Subject: Absolute Return and Alternative Asset Commitments, and Delegation Investment

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 Commitment

SSG Capital Partners IV, L.P., a Hong Kong, China, based private equity fund will primarily invest in privately negotiated credit instruments. These are structured such that they provide principal protection and attractive risk-adjusted returns from a combination of yield and equity participation. Their counterparties are typically profitable companies facing balance sheet or funding issues. SSG’s target market will primarily consist of China, India, and Indonesia, and may also include Thailand, Singapore, and other Southeast Asian countries.

In July 2017 The University committed an additional $10 million to SSG Capital Partners IV, L.P.

Alternative Asset Commitments

BCP Fund II, L.P., is a Baton Rouge, LA, based natural resources fund managed by Bernhard Capital Partners. Bernhard Capital will build and grow platform investments in North American energy service companies. The fund will back world-class management teams pursuing attractive strategies with an emphasis on companies providing vital services to the downstream and power sectors. They seek purely proprietary sales processes and make investments ranging from $25 million to $150 million for control positions. Comparatively, many private equity funds have specialized and adopted a fragmented market philosophy, targeting investments solely in one energy segment. BCP intends to approach energy investing differently by investing in companies across the energy services spectrum and will make relative value judgments between sectors mitigating the inherent cyclical of each vertical. The fund is expected to be invested primarily in the U.S. with a small exposure to Canada or Mexico.

In June 2017 The University committed $75 million to BCP Fund II, L.P.

IndoSpace Logistics Park III, L.P., is a Mumbai, India, based real estate fund that will continue IndoSpace’s strategy of developing and acquiring light manufacturing and industrial facilities in fourteen major markets across India. IndoSpace is sponsored by Realterm Everstone, a 50/50 joint venture created in 2007 by Realterm Global, a North American-based firm focused on real assets serving the transportation supply chain, and Everstone Capital, an Indian private equity and real estate firm. Targeted assets will include warehouses, distribution centers, industrial and logistics parks and light manufacturing facilities. Tenants for the assets are primarily multi-national companies and third party logistics providers. Exits could include individual asset sales, a portfolio sale or an Initial Public Offering.

In August 2017 the University committed $15 million to IndoSpace Logistics Park III, L.P.

Roark Capital Partners II Sidecar Fund, L.P., an Atlanta, GA, based private equity fund, will invest in a holding company, Inspiring Restaurant Brands, alongside Arby’s Restaurant Group, Inc. Inspiring Restaurant Brands will acquire and manage multiple restaurant companies across the quick service, fast casual, and casual dining sectors. The fund is positioned to take advantage of the ongoing consolidation within the restaurant industry where there is an increasing need for scale, implementation of best practices, and improvements in operational efficiency. The fund will be managed by Roark Capital, a
private equity firm with extensive experience investing in franchising and multi-unit businesses in the restaurant sector. Roark’s specific industry focus is a competitive advantage which allows its investment team to understand opportunities and risks, to access proprietary or less competitive deal flow, and to create operating improvements readily.

In June 2017 The University committed $50 million to Roark Capital Partners II Sidecar Fund, L.P.

**Delegation Commitment**

**Background and Summary:** Under a limited delegation granted at the July 2015 Regent’s meeting, the Executive Vice President and Chief Financial Officer may approve up to three new investments representing less than 1 percent of the Long Term Portfolio’s assets that advanced the portfolio’s objectives and met its risk and return objectives. Pursuant to that policy, this item reports on the University’s closing of an investment that was approved in April 2017.

**Salient Convexity Offshore Fund, Ltd.,** is a San Francisco, CA, based hedge fund that pursues a diversified global macro strategy which employs long and short trades to express asymmetric return opportunities created by the actions of both economic and non-economic actors. Salient uses proprietary models to identify opportunities within single-name equities and broader macro-economic events where the capital markets are mis-pricing the likelihood of particular outcomes.

In April 2017, the University invested $30 million into the Salient Convexity Offshore Fund.

Respectfully submitted,

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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