

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

**REQUEST FOR ACTION**

**Subject:** Absolute Return Commitment

**Action Requested:** Approval of Biotechnology Value Fund II, L.P.

**Background and Summary:** We recommend the approval of Biotechnology Value Fund II, L.P. (“BVF”) with an initial funding of up to \$35 million from the Long Term Portfolio. BVF is a biotechnology-focused hedge fund manager based in San Francisco, CA.

Founded in 1993 by Mark Lampert, BVF invests in small-cap biotechnology companies using a value-focused philosophy combined with a long-term investment horizon. The stock price of many smaller biotech companies often are subject to large swings due to changes in sentiment that are not reflective of the company's long-term prospects. Its long-term horizon allows BVF to look through short-term events to identify situations where companies are trading cheap relative to their potential. BVF looks to build a portfolio of such companies that provide a compelling asymmetric risk-reward profile with both attractive returns and a low probability of capital impairment.

BVF performs deep fundamental research by leveraging its existing network of clinicians, industry veterans, and management teams. Over the past thirty years, BVF has built a reputation as a reliable and trustworthy partner to its portfolio companies. The fund will generally have 25 to 30 core positions with the top 10 companies representing about 50 percent of the portfolio.

This investment will further the University's goal to maximize the long-term risk-adjusted return of the Long Term Portfolio.

Respectfully submitted,



Geoffrey S. Chatas  
Executive Vice President and  
Chief Financial Officer

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