

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
October 18, 2013

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 investment with the previously approved private equity and natural resources partnerships listed below.

CVC European Equity Partners VI, L.P., a pan-European private equity fund, invests in management buyouts of larger sized companies across Western Europe. In most cases, CVC seeks controlling interest of its investment companies, either directly or in syndication with like-minded private equity firms. CVC has an established network of fifteen offices in major commercial capitals across Europe and North America. The offices are staffed by local professionals who are fully integrated into the banking, legal, and social cultures and practices in the country, enabling them to deal with negotiations and structuring on a local basis when required or on a pan-European basis with colleagues from other offices when a business spans more than one country.

While CVC considers all business sectors and assembles portfolios diversified by industry, the investment team tends to concentrate its investments in consumer and retail, business services, chemicals, financial services, and technology and telecommunication companies. The investment strategy is to find businesses that can be built by internal growth or by add-on acquisitions.

The University committed €20 million from its Long Term Portfolio to CVC European Equity Partners VI, L.P. in June 2013.

DCPF VI Oil and Gas Co-investment Fund, L.P., a natural resources fund based in Boston, MA, with offices in London, Houston, TX, Sao Paulo, Brazil and Perth, Australia, was formed to take advantage of strong deal flow in the oil and gas sectors. Denham Capital Partners Fund VI, L.P., a \$3.1 billion fund closed in 2011, focuses on investments in oil and gas, metals and mining, and power and renewables. To date, 30 percent of Fund VI has been committed to oil and gas investments and Denham continues to have a significant pipeline of opportunities. As a result, they have raised a co-investment fund that will invest alongside Fund VI in oil and gas investments on a going forward basis. The fund will not participate in any preexisting Fund VI oil and gas investments. Focus will be upstream exploration and production; transportation, gathering and processing; products and refining and oilfield services and supply. Denham intends to add value through operational improvements and assistance in the capital markets.

The University committed \$10 million from its Long Term Portfolio to DCPF VI Oil and Gas Co-investment Fund, L.P. in August 2013.

Respectfully submitted,



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Chief Financial Officer