

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Risk Premium Investment Management Company

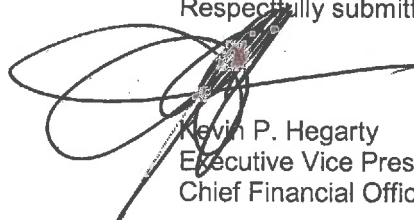
Background and Summary: We recommend the approval of the Risk Premium Investment Management Company (RPIMCO), a New York, NY, based advisory firm, with an initial mandate of \$25 million from the Long Term Portfolio.

RPIMCO was founded in 2014 by Maarten Nederlof, a veteran in the industry, to assist institutional investors in accessing the market for systematic strategies offered by investment banks which has flourished since the financial crisis. These strategies often have positive expected returns, low- or negative-correlation to traditional sources of market return and are highly liquid. RPIMCO is a specialist advisor with the skills and tools required to survey the product universe, assess the merits of each strategy relative to the current macro-economic environment, and to understand the actual cost of implementation which can be opaque.

RPIMCO has identified an initial set of systematic strategies offered by investment banks that have a strong theoretical foundation for positive returns over time; that have an understandable repeatable process; and that are not duplicative of risks already present in the Long Term Portfolio. These strategies are uncorrelated with each other and are diversifying to traditional sources of market return. It is expected that RPIMCO will identify other such strategies over time as markets and the portfolio evolve.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over a circular stamp or seal. The signature is fluid and somewhat stylized.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

September 2015