

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
October 19, 2012

ITEM FOR INFORMATION

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 investment with the previously approved absolute return and natural resources partnerships listed below.

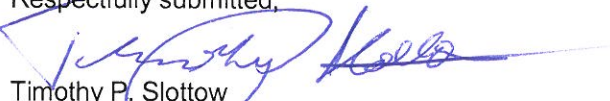
Sankaty Credit Opportunities V, L.P., an absolute return fund located in Boston, MA, continues the team's strategy to invest in higher yielding credit and special situations resulting from market dislocations and distressed corporate debt issuers. The fund focuses on investments in debt securities at a discount in global and distressed companies and provides liquidity in the form of rescue financings and rights offerings to middle market and larger companies. In addition, special situations such as structured products, dislocated private mezzanine, restructured and undervalued equities are considered. Sankaty uses fundamental credit analysis and a bottom-up approach to identify the best opportunities and seeks to minimize downside risk through hedges. The Fund has a flexible approach to invest across corporate capital structures, geographies and in public and private markets.

This is the University's sixth investment with Sankaty Advisors, LLC. The University committed \$40 million to Sankaty Credit Opportunities V, L.P., in May 2012. The University committed a total of \$210 million to prior Sankaty Advisors, LLC funds.

Kayne Anderson Energy Fund VI, L.P., an energy fund based in Los Angeles, CA, with an office in Houston, TX, will continue the team's strategy of making investments in small and mid-cap oil and gas exploration and production companies and companies servicing those businesses. Kayne Anderson targets high quality management teams on the verge of undertaking significant transactions or projects. The fund's capital will be used by the portfolio companies to increase production levels, cash flows and asset values, to acquire assets, or to fund specific projects. Investment commitments are typically funded over time as Kayne Anderson works with the management teams to implement their business strategies. Investments are expected to be geographically diversified across North America.

This is the University's fourth investment with Kayne Anderson in their energy private equity strategy. The University committed \$15 million to Kayne Anderson Energy Fund VI, L.P., in July 2012. The University has previously committed \$65 million to prior Kayne Anderson sponsored energy private equity funds.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

October 2012