

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the
Regents
July 16, 2015

Subject: Absolute Return

Action Requested: Approval of Emet Capital Fund I

Background and Summary: We recommend a commitment of \$50 million from the Long Term Portfolio to Emet Capital Fund I, L.P. a New York City, NY, based fund that invests in distressed municipal revenue bonds.

The municipal revenue bond market provides financing for infrastructure and real estate that serves a public purpose. These projects are often financed completely with municipal bond debt and can quickly become distressed causing their associated bonds to sell at large discounts.

Paul Siegel, Cameron Booth and Stefan Baugh formed Emet Capital in 2011 to invest in distressed municipal revenue bonds collateralized by student housing, affordable housing and senior housing. Emet identifies opportunities where they can buy such bonds at a discount and install best-in-class property management to bring about a financial turnaround while maintaining the public purpose of the properties. They then realize the returns when the bonds again become performing or the underlying assets are sold or refinanced. Each principal has spent the vast majority of their career in the municipal and distressed real estate markets.

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

July 2015