

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
December 18, 2008

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 investments with the previously approved private equity, venture capital, and real estate partnerships listed below.

Altor Fund III, L.P., 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, business services, and specialty chemicals.

This is the University's second investment with Altor. The University committed €20.0 million to Altor Fund III, L.P. in August 2008. The University previously committed €12.5 million to Altor II, L.P.

Chengwei Ventures Evergreen Fund, L.P., a venture capital fund located in Shanghai, China, will invest in Chinese companies that have significant growth potential and provide goods and services to the local Chinese economy. Chengwei's industry focus as well as size and stage of the investments are not pre-determined but depend on the available opportunities and the prevailing economic conditions. The general partner will invest across a variety of industries, including communication components, consumer products, software, and the internet and will fund both early stage entrepreneurial and established businesses in need of expansion capital. The fund's evergreen structure allows the general partner to build successful companies and create value over the long-term.

This is the University's third commitment to Chengwei Ventures. In July 2008 the University committed \$22.0 million for the next four year investment cycle of Chengwei Ventures Evergreen Fund, L.P. which began on July 1, 2008, with an additional fifty percent committed on a stand-by basis should additional capital be needed to fund larger investments. The University previously committed \$27 million to Chengwei sponsored funds.

Fudo Capital II, L.P., a real estate fund based in Hong Kong with offices in Tokyo, Singapore, Shanghai, China, and Taipei, Taiwan, will invest in a diversified portfolio of properties located primarily in top tier cities throughout Asia. The fund will buy completed buildings, make investments in real estate operating companies and/or platforms, or do new development in certain markets. Fudo will target single asset and portfolio sales, properties that require renovations and/or repositioning and mispriced or distressed properties resulting from sellers' cash flow problems, corporate restructuring or strategy realignment. The portfolio is expected to be diversified both geographically and by property type.

This is the University's second investment with Fudo. The University committed \$20.0 million to Fudo in August 2008. The University committed \$20 million to a prior Fudo fund.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

December 2008