

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Alternative Asset 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**

**Kawadacho** is a co-investment opportunity offered by Westbrook Partners, a New York, NY, based real estate manager with offices in London, U.K., and Tokyo, Japan. Kawadacho is an 816-unit residential complex in Tokyo, Japan, consisting of four residential towers and three retail buildings. Prior to Westbrook's acquisition, the property was owned and passively managed by a quasi-governmental entity. Westbrook's plan is to reduce operating costs, increase rents and improve common areas.

In April 2019 the University increased its commitment by \$1.3 million to the Kawadacho co-investment.

**Eclipse Ventures** is a Palo Alto, CA, based venture capital firm that will make growth equity investment in early-stage U.S.-based technology startups. Targeted companies will be early-stage hardware and core technology companies domiciled, or with substantial operations, in the United States, but also Canada and Israel. Areas of investment focus will typically be in sectors where the investment team has prior experience. The primary area of focus will be hardware solutions; which Eclipse Ventures believes remains an important factor in developing important businesses.

In February 2019 the University committed \$15.0 million to various Eclipse Ventures funds.

**Phoenix Asia Real Estate Investments VI(A), L.P.**, is a Hong Kong, China, based real estate fund that will continue the firm's strategy of investing in a diversified portfolio of real estate assets including residential, retail and office in major cities in China, Japan and Singapore. Key to Phoenix's strategy is their extensive market and sector research; their ability to identify and acquire mispriced assets; and their ability to add value through property improvements, repositioning, redevelopment or development activities, or property aggregation.

In February 2019 the University committed \$50 million to Phoenix Asia Real Estate Investments VI(A), L.P.

**SSC VI, L.P.**, is a San Francisco, CA, based real estate fund that will exploit office investment opportunities in areas with significant technology and media tenants including San Francisco, Silicon Valley, Seattle, Austin, Boston, Chicago, and Los Angeles. SSC focuses on assets that include a balance of both current cash flow and capital appreciation. Targeted properties are those with significant leasing risk, concentrated near-term tenant rollover, tenants with credit issues, and existing debt that cannot be extended or replaced. The Fund will acquire buildings with competitive advantages that allow for quicker lease-up and better tenant retention that then will be sold once repositioned.

In March 2019 the University committed \$50 million to SSC VI, L.P.

**Turner Multifamily Impact Fund II, L.P.**, is a Santa Monica, CA, based real estate fund that will invest in workforce rental housing in underserved urban communities in the United States. This is the second fund in this multifamily strategy that will acquire, improve and preserve workforce rental housing in densely populated, ethnically diverse, underserved urban areas. Turner will target existing multifamily properties that serve low to moderate income households where they can apply the team's real estate skills to increase

occupancies, stabilize the tenant bases and improve any negative market perception of the properties. Exits could include individual asset sales, portfolio sales or an initial public offering.

In February 2019 the University committed \$50 million to Turner Multifamily Impact Fund II, L.P.

**Absolute Return Commitments**

**Kaleidoscope Capital** is a Boston, MA, based investment firm that specializes in trading a broad spectrum of financial instruments. The firm develops strategies that efficiently take advantage of structural mis-pricings within the global capital markets. The purpose of this new fund is to exploit situations where the market is not correctly discounting the probability of a discrete economic outcome.

In March 2019 the University made an initial investment of \$50 million in the Kaleidoscope Fractal fund.

**Subject:** Direct Private Equity Investment

**Background and Summary:** Under a limited delegation granted in July 2015, the Executive Vice President and Chief Financial Officer may approve new investments representing less than one percent of the Long Term Portfolio's assets that advance the portfolio's objectives and meet its risk and return targets. Pursuant to that policy, this item reports on the University's recent closing of a direct investment.

**Project Overnight** is a direct investment in a Madison, IL, based company that provides overnight parts delivery service from OEM part manufacturers to the fragmented OEM dealer networks that need the parts on a daily basis to perform service work. This investment is expected to earn an attractive risk-adjusted return through equity participation in a company with highly predictable cash flows operating in a defensive industry and by purchasing add-on acquisitions at attractive prices.

In March 2019 the University invested \$10 million in Project Overnight.

Respectfully submitted,



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Executive Vice President and  
Chief Financial Officer

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