

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return Commitment

Action Requested: Approval of Granite State Capital Partners, L.P.

Background and Summary: We recommend a commitment of \$75 million from the University's investment pool for working capital to Granite State Capital Partners, L.P., a New York, NY, based credit specialist group, which invests in illiquid corporate bank loans at a discount to par.

The primary focus of the fund is on acquiring non-investment grade U.S. and Non-U.S. loans rated single-B and higher in the secondary market. The market for these corporate loans has been dislocated due to increased bank regulations and a lack of natural buyers, creating the opportunity to invest in the most senior part of the capital structure at attractive prices. These loans are at the top of the capital structure, relatively short in duration, and provide attractive risk-adjusted returns to investors. The fund will produce current income and also has the potential for long-term capital appreciation.

Granite State Capital Management, founded in 2016, is led by David Shirreffs, Steven Shirreffs, and Jeffrey H. Gelles who have a long track record of investing in the leveraged loan market and have collaborated together over time. The team applies fundamental credit analysis to evaluate the loans of the considered companies and constructs a sector diversified portfolio to mitigate risk.

This investment is consistent with the University's strategy to invest with experienced managers who have a niche strategy and ability to add value.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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