

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



***Presentation Materials***

***Board of Directors Meeting***

***November 16, 2005***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
November 16, 2005**

Four Seasons at Las Colinas  
4150 North Mac Arthur Boulevard  
Irving, Texas

| Time       |            | Item # | Agenda Item  |
|------------|------------|--------|--|
| Begin      | End        |        |  |
| 9:00 a.m.  | 9:05 a.m.  | 1      | Call to Order/Consideration of Minutes of October 7, 2005 Meeting*   |
| 9:05 a.m.  | 9:20 a.m.  | 2      | Discussion and Consideration of Appointment of UTIMCO Directors, Board Officers and Proposed Committee Assignments*  |
| 9:20 a.m.  | 9:50 a.m.  | 3      | Endowment and Operating Funds Update: <ul style="list-style-type: none"> <li>- Asset Allocation and Performance</li> <li>- Liquidity Profile</li> <li>- Comprehensive Derivative Report</li> <li>- Report on Actions Taken Under Delegation of Authority</li> </ul>  |
| 9:50 a.m.  | 10:50 a.m. | 4      | <b>Executive Session:</b><br>Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to Consider Personnel Compensation Matters.<br><b>Reconvene into Open Session</b> <ul style="list-style-type: none"> <li>- Consideration of Compensation Committee Report*</li> </ul> |
| 10:50 a.m. | 11:05 a.m. |        | <b>Break</b>   |
| 11:05 a.m. | 11:35 a.m. | 5      | Discussion and Consideration of New Committee Charter and Proposed Changes to Existing Policy * <ul style="list-style-type: none"> <li>- Charter of the Policy Committee</li> <li>- Delegation of Authority Policy</li> </ul>  |
| 11:35 a.m. | 11:55 a.m. | 6      | Report and Consideration of Items from Audit and Ethics Committee*   |
| 11:55 a.m. | 1:00 p.m.  |        | <b>Lunch</b>   |
| 1:00 p.m.  | 1:30 p.m.  | 7      | Marketable Alternatives Portfolio Update   |
| 1:30 p.m.  | 2:00 p.m.  | 8      | Presentation on the New Risk Dashboard   |
| 2:00 p.m.  | 3:00 p.m.  | 9      | Discussion of Investment Environment and Opportunities   |
| 3:00 p.m.  | 3:30 p.m.  | 10     | Presentation on Implementation Status of Intermediate Term Fund*   |
| 3:30 p.m.  | 4:00 p.m.  | 11     | IT Presentation on Transaction Interface for Intermediate Term Fund  |
| 4:00 p.m.  |            |        | Adjournment  |

\* Action by resolution required

**Next Scheduled Meeting: January 17, 2006**

TAB 1

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **October 7, 2005**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 2:05 p.m. on the **7th day of October 2005**, by means of conference telephone enabling all persons participating in the meeting to hear each other, which conference telephone call was audible to the public, at the offices of the Corporation, Suite 1700, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, H. Scott Caven, Jr., 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:

H. Scott Caven, Jr., Chairman  
Mark G. Yudof, Vice Chairman for Policy  
Clint D. Carlson  
Erle Nye  
Robert B. Rowling  
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Woody L. Hunt and Advisory Director R. D. Burck were not present at the meeting. Director J. Philip Ferguson joined the meeting at the point indicated below. Also attending the meeting were Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; and Uzi Yoeli, Analyst of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, and Cathy Swain of UT System Administration; and Bruce Myers of Cambridge Associates. Mr. Caven called the meeting to order at 2:05 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 meetings of the Board of Directors held on September 14, 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 **September 14, 2005**, be, and are hereby, approved.

## **Intermediate Term Fund and Short Term Fund Policies**

Mr. Caven began with acknowledging the time and effort made by the Corporation Staff, UT System Oversight Staff and Dr. Brown to finalize the documents provided to the Board for review and consideration at this meeting. The Intermediate Term Fund (the "ITF") Investment Policy Statement is proposed to establish the ITF as a pooled operating fund for the collective investment of operating funds and other intermediate and long-term funds held by UT System institutions and System Administration. The proposed changes to the Short Term Fund (the "STF") Investment Policy Statement were for minor language and definition changes. Discussion was held regarding the proposed policy ranges as presented in Exhibit A, Policy Targets, Ranges and Performance Objectives for the ITF. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

RESOLVED, that the resolutions of the Board adopted on January 18, 2005, relating to Investment Policy Statements for the proposed CORE Fund, the proposed Core Guarantee Fund, the proposed CORE Plus Fund, the proposed Equity Fund, the Proposed Balanced Fund, a proposed Liquidity Policy for the CORE Fund and Balanced Fund, and a proposed Swap Agreement are hereby rescinded.

## **Delegation of Authority**

Mr. Caven then presented the proposed changes for the Delegation of Authority Policy and the Manager Exception List. During the past ten months, since the current policy has been in place (approved by the Board in November 2004), certain issues have come to the Staff's attention of which the Staff is proposing to clarify. Mr. Goldsmith and Mr. Myers answered the Directors' questions regarding the Manager Exception List. The Board recommended that the Manager Exception List be amended to reflect increases in the Barclays Global Investors ("BGI") Proposed Exception Amount to 15% with a cap set at \$1.75 Billion, and the Pacific Investment Management Co. ("PIMCO") to 10% with a cap set at \$1.5 Billion. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Manager Exception List as designated in the Delegation of Authority Policy be, and is hereby, approved in the form submitted as amended, to the Corporation's Board of Directors.

After discussion of the proposed amendments to the Delegation of Authority Policy, with Mr. Goldsmith answering the Directors' questions, the Board recommended that the Policy be approved as submitted by the Staff with one exception. A parenthetical phrase on page 3 which read "(including short sales of securities to offset existing long positions for risk control purposes)" will be removed. The removed language will be reviewed and considered again at the November Board meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments, with the noted exception, to the Delegation of Authority Policy be, and are hereby, approved by the Corporation's Board of Directors.

The Delegation of Authority Policy and the Manager Exception List, as approved, are attached to these minutes.

### **Derivative Investment Policy**

Mr. Caven asked Mr. Goldsmith to present the proposed changes to the Derivative Investment Policy. Discussion focused on the permitted derivative application and limitations sections of the policy. Mr. Ferguson joined the meeting at this time. Mr. Goldsmith and Dr. Brown answered the Directors' questions. The Directors requested new language within the section Permitted Derivative Applications as follows:

"The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Except as provided below, only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board and the UT System Board of Regents. The Chief Investment Officer shall recommend and the UTIMCO Board must approve any new internal derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. Derivative policies of external managers that engage in derivative applications not otherwise permitted by this Policy, or a Policy subsequently broadened by the UTIMCO Board, must be approved by the UTIMCO Board and the UT System Board of Regents. Existing external managers as of November 10, 2005, will comply with this policy on or before January 1, 2006."

And within the section of Limitations, the Board recommended that the net market value of all OTC derivative positions for any individual counterparty may not exceed 1% of the total market value of the Funds. The approved Derivative Investment Policy is attached to these minutes. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Derivative Investment Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors as amended, subject to approval of the U.T. System Board of Regents.

The Derivative Investment Policy, as approved, is attached to these minutes.

### **Liquidity Policy and the Charter of the Risk Committee**

Mr. Caven presented proposed amendments to the Liquidity Policy and the Charter of the Risk Committee. The proposed amendments relate to the addition of the ITF. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

FURTHER RESOLVED, that the amendments to the Charter of the Risk Committee be, and are hereby, approved in the form submitted to the Corporation's Board of Directors.

### **Investment Management Services Agreement**

The next item to come before the Board was to ratify certain changes to the Investment Management Services Agreement (the "IMSA") adopted by the Board of Regents. Ms. Moeller presented amendments proposed by the Staff to clarify language and to incorporate the ITF as a new fund to be included in the IMSA. She also stated that the UT System Office of General Counsel and Baker Botts are in the process of reviewing the document and will suggest modifications in the near future to include language to accommodate investing of outside foundations which the Board of Regents will consider at their November meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Investment Management Services Agreement as presented be, and are hereby, ratified except for any additional items approved by the Board which are subject to approval by the U. T. System Board of Regents; and be it

FURTHER RESOLVED, that the resolution of the Board adopted on January 18, 2005, for the Investment Management Services Agreement is rescinded.

### **Cohen and Steers' U.S. Total Realty Fund**

Mr. Caven continued the meeting by providing background for the proposed investment for the current internal REIT portfolio. A REIT investment alternative was necessary due to the departure of Mr. Greg Cox who had successfully managed the Endowments' REIT portfolios since 1993. Mr. Goldsmith continued by presenting details of the optimal near-term solution in bridging the gap from current to future REIT management for the endowments and proposing a commitment of the total internal REITs assets to Cohen & Steers' U.S. Total Realty Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to \$722 million (total internal REIT assets) combined institutional investment interest (the "Investment") in **Cohen & Steers' U.S. Total Realty Fund**; and

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



NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated September 29, 2005 for **Cohen & Steers' U.S. Total Realty 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, excluding an increase in the amount of the capital commitment to **Cohen & Steers' U.S. Total Realty 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.

Mr. Caven asked Director Nye, Chairman of the Audit and Ethics Committee, to review and consider moving the investment risk management oversight to the responsibility of the Risk Committee at the January Audit and Ethics Committee meeting.

Mr. Caven announced that although Dr. Brown's Consulting Position Agreement with the Board of Directors expired at the end of October 2005, he has agreed to continue serving for another year.

Mr. Caven also announced that he would be proposing a new standing committee for Board approval at the next meeting. The new committee will be a Policy Committee to serve on an adhoc basis when necessary to review existing policies and proposed changes.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:55 p.m.

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

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
H. Scott Caven, Jr.  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company

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

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Effective Date of Policy: October 7, 2005

Date Approved by UTIMCO Board: October 7, 2005

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on November 15, 2004

**Purpose:**

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

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

**Objective:**

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

**Scope:**

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

**Authority Delegated to UTIMCO Management:**

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

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

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UTIMCO policies to UTIMCO Management in two primary areas: Management, Operational, and Financial Authority, and Investment Authority.

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

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

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

***Administration, Accounting and Financial Management:*** The UTIMCO Board hereby delegates all day to day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Systems Technology Management:*** The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Personnel Management:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

***Compliance:*** The UTIMCO Board hereby delegates all compliance operations to UTIMCO management, while retaining all oversight functions as specified in UTIMCO policies.

***Client Relations and Reporting:*** The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO management.

***Public Relations:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations issues, except for those issues that are reserved for decisions by the UTIMCO Vice Chairman for Policy.

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

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In addition, in order to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Contracts:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less during the contract term, provided that notice of any such contracts, leases, or other commercial arrangements shall be reported to the UTIMCO Board at its regularly scheduled meetings.

**Investment Authority:** The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Tactical Asset Allocation:** Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policy Statements, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies.
- **Risk Management:** The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO management.
- **New Investment Vehicle and Manager Selection:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency and partnership agreements as necessary, subject only to the following limitations:
  - **Public Markets Investments:** Any new commitments exceeding (i)(a) \$200 million for an individual external manager or (b) 20% of the total assets under management under the specific asset categories of U.S. equity, non U.S. equity, and fixed income by an external manager or (ii) \$100 million for a particular active internal management application will require approval under the process defined in Appendix A.
  - **Marketable Alternatives Investments:** Any new commitments exceeding (i) \$100 million or (ii) 20% of the total assets of the same investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any marketable alternative investment managed by a manager not otherwise managing marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an opinion regarding the new investment from the external UTIMCO

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

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- consultant is necessary is delegated to the UTIMCO Chief Executive Officer.
- Non-Marketable Alternatives Investments: Any new commitments exceeding (i) \$50 million or (ii) 20% of the total assets of the same investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any non-marketable alternative investment managed by a manager not otherwise managing non-marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an opinion regarding the new investment from the external UTIMCO consultant is necessary is delegated to the UTIMCO Chief Executive Officer. All new commitments to direct, non-marketable investments will require approval under the process defined in Appendix A.
  - Other Investments: Any investments in asset categories not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
  - Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
  - The UTIMCO Chief Executive Officer will notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency and partnership agreements as necessary, subject only to the following limitations:
    - Public Markets Investments: Any increases to existing funds under management by any individual external manager exceeding \$200 million or by internal management in a particular active application exceeding \$100 million, or which increases the total assets managed to more than (i) \$400 million with an individual external manager or a larger amount approved by the Board for manager exceptions or (ii) 20% of the total assets under the specific asset categories of U.S. equity, non U.S. equity, and fixed income at an external manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.
    - Marketable Alternatives Investments: Any increases to existing funds under management exceeding \$100 million, or which increase the total assets managed to more than \$200 million with an individual manager or to more than 20% of the total assets in a specific investment mandate at a manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.

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

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- Non-Marketable Alternatives Investments: Any increases to existing funds under management exceeding \$50 million in an existing partnership or direct investment, or which increase the total UTIMCO investment in a single partnership or direct investment to more than (i) \$100 million or (ii) 20% of the total assets of the same investment vehicle, will require approval under the process defined in Appendix A.
- Any increase that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- **Manager and Partnership Monitoring and Termination:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- **Internal Investment Management:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO staff.
- **Management of UTIMCO's External Investment Consultant:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.
- **Management of UTIMCO's External Counsel:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

**Documentation and Controls:**

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

**Reporting:**

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

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

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**Appendix A  
Investment Vehicle and Manager Selection**

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

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

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

## Manager Exception List

| Manager                                  | Current Exposure<br>August 31, 2005<br>(\$ Millions) | Proposed Exception Amount<br>(\$ Millions)* | Manager Assets Under Management | UTIMCO %age of Manager |
|--|--|---|---------------------------------|------------------------|
| <b>Barclays Global Investors</b>         |  |   |                                 |                        |
| BGI S&P 400                              | \$ 46.8  |   | \$ 2,187.8                      | 2.14%                  |
| BGI S&P 500                              | 73.3   |   | 124,492.4                       | 0.06%                  |
| BGI Russell 3000 Alpha Tilts             | 298.1  |   | 11,824.6                        | 2.52%                  |
| BGI Russell 2000 Alpha Tilts             | 211.5  |   | 11,803.2                        | 1.79%                  |
| BGI EAFE Index Fund                      | 194.8  |   | 50,688.3                        | 0.38%                  |
| BGI EAFE Alpha Tilts                     | 308.2  |   | 1,959.2                         | 15.73%                 |
| BGI Market Neutral Overlay               | 65.8   |   | 1,908.1                         | 3.45%                  |
| BGI Emerging Structured Tier             | 103.2  |   | 2,146.8                         | 4.81%                  |
| BGI Unequitized Global Market Neutral    | 201.4  |   | 11,803.2                        | 1.71%                  |
|  | <b>\$ 1,503.1</b>                                    | <b>\$ 1,728.6</b>                           | <b>\$ 1,700,000.0</b>           | <b>0.10%</b>           |
|  |  | *Cap set at \$1.75 B                        |                                 |                        |
| <b>Pacific Investment Management Co.</b> |  |   |                                 |                        |
| Pimco Fixed Income                       | \$ 771.8   |   | \$ 346,600.0                    | 0.22%                  |
| Pimco Real Return                        | 262.9  |   | 9,300.0                         | 2.83%                  |
| Pimco TIPS                               | 296.1  |   | 31,400.0                        | 0.94%                  |
|  | <b>\$ 1,330.8</b>                                    | <b>\$ 1,463.9</b>                           | <b>\$ 493,300.0</b>             | <b>0.30%</b>           |
|  |  | *Cap set at \$1.5 B                         |                                 |                        |



# The University of Texas Investment Management Company

## Derivative Investment Policy

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Effective Date of Policy: November 10, 2005

Date Approved by UTIMCO Board: October 7, 2005

### **Purpose:**

The purpose of the Derivative Investment Policy is to enumerate the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statement for the Funds.

### **Objective:**

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Through the use of derivatives, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. Derivatives provide the Funds with the most economical means to improve the Funds risk/return profile.

### **Scope:**

Except where specifically noted, this Policy applies to all derivative transactions in the Funds executed by internal UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivatives policies for external managers are established on a case by case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivative instruments. This Policy shall not be construed to apply to index or other common or commingled funds in which the Funds typically invest. These commingled investment vehicles are governed by separate investment policy statements.

### **External Managers:**

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external investment manager of public market investments employed by UTIMCO under an Agency Agreement may engage in derivative transactions only if the transactions are consistent with the overall investment objectives of the account. Derivative applications shall be approved only with investment managers that demonstrate investment expertise in their use, and have appropriate risk management policies and procedures to effectively monitor and control their use.

Selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the managers' use of derivatives, particularly as it relates to various risk controls and leverage. These managers typically have complete delegated authority, and monitoring of risk exposures and leverage is done on both an individual entity and aggregate basis. The permitted uses of derivatives and leverage are fully documented in the limited liability agreements with these managers.

### **Definition of Derivatives:**

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as a bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include futures contracts, forward contracts, swaps and all forms of options, but shall not include a broader range of securities including mortgage backed securities, structured notes and convertible bonds. Derivatives may be purchased through

## The University of Texas Investment Management Company Derivative Investment Policy

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a national exchange or through an OTC direct arrangement with a counterparty. Refer to the attached exhibit for a glossary of terms.

### **Permitted Derivative Applications:**

Derivative applications may be used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with cash market securities;
- To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases or short sales, or both, of appropriate derivatives; or
- To facilitate transition trading.

The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Except as provided below, only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board and the U.T. System Board of Regents. The Chief Investment Officer shall recommend and the UTIMCO Board must approve any new internal derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. Derivative policies of external managers that may engage in derivative applications not otherwise permitted by this Policy, or a Policy subsequently broadened by the UTIMCO Board and the U.T. System Board of Regents, must be approved by the UTIMCO Board. Existing external managers as of November 10, 2005, will comply with this policy on or before January 1, 2006.

### **Derivative Applications Not Permitted:**

Derivative applications shall not be used to invest in asset classes that are not consistent with the Funds' policy asset categories, implementation strategies and risk/return characteristics.

### **Documentation and Controls:**

Prior to the implementation of a new internal derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary.

### **Limitations:**

**Economic Impact and Leverage:** Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivatives application, which is the sum of the application-specific risk and the market (systematic) risk established by the derivative application. In order to control and limit the leverage risk, each internal derivative application must specify a baseline portfolio, and risk measures such as Value at Risk (VAR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored

## The University of Texas Investment Management Company Derivative Investment Policy

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on a daily basis by the most appropriate risk management tools for the particular derivative application.

**Counterparty Risks:** In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivative transactions must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds under the transactions. The net market value of all OTC derivative positions for any individual counterparty may not exceed 1% of the total market value of the Funds.

**Global Risk Limitations:** Notwithstanding other limitations in this Derivative Policy, no derivative transaction may be taken that would cause the aggregate risk exposure of the Funds to exceed the aggregate risk limits established by the current asset allocation policies of the Funds.

### **Risk Management and Compliance:**

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed derivatives in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' external custodian, and these daily reports will be reviewed for accuracy by the UTIMCO Risk Manager. Compliance with the conditions of this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the external custodian and the external risk model. Data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager. Any violations of the terms in this Policy will be reported immediately to the Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Risk Committee and the UTIMCO Board.

### **Reporting:**

UTIMCO shall provide a comprehensive report of all approved derivative applications for both internal managers and external managers under Agency Agreements. UTIMCO shall also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external managers under Agency Agreements. These reports will be provided at least on a quarterly basis to the UTIMCO Board and the Risk Committee.

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

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**Derivative Investment Policy Exhibit**  
**Glossary of Terms**

**Agency Agreement** – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

**Application-specific risk** – The portion of total risk in a derivatives application which is due to factors unique to the application as opposed to more systematic, market-related factors. For example, in an option on a specific stock, the risk associated with the specific business results of the company which issued the stock underlying the option would be application-specific risk, as opposed to the overall risk of the stock market which would be Systematic Risk.

**Baseline portfolio** – The cash-market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.

**Cash equivalents** – Includes cash, short term fixed income instruments, accruals, variation margin and one day deposits in transit to the account.

**Cash market** - The physical market for a commodity or financial instrument.

**Counterparty** - The offsetting party in an exchange agreement.

**Delta Equivalent Value** – The delta of an option is a measure of the change in price of an option with a small change in the value of the security underlying the option as implied by the Black-Scholes theory. The delta is a function of the volatility of the underlying security, the dividend rate of the underlying security, the strike price of the option, the time to maturity of the option, and the risk free interest rate. The delta then defines the value of the underlying security that would be necessary to fully hedge the option position, the delta equivalent value. For example, if an option on a stock has a notional value of \$100 but would change in price by \$6 when the value of the underlying stock changes by \$10, then the delta equivalent value of the option is \$60.

**Derivative application** – A definition of the intended use of a derivative-based position such as replication or enhancing index returns, asset allocation or completion fund strategies, and various alpha transport strategies.

**Derivative application portfolio** – The portfolio including derivative instruments, cash equivalents, and other cash market assets established to replicate a specified baseline portfolio.

**Economic exposure** - The total effective exposure of a derivative position. The economic exposure is the product of the dollar value of the exposure and the market or systematic risk level of the exposure. A common method of measuring economic exposure is with risk management tools such as “value at risk.”

**Exchange traded derivatives** - A derivative instrument traded on an established national or international exchange. These instruments “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the instruments are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

## The University of Texas Investment Management Company Derivative Investment Policy

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**Forward contract** - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future.

**Futures contract** - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

**ISDA Netting Agreement** - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted "Master Agreements," a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives transactions. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be "netted" so that payables and receivables under all existing derivative transactions between two counterparties are offset in determining the net exposure between the two counterparties.

**Limited Liability Entity** – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

**Option** - An instrument that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

**Over the counter (OTC) derivatives** - A derivative instrument which result from direct negotiation between a buyer and a counterparty. The terms of such instruments are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

**Swap** - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

**Systematic risk** – The non-diversifiable risks associated with an investment in a particular asset market. For example the financial, political, and other risks associated with a portfolio of common stocks are known as "market" or systematic risks.

**Value at risk (VAR)** – An established method of measuring economic exposure risk. The measure conveys the maximum potential loss (in dollars or percent of total assets) for a particular investment position, for a particular period of time, for a particular level of confidence.

TAB 2

**Agenda Item**  
UTIMCO Board Meeting  
November 16, 2005

- Agenda Item:** Discussion and Consideration of Appointment of UTIMCO Directors, Board Officers and Proposed Committee Assignments
- Developed By:** Caven
- Presented By:** Caven
- Type of Item:** Action required by UTIMCO Board
- Description:** This agenda item seeks approval of assignments to UTIMCO Board Committees
- Recommendation:** Chairman Caven recommends approval of these assignments.
- Discussion:** Pending approval of recommended appointments of Regent Colleen McHugh as Regental member and Woody Hunt as external member of the UTIMCO Board of Directors at the UT System Board of Regents Meeting on November 10, 2005, Chairman Caven recommends the following Board Committee assignments:
- Audit & Ethics Committee
    - Erle Nye (Chairman)
    - Robert B. Rowling
    - Woody L. Hunt
  - Compensation Committee
    - Philip Ferguson (Chairman)
    - Clint D. Carlson
    - Robert B. Rowling
  - Risk Committee
    - Charles W. Tate (Chairman)
    - H. Scott Caven, Jr.
    - Woody L. Hunt
  - Policy Committee
    - Robert B. Rowling (Chairman)
    - Erle Nye
    - Colleen McHugh
- Reference:** UTIMCO Bylaws

TAB 3



**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Asset Allocation and Performance

**Developed By:** Moeller, Hill

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The reports presented are for the periods ended September 30, 2005. (Except as noted.)

**Discussion:** In the developed international asset class, Peter Cundhill and Associates, Inc., Canada mandate was terminated on October 13, 2005.

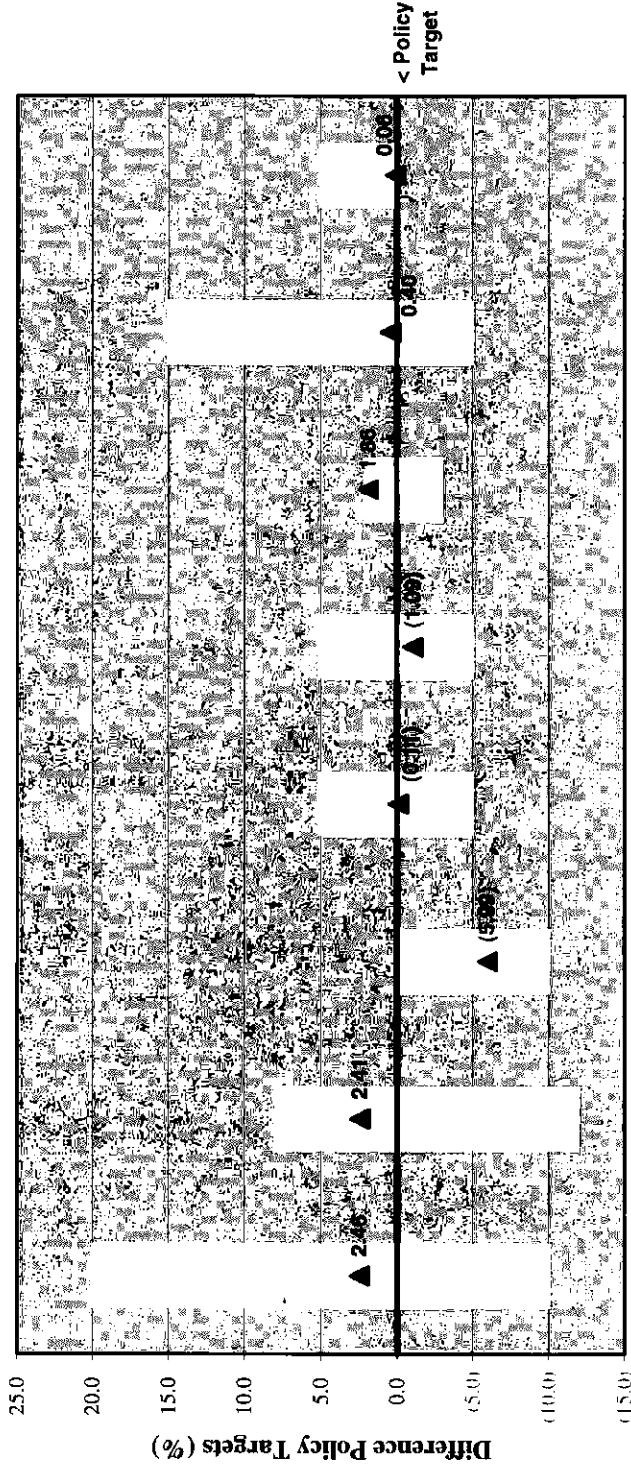
In the directional hedge fund asset class Sirios Overseas Fund was removed from manager watch list, and Standard Pacific Capital Offshore Fund was changed from Significant Concern; Watch List to Concern status.

**Recommendation:** No action required.

**Reference:** Market Exposure; 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; Performance Attribution; Performance Attribution; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars Funds Universe; UTIMCO Endowment Funds vs. Cambridge Associates College and University Universe; Public Markets Managers Investment Performance Detail

**Permanent University Fund  
Market Exposure  
September 30, 2005**

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



|                      | U.S. Equities | Global Equities | Private Capital | Directional Hedge Funds | Absolute Return Hedge Funds | Inflation Linked | Fixed Income | Cash and Cash Equivalents |
|----------------------|---------------|-----------------|-----------------|-------------------------|-----------------------------|------------------|--------------|---------------------------|
| <b>Actual</b>        | 22.46%        | 19.41%          | 9.01%           | 9.89%                   | 13.91%                      | 14.86%           | 10.40%       | 0.06%                     |
| <b>Policy Target</b> | 20.00%        | 17.00%          | 15.00%          | 10.00%                  | 15.00%                      | 13.00%           | 10.00%       | 0.00%                     |
| <b>Deviation</b>     | 2.46%         | 2.41%           | -5.99%          | -0.11%                  | -1.09%                      | 1.86%            | 0.40%        | 0.06%                     |

|                                   |        |        |          |         |          |        |       |      |
|-----------------------------------|--------|--------|----------|---------|----------|--------|-------|------|
| <b>Deviation in Dollars (\$m)</b> | 233.57 | 228.83 | (568.75) | (10.44) | (103.49) | 176.61 | 37.98 | 5.69 |
|-----------------------------------|--------|--------|----------|---------|----------|--------|-------|------|





# UTIMCO Performance Summary

September 30, 2005

| Net Asset Value 9/30/2005 (in Millions)  | Periods Ended September 30, 2005<br>(Returns for Periods Longer Than One Year are Annualized) |                     |              |            |                       |          |           |             |            |            |           |
|--|---|---------------------|--------------|------------|-----------------------|----------|-----------|-------------|------------|------------|-----------|
|  | One Month   | Fiscal Year To Date | Three Months | Six Months | Calendar Year To Date | One Year | Two Years | Three Years | Four Years | Five Years | Ten Years |
| <b>ENDOWMENT FUNDS</b>   |   |                     |              |            |                       |          |           |             |            |            |           |
| Permanent University Fund  | 1.65  | 1.65                | 5.78         | 8.04       | 9.94                  | 18.22    | 17.17     | 17.24       | 11.10      | 6.02       | 9.78      |
| General Endowment Fund   | 1.62  | 1.62                | 5.68         | 7.88       | 9.80                  | 18.21    | 17.22     | 17.63       | 11.49      | N/A        | N/A       |
| Permanent Health Fund  | 1.62  | 1.62                | 5.68         | 7.83       | 9.72                  | 18.08    | 17.09     | 17.49       | 11.37      | 6.13       | N/A       |
| Long Term Fund   | 1.62  | 1.62                | 5.68         | 7.82       | 9.71                  | 18.07    | 17.08     | 17.52       | 11.40      | 6.22       | 10.47     |
| Separately Invested Funds  | N/A   | 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>14,679.5</b>  |   |                     |              |            |                       |          |           |             |            |            |           |
| <b>OPERATING FUNDS</b>   |   |                     |              |            |                       |          |           |             |            |            |           |
| Short Term Fund  | 2,240.8   | 0.29                | 0.86         | 1.59       | 2.18                  | 2.65     | 1.87      | 1.67        | 1.79       | 2.49       | 4.06      |
| Short Intermediate Term Fund   | 1,216.9   | (0.39)              | 0.05         | 1.25       | 1.43                  | 1.95     | 1.77      | 1.98        | 2.25       | 3.59       | 4.90      |
| Institutional Index Funds:   |   |                     |              |            |                       |          |           |             |            |            |           |
| BGI US Bond Index Fund   | (1.03)  | (1.03)              | (0.67)       | 2.33       | 1.83                  | 2.81     | 3.28      | 4.09        | 5.18       | 6.71       | N/A       |
| BGI Equity Index Fund  | 0.81  | 0.81                | 3.62         | 5.05       | 2.82                  | 12.33    | 13.11     | 16.77       | 6.09       | (1.45)     | N/A       |
| <b>Total Operating Funds</b>   | <b>3,633.0</b>  |                     |              |            |                       |          |           |             |            |            |           |
| <b>Total Investments</b>   | <b>\$ 18,312.5</b>  |                     |              |            |                       |          |           |             |            |            |           |
| <b>BENCHMARKS (1)</b>  |   |                     |              |            |                       |          |           |             |            |            |           |
| Permanent University Fund: Policy Portfolio  | 1.46  | 1.46                | 4.49         | 7.70       | 8.66                  | 15.04    | 14.40     | 13.58       | 8.37       | 4.00       | 10.40     |
| General Endowment Fund: Policy Portfolio   | 1.46  | 1.46                | 4.49         | 7.70       | 8.66                  | 15.04    | 14.40     | 13.58       | 8.37       | 3.97       | 10.26     |
| Short Term Fund: 90 Day Treasury Bills Average Yield   | 0.30  | 0.30                | 0.83         | 1.55       | 2.13                  | 2.62     | 1.86      | 1.68        | 1.76       | 2.49       | 3.91      |
| Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current) | (0.25)  | (0.25)              | 0.09         | 1.23       | 0.97                  | 0.98     | 1.06      | 1.63        | 2.64       | 4.14       | 5.00      |
| Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index  | (1.03)  | (1.03)              | (0.67)       | 2.31       | 1.82                  | 2.80     | 3.24      | 3.96        | 5.10       | 6.62       | 6.55      |
| Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)                                      | 0.81  | 0.81                | 3.60         | 5.02       | 2.77                  | 12.25    | 13.06     | 16.72       | 6.04       | (1.49)     | 9.49      |
| <b>VALUE ADDED (2)</b>   |   |                     |              |            |                       |          |           |             |            |            |           |
| Permanent University Fund  |   |                     |              |            |                       |          |           |             |            |            | (0.61)    |
| General Endowment Fund   |   |                     |              |            |                       |          |           |             |            | N/A        | N/A       |
| Permanent Health Fund  |   |                     |              |            |                       |          |           |             |            |            | N/A       |
| Long Term Fund   |   |                     |              |            |                       |          |           |             |            |            | N/A       |
| Short Term Fund  | (0.01)  | (0.01)              |              |            |                       |          |           | (0.01)      |            | 0.00       |           |
| Short Intermediate Term Fund   | (0.14)  | (0.14)              | (0.04)       |            |                       |          |           |             | (0.39)     | (0.55)     | (0.10)    |
| Institutional Bond Index Fund  | 0.00  | 0.00                | 0.00         |            | 0.00                  |          |           |             |            |            | N/A       |
| Institutional Equity Index Fund  | 0.00  | 0.00                |              |            |                       |          |           |             |            |            | N/A       |

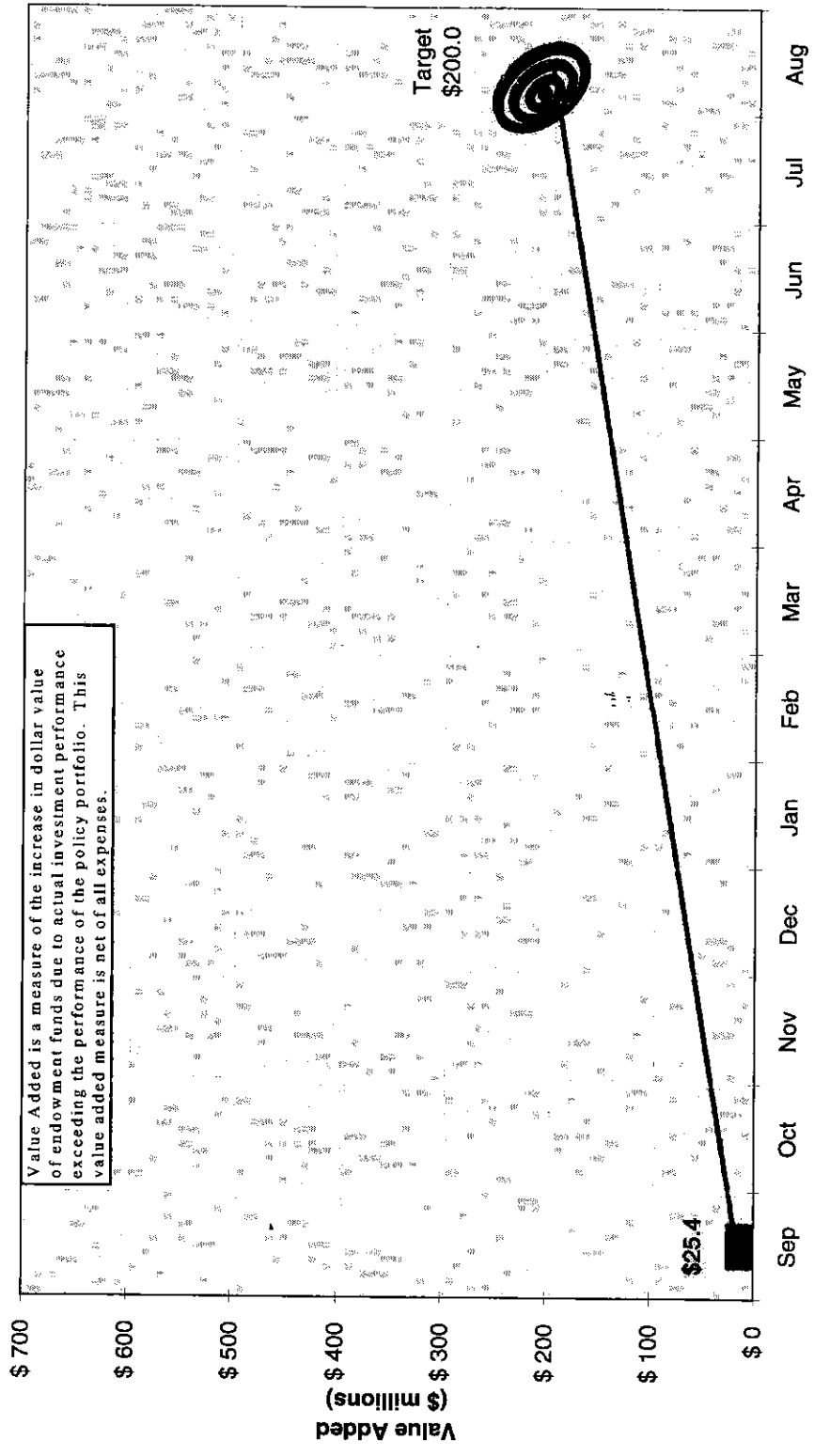
(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical errors in benchmark construction and calculation: (a) to reflect actual asset class target allocations which were in place, or the practical implementation of changes to those policy allocations, and (b) to distinguish between PUF and GEF/LTF historical investment objectives and distribution policies by accurately representing actual asset class allocations during those periods.

Benchmark returns for the PUF and GEF/LTF policy portfolios were also restated for all prior period beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previously for the Private Capital asset class. Specifically, the Wilshire 5000 + 4%, the benchmark used prior to January 1, 2004, was replaced with the Venture Economics Periodic IRR Index, a more appropriate benchmark measure for the actual Private Capital portfolio.

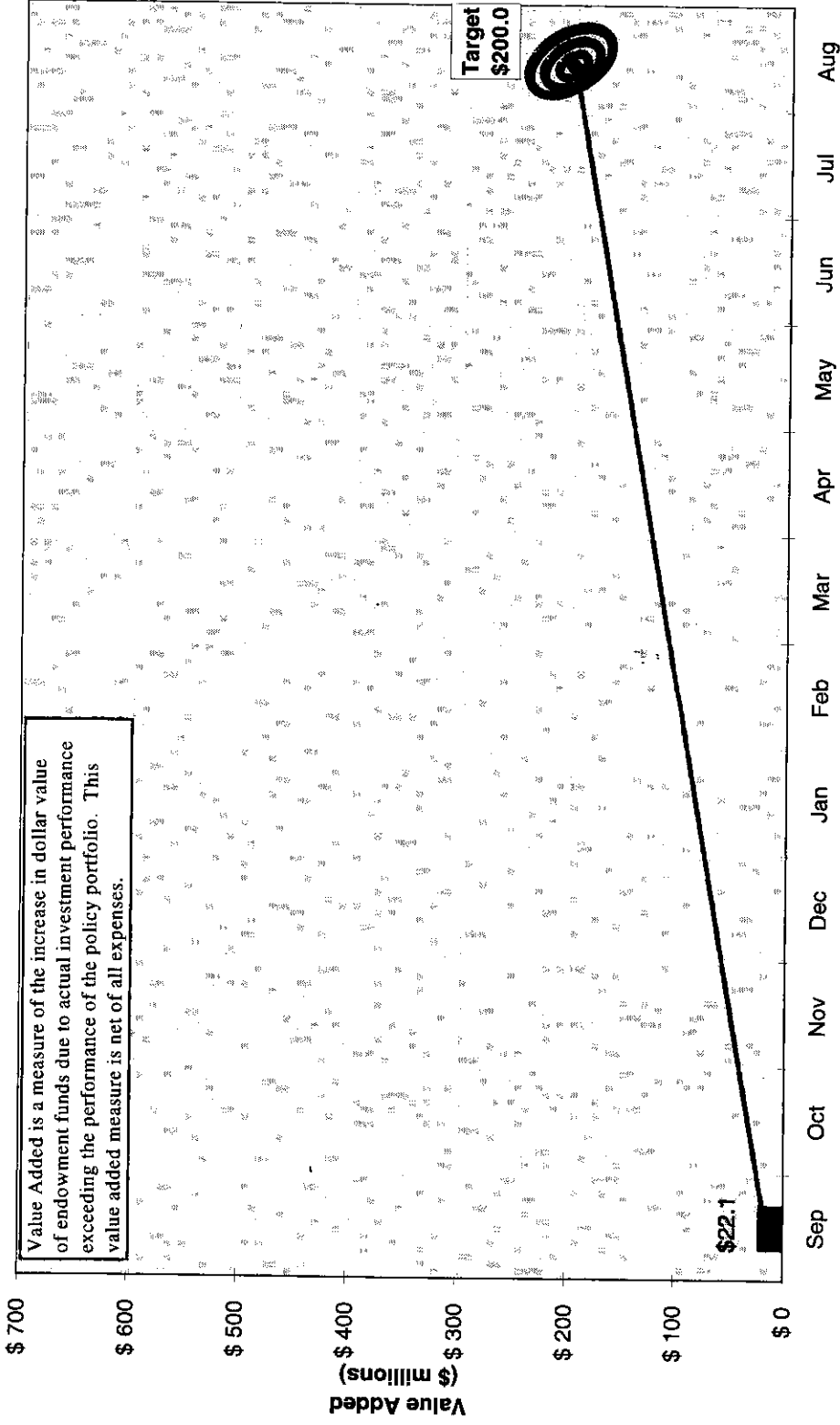
Complete details of the restatement and previous policy portfolio benchmark history are documented on the UTIMCO website at [www.UTIMCO.org](http://www.UTIMCO.org) or are available upon request.

(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 UTIMCO staff and external managers.

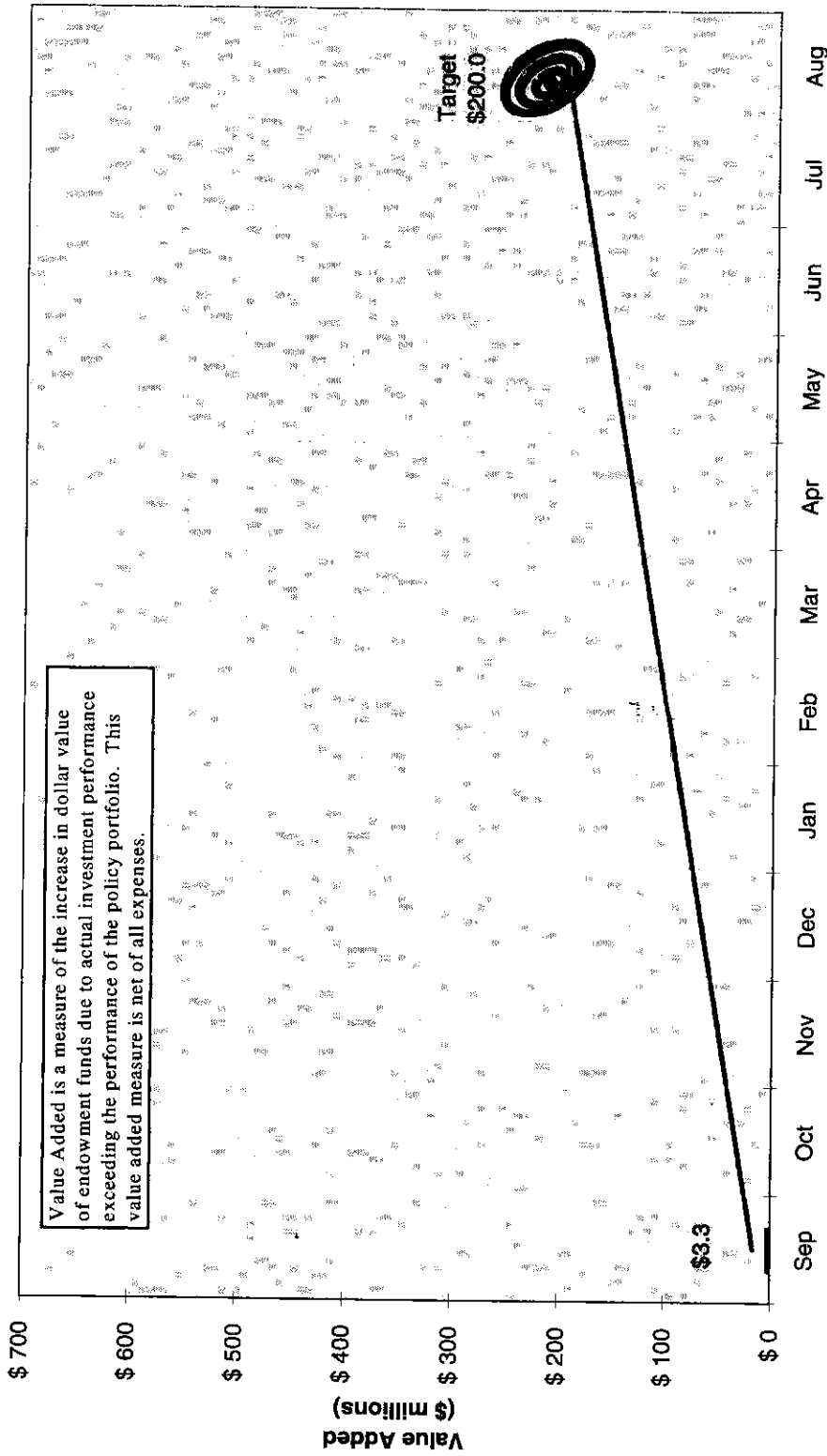
# Cumulative Value Added In Endowment Funds 2005-2006 Fiscal Year



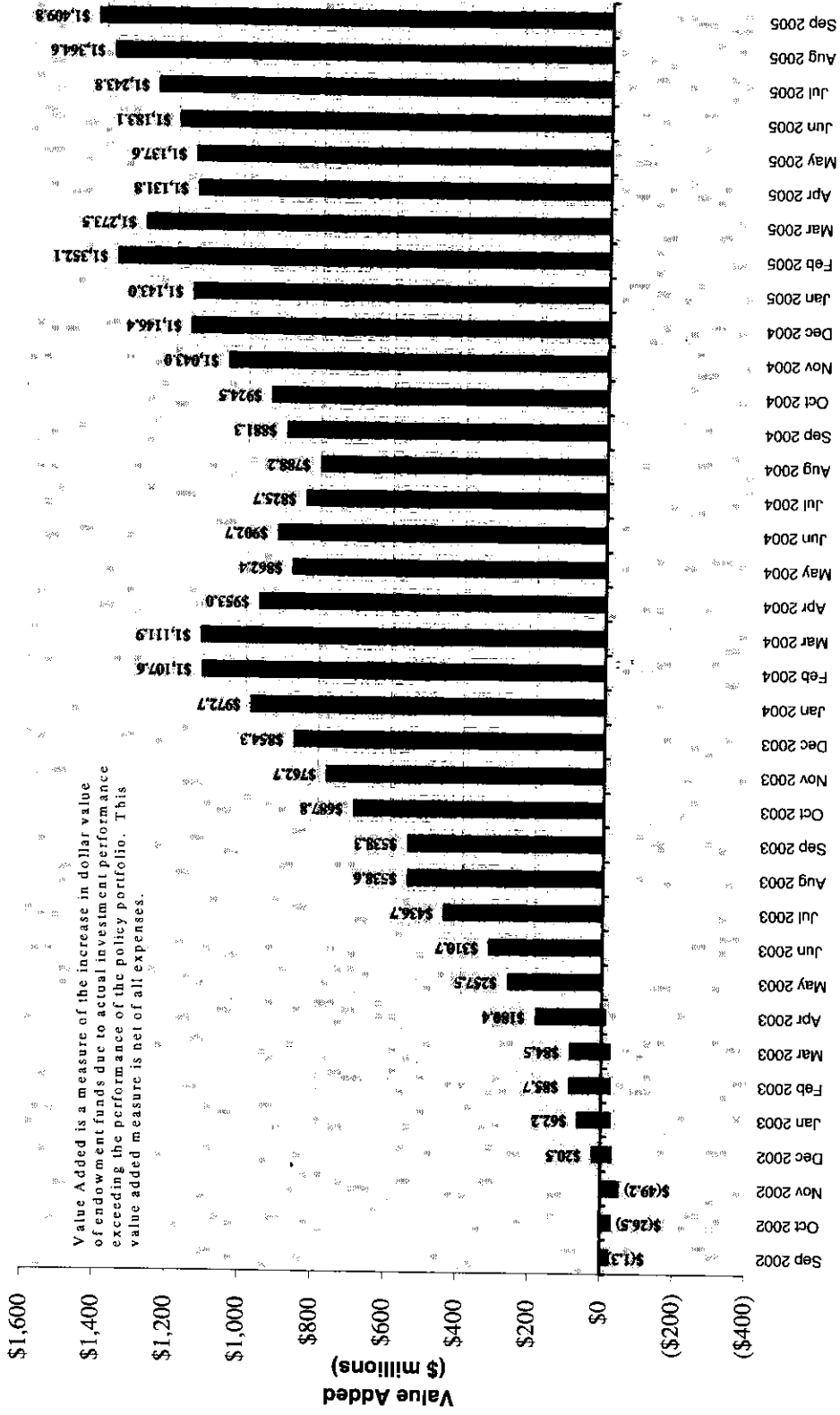
# Cumulative Value Added in Marketable Securities in Endowment Funds 2005-2006 Fiscal Year



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



# VALUE ADDED: ENDOWMENT FUNDS SINCE SEPTEMBER 1, 2002



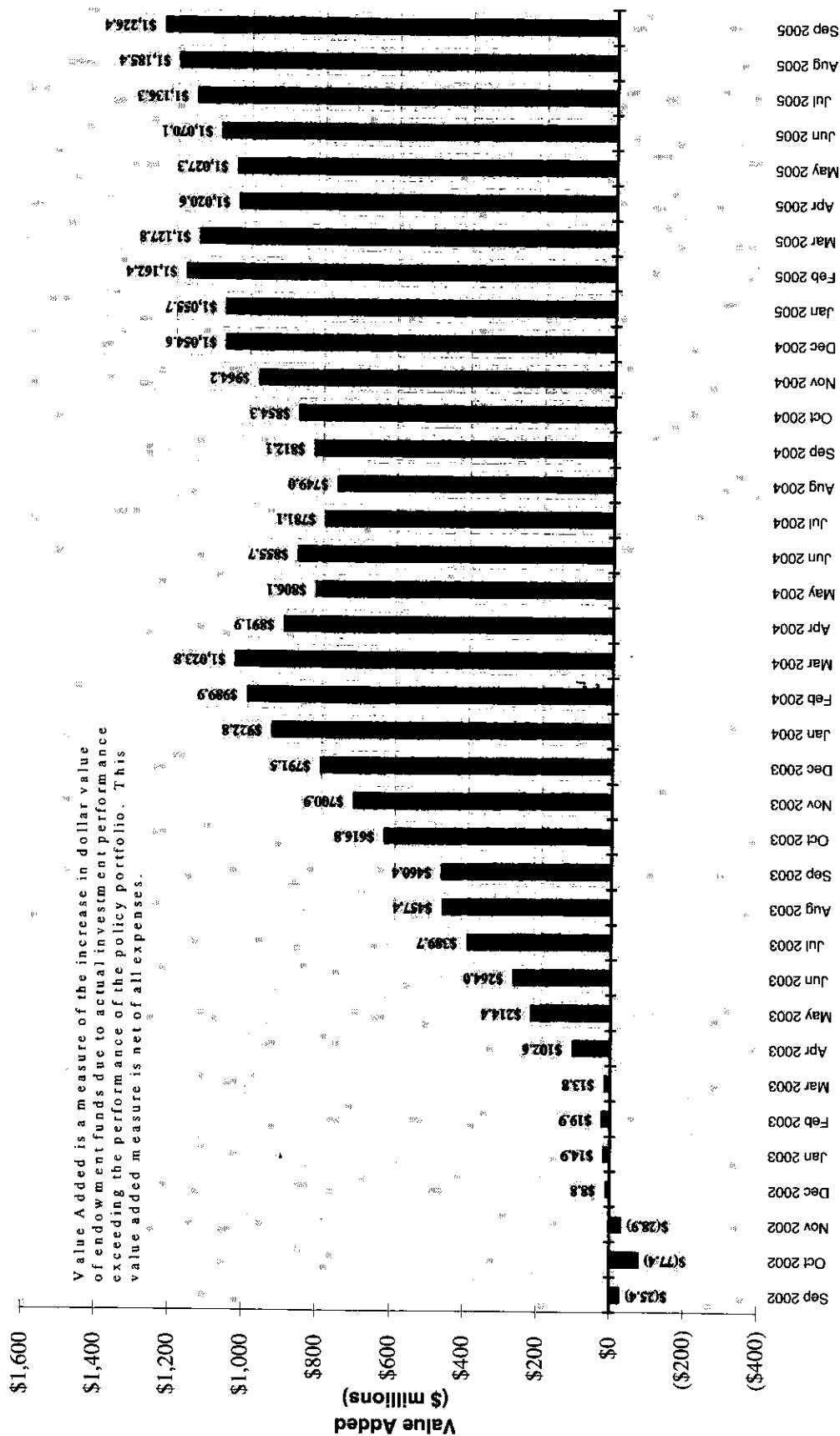
Value Added is a measure of the increase in dollar value of endowment funds due to actual investment performance exceeding the performance of the policy portfolio. This value added measure is net of all expenses.

■ Security Selection ■ Asset Allocation





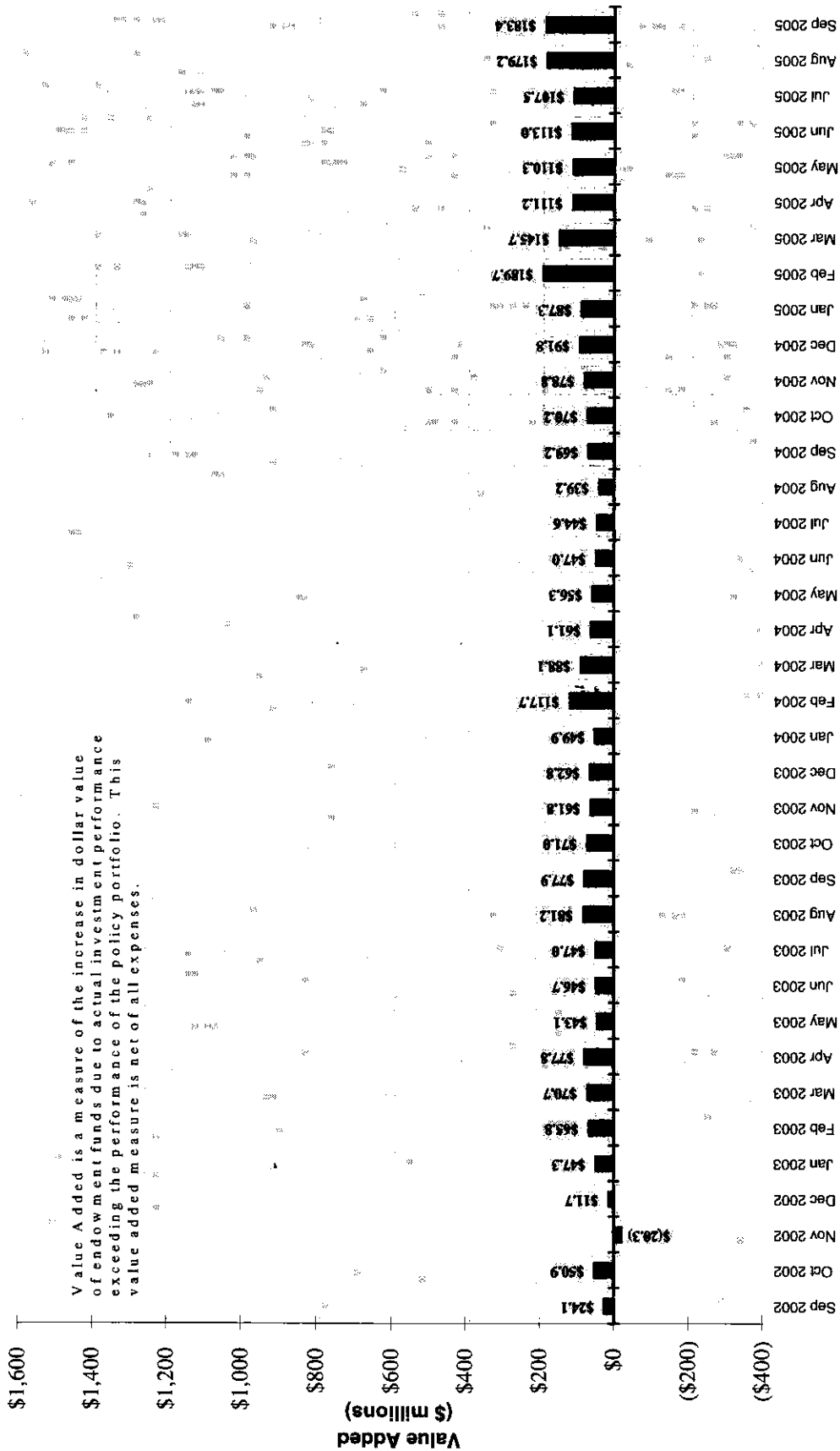
**VALUE ADDED: MARKETABLE ASSETS ONLY  
SINCE SEPTEMBER 1, 2002**



Value Added for Month Ended



# VALUE ADDED: NON-MARKETABLE ASSETS ONLY SINCE SEPTEMBER 1, 2002



Value Added for Month Ended



**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**One Month Ended September 30, 2005**  
**Net of Fees**

|                                | AVERAGE<br>PORTFOLIO<br>ASSET<br>ALLOCATION | PORTFOLIO<br>RETURN | AVERAGE<br>POLICY<br>PORTFOLIO<br>ASSET<br>ALLOCATION | POLICY<br>PORTFOLIO<br>BENCHMARK | ASSET<br>ALLOCATION<br>EFFECT (1) | SECURITY<br>SELECTION<br>EFFECT (2) | TOTAL<br>EFFECT |
|--------------------------------|---|---------------------|---|----------------------------------|-----------------------------------|-------------------------------------|-----------------|
| Cash and Cash Equivalents      | 0.33%                                       | 0.29%               | 0.00%   | 0.30%                            | 0.01%                             | 0.00%                               | 0.01%           |
| U.S. Equities                  | 22.62%                                      | 1.47%               | 20.00%  | 0.87%                            | 0.00%                             | 0.12%                               | 0.12%           |
| Global Equities                | 18.28%                                      | 5.32%               | 17.00%  | 6.45%                            | 0.05%                             | -0.19%                              | -0.14%          |
| Directional Hedge Funds        | 9.99%                                       | 0.59%               | 10.00%  | 0.96%                            | 0.00%                             | -0.04%                              | -0.04%          |
| Absolute Return Hedge Funds    | 13.98%                                      | 0.98%               | 15.00%  | 0.36%                            | 0.00%                             | 0.09%                               | 0.09%           |
| Inflation Linked               | 14.91%                                      | 1.17%               | 13.00%  | 0.44%                            | -0.01%                            | 0.10%                               | 0.09%           |
| Fixed Income                   | 10.67%                                      | -0.96%              | 10.00%  | -1.03%                           | -0.02%                            | 0.01%                               | -0.01%          |
| <b>Total Marketable Assets</b> | <b>90.78%</b>                               | <b>1.73%</b>        | <b>85.00%</b>   | <b>1.62%</b>                     | <b>0.03%</b>                      | <b>0.09%</b>                        | <b>0.12%</b>    |
| Private Capital                | 9.22%                                       | 0.85%               | 15.00%  | 0.56%                            | 0.03%                             | 0.04%                               | 0.07%           |
| <b>Total Fund</b>              | <b>100.00%</b>                              | <b>1.65%</b>        | <b>100.00%</b>  | <b>1.46%</b>                     | <b>0.06%</b>                      | <b>0.13%</b>                        | <b>0.19%</b>    |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company  
 Permanent University Fund Asset Allocation and Attribution Analysis  
 Fiscal Year to Date  
 September 30, 2005  
 Net of Fees

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE POLICY PORTFOLIO ASSET ALLOCATION | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|---|----------------------------|-----------------------------|-------------------------------|--------------|
| Cash and Cash Equivalents      | 0.33%                              | 0.29%            | 0.00%                                     | 0.30%                      | 0.01%                       | 0.00%                         | 0.01%        |
| U.S. Equities                  | 22.62%                             | 1.47%            | 20.00%                                    | 0.87%                      | 0.00%                       | 0.12%                         | 0.12%        |
| Global Equities                | 18.28%                             | 5.32%            | 17.00%                                    | 6.45%                      | 0.05%                       | -0.19%                        | -0.14%       |
| Directional Hedge Funds        | 9.99%                              | 0.59%            | 10.00%                                    | 0.96%                      | 0.00%                       | -0.04%                        | -0.04%       |
| Absolute Return Hedge Funds    | 13.98%                             | 0.98%            | 15.00%                                    | 0.36%                      | 0.00%                       | 0.09%                         | 0.09%        |
| Inflation Linked               | 14.91%                             | 1.17%            | 13.00%                                    | 0.44%                      | -0.01%                      | 0.10%                         | 0.09%        |
| Fixed Income                   | 10.67%                             | -0.96%           | 10.00%                                    | -1.03%                     | -0.02%                      | 0.01%                         | -0.01%       |
| <b>Total Marketable Assets</b> | <b>90.78%</b>                      | <b>1.73%</b>     | <b>85.00%</b>                             | <b>1.62%</b>               | <b>0.03%</b>                | <b>0.09%</b>                  | <b>0.12%</b> |
| Private Capital                | 9.22%                              | 0.85%            | 15.00%                                    | 0.56%                      | 0.03%                       | 0.04%                         | 0.07%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>1.65%</b>     | <b>100.00%</b>                            | <b>1.46%</b>               | <b>0.06%</b>                | <b>0.13%</b>                  | <b>0.19%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**Three Months Ended September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE POLICY PORTFOLIO ASSET ALLOCATION | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|---|----------------------------|-----------------------------|-------------------------------|--------------|
| Cash and Cash Equivalents      | 1.03%                              | 0.86%            | 0.00%                                     | 0.83%                      | -0.04%                      | 0.00%                         | -0.04%       |
| U.S. Equities                  | 26.55%                             | 4.94%            | 23.33%                                    | 4.08%                      | 0.00%                       | 0.18%                         | 0.18%        |
| Global Equities                | 17.60%                             | 11.77%           | 17.00%                                    | 13.15%                     | 0.04%                       | -0.23%                        | 0.19%        |
| Directional Hedge Funds        | 9.93%                              | 3.36%            | 10.00%                                    | 2.16%                      | 0.00%                       | 0.12%                         | 0.12%        |
| Absolute Return Hedge Funds    | 13.89%                             | 3.95%            | 15.00%                                    | 1.39%                      | 0.00%                       | 0.39%                         | 0.39%        |
| Inflation Linked               | 8.17%                              | 16.26%           | 6.33%                                     | 21.82%                     | 0.21%                       | -0.09%                        | 0.12%        |
| Fixed Income                   | 13.70%                             | -0.37%           | 13.33%                                    | -0.74%                     | -0.03%                      | 0.05%                         | 0.02%        |
| <b>Total Marketable Assets</b> | <b>90.87%</b>                      | <b>5.62%</b>     | <b>84.99%</b>                             | <b>4.99%</b>               | <b>0.18%</b>                | <b>0.42%</b>                  | <b>0.60%</b> |
| Private Capital                | 9.13%                              | 7.47%            | 15.00%                                    | 1.70%                      | -0.20%                      | 0.89%                         | 0.69%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>5.78%</b>     | <b>100.00%</b>                            | <b>4.49%</b>               | <b>-0.02%</b>               | <b>1.31%</b>                  | <b>1.29%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**Calendar Year to Date**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE POLICY PORTFOLIO ASSET ALLOCATION | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|---|----------------------------|-----------------------------|-------------------------------|--------------|
| Cash and Cash Equivalents      | 1.10%                              | 2.18%            | 0.00%                                     | 2.13%                      | -0.08%                      | 0.00%                         | -0.08%       |
| U.S. Equities                  | 26.24%                             | 6.93%            | 24.45%                                    | 5.54%                      | -0.03%                      | 0.32%                         | 0.29%        |
| Global Equities                | 18.91%                             | 14.69%           | 17.00%                                    | 13.16%                     | -0.02%                      | 0.24%                         | 0.22%        |
| Directional Hedge Funds        | 9.76%                              | 6.77%            | 10.00%                                    | 5.56%                      | -0.03%                      | 0.12%                         | 0.09%        |
| Absolute Return Hedge Funds    | 14.22%                             | 7.14%            | 15.00%                                    | 4.25%                      | -0.02%                      | 0.44%                         | 0.42%        |
| Inflation Linked               | 6.00%                              | 31.41%           | 4.11%                                     | 41.15%                     | 0.34%                       | -0.19%                        | 0.15%        |
| Fixed Income                   | 14.30%                             | 1.74%            | 14.44%                                    | 1.82%                      | -0.05%                      | -0.02%                        | -0.07%       |
| <b>Total Marketable Assets</b> | <b>90.53%</b>                      | <b>8.67%</b>     | <b>85.00%</b>                             | <b>7.50%</b>               | <b>0.11%</b>                | <b>0.91%</b>                  | <b>1.02%</b> |
| Private Capital                | 9.47%                              | 22.69%           | 15.00%                                    | 15.21%                     | -0.79%                      | 1.05%                         | 0.26%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>9.94%</b>     | <b>100.00%</b>                            | <b>8.66%</b>               | <b>-0.68%</b>               | <b>1.96%</b>                  | <b>1.28%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**Year Ended**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE POLICY PORTFOLIO ASSET ALLOCATION | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|---|----------------------------|-----------------------------|-------------------------------|--------------|
| Cash and Cash Equivalents      | 1.23%                              | 2.65%            | 0.00%                                     | 2.62%                      | -0.13%                      | 0.00%                         | -0.13%       |
| U.S. Equities                  | 26.47%                             | 19.43%           | 24.59%                                    | 17.58%                     | 0.13%                       | 0.41%                         | 0.54%        |
| Global Equities                | 19.29%                             | 29.63%           | 17.00%                                    | 30.55%                     | 0.25%                       | -0.16%                        | 0.09%        |
| Directional Hedge Funds        | 9.35%                              | 12.48%           | 10.00%                                    | 7.13%                      | -0.01%                      | 0.56%                         | 0.55%        |
| Absolute Return Hedge Funds    | 14.04%                             | 13.71%           | 15.00%                                    | 5.54%                      | -0.02%                      | 1.29%                         | 1.27%        |
| Inflation Linked               | 5.79%                              | 21.15%           | 3.83%                                     | 25.59%                     | 0.05%                       | -0.09%                        | -0.04%       |
| Fixed Income                   | 14.34%                             | 4.92%            | 14.58%                                    | 3.32%                      | -0.04%                      | 0.26%                         | 0.22%        |
| <b>Total Marketable Assets</b> | <b>90.51%</b>                      | <b>17.34%</b>    | <b>85.00%</b>                             | <b>14.57%</b>              | <b>0.23%</b>                | <b>2.27%</b>                  | <b>2.50%</b> |
| Private Capital                | 9.49%                              | 26.81%           | 15.00%                                    | 17.43%                     | -0.68%                      | 1.36%                         | 0.68%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>18.22%</b>    | <b>100.00%</b>                            | <b>15.04%</b>              | <b>-0.45%</b>               | <b>3.63%</b>                  | <b>3.18%</b> |

(1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)

(2) Selection effect measures the impact of selecting securities different from those held in the benchmark.

(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**Cumulative Since September 1, 2002 to**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE POLICY PORTFOLIO ASSET ALLOCATION | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT  |
|--------------------------------|------------------------------------|------------------|---|----------------------------|-----------------------------|-------------------------------|---------------|
| Cash and Cash Equivalents      | 0.74%                              | 5.26%            | 0.00%                                     | 5.29%                      | 0.45%                       | 0.00%                         | 0.45%         |
| U.S. Equities                  | 28.36%                             | 59.94%           | 24.57%                                    | 57.06%                     | 0.79%                       | 0.89%                         | 1.68%         |
| Global Equities                | 18.80%                             | 86.22%           | 16.43%                                    | 83.98%                     | 1.34%                       | 0.09%                         | 1.43%         |
| Directional Hedge Funds        | 7.64%                              | 25.56%           | 10.00%                                    | 19.44%                     | 0.46%                       | 0.72%                         | 1.18%         |
| Absolute Return Hedge Funds    | 11.12%                             | 58.15%           | 12.84%                                    | 16.79%                     | 0.49%                       | 5.25%                         | 4.76%         |
| Inflation Linked               | 6.39%                              | 102.64%          | 6.30%                                     | 98.89%                     | 0.04%                       | 1.44%                         | 1.20%         |
| Fixed Income                   | 15.20%                             | 23.27%           | 14.86%                                    | 14.64%                     | 0.65%                       | 1.56%                         | 2.21%         |
| GSAM Global Asset Allocation   | 0.48%                              | 76.95%           | 0.00%                                     | 0.00%                      | 0.16%                       | 0.00%                         | 0.16%         |
| <b>Total Marketable Assets</b> | <b>88.73%</b>                      | <b>58.46%</b>    | <b>85.00%</b>                             | <b>44.45%</b>              | <b>2.22%</b>                | <b>9.95%</b>                  | <b>12.17%</b> |
| Private Capital                | 11.27%                             | 38.92%           | 15.00%                                    | 21.90%                     | 1.00%                       | 3.02%                         | 2.02%         |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>55.19%</b>    | <b>100.00%</b>                            | <b>41.00%</b>              | <b>1.22%</b>                | <b>12.97%</b>                 | <b>14.19%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)



**The University of Texas Investment Management Company**  
**Permanent University Fund Asset Allocation and Attribution Analysis**  
**Annualized Since September 1, 2002 to**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO RETURN | AVERAGE PORTFOLIO ASSET ALLOCATION | PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|------------------------------------|---------------------|-----------------------------|-------------------------------|--------------|
| Cash and Cash Equivalents      | 0.74%                              | 1.68%            | 0.00%                              | 1.69%               | -0.11%                      | 0.00%                         | -0.11%       |
| U.S. Equities                  | 28.36%                             | 16.45%           | 24.57%                             | 15.77%              | 0.19%                       | 0.22%                         | 0.41%        |
| Global Equities                | 18.80%                             | 22.34%           | 16.43%                             | 21.86%              | 0.32%                       | 0.02%                         | 0.34%        |
| Directional Hedge Funds        | 7.64%                              | 7.66%            | 10.00%                             | 5.93%               | 0.11%                       | 0.18%                         | 0.29%        |
| Absolute Return Hedge Funds    | 11.12%                             | 16.03%           | 12.84%                             | 5.16%               | -0.12%                      | 1.31%                         | 1.19%        |
| Inflation Linked               | 6.39%                              | 25.74%           | 6.30%                              | 24.98%              | -0.06%                      | 0.36%                         | 0.30%        |
| Fixed Income                   | 15.20%                             | 7.02%            | 14.86%                             | 4.53%               | 0.17%                       | 0.39%                         | 0.56%        |
| GSAM Global Asset Allocation   | 0.48%                              | 20.33%           | 0.00%                              | 0.00%               | 0.04%                       | 0.00%                         | 0.04%        |
| <b>Total Marketable Assets</b> | <b>88.73%</b>                      | <b>16.10%</b>    | <b>85.00%</b>                      | <b>12.67%</b>       | <b>0.54%</b>                | <b>2.48%</b>                  | <b>3.02%</b> |
| Private Capital                | 11.27%                             | 11.25%           | 15.00%                             | 6.63%               | -0.24%                      | 0.75%                         | 0.51%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>15.32%</b>    | <b>100.00%</b>                     | <b>11.79%</b>       | <b>0.30%</b>                | <b>3.23%</b>                  | <b>3.53%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company  
 General Endowment Fund Asset Allocation and Attribution Analysis  
 One Month Ended September 30, 2005  
 Net of Fees

|                                | AVERAGE PORTFOLIO ASSET |              | POLICY PORTFOLIO ASSET |              | POLICY PORTFOLIO BENCHMARK |        | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|-------------------------|--------------|------------------------|--------------|----------------------------|--------|-----------------------------|-------------------------------|--------------|
|                                | ALLOCATION              | RETURN       | ALLOCATION             | RETURN       | ALLOCATION                 | RETURN |                             |                               |              |
| Cash and Cash Equivalents      | 0.51%                   | 0.29%        | 0.00%                  | 0.30%        |                            |        | 0.01%                       | 0.00%                         | 0.01%        |
| U.S. Equities                  | 21.64%                  | 1.51%        | 20.00%                 | 0.87%        |                            |        | 0.00%                       | 0.13%                         | 0.13%        |
| Global Equities                | 17.97%                  | 5.20%        | 17.00%                 | 6.45%        |                            |        | 0.04%                       | 0.21%                         | 0.17%        |
| Directional Hedge Funds        | 9.98%                   | 0.53%        | 10.00%                 | 0.96%        |                            |        | 0.00%                       | 0.04%                         | 0.04%        |
| Absolute Return Hedge Funds    | 14.17%                  | 0.96%        | 15.00%                 | 0.36%        |                            |        | 0.01%                       | 0.09%                         | 0.10%        |
| Inflation Linked               | 14.79%                  | 1.18%        | 13.00%                 | 0.44%        |                            |        | 0.01%                       | 0.10%                         | 0.09%        |
| Fixed Income                   | 10.81%                  | -0.91%       | 10.00%                 | -1.03%       |                            |        | 0.02%                       | 0.01%                         | -0.01%       |
| <b>Total Marketable Assets</b> | <b>89.87%</b>           | <b>1.72%</b> | <b>85.00%</b>          | <b>1.62%</b> |                            |        | <b>0.03%</b>                | <b>0.08%</b>                  | <b>0.11%</b> |
| Private Capital                | 10.13%                  | 0.72%        | 15.00%                 | 0.56%        |                            |        | 0.03%                       | 0.02%                         | 0.05%        |
| <b>Total Fund</b>              | <b>100.00%</b>          | <b>1.62%</b> | <b>100.00%</b>         | <b>1.46%</b> |                            |        | <b>0.06%</b>                | <b>0.10%</b>                  | <b>0.16%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**General Endowment Fund Asset Allocation and Attribution Analysis**  
 Fiscal Year to Date  
 September 30, 2005  
 Net of Fees

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO ASSET ALLOCATION |                     | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|-----------------------------------|---------------------|----------------------------|-----------------------------|-------------------------------|--------------|
|                                | ASSET ALLOCATION                   | PORTFOLIO RETURN | PORTFOLIO ASSET ALLOCATION        | PORTFOLIO BENCHMARK |                            |                             |                               |              |
| Cash and Cash Equivalents      | 0.51%                              | 0.29%            | 0.00%                             | 0.30%               |                            | 0.01%                       | 0.00%                         | 0.01%        |
| U.S. Equities                  | 21.64%                             | 1.51%            | 20.00%                            | 0.87%               |                            | 0.00%                       | 0.13%                         | 0.13%        |
| Global Equities                | 17.97%                             | 5.20%            | 17.00%                            | 6.45%               |                            | 0.04%                       | -0.21%                        | -0.17%       |
| Directional Hedge Funds        | 9.98%                              | 0.53%            | 10.00%                            | 0.96%               |                            | 0.00%                       | -0.04%                        | -0.04%       |
| Absolute Return Hedge Funds    | 14.17%                             | 0.96%            | 15.00%                            | 0.36%               |                            | 0.01%                       | 0.09%                         | 0.10%        |
| Inflation Linked               | 14.79%                             | 1.18%            | 13.00%                            | 0.44%               |                            | -0.01%                      | 0.10%                         | 0.09%        |
| Fixed Income                   | 10.81%                             | -0.91%           | 10.00%                            | -1.03%              |                            | -0.02%                      | 0.01%                         | -0.01%       |
| <b>Total Marketable Assets</b> | <b>89.87%</b>                      | <b>1.72%</b>     | <b>85.00%</b>                     | <b>1.62%</b>        |                            | <b>0.03%</b>                | <b>0.08%</b>                  | <b>0.11%</b> |
| Private Capital                | 10.13%                             | 0.72%            | 15.00%                            | 0.56%               |                            | 0.03%                       | 0.02%                         | 0.05%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>1.62%</b>     | <b>100.00%</b>                    | <b>1.46%</b>        |                            | <b>0.06%</b>                | <b>0.10%</b>                  | <b>0.16%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**General Endowment Fund Asset Allocation and Attribution Analysis**  
**Three Months Ended September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO BENCHMARK |                  | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|-----------------------------------|------------------|----------------------------|------------------|-----------------------------|-------------------------------|--------------|
|                                | ASSET ALLOCATION                   | PORTFOLIO RETURN | ASSET ALLOCATION                  | PORTFOLIO RETURN | ASSET ALLOCATION           | PORTFOLIO RETURN |                             |                               |              |
| Cash and Cash Equivalents      | 0.99%                              | 0.86%            | 0.00%                             | 0.83%            | -0.04%                     | 0.00%            | 0.00%                       | -0.04%                        |              |
| U.S. Equities                  | 25.47%                             | 5.00%            | 23.34%                            | 4.08%            | 0.01%                      | 0.19%            | 0.20%                       |                               |              |
| Global Equities                | 17.52%                             | 11.64%           | 17.00%                            | 13.15%           | 0.05%                      | -0.25%           | -0.20%                      |                               |              |
| Directional Hedge Funds        | 9.91%                              | 3.23%            | 10.00%                            | 2.16%            | 0.00%                      | 0.11%            | 0.11%                       |                               |              |
| Absolute Return Hedge Funds    | 14.07%                             | 3.98%            | 15.00%                            | 1.39%            | 0.01%                      | 0.39%            | 0.40%                       |                               |              |
| Inflation Linked               | 8.13%                              | 16.30%           | 6.33%                             | 21.82%           | 0.21%                      | -0.09%           | 0.12%                       |                               |              |
| Fixed Income                   | 13.88%                             | -0.34%           | 13.33%                            | -0.74%           | -0.04%                     | 0.05%            | 0.01%                       |                               |              |
| <b>Total Marketable Assets</b> | <b>89.97%</b>                      | <b>5.63%</b>     | <b>85.00%</b>                     | <b>4.99%</b>     | <b>0.20%</b>               | <b>0.40%</b>     | <b>0.60%</b>                |                               |              |
| Private Capital                | 10.03%                             | 6.19%            | 15.00%                            | 1.70%            | 0.10%                      | 0.69%            | 0.59%                       |                               |              |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>5.68%</b>     | <b>100.00%</b>                    | <b>4.49%</b>     | <b>0.10%</b>               | <b>1.09%</b>     | <b>1.19%</b>                |                               |              |

(1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)

(2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company  
 General Endowment Fund Asset Allocation and Attribution Analysis  
 Calendar Year to Date  
 September 30, 2005  
 Net of Fees

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO ASSET ALLOCATION |              | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|-----------------------------------|--------------|----------------------------|-----------------------------|-------------------------------|--------------|
|                                | ASSET ALLOCATION                   | PORTFOLIO RETURN | ALLOCATION                        | ALLOCATION   |                            |                             |                               |              |
| Cash and Cash Equivalents      | 0.68%                              | 2.18%            | 0.00%                             | 2.13%        |                            | -0.05%                      | 0.00%                         | -0.05%       |
| U.S. Equities                  | 25.63%                             | 7.00%            | 24.45%                            | 5.54%        |                            | -0.03%                      | 0.33%                         | 0.30%        |
| Global Equities                | 18.95%                             | 14.63%           | 17.00%                            | 13.16%       |                            | -0.04%                      | 0.23%                         | 0.19%        |
| Directional Hedge Funds        | 9.83%                              | 6.59%            | 10.00%                            | 5.56%        |                            | -0.02%                      | 0.10%                         | 0.08%        |
| Absolute Return Hedge Funds    | 14.40%                             | 7.18%            | 15.00%                            | 4.25%        |                            | -0.01%                      | 0.45%                         | 0.44%        |
| Inflation Linked               | 5.99%                              | 31.62%           | 4.11%                             | 41.15%       |                            | 0.36%                       | -0.18%                        | 0.18%        |
| Fixed Income                   | 14.43%                             | 1.70%            | 14.44%                            | 1.82%        |                            | -0.07%                      | -0.03%                        | -0.10%       |
| <b>Total Marketable Assets</b> | <b>89.91%</b>                      | <b>8.69%</b>     | <b>85.00%</b>                     | <b>7.50%</b> |                            | <b>0.14%</b>                | <b>0.90%</b>                  | <b>1.04%</b> |
| Private Capital                | 10.09%                             | 20.21%           | 15.00%                            | 15.21%       |                            | -0.60%                      | 0.70%                         | 0.10%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>9.80%</b>     | <b>100.00%</b>                    | <b>8.66%</b> |                            | <b>-0.46%</b>               | <b>1.60%</b>                  | <b>1.14%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**General Endowment Fund Asset Allocation and Attribution Analysis**  
**Year Ended**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO ASSET ALLOCATION |                     | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|-----------------------------------|---------------------|----------------------------|-----------------------------|-------------------------------|--------------|
|                                | ASSET ALLOCATION                   | PORTFOLIO RETURN | PORTFOLIO ASSET ALLOCATION        | PORTFOLIO BENCHMARK |                            |                             |                               |              |
| Cash and Cash Equivalents      | 0.75%                              | 2.65%            | 0.00%                             | 2.62%               |                            | -0.12%                      | 0.00%                         | -0.12%       |
| U.S. Equities                  | 25.82%                             | 19.56%           | 24.59%                            | 17.58%              |                            | 0.08%                       | 0.44%                         | 0.52%        |
| Global Equities                | 19.39%                             | 29.88%           | 17.00%                            | 30.55%              |                            | 0.27%                       | -0.12%                        | 0.15%        |
| Directional Hedge Funds        | 9.46%                              | 12.36%           | 10.00%                            | 7.13%               |                            | 0.00%                       | 0.55%                         | 0.55%        |
| Absolute Return Hedge Funds    | 14.28%                             | 13.85%           | 15.00%                            | 5.54%               |                            | 0.00%                       | 1.31%                         | 1.31%        |
| Inflation Linked               | 5.80%                              | 21.23%           | 3.83%                             | 25.59%              |                            | 0.04%                       | -0.08%                        | -0.04%       |
| Fixed Income                   | 14.50%                             | 4.89%            | 14.58%                            | 3.32%               |                            | -0.05%                      | 0.25%                         | 0.20%        |
| <b>Total Marketable Assets</b> | <b>90.00%</b>                      | <b>17.42%</b>    | <b>85.00%</b>                     | <b>14.57%</b>       |                            | <b>0.22%</b>                | <b>2.35%</b>                  | <b>2.57%</b> |
| Private Capital                | 10.00%                             | 25.32%           | 15.00%                            | 17.43%              |                            | -0.54%                      | 1.14%                         | 0.60%        |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>18.21%</b>    | <b>100.00%</b>                    | <b>15.04%</b>       |                            | <b>-0.32%</b>               | <b>3.49%</b>                  | <b>3.17%</b> |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company  
 General Endowment Fund Asset Allocation and Attribution Analysis  
 Cumulative Since September 1, 2002 to  
 September 30, 2005  
 Net of Fees

|                                | AVERAGE<br>PORTFOLIO<br>ASSET<br>ALLOCATION | PORTFOLIO<br>RETURN | PORTFOLIO<br>ASSET<br>ALLOCATION | POLICY<br>PORTFOLIO<br>BENCHMARK | ASSET<br>ALLOCATION<br>EFFECT (1) | SECURITY<br>SELECTION<br>EFFECT (2) | TOTAL<br>EFFECT |
|--------------------------------|---|---------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------------|-----------------|
| Cash and Cash Equivalents      | 0.55%                                       | 5.26%               | 0.00%                            | 5.29%                            | -0.37%                            | 0.00%                               | -0.37%          |
| U.S. Equities                  | 28.36%                                      | 59.78%              | 24.57%                           | 57.06%                           | 1.08%                             | 0.78%                               | 1.86%           |
| Global Equities                | 19.20%                                      | 86.88%              | 16.43%                           | 83.98%                           | 2.19%                             | -0.36%                              | 1.83%           |
| Directional Hedge Funds        | 7.84%                                       | 25.46%              | 10.00%                           | 19.44%                           | 0.38%                             | 0.71%                               | 1.09%           |
| Absolute Return Hedge Funds    | 11.57%                                      | 58.35%              | 12.84%                           | 16.79%                           | -0.35%                            | 5.30%                               | 4.95%           |
| Inflation Linked               | 6.45%                                       | 103.21%             | 6.30%                            | 98.89%                           | -0.18%                            | 1.46%                               | 1.28%           |
| Fixed Income                   | 15.11%                                      | 23.85%              | 14.86%                           | 14.64%                           | 0.72%                             | 1.66%                               | 2.38%           |
| GSAM Global Asset Allocation   | 0.49%                                       | 33.70%              | 0.00%                            | 0.00%                            | 0.17%                             | 0.00%                               | 0.17%           |
| <b>Total Marketable Assets</b> | <b>89.57%</b>                               | <b>59.26%</b>       | <b>85.00%</b>                    | <b>44.45%</b>                    | <b>3.64%</b>                      | <b>9.55%</b>                        | <b>13.19%</b>   |
| Private Capital                | 10.43%                                      | 35.31%              | 15.00%                           | 21.90%                           | -0.36%                            | 2.40%                               | 2.14%           |
| <b>Total Fund</b>              | <b>100.00%</b>                              | <b>56.33%</b>       | <b>100.00%</b>                   | <b>41.00%</b>                    | <b>3.38%</b>                      | <b>11.95%</b>                       | <b>15.33%</b>   |

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.  
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

**The University of Texas Investment Management Company**  
**General Endowment Fund Asset Allocation and Attribution Analysis**  
**Annualized Since September 1, 2002 to**  
**September 30, 2005**  
**Net of Fees**

|                                | AVERAGE PORTFOLIO ASSET ALLOCATION |                  | POLICY PORTFOLIO ASSET ALLOCATION |                     | POLICY PORTFOLIO BENCHMARK | ASSET ALLOCATION EFFECT (1) | SECURITY SELECTION EFFECT (2) | TOTAL EFFECT |
|--------------------------------|------------------------------------|------------------|-----------------------------------|---------------------|----------------------------|-----------------------------|-------------------------------|--------------|
|                                | ASSET ALLOCATION                   | PORTFOLIO RETURN | PORTFOLIO ASSET ALLOCATION        | PORTFOLIO BENCHMARK |                            |                             |                               |              |
| Cash and Cash Equivalents      | 0.55%                              | 1.68%            | 0.00%                             | 1.69%               | -0.09%                     | 0.00%                       | -0.09%                        |              |
| U.S. Equities                  | 28.36%                             | 16.42%           | 24.57%                            | 15.77%              | 0.26%                      | 0.19%                       | 0.45%                         |              |
| Global Equities                | 19.20%                             | 22.48%           | 16.43%                            | 21.86%              | 0.54%                      | -0.09%                      | 0.45%                         |              |
| Directional Hedge Funds        | 7.84%                              | 7.63%            | 10.00%                            | 5.93%               | 0.09%                      | 0.18%                       | 0.27%                         |              |
| Absolute Return Hedge Funds    | 11.57%                             | 16.08%           | 12.84%                            | 5.16%               | -0.09%                     | 1.32%                       | 1.23%                         |              |
| Inflation Linked               | 6.45%                              | 25.86%           | 6.30%                             | 24.98%              | -0.04%                     | 0.36%                       | 0.32%                         |              |
| Fixed Income                   | 15.11%                             | 7.18%            | 14.86%                            | 4.53%               | 0.17%                      | 0.41%                       | 0.58%                         |              |
| GSAM Global Asset Allocation   | 0.49%                              | 9.88%            | 0.00%                             | 0.00%               | 0.05%                      | 0.00%                       | 0.05%                         |              |
| <b>Total Marketable Assets</b> | <b>89.57%</b>                      | <b>16.29%</b>    | <b>85.00%</b>                     | <b>12.67%</b>       | <b>0.89%</b>               | <b>2.37%</b>                | <b>3.26%</b>                  |              |
| Private Capital                | 10.43%                             | 10.30%           | 15.00%                            | 6.63%               | -0.06%                     | 0.60%                       | 0.54%                         |              |
| <b>Total Fund</b>              | <b>100.00%</b>                     | <b>15.59%</b>    | <b>100.00%</b>                    | <b>11.79%</b>       | <b>0.83%</b>               | <b>2.97%</b>                | <b>3.80%</b>                  |              |

(1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.

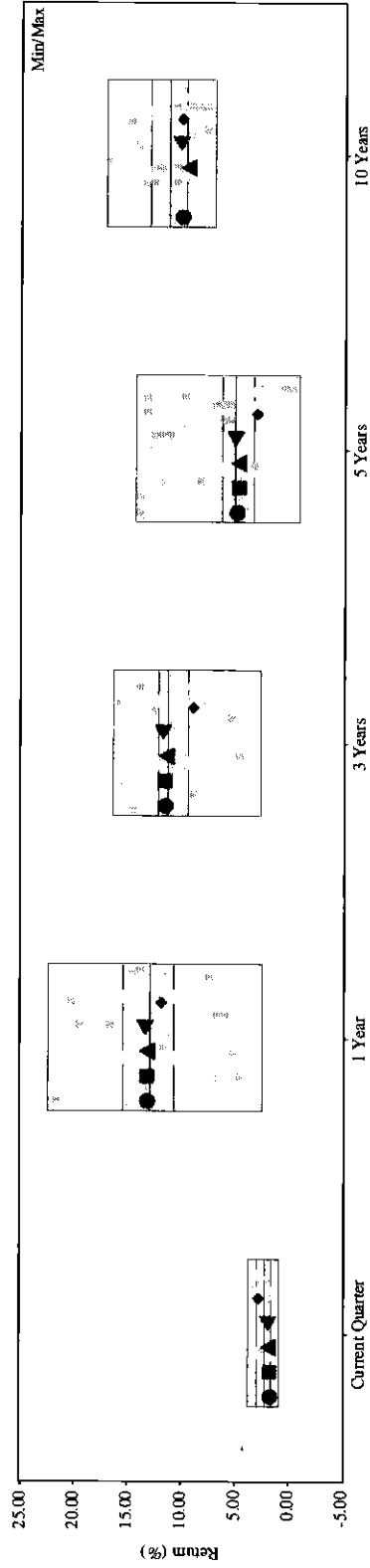
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return)

(2) Selection effect measures the impact of selecting securities different from those held in the benchmark.

(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)



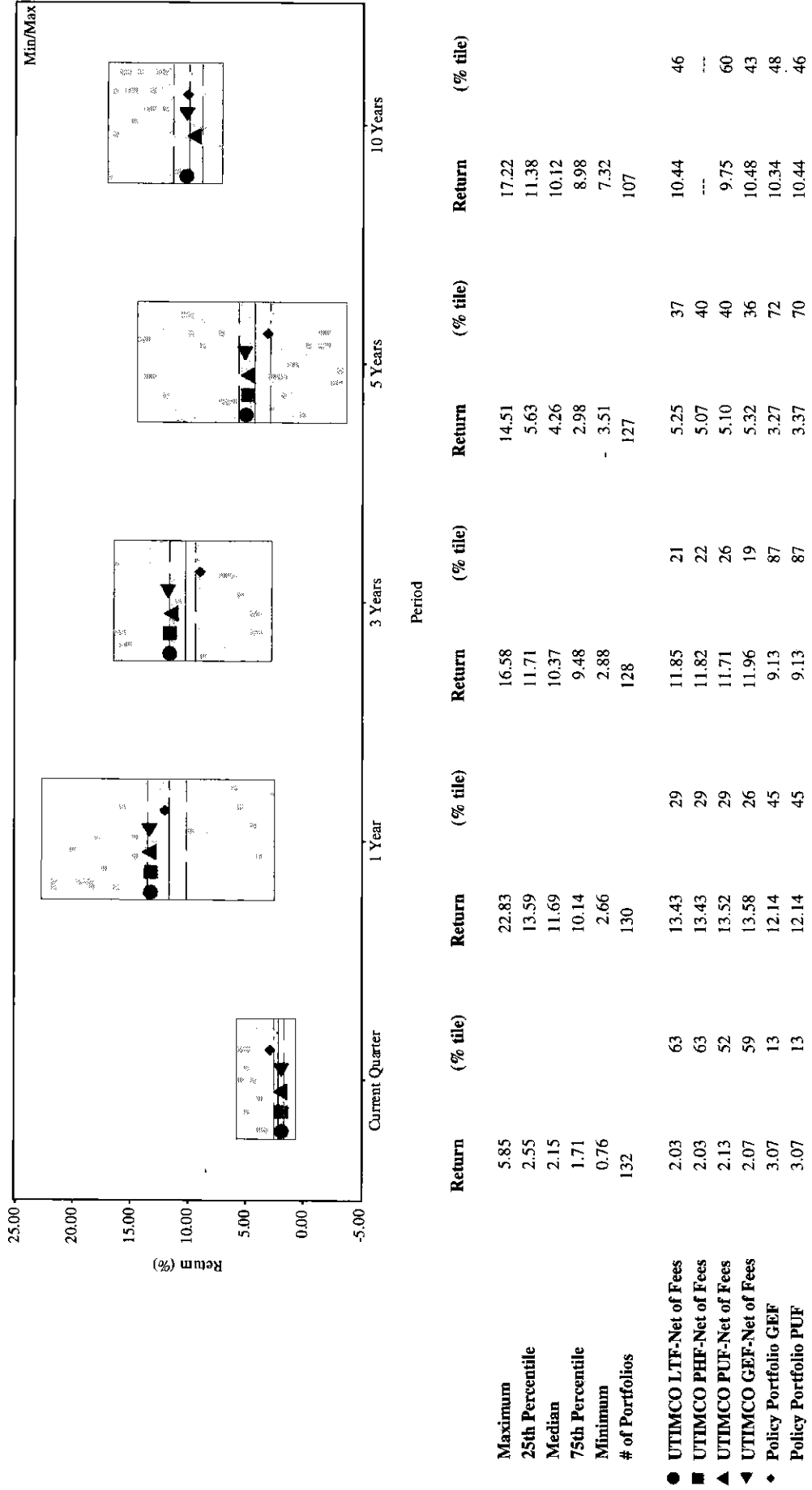
# UTIMCO ENDOWMENT FUNDS vs. Cambridge Billion \$ Funds Universe Periods Ended Thursday, June 30, 2005 Quartile



|                          | Current Quarter | 1 Year   | 3 Years  | 5 Years  | 10 Years |
|--------------------------|-----------------|----------|----------|----------|----------|
|                          | Return          | Return   | Return   | Return   | Return   |
|                          | (% tile)        | (% tile) | (% tile) | (% tile) | (% tile) |
| Maximum                  | 3.92            | 22.64    | 16.58    | 14.51    | 17.22    |
| 25th Percentile          | 2.99            | 15.55    | 12.33    | 6.41     | 13.15    |
| Median                   | 2.30            | 12.97    | 11.46    | 5.28     | 11.37    |
| 75th Percentile          | 1.75            | 10.76    | 9.46     | 3.42     | 9.85     |
| Minimum                  | 1.10            | 2.66     | 2.88     | - 0.67   | 7.32     |
| # of Portfolios          | 36              | 35       | 35       | 35       | 33       |
| ● UTIMCO LTF-Net of Fees | 2.03            | 13.43    | 11.85    | 5.25     | 10.44    |
| ■ UTIMCO PHF-Net of Fees | 2.03            | 13.43    | 11.82    | 5.07     | ---      |
| ▲ UTIMCO PUF-Net of Fees | 2.13            | 13.52    | 11.71    | 5.10     | 9.75     |
| ◄ UTIMCO GEF-Net of Fees | 2.07            | 13.58    | 11.96    | 5.32     | 10.48    |
| ◆ Policy Portfolio GEF   | 3.07            | 12.14    | 9.13     | 3.27     | 10.34    |
| Policy Portfolio PUF     | 3.07            | 12.14    | 9.13     | 3.37     | 10.44    |

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 June 30, 2005 was 36.

**UTIMCO ENDOWMENT FUNDS vs.  
Total Cambridge Universe  
Periods Ended Thursday, June 30, 2005  
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 June 30, 2005 was 132.



**Public Markets Managers  
Investment Performance Detail Summary  
September 30, 2005**

**Key for Manager Status:**  
 Concern  
 Significant Concern; Watch List  
 Near Termination  
 Terminated

**Key For Areas of Concern:**  
 1) Performance  
 2) Personnel Changes  
 3) Strategy Drift  
 4) Operational or Administrative Issues  
 5) No Longer Fit UTMCO Strategy

| Areas of Concern | Assets Under Management (\$ Millions) | Periods Ended September 30, 2005<br>(Returns for Periods Longer Than One Year are Annualized) |                     |              |            |                       |          |             |            |             |           | Since Inception | Inception Date |
|------------------|---------------------------------------|---|---------------------|--------------|------------|-----------------------|----------|-------------|------------|-------------|-----------|-----------------|----------------|
|                  |                                       | One Month   | Fiscal Year To Date | Three Months | Six Months | Calendar Year To Date | One Year | Three Years | Five Years | Seven Years | Ten Years |                 |                |
|                  | <b>73.9</b>                           | 0.81  | 0.81                | 3.62         | 5.05       | 2.82                  | 12.33    | 16.75       | (1.45)     | 4.32        | 9.59      | N/A             | February 1993  |
|                  | <b>47.2</b>                           | 0.00  | 0.00                | 0.01         | 0.03       | 0.05                  | 0.08     | 0.03        | 0.03       | 0.02        | 0.10      | N/A             | December 1992  |
|                  | <b>50.6</b>                           | 1.28  | 1.28                | 1.79         | 1.50       | (0.28)                | 8.80     | -           | -          | -           | -         | 7.58            | August 2004    |
|                  | <b>31.7</b>                           | 0.63  | 0.63                | 0.63         | -          | -                     | -        | -           | -          | -           | -         | 0.63            | August 2005    |
|                  | <b>6.3</b>                            | 0.85  | 0.85                | -            | -          | -                     | -        | -           | -          | -           | -         | (0.32)          | July 2005      |
|                  | <b>14.0</b>                           | 0.91  | 0.91                | -            | -          | -                     | -        | -           | -          | -           | -         | 0.91            | August 2005    |
|                  | <b>326.1</b>                          | 0.84  | 0.84                | 3.47         | 4.87       | 2.62                  | 12.08    | 16.27       | -          | -           | -         | 0.90            | March 2001     |
|                  | <b>64.0</b>                           | 0.93  | 0.93                | 3.50         | 2.26       | 0.36                  | 7.98     | -           | -          | -           | -         | 6.08            | November 2003  |
|                  | <b>80.7</b>                           | 2.34  | 2.34                | 5.83         | 6.07       | 4.48                  | -        | -           | -          | -           | -         | 7.89            | November 2004  |
|                  | <b>23.5</b>                           | (1.93)  | (1.93)              | (3.69)       | (4.77)     | -                     | -        | -           | -          | -           | -         | (5.18)          | April 2005     |
|                  | <b>61.3</b>                           | 0.64  | 0.64                | 4.09         | 10.47      | 6.28                  | 22.50    | -           | -          | -           | -         | (13.89)         | February 2004  |
|                  | <b>211.4</b>                          | (0.04)  | (0.04)              | 4.83         | 8.05       | 3.35                  | 17.90    | 23.24       | -          | -           | -         | 11.63           | February 2002  |
|                  | <b>301.5</b>                          | 0.59  | 0.59                | 3.68         | 6.29       | 5.10                  | 16.82    | -           | -          | -           | -         | 13.73           | August 2003    |
|                  | <b>107.7</b>                          | 1.58  | 1.58                | 5.75         | 6.43       | 2.26                  | 11.65    | 16.81       | (0.98)     | 5.08        | -         | 2.86            | April 1998     |
|                  | <b>75.7</b>                           | 0.55  | 0.55                | 3.32         | 7.52       | 3.65                  | 16.32    | 21.96       | 8.29       | 11.32       | -         | 6.69            | April 1998     |
|                  | <b>150.8</b>                          | (0.46)  | (0.46)              | (1.30)       | (1.69)     | 0.27                  | (1.63)   | (2.17)      | 3.83       | 0.53        | -         | 0.57            | September 2004 |
|                  | <b>0.7</b>                            | 0.80  | 0.80                | 4.15         | 4.68       | 4.95                  | 12.45    | 13.41       | (7.11)     | (1.23)      | -         | 3.58            | November 1995  |
|                  | <b>133.5</b>                          | 2.89  | 2.89                | 10.60        | 17.51      | 17.85                 | 35.97    | -           | -          | -           | -         | 37.65           | August 2004    |

**NET OF FEES 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 400 Exchange Traded Funds vs. S&P 400 Midcap Index

S&P 400 Midcap Index Futures vs. S&P 400 Midcap Index

S&P 500 Exchange Traded Funds vs. S&P 500 Index

S&P 500 Index Futures vs. S&P 500 Index

Dow Jones - Exchange Traded Funds and Futures vs. Dow Jones Industrial Average

Global 100 Index Exchange Traded Funds vs. Russell 3000

Health Care Exchange Traded Funds vs. Russell 3000

Small Cap Exchange Traded Funds and Options vs. Russell 2000

BGI Russell 2000 Alpha Titl vs. Russell 2000

BGI Russell 3000 Alpha Titl vs. Russell 3000

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

Forstmann Leff - Mid Cap vs. Russell Mid Cap

**Public Markets Managers  
Investment Performance Detail Summary  
September 30, 2005**



|   |
|---|
| <b>Key for Manager Status:</b>          |
| Concern                                 |
| Significant Concern; Watch List         |
| Near Termination                        |
| Terminated                              |
| <b>Key For Areas of Concern:</b>        |
| 1) Performance                          |
| 2) Personnel Changes                    |
| 3) Strategy Drift                       |
| 4) Operational or Administrative Issues |
| 5) No Longer FH UTMCO Strategy          |

| Areas of Concern  | Assets Under Management (\$ Millions) | Periods Ended September 30, 2005<br>(Returns for Periods Longer Than One Year are Annualized) |                     |              |            |                       |          |             |            |             |           |        |        | Since Inception | Inception Date |        |                |
|---|---------------------------------------|---|---------------------|--------------|------------|-----------------------|----------|-------------|------------|-------------|-----------|--------|--------|-----------------|----------------|--------|----------------|
|   |                                       | One Month   | Fiscal Year To Date | Three Months | Six Months | To Date Calendar Year | One Year | Three Years | Five Years | Seven Years | Ten Years |        |        |                 |                |        |                |
| <b>NET OF FEES PERFORMANCE (continued):</b>                                       |                                       |   |                     |              |            |                       |          |             |            |             |           |        |        |                 |                |        |                |
| Forstmann Little - Small Cap vs. Russell 2000                                     | 268.9                                 | 3.40  | 3.40                | 11.10        | 16.61      | 15.97                 | 31.33    | 28.90       | 12.59      | 15.23       | 14.01     | 13.47  | 13.47  | 13.47           | 13.47          | 13.47  | January 1994   |
| Relational Investors vs. S&P 500 Index  | 319.7                                 | 1.39  | 1.39                | 4.13         | 8.38       | 7.40                  | 19.78    | 4.78        | 6.15       | 4.78        | 4.78      | 4.78   | 4.78   | 4.78            | 4.78           | 4.78   | September 2004 |
| Ironbridge vs. Russell 2000   | 50.7                                  | 2.69  | 2.69                | 9.95         | 7.46       | (8.72)                | -        | -           | -          | -           | -         | (3.16) | (3.16) | (3.16)          | (3.16)         | (3.16) | November 2004  |
| Blackrock Hedge vs. Russell 2000  | 65.4                                  | 7.91  | 7.91                | 32.58        | 34.10      | 44.76                 | 66.58    | -           | -          | -           | -         | 67.88  | 67.88  | 67.88           | 67.88          | 67.88  | July 2004      |
| Blackrock Small Cap vs. Russell 2000  | 86.7                                  | 8.43  | 8.43                | 30.21        | 37.26      | 55.49                 | 75.31    | -           | -          | -           | -         | 71.82  | 71.82  | 71.82           | 71.82          | 71.82  | June 2004      |
| TCW MultiCap vs. Russell 3000   | 151.8                                 | 0.19  | 0.19                | 5.36         | 7.77       | 3.88                  | 20.01    | -           | -          | -           | -         | 5.61   | 5.61   | 5.61            | 5.61           | 5.61   | February 2004  |
| TCW Small Value vs. Russell 2000  | 63.0                                  | (1.56)  | (1.56)              | 1.73         | 2.89       | (3.26)                | 9.92     | -           | -          | -           | -         | 3.66   | 3.66   | 3.66            | 3.66           | 3.66   | April 2004     |
| Value Act Capital vs. Russell 2000  | 273.7                                 | 1.90  | 1.90                | 5.20         | 15.07      | 10.77                 | 23.88    | -           | -          | -           | -         | 18.44  | 18.44  | 18.44           | 18.44          | 18.44  | August 2003    |
| Westport Small Cap Value vs. Russell 2000   | 168.0                                 | 0.55  | 0.55                | 2.01         | 5.70       | 3.07                  | 16.22    | -           | -          | -           | -         | 15.10  | 15.10  | 15.10           | 15.10          | 15.10  | October 2004   |
| <b>Positive Management:</b>   |                                       |   |                     |              |            |                       |          |             |            |             |           |        |        |                 |                |        |                |
| BGI EAFE International Fund vs. MSCI EAFE Net                                     | 203.4                                 | 4.45  | 4.45                | 10.36        | 9.37       | 9.27                  | 25.97    | 24.86       | 3.57       | 6.75        | 6.69      | 7.77   | 7.77   | 7.77            | 7.77           | 7.77   | April 1993     |
| BGI Emerging Markets Structured Fund vs. MSCI Emerging Markets with Net Dividends | 112.7                                 | 9.02  | 9.02                | 17.52        | 22.15      | 23.23                 | 45.19    | 39.34       | -          | -           | -         | 24.07  | 24.07  | 24.07           | 24.07          | 24.07  | February 2002  |
| Emerging Proxy vs. MSCI Emerging Markets with Net Dividends                       | 211.2                                 | 4.55  | 4.55                | -            | -          | -                     | -        | -           | -          | -           | -         | 2.33   | 2.33   | 2.33            | 2.33           | 2.33   | July 2005      |
| <b>Active Management:</b>   |                                       |   |                     |              |            |                       |          |             |            |             |           |        |        |                 |                |        |                |
| ADRE Emerging Markets vs. MSCI Emerging Markets with Net Dividends                | 109.4                                 | 10.05   | 10.05               | -            | -          | -                     | -        | -           | -          | -           | -         | 10.05  | 10.05  | 10.05           | 10.05          | 10.05  | August 2005    |
| BGI International Alpha Tilts vs. MSCI EAFE Net                                   | 323.9                                 | 4.60  | 4.60                | 9.56         | 10.16      | 11.01                 | 27.90    | -           | -          | -           | -         | 25.94  | 25.94  | 25.94           | 25.94          | 25.94  | August 2003    |
| BGI Unequized Global Markets vs. 90 Day Treasury Bills Average Yield              | 66.6                                  | 1.11  | 1.11                | 2.48         | -          | -                     | -        | -           | -          | -           | -         | 3.74   | 3.74   | 3.74            | 3.74           | 3.74   | May 2005       |
| International Futures and Exchange Traded Funds vs. MSCI EAFE Net                 | 277.3                                 | 0.94  | 0.94                | 5.04         | 4.38       | 4.98                  | 15.24    | -           | -          | -           | -         | 16.44  | 16.44  | 16.44           | 16.44          | 16.44  | November 2003  |
| Total International Futures and Exchange Traded Funds vs. MSCI EAFE Net           | 344.5                                 | 0.97  | 0.97                | 4.80         | 4.07       | 4.66                  | 14.89    | -           | -          | -           | -         | 16.25  | 16.25  | 16.25           | 16.25          | 16.25  | November 2003  |
| Blakeney Management vs. MSCI Emerging Markets with Net Dividends                  | 69.3                                  | 4.22  | 4.22                | 6.42         | 16.45      | 32.03                 | -        | -           | -          | -           | -         | 40.73  | 40.73  | 40.73           | 40.73          | 40.73  | October 2004   |
| Bridgewater Currency Overlay Currency Overlay Strategy                            | -1.6                                  | (0.02)  | (0.02)              | (0.48)       | (0.56)     | -                     | -        | -           | -          | -           | -         | (0.72) | (0.72) | (0.72)          | (0.72)         | (0.72) | January 2005   |

**RUONIC Markets Managers  
Investment Performance Detail Summary  
September 30, 2005**



**Key for Manager Status:**  
 Concern  
 Significant Concern; Watch List  
 Near Termination  
 Terminated

**Key For Areas of Concern:**  
 1) Performance  
 2) Personnel Changes  
 3) Strategy Drift  
 4) Operational or Administrative Issues  
 5) No Longer Fit UTMCO Strategy

**Periods Ended September 30, 2005**  
 (Returns for Periods Longer Than One Year are Annualized)

| Areas of Concern  | Assets Under Management (\$ Millions) | Periods Ended September 30, 2005 |                     |               |                |                       |                |                |                |                |              | Since Inception | Inception Date |                     |
|---|---------------------------------------|----------------------------------|---------------------|---------------|----------------|-----------------------|----------------|----------------|----------------|----------------|--------------|-----------------|----------------|---------------------|
|   |                                       | One Month                        | Fiscal Year To Date | Three Months  | Six Months     | Calendar Year To Date | One Year       | Three Years    | Five Years     | Seven Years    | Ten Years    |                 |                |                     |
| <b>Terminated U.S.</b>  | <b>36.6</b>                           | <b>4.04</b>                      | <b>-4.04</b>        | <b>8.77</b>   | <b>7.49</b>    | <b>15.36</b>          | <b>6.10</b>    | <b>(18.22)</b> | <b>6.10</b>    | <b>(23.42)</b> | <b>12.24</b> | <b>12.24</b>    | <b>6.10</b>    | <b>January 2005</b> |
| <b>Canada</b>   |                                       | <b>(1.83)</b>                    | <b>4.04</b>         | <b>(9.94)</b> | <b>(13.11)</b> | <b>(18.22)</b>        | <b>(18.22)</b> | <b>(18.22)</b> | <b>(18.22)</b> | <b>(18.22)</b> | <b>11.84</b> | <b>11.84</b>    | <b>(23.42)</b> | <b>January 2005</b> |
| Cundill EAFE vs. MSCI EAFE Net  | 78.5                                  | 8.66                             | 8.66                | 12.71         | 11.63          | 11.84                 | 11.84          | 11.84          | 11.84          | 11.84          | 11.84        | 11.84           | 11.84          | January 2005        |
| Cundill Japan vs. TOPIX   | 72.7                                  | 7.08                             | 7.08                | 12.99         | 8.75           | 10.81                 | 10.81          | 10.81          | 10.81          | 10.81          | 10.81        | 10.81           | 10.81          | January 2005        |
| Dalton Japan vs. TOPIX  | 57.3                                  | 5.84                             | 5.84                | 13.80         | (4.78)         | (1.51)                | (1.51)         | (1.51)         | (1.51)         | (1.51)         | (1.51)       | (1.51)          | (1.51)         | May 2005            |
| Globeflex vs. Citigroup Extended Market Index World ex U.S.               | 242.7                                 | 6.41                             | 6.41                | 17.04         | 19.96          | 25.01                 | 42.24          | 42.24          | 42.24          | 42.24          | 42.24        | 42.24           | 42.24          | October 2003        |
| Globeflex Canadian vs. Neshitt Burns Small Cap Canada                     | 50.1                                  | 5.75                             | 5.75                | 18.03         | 14.85          | 23.93                 | 47.46          | 47.46          | 47.46          | 47.46          | 47.46        | 47.46           | 47.46          | March 2004          |
| Globeflex Japan vs. Russell/Nomura Mid-Small Cap Index                    | 105.1                                 | 9.70                             | 9.70                | 18.95         | 17.31          | 21.24                 | 33.52          | 33.52          | 33.52          | 33.52          | 33.52        | 33.52           | 33.52          | March 2004          |
| Globeflex Microcap vs. MSCI EAFE Net                                      | 49.9                                  | (0.32)                           | (0.32)              | (4.77)        | (4.77)         | (4.77)                | (4.77)         | (4.77)         | (4.77)         | (4.77)         | (4.77)       | (4.77)          | (4.77)         | August 2005         |
| <b>1,5</b> GSAM - Structured International Equity vs. MSCI EAFE Net       | 222.5                                 | 4.98                             | 4.98                | 11.93         | 12.24          | 13.22                 | 28.86          | 28.86          | 28.86          | 28.86          | 28.86        | 28.86           | 28.86          | April 1998          |
| Franklin Templeton vs. MSCI Emerging Markets with Net Dividends           | 222.4                                 | 8.07                             | 8.07                | 13.70         | 18.34          | 20.44                 | 39.75          | 39.75          | 39.75          | 39.75          | 39.75        | 39.75           | 39.75          | January 1996        |
| JMBO Fund vs. MSCI Japan  | 31.2                                  | 2.54                             | 2.54                | 3.48          | (15.74)        | (15.74)               | (15.74)        | (15.74)        | (15.74)        | (15.74)        | (15.74)      | (15.74)         | (15.74)        | April 2005          |
| Korea Exchange Traded Funds vs. MSCI Emerging Markets with Net Dividends  | 11.7                                  | 12.39                            | 12.39               | (1.08)        | (1.08)         | (1.08)                | (1.08)         | (1.08)         | (1.08)         | (1.08)         | (1.08)       | (1.08)          | (1.08)         | July 2005           |
| Singapore Exchange Traded Funds vs. MSCI EAFE Net                         | 26.1                                  | 1.92                             | 1.92                | (2.54)        | (2.54)         | (2.54)                | (2.54)         | (2.54)         | (2.54)         | (2.54)         | (2.54)       | (2.54)          | (2.54)         | July 2005           |
| Blackrock Global vs. MSCI All Country World ex U.S. with Net Dividends    | 115.4                                 | 7.70                             | 7.70                | 31.02         | 43.60          | 63.48                 | 63.48          | 63.48          | 63.48          | 63.48          | 63.48        | 63.48           | 63.48          | November 2004       |
| Taiwan Exchange Traded Funds vs. MSCI Emerging Markets with Net Dividends | 21.2                                  | (0.33)                           | (0.33)              | (9.64)        | (9.64)         | (9.64)                | (9.64)         | (9.64)         | (9.64)         | (9.64)         | (9.64)       | (9.64)          | (9.64)         | July 2005           |
| <b>Directional Hedge Funds:</b>   |                                       |                                  |                     |               |                |                       |                |                |                |                |              |                 |                |                     |
| Blue Ridge vs. Directional Hedge Fund Composite                           | 208.8                                 | 3.60                             | 3.60                | 10.13         | 10.85          | 18.41                 | 17.68          | 17.68          | 17.68          | 17.68          | 17.68        | 17.68           | 17.68          | January 2004        |
| Brahman II vs. Directional Hedge Fund Composite                           | 53.8                                  | (1.01)                           | (1.01)              | (0.80)        | 1.59           | 3.63                  | 6.90           | 6.90           | 6.90           | 6.90           | 6.90         | 6.90            | 6.90           | August 2004         |
| Emergence vs. Directional Hedge Fund Composite                            | 93.9                                  | 0.27                             | 0.27                | 5.07          | 5.33           | 8.47                  | 18.35          | 18.35          | 18.35          | 18.35          | 18.35        | 18.35           | 18.35          | July 2003           |

**NET OF FEES PERFORMANCE (continued)**

**Fund Managers**  
**Investment Performance Detail Summary**  
**September 30, 2005**



**Key for Manager Status:**  
 Concern  
 Significant Concern; Watch List  
 Near Termination  
 Terminated

**Key For Areas of Concern:**  
 1) Performance  
 2) Personnel Changes  
 3) Strategy Drift  
 4) Operational or Administrative Issues  
 5) No Longer Fit UTMCO Strategy

| Areas of Concern   | Assets Under Management (\$ Millions) | Periods Ended September 30, 2005<br>(Returns for Periods Longer Than One Year are Annualized) |                     |              |              |                       |              |              |             |              |           |   |   | Since Inception | Inception Date |
|--|---------------------------------------|---|---------------------|--------------|--------------|-----------------------|--------------|--------------|-------------|--------------|-----------|---|---|-----------------|----------------|
|  |                                       | One Month   | Fiscal Year To Date | Three Months | Six Months   | Calendar Year To Date | One Year     | Three Years  | Five Years  | Seven Years  | Ten Years |   |   |                 |                |
| <b>NET OF FEES PERFORMANCE (continued)</b>                                   |                                       |   |                     |              |              |                       |              |              |             |              |           |   |   |                 |                |
| Everglades vs. Directional Hedge Fund Composite                              | 40.8                                  | 0.08 (0.88)   | 0.08 (0.88)         | 2.15 (0.01)  | 2.64 (1.28)  | 2.10 (3.46)           | -            | -            | -           | -            | -         | - | - | 2.10 (3.46)     | January 2005   |
| Indus Asia Pacific vs. Directional Hedge Fund Composite                      | 31.9                                  | 3.31 (1.9)  | 3.31 (1.9)          | 7.41 (5.25)  | 8.60 (4.68)  | 12.73 (2.5)           | 19.51 (2.5)  | -            | -           | -            | -         | - | - | 14.28 (5.0)     | December 2003  |
| Indus Japan vs. Directional Hedge Fund Composite                             | 53.9                                  | 5.67 (4.7)  | 5.67 (4.7)          | 13.04 (0.5)  | 13.36 (9.4)  | 19.11 (6.0)           | 23.16 (6.0)  | -            | -           | -            | -         | - | - | 18.99 (3.0)     | December 2003  |
| Maverick Fund vs. Directional Hedge Fund Composite                           | 514.6                                 | (1.22) (2.18)   | (1.22) (2.18)       | 0.30 (1.86)  | 1.73 (2.19)  | 3.03 (2.5)            | 10.29 (3.16) | 8.33 (2.49)  | 8.77 (3.04) | 12.89 (3.38) | -         | - | - | 11.05 (3.4)     | August 1998    |
| Miligate International vs. Directional Hedge Fund Composite                  | 40.0                                  | 0.02 (0.94)   | 0.02 (0.94)         | 1.22 (0.94)  | (6.52)       | (4.69)                | (6.3)        | -            | -           | -            | -         | - | - | 0.81 (6.3)      | October 2004   |
| Moon Capital vs. Directional Hedge Fund Composite                            | 80.6                                  | 0.61 (0.34)   | 0.61 (0.34)         | 0.38 (1.78)  | (3.15)       | -                     | -            | -            | -           | -            | -         | - | - | 0.77 (3.15)     | April 2005     |
| OCM Emerging Markets Fund vs. Directional Hedge Fund Composite               | 86.7                                  | 0.69 (0.27)   | 0.69 (0.27)         | 1.76 (0.40)  | 1.09 (2.84)  | 2.93 (2.6)            | 4.02 (3.1)   | 7.47 (1.5)   | -           | -            | -         | - | - | 7.93 (1.9)      | January 2002   |
| SG Partners vs. Directional Hedge Fund Composite                             | 52.9                                  | 2.54 (1.5)  | 2.54 (1.5)          | 7.16 (3.0)   | 11.35 (7.4)  | 3.87 (1.69)           | 11.68 (4.5)  | -            | -           | -            | -         | - | - | 2.72 (3.4)      | September 2003 |
| Sirtos Overseas vs. Directional Hedge Fund Composite                         | 42.5                                  | 1.69 (0.7)  | 1.69 (0.7)          | 6.50 (4.3)   | 10.15 (9.2)  | 9.97 (4.4)            | 14.79 (7.6)  | -            | -           | -            | -         | - | - | 8.62 (2.6)      | May 2003       |
| Standard Pacific Capital Offshore Fund vs. Directional Hedge Fund Composite  | 54.3                                  | 1.74 (0.79)   | 1.74 (0.79)         | 1.83 (0.33)  | 3.53 (0.59)  | 2.98 (2.59)           | 7.22 (0.9)   | -            | -           | -            | -         | - | - | 3.13 (2.8)      | February 2003  |
| Steadfast vs. Directional Hedge Fund Composite                               | 82.1                                  | (0.48) (1.44)   | (0.48) (1.44)       | 3.05 (0.88)  | 10.43 (6.5)  | 17.50 (11.9)          | -            | -            | -           | -            | -         | - | - | 23.03 (16.3)    | November 2004  |
| <b>Absolute Return Hedge Funds:</b>  |                                       |   |                     |              |              |                       |              |              |             |              |           |   |   |                 |                |
| AOR Offshore vs. Absolute Return Hedge Fund Composite                        | 42.3                                  | 3.40 (3.0)  | 3.40 (3.0)          | 3.53 (2.1)   | 5.37 (2.9)   | 9.06 (4.8)            | 10.03 (4.6)  | -            | -           | -            | -         | - | - | 3.52 (11.5)     | March 2004     |
| BGI Unscitized Global Markets vs. Absolute Return Hedge Fund Composite       | 203.9                                 | 1.11 (0.7)  | 1.11 (0.7)          | 2.42 (0.2)   | 3.15 (9.2)   | 4.46 (9.2)            | 5.68 (9.2)   | -            | -           | -            | -         | - | - | 5.71 (6.5)      | May 2004       |
| Bridgewater Pure Alpha vs. Absolute Return Hedge Fund Composite              | 100.8                                 | 3.24 (2.88)   | 3.24 (2.88)         | 0.91 (0.48)  | 1.79 (1.09)  | 5.09 (8.3)            | 14.12 (8.7)  | -            | -           | -            | -         | - | - | 12.66 (7.6)     | March 2004     |
| Farallon Capital Offshore Investors vs. Absolute Return Hedge Fund Composite | 436.0                                 | 0.75 (1.3)  | 0.75 (1.3)          | 3.59 (2.1)   | 5.09 (2.9)   | 8.17 (3.9)            | 17.34 (11.9) | 17.98 (13.4) | 13.69 (8.1) | 15.27 (8.9)  | -         | - | - | 14.02 (7.8)     | August 1998    |
| Indus Event Driven vs. Absolute Return Hedge Fund Composite                  | 48.1                                  | (0.67) (1.0)  | (0.67) (1.0)        | 0.24 (1.15)  | 0.67 (2.2)   | 4.17 (2.0)            | 3.46 (1.9)   | -            | -           | -            | -         | - | - | 7.82 (3.9)      | December 2003  |
| K Capital vs. Absolute Return Hedge Fund Composite                           | 34.8                                  | (1.66) (2.0)  | (1.66) (2.0)        | (2.96) (4.3) | (6.53) (9.4) | (2.41) (6.6)          | -            | -            | -           | -            | -         | - | - | (0.70) (5.8)    | November 2004  |
| OCM High Yield vs. Absolute Return Hedge Fund Composite                      | 10.2                                  | 0.77 (0.4)  | 0.77 (0.4)          | -            | -            | -                     | -            | -            | -           | -            | -         | - | - | 1.51 (0.6)      | August 2005    |
| OZ Europe vs. Absolute Return Hedge Fund Composite                           | 50.9                                  | 1.27 (0.9)  | 1.27 (0.9)          | 6.16 (4.7)   | 6.93 (4.0)   | -                     | -            | -            | -           | -            | -         | - | - | 6.93 (7.6)      | April 2005     |
| OZ Overseas Fund vs. Absolute Return Hedge Fund Composite                    | 114.7                                 | 0.24 (0.1)  | 0.24 (0.1)          | 3.61 (2.1)   | 4.81 (9.1)   | 7.54 (3.9)            | 12.85 (7.4)  | -            | -           | -            | -         | - | - | 12.51 (3.1)     | August 2004    |



**Global Markets Managers**  
**Investment Performance Detail Summary**  
**September 30, 2005**

**Key for Manager Status:**  
 Concern  
 Significant Concern; Watch List  
 Near Termination  
 Terminated

**Key For Areas of Concern:**  
 1) Performance  
 2) Personnel Changes  
 3) Strategy Drift  
 4) Operational or Administrative Issues  
 5) No Longer Fit UTMCO Strategy

| Assets Under Management (\$ Millions)      | Periods Ended September 30, 2005<br>(Returns for Periods Longer Than One Year are Annualized) |                     |                |                |                       |                |                |               |                |               | Since Inception | Inception Date |
|--|---|---------------------|----------------|----------------|-----------------------|----------------|----------------|---------------|----------------|---------------|-----------------|----------------|
|  | One Month   | Fiscal Year To Date | Three Months   | Six Months     | To Date Calendar Year | One Year       | Three Years    | Five Years    | Seven Years    | Ten Years     |                 |                |
| <b>NET OF FEES PERFORMANCE (continued)</b> |   |                     |                |                |                       |                |                |               |                |               |                 |                |
| 30.9                                       | 1.01<br>(0.02)  | 1.01<br>(0.01)      | 3.37<br>(0.01) | -              | -                     | -              | -              | -             | -              | -             | 2.95<br>(0.01)  | June 2005      |
| 483.6                                      | 0.46<br>0.10  | 0.46<br>0.10        | 6.24<br>4.57   | 7.69<br>4.50   | 9.94<br>5.00          | 20.61<br>15.22 | 19.14<br>14.50 | 15.00<br>9.28 | 17.39<br>11.01 | -             | 14.69<br>8.22   | August 1998    |
| 218.8                                      | 1.63<br>0.21  | 1.63<br>0.21        | 4.32<br>2.72   | 5.57<br>2.68   | 6.72<br>2.46          | 10.64<br>5.22  | -              | -             | -              | -             | 10.74<br>0.01   | February 2003  |
| 196.2                                      | 0.65<br>0.11  | 0.65<br>0.20        | 3.20<br>1.87   | 4.91<br>3.02   | 4.89<br>0.63          | 10.79<br>5.41  | 17.42<br>12.22 | 7.24<br>1.73  | -              | -             | 7.50<br>1.58    | September 2000 |
| 56.3                                       | 3.99<br>5.01  | 3.99<br>0.00        | 10.29<br>5.80  | 13.59<br>10.70 | -                     | -              | -              | -             | -              | -             | 12.07<br>3.22   | February 2005  |
| 742.4                                      | 0.56<br>0.20  | 0.56<br>0.20        | 5.00<br>1.25   | 19.96<br>1.25  | 11.44<br>0.64         | 32.31<br>3.22  | 30.92<br>5.44  | 21.80<br>2.38 | 17.67<br>1.18  | 17.95<br>2.73 | 16.05<br>3.41   | April 1993     |
| 509.1                                      | 2.05<br>2.08  | 2.05<br>2.08        | 18.80<br>12.56 | 14.59<br>11.08 | 39.04<br>11.90        | 24.84<br>10.74 | 27.16<br>0.41  | -             | -              | -             | 29.55<br>0.55   | June 2002      |
| 275.0                                      | 4.48<br>0.03  | 4.48<br>0.03        | 17.25<br>0.11  | 12.72<br>10.48 | 24.68<br>10.37        | 20.57<br>10.37 | -              | -             | -              | -             | 22.45<br>10.28  | January 2004   |
| 228.7                                      | 0.21<br>(0.07)  | 0.21<br>(0.07)      | 0.05<br>(0.07) | 2.94<br>10.13  | 2.53<br>10.20         | 5.05<br>10.26  | -              | -             | -              | -             | 6.74<br>0.29    | July 2004      |
| 295.9                                      | 0.05<br>0.09  | 0.05<br>0.09        | 0.34<br>1.52   | 3.07<br>0.01   | 2.91<br>0.15          | 5.96<br>0.62   | -              | -             | -              | -             | 5.64<br>0.45    | August 2004    |
| 101.5                                      | 0.33<br>(0.19)  | 0.33<br>(0.19)      | 0.74<br>0.11   | -              | -                     | -              | -              | -             | -              | -             | 1.32<br>0.52    | May 2005       |
| 142.5                                      | 1.34<br>0.10  | 1.34<br>0.10        | 1.24<br>10.27  | 1.99<br>10.47  | 1.62<br>0.11          | 2.81<br>0.11   | 5.46<br>(0.06) | -             | -              | -             | 5.95<br>10.88   | February 2001  |
| 376.9                                      | 1.04<br>(0.01)  | 1.04<br>(0.01)      | 0.66<br>0.01   | 1.40<br>10.91  | 1.70<br>10.12         | 2.86<br>0.06   | 2.95<br>1.06   | 5.29<br>1.33  | -              | -             | 6.04<br>11.13   | February 2000  |
| 519.4                                      | 1.12<br>(0.09)  | 1.12<br>(0.09)      | 0.82<br>10.14  | 1.59<br>10.72  | 1.68<br>10.15         | 2.85<br>0.06   | 4.14<br>0.11   | 5.97<br>10.65 | -              | -             | 6.65<br>10.52   | May 2004       |
| 34.7                                       | 2.72<br>0.01  | 2.72<br>0.01        | 5.33<br>0.01   | 14.44<br>3.53  | 13.59<br>4.90         | 22.18<br>5.15  | -              | -             | -              | -             | 27.58<br>5.85   | March 1998     |
| 763.7                                      | 0.98<br>0.05  | 0.98<br>0.05        | 0.24<br>10.11  | 0.75<br>10.11  | 0.81<br>0.21          | 5.52<br>0.70   | 8.88<br>1.10   | 9.37<br>10.72 | -              | -             | 7.47<br>10.95   | May 2005       |
| 200.6                                      | 0.75<br>0.22  | 0.75<br>0.22        | 0.03<br>10.01  | -              | -                     | -              | -              | -             | -              | -             | 0.31<br>10.44   | May 2005       |

**Areas of Concern**

**REITS:**  
 vs. Dow Jones Wilshire Real Estate Securities

**Commodities:**  
 Goldman Sachs Commodity Index  
 vs. Goldman Sachs Commodity Index - 50 bps

PIMCO Real Return  
 vs. Dow Jones AIG + 1-10 Year TIPS

**Treasury Inflation Protection Securities (TIPS):**  
 Internal TIPS  
 vs. Lehman Brothers US TIPS Index

PIMCO TIPS  
 vs. Lehman Brothers US TIPS Index

Reams TIPS  
 vs. Lehman Brothers US TIPS Index

**Fixed Income:**  
 Internal - Harland Deak  
 vs. Credit Related Composite Index

Internal - Russ Kampe  
 vs. Lehman Brothers Aggregate Bond Index

**Total Internally Managed Fixed Income**  
 vs. Lehman Brothers Aggregate Bond Index

GMO Emerging Debt Fund  
 vs. JP Morgan Emerging Bond Index Global

PIMCO Fixed Income  
 vs. PIMCO Composite Benchmark

Reams Core Plus  
 vs. Lehman Brothers Aggregate Bond Index

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Liquidity Profile

**Developed By:** Moeller, Childers

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The reports presented are for the period ended September, 2005.

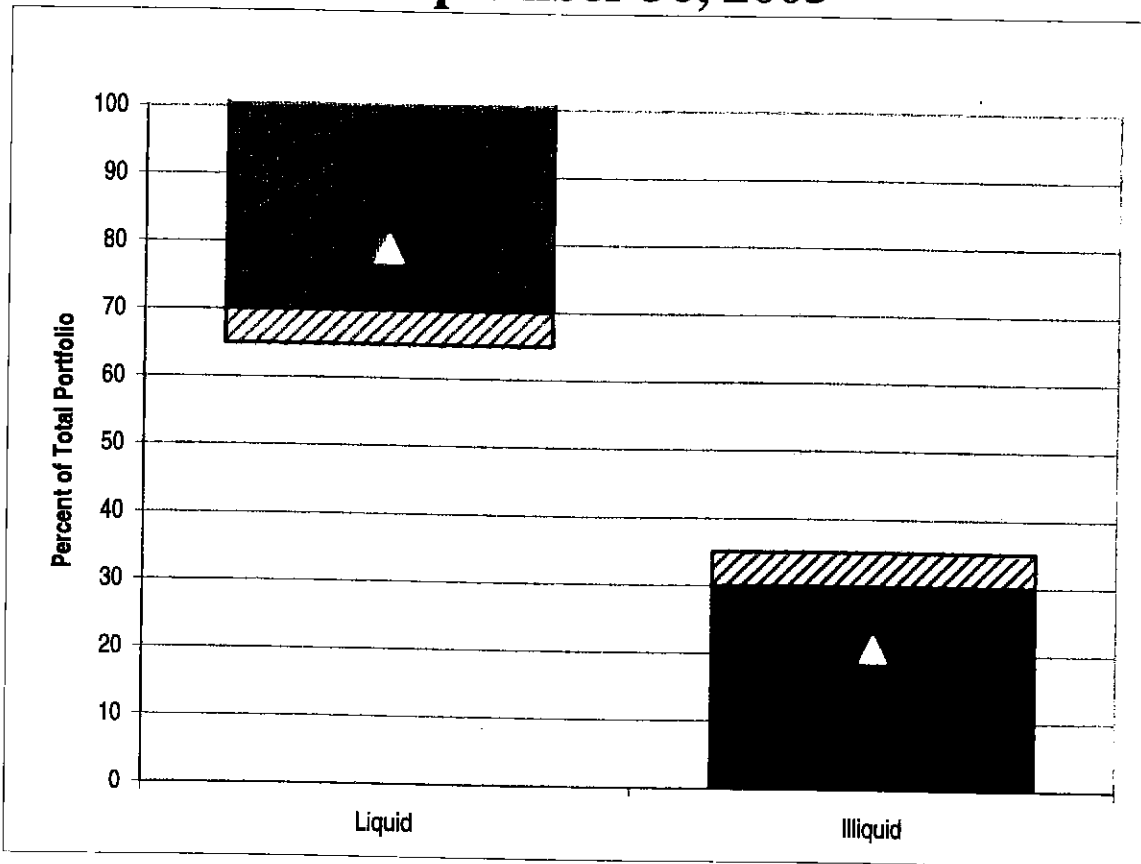
**Discussion:** As of September 30, 2005 endowment fund assets classified as liquid were 79.1% of the total assets, and those classified as illiquid were 20.9% of total assets.

**Recommendation:** No action required.

**Reference:** Combined Liquidity Profile, PUF Liquidity Profile, GEF Liquidity Profile, Certification of GEF and PUF Liquidity Profiles, Illiquid Investments Approved/Delegated or Funded from Last Report to UTIMCO Board, UT Endowments Actual Liquidity Classification, Domestic Equities, International Equities and Fixed Income Actual Liquidity Classifications, Marketable Alternatives Actual Liquidity Classification, Non-Marketable Alternatives Actual Liquidity Classification, and Inflation Hedging Actual Liquidity Classification



# Combined Liquidity Profile September 30, 2005



Current:

|          | 9/30/2005                |              | 8/31/2005                |              |
|----------|--------------------------|--------------|--------------------------|--------------|
|          | Market Value             | Percent      | Market Value             | Percent      |
| Liquid   | 11,782,595,847.10        | 79.1         | 11,568,174,061.71        | 79.1         |
| Illiquid | 3,105,183,765.08         | 20.9         | 3,050,194,227.97         | 20.9         |
|          | <u>14,887,779,612.18</u> | <u>100.0</u> | <u>14,618,368,289.68</u> | <u>100.0</u> |

Approved but not yet invested illiquid marketable investments:

|          | 9/30/2005                |              | 8/31/2005                |              |
|----------|--------------------------|--------------|--------------------------|--------------|
|          | Market Value             | Percent      | Market Value             | Percent      |
| Liquid   | 11,282,804,276.10        | 75.8         | 11,508,174,061.71        | 78.7         |
| Illiquid | 3,604,975,336.08         | 24.2         | 3,110,194,227.97         | 21.3         |
|          | <u>14,887,779,612.18</u> | <u>100.0</u> | <u>14,618,368,289.68</u> | <u>100.0</u> |

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

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

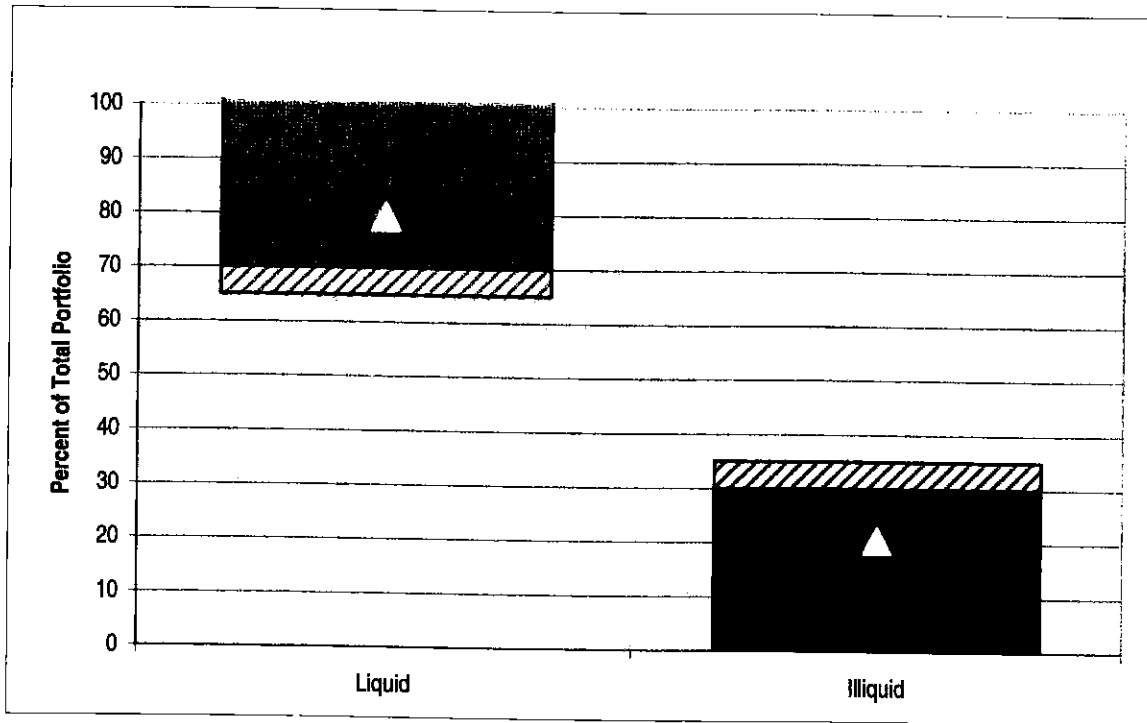
I, Adrian K. K..., as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

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

# PUF Liquidity Profile

## September 30, 2005



Current:

|          | 9/30/2005               |              | 8/31/2005               |              |
|----------|-------------------------|--------------|-------------------------|--------------|
|          | Market Value            | Percent      | Market Value            | Percent      |
| Liquid   | 7,712,007,607.27        | 79.4         | 7,641,252,042.73        | 79.6         |
| Illiquid | 1,996,558,069.19        | 20.6         | 1,962,955,627.08        | 20.4         |
|          | <u>9,708,565,676.46</u> | <u>100.0</u> | <u>9,604,207,669.81</u> | <u>100.0</u> |

Approved but not yet invested illiquid marketable investments:

|          | 9/30/2005               |              | 8/31/2005               |              |
|----------|-------------------------|--------------|-------------------------|--------------|
|          | Market Value            | Percent      | Market Value            | Percent      |
| Liquid   | 7,391,466,811.27        | 76.1         | 7,602,252,042.73        | 79.2         |
| Illiquid | 2,317,098,865.19        | 23.9         | 2,001,955,627.08        | 20.8         |
|          | <u>9,708,565,676.46</u> | <u>100.0</u> | <u>9,604,207,669.81</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%.

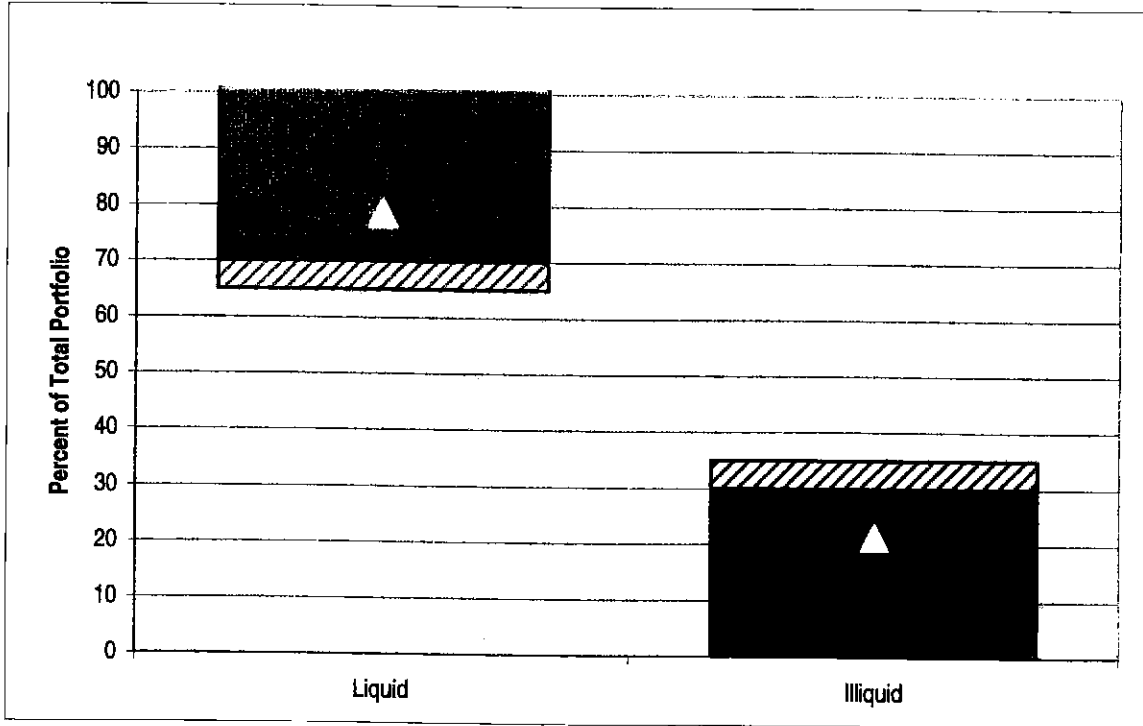
I, And V. Kel, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

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

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

# GEF Liquidity Profile

## September 30, 2005



Current:

|          | 9/30/2005               |              | 8/31/2005               |              |
|----------|-------------------------|--------------|-------------------------|--------------|
|          | Market Value            | Percent      | Market Value            | Percent      |
| Liquid   | 4,070,588,239.83        | 78.6         | 3,926,922,018.98        | 78.3         |
| Illiquid | 1,108,625,695.89        | 21.4         | 1,087,238,600.89        | 21.7         |
|          | <u>5,179,213,935.72</u> | <u>100.0</u> | <u>5,014,160,619.87</u> | <u>100.0</u> |

Approved but not yet invested illiquid marketable investments:

|          | 9/30/2005               |              | 8/31/2005               |              |
|----------|-------------------------|--------------|-------------------------|--------------|
|          | Market Value            | Percent      | Market Value            | Percent      |
| Liquid   | 3,891,337,464.83        | 75.1         | 3,905,922,018.98        | 77.9         |
| Illiquid | 1,287,876,470.89        | 24.9         | 1,108,238,600.89        | 22.1         |
|          | <u>5,179,213,935.72</u> | <u>100.0</u> | <u>5,014,160,619.87</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, Charles V. Karp, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Joan Mallek, 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 J. ..., 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.

**Liquidity Profile for GEF and PUF**

**September 30, 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

10/24/05 Date

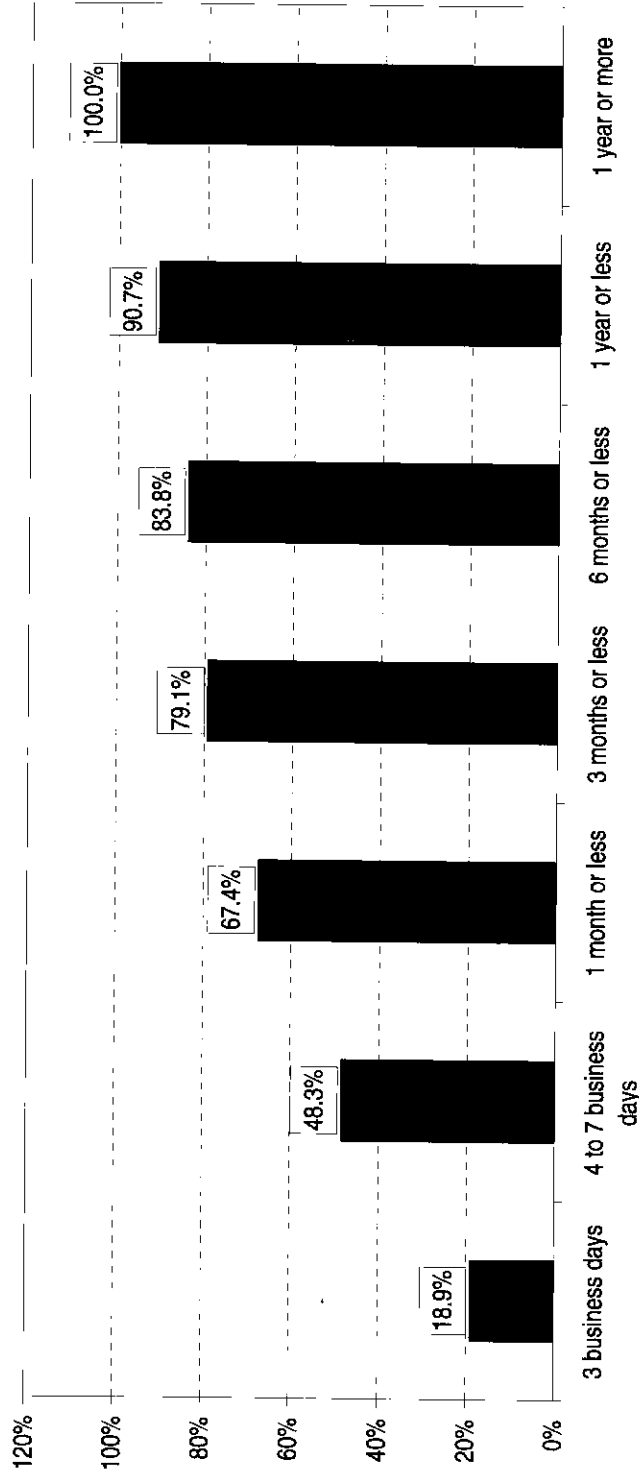
 Cathy Iberg, Managing Director - Marketable Alternatives

10/24/05 Date

 Trey Thompson, Managing Director - Non-Marketable Alternatives

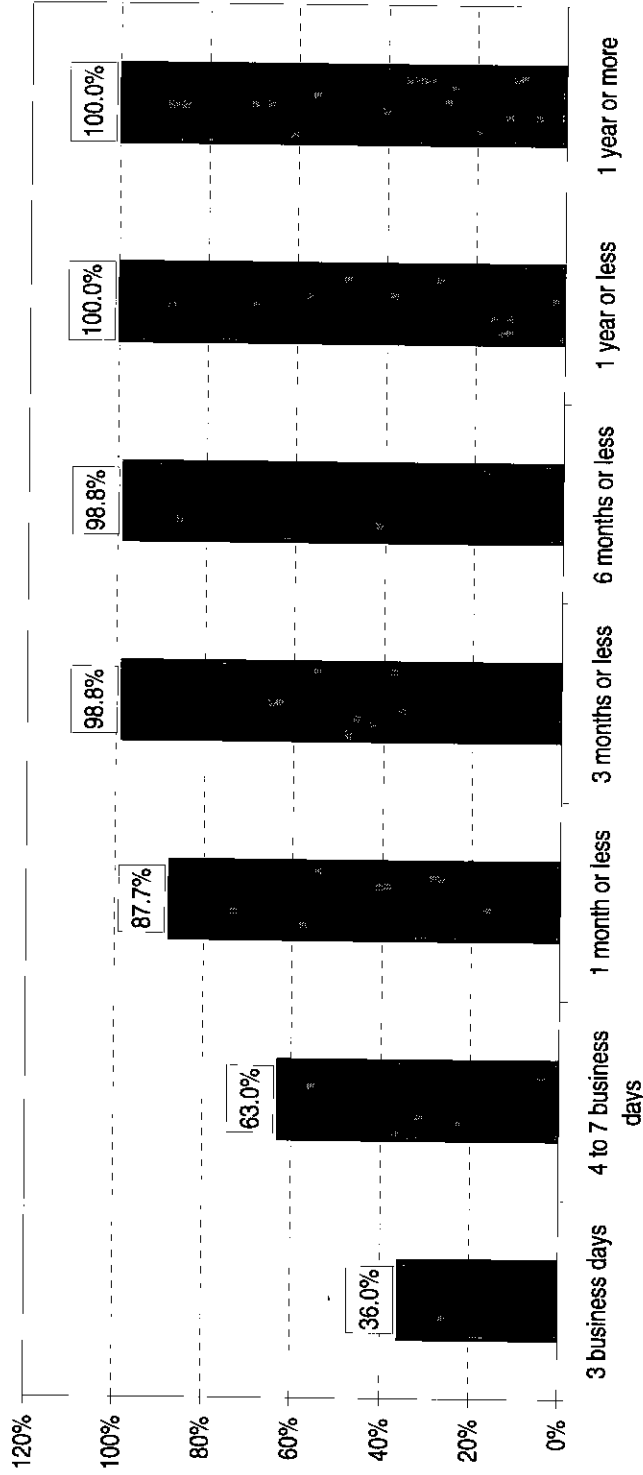
10-24-05 Date

UT Endowments (PUF & GEF) Actual Liquidity Classification  
as of September 30, 2005



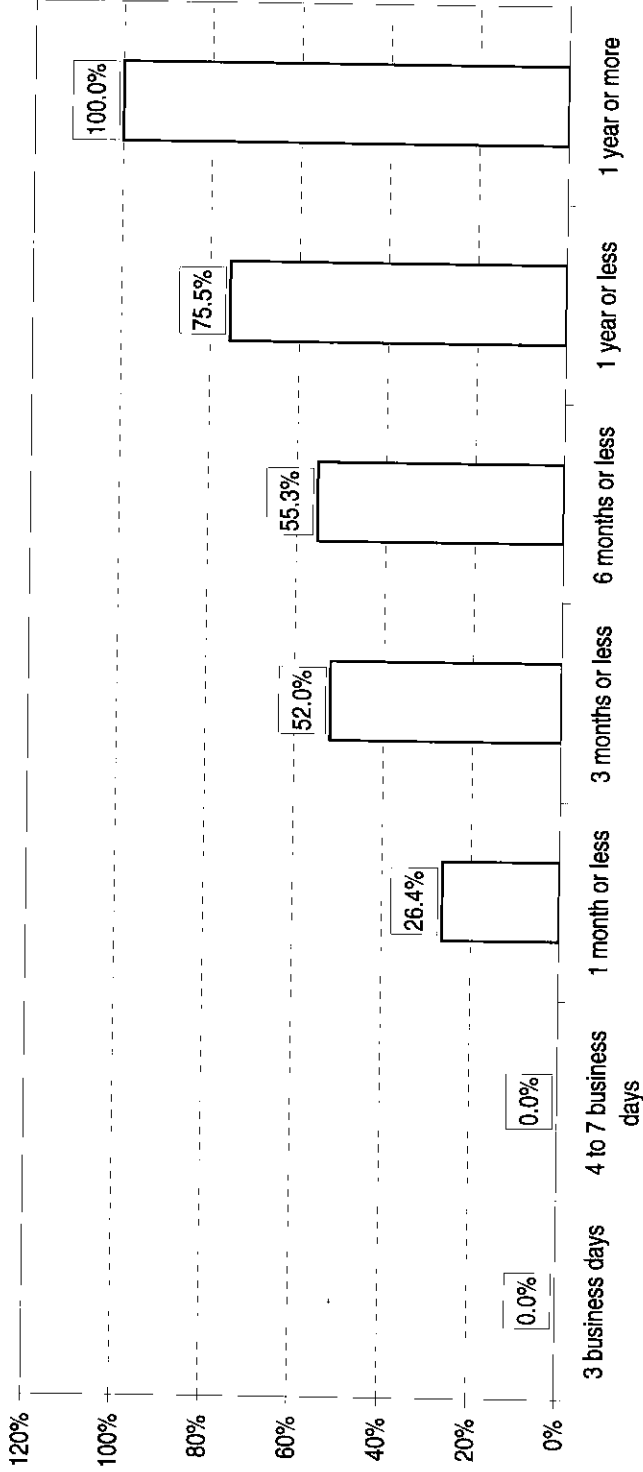
| Classification Period | Assets         | %      | Cumulative Assets | %      |
|-----------------------|----------------|--------|-------------------|--------|
| Liquid:               |                |        |                   |        |
| 3 business days       | 2,812,450,264  | 18.9%  | 2,812,450,264     | 18.9%  |
| 4 to 7 business days  | 4,374,955,306  | 29.4%  | 7,187,405,570     | 48.3%  |
| 1 month or less       | 2,840,838,143  | 19.1%  | 10,028,243,713    | 67.4%  |
| 3 months or less      | 1,754,352,134  | 11.8%  | 11,782,595,847    | 79.1%  |
| 6 months or less      | 686,744,342    | 4.6%   | 12,469,340,189    | 83.8%  |
| 1 year or less        | 1,029,056,332  | 6.9%   | 13,498,396,521    | 90.7%  |
| 1 year or more        | 1,389,383,091  | 9.3%   | 14,887,779,612    | 100.0% |
|                       | 14,887,779,612 | 100.0% |                   |        |

**Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification  
as of September 30, 2005**



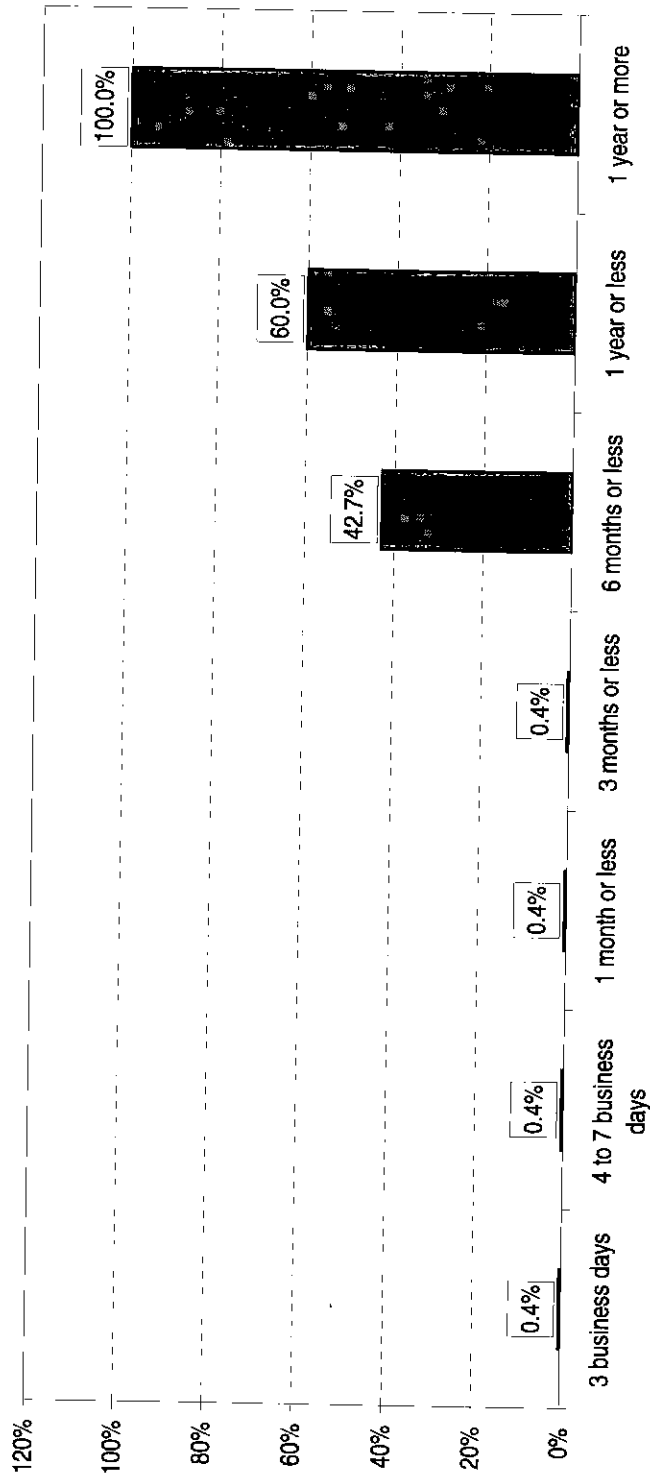
| <u>Classification Period</u> | <u>Assets</u> | <u>%</u> | <u>Cumulative Assets</u> | <u>%</u> |
|------------------------------|---------------|----------|--------------------------|----------|
| Liquid:                      |               |          |                          |          |
| 3 business days              | 2,806,943,127 | 36.0%    | 2,806,943,127            | 36.0%    |
| 4 to 7 business days         | 2,111,047,815 | 27.0%    | 4,917,990,943            | 63.0%    |
| 1 month or less              | 1,926,427,975 | 24.7%    | 6,844,418,918            | 87.7%    |
| 3 months or less             | 864,937,944   | 11.1%    | 7,709,356,862            | 98.8%    |
| 6 months or less             | 0             | 0.0%     | 7,709,356,862            | 98.8%    |
| 1 year or less               | 96,600,704    | 1.2%     | 7,805,957,566            | 100.0%   |
| 1 year or more               | 0             | 0.0%     | 7,805,957,566            | 100.0%   |
| Illiquid:                    |               |          |                          |          |
|                              | 7,805,957,566 | 100.0%   |                          |          |

**Marketable Alternatives Actual Liquidity Classification**  
as of September 30, 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       | 914,410,168        | 26.4%        | 914,410,168          | 26.4%         |
| 3 months or less      | 889,414,190        | 25.7%        | 1,803,824,358        | 52.0%         |
| 6 months or less      | 114,507,801        | 3.3%         | 1,918,332,159        | 55.3%         |
| 1 year or less        | 699,915,397        | 20.2%        | 2,618,247,556        | 75.5%         |
| 1 year or more        | <u>848,207,548</u> | <u>24.5%</u> | <u>3,466,455,104</u> | <u>100.0%</u> |
|                       | 3,466,455,104      | 100.0%       |                      |               |
| <b>Illiquid:</b>      |                    |              |                      |               |

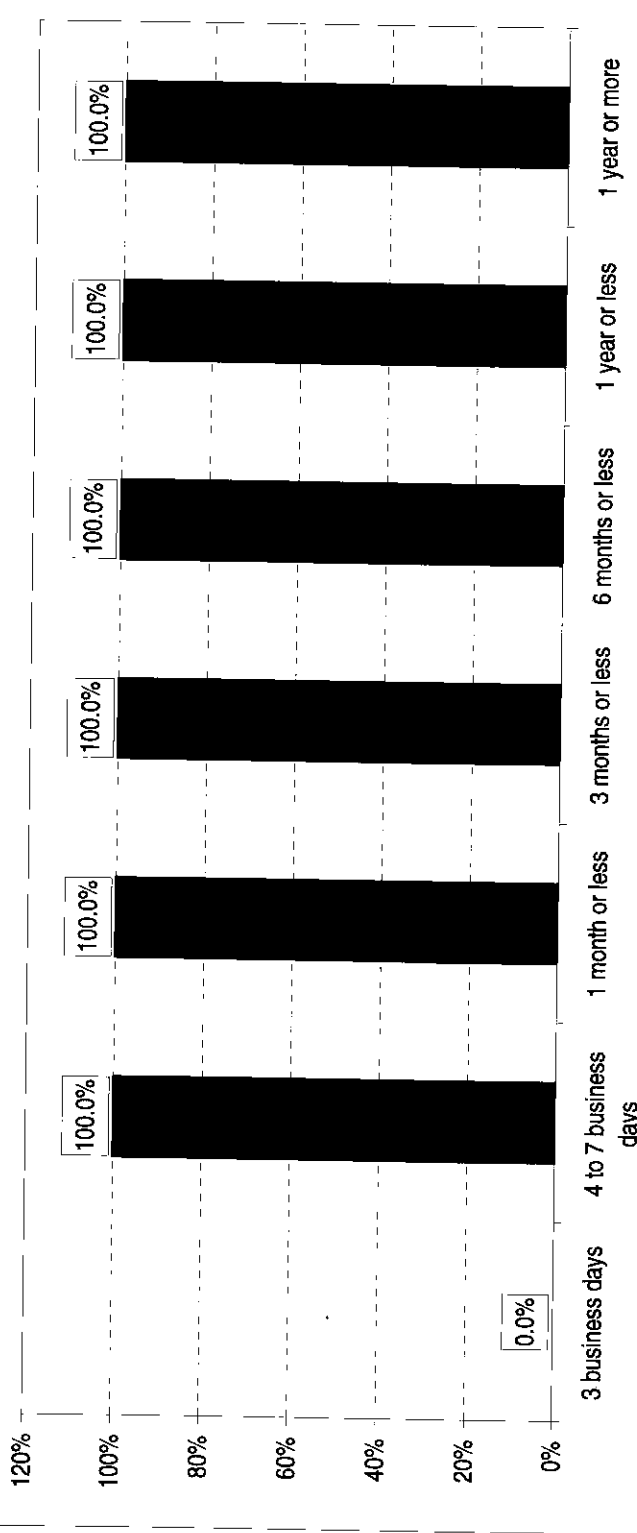
**Non-Marketable Alternatives Actual Liquidity Classification**  
as of September 30, 2005



| Classification Period | Assets               | %      | Cumulative Assets    | %      |
|-----------------------|----------------------|--------|----------------------|--------|
| <b>Liquid:</b>        |                      |        |                      |        |
| 3 business days       | 5,507,137            | 0.4%   | 5,507,137            | 0.4%   |
| 4 to 7 business days  | 0                    | 0.0%   | 5,507,137            | 0.4%   |
| 1 month or less       | 0                    | 0.0%   | 5,507,137            | 0.4%   |
| 3 months or less      | 0                    | 0.0%   | 5,507,137            | 0.4%   |
| <b>Illiquid:</b>      |                      |        |                      |        |
| 6 months or less      | 572,236,541          | 42.3%  | 577,743,678          | 42.7%  |
| 1 year or less        | 232,540,232          | 17.2%  | 810,283,909          | 60.0%  |
| 1 year or more        | <u>541,175,543</u>   | 40.0%  | <u>1,351,459,452</u> | 100.0% |
|                       | <u>1,351,459,452</u> | 100.0% |                      |        |



**Inflation Hedging Actual Liquidity Classification  
as of September 30, 2005**



| Classification Period | Assets        | %      | Cumulative Assets | %      |
|-----------------------|---------------|--------|-------------------|--------|
| <b>Liquid:</b>        |               |        |                   |        |
| 3 business days       | 0             | 0.0%   | 0                 | 0.0%   |
| 4 to 7 business days  | 2,263,907,491 | 100.0% | 2,263,907,491     | 100.0% |
| 1 month or less       | 0             | 0.0%   | 2,263,907,491     | 100.0% |
| 3 months or less      | 0             | 0.0%   | 2,263,907,491     | 100.0% |
| <b>Illiquid:</b>      |               |        |                   |        |
| 6 months or less      | 0             | 0.0%   | 2,263,907,491     | 100.0% |
| 1 year or less        | 0             | 0.0%   | 2,263,907,491     | 100.0% |
| 1 year or more        | 0             | 0.0%   | 2,263,907,491     | 100.0% |
|                       | 2,263,907,491 | 100.0% |                   |        |

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Comprehensive Derivative Report

**Developed By:** Goldsmith, Shah, Childers, Reed

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The UTIMCO Board approved amendments to the Derivative Investment Policy ("Policy") at its October 7, 2005 board meeting. The amended Policy requires that UTIMCO provide a comprehensive report of all approved derivative applications for both internal managers and external managers under agency agreements and also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external managers under agency agreements. Staff has also prepared a report on counterparties. The reports presented are for the period ended September 30, 2005.

**Discussion:** As of September 30, 2005, net mark-to-market values of derivatives (internal and external) was negative \$31.1 million.

The mark-to-market value of over-the-counter options was negative \$21.2 million. While \$32.3 million was owed to counterparties by the PUF and GEF (Funds), \$11.1 million was owed by counterparties to the Funds. This \$11.1 million owed to the Funds represents the Funds' counterparty risk. There were no counterparties with exposure to the Funds in excess of 1% of the Funds' value.

**Recommendation:** No action required.

**Reference:** Comprehensive Derivatives Report; Comprehensive Report on Approved Derivative Applications; and Derivatives Counterparty Report.

**COMPREHENSIVE DERIVATIVES REPORT  
AS OF SEPTEMBER 30, 2005**

Mark-to-Market

| Manager                         | Derivative Type   | OTC              | Exchange Traded | Total Derivatives | Net Notional Value on Futures | Gross Notional Value on Futures | Delta Equivalent on Options |
|---------------------------------|-------------------|------------------|-----------------|-------------------|-------------------------------|---------------------------------|-----------------------------|
| <b>INTERNAL MANAGERS</b>        |                   |                  |                 |                   |                               |                                 |                             |
| No Cost Collar                  | Purchased Options | \$ 22,282,339.17 | \$ -            | \$ 22,282,339.17  | \$ -                          | \$ -                            | \$ (180,822,897.14)         |
| No Cost Collar                  | Written Options   | (22,751,498.89)  | -               | (22,751,498.89)   | -                             | -                               | (199,955,603.63)            |
| Canada No Cost Collar           | Purchased Options | 771,683.03       | -               | 771,683.03        | -                             | -                               | (9,497,834.44)              |
| Canada No Cost Collar           | Written Options   | (1,414,073.44)   | -               | (1,414,073.44)    | -                             | -                               | (11,919,241.02)             |
| Dow Jones Futures               | Futures           | -                | 211,400.00      | 211,400.00        | 64,096,480.00                 | 64,096,480.00                   | -                           |
| Emerging Proxy                  | Currency Forwards | (2,433,397.42)   | -               | (2,433,397.42)    | -                             | -                               | -                           |
| Emerging Proxy                  | Futures           | -                | 531,071.39      | 531,071.39        | 166,964,897.82                | 166,964,897.82                  | -                           |
| GSCI                            | Futures           | -                | (4,408,000.00)  | (4,408,000.00)    | 517,940,000.00                | 517,940,000.00                  | -                           |
| GSCI                            | Written Options   | (15,242,720.31)  | -               | (15,242,720.31)   | -                             | -                               | (172,907,805.71)            |
| Intl Equity - Developed         | Currency Forwards | 474,429.29       | -               | 474,429.29        | -                             | -                               | -                           |
| Intl Equity - Developed         | Futures           | -                | (882,048.65)    | (882,048.65)      | 338,647,613.85                | 338,647,613.85                  | -                           |
| Intl Equity - Developed Options | Written Options   | (1,491,755.45)   | -               | (1,491,755.45)    | -                             | -                               | (35,291,516.00)             |
| S&P 400 Futures                 | Futures           | -                | 46,110.00       | 46,110.00         | 6,172,650.00                  | 6,172,650.00                    | -                           |
| S&P 500 Futures                 | Futures           | -                | 658,125.00      | 658,125.00        | 324,929,475.00                | 324,929,475.00                  | -                           |
| US Equity Options               | Purchased Options | 522,874.91       | -               | 522,874.91        | -                             | -                               | 1,889,314.11                |
| US Equity Options               | Written Options   | (545,141.04)     | (1,501,978.00)  | (2,047,119.04)    | -                             | -                               | (12,371,612.17)             |
| Spread Trade                    | Futures           | -                | (4,678,910.00)  | (4,678,910.00)    | (1,868,930.00)                | 1,815,055,630.00                | -                           |
| <b>EXTERNAL MANAGERS</b>        |                   |                  |                 |                   |                               |                                 |                             |
| Blackrock Global Ex US          | Purchased Options | -                | 1,502,400.00    | 1,502,400.00      | -                             | -                               | (47,312,386.67)             |
| Blackrock Small Cap             | Currency Forwards | 815.83           | -               | 815.83            | -                             | -                               | -                           |
| Bridgewater Currency Overlay    | Currency Forwards | (1,589,720.71)   | -               | (1,589,720.71)    | -                             | -                               | -                           |
| Dalton Japan                    | Futures           | -                | (490,921.00)    | (490,921.00)      | 31,689,385.50                 | 31,689,385.50                   | -                           |
| GSAM Intl Equity - Developed    | Currency Forwards | (245,045.67)     | -               | (245,045.67)      | -                             | -                               | -                           |
| GSAM Intl Equity - Developed    | Futures           | -                | -               | -                 | 15,014,761.34                 | 160,276,248.54                  | -                           |

**COMPREHENSIVE DERIVATIVES REPORT  
AS OF SEPTEMBER 30, 2005**

| Manager            | Derivative Type   | Mark-to-Market            |                          |                           |                            | Net Notional Value<br>on Futures | Gross Notional<br>Value on Futures | Delta Equivalent on<br>Options |
|--------------------|-------------------|---------------------------|--------------------------|---------------------------|----------------------------|----------------------------------|------------------------------------|--------------------------------|
|                    |                   | OTC                       | Exchange Traded          | Total Derivatives         |                            |                                  |                                    |                                |
| Ironbridge         | Written Options   | -                         | (18,840.00)              | (18,840.00)               | -                          | -                                | (50,865.71)                        |                                |
| PIMCO Fixed Income | Currency Forwards | (2,626,220.47)            | -                        | (2,626,220.47)            | -                          | -                                | -                                  |                                |
| PIMCO Fixed Income | Futures           | -                         | (574,522.77)             | (574,522.77)              | 272,226,580.08             | -                                | -                                  |                                |
| PIMCO Fixed Income | Swaps             | (6,103,306.53)            | -                        | (6,103,306.53)            | -                          | 325,868,455.08                   | -                                  |                                |
| PIMCO Fixed Income | Written Options   | -                         | (120,937.50)             | (120,937.50)              | -                          | -                                | X                                  |                                |
| PIMCO Real Return  | Currency Forwards | (72,719.32)               | -                        | (72,719.32)               | -                          | -                                | -                                  |                                |
| PIMCO Real Return  | Futures           | -                         | (816.36)                 | (816.36)                  | 2,484,298.58               | 16,926,611.08                    | -                                  |                                |
| PIMCO Real Return  | Swaps             | 9,831,162.16              | -                        | 9,831,162.16              | -                          | -                                | -                                  |                                |
| PIMCO Real Return  | Written Options   | -                         | (48,921.88)              | (48,921.88)               | -                          | -                                | X                                  |                                |
| PIMCO TIPS         | Currency Forwards | (92,627.20)               | -                        | (92,627.20)               | -                          | -                                | -                                  |                                |
| PIMCO TIPS         | Futures           | -                         | (2,521.06)               | (2,521.06)                | 2,117,297.66               | 13,988,860.16                    | -                                  |                                |
| PIMCO TIPS         | Swaps             | (495,013.90)              | -                        | (495,013.90)              | -                          | -                                | -                                  |                                |
| PIMCO TIPS         | Written Options   | -                         | (46,656.25)              | (46,656.25)               | -                          | -                                | X                                  |                                |
| Private Equity     | Currency Forwards | (21,994.71)               | -                        | (21,994.71)               | -                          | -                                | -                                  |                                |
| <b>GRAND TOTAL</b> |                   | <b>\$ (21,241,930.67)</b> | <b>\$ (9,825,967.08)</b> | <b>\$ (31,067,897.75)</b> | <b>\$ 1,740,414,509.82</b> | <b>\$ 3,782,556,307.02</b>       | <b>\$ (668,240,448.38)</b>         |                                |
| Internal Managers  |                   | \$ (19,827,260.15)        | \$ (10,024,230.26)       | \$ (29,851,490.41)        | \$ 1,416,882,186.67        | \$ 3,233,806,746.67              | \$ (620,877,196.00)                |                                |
| External Managers  |                   | (1,414,670.52)            | 198,263.19               | (1,216,407.33)            | 323,532,323.15             | 548,749,560.36                   | (47,363,252.38)                    |                                |
| <b>GRAND TOTAL</b> |                   | <b>\$ (21,241,930.67)</b> | <b>\$ (9,825,967.08)</b> | <b>\$ (31,067,897.75)</b> | <b>\$ 1,740,414,509.82</b> | <b>\$ 3,782,556,307.02</b>       | <b>\$ (668,240,448.38)</b>         |                                |
| Currency Forwards  |                   | \$ (6,606,480.38)         | \$ -                     | \$ (6,606,480.38)         | \$ -                       | \$ -                             | \$ -                               |                                |
| Futures            |                   | -                         | (9,591,033.45)           | (9,591,033.45)            | 1,740,414,509.82           | 3,782,556,307.02                 | -                                  |                                |
| Purchased Options  |                   | 23,576,897.11             | 1,502,400.00             | 25,079,297.11             | -                          | -                                | (235,743,804.14)                   |                                |
| Swaps              |                   | 3,232,841.73              | -                        | 3,232,841.73              | -                          | -                                | -                                  |                                |
| Written Options    |                   | (41,445,189.13)           | (1,737,333.63)           | (43,182,522.76)           | -                          | -                                | (432,496,644.24)                   |                                |
| <b>GRAND TOTAL</b> |                   | <b>\$ (21,241,930.67)</b> | <b>\$ (9,825,967.08)</b> | <b>\$ (31,067,897.75)</b> | <b>\$ 1,740,414,509.82</b> | <b>\$ 3,782,556,307.02</b>       | <b>\$ (668,240,448.38)</b>         |                                |

\*Line items marked with "X" will be added as the 3rd party risk system develops the calculation of Notional Delta Equivalent for those specific types of option instruments.

## Comprehensive Report on Approved Derivative Applications as of September 30, 2005

### Internal Management

| Internal Managers | Derivative Application (account name)                        | Purpose of Application   |
|-------------------|--|--|
|                   | US Equity Spread Trade (Spread Trade)                        | To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases and short sales of appropriate derivatives. Reduce small cap exposure and increase large cap exposure. |
|                   | Russell 2000 short call options (US Equity Options Internal) | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives  |
|                   | US No Cost Collar (No Cost Collar)                           | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases and short sales of appropriate derivatives                            |
|                   | Canadian No Cost Collar (Canada No Cost Collar)              | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases and short sales of appropriate derivatives                            |
|                   | Large cap technology equity basket (US Equity Options)       | To construct portfolios with risk and return characteristics that could not be created with cash market securities.  |
|                   | Financial Sector short call options (US Equity Options)      | To construct portfolios with risk and return characteristics that could not be created with cash market securities.  |
|                   | Oil Service sector short call options (US Equity Options)    | To construct portfolios with risk and return characteristics that could not be created with cash market securities.  |
|                   | Nikkei 225 short call options (Intl Equity Options)          | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives  |
|                   | Nikkei 225 short put options (Intl Equity Options)           | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives  |
|                   | Goldman Sachs Commodity Index futures (GSCI)                 | To construct portfolios with risk and return characteristics that could not be created with cash market securities.  |
|                   | Goldman Sachs Commodity Index short call options (GSCI)      | To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives  |
|                   | Structured Active Management Application - Developed Markets | Use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio within the Developed Markets portfolio.                                   |
|                   | Emerging Markets Proxy (Emerging Proxy)                      | To construct portfolios with risk and return characteristics that could not be created with cash market securities.  |
|                   | S&P 500 Futures / S&P 400 Futures / Dow Jones Futures        | Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)   |

**Comprehensive Report on Approved Derivative Applications as of September 30, 2005**  
**External Management**

| <b>External Managers Under Agency Agreement</b> | <b>Primary Use of Derivatives</b>   |
|---|---|
| Blackrock (formerly State Street Research)      | Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)  |
| Bridgewater                                     | Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)   |
| Cundill   | Futures, currency forwards and short sales up to 5% are allowed (within our max loss provision)<br>Write covered calls; sell puts to gain better entry points.  |
| Dalton  | Short sales of equity index options, protective puts, futures and forwards are allowed within our max loss provision.   |
| Goldman Sachs Asset Management                  | May invest in index futures for equitizing cash positions, short sales of futures for temporary outflows of cash  |
| IronBridge                                      | Covered calls or short puts not to exceed 5% of the account (within our max loss provision) to gain better entry points   |
| John Levin                                      | Use of puts and calls not to exceed 5% of the account, opportunistic shorting (within our max loss provision)   |
| PIMCO Global Bonds                              | May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies. |
| PIMCO Real Return                               | May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)   |
| PIMCO TIPS                                      | May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)   |
| Reams   | Securities linked to foreign interest rates   |

**DERIVATIVES COUNTERPARTY REPORT  
AS OF SEPTEMBER 30, 2005**

| Counterparty                         | S&P<br>Counterparty<br>Rating | Mark-to-Market<br>\$      | Percentage of<br>Total Funds |
|--------------------------------------|-------------------------------|---------------------------|------------------------------|
| ABN AMRO BANK NV, CHICAGO            | AA-                           | 37,403.17                 | 0.000%                       |
| AIG FINANCIAL PRODUCTS               | AA                            | 5,306,250.00              | 0.037%                       |
| AUSTRALIA & NZ BANK LTD, MELBOURNE   | AA-                           | (71,977.97)               | 0.000%                       |
| BANK OF AMERICA                      | AA+                           | (1,207,107.86)            | -0.008%                      |
| BARCLAYS                             | AA+                           | (2,431,919.53)            | -0.017%                      |
| BEAR STEARNS                         | A+                            | (512,105.75)              | -0.004%                      |
| BNP-PARIBAS SA, PARIS                | AA                            | (2,731,464.77)            | -0.019%                      |
| CHASE MANHATTAN BK N A, NY           | AA-                           | (297,437.26)              | -0.002%                      |
| CITIBANK                             | AA+                           | (3,492,732.00)            | -0.024%                      |
| COMMONWEALTH BK OF AUSTRALIA, NY     | AA-                           | (82,800.26)               | -0.001%                      |
| CS FIRST BOSTON GBL FOREIGN EXCH, UK | A+                            | 33,446.40                 | 0.000%                       |
| GOLDMAN SACHS                        | AA-                           | (18,152,460.02)           | -0.125%                      |
| HSBC BANK USA, N.A.                  | AA                            | 54,313.72                 | 0.000%                       |
| JPMORGAN CHASE BK                    | AA                            | 4,756,367.55              | 0.033%                       |
| LEHMAN BROTHERS                      | A+                            | (2,856,818.92)            | -0.020%                      |
| MELLON BANK                          | AA-                           | (21,178.88)               | 0.000%                       |
| MERRILL LYNCH                        | AA-                           | (292,250.55)              | -0.002%                      |
| MORGAN STANLEY & CO                  | AA-                           | 32,931.97                 | 0.000%                       |
| NATIONAL AUSTRALIA BANK LIMITED, NY  | AA-                           | 37,827.96                 | 0.000%                       |
| ROYAL BANK OF CANADA, TORONTO        | AA-                           | (94,435.68)               | -0.001%                      |
| ROYAL BK OF SCOTLAND, LONDON         | AA                            | (101,379.80)              | -0.001%                      |
| STATE ST BOSTON CAPITAL MKT, BOSTON  | AA                            | (37,439.52)               | 0.000%                       |
| UBS AG, STAMFORD                     | AA+                           | 788,375.59                | 0.005%                       |
| WESTPAC BANKING CORP, SYDNEY         | AA-                           | 94,661.74                 | 0.001%                       |
| Grand Total                          |                               | <u>\$ (21,241,930.67)</u> | -0.146%                      |

**PUF and GEF owe to Counterparty  
Counterparty owes to PUF and GEF**

|    |                        |
|----|------------------------|
| \$ | (32,383,508.77)        |
|    | 11,141,578.10          |
| \$ | <u>(21,241,930.67)</u> |

PUF NAV  
GEF NAV  
Total NAV

|    |                          |
|----|--------------------------|
| \$ | 9,494,914,501.00         |
|    | 5,040,094,156.50         |
| \$ | <u>14,535,008,657.50</u> |

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

- Agenda Item:** Report on Actions taken under the Delegation of Authority Policy
- Developed by:** Staff
- Presented by:** Boldt
- Type of Item:** Information item
- Description:** The Delegation of Authority delegates to the CEO the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less. The Delegation of Authority requires staff to report contracts, leases, or other commercial arrangements executed by the CEO with a total obligation of \$1 million or less.
- The Delegation of Authority also requires that the CEO notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under the delegated authority related to new manager selection and increases in investments or commitments to existing managers.
- Recommendation:** None
- Discussion:** Staff has prepared the reports to update the UTIMCO Board on (1) new and renewal of existing contracts, leases and other commercial arrangements, and (2) Manager activity.
- Reference:** Manager Activity Taken Under the Delegation of Authority; New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements



**Report on Manager Activity  
Taken Under the Delegation of Authority  
September 7, 2005 through October 31, 2005**

|                                     | Date          | Amounts          |                  | Description   |
|-------------------------------------|---------------|------------------|------------------|---|
|                                     |               | PUF              | GEF              |   |
| <b>US Equities</b>                  |               |                  |                  |   |
| No Cost Collar trade                | Various       | 479,050,000.00   | 257,950,000.00   | 1, 2 Increase collar on US Equities portfolio                         |
| No Cost Collar trade                | 10/13/2005    | 504,899.46       | 271,868.94       | Premium received on unwinding a portion of No Cost Collar trade       |
| Blackrock Small Cap                 | 10/19/2005    | 9,750,000.00     | 5,250,000.00     | Additional contribution to manager to increase energy exposure        |
| Internal S&P 400 futures            | 10/31/2005    | (3,736,000.00)   | (1,946,000.00)   | Sell futures to reduce S&P 400 exposure and increase S&P 100 exposure |
| Internal S&P 400 ETFs               | 10/31/2005    | (20,569,451.24)  | (10,244,276.21)  | Sell ETFs to reduce S&P 400 exposure and increase S&P 100 exposure    |
| Internal S&P 100 ETFs               | 10/31/2005    | 24,057,538.20    | 12,954,033.30    | Buy ETFs to increase exposure to S&P 100, from S&P 400 exposure       |
| <b>Global ex US Equities</b>        |               |                  |                  |   |
| <b>Non-US Developed Equity</b>      |               |                  |                  |   |
| Globeflex Small Cap                 | 9/8/2005      | (3,250,000.00)   | (1,750,000.00)   | Withdrawal to reduce EAFE small cap equities exposure                 |
| Cundill Canada                      | 10/13/2005    | (2,780,648.19)   | (1,516,717.20)   | Transfer ETFs out of Cundill account to begin closing Canada account  |
| Japan ETFs                          | 10/19/2005    | 3,294,690.10     | 1,774,063.90     | Purchase Japan ETFs to increase exposure to Japan                     |
| <b>Emerging Markets Equity</b>      |               |                  |                  |   |
| Taiwan ETFs                         | 9/15/2005     | 1,523,600.00     | 820,400.00       | Purchase ETFs to increase exposure to Taiwan                          |
| BGI Global Market Neutral           | 10/1/2005     | 48,750,000.00    | 26,250,000.00    | Allocation from Hedge Funds to use as overlay                         |
| Templeton                           | 10/5/2005     | (16,250,000.00)  | (8,750,000.00)   | Withdrawal from manager to reallocate to Non-US Developed             |
| Korea ETFs                          | 10/19/2005    | 3,272,812.14     | 1,762,283.46     | Purchase ETFs to increase exposure to Korea                           |
| Korea ETFs                          | Various dates | (5,053,784.19)   | (2,721,248.36)   | Sold Korea ETFs to take profits                                       |
| Internal ADRE Emerging Markets ETFs | Various dates | (11,515,015.99)  | (6,200,393.22)   | Sold ETFs to take profits   |
| Templeton                           | Various dates | 26,000,000.00    | 14,000,000.00    | Contribution to manager to reallocate from ADRE & US Equities         |
| <b>Inflation Linked</b>             |               |                  |                  |   |
| Internal REITs                      | 10/1/2005     | (462,597,956.08) | (239,715,915.89) | Transfer REIT securities to new account due to manager's departure    |
| Internal REITs                      | 10/11/2005    | 24,251,075.53    | 12,728,351.46    | Transfer REIT cash to Liquidity for future reallocation               |
| Cohen & Steers                      | 10/13/2005    | 462,597,956.08   | 239,715,915.89   | New manager takes over internal REIT portfolio                        |
| <b>Fixed Income</b>                 |               |                  |                  |   |
| Internal Fixed Income               | Various dates | 6,550,000.00     | 3,450,000.00     | Reallocate between internally managed Fixed Income accounts           |

**Report on Manager Activity  
Taken Under the Delegation of Authority  
September 7, 2005 through October 31, 2005**

|                               | Date         | Amounts          |                 | Description  |
|-------------------------------|--------------|------------------|-----------------|--|
|                               |              | PUF              | GEF             |  |
| <b>Hedge Funds</b>            |              |                  |                 |  |
| OCM High Yield                | 10/1/2005    | 9,750,000.00     | 5,250,000.00    | Additional contribution to existing manager                              |
| AG Realty (Angelo Gordon)     | 10/1/2005    | 16,250,000.00    | 8,750,000.00    | Initial funding to existing relationship, new fund                       |
| TPG Axon                      | 10/1/2005    | 32,500,000.00    | 17,500,000.00   | Additional contribution to existing manager                              |
| BGI Global Market Neutral     | 10/1/2005    | (48,750,000.00)  | (26,250,000.00) | Transfer a portion to Global ex US Equities - Emerging to use as overlay |
|                               |              |                  | <b>Total</b>    |  |
|                               |              |                  | 15,000,000.00   |  |
|                               |              |                  | 25,000,000.00   |  |
|                               |              |                  | 50,000,000.00   |  |
|                               |              |                  | (75,000,000.00) |  |
| <b>Private Capital</b>        |              |                  |                 |  |
| Ampersand 2005 LP             | September-05 | \$ 17,500,000.00 | \$ 7,500,000.00 |  |
| Reservoir Capital Investment  | September-05 | 28,000,000.00    | 12,000,000.00   |  |
| Blackstone Capital Partners   | October-05   | 35,000,000.00    | 15,000,000.00   |  |
| Windjammer Senior Eq Partners | October-05   | 21,000,000.00    | 9,000,000.00    |  |
|                               |              |                  | <b>Total</b>    |  |
|                               |              |                  | 25,000,000.00   |  |
|                               |              |                  | 40,000,000.00   |  |
|                               |              |                  | 50,000,000.00   |  |
|                               |              |                  | 30,000,000.00   |  |

1 Amounts shown from No Cost Collar trades represent Notional Value; trade involved no cash flow.

2 Trades fall under the Derivative Investment Policy.

**Report on  
New Contracts and Existing Contract Renewals, Leases, and Other Commercial  
Arrangements**

**For Period September 8, 2005 through November 2, 2005**

**(Total Obligation per Agreement less than \$1 million)**

| Agreement | Purpose         | Contract Term                            | Annual Amount |
|-----------|-----------------|--|---------------|
| MSCI      | MSCI REIT Index | 9/23/2005 to 9/22/2006<br>Annual renewal | \$2,500       |
|           |                 |  |               |
|           |                 |  |               |
|           |                 |  |               |

TAB 4

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Report from UTIMCO's Compensation Committee

**Developed By:** Boldt, Moeller

**Presented By:** Ferguson

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

**Discussion:** The Compensation Committee (the "Committee") will meet on November 16, 2005 to approve the performance compensation awards under the UTIMCO Compensation Program for all eligible employees except the President and Chief Executive Officer. The Committee will review the performance compensation award of the President and Chief Executive Officer and will recommend to the UTIMCO Board a proposed award. UTIMCO staff will forward supporting materials to the Board members for Executive Session discussion. Cambridge Associates has certified the peer universe performance data and a copy of the memorandum from Bruce Myers and Hamilton Lee is attached.

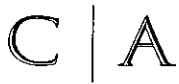
The Committee will review an additional item related to the 2005/2006 Compensation Program. In addition to the eligible participants approved by the Committee and the Board in September 2005, three additional employees have filled analyst positions in the Non-Marketable and Risk Management area. The Committee will review the goals recommended by the President and CEO for these positions and the Committee will request that the Board approve the employees as eligible to participate in the UTIMCO 2005/2006 Compensation Program as provided in the attachment.

The Committee will also review the peer group for the 2005/2006 Compensation Program as determined by Cambridge Associates.

**Recommendation:** The Committee recommends that the UTIMCO Board approve the 2004/2005 performance compensation award totals, the performance compensation award proposed for the President and CEO of UTIMCO, the peer group for the 2005/2006 Plan Year and the additional eligible Compensation Program participants for 2005/2006.

**Reference:** Certification of Peer Universe Performance Data memorandum; Schedule reporting employees, eligible positions, performance goals weights, and incentive award opportunities for three employees; Compensation Plan Universe (2005/2006 Peer Group)

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**M E M O R A N D U M**

TO: H. Scott Caven, Jr. Chairman  
Bob L. Boldt, Chief Executive Officer  
The University of Texas Investment Management Company

FROM: Bruce Myers  
Hamilton Lee

DATE: November 1, 2005

RE: Certification of Peer Universe Performance Data

Over the past few weeks we have assembled the performance numbers for fiscal year 2003, 2004, and 2005 for the 36 institutions which comprise the UTIMCO peer group universe for UTIMCO Compensation Plan purposes. (The names of those 36 institutions are provided below). The results were as follows:

|                 | 1 yr          |                 | 2 yr          |                 | 3 yr          |                 |
|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|                 | <u>Return</u> | <u>(% tile)</u> | <u>Return</u> | <u>(% tile)</u> | <u>Return</u> | <u>(% tile)</u> |
| Maximum         | 19.47         |                 | 19.54         |                 | 15.32         |                 |
| 25th percentile | 17.62         |                 | 17.30         |                 | 12.16         |                 |
| Median          | 13.94         |                 | 15.21         |                 | 11.64         |                 |
| 75th percentile | 11.28         |                 | 13.97         |                 | 10.06         |                 |
| Minimum         | 2.66          |                 | 8.48          |                 | 2.88          |                 |
| # of portfolios | 36            |                 | 36            |                 | 36            |                 |
| UT System       |               |                 |               |                 |               |                 |
| Total           |               |                 |               |                 |               |                 |
| Endowment       |               |                 |               |                 |               |                 |
| Funds           | 13.5          | 58%             | 16.7          | 33%             | 11.7%         | 42%             |

Thirty-four of the institutions represented above reported performance information directly to Cambridge Associates. For the two institutions in the peer group who are not Cambridge clients (Ohio State and the University of Rochester) we independently verified the returns by contacting finance staff at those institutions. We would also like to point out that with respect to the 3-year number, a very small change in return could mean a meaningful move in ranking. For example, a change of 10 basis points in return could easily move an institution 5 percentile points up or down in ranking.

### **The Peer Group**

An institution was included in the peer group universe if it reported, for three consecutive fiscal years, endowment assets of greater than \$1 Billion. Harvard and Yale were excluded. For fiscal year 2005 those institutions were:

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  
Sanford University  
Texas A&M University System and Foundations  
The Rockefeller University  
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 (St. Louis)  
Wellesley College  
Williams College

We would be happy to answer any questions about the calculation of this year's return.

Cc: Joan Moeller, Managing Director for Accounting, Finance and Administration



| Eligible Position               | Employee:    | Weighting |             |            | Incentive Award Opportunity (% of Salary) |           |        |         |
|---------------------------------|--------------|-----------|-------------|------------|---|-----------|--------|---------|
|                                 |              | Entity    | Asset Class | Individual | < Threshold                               | Threshold | Target | Maximum |
| <i>Investment Professionals</i> |              |           |             |            |   |           |        |         |
| Analytical Support:             |              |           |             |            |   |           |        |         |
| Nonmarketable Alternative       | Mark Shoberg | 20%       | 20%         | 60%        | 0%  | 5%        | 25%    | 50%     |
| Nonmarketable Alternative       | Scott Bigham | 20%       | 20%         | 60%        | 0%  | 5%        | 25%    | 50%     |
| Risk Management                 | Kate Wagner  | 70%       | 0%          | 30%        | 0%  | 5%        | 25%    | 50%     |

Mark is eligible as of October 31, 2005.

Scott transferred to an eligible position as of 9/1/2005.

Kate is eligible as of October 31, 2005.

## Compensation Plan Universe

The following institutions had market values over \$1 Billion as of July 1, 2003, July 1, 2004, and July 1, 2005 and represent the peer group universe for the 2005-2006 compensation period.

- 1 Princeton University
- 2 Stanford University
- 3 Massachusetts Institute of Technology
- 4 University of California
- 5 Columbia University
- 6 Emory University
- 7 The Texas A&M University System and Foundations
- 8 University of Pennsylvania
- 9 University of Michigan
- 10 Washington University
- 11 University of Chicago
- 12 Northwestern University
- 13 Duke University
- 14 Rice University
- 15 Cornell University
- 16 University of Notre Dame
- 17 Dartmouth College
- 18 University of Southern California
- 19 Vanderbilt University
- 20 University of Virginia
- 21 Johns Hopkins University
- 22 Brown University
- 23 University of Minnesota and Foundation
- 24 Case Western Reserve University
- 25 The Rockefeller University
- 26 New York University
- 27 Ohio State University and Foundation
- 28 University of Pittsburgh
- 29 California Institute of Technology
- 30 University of Rochester
- 31 Grinnell College
- 32 University of Washington
- 33 UNC at Chapel Hill and Foundations
- 34 Williams College
- 35 Purdue University
- 36 Wellesley College

*Source: NACUBO*

TAB 5

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Discussion and Consideration of New Committee Charter and Proposed Changes to Existing Policy

**Developed By:** Staff

**Presented By:** Boldt

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

**Description:** UTIMCO staff is presenting a new committee charter for the Policy Committee. During the UTIMCO Board meeting held on October 7, 2005, Chairman Caven requested staff to prepare a charter for the Policy Committee. Members of the committee will be appointed during today's meeting, November 16, 2005.

The Delegation of Authority Policy is to provide a delineation of responsibilities of the UTIMCO Board and staff and has one proposed change.

**Recommendation:** UTIMCO staff recommends approval of the Charter of the Policy Committee and an amendment to the Delegation of Authority.

**Discussion:** The purpose of the of the Policy Committee is to provide oversight and monitor (1) the development and amendments of UTIMCO Board Policies and Corporate Documents; (2) the development and amendment of the investment-related polices of the Board of Regents of The University of Texas System (U.T. Board) related to the management of funds under the control and management of the U.T. Board, and (3) the amendment of the Investment Management Services Agreement (the "IMSA"), Code of Ethics, and Bylaws. The proposed Charter enumerates the duties and responsibilities of the Policy Committee.

The UTIMCO Board considered language in the Delegation of Authority related to tactical asset allocation in the Investment Authority section at its meeting on October 7, 2005. The UTIMCO Board requested that staff redraft the proposed language related to using short sales of securities to offset existing long positions for risk control purposes. This new proposed language is the only recommended change to the Delegation of Authority.

**Reference:** Charter of the Policy Committee; Delegation of Authority

**RESOLUTION RELATED TO THE PROPOSED CHARTER OF THE  
POLICY COMMITTEE**

RESOLVED, that the Proposed Charter of the Policy Committee be, and is hereby, approved in the form submitted to the Corporation's Board of Directors.

**RESOLUTION RELATED TO DELEGATION OF AUTHORITY POLICY**

RESOLVED, that the amendment to the Delegation of Authority Policy be, and is hereby, approved in the form submitted to the Corporation's Board of Directors

# **The University of Texas Investment Management Company Charter of the Policy Committee**

## **Background**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") has established a Policy Committee (the "Committee"). This Charter, adopted by the Board on November 16, 2005, sets forth the responsibilities of the Committee.

## **Purpose**

The primary purpose of the Committee is to provide oversight and to monitor:

1. The development and amendment of UTIMCO Board Policies and Corporate Documents;
2. The development and amendment of investment-related policies of The University of Texas System Board of Regents (U.T. Board) related to the management of funds under the control and management of the U.T. Board; and
3. The amendment of the Investment Management Services Agreement (the "IMSA"), Code of Ethics, and Bylaws.

Any decisions made by the Committee regarding the above responsibilities will be submitted to the Board for approval.

## **Composition**

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

## **Meetings; Quorum; Etc.**

The Corporation's Bylaws state that any committee created by the Board, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of the Committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of the Committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the Committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of the Committee, who may replace any absent or disqualified member

of the Committee. In the absence or disqualification of a member of the Committee, the member or members present at any meeting of the Committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## **Duties and Responsibilities**

### *UTIMCO Board Policies and Corporate Documents*

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of UTIMCO Board Policies and Corporate Documents (excluding the IMSA, Code of Ethics, Bylaws and any other corporate documents requiring U.T. Board approval):

- Review any UTIMCO Board Policies developed by UTIMCO staff and provide guidance and suggested language when necessary;
- Determine which internal policies and procedures should be considered UTIMCO Board Policies;
- Recommend to the Board the approval of any new UTIMCO Board Policies; and
- Review suggested amendments to UTIMCO Board Policies and Corporate Documents and provide guidance and suggested language when necessary.

In discharging its responsibilities, the Committee may accept comments and suggestions from Board consultants, U.T. System staff, and other individuals as it deems necessary.

### *Investment Policies of the U.T. Board*

The Board has been delegated certain responsibilities by the U.T. Board including the development and review of investment policies with respect to the investment management of funds under the control and management of the U.T. Board, including asset allocation, distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges, and other matters as the U.T. Board requests. Upon its review and approval, the Board shall present the investment policies to the U.T. Board for approval.

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of the investment policies of the U.T. Board related to the investment management of the funds under the control and management of the U.T. Board:

- Review U.T. Board investment policies developed by UTIMCO staff and provide guidance and suggested language when necessary;
- Recommend to the Board the approval of any new U.T. Board Policies;
- Review suggested amendments to U.T. Board Policies and provide guidance and suggested language when necessary; and
- Recommend to the Board the approval of amended U.T. Board Policies.



In discharging its responsibilities, the Committee may accept comments and suggestions from Board consultants, U.T. System staff, and other individuals as it deems necessary. The investment policies of the U.T. Board require U.T. Board approval.

*Amendments of the IMSA, Code of Ethics, Bylaws and other Corporate documents requiring U.T. Board approval*

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of the amendments of the IMSA, Code of Ethics, Bylaws and other Corporate documents requiring U.T. Board approval:

- Review amendments to Corporate documents prepared by UTIMCO staff requiring U.T. Board approval and provide guidance and suggested language when necessary; and
- Recommend to the Board the approval of such amendments

Upon its review and approval, the Board shall present the amendments to the U.T. Board for approval. In discharging its responsibilities, the Committee may accept comments and suggestions from Board consultants, U.T. System staff, and other individuals as it deems necessary.

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

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**Effective Date of Policy:** ~~November 16, 2005~~ October 7, 2005

**Date Approved by UTIMCO Board:** ~~November 16, 2005~~ October 7, 2005

**Supersedes:** Delegation of Authority Policy approved by the UTIMCO Board on October 7, 2005 ~~November 15, 2004~~

**Purpose:**

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

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

**Objective:**

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

**Scope:**

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

**Authority Delegated to UTIMCO Management:**

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

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

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UTIMCO policies to UTIMCO Management in two primary areas: Management, Operational, and Financial Authority, and Investment Authority.

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

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

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

***Administration, Accounting and Financial Management:*** The UTIMCO Board hereby delegates all day to day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Systems Technology Management:*** The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Personnel Management:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

***Compliance:*** The UTIMCO Board hereby delegates all compliance operations to UTIMCO management, while retaining all oversight functions as specified in UTIMCO policies.

***Client Relations and Reporting:*** The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO management.

***Public Relations:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations issues, except for those issues that are reserved for decisions by the UTIMCO Vice Chairman for Policy.

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

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In addition, in order to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Contracts:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less during the contract term, provided that notice of any such contracts, leases, or other commercial arrangements shall be reported to the UTIMCO Board at its regularly scheduled meetings.

**Investment Authority:** The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Tactical Asset Allocation:** Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policy Statements, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds, but excluding derivative instruments) to offset existing long positions for risk control purposes may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy, a risk analysis shall be performed that documents the expected risk reducing impact of the proposed strategy. The sum of all short security sales strategies shall not exceed 5% of the net asset value of the Funds.
- **Risk Management:** The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO management.
- **New Investment Vehicle and Manager Selection:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency and partnership agreements as necessary, subject only to the following limitations:
  - **Public Markets Investments:** Any new commitments exceeding (i)(a) \$200 million for an individual external manager or (b) 20% of the total assets under management under the specific asset categories of U.S. equity, non U.S. equity, and fixed income by an external manager or (ii) \$100 million for a particular active internal management application will require approval under the process defined in Appendix A.
  - **Marketable Alternatives Investments:** Any new commitments exceeding (i) \$100 million or (ii) 20% of the total assets of the same

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

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- investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any marketable alternative investment managed by a manager not otherwise managing marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an opinion regarding the new investment from the external UTIMCO consultant is necessary is delegated to the UTIMCO Chief Executive Officer.
- Non-Marketable Alternatives Investments: Any new commitments exceeding (i) \$50 million or (ii) 20% of the total assets of the same investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any non-marketable alternative investment managed by a manager not otherwise managing non-marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an opinion regarding the new investment from the external UTIMCO consultant is necessary is delegated to the UTIMCO Chief Executive Officer. All new commitments to direct, non-marketable investments will require approval under the process defined in Appendix A.
  - Other Investments: Any investments in asset categories not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
  - Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
  - The UTIMCO Chief Executive Officer will notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency and partnership agreements as necessary, subject only to the following limitations:
    - Public Markets Investments: Any increases to existing funds under management by any individual external manager exceeding \$200 million or by internal management in a particular active application exceeding \$100 million, or which increases the total assets managed to more than (i) \$400 million with an individual external manager or a larger amount approved by the Board for manager exceptions or (ii) 20% of the total assets under the specific asset categories of U.S. equity, non U.S. equity, and fixed income at an external manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.

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

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- Marketable Alternatives Investments: Any increases to existing funds under management exceeding \$100 million, or which increase the total assets managed to more than \$200 million with an individual manager or to more than 20% of the total assets in a specific investment mandate at a manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.
- Non-Marketable Alternatives Investments: Any increases to existing funds under management exceeding \$50 million in an existing partnership or direct investment, or which increase the total UTIMCO investment in a single partnership or direct investment to more than (i) \$100 million or (ii) 20% of the total assets of the same investment vehicle, will require approval under the process defined in Appendix A.
- Any increase that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- Manager and Partnership Monitoring and Termination: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Internal Investment Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO staff.
- Management of UTIMCO's External Investment Consultant: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.
- Management of UTIMCO's External Counsel: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

**Documentation and Controls:**

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

**Reporting:**

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

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

**Appendix A  
Investment Vehicle and Manager Selection**

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

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

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

TAB 6



**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

- Agenda Item:** Report on Audit and Ethics Committee meeting
- Developed By:** Moeller
- Presented By:** Nye
- Type of Item:** Action required by UTIMCO Board
- Description:** The Audit and Ethics Committee meeting was held on November 3, 2005, to approve the audited financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, and the Statement of Performance Statistics. The Audit and Ethics Committee approved the financial statements as presented.
- Discussion:** The financial statements were audited by Ernst & Young, LLP. Ricky Richter, coordinating partner, presented Ernst & Young's Audit Results and Communications letter as well as answering questions related to the financial statements. Ernst & Young issued unqualified opinions on the August 31, 2005 financial statements. The opinions were dated October 21, 2005. A copy of the Audit Results and Communications is included. Because of the voluminous nature of the statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO's website, [www.utimco.org](http://www.utimco.org).
- Recommendation:** The Committee recommends that the Board approve the audited financial statements.
- Reference:** Audit Results and Communications

## **RESOLUTION RELATED TO FINANCIAL STATEMENTS**

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2005 and August 31, 2004 and the Statement of Investment Performance Statistics for the year ended August 31, 2005 be and are hereby approved in the form as presented to the Board.



ASSURANCE AND ADVISORY  
BUSINESS SERVICES

OCTOBER 21, 2005

 **ERNST & YOUNG**  
*Quality In Everything We Do*

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

**Audit Results and Communications**

Report to:

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

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

October 21, 2005

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

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company

We are pleased to present the results of our audits of the financial statements of the following funds for the year ended August 31, 2005:

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

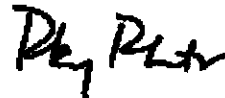
This report to the Audit, Compliance and Management Review Committee and the Audit and Ethics Committee is organized into the following sections:

- Required Communications
- Report on Internal Control

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

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,



Ricky L. Richter

## REQUIRED COMMUNICATIONS

Statement on Auditing Standards No. 61 (as amended) and other professional standards require the auditor to communicate certain matters to the Audit Committee that may assist the Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to the Funds.

| Area   | Comments  |
|--|---|
| <p><b>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b></p> <p>The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.</p>   | <p>We issued unqualified opinions on the August 31, 2005 financial statements.</p>  |
| <p><b>Our Judgments About the Quality of the Company's Accounting Principles</b></p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Funds' financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>  | <p>Accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Funds' financial statements and disclosures are complete in all material respects.</p> |
| <p><b>Sensitive Accounting Estimates</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p> | <p>As part of our audit, we reviewed and tested the market values of non-marketable alternative investments. Based on our testing, we concluded the Funds' recorded investment values were fairly stated.</p>   |
| <p><b>The Adoption of, or a Change in an Accounting Principle</b></p> <p>We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>   | <p>During fiscal year 2005, the Funds adopted GASB 40 which required additional footnote disclosure regarding credit, interest, custodial and foreign currency risk.</p>  |
| <p><b>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</b></p> <p>We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>   | <p>We are not aware of any significant unusual transactions recorded by the Funds or of any significant accounting policies used by the Funds related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>                                       |
| <p><b>Significant Audit Adjustments</b></p> <p>We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Company's financial statements.</p>  | <p>There were no recorded audit adjustments related to the fiscal year 2005 audit.</p>  |

| Area   | Comments   |
|--|--|
| <p><b>Unadjusted Audit Differences Considered by Management to Be Immaterial</b><br/>           We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p> | <p>There were no unadjusted audit differences related to the fiscal year 2005 audit.</p>                         |
| <p><b>Fraud and Illegal Acts</b><br/>           We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p>  | <p>We are not aware of any fraud or illegal acts.</p>  |
| <p><b>Material Weaknesses in Internal Control</b><br/>           We are required to communicate all material weaknesses in internal control, which may have been identified during the course of our audit.</p>  | <p>No material weaknesses were identified.</p>   |
| <p><b>Disagreements with Management</b></p>  | <p>None.</p>   |
| <p><b>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</b></p>  | <p>None.</p>   |
| <p><b>Major Issues Discussed with Management Prior to Retention</b></p>  | <p>None.</p>   |
| <p><b>Consultation with Other Accountants</b></p>  | <p>None of which we are aware.</p>   |
| <p><b>Other Matters</b></p>  | <p>None.</p>   |
| <p><b>Other Information in Documents Containing Audited Financial Statements</b><br/>           Our financial statement audit opinion only relates to the financial statements and the accompanying notes. However, we also review other information such as Management's Discussion and Analysis, for consistency with the audited financial statements.</p>  | <p>We believe that Management's Discussion and Analysis is consistent with the audited financial statements.</p> |



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

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company

In planning and performing our audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund and The University of Texas System Short Intermediate Term Fund (collectively, the "Funds") for the year ended August 31, 2005, we considered their internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Audit, Compliance and Management Review Committee, the Audit and Ethics Committee, and management of the Funds. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young LLP*

October 21, 2005

ERNST & YOUNG LLP

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TAB 7

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Marketable Alternatives Portfolio Update

**Developed By:** Cathy Iberg

**Presented By:** Cathy Iberg

**Type of Item:** Information Item

**Description:** The presentation is a current update on UTIMCO's Marketable Alternatives Program, focusing on the overall hedge fund industry, portfolio performance and composition, pooling of hedge fund managers, near-term plans for the Program, and Q&A session.

**Discussion:** None

**Recommendation:** None

**Reference:** None



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Marketable Alternatives Program

Presented by: Cathy Iberg

November 16, 2005



# Discussion Topics

- Hedge Fund Industry Overview
- UTIMCO's Marketable Alternatives (MA) Program
- Pooling of Hedge Fund Managers
- Near Term Plans for the Program
- Q&A



# Hedge Fund Industry Overview

## Asset Growth

| Strategy               | Tass Database Assets 2005 (in millions) | Strategy Percentage | Net Growth 2005 YTD | Net Growth 2004 | Net Growth 2003 | Net Growth 2002 | Net Growth 2001 |
|------------------------|---|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| <b>All Funds</b>       | <b>\$734,986</b>                        | <b>100%</b>         | <b>9%</b>           | <b>38%</b>      | <b>58%</b>      | <b>19%</b>      | <b>20%</b>      |
| Convertible Arbitrage  | \$28,403                                | 4%                  | -31%                | 2%              | 59%             | 24%             | 74%             |
| Dedicated Short Bias   | \$2,194                                 | 0%                  | 38%                 | 78%             | -42%            | 107%            | 1%              |
| Emerging Markets       | \$36,385                                | 5%                  | 22%                 | 75%             | 105%            | 2%              | 15%             |
| Equity Market Neutral  | \$37,568                                | 5%                  | 3%                  | 11%             | 30%             | 45%             | 34%             |
| Event Driven           | \$147,256                               | 20%                 | 16%                 | 51%             | 43%             | 15%             | 33%             |
| Fixed Income Arbitrage | \$58,341                                | 8%                  | 23%                 | 34%             | 82%             | 38%             | 24%             |
| Global Macro           | \$71,378                                | 10%                 | 5%                  | 31%             | 69%             | 27%             | 15%             |
| Long/Short Equity      | \$224,592                               | 31%                 | 3%                  | 35%             | 39%             | 1%              | 8%              |
| Managed Futures        | \$31,388                                | 4%                  | -11%                | 51%             | 129%            | 31%             | 22%             |
| Other (Multi-Strategy) | \$97,481                                | 13%                 | 43%                 | 63%             | 200%            | 1037%           | 61%             |



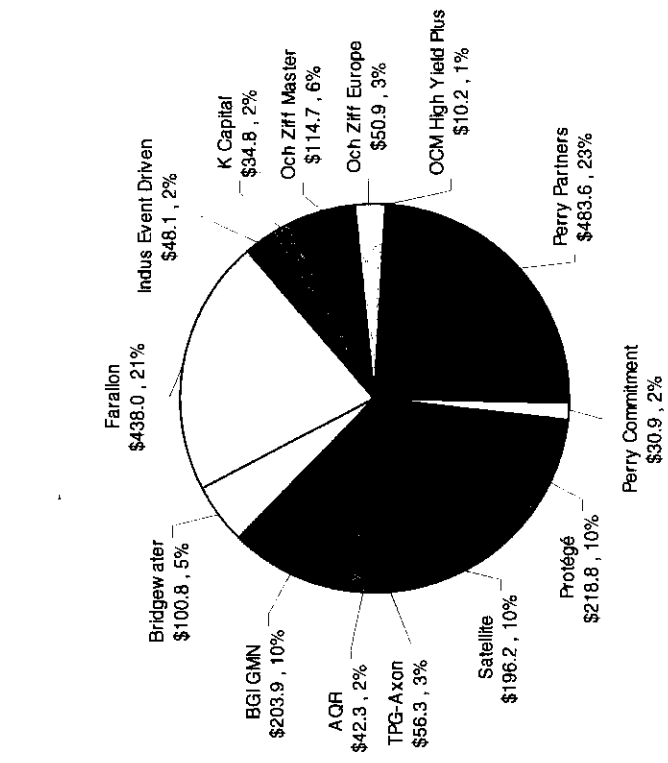
# Hedge Fund Industry Overview

- Investment Opportunity
- Bifurcation of Hedge Fund Managers
- Convergence of Hedge Fund and Private Equity Managers
- Hedge Funds as “Banks”
- Regulation Update
- Recent Events
- Concerns/Challenges/UTIMCO’s Approach

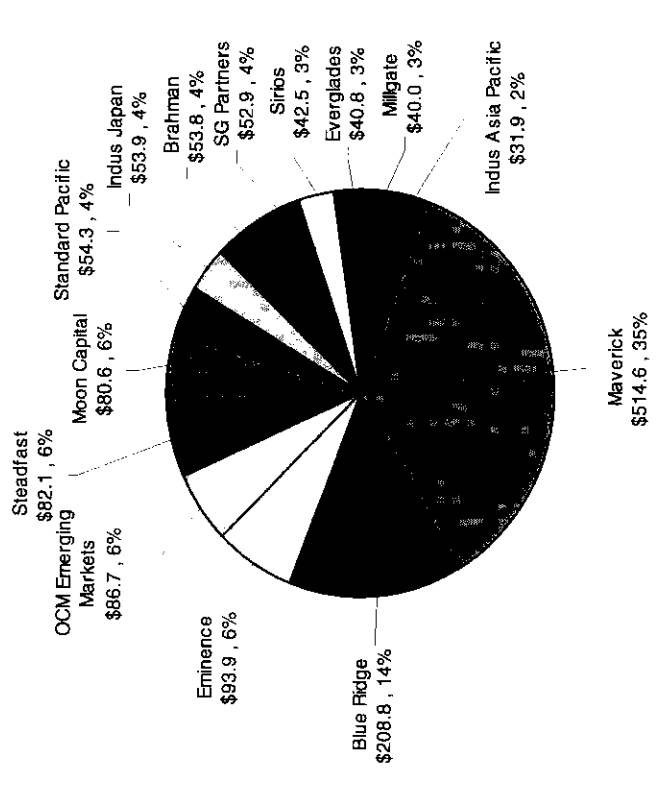


# Overview of MA Program Manager Line-up

**Absolute Return Hedge Funds**  
 Target 15%, Actual 14%  
 Total Value: \$2,029.5 million  
 September 30, 2005



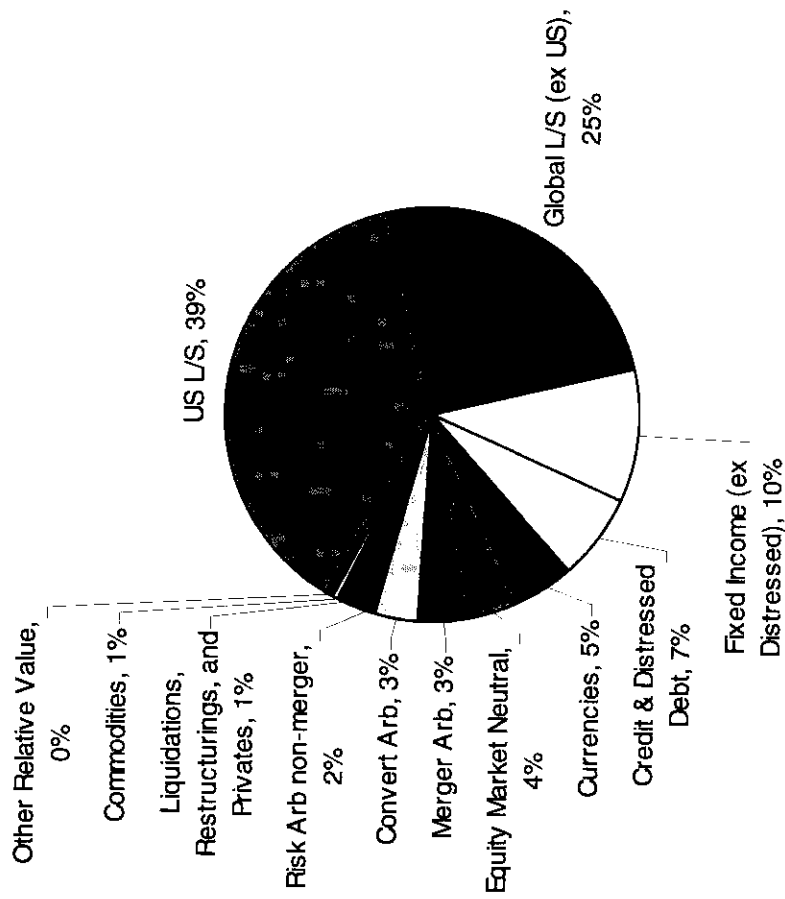
**Directional Hedge Funds**  
 Target 10%, Actual 9.9%  
 Total Value: \$1,436.9 million  
 September 30, 2005





# Overview of MA Program Strategy Allocation

## Manager Allocation to Strategies

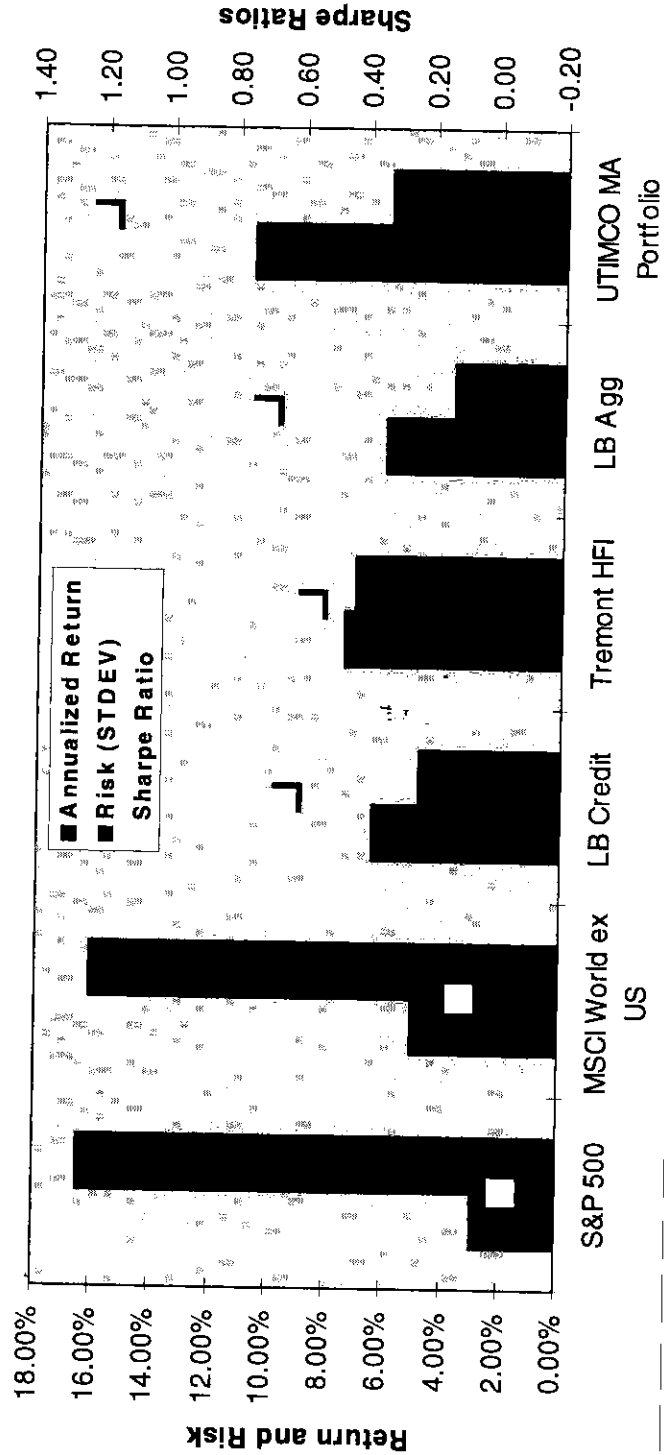






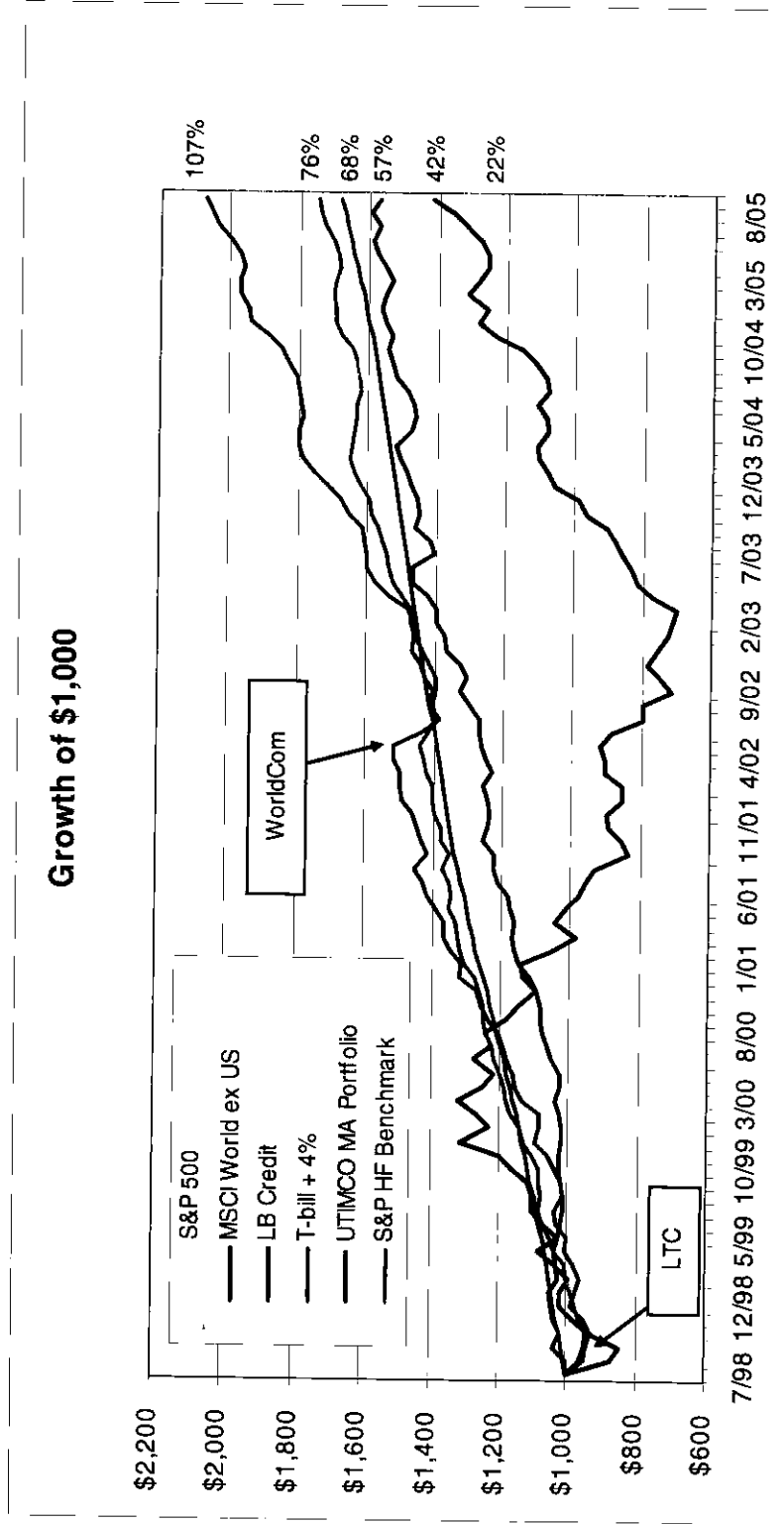
# Overview of MA Program Risk/Return Metrics

**Return/Risk Profile and Sharpe Ratios**  
August 1998 through September 2005





# Overview of MA Program Risk/Return Metrics





# Pooling of Hedge Funds

- Master pool and 3 sub-pools created 11/01/2005 with Mellon
- All legal, subscription and transfer documents completed
- Units of Ownership issued to GEF and PUF based on October 31, 2005 valuations



## Status of Current Program and Near Term Plans

- MA Portfolio has reached target allocation of 25% for Endowment Funds
- ITF's Initial Asset Allocation to Hedge Funds - \$750 million
- Focus on due diligence and prospects for placement of capital in February 2006
- Continue to opportunistically rebalance manager composition



# Intermediate Term Fund Planning

- Absolute Return - \$375 million (12.5%)
  - Existing Manager Candidates
    - OZ-Asia
    - BGI-Long/Short Credit
    - Perry Partners
    - Farallon
    - Bridgewater
    - Protégé FoF



# Intermediate Term Fund Planning

- Absolute Return - \$375 million
  - Top New Prospects
    - Parkcentral
    - Stark Capital
    - Silver Point Capital
    - Eton Park
    - Angelo Gordon Multi-strategy
    - Watershed
    - GMO Multi-strategy
    - Courage
    - Crestline FoF
    - Aetos FoF
    - Rock Creek FoF



# Intermediate Term Fund Planning

- Directional Hedge - \$375 million (12.5%)
  - Existing Manager Prospects
    - Blue Ridge Capital
    - Eminence
    - Steadfast



# Intermediate Term Fund Planning

- Directional Hedge Funds - \$375 million
  - Top New Prospects
    - Spinnaker, Citigroup EMSO
    - Owl Creek, Coghill, Passport Capital
    - Westfield Life Sciences
    - SLS, Scout, Cantillon Global
    - Andor, Level Global
    - Highside, Hunter Global, Shumway, Alson
    - Maverick Stable FoF
    - Rock Creek Emerging Managers FoF
    - Barlow Partners FoF





## Summary

- Hedge Fund Industry Overview
- UTIMCO's MA Program
- Pooling of Hedge Fund Managers
- Near Term Plans for the Program
- Q&A

TAB 8

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Presentation on the New Risk Dashboard

**Developed By:** Boldt and Reed

**Presented By:** Boldt and Reed

**Type of Item:** Information Item

**Description:** UTIMCO has developed a set of standardized charts and graphs that will be provided to the Board on a monthly basis presenting a comprehensive risk analysis of the Endowment Funds.

**Discussion:** The "Risk Dashboard" is an expansion of the risk reporting that has been included in the Endowment Funds Update. The role of the Dashboard is to give Board Members a comprehensive view of risk as it relates to the Endowment Funds. We consider this an evolving document and will welcome all requests for additional analyses or revisions of the ones provided.

**Recommendation:** None

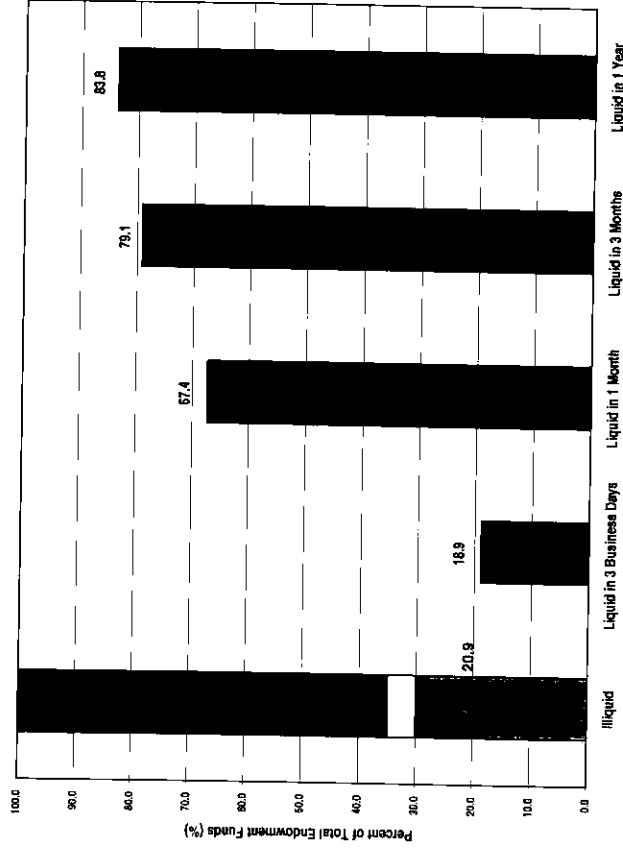
**Reference:** None

Investment Risk Summary 1

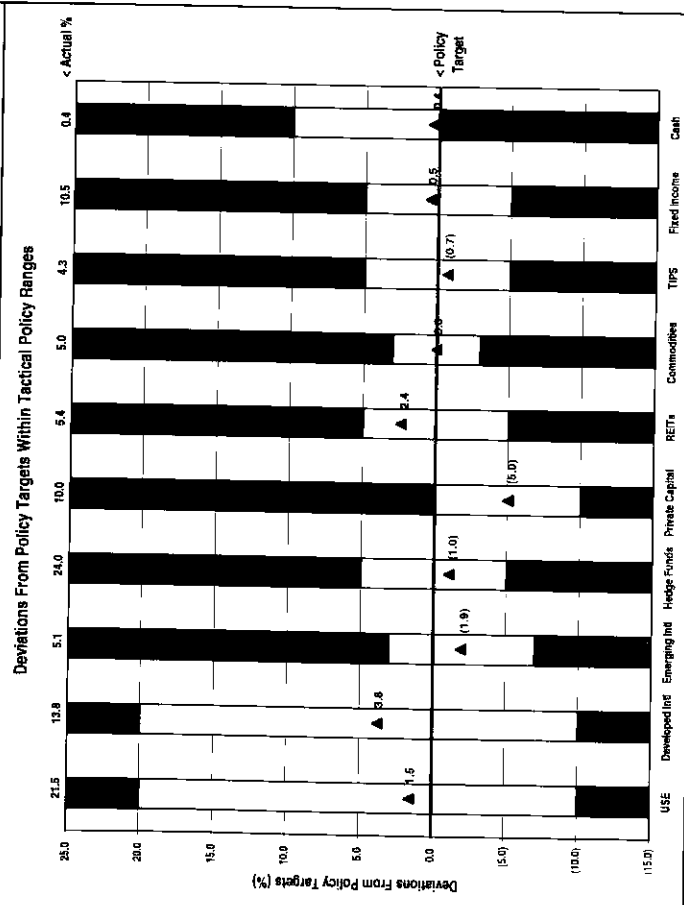
|  |       |
|--|-------|
| Net Leverage   | 1.01  |
| Gross Leverage   | 1.15  |
| Risk Capacity Utilization Versus Policy Portfolio Change Since Last Report                 | 87% ↑ |
| Risk Level of Policy Portfolio Relative to Long Term Assumptions Change Since Last Report  | 66% ↓ |
| Risk Level of Actual Portfolios Relative to Long Term Assumptions Change Since Last Report | 57% ↓ |

Liquidity Risk Summary 2

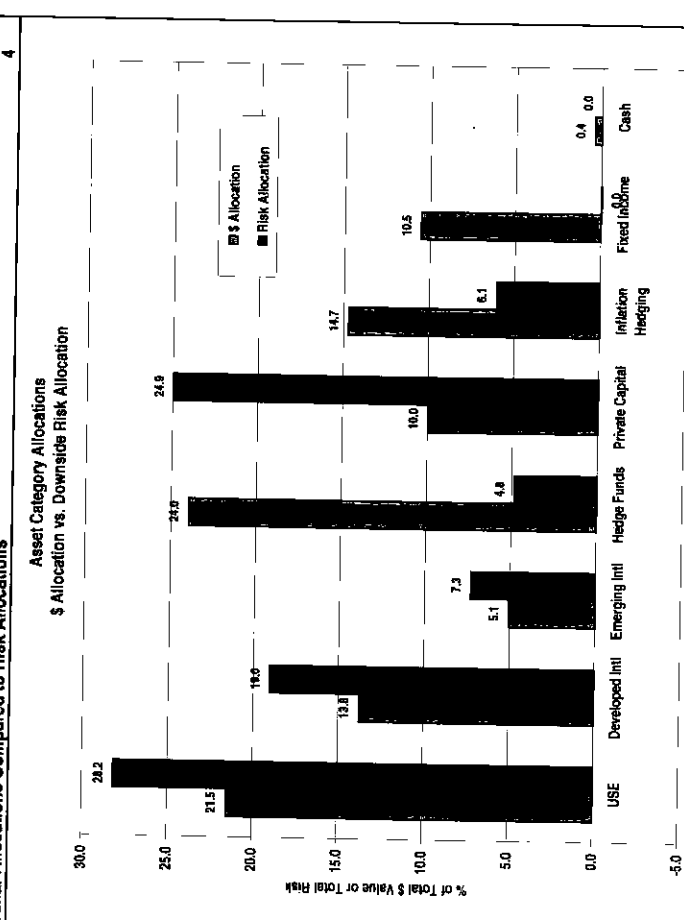
Liquidity Profile of Endowment Funds

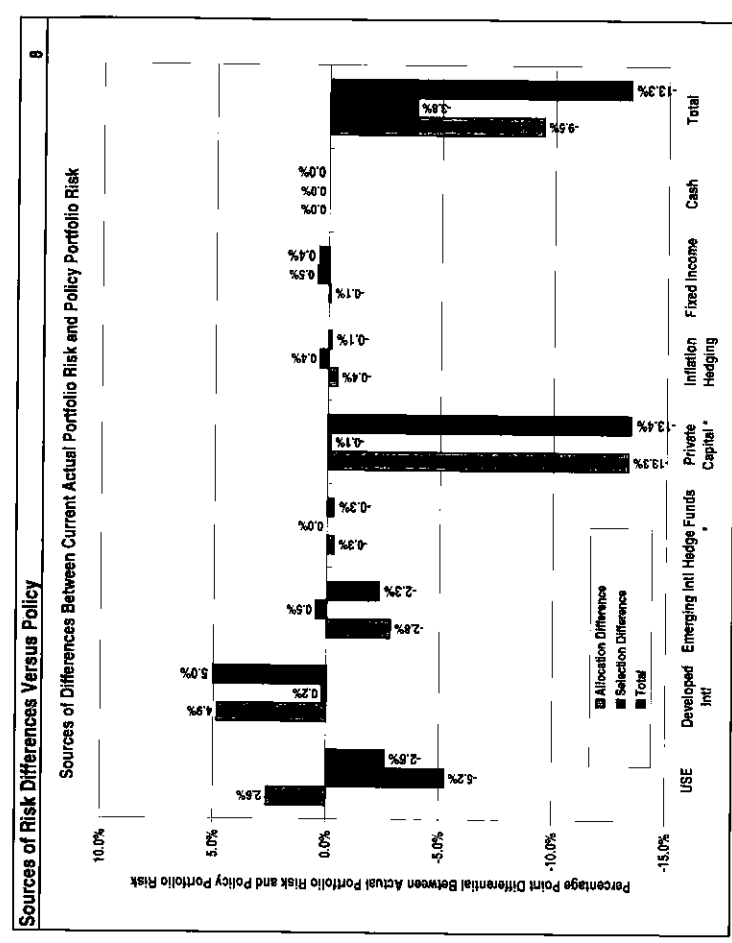
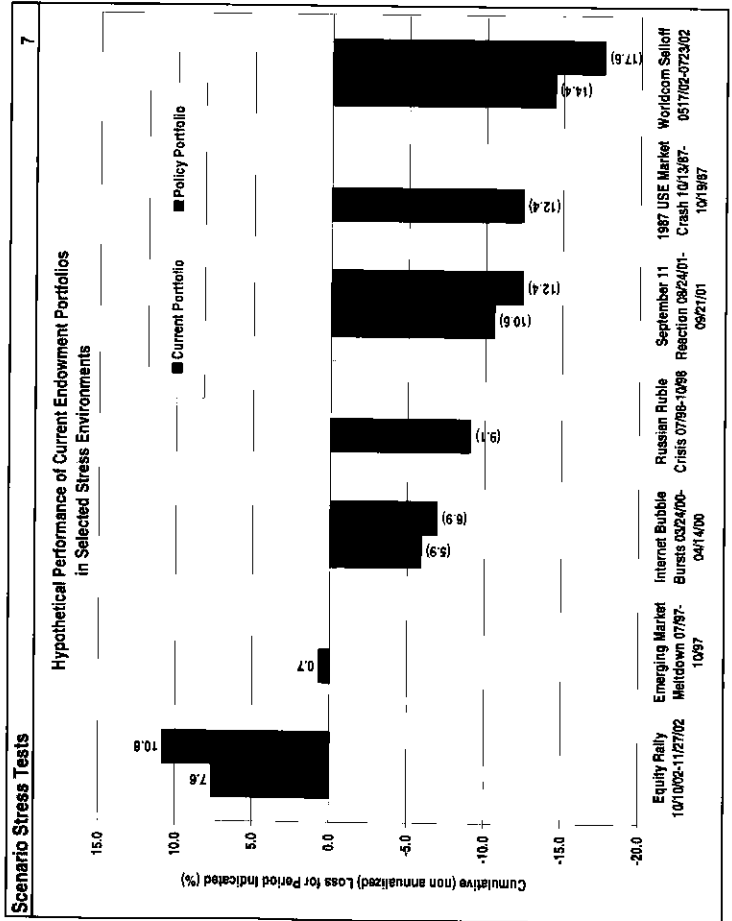
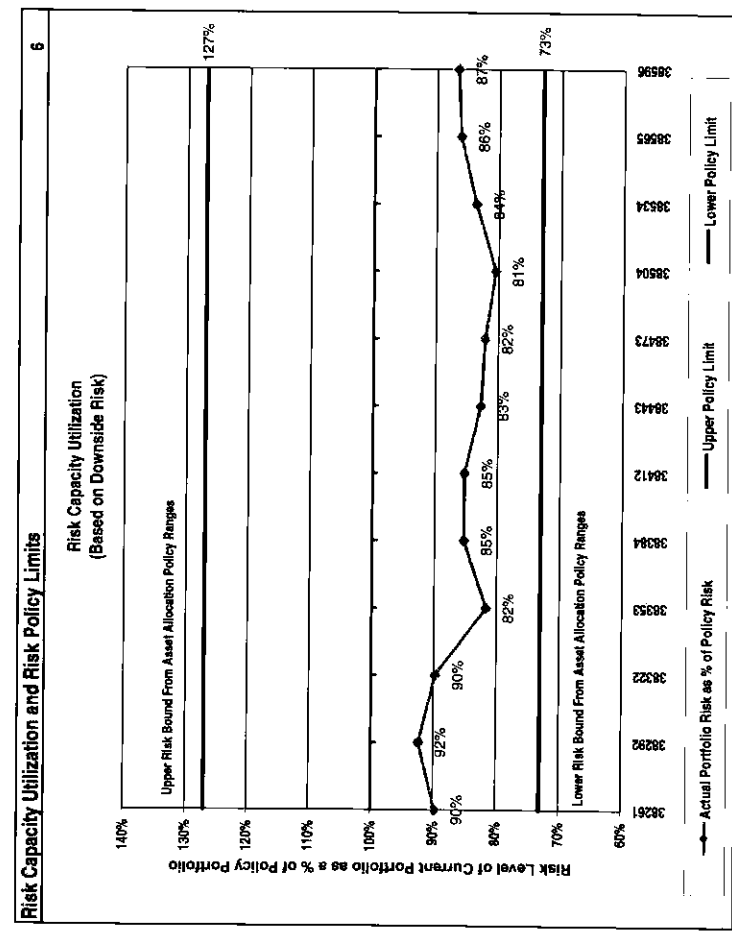
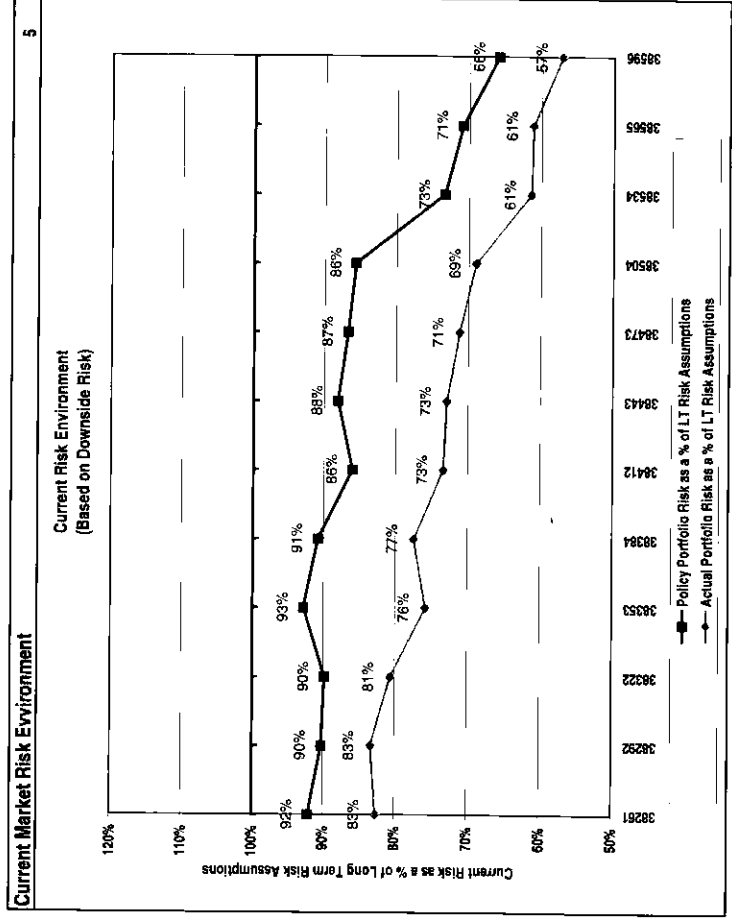


Dollar Allocations and Tactical Policy Ranges 3

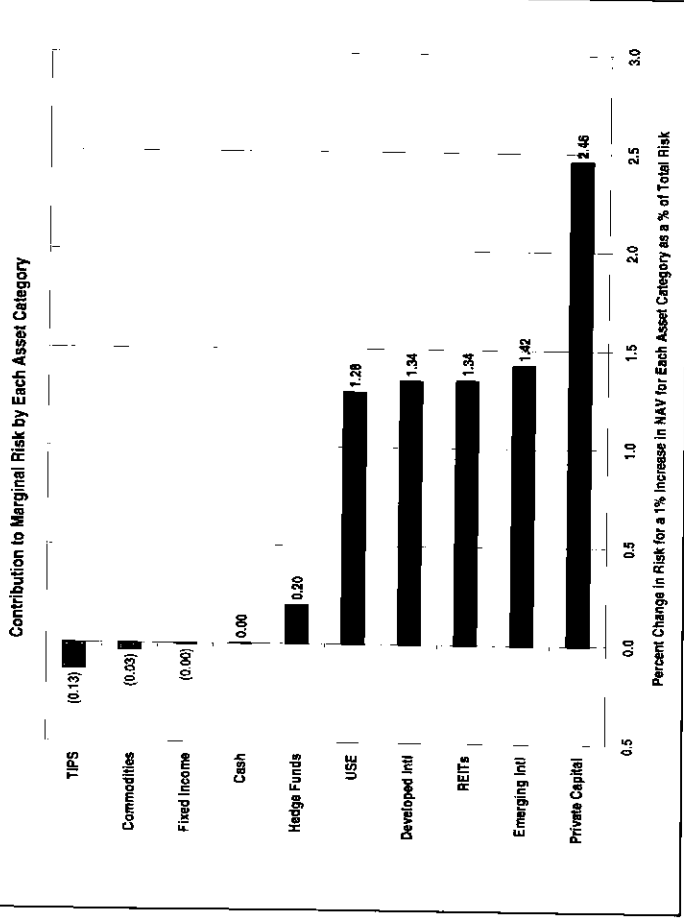


Dollar Allocations Compared to Risk Allocations 4

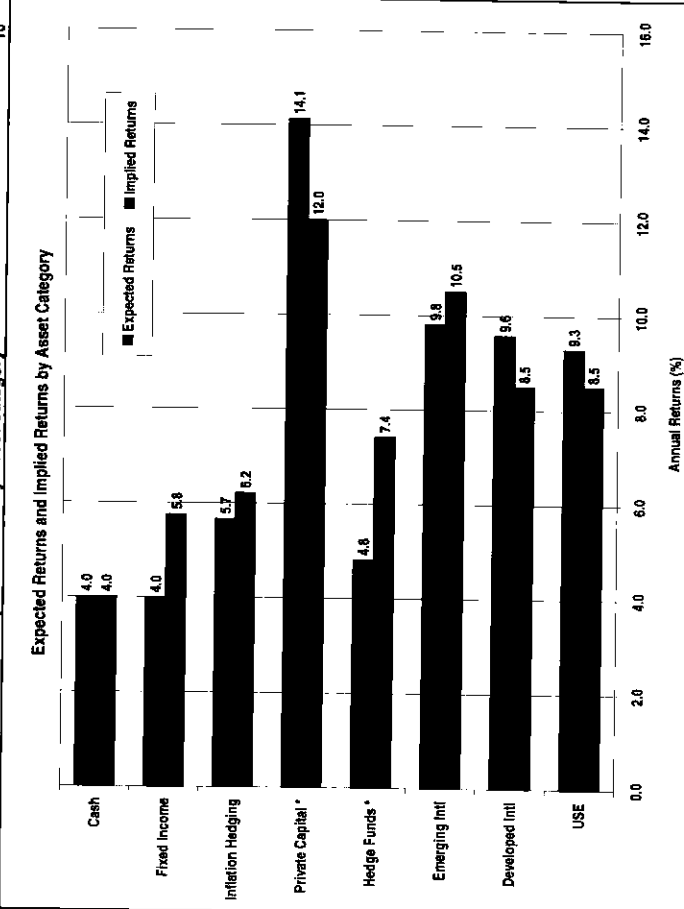




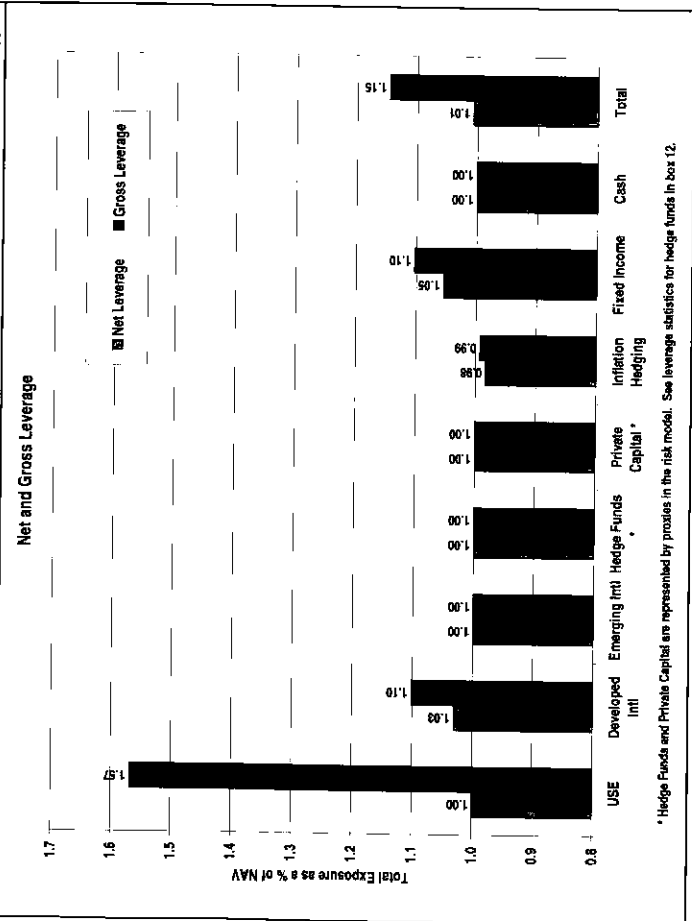
Marginal Risk Contributions of Each Asset Category



Long Term Expected Returns vs Implied Returns by Asset Category

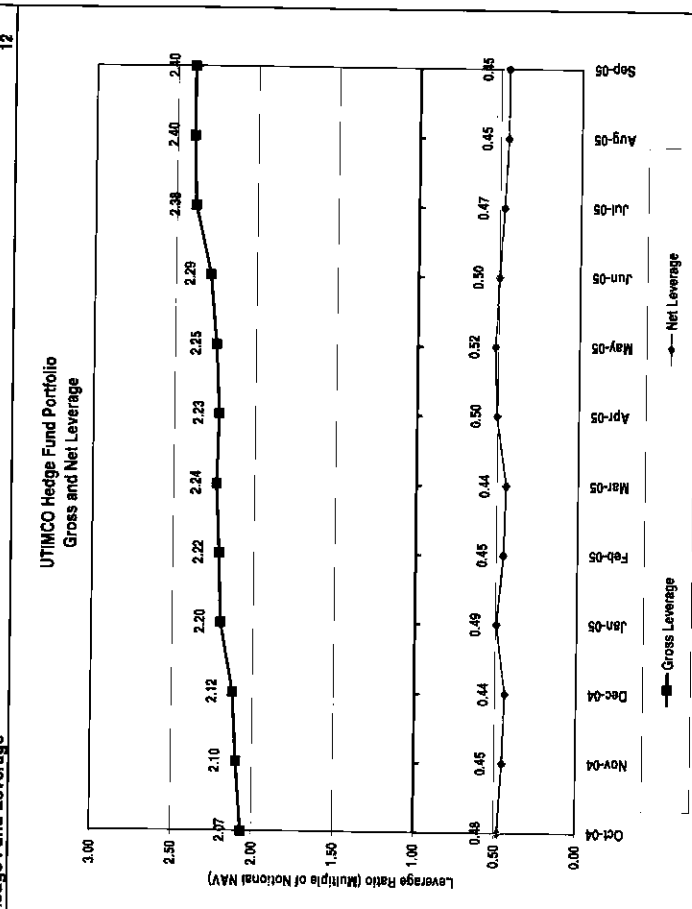


Net and Gross Leverage



\* Hedge Funds and Private Capital are represented by proxies in the risk model. See leverage statistics for hedge funds in box 12.

Hedge Fund Leverage



TAB 9

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** Discussion of Investment Environment and Opportunities

**Developed By:** Boldt

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** This agenda item is intended to provide an opportunity for an open-ended discussion on issues, expectations, and opportunities in the current investment environment.

**Recommendation:** None

**Discussion:** We hope to have an opportunity to get input from Board members on issues, concerns, and opportunities in the current investment environment. The conversation will be unstructured and open-ended. Staff will come prepared to initiate discussions on several topics, but we are far more interested in what Board members want to talk about. We would like to come away from each of these sessions with at least one "fat pitch" investment idea.

**Reference:** None



TAB 10

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

- Agenda Item:** Presentation on Implementation Status of Intermediate Term Fund
- Developed By:** Goldsmith/Iberg/Moeller
- Presented By:** Goldsmith/Iberg
- Type of Item:** Action Required by UTIMCO Board
- Description:** The timeline we have developed to implement the new Intermediate Term Fund will be presented and discussed. To effectively utilize select incumbent active Endowment managers in the proposed ITF, a Board exemption, to raise the investment ceiling beyond current Delegation of Authority limits is being requested on a named manager-by-manager basis.
- Recommendation:** UTIMCO staff recommends approval of the new ceiling limits on specified managers as prescribed in the attached.
- Discussion:** UTIMCO staff believes that the Endowments' current active manager line-up represents a cross-section of best-in-class talent. In order to leverage this talent on behalf of the proposed ITF, staff would like to extend this talent pool to manage a portion of assets consistent with their proportional management share in the Endowment pools. In so doing, several managers would exceed their maximum allocable thresholds as currently defined in the Delegation of Authority. Staff is requesting an extension of that ceiling maximum, for prescribed managers, in prescribed amounts, as set forth herein in the attached documentation.
- Reference:** Delegation of Authority Policy; ITF Timeline, Detailed Manager Spreadsheet

**RESOLUTION RELATED TO MANAGER EXCEPTION LIST FOR THE  
INTERMEDIATE TERM FUND**

RESOLVED, that the Manager Exception List for the Intermediate Term Fund be, and is hereby, approved in the form submitted to the Corporation's Board of Directors



**Manager Exception List for the Intermediate Term Fund**

Endowment (PUF and GEF) assets  
 ITF assets (estimate)  
**Total UTIMCO Assets**  
 as of 9/30/05

14,887,779,612  
 3,000,000,000  
**17,887,779,612**

| Existing Public Markets Managers | Product                                | Proposed ITF Investment | Current Exposure in PUF / GEF | Current Exposure as a % of UTIMCO Assets | Total Combined Manager Exposure | Exposure as a % of UTIMCO Assets | Manager's Assets | Exposure as a % of Manager's Assets |       |
|----------------------------------|--|-------------------------|-------------------------------|--|---------------------------------|----------------------------------|------------------|-------------------------------------|-------|
| BGI                              | BGI Russell 3000 Alpha Tilts           | 50,000,000              | 301,528,554                   |  |                                 |                                  |                  |                                     |       |
|                                  | BGI Russell 2000 Alpha Tilts           | 25,000,000              | 211,428,284                   |  |                                 |                                  |                  |                                     |       |
|                                  | BGI EAFE                               | 20,000,000              | 203,441,151                   |  |                                 |                                  |                  |                                     |       |
|                                  | BGI EAFE Tilts                         | 20,000,000              | 323,933,915                   |  |                                 |                                  |                  |                                     |       |
|                                  | BGI Global Market Neutral <sup>1</sup> | 10,000,000              | 270,444,013                   |  |                                 |                                  |                  |                                     |       |
|                                  | BGI 3D Capital <sup>2</sup>            | 50,000,000              |                               |  |                                 |                                  |                  |                                     |       |
|                                  | BGI EM Index                           | 40,000,000              | 112,689,242                   |  |                                 |                                  |                  |                                     |       |
|                                  | <b>Total</b>                           |                         | 215,000,000                   | 1,423,465,158                            | 9.56%                           | 1,638,465,158                    | 9.50%            | 1,700,000,000                       | 0.10% |
|                                  | <b>Proposed New Limit</b>              |                         |                               |  |                                 |                                  |                  |                                     |       |
|                                  | GSAM                                   | GSAM Large              | 50,000,000                    | 107,716,510                              |                                 |                                  |                  |                                     |       |
| GSAM Small                       |  | 25,000,000              | 75,721,624                    |  |                                 |                                  |                  |                                     |       |
| GSAM International               |  | 20,000,000              | 222,534,161                   |  |                                 |                                  |                  |                                     |       |
| <b>Total</b>                     |  | 95,000,000              | 405,972,295                   | 2.73%                                    | 500,972,295                     | 3.63%                            | 520,095,000,000  | 0.12%                               |       |
| <b>Proposed New Limit</b>        |  |                         |                               |  |                                 |                                  |                  |                                     |       |
| Forsmann Leif                    | FL Small                               | 50,000,000              | 288,873,852                   |  |                                 |                                  |                  |                                     |       |
|                                  | FL Midcap                              | 50,000,000              | 133,524,788                   |  |                                 |                                  |                  |                                     |       |
|                                  | <b>Total</b>                           | 100,000,000             | 402,398,640                   | 2.70%                                    | 502,398,640                     | 3.07%                            | 884,000,000      | 62.22%                              |       |
| <b>Proposed New Limit</b>        |  |                         |                               |  |                                 |                                  |                  |                                     |       |
| Globeffex                        | Globeffex                              | 30,000,000              | 242,697,647                   |  |                                 |                                  |                  |                                     |       |
|                                  | Globeffex Japan                        | 15,000,000              | 105,072,005                   |  |                                 |                                  |                  |                                     |       |
|                                  | Globeffex Canadian Small Cap           | 10,000,000              | 50,147,336                    |  |                                 |                                  |                  |                                     |       |
|                                  | Globeffex Microcap                     | 10,000,000              | 49,855,817                    |  |                                 |                                  |                  |                                     |       |
|                                  | <b>Total</b>                           | 65,000,000              | 447,772,805                   | 3.01%                                    | 512,772,805                     | 3.07%                            | 1,615,000,000    | 34.06%                              |       |
| <b>Proposed New Limit</b>        |  |                         |                               |  |                                 |                                  |                  |                                     |       |
| PIMCO                            | Pimco Fixed Income                     | 375,000,000             | 763,676,844                   |  |                                 |                                  |                  |                                     |       |
|                                  | Pimco Real Return                      | 0                       | 274,991,101                   |  |                                 |                                  |                  |                                     |       |
|                                  | Pimco TIPS                             | 150,000,000             | 295,870,266                   |  |                                 |                                  |                  |                                     |       |
|                                  | <b>Total</b>                           | 525,000,000             | 1,334,538,211                 | 8.96%                                    | 1,859,538,211                   | 10.62%                           | 493,525,000,000  | 0.38%                               |       |
| <b>Proposed New Limit</b>        |  |                         |                               |  |                                 |                                  |                  |                                     |       |
| Reams                            | Reams Fixed Income                     | 375,000,000             | 200,591,343                   |  |                                 |                                  |                  |                                     |       |
|                                  | Reams TIPS                             | 150,000,000             | 101,522,474                   |  |                                 |                                  |                  |                                     |       |
|                                  | <b>Total</b>                           | 525,000,000             | 302,113,818                   | 2.03%                                    | 827,113,818                     | 4.75%                            | 10,525,000,000   | 8.08%                               |       |
| <b>Proposed New Limit</b>        |  |                         |                               |  |                                 |                                  |                  |                                     |       |

**Manager Exception List for the Intermediate Term Fund**

| Existing Marketable Alternative Managers | Product   | Potential Investment for Hedge Fund Pool <sup>1</sup> | Current Exposure in PUF / GEF             | Current Exposure as a % of UTIMCO Assets | Total Combined Manager Exposure | Exposure as a % of UTIMCO Assets | Manager's Assets | Exposure as a % of Manager's Assets |
|--|---|---|---|--|---------------------------------|----------------------------------|------------------|-------------------------------------|
| <b>Absolute Return</b>                   |   |   |   |  |                                 |                                  |                  |                                     |
| Perry                                    | Perry Partners International<br>Perry Commitment<br>Total | 50,000,000<br>30,885,600<br>50,000,000                | 483,633,932<br>30,885,600<br>514,519,532  | 3.46%                                    | 564,519,532<br>600,000,000      | 3.35%                            | 11,850,000,000   | 5.05%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| Farallon                                 | FCOI II Holdings<br>Total                                 | 50,000,000<br>50,000,000                              | 438,041,060<br>438,041,060                | 2.94%                                    | 488,041,060<br>500,000,000      | 2.80%                            | 15,750,000,000   | 3.17%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| Protégé                                  | Protégé Partners Fund<br>Total                            | 50,000,000<br>50,000,000                              | 218,849,813<br>218,849,813                | 1.47%                                    | 268,849,813<br>275,000,000      | 1.54%                            | 1,350,000,000    | 20.37%                              |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| Och Ziff                                 | OZ Master<br>OZ Asia<br>Total                             | 25,000,000<br>50,000,000<br>75,000,000                | 114,743,885<br>-<br>114,743,885           | 0.77%                                    | 189,743,885<br>200,000,000      | 1.12%                            | 10,075,000,000   | 1.99%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| Bridgewater                              | Pure Alpha<br>Currency Overlay <sup>4</sup><br>Total      | 150,000,000<br>300,000,000<br>150,000,000             | 100,769,771<br>600,000,000<br>100,769,771 | 0.68%                                    | 250,769,771<br>300,000,000      | 1.68%                            | 128,150,000,000  | 0.23%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| <b>Directional</b>                       |   |   |   |  |                                 |                                  |                  |                                     |
| Maverick                                 | Maverick Fund<br>Maverick Stable FoF<br>Total             | 50,000,000<br>50,000,000                              | 514,642,916<br>514,642,916                | 3.46%                                    | 564,642,916<br>575,000,000      | 3.21%                            | 12,150,000,000   | 4.73%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |
| Blue Ridge                               | Blue Ridge Offshore<br>Total                              | 75,000,000<br>75,000,000                              | 208,762,334<br>208,762,334                | 1.40%                                    | 283,762,334<br>300,000,000      | 1.68%                            | 3,175,000,000    | 9.45%                               |
|  | <b>Proposed New Limit</b>                                 |   |   |  |                                 |                                  |                  |                                     |

1 Current exposure reflects holdings by both Marketable Alternatives and Public Markets

2 Marketable Alternatives manager

3 Dependent upon capacity

4 Public Markets manager - value represents notional value of an overlay product and excluded from Total Bridgewater

TAB 11

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 16, 2005

**Agenda Item:** IT Presentation on Transaction Interface for Intermediate Term Fund

**Developed By:** Edwards

**Presented By:** Edwards

**Type of Item:** Information Item

**Description:** UTIMCO has developed a single integrated online system to facilitate the trading and reporting requirements for the Institutions' holdings of the Short Term Fund (STF) and the Intermediate Term Fund (ITF). The presentation will be a demonstration using the actual system.

**Discussion:** The system is available and has been demonstrated to the largest Institutions. An automated data feed to Dreyfus Corporation and new reporting requirements are being analyzed and developed. Training will be provided to the Institutions in January 2006, prior to the implementation of the ITF.

**Recommendation:** None

**Reference:** None





**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

## **Operating Funds Online**

**Web access to the Short Term Fund  
and the Intermediate Term Fund for the Institutions.**

Demonstration of the UTIMCO developed web based application to be demonstrated at the meeting.

**November, 2005**