

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



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

November 15, 2004

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
November 15, 2004**

221 W. 6th Street, Suite 1700
Austin, Texas

Time	Item #	Agenda Item
Begin 9:00 a.m.	End 9:30 a.m.	Briefing Session: Discussion of Marketable Alternative Investments
9:30 a.m.	9:35 a.m.	Open Session: Call to Order
9:35 a.m.	11:00 a.m.	Executive Session: Pursuant to 551.072, Texas Government Code, the Board of Directors may convene in Executive Session for Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property; Pursuant to 551.071, Texas Government Code, may convene in Executive Session for Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers; and Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to Consider Personnel Compensation Matters. Reconvene into Open Session - To Consider Action on Executive Session Item(s)*
11:00 a.m.	11:05 a.m.	1
11:05 a.m.	11:15 a.m.	2
11:15 a.m.	11:45 a.m.	3
11:45 a.m.	12:30 p.m.	4
12:30 p.m.	1:30 p.m.	5
1:30 p.m.	1:45 p.m.	6
1:45 p.m.	2:00 p.m.	7
2:00 p.m.	3:00 p.m.	8
3:00 p.m.	3:45 p.m.	8
3:45 p.m.		

* Action by resolution required

**Resolution requires further approval from the U. T. System Board of Regents

Next Scheduled Meeting: January 18, 2005

Section 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **September 29, 2004** be, and is 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 10:10 a.m. on the **29th day of September 2004**, at the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

Woody L. Hunt, Chairman
Mark G. Yudof, Vice-Chairman for Policy
John W. Barnhill, Jr.
Clint D. Carlson
Rita C. Clements
J. Philip Ferguson
I. Craig Hester
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director R. H. (Steve) Stevens, Jr. was not present at the meeting. Also, attending the meeting were Susan M. Byrne, past Director; R. D. Burck, Advisory Director; Scott Caven and Robert Rowling, UT System Regents; 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; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; several staff members of the Corporation; Bill Volk, legal counsel for the Corporation; Scott Kelley, Philip Aldridge, Charlie Chaffin, Brandon Duck, and Michael Warden of U. T. System Administration; Bruce Myers of Cambridge Associates; Greg Smith of Mercer Human Resource Consulting; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 10:10 a.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 September 15, 2004. Mr. Yudof asked that the minutes include revised language to reflect his concerns regarding inclusion of administrative personnel in the UTIMCO Compensation Plan. 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 **September 15, 2004**, be and are hereby approved, subject to revision as requested by the Board; and

RESOLVED, FURTHER, that the President and the Secretary of the Corporation be and they are hereby authorized and directed to revise the minutes.

Compensation Committee Report

Mr. Hunt briefly summarized the compensation committee's efforts and asset allocation decisions over the past two years. He reported that the UT System Board of Regents approved a Compensation Plan for the Corporation at their meeting held on September 28, 2004.

Executive Session - Personnel Compensation

Mr. Hunt, at 10:13 a.m., announced that, "the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Board, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 10:13 a.m."

In Executive Session, the Board discussed compensation matters of certain personnel with Mr. Boldt. Mr. Boldt's compensation was not discussed. No action was taken and no vote was called for or taken by the Board.

Reconvene in Open Session

The Board reconvened at 11:20 a.m. in open session and Mr. Hunt announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 11:20 a.m. During the Executive Session, the Board discussed personnel compensation matters, but did not take any votes."

Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the UTIMCO Compensation Program be, and are hereby ratified as approved by the UT System Board of Regents on September 28, 2004, provided that the Chairman of the Board is granted the authority to make such non-substantive editorial changes as he deems necessary and appropriate.

Approval of Proposed Investments

Mr. Hunt asked Mr. Hester to speak as Chairman of the Liquidity Committee regarding proposed investments for the three investment areas, Non-Marketable Alternative, Marketable Alternative and Public Markets programs. Mr. Hester stated that the Liquidity Committee met on September 21, 2004, and considered the impact upon the Liquidity Profiles of the PUF and GEF resulting from the proposed investments and that the Liquidity Committee approved an increase in the pro forma illiquid allocation to approximately 22.4%, that would result from Board approval of the investments. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

For Non-Marketable Alternative Investments:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$25 million combined institutional investment interest (the "Investment") in **Union Square Ventures, L.P.**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 15, 2004 for **Union Square Ventures, L.P.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Union Square Ventures, L.P.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

For Marketable Alternative Investments:

K Capital (U.S. Dollar) Ltd.

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **K Capital (U.S. Dollar) Ltd.**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 20, 2004 for **K Capital (U.S. Dollar) Ltd.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **K Capital (U.S. Dollar) Ltd.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the

Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Blue Ridge Offshore LP

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$75 million combined institutional investment interest (the "Investment") in **Blue Ridge Offshore LP**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 20, 2004 for **Blue Ridge Offshore LP** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Blue Ridge Offshore LP**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Global Market Neutral Fund B

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **Global Market Neutral Fund B**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 20, 2004 for **Global Market Neutral Fund B** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms

and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Global Market Neutral Fund B**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Millgate International, Ltd.

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **Millgate International, Ltd.**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 20, 2004 for **Millgate International, Ltd.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Millgate International, Ltd.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Steadfast International, Ltd.

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **Steadfast International, Ltd.**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 20, 2004 for **Steadfast International, Ltd.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Steadfast International, Ltd.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

And for Public Markets Investments:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$125 million combined institutional investment interest (the "Investment") in **Westport Asset Management Small Cap Fund**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 22, 2004 for **Westport Asset Management Small Cap Fund** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **Westport Asset Management Small Cap Fund**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the

Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Liquidity Committee Report

Mr. Hunt asked Mr. Hester, Chairman of the Liquidity Committee, to report on the meeting of the Liquidity Committee. Mr. Hester reported that the Liquidity Committee had met on September 21, 2004. He gave a detailed report on Liquidity Profiles as of the end of July 2004. He also stated that the Staff presented new charts to the Liquidity Committee on actual liquidity classifications and that the charts were well received. Mr. Hunt gave a brief explanation of the purpose of the Liquidity Committee to the new Board members.

New Board Member Orientation

Mr. Boldt announced that there will be a new Board member orientation meeting in the near future to review legal and regulatory issues and investment related issues. All Board members, new and existing, will be invited to attend the meeting.

Asset Allocation, Risk and Performance

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation, risk and performance. Mr. Boldt explained a new chart in the presentation materials that shows market exposure and deviations from policy targets within tactical policy ranges. He also discussed relative risk analysis, the peer universe and value added. The latest performance information was presented. Mr. Boldt reported Cumulative Value Added under the Corporation's management for the period ended August 31, 2004. The net performance for the one-month period ended August 31, 2004, for the PUF and the GEF were 0.68%, and 0.59%, respectively, versus benchmark returns of 1.03% for each fund. The net performance for one-year ended August 31, 2004, for the PUF and GEF were 14.73% and 14.77%, respectively, versus benchmark returns of 13.22% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.55% versus benchmark return of .69% for the one-month period, and was 2.49% versus benchmark return of 2.31% for the one-year period ended August 31, 2004. Performance for the Short Term Fund (STF) was 0.12% versus 0.12% for its benchmark for the one-month period, and was 1.06% versus benchmark return of 1.08% for the one-year period ended August 31, 2004. Also reported was a manager history performance summary. Mr. Boldt, Ms. Iberg and Mr. Myers answered the Directors' questions.

Cambridge Associates Annual University Conference

Mr. Boldt handed out a presentation that was a review of the Cambridge Associates Annual University Conference that he had attended recently. He reviewed the asset allocation changes and asset mixes at the largest endowments, and discussed the areas of interest and concern at the conference. He also provided a handout that presented an asset mix comparison versus the top five peer competitors. Mr. Boldt answered the Directors' questions.

The meeting was recessed at 12:15 p.m.

Statement of Appreciation

Mr. Hunt acknowledged Ms. Susan M. Byrne's many contributions made during her long tenure as a board member of the Corporation. The following Resolution of Appreciation honoring Ms. Byrne was read:

WHEREAS, in 1983, Ms. Susan M. Byrne formed her own investment advisory firm, Westwood Holdings Group, Inc., which manages over \$4 billion in assets for a variety of institutional clients, including corporate pension funds, religious organizations, endowments and foundations and acts as the investment advisor to the Gabelli Westwood Funds, of which Ms. Byrne serves as President.

WHEREAS, as a result of her vast business experience and extraordinary talent, Ms. Byrne was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment Management Company in 1996, was re-appointed by the Regents to serve another term on the Board of UTIMCO in 1999 and was re-appointed by the Regents to serve third term on the Board of UTIMCO IN 2002; and

WHEREAS, Ms. Byrne served UTIMCO in many roles, including as a Member of the Board's Ad Hoc Liquidity Committee, as a Member of the Board's Compensation Committee and as a Member of the Board's Nominating Committee, providing outstanding leadership and guidance to UTIMCO by drawing upon her substantial business background listed above and her additional service as Director of numerous public and private company and philanthropic organizations; and

WHEREAS, Ms. Byrne's commitment and service as a Director of UTIMCO was exemplary, reflecting her deep devotion to higher education and the excellence and advancement of the investment profession, evidenced by her service as Trustee of the City of Dallas Employee Retirement Fund, as Trustee of the Southwestern Medical Foundation and a Member of its Finance Committee, as Trustee of the First Presbyterian Church of Dallas Foundation and Chair of its Investment Committee, as Member of the Governor's Business Council, and as Member of the Committee of 200; and

WHEREAS, during Ms. Byrne's tenure on the Board, UTIMCO managed the Permanent University Fund and other investments of the UT System with the highest standards of integrity, professionalism and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely the UT System and The Texas A&M University System, as well as the alumni and patrons of such Systems, the State's legislative leaders, the national credit rating agencies and the capital markets and investment community generally; and

WHEREAS, much of the credit for UTIMCO's success is directly attributable to Ms. Byrne's leadership, judgment, direction and commitment; and

WHEREAS, to the great regret of the UTIMCO Board and Staff, Ms. Byrne has announced her resignation from the Board of UTIMCO to pursue other professional opportunities; NOW, THEREFORE,

BE IT RESOLVED, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M

University System, do hereby express to Susan M. Byrne their sincerest appreciation and gratitude for her vision, leadership and service that have contributed to UTIMCO's past successes; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that through her outstanding service to UTIMCO, Ms. Byrne has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of the UT System and the A&M System.

Ms. Byrne stated her appreciation for the opportunity to serve on the Corporation's Board to the benefit of the U. T. and Texas A&M Systems. She has been a part of UTIMCO since inception. Mr. Boldt and several Directors thanked her for her many years of service and stated that she will truly be missed as a member of the Board.

The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:15 p.m.

Public Markets Investments Program

After reconvening, Mr. Hunt turned the meeting over to Mr. Boldt and Mr. Goldsmith for a presentation on the Corporation's Public Markets Investments program. The Public Markets Investments program currently includes approximately 57% of the total endowment assets as well as internally managed derivatives positions. The Public Markets group is responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversees TIPs and Commodities. The Staff focuses on defining and locating high PVA investment opportunities and structuring relationships in those opportunities. Mr. Boldt and Mr. Goldsmith answered the Directors' questions.

Board Meeting Plan for 2004-2005

Mr. Hunt asked Mr. Boldt to discuss the next item on the agenda. Mr. Boldt provided a broad outline of the major topics to be considered at Board meetings over the ensuing 12 months. Specific agendas for each meeting will be developed in coordination with the Board Chairman and Vice Chairman of Policy, as is the current practice.

External Board Service

Mr. Hunt asked Mr. Boldt to review the request for Board approval to serve on a for-profit entity board for compensation. Mr. Boldt stated that his verbal agreement with the Board and the Corporation's Ethics Policy require that he obtain approval to serve on the board of directors of The Endowment Fund, L.P., a registered investment company (under the Investment Act of 1940), that offers investment services to individuals and smaller institutions. Mr. Boldt answered the Directors' questions. Upon motion duly made and seconded, with Chancellor Yudof abstaining, the following resolution was adopted:

RESOLVED, that the Board of Directors hereby approves External Board Service for Mr. Bob L. Boldt, President of the Corporation, on the Board of Directors of The Endowment Fund, L.P.; and be it

FURTHER RESOLVED, that all External Board activity will be on personal time, with no investment or marketing responsibilities as a member of the External Board and will not give rise to conflicts of interest; and be it

FINALLY RESOLVED, that this External Board Service will meet all requirements of the Code of Ethics Policy and the Investment Management Services Agreement for the Corporation applicable to external, for-compensation board service.

Customer Satisfaction Survey Results

Mr. Hunt asked Mr. Boldt to present the results from the second Customer Satisfaction Survey. Mr. Boldt began by stating that the objective of the first survey conducted last year and the current survey, which was conducted over the past several weeks, has been to obtain valuable feedback from the Corporation's clients in the UT and Texas A&M Systems. Mr. Boldt presented a summary of results of the survey noting areas where the Corporation had shown solid improvement over the prior year's survey and areas where further improvement was needed. He also stated that complete results and a copy of the survey questions are available to the Directors at their request.

Liquidity Policy

Mr. Hunt asked Mr. Hester, Chairman of the Liquidity Committee, to discuss the recommendation for approval of the Liquidity Policy as presented to the Board. The Liquidity Policy defines liquidity categories and sets asset weight limits for each category in order to control the aggregate amount of liquidity risk that can be assumed in the endowment portfolios. The amendments recommended are to clarify liquidity status and the responsibility that the Committee has in reviewing new investments, require certification of the accuracy of monthly liquidity reports and minor editorial changes. After a discussion, upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the Liquidity Policy as presented be, and is hereby, approved, subject to approval by the U. T. System Board of Regents.

Liquidity Charter

Mr. Hester then recommended approval of the Liquidity Charter as presented to the Board. The Charter sets forth the functions, duties and responsibilities of the Committee in order for the Liquidity Committee to assist the Board in providing oversight and monitoring the liquidity of the policy portfolio. The proposed amendments will clarify and enumerate certain responsibilities delegated to the Liquidity Committee by the Board. Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the Charter of the Liquidity Committee be, and is hereby, approved in the form as presented to the Board.

Bylaws and Investment Management Services Agreement

Mr. Hunt explained that amendments to the Corporation's Bylaws and modifications to the Investment Management Services Agreement were proposed to the Board of Regents in response to recommendations from the Working Group (a working group formed by the UT System Board of Regents comprised of representation from UT System administration, Ennis Knupp & Associates, Baker Botts L.L.P. and UT Austin) regarding certain investment management and oversight issues. These amendments and modifications were approved by the Board of Regents at their August 12, 2004 meeting. Following a discussion of the amendments and modifications, upon motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that the amendments of the Bylaws be, and are hereby, ratified as approved by the UT System Board of Regents on August 12, 2004; and further

RESOLVED, that the amendments of the Investment Management Services Agreement be, and are hereby, ratified as approved by the UT System Board of Regents on August 12, 2004.

Rebate of Cash Reserves

Mr. Hunt and Mr. Boldt explained that the Investment Management Services Agreement that was approved by the Board of Regents at their August 12, 2004 meeting contains a new section which calls for the Corporation to distribute \$4 million of its Cash Reserves back to the Permanent University Fund, Long Term Fund, Permanent Health Fund, and the Short Intermediate Term Fund in the same proportions that the funds contributed to the cash reserves. Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the Board of Directors hereby approves the rebate of \$4 million of its cash reserves to the Permanent University Fund, Long Term Fund, Permanent Health Fund, and the Short Intermediate Term Fund in the same proportions that the funds contributed to the cash reserves, to be paid within the first 90 days of the 2004-2005 fiscal year.

Delegation of Authority Policy

Mr. Hunt gave a brief history of past delegation of authority policies and stated that he had asked Mr. Boldt to revisit the policy with regard to best practices, delegation of authority to Staff, best use of Directors' time, and the Working Group's recommendations. Mr. Boldt presented a proposed amended Delegation of Authority Policy. After discussion, Mr. Boldt stated that he would present another version of the amended policy to the Board for consideration at their next meeting.

Mr. Hunt stated that committee assignments would be deferred until the next Board meeting as well.

Website Demonstration

Mr. Boldt introduced Mr. Edwards and asked that he give a demonstration on the Corporation's website. The Corporation's home page and the Board Room website application were reviewed. Mr. Edwards answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:30 p.m.

Secretary: _____
Joan Moeller

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

Section 2

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

Agenda Item
UTIMCO Board of Directors Meeting
November 15, 2004

- Agenda Item:** Approval of Investment in IronBridge Capital Management, LLC
- Developed By:** Goldsmith
- Presented By:** Goldsmith
- Type of Item:** Possible Action Item during Open Session
- Description:** IronBridge was founded in 1999 after being spun out of HOLT Value Associates (now part of Credit Suisse First Boston) and applies the CSFB HOLT Cash Flow Return on Investment (CFROI) framework in managing small cap U.S. equity portfolios. The CFROI framework was created in 1985 and Chris Faber, a founder of HOLT Value Associates, leads the investment team of IronBridge Capital Management.
- IronBridge has been evaluated over many years by the MD Public Markets for their small-cap capabilities and was under a 14 month period of real time micro-cap portfolio evaluation before the recent termination of Cordillera created a PVA need for this manager.
- Recommendation:** Approve an initial investment of \$50 million in a micro-cap strategy with IronBridge.
- Discussion:** With the recent termination of Cordillera, and the loss of their (UTIMCO-created and first quartile ranked) consumer cyclicals portfolio, staff believes there is a PVA gap that needs to be filled in the small cap portion of the Domestic Equity portfolio.
- Staff feels that IronBridge's investment capabilities, when brought to bear exclusively for the UT Endowments in the micro-cap space, offer the potential for significant, uncorrelated PVA. In addition, the complementary nature of this offering, when coupled with State Street's energy sector fund, are expected to be additive in the long-term - and volatility reducing in the near term.
- Since their inception, IronBridge's detailed process has returned 839 bps/annum of excess return (net of fees) over the Russell 2000 Index, while operating at near the same level of risk.
- Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy; Executive Summary; Detailed Investment Memorandum.

RESOLUTION RELATED TO IRONBRIDGE CAPITAL MANAGEMENT

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **IronBridge Capital Management's Micro-Cap portfolio**; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated November 8, 2004 for **IronBridge Capital Management Micro-Cap portfolio** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **IronBridge Capital Management Micro-Cap portfolio**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

IronBridge Capital Management Investment Recommendation Executive Summary

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed and Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets Investments ("PM")	Microcap Equities	Domestic Equities	21.1% / 21.1%	Liquid	\$0	\$50,000,000	\$50,000,000	N/A

INVESTMENT SUMMARY

▪ HIGH VALUE-ADDED INVESTMENT SPACE

- Micro-cap equities have consistently offered high potential value-added (PVA) due to their lack of traditional Wall Street coverage and their relative illiquidity when compared to the broad U.S. equity universe. At present, the Endowments have no dedicated mandate in this area and therefore very limited exposure.

▪ SKILLED, KNOWLEDGABLE, AND SUCCESSFUL INVESTMENT TEAM

- IronBridge Capital Management LLC was founded in 1999 after being spun out of HOLT Value Associates (now part of Credit Suisse First Boston) and applies the CSFB HOLT Cash Flow Return on Investment (CFROI) framework in managing small cap U.S. equity portfolios. The CFROI framework was created in 1985 and Chris Faber, a founder of HOLT Value Associates, leads the investment team of IronBridge Capital Management.
- The PM MD has followed Ironbridge since their inception and has watched their assets grow impressively to nearly \$1.4 billion over that span of time. The long-standing primary interest in engaging this manager has been to take advantage of their process to run an exclusive micro-cap portfolio. *(This product will only be available to the UT Endowments by mutual agreement.)*
- In April, 2003 staff engaged Ironbridge in running a real-time paper portfolio for this mandate to follow for an extended period of time. At present, with the recent departure of Cordillera, staff feels that this manager offers the best opportunity for the Endowments to recoup and improve upon the important investment space occupied by this prior manager. Namely,
 - o Opportunistic stock selection in an inefficient high PVA universe.
 - o Beneficial, uncorrelated diversification of the small cap asset space – especially important given highly volatile investments such as State Street Research's energy portfolios.
 - o Limited, controlled assets to be managed in a space where growth in asset size typically leads to performance constraints.
- Since their inception in May 1999, IronBridge's small cap portfolio, net of fees, has returned over 839 bps per annum of excess return over the Russell 2000 Index while operating at nearly the same level of

risk. Staff expects a higher level of risk, give the micro-cap nature of this mandate, but also expects greater potential return.

RECOMMENDATION

UTIMCO staff recommends an initial \$50 million commitment to Ironbridge Capital Management LLC. At present, this total commitment would represent approximately 4.9%/ 1.8% of the allocation to small cap / Domestic Equities.

IronBridge Capital Management Investment Recommendation Due Diligence Memorandum

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed and Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets Investments ("PM")	Microcap Equities	Domestic Equities	21.1% / 21.1%	Liquid	\$0	\$50,000,000	\$50,000,000	N/A

INVESTMENT CHARACTERISTICS:

INVESTMENT RATIONALE – ENHANCE / DIVERSIFY SMALL CAP EQUITY PERFORMANCE

In all investment spaces, UTIMCO Public Markets staff has been actively searching for managers to both upgrade and diversify the current manager line-up. We have also been keeping a watchlist of potential new managers, given the right circumstance, to include them seamlessly into our portfolios. With the recent termination of Cordillera, IronBridge represents a prime opportunity to increase the PVA and diversification structure of the small cap portion of the Domestic Equity asset class.

Staff believes IronBridge's approach is advantageous on several levels (see more under philosophy/process). The most obvious is their use of a proprietary return on investment analysis that is cash flow based, not accounting based. At the core of their philosophy is that in conducting traditional equity analysis - accounting data can be quite misleading. IronBridge works actively, with a three-step process, to remove accounting distortions, focus on cash flow and shareholder value, and achieve greater analytical clarity, with the goal of improving comparability across companies and industries.

In reviewing IronBridge's capabilities for the Endowments, staff believes that this manager offers many of the classic attributes staff wishes to see in an active manager selection:

- 1) They are closely held and are effectively independently owned and operated.
- 2) They are dedicated to a singular product and have remained faithful to their style of management.
- 3) They have a long-term track record of success against benchmarks and peers.
- 4) They are willing to partner with the UT Endowments in an exclusive, 'best-of' approach, in a high PVA space seeking significant capital appreciation.
- 5) They are comfortable partnering on performance-based terms with the UT Endowments.

In addition to enhancing PVA capabilities, staff would like to diversify the Endowments' exposure within the small cap equity asset space. As the Board is aware, the recent termination of Cordillera was sudden, but necessary. At the core of the value-added potential of this manager, was the opportunistic consumer cyclical portfolio staff had created with their analyst, Eileen Hoffman.

Since its inception, this portfolio's net performance placed it in the top quartile of the small cap peer group, while Cordillera's standard portfolio was fourth quartile over the same period. Staff's retention of Cordillera was based in large part on the performance potential of continuing to grow our relationship with this talented analyst/PM. It was a nice complement to the energy sector exposure provided by State Street Research and was very opportunistic and growth-oriented versus the strong value orientation of the rest of the small cap manager line-up.

Staff believes that an uncorrelated opportunistic approach, with a high PVA orientation, is a necessary ingredient to help balance out the small cap portfolio. Ironbridge offers that potential value-added solution.

MANAGER RATIONALE –

MANAGER BACKGROUND / CHARACTERISTICS

IronBridge Capital Management LLC (formerly CFROI Advisors) is a Chicago-based investment management firm that was founded in April of 1999. IronBridge was spun out of HOLT Value Associates (now part of Credit Suisse First Boston) and applies the Cash Flow Return on Investment (CFROI) framework in managing equity portfolios that was created in 1985 and is now a registered trademark of CSFB HOLT. Chris Faber, a founder of HOLT Value Associates, leads the investment team of IronBridge Capital Management.

IronBridge (IB) is primarily owned by four individuals: Chris Faber, Sam Eddins, Bob Hendricks and Bart Madden, who all worked as founding partners at HOLT Value Associates. IB was a wholly-owned subsidiary of HOLT when founded in 1999, and when HOLT sold itself to Credit Suisse First Boston in February 2002 and IB became entirely independent, Chris wanted Bart Madden and Bob Hendricks to maintain an ownership stake in IB.

The four of these gentlemen account for approximately 90% of IB's ownership. One can infer that, once Bart Madden and Bob Hendricks complete their three-year earn-out at CSFB HOLT, they will become members of the IB team in some capacity. Regardless, IB has the right to buy back the stock of any non-employee in February of 2007, thus ensuring that IB will be completely owned by internal employees in the years ahead.

The following table details the primary equity ownership of IronBridge Capital Management:

	Ownership Interest
Christopher C. Faber	> 10% but less than 25%
Samuel T. Eddins	> 10% but less than 25%
Robert E. Hendricks	> 10% but less than 25%
Bartley J. Madden	> 10% but less than 25%
Timothy J. Bixler	> 5% but less than 10%
Jeffrey B. Madden	< 5%
Elizabeth H Murphy	< 5%

TURNOVER / AUM / GROWTH

Since inception, there has been no turnover of staff and no loss of clientele. A determined plan to build equity ownership should encourage the retention of the investment team. In addition, the firm's principals and investment managers have nearly all of their investible assets in IronBridge's Small Cap and Smid (small/mid) equity products and have agreed to contribute personal capital to invest alongside the fund mandate proposed herein as well. The growth in total IB assets under management is outlined below:

Assets Under Management	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003	9/30/2004
Total Firm Assets	\$7.9	\$15.9	\$24.6	\$61.0	\$521.1	\$1,383.4
Total Equity Assets	7.9	15.9	24.6	61.0	521.1	1,383.4
Total Small Cap Assets	4.9	11.9	20.8	53.9	456.3	1,206.3

IB's growth in assets can be largely attributed to the lack of capacity among good, solid small cap managers. IronBridge did have a hard close already pegged at \$1B at their launch date. They have also set \$3 - \$4 billion as the point at which they will also close their Smid cap product to new clientele. UTIMCO's vehicle is solely dedicated for the UT Endowments and staff feels that a \$50 million allocation is a reasonably sized, yet prudent, initial capital allocation for this mandate.

STAFFING

A list of Ironbridge's current staff and years of experience is listed below: (see Appendix A for bios)

KEY INVESTMENT PROFESSIONALS				
Name	Responsibility	Investment Experience		
		With Firm	+ Prior	Total = Years
Christopher Faber	Port. Mgr/Analyst	5	13	18
Jeffrey Madden	Port. Mgr/Analyst	4	2	6
Allan Chhay	Analyst	3	6	9
Charlie Henness	Analyst	2	4	5
Samuel Eddins	Director of Research	>1	16	17
John Davis	Director of Trading & Compliance	>1	9	11
Beth Murphy	Director of Administration	5	5	9
Joe Burrello	Trading	<1	17	18
Don Demuro	Director of Develop	<1	22	22
Tom Fanter	Analyst	1	0	1

Staff is comfortable that IB's complement of investment professionals is sufficient to cover the size and scope of their investment process.

factor score to assess attractiveness. Within all five life cycle categories, companies that rank the highest merit further consideration. Correctly determining where a firm is within the life cycle proves critical, since it influences the path of analysis. For example, when IB looks at low return CFROI companies, or distressed businesses (referred to as Turnarounds), the focus is specifically on each company's capital investment and credit worthiness. Alternatively, when they look at accelerating firms in the early stage growth phase (Rockets), they look at earnings surprises, sales momentum, and other unique attributes. In other words, establishing where a company is in its life cycle, determines which metrics are most important for analysis. Subsequently, the companies are ranked and those which score near the top 20% merit further consideration.

How management is reacting to each company's CFROI status on the life cycle is part B of this initial step – ie. Wealth Creation. For example, if a company has a positive spread whereby its CFROI rate exceeds the discount rate, then every dollar that the company invests will generate more than a dollar of increased valuation. Therefore, to be successful, those firms need to maintain or increase their CFROI rate and grow their assets. Alternatively, if the CFROI rate is equivalent to the discount rate, every dollar invested will be equal to a dollar of valuation. These firms need to first increase their CFROI rate and then grow their assets. Lastly, if a firm's CFROI rate is less than the associated cost of capital, the firm must then increase its CFROI rate and contract its assets. In sum, wealth creation analysis explores whether or not management is exhibiting skill and generating shareholder value, allowing IronBridge to further rank firms relative to each other. At the end of the first step in the process, if a company is highly ranked according to its life cycle and is taking the appropriate measures to create value, the firm will be considered for further evaluation. In their typical small cap process, this step typically yields 300 names for further evaluation.

Step 2: Valuation Analysis

The second step in the process seeks to identify the key drivers of each company's future success and the sustainability of those key drivers. IB's analysts take the most attractive wealth creating companies and apply the CFROI valuation model in order to understand what drives the valuation and whether those factors are currently priced into the prevailing market value. Specifically, IB performs a step-by-step accounting review, paying attention to revenue recognition, capital structure, and earnings quality. They identify and focus on the key financial drivers; including revenue growth, operating margins, and asset turns. Underneath the financial drivers, they investigate the operating drivers; including volumes, price realization, cost of goods sold, inventory, receivables, etc. They then assess the sustainability of all key drivers by reviewing the firm's competitive position, market share, market size, new products, patents, and even the strength of the patent portfolio. Once they understand how a company's executives are managing for success, they then monitor those key drivers to ensure that the firm is progressing toward its goals of increased shareholder value and a higher stock price. They then confirm this analysis by having discussions with company management and reviewing their results regularly.

In tandem with this effort, they establish multiple forecasts of potential price targets. Included in these estimates are a target price, a high expected price, and a low expected price. Risk-reward comparisons are then made between all of the potential holdings. Candidates are considered eligible for purchase when the prevailing market price offers two times the expected upside versus the potential downside estimate. Each time IB reviews a given company, they want to ensure that the trend in critical factors remains in place. If these very same factors start to deteriorate, the company becomes a potential sell candidate.

Step 3: Portfolio Construction and Risk Control

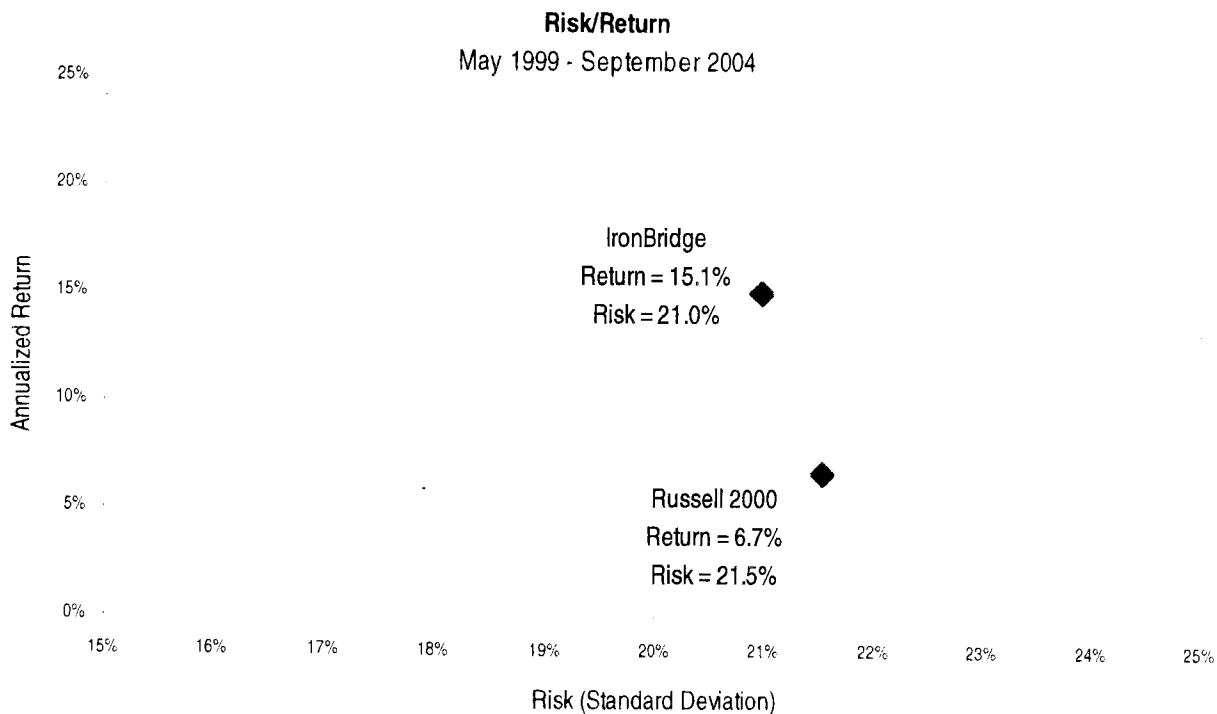
Staff's charge to IronBridge, in early 2003, was to consider an opportunistic "best of" approach in the micro-cap space. UTIMCO's perspective was that with a \$50 m initial proposed mandate, and with \$3 B + already in the Endowments' total Domestic Equity portfolio, staff wanted to make sure that a prudently constructed high PVA portfolio opportunity could be considered. The portfolio process determined for this mandate will consist of 30-40 stocks, with no more than 10% in any one position and will typically concentrate exposure on those firms that are early in their corporate life cycle that are innovative, with strong competitive advantages, that typically target large markets and are considered significantly undervalued.

PORTFOLIO CONSTRUCTION

- **Financial Instrument Overview**
 - Average Number of Holdings: 30-40
 - Maximum Sector Weight: N/A
 - Typical Turnover: 30-35% annually
 - Maximum Security Weight: 10%
- **Portfolio Characteristics (as of September 30, 2004)**

As can be seen below, IronBridge's portfolio represents a concentrated approach to micro-cap equities:

Portfolio Characteristics	Portfolio	Russell 2000
Avg. Weighted Market Cap (m)	543	929
Dividend Yield	0.3%	1.2%
Price to Book	2.7x	2.2x
Average P/E	65x	51x
Price to Sales	4.3x	.9x
Top 10 Holdings %	39.0%	1.9%



Note: Return and risk results are for IB's small cap product.

TOP HOLDINGS

Ticker	Security	Weight
ISRG	Intuitive Surgical	4.0%
AMSC	American Superconductor	4.0%
IMAX	IMAX Corp	4.0%
MRCY	Mercury Computer Systems	4.0%
ALOG	Analogic Corp	4.0%
CRAY	Cray	4.0%
LF	Leapfrog Enterprises	4.0%
NEWP	Newport Corporation	4.0%
VMC	Vulcan Materials	3.5%
QUIX	Quixote Corp	3.5%
	Total	39.0%

INDUSTRY WEIGHTINGS

Industry	Portfolio	Russell 2000
Information Technology	33.0%	17.3%
Health Care	27.0%	12.4%
Industrials	20.5%	13.9%
Consumer Discretionary	10.0%	16.4%
Materials	9.5%	5.9%
Cash	0.0%	0.0%
Utilities	0.0%	2.9%
Financials	0.0%	21.6%
Energy	0.0%	5.4%
Consumer Staples	0.0%	3.1%
Telecommunication Services	0.0%	1.1%
Total	100.0%	100.0%

"LIFE CYCLE" WEIGHTINGS

Life Cycle	Portfolio	Russell 2000
Corks	34.0%	26.0%
Turn Arounds	30.0%	9.4%
Rocket	20.0%	18.7%
Falling Angels	14.5%	9.3%
Golden Goodie	1.5%	14.1%
Financials	0.0%	22.5%
Cash	0.0%	0.0%
Total	100.0%	100.0%

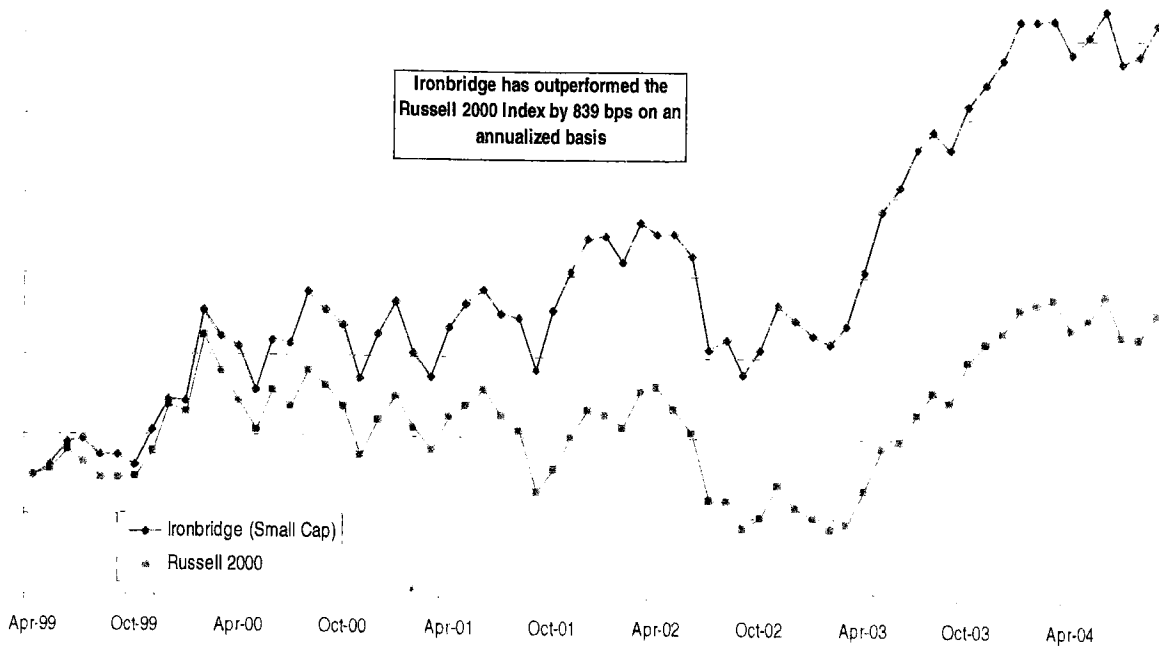
ENDOWMENT PORTFOLIO RATIONALE / STATISTICS –

Manager Alpha

Composite Returns	1 Month	3 Month	YTD	1 year	2 Year	3 Year	4 Year	5 Year	5/99 - 9/04
Ironbridge (Small Cap)	3.8	-1.5	-0.2	17.3	30.4	19.1	10.9	15.3	15.1
Russell 2000	<u>4.7</u>	<u>-2.9</u>	<u>-1.5</u>	<u>18.8</u>	<u>27.3</u>	<u>13.7</u>	<u>3.7</u>	<u>7.4</u>	<u>6.7</u>
Active	-0.9	1.3	1.3	-1.4	3.1	5.3	7.2	7.9	8.4
Risk (Standard Deviation)				1 year	2 Year	3 Year	4 Year	5 Year	5/99 - 9/04
Ironbridge (Small Cap)				12.0	14.4	18.4	20.0	21.6	21.0
Russell 2000				<u>14.5</u>	<u>16.5</u>	<u>19.5</u>	<u>21.1</u>	<u>22.2</u>	<u>21.5</u>
Active				-2.5	-2.1	-1.1	-1.1	-0.6	-0.6
Calendar Returns						2000	2001	2002	2003
Ironbridge (Small Cap)						14.1	17.8	-12.7	47.0
Russell 2000						<u>-3.0</u>	<u>2.5</u>	<u>-20.5</u>	<u>47.3</u>
Active						17.2	15.3	7.8	-0.3

Manager Performance

May 1999 - September 2004



Diversification

As expected, and, as outlined in the table below, IronBridge's traditional small cap product offers excellent diversification benefits for the UT Endowments. It is expected that there will rarely be overlap of holdings across any small cap managers with IronBridge over the course of this product's lifecycle. TCW's small cap value product does offer the Endowments the only current exposure to long-only micro cap stocks, so, there might be some slight overlap there from time to time.

Correlation Matrix: Excess Returns vs. Russell 2000 May 1996 - August 2004					
	Iron Bridge Small Cap	Forstmann Leff Small	GSAM US Small Cap	Westport	State Street Energy
Iron Bridge Small Cap	1.00				
Forstmann Leff Small	0.16	1.00			
GSAM US Small Cap	0.17	0.56	1.00		
Westport	0.15	0.74	0.62	1.00	
State Street Energy	0.09	0.62	0.45	0.39	1.00

UTIMCO INVESTMENT PROCESS

The MD Public Markets' initial introduction to IronBridge occurred at the firm's inception in 1999 – when they were still named CFROI. This introduction was made possible through a long-standing professional relationship with an independent third party institutional marketing firm – whom the PM MD has great respect for and has used to source other successful managers in the past dating back to the mid 1990s.

At that time there was no immediate need for this manager's small cap services, and upon hire at UTIMCO, the PM MD had IronBridge begin their paper portfolio in micro-cap in advance of any real opportunity. With the recent dismissal of Cordillera, the need for an opportunistic, uncorrelated high PVA approach, to primarily balance off the sector energy emphasis of State Street, is desired.

PM staff has reviewed standard small cap growth managers as potential replacements for Cordillera, however, it has been staff's intention to become less aggressive in the small cap portfolio as 2004 closes out. While opportunistic, uncorrelated high PVA managers are always desired, stylistically, a micro-cap mandate (with no specific growth or value bias) seems like a perfect complement to the already value-oriented nature of the small cap portfolio.

In sum, after careful review for many years (including recent meetings with Chris Faber and Sam Eddins), staff feels highly confident that the organization, skill, focus and motivation to succeed are extremely high at IronBridge - and that this portfolio is additive to the overall Domestic Equity efforts for the Endowments.

Funding

The UTIMCO staff is recommending a \$50 million allocation to IronBridge that will be funded from Russell 2000 ETFs that were transitioned from the Cordillera termination.

Fees

UTIMCO has negotiated a three year investment agreement with IronBridge during which they will receive no base fee and a 50% share of profits if results are in excess of 250 bps per annum over the Russell 2000 benchmark.

Derivatives

Staff expects that there will be only minimal potential usage of derivatives in this mandate. It will consist primarily of the use of ETFs (Exchange Traded Funds) to constructively maintain index exposure, as necessary. In addition, staff expects to allow the manager to write call options to cover existing positions or sell put options to gain better investment entry points, so long as the total amount of these transactions does not exceed 5% of the total portfolio's market value and subject to the provision that this will be done for defensive and not speculative purposes.

Liquidity Designation

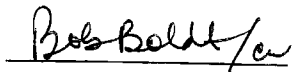
This proposed investment has been designated as Liquid. The UT Endowments will have access to these securities within the time allotted under policy to qualify as such.

CONCLUSION / RECOMMENDATION

UTIMCO staff believes that IronBridge's disciplined CFROI approach and process, coupled with their focus on the micro-cap capitalization range, offer a significant long-term PVA opportunity for the UT Endowments. With the recent termination of Cordillera, staff feels that an opportunistic gap has developed in the smaller cap equity space and wishes to engage this manager to balance out the energy focus of State Street. Staff believes that this recommendation is a significant manager upgrade (both in relative and absolute terms) to prior efforts in this space and recommends approving an initial investment of \$50 million with IronBridge at this time.

Approved:

Bob Boldt



Larry Goldsmith



Biographies

Christopher C. Faber

Education:
Years Experience:
Firm Experience:
1999-Present
1986-1999

President / CIO / Portfolio Manager
Drake University, BSBA, Corporate Finance
18 Years
5 Years
IronBridge Capital Management
HOLT Value Associates - Founding Partner

Samuel Eddins

Education:

Years Experience:
Firm Experience:
2003-Present
1986-2003

Director of Research
University of Virginia, BSEE, Engineering
University of Virginia (Darden), MBA
18 Years
1 Year
IronBridge Capital Management
HOLT Value Associates – Founding Partner

Jeffrey Madden

Education:
Years Experience:
Firm Experience:
2000-Present
1998-2000

Co-Portfolio Manager/Analyst
University of Iowa, BBA, Finance
6 Years
4 Years
IronBridge Capital Management
Accenture – Management Consulting

Allan Chhay

Education:
Years Experience:
Firm Experience:
2001-Present
1995-2001

Analyst
University of Illinois, BS, Finance
9 Years
3 Years
IronBridge Capital Management
HOLT Value Associates – Equity Analyst

Charles Hennes, CFA

Education:
Years Experience:
Firm Experience:
2002-Present
1998-2001

Analyst
University of Illinois, BS, Accounting
6 Years
2 Years
IronBridge Capital Management
Zurich Scudder Investments

Beth Murphy

Education:
Years Experience:
Firm Experience:
1999-Present
1994-1999

Director of Administration
Drake University, BA, Journalism
10 Years
5 Years
IronBridge Capital Management
HOLT Value Associates – Marketing

John Davis

Education: Ohio University, BS, Finance/Business Law
Years Experience: 11 Years
Firm Experience: 1 Year
2003-Present IronBridge Capital Management
2001-2002 HOLT Brokerage Service –
General Manager & CCO
1998-2000 Mercer, Inc. – Operations Manager & CCO

Don Demuro

Education Illinois Institute of Technology, BS, Computer Sciences
Illinois Institute of Technology, MS,
Financial Markets and Trading
Years Experience: 22 Years
Firm Experience: <1
2004 – Present IronBridge Capital Management
1994 – 2004 CSFB/HOLT

Tom Fanter

Education Northwestern University, BS, Industrial Engineering
Northwestern University (Kellogg), MBA
Years Experience: 5
Firm Experience: 1
2004 – Present IronBridge Capital Management
2000 – 2002 Divine, Inc
1997 – 1999 Motorola, Inc.

Joe Burrello

Education: John Carroll University, BSBA, Accounting
Years Experience: 18
Firm Experience: 1
2004 – Present IronBridge Capital Management
1994 – 2004 William Blair & Co

Agenda Item
UTIMCO Board of Directors Meeting
November 15, 2004

- Agenda Item:** Executive Review of Blakeney Emerging Markets Equity Investment
- Developed By:** Goldsmith
- Presented By:** Goldsmith
- Type of Item:** Follow-up to Option to Review Election
- Description:** Blakeney was founded in 1990 by its present chief executive, Miles Morland as a London-based firm specializing in the research and investment management in the stock markets of the developing world for the world's most highly successful investors. Blakeney began managing money directly in 1994 and since 1996 its sole business has been investment management in these areas.
- Blakeney's investment philosophy is based on identifying companies selling below their business value. They do this by rigorous security analysis of individual companies with whom they have become familiar during a continuous program of in-country management visits which has now gone on for 14 years. Blakeney invests in what they consider to be "true" emerging markets – those which offer value, growth, inefficiency, and an absence of foreign investors. They consider most of the markets that are included in the MSCI EMF Index as no longer meeting these tests as they are now well-analyzed and no longer inefficient.
- Recommendation:** Not applicable.
- Discussion:** Blakeney's purpose, philosophy and team are coalesced around their goal to add true value to clients in real developing markets. Their 10 professionals bring to bear nearly 150 years of experience and they have proven their capabilities by providing over 1,290 bps per annum (net of fees) over the MSCI Emerging Markets at half the risk (standard deviation) level since their inception.
- Public Markets received board approval for this investment in early October, at which time \$40 million was invested in this mandate.
- Reference:** Executive Summary; Blakeney Liquidity Profile.

Section 3

Agenda Item
UTIMCO Board of Directors Meeting
November 15, 2004

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

Developed By: Moeller, Hill

Presented By: Boldt

Type of Item: Information Item

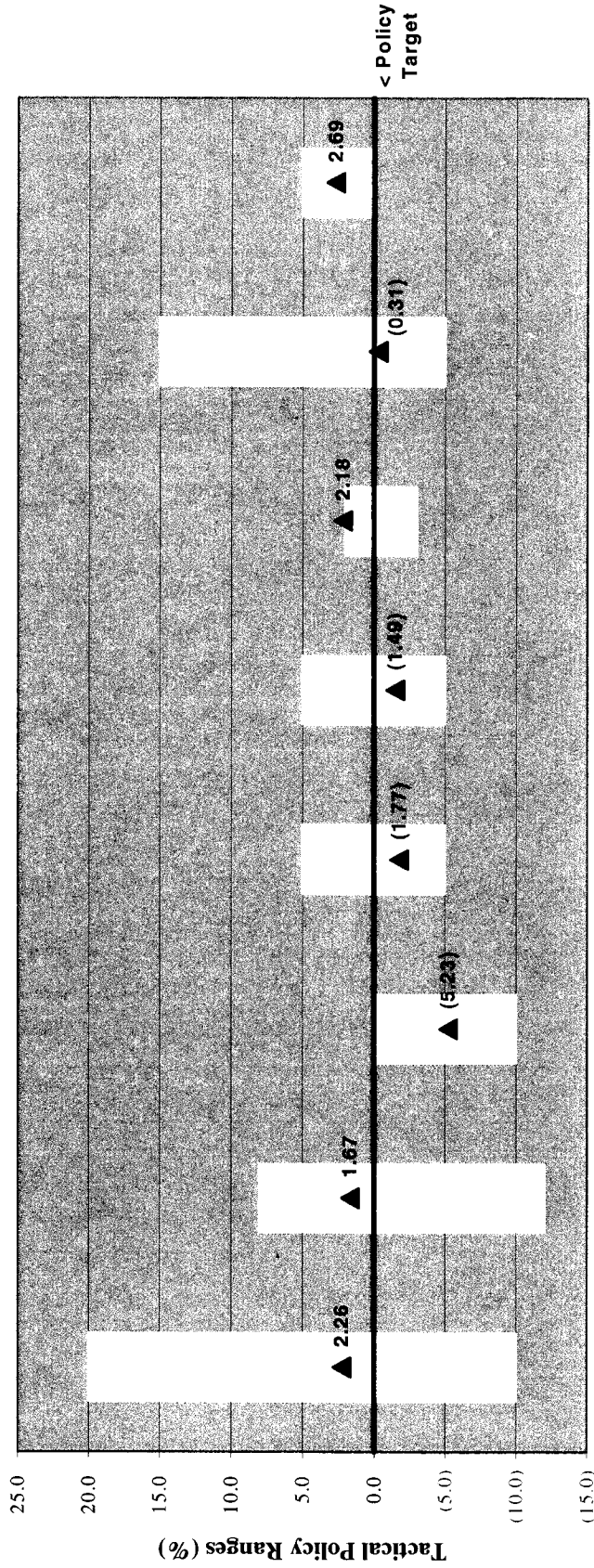
Description: The reports presented are for the periods ended September 30, 2004.

Recommendation: No action required.

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; Performance Attribution; Public Markets Managers Investment Performance Detail

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

Deviations From Policy Targets Within Tactical Policy Ranges



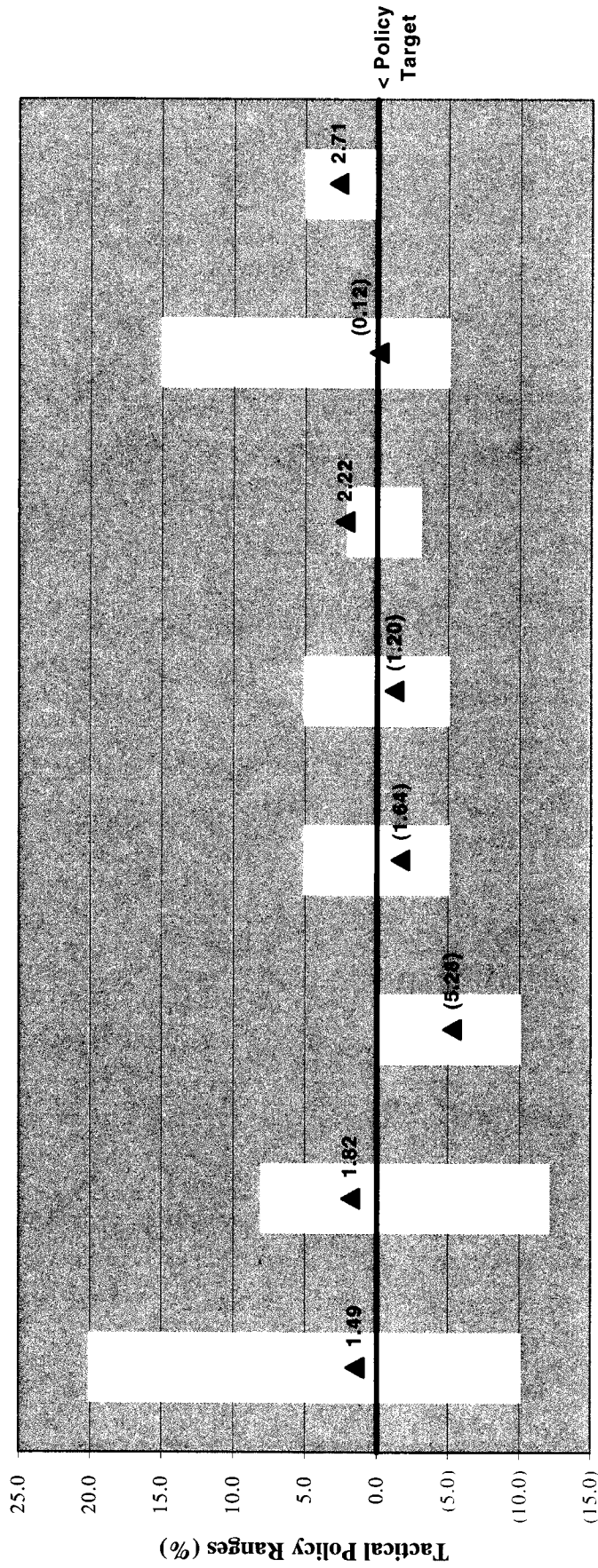
	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
Actual	27.26%	18.67%	9.77%	8.23%	13.51%	5.18%	14.69%	2.69%
Policy Target	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Deviation	2.26%	1.67%	-5.23%	-1.77%	-1.49%	2.18%	-0.31%	2.69%

Deviation in Dollars (\$m)	184.95	136.66	(427.99)	(144.85)	(121.93)	178.40	(25.37)	220.13
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**General Endowment Fund
Market Exposure
September 30, 2004**

Deviations From Policy Targets Within Tactical Policy Ranges

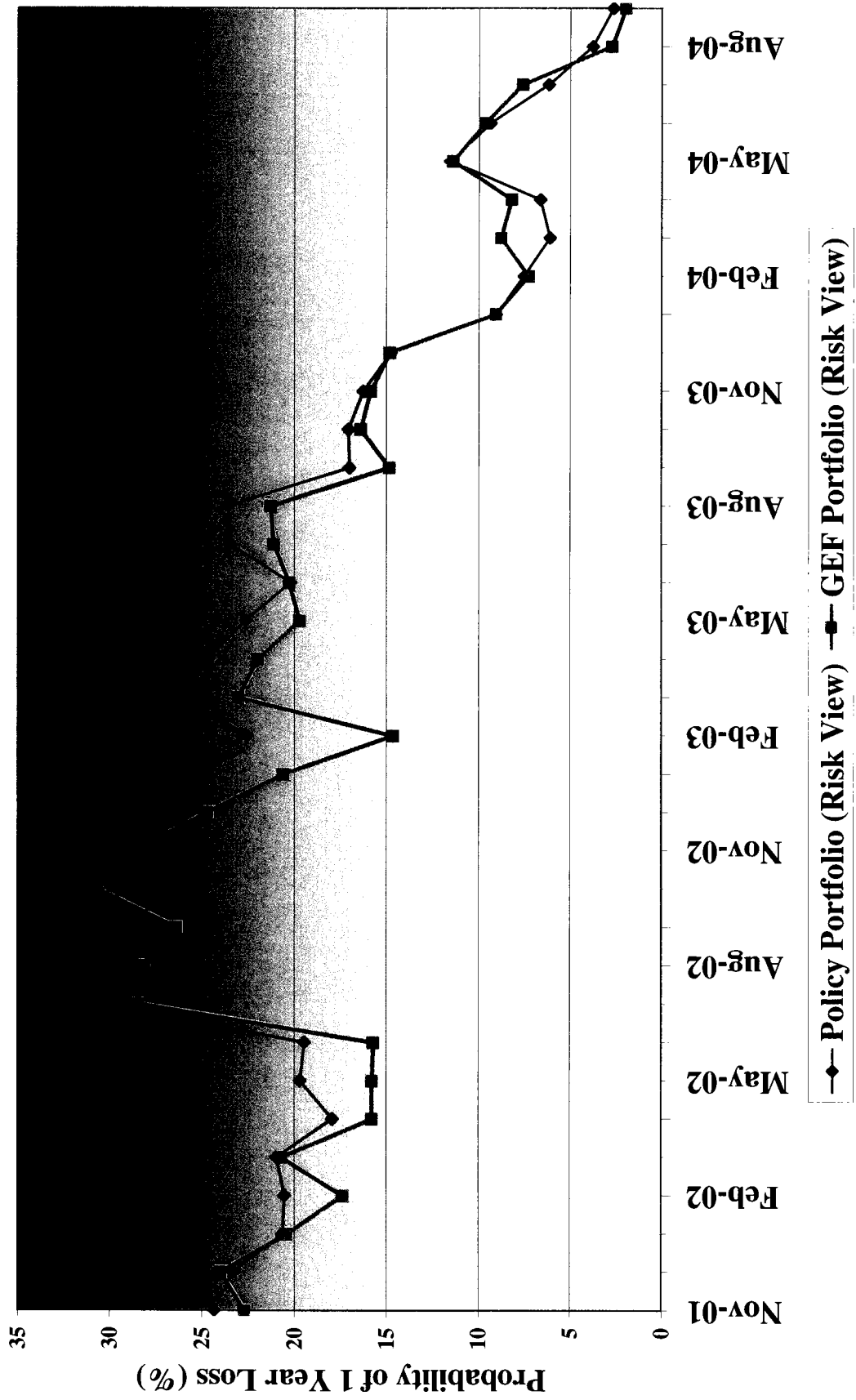


	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
Actual	26.49%	18.82%	9.72%	8.36%	13.80%	5.22%	14.88%	2.71%
Policy Target	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Deviation	1.49%	1.82%	-5.28%	-1.64%	-1.20%	2.22%	-0.12%	2.71%

Deviation in Dollars (\$m)	64.55	78.85	(228.76)	(71.05)	(51.99)	96.18	(5.20)	117.42
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Relative Risk Analysis 1 Year Horizon



UTIMCO Performance Summary
September 30, 2004

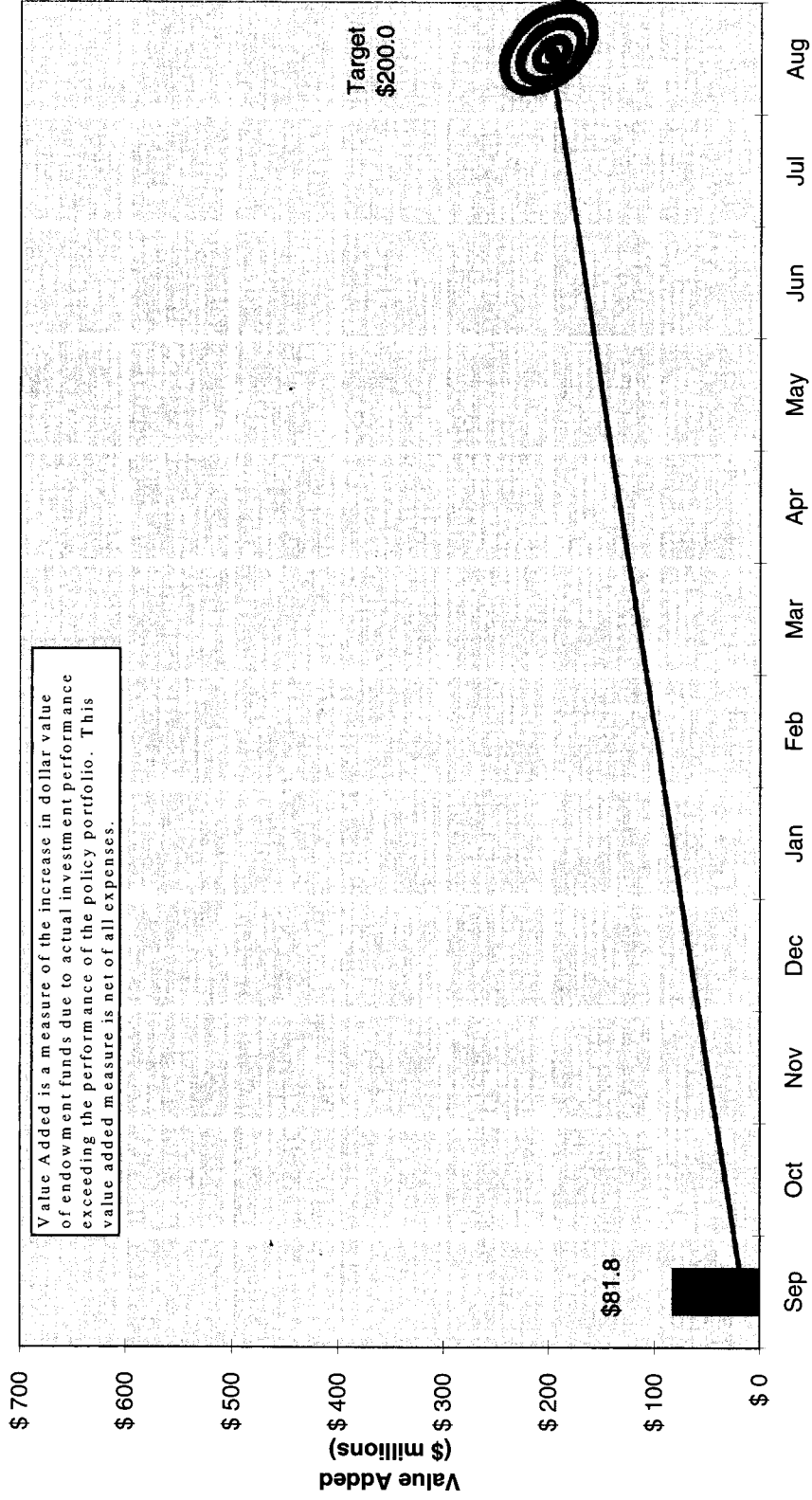
	Net Asset Value 9/30/2004 (in Millions)	Periods Ended September 30, 2004 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Three Months	Six Months	Fiscal Year To Date	Calendar Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
ENDOWMENT FUNDS												
Permanent University Fund	\$ 8,183.4	2.14	1.58	0.64	2.14	6.22	16.14	16.75	8.82	3.17	5.52	9.96
General Endowment Fund		2.15	1.54	0.59	2.15	5.97	16.24	17.34	9.34	N/A	N/A	N/A
Permanent Health Fund	828.6	2.14	1.52	0.59	2.14	5.92	16.10	17.20	9.21	3.34	5.22	N/A
Long Term Fund	3,488.0	2.14	1.52	0.59	2.14	5.92	16.10	17.24	9.27	3.45	6.31	10.64
Separately Invested Funds	177.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	12,677.6											
OPERATING FUNDS												
Short Term Fund	2,050.3	0.13	0.35	0.60	0.13	0.85	1.10	1.19	1.51	2.45	3.19	4.38
Short Intermediate Term Fund	1,195.9	0.12	1.10	0.22	0.12	1.29	1.58	1.99	2.35	4.00	4.36	5.48
Institutional Index Funds:												
BGI US Bond Index Fund	-	0.28	3.21	0.69	0.28	3.38	3.75	4.73	5.98	7.70	7.56	N/A
BGI Equity Index Fund	255.7	1.08	(1.84)	(0.16)	1.08	1.53	13.89	19.06	4.09	(4.62)	(1.27)	N/A
Total Operating Funds	3,501.9											
Total Investments	\$ 16,179.5											
BENCHMARKS (1)												
Permanent University Fund: Policy Portfolio		1.47	1.87	2.75	1.47	6.45	13.82	12.92	6.28	1.44	4.90	11.01
General Endowment Fund: Policy Portfolio		1.47	1.87	2.75	1.47	6.45	13.82	12.92	6.28	1.41	4.65	10.92
Short Term Fund: 90 Day Treasury Bills Average Yield		0.13	0.37	0.61	0.13	0.85	1.10	1.21	1.47	2.45	3.11	4.23
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)		(0.09)	1.04	(0.14)	(0.09)	1.00	1.13	1.95	3.20	4.95	5.15	5.75
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index		0.27	3.20	0.67	0.27	3.35	3.68	4.54	5.88	7.60	7.48	7.66
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		1.08	(1.87)	(0.18)	1.08	1.51	13.87	19.02	4.05	(4.65)	(1.31)	11.08
VALUE ADDED (2)												
Permanent University Fund			(0.30)	(2.11)		(0.23)						(1.05)
General Endowment Fund			(0.33)	(2.15)		(0.47)				N/A	N/A	N/A
Permanent Health Fund			(0.35)	(2.15)		(0.53)						N/A
Long Term Fund			(0.35)	(2.15)		(0.53)						(0.28)
Short Term Fund		0.00	(0.02)	(0.01)	0.00	0.00	(0.01)	(0.03)		0.00		(0.27)
Short Intermediate Term Fund									(0.85)	(0.95)	(0.79)	
Institutional Bond Index Fund												N/A
Institutional Equity Index Fund		0.00			0.00							N/A

(1) - Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.

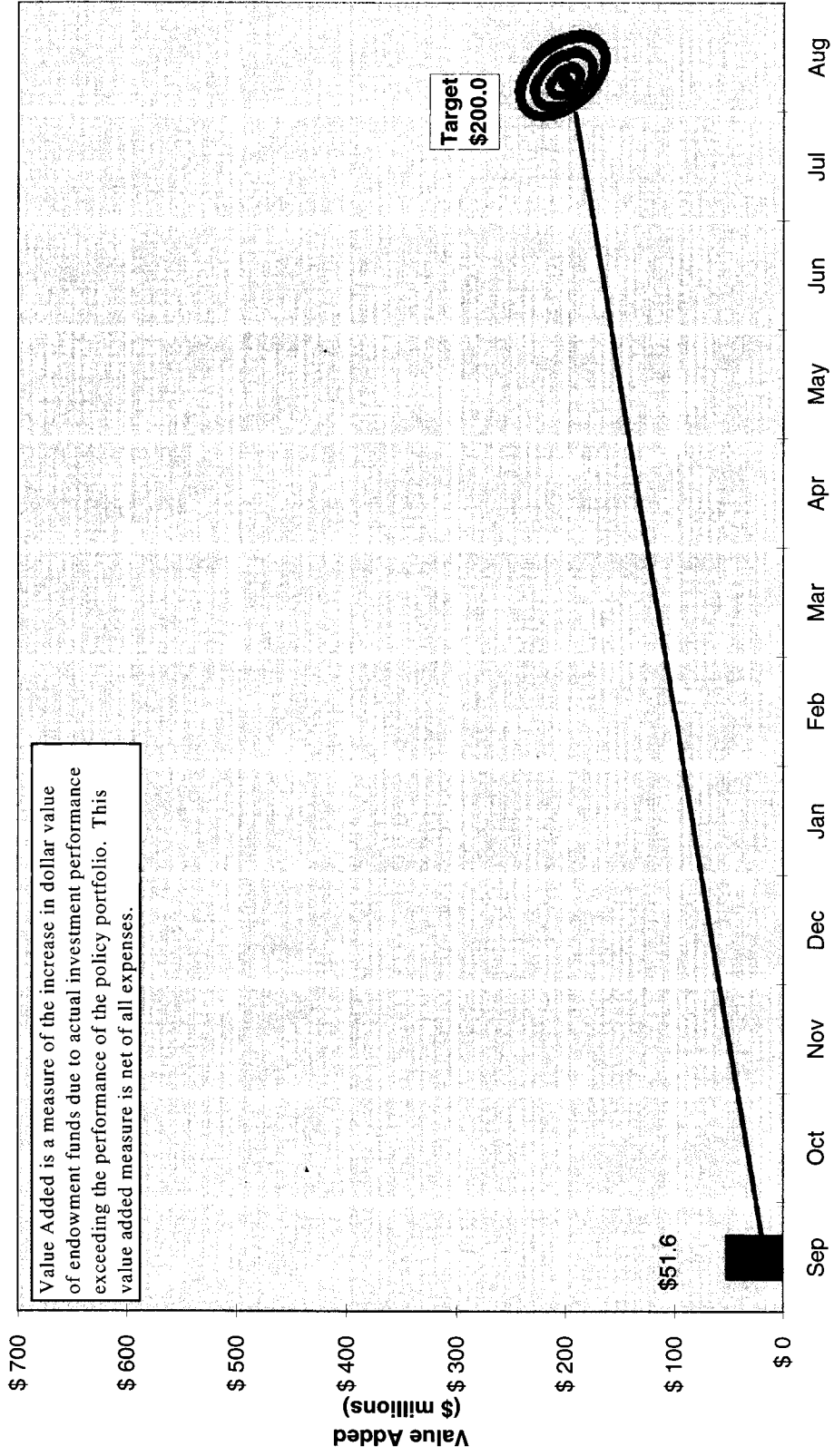
(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by the UTIMCO staff and external managers.



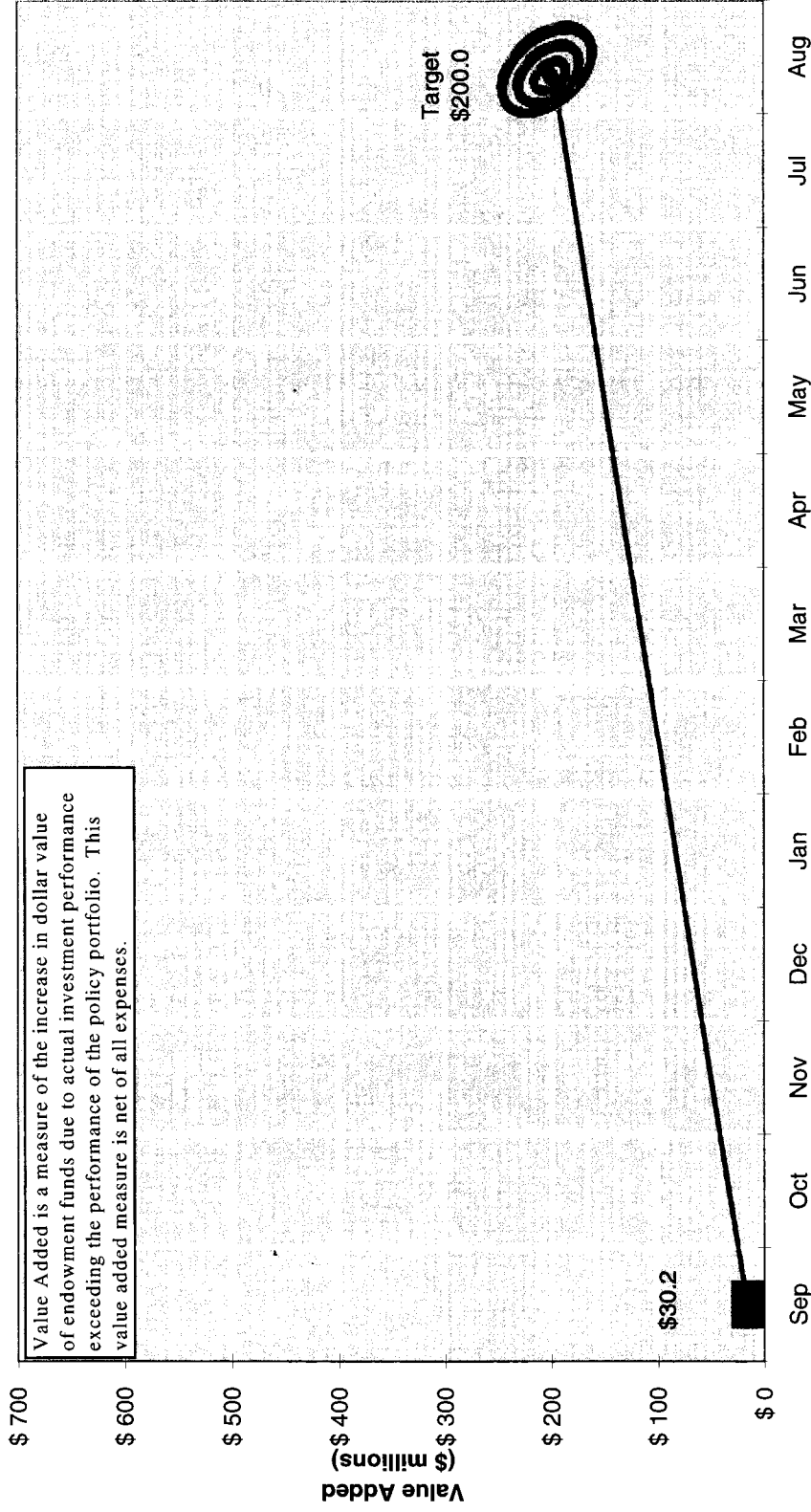
Cumulative Value Added In Endowment Funds 2004-2005 Fiscal Year



Cumulative Value Added in Marketable Securities in Endowment Funds 2004-2005 Fiscal Year



Cumulative Value Added In Non-Marketable Securities In Endowment Funds 2004-2005 Fiscal Year



**Permanent University Fund
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	September 30, 2004		One Month Ended September 30, 2004		
	Neutral	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.6%	0.13%	0.13%	-0.01%
U.S. Equities	25.0%	27.3%	1.19%	1.42%	0.07%
Global Equities	17.0%	20.7%	3.22%	2.65%	-0.06%
Equity Hedge Funds	10.0%	8.2%	0.46%	1.27%	0.09%
Absolute Return Hedge Funds	15.0%	13.5%	0.38%	1.46%	0.16%
Commodities	3.0%	5.2%	12.53%	10.29%	0.09%
Fixed Income	15.0%	14.7%	0.25%	0.54%	0.04%
Total Marketable Securities	85.0%	90.2%	1.60%	2.00%	0.38%
Private Capital	15.0%	9.8%	0.76%	3.38%	0.29%
Total Fund	100.0%	100.0%	1.47% (2)	2.14%	0.67%

- (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)
	September 30, 2004		Three Months Ended September 30, 2004		
	Neutral	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.6%	0.37%	0.35%	-0.04%
U.S. Equities	25.0%	27.3%	0.11%	-0.46%	-0.30%
Global Equities	17.0%	20.7%	1.01%	0.27%	-0.20%
Equity Hedge Funds	10.0%	8.2%	1.37%	1.76%	0.03%
Absolute Return Hedge Funds	15.0%	13.5%	1.12%	1.96%	0.12%
Commodities	3.0%	5.2%	16.36%	12.77%	0.01%
Fixed Income	15.0%	14.7%	3.41%	2.87%	-0.11%
Total Marketable Securities	85.0%	90.2%	1.79%	1.26%	-0.49%
Private Capital	15.0%	9.8%	2.30%	4.46%	0.20%
Total Fund	100.0%	100.0%	1.87% (2)	1.58%	-0.29%

(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)
	September 30, 2004		Calendar Year to Date September 30, 2004		
	Neutral	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.6%	0.85%	0.85%	-0.09%
U.S. Equities	25.0%	27.3%	4.60%	4.54%	-0.12%
Global Equities	17.0%	20.7%	5.15%	3.82%	-0.39%
Equity Hedge Funds	10.0%	8.2%	3.91%	5.62%	0.21%
Absolute Return Hedge Funds	15.0%	13.5%	3.14%	6.88%	0.52%
Commodities	3.0%	5.2%	30.51%	21.43%	-0.11%
Fixed Income	15.0%	14.7%	4.18%	3.61%	0.02%
Total Marketable Securities	85.0%	90.2%	5.23%	5.35%	0.04%
Private Capital	15.0%	9.8%	13.41%	14.01%	-0.27%
Total Fund	100.0%	100.0%	6.45% (2)	6.22%	-0.23%

(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)
	September 30, 2004		Year Ended September 30, 2004		
	Neutral	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	0.6%	1.10%	1.10%	-0.10%
U.S. Equities	25.0%	27.3%	17.60%	16.89%	0.25%
Global Equities	17.0%	20.7%	23.15%	19.98%	-0.03%
Equity Hedge Funds	10.0%	8.2%	5.22%	10.49%	0.71%
Absolute Return Hedge Funds	15.0%	13.5%	4.44%	12.83%	1.03%
Commodities	3.0%	5.2%	38.29%	34.17%	0.30%
Fixed Income	15.0%	14.7%	4.12%	6.31%	0.53%
Total Marketable Securities	85.0%	90.2%	13.22%	16.26%	2.69%
Private Capital	15.0%	9.8%	17.10%	15.81%	-0.37%
Total Fund	100.0%	100.0%	13.82% (2) (3)	16.14%	2.32%

- (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.
- (3) Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.



**General Endowment Fund
Performance Attribution**

	Asset Allocation		Return	
	September 30, 2004		One Month Ended September 30, 2004	
	Neutral	Market Exposure	Benchmark	GEF
Cash and Cash Equivalents	0.0%	0.6%	0.13%	0.13%
U.S. Equities	25.0%	26.5%	1.19%	1.40%
Global Equities	17.0%	20.9%	3.22%	2.75%
Equity Hedge Funds	10.0%	8.4%	0.46%	1.25%
Absolute Return Hedge Funds	15.0%	13.8%	0.38%	1.48%
Commodities	3.0%	5.2%	12.53%	10.37%
Fixed Income	15.0%	14.9%	0.25%	0.62%
Total Marketable Securities	85.0%	90.3%	1.60%	2.04%
Private Capital	15.0%	9.7%	0.76%	3.08%
Total Fund	100.0%	100.0%	1.47% (2)	2.15%
				Total Attribution (1)
				-0.01%
				0.05%
				-0.03%
				0.09%
				0.16%
				0.10%
				0.05%
				0.41%
				0.27%
				0.68%

(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		
	September 30, 2004		Three Months Ended September 30, 2004		Total Attribution (1)
	Neutral	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.6%	0.37%	0.35%	-0.05%
U.S. Equities	25.0%	26.5%	0.11%	-0.49%	-0.28%
Global Equities	17.0%	20.9%	1.01%	0.50%	-0.16%
Equity Hedge Funds	10.0%	8.4%	1.37%	1.75%	0.03%
Absolute Return Hedge Funds	15.0%	13.8%	1.12%	1.97%	0.13%
Commodities	3.0%	5.2%	16.36%	12.90%	0.02%
Fixed Income	15.0%	14.9%	3.41%	2.89%	-0.11%
Total Marketable Securities	85.0%	90.3%	1.79%	1.33%	-0.42%
Private Capital	15.0%	9.7%	2.30%	3.52%	0.09%
Total Fund	100.0%	100.0%	1.87% (2)	1.54%	-0.33%

(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		Total Attribution (1)
	September 30, 2004		Calendar Year to Date September 30, 2004		
	Neutral	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.6%	0.85%	0.85%	-0.07%
U.S. Equities	25.0%	26.5%	4.60%	4.31%	-0.15%
Global Equities	17.0%	20.9%	5.15%	3.87%	-0.33%
Equity Hedge Funds	10.0%	8.4%	3.91%	5.66%	0.20%
Absolute Return Hedge Funds	15.0%	13.8%	3.14%	6.89%	0.50%
Commodities	3.0%	5.2%	30.51%	21.78%	-0.12%
Fixed Income	15.0%	14.9%	4.18%	3.58%	0.01%
Total Marketable Securities	85.0%	90.3%	5.23%	5.32%	0.04%
Private Capital	15.0%	9.7%	13.41%	12.07%	-0.52%
Total Fund	100.0%	100.0%	6.45% (2)	5.97%	-0.48%

(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				
	September 30, 2004		Year Ended				
	Neutral	Asset Allocation	Market Exposure	Benchmark	September 30, 2004	GEF	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.6%	2.7%	1.10%	1.10%	1.10%	-0.08%
U.S. Equities	25.0%	26.5%	26.5%	17.60%	16.63%	16.63%	0.33%
Global Equities	17.0%	20.9%	18.8%	23.15%	20.24%	20.24%	0.10%
Equity Hedge Funds	10.0%	8.4%	8.4%	5.22%	10.59%	10.59%	0.69%
Absolute Return Hedge Funds	15.0%	13.8%	13.8%	4.44%	12.86%	12.86%	1.03%
Commodities	3.0%	5.2%	5.2%	38.29%	34.57%	34.57%	0.29%
Fixed Income	15.0%	14.9%	14.9%	4.12%	6.24%	6.24%	0.55%
Total Marketable Securities	85.0%	90.3%	90.3%	13.22%	16.42%	16.42%	2.91%
Private Capital	15.0%	9.7%	9.7%	17.10%	14.70%	14.70%	-0.49%
Total Fund	100.0%	100.0%	100.0%	13.82% (2) (3)	16.24%	16.24%	2.42%

- (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.
(3) Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.





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

UTMCO Manager Rating:

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

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

Periods Ended September 30, 2004
(One Year are Annualized)

Assets Under Management
(\$ Millions)

Manager	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Inception Date
NET OF FEES PERFORMANCE:									
Public Equities:									
Domestic Equities:									
Passive Management:									
BGI S&P 500	1.08	(1.89)	(0.20)	13.84	4.06	(1.29)	4.00	11.20	February 1993
vs. S&P 500 Index	0.00	(0.92)	(0.03)	(0.04)	"	"	"	"	N/A
BGI S&P 400 Midcap	2.97	(2.10)	(1.13)	17.58	12.45	10.56	9.96	14.56	December 1992
vs. S&P 400 Midcap Index	0.00	"	"	"	"	"	"	"	N/A
S&P 100 Index Exchange Traded Funds	(0.51)	"	"	"	"	"	"	"	August 2004
vs. S&P 100 Index	"	"	"	"	"	"	"	"	(0.51)
S&P 500 Index Futures	1.09	(1.93)	(0.20)	12.91	2.92	"	"	"	March 2001
vs. S&P 500 Index	"	(0.06)	(0.02)	(0.97)	(1.12)	"	"	"	(2.01)
Nasdaq 100	3.23	(7.12)	"	"	"	"	"	"	June 2004
vs. Russell 3000	3.13	(19.89)	(22.85)	"	"	"	"	"	(3.32)
Semiconductor Index Funds	8.08	(17.99)	(22.25)	"	"	"	"	"	April 2004
vs. Russell 3000	"	"	"	"	"	"	"	"	(15.36)
Energy Sector Index - Exchange Traded Funds	(0.92)	(3.14)	(2.05)	"	"	"	"	"	August 2004
vs. Russell 3000	(0.12)	(0.24)	(0.35)	"	"	"	"	"	8.08
Dow Jones - Exchange Traded Funds and Futures	1.82	"	"	"	"	"	"	"	November 2003
vs. Dow Jones Industrial Average	"	"	"	"	"	"	"	"	(1.13)
Dow Jones Select Dividend - Exchange Traded Funds	4.93	(2.34)	(2.67)	19.18	"	"	"	"	August 2004
vs. Russell 3000	0.27	"	"	"	"	"	"	"	1.82
Active Management:									
BGI Russell 2000 Alpha Tilt	1.78	(2.44)	(2.09)	13.02	"	"	"	"	February 2002
vs. Russell 2000	(0.54)	(1.50)	(1.23)	"	"	"	"	"	9.37
BGI Russell 3000 Alpha Tilt	5.78	(3.81)	(5.98)	6.66	2.67	2.72	4.38	9.91	August 2003
vs. Russell 3000	(0.08)	(0.27)	"	(5.27)	(6.42)	"	"	"	10.96
Cordillera	4.71	(1.03)	1.60	23.09	"	"	"	"	(1.00)
vs. Russell 2000 Growth	"	"	"	"	"	"	"	"	9.10
Cordillera Consumer Cyclicals	4.02	"	"	"	"	"	"	"	January 1994
vs. Russell 2000	(0.67)	"	"	"	"	"	"	"	23.09
Cordillera Consumer Cyclicals II	1.87	(4.06)	(2.99)	4.13	0.63	(2.88)	3.65	9.70	August 2004
vs. Russell 2000	(1.38)	(4.32)	(4.98)	(12.21)	(4.16)	(2.00)	(0.55)	(1.63)	4.02
Davis Hamilton Jackson	2.38	(1.73)	(1.83)	15.22	4.96	(0.64)	"	"	(0.67)
vs. Russell Mid Cap Effective 8/04 (S&P 500 1/84 - 7/04)	"	"	(1.65)	"	"	"	"	"	8.71
GSAM - Large Cap	4.68	(2.37)	(4.97)	18.00	15.13	9.29	"	"	(1.92)
vs. S&P 500 Index	(0.02)	"	(2.58)	(0.77)	"	"	"	"	1.57
GSAM - Small Cap	"	"	"	"	"	"	"	"	(0.09)
vs. Russell 2000	"	"	"	"	"	"	"	"	5.28
John Levin & Co. (Funded September 2004)	"	"	"	"	"	"	"	"	April 1998
vs. Russell 1000	"	"	"	"	"	"	"	"	September 2004
MBA Investments	2.75	(4.20)	(3.24)	9.21	3.69	(6.81)	(2.39)	"	"
vs. S&P 500 Index	(2.42)	(3.07)	(4.66)	(0.35)	(5.51)	(6.26)	"	"	2.63
Forstmann Leff - Mid Cap	3.97	"	"	"	"	"	"	"	(6.56)
vs. Russell Mid Cap	"	"	"	"	"	"	"	"	3.97
Foremann Leff - Small Cap	6.44	2.02	4.96	31.37	12.76	12.88	6.64	12.43	August 2004
vs. Russell 2000	"	"	"	"	(0.95)	"	"	"	11.94
Relational Investors (September 2004)	"	"	"	"	"	"	"	"	January 1994
vs. S&P 500 Index	"	"	"	"	"	"	"	"	September 2004
State Street Research Hedge	12.66	9.87	"	"	"	"	"	"	"
vs. Russell 2000	"	"	"	"	"	"	"	"	9.87
State Street Research Small Cap	12.45	12.21	"	"	"	"	"	"	July 2004
vs. Russell 2000	"	"	"	"	"	"	"	"	12.21
TCW MultiCap	3.32	(0.97)	(8.02)	"	"	"	"	"	June 2004
vs. Russell 3000	"	"	(7.42)	"	"	"	"	"	(8.28)
TCW Mid Value	1.36	(9.18)	"	"	"	"	"	"	February 2004
vs. Russell Mid Cap	(1.88)	(8.34)	"	"	"	"	"	"	(8.74)
TCW Small Value	3.45	(11.02)	"	"	"	"	"	"	(3.54)
vs. Russell 2000	(1.24)	(8.16)	"	"	"	"	"	"	(7.98)
Value Act Capital	0.95	1.79	5.54	11.58	"	"	"	"	April 2004
vs. Russell 2000	(3.74)	"	"	(7.19)	"	"	"	"	(4.27)
									August 2003
									(4.55)



Public Markets Managers
Investment Performance Detail Summary
September 30, 2004

UTMCO Manager Rating:

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

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

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

Assets Under
Management
(\$ Millions)

One Month Three Months Six Months One Year Three Years Five Years Seven Years Ten Years

Manager Inception Date

NET OF FEES PERFORMANCE (continued)

Manager Rating	Assets Under Management (\$ Millions)	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
		0.92	10.34	6.00	30.95	22.57	20.32	10.82	15.75	14.74	April 1993
		0.87	(3.69)	(2.47)	-	-	-	-	-	(4.98)	January 2004
		(4.56)	2.12	2.12	-	-	-	-	-	2.62	January 2004
		4.18	(1.56)	(0.67)	-	-	-	-	-	(0.07)	February 2004
		2.65	(0.25)	0.05	22.30	9.41	(0.51)	2.41	4.86	6.32	April 1993
		6.09	8.42	(1.84)	27.19	-	-	-	-	16.97	February 2002
		2.97	0.31	(0.37)	22.93	-	-	-	-	24.16	August 2003
		2.44	(2.95)	(0.62)	27.11	18.86	1.33	1.03	-	2.48	December 1996
		(0.95)	(3.01)	(1.57)	(0.56)	(0.59)	(4.04)	(4.72)	-	(1.99)	December 1996
		1.31	(0.85)	(1.00)	-	-	-	-	-	9.33	November 2003
		(1.31)	(0.58)	(0.94)	-	-	-	-	-	31.37	October 2003
		5.24	4.52	6.53	-	-	-	-	-	3.04	March 2004
		11.40	9.66	-	-	-	-	-	-	(4.79)	March 2004
		(1.67)	(6.22)	-	-	-	-	-	-	1.21	April 1998
		2.29	(1.43)	(2.72)	24.23	8.43	(0.94)	-	-	3.76	January 1996
		(0.32)	(1.15)	(2.65)	-	(0.69)	(0.09)	-	-	(4.40)	August 2000
		5.22	7.05	1.87	29.47	24.86	7.23	0.74	-	(4.80)	May 2004
		(0.56)	(1.21)	-	-	-	-	(0.57)	-	0.42	May 2004
		1.69	(2.56)	(3.66)	19.69	9.37	-	-	-	(0.01)	-
		(0.93)	(2.28)	(3.59)	(2.39)	-	-	-	-	(7.63)	May 2003
		(2.35)	(5.20)	-	-	-	-	-	-	(12.86)	January 2004
		(2.47)	(5.57)	-	-	-	-	-	-	13.42	January 2004
		0.12	0.34	-	-	-	-	-	-	4.40	August 2004
		(0.00)	(0.03)	-	-	-	-	-	-	11.62	July 2003
		0.95	1.85	1.29	2.94	-	-	-	-	6.87	December 2003
		(1.44)	(2.29)	(1.44)	-	-	-	-	-	11.67	December 2003
		2.89	9.93	9.59	-	-	-	-	-	11.17	August 1998
		3.66	-	-	-	-	-	-	-	9.39	January 2002
		1.71	2.55	5.33	15.32	-	-	-	-	(4.92)	September 2003
		4.73	4.92	0.92	-	-	-	-	-	(10.14)	May 2003
		0.31	(0.50)	0.35	-	-	-	-	-	0.74	February 2003
		(0.15)	(1.87)	(2.29)	-	-	-	-	-	(4.46)	May 2003
		0.82	1.41	(0.54)	12.86	5.42	12.16	-	-	(0.79)	February 2003
		(1.18)	-	(3.18)	-	(0.19)	-	-	-	(4.51)	-
		0.11	1.48	1.51	9.10	-	-	-	-	-	-
		(0.35)	(1.12)	(1.71)	-	-	-	-	-	-	-
		0.93	(8.35)	(9.89)	(5.94)	-	-	-	-	-	-
		0.93	(2.04)	(0.22)	3.06	-	-	-	-	-	-
		0.93	(3.42)	(2.85)	(2.18)	-	-	-	-	-	-
		2.49	3.46	1.88	7.00	-	-	-	-	-	-
		(0.76)	(0.76)	(0.76)	-	-	-	-	-	-	-



Public Markets Managers
Investment Performance Detail Summary
September 30, 2004

UTIMCO Manager Rating:

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

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

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

Assets Under
Management
(\$ Millions)

One Month Three Months Six Months One Year Three Years Five Years Seven Years Ten Years

Manager Inception Date

NET OF FEES PERFORMANCE (continued)

Absolute Returns:

AQR Offshore	38.5	(0.34)	(0.53)	(4.76)	-	-	-	-	-	(4.03)	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%		(0.71)	(1.65)	(6.88)	-	-	-	-	-	(6.46)	
BGI Unequitized Global Markets	251.5	0.72	1.39	-	-	-	-	-	-	2.37	May 2004
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
Bridgewater Pure Alpha	42.3	2.05	4.09	3.00	-	-	-	-	-	5.83	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
Farallon Capital Offshore Investors	373.3	2.18	2.25	2.61	14.48	13.58	13.65	-	-	13.49	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
Indus Event Driven	22.1	0.61	2.07	4.84	-	-	-	-	-	10.97	December 2003
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
OZ Overseas Fund (Funded 8/04)	101.7	0.83	-	-	-	-	-	-	-	1.67	August 2004
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
Perry Partners International	427.3	2.29	2.87	5.24	16.99	13.46	15.07	-	-	13.76	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	-	-	-	-	-	-	-	
Protégé Partners Fund	198.6	0.81	0.94	0.13	7.64	-	-	-	-	10.80	February 2003
vs. 90 Day Treasury Bills Average Yield + 3%		-	(0.19)	(1.99)	-	-	-	-	-	-	
Satellite Fund	248.6	0.70	1.48	0.98	8.74	4.58	-	-	-	6.71	September 2000
vs. 90 Day Treasury Bills Average Yield + 3%		-	-	(1.15)	-	-	-	-	-	-	

Commodities:

Goldman Sachs Commodity Index	423.2	12.40	16.74	19.94	47.17	-	-	-	-	31.62	June 2002
vs. Goldman Sachs Commodity Index - 100 bps		(0.13)	-	-	-	-	-	-	-	-	
PIMCO Real Return	227.1	6.69	9.48	2.36	-	-	-	-	-	16.25	January 2004
vs. Dow Jones AVG + 1-10 Year TIPS		(0.11)	(0.26)	(0.07)	-	-	-	-	-	-	

Fixed Income:

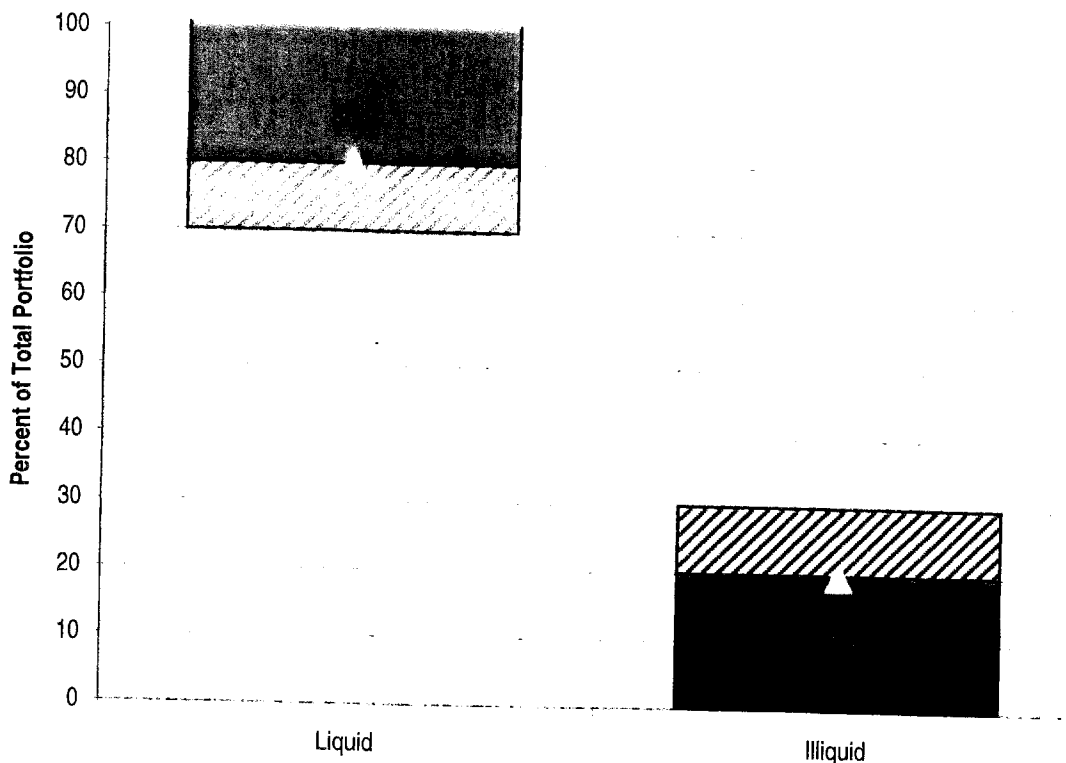
Internal - Harland Deak	232.0	0.45	3.31	0.38	4.03	5.89	-	-	-	6.82	February 2001
vs. Credit Related Composite Index		(0.05)	(0.73)	(0.19)	(0.20)	(1.62)	-	-	-	(1.19)	
Internal - Russ Kemple	272.9	0.17	1.98	0.51	3.22	3.96	-	-	-	6.74	February 2000
vs. Lehman Brothers Aggregate Bond Index		(0.11)	(1.22)	(0.17)	(0.46)	(1.92)	-	-	-	(1.40)	
Total Internally Managed Fixed Income	504.9	0.30	2.62	0.41	3.60	4.95	-	-	-	7.48	
vs. Lehman Brothers Aggregate Bond Index		-	(0.58)	(0.27)	(0.08)	(0.93)	-	-	-	(0.66)	
GMO Emerging Debt Fund	28.3	2.58	11.60	-	-	-	-	-	-	13.24	May 2004
vs. JP Morgan Emerging Bond Index Global		-	-	-	-	-	-	-	-	-	
PIMCO Fixed Income	720.6	1.10	2.78	1.45	7.89	9.81	8.85	-	-	7.77	March 1998
vs. Lehman Brothers Global Aggregate Index		(0.08)	(0.59)	-	-	-	-	-	-	-	
Treasury Inflation Protection Securities (TIPS):											
Internal TIPS	313.4	0.26	-	-	-	-	-	-	-	3.28	July 2004
vs. Lehman Brothers US TIPS Index		-	-	-	-	-	-	-	-	-	
PIMCO TIPS	278.7	0.15	-	-	-	-	-	-	-	0.15	August 2004
vs. Lehman Brothers US TIPS Index		(0.05)	-	-	-	-	-	-	-	(0.05)	
Consumer Price Index		0.21	0.11	1.33	2.54	2.12	2.49	2.37	2.43		

Notes:

- (1) The purpose of this report is to retain manager performance history after the LTF contributed its securities to the General Endowment Fund (GEF). Beginning March 1, 2001, the manager history reported is that of the GEF. Before March 1, 2001, history was obtained from either the LTF or the PUF depending upon the fund with the longest history for each manager. The P (PUF) or L (LTF) notations above indicate which fund the history was obtained.
- (2) Inception of RET portfolio for performance purposes is March 1993. Prior to December 1999 the RET portfolio was classified as part of the Large Cap asset class. The history shown here combines all returns from March 1993 to the present for the periods reported.

Combined Liquidity Profile

September 30, 2004



Current:

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	10,120,426,146.39	80.2	9,942,582,359.76	80.1
Illiquid	2,505,707,276.96	19.8	2,469,887,570.31	19.9
	<u>12,626,133,423.35</u>	<u>100.0</u>	<u>12,412,469,930.07</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	10,015,426,146.39	79.3	9,902,582,359.76	79.8
Illiquid	2,610,707,276.96	20.7	2,509,887,570.31	20.2
	<u>12,626,133,423.35</u>	<u>100.0</u>	<u>12,412,469,930.07</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%.

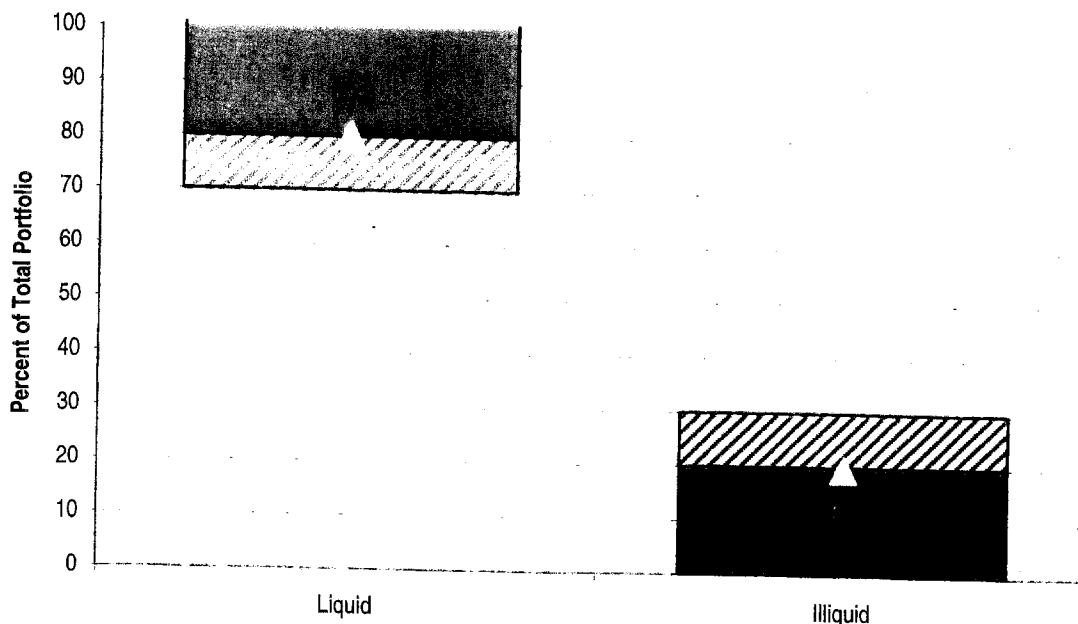
I, Adrian R. Kelly, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan Malle, 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.

I, Arvidson, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

PUF Liquidity Profile

September 30, 2004



Current

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,622,968,282.27	80.2	6,550,901,888.67	80.2
Illiquid	1,633,789,263.82	19.8	1,612,907,094.50	19.8
	<u>8,256,757,546.09</u>	<u>100.0</u>	<u>8,163,808,983.17</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,554,718,282.27	79.4	6,524,901,888.67	79.9
Illiquid	1,702,039,263.82	20.6	1,638,907,094.50	20.1
	<u>8,256,757,546.09</u>	<u>100.0</u>	<u>8,163,808,983.17</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%.

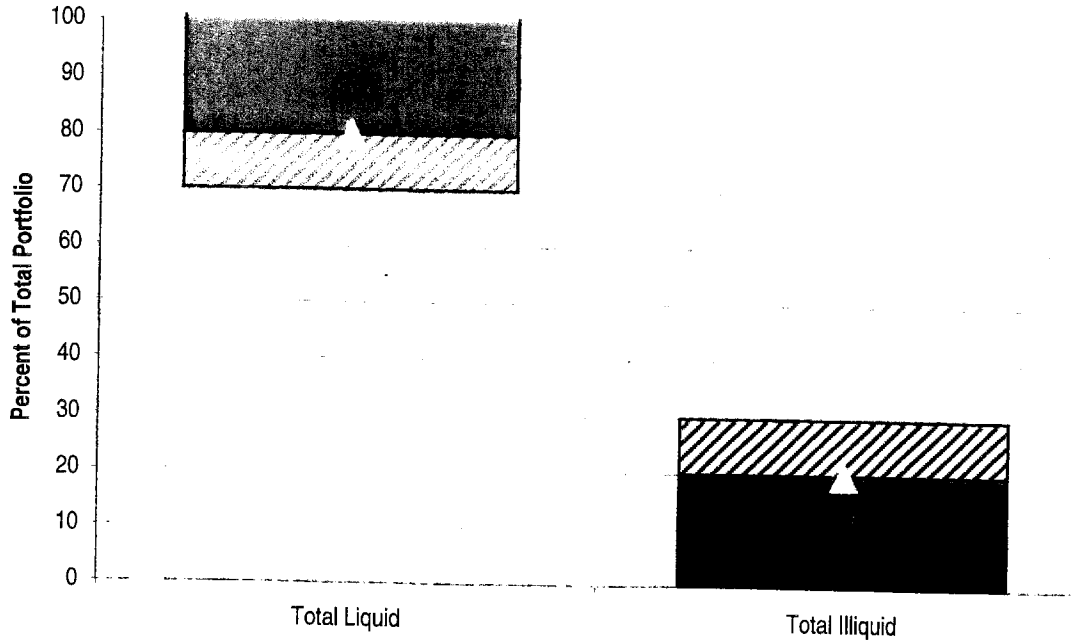
I, Arda K. Kish, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Spa Maell, 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.

I, Arden, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

GEF Liquidity Profile

September 30, 2004



Current

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,497,457,864.12	80.0	3,391,680,471.09	79.8
Illiquid	871,918,013.14	20.0	856,980,475.81	20.2
	<u>4,369,375,877.26</u>	<u>100.0</u>	<u>4,248,660,946.90</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	9/30/2004		8/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,460,707,864.12	79.2	3,377,680,471.09	79.5
Illiquid	908,668,013.14	20.8	870,980,475.81	20.5
	<u>4,369,375,877.26</u>	<u>100.0</u>	<u>4,248,660,946.90</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, John V. Hill, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

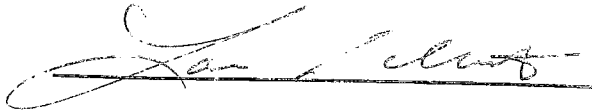
I, Jan Mollen, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, Bob Seeger, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

Liquidity Profile for GEF and PUF

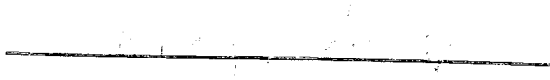
September 30, 2004

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 for which I have responsibility.



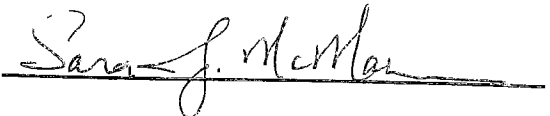
Larry Goldsmith, Managing Director - Public Markets

Oct. 21, 2004 Date



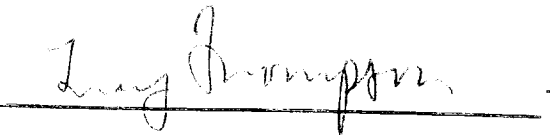
Cathy Iberg, Managing Director - Marketable Alternatives

10/21/04 Date



Sara McMahon, Managing Director - Non-Marketable Alternatives

10/25/04 Date



Trey Thompson, Managing Director - Non-Marketable Alternatives

Oct 21, 2004 Date

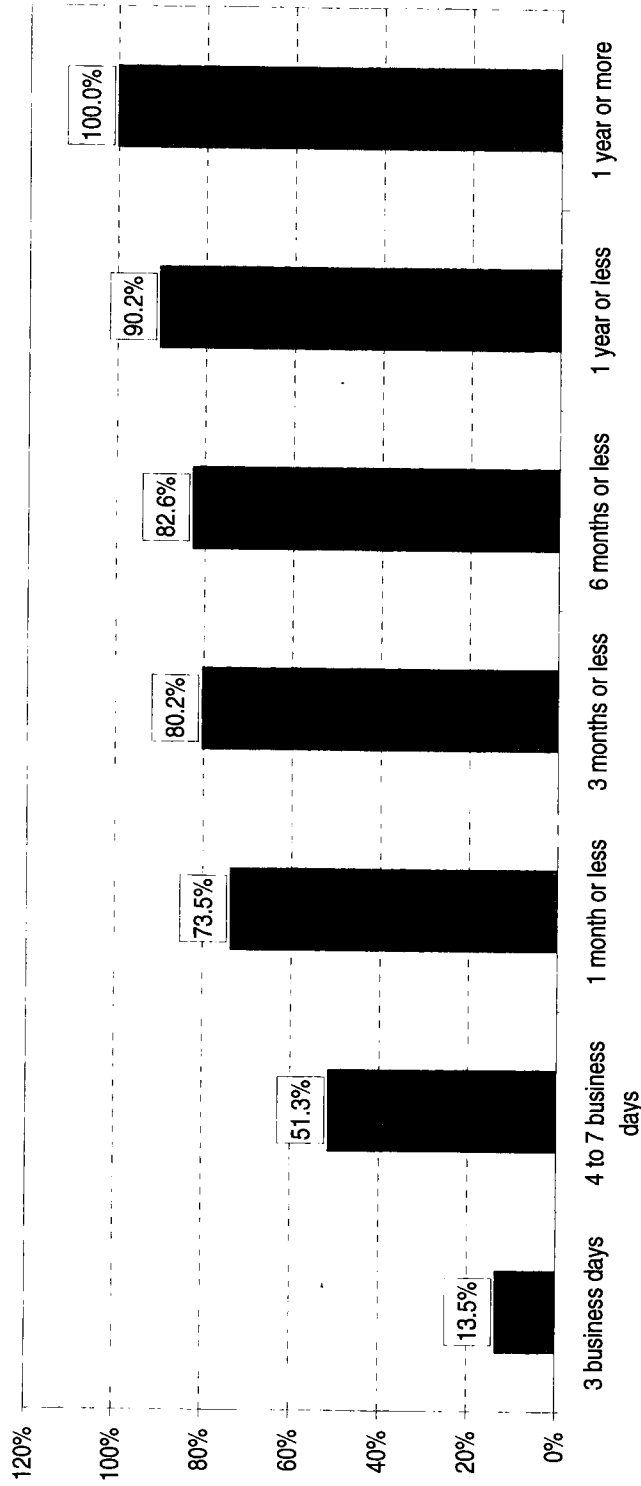
**Illiquid investments approved/delegated or funded from last report to UTIMCO Board
through current report date
August 31, 2004 through September 30, 2004**

	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
<u>Private Equity investments</u>					
Tejas Venture Partners I	Sept 2004	\$ 13,750,000	\$ 11,250,000	\$ -	\$ -
<u>Marketable Alternative investments</u>					
Blue Ridge Offshore, L. P.	Sept 2004	\$ 48,750,000	\$ 26,250,000	\$ -	\$ -

Change in investment's liquidity classification

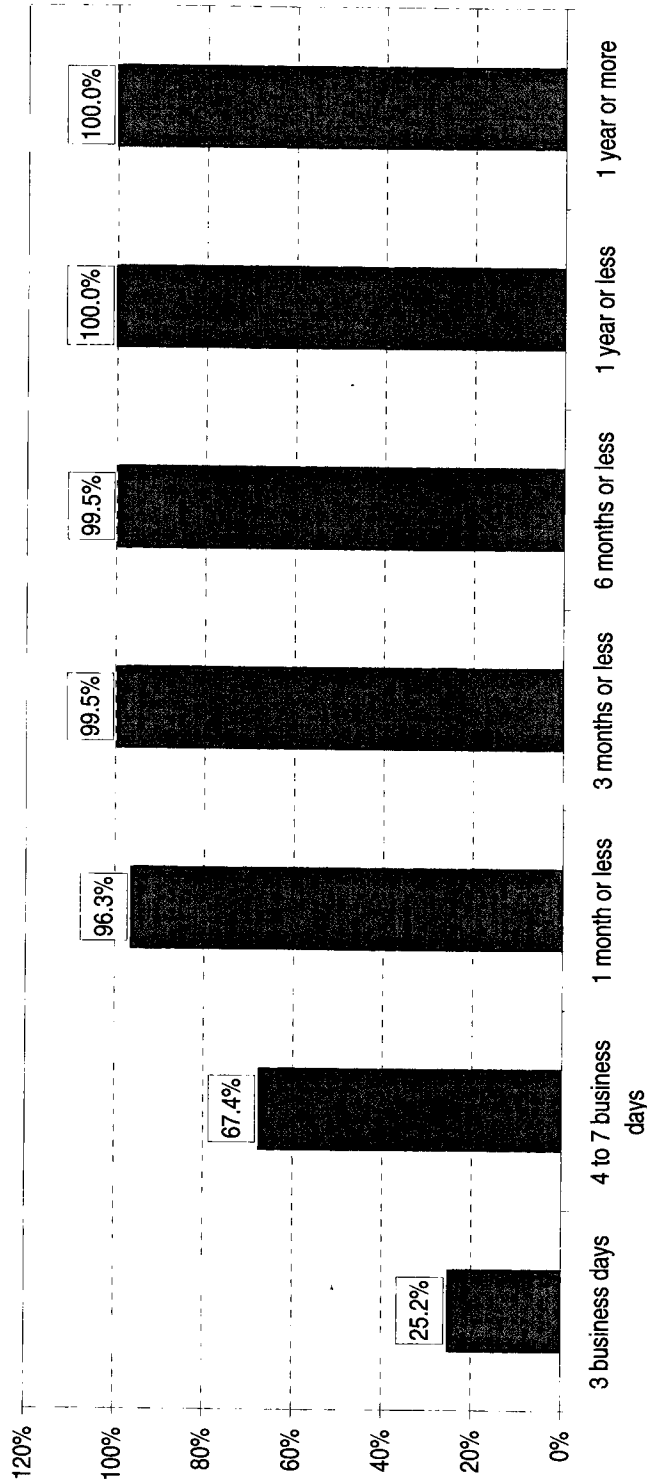
Public Market investments
None

UT Endowments (PUF & GEF) Actual Liquidity Classification
as of September 30, 2004



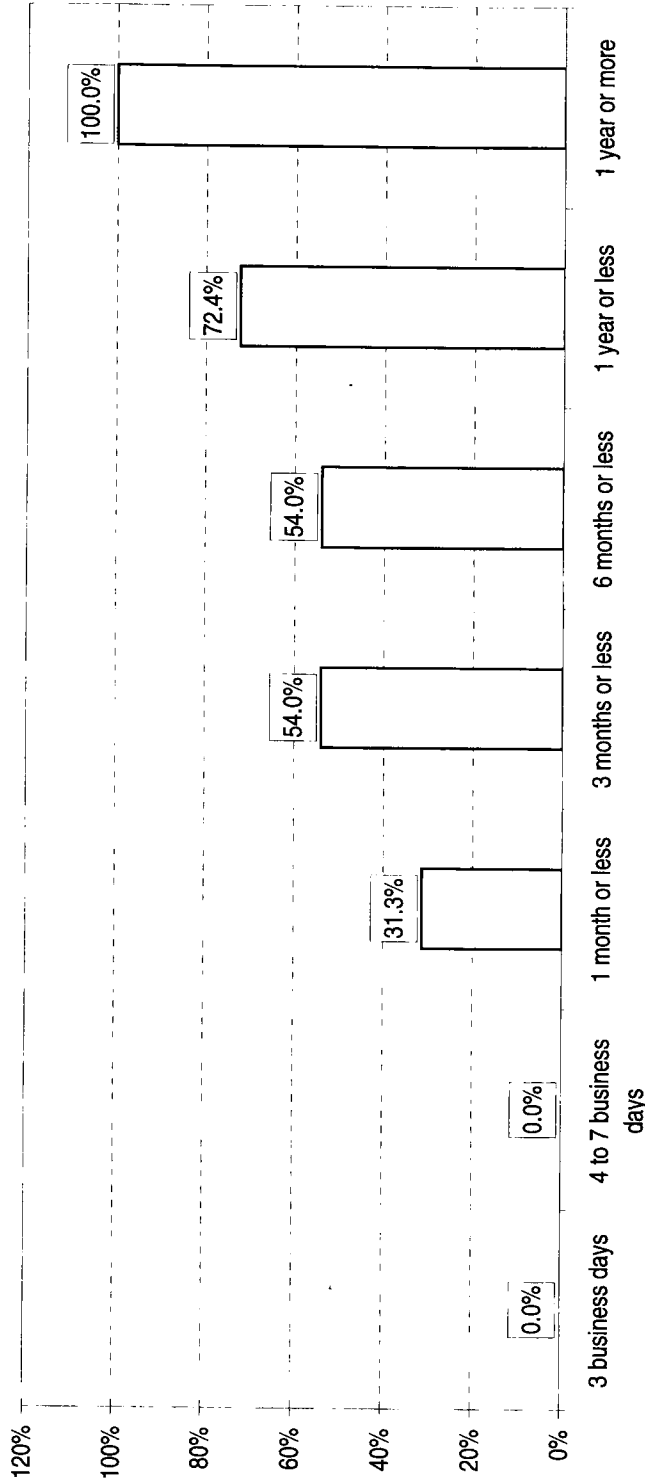
<u>Classification Period</u>	<u>Assets</u>	<u>%</u>	<u>Cumulative Assets</u>	<u>%</u>
Liquid:				
3 business days	1,705,980,264	13.5%	1,705,980,264	13.5%
4 to 7 business days	4,766,921,192	37.8%	6,472,901,456	51.3%
1 month or less	2,808,036,332	22.2%	9,280,937,788	73.5%
3 months or less	839,488,358	6.6%	10,120,426,146	80.2%
6 months or less	302,560,733	2.4%	10,422,986,880	82.6%
1 year or less	969,268,820	7.7%	11,392,255,700	90.2%
1 year or more	<u>1,233,877,724</u>	9.8%	<u>12,626,133,423</u>	100.0%
	12,626,133,423	100.0%		
Illiquid:				

**Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification
as of September 30, 2004**



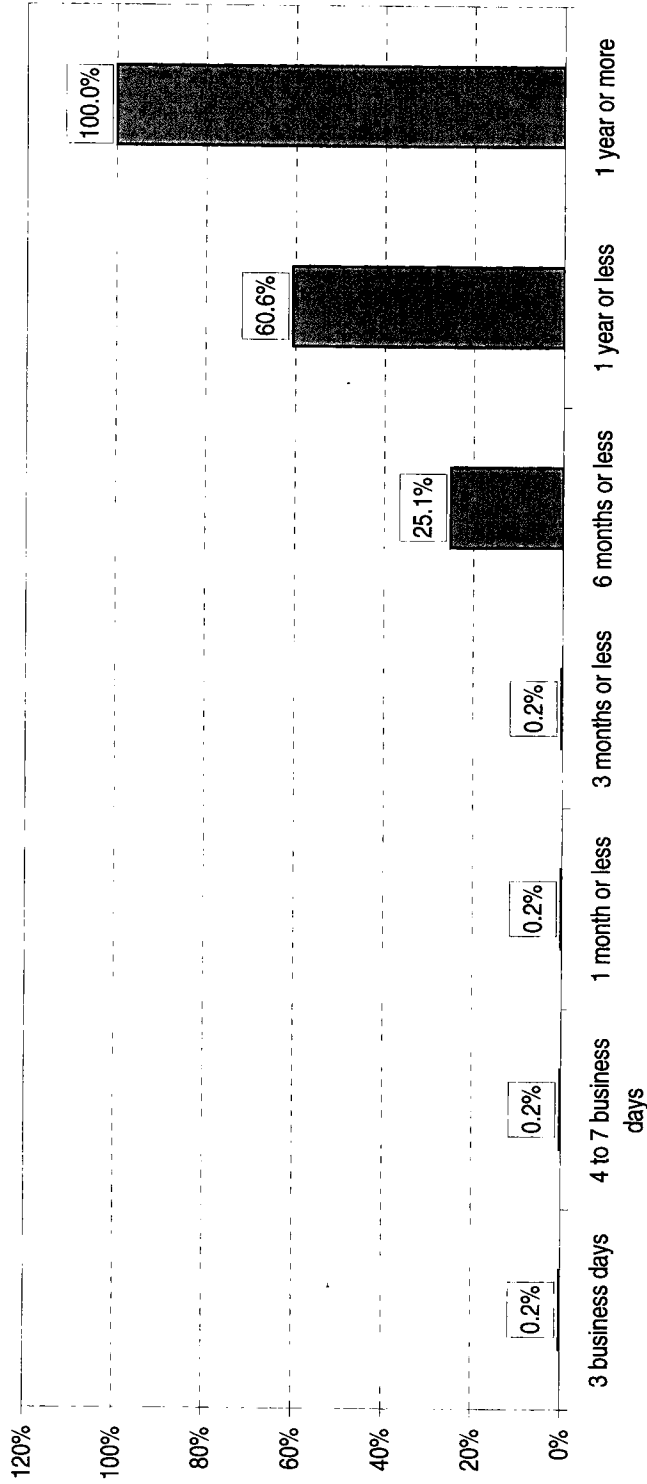
<u>Classification Period</u>	<u>Assets</u>	<u>%</u>	<u>Cumulative Assets</u>	<u>%</u>
Liquid:				
3 business days	1,703,222,301	25.2%	1,703,222,301	25.2%
4 to 7 business days	2,851,389,274	42.2%	4,554,611,575	67.4%
1 month or less	1,950,831,541	28.9%	6,505,443,116	96.3%
3 months or less	216,773,597	3.2%	6,722,216,714	99.5%
Illiquid:				
6 months or less	0	0.0%	6,722,216,714	99.5%
1 year or less	34,898,500	0.5%	6,757,115,214	100.0%
1 year or more	0	0.0%	6,757,115,214	100.0%
	6,757,115,214	100.0%		

Marketable Alternatives Actual Liquidity Classification
as of September 30, 2004



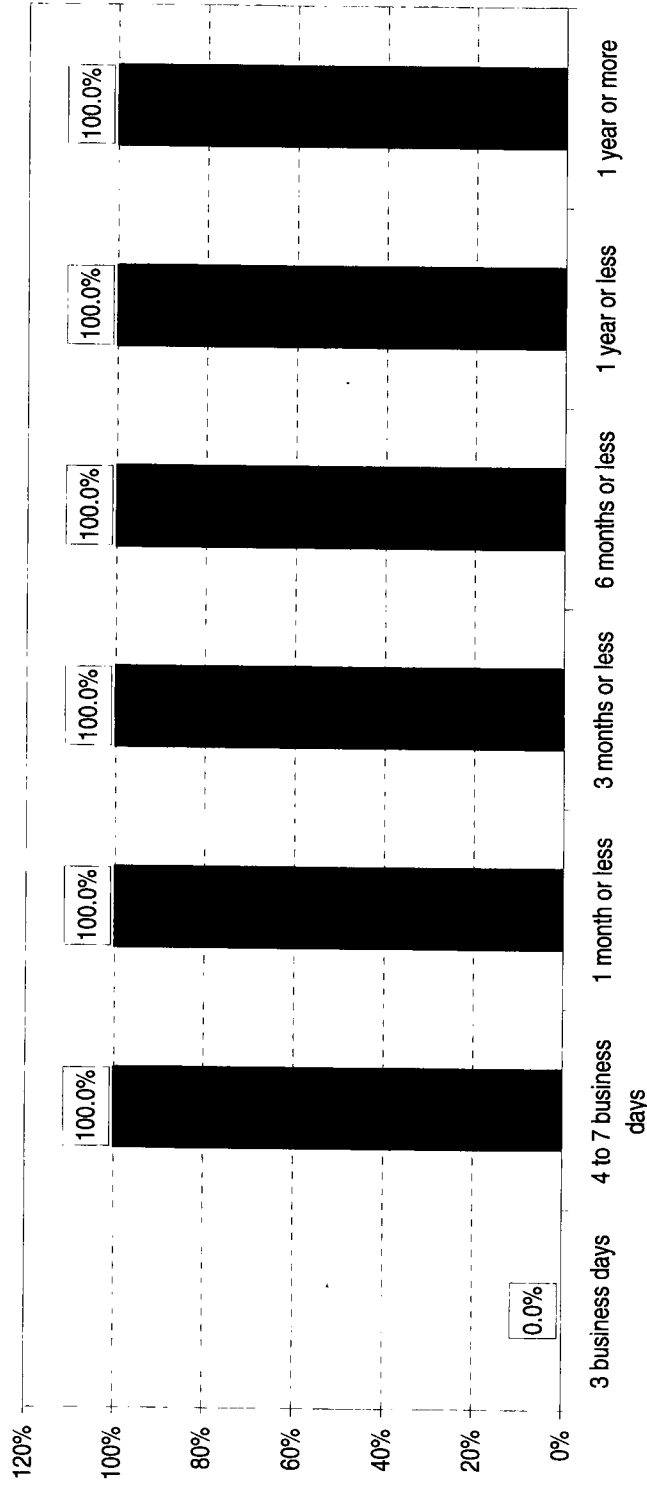
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	0	0.0%	0	0.0%
1 month or less	857,204,791	31.3%	857,204,791	31.3%
3 months or less	622,714,761	22.7%	1,479,919,552	54.0%
Illiquid:				
6 months or less	0	0.0%	1,479,919,552	54.0%
1 year or less	504,554,601	18.4%	1,984,474,153	72.4%
1 year or more	754,975,080	27.6%	2,739,449,232	100.0%
	2,739,449,232	100.0%		

Non-Marketable Alternatives Actual Liquidity Classification
as of September 30, 2004



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,757,963	0.2%	2,757,963	0.2%
	4 to 7 business days	0	0.0%	2,757,963	0.2%
	1 month or less	0	0.0%	2,757,963	0.2%
	3 months or less	0	0.0%	2,757,963	0.2%
Illiquid:	6 months or less	302,560,733	24.9%	305,318,696	25.1%
	1 year or less	429,815,719	35.4%	735,134,415	60.6%
	1 year or more	<u>478,902,644</u>	<u>39.4%</u>	<u>1,214,037,059</u>	<u>100.0%</u>
		1,214,037,059	100.0%		

Inflation Hedging Actual Liquidity Classification
as of September 30, 2004



	<u>Classification Period</u>	<u>Assets</u>	<u>%</u>	<u>Cumulative Assets</u>	<u>%</u>
Liquid:	3 business days	0	0.0%	0	0.0%
	4 to 7 business days	1,915,531,918	100.0%	1,915,531,918	100.0%
	1 month or less	0	0.0%	1,915,531,918	100.0%
	3 months or less	0	0.0%	1,915,531,918	100.0%
Illiquid:	6 months or less	0	0.0%	1,915,531,918	100.0%
	1 year or less	0	0.0%	1,915,531,918	100.0%
	1 year or more	<u>0</u>	0.0%	<u>1,915,531,918</u>	100.0%
		1,915,531,918	100.0%		

TOTAL INTERNAL DERIVATIVES (FUTURES AND ETFs) BY TYPE as of September 30, 2004

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
S & P 500 Index Futures (Long)	\$ 1,024,977,234.36		8.19%	Large cap exposure
S & P 500 Index Futures (Short)	(76,649,375.00)	\$ 948,327,859.36	0.61%	Large cap exposure
Dow Jones Futures (Long)	268,836,150.00		2.15%	Large cap exposure (w/ minimal Financials)
Dow Jones Select Dividend (Long)	17,382,671.60	17,382,671.60	0.14%	Large cap exposure
GSCI Futures (Long)	422,788,012.50	422,788,012.50	3.38%	Commodity exposure
S&P 100 ETFs	202,160,022.00	202,160,022.00	1.62%	Large cap exposure
FTSE 100 INDEX Futures (Long)	210,528,620.41	210,528,620.41	1.68%	United Kingdom large cap exposure
NASDAQ 100 Index Futures (Long)	43,360,200.00	43,360,200.00	0.35%	Large cap technology exposure
TOPIX Index Futures (Long)	90,128,606.75	90,128,606.75	0.72%	Japanese large cap exposure
S & P/TFSE 60 INDEX FUT (Long)	76,877,373.48	76,877,373.48	0.61%	Canadian market exposure
NIKKEI 225 Index Futures (Long)	63,631,628.14	63,631,628.14	0.51%	Japanese large cap exposure
Euro Stoxx 50 Futures (Long)	64,493,334.00	64,493,334.00	0.52%	Eurozone large cap exposure
Semiconductor Holders ETFs	14,840,642.88	14,840,642.88	0.12%	Large cap technology exposure
Global Energy ETFs	13,573,770.72	13,573,770.72	0.11%	Large cap global energy exposure
MSCI Singapore ETFs	11,144,622.00	11,144,622.00	0.09%	Singapore market exposure
MSCI Hong Kong ETFs	7,230,435.28	7,230,435.28	0.06%	Hong Kong market exposure
Select Energy ETFs (Long)	3,326,488.69	3,326,488.69	0.03%	Large cap energy exposure
Hang Seng Futures (Short)	(35,646,251.44)	(35,646,251.44)	0.28%	Hong Kong market exposure
MSCI Taiwan ETFs	5,963,602.20		0.05%	Taiwan market exposure
Taiwan Index Futures (Short)	(65,863,280.00)	(59,899,677.80)	0.53%	Taiwan market exposure
South Africa Index Futures (Short)	(77,429,193.58)	(77,429,193.58)	0.62%	South African market exposure
MidCap 400 EMini Futures (Short)	(118,047,150.00)	(118,047,150.00)	0.94%	Mid cap exposure
Russell 2000 ETFs	47,659,773.15		0.38%	Small cap exposure
Russell 2000 Mini Index Futures (Long)	50,093,750.00		0.40%	Small cap exposure
Russell 2000 Mini Index Futures (Short)	(727,132,250.00)	(629,378,726.85)	5.81%	Small cap exposure
Net total	\$ 3,739,764,438.19	\$ 1,538,229,438.15	29.88%	
			Less than 50%	of Endowment Funds

TOTAL INTERNAL DERIVATIVES (FUTURES AND ETFs) BY TYPE as of September 30, 2004

US EQUITY DERIVATIVES

1) Index Exposure	Gross Exposure	Net Exposure	Comment
S & P 500 Index Futures (Long)	\$ 262,106,909.36		Large cap exposure
Dow Jones Futures (Long)	245,988,600.00		Large cap exposure (w/ minimal Financials)
GSCI Futures (Long)	422,788,012.50		Commodity exposure
S & P 100 ETFs	202,160,022.00		Large cap exposure
Russell 2000 Futures (Long)	50,093,750.00		Small cap exposure
Russell 2000 ETFs	47,659,773.15		Small cap exposure
NASDAQ 100 Index Futures (Long)	1,275,300.00	\$ 1,232,072,367.01	Large cap technology exposure
2) Active Tilts			
Dow Jones Select Dividend (Long)	17,382,671.60		Large cap exposure
Global Energy ETFs	13,573,770.72		Large cap energy exposure
Select Sector Energy ETFs	3,326,488.69		Large cap energy exposure
Semiconductor Holders ETFs	14,840,642.88	49,123,573.89	Large cap technology exposure
3) Hedging / Risk Reduction - Spread Trade			
S & P 500 Index Futures (Long)	762,870,325.00		Large cap exposure
NASDAQ 100 Index Futures (Long)	42,084,900.00		Large cap technology exposure
Dow Jones Futures (Long)	22,847,550.00		Large cap exposure (w/ minimal Financials)
Russell 2000 Mini Index Futures (Short)	(727,132,250.00)		Small cap exposure
MidCap 400 EMini Futures (Short)	(118,047,150.00)	(17,376,625.00)	Mid cap exposure

\$ 1,263,819,315.90

TOTAL US EQUITY DERIVATIVES

INTERNATIONAL EQUITY DERIVATIVES

1) Index Exposure			
2) Active Tilts			
MSCI Singapore ETFs	11,144,622.00		Singapore market exposure
MSCI Hong Kong ETFs	7,230,435.28		Hong Kong market exposure
MSCI Taiwan ETFs	5,963,602.20	\$ 24,338,659.48	Taiwan market exposure
3) Hedging / Risk Reduction - Emerging Short Proxy			
S & P 500 Index Futures (Short)	(76,649,375.00)		Large cap exposure
Taiwan Index Futures (Short)	(65,863,280.00)		Taiwan market exposure
South Africa Index Futures (Short)	(77,429,193.58)		South African market exposure
Hang Seng Futures (Short)	(35,646,251.44)	(255,588,100.02)	Hong Kong market exposure
Hedging / Risk Reduction - neutralizing country/region underweightings			
FTSE 100 INDEX Futures (Long)	210,528,620.41		United Kingdom large cap exposure
TOPIX Index Futures (Long)	90,128,606.75		Japanese large cap exposure
NIKKEI 225 Index Futures (Long)	63,631,628.14		Japanese large cap exposure
Euro Stoxx 50 Futures (Long)	64,493,334.00		Eurozone large cap exposure
S & P/P/TFSE 60 Index Futures (Long)	76,877,373.48	505,659,562.79	Canadian exposure
TOTAL INTERNATIONAL EQUITY DERIVATIVES			
	\$ 274,410,122.25		
TOTAL EQUITY DERIVATIVES			
	\$ 3,739,764,438.19		
	\$ 1,538,229,438.15		

CORE Update

TO BE
PRESENTED AT THE MEETING

Tactical Asset Allocation Plan

TO BE
PRESENTED AT THE MEETING

Section 4

Agenda Item
UTIMCO Board of Directors Meeting
November 15, 2004

- Agenda Item:** Presentation on the Public Markets (PM) Investments program
- Developed By:** Goldsmith, Shah, and Zaheer
- Presented By:** Goldsmith
- Type of Item:** Information Item
- Description:** This agenda item is part two of an overview of the Public Markets Investments program at UTIMCO. The primary focus of this discussion is scheduled to be staff's perspective on leadership thinking in the debate of active versus passive management.
- Recommendation:** No action required
- Discussion:** The Public Markets Investments program currently includes approximately \$7,362 million in Endowment assets, which is approximately 58% of the total Endowment assets, as well as an additional \$3,739 million of internally managed derivatives positions.
- The Public Markets group is responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversees TIPs and Commodities.
- There is a continuing debate as to the appropriate and best use of passive versus active instruments in the public markets investment space. This presentation will cover staff's perspective on this subject and how best practices are being developed and implemented at UTIMCO. In particular, areas to be discussed include:
- Maintaining a leading Endowment mindset in the Public Markets area.
 - Deploying investments to maximize the probability of net PVA.
 - Using UTIMCO's size, scope, and capabilities to advantageously reach our collective goals.
- This area is but one of many that staff remains intently focused on, and must execute successfully, for future success and peer leadership in the Endowment investment world.
- Reference:** None



**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

UTIMCO Public Markets Investments

Board Presentation - Part II

Taking the Lead on Active vs. Passive Investing

November 2004



Typical vs. Leading Endowments - Public Markets

Typical Endowment

- Short/Medium term focus
- Benchmark oriented
- Resource constrained
- Low bargaining power

Leading Endowment

- Opportunistic long-term focus
- Benchmark / Peer oriented
- Resource focused
- High bargaining power



Employing a Leading Endowment Mindset

Typical Endowment

- Try “Not to Lose”
- Respect History
- Minimize Risk
- Minimize Cost

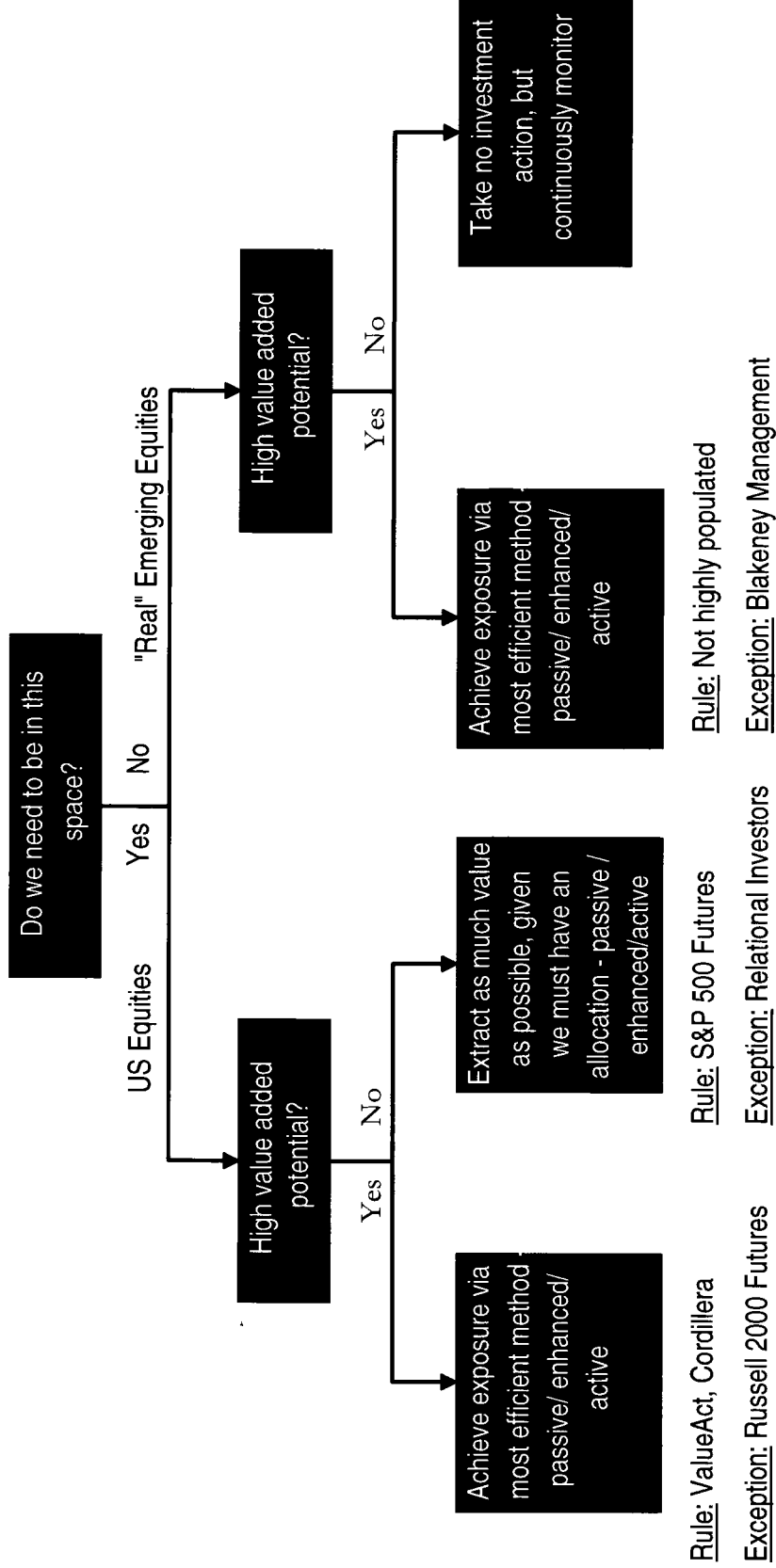
Leading Endowment

- Try to Win
- Learn from History
- Maximize Information Ratio
- Maximize Net Returns

Prudently Maximize the Probability of Net PVA



Investment Thought Process





UTIMCO Actively Uses Passive Investments

Uses

- Pure Index Exposure
- Fill Gaps in Exposure
- Portable Alpha
- Active Tilts

Examples

- S&P 500, Russell 2000
- FTSE 100, SP/TSX
- “Spread” Trade
- Energy ETFs



UTIMCO Constructively Uses Passive Investments

<u>Asset Class</u>	<u>Passive</u>	<u>Enhanced*</u>	<u>Active</u>
• U.S. Equities			
– Large Cap	53.8%	24.6%	21.6%
– Small Cap	19.5%	21.3%	59.2%
• International Equities			
– Developed	24.0%	25.4%	50.6%
– Emerging	30.4%	0.0%	69.6%

...Prudently Maximize the Probability of Net PVA

*Enhanced – quantitative execution, near index characteristics, modest alpha targets.



The Typical Debate: Passive Vs. Active

Passive

- Efficient
- Low tracking error
- Typically low cost
- No PVA
- Never “wins”

Active

- ➔ • Inefficient
- ➔ • High tracking error
- ➔ • Typically higher cost
- ➔ • High PVA
- ➔ • Sometimes “loses”



UTIMCO PM: Improving the Odds of Success

Passive

- Efficient → • Inefficient
- Low tracking error → • High tracking error

Active

Most Endowments push the manager “cash”. UTIMCO typically pushes the manager “beta” (ETFs). The manager deploys beta, not cash, when making an investment. More efficient, ties tracking error to PVA, and creates a mutually beneficial understanding.



UTIMCO PM: Improving the Odds of Success

Passive

Active

- Typically lower cost **➔** • Typically higher cost

Most Endowments pay their managers “up front” for both buying beta and hopefully generating alpha. UTIMCO typically pays the manager only after alpha is generated over a multi-year cycle.



UTIMCO PM: Improving the Odds of Success

By reducing both the implied and explicit cost of active management
– i.e. making active managers more respectful of the passive alternative - *UTIMCO retains the best of Active management while*
Prudently Maximizing the Probability of Net PVA.

Passive

- No Value Added Potential →
- Never “Wins” →

Active

- High Value Added Potential
- Sometimes “Loses”



The Debate Resolved: Passive Vs. Active at UTIMCO

Passive

- Efficient
- Low tracking error
- Typically low cost
- No PVA
- Never “wins”

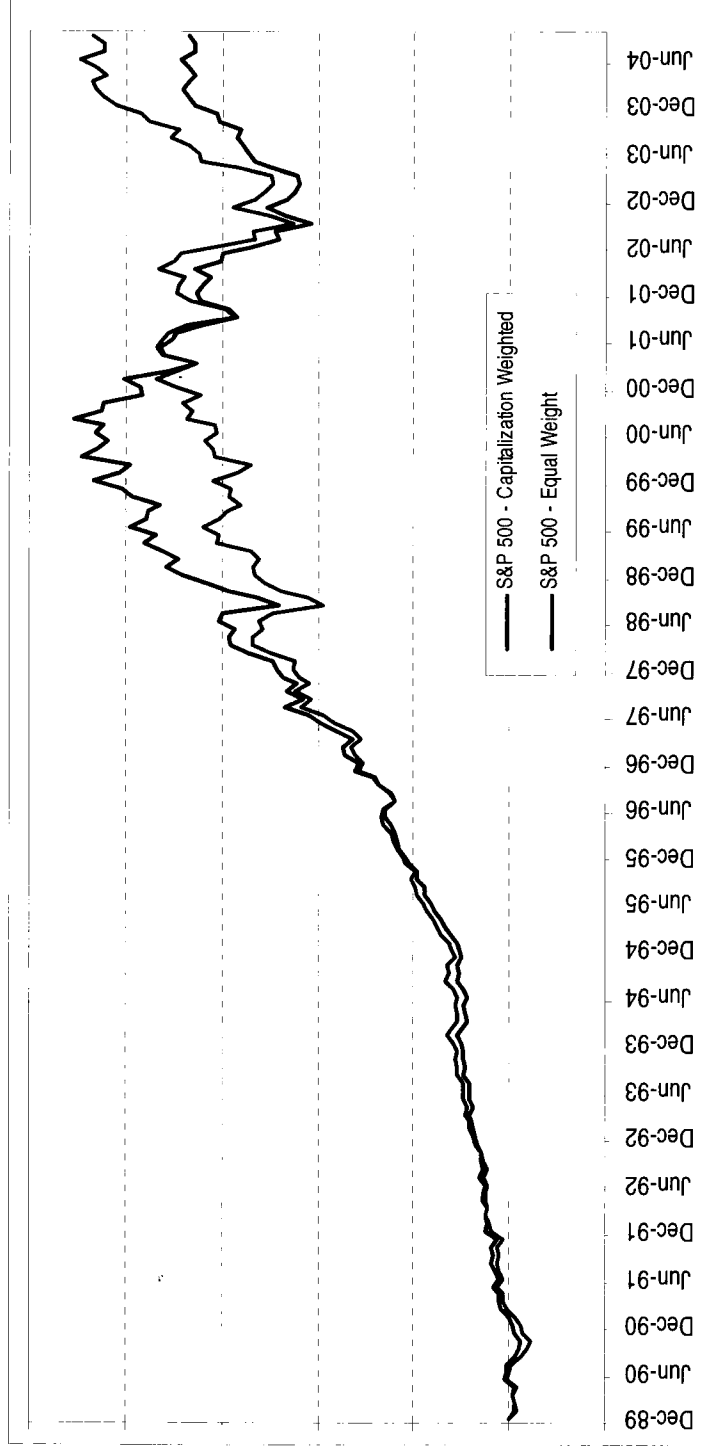
UTIMCO Active

- Efficient
- Tracking error tied to PVA
- Low cost
- High PVA
- Sometimes “loses”



One Side Note on Passive Investments

Even in a passive investment strategy, often an unintended or unwelcome "active" bet emerges....i.e.... the capitalization weighting of most equity indices.



An equal weighted index is similar to the portfolio construction of an active manager, but at a cost of .40% p.a., active management might then be a less expensive option enabling PVA.



Active Manager Profile – Example

- Staff funded a portfolio opportunity for a talented small cap sector analyst within an existing Investment Manager to manage an opportunistic consumer cyclical account exclusively for UTIMCO.
- UTIMCO delivered Russell 2000 ETFs to the manager and the manager was instructed to purchase stocks only when she believed the return potential was greater than that of holding the ETFs - shifting constructively between passive and active instruments.
- The manager was compensated only on their net results over a significant benchmark hurdle. Their interests were aligned with the Endowments to only trade, when they could Prudently Maximize Net PVA.



Active Manager Profile – Example

<i>October 1, 2003 - September 30, 2004</i>	Cordillera Opportunistic
Account Return	23.08%
Excess Return vs Russell 2000	4.31%
Base Management Fee	0.00%
Performance Fee	50% of profits above R2K + 250 bps
Total Fees (in \$)	\$225,000
Total Fee (in bps)	0.77%
Excess profits earned, net	\$852,500
Quartile Ranking*	1st

*Based on Morningstar's Universe of Small Growth and Small Core Managers.



Active Defined: Traditional Active vs. True Active

Traditional Active

- Minimal partner capital invested side-by side
- Earnings dependent on level of AUM
- Partners dependent upon company management
- Modest PVA expectations

• Significant partner capital invested side-by-side

• Earnings dependent upon results

• Partners works proactively with company management

• High PVA capabilities

True Active (PM Preference)



True Active Manager Profile - Example

Periods ending 9/30/04	Relational Investors	S&P 500	Median Active Manager*
1 year	17.6%	13.9%	13.1%
3 year	14.4%	4.0%	3.6%
5 year	15.6%	-1.3%	-0.4%

- Relational Investor's 'true active' management style has consistently added value over both the passive index and their active peers.
- Performance is First Quartile for all periods under evaluation.

*Median Active Manager for all Large Cap Managers tracked by Morningstar.



UTIMCO PM: Our Interests are Aligned.....

Interests: Prudently Maximize the Probability of Net PVA

Use passive instruments to:

- Gain or Fill Gaps in Pure Index Exposure
- Provide Portable Alpha
- Actively Tilt Exposures where Net PVA capable

Use active management to:

- Gain otherwise unobtainable Net PVA

Section 5

Agenda Item
UTIMCO Board of Directors Meeting
November 15, 2004

Agenda Item: Report on Audit and Ethics Committee meeting

Developed By: Moeller

Presented By: Stevens

Type of Item: Information item to UTIMCO Board

Description: The Audit and Ethics Committee meeting was held on November 1, 2004, to approve the audited financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, and the Statement of Performance Statistics. The Audit and Ethics Committee approved the financial statements as presented.

Discussion: The financial statements were audited by Ernst & Young, LLP. Ricky Richter, coordinating partner, presented Ernst & Young's Audit Results and Communications letter as well as answering questions related to the financial statements. Ernst & Young issued unqualified opinions on the August 31, 2004 financial statements. The opinions were dated October 22, 2004. A copy of the Audit Results and Communications is included. The audited financial statements are available on UTIMCO's website, www.utimco.org.

Reference: Audit Results and Communications

RESOLUTION RELATED TO FINANCIAL STATEMENTS

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2004, and August 31, 2003, and the Statement of Investment Performance Statistics for the year ended August 31, 2004, be and are hereby approved in the form as presented to the Board.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

OCTOBER 22, 2004



ERNST & YOUNG
Quality In Everything We Do

Investment Funds under Fiduciary Responsibility of The University of Texas System Board of Regents

Audit Results and Communications

Report to:

Audit, Compliance and Management Review Committee of The University of Texas
System Board of Regents

Audit and Ethics Committee of The University of Texas Investment Management
Company



■ Ernst & Young LLP
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Austin Texas 78701

■ Phone:(512) 489-9881
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October 22, 2004

The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System
The Audit and Ethics Committee of the Board of Director of The University of Texas Investment Management Company

We are pleased to present the results of our audits of the financial statements of the following funds for the year ended August 31, 2004:

- Permanent University Fund,
- The University of Texas System General Endowment Fund,
- Permanent Health Fund,
- The University of Texas System Long Term Fund, and
- The University of Texas System Short Intermediate Term Fund (collectively, the "Funds")

This report to the Audit, Compliance and Management Review Committee and the Audit and Ethics Committee is organized into the following sections:

- Required Communications
- Report on Internal Control

We received the full support and assistance of Funds' personnel. This report is intended solely for the information and use of the Audit, Compliance and Management Review Committee, the Audit and Ethics Committee, and management of the Funds and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Very truly yours,

Ernst & Young LLP

2004 Audit Results

Required Communications

Statement on Auditing Standards No. 61 and other professional standards require the auditor to provide the audit committee with additional information regarding the scope and results of the audit that may assist the audit committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

Area	Comments
Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)	
The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature, timing, and extent of testing performed.	We issued unqualified opinions on the August 31, 2004 financial statements.
Significant Accounting Policies	There were no changes in accounting policies during fiscal year 2004 that impacted the Funds' financial statement balances.
Auditors' Judgments About the Quality of Accounting Principles	Accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Funds' financial statements and disclosures are complete in all material respects.

Area	Comments
<p>Management Judgments and Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p>	<p>As part of our audit, Ernst & Young reviewed and tested the market values of non-marketable alternative investments. Based on our testing, we concluded the Funds' recorded investment values were fairly stated.</p>
<p>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p>	<p>Not applicable.</p>
<p>Audit Adjustments</p>	<p>See Summary of Unadjusted Audit Differences at Appendix A.</p>
<p>Fraud and Illegal Acts</p>	<p>None noted.</p>
<p>Material Weaknesses in Internal Control</p>	<p>None noted. See Report on Internal Control on following page.</p>
<p>Other Information in Documents Containing Audited Financial Statements</p>	<p>The audited financial statements are not currently included in any other documents. We understand that management will inform us if, in the future, the audited financial statements are included in other documents.</p>
<p>Disagreements with Management on Financial Accounting and Reporting Matters</p>	<p>None occurred during the course of our audits.</p>
<p>Serious Difficulties Encountered in Performing the Audit</p>	<p>None occurred during the course of our audits.</p>
<p>Major Issues Discussed with Management Prior to Retention</p>	<p>No major issues were discussed with management prior to our retention as the Funds' auditor.</p>
<p>Consultation with Other Accountants</p>	<p>We are not aware of any consultations by management with other accountants.</p>
<p>Other Matters</p>	<p>None noted.</p>



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Report on Internal Control

The Audit, Compliance and Management Review Committee of The Board of Regents of
The University of Texas System
The Audit and Ethics Committee of the Board of Director of The University of Texas Investment
Management Company

In planning and performing our audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Short Intermediate Term Fund (collectively, the "Funds") for the year ended August 31, 2004, we considered their internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the Audit, Compliance and Management Review Committee, Audit and Ethics Committee, and management of the Funds. We would be pleased to discuss any comments you may have on these or other issues.

Ernst & Young LLP

October 22, 2004

Appendix A

Summary of Unadjusted Audit Differences

During the course of our audit, we accumulate differences between amounts recorded by the Funds and amounts that we believe are required to be recorded under accounting principles generally accepted in the United States. Following is a summary of those differences.

The University of Texas System General Endowment Fund	Recording Differences Would Have Increased (Decreased) Fiduciary Net Assets
Known Audit Differences:	
Understatement of Investment Value	\$ 7,850,000
Total unadjusted audit differences for the year ended August 31, 2004	7,850,000
Turnaround impact of prior year unadjusted audit differences	-
Cumulative difference after turnaround effect	<u>\$ 7,850,000</u>

Permanent University Fund	Recording Differences Would Have Increased (Decreased) Fiduciary Net Assets
Known Audit Differences:	
Understatement of Investment Value	\$ 18,300,000
Total unadjusted audit differences for the year ended August 31, 2004	18,300,000
Turnaround impact of prior year unadjusted audit differences	-
Cumulative difference after turnaround effect	<u>\$ 18,300,000</u>

Other Considerations:

These unadjusted differences were due to a valuation difference discovered by management on one investment held in both the GEF and PUF during management's post-closing review of asset balances. Upon management's discovery, the valuation difference was brought to our attention. The valuation difference was discovered in October and management elected not to adjust fiscal year end numbers that had been previously reported. Management considered the differences immaterial to the fair presentation of the financial statements.

In evaluating the materiality of these audit differences, we consider both quantitative and qualitative factors.

The total unadjusted audit differences represent 0.19% and 0.23% of fiduciary net assets of The University of Texas System General Endowment Fund and the Permanent University Fund as of August 31, 2004.

Section 6

Agenda Item
UTIMCO Board Meeting
November 15, 2004

Agenda Item: Discussion and Consideration of UTIMCO Board Committee Assignments

Developed By: Hunt

Presented By: Hunt

Type of Item: Action required by UTIMCO Board

Description: This agenda item seeks approval of assignments to UTIMCO Board Committees

Recommendation: Chairman Hunt recommends approval of these assignments.

Discussion: Chairman Hunt recommends the following Board Committee assignments:

- Audit & Ethics Committee
 - Steve Stevens (Chairman)
 - Craig Hester
 - John Barnhill
- Compensation Committee
 - Philip Ferguson (Chairman)
 - Charles Tate
 - Rita Clements
- Liquidity Committee
 - Craig Hester (Chairman)
 - Clint Carlson
 - Woody Hunt

Reference: UTIMCO Bylaws

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that John W. Barnhill, I. Craig Hester and R. H. (Steve) Stevens, Jr. are hereby designated as the Audit and Ethics Committee of the Board of Directors, approved by the Board of Regents at their meeting held on November 4-5, 2004, to serve until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that R. H. (Steve) Stevens, Jr. is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

FURTHER RESOLVED, that Rita C. Clements, J. Philip Ferguson and Charles W. Tate are hereby designated as the Compensation Committee of the Board of Directors to serve until their successor has been chosen and qualified, or until such their earlier death, resignation or removal.

FURTHER RESOLVED, that J. Philip Ferguson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings; and

FURTHER RESOLVED, that Clint D. Carlson, I. Craig Hester and Woody L. Hunt are hereby designated as the Liquidity Committee of the Board of Directors to serve until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that I. Craig Hester is hereby designated the Chair of the Liquidity Committee and shall preside at its meetings.

Section 7

Resolution No. 4

RESOLVED, that the revised Delegation of Authority Policy be, and is hereby approved in the form as presented to the Board.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Effective Date of Policy: November 15, 2004

Date Approved by UTIMCO Board: November 15, 2004

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on April 25, 2003

Purpose:

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. Section 66.08 (d) of the Texas Education Code provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, in order to enhance the competitiveness of the investment process, improve management and operational efficiency, and in order to define and concentrate accountability for performance, certain duties and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operations:

- (1) Management, Operations, and Finance; and
- (2) Investments.

Objective:

By clearly defining the limits of delegated authority of UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness, as well as establishing a framework for the evaluation of UTIMCO Management in the assigned tasks.

Scope:

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy. Any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents.

Authority Delegated to UTIMCO Management:

The primary functions of the UTIMCO Board are to formulate, revise, implement and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Subcommittee Charters, Investment Management Services Agreement, and in UTIMCO policies. In order to more efficiently execute its responsibilities, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: Management, Operational, and Financial Authority, and Investment Authority.

Management, Operational, and Financial Authority: Final authority for the functions listed below rests with the UTIMCO Board:

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Documentation and Controls:

All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to the Chief Executive Officer immediately. The CEO will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Board promptly.

Reporting:

The Chief Compliance Officer will provide a list of any exceptions to this policy on at least an annual basis to the Audit and Ethics Committee of the UTIMCO Board.

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Delegation of Authority Policy**

**Appendix A
Investment Vehicle and Manager Selection**

Except for the specific terms of delegation defined in this Policy, the UTIMCO Board shall be responsible for the selection of internal and external portfolio managers and partnerships to invest assets managed for the U.T. Board of Regents.

The process for new manager or partnership selection shall include the following steps:

1. Extensive due diligence by UTIMCO staff, and in some cases by the UTIMCO consultant.
2. Preparation of a complete due diligence report that will be considered by the UTIMCO Chief Executive Officer. Changes or updates to the due diligence report may be made as a result of the CIO review.
3. At the discretion of the UTIMCO Chief Executive Officer, a due diligence report by the UTIMCO external consultant may be required.
4. In cases in which the investment decision has been delegated to the UTIMCO Chief Executive Officer under this Policy, a Certificate of Compliance will be sent to each UTIMCO Board member with an executive summary of the due diligence report prepared by the UTIMCO Staff and external consultant (if required by the CEO).
5. In cases in which delegation is not permitted under this Policy, a Certificate of Compliance will be sent to each UTIMCO Board member with the complete due diligence report prepared by the UTIMCO Staff and external consultant (if required by the CEO). The Certificate of Compliance will have a checkbox to allow any UTIMCO Director to request a complete review of the investment at a subsequent Board meeting prior to making the investment, and two checkboxes to delegate the decision to UTIMCO Management, with or without a subsequent presentation of the investment at a future UTIMCO Board meeting.
 - a. If any Director has requested Board review, staff will provide a complete presentation, which may include a representative of the proposed manager or partnership, at the next UTIMCO Board meeting. If after hearing the presentation, a majority of Directors do not feel the investment is appropriate, the investment will not be made.
 - b. If no Director has requested a prior Board Review, the investment will be negotiated by staff and assets will be invested.

**Current
Delegation of Authority Policy**

The University of Texas Investment Management Company Delegation of Authority Policy

Effective Date of Policy: April 25, 2003

Date Approved by UTIMCO Board: April 25, 2003

Supersedes: Delegation of Authority to Corporation's President and CEO approved by the UTIMCO Board on September 26, 2000

Purpose:

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. UTIMCO provides various investment management services to the U. T. Board of Regents as more fully described in the Investment Management Services Agreement by and between the U. T. Board and UTIMCO. Section 66.08 (d) of the Texas Education Code provides that UTIMCO's duties to the U. T. Board with respect to the management of investment funds shall be governed by a contract between the two parties. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. Board of Regents. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, in order to improve operational efficiency as well as define and concentrate accountability for performance, certain duties and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy statement defines the delegation of authority in the two primary areas of UTIMCO operation: Management, Operational, and Financial Authority; and Investment Authority.

Objective:

By clearly defining the limits of delegated authority of UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, as well as establishing a framework for the evaluation of UTIMCO Management in the assigned tasks.

Scope:

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy. Any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents.

Authority Delegated to UTIMCO Management:

The primary functions of the UTIMCO Board are to formulate, revise, implement and conduct ongoing oversight of the policies it has established for UTIMCO. In order to more efficiently execute its responsibilities, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas:

Management, Operational, and Financial Authority: All duties and responsibilities in the areas listed below which are not specifically reserved for the UTIMCO Board in UTIMCO Bylaws, Articles of Incorporation, Subcommittee Charters, Investment Management Services Agreement, and other

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UTIMCO policies are hereby granted to UTIMCO Management.

- Administration, Accounting and Financial Management
- Systems Technology Management
- Personnel Management
- Compliance
- Client Relations and Reporting
- Public Relations

Investment Authority: All duties and responsibilities in investment management which are not specifically reserved for the UTIMCO Board in UTIMCO Bylaws, Articles of Incorporation, Subcommittee Charters, Investment Management Services Agreement, and UTIMCO investment policies are hereby granted to UTIMCO Management. Specifically, the UTIMCO Board delegates the following duties and responsibilities to UTIMCO Management:

- Tactical asset allocation within the ranges established in Investment Policy Statements, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate
- Investment vehicle and manager selection as defined in Appendix A
- Manager and partnership monitoring and termination as defined in Appendix B
- Investment research and internal asset management
- Investment risk management
- Proxy voting and monitoring
- Selection and management of Investment Consultant as defined in Appendix C
- Performance monitoring and reporting
- Preparation of recommendations regarding strategic asset allocation and other policy issues for the UTIMCO Board

Documentation and Controls:

All UTIMCO Management decisions made under this Delegation of Authority will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to the Chief Executive officer immediately. The CEO will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Board promptly.

Reporting:

The Chief Compliance Officer will provide a list of any exceptions to this policy on at least an annual basis to the Audit and Ethics Subcommittee of the UTIMCO Board.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

**Appendix A
Investment Vehicle and Manager Selection**

UTIMCO Management shall be responsible for the selection of internal and external portfolio managers and partnerships to invest U. T. System assets. While this Delegation of Authority recognizes that manager and partnership selection is inherently subjective, the process is subject to the compliance guidelines set forth in this Appendix.

The process for new manager or partnership selection shall include the following steps:

1. Extensive due diligence by UTIMCO staff, and in some cases by the UTIMCO consultant, examining the factors listed below.
2. Preparation of a complete due diligence report that will be considered by the UTIMCO Management team. Changes or updates to the due diligence report as a result of the management team meeting will be made.
3. In the case of non-marketable alternative asset selections only, the UTIMCO consultant will prepare an independent due diligence report.
4. The standard Certificate of Compliance will be sent to each UTIMCO Board member with an executive summary of the due diligence report and the complete due diligence report. The Certificate of Compliance will have a checkbox to allow any UTIMCO Director to request a complete presentation of the investment at a subsequent Board meeting prior to making the investment.
5. If any Director has requested Board review, staff will provide a complete presentation, which may include a representative of the proposed manager or partnership, at the next UTIMCO Board meeting. If after hearing the presentation, a majority of Directors do not feel the investment is appropriate, the investment will not be made.
6. If no Director has requested a Board presentation, the investment will be negotiated by staff and assets will be invested.

The selection of portfolio managers and partnerships shall be based on careful due-diligence that will include, but will not be limited to, the following factors:

General Firm Overview:

- History of firm or partnership
- Ownership structure of firm, assessment of capital adequacy
- Product breadth and growth in products. Are sufficient resources available for proposed investment category?
- Current assets under management; asset growth; plans for future growth; will growth be capped at some point; what portion of total assets will UTIMCO comprise?
- Distribution and size of accounts; percent institutional; percent endowments; what other endowments are investors?
- Is there any indication of instability in the client base?

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- Does the manager of UTIMCO funds have his own money at risk alongside UTIMCO?
- How are the firm's investment professionals compensated; is compensation competitive and based on investment performance of UTIMCO account?

Personnel:

- Do the managers of UTIMCO assets have a meaningful and proven record of investment success?
- Is the structure of the portfolio management team consistent with the portfolio approach? Is there sufficient depth of talent?
- What are the educational and professional credentials of the portfolio team?
- What is the historical record of turnover at the firm? Are there likely backups for key individuals on the UTIMCO account?
- How effective is the client service function?
- Confirm all of the above with extensive, on site interviews of key personnel.

Investment Philosophy and Process:

- What is the distinct competitive advantage of the firm and how does the firm intend to maintain that competitive advantage?
- Is the approach fundamental or quantitative in nature? If quantitative, is there a process to update or adapt models as conditions change?
- How are idea generation, research, and due diligence managed?
- How are portfolio construction and risk management managed?
- Does the firm manage investment risk to a benchmark or to an absolute level? How robust is the risk management procedure? Is risk management integral to the investment management process or an afterthought?
- Are operations, administration, and trading capabilities appropriate to the style of management?
- Does the manager have an effective monitoring and compliance procedure in place?

Historical Investment Performance:

- Compare to appropriate passive benchmarks
- Compare to relevant manager universe performance
- Compare both risk adjusted and nominal performance; compare information ratios
- Are excess returns cyclical? If so, what is the nature of the cycle? Are excess returns correlated with excess returns of existing managers?

Fees and Expenses; Other Contract Terms:

- Are fees reasonable given the portfolio mandate?
- Are performance based fees available?

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- Are any lockup provisions reasonable? Do we have an unconditional escape if conditions warrant?
- Are there confidentiality provisions? If so, do we have the clearly stated ability to publicly disclose amount invested, key portfolio staff members, performance data, and fees?

In addition to the items listed above, the following factors will be considered in selecting investments in Marketable Alternative assets and Non-Marketable Alternative assets.

Marketable Alternative Assets:

- Identify the manager's process for determining the portfolio's net exposure; determine the range of historical exposure; determine the projected future exposure range
- Determine the use of leverage; historical?; future plan?
- Determine the potential for the investment generation of taxable income for the endowments; how will the manager avoid UBTI?
- Determine the level of transparency available. Will we have sufficient information to correctly gauge risk?

Non-Marketable Alternative Assets:

- Identify the proprietary nature of the firm's deal flow and the distribution of deal generation among partners
- Are sufficient key man provisions in place for key partners?
- Determine the firm's methodology for valuing illiquid investments
- Evaluate the strategies the firm will use to realize returns from illiquid investments
- Do we have an opportunity to serve on an advisory committee?

**The University of Texas Investment Management Company
Delegation of Authority Policy**

**Appendix B
Manager and Partnership Monitoring and Termination**

UTIMCO Management shall be responsible for monitoring and, when necessary, termination of internal and external portfolio managers and partnerships investing U. T. System assets. While this Delegation of Authority recognizes that these tasks are inherently subjective, the process is subject to the compliance guidelines set forth in this Appendix.

Managers will be monitored on a continuous basis to assure continuing compliance with the factors considered in selecting the managers, listed in Appendix A. Investment performance of each manager will be monitored relative to specific benchmarks established and agreed at the time each manager was hired. Other investment factors including level of risk, portfolio turnover, and market sector exposure will also be closely monitored. Personnel factors, including any turnover in key personnel, significant changes in ownership structure, or changes in compensation structure will be monitored as well. Regular reports on investment performance will be made available to UTIMCO Directors.

Although terminations of investment managers or partners are expected to be rare, such actions may be necessary from time to time to preserve System assets. The general procedure for terminations shall be:

1. A manager committing any of the following acts will be terminated immediately:
 - Fraud
 - Significant violation of investment policy or key terms of the advisory agreement with UTIMCO
 - Unethical Acts
 - Significant violation of specific portfolio mandate
2. A manager violating any of the conditions below will be notified that he is being placed on a Watch List indicating enhanced scrutiny:
 - Failure to achieve performance targets over an appropriate period of time
 - Significant change in portfolio composition or style of management
 - Risk levels significantly higher or lower than agreement
 - Significant changes in the manager's organizational structure
 - Turnover in key investment personnel
 - Unsustainable growth in assets under management
 - Significant failure in client service or reporting
 - Evidence of consistent operational or administrative errors
3. Watch List notification will be in written form and will specify the reasons for Watch List designation. The written notification will require a written response from the manager setting out a specific timetable over which the problems will be cured. As part of the enhanced scrutiny of Watch List designation, UTIMCO staff will make at least one on site visit.

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Delegation of Authority Policy**

4. If the manager cannot cure the problems or fails to meet the timeline established by his response to the Watch List notification, UTIMCO staff will terminate the relationship with UTIMCO and plan an orderly succession of the assets.
5. In the event that the violations of the conditions listed in 2 above are particularly egregious and, in the opinion of UTIMCO Management, place System assets in immediate danger, UTIMCO Management may terminate a manager without first placing the manager on the Watch List.
6. UTIMCO Management will promptly notify UTIMCO Board members of all termination decisions.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

**Appendix C
Selection and Management of Investment Consultant**

UTIMCO Management shall be responsible for recommending, subject to UTIMCO Board approval, the selection of an external investment consultant and the scope of work to be performed by the consultant. After approval by the UTIMCO Board, UTIMCO Management shall be responsible for negotiating the terms and conditions of the consultant's contract, for determining the work schedule of the consultant, for evaluating the consultant's professional work product, and for recommending the extension or termination of the consultant's contract to the UTIMCO Board.

UTIMCO Management shall present, on at least an annual basis, a comprehensive report to the UTIMCO Board on the current scope of work of the external consultant.

Section 8

**UTIMCO
COMPETITIVENESS**

TO BE
PRESENTED AT THE MEETING