

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the
Regents
May 21, 2015

Subject: 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.

Sequoia Capital U.S. Venture Fund XV, L.P., a venture capital fund headquartered in Menlo Park, CA, will invest in early and growth stage technology companies located in the U.S. The focus will be on technology companies formed in the western part of the country, particularly California's Silicon Valley.

The University committed \$6 million to Sequoia Capital U.S. Venture Fund XV, L.P., in January 2015.

Related Real Estate Fund II, L.P., is a New York, NY, based fund sponsored by The Related Companies that will invest in assets where the firm will leverage its extensive capabilities and resources in development, construction and real estate management to add value to the investments. The acquisitions will include underperforming assets in need of operational or development expertise, assets or companies with structural ownership issues, foreclosed multi-family assets, and special situations. It is expected the fund will be diversified by property type and geographic location.

The University committed \$35 million to Related Real Estate Fund II, L.P., in February 2015.

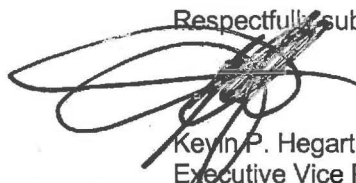
GSO European Senior Debt Feeder Fund LP., a New York, NY, based fund sponsored by GSO Capital Partners LP, focuses on privately originated debt investments in healthy mid to large cap European companies with EBITDAs in the range of €50 million to €150 million (~\$57 million to \$170 million). The majority of the assets are expected to be floating rate instruments. In the current environment, in which committed capital remains scarce, the ability to provide flexible, well-structured capital commitments in appropriate sizes enables the fund to benefit from favorable terms for its investments. The University has been an investor in several GSO partnerships which have participated in the private senior secured European debt space.

The University committed \$30 million to GSO European Senior Debt Feeder Fund LP, in February 2015.

Bridgewater Optimal is a hedge fund run by Bridgewater Associates, a Westport, CT, based manager founded in 1975. The University has been invested in various of Bridgewater's offerings since 1994, most recently a product called Pure Alpha which takes long and short positions across almost all liquid assets such as commodities, interest rates, currencies and equities. These long and short positions are determined from Bridgewater's systematic analysis of global macro-economic conditions. Bridgewater Optimal combines Bridgewater's Pure Alpha product with a broadly diversified portfolio of long market exposures to produce high risk-adjusted returns that have limited correlation to most other asset classes.

The University invested \$250 million in Bridgewater Optimal, in January 2015.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

May 2015