

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Matrix Capital Management

Background and Summary: We recommend the approval of Matrix Capital Management, a Waltham, M.A. based hedge fund with an initial funding of \$50 million from the Long Term Portfolio.

Matrix Capital Management is a long/short hedge fund was founded in 1999 by Paul Ferri and David Goel. Paul Ferri is the founding partner of Matrix Partners, a prominent venture capital firm. The University is a long term investor with Matrix Partners. David Goel was previously with Tiger Management. Matrix Capital Management invests for long-term capital appreciation by identifying publicly traded companies with attractive growth prospects on the long side. On the short side, Matrix looks for companies that are mismanaged, technologically obsolete or fraudulent.

Matrix Capital Management's primary focus is on publicly-traded technology companies in the United States. Their association with Matrix Partners provides them with a strong network of entrepreneurs and industry executives that assist in the generation and due diligence of investment ideas through their deep understanding of technological trends and implication of those trends over the long term. The hedge fund is a concentrated portfolio built with a multi-year time horizon. All of the companies in the portfolio, on both the long and short side, are expected to generate positive absolute returns for the fund.

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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