton during half of which he managed the flagship Templeton Growth Fund.

Kiltearn employs a research-driven fundamental investment process. The firm identifies potential investments by screening world equity markets on a variety of valuation criteria. The Kiltearn investment team then spends the bulk of their time assessing the business quality of cheapest quartile of global stocks. In addition to other factors, the business quality assessment focuses on capitalization, cash flows reliability, products, market opportunity and management. When selecting individual stocks, the firm targets companies with a low valuation relative to the quality of the business.

This investment will diversify the public equity portfolio and further the University's goal to maximize the long term risk-adjusted return of the Long Term Portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2013