

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
July 16, 2015

REQUEST FOR ACTION

Subject: Public Equity

Action Requested: Approval of Otus Capital Management

Background and Summary: We recommend the approval of Otus Capital Management, a London, UK, based public equity manager, with an initial funding of \$50 million from the Long Term Portfolio.

Since its founding in 2000, Otus Capital Management has focused on small cap public equity markets in Europe and built the brokerage relationships and infrastructure required to source and analyze the stocks in these markets. In this strategy, Otus will look for mispriced opportunities in the illiquid and poorly covered European micro-cap public equity market. The investment focus is on quality companies with strong balance sheets, positive cash generation, durable franchises and, most importantly, capable and trustworthy management.

The portfolio will be managed by Jonathon Sharpe who joined Otus Capital in 2013 to head the European micro-cap investment strategy. Mr. Sharpe has over 27 years of investing experience at various investment firms, including 18 years in European small cap markets. Over this time, he has developed a significant knowledge base that allows him to identify, thoroughly analyze and due diligence investment opportunities.

This investment will diversify the public equity portfolio and 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