

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
December 17, 2009

Subject: Absolute Return Investment

Action Requested: Approval of J.P. Morgan Commodity Alpha strategy

Background and Summary: We recommend the approval of the J.P. Morgan Commodity Alpha strategy for the Long Term Portfolio. The strategy is implemented by J.P. Morgan and will require no initial funding.

J.P. Morgan is a leading investment bank headquartered in New York.

The J.P. Morgan Commodity Alpha strategy invests in a diversified basket of commodity futures using a proprietary, passive and systematic approach that is published as an index. The strategy takes advantage of inefficiencies in the futures markets created by the diverse interests of producers, consumers and investors. These inefficiencies are evidenced in commodity price term-structures that are exploited to produce a low-volatility portfolio of long and short positions with a positive expected return. The strategy is designed to generate performance that is uncorrelated with other asset classes such as equities, commodities or hedge funds. The University will gain access to the returns on the index through a swap executed with J.P. Morgan.

An investment in the J.P. Morgan Commodity Alpha strategy will further the University's goal to maximize long-term risk-adjusted returns to the Long Term Portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

December 2009