

MANAGED FUNDS ASSOCIATION

The Voice of the Global Alternative Investment Industry

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HEDGE FUND INVESTMENTS IN MICHIGAN

Across the state of Michigan, hedge funds help build economic and retirement security, expand access to higher education, and improve the quality of life in local communities.

Institutional investors – like public and corporate pensions, university endowments, and philanthropic foundations – use hedge funds to diversify their investment portfolios and manage risk. Ultimately, hedge funds are an important tool used by institutional investors to help meet their financial obligations.

Hedge funds are no longer exclusively used by wealthy investors. Globally, 65% of hedge fund assets come from institutional investors.¹



Hedge Funds Help Build Retirement Security

There are more than 530,000 households in Michigan that benefit from investments in hedge funds. These are not only wealthy households, but rather include autoworkers, teachers, police officers, and state employees who rely on pension plans offered by General Motors (GM), Ford, Dow Chemical, and the Michigan State Office of Retirement Services (ORS) for their retirement security. Of particular note, GM has become the single-largest U.S. pension plan investment in hedge funds.

Michigan State Office of Retirement Services (ORS)

- ORS offers four defined benefit pension plans, two defined contribution pension plans, and one benefit/defined contribution plan. ORS services 530,000 people.²
- As of March 31, 2012, State of Michigan Retirement Systems (SMRS) invested \$10.59 billion, or 21%, of its \$50.6 billion total investment portfolio to alternative investments.^{3 4}

General Motors (GM)

- GM employs 5,000 Michiganders at its Detroit location, 4,500 Michiganders at its proving ground in Milford and 3,100 Michiganders at its assembly in Lake Orion.⁵
- As of June 30, 2011, GM invested \$11.3 billion, or 12%, of its \$94 billion total US plan assets in hedge funds.⁶

Ford Motor Company

- As of December 2011, Ford employed 75,000 automotive workers in North America.⁷
- Ford employs many Michiganders, including 4,000 at its Dearborn location alone.⁸
- According to its 2011 Annual Report, Ford invested approximately \$3 billion, or 7.5%, of its almost \$40 billion defined benefit plan assets into hedge funds.⁹

Dow Chemical Company

- Dow employs more than 6,000 Michiganders.¹⁰
- As of December 31, 2011, Dow invested \$2.8 billion, or 18%, of its \$16.1 billion in pension plan assets in alternative investments, including hedge funds.¹¹

General Electric (GE)

- As of February 1, 2011, GE brought its total Michigan employment to 3,500 Michiganders across several facilities in Van Buren Township, Muskegon and Grand Rapids.¹²
- As of December 31, 2012, the GE employee pension plan invested \$1.7 billion of its \$45 billion total investments in hedge funds.¹³

Boeing Company

- More than 1,700 Boeing retirees live in Michigan.¹⁴
- In 2012, Boeing invested \$2.5 billion in hedge funds, roughly 5% of the company's defined benefit plan, which totals \$50 billion.¹⁵

Hedge Funds Expand Educational Opportunities Through Endowments

University of Michigan (UM)

- As of June 30, 2012, The University of Michigan's endowment was valued at \$7.7 billion.¹⁶
- The endowment serves as a "guaranteed, never-ending source of income to support professorships, student scholarships, innovative programs, and learning opportunities."¹⁷
- According to its 2012 Financial Report, UM allocates more than \$5 billion of its consolidated investments to non-marketable alternative investments. Of this \$5 billion, UM allocated \$797.17 million, or 16%, to an absolute return portfolio that includes hedge funds.¹⁸

Michigan State University (MSU)

- Endowments at MSU help provide consistent funding for professors, research and outreach.
- As of June 30, 2012, MSU's total net assets were valued at over \$2.7 billion.¹⁹
- MSU has allocated 25% (30% maximum) of its Common Investment Fund into an absolute return strategy that includes hedge funds.²⁰

Hedge Funds Strengthen Communities Through Foundations

The Kresge Foundation:

- As of December 31, 2011, the Foundation invested more than \$492.9 million in hedge funds, from \$2.994 billion total investments.²¹
- These investments help the Foundation devote resources to a number of projects, including its Detroit Program, focused on redefining and rebuilding the city for prosperity in the 21st Century.²²

W.K. Kellogg Foundation:

- The foundation does a significant amount of work in Michigan to fight poverty and improve the lives of Michigan children.
- In 2012, the Foundation and Foundation Trust invested more than \$505 million, or 7%, of its \$7.26 billion total assets in hedge funds.^{23 24}

Community Foundation for Southeast Michigan:

- Since its founding, the Community Foundation has distributed more than 42,000 grants totaling more than \$530 million in funds to charitable projects in southeast Michigan.²⁵
- As of December 31, 2011, the Foundation invested over \$47 million, or 8.5% of its \$545 million assets in hedge funds.^{26 27}

*Data listed here is updated frequently and contains the most current information in public filings.

¹ "Prequin Special Report: Hedge Funds" pp. 16, October 2012,

http://www.prequin.com/docs/reports/Prequin_Special_Report_Hedge_Funds_October_2012.pdf.

² "About ORS," State of Michigan, Accessed 2013. <http://michigan.gov/ors/0,4649,7-144-45490-263981--,00.html>

³ Andy Dillon, "State of Michigan Retirement Systems: Quarterly Investment Review," Michigan.gov, June 30, 2012, pg. 1. http://www.michigan.gov/documents/treasury/FINAL_061412_389357_7.pdf.

⁴ Andy Dillon, "State of Michigan Retirement Systems: Quarterly Investment Review," Michigan.gov, June 30, 2012, pg. 1. http://www.michigan.gov/documents/treasury/FINAL_061412_389357_7.pdf.

⁵ "(Michigan) State Profile: Largest Employers," CareerOneStop, accessed December 2012.

<http://www.acinet.org/oview6.asp?printer=&next=oview6&id=11&nodeid=12&stfips=26&group=1>

- ⁶ “Vision in Motion: General Motors 2011 Annual Report,” pp. 137 ,
http://www.gm.com/content/dam/gmcom/COMPANY/Investors/Stockholder_Information/PDFs/2011_GM_Annual_Report.pdf.
- ⁷ “SEC Form 10K,” Ford Motor Company, pg. 20, accessed December 2012.
<http://www.sec.gov/Archives/edgar/data/37996/000115752311001210/a6622311.htm>
- ⁸ “(Michigan) State Profile: Largest Employers,” CareerOneStop, accessed December 2012.
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- ⁹ “Ford Annual Report 2011,” Ford Motor Company, pg. 136
http://corporate.ford.com/doc/2011_annual_report.pdf.
- ¹⁰ “Dow in Michigan,” The Dow Chemical Company, accessed January 2012. <http://www.dow.com/michigan/>
- ¹¹ “Welcome to Solutionism: The Dow Chemical Company 2011 Annual Report,” The Dow Chemical Company, pg. 128. http://www.dow.com/investors/pdfs/161-00769_2011_Annual_Report_Final.pdf.
- ¹² “Growing Jobs in Michigan: GE’s New IT and R&D Center,” General Electric, Feb 1, 2011.
<http://www.gereports.com/growing-jobs-in-michigan-ges-new-it-and-rd-center/>.
- ¹³ “GE 2012 Annual Report,” General Electric, December 31, 2012, pg. 104,
http://www.ge.com/ar2012/pdf/GE_AR12.pdf.
- ¹⁴ “Improving quality of life in Michigan,” Boeing Company, accessed December 2012.
http://www.boeing.com/aboutus/govt_ops/state_cards/card_MI.pdf
- ¹⁵ “The Boeing Company 2012 Annual Report,” Boeing, March 4, 2012, pg. 91,
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- ¹⁶ “University of Michigan Endowment Q&A,” University of Michigan, accessed December 2012.
http://www.vpcomm.umich.edu/pa/key/endow_qa.html
- ¹⁷ “University of Michigan Endowment Q&A,” University of Michigan, accessed December 2012.
http://www.vpcomm.umich.edu/pa/key/endow_qa.html
- ¹⁸ “Notes to Consolidated Financial Statements,” University of Michigan, June 30, 2012, pg. 67.
http://www.finance.umich.edu/reports/2012/pdf/UM_Financial_Report_2012-lowres.pdf.
- ¹⁹ “Annual Financial Report 2011-2012 Michigan State University,” Michigan State University, June 30, 2012, pg. 9.
<http://www.ctr.msu.edu/download/fa/financialstatements/FinRpt20112012.pdf>.
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<http://www.hfmweek.com/news/1659877/michigan-university-to-make-two-new-hedge-fund-hires.thtml>
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<http://www.kresge.org/sites/default/files/AuditedFinancialStatements2011.pdf>.
- ²² “Detroit,” The Kresge Foundation, accessed December 2012. <http://www.kresge.org/programs/detroit>
- ²³ Mitchell & Titus, LLP, “W.K. Kellogg Foundation and W.K. Kellogg Foundation Trust Consolidated Financial Statements,” W.K. Kellogg Foundation, August 31, 2012, pg. 13.
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