

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

Partners for Growth Fund VI, L.P., a Tiburon, CA, based direct lending fund focused on emerging technology companies primarily in the United States and Australia. Lending to emerging technology companies requires a special skillset to underwrite intellectual property assets, analyze key stakeholders, and structure loans to ensure safety of principal. The Partners for Growth team has been lending to emerging technology companies since the 1980s and has achieved a low principal loss rate while generating above-average investment returns by focusing on areas underserved by other specialty lenders due to corporate complexity or geography.

In July 2019 the University committed \$50 million to Partners for Growth Fund VI, L.P.

Alternative Asset Commitments

Sequoia Capital, a venture capital firm headquartered in Menlo Park, CA, will make investments in new and developing companies engaged in businesses where new technologies play a significant role in either process or products. Sequoia also invests in more mature and established companies where the potential exists for exceptional capital appreciation. The investment focus is primarily on companies in the technology, consumer, and healthcare sectors. The University has invested with Sequoia Capital since 1992.

In June 2019 the University committed a total of \$6.2 million to two Sequoia Capital sponsored funds.

Deerfield Healthcare Innovations Fund II, L.P. is a New York, NY, based venture capital fund sponsored by Deerfield Management. Deerfield is a well-regarded healthcare investment firm that manages private equity and hedge funds focused on growth stage and public healthcare companies. The Innovations Fund is an extension of the firm's investment program and will invest in early stage healthcare companies. The investments will include opportunities in the therapeutics, devices, diagnostics, medical services, and animal health sectors.

In June 2019 the University committed \$50 million to Deerfield Healthcare Innovations Fund II, L.P.

Flexpoint Ford is a private equity firm headquartered in Chicago, IL, that will invest in middle market financial services and healthcare companies in addition to financial assets such as loans, leases, and books of insurance. Flexpoint has significant experience investing in companies subject to the complex regulatory environment and reimbursement rules in healthcare and has an established record of investing in financial services companies including investments in opportunities such as commercial finance companies, insurance companies, asset managers, and transaction processors.

In June 2019 the University committed a total of \$50 million to two related Flexpoint Ford sponsored funds.

General Catalyst Group IX, L.P., is a Cambridge, MA, based venture capital fund that targets investments in information technology companies, focusing on defined themes including, emerging platforms, changing nature of work, digital health, and finding value in data. The firm will seek to invest in companies that can disrupt markets and industries that are poised for major change. Investments will be made at all stages of a company's growth cycle.

In June 2019 the University committed an additional \$15 million to General Catalyst Group IX, L.P.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', with a stylized flourish at the end.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

March 2020