

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return Commitment

Action Requested: Approval of Hampden Insurance Partners

Background and Summary: We recommend a commitment of \$120 million from the Long Term Portfolio to Hampden Insurance Partners, L.P., a London, UK, based fund providing regulatory capital to insurance providers.

Hampden Insurance Partners specializes in underwriting and placing regulatory capital with insurance providers. Investors in this strategy take on pure insurance risk, which is different than that offered by investing in the equity of an insurance company. With Hampden, investment return is determined solely by underwriting profitability or premiums written, less insured losses and expenses. Unlike insurance equities, this process is almost entirely distinct from the broader capital markets and is highly diversifying to more traditional financial assets.

Hampden has a long history in this strategy, which began by providing advice to private investors in 1999. It has a long-tenured and experienced team that has generated above market-average returns since the inception of its discretionary strategies in 2002. It accomplishes this by thorough underwriting of its investee groups, an astute understanding of the insurance underwriting environment, and through careful diversification of its portfolios.

This commitment will provide the Long Term Portfolio with a diversified source of return that will 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

September 2018