

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Alternative 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

Niam Nordic VII, K.B., is a real estate fund managed by Niam AB, a real estate firm headquartered in Stockholm, Sweden, with offices in Helsinki, Finland, Oslo, Norway, and Copenhagen, Denmark. The fund will make real estate investments throughout the Nordic region.

As in prior funds, Niam will identify attractive sectors and target markets using a research driven investment model based upon macro-economic data and real estate trends provided by NewSec, a real estate advisory, management, and research company, which is a division of Niam's parent company, Stronghold. Once an attractive market or sector is identified, the team targets deals that are considered to be too small or management intensive for the large, opportunistic institutional funds, yet too large or complex for the local buyer. Upon acquisition of an asset, Niam focuses on value creation by repositioning, re-tenanting, rezoning and select development. Exits will be through individual asset sales or portfolio sales to core buyers.

In September 2018 the University committed €30 million to NIAM Nordic Investment Fund VII, K.B.

Bain Capital Venture Fund 2019, L.P. and Bain Capital Venture Coinvestment Fund II, L.P., a venture capital fund headquartered in Boston, MA, will invest in early stage companies. Investments will be diversified by sector and are expected to include information technology, consumer, financial services, healthcare, or communications companies. Bain Capital evaluates investment opportunities using a consulting-based due diligence process to analyze a company's financial performance, market growth potential, industry attractiveness, and competitive position. Bain Capital Venture Fund 2019 and Bain Capital Venture Coinvestment Fund II will invest primarily in North American companies

In October 2018 the University committed \$27 million to Bain Capital Venture Fund 2019, L.P. and \$12 million to Bain Capital Venture Coinvestment Fund II, L.P.

Magna Hotel Fund VI Co-Investment I LP, In November 2017 the University committed \$40 million to Magna Hotel Fund VI, L.P., a Warwick, RI, based real estate fund that focuses on limited service hotels in major urban markets of the United States. Fund VI has offered the opportunity to co-invest in two hotels, a Hyatt Centric hotel in Denver, CO, and a partially completed hotel in Fort Lauderdale, FL. Both hotels are being acquired at a below market price and present several opportunities for Magna to improve operations and performance.

In November 2018 the University committed \$8 million to the Magna Hotel Fund VI Co-Investment I LP.

Flywheel Co-Investment, is a co-investment opportunity offered by Kayne Private Energy Income Fund II, a Houston, TX, based natural resources fund. Flywheel is a large natural gas asset located in the Fayetteville shale in Arkansas. This asset generates a great deal of cash flow, which will potentially be used to consolidate in-basin working interests, acquire additional assets, or pursue continued development of the assets.

In November 2018 the University committed \$12 million to Flywheel Co-Investment.

Casillas II Co-Investment, is a co-investment opportunity offered by Kayne Anderson Energy Fund VIII, a Houston, TX, based natural resources fund. Casillas II acquired an acreage position in South Central Oklahoma from a large public company. This asset represents a compelling case to drill horizontal wells with modern completions to generate attractive returns.

In October 2018 the University committed \$10 million to Casillas II Co-Investment.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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