

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
July 21, 2011

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 three venture capital partnerships listed below.

IDG-Accel China Growth Fund III, L.P., a venture capital fund with offices in Beijing and Shanghai, will make early and growth stage investments in technology, media, and consumer sector companies in China. Within the technology and consumer sectors, IDG-Accel China Growth will focus on companies involved in internet applications, mobile platforms and applications, media, software, and telecommunications. Key drivers of these investments will be the large and growing consumer market in China as well as selected export opportunities.

This is the University's third commitment to IDG-Accel China Growth. The University committed \$10 million to IDG-Accel China Growth Fund III, L.P. in March 2011. The University previously committed \$27.5 million to prior IDG- Accel China Growth funds.


IDG-Accel China Capital II, L.P., a venture capital fund with offices in Beijing and Shanghai, will invest in later stage technology-oriented manufacturing, clean technology, internet, media, and consumer sector companies in China. The investment strategy is similar to that of its companion fund, IDG-Accel China Growth Fund III, L.P. noted above, except China Capital's transactions will be larger and will require more capital than that available under Growth Fund III's mandate. A special team of investment managers with operating, investment banking, and legal skills will work alongside the core IDG-Accel China investment team to find and manage expansion stage companies that have proven business models or technologies and are at or near profitability.

This is the University's second investment with IDG-Accel China Capital. The University committed \$10 million to IDG-Accel China Capital II, L.P. in March 2011. The University previously committed \$20 million to IDG-Accel China Capital I, L.P.

HealthCap VI, L.P., a venture capital fund located in Stockholm, Sweden, will invest in life science and health care companies. Investments will involve the commercialization of medical science with a major focus on therapeutics addressing areas such as cancer, stroke, cardiovascular, and pulmonary disorders. The firm has a multistage investment approach and invests on an international basis. Smaller, early stage investments will focus on opportunities in the Nordic countries, while the larger, mid to late stage investments will be in the Nordic region, Western Europe, and North America.

This is the University's second investment with HealthCap. In April 2011 the University committed €11 million to HealthCap VI, L.P. The University previously committed €12.5 million to the firm's prior fund, HealthCap V, L.P.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2011