

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

BRV VI, L.P., a Menlo Park, CA, based venture capital fund, will invest in early stage technology companies in the mobile sector. The investment themes will include real-time data computing to take advantage of the convergence of mobile and social data; mobile applications related to healthcare and educational services; and consumer and retail software services facilitating payment solutions for mobile devices as well as software supporting location-based advertising.

BRV seeks to be the first institutional investor in its target companies, and the team members take active roles as early investors, serving on company boards and offering operational support to portfolio companies.

In May 2017 the University committed \$15 million to BRV VI, L.P.

CVC Capital Partners VII, L.P., a pan-European private equity fund, will invest primarily in management buyouts of larger sized companies across Western Europe and selectively in North American buyout opportunities. CVC has an established network of offices in major commercial capitals across Europe and North America. The offices are staffed by local professionals who are fully integrated into the banking, legal, and social cultures and practices in the country, enabling them to deal with negotiations and structuring on a local basis.

While CVC considers all business sectors and assembles portfolios diversified by industry, the investment team tends to concentrate on investments in manufacturing, consumer and retail, business services, chemicals, financial services, and technology and telecommunication companies. The investment strategy is to find businesses which can grow organically or by add-on acquisitions.

In May 2017 the University committed €35 million (~\$39.2 million) to CVC Capital Partners VII, L.P.

Foresite Capital Fund III, L.P., a San Francisco, CA, and New York, NY, based venture capital fund, will invest in late stage healthcare companies which have products, technologies or services poised for substantial growth. Foresite Capital's strategy is to invest in largely de-risked assets which are close to regulatory approval and commercial launch. Investments may be in either public or private companies and are expected to generate liquidity in relatively short periods of time.

In June 2017 the University committed \$40 million to Foresite Capital Fund IV, L.P.

Absolute Return Commitment

Apollo Financial Credit Investment III, L.P., a New York, NY, based credit fund, focuses on seasoned senior life settlements investments in the tertiary market that are sold primarily by banks as part of a broader disposition of non-core assets. In addition, the fund invests in tradable high yielding insurance-linked bonds, often investment grade, collateralized by insurance reserves. The team employs an opportunistic, value-driven investment approach backed by long-term fundamental analysis with emphasis on downside protection.

In May 2017 the University committed \$50 million to Apollo Financial Credit Investment III, L.P.

Respectfully submitted,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

July 2017