

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Alternative Asset 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:

Cabot Industrial Value Fund V, L.P., a Boston, MA, based real estate fund, will invest in industrial properties located primarily in North America with a lesser focus on Europe. Cabot focuses on major markets with growing demand and where values are more likely to increase due to limitations on new supply. Cabot creates value through active management and a disciplined sell process. Average transaction size will be \$20 million or less, and although it is expected that the majority of the acquisitions will be existing buildings, Cabot may pursue development on a selective basis.

In October 2016, the University committed \$50 million to Cabot Industrial Value Fund V, L.P.

Casillas Petroleum Resource Partners, LLC, is a co-investment opportunity offered by Kayne Anderson Energy Fund VII, L.P., a Houston, TX, based natural resources fund. Casillas Petroleum, an Oklahoma based private exploration and production company, was formed to target horizontal development opportunities in the mid-continent region. Casillas is acquiring 29,000 net acres in the South Central Oklahoma Oil Province (SCOOP).

In October 2016, the University committed \$10 million to Casillas Petroleum Resource Partners, LLC.

RFM FREDDIE K58 [UM], LLC, a co-investment opportunity with Related Fund Management, a New York, NY, based real estate firm, is the acquisition of a portfolio of newly-originated multi-family mortgage loans secured by Freddie Mac, a Federal Government sponsored mortgage loan provider. Related is buying the assets at a steep discount and will collect the cash flow from the loans to generate an attractive return. Additional upside is available by accelerating the proceeds through a partial sale.

In October 2016 the University committed \$17.5 million to RFM FREDDIE K58 [UM], LLC.

Absolute Return Commitments:

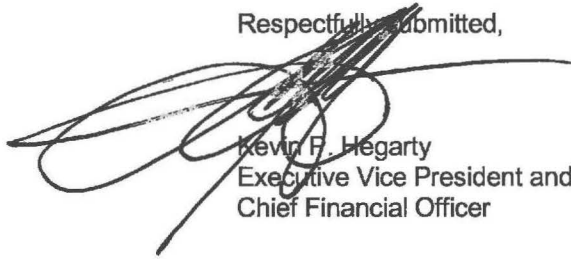
Napier Park Strategic Loan Fund, L.P., a New York, NY, based credit fund, will provide capital to fund short term mortgages to the residential rehabilitation market. The fund has partnered with specialized mortgage origination firms to write mortgages to companies that buy, rehabilitate and re-sell single family homes to the general public. The fund will concentrate its efforts to improve the aging housing stock in established neighborhoods in markets with population growth.

In September 2016, the University committed \$50 million to Napier Park Strategic Loan Fund, L.P.

Redding Ridge Holdings, L.P., a co-investment opportunity with Apollo Global Management, a New York, NY, Based investment firm, is a newly formed asset manager that is being created to issue and acquire interests in Collateralized Loan Obligations (CLO) and other securitizations. Apollo is forming Redding Ridge to pursue its new issue CLO business in response to regulatory changes.

In October 2016, the University committed \$50 million to Redding Ridge Holdings, L.P.

Respectfully submitted,

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

Kevin F. Hegarty
Executive Vice President and
Chief Financial Officer

February 2017