

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

**Subject:** Absolute Return and 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.

**Absolute Return Commitments**

**Champlain Capital Partners III, L.P.**, a San Francisco, CA, based SBIC fund will purchase lower middle-market U.S. companies by buying their entire capital structures, debt and equity. Champlain seeks to buy companies for attractive valuations in this less competitive segment of the private equity market and to implement operational improvements to drive EBITDA growth. Champlain is expected to earn attractive risk-adjusted returns through a combination of cash yield, equity participation, and low cost SBA leverage.

In April 2019 the University committed \$22 million to Champlain Capital Partners III, L.P.

**OSP Value Fund II-B, L.P.**, a Minneapolis, MN, based private credit fund will purchase small balance commercial and industrial loans. OSP pursues a value strategy in buying loans from motivated sellers through privately negotiated transactions. The market for such loans is inefficient and OSP represents a credible counterparty that is able to underwrite potential transactions quickly. OSP typically purchases loans at a discount to both par and intrinsic value. This provides for equity-like returns and, in combination with experienced underwriting, limits the risk of permanent impairment of capital.

In April 2019 the University committed \$25 million to OSP Value Fund II-B, L.P.

**Alternative Asset Commitments**

**Graham Partners V, L.P.**, a Newtown Square, PA, based private equity fund will invest in middle-market industrial technology and advanced manufacturing companies based principally in the United States and Canada. Graham Partners' strategy is to invest in relatively small, high-growth companies poised to benefit from raw material or product substitution conversions in their markets. The investments are in sectors where Graham Partners has significant experience, including building materials, packaging, medical products, electronics, aerospace, and food technology.

In April 2019 the University committed \$50 million to Graham Partners V, L.P.

**Advent Global Private Equity IX-C L.P.**, a global private equity fund headquartered in Boston, MA, with affiliated offices in Europe, Latin America and Asia, will invest in both mid-sized and large private companies in Europe and North America, and selectively elsewhere globally. Investments will include control buyouts of private companies or carve-outs of non-core divisions of large corporations, minority or majority recapitalizations, and growth financings. The Fund will invest in industries in which the investment team has particular expertise, including business and financial services, healthcare, industrial, retail, consumer & leisure, and technology, media & telecom. In all cases, Advent seeks to invest in companies with proven management teams, leading market positions, unexploited market opportunities, and significant growth prospects.

In April 2019 the University committed \$50 million to Advent Global Private Equity IX-C, L.P.

**Andreessen Horowitz** is a Menlo Park, CA, based venture capital firm that will invest in information technology companies across the spectrum of seed, venture, and growth stage opportunities. Target areas of investment will typically be in sectors where the investment team has prior experience including but not limited to consumer internet services, enterprise software, infrastructure hardware, network security, financial services, and mobile business services. The investment team has impressive sector-specific expertise, significant venture capital investing experience, an operational value-add team, and a network of industry relationships for sourcing investments.

In April 2019 the University committed a total of \$25 million to Andreessen Horowitz Fund VI, L.P. and Andreessen Horowitz LSV Fund I, L.P.

**Accel London VI, L.P.** is a venture capital fund located in London, UK, that will invest in early and growth stage technology companies. Investments will be in industry sectors where the investment team has a prior track record, including but not limited to mobile marketplace and consumer sectors, online financial services, and cloud-based computing businesses. The focus will be on companies in Europe and on U.S. businesses looking to expand into Europe.

In April 2019 the University committed \$15 million to Accel London VI, L.P.

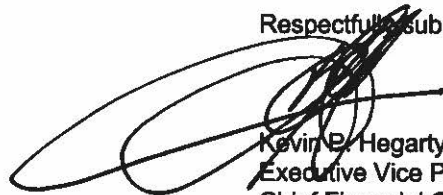
**Subject:** Direct Private Equity Investment

**Background and Summary:** Under a limited delegation granted in July 2015, the Executive Vice President and Chief Financial Officer may approve new investments representing less than one percent of the Long Term Portfolio's assets that advance the portfolio's objectives and meet its risk and return targets. Pursuant to that policy, this item reports on the University's recent closing of a direct investment.

**Project MacKenzie** is a direct investment in a Houston, TX, based company that owns and operates downstream energy systems in logistically constrained, isolated markets. The company seeks to grow by acquiring additional logistically constrained downstream energy assets in the fragmented Western U.S. region. This investment is expected to earn an attractive risk-adjusted return through equity participation in a company with consistent cash flows operating in a defensive industry.

In April 2019 the University invested \$40 million in Project MacKenzie.

Respectfully submitted,



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Executive Vice President and  
Chief Financial Officer

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