

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
March 21, 2013

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Athyrium Opportunities Fund LP

Background and Summary: We recommend a commitment of \$30 million from the Long Term Portfolio to the Athyrium Opportunities Fund LP based in New York, NY. This Fund will make income generating investments in the healthcare sector.

The Athyrium Opportunities Fund is a joint venture between Athyrium Capital, a life sciences focused investment advisory company, and Neuberger Berman, a multi-asset class investment firm with more than \$200 Billion under management.


The Athyrium Opportunities fund will provide debt capital to healthcare companies with the goal of generating equity-like returns while minimizing risk of loss.

Athyrium looks for complex situations where a requirement for specialized knowledge limits competition and provides an opportunity for equity-like returns. They selectively participate in a subset of those situations that can be underwritten with a high degree of certainty, thereby limiting risk. Based upon the target companies' needs, the investment can take the form of straight debt or a structured solution that includes debt and some form of equity participation.

The fund's investments will cover a range of healthcare sub-sectors in which the investment team has prior experience such as pharmaceuticals, medical devices, diagnostic products and facilities.

This investment will provide a diversified source of return that will further the University's goal to maximize the long term risk-adjusted return of the Long Term Portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2013