

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

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 investments with the previously approved partnerships listed below.

SSC V, L.P., a fund sponsored by Spear Street Capital, a San Francisco, CA, based real estate firm, will exploit office investment opportunities in areas with significant technology and media tenants including San Francisco, Silicon Valley, Seattle, Austin, Boston, Chicago, and Los Angeles.

Spear Street focuses on assets that include a balance of both current cash flow and capital appreciation. Targeted properties are those with significant leasing risk, concentrated near-term tenant rollover, tenants with credit issues, and existing debt that cannot be extended or replaced. The Fund will acquire buildings with competitive advantages that allow for quicker lease-up and better tenant retention. Upon repositioning, the properties will most likely be sold to institutional buyers.

In August 2015 the University committed \$46 million to SSC V, L.P.

IDG China Capital Fund III, L.P., a venture capital fund with primary offices in Beijing and Shanghai, China, will invest in private companies in China. The investments will be in technology companies or in traditional businesses which have the potential to be transformed by technology. Investments will include buyout, minority growth equity, and late stage venture capital transactions where IDG will be the first institutional investor in rapidly growing, revenue generating companies which are still unprofitable. The team will focus on sectors where it has prior investment experience, including e-commerce, finance, online education, enterprise software, and gaming, with selective investments in clean technology, entertainment, and energy companies.

In August 2015 the University committed \$20 million to IDG China Capital Fund III, L.P.

Castanea Partners IV Coinvestment Fund, L.P., a Newton, MA, based private equity fund, will invest in private, small to mid-sized consumer products and services companies alongside its companion fund, Castanea Partners Fund IV, L.P., a 2014 vintage fund.

As Castanea Partners began investing Fund IV, it evaluated a number of attractive investment opportunities which met its investment criteria, but required equity commitments in excess of Fund IV's investment limit. The Coinvestment Fund was raised to provide a pool of additional capital which would allow the Castanea Partners to pursue larger transactions, facilitating the firm's efforts to complete control, buyout, and significant minority equity investments in the consumer and retail sectors which require capital above Fund IV's permitted investment limit.

In September 2015 the University committed \$10 million to Castanea Partners IV Coinvestment Fund, L.P.

Lime Rock Partners VII, L.P., a natural resources fund based in Westport, CT, with offices in Houston, TX, and London, U.K., will continue Lime Rock's strategy to make private equity investments in energy companies primarily in the exploitation and production and oil field services sectors. The team differentiates itself from competitors by being a creative, value-adding, long-term investor of growth capital for small, well-managed companies in high-growth segments of the global energy industry. Lime

Rock's deep interdisciplinary expertise, global network of relationships, and history of effective teamwork provides a strong pipeline of investment opportunities.

In August 2015 the University committed \$30 million to Lime Rock Partners VII, L.P.

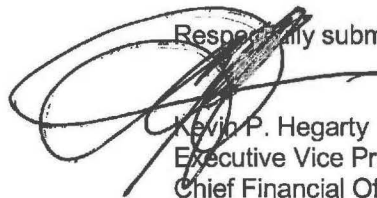
Zell Equity International Fund VI, L.P. and Zell Equity International Fund VI Special Opportunities Fund, are Chicago, IL, based real estate funds sponsored by an affiliate of Equity Group Investments, the privately-held investment company founded in 1968 by Sam Zell. Fund VI will continue the team's strategy to find, create, and build high-quality, scalable real estate platforms in emerging markets. The Fund will focus on geographic regions that are characterized by strong economic growth, a growing middle class, capital markets inefficiency and limited competition. The Fund VI Special Opportunities Fund will provide additional capital when an investment equity amount exceeds \$100 million.

In August 2015 the University committed \$40 million to Zell Equity International Fund VI, L.P. and an additional \$24 million to Zell Equity Fund VI Special Opportunities Fund.

Galataport/BLG Capital Fund II Co-Investment. In 2013 and 2014 the University committed a total of €25 million to BLG Turkish Real Estate Fund II, L.P., an Istanbul, Turkey, based fund sponsored by BLG Capital/Bilgili Group. The fund invests opportunistically in real estate assets in Turkey, with a focus on Istanbul. Fund II has offered the opportunity to co-invest in the redevelopment of prime Istanbul real estate located along the Bosphorus, a 20 mile long strait that joins the Sea of Marmara and the Black Sea separating Europe and Asia. The redevelopment will include a luxury hotel, high street retail, Class A office and a passenger cruise port. The economics of this co-investment are more attractive than those of Fund II.

In July 2015 the University committed €10 million (~\$10.8 million) to the Galataport co-investment offered by BLG Turkish Real Estate Fund II.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

February 2016