

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return Commitment

Action Requested: Approval of Kreos Capital Fund VI, L.P.

Background and Summary: We recommend a commitment of €25 million from the Long Term Portfolio to Kreos Capital Fund VI, L.P., a London, UK, based fund making structured loans to sponsored, high-growth companies via senior secured, amortizing loans with cash coupons and yield-enhancement features across Europe and Israel. This sixth fund will continue Kreos Capital's strategy of generating equity-like returns while minimizing risk of loss.

Founded in 1998, Kreos Capital has an experienced team with extensive networks within the European sponsored equity community and is viewed as a preferred financing partner. Kreos structures its investments so that the majority of the return is realized via monthly amortizing cash payments, with the balance coming from additional yield-enhancement features to realize attractive overall returns. The amortizing cash payments also quickly de-risk the investments.

This commitment will provide the Long Term Portfolio with 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,

A large, stylized 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

June 2018