

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
September 19, 2013

Subject: Absolute Return

Action Requested: Approval of the Brenner West Capital Partners

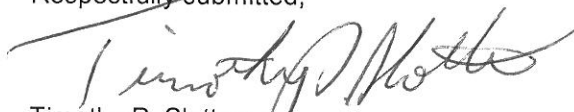
Background and Summary: We recommend the approval of Brenner West Capital Partners, a New York, NY based hedge fund, with an initial funding of up to \$35 million from the Long Term Portfolio.

Established in 2005 by Craig Nerenberg and Josh Kaufman, Brenner West is a hedge fund that takes long and short positions in publicly traded stocks. The fund can invest globally though most of their investee companies have been located in North America and Europe. The portfolio is long-biased, has little to no leverage, and will typically have between 15 and 20 positions.

Brenner West takes a value approach to investing. They look for situations where superficial complexity masks the intrinsic value of a target investment from the market. Some examples of how this superficial complexity may arise are a complicated shareholding or corporate structure; an under-appreciated acquisition; or a divestiture of a misunderstood subsidiary. Once a potential investment is identified, it is analyzed for undesirable market exposures which are then hedged out. This hedging can be accomplished, for example, by shorting a publicly traded subsidiary of the same company or eliminating commodity exposure through the futures market. From time-to-time, Brenner West may opportunistically short a company on a stand-alone basis but this is not a focus of their investment program.

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,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2013