INVESTMENT PERFORMANCE

<table>
<thead>
<tr>
<th>Net of Fees and Expenses</th>
<th>Periods Ended June 30, 2015</th>
<th>1 YEAR</th>
<th>5 YEARS</th>
<th>10 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Long Term Portfolio</td>
<td></td>
<td>3.5%</td>
<td>11.0%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Median College and University Endowment*</td>
<td></td>
<td>1.7%</td>
<td>9.7%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

* Based on Cambridge Associates' survey of about 150 college and university endowments.

QUARTERLY SHARE VALUE AND DISTRIBUTIONS

The University Endowment Fund is organized similar to a mutual fund. Over time, growth in share value results in increased distributions. At June 30, 2015, the distribution per share was $0.136.

ASSET ALLOCATION

- Stocks: 28.3%
- Bonds: 9.9%
- Cash: 4.4%
- Private Equity: 12.2%
- Venture Capital: 13.4%
- Natural Resources: 6.0%
- Real Estate: 9.0%
POLICY FRAMEWORK

- The endowment’s long-term investment horizon allows for an equity-oriented investment strategy, which should provide higher returns over time.
- The long-term investment horizon also permits the use of less liquid alternative assets providing for equity diversification beyond the stock market and greater expected returns.
- The investment program relies on carefully selected external investment managers to implement investment strategies.
- The University’s tax-exempt status which gives equal treatment to income and capital appreciation, enables the University to invest for total returns.
- The endowment distribution policy insulates the University’s budget from market volatility by basing the distribution rate on a trailing average market and provides for intergenerational equity by setting distributions at a level that approximates the real rate of return of an equity-oriented portfolio.

ADDITIONAL INFORMATION

The University Endowment Fund is the unitized investment pool for the University of Michigan’s approximately 9,100 separately administered endowment and quasi-endowment funds.

Objective. The University manages the fund to meet donors’ expectations that their endowment gifts will provide support to the University in perpetuity. The objective is to maintain and enhance the value of endowment gifts and to secure the future purchasing power of the quarterly distributions.

Size. The University Endowment Fund was valued at $10.0 billion at June 30, 2015. In a June 30, 2014, survey, it was ninth in size among U.S. higher education endowments and ranked third among public universities.

Investments. The University Endowment Fund is invested in the University’s Long Term Portfolio, a diversified portfolio of mostly equity and equity-like investments. Equities are investments in commonly available market traded stocks. Equity-like investments are investments in alternative assets, both liquid and illiquid. Alternative assets have risk characteristics that are similar to and often a bit greater than those of market traded equities and have more attractive expected returns.

Alternative assets include investments in absolute return strategies such as long/short equity investments, distressed debt investments, and various value and arbitrage strategies, as well as investments in venture capital, private equity, real estate and natural resources where the managers take direct ownership positions in businesses and properties with the intent of actively enhancing the value through higher growth and/or increased profitability.

Distributions. A portion of the endowment is distributed for operating purposes in any given year. The annual distribution rate of 4.5 percent is based on a trailing 28-quarter moving average market value, which insulates the University’s operations from temporary market swings and thereby facilitates prudent planning.

Distributions are limited to an annual rate of 5.3 percent of current market value and are made quarterly.

Additions and Redemptions. Additions to the University Endowment Fund can be made quarterly, priced on the last business day of the quarter. Redemptions of quasi-endowment shares can be made quarterly, with one month’s prior notice to Financial Operations. True endowment shares cannot be redeemed.

Establishment of New Endowment and Quasi-Endowment Funds. Legal review by the Development Office and approval of the Controller are required. Quasi-endowment funds entail a five year investment commitment.

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