

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Alternative, Absolute Return, and Equity 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**

**EQT VIII, L.P.**, a private equity fund headquartered in Stockholm, Sweden, will make controlling equity investments in medium to large sized companies based in Northern Europe, primarily in Denmark, Finland, Norway, Sweden and Germany. A minority portion of investments is also expected to be made in companies that are U.S.-based. EQT invests in a wide range of industries and targets situations where it has a specific industrial angle. Investments will focus on leading, high-quality companies that can be used as platforms to develop local businesses into global leaders. EQT is differentiated from its competitors by its network of senior industrialists who work with EQT at various stages of investment, helping the team identify opportunities, evaluate company operations and management, and implement growth strategies.

In December 2017 the University committed €55 million (~ U.S. \$64 million) to EQT VIII, L.P.

**Silversmith Capital Partners II-A, L.P.**, a Boston, MA, based private equity fund, which will invest in private, lower middle market, rapidly growing and profitable technology and healthcare companies. The fund will focus on opportunities in the growth space positioned between late stage venture capital and large-scale private equity. The firm will take a partner led, thesis driven approach to the growth equity market. Transactions are expected to include both minority and majority ownership investments, as well as platform build-up companies where profitable growth can be achieved through a merger and acquisition strategy led by an experienced operator.

In January 2018 the University committed \$25 million to Silversmith Capital Partners II-A, L.P.

**H. Barton Venture Select III, LLC**, is a venture capital fund of funds based in Menlo Park, CA, which will invest in early stage venture capital limited partnerships. The fund will commit capital to limited partnerships sponsored by a select group of highly respected and successful venture capital firms that have demonstrated an ability to identify high potential investment opportunities; are sought out by entrepreneurs seeking sponsorship by leading, value-added venture firms; and have achieved among the highest investment returns within this asset class.

In January 2018 the University committed \$5 million (with an option to upsize to \$10 million) to H. Barton Venture Select III, LLC.

**Roark Capital Partners V, L.P.**, an Atlanta, GA, based private equity fund, will invest in middle market companies headquartered in North America. Roark invests in the franchising/multi-unit, consumer products and services, healthcare services and business services sectors. Roark's specific industry focus is a competitive advantage that allows its investment team to understand opportunities and risks, to access proprietary or less competitive deal flow, and to create operating improvements readily.

In April 2018 the University committed \$25 million to Roark Capital Partners V, L.P.

**CREA Partners I Co-Investment Limited Partnership** is a co-investment opportunity offered by Cypress Real Estate Advisors, an Austin, TX, based real estate manager. CREA I offered the opportunity to co-invest in two Class A multifamily development projects, one in Dallas, TX, and another in Austin, TX. These projects are consistent with Cypress' strategy of targeting high growth areas with proven rental demand and robust job opportunities.

In January 2018 the University committed \$5 million to the CREA Partners I Co-Investment Limited Partnership.

**Battery Ventures XII, L.P. and Battery Ventures XII Side Fund, L.P.**, venture capital funds with offices in Waltham, MA, New York, NY, Menlo Park, CA, San Francisco, CA, Herzliya, Israel, and London, England, will invest in technology companies at all stages of development (from early-stage through buyout). The Side Fund will co-invest in later stage Battery Ventures XII transactions that are too large to be allocated exclusively to Fund XII. As in prior Battery partnerships, the funds will invest in sectors where the general partner has expertise and experience, including software, e-commerce, infrastructure, internet and digital media, and industrial technologies.

In January 2018 the University committed \$23 million to Battery Ventures XII, L.P. and \$12 million to Battery Ventures XII Side Fund, L.P.

### **Absolute Return Commitment**

**Emet Municipal Real Estate Strategy Fund II, L.P.**, a New York, NY, based credit fund that invests in distressed municipal revenue bonds. Emet identifies opportunities where they can buy distressed municipal revenue bonds collateralized by student housing and affordable housing at a discount and install best-in-class property management to bring about a financial turnaround while maintaining the public purpose of the properties. They then realize returns when the bonds again become performing or the underlying assets are sold or refinanced. Each principal has spent the vast majority of their career in the municipal and distressed real estate markets.

In February 2018 the University committed \$50 million to Emet Municipal Real Estate Strategy Fund II, L.P.

### **Equity Commitment**

**Coliseum Capital Management, LLC**, a Stamford, CT, based activist manager who buys the debt and equity of small cap, public companies and then works with management and the board to improve the capital structures and operational efficiencies. Coliseum is a deep value manager focused on cash flow where Coliseum can become involved to influence outcomes via constructive activism. Coliseum takes a private equity approach to public securities, as evidenced by its 3 to 5 year investment horizon.

In December 2017 the University invested \$7 million with Coliseum Capital Management, LLC.

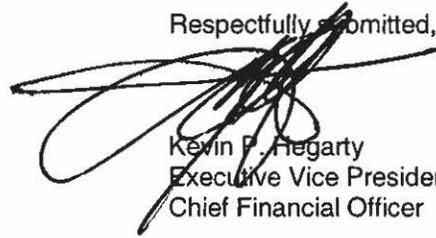
**Subject:** Direct Private Equity Investment

**Background and Summary:** Under a limited delegation granted in July 2015, the Executive Vice President and Chief Financial Officer may approve new investments representing less than one percent of the Long Term Portfolio's assets that advance the portfolio's objectives and meet its risk and return targets. Pursuant to that policy, this item reports on the University's closing of an investment that was initially approved in September 2017.

**Project Wrangler** is a direct investment in a Raleigh, NC, based waste collection and processing company. The company will seek growth by adding trash collection networks in select areas of the United States by purchasing local companies at low EBITDA multiples. This investment is expected to earn attractive risk-adjusted returns through equity participation in a company with highly predictable cash flows operating in a defensive industry and by purchasing add-on acquisitions at attractive prices.

In September 2017 the University invested \$50 million Project Wrangler.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over the typed name and title.

Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

June 2018