

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

MOTION	Maynard
SEC	White
ACT APPROVED BY THE REGENTS	
NOTE:	NOV 17 2005

Subject: Alternative Asset Commitment

Action Requested: Fudo Capital, L.P

Background and Summary: We recommend a commitment of \$20 million from the Long Term Portfolio to Fudo Capital, L.P., a \$400 million real estate fund established to make property investments in Asia.

The General Partner of the fund will be an affiliate of CLSA, the Asia-Pacific investment banking, brokerage and private equity arm of Credit Agricole, the world's 4th largest bank by assets. Headquartered in Hong Kong, CLSA employs over 800 people in offices located throughout Asia. The fund will be managed by Fudo Capital, a team of eight real estate investment professionals led by John Pattar. Prior to forming Fudo Capital in 2004, Pattar was Chief Investment Officer of Lend Lease's Asia real estate funds.

Fudo believes that the key real estate markets and sectors across the major cities in Asia have entered into a recovery phase with selected markets exhibiting signs of improving fundamentals. An increase in foreign direct investment in the region and additional demand from local companies is helping to reduce vacancy rates and increase prime rental rates, especially in the central business districts of the major cities where there is limited space for expansion.

Fudo Capital will invest in a diversified portfolio of real estate investments primarily in Japan, Hong Kong, China and Singapore, although they may do transactions in other Asian countries. The Fund will buy completed buildings, make investments in real estate operating companies and/or platforms, or do new development in certain markets. Fudo will target single asset and portfolio sales, properties that require renovations and/or repositioning and mispriced or distressed properties resulting from sellers' cash flow problems, corporate restructuring or strategy realignment. The portfolio is expected to be diversified both geographically and by property type.

The Fund may acquire or structure investments in the form of equity, first mortgage debt, mezzanine debt, preferred stock and/or convertible debt. By offering flexibility in structuring, Fudo believes they will have a competitive advantage in securing transactions at favorable pricing. In addition, Fudo intends to take advantage of the extensive CLSA Asian network for deal sourcing.

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

November 2005