

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
May 15, 2008

Subject: Alternative Asset Commitment

Action Requested: Approval of Denham Commodity Partners Fund V, L.P.

Background and Summary: We recommend a commitment of \$20 million from the Long Term Portfolio to Denham Commodity Partners Fund V, L.P., a \$2.0 billion energy fund.

Stuart Porter developed this strategy beginning in early 2000 when he was a portfolio manager at Harvard Management Company. In 2004 Porter and his team left Harvard and continued to invest under the umbrella of Sowood Capital Management. Porter and his team separated from Sowood Capital in 2007 and created Denham Capital Management. Based in Boston, the firm has offices in Houston, London and Short Hills, New Jersey. Throughout this time the team has grown to 27 investment professionals who have invested nearly \$1.5 billion globally.

Denham Commodity Partners Fund V will continue the team's strategy to invest in the debt and equity of companies as well as assets on a global basis within the energy infrastructure, natural resources and power and carbon markets. Denham will create value by searching globally for market dislocations that provide attractive entry prices, while being focused on the mitigation of risk within potential opportunities. The team has been successful in identifying attractive investment opportunities using a top-down approach, analyzing various macro factors and sector trends. Typical investment size will be \$50 million to \$100 million and will either be control or influential minority investments with protective control provisions.

Once an investment is made, Denham will work alongside the management team to create a well run, appropriately capitalized and respected market leader in its field. The exit strategy will be clearly defined upon acquisition and will generally be a sale to a strategic company or through an offering in public markets.

An investment in Denham Commodity Partners Fund V is consistent with the University's energy investment strategy to invest in private equity partnerships with managers that have demonstrated the ability to add value. The General Partner's global focus within multiple natural resource and energy sectors is an attractive complement to our existing portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2008