

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Absolute Return and 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.

Absolute Return Commitments

Hidden River Strategic Capital, a Philadelphia, PA, based credit firm that invests in privately negotiated structured credit instruments in lower middle-market companies in the United States. The firm invests in cash flowing companies with proven business models and will primarily be senior in the capital structures. Hidden River Strategic Capital is expected to earn attractive risk-adjusted returns through a combination of cash yield, equity participation, and low cost SBA provided leverage.

In October 2022, the university committed up to \$40 million to a Hidden River Strategic Capital sponsored fund.

Kian Capital Partners, a Charlotte, NC and Atlanta, GA, based credit firm that invests in privately negotiated structured credit instruments in lower middle-market companies in the United States. The firm invests in cash flowing companies with proven business models and will primarily be senior in the capital structures. Kian Capital Partners is expected to earn attractive risk-adjusted returns through a combination of cash yield, equity participation, and low cost SBA provided leverage.

In November 2022, the university committed up to \$40 million to a Kian Capital Partners sponsored fund.

Alternative Asset Commitments

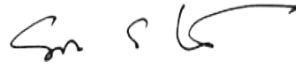
MHS Capital Partners, a San Francisco, CA, based venture capital firm that invests in early-stage technology companies. The investment team has considerable startup operational knowledge, significant venture capital investing experience, and a network of industry relationships for sourcing investments. The university increased its commitment to ensure successful portfolio construction.

In December 2022, the university committed an incremental \$3.2 million to an existing MHS Capital Partners sponsored fund.

Sterling Organization, a West Palm Beach, FL, based real estate firm that invests in value-add properties in select U.S. markets. The Sterling Organization's vertical integration allows it to execute value-add business plans ranging from leasing up vacancies to full redevelopments. Property types generally include income-producing grocery-anchored shopping centers and power retail centers located in areas with strong real estate fundamentals and demographics.

In December 2022, the university committed an incremental \$372,500 to an existing Sterling Organization sponsored fund.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'G. Chatas', with a long horizontal stroke extending to the right.

Geoffrey S. Chatas
Executive Vice President and
Chief Financial Officer

February 2023