

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the  
Regents  
July 16, 2015

**Subject:** Absolute Return

**Action Requested:** Approval of RiverRock European Opportunity Fund II

**Background and Summary:** We recommend a commitment of €35 million (~\$40 million USD) from the Long Term Portfolio to RiverRock European Opportunity Fund II, L.P. a London, UK, based direct lending strategy. The investment focus will be on asset rich and cash flow generating corporations in defensive industry sectors primarily based in Germany and other Northern European countries.

Jason Carley and David McHugh founded the RiverRock European Opportunity Funds in 2010 to make loans to small and medium sized enterprises in Europe. Due to the European financial crisis and the implementation of Basel III banking regulations, most European banks have had to focus their efforts on deleveraging. As a result, banks are reluctant to make additional loans for new and small clients leaving such firms with few financing options. The RiverRock European Opportunity Funds address these companies' growth finance needs by making highly structured loans that provide protections for principal and also frequently provide significant equity participation.

This second fund will continue RiverRock's strategy of generating equity-like returns while minimizing risk of loss. 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,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

July 2015