

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents  
October 18, 2013

**Subject:** Absolute Return

**Action Requested:** Approval of Crescent European Specialty Lending Fund LP

**Background and Summary:** We recommend a commitment of €25 million, including co-investment opportunities, from the University's investment pool for working capital to Crescent European Specialty Lending Fund LP, a private debt fund sponsored by Crescent Capital Group LP, headquartered in Los Angeles, CA, with offices in New York, NY, Boston, MA, and London, U.K.

The Fund seeks to invest primarily in a diversified portfolio of private, secured debt securities issued by middle-market European companies. Crescent will have the flexibility to invest across the debt capital structure, with a bias towards more senior and secured securities, to take advantage of the best risk/reward opportunities.

Private debt securities are an important component of the capital structure of many middle-market companies. The demand for reliable and flexible capital in the space allows the Fund to invest in securities with an average life of two to three years. Crescent will pursue an investment strategy based upon in-depth evaluations of the credit fundamentals of issuers, with an emphasis on principal preservation while generating current income. The Fund will focus on primary transactions as well as securities sourced in the secondary market. Crescent will invest in established businesses and perform extensive credit risk analysis. The company specific analysis is augmented by research of the underlying environment and industry. The fund will seek to invest across a diverse set of jurisdictions in Europe, but will emphasize Northern and Western European regions.

This investment is consistent with the University's strategy to invest with experienced managers who have a niche strategy.

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

October 2013