

FILE COPY

***The University of Texas Investment
Management Company***



***Presentation Materials
Board of Directors Meeting***

May 26, 2004



May 19, 2004

Via Courier

MEMORANDUM

TO: The University of Texas Investment Management Company - Board of Directors

Woody L. Hunt, Chairman	J. Philip Ferguson
J. Luther King, Jr., Vice-Chairman	I. Craig Hester
Mark G. Yudof, Vice-Chairman for Policy	James R. Huffines
Susan M. Byrne	R. H. (Steve) Stevens, Jr.
Rita C. Clements	R. D. Burck, Advisory Director

FROM: Bob Boldt

SUBJECT: UTIMCO Board of Directors Meeting – **Wednesday, May 26, 2004**

Enclosed please find the agenda and presentation materials for the upcoming board meeting. The items on the agenda are as follows:

- Report from the Liquidity Committee and the Compensation Committee,
- Discussion and consideration of proposed investments in non-marketable alternative, marketable alternative and public markets investments, and
- Updates on:
 - Endowment and Operating Funds
 - CORE Fund strategy
 - Client satisfaction survey
 - Venture capital opportunities
 - Marketable alternative investments

A Briefing Session will be held prior to the Board meeting. The **Briefing Session** will begin at **9:30 a.m.** and adjourn at 10:30 a.m. The **Open Meeting of the Board** will begin at **10:30 a.m.** and is scheduled to **adjourn at approximately 3:00 p.m.** The meeting will be held at **Hotel Crescent Court, 400 Crescent Court, Dallas, Texas in the Crescent I meeting room**, which is located on the ground floor.

UTIMCO Board of Directors
May 19, 2004
Page 2

Valet parking will be provided at the hotel. A continental breakfast and lunch will be served. The hotel phone number is (214) 871-3200 and hotel fax number is (214) 871-3272. Please let Christy Wallace at 512/225-1628 know of any special travel plans or other needs for the meeting.

cc: Chairman Miller, UT System Board of Regents
Regent Caven, UT System Board of Regents
Regent Barnhill, UT System Board of Regents (w/o encl.)
Regent Craven, UT System Board of Regents (w/o encl.)
Regent Estrada, UT System Board of Regents (w/o encl.)
Regent Krier, UT System Board of Regents (w/o encl.)
Francie Frederick, Office of the Board of Regents
Jerry Turner, Vinson & Elkins
Bruce Myers, Cambridge Associates
John De La Garza, Jr., UT System Community Relations (w/o encl.)
Philip Aldridge, UT System Office of Business Affairs
Jerry Modjeski, UT System Office of Finance
Charlie Chaffin, UT System Office of Internal Audit
Michael Warden, UT System Office of Public Affairs
Michael Sebastian, EnnisKnupp Associates
Greg Anderson, Texas A&M University System (2)

**Notice of Open Meeting of the
Board of Directors of
The University of Texas Investment
Management Company**

May 26, 2004

Hotel Crescent Court
400 Crescent Court
Dallas, Texas

Open Meeting Agenda

Convene at 10:30 a.m.

Open Session:

Call to Order/Consideration of Minutes of May 6, 2004 Meeting*

Report from Committees:

- Consideration of Liquidity Committee Report*
- Consideration of Charter of the Compensation Committee*

Discussion and Consideration of Proposed Investments:

- Non-Marketable Alternative Investment*
- Marketable Alternative Investments*
- Public Markets Investment*

Endowment and Operating Funds Update:

- Asset Allocation, Risk and Performance
- Liquidity Profile
- Report of Derivative Applications

Update on the CORE Fund Strategy

Lunch

Client Satisfaction Survey

Update on Venture Capital Opportunities

Update on Marketable Alternative Investments

Adjournment

* Action by resolution required

Posted: May 21, 2004

By: The University of Texas Investment Management Company

TAB 1

Resolution No. 1

RESOLVED, that the minutes of the meeting of the Board of Directors held on **May 6, 2004**, be, and are hereby, approved.

**MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 2:35 p.m. on the **6th day of May 2004**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701 said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio of the meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

Woody L. Hunt, Chairman
J. Luther King, Jr., Vice-Chairman
Rita C. Clements
J. Philip Ferguson
I. Craig Hester
James R. Huffines

thus, constituting a majority and quorum of the Board. Chancellor Mark G. Yudof, Vice-Chairman for Policy, Director Susan M. Byrne and Director R. H. (Steve) Stevens, Jr. were not present at the meeting. Also, attending the meeting were Regent Scott Caven; Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon, Managing Director – Non-Marketable Alternative Investments of the Corporation; Bill Edwards – Managing Director Information Technology; Gary Hill, Manager of Investment Reporting; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Charlie Chaffin, Jane Bebar, and Moshmee Kalamkar of U.T. System Administration; Bruce Myers of Cambridge Associates; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 2:35 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Minutes

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on April 8, 2004. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **April 8, 2004** be, and are hereby, approved.

Amendments to the PUF and GEF Investment Policy Statements

The next item on the agenda was proposed amendments to the Investment Policy Statements for the Permanent University Fund (PUF) and the U. T. System General Endowment Fund (GEF). Mr. Boldt explained that the staff was recommending changes to the PUF and GEF Investment Policy Statements in order to segregate two individual asset categories which were grouped together under broader asset classes in the Policy Statements approved by the Board of Regents at their December 19, 2003 meeting. The asset definitions and benchmarks have been provided for the revised asset classes. Also proposed is a change in the benchmark for Private Equity and Venture Capital asset categories. After discussion by Mr. Boldt and the Board, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Investment Policy Statements for the Permanent University Fund, and the U. T. System General Endowment Fund as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Amendments to the SITF Investment Policy Statement

Mr. Hunt asked Mr. Boldt to discuss proposed changes to the U. T. System Short Intermediate Term Fund (SITF) Investment Policy Statement. The recommended changes are to clarify the Investment Objectives section of the Investment Policy Statement. These changes would make the policy consistent with the preferences of the current large unitholders in the SITF. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Investment Policy Statement for the U. T. System Short Intermediate Term Fund as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Restatement of Historical Endowment Policy Portfolio Returns

The last item on the agenda was a discussion of a Board of Regents agenda item regarding the restatement of the Endowment Policy Portfolio (EPP) returns. The restatement was a result of a thorough review by the Corporation Staff of the asset class weights and benchmarks used in the establishment of the EPPs. The Staff and Cambridge Associates participated in a review and discussion of the restatement at the last Board meeting. As a follow-up to the meeting, Mr. Aldridge of UT System recommended that the restatement be presented as an information item at the next UT System Board of Regents meeting. Mr. Boldt explained that the Staff recommended that the Board approve the restatement of the returns of the EPPs and recognize the two separate EPPs as the proper benchmarks to compare the performance of the PUF and GEF (LTF and PHF). Director Huffines stated that he was fundamentally opposed to a retroactive restatement of EPP returns. After discussion, upon motion duly made and seconded, the following

resolution was adopted by a vote of five ayes and one no, with Director Huffines voting against the recommendation:

RESOLVED, that the restatement of the Endowment Policy Portfolio Returns, and the two separate restated Endowment Policy Portfolios be recognized as the proper benchmarks to compare the performance of the Permanent University Fund and the U. T. System General Endowment Fund, as presented be, and are hereby, approved, and will be presented as an information item to the U. T. System Board of Regents.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:20 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Woody L. Hunt
Chairman, Board of Directors of
The University of Texas Investment
Management Company

TAB 2

Resolution No. 2

RESOLVED, that the "Trigger Zones" for "Illiquid" investments as provided in the Corporation's Liquidity Policy be revised from the current range of 20% to 30% to a range of 25% to 30% of the total portfolio as recommended by the Liquidity Committee be, and is hereby approved in the form submitted to the Corporation's Board of Directors.

Pro Forma Illiquidity
As of 4/30/04

Proposed Illiquid Non-Marketable Alternative Investments

Proposed Investment	Total Commitment Amount	Illiquid Commitment Amount	Pro Forma Fund Illiquidity
Pending Investment Recommendation			
Fisher Lynch Venture Partnership, L.P.	\$50,000,000	\$50,000,000	19.92%
Songbird Hearing, Inc. ^A	\$1,000,000	\$1,000,000	19.52%
Total Pending	\$51,000,000	\$51,000,000	19.93%
In Due Diligence			
Knightsbridge VI, L.P.	\$25,000,000	\$25,000,000	19.72%
Phoenix Ventures, L.P.	\$35,000,000	\$35,000,000	19.80%
Granite Global Ventures II, L.P.	\$25,000,000	\$25,000,000	19.72%
Union Square Ventures, L.P.	\$25,000,000	\$25,000,000	19.72%
Eos Capital Partners, L.P.	\$25,000,000	\$25,000,000	19.72%
OCM Opportunities V, L.P.	\$40,000,000	\$40,000,000	19.84%
DDJ Leverage Loan	\$25,000,000	\$25,000,000	19.72%
Total In Due Diligence	\$200,000,000	\$200,000,000	21.16%
TOTAL PROPOSED	\$251,000,000	\$251,000,000	21.58%

Proposed Illiquid Marketable Alternative Investments

Proposed Investment	Total Commitment Amount	Illiquid Commitment Amount	Pro Forma Fund Illiquidity
Pending Investment Recommendation			
OZ Overseas Fund I	\$100,000,000	\$100,000,000	20.34%
Brahman Partners II Offshore, Ltd.	\$100,000,000	\$100,000,000	20.34%
Total Pending	\$200,000,000	\$200,000,000	21.16%
Total In Due Diligence	\$0	\$0	19.51%
TOTAL PROPOSED	\$200,000,000	\$200,000,000	21.16%

Total Proposed Illiquid Investments

Proposed Investment	Total Commitment Amount	Illiquid Commitment Amount	Pro Forma Fund Illiquidity
Pending Investment Recommendation			
Fisher Lynch Venture Partnership, L.P.	\$50,000,000	\$50,000,000	19.92%
Songbird Hearing, Inc. ^A	\$1,000,000	\$1,000,000	19.52%
OZ Overseas Fund I	\$100,000,000	\$100,000,000	20.34%
Brahman Partners II Offshore, Ltd.	\$100,000,000	\$100,000,000	20.34%
Total Pending	\$251,000,000	\$251,000,000	21.58%
In Due Diligence			
Knightsbridge VI, L.P.	\$25,000,000	\$25,000,000	19.72%
Phoenix Ventures, L.P.	\$35,000,000	\$35,000,000	19.80%
Granite Global Ventures II, L.P.	\$25,000,000	\$25,000,000	19.72%
Union Square Ventures, L.P.	\$25,000,000	\$25,000,000	19.72%
Eos Capital Partners, L.P.	\$25,000,000	\$25,000,000	19.72%
OCM Opportunities V, L.P.	\$40,000,000	\$40,000,000	19.84%
DDJ Leverage Loan	\$25,000,000	\$25,000,000	19.72%
Total In Due Diligence	\$200,000,000	\$200,000,000	21.16%
TOTAL PROPOSED	\$451,000,000	\$451,000,000	23.22%

A) Under previous BOD approval, UTIMCO has \$783K available to invest and will be seeking approval for the remaining \$217K.

TAB 3

Resolution No. 3

RESOLVED, that the Charter of the Compensation Committee, as recommended by the Compensation Committee, is hereby approved in the form submitted to the Corporation's Board of Directors.

The University of Texas Investment Management Company

Charter of the Compensation Committee

Background

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") established a Compensation Committee (the "Committee") on August 30, 1996. The Committee's responsibilities were enumerated and documented in the August 30, 1996 Board minutes. This Charter, adopted by the Board on *May 26, 2004* supercedes the Committee's enumerated responsibilities set forth in the August 30, 1996 Board minutes.

Purpose

The primary purpose of the Committee is to provide oversight of the compensation system for officers and employees of the Corporation.

Composition

The Committee shall be composed of three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. A member may be removed with or without cause at any time by a majority vote of the Board.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Duties and Responsibilities

The Committee has the following duties and responsibilities:

- Recommend to the Board the base salary and performance compensation award of the President and Chief Executive Officer of the Corporation
- Approve the base salaries of all officers (except the President and Chief Executive Officer) of the Corporation
- Recommend to the Board the Performance Compensation Plan and any amendments thereto
- Recommend to the Board the Eligible Employees who are to be granted performance awards under the Performance Compensation Plan
- Approve the Performance Compensation Plan awards for all eligible employees except the President and Chief Executive Officer

Determination of performance compensation for employees not included in the Performance Compensation Plan is delegated to Corporation management.

TAB 4

Resolutions to be handed out at the meeting
if action is required.

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of the proposed follow-on investment in Songbird Hearing, Inc.
- Developed By:** McMahon
- Presented By:** McMahon
- Type of Item:** Possible Action Item
- Description:** Songbird Hearing, an existing co-investment in the non-marketable alternatives portfolio, is issuing Senior Secured Notes to existing investors. From previous approvals, UTIMCO has the availability to invest \$782,596 and is seeking approval for the remaining amount of the UT endowment funds pro rata share.
- Recommendation:** **UTIMCO Staff recommends a \$217,404 follow-on investment in Songbird Hearing, Inc.**
- Discussion:** The staff supports making the additional \$217,404 investment in Songbird for the following reasons:
- i) Investment has attractive return characteristics and strong asset coverage; and
 - ii) Participation preserves the UT endowment funds' existing ownership position in the Company.
- Reference:** Delegation of Authority Policy

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of an investment in Brahman Partners II Offshore, Ltd.
- Developed By:** Cathy Iberg, Darren Myers, and Jennifer Mandeville
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item
- Delegation of Authority:** Under UTIMCO's Delegation of Authority, Board approval is not required unless a Board member elects otherwise. Presentation of the investment at a UTIMCO Board meeting is at the option of any UTIMCO Board member.
- Description:** This agenda item presents an overview of UTIMCO's proposed investment of \$100 million in Brahman Partners II Offshore, a domestic long/short equity fund.
- Recommendation:** The staff distributed an Investment Memorandum to the Board to support a \$100 million investment in Brahman Partners II Offshore, Ltd., and the executive summary from that Memorandum is attached. Staff recommends approval of this investment.
- Discussion:** Brahman Management, LLC was founded in 1987 by Mitch Kuflik, Bob Sobel, and Peter Hochfelder. All three individuals remain with the firm today. The initial goal of the firm was to provide unique research to Wall Street investment firms, including prominent hedge funds such as Soros Fund Management and Tiger Management. After several early successes by Brahman, George Soros and Stanley Druckenmiller (also of Soros Fund Management) encouraged the founders of Brahman to open their own hedge fund and provided some of the initial seed capital for the launch. Today, Brahman has approximately \$1.3 billion under management.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of an investment in Everglades Offshore Fund, Ltd.
- Developed By:** Cathy Iberg, Darren Myers, and Jennifer Mandeville
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item
- Delegation of Authority:** Under UTIMCO's Delegation of Authority, Board approval is not required unless a Board member elects otherwise. Presentation of the investment at a UTIMCO Board meeting is at the option of any UTIMCO Board member.
- Description:** This agenda item presents an overview of UTIMCO's proposed investment of \$100 million in Everglades Offshore, a domestic long/short equity fund.
- Recommendation:** The staff distributed an Investment Memorandum to the Board to support a \$100 million investment in Everglades Offshore Fund, Ltd., and the executive summary from that Memorandum is attached. Staff recommends approval of this investment.
- Description:** Matador was founded in December 1993 by Jeffrey A. Berg. The firm's first long/short U.S. equity partnership, Everglades Partners, L.P. was launched in February 1994. Mr. Berg previously spent 9 years at Raymond James & Associates, rising to Senior Vice President and Director of the Environmental Services Group. In early 2004, the firm announced the hiring of Lisa Rapuano, then a Senior Portfolio Manager and Director of Research at Legg Mason. Lisa joined the firm as Co-Chief Investment Officer. The addition of Lisa was the culmination of a 12-month search for the right individual to assist Mr. Berg with all portfolio management responsibilities. Today the firm manages approximately \$755 million and has a staff of twelve, nine of whom are directly involved in the research process. The firm has a primary office in St. Petersburg, Florida in addition to a satellite office in Baltimore, Maryland where Ms. Rapuano is based.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of an investment in The Raptor Global Fund, Ltd.
- Developed By:** Cathy Iberg, Darren Myers, and Jennifer Mandeville
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item
- Delegation of Authority:** Under UTIMCO's Delegation of Authority, Board approval is not required unless a Board member elects otherwise. Presentation of the investment at a UTIMCO Board meeting is at the option of any UTIMCO Board member.
- Description:** This agenda item presents an overview of UTIMCO's proposed investment of \$100 million in The Raptor Global Fund, Ltd., a global long/short equity fund.
- Recommendation:** The staff distributed an Investment Memorandum to the Board to support a \$100 million investment in The Raptor Global Fund, Ltd., and the executive summary from that Memorandum is attached. Staff recommends approval of this investment.
- Discussion:** The Raptor Global Fund is a global long/short equity fund managed by James Pallotta, a managing director at Tudor Investment Corporation. Tudor was founded in 1980 by Paul Tudor Jones and currently manages approximately \$8.8 billion in assets. The Raptor strategies, which are managed by James Pallotta and his team, represent approximately 65% of the aggregate Tudor asset base. James Pallotta joined the Tudor organization in 1993 after ten years at Essex Investment Management. The Raptor Global Fund seeks to provide superior total returns over time through combined long/short trading in a substantial number of securities issues, utilizing a bottom-up, fundamental approach. The Fund primarily attempts to achieve this objective by investing in a core, concentrated portfolio of long positions augmented by numerous additional long and short positions and, to a lesser extent, positions in debt and equity futures.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of an investment in OZ Overseas Fund I, Ltd.
- Developed By:** Cathy Iberg, Darren Myers, and Jennifer Mandeville
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item
- Delegation of Authority:** Under UTIMCO's Delegation of Authority, Board approval is not required unless a Board member elects otherwise. Presentation of the investment at a UTIMCO Board meeting is at the option of any UTIMCO Board member.
- Description:** This agenda item presents an overview of UTIMCO's proposed investment of \$100 million in OZ Overseas Fund I, a global multi-strategy fund.
- Recommendation:** The staff distributed an Investment Memorandum to the Board to support a \$100 million investment in OZ Overseas Fund I, Ltd., and the executive summary from that Memorandum is attached. Staff recommends approval of this investment.
- Discussion:** OZ Overseas Fund is managed by investment professionals at the established and respected firm of Och-Ziff Capital Management Group. Och-Ziff was founded in February 1994 by Daniel S. Och, currently Senior Managing Member and who previously spent eleven years at Goldman Sachs where he was a Vice President and Co-Head of the US Listed Equities Department. Today, the firm manages approximately \$7.6 billion in assets and employs close to 114 individuals. OZ Overseas Fund is a global multi-strategy fund that seeks to achieve consistent positive absolute returns that are non-correlated with the equity market indices through investments in merger arbitrage, equity long/short special situations, convertible and credit arbitrage, and distressed credit. The Fund has a research-driven, bottom-up process that is based upon extensive qualitative and quantitative analysis.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

- Agenda Item:** Approval of Investment in State Street Research's (SSR) Small Cap Energy and Energy and Natural Resources Hedge Funds
- Developed By:** Goldsmith
- Presented By:** Goldsmith
- Type of Item:** Action Item
- Description:** SSR has successfully invested in small cap energy stocks since 1986. Specifically, this portfolio management team, with over 46 years of combined experience, has earned widespread praise (both individually and collectively) for generating an impressive return versus both energy and small cap indices in both their long-only and hedge fund products. Both products are considered "liquid" with no penalties for withdrawals.
- Recommendation:** Approve an Investment of up to \$75 million in the SSR's Small Cap Energy and Energy and Natural Resources Hedge Funds.
- Discussion:** SSR's process begins by developing a macro view on the energy sector where they seek to develop long-term perspectives on the supply and demand (and therefore price) of crude oil, natural gas, coal and other energy-related substitutes. Energy sub-sectors are then evaluated to pinpoint the most attractive industries given their macro forecast. Portfolios are then populated with their best small cap stock ideas within each industry, to take advantage of not only company fundamentals and growth prospects, but those that are most attractively positioned to take advantage of their macro points-of-view.
- Staff believes that energy and natural resource opportunities will continue to offer a favorable macro and sector economic backdrop for investing, and, that a skilled active manager in an inefficient investment space (small cap stocks) offers a high value-added and diversification opportunity for the Endowments.
- SSR's product, pending UTIMCO's interest, is now closed to new investments.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy; Executive Summary; Detailed Investment Memorandum

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Reports on Asset Allocation, Risk, and Performance

Developed By: Moeller, Hill

Presented By: Boldt

Type of Item: Information Item

Description: The reports presented are for the periods ended April 30, 2004. (Except as noted)

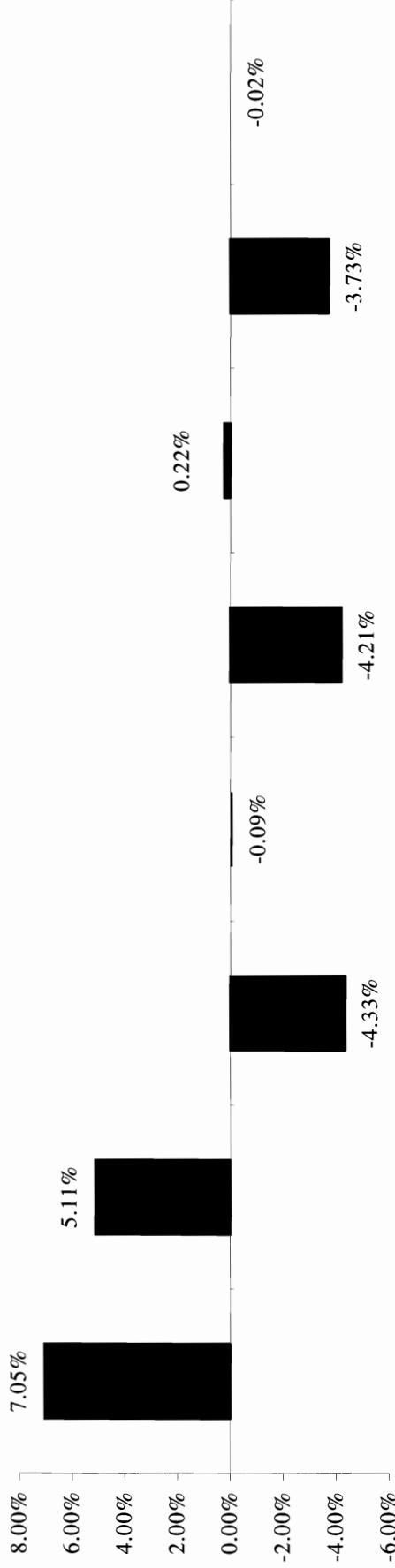
Recommendation: No action required.

Discussion: The reports are being presented with the restatement of the Endowment Policy Portfolios or benchmarks as approved by the UTIMCO Board at the May 6, 2004 special meeting.

Reference: Market Exposure; Relative Risk Analysis; UTIMCO Performance Summary; Cumulative Value Added in Endowment Funds; Cumulative Value Added in Marketable Securities; Cumulative Value Added in Non-Marketable Securities; UTIMCO Endowment Funds vs. Russell/Mellon Public Billion Dollar Funds Universe; UTIMCO Endowment Funds vs. Russell Mellon Foundations and Endowments Universe; UTIMCO Endowment Funds vs. Russell/Mellon All Funds Universe; Performance Attribution; Public Markets Managers Investment Performance Detail

**Permanent University Fund
Market Exposure
April 30, 2004**

Actual vs Policy



	Domestic Public Equity	International Public Equity	Private Capital	Equity Hedge	Absolute Return	Commodities	Fixed Income	Cash & Cash Equivalents
Actual	32.05%	22.11%	10.67%	9.91%	10.79%	3.22%	11.27%	-0.02%
Neutral Policy	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Over/Under	7.05%	5.11%	-4.33%	-0.09%	-4.21%	0.22%	-3.73%	-0.02%



**General Endowment Fund
Market Exposure
April 30, 2004**

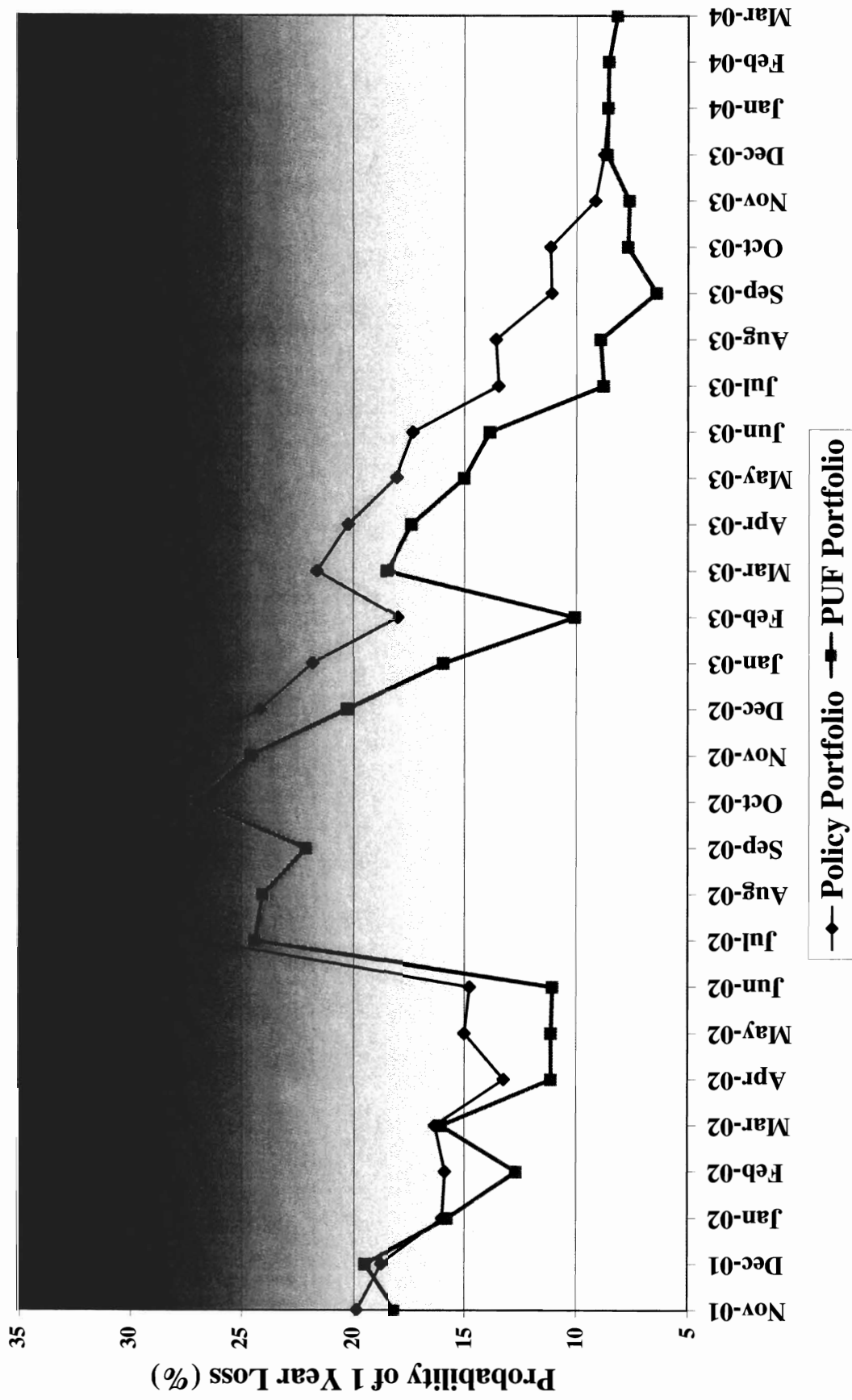
Actual vs Policy



	Domestic Public Equity	International Public Equity	Private Capital	Equity Hedge	Absolute Return	Commodities	Fixed Income	Cash & Cash Equivalents
Actual	32.00%	22.29%	10.08%	9.99%	11.11%	3.23%	11.37%	-0.07%
Neutral Policy	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Over/Under	7.00%	5.29%	-4.92%	-0.01%	-3.89%	0.23%	-3.63%	-0.07%



Relative Risk Analysis 1 Year Horizon

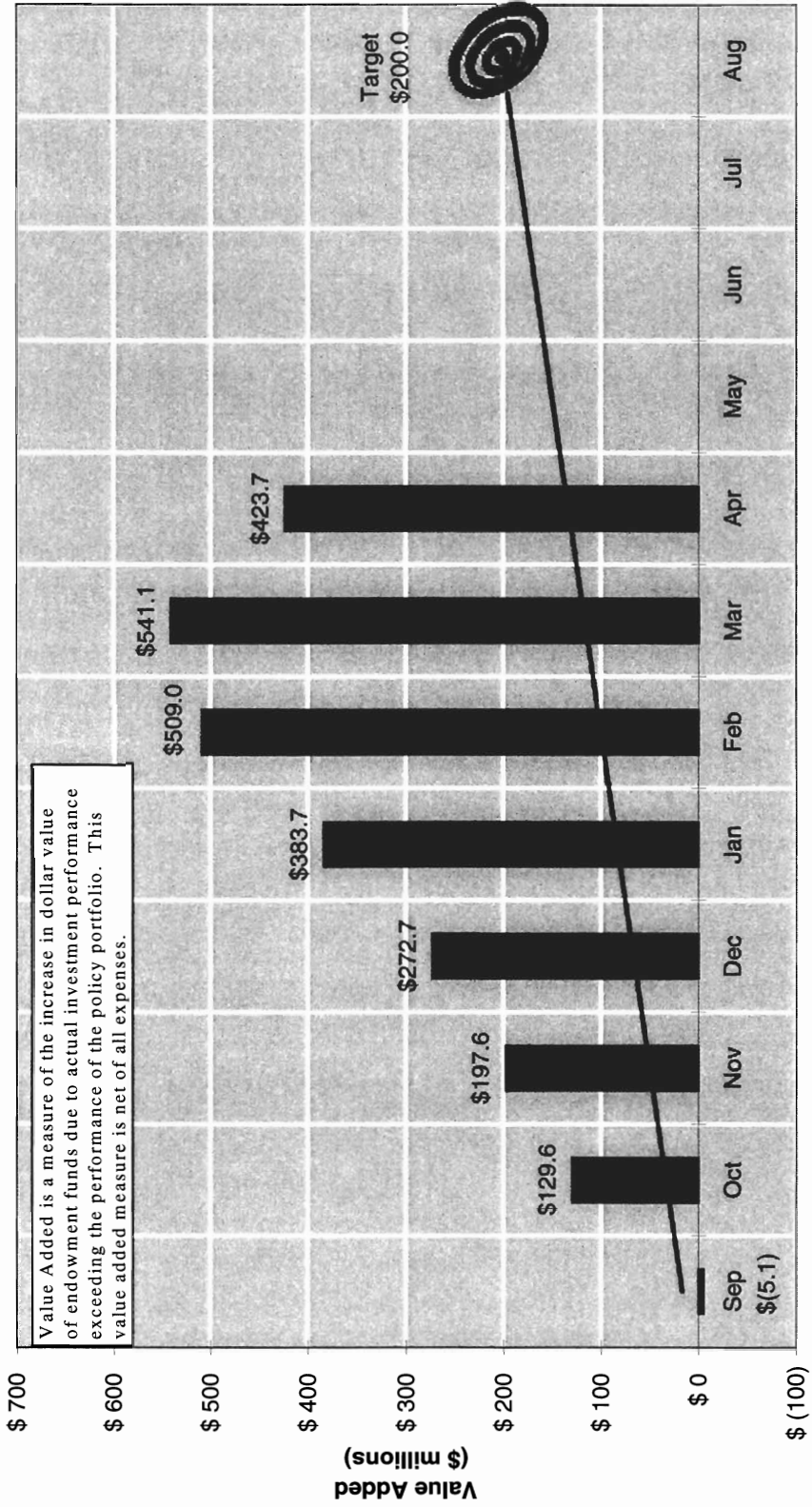


UTIMCO Performance Summary

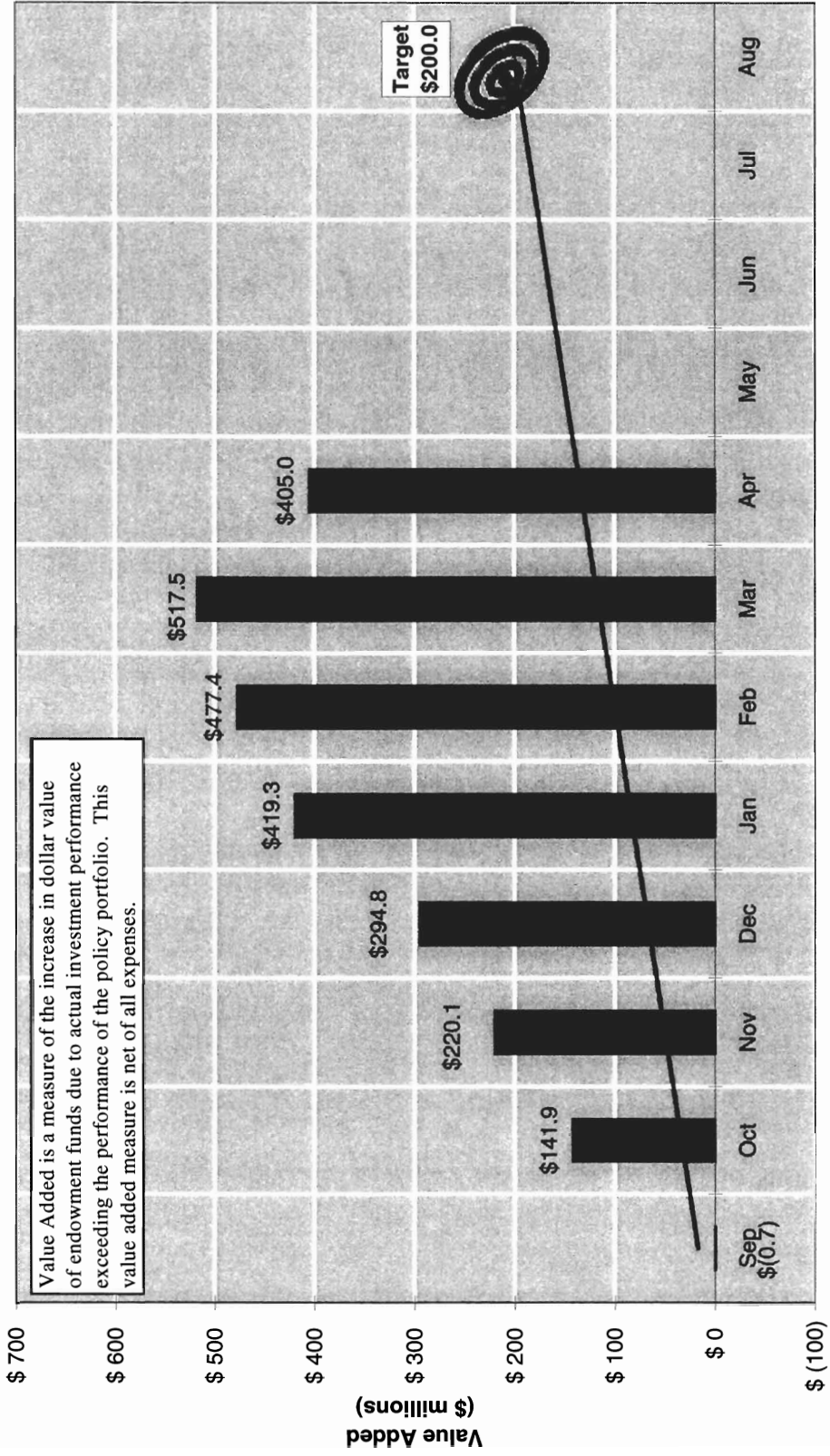
	Net Asset Value 4/30/2004 (in Millions)	Periods Ended April 30, 2004 (Returns for Periods Longer Than One Year are Annualized)									
		One Month	Three Months	Six Months	Eight Months	One Year	Three Years	Five Years	Ten Years		
ENDOWMENT FUNDS											
Permanent University Fund	\$ 7,908.0	(2.71)	0.54	8.07	13.29	24.15	4.48	4.62	9.80		
General Endowment Fund		(2.70)	0.36	8.09	13.39	24.63	5.05	N/A	N/A		
Permanent Health Fund	817.0	(2.74)	0.29	7.93	13.17	24.37	4.90	N/A	N/A		
Long Term Fund	3,346.3	(2.74)	0.29	7.93	13.17	24.40	4.96	5.88	10.48		
Separately Invested Funds	193.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	12,264.3										
OPERATING FUNDS											
Short Term Fund	2,315.8	0.08	0.24	0.49	0.67	1.04	1.91	3.52	4.51		
Short Intermediate Term Fund	1,117.7	(0.95)	(0.16)	0.62	1.42	1.51	2.97	4.30	5.49		
Institutional Index Funds:											
BGI US Debt Index Fund	-	(2.58)	(0.78)	1.30	3.02	1.98	6.76	N/A	N/A		
BGI Equity Index Fund	227.0	(1.57)	(1.70)	6.27	11.09	22.87	(2.33)	N/A	N/A		
Total Operating Funds	3,660.5										
Total Investments	\$ 15,924.8										
BENCHMARKS											
General Endowment Fund: Policy Portfolio		(1.85)	0.16	5.57	9.44	16.27	1.45	3.79	10.63		
Permanent University Fund: Policy Portfolio		(1.85)	0.16	5.57	9.44	16.27	1.43	3.74	10.69		
Short Term Fund: 90 Day Treasury Bills Average Yield		0.08	0.24	0.50	0.68	1.07	1.89	3.43	4.36		
Short Intermediate Term Fund: Composite of Government Agencies and Treasuries		(1.08)	(0.19)	0.62	1.27	1.18	4.33	5.24	5.80		
Institutional Debt Index Fund: Lehman Brothers Aggregate Bond Index		(2.60)	(0.81)	1.25	2.96	1.82	6.65	6.66	7.34		
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		(1.57)	(1.71)	6.27	11.09	22.88	(2.36)	(2.26)	11.36		
Other Indices:											
U.S. Equity Markets: Wilshire 5000 Index		(2.13)	(1.76)	6.41	6.41	26.08	(0.60)	(1.16)	10.95		
International Equity Markets: Morgan Stanley Capital International EAFE Index		(2.26)	0.56	12.39	23.08	40.23	0.37	(0.73)	3.88		



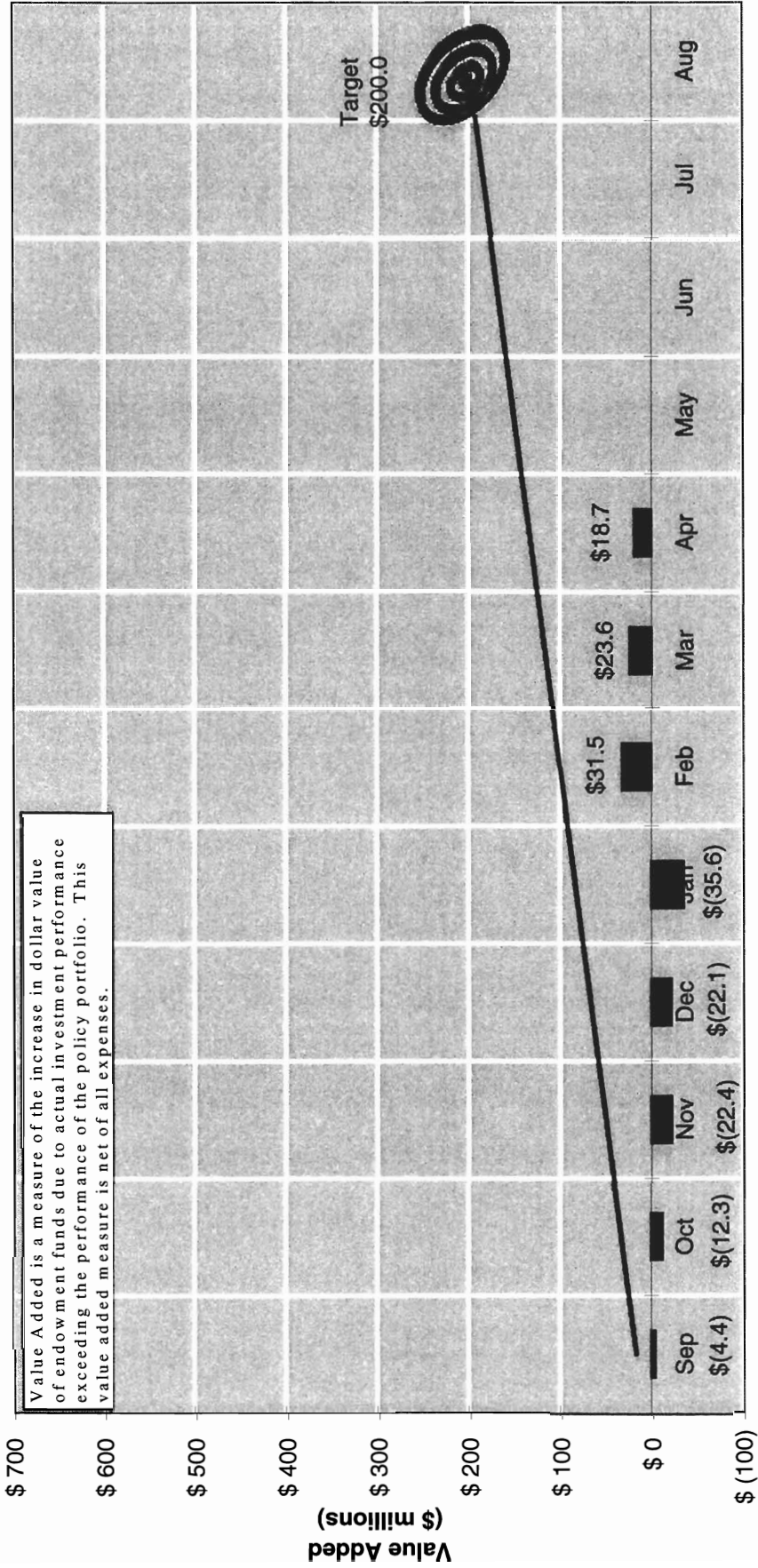
Cumulative Value Added In Endowment Funds 2003-2004 Fiscal Year



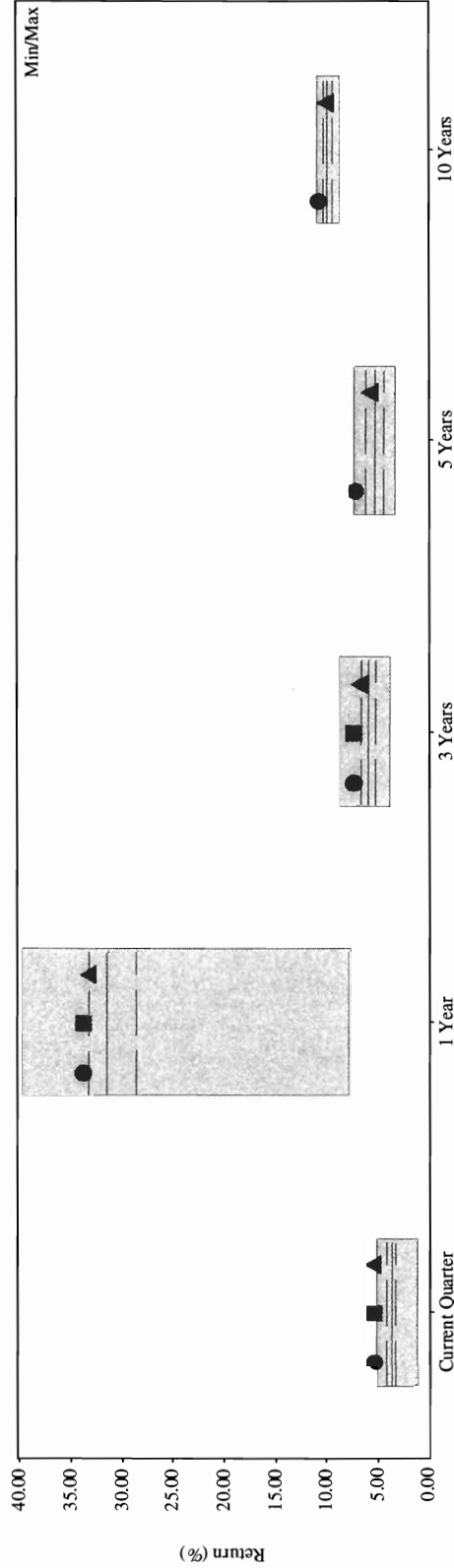
Cumulative Value Added in Marketable Securities in Endowment Funds 2003-2004 Fiscal Year



Cumulative Value Added In Non-Marketable Securities In Endowment Funds 2003-2004 Fiscal Year



**UTIMCO ENDOWMENTS FUNDS vs.
PUBLIC BILLION DOLLAR FUNDS UNIVERSE
Periods Ended March 31, 2004**

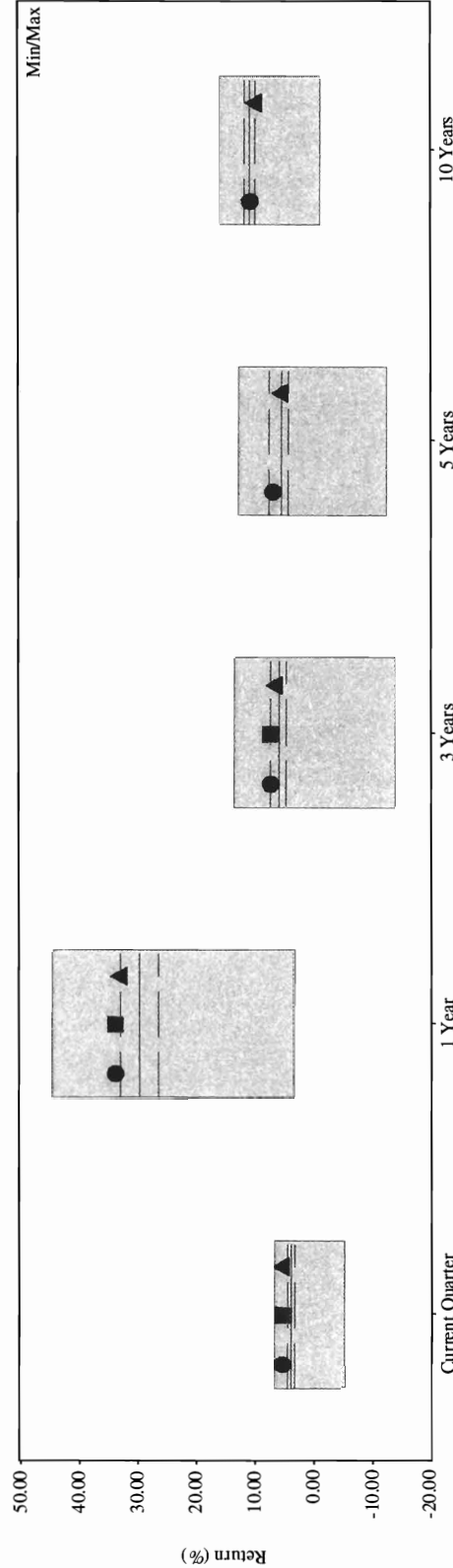


	Current Quarter	1 Year	3 Years	5 Years	10 Years
	Return	Return	Return	Return	Return
	(% tile)	(% tile)	(% tile)	(% tile)	(% tile)
● UTIMCO LTF-Net of Fees	4.92	39.68	8.74	7.26	10.94
■ UTIMCO PHF-Net of Fees	3.91	33.13	6.47	6.05	10.16
▲ UTIMCO PUF-Net of Fees	3.48	31.24	5.75	5.21	9.89
	3.15	28.47	5.12	4.36	9.42
	1.26	7.77	4.03	3.49	8.89
# of Portfolios	41	41	39	33	25
● UTIMCO LTF-Net of Fees	5.29	33.90	7.35	7.17	10.84
■ UTIMCO PHF-Net of Fees	5.30	33.87	7.28	---	---
▲ UTIMCO PUF-Net of Fees	5.55	33.34	6.78	5.84	10.13
				36	27

Universe Source: (c) Russell/Mellon Analytical Services
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The Foundations and Endowments Billion Dollar Fund Universe consists of all assets of public funds of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of March 31, 2004 was 41.

UTIMCO ENDOWMENTS FUNDS vs. FOUNDATIONS AND ENDOWMENTS UNIVERSE Periods Ended March 31, 2004

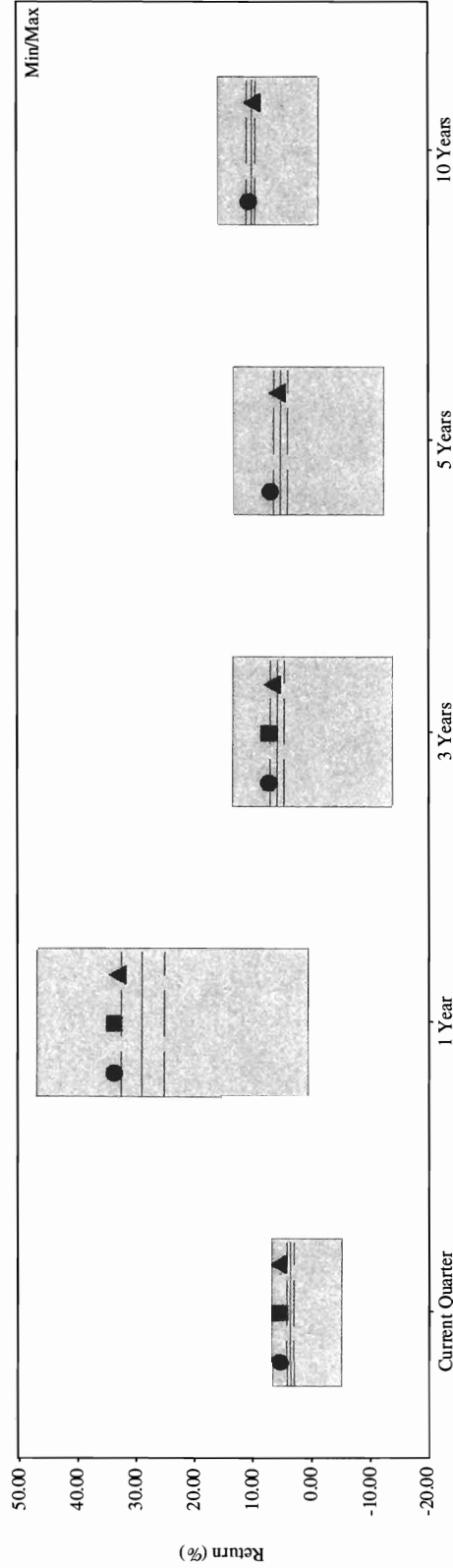


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	6.43		44.62		13.31		12.52		15.83	
25th Percentile	4.11		32.75		6.92		7.28		11.48	
Median	3.40		29.37		5.64		5.39		10.65	
75th Percentile	2.78		26.14		4.50		4.06		9.71	
Minimum	- 4.96		3.44		- 13.79		- 12.13		- 0.87	
# of Portfolios	143		143		125		100		64	
UTIMCO LTF-Net of Fees	5.29	5	33.90	22	7.35	20	7.17	27	10.84	48
UTIMCO PHF-Net of Fees	5.30	5	33.87	22	7.28	22	---	---	---	---
UTIMCO PUF-Net of Fees	5.55	3	33.34	23	6.78	27	5.84	37	10.13	60

Universe Source: (c) Russell/Mellon Analytical Services
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The Foundations and Endowments Universe consists of all the assets of foundation and endowment plans of Russell/Mellon Clients. The number of funds in the universe as of March 31, 2004 was 143.

**UTIMCO ENDOWMENTS FUNDS vs.
ALL FUNDS UNIVERSE
Periods Ended March 31, 2004**



	Current Quarter	1 Year	3 Years	5 Years	10 Years
	Return	Return	Return	Return	Return
	(% tile)	(% tile)	(% tile)	(% tile)	(% tile)
● UTIMCO LTF-Net of Fees	6.43	46.75	13.31	13.23	15.83
■ UTIMCO PHF-Net of Fees	3.73	32.43	6.59	5.99	10.84
▲ UTIMCO PUF-Net of Fees	3.18	28.96	5.47	4.84	9.96
75th Percentile	2.64	25.02	4.41	3.69	9.28
Minimum	- 4.96	0.90	- 13.79	- 12.13	- 0.87
# of Portfolios	510	506	457	395	283
● UTIMCO LTF-Net of Fees	5.29	33.90	7.35	7.17	10.84
■ UTIMCO PHF-Net of Fees	5.30	33.87	7.28	---	---
▲ UTIMCO PUF-Net of Fees	5.55	33.34	6.78	5.84	10.13
				28	45

Universe Source: (c) Russell/Mellon Analytical Services
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The All Funds Universe consists of all corporate, foundation and endowment, and public plans of Russell/Mellon clients. The number of funds in this universe as of March 31, 2004 was 510.

**Permanent University Fund
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	April 30, 2004		One Month Ended April 30, 2004		
	Neutral		Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.0%	0.08%	0.08%	0.00%
U.S. Equities	25.0%	32.0%	-4.43%	-4.62%	-0.25%
Global Equities	17.0%	22.1%	-3.11%	-4.41%	-0.36%
Equity Hedge Funds	10.0%	9.9%	0.42%	-0.07%	-0.06%
Absolute Return Hedge Funds	15.0%	10.8%	0.33%	0.13%	-0.12%
Commodities	3.0%	3.2%	2.68%	-1.55%	-0.13%
Fixed Income	15.0%	11.3%	-3.35%	-1.98%	0.22%
Total Marketable Securities	85.0%	89.3%	-2.31%	-3.07%	-0.70%
Private Capital	15.0%	10.7%	0.79%	0.36%	-0.16%
Total Fund	100.0%	100.0%	-1.85%	(2) -2.71%	-0.86%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**Permanent University Fund
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	April 30, 2004		Eight Months Ended April 30, 2004		
	Neutral		Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.0%	0.68%	0.67%	0.01%
U.S. Equities	25.0%	32.0%	10.69%	10.50%	0.24%
Global Equities	17.0%	22.1%	22.28%	21.44%	0.60%
Equity Hedge Funds	10.0%	9.9%	3.39%	8.76%	0.74%
Absolute Return Hedge Funds	15.0%	10.8%	3.05%	12.02%	0.93%
Commodities	3.0%	3.2%	20.35%	22.51%	0.41%
Fixed Income	15.0%	11.3%	2.73%	6.73%	0.70%
Total Marketable Securities	85.0%	89.3%	9.71%	13.80%	3.63%
Private Capital	15.0%	10.7%	7.85%	9.68%	0.22%
Total Fund	100.0%	100.0%	9.44% (2)	13.29%	3.85%

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund
Performance Attribution**

	Asset Allocation		Return		
	April 30, 2004		One Month Ended April 30, 2004		Total Attribution (1)
	Neutral	2004	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	-0.1%	0.08%	0.08%	0.00%
U.S. Equities	25.0%	32.0%	-4.43%	-4.59%	-0.24%
Global Equities	17.0%	22.3%	-3.11%	-4.45%	-0.38%
Equity Hedge Funds	10.0%	10.0%	0.42%	-0.06%	-0.06%
Absolute Return Hedge Funds	15.0%	11.1%	0.33%	0.14%	-0.11%
Commodities	3.0%	3.2%	2.68%	-1.45%	-0.12%
Fixed Income	15.0%	11.4%	-3.35%	-1.89%	0.23%
Total Marketable Securities	85.0%	89.9%	-2.31%	-3.04%	-0.68%
Private Capital	15.0%	10.1%	0.79%	0.44%	-0.17%
Total Fund	100.0%	100.0%	-1.85% (2)	-2.70%	-0.85%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund
Performance Attribution**

	Asset Allocation		Return		
	Neutral	April 30, 2004	Eight Months Ended April 30, 2004		Total Attribution (1)
			Benchmark	GEF	
Cash and Cash Equivalents	0.0%	-0.1%	0.68%	0.67%	0.00%
U.S. Equities	25.0%	32.0%	10.69%	10.28%	0.34%
Global Equities	17.0%	22.3%	22.28%	21.75%	0.74%
Equity Hedge Funds	10.0%	10.0%	3.39%	8.84%	0.70%
Absolute Return Hedge Funds	15.0%	11.1%	3.05%	12.03%	0.93%
Commodities	3.0%	3.2%	20.35%	22.65%	0.40%
Fixed Income	15.0%	11.4%	2.73%	6.95%	0.72%
Total Marketable Securities	85.0%	89.9%	9.71%	13.92%	3.83%
Private Capital	15.0%	10.1%	7.85%	8.90%	0.12%
Total Fund	100.0%	100.0%	9.44% (2)	13.39%	3.95%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.





**Public Markets Managers
Investment Performance Detail Summary
April 30, 2004**

UTIMCO Manager Rating:

	positive
	neutral to slightly positive
	neutral (strategy to be reviewed)
	neutral to slightly negative
	negative

From Inception to April 30, 2004
(Returns for Periods Longer Than
One Year are Annualized)

Periods Ended April 30, 2004
(Returns for Periods Longer Than
One Year are Annualized)

Assets Under
Management
(\$ Millions)

One Month Three Months Six Months Eight Months One Year Three Years Five Years Seven Years Ten Years
Inception Date

Manager

NET OF FEES PERFORMANCE (continued)

UTIMCO Manager Rating	Assets Under Management (\$ Millions)	One Month	Three Months	Six Months	Eight Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Inception Date	
International Equities:												
Passive Management:												
	BGI EAFE International Fund vs. MSCI EAFE Net	(2.22)	0.65	12.51	23.21	40.47	0.85	(0.48)	3.99	4.69	6.34 0.25	April 1993
	BGI Emerging Markets Structured Fund vs. MSCI Emerging Markets Free	(8.63)	(3.27)	8.69	19.52	52.22	-	-	-	-	16.64 (0.65)	February 2002
Active Management:												
	BGI International Alpha Tilts vs. MSCI EAFE Net	(2.83)	0.36	12.36	23.29	-	-	-	-	-	23.29 0.22	August 2003
	Capital Guardian Trust Small Cap International vs. Citigroup Extended Market Index World ex U.S.	(0.88)	6.43	18.39	31.24	65.04	6.80	4.16	3.17	-	2.59 (2.16)	December 1996
	International Futures and Exchange Traded Funds vs. MSCI EAFE Net	(1.56)	5.14	-	-	-	(3.28)	(1.59)	(2.65)	-	14.03	November 2003
	Globeflex vs. Citigroup Extended Market Index World ex U.S.	(3.98)	4.28	18.41	-	-	-	-	-	-	18.41	October 2003
	Globeflex Canadian vs. Nesbitt Burns Small Cap Canada	(9.23)	-	-	-	-	-	-	-	-	(9.23)	March 2004
	Globeflex Japan vs. Russell/Nomura Mid-Small Cap Index	(3.52)	-	-	-	-	-	-	-	-	(3.52)	March 2004
	GSAM - Structured International Equity vs. MSCI EAFE Net	(2.34)	0.37	14.56	27.28	39.93	0.76	(0.14)	-	-	1.36	April 1998
	Franklin Templeton vs. MSCI Emerging Markets Free	(5.61)	(2.23)	11.32	23.51	47.69	15.41	4.32	0.78	-	3.00	January 1996
	Oechsle vs. MSCI EAFE Net	(3.46)	0.36	9.80	20.66	46.93	(1.18)	(1.55)	-	-	(6.33) (2.73)	August 2000
Hedge Funds:												
	BGI Global Market Neutral Fund vs. S&P 500 Index	(1.66)	(0.70)	23.77	14.41	23.77	-	-	-	-	26.63 0.22	January 2003
	Arrowstreet Capital 90 Day Treasury Bills Average Yield + 4%	(0.74)	(1.36)	(0.42)	0.80	-	-	-	-	-	(11.84) (16.57)	May 2003
	Blue Ridge vs. 90 Day Treasury Bills Average Yield + 4%	2.88	7.44	-	-	-	-	-	-	-	6.47	January 2004
	Eminence vs. 90 Day Treasury Bills Average Yield + 4%	1.80	3.86	9.90	13.08	-	-	-	-	-	10.88	July 2003
	Indus Asia Pacific 90 Day Treasury Bills Average Yield + 4%	(2.05)	(0.43)	-	-	-	-	-	-	-	3.73	January 2004
	Indus Japan 90 Day Treasury Bills Average Yield + 4%	0.62	11.27	-	-	-	-	-	-	-	11.97	January 2004
	Maverick Fund vs. 90 Day Treasury Bills Average Yield + 4%	0.10	5.13	10.32	11.11	9.79	7.29	11.43	-	-	12.15	August 1998
	OCM Emerging Markets Fund vs. 90 Day Treasury Bills Average Yield + 4%	(0.82)	3.60	8.89	10.44	13.41	-	-	-	-	10.83	January 2002
	SG Partners vs. 90 Day Treasury Bills Average Yield + 4%	(3.71)	(4.68)	(1.20)	1.18	-	-	-	-	-	1.18 (2.23)	September 2003
	Siros Overseas vs. 90 Day Treasury Bills Average Yield + 4%	(0.76)	(2.70)	(1.57)	(0.84)	6.24	-	-	-	-	6.24	May 2003
	Standard Pacific Capital Offshores Fund vs. 90 Day Treasury Bills Average Yield + 4%	1.05	1.99	6.18	7.70	4.40	-	-	-	-	0.33 (4.88)	February 2003



Public Markets Managers
Investment Performance Detail Summary
April 30, 2004

UTIMCO Manager Rating:

positive
neutral to slightly positive
neutral (strategy to be reviewed)
neutral to slightly negative
negative

From Inception to April 30, 2004
(Returns for Periods Longer Than
One Year are Annualized)

Periods Ended April 30, 2004
(Returns for Periods Longer Than
One Year are Annualized)

Assets Under Management (\$ Millions)	One Month	Three Months	Six Months	Eight Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
NET OF FEES PERFORMANCE (continued)											
Absolute Return:											
AQR Offshore	(3.07)	-	-	-	-	-	-	-	-	(2.29)	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(3.40)	-	-	-	-	-	-	-	-	(2.96)	
Bridgewater Pure Alpha (Funded 3/04)	(3.44)	-	-	-	-	-	-	-	-	(0.79)	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(3.77)	-	-	-	-	-	-	-	-	(1.46)	
Farallon Capital Offshore Investors	(0.51)	1.83	8.33	12.08	23.64	13.90	14.93	-	-	13.92	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%	(0.84)	0.83	6.32	9.37	19.40	8.90	8.36	-	-	7.77	
Indus Event Driven	(0.80)	6.34	-	-	-	-	-	-	-	7.78	January 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(0.10)	5.54	-	-	-	-	-	-	-	5.11	
Perry Partners International	1.65	3.64	11.18	15.30	22.25	13.09	16.05	-	-	14.13	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%	(0.53)	2.63	9.16	12.50	18.11	8.10	9.43	-	-	5.10	
Protégé Partners Fund	(0.75)	1.56	5.59	8.15	14.42	-	-	-	-	14.07	February 2003
vs. 90 Day Treasury Bills Average Yield + 3%	(1.09)	0.57	3.57	5.44	10.27	-	-	-	-	1.90	
Satellite Fund	0.24	1.35	6.25	10.16	20.42	6.10	-	-	-	7.29	September 2000
vs. 90 Day Treasury Bills Average Yield + 3%	(0.10)	0.35	3.24	7.45	16.27	1.10	-	-	-	1.41	
Commodities:											
Goldman Sachs Commodity Index	2.95	12.66	23.80	21.45	39.74	-	-	-	-	29.02	June 2002
vs. Goldman Sachs Commodity Index - 100 bps	0.27	0.33	1.21	1.50	2.08	-	-	-	-	1.87	
PIMCO Real Return	(5.10)	7.78	-	-	-	-	-	-	-	7.78	January 2004
vs. Goldman Sachs Commodity Index	(7.85)	(4.82)	-	-	-	-	-	-	-	(4.82)	
Fixed Income:											
Internal - Harland Deak	(2.84)	(0.86)	1.62	4.25	3.45	6.67	-	-	-	6.65	February 2001
vs. Credit Related Composite Index	0.22	0.01	0.08	0.30	0.20	(1.43)	-	-	-	(1.19)	
Internal - Russ Kampfe	(1.81)	(0.29)	1.29	2.43	2.38	4.72	-	-	-	6.83	February 2000
vs. Lehman Brothers Aggregate Bond Index	0.70	0.57	0.01	(0.53)	0.50	(1.93)	-	-	-	(1.29)	
Total Internally Managed Fixed Income	(2.34)	(0.58)	1.46	3.34	2.93	5.65	-	-	-	7.54	
vs. Lehman Brothers Aggregate Bond Index	0.20	0.23	0.21	0.30	0.11	(0.99)	-	-	-	(0.58)	
PIMCO Fixed Income	(1.59)	0.27	5.06	9.59	9.46	10.97	8.11	-	-	7.78	March 1998
vs. Lehman Brothers Global Aggregate Index	0.07	0.36	0.25	0.44	0.15	0.02	0.11	-	-	0.70	

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Reports on PUF and GEF Liquidity Profiles

Developed By: Moeller

Presented By: Boldt

Type of Item: Information Item

Description: The reports presented are for the periods ended April 30, 2004. Pursuant to the Liquidity Policy, the actual Liquidity Profile of the Funds and compliance with the Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. The Funds are in compliance with the policy.

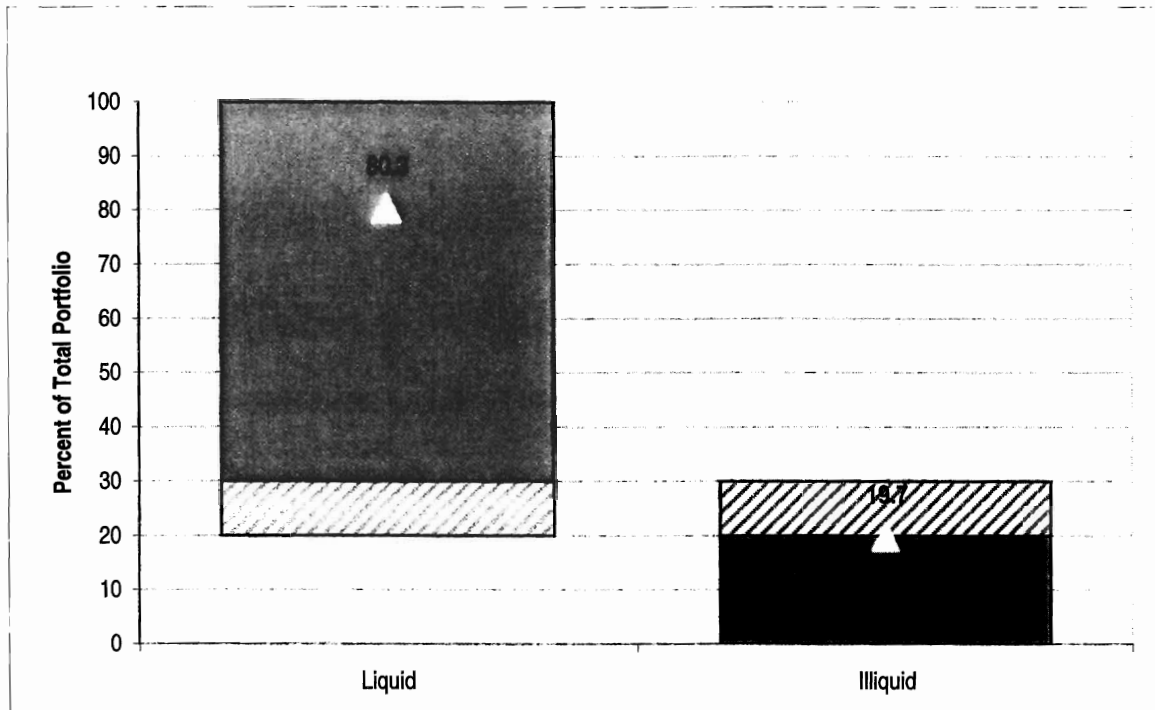
Recommendation: No action required.

Discussion: The Liquidity Committee will review the reports at its May 21, 2004 committee meeting.

Reference: PUF Liquidity Profile
GEF Liquidity Profile
Liquidity Policy

PUF Liquidity Profile

April 30, 2004



Current

	4/30/2004		3/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,381,783,454.28	80.3	6,664,983,122.56	81.0
Illiquid	1,561,929,740.15	19.7	1,568,396,402.41	19.0
	<u>7,943,713,194.43</u>	<u>100.0</u>	<u>7,672,620,364.62</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	4/30/2004		3/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,381,783,454.28	80.3	6,664,983,122.56	81.0
Illiquid	1,561,929,740.15	19.7	1,568,396,402.41	19.0
	<u>7,943,713,194.43</u>	<u>100.0</u>	<u>8,233,379,524.97</u>	<u>100.0</u>

Liquid: Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

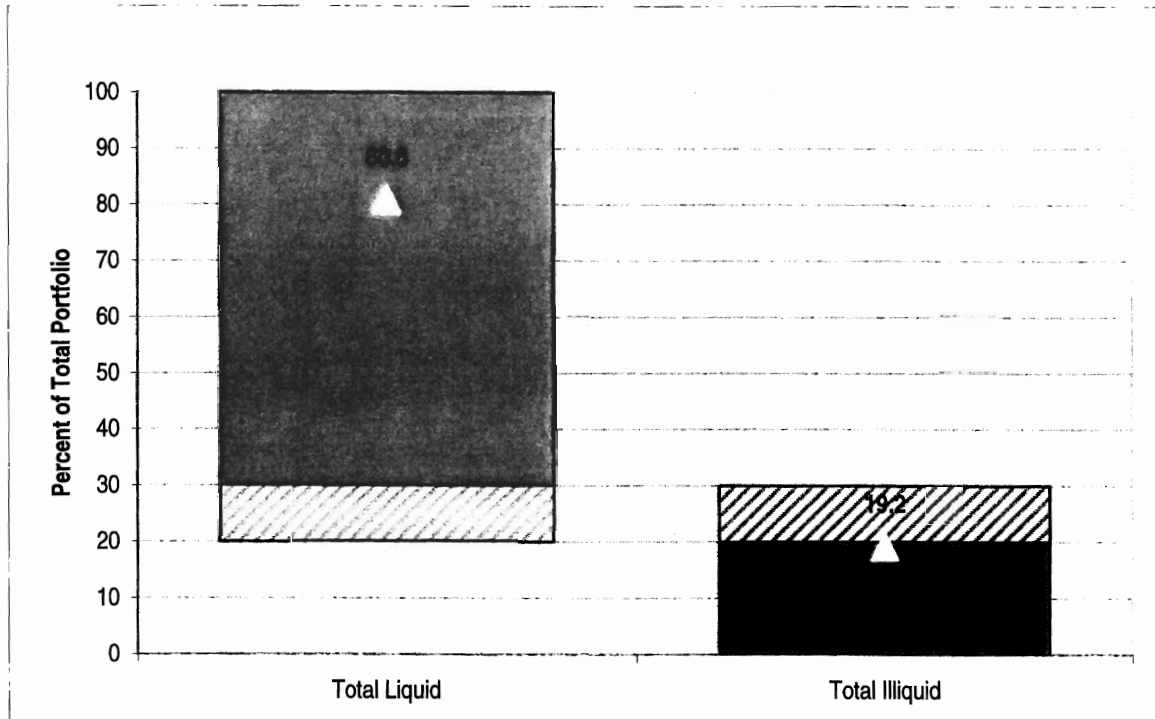
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

I, Ad R. R. L., as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, _____, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

GEF Liquidity Profile

April 30, 2004



Current

	4/30/2004		3/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,398,797,259.00	80.8	3,534,743,558.25	81.4
Illiquid	809,154,594.29	19.2	808,237,853.94	18.6
	<u>4,207,951,853.29</u>	<u>100.0</u>	<u>4,342,981,412.19</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	4/30/2004		3/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,398,797,259.00	80.8	3,534,743,558.25	81.4
Illiquid	809,154,594.29	19.2	808,237,853.94	18.6
	<u>4,207,951,853.29</u>	<u>100.0</u>	<u>4,342,981,412.19</u>	<u>100.0</u>

Liquid: Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

Illiquid: Investments that could be converted to cash in an orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

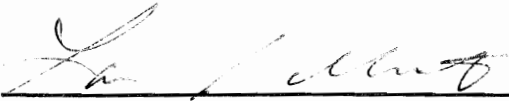
I, Paul V. Kelly, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, _____, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

Liquidity Profile for GEF and PUF

April 30, 2004

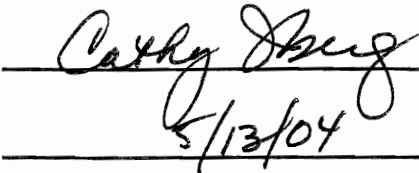
I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have responsibility for.



Larry Goldsmith, Managing Director - Public Markets

5/13/04

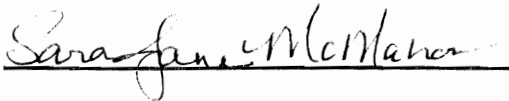
Date



Cathy Iberg, Managing Director - Marketable Alternatives

5/13/04

Date



Sara McMahon, Managing Director - Non-Marketable Alternatives

5/13/04

Date



Trey Thompson, Managing Director - Non-Marketable Alternatives

5/13/04

Date

Illiquid investments approved/delegated or funded since February 29, 2004

	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
<u>Private Equity investments</u>					
PTV Science LP	Feb 2004	\$ 2,750,000.00	\$ 2,250,000.00	\$ -	\$ -
		Additional fundings have been made since February 29, 2004; however, the original commitment of \$25,000,000 total has not been fully funded yet.			
<u>Marketable Alternative investments</u>					
Sirios Overseas	April 2003	\$ 12,500,000.00	\$ 6,500,000.00	\$ 12,500,000.00	\$ 6,500,000.00
		An additional investment was made on 3/1/2004. This additional investment was considered an increase in our investment in Sirios within the allowable ranges established in Investment Policy Statements for Marketable Alternatives.			

Change in investment's liquidity classification since February 29, 2004

None

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Report on Derivative Applications

Developed By: Moeller

Presented By: Boldt

Type of Item: Information Item

Description: The report presented is for the period ended April 30, 2004. Pursuant to the Derivative Investment Policy, UTIMCO staff will make a comprehensive report of all internal derivative applications to the UTIMCO Board on at least a quarterly basis.

Recommendation: No action required.

Discussion: The PUF and GEF have total internal futures net exposure of \$1,030.0 million or 8.5% of the endowment funds. The PUF and GEF have total exchange traded funds of \$170.0 million or 1.4% of the endowment funds.

Reference: Report on Derivative Applications
Derivative Investment Policy

DERIVATIVE APPLICATIONS
April 30, 2004

(Managed by UTIMCO internal management)

U.S. Equity Applications: Select Index Futures and Index-derived ETF's (Exchange Traded Funds)

The purpose of investing in the below proposed vehicles is to adjust or tilt certain fundamental and definable exposures of the U.S. equity asset class in a highly efficient and cost-effective manner. Each of these proposed investments could be accomplished by engaging active management. However, by judiciously employing these passive instruments, UTIMCO will be able to effect size, sector and beta adjustments, in a manner consistent with improving the potential value added of the asset class in general at a much lower cost. The futures are fully collateralized by an underlying cash investment portfolio (the AAA-rated STIF) and are unlevered.

Exposure ¹	Rationale	Vehicle ²
S&P 500 Index	Large Cap Equity Market Exposure	Futures or ETFs
S&P 400 Index	Mid Cap Equity Market Exposure	Futures or ETFs
Russell 2000 Index	Small Cap Exposure	Futures or ETFs
NASDAQ 100 Index	Beta or Technology Exposure	Futures or ETFs
Semiconductor Index	Beta or Semiconductor Industry Exposure	ETFs
Energy Sector Index	Energy Exposure	ETFs
Healthcare Sector Index	Healthcare Exposure	ETFs
Financial Sector Index	Financial Exposure	ETFs
S&P 100 Index	Tilt Size Exposure	ETFs

¹ Multiple derivatives often exist for ETFs replicating the same underlying index exposure.

² Exchange-Traded Funds are exchange-traded single share securities that represent ownership in an underlying index or basket of securities.

Total exposure in S&P 500 Index futures as of April 30, 2004 was \$382.4 million, which makes up 3.2% of the endowment funds.
 Total exposure in S&P 400 Index futures as of April 30, 2004 was \$28.3 million, which makes up .2% of the endowment funds.
 Total exposure in Dow Jones futures as of April 30, 2004 was \$363.2 million, which makes up 3.0% of the endowment funds.
 Total investment in Russell 2000 ETF's as of April 30, 2004 was \$12.3 million, which makes up .1% of the endowment funds.
 Total investment in Dow Jones ETF's as of April 30, 2004 was \$118.2 million, which makes up 1.0% of the endowment funds.
 Total investment in Semiconductor ETF's as of April 30, 2004 was \$12.9 million, which makes up .1% of the endowment funds.

Beginning in January 2004, the endowment funds invested in a dollar-neutral spread trade to lower the beta and benchmark risk of the Domestic Equity portfolio. As of April 30, 2004, the marked-to-market exposure of this trade was long \$925.7 million in a combination of Dow, S&P 500, and NASDAQ futures, and short \$919.9 million in Russell 2000 and S&P 400 futures. This trade has cost effectively rebalanced the Domestic Equity portfolio closer to its benchmark size/volatility composition.

Non U.S. Equity Applications: Select Index, Regional and Country Derivative Instruments

The purpose of investing in the below proposed vehicles is to adjust or tilt certain fundamental and definable exposures of the International Equity asset class in a highly efficient, flexible and cost-effective manner. Some, but not all, of these proposed investments could be accomplished by engaging in active management. However, by judiciously employing these passive instruments, UTIMCO will be able to effect developed vs. emerging, regional, and country exposure adjustments with greater facility, and, in a manner consistent with improving the potential value added of the asset class in general, while at a much lower cost. The futures are fully collateralized by an underlying cash investment portfolio (the AAA-rated STIF) and are unlevered.

Exposures	Rationale	Vehicles
MSCI EAFE Index	Standard Index Exposure	ETFs/Futures
MSCI Emerging Markets Index	Standard Index Exposure	ETFs/Futures
MSCI Regions	Tilt Regional Exposure to non-U.S. Equities	ETFs/Futures/OTC Trades
MSCI Countries	Tilt Country Exposure to non-U.S. Equities	ETFs/Futures/OTC Trades

Total investment in Non U.S. MSCI ETF's as of April 30, 2004 was \$26.6 million, which makes up .2% of the endowment funds.
Total investment in Non U.S. MSCI futures as of April 30, 2004 was \$69.8 million, which makes up .6% of the endowment funds.

Structured Active Management Applications

The purpose of this application is to use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio. Combining passive market exposure with hedge fund investments and cash through Structured Active Management will provide the Funds with an active investment alternative within the U.S. Domestic Active Management asset class sub-category. The futures overlay a position consisting of both hedge investments and cash.

The amount that can be invested in this structured active management application is 5% of the total endowment portfolios.

Our exposure in S&P 500 Equity index futures was liquidated in March 2004.

GSCI Futures

The asset allocation for endowments includes 0% to 5% for Commodities.

Commodity assets include natural resource investments which include oil and gas interests, commodities, and other hard assets .

The Goldman Sachs Commodity Index (GSCI) is purchasable in the form of commodity futures (GSCI futures). The GSCI futures are fully collateralized by an underlying cash investment portfolio (the AAA-rated STIF) and are unlevered. They are highly liquid since they are traded daily on the CME.

Total exposure in GSCI futures as of April 30, 2004 was \$180.5 million, which makes up 1.5% of the endowment funds.

SUMMARY OF DERIVATIVE APPLICATIONS

Futures Exposure (\$ millions)		Percentage Of Endowment Funds
Collateralized by Cash		
S&P 500 Index	\$ 382.4	3.2 %
S&P 400 Index	28.3	0.2
Dow Jones	363.2	3.0
GSCI	180.5	1.5
Non U.S.	69.8	0.6
Collateralized by Hedge Funds and Cash		
S&P 500 Index	-	-
Spread Trade		
Small cap futures	(919.9)	(7.6)
Large/Mid cap futures	925.7	7.6
Total Internally Managed Futures	\$ 1,030.0	8.5 %
Exchange Traded Funds (ETF's) (\$ millions)		Percentage Of Endowment Funds
Russell 2000	\$ 12.3	0.1 %
Dow Jones	118.2	1.0
Semiconductor	12.9	0.1
Non U.S. MSCI	26.6	0.2
Total Internally Managed ETF's	\$ 170.0	1.4 %

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Update on the CORE Fund Strategy

Developed By: Boldt, Reed

Presented By: Boldt

Type of Item: Information Item

Description: The CORE Fund Strategy includes new investment options for Chief Business Officers to use in managing the operating fund assets of UT System Components. This agenda item provides an update on the progress of the development of the CORE Fund Strategy.

Recommendation: No action required.

Discussion: The UTIMCO Board approved further development of the CORE Fund Strategy at the April 8, 2004 Board meeting. An important step in the development of the investment options in the CORE Fund Strategy is to invite recommendations from the Chief Business Officers who will be the ultimate clients of the Strategy. This agenda item presents the results of two meetings held with UT System CBO's and provides a timeline for development of the Strategy.

Reference: April 8, 2004 UTIMCO Board Book



Discussion Items from CBO Advisory Committee Meeting

- Cost of CORE Fund
- Impact of CORE Strategy on the GEF
- Asset Allocation
 - Component Allocation: Current and Potential
 - Asset Allocation Tool
- Communication
- Cost of Weekly Liquidity
- Third Party Review

CORE Fund Strategy Timetable

Date	Functional Area	Resp.	Activity
April 8, 2004	Executive, Risk Management	Bob, Andrea	Presentation of Core Fund Strategy at UTIMCO Board Meeting
May 4, 2004	Executive	Bob	1 st meeting of the CBO Advisory Committee
May 11, 2004	CORE Strategy Team		2 nd meeting of the CBO Advisory Committee
May 11, 2004	Risk Mgmt	AVR	Preliminary liquidation threshold and phase-in schedule determined
Summer 2004	Investments	Russ	UT System and UTIMCO begin discussions with Rating Agencies about impact of CORE Fund Strategy on credit ratings (UT System contacts: Philip Aldridge and Terry Hull)
Summer 2004	Cambridge Associates		Independent research and review of CORE Fund
August 2004	Cambridge Associates		Final report due from Cambridge Associates
Late August - Early September 2004	CORE Strategy Team		3 rd meeting of the CBO Advisory Committee
September 2004	Accounting/ Reporting	Joan	UTIMCO Board approval of IMSA with changes related to management of the additional funds
September 2004	CORE Strategy Team		UTIMCO Board approval of Core Fund including investment policies, Derivative Policy, Liquidity Policy and a preliminary draft of the Swap Agreement
October 2004	Accounting/ Reporting	Joan	CBOs provide estimate of allocation of operating balances to funds
October 2004	Accounting/ Reporting	Joan	Medical liability committee determines where to invest current balance in SITF
Fall 2004	Investments	Larry, Cathy	Managing Directors begin the process of identifying managers
Fall 2004	Info Technology	Bill	Develop Component interface to transact trades and review activity and balances

November 2004	CORE Strategy Team		Board of Regents approve three funds in the Core Fund Strategy, Liquidity Policy, Investment Policy Statements, and IMSA
December 2004/January 2005	Investments	Larry, Cathy	Managing Directors hire new or existing managers. Contracts signed and/or amended. Deadline for manager hires, 11/01/04.
December 2004/January 2005	Info Technology	Bill	Components trained on interface
January 2005	Accounting/Reporting	Joan	Accounting works with Mellon to open accounts and prepare for funding of managers and new Funds
January 2005	Investments	Larry, Cathy	Determine if any securities to be transferred to new Funds
February 1, 2005	CORE Team		Initial funding of Core Funds
TBD	CORE Team		Phase-In Period 1 complete
TBD	CORE Team		Phase-In Period 2 complete
TBD	CORE Team		Phase-In Period 3 complete
TBD			Final funding of Core Funds

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Client Satisfaction Survey

Developed By: Lee, Boldt

Presented By: Boldt

Type of Item: Information Item

Description: The Client Satisfaction Survey has been designed to illicit frank, anonymous input from UTIMCO clients throughout the UT System and Texas A&M System. The Survey responses will be collected via internet through a third-party data collection firm, and tabulated results will be available to UTIMCO.

Recommendation: No action required.

Discussion: One of our three primary goals at UTIMCO is to receive high satisfaction scores from our clients in investment skill, innovation, and client communications. A client satisfaction survey was conducted in February, 2003 to measure our success in meeting this primary goal. The Client Survey form attached is the form we intend to use to get an update on our recent progress in meeting this goal. We plan to send this form electronically to more than 500 clients in the UT and Texas A&M Systems. Responses will be tabulated by KeySurvey and provided to UTIMCO in aggregate format to maintain confidentiality. Preliminary Survey results should be available by the July 15, 2004 UTIMCO Board meeting; final results should be available by the end of August, 2004. The Client Survey form is being provided for your information and to get your suggestions.

Reference: 2003 UTIMCO Client Survey



THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

UTIMCO Client Satisfaction Survey

We continue our strong commitment to providing our clients with the best products, services, and information. Your response and evaluation is especially important. We thank you in advance for your time.

To ensure confidentiality, we have contracted with an outside service provider (KeySurvey) to gather and compile the data. Findings from this survey will be presented in summary form only. All individual responses will remain strictly confidential.

The following questions provide an opportunity to evaluate and comment on your overall satisfaction with UTIMCO as your investment manager:

Please pick one of the answers below.

Overall, I would rate UTIMCO as:

- One of the Top Endowment Managers in the U.S.
- Above Average
- Average
- Below Average
- One of the Worst Endowment Managers in the U.S.

Please mark the corresponding circle - only one per line.

Please rate your overall satisfaction with UTIMCO.

	Extremely Satisfied	Very Satisfied	Satisfied	Not Fully Satisfied	Dissatisfied
Knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professionalism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability / Accessibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Responsiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall Satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

How would you answer the following questions about UTIMCO:

	Strongly Agree	Agree	Disagree	Strongly Disagree
UTIMCO has a skilled, experienced, and effective Investment Staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The UTIMCO Investment Staff has been responsive to the particular needs of my organization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understand how Endowment Distributions are determined in the UT System	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know how UTIMCO has performed relative to other Endowment Funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

Please rate the Quality of Personal Service you receive?

	Superior	Very Good	Good	Fair	Poor	N/A
In Person	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
By Mail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
By Email	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
By Telephone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

Do you feel your questions are answered:

	A	B	C	D	E	F
Timely	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Correctly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professionally	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Legend for Rank Grid table: Do you feel your questions are answered:

Columns:

- A - Always
- B - Almost Always
- C - Usually
- D - Sometimes
- E - Never
- F - N/A

Please mark the corresponding circle - only one per line.

How would you rate UTIMCO's management of Endowment Funds?

	Exceptional	Above Average	Average	Below Average	Poor
Investment Skill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Communication and Client Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

How would you rate UTIMCO's management of Operating Funds?

	Exceptional	Above Average	Average	Below Average	Poor
Investment Skill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Communication and Client Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please write your answer in the space below.

The things I would most like to change about the way UTIMCO manages the Operating Funds are:

.....

.....

.....

.....

Please check all that apply.

The following Terms best describe UTIMCO:
(Choose the 5 most relevant)

- Creative
- Skilled
- Aloof
- Secretive
- Helpful
- Accessible
- Concerned
- Innovative
- Arrogant
- Professional
- Responsive
- Outdated
- Friendly
- Leader
- Careful
- Out of Touch
- Follower
- Decisive
- Timid
- Sloppy
- Timely
- Remote
- Stodgy
- Savvy

Please use the blank space to write your answers.

What are UTIMCO's:

Strengths

.....

Weaknesses

.....

Please write your answer in the space below.

List specific suggestions and comments that may help improve or enhance the value of services provided by UTIMCO.

.....

.....

.....

.....

Now a few questions about UTIMCO publications:

Please check all that apply.

Which UTIMCO publications have you used? (Check all that apply)

- Annual Report
- FAQ Brochure (Frequently Asked Questions)
- PUF Report (Permanent University Fund)
- LTF Report (Long Term Fund)
- Component Stories

Please mark the corresponding circle - only one per line.

Did you find the New Annual Report Format:

	Always	Often	Sometimes	Rarely
Easy to Read	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Useful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Complete	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accurate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

What parts of the the Annual Report do you find most useful?

	Extremely Useful	Very Useful	Useful	Somewhat Useful	Not Useful
FAQ Brochure (Frequently Asked Questions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
LTF Report (Long Term Fund)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PUF Report (Permanent University Fund)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Component Stories	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please write your answer in the space below.

Is there any other information you would like included in the Annual Report?

.....

.....

.....

.....

Please pick one of the answers below.

Did you send out the Annual Report to donors?

- Yes
- No

Now a few questions about the UTIMCO Websites and Specialized Reporting Modules:

Please mark the corresponding circle - only one per line.

How often do you use the various specialized UTIMCO websites?

	More than 3 Times a Month	2-3 Times a Month	Once a Month	Less than Once a Month	I haven't used the websites
Main UTIMCO Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
UTIMCO Board Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regents Room Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CBO Report Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development Officer Report Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mark the corresponding circle - only one per line.

Please rate these UTIMCO websites. The websites are:

	Agree Strongly	Agree	Somewhat Agree	Disagree
User Friendly and Easy to Navigate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provides Useful Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contains Timely Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please use the blank space to write your answers.

What do you.....

....like about the sites?

.....

....dislike about the sites?

.....

Please write your answer in the space below.

What additional information would you like to see available on the websites?

.....
.....
.....
.....

Please pick one of the answers below.

How often do you use the Component Reporting Information System (CRIS)?

- Daily
- Weekly
- Once a Month
- Less than Once a Month
- Haven't Used

Please mark the corresponding circle - only one per line.

Please rate your satisfaction with CRIS:

	Extremely Satisfied	Very Satisfied	Satisfied	Not Fully Satisfied	Dissatisfied
Provides Useful Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
User Friendly and Easy to Navigate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accuracy of Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Timeliness of Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall Satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please use the blank space to write your answers.

What do you:

Like Most about CRIS?

.....

Like Least about CRIS?

.....

Please write your answer in the space below.

What additional information would you like to see provided on CRIS?

.....
.....
.....
.....

Now a few questions about the Endowment Reporting Module:

Please pick one of the answers below.

How often do you use the Endowment Reporting Module?

- Daily
- Weekly
- Once a Month
- Less than Once a Month
- Haven't Used

Please mark the corresponding circle - only one per line.

Rate your satisfaction with the Endowment Reports.

	Extremely Satisfied	Very Satisfied	Satisfied	Not Fully Satisfied	Dissatisfied
Timely	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Useful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accurate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall Satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please write your answer in the space below.

What suggestions do you have to improve the Endowment Reporting?

.....

.....

.....

.....

Please mark the corresponding circle - only one per line.

As a means of getting information about UTIMCO's management of the Operating and Endowment Funds, I rate the following:

	Very Useful	Useful	Not Useful	I Never Use
UTIMCO Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CBO Report Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development Officer Report Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
UTIMCO Annual Report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quarterly Investment Report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monthly UTIMCO Newsletter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Telephone Conversations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Visits by UTIMCO Staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Group Presentations by UTIMCO Staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Component Reporting Information System (CRIS)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Update on UTIMCO's venture capital strategy.

Developed By: UTIMCO Staff

Presented By: McMahon /Thompson

Type of Item: Information Item

Description: Presentation and discussion of UTIMCO's strategic efforts to increase exposure to venture capital and take advantage of current market opportunities.

Recommendation: No action required.

Discussion: Venture capital currently represents 1.5% of the endowments (relative to a 6% target allocation). Given attractive current market fundamentals, the staff is targeting specific strategies to increase the endowments' venture capital exposure closer to the 6% target.

Reference: None



**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

Update on UTIMCO's Venture Capital Strategy

Efforts to Increase Exposure and Target Top-Tier Firms

May 26, 2004



Presentation Overview

- Target allocations for Non-Marketable Alternatives
- Actual allocations as of 2/29/04
- Current venture capital industry fundamentals
- Competitive landscape for investors like UTIMCO
- Potential tactics for increasing venture exposure
- Conclusions



Target allocations for Non-Marketable Alternatives

- UTIMCO Staff, Board, and the Regents recently affirmed the 15% target allocation for Non-Marketable Alternatives
 - 9% for U.S. and European buyouts, distressed debt, and opportunistic funds
 - 6% for U.S. venture capital
- Allocations are consistent with UTIMCO's focus on value added investing
- Private equity assets provide return and diversification benefits to a large portfolio



Actual allocations as of 2/29/04

- Endowments have achieved their target private equity allocation, but remain under-allocated to venture capital

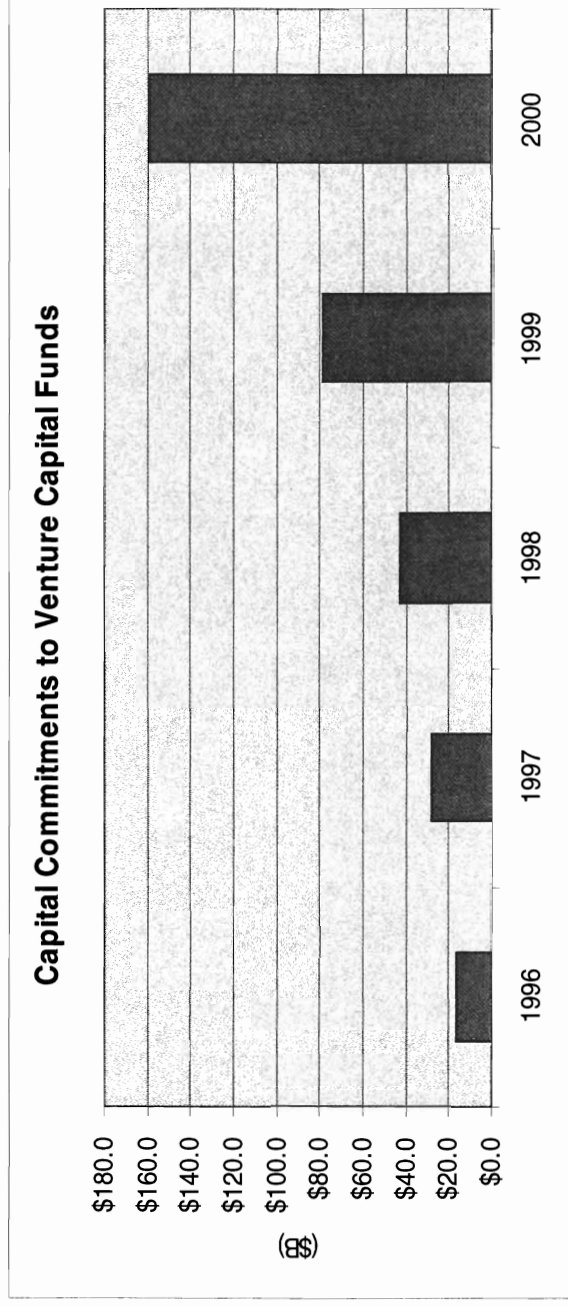
(\$MM)	Actual (as of 2/29/04)	Current Target	Change
VC Market Value	\$173	\$748	\$575
% of PUF/GEF	1.4%	6.0%	Over 4x
PE Market Value	\$1,130	\$1,122	(\$8)
% of PUF/GEF	9.1%	9.0%	--

- Conclusion: Staff needs to increase venture exposure to meet targets
 - \$254.6 million of unfunded commitments will help bridge the gap, however...
 - Staff will have to make additional commitments to reach 6% target



Current venture capital industry fundamentals

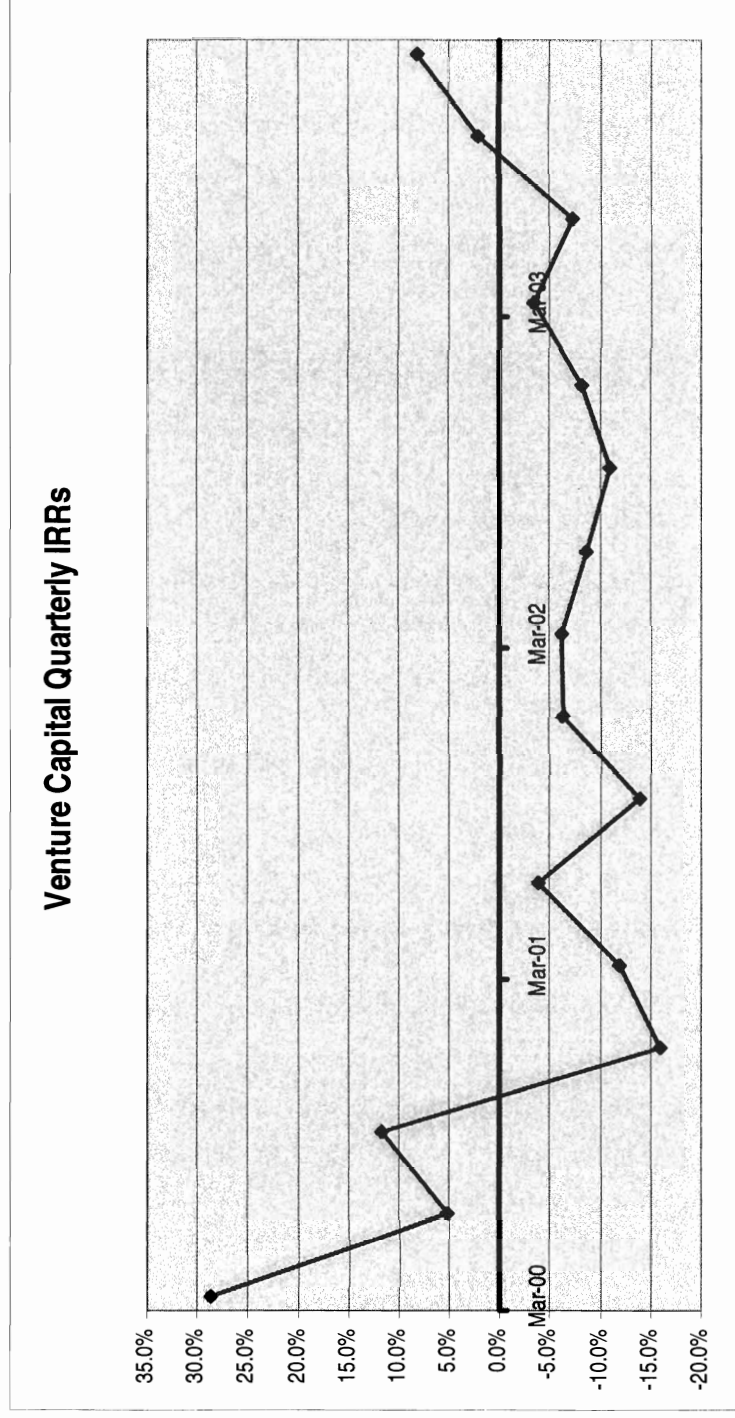
- Venture capital firms generated enormous returns for investors in the late 1990s
 - 1996 median return: 36%
 - 1996 top quartile return: 96%
- These returns attracted significant amounts of new capital to the asset class, reaching a peak of \$158 billion in 2000





Current venture capital industry fundamentals

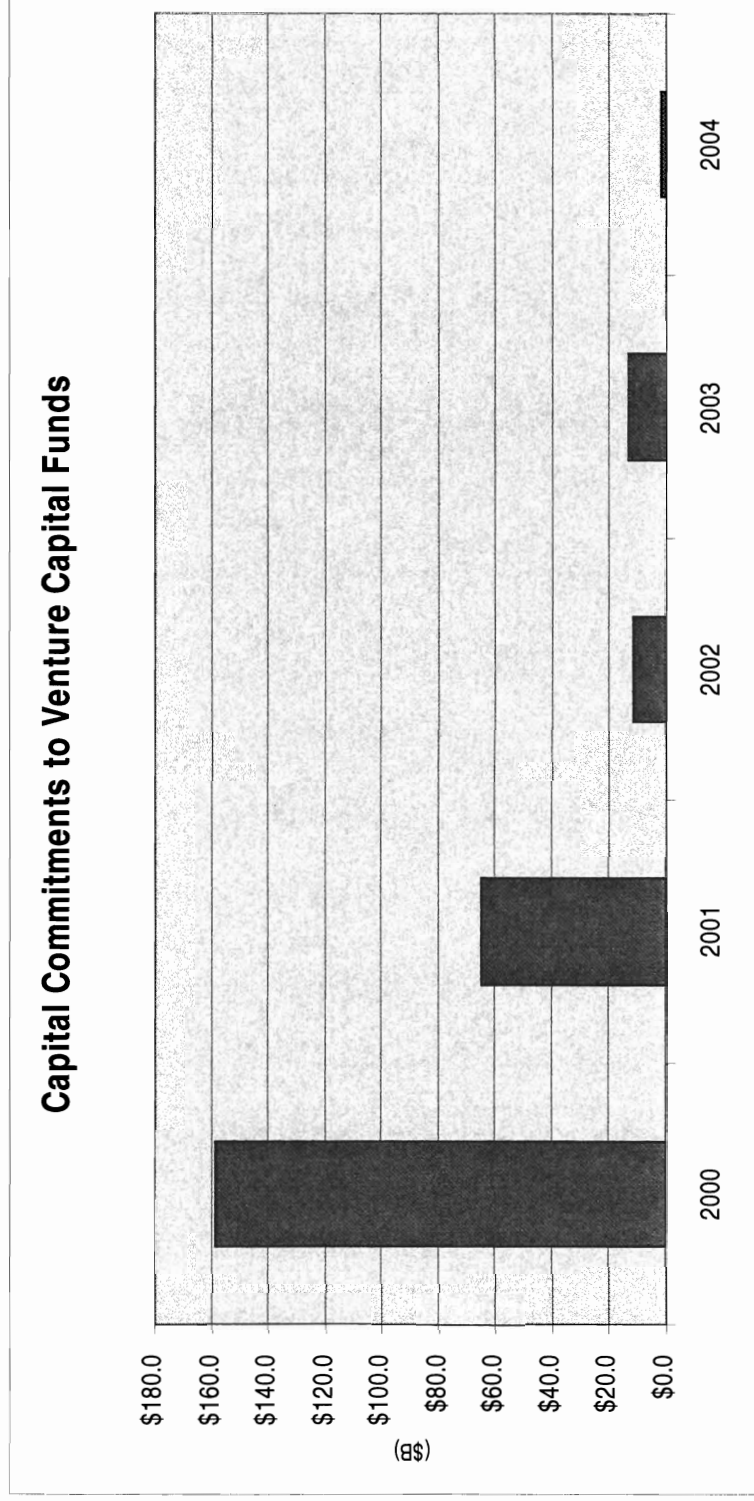
- Then the Bubble Burst





Current venture capital industry fundamentals

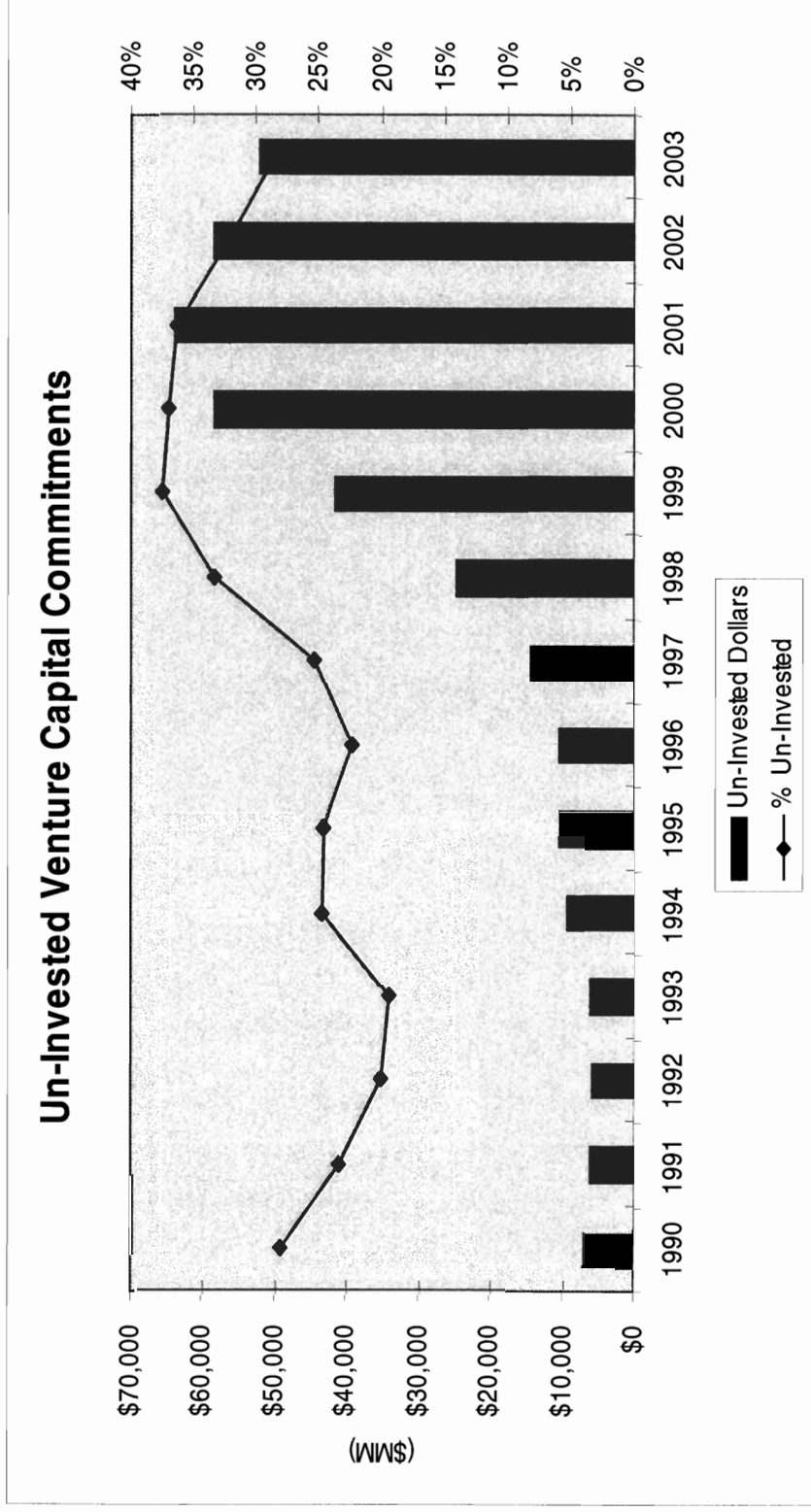
- As a result, the venture capital market contracted...





Current venture capital industry fundamentals

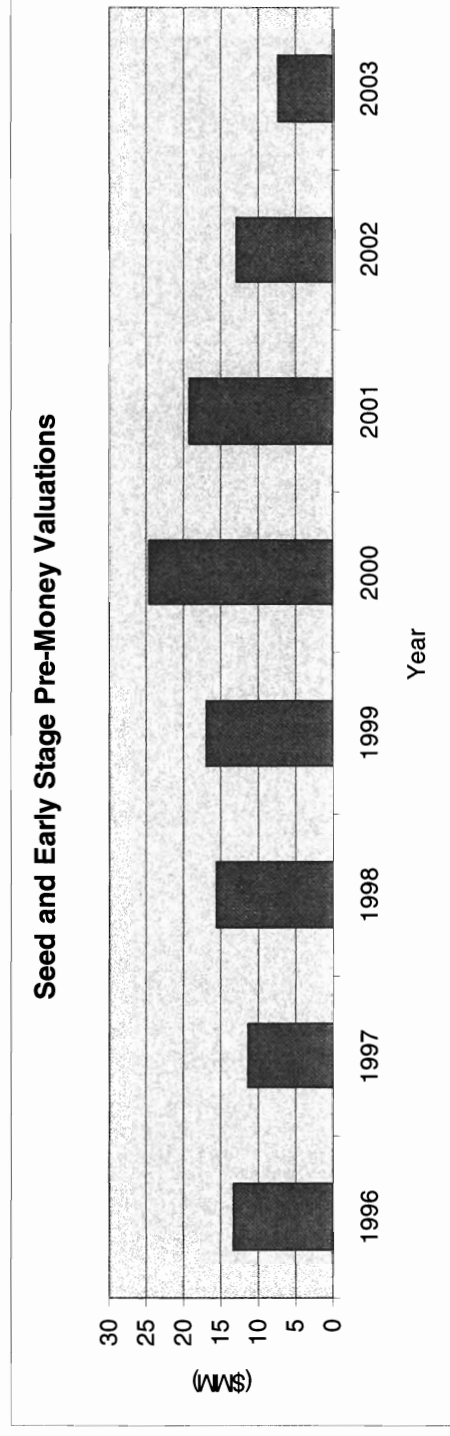
- ...And the capital “overhang” has slowly decreased





Current venture capital industry fundamentals

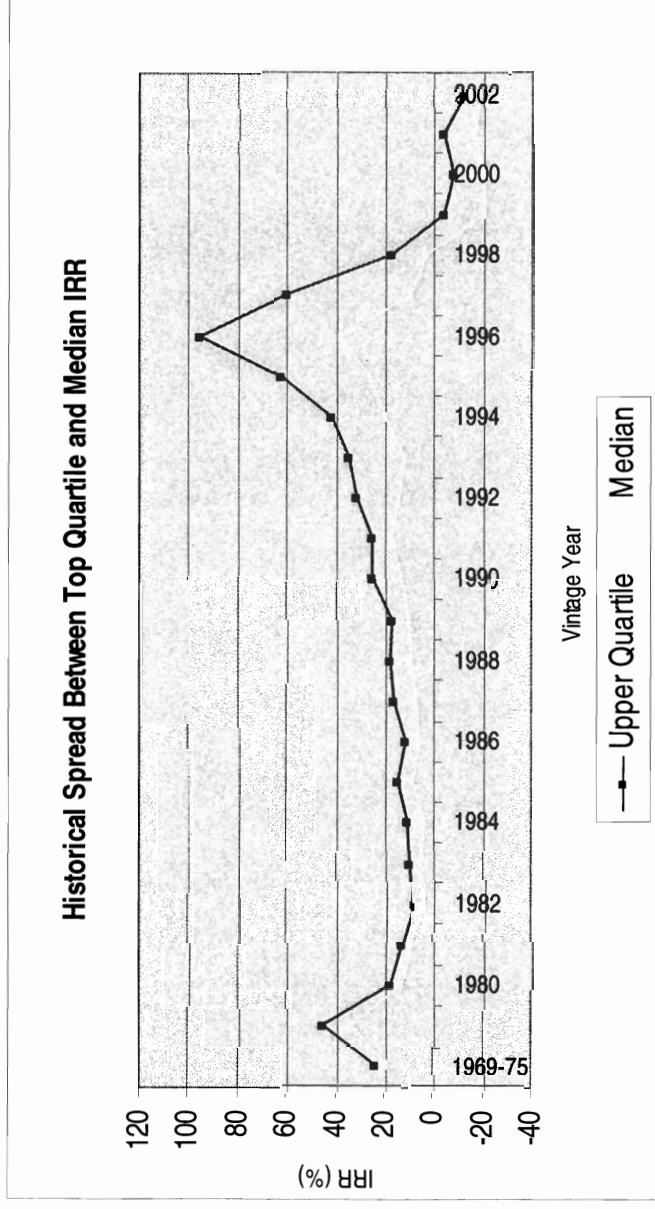
- Valuations are now at their lowest levels in years
- In summary, the current fundamentals support an increase in exposure to venture capital investments
 - Overhang is going away
 - Valuations are low
 - Innovation and entrepreneurship will continue





Competitive landscape for investors like UTIMCO

- To increase venture capital exposure, staff will target funds that can generate top quartile returns
- The average historical spread between median and top quartile is 1478 basis points





Competitive landscape for investors like UTIMCO

- However, competition for top funds will be intense
 - Fund sizes will shrink
 - Austin Ventures VIII was \$1.5 billion...Austin Ventures IX could be \$500 million
 - Existing LPs will fight for allocations and new LPs will compete for openings
 - Existing institutional investors are increasing their allocations
 - State pension funds- CalPERS
 - Corporate funds- GM
 - New investors are entering the market
 - State pension funds- Maryland and North Carolina
 - International investors from Europe and Asia
 - The Big Question- How will large competitors approach the market?
 - A: Supply of capital overwhelms the market- Bubble #2
 - B: Big investors refrain from entering market- equilibrium persists



Competitive landscape for investors like UTIMCO

- Disclosure of fund level performance continues to gain acceptance within the VC community, albeit slowly
 - A handful of other LPs are now disclosing
 - GPs are gaining comfort that portfolio company data will not be disclosed
 - However, some funds will likely exclude UTIMCO for FOIA reasons
- Summary:
 - Industry fundamentals support additional venture commitments
 - Competition for top quality firms will be intense
 - To gain exposure to best venture opportunities, staff will have to use creative tactics and monitor supply and demand dynamics



Potential tactics for increasing venture exposure

- Primary commitments
- Secondary purchases
- Fund-of-funds commitments
- Swap arrangements



Potential tactics for increasing venture exposure

- Primary commitments
 - Traditional commitments to new venture partnerships
 - \$10-\$50 million commitments to new or existing relationships
 - Deal flow remains strong- staff sees 80-100 VC opportunities per year
 - Staff is actively marketing UTIMCO to top firms to gain access
 - Opportunity to re-invest with existing relationships (albeit for a smaller pro rata share)
 - Benefits
 - Execution is straightforward
 - Staff and UTIMCO Board are familiar with the process
 - Drawbacks
 - 3-5 year investment cycle provides a gradual increase in VC exposure
 - Competition for top funds is intense



Potential tactics for increasing venture exposure

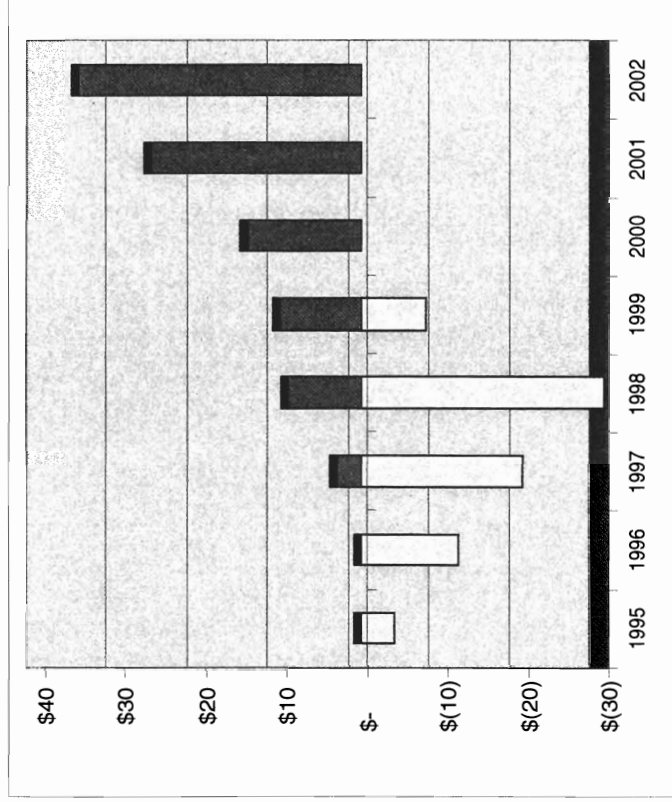
- Secondary purchases
 - What is a secondary interest?
 - Just another LP interest in an existing VC fund
 - UTIMCO would purchase existing holdings and make future capital calls
 - Sellers include corporations, financial institutions, and HNW individuals
 - Reasons for sales: liquidity needs and portfolio re-balancing
 - Benefits
 - Immediate increase in VC exposure for UT funds
 - Good visibility into the value of assets being purchased
 - Can often purchase LP interests at a discount to NAV
 - Buying mid-way into partnership life cycle can enhance IRR by 200-300 bps
 - Drawbacks
 - Logistical challenges: GP approval of transfer; right of first offers
 - Secondary firms have raised significant capital to exploit secondary opportunities



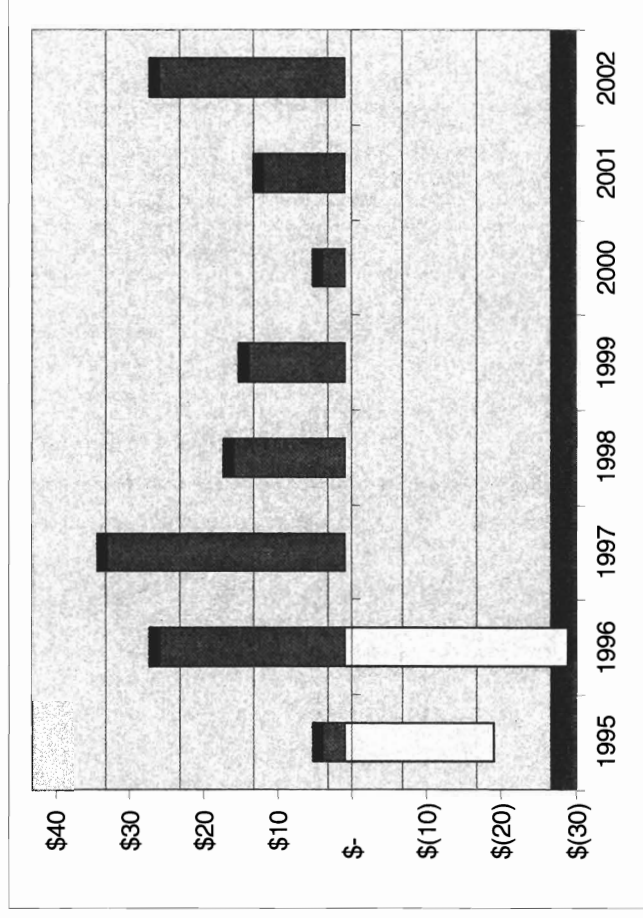
Potential tactics for increasing venture exposure

- Cash flow characteristics of secondary interests

Typical Primary Partnership Interest



Typical Secondary Partnership Interest



Contributions □

Distributions ■



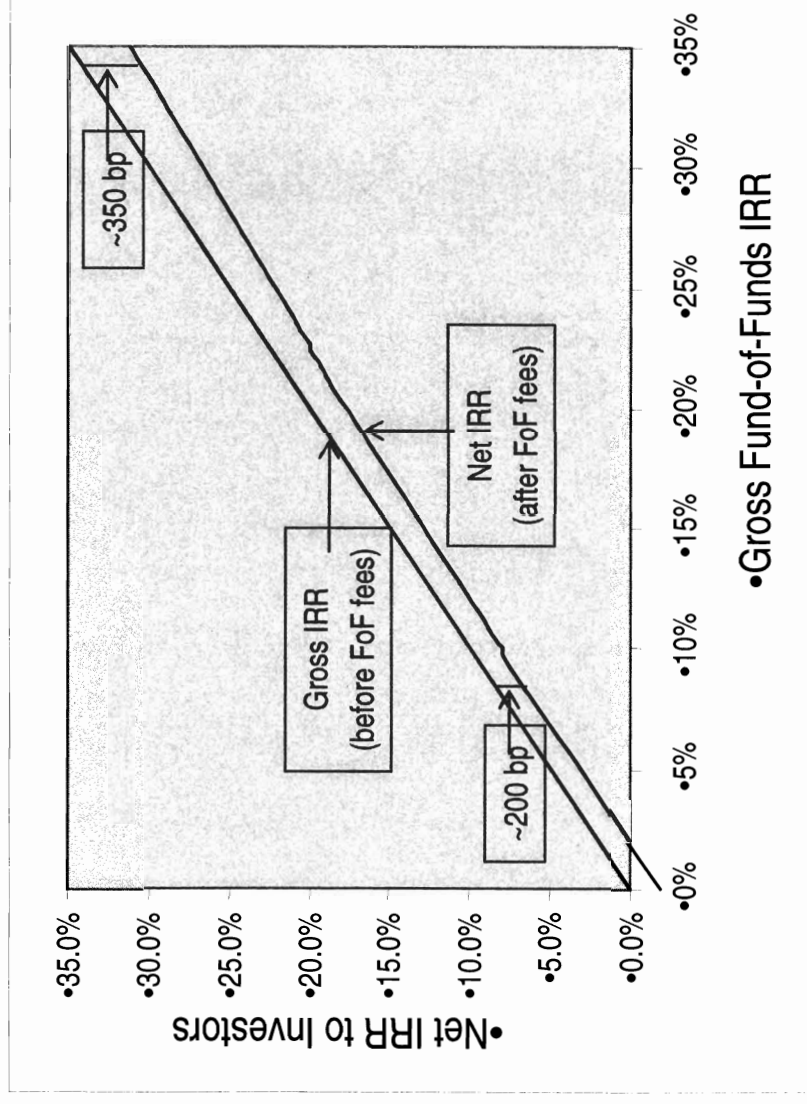
Potential tactics for increasing venture exposure

- Fund-of-funds commitments
 - What is a fund-of-funds?
 - A partnership formed to invest in other partnerships
 - Benefits
 - LPs can gain exposure to top-tier VC firms that they would not otherwise access
 - In some instances, LPs can create a “pre-approved list” of target top-tier firms
 - Fund-of-funds can serve as entry point for future primary access
 - Fund-of-funds can be efficient vehicles for accessing small LP interests
 - Drawbacks
 - Extra layer of management fees- 50-100 basis points
 - Extra layer of carried interest- usually 5% of profits



Potential tactics for increasing venture exposure

- What is the impact of the extra layer of management fee and carried interest on a fund-of-funds' IRR?





Potential tactics for increasing venture exposure

- Swap arrangement
 - What is a swap?
 - Transaction between 2 parties wherein one party would agree to pay the other a venture capital return in exchange for receiving a fixed income return
 - Staff is exploring possibilities with investment banks and other intermediaries
 - Benefits
 - Immediate and quantifiable VC exposure
 - Can be structured for a specific time period (2-3 years instead of 10 years)
 - Potentially a “liquid” vehicle
 - Drawbacks
 - New structure makes it difficult to find the counterparty
 - Counterparty risk
 - Price could be prohibitive



Potential tactics for increasing venture exposure

- Potential Swap Arrangements
 - Total Return Swap
 - UTIMCO enters into a swap with another institution that has a high quality venture capital portfolio
 - UTIMCO pays the counterparty a fixed income return plus a spread
 - The counterparty pays UTIMCO its venture capital portfolio return
 - Issues: Swapped VC portfolio needs to be evaluated; shorter-term swap arrangements less attractive; limited potential counterparties
 - Cash Flow Swap
 - UTIMCO enters into a swap with a counterparty
 - UTIMCO pays the counterparty a fixed income return plus a spread
 - The counterparty pays UTIMCO the return on the Venture Economics Index
 - Issues: Difficult to hedge against the Venture Economics Index



Potential tactics for increasing venture exposure

- Strategy: Employ a combination of tactics to increase exposure

(\$MM)	Low End	High End
Existing Unfunded Commitments	\$50	\$150
Primary Commitments	\$150	\$300
Secondary Purchases	\$0	\$50
Fund of Fund Commitments	\$0	\$100
Swaps	\$0	\$150
Total	\$200	\$750

- Staff will always focus on quality before quantity
 - Will not add exposure solely to achieve 6% target
 - Incentives are tied to achieving returns that out-perform the market

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
May 26, 2004

Agenda Item: Presentation on the Marketable Alternatives program

Developed By: Iberg, Myers, and Mandeville

Presented By: Iberg

Type of Item: Information Item

Description: This agenda item presents an overview of the current status of the Marketable Alternatives investment program.

Recommendation: No action required

Discussion: The Marketable Alternatives investment program currently includes approximately \$2,520 million in endowment assets, which is approximately 21% of the total endowment. Since the program's inception in August 1998, the Marketable Alternatives portfolio has generated superior risk-adjusted returns, consistently outperforming key equity and fixed income benchmarks. A crucial element of the Marketable Alternatives' success has been the ability to identify and select top-quartile managers through a comprehensive and thorough due diligence process. This due diligence process becomes more important as the hedge fund industry experiences rapid asset growth. Going forward, the Marketable Alternatives team will continue to place emphasis on the stability and alpha-generation capabilities of its managers.

Reference: None



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Marketable Alternatives (“MA”) Program

Overview of Hedge Fund Industry



Hedge Fund Industry Growth

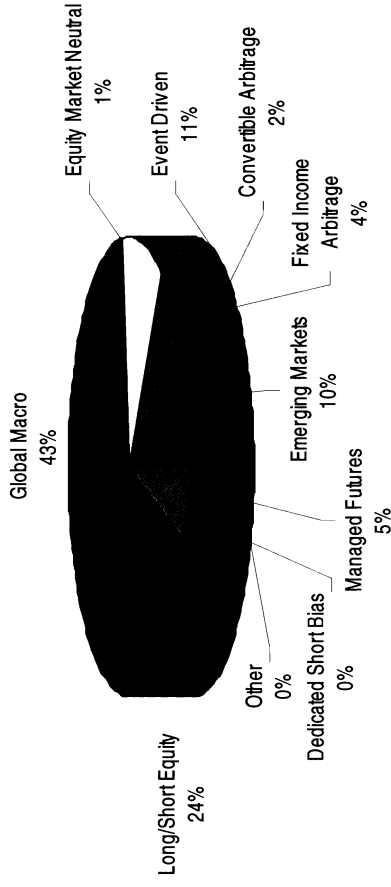
- Remarkable flow of assets into hedge funds
 - Tremont TASS Research estimated inflows of \$72 billion in 2003, bringing the estimate for total hedge fund industry assets to \$750 billion
 - One of the factors deemed to be perpetuating this growth is the “continued growing involvement by institutional investors around the globe” (Tremont TASS)
- 6,000+ hedge funds
 - Many struggling to raise assets and/or not qualified as portfolio managers
 - High failure rate
- Compression of Returns
 - Good shorts may be more difficult to find, crowd quickly
 - Strategies may be supply constrained as many firms chasing too few deals. Strategies most at risk are event driven, distressed debt, and convertible bonds
 - Asset size may constrain return (strategy and opportunity dependent)
 - Limited attractive market opportunities – spreads in market place are not available
- Important to hire disciplined managers



Hedge Fund Industry Composition

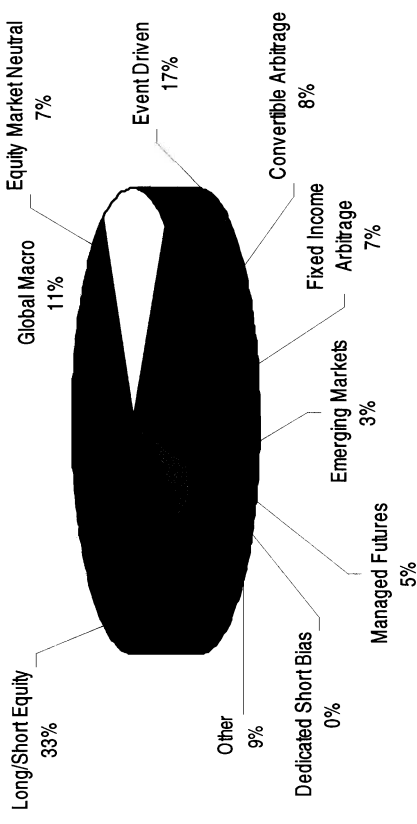
The composition of hedge fund assets tracked by Tremont TASS has become increasingly more diversified, as depicted in the pie charts below. In 1993, the majority of hedge fund assets were focused on global macro strategies. Today, long/short equity strategies dominate industry assets.

1993



Total Hedge Fund Assets
\$49,954 million

2003



Total Hedge Fund Assets
\$489,526 million

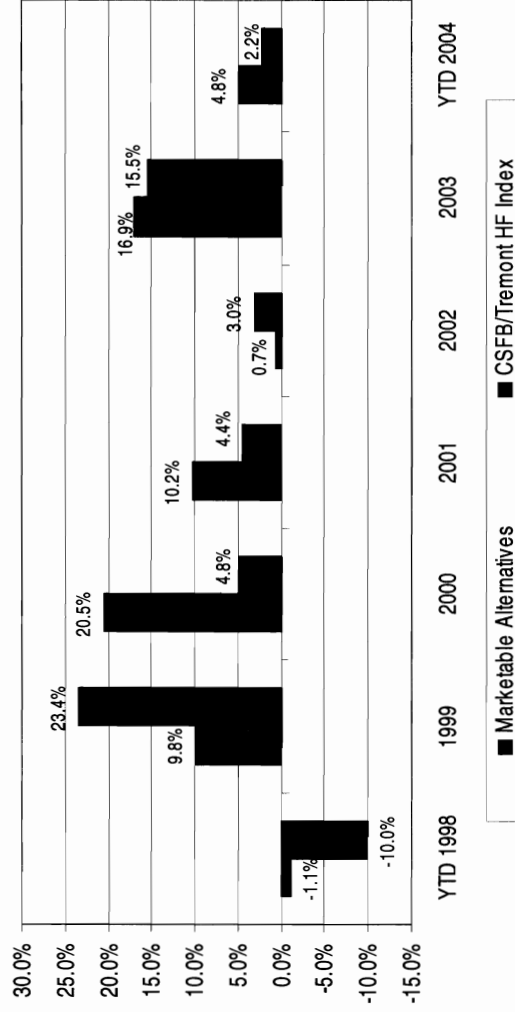
Source: Tremont TASS Research



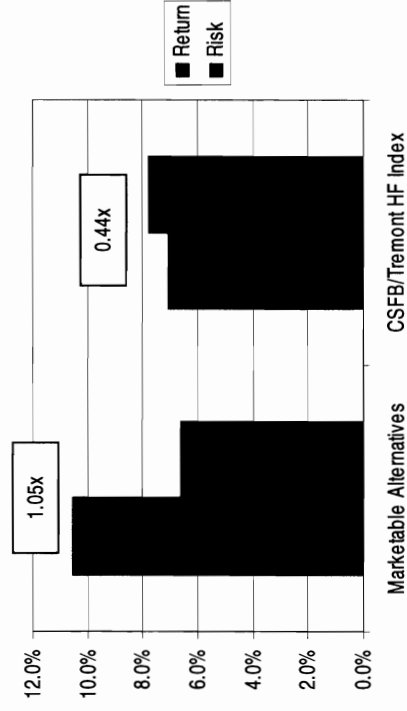
Performance Comparison

Since inception in August 1998, the MA hedge fund portfolio has outperformed the CSFB/Tremont Hedge Fund Index on both an absolute return basis and on a risk-adjusted basis. The annual return comparison also shows the MA program's ability to generate significant returns on the upside, while preserving capital on the downside.

Annual Return Comparison



Risk/Return Profile and Sharpe Ratios





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Marketable Alternatives Program

Portfolio Composition and Performance Characteristics

May 26, 2004



Marketable Alternative Program Overview

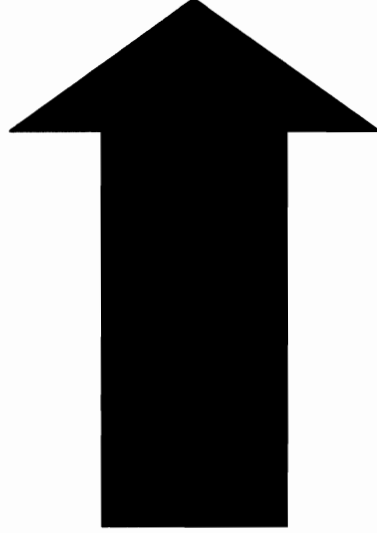
- \$2,520 million in total assets
- Represents 21% of PUF and GEF endowment assets
- Program's success is predicated on:
 - Portfolio construction, to diversify managers and strategies
 - Comprehensive due diligence
 - Selection of high quality managers; qualitative factors are stressed
 - Understanding manager's strategy and portfolio characteristics
 - Performance and risk monitoring
- Since the program's inception in August 1998, the Marketable Alternatives portfolio has generated superior risk-adjusted returns, consistently outperforming key equity and fixed income benchmarks



Marketable Alternative Program Overview

Allocation of Capital

Calendar Year	(\$ in millions)
1998	\$275.5
1999	\$9.6
2000	\$601.0
2002	\$100.0
2003	\$620.0
2004 YTD	\$216.5
Total	\$1,822.1



Current Value
\$2,520 million



Marketable Alternative Program Overview

- As of April 30, 2004, Marketable Alternatives had 18 hedge fund investments
- 77% allocated to 6 core managers:
 - Maverick Capital = 20.5% (equity hedge, global long/short equity)
 - Perry Partners, Farallon Capital, and Satellite = 40.3 % (absolute return, multi-strategy funds)
 - Protégé Partners = 7.9% (absolute return, fund of hedge funds)
 - BGI Global Market Neutral = 7.9% (absolute return, market neutral strategy)
- 19% allocated to various long/short equity managers (9 managers) (emerging markets, Asia, technology, domestic and global long/short equity managers)
- 4% allocated to global multi-strategy absolute return managers (3 managers)



Marketable Alternative Program Overview

- **Future Allocations of Capital**
 - Continue to allocate capital around core managers
 - Add sector funds
 - Increase allocations opportunistically to existing managers if desired
 - Downsize and terminate managers if warranted
 - Continue to diversify manager base over time
 - Opportunistically rebalance manager composition



Current and Pro Forma MA Portfolio

Current

	NAV	% MA	% UTIMCO
Equity Hedge			
Maverick	\$516.1	20.5%	4.3%
BGI Global Market Neutral	\$196.1	7.8%	1.6%
Sirios	\$71.7	2.8%	0.6%
Standard Pacific	\$50.2	2.0%	0.4%
Eminence	\$54.5	2.2%	0.5%
SG Partners	\$50.6	2.0%	0.4%
Blue Ridge	\$95.8	3.8%	0.8%
Arrowstreet	\$35.3	1.4%	0.3%
OCM	\$82.8	3.3%	0.7%
Indus Asia Pacific	\$25.9	1.0%	0.2%
Indus Japan	\$22.4	0.9%	0.2%
Absolute Return			
AQR	\$39.1	1.6%	0.3%
Bridgewater	\$39.7	1.6%	0.3%
Farallon	\$362.1	14.4%	3.0%
Perry	\$412.7	16.4%	3.4%
Indus Event Driven	\$21.6	0.9%	0.2%
Satellite	\$246.8	9.8%	2.0%
Protégé	\$197.2	7.8%	1.6%
Total Current MA	\$2,520.5	100.0%	20.8%

Pro Forma

	NAV	% MA	% UTIMCO
Equity Hedge			
Brahman Partners	\$100.0	3.4%	0.8%
Everglades Fund	\$100.0	3.4%	0.8%
The Raptor Global Fund	\$100.0	3.4%	0.8%
Absolute Return			
OZ Overseas Fund	\$100.0	3.4%	0.8%
Total Proposed Investments	\$400.0	13.7%	3.3%
Total Pro Forma MA	\$2,920.5	100.0%	24.1%

Actual %

20.8% → 24.1%

Policy %

25.0%

Note: Market values as of April 30, 2004.

May 26, 2004