

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Alternative and Absolute Return Commitments

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.

Alternative Asset Commitments

Berkshire IX Coinvestment Fund, L.P., a private equity fund based in Boston, MA, will make private equity investments in established middle market companies that have attractive growth prospects. Berkshire invests across a number of industries, including consumer products and retail, business services, industrial manufacturing, transportation, and communications. The firm's primary geographic focus is the U.S., but it will pursue investments outside the country on an opportunistic basis. The Coinvestment fund will invest alongside Berkshire Fund IX when the equity required for an investment exceeds the appropriate size for Fund IX.

Berkshire's private company investments may include leveraged buyouts, recapitalizations, growth capital transactions, and corporate carve-out transactions.

In December 2017 the University committed \$25 million to Berkshire IX Coinvestment Fund, L.P.

Kayne Anderson Energy Fund VIII, L.P., an energy fund based in Los Angeles, CA, with an office in Houston, TX, will continue the team's strategy of making investments in small and mid-cap oil and gas exploration and production companies and companies servicing those businesses. Kayne Anderson targets high quality management teams on the verge of undertaking significant transactions or projects. The fund's capital will be used by the portfolio companies to increase production levels, cash flows and asset values, to acquire assets, or to fund specific projects. Investment commitments are typically funded over time as Kayne Anderson works with the management teams to implement their business strategies. Investments are expected to be geographically diversified across North America.

In December 2017 the University committed \$50 million to Kayne Anderson Energy Fund VIII, L.P.

Summa Co-Investment (No. 1) AB, in October 2016 the University committed SEK 350 million (~\$37.9 million) to Summa Equity I, a Stockholm, Sweden; and Oslo, Norway-based private equity fund that invests in private, lower mid-market companies in the Nordic region. Summa Equity I offered the opportunity to co-invest in a leading Norwegian waste management and recycling company. The team expects to capitalize on the strengthening position of the company while implementing additional growth initiatives and operational efficiencies.

In December 2017 the University committed approximately SEK 274 million (~ \$33.9 million) to Summa Co-Investment (No. 1) AB.

Magna Hotel Fund VI, a real estate fund based in Warwick, RI, will make investments in hotel properties in North America. The team will focus on limited service hotels in major urban markets like New York, NY, Boston, MA, and Washington, D.C., where limited service hotels represent an underserved segment. The fund will also acquire full-service hotels in other markets where they can use their deep expertise to reposition and improve the asset, and may develop new hotel properties in markets where appropriate.

In November 2017 the University committed \$40 million to Magna Hotel Fund VI L.P.

Kawadacho is a co-investment opportunity offered by Westbrook Partners, a New York, NY, based real estate manager. Kawadacho is an 816-unit residential complex in Tokyo, Japan, consisting of four residential towers and three retail buildings. Prior to Westbrook's acquisition, the property was owned and passively managed by a quasi-governmental entity. Westbrook's plan is to reduce operating costs, increase rents and improve common areas.

In November 2017 the University committed \$10 million to the Kawadacho co-investment.

Sequoia Capital U.S. Scout Seed Fund III, L.P., a venture capital fund located in Menlo Park, CA, will make seed-stage investments in promising technology companies in and around Silicon Valley. The objective of the fund is to invest in newly formed ideas or companies that appear to offer above-average prospects for capital appreciation. Investments will be made either directly by the Partnership, or through a network of Scouts, who invest small amounts of capital on behalf of the fund.

In December 2017 the University committed \$2.49 million to Sequoia Capital U.S. Scout Seed Fund III, L.P.

AH Bio Fund II, L.P., a venture capital fund located in Menlo Park, CA, will invest in early-stage healthcare focused information technology companies. This Andreessen Horowitz sponsored fund will be led by Vijay Pande, Ph.D. who joined the firm in 2014. The fund is an extension of the firm's early-stage information technology investment program, but differs in its focus on the healthcare sector. Investments will be in software companies which can benefit from the dramatic reduction in the costs of data storage, computational power, sensors to measure biological data, and genetic sequencing. AH Bio has identified computational biomedicine, new scientific utilities, and network effects in healthcare as areas of specific investment interest.

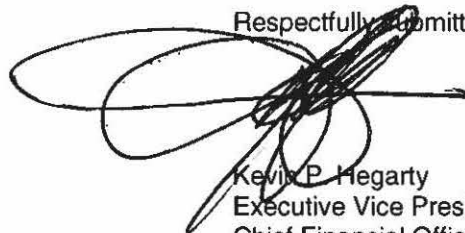
In December 2017 the University committed \$15.0 million to AH Bio Fund II, L.P.

Absolute Return Commitment

Kayne Anderson CLO Partners Fund I, L.P., an absolute return fund based in Los Angeles, CA, will invest in the equity tranches of Kayne Anderson managed collateralized loan obligations (CLOs). The strategy was set up to comply with regulations surrounding the CLO industry, which requires a CLO manager to hold 5 percent of each CLO they issue. This strategy is a natural extension of the existing Kayne Anderson Credit funds, as it requires careful security selection of levered loans, and relies on credit analysis and avoiding credit losses.

In December 2017 the University committed \$25 million to Kayne Anderson CLO Fund I, L.P. from the University's Long Term Portfolio.

Respectfully Committed,

A large, stylized handwritten signature in black ink, appearing to read 'Kevin P. Hegarty'.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

May 2018