

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents  
September 19, 2013

**Subject:** Fixed Income

**Action Requested:** Approval of Fischer Francis Trees & Watts


**Background and Summary:** We recommend the approval of Fischer Francis Trees & Watts, a New York, NY, based fixed income manager, for a mandate of active management of the portfolio of Treasury Inflation-Protected Securities (TIPS) in the University's investment pool for working capital that currently is managed on a passive basis.

Founded in 1972, Fischer Francis Trees & Watts (FFTW) is a large, established investment firm that specializes in active management of U.S., international, and global fixed income portfolios for institutional investors. FFTW will manage an active U.S. Treasury Inflation-Protected Securities (TIPS) mandate. TIPS are U.S. Treasury fixed income securities with coupon and principal payments that are adjusted for inflation, which ensures that the holder earns a real rate of return in excess of inflation.

FFTW is an experienced manager in both the U.S. and the global inflation-linked markets that has managed inflation-linked portfolios since 2001. FFTW's U.S. TIPS investment philosophy is based on the belief that inefficiencies in the U.S. TIPS market exist and can be exploited through active portfolio management. Their established systematic process focuses on fundamental drivers of asset prices, notably macroeconomic developments, market microstructure considerations and relative value relationships. This allows the team to identify and to act on investment opportunities to build a diversified set of exposures that generates excess returns with limited overall volatility. Investment risk controls are central to the inflation-linked team's management process.

This investment is consistent with the University's strategy to invest with experienced managers who have proven ability to add value.

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

September 2013