

**Commonwealth of Pennsylvania  
Public School Employees' Retirement System**

**DATE:** December 8, 2011

**SUBJECT:** Westwood Global Investments LLC

**TO:** Members of the Board

**FROM:** Luke Jacobs *DK/LJ*  
Senior Investment Analyst, Private Markets and Real Estate

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At the December Finance Committee meeting, staff and Wilshire will recommend that PSERS graduate Westwood Global Investments LLC from the Public Market Emerging Investment manager Program ("PMEIMP") to the Main Fund.

Westwood was hired into the PMEIMP in August 2009. Their returns have been consistently better than their benchmark, the MSCI Emerging Markets Index. Being that their Assets Under Management (AUM) are now above the program's \$3 Billion threshold, we are recommending them for graduation.

Included for your review are Wilshire's recommendation, a presentation prepared by staff, and the resolution recommending Westwood for the main fund.

If you have any questions or comments prior to the meeting, please contact me at 717-720-4907.




## Memorandum

Date: November 15, 2011

To: James H. Grossman, Jr.  
Managing Director of External Public Markets, Risk and Compliance  
Pennsylvania Public School Employees Retirement System

From: William G. Bensur, Jr., CFA   
Managing Director  
Wilshire Associates Incorporated

Marlin D. Pease, CFA   
Managing Director  
Wilshire Associates Incorporated

**Re: Westwood Global Investments**

The purpose of this memorandum is to review Westwood Global Investments (“WGI”) and support the transition of WGI from the Public Markets Emerging Investment Manager Program (“PMEIM Program”) to the main investment program. WGI’s inception date into the PMEIM Program was August 2009 and Westwood was funded at \$50 million.

Founded in 2003, WGI is a privately-owned, Boston-based investment management firm dedicated to investing in emerging equity markets. The firm is equally-owned by Meg Reynolds and Bryan Ward, the firm’s principals and portfolio managers. The firm’s four dedicated research analysts (James Fletcher, Patricia Ball, Jessica Lin, and Nathan Leishman) participate in a phantom equity/revenue sharing program. WGI’s investment process is based on bottom-up, fundamental research that is produced by the two portfolio managers and the four research analysts.

WGI generates most of its research internally and maintains proprietary financial models for the securities they monitor. Meetings with company managements are emphasized and the investment team frequently travels abroad to take such meetings. In addition, management teams often travel through Boston, thus providing WGI further opportunities to meet. Investment ideas are sourced through the company meetings, interviewing management and talking with competitors.

The objectives of an actively managed emerging markets equity portfolio are:

- To generate positive excess returns of 100 bps or more annually versus the MSCI Emerging Markets Index (net of dividends); and,
- To generate the excess returns with an information ratio of 0.25 or greater.



The twelve-month rolling excess returns and rolling twelve-month information ratio analysis for the WGI Emerging Markets Composite from Wilshire Compass, PSERS WGI portfolio (gross of fees) and the PSERS WGI portfolio (net of fees) are summarized below:

**12-Month Rolling Excess Return**  
September 30, 2010 - August 31, 2011  
Benchmark: MSCI - Emerging Markets Index (\$ Net)

Period Ending	Westwood Global Investments, LLC - WGI Emerging Markets Composite	PSERS - Westwood EM (NOF)	PSERS - Westwood EM (GOF)
Min =	1.36	0.45	1.27
Max =	7.78	6.95	7.75
Average =	4.35	3.48	4.33
Median =	4.96	4.04	4.91
Standard Deviation =	1.95	1.98	1.98

**12-Month Rolling Information Ratio**  
September 30, 2010 - August 31, 2011  
Benchmark: MSCI - Emerging Markets Index (\$ Net)

Period Ending	Westwood Global Investments, LLC - WGI Emerging Markets Composite	PSERS - Westwood EM (NOF)	PSERS - Westwood EM (GOF)
Min =	0.27	0.09	0.26
Max =	1.37	1.24	1.39
Average =	0.78	0.63	0.79
Median =	0.84	0.68	0.84
Standard Deviation =	0.32	0.34	0.34

Since inception, the PSERS WGI portfolio has met both the return objective and the information ratio objective. However, the review period is brief. Since the PSERS portfolio (gross of fees) does track the WGI composite in Wilshire Compass closely, the composite will be used to extend this analysis over a five-year period.

**12-Month Rolling Excess Return**  
September 30, 2004 - September 30, 2011  
Benchmark: MSCI - Emerging Markets Index (\$ Net)

Period Ending	Westwood Global Investments, LLC - WGI Emerging Markets Composite
Min =	-1.77
Max =	21.89
Average =	5.30
Median =	4.25
Standard Deviation =	5.28



**12-Month Rolling Information Ratio**  
**September 30, 2006 - September 30, 2011**  
**Benchmark: MSCI - Emerging Markets Index (\$ Net)**

Period Ending	Westwood Global Investments, LLC - WGI Emerging Markets Composite
Min =	-0.47
Max =	2.72
Average =	0.88
Median =	0.82
Standard Deviation =	0.75

Over the past five years, the WGI Emerging Markets Composite has exceeded the excess return and information ratio objectives. Within the 60 observation points for the 12-Month Rolling Excess Return, WGI exceeded the 100 bps in 42 out of the 60 observations. Similarly, WGI exceeded the 0.25 information ratio in 48 out of 60 observations.

Wilshire believes WGI is an institutionally oriented firm and supports the transition of WGI from the PMEIM Program to the main investment program.

Please let us know if you have any questions.

**Proposed  
PSERB Resolution 2011-\_\_\_\_\_  
Re: Westwood Global Investments, LLC  
December 8, 2011**

RESOLVED, that pursuant to the recommendations of Luke M. Jacobs, Senior Investment Analyst, dated December 8, 2011, and Wilshire Associates, dated November 15, 2011, the Finance Committee of the Public School Employees' Retirement Board (the "Board") graduate Westwood Global Investments, LLC from the Public Market Emerging Investment Manager Program to the Main Fund.