

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Mercer Real Estate Partners II

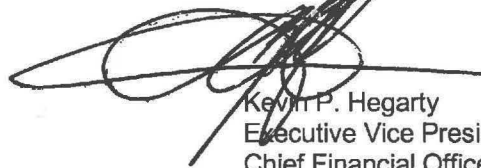
Background and Summary: We recommend a commitment of £25 million (~\$37 million USD) from the Long Term Portfolio to Mercer Real Estate Partners II, a London, U.K. based real estate fund that will make office and mixed-use property investments throughout the United Kingdom.

Mercer was founded in 2010 by Michael Kovacs and Brandon Hollihan who previously worked together in Westbrook Partners' London Office. Westbrook Partners is an existing real estate manager for the University. Kovacs and Hollihan have grown the Mercer team to include twelve professionals with extensive real estate investment experience.

The Fund will continue the firm's strategy of making small, real estate investments primarily in London and to a lesser extent, regional cities. Mercer invests thematically, identifying dislocations within the U. K. real estate markets using a combination of top down research and real time market leasing and sales knowledge. Once an asset is acquired, Mercer implements its business plan through an entrepreneurial and vertically integrated team that is closely involved in each stage of the investment's life cycle, with an eventual sale to an institutional buyer. Typical deal size is £10 to £30 million, a size where there is less competition and efficiency.

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 a horizontal line. The signature is stylized and somewhat messy.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

February 2016