The University of Texas Investment Management Company

Presentation Materials
Part One
Board of Directors Meeting

March 30, 2006

UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
March 30, 2006

UTIMCO
401 Congress Ave., Ste. 2800
Austin, Texas 78701

Time Begin	Time End	Item #	Agenda Item
			Open Session:
9:30 a.m.	9:35 a.m.	1	Call to Order/Consideration of Minutes of January 17, 2006 Meeting*
9:35 a.m.	9:45 a.m.	2	Corporate Resolutions: - Designation of this Meeting as the Annual Meeting of the UTIMCO Board* - Election of UTIMCO Officers* - Designation of Key Employees*
9:45 a.m.	10:30 a.m.	3	Endowment and Operating Funds Update: - Performance Report - Liquidity Profile - Risk Dashboard - Comprehensive Derivative Report - Report on Actions Taken Under Delegation of Authority - Intermediate Term Fund ("ITF") Update
10:30 a.m.	11:30 a.m.	4	Private Markets Group Presentation
11:30 a.m.	12:00 p.m.	5	Discussion and Consideration of Proposed Investments: - Public Markets Investments* - Marketable Alternative Investments (if necessary)* - Non-Marketable Alternative Investments (if necessary)*
12:00 p.m.	1:00 p.m.		**Lunch**
1:00 p.m.	1:30 p.m.	6	Discussion and Consideration of Recommended Distribution Rates: - Permanent Health Fund (PHF)*, ** - Long Term Fund (LTF)*, ** - Intermediate Term Fund (ITF)*, **
1:30 p.m.	2:15 p.m.	7	Discussion of Investment Environment and Opportunities
2:15 p.m.	3:00 p.m.	8	Report from Policy and Risk Committees: - Consideration of Recommended Changes to Investment Policies*, ** - Consideration of Recommended Changes to Delegation of Authority Policy*
3:00 p.m.	3:10 p.m.		**Break**
3:10 p.m.	3:25 p.m.	9	Report from Compensation Committee
3:25 p.m.	3:40 p.m.	10	Discussion and Consideration of Recommended Changes to Charters of the Risk Committee and the Audit and Ethics Committee*
3:40 p.m.	3:55 p.m.	11	Annual Report on External Consultant - Consideration of Contract*
3:55 p.m.	4:10 p.m.	12	Annual Report on External Counsel
4:10 p.m.			Adjournment

* Action by resolution required
**Resolution requires further approval from the U. T. System Board of Regents

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **January 17, 2006,** 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 9:30 a.m. on the **17th day of January, 2006**, in the Whitney Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, 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
J. Philip Ferguson
Woody L. Hunt
Colleen McHugh
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Also attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, Charlie Chaffin, Jim Phillips, Cathy Swain, and Michael Warden of UT System Administration; Greg Anderson of Texas A&M University System; and Bruce Myers and Hamilton Lee of Cambridge Associates. Mr. Caven called the meeting to order at 9:30 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Minutes

The first matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on November 16, 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 November 16, 2005, be, and are hereby, approved.

Vice-Chairman Appointment

Mr. Caven recommended that the Board appoint Woody Hunt as Vice-Chairman of the Board. Upon motion duly made and seconded, the following resolution was adopted:

> RESOLVED, that the following person is hereby appointed to the respective office of the Corporation set forth opposite his name, to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

Name	Office or Offices
Woody L. Hunt	Vice-Chairman

Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt distributed performance information for November 30, 2005. He discussed the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing asset allocation and attribution analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended November 30, 2005. The net performance for the one-month period ended November 30, 2005, for the Permanent University Fund ("PUF") was 2.23% and for the General Endowment Fund ("GEF") was 2.12%, versus benchmark returns of 2.20% for each fund. The net performance for the one-year period ended November 30, 2005, for the PUF and GEF was 12.82% and 12.54%, respectively, versus benchmark returns of 11.58% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.39% versus its benchmark return of 0.32% for the one-month period, and was 1.92% versus its benchmark return of 1.49% for the one-year period ended November 30, 2005. Performance for the Short Term Fund (STF) was 0.32% versus 0.33% for its benchmark for the one-month period, and was 3.01% versus a benchmark return of 2.96% for the one-year period ended November 30, 2005. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, and actions taken under the Delegation of Authority. There was discussion of a negative cash position that occurred at the end of November due to an overnight mismatch of timing of a contribution and withdrawal from the General Endowment Fund. Mr. Boldt, Mr. Goldsmith and Ms. Iberg answered the Directors' questions.

Audit and Ethics Committee Report

Mr. Caven asked for a report from the Audit and Ethics Committee. Mr. Nye, Chairman, reported that the Audit and Ethics Committee (the "Committee") met the day before, on January 16, 2006. The Committee reviewed and considered the Corporation's Audited Financial Statements, the results of the internal controls assessment audit conducted by Ernst & Young on the Permanent University Fund and the Corporation for the year ended August 31, 2005, and the annual evaluation of enterprise risk management. The Committee also reviewed UTIMCO's compliance process, major risk exposures, and unaudited financial statements for the three months ended November 30, 2005. Further, the Committee received an update from staff on the custodian review. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting, and the independent accountant's reports for UTIMCO and

the Permanent University Fund for the year ended August 31, 2005, be, and are hereby, approved in the form as presented to the Board and,

FURTHER RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2005, and August 31, 2004 be, and are hereby, approved in the form as presented to the Board.

Joint Meeting of Audit and Ethics and Risk Committees

Mr. Nye continued by reporting on the joint meeting of the Audit and Ethics Committee and the Risk Committee. The two committees met jointly, to clarify each committee's role related to enterprise/investment risk responsibilities. Mr. Nye summarized the Audit and Ethics Committee responsibilities into four categories: Policies and Procedures, Operational Risk, Investment Risk and Corporate Compliance. Of these four categories, the two Committees concurred that the Investment Risk area and one sub-category from Corporate Compliance, the investment compliance, will be moved to the Risk Committee for oversight responsibilities, with the Audit and Ethics Committee looking to the Risk Committee for assurances and reporting on a regular basis. Mr. Tate reported on the dynamics and the investment activity of the Risk Committee. Mr. Nye and Mr. Tate agreed that this is a work in progress. The next step would be for staff and Mr. Turner to review the Charters for both committees and recommend appropriate changes to the two committees. No action was required by the Board at this time.

Risk Committee

Mr. Tate continued by summarizing the Risk Committee meeting that was also held on January 16, 2006. Mr. Tate commented that the Risk Dashboard was reviewed and discussed by the Committee in detail. These charts will be very useful to the Committee as they plan on working closely with the Staff on the practice of using risk information for future asset allocation studies.

Policy Committee

Mr. Caven stated that the first meeting of the newly formed Policy Committee was held that morning, prior to the Board meeting. Mr. Rowling, Chair of the Policy Committee, reported that the Policy Committee reviewed requested amendments to the Investment Management Services Agreement ("IMSA") and the Intermediate Term Fund Investment Policy Statement. They also reviewed a list of all policies to determine which internal guidelines and policies should be approved by the Board. Mr. Rowling recommended approving the amendments to the IMSA and the Intermediate Term Fund Investment Policy Statement in the form that had been approved by the Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Management Services Agreement and the Intermediate Term Fund Investment Policy Statement as amended and approved by the Policy Committee be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Intermediate Term Fund ("ITF")

Mr. Caven asked Mr. Boldt to give an update on the Intermediate Term Fund ("ITF"). Mr. Boldt began by stating that the Staff is ready to launch the ITF on February 1st. Mr. Boldt continued by discussing accounting issues that emerged during discussions leading up to the launch of the ITF, as well as alternative methods for setting the distributions from the Fund. Mr. Boldt also presented the external manager roster and initial asset allocation for the ITF. The Staff sought approval to increase the ceiling limits to investment mandates for certain Public Market and Marketable Alternative Investments. The Directors' questions were answered by Mr. Boldt, Ms. Iberg and Mr. Goldsmith. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> RESOLVED, that the proposed new limits to investment mandates for certain Public Markets Investments be, and are hereby, approved in the form as submitted to the Corporation's Board of Directors; and be it further
>
> RESOLVED, that the proposed new limits to investment mandates for certain Marketable Alternative Investments be, and are hereby, approved in the form as submitted to the Corporation's Board of Directors, and also
>
> RESOLVED, that the distribution rate for the Intermediate Term Fund be set at 3.0% per annum for the remainder of fiscal year 2006, 0.25% paid on a monthly basis as set forth in the Intermediate Term Fund Investment Policy Statement, effective with the March 1, 2006 distributions, subject to approval of the U.T. System Board of Regents; and
>
> FURTHER RESOLVED, that amendments to the Intermediate Term Fund Investment Policy Statement be, and are hereby, approved in the form submitted to the Corporation's Board of Directors, subject to approval of the U.T. System Board of Regents.

Website Security Audit and Information Technology Disaster Recovery

Mr. Boldt explained that because of the operational changes occurring due to the ITF, the Corporation will now be the center of money movement by the institutions. Therefore, a secure system is a necessity. The Corporation contracted with the Denim Group to assess and advise on the security of the new CPSystem supporting the new ITF and STF and received a very favorable report. The ITF Staff is also reviewing and implementing new disaster recovery plans. Mr. Boldt and Mr. Edwards answered the Directors' questions.

The meeting was recessed at 11:50 a.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:00 p.m.

Portfolio Construction Issues

Mr. Caven asked Mr. Boldt to continue with the next item on the agenda. Mr. Boldt explained that there are very significant changes in portfolio construction being considered by various thoughtful leaders in the endowment industry. Mr. Boldt's presentation was an exchange of ideas and information on several issues at the leading edge of thinking in the endowment and foundation community, focusing on three significant issues in new portfolio construction strategies. Mr. Boldt and Ms. Reed answered the Directors' questions.

Public Markets Investments

Mr. Caven then asked Mr. Goldsmith to give an overview of the responsibility and investment activities of the Public Markets Investments area. Mr. Goldsmith's presentation covered overview, philosophy, asset allocation and internal trades for the Public Market Investment area. The Public Markets group currently oversees approximately 56% of total endowment market value, as well as internally managed derivatives positions. They are responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversee TIPS and Commodities. Mr. Goldsmith answered the Directors' questions.

Annual Report

Mr. Caven asked Mr. Boldt to continue with the next item. Mr. Boldt began the presentation of the 2005 Annual Report. He explained that the concept of the Texas theme of the Annual Report was recommended by an advisory group, consisting of development staff from several UT System institutions that meets each year to provide input to improve the reporting. He then asked Ms. Moeller to explain the process and give background on the report. Ms. Moeller stated that the Annual Report is made up of individual sections, including separate reports for the UTIMCO Annual Report, the PUF, LTF, Frequently Asked Questions ("FAQ"), "stories" from each institution, and a compact disc with the audited financial statements. The modular design of the report has been well received. Over 7,800 reports were sent out this December. The Annual Report is also available on-line on the Corporation's website.

Investment Environment and Opportunities

Mr. Caven asked Mr. Boldt to begin the discussion on current investment environment and opportunities. This agenda item provided an opportunity for the Board and Staff to have an open-ended and unstructured discussion on issues, concerns, and opportunities in the current investment environment.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:35 p.m.

Secretary: ______________________
Joan Moeller

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

TAB 2

Agenda Item
UTIMCO Board Meeting
March 30, 2006

Agenda Item:	Designation of the Annual Meeting, Election of Corporate Officers, and Designation of Key Employees for the Corporation
Developed By:	Caven
Presented By:	Caven
Type of Item:	Action required by UTIMCO Board
Description:	As stated in the Bylaws, there shall be designation of the Annual Meeting by resolution of the Board of Directors, and election of Officers for the ensuing year. The Corporation's Code of Ethics requires the Board to designate, by position, with UTIMCO the employees who exercise significant decision-making authority. By virtue of their position with UTIMCO, these persons are "key employees".
Recommendation:	Chairman Caven recommends approval of the following: Designation of this Meeting as the Annual Meeting of the UTIMCO Board Election of UTIMCO Officers Designation of Key Employees
Reference:	UTIMCO Bylaws and Code of Ethics

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that this is the Annual Meeting of the Board of Directors, held on March 30, 2006, in Austin, Texas.

RESOLUTION RELATED TO CORPORATION OFFICERS

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

Name	Office or Offices
H. Scott Caven, Jr.	Chairman
Woody L. Hunt	Vice-Chairman
Mark G. Yudof	Vice-Chairman for Policy
Bob Boldt	President
Cathy Iberg	Managing Director
Bill Edwards	Managing Director
Larry Goldsmith	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Andrea Reed	Risk Manager
Trey Thompson	Managing Director
Christy Wallace	Assistant Secretary

RESOLUTION RELATED TO KEY EMPLOYEES OF THE CORPORATION

RESOLVED, as required by the Corporation's Code of Ethics, the Board shall designate, by position, key employees of the Corporation.

Bob Boldt	President, Chief Executive Officer and Chief Investment Officer
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Larry Goldsmith	Managing Director – Public Markets Investments
Joan Moeller	Managing Director - Accounting, Finance and Administration
Andrea Reed	Risk Manager
Trey Thompson	Managing Director - Non-Marketable Alternative Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Debbie Childers	Manager of Portfolio Accounting and Operations
Gary Hill	Manager of Investment Reporting
Greg Lee	Manager - Finance and Administration
Laura Patrick	Analyst – Public Markets Investments
Tushar Shah	Analyst – Public Markets Investments
Christy Wallace	Executive Assistant

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Performance Report

Developed By: Moeller, Hill

Presented By: Boldt

Type of Item: Information Item

Description: The reports presented are for the periods ended January 31, 2006. (Except as noted.)

Discussion: Changes since last UTIMCO Board Meeting report:

Terminations:

BGI S&P 500 Index
BGI S&P 400 Midcap Index
BGI Russell 2000 Alpha Tilts
Forstmann Leff Mid Cap
Forstmann Leff Small Cap
GSAM Large Cap
GSAM Small Cap
GSAM International
Ironbridge
K Capital

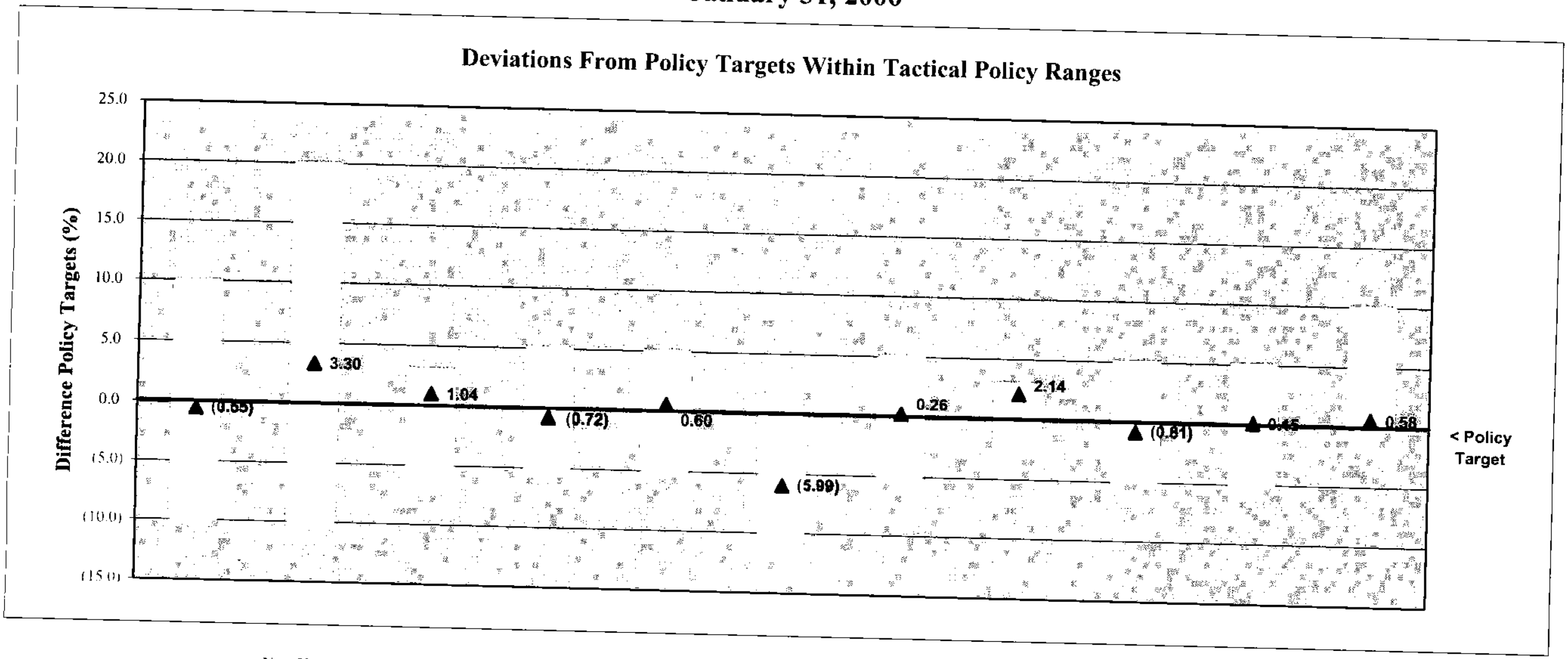
Status Changes:

Everglades moved to concern status.

Recommendation: No action required.

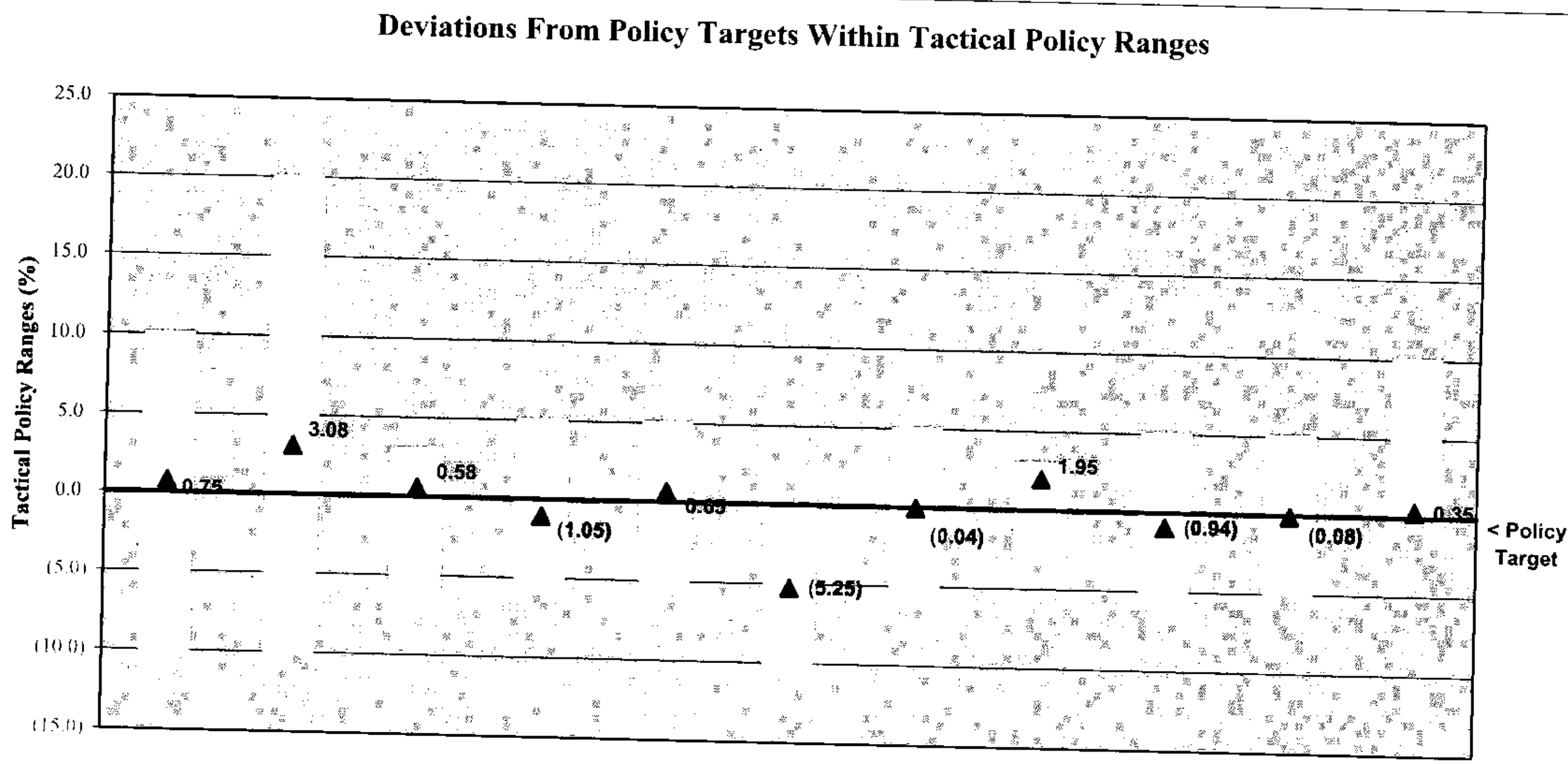
Reference: Market Exposure; UTIMCO Performance Summary; Fiscal Year Cumulative Value Added in Endowment Funds; Fiscal Year Cumulative Value Added in Marketable Securities; Fiscal Year Cumulative Value Added in Non-Marketable Securities; Cumulative Value Added in Endowment Funds Since September 2002; Performance Attribution; UTIMCO Endowment Funds vs. Mellon Trust All Funds Universe; UTIMCO Endowment Funds vs. Mellon Trust Billion Dollar Funds Universe; UTIMCO Endowment Funds vs. Mellon Trust Foundation and Endowments Universe; UTIMCO Endowment Funds vs. Mellon Trust Foundations and Endowments Billion Dollar Funds Universe; Public Markets Managers Investment Performance Detail

Permanent University Fund
Market Exposure
January 31, 2006



	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	19.45%	13.30%	8.04%	9.28%	15.60%	9.01%	5.26%	5.14%	4.19%	10.15%	0.58%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	-0.55%	3.30%	1.04%	-0.72%	0.60%	-5.99%	0.26%	2.14%	-0.81%	0.15%	0.58%
Deviation in Dollars ($m)	(53.80)	322.78	101.73	(70.43)	58.69	(585.90)	25.43	209.32	(79.23)	14.67	56.74

General Endowment Fund
Market Exposure
January 31, 2006



	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	20.75%	13.08%	7.58%	8.95%	15.65%	9.75%	4.96%	4.95%	4.06%	9.92%	0.35%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	0.75%	3.08%	0.58%	-1.05%	0.65%	-5.25%	-0.04%	1.95%	-0.94%	-0.08%	0.35%
Deviation in Dollars ($m)	40.38	165.82	31.23	(56.53)	34.99	(282.65)	(2.15)	104.98	(50.61)	(4.31)	18.85

UTIMCO Performance Summary

January 31, 2006

	Net Asset Value 1/31/2006 (in Millions)	Periods Ended January 31, 2006 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
ENDOWMENT FUNDS												
Permanent University Fund	$ 9,781.3	2.87	2.87	7.12	6.71	8.57	16.31	13.61	18.31	11.21	7.08	9.67
General Endowment Fund		2.82	2.82	6.93	6.51	8.35	15.98	13.38	18.49	11.30	N/A	N/A
Permanent Health Fund	968.3	2.78	2.78	6.85	6.41	8.25	15.79	13.25	18.34	11.16	7.28	N/A
Long Term Fund	4,378.9	2.78	2.78	6.87	6.43	8.27	15.80	13.26	18.36	11.19	7.25	10.37
Separately Invested Funds	192.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	**15,321.0**											
OPERATING FUNDS												
Short Term Fund	3,947.3	0.36	0.36	1.04	1.65	1.95	3.38	2.39	1.96	1.92	2.32	4.00
Short Intermediate Term Fund	-	0.16	0.16	1.05	0.45	1.23	2.11	1.91	2.07	2.20	2.92	4.67
Institutional Index Funds:												
BGI US Bond Index Fund	-	0.01	0.01	1.40	(0.43)	0.82	1.81	2.99	3.69	5.08	5.60	N/A
BGI Equity Index Fund	-	2.67	2.67	6.58	5.66	4.71	10.45	8.35	16.48	5.04	0.41	N/A
Total Operating Funds	**3,947.3**											
Total Investments	**$ 19,268.3**											
BENCHMARKS (1)												
Permanent University Fund: Policy Portfolio		3.30	3.30	7.36	7.54	8.58	16.11	13.20	15.19	9.03	5.07	10.24
General Endowment Fund: Policy Portfolio		3.30	3.30	7.36	7.54	8.58	16.11	13.20	15.19	9.03	5.07	10.12
Short Term Fund: 90 Day Treasury Bills Average Yield		0.31	0.31	0.97	1.54	1.83	3.22	2.31	1.92	1.87	2.27	3.83
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)		0.17	0.17	0.87	0.61	1.24	1.87	1.30	1.62	2.65	3.48	4.76
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index		0.01	0.01	1.40	(0.44)	0.84	1.80	2.97	3.59	5.03	5.53	6.10
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		2.65	2.65	6.57	5.64	4.68	10.38	8.29	16.42	4.98	0.37	8.99
VALUE ADDED (2)												
Permanent University Fund		(0.44)	(0.44)	(0.24)	(0.83)	(0.02)						(0.57)
General Endowment Fund		(0.49)	(0.49)	(0.43)	(1.03)	(0.23)	(0.14)				N/A	N/A
Permanent Health Fund		(0.53)	(0.53)	(0.51)	(1.13)	(0.33)	(0.32)					N/A
Long Term Fund		(0.52)	(0.52)	(0.49)	(1.11)	(0.31)	(0.31)					
Short Term Fund												
Short Intermediate Term Fund		0.00	0.00		(0.17)	0.00				(0.44)	(0.56)	(0.09)
Institutional Bond Index Fund		0.00	0.00	0.00	0.00	(0.02)						N/A
Institutional Equity Index Fund												N/A

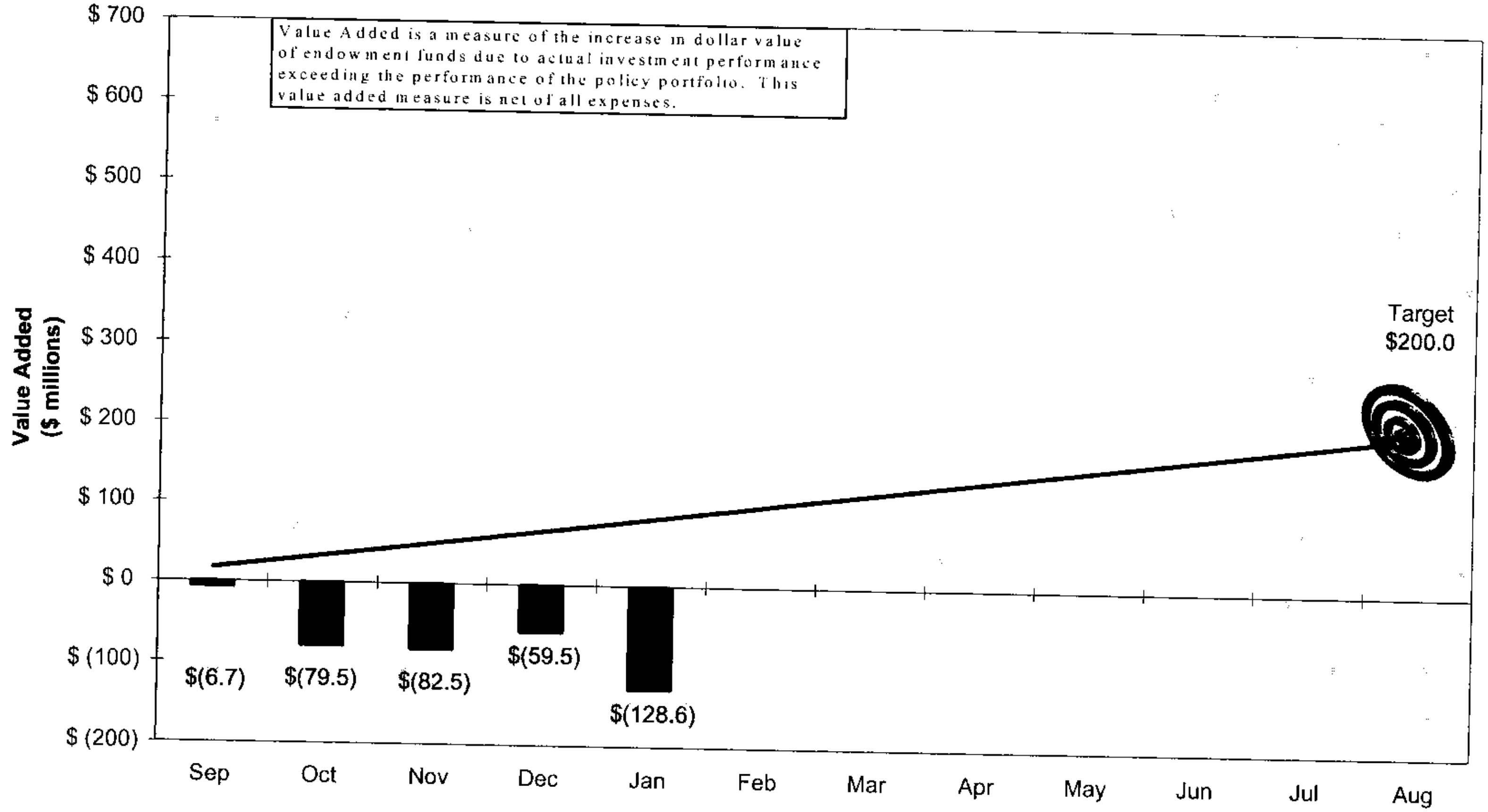
(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical 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.

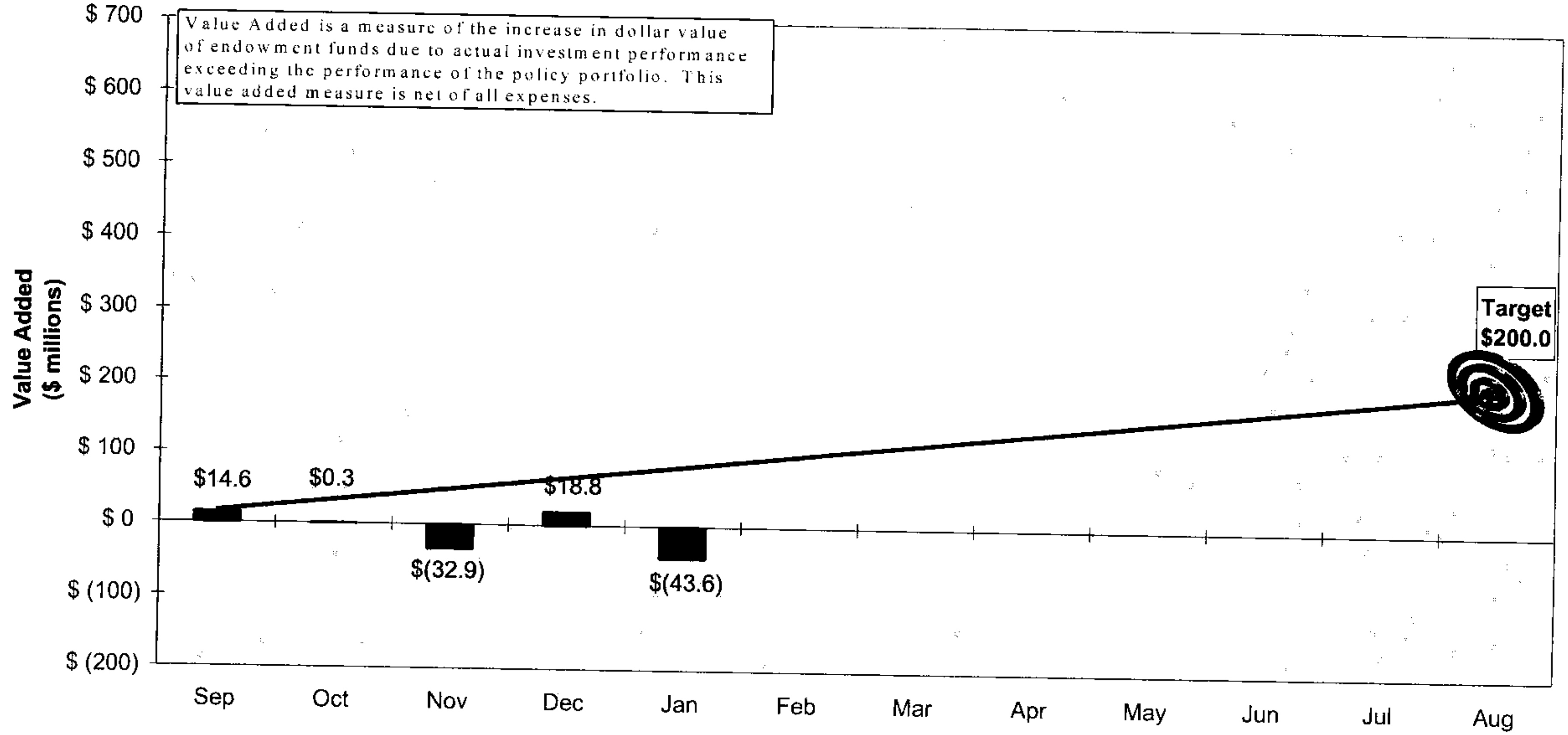
Complete details of the restatement and previous policy portfolio benchmark history are documented on the UTIMCO website at www.UTIMCO.org or are available upon request.

(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.

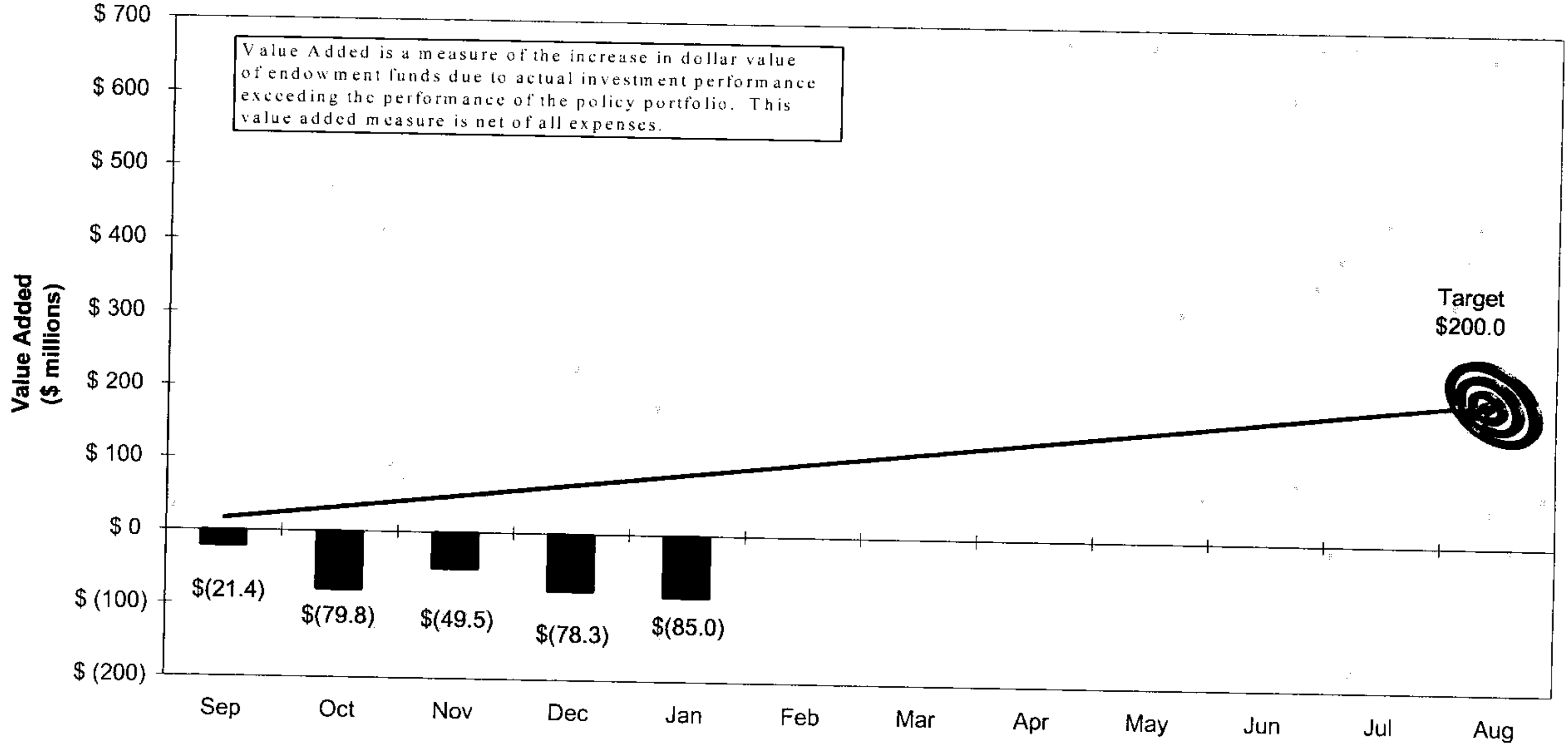
Cumulative Value Added In Endowment Funds
2005-2006 Fiscal Year



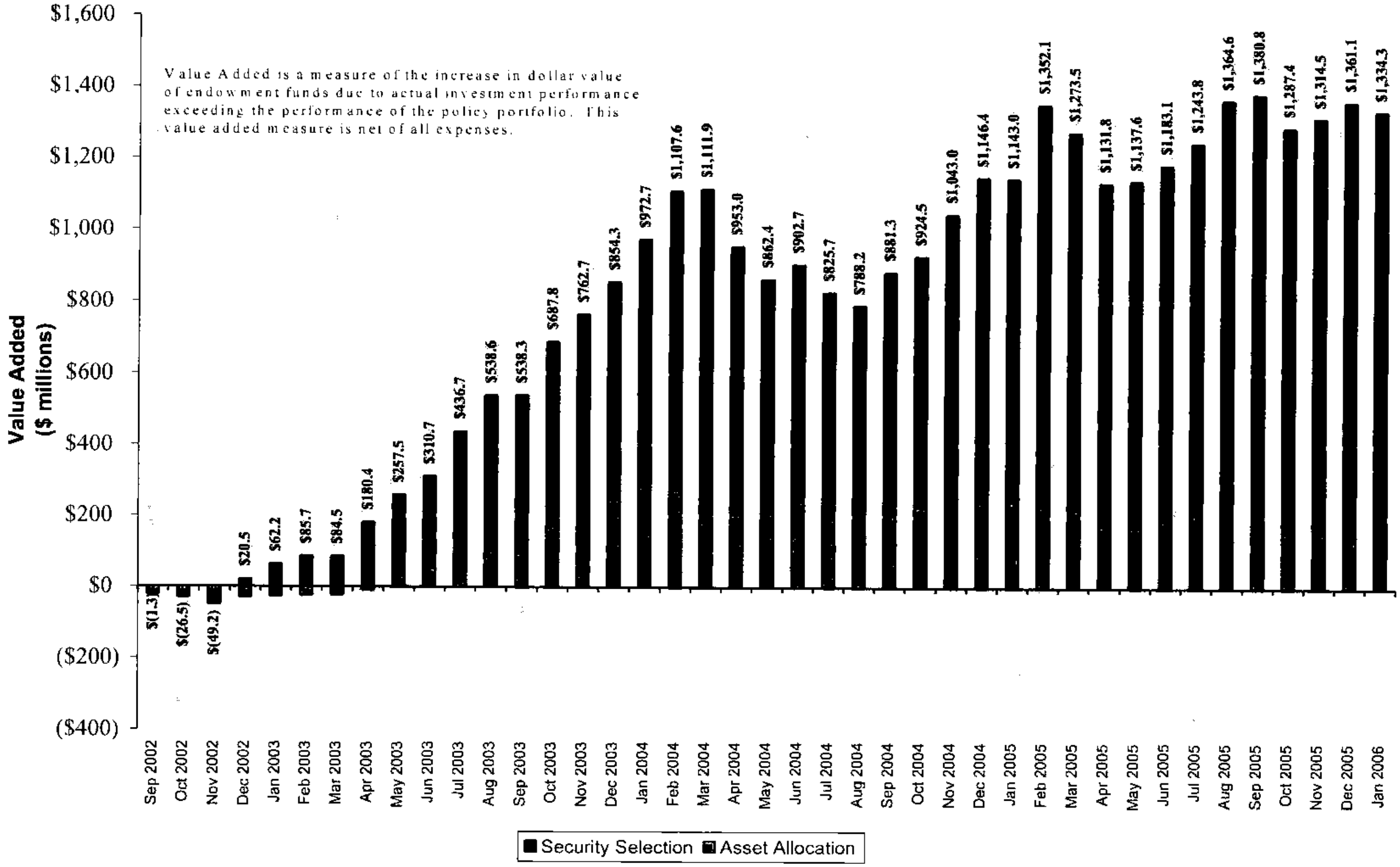
Cumulative Value Added in Marketable Securities in Endowment Funds
2005-2006 Fiscal Year



Cumulative Value Added In Non-Marketable Securities In Endowment Funds
2005-2006 Fiscal Year



VALUE ADDED: ENDOWMENT FUNDS
SINCE SEPTEMBER 1, 2002



Permanent University Fund Performance Attribution Analysis
One Month Ended January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	1.15%	0.00%	0.36%	0.31%	0.04%	0.00%	0.04%
U.S. Equities	19.83%	20.00%	0.93%	3.34%	-0.01%	-0.48%	-0.49%
Global Equities	19.79%	17.00%	7.68%	8.21%	0.08%	-0.05%	0.03%
Non-U.S. Equities Developed	12.97%	10.00%	6.63%	6.14%	0.09%	0.05%	0.14%
Emerging Markets	6.82%	7.00%	9.69%	11.17%	-0.01%	-0.10%	-0.11%
Directional Hedge Funds	9.39%	10.00%	1.58%	2.00%	0.01%	-0.04%	-0.03%
Absolute Return Hedge Funds	15.72%	15.00%	2.12%	1.81%	-0.01%	0.05%	0.04%
Inflation Linked	14.49%	13.00%	3.67%	3.52%	0.03%	0.00%	0.03%
REITS	5.08%	5.00%	6.90%	7.08%	0.01%	-0.01%	0.00%
Commodities	5.11%	3.00%	3.36%	3.48%	0.00%	0.00%	0.00%
TIPS	4.30%	5.00%	0.24%	-0.01%	0.02%	0.01%	0.03%
Fixed Income	10.42%	10.00%	0.31%	0.01%	-0.01%	0.03%	0.02%
Total Marketable Assets	90.79%	85.00%	3.10%	3.52%	0.13%	-0.49%	-0.36%
Private Capital	9.21%	15.00%	0.61%	2.06%	0.15%	-0.22%	-0.07%
Total Fund	100.00%	100.00%	2.87%	3.30%	0.28%	-0.71%	-0.43%

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

All actual performance figures shown are net of all fees and expenses.

Permanent University Fund Performance Attribution Analysis
Three Months Ended January 31, 2006

	Average Asset Allocation		Return				
	PUF	Policy Portfolio	PUF	Policy Benchmark	Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
Cash and Cash Equivalents	**0.72%**	**0.00%**	**1.04%**	**0.97%**	**0.07%**	**0.00%**	**0.07%**
U.S. Equities	**21.64%**	**20.00%**	**4.74%**	**7.46%**	**-0.02%**	**-0.55%**	**-0.57%**
Global Equities	**19.36%**	**17.00%**	**17.19%**	**19.32%**	**0.13%**	**-0.23%**	**-0.10%**
Non-U.S. Equities Developed	13.03%	10.00%	15.11%	13.80%	0.22%	0.13%	0.35%
Emerging Markets	6.33%	7.00%	21.78%	27.48%	-0.09%	-0.36%	-0.45%
Directional Hedge Funds	**9.06%**	**10.00%**	**4.69%**	**3.46%**	**0.02%**	**0.13%**	**0.15%**
Absolute Return Hedge Funds	**15.26%**	**15.00%**	**4.70%**	**2.92%**	**-0.01%**	**0.27%**	**0.26%**
Inflation Linked	**14.38%**	**13.00%**	**6.03%**	**6.17%**	**-0.02%**	**0.03%**	**0.01%**
REITS	5.02%	5.00%	12.77%	12.38%	0.00%	0.02%	0.02%
Commodities	5.06%	3.00%	4.17%	3.86%	-0.06%	0.01%	-0.05%
TIPS	4.30%	5.00%	1.40%	1.40%	0.04%	0.00%	0.04%
Fixed Income	**10.42%**	**10.00%**	**1.32%**	**1.40%**	**-0.03%**	**-0.01%**	**-0.04%**
Total Marketable Assets	**90.84%**	**85.00%**	**7.25%**	**7.55%**	**0.14%**	**-0.36%**	**-0.22%**
Private Capital	**9.16%**	**15.00%**	**5.42%**	**6.30%**	**0.10%**	**-0.12%**	**-0.02%**
Total Fund	**100.00%**	**100.00%**	**7.12%**	**7.36%**	**0.24%**	**-0.48%**	**-0.24%**

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

All actual performance figures shown are net of all fees and expenses.

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Permanent University Fund Performance Attribution Analysis
Fiscal Year to Date
January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.56%	0.00%	1.65%	1.54%	0.06%	0.00%	0.06%
U.S. Equities	22.00%	20.00%	4.27%	6.37%	-0.03%	-0.42%	-0.45%
Global Equities	19.12%	17.00%	19.45%	21.42%	0.13%	-0.21%	-0.08%
Non-U.S. Equities Developed	13.22%	10.00%	17.26%	15.39%	0.27%	0.18%	0.45%
Emerging Markets	5.90%	7.00%	24.28%	30.24%	-0.14%	-0.39%	-0.53%
Directional Hedge Funds	9.45%	10.00%	3.50%	3.61%	0.02%	-0.01%	0.01%
Absolute Return Hedge Funds	14.72%	15.00%	4.51%	2.69%	-0.01%	0.28%	0.27%
Inflation Linked	14.54%	13.00%	3.21%	3.11%	-0.16%	0.13%	-0.03%
REITS	5.04%	5.00%	11.35%	10.63%	0.00%	0.03%	0.03%
Commodities	5.18%	3.00%	-1.20%	-4.05%	-0.21%	0.09%	-0.12%
TIPS	4.32%	5.00%	0.10%	-0.04%	0.05%	0.01%	0.06%
Fixed Income	10.46%	10.00%	-0.46%	-0.44%	-0.04%	0.00%	-0.04%
Total Marketable Assets	90.85%	85.00%	6.69%	6.97%	-0.03%	-0.23%	-0.26%
Private Capital	9.15%	15.00%	6.50%	10.72%	0.05%	-0.62%	-0.57%
Total Fund	100.00%	100.00%	6.71%	7.54%	0.02%	-0.85%	-0.83%

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

All actual performance figures shown are net of all fees and expenses.

Permanent University Fund Performance Attribution Analysis
Year Ended
January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.80%	0.00%	3.38%	3.22%	-0.07%	0.00%	-0.07%
U.S. Equities	24.78%	22.91%	14.15%	15.65%	-0.01%	-0.27%	-0.28%
Global Equities	18.92%	17.00%	30.89%	31.35%	0.06%	0.03%	0.09%
Directional Hedge Funds	9.68%	10.00%	9.10%	7.80%	0.02%	0.13%	0.15%
Absolute Return Hedge Funds	14.48%	15.00%	10.38%	6.22%	0.00%	0.66%	0.66%
Inflation Linked	8.94%	7.17%	28.41%	35.82%	0.10%	-0.08%	0.02%
Fixed Income	13.02%	12.92%	2.07%	2.01%	-0.07%	0.01%	-0.06%
Total Marketable Assets	**90.62%**	**85.00%**	14.93%	14.32%	**0.03%**	**0.48%**	**0.51%**
Private Capital	9.38%	15.00%	29.64%	26.42%	-0.77%	0.46%	-0.31%
Total Fund	**100.00%**	**100.00%**	**16.31%**	**16.11%**	**-0.74%**	**0.94%**	**0.20%**

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

All actual performance figures shown are net of all fees and expenses.

Permanent University Fund Performance Attribution Analysis
Cumulative Since September 1, 2002 to
January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.69%	0.00%	6.69%	6.59%	-0.39%	0.00%	-0.39%
U.S. Equities	27.73%	24.12%	64.35%	65.62%	0.82%	0.13%	0.95%
Global Equities	18.86%	16.49%	111.20%	109.84%	1.53%	0.08%	1.61%
Directional Hedge Funds	7.81%	10.00%	29.19%	22.58%	0.51%	0.80%	1.31%
Absolute Return Hedge Funds	11.49%	13.05%	63.67%	19.49%	-0.52%	5.80%	5.28%
Inflation Linked	7.18%	6.95%	106.72%	104.18%	-0.48%	1.57%	1.09%
Fixed Income	14.74%	14.39%	23.88%	15.33%	0.66%	1.63%	2.29%
GSAM Global Asset Allocation	0.43%	0.00%	0.00%	0.00%	0.17%	0.00%	0.17%
Total Marketable Assets	**88.93%**	**85.00%**	66.19%	52.06%	**2.30%**	**10.01%**	**12.31%**
Private Capital	11.07%	15.00%	46.71%	34.21%	-1.04%	2.21%	1.17%
Total Fund	**100.00%**	**100.00%**	**62.92%**	**49.44%**	**1.26%**	**12.22%**	**13.48%**

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

All actual performance figures shown are net of all fees and expenses.

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Permanent University Fund Performance Attribution Analysis
Annualized Since September 1, 2002 to
January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.69%	0.00%	1.91%	1.88%	-0.09%	0.00%	-0.09%
U.S. Equities	27.73%	24.12%	15.73%	15.91%	0.18%	0.03%	0.21%
Global Equities	18.86%	16.49%	24.46%	24.23%	0.33%	0.02%	0.35%
Directional Hedge Funds	7.81%	10.00%	7.78%	6.14%	0.11%	0.17%	0.28%
Absolute Return Hedge Funds	11.49%	13.05%	15.51%	5.35%	-0.11%	1.24%	1.13%
Inflation Linked	7.18%	6.95%	23.68%	23.23%	-0.10%	0.33%	0.23%
Fixed Income	14.74%	14.39%	6.47%	4.26%	0.14%	0.35%	0.49%
GSAM Global Asset Allocation	0.43%	0.00%	0.00%	0.00%	0.03%	0.00%	0.03%
Total Marketable Assets	**88.93%**	**85.00%**	16.03%	13.05%	**0.49%**	**2.14%**	**2.63%**
Private Capital	11.07%	15.00%	11.87%	8.99%	-0.22%	0.47%	0.25%
Total Fund	**100.00%**	**100.00%**	**15.36%**	**12.48%**	**0.27%**	**2.61%**	**2.88%**

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

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
One Month Ended January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.47%	0.00%	0.36%	0.31%	0.02%	0.00%	0.02%
U.S. Equities	21.23%	20.00%	1.22%	3.34%	-0.02%	-0.42%	-0.44%
Global Equities	19.13%	17.00%	7.53%	8.21%	0.06%	-0.07%	-0.01%
Non-U.S. Equities Developed	12.72%	10.00%	6.49%	6.14%	0.09%	0.04%	0.13%
Emerging Markets	6.41%	7.00%	9.60%	11.17%	-0.03%	-0.11%	-0.14%
Directional Hedge Funds	9.11%	10.00%	1.58%	2.00%	0.01%	-0.04%	-0.03%
Absolute Return Hedge Funds	15.85%	15.00%	2.11%	1.81%	-0.01%	0.04%	0.03%
Inflation Linked	13.94%	13.00%	3.65%	3.52%	0.02%	0.00%	0.02%
REITS	4.81%	5.00%	6.90%	7.08%	-0.01%	-0.01%	-0.02%
Commodities	4.94%	3.00%	3.40%	3.48%	0.00%	0.00%	0.00%
TIPS	4.19%	5.00%	0.23%	-0.01%	0.03%	0.01%	0.04%
Fixed Income	10.25%	10.00%	0.26%	0.01%	-0.01%	0.03%	0.02%
Total Marketable Assets	89.98%	85.00%	3.06%	3.52%	0.07%	-0.46%	-0.39%
Private Capital	10.02%	15.00%	0.58%	2.06%	0.13%	-0.22%	-0.09%
Total Fund	100.00%	100.00%	2.82%	3.30%	0.20%	-0.68%	-0.48%

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

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Three Months Ended January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.50%	0.00%	1.04%	0.97%	0.05%	0.00%	0.05%
U.S. Equities	21.62%	20.00%	4.95%	7.46%	-0.04%	-0.50%	-0.54%
Global Equities	18.84%	17.00%	16.95%	19.32%	0.05%	-0.26%	-0.21%
Non-U.S. Equities Developed	12.96%	10.00%	14.92%	13.80%	0.19%	0.11%	0.30%
Emerging Markets	5.88%	7.00%	21.62%	27.48%	-0.14%	-0.37%	-0.51%
Directional Hedge Funds	8.94%	10.00%	4.69%	3.46%	0.02%	0.13%	0.15%
Absolute Return Hedge Funds	15.51%	15.00%	4.69%	2.92%	-0.01%	0.27%	0.26%
Inflation Linked	14.08%	13.00%	6.20%	6.17%	-0.03%	0.03%	0.00%
REITS	4.84%	5.00%	12.77%	12.38%	-0.01%	0.02%	0.01%
Commodities	4.98%	3.00%	4.14%	3.86%	-0.07%	0.01%	-0.06%
TIPS	4.26%	5.00%	1.40%	1.40%	0.05%	0.00%	0.05%
Fixed Income	10.43%	10.00%	1.36%	1.40%	-0.02%	-0.01%	-0.03%
Total Marketable Assets	89.92%	85.00%	7.17%	7.55%	0.02%	-0.34%	-0.32%
Private Capital	10.08%	15.00%	4.70%	6.30%	0.13%	-0.24%	-0.11%
Total Fund	100.00%	100.00%	6.93%	7.36%	0.15%	-0.58%	-0.43%

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

All actual performance figures shown are net of all fees and expenses.

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General Endowment Fund Performance Attribution Analysis
Fiscal Year to Date
January 31, 2006

	Average Asset Allocation		Return		Allocation	Selection	Total
	GEF	Policy Portfolio	GEF	Policy Benchmark	Effect (1)	Effect (2)	Effect
Cash and Cash Equilvalents	**0.41%**	**0.00%**	**1.65%**	**1.54%**	**0.05%**	**0.00%**	**0.05%**
U.S. Equities	**21.60%**	**20.00%**	**4.50%**	**6.37%**	**-0.04%**	**-0.38%**	**-0.42%**
Global Equities	**18.75%**	**17.00%**	**19.07%**	**21.42%**	**0.05%**	**-0.27%**	**-0.22%**
Non-U.S. Equities Developed	13.23%	10.00%	16.97%	15.39%	0.25%	0.15%	0.40%
Emerging Markets	5.52%	7.00%	23.81%	30.24%	-0.20%	-0.42%	-0.62%
Directional Hedge Funds	**9.37%**	**10.00%**	**3.40%**	**3.61%**	**0.02%**	**-0.02%**	**0.00%**
Absolute Return Hedge Funds	**14.94%**	**15.00%**	**4.46%**	**2.69%**	**-0.01%**	**0.27%**	**0.26%**
Inflation Linked	**14.33%**	**13.00%**	**3.37%**	**3.11%**	**-0.16%**	**0.14%**	**-0.02%**
REITS	4.90%	5.00%	11.46%	10.63%	-0.01%	0.04%	0.03%
Commodities	5.13%	3.00%	-1.24%	-4.05%	-0.21%	0.09%	-0.12%
TIPS	4.30%	5.00%	0.12%	-0.04%	0.06%	0.01%	0.07%
Fixed Income	**10.53%**	**10.00%**	**-0.35%**	**-0.44%**	**-0.04%**	**0.01%**	**-0.03%**
Total Marketable Assets	**89.93%**	**85.00%**	**6.59%**	**6.97%**	**-0.13%**	**-0.25%**	**-0.38%**
Private Capital	**10.07%**	**15.00%**	**5.71%**	**10.72%**	**0.09%**	**-0.74%**	**-0.65%**
Total Fund	**100.00%**	**100.00%**	**6.51%**	**7.54%**	**-0.04%**	**-0.99%**	**-1.03%**

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

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Year Ended
January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equilvalents	0.52%	0.00%	3.38%	3.22%	-0.04%	0.00%	-0.04%
U.S. Equities	24.25%	22.91%	14.38%	15.65%	-0.04%	-0.22%	-0.26%
Global Equities	18.81%	17.00%	30.61%	31.35%	-0.03%	-0.02%	-0.05%
Directional Hedge Funds	9.66%	10.00%	8.91%	7.80%	0.04%	0.12%	0.16%
Absolute Return Hedge Funds	14.66%	15.00%	10.40%	6.22%	-0.01%	0.66%	0.65%
Inflation Linked	8.85%	7.17%	28.72%	35.82%	0.11%	-0.08%	0.03%
Fixed Income	13.12%	12.92%	2.14%	2.01%	-0.08%	0.01%	-0.07%
Total Marketable Assets	**89.87%**	**85.00%**	14.87%	14.32%	**-0.05%**	**0.47%**	**0.42%**
Private Capital	10.13%	15.00%	26.20%	26.42%	-0.53%	-0.02%	-0.55%
Total Fund	**100.00%**	**100.00%**	**15.98%**	**16.11%**	**-0.58%**	**0.45%**	**-0.13%**

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

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Cumulative Since September 1, 2002 to January 31, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equilvalents	0.53%	0.00%	6.69%	6.59%	-0.33%	0.00%	-0.33%
U.S. Equities	27.70%	24.12%	64.49%	65.62%	1.06%	0.07%	1.13%
Global Equities	19.18%	16.49%	111.51%	109.84%	2.32%	-0.44%	1.88%
Directional Hedge Funds	7.97%	10.00%	29.04%	22.58%	0.45%	0.79%	1.24%
Absolute Return Hedge Funds	11.92%	13.05%	63.84%	19.49%	-0.39%	5.84%	5.45%
Inflation Linked	7.21%	6.95%	107.62%	104.18%	-0.42%	1.59%	1.17%
Fixed Income	14.66%	14.39%	24.55%	15.33%	0.74%	1.75%	2.49%
GSAM Global Asset Allocation	0.44%	0.00%	33.70%	0.00%	0.18%	0.00%	0.18%
Total Marketable Assets	**89.61%**	**85.00%**	**66.88%**	**52.06%**	**3.61%**	**9.60%**	**13.21%**
Private Capital	10.39%	15.00%	42.01%	34.21%	-0.19%	1.40%	1.21%
Total Fund	**100.00%**	**100.00%**	**63.85%**	**49.44%**	**3.42%**	**11.00%**	**14.42%**

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

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Annualized Since September 1, 2002 to January 31, 2006

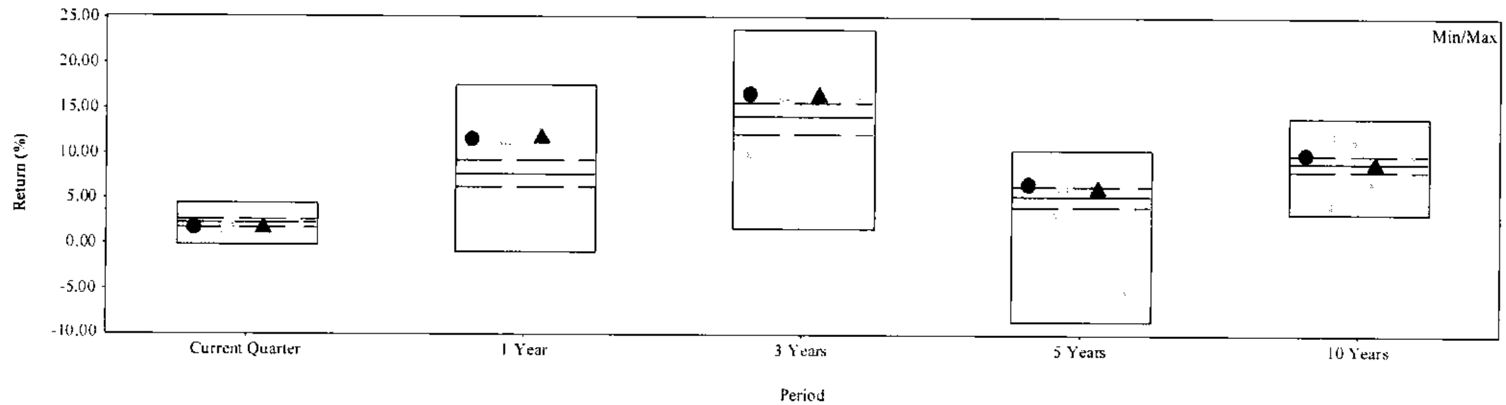
	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equilvalents	0.53%	0.00%	1.91%	1.88%	-0.07%	0.00%	-0.07%
U.S. Equities	27.70%	24.12%	15.68%	15.91%	0.22%	0.02%	0.24%
Global Equities	19.18%	16.49%	24.51%	24.23%	0.48%	-0.09%	0.39%
Directional Hedge Funds	7.97%	10.00%	7.75%	6.14%	0.10%	0.17%	0.27%
Absolute Return Hedge Funds	11.92%	13.05%	15.55%	5.35%	-0.08%	1.25%	1.17%
Inflation Linked	7.21%	6.95%	23.84%	23.23%	-0.09%	0.34%	0.25%
Fixed Income	14.66%	14.39%	6.64%	4.26%	0.15%	0.37%	0.52%
GSAM Global Asset Allocation	0.44%	0.00%	8.87%	0.00%	0.04%	0.00%	0.04%
Total Marketable Assets	**89.61%**	**85.00%**	**16.17%**	**13.05%**	**0.75%**	**2.06%**	**2.81%**
Private Capital	10.39%	15.00%	10.81%	8.99%	-0.04%	0.30%	0.26%
Total Fund	**100.00%**	**100.00%**	**15.55%**	**12.48%**	**0.71%**	**2.36%**	**3.07%**

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

All actual performance figures shown are net of all fees and expenses.

UTIMCO ENDOWMENTS FUNDS vs.
ALL FUNDS UNIVERSE
Periods Ended December 31, 2005

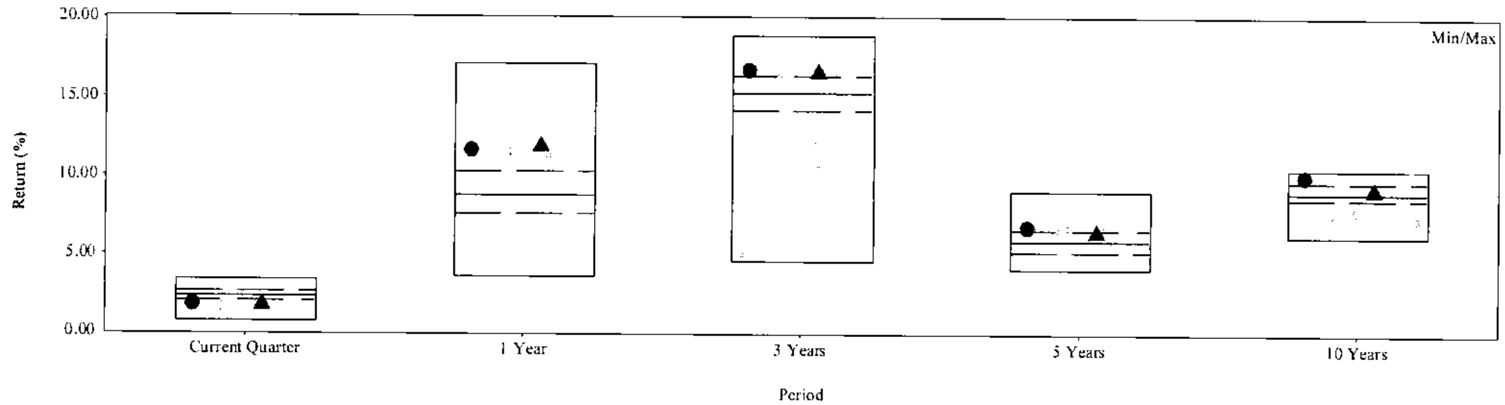


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	4.62		17.57		23.95		10.54		14.16	
25th Percentile	2.65		9.31		15.64		6.44		9.88	
Median	2.28		7.69		14.17		5.37		9.02	
75th Percentile	1.80		6.34		12.28		4.27		8.21	
Minimum	- 0.05		- 0.71		1.84		- 8.40		3.65	
# of Portfolios	499		480		432		379		274	
● **UTIMCO LTF-Net of Fees**	1.90	71	11.79	8	16.91	11	6.95	15	10.23	18
UTIMCO PHF-Net of Fees	1.88	72	11.79	8	16.89	11	7.04	15	---	---
▲ **UTIMCO PUF-Net of Fees**	2.05	64	12.20	6	16.85	11	6.72	19	9.50	38
UTIMCO GEF-Net of Fees	1.94	69	11.93	7	17.04	10	7.03	15	10.27	18

Universe Source: (c) Russell/Mellon Analytical Services

The All Funds Universe consists of all corporate, foundation and endowment, and public plans of Russell/Mellon clients. The number of funds in this universe as of December 31, 2005 was 499.

UTIMCO ENDOWMENTS FUNDS vs.
BILLION DOLLAR FUNDS UNIVERSE
Periods Ended December 31, 2005

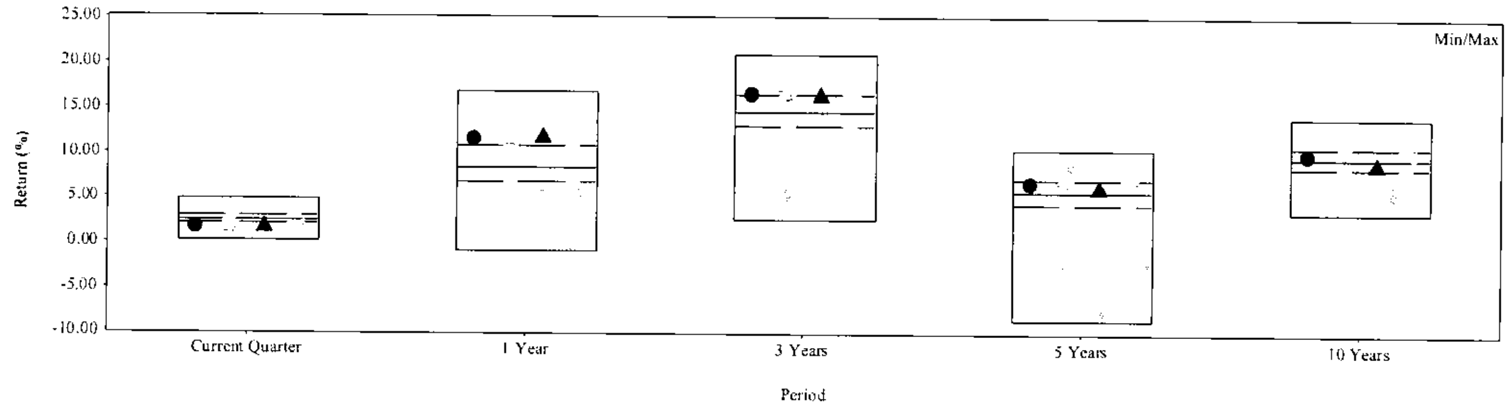


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	3.39		17.18		18.91		9.10		10.48	
25th Percentile	2.65		10.31		16.35		6.59		9.69	
Median	2.36		8.80		15.31		5.95		9.01	
75th Percentile	2.05		7.59		14.17		5.27		8.64	
Minimum	0.84		3.76		4.76		4.27		6.31	
# of Portfolios	43		42		40		37		28	
● **UTIMCO LTF-Net of Fees**	1.90	78	11.79	7	16.91	22	6.95	16	10.23	7
– **UTIMCO PHF-Net of Fees**	1.88	78	11.79	7	16.89	22	7.04	16	---	---
▲ **UTIMCO PUF-Net of Fees**	2.05	75	12.20	7	16.85	22	6.72	27	9.50	32
UTIMCO GEF-Net of Fees	1.94	78	11.93	7	17.04	20	7.03	16	10.27	7

Universe Source: (c) Russell/Mellon Analytical Services

The Billion Dollar Fund Universe consists of all assets of public plans of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of December 31, 2005 was 43.

UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS UNIVERSE
Periods Ended December 31, 2005

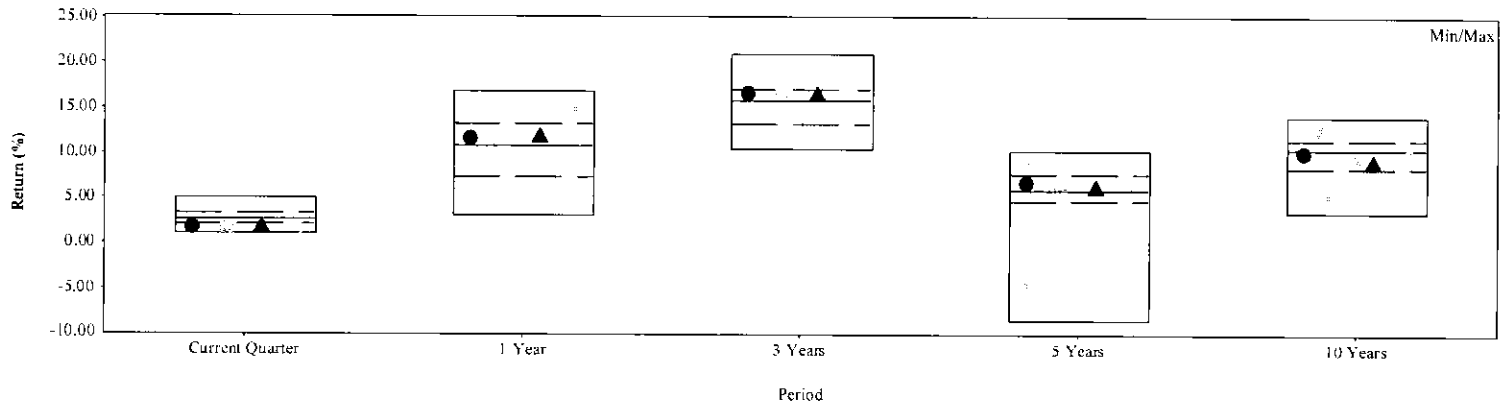


	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	4.82		16.93		21.14		10.51		14.16	
25th Percentile	2.93		10.75		16.50		7.10		10.75	
Median	2.38		8.38		14.72		5.75		9.64	
75th Percentile	2.03		6.85		13.14		4.36		8.59	
Minimum	0.33		- 0.67		2.82		- 8.40		3.65	
# of Portfolios	132		121		108		94		63	
● **UTIMCO LTF-Net of Fees**	1.90	82	11.79	19	16.91	20	6.95	30	10.23	44
UTIMCO PHF-Net of Fees	1.88	82	11.79	19	16.89	20	7.04	29	---	---
▲ **UTIMCO PUF-Net of Fees**	2.05	76	12.20	14	16.85	20	6.72	34	9.50	55
UTIMCO GEF-Net of Fees	1.94	80	11.93	17	17.04	18	7.03	29	10.27	44

Universe Source: (c) Russell/Mellon Analytical Services

The Foundations and Endowments Universe consists of all the assets of foundation and endowment plans of Russell/Mellon Clients. The number of funds in the universe as of December 31, 2005 of 132.

UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS BILLION DOLLAR FUNDS UNIVERSE
Periods Ended December 31, 2005



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	5.07		16.93		21.01		10.21		14.16	
25th Percentile	3.27		13.21		17.09		7.68		11.49	
Median	2.60		10.74		15.80		5.87		10.41	
75th Percentile	2.10		7.40		13.21		4.66		8.31	
Minimum	1.20		3.37		10.71		- 8.40		3.65	
# of Portfolios	38		38		36		35		25	
● **UTIMCO LTF-Net of Fees**	1.90	90	11.79	47	16.91	33	6.95	39	10.23	58
UTIMCO PHF-Net of Fees	1.88	93	11.79	47	16.89	33	7.04	37	---	---
▲ **UTIMCO PUF-Net of Fees**	2.05	83	12.20	36	16.85	33	6.72	45	9.50	66
UTIMCO GEF-Net of Fees	1.94	88	11.93	42	17.04	30	7.03	37	10.27	58

Universe Source: (c) Russell/Mellon Analytical Services

The Foundations and Endowments Billion Dollar Fund Universe consists of all assets of foundations and endowments of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of December 31, 2005 was 38.

Public Markets Managers
Investment Performance Detail Summary
January 31, 2006

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 UTIMCO Strategy

Periods Ended January 31, 2006
(Returns for Periods Longer Than One Year are Annualized)

Areas of Concern		Assets Under Management ($ Millions)	One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE:													
	Public Equities:													
	Domestic Equities:													
	Passive Management:													
Terminated	BGI S&P 500	37.1	2.65	2.65	6.57	5.65	4.69	10.43	16.45	0.40	1.58	9.09	N/A	February 1993
5	vs. S&P 500 Index		0.00	0.00	0.00	0.01	0.01	0.05	0.03	0.03	0.03	0.10		
Terminated	BGI S&P 400 Midcap	13.1	5.98	5.98	11.97	10.43	9.19	22.63	24.87	9.50	12.35	14.94	N/A	December 1992
5	vs. S&P 400 Midcap Index		0.09	0.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.09		
	S&P 100 Index Exchange Traded Funds	90.5	1.56	1.56	4.30	3.92	1.75	4.24	-	-	-	-	7.69	August 2004
	vs. S&P 100 Index		(0.09)	(0.09)	(0.24)		(0.39)	(0.39)	-	-	-	-		
	S&P 500 Exchange Traded Funds (Partial Month)	13.0	-	-	-	-	-	-	-	-	-	-	-	August 2005
	vs. S&P 500 Index		-	-	-	-	-	-	-	-	-	-	-	
	S&P 500 Index Futures	191.3	2.64	2.64	6.50	5.57	4.48	10.15	15.97	-	-	-	1.79	March 2001
	vs. S&P 500 Index		(0.01)	(0.01)	(0.07)	(0.06)	(0.19)	(0.23)	(0.45)	-	-	-	(0.56)	
	Dow Jones - Exchange Traded Funds and Futures	30.5	1.41	1.41	4.85	4.14	2.73	6.10	-	-	-	-	6.63	November 2003
	vs. Dow Jones Industrial Average		(0.09)	(0.09)		(0.43)	(0.59)	0.10	-	-	-	-	(0.38)	
	Global 100 Index Exchange Traded Funds	94.4	3.08	3.08	6.53	6.24	6.60	10.79	-	-	-	-	10.21	November 2004
	vs. Russell 3000		(0.26)	(0.26)	(0.92)	(0.13)		(1.88)	-	-	-	-	(1.32)	
	Health Care Exchange Traded Funds	29.1	2.66	2.66	6.77	0.35	(0.69)	-	-	-	-	-	(2.97)	April 2005
	vs. Russell 3000		(0.68)	(0.68)	(0.68)	(6.01)	(6.05)	-	-	-	-	-	(17.59)	
	Active Management:													
Terminated	BGI Russell 2000 Alpha Tilt	81.7	9.16	9.16	12.28	7.41	5.13	15.24	25.07	-	-	-	12.62	February 2002
1,5	vs. Russell 2000		[illegible]	[illegible]	(1.45)	(3.14)	(3.37)	(3.65)	(1.79)	-	-	-	[illegible]	
	BGI Russell 3000 Alpha Tilt	323.7	4.13	4.13	9.08	7.93	7.04	15.33	-	-	-	-	15.03	August 2003
	vs. Russell 3000								-	-	-	-		
4	BKF Asset Management	162.4	2.64	2.64	7.94	7.07	6.48	8.83	-	-	-	-	12.67	September 2004
	vs. Russell 1000		(0.16)	(0.16)				(3.24)	-	-	-	-	(1.94)	
	Blavin (Funded January 2006)	75.4	-	-	-	-	-	-	-	-	-	-	-	January 2006
	vs. S&P 400 Midcap Index		-	-	-	-	-	-	-	-	-	-	-	
Terminated	GSAM- Large Cap	114.2	2.93	2.93	8.36	7.72	7.68	12.75	17.36	1.40	2.25	-	3.51	April 1998
5	vs. S&P 500 Index		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.01	
	MBA Investments	0.8	2.62	2.62	6.95	8.29	6.97	14.04	15.88	(2.35)	(2.45)	4.29	4.19	November 1995
	vs. S&P 500 Index		(0.03)	(0.03)					(0.54)	(2.72)	(4.01)	(4.70)	(5.09)	
Terminated	Forstmann Leff - Mid Cap	54.6	6.28	6.28	14.39	13.91	15.12	31.77	-	-	-	-	37.19	August 2004
4	vs. Russell Mid Cap		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	[illegible]	
Terminated	Forstmann Leff - Small Cap	288.1	6.44	6.44	10.76	8.15	7.93	24.06	28.83	11.92	14.41	14.33	13.50	January 1994
4	vs. Russell 2000		(2.53)	(2.53)	(2.97)	(2.40)	(0.57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
	Relational Investors	324.6	(0.11)	(0.11)	3.83	2.94	1.44	13.46	-	-	-	-	15.81	September 2004
	vs. S&P 500 Index		(2.76)	(2.76)	(2.74)	(2.70)	(3.24)		-	-	-	-		
Terminated	Ironbridge	54.3	10.12	10.12	11.24	9.81	6.06	5.57	-	-	-	-	3.04	November 2004
1	vs. Russell 2000		[illegible]	[illegible]	(2.50)	(0.74)	(2.44)	(13.32)	-	-	-	-	(11.62)	

Public Markets Managers
Investment Performance Detail Summary
January 31, 2006

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 UTIMCO Strategy

Areas of Concern		Assets Under Management ($ Millions)	Periods Ended January 31, 2006 (Returns for Periods Longer Than One Year are Annualized) One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)													
	Blackrock Hedge	**67.4**	2.18	2.18	13.80	11.09	21.41	46.12	-	-	-	-	52.55	July 2004
	vs. Russell 2000		(6.79)	(6.79)	0.06				-	-	-	-		
	Blackrock Small Cap	**115.7**	13.14	13.14	21.15	21.30	30.57	68.52	-	-	-	-	64.57	June 2004
	vs. Russell 2000		-	-				-	-	-	-	-	-	
	TCW MultiCap I	**157.9**	5.94	5.94	10.14	4.20	2.99	13.41	-	-	-	-	6.73	February 2004
	vs. Russell 3000					(2.17)	(2.37)	-	-	-	-	-	(2.93)	
	TCW Small Value	**71.2**	10.14	10.14	18.17	11.19	7.21	16.71	-	-	-	-	10.37	April 2004
	vs. Russell 2000				-	-	(1.29)	(2.18)	-	-	-	-	(7.67)	
	Value Act Capital	**411.3**	3.81	3.81	9.20	12.22	12.98	27.84	-	-	-	-	20.35	August 2003
	vs. Russell 2000		(5.16)	(5.16)	(4.53)	-			-	-	-	-		
	Westport I	**190.1**	7.06	7.06	14.62	13.71	12.22	21.64	-	-	-	-	23.49	October 2004
	vs. Russell 2000		(1.91)	(1.91)					-	-	-	-		
	Westport 2 (Funded January 2006)	**82.5**	-	-	-	-	-	-	-	-	-	-	-	January 2006
	vs. Russell 2000		-	-	-	-	-	-	-	-	-	-	-	
	BGI EAFE International Fund	**39.9**	6.04	6.04	13.71	15.32	18.32	22.89	28.16	6.23	5.36	7.31	8.39	April 1993
	vs. MSCI EAFE Net		(0.10)	(0.10)	(0.08)	(0.08)	0.01				(0.09)		-	
	Developed Cash	**6.8**	0.30	0.30	1.05	-	-	-	-	-	-	-	1.05	October 2005
	vs. 90 Day Treasury Bills Average Yield		(0.01)	(0.01)	0.08	-	-	-	-	-	-	-	0.08	
	BGI Emerging Markets Structured Fund	**133.4**	10.91	10.91	26.26	29.02	29.76	46.89	42.68	-	-	-	27.10	February 2002
	vs. MSCI Emerging Markets with Net Dividends		(0.26)	(0.26)	(1.22)	(1.23)	(1.59)	(1.70)	(0.37)	-	-	-	(0.43)	
	BGI Market Neutral	**97.4**	1.34	1.34	1.94	-	-	-	-	-	-	-	1.94	October 2005
	vs. 90 Day Treasury Bills Average Yield					-	-	-	-	-	-	-		
	Emerging Proxy	**135.2**	13.75	13.75	34.44	32.07	29.27	-	-	-	-	-	29.27	July 2005
	vs. MSCI Emerging Markets with Net Dividends				-		(2.08)	-	-	-	-	-	(2.08)	
	Total BGI Market Neutral and Emerging Proxy	**232.6**	8.78	8.78	20.76	21.57	19.00	-	-	-	-	-	19.00	July 2005
	vs. MSCI Emerging Markets with Net Dividends		(2.39)	(2.39)	(6.72)	(8.67)	(12.36)	-	-	-	-	-	(12.36)	
	Active Management:													
	ADRE Emerging Markets	**136.9**	14.20	14.20	28.13	32.85	33.16	-	-	-	-	-	33.16	August 2005
	vs. MSCI Emerging Markets with Net Dividends							-	-	-	-	-		
	BGI International Alpha Tilts	**326.6**	6.30	6.30	13.87	16.45	18.41	25.89	-	-	-	-	27.53	August 2003
	vs. MSCI EAFE Net				0.08				-	-	-	-		
	BGI Unequitized Global Markets	**68.5**	1.19	1.19	1.78	3.86	4.50	-	-	-	-	-	6.32	May 2005
	vs. 90 Day Treasury Bills Average Yield		-				-	-	-	-	-	-	-	
	International Futures and Exchange Traded Funds	**191.8**	8.47	8.47	12.74	9.76	11.43	16.27	-	-	-	-	18.23	November 2003
	vs. MSCI EAFE Net				(1.06)	(5.64)	(6.87)	(6.49)	-	-	-	-	(4.64)	
	Total International Futures and Exchange Traded Funds	**260.3**	**6.71**	**6.71**	**10.25**	**8.38**	**9.94**	**14.42**	-	-	-	-	**17.36**	November 2003
	vs. MSCI EAFE Net				(3.55)	(7.01)	(8.37)	(8.34)	-	-	-	-	(5.51)	
	Blakeney Management	**92.6**	14.57	14.57	21.84	27.14	27.30	52.39	-	-	-	-	54.09	October 2004
	vs. MSCI Emerging Markets with Net Dividends		-	-	(5.64)	(3.10)	(4.06)	-	-	-	-	-		
	Emerging Exchange Traded Funds	**76.3**	14.28	14.28	-	-	-	-	-	-	-	-	21.29	November 2005
	vs. MSCI Emerging Markets with Net Dividends				-	-	-	-	-	-	-	-		
	Bridgewater Currency Overlay	**2.3**	0.21	0.21	0.25	(0.14)	(0.38)	(0.84)	-	-	-	-	(0.84)	January 2005
	Currency Overlay Strategy		-	-	-	-	-	-	-	-	-	-	-	

Public Markets Managers
Investment Performance Detail Summary
January 31, 2006

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 UTIMCO Strategy

Periods Ended January 31, 2006
(Returns for Periods Longer Than One Year are Annualized)

Areas of Concern		Assets Under Management ($ Millions)	One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)													
1,5	**Capital Guardian Trust Small Cap International**	**53.5**	**6.19**	**6.19**	**22.48**	**29.89**	**35.30**	**49.76**	**45.78**	**13.52**	**13.29**	-	**8.55**	**December 1996**
	vs. Citigroup Extended Market Index World ex U.S.		**(1.34)**	**(1.34)**						**(1.49)**		-	**(0.67)**	
	Cundill EAFE	114.7	1.06	1.06	9.53	15.01	19.40	18.80	-	-	-	-	18.80	January 2005
	vs. MSCI EAFE Net		(5.08)	(5.08)	(4.26)	(0.39)		(3.96)	-	-	-	-	(3.96)	
	Cundill Japan	78.9	1.67	1.67	8.02	16.22	23.45	21.84	-	-	-	-	21.84	January 2005
	vs. TOPIX		(2.89)	(2.89)	(9.81)	(12.11)	(13.12)	(11.65)	-	-	-	-	(11.65)	
	Dalton Japan	64.3	2.97	2.97	11.32	18.39	25.21	-	-	-	-	-	25.98	May 2005
	vs. TOPIX		(1.58)	(1.58)	(6.50)	(9.94)	(11.37)	-	-	-	-	-	(12.44)	
	Globeflex	269.0	9.37	9.37	20.79	25.00	30.01	44.83	-	-	-	-	41.82	October 2003
	vs. Citigroup Extended Market Index World ex U.S.								-	-	-	-		
	Globeflex Canadian	51.7	9.94	9.94	26.25	24.84	31.19	46.21	-	-	-	-	37.54	March 2004
	vs. Nesbitt Burns Small Cap Canada		(2.19)	(2.19)		(0.94)			-	-	-	-		
	Globeflex Japan	103.8	4.53	4.53	18.06	29.16	36.65	40.67	-	-	-	-	24.60	March 2004
	vs. Russell/Nomura Mid-Small Cap Index								-	-	-	-		
	Globeflex Microcap	56.9	6.45	6.45	15.74	13.85	-	-	-	-	-	-	13.85	August 2005
	vs. MSCI EAFE Net					(1.55)	-	-	-	-	-	-	(1.55)	
Terminated	**GSAM - Structured International Equity**	**255.6**	**7.73**	**7.73**	**17.66**	**20.31**	**24.28**	**30.06**	**30.87**	**6.62**	**6.06**	-	**6.15**	**April 1998**
5	**vs. MSCI EAFE Net**											-		
	Franklin Templeton	308.3	10.07	10.07	23.91	26.48	25.87	41.99	40.46	18.98	16.83	8.39	8.42	January 1996
	vs. MSCI Emerging Markets with Net Dividends		(1.10)	(1.10)	(3.57)	(3.77)	(5.48)	(6.59)	(2.59)		(0.85)			
	JMBO Fund	53.9	1.56	1.56	4.52	8.55	8.28	-	-	-	-	-	10.61	April 2005
	vs. MSCI Japan		(3.48)	(3.48)	(14.41)	(21.13)	(30.42)	-	-	-	-	-	(28.07)	
	Korea Exchange Traded Funds	8.7	7.69	7.69	28.54	36.88	33.50	-	-	-	-	-	33.50	July 2005
	vs. MSCI Emerging Markets with Net Dividends		(3.48)	(3.48)				-	-	-	-	-		
	Lansdowne Emerging	175.3	3.11	3.11	-	-	-	-	-	-	-	-	3.11	December 2005
	vs. MSCI Emerging Markets with Net Dividends		(8.06)	(8.06)	-	-	-	-	-	-	-	-	(8.06)	
	Lansdowne Europe (Funded January 2006)	105.6	-	-	-	-	-	-	-	-	-	-	-	January 2006
	vs. Euro Stoxx 600		-	-	-	-	-	-	-	-	-	-	-	
	Singapore Exchange Traded Funds	28.5	6.36	6.36	13.72	11.25	7.41	-	-	-	-	-	7.41	July 2005
	vs. MSCI EAFE Net				(0.07)	(4.14)	(10.90)	-	-	-	-	-	(10.90)	
	Switzerland Exchange Traded Funds	5.2	5.82	5.82	-	-	-	-	-	-	-	-	5.82	December 2005
	vs. MSCI EAFE Net		(0.32)	(0.32)	-	-	-	-	-	-	-	-	(0.32)	
	Blackrock Global	130.9	14.74	14.74	26.59	22.23	35.69	79.69	-	-	-	-	69.25	November 2004
	vs. MSCI All Country World ex U.S. with Net Dividends								-	-	-	-		
	Taiwan Exchange Traded Funds	35.2	7.84	7.84	22.95	15.75	11.02	-	-	-	-	-	11.02	July 2005
	vs. MSCI Emerging Markets with Net Dividends		(3.33)	(3.33)	(4.53)	(14.50)	(20.34)	-	-	-	-	-	(20.34)	
	Directional Hedge Funds:													
	AG Realty	25.2	0.05	0.05	2.23	-	-	-	-	-	-	-	0.64	October 2005
	vs. Directional Hedge Fund Composite		(1.95)	(1.95)	(1.23)	-	-	-	-	-	-	-	(1.99)	
	Blue Ridge	227.6	4.15	4.15	11.95	12.96	16.73	25.20	-	-	-	-	19.74	January 2004
	vs. Directional Hedge Fund Composite								-	-	-	-		
	Brahman II	57.3	3.71	3.71	7.13	5.37	7.75	9.93	-	-	-	-	12.17	August 2004
	vs. Directional Hedge Fund Composite								-	-	-	-		
	Eminence	103.5	(1.97)	(1.97)	2.29	4.28	4.94	12.12	-	-	-	-	14.29	July 2003
	vs. Directional Hedge Fund Composite		(3.98)	(3.98)	(1.16)				-	-	-	-		

Public Markets Managers
Investment Performance Detail Summary
January 31, 2006

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 UTIMCO Strategy

Periods Ended January 31, 2006 (Returns for Periods Longer Than One Year are Annualized)

Areas of Concern		Assets Under Management ($ Millions)	One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)													
2	Everglades	40.8	0.78	0.78	1.05	(0.09)	(0.08)	3.19	-	-	-	-	1.78	January 2005
	vs. Directional Hedge Fund Composite		(1.22)	(1.22)	(2.41)	(3.70)	(4.34)	(4.60)	-	-	-	-	(6.56)	
	Indus Asia Pacific	33.8	4.10	4.10	8.45	9.25	9.38	15.33	-	-	-	-	14.88	December 2003
	vs. Directional Hedge Fund Composite								-	-	-	-		
	Indus Japan	59.4	0.50	0.50	7.50	16.43	21.74	30.09	-	-	-	-	21.15	December 2003
	vs. Directional Hedge Fund Composite		(1.51)	(1.51)					-	-	-	-		
	Maverick Fund	505.4	0.47	0.47	1.29	(2.99)	(2.42)	1.11	7.57	6.68	11.19	-	10.26	August 1998
	vs. Directional Hedge Fund Composite		(1.53)	(1.53)	(2.17)	(6.60)	(6.67)	(6.69)				-		
	Millgate International	47.6	1.28	1.28	3.73	6.27	8.92	2.04	-	-	-	-	5.28	October 2004
	vs. Directional Hedge Fund Composite		(0.72)	(0.72)				(5.76)	-	-	-	-	(2.09)	
	Moon Capital	89.1	5.07	5.07	10.61	11.20	11.41	-	-	-	-	-	11.37	April 2005
	vs. Directional Hedge Fund Composite							-	-	-	-	-		
	OCM Emerging Markets Fund	92.3	3.60	3.60	6.93	7.16	8.33	7.58	8.40	-	-	-	8.91	January 2002
	vs. Directional Hedge Fund Composite							(0.22)		-	-	-		
	SG Partners	56.0	4.07	4.07	8.01	8.60	8.38	14.87	-	-	-	-	4.80	September 2003
	vs. Directional Hedge Fund Composite								-	-	-	-	(1.61)	
	Sirios Overseas	43.4	1.10	1.10	3.61	3.71	5.25	11.42	-	-	-	-	8.31	May 2003
	vs. Directional Hedge Fund Composite		(0.90)	(0.90)					-	-	-	-		
2	Standard Pacific Capital Offshore Fund	57.0	2.26	2.26	6.17	6.80	8.93	8.10	4.45	-	-	-	4.45	February 2003
	vs. Directional Hedge Fund Composite								(1.74)	-	-	-	(1.74)	
	Steadfast	134.4	2.87	2.87	5.35	0.59	0.21	13.87	-	-	-	-	19.06	November 2004
	vs. Directional Hedge Fund Composite					(3.01)	(4.04)		-	-	-	-		
	Absolute Return Hedge Funds:													
	AG Super Fund	51.9	2.00	2.00	-	-	-	-	-	-	-	-	3.79	December 2005
	vs. Absolute Return Hedge Fund Composite				-	-	-	-	-	-	-	-		
	AQR Offshore	43.6	0.62	0.62	2.69	6.64	5.17	9.00	-	-	-	-	4.58	March 2004
	vs. Absolute Return Hedge Fund Composite		(1.19)	(1.19)	(0.22)				-	-	-	-	(0.84)	
	BGI Unequitized Global Markets	112.3	1.34	1.34	1.94	3.99	4.57	7.05	-	-	-	-	6.29	May 2004
	vs. Absolute Return Hedge Fund Composite		(0.47)	(0.47)	(0.97)				-	-	-	-		
	Bridgewater Pure Alpha	103.4	3.19	3.19	3.40	5.93	4.45	5.88	-	-	-	-	11.83	March 2004
	vs. Absolute Return Hedge Fund Composite							(0.35)	-	-	-	-		
	Farallon Capital Offshore Investors	461.3	2.11	2.11	6.34	6.09	8.00	13.49	17.96	14.15	15.19	-	14.16	August 1998
	vs. Absolute Return Hedge Fund Composite											-		
	Indus Event Driven	50.3	1.09	1.09	4.58	3.76	4.22	7.09	-	-	-	-	8.75	December 2003
	vs. Absolute Return Hedge Fund Composite		(0.72)	(0.72)					-	-	-	-		
Terminated 2,3,4	**K Capital**	**29.8**	**(0.08)**	**(0.08)**	**(13.39)**	**(15.75)**	**(14.40)**	**(18.96)**	-	-	-	-	**(12.13)**	**November 2004**
	vs. Absolute Return Hedge Fund Composite		**(1.89)**	**(1.89)**	**(16.30)**	**(18.43)**	**(17.64)**	**(25.18)**	-	-	-	-	**(19.70)**	
	OCM High Yield	25.7	0.92	0.92	1.54	2.79	3.54	-	-	-	-	-	3.54	August 2005
	vs. Absolute Return Hedge Fund Composite		(0.89)	(0.89)	(1.38)			-	-	-	-	-		
	OZ Asia	50.1	0.10	0.10	-	-	-	-	-	-	-	-	0.10	January 2006
	vs. Absolute Return Hedge Fund Composite		(1.71)	(1.71)	-	-	-	-	-	-	-	-	(1.71)	
	OZ Europe	54.3	3.38	3.38	8.01	7.92	8.35	-	-	-	-	-	13.95	April 2005
	vs. Absolute Return Hedge Fund Composite							-	-	-	-	-		

Public Markets Managers
Investment Performance Detail Summary
January 31, 2006

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Areas of Concern		Assets Under Management ($ Millions)	One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)													
	OZ Overseas Fund	119.2	1.95	1.95	5.01	4.16	5.52	10.71	-	-	-	-	12.44	August 2004
	vs. Absolute Return Hedge Fund Composite								-	-	-	-		
	Perry Fund	51.2	0.99	0.99	0.89	1.62	2.09	-	-	-	-	-	3.57	June 2005
	vs. Absolute Return Hedge Fund Composite		(0.82)	(0.82)	(2.03)	(1.07)	(1.15)	-	-	-	-	-	(0.67)	
	Perry Partners International	466.3	1.65	1.65	3.33	1.04	2.08	10.14	17.03	13.91	15.40	-	14.21	August 1998
	vs. Absolute Return Hedge Fund Composite		(0.17)	(0.17)		(1.64)	(1.16)					-		
	Protégé Partners Fund	232.9	2.79	2.79	7.67	8.16	8.94	13.50	11.47	-	-	-	11.47	February 2003
	vs. Absolute Return Hedge Fund Composite									-	-	-		
	Satellite Fund	205.6	3.23	3.23	4.70	5.50	5.71	10.56	15.41	-	-	-	6.70	September 2000
	vs. Absolute Return Hedge Fund Composite									-	-	-		
	TPG-Axon	108.2	0.42	0.42	4.48	5.68	7.64	13.88	-	-	-	-	13.88	February 2005
	vs. Absolute Return Hedge Fund Composite		(1.40)	(1.40)					-	-	-	-		
	Inflation Hedging:													
	REITS:													
	Cohen & Steers	781.7	6.90	6.90	12.77	-	-	-	-	-	-	-	12.77	October 2005
	vs. Dow Jones Wilshire Real Estate Securities		(0.18)	(0.18)		-	-	-	-	-	-	-		
	Commodities:													
	Goldman Sachs Commodity Index	502.0	4.30	4.30	3.76	(2.53)	8.08	24.43	20.44	-	-	-	24.96	June 2002
	vs. Goldman Sachs Commodity Index - 50 bps		0.01	0.01						-	-	-		
	PIMCO Real Return	266.9	1.71	1.71	4.84	1.26	10.40	20.47	-	-	-	-	16.55	January 2004
	vs. Dow Jones AIG - 1-10 Year TIPS		(1.74)	(1.74)	-	(7.89)	(1.75)		-	-	-	-	(0.41)	
	Treasury Inflation Protection Securities (TIPS):													
	Internal TIPS	178.1	0.12	0.12	1.41	(0.04)	2.21	2.64	-	-	-	-	5.40	July 2004
	vs. Lehman Brothers US TIPS Index			-	0.02	0.01	(0.06)	(0.18)	-	-	-	-		
	PIMCO TIPS	296.3	0.30	0.30	1.19	(0.12)	2.16	3.10	-	-	-	-	4.23	August 2004
	vs. Lehman Brothers US TIPS Index				(0.21)	(0.08)	(0.11)		-	-	-	-	0.29	
	Reams TIPS	153.9	0.22	0.22	1.80	0.97	3.56	-	-	-	-	-	2.63	May 2005
	vs. Lehman Brothers US TIPS Index							-	-	-	-	-		
	Fixed Income:													
	Internal - Harland Duak	127.9	(0.22)	(0.22)	1.39	(0.96)	0.31	1.44	4.61	5.62	-	-	5.62	February 2001
	vs. Credit Related Composite Index		(0.06)	(0.06)	0.03		(0.08)		0.04		-	-	(0.81)	
	Internal - Russ Kampfe	394.3	(0.22)	(0.22)	1.31	(0.48)	0.87	1.98	3.09	4.21	-	-	5.80	February 2000
	vs. Lehman Brothers Aggregate Bond Index		(0.23)	(0.23)	(0.09)	(0.05)	0.03		(0.50)	(1.32)	-	-	(1.07)	
	Total Internally Managed Fixed Income	522.2	(0.22)	(0.22)	1.33	(0.61)	0.72	1.78	3.84	4.88	-	-	6.36	
	vs. Lehman Brothers Aggregate Bond Index		(0.23)	(0.23)	(0.07)	(0.18)	(0.12)	(0.02)		(0.06)	-	-	(0.51)	
	GMO Emerging Debt Fund	36.0	2.06	2.06	0.03	6.84	8.97	17.07	-	-	-	-	24.41	May 2004
	vs. JP Morgan Emerging Bond Index Global								-	-	-	-		
	PIMCO Fixed Income	767.0	0.51	0.51	1.16	(0.53)	0.71	1.17	7.20	8.36	-	-	7.21	March 1998
	vs. PIMCO Composite Benchmark		(0.08)	(0.08)	(0.23)						-	-		
	Reams Core Plus	201.8	0.18	0.18	1.38	(0.17)	1.18	-	-	-	-	-	0.90	May 2005
	vs. Lehman Brothers Aggregate Bond Index				(0.02)			-	-	-	-	-		

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Liquidity Profile

Developed By: Moeller, Childers

Presented By: Boldt

Type of Item: Information Item

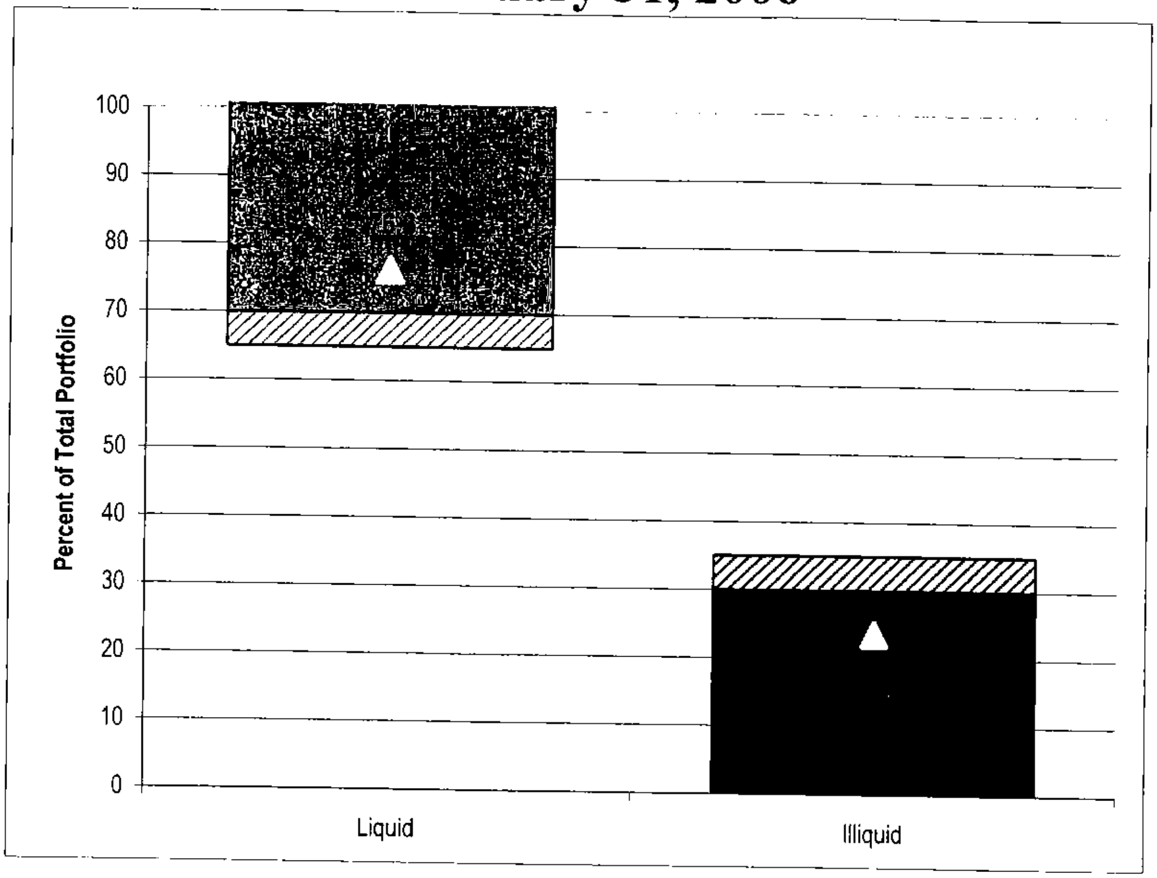
Description: The reports presented are for the period ended January, 2006.

Discussion: As of January 31, 2006 endowment fund assets classified as liquid were 76.3% of the total assets, and those classified as illiquid were 23.7% 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
January 31, 2006



Current:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	11,669,290,030.08	76.3	11,586,072,963.70	76.6
Illiquid	3,622,812,794.42	23.7	3,531,265,067.33	23.4
	15,292,102,824.50	100.0	15,117,338,031.03	100.0

Approved but not yet invested illiquid marketable investments:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	11,569,290,030.08	75.7	11,530,072,963.70	76.3
Illiquid	3,722,812,794.42	24.3	3,587,265,067.33	23.7
	15,292,102,824.50	100.0	15,117,338,031.03	100.0

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.

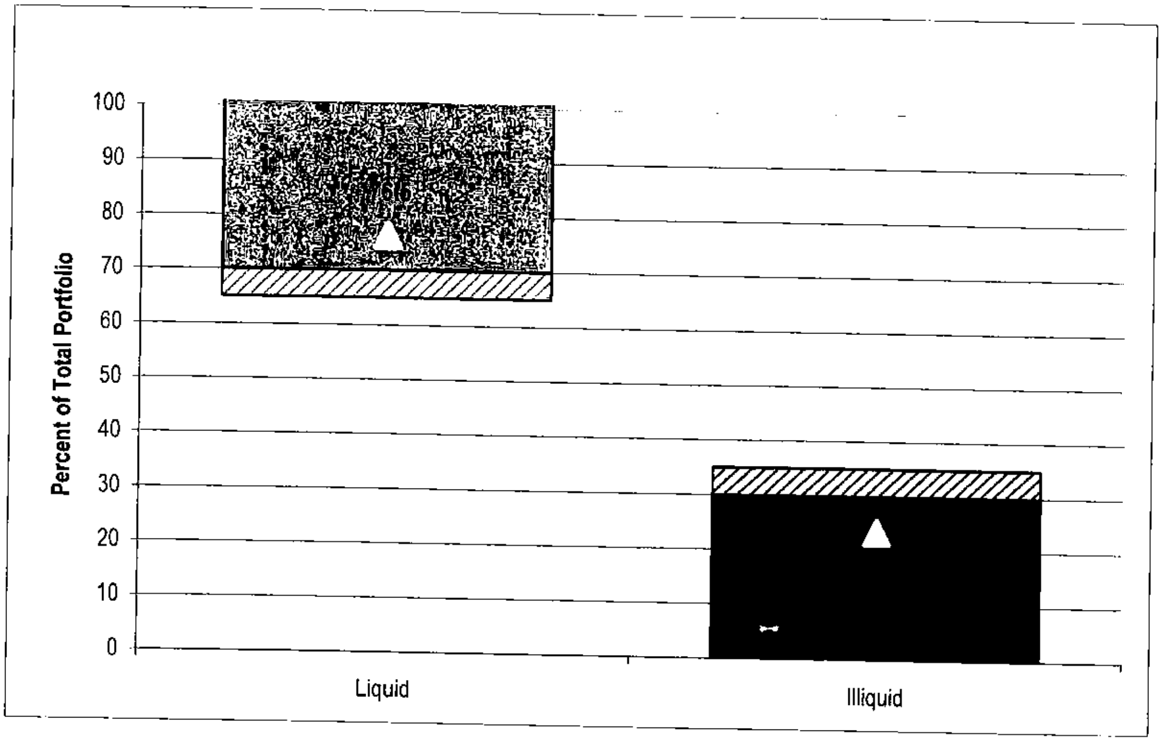
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

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

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
January 31, 2006



Current:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	7,545,288,044.01	76.5	7,532,645,949.18	76.9
Illiquid	2,316,856,444.33	23.5	2,258,437,920.45	23.1
	9,862,144,488.34	100.0	9,791,083,869.63	100.0

Approved but not yet invested illiquid marketable investments:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	7,480,288,044.01	75.8	7,496,145,949.18	76.6
Illiquid	2,381,856,444.33	24.2	2,294,937,920.45	23.4
	9,862,144,488.34	100.0	9,791,083,869.63	100.0

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.

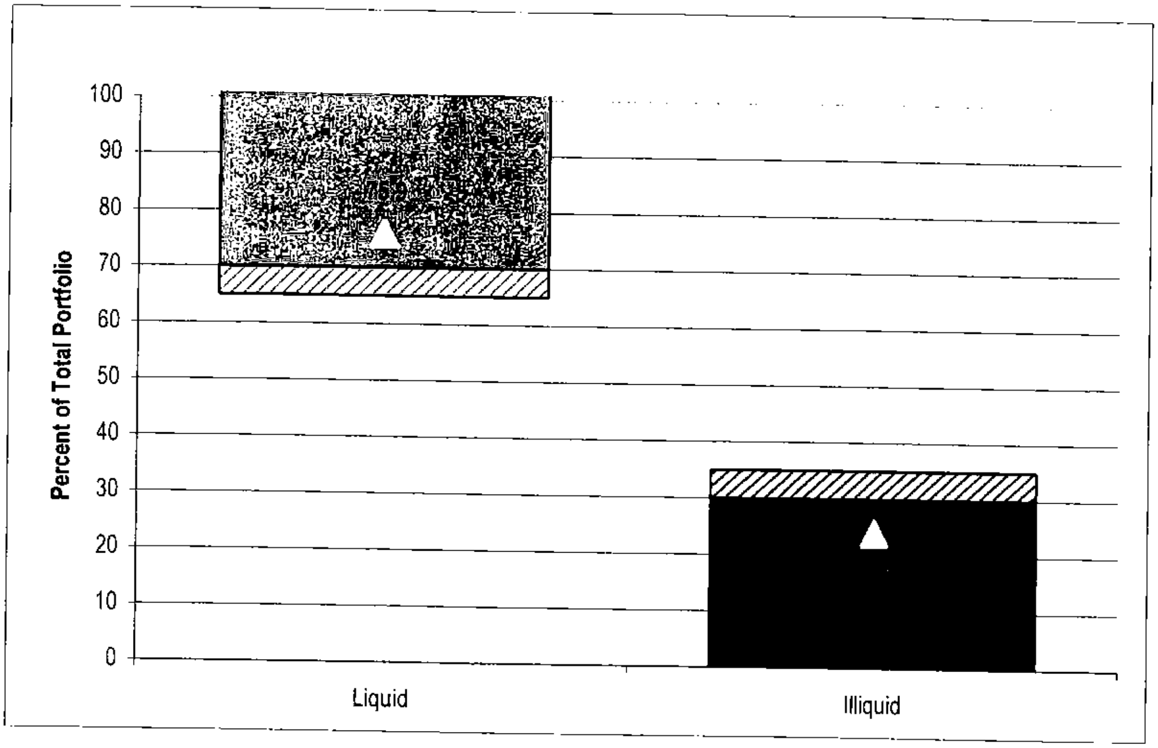
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

I, Joan Moeller, 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.

GEF Liquidity Profile
January 31, 2006



Current:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	4,124,001,986.07	75.9	4,053,427,014.52	76.1
Illiquid	1,305,956,350.09	24.1	1,272,827,146.88	23.9
	5,429,958,336.16	100.0	5,326,254,161.40	100.0

Approved but not yet invested illiquid marketable investments:

	1/31/2006 Market Value	1/31/2006 Percent	12/31/2005 Market Value	12/31/2005 Percent
Liquid	4,089,001,986.07	75.3	4,033,927,014.52	75.7
Illiquid	1,340,956,350.09	24.7	1,292,327,146.88	24.3
	5,429,958,336.16	100.0	5,326,254,161.40	100.0

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

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

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.

Liquidity Profile for GEF and PUF

January 31, 2006

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

3/15/06 Date

____________________ Cathy Iberg, Managing Director - Marketable Alternatives

3/15/06 Date

____________________ Trey Thompson, Managing Director - Non-Marketable Alternatives

3/15/06 Date

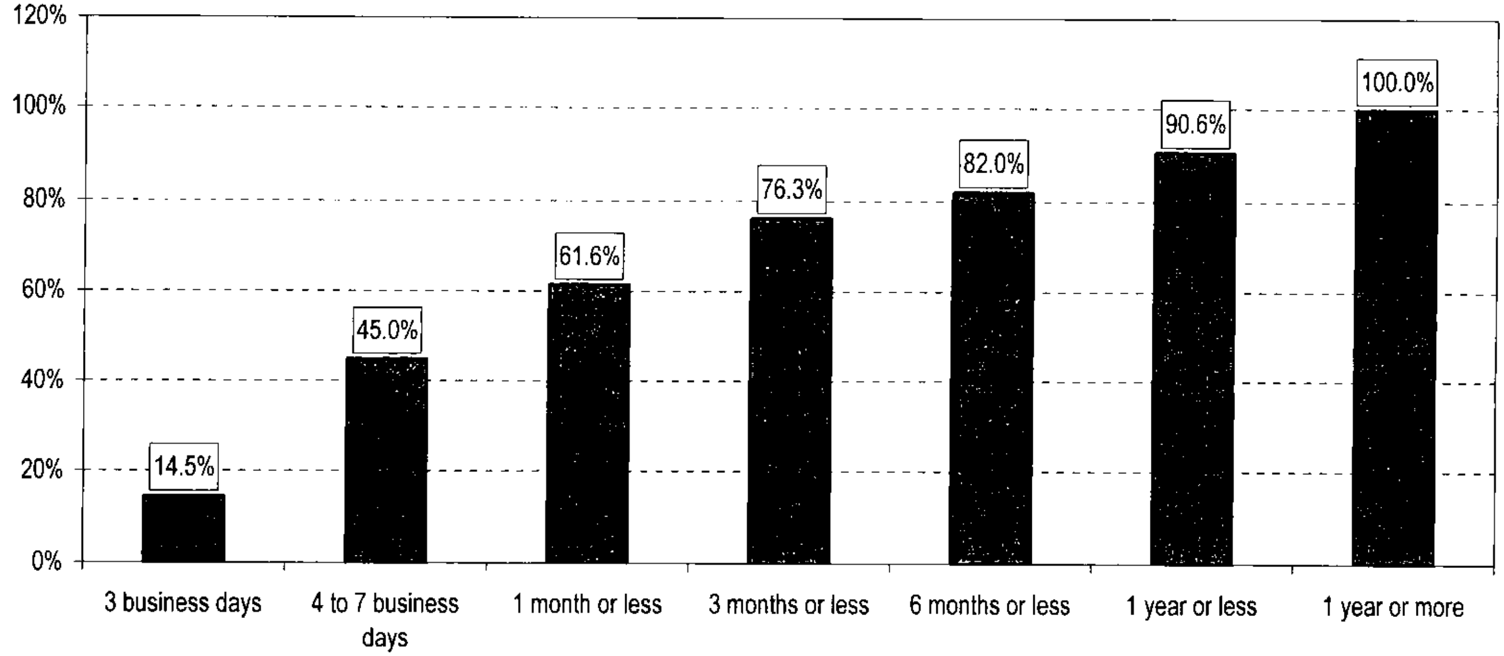
Illiquid investments approved/delegated or funded from last report to UTIMCO Board through current report date
November 1, 2005 through January 31, 2006

Private Equity investments	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
AG Private Equity Partners III, L.P.	11/1/2005	$ 21,000,000.00	$ 9,000,000.00	$ -	$ -
TCV VI, L.P.	11/8/2005	$ 24,500,000.00	$ 10,500,000.00	$ -	$ -
Care Capital Investments III, L.P.	12/20/2005	$ 28,000,000.00	$ 12,000,000.00	$ -	$ -
Marketable Alternative investments					
AG Super Fund	12/1/2005	$ 32,500,000.00	$ 17,500,000.00	$ 32,500,000.00	$ 17,500,000.00
Eminence	1/3/2006	$ 4,000,000.00	$ 2,000,000.00	$ 4,000,000.00	$ 2,000,000.00
OZ Asia	1/3/2006	$ 32,500,000.00	$ 17,500,000.00	$ 32,500,000.00	$ 17,500,000.00
Public Markets					
JMBO Fund	11/1/2005	$ 13,000,000.00	$ 7,000,000.00	$ 13,000,000.00	$ 7,000,000.00
ValueAct	1/3/2006	$ 65,000,000.00	$ 35,000,000.00	$ 65,000,000.00	$ 35,000,000.00

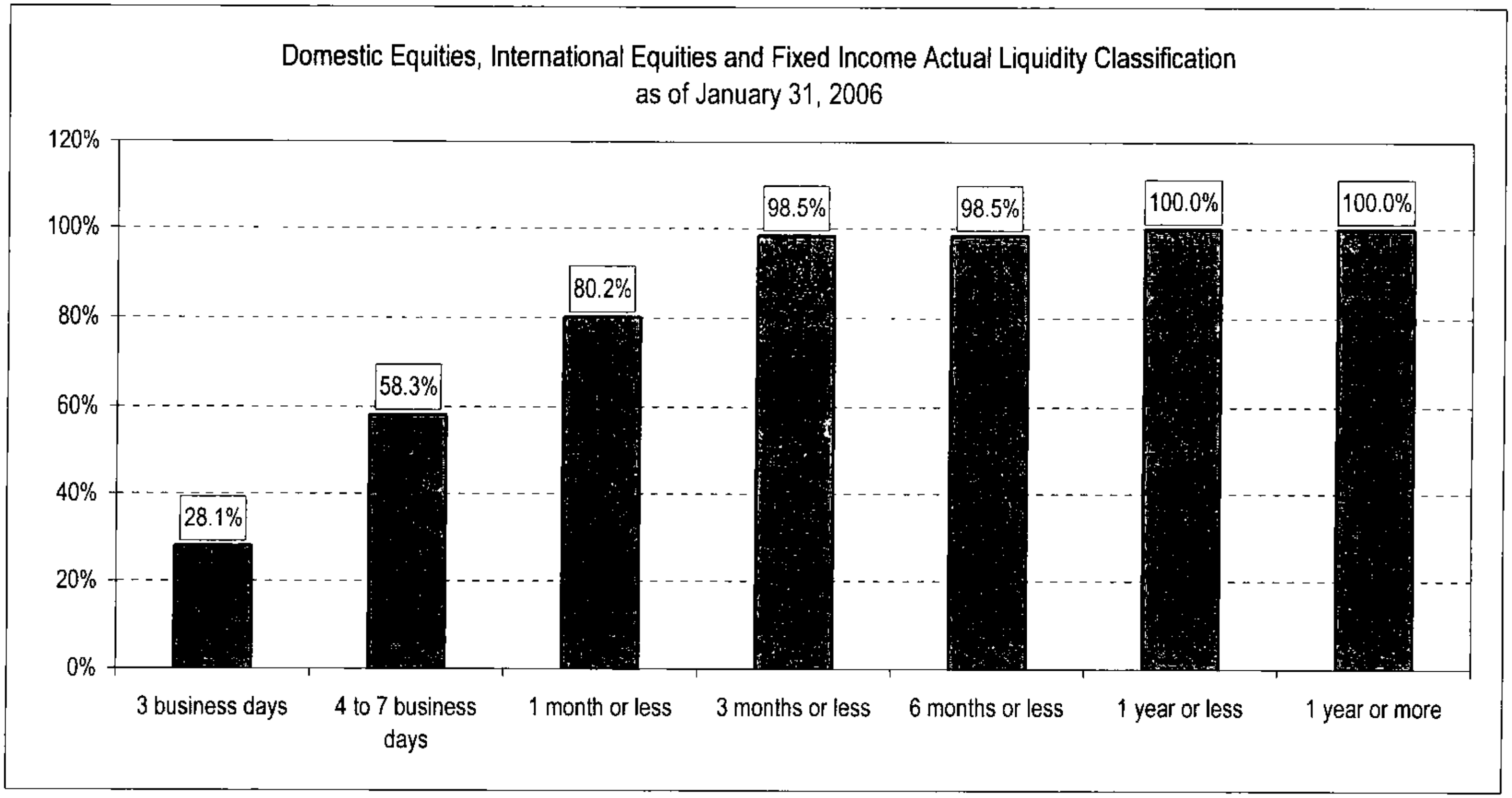
Change in investment's liquidity classification

Marketable Alternative investments	Amount
Changed from Illiquid to Liquid to due negotiation of new Liquidity terms with managers:	
Perry Partners	$112,585,986.10
Satellite	$ 37,000,000.00
Changed from Illiquid to Liquid to due lockup period expiring:	
OZ Europe	$ 52,059,901.07
Moon Capital	$ 59,419,796.85

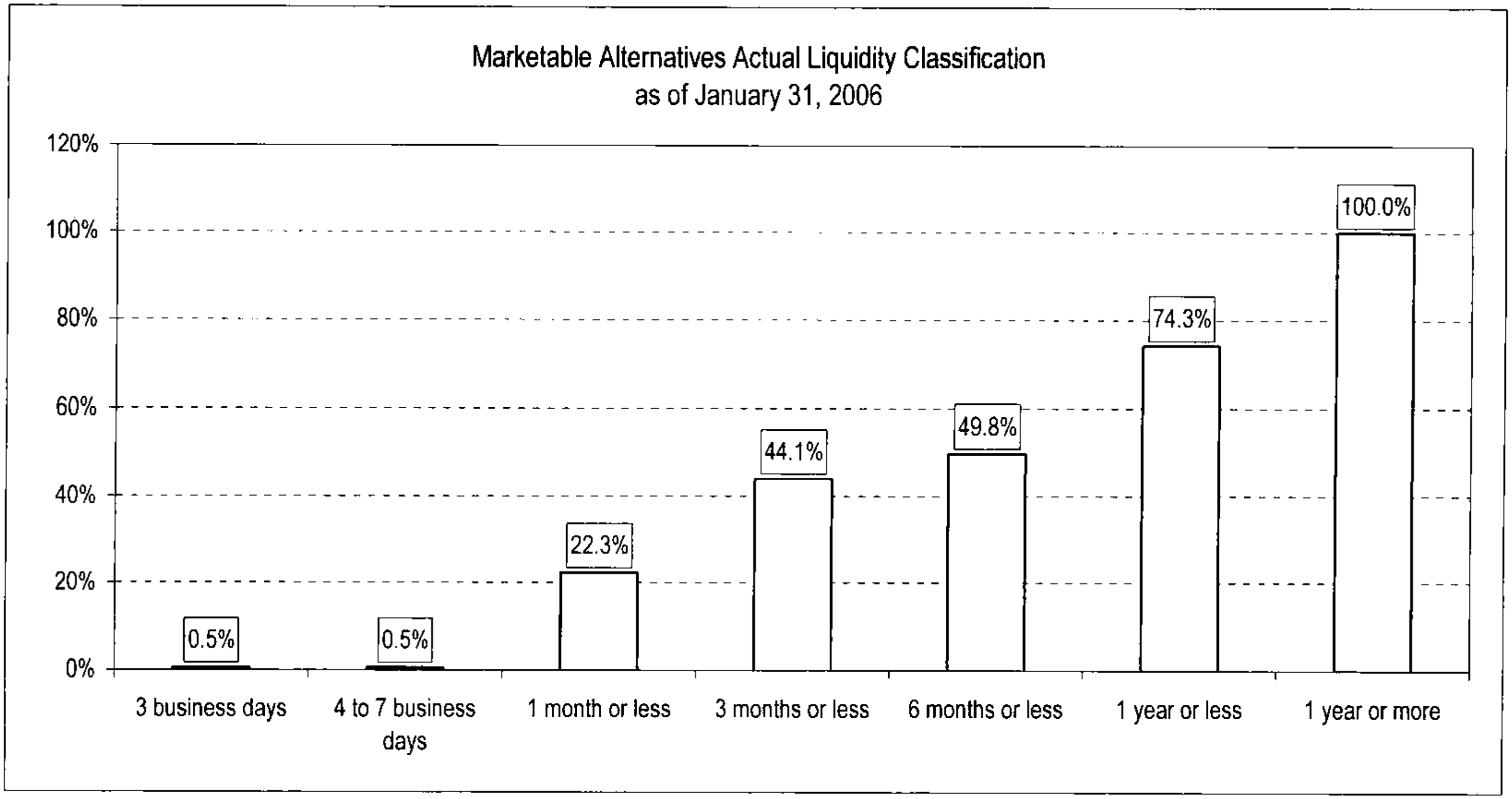
UT Endowments (PUF & GEF) Actual Liquidity Classification
as of January 31, 2006



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,215,687,618	14.5%	2,215,687,618	14.5%
	4 to 7 business days	4,673,309,697	30.6%	6,888,997,314	45.0%
	1 month or less	2,531,895,235	16.6%	9,420,892,550	61.6%
	3 months or less	2,248,397,480	14.7%	11,669,290,030	76.3%
Illiquid:	6 months or less	864,952,437	5.7%	12,534,242,467	82.0%
	1 year or less	1,321,792,823	8.6%	13,856,035,290	90.6%
	1 year or more	1,436,067,535	9.4%	15,292,102,825	100.0%
		15,292,102,825	100.0%		

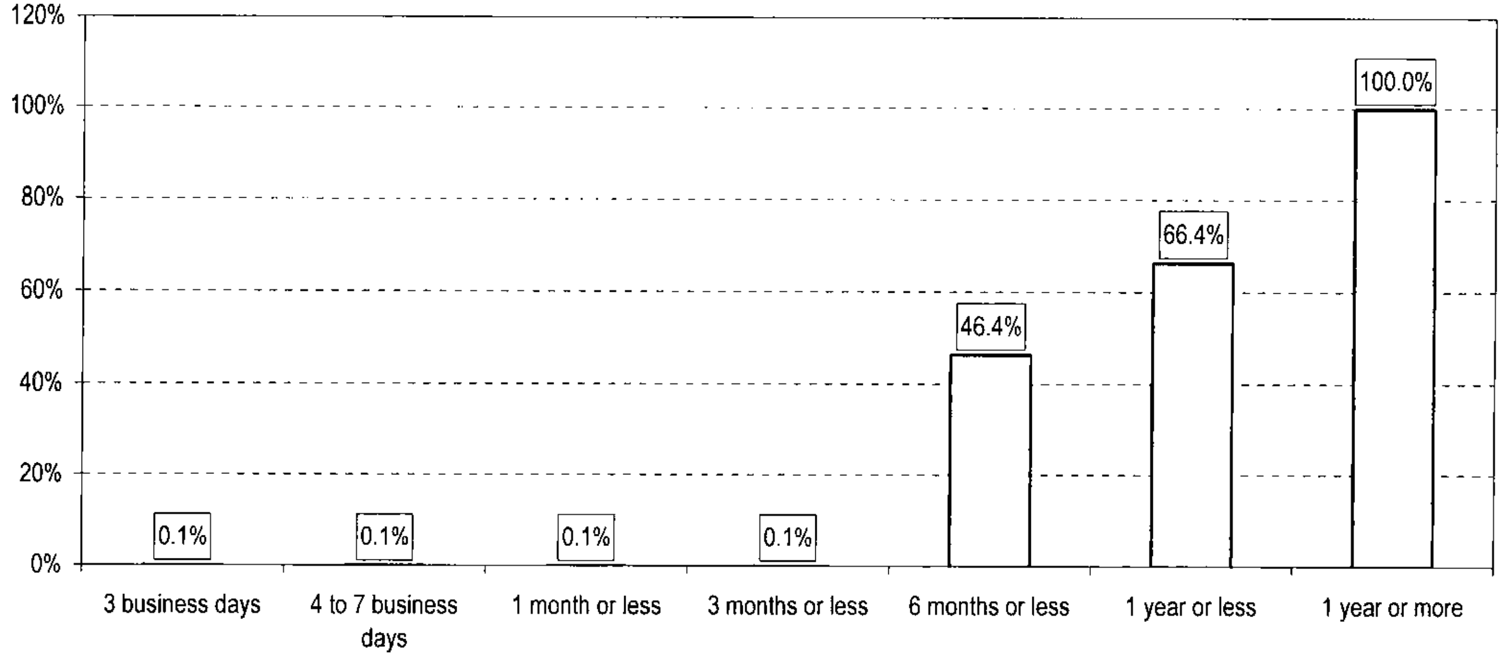


	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,194,666,816	28.1%	2,194,666,816	28.1%
	4 to 7 business days	2,363,104,576	30.2%	4,557,771,392	58.3%
	1 month or less	1,713,030,133	21.9%	6,270,801,525	80.2%
	3 months or less	1,430,499,230	18.3%	7,701,300,754	98.5%
Illiquid:	6 months or less	0	0.0%	7,701,300,754	98.5%
	1 year or less	121,198,824	1.5%	7,822,499,578	100.0%
	1 year or more	0	0.0%	7,822,499,578	100.0%
		7,822,499,578	100.0%		



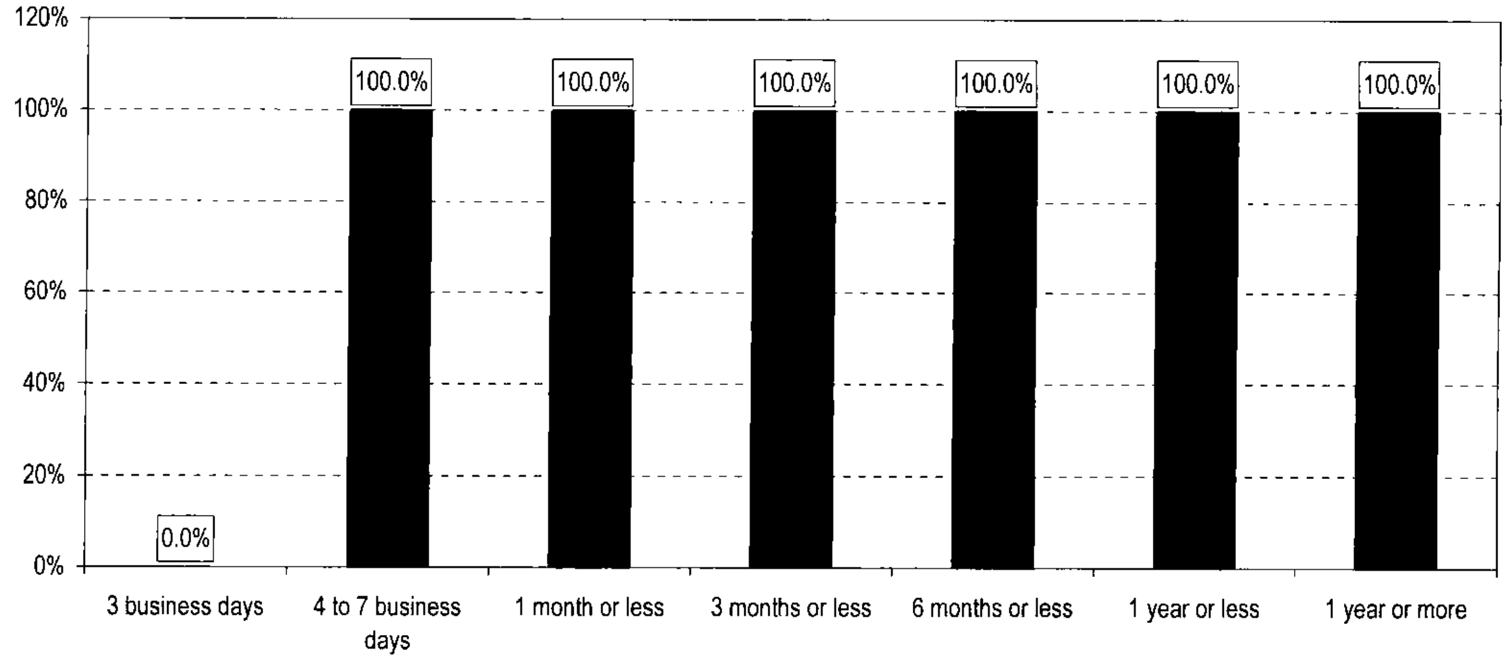
	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	20,000,000	0.5%	20,000,000	0.5%
	4 to 7 business days	0	0.0%	20,000,000	0.5%
	1 month or less	818,865,103	21.8%	838,865,103	22.3%
	3 months or less	817,898,251	21.8%	1,656,763,354	44.1%
Illiquid:	6 months or less	215,994,712	5.7%	1,872,758,065	49.8%
	1 year or less	920,232,674	24.5%	2,792,990,740	74.3%
	1 year or more	965,550,709	25.7%	3,758,541,448	100.0%
		3,758,541,448	100.0%		

Non-Marketable Alternatives Actual Liquidity Classification
as of January 31, 2006



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	1,020,802	0.1%	1,020,802	0.1%
	4 to 7 business days	0	0.0%	1,020,802	0.1%
	1 month or less	0	0.0%	1,020,802	0.1%
	3 months or less	0	0.0%	1,020,802	0.1%
Illiquid:	6 months or less	648,957,726	46.3%	649,978,527	46.4%
	1 year or less	280,361,325	20.0%	930,339,852	66.4%
	1 year or more	470,516,826	33.6%	1,400,856,679	100.0%
		1,400,856,679	100.0%		

Inflation Hedging Actual Liquidity Classification
as of January 31, 2006



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	0	0.0%	0	0.0%
	4 to 7 business days	2,310,205,121	100.0%	2,310,205,121	100.0%
	1 month or less	0	0.0%	2,310,205,121	100.0%
	3 months or less	0	0.0%	2,310,205,121	100.0%
Illiquid:	6 months or less	0	0.0%	2,310,205,121	100.0%
	1 year or less	0	0.0%	2,310,205,121	100.0%
	1 year or more	0	0.0%	2,310,205,121	100.0%
		2,310,205,121	100.0%		

Agenda Item
UTIMCO Board Meeting
March 30, 2006

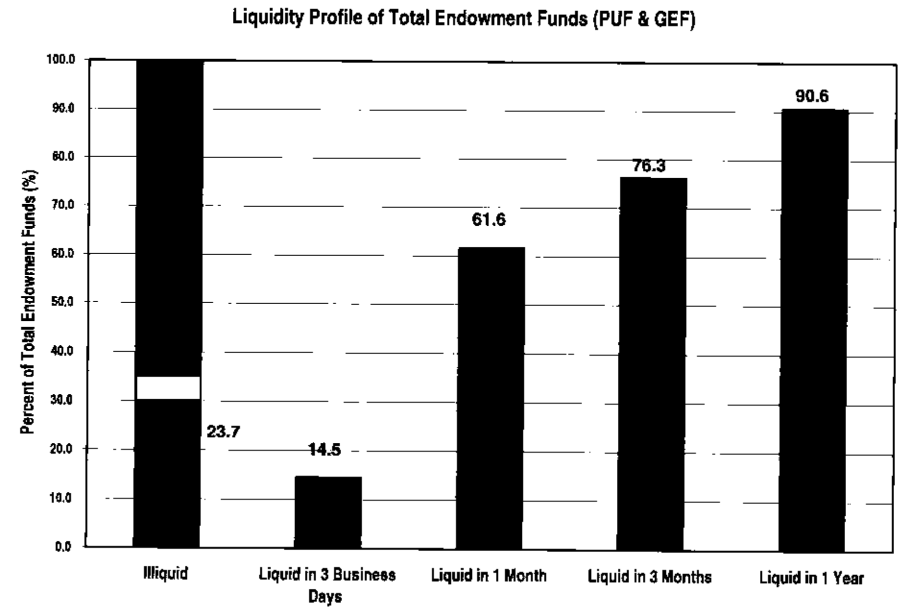
Agenda Item:	Discussion of Risk Dashboard
Developed By:	Boldt, Reed
Presented By:	Boldt, Reed
Type of Item:	Information Item
Description:	UTIMCO has developed a set of standardized charts and graphs that will be provided to the Board on a monthly basis presenting a comprehensive risk analysis of the Endowment Funds. For this Board Meeting we will present the Risk Dashboard for January 2006.
Discussion:	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 welcome all requests for additional analyses or revisions of the ones provided.
Recommendation:	None
Reference:	None

UTIMCO Risk Dashboard

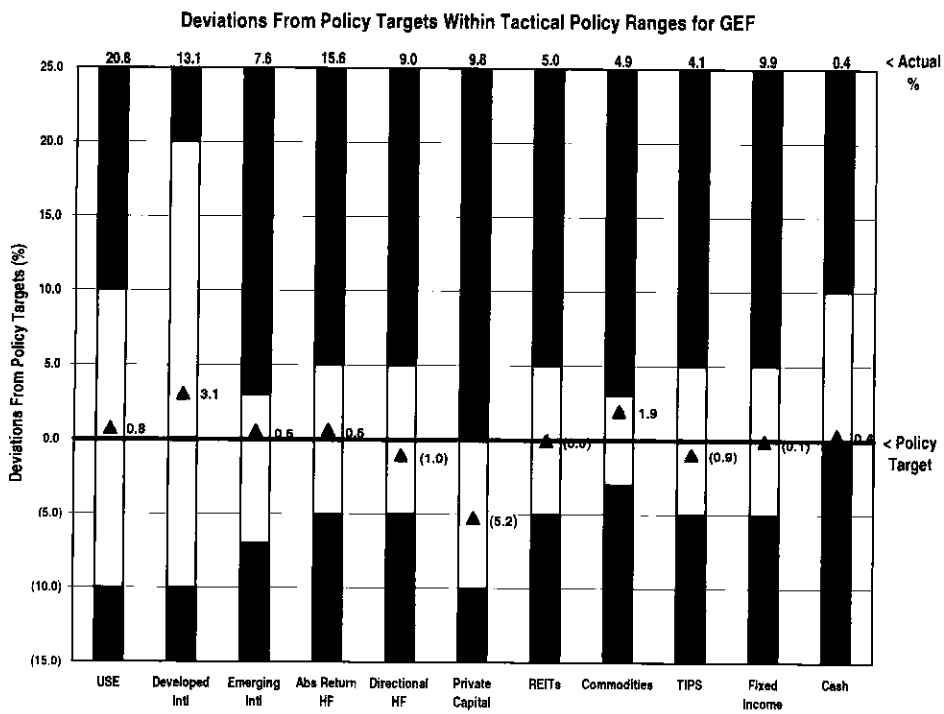
Investment Risk Summary 1

Net Leverage	1.00
Gross Leverage	1.13
Risk Capacity Utilization Versus Policy Portfolio	77%
Change Since Last Report	↓
Risk Level of Policy Portfolio Relative to Long Term Assumptions	63%
Change Since Last Report	↓
Risk Level of Actual Portfolios Relative to Long Term Assumptions	48%
Change Since Last Report	↓

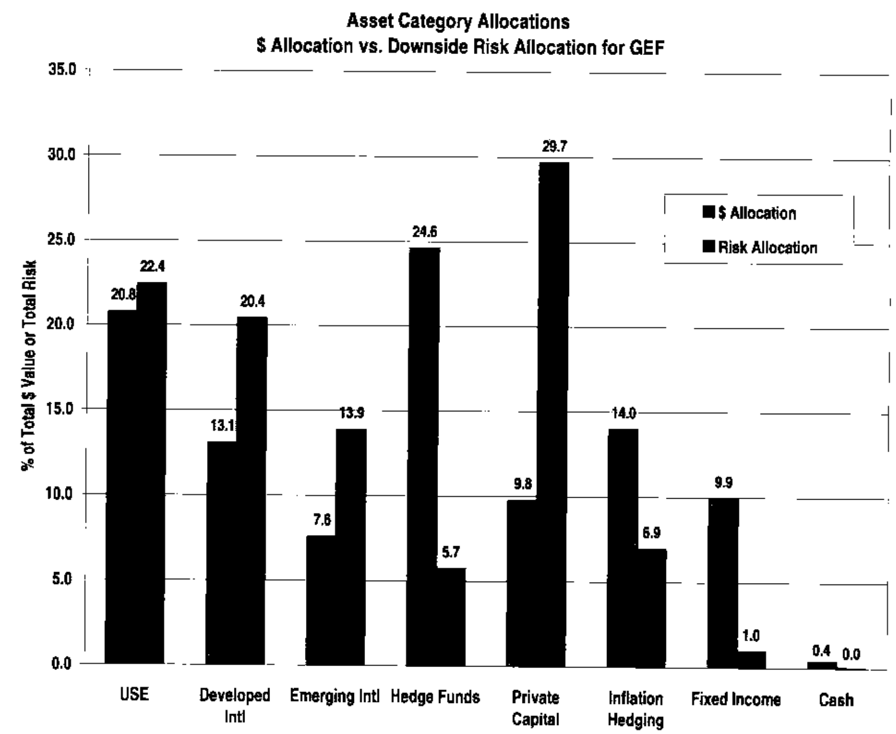
Liquidity Risk Summary 2



Dollar Allocations and Tactical Policy Ranges 3

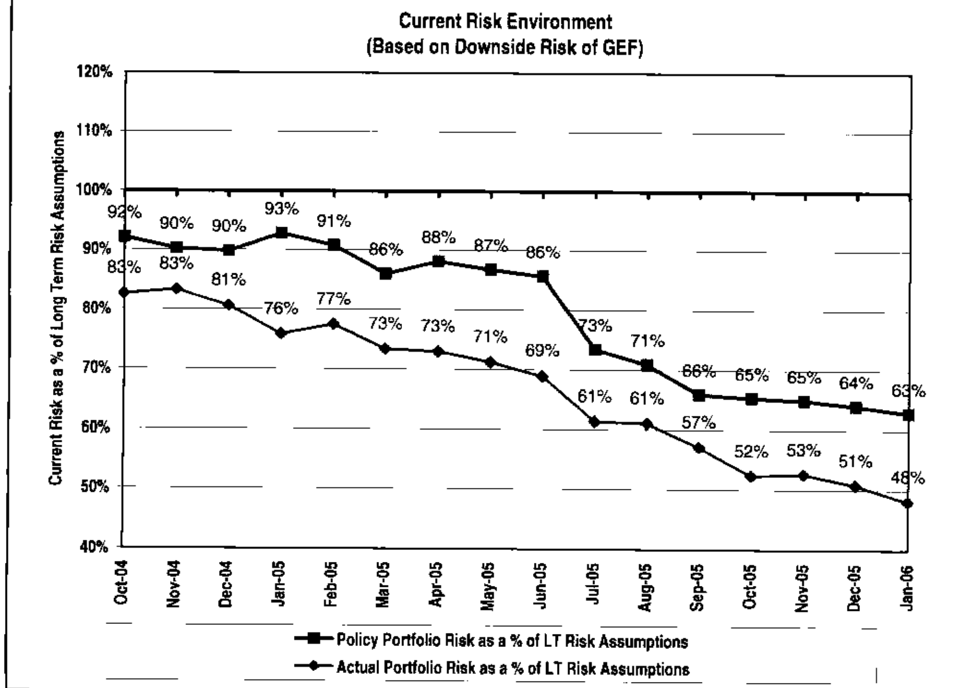


Dollar Allocations Compared to Risk Allocations 4



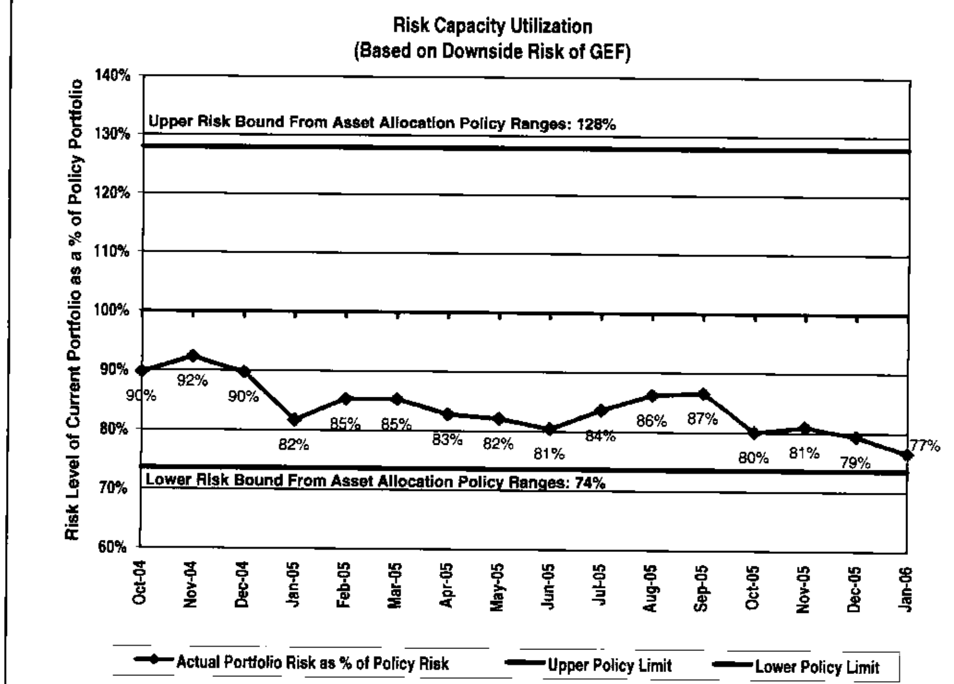
Current Market Risk Environment

5



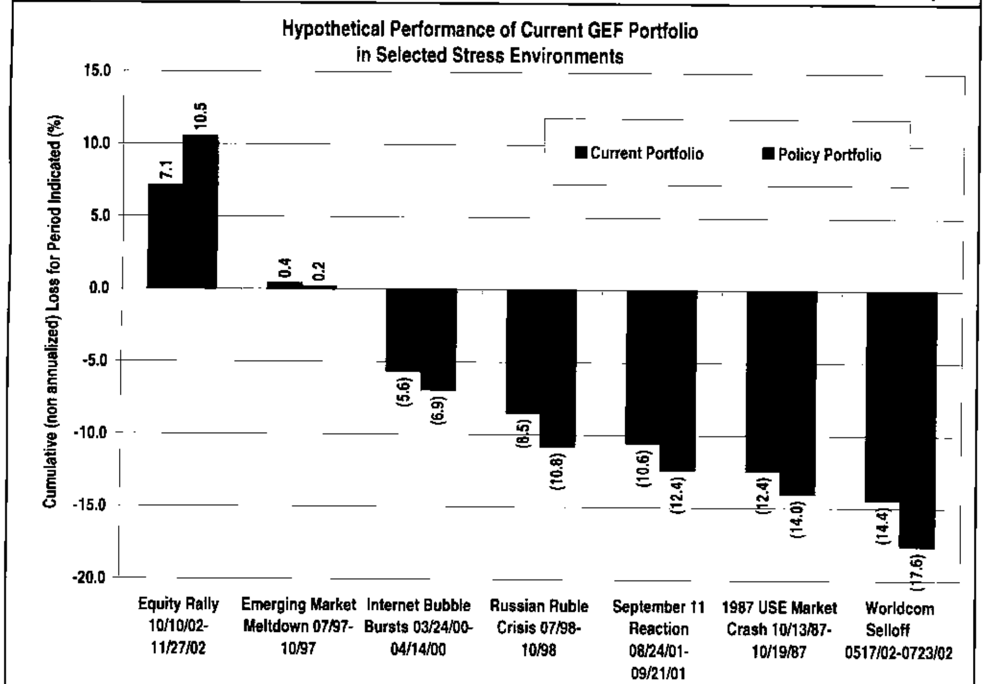
Risk Capacity Utilization and Risk Policy Limits

6



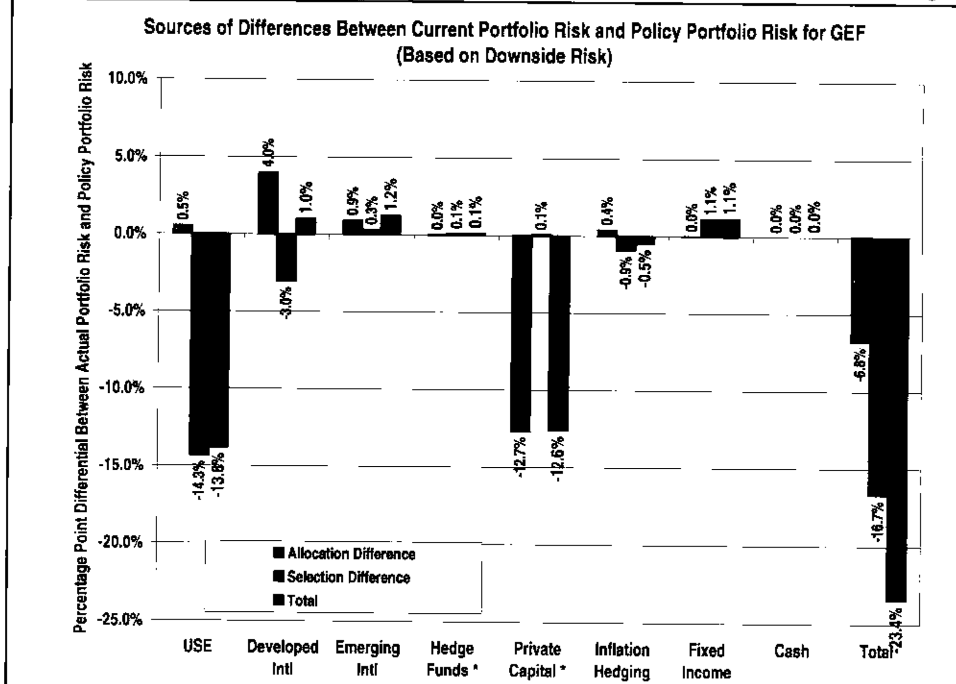
Scenario Stress Tests

7

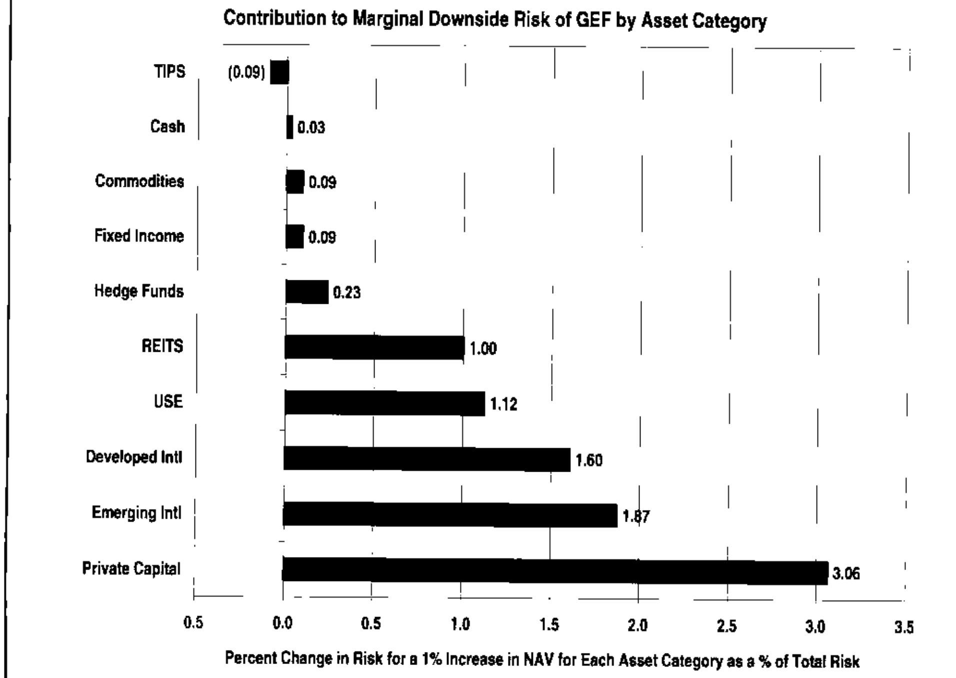


Sources of Risk Differences Versus Policy

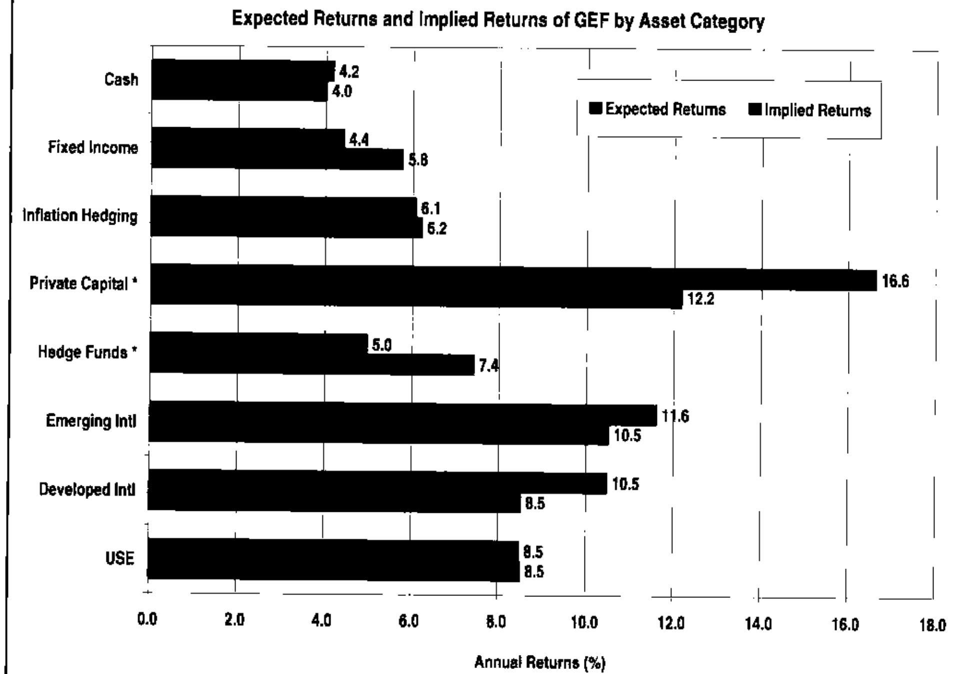
8



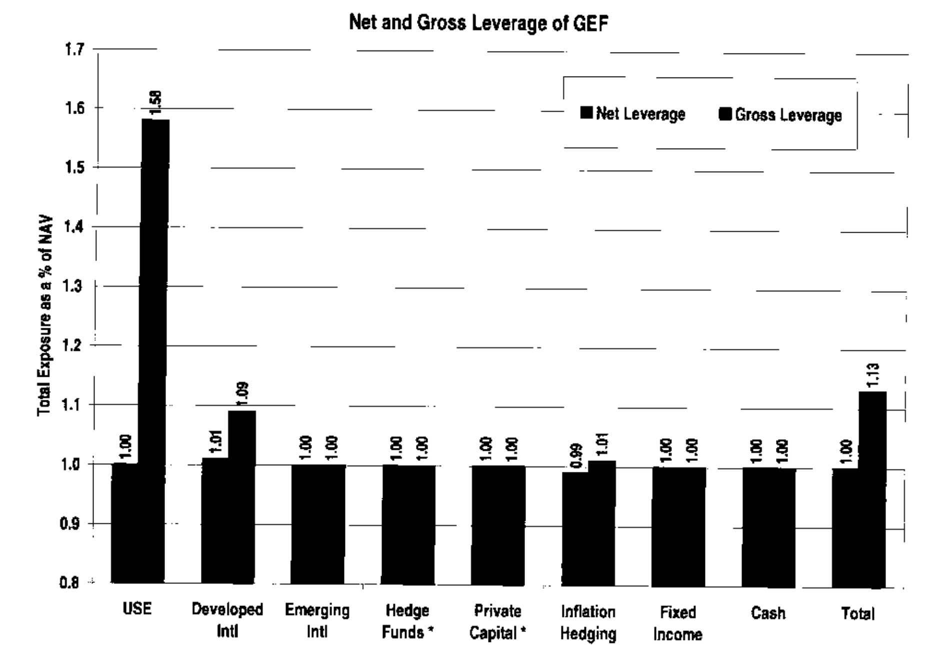
Marginal Risk Contributions of Each Asset Category
9



Long Term Expected Returns vs. Implied Returns by Asset Category
10

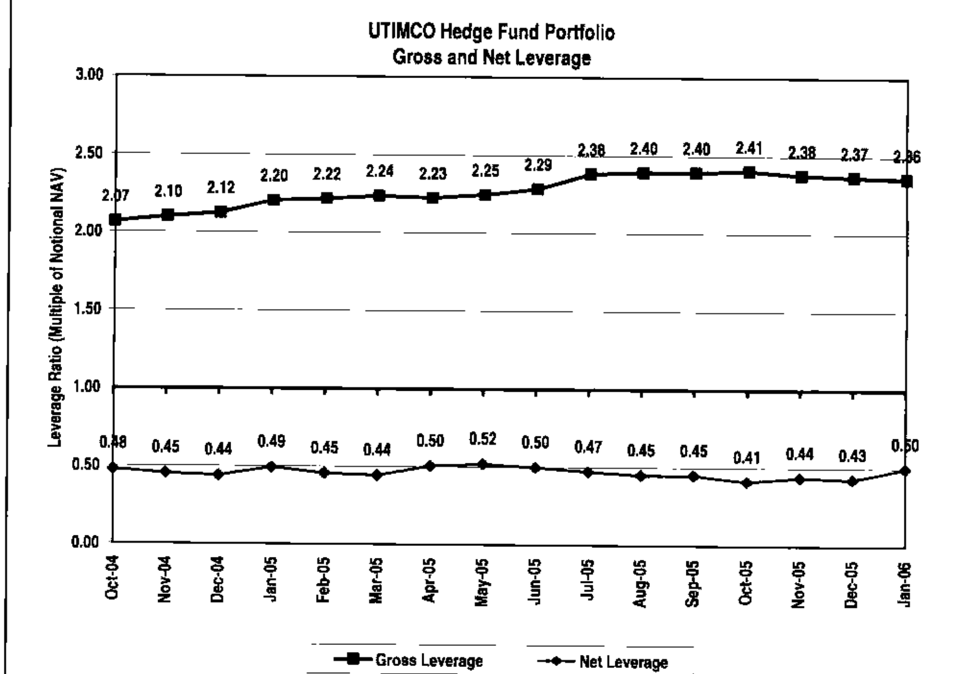


Leverage
11



* 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
12



Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

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 January 31, 2006.

Discussion: As of January 31, 2006, net mark-to-market values of derivatives (internal and external) was negative $89.8 million.

The mark-to-market value of over-the-counter options was negative $78.7 million. While $88.4 million was owed to counterparties by the PUF and GEF (Funds), $9.7 million was owed by counterparties to the Funds. This $9.7 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 JANUARY 31, 2006

Manager	Derivative Type	Mark-to-Market: OTC	Mark-to-Market: Exchange Traded	Mark-to-Market: Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
INTERNAL MANAGERS							
Canada No Cost Collar	Currency Forwards	$ (228,707.28)	$ -	$ (228,707.28)	$ -	$ -	$ -
Canada No Cost Collar	Purchased Option	400,774.96	-	400,774.96	-	-	(6,694,890.74)
Canada No Cost Collar	Written Option	(3,449,610.95)	-	(3,449,610.95)	-	-	(32,160,325.76)
Dow Jones Futures	Futures	-	(162,400.00)	(162,400.00)	30,408,000.00	19,548,000.00	-
Emerging Mkts No Cost Collar	Purchased Option	5,904,810.14	-	5,904,810.14	-	-	(29,585,824.31)
Emerging Mkts No Cost Collar	Written Option	(18,514,333.84)	-	(18,514,333.84)	-	-	(68,549,955.42)
Goldman Sachs Commodity Index	Futures	-	(3,967,200.00)	(3,967,200.00)	500,197,800.00	325,219,350.00	-
Japan No Cost Collar	Purchased Option	1,657,290.98	-	1,657,290.98	-	-	(12,354,238.76)
Japan No Cost Collar	Written Option	(2,555,292.10)	-	(2,555,292.10)	-	-	(9,638,086.90)
S&P 500 Futures	Futures	-	(727,650.00)	(727,650.00)	190,614,600.00	75,090,600.00	-
Structured Active Management Application-Developed Mkts Overlay	Currency Forwards	(2,148,869.94)	-	(2,148,869.94)	-	-	-
Structured Active Management Application-Developed Mkts Overlay	Futures	-	(181,647.82)	(181,647.82)	261,233,834.20	164,401,882.74	-
Structured Active Management Application-Emerging Mkts Proxy	Currency Forwards	(946,064.46)	-	(946,064.46)	-	-	-
Structured Active Management Application-Emerging Mkts Proxy	Futures	-	432,324.58	432,324.58	170,662,935.83	110,559,957.47	-
US Equity Small Cap/Large Cap Spread Trade	Futures	-	(8,436,309.36)	(8,436,309.36)	(8,305,110.00)	1,264,612,860.00	-
US No Cost Collar	Purchased Option	52,081,479.88	-	52,081,479.88	-	-	(244,776,920.83)
US No Cost Collar	Written Option	(112,167,619.92)	-	(112,167,619.92)	-	-	(683,265,015.29)
EXTERNAL MANAGERS							
BKF Asset Mngt	Purchased Option	-	37,850.65	37,850.65	-	-	(1,018,461.97)
Blackrock (formerly State Street Research)	Currency Forwards	(624.82)	-	(624.82)	-	-	-
Blackrock (formerly State Street Research)	Purchased Option	-	2,485,985.00	2,485,985.00	-	-	(2,432,635.57)
Bridgewater	Currency Forwards	2,376,433.96	-	2,376,433.96	-	-	-
Goldman Sachs Asset Management	Currency Forwards	(409,209.53)	-	(409,209.53)	-	-	-
Goldman Sachs Asset Management	Futures	-	-	-	25,141,426.58	130,258,672.68	-
IronBridge	Written Option	-	(43,800.00)	(43,800.00)	-	-	(614,091.60)

COMPREHENSIVE DERIVATIVES REPORT
AS OF JANUARY 31, 2006

Manager	Derivative Type	Mark-to-Market: OTC	Mark-to-Market: Exchange Traded	Mark-to-Market: Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
PIMCO Global Bonds	Currency Forwards	(687,034.06)	-	(687,034.06)	-	-	-
PIMCO Global Bonds	Futures	-	(264,872.12)	(264,872.12)	546,914,713.29	347,719,823.82	-
PIMCO Global Bonds	Purchased Option	-	704,661.39	704,661.39	-	-	-
PIMCO Global Bonds	SWAPS	(5,692,483.98)	-	(5,692,483.98)	-	-	-
PIMCO Global Bonds	Written Option	-	(787,906.83)	(787,906.83)	-	-	-
PIMCO Real Return	Currency Forwards	(101,149.69)	-	(101,149.69)	-	-	-
PIMCO Real Return	Futures	-	(36,159.61)	(36,159.61)	42,419,428.37	44,484,253.25	-
PIMCO Real Return	SWAPS	5,867,544.39	-	5,867,544.39	-	-	-
PIMCO Real Return	Written Option	-	(46,531.25)	(46,531.25)	-	-	-
PIMCO TIPS	Currency Forwards	(117,113.95)	-	(117,113.95)	-	-	-
PIMCO TIPS	Futures	-	(24,070.80)	(24,070.80)	40,891,359.38	42,840,937.50	-
PIMCO TIPS	SWAPS	21,784.56	-	21,784.56	-	-	-
PIMCO TIPS	Written Option	-	(48,781.25)	(48,781.25)	-	-	-
				-			
	Grand Total	**$ (78,707,995.65)**	**$ (11,066,507.42)**	**$ (89,774,503.06)**	**$ 1,800,178,987.64**	**$ 2,524,736,337.46**	**$ (1,091,090,447.15)**
	Internal Managers	$ (79,966,142.53)	$ (13,042,882.60)	$ (93,009,025.13)	$ 1,144,812,060.03	$ 1,959,432,650.21	$ (1,087,025,258.01)
	External Managers	1,258,146.88	1,976,375.19	3,234,522.07	655,366,927.61	565,303,687.25	(4,065,189.14)
	GRAND TOTAL	**$ (78,707,995.65)**	**$ (11,066,507.42)**	**$ (89,774,503.07)**	**$ 1,800,178,987.64**	**$ 2,524,736,337.46**	**$ (1,091,090,447.15)**
	Currency Forwards	$ (2,262,339.77)	$ -	$ (2,262,339.77)	$ -	$ -	$ -
	Futures	-	(13,367,985.13)	(13,367,985.13)	1,800,178,987.64	2,524,736,337.46	-
	Purchased Options	60,044,355.96	3,228,497.04	63,272,853.00	-	-	(296,862,972.18)
	Swaps	196,844.97	-	196,844.97	-	-	-
	Written Options	(136,686,856.81)	(927,019.33)	(137,613,876.14)	-	-	(794,227,474.97)
	GRAND TOTAL	**$ (78,707,995.65)**	**$ (11,066,507.42)**	**$ (89,774,503.07)**	**$ 1,800,178,987.64**	**$ 2,524,736,337.46**	**$ (1,091,090,447.15)**

*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 January 31, 2006
Internal Management

Internal Managers

Derivative Application (account name)	Purpose of Application
US Equity Small Cap/Large Cap 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.
US 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.
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 Overlay	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.
Japan 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.
Emerging Mkts 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.
Structured Active Management Application -Emerging Markets Proxy	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 Emerging Markets portfolio.
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 January 31, 2006
External Management

External Managers Under Agency Agreeement	Primary Use of Derivatives
BKF Asset Management (formerly John Levin)	Use of puts and calls not to exceed 5% of the account, opportunistic shorting (within our max loss provision)
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) 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
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

COUNTERPARTY REPORT
AS OF JANUARY 31, 2006

Counterparty	S&P Counterparty Rating	Mark-to-Market	Percentage of Total Funds
ABN AMRO BANK NV, CHICAGO	AA-	$ 155,181.91	0.00%
AIG FINANCIAL PRODUCTS	AA	2,965,599.00	0.02%
AUSTRALIA & NZ BANK LTD, MELBOURNE	AA-	8,920.94	0.00%
BANK OF AMERICA	AA+	(8,997.93)	0.00%
BARCLAYS BANK INTL, LONDON	AA	8,420.58	0.00%
BARCLAYS BANK PLC	AA+	287,740.58	0.00%
BEAR STEARNS	A+	(64,540,722.62)	-0.43%
BNP-PARIBAS SA, PARIS	AA	(66.13)	0.00%
CHASE MANHATTAN BK N A, NY	AA-	(278,479.37)	0.00%
CITIBANK NY	AA+	(2,860,076.61)	-0.02%
COMMONWEALTH BK OF AUSTRALIA, NY	AA-	335,461.02	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH, UK	A+	(1,114.71)	0.00%
DEUTSCHE BANK AG	AA-	(578,867.21)	0.00%
GOLDMAN SACHS & CO, NY	AA-	(9,695,187.89)	-0.06%
HSBC BANK USA, N.A.	AA	(626,562.69)	0.00%
JPMORGAN CHASE BANK	AA	3,527,130.57	0.02%
LEHMAN BROTHERS, NEW YORK	A+	(3,233,427.40)	-0.02%
MELLON BANK	AA-	(60,408.54)	0.00%
MERRILL LYNCH INTL BANK LTD, NY	AA-	(34,818.59)	0.00%
MORGAN STANLEY	AA-	(6,271,746.55)	-0.04%
NATIONAL AUSTRALIA BANK LIMITED, NY	AA-	125,143.99	0.00%
ROYAL BANK OF CANADA, TORONTO	AA-	(168,975.50)	0.00%
ROYAL BK OF SCOTLAND, LONDON	AA	691,174.53	0.00%
STATE ST BOSTON CAPITAL MKT, BOSTON	AA	307,354.57	0.00%
UBS AG (UNION BANK OF SWITZERLAND)	AA+	631,214.40	0.00%
UBS AG, STAMFORD	AA+	551,766.39	0.00%
WESTPAC BANKING CORP, SYDNEY	AA-	56,347.61	0.00%
Grand Total		$ (78,707,995.65)	-0.52%

PUF and GEF owe to Counterparty	$ (88,359,451.74)
Counterparty owes to PUF and GEF	9,651,456.09
	$ (78,707,995.65)

PUF NAV	$ 9,781,347,798.00
GEF NAV	5,383,748,143.00
Total NAV	$ 15,165,095,941.00

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Report on Actions taken under the Delegation of Authority

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.

The Delegation of Authority delegates to the UTIMCO CEO the authority to make all personnel management decisions regarding positions included in the approved budget and grants authority to the CEO to add non-budgeted personnel as necessary, provided such additions are promptly reported to the UTIMCO Board.

Recommendation: None

Discussion: Staff has prepared the reports to update the UTIMCO Board on (1) Manager activity, (2) new and renewal of existing contracts, leases and other commercial arrangements , and (3) staffing and personnel adjustments.

Reference: Manager Activity Taken Under the Delegation of Authority; New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements; Staffing and Personnel Adjustments

Report on Manager Activity
Taken Under the Delegation of Authority
December 2, 2005 through February 28, 2006

US Equities	Date	Amounts: PUF	GEF	ITF	Total		Description
No Cost Collar trade	Various	130,000,000.00	70,000,000.00	-	200,000,000.00	1, 2	Increase collar on US Equities portfolio
BGI 2000 Alpha Tilts	12/21/2005	(93,150,000.00)	(41,850,000.00)	-	(135,000,000.00)		Withdrawal from manager to be reallocated to other investments
GSAM Small Cap	12/21/2005	(52,281,162.89)	(24,009,435.60)	-	(76,290,598.49)		Fully liquidate account to be reallocated to other managers
S&P 500 futures	12/30/2005	(104,775,000.00)	-	-	(104,775,000.00)		Sell futures to help fund final PUF distribution
S&P 500 ETFs	12/30/2005	(7,553,931.98)	-	-	(7,553,931.98)		Sell ETFs to help fund final PUF distribution
Dow Jones futures	12/30/2005	(29,934,000.00)	-	-	(29,934,000.00)		Sell futures to help fund final PUF distribution
Westport	1/3/2006	48,750,000.00	26,250,000.00	-	75,000,000.00		Additional contribution to manager from other manager withdrawals
ValueAct	1/3/2006	68,900,000.00	37,100,000.00	-	106,000,000.00		Additional contribution to existing manager
Blavin	1/3/2006	48,750,000.00	26,250,000.00	-	75,000,000.00		Initial funding of new manager
BGI S&P 500	1/3/2006	-	(40,000,000.00)	-	(40,000,000.00)		Withdrawal from manager to help fund distribution and hedge fund managers
BGI S&P 400	1/3/2006	(37,000,000.00)	-	-	(37,000,000.00)		Withdrawal from manager to help fund distribution and hedge fund managers
S&P 500 futures	Various	(12,888,917.20)	(8,043,663.75)	-	(20,932,580.95)		Sell futures to help fund Lansdowne Emerging
S&P 500 ETFs	1/9/2006	-	(6,808,276.06)	-	(6,808,276.06)		Sell ETFs to help fund Lansdowne Emerging
Various futures and ETFs	Various	7,183,028.30	3,990,851.52	-	11,173,879.82		Traded various futures and ETFs based on market opportunities
No Cost Collar trade	2/1/2006	-	-	50,000,000.00	50,000,000.00	1, 2	ITF initial investment
BGI 3000 Alpha Tilts	2/1/2006	(25,187,500.00)	(13,562,500.00)	38,750,000.00	-		ITF investment in exisitng manager
ValueAct	2/1/2006	65,000,000.00	35,000,000.00	-	100,000,000.00		Additional contribution to existing manager
ValueAct	2/1/2006	(19,500,000.00)	(10,500,000.00)	30,000,000.00	-		ITF investment in exisitng manager
Relational Investors	2/1/2006	26,000,000.00	14,000,000.00	-	40,000,000.00		Transfer from ForstmannLeff Small Cap liqudation
Relational Investors	2/1/2006	(19,500,000.00)	(10,500,000.00)	30,000,000.00	-		ITF investment in existing manager
GSAM Flex CORE US	2/1/2006	-	-	38,750,000.00	38,750,000.00		ITF investment in existing manager
Blackrock Hedge	2/1/2006	-	-	30,000,000.00	30,000,000.00		ITF investment in existing manager
Global 100 Index ETFs	2/1/2006	-	-	20,500,200.00	20,500,200.00		ITF initial investment
S&P 100 ETFs	2/1/2006	-	-	26,515,798.46	26,515,798.46		ITF initial investment
S&P 500 futures	2/1/2006	-	-	146,358,901.25	146,358,901.25		ITF initial investment
BKF Asset Management	2/1/2006	(19,500,000.00)	(10,500,000.00)	30,000,000.00	-		ITF investment in existing manager
Westport	2/1/2006	-	-	3,000,000.00	3,000,000.00		ITF investment in existing manager
Westport	2/1/2006	(17,550,000.00)	(9,450,000.00)	27,000,000.00	-		ITF investment in existing manager from ForstmannLeff liquidation
Westport	2/1/2006	5,850,000.00	3,150,000.00	-	9,000,000.00		Additional contribution to existing manager
Westport	2/1/2006	55,233,298.05	29,740,973.25	-	84,974,271.30		Additional contribution from ForstmannLeff liquidation
TCW Multicap	2/1/2006	-	-	30,000,000.00	30,000,000.00		ITF investment in existing manager
TCW Small Value	2/1/2006	19,500,000.00	10,500,000.00	-	30,000,000.00		Additional contribution to existing manager
TCW Multicap	2/1/2006	76,078,597.51	40,959,957.57	-	117,038,555.08		Additional contribution from ForstmannLeff liquidation
BGI S&P 500	2/13/2006	(10,121,562.77)	(26,426,040.29)	-	(36,547,603.06)		Fully liquidate investment
BGI S&P 400	2/13/2006	(5,790,642.05)	(6,872,183.07)	-	(12,662,825.12)		Fully liquidate investment
S&P 100 ETFs	2/13/2006	3,543,232.00	6,580,288.00	-	10,123,520.00		Purchase ETFs from BGI proceeds
Global 100 Index ETFs	2/13/2006	3,504,228.00	6,507,852.00	-	10,012,080.00		Purchase ETFs from BGI proceeds
TCW Small Value	2/17/2006	2,994,866.21	1,611,632.59	-	4,606,498.80		Transfer securities from IronBridge to provide additional funding
BGI 2000 Alpha Tilts	2/28/2006	(52,317,550.13)	(28,030,282.20)	-	(80,347,832.33)		Fully liquidate investment
BGI 3000 Alpha Tilts	2/28/2006	(120,000,000.00)	(65,500,000.00)	-	(185,500,000.00)		Withdrawal from manager to be reallocated to other investments
S&P 500 futures	2/28/2006	125,000,000.00	-	-	125,000,000.00		Purchase futures from BGI proceeds
S&P 100 ETFs	2/28/2006	13,006,593.40	7,003,577.17	-	20,010,170.57		Purchase ETFs from BGI proceeds

Report on Manager Activity
Taken Under the Delegation of Authority
December 2, 2005 through February 28, 2006

	Date	Amounts PUF	GEF	ITF	Total		Description
Global ex US Equities							
Non-US Developed Equity							
Capital Guardian Small Cap	Various	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)		Withdrawal from manager
BGI EAFE	Various	(103,250,000.00)	(69,750,000.00)	-	(173,000,000.00)		Withdrawal from manager
Intl Developed futures	12/9/2005	65,000,000.00	35,000,000.00	-	100,000,000.00		Purchase futures from BGI EAFE withdrawal proceeds
Intl Developed futures	12/30/2005	(100,000,000.00)	(35,000,000.00)	-	(135,000,000.00)		Sell futures to help fund distribution and hedge fund managers
Lansdowne European Long	1/3/2006	65,000,000.00	35,000,000.00	-	100,000,000.00		Initial funding of new manager
Various futures and ETFs	Various	(14,129,176.00)	(8,331,094.77)	-	(22,460,270.77)		Traded various futures and ETFs based on market opportunities
Globeflex Canada	1/31/2006	(4,875,000.00)	(2,625,000.00)	-	(7,500,000.00)		Withdrawal from manager
Globeflex	1/31/2006	(10,400,000.00)	(5,600,000.00)	-	(16,000,000.00)		Withdrawal from manager
Globeflex Japan	1/31/2006	(13,000,000.00)	(7,000,000.00)	-	(20,000,000.00)		Withdrawal from manager
BGI EAFE Alpha Tilts	1/31/2006	(27,500,000.00)	(6,500,000.00)	-	(34,000,000.00)		Withdrawal from manager to reduce exposure
BGI EAFE Alpha Tilts	2/1/2006	(11,500,000.00)	(6,000,000.00)	17,500,000.00	-		ITF investment in exisitng manager
GSAM Flex EAFE	2/1/2006	-	-	17,500,000.00	17,500,000.00		ITF investment in exisitng manager
Intl Developed ETFs	2/1/2006	-	-	31,999,422.22	31,999,422.22		ITF initial investment
Intl Developed futures	2/1/2006	-	-	14,300,000.00	14,300,000.00		ITF initial investment
Dalton JMBO fund	2/1/2006	-	-	10,000,000.00	10,000,000.00		ITF investment in exisitng manager
Globeflex	2/1/2006	(6,500,000.00)	(3,500,000.00)	10,000,000.00	-		ITF investment in existing manager
Globeflex Microcap	2/1/2006	-	-	10,000,000.00	10,000,000.00		ITF investment in existing manager
Lansdowne European Long	2/1/2006	16,250,000.00	8,750,000.00	-	25,000,000.00		Additional contribution to existing manager
Lansdowne European Long	2/1/2006	-	-	20,000,000.00	20,000,000.00		ITF investment in exisitng manager
Blackrock Global	2/10/2006	-	-	15,000,000.00	15,000,000.00		ITF investment in exisitng manager
Globeflex Microcap	Various	30,612,307.54	16,479,457.97	-	47,091,765.51		Additional contribution to manager from IronBridge liquidation
BGI EAFE Alpha Tilts	2/28/2006	(143,700,000.00)	(77,300,000.00)	-	(221,000,000.00)		Withdrawal from manager for help fund distributions and reallocate to other investments
Emerging Markets Equity							
Emerging No Cost Collar trade	Various	32,500,000.00	17,500,000.00	-	50,000,000.00	1, 2	Increase collar on Emerging Market Equities portfolio
Blakeney	12/16/2005	4,550,000.00	2,450,000.00	-	7,000,000.00		Additional contribution to existing manager
Lansdowne Emerging	12/29/2005	32,500,000.00	17,500,000.00	-	50,000,000.00		Initial funding of new manager
Lansdowne Emerging	Various	78,000,000.00	42,000,000.00	-	120,000,000.00		Additional contribution to existing manager
Templeton	1/26/2006	9,750,000.00	5,250,000.00	-	15,000,000.00		Additional contribution to manager from sale of futures in Emerging Proxy
Emerging ETFs	2/1/2006	-	-	23,006,772.68	23,006,772.68		ITF initial investment
ADRE ETFs	2/1/2006	-	-	15,053,505.00	15,053,505.00		ITF initial investment
Templeton	2/1/2006	-	-	40,000,000.00	40,000,000.00		ITF investment in exisitng manager
Lansdowne Emerging	2/1/2006	-	-	30,000,000.00	30,000,000.00		ITF investment in exisitng manager
Dalton Taiwan	2/1/2006	26,000,000.00	14,000,000.00	10,000,000.00	50,000,000.00		Initial funding of new manager
Emerging ETFs	2/28/2006	9,705,840.00	-	-	9,705,840.00		Purchase ETFs from BGI withdrawal proceeds
Various futures and ETFs	Various	(5,360,262.86)	(9,123,783.97)	-	(14,484,046.83)		Traded various futures and ETFs based on market opportunities
Inflation Linked							
Reams TIPS	2/1/2006	-	-	117,000,000.00	117,000,000.00		ITF investment in exisitng manager
Morgan Stanley REITs	2/1/2006	81,250,000.00	43,750,000.00	50,000,000.00	175,000,000.00		Initial funding of new manager
Pimco TIPS	2/1/2006	-	-	117,000,000.00	117,000,000.00		ITF investment in exisitng manager
Pimco Real Return	2/1/2006	-	-	50,000,000.00	50,000,000.00		ITF investment in exisitng manager

Report on Manager Activity
Taken Under the Delegation of Authority
December 2, 2005 through February 28, 2006

	Date	PUF	GEF	ITF	Total	Description
		Amounts				
Cohen & Steers	2/1/2006	-	-	60,000,000.00	60,000,000.00	ITF investment in exisitng manager
Cohen & Steers	2/1/2006	(81,250,000.00)	(43,750,000.00)	125,000,000.00	-	ITF investment in exisitng manager
GSCI futures	2/1/2006	-	-	96,438,500.00	96,438,500.00	ITF initial investment
Internal TIPS	2/1/2006	-	-	73,600,000.00	73,600,000.00	ITF initial investment
Fixed Income						
Reams Core	2/1/2006	-	-	292,600,000.00	292,600,000.00	ITF investment in exisitng manager
Pimco Fixed	2/1/2006	-	-	292,600,000.00	292,600,000.00	ITF investment in exisitng manager
Internal Fixed Income	2/1/2006	-	-	121,781,500.00	121,781,500.00	ITF investment in existing manager
Internal Fixed Income	2/1/2006	(42,461,000.00)	(19,225,000.00)	61,686,000.00	-	ITF investment in existing manager
Internal Credit Related Fixed Inc	2/1/2006	-	-	39,518,500.00	39,518,500.00	ITF investment in existing manager
Internal Credit Related Fixed Inc	2/1/2006	(16,881,000.00)	(8,567,000.00)	25,448,000.00	-	ITF investment in existing manager
Hedge Funds						
Eminence	1/3/2006	4,000,000.00	2,000,000.00	-	6,000,000.00	Additional contribution to existing manager
Steadfast	1/3/2006	32,500,000.00	17,500,000.00	-	50,000,000.00	Additional contribution to existing manager
Millgate	1/3/2006	3,250,000.00	1,750,000.00	-	5,000,000.00	Additional contribution to existing manager
OZ Asia	1/3/2006	32,500,000.00	17,500,000.00	-	50,000,000.00	Initial funding of different fund with existing manager
Moon Capital	1/31/2006	12,900,000.00	7,100,000.00	-	20,000,000.00	Additional contribution to existing manager
Brahman II	2/1/2006	-	-	25,000,000.00	25,000,000.00	Initial funding of different fund with existing manager
Eminence Leverage	2/1/2006	-	-	10,000,000.00	10,000,000.00	Initial funding of different fund with existing manager
Eminence Long Alpha	2/1/2006	-	-	10,000,000.00	10,000,000.00	Initial funding of different fund with existing manager
Westfield Life Sciences	2/1/2006	-	-	25,000,000.00	25,000,000.00	Initial funding of new manager
Coghill	2/1/2006	-	-	50,000,000.00	50,000,000.00	Initial funding of new manager
Silverpoint	2/1/2006	-	-	50,000,000.00	50,000,000.00	Initial funding of new manager
Shepherd	2/1/2006	-	-	75,000,000.00	75,000,000.00	Initial funding of new manager
EMSO	2/1/2006	-	-	50,000,000.00	50,000,000.00	Initial funding of new manager
Bridgewater Pure Alpha II	2/1/2006	-	-	180,000,000.00	180,000,000.00	Initial funding of different fund with existing manager
Eton Park	2/1/2006	-	-	50,000,000.00	50,000,000.00	Initial funding of new manager
Parkcentral	2/1/2006	-	-	50,000,000.00	50,000,000.00	Initial funding of new manager
Farallon FCOI	2/1/2006	-	-	75,000,000.00	75,000,000.00	Initial funding of different fund with existing manager

Private Capital		PUF	GEF		Total
		Committed Amount			
AG Private Equity Partners III. L.P.	11/9/2005	21,000,000.00	9,000,000.00	-	30,000,000.00
Care Capital Investments III. L.P.	12/20/2005	28,000,000.00	12,000,000.00	-	40,000,000.00
Polaris Venture Partners V, L.P.	2/1/2006	17,500,000.00	7,500,000.00	-	25,000,000.00
Fourth Cinven Fund Limited Partnership	2/17/2006	54,718,300.00	23,450,700.00	-	78,169,000.00
Blackstone Capital Partners V, L.P.	2/24/2006	52,500,000.00	22,500,000.00	-	75,000,000.00

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 December 2, 2005 through February 28, 2006

(Total Obligation per Agreement less than $1 million)

Agreement	Purpose	Contract Term	Annual Amount
Standard & Poor's (Compustat)	Provide information for Factset	Renews annually via invoice (renewed 1/31/2006)	$27,420
MSCI	Provide information for Factset	1/1/2006 to 12/31/2006	$32,000
Investor Force	Hedge Fund Database (Altvest)	1/31/2006 to 1/31/2007	$6,500

Services that renew via invoice on a monthly or quarterly basis:

Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	$235,887
American Stock exchange	Used to access stock prices and related news	Monthly invoice	$1,812
Dow Jones News Service	Used to access current new on stocks and related investments	Monthly invoice	$10,620
New York Stock Exchange	Used to access stock prices and related news	Monthly invoice	$2,865
Options Pricing Report	Used to access option prices and related news	Quarterly invoice	$1,161
Thomson Venture Economics	Venture capital and private equity benchmarks and other industry data	Monthly invoice	$18,000
Thompson Financial (Worldscope)	Provide information for Factset	Renews quarterly via invoice (renewed 2/28/2006)	$27,000
Trade Web	Primary quotation and trading system for U.S. Treasury, Agency, Mortgage and Corporate debt securities	Monthly invoice	$18,600
Market Axess	Competitive quotation and trading system for corporate securities	Monthly invoice	$1,800
Bourse de Montreal	Real time quotations of Canadian equity futures	Monthly invoice	$1,513

Report to the UTIMCO Board of Directors
Staffing and Personnel Adjustments
March 30, 2006

The Delegation of Authority delegates to the UTIMCO CEO the authority to make all personnel management decisions regarding positions included in the approved budget and grants authority to the CEO to add non-budgeted personnel as necessary, provided such additions are promptly reported to the UTIMCO Board. During the last quarter, the following staffing and personnel adjustments were made:

Public Markets – An Administrative Assistant was hired into an approved position in the budget for an analyst. This staff position is providing administrative support and compiling technical data for the investment professionals in the Public Markets area. This action creates a budget savings and therefore, does not have an adverse impact on the budget. If an additional analyst is desired or warranted for this department, this action would be brought to the board for consideration at that time.

Marketable Alternatives – A Reporting and Research Assistant was hired into an approved position in the budget for an analyst. This staff position is researching and compiling technical fund performance information and generating relevant reports for use by the investment professionals within the Marketable Alternatives area. This action creates a budget savings and therefore, does not have an adverse impact on the budget. If an additional analyst is desired or warranted for this department, this action would be brought to the board for consideration at that time.

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2005

Agenda Item: Intermediate Term Fund (ITF) Update

Developed By: Goldsmith, Patrick

Presented By: Goldsmith

Type of Item: Information Item

Description: This purpose of this presentation is to provide a brief update on the Intermediate Term Fund (ITF) following its launch by UTIMCO staff on February 1, 2006. The presentation will include information regarding the Fund's asset allocation, February performance, and 3/1/06 distribution and rebalancing activity.

Recommendation: None

Discussion: None

Reference: Intermediate Term Fund (ITF) Update Presentation

UTIMCO

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Intermediate Term Fund (ITF)

Update

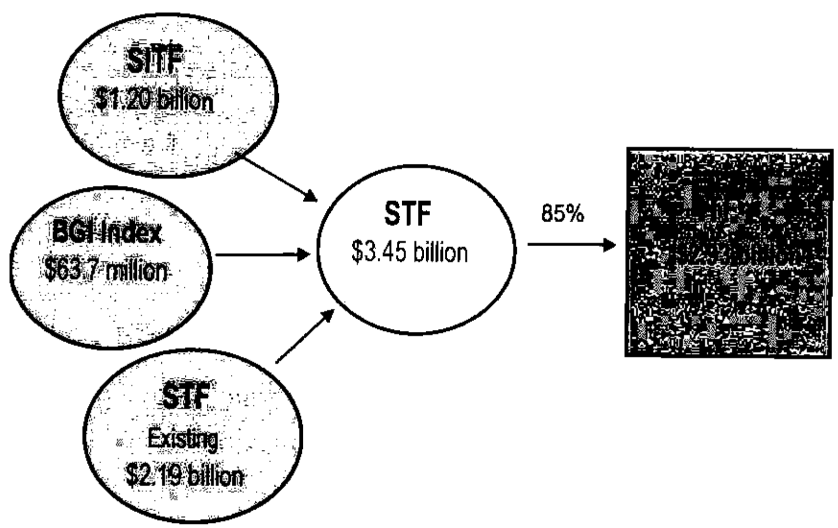
March 2006

Agenda

1. ITF Launch – February 1st
2. Initial Asset Allocation / Investment Details
3. February Performance
4. March 1st Distribution and Rebalancing Activity
5. Deviations from Policy Targets - 3/1/06

ITF Launch - February 1st

- The ITF was launched on February 1st with a beginning net asset value of $2.93 billion.
- In preparation for the funding, staff transitioned $1.3 billion from the Short Intermediate Term Fund (SITF) and BGI Equity Index Fund to the Short Term Fund (STF) in January.



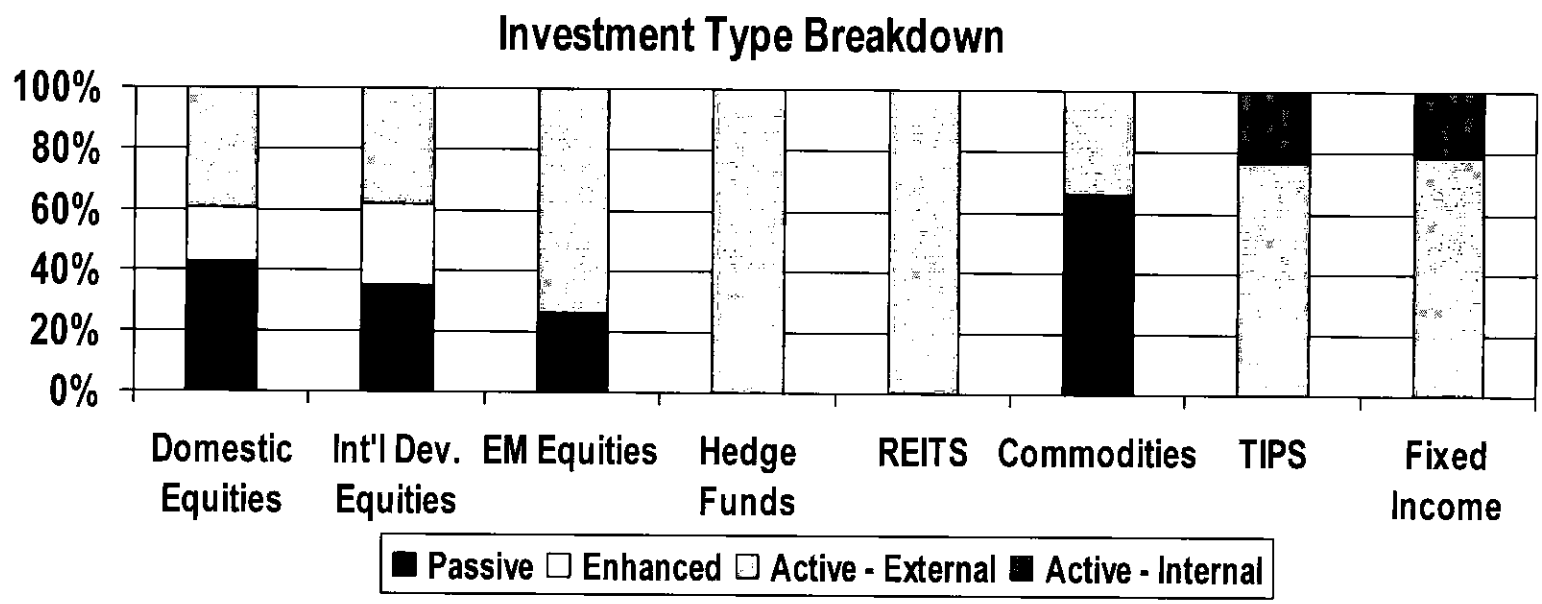
Asset Allocation – February 1st

- Assets were invested according to the ITF Policy Target weightings.
- At launch, all Asset Categories were within 1% of their Target weightings except for Directional and Absolute Return Hedge Funds, and Cash.

Asset Category	Dollars Invested	% Invested	Policy Target	Over / Under
US Equities	$450,875,259	15.4%	15.0%	0.4%
International Dev. Equities	$131,074,230	4.5%	5.0%	-0.5%
Emerging Market Equities	$146,060,278	5.0%	5.0%	0.0%
Directional Hedge Funds	$235,000,000	8.0%	12.5%	-4.5%
Absolute Return Hedge Funds	$415,000,000	14.2%	12.5%	1.7%
Commodities	$146,438,500	5.0%	5.0%	0.0%
REITS	$288,008,263	9.8%	10.0%	-0.2%
TIPS	$307,600,000	10.5%	10.0%	0.5%
Fixed Income	$746,500,009	25.5%	25.0%	0.5%
Cash	$64,340,557	2.2%	0.0%	2.2%
TOTAL	**$2,930,897,096**	**100.0%**	**100.0%**	

Investment Details – February 1st

- Assets were placed by Public Markets staff in 28 different external mandates (excluding Hedge Funds).
- 73% of assets were invested with active (external) managers; another 8% was allocated to UTIMCO's fixed income team.



Investment Details (continued)

- Staff was able to transfer $395 million of assets in-kind from the PUF & GEF
  - Saved roughly $1 million in trading costs
  - Allowed the ITF to gain immediate exposure to the market on February 1st

BGI 3000 Alpha Tilts	($25,187,500)	($13,562,500)	$38,750,000
ValueAct Capital	($19,500,000)	($10,500,000)	$30,000,000
Relational Investors	($19,500,000)	($10,500,000)	$30,000,000
BKF Asset Management	($19,500,000)	($10,500,000)	$30,000,000
Westport	($17,550,000)	($9,450,000)	$27,000,000
BGI EAFE Alpha Tilts	($11,500,000)	($6,000,000)	$17,500,000
Globeflex	($6,500,000)	($3,500,000)	$10,000,000
Cohen & Steers	($81,250,000)	($43,750,000)	$125,000,000
Internal Fixed Income	($42,461,000)	($19,225,000)	$61,686,000
Internal Credit Related Fixed Inc.	($16,881,000)	($8,567,000)	$25,448,000
TOTAL	**($259,829,500)**	**($135,554,500)**	**$395,384,000**

Performance – February 2006

			POLICY PORTFOLIO	Return	Contribution	Return Difference
US Equities	-0.65%	-0.10%	Russell 3000	0.18%	0.03%	-0.83%
International Dev. Equities	-0.09%	0.00%	MSCI EAFE	-0.22%	-0.01%	0.13%
Emerging Market Equities	-1.51%	-0.08%	MSCI EM	-0.12%	-0.01%	-1.39%
Directional Hedge Funds	0.89%	0.07%	S&P HF Directional	0.59%	0.07%	0.30%
Absolute Return Hedge Funds	0.82%	0.12%	S&P HF Abs Ret.	0.85%	0.11%	-0.03%
Commodities	-8.66%	-0.43%	1/3 DJAIG / 2/3 GSCI	-8.85%	-0.44%	0.19%
REITS	1.97%	0.19%	Wilshire RESI	2.19%	0.22%	-0.22%
TIPS	0.39%	0.04%	Lehman TIPS	-0.05%	-0.01%	0.44%
Fixed Income	0.28%	0.07%	Lehman Aggregate	0.33%	0.08%	-0.05%
Cash	0.36%	0.01%	90 Day T-Bills	0.33%	--	0.03%
TOTAL ITF PORTFOLIO		**-0.11%**	**TOTAL POLICY PORTFOLIO**		**0.04%**	**-0.15%**

Note: Total Portolio return is based on actual asset allocation in the ITF and target allocation in the Policy Portfolio

March 1st Distribution / Rebalancing

- On March 1st, the ITF paid out approximately $7.3 million in distributions.
  - $2.2 million was automatically reinvested back into the ITF.
- Also on March 1st, contributions of $105.5 million were made to the ITF.
  - $104.1 million contribution from the Long Term Fund (LTF) of UT System's Medical Liability Investment.
  - $1.4 million from net rebalancing by UT System Institutions.

Summary of 3/1 ITF Flows	(in millions)
Monthly Distribution Paid	($7.3)
Amount automatically reinvested	$2.2
LTF Medical Liability Contribution	$104.1
Net Rebalancing Activity	$1.4
Total Net Inflow / (Outflow)	**$100.4**

Activity

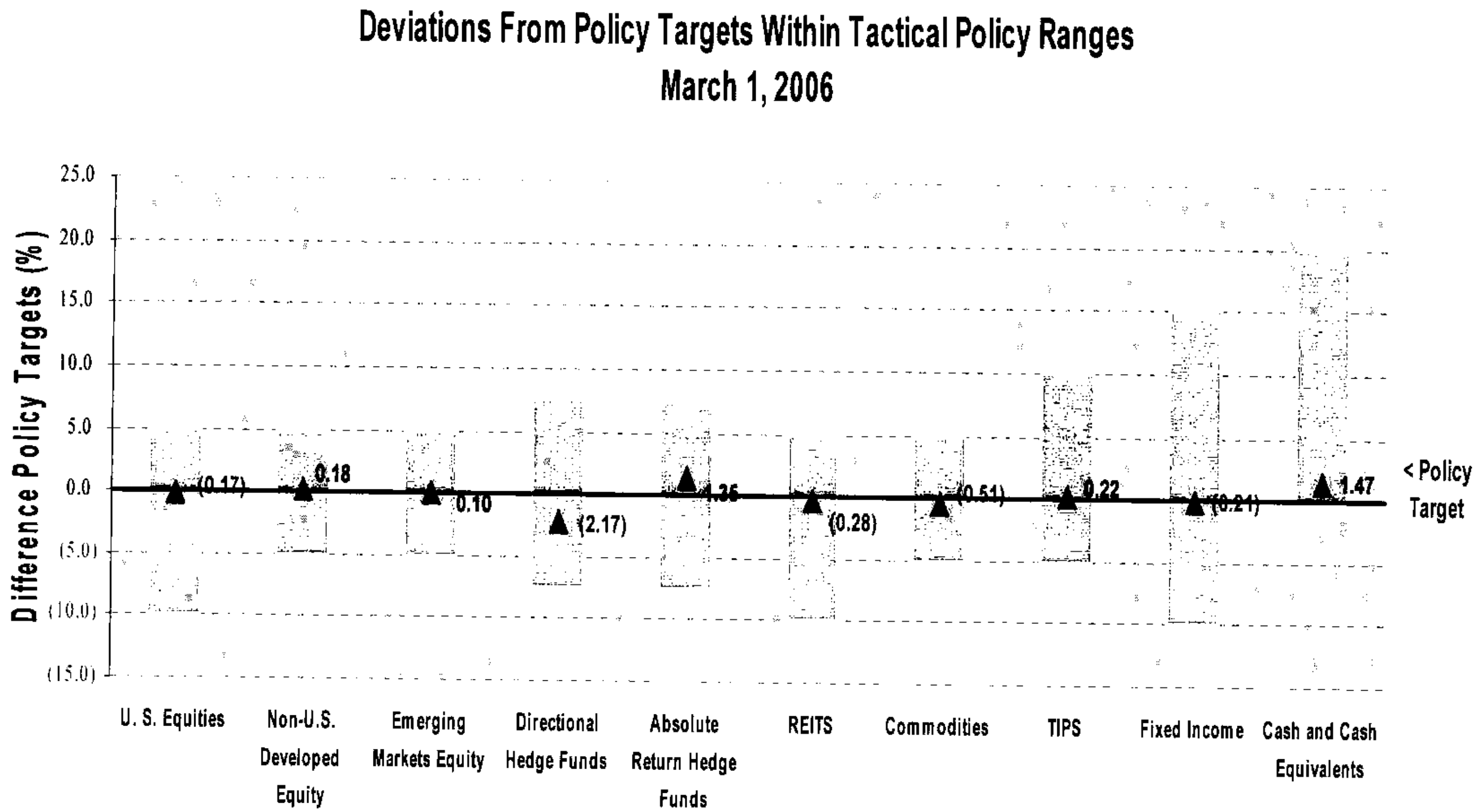
- Summary of Activity – Subsequent to Setup of ITF through 3/15/06

Type of Transaction	# of Transactions	Amount
Purchases of STF Units	255	$ 687,948,660
Sales of STF Units	409	700,749,106
STF Transfers Between Institutions	177	246,985,767
Purchase of STF due to ITF Distributions	15	7,327,243
ITF Reinvestment of Distributions	7	2,217,241
STF Income Allocation	16	3,398,499
ITF Purchases due to Rebalancing	4	960,677,855
ITF Sales due to Rebalancing	3	17,563,269
Total Transactions	**886**	**$ 2,626,867,640**

March 1st Investment Activity

- Public Markets Staff used the $100.4 million net inflow to make the following investments for the ITF on March 1:
  - $75 million funded an additional hedge fund investment in the Directional Hedge Fund pool, bringing the Asset Category closer to its Policy Target.
  - $10 million was used to make an additional investment in Lansdowne's European Long Only Fund.
  - $10 million was used to make an additional investment in Lansdowne's Emerging Markets Fund.

Deviations from Policy Targets



TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Private Markets Group Presentation

Developed By: Thompson

Presented By: Thompson

Type of Item: No Action Required

Description: The Staff will give an update on the Private Markets portfolio.

Discussion: In this detailed update, the Staff will address its progress towards achieving a 15% allocation to private equity and provide a brief performance update. Additionally, the Staff will discuss the trends affecting the private equity markets and communicate its strategy for positioning the portfolio to take advantage of current and anticipated investment opportunities.

The University of Texas Investment Management Company

Private Markets Update for the UTIMCO Board
March 30, 2006

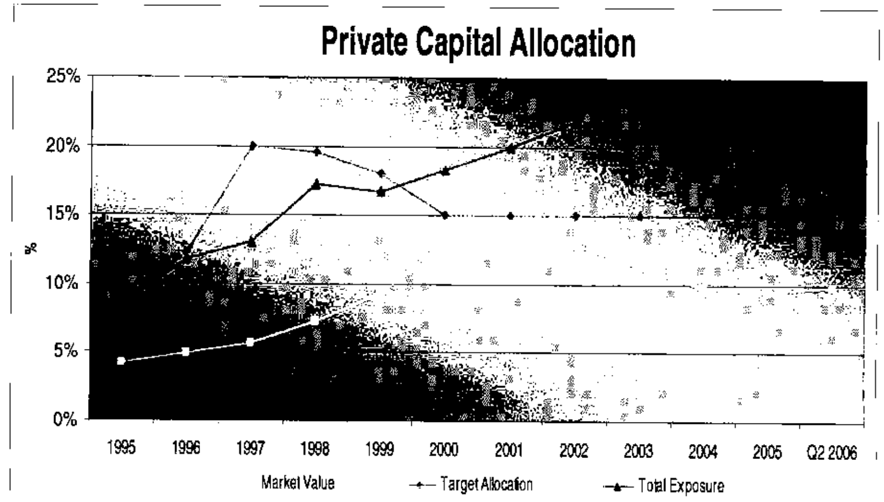
Private Markets Update for the UTIMCO Board

Table of Contents

Will We Ever Get to 15%?

How We Got Here

Private Capital	$927.4	$555.5	$1,482.9
Total Fund	$9,798.6	$5,228.5	$15,027.1
% of Total Fund	9.46%	10.62%	9.87%



- Model Drives Commitment Budget
- What Went Wrong is Everything Went Right
  - Over $1 billion in distributions (caused the numerator to grow slowly)
  - Total endowment returns dramatically exceeded expectations (caused the denominator to grow faster than expected)

Will We Ever Get to 15%?
The New Plan

We Updated the Commitment Model as of 8/31/05

- Assumptions
  - 8.36% investment return for endowments
  - Two-year horizon
- The Result: $1.67 billion in new commitments necessary over two years to reach 15% goal

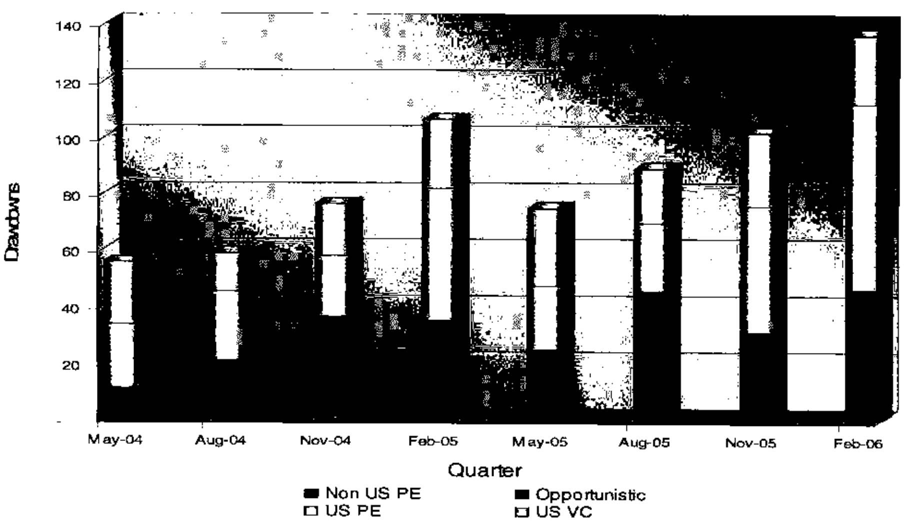
The Team is Executing on this Plan

Fiscal Year 2006 Commitments (in millions)	
Morgenthaler Partners VIII, L.P.	$10.00
Reservoir Capital Partners, L.P.	$40.00
Blackstone Capital Partners V, L.P.	$75.00
Windjammer Senior Equity Fund III, L.P.	$30.00
AG Private Equity Partners III, L.P.	$30.00
TCV VI, L.P.	$35.00
Care Capital Investments III, L.P.	$40.00
AG Capital Recovery Partners V, L.P.	$25.00
Polaris Venture Partners V, L.P.	$25.00
Fourth Cinven Fund	$77.00
Total Committed Dollars	**$387.00**

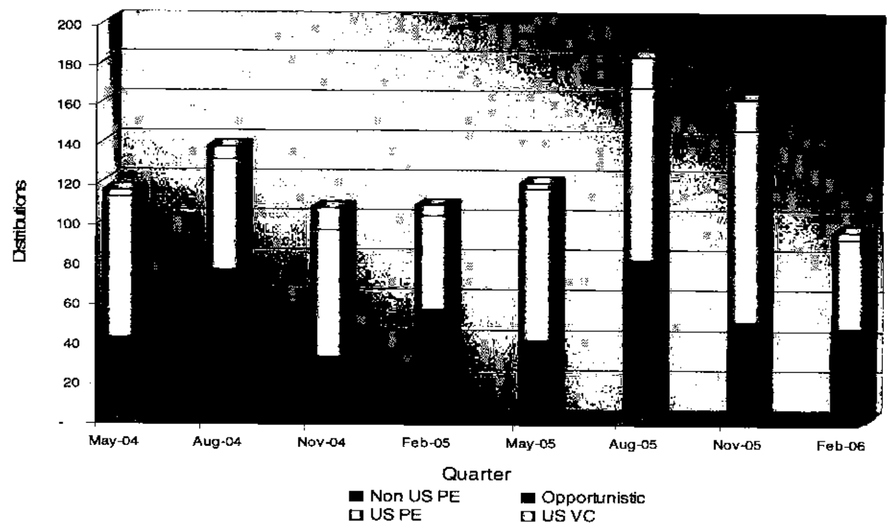
Will We Ever Get to 15%?

Drawdowns are Increasing and Distributions are Slowing

Private Capital Portfolio Drawdowns



Private Capital Portfolio Distributions



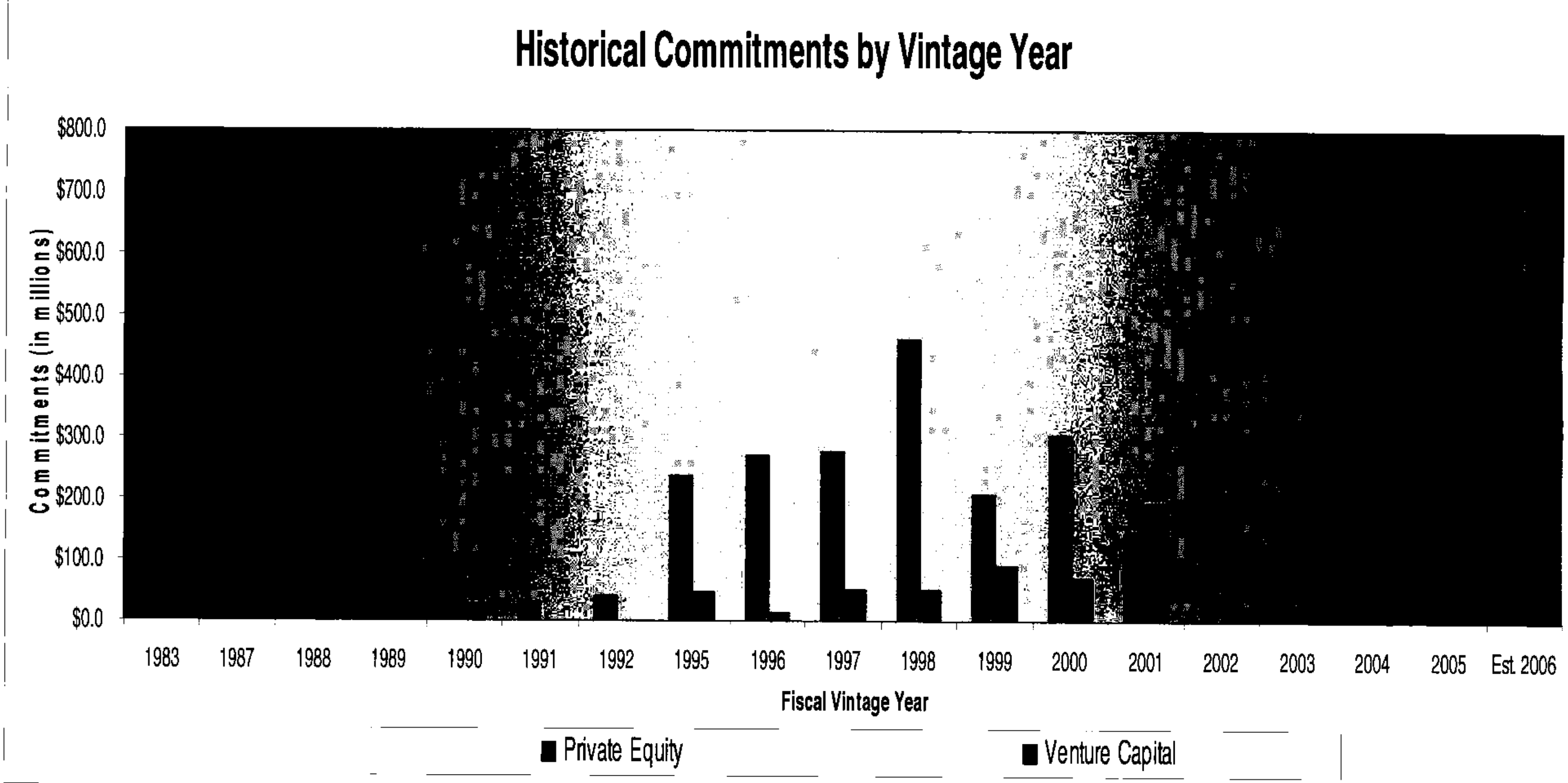
Will We Ever Get to 15%?

Drawdowns Now Exceed Distributions

2Q 2006	$1,380,307,295	$136,226,912	($95,007,004)	$61,334,417	$1,482,861,620
1Q 2006	$1,371,613,106	$101,563,666	($161,513,082)	$68,643,606	$1,380,307,295
4Q 2005	$1,377,386,208	$88,711,895	($182,663,598)	$88,178,601	$1,371,613,106
3Q 2005	$1,364,405,847	$74,838,788	($119,238,149)	$57,379,722	$1,377,386,208
Trailing 12 Months	$1,364,405,847	$401,341,260	($558,421,833)	$275,536,346	$1,482,861,620

The 2nd quarter of 2006 was the first quarter in 2 ½ years in which drawdowns exceeded distributions

Will We Ever Get to 15%?
Historical Commitments by Vintage Year

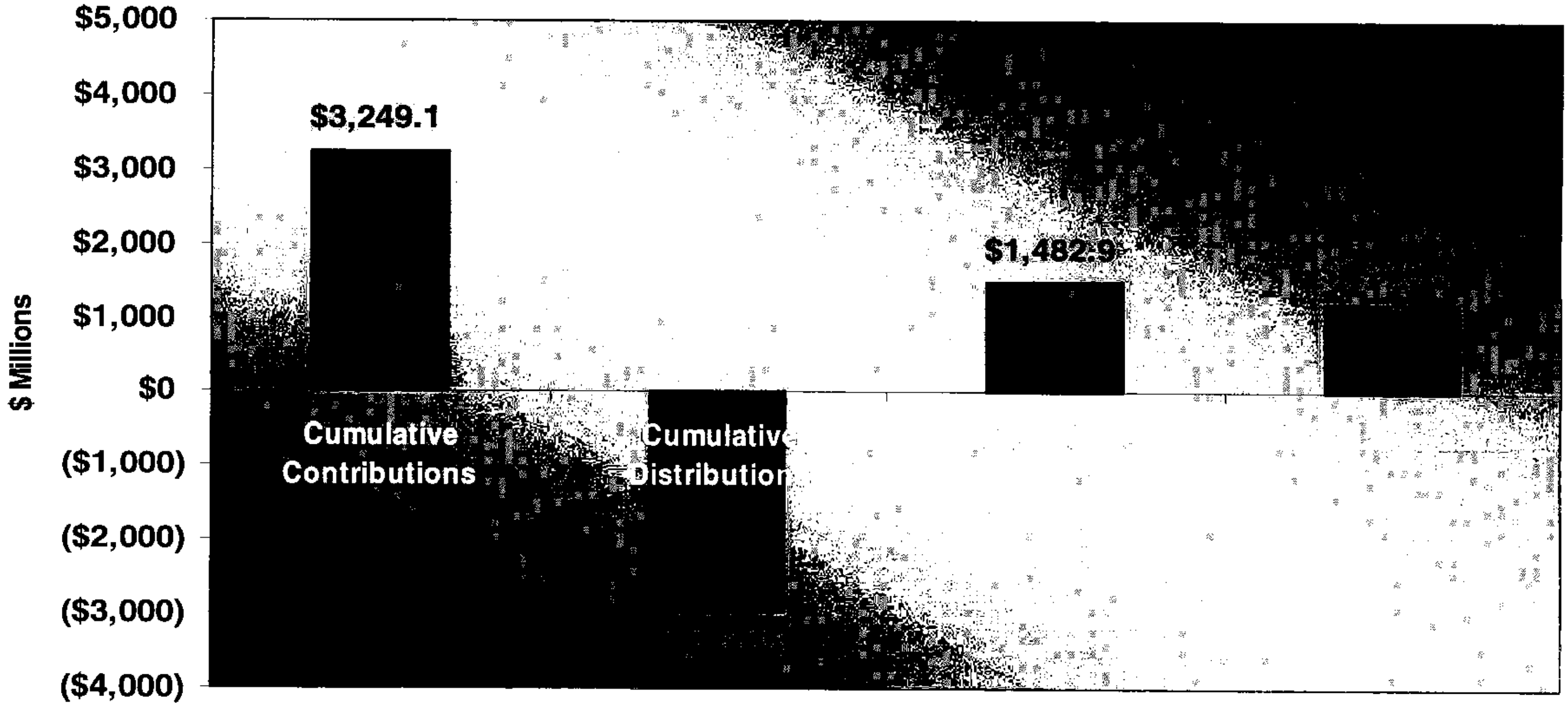


How Have We Performed So Far?

Summary Statistics

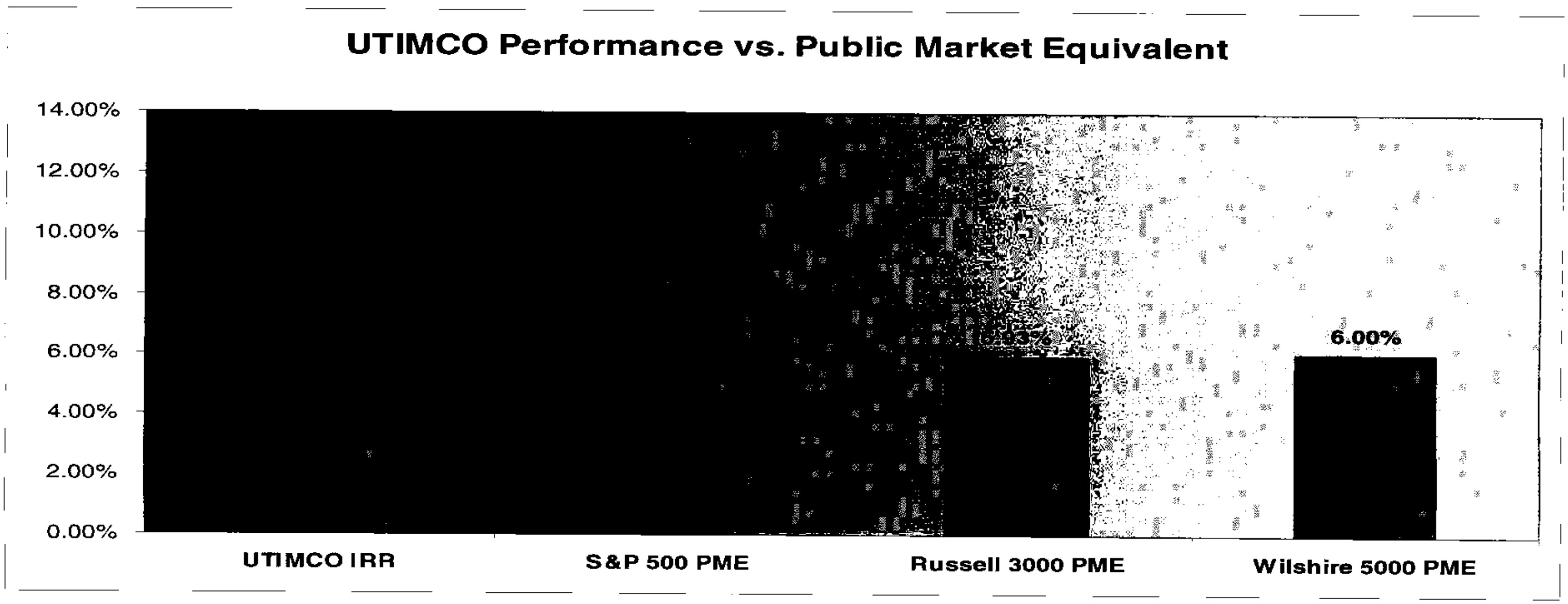
Cumulative Profits Since Inception

as of 2/28/06



How Have We Performed So Far?

Summary Statistics



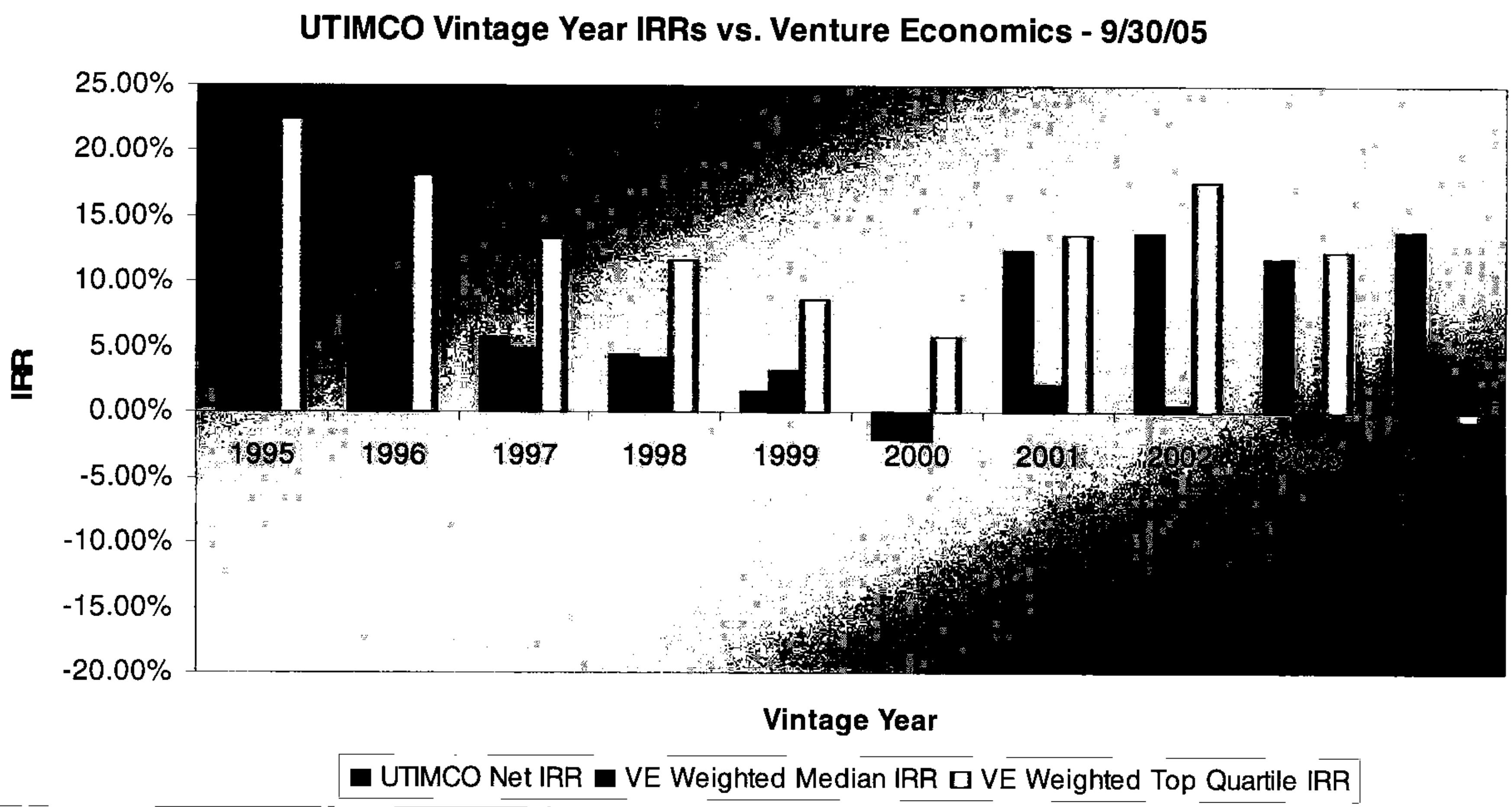
12.02% Net IRR Since Inception as of 2/28/06

Investments Have Out-Performed the Public Benchmarks

- 4.10% above the S&P 500
- 6.09% above the Russell 3000
- 6.02% above the Wilshire 5000

How Have We Performed So Far?

Venture Economics Comparison by Vintage Year

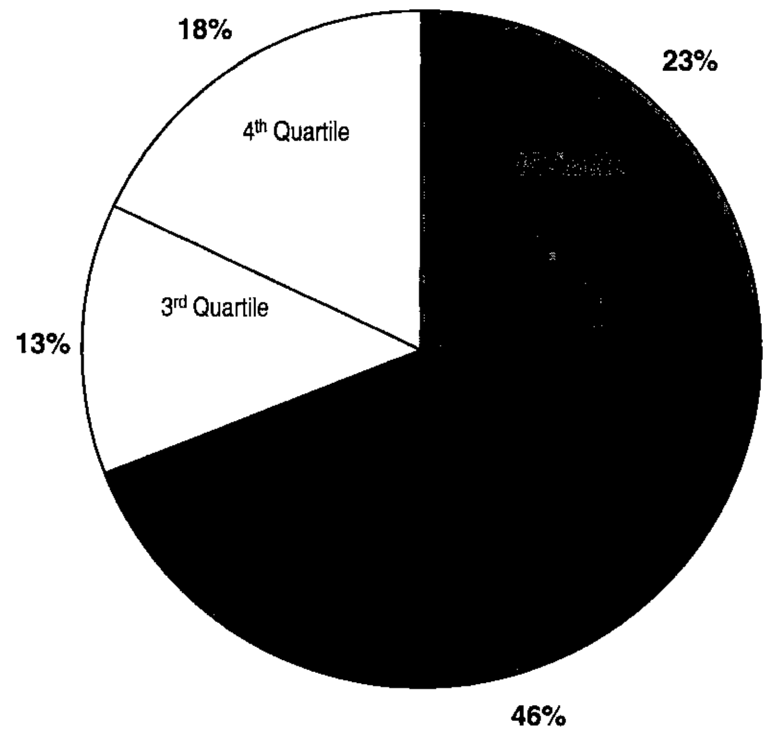


How Have We Performed So Far?

Pre-2001 Portfolio vs. Current Staff Portfolio

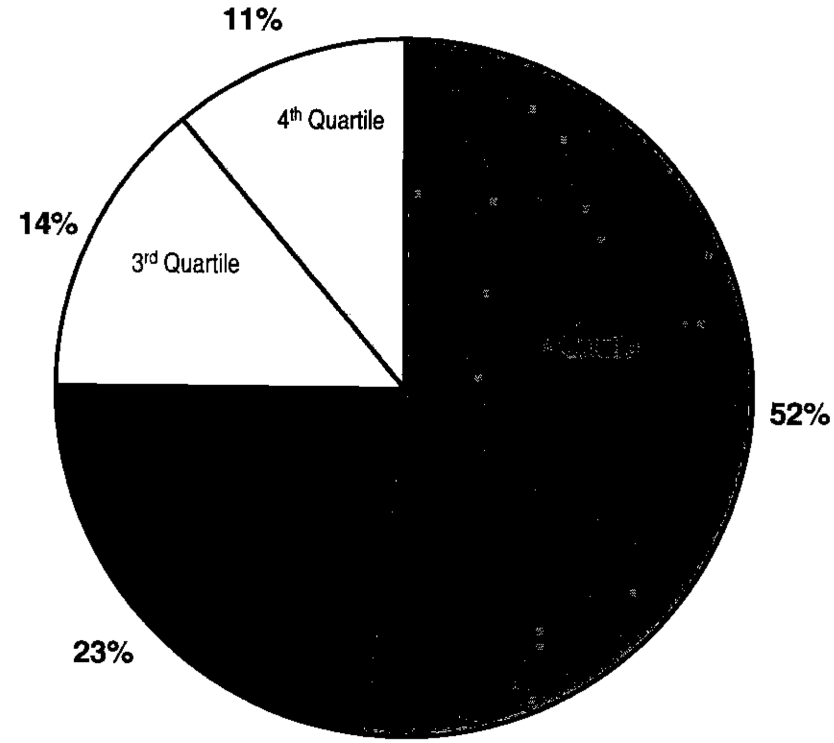
% of Invested Capital in Each Quartile

For Pre-2001 Portfolio



% of Invested Capital in Each Quartile

For Current Staff Portfolio



How Have We Performed So Far?

Public Market Equivalent Comparison

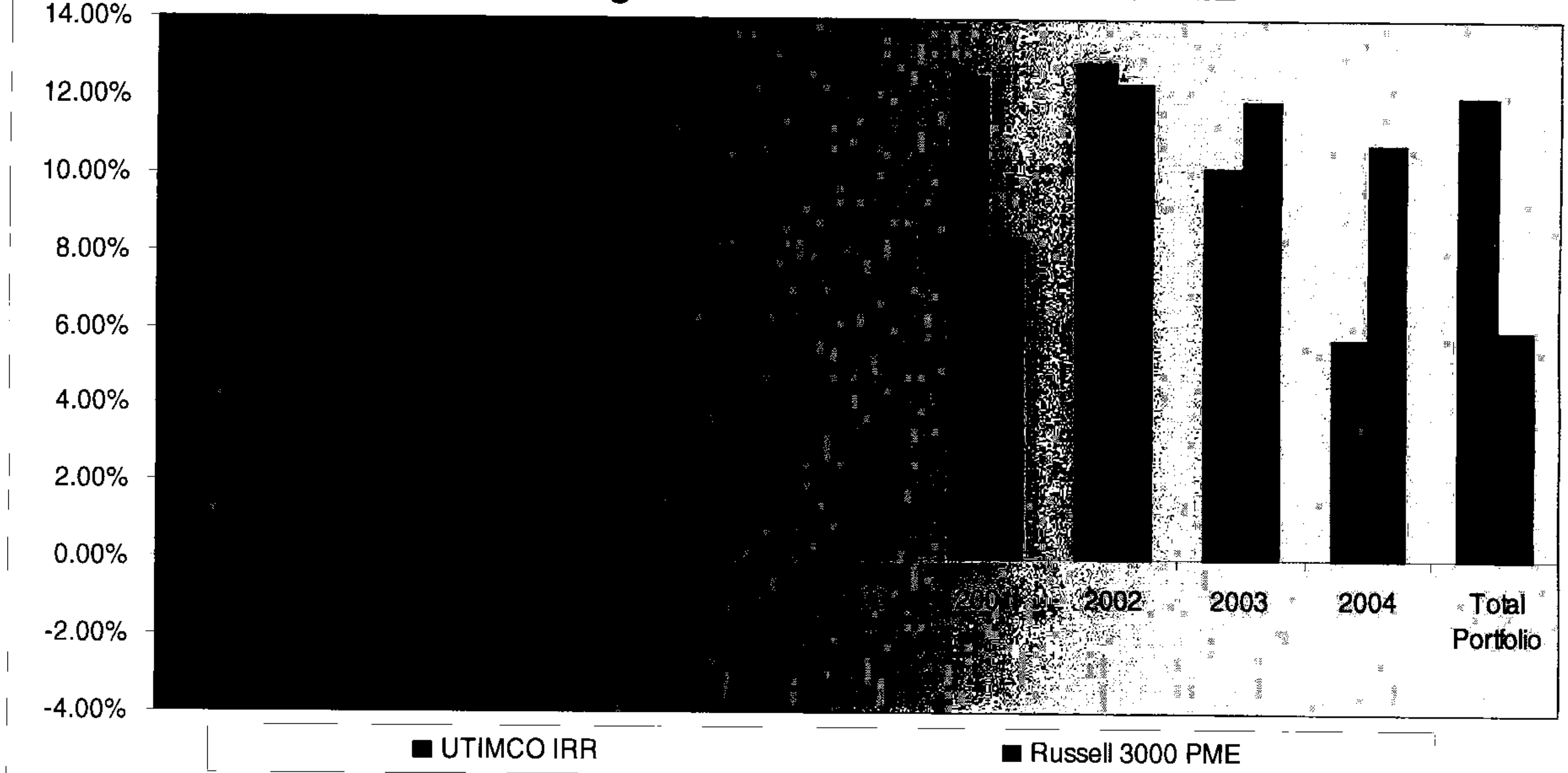
UTIMCO IRR vs. PME Benchmark

(From Inception through 2/28/06)	Actual Returns	PME Returns (Russell 3000)	NMA Return Differential
Since Inception Portfolio	12.02%	5.93%	6.09%
Current Staff Portfolio	15.49%	10.94%	4.55%

How Have We Performed So Far?

Public Market Equivalent Comparison by Vintage Year

UTIMCO Vintage Year IRRs vs. Russell 3000 PME



What is Our Strategy For the Future?

Overview

- Team Update
- Market Overview
- Refine our Tactics to Stay Competitive
- Invest in Texas
- Support the Mission of the UT System

What is Our Strategy For the Future?
Team Update

Managing Director – Trey Thompson
-AB History, Princeton; MBA Finance, UT Austin
-CFA Charterholder
-Goldman Sachs, AT Kearney, Prudential Capital
-4 years at UTIMCO

Associate – TBD
-2-4 years of PE experience
-MBA and/or CFA

Associate – Lindel Eakman
-BA Accounting/Finance, TCU
-MBA Finance, UT Austin
-CFA Charterholder
-KPMG, Stephens
-3 years at UTIMCO

Associate – Mark Shoberg
-BS Engineering, Vanderbilt
-MBA Finance, Stanford
-Level I CFA Candidate
-Accenture
-Joined 11/05

Analyst – Scott Bigham
-BA Accounting, UT Austin
-MPA Accounting, UT Austin
-CPA, Level III CFA Candidate
-USAA
-2 years at UTIMCO

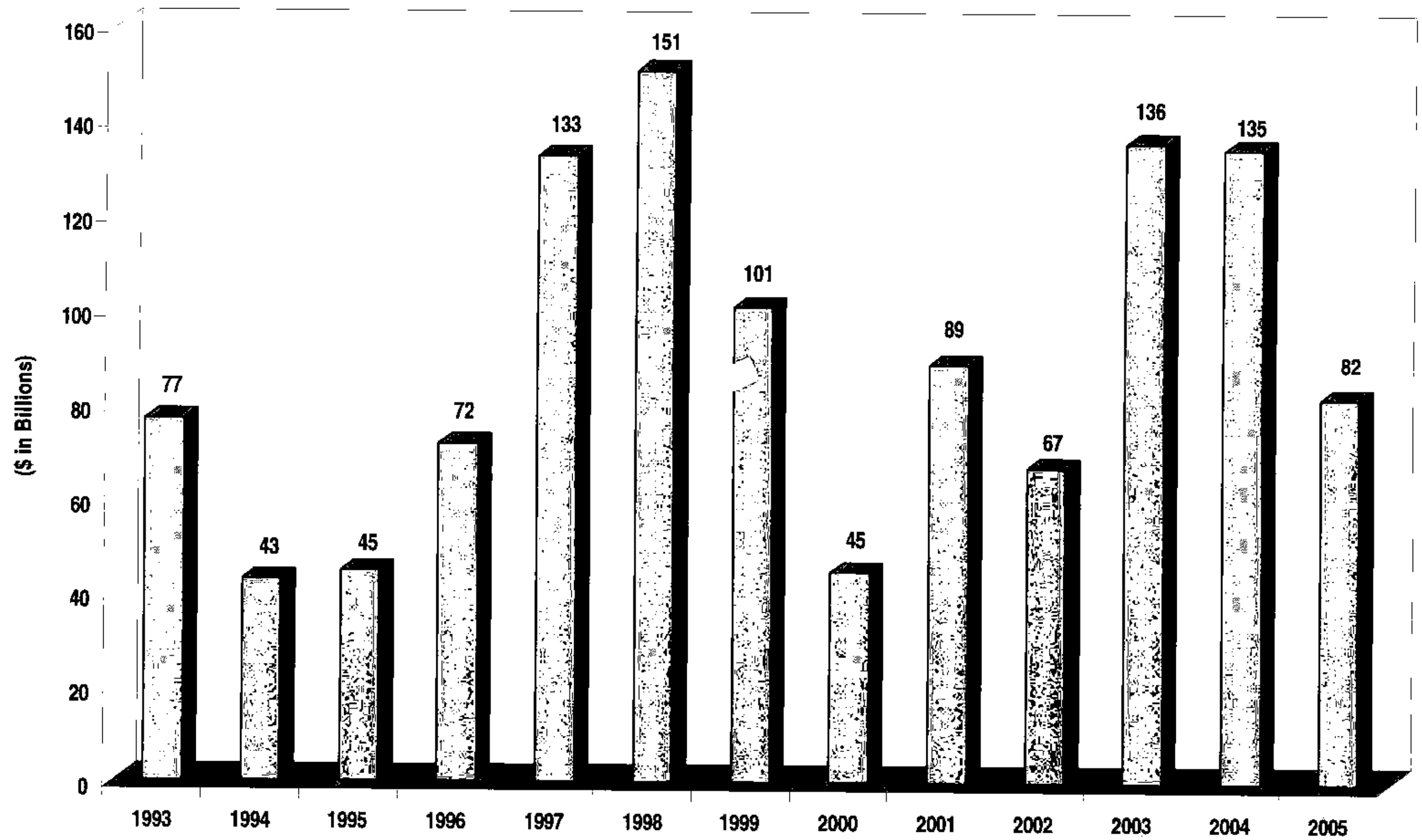
Internal Accountant
Judy Wheless

Analyst

Administrative Assistant
Claire Makins
- 4.5 years at UTIMCO

Market Overview

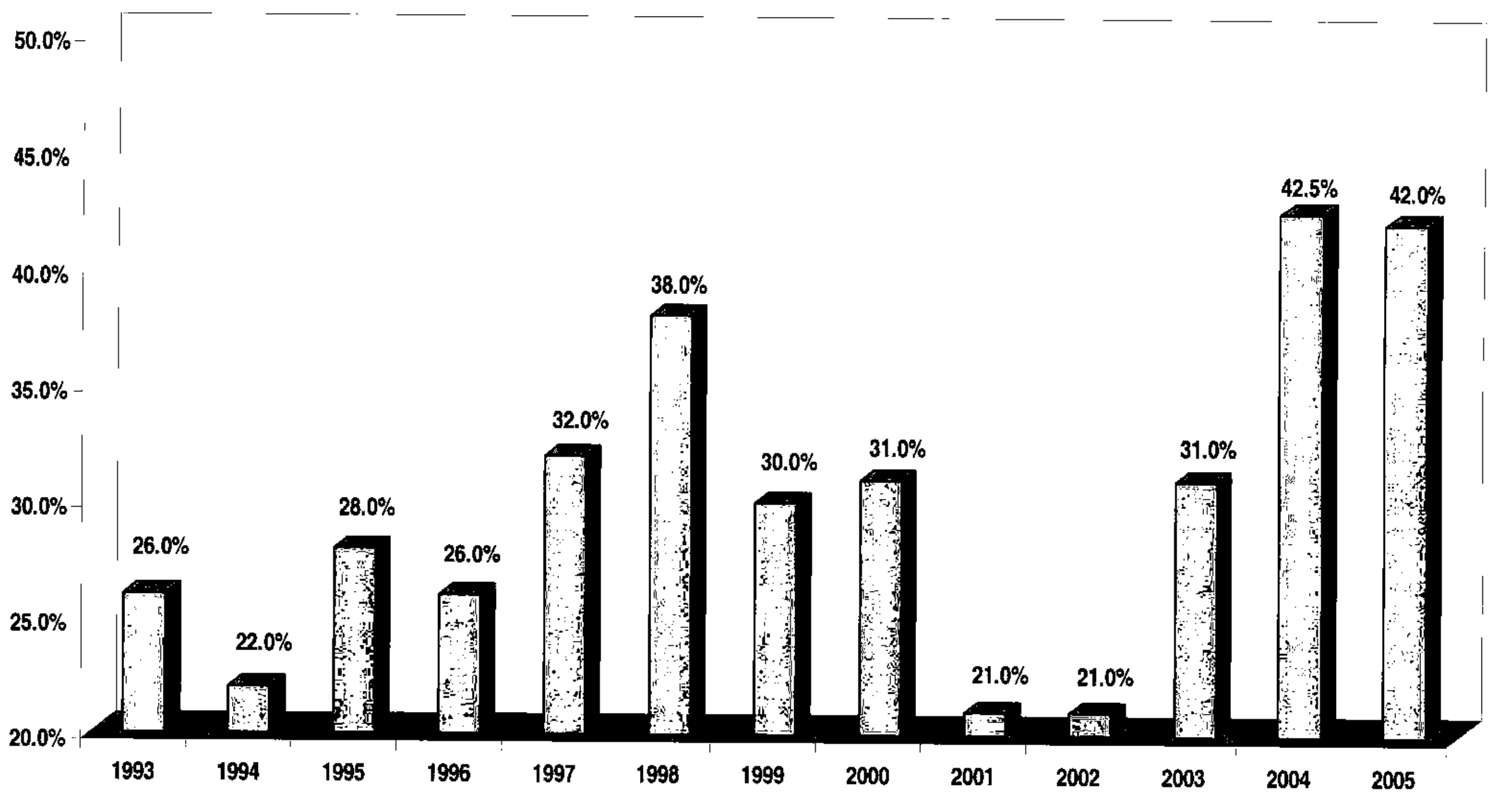
US High-Yield New Issuance Proceeds



Source: Credit Suisse

Market Overview

US High-Yield New Issues with Rating of B- or Lower



Source: Standard & Poor's

Market Overview

Mortality Rates for Corporate Bonds

Exhibit 5

MORTALITY RATES (%) BY ORIGINAL RATING OF ALL RATED CORPORATE BONDS

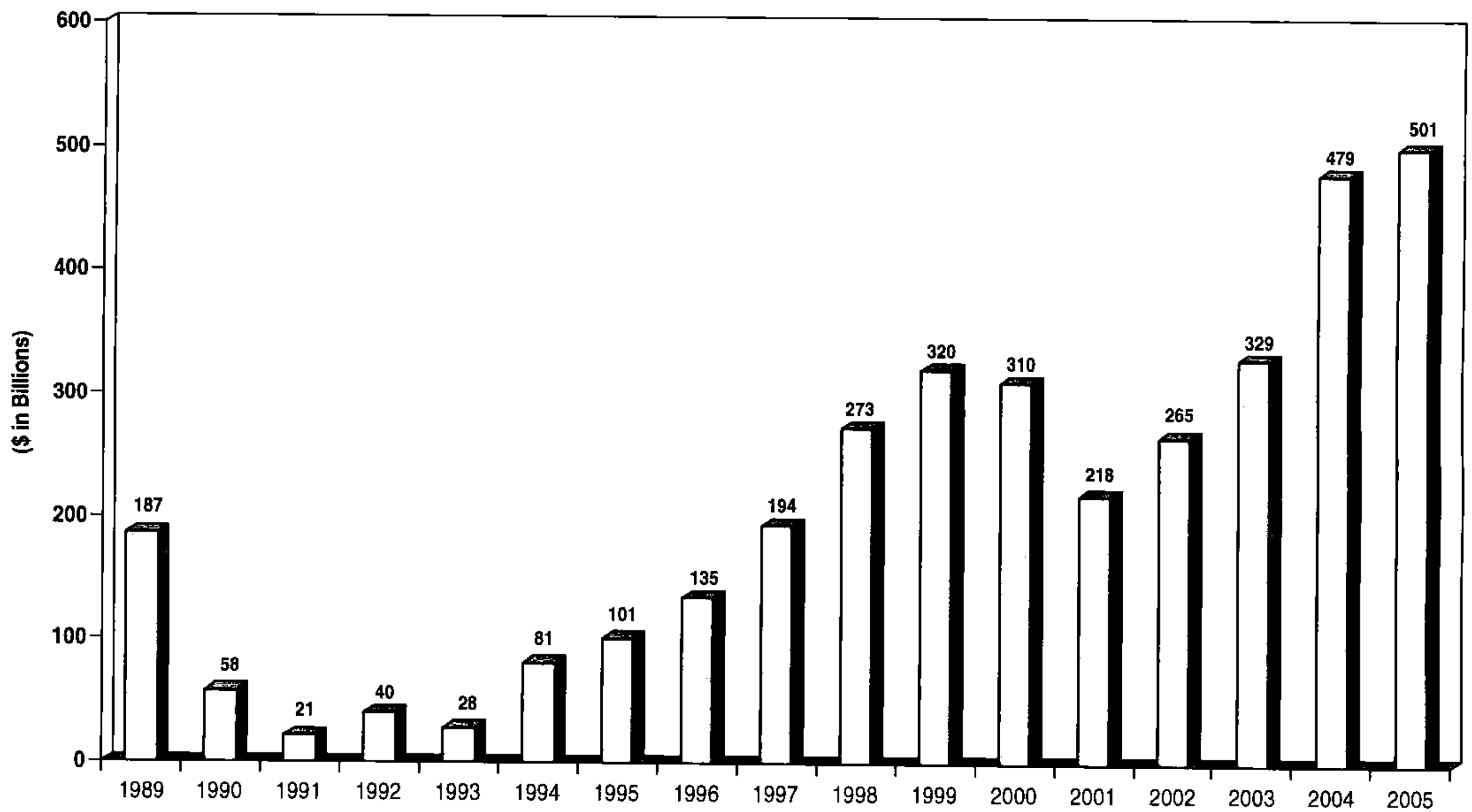
1971-2004

Original Rating		Years After Issuance									
		1	2	3	4	5	6	7	8	9	10
AAA	Yearly	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00
	Cumulative	0.00	0.00	0.00	0.00	0.03	0.03	0.03	0.03	0.03	0.03
AA	Yearly	0.00	0.00	0.32	0.16	0.03	0.03	0.00	0.00	0.03	0.02
	Cumulative	0.00	0.00	0.32	0.48	0.51	0.54	0.54	0.59	0.57	0.59
A	Yearly	0.01	0.10	0.02	0.09	0.06	0.11	0.06	0.21	0.11	0.06
	Cumulative	0.01	0.11	0.13	0.22	0.28	0.39	0.45	0.65	0.76	0.82
BBB	Yearly	0.36	3.22	1.43	1.28	0.77	0.45	0.20	0.20	0.14	0.40
	Cumulative	0.36	3.56	4.49	6.16	6.89	7.31	7.50	7.68	7.87	8.18
BB	Yearly	1.19	2.48	4.40	2.01	2.51	1.16	1.60	0.88	1.70	3.60
	Cumulative	1.19	3.64	7.88	9.74	12.00	12.93	14.36	15.07	16.52	19.60
B	Yearly	2.85	6.85	7.40	8.55	6.00	4.16	3.72	2.28	1.96	0.86
	Cumulative	2.85	9.51	16.20	23.37	27.94	30.96	33.46	34.97	36.25	36.80
CCC	Yearly	7.98	15.57	19.55	12.10	4.26	9.45	5.60	3.15	0.00	4.28
	Cumulative	7.98	22.31	37.50	45.06	47.37	52.35	55.01	56.43	56.43	58.30

Source: Edward I. Altman-NYU Salomon Center.

Notes: Corporate bonds are rated by S&P at issuance. These data are based on 1,719 issues.

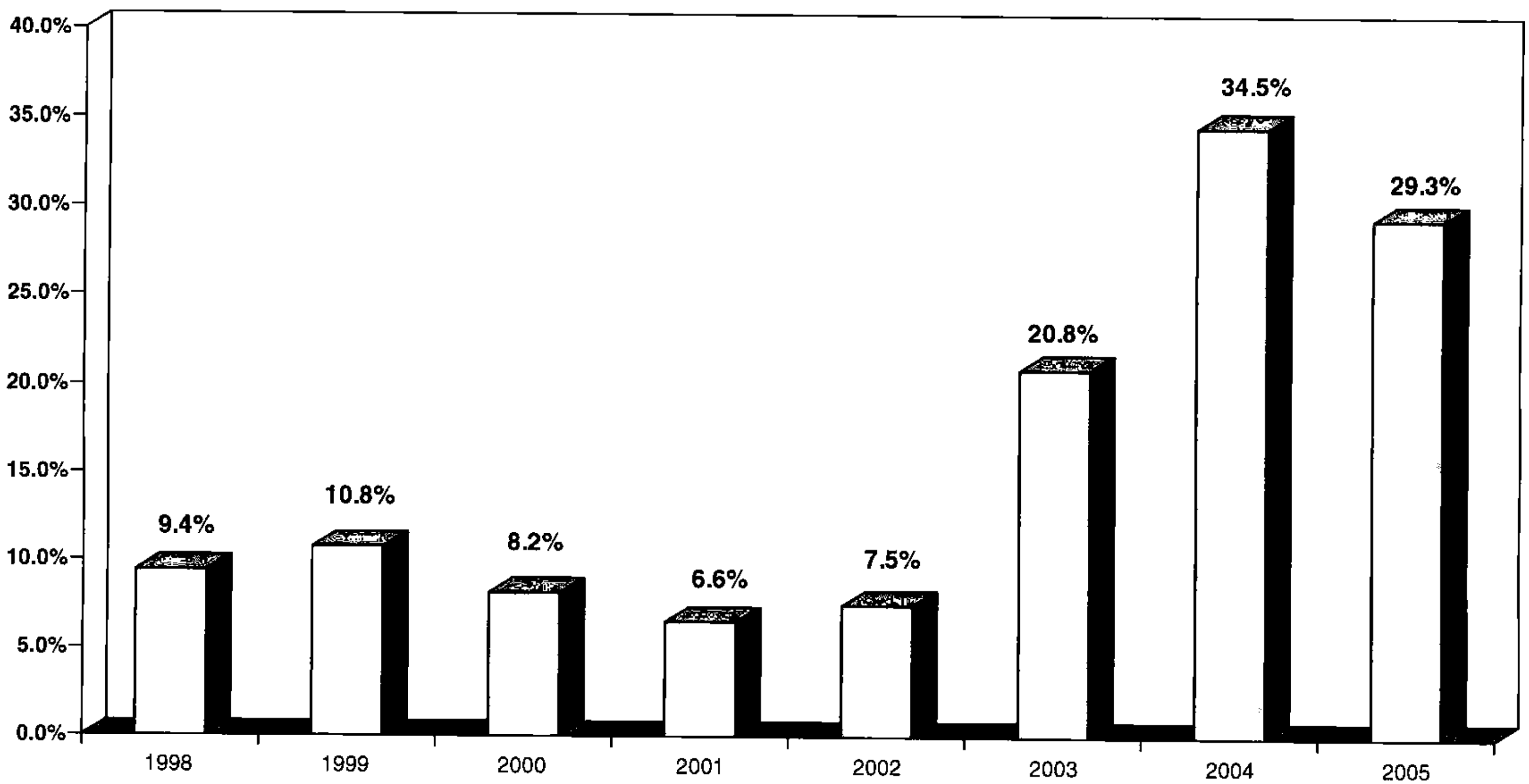
Market Overview
US Leveraged Loan New Issuance Proceeds



Source: Credit Suisse

Market Overview

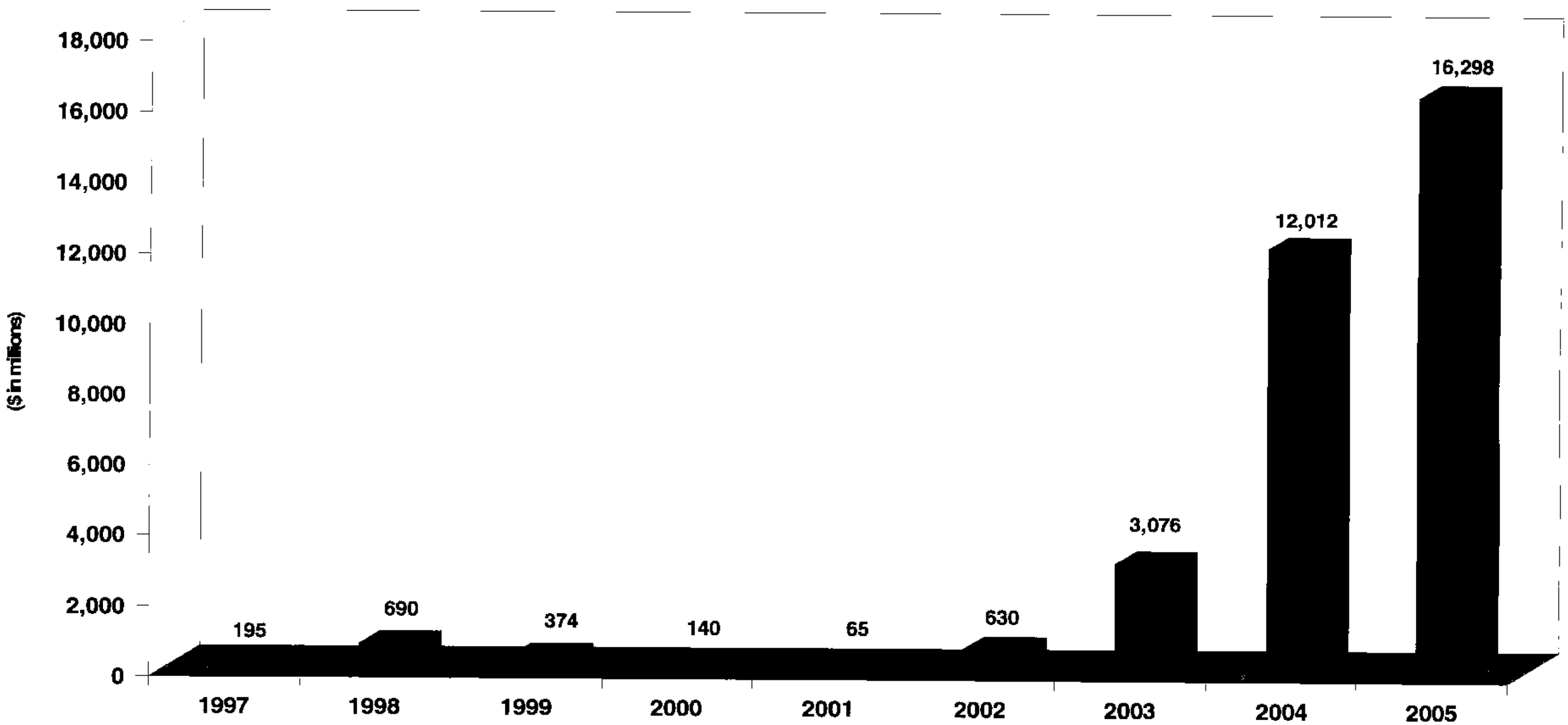
US Leveraged Loan New Issues with Rating of B+ or Lower



Source: Standard & Poor's

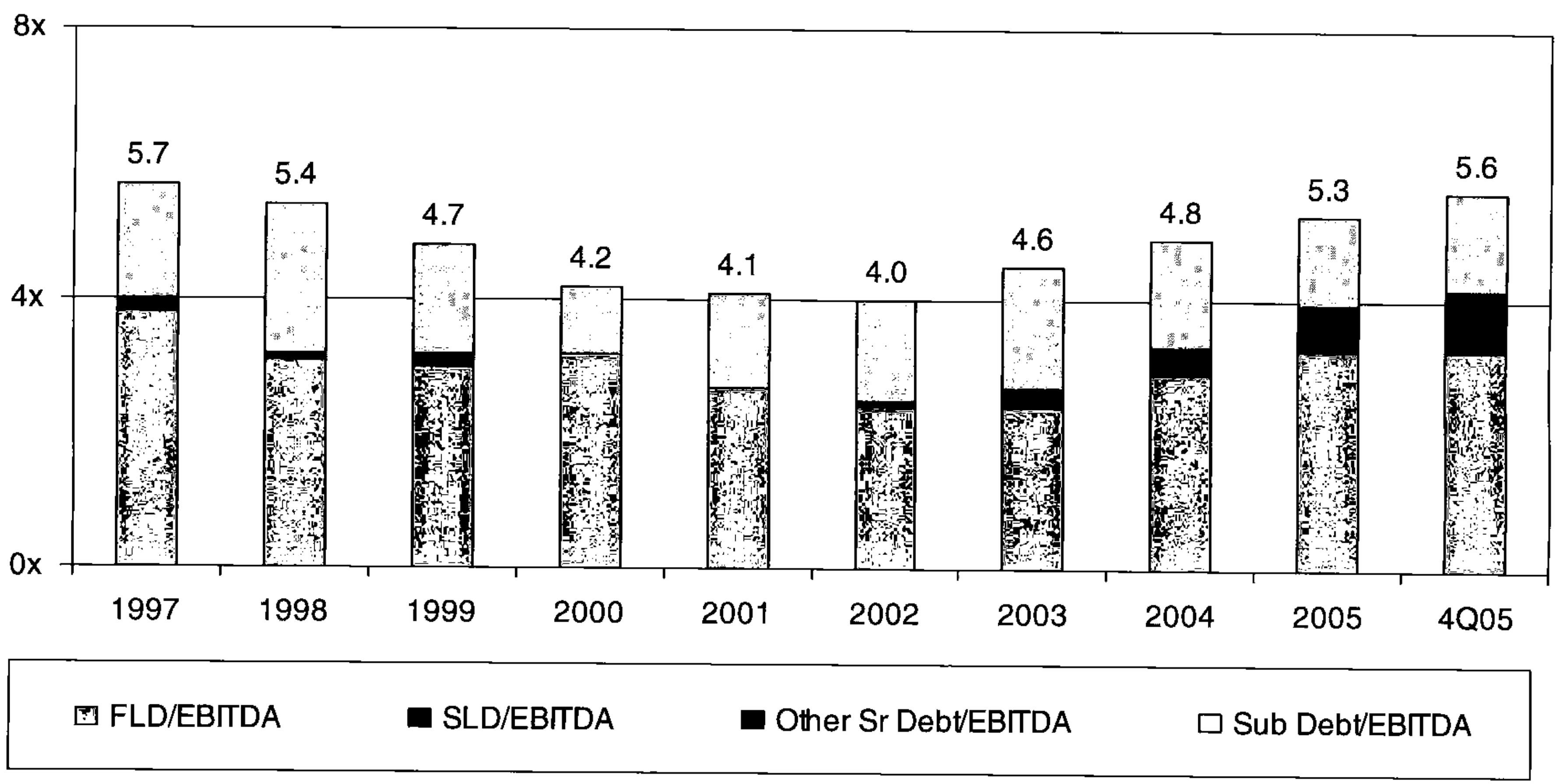
Market Overview

Second Lien New Issue Volume at Record Pace



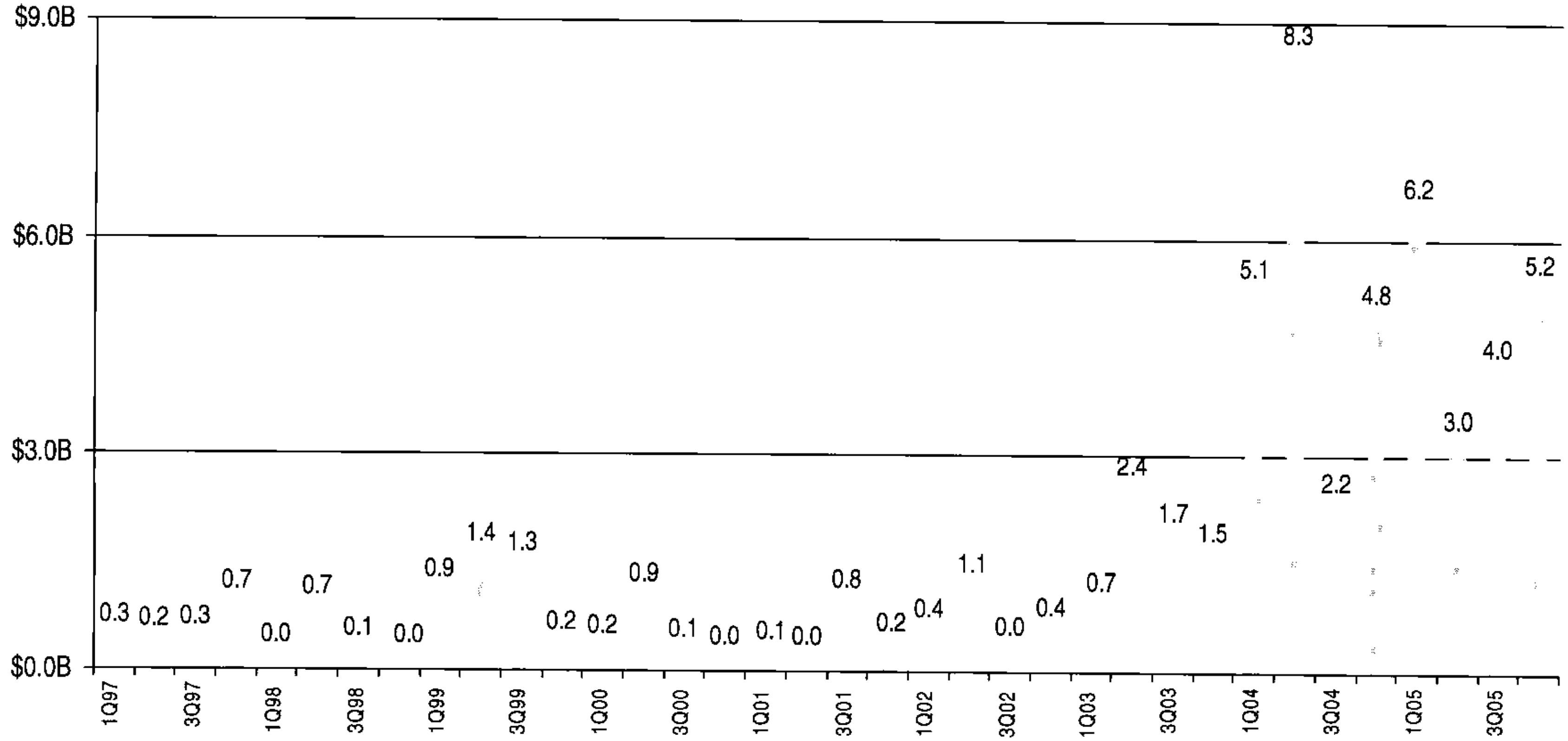
Source: Standard & Poor's LCD

Market Overview
LBO Debt Multiples



Source: Standard & Poor's LCD

Market Overview
Dividend Recapitalizations



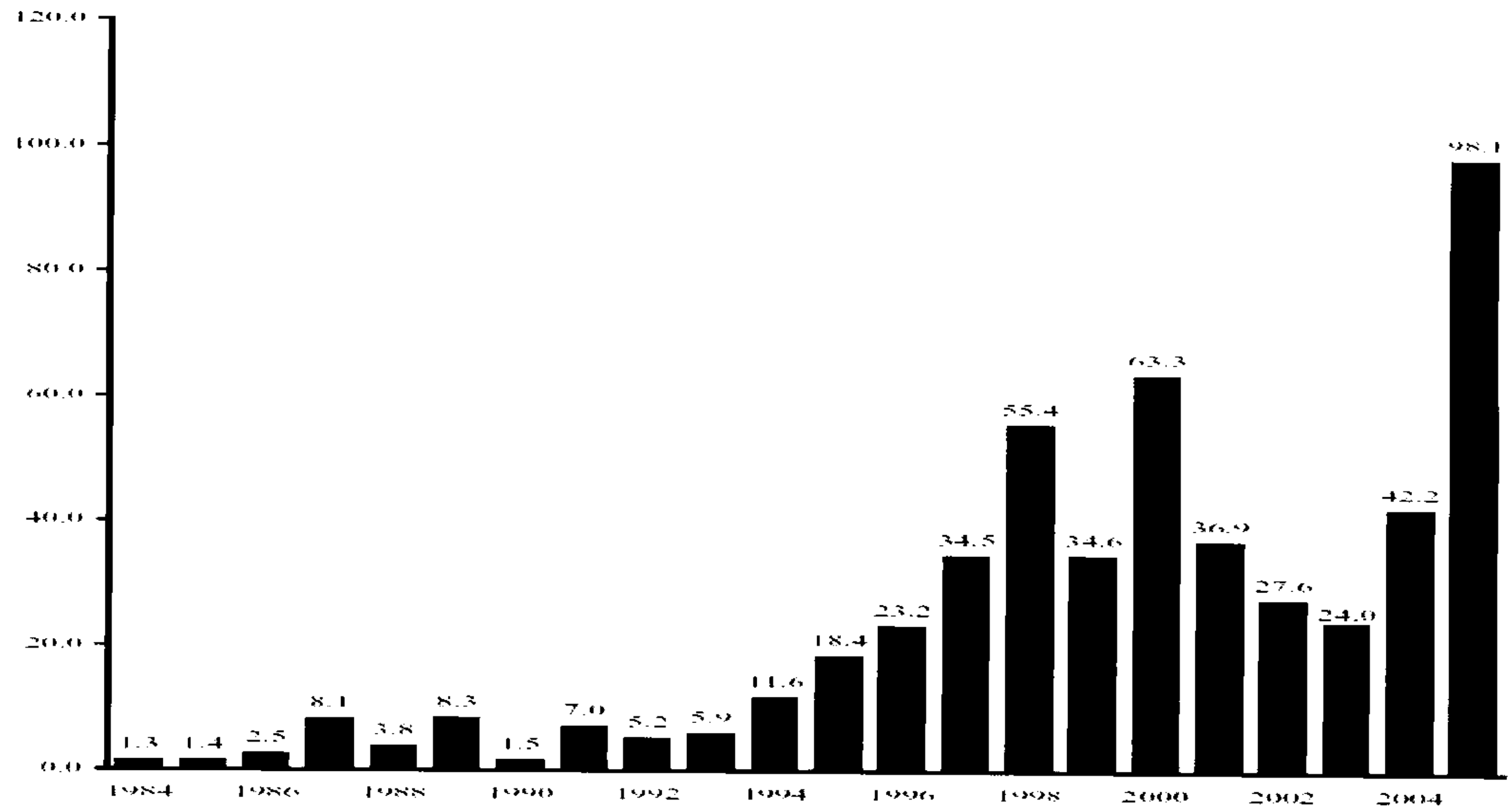
Source: Standard & Poor's LCD

Market Overview
US Leveraged Buyout Fundraising

CAPITAL COMMITMENTS TO DOMESTIC LEVERAGED BUYOUT FUNDS

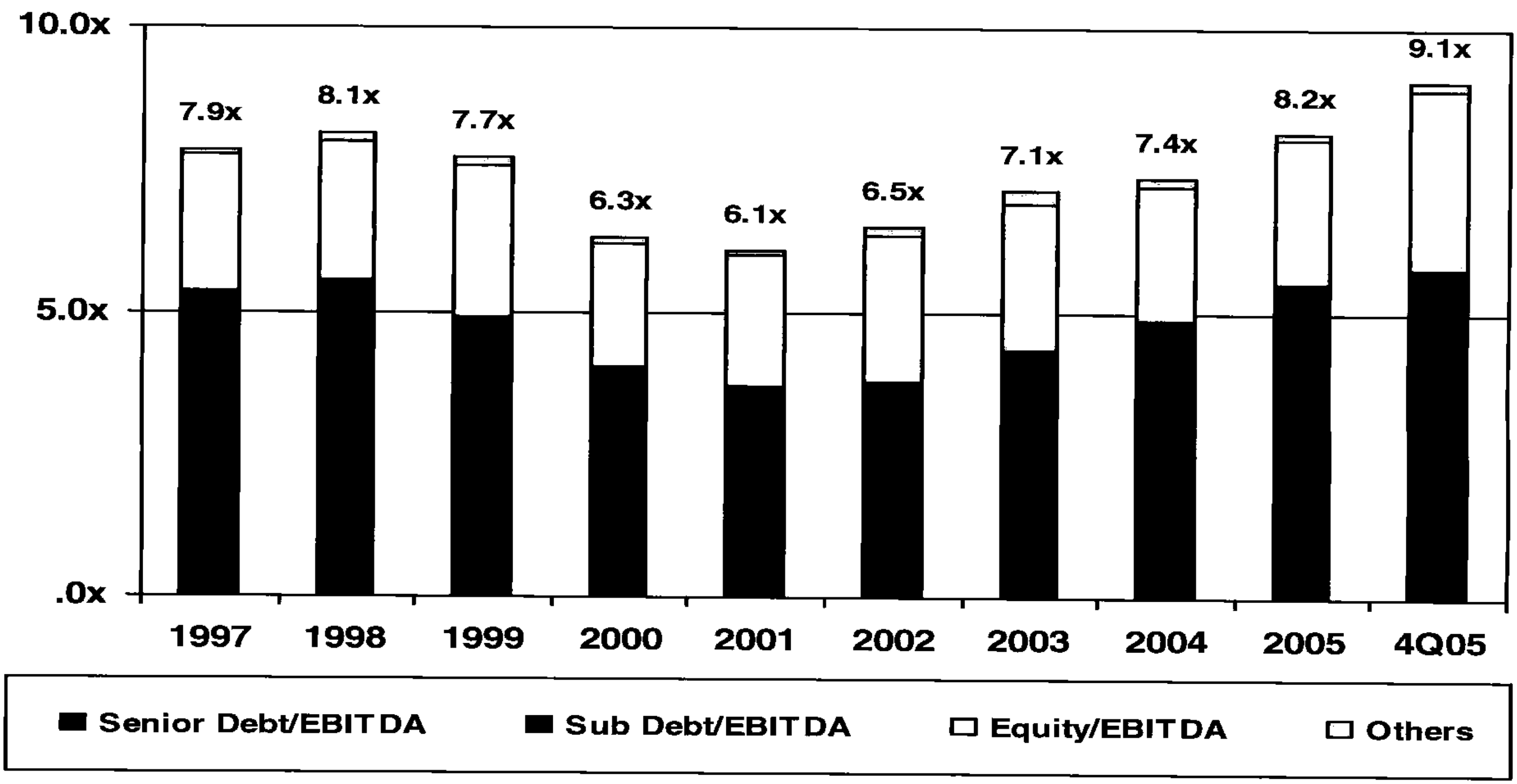
January 1, 1984 – August 31, 2005

($ billions)



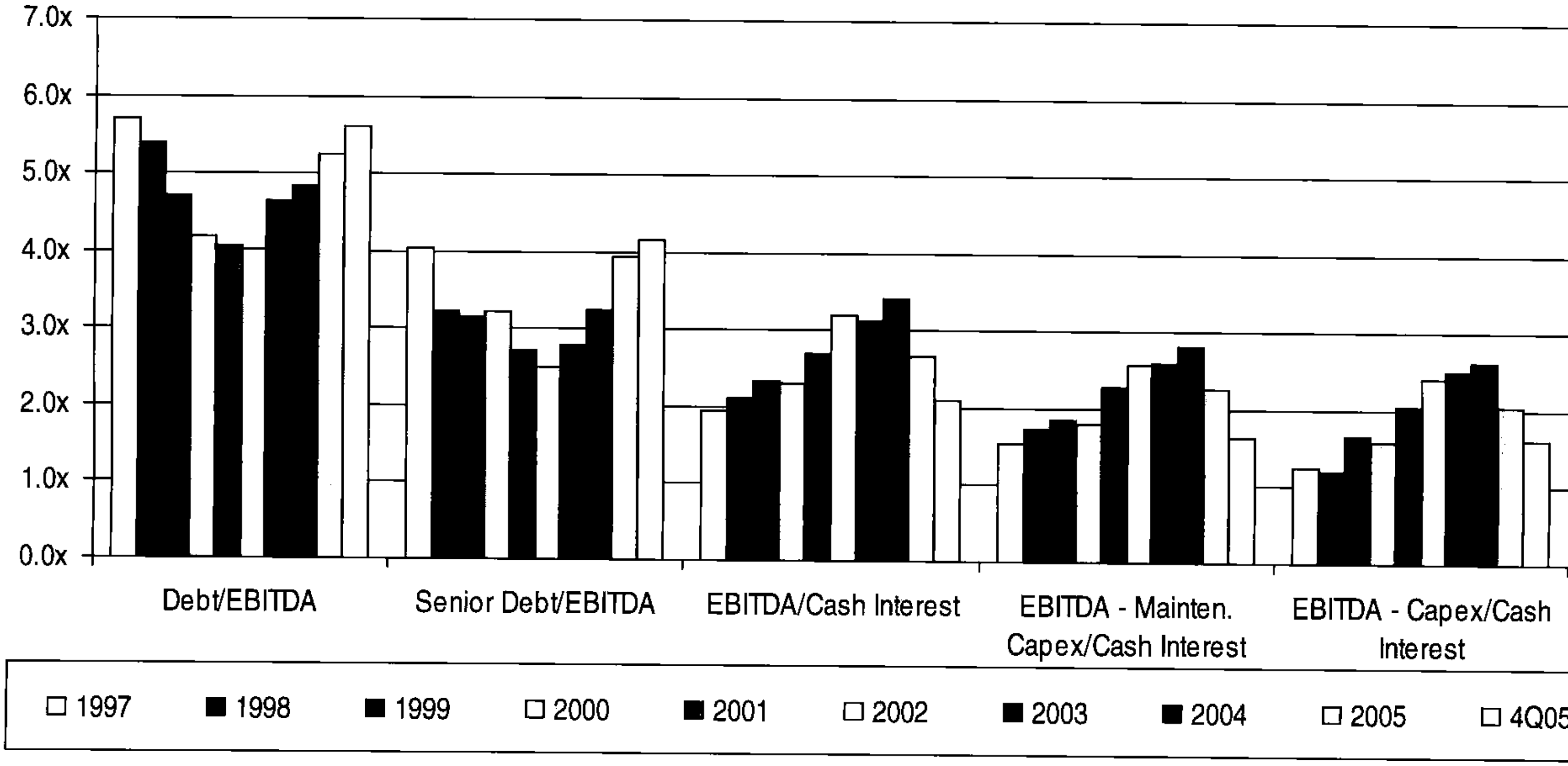
Source: *Buyouts*.

Market Overview
LBO Purchase Price Multiples



Source: Standard & Poor's LCD

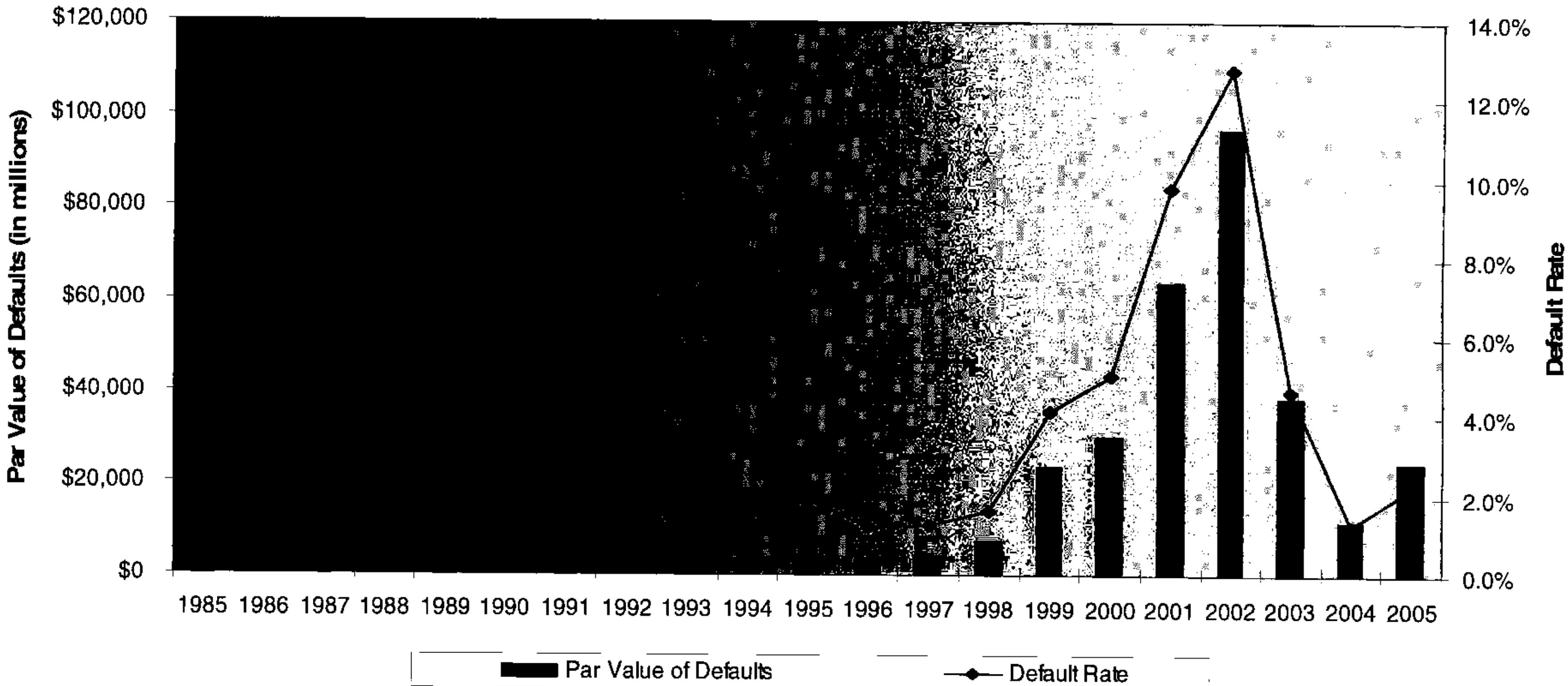
Market Overview
LBO Credit Statistics



Source: Standard & Poor's LCD

Market Overview

Historical High-Yield Default Rates



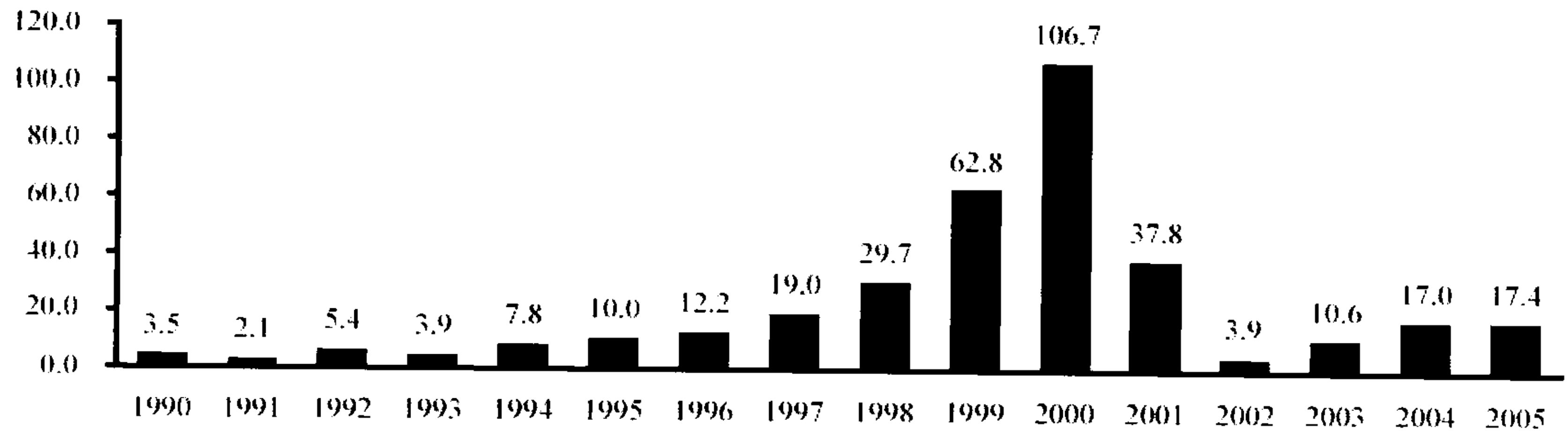
Source: Edward I. Altman – NYU Salomon Center

Exhibit 1

VENTURE CAPITAL COMMITMENTS

January 1, 1990 - September 30, 2005

Capital Committed
($ billions)



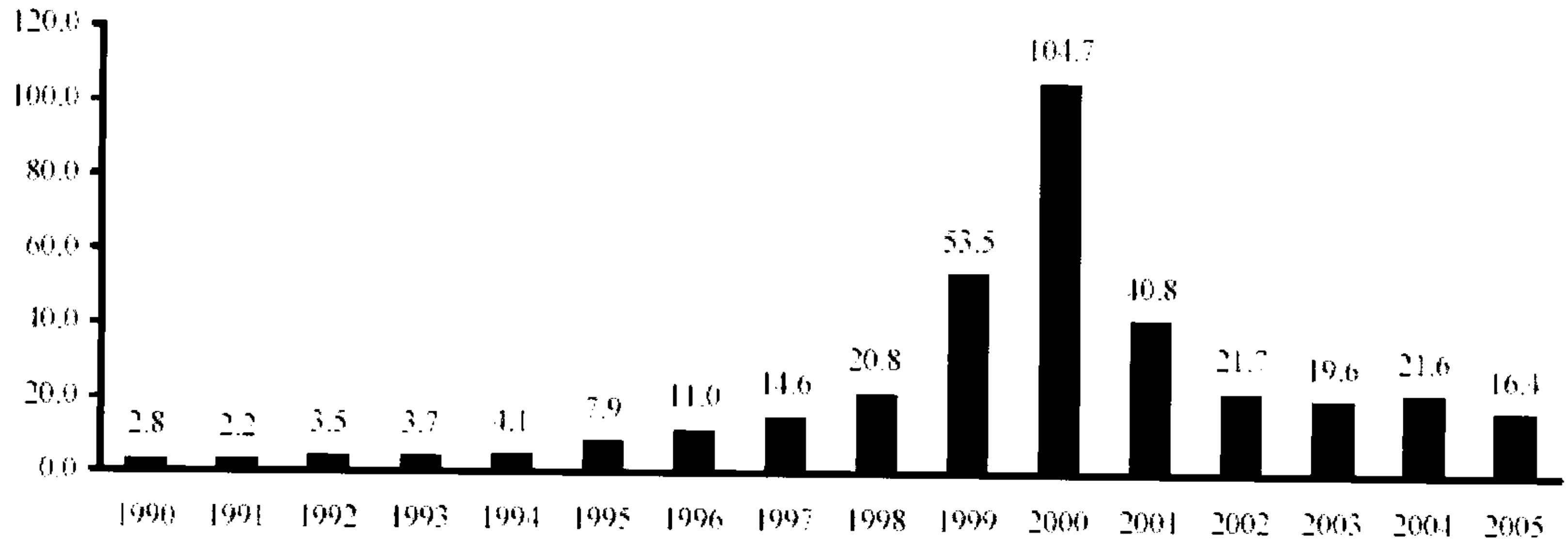
Sources: National Venture Capital Yearbook and Thompson Venture Economics

Market Overview
Venture Capital Investments

VENTURE CAPITAL INVESTMENTS

January 1, 1990 - September 30, 2005

Capital Invested
($ billions)



Sources: National Venture Capital Yearbook and Thompson Venture Economics

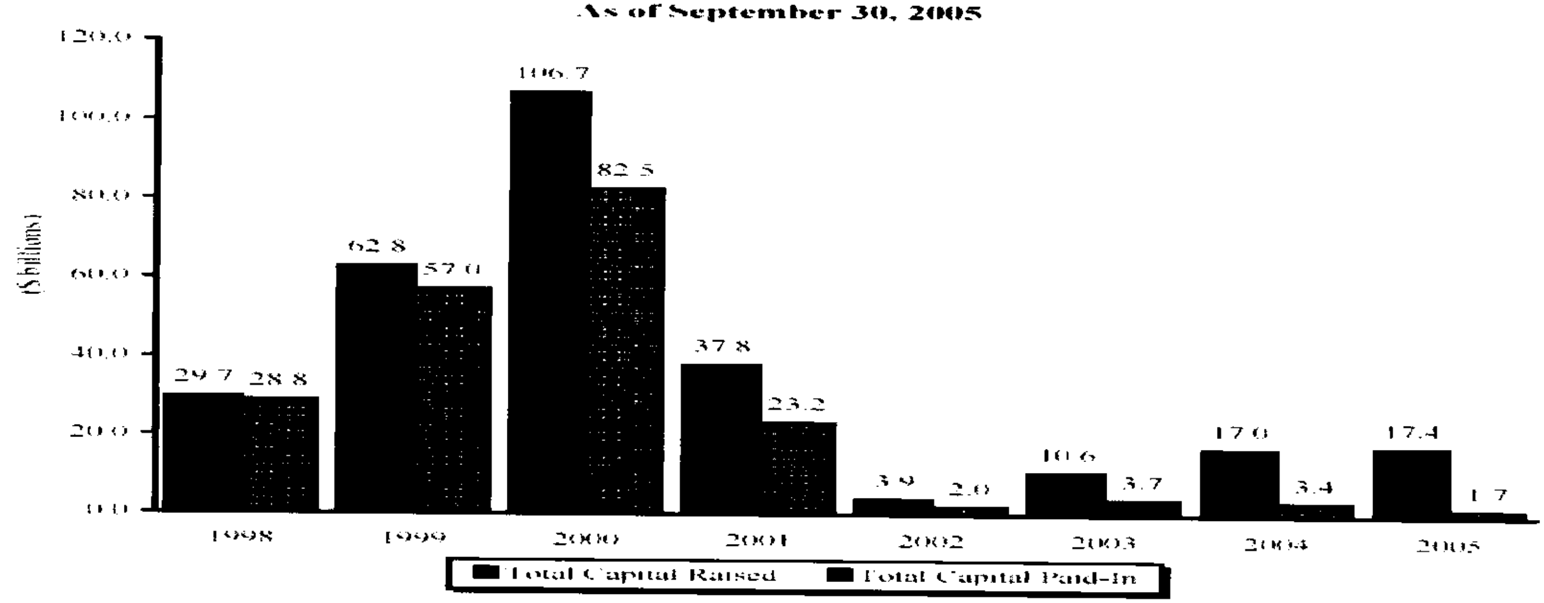
Market Overview

The Venture Capital Overhang is Going Away

Exhibit 8

U.S. VENTURE CAPITAL ESTIMATED CAPITAL UTILIZATION

As of September 30, 2005

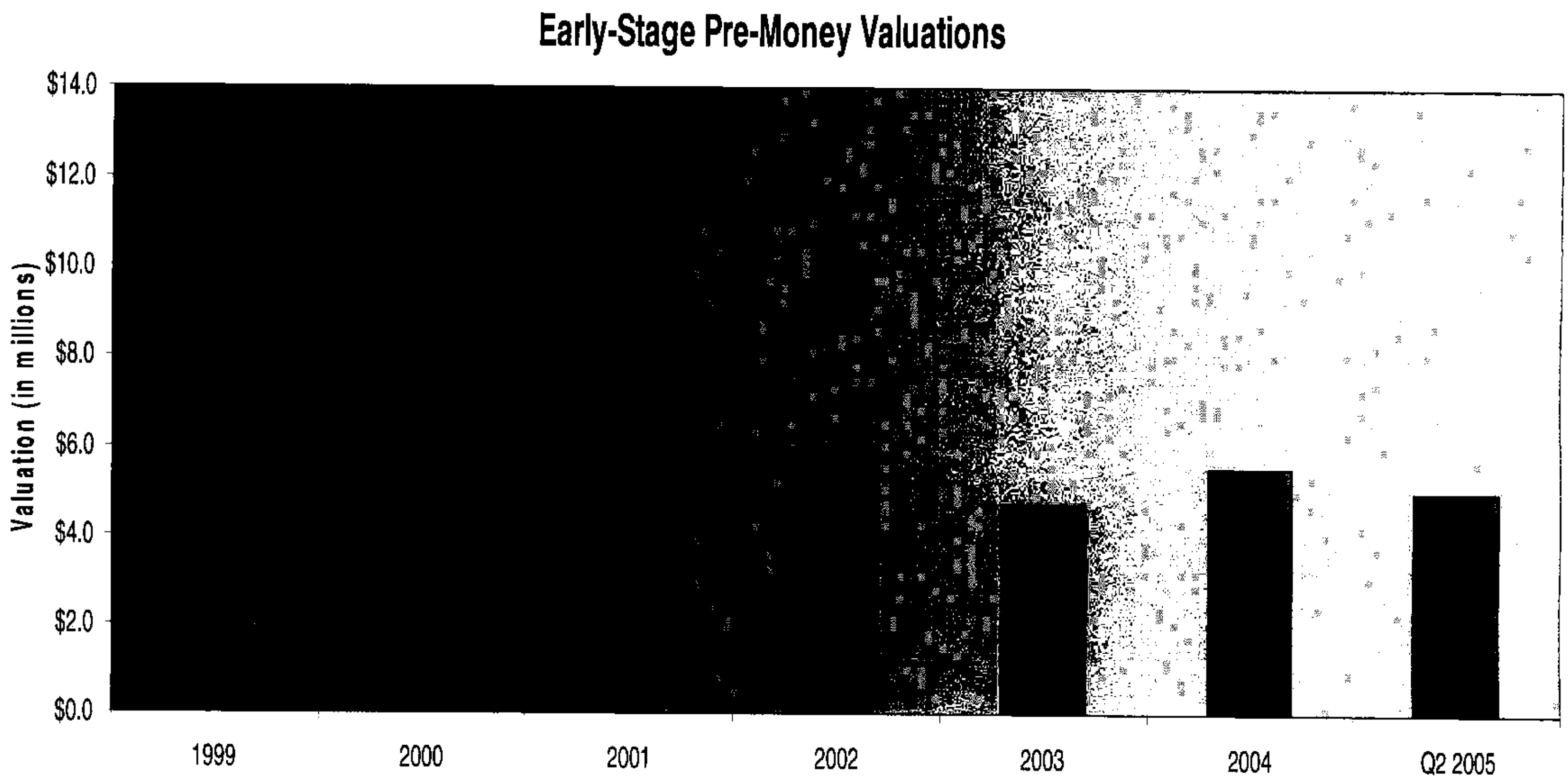


	1998	1999	2000	2001	2002	2003	2004	2005	Cumulative
Capital Commitments	$ 29.7	$ 62.8	$ 106.7	$ 37.8	$ 3.9	$ 10.6	$ 17.0	$ 17.1	$ 288.8
% Paid-In	*97%*	*91%*	*77%*	*62%*	*52%*	*35%*	*20%*	*10%*	
Estimated Paid-In Capital[1]	$ 28.8	$ 57.0	$ 82.5	$ 23.2	$ 2.0	$ 3.7	$ 3.4	$ 1.7	$ 202.5
Capital Uncalled	$ 0.9	$ 5.7	$ 24.2	$ 14.5	$ 1.9	$ 6.9	$ 13.6	$ 15.6	$ 83.3
Remaining Fees[2]									$ 25.1
Total Un-Invested (1998-2005)									**$ 58.3**

Sources: Cambridge Associates LLC Non-Marketable Alternative Assets Database and *National Venture Capital Association Yearbook*.

Market Overview

Pre-Money Valuations for Early-Stage Venture Capital



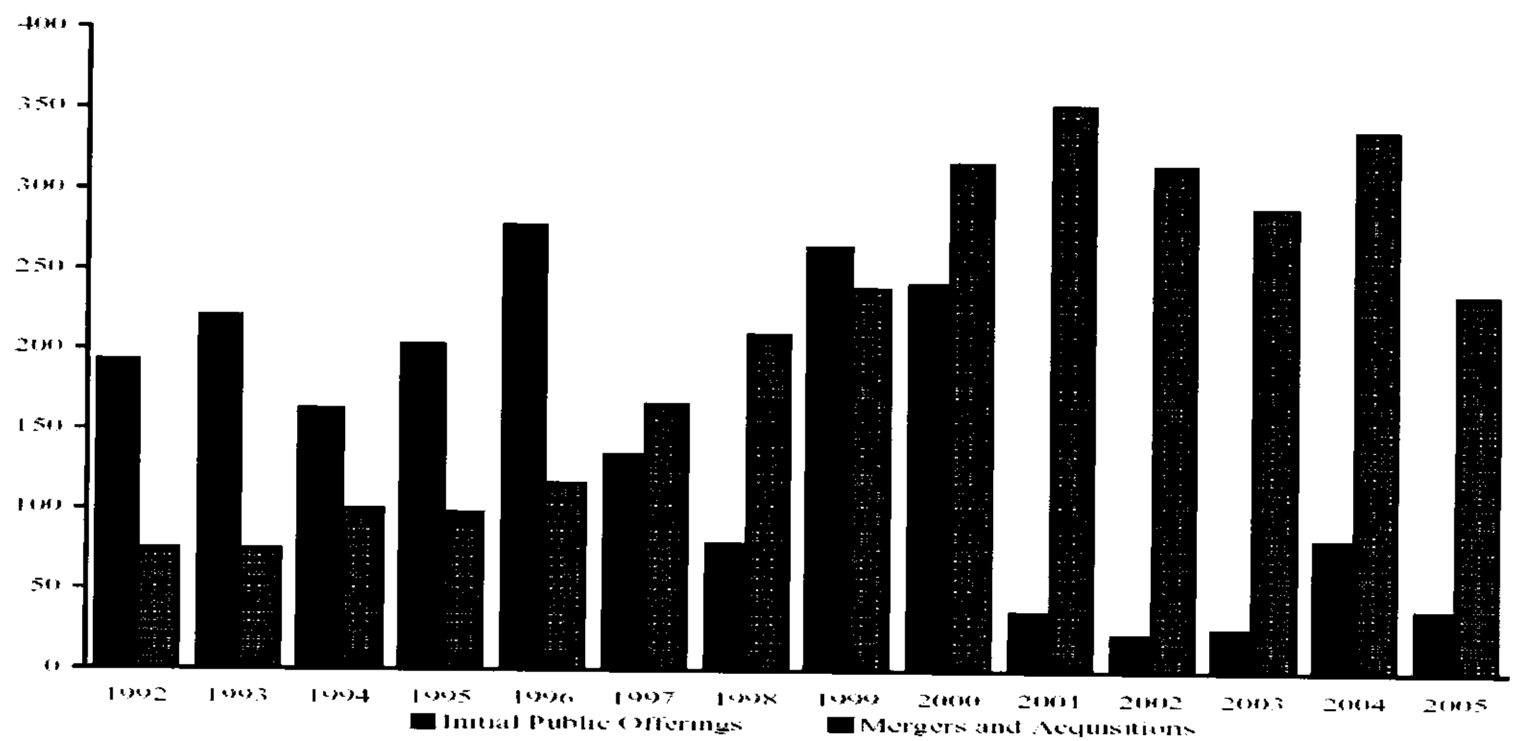
Source: VentureOne

Market Overview

Venture-Backed IPOs & M&A

NUMBER OF VENTURE-BACKED INITIAL PUBLIC OFFERINGS AND MERGERS AND ACQUISITIONS

January 1, 1992 - September 30, 2005

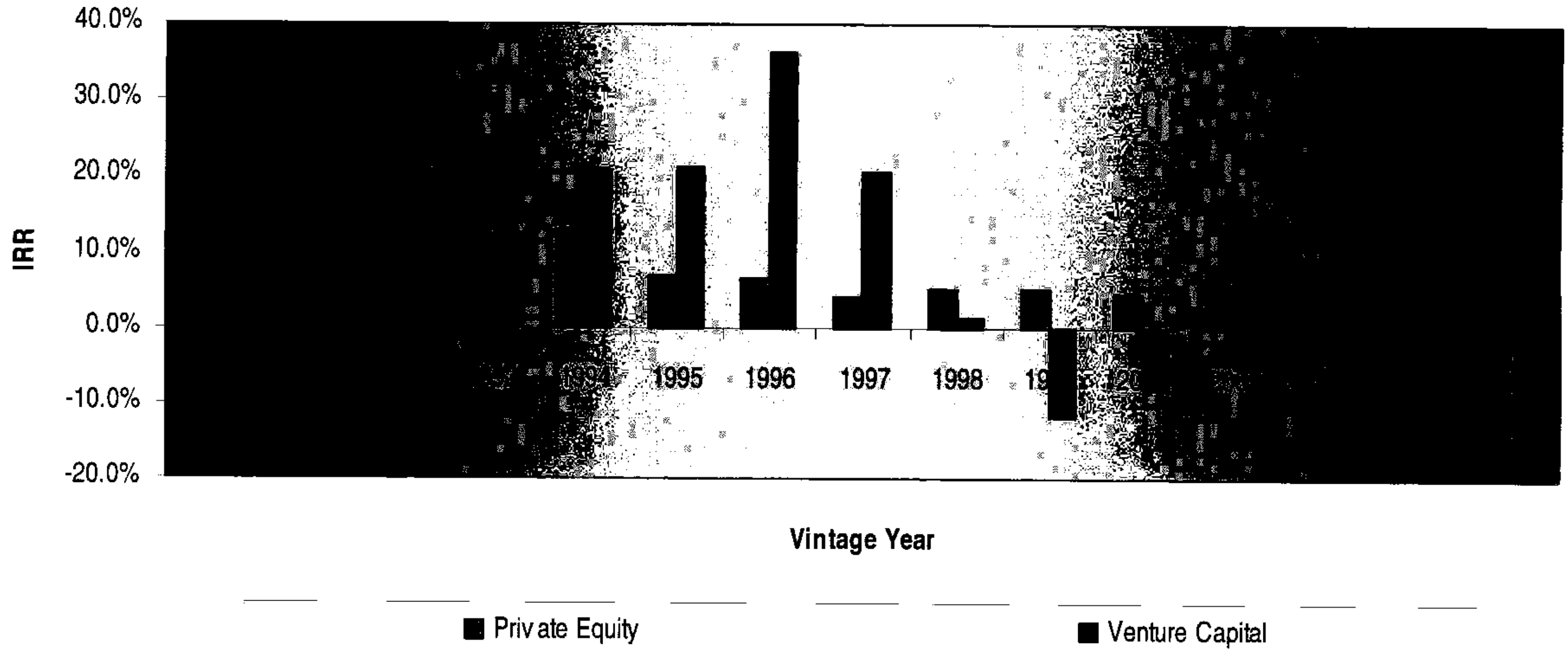


Sources: National Venture Capital Yearbook and Thompson Venture Economics

Market Overview

Historical Returns for Venture Capital and Private Equity

Private Equity vs. Venture Capital Median Returns by Vintage Year



Sources: Venture Economics

Market Overview
Implications for UTIMCO

- Maintain Diversification
- More than Ever, Focus on Quality
- Increase Exposure to Distressed Debt
- Continue to Search for Venture Opportunities
- Add Buyout Exposure, but Cautiously

What is Our Strategy for the Future?

Refine Our Tactics- Set Sub-asset Class Targets

NMA Allocation	Internal Targets	Current Market Value	Current Exposure
Opportunistic	3.0%	2.37%	4.44%
Buyouts			
Domestic Buyout	5.0%	4.32%	7.10%
International Buyout	3.0%	1.29%	2.51%
Total Private Equity	**11.00%**	**7.98%**	**14.05%**
Venture Capital			
Technology Venture	1.5%	0.57%	1.25%
Life Sciences Venture	0.5%	0.25%	0.62%
Diversified Venture	2.0%	1.06%	2.60%
Total Venture Capital	**4.00%**	**1.89%**	**4.47%**
Total NMA Allocation	**15.00%**	**9.87%**	**18.52%**

What is Our Strategy for the Future?

Refine Our Tactics- Set Sub-Asset Class Commitment Targets

Commitment Budget as of 8/31/05

Asset Class	Commitments ($MM)	% of Endowments
Small US Buyout	$167	1.50%
Middle Market US Buyout	$111	1.00%
Large US Buyout	$111	1.00%
Global Buyout	$167	1.50%
US Private Equity	**$557**	5.00%
Opportunistic	**$334**	3.00%
European Buyout	$278	2.50%
Other International Buyout	$56	0.50%
Non US Private Equity	**$334**	3.00%
Technology Venture Capital	$167	1.50%
Life Sciences Venture Capital	$56	0.50%
Diversified Venture Capital	$223	2.00%
Venture Capital	**$445**	4.00%
Grand Total	**$1,670**	15.00%

What is Our Strategy for the Future?

Refine our Tactics- Prepare a Forward Calendar

Remaining 2006 Forward Calendar

US PRIVATE EQUITY	VENTURE CAPITAL	OPPORTUNISTIC	NON US PRIVATE EQUITY
Small US Buyout	**Technology Venture Capital**	**Opportunistic**	**European Buyout**
Cortec	Crescendo	ArcLight Energy Parnters	3i
Cravey, Green, & Wahlen	Boulder Ventures	B V Capital Partners	Doughty Hanson
Southwest Opportunities Fund	Kodiak Venture Partners	ABRY Senior Equity Partners	Apax Partners
Wingate	Novak Biddle	Centerbridge	Duke Street
Middle Market US Buyout	Sevin Rosen	Fortress Investment Fund	Green Park
Evercore	**Life Sciences Venture Capital**	MHR	Orlando
Brockway Moran	PTV Sciences II		Permira
Fremont Partners	DeNovo Ventures		Quadriga
HIG Capital Partners	Domain Partners		Triton
Vestar Capital Partners	Three Arch		**Other International Buyout**
Large US Buyout	**Diversified Venture Capital**		Altor
KKR	Ampersand		Cerberus Asia Partners
Berkshire	Austin Ventures		
Francisco Partners	Rho Ventures		
Ripplewood Partners	Riverside US		
Global Buyout			
Texas Pacific Group			

**Black indicates current relationship*

What is Our Strategy for the Future?

Refine Our Tactics- Pre-Allocate Commitment Dollars

2006 Commitments		2007 Commitments	
US Private Equity		**US Private Equity**	
Angelo Gordon Private Equity	$30M	Eos	$50M
Blackstone	$75M	Green	$75M
Cravey, Green & Wahlen	$25M	JW Childs	$40M
Cortec	$45M	Wingate	$35M
KKR	$50M		
Southwest Opportunities	$30M		
Texas Pacific Group	$75M		
Total US Private Equity	**$330M**	**Total US Private Equity**	**$200M**
Non US Private Equity		**Non US Private Equity**	
Cinven	$77M	Barclays	$40M
Triton	$40M	Doughty Hanson	$75M
Total Non US Private Equity	**$117M**	**Total Non US Private Equity**	**$115M**
Opportunistic		**Opportunistic**	
Angelo Gordon Capital Recovery	$25M	MatlinPatterson	$75M
ArcLight	$50M	OCM/GFI Power	$50M
CenterBridge	$50M	Pomona	$50M
MHR III	$40M	SCF	$40M
Reservoir	$40M		
Windjammer	$30M		
Total Opportunistic	**$235M**	**Total Opportunistic**	**$215M**
Venture Capital		**Venture Capital**	
Austin Ventures	$15M	Advanced Technology Ventures	$40M
Ampersand	$25M	ARCH	$30M
Care	$40M	Fisher Lynch	$40M
Morgenthaler	$10M	Knightsbridge	$30M
Polaris	$25M	Union Square	$40M
PTV Sciences	$50M		
Technology Crossover Ventures	$35M		
Total Venture Capital	**$200M**	**Total Venture Capital**	**$180M**
Total 2006 Commitments	**$882M**	**Total 2007 Commitments**	**$710M**

**Black indicates commitments already made*

What is Our Strategy for the Future?
Invest in Texas

- Invest with Firms that Invest in Texas
  - Austin Ventures ($92M)
  - Encap ($65M)
  - Escalate Capital ($25M)
  - PTV Sciences ($80M)
  - SCF Partners ($142M)
  - Southwest Opportunity Fund ($50M)
  - Wingate Partners ($45M)
- Tap Relationships to Bring Outside LPs to Texas Funds
- Remain Focused on Top Quartile Performance

What is Our Strategy for the Future?

Support the Mission of the UT System

Invest with Firms that Commercialize UT System Technology

- PTV Sciences ($80M)
- Arch Venture Partners ($30M)
- Austin Ventures ($92M)

Consider Establishing a Pre-Seed Fund

- Bridge the gap between the research lab and the VC's portfolio
- Various uses of capital
    - Development of intellectual property
    - Prototype development
    - Market studies
- Fund must be independent and driven by expected profits
- Manager would work with UT System Institutions and others
- Other Texas-based funds could invest alongside UTIMCO

Conclusion

- 15% is within Reach
- Performance is Good
- Current Conditions Give Rise to Certain Opportunities
- Become More Proactive
- Support UT and the State

TAB 5

If Necessary,
Materials will be Presented at Meeting

The University of Texas Investment Management Company

Presentation Materials
Part Two

Board of Directors Meeting

March 30, 2006

UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
March 30, 2006

UTIMCO
401 Congress Ave., Ste. 2800
Austin, Texas 78701

Time Begin	Time End	Item #	Agenda Item
			Open Session:
9:30 a.m.	9:35 a.m.	1	Call to Order/Consideration of Minutes of January 17, 2006 Meeting*
9:35 a.m.	9:45 a.m.	2	Corporate Resolutions: - Designation of this Meeting as the Annual Meeting of the UTIMCO Board* - Election of UTIMCO Officers* - Designation of Key Employees*
9:45 a.m.	10:30 a.m.	3	Endowment and Operating Funds Update: - Performance Report - Liquidity Profile - Risk Dashboard - Comprehensive Derivative Report - Report on Actions Taken Under Delegation of Authority - Intermediate Term Fund ("ITF") Update
10:30 a.m.	11:30 a.m.	4	Private Markets Group Presentation
11:30 a.m.	12:00 p.m.	5	Discussion and Consideration of Proposed Investments: - Public Markets Investments - Marketable Alternative Investments (if necessary)* - Non-Marketable Alternative Investments (if necessary)*
12:00 p.m.	1:00 p.m.		**Lunch**
1:00 p.m.	1:30 p.m.	6	Discussion and Consideration of Recommended Distribution Rates: - Permanent Health Fund (PHF)*, ** - Long Term Fund (LTF)*, ** - Intermediate Term Fund (ITF)*, **
1:30 p.m.	2:15 p.m.	7	Discussion of Investment Environment and Opportunities
2:15 p.m.	3:00 p.m.	8	Report from Policy and Risk Committees: - Consideration of Recommended Changes to Investment Policies*, ** - Consideration of Recommended Changes to Delegation of Authority Policy*
3:00 p.m.	3:10 p.m.		**Break**
3:10 p.m.	3:25 p.m.	9	Report from Compensation Committee
3:25 p.m.	3:40 p.m.	10	Discussion and Consideration of Recommended Changes to Charters of the Risk Committee and the Audit and Ethics Committee*
3:40 p.m.	3:55 p.m.	11	Annual Report on External Consultant - Consideration of Contract*
3:55 p.m.	4:10 p.m.	12	Annual Report on External Counsel
4:10 p.m.			Adjournment

* Action by resolution required
**Resolution requires further approval from the U. T. System Board of Regents

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item:	Discussion and Consideration of Recommended Distribution Rates for the Permanent Health Fund (PHF), the Long Term Fund (LTF) and the Intermediate Term Fund (ITF)
Developed By:	Boldt, Moeller
Presented By:	Boldt
Type of Item:	Action Item; Action required by UTIMCO Board; Action required by U.T. System Board of Regents
Description:	Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates are discussed in the attached Recommendation of Distribution Rates and are based on the Investment Policy Statements. The Permanent University Fund distribution amount will be recommended at a later date.
Recommendation:	UTIMCO staff recommends that the UTIMCO Board approve the following for fiscal year ending August 31, 2007: 1) The distribution rate for the PHF increased from \$0.0482 per unit to \$0.0496 per unit. 2) The distribution rate for the LTF be increased from \$0.2764 per unit to \$0.2844 per unit. 3) The distribution rate for the ITF remains at 3.0% per annum.
Reference:	Recommendation of Distribution Rates Investment Policy Statements

RESOLUTION RELATED TO PHF, LTF AND ITF DISTRIBUTION RATE INCREASES

RESOLVED, the distribution rate for the Permanent Health Fund be increased from $.0482 per unit to $.0496 and the Long Term Fund be increased from $0.2764 per unit to $0.2844 per unit for fiscal year 2007, effective with the November 30, 2006 distributions, and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2007, effective with the September 1, 2006 distribution.

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

Recommendation of Rates

LTF AND PHF

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

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

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

We are recommending a 2.9% increase in the LTF distribution rate from $0.2764 to $0.2844 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The LTF's distribution rate calculated using the prior twelve quarter average value of the LTF is 5.0%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The increase in the consumer price index for the prior three years as of November 30, 2005, was 2.9%.

We are recommending a 2.9% increase in the PHF distribution rate of $.0482 to $.0496 per unit. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 4.9%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy.

ITF

The distribution rate for the ITF was set at 3.0% per annum for the remainder of fiscal year 2006 by the UTIMCO Board and the Board of Regents at their January 17, 2006 and February 9, 2006 meetings, respectively. We are recommending that the rate remain at 3.0% for fiscal year 2007.

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

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 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 8

Agenda Item
Board of Directors Meeting
March 30, 2006

Agenda Item: Report from Policy and Risk Committees on Investment Policies

Developed By: Staff

Presented By: Rowling, Tate, Boldt

Type of Item: Action item; Action required by UTIMCO Board; Action required by UT System Board of Regents

Description: The Policy Committee met on March 7, 2006, and approved the investment policy statements for each Fund ***except for Exhibit A of the PUF, GEF, ITF, LTF and PHF and Exhibit B of the LTF and PHF (which are the GEF's Exhibit A***). The Policy Committee requested that the Risk Committee review the changes in Exhibit A. The Policy Committee also approved the proposed amendments to the Derivative Policy.

The Risk Committee has a meeting scheduled on Thursday, March 30, 2006, prior to the UTIMCO Board meeting. The Risk Committee will recommend to the Board appropriate action related to Exhibit A (PUF, GEF, ITF, LTF and PHF) and B (LTF and PHF.)

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Polices for each Fund at least annually by June 1 of each year. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, designated performance benchmarks for each asset class and such other matters as the U.T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to UT System staff for review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the Board of Regents. The following Investment Policies are enclosed for the Policy Committee's review and approval with further approval by the UTIMCO Board and Board of Regents:

- Permanent University Fund (PUF)
- General Endowment Fund (GEF)
- Intermediate Term Fund (ITF)
- Long Term Fund (LTF)
- Permanent Health Fund (PHF)
- Separately Invested Funds (SIF)
- Derivative Investment Policy

The Short Term Fund (STF) Investment Policy Statement and the Liquidity Policy were reviewed by staff and there are no recommended amendments. The STF

Agenda Item
Board of Directors Meeting
March 30, 2006

Investment Policy Statement and Liquidity Policy were amended by the Board of Regents in November, 2005.

Since long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, and designated performance benchmarks for each asset class were reviewed in great detail last year, only minor revisions relating to Cash in Exhibit A for the PUF, GEF, and ITF are recommended. However, a more substantive revision to Exhibit A is being recommended to more accurately portray the exposure result of the implementation of the approved Derivative Policy.

Recommendation: The Policy Committee recommends approval of the Investment Policy Statements for the PUF, GEF, ITF, LTF, and PHF except for Exhibit A of the PUF, GEF, ITF, LTF and PHF and Exhibit B of the LTF and PHF. The Risk Committee will recommend appropriate action related to the Exhibits. The Policy Committee recommends approval of the Derivative Investment Policy.

Discussion: The PUF and GEF have the same requested amendments. The following changes are proposed to align the PUF and GEF with the ITF:

- Page 4 PUF, Page 3 GEF: Under Investment Objectives, adding language that diversification and projected portfolio risk profile should be sustained. As discussed in the ITF section below, this language was amended slightly as originally written in the ITF. Also, added that the return, asset allocation and risk targets are subject to adjustment from time to time.
- Page 4 PUF, Page 3 GEF: Under Asset Allocation and Policy, added language related to measuring and reporting asset allocation and circumstances related to compliance with the ranges in Exhibit A. This language was added by UT System staff to the ITF and was proposed language to the IMSA. UTIMCO staff agreed to adjust the investment policies instead of adding the language to the IMSA. UTIMCO staff adjusted the language slightly to include projected risk.
- Page 6 PUF, Page 5 GEF: Under Definitions of Hedge Funds, clarified the use of the commingled funds. The internal commingled fund is the hedge fund pool started last fall.
- Page 7 PUF, Page 6 GEF: Under Cash and Cash Equivalents, clarified definition of cash and cash equivalents.
- Page 7 PUF, Page 6 GEF: Under Performance Measurement, added reporting requirements.
- Page 9 PUF, Page 8 GEF: Under Cash and Cash Equivalents, added the words highly liquid.

- Page 10 PUF, Page 9 GEF: Domestic Fixed Income, clarified section related to external manager's use of below investment grade bonds and added Fitch Investors as a rating service.
- Page 11 PUF, Page 10 GEF: Under Equities, removes the ability of the CIO to override the limit of 5% of its equity securities in one corporation at cost.
- Page 13 PUF, Page 12 GEF: Added language to investor responsibility to state that the proxies will be voted in compliance with the proxy voting policy.

Staff is proposing general changes to Exhibit A of the PUF and GEF. Exhibit A is prepared on a net exposure, <u>not cash</u>, basis (see attached discussion related to Exhibit A):

- Added a table indicating the risk bounds expressed as a % of target risk. These bounds were calculated from the asset ranges approved by the UTIMCO Board and Board of Regents last year.
- Segregated Cash into subcomponents
- Extended the range of Cash to include a negative cash lower bound to accommodate short term cash imbalances and negative accrual situations.
- Added a new line entitled "Net Exposure Adjustments" to account for positions allowed under the Derivative Policy. There are no targets or ranges for the line item since it will be completely controlled by the Derivative Policy.

The following items were requested on the ITF:

- Page 2 and 3, added projected to portfolio risk profile and that it should be maintained, and not must. The removal of the word "must" allows for the event that if projected portfolio risk moves outside the ranges, there is a mechanism in place to handle which has also been added.
- General changes to Exhibit A: (Prepared on a net exposure, <u>not cash</u>, basis; see attached discussion related to Exhibit A)
    - Added a table indicating the risk bounds expressed as a % of target risk. These bounds were calculated from the asset ranges approved by the UTIMCO Board and Board of Regents last year.
    - Segregated Cash into subcomponents
    - Extended the range of Cash to include a negative cash lower bound to accommodate short term cash imbalances and negative accrual situations.
    - Added a new line entitled "Net Exposure Adjustments" to account for positions allowed under the Derivative Policy. There are no targets or ranges for the line item since it will be completely controlled by the Derivative Policy.

Agenda Item
Board of Directors Meeting
March 30, 2006

The LTF and PHF have the same requested amendments, as follows:

- Page 2 LTF, Page 3 PHF: Under Funds Eligible to Purchase Units, removed the words and/or UTIMCO.
- Page 3 LTF, Page 3 PHF: Under Investment Objectives, adding language that diversification and projected portfolio risk profile should be sustained. As discussed in the previous ITF section, this language was amended slightly as originally written in the ITF. Also, added that the return, asset allocation and risk targets are subject to adjustment from time to time.
- Page 3 LTF, Page 4 PHF: Under Asset Allocation and Policy, added language related to measuring and reporting asset allocation and circumstances related to compliance with the ranges in Exhibit A and B. This language was added by UT System staff to the ITF and was proposed language to the IMSA. UTIMCO staff agreed to adjust the investment policies instead of adding the language to the IMSA. UTIMCO staff adjusted the language slightly to include projected risk. Also updated the definition of cash equivalents to be consistent with the ITF's definition.
- Page 6 LTF, Page 6 PHF: Under Valuation of Assets, added language that clarified when the final determination of net assets at month end would be available.
- Page 7 LTF, Page 7 PHF: Expanded language related to investor responsibility to align with the ITF investment policy statement.
- Exhibit A: Updated for risk data to be consistent with the GEF. Also, extended the range of Cash to include a negative cash lower bound to accommodate short term negative accrual situations.
- Exhibit B: Updated based on proposed changes to the GEF's Exhibit A.

The SIF has the following proposed amendments:

- Page 1: Shortened the name to Separately Invested Funds since this is the term used to describe this group of funds.
- Page 1: Added language to clarify that these are separate accounts whereby specific account requirements may cause the account to fall outside the guidelines. Also, added a type of account to clarify that UTIMCO may not have investment discretion on certain accounts.
- Page 2: Added an additional group of accounts and named other to include accounts which are not endowments or trust accounts but are also separately invested and managed by UTIMCO.
- Page 3: Deleted operating accounts since these are no longer available for the institutions with the centralized operating funds.
- Page 4: Changes to the General section were made to bring in line with the other investment policy statements.
- Page 5 and 6: Removed the old derivative language and replaced with the current derivative language.

- Page 8: Changes to the Fixed Income Securities section to bring in line with other investment policy statements.
- Page 10: Added language to clarify when final determination of the net asset value of the individual accounts will occur.
- Page 11: Added language to investor responsibility to state that the proxies will be voted in compliance with the proxy voting policy.

The Derivative Policy has been updated to include Separately Invested Funds.

Reference: Investment Policy Statements for the PUF, GEF, ITF, LTF, PHF, and SIF; Derivative Policy; Exhibit A Memorandum

RESOLUTION RELATED TO INVESTMENT POLICIES

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Intermediate Term Fund, Long Term Fund, Permanent Health Fund, and Separately Invested Funds and the Derivative Investment Policy as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Discussion Regarding Recommended Changes to Exhibit A of Investment Policy Statements

Exhibit A is an attachment to Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Intermediate Term Fund (ITF), and (as Exhibit B) the Long Term Fund (LTF) and the Permanent Health Fund (PHF). The Exhibit specifies policy targets and ranges, as well as benchmarks, for each defined asset category. The proposed changes are intended to clarify the basis of determining investment exposure in each asset category, increase transparency in the compliance reporting process, allow short term flexibility to avoid unnecessary transaction costs, and resolve conflicts with other Policies.

As we have discussed at prior Board meetings, there are three distinctive facets to our portfolios. The "dollar" facet simply reports how many dollars we have invested in each asset category. In the days before derivatives, the dollar facet was a good descriptor of most portfolios. However, now that derivatives are used regularly to both establish and hedge positions in our portfolios, the "exposure" facet is a much more effective in providing a true picture of the portfolios. Perhaps the most effective facet, the "risk" facet, is relatively new, but will increasingly become our primary yardstick for the portfolios. So, it is important to specify that the Policy targets and constraints defined in Exhibits A are stated in <u>exposure</u>, rather than dollar terms, and that the Policy specifications are enhanced by the addition of <u>risk</u> limits as well. The simple example below illustrates why Exhibits A must be specified in exposure terms:

Example 1: The simplified Exhibit A below shows the differences in how a simple derivative position would be reported in dollar and exposure terms:

	"Dollar" View	"Exposure" View
US Equities	$0	$100
Cash	100	0

A standard derivative position in which equity futures are fully collateralized by cash would be correctly reported as an equity position in an exposure view, but incorrectly reported as a cash position in the dollar view since futures have no dollar value. Similar problems arise in more complicated positions, but since the dollar view fails the most elementary test, it is inappropriate as a standard. We note that accountants use the dollar standard for financial statements. However, in order to provide a more complete picture of true financial position, there are extensive footnotes disclosing derivative positions. Anyone who has tried to wade through statements done this way would surely agree that exposure reporting is more transparent and useful.

Another problem with typical asset allocation reports, whether done in dollar or exposure terms, is that the "cash" category is often used as a catchall for several actual cash and some non-cash items. To make matters worse, these cash and non-cash items are netted, further obscuring the true cash liquidity position of the portfolios. We recommend an improvement in reporting that will enhance the transparency of our "cash" positions. The green categories on the attached example Exhibit A rename "cash" as "Liquidity Reserve" and add useful subcategories:

Liquidity Reserve
- Unencumbered Cash
- Short Term Debt
- Temporary Cash Imbalance (3 trading days or less)
- Net Non-Trading Receivable

Unencumbered cash is actual cash (usually invested in short term debt instruments) that is not serving as collateral for a derivatives position and not being used to balance risk in an investment strategy. It is true liquidity immediately available for any investment, distribution, or payment from the portfolios. We do everything we can to keep unencumbered cash as small as possible. In fact, our operations department produces a daily cash report to assist our efforts in minimizing this PVA drag. Unencumbered cash will always show as a positive number in our reports.

Short term debt would include any short term loans taken to establish investment positions, make distributions, or make any payments from the portfolios. We do not currently have the authority to assume short term debt, and have no current plans to do so. However, that may not be the case in the future and, in the interest of providing the greatest transparency, we recommend adding this category to the report with a Policy level of zero. If short term debt was assumed, it would show as a negative number in this report (offset by the positive balance of the investment financed by the debt in one of the other asset categories).

The Temporary Cash Imbalance subcategory will disclose any temporary (defined as 3 trading days or less) cash imbalances occurring at the end of a reporting period. These cash imbalances could be corrected by transactions, but any transactions are costly and we recommend that we simply report the imbalances and not incur unnecessary costs for cosmetic reporting purposes. This item could be either positive or negative, but is most likely to be negative. A recent example is the distribution payment and LBJ Foundation contribution imbalance we discussed at our last Board meeting. It is important to note that the imbalances have occurred repeatedly in the past. However, the past occurrences were not reporting issues because cash balances were typically larger in the past, and these cash balances were netted against the temporary imbalance, resulting in a positive cash balance. However, since we are now managing unencumbered liquidity more efficiently, we do not have idle balances to offset these temporary imbalances. It is also important to note that even if negative imbalances were large enough to cause the total Liquidity Reserve category to show a negative balance, this does not mean we are borrowing money to support investment positions. It is highly likely that we would have cash positions elsewhere in the portfolio either acting as collateral or as an investment reserve that could be used to cover the negative balance in the extremely unlikely event that that would be necessary over the 3 day period of the imbalance.

Net Non-Trading Receivables are amounts that we have accrued for future receipt or payment, and are not an actual cash item. Examples would include accrued performance fees payable to our active managers or revenue share payments accrued for payment to UTIMCO from external managers. This item could be either positive or negative, but is more likely to be negative. Again, when idle cash was available in the past, this was not an important issue. But with both lower cash balances and a greater number of managers on performance fees, this has become a more important disclosure item.

We recommend changing the lower end of the Liquidity Reserve Policy Range to -5%, from 0%. This recommendation is primarily to accommodate the Temporary Cash Imbalance category for a very short period of time. The only Liquidity Reserve categories that could be negative (assuming short term debt is zero as a matter of policy) are Temporary Cash Imbalance and Net Non-Trading Receivables. Negative cash imbalances should be short-lived, and non-trading payables should be relatively small. Thus allowing the extra flexibility of a negative balance in the Liquidity Reserve should allow us to accommodate the rare cases of cash imbalances and larger non-trading payables without disrupting our tight control of excess liquidity or requiring wasteful transactions.

We have also recommended the addition of a new entry on Exhibit A, the Net Exposure Adjustment balance as indicated in blue on the attached sample Exhibit A. This new line item is necessary to accommodate exposure, as opposed to dollar, reporting, to prevent conflicts between the Asset Allocation Policies and the Derivatives Policy, and to facilitate risk control procedures in the portfolios.

The derivative policy currently allows the establishment of a derivatives position with a risk level of 120% of the baseline portfolio. However, the current Exhibit A does not allow a simple derivatives position meeting the Derivative Policy to be established. This situation is illustrated in the example below:

"Exposure" View	US Equity Index Fund	US Equity Futures, Full Cash Collateral	US Equity Futures, Cash Collateral at Derivative Policy Limits
US Equities	$100	$100	$100
Cash collateral		100	80
Cash	0	0	0
Net Exposure Adjustment	0	0	20
Risk Level (Multiple of benchmark level)	1.0	1.0	1.2

The simplified "Exhibit A" above illustrates two derivatives transactions, both allowed by the current derivatives policy, contrasted with a standard long-only index fund position. The fully collateralized futures position would show zero in the cash category since in the exposure view the $100 in cash is supporting the $100 futures position providing the same US Equities position (and risk level) as the index fund. However, the second derivatives transaction in which a $100 futures position is collateralized by only $80 of cash creates a reporting problem under the current structure of Exhibit A. The risk level of this transaction is within the allowable range of the current Derivatives Policy. A transaction of this type can be particularly useful in balancing the overall risk of the portfolio to policy limits without costly transactions or transfers between external managers. It is the type of transaction that it is essential for us to effectively manage the portfolio in a risk budgeting format.

The transaction is well controlled by both the Derivatives Policy limits and risk policy limits proposed on Exhibit A. But the $20 mismatch between the $100 futures position and the $80 cash collateral must be reported somewhere in Exhibit A. One possibility would be to show the $20 as a negative cash position. The -$20 would be netted against the other items in the "Cash" category. But, current Policy range limits on cash would not allow a net negative cash position, and thus the Derivatives Policy is in conflict with the Asset Allocation Policy. Actually, the situation is even worse than it seems. First, the $20 is not truly a "cash" item, it is simply a balancing entry required under exposure reporting. Second, lumping this non-cash exposure item into Cash to produce a hodge-podge Cash number actually obscures what is really happening in the portfolio. We believe a much more appropriate procedure is to report the $20 as what it really is, a Net Exposure Adjustment. This procedure enhances transparency and provides a truer picture of actual exposures in the portfolio. The Net Exposure Adjustment would not have a Policy Target or Policy Range since these adjustments are controlled by the Derivatives Policy.

A final word about concerns some have expressed about the "leverage" inherent in a derivatives transaction not fully collateralized, but falling within all Derivative Policy limits. As I hope we all realize from presentations over the past two Board meetings, "leverage" is a slippery concept. As an example, consider the two investment strategies below:

"Exposure" View	US Equity Futures, Cash Collateral at Derivative Policy Limits	Active Equity Manager Portfolio*
US Equities	$100	$100
Cash collateral	80	
Cash	0	0
Net Exposure Adjustment	20	0
Risk Level (Multiple of benchmark level)	1.2	1.4

The derivative strategy is the one just considered, $100 futures backed by $80 collateral, resulting in a risk level of 120% of the US Equities benchmark. The second strategy is a long-only active equity manager holding a portfolio of large companies most of us would consider fairly standard holdings, resulting in a risk level of 140% of the US Equity benchmark. I have listed the companies held in this portfolio below. Which is the "levered" strategy? We know that the long-only portfolio is at least 17% more risky than the derivatives strategy (and, in fact, would not be allowed as a derivatives transaction under our Derivatives Policy). So, it could be said that the long-only portfolio is more "levered" to the US Equity market than the derivatives strategy. But, wouldn't we have to put up more money if the futures contract went to zero? Yes, but what is more likely, that the entire S&P 500 Index would go to zero or that the companies in the long-only portfolio would go to zero? The point is that we have very reasonable risk controls in place through the combination of the Derivatives Policy, the Asset Allocation Policy, and the increasingly important risk limits monitored by the Risk Committee. We are managing the portfolios by a risk budgeting process. In order for that process to be successful, we need investment tools with flexibility such as the derivatives strategy illustrated above. In order to make use of the tools already allowed under existing Policies, we need to eliminate conflicts between Policies and focus on macro level policy limitations rather than micromanaging lower level position limitations.

Sample Active Equity Portfolio (equal weighted):

Intel Corp.
Home Depot Inc.
Hewlett-Packard Co.
Sprint Nextel Corp.
Oracle Corp.
Apple Computer Inc.
Merrill Lynch & Co. Inc.
Morgan Stanley
Boeing Co.
Texas Instruments Inc.

As indicated earlier, our objectives in the recommended changes to Exhibit A are to:

- clarify the basis of determining investment exposure in each asset category,
- increase transparency in the compliance reporting process,
- allow short term flexibility to avoid unnecessary transaction costs, and
- resolve conflicts with other Policies.

The recommendations clarify the basis of determining investment exposure by specifying that compliance and reporting will be done on an exposure, rather than a dollar, basis. Transparency in the compliance and reporting processes will be significantly enhanced by showing the subcategories comprising the Liquidity Reserve, showing the Net Exposure Adjustment as a separate line item, and by adding risk range limits as calculated from the existing asset category Policy ranges. Short term flexibility, more effective cash management, and cost savings by avoiding unnecessary transaction costs will be accomplished by allowing up to a -5% Liquidity Reserve balance in the case of rare temporary cash imbalances or unusually large negative accruals. Finally, by separating the Net Exposure Adjustment line item from the Liquidity Reserve category and by allowing the Net Exposure Adjustment item be controlled by the Derivative Policy, conflicts between the Asset Allocation Policy and the Derivatives Policy are eliminated.

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
~~C~~ASH Liquidity Reserve	**0.0**	**-5 ~~0~~ to 10**	90 Day T-Bills
Unencumbered Cash			
Short Term Debt			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

PUF

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas - Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville, West Texas A&M University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Baylor College of Dentistry).

PUF Organization

The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional one million acres of land. Today, the PUF contains 2,109,190 acres of land (the "PUF Lands") located in 19 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested pursuant to this Policy Statement. Surface income, as a renewable source of income, is distributed to the Available University Fund (the "AUF"), as received. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

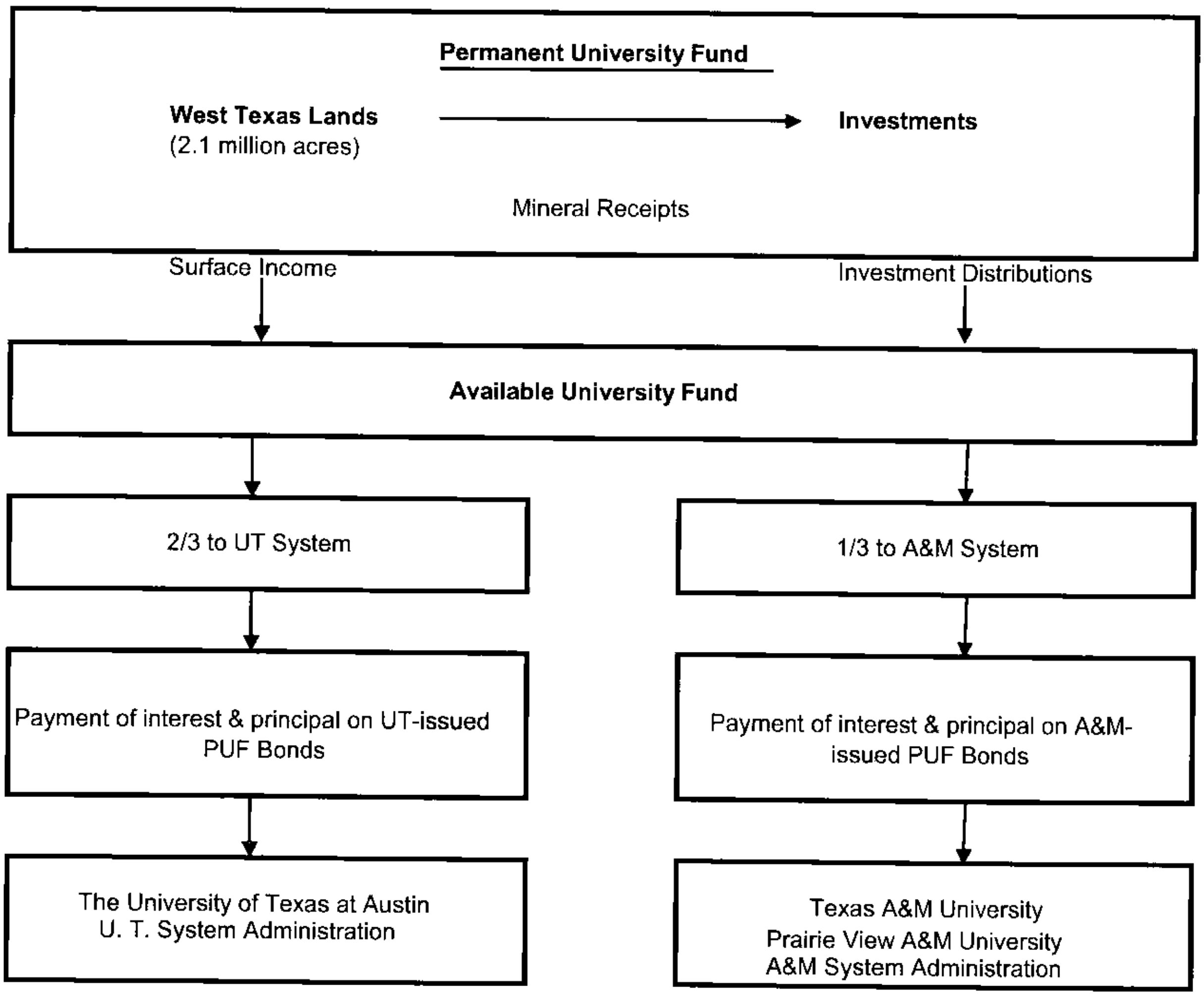
The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, expenditures for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the Board of Regents and the Texas A&M University System Board of Regents (the "TAMUS Board") to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

Second, expenditures to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university Systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

Exhibit 1



PUF Management

Article VII, Section 11b of the Texas Constitution assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the PUF rests with the Board of Regents. Section 66.08 of the *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PUF shall be managed by UTIMCO, which shall a) recommend investment policy for the PUF, b) recommend specific asset allocation targets, ranges and performance benchmarks consistent with PUF objectives, and c) monitor PUF performance against PUF objectives. UTIMCO shall invest the PUF's assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

PUF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PUF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

PUF Investment Objectives

The PUF and the General Endowment Fund (the "GEF") are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund plus the annual expected expense. The current 5.1% target was derived by adding the PUF's current target distribution rate of 4.75% plus an annual expected expense of .35%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. The PUF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than $1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PUF's asset allocation policy targets.

Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PUF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. ~~Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook. In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A, UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable.~~ UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PUF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

PUF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. U.S. Equities – U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.

B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets. Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

Non-U.S. Developed Equity – Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All – Country World Equity Index – excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.

Emerging Markets Equity – Emerging markets equities represent ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal~~ly~~ ~~managed~~ commingled investment fund managed by UTIMCO.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage, event driven strategies and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal~~ly~~ ~~managed~~ commingled investment fund managed by UTIMCO.

D. Private Capital - Private capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

Venture Capital – Venture capital investments consist of investments in companies, both U.S. and non-U.S. that are in the early stages of development. Venture capital investments are held either through limited partnerships or as direct ownership interests.

Private Equity – Private equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private equity investments are held either through limited partnerships or as direct ownership interests. The Private equity category also includes mezzanine and opportunistic investments. Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.

E. Inflation Linked – Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:

    REITS – REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

    Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

    TIPS – TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

F. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.

G. Cash and Cash Equivalents ~~– Cash and cash equivalents consist of internal and external pooled investment funds, deposits of the Texas State Treasury, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.~~ Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the PUF will be measured by the PUF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PUF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of PUF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with PUF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies provided that the PUF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The

objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Highly liquid iinternal pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- Deposits of the Texas State Treasury.
- The PUF's custodian late deposit interest bearing liquid investment fund.
- Municipal short-term securities
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the PUF custodian bank. Tri-party collateral arrangements are not permitted.

- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the PUF's fixed income assets.

- Overnight repurchase agreements may not exceed 25% of the PUF's fixed income assets.

- Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

Permissible securities for investment include securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

1) Government securities: Treasury and Agency;
2) Corporate securities: Industrial, Finance, Utility, and Yankee;
3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
4) Asset-backed securities;
5) Taxable Municipal securities; and
6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

a) ~~f~~Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
b) ~~m~~Medium term notes issued by investment grade corporations;
c) ~~z~~Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
d) ~~s~~Structured notes issued by LBAGG qualified entities.

- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- or better by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service~~an equivalent rating by a nationally recognized rating agency~~ at the time of acquisition. ~~This provision does not apply to an investment manager that is authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.~~ External investment managers may be authorized by the terms of the investment advisory agreements to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.

- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer. ~~provided that such bonds, at the time of purchase, are rated, not less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch Investors Service.~~

Non-U.S. Fixed Income

Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 50% of the PUF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.
- Not more than 15% of the PUF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

The PUF shall:

- hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market, or
- hold no more than 5% of its equity securities in the securities of one corporation at cost. ~~unless authorized by UTIMCO's chief investment officer.~~

PUF Distributions

The PUF shall balance the needs and interests of present beneficiaries with those of the future. PUF spending policy objectives shall be to:

- provide a predictable, stable stream of distributions over time;
- ensure that the inflation adjusted value of distributions is maintained over the long term; and

- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

The goal is for the PUF's average spending rate over time not to exceed the PUF's average annual investment return after inflation and expenses in order to preserve the purchasing power of PUF distributions and underlying assets.

The Texas Constitution states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund."

Annually, the Board of Regents will approve a distribution amount to the AUF.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents in May of each year an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing twelve quarter average of the net asset value of the PUF for the quarter ending February of each year.

Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

PUF Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board of Directors.

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be__________ ~~August 11, 2005~~, ~~except for Exhibit A. Effective date for Exhibit A shall be no later than November 1, 2005. The selection of the date shall be determined by UTIMCO's Chief Investment Officer and notification to the Chairmen of the UTIMCO Board and the Board of Regents shall occur prior to the effective date.~~

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
~~CASH~~ Liquidity Reserve	**0.0**	**-5 ~~0~~ to 10**	90 Day T-Bills
Unencumbered Cash			
Short Term Debt			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

GEF

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
INVESTMENT POLICY STATEMENT

Purpose

The General Endowment Fund (the "GEF"), established by the Board of Regents of The University of Texas System (the "Board of Regents") March 1, 2001, is a pooled fund for the collective investment of certain long-term funds under the control and management of the Board of Regents. The GEF provides for greater diversification of investments than would be possible if each account were managed separately.

GEF Organization

The GEF functions like a mutual fund in which each eligible fund purchases and redeems GEF units as provided herein. The ownership of GEF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

GEF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Ultimate fiduciary responsibility for the GEF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the GEF shall be managed by UTIMCO, which shall a) recommend investment policy for the GEF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with GEF objectives, and c) monitor GEF performance against GEF objectives. UTIMCO shall invest the GEF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

GEF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of GEF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase GEF Units

No fund shall be eligible to purchase units of the GEF unless it is under the sole control, with full discretion as to investments, of the Board of Regents and/or UTIMCO.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the GEF.

Currently, the Long Term Fund (the "LTF") and the Permanent Health Fund (the "PHF") purchase units in the GEF.

GEF Investment Objectives

The GEF and the PUF are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund (in case of the GEF, the target distribution rate of the LTF and the PHF) plus the annual expected expense. The current 5.1% target was derived by adding the PUF's current target distribution rate of 4.75% plus an annual expected expense of .35%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. The GEF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than $1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect GEF's asset allocation policy targets.

Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the GEF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

GEF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. ~~Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook. In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A, UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable.~~ UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the GEF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

GEF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. U.S. Equities - U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.

B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non U.S. developed) and emerging markets. Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stock, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

Non-U.S. Developed Equity – Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All – Country World Equity Index – excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.

Emerging Markets Equity – Emerging markets equities represent ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal~~ly~~ ~~managed~~ commingled investment fund managed by UTIMCO.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage, event driven strategies and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal~~ly~~ ~~managed~~ commingled investment fund managed by UTIMCO.

D. Private Capital - Private capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

Venture Capital – Venture capital investments consist of investments in companies, both U.S. and non-U.S., that are in the early stages of development. Venture capital investments are held either through limited partnerships or as direct ownership interests.

Private Equity – Private equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private equity investments are held either through limited partnerships or as direct ownership interests. The Private equity category also includes mezzanine and opportunistic investments. Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.

E. Inflation Linked – Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:

REITS – REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

TIPS – TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

F. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises, and agencies and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.

G. Cash and Cash Equivalents ~~– Cash and cash equivalents consist of internal and external pooled investment funds, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.~~ Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the GEF will be measured by the GEF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the GEF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

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Investment Guidelines

The GEF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.

- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.

- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of GEF assets in such liquid investment fund.

- No securities may be purchased or held which jeopardize the GEF's tax exempt status.

- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.

- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- The GEF may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with GEF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies provided that the GEF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Highly liquid ~~I~~internal pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- The GEF's custodian late deposit interest bearing liquid investment fund.
- Municipal short-term securities.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
    - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
    - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
    - The maturity for a repurchase agreement may be from one day to two weeks.
    - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
    - All collateral shall be delivered to the GEF custodian bank. Tri-party collateral arrangements are not permitted.
    - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the GEF's fixed income assets.

- Overnight repurchase agreements may not exceed 25% of the GEF's fixed income assets.

- Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

Permissible securities for investment include securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

1) Government securities: Treasury and Agency;
2) Corporate securities: Industrial, Finance, Utility, and Yankee;
3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
4) Asset-backed securities;
5) Taxable Municipal securities; and
6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

a) ~~f~~Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
b) ~~m~~Medium term notes issued by investment grade corporations;
c) ~~z~~Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
d) ~~s~~Structured notes issued by LBAGG qualified entities.

- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- or better, by Standard & Poor's Corporation, or BBB- or better by Fitch Investors ~~an equivalent rating by a nationally recognized rating agency~~ at the time of acquisition. ~~This provision does not apply to an investment manager that is authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.~~ External investment managers may be authorized by the terms of the investment advisory agreements to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.

- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer ~~provided that such bonds, at the time of purchase, are rated, not~~

~~less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch Investors Service~~.

Non-U.S. Fixed Income

Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 50% of the GEF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.
- Not more than 15% of the GEF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

The GEF shall:

- hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market, or
- hold no more than 5% of its equity securities in the securities of one corporation at cost ~~unless authorized by UTIMCO's chief investment officer~~.

GEF Accounting

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board of Directors. The GEF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. The final determination of GEF net assets for a month end close shall normally be completed within five business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

The fair market value of the GEF's net assets shall include all related receivables and payables of the GEF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Purchase of GEF Units

Purchase of GEF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the GEF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the GEF as of the most recent quarterly valuation date. Each fund whose monies are invested in the GEF shall own an undivided interest in the GEF in the proportion that the number of units invested therein bears to the total number of all units comprising the GEF.

Redemption of GEF Units

Redemption of GEF units shall be paid in cash as soon as practicable after the quarterly valuation date of the GEF. Withdrawals from the GEF shall be at the market value price per unit determined at the time of the withdrawal.

Securities Lending

The GEF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the GEF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unitholders, in compliance with the Proxy Voting Policy, and shall not invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be __________ ~~August 11, 2005, except for Exhibit A. The effective date for Exhibit A shall be no later than November 1, 2005. The selection of the date shall be determined by UTIMCO's Chief Investment Officer and notification to the Chairmen of the UTIMCO Board and the Board of Regents shall occur prior to the effective date~~.

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
~~CASH~~ Liquidity Reserve	**0.0**	**-5 ~~0~~ to 10**	90 Day T-Bills
Unencumbered Cash			
Short Term Debt			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

ITF

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
INVESTMENT POLICY STATEMENT

Purpose and Structure

The University of Texas System Intermediate Term Fund (ITF) was established by the Board of Regents of The University of Texas System (Board of Regents) as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

ITF Organization

The ITF functions as a mutual fund in which each eligible account purchases and redeems ITF units as provided herein. The ownership of ITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

ITF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

Ultimate fiduciary responsibility for the ITF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), the ITF shall be managed by UTIMCO, which shall a) recommend investment policy for the ITF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

ITF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of ITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%. The ITF's success in meeting this objective depends upon its ability to generate higher returns in periods of low inflation that will offset lower returns generated in years when the capital markets under-perform the rate of inflation.

The secondary ITF objective is to generate a return, net of all direct and allocated expenses, measured monthly by the independent custodian and reported at least quarterly, in excess of the approved Policy Portfolio benchmark over rolling three-year periods. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices reported by the independent custodian and weighted to reflect ITF's approved asset allocation policy targets as defined in Exhibit A.

Limiting factors are that prudent diversification within each approved asset class~~ must be maintained at all times~~~~;~~ and that a projected portfolio risk profile within the approved

Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, ~~must~~should be sustained at all times. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The asset allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

ITF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. U.S. Equities – U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.

B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets.

Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

Non-U.S. Developed Equity – Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All – Country World Equity Index – excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.

Emerging Markets Equity – Emerging markets equities represent ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage, event driven strategies, and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income, and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

D. Inflation Linked – Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:

REITS – REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

TIPS - TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

E. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.

F. Cash and Cash Equivalents – Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated investment benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The ITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of ITF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the ITF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Highly liquid internal pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- ITF's custodian late deposit interest bearing liquid investment fund.
- Municipal short-term securities.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
    - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
    - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
    - The maturity for a repurchase agreement may be from one day to two weeks.
    - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
    - All collateral shall be delivered to the ITF custodian bank. Tri-party collateral arrangements are not permitted.
    - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the ITF's fixed income assets.
    - Overnight repurchase agreements may not exceed 25% of the ITF's fixed income assets.
- Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

Permissible securities for investment include the securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

1) Government securities: Treasury and Agency;
2) Corporate securities: Industrial, Finance, Utility, and Yankee;
3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
4) Asset-backed securities;
5) Taxable Municipal securities; and
6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
b) Medium term notes issued by investment grade corporations;
c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
d) Structured notes issued by LBAGG qualified entities.

- U. S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition. An external investment manager may be authorized by the terms of an investment advisory agreement to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.
- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Non-U.S. Fixed Income

Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U. S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 50% of the ITF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.

- Not more than 15% of the ITF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

The ITF shall:

- Hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market, or
- Hold no more than 5% of its equity securities in the securities of one corporation at cost.

ITF Accounting

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Government Accounting Standards Board Statements, Financial Accounting Standards Board Statements, or industry guidelines, whichever is applicable. The ITF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the ITF's net assets shall include all related receivables and payables of the ITF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

ITF Distributions

The ITF shall provide monthly distributions to the unitholders. The UTIMCO Board will recommend the annual distribution (%) rate to the Board of Regents. Distributions from the ITF to the unitholders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unitholder's account, determined as follows:

- Net asset value of each unitholder's account on the last business day of the second prior month;
- Plus value of each unitholder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unitholder's account on the first business day of the prior month.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

Securities Lending

The ITF may participate in a securities lending contract with a bank or non-bank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to ensure compliance with contract provisions.

Investor Responsibility

As a shareholder, the ITF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the ITF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the ITF solely in the interest of ITF unit-holders, in compliance with the Proxy Voting Policy, and shall not invest the ITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~February 9, 2006~~_________, except for Exhibit A. Adherence to the policy targets and ranges may not be fully effective throughout the first six months after initial funding (expected February 1, 2006) as new portfolio investments are phased in. The selection of the effective date of Exhibit A, to be no later than September 1, 2006, shall be determined by UTIMCO's Chief Investment Officer and notification to the Chairmen of the UTIMCO Board and the Board of Regents shall occur at least 30 days prior to the effective date.

EXHIBIT A

INTERMEDIATE TERM FUND
POLICY TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

Asset Categories	**Percent of Policy (%)**		**Benchmarks**
	Policy Targets	**Policy Ranges**	
U. S. Equities	**15**	**5 to 20**	**Russell 3000 Index**
Global ex U. S. Equities	**10**	**0 to 15**	
Non - U. S. Developed Equity	5	0 to 10	MSCI EAFE Index with net dividends
Emerging Markets Equities	5	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25**	**10 to 27.5**	
Directional Hedge Funds	12.5	5 to 20	Combination index: 50% S&P Event-Driven Hedge Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	12.5	5 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Inflation Linked	**25**	**10 to 35**	
REITS	10	0 to 15	Dow Jones Wilshire Real Estate Securities Index
Commodities	5	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10	5 to 15	Lehman Brothers US TIPS Index
Fixed Income	**25**	**15 to 40**	Lehman Brothers Aggregate Bond Index
~~CASH~~ Liquidity Reserve	0.0	-5 ~~0~~ to 20	90 Day T-Bills
Unencumbered Cash			
Short Term Debt			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	7.08
1 yr Downside Deviation (%)	-5.0
Standard Deviation (%)	7.5

		% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	~~-6.4~~	127%
Lower Risk Bound: 1 yr Downside Deviation (%)	~~-3.5~~	69%

* 3 trading days or less

LTF

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February, 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

LTF Organization

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

LTF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents. ~~and/or UTIMCO.~~

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.1%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments with assets greater than $1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect LTF's asset allocation policy targets.

Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and B and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the U.T. System General Endowment Fund (GEF) will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

LTF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A and B based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

-LTF assets shall be allocated among the following investments.

A. Cash Equivalents ~~- are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.~~ Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

Performance Measurement

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board. Such measurement will occur at least quarterly.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.
- No securities may be purchased or held which jeopardize the LTF's tax exempt status.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.

LTF Distributions

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Management of Institutional Funds Act, Chapter 163, Texas Property Code, as amended, ("Act"), the Board of Regents may distribute, for the uses and purposes for which the LTF is established, the net appreciation, realized and unrealized, in the fair market value of the assets of the LTF over the historic dollar value of the fund to the extent prudent under the standard provided by the Act.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%.

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the unitholders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Such valuation of LTF assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Purchase of LTF Units

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than $10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all LTF unitholders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unitholders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, The UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unitholders, in compliance with the Proxy Voting Policy, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~August 12, 2004~~__________, except for Exhibit B. ~~Effective date for Exhibit B shall be September 1, 2005.~~ Exhibit B follows the effective date of Exhibit A of the GEF.

EXHIBIT A

LTF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
~~CASH~~ Liquidity Reserve	0.0%	-5% ~~0%~~ - 5%	90 day T-Bills
Unencumbered Cash			
Short Term Fund			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	8.34 ~~6~~
1yr Downside Deviation (%)	4.~~22~~ -7.6
Standard Deviation (%)	10.8 ~~3~~

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B

GEF ASSET ALLOCATION

~~EFFECTIVE 9/1/2005~~

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVE

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
~~CASH~~ **Liquidity Reserve**	**0.0**	**-5 ~~0~~ to 10**	90 Day T-Bills
Unencumbered Cash			
Short Term Fund			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

PHF

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent Health Fund (the "PHF") is hereby established by the Board of Regents of The University of Texas System (the "Board of Regents"), as a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the Texas Education Code. The permanent health funds which have assets in the PHF are:

A. The Permanent Health Fund for Higher Education (the "PHFHE"), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and

B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the "PFHRIs"), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

U. T. Health Science Center - San Antonio
U. T. M. D. Anderson Cancer Center
U. T. Southwestern Medical Center - Dallas
U. T. Medical Branch - Galveston
U. T. Health Science Center - Houston
U. T. Health Center - Tyler
U. T. El Paso
Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

PHF Organization

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

PHF Management

Chapter 63 of the Texas Education Code designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase PHF Units

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the Texas Education Code, under the control, with full discretion as to investments, of the Board of Regents ~~and/or UTIMCO~~.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.1%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF. The PHF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments with assets greater than $1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PHF's asset allocation policy targets.

Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and B and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the U. T. System General Endowment Fund (GEF) will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PHF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A and B based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

PHF assets shall be allocated among the following investments:

A. Cash Equivalents ~~- are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions~~. Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board. Such measurement will occur at least quarterly.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.
- No securities may be purchased or held which jeopardize the PHF's tax exempt status.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.

PHF Distributions

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%.

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unitholders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board. The PHF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Such valuation of PHF assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of the PHF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Purchase of PHF Units

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than $5 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $5 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all PHF unitholders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, The UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unitholders, in compliance with the Proxy Voting Policy, and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~August 12, 2004~~__________, except for Exhibit B. ~~Effective date for Exhibit B shall be September 1, 2005~~.

EXHIBIT A

PHF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
~~CASH~~ Liquidity Reserve	0.0%	-5%~~0%~~ - 5%	90 day T-Bills
Unencumbered Cash			
Short Term Fund			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	8.34~~6~~
1 yr Downside Deviation (%)	-7.6 ~~4.22~~
Standard Deviation (%)	10.8~~3~~

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B

GEF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

Asset Category	Percent of Portfolio (%) Policy Targets	Policy Ranges	Benchmarks
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
~~CASH~~ Liquidity Reserve	**0.0**	**-5 ~~0~~ to 10**	90 Day T-Bills
Unencumbered Cash			
Short Term Debt			
Temporary Cash Imbalance*			
Net non-trading receivable			
Net Exposure Adjustments		**N/A**	Ranges defined by Derivatives Policy

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

SIF

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED FUNDS ~~ENDOWMENT, TRUST, AND OTHER ACCOUNTS~~ INVESTMENT POLICY STATEMENT

Purpose

The Separately Invested Funds (the "Accounts") include the Endowment, Trust, and Other Accounts ~~are Accounts~~ established in the name of the Board of Regents of The University of Texas System (the "Board of Regents"), as trustee, and are Accounts which are not solely invested in one of the pooled investment vehicles. These Accounts are not invested in the pooled investment vehicle because: a) they are charitable trusts; b) of investment restrictions incorporated into the trust/endowment document; c) of inability to sell the gifted investment asset; ~~or~~ d) they are assets being migrated upon liquidation into a pooled investment vehicle; or e) assets held by The University of Texas Investment Management Company ("UTIMCO") at the request of a University of Texas System institution for which UTIMCO does not have investment discretion (for example, tech stock). This policy covers the Accounts collectively. However, specific guidelines are applied to each individual account. Specific Account restrictions may not fall within the guidelines established in this policy.

Investment Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Accounts.

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management ~~to~~of each trust or endowment.

Pursuant to an Investment Management Services Agreement between the Board of Regents and ~~The University of Texas Investment Company ("~~UTIMCO~~")~~, the assets for the Account shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with the Account objectives, and if appropriate c) monitor the Account's performance against Account objectives. UTIMCO shall invest the Account's assets in conformity with this Policy Statement.

Unaffiliated investment managers may be hired by UTIMCO to improve the Account's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

Account Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and Accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of assets in the Account shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Investment Objectives

Endowment Accounts - The primary investment objective shall be to invest the Account in assets that comply with the terms of the applicable trust/endowment document, taking into consideration the investment time horizon of the Account.

Trust Accounts - Trust Accounts are defined as either Foundation Accounts or Charitable Trusts ((Charitable Remainder Unitrusts (CRUT), Charitable Remainder Annuity Trusts (CRAT), Pooled Income Funds (PIF), or Charitable Trusts (CT), ~~or Charitable Lead Trusts (CLT)~~)). The Board of Regents recognizes that the investment objective of a trust is dependent on the terms and conditions as defined in the trust document of each trust. The conditions that will affect the investment strategy are a) the trust payout provisions; b) the ages of the income beneficiaries; c) the ability to sell the gifted assets that were contributed to the trust; and d) consideration to investment preferences of the income beneficiaries. Taking these conditions into consideration, the fundamental investment objectives of the trust will be to generate a low to moderate growth in trust principal and to provide adequate liquidity in order to meet the payout provisions of the trust.

Other Accounts – These are all accounts which are not Endowment Accounts or Trust Accounts that hold assets not invested in one of the pooled investment vehicles. These accounts include agency funds, institution current purpose accounts, and tech stock accounts.

~~Operating Accounts - These are separate operating accounts of U. T. System component institutions which invest in an Equity Index Fund and U.S. Debt Index Fund as approved by UTIMCO's chief investment officer. The amount of component operating funds invested in the index funds is governed by the U. T. System Financial Policy.~~

Asset Allocation

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

If appropriate, the Account's assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. Cash and Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.

B. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of income for the Account. Such bonds should be high quality, with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction. This classification shall include fixed income mutual funds.

C. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation for the Account. Historically, returns for equities have been higher than for bonds over all extended periods. Therefore, equities represent the best chance of preserving the purchasing power of the Account. This classification shall include equity mutual funds.

D. Variable Annuities - These are insurance contracts purchased on the life or lives of the income beneficiaries and for which the funds underlying the contract are invested in various mutual funds which offer diversification of the Account's assets. These contracts offer some downside market risk protection in case of the income beneficiary's death in the early years of the contract. These investment assets are only appropriate for the charitable remainder trusts.

Asset Allocation Policy

The asset allocation policy and ranges for each Account herein is dependent on the terms and conditions of the applicable trust/endowment or trust document. ~~With respect to the operating accounts, the U. T. System financial policies shall govern~~. If possible, the Account's assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Account.

The Board of Regents delegates authority to UTIMCO to establish specific asset allocation targets and ranges for each trust or endowment Account. UTIMCO may establish specific asset allocation targets and ranges for or within the asset classes listed above as well as the specific performance benchmarks for each asset class.

Performance Measurement

The investment performance of the actively managed Accounts, where cost effective, will be calculated and evaluated quarterly.

Investment Guidelines

The Accounts must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the respective investment management contracts. ~~Investment Management Contract.~~
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority~~discretion~~ to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment Account must be reviewed and approved by UTIMCO's chief investment officer prior to investment of Account's assets in such liquid investment Account.
- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The Account may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the Account's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

- ~~The Account may utilize derivative securities with the approval of the UTIMCO Board to a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) index or to hedge risks associated with Account investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that: i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of the Accounts assets are required as an initial margin deposit for such contracts; iii) the Account's investments in warrants shall not exceed more than 5% of the Account's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.~~

- ~~Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.~~

  ~~UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the Account and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the Account's underlying securities. UTIMCO also shall attempt to minimize the risk of~~

~~an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. The net market value of exposure of derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the Account.~~

~~In the event that there are no derivative securities traded on a particular market index, the Account may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.~~

~~UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the Account will not be able to meet its obligation to the counterparty by investing the Account in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.~~

~~The Account may be invested 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 and between foreign currencies and the U.S. dollar.~~

~~Risk Management~~

- ~~Credit risk shall be controlled by UTIMCO who is responsible for the development and maintenance of credit quality standards for the Account.~~

- ~~Counterparty exposure in the area of repurchase agreements and reverse repurchase agreements – Not more than 5% of the total value of the securities in the Account shall be placed with any one counterparty.~~

- ~~Diversification of credit risk shall be determined on an account basis.~~

Eligible Investments

Cash and cash equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation.

- Approved Tax Exempt unaffiliated liquid investment fund.

- Highly liquid ~~I~~internal ~~short term~~ pooled investment fund managed by UTIMCO.

- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.

- Floating rate securities, if they are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.

- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.

  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.

  - The maturity for a repurchase agreement may be from one day to two weeks.

  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.

  - All collateral shall be delivered to the Account's custodian bank. Tri-party collateral arrangements are not permitted.

  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Account's total assets.

- Overnight repurchase agreements may not exceed 10% of the Account's total assets.

- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

Fixed income securities

~~Holdings of eligible fixed income securities shall be limited to those securities a) issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, or U.S. Government Agencies, and b) issued by corporations and municipalities. Within this overall limitation:~~

Permissible securities for investment include the securities within the component~~s~~ categories of the Lehman Brothers Aggregate Bond Index (LBAGG).~~:~~ These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors.~~subindices:~~

1) Government: Treasury and Agency;
2) Corporate: Industrial, Finance, Utility, and Yankee;
3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; ~~and~~
4) Asset-backed securities;~~.~~
5) Taxable Municipal securities; and
6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

a) ~~f~~Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
b) ~~m~~Medium term notes issued by investment grade corporations;
c) ~~z~~Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
d) ~~s~~Structured notes issued by LBAGG qualified entities.

- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition. ~~an equivalent rating by a nationally recognized rating agency at the time of acquisition.~~

- Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.

- Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
- Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
- Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's chief investment officer.
- Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's chief investment officer.

Equities

The Account may purchase equity securities as long as it:

- ~~A.~~ holds no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market.
- ~~B.~~ holds no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.

The Account may purchase Equity Mutual Funds and Equity Variables Annuity Contracts as approved by UTIMCO's chief investment officer.

The provisions concerning investment in fixed income and equities securities shall not apply to an Account~~an endowment~~ in which the agreement prohibits the sale of an equity or fixed income security. Donor preferences may~~shall~~ be considered in determining the disposition of a gifted security.

Distributions

Distributions of income or amounts from the Accounts to the beneficiaries shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts. ~~on or after the last day of the month for operating Accounts.~~

Accounting

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board.

Valuation of Assets

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but time to determination may be longer under certain circumstances.

Securities Lending

The Account may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the Accounts shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the Account has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Account. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Account solely in the interest of the beneficiaries, in compliance with the Proxy Voting Policy, and shall not invest the Account so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~August 12, 2004~~________.

DERIVATIVE POLICY

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~November 10, 2005~~________
Date Approved by UTIMCO Board: ~~October 7, 2005~~March 30, 2006

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), and the Separate Invested Funds (SIF), 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 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 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.

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.

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. Theses 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.

DELEGATION OF AUTHORITY

Agenda Item
UTIMCO Board Meeting
March 30, 2006

Agenda Item: Report from Policy and Risk Committees on Delegation of Authority Policy

Developed By: Staff

Presented By: Rowling, Tate, Boldt

Type of Item: Action item; Action required by UTIMCO Board.

Description: 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.

Discussion: The Policy Committee met on March 7, 2006, and approved the proposed amendments to the Delegation of Authority ***except for the requested change on page 3 related to short sales***. The Policy Committee requested that the Risk Committee review this proposed changed. The following changes are proposed:

- Page 3, Clarifies that the risk analysis should be done throughout the short strategy and that the short strategy does not result in the risk position of the Funds being outside the policy risk range. The policy risk range is being added to Exhibit A of the Investment Policies.
- Page 3 and 4, Investment levels for new commitments have been increased for each area. Staff is proposing the increase because the value of the PUF and GEF as well as the addition of the ITF has increased the assets. When the new Delegation Policy was originally approved in November 2004, the limits were based on the combined value of the PUF and GEF as of August 31, 2004 which was $12.3 billion. As of January 31, 2006, the combined value of the PUF, GEF and ITF (amount invested 2/1/06) is $18.1 billion. Also in this section, clarified when an opinion from the investment consultant is necessary.
- Page 4, added language to determine length of time when an additional commitment proposed by staff may be delegated to the CEO or when it requires approval under the process defined in Appendix A. The language clarifies that after six months after the initial investment, a follow up investment can be delegated to the CEO as long as it falls within the parameters detailed in the Policy. Previously, a time frame was not identified.
- Page 4 and 5, Clarified language related to the amount of increases to existing funds and increased total assets by individual manager.

Recommendation: Policy Committee recommends the approval of the Delegation of Authority Policy ***except for the requested change on page 3 related to short sales***. The Risk Committee will recommend the appropriate action related to the section on short sales based on its review.

Reference: Delegation of Authority Policy

RESOLUTION RELATED TO DELEGATION OF AUTHORITY POLICY

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

The University of Texas Investment Management Company
Delegation of Authority Policy

Effective Date of Policy: March 30, 2006~~November 16, 2005~~
Date Approved by UTIMCO Board: March 30, 2006~~November 16, 2005~~
Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on November 16, 2005~~October 7, 2005~~

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

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.

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 and throughout the duration of the strategy, ~~a~~ risk analyses ~~analysis~~ shall be performed ~~that documents~~ to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range. ~~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) $~~2~~400 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) $~~1~~200 million or (ii) 20% of the total assets of the subject ~~same~~ investment vehicle will require approval under the process defined in Appendix A.~~;~~ In addition to that process,~~and~~ an opinion from the external UTIMCO consultant shall be required for an investment offered ~~any marketable alternative investment managed~~ by a manager not already~~otherwise~~ managing marketable alternative investments for UTIMCO. ~~Otherwise~~In all other cases concerning new investments, 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) $~~5~~100 million or (ii) 20% of the total assets of the subject~~same~~ investment vehicle will require approval under the process defined in Appendix A.~~;~~ In addition to that process, ~~and~~ an opinion from the external UTIMCO consultant shall be required for ~~any non-marketable alternative~~ an investment managed by a manager not already ~~otherwise~~ managing non-marketable alternative investments for UTIMCO. ~~Otherwise~~In all other cases concerning new investments, 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.
- For the purposes of the above thresholds, new manager mandates shall be aggregated during the first six months following the initial funding of such mandate.
- 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: Subsequent to the first six months of the UTIMCO relationship with a new manager, 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 that exceed $200 million 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) $4600 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 that exceed $100 million to existing funds under management~~exceeding $100 million~~, or which increase the total assets managed to more than $~~2~~300 million with an individual manager or to more than 20% of the total assets of the manager~~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 that exceed $50 million 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) $1~~0~~50 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.

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 9

Agenda Item
UTIMCO Board Meeting
March 30, 2006

Agenda Item: Report from Compensation Committee

Developed By: Boldt, Moeller, Lee

Presented By: Ferguson

Type of Item: Information Item

Description: The Compensation Committee met on March 7, 2006, and approved the Compensation Consultant, selecting Mercer Human Resource Consulting.

The UTIMCO Compensation Program requires that salary ranges for key management, investment and operations positions be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. Mercer Human Resources performed the last study 2½ years ago. In conjunction with the UTIMCO Board's request to review and evaluate the relationship of all outside service contractors, Requests for Proposals were distributed to compensation consulting firms interested in providing services to UTIMCO. The deadline for responding was Friday, February 17, 2006. We received responses and proposals from three (3) firms (Hewitt Associates, Mercer Human Resources Consulting, and Towers Perrin).

The Compensation Consultant will be utilized for three main purposes:

- Consultation, review, and recommendations related the UTIMCO Compensation Program;
- Provide salary benchmarking study, salary midpoints, and salary ranges based upon the study by May 3, 2006, with additional studies to be performed at least every three years;
- Provide annual salary structure adjustments in years where salary benchmarking study is not requested by the UTIMCO Compensation Committee.

Recommendation: None required.

Discussion: The Compensation reviewed the proposals from the three firms, Hewitt Associates, Mercer Human Resource Consulting and Towers Perrin and discussed the merits of each during the meeting. The Compensation Committee has directed the staff to negotiate the contract with Mercer Human Resources Consulting. Upon completion of the contract (expected completion date of March 17, 2006), Mercer will be in contact with Chairman Ferguson to direct the services related to the benchmarking study. As requested by the Compensation Committee, Mercer will report directly to the Committee.

Reference: None

TAB 10

Agenda Item
UTIMCO Board Meeting
March 30, 2006

Agenda Item: Discussion and Consideration of Recommended Changes to Charters of the Risk Committee and the Audit and Ethics Committee

Developed By: Boldt, Reed, Moeller

Presented By: Nye, Tate, Boldt

Type of Item: Action item; Action required by UTIMCO Board

Description: The Risk Committee and the Audit and Ethics Committee held a joint meeting on January 16, 2006, to discuss the oversight responsibility of the committees related to investment compliance, enterprise risk management, and investment risk management. Currently, the Audit Charter of the Audit and Ethics Committee states that the Audit and Ethics Committee is to assist the UTIMCO Board in monitoring the Corporation's compliance processes associated with investment policies and enterprise risk management. The Audit Charter also states that the Audit and Ethics Committee is to evaluate the overall effectiveness of the corporation's enterprise risk management framework and to evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk management. The Charter of the Risk Committee contains language that the Risk Committee is to provide oversight and monitor investment risk management.

The Risk Committee will review the proposed changes made by staff at its meeting on March 30, 2006. The Audit and Ethics Committee does not have a scheduled meeting to review the Charters.

Discussion: The Committees determined that the Risk Committee should be responsible for investment risk management and compliance. However, the Audit Committee should still retain responsibility for reporting to the UTIMCO Board that an effective enterprise risk management framework is in place, which includes investment risk management and compliance. The Audit and Ethics Committee will look to the Risk Committee for assurances regarding investment risk management and compliance. The Committees requested that staff delineate the responsibilities of the Committees and describe the relationship. Staff has proposed the following changes to the Charters:

Risk Charter:

- Clarify and expand the purpose of the Risk Committee to provide oversight and monitoring of four items: 1) investment risk and compliance, 2) the integrity of risk management procedures and controls, 3) the integrity of risk models and modeling processes, and 4) liquidity of the PUF, GEF and ITF.
- Risk Committee will provide assurances to the Audit and Ethics Committee on a periodic basis.

- Added guidelines related to the integrity of risk management procedures and controls, and the integrity of risk models and modeling processes.
- Added language to clarify that the Risk Committee will monitor compliance processes related to the derivative policy, risk targets, asset allocation targets and ranges, and investment related restrictions in the investment policy statements.

Audit and Ethics Charter:

- Added a section, "Oversee the Corporation's Enterprise Risk Management" on page 8. This section describes the Audit and Ethics Committee's responsibilities related to enterprise risk management. This section also includes definitions and specifics related to enterprise risk management and includes four objectives, 1) strategic, 2) operations, 3) reporting, and 4) compliance. The Compliance objective has been further delineated into several categories (compliance with applicable laws and regulations, non-investment Board policies, investment risk and compliance, integrity of risk management procedures, controls, models, and modeling processes, and liquidity).
- Language has been added to state that the Audit and Ethics Committee may rely on assurances from the Risk Committee in determining compliance.
- Two minor edits were proposed by Vinson & Elkins to clarify scope and independence (Page 2).

Recommendation: The Committee Chairmen will recommend appropriate action related to the proposed amendments.

Reference: Charter of the Risk Committee; Audit Charter of the Audit and Ethics Committee.

RESOLUTION RELATED TO CHARTERS

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

The University of Texas Investment Management Company

Charter of the Risk Committee

Background

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") established a Liquidity Committee on November 20, 2003. The name of the Liquidity Committee was changed to the Risk Committee (the "Committee") on May 19, 2005 to reflect the expanded responsibilities of the Committee. ~~This Charter, originally adopted by the Board on April 8, 2004, and revised on September 29, 2004, May 19, 2005 and October 7, 2005, sets forth the responsibilities of the Committee.~~

Purpose

The primary purpose of the Committee is to provide oversight and monitor 1) investment risk management and compliance, 2) the integrity of risk management procedures and controls, 3) the integrity of risk models and modeling processes, and 4~~1~~) liquidity of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF) ~~in accordance with the Corporation's Liquidity Policy, originally approved by the Board on June 26, 2003, and originally effective August 7, 2003; and 2) investment risk management in the PUF, GEF, and ITF~~.

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

The Committee will provide assurances to the Audit and Ethics Committee on a periodic basis regarding the following items so the Audit and Ethics Committee may evaluate them as a part of the Audit and Ethics Committee's evaluation of the Corporation's overall enterprise risk management.

Investment Risk Management and Compliance: The Board has ~~delegated~~ the following duties and responsibilities ~~to the Committee~~ related to the oversight and monitoring of investment and compliance risk:

- The Committee will monitor actual risk levels in the PUF, GEF, and ITF to assess whether current risk levels are within the bounds established by the Asset Allocation Policy adopted by the UT Board of Regents;
- The Committee will monitor trends and changes in actual risk levels in the PUF, GEF, and ITF and report any significant changes to the Board; and
- ~~The Committee will monitor the investment risk models, tools, and procedures used by Corporation staff for completeness and efficacy.~~
- The Committee will monitor the compliance processes related to the derivative policy , risk targets, asset allocation targets and ranges, and investment related restrictions in the investment policy statements.

~~The Committee's duties are in investment risk management only and are not intended to duplicate the enterprise risk management duties of the Audit and Ethics Committee.~~

Integrity of risk management procedures and controls: The Committee has the following duties and responsibilities related to the oversight and monitoring of the risk management procedures and controls:

- The Committee will understand and review how the information provided by the Risk Manager is reported to the Chief Compliance Officer;
- The Committee will monitor the accuracy of the reports provided by the Risk Manager to the Chief Compliance Officer; and
- The Committee will monitor data integrity.

Integrity of risk models and modeling processes: The Committee has the following duties and responsibilities related to the oversight and monitoring of the risk models and modeling processes:

- The Committee will monitor the investment risk models, tools, and processes used by Corporation staff for completeness and efficacy; and
- The Committee will review and understand the data used in the risk models.

Liquidity: The ~~UTIMCO Board~~ Committee has ~~delegated~~ the following duties and responsibilities to the Committee related to the oversight and monitoring of liquidity:

- The Committee must review and recommend for consideration to the Board any new investment that would cause the allocation for illiquid investments in the PUF, GEF, or ITF to exceed the lower illiquidity limit specified in the Liquidity Policy for the respective Fund's total portfolio.

- The Committee must review and approve, before any such action or actions are taken, any proposed changes in allocations among existing investments that would cause the allocation for illiquid investments in the PUF, GEF, or ITF to exceed the lower illiquidity limit specified in the liquidity policy for the respective Fund's total portfolio.

- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that would increase the actual investment position in illiquid investments in the PUF, GEF, or ITF by 10% or more of a Fund's total asset value.

- In the event that market actions cause actual investment positions in illiquid investments to exceed the upper illiquidity limit established by the Liquidity Policy or to move into the "trigger zone" defined as the allocation range between the lower and upper illiquidity limits established by the Liquidity Policy, the Committee must review and approve the Chief Investment Officer's proposed remedy or strategy for complying with the required allocation range for liquid and illiquid investments before any such actions are taken.

- The Committee must approve the use of swaps, derivatives, or other third party arrangements to alter the liquidity status of any investment classified as illiquid.

Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the Board for the approval of new investments.

Approved by the Board of Directors on March 30, 2006.

UTIMCO

AUDIT CHARTER
OF THE
AUDIT AND ETHICS COMMITTEE

Background

The Board of Directors (the "Board") of UTIMCO (the "Corporation") established an Audit and Ethics Committee (the "Committee") on February 22, 1996. On July 15, 1996 the Board adopted certain resolutions regarding, among other things, the Corporation's Audit and Ethics Committee Mandate (the "Mandate"). The Mandate was superceded by this Audit Charter. ~~adopted by the UTIMCO Board on June 29, 2000, as amended on June 26, 2003 and further amended on May 19, 2005.~~

Purpose

The primary purpose of the Committee is to assist the Board in monitoring the financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the "UT Board") to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Corporation's independent auditors;
- the independence and performance of the independent auditors selected by the UT Board to audit the investment funds managed by UTIMCO on their behalf;
- internal audit functions performed by the U T System Audit Office;
- the Corporation's audit policies, ethics programs, and adherence to regulatory requirements; and
- the Corporation's ~~compliance processes associated with investment policies and~~ enterprise risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, independent external auditors, UT System's internal auditors, and management of the Corporation. To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Scope

~~In addition to the Corporation,~~ ~~t~~This Audit Charter sets forth the Committee's monitoring responsibilities with respect to~~shall encompass~~ the Corporation and the investment funds subject to the Investment Management Services Agreement by and between the U T Board and the Corporation effective March 1, 1996, and any subsequent amendments or restatements. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment assets managed on behalf of the UT Board.

Composition

The Committee shall be composed of three members of the Board; such members to be appointed from time to time by a majority of the Board and approved by the U T Board as required by Section 66.08 (c)(3) of the Texas Education Code. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

Independence Requirements

The Board shall determine that all members of the Committee are independent. ~~The definition of "independent" is a~~A person is "independent" who has no relationship with the Corporation which would interfere with his or her exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursement they may receive as members of the Board and its Committees.

Financial Literacy

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

Financial Management Expertise

The Board, based on its business judgment, shall determine that at least one member of the Committee is a "financial expert." A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Meetings; Quorum; Etc.

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

Functions, Duties and Responsibilities

Review Financial Statements for Quality Considerations. The Committee has the following duties and responsibilities with respect to the financial statements of the Corporation and the investment funds managed on behalf of the UT Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;

- review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the financial statements;

- discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of an audit; and

- receive and review periodic reports from the independent auditor regarding the auditor's independence and discuss such reports with the auditor.

Monitor Management's Handling of Internal Controls~~ and Enterprise Risk Management.~~ The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the UT Board:

- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:

    - any restrictions on the scope of activities or access to required information; and

    - any changes required in the planned scope of the audit;

- obtain reports from management, the independent auditor and UT System internal auditor with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;

- meet at least annually with the independent auditor and the senior personnel of the UT System Audit Office without management participation;

- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;

- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;

- review the significant reports to management prepared by the U T System Audit Office and management's responses; and

- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.~~;~~

- ~~evaluate the overall effectiveness of the corporation's enterprise risk management framework;~~

- ~~evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk management; and~~

- ~~inquire of management, UT System's internal auditor, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.~~

Manage the Relationship with the External Auditors. The external auditors for the Permanent University Fund are selected by the UT Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the UT Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the UT Board will be selected by the UT Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.

- approve the fee arrangement of the independent auditor;

- after interviewing members of the Corporation's staff evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and

- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

Auditor Independence

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services contemporaneously with the audit;

- the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and

- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period proceeding the audit.

Work with the Internal Audit Function

The Corporation utilizes the UT System Internal Audit Department to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;

- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;

- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;

- review completed internal audits and the status of management's implementing related recommendations; and

- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

Monitor Ethics Program

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- review the Code of Ethics policy of the Corporation annually and recommend any proposed changes to the Board for approval;

- annually evaluate and review the Corporation's compliance process;

- follow the UT System compliance guideline as outlined in the Action Plan to Enhance Institutional Compliance; and

- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

Oversee Regulatory Compliance

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;

- obtain regular updates from management and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;

- obtain regular updates from management regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and

- review the findings of any examinations by regulatory agencies.

Oversee the Corporation's Enterprise Risk Management. Without limiting any of the foregoing, the Committee, along with management and other personnel, as directed by the UTIMCO Board, is responsible for the Corporation's enterprise risk management. Enterprise risk management assists management in achieving the Corporation's performance goals and prevents loss of resources; helps ensure effective reporting and compliance with laws and regulations; and helps avoid damage to the Corporation's reputation and associated consequences. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. The Committee has the following responsibilities related to enterprise risk management:

- evaluate the overall effectiveness of the Corporation's achieving its objectives, as set forth in four categories:
  - Strategic – high-level goals, aligned with and supporting its mission;
  - Operations – effective and efficient use of its resources;
  - Reporting – reliability and timeliness of reporting; and
  - Compliance -
    - with applicable laws and regulations;
    - with non-investment Board policies such as the Code of Ethics and Delegation of Authority, and non-investment items in the Board investment policies; and
    - with 1) investment risk management and compliance, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, and 4) liquidity of the Permanent University, General Endowment Fund, and Intermediate Term Fund;

- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk; and

- inquire of management, UT System's internal auditor, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

With respect to 1) investment risk management and investment policies, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, and 4) liquidity of the Permanent University, General Endowment Fund, and Intermediate Term Fund, the Committee may rely on assurances from the Risk Committee in determining compliance.

Other Duties. The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- review and reassess the adequacy of this Audit Charter annually and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities as may from time to time be designated by the Board;
- direct the scope of the Corporation's voluntary compliance with relevant provisions of the Sarbanes – Oxley Act of 2002, monitor and review the implementation of the relevant provisions; and
- evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

Powers and Limitations

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation or the Corporation's outside legal counsel or the U T System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on ~~May 19, 2005.~~March 30, 2006.

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Report on the External Investment Consultant and Consideration of Contract Renewal

Developed By: Moeller

Presented By: Boldt, Moeller

Type of Item: Information item on report; action item by UTIMCO Board to approve contract renewal.

Description: The Comprehensive Report on the External Investment Consultant is being submitted to update the UTIMCO Board on the current scope of work performed by the external consultant. This report covers the period March 1, 2005 to February 28, 2006. The investment consultant is Cambridge Associates LLC and the lead consultant is Bruce Myers. Under the Delegation of Authority, the execution of investment consultant agreements is not delegated to the UTIMCO CEO and, therefore, the contract is being submitted for approval by the UTIMCO Board.

Recommendation: Staff recommends the approval of the external investment consultant contract

Discussion: Cambridge Associates has served as UTIMCO's consultant since its inception in 1996, undertaking a number of assignments ranging from general consultant to non-discretionary investment manager of the non-marketable assets portfolio from 2000 to 2002. Under the current contract with Cambridge, UTIMCO receives Cambridge's full range of information, research, and consulting services. The contract also includes full access to web based internet services. In addition, Cambridge Associates provides a variety of services, including benchmark review, hedge fund manager search, international equity manager search, manager search assistance, spending analysis, miscellaneous requests, discussion on private equity group, spending policy memorandum, preparation of endowment exhibits, investment research, data request of endowment returns, asset allocation review, asset allocation study, asset allocation presentation, and alternative assets study.

The prior Cambridge Associates contract was for $900,000 annually, a renewal contract for $756,000 annually has been proposed by Cambridge. This is a reduction of $144,000. The reduction includes the elimination of the 14 in-person meetings and 18 due diligence memos and recommendations for the marketable alternative group. Also, the contract reduced the due diligence memos and recommendations for the non marketable alternative asset group to 12 from 14. Per Bruce Myers, he added time in the generalist area (Bruce Myers and Hamilton Lee) since he expects that this year there will be a few more conference calls with Chairman Caven, the planned retreat, etc.

The breakdown of the proposed contract is as follows:

Non marketable services	$450,000
Research allocation	46,000
Generalist consulting	260,000
Total	$756,000

Reference: Annual Comprehensive Report on External Investment Consultant; Contract with Cambridge Associates

RESOLUTION REGARDING EXTERNAL INVESTMENT CONSULTANT CONTRACT

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

Annual Comprehensive Report on External Investment Consultant

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

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

General Consulting Services

Per contract:

- Access via the Cambridge Associates (CA) consulting team and in many instances CA's web site to proprietary databases on capital markets, investment managers and partnerships, and comparative peer performance; quarterly and annual surveys of investment and financial data.

- A variety of research reports and working papers on investment and financial issues

- A comprehensive asset allocation review including a presentation to the Board

- Attendance at up to eight (8) investment advisory meetings per year to discuss investment strategy, asset allocation, performance, market environment and investment manager selections.

- Investment manager recommendations presented to the Board for final approval constitute an additional service charge

- If deemed necessary as a result of the asset allocation discussion to be held in Spring 2005, CA will attend the joint UTIMCO/Board of Regents meeting scheduled to be held in July 2005.

Report on services provided:

- Provided Periodic Updates of Cambridge's Reporting Institutions' Data
  - Quarterly Investment Return and Asset Allocation (hardcopy, via website and excel)
  - Annual Investment Return, Asset Allocation, Endowment size, spending rates and investment manager information
  - Annual updates to charts reflecting the impact of spending on future market values and future spending

- Bruce Myers and Hamilton Lee each attended 5 UTIMCO Board meetings and participated in 2 telephonic Board meetings.

- Bruce Myers, Matthew Lincoln, Hamilton Lee, and Shannon Thomas attended the Joint Board meeting of the UT System Board of Regents and the UTIMCO Board.

- Cambridge provided the peer universe for the performance period ending June 30, 2006. Cambridge also provided the peer ranking of the Total Endowment Assets.

- Completed a custom survey of a select group of peer institutions, focusing on investment-related costs (a separate contract covers the survey.)

- Comprehensive asset allocation review. Provided existing Cambridge research to assist in Asset Allocation Process. Also helped in the development of 5-7 yr returns and risk assumptions as part of the asset allocation process.

- Cambridge Associates provides many publications as a part of their services. A partial listing of the 2005 publications is attached as Exhibit A.

Non Marketable Alternative Asset Consulting Services

Per contract:

- Upon request, a comprehensive review of Client's non-marketable alternative investment assets program including an analysis of existing fund performance
- Preparation of quarterly forward calendars of non-marketable alternative investment opportunities
- Each quarter CA will provide the Client with its proprietary US Venture Capital and Private Equity benchmarks statistics to be used for individual manager evaluation
- Up to fourteen (14) due diligence memos and recommendations providing summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 14 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.
- Attendance at up to twenty in-person meetings (time but not travel expenses) and/or participation in conference calls with Client to discuss non-marketable investment strategy, the market environment, and potential fund opportunities. Additionally, CA may be asked to address Client's concerns regarding potential limited partnership investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Subject to the License terms and conditions in Exhibit II, access to CA's web-based software program Private Equity Benchmark Calculator for creating customized benchmarks specifying multiple filter criteria, such as asset sector, vintage year, and industry focus, region and stage.

Report on services provided:

General Consulting Services

- *Conference Calls and In-Person Meetings*: The Non-Marketable Alternatives ("NMA") team has periodic conference calls with the Cambridge Associates consulting staff (Astrid Noltemy, Jennifer Urdan and several associates and analysts) to discuss the market environment, potential fund opportunities, and investment strategy. During the past twelve months, the team had 12 conference calls with the Cambridge staff. The team also held one (1) full-day meeting with the Cambridge staff at UTIMCO.

- *Investment Recommendations*: Cambridge Associates may provide a written recommendation for each new manager the NMA team presents to the CIO and/or Board of Directors. The recommendations provide summaries of references, highlights of competitive advantages, and other issues for consideration.

- *Due Diligence Reports*: In addition to recommendations on new funds, the NMA team will from time to time ask Cambridge Associates to provide a complete due diligence memorandum on a proposed investment. Due diligence memoranda provide more detail on the fund and supplement the internal due diligence memorandum prepared by the NMA team.

- *Annual Partnership Meeting Attendance*: Cambridge will have representatives attend annual partnership meetings if members from the NMA team cannot attend. A summary and commentary of the meeting is provided to the team.

- *Data and Analytical Tools*: The NMA team has access to Cambridge data and online analytical tools, including the Private Equity Benchmark Calculator, the CPP System, quarterly US Venture Capital and Private Equity benchmark statistics, research reports, and market commentary. A brief description of each of these information services is listed below.

  - Private Equity Benchmark Calculator: Customized benchmarks that specify multiple filter criteria, such as asset sector, vintage year, industry focus, region and state.
  - CPP System: Cambridge maintains UTIMCO's portfolio information within its CPP or Cambridge Private Portfolio System (CPP), allowing UTIMCO to access online data and analysis about the portfolio.
  - US Venture Capital and Private Equity Benchmark Statistics: Quarterly valuation and return information on venture capital, private equity, mezzanine, non-US private equity, and oil and gas partnerships.
  - Research Reports: In-depth research and analysis on asset classes, sectors and strategies. An example of research reports received over the last twelve months is "Active or Passive Management? It's Not That Simple."
  - Market Commentary: Cambridge viewpoints on various market segments and events. Examples of market commentary received over the last twelve months are "Capital Market Commentaries, Notes on Current Valuations and Investment Publication Highlights, January 2006" and "Market Update: Returns and Valuations April 30, 2005."

Services Provided During the Last Twelve Months

As illustrated below, Cambridge conducted 12 conference calls/meetings with the NMA staff, provided 5 investment recommendations, and 10 due diligence reports. In addition, the team had frequent email and phone exchanges with various Cambridge consultants that are not included in the numbers shown below.

Cambridge Associates Services Non-Marketable Alternative Investments *March 1, 2005- February 28, 2006*	
Type of Service	**Number of Reports/Meetings**
Conference Call/ In-Person Meeting	12
Investment Recommendations	5
Due Diligence Memoranda	10
Annual Meeting Summaries	0

Marketable Alternative Asset Consulting Services

Per contract:

- A comprehensive review of Client's marketable alternative investment assets including an analysis of existing programs and funds, a program risk assessment, and recommended changes in program structure and allocation.
- Attendance at up to fourteen in-person meetings (time but not travel expenses) and/or participation in conference calls to discuss marketable alternative investment strategy, the market environment, and potential investment opportunities. Additionally, CA may be asked to address Client's concerns regarding potential marketable alternative investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Up to 18 due diligence memos and recommendations that provide summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 18 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.

Report on services provided:

General Consulting Services

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

Services Provided During the Last Twelve Months

Cambridge conducted six formal conference calls/meetings with the MA staff and provided two investment memorandums. There were also various short, informal telephone discussions.

Cambridge Associates Services Marketable Alternative Investments March 1, 2005 – February 28, 2006	
Type of Service	**Number of Reports/Meetings**
Conference Call/ In-person Meeting	6
Due Diligence Memorandums & Recommendations	2
ITF Hedge Fund Manager Review	1
Benchmark Study	1

Exhibit A

Various Publications provided by Cambridge Associates

1. Absolute Return Investing
2. Active or Passive Management? It's Not that Simple
3. Analysis of College and University Investment Pool Returns
4. Assets Under Management
5. Comparative Asset Allocations & Total Return – Colleges & Universities
6. Comparative Asset Allocations & Total Return – Non-Taxable Portfolios Over $1 Billion
7. Comparative Debt Issuances Practices
8. Conflicts of Interest
9. Emerging Markets Equity Investing
10. European Market Commentary
11. Global Market Comment
12. Long/Short Hedge Funds
13. Managed Funds
14. Market Updates – Returns & Valuations (Monthly)
15. Multi-strategy hedge funds
16. Oil and Gas Investing
17. Portable Alpha – A Closer Inspection
18. Revisiting Tactical Asset Allocation
19. Student Charges – Academic Year 2005-2006
20. Timberland Investing Current Environment
21. US Bank Custody
22. US Distressed Debt Company Investing
23. US Equity Managers (Ex-Small-Cap)
24. US Equity Managers (Ex-Small-Cap) – Executive Summary
25. US Fixed Income Managers
26. US Fixed Income Managers – Executive Summary
27. US Historical Capital Market Valuations
28. US Manager Update
29. US Market Comment
30. US Real Estate and REIT Investing

C | A

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MEMORANDUM

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

FROM: Bruce Myers

DATE: March 16, 2006

RE: Past Year's Scope of Work

Joan Moeller has kindly given us the opportunity to review her summary of the tasks we undertook under the UTIMCO contract in the past year. As one might expect, it is a very thorough and accurate detailing of the work performed by the UTIMCO consulting team at Cambridge Associates.

My only addition to Joan's excellent summary would be to note that we spent an increasing amount of time this year in conversation with University of Texas System staff, for the most part fielding routine requests for comparative data. The one more substantive project (approved in advance by both Chairman Caven and Bob Boldt) was an analysis of the comparative returns of the institutions that comprised the cost study done by our colleagues in Menlo Park. The results of both the return analysis that we prepared and the cost analysis done by Matt Lincoln and Shannon Thomas in Menlo Park were subsequently incorporated in a memorandum to the Board of Regents written by System staff.

As always, we would be happy to answer any questions you might have about our work for UTIMCO in the past year, and I would also like to add our thanks for the opportunity to be a part of this effort.

March 2, 2006

Mr. Scott Caven, Chairman
University of Texas - Board of Regents
201 W. 7th Street, Suite 820
Austin, Texas 78701-2981

Dear Mr. Caven:

I am writing to confirm that within the context of your existing Agreement with Cambridge Associates dated December 1, 2002, the generalist and specialist consultants at CA will provide The University of Texas Investment Management Company ("Client") with the following services for the twelve month period beginning December 1, 2005.

General Consulting Services

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

Marketable Alternative Asset Consulting Services

- Access via the CA consulting team and in many instances CA's web site to database information relative to marketable alternative assets as noted above.
- Investment manager recommendations presented to the Board for final approval constitute an additional service and will be charged in accordance with the fee schedule shown in Exhibit I.

Non Marketable Alternative Asset Consulting Services

- Upon request, a comprehensive review of Client's non-marketable alternative investment assets program including an analysis of existing fund performance.
- Preparation of quarterly forward calendars of non-marketable alternative investment opportunities.
- Each quarter CA will provide the Client with its proprietary US Venture Capital and Private Equity benchmarks statistics to be used for individual manager evaluation.

- Up to twelve (12) due diligence memos and recommendations providing summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 12 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.

- Attendance at up to twenty (20) in-person meetings (time but not travel expenses) and/or participation in conference calls with Client to discuss non-marketable investment strategy, the market environment, and potential fund opportunities. Additionally, CA may be asked to address Client's concerns regarding potential limited partnership investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.

- Subject to the License terms and conditions in Exhibit II, access to CA's web-based software program Private Equity Benchmark Calculator for creating customized benchmarks specifying multiple filter criteria, such as asset sector, vintage year, and industry focus, region and stage.

These services will be provided for an Annual Fee of $756,000. This fee will be payable in four equal installments; quarterly in advance. The Annual Fee for subsequent years will be negotiated between the parties depending on the scope of services provided. Out-of-pocket expenses such as communications, printing, copying, etc. and the cost of travel to Texas by members of the consulting team are included in the Annual Fee. International travel costs will be billed to the Client as reimbursable expenses.

At your request, additional consulting services will be provided and billed at CA's standard fees with prior fee authorization when requested. Additional services may include, for example, additional meetings with the Client, marketable alternative assets manager searches or additional due diligence memos as specified above.

We greatly value our relationship and look forward to continuing to work with you. Please let us know if you have any questions or concerns, otherwise we will assume that these terms are satisfactory.

Sincerely,

Francis J. Phillips
Chief Financial Officer

cc: Bruce Myers

Robert Boldt

EXHIBIT I

MANAGER SEARCHES

2006 FEE SCHEDULE

The 2006 fixed fee schedule as noted below is based on the type and number of managers to be hired during the same time period.

Marketable Alternative Assets Managers	
First manager search	$26,500
Second and subsequent simultaneous searches*	$22,000

*The reduced fee assumes that manager interviews will be scheduled concurrently.

**This search fee includes a Summary (where one is available) and an Analysis of the fund. Fees for follow on or subsequent funds are half the fee schedule above if we made the recommendation for the original funds. If we did not make the original recommendation, the fee will be per the fee schedule above.

These fees are valid through December 31, 2006.

EXHIBIT II – TERMS AND CONDITIONS

PRIVATE EQUITY BENCHMARK CALCULATOR

This License governs Client's use of Advisor's Private Equity Benchmark Calculator software and includes provisions designed to protect the privacy and security of Advisor's users.

LICENSE: Advisor hereby grants to Client a non-exclusive license to access the Advisor web site at anytime using Advisor-provided log-in identifications and passwords for the purpose of using the Advisor software program known as *Cambridge Associates' Private Equity Benchmark Calculator* (the "Program") and related user documentation (the "Documentation") to generate customized benchmarks for return comparison purposes (the "Benchmark Data"). The Program and the Documentation are collectively referred to as the "Products". The Program may not be re-exported.

COPYRIGHT: Advisor and its licensors retain all right, title and interest, including copyright, in and to the Program, Documentation and Benchmark Data. The Program contains proprietary third party software and Client's use of such software is permitted only pursuant to the terms of this Agreement. The Program, Documentation and Benchmark Data are protected by the copyright laws of the United States and international treaty provisions. There are severe penalties, both civil and criminal, for copyright infringement. Client may use and incorporate into other documents the Benchmark Data, and reproduce and distribute the Benchmark Data and Documentation solely for internal use by Client's staff, trustees, members of the investment committee (or other committees that perform a similar function and are internal to Client's organization), provided, however, that Client must always indicate Advisor as the source and all persons receiving the Benchmark Data or Documentation must agree to hold such information in confidence.

LIMITED WARRANTY: Advisor and its Licensors provide the Products and Benchmark Data without warranty of any kind whatsoever and specifically disclaim all warranties, express or implied, including but not limited to, the implied warranties of non-infringement, merchant-ability or fitness for a particular purpose or warranties of quality or performance.

LIMITATION OF LIABILITY: In no event will Advisor or its employees, agents, licensors or suppliers be liable for any damages arising out of the use or inability to use the products or benchmark data, including, but not limited to, any direct, indirect, incidental, consequential or punitive damages, or, any damages for lost profits or anticipated benefits, even if they have been advised of the possibility of such damages.

CONFIDENTIALITY AND SECURITY: The Products and Benchmark Data contain financial data, algorithms, formulas, and other methods of financial analysis (the "Confidential and Proprietary Materials"). This Confidential and Proprietary Material is the property of Advisor and Client acquires no right, title or interest in the Confidential and Proprietary Material hereby. Client agrees to not alter or manipulate the Program to acquire Confidential and Proprietary Materials that are not displayed or communicated to Client during the ordinary course of operation of the Program as described in the Documentation. Client agrees that all Confidential and Proprietary Information acquired by Client through the Program or the Advisor web site will be maintained by Client in confidence, will not be disclosed to any third party except as expressly permitted in the Copyright section of this License or used for any purpose other than the intended purposes of the Products as described in the Documentation.

Client understands that Advisor reserves the right to acquire Proprietary and Confidential Materials for use or inclusion in the Program for the purpose of protecting the confidentiality of such materials and to restrict the use of such materials. Client agrees that any violation of this paragraph will be a material breach of this License.

ACCESS AND PASSWORD POLICY: Certain portions of the Advisor's web site can only be accessed using appropriate log-in identifications and passwords provided by Advisor. Client agrees to keep all such log-in identifications and passwords confidential and not to transfer or disclose them to others.

OTHER RESTRICTIONS: Client may not assign or transfer your rights under this License without the prior written consent of Advisor and its licensors. If Client is permitted to assign or transfer this Agreement, Client must also transfer all log-in identifications and passwords.

ADDITIONAL PASSWORDS: Client will be given up to five (5) log-in identifications and passwords upon request. Additional passwords can be provided to Client for $1,000 each.

TAB 12

Agenda Item
UTIMCO Board of Directors Meeting
March 30, 2006

Agenda Item: Report on External Counsel

Developed By: Moeller

Presented By: Moeller

Type of Item: Information item

Description: The Comprehensive Report on External Counsel is being submitted to update the UTIMCO Board on the scope of services provided by external counsel. This is the second year the report has been prepared and covers the period of March 1, 2005 to January 31, 2006. This is only eleven months because the billing for February was not available and last's year report ended February 28, 2005. The external counsel is Vinson & Elkins and Jerry Turner is lead counsel.

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

Reference: Annual Comprehensive Report on External Counsel; Vinson & Elkins' Fees

Annual Comprehensive Report on External Counsel
March 2005 through January 2006

UTIMCO's external counsel is Vinson & Elkins LLP (V&E). Jerry Turner is lead counsel on the UTIMCO relationship. Various attorneys at V&E work on UTIMCO legal matters, both corporate and investment matters. This comprehensive report prepared and covers the period of March 1, 2005 through January 31, 2006.

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

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

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

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

- participated in the drafting of the disclosure legislation, assisted with new post-legislation confidentiality side letter, reviewed TPIA "FAQ" for SB 121, and assisted in implementation of new disclosure legislation.
- provided research and guidance on pooling of hedge funds
- reviewed UTIMCO's ability to invest the funds of outside foundations, specifically the LBJ Foundation
- reviewed and provided substitute language for the construction contract for the lease build out of Frost Bank Tower

- specific guidance and review of correspondence related to Open Records Ruling Requests submitted to the Texas Attorney General
- prepared general views memorandum on unrelated business tax issues related to revenue sharing agreements in investment manager contracts
- prepared comments concerning Code of Ethics questions related to hedge funds
- provided guidance on investment standards for UTIMCO – managed endowments

Vinson & Elkins' Fees
March 2005 through January 2006

	Direct Fund Expenses:		
	Private Capital Investments		
	Partnership Agreements (43 partnerships)	$	405,304
*	Sale of Oakbay/Varel		94,251
*	Various issues		9,800
	Miscellaneous non-legal expenses		1,235
	Total Private Capital		510,590
	Hedge Fund Investments		
	Partnership Agreements (24 partnerships)		202,110
	Background Checks		12,659
*	Pooling of hedge funds		3,735
*	Various issues		4,823
	Miscellaneous non-legal expenses		358
	Total Hedge Funds		223,685
	Public Market Investments		
	Investment Management Agreements (15 agreements)		138,368
	Background Checks		5,647
*	ITF Contracts		5,794
	ISDA		5,062
*	Various issues		969
	Miscellaneous non-legal expenses		358
	Total Public Markets		156,198
	Total Direct V&E Fund Expenses		890,473
	UTMCO Corporate Expenses:		
	General		
	Benefits		24,986
*	Revenue Sharing Arrangements (UBIT issue)		8,200
*	Construction Contract		23,079
	Board		71,853
*	Investing of outside foundations' funds (LBJ Foundation)		16,698
	Policies and Corporate Documents		81,190
*	Pooling of Hedge Funds		5,362
	Miscellaneous corporate		10,325
	Miscellaneous investment		10,175
	Miscellaneous non-legal expenses		1,843
	Total General		253,711
	Disclosure		
	Open Records' requests and TPIA issues		3,544
*	Disclosure legislation		83,590
	Miscellaneous non-legal expenses		749
	Total Disclosure		87,883
	Total UTIMCO Corporate V&E Expenses		341,594
	Total V&E Expenses	$	1,232,067
*	Indicates non-recurring expenses	$	256,301