

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return Commitment

Action Requested: Approval of Kartesia Credit Opportunities IV SCS

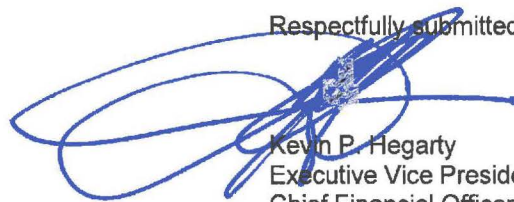
Background and Summary: We recommend a commitment of €60 million, including co-investment opportunities, from the University's investment pool for working capital to Kartesia Credit Opportunities IV SCS, a private pan-European lower mid-market debt fund sponsored by Kartesia Advisor LLP, with primary offices located in London, U.K., and Brussels, Belgium.

Kartesia Advisor LLP, founded in 2013, is led by Laurent Bouvier, Matthieu Delamaire, Jaime Prieto, and Damien Scaillierez who have a long track record of local sourcing and investing in the corporate loan market. The fund intends to continue the strategy followed by Kartesia's prior funds and targets corporate credit opportunities in the lower mid-market across established markets in Europe.

The team is generating returns through a combination of interest income and capital gains by seeking to purchase loans at a significant discount to their intrinsic value. The focus is primarily on senior loans of lower mid-market companies, a segment in which Kartesia has an established expertise and one which is underserved by the broader market. The emphasis is on performing companies sourced via the secondary and primary financing markets, cash generative with predictable earnings and cash-flows. This strategy takes advantage of the structural, long-term replacement trend of commercial and investment banks as traditional lenders of credit finance.

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

April 2017