

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

September 20, 2007

Subject: Alternative Asset Commitment

Action Requested: Phoenix Asia Real Estate Investments III, L.P.

Background and Summary: We recommend a commitment of \$15 million from the Long Term Portfolio to Phoenix Asia Real Estate Investments III, L.P., a \$350 million real estate fund established to make property investments in certain markets in Asia.

Founded in 2002 by Samuel W. T. Chu and Benjamin K. Y. Lee, Phoenix Advisors Limited, is a real estate investment firm with offices in Hong Kong and Tokyo. Although this is the third fund for the company, it is the first institutional fund. Investors in previous funds were primarily high net worth individuals.

Fund III will continue the team's strategy to make investments in retail, office and other commercial and residential properties that require property improvements, strategic repositioning or redevelopment activities. In addition, due to the fragmented ownership of land parcels, Phoenix will seek to create value by assembling small, adjoining parcels to create larger tracts with development potential. The fund will be diversified between income-producing properties and assets with significant capital appreciation potential. Target markets include Japan, China, Hong Kong, Macau and Taiwan.

Phoenix believes that its deep local presence, strong network of industry and personal relationships, and established track record are key differentiators in positioning it to identify and act on proprietary opportunities. Additionally, the team's intimate knowledge of Asia's real estate market cycles allows them to target secular trends that are likely to create supply/demand imbalances in specific property sectors. Phoenix often takes a contrarian approach to investing by targeting assets and markets that are at an early, relatively opaque stage of recovery.

The General Partner will identify multiple exit strategies for each investment prior to acquisition. The continual re-evaluation of market dynamics impacting exit opportunities is fundamental to Phoenix's investment approach. Typical buyers of Phoenix properties include banks, high net worth individuals and end users.

This investment fits within the University's real estate strategy to invest with experienced managers who have demonstrated an ability to add value. In addition, the Asian focus provides further diversification to our existing portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2007