

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Alternative and Absolute Return 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**

**SG Growth Partners IV, L.P.**, a New York, NY, based venture capital fund, will make buyout and minority equity investments in rapidly growing, lower to middle market companies. SG invests in companies with established business models and attractive growth prospects in which there are opportunities for SG to add value.

The investments will focus on technology enabled and branded consumer product companies. Within the technology enabled businesses, SG will focus on e-commerce, digital media, data services, software-as-a-service (SaaS), and marketplace companies. In the branded consumer sector, the investment team looks for companies with strong consumer demand, which could achieve greater value with improved brand positioning, marketing, and distribution.

In January 2017 the University committed \$35 million to SG Growth Partners IV, L.P.

**Silver Lake Partners V, L.P.**, a private equity fund with offices in New York, NY, Menlo Park, CA, Hong Kong, China and London, England, will invest in leveraged buyouts, recapitalizations, and growth transactions of technology and technology enabled businesses.

As in earlier funds, Silver Lake may execute complex transactions which involve carve-out of attractive, but undermanaged subsidiaries and divisions of large corporations. In addition, the partnership may also acquire and recapitalize closely held businesses or invest in traditional growth companies in mature industries in which technology can transform growth and profitability. Silver Lake invests in a broad range of technology sectors, including e-commerce, enterprise software, healthcare information technology, digital media and content, and financial technology.

In March 2017 the University committed \$38 million to Silver Lake Partners V, L.P.

**Absolute Return Commitments**

**Stabilis Fund V, L.P.**, a private equity fund with offices in New York, NY, will invest in small-balance credit obligations backed by hard assets.

Stabilis specializes in sourcing and resolving commercial non-performing, sub-performing and performing loans and securities that it purchases at a discount to intrinsic value. They will also originate commercial loans secured by real property. Stabilis is able to generate attractive returns against secure collateral by focusing on relatively small and complex transactions for which there is limited competition. The fund's primary geographic focus is the United States but it may opportunistically invest in Northern Europe.

In February 2017 the University committed \$50 million to Stabilis Fund V, L.P.

**U.S. Real Estate Offshore Fund III, L.P.** formerly known as **Calmwater Real Estate Credit Fund III, L.P.**, a private real estate debt fund with offices in Los Angeles, CA, invests primarily in secured, first lien commercial real estate mortgages in major and non-major markets across the United States.

The fund is focused on investments in senior secured commercial real estate bridge loans where it believes it can earn a premium return relative to risk. The loans are backed by properties in the office, industrial, multi-family, retail, land, and hospitality areas with use of proceeds for acquisition, refinancing, restructuring, and recapitalization. The team has a strong underwriting process and structures loans to address complexities related to particular property-specific situations or borrowers. The strategy is consistent with the principals' past experience and benefits from the deep network of established sourcing relationships that has been developed over the years.

In March 2017 the University committed an additional \$25 million to U.S. Real Estate Offshore Fund III, L.P.

Respectfully submitted,



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Executive Vice President and  
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