

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

September 22, 2006

Subject: Absolute Return Investment

Action Requested: Approval of Ashmore Global Special Situations Fund 3

Background and Summary: We recommend the approval of the Ashmore Global Special Situations Fund 3 with a commitment of \$60 million from the Long Term Portfolio.

Ashmore Investment Management was established in 1999 by a group of senior investment professionals who had worked together for several years at the Australia and New Zealand Banking Group (ANZ). Today, Ashmore is an independent investment counsel dedicated to emerging markets, primarily owned by its employees. Ashmore is headquartered in London, U.K. The University, in its Long Term Portfolio, also is invested in Ashmore's Local Currency Debt Portfolio.

Ashmore Global Special Situations Fund 3 will invest opportunistically in special situations in emerging market countries. Special situations are mainly privately sourced and structured longer term debt and equity investments with event-driven value, generally linked to reorganization and restructuring opportunities. Investments tend to be in capital intensive industries and where local entrepreneurial capital is exhausted. Ashmore typically enters a transaction with several exit strategies already defined. As value creation becomes evident, exit opportunities take the form of secondary sale, trade sale or IPO. The portfolio will be diversified by country, region, industry and deal type.

The investment process combines Ashmore's top down view of economic and political factors with active country risk management and bottom up analysis. The firm's research is augmented by its extensive network of global contacts with local private entrepreneurs and business communities. Ashmore's global reach and constructive approach in the local markets creates and furthers deal sourcing in private transactions.

An investment in Ashmore Global Special Situations Fund 3, is consistent with the University's absolute return strategy to invest with experienced managers who have a niche strategy and a proven ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2006