

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
April 17, 2014

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Metric Capital Partners Private Capital Fund II

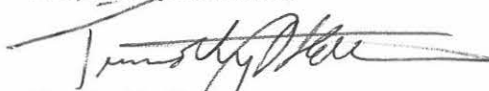
Background and Summary: We recommend a commitment of €30 million from the Long Term Portfolio to Metric Capital Partners Private Capital Fund II, L.P. a London, UK, based fund that will loan money directly to mid-market European companies. The investment focus will be on asset rich and cash flow generating corporations in defensive industry sectors primarily based in Northern Europe.

John Sinik and his partners established Metric Capital in 2011 to address the lack of financing options for quality, mid-sized businesses in Europe. Since the financial crisis, most European banks have become overleveraged and have yet to significantly deleverage. As a result, banks are reluctant to take on additional loans for new and small clients leaving few lenders in this portion of the loan market.

Metric Capital raised their first fund in 2011 which to date has been invested in eleven companies in highly structured loans that provide protections for principal and frequently provide for significant equity participation. The first fund demonstrated the Metric Capital team's ability to originate loans from their personal networks built over extensive careers. The second fund will continue this strategy with the goal of generating equity-like returns while minimizing risk of loss.

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,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2014