

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the
Regents
October 16, 2014

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 investments with the previously approved partnerships listed below.

IDG China Venture Capital Fund IV, L.P., a venture capital partnership based in Beijing and Shanghai, will invest in private companies in China. The investments will focus on companies which will provide goods and services to the Chinese consumer. The fund will invest in both early and growth stage companies with a focus on digital, internet, mobile, consumer, and healthcare opportunities which in most cases have a differentiating technology component.

The University committed \$10.0 million to IDG China Venture Capital Fund IV, L.P. in June 2014

Altor IV, AB., a private equity fund located in Stockholm, Sweden, will invest in middle market companies in the Nordic region. Altor focuses on investment opportunities where it believes there is potential for value creation through revenue growth, margin expansion, add-on acquisitions, and improved capital management. In certain situations, strategic refocusing and corporate restructuring are important components of the investment strategy. The investment team will focus on corporate spin-offs of non-core units, family businesses where owners are looking for liquidity, and companies in industries undergoing consolidation as sources of investment opportunities and will invest across a number of industry sectors, including consumer products, specialty manufacturing, and business services.

The University committed €22.0 million (approximately \$27.8 million) to Altor Fund IV, AB in June 2014.

SG Growth Partners III, L.P., a New York, NY, based venture capital fund, will make buyout and minority growth equity investments in rapidly growing, lower to middle-market companies.

The investments will focus on technology-enabled and branded consumer product companies. Within the technology-enabled businesses, SG will focus on business-to-business internet companies, business-to-consumer internet companies, and software-as-a-service 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.

The University committed \$25.0 million to SG Growth Partners III, L.P. in July 2014

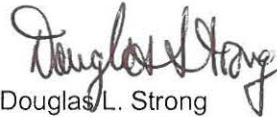
Sterling Value Add Partners II, L.P., a Palm Beach, FL, based firm, will acquire, manage, lease and sell income producing grocery-anchored shopping centers and power retail centers in major markets located in the central and eastern United States. Sterling will target quality centers in strong locations with solid real estate fundamentals that become available at opportunistic prices and then create value by improving occupancy and tenant mix; increasing rents; making property renovations and improvements; and cutting operating costs.

The University committed \$25 million to Sterling Value Add Partners II, L.P. in June 2014.

Golf Mill Shopping Center, Niles, IL, is a co-investment opportunity offered by Sterling Value Add Partners I, L.P. Located approximately 15 miles northwest of Chicago, IL, this regional retail center has been in the same family ownership for over 50 years and suffers from lack of capital and professional management. Sterling intends to improve the tenant mix, increase rents to market rates and make overall capital improvements to the site. The transaction exceeds the fund limitations for a single asset due to the size, and existing Fund I investors therefore were offered the opportunity to invest in the transaction at attractive terms.

The University committed \$4 million to the Golf Mill Shopping Center co-investment opportunity in July 2014.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Douglas L. Strong". The signature is written in a cursive, flowing style.

Douglas L. Strong
Interim Executive Vice President and
Chief Financial Officer

October 2014