

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Alternative Asset 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**

**White Rock Oil & Gas Partners III, L.P.**, is a Dallas, TX, based natural resources fund that will invest in producing oil and gas properties in the United States. White Rock will target investments where the team has experience and can increase the value of the assets through improvements in production capacity and operational efficiencies. White Rock will focus on smaller assets, which is a less efficient segment of the market. The Fund will be diversified across multiple oil and gas basins and an exit might include a portfolio sale or a sale of individual assets.

In January 2019 the University committed \$30 million to White Rock Oil and Gas Partners III, L.P.

**Altor V, AB.**, a private equity fund located in Stockholm, Sweden, will invest in middle market companies in the Nordic region. Altor focuses on investment opportunities where it believes there is potential for value creation through revenue growth, margin expansion, add-on acquisitions, and improved capital management. In certain situations, strategic refocusing and corporate restructuring are important components of the investment strategy. The investment team will focus on corporate spin-offs of non-core units, family businesses where owners are looking for liquidity, and companies in industries undergoing consolidation as sources of investment opportunities and will invest across a number of industry sectors, including consumer products, specialty manufacturing, and business services.

In January 2019 the University committed €44 million (approximately \$58 million) to Altor Fund V, AB.

**Virtus Real Estate Capital II, L.P.**, an Austin, TX, based real estate manager, will continue the team's strategy to invest in niche real estate assets that have proven to be more resilient to market influences than the traditional sectors with a focus on student housing, senior housing, workforce housing and medical office, and to a lesser extent charter schools and self-storage. The Fund will be well diversified both geographically and by property type.

In January 2019 the University committed \$50 million to Virtus Real Estate Capital II, L.P.

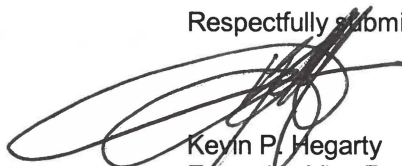
**Balboa Retail Fund II, L.P.**, a Los Angeles, CA, based real estate fund will invest in retail assets in the United States. Balboa will target under-valued retail assets controlled by stressed or distressed retailers. Many retailers struggle to adapt to the ever changing retail trends that are driven by the impacts from technology and e-commerce, demographic shifts and income and wealth disparities. As a result, Balboa is able to acquire assets when the retailers are forced to downsize in existing stores, reduce the number of stores, or even enter into bankruptcy. Balboa will use its expertise to create value at the property level by re-leasing to current growth retailers, developing the property to accommodate different retail formats, and converting leasehold interests to fee owned assets. Once the asset is stabilized it will be sold to maximize returns.

In January 2019 the University committed \$50 million to Balboa Retail Fund II, L.P.

**Hydrazine Capital II, L.P.**, a San Francisco, CA, based investment fund is managed by principals of current VC portfolio manager Y Combinator. The fund invests in early-stage technology companies. The university acquired a limited partnership interest in the fund through a secondary purchase. This investment is comprised of two elements: a purchase of the secondary interest and additional capital for follow-on investments in the fund.

In January 2019 the University committed up to \$100 million to Hydrazine Capital II, L.P.

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 2019