

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

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, 2016.

- Page 1 summarizes the assets as of December 31, 2016. Allocations to alternative assets (Illiquid) reflect market values as of September 30, 2016, 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, 2016.
- Page 3 reports the performance for the entire portfolio by asset class as of September 30, 2016. 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, 2016.

Respectfully submitted,



L. Erik Lundberg, CFA  
Chief Investment Officer



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

February 2017  
Attachment

# LONG TERM PORTFOLIO

## Asset Allocation As of December 31, 2016

<b>MARKETABLE SECURITIES <sup>(a)</sup></b>	<b>Market Value</b>	
	<b>in millions</b>	<b>Allocation</b>
Equities	\$ 2,871.6	27.3%
Fixed Income	721.5	6.9
Cash	226.0	2.1
Total Traditional Assets	\$ 3,819.1	36.3%
Absolute Return	2,273.0	21.6
<b>TOTAL MARKETABLE SECURITIES</b>	<b>\$ 6,092.2</b>	<b>57.9%</b>

<b>ALTERNATIVE ASSETS (Illiquid) <sup>(b)</sup></b>	<b>Market Value</b>	
	<b>in millions</b>	<b>Allocation</b>
Venture Capital	\$ 1,394.9	13.3%
Private Equity	1,291.6	12.3
Real Estate	971.3	9.2
Natural Resources	775.8	7.4
<b>TOTAL ALTERNATIVE ASSETS (Illiquid)</b>	<b>\$ 4,433.7</b>	<b>42.1%</b>
<b>TOTAL LONG TERM PORTFOLIO</b>	<b>\$ 10,525.9</b>	<b>100.0%</b>

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, 2016, the most recent date available, adjusted for contributions and distributions through December.

**LONG TERM PORTFOLIO  
Performance  
Marketable Securities Only <sup>(a)</sup>  
As of December 31, 2016**

<b>MARKETABLE SECURITIES</b>	<b>Market Value in millions</b>	<b>3 Months</b>	<b>Return in Percent</b>	
			<b>Fiscal YTD</b>	<b>Calendar YTD</b>
<b>TOTAL MARKETABLE SECURITIES</b>	\$ 6,092.2	2.69	7.43	8.23
Custom Benchmark for Marketable Securities		-0.40	3.25	5.33
<b>Equities</b>	\$ 2,871.6	4.47	11.62	11.40
Russell 3000/Citigroup BMI EX US/IFC-I		1.01	6.98	8.44
<b>Fixed Income</b>	721.5	-5.09	-3.56	4.05
Barclays Aggregate/Long Bond		-5.42	-4.61	4.69
<b>Cash</b>	226.0	0.52	0.97	3.15
Treasury Bills		0.09	0.18	0.33
<b>Absolute Return</b>	2,273.0	3.16	6.82	4.75
HFRI Fund of Funds Index		0.74	3.22	0.44

(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, 2016

<b>LONG TERM PORTFOLIO</b>	<b>Market Value</b>	<b>Return in Percent</b>	
	<b>in millions</b>	<b>Fiscal YTD</b>	<b>Calendar YTD</b>
<b>TOTAL LONG TERM PORTFOLIO</b>	\$ 10,394.9	4.29	5.46
Custom Benchmark for Long Term Portfolio		3.24	5.78
<b>Blended Passive Index<sup>(a)</sup></b>		3.48	7.43

<b>MARKETABLE SECURITIES</b>	<b>Market Value</b>	<b>Return in Percent</b>	
	<b>in millions</b>	<b>Fiscal YTD</b>	<b>Calendar YTD</b>
<b>TOTAL MARKETABLE SECURITIES</b>	\$ 5,981.1	4.63	5.40
Custom Benchmark - Marketable Securities		3.66	5.75
<b>Equities</b>	\$ 2,760.6	6.84	6.63
Russell 3000/Citigroup BMI EX US/IFC-I		5.91	7.36
<b>Fixed Income</b>	761.2	1.62	9.64
Barclays Aggregate/Long Bond		0.85	10.69
<b>Cash</b>	160.3	0.45	2.62
Treasury Bills		0.10	0.24
<b>Absolute Return</b>	2,299.0	3.55	1.55
HFRI Fund of Funds Index		2.47	-0.29

<b>ALTERNATIVE ASSETS</b>	<b>Market Value</b>	<b>Return in Percent</b>	
	<b>in millions</b>	<b>Fiscal YTD</b>	<b>Calendar YTD</b>
<b>TOTAL ALTERNATIVE ASSETS (Illiquid)</b>	\$ 4,413.9	3.84	5.55
Custom Benchmark - Alternative Assets (Illiquid)		2.57	5.66
<b>Venture Capital</b>	\$ 1,376.0	5.33	3.16
CA Venture Capital Index		2.57	-0.12
<b>Private Equity</b>	1,303.3	4.09	8.27
CA Private Equity Index		3.05	7.52
<b>Real Estate</b>	943.9	0.70	2.31
CA Real Estate Index		1.13	4.88
<b>Natural Resources</b>	790.7	4.78	10.19
Blended Natural Resources Index		3.63	9.38

Final performance for all assets is shown as of September 30, 2016, 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.

**LONG TERM PORTFOLIO**  
**Asset Allocation**  
**As of September 30, 2016**

<b>MARKETABLE SECURITIES</b>	<b>Market Value in millions</b>	<b>Allocation</b>
Equities	\$ 2,760.6	26.6%
Fixed Income	761.2	7.3
Cash	160.3	1.5
Total Traditional Assets	\$ 3,682.1	35.4%
Absolute Return	2,299.0	22.1
<b>TOTAL MARKETABLE SECURITIES</b>	<b>\$ 5,981.1</b>	<b>57.5%</b>

<b>ALTERNATIVE ASSETS (Illiquid)</b>	<b>Market Value in millions</b>	<b>Allocation</b>
Venture Capital	\$ 1,376.0	13.2%
Private Equity	1,303.3	12.5
Real Estate	943.9	9.1
Natural Resources	790.7	7.6
<b>TOTAL ALTERNATIVE ASSETS (Illiquid)</b>	<b>\$ 4,413.9</b>	<b>42.5%</b>

<b>TOTAL LONG TERM PORTFOLIO</b>	<b>\$ 10,394.9</b>	<b>100.0%</b>
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Note: Subtotals may not add due to rounding.