

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Abax Asian Structured Credit Fund II

Background and Summary: We recommend a commitment of \$40 million from the Long Term Portfolio to Abax Asian Structured Credit Fund II, L.P., a Hong Kong based direct lending strategy.

Abax Global Capital was founded by Donald Yang in 2007 with a principal strategy of making direct loans to small- and medium-sized enterprises that are based in China or have a significant Chinese connection. The Chinese banking system does not address the growth capital needs of small, non-state sponsored businesses and traditional lenders to these companies, such as hedge funds and Western investment banks, have curtailed their activity following the Global Financial Crisis. Going forward, the Abax Asian Structured Credit Funds' sole strategy will be to address these companies' financing needs by making highly structured loans that provide protections for principal and attractive risk-adjusted returns from some combination of yield and equity participation.

Prior to founding Abax Global Capital, Mr. Yang served at Merrill Lynch as Managing Director and Head of Greater China Debt Capital Markets where he led the underwriting of more than \$15 billion of offshore Chinese corporate debt issuance. Co-Managing Partner, Michael Wang, has 17 years of professional advisory experience in China where he is a known expert on growth strategies, operational enhancements, organizational restructurings, IPOs, and international mergers and acquisitions. Prior to joining Abax in 2013, Mr. Wang was a Senior Partner of McKinsey & Company and head of its Shanghai office.

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

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