

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the
Regents
December 18, 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.

BLG Turkish Real Estate Fund II, L.P., is an Istanbul, Turkey, based fund sponsored by BLG Capital/Bilgili Group. The fund will invest opportunistically in real estate assets in Turkey, with a focus on Istanbul. Targeted sectors include hospitality, residential, student accommodations, and mixed-use properties. The fund will take advantage of the extensive zoning, planning and construction expertise of the Bilgili Group to make attractive investments that meet the needs of Turkey's young, growing middle class.

The University committed a total of €25.0 million (\$32.8 million) to BLG Turkish Real Estate Fund II, L.P. The University closed on €12.5 million in September 2013 and an additional €12.5 million was closed in September 2014.

Related Energy Focused Real Estate Fund, L.P., is a New York, NY, based fund sponsored by The Related Companies that will invest in multi-family housing in energy regions of the United States. As a result of the recent energy boom in North America, there is a lack of adequate work force housing to meet demand in many of the areas. The fund will primarily develop new product in areas of North Dakota where there is very limited existing supply and will target existing properties in more developed areas where they can apply their value-add capabilities to upgrade and improve the assets.

The University committed \$30.0 million to Related Energy Focused Real Estate Fund in July 2014.

Thackeray Partners Realty Fund IV, L.P., is a Dallas, TX, based real estate fund that will make investments primarily in multi-family and industrial properties, and to a lesser extent, retail strip centers in the United States. Thackeray targets small assets of \$5 million to \$25 million in size due to the belief that there is less institutional capital in transactions of this size and as a result, less efficiency in pricing. The portfolio is expected to be a combination of longer-term hold assets with strong cash flows and shorter-term hold assets where Thackeray will implement value-add strategies to improve operations and increase values.

The University committed \$20.0 million to Thackeray Partners Realty Fund IV, L.P., in September 2014.

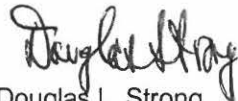
Phoenix Asia Real Estate Co-Investment. In February 2012 the Regents approved a \$10 million commitment to a Shanghai, China, mixed-used project, a co-investment opportunity offered by Phoenix Asia Real Estate Investments III, L.P., a real estate fund established to make property investments in certain markets in Asia. As a result of unexpected delays, the project requires additional capital to meet its obligations and the University invested its pro-rata share of the required amount.

In August 2014 the University committed \$3.5 million, with the potential for an additional \$500,000 to be funded in early 2015, to Phoenix Asia Real Estate Co-Investment.

Modern Resources, Inc. In March 2013 the Regents approved a \$5 million CAD (4.9 million USD) commitment to Modern Resources, Inc., a co-investment opportunity offered by ARC Fund 7, a Calgary, Alberta, Canada based energy private equity fund. Modern Resources was a start-up company established to pursue an acquisition strategy focused on Western Canada. As a result of attractive deal flow and increased capital costs, Modern Resources has determined it needs additional equity of \$80 million CAD. The University invested its pro-rata share of this additional equity raise.

The University committed \$769,000 CAD (\$840,440 USD) to Modern Resources, Inc. in August 2014.

Respectfully submitted,



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

December 2014