

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: THL Credit Direct Lending Fund III LLC

Background and Summary: **We recommend** a commitment of up to \$50 million, including co-investment opportunities, from the University's investment pool for working capital to THL Credit Direct Lending Fund III LLC, a Boston, MA, based fund which will invest primarily in secured private debt across the United States.

The Fund will seek to invest primarily in a diversified portfolio of private, secured debt securities issued by lower middle-market domestic companies. THL Credit has the flexibility to invest across the debt capital structure, with a bias towards senior secured securities, to take advantage of the best risk/reward opportunities.

THL Credit team invests in the debt of businesses with established operating cash flow, sustainable market positions and strong management teams. The majority of the loans are provided to lower middle-market companies controlled by private equity sponsors that require capital for growth, recapitalizations, or refinancings. THL Credit originates and underwrites the investments and structures them to provide absolute returns with current income. The portfolio will be diversified by industry, geography, issuer, and size. The fund will benefit from the deep network of established sourcing relationships of the management team developed over the years.

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,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over the typed name and title.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

March 2016