

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
February 19, 2015

ITEM FOR INFORMATION

Subject: Monthly Investment Report

Background and Summary:

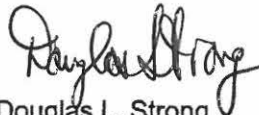
Attached is the Monthly Investment Report for the Long Term Portfolio as of December 31, 2014.

- Page 1 summarizes the assets as of December 31, 2014. Allocations to alternative assets (Illiquid) reflect market values as of September 30, 2014, the most recent date available, adjusted for contributions and distributions through December.
- Page 2 reports the performance of Marketable Securities by asset class for select periods ending December 31, 2014.
- Page 3 reports the performance for the entire portfolio by asset class as of September 30, 2014. The investment performance of Alternative Assets is reported with this one quarter lag in order to gather the requisite information from the limited partnerships.
- Page 4 summarizes the assets as of September 30, 2014.

Respectfully submitted,



L. Erik Lundberg, CFA
Chief Investment Officer



Douglas L. Strong
Interim Executive Vice President and
Chief Financial Officer

February 2015
Attachment

LONG TERM PORTFOLIO

Asset Allocation As of December 31, 2014

MARKETABLE SECURITIES ^(a)	Market Value in millions	Allocation
Equities	\$ 2,759.2	28.1%
Fixed Income ^(c)	979.4	10.0
Cash	625.5	6.4
Total Traditional Assets	\$ 4,364.1	44.4%
Absolute Return	1,405.7	14.3
TOTAL MARKETABLE SECURITIES	\$ 5,769.8	58.7%

ALTERNATIVE ASSETS (Illiquid) ^(b)	Market Value in millions	Allocation
Venture Capital	\$ 1,188.8	12.1%
Private Equity	1,231.7	12.5
Real Estate	905.0	9.2
Natural Resources	735.2	7.5
TOTAL ALTERNATIVE ASSETS (Illiquid)	\$ 4,060.6	41.3%
TOTAL LONG TERM PORTFOLIO	\$ 9,830.5	100.0%

Note: Subtotals may not add due to rounding.

(a) Marketable securities include some investments in funds that have liquidity provisions which enable the University to make full or partial withdrawals with notice subject to restrictions on the timing and amounts, and illiquid private equity structures in which underlying investments are in the form of market traded securities.

(b) Allocations to Alternative Assets (Illiquid) reflect market values as of September 30, 2014, the most recent date available, adjusted for contributions and distributions through December, and the reduction in the allocation to Real Estate resulting from a secondary sale.

(c) The fixed income allocation includes a receivable note which represents part of the proceeds from the real estate secondary sale.

**LONG TERM PORTFOLIO
Performance
Marketable Securities Only ^(a)
As of December 31, 2014**

MARKETABLE SECURITIES	Market Value in millions	3 Months	Return in Percent	
			Fiscal YTD	Calendar YTD
TOTAL MARKETABLE SECURITIES	\$ 5,769.8	-0.63	-1.92	3.56
Custom Benchmark for Marketable Securities		1.03	-0.25	5.08
Equities	\$ 2,759.2	-2.15	-5.02	0.18
Russell 3000/Citigroup BMI EX US/IFC-I		0.17	-2.78	3.60
Fixed Income	979.4	3.21	3.97	13.45
Barclays Aggregate/Long Bond		3.69	4.32	12.47
Cash	625.5	0.04	0.14	0.65
Treasury Bills		0.00	0.01	0.03
Absolute Return	1,405.7	-0.27	0.32	6.14
HFRI Fund of Funds Index		0.84	1.18	3.07

(a) These returns do not include Alternative Assets (Illiquid), which are valued only quarterly. Alternative Assets (Illiquid) returns and total portfolio returns therefore will be reported quarterly when the data becomes available.

Performance Summary
LONG TERM PORTFOLIO
As of September 30, 2014

LONG TERM PORTFOLIO	Market Value	Return in Percent	
	in millions	Fiscal YTD	Calendar YTD
TOTAL LONG TERM PORTFOLIO	\$ 9,919.3	-0.54	6.93
Custom Benchmark for Long Term Portfolio		-0.40	5.86
Blended Passive Index ^(a)		-2.05	4.65

MARKETABLE SECURITIES	Market Value	Return in Percent	
	in millions	Fiscal YTD	Calendar YTD
TOTAL MARKETABLE SECURITIES	\$ 5,407.9	-1.30	4.21
Custom Benchmark - Marketable Securities		-1.26	4.01
Equities	\$ 2,790.2	-2.93	2.39
Russell 3000/Citigroup BMI EX US/IFC-I		-2.94	3.43
Fixed Income	712.4	0.73	9.92
Barclays Aggregate/Long Bond		0.61	8.47
Cash	513.6	0.10	0.61
Treasury Bills		0.01	0.03
Absolute Return	1,391.8	0.59	6.43
HFRI Fund of Funds Index		0.33	2.21

ALTERNATIVE ASSETS	Market Value	Return in Percent	
	in millions	Fiscal YTD	Calendar YTD
TOTAL ALTERNATIVE ASSETS (Illiquid)	\$ 4,511.3	0.38	10.16
Custom Benchmark - Alternative Assets (Illiquid) ^(b)		0.88	8.55
Venture Capital	\$ 1,218.7	3.27	14.56
CA Venture Capital Index ^(b)		2.44	10.70
Private Equity	1,313.7	-0.88	9.09
CA Private Equity Index		-0.26	7.89
Real Estate	1,231.6	0.43	4.41
CA Real Estate Index ^(b)		1.94	8.37
Natural Resources	747.3	-2.01	14.99
Blended Natural Resources Index		-0.54	7.42

Performance for all assets is shown as of September 30, 2014, to be consistent with the most recent valuation date for alternative assets.

- (a) The benchmark has been modified to include additional asset classes in order to be more representative of a passive implementation of a global, diversified institutional portfolio. The benchmark shown is the historical 80% Equities/20% Fixed Income benchmark until June 30, 2011, and the new, broader benchmark after that date.
- (b) The CA Venture Capital Index, CA Real Estate Index and Custom Benchmark for quarter end September 30, 2014, are preliminary.

LONG TERM PORTFOLIO
Asset Allocation
As of September 30, 2014

MARKETABLE SECURITIES	Market Value in millions	Allocation
Equities	\$ 2,790.2	28.1%
Fixed Income	712.4	7.2
Cash	513.6	5.2
Total Traditional Assets	\$ 4,016.2	40.5%
Absolute Return	1,391.8	14.0
TOTAL MARKETABLE SECURITIES	\$ 5,407.9	54.5%

ALTERNATIVE ASSETS (Illiquid)	Market Value in millions	Allocation
Venture Capital	\$ 1,218.7	12.3%
Private Equity	1,313.7	13.2
Real Estate	1,231.6	12.4
Natural Resources	747.3	7.5
TOTAL ALTERNATIVE ASSETS (Illiquid)	\$ 4,511.3	45.5%
TOTAL LONG TERM PORTFOLIO	\$ 9,919.3	100.0%

Note: Subtotals may not add due to rounding.