

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents

REQUEST FOR ACTION

March 17, 2006

Subject: Alternative Asset Commitment

Action Requested: Approval of Private Equity European Partners III, L.P.

Background and Summary: We recommend a commitment of up to EUR 15 million (~ U.S. \$18 million) from the Long Term Portfolio to Private Equity European Partners III, L.P., a private equity fund of funds headquartered in Zurich, Switzerland that will invest in European private equity funds. Private Equity European Partners' target capitalization is EUR 325 million (~ U.S. \$390 million).

The fund will be managed by Adveq Management AG, an independent Swiss private equity fund of funds investment management firm. Since 1997, Adveq has raised and managed seven funds of funds, including European private equity funds of funds and U.S. technology focused venture capital funds of funds.

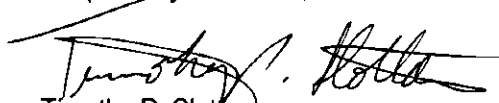
Private Equity European Partners III is expected to consist of 20 to 25 fund commitments made over a two to three year period, with a majority of commitments to small-to-mid sized private equity and growth capital partnerships. There will also be some allocation to venture capital and large buyout partnerships. The Private Equity European Partners III portfolio of partnership commitments will provide investment exposure across multiple European regions and will consist of investments with managers who are complementary to the University's existing portfolio of private equity managers. The portfolio's geographic exposure will be pan-European, with a particular focus on the more developed U.K. and Nordic regions.

Adveq applies a disciplined bottom-up process for fund manager identification, selection, monitoring, and management. In its review and selection of funds, Adveq focuses on private equity managers who have a proven ability to outperform their peers or on newer investment teams with the potential for generating strong returns. The firm also employs proprietary analytical tools to manage portfolio construction and to provide risk management.

Adveq diligently maintains oversight of its private equity manager relationships and actively participates in the European private equity market, securing access to top quality funds. This access combined with Adveq's local presence and its familiarity with smaller regional funds make this an attractive investment opportunity.

A commitment to Private Equity European Partners III, L.P. will further diversify the University's private equity portfolio by providing exposure to European private equity funds not currently in the University's portfolio via a carefully constructed and well monitored fund of funds investment vehicle.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

March 2006