

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Farrington Capital Management

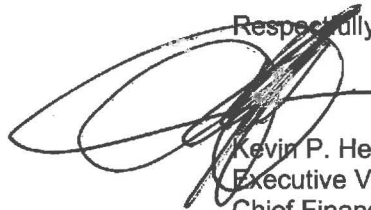
Background and Summary: We recommend the approval of Farrington Capital Management, an Amsterdam, Netherlands, based hedge fund, with an initial funding of \$100 million from the Long Term Portfolio.

Farrington runs a long-short equity hedge fund with low exposure to market direction or other systemic factors. The fund invests in a diversified portfolio of long and short positions in equities listed in Europe and the United States generating returns from the idiosyncratic risks inherent in the individual stock positions. This is accomplished through portfolio construction by matching long and short positions so that such systemic risk factors are present in similar weights on both sides.

Farrington was founded in 2006 by co-portfolio managers Bram Cornelisse and Andreas Tholstrup. They choose stock positions based upon their fundamental analysis and independent research of company financials, competitive strengths, capital allocation history and growth plans. Prior to starting Farrington, Mr. Cornelisse and Mr. Tholstrup worked together as equity analysts at Merrill Lynch, Pierce, Fenner & Smith.

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

October 2015