

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

**Subject:** Alternative Asset Commitment

**Action Requested:** CD Capital Natural Resources Fund III

**Background and Summary:** We recommend a commitment of \$50 million from the Long Term Portfolio to CD Capital Natural Resources Fund III, L.P., a London, UK, based natural resources fund that will invest in early stage mining opportunities.

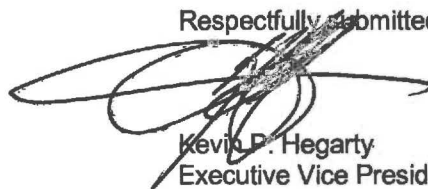
After spending over 15 years in the mining industry, Carmel Daniele founded CD Capital in 2006. The team totals eight, including five geologists, a Chief Financial Officer and support staff. The firm also has two industry specialists as strategic advisors.

CD Capital will focus on providing the first round of growth capital to companies in the resource certification stage. CD will invest alongside top tier management teams that have identified a world class asset, a description that can be based upon resource size, location, low production costs, access to transportation or a combination of these factors. CD will work with the management teams to de-risk the assets by taking the resource through the certification process, which includes detailed data analysis and delineation drilling to determine the size and potential of the resource. Once the resource is certified, CD will work with the management teams to exit the assets to companies that will bring the resources into production. Exits will most likely be to strategic buyers.

The fund will be diversified by both resource and geography. It is expected that approximately one-half of the fund will be invested in copper, iron ore and metallurgical coal projects and one-half of the transactions are expected to come from Latin America. CD will not take on any exploration risk or production risk as these mining stages are often unpredictable and costly.

This commitment offers the Long Term Portfolio the opportunity to invest alongside an experienced team focused on a less efficient segment of the mining sector.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

April 2016