

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
April 19, 2007

Subject: Equities

Action Requested: Approval of Barclays Global Investors' Currency Selection SPC Ltd.

Background and Summary: We recommend the approval of Barclays Global Investors' Currency Selection SPC Ltd. with an initial funding of \$25 million from the Long Term Portfolio.

Barclays Global Investors (BGI) is a well established organization, headquartered in San Francisco and London, which manages a wide array of risk-controlled active strategies and is one of world's largest currency managers.


BGI will manage a portion of the Long Term Portfolio's non-U.S. dollar exposure. The Long Term Portfolio has substantial exposure to foreign currencies through its investments in non-U.S. equities, as non-U.S. stocks are purchased with local currencies. The University's non-U.S. equity managers primarily focus on the relative attractiveness of individual stocks and countries rather than currencies when building portfolios. The resulting currency exposures are largely unintentional and represent risk for which the University is not compensated. To better manage this risk, we recommend Barclays Global Investors' currency group to focus on a portion of the University's currency exposures and to add incremental value to the portfolio through active management.

Currency Selection SPC Ltd. has an investment objective to generate absolute returns, from actively managed currency positions primarily gaining exposure to long and short positions in a range of international currencies by investing in financial instruments that offer exposure to currencies, which may include, but are not limited to, spot and forward contracts. The \$25 million funding will go to support margin requirements for these contracts. The mandate will employ short-, medium- and long-term predictions of movements in the currency markets.

Currency Selection SPC Ltd. employs a currency model based on theoretical ideas that explain future currency performance. These ideas come from a variety of sources including the investment manager's direct experience; academic literature; cross fertilization of ideas between the global research, strategy teams and the broker community. Only ideas that are theoretically sound and can be supported by empirical evidence are added to the currency model.

An investment in Barclays Global Investors' Currency Selection SPC Ltd. is consistent with the University's strategy to invest with experienced managers who have a niche strategy and a proven ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2007