

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Virtus Real Estate Capital II, L.P.

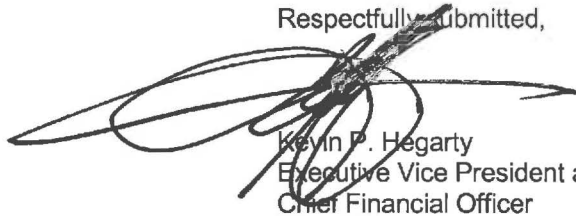
Background and Summary: We recommend a commitment of \$30 million from the Long Term Portfolio to Virtus Real Estate Capital II, L.P., a real estate fund that will make niche property investments throughout the United States.

Founded in 2003 by Terrell Gates, Virtus Real Estate Capital is headquartered in Austin, TX. The firm has over 40 real estate professionals at the corporate level and uses local operating partners at the property level. The Fund 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 is expected to be well diversified both geographically and by property type. Typical hold periods will be 3 to 5 years. Potential exits include a portfolio sale to a public real estate investment trust or a financial buyer. Alternatively, Virtus could take the portfolio public through an Initial Public Offering.

This commitment offers the Long Term Portfolio the opportunity to invest alongside an experienced team in this differentiated investment strategy.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over the typed name and title. The signature is stylized with large loops and a long horizontal stroke extending to the right.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

December 2016