

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
November 15, 2012

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Harvest Fund Advisors LLC

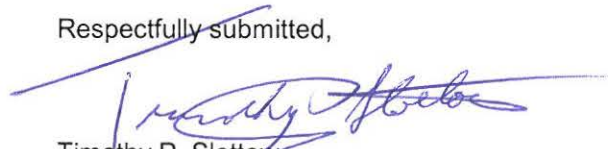
Background and Summary: We recommend the appointment of Harvest Fund Advisors LLC as an investment manager for the Absolute Return portfolio to invest in energy related, publicly traded, Master Limited Partnerships units and associated public equities.

In existence since the 1980's, Master Limited Partnership units (MLPs) represent a tax advantaged form of ownership in oil and gas pipelines and other energy infrastructure assets. Energy MLPs provide an interesting return profile combining both a high current yield as well as continued prospective growth in response to newly developed supplies of oil and natural gas in the United States. Further, they are often able to capture inflation in their price adjustments via long term contracts with their customers in non-regulated markets or via Federal regulation in regulated markets.

Established in late 2005 by David Martinelli, Eric Conklin and their partners, and located in Philadelphia, PA, Harvest Fund Advisors LLC specializes in managing portfolios of MLPs and related public equities for institutional investors. Previously, David Martinelli led a management buyout of Buckeye Pipeline Company, an NYSE listed MLP, and its financial restructuring, while Eric Conklin previously served as a Vice President in the Credit Suisse Energy Equity research group responsible for coverage of the MLP sector. Harvest Fund Advisors employs a detailed, bottom-up, fundamental analysis on all potential investments in their universe to develop a portfolio 20-30 positions. They have a track record of adding value through security selection.

We recommend an initial \$50 million investment which will diversify the absolute return portfolio, and will further the University's goal to maximize the long term risk-adjusted returns to the Long Term Portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

November 2012