

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



***Presentation Materials***

***Board of Directors Meeting***

***March 31, 2005***

# UTIMCO BOARD OF DIRECTORS MEETING AGENDA

**March 31, 2005**

Four Seasons Hotel  
1300 Lamar  
Houston, Texas

Time	Item #	Agenda Item
Begin	End	
		<b>Open Session:</b>
9:30 a.m.	9:35 a.m.	1 Call to Order/Consideration of Minutes of March 4, 2005 Meeting* Consideration of Annual Meeting Designation*
9:35 a.m.	9:55 a.m.	2 Endowment and Operating Funds Update - Performance and Asset Allocation - Liquidity Profile - Report of Derivative Applications - Costless Put Spread Collar - Update
9:55 a.m.	10:30 a.m.	3 Risk Management Presentation
10:30 a.m.	12:00 p.m.	4 Asset Allocation Workshop, Part I
12:00 p.m.	1:00 p.m.	<b>Recess for Lunch</b>
		<b>Reconvene in Open Session:</b>
1:00 p.m.	2:00 p.m.	Asset Allocation Workshop, Part II
2:00 p.m.	2:15 p.m.	5 Discussion and Consideration of Proposed Investments (if necessary): - Marketable Alternative Investments* - Public Markets Investments*
2:15 p.m.	2:25 p.m.	Break
2:25 p.m.	2:35 p.m.	6 Annual Report on External Consultant
2:35 p.m.	2:45 p.m.	7 Annual Report on External Counsel
2:45 p.m.	3:15 p.m.	8 Approval of Recommended PUF Distribution Amount and the PHF and LTF Distribution Rates*, **
3:15 p.m.	3:30 p.m.	9 Report from Compensation Committee: <b>Executive Session:</b> Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in executive session to consider personnel compensation matters. <b>Reconvene into Open Session</b> Consideration of Compensation Committee Report*
3:30 p.m.		Adjournment

\* Action by resolution required

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

<b>Next Scheduled Meeting: May 19, 2005 – Dallas, Texas</b>
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**TAB 1**

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **March 4, 2005**, 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 3:33 p.m. on the **4th day of March 2005**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

Woody L. Hunt, Chairman  
Clint D. Carlson  
H. Scott Caven, Jr.  
J. Philip Ferguson  
Robert B. Rowling  
Charles W. Tate

thus, constituting a majority and quorum of the Board. Vice Chairman Mark G. Yudof and Mr. R. D. Burck, Advisory Director, were not present at the meeting. Also, attending the meeting were 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; Bill Edwards, Managing Director of Information Technology; Jerry Turner, legal counsel for the Corporation; and Scott Kelley and Cathy Swain of U. T. System Administration. Mr. Hunt called the meeting to order at 3:33 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

**Minutes**

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on January 18, 2005. 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 January 18, 2005, be, and are hereby, approved.

**Committee Appointments**

Mr. Hunt brought up the next item to come before the Board, which was designation of committee members and chair designations for the Audit and Ethics Committee, the Compensation Committee and the Liquidity Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

BE IT RESOLVED, that Woody L. Hunt, Erle Nye and Robert B. Rowling are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the Board of Regents at their meeting to be held on March 10, 2005, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Erle Nye is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings; and

FURTHER RESOLVED, that Clint D. Carlson, J. Philip Ferguson, Robert B. Rowling and Charles W. Tate are hereby designated as the Compensation Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

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 H. Scott Caven, Jr., J. Philip Ferguson and Woody L. Hunt are hereby designated as the Liquidity Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that H. Scott Caven, Jr. is hereby designated the Chair of the Liquidity Committee and shall preside at its meetings.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:40 p.m.

Secretary: \_\_\_\_\_  
Joan Moeller

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

<b>RESOLUTION RELATED TO ANNUAL MEETING</b>
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RESOLVED, that the Annual Meeting of the Board of Directors will be held on May 19, 2005, in Dallas, Texas.

**TAB 2**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

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

**Developed By:** Moeller, Hill

**Presented By:** Boldt

**Type of Item:** Information Item

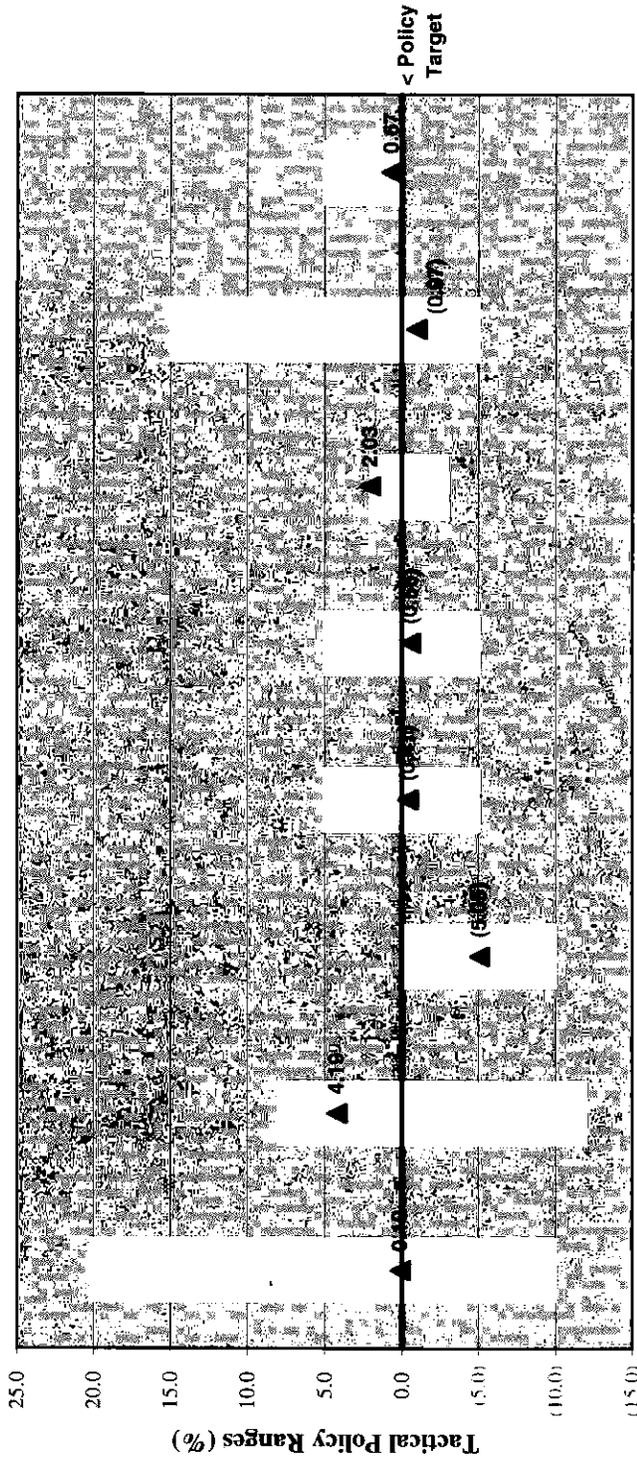
**Description:** The reports presented are for the periods ended February 28, 2005. (Except as noted)

**Recommendation:** No action required.

**Reference:** Market Exposure; Relative Risk Analysis; UTIMCO Performance Summary; Fiscal Year Cumulative Value Added in Endowment Funds; Fiscal Year Cumulative Value Added in Marketable Securities; Fiscal Year Cumulative Value Added in Non-Marketable Securities; Cumulative Value Added in Endowment Funds Since September 2002; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars; UTIMCO Endowment Funds vs. Cambridge Associates College and University Universe; Performance Attribution; Public Markets Managers Investment Performance Detail

**Permanent University Fund  
Market Exposure  
February 28, 2005**

**Deviations From Policy Targets Within Tactical Policy Ranges**



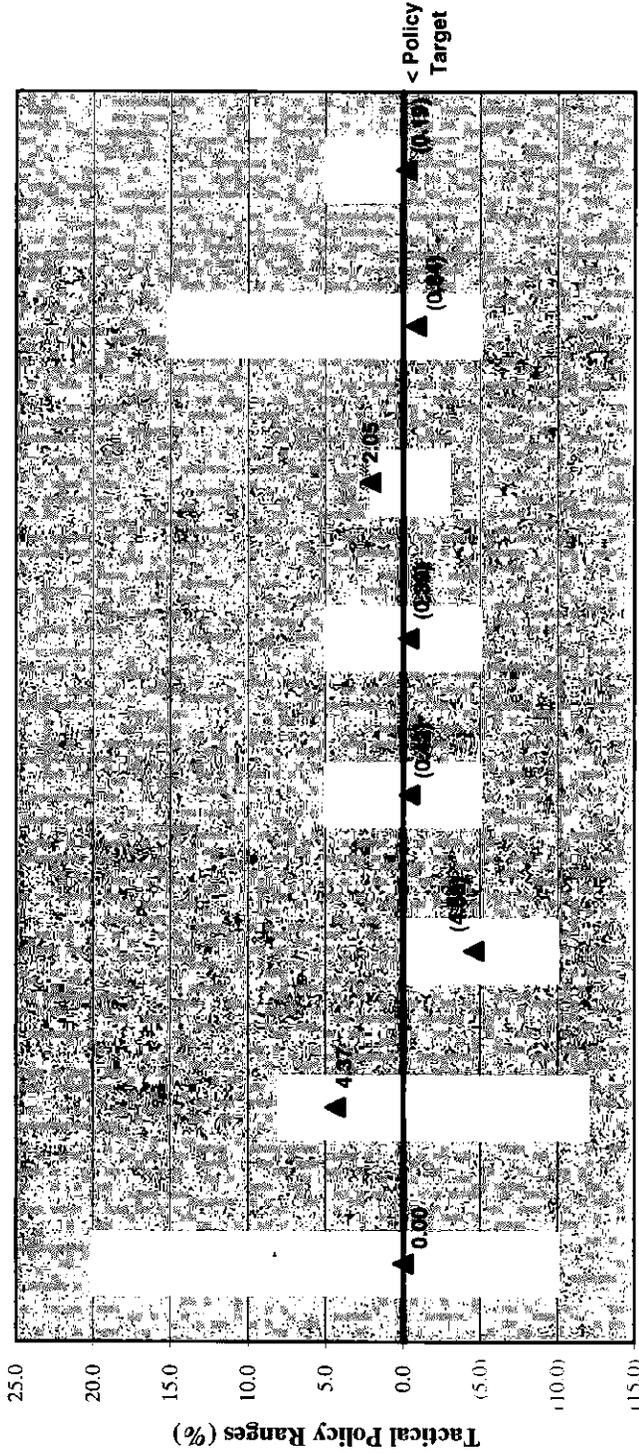
	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	25.10%	21.19%	9.95%	9.59%	14.44%	5.03%	14.03%	0.67%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	0.10%	4.19%	-5.05%	-0.41%	-0.56%	2.03%	-0.97%	0.67%

Deviation in Dollars (\$m)	8.83	370.07	(446.02)	(36.21)	(49.46)	179.29	(85.67)	59.17
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**General Endowment Fund  
Market Exposure  
February 28, 2005**

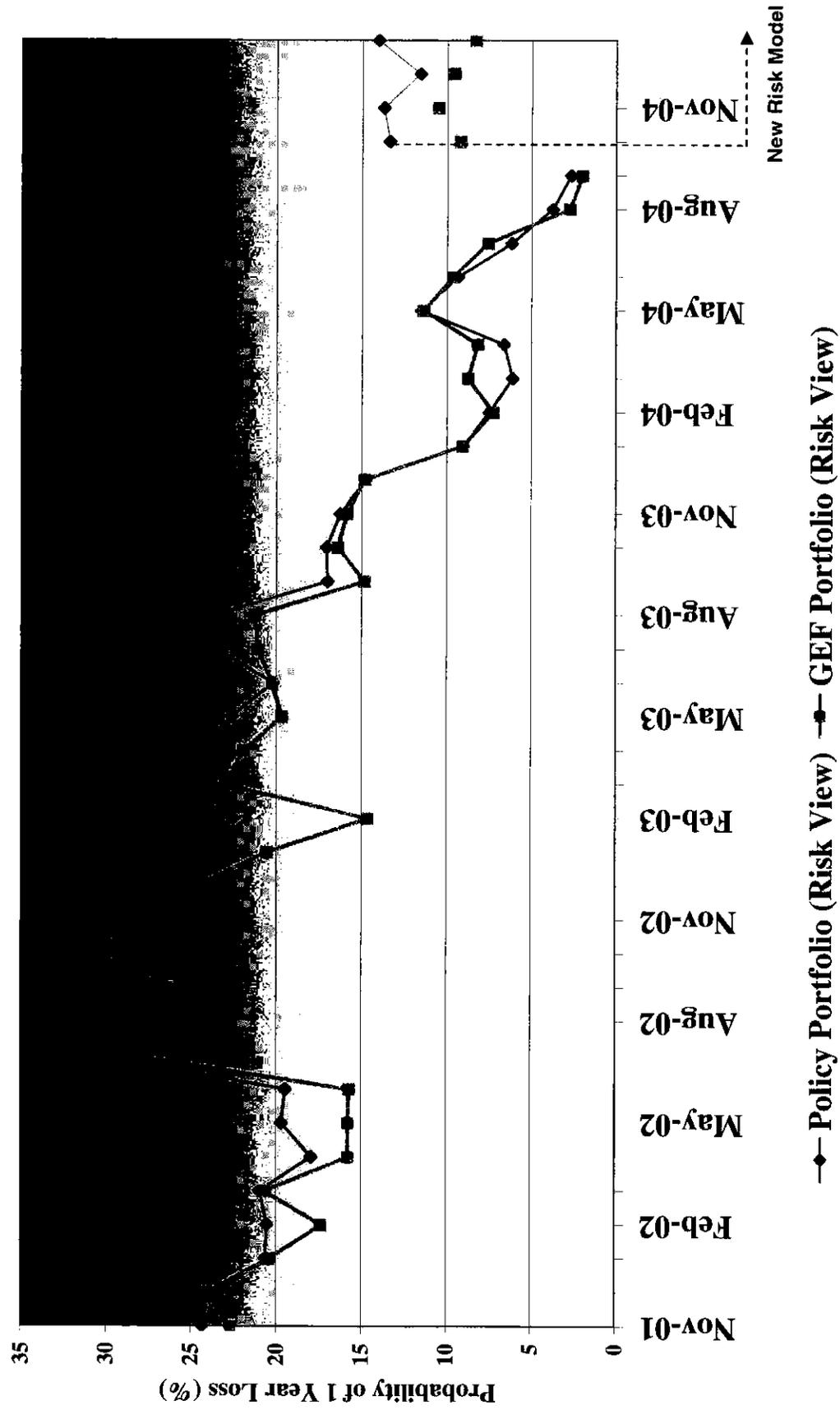
**Deviations From Policy Targets Within Tactical Policy Ranges**



	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	25.00%	21.37%	10.42%	9.58%	14.61%	5.05%	14.16%	-0.19%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	0.00%	4.37%	-4.58%	-0.42%	-0.39%	2.05%	-0.84%	-0.19%
<b>Deviation in Dollars (\$m)</b>	-	205.03	(214.88)	(19.71)	(18.31)	96.17	(39.42)	(8.88)



## Relative Risk Analysis 1 Year Horizon



**UTIMCO Performance Summary**  
February 28, 2005

	Net Asset Value 2/28/2005 (in Millions)	Periods Ended February 28, 2005 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>												
Permanent University Fund	\$ 8,832.2	3.13	2.34	4.83	12.40	11.67	21.29	10.85	6.85	5.39	10.58	
General Endowment Fund		3.13	2.34	4.79	12.54	11.72	21.69	11.11	7.32	N/A	N/A	
Permanent Health Fund	896.5	3.15	2.34	4.79	12.50	11.67	21.55	10.99	7.20	5.34	N/A	
Long Term Fund	3,795.3	3.15	2.34	4.80	12.51	11.67	21.59	11.03	7.25	5.45	11.25	
Separately Invested Funds	213.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Total Endowment Funds</b>	<b>13,737.0</b>											
<b>OPERATING FUNDS</b>												
Short Term Fund	2,388.2	0.18	0.36	0.53	0.96	1.52	1.30	1.44	1.99	2.88	4.23	
Short Intermediate Term Fund	1,206.4	(0.16)	0.10	0.40	0.74	1.14	1.78	2.12	2.93	4.45	5.27	
Institutional Index Funds:												
BGI US Bond Index Fund	-	(0.58)	0.04	0.97	1.28	2.46	3.61	5.66	6.19	7.61	N/A	
BGI Equity Index Fund	215.4	2.10	(0.38)	3.04	10.01	7.03	21.79	4.69	0.94	(0.95)	N/A	
<b>Total Operating Funds</b>	<b>3,810.0</b>											
<b>Total Investments</b>	<b>\$ 17,547.0</b>											

<b>BENCHMARKS (1)</b>											
Permanent University Fund: Policy Portfolio	1.69	0.87	2.65	8.36	10.62	15.93	7.60	3.83	4.35	11.12	
General Endowment Fund: Policy Portfolio	1.69	0.87	2.65	8.36	10.62	15.93	7.60	3.88	3.94	11.02	
Short Term Fund: 90 Day Treasury Bills Average Yield	0.16	0.33	0.54	0.94	1.51	1.31	1.44	1.98	2.84	4.08	
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)	(0.23)	(0.26)	(0.05)	(0.33)	(0.02)	1.11	2.65	3.66	4.83	5.43	
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index	(0.59)	0.03	0.95	1.26	2.43	3.48	5.58	6.10	7.53	7.26	
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)	2.10	(0.38)	3.01	9.99	6.98	21.73	4.64	0.91	(0.98)	11.32	

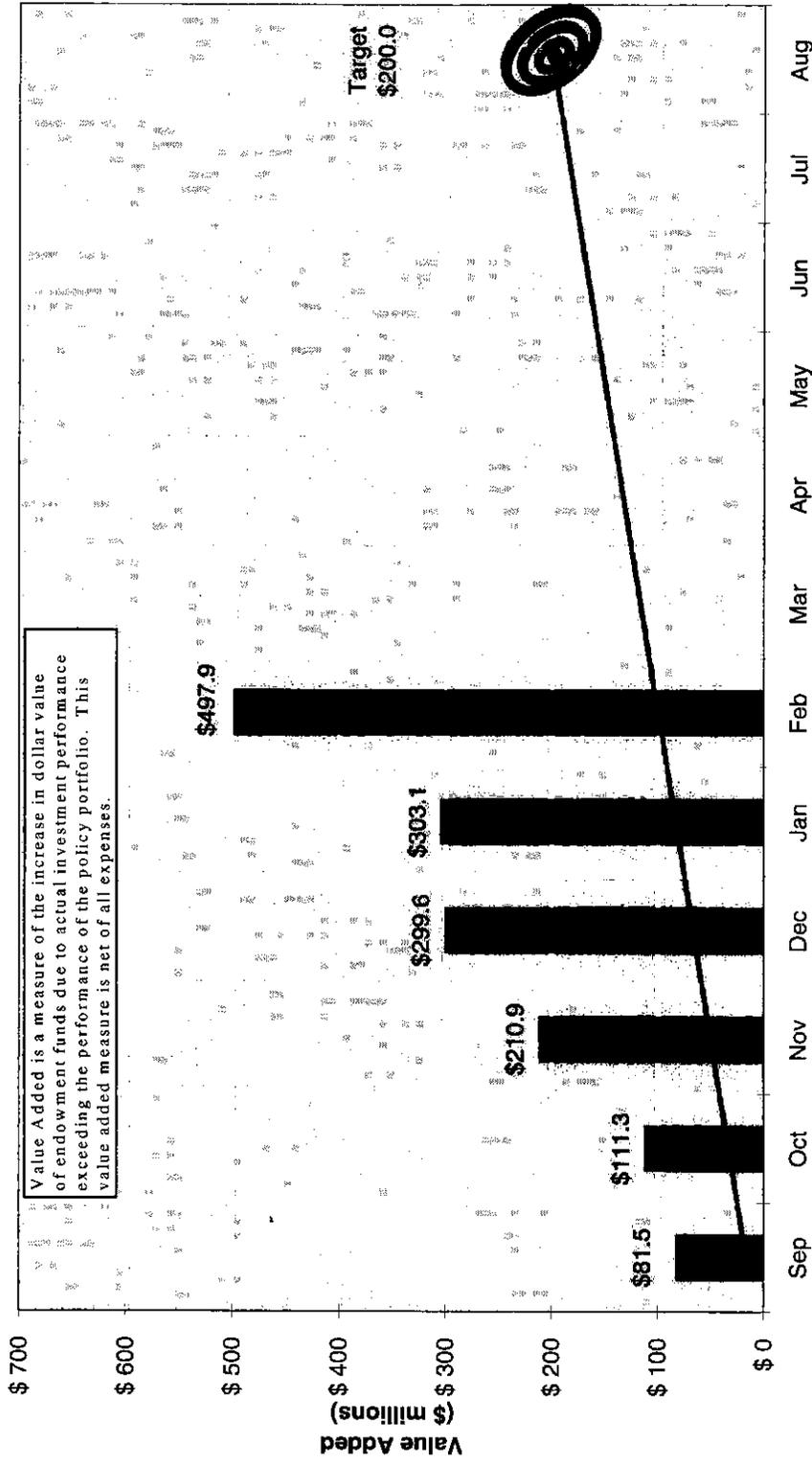
<b>VALUE ADDED (2)</b>											
Permanent University Fund											(0.54)
General Endowment Fund									N/A	N/A	N/A
Permanent Health Fund											N/A
Long Term Fund											
Short Term Fund											
Short Intermediate Term Fund											
Institutional Bond Index Fund											(0.16)
Institutional 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.

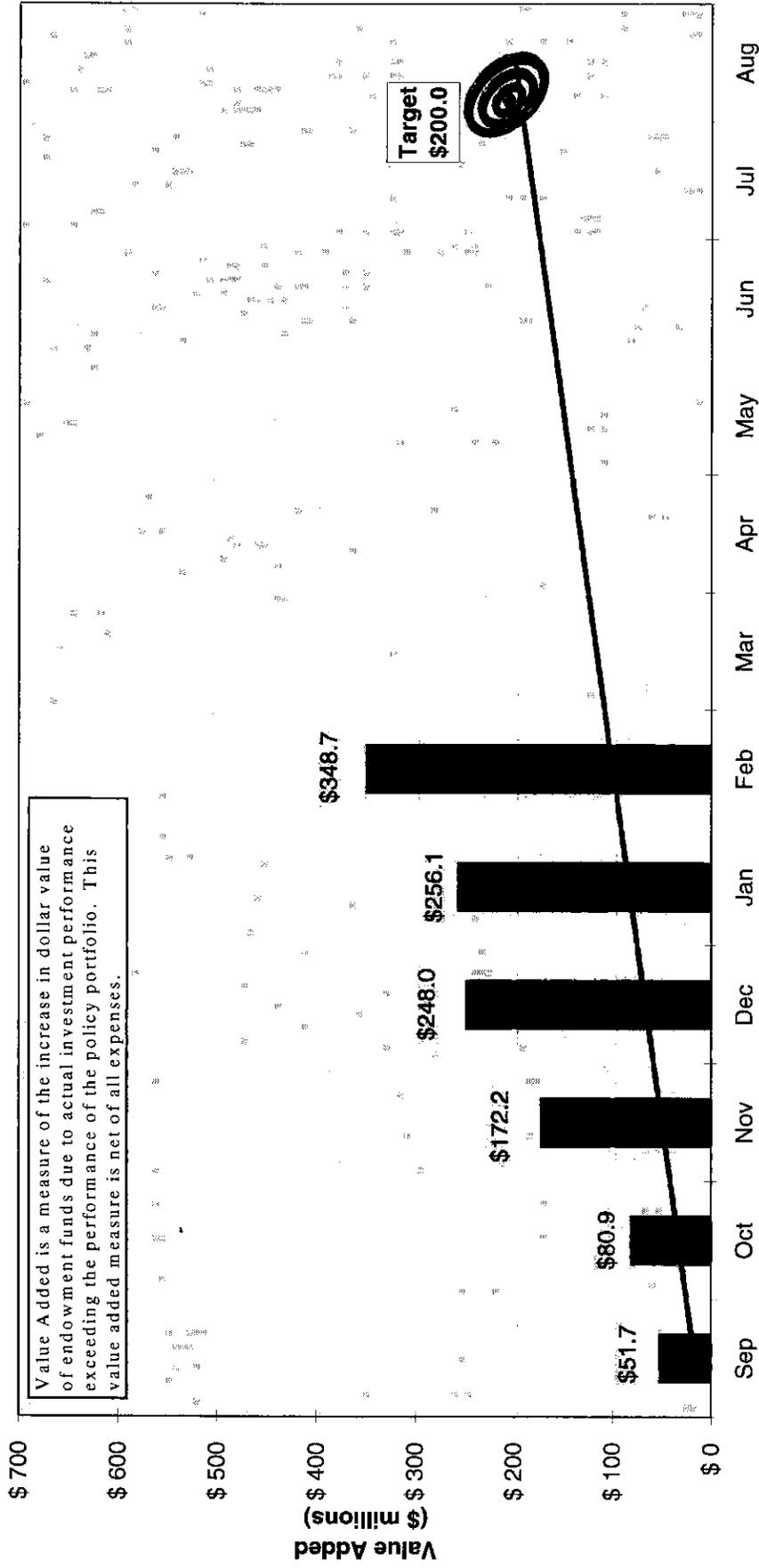
(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by the UTIMCO staff and external managers.



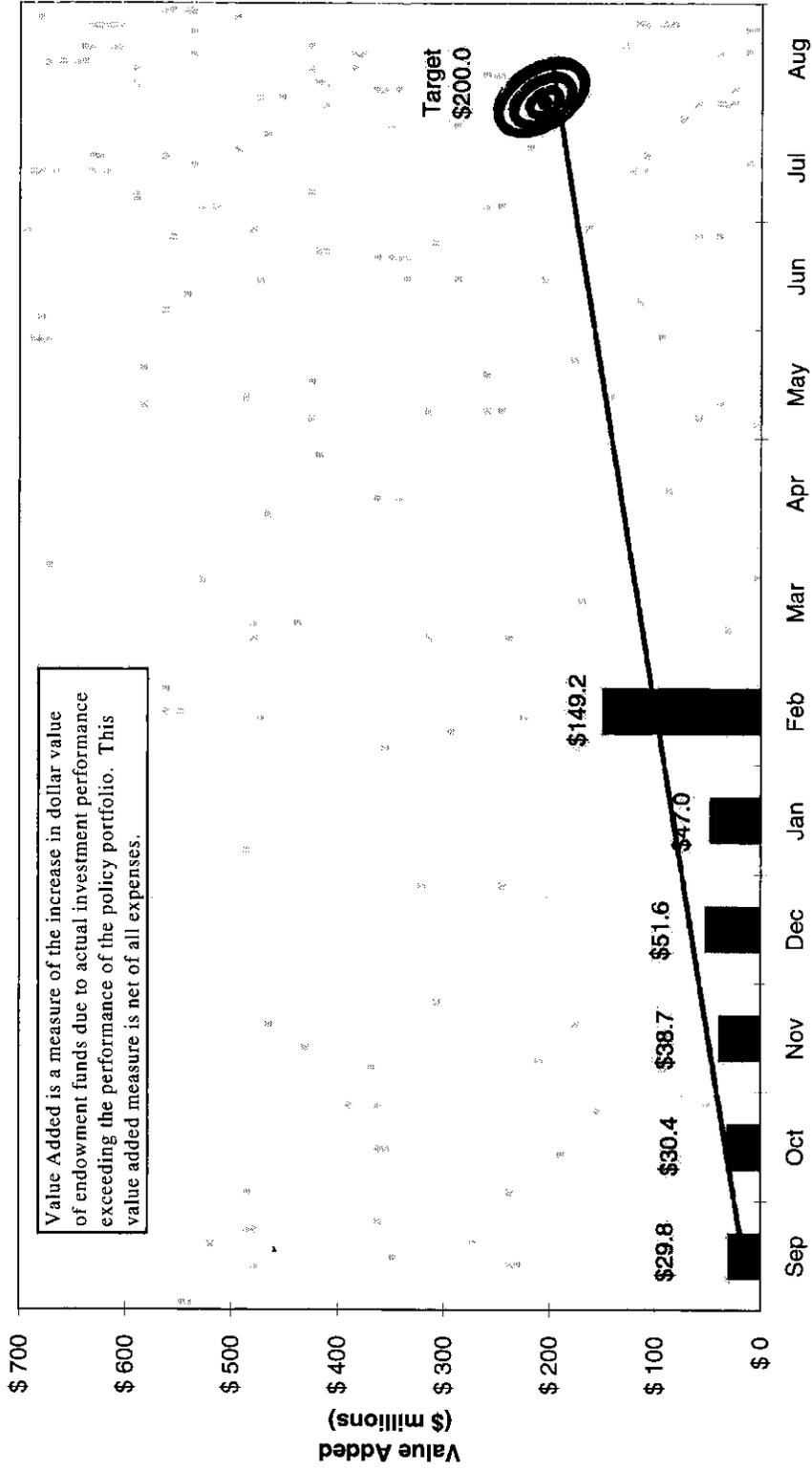
# Cumulative Value Added In Endowment Funds 2004-2005 Fiscal Year



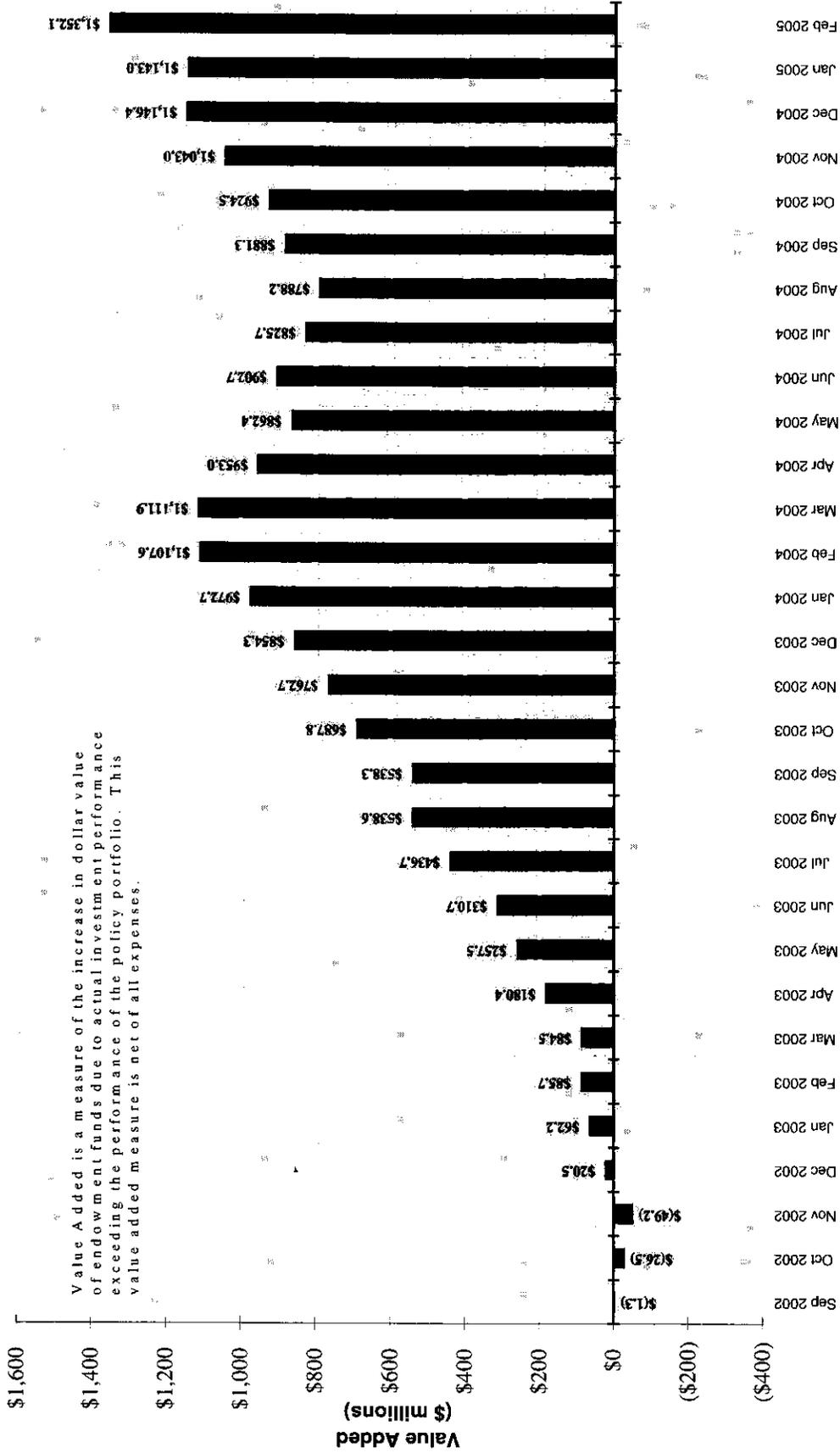
# Cummulative Value Added in Marketable Securities in Endowment Funds 2004-2005 Fiscal Year



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



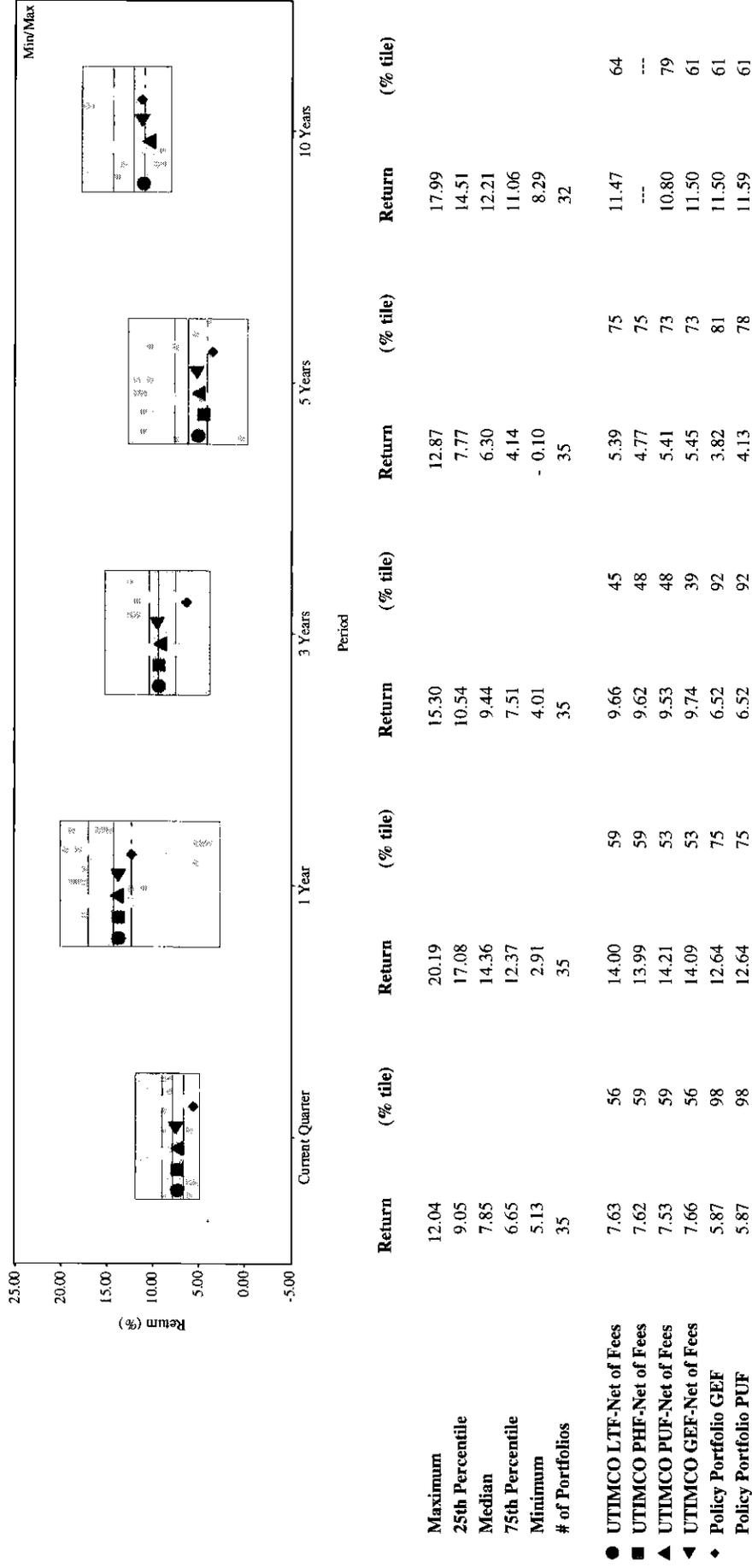
**VALUE ADDED: ENDOWMENT FUNDS  
SINCE SEPTEMBER 30, 2002**



Value Added for Month Ended



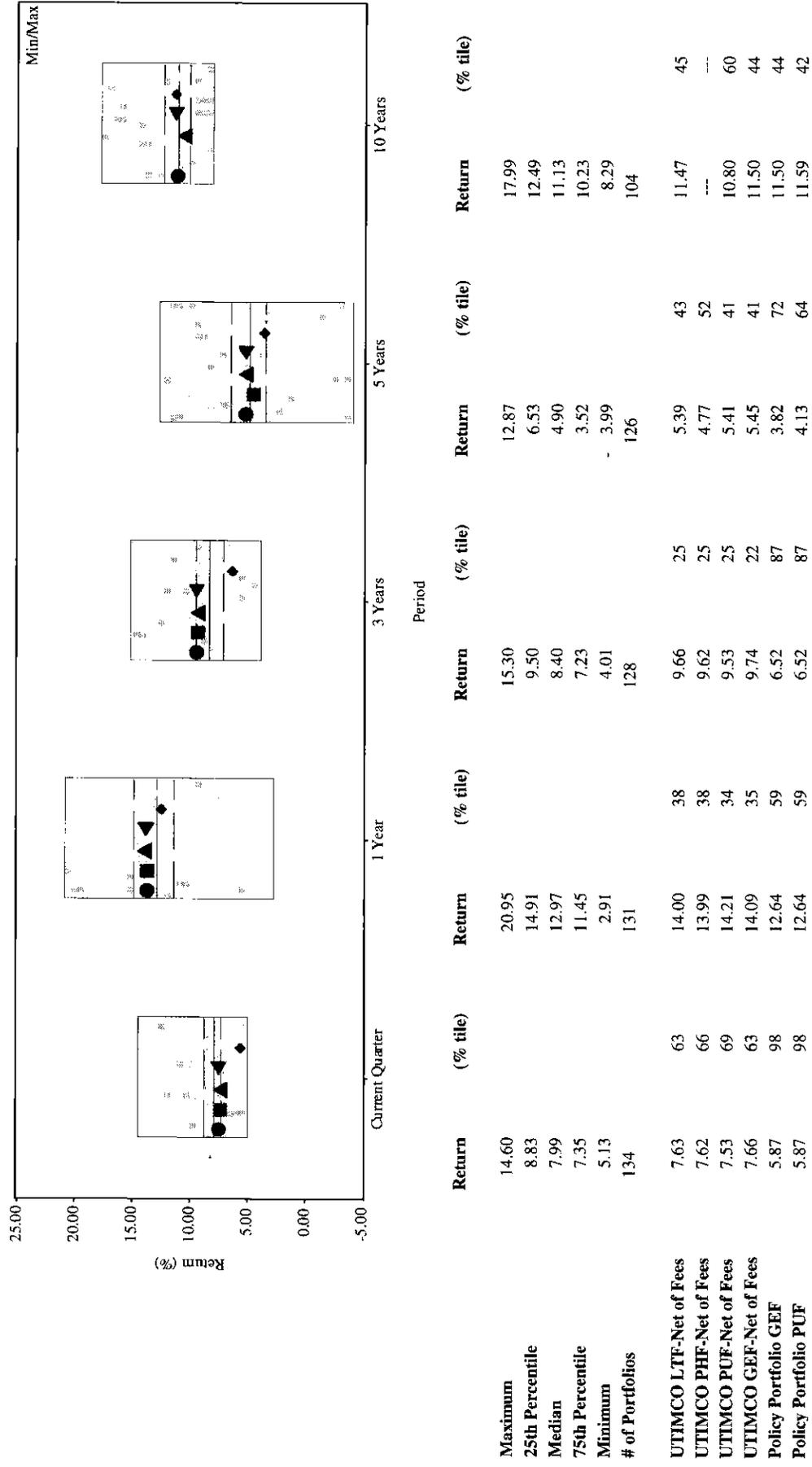
# UTIMCO ENDOWMENT FUNDS vs. Cambridge Billion \$ Funds Universe Periods Ended Friday, December 31, 2004 Quartile



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The Cambridge Billion \$ Funds Universe consists of the College and Universities with endowment assets greater than one billion dollars that report quarterly to Cambridge Associates, Inc. The number of Colleges and Universities with endowment assets greater than one billion dollars reporting as of December 31, 2004 was 35.

**UTIMCO ENDOWMENT FUNDS vs.  
Total Cambridge Universe  
Periods Ended Friday, December 31, 2004  
Quartile**



The Cambridge Universe consists of all College and Universities that report quarterly returns to Cambridge Associates, Inc. The number of Colleges and Universities reporting as of December 31, 2004 was 134.

**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	As of 2/28/2005	As of 2/28/2003	One Month Ended February 28, 2005	Benchmark	
Cash and Cash Equivalents	0.0%	0.0%	0.16%	0.18%	0.02%
U.S. Equities	25.0%	25.1%	2.37%	2.78%	0.41%
Global Equities	41.0%	41.5%	4.91%	5.24%	0.33%
Equity Hedge Funds	10.0%	9.6%	0.50%	0.98%	0.48%
Absolute Return Hedge Funds	15.0%	14.7%	0.41%	1.18%	0.77%
Commodities	3.0%	3.0%	6.13%	5.95%	0.18%
Fixed Income	5.0%	4.0%	-0.54%	-0.20%	-0.34%
Total Marketable Securities	85.0%	90.0%	1.93%	0.98%	0.95%
Private Capital	15.0%	10.0%	0.33%	8.47%	8.14%
Total Fund	100.0%	100.0%	1.69% (2)	3.13%	1.44%

(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
	Three Months Ended February 28, 2005	PUF	Benchmark	Three Months Ended February 28, 2005	
<b>Cash and Cash Equivalents</b>	10.7%	0.53%	0.54%	0.05%	0.05%
<b>U.S. Equities</b>	25.1%	2.70%	2.41%	10.09%	10.09%
<b>Global Equities</b>	21.9%	8.77%	7.50%	0.44%	0.44%
<b>Equity Hedge Funds</b>	9.6%	4.66%	1.55%	10.27%	10.27%
<b>Absolute Return Hedge Funds</b>	14.4%	4.26%	1.30%	0.41%	0.41%
<b>Commodities</b>	5.0%	2.03%	1.82%	0.05%	0.05%
<b>Fixed Income</b>	14.0%	1.24%	1.08%	10.02%	10.02%
<b>Total Marketable Securities</b>	85.6%	4.66%	2.94%	31.25%	31.25%
<b>Private Capital</b>	10.0%	9.87%	1.00%	10.00%	10.00%
<b>Total Fund</b>	100.0%	4.83%	2.65% (2)	2.18%	2.18%

(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 to
			Fiscal Year to Date February 28, 2005	PUF	
Cash and Cash Equivalents	0.00%	0.00%	0.94%	0.96%	0.92%
U.S. Equities	50.00%	55.11%	11.06%	12.05%	0.98%
Global Equities	10.00%	11.27%	22.73%	21.34%	1.39%
Equity Hedge Funds	10.00%	9.66%	2.97%	8.48%	5.51%
Absolute Return Hedge Funds	10.00%	10.00%	2.46%	9.46%	7.00%
Commodities	5.00%	5.00%	13.37%	12.47%	0.90%
Fixed Income	14.00%	14.00%	1.61%	3.66%	2.05%
Total Marketable Securities	88.50%	90.04%	9.25%	8.48%	0.77%
Private Capital	0.00%	0.00%	3.42%	15.85%	12.43%
Total Fund	100.0%	100.0%	8.36% (2)	12.40%	4.04%

(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
	Calendar Year to Date February 28, 2005	Benchmark	Calendar Year to Date February 28, 2005	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	0.0%	0.33%	0.36%	0.03%
<b>U.S. Equities</b>	25.1%	25.1%	-1.49%	-1.07%	0.06%
<b>Global Equities</b>	21.2%	21.2%	3.08%	4.59%	1.51%
<b>Equity Hedge Funds</b>	9.6%	9.6%	1.00%	1.69%	0.69%
<b>Absolute Return Hedge Funds</b>	14.4%	14.4%	0.83%	1.64%	0.81%
<b>Commodities</b>	5.0%	5.0%	13.23%	10.62%	2.61%
<b>Fixed Income</b>	44.0%	44.0%	-0.12%	-0.02%	0.01%
<b>Total Marketable Securities</b>	99.0%	99.0%	0.90%	1.69%	0.79%
<b>Private Capital</b>	1.0%	1.0%	0.67%	8.41%	7.74%
<b>Total Fund</b>	100.0%	100.0%	0.87% (2)	2.34%	1.47%

(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)
	Percentage	Market Exposure	Year Ended February 28, 2005		
			Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.00%	0.00%	1.51%	1.52%	-0.51%
<b>U.S. Equities</b>	25.10%	25.11%	10.45%	10.58%	-0.05%
<b>Global Equities</b>	21.20%	21.22%	19.66%	15.42%	0.61%
<b>Equity Hedge Funds</b>	9.60%	9.66%	5.64%	8.51%	-0.45%
<b>Absolute Return Hedge Funds</b>	14.40%	14.44%	4.59%	11.52%	-1.02%
<b>Commodities</b>	5.00%	5.00%	22.12%	16.10%	0.21%
<b>Fixed Income</b>	34.00%	34.00%	3.09%	5.01%	-1.33%
<b>Total Marketable Securities</b>	90.00%	90.00%	9.90%	9.76%	0.76%
<b>Private Capital</b>	10.00%	10.00%	14.58%	20.02%	-0.39%
<b>Total Fund</b>	100.00%	100.00%	10.62% (2)	11.67%	-1.05%

(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)
	One Month Ended February 28, 2005	Benchmark	GEF	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	0.16%	0.18%	0.18%	-0.02%
<b>U.S. Equities</b>	25.0%	2.37%	2.73%	2.73%	-0.36%
<b>Global Equities</b>	17.0%	4.91%	5.34%	5.34%	-0.43%
<b>Equity Hedge Funds</b>	10.0%	0.50%	0.92%	0.92%	-0.42%
<b>Absolute Return Hedge Funds</b>	15.0%	0.41%	1.19%	1.19%	-0.78%
<b>Commodities</b>	3.0%	6.13%	5.94%	5.94%	0.19%
<b>Fixed Income</b>	15.0%	-0.54%	-0.15%	-0.15%	-0.39%
<b>Total Marketable Securities</b>	89.6%	1.93%	0.92%	0.92%	-1.01%
<b>Private Capital</b>	10.4%	0.33%	8.21%	8.21%	-7.88%
<b>Total Fund</b>	100.0%	1.69% (2)	3.13%	3.13%	-1.44%

(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		Year Attribution (1)
	February 28, 2005		Three Months Ended February 28, 2005		
	Market	Excess	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	10.0%	0.2%	0.54%	0.53%	0.01%
<b>U.S. Equities</b>	25.0%	25.0%	2.41%	2.68%	0.07%
<b>Global Equities</b>	10.0%	10.0%	7.50%	8.87%	0.46%
<b>Equity Hedge Funds</b>	10.0%	10.0%	1.55%	4.61%	0.29%
<b>Absolute Return Hedge Funds</b>	10.0%	10.0%	1.30%	4.29%	0.44%
<b>Commodities</b>	10.0%	10.0%	1.82%	2.00%	0.05%
<b>Fixed Income</b>	10.0%	10.0%	1.08%	1.16%	0.01%
<b>Total Marketable Securities</b>	50.0%	50.0%	2.94%	4.61%	1.10%
<b>Private Capital</b>	10.0%	10.0%	1.00%	9.66%	0.59%
<b>Total Fund</b>	100.0%	100.0%	2.65% (2)	4.79%	2.14%

(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)
	February 28, 2005		February 28, 2005		
	Market Exposure	Benchmark	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	0.0%	0.94%	0.96%	0.05%
<b>U.S. Equities</b>	25.0%	25.0%	11.06%	12.08%	0.13%
<b>Global Equities</b>	21.3%	21.3%	22.73%	21.83%	0.35%
<b>Equity Hedge Funds</b>	9.6%	9.6%	2.97%	8.43%	0.57%
<b>Absolute Return Hedge Funds</b>	14.5%	14.5%	2.46%	9.57%	1.10%
<b>Commodities</b>	5.1%	5.1%	13.37%	12.51%	0.82%
<b>Fixed Income</b>	14.2%	14.2%	1.61%	3.76%	0.96%
<b>Total Marketable Securities</b>	89.6%	89.6%	9.25%	8.43%	2.68%
<b>Private Capital</b>	10.4%	10.4%	3.42%	16.25%	11.54%
<b>Total Fund</b>	100.0%	100.0%	8.36% (2)	12.54%	4.18%

(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 (3)
	February 28, 2005		February 28, 2005		
	Asset Allocation	Market Exposure	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	100%	47%	0.33%	0.36%	0.01%
<b>U.S. Equities</b>	250%	250%	-1.49%	-1.07%	-0.06%
<b>Global Equities</b>	300%	313%	3.08%	4.64%	0.40%
<b>Equity Hedge Funds</b>	100%	96%	1.00%	1.59%	0.06%
<b>Absolute Return Hedge Funds</b>	150%	146%	0.83%	1.64%	0.10%
<b>Commodities</b>	30%	51%	13.23%	10.68%	0.09%
<b>Fixed Income</b>	150%	143%	-0.12%	-0.02%	-0.01%
<b>Total Marketable Securities</b>	250%	189.6%	0.90%	1.59%	0.73%
<b>Private Capital</b>	0%	10.4%	0.67%	8.18%	0.73%
<b>Total Fund</b>	100.0%	100.0%	0.87% (2)	2.34%	1.47%

(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 (%)
	February 28, 2005		Year Ended February 28, 2005		
	Neutral Allocation	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.2%	1.51%	1.52%	-0.11%
U.S. Equities	25.0%	25.0%	10.45%	10.38%	-0.15%
Global Equities	17.0%	21.3%	19.66%	15.80%	-0.53%
Equity Hedge Funds	16.0%	9.6%	5.64%	8.51%	-0.33%
Absolute Return Hedge Funds	13.0%	14.6%	4.59%	11.63%	1.04%
Commodities	3.0%	5.1%	22.12%	16.28%	-0.21%
Fixed Income	15.0%	14.2%	3.09%	5.08%	-0.40%
Total Marketable Securities	83.0%	89.6%	9.90%	9.25%	-0.77%
Private Capital	15.0%	10.4%	14.58%	20.43%	0.53%
Total Fund	100.0%	100.0%	10.62% (2)	11.72%	1.10%

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





Public Markets Managers  
Investment Performance Detail Summary  
February 28, 2005

UTIMCO Manager Rating:

★★★★	Positive
★★★★	Inclined to slightly positive
★★★★	Neutral (strategy to be reviewed)
★★★	Inclined to slightly negative
★★	Negative

NET OF FEE PERFORMANCE

Public Equities:

Domestic Equities:

Passive Management:

BGI S&P 500

vs. S&P 500 Index

BGI S&P 400 Midcap

vs. S&P 400 Midcap Index

S&P 100 Index-Exchange Traded Funds

vs. S&P 100 Index

S&P 500 Index-Futures

vs. S&P 500 Index

Large-Cap Technology-Exchange Traded Funds

vs. Russell 2000

Dow Jones - Exchange Traded Funds and Futures

vs. Dow Jones Industrial Average

Global 100 Index-ETF

vs. Russell 2000

Small Cap Exchange Traded Funds and Futures

vs. Russell 2000

Active Management:

BGI Russell 2000 Alpha Tit

vs. Russell 2000

BGI Russell 3000 Alpha Tit

vs. Russell 3000

David Hamilton Jackson

vs. Russell Mid Cap Effective 80M (S&P 500 194 - 704)

GSAM - Large Cap

vs. S&P 500 Index

GSAM - Small Cap

vs. Russell 2000

John Levin & Co.

vs. Russell 1000

MBA Investments

vs. S&P 500 Index

Prentiss Jeff - Mid Cap

vs. Russell Mid Cap

Prentiss Jeff - Small Cap

vs. Russell 2000

Relational Investors

vs. S&P 500 Index

Investedge

vs. Russell 2000

State Street Research Hedge

vs. Russell 2000

State Street Research Small Cap

vs. Russell 2000

TCW MultiCap

vs. Russell 3000

TCW Mid Value

vs. Russell Mid Cap

TCW Small Value

vs. Russell 2000

Value Act Capital

vs. Russell 2000

Westjet Small Cap Value

vs. Russell 2000

REITS:

REITS - Greg Cox

vs. Dow Jones Wilshire Real Estate Securities

Domestic Equities-Special Funds:

Long Long Cap (\$716.6 Million in Notional)

Short Small Cap (\$758.4 Million in Notional)

Domestic Equity Liquidity

No Over Collar Trade

From Inception to February 28, 2005  
(Returns for Periods Longer Than  
One Year are Annualized)

Periods Ended February 28, 2005  
(Returns for Periods Longer Than  
One Year are Annualized)

Assets Under Management (\$ Millions)	One Month	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
71.6	2.10	3.03	10.01	10.01	6.98	4.67	0.90	3.65	11.44	N/A	February 1993
43.5	3.35	4.91	16.46	16.46	12.30	11.01	8.01	10.82	15.56	N/A	December 1992
75.8	2.20	3.94	8.89	8.89	-	-	-	-	-	8.89	August 2004
274.9	2.15	2.97	10.01	10.01	6.93	3.57	-	-	-	0.29	March 2001
51.3	0.56	0.71	0.98	0.98	0.05	1.07	-	-	-	3.17	June 2004
101.9	3.08	4.04	7.25	7.25	4.07	-	-	-	-	9.05	November 2003
33.1	3.49	4.62	-	-	-	-	-	-	-	4.62	November 2004
57.7	1.61	1.08	18.15	18.15	13.15	-	-	-	-	15.33	February 2004
200.3	1.81	1.46	17.44	17.44	9.47	13.10	-	-	-	12.08	February 2002
272.3	2.45	3.95	13.31	13.31	7.80	-	-	-	-	15.80	August 2003
51.5	1.92	3.99	15.81	15.81	8.05	2.26	3.75	4.20	11.31	9.62	January 1994
152.2	1.69	0.92	9.33	9.33	4.51	5.14	0.89	-	-	2.45	April 1998
98.8	1.72	1.41	15.65	15.65	5.35	17.08	6.45	-	-	6.47	April 1998
151.5	1.73	2.13	0.75	0.75	4.18	-	-	-	-	9.29	September 2004
0.7	2.24	4.04	11.28	11.28	5.71	3.69	8.12	3.69	-	3.39	November 1993
116.4	3.89	6.81	23.39	23.39	-	-	-	-	-	23.39	August 2004
258.3	4.08	5.29	22.66	22.66	23.45	14.78	14.81	9.23	14.42	12.89	January 1994
153.1	4.10	5.28	-	-	-	-	-	-	-	11.38	September 2004
50.6	1.59	1.45	-	-	-	-	-	-	-	13.45	November 2004
49.7	7.96	10.72	42.67	42.67	-	-	-	-	-	39.13	July 2004
43.2	11.26	13.86	47.40	47.40	-	-	-	-	-	46.99	June 2004
143.9	2.69	1.90	15.76	15.76	1.96	-	-	-	-	2.89	February 2004
26.6	2.80	3.60	14.82	14.82	-	-	-	-	-	9.26	April 2004
36.3	3.39	1.21	13.78	13.78	-	-	-	-	-	5.28	April 2004
100.9	3.18	3.32	11.16	11.16	18.50	-	-	-	-	17.02	August 2003
148.7	1.55	0.28	-	-	-	-	-	-	-	8.68	October 2004
668.6	3.08	6.70	12.52	12.52	25.54	24.34	23.24	12.52	17.47	15.24	April 1993
-	1.74	2.52	9.18	9.18	3.68	-	-	-	-	4.08	January 2004
-	1.67	1.09	13.20	13.20	10.16	-	-	-	-	10.80	January 2004
31.9	0.18	0.51	0.80	0.80	-	-	-	-	-	0.80	August 2004
-	-	-	-	-	-	-	-	-	-	-	January 2005



Public Markets Managers  
Investment Performance Detail Summary  
February 28, 2005

UTIMCO Manager Rating:

Strong	Positive
Good	Slightly positive
Fair	Neutral (strategy to be reviewed)
Marginal	Slightly negative
Poor	Negative

NET OF FEES PERFORMANCE (continued)

Investment Manager	Assets Under Management (\$ Millions)	Periods Ended February 28, 2005 (Returns for Periods Longer Than One Year are Annualized)						Periods Ended February 28, 2005 (Returns for Periods Longer Than One Year are Annualized)							
		One Month	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date			
<b>International Managers:</b>															
BGI Emerging Markets Structured Fund vs. MSCI EAFE Net	575.1	4.33	6.89	31.21	21.21	18.81	14.09	0.54	4.32	7.26				7.58	April 1993
BGI Emerging Markets Structured Fund vs. RBCI Emerging Markets with Net Dividends	175.9	9.33	14.19	35.61	13.67	26.78	24.79							24.03	February 2002
<b>Active Management:</b>															
BGI International Alpha Plus vs. MSCI EAFE Net	307.9	4.97	8.01	22.24	22.24	20.08								31.08	August 2003
Bakken Management vs. MSCI Emerging Markets with Net Dividends	57.6	3.82	11.94											16.96	October 2004
Bakken Management vs. MSCI Emerging Markets with Net Dividends	4.8	(4.90)	2.30											7.85	January 2005
Bridgewater Currency Overlay vs. MSCI EAFE Net	0.4	0.12												0.12	January 2005
Bridgewater Currency Overlay vs. MSCI EAFE Net	0.4	0.12												0.12	January 2005
Capital Guardian Four Small Cap International vs. Citigroup Extended Market Index World ex U.S.	82.3	5.26	11.80	26.07	26.07	26.07	23.02	(0.91)	5.23					4.97	December 1996
Capital Guardian Four Small Cap International vs. Citigroup Extended Market Index World ex U.S.	82.3	5.26	11.80	26.07	26.07	26.07	23.02	(0.91)	5.23					4.97	December 1996
Carroll Canada vs. S&P/TSX Capped Composite Index	25.1	0.17												0.17	January 2005
Carroll Canada vs. S&P/TSX Capped Composite Index	25.1	0.17												0.17	January 2005
Candill EAFE vs. MSCI EAFE Net	25.4	2.03												2.03	January 2005
Candill EAFE vs. MSCI EAFE Net	25.4	2.03												2.03	January 2005
Candill Japan vs. Tokyo Stock Exchange 1st Sec Index USD	58.7	7.83												2.82	January 2005
Candill Japan vs. Tokyo Stock Exchange 1st Sec Index USD	58.7	7.83												2.82	January 2005
International Futures and Exchange Traded Funds vs. MSCI EAFE Net	486.2	3.85	3.79	13.41	13.41	13.98								18.91	November 2003
International Futures and Exchange Traded Funds vs. MSCI EAFE Net	486.2	3.85	3.79	13.41	13.41	13.98								18.91	November 2003
Global 100 ex XLIF (Traded February 2005) vs. MSCI EAFE Net	50.4	10.47	(1.11)	0.77	(7.77)	(2.76)								0.62	February 2005
Global 100 ex XLIF (Traded February 2005) vs. MSCI EAFE Net	50.4	10.47	(1.11)	0.77	(7.77)	(2.76)								0.62	February 2005
Globalizer vs. Citigroup Extended Market Index World ex U.S.	249.7	6.07	13.07	23.78	28.78	34.33								42.77	October 2003
Globalizer vs. Citigroup Extended Market Index World ex U.S.	249.7	6.07	13.07	23.78	28.78	34.33								42.77	October 2003
Globalizer vs. Citigroup Extended Market Index World ex U.S.	249.7	6.07	13.07	23.78	28.78	34.33								42.77	October 2003
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Globalizer vs. Citigroup Extended Market Index World ex U.S.	249.7	6.07	13.07	23.78	28.78	34.33								42.77	October 2003
Globalizer vs. Citigroup Extended Market Index World ex U.S.	249.7	6.07	13.07	23.78	28.78	34.33								42.77	October 2003
Globalizer vs. Citigroup															



Public Markets Managers  
Investment Performance Detail Summary  
February 28, 2005

UTIMCO Manager Rating:

Positive
Neutral (strategy to be reviewed)
Neutral to slightly negative
Slightly negative

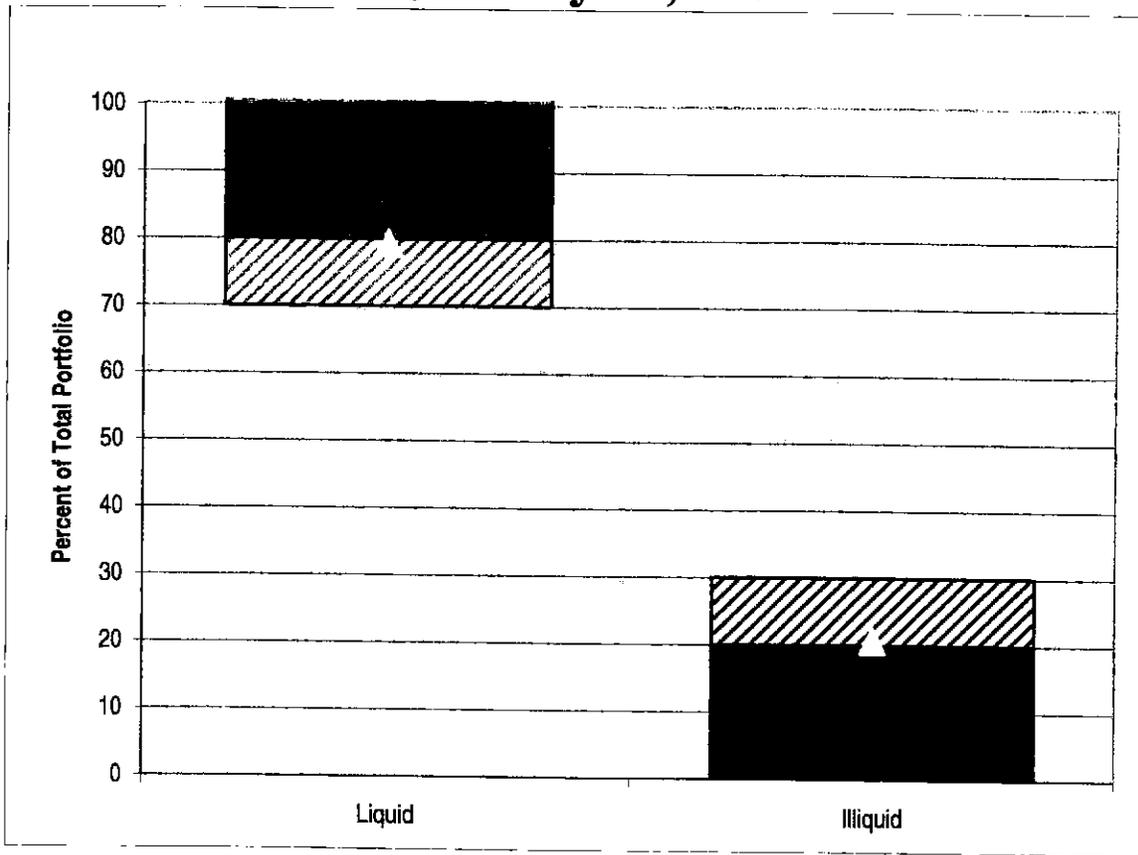
NET OF FEES PERFORMANCE (continued)

Absolute Return: vs. 90 Day Treasury Bills Average Yield + 3%	Assets Under Management (\$ Millions)	Periods Ended February 28, 2005 (Returns for Periods Longer Than One Year are Annualized)					From Inception to February 28, 2005 (Returns for Periods Longer Than One Year are Annualized)					
		One Month	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
ACR Offshore	40.3	0.89	2.96	4.70	4.70	0.43 (3.74)	-	-	-	-	0.85 (3.74)	March 2004
BGI Unseasoned Global Markets vs. 90 Day Treasury Bills Average Yield + 3%	289.4	0.33 (0.08)	0.73 (0.56)	2.60	2.60	-	-	-	-	-	4.29	May 2004
Bridgewater Pure Alpha vs. 90 Day Treasury Bills Average Yield + 3%	99.6	2.04	3.39	15.17	15.17	19.43	-	-	-	-	19.43	March 2004
Fairholme Capital Offshore Investors vs. 90 Day Treasury Bills Average Yield + 3%	415.4	2.20	5.64	13.60	13.60	15.73	15.69	14.68	-	-	14.43	August 1998
India Evergreen vs. 90 Day Treasury Bills Average Yield + 3%	22.5	0.54	3.07	2.09	2.09	10.39	-	-	-	-	9.96	December 2000
K Capital vs. 90 Day Treasury Bills Average Yield + 3%	36.4	(1.03) (1.44)	3.29	-	-	-	-	-	-	-	3.91	November 2004
OZ Overseas Fund vs. 90 Day Treasury Bills Average Yield + 3%	108.9	1.10	3.73	7.98	7.98	-	-	-	-	-	8.88	August 2004
Perry Partners International vs. 90 Day Treasury Bills Average Yield + 3%	475.0	0.86	6.63	13.67	13.67	17.44	15.88	16.03	-	-	14.65	August 1998
Proedge Partners Fund vs. 90 Day Treasury Bills Average Yield + 3%	209.3	1.59	3.30	6.24	6.24	6.36	-	-	-	-	11.34	February 2003
Saville Fund vs. 90 Day Treasury Bills Average Yield + 3%	264.0	1.11	2.95	6.95	6.95	7.49	4.45	-	-	-	7.50	September 2000
TKC-Axon vs. 90 Day Treasury Bills Average Yield + 3%	29.7	(1.13) (1.54)	-	-	-	-	-	-	-	-	(1.13) (1.54)	February 2005
Commodities												
Goldman Sachs Commodity Index vs. Goldman Sachs Commodity Index - 100 bps	445.1	5.97	1.80	13.72	13.72	23.88	-	-	-	-	26.79	June 2002
PIMCO Real Return vs. Dow Jones ARG + 1-10 Year TIPS	235.6	6.67	2.38	10.38	10.38	10.74	-	-	-	-	18.58	January 2004
Fixed Income												
Barclay - Historical Book vs. Credit Related Composite Index	185.4	(0.99)	1.36	1.90	1.90	2.70	5.69	-	-	-	6.47	February 2001
International - RBC-Kempire vs. Lehman Brothers Aggregate Bond Index	326.6	(0.65)	0.92	1.57	1.57	2.50	3.89	6.32	-	-	6.46	February 2000
Total Internally Managed Fixed Income vs. Lehman Brothers Aggregate Bond Index	512.2	(0.13)	1.84	1.74	1.74	2.59	4.86	7.02	-	-	7.15	-
GMCO Emerging Debt Fund vs. JP Morgan Emerging Bond Index Global	31.2	1.19	5.67	12.66	12.66	-	-	-	-	-	24.39	May 2004
PIMCO Fixed Income vs. PIMCO Composite Benchmark	756.1	(0.51)	0.96	5.90	5.90	7.02	11.65	10.07	8.01	-	8.01	March 1998
Treasury Inflation Protection Securities (TIPS):												
Barclay TIPS vs. Lehman Brothers US TIPS Index	319.6	(0.22) (0.69)	1.30 (0.02)	2.26 (0.03)	2.26	2.26	-	-	-	-	5.35	July 2004
PIMCO TIPS vs. Lehman Brothers US TIPS Index	246.5	(0.32)	1.13	2.45	2.45	2.51	-	-	-	-	2.53	August 2004

## **LIQUIDITY PROFILE**

# Combined Liquidity Profile

## January 31, 2005



Current:

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	10,631,554,534.71	79.4	10,825,184,400.39	80.5
Illiquid	2,765,296,243.81	20.6	2,626,126,105.16	19.5
	<u>13,396,850,778.52</u>	<u>100.0</u>	<u>13,451,310,505.55</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	10,581,554,534.71	79.0	10,700,184,400.39	79.5
Illiquid	2,815,296,243.81	21.0	2,751,126,105.16	20.5
	<u>13,396,850,778.52</u>	<u>100.0</u>	<u>13,451,310,505.55</u>	<u>100.0</u>

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

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

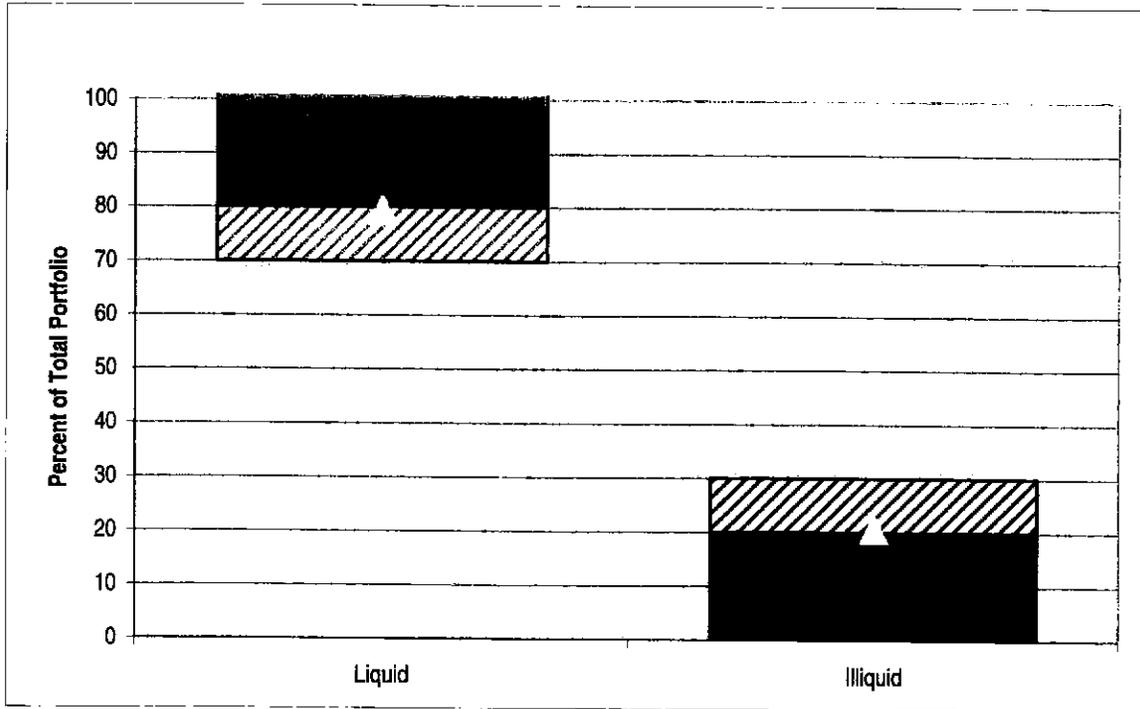
I, Ad V. Kell, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Joe Malli, 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, Andrew, 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

## January 31, 2005



Current

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,925,270,970.07	79.4	7,106,904,072.13	80.7
Illiquid	1,793,214,210.17	20.6	1,702,239,860.19	19.3
	<u>8,718,485,180.24</u>	<u>100.0</u>	<u>8,809,143,932.32</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,891,770,970.07	79.0	7,023,004,072.13	79.7
Illiquid	1,826,714,210.17	21.0	1,786,139,860.19	20.3
	<u>8,718,485,180.24</u>	<u>100.0</u>	<u>8,809,143,932.32</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%.

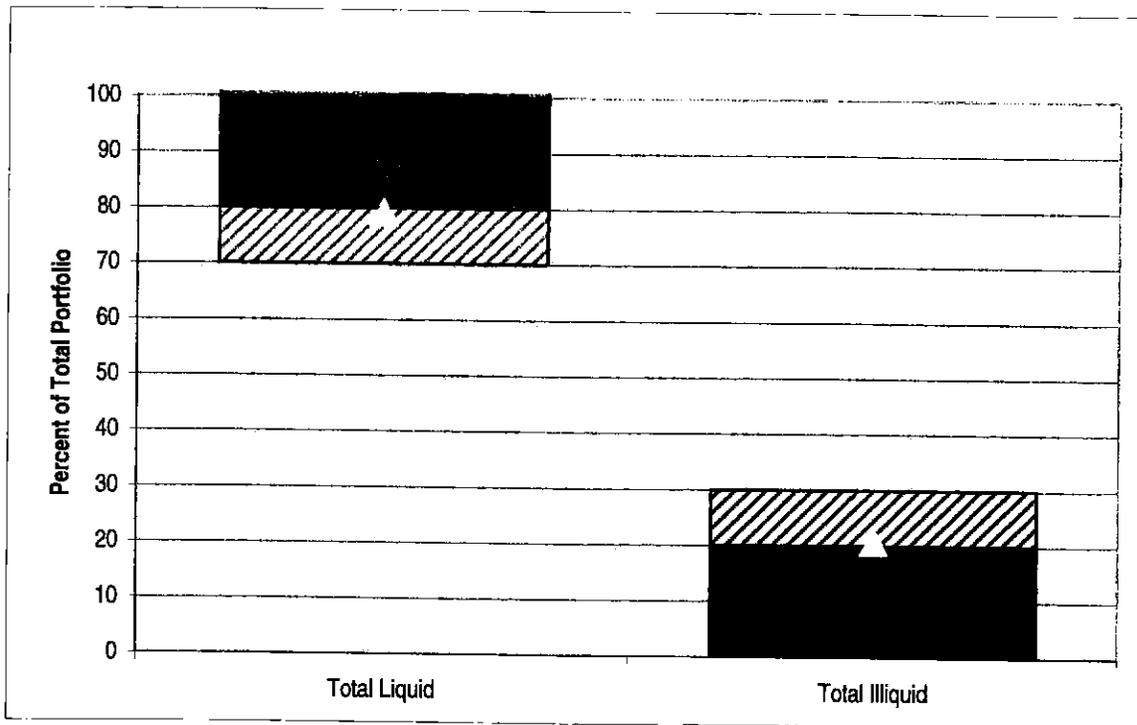
I, [Signature], as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, [Signature], 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, [Signature], as President of UTMCO, 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

## January 31, 2005



**Current**

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,706,283,564.64	79.2	3,718,280,328.26	80.1
Illiquid	972,082,033.64	20.8	923,886,244.97	19.9
	<u>4,678,365,598.28</u>	<u>100.0</u>	<u>4,642,166,573.23</u>	<u>100.0</u>

**Approved but not yet invested illiquid marketable investments:**

	1/31/2005		12/31/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,689,783,564.64	78.9	3,677,180,328.26	79.2
Illiquid	988,582,033.64	21.1	964,986,244.97	20.8
	<u>4,678,365,598.28</u>	<u>100.0</u>	<u>4,642,166,573.23</u>	<u>100.0</u>

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

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

I, [Signature], as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, [Signature], 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, [Signature], 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**

**January 31, 2005**

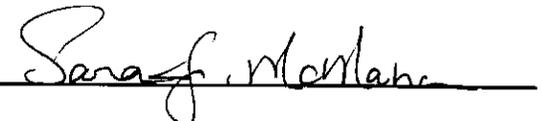
I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have for which I have responsibility.

 Larry Goldsmith, Managing Director - Public Markets

2-28-05 Date

 Cathy Iberg, Managing Director - Marketable Alternatives

3-01-05 Date

 Sara McMahon, Managing Director - Non-Marketable Alternatives

2-28-05 Date

 Trey Thompson, Managing Director - Non-Marketable Alternatives

2-24-05 Date

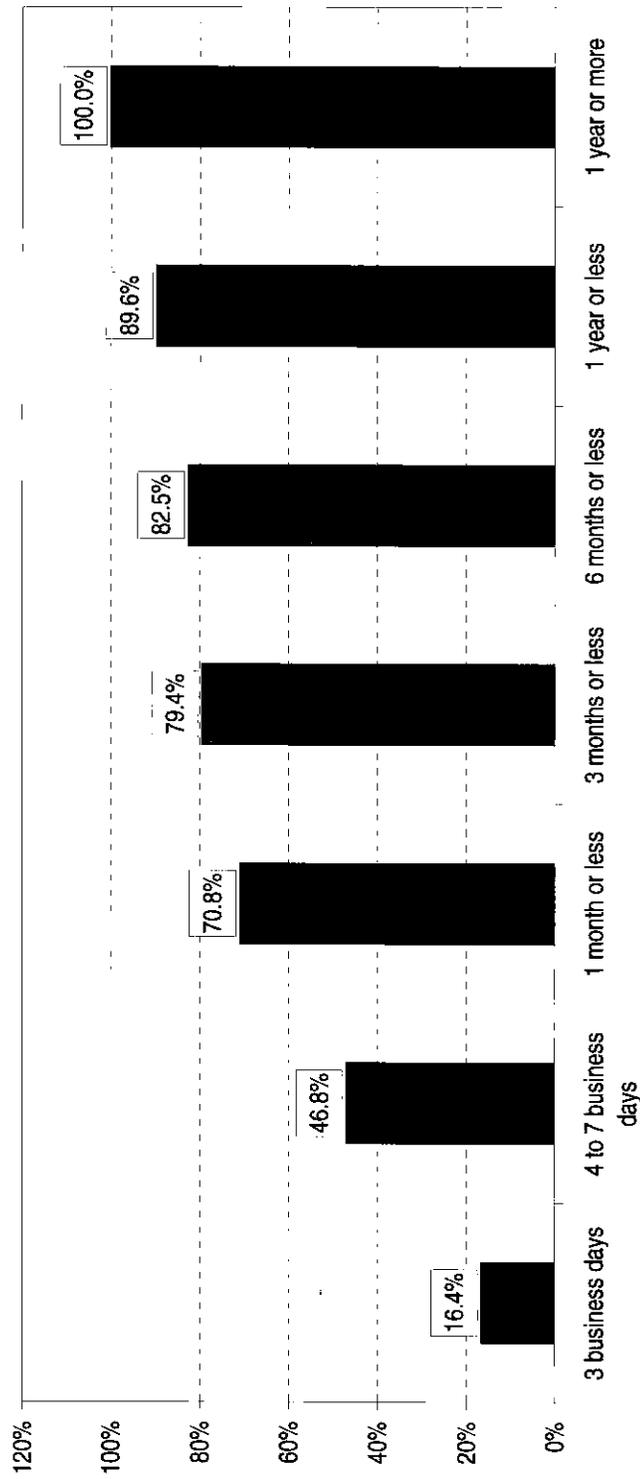
**Illiquid investments approved/delegated or funded from last report to UTIMCO Board  
through current report date  
November 30, 2004 through January 31, 2005**

<b>Private Equity investments</b>	<b>Board Approved/ Delegated</b>	<b>Committed Amount</b>		<b>Funded Amount</b>	
		<b>PUF</b>	<b>GEF</b>	<b>PUF</b>	<b>GEF</b>
Tejas Venture Partners I	Sept 2004	\$ 13,750,000.00	\$ 11,250,000.00	\$ 183,389.00	\$ 150,045.00
Knightsbridge Venture Capital VI, L. P.	Oct 2004	\$ 17,500,000.00	\$ 7,500,000.00	\$ 131,250.00	\$ 56,250.00
DDJ Total Return Fund, L. P.	Nov 2004	\$ 17,500,000.00	\$ 7,500,000.00	\$ 1,225,000.00	\$ 525,000.00
<b>Marketable Alternative investments</b>					
Eminence Fund	Nov 2004	\$ 33,500,000.00	\$ 16,500,000.00	\$ 16,800,000.00	\$ 8,200,000.00
Funding commitment reduced		\$ (16,700,000.00)	\$ (8,300,000.00)		
OCM Emerging Markets	Nov 2004	\$ 20,100,000.00	\$ 9,900,000.00	\$ -	\$ -
Funding commitment reduced		\$ (20,100,000.00)	\$ (9,900,000.00)		
TPG-Axon	Jan 2005	\$ 33,500,000.00	\$ 16,500,000.00	\$ -	\$ -

**Change in investment's liquidity classification**

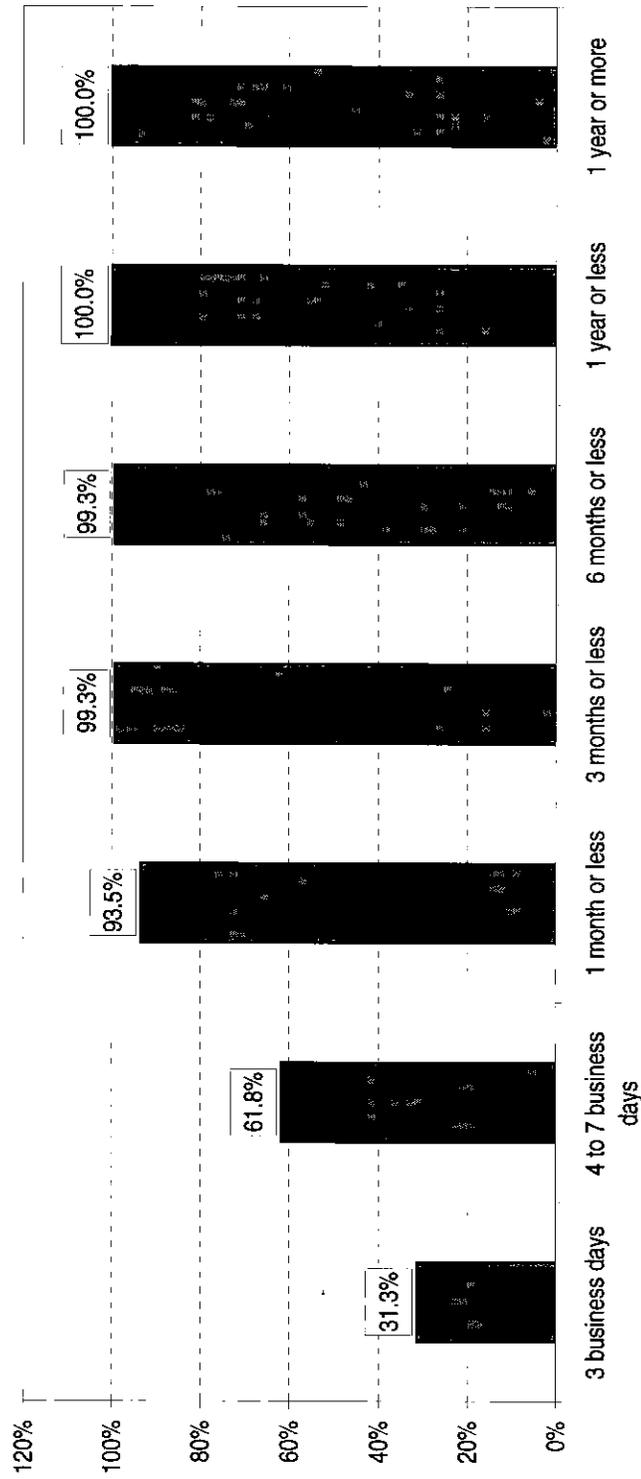
None

**UT Endowments (PUF & GEF) Actual Liquidity Classification**  
as of January 31, 2005



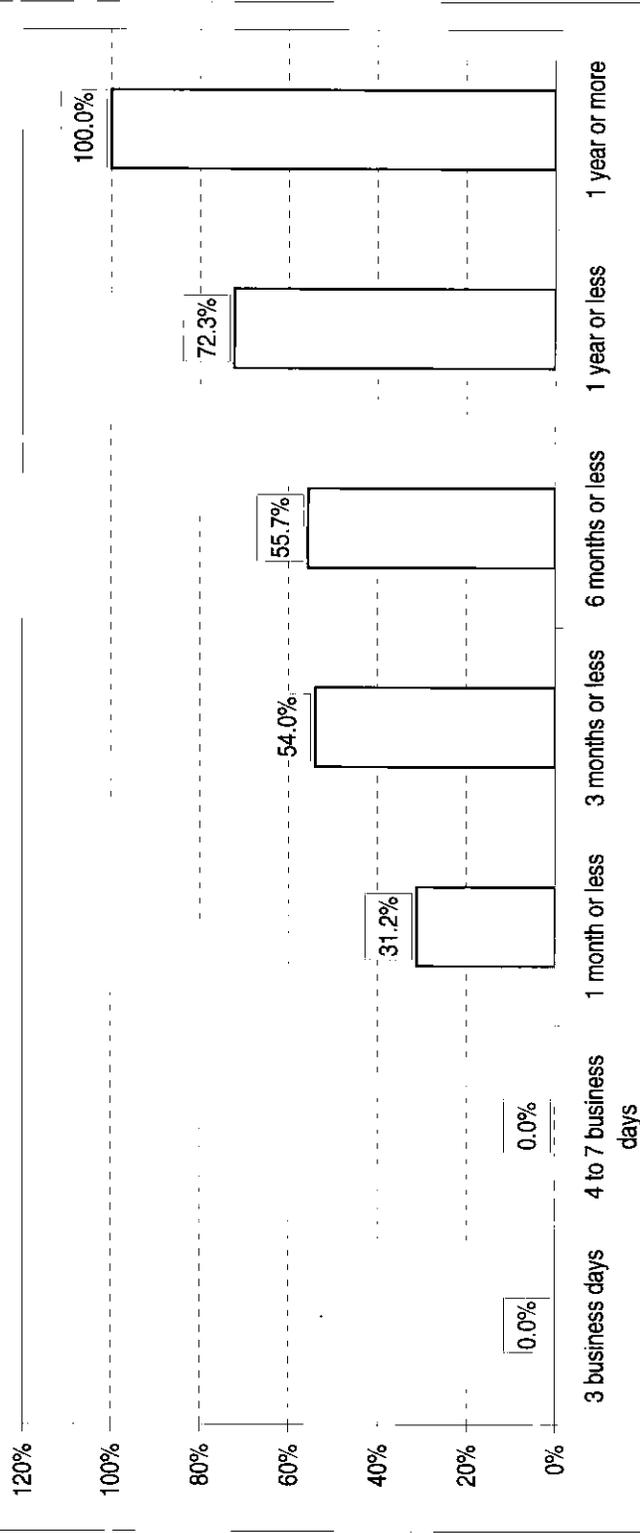
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,198,536,480	16.4%	2,198,536,480	16.4%
4 to 7 business days	4,076,231,531	30.4%	6,274,768,011	46.8%
1 month or less	3,216,226,746	24.0%	9,490,994,758	70.8%
3 months or less	1,140,559,777	8.5%	10,631,554,535	79.4%
6 months or less	424,584,653	3.2%	11,056,139,188	82.5%
1 year or less	952,871,733	7.1%	12,009,010,921	89.6%
1 year or more	1,387,839,857	10.4%	13,396,850,779	100.0%
	13,396,850,779	100.0%		
Illiquid:				

Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification  
as of January 31, 2005



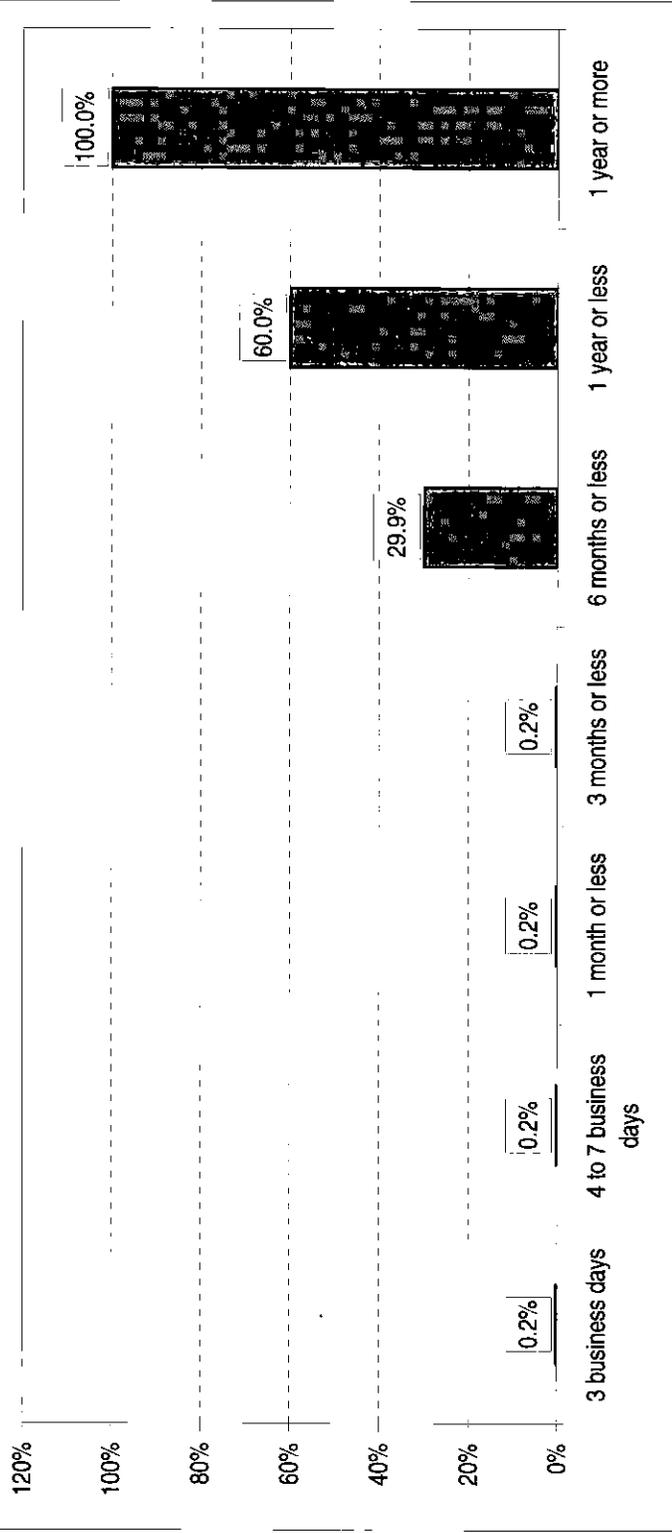
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,195,857,924	31.3%	2,195,857,924	31.3%
4 to 7 business days	2,130,916,571	30.4%	4,326,774,496	61.8%
1 month or less	2,220,674,253	31.7%	6,547,448,748	93.5%
3 months or less	412,327,577	5.9%	6,959,776,326	99.3%
6 months or less	0	0.0%	6,959,776,326	99.3%
1 year or less	46,071,113	0.7%	7,005,847,438	100.0%
1 year or more	0	0.0%	7,005,847,438	100.0%
Illiquid:				
6 months or less	0	0.0%	0	0.0%
1 year or less	46,071,113	0.7%	46,071,113	0.7%
1 year or more	0	0.0%	0	0.0%
<b>Total</b>	<b>7,005,847,438</b>	<b>100.0%</b>	<b>7,005,847,438</b>	<b>100.0%</b>

**Marketable Alternatives Actual Liquidity Classification  
as of January 31, 2005**



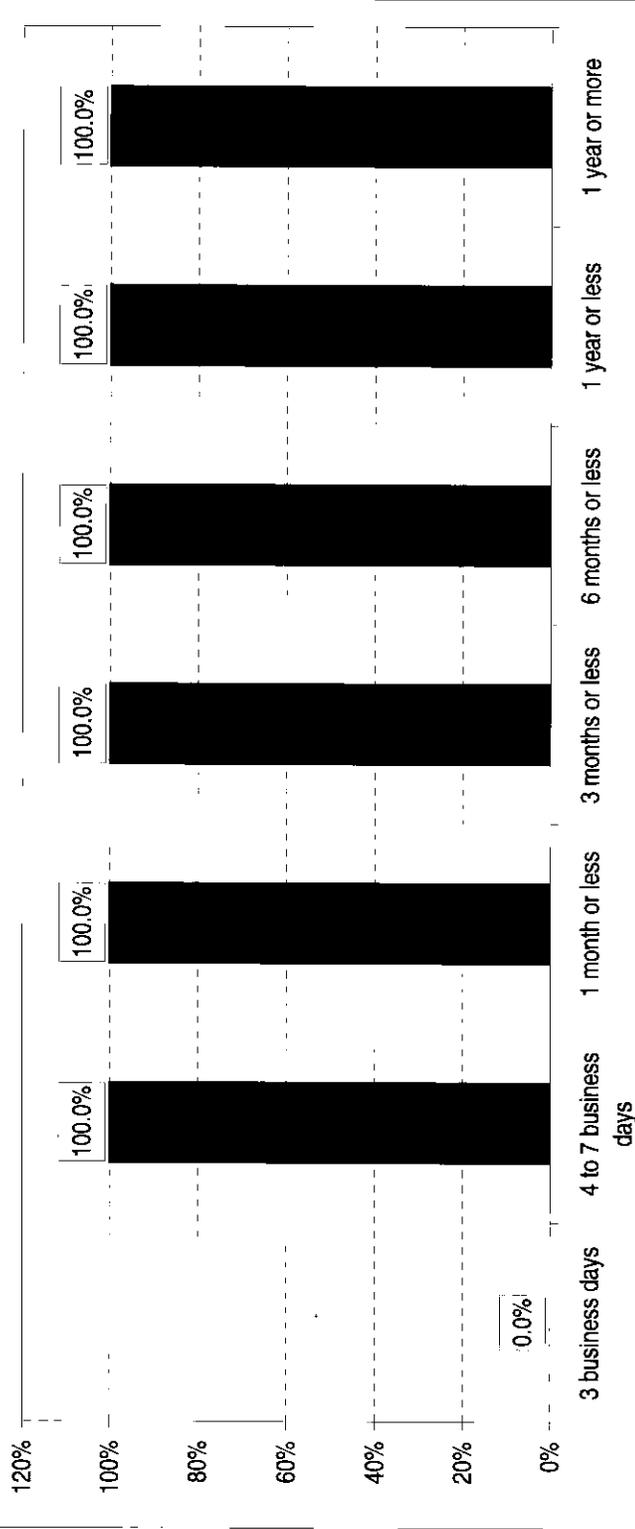
Classification Period	Assets	%	Cumulative Assets	%
<b>Liquid:</b>				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	0	0.0%	0	0.0%
1 month or less	995,552,494	31.2%	995,552,494	31.2%
3 months or less	728,232,200	22.8%	1,723,784,693	54.0%
6 months or less	52,094,494	1.6%	1,775,879,187	55.7%
1 year or less	528,973,716	16.6%	2,304,852,903	72.3%
1 year or more	884,911,309	27.7%	3,189,764,212	100.0%
	3,189,764,212	100.0%		
<b>Illiquid:</b>				

**Non-Marketable Alternatives Actual Liquidity Classification**  
as of January 31, 2005



Classification Period	Assets	%	Cumulative Assets	%
<b>Liquid:</b>				
3 business days	2,678,556	0.2%	2,678,556	0.2%
4 to 7 business days	0	0.0%	2,678,556	0.2%
1 month or less	0	0.0%	2,678,556	0.2%
3 months or less	0	0.0%	2,678,556	0.2%
<b>Illiquid:</b>				
6 months or less	372,490,159	29.7%	375,168,716	29.9%
1 year or less	377,826,905	30.1%	752,995,621	60.0%
1 year or more	<u>502,928,549</u>	40.0%	<u>1,255,924,169</u>	100.0%
	1,255,924,169	100.0%		

**Inflation Hedging Actual Liquidity Classification  
as of January 31, 2005**



Classification Period	Assets	%	Cumulative Assets	%
<b>Liquid:</b>				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	1,945,314,959	100.0%	1,945,314,959	100.0%
1 month or less	0	0.0%	1,945,314,959	100.0%
3 months or less	0	0.0%	1,945,314,959	100.0%
<b>Illiquid:</b>				
6 months or less	0	0.0%	1,945,314,959	100.0%
1 year or less	0	0.0%	1,945,314,959	100.0%
1 year or more	0	0.0%	1,945,314,959	100.0%
	1,945,314,959	100.0%		

# DERIVATIVES

**TOTAL INTERNAL DERIVATIVES (FUTURES, ETFs and OPTIONS) BY TYPE as of February 28, 2005**

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
S&P 500 Futures	1,056,597,750		7.81%	Large cap exposure
S&P 500 ETFs	66,431,062	1,123,028,812	0.49%	Large cap exposure
S&P 100 ETFs	75,801,888	75,801,888	0.56%	Concentrated large cap exposure
S&P 100 Global ETFs	83,444,495	83,444,495	0.62%	Concentrated global large cap exposure
Dow Jones Futures	101,636,540	101,636,540	0.75%	Large cap exposure (w/ minimal Financials)
MidCap 400 EMini Futures (Short)	(132,865,200)	(132,865,200)	0.98%	Hedge mid cap exposure
Russell 2000 Mini Index Futures (Short)	(758,339,560)		5.61%	Hedge small cap exposure
Russell 2000 ETFs	56,869,061	(701,470,499)	0.42%	Small cap exposure
NASDAQ 100 Index Futures	22,695,000		0.17%	Large cap technology exposure
NASDAQ ETFs	11,996,788	34,691,788	0.09%	Large cap technology exposure
Internet Architecture ETFs	9,440,005	9,440,005	0.07%	Large cap technology exposure
DJ Technology ETFs	7,114,689	7,114,689	0.05%	Large cap technology exposure
MSCI EAFE ETFs	34,304,245	34,304,245	0.25%	EAFE exposure
Euro Stoxx Futures	87,359,806	87,359,806	0.65%	Eurozone large cap equity exposure
FTSE 100 Futures	163,949,996	163,949,996	1.21%	United Kingdom large cap equity exposure
TOPIX Index Futures	80,314,332	80,314,332	0.59%	Japanese large cap equity exposure
NIKKEI 225 Index Futures	51,078,488	51,078,488	0.38%	Japanese large cap equity exposure
S&P/TSX 60 INDEX Futures	60,592,255	60,592,255	0.45%	Canadian equity exposure
GSCI Futures	447,004,688	447,004,688	3.31%	Commodity exposure
Nikkei 225 - OTM put options (Short)	(25,000,000)	(25,000,000)	0.18%	Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	(25,000,000)	(25,000,000)	0.18%	Japanese large cap equity exposure
Russell 2000 Options - OTM call options (Short)	(50,000,000)	(50,000,000)	0.37%	Small cap exposure
US Financial Sector - ATM call options (Short)	(3,056,000)	(3,056,000)	0.02%	US large cap financials exposure
GSCI Excess Return Index - OTM call options (Short)	(200,000,000)	(200,000,000)	1.48%	Commodity exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,150,000,000	1,150,000,000	8.50%	Hedge Domestic Equity Portfolio exposure
<b>Total</b>	<b>4,760,891,848</b>	<b>2,372,370,328</b>	<b>35.20%</b>	
			Less than 50%	
			of Endowment	
			Funds	

TOTAL INTERNAL DERIVATIVES (FUTURES, ETFs and OPTIONS) BY TYPE as of February 28, 2005

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
<b>US EQUITY DERIVATIVES</b>				
<b>1) Index Exposure</b>				
S&P 500 Futures	207,105,200		1.53%	Large cap exposure
S&P 500 ETFs	66,431,062		0.49%	Large cap exposure
S&P 100 ETFs	75,801,888		0.56%	Concentrated large cap exposure
Dow Jones Futures	101,636,540		0.75%	Large cap exposure (w/ minimal Financials)
Russell 2000 ETFs	56,869,061		0.42%	Small cap exposure
NASDAQ 100 Index Futures	22,695,000		0.17%	Large cap technology exposure
NASDAQ ETFs	11,996,788		0.09%	Large cap technology exposure
GSCI Futures	447,004,688		3.31%	Commodity exposure
<b>Total Index Exposure</b>	<b>989,540,226</b>		<b>7.32%</b>	
<b>2) Active Tilts</b>				
S&P 100 Global ETFs	33,106,095		0.24%	Concentrated global large cap exposure
Internet Architecture ETFs	9,440,005		0.07%	Large cap technology exposure
DJ Technology ETFs	7,114,689		0.05%	Large cap technology exposure
<b>Total Active Tilts</b>	<b>49,660,789</b>		<b>0.37%</b>	
<b>3) Hedging / Risk Reduction</b>				
S&P 500 Futures	849,492,550		6.28%	Large cap exposure
MidCap 400 EMini Futures (Short)	(132,865,200)		0.98%	Hedge mid cap exposure
Russell 2000 Mini Index Futures (Short)	(758,339,560)		5.61%	Hedge small cap exposure
Russell 2000 Options - OTM call options (Short)	(50,000,000)		0.37%	Small cap exposure
GSCI Excess Return Index - OTM call options (Short)	(200,000,000)		1.48%	Commodity exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,150,000,000		8.50%	Hedge Domestic Equity Portfolio exposure
<b>Total Hedging / Risk Reduction</b>	<b>3,140,697,310</b>	<b>858,287,790</b>	<b>23.22%</b>	
<b>TOTAL US DERIVATIVES</b>	<b>4,179,898,326</b>	<b>1,897,488,806</b>	<b>30.91%</b>	
<b>INTERNATIONAL EQUITY DERIVATIVES</b>				
<b>1) Index Exposure</b>				
MSCI EAFE ETFs	34,304,245		0.25%	EAFE exposure
<b>Total Index Exposure</b>	<b>34,304,245</b>		<b>0.25%</b>	
<b>2) Active Tilts</b>				
S&P 100 Global ETFs	50,338,400		0.37%	Concentrated global large cap exposure
US Financial Sector - ATM call options (Short)	(3,056,000)		0.02%	US large cap financials exposure
<b>Total Active Tilts</b>	<b>47,282,400</b>		<b>0.39%</b>	
<b>3) Hedging / Risk Reduction - neutralizing country/region underweightings</b>				
Nikkei 225 - OTM put options (Short)	(25,000,000)		0.18%	Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	(25,000,000)		0.18%	Japanese large cap equity exposure
Euro Stoxx Futures	87,359,806		0.65%	Eurozone large cap equity exposure
FTSE 100 Futures	163,949,996		1.21%	United Kingdom large cap equity exposure
TOPIX Index Futures	80,314,332		0.59%	Japanese large cap equity exposure
NIKKEI 225 Index Futures	51,078,488		0.38%	Japanese large cap equity exposure
S&P/TSX 60 INDEX Futures	60,592,255		0.45%	Canadian equity exposure
<b>Total Hedging / Risk Reduction</b>	<b>496,350,877</b>	<b>393,294,877</b>	<b>3.65%</b>	
<b>TOTAL INTERNATIONAL DERIVATIVES</b>	<b>580,993,523</b>	<b>474,881,523</b>	<b>4.30%</b>	
<b>Total</b>	<b>4,760,891,848</b>	<b>2,372,370,328</b>	<b>35.20%</b>	Less than 50% of Endowment Funds



# Spread Trade – Portable Alpha

Domestic Small Cap Equity														
	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	13 Month Period (annualized)
UTIMCO Small Cap Equity Performance	1.12%	1.16%	-4.51%	0.72%	4.24%	-4.90%	-1.01%	5.35%	1.27%	8.76%	3.26%	-3.20%	3.02%	14.10%
Russell 2000	0.90%	0.93%	-5.10%	1.59%	4.21%	-6.73%	-0.51%	4.69%	1.97%	8.67%	2.96%	-4.17%	1.69%	9.86%
Active Return	0.22%	0.23%	0.59%	-0.87%	0.03%	1.83%	-0.50%	0.66%	-0.70%	0.09%	0.30%	0.97%	1.33%	4.43%

*With an average short position of 26% on the Russell 2000 Index (resulting in an average of \$771m of small cap assets sold short), the Spread Trade has generated approximately \$37.4 m of "portable alpha".*

# **PUBLIC MARKETS**



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# UTMCO Public Markets Investments

## Costless Put Spread Collar - Update

March 2005



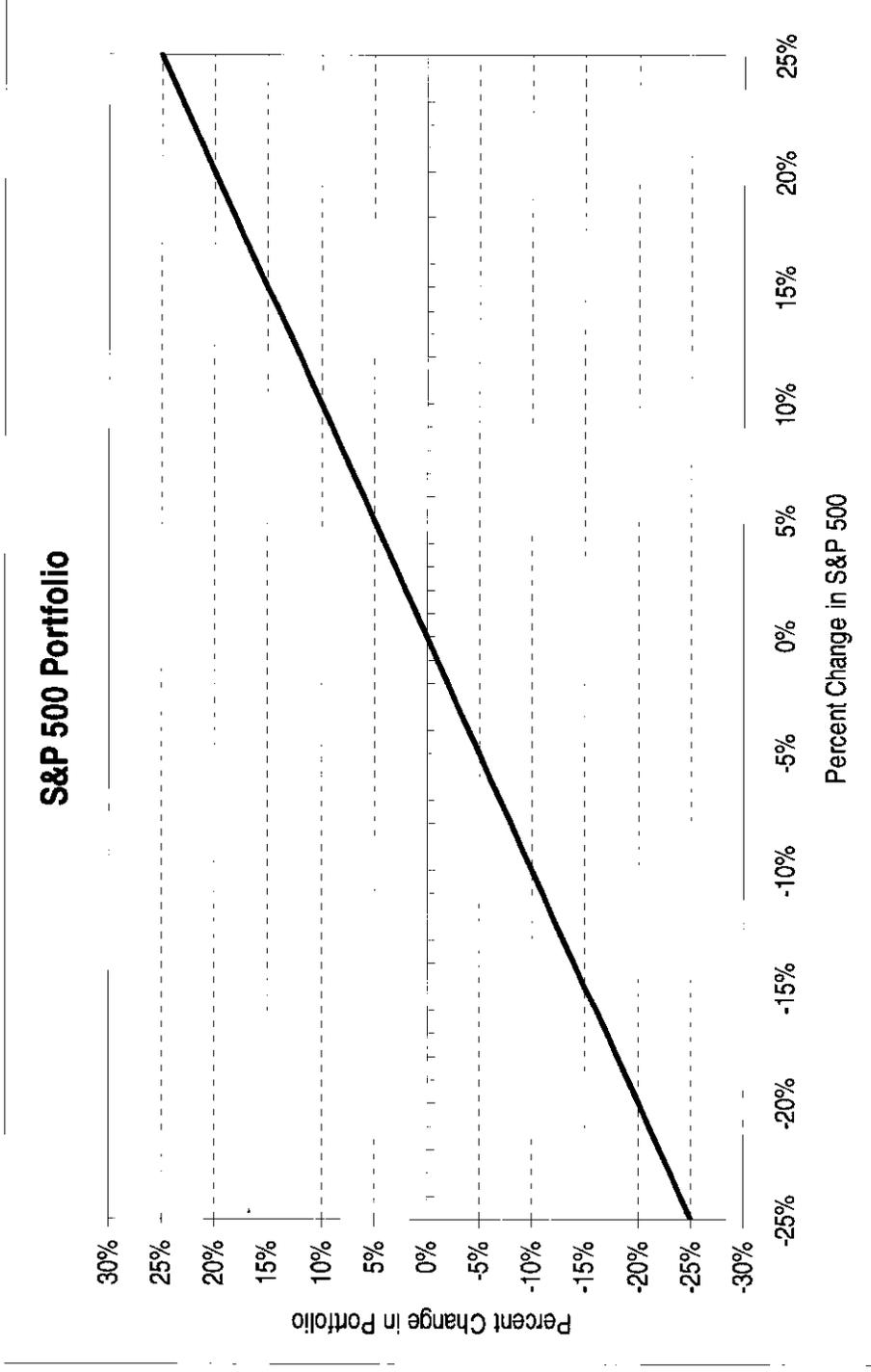
## Goals

At Year End 2004, UtiMCO staff initiated a trading strategy to accomplish the following over the coming year:

- Protect the Domestic Equity Portfolio from a potential market decline.
- Participate in a meaningful market advance.
- Engage at levels that are costless.

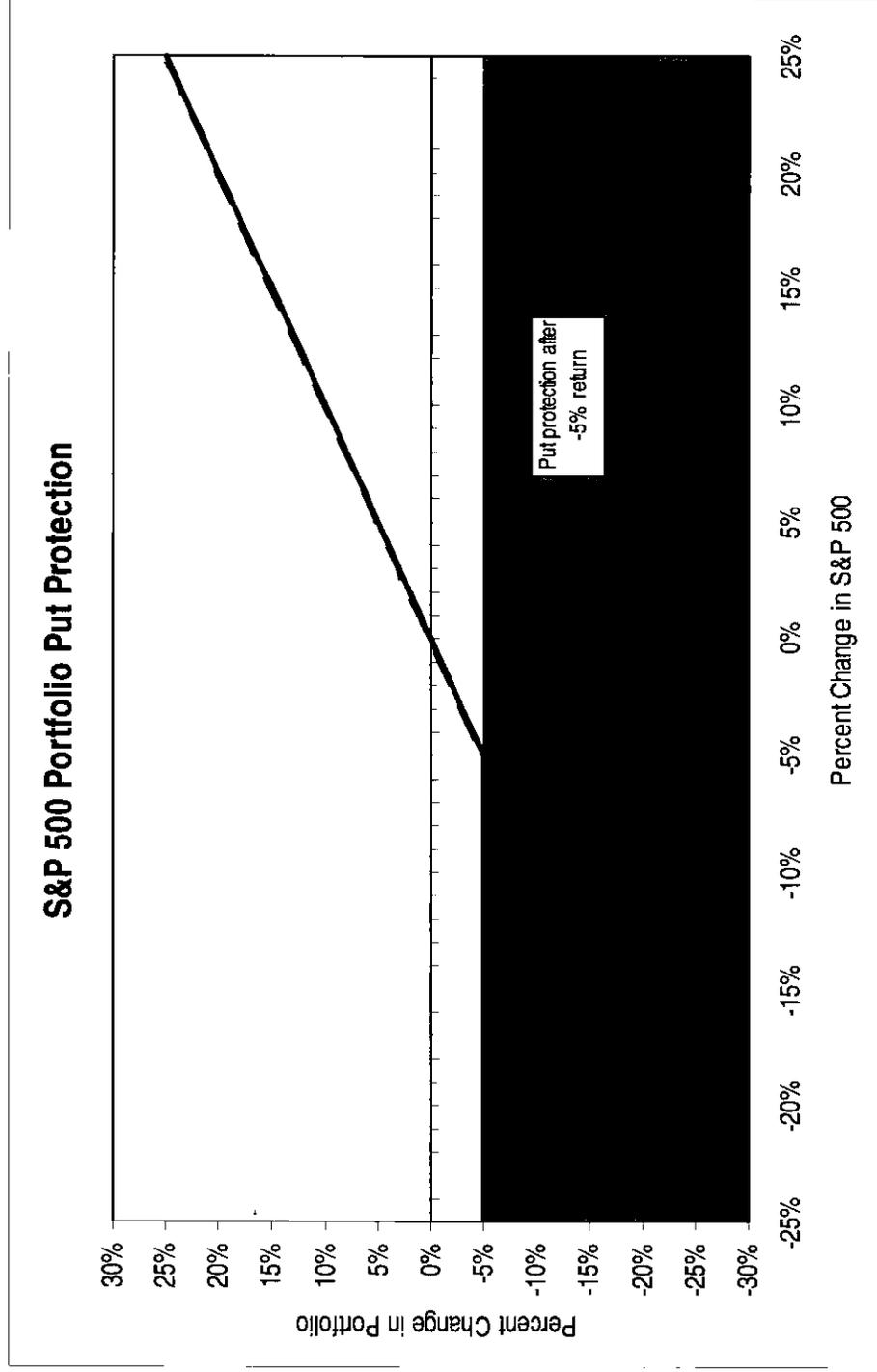


# Typical S&P 500 Portfolio - Full Exposure



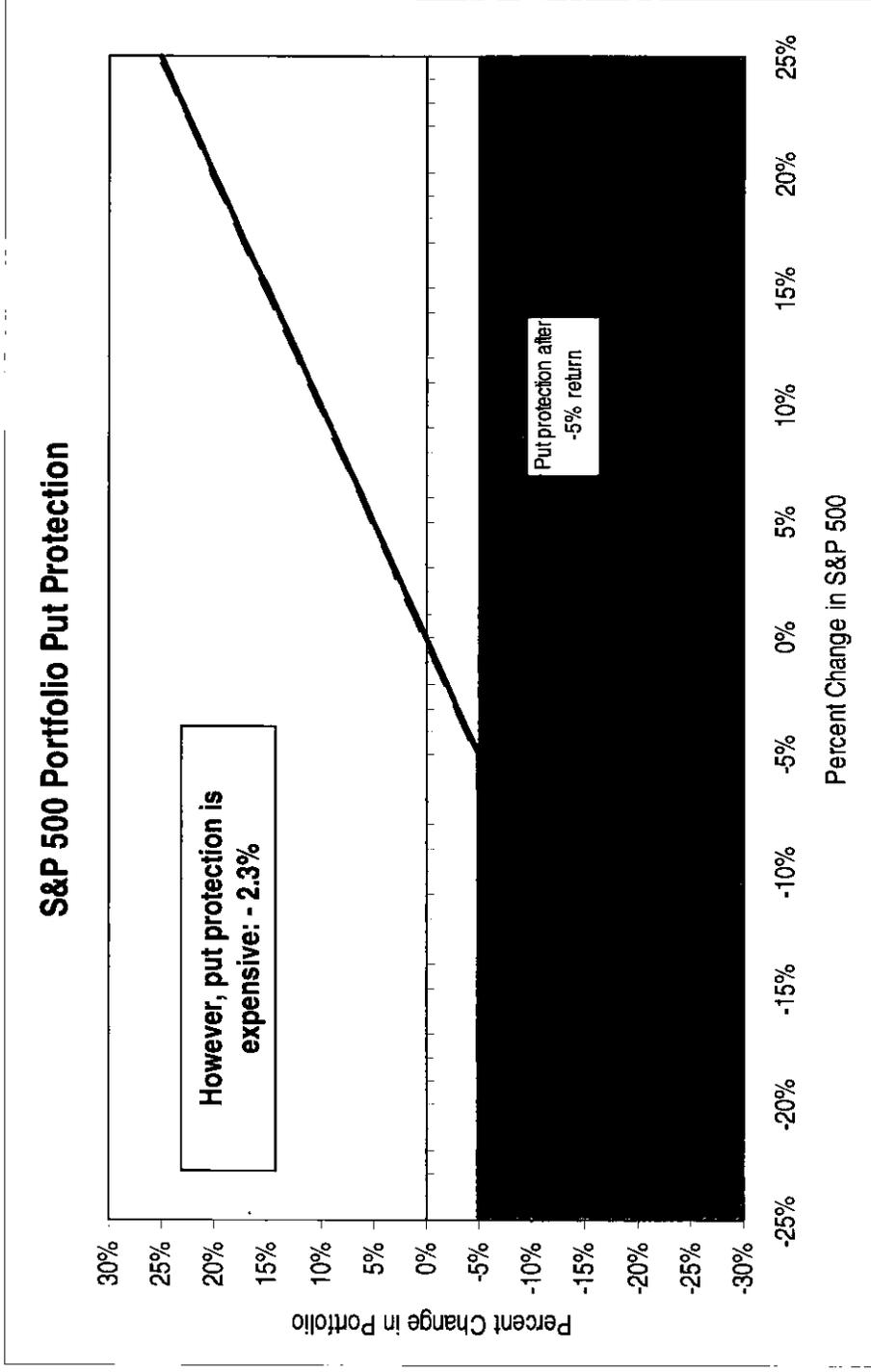


# Acquire Downside Protection – Buy a Put





# Acquire Downside Protection – Buy a Put

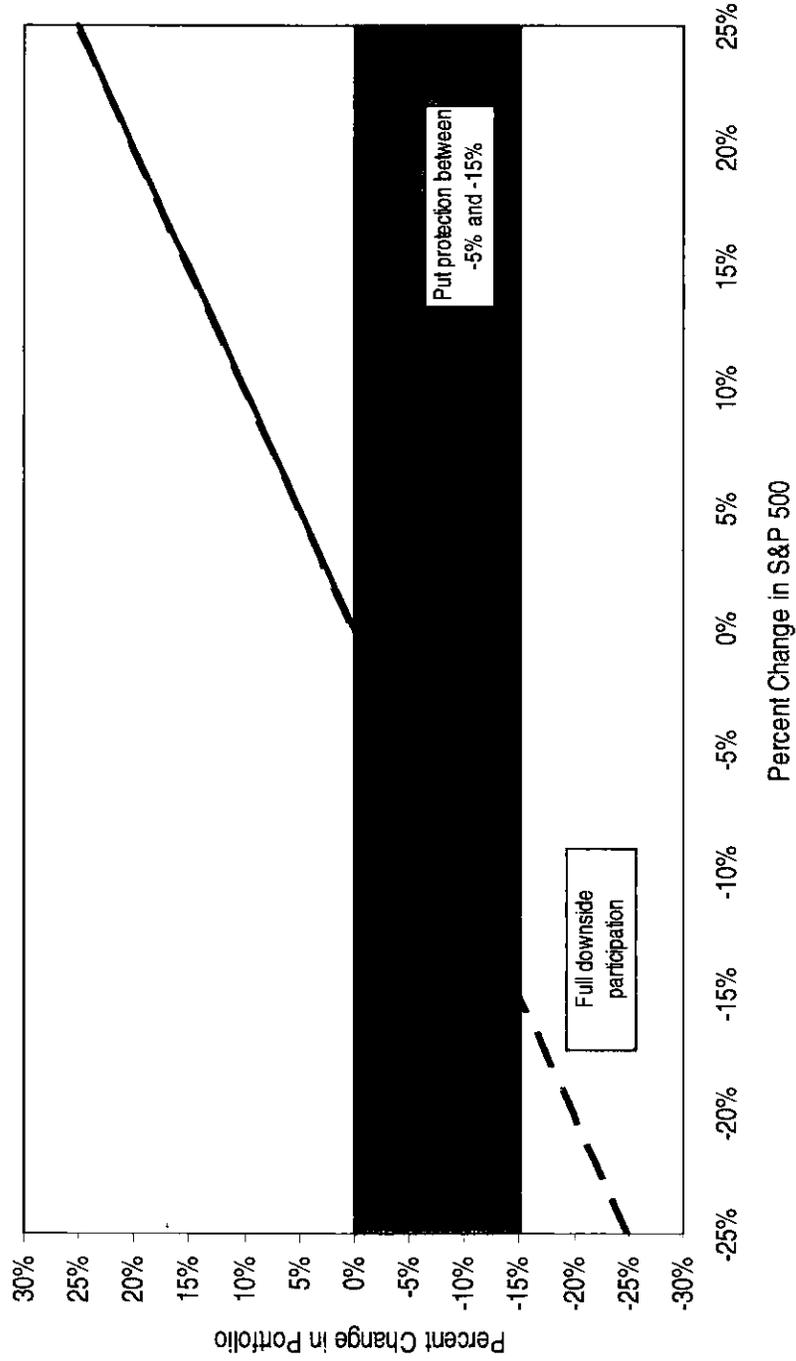


———— S&P 500 Portfolio      - - - - - S&P 500 Portfolio with Put Protection



# Reduce Cost: Limit Protection

S&P 500 Portfolio with Put Spread

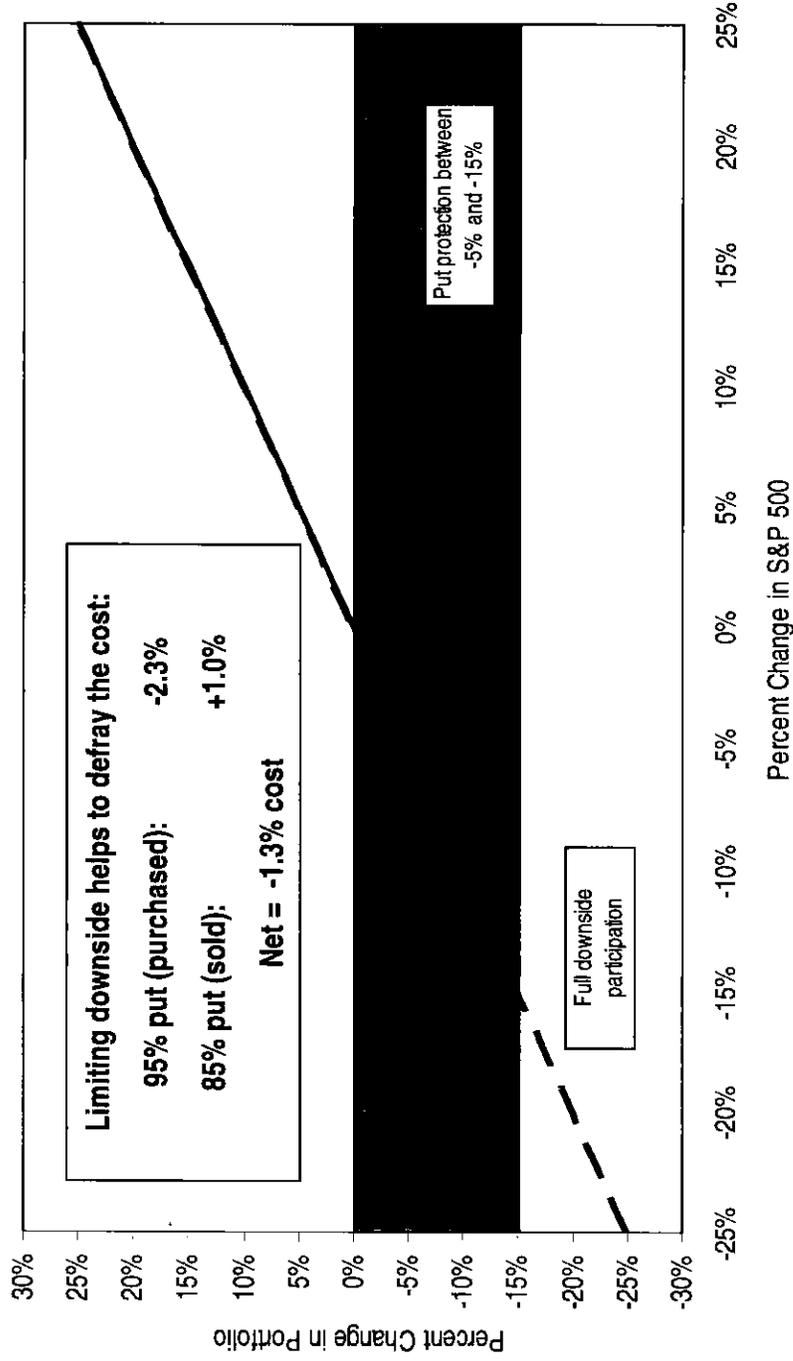


— S&P 500 Portfolio with Put Spread      - - - - S&P 500 Portfolio



# Reduce Cost: Limit Protection

### S&P 500 Portfolio with Put Spread

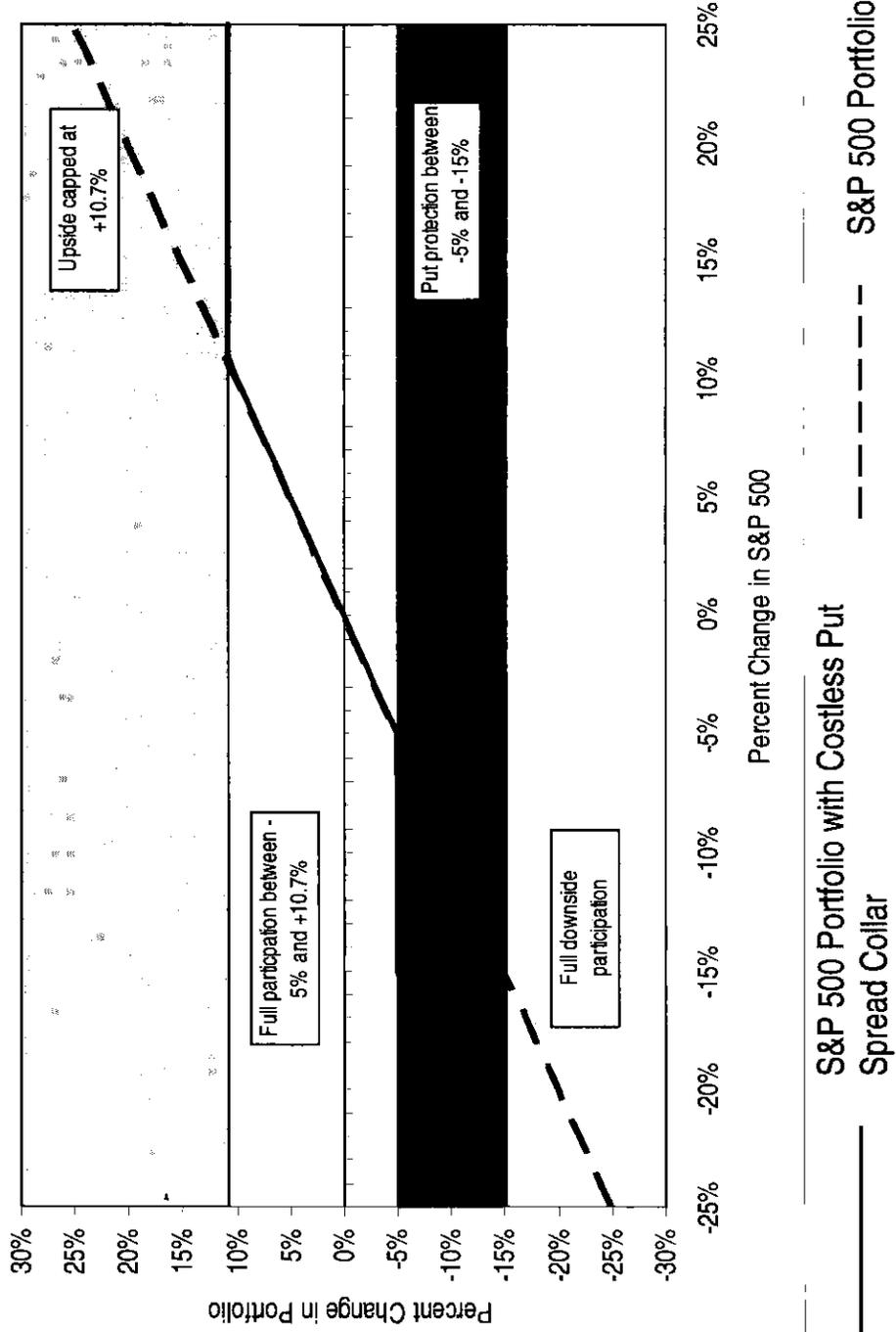


— S&P 500 Portfolio with Put Spread    - - - - S&P 500 Portfolio



# Make Costless: Sell a Call

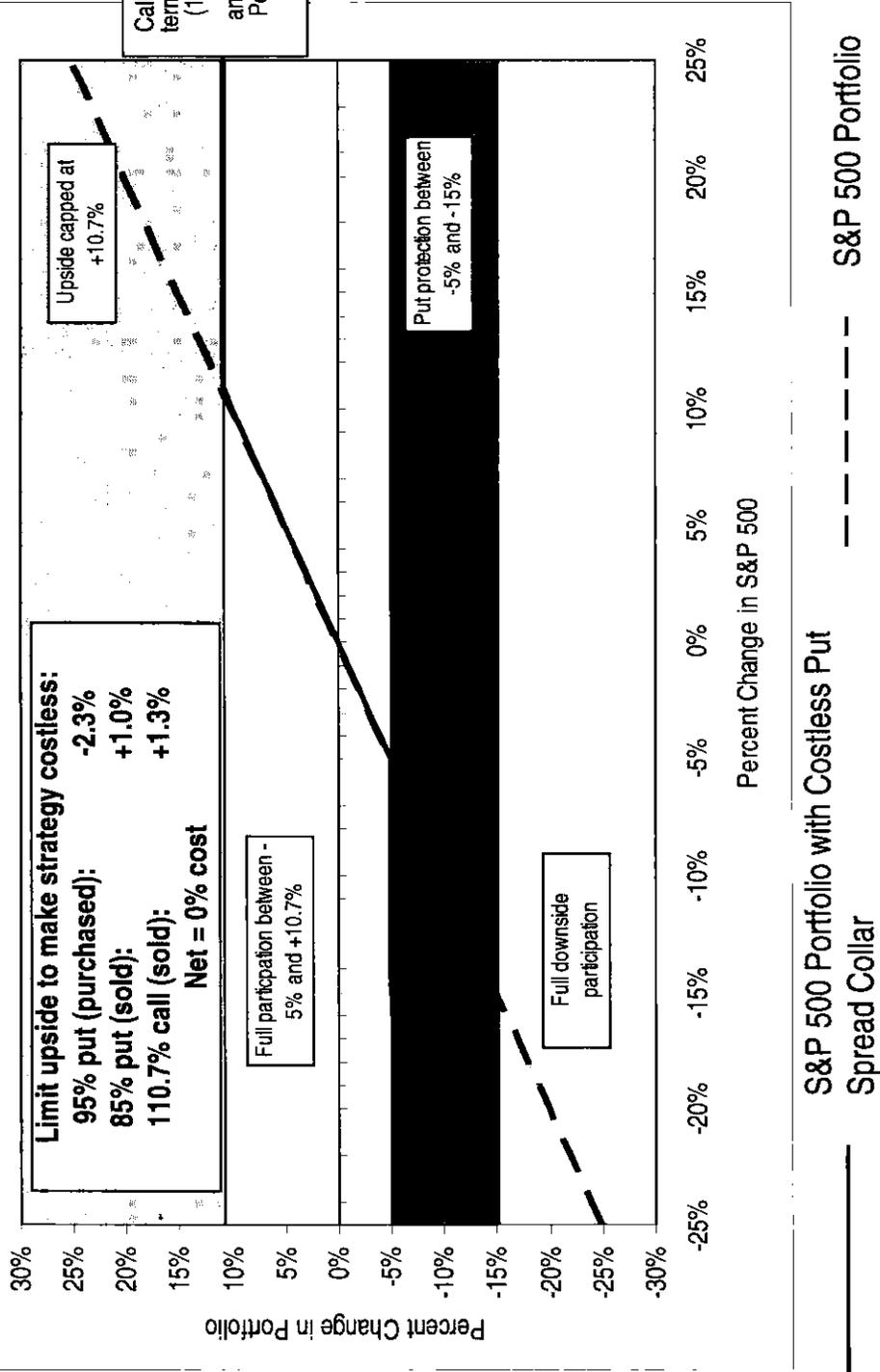
## S&P 500 Portfolio with Costless Put Spread Collar





# Make Costless: Sell a Call

## S&P 500 Portfolio with Costless Put Spread Collar





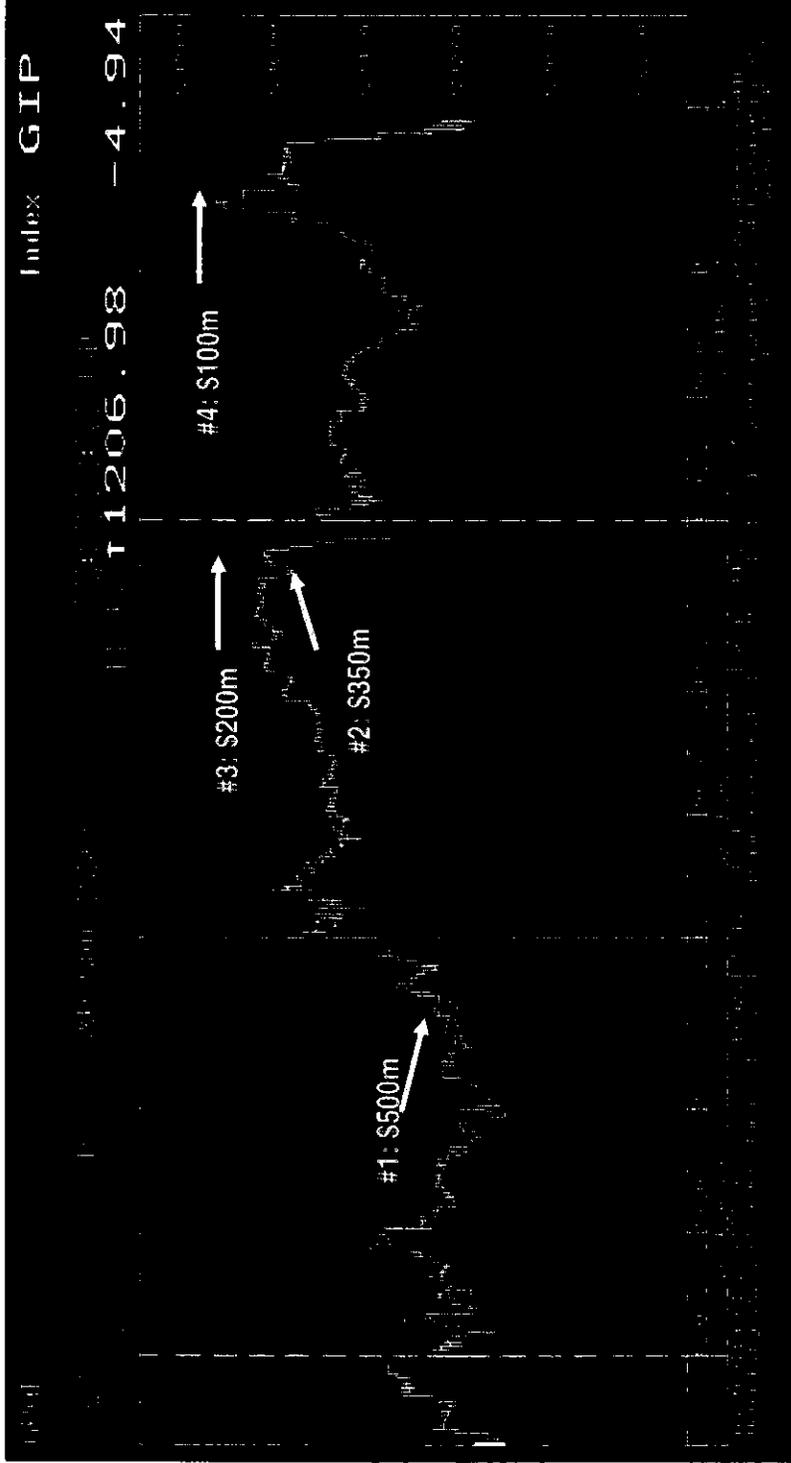
## Goals - Revisited

In structuring this trade, UTIMCO staff identified 3 goals it wished to accomplish:

- Protect the Domestic Equity Portfolio from a potential market decline.
  - Domestic Equity Portfolio is protected from a -5% to a -15% market sell-off
- Participate in a meaningful market advance.
  - Fully participate in an equity advance in excess of the long-term average stock return and the UTIMCO Policy Portfolio return
- Engage at levels that are costless.
  - The Costless Put Spread Collar



# UTIMCO Implementation – Tranche 1 = \$1.15 B



### Trade Summary

Notional value \$ 1,150,000,000

Average index level execution (S&P 500): 1214.68

Average strike price on call (short): 1344.7

Average strike price on 95% put (long): 1153.95

Average strike price on 85% call (short): 1032.48

Expiration: January 20, 2006 S&P 500 Index 2004 year ending level: 1211.92

### Index Summary

Average index level over trading period 1212.61

Staff Value Added \$ 1,963,121

March 2005



## Tranche 2 = \$200 Million

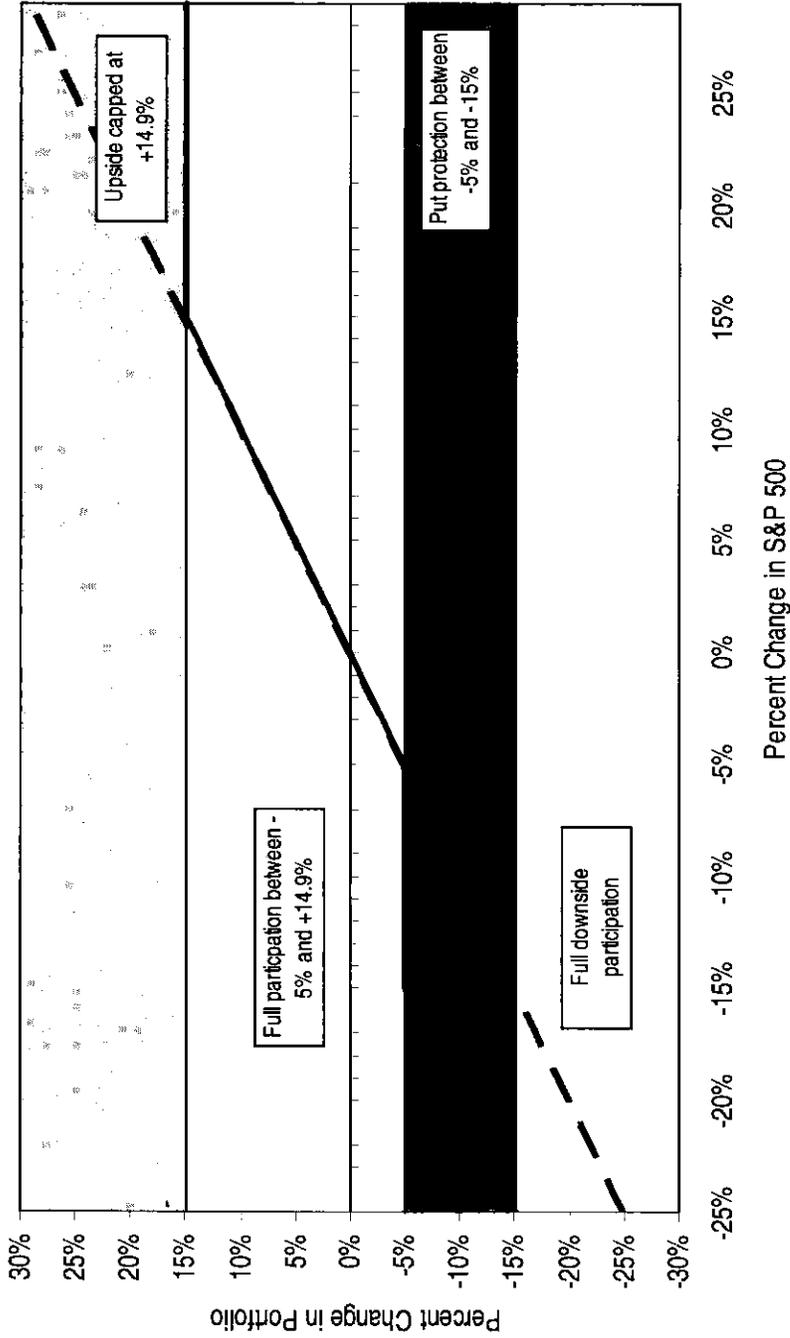
For Tranche 2 of the Costless Put Spread Collar, staff extended the duration of the trade through September 2006 (18 months):

- With interest rate increases, potential inflationary headwinds, and fiscal restraint expected to continue, provides for a longer protection time frame.
- Term overlaps two time periods that have been historically weak for the U.S. equity markets (May – September).
- Trade economics were slightly superior to tranche 1 term, given recent bump in equity implied volatility.



# Tranche 2 Characteristics

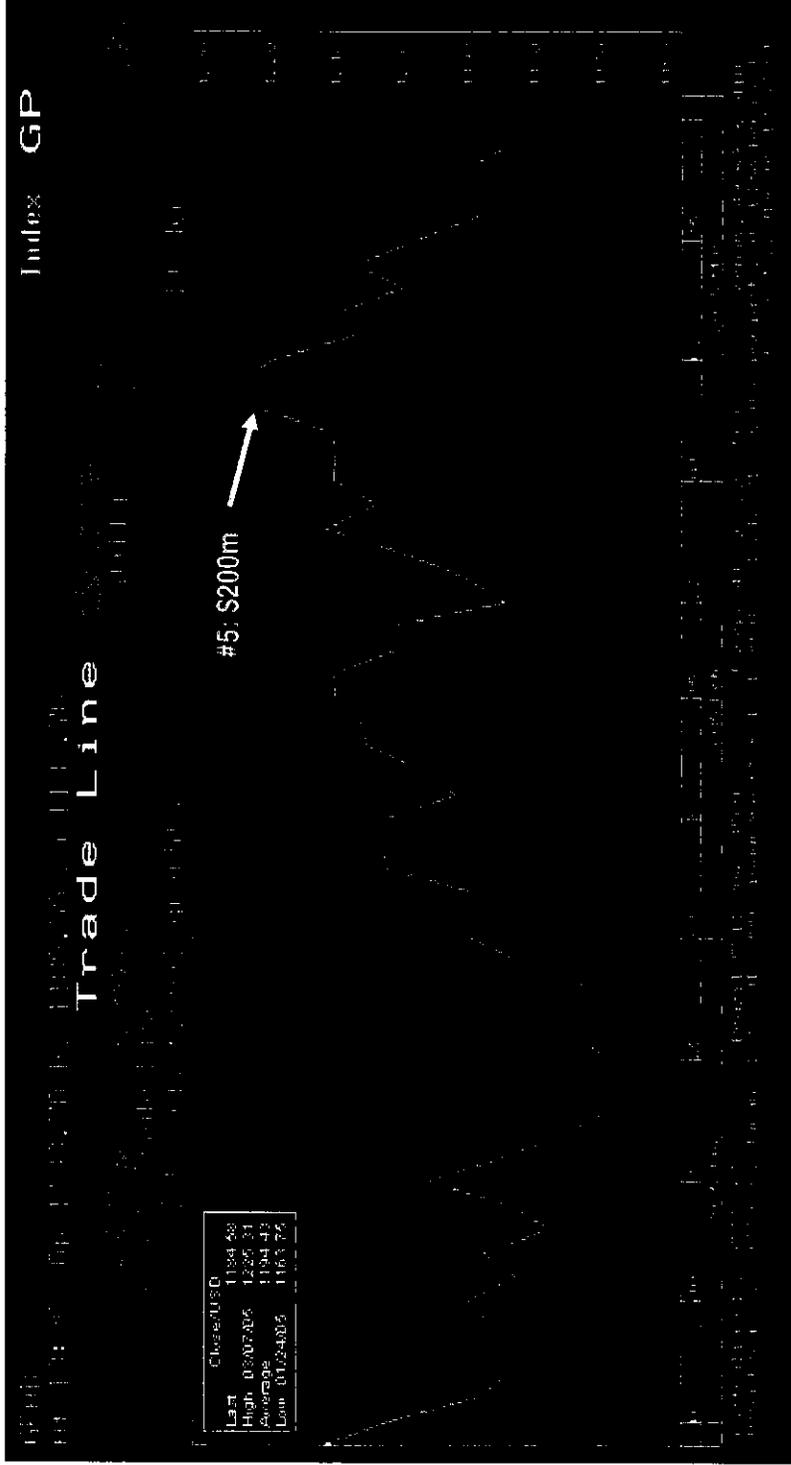
## S&P 500 Portfolio with Costless Put Spread Collar - Tranche 2



\_\_\_\_\_ S&P 500 Portfolio with Costless Put Spread Collar  
----- S&P 500 Portfolio



# UTIMCO Implementation – Tranche 2



### Trade Summary

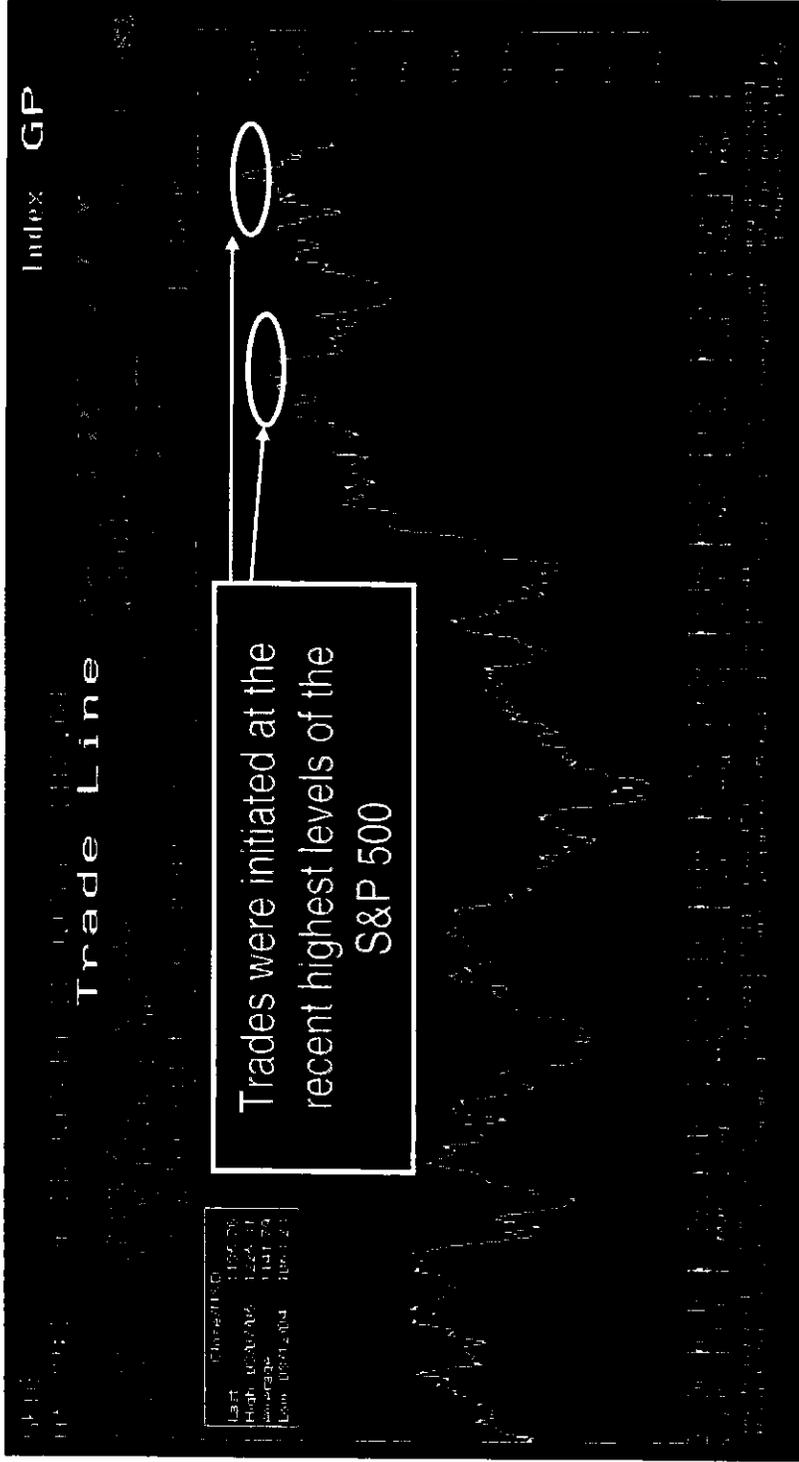
Notional value \$ 200,000,000  
 Index level execution (S&P 500): 1224.43  
 Strike price on call (short): 1406.26  
 Strike price on 95% put (long): 1163.21  
 Strike price on 85% call (short): 1040.76  
 Expiration: September 15, 2006 S&P 500 Index 2004 year ending level: 1211.92

### Index Summary

Average Index level over trading period 1194.39  
 Staff Value Added \$ 5,030,183



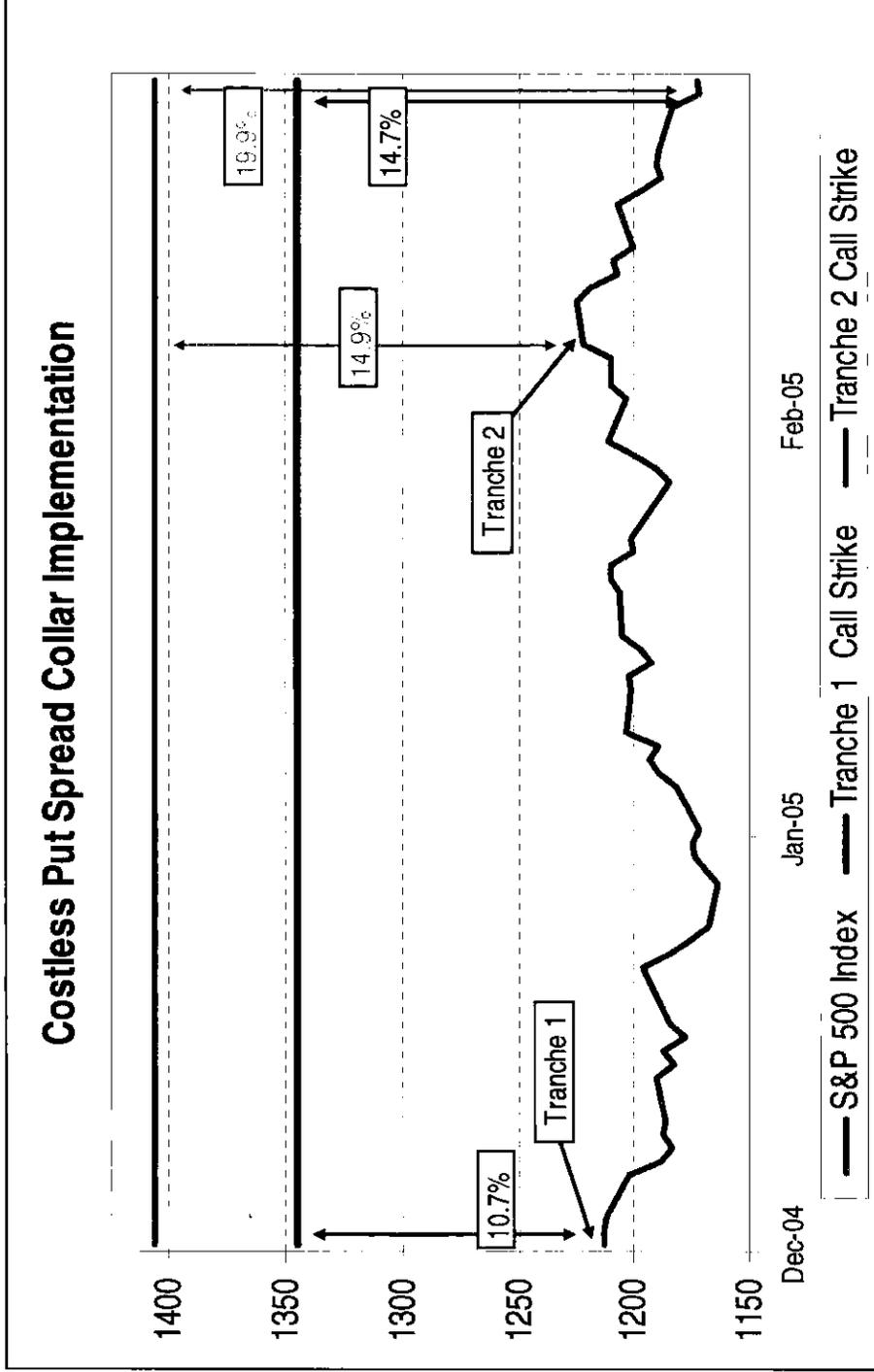
# UTIMCO Implementation



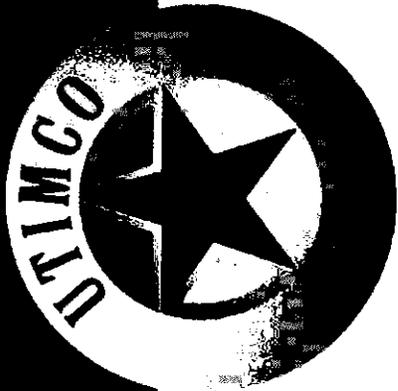
Total Notional Value of Collar Executed	1,350,000,000
Total Value of Domestic Equity Portfolio	2,705,226,909
% of coverage	49.9%



# UTIMCO Implementation



**TAB 3**



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Risk Management Presentation

March, 2005



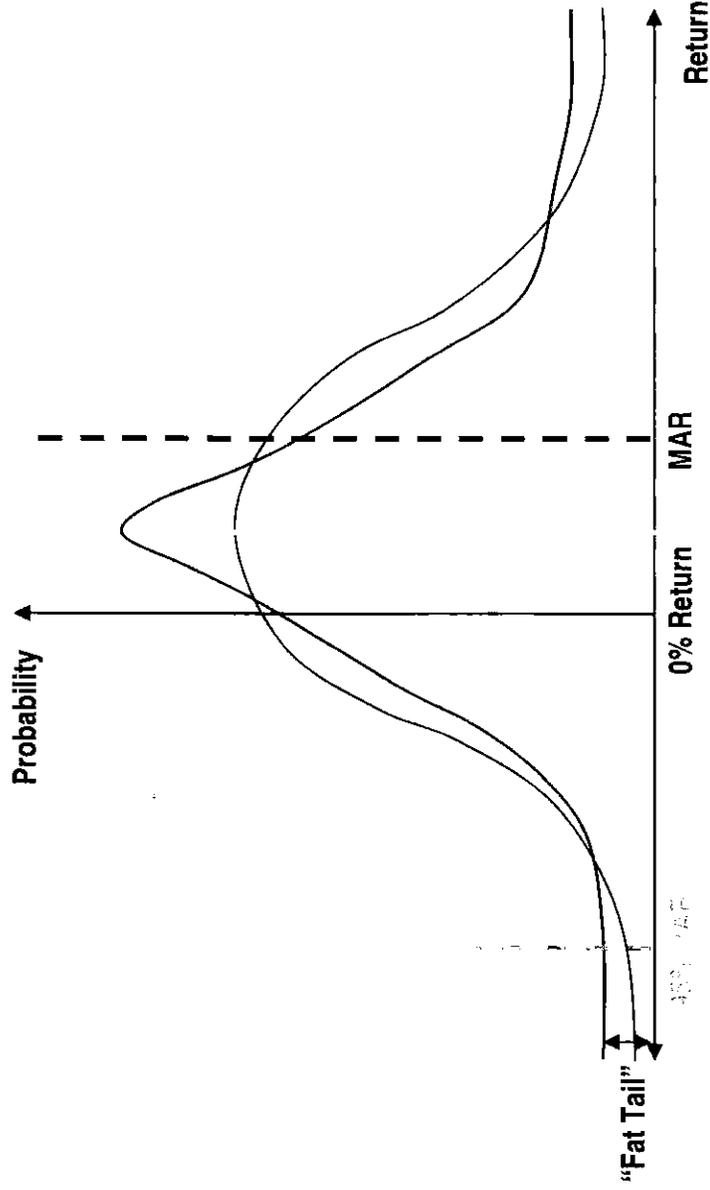
# The Standard View of "Risk"

Asset Categories	NAV \$	NAV Exposure %	Policy Delta
Cash and Cash Equivalents	31,903	0.0%	0.0%
<b>Cash and Cash Equivalents</b>	<b>31,902,788</b>	<b>0.7%</b>	<b>0.7%</b>
Emerging Markets	10,776,814	0.2%	0.2%
Fixed Income	444,012,051	9.7%	(0.3%)
<b>Fixed Income</b>	<b>454,788,865</b>	<b>10.0%</b>	<b>(0.0%)</b>
Developed Markets	773,545,552	17.0%	0.0%
Emerging Markets	164,269,114	3.6%	(3.4%)
<b>Global Equity x US</b>	<b>937,814,666</b>	<b>20.6%</b>	<b>3.6%</b>
Absolute Return Hedge Funds	667,627,984	14.6%	(0.4%)
Equity Hedge Funds	445,794,001	9.8%	(0.2%)
<b>Hedge Funds</b>	<b>1,113,421,985</b>	<b>24.4%</b>	<b>(0.6%)</b>
Commodities	222,021,635	4.9%	0.0%
REITS	229,019,776	5.0%	0.0%
TIPS	211,124,946	4.6%	(0.4%)
<b>Inflation Hedging</b>	<b>662,166,357</b>	<b>14.5%</b>	<b>1.5%</b>
Private Equity	327,509,500	7.2%	(1.8%)
Venture Capital	81,922,602	1.8%	(4.2%)
<b>Private Capital</b>	<b>409,432,102</b>	<b>9.0%</b>	<b>(6.0%)</b>
Large/Medium Cap	909,188,281	19.9%	0.0%
Small Cap	40,155,740	0.9%	(0.7%)
<b>US Equity</b>	<b>949,344,021</b>	<b>20.8%</b>	<b>0.8%</b>
<b>TOTAL</b>	<b>4,558,870,782</b>	<b>100.0%</b>	<b>0.0%</b>



# Four Measures of Risk

- Standard Deviation:
  - ✓ A statistical measure of variation of returns above and below the mean return
- Value at Risk (VAR):
  - ✓ The loss we may expect to incur one month out of 20 or with a 5% probability.
- Expected Shortfall Risk:
  - ✓ The probability-weighted sum of all losses with a 5% or less probability of occurring.
- Downside Risk:
  - ✓ The probability-weighted squared deviations below a specified return target or MAR.





# The Mathematics of Risk

$$\begin{array}{r} \text{Total} \\ \text{Risk} \end{array} = \begin{array}{r} \text{NAV} \\ (\$) \end{array} \times \frac{\text{Risk}}{\text{NAV \$}}$$



# Our Risk Model

- IFS is our Risk System provider via *truView*
  - One of top three hedge fund administrators; wholly-owned by State Street
  - Acquired source code for Askari risk model two years ago and updated to allow for web access
  - In process of developing proprietary risk hierarchy and statistics for UTIMCO
- *truView* Risk Model methodology
  - Historical simulation
    - Begins with current portfolio and calculates risk by looking at how each holding varies with all other holdings over a specific time period
    - Alternative methodology – factor model (Barra)
    - Model evaluates ~50,000 securities (stocks, bonds, MBS/ABS, futures, swaps, options, etc. traded on numerous exchanges)
  - Stress testing
- Implementation Status
  - Long-only portfolio → Absolute and Relative Risk
  - Hedge funds → Disclosure issue
  - Private equity → Proxy



# Risk Management Report

## MANAGED PORTFOLIO RISK EXPOSURE as of 01/31/2005

Report Generated: 3/28/2005 6:58:44 PM Scenario Start Date: 1/28/2003 End Date: 1/28/2005 Sampling Interval/ Horizon: 43 day(s)

Simulation = 11993; 420; Unimco 2 yr - 3 day

Asset Categories	NAV Exposure			VAR Exposure (95% SR 2)			Downside Risk Exposure (MAR 8.1%)			Expected Shortfall (95% SR 2)			Comparative Exposure				
	\$	%	Peak Daily	Standard Deviation	Integrated	Marginal	Standard Deviation	Integrated	Marginal	Standard Deviation	Integrated	Marginal	NAV	Yield	Risk	Expected Shortfall	Asset Categories
Cash and Cash Equivalents	31,903	0.0%	(0)	(548)	(0)	(0)	(89,576)	(61)	(77)	(934)	(13)	(17)	0.0%	0.0%	0.0%	0.0%	Cash and Cash Equivalents
Cash and Cash Equivalents	31,902,788	0.7%	(0)	(548)	(0)	(0)	(89,576)	(61)	(77)	(934)	(13)	(17)	0.7%	0.0%	0.0%	0.0%	Cash and Cash Equivalents
Emerging Markets	10,776,814	0.2%	0.7%	(596,370)	(444,947)	(1,914,885)	(259,469)	(210,007)	(903,780)	(751,579)	(554,729)	(2,384,761)	0.2%	0.3%	0.4%	0.3%	Emerging Markets
Fixed Income	444,012,051	9.7%	0.3%	(16,203,203)	(7,067,468)	(660,915)	(7,124,810)	(909,913)	(84,850)	(21,567,696)	(5,355,490)	(469,406)	9.7%	5.4%	1.7%	3.4%	Fixed Income
Fixed Income	454,788,865	10.0%	0.0%	(16,278,692)	(7,532,414)	(697,510)	(7,092,682)	(1,119,920)	(102,219)	(21,642,647)	(5,909,619)	(539,391)	10.0%	5.0%	2.0%	3.7%	Fixed Income
Developed Markets	775,545,552	17.0%	0.0%	(43,397,777)	(2,073,849)	(2,357,536)	(18,779,282)	(13,650,950)	(829,786)	(49,982,878)	(46,463,782)	(2,824,384)	17.0%	32.3%	15.0%	19.2%	Developed Markets
Emerging Markets	164,269,114	3.6%	0.4%	(9,175,769)	(8,153,295)	(8,153,295)	(3,534,384)	(2,615,403)	(779,679)	(11,079,983)	(9,515,212)	(2,836,586)	3.6%	9.3%	4.8%	6.0%	Emerging Markets
Global Equity x US	397,814,666	20.6%	0.6%	(50,786,766)	(50,227,120)	(2,336,034)	(19,266,453)	(16,266,354)	(271,310)	(60,179,842)	(55,978,912)	(2,826,449)	20.6%	38.5%	29.7%	35.2%	Global Equity x US
Absolute Return Hedge Funds	667,627,984	14.6%	0.4%	(4,699,092)	(3,168,414)	(221,338)	(2,505,805)	(1,092,900)	(76,347)	(5,867,631)	(4,804,002)	(335,937)	14.6%	2.4%	2.0%	3.0%	Absolute Return Hedge Funds
Equity Hedge Funds	445,794,001	9.8%	0.2%	(3,433,172)	(2,410,443)	(263,777)	(1,399,321)	(659,389)	(89,430)	(4,268,035)	(3,798,021)	(395,137)	9.8%	1.8%	1.6%	2.4%	Equity Hedge Funds
Hedge Funds	1,113,421,985	24.4%	0.6%	(9,178,862)	(5,578,859)	(233,164)	(4,331,804)	(1,952,489)	(61,809)	(10,113,107)	(8,692,029)	(399,513)	24.4%	4.3%	3.6%	5.4%	Hedge Funds
Commodities	222,021,635	4.9%	0.0%	(14,521,148)	(996,822)	(211,236)	(7,589,136)	223,885	47,401	(24,630,307)	2,667,578	(565,293)	4.9%	0.8%	0.4%	1.7%	Commodities
REITS	229,019,776	5.0%	0.0%	(12,730,991)	(7,750,747)	(1,567,676)	(5,194,451)	(2,637,949)	(633,555)	(17,866,841)	(9,122,942)	(1,845,148)	5.0%	5.9%	4.8%	5.7%	REITS
TIPS	211,124,946	4.6%	0.3%	(6,670,487)	(3,212,990)	(671,125)	(3,347,370)	(273,221)	(57,079)	(8,458,620)	(679,427)	(1,833,694)	4.6%	2.5%	0.5%	0.6%	TIPS
Inflation Hedging	662,166,357	14.5%	1.3%	(20,971,476)	(11,960,561)	(827,696)	(9,797,069)	(2,697,465)	(1,854,578)	(26,739,762)	(7,334,795)	(597,679)	14.5%	9.2%	4.9%	4.6%	Inflation Hedging
Private Equity	327,509,500	7.2%	1.8%	(27,602,541)	(20,010,386)	(2,543,403)	(12,561,485)	(10,420,718)	(1,324,924)	(37,252,708)	(33,270,799)	(4,228,556)	7.2%	15.3%	19.1%	20.9%	Private Equity
Venture Capital	81,922,602	1.8%	4.2%	(6,208,864)	(4,503,397)	(2,349,534)	(2,824,332)	(2,343,666)	(1,326,833)	(8,380,150)	(7,486,653)	(4,238,462)	1.8%	3.5%	4.3%	4.7%	Venture Capital
Private Capital	409,432,102	9.0%	6.0%	(39,611,405)	(24,513,780)	(2,944,527)	(19,396,417)	(12,764,443)	(1,304,847)	(45,652,660)	(38,557,777)	(4,230,618)	9.0%	18.8%	23.3%	25.7%	Private Capital
Large/Medium Cap	909,189,281	19.9%	0.7%	(41,493,344)	(29,319,184)	(1,500,644)	(17,820,394)	(14,420,715)	(738,096)	(50,938,253)	(46,557,777)	(1,917,303)	19.9%	22.5%	26.4%	24.3%	Large/Medium Cap
Small Cap	40,155,740	0.9%	0.7%	(8,256,866)	(1,269,577)	(1,405,198)	(3,388,120)	526,999	583,394	(10,832,706)	(1,732,618)	(1,917,703)	0.9%	1.0%	1.0%	1.1%	Small Cap
US Equity	946,344,021	20.8%	0.6%	(30,998,951)	(20,558,748)	(1,096,435)	(17,093,290)	(13,893,716)	(679,691)	(47,224,642)	(40,290,401)	(1,971,037)	20.8%	23.5%	25.4%	25.4%	US Equity
TOTAL	4,558,470,782	100.0%	0.0%	(130,467,942)	(130,467,942)	(1,204,613)	(54,966,966)	(54,966,966)	(546,629)	(1,366,673,269)	(1,366,673,269)	(1,956,732)	100.0%	100.0%	100.0%	100.0%	TOTAL

### Key Assumptions:

Historical Simulation: Every 3rd business day for three years

Time Horizon for risk calculations: 30 days

Hedge Funds proxy: Tbill + 0.7 S&P - Event\_Driven + 0.2 S&P\_MidCap\_Value - 0.08 S&P\_MidCap\_Growth

Private Capital proxy: Russell 2000 Growth

### Key Definitions:

95% Var

Downside Risk

Value at Risk: Amount of loss expected one month out of 20, or 5% of the time.

Describes that portion of return variability that is below a target return specified by an investor (MAR). Downside Risk is attractive as a risk measure because it distinguishes between "good" and "bad" returns by assigning risk only to those returns below the target return. Technically, Downside Risk measures the probability-weighted squared deviations below a target.

Minimal Acceptable Return

Risk Exposure of asset class assuming 100% benefit of diversification from the remainder of the portfolio.

Risk Exposure of asset class assuming benefit of diversification from the remainder of the portfolio.

Impact of 1% increase in long position on Risk Exposure



# Contributions to Downside Risk

Asset Categories	NAV	Downside Risk Exposure (MAR 8.1%)		
		Standalone	Integrated	Marginal
Cash and Cash Equivalents	31,903	(89,576)	(61)	(77)
<b>Cash and Cash Equivalents</b>	<b>31,902,788</b>	<b>(89,576)</b>	<b>(61)</b>	<b>(77)</b>
Emerging Markets	10,776,814	(259,469)	(210,007)	(903,790)
Fixed Income	444,012,051	(7,124,810)	(909,913)	(84,850)
<b>Fixed Income</b>	<b>454,788,865</b>	<b>(7,092,662)</b>	<b>(1,119,920)</b>	<b>(102,219)</b>
Developed Markets	773,545,552	(16,779,262)	(13,650,950)	(829,798)
Emerging Markets	164,269,114	(3,534,364)	(2,615,403)	(779,679)
<b>Global Equity x US</b>	<b>937,814,666</b>	<b>(19,855,453)</b>	<b>(16,266,354)</b>	<b>(821,310)</b>
Absolute Return Hedge Funds	667,627,984	(2,505,805)	(1,092,890)	(76,347)
Equity Hedge Funds	445,794,001	(1,839,521)	(859,598)	(89,430)
<b>Hedge Funds</b>	<b>1,113,421,985</b>	<b>(4,331,804)</b>	<b>(1,952,488)</b>	<b>(81,603)</b>
Commodities	222,021,635	(7,588,136)	223,685	47,401
REITS	229,019,776	(5,194,451)	(2,637,948)	(533,555)
TIPS	211,124,946	(3,347,370)	(273,221)	(57,070)
<b>Inflation Hedging</b>	<b>662,166,357</b>	<b>(9,797,090)</b>	<b>(2,687,485)</b>	<b>(185,978)</b>
Private Equity	327,509,500	(12,561,485)	(10,420,778)	(1,324,524)
Venture Capital	81,922,602	(2,824,932)	(2,343,666)	(1,326,833)
<b>Private Capital</b>	<b>409,432,102</b>	<b>(15,386,417)</b>	<b>(12,764,443)</b>	<b>(1,324,947)</b>
Large/Medium Cap	909,188,281	(17,820,394)	(14,420,715)	(738,096)
Small Cap	40,155,740	(3,388,120)	526,998	583,294
<b>US Equity</b>	<b>949,344,021</b>	<b>(17,003,990)</b>	<b>(13,893,716)</b>	<b>(679,691)</b>
<b>TOTAL</b>	<b>4,558,870,782</b>	<b>(54,686,965)</b>	<b>(54,686,965)</b>	<b>(546,870)</b>

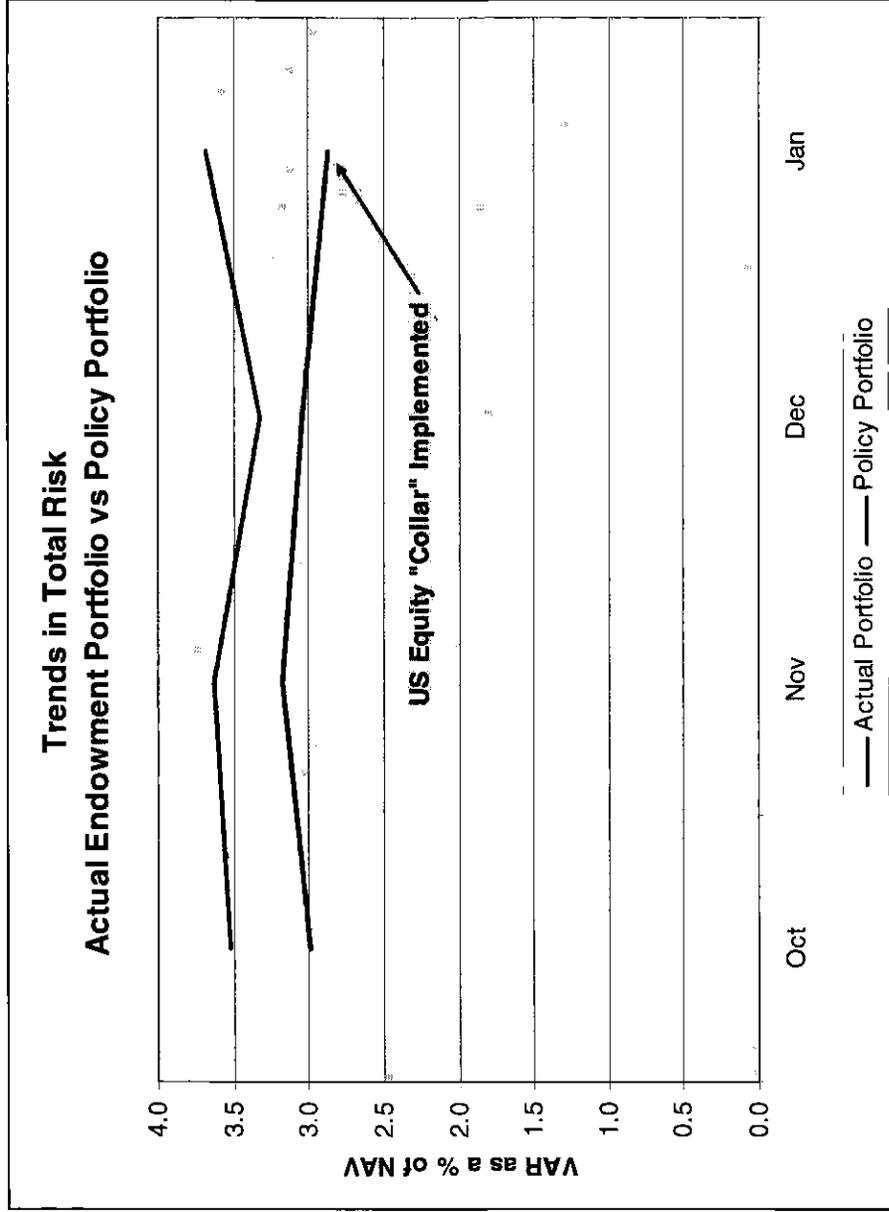


# Comparing NAV and Risk Exposure

Asset Categories	NAV \$	Comparative Exposure			
		NAV	VaR	Downside Risk	Expected Shortfall
Cash and Cash Equivalents	31,903	0.0%	0.0%	0.0%	0.0%
<b>Cash and Cash Equivalents</b>	<b>31,902,788</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Emerging Markets	10,776,814	0.2%	0.3%	0.4%	0.3%
Fixed Income	444,012,051	9.7%	5.4%	1.7%	3.4%
<b>Fixed Income</b>	<b>454,788,865</b>	<b>10.0%</b>	<b>5.8%</b>	<b>2.0%</b>	<b>3.7%</b>
Developed Markets	773,545,552	17.0%	32.3%	25.0%	29.2%
Emerging Markets	164,269,114	3.6%	6.3%	4.8%	6.0%
<b>Global Equity x US</b>	<b>937,814,666</b>	<b>20.6%</b>	<b>38.5%</b>	<b>29.7%</b>	<b>35.2%</b>
Absolute Return Hedge Funds	667,627,984	14.6%	2.4%	2.0%	3.0%
Equity Hedge Funds	445,794,001	9.8%	1.8%	1.6%	2.4%
<b>Hedge Funds</b>	<b>1,113,421,985</b>	<b>24.4%</b>	<b>4.3%</b>	<b>3.6%</b>	<b>5.4%</b>
Commodities	222,021,635	4.9%	0.8%	(0.4%)	(1.7%)
REITS	229,019,776	5.0%	5.9%	4.8%	5.7%
TIPS	211,124,946	4.6%	2.5%	0.5%	0.6%
<b>Inflation Hedging</b>	<b>662,166,357</b>	<b>14.5%</b>	<b>9.2%</b>	<b>4.9%</b>	<b>4.6%</b>
Private Equity	327,509,500	7.2%	15.3%	19.1%	20.9%
Venture Capital	81,922,602	1.8%	3.5%	4.3%	4.7%
<b>Private Capital</b>	<b>409,432,102</b>	<b>9.0%</b>	<b>18.8%</b>	<b>23.3%</b>	<b>25.7%</b>
Large/Medium Cap	909,188,281	19.9%	22.5%	26.4%	24.3%
Small Cap	40,155,740	0.9%	1.0%	(1.0%)	1.1%
<b>US Equity</b>	<b>949,344,021</b>	<b>20.8%</b>	<b>23.5%</b>	<b>25.4%</b>	<b>25.4%</b>
<b>TOTAL</b>	<b>4,558,870,782</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



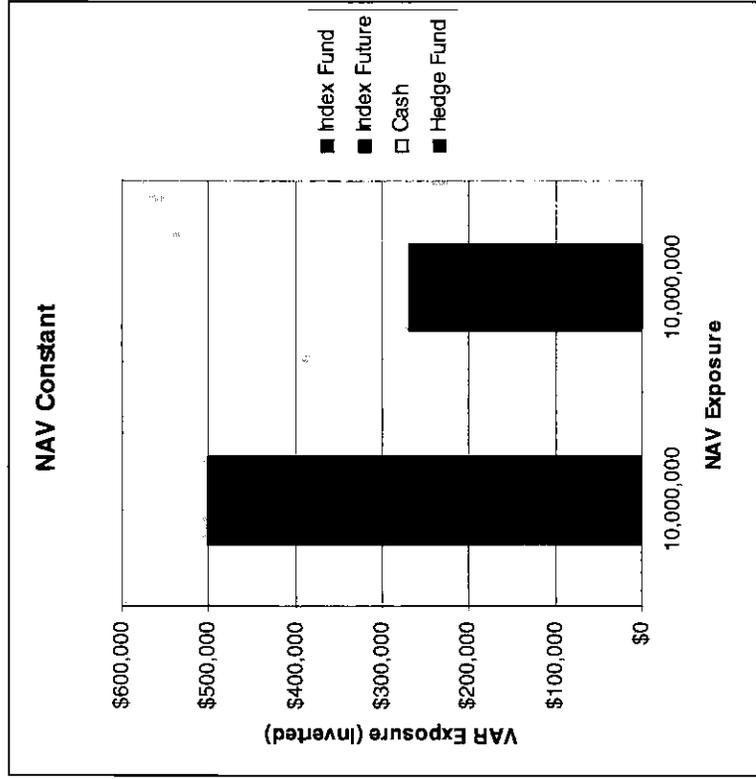
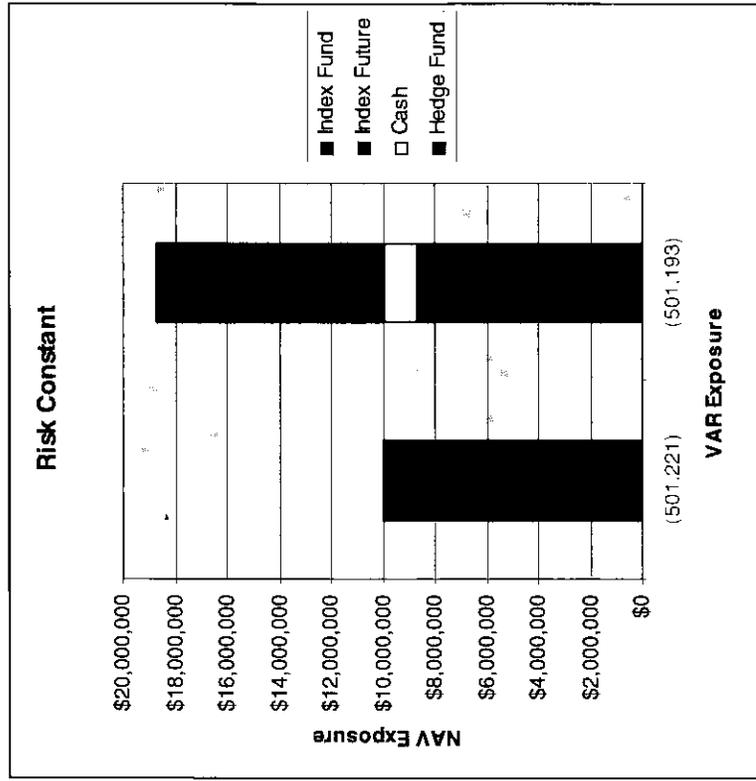
# The US Equity "Collar" in NAV and Risk Exposure Terms



- Collar did not change NAV exposure or alter dollar-based asset allocation,
- But Collar did change risk exposure,
- Clearly, risk-based exposure is a more true picture of reality.



# Leverage?





# Harvard Management Company Use of Leverage

Harvard Endowment Balance Sheet  
(\$ millions)

	1995	1996	1997	1998	1999	2000
<b>Long Exposure</b>						
Equities	6,167	7,718	10,533	12,489	13,739	16,931
Fixed Income	17,128	16,152	27,038	43,933	58,560	50,249
Private Equity & Real Estate	1,921	2,838	3,179	4,627	5,143	7,705
Total Long Exposure	\$25,216	26,708	40,750	61,049	77,442	74,885
<b>Short Exposure</b>						
Short Positions, Indices, and Loans	17,429	17,083	28,811	46,631	61,531	54,162
Total Short Exposure	\$17,429	\$17,083	\$28,811	\$46,631	\$61,531	\$54,162
<b>Net Endowment Assets</b>	\$7,787	\$9,625	\$11,939	\$14,418	\$15,911	\$20,723
<b>Leverage Ratio (Long Exposure/Net Exposure)</b>	3.2	2.8	3.4	4.2	4.9	3.6
<b>Number of "Alphas" at Work</b>	5.5	4.5	5.8	7.5	8.7	6.2

Source: Harvard Management Company Documents

**TAB 4**



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

2005

# Asset Allocation Workshop

March, 2005



# Objectives of Asset Allocation Review

- To Establish a Set of Asset Allocation and Endowment Distribution Policies that Best Meet Future Objectives Under Expected Economic and Capital Market Assumptions
- The Asset Allocation Policy Portfolio Selected will Establish the Risk Budget and Allowable Variances From the Budget at the Discretion of the UTIMCO Staff

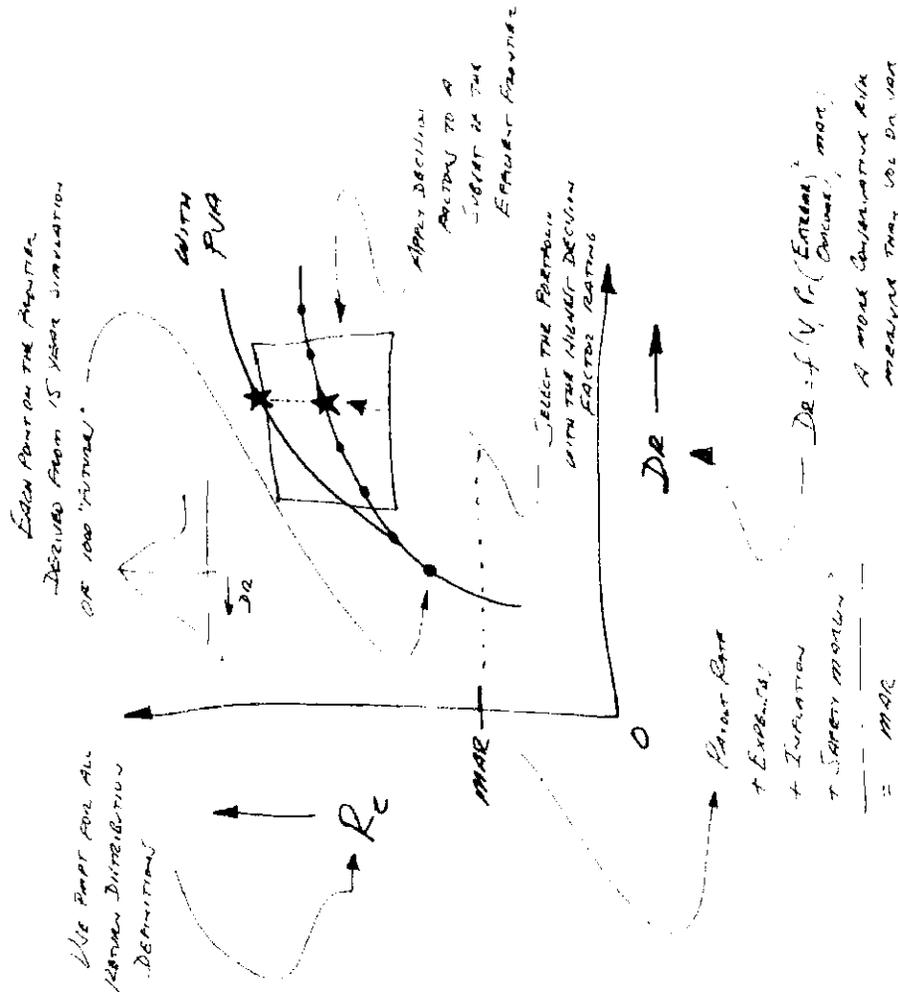


# Time Frame for Asset Allocation Review

- The Time Frame for the Asset Allocation Policy Decision Process is 15 Years ...
  - ✓ A Long Enough Period to Assume Capital Market Equilibrium Conditions
  - ✓ A Short Enough Period to Have Some Beginning Point Dependency



# An Overview of the Asset Allocation Review Process



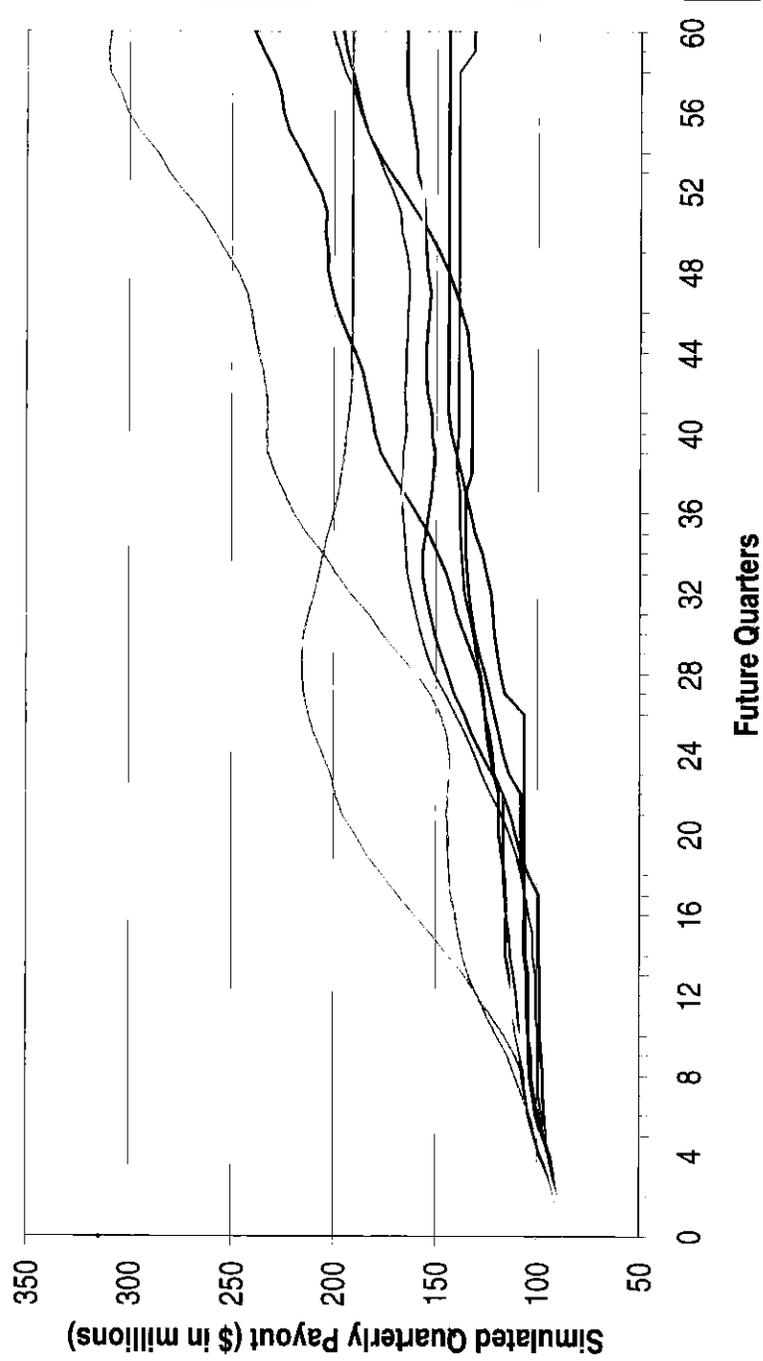
## ■ UTIMCO Innovations:

- ✓ PMPT – Downside Risk Framework
- ✓ PVA as a Third Asset Category Dimension
- ✓ Simulation Based Asset – Obligation Optimization Framework
- ✓ Decision Factors to Select Best Portfolio



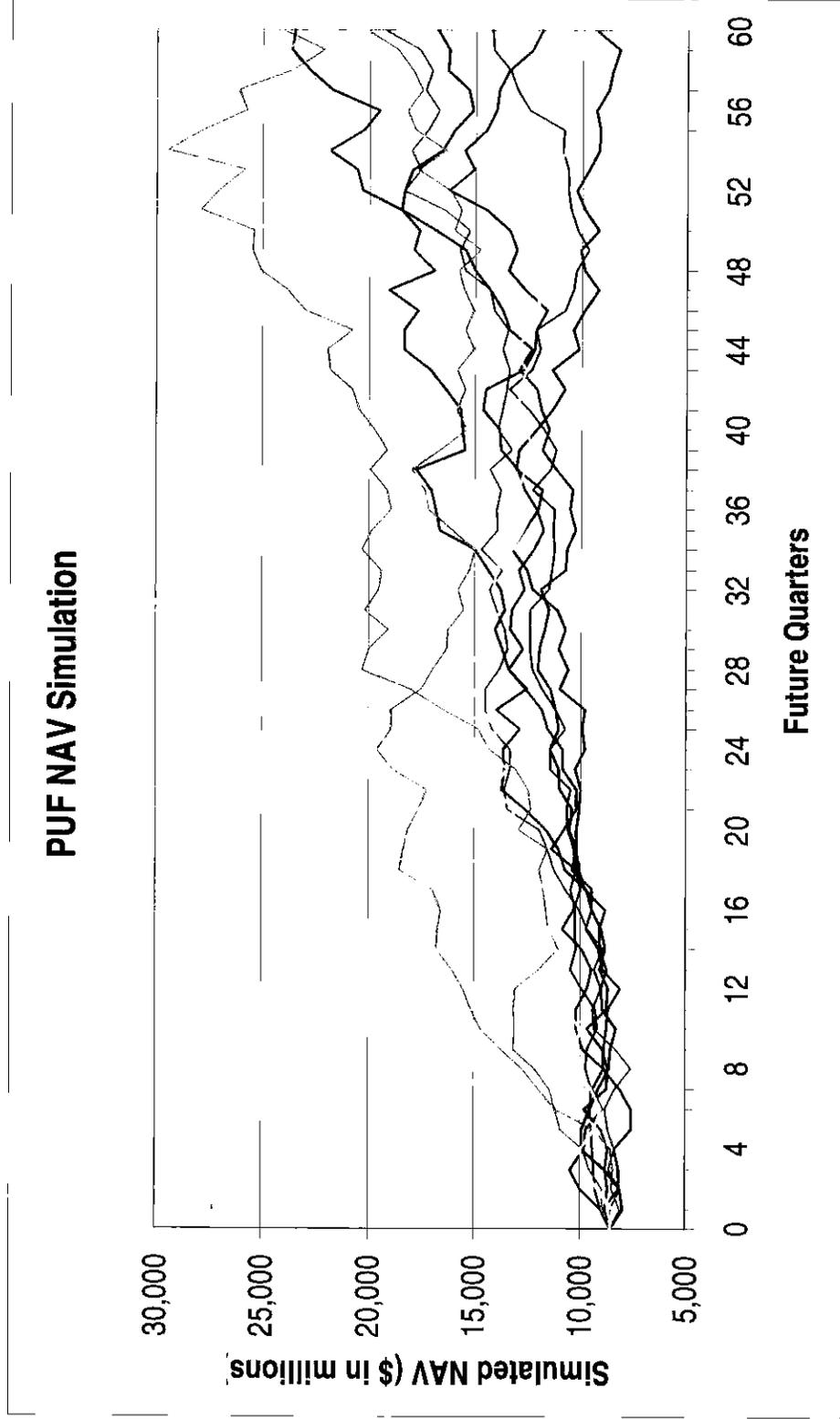
# Simulation Model Provides a Glimpse of Future Distributions

PUF Payout Simulation





# Simulation Model Provides a Glimpse of Future Endowment Values





# Simulation Model Provides Valuable Insight

The Simulation Model Provides Valuable Insight Into Characteristics of:

- Current Asset Allocation Policy
- Current Distribution Policy
- Current Capital Market Projections

For Example, These are Current Characteristics of PUF Policies:

Probability of Hitting the Purchasing Power Wall	57.0%
Probability that Distributions Will Fail to Keep Pace With Inflation	24.5%
Probability that Distributions Will Fail to Keep Pace With HEPI	37.7%



# Time Line for Asset Allocation Policy Decisions

- Today:
  - ✓ Assumptions
  - ✓ Constraints
  - ✓ Decision Factors
  
- May 19th UTIMCO Board Meeting:
  - ✓ Decision Factor Weights
  - ✓ Asset Allocation Policy Target Recommendations
  - ✓ Asset Allocation Policy Ranges Recommendations
  - ✓ Other Policy Recommendations
  
- July 8th Board of Regents Meeting:
  - ✓ Asset Allocation Policy Targets
  - ✓ Asset Allocation Policy Ranges
  - ✓ Other Policies



# Issues to Address In Current Asset Allocation Policy

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Target	Policy Range	
U S Equities (Includes REITs)	25.0	15 to 45	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Traditional US Equities	-20.0	15 to 45	Russell 3000 Index
REITs	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Global ex US Equities			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
<b>Total Equity</b>	<b>42.0</b>	<b>20 to 60</b>	
Equity Hedge Funds	10.0	5 to 15	90 day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 day T-Bills + 3%
<b>Total Hedge Funds</b>	<b>25.0</b>	<b>15 to 25</b>	
Venture Capital	6.0	0 to 10	
Private Equity	9.0	5 to 15	
<b>Total Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics Periodic IRR index
Commodities	3.0	0 to 10	GSCI minus 1%
<b>Fixed Income (Includes TIPS)</b>	<b>15.0</b>	<b>10 to 30</b>	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers TIPS Index
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Cash	0.0	0 to 5	90 day T-Bills

- Benchmark for Developed International and Emerging Markets
- Target and Upper Limit Identical in Hedge Funds
- Target and Upper Limit Identical in Private Equity
- Remove REITs From US Equity Category
- Remove TIPS From Fixed Income Category
- Reinstate Inflation Hedge Category
- Liquidity Policy is Inconsistent With Asset Allocation Policy

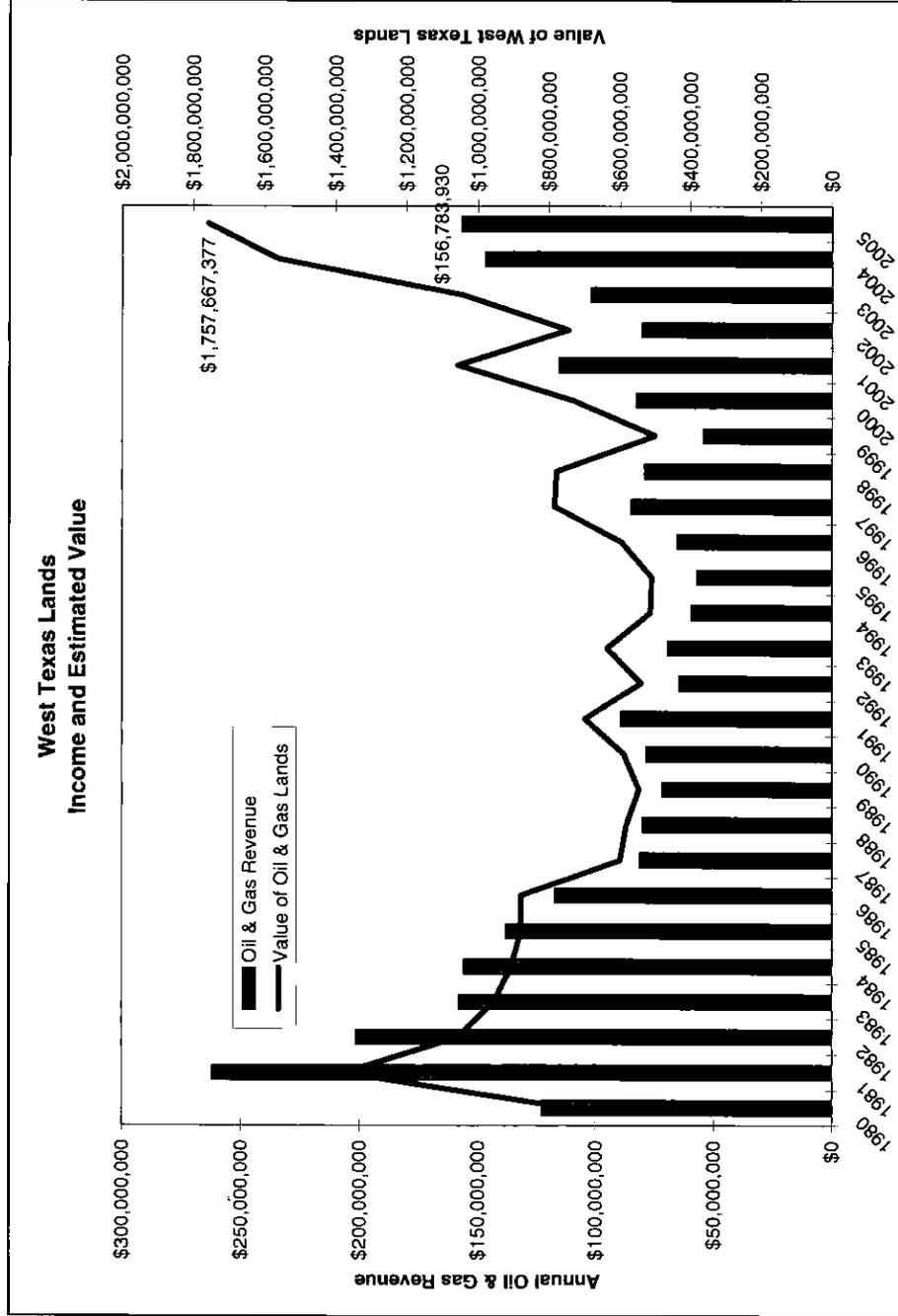


## New Issues to Consider in This Asset Allocation Review

- Integration of West Texas Lands
- Integration of Endowment Real Estate
- Integration of Core Fund in General Endowment Fund
- Higher Education Price Index (HEPI) vs Consumer Price Index as Inflation Bogey
- Hedge Funds as an Asset Category vs Hedge Fund Use in Structured Active Management
- NAV Exposure vs Risk Exposure and Risk Budgeting
- Leverage

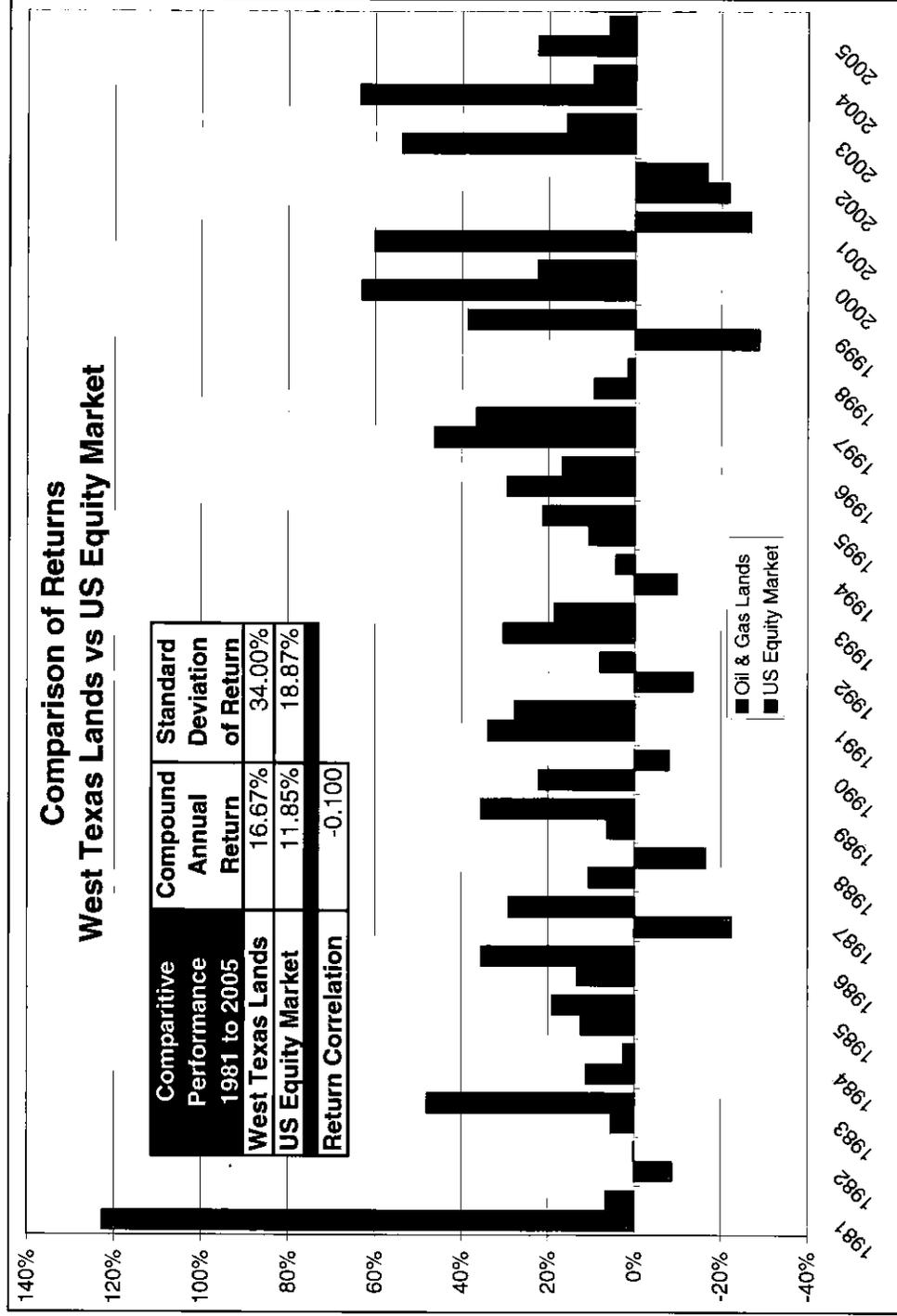


# The Value of the West Texas Lands Has Increased Sharply





# West Texas Lands Returns Have Been Substantially Above US Equity Returns





# West Texas Lands Are Strongly Diversifying Assets

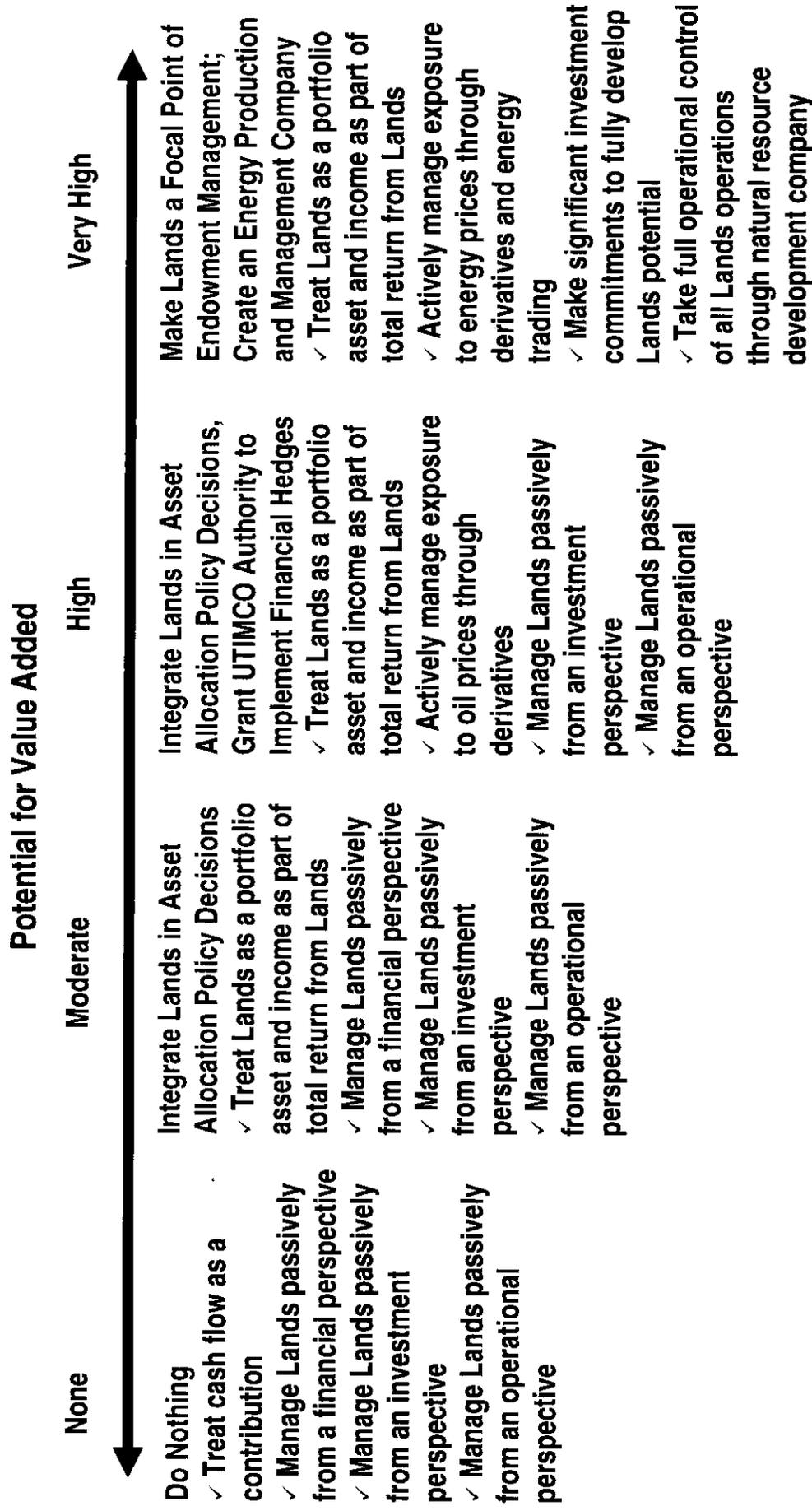
## 2005 Asset Allocation Review Return Correlation Assumptions

	US Equities	Global Equities	Emerging Markets Equities	Hedge Funds	REITs	Commodities	TIPS	Fixed Income	West Texas Lands
US Equities	1.00								
Global Equities	0.85	1.00							
Emerging Markets Equities	0.80	0.80	1.00						
Hedge Funds	0.50	0.50	0.50	1.00					
REITs	0.50	0.50	0.50	0.40	1.00				
Commodities	0.00	0.00	0.20	0.10	0.10	1.00			
TIPS	-0.10	-0.15	-0.15	0.15	0.00	0.30	1.00		
Fixed Income	0.20	-0.20	-0.20	0.10	-0.10	-0.05	0.70	1.00	
West Texas Lands	-0.10	-0.03	-0.30	0.00	0.60	-0.10	0.16	0.14	1.00

Strongly diversifying asset relationships (with correlations less than or equal to zero) are indicated in red.



# The Value-Added Spectrum For the West Texas Lands





# Developing Inputs for the Asset – Obligation Optimization Process

- The Asset – Obligation Optimization Process Requires the Following Assumptions:
  - ✓ Expected Returns
  - ✓ Expected Risk and Risk Profile
  - ✓ Correlations Between Expected Returns Across Asset Categories
  - ✓ The Minimum Acceptable Return (or MAR)

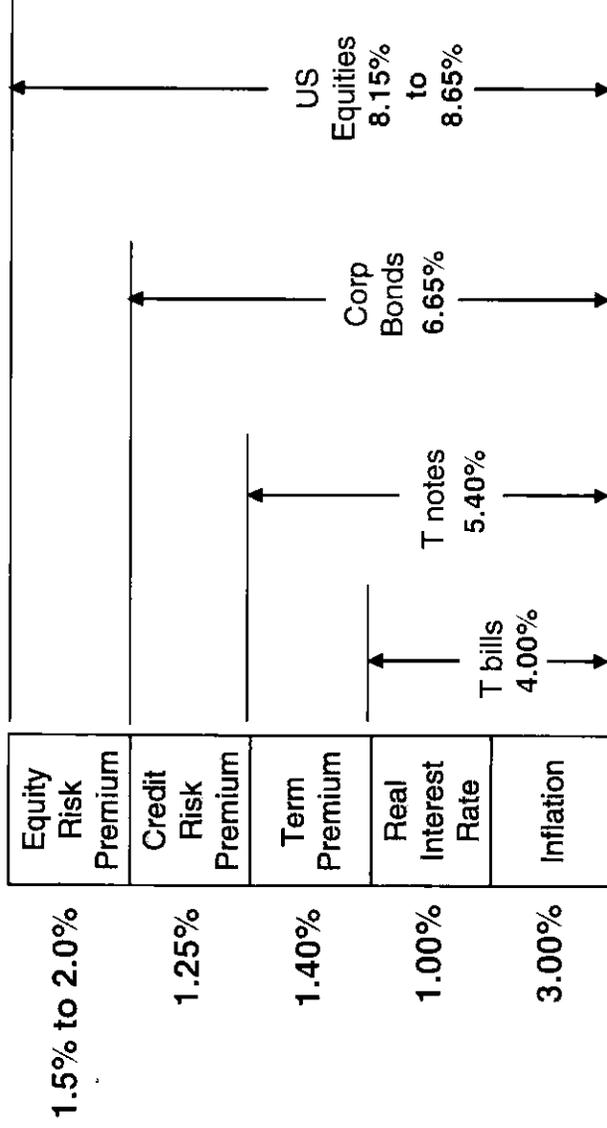


# Developing Expected Return Assumptions

- Expected Return Assumptions Were Developed Through Three Independent Processes:
  - ✓ The “Risk Premium” Approach
  - ✓ An Approach of Building the Economic Components of Equity Market Returns
  - ✓ Surveying External Expert Opinions



# Developing Return Assumptions Through the Risk Premium Approach





# Developing Return Assumptions by Building Economic Return Components

## Total Return = Capital Appreciation + Yield

	History		Projections
	The "Golden Years" 1950 to 1995	The Bubble Years 1996 to 1999	Next 15 Years 2004 to 2019
<b>Capital Appreciation: (all numbers annual % change)</b>			
Inflation	4.2	2.2	3.0
Real Earnings Growth	3.1	5.1	4.0
Change in Valuation (P/E ratio)	1.5	18.1	(0.5)
<b>Total Capital Appreciation</b>	<b>8.8</b>	<b>25.4</b>	<b>6.5</b>
<b>Yield:</b>			
Dividend Yield	4.3	2.2	1.8
<b>Total Return</b>	<b>13.1</b>	<b>27.6</b>	<b>8.3</b>



# External Expert Opinions & Staff Recommended Return and Risk Assumptions

Asset Category	Cambridge Associates	Goldman Sachs	Wilshire Associates	BridgeWater	BGI	EmmisKnupp 10 years	Citigroup	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005
<b>US Equity</b>											
Nominal Returns	10.00%	8.00%	9.20%	7.90%	8.06%	8.80%	10.00%	8.85%	11.53%	8.50%	8.50%
Real Returns	7.00%	5.80%	6.95%	5.00%	6.06%	6.30%	7.50%	6.37%	6.86%	5.50%	5.50%
Std Deviation	17.00%	17.30%	17.00%	15.50%	15.50%	17.00%	15.79%	16.44%	15.82%	17.00%	17.00%
<b>Global Equity</b>											
Nominal Returns	10.00%	7.70%	9.75%	7.60%	8.06%	NA	10.00%	8.85%	11.86%	8.50%	8.50%
Real Returns	7.00%	5.50%	7.50%	4.70%	6.06%	NA	7.50%	6.38%	7.19%	5.50%	5.50%
Std Deviation	20.00%	17.40%	20.00%	14.50%	16.25%	19.00%	15.23%	17.48%	16.77%	19.00%	19.00%
<b>Emerging Markets Equity</b>											
Nominal Returns	13.00%	8.30%	11.40%	9.30%	9.14%	NA	10.90%	10.34%	15.04%	11.00%	10.50%
Real Returns	10.00%	6.10%	9.15%	6.40%	7.14%	NA	8.40%	7.86%	10.36%	8.00%	7.50%
Std Deviation	28.00%	23.60%	27.00%	21.00%	25.00%	NA	24.22%	24.80%	23.25%	26.00%	26.00%
<b>Absolute Return Hedge Funds</b>											
Nominal Returns	7.00%	8.40%	6.82%	NA	NA	NA	5.40%	6.91%	10.79%	7.00%	7.00%
Real Returns	4.00%	6.20%	4.57%	NA	NA	NA	2.90%	4.42%	6.12%	4.00%	4.00%
Std Deviation	9.00%	4.90%	8.00%	NA	NA	NA	4.06%	6.49%	6.15%	7.50%	7.50%
<b>Directional Hedge Funds</b>											
Nominal Returns	9.00%	8.40%	6.82%	NA	NA	NA	9.60%	8.46%	10.48%	8.00%	8.00%
Real Returns	6.00%	6.20%	4.57%	NA	NA	NA	7.10%	5.97%	5.81%	5.00%	5.00%
Std Deviation	13.00%	4.90%	8.00%	NA	NA	NA	7.56%	8.37%	8.16%	11.00%	10.00%
<b>Venture Capital</b>											
Nominal Returns	15.00%	NA	15.25%	10.30%	NA	NA	16.40%	14.24%	15.16%	14.00%	14.00%
Real Returns	12.00%	NA	12.99%	7.40%	NA	NA	13.90%	11.57%	10.49%	11.00%	11.00%
Std Deviation	28.00%	NA	30.00%	25.00%	NA	NA	43.50%	31.63%	18.78%	30.00%	30.00%



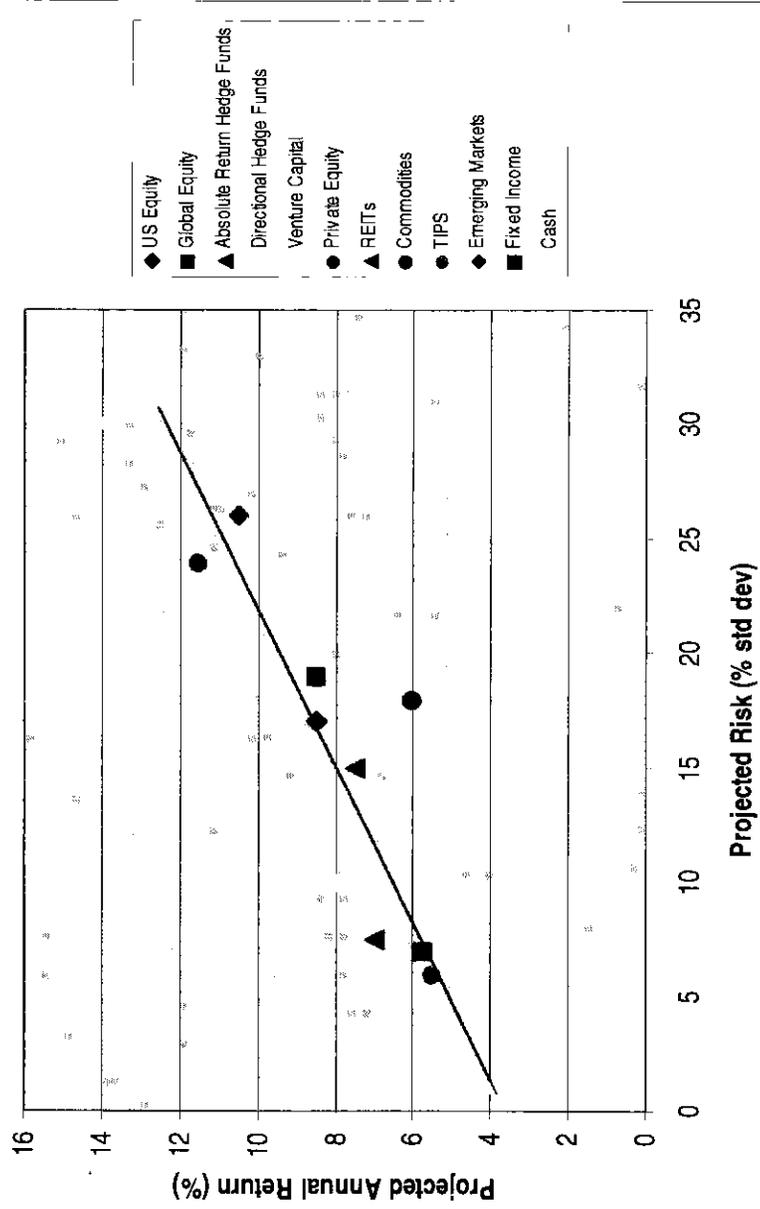
# External Expert Opinions & Staff Recommended Return and Risk Assumptions

Asset Category	Cambridge Associates	Goldman Sachs	Wilshire Associates	BridgeWater	BGI	ErnstKrupp 10 years	Citigroup	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005
<b>Private Equity</b>											
Nominal Returns	13.00%	10.70%	15.25%	10.30%	10.00%	NA	NA	11.85%	11.32%	11.50%	11.50%
Real Returns	10.00%	8.50%	12.99%	7.40%	8.00%	NA	NA	9.38%	6.65%	8.50%	8.50%
Std Deviation	24.00%	29.10%	30.00%	25.00%	30.00%	31.40%	NA	28.25%	9.04%	20.00%	24.00%
<b>REITs</b>											
Nominal Returns	9.00%	5.60%	8.78%	7.50%	6.45%	NA	10.00%	7.89%	14.54%	7.50%	7.50%
Real Returns	6.00%	3.40%	6.52%	4.60%	4.45%	NA	7.50%	5.41%	9.87%	4.50%	4.50%
Std Deviation	15.00%	13.90%	16.00%	14.00%	13.20%	11.50%	11.87%	13.64%	14.74%	15.00%	15.00%
<b>Commodities (Financial)</b>											
Nominal Returns	8.00%	4.50%	NA	6.70%	NA	NA	NA	6.40%	13.37%	5.00%	5.00%
Real Returns	5.00%	2.30%	NA	3.80%	NA	NA	NA	3.70%	8.70%	2.00%	2.00%
Std Deviation	19.00%	18.40%	NA	18.00%	NA	NA	NA	18.47%	18.43%	18.00%	18.00%
<b>TIPS</b>											
Nominal Returns	5.50%	NA	4.43%	5.50%	4.34%	NA	NA	4.94%	9.07%	5.50%	5.50%
Real Returns	2.50%	NA	2.17%	2.60%	2.34%	NA	NA	2.40%	4.39%	2.50%	2.50%
Std Deviation	6.00%	NA	6.00%	6.00%	6.00%	NA	NA	6.00%	3.69%	6.00%	6.00%
<b>Fixed Income</b>											
Nominal Returns	6.00%	4.60%	4.63%	5.30%	4.86%	5.80%	5.10%	5.18%	8.80%	5.00%	5.75%
Real Returns	3.00%	2.40%	2.37%	2.40%	2.86%	3.30%	2.60%	2.70%	4.13%	2.00%	2.75%
Std Deviation	7.00%	4.50%	5.00%	5.00%	5.50%	6.40%	4.00%	5.34%	6.02%	6.00%	7.00%
<b>Cash</b>											
Nominal Returns	4.00%	2.70%	2.75%	4.00%	3.05%	NA	3.50%	3.33%	6.43%	4.00%	4.00%
Real Returns	1.00%	0.50%	0.50%	1.10%	1.05%	NA	1.00%	0.86%	1.75%	1.00%	1.00%
Std Deviation	2.00%	0.00%	1.00%	0.30%	1.50%	NA	0.46%	0.88%	0.91%	1.00%	1.00%
<b>Inflation</b>											
Returns	3.00%	2.20%	2.25%	2.90%	2.00%	2.50%	2.50%	2.48%	4.67%	3.00%	3.00%
Std Deviation	NA	NA	NA	1.50%	1.00%	NA	NA	1.25%	1.17%	2.00%	1.50%



# Checking Our Assumptions With the Capital Asset Pricing Line From MPT Capital Asset Pricing Line From MPT

The Capital Market Line  
with UTIMCO 2005 Assumptions





# Focus on High PVA Opportunities

- ◆ Potential Value-Added (PVA) is the opportunity to increase returns beyond those generally available in an asset class through active management,
- ◆ PVA takes two forms:
  - PVA by an active manager is the result of effective security selection usually based on extensive research and analysis skills,
  - PVA by staff can result from a wide range of sources including skill in manager selection, term negotiations, manager monitoring, responses to periodic special opportunities in the markets, and risk control.
- ◆ Our objective at UTIMCO is to focus on high PVA opportunities, developing or purchasing the skills necessary to earn attractive returns.



# Measuring PVA

Differences in Returns (%)	U.S. Equities	U.S. Fixed Income	Intl. Equities	Real Estate	Intl. Fixed Income	Small-Cap U.S. Equity	Venture Capital	Hedge Funds	Private Equity
<b>Selection Reward</b>	1.10	1.10	1.20	2.10	2.90	5.63	9.00	9.50	10.60
<b>Selection Penalty</b>	(0.60)	(1.00)	(0.90)	(1.90)	(1.90)	(6.10)	(7.50)	(8.90)	(12.10)
<b>Value-Added Spread</b>	1.70	2.10	2.10	4.00	4.80	11.73	16.50	18.40	22.70

Selection Reward = First Quartile Return minus Median Return

Selection Penalty = Third Quartile Return minus Median Return

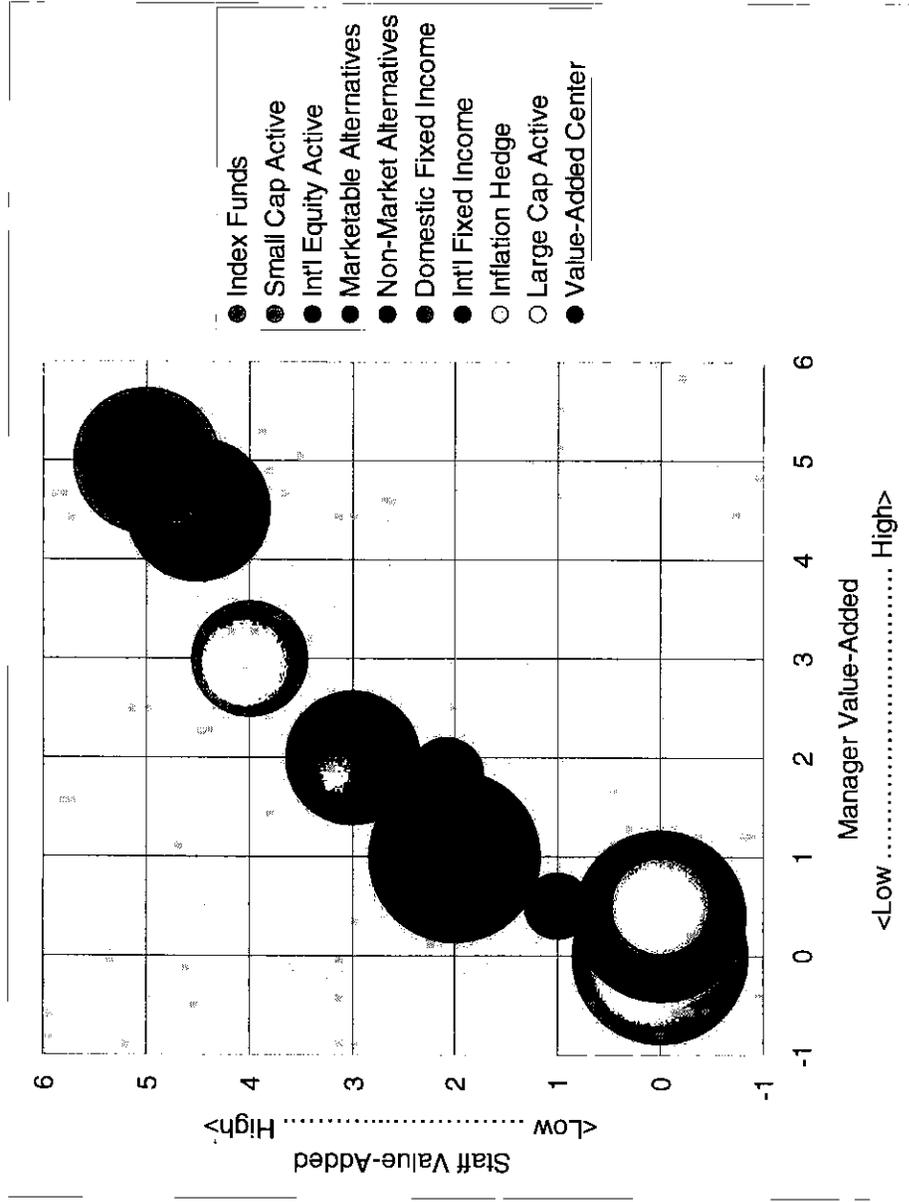
Value Added Spread = First Quartile Return minus Third Quartile Return

All data from 1980 - 1997; Source: PIPER, Cambridge Associates, Venture Economics, Institutional Property Consultants

- ◆ High value-added spread equals high PVA,
- ◆ PVA spreads measure the opportunity for value-added
- ◆ Realistic assumptions on future value-added spreads are the basis for PVA projections
- ◆ A realistic evaluation of staff and external manager skills leads to an estimated "Capture Ratio" that defines the portion of the total value-added spreads we expect to earn in excess returns

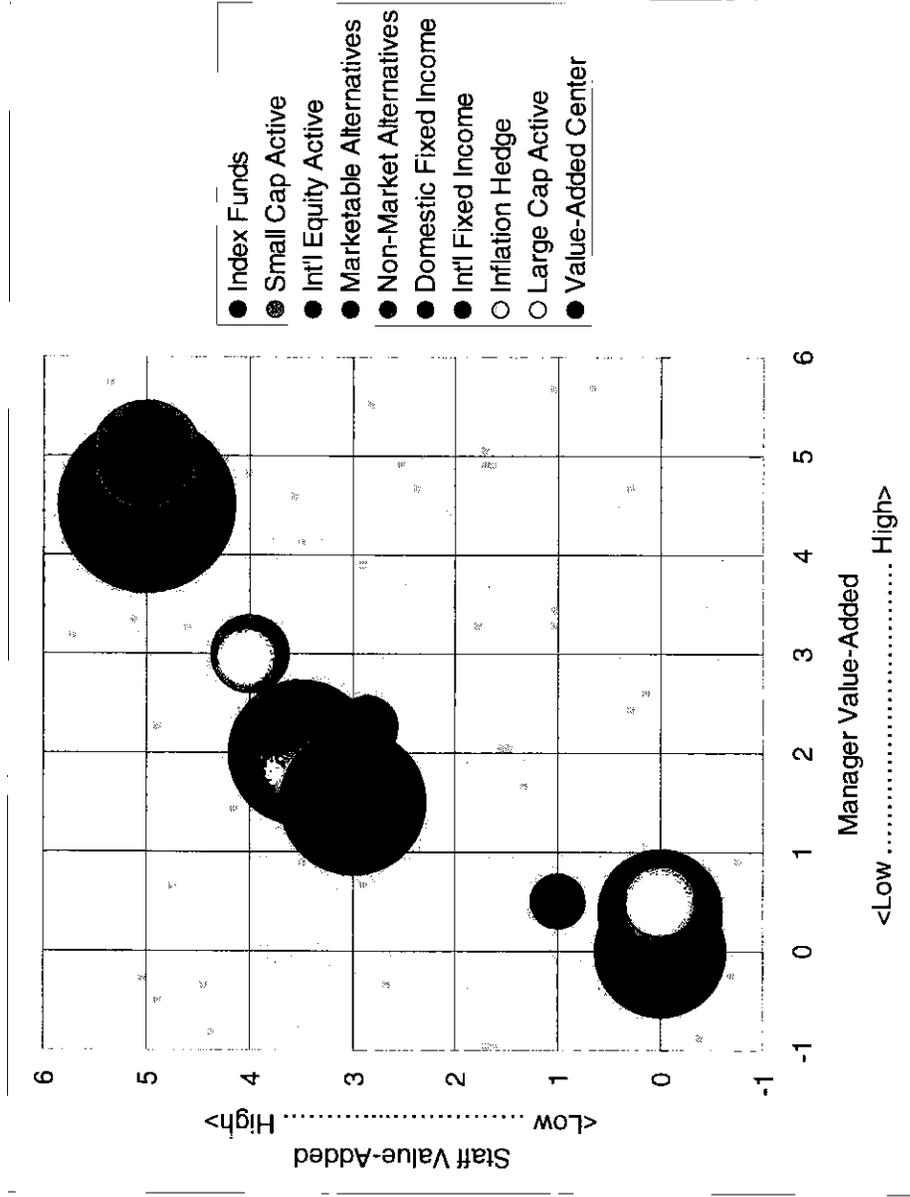


# PVA Position of Endowment Funds in 2002





# The Funds PVA Position Has Improved Considerably: Current PVA Profile





# Recommended 2005 Return and Risk Assumptions With PVA

Risk & Return Assumptions Summary:		PVA Assumptions:					
Data Item	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005	• 75th Pct PVA • 25th Pct PVA V/A Spread	Capture Ratio • Exp PVA • Std Dev	UTIMCO 2003 with PVA UTIMCO 2005 with PVA
<b>US Equity</b>							
Nominal Returns	8.85%	11.53%	8.50%	8.50%	2.50%	35%	9.13%
Real Returns	6.37%	6.86%	5.50%	5.50%	-2.50%		6.13%
Std Deviation	16.44%	15.82%	17.00%	17.00%	5.00%	3.71%	17.40%
<b>Non-US Developed Equity</b>							
Nominal Returns	8.85%	11.86%	8.50%	8.50%	3.00%	35%	9.25%
Real Returns	6.38%	7.19%	5.50%	5.50%	-3.00%		6.25%
Std Deviation	17.48%	16.77%	19.00%	19.00%	6.00%	4.45%	19.51%
<b>Emerging Markets Equity</b>							
Nominal Returns	10.34%	15.04%	11.00%	10.50%	10.00%	25%	12.50%
Real Returns	7.86%	10.36%	8.00%	7.00%	-10.00%		9.50%
Std Deviation	24.80%	23.25%	26.00%	26.00%	20.00%	14.83%	29.93%
<b>Absolute Return Hedge Funds</b>							
Nominal Returns	6.91%	10.79%	7.00%	7.00%	4.00%	25%	8.00%
Real Returns	4.42%	6.12%	4.00%	4.00%	-4.00%		5.00%
Std Deviation	6.49%	6.15%	7.50%	7.50%	8.00%	5.93%	9.56%
<b>Equity Hedge Funds</b>							
Nominal Returns	8.46%	10.48%	8.00%	8.00%	5.00%	25%	9.25%
Real Returns	5.97%	5.81%	5.00%	5.00%	-5.00%		6.25%
Std Deviation	8.37%	8.16%	11.00%	10.00%	10.00%	7.41%	13.26%
<b>Venture Capital</b>							
Nominal Returns	14.24%	15.16%	14.00%	14.00%	15.00%	15%	16.25%
Real Returns	11.57%	10.49%	11.00%	11.00%	-15.00%		13.25%
Std Deviation	31.63%	18.78%	30.00%	30.00%	30.00%	22.24%	37.34%

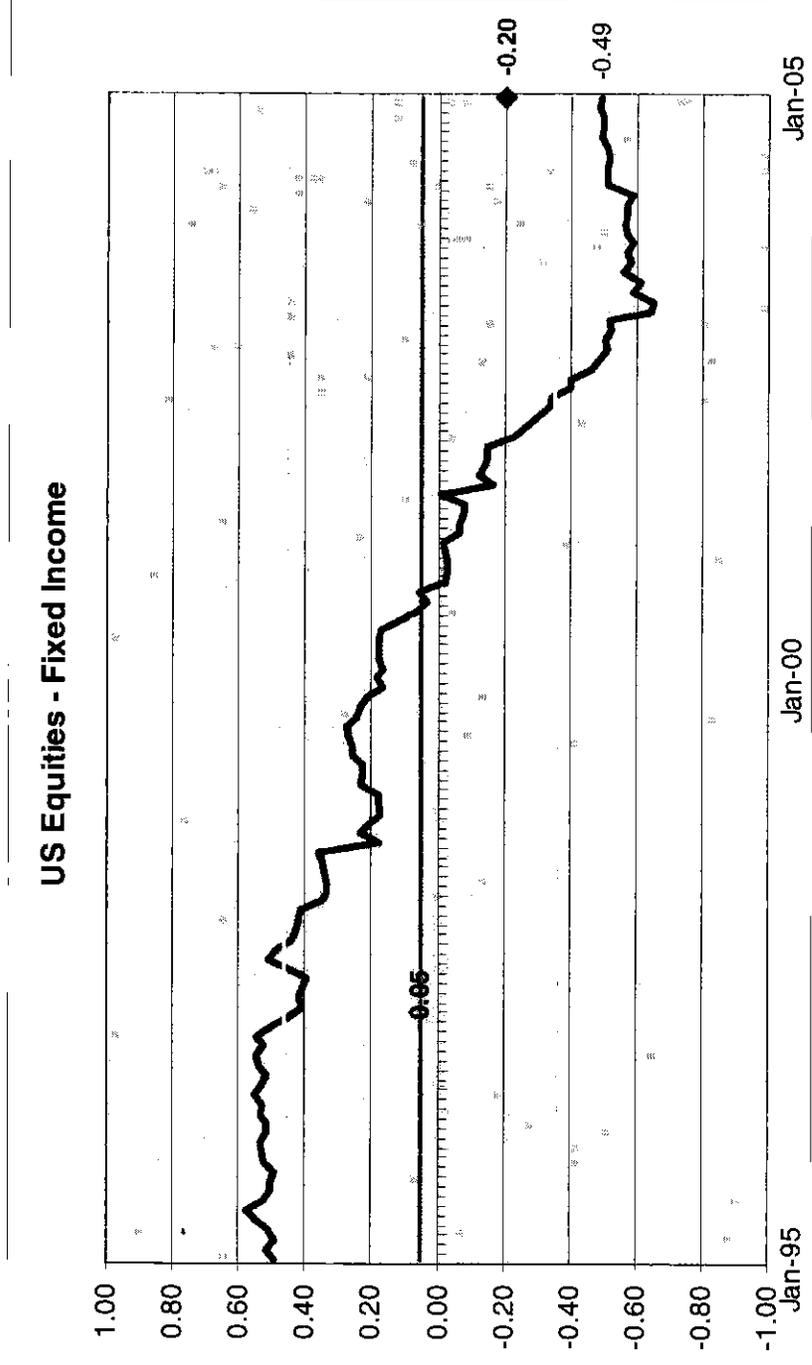


# Recommended 2005 Return and Risk Assumptions With PVA

Risk & Return Assumptions Summary:				PVA Assumptions:					
Data Item	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005	- 75th Pct PVA - 25th Pct PVA V/A Spread	Capture Ratio	Exp PVA Std Dev	UTIMCO 2003 with PVA	UTIMCO 2005 with PVA
<b>Private Equity</b>									
Nominal Returns	11.85%	11.32%	11.50%	11.50%	10.00%	20%	2.00%	13.50%	13.50%
Real Returns	9.38%	6.65%	8.50%	8.50%	-10.00%			10.50%	10.50%
Std Deviation	28.25%	9.04%	20.00%	24.00%	20.00%		14.83%	24.90%	28.21%
<b>REITS</b>									
Nominal Returns	7.89%	14.54%	7.50%	7.50%	3.00%	25%	0.75%	8.25%	8.25%
Real Returns	5.41%	9.87%	4.50%	4.50%	-3.00%			5.25%	5.25%
Std Deviation	13.64%	14.74%	15.00%	15.00%	6.00%		4.45%	15.65%	15.65%
<b>Commodities (Financial)</b>									
Nominal Returns	6.40%	13.37%	5.00%	6.00%	3.00%	25%	0.75%	5.00%	6.75%
Real Returns	3.70%	8.70%	2.00%	3.00%	-3.00%			2.00%	3.75%
Std Deviation	18.47%	18.43%	18.00%	18.00%	6.00%		4.45%	18.00%	18.54%
<b>TIPS</b>									
Nominal Returns	4.94%	9.07%	5.50%	5.50%	1.00%	25%	0.25%	5.50%	5.75%
Real Returns	2.40%	4.39%	2.50%	2.50%	-1.00%			2.50%	2.75%
Std Deviation	6.00%	3.69%	6.00%	6.00%	0.00%		1.48%	6.00%	6.18%
<b>US Fixed Income</b>									
Nominal Returns	5.18%	8.80%	5.00%	5.75%	1.00%	25%	0.25%	5.25%	6.00%
Real Returns	2.70%	4.13%	2.00%	2.75%	-1.00%			2.25%	3.00%
Std Deviation	5.34%	6.02%	6.00%	7.00%	2.00%		1.48%	6.18%	7.16%
<b>Cash</b>									
Nominal Returns	3.33%	6.43%	4.00%	4.00%	0.00%	0%	0.00%	4.00%	4.00%
Real Returns	0.86%	1.75%	1.00%	1.00%	0.00%			1.00%	1.00%
Std Deviation	0.88%	0.91%	1.00%	1.00%	0.00%		0.00%	1.00%	1.00%
<b>Inflation</b>									
Returns	2.48%	4.67%	3.00%	3.00%				3.00%	3.00%
Std Deviation	1.25%	1.17%	2.00%	1.50%					

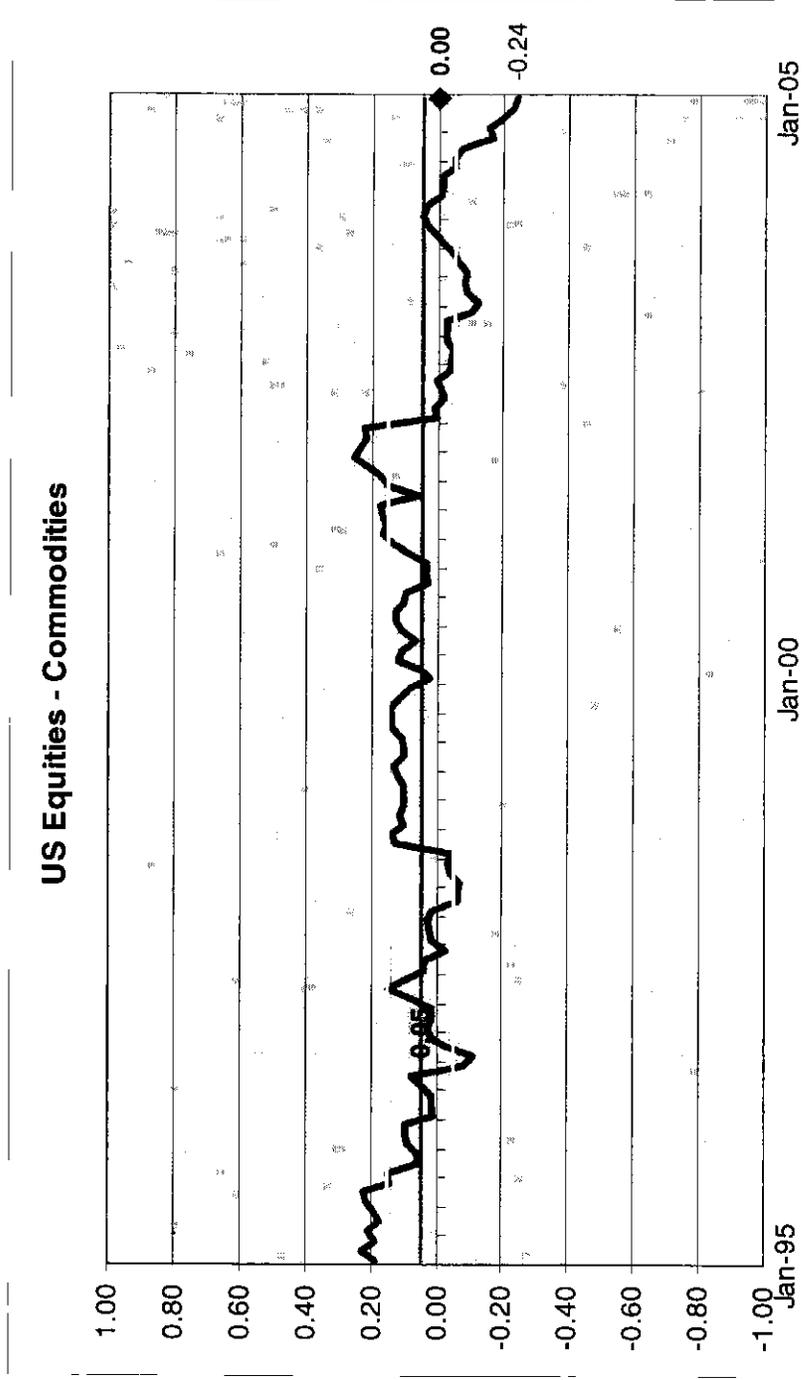


# Developing Return Correlations Assumptions



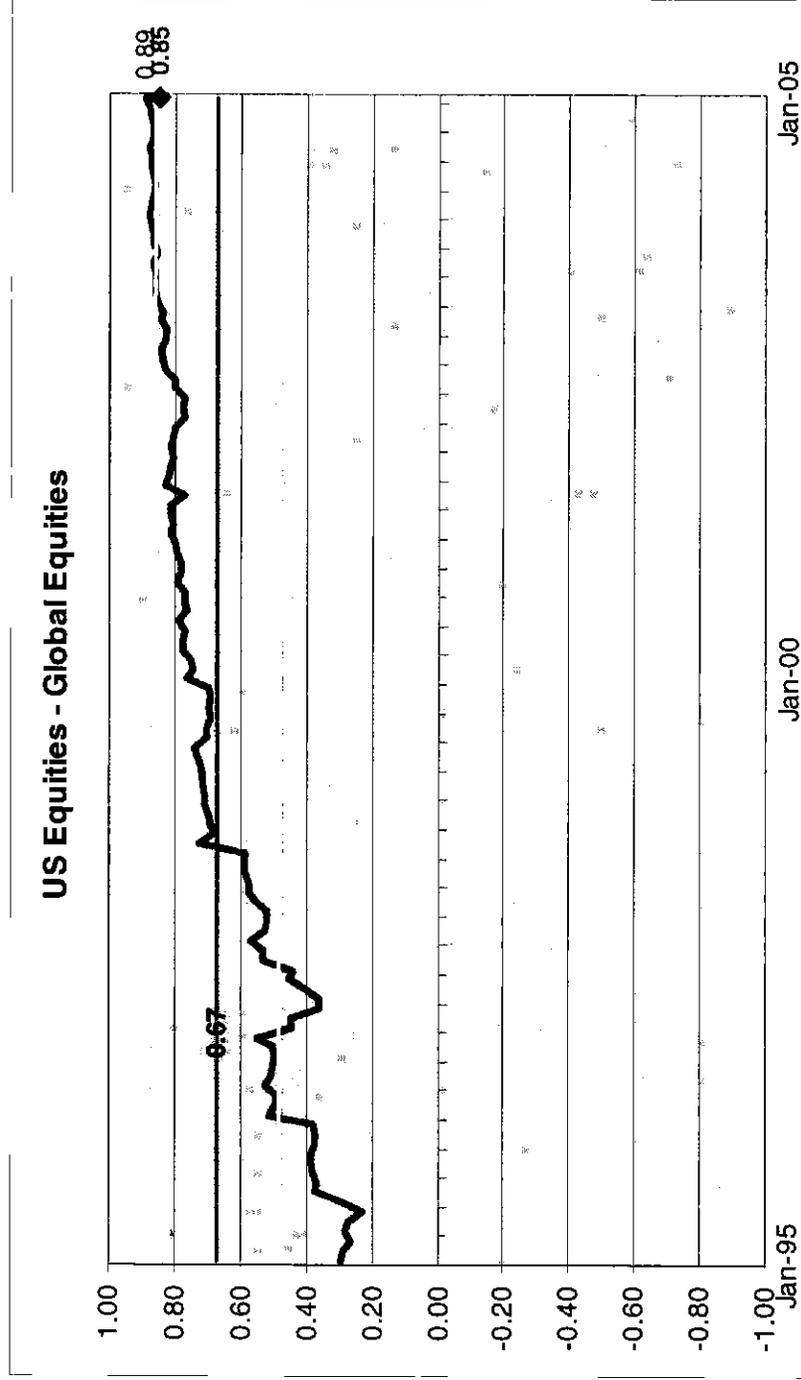


# Developing Return Correlations Assumptions



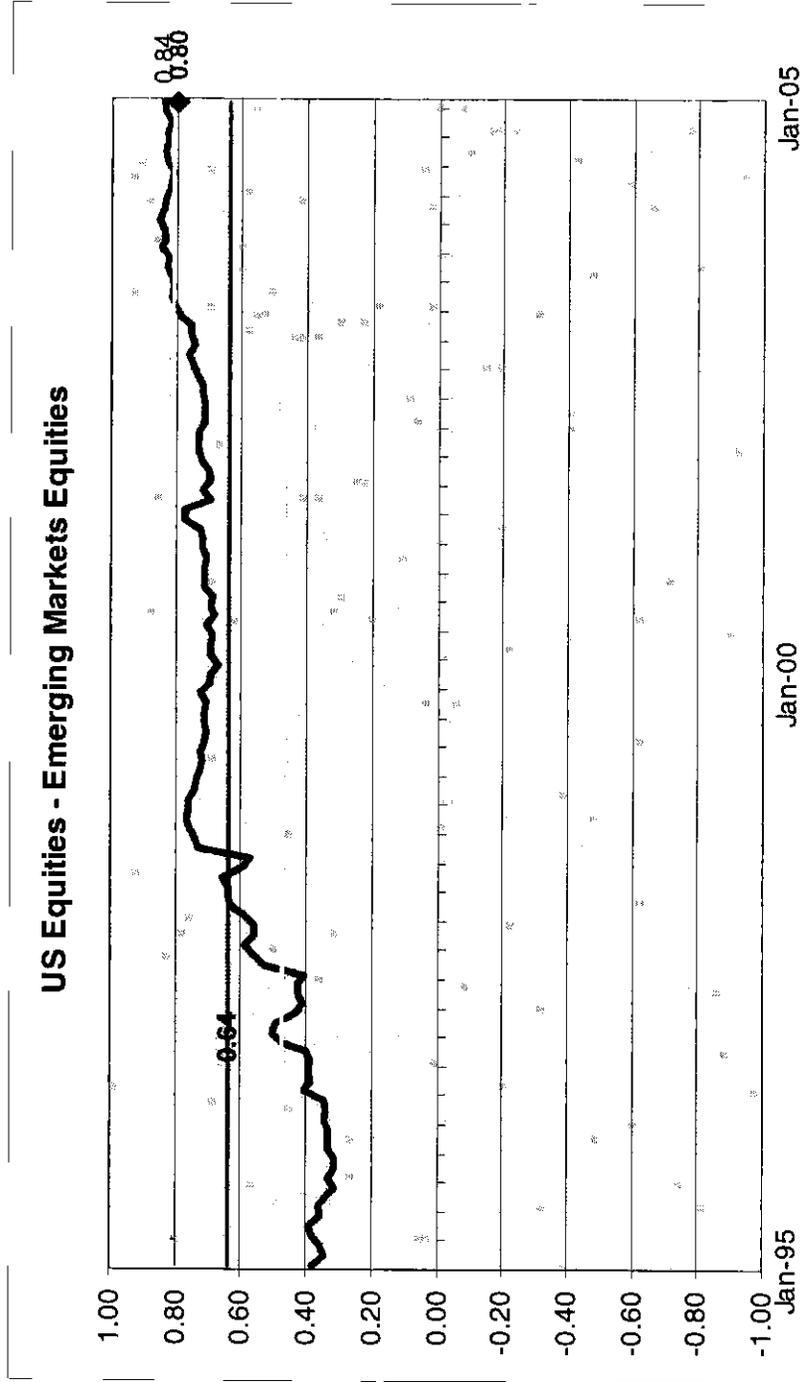


# Developing Return Correlations Assumptions





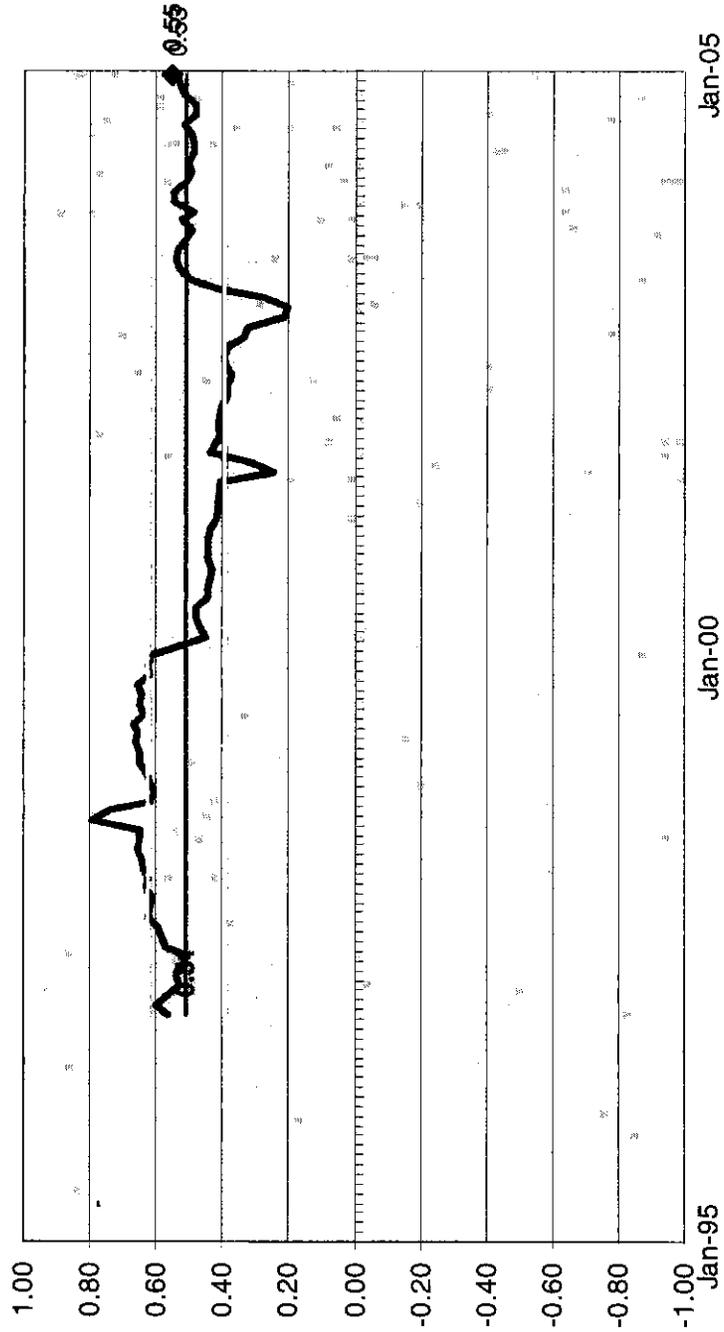
# Developing Return Correlations Assumptions





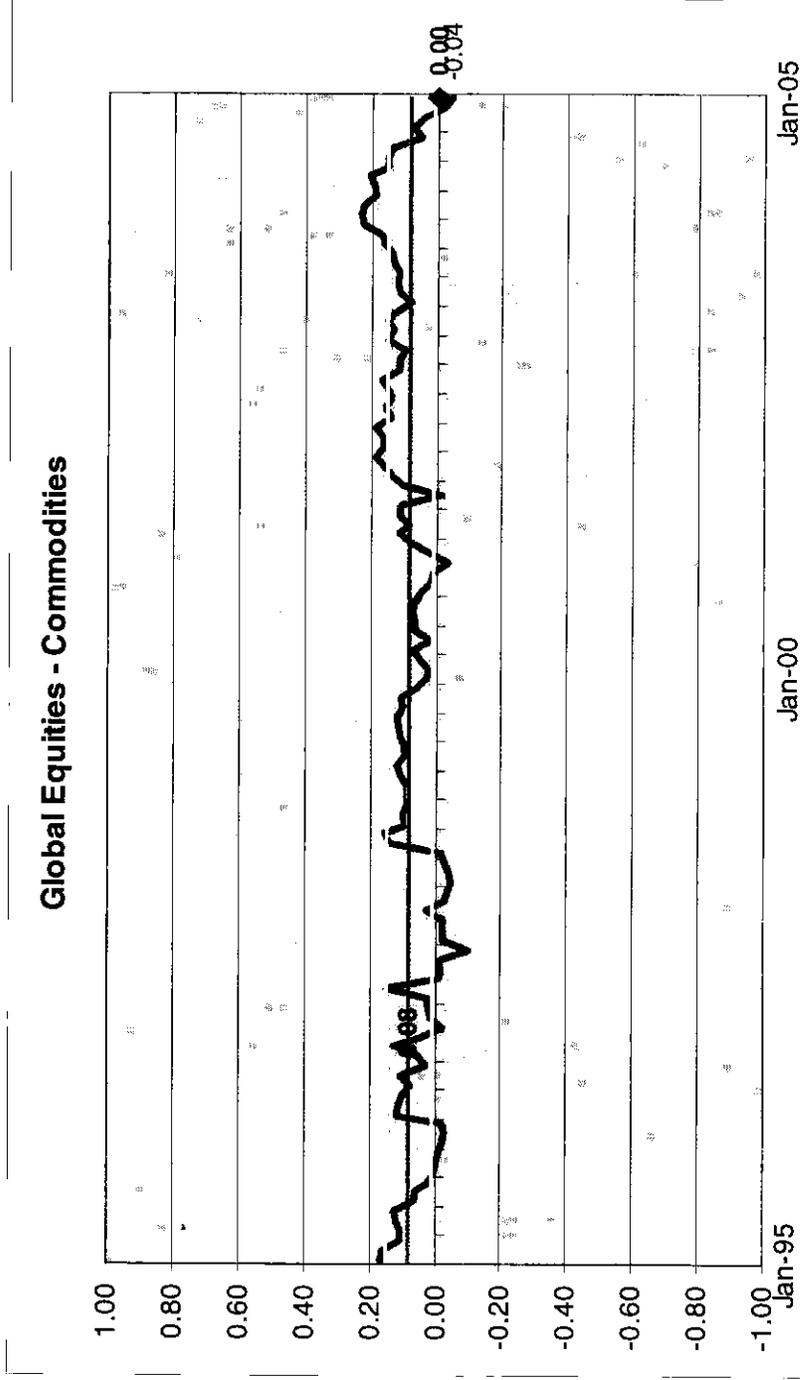
# Developing Return Correlations Assumptions

US Equities - Hedge Funds



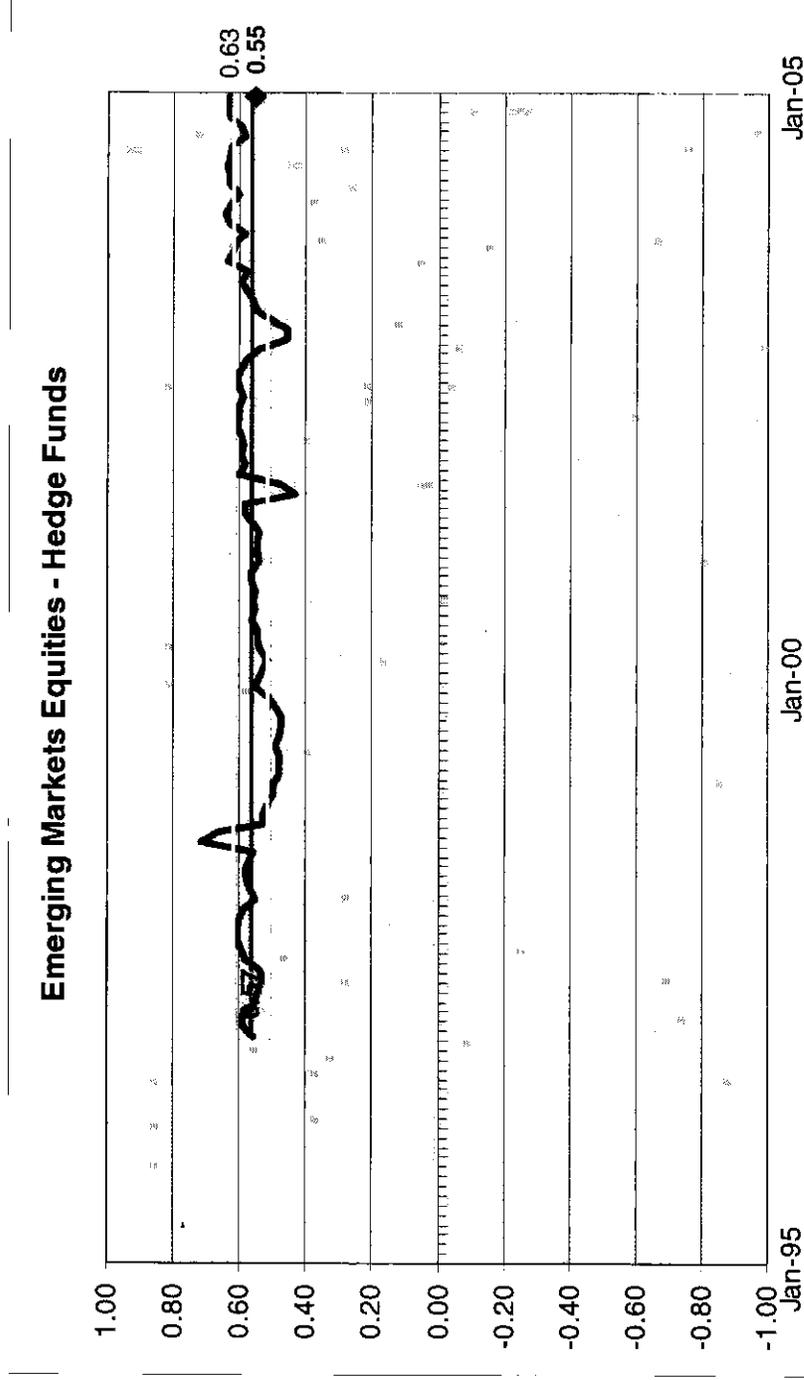


# Developing Return Correlations Assumptions





# Developing Return Correlations Assumptions





# Recommended Return Correlations Assumptions

2005 Asset Allocation Review  
Return Correlation Assumptions

	US Equities	Global Equities	Emerging Markets Equities	Absolute Return Hedge Funds	Directional Hedge Funds	Venture Capital	Private Equity	REITs	Commodities	TIPS	Fixed Income	Cash
US Equities	1.00											
Global Equities	0.85	1.00										
Emerging Markets Equities	0.80	0.80	1.00									
Absolute Return Hedge Funds	0.50	0.50	0.50	1.00								
Directional Hedge Funds	0.60	0.60	0.60	0.65	1.00							
Venture Capital	0.35	0.30	0.30	0.20	0.50	1.00						
Private Equity	0.50	0.45	0.30	0.30	0.50	0.65	1.00					
REITs	0.50	0.50	0.50	0.40	0.40	0.00	0.15	1.00				
Commodities	0.00	0.00	0.20	0.10	0.10	0.20	0.00	0.10	1.00			
TIPS	0.10	0.15	0.15	0.15	0.15	0.15	0.05	0.00	0.30	1.00		
Fixed Income	0.20	0.20	0.20	0.10	0.10	0.10	0.10	0.70	0.65	0.70	1.00	
Cash	0.00	0.10	0.10	0.00	0.00	0.00	0.00	0.25	0.00	0.25	0.25	1.00

Strongly diversifying asset relationships (with correlations less than or equal to zero) are indicated in red.



# Developing Minimum Acceptable Return (MAR) Assumptions

## Calculating the Minimum Acceptable Return (MAR)

Policy Payout Rate	4.75	
+ Expense Rate	0.35	Only expenses that are not netted from returns are included here
+ Inflation Rate	3.00	Have used CPI, but HEPI is more appropriate. HEPI is about 1% higher.
+ Safety Margin	0.00	A Safety Margin could be useful in avoiding the Purchasing Power Wall and other calamities
= MAR	8.10	%

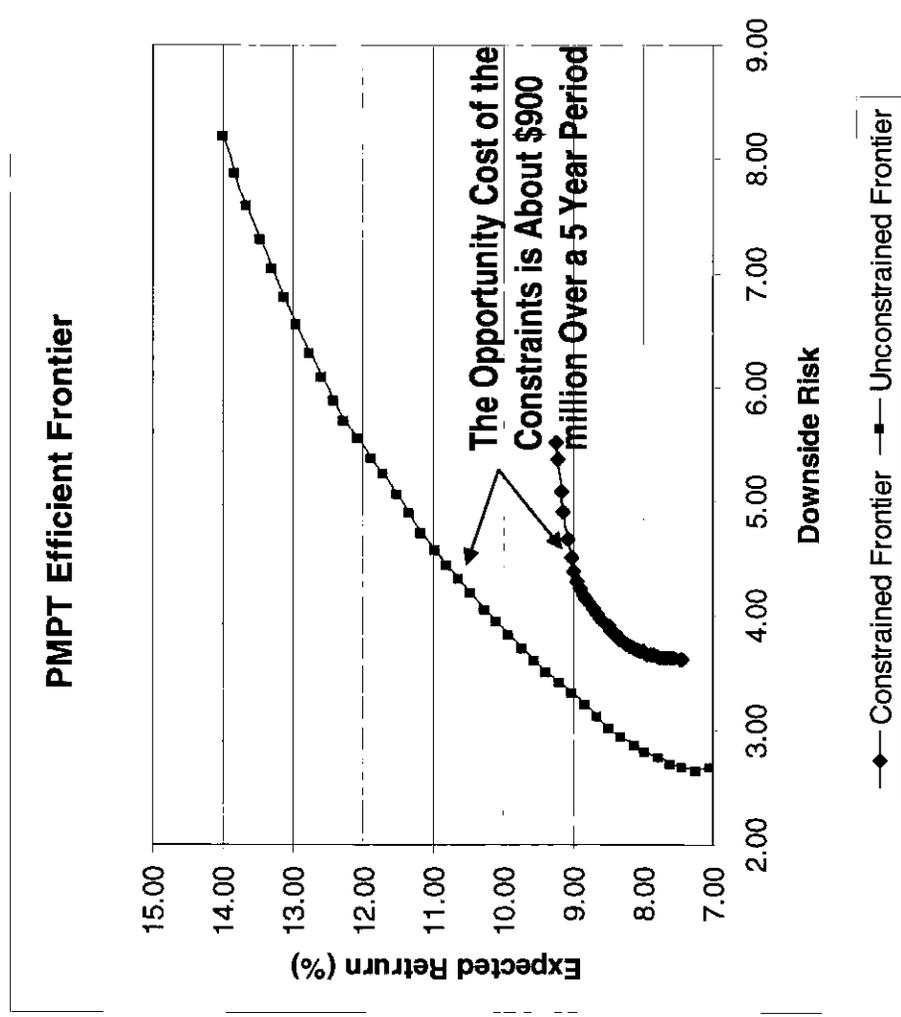


# Defining Constraints

- Constraints Should be Considered Carefully:
  - ✓ They Might be Useful to Express Uncertainty Rather Than Aversion
  - ✓ Constraints Should Define Unacceptable, Not Just Undesirable, Alternatives
  - ✓ Remember That Every Constraint Has a Real Cost (We will show the estimated costs of all constraints adopted.)



# An Example From the 2003 Review on the Cost of Constraints





# 2003 Constraints Recommended 2005 Constraints

## Risk & Return Assumptions Summary:

### PVA Assumptions:

### Constraints:

Data Item	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005	+ 75th Pct PVA - 25th Pct PVA V/A Spread	Capture Ratio	Exp PVA • Std Dev	UTIMCO 2003 with PVA	UTIMCO 2005 with PVA	2003 Minimum %	2003 Maximum %	2005 Minimum %	2005 Maximum %
<b>US Equity</b>													
Nominal Returns	8.85%	11.53%	8.50%	8.50%	2.50%	35%	0.88%	9.13%	9.33%	20%	100%	20%	100%
Real Returns	6.37%	6.86%	5.50%	5.50%	-2.50%			6.13%	6.38%				
Std Deviation	16.44%	15.82%	17.00%	17.00%	5.00%		3.71%	17.40%	17.40%				
<b>Non-US Developed Equity</b>													
Nominal Returns	8.85%	11.86%	8.50%	8.50%	3.00%	35%	1.05%	9.25%	9.55%	10%	100%	10%	100%
Real Returns	6.38%	7.19%	5.50%	5.50%	-3.00%			6.25%	6.55%				
Std Deviation	17.48%	16.77%	19.00%	19.00%	6.00%		4.45%	19.51%	19.51%				
<b>Emerging Markets Equity</b>													
Nominal Returns	10.34%	15.04%	11.00%	10.50%	10.00%	25%	2.50%	12.50%	13.00%	0%	10%	0%	15%
Real Returns	7.86%	10.36%	8.00%	7.00%	-10.00%			9.50%	10.00%				
Std Deviation	24.80%	23.25%	26.00%	26.00%	20.00%		14.83%	29.93%	29.93%				
<b>Absolute Return Hedge Funds</b>													
Nominal Returns	6.91%	10.79%	7.00%	7.00%	4.00%	25%	1.00%	8.00%	8.00%	0%	20%	0%	25%
Real Returns	4.42%	6.12%	4.00%	4.00%	-4.00%			5.00%	5.00%				
Std Deviation	6.49%	6.15%	7.50%	7.50%	8.00%		5.93%	9.56%	9.56%				
<b>Equity Hedge Funds</b>													
Nominal Returns	8.46%	10.48%	8.00%	8.00%	5.00%	25%	1.25%	9.25%	9.25%	0%	20%	0%	20%
Real Returns	5.97%	5.81%	5.00%	5.00%	-5.00%			6.25%	6.25%				
Std Deviation	8.37%	8.16%	11.00%	10.00%	10.00%		7.41%	13.26%	12.45%				
<b>Venture Capital</b>													
Nominal Returns	14.24%	15.16%	14.00%	14.00%	15.00%	15%	2.25%	16.25%	16.25%	0%	10%	0%	10%
Real Returns	11.57%	10.49%	11.00%	11.00%	-15.00%			13.25%	13.25%				
Std Deviation	31.63%	18.78%	30.00%	30.00%	30.00%		22.24%	37.34%	37.34%				



# 2003 Constraints Recommended 2005 Constraints

## Risk & Return Assumptions Summary: PVA Assumptions: Constraints:

Data Item	Consultant Average	Historical	UTIMCO 2003	UTIMCO 2005	* 75th Pct PVA * 25th Pct PVA V/A Spread	Capture Ratio	Exp PVA Std Dev	UTIMCO		2003		2005	
								2003 with PVA	2005 with PVA	Minimum %	Maximum %	Minimum %	Maximum %
<b>Private Equity</b>													
Nominal Returns	11.86%	11.32%	11.50%	11.50%	10.00%	20%	2.00%	13.50%	13.50%	0%	10%	0%	15%
Real Returns	9.38%	6.65%	8.50%	8.50%	-10.00%			10.50%	10.50%				
Std Deviation	28.25%	9.04%	20.00%	24.00%	20.00%		14.83%	24.90%	28.21%				
<b>REITS</b>													
Nominal Returns	7.89%	14.54%	7.50%	7.50%	3.00%	25%	0.75%	8.25%	8.25%	0%	10%	0%	10%
Real Returns	5.41%	9.87%	4.50%	4.50%	-3.00%			5.25%	5.25%				
Std Deviation	13.64%	14.74%	15.00%	15.00%	6.00%		4.45%	15.65%	16.85%				
<b>Commodities (Financial)</b>													
Nominal Returns	6.40%	13.37%	5.00%	5.00%	3.00%	25%	0.75%	5.00%	5.00%	0%	10%	0%	10%
Real Returns	3.70%	8.70%	2.00%	3.00%	-3.00%			2.00%	3.00%				
Std Deviation	18.47%	18.43%	18.00%	18.00%	6.00%		4.45%	18.00%	18.54%				
<b>TIPS</b>													
Nominal Returns	4.94%	9.07%	5.50%	5.50%	1.00%	25%	0.25%	5.50%	5.75%	0%	10%	0%	15%
Real Returns	2.40%	4.39%	2.50%	2.50%	-1.00%			2.50%	2.75%				
Std Deviation	6.00%	3.69%	6.00%	3.00%	0.00%		1.48%	6.00%	6.18%				
<b>US Fixed Income</b>													
Nominal Returns	5.18%	8.80%	5.00%	5.75%	1.00%	25%	0.25%	5.25%	6.00%	10%	100%	10%	100%
Real Returns	2.70%	4.13%	2.00%	2.75%	-1.00%			2.25%	3.00%				
Std Deviation	5.34%	6.02%	6.00%	7.00%	2.00%		1.48%	6.18%	7.18%				
<b>Cash</b>													
Nominal Returns	3.33%	6.43%	4.00%	4.00%	0.00%	0%	0.00%	4.00%	4.00%	0%	0%	-10%	0%
Real Returns	0.86%	1.75%	1.00%	1.00%	0.00%			1.00%	1.00%				
Std Deviation	0.88%	0.91%	1.00%	1.00%	0.00%		0.00%	1.00%	1.00%				
<b>Inflation</b>													
Returns	2.48%	4.67%	3.00%	3.00%				3.00%	3.00%				
Std Deviation	1.25%	1.17%	2.00%	1.50%									



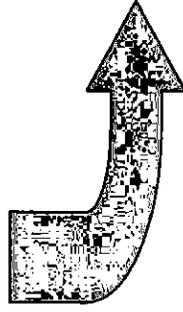
# Decision Factors

**A Decision Factor is a measure or characteristic which may be used to relate specific goals to a particular decision ....**

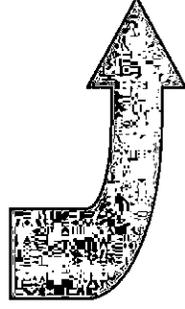


# Using Decision Factors as a Link

Endowment Fund  
Investment Policies and  
Objectives



Decision Factors

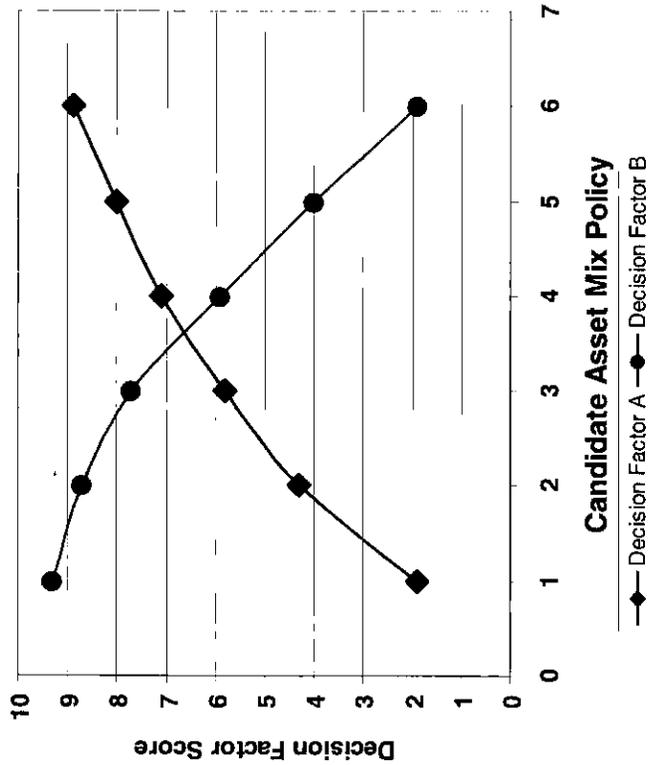


Best Strategic  
Asset Allocation Strategy  
For Fund

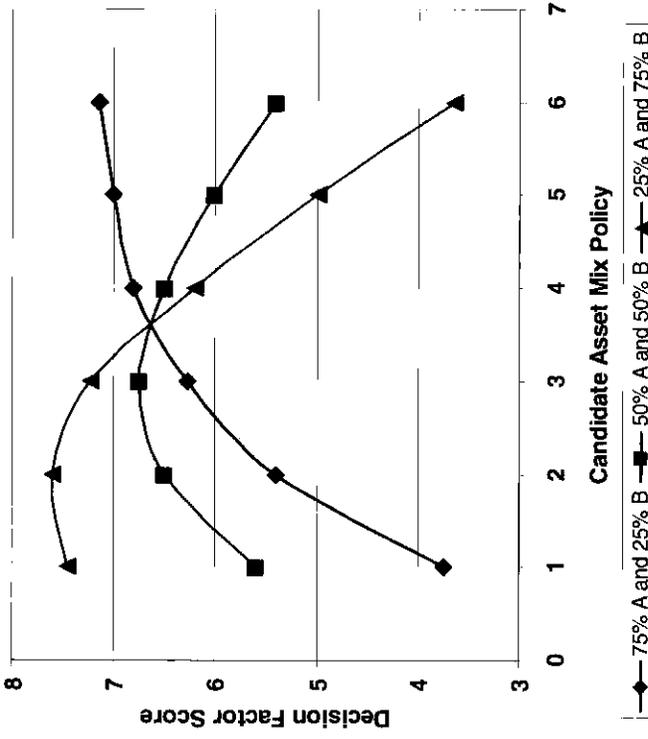


# How Decision Factors Work

Evaluating Candidate Asset Mix Policies with Decision Factors



Comparing Effects of Different Decision Factor Weights





# What You Will Be Asked To Do At The Next UTIMCO Board Meeting

## Permanent University Fund Decision Factor Weights

	Decision Factor	Weights
P1	Minimize the possibility that distributions made at the current policy rate of 4.75% of average assets would remain flat or fall over any future 1 year period.	
P2	Maximize the possibility that future rolling 10 year compound annual real returns in the PUF will exceed 5.1%	
P3	Minimize the possibility that the real value of the PUF, after distributions at the current 4.75% distribution policy rate, will decline over future 10 year periods.	
P4	Maximize the possibility that actual PUF returns will exceed the PUF Policy Portfolio returns in future one year periods.	
P5	Maximize the possibility that the PUF will have future returns in the top half of the universe consisting of the specified competitors for the top 5 endowment slots over future 3 year periods.	
P6	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by a "safety margin" of 2%.	
P7	Minimize the possibility that the PUF will have a return of minus 20% or less over any future 3 year time period.	
P8	Minimize the exposure of PUF assets to "illiquid" investment options as defined in the PUF Liquidity Policy Statement.	



# 2003 Decision Factors

## Permanent University Fund 2003 Decision Factors

	Decision Factor
<b>P1</b>	Minimize the possibility that distributions made at the current policy rate of 4.75% of average assets would remain flat or fall over any future 1 year period.
<b>P2</b>	Maximize the possibility that future rolling 10 year compound annual real returns in the PUF will exceed 5.1%.
<b>P3</b>	Minimize the possibility that the real value of the PUF, after distributions at the current 4.75% distribution policy rate, will decline over future 10 year periods.
<b>P4</b>	Maximize the possibility that actual PUF returns will exceed the PUF Policy Portfolio returns in future one year periods.
<b>P5</b>	Maximize the possibility that the PUF will have future returns in the top half of the universe consisting of the specified competitors for the top 5 endowment slots over future 3 year periods.
<b>P6</b>	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by a "safety margin" of 2%.
<b>P7</b>	Minimize the possibility that the PUF will have a return of minus 20% or less over any future 3 year time period.
<b>P8</b>	Minimize the exposure of PUF assets to "illiquid" investment options as defined in the PUF Liquidity Policy Statement.

## General Endowment Fund 2003 Decision Factors

	Decision Factor
<b>G1</b>	Minimize the possibility that distributions made under the current distribution policy will be "frozen" at the upper bound payout rate of 5.5% in any year within the next 15 years.
<b>G2</b>	Maximize the possibility of rolling 10 year compound annual GEF real returns exceeding 5.1%.
<b>G3</b>	Minimize the possibility that the real value of the GEF, after distributions, will decline over future 10 year periods.
<b>G4</b>	Maximize the possibility that future actual annual GEF returns will exceed the GEF Policy Portfolio return.
<b>G5</b>	Maximize the possibility that the GEF will have future returns in the top half of the universe consisting of the specified competitors for the top 5 endowment slots over future 3 year periods.
<b>G6</b>	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by a "safety margin" of 2%.
<b>G7</b>	Minimize the possibility that the GEF will have a return of minus 20% or less over any future 3 year time period.
<b>G8</b>	Minimize the exposure of GEF assets to "illiquid" investment options as defined in the GEF Liquidity Policy Statement.



# Potential 2005 Decision Factors For PUF

## Permanent University Fund

### 2003 Decision Factors

	Decision Factor
P1	Minimize the possibility that distributions made at the current policy rate of 4.75% of average assets would remain flat or fall over any future 1 year period.
P2	Maximize the possibility that future rolling 10 year compound annual real returns in the PUF will exceed 5.1%.
P3	Minimize the possibility that the real value of the PUF, after distributions at the current 4.75% distribution policy rate, will decline over future 10 year periods.
P4	Maximize the possibility that actual PUF returns will exceed the PUF Policy Portfolio returns in future one year periods.
P5	Maximize the possibility that the PUF will have future returns in the top half of the universe consisting of the specified competitors for the top 5 endowment slots over future 3 year periods.
P6	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by a "safety margin" of 2%.
P7	Minimize the possibility that the PUF will have a return of minus 20% or less over any future 3 year time period.
P8	Minimize the exposure of PUF assets to "illiquid" investment options as defined in the PUF Liquidity Policy Statement.

## Permanent University Fund 2005 Alternative Decision Factors

	Decision Factor
P1a	Minimize the possibility that distributions made at the current policy rate of 4.75% of average assets would match or exceed the prior year's inflation adjusted distribution in any future 1 year period.
P3a	Maximize the possibility that the PUF, making distributions at the current 4.75% distribution policy rate, will avoid the Constitutional "purchasing power wall."
P5a	Maximize the possibility that the PUF will have returns in the top quartile of the UTIMCO performance compensation peer universe over future 3 year periods.
P6a	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by 1%, the margin necessary to maintain HEPI purchasing power by historical standards.



# Potential 2005 Decision Factors For GEF

## General Endowment Fund

### 2003 Decision Factors

	Decision Factor
<b>G1</b>	Minimize the possibility that distributions made under the current distribution policy will be "frozen" at the upper bound payout rate of 5.5% in any year within the next 15 years.
<b>G2</b>	Maximize the possibility of rolling 10 year compound annual GEF real returns exceeding 5.1%.
<b>G3</b>	Minimize the possibility that the real value of the GEF, after distributions, will decline over future 10 year periods.
<b>G4</b>	Maximize the possibility that future actual annual GEF returns will exceed the GEF Policy Portfolio return.
<b>G5</b>	Maximize the possibility that the GEF will have future returns in the top half of the universe consisting of the specified competitors for the top 5 endowment slots over future 3 year periods.
<b>G6</b>	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by a "safety margin" of 2%.
<b>G7</b>	Minimize the possibility that the GEF will have a return of minus 20% or less over any future 3 year time period.
<b>G8</b>	Minimize the exposure of GEF assets to "illiquid" investment options as defined in the GEF Liquidity Policy Statement.

## General Endowment Fund

### 2005 Alternative Decision Factors

	Decision Factor
<b>G5a</b>	Maximize the possibility that the GEF will have returns in the top quartile of the UTIMCO performance compensation peer universe over future 3 year periods.
<b>G6a</b>	Maximize the possibility that future real returns over rolling 10 year time periods will exceed the 5.1% MAR by 1%, the margin necessary to maintain HEPI purchasing power by historical standards.

**TAB 5**

## RESOLUTION RELATED TO BRIDGEWATER CURRENCY OVERLAY

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$600 million combined institutional investment interest (the "Investment") in **Bridgewater Currency Overlay 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 March 23, 2005 for **Bridgewater Currency Overlay 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 **Bridgewater Currency Overlay 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.

## RESOLUTION RELATED TO DALTON'S JMBO FUND

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$30 million combined institutional investment interest (the "Investment") in **Dalton's JMBO 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 March 23, 2005 for **Dalton's JMBO 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 **Dalton's JMBO 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.

**TAB 6**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

- Agenda Item:** Report on the External Investment Consultant
- Developed By:** Moeller
- Presented By:** Moeller
- Type of Item:** Information item
- Description:** The Comprehensive Report on External Investment Consultant is being submitted to update the UTIMCO Board on the current scope of work of the external consultant. The report was prepared for the first time last year. The report submitted covers the period of March 1, 2004 to February 28, 2005. The investment consultant is Cambridge Associates LLC and the lead consultant is Bruce Myers.
- Discussion:** Cambridge Associates has served as UTIMCO's consultant since its inception in 1996, undertaking a number of assignments ranging from general consultant to non-discretionary investment manager of the non-marketable assets portfolio from 2000 to 2002. Under the current contract with Cambridge, UTIMCO receives Cambridge's full range of information services and research as well as consulting time. Our contract also includes full access to web based internet services. In addition, Cambridge Associates provides a variety of services, including benchmark review, hedge fund manager search, international equity manager search, manager search assistance, spending analysis, miscellaneous requests, discussion on private equity group, spending policy memorandum, preparation of endowment exhibits, investment research, data request of endowment returns, asset allocation review, asset allocation study, asset allocation presentation, and alternative assets study. The current Cambridge Associates contract is for \$900,000 annually, a renewal contract for \$1,100,000 annually has been proposed by Cambridge.
- Reference:** Annual Comprehensive Report on External Investment Consultant

# Annual Comprehensive Report on External Investment Consultant

The services provided in the contract cover the following three areas:

- General Consulting Services
- Non-Marketable Alternative Asset Consulting Services
- Marketable Alternative Investment Consulting Services

## General Consulting Services

### *Per contract:*

- Access via the Cambridge Associates (CA) consulting team and in many instances CA's web site to proprietary databases on capital markets, investment managers and partnerships, and comparative peer performance; quarterly and annual surveys of investment and financial data.
- A variety of research reports and working papers on investment and financial issues
- A comprehensive asset allocation review including a presentation to the Board
- Attendance at up to eight (8) investment advisory meetings per year to discuss investment strategy, asset allocation, performance, market environment and investment manager selections.

### *Report on services provided:*

- Provided Periodic Updates of Cambridge's Reporting Institutions' Data
  - Quarterly Investment Return and Asset Allocation (hardcopy, via website and excel)
  - Annual Investment Return, Asset Allocation, Endowment size, spending rates and investment manager information
  - Annual updates to charts reflecting the impact of spending on future market values and future spending
- Provided written opinion of new strategy for investing the Core Fund
- Bruce Myers attended eight UTIMCO Board meetings
- Bruce Myers attended one compensation committee meeting. He also participated in non-committee meetings concerning the UTIMCO Compensation Program and provided guidance with respect to market benchmarks as well as the construction of a peer universe of educational endowments. Cambridge provided the peer universe for the performance period ending June 30, 2004, as well as the current period ending June 30, 2005. Cambridge also provided the peer ranking of the Total Endowment Assets.

- Bruce Myers attended one UT System Board of Regents meeting related to the UTIMCO Compensation Program.
- In process of conducting a custom survey of a select group of peer institutions, focusing on investment-related costs (a separate contract covers the survey.)
- Periodically conferred with Public Markets' Managing Director regarding leading candidates for various mandates
- Cambridge Associates provides many publications as a part of their services. A partial listing of the 2004 publications is attached as Exhibit A.

## **Non-Marketable Alternative Investments Asset Consulting Services**

### ***Per contract:***

- Upon request, a comprehensive review of Client's non-marketable alternative investments asset program including an analysis of existing fund performance
- Preparation of quarterly forward calendars of non-marketable alternative investment opportunities
- Each quarter CA will provide the Client with its proprietary US Venture Capital and Private Equity benchmarks statistics to be used for individual manager evaluation
- Up to twelve due diligence memos and recommendations providing summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 12 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.
- Attendance at up to twenty in-person meetings (time but not travel expenses) and/or participation in conference calls with Client to discuss non-marketable alternative investment strategy, the market environment, and potential fund opportunities. Additionally, CA may be asked to address Client's concerns regarding potential limited partnership investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Subject to the License terms and conditions in Exhibit II, access to CA's web-based software program Private Equity Benchmark Calculator for creating customized benchmarks specifying multiple filter criteria, such as asset sector, vintage year, and industry focus, region and stage.

### ***Report on services provided:***

#### **General Consulting Services**

- *Conference Calls and In-Person Meetings:* The Non-Marketable Alternatives ("NMA") team has periodic conference calls with the Cambridge Associates consulting staff (Astrid Noltemy, Jennifer Urdan and several associates and analysts) to discuss the market environment, potential fund opportunities, and investment strategy. During the past twelve months, the team had 10 conference calls with the Cambridge staff. The team also held one (1) full-day meeting with the Cambridge staff at UTIMCO.
- *Investment Recommendations:* Cambridge Associates provides a written recommendation for each new deal the NMA team presents to the CIO and Board of Directors. The recommendations provide summaries of references, highlights of competitive advantages, and other issues for consideration.
- *Due Diligence Reports:* In addition to recommendations on new funds, the NMA team will from time to time ask Cambridge Associates to provide a complete due diligence memorandum on a proposed investment. Due diligence memoranda provide more detail on the fund and supplement the internal due diligence memorandum prepared by the NMA team.

- *Annual Partnership Meeting Attendance:* Cambridge will have representatives attend annual partnership meetings if members from the NMA team cannot attend. A summary and commentary of the meeting is provided to the team.
- *Data and Analytical Tools:* The NMA team has access to Cambridge data and online analytical tools, including the Private Equity Benchmark Calculator, the CPP System, quarterly US Venture Capital and Private Equity benchmark statistics, research reports and market commentary. A brief description of each of these information services is listed below.
  - Private Equity Benchmark Calculator: Customized benchmarks that specify multiple filter criteria, such as asset sector, vintage year, industry focus, region and state.
  - CPP System: Cambridge maintains UTIMCO's portfolio information within its CPP or Cambridge Private Portfolio System (CPP), allowing UTIMCO to access online data and analysis about the portfolio.
  - US Venture Capital and Private Equity Benchmark Statistics: Quarterly valuation and return information on venture capital, private equity, mezzanine, non-US private equity and oil and gas partnerships.
  - Research Reports: In-depth research and analysis on asset classes, sectors and strategies. Examples of research reports received over the last twelve months include "US Venture Capital Investing 2003", "Reversal of Fortune: The Effect of the Market Decline on the Budgets of Endowed Institutions", and "Where Are We Now and What to Do About It".
  - Market Commentary: Cambridge viewpoints on various market segments and events. Examples of market commentary received over the last twelve months include – "Money For Nothing: The Global Liquidity Binge", "Investing in China: Not Yet", and "Why Has Value So Consistently Outperformed Growth?"

### **Services Provided During the Last Twelve Months**

As illustrated below, Cambridge conducted 11 conference calls/meetings with the NMA staff, provided eight investment recommendations, six due diligence reports and six annual meeting summaries (refer to **Exhibit B** for a detailed list of reports provided). In addition, the team had frequent email and phone exchanges with various Cambridge consultants that are not included in the numbers shown below.

<b>Cambridge Associates Services</b> <b>Non-Marketable Alternative Investments</b> <i>March 1, 2004- February 28, 2005</i>	
<b>Type of Service</b>	<b>Number of Reports/Meetings</b>
Conference Call/ In-Person Meeting	12
Investment Recommendations	10
Due Diligence Memoranda	5
Annual Meeting Summaries	0

## Marketable Alternative Asset Consulting Services

### *Per contract:*

- A comprehensive review of Client's marketable alternative investment assets including an analysis of existing programs and funds, a program risk assessment, and recommended changes in program structure and allocation.
- Attendance at up to fourteen in-person meetings (time but not travel expenses) and/or participation in conference calls to discuss marketable alternative investment strategy, the market environment, and potential investment opportunities. Additionally, CA may be asked to address Client's concerns regarding potential marketable alternative investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Up to ten due diligence memos and recommendations that provide summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 10 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.

### *Report on services provided:*

#### **General Consulting Services**

- Marketable Alternatives accesses the Cambridge consulting team (more specifically, Ken Minklei at Cambridge) to obtain additional information and knowledge of investment managers. In addition, Marketable Alternatives utilizes the Cambridge Associates database of hedge fund managers (as presented on the CA website) for informational purposes.
- Review of existing program- UTIMCO maintains a contact database and monitors potential candidates that would complement the existing Marketable Alternatives program. This information is communicated to Cambridge during our conference calls and other meetings with Cambridge.

#### **Services Provided During the Last Twelve Months**

As illustrated below, Cambridge conducted six conference calls/meetings with the MA staff and provided eight investment memorandums.

Cambridge Associates Services Marketable Alternative Investments March 1, 2004 – February 28, 2005	
<b>Type of Service</b>	<b>Number of Reports/Meetings</b>
Conference Call/ In-person Meeting	6
Due Diligence Memorandums & Recommendations	8

**Exhibit A**  
**Various Publications provided by Cambridge Associates**

1. Analysis of College and University Investment Pool Returns
2. Asia Ex Japan Distressed Investing
3. Asian Hedge Funds
4. Asset Allocation in the Current Environment
5. Comparative Asset Allocations & Total Return – Colleges & Universities
6. Comparative Asset Allocations & Total Return – Non-Taxable Portfolios Over \$1 Billion
7. Freshman Financial Aid and Admissions
8. Global Market Comment
9. Implementing Investments in Real Estate
10. Investment Office Organization and Management
11. Long/Short Hedge Funds
12. Manager Hiring & Firing
13. Market Updates – Returns & Valuations (Monthly)
14. Market Update: A Look Back and a Look Ahead
15. Multi-strategy hedge funds
16. Policy Portfolios, Tactical Asset Allocation
17. Rebalancing
18. Spending Policy Practices
19. Student Charges – Academic Year 2004-2005
20. US Equity Managers (Ex-Small-Cap)
21. US Equity Managers (Ex-Small-Cap) – Executive Summary
22. US Fixed Income Managers
23. US Fixed Income Managers – Executive Summary
24. US Historical Capital Market Valuations
25. US Manager Update
26. US Market Comment
27. US Market Comment Tips, revisited
28. US Venture Capital Investing
29. US Small-Cap Equity Managers
30. US Small-Cap Equity Managers – Executive Summary

## Exhibit B

### Cambridge Associates Services Provided for NMA

*March 1, 2004- February 28, 2005*

<b>Date Closed</b>	<b>Date Written</b>	<b>Description of Service</b>	<b>Fund (if applicable)</b>
7/16/2004	6/1/2004	Due Diligence Report	Eos Capital Partners III, L.P.
2/15/2005	10/1/2004	Due Diligence Report	Pomona Capital VI, L.P.
3/15/2005	9/1/2004	Due Diligence Report	Prism Venture Partners V, L.P.
N/A	1/1/2005	Due Diligence Report	Barclays Private Equity II, L.P.
N/A	7/1/2004	Due Diligence Report	Interwest Partners IX, L.P.
<b>Total =</b>		<b>5</b>	
7/1/2004	6/4/2004	Recommendation	Fisher Lych Venture Partnership, L.P.
7/16/2004	6/29/2004	Recommendation	Eos Capital Partners III, L.P.
8/5/2004	6/8/2004	Recommendation	OCM Opportunities Fund V, L.P.
9/28/2004	7/1/2004	Recommendation	Tejas Venture Partners I, L.P.
10/29/2004	8/24/2004	Recommendation	Knightsbridge Venture Capital VI, L.P.
10/29/2004	8/23/2004	Recommendation	Doughy Hanson & Co. IV, L.P.
11/1/2004	7/1/2004	Recommendation	DDJ Total Return Loan Fund, L.P.
11/2/2004	9/1/2004	Recommendation	Unoin Square Ventures, L.P.
2/25/2005	2/9/2005	Recommendation	OCM/GFI Power Opportunities Fund II, L.P.
N/A	7/26/2004	Recommendation	Interwest Partners IX, L.P.
<b>Total =</b>		<b>10</b>	
3/8/2004		Conference Call	
4/13/2004		Conference Call	
5/20/2004		Conference Call	
6/7/2004		Conference Call	
8/2/2004		Conference Call	
8/30/2004		Conference Call	
9/16/2004		Conference Call	
10/14/2004		Conference Call	
12/7/2004		Conference Call	
1/5/2005		Conference Call	
2/7/2005		Conference Call	
<b>Total =</b>		<b>11</b>	
All Day Meeting at UTIMCO			
<b>Total =</b>		<b>1</b>	

**TAB 7**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

**Agenda Item:** Report on External Counsel

**Developed By:** Moeller

**Presented By:** Moeller

**Type of Item:** Information item

**Description:** The Comprehensive Report on External Counsel is being submitted to update the UTIMCO Board on the scope of services provided by external counsel. This is the first year the report has been prepared and covers the period of March 1, 2004 to February 28, 2005. The external counsel is Vinson & Elkins and Jerry Turner is lead counsel.

**Discussion:** Vinson & Elkins has been UTIMCO's counsel since UTIMCO's inception. Jerry Turner is lead counsel and manages the relationship with UTIMCO. He assigns specialized attorneys to work on various matters related to UTIMCO. Vinson & Elkins provides counsel on both corporate and investment matters and responds to issues and questions brought forth by both UTIMCO directors and staff.

**Reference:** Annual Comprehensive Report on External Counsel

## Annual Comprehensive Report on External Counsel

UTIMCO's external counsel is Vinson & Elkins LLP (V&E). Jerry Turner is lead counsel on the UTIMCO relationship. Various attorneys at V&E work on UTIMCO legal matters, both corporate and investment matters. This is the first comprehensive report prepared and covers the period of March 1, 2004 through February 28, 2005.

V&E has been outside legal counsel for UTIMCO since its inception in 1996, including the formation. The role of outside counsel is to provide guidance and assistance to the UTIMCO Board, its individual members, and UTIMCO staff in matters related to UTIMCO business. Mr. Turner is always available to answer any questions UTIMCO Board members may have related to his or her role as a director of UTIMCO, including ethics and policy questions.

Recurring general counsel services provided by V&E include the following:

- participation in all UTIMCO Board meetings and committee meetings (Mr. Turner represents V&E at most of the meetings)
- guidance related to the government provisions covering open meetings law and open records
- review and participation in drafting of policies, including investment policy statements, derivative policy, liquidity policies, etc.
- guidance, and opinions concerning the Code of Ethics.
- review of investment manager contracts, investment advisory agreements, limited partnership agreements, side letters, subscription documents, etc., including assistance with disclosure and tax issues
- review of certain vendor contracts such as broker ISDA (International Swap Dealers Association)
- guidance on various federal regulation rules and reporting requirements related to human resources, including employee benefit plan administration and compensation program
- development of materials and participation at new board member orientation
- review and/or draft language of amendments to corporate documents, including bylaws, investment management services agreement, and committee charters

During the period of this report, V&E provided additional services related to specific matters as follows:

- provided research on legal and constitutional restrictions associated with operations of West Texas Lands
- reviewed and provided draft language related to Compensation Program document covering legal and tax provisions
- reviewed and provided substitute language for the lease agreement for office space in the Frost Bank Tower
- participated in development of policies related to the Core Fund, including drafting of Swap agreement and research to determine if any constitutional restraints existed

- specific guidance and review of correspondence related to Open Records Ruling Requests submitted to the Texas Attorney General
- prepared general views memorandum on unrelated business tax issues related to revenue sharing agreements in investment manager contracts
- prepared comments concerning Code of Ethics questions related to hedge funds
- provided guidance on investment standards for UTIMCO – managed endowments
- provided guidance on questions related to Derivative Policy
- provided guidance and training on HIPAA compliance
- researched and prepared memorandum regarding UTIMCO's status under federal and state securities laws relating to regulation of broker-dealers and investment advisors and under Investment Company Act of 1940
- interpretation of anti-money laundering laws (Patriot Act)

**TAB 8**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

- Agenda Item:** Approval of Recommended Permanent University Fund distribution amount and the Permanent Health Fund and the Long Term Fund Distribution Rates
- Developed By:** Boldt, Moeller
- Presented By:** Boldt
- Type of Item:** Action Item; Action Required by UTIMCO Board; Action required by U.T. System Board of Regents
- Description:** Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates are discussed in the attached Recommendation of Distribution Amount and Rates and are based on the Investment Policy Statements.
- Recommendation:** UTIMCO staff recommends that the UTIMCO Board approve the following for fiscal year ending August 31, 2005:
- 1) The distribution from the PUF to the Available University Fund be increased by 4.7% from \$341,174,270 to \$357,337,255.
  - 2) The distribution rate for the PHF increased from \$0.047 per unit to \$0.0482.
  - 3) The distribution rate for the LTF be increased from \$0.2697 per to \$0.2764.
- Reference:** Recommendation of Distribution Amount and Rates  
Investment Policy Statements

**RESOLUTION RELATED TO PUF DISTRIBUTION  
AND PHF AND LTF DISTRIBUTION RATE INCREASE**

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$341,174,270 to \$357,337,255, for fiscal year 2006, effective with the September 1, 2005 distribution, and the distribution rate for the Permanent Health Fund be increased from \$.047 per unit to \$.0482 per unit for fiscal year 2006, and the Long Term Fund be increased from \$0.2697 per unit to \$0.2764 per unit, effective with the November 30, 2005, distributions.

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Long Term Fund and Permanent Health Fund be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

## Recommendation of Distribution Amount and Rates

### PUF

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12 - quarter average of the net asset value of the Fund for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2005-2006 is \$357,337,255 as calculated below:

Quarter Ended	Net Asset Value
5/31/02	7,303,322,636
8/31/02	6,738,274,515
11/30/02	6,397,124,818
2/28/03	6,299,971,921
5/31/03	6,850,946,583
8/31/03	7,244,827,576
11/30/03	7,655,088,067
2/28/04	8,218,934,425
5/31/04	7,997,992,228
8/31/04	8,087,877,617
11/30/04	8,648,150,213
02/28/05	8,832,164,283
	\$ 90,274,674,882
Number of Quarters	12
Average Net Asset Value	\$ 7,522,889,574
Distribution Percentage	4.75%
FY 2005-06 Distribution	\$ 357,337,255

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U.T. Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U.T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$357,337,255 is substantially greater than PUF Bonds Debt Service of \$105,305,880 projected for FY 2005-2006.

<b>System</b>	<b>Debt Service</b>
U. T.	\$ 86,681,122
TAMU	18,624,758
<b>Total</b>	<b>\$ 105,305,880</b>

Sources: U. T. System Office of Finance  
Texas A&M University System Office of Treasury Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2005 was 5.03%, which indicates that the purchasing power test was met.

<b>Average Annual</b>	<b>Percent</b>
Rate of Total Return	10.71%
Mineral Interest Receipts	1.35%
Expense Rate	(0.15)% (1)
Inflation Rate	(2.43)%
Distribution Rate	(4.45)%
<b>Net Real Return</b>	<b>5.03%</b>

(1) Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board, (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12 - quarter average value of the PUF is within the 7% maximum allowable distribution rate.

<b>Value of PUF Investments (1)</b>	<b>Proposed Distribution</b>	<b>Proposed Distribution as a % of Value of PUF Investments</b>	<b>Maximum Allowed Rate</b>
\$7,522,889,574	\$357,337,255	<b>4.75%</b>	7.00%

(1) Source: UTIMCO

## **LTF AND PHF**

The spending policy objectives of the PHF and LTF are to:

- A. provide a predictable stable stream of distributions over time;
- B. ensure that the inflation adjusted value of the distributions is maintained over the long-term; and
- C. ensure that the inflation adjusted value of the assets of the PHF and the LTF, as appropriate, after distributions is maintained over the long-term.

The spending formula under the Long Term Fund (LTF) Investment Policy and the Permanent Health Fund (PHF) Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the LTF assets and PHF assets for each fund's respective trailing twelve fiscal quarters. The Board of Regents has full authority to alter distributions rates at their sole discretion.

We are recommending a 2.5% increase in the LTF distribution rate from \$0.2697 to \$0.2764 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The LTF's distribution rate calculated using the prior twelve quarter average value of the LTF is 5.3%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The increase in the consumer price index for the prior three years as of November 30, 2004, was 2.5%.

We are recommending a 2.6% increase in the PHF distribution rate of \$.047 to \$.0482 per unit. The rate for the PHF had been held at \$.047 for four years since fiscal year 2002 because the PHF's net asset value was less than the original PHF contributions of \$820.0 million due to difficult financial markets in the initial years of the PHF. However, as of November 30, 2004, the PHF's net asset value was \$864.7 million. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 5.2%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy.

**TAB 9**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

**Agenda Item:** UTIMCO Peer Group (appendix B of UTIMCO Compensation Program)

**Developed By:** Moeller

**Presented By:** Ferguson

**Type of Item:** Action Item; Action Required by UTIMCO Board

**Discussion:** The Peer Group is a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with assets greater than \$1 billion at the beginning of each Performance Period and is set forth in appendix B of the UTIMCO Compensation Program. Harvard University, Yale University and Total Endowment Assets (PUF and GEF) are excluded from this peer group. The peer group is updated annually at the beginning of each performance period, and appendix B is amended accordingly. The Compensation Committee interpreted this section as including those endowments that have assets greater than a \$1 billion for each year in the three year rolling period; June 30, 2002, June 30, 2003, and June 30, 2004.

Cambridge Associates, the Board's external investment advisor, has provided the Peer Group.

**Recommendation:** The Compensation Committee recommends that the UTIMCO Board approve Appendix B, the UTIMCO Peer Group for the performance period ending June 30, 2005.

**Reference:** UTIMCO Peer Group (Appendix B of UTIMCO Compensation Program)

<b>RESOLUTION RELATED TO UTIMCO PEER GROUP</b>
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RESOLVED, that the UTIMCO Peer Group - Appendix B of the UTIMCO Compensation Program, for the performance period ending June 30, 2005, as recommended by the Compensation Committee, is hereby approved in the form submitted to the Corporation's Board of Directors.

**APPENDIX B**  
**UTIMCO PEER GROUP**

- Brown University
- California Institute of Technology
- Case Western Reserve University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Grinnell College
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Ohio State University and Foundation
- Princeton University
- Purdue University
- Rice University
- Stanford University
- The Rockefeller University
- The Texas A&M University System and Foundations
- UNC at Chapel Hill and Foundations
- University of California
- University of Chicago
- University of Michigan
- University of Minnesota and Foundation
- University of Notre Dame
- University of Pennsylvania
- University of Pittsburgh
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- Vanderbilt University
- Washington University
- Wellesley College
- Williams College

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale and Total Endowment Assets) with total assets in excess of \$1 billion as of each fiscal year end June 2002, 2003, and 2004.

# **EMPLOYEE ELIGIBILITY**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

**Agenda Item:** Employees Eligible to Participate in UTIMCO Compensation Program (Plan)

**Developed By:** Moeller

**Presented By:** Ferguson

**Type of Item:** Action Item; Action Required by UTIMCO Board

**Discussion:** The UTIMCO Board approved the eligible positions, performance goals and incentive award opportunities for the 2004/2005 Plan when it approved the Plan on September 29, 2004. The Committee is recommending that the Board approve the selection of the employees currently filling the positions to be eligible to participate in the Plan (participants as of July 1, 2004) and the employees hired since July 1, 2004.

The committee is not recommending any changes to the incentive award opportunities established by the UTIMCO Board when the Plan passed in September 2004. The Committee has authorized a weighting change for the analytical support position related to an analyst in the Risk Management department.

**Recommendation:** The Compensation Committee recommends that the UTIMCO Board approve the employees listed in the attached schedule as Participants in the Plan.

**Reference:** Schedule reporting employees, eligible positions, performance goals weights, and incentive award opportunities; UTIMCO Compensation Program

**RESOLUTION RELATED TO PARTICIPATION IN  
PERFORMANCE INCENTIVE PLAN**

RESOLVED, that the Employees Eligible to Participate in the UTIMCO Compensation Program, as recommended by the Compensation Committee, are hereby approved in the form submitted to the Corporation's Board of Directors.

Eligible Position	Employee:	Weighting			Incentive Award Opportunity (% of Salary)			
		Entity	Class	Individual	< Threshold	Threshold	Target	Maximum
<b>Investment Professionals</b>								
President, CEO & CIO	Bob Boldt	70%	0%	30%	0%	18%	90%	180%
Deputy CIO & MD of Marketable Alt. Invest.	Cathy Iberg	40%	40%	20%	0%	13%	65%	130%
Risk Manager	Andrea Reed	70%	0%	30%	0%	12%	60%	120%
MD, Public Markets Invest.	Larry Goldsmith	20%	60%	20%	0%	12%	60%	120%
MD, Inflation Hedging Assets	unfilled	20%	60%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	Sara McMahon	30%	50%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	Trey Thompson	30%	50%	20%	0%	12%	60%	120%
Portfolio Manager, Equity Invest.	Greg Cox	20%	60%	20%	0%	10%	50%	100%
Sr. Portfolio Mgr., Fixed Income Invest.	Russ Kampfe	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Fixed Income Invest.	Harland Doak	20%	60%	20%	0%	10%	50%	100%
Analytical Support:								
Nonmarketable Alternative	Lindel Eakman	20%	60%	20%	0%	5%	25%	50%
Public Markets	Tushar Shah	20%	60%	20%	0%	5%	25%	50%
Marketable Alternative	Jennifer Mandeville	20%	60%	20%	0%	5%	25%	50%
Marketable Alternative	Glenn Stotts *	20%	60%	20%	0%	5%	25%	50%
Risk Management	Uziel Yoeli **	70%	0%	30%	0%	5%	25%	50%
<b>Operations/Support Professionals</b>								
MD, Accounting, Finance & Admin.	Joan Moeller	20%	0%	80%	0%	10%	50%	100%
MD, Information Technology	Bill Edwards	20%	0%	80%	0%	10%	50%	100%
Manager, Finance & Administration	Greg Lee	20%	0%	80%	0%	5%	25%	50%
Manager, Investment Reporting	Gary Hill	20%	0%	80%	0%	5%	25%	50%
Manager, Portfolio Accounting & Ops.	Debbie Childers	20%	0%	80%	0%	5%	25%	50%

\* Glenn Stotts eligible beginning with employment start date of November 22, 2004

\*\* Uziel Yoeli employment start date of December 1, 2004. New analyst position with weightings set the same as Risk Manager; incentive award opportunity maximum set at 50%.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
March 31, 2005

**Agenda Item:** President and CEO's Performance Goals

**Developed By:** Moeller

**Presented By:** Ferguson

**Type of Item:** Action Item; Action Required by UTIMCO Board

**Discussion:** The UTIMCO Compensation Program (Plan) requires that the President and CEO's performance goals be determined and approved by the UTIMCO Board. There are three types of performance goals:

- (1) Entity performance (i.e., performance of the Total Endowment Assets)
- (2) Asset Class Performance (e.g., US public equity, international equity, private capital, fixed income, etc.)
- (3) Individual performance

The UTIMCO Board approved the 2004/2005 entity performance and asset class performance goals for eligible positions when it approved the Plan on September, 29, 2004. The President and CEO's goals were assigned a 70% weight for entity performance and a 30% weight for individual performance. The determination of the entity performance goal is documented in the Plan. The President and CEO's individual performance goals for 2004/2005 are presented for Board approval. The Compensation Committee approved the President and CEO's goals at their February 16, 2005, committee meeting.

The Compensation Committee approved the goals of all the other Plan participants at their February 16, 2005 meeting.

**Recommendation:** The Compensation Committee recommends that the UTIMCO Board approve the President and CEO's individual performance goals.

**Reference:** President and CEO's individual performance goals; UTIMCO Compensation Program

**RESOLUTION RELATED TO PRESIDENT AND CEO  
PERFORMANCE GOALS**

RESOLVED, that the President and CEO's Individual Performance Goals, as recommended by the Compensation Committee, are hereby approved in the form submitted to the Corporation's Board of Directors.

# **President and CEO's Performance Goals**

TO BE  
PRESENTED AT THE MEETING