

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Partners for Growth Fund V, L.P.

Background and Summary: We recommend a commitment of \$50 million from the Long Term Portfolio to Partners for Growth Fund V, L.P., a Tiburon, CA, based direct lending strategy. The investment focus will be on emerging technology companies primarily in the United States and Australia.

Loaning money to emerging technology companies requires a special set of skills to underwrite intellectual property assets, analyze key stakeholders and structure loans to ensure safety of principal. Investment returns consist of cash interest payments and warrants allowing lenders to participate in the growth potential of these small businesses.

Currently led by Andrew Kahn (B.A. '87), the Partners for Growth team has been lending to emerging technology companies since the 1980's. Throughout their history, they have regularly achieved an exceedingly low principal loss rate and have generated above average investment returns by focusing on areas less served by other specialty lenders due to corporate complexity or geography.

This fifth fund will continue Partners for Growth's strategy 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,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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