

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Alternative Asset 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

CFP III (No. 1) L.P., is a London, U.K., based real estate fund that will make small office and mixed-use real estate investments primarily in London and to a lesser extent in regional cities in the United Kingdom. Castleforge invests thematically, identifying dislocations within the U. K. real estate markets using a combination of top down research and real time market leasing and sales knowledge. Once an asset is acquired, Castleforge implements its business plan through an entrepreneurial and vertically integrated team that is closely involved in each stage of the investment's life cycle, with an eventual sale to an institutional buyer. Typical deal size is £20 to £40 million, a size where there is less competition and efficiency.

In January 2019 the University committed £35 million to CFP III (NO. 1) L.P.

Absolute Return Commitments

HighVista Strategies, LLC, is a Boston, MA, based global asset allocator that manages \$2.9 billion in diversified portfolios on behalf of institutions and private individuals. The firm was founded in 2004 by Dr. Andre Perold and his partners to provide sophisticated portfolio management services to clients by leveraging a network and understanding developed over 30 years as a professor at Harvard Business School. HighVista began offering its portfolio in asset class sleeves after 2013 and launched a biotech fund to focus solely on managers that invest in biotech stocks. The fund will initially consist of three managers, two of which are closed to new capital.

In January 2019 the University committed \$50 million to the biotech fund of HighVista HFS Partners SPC.

SSG Capital Partners V, L.P., is a Hong Kong, China, based direct lending strategy whose primary focus is to invest in privately negotiated structured credit instruments that provide principal protection and attractive risk-adjusted returns from a combination of yield and equity participation in profitable companies facing balance sheet or funding issues. SSG's target market will primarily consist of China, India, and Indonesia, and may also include Thailand, Singapore, and other Southeast Asian countries. This opportunity exists because multinational banks have curtailed their activity following the Global Financial Crisis and local banks do not meet the needs of the small- and medium-sized enterprises in SSG's target market. SSG may also purchase distressed secondary credit instruments on an opportunistic basis.

In February 2019 the University committed \$50 million to SSG Capital Partners V, L.P.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

July 2019