

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
April 17, 2014

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of III Credit Opportunities Fund Ltd.

Background and Summary: We recommend an investment of \$50 million from the University's investment pool for working capital to III Credit Opportunities Fund Ltd., a credit fund sponsored by III Offshore Advisors ("III" or "Triple i"), headquartered in Boca Raton, FL.

III is an established fixed income group founded by Warren B. Mosler and Clifford G. Viner in 1982. III's principals have been managing funds continuously for thirty two years and have been trading structured credit since 2005. III's team of ten principals and about one hundred employees has expertise in rates, credit, and tail hedging strategies. The Fund will seek to invest primarily in a diversified portfolio of short-dated structured credit instruments.

The Fund will pursue a long-only credit strategy in various sectors of the credit markets with emphases on short-term, structured credit instruments collateralized by corporate bonds; commercial mortgage-backed securities; and residential mortgage-backed securities. III focuses on investments that are often ignored due to structural complexity and therefore trade at a discount to fair value. III targets floating rate, high cash yielding bonds with potential upside catalysts such as ratings upgrades or structural improvements. The Fund may include U.S. and non-U.S. government, agency and corporate fixed-income securities, as well as convertible bonds.

The team achieves its investment goals by a combination of tactical allocation among sectors and credit instruments based on III's macroeconomic views, and by attempting to select the best available issuers and instruments or structures for investment within the chosen sectors. III's approach is fundamental, bottom-up, security level analysis paired with a focus on capital preservation.

This investment offers the opportunity for the University to participate in a niche strategy with an experienced team having both in-depth credit knowledge and an established track record.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2014