

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Warlander Asset Management

Background and Summary: We recommend the approval of Warlander Asset Management, a New York, NY, based hedge fund with an initial funding of \$25 million from the Long Term Portfolio.

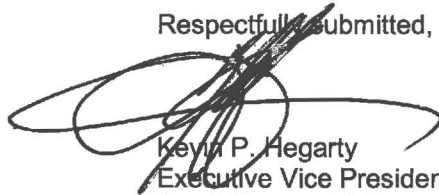
Warlander will seek to maximize absolute returns by opportunistically taking long and short positions globally in credit and credit-like securities. The fund uses a top-down approach to identify geographies, sectors and industries that are likely candidates for investment. Specific securities are selected for investment on the basis of rigorous fundamental research focused in areas where there is evidence of forced buying or selling.

The fund will have the flexibility to be net long or net short and will be run with moderate leverage. The net position will be an output of the research process.

Warlander will commence operations in January of 2016. The fund is being formed by Eric Cole, most recently of Appaloosa Management, a highly successful hedge fund. His co-founders, Alex Ginzburg and Marc Pfeffer are each experienced investors in their own right and they are supported by a team of seasoned research and trading professionals.

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 large, stylized circular scribble.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

December 2015