

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Alyeska Investment Group

Background and Summary: We recommend the approval of Alyeska Investment Group, a Chicago, IL based hedge fund, with an initial funding of \$100 million from the Long Term Portfolio.

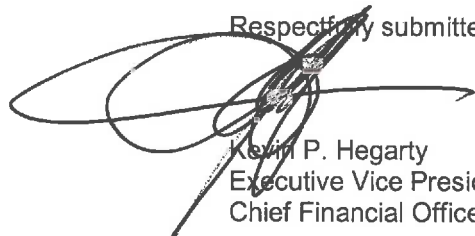
Alyeska runs a market-neutral long-short hedge fund. The fund invests in a diversified portfolio of long and short positions in equities listed in the United States. The firm's goal is to generate almost all of its return from the idiosyncratic risk inherent in the underlying stock positions with no exposure to market direction or other systemic factors. This is accomplished through portfolio construction by matching long and short positions in a way that such systemic risk factors are present in equal weights on both sides. Stock selection is performed by eight independent sector teams that are organized with an emphasis on teamwork and a partnership culture.

Portfolio risk is measured and controlled in real time. Due to the long-short risk-controlled nature of the portfolio, this type of strategy lends itself to a moderate amount of leverage as defined as long plus short exposure divided by investable capital. Alyeska targets its volatility by increasing or decreasing leverage based upon overall market volatility in order to maintain a constant risk level.

Alyeska was founded in 2007 by Anand Parekh. Prior to starting Alyeska, Mr. Parekh ran the Global Equity and Reinsurance businesses at Citadel. Prior to Citadel, he held a number of senior positions in the Global Markets division of Deutsche Bank.

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,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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