

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

Sequoia Capital, a Silicon Valley based venture capital firm, raised two funds, **Sequoia Capital China Venture Fund VI, L.P.** and **Sequoia Capital China Growth Fund IV, L.P.**, which will invest in private companies in China in the information technology (internet and mobile), consumer, healthcare, and energy/clean technology sectors at early and growth stages respectively. Sequoia China, with offices in Beijing, Shanghai, and Hong Kong, takes a top-down approach, forming well-researched theses about particular investment sectors and focuses on companies which will benefit from domestic demand and the spending power of the Chinese consumer.

In March 2016 the University committed a total of \$18 million to Sequoia Capital China Venture Fund VI, L.P. and Sequoia Capital China Growth Fund IV, L.P.

Matrix Partners India II Extension Fund, LLC, a Mumbai, India, based fund, will make investments in private companies in India. Investments will focus on businesses expected to benefit from India's fast growing, consumer driven economy, with the goal to identify new Indian markets early and to build leading companies. The fund will invest in both early and growth stage companies with a focus on the internet and mobile, education, financial and commercial, healthcare, and consumer products and services sectors.

In April 2016 the University committed \$4 million to Matrix Partners India II Extension Fund, LLC.

Orion Mine Finance Fund II, L.P., a fund located in New York, NY, that makes structured credit investments in the metal mining industry. The fund targets mid-to late-stage mine financing projects in politically stable regions. Orion focuses on low-cost projects with clear visibility on first production flows. Their investments are highly structured to meet the strategic goals of their investee companies while protecting against loss of capital and providing for the opportunity for equity participation.

In April 2016 the University committed \$50 million to Orion Mine Finance Fund II, L.P.

Absolute Return Commitment

Napier Park Strategic CLO Fund L.P., a fund located in New York, NY, that was set up to take advantage of dislocations in the credit markets. The fund makes opportunistic purchases of the equity and junior tranches of Collateralized Loan Obligations (CLO's) in the United States when market volatility stemming from low liquidity causes these tranches to become attractively valued relative to their intrinsic value.

In March 2016 the University committed \$50 million to Napier Park Strategic CLO Fund L.P.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

September 2016