

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
March 20, 2014

REQUEST FOR ACTION

Subject: Alternative Asset Commitments

Action Requested: Approval of Co-Investment Opportunity with Existing Real Estate Manager


Background and Summary: We recommend a commitment of up to \$10 million from the Long Term Portfolio to a co-investment opportunity offered by Equity International Real Estate Fund V.

In 2011 the University committed \$40 million to a real estate fund sponsored by Chicago-based Equity International Properties, Ltd. The fund's strategy is to find, create and build large-scale, institutional-quality real estate operating companies outside of the United States. The fund will focus on geographical regions that are characterized by strong economic growth, capital markets inefficiency and limited competition such as Latin America, India and Mexico.

Terranum Hotels is a Bogotá, Colombia-based hospitality company created in 2010 to capitalize on the strong demand growth in the Latin American tourism industry. Currently Terranum owns and operates five hotels with an additional three under development. Equity International has identified an opportunity to invest alongside Terranum Hotels to acquire Decameron, an all-inclusive hotel and resort platform with over thirty properties located across Latin America. The acquisition provides immediate scale in the all-inclusive segment of the industry, which is in the early stages of institutionalization. Equity International and the Terranum management teams intend to add value through growing the platform and improving operating efficiencies. Exit opportunities include a potential initial public offering or sale to a strategic buyer.

This commitment offers the University an attractive opportunity to invest in a project in Latin America with an existing manager. Terms of the co-investment include no management fees or carried interest.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2014