

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

IMT Capital Fund V, L.P., is a Sherman Oaks, CA, based real estate fund that will make investments in multi-family housing in major markets in the western and southern United States. Target investments will be located in in-fill locations, locations with high barriers to entry, and markets with wide "rent versus buy" spreads. IMT will identify assets that are selling at significant discounts to replacement cost and where value can be enhanced by IMT's active, value-add strategies, which include making physical improvements to the properties and rigorous day-to-day asset management. Exits for these repositioned assets will include institutional buyers, local and regional investors, and high net worth individuals.

In June 2018 the University committed \$50 million to IMT Capital Fund V, L.P.

Matrix Partners India III, LLC, Matrix Partners XI, L.P., and Matrix China V, L.P., makes primarily early-stage investments, Series A and B, in companies based in the Funds' respective geographies.

The University has a long-standing relationship with Matrix Partners, having invested in funds since 1995. The team has established a strong brand in the United States, India, and China, and continues to capitalize on its local networks to source investment opportunities. There is a concerted effort to continue building relationships with entrepreneurs. Matrix Partners positions itself as entrepreneur-friendly and has the capabilities to assist companies with strategic decisions as well as ancillary functions.

Matrix has a proven track record of successful early-stage and growth venture investing in the United States, India, and China. The firm's strategy of high involvement early-stage investing serves as a comparative advantage. Matrix represents a strong, long-standing relationship for the University and continues to deliver strong performance through differentiated sources of return.

In June 2018 the University committed \$66 million to Matrix Partners XI, L.P., Matrix Partners India III, L.L.C., and Matrix China V, L.P.

Sequoia Capital U.S. Venture Fund XVI, L.P., Sequoia Capital U.S. Growth Fund VIII, L.P., Sequoia Capital China Seed Fund I, L.P., Sequoia Capital China Venture Fund VII, L.P., Sequoia Capital China Growth Fund V, L.P., Sequoia Capital India Fund VI, L.P., and Sequoia Capital Global Growth Fund III, L.P. invest in new and developing companies engaged in businesses where new technologies play a significant role in either process or products. The general partner also invests in more mature and established companies where the potential exists for exceptional capital appreciation. The general partner invests primarily in information technology companies located in the western part of the United States, China and India. The University has invested with Sequoia Capital since 1992.

In June 2018 the University committed \$68 million to Sequoia Capital U.S. Venture Fund XVI, L.P., Sequoia Capital U.S. Growth Fund VIII, L.P., Sequoia Capital China Seed Fund I, L.P., Sequoia Capital China Venture Fund VII, L.P., Sequoia Capital China Growth Fund V, L.P., Sequoia Capital India Fund VI, L.P., and Sequoia Capital Global Growth Fund III, L.P.

Absolute Return Commitments

Black Toro Capital Fund III, L.P., a Barcelona, Spain, based distressed debt and direct lending fund focused on asset rich Spanish corporations undergoing financial turnarounds. Founded in 2012, Black Toro Capital brings together an abundance of experience in distressed investing and the Spanish financial markets both from its founding partner Ramon Betolaza and from its joint venture partner Trea Asset Management led by Carlos Tusquets. Together, they have the business networks, structuring skills, and knowledge to source and partner with these private small- and medium-sized enterprises in Spain.

In June 2018 the University committed up to €50 million to Black Toro Capital Fund III, L.P.

THL Credit Direct Lending Fund IV LLC, a Boston, MA, based credit fund invests primarily in a diversified portfolio of private, secured debt securities issued by lower middle-market domestic companies. THL Credit team invests in the debt of businesses with established operating cash flow, sustainable market positions, and strong management teams. The team originates and underwrites the investments and structures them to provide absolute returns with current income.

In June 2018 the University committed \$50 million to THL Credit Direct Lending Fund IV LLC, including co-investment opportunities.

Pharmakon Opportunities, LP is a co-investment opportunity offered by Pharmakon Advisors, LP, a New York, NY, private credit specialist. The fund invests along with BioPharma Credit Investments IV S.à r.l. fund in select debt securities collateralized with cash flows from leading life sciences products with short average lives and strong underlying credit characteristics.

In June 2018 the University committed \$10 million to Pharmakon Opportunities, LP.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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