

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Alternative 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**

**Bain Capital XII, L.P.**, a private equity fund headquartered in Boston, MA, will invest in both mid-sized and large private companies. Depending on economic conditions, Bain executes growth equity, leveraged buyouts, or corporate restructuring transactions. Investments will be diversified by sector and are expected to include industrial, information technology, retail and consumer, financial services, healthcare, or communications companies. Bain Capital evaluates investment opportunities using a consulting-based due diligence process to analyze a company's financial performance, market growth potential, industry attractiveness and competitive position. Bain Capital Fund XII will invest primarily in North American companies, with limited investments in international companies headquartered in Europe.

In July 2017 the University committed \$35 million to Bain Capital XII, L.P.

**CREA Partners II, L.P.**, a real estate fund sponsored by Cypress Real Estate Advisors, based in Austin, TX, will invest in residential and/or mixed use properties with a residential component. The fund will focus on markets in the southeast and southwest United States with strong underlying fundamentals including positive job growth, population migration, attractive demographics, an educated workforce and strong housing starts. Cypress targets assets they can acquire at a discount to market value due to the complexity of the transaction or where barriers to entry limit competition. Cypress then creates value through the development, redevelopment or entitlement process.

In July 2017 the University committed \$40 million to CREA Partners II, L.P.

**Absolute Return Commitment**

**Napier Park ELM Series II, LLC.**, a European private credit fund based in New York, NY, established to provide risk retention capital to European CLO managers who create vehicles that invest in bank loans and issue securities of graduated seniority against the resulting loan portfolio. European regulators require that five percent of a CLO structure be retained by the CLO's manager. Many European CLO managers do not have sufficient capital to meet this retention requirement. Napier Park is uniquely positioned to partner with these CLO managers and provide this capital due to its experience in structuring risk retention compliant vehicles and deep understanding of the European CLO market.

In May 2017 the University committed €46.5 million to Napier Park ELM Series II, LLC.

Respectfully submitted,



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Executive Vice President and  
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December 2017