

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATIONS

REQUEST FOR ACTION

EXH	MOTION <i>Brandon</i>
	SECOND <i>Richner</i>
	ACTION APPROVED BY THE REGENTS
NOTE:	MAR 17 2005

Subject: Alternative Asset Commitment

Action Requested: Approval of Morgan Stanley Private Equity Asia, L.P.

Background and Summary: We recommend a commitment of \$20.0 million from the Long Term Portfolio to Morgan Stanley Private Equity Asia, L.P., a \$500 million fund to make private equity investments in Asia. The focus markets will be mainly China and South Korea, with opportunistic investments in Japan, Singapore, Hong Kong, Taiwan, and selected countries in Southeast Asia. The team's senior investment managers are based in Hong Kong, Seoul, and New York, with additional access to Morgan Stanley offices and resources throughout the region.

MS Private Equity Asia offers the opportunity to invest in a less competitive but high-growth region where private equity investments in quality companies can be consummated at reasonable valuations and under favorable terms. The investment team has well established local networks, in-depth market knowledge, and investment experience in the region. This, combined with Morgan Stanley's presence, reputation, and franchise in Asia, is expected to facilitate proprietary deal sourcing.

The fund will make either control or minority investments in mid-sized growth businesses where improved operating performance, rather than excessive financial leverage, can lead to significant value creation. The goal is to back leading companies and to work with capable, proven management teams whose financial interests are aligned with those of the fund.

Investments will focus on companies expected to be recognizable domestic brands, globally competitive low-cost providers, or beneficiaries of favorable changes in regulatory or operating environments. The preferred investment size will be between \$25 million and \$75 million and will be in basic industries such as financial services, consumer products, manufacturing, and industrial products.

The investment team will take a "hands on" approach to managing its investments, providing strategic guidance, operating oversight, and financial expertise to companies. MS Private Equity Asia will have board representation and significant influence over major corporate decisions.

When exiting an investment, a range of possible options will be considered, including a public offering of securities, sale to a strategic or financial buyer, a merger into a public company, or a recapitalization of the company.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2005