

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the
Regents
May 15, 2014

ITEM FOR INFORMATION

Subject: Alternative Asset Commitment

Background and Summary: Under a May 1994 Request for Action, the University may commit to follow-on investments in a new fund sponsored by a previously approved partnership provided the fund has the same investment strategy and core investment personnel as the prior fund.

Pursuant to that policy, this item reports on the University's follow-on investments with the previously approved partnerships listed below.

CDH Fund V, L.P., a private equity partnership based in Beijing, China, will make investments in private companies with strong business fundamentals that have substantial operations in China. The CDH investment team take a value-driven approach and focus on expansion capital and buyout opportunities in profitable companies.

Investments will focus on mature companies led by local Chinese teams that are selling products or services to the domestic market in China. These companies are expected to have market leading positions, sustainable competitive advantages, and experienced management teams. Industries in which CDH has invested previously and which are likely to offer the prospect of attractive investment opportunities for CDH Fund V include consumer products, medical services, retail and distribution, manufacturing, financial institutions, information technology services, and pharmaceuticals.

The University committed \$22.25 million to CDH Fund V, L.P. in January 2014.

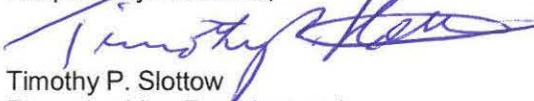
Fudo Capital III, L.P., a real estate fund based in Hong Kong with offices in Singapore, Tokyo, Shanghai, and Sydney will invest in a portfolio of properties located primarily in top tier cities throughout Asia. The fund will buy completed buildings, make investments in real estate operating companies and/or platforms, or do ground-up development in certain markets. Fudo will target single asset and portfolio sales; properties that require renovations and/or repositioning; and mispriced or distressed properties resulting from sellers' cash flow problems, corporate restructurings or strategy realignment. The portfolio is expected to be diversified both geographically and by property type.

The University committed \$20 million to Fudo Capital III L.P. in February 2014. An additional \$10 million was allocated for potential co-investment opportunities.

LBA Realty Fund V, L.P., a real estate fund based in Newport Beach, CA, will continue the team's strategy to acquire a diversified portfolio of office and industrial properties located primarily in western United States markets. The fund will target varying risk profiles, including value-add opportunities, select build-to-suits and notes secured by real estate. The fund will maintain a balanced approach to income and growth, with approximately one-half of the returns coming from current income.

The University committed \$20 million to LBA Realty Fund V, L.P. in February 2014. An additional \$10 million was allocated for potential co-investment opportunities.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer