

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
December 15, 2011

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Dyal Capital Partners L.P.

Background and Summary: We recommend a commitment of \$50 million from the Long Term Portfolio to Dyal Capital Partners L.P., a \$750 million fund that will purchase equity interests in investment management companies.


Dyal Capital will be managed by a subsidiary of Neuberger Berman LLC. Neuberger Berman was founded in 1939 and today is a 100% employee owned firm that manages \$200 billion across a broad range of asset classes including \$15 billion in alternative investments.

Dyal will purchase minority equity interests in independent alternative asset managers with the expectation of benefitting from the global growth in demand for alternative investment strategies. The fund will collect a portion, equal to its equity interest, of the fee income generated by the management companies in which it has invested. Over time, this fee income will increase if the companies are able to grow their assets under management. Dyal will leverage the Neuberger Berman platform to source investments, perform due-diligence and to help raise additional capital for their investee companies.

Dyal will target the management companies of medium sized funds which have proven an ability to grow and that possess institutional quality operations. The fund will buy a portfolio of equity stakes in such managers that is diversified by geography and investment strategy. The fund will not use leverage.

This investment 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 R. Slottow
Executive Vice President and
Chief Financial Officer

December 2011