

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents  
July 19, 2007

**Subject:** Absolute Return Investment

**Action Requested:** Broadening the Mandate of Payden and Rygel.

**Background and Summary:** We recommend broadening the mandate for Payden and Rygel to include a risk management strategy with an initial funding of up to \$30 million from the Long Term Portfolio (LTP).

Payden and Rygel has served as a manager for the University since late 1998 and currently manages an intermediate duration fixed income portfolio in the University's Long Term Portfolio and a floating rate note portfolio in the University Investment Pool. Founded in 1983, the firm is one of the largest, privately-owned global investment managers with more than \$50 billion of fixed income and equity assets under management.

We now seek authorization to retain Payden and Rygel to manage a portfolio of financial instruments such as credit default swaps, put and call options and other spread products whose returns typically do not correlate with that of the Long Term Portfolio with an objective of managing the overall risk of the LTP.

**We recommend** the approval of Payden and Rygel for this risk management mandate which is keeping with the goal of maximizing risk-adjusted long-term returns of the Long Term Portfolio.

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

July 2007