

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of Napier Park Europe Loan Management Designated Activity Company

Background and Summary: We recommend a commitment of \$50 million from the Long Term Portfolio to Napier Park Europe Loan Management Designated Activity Company, a New York, NY, based fund that invests in European Collateralized Loan Obligations (CLOs).

Napier Park has \$6.4 billion in assets under management in a variety of strategies spanning the full spectrum of US and European credit. The firm spun out of Citibank in 2013 but the senior management team has worked together since 2005 when it's CIO, John Dorfman, founded Carlton Hill Global Capital. Napier Park is forming this fund to take advantage of a dislocation caused by regulatory change within the European CLO market.

Regulations regarding the management of CLO pools in Europe have changed recently, such that, rather than selling the entire CLO, five percent of the structure must be retained by the CLO manager. Many European CLO managers do not have sufficient capital to meet this retention requirement. Napier Park has created a structure through which investors can supply this risk retention capital on very attractive terms which will enhance returns.

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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