

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
February 16, 2012

REQUEST FOR ACTION

Subject: Alternative Asset Commitment
Action Requested: Phoenix Asia Real Estate Co-Investment

Background and Summary: We recommend a commitment of \$10 million from the Long Term Portfolio to a Phoenix Asia Real Estate Fund III co-investment opportunity.

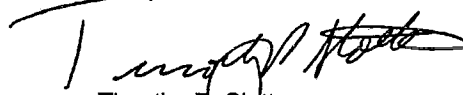
In 2007 the University committed \$15 million to Phoenix Asia Real Estate Investments III, L.P., a real estate fund established to make property investments in certain markets in Asia. This fund is now fully invested in twenty projects diversified across Hong Kong, Taiwan, Japan and China.

One of the fund's investments is a development project in the Jing'an area of Shanghai, China. Phoenix invested through a joint venture which included the local Chinese government, a publicly-listed Hong Kong developer and a private individual. Construction on the mixed-use project began in 2009 and is scheduled to be completed this year. The project includes an 11-story office tower, a 7-story shopping center and a 540-space parking garage. The project is very well located sits upon a new, integrated transportation hub that includes a bus terminal and links to metro lines and the Shanghai Airport City Terminal.

The project is progressing as planned. One of the partners in the joint venture, the local Chinese government, a forty percent owner of the joint venture project, is looking to exit its investment to provide liquidity for other infrastructure projects. Phoenix is proposing to acquire the Chinese government's interest at a cost of approximately \$140 million of equity and is offering existing investors the opportunity to co-invest in this acquisition.

This commitment offers the University an attractive opportunity to invest in a project in China that has been significantly de-risked due to its almost completed status.

Respectfully submitted,



Timothy F. Slottow
Executive Vice President and
Chief Financial Officer

February 2012