

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
December 19, 2013

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of H Partners, LP

Background and Summary: We recommend the approval of H Partners, LP, a New York, NY-based hedge fund, with a commitment of \$50 million from the Long Term Portfolio.

Established in 2005 by Rehan Jaffer, H Partners is a hedge fund that invests in the debt and equity of financially troubled companies in the U.S. The fund's objective is to generate superior risk adjusted returns by buying the debt and equity of companies that are facing temporary financial distress. Potential targets will be fundamentally sound companies where management missteps or over-leverage provide an opportunity to invest at a significant discount to long-term intrinsic value. H Partners invests in a concentrated portfolio of such situations where a catalyst exists to alleviate the financial distress and unlock value. Periodically, if the opportunity warrants, the fund will take control of a company to drive value creation through long-term capital appreciation.

Portfolio risk is managed by assessing the worst case loss scenario for each investment and sizing the position accordingly. While the fund will have a significant long bias, the portfolio also contains a diversified group of opportunistic short positions to both generate returns and reduce overall risk. The risk of individual positions is managed by a deep understanding of the investee company's cash flow volatility, true leverage, valuation, business model and prospects.

This investment will diversify the absolute return portfolio and 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

December 2013