

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Subject: Alternative and Absolute Return 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.

Alternative Asset Commitments

Accel Partners, a Silicon Valley based venture capital firm, raised three funds, **Accel XIII L.P.**, **Accel Growth Fund IV L.P.**, and **Accel Leaders Fund L.P.**, to invest in companies which further the firm's strategy to fund innovation in technology. Accel Growth Fund IV's and Accel Leaders Fund's investment focus will be similar to that of the companion fund, Accel XIII, except their transactions will be somewhat larger and the portfolio companies will be at a slightly later growth stage. Accel's technology investments target the consumer internet, software and services, cloud-based computing, enterprise infrastructure, and mobile businesses.

In March 2016 the University committed a total of \$33.75 million to Accel XIII L.P., Accel Growth Fund IV L.P., and Accel Leaders Fund L.P.

St. John's Center is a co-investment opportunity offered by Westbrook Partners, a New York, N.Y. based real estate manager. St. John's Center is located on approximately five waterfront acres along the Hudson River near West Village, Soho and TriBeCa, in New York City. Westbrook will redevelop the property to include residential, office, retail and hotel uses. The economics of this co-investment are more attractive than those typically offered in fund structures.

In February 2016 the University committed \$10 million to the St. John's Center co-investment offered by Westbrook Partners.

Modern Resources, Inc. is a co-investment opportunity offered by ARC Fund 7, a Calgary, Alberta, Canada based natural resources fund. Modern Resources is a start-up private oil and gas company established to pursue an acquisition strategy focused on Western Canada. Once assets are acquired, Modern will apply modern technologies to the properties to prove up additional oil and gas reserves. The economics of this co-investment are more attractive than those of Fund 7.

In January 2016 the University committed \$755,000 CAD (\$595,800 USD) to Modern Resources, Inc.

SCF Fund VII (A), L.P., is a Houston, TX based natural resources fund sponsored by SCF Partners. SCF focuses on investments in the energy services and equipment sectors. SCF targets companies with strong management teams, a history of positive cash flow from operations and a defensible market and product position. Fund VII (A) is being formed to provide supplemental capital for Fund VII portfolio companies to potentially shore up their balance sheets or acquire additional businesses or assets at favorable prices due to the recent downturn in the energy sector.

In March 2016 the University committed \$582,655 to SCF Fund VII (A), L.P.

Absolute Return Commitments

Dyal Capital Partners III, L.P., is a private equity fund based in New York, NY. The Dyal funds are sponsored by Neuberger Berman, a 77 year old independent investment firm with \$251 billion under management. The University committed to Dyal Capital Partners in 2011, and subsequently committed to Dyal Capital Partners II and Dyal Columbus Co-Investment Partners in 2014. The Dyal Capital Partners funds seek to purchase minority equity interests in independent asset managers with the expectation of benefitting from the global growth in demand for alternative investment strategies.

In February 2016 the University committed \$50 million to Dyal Capital Partners III., L.P.

RFM UM PE LLC, is a New York, NY, based fund sponsored by the Related Companies that will provide preferred equity to sponsors and operators in the multifamily real estate sector. There is significant demand for capital in the sector and a limited number of providers. Related's expertise, strong underwriting, and operating capabilities allow the fund to capitalize on niche transactions ranging from property and portfolio acquisitions and value-add opportunities to recapitalizations and repositionings of conventional and affordable properties across the United States.

In March 2016 the University committed \$30 million to RFM UM PE LLC from the University's investment pool for working capital.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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