

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



***Presentation Materials***

***Board of Directors Meeting***

***May 25, 2006***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
May 25, 2006**

UTIMCO  
401 Congress Ave., Suite 2800  
Austin, Texas

Time		Item #	Agenda Item
Begin	End		
			<b>Open Session:</b>
9:00 a.m.	9:05 a.m.	1	Call to Order/Consideration of Minutes of March 30, 2006 Meeting*
9:05 a.m.	10:00 a.m.	2	Report from Audit and Ethics and Policy Committees: <ul style="list-style-type: none"> <li>- Discussion and Consideration of Staff's Recommendation of Mellon Trust as Custodian Selection*</li> <li>- Discussion and Consideration of Audit Charter of the Audit and Ethics Committee*</li> <li>- Discussion and Consideration of Engagement of Ernst and Young as Corporation's Independent Auditor*</li> <li>- Discussion and Consideration of Proposed Amendments to Corporation's Code of Ethics*, **</li> <li>- Discussion and Consideration of Proposed Amendments to Corporation's Bylaws*, **</li> </ul>
10:00 a.m.	10:45 a.m.	3	Endowment and Operating Funds Update: <ul style="list-style-type: none"> <li>- Performance Report</li> <li>- Liquidity Profile</li> <li>- Risk Dashboard</li> <li>- Comprehensive Derivative Report</li> <li>- Report on Actions Taken Under Delegation of Authority</li> <li>- Intermediate Term Fund ("ITF") Update</li> </ul>
10:45 a.m.	11:15 a.m.	4	Discussion of Manager Classification Procedures
11:15 a.m.	11:30 a.m.	5	Discussion of New Method of Reporting Individual Manager Issues to UTIMCO Board
11:30 a.m.	11:45 a.m.	6	Review of Investment Consultant Request for Proposal
11:45 a.m.			Adjournment

Members of the Committee may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

\* Action by resolution required

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

<b>Next Scheduled Meeting: July 13, 2006</b>
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**TAB 1**

<b>RESOLUTION RELATED TO MINUTES</b>
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RESOLVED, that the minutes of the meeting of the Board of Directors held on **March 30, 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 **30th day of March, 2006**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called to order 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; Bill Volk, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, William Huang, Jim Phillips, and Cathy Swain 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 meeting of the Board of Directors held on January 17, 2006. Ms. McHugh stated that the minutes should reflect that Directors Hunt and Rowling expressed clear direction that UTIMCO must not place the portfolios in an exposure position that results in negative cash. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on January 17, 2006, be, and are hereby, approved, subject to revision as requested by the Committee; and

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

### **Annual Meeting**

Mr. Caven continued by recommending approval of three corporate resolutions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

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

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:

<u>Name</u>	<u>Office or Offices</u>
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; and

FURTHER 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

### Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt presented an investment update and discussed performance information for January 31, 2006. 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 January 31, 2006. The net performance for the one-month period ended January 31, 2006, for the Permanent University Fund ("PUF") was 2.87% and for the General Endowment Fund ("GEF") was 2.82%, versus benchmark returns of 3.30% for each fund. The net performance for the one-year period ended January 31, 2006, for the PUF and GEF was 16.31% and 15.98%, respectively, versus benchmark returns of 16.11% for each fund. The Short Intermediate Term Fund's ("SITF") performance was 0.16% versus its benchmark return of 0.17% for the one-month period, and was 2.11% versus its benchmark return of 1.87% for the one-year period ended January 31, 2006. Performance for the Short Term Fund ("STF") was 0.36% versus 0.31% for its benchmark for the one-month period, and was 3.38% versus a benchmark return of 3.22% for the one-year period ended January 31, 2006. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, actions taken under the Delegation of Authority and manager changes since the last Board meeting. Mr. Boldt, Ms. Iberg, Mr. Goldsmith, Ms. Reed and Mr. Thompson answered the Directors' questions. Mr. Boldt asked Mr. Goldsmith to give a brief update on the Intermediate Term Fund ("ITF") following its launch on February 1, 2006. Mr. Boldt and Mr. Goldsmith answered the Directors' questions.

### Report from the Private Markets Group

Mr. Caven asked for a report from the Private Markets Group. Mr. Thompson, Managing Director, gave a detailed update addressing the Private Markets Group's progress towards achieving a 15% allocation to private equity and provided a brief performance update. He also discussed the trends affecting the private equity markets and the department's strategy for positioning the portfolio to take advantage of current and anticipated investment opportunities. Mr. Thompson answered the Directors' questions.

### Proposed Public Markets Investment

Mr. Caven asked Mr. Goldsmith to discuss the proposed public markets investment in Lansdowne Limited Partners UK Equity Fund. Mr. Goldsmith gave an overview and answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF, GEF and ITF assets to acquire an initial combined \$100 million institutional investment interest (the "Investment") in **Lansdowne Limited Partners UK Equity Fund** and to increase the approved total investment allocation to Lansdowne Limited Partners up to \$750 million; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed Investment as described in the Investment Memorandum dated March 27, 2006, for **Lansdowne Limited Partners UK Equity Fund** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed Investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the initial capital commitment to **Lansdowne Limited UK Equity Fund**; and be it further

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

Mr. Boldt handed out a publication entitled The Asset Management Industry in 2010. The meeting was recessed at 12:00 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:30 p.m.

### **Recommended Distribution Rates**

Mr. Caven asked Mr. Boldt to present the recommended distribution rates for the Permanent Health Fund (PHF), the Long Term Fund (LTF) and the Intermediate Term Fund (ITF). He explained that each of the Funds' respective Investment Management Policy Statement provides the guidelines to calculate the distribution amount or rate and provides for the spending policy objectives of the Fund. The Permanent University Fund distribution rate will be discussed at a later date. Mr. Boldt answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that 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; and

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.

### **Investment Policy Statements**

Mr. Caven asked that Mr. Boldt review Tab 8, a report on investment policy statements. The Investment Management Services Agreement (IMSA) requires that the Corporation review the current investment policies for each Fund at least annually by June 1 of each year. The Policy Committee met on March 7 and approved all Staff recommended amendments to the policies with the exception of two items. Exhibit A of the Funds and the language in the Delegation of Authority Policy regarding short sales were deferred to the Risk Committee for review and approval. The Risk Committee met prior to the Board meeting and discussed the two items. The first of these two items was Exhibit A which lays out targets and ranges for the Funds and is prepared on a net exposure, not cash basis. The Risk Committee deferred recommendation of proposed changes to Exhibit A until discussion by the full Board. Mr. Boldt explained in detail the recommended changes to Exhibit A. Chancellor Yudof left the meeting at this time. Mr. Rowling reported that the Policy Committee considered that most proposed changes to the policies were positive changes needed for consistency with the Intermediate Term Fund Investment Policy Statement. After discussion of the proposed amendments, the Board recommended that amendments to the policies be approved, with noted exceptions to Exhibit A. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

The final versions of Exhibit A, as approved, are attached to these minutes.

Mr. Boldt continued with the second item for discussion regarding the amendments to the Delegation of Authority Policy. The language in the Delegation of Authority Policy, regarding short sales, was deferred by the Policy Committee to the Risk Committee for review and approval. The Risk Committee approved the policy as drafted and recommended approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

### **Investment Environment and Opportunities**

Mr. Caven asked Mr. Boldt to begin the discussion on current investment environment and opportunities by giving his presentation on investment framework guiding the Corporation's decisions and continuing education on risk budgeting. 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. Mr. Nye left the meeting at this time.

### **Compensation Committee Report**

Mr. Caven asked Mr. Ferguson, Chairman of the Compensation Committee, to give a report from the Compensation Committee. The Compensation Committee met on March 7, 2006. 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 Committee approved the compensation consultant, selecting Mercer Human Resources 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 Consulting performed the last study 2½ years ago. The Compensation Committee has directed the staff to negotiate the contract with Mercer Human Resources Consulting. Upon completion of the contract, Mercer will be in contact with Chairman Ferguson to direct the services related to the benchmarking study. As requested by the Compensation Committee, Mercer Human Resources Consulting will report directly to the Committee.

### **Recommended Changes to Charters of the Risk Committee and the Audit and Ethics Committee**

Mr. Caven asked Mr. Tate to make the recommendation regarding proposed change to the Charter of the Risk Committee. Mr. Tate stated that the Risk Committee, at their meeting this morning, considered the proposed changes to the Charter of the Risk Committee and recommended the Board to accept the changes as drafted. The Charter of the Audit and Ethics Committee will be deferred until the next meeting of the Audit and Ethics Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

### **Report on the External Investment Consultant and Consideration of Contract Renewal**

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 Policy, 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. The Staff recommends the approval of the external investment consultant contract. Details and changes of the contract were discussed, with Mr. Boldt, Ms. Moeller and Mr. Myers answering the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

**Report on External Counsel**

Mr. Caven asked Ms. Moeller to report on the Corporation's external counsel. 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. The external counsel is Vinson & Elkins and Jerry Turner is lead counsel. Vinson & Elkins has been the Corporation's counsel since the Corporation'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.

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

**EXHIBIT A**

**PERMANENT UNIVERSITY FUND AND GENERAL ENDOWMENT FUND  
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
<b>US Equities</b>	<b>20.0</b>	<b>10 to 30</b>	Russell 3000 Index
<b>Global ex US Equities</b>	<b>17.0</b>	<b>10 to 30</b>	
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
<b>Hedge Funds</b>	<b>25.0</b>	<b>15 to 27.5</b>	
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
<b>Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
<b>Inflation Linked</b>	<b>13.0</b>	<b>5 to 20</b>	
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
<b>Fixed Income:</b>	<b>10.0</b>	<b>5 to 15</b>	Lehman Brothers Aggregate Bond Index
<b>Liquidity Reserve</b>	<b>0.0</b>	<b>-1 to 10</b>	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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

**EXHIBIT A**

**LONG TERM FUND AND PERMANENT HEALTH FUND  
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

	<b>Neutral Allocation</b>	<b>Range</b>	<b>Benchmark Return</b>
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Liquidity Reserve	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	<b>8.34</b>
1yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	<b>% of Target Risk</b>
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 A**

**INTERMEDIATE TERM FUND  
POLICY TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**

Asset Categories	Percent of Policy (%)		Benchmarks
	Policy Targets	Policy Ranges	
<b>U. S. Equities</b>	<b>15</b>	<b>5 to 20</b>	<b>Russell 3000 Index</b>
<b>Global ex U. S. Equities</b>	<b>10</b>	<b>0 to 15</b>	
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
<b>Hedge Funds</b>	<b>25</b>	<b>10 to 27.5</b>	
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
<b>Inflation Linked</b>	<b>25</b>	<b>10 to 35</b>	
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
<b>Fixed Income</b>	<b>25</b>	<b>15 to 40</b>	Lehman Brothers Aggregate Bond Index
<b>Liquidity Reserve</b>	<b>0.0</b>	<b>-1 to 20</b>	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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 (%)		127%
Lower Risk Bound:		
1 yr Downside Deviation (%)		69%

\* 3 trading days or less

## **TAB 2**

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

**Agenda Item:** Discussion and Consideration of Staff's Recommendation of Mellon Trust as Custodian

**Developed By:** Boldt, Moeller, Hill

**Presented By:** Nye

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

**Description:** The master custodian for The University of Texas (UT System) accounts provides a wide range of services, including custody, accounting, performance, analytics and securities lending. Since the contract with the current custodian (Mellon Trust) terminates on June 30, 2006, and a custodian review has not been performed since the inception of the relationship on September 1, 1995, staff distributed a Request for Proposal in January and has diligently reviewed the candidates.

Further approval of the master custodian is required by the Board of Regents.

**Discussion:** The Committee and staff will review the process with the Board and discuss the reasons for staff's recommendation to select Mellon Trust as the custodian.

**Recommendation:** The Committee will recommend appropriate action related to selection of custodian.

**Reference:** Custodian Review Memorandum

## **RESOLUTION RELATED TO CUSTODIAN SELECTION**

RESOLVED, that the Board approves the selection of Mellon Trust as the master custodian for the UT System Funds and directs staff to negotiate the contract with Mellon Trust, subject to approval of the Board of Regents of The University of Texas System.

## Custodian Review

The master custodian for The University of Texas System (UT System) funds provides a wide range of services, including custody, accounting, performance, analytics and securities lending. Global custody, multi-currency reporting, and robust on-line reporting systems are strict requirements for the custodian. The master custodian is deeply involved in the accounting and operations of the UT System funds and is an extension of the back office for UTIMCO. The purpose of this Request for Proposal (RFP) was to review the capabilities of potential suppliers of master custody, securities lending, and related services for UT System's estimated \$18.7 billion in aggregate assets as of November 30, 2005.

**Background:** Mellon Trust of New England, N.A. (formerly Boston Safe Deposit and Trust Company) was hired as the master custodian for the UT System accounts as of September 1, 1995 with a contract extending through June, 2000. The contract was renewed for one year until June 30, 2001. The contract was then amended and restated as of July 1, 2001, to terminate on June 30, 2006.

Mellon Trust has served the UT System funds and UTIMCO staff very well. UTIMCO staff has been very pleased with the service provided by Mellon Trust and their ability to customize the specific requests and demands of UTIMCO staff. The purpose of the contract review was not due to dissatisfaction with Mellon Trust but to survey the services, abilities, and cost of other custodians in the industry. UTIMCO management and staff recognized that switching custodians and undertaking a conversion could be extremely time consuming, interrupting the daily functions, operations, reporting, and management of the Funds. However, staff also recognized the need to periodically review the costs and services provided by existing service providers and compare to other providers in the industry.

**Process:** UTIMCO staff established an internal committee to participate in the custodian review. The committee included individuals from Information Technology, Risk Management, Public Markets, Accounting and Operations. The committee developed a draft RFP in December, 2005, including the Schedule of Key Events. The schedule was included in the service review plan sent to Chairman Huffines in December, 2005. The draft RFP was sent to the UT System Office of General Counsel and the UT System Department of Finance for comments. The RFP was then presented to the Audit and Ethics Committee for review and comment at its January 16, 2006 meeting. After approval by the Audit and Ethics Committee, the RFP was distributed to six potential candidates on January 18, 2006. The candidates were selected based on their reputation in the industry. In addition, a custodian was included if representatives from the organization had visited UTIMCO staff over the past few years and had requested to be included in a future RFP. Those candidates were Mellon Trust, State Street, Northern Trust, Bank of New York, JP Morgan Chase, and Wachovia. The Audit and Ethics Committee gave staff direction to undertake this process with careful diligence and provide updates as necessary. Committee Chairman Nye was provided periodic progress reports from Joan Moeller via telephone.

In order to give the candidates additional time to respond to the RFP, the original Schedule of Key Events was changed at the suggestion of Chairman Huffines, with responses due February 24, 2006. During the time between when the responses were sent on January 18<sup>th</sup> to the due date, UTIMCO staff was available to discuss specifics related to the RFP, UTIMCO, and the UT System funds. The candidates mainly submitted questions in writing, and in certain instances, staff believed that it would be beneficial to respond to their questions via a conference call to assist the candidate in understanding the unique requirements of UTIMCO related to the UT System funds. Therefore, UTIMCO staff had conference calls and in-house visits with some of the candidates.

Each candidate, except for Wachovia, responded to all of the sections outlined in the RFP. Wachovia only responded to the Securities Lending section. The internal committee reviewed the five responses received from the candidates (Mellon Trust, Northern Trust, State Street, Bank of New York, and JP Morgan Chase). Each committee member rated the responses to the twelve broad sections included in the RFP and weighted each section based on importance. The sections included:

- Organization
- Client Service/Administration
- Global Custody/Securities Processing
- Cash Management/Income Collection
- Corporate Actions and Tax Claims
- Accounting/Reporting
- Performance Measurement/Portfolio Analytics/Risk Management
- Audit Controls
- On-line Systems/Technology
- Securities Lending
- Conversion/Transition
- Fees

Based upon the review and rating conducted by members of the internal committee, the list of candidates was narrowed to three finalists: Mellon Trust, Bank of New York, and Northern Trust. At this stage of the review, the committee did not give fees a high weight in the decision to select the three finalists. We did review the fees and determined that Mellon Trust had the lowest fees of the five and had reduced their fees approximately 30% from their current schedule. Northern Trust had the highest fee, but the committee felt their responses to the RFP warranted them as a finalist and that the fees could be negotiated.

Five members of the internal committee visited the Bank of New York (in New York) and Northern Trust (in Chicago). The committee did not visit Mellon Trust since they were familiar with their organization. Bill Edwards, Gary Hill, Debbie Childers, David Gahagan, and Marjorie Harrigan were the five members making the site visits. During the visits, the UTIMCO representatives were given presentations by key personnel at each location, and were given tours and demonstrations of the areas and systems that would be used to provide service to the UT System funds. Each service area at both locations was represented. UTIMCO personnel asked questions and requested demonstrations of the key systems and reports that each candidate had available. The committee conducted an intense review of the services offered. Through interactive presentations and interviews, the group was able to develop a sense of the candidate's culture as well.

All three finalists were invited to UTIMCO's office to give two to three hour presentations to the internal committee and other interested UTIMCO staff. They were to discuss their organization and capabilities, demonstrate on-line systems/technology, and to further expand on questions in the RFP. In addition, the committee requested additional clarifications based on the onsite visits and RFP responses.

The committee reviewed and debated the merits of each of the finalists. One interesting finding by the committee was that in certain areas where the committee had particular questions, none of the three candidates were further advanced nor had found the appropriate solution. In fact, all three were in the process of searching for the best solution. The committee did find certain on-line capabilities offered by Bank of New York and Northern Trust that staff thought would be very useful.

**Recommendation:**

After several months of reviewing custodians, the internal committee recommends that Mellon Trust remain as the custodian for the UT System funds. Over the past eleven years, Mellon Trust has gained an in-depth knowledge of and experience with the funds' structure and sophisticated investment strategy and process. Mellon has become an extension of the UTIMCO staff and works very closely with staff on a daily basis. Staff has worked with Mellon to create a highly customized product and Mellon provides the service to meet our demands. Mellon has grown up with UTIMCO, adding additional pieces of business such as the General Endowment Fund, Permanent Health Fund, Hedge Fund Pools and the Intermediate Term Fund, and services such as ODBC and daily valuation over the years. As the review process began, particular areas were investigated where the committee thought Mellon may have fallen behind their peers or where Mellon could improve upon its services. The internal committee discovered that each of the other custodians had the same issues or couldn't even grasp the concerns or specifics of the issues.

Mellon has been challenged throughout the years. The other candidates really didn't offer any services above what the level of services being offered by Mellon. They did provide assurances that they could build the systems UTIMCO already has in place and provide us with first rate service. However, the committee felt there was going to be a cost of time and money to get this done. UTIMCO has already experienced these growing pains with Mellon, and the other candidates offered no compelling advantages to go through them again with a new custodian. The overall conclusion of the committee was that a change in custodian would require a recreation of the processes and procedures already in place, and a tremendous "leap of faith" that the other custodians could deliver. This duplication of effort and risk were determined to be too large to justify a change in custodians at this time.

The committee did find that the Bank of New York was the most willing to adapt or modify their services to meet the UTIMCO needs. Northern Trust was much more interested in having UTIMCO change their structure to fit the processes Northern Trust already had in place for their other clients. The reference calls made by the committee also highlighted that the reference organizations provided by the Bank of New York and Northern Trust did not utilize the custodians in the same manner or to the same extent that UTIMCO currently utilizes Mellon.

The review of the custodians was a very worthwhile effort. At the beginning of the process, the Audit and Ethic Committee was told that the services provided by the custodians were the most important factor to us. Fees were important but without the appropriate level of service, fees could quickly cost more in the long run. The internal committee has now determined that Mellon has been providing excellent service at a fair price in comparison with their competition. The committee also identified enhancements and improvements that can be made with Mellon.

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

**Agenda Item:** Discussion and Consideration of the Audit Charter of the Audit and Ethics Committee

**Developed By:** Boldt, Moeller

**Presented By:** Nye

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

**Description:** The Audit and Ethics Committee and the Risk 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 UTIMCO Board approved the Risk Charter at its meeting on March 30, 2006. The UTIMCO Board delayed action on the Audit Charter of the Audit and Ethics Committee; allowing time for the Audit and Ethics Committee to review the proposed changes. The Audit and Ethics Committee reviewed changes to the Audit Charter of the Audit and Ethics Committee at its May 16, 2006 meeting.

**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 is in place, which includes investment risk management and compliance. The Audit and Ethic Committee will look to the Risk Committee for assurance 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 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, contains the appropriate definitions for technical terms, and provides specific program objectives.

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

- Language has been added to clearly indicate 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 will recommend appropriate action related to the Audit Charter of the Audit and Ethics Committee.

**Reference:** Audit Charter of the Audit and Ethics Committee

**RESOLUTION RELATED TO  
AUDIT CHARTER OF THE AUDIT AND ETHICS COMMITTEE**

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

**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~~ May 25, 2006.

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

- Agenda Item:** Discussion and Consideration of Engagement of Ernst and Young as Corporation's Independent Auditor
- Developed By:** Moeller; Lee
- Presented By:** Nye
- Type of Item:** Action item; Action required by UTIMCO Board
- Description:** The Audit Charter of the Audit and Ethics Committee ("Committee") sets forth the responsibilities of the Committee and UTIMCO Board with respect to hiring the Corporation's independent auditor. The Committee recommends the appointment of the independent auditor, and the auditor is ultimately accountable to the Committee and the Board. In addition, the engagement letter has to be submitted to the State Auditor's Office for their approval. The external auditors for the investment funds managed by UTIMCO are selected by the U.T. Board of Regents.
- Recommendation:** The Committee will recommend appropriate action related to engagement of E&Y as the Corporation's independent auditors.
- Discussion:** FY 2006 is the fourth year that Ernst & Young LLP will serve as the Corporation's auditor. The external auditor for the investment funds are hired by U.T. Board of Regents and U.T. System is currently negotiating the contract with Ernst & Young. Estimated fee for UTIMCO's 2006 audit services is \$40,000, plus out-of-pocket expenses, and represents an increase of approximately \$5,000 over the prior year fee.
- Reference:** Ernst & Young LLP Engagement Letter

**RESOLUTION RELATED TO ENGAGEMENT OF  
INDEPENDENT AUDITOR**

RESOLVED, that the firm of Ernst & Young, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2006, as submitted by the Audit and Ethics Committee.

April 11, 2006

The University of Texas Investment Management Company  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701  
Attention: Joan Moeller

Dear Ms. Moeller:

1. This will confirm the engagement of Ernst & Young LLP ("we" or "E&Y") by the Audit and Ethics Committee of The University of Texas Investment Management Company (the "Company" or "UTIMCO") to perform an audit of the Company's financial statements and its internal control over financial reporting (referred to hereinafter as the "integrated audit"). As part of the integrated audit, we will audit and report on the financial statements of the Company for the year ended August 31, 2006 (the "audit of the financial statements"). We also will audit and report on the effectiveness of internal control over financial reporting as of August 31, 2006 (the "audit of internal control"). All of the services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services."

#### **Integrated Audit Responsibilities and Limitations**

2. The objective of our audit of the financial statements is to express an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The objectives of our audit of internal control are to express an opinion on the effectiveness of internal control over financial reporting. Should conditions not now anticipated preclude us from completing either our audit of the financial statements or our audit of internal control and issuing our report thereon, we will advise the Audit and Ethics Committee and management promptly and take such action as we deem appropriate.
3. We will conduct our integrated audit in accordance with auditing standards generally accepted in the United States. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud, and that the Company maintained, in all material respects, effective internal control over financial reporting as of the date specified in management's assessment. As the Company is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud, and illegal acts. Accordingly, there is some risk that a material misstatement of the financial statements or a material weakness in internal control over financial reporting would remain undetected. Also, an audit of the financial statements is not designed to detect error or fraud that is immaterial to the financial statements. Similarly, an audit of internal control is not designed to detect deficiencies in

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internal control over financial reporting that, individually or in combination, are less severe than a material weakness.

4. We will consider the Company's internal control over financial reporting in determining the nature, timing, and extent of our audit procedures for the purpose of expressing our opinion on: (1) the financial statements, and (2) the effectiveness of internal control over financial reporting. Our report on item (2) above relates to the effectiveness of the entity's internal control taken as a whole, and not to the effectiveness of each individual internal control component.
5. In accordance with the auditing standards generally accepted in the United States, we will communicate certain matters related to the conduct and results of the audit to the Audit and Ethics Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; serious difficulties encountered in performing the audit; our level of responsibility under U.S. generally accepted auditing standards for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unadjusted audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the Company's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the Company's accounting principles; our basis for conclusions as to sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.
6. If we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether by senior management or other employees) that causes a material misstatement of the financial statements, we will report this matter directly to the Audit and Ethics Committee. We will determine that the Audit and Ethics Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit and Ethic Committee and appropriate members of management of significant audit adjustments noted during our audit procedures.
7. We will communicate in writing to management and the Audit and Ethics Committee all significant deficiencies and material weaknesses in internal control over financial reporting that we identify during the course of our integrated audit. The identification of a material weakness will cause us to express an adverse opinion on the effectiveness of the Company's internal control over financial reporting. We also will communicate to management in writing all internal control deficiencies (that is, those deficiencies in internal control over financial reporting that are of a lesser magnitude than significant deficiencies) identified during the integrated audit and not previously communicated by us or by others. We also will communicate to the Board of Directors the existence of any significant deficiency or

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material weakness as a result of ineffective oversight by the Audit and Ethics Committee of the Company's external financial reporting and internal control over financial reporting.

#### **Management's Responsibilities and Representations**

8. The financial statements and management's assessment of the effectiveness of internal control over financial reporting are the responsibility of the Company's management. Management is responsible for establishing and maintaining effective internal control over financial reporting, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the financial statements. Management of the Company also is responsible for the identification of, and for the Company's compliance with, laws and regulations applicable to its activities.
9. Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unadjusted differences accumulated by us during the applicable Audit Service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
10. Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit and Ethics Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading the auditors, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of attorney/client privilege, work product doctrine, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may prevent us from opining on the Company's financial statements or internal control over financial reporting; alter the form of report we may issue on such financial statements or internal control over financial reporting; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's independent auditors. The Company and we will disclose any such withholding of information to the Audit and Ethics Committee.

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11. Management is responsible for evaluating the effectiveness of the Company's internal control over financial reporting using suitable control criteria and for supporting its assessment with sufficient evidence, including documentation. Management also is responsible for presenting a written assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the Company's most recent fiscal year. In connection with its assessment of internal control over financial reporting, management will affirm to us in its representation letter that it has: (1) disclosed to us all significant deficiencies in the design or operation of internal control over financial reporting, and (2) identified those that it believes to be material weaknesses.
12. As required by auditing standards generally accepted in the United States, we will make specific inquiries of management about the representations contained in the financial statements and management's assessment of the effectiveness of internal control over financial reporting. Those standards also require that, at the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise the evidential matter we will rely upon in completing the applicable Audit Service. Management is responsible for providing us with all financial records and related information and making available to us all internal control documentation and records necessary to complete our Audit Services on a timely basis. Management's failure to do so may cause us to delay our report, as applicable, modify our procedures, or even terminate our engagement.

#### **Fees and Billings**

13. We estimate that our fee for the audit of the 2006 financial statements and our audit of internal control will be approximately \$40,000 plus expenses. However, our actual fee may exceed the top of this range. We will submit our invoices monthly and payment of them will be made upon receipt.
14. In addition, the Company shall reimburse us for direct expenses incurred in connection with the performance of the Audit Services. Direct expenses include reasonable and customary out-of-pocket expenses such as travel, meals, accommodations and other expenses specifically related to this engagement. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients.
15. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, the Company's documentation of internal control over financial reporting, the procedures the Company performs to support management's assessment of the effectiveness of internal control over financial reporting, and the results of our audit procedures. They also are dependent upon the Company's personnel providing a reasonable

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level of assistance during our integrated audit. Should our assumptions with respect to these matters be incorrect or should the documentation of internal control, results of our procedures, condition of the records, degree of cooperation, extent of procedures performed by the Company to support management's assessment, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and will be the subject of other written agreements.

16. In the event we are requested or authorized by the Company or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Company, the Company will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

#### Other Matters

17. E&Y understands that acceptance of this contract acts as acceptance of the authority of the State Auditor's Office to, in connection with the State Auditor's Office monitoring of the use of such funds, receive copies of invoices and all documentation which may be reasonable required by the State Auditor's Office to substantiate such invoices. E&Y further agrees to reasonably cooperate in good faith with the State Auditor's Office in the conduct of any investigation by the State Auditor's Office regarding the use of such funds, including by providing all such invoices and other documentation, including, copies of time sheets, pertinent books, documents, workpapers and records of E&Y relating to this contract. If photocopies of pertinent books, documents, working papers, and records of E&Y are requested, E&Y will send a letter to the Texas State Auditor's Office or regulatory representative of the State similar (but not identical) in form to that in the American Institute of Certified Public Accountants Auditing Section 9339, and such letter will be acknowledged by the Texas State Auditor's Office or regulatory representative of the State prior to provision of any photocopies by E&Y. Any photocopies of pertinent books, documents, working papers, and records of E&Y will be identified as "Confidential Treatment Requested by E&Y". E&Y agrees that this clause concerning the State Auditor's Office is included in any subcontracts it awards.

UTIMCO expressly permits and approves E&Y to provide the State Auditor's Office with access to any draft audit reports and with copies of all final audit reports provided under the agreement as requested by the State Auditor's Office and E&Y agrees to do so.

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UTIMCO will provide the State Auditor's Office with timely, advance notice of key meetings, which State Auditor's Office representatives may attend, related to any audit engagement entered into under this delegation of authority.

18. The Company shall not, during the term of the Agreement and for 12 months following its termination for any reason, solicit for employment, or hire, any E&Y personnel involved in the performance of the Audit Services, except as otherwise agreed in writing by E&Y; provided that the Company shall not breach its obligation hereunder by generally advertising available positions or hiring E&Y personnel who either respond to such advertisements or come to the Company on their own initiative without direct or indirect encouragement from the Company.
19. In addition, the Company shall not, without the prior written consent of E&Y, solicit for employment or for a position on its Board of Directors, or hire, any current or former partner or professional employee of E&Y, any affiliate thereof, or any other member of the global Ernst & Young network or any of their respective affiliates, if such partner or professional employee has been involved in the performance of any audit, review, or attest service for or relating to the Company at any time since the date of filing of the Company's most recent periodic annual report or in the 12 months preceding that date.
20. By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit and Ethics Committee to enter into this agreement with us on the Company's behalf and that you have been expressly authorized by the Audit and Ethics Committee to execute this agreement.
21. Any dispute or claim arising out of or relating to services covered by this agreement or any other services hereafter provided by or on behalf of E&Y or any of its subcontractors or agents to the Company or at its request (including any matter involving any third party for whose benefit any such services are provided), shall be resolved by mediation and arbitration conducted as set forth in the attachment to this agreement and incorporated herein by reference. Arbitration shall take place in New York, New York. Judgment on any arbitration award may be entered in any court having jurisdiction.
22. If any portion of this agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this agreement shall remain in effect. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and fully to be performed therein by residents thereof.

We will perform the Audit Services described herein for each of the Company's subsequent fiscal years based on the terms and conditions set forth in this agreement until either the Audit Committee or E&Y terminates the agreement. Changes in the scope of our Audit Services and

UTIMCO  
Joan Moeller

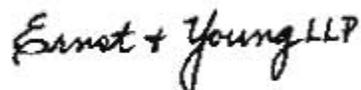
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estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters.

If these arrangements are acceptable, please sign one copy of this agreement and return it to us.

We very much appreciate the opportunity to serve as UTIMCO's independent auditors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions.

Yours very truly,



**The University of Texas Investment Management Company**

By: \_\_\_\_\_

Joan Moeller  
Managing Director  
Accounting, Finance and Administration

\_\_\_\_\_  
**Date**

## **Dispute Resolution Procedures**

### **Mediation**

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the CPR Institute for Dispute Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties.

The mediator shall conduct the mediation as he/she determines with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

### **Arbitration**

If the parties have not resolved a dispute within 90 days after the written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, of which each of the parties (or each group of aligned parties) shall select one from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules, and the third of which shall be selected as set forth in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort. Damages that are inconsistent with any applicable agreement, that are punitive in nature, or that are not measured by the prevailing party's actual damages, shall be unavailable in arbitration or any other forum. The parties expressly waive the right to such damages, and the arbitrators shall have no power to award them. The arbitration panel shall have no power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure to government agencies or other regulators is necessary for the disclosing party to comply with applicable law or regulatory requirements.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

**Agenda Item:** Discussion and Consideration of Proposed Amendments to Corporation's Code of Ethics

**Developed By:** Boldt, Moeller

**Presented By:** Nye, Rowling

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

**Description:** The Texas Education Code Chapter 66, §66.08 requires, among other things, that the Board of Regents approve the code of ethics of the corporation. The Code of Ethics ("Code") sets forth the basic principles and guidelines for directors and employees of The University of Texas Investment Management Company ("UTIMCO").

A joint meeting of the Policy Committee and Audit and Ethics Committee was held on May 16, 2006, to review the revised Code of Ethics. The joint meeting was held because both the Audit and Ethics Committee and the Policy Committee have responsibilities related to the Code of Ethics. The Audit and Ethics Committee, as mandated by the Audit Charter of the Audit and Ethics Committee, is responsible for reviewing the Code of Ethics policy of UTIMCO annually and recommending any changes to the UTIMCO Board for approval. In addition, the Policy Committee Charter states that the Policy Committee should recommend amendments to the Code of Ethics.

**Recommendation:** Committees will recommend appropriate action related to the revised Code of Ethics.

**Discussion:** The Code of Ethics has been rewritten by UT System's Office of General Counsel, UTIMCO Staff, Vinson & Elkins and Baker Botts. (The rewrite is based on the latest copy approved by the Board of Regents. The UTIMCO Board approved changes to the Code during July 21, 2005; but the Board of Regents delayed reviewing those amendments.) Since the Code was entirely rewritten, a red-line version of the Code is not useful. The purpose of the rewrite was to reorganize the Code to make it easier to reference and amend, and to clarify some provisions that were confusing in the current version. In addition, certain language approved by the UTIMCO Board in July 21, 2005 has been added. The areas with substantive changes are as follows:

- Expanded Sec. 1.01 General Principles. (This wording was approved by the Board July 21, 2005.)
- Section 1.03 Definition of "Control". This section has been clarified to explain presumption of control.
- Added Section 1.12 (e) Nepotism. This section has been added to exclude short term hiring of a relative for special projects.

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

- Added Section. 2.10 Referrals. This language is consistent with the Regents' Rules and Regulations (UTIMCO Board agreed to adding language related to referrals in July, 2005).
- Section 3.03 UTIMCO Investment in Private Investments. This section has been clarified consistent with new Section 3.06 (discussed below).
- Added Section. 3.06 Divestment Not Required for Certain Private Investments. This section has been added to state that a director, director entity, employee, or employee entity may retain a private investment in a business entity in which UTIMCO also has an investment provided the director, director entity, employee, or employee entity acquired that investment prior to taking a position with UTIMCO.

**Reference:** Revised Code of Ethics; Current Code of Ethics

## **RESOLUTIONS RELATED TO CODE OF ETHICS**

RESOLVED, that amendments to the Code of Ethics of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System; and it be further

RESOLVED, that the foregoing resolution supersedes the resolutions of the Board adopted on July 21, 2005, that approved amendments to the Code of Ethics; and be it further

RESOLVED, that the resolutions of the Board adopted on July 21, 2005, approving amendments to the Code of Ethics are rescinded.

Code of Ethics

Revised Version

**THE UNIVERSITY OF TEXAS INVESTMENT  
MANAGEMENT COMPANY  
CODE OF ETHICS**

**Subchapter A. GENERAL PROVISIONS**

**Sec. 1.01. General Principles.** (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments 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 the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the directors and employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics sets forth the basic principles and guidelines for directors and employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the Texas Education Code, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's directors and employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those directors and employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this code holds all directors and employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all directors and employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

**Sec. 1.02. Definitions.** In this Code:

- (1) "Audit and ethics committee" means the standing audit and ethics committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "Chief compliance officer" means the person designated from time to time as the chairman of the employee ethics and compliance committee.
- (5) "Director" means a member of the Board of Directors of UTIMCO.
- (6) "Director entity" means an investment fund or other entity controlled by a UTIMCO director.
- (7) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (8) "Employee entity" means an investment fund or other entity controlled by a UTIMCO employee.
- (9) "General counsel" means the lawyer or firm of lawyers designated from time to time as the general counsel of UTIMCO.

- (10) “Key employee” means an employee who has been designated by the board as one who exercises significant decision-making authority by virtue of the position the employee holds with UTIMCO.
- (11) “Personal securities transactions” means:
- (A) transactions for a director’s or employee’s own account, including an individual retirement account; or
  - (B) transactions for an account, other than an account over which the director or employee has no direct or indirect influence or control, in which the director or employee, or the director’s or employee’s spouse, minor child, or other dependent relative:
    - (i) is an income or principal beneficiary or other equity owner of the account; or
    - (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.
- (12) “President” means the chief executive officer of UTIMCO.
- (13) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.
- (14) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.
- (15) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.
- (16) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:
- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-

grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;

- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(17) “UTIMCO” means The University of Texas Investment Management Company.

(18) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

**Sec. 1.03. Definition of “Control.”** (a) For purposes of this code, UTIMCO or a director or employee is presumed to control an investment fund or other entity if UTIMCO’s or the director’s or employee’s management role with or investment in the fund or entity enables UTIMCO or the director or employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a director or employee shall be rebutted if the general counsel advises the board that, based upon a review and confirmation of relevant facts provided by the respective director or employee, it is the opinion of the general counsel that the director or employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a director or employee is not presumed to control an investment fund or other entity if UTIMCO or the director or employee does not have a management role, if the terms of the investment do not give UTIMCO or the director or employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the director or employee, as appropriate, does not attempt to direct the operating or financial decisions.

**Sec. 1.04. Decision-Making Based on Merit.** (a) UTIMCO directors and employees shall base UTIMCO business transactions on professional

integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO directors and employees may not base any UTIMCO business decisions on family or personal relationships.

**Sec. 1.05. Compliance with Law.** Directors and employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

**Sec. 1.06. Compliance with Professional Standards.** Directors and employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

**Sec. 1.07. Accounting and Operating Controls.** Directors and employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

**Sec. 1.08. General Standards of Conduct for Directors and Employees.** (a) It is the policy of UTIMCO that a director or employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the director or employee in the discharge of his or her duties for UTIMCO or that the director or employee knows or should know is being offered with the intent to influence the director's or employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the director or employee might reasonably expect would require or induce the director or employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the director's or employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the

director's or employee's private interest and the interests of UTIMCO; or

- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the director's or employee's authority or performed the director's or employee's duties at UTIMCO in favor of another.

**Sec. 1.09. Honesty and Loyalty.** (a) Directors and employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and employees should be loyal to the interests of UTIMCO to the extent that the loyalty is not in conflict with other duties that legally have priority.

**Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.** (a) Directors and employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

**Sec. 1.11. Confidential Information.** (a) Directors and employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

**Sec. 1.12. Nepotism.** (a) UTIMCO may not employ a person who is a relative of a director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related director's appointment.

(b) UTIMCO may not employ a person who is a relative of a key employee, of a consultant, or of any owner, director, or officer of a consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

- (1) before the date of the selection of the key employee or consultant; or

- (2) before becoming a relative.
- (c) An employee may not exercise discretionary authority to hire, evaluate, or promote a relative.
- (d) An employee may not directly or indirectly supervise a relative. In this subsection, “supervise” means to oversee with the powers of direction and decision-making the implementation of one’s own or another’s intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.
- (e) This section does not prohibit the employment of a relative of an employee for a short-term special project as a non-exempt employee if the employee seeking to employ a relative discloses the relationship in advance to the chief compliance officer and obtains prior approval from that officer for the employment.

**Sec. 1.13. Gifts and Entertainment.** (a) A director or employee may not accept a gift that the director or employee knows or should know is being offered or given because of the director’s or employee’s position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the director or employee as well as to gifts to third parties.

- (b) The prohibitions in this code do not apply to the following gifts if acceptance does not violate a law:
  - (1) gifts given on special occasions between employees and/or directors;
  - (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a director or employee and that are accepted by the director or employee on behalf of UTIMCO for use in performing his or her job duties;
  - (3) gifts from the relatives of a director or employee that are based solely on a personal relationship between the director or employee and his or her relative;
  - (4) business meals and receptions when the donor or a representative of the donor is present;
  - (5) ground transportation in connection with business meetings, meals, or receptions;

- (6) fees for seminars or conferences that relate to the director's or employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and
- (7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

(c) Attendance of directors or employees at seminars or conferences that involve entertainment or recreation and that are sponsored and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An employee must obtain specific written approval to attend such events from the president or chief compliance officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(d) A director or employee may not accept a gift if the source of the gift is not identified or if the director or employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(e) A director or employee who receives a prohibited gift should return the gift to its source or, if that is not possible or feasible, donate the gift to charity.

**Sec. 1.14. Communications with General Counsel.** When the general counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this code.

**Sec. 1.15. Key Employees.** The board shall designate by position with UTIMCO those employees who exercise significant decision-making authority. These employees are "key employees" for purposes of this code.

## **Subchapter B. CONFLICTS OF INTEREST**

**Sec. 2.01. Definition of Conflict of Interest.** (a) A conflict of interest exists for a director or employee when the director or employee has a personal

or private commercial or business relationship that could reasonably be expected to diminish the director's or employee's independence of judgment in the performance of the director's or employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

**Sec. 2.02. Exceptions for Minimal Stock Ownership.** It is not a conflict of interest solely because a director or employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the director's or employee's interest in the stock is not more than five percent of any class and if the director or employee is not a director or officer of the company.

**Sec. 2.03. Duty to Avoid Conflicts of Interest.** (a) Directors and employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A director or employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a director or employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the director or employee must disclose that fact to the chief compliance officer before taking the action.

**Sec. 2.04. Duty to Disclose and Cure Conflicts.** A director or employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this code.

**Sec. 2.05. Curing Conflicts of Interest.** (a) A director or employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A director or employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the director or employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;

- (3) the nature of the conflict is not such that the director or employee must regularly and consistently withdraw from decisions that are normally the director's or employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a director or employee having a pecuniary interest in a business entity as described in Section 3.01 of this code.

(c) A director or employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

**Sec. 2.06. Disclosing and Refraining from Participation.** (a) A director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the general counsel, expressly waives the conflict.

**Sec. 2.07. Waivers of Conflicts of Interest.** (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.06(b) of this code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The chief compliance officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

**Sec. 2.08. Procedures for Director's Disclosure of Conflict of Interest.** A director must disclose conflicts of interest in writing to the general counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

**Sec. 2.09. Procedures for Employee's Disclosure of Conflict of Interest.** (a) An employee must promptly disclose conflicts of interest in writing to

the chief compliance officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this code. The chief compliance officer shall report to the audit and ethics committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the chief compliance officer will be ineffective, the person shall disclose the conflict to the audit and ethics committee by filing a written disclosure with the chairman of the committee. The UTIMCO office manager shall provide the address of the chairman of the committee.

(c) A copy of the disclosure provided to either the chief compliance officer or the audit and ethics committee shall be provided to the employee's supervisor unless the person with the conflict of interest believes that the disclosure would be detrimental to the resolution of the conflict.

**Sec. 2.10. Referrals.** Referral of information from a director related to investment opportunities outside of a posted open meeting of the board must be made using the procedures provided by the Regents' *Rules and Regulations*, Series 70201, Section 12.

## **Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS**

**Sec. 3.01. Prohibitions Related to UTIMCO.** (a) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a director or employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a director entity, employee entity, or other business entity, including an investment fund, in which a director or employee has a pecuniary interest;
- (3) a former director or employee, an investment fund or other entity controlled by a former director or employee, or a business entity in which a former director or employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a director or employee; or
- (4) an investment fund or account managed by a director, director entity, employee, or employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) For purposes of this code, a person has a “pecuniary interest” in a business entity if the person:

- (1) owns five percent or more of the voting stock or shares of the business entity; or
- (2) owns five percent or more of the fair market value of the business entity; or
- (3) received more than five percent of the person’s gross income for the preceding calendar year from the business entity; or
- (4) has a private investment in a business entity, including an investment fund, controlled by the person.

**Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies.**

UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in

which a director, director, entity, employee, or employee entity has a pecuniary interest.

**Sec. 3.03. UTIMCO Investments in Private Investments of Certain Business Entities.** UTIMCO or a UTIMCO entity may not:

- (1) invest in the private investments of a business entity if a director, director entity, employee, or employee entity then owns a private investment in the same business entity that was acquired after the date that the respective director or employee assumed a position with UTIMCO; or
- (2) co-invest with a director, director entity, employee, or employee entity in the private investments of the same business entity.

**Sec. 3.04. Director Investments in Private Investments of Certain Business Entities.** (a) A director or a director entity may not:

- (1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, an employee, or an employee entity then owns a private investment in the same business entity; or
- (2) co-invest with UTIMCO, a UTIMCO entity, an employee, or an employee entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to a director's spouse, minor children, or other dependent relatives.

**Sec. 3.05. Employee Investments in Private Investments of Certain Business Entities.** (a) An employee or employee entity may not:

- (1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a director, or a director entity then owns a private investment in the same business entity; or
- (2) co-invest with UTIMCO, a UTIMCO entity, a director, or a director entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to an employee's spouse, minor children, or other dependent relatives.

**Sec. 3.06. Divestment Not Required For Certain Private Investments.**

The fact that a director, director entity, employee, or employee entity may own a private investment in a business entity on the date on which the director or employee assumes a position with UTIMCO does not require any individual or entity covered by Section 3.03, 3.04, or 3.05 to divest any private investment that it may own in the business entity on that date. However, any transactions concerning the private investment that might occur after that date are subject to this code.

**Sec. 3.07. Director Personal Securities Transactions.** (a) A director or director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a director's spouse, minor child, or other dependent relative.

**Sec. 3.08. Employee Personal Securities Transactions.** (a) An employee or employee entity may not engage in a personal securities transaction without obtaining preclearance for each transaction from the chief compliance officer. Preclearance is effective for one trading day only.

(b) The chief compliance officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager for securities of the same class. If such a buy/sell order has been placed, an employee or employee entity may not conduct a personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.

(c) The chief compliance officer shall document preclearances in a personal securities transaction log for each employee, which will provide a record of all requests and approvals or denials of preclearances.

(d) An employee who engages in a personal securities transaction must also provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the chief compliance officer not later than the tenth calendar day after the trade date. The form must contain the:

- (1) name and amount of the security involved;
- (2) date and nature of the transaction;
- (3) price at which the transaction was effected; and

(4) name of the broker through whom the transaction was effected.

(e) The preclearance and transactional disclosure requirements apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, co-mingled trust funds, financial futures, and options on futures.

(f) This section applies to an employee's spouse, minor child, or other dependent relative.

**Sec 3.09. Interest in Brokerage Firm or Consultant.** (a) A director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the employee for UTIMCO business if the employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

(c) A director or employee may not have stock or other ownership or profit sharing interest in a consultant selected by the director or employee for UTIMCO business if the director or employee has the discretion to select consultants.

(d) The restrictions provided by this section apply to:

- (1) stock held for a director's or employee's own account;
- (2) stock or other ownership or profit sharing interests held by a director's or employee's spouse; or
- (3) stock held for an account, other than an account over which the director or employee has no direct or indirect influence or control, in which the director or employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent relative.

(e) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm or consultant if the brokerage firm or consultant is not the dominant or primary business of the parent company.

**Sec. 3.10. Employee's Outside Employment or Business Activity.** (a) An employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) A key employee must obtain advance written approval from the president for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The president must obtain advance approval from the Board for any outside employment.

(c) An employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the employee's service as director of the investee company. All compensation paid to an employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

**Sec. 3.11. Further Restrictions on Directors and Employees.** A director or employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or

- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

**Sec. 3.12. Former Directors and Employees.** (a) A former director or employee may not make any communication to or appearance before a current director or employee before the second anniversary, in the case of a former director, or the first anniversary, in the case of a former employee, of the date the former director or employee ceased to be a director or employee if the communication is made:

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former director or employee seeks action by UTIMCO.

(b) A director or employee who knowingly communicates with a former director or employee in violation of this prohibition is subject to disciplinary action, including removal from serving as a director.

#### **Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT**

**Sec. 4.01. Employee Ethics and Compliance Committee.** (a) The president shall appoint an employee ethics and compliance committee composed of UTIMCO personnel.

(b) The chairman of the employee ethics and compliance committee is the chief compliance officer.

(c) The employee ethics and compliance committee shall:

- (1) provide ethics training for UTIMCO personnel; and
- (2) issue opinions on the proper interpretation of this code.

(d) An employee may file a written request with the employee ethics and compliance committee for an opinion on the proper interpretation of this code, and may rely on that opinion with respect to compliance with this code.

**Sec. 4.02. Financial Disclosure Statements.** (a) Directors and employees shall file financial disclosure statements with the chief compliance officer.

(b) Directors and employees shall file the financial disclosure statement not later than the 30<sup>th</sup> day after the date of appointment or employment, and not later than April 30 of each year thereafter. The president may postpone a filing deadline for not more than 60 days on written request, or for an additional period for good cause as determined by the chairman of the Board.

(c) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(d) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

**Sec. 4.03. Ethics Compliance Statements.** (a) Directors and employees, including acting or interim employees, must file ethics compliance statements with the chief compliance officer.

(b) Directors and employees shall sign, date, and file the ethics compliance statements not later than the 60<sup>th</sup> day after the date of appointment or employment. Thereafter, any person who is a director or employee on December 31 of any year must file the ethics compliance statement not later than April 30 of the following year.

(c) In the ethics compliance statement, the director or employee must acknowledge that he or she has received and read this code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other directors or employees when he or she has knowledge of a violation of this code. An employee must also acknowledge that adherence to this code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the code of which the director or employee is aware.

(d) Key employees must acknowledge their key employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a director or employee is required to update a statement if a change in circumstances occurs that would require reporting under this code.

(f) An employee's signed statement shall be maintained in the employee's personnel file. The chief compliance officer shall maintain the directors' signed statements.

**Sec. 4.04. Certification of No Pecuniary Interest.** Before the Board considers an agreement or transaction with a business entity or an

investment in a business entity, each director and key employee shall certify that he or she does not have a pecuniary interest, as defined by Section 3.01(b) of this code, in the business entity.

**Sec. 4.05. Disciplinary Action Disclosure Statements.** (a) Directors and key employees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the director or key employee.

(b) Directors and key employees must file the disciplinary action disclosure statement with the chief compliance officer not later than April 30 of the first year of designation as a director or key employee.

(c) A director or key employee must promptly update a statement if any action occurs that would cause a director's or employee's answers to change.

**Sec. 4.06. Custodian of Records.** For open records purposes, the chief compliance officer is the custodian of the disclosure statements required by this code.

**Sec. 4.07. Enforcement.** (a) The president is responsible for implementing this code with respect to employees. The Board shall enforce this code with respect to employees through the president.

(b) An employee who violates this code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this code with respect to individual directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

**Sec. 4.08. Duty to Report.** (a) A director who has knowledge of a violation of this code shall report the violation to the general counsel.

(b) An employee who has knowledge of a violation of this code shall report the violation to the chief compliance officer or to a member of the audit and ethics committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

**Sec. 4.09. Notice to Audit and Ethics Committee.** (a) The president shall notify the audit and ethics committee in writing not later than February 15 of each year concerning:

- (1) any approval given for outside employment by key employees, including the nature of the employment; and
- (2) any disciplinary action disclosed by directors or key employees.

Code of Ethics

Current Version



THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

# **CODE OF ETHICS**

# THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

## CODE OF ETHICS

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Adopted: January 5, 2000  
Amended: June 26, 2003  
Approved by the Board of Regents August 7, 2003

## **THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

### **CODE OF ETHICS**

#### **General Principles**

This Code of Ethics sets forth the basic principles and guidelines for directors and employees of The University of Texas Investment Management Company (“UTIMCO”). In addition to strict compliance with legal requirements, all directors and employees are expected to be guided by the basic principles of honesty and fairness in the conduct of UTIMCO’s affairs and to comply with the policies contained in this Code. It is the policy of UTIMCO that a director or employee may not have a direct or indirect interest, including financial and other interests, or engage in a business transaction or professional activity, or incur any obligation of any nature that is in conflict with the proper discharge of the director’s or employee’s duties in the interests of UTIMCO.

Pursuant to an Investment Management Services Agreement (as amended, the “Agreement”), between the Board of Regents of The University of Texas System and UTIMCO, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility (the “Accounts”). Pursuant to the Agreement, UTIMCO has acknowledged that it will be acting as a fiduciary with respect to managing the investment of the Accounts. Accordingly, all directors and employees must develop an awareness of and respond to UTIMCO’s obligations to the Board of Regents of The University of Texas System.

#### **Specific Policy Statement**

Although the general principles outlined above shall apply in the conduct of all UTIMCO activities, UTIMCO’s directors and employees are also bound by the following specific policies.

#### **Definitions**

In this Code the following definitions apply unless the context requires otherwise:

- (1) “Audit and Ethics Committee of the Board” means a standing committee of the Board under the UTIMCO bylaws.
- (2) “Board” means the Board of Directors of UTIMCO.
- (3) “Chief Compliance Officer” means the person designated from time to time as the Chairman of the Employee Ethics and Compliance Committee.
- (4) “Code” means this Code of Ethics.

- (5) "Director" means a member of the Board of UTIMCO. For purposes of Article III.B hereof, "director" includes the spouse, minor children and other dependent relatives of a member of the Board of UTIMCO.
- (6) "Director entity" means an investment fund or other entity controlled by a director of UTIMCO. For purposes of the foregoing, a director shall be deemed to control an investment fund or other entity if his or her management role with or investment in such fund or entity enables the director to direct the operating or financial decisions of such fund or entity. In the absence of any management role for the director, where the terms of his or her investment did not give the director the legal right to direct the operating or financial decisions of such fund or entity and where the director does not attempt to direct such decisions, the fund or entity shall be presumed not to be a "director entity."
- (7) "Employee" means a person working for UTIMCO in an employer-employee relationship. For purposes of Article III.D (2) and (3) hereof, "employee" includes the spouse, minor children and other dependent relatives of an employee of UTIMCO.
- (8) "Employee entity" means an investment fund or other entity controlled by an employee of UTIMCO. For purposes of the foregoing, an employee shall be deemed to control an investment fund or other entity if his or her management role with or investment in such fund or entity enables the employee to direct the operating or financial decisions of such fund or entity. In the absence of any management role for the employee, where the terms of his or her investment did not give the employee the legal right to direct the operating or financial decisions of such fund or entity and where the employee does not attempt to direct such decisions, the fund or entity shall be presumed not to be an "employee entity."
- (9) "General Counsel" means the lawyer or firm of lawyers designated from time to time as the General Counsel of UTIMCO; provided that when the General Counsel is a firm of lawyers, one principal within that firm shall be identified to receive all written and oral communications hereunder.
- (10) "Key employee" means an employee who has been designated by the Board as one who exercises significant decision-making authority by virtue of the position he or she holds with UTIMCO.
- (11) "Personal securities transactions" means (1) transactions for a director's or employee's own account, including IRA's, and (2) transactions for an account in which a director or employee has indirect beneficial ownership, unless the director or employee has no direct or indirect influence or control over the account.

A director or employee has "indirect beneficial ownership" of an account if (i) the director or employee has a beneficial interest (such as a trust of which he or she is an income or principal beneficiary) or (ii) the director's or employee's family (including husband, wife, minor children or other dependent relatives) has a beneficial interest. A person has a "beneficial interest" in an account if the person: (i) is an income or principal beneficiary or other equity owner of the account or (ii) receives compensation for managing the account for the benefit of people other than such person or his or her family.

- (12) "Private investment" means any debt obligation or equity interest that is not a publicly traded security, including a "private investment" in a publicly traded company.
- (13) "Publicly traded company" means a business entity with a class of securities that consists of publicly traded securities.
- (14) "Publicly traded securities" means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.
- (15) "Relative" means a person related in the third degree by consanguinity (blood relative) or the second degree by affinity (marriage) determined in accordance with Texas Government Code Sections 573.021-025. Examples of relatives within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece or nephew. A person adopted into a family is considered a relative on the same basis as a natural born family member.

Examples of a relative within the second degree by affinity are a spouse, any person related to the spouse within the second degree by consanguinity, or any spouse of such person. A person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

- (16) "UTIMCO" means The University of Texas Investment Management Company.
- (17) "UTIMCO entity" means an investment fund or other entity controlled by UTIMCO. For purposes of the foregoing, UTIMCO shall be deemed to control an investment fund or other entity if UTIMCO's management role (which may be exercised through agents, directors, or employees) with or investment in such fund or entity enables UTIMCO to direct the operating or financial decisions of such fund or entity. In the absence of any management role for UTIMCO, where the terms of its investment did not give UTIMCO the legal right to direct the operating or financial decisions of such fund or entity and where UTIMCO does not attempt to direct such decisions, the fund or entity shall be presumed not to be a "UTIMCO entity."
- (18) "U. T. Board" means the Board of Regents of The University of Texas System.

## **I. General Standards**

The following general ethical principles apply to directors and employees:

### **A. Directors and employees may not:**

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the director or employee in the discharge of his or her duties for UTIMCO or that the director or employee knows or should know is being offered with the intent to influence the director's or employee's conduct on behalf of UTIMCO;

- (2) accept other employment or engage in a business or professional activity that the director or employee might reasonably expect would require or induce the director or employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
  - (3) accept other employment or compensation that could reasonably be expected to impair the director's or employee's independence of judgment in the performance of his or her duties for UTIMCO;
  - (4) make personal investments that could reasonably be expected to create a substantial conflict between the director's or employee's private interest and the interests of UTIMCO; or
  - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the director's or employee's authority or performed the director's or employee's duties at UTIMCO in favor of another.
- B. Directors and employees must also comply with all applicable laws. They should specifically be knowledgeable of Texas Education Code Section 66.08 (Permanent University Fund - Composition, Investment, and Use - Investment Management).
- C. Directors and employees must be honest in the exercise of their duties and must not take actions which will discredit UTIMCO.
- D. Directors and employees should be loyal to the interests of UTIMCO to the extent that such loyalty is not in conflict with other duties which legally have priority. Directors and employees should avoid personal, employment, or business relationships that create conflicts of interest. Should directors or employees become aware of any conflict of interest, they have an affirmative duty to disclose and to cure the conflict in a manner provided for in this Code.
- E. Directors and employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of UTIMCO as a reference or the communication to others of the fact that a relationship with UTIMCO exists, provided that no misrepresentation is involved.

## **II. Conflict of Interest**

- A. *Definition:* A conflict of interest exists for a director or employee whenever the director or employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the director's or employee's independence of judgment in the performance of the director's or employee's responsibilities to UTIMCO. For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and such act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

It shall not be considered a conflict solely because a director or employee has an investment in the stock of a publicly traded company which is owned, purchased, sold, or otherwise dealt with by UTIMCO; provided that the affected person's interest in the stock of the publicly traded company is not more than 5% of any class and the person is not a director or officer of the publicly traded company.

B. *Duty to Cure:* Directors and employees who become aware, or reasonably should have become aware, of a conflict of interest have a duty to cure it. A person normally cures a conflict of interest by promptly eliminating it. If a director or employee may prudently withdraw from action on a particular matter in which a conflict exists, he or she may cure the conflict in that manner provided that:

- (1) the person may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the person must regularly and consistently withdraw from decisions which are normally his or her responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a director having a pecuniary interest in a business entity as described in III. (A) below.

Directors must disclose any conflicts of interest regarding matters which are before the Board, absent themselves from any relevant deliberations, and not vote on the matter. Employees must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the General Counsel, expressly waives this prohibition. The Board will decide whether to waive any disclosed conflict of interest at an official meeting. To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts. Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting. Records of all waivers granted with the supporting reasons will be maintained by the Chief Compliance Officer.

A person who cannot or does not wish to eliminate or cure the conflict of interest must terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

C. *Duty to Disclose:* Directors must disclose conflicts of interest in writing to the General Counsel prior to the Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Employees must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the UTIMCO conflict of interest disclosure statement. The Chief Compliance Officer will report to the Audit and Ethics

Committee of the Board regarding the conflict of interest disclosure statements which he or she receives. Should a person with a duty to disclose conflicts have reasonable cause to believe disclosure to the Chief Compliance Officer will be ineffective, the person should disclose the conflict to the Audit and Ethics Committee of the Board. Disclosure to the Audit and Ethics Committee of the Board is accomplished through written disclosure to the Chairman of the Committee, whose address may be obtained from the UTIMCO Office Manager. Whether disclosure is to the Chief Compliance Officer or the Audit and Ethics Committee of the Board, a copy of the disclosure statement should be provided to the employee's supervisor unless the person with the conflict of interest believes that such disclosure would be detrimental to the resolution of the conflict.

### **III. Prohibited Transactions and Interests**

A. *UTIMCO*: Agreements or Transactions. UTIMCO and UTIMCO entities may not enter into an agreement or transaction with:

- (1) a director or employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a director entity, employee entity or other business entity (including an investment fund) in which a director or employee has any pecuniary interest;
- (3) a former director or employee, an investment fund or other entity controlled by a former director or employee (with control being determined in the manner specified in the definition of "director entity" above), or a business entity in which a former director or employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a director or employee; or
- (4) an investment fund or account (other than the Accounts) managed by a director, director entity, employee or employee entity as a fiduciary or agent for compensation.

Except as provided below, a person shall be deemed to have a pecuniary interest in a business entity if the person:

- (i) owns five percent or more of the voting stock or shares of the business entity; or
- (ii) owns five percent or more of the fair market value of the business entity; or
- (iii) received more than five percent of his or her gross income for the preceding calendar year from the business entity;

provided that any private investment by a person in a business entity (including an investment fund) controlled by such person shall constitute a pecuniary interest in

that business entity. For purposes of the foregoing, control of a business entity shall be determined in the manner specified in the definition of “director entity” above.

**Investments.** Without limiting the foregoing, UTIMCO and UTIMCO entities will implement procedures and safeguards to insure that none of the Accounts is invested in the publicly traded securities of a publicly traded company in which a director, director entity, employee or employee entity has any pecuniary interest (as described above). Further, UTIMCO and UTIMCO entities may not (i) invest in the private investments of a business entity if a director, director entity, employee or employee entity then owns a private investment in the same business entity or (ii) co-invest with a director, director entity, employee or employee entity in the private investments of the same business entity.

Prior to consideration by the Board of an agreement or transaction with a business entity or investment in a business entity, each director and key employee shall certify that he or she does not have any pecuniary interest in the associated business entity.

- B. *Directors:* Directors and director entities may buy or sell a publicly traded security of an issuer which is held by UTIMCO but may not engage in a personal securities transaction when the directors have actual knowledge that UTIMCO is trading such securities. UTIMCO is trading securities of an issuer when a buy/sell order has been placed by a UTIMCO internal portfolio manager for execution. Further, directors and director entities may not (i) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, an employee or an employee entity then owns a private investment in the same business entity or (ii) co-invest with UTIMCO, a UTIMCO entity, an employee or an employee entity in the private investments of the same business entity.
- C. *Directors and Employees:* No director or employee may:
- (1) participate in a matter before UTIMCO which involves a business, contract, property or investment held by such person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to such person by or through the business, contract, property or investment;
  - (2) have stock or other ownership or profit sharing interest in any brokerage firms or consultants selected by such director or employee for UTIMCO business if such director or employee (i) has the discretion to direct trading, and therefore the discretion to select brokerage firms, or (ii) the discretion to select consultants; provided that directors shall not direct trades or exercise discretion over the selection of brokerage firms;

[This restriction applies to stock or other ownership or profit sharing interests held by a director’s or employee’s spouse. This restriction also applies to stock held for a director’s or employee’s own account or an account in which he or she has a beneficial interest (unless the director or employee has no direct or indirect influence or control over the account).

For this purpose, a director's or employee's own account or an account over which he or she has a beneficial interest includes accounts involving immediate family members (spouse, minor children, or other dependent relatives). However, this restriction shall not prohibit the ownership of stock in a company that may own stock in such entities, provided such entities are not the dominant or primary business of the parent company.]

- (3) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a relative;
- (4) under any circumstances accept offers by reason of their position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (5) borrow from investment managers, outside service providers, professional advisors or consultants, banks or other financial institutions with which UTIMCO has a business relationship, unless such entities are normally engaged in such lending in the usual course of their business, and then only on customary terms offered to others under similar circumstances to finance proper and usual activities;
- (6) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO;
- (7) use UTIMCO information, resources, or facilities, nor use information or resources paid for by UTIMCO, for personal gain or the gain of anyone other than UTIMCO. This prohibition means that directors and employees may not use information paid for by UTIMCO to assist or benefit private clients of the directors or employees; or
- (8) take action personally or on behalf of UTIMCO which will result in a reasonably foreseeable conflict of interest. Should there be action which a director or employee believes to be in the best interest of UTIMCO but which could foreseeably result in a conflict of interest, the director or employee must disclose such fact to the Chief Compliance Officer prior to taking such action.

D. *Employees:* No employee or employee entity may:

- (1) engage in outside employment, business, or other activities which detract from the ability to fulfill the full-time responsibilities to UTIMCO;

(Key employees must obtain advance written approval from the President for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. Any outside employment by the President must be approved in advance by the Board.

Employees, with the prior approval of the Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to employees for their services as directors shall be endorsed to UTIMCO and applied against UTIMCO's fees. Furthermore, Board approval of any employee's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the employee's service as a director of the investee company.)

- (2) engage in a personal securities transaction without obtaining preclearance for each such transaction with the Chief Compliance Officer; or

[The Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager for securities of the same class. If such a buy/sell order has been placed, no employee may conduct a personal securities transaction for such securities until one trading day after the buy/sell order has been completed or canceled. Preclearances will be documented by the Chief Compliance Officer in a personal securities transaction log for each employee, which will provide a record of all requests and approvals or denials of preclearances for personal securities transactions. Preclearance for personal securities transactions is effective for one trading day only.

An employee who engages in personal securities transaction must also provide transactional disclosure for each such transaction. Transactional disclosure forms must be completed for all personal securities transactions and given to the Chief Compliance Officer within ten calendar days of the trade date. The transactional disclosure form must contain the following information: name and amount of the security involved, date and nature of the transaction, price at which the transaction was effected, and name of the broker through whom the transaction was effected.

The preclearance and transactional disclosure requirements for personal securities transactions apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds (with the exception of convertible bonds), mutual funds, co-mingled trust funds, financial futures, and options on futures.]

- (3) (a) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a director or a director entity then owns a private investment in the same business entity or (b) a co-invest with UTIMCO, a UTIMCO entity, a director or director entity in the private investments of the same business entity.

E. *Former Directors and Employees:* A former director or employee may not make any communication to or appearance before a present director or employee before

the first anniversary, in the case of former employees, and the second anniversary, in the case of former directors, of the date the former director or employee ceased to be a director or employee if the communication is made (a) with the intent to influence and (b) on behalf of any person in connection with any matter on which the former director or employee seeks action by UTIMCO.

If a director or employee knowingly communicates with a former director or employee in violation of this prohibition, the director or employee will be subject to disciplinary action including, with respect to a director, removal from serving as a director of UTIMCO.

#### **IV. Confidential Information**

- A. Directors and employees may not disclose confidential information, except when duly authorized personnel determine such disclosure is either permitted or required by law. Confidential information must be used by directors and employees for UTIMCO purposes and not for their own personal gain or for the gain of third parties.
- B. Information derived from a relationship with UTIMCO which might reflect favorably or adversely upon the value of any investment or contemplated investment may not be used by directors and employees in any manner for the purpose of personal advantage or to provide advantage to others.

#### **V. Nepotism**

- A. UTIMCO may not employ a person who is a relative of a director. This does not prevent the continued employment of a person who has already been working for UTIMCO for thirty consecutive days prior to the date of the related director's appointment.
- B. UTIMCO may not employ a person who is a relative of (1) a key employee, (2) a consultant, or (3) any owners, directors, or officers of consultants. This does not prohibit the continued employment of a person who has already been working for UTIMCO for thirty consecutive days at the time of the selection of a new key employee or consultant. Nor does this prevent the continued employment of persons who have been working for UTIMCO for thirty days prior to becoming relatives.
- C. No employee may exercise discretionary authority to hire, evaluate or promote a relative. No employee may supervise a relative, either directly or indirectly. As used herein, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions. Supervision normally involves assigning duties, overseeing and evaluating work, and approving leave.

#### **VI. Decision-Making Based on Merit**

UTIMCO business transactions are to be based on professional integrity and competence, financial merit and benefit to UTIMCO and, whenever required or prudent, on a competitive basis. Directors and employees may not base any UTIMCO business decisions on family or personal relationships.

## **VII. Observance of UTIMCO Controls and Policies**

Directors and employees will observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other non-UTIMCO purposes.

## **VIII. Gifts and Entertainment**

- A. A director or employee is prohibited from soliciting or accepting a gift because of or through use of the employee's or director's position with UTIMCO if the gift is from a person other than an employee or a director and the employee or director knows or should have known that the gift would not have been solicited, offered, or given had the employee or director not held his or her position as an employee or director. This prohibition applies not only to gifts solicited or given for the personal benefit of the director or employee but also to gifts to third parties.
- B. The prohibitions in this article do not apply to the following gifts, provided that acceptance of such gifts violates no law:
- (1) gifts given on special occasions between employees and/or directors;
  - (2) books, pamphlets, articles or other such materials which contain information directly related to the job duties of an employee or director and are accepted by the employee or director on behalf of UTIMCO for use in performing his or her job duties;
  - (3) gifts from relatives of employees or directors which are based solely on a personal relationship between the director or employee and his or her relative;
  - (4) business meals and receptions when the donor or a representative of the donor is present;
  - (5) ground transportation in connection with business meetings, meals, or receptions;
  - (6) seminar or conference fees when the seminar relates to the director's or employee's job duties and is sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO;
  - (7) items with a value of less than \$50, excluding cash or negotiable instruments, and other gifts of nominal value. Examples of gifts of

nominal value are (a) modest items of food and refreshments on infrequent occasions and (b) unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, pencils, and other items of nominal intrinsic value.

- C. Attendance by directors or employees at seminars or conferences sponsored and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO that involve entertainment or recreation may in some cases be in the best interest of UTIMCO.

Employees must obtain specific written approval of their attendance at such events from the President or Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

- D. Under no circumstances may directors or employees accept a gift if the source of the gift is not identified or if the director or employee knows or has reason to know that the gift is being offered through an intermediary.
- E. If a prohibited gift is received by a director or employee, he or she should return the gift to its source. If that is not possible or feasible, the gift should be donated to charity.

#### **IX. Compliance with Professional Standards**

UTIMCO representatives who are members of professional organizations which promulgate standards of conduct, such as the Association for Investment Management and Research, must comply with those standards.

#### **X. Financial Disclosure**

- A. Directors and employees must file financial disclosure statements with the Chief Compliance Officer, and for directors who file disclosure statements with the Texas Ethics Commission, in the form prescribed by law for such disclosure statements.
- B. Directors and employees must file their financial disclosure statements within 30 days of their date of appointment or employment and by January 31st of each year. The President may postpone a filing deadline for not more than 60 days on written request or for an additional period for good cause, as determined by the Chairman of the Board. A financial disclosure statement must be maintained by UTIMCO for at least five years after the date of its filing.

#### **XI. Key Employees**

- A. The Board shall 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".

- B. Employees designated as key employees must acknowledge their key employee status in writing through the annual ethics compliance statement.
- C. Requirements of this Code which are specifically applicable to key employees are the following:
  - (1) disciplinary action disclosure; and
  - (2) advance approval of outside employment, including service as a director, officer, investment consultant, or manager for another person or entity.

## **XII. Ethics Training and Advice**

- A. The President will appoint an Employee Ethics Committee composed of UTIMCO personnel which will have responsibility for:
  - (1) providing ethics training for UTIMCO personnel; and
  - (2) issuing opinions on the proper interpretation of this Code.
- B. Employees may file a written request with the Employee Ethics and Compliance Committee for an opinion on the proper interpretation of this Code and may rely upon that opinion with respect to compliance with the Code.
- C. The Chairman of the Employee Ethics and Compliance Committee will be the Chief Compliance Officer.

## **XIII. Compliance and Enforcement**

- A. The Board will enforce this Code with respect to employees through the President, who is responsible for its implementation with respect to employees.
- B. The full range of disciplinary options under UTIMCO personnel policies and practices may be used with respect to employees who violate this Code, up to and including termination.
- C. The Board is responsible for the enforcement of this Code with respect to violations by individual directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.
- D. Directors with knowledge of a violation of this Code must report such violation to the General Counsel. Employees with knowledge of a violation of this Code must report such violation to the Chief Compliance Officer or to a member of the Audit and Ethics Committee of the Board. No retaliatory action will be taken against the reporting person for any such report involving another person made in good faith.
- E. Within sixty days of their employment or appointment, employees and directors must sign and date financial disclosure and ethics compliance statements that they

have received and read this Code, that they will comply with its provisions, that it is their duty to report any acts by other directors or employees when they have knowledge of violations of this Code, and, for employees, that adherence to this Code is a condition of their employment. The statement will also include a disclosure of any conflicts of interest or violations of the Code of which they are aware and a reminder that they are required to update their statements if a change in circumstances occurs which would require reporting under this Code. Persons employed by UTIMCO on the date of adoption of this Code must sign and date the statement within thirty days of the adoption of this Code. The signed statements will be maintained in the employee's personnel file. Persons serving as directors on the date of the adoption of this Code must also sign the financial disclosure and ethics compliance statement within forty-five days of the adoption of this Code.

- F. Directors and employees, including acting or interim employees, must sign and date financial disclosure and ethics compliance statements as described above each year. The annual financial disclosure and ethics compliance statements must be submitted to the Chief Compliance Officer by January 31. Any person who is a director or employee on December 31 of any year must file an annual financial disclosure and ethics compliance statement for that year. Directors' financial disclosure and ethics compliance statements will be maintained by the Chief Compliance Officer.
- G. Directors and key employees must also file disciplinary action disclosure statements setting forth any proceedings, actions, or hearings by any professional organization or other entity involving the director or key employee. Disciplinary action disclosure statements must be submitted to the Chief Compliance Officer by January 31 of the first year of designation as a director or key employee or, for those persons already serving as directors or designated as key employees on the effective date of this Code, on January 31 following the effective date. Disciplinary action disclosure statements must be promptly updated if any action occurs which would cause a director's or a key employee's answers to change.
- H. The custodian for open records purposes of the disclosure statements required under this Code is the Chief Compliance Officer.
- I. The President will notify the Audit and Ethics Committee of the Board in writing by February 15 of each year of the following:
  - (1) any approval given for outside employment by key employees, including the nature of the employment; and
  - (2) any disciplinary action disclosed by directors or key employees.

**UTIMCO**  
**Employee**  
**Ethics and Compliance Committee**

Bob L. Boldt  
Bill Edwards  
Larry Goldsmith  
Cathy A. Iberg  
Greg Lee  
Joan Moeller  
Andrea Reed  
Trey Thompson  
Christy Wallace

# **UTIMCO**

## **List of Key Employees**

Bob Boldt  
Debbie Childers  
Harland Doak  
Bill Edwards  
Larry Goldsmith  
Gary Hill  
Russ Kampfe  
Cathy Iberg  
Greg Lee  
Joan Moeller  
Laura Patrick  
Andrea Reed  
Trey Thompson  
Tushar Shah  
Christy Wallace

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

- Agenda Item:** Discussion and Consideration of Proposed Amendments to Corporation's Bylaws
- Developed By:** Boldt, Moeller
- Presented By:** Rowling
- Type of Item:** Action item; Action Required by UTIMCO Board and Board of Regents
- Description:** The Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the U.T. Board of Regents. Section 66.08 of the Texas Education Code requires that the U.T. Board of Regents approve the articles of incorporation and bylaws of the corporation and any amendment to the articles of incorporation or bylaws. The Bylaws of UTIMCO were initially approved by the Board of Regents on February 8, 1996, and amendments were approved in May 1997, November 1999, February 2000, November 2001, August 2003 and August 2004.
- The Policy Committee will have reviewed the proposed amendments at its May 16, 2006 meeting.
- Recommendation:** The Policy Committee will recommend appropriate action regarding proposed amendments to the Bylaws.
- Discussion:** UTIMCO staff is proposing the following amendments:
- Amend Article I, Section 2 (page 2) to adjust language to agree with Texas Education Code section 66.08 and the Code of Ethics
  - Amend Article II (page 2) to reflect new UTIMCO address
  - Amend Article III, Section 8 to reflect that a draft agenda should be prepared at least three weeks prior to each regular UTIMCO Board meeting. This change is requested to be consistent with the Investment Management Services Agreement
- Reference:** Bylaws of UTIMCO

## **RESOLUTION RELATED TO BYLAWS**

RESOLVED, that amendments to the Bylaws of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

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**BYLAWS**  
**OF**  
**THE UNIVERSITY OF TEXAS INVESTMENT**  
**MANAGEMENT COMPANY**

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Restated to Include  
Amendments Adopted on

March 13, 1997  
*(Approved by the Board of Regents on May 8, 1997)*

May 2, 1997  
*(Approved by the Board of Regents on May 8, 1997)*

September 22, 1999  
*(Approved by the Board of Regents on November 11, 1999)*

December 9, 1999  
*(Approved by the Board of Regents on February 10, 2000)*

October 26, 2001  
*(Approved by the Board of Regents on November 8, 2001)*

June 26, 2003  
*(Approved by the Board of Regents on August 7, 2003)*

Ratified September 29, 2004  
*(Approved by the Board of Regents on August 12, 2004)*

May 25, 2006  
*(Approved by the Board of Regents on \_\_\_\_\_)*

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BYLAWS  
OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

ARTICLE I  
STRUCTURE AND PURPOSES

Section 1.            Structure. The University of Texas Investment Management Company (the "Corporation") is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the "Act"). The Articles of Incorporation of the Corporation (as amended from time to time, the "Articles of Incorporation") were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2.            Member. The Corporation shall have no members.

Section 3.            Purposes. The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the "System"), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

- (a) To invest funds under the control and management of the Board of Regents of the System (the "Board of Regents"), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and
- (b) To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4.            Approval by System. Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5. Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6. Revolving Door. A former ~~director~~~~officer~~ or employee of the Corporation may not make any communication to or appearance before a current director, ~~officer,~~ or employee of the Corporation before the ~~second~~first anniversary, in the case of a former director, or the first anniversary, in the case of a former employee, of the date the former director or employee an individual ceased to be an ~~director~~~~officer~~ or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former ~~director~~~~officer~~ or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an ~~officer~~~~or~~ employee of the Corporation knowingly communicates with a former ~~director~~~~officer~~ or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such ~~director~~~~officer~~ or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

## ARTICLE II OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 401 Congress Avenue, Suite 2800, 221 West 6th Street, Suite 1700, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2.        Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

### ARTICLE III BOARD OF DIRECTORS

Section 1.        Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2.        Number. The Board of Directors shall consist of nine (9) Directors consistent with Texas Education Code Section 66.08.

Section 3.        Appointment and Term. Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he or she remains Chancellor of the System. In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors"). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the expiration of such Director's term, or until such Director's successor has been chosen and qualified, or until such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 4.        Removal and Resignation. Any Director may be removed from office at any time, with or without cause, by the Board of Regents. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.            Vacancies. Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the Board of Regents.

Section 6.            Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

Section 7.            Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

A joint annual meeting with the U. T. Board of Regents ("Joint Meeting") shall be held prior to August 1 of each year to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

Section 8.            Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and the Vice Chairmen of the UTIMCO Board, including the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least ~~threetwe~~ (32) weeks prior to each regular UTIMCO Board meeting.

Section 9.            Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10.          Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

Section 11.          Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, the Chairman may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12.            Voting. Directors must vote in person and proxy voting is prohibited.

Section 13.            Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board or the Vice Chairman for Policy shall preside. In the absence of the Chairman of the Board and the Vice Chairmen of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14.            Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by the Director in carrying out duties as a Director.

#### ARTICLE IV COMMITTEES

Section 1.            Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2.            Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (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 of Directors, 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 of Directors 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 these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 3.            Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

## ARTICLE V OFFICERS

Section 1.            Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2.            Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so

removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6. Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the Rules and Regulations of the Board of Regents and the Investment Management Services Agreement to facilitate UTIMCO's performance of its core investment duties.

Section 7. Powers and Duties of the President. The President shall be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of

the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation, shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the U. T. Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

## ARTICLE VI MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2. Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

Section 5. Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), Texas Education Code. The Secretary is required to provide public notice of such meetings in accordance with applicable law therewith.

## ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted from an action taken in such person's official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an "Indemnified Person."

Section 2. Advance Payment. An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3.                    Appearance as a Witness. Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person is not a named defendant or respondent in the Proceeding.

Section 4.                    Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5.                    Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII.

Section 6.                    Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VIII AMENDMENTS

Section 1.                    Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

**TAB 3**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 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 March 31, 2006.

**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

## UTIMCO Performance Summary

March 31, 2006

	Net Asset Value 3/31/2006 (in Millions)	Periods Ended March 31, 2006 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>												
Permanent University Fund	\$ 9,897.9	0.83	3.66	3.66	5.79	7.53	14.29	12.19	18.84	10.98	8.91	9.69
General Endowment Fund		0.80	3.68	3.68	5.70	7.41	14.02	12.11	19.00	11.07	9.27	N/A
Permanent Health Fund	970.5	0.79	3.70	3.70	5.66	7.37	13.93	12.03	18.88	10.67	9.15	N/A
Long Term Fund	4,342.6	0.79	3.71	3.71	5.68	7.39	13.94	12.03	18.89	10.70	9.20	10.30
Separately Invested Funds	160.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Endowment Funds</b>	<b>15,371.2</b>											
<b>OPERATING FUNDS</b>												
Short Term Fund	1,018.8	0.38	1.09	1.09	2.09	2.39	3.72	2.68	2.14	2.02	2.28	3.98
Intermediate Term Fund	3,042.5	0.85	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Operating Funds</b>	<b>4,061.3</b>											
<b>Total Investments</b>	<b>\$ 19,432.5</b>											
<b>BENCHMARKS (1)</b>												
Permanent University Fund: Policy Portfolio		1.51	5.23	5.23	7.75	9.56	16.30	12.95	16.20	9.07	7.00	10.44
General Endowment Fund: Policy Portfolio		1.51	5.23	5.23	7.75	9.56	16.30	12.95	16.20	9.07	7.04	10.23
Short Term Fund: 90 Day Treasury Bills Average Yield		0.39	1.02	1.02	1.95	2.26	3.53	2.59	2.09	1.98	2.24	3.83
Intermediate Term Fund: Policy Portfolio		1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>VALUE ADDED (2)</b>												
Permanent University Fund		(0.68)	(1.58)	(1.58)	(1.96)	(2.04)	(2.02)	(0.77)	2.63	1.91	1.91	(0.75)
General Endowment Fund		(0.71)	(1.55)	(1.55)	(2.05)	(2.15)	(2.28)	(0.85)	2.80	2.00	2.23	N/A
Permanent Health Fund		(0.72)	(1.53)	(1.53)	(2.09)	(2.19)	(2.38)	(0.93)	2.68	1.60	2.11	N/A
Long Term Fund		(0.72)	(1.53)	(1.53)	(2.07)	(2.18)	(2.36)	(0.92)	2.69	1.63	2.15	0.07
Short Term Fund		0.00	0.06	0.06	0.14	0.13	0.19	0.08	0.05	0.04	0.04	0.16
Intermediate Term Fund		(0.15)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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.

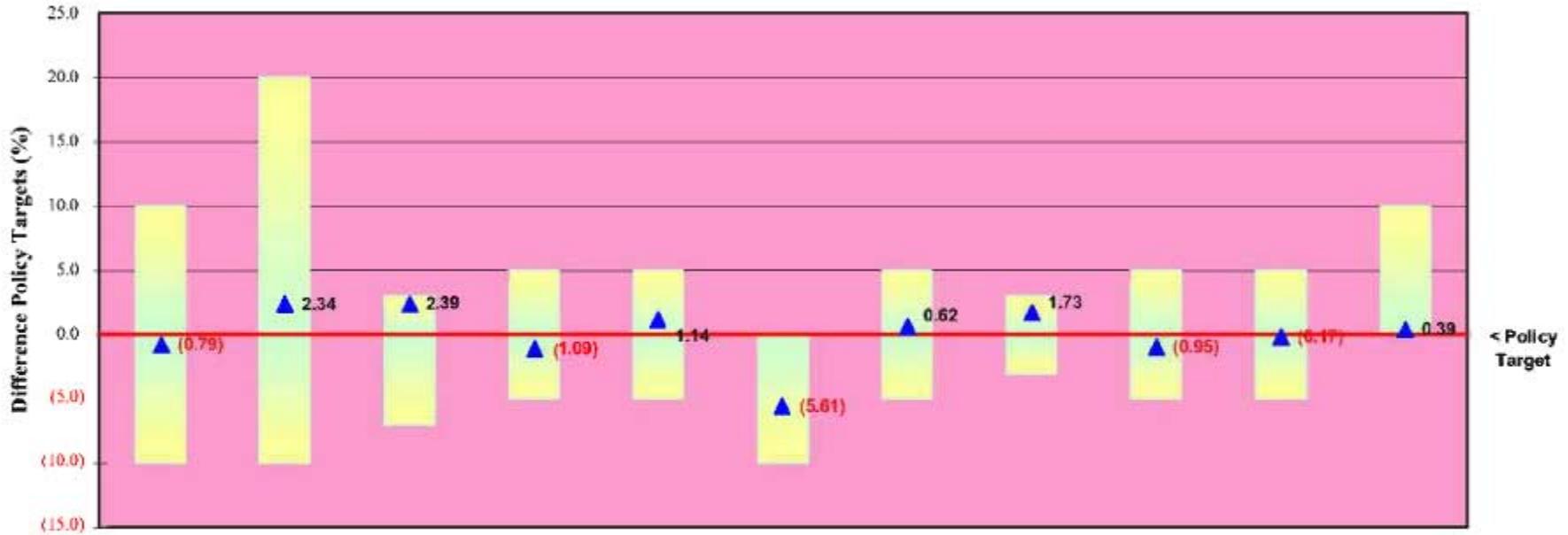
Benchmark returns for the PUF and GEF/LTF policy portfolios were also restated for all prior periods beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previously for the Private Capital asset class. Specifically, the Wilshire 5000 + 4%, the benchmark used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

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

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

**Permanent University Fund  
Market Exposure  
March 31, 2006**

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

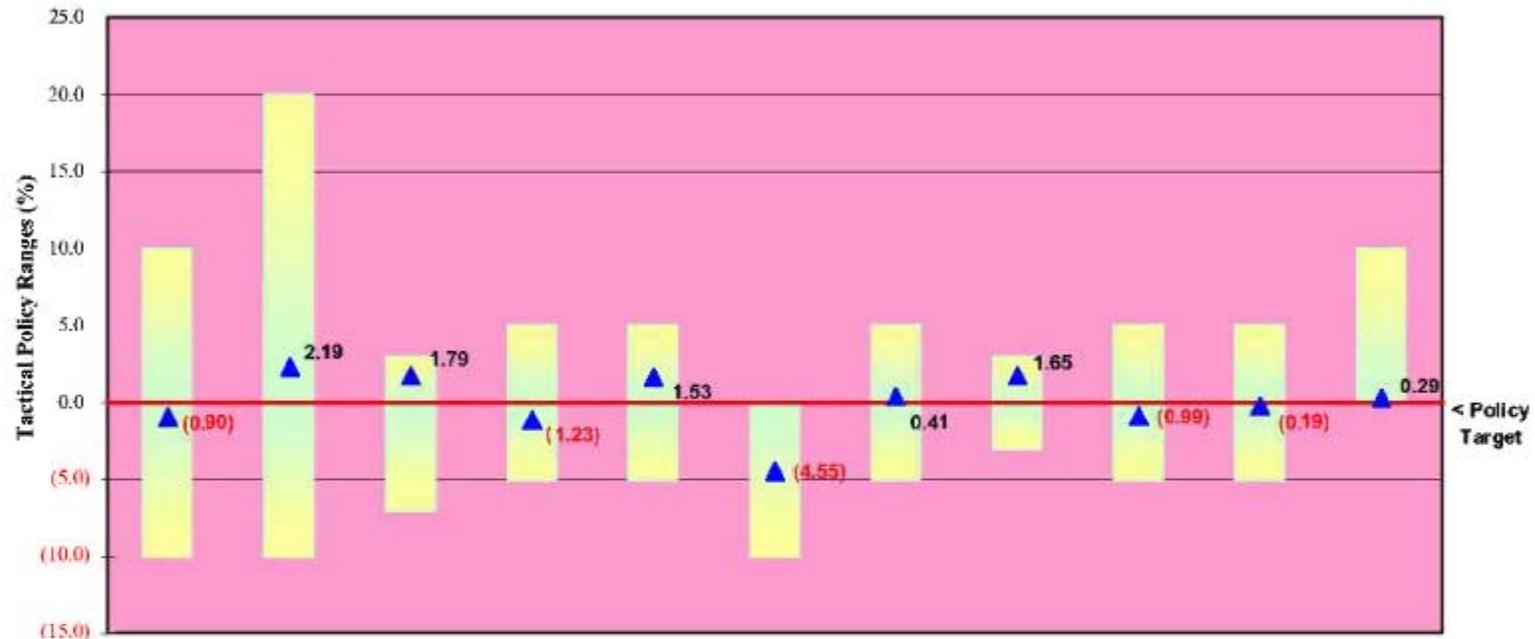


	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
<b>Actual</b>	19.21%	12.34%	9.39%	8.91%	16.14%	9.39%	5.62%	4.73%	4.05%	9.83%	0.39%
<b>Policy Target</b>	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
<b>Deviation</b>	-0.79%	2.34%	2.39%	-1.09%	1.14%	-5.61%	0.62%	1.73%	-0.95%	-0.17%	0.39%
<b>Deviation in Dollars (\$m)</b>	(78.19)	231.61	236.56	(107.89)	112.84	(555.27)	61.37	171.23	(94.03)	(16.83)	38.60



**General Endowment Fund  
Market Exposure  
March 31, 2006**

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

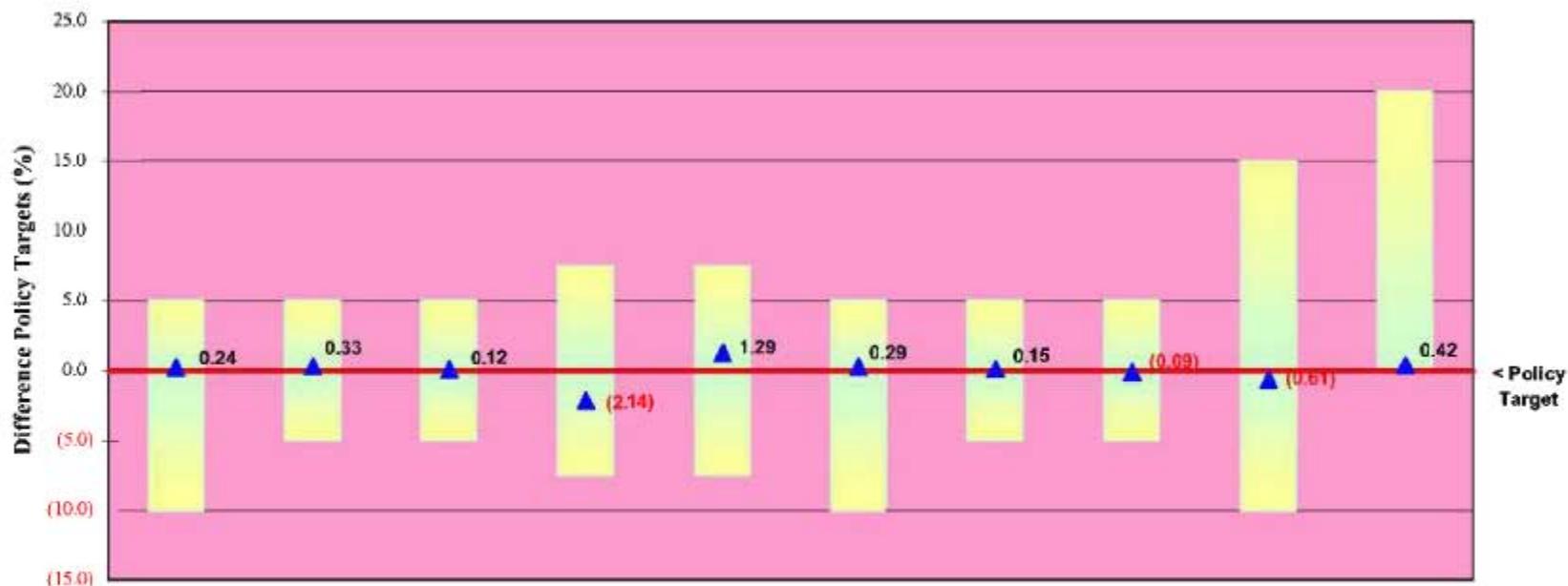


	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
<b>Actual</b>	19.10%	12.19%	8.79%	8.77%	16.53%	10.45%	5.41%	4.65%	4.01%	9.81%	0.29%
<b>Policy Target</b>	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
<b>Deviation</b>	-0.90%	2.19%	1.79%	-1.23%	1.53%	-4.55%	0.41%	1.65%	-0.99%	-0.19%	0.29%
<b>Deviation in Dollars (\$m)</b>	(47.98)	116.74	95.42	(65.57)	81.56	(242.55)	21.86	87.96	(52.77)	(10.13)	15.46



**Intermediate Term Fund  
Market Exposure  
March 31, 2006**

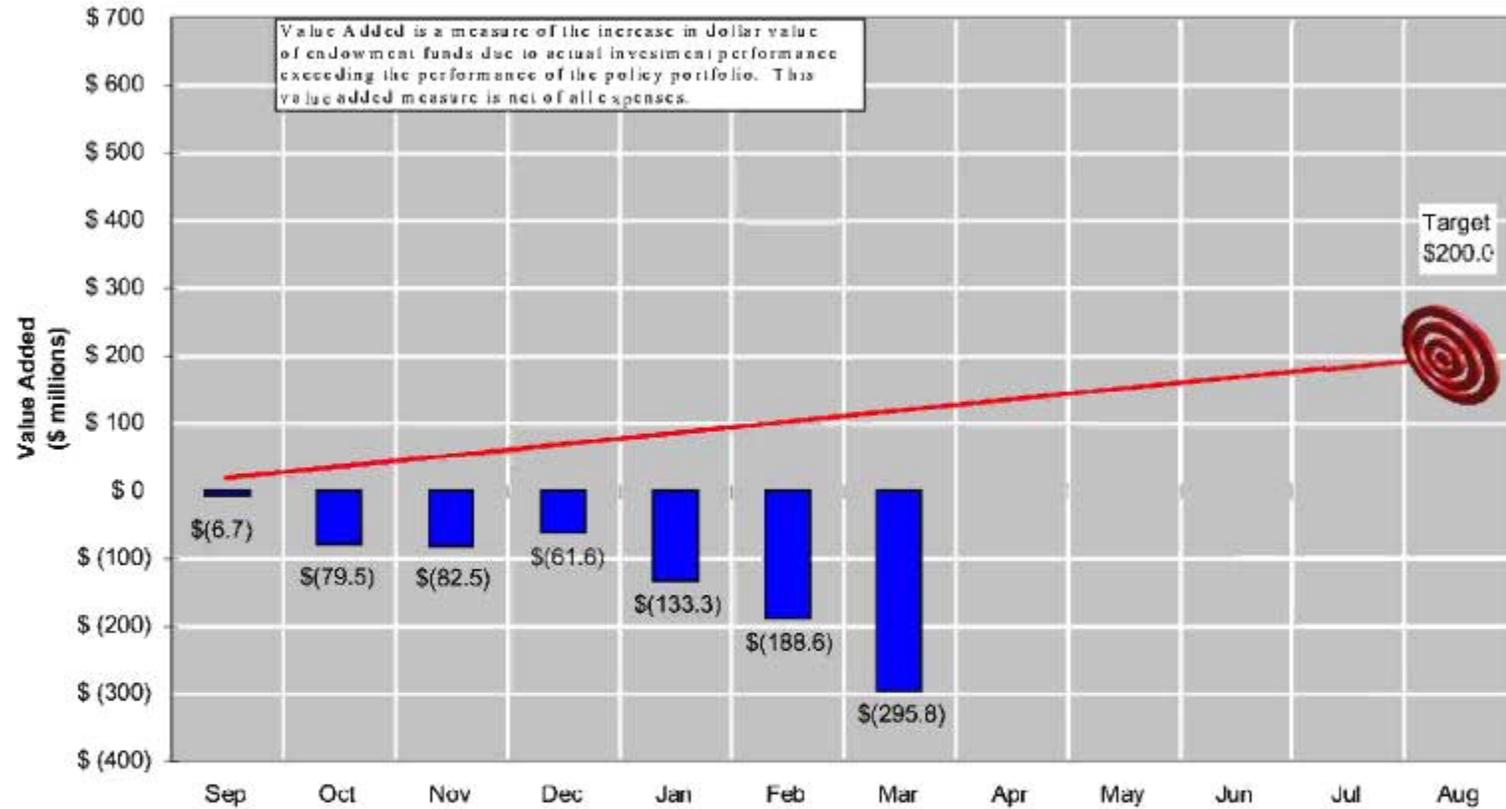
**Deviations From Policy Targets Within Tactical Policy Ranges**



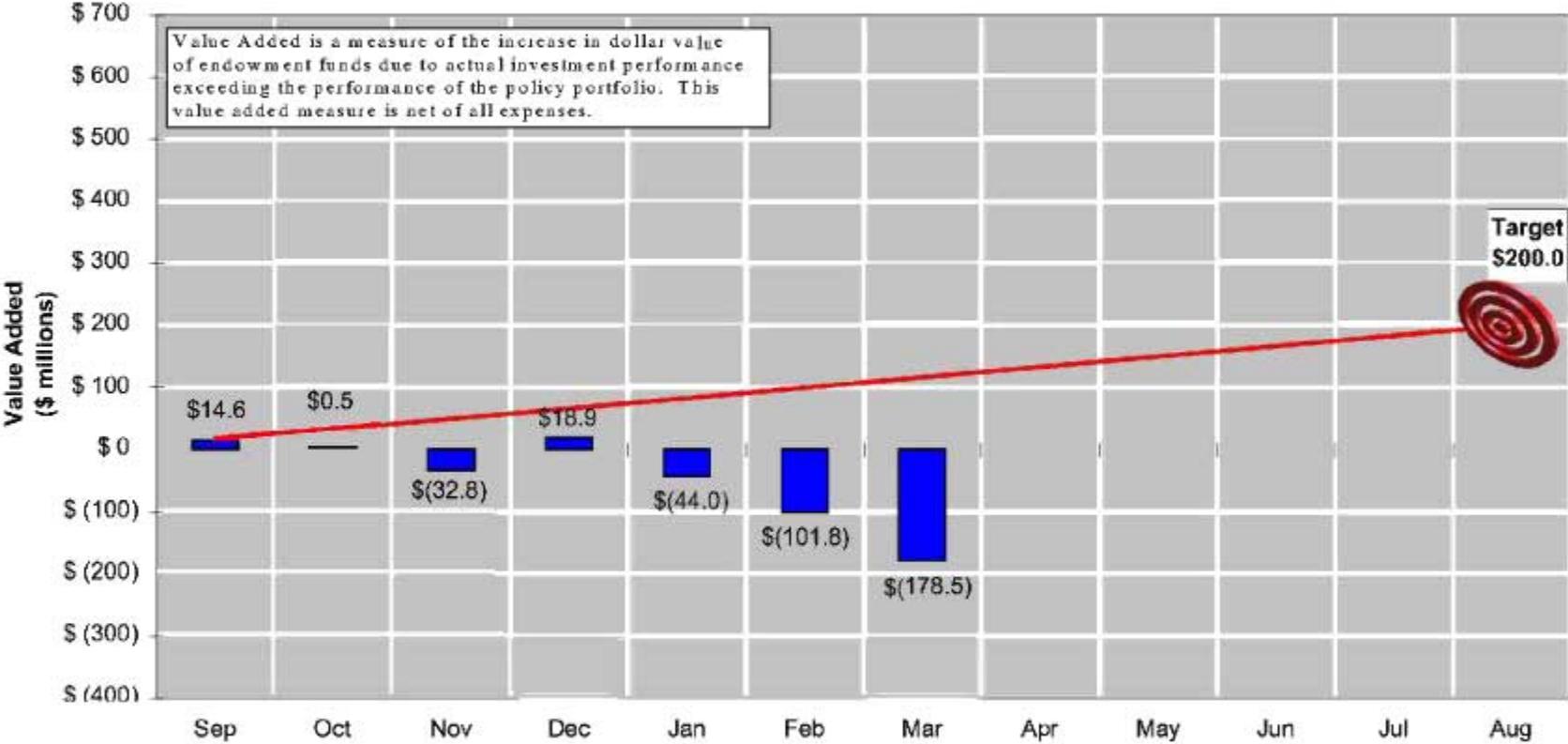
	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
<b>Actual</b>	15.24%	5.33%	5.12%	10.36%	13.79%	10.29%	5.15%	9.91%	24.39%	0.42%
<b>Policy Target</b>	15.00%	5.00%	5.00%	12.50%	12.50%	10.00%	5.00%	10.00%	25.00%	0.00%
<b>Deviation</b>	0.24%	0.33%	0.12%	-2.14%	1.29%	0.29%	0.15%	-0.09%	-0.61%	0.42%
<b>Deviation in Dollars (\$m)</b>	7.30	10.04	3.65	(65.11)	39.25	8.82	4.56	(2.74)	(18.56)	12.79



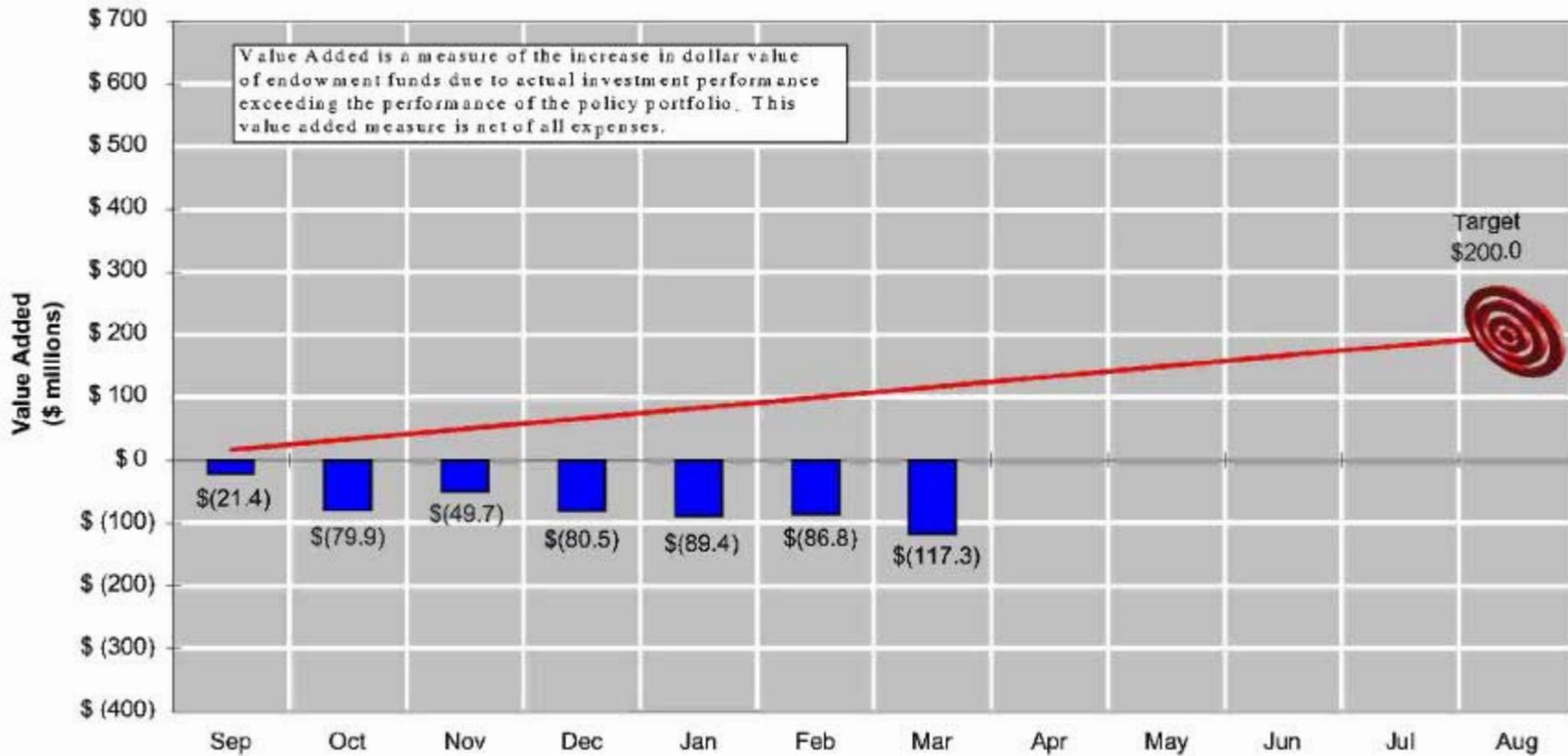
## Cumulative Value Added In Endowment Funds 2005-2006 Fiscal Year



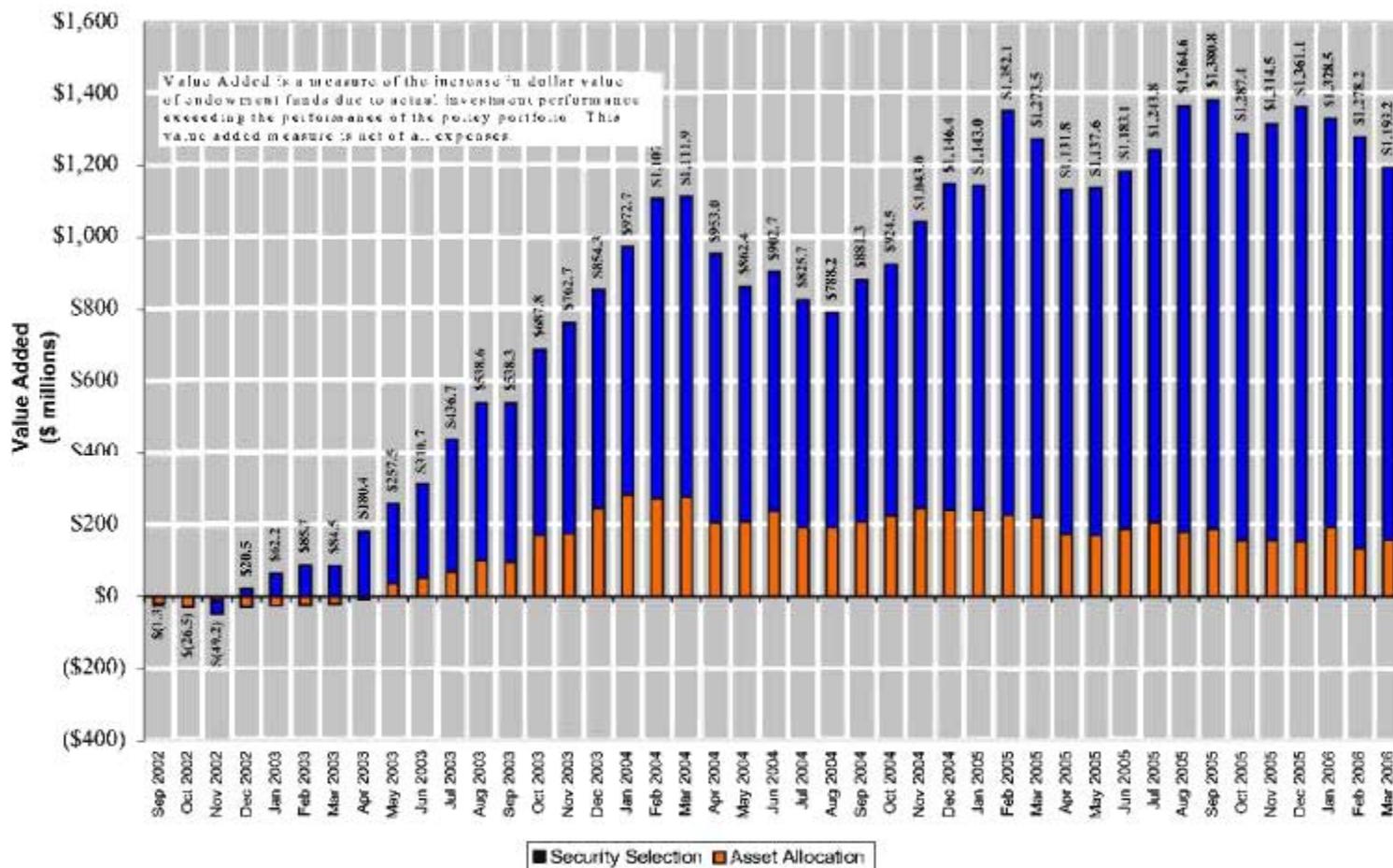
### Cumulative Value Added in Marketable Securities in Endowment Funds 2005-2006 Fiscal Year



## 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 March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
<b>Cash and Cash Equivalents</b>	1.13%	0.00%	0.38%	0.39%	-0.02%	0.00%	-0.02%
<b>U.S. Equities</b>	19.32%	20.00%	-0.63%	1.73%	0.02%	-0.47%	-0.45%
<b>Global Equities</b>	20.79%	17.00%	1.93%	2.30%	0.01%	-0.06%	-0.05%
Non-U.S. Equities Developed	12.07%	10.00%	3.07%	3.30%	0.03%	-0.03%	0.00%
Emerging Markets	8.72%	7.00%	0.45%	0.88%	-0.02%	-0.03%	-0.05%
<b>Directional Hedge Funds</b>	8.90%	10.00%	0.98%	0.66%	0.01%	0.03%	0.04%
<b>Absolute Return Hedge Funds</b>	16.13%	15.00%	0.86%	1.30%	0.00%	-0.07%	-0.07%
<b>Inflation Linked</b>	14.22%	13.00%	2.64%	2.22%	0.08%	-0.01%	0.07%
REITS	5.38%	5.00%	5.64%	5.47%	0.02%	0.01%	0.03%
Commodities	4.66%	3.00%	3.58%	4.13%	0.03%	-0.02%	0.01%
TIPS	4.18%	5.00%	-2.27%	-2.19%	0.03%	0.00%	0.03%
<b>Fixed Income</b>	10.06%	10.00%	-0.76%	-0.98%	0.00%	0.02%	0.02%
<b>Total Marketable Assets</b>	90.55%	85.00%	0.89%	1.40%	0.10%	-0.56%	-0.46%
<b>Private Capital</b>	9.45%	15.00%	0.27%	2.15%	0.06%	-0.28%	-0.22%
<b>Total Fund</b>	100.00%	100.00%	0.83%	1.51%	0.16%	-0.84%	-0.68%

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

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



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

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
<b>Cash and Cash Equivalents</b>	1.20%	0.00%	1.09%	1.02%	0.00%	0.00%	0.00%
<b>U.S. Equities</b>	19.46%	20.00%	-0.60%	5.31%	0.03%	-1.20%	-1.17%
<b>Global Equities</b>	20.45%	17.00%	9.20%	10.50%	0.08%	-0.17%	-0.09%
Non-U.S. Equities Developed	12.59%	10.00%	9.60%	9.40%	0.12%	0.02%	0.14%
Emerging Markets	7.86%	7.00%	9.21%	12.02%	-0.04%	-0.19%	-0.23%
<b>Directional Hedge Funds</b>	9.05%	10.00%	3.48%	3.26%	0.01%	0.02%	0.03%
<b>Absolute Return Hedge Funds</b>	15.94%	15.00%	3.91%	3.67%	-0.01%	0.04%	0.03%
<b>Inflation Linked</b>	14.45%	13.00%	4.03%	4.53%	-0.09%	0.00%	-0.09%
REITS	5.25%	5.00%	15.50%	15.42%	0.02%	0.00%	0.02%
Commodities	4.97%	3.00%	-2.32%	-1.78%	-0.17%	-0.02%	-0.19%
TIPS	4.23%	5.00%	-1.92%	-2.25%	0.06%	0.02%	0.08%
<b>Fixed Income</b>	10.20%	10.00%	-0.17%	-0.65%	-0.02%	0.05%	0.03%
<b>Total Marketable Assets</b>	90.75%	85.00%	3.61%	4.99%	0.00%	-1.26%	-1.26%
<b>Private Capital</b>	9.25%	15.00%	4.14%	6.60%	0.05%	-0.36%	-0.31%
<b>Total Fund</b>	100.00%	100.00%	3.66%	5.23%	0.05%	-1.62%	-1.57%

- (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**  
**Fiscal Year to Date**  
**March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
<b>Cash and Cash Equivalents</b>	<b>0.76%</b>	<b>0.00%</b>	<b>2.39%</b>	<b>2.26%</b>	<b>0.03%</b>	<b>0.00%</b>	<b>0.03%</b>
<b>U.S. Equities</b>	<b>21.22%</b>	<b>20.00%</b>	<b>2.69%</b>	<b>8.40%</b>	<b>0.00%</b>	<b>-1.17%</b>	<b>-1.17%</b>
<b>Global Equities</b>	<b>19.59%</b>	<b>17.00%</b>	<b>21.13%</b>	<b>23.99%</b>	<b>0.11%</b>	<b>-0.34%</b>	<b>-0.23%</b>
Non-U.S. Equities Developed	12.98%	10.00%	20.53%	18.93%	0.29%	0.14%	0.43%
Emerging Markets	6.61%	7.00%	23.73%	31.23%	-0.18%	-0.48%	-0.66%
<b>Directional Hedge Funds</b>	<b>9.28%</b>	<b>10.00%</b>	<b>5.44%</b>	<b>4.88%</b>	<b>0.03%</b>	<b>0.06%</b>	<b>0.09%</b>
<b>Absolute Return Hedge Funds</b>	<b>15.10%</b>	<b>15.00%</b>	<b>6.34%</b>	<b>4.56%</b>	<b>-0.01%</b>	<b>0.27%</b>	<b>0.26%</b>
<b>Inflation Linked</b>	<b>14.51%</b>	<b>13.00%</b>	<b>3.57%</b>	<b>4.11%</b>	<b>-0.28%</b>	<b>0.14%</b>	<b>-0.14%</b>
REITS	5.13%	5.00%	20.42%	19.24%	0.02%	0.05%	0.07%
Commodities	5.10%	3.00%	-6.63%	-8.93%	-0.39%	0.08%	-0.31%
TIPS	4.28%	5.00%	-2.05%	-2.28%	0.09%	0.01%	0.10%
<b>Fixed Income</b>	<b>10.36%</b>	<b>10.00%</b>	<b>-0.95%</b>	<b>-1.09%</b>	<b>-0.04%</b>	<b>0.02%</b>	<b>-0.02%</b>
<b>Total Marketable Assets</b>	<b>90.82%</b>	<b>85.00%</b>	<b>7.22%</b>	<b>8.49%</b>	<b>-0.16%</b>	<b>-1.02%</b>	<b>-1.18%</b>
<b>Private Capital</b>	<b>9.18%</b>	<b>15.00%</b>	<b>10.24%</b>	<b>15.76%</b>	<b>-0.06%</b>	<b>-0.79%</b>	<b>-0.85%</b>
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>7.53%</b>	<b>9.56%</b>	<b>-0.22%</b>	<b>-1.81%</b>	<b>-2.03%</b>

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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**  
**March 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	0.92%	0.00%	3.72%	3.53%	-0.07%	0.00%	-0.07%
U.S. Equities	23.74%	22.09%	11.06%	16.96%	0.02%	-1.18%	-1.16%
Global Equities	18.90%	17.00%	29.38%	31.48%	0.00%	-0.21%	-0.21%
Directional Hedge Funds	9.55%	10.00%	9.77%	7.97%	0.02%	0.19%	0.21%
Absolute Return Hedge Funds	14.74%	15.00%	10.73%	7.19%	-0.01%	0.55%	0.54%
Inflation Linked	10.52%	8.83%	14.55%	20.21%	-0.25%	-0.02%	-0.27%
Fixed Income	12.32%	12.08%	1.80%	2.21%	-0.09%	-0.08%	-0.17%
<b>Total Marketable Assets</b>	<b>90.69%</b>	<b>85.00%</b>	<b>13.33%</b>	<b>14.49%</b>	<b>-0.38%</b>	<b>-0.75%</b>	<b>-1.13%</b>
Private Capital	9.31%	15.00%	23.67%	26.89%	-0.45%	-0.43%	-0.88%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>14.29%</b>	<b>16.30%</b>	<b>-0.83%</b>	<b>-1.18%</b>	<b>-2.01%</b>

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

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



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

	Average Asset Allocation		Returns		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.74%	0.00%	7.46%	7.34%	-0.46%	0.00%	-0.46%
U.S. Equities	27.33%	23.94%	61.85%	68.78%	0.87%	-0.94%	-0.07%
Global Equities	18.94%	16.51%	114.18%	114.29%	1.52%	-0.09%	1.43%
Directional Hedge Funds	7.86%	10.00%	31.61%	24.09%	0.52%	0.91%	1.43%
Absolute Return Hedge Funds	11.70%	13.14%	66.53%	21.67%	-0.53%	5.86%	5.33%
Inflation Linked	7.52%	7.23%	107.45%	106.16%	-0.65%	1.60%	0.95%
Fixed Income	14.52%	14.18%	23.29%	14.58%	0.66%	1.68%	2.34%
CSAM Global Asset Allocation	0.41%	0.00%	0.00%	0.00%	0.17%	0.00%	0.17%
<b>Total Marketable Assets</b>	<b>89.02%</b>	<b>85.00%</b>	<b>67.02%</b>	<b>54.21%</b>	<b>2.10%</b>	<b>9.02%</b>	<b>11.12%</b>
Private Capital	10.98%	15.00%	51.85%	40.32%	-1.22%	2.01%	0.79%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>64.17%</b>	<b>52.26%</b>	<b>0.88%</b>	<b>11.03%</b>	<b>11.91%</b>

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

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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**  
**Annualized Since September 1, 2002 to**  
**March 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	0.74%	0.00%	2.03%	2.00%	-0.09%	0.00%	-0.09%
U.S. Equities	27.33%	23.94%	14.38%	15.73%	0.16%	-0.19%	-0.03%
Global Equities	18.94%	16.51%	23.68%	23.70%	0.31%	-0.02%	0.29%
Directional Hedge Funds	7.86%	10.00%	7.97%	6.21%	0.11%	0.18%	0.29%
Absolute Return Hedge Funds	11.70%	13.14%	15.30%	5.63%	-0.11%	1.18%	1.07%
Inflation Linked	7.52%	7.23%	22.59%	22.37%	-0.13%	0.32%	0.19%
Fixed Income	14.52%	14.18%	6.02%	3.87%	0.13%	0.34%	0.47%
CSAM Global Asset Allocation	0.41%	0.00%	0.00%	0.00%	0.04%	0.00%	0.04%
<b>Total Marketable Assets</b>	<b>89.02%</b>	<b>85.00%</b>	<b>15.39%</b>	<b>12.85%</b>	<b>0.42%</b>	<b>1.81%</b>	<b>2.23%</b>
Private Capital	10.98%	15.00%	12.37%	9.91%	-0.24%	0.40%	0.16%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>14.84%</b>	<b>12.45%</b>	<b>0.18%</b>	<b>2.21%</b>	<b>2.39%</b>

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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 March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
<b>Cash and Cash Equivalents</b>	<b>0.14%</b>	<b>0.00%</b>	<b>0.38%</b>	<b>0.39%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>U.S. Equities</b>	<b>19.30%</b>	<b>20.00%</b>	<b>-0.61%</b>	<b>1.73%</b>	<b>0.03%</b>	<b>-0.47%</b>	<b>-0.44%</b>
<b>Global Equities</b>	<b>20.80%</b>	<b>17.00%</b>	<b>1.89%</b>	<b>2.30%</b>	<b>0.01%</b>	<b>-0.07%</b>	<b>-0.06%</b>
Non-U.S. Equities Developed	12.02%	10.00%	2.96%	3.30%	0.03%	-0.04%	-0.01%
Emerging Markets	8.78%	7.00%	0.42%	0.88%	-0.02%	-0.03%	-0.05%
<b>Directional Hedge Funds</b>	<b>8.76%</b>	<b>10.00%</b>	<b>0.98%</b>	<b>0.66%</b>	<b>0.01%</b>	<b>0.03%</b>	<b>0.04%</b>
<b>Absolute Return Hedge Funds</b>	<b>16.52%</b>	<b>15.00%</b>	<b>0.87%</b>	<b>1.30%</b>	<b>-0.01%</b>	<b>-0.07%</b>	<b>-0.08%</b>
<b>Inflation Linked</b>	<b>13.90%</b>	<b>13.00%</b>	<b>2.63%</b>	<b>2.22%</b>	<b>0.07%</b>	<b>-0.01%</b>	<b>0.06%</b>
REITS	5.18%	5.00%	5.64%	5.47%	0.01%	0.01%	0.02%
Commodities	4.59%	3.00%	3.62%	4.13%	0.03%	-0.02%	0.01%
TIPS	4.13%	5.00%	-2.26%	-2.19%	0.03%	0.00%	0.03%
<b>Fixed Income</b>	<b>10.07%</b>	<b>10.00%</b>	<b>-1.00%</b>	<b>-0.98%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Marketable Assets</b>	<b>89.49%</b>	<b>85.00%</b>	<b>0.86%</b>	<b>1.40%</b>	<b>0.11%</b>	<b>-0.59%</b>	<b>-0.48%</b>
<b>Private Capital</b>	<b>10.51%</b>	<b>15.00%</b>	<b>0.28%</b>	<b>2.15%</b>	<b>0.05%</b>	<b>-0.28%</b>	<b>-0.23%</b>
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.80%</b>	<b>1.51%</b>	<b>0.16%</b>	<b>-0.87%</b>	<b>-0.71%</b>

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

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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 March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
<b>Cash and Cash Equivalents</b>	0.76%	0.00%	1.09%	1.02%	-0.01%	0.00%	-0.01%
<b>U.S. Equities</b>	20.12%	20.00%	-0.24%	5.31%	0.00%	-1.13%	-1.13%
<b>Global Equities</b>	20.00%	17.00%	9.08%	10.50%	0.05%	-0.20%	-0.15%
Non-U.S. Equities Developed	12.43%	10.00%	9.43%	9.40%	0.11%	0.00%	0.11%
Emerging Markets	7.57%	7.00%	9.10%	12.02%	-0.06%	-0.20%	-0.26%
<b>Directional Hedge Funds</b>	8.80%	10.00%	3.48%	3.26%	0.01%	0.02%	0.03%
<b>Absolute Return Hedge Funds</b>	16.14%	15.00%	3.90%	3.67%	0.00%	0.03%	0.03%
<b>Inflation Linked</b>	13.97%	13.00%	3.95%	4.53%	-0.08%	0.00%	-0.08%
REITS	5.00%	5.00%	15.50%	15.42%	0.00%	0.00%	0.00%
Commodities	4.84%	3.00%	-2.25%	-1.78%	-0.14%	-0.02%	-0.16%
TIPS	4.13%	5.00%	-1.94%	-2.25%	0.06%	0.02%	0.08%
<b>Fixed Income</b>	10.08%	10.00%	-0.29%	-0.65%	-0.01%	0.04%	0.03%
<b>Total Marketable Assets</b>	89.87%	85.00%	3.58%	4.99%	-0.04%	-1.24%	-1.28%
<b>Private Capital</b>	10.13%	15.00%	4.62%	6.60%	0.01%	-0.28%	-0.27%
<b>Total Fund</b>	100.00%	100.00%	3.68%	5.23%	-0.03%	-1.52%	-1.55%

- (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**  
**Fiscal Year to Date**  
**March 31, 2006**

	Average Asset Allocation		Return		Allocation Effect (1)	Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.57%	0.00%	2.39%	2.26%	0.04%	0.00%	0.04%
U.S. Equities	21.02%	20.00%	2.99%	8.40%	-0.02%	-1.11%	-1.13%
Global Equities	19.23%	17.00%	20.78%	23.99%	0.05%	-0.40%	-0.35%
Non-U.S. Equities Developed	12.96%	10.00%	20.20%	18.93%	0.28%	0.11%	0.39%
Emerging Markets	6.27%	7.00%	23.25%	31.23%	-0.23%	-0.51%	-0.74%
Directional Hedge Funds	9.16%	10.00%	5.34%	4.88%	0.02%	0.05%	0.07%
Absolute Return Hedge Funds	15.32%	15.00%	6.29%	4.56%	0.00%	0.26%	0.26%
Inflation Linked	14.23%	13.00%	3.67%	4.11%	-0.28%	0.14%	-0.14%
REITS	4.96%	5.00%	20.43%	19.24%	0.00%	0.05%	0.05%
Commodities	5.03%	3.00%	-6.64%	-8.93%	-0.37%	0.08%	-0.29%
TIPS	4.24%	5.00%	-2.05%	-2.28%	0.09%	0.01%	0.10%
Fixed Income	10.37%	10.00%	-0.90%	-1.09%	-0.05%	0.02%	-0.03%
Total Marketable Assets	89.90%	85.00%	7.13%	8.49%	-0.24%	-1.04%	-1.28%
Private Capital	10.10%	15.00%	9.95%	15.76%	-0.04%	-0.83%	-0.87%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>7.41%</b>	<b>9.56%</b>	<b>-0.28%</b>	<b>-1.87%</b>	<b>-2.15%</b>

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.  
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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**  
**March 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	0.67%	0.00%	3.72%	3.53%	-0.04%	0.00%	-0.04%
U.S. Equities	23.28%	22.09%	11.42%	16.96%	-0.01%	-1.10%	-1.11%
Global Equities	18.72%	17.00%	29.09%	31.48%	-0.07%	-0.27%	-0.34%
Directional Hedge Funds	9.49%	10.00%	9.60%	7.97%	0.03%	0.17%	0.20%
Absolute Return Hedge Funds	14.93%	15.00%	10.74%	7.19%	-0.01%	0.55%	0.54%
Inflation Linked	10.36%	8.83%	14.70%	20.21%	-0.25%	-0.02%	-0.27%
Fixed Income	12.40%	12.08%	1.78%	2.21%	-0.10%	-0.09%	-0.19%
<b>Total Marketable Assets</b>	<b>89.85%</b>	<b>85.00%</b>	<b>13.24%</b>	<b>14.49%</b>	<b>-0.45%</b>	<b>-0.76%</b>	<b>-1.21%</b>
Private Capital	10.15%	15.00%	21.14%	26.89%	-0.27%	-0.80%	-1.07%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>14.02%</b>	<b>16.30%</b>	<b>-0.72%</b>	<b>-1.56%</b>	<b>-2.28%</b>

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

$(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Benchmark Asset Class Return} - \text{Total Target Portfolio Return})$  plus  
 $(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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

$(\text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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



**General Endowment Fund Performance Attribution Analysis**  
**Cumulative Since September 1, 2002 to**  
**March 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	0.55%	0.00%	7.46%	7.34%	-0.37%	0.00%	-0.37%
U.S. Equities	27.32%	23.94%	62.11%	68.78%	1.11%	-0.98%	0.13%
Global Equities	19.24%	16.51%	114.55%	114.29%	2.33%	-0.63%	1.70%
Directional Hedge Funds	8.01%	10.00%	31.46%	24.09%	0.46%	0.90%	1.36%
Absolute Return Hedge Funds	12.12%	13.14%	66.71%	21.67%	-0.41%	5.91%	5.50%
Inflation Linked	7.52%	7.23%	108.22%	106.16%	-0.59%	1.61%	1.02%
Fixed Income	14.44%	14.18%	23.87%	14.58%	0.73%	1.79%	2.52%
GSAM Global Asset Allocation	0.42%	0.00%	33.70%	0.00%	0.18%	0.00%	0.18%
<b>Total Marketable Assets</b>	<b>89.62%</b>	<b>85.00%</b>	<b>67.72%</b>	<b>54.21%</b>	<b>3.44%</b>	<b>8.60%</b>	<b>12.04%</b>
Private Capital	10.38%	15.00%	47.71%	40.32%	-0.38%	1.31%	0.93%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>65.23%</b>	<b>52.26%</b>	<b>3.06%</b>	<b>9.91%</b>	<b>12.97%</b>

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

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) 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**  
**March 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	0.55%	0.00%	2.03%	2.00%	-0.07%	0.00%	-0.07%
U.S. Equities	27.32%	23.94%	14.43%	15.73%	0.23%	-0.20%	0.03%
Global Equities	19.24%	16.51%	23.74%	23.70%	0.47%	-0.13%	0.34%
Directional Hedge Funds	8.01%	10.00%	7.93%	6.21%	0.09%	0.18%	0.27%
Absolute Return Hedge Funds	12.12%	13.14%	15.33%	5.63%	-0.09%	1.18%	1.09%
Inflation Linked	7.52%	7.23%	22.71%	22.37%	-0.12%	0.32%	0.20%
Fixed Income	14.44%	14.18%	6.15%	3.87%	0.15%	0.36%	0.51%
GSAM Global Asset Allocation	0.42%	0.00%	8.44%	0.00%	0.03%	0.00%	0.03%
<b>Total Marketable Assets</b>	<b>89.62%</b>	<b>85.00%</b>	<b>15.52%</b>	<b>12.85%</b>	<b>0.69%</b>	<b>1.71%</b>	<b>2.40%</b>
Private Capital	10.38%	15.00%	11.50%	9.91%	-0.07%	0.26%	0.19%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>15.04%</b>	<b>12.45%</b>	<b>0.62%</b>	<b>1.97%</b>	<b>2.59%</b>

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

$(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Benchmark Asset Class Return} - \text{Total Target Portfolio Return})$  plus  
 $(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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

$(\text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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



**Intermediate Term Fund Performance Attribution Analysis  
One Month Ended March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	ITF	Policy Portfolio	ITF	Policy Benchmark			
Cash and Cash Equivalents	1.07%	0.00%	0.38%	0.39%	-0.04%	0.00%	-0.04%
U.S. Equities	14.99%	15.00%	1.37%	1.73%	0.00%	-0.05%	-0.05%
Non-U.S. Equities Developed	5.16%	5.00%	3.73%	3.30%	0.00%	0.02%	0.02%
Emerging Markets	5.09%	5.00%	1.06%	0.88%	0.00%	0.01%	0.01%
Directional Hedge Funds	10.25%	12.50%	0.98%	0.66%	0.00%	0.04%	0.04%
Absolute Return Hedge Funds	13.85%	12.50%	0.98%	1.30%	0.00%	-0.04%	-0.04%
REITS	9.81%	10.00%	4.89%	5.47%	0.00%	-0.06%	-0.06%
Commodities	4.77%	5.00%	3.37%	4.13%	0.00%	-0.04%	-0.04%
TIPS	10.22%	10.00%	-2.35%	-2.19%	0.00%	-0.02%	-0.02%
Fixed Income	24.79%	25.00%	-0.88%	-0.98%	0.00%	0.03%	0.03%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.85%</b>	<b>1.00%</b>	<b>-0.04%</b>	<b>-0.11%</b>	<b>-0.15%</b>

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

$(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Benchmark Asset Class Return} - \text{Total Target Portfolio Return})$  plus  
 $(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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

$(\text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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



**Intermediate Term Fund Performance Attribution Analysis  
Two Months Ended March 31, 2006**

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	ITF	Policy Portfolio	ITF	Policy Benchmark			
Cash and Cash Equivalents	1.30%	0.00%	0.72%	0.71%	-0.03%	0.00%	-0.03%
U.S. Equities	15.19%	15.00%	0.72%	1.91%	0.01%	-0.18%	-0.17%
Non-U.S. Equities Developed	5.08%	5.00%	3.67%	3.07%	0.00%	0.03%	0.03%
Emerging Markets	5.04%	5.00%	-0.46%	0.76%	0.00%	-0.06%	-0.06%
Directional Hedge Funds	9.14%	12.50%	1.88%	1.23%	-0.04%	0.08%	0.04%
Absolute Return Hedge Funds	14.01%	12.50%	1.81%	1.83%	0.01%	0.00%	0.01%
REITS	9.83%	10.00%	6.96%	7.78%	-0.01%	-0.08%	-0.09%
Commodities	4.92%	5.00%	-5.53%	-5.08%	-0.01%	-0.03%	-0.04%
TIPS	10.36%	10.00%	-1.97%	-2.24%	-0.01%	0.03%	0.02%
Fixed Income	25.13%	25.00%	-0.60%	-0.65%	0.02%	0.01%	0.03%
<b>Total Fund</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.74%</b>	<b>1.00%</b>	<b>-0.06%</b>	<b>-0.20%</b>	<b>-0.26%</b>

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

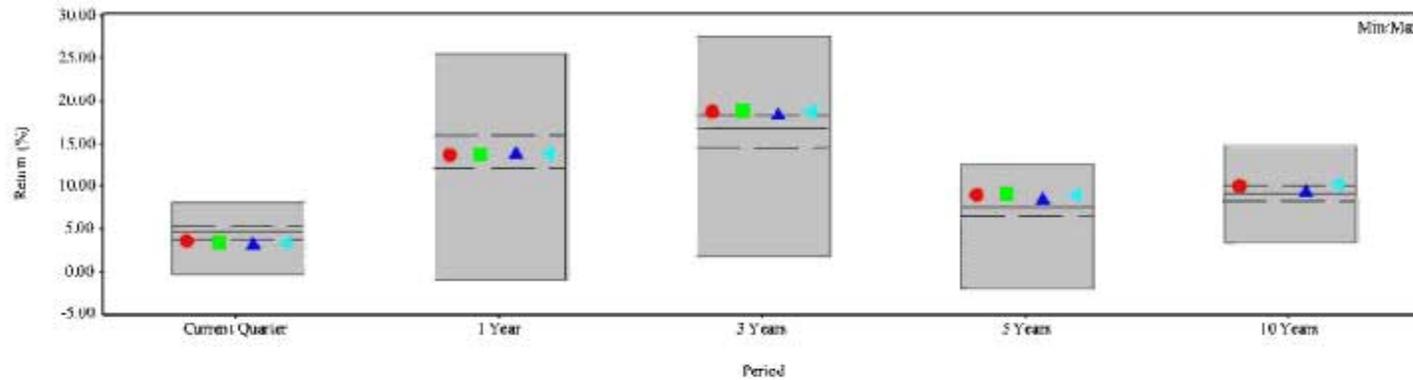
$(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Benchmark Asset Class Return} - \text{Total Target Portfolio Return})$  plus  
 $(\text{Actual Portfolio Asset Allocation} - \text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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

$(\text{Target Portfolio Asset Allocation}) \times (\text{Portfolio Asset Class Return} - \text{Benchmark Asset Class Return})$

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

**UTIMCO ENDOWMENTS FUNDS vs.  
ALL FUNDS UNIVERSE  
Periods Ended March 31, 2006**



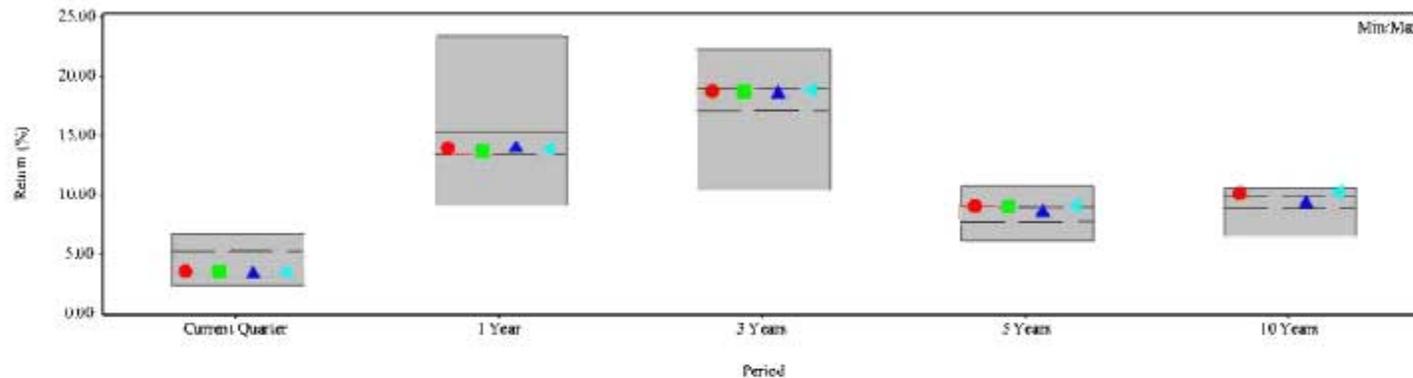
	Return	(% tile)								
<b>Maximum</b>	8.16		25.52		27.58		12.60		14.86	
<b>25th Percentile</b>	5.35		15.98		18.47		8.68		10.11	
<b>Median</b>	4.66		14.07		16.84		7.65		9.24	
<b>75th Percentile</b>	3.84		12.11		14.62		6.65		8.40	
<b>Minimum</b>	- 0.05		- 0.80		2.01		- 1.86		3.63	
<b># of Portfolios</b>	502		465		420		372		271	
<b>● UTIMCO LTF-Net of Fees</b>	3.71	80	13.94	54	18.89	21	9.20	16	10.30	21
<b>■ UTIMCO PHF-Net of Fees</b>	3.70	80	13.93	54	18.88	21	9.15	16	---	---
<b>▲ UTIMCO PUF-Net of Fees</b>	3.66	81	14.29	49	18.84	21	8.91	21	9.69	38
<b>◆ UTIMCO GEF-Net of Fees</b>	3.68	80	14.02	51	19.00	20	9.27	15	10.34	20

Universe Source: (c) Russell/Mellon Analytical Services

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The All Funds Universe consists of all corporate, foundation and endowment, and public plans of Russell/Mellon clients. The number of funds in this universe as of March 31, 2006 was 502.

**UTIMCO ENDOWMENTS FUNDS vs.  
BILLION DOLLAR FUNDS UNIVERSE  
Periods Ended March 31, 2006**



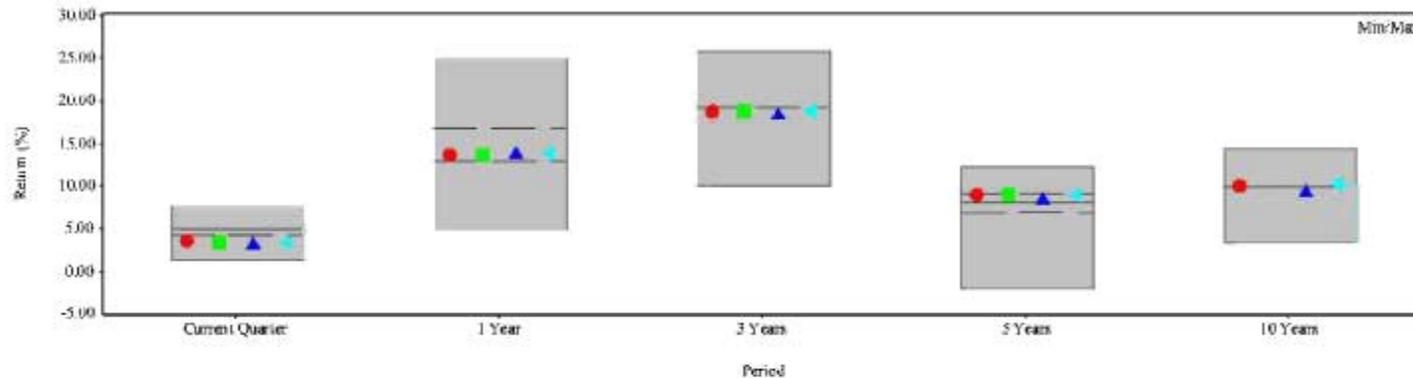
	Return	(% tile)								
<b>Maximum</b>	6.80		23.32		22.16		10.81		10.63	
<b>25th Percentile</b>	5.26		16.40		18.93		9.08		9.88	
<b>Median</b>	4.88		15.21		18.04		8.14		9.24	
<b>75th Percentile</b>	4.33		13.43		17.10		7.76		8.91	
<b>Minimum</b>	2.50		9.24		10.54		6.26		6.66	
<b># of Portfolios</b>	41		39		37		34		27	
<b>● UTIMCO LTF-Net of Fees</b>	3.71	91	13.94	70	18.89	27	9.20	23	10.30	11
<b>■ UTIMCO PHF-Net of Fees</b>	3.70	91	13.93	70	18.88	27	9.15	23	---	---
<b>▲ UTIMCO PUF-Net of Fees</b>	3.66	91	14.29	65	18.84	27	8.91	29	9.69	33
<b>◆ UTIMCO GEF-Net of Fees</b>	3.68	91	14.02	68	19.00	27	9.27	23	10.34	8

Universe Source: (c) Russell/Mellon Analytical Services

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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 March 31, 2006 was 41.

**UTIMCO ENDOWMENTS FUNDS vs.  
FOUNDATIONS AND ENDOWMENTS UNIVERSE  
Periods Ended March 31, 2006**



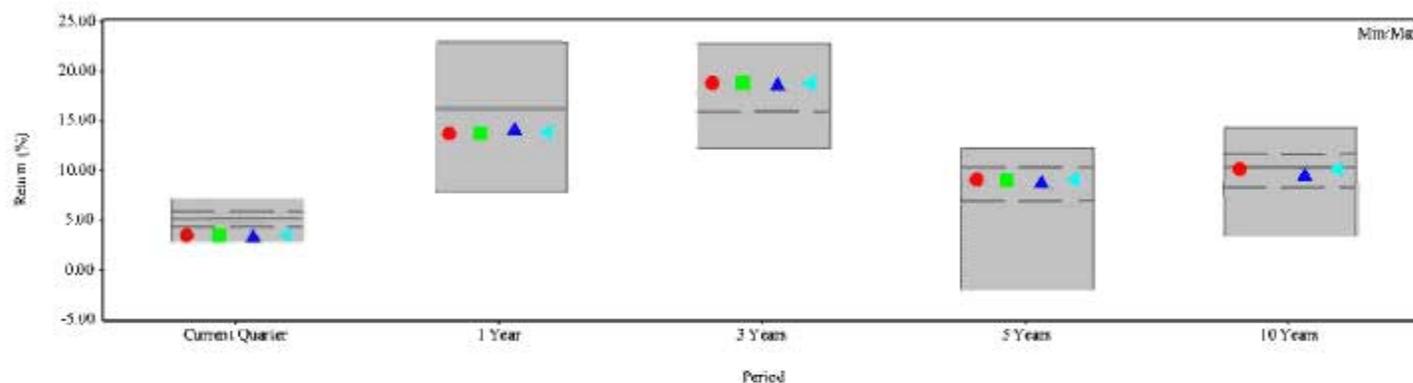
	Return	(% tile)								
<b>Maximum</b>	7.80		25.08		25.88		12.39		14.34	
<b>25th Percentile</b>	5.76		16.85		19.22		9.23		10.95	
<b>Median</b>	5.06		14.94		17.24		8.07		9.85	
<b>75th Percentile</b>	4.36		13.08		15.69		6.94		8.67	
<b>Minimum</b>	1.52		4.95		10.26		- 1.86		3.63	
<b># of Portfolios</b>	144		125		113		98		65	
<b>● UTIMCO LTF-Net of Fees</b>	3.71	90	13.94	65	18.89	34	9.20	27	10.30	44
<b>■ UTIMCO PHF-Net of Fees</b>	3.70	90	13.93	65	18.88	34	9.15	27	---	---
<b>▲ UTIMCO PUF-Net of Fees</b>	3.66	90	14.29	62	18.84	34	8.91	36	9.69	54
<b>◆ UTIMCO GEF-Net of Fees</b>	3.68	90	14.02	63	19.00	32	9.27	25	10.34	44

Universe Source: (c) Russell/Mellon Analytical Services

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The Foundations and Endowments Universe consists of all the assets of foundation and endowment plans of Russell/Mellon Clients. The number of funds in the universe as of March 31, 2006 was 144.

**UTIMCO ENDOWMENTS FUNDS vs.  
FOUNDATIONS AND ENDOWMENTS BILLION DOLLAR FUNDS UNIVERSE  
Periods Ended March 31, 2006**



	Return	(% tile)								
<b>Maximum</b>	7.36		23.02		22.83		12.37		14.34	
<b>25th Percentile</b>	5.91		18.73		19.40		10.43		11.76	
<b>Median</b>	5.23		16.21		18.72		8.68		10.49	
<b>75th Percentile</b>	4.42		14.00		15.94		6.96		8.37	
<b>Minimum</b>	2.95		8.07		12.47		- 1.86		3.63	
<b># of Portfolios</b>	36		36		33		32		25	
<b>● UTIMCO LTF-Net of Fees</b>	3.71	90	13.94	79	18.89	48	9.20	43	10.30	58
<b>■ UTIMCO PHF-Net of Fees</b>	3.70	90	13.93	79	18.88	48	9.15	43	---	---
<b>▲ UTIMCO PUF-Net of Fees</b>	3.66	90	14.29	71	18.84	48	8.91	52	9.69	66
<b>◆ UTIMCO GEF-Net of Fees</b>	3.68	90	14.02	73	19.00	45	9.27	40	10.34	58

Universe Source: (c) Russell/Mellon Analytical Services

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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 March 31, 2006 was 36.

**External and Active Internal Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2006**



Assets Under Management (\$ Millions)	Periods Ended March 31, 2006											
	(Returns for Periods Longer Than One Year are Annualized)											
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date	
<b>NET OF FEES PERFORMANCE:</b>												
<b>Public Equities:</b>												
<b>Domestic Equities:</b>												
<b>Active Management:</b>												
DGI Russell 3000 Alpha Tilt vs. Russell 3000	139.1	1.84 <i>0.11</i>	3.50 <i>0.19</i>	3.50 <i>0.19</i>	8.70 <i>1.24</i>	9.35 <i>0.95</i>	15.51 <i>1.26</i>	-	-	-	14.58 <i>0.94</i>	August 2003
DKF Asset Management vs. Russell 1000	164.2	1.21 <i>(0.21)</i>	3.73 <i>(0.74)</i>	3.73 <i>(0.74)</i>	8.71 <i>2.00</i>	8.20 <i>0.50</i>	10.11 <i>(2.79)</i>	-	-	-	11.98 <i>(2.15)</i>	September 2001
Blavin vs. S&P 500 Midcap Index	72.7	(1.37) <i>(3.87)</i>	-	-	-	-	-	-	-	-	(3.59) <i>(5.22)</i>	January 2006
CSAM Flex Large Cap vs. S&P 500 Index	162.5	2.31 <i>1.08</i>	-	-	-	-	-	-	-	-	2.31 <i>1.08</i>	February 2006
MBA Investments vs. S&P 500 Index	0.8	0.50 <i>(0.75)</i>	2.75 <i>(1.46)</i>	2.75 <i>(1.46)</i>	7.57 <i>1.19</i>	8.43 <i>1.19</i>	12.60 <i>0.88</i>	15.11 <i>(1.81)</i>	3.22 <i>(0.75)</i>	3.87 <i>(5.09)</i>	-1.13 <i>(5.15)</i>	November 1995
Relational Investors vs. S&P 500 Index	401.8	1.18 <i>(0.07)</i>	1.71 <i>(2.50)</i>	1.71 <i>(2.50)</i>	3.37 <i>(3.01)</i>	4.81 <i>(2.44)</i>	12.25 <i>0.52</i>	-	-	-	15.31 <i>2.75</i>	September 2001
Blackrock Hedge vs. Russell 2000	95.0	3.75 <i>(1.10)</i>	(0.24) <i>(14.18)</i>	(0.20) <i>(14.18)</i>	0.51 <i>(14.72)</i>	8.46 <i>(7.14)</i>	24.78 <i>8.93</i>	-	-	-	-1.15 <i>20.96</i>	July 2001
Blackrock Small Cap vs. Russell 2000	111.1	7.06 <i>2.21</i>	8.56 <i>(5.38)</i>	8.56 <i>(5.38)</i>	7.31 <i>(7.89)</i>	16.39 <i>0.79</i>	47.33 <i>21.49</i>	-	-	-	53.28 <i>36.07</i>	June 2001
TCW MultiCap 1 vs. Russell 3000	160.1	1.29 <i>(0.44)</i>	7.98 <i>2.16</i>	7.48 <i>2.16</i>	5.51 <i>(1.95)</i>	5.71 <i>(2.49)</i>	13.72 <i>(0.54)</i>	-	-	-	6.90 <i>(2.94)</i>	February 2001
TCW MultiCap 2 vs. Russell 3000	102.3	1.16 <i>(0.57)</i>	-	-	-	-	-	-	-	-	1.16 <i>(0.57)</i>	February 2006
TCW Small Value vs. Russell 2000	120.2	4.77 <i>(0.08)</i>	14.50 <i>0.54</i>	14.50 <i>0.54</i>	17.42 <i>2.19</i>	15.60 <i>0.00</i>	20.81 <i>(5.03)</i>	-	-	-	11.67 <i>(7.43)</i>	April 2001
Value Act Capital vs. Russell 2000	925.8	2.63 <i>(2.42)</i>	6.71 <i>(7.20)</i>	6.71 <i>(7.20)</i>	13.21 <i>(1.99)</i>	15.39 <i>(0.20)</i>	30.30 <i>4.43</i>	-	-	-	20.22 <i>(0.64)</i>	August 2003
Wesper 1 vs. Russell 2000	196.1	3.37 <i>(1.48)</i>	10.46 <i>(3.48)</i>	10.46 <i>(3.48)</i>	16.68 <i>1.45</i>	17.32 <i>1.73</i>	23.31 <i>(2.51)</i>	-	-	-	23.14 <i>0.66</i>	October 2001
Wesper 2 vs. Russell 2000	212.8	-1.56 <i>(0.29)</i>	-	-	-	-	-	-	-	-	3.61 <i>(1.55)</i>	January 2006
<b>International Equities:</b>												
<b>Active Management:</b>												
DGI International Alpha Tilts vs. MSCI EAFE with Net Dividends	108.7	3.26 <i>(0.04)</i>	9.62 <i>0.23</i>	9.62 <i>0.23</i>	14.80 <i>0.94</i>	20.09 <i>1.15</i>	26.46 <i>2.05</i>	-	-	-	27.05 <i>1.44</i>	August 2003
DGI Uniquized Global Markets vs. 90 Day Treasury Bills Average Yield	113.5	(0.26) <i>(0.65)</i>	0.93 <i>(0.09)</i>	0.93 <i>(0.09)</i>	2.46 <i>0.51</i>	3.60 <i>1.34</i>	-	-	-	-	6.66 <i>3.03</i>	May 2005
Blakeney Management vs. MSCI Emerging Markets with Net Dividends	91.2	0.26 <i>(0.62)</i>	12.90 <i>0.89</i>	12.90 <i>0.89</i>	26.21 <i>0.15</i>	25.29 <i>(5.95)</i>	39.98 <i>(7.47)</i>	-	-	-	-1.91 <i>(1.63)</i>	October 2001
Blackrock Global vs. MSCI All Country World ex U.S. with Net Dividends	126.3	7.09 <i>4.23</i>	11.71 <i>5.06</i>	11.71 <i>5.06</i>	13.49 <i>(0.96)</i>	22.23 <i>1.90</i>	62.97 <i>35.38</i>	-	-	-	58.47 <i>34.35</i>	November 2001
Bridgewater Currency Overlay Currency Overlay Strategy	-3.7	(0.89) <i>-</i>	(0.36) <i>-</i>	(0.36) <i>-</i>	(0.69) <i>-</i>	(0.71) <i>-</i>	(1.20) <i>-</i>	-	-	-	(1.20) <i>-</i>	January 2005
Capital Guardian Trust Small Cap International vs. Citigroup Extended Market Index World ex U.S.	27.7	3.24 <i>(1.10)</i>	9.34 <i>(2.78)</i>	9.34 <i>(2.78)</i>	26.42 <i>8.86</i>	33.73 <i>9.51</i>	47.90 <i>15.92</i>	-8.25 <i>6.63</i>	18.40 <i>(0.44)</i>	-	8.73 <i>(0.80)</i>	December 1996

**External and Active Internal Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2006**



Assets Under Management (\$ Millions)	Periods Ended March 31, 2006										Since Inception	Inception Date
	(Returns for Periods Longer Than One Year are Annualized)											
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years			
<b>NET OF FEES PERFORMANCE (continued)</b>												
Candill EAFE vs. MSCI EAFE with Net Dividends	114.0	(1.01) (4.30)	2.21 (7.18)	2.21 (7.18)	7.01 (6.82)	16.31 (2.62)	19.50 (4.91)	-	-	-	17.01 (5.30)	January 2005
Candill Japan vs. TOPIX	82.2	1.14 (1.58)	5.81 0.44	5.81 0.44	12.95 (5.33)	20.95 (8.38)	22.83 (11.19)	-	-	-	22.57 (6.38)	January 2005
Dalton Japan vs. TOPIX	66.8	3.14 0.72	6.81 1.44	6.81 1.44	16.02 (2.29)	22.80 (6.53)	-	-	-	-	30.68 (8.82)	May 2005
Dalton Taiwan vs. MSCI Emerging Markets with Net Dividends	47.6	0.66 (0.22)	-	-	-	-	-	-	-	-	0.66 (0.22)	February 2006
Franklin Templeton vs. MSCI Emerging Markets with Net Dividends	286.0	0.81 (0.07)	11.23 (0.78)	11.23 (0.78)	18.27 (1.79)	27.81 (3.42)	39.96 (7.49)	42.75 (3.43)	23.61 0.40	8.55 1.15	8.39 0.51	January 1996
Franklin Templeton High Alpha (Funded March 2006) vs. MSCI Emerging Markets with Net Dividends	101.6	-	-	-	-	-	-	-	-	-	-	March 2006
GlobeDex vs. Citigroup Extended Market Index World ex U.S.	176.4	6.97 2.63	16.87 4.76	16.87 4.76	25.52 5.97	33.57 8.32	30.57 18.62	-	-	-	42.30 11.86	October 2003
GlobeDex Canadian vs. Nesbitt Burns Small Cap Canada	31.8	3.75 (0.22)	11.28 (4.32)	11.28 (4.32)	19.61 (6.76)	26.49 (3.31)	37.37 (1.83)	-	-	-	31.81 6.53	March 2001
GlobeDex Japan vs. Russell/Nomura Mid-Small Cap Index	77.8	4.14 0.77	4.48 0.95	4.48 0.95	17.68 (6.60)	29.09 0.91	38.05 5.81	-	-	-	22.31 5.33	March 2001
GlobeDex Microcap vs. MSCI EAFE with Net Dividends	121.7	3.17 (0.12)	11.73 2.33	11.73 2.33	19.87 6.80	19.49 0.26	-	-	-	-	19.49 0.56	August 2005
GSAM - International Flex vs. MSCI EAFE with Net Dividends	281.0	3.54 0.24	-	-	-	-	-	-	-	-	3.54 0.24	March 2006
JMBO Fund vs. MSCI Japan	63.1	0.59 (1.97)	0.13 (6.39)	0.13 (6.39)	4.68 (14.81)	7.31 (24.53)	8.72 (28.68)	-	-	-	9.38 (31.65)	April 2005
Lansdowne Emerging vs. MSCI Emerging Markets with Net Dividends	416.2	1.02 0.14	4.55 (7.46)	4.55 (7.46)	1.55	-	-	-	-	-	1.55 (7.46)	December 2005
Lansdowne European Long Only vs. Euro Stoxx 600	242.7	4.19 0.96	-	-	-	-	-	-	-	-	9.15 5.34	January 2006
<b>Directional Hedge Funds:</b>												
AG Realty vs. Directional Hedge Fund Composite	26.4	3.73 3.07	4.82 1.56	4.82 1.56	5.14 1.55	-	-	-	-	-	5.14 1.55	October 2005
Blue Ridge vs. Directional Hedge Fund Composite	226.8	(1.11) (2.07)	3.77 0.51	3.77 0.51	8.61 4.75	12.55 7.87	20.13 12.46	-	-	-	17.96 11.28	January 2001
Brahmas II vs. Directional Hedge Fund Composite	85.8	2.55 1.89	8.10 4.84	8.10 4.84	10.94 7.85	9.83 4.54	12.70 4.74	-	-	-	13.68 6.46	August 2004
Coghill vs. Directional Hedge Fund Composite	51.1	2.00 1.34	-	-	-	-	-	-	-	-	2.26 1.02	February 2006
Emmence vs. Directional Hedge Fund Composite	108.2	1.63 0.96	2.41 (0.85)	2.41 (0.85)	8.65 4.76	8.95 4.66	11.41 6.47	-	-	-	15.19 8.80	July 2003
Emmence Leveraged Alpha vs. Directional Hedge Fund Composite	14.8	3.10 2.44	-	-	-	-	-	-	-	-	7.74 6.51	February 2006
Emmence Long Alpha vs. Directional Hedge Fund Composite	10.5	2.20 1.54	-	-	-	-	-	-	-	-	5.17 4.44	February 2006
EMSO Limited vs. Directional Hedge Fund Composite	49.7	(1.91) (2.58)	-	-	-	-	-	-	-	-	(0.63) (1.56)	February 2006

**External and Active Internal Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2006**



Management (\$ Millions)	Periods Ended March 31, 2006											
	(Returns for Periods Longer Than One Year are Annualized)											
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date	
<b>NET OF FEES PERFORMANCE (continued)</b>												
Everglades	41.7	1.72	3.02	3.02	2.01	2.12	4.71	-	-	-	3.34	January 2003
vs. Directional Hedge Fund Composite		1.08	(0.24)	(6.24)	(1.85)	(2.76)	(3.23)	-	-	-	(6.34)	
Highside (Funded March 2006)	74.2	(1.08)	-	-	-	-	-	-	-	-	(1.08)	March 2006
vs. Directional Hedge Fund Composite		(1.75)	-	-	-	-	-	-	-	-	(1.75)	
Indas Asia Pacific	34.8	2.57	7.26	7.26	8.95	12.57	18.33	-	-	-	15.21	December 2003
vs. Directional Hedge Fund Composite		1.91	4.00	4.00	3.06	7.48	10.36	-	-	-	9.59	
Indas Japan	62.3	5.27	5.36	5.36	15.50	22.06	30.91	-	-	-	21.91	December 2003
vs. Directional Hedge Fund Composite		4.60	2.10	2.10	11.61	17.18	22.97	-	-	-	15.32	
Maverick Fund	516.0	0.79	2.89	2.89	0.27	(0.95)	2.01	8.28	6.17	-	10.32	August 1998
vs. Directional Hedge Fund Composite		0.11	(0.67)	(0.67)	(3.62)	(5.84)	(5.90)	1.97	(0.28)	-	2.72	
Milgate International	47.8	0.92	1.70	1.70	6.69	6.71	3.92	-	-	-	4.97	October 2001
vs. Directional Hedge Fund Composite		0.25	(1.54)	(1.54)	2.80	1.82	(4.05)	-	-	-	(2.43)	
SG Partners	56.1	0.81	1.20	1.20	6.05	8.71	18.08	-	-	-	4.53	September 2003
vs. Directional Hedge Fund Composite		0.15	0.94	0.94	2.15	3.85	10.12	-	-	-	(1.95)	
Sirius Overseas	44.0	0.59	2.63	2.63	3.51	5.29	11.05	-	-	-	8.37	May 2003
vs. Directional Hedge Fund Composite		(0.07)	(0.63)	(0.63)	(6.39)	0.40	6.08	-	-	-	2.03	
Standard Pacific Capital Offshore Fund	60.6	7.57	8.73	8.73	11.61	13.56	15.33	6.73	-	-	6.25	February 2003
vs. Directional Hedge Fund Composite		6.89	5.47	5.47	7.72	8.47	7.54	0.42	-	-	(0.02)	
Steadfast	133.5	0.11	2.20	2.20	6.43	(0.06)	30.90	-	-	-	16.10	November 2001
vs. Directional Hedge Fund Composite		(0.55)	(1.06)	(1.06)	(3.47)	(4.94)	2.93	-	-	-	5.31	
Westfield Sciences	26.0	2.00	-	-	-	-	-	-	-	-	4.14	February 2006
vs. Directional Hedge Fund Composite		1.34	-	-	-	-	-	-	-	-	2.81	
<b>Absolute Return Hedge Funds:</b>												
AC Super Fund	53.2	1.34	4.55	4.55	-	-	-	-	-	-	6.28	December 2005
vs. Absolute Return Hedge Fund Composite		0.04	0.88	0.88	-	-	-	-	-	-	1.66	
AQR Offshore	44.8	0.48	3.33	3.33	3.92	9.52	11.61	-	-	-	5.51	March 2001
vs. Absolute Return Hedge Fund Composite		(0.83)	(0.34)	(0.34)	1.74	4.86	4.42	-	-	-	(0.35)	
DGI Unequized Global Markets	112.4	0.08	1.45	1.45	2.91	1.09	6.19	-	-	-	5.78	May 2001
vs. Absolute Return Hedge Fund Composite		(1.22)	(2.23)	(2.23)	(1.24)	(0.47)	(1.00)	-	-	-	(0.27)	
Bridgewater Pure Alpha	103.4	(0.95)	3.19	3.19	2.61	5.93	4.15	-	-	-	10.83	March 2001
vs. Absolute Return Hedge Fund Composite		(2.25)	(0.48)	(0.48)	(1.57)	1.37	(2.70)	-	-	-	4.94	
Bridgewater Pure Alpha II	180.0	(1.49)	-	-	-	-	-	-	-	-	0.62	February 2006
vs. Absolute Return Hedge Fund Composite		(2.79)	-	-	-	-	-	-	-	-	(1.80)	
Eton Park	50.4	0.88	-	-	-	-	-	-	-	-	0.83	February 2006
vs. Absolute Return Hedge Fund Composite		(0.42)	-	-	-	-	-	-	-	-	(1.00)	
Fallen FCOI II	476.4	1.65	5.45	5.45	8.73	9.56	11.28	18.37	11.16	-	14.31	August 1998
vs. Absolute Return Hedge Fund Composite		0.35	1.77	1.77	4.86	5.80	7.09	13.21	9.80	-	7.74	
Fallen FCOI	77.3	1.63	-	-	-	-	-	-	-	-	3.10	February 2006
vs. Absolute Return Hedge Fund Composite		0.33	-	-	-	-	-	-	-	-	1.28	
Indas Event Driven	51.5	1.87	3.58	3.58	7.03	6.32	7.76	-	-	-	9.23	December 2003
vs. Absolute Return Hedge Fund Composite		0.57	(0.09)	(0.09)	2.85	1.74	6.57	-	-	-	3.54	
K Capital	27.6	(3.43)	(7.52)	(7.52)	(20.70)	(22.02)	(25.88)	-	-	-	(15.52)	November 2001
vs. Absolute Return Hedge Fund Composite		(4.73)	(11.19)	(11.19)	(24.88)	(26.58)	(33.07)	-	-	-	(25.06)	
Moon Capital	110.6	1.21	6.53	6.53	12.06	12.73	12.92	-	-	-	12.92	April 2005
vs. Directional Hedge Fund Composite		0.55	3.28	3.28	8.17	7.86	4.95	-	-	-	8.73	

**External and Active Internal Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2006**



Assets Under Management (\$ Millions)	Periods Ended March 31, 2006										Since Inception	Inception Date
	(Returns for Periods Longer Than One Year are Annualized)											
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years			
<b>NET OF FEES PERFORMANCE (continued)</b>												
OCM Emerging Markets Fund	94.3	1.30	3.92	5.92	8.81	9.56	9.99	9.69	-	-	9.11	January 2002
vs. Directional Hedge Fund Composite		0.64	3.66	2.66	4.92	4.67	2.03	3.78	-	-	3.93	
OCM High Yield	26.2	1.17	2.99	2.99	4.10	4.90	-	-	-	-	5.66	August 2005
vs. Absolute Return Hedge Fund Composite		(0.13)	(0.68)	(0.68)	(0.09)	(0.34)	-	-	-	-	0.54	
OZ Asia	51.7	2.05	3.35	3.35	-	-	-	-	-	-	3.35	January 2006
vs. Absolute Return Hedge Fund Composite		0.75	(0.33)	(0.33)	-	-	-	-	-	-	(0.33)	
OZ Europe	56.3	1.63	7.19	7.19	10.50	11.90	18.16	-	-	-	18.16	April 2005
vs. Absolute Return Hedge Fund Composite		0.32	3.52	3.52	4.32	7.34	10.87	-	-	-	10.87	
OZ Overseas Fund	122.3	1.25	4.55	4.55	6.57	6.82	11.69	-	-	-	12.83	August 2001
vs. Absolute Return Hedge Fund Composite		(0.05)	0.88	0.88	2.38	2.26	4.50	-	-	-	6.49	
ParCentral	50.4	0.53	-	-	-	-	-	-	-	-	0.83	February 2006
vs. Absolute Return Hedge Fund Composite		(0.78)	-	-	-	-	-	-	-	-	(1.00)	
Perry Commitment	51.9	1.05	2.48	2.48	2.09	3.12	-	-	-	-	5.10	June 2005
vs. Absolute Return Hedge Fund Composite		(0.26)	(1.19)	(1.19)	(2.09)	(1.40)	-	-	-	-	(1.64)	
Perry Partners International	476.7	1.01	3.91	3.91	2.82	3.29	10.76	17.09	13.54	-	15.20	August 1998
vs. Absolute Return Hedge Fund Composite		(0.29)	0.23	0.23	(1.36)	(1.27)	3.57	11.73	8.09	-	7.63	
Prologé Partners Fund	236.2	1.39	4.22	4.22	7.91	9.67	13.91	11.77	-	-	11.32	February 2003
vs. Absolute Return Hedge Fund Composite		0.09	0.55	0.55	3.72	5.11	6.73	6.42	-	-	6.02	
Satellite Fund	216.1	1.45	5.50	5.50	7.12	7.82	12.37	14.31	6.91	-	6.93	September 2001
vs. Absolute Return Hedge Fund Composite		0.15	1.82	1.82	2.94	3.26	5.19	9.15	1.45	-	1.64	
Shepherd Investments	78.8	3.93	-	-	-	-	-	-	-	-	5.06	February 2006
vs. Absolute Return Hedge Fund Composite		2.62	-	-	-	-	-	-	-	-	3.23	
Silver Point	50.5	0.09	-	-	-	-	-	-	-	-	1.09	February 2006
vs. Absolute Return Hedge Fund Composite		(1.21)	-	-	-	-	-	-	-	-	(0.73)	
TPG-Axon	106.3	(1.45)	(1.35)	(1.35)	(0.17)	3.82	13.40	-	-	-	10.10	February 2005
vs. Absolute Return Hedge Fund Composite		(2.79)	(5.02)	(5.02)	(4.39)	(0.74)	6.21	-	-	-	1.94	
<b>Inflation Hedging:</b>												
<b>REITS:</b>												
Cohen & Steers	988.9	5.41	15.38	15.38	-	-	-	-	-	-	19.52	October 2005
vs. Dow Jones Wilshire Real Estate Securities		(0.06)	(0.03)	(0.03)	-	-	-	-	-	-	(1.61)	
Morgan Stanley R.E.I.T.	190.1	6.82	-	-	-	-	-	-	-	-	6.82	February 2006
vs. Dow Jones Wilshire Real Estate Securities		1.35	-	-	-	-	-	-	-	-	1.35	
<b>Commodities:</b>												
Goldman Sachs Commodity Index	559.1	3.13	(1.10)	(1.10)	(9.43)	(7.57)	3.78	20.00	-	-	22.05	June 2002
vs. Goldman Sachs Commodity Index - 50 bps		0.04	0.42	0.42	3.33	5.21	2.87	1.84	-	-	1.47	
PIMCO Real Return	298.7	0.73	(1.44)	(1.44)	(8.95)	(4.87)	2.61	-	-	-	11.91	January 2004
vs. Dow Jones AIG + 1-10 Year TIPS		(0.08)	0.22	0.22	(0.23)	(0.22)	(0.90)	-	-	-	(0.33)	
<b>Treasury Inflation Protection Securities (TIPS):</b>												
Internal TIPS	246.2	(2.26)	(2.18)	(2.18)	(2.13)	(2.33)	0.75	-	-	-	3.49	July 2004
vs. Lehman Brothers US TIPS Index		(0.07)	0.07	0.07	0.02	(0.05)	(0.11)	-	-	-	0.23	
PIMCO TIPS	405.0	(2.18)	(1.78)	(1.78)	(2.11)	(2.19)	0.87	-	-	-	2.42	August 2001
vs. Lehman Brothers US TIPS Index		0.01	0.47	0.47	0.01	0.09	0.02	-	-	-	0.37	
Resent TIPS	265.3	(2.11)	(1.97)	(1.97)	(0.91)	(1.24)	-	-	-	-	0.39	May 2005
vs. Lehman Brothers US TIPS Index		(0.22)	0.28	0.28	1.23	1.89	-	-	-	-	2.10	

**External and Active Internal Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2006**



Assets Under Management (\$ Millions)	Periods Ended March 31, 2006 (Returns for Periods Longer Than One Year are Annualized)										Since Inception	Inception Date
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years			
<b>NET OF FEES PERFORMANCE (continued)</b>												
<b>Fixed Income:</b>												
Internal - Harland Doak vs. Credit Related Composite Index	165.7	(1.66) <b>(0.22)</b>	(1.21) <b>(0.20)</b>	(1.21) <b>(0.20)</b>	(0.62) <b>(0.10)</b>	(1.95) <b>0.00</b>	1.36 <b>(0.50)</b>	3.48 <b>(0.10)</b>	4.95 <b>(0.99)</b>	-	5.23 <b>(0.51)</b>	February 2001
Internal - Russ Kampis vs. Lehman Brothers Aggregate Bond Index	512.0	(1.18) <b>(0.20)</b>	(1.03) <b>(0.39)</b>	(1.03) <b>(0.39)</b>	(0.26) <b>(0.20)</b>	(1.29) <b>(0.21)</b>	1.14 <b>(1.12)</b>	2.49 <b>(0.43)</b>	3.75 <b>(1.36)</b>	-	5.50 <b>(1.07)</b>	February 2000
<b>Total Internally Managed Fixed Income</b> vs. Lehman Brothers Aggregate Bond Index	677.7	(1.19) <b>(0.21)</b>	(1.02) <b>(0.38)</b>	(1.02) <b>(0.38)</b>	(0.30) <b>(0.24)</b>	(1.41) <b>(0.33)</b>	1.29 <b>(0.97)</b>	3.04 <b>0.12</b>	4.37 <b>(0.74)</b>	-	6.64 <b>(0.52)</b>	
GMO Emerging Debt Fund vs. JP Morgan Emerging Bond Index Global	12.0	(2.05) <b>(0.15)</b>	3.45 <b>1.96</b>	3.45 <b>1.96</b>	5.43 <b>2.04</b>	8.30 <b>3.17</b>	20.65 <b>6.82</b>	-	-	-	22.87 <b>7.30</b>	May 2001
PIMCO Fixed Income vs. PIMCO Composite Benchmark	915.6	(0.90) <b>0.06</b>	0.03 <b>0.43</b>	0.03 <b>0.43</b>	(0.03) <b>0.64</b>	(1.01) <b>0.49</b>	0.73 <b>0.57</b>	6.41 <b>1.41</b>	8.18 <b>0.79</b>	-	6.99 <b>1.01</b>	March 1998
PIMCO PARS III (Funded March 2006) vs. LIBOR BBA USD 1 Month Index	140.0	-	-	-	-	-	-	-	-	-	-	March 2006
Keams Core Plus vs. Lehman Brothers Aggregate Bond Index	491.5	(0.84) <b>0.14</b>	(0.45) <b>0.15</b>	(0.45) <b>0.15</b>	(0.05) <b>0.00</b>	(0.80) <b>0.28</b>	-	-	-	-	0.25 <b>0.44</b>	May 2005

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 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 March 31, 2006.

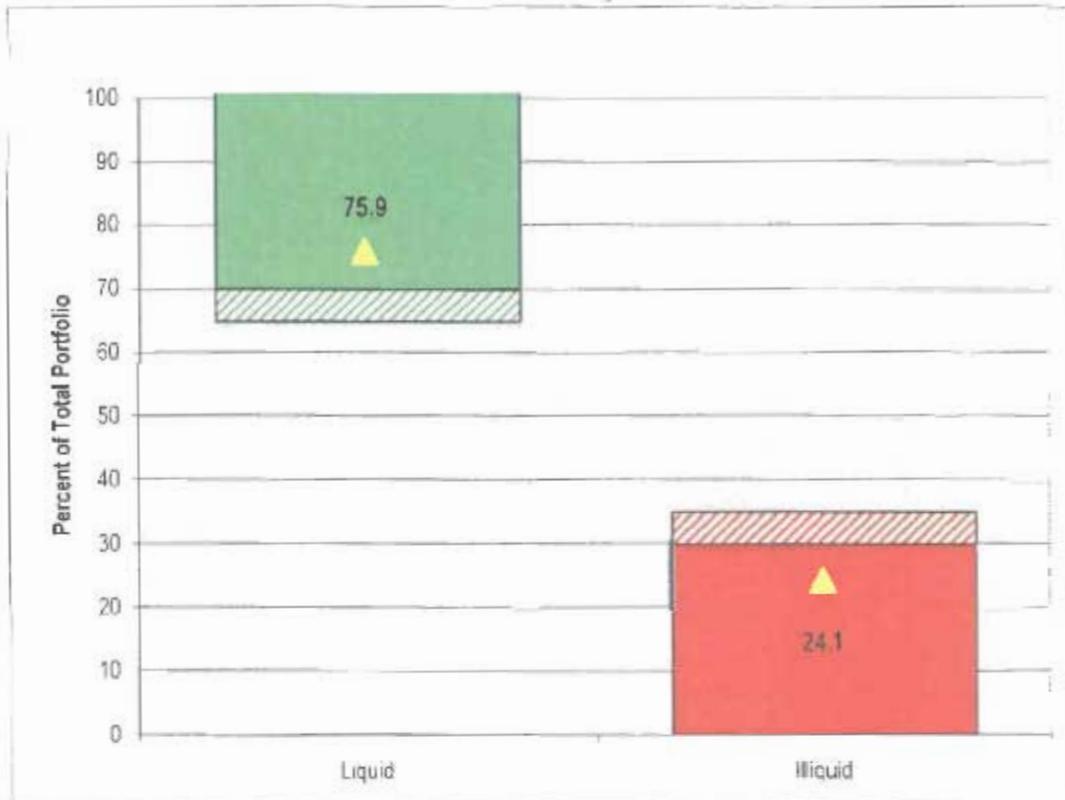
**Discussion:** As of March 31, 2006 endowment fund assets classified as liquid were 75.9% of the total assets, and those classified as illiquid were 24.1% of total assets. For the ITF, 86.8% of the total assets were classified as liquid, and 13.2% were classified illiquid.

**Recommendation:** No action required.

**Reference:** Combined Liquidity Profile-Endowment Funds, PUF Liquidity Profile, GEF Liquidity Profile, ITF Liquidity Profile, Certification of PUF, GEF and ITF 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, and ITF Actual Liquidity Classification, Domestic Equities, International Equities and Fixed Income Actual Liquidity Classifications, Marketable Alternatives Actual Liquidity Classification, and Inflation Hedging Actual Liquidity Classification

# Combined Liquidity Profile - Endowment Funds

## March 31, 2006



Current:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	11,850,214,223.39	75.9	11,401,779,521.34	74.8
Illiquid	3,759,454,063.03	24.1	3,838,783,819.05	25.2
<b>Total</b>	<b>15,609,668,286.42</b>	<b>100.0</b>	<b>15,240,563,340.39</b>	<b>100.0</b>

Approved but not yet invested illiquid marketable investments:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	11,850,214,223.39	75.9	11,401,779,521.34	74.8
Illiquid	3,759,454,063.03	24.1	3,838,783,819.05	25.2
<b>Total</b>	<b>15,609,668,286.42</b>	<b>100.0</b>	<b>15,240,563,340.39</b>	<b>100.0</b>

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

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

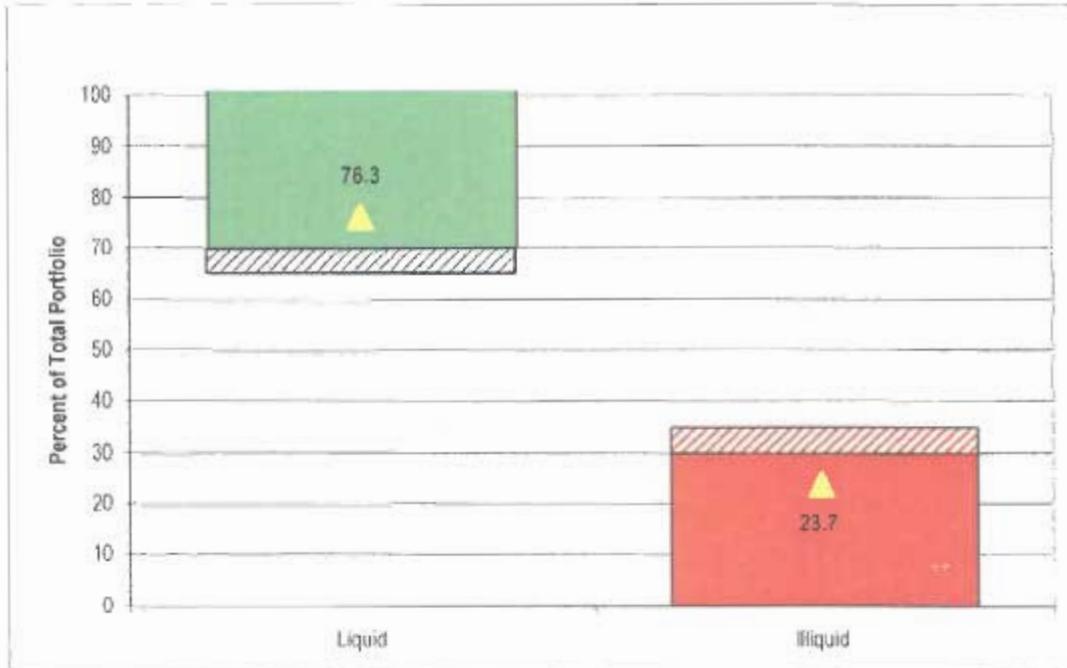
I, [Signature] as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

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

I, [Signature] as President of 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

## March 31, 2006



Current:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	7,724,929,185.21	76.3	7,426,976,255.34	75.2
Illiquid	2,401,605,028.54	23.7	2,453,364,080.23	24.8
	<u>10,126,534,213.75</u>	<u>100.0</u>	<u>9,880,340,335.57</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	7,724,929,185.21	76.3	7,426,976,255.34	75.2
Illiquid	2,401,605,028.54	23.7	2,453,364,080.23	24.8
	<u>10,126,534,213.75</u>	<u>100.0</u>	<u>9,880,340,335.57</u>	<u>100.0</u>

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

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

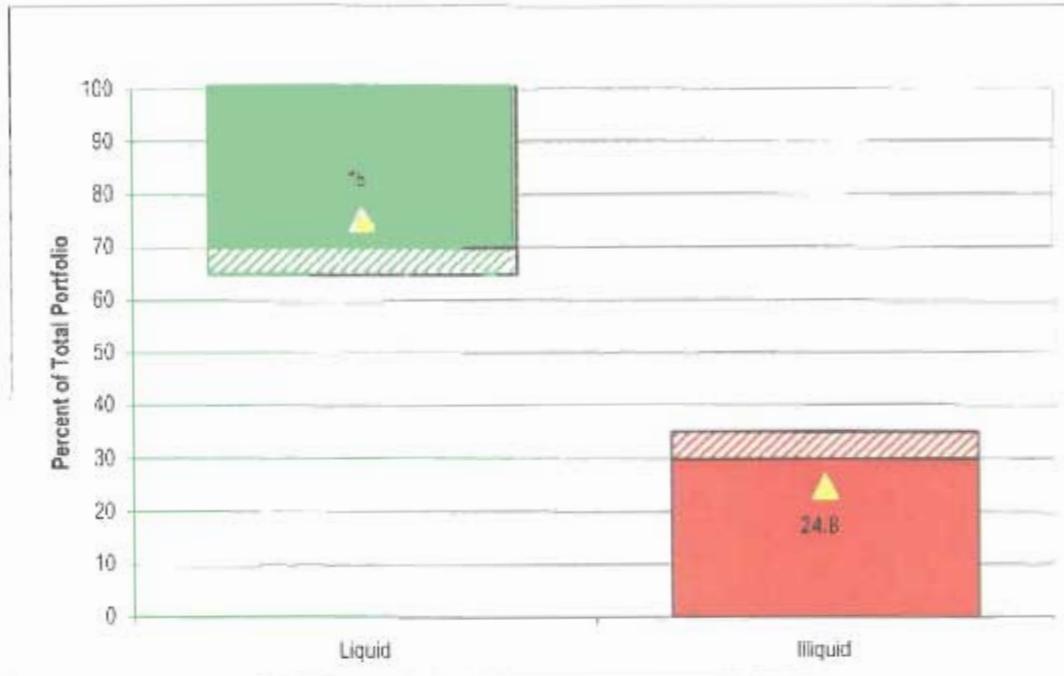
I, André R. Kelly, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

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

I, Andrew S. Silver, 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

## March 31, 2006



Current:

	3/31/2006		3/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	4,125,285,038.17	75.2	3,974,803,266.00	74.2
Illiquid	1,357,849,034.50	24.8	1,385,419,738.82	25.8
	5,483,134,072.67	100.0	5,360,223,004.82	100.0

Approved but not yet invested illiquid marketable investments:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	4,125,285,038.17	75.2	3,974,803,266.00	74.2
Illiquid	1,357,849,034.50	24.8	1,385,419,738.82	25.8
	5,483,134,072.67	100.0	5,360,223,004.82	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.

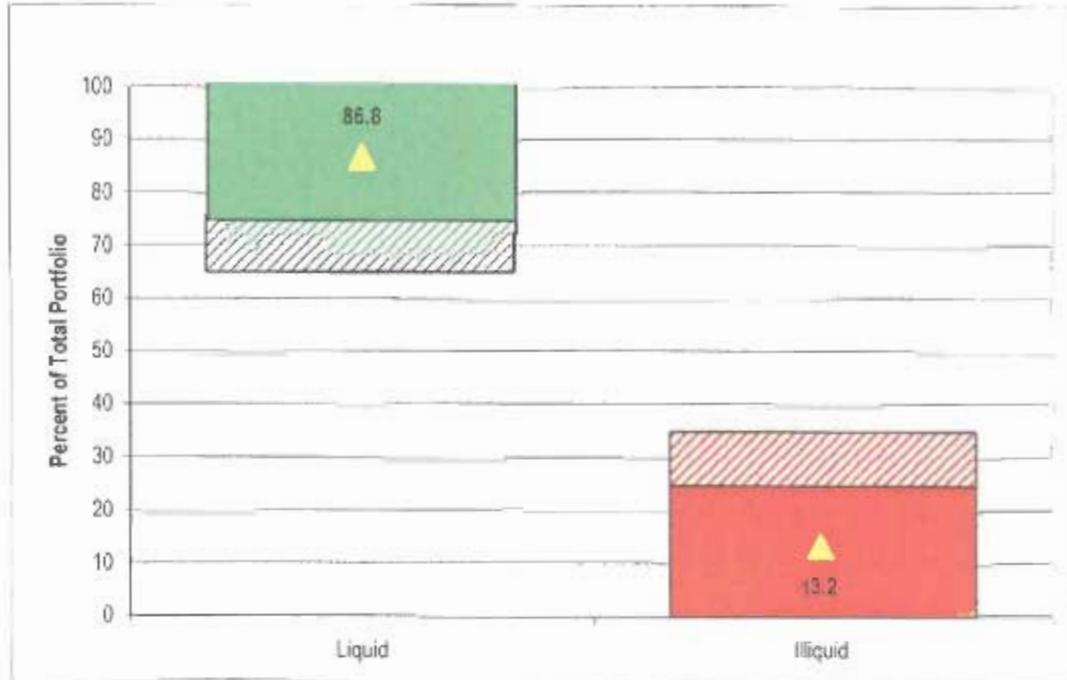
**Illiquid:** Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

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

1. Steve Best, as President of I.TIMCO, 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.

## ITF Liquidity Profile March 31, 2006



Current:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	2,844,422,691.21	86.8	2,667,391,706.43	86.7
Illiquid	434,009,753.68	13.2	408,929,809.11	13.3
	<u>3,278,432,444.89</u>	<u>100.0</u>	<u>3,076,321,515.54</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	3/31/2006		2/28/2006	
	Market Value	Percent	Market Value	Percent
Liquid	2,844,422,691.21	86.8	2,592,391,706.43	84.3
Illiquid	434,009,753.68	13.2	483,929,809.11	15.7
	<u>3,278,432,444.89</u>	<u>100.0</u>	<u>3,076,321,515.54</u>	<u>100.0</u>

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

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

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

I, Dea. M. Miller, 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, Shirley, 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.

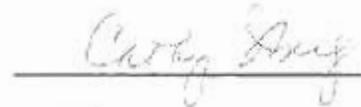
**Liquidity Profile for PUF, GEF and ITF**

**March 31, 2006**

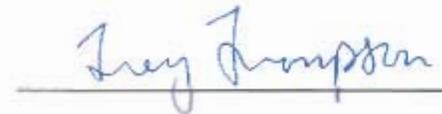
I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have for which I have responsibility.

 Larry Goldsmith, Managing Director - Public Markets

5/4/06 Date

 Cathy Iberg, Managing Director - Marketable Alternatives

May 3, 2006 Date

 Trey Thompson, Managing Director - Non-Marketable Alternatives

5-7-06 Date

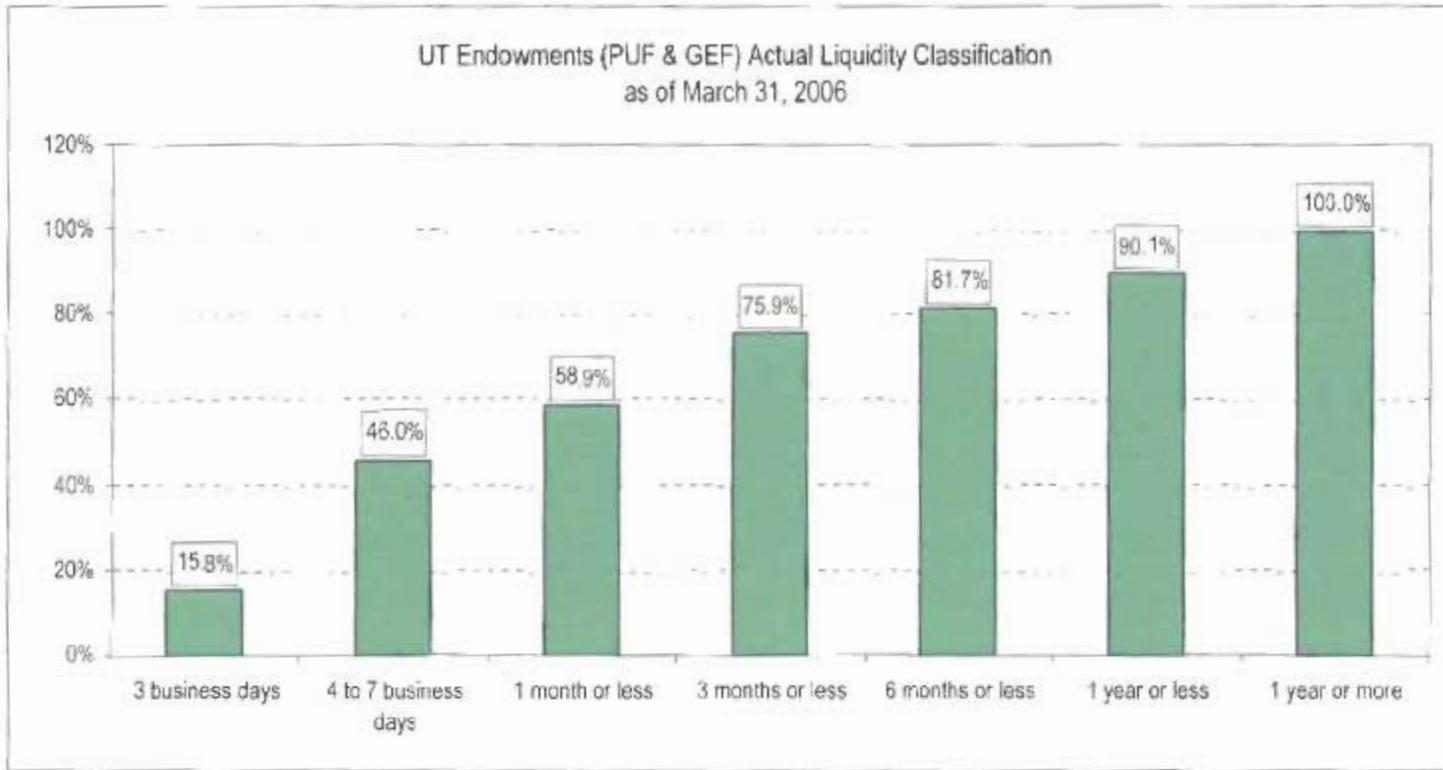
**Illiquid investments approved/delegated or funded from last report to UTIMCO Board through current report date  
February 1 through March 31, 2006**

	Board Approved/ Delegated	Committed Amount			Funded Amount		
		PLF	GEF	ITF	PLF	GEF	ITF
<b>Private Equity Investments</b>							
Polaris Venture Partners V, L.P.	2/1/2006	\$ 17,500,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ -	\$ -
Fourth Corner Fund Limited Partnership	2/11/2006	\$ 54,716,300.00	\$ 23,450,700.00	\$ -	\$ -	\$ -	\$ -
Blackstone Capital Partners V, L.P.	2/24/2006	\$ 17,500,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ -	\$ -
AvLight Energy Partners Fund III, L.P.	3/6/2006	\$ 35,000,000.00	\$ 15,000,000.00	\$ -	\$ -	\$ -	\$ -
Acropolis 2005 Limited Partnership	3/24/2006	\$ 9,318,750.00	\$ 3,963,750.00	\$ -	\$ -	\$ -	\$ -
TPG Partners V, L.P.	4/27/2006	\$ 52,500,000.00	\$ 22,500,000.00	\$ -	\$ -	\$ -	\$ -
Astra Ventures IX, L.P.	3/27/2006	\$ 12,075,000.00	\$ 5,175,000.00	\$ -	\$ 775,984.00	\$ 312,564.00	\$ -
<b>Public Markets</b>							
Blackrock Hedge	2/1/2006			\$ 30,000,000.00			\$ 30,000,000.00
JMBO Fund	2/1/2006			\$ 10,000,000.00			\$ 10,000,000.00
<b>Marketable Alternative Investments</b>							
				<b>Hedge Fund Pool Committed Amount</b>			<b>Hedge Fund Pool Funded Amount</b>
Moon Capital	2/1/2006			\$ 20,000,000.00			\$ 20,000,000.00
Bratman II	2/1/2006			\$ 25,000,000.00			\$ 25,000,000.00
Eminence Leverage	2/1/2006			\$ 10,000,000.00			\$ 10,000,000.00
Eminence Long Alpha	2/1/2006			\$ 10,000,000.00			\$ 10,000,000.00
Engbill	2/1/2006			\$ 50,000,000.00			\$ 50,000,000.00
Silverpoint	2/1/2006			\$ 50,000,000.00			\$ 50,000,000.00
Shepherd	2/1/2006			\$ 75,000,000.00			\$ 75,000,000.00
UMSO	2/1/2006			\$ 50,000,000.00			\$ 50,000,000.00
Uson Park	2/1/2006			\$ 50,000,000.00			\$ 50,000,000.00
Prakecentral	2/1/2006			\$ 50,000,000.00			\$ 50,000,000.00
Hillside	3/1/2006			\$ 25,000,000.00			\$ 25,000,000.00

**Change in investment's liquidity classification**

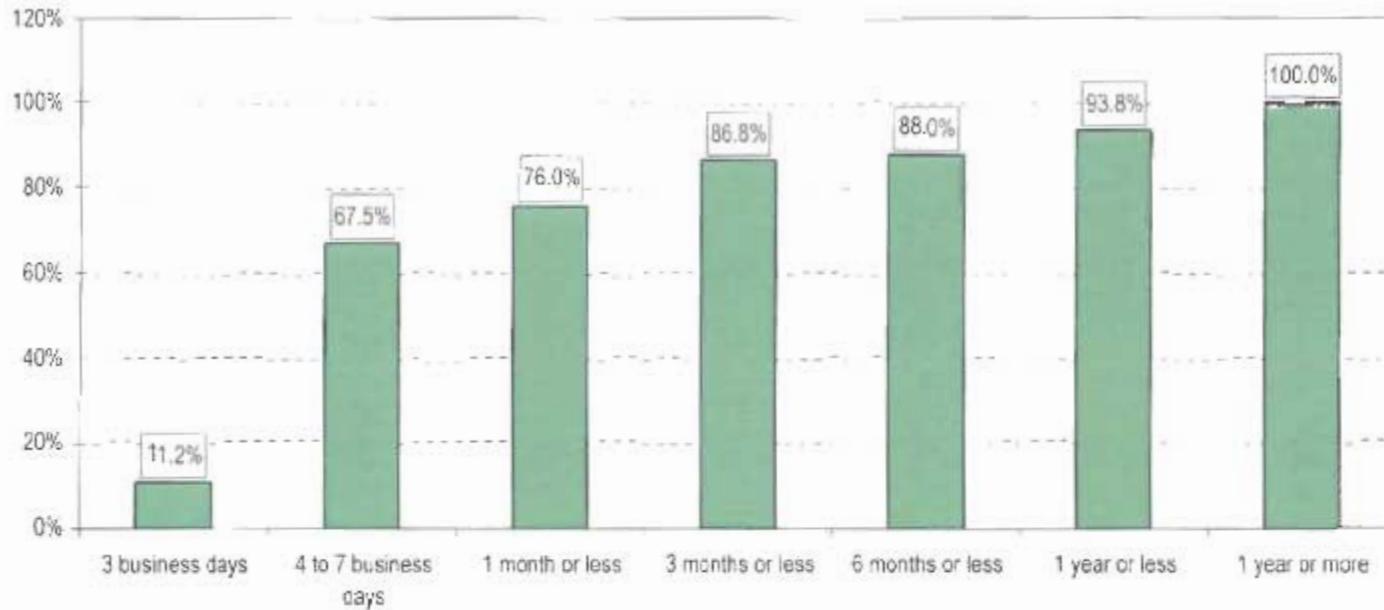
None

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



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,468,041,065	15.8%	2,468,041,065	15.8%
	4 to 7 business days	4,717,189,546	30.2%	7,185,230,611	46.0%
	1 month or less	2,012,497,262	12.9%	9,197,727,874	58.9%
	3 months or less	2,652,486,349	17.0%	11,850,214,223	75.9%
Illiquid:	6 months or less	896,942,908	5.7%	12,747,157,131	81.7%
	1 year or less	1,311,157,917	8.4%	14,058,315,048	90.1%
	1 year or more	<u>1,551,353,238</u>	9.9%	<u>15,609,668,285</u>	100.0%
		15,609,668,285	100.0%		

ITF Actual Liquidity Classification  
as of March 31, 2006



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	367,487,178	11.2%	367,487,178	11.2%
	4 to 7 business days	1,844,777,324	56.3%	2,212,264,501	67.5%
	1 month or less	279,651,326	8.5%	2,491,915,828	76.0%
	3 months or less	352,506,863	10.8%	2,844,422,691	86.8%
Illiquid:	6 months or less	39,889,025	1.2%	2,884,311,716	88.0%
	1 year or less	191,867,682	5.9%	3,076,179,398	93.8%
	1 year or more	<u>202,252,790</u>	6.2%	<u>3,278,432,188</u>	100.0%
		<b>3,278,432,188</b>	<b>100.0%</b>		

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 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. UTIMCO has now included the analysis for the ITF.

For this Board Meeting we will present the Risk Dashboard for March 2006.

**Discussion:** The role of the Dashboard is to give Board Members a comprehensive view of risk as it relates to the Endowment Funds and ITF. We consider this an evolving document and welcome all requests for additional analyses or revisions of the ones provided.

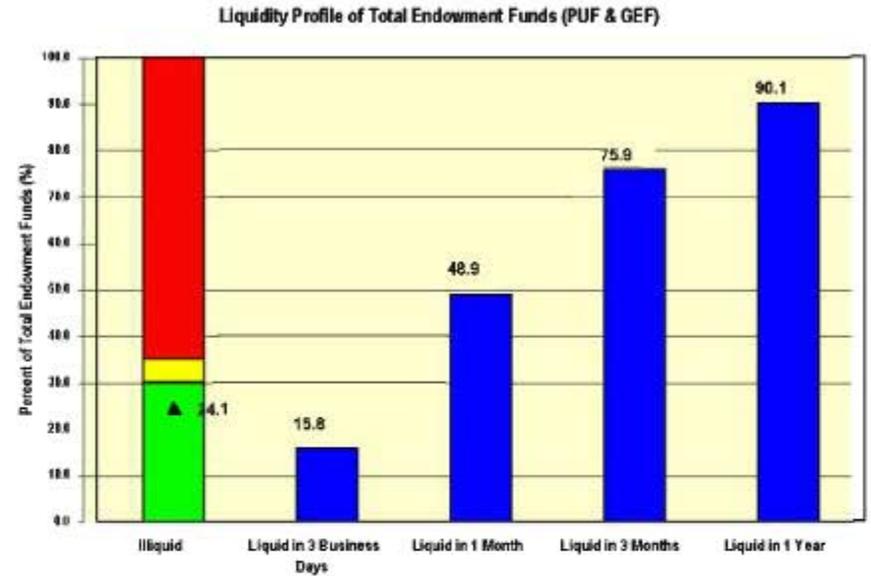
**Recommendation:** None

**Reference:** None

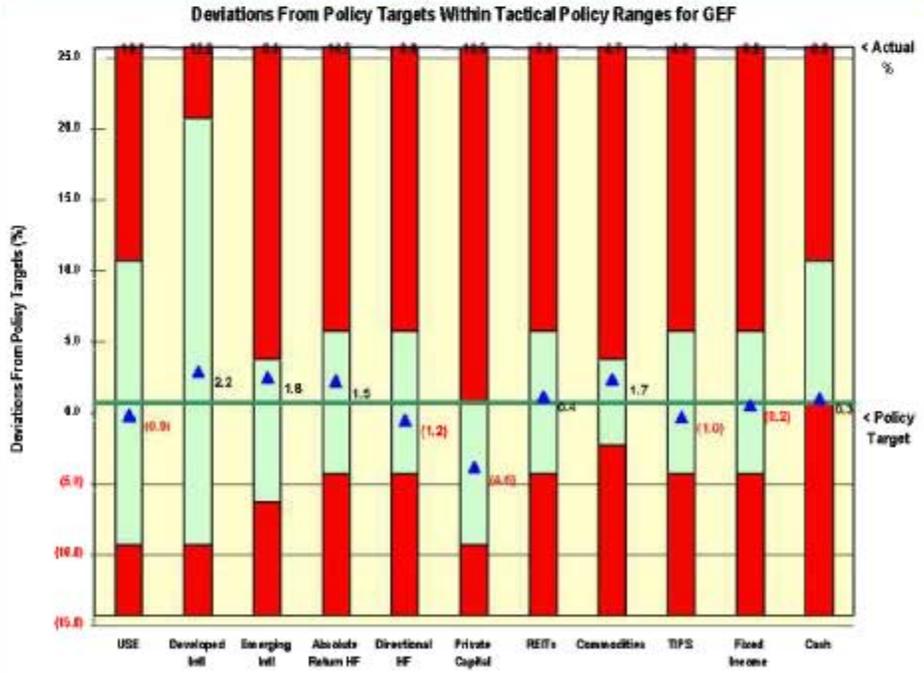
**Investment Risk Summary** 1

Net Leverage	1.00
Gross Leverage	1.17
Risk Capacity Utilization Versus Policy Portfolio	83%
Change Since Last Report	↑
Risk Level of Policy Portfolio Relative to Long Term Assumptions	70%
Change Since Last Report	↑
Risk Level of Actual Portfolios Relative to Long Term Assumptions	58%
Change Since Last Report	↑

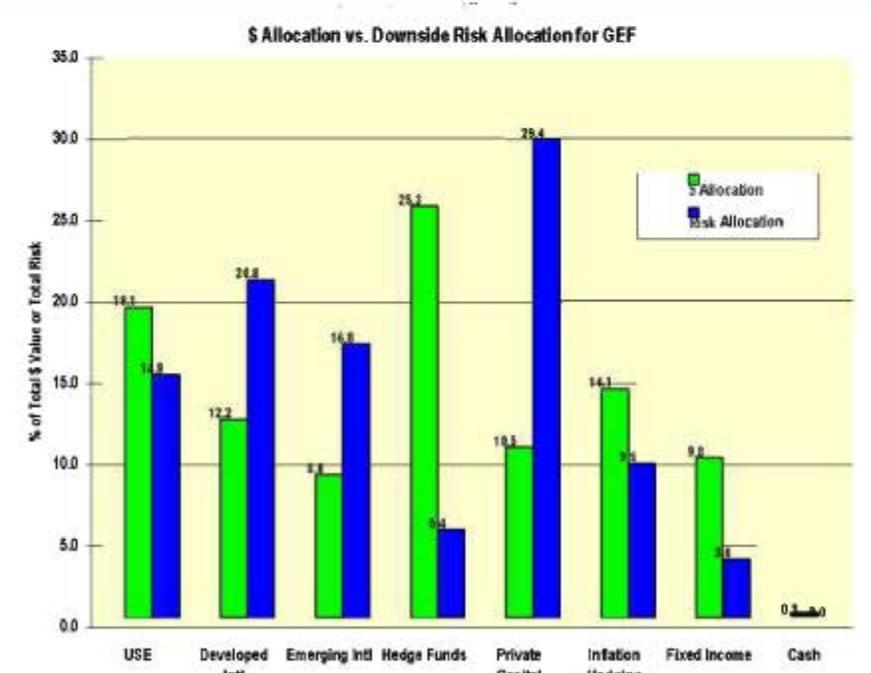
**Liquidity Risk Summary** 2

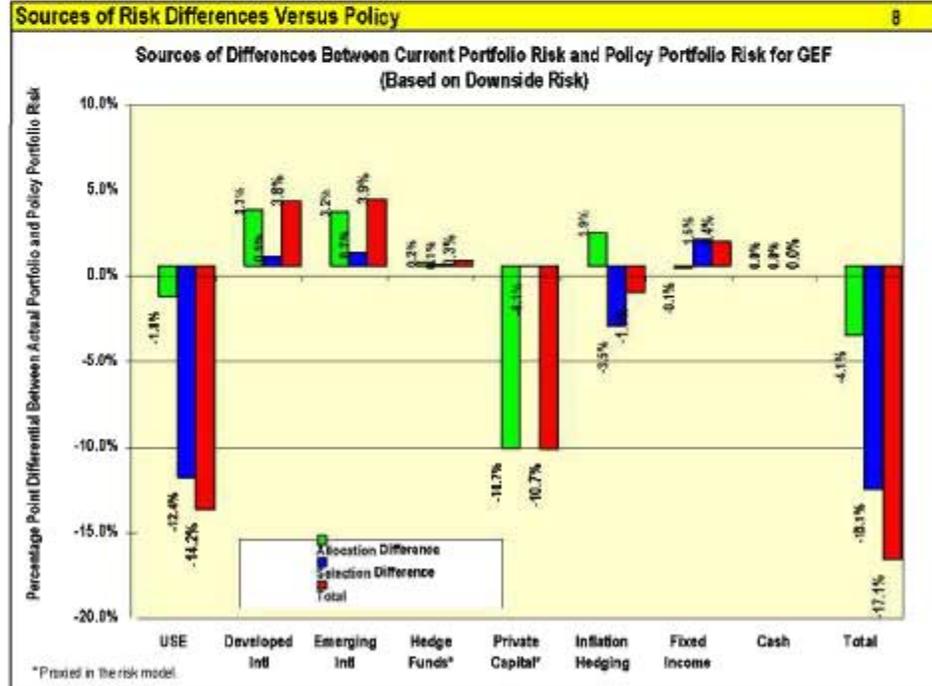
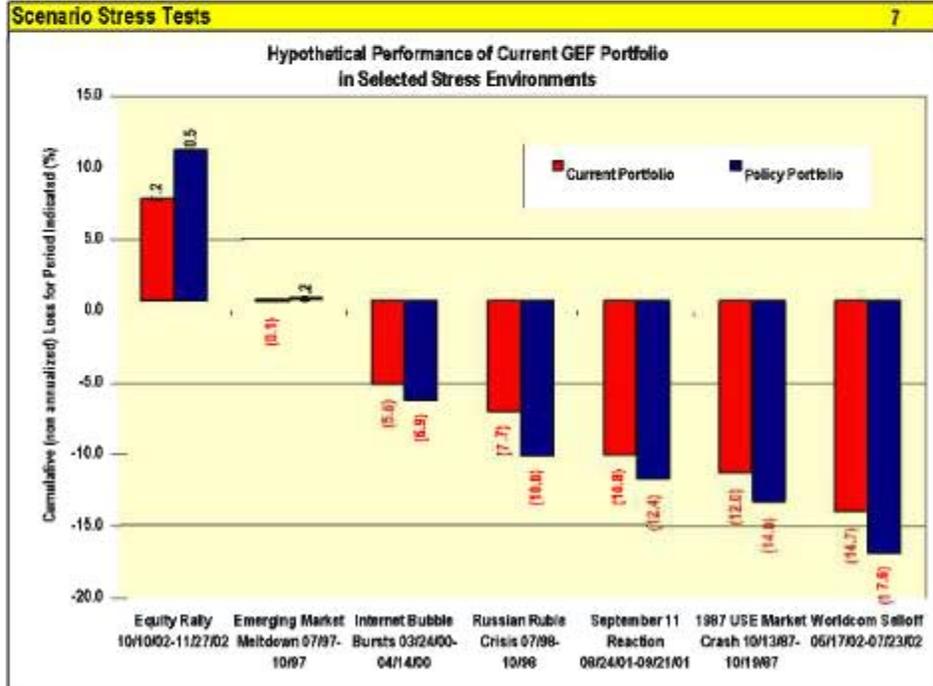
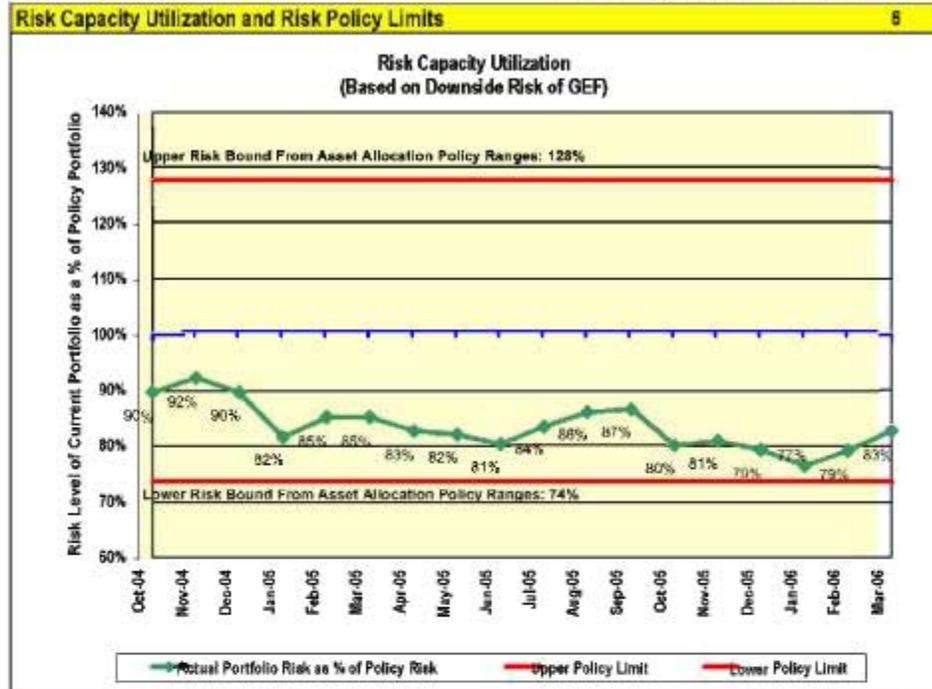
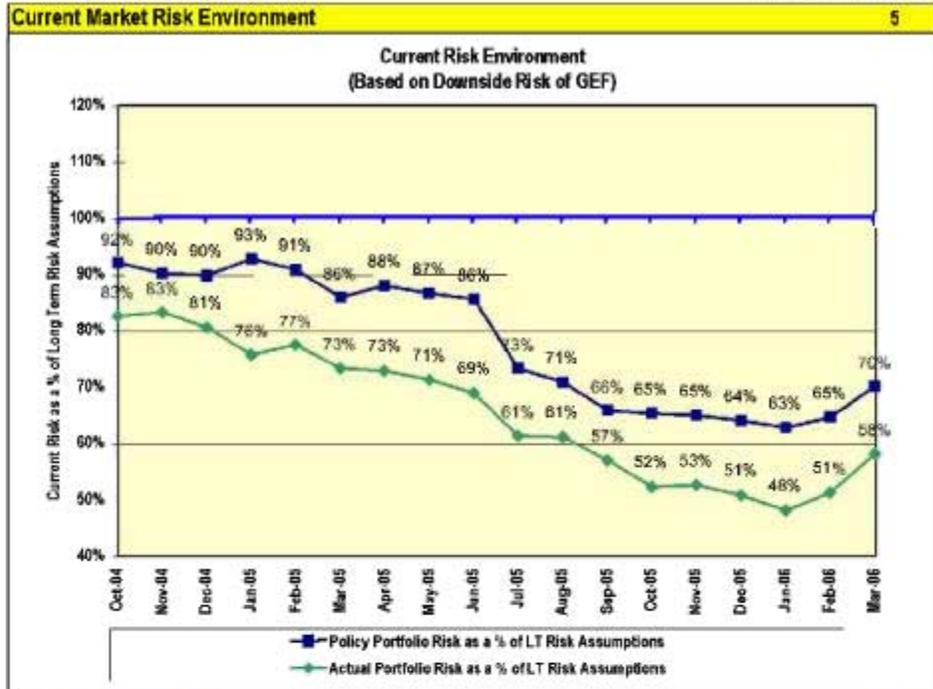


**Dollar Allocations and Tactical Policy Ranges** 3

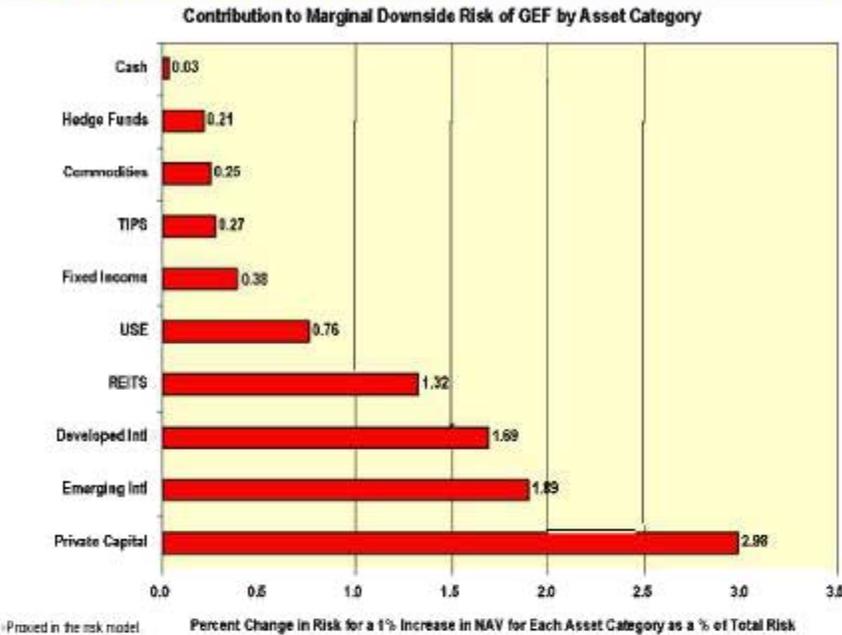


**Dollar Allocations Compared to Risk Allocations** 4

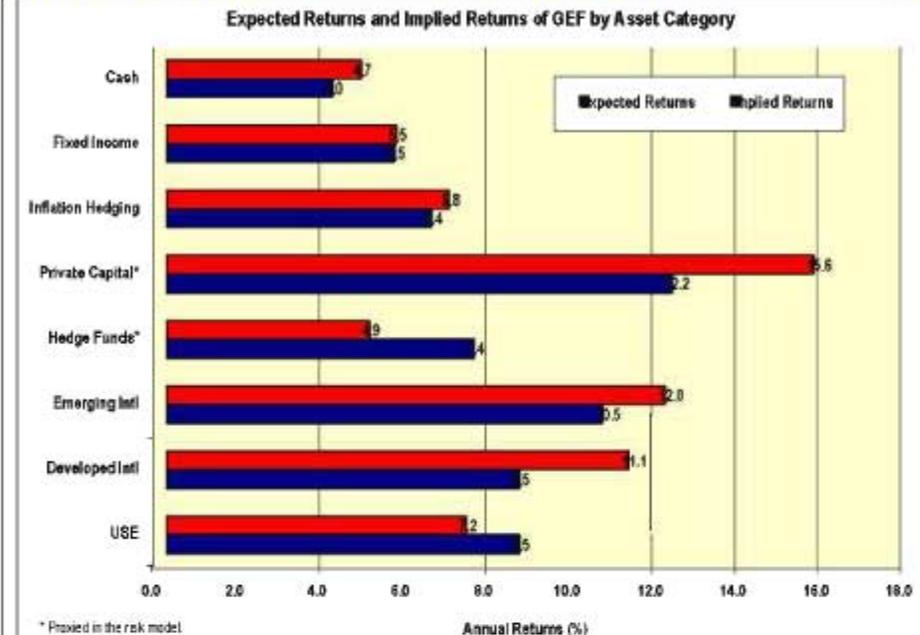




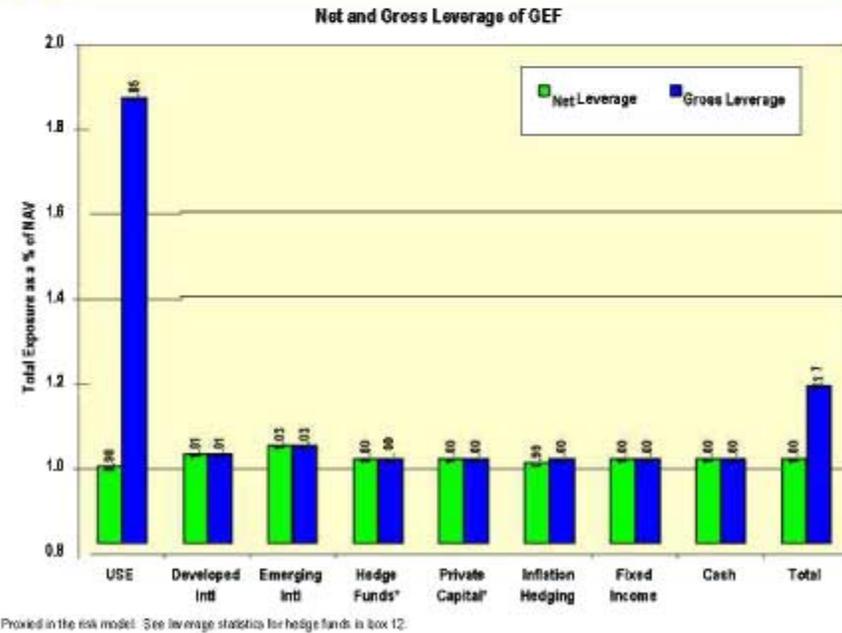
**Marginal Risk Contributions of Each Asset Category** 9



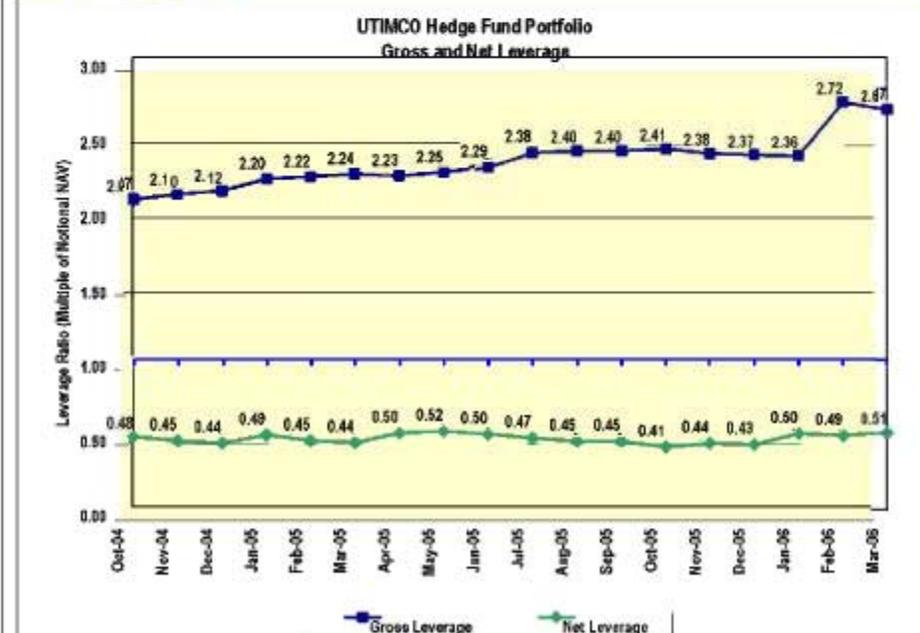
**Long Term Expected Returns vs. Implied Returns by Asset Category** 10



**Leverage** 11



**Hedge Fund Leverage** 12

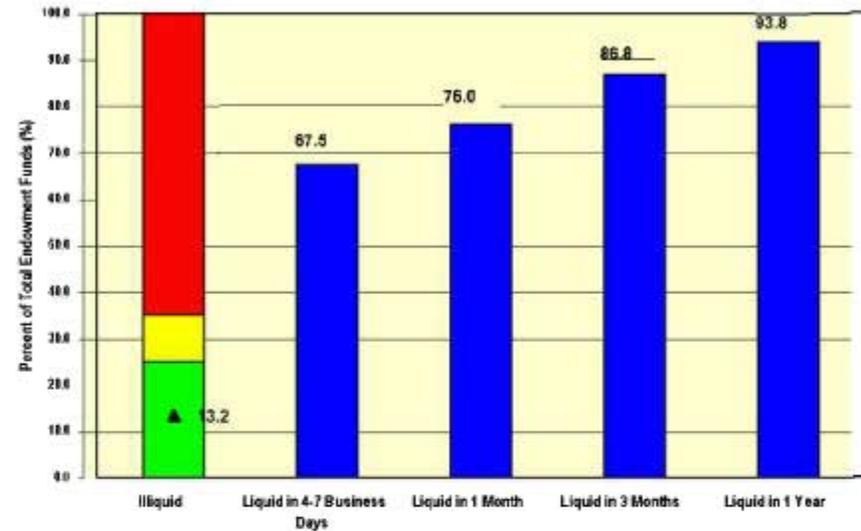


**Investment Risk Summary** 1

Net Leverage	1.00
Gross Leverage	1.06
Risk Capacity Utilization Versus Policy Portfolio	94%
Change Since Last Report	↑
Risk Level of Policy Portfolio Relative to Long Term Assumptions	70%
Change Since Last Report	↑
Risk Level of Actual Portfolios Relative to Long Term Assumptions	66%
Change Since Last Report	↑

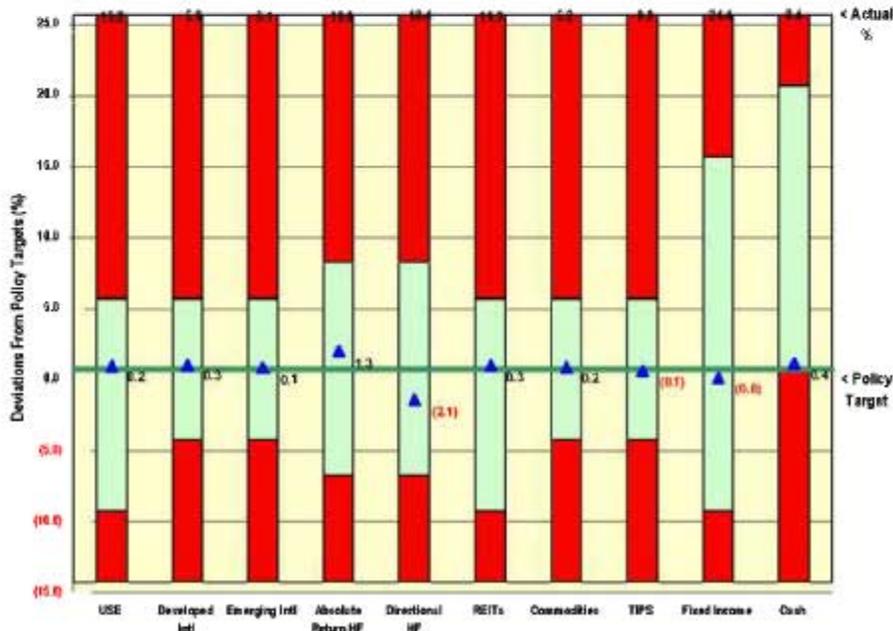
**Liquidity Risk Summary** 2

Liquidity Profile of the ITF



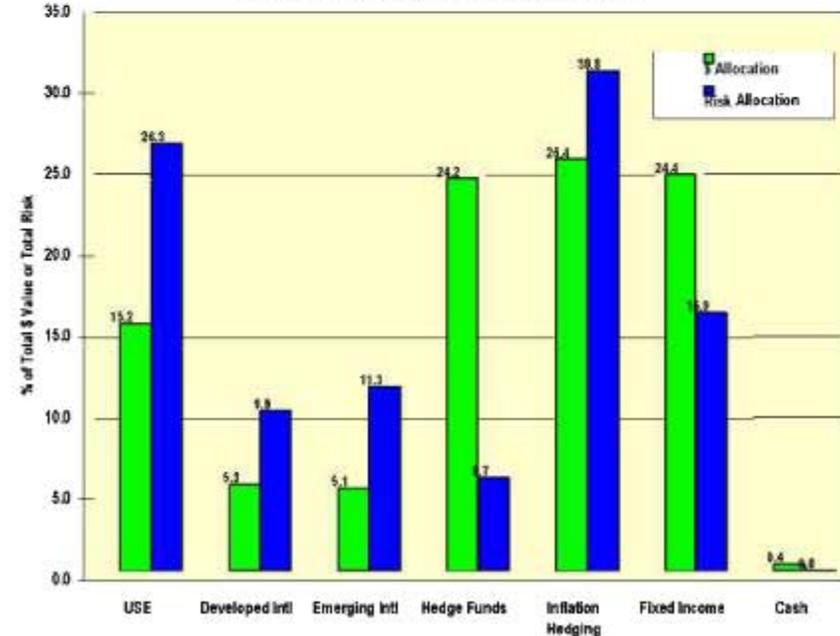
**Dollar Allocations and Tactical Policy Ranges** 3

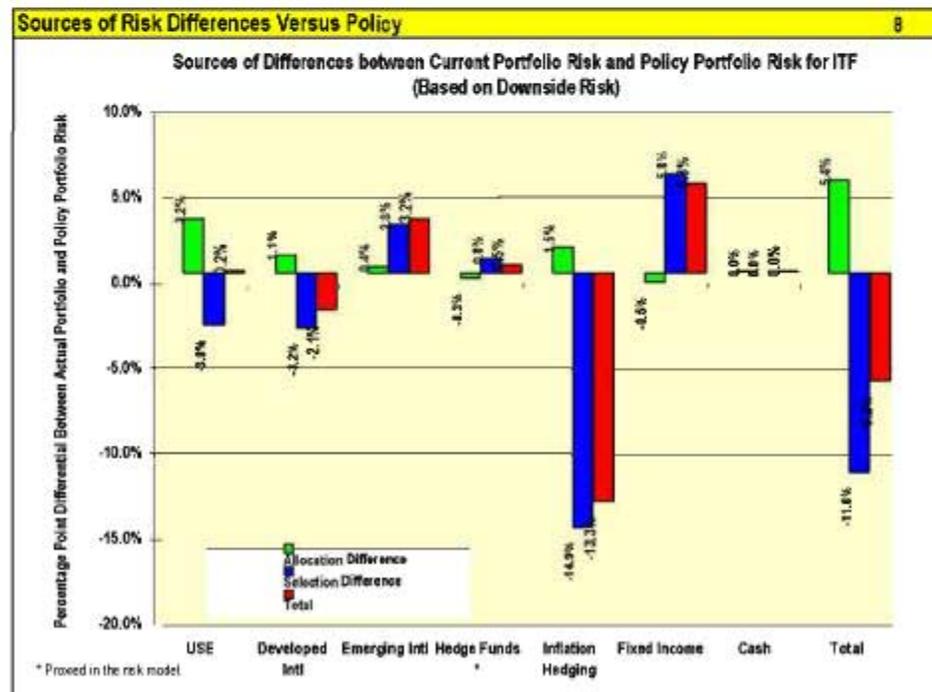
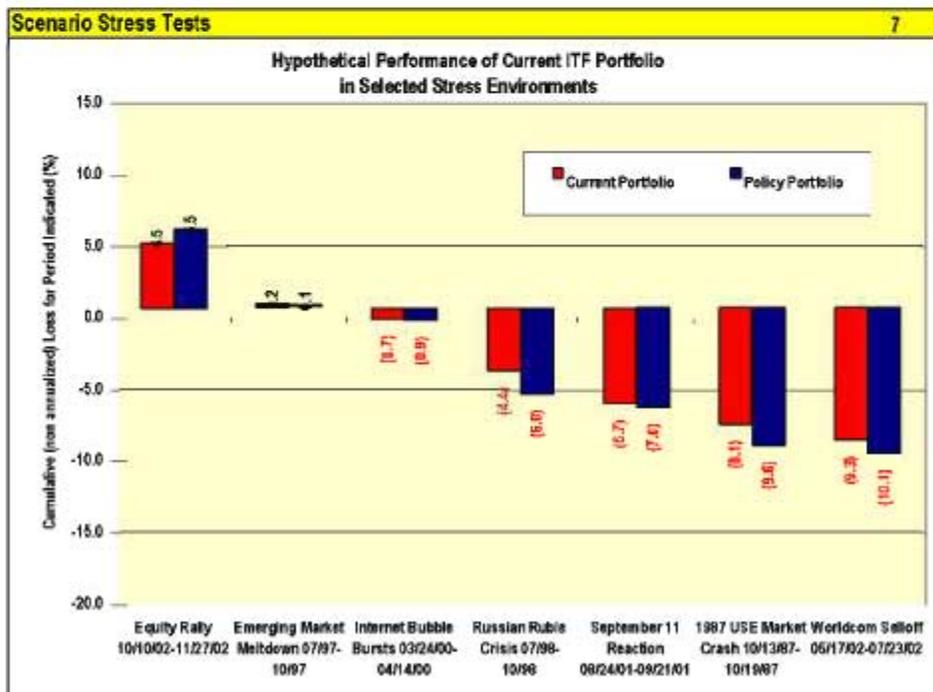
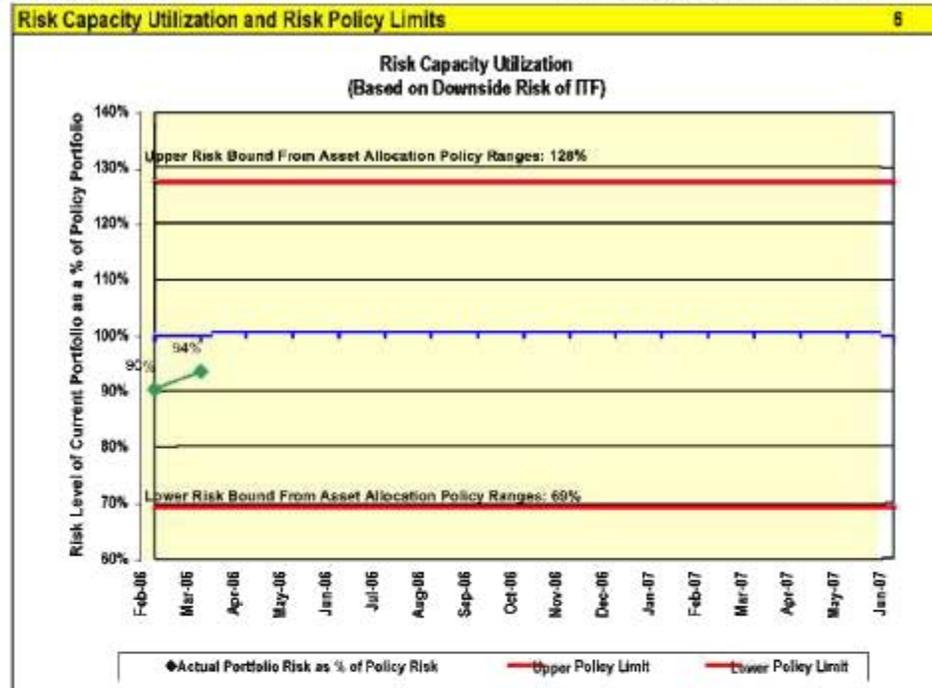
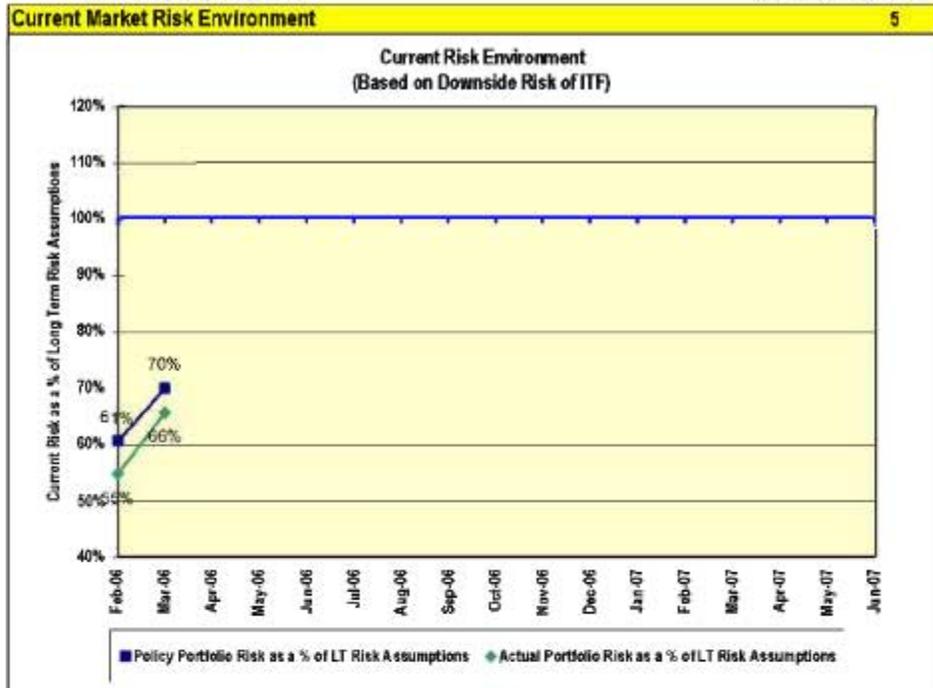
Deviations From Policy Targets Within Tactical Policy Ranges for ITF

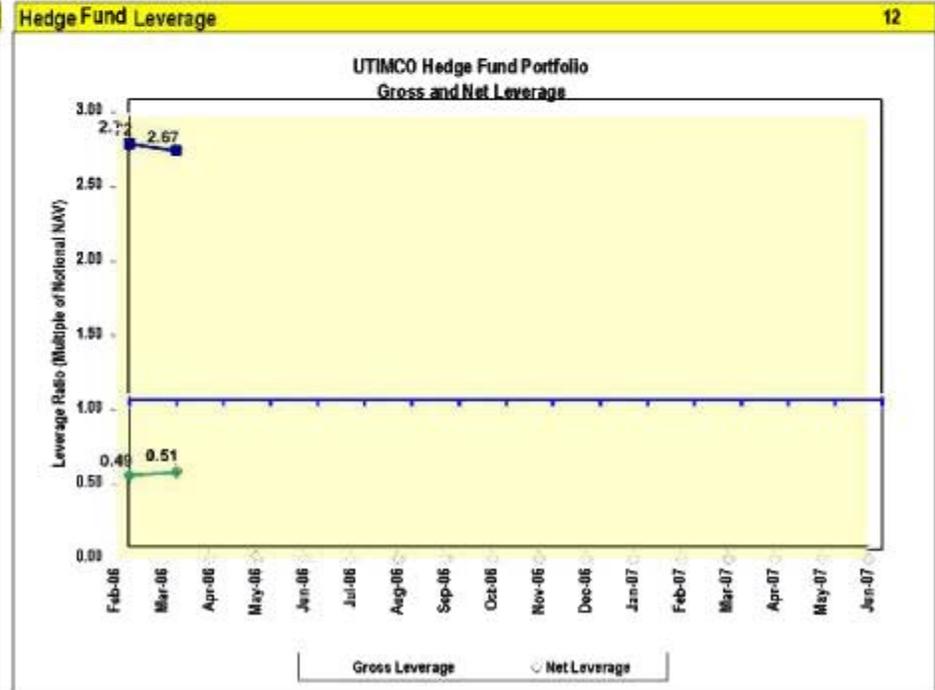
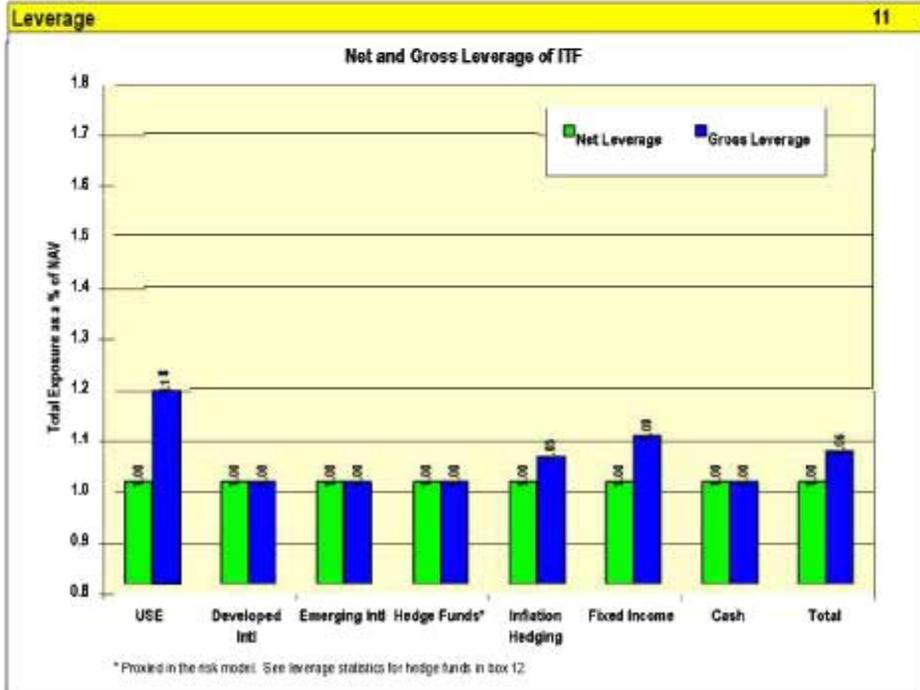
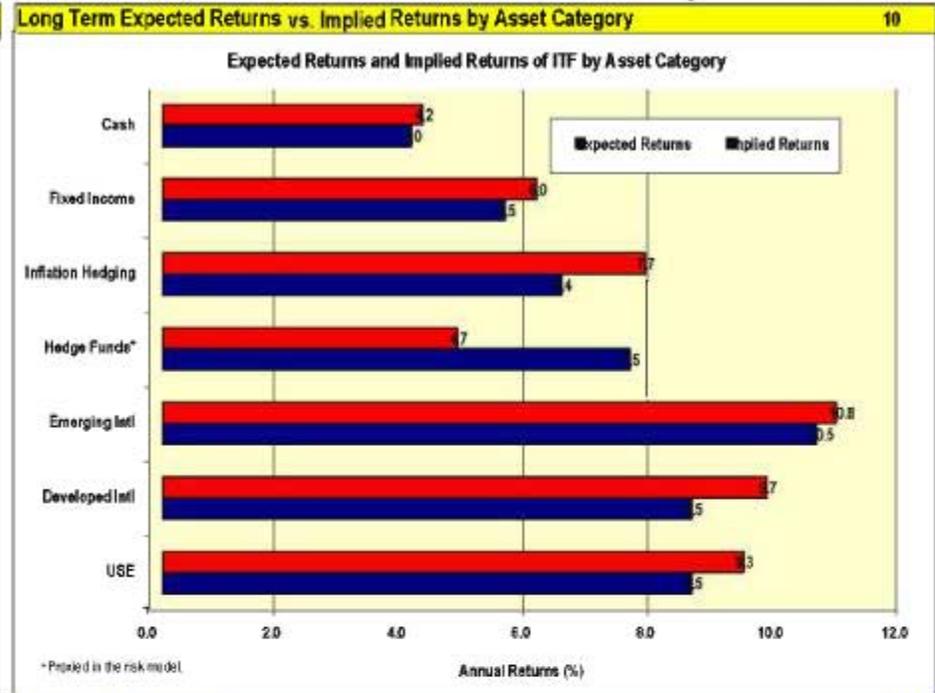
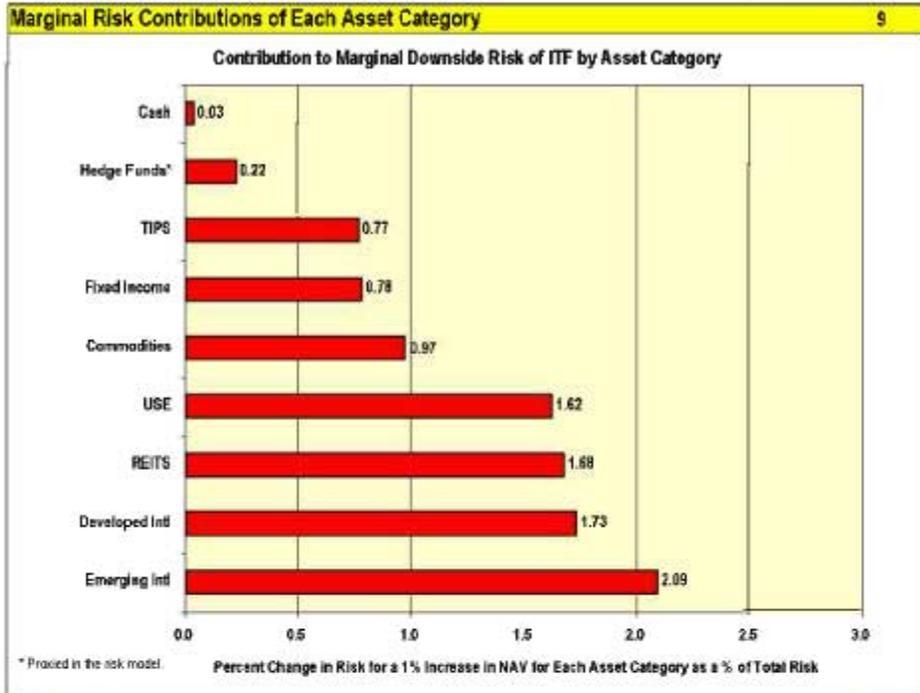


**Dollar Allocations Compared to Risk Allocations** 4

\$ Allocation vs. Downside Risk Allocation for the ITF







**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 2006

**Agenda Item:** Comprehensive Derivative Report

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

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The Derivative Investment Policy ("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 March 31, 2006.

**Discussion:** As of March 31, 2006, net mark-to-market values of derivatives (internal and external) was negative \$109.7 million.

The mark-to-market value of over-the-counter options was negative \$89.7 million. While \$99.4 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 MARCH 31, 2006

Manager	Derivative Type	Mark-to-Market			Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
		OTC	Exchange Traded	Total Derivatives			
<b>INTERNAL MANAGERS</b>							
Canada No Cost Collar	Currency Forwards	\$ (45,246.50)	\$ -	\$ (45,246.50)	\$ -	\$ -	\$ -
Canada No Cost Collar	Purchased Option	255,993.85	-	255,993.85	-	-	(763,428.77)
Canada No Cost Collar	Written Options	(3,471,689.00)	-	(3,471,689.00)	-	-	(41,475,861.57)
Dow Jones Futures	Futures	-	(25,200.00)	(25,200.00)	31,346,000.00	31,346,000.00	-
Emerging Cash	Written Option	(1,547,495.13)	-	(1,547,495.13)	-	-	7,074,962.50
Emerging Mkts No Cost Collar	Purchased Option	7,224,428.91	-	7,224,428.91	-	-	(23,609,042.51)
Emerging Mkts No Cost Collar	Written Options	(20,708,314.11)	-	(20,708,314.11)	-	-	(74,749,443.54)
Goldman Sachs Commodity Index	Futures	-	(5,150,625.00)	(5,150,625.00)	557,021,250.00	557,021,250.00	-
GSCI Cash	Written Option	(327,639.99)	-	(327,639.99)	-	-	2,253,783.25
Intl Dev Swap	Currency Forwards	(461,643.80)	-	(461,643.80)	-	-	-
Intl Dev Swap	Structured SWAPS (TOPIX)	6,284,525.48	-	6,284,525.48	-	-	128,388,822.28
Intl Emerging Swap	Structured SWAPS (Emerging)	9,554.69	-	9,554.69	-	-	248,473,874.59
Japan No Cost Collar	Purchased Option	924,935.06	-	924,935.06	-	-	(10,440,765.03)
Japan No Cost Collar	Written Option	(2,334,716.14)	-	(2,334,716.14)	-	-	(14,378,198.57)
REIT Cash	Written Option	(983,473.38)	-	(983,473.38)	-	-	5,119,537.50
S&P 500 Futures	Futures	-	(1,631,700.00)	(1,631,700.00)	506,332,050.00	506,332,050.00	-
Structured Active Management Application- Int'l Developed Mkts Overlay	Currency Forwards	321,921.21	-	321,921.21	-	-	-
Structured Active Management Application- Int'l Developed Mkts Overlay	Futures	-	(3,549,864.75)	(3,549,864.75)	328,149,657.23	328,149,657.23	-

## COMPREHENSIVE DERIVATIVES REPORT AS OF MARCH 31, 2006

Manager	Derivative Type	Mark-to-Market			Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
		OTC	Exchange Traded	Total Derivatives			
Structured Active Management Application- Emerging Mkts Proxy	Currency Forwards	174,245.78	-	174,245.78	-	-	-
Structured Active Management Application- Emerging Mkts Proxy	Futures	-	(70,380.15)	(70,380.15)	58,685,689.05	58,685,689.05	-
Structured Active Management Application- Emerging Mkts Proxy	Structured SWAPS (TOPIX)	855,562.57	-	855,562.57	-	-	-
US Equity Small Cap/Large Cap Spread Trade	Futures	-	(10,408,170.00)	(10,408,170.00)	(53,556,535.00)	2,629,528,985.00	-
US No Cost Collar	Purchased Option	45,134,288.16	-	45,134,288.16	-	-	(90,542,780.07)
US No Cost Collar	Written Options	(132,835,963.70)	-	(132,835,963.70)	-	-	(845,136,602.61)
<b>EXTERNAL MANAGERS</b>							
Blackrock Global ex-US	Currency Forwards	(4,953.51)	-	(4,953.51)	-	-	-
Blackrock Global ex-US	Purchased Option	-	542,550.00	542,550.00	-	-	(332,115.56)
Blackrock Global ex-US	Written Option	-	(198,900.00)	(198,900.00)	-	-	(1,038,784.72)
Bridgewater Currency Overlay	Currency Forwards	(3,743,860.81)	-	(3,743,860.81)	-	-	-
Globeflex	Currency Forwards	(771.07)	-	(771.07)	-	-	-
GSAM International	Currency Forwards	945,501.36	-	945,501.36	-	-	-
GSAM International	Futures	-	-	-	34,843,016.58	34,843,016.58	-
Morgan Stanley REIT	Currency Forwards	(333.51)	-	(333.51)	-	-	-
PIMCO Global Bonds	Currency Forwards	1,452,340.00	-	1,452,340.00	-	-	-
PIMCO Global Bonds	Futures	-	449,346.62	449,346.62	779,379,473.92	844,037,207.78	-
PIMCO Global Bonds	Purchased Option	-	1,315,296.47	1,315,296.47	-	-	-
PIMCO Global Bonds	SWAPS	8,786,972.22	-	8,786,972.22	-	-	-
PIMCO Global Bonds	Written Option	-	(1,166,625.68)	(1,166,625.68)	-	-	-
PIMCO Real Return	Currency Forwards	(53,541.29)	-	(53,541.29)	-	-	-
PIMCO Real Return	Futures	-	(16,277.84)	(16,277.84)	76,807,489.01	105,825,426.51	-
PIMCO Real Return	Purchased Option	-	17,484.27	17,484.27	-	-	-
PIMCO Real Return	SWAPS	4,463,403.90	-	4,463,403.90	-	-	-
PIMCO Real Return	Written Option	-	(41,015.63)	(41,015.63)	-	-	1,892,244.49

**COMPREHENSIVE DERIVATIVES REPORT AS OF MARCH 31, 2006**

Manager	Derivative Type	Mark-to-Market			Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
		OTC	Exchange Traded	Total Derivatives			
PIMCO TIPS	Currency Forwards	(53,156.50)	-	(53,156.50)	-	-	-
PIMCO TIPS	Futures	-	10,225.11	10,225.11	74,031,900.00	114,785,837.50	-
PIMCO TIPS	Purchased Option	-	17,484.27	17,484.27	-	-	-
PIMCO TIPS	SWAPS	32,260.66	-	32,260.66	-	-	-
PIMCO TIPS	Written Option	-	(39,937.50)	(39,937.50)	-	-	1,892,244.49
	<b>Grand Total</b>	<b>\$ (89,706,864.59)</b>	<b>\$ (19,946,309.81)</b>	<b>\$ (109,653,174.40)</b>	<b>\$ 2,393,039,990.78</b>	<b>\$ 5,210,555,119.64</b>	<b>\$ (709,263,798.34)</b>
	<b>Internal Managers</b>	<b>\$ (101,530,726.04)</b>	<b>\$ (20,835,939.90)</b>	<b>\$ (122,366,665.94)</b>	<b>\$ 1,427,978,111.28</b>	<b>\$ 4,111,083,631.28</b>	<b>\$ (709,785,142.55)</b>
	<b>External Managers</b>	<b>11,823,861.45</b>	<b>869,630.06</b>	<b>12,713,491.55</b>	<b>965,061,879.51</b>	<b>1,099,491,488.36</b>	<b>2,413,588.70</b>
	<b>GRAND TOTAL</b>	<b>\$ (89,706,864.59)</b>	<b>\$ (19,946,309.81)</b>	<b>\$ (109,653,174.40)</b>	<b>\$ 2,393,039,990.78</b>	<b>\$ 5,210,555,119.64</b>	<b>\$ (707,371,553.85)</b>
	<b>Currency Forwards</b>	<b>\$ (1,469,498.64)</b>	<b>\$ -</b>	<b>\$ (1,469,498.64)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Futures</b>	<b>-</b>	<b>(20,392,646.01)</b>	<b>(20,392,646.01)</b>	<b>2,393,039,990.78</b>	<b>5,210,555,119.64</b>	<b>-</b>
	<b>Purchased Options</b>	<b>53,539,645.98</b>	<b>1,892,815.01</b>	<b>55,432,460.99</b>	<b>-</b>	<b>-</b>	<b>(125,665,131.94)</b>
	<b>Swaps/Structured Swaps</b>	<b>20,432,279.52</b>	<b>-</b>	<b>20,432,279.52</b>	<b>-</b>	<b>-</b>	<b>376,962,696.87</b>
	<b>Written Options</b>	<b>(162,209,291.45)</b>	<b>(1,446,478.81)</b>	<b>(163,655,770.26)</b>	<b>-</b>	<b>-</b>	<b>(958,548,118.78)</b>
	<b>GRAND TOTAL</b>	<b>\$ (89,706,864.59)</b>	<b>\$ (19,946,309.81)</b>	<b>\$ (109,653,174.40)</b>	<b>\$ 2,393,039,990.78</b>	<b>\$ 5,210,555,119.64</b>	<b>\$ (707,371,553.85)</b>

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

**Comprehensive Report on Approved Derivative Applications as of March 31, 2006**  
**Internal Management**

**Internal Managers**

<b>Derivative Application (account name)</b>	<b>Purpose of Application</b>
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 Equilization)
Structured Swaps	Use derivatives to construct a portfolio with a risk and return profile that could not be constructed using cash market securities

**Comprehensive Report on Approved Derivative Applications as of March 31, 2006  
External Management**

<b>External Managers Under Agency Agreement</b>	<b>Primary Use of Derivatives</b>
Blackrock (formerly State Street Research)	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Bridgewater	Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)
Cundill	Futures, currency forwards and short sales up to 5% are allowed (within our max loss provision) 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	Equity futures, currency forwards and short sales are allowed within a tightly controlled structure which targets a net equity exposure equivalent to that of the underlying benchmark.
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 March 31, 2006

Counterparty	Counterparty Rating	Mark-to-Market	Percentage of Total Funds
ABN AMRO Bank NV Total	AA-	\$ (109,696.60)	0.00%
AIG Financial Products Corp. Total	AA	2,385,807.20	0.02%
Australia & NZ Bank Total	AA-	(5,398.06)	0.00%
Bank of America NA Total	AA+	1,299,744.38	0.01%
Barclays Bank PLC Total	AA+	(10,461,775.31)	-0.08%
Bear Stearns Total	A+	(64,582,040.08)	-0.47%
BNP Paribas Total	AA	(379,076.40)	0.00%
Chase Manhattan Bank Total	AA-	24,662.20	0.00%
Citibank NA Total	AA+	(252,860.49)	-0.01%
Commonwealth Bank of Australia Total	AA-	245,053.97	0.00%
CS First Boston Global Total	A+	1,702.81	0.00%
Deutsche Bank AG Total	AA-	222,362.09	0.00%
Goldman Sachs Capital Markets, L.P. Total	AA-	(16,591,392.02)	-0.08%
HSBC Bank USA Total	AA	(493,991.16)	0.00%
JP Morgan Chase Bank Total	AA	2,589,403.01	0.01%
Lehman Brothers Special Financing Inc. Total	A+	(1,469,961.86)	-0.01%
Mellon Bank Total	AA-	(2,906.99)	0.00%
Merrill Lynch Capital Services Total	AA-	238,810.01	0.00%
Morgan Stanley Total	AA-	(3,876,396.47)	-0.05%
National Australia Bank Total	AA-	(82,414.18)	0.00%
Royal Bank of Canada, Toronto Total	AA-	(156,061.28)	0.00%
Royal Bank of Scotland, London Total	AA	(442,290.96)	0.00%
State Street Boston Capital Total	AA	(218,367.68)	0.00%
UBS AG (Union Bank of Switzerland) Total	AA+	2,683,776.18	0.02%
UBS AG, Stamford Total	AA+	(247,579.25)	0.00%
Westpac Banking Corp, Sydney Total	AA-	(25,977.65)	0.00%
Grand Total		<u>\$ (89,706,864.59)</u>	-0.64%
PUF, GEF and ITF owe to Counterparty		\$ (99,398,186.44)	
Counterparty owes to PUF, GEF and ITF		9,691,321.85	
		<u>\$ (89,706,864.59)</u>	
PUF NAV		\$ 9,897,891,917.00	
GEF NAV		5,330,804,870.00	
ITF NAV		3,042,487,056.00	
Total NAV		<u>\$ 15,228,696,787.00</u>	

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 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.

**Recommendation:** None

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

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

**Report on Manager Activity  
Taken Under the Delegation of Authority  
March 1, 2006 through April 30, 2006**

	Date	Amounts				Description
		PUF	GEF	ITF	Total	
<b>US Equities</b>						
S&P 500 futures	3/15/2006	16,250,000.00	8,750,000.00	-	25,000,000.00	Purchase futures with BGI Emerging proceeds
S&P 100 ETFs	3/20/2006	12,960,480.00	6,978,720.00	-	19,939,200.00	Purchase ETFs from Globeflex withdrawal
Blackrock Small Cap	4/1/2006	(14,300,000.00)	(7,700,000.00)	-	(22,000,000.00)	Reallocate securities to Global ex US
BKF Asset Management	4/6/2006	(16,705,000.00)	(9,099,000.00)	(5,379,000.00)	(31,183,000.00)	Reallocate securities from terminated manager
TCW	4/6/2006	16,705,000.00	9,099,000.00	5,379,000.00	31,183,000.00	Reallocate securities from terminated manager
BKF Asset Management	4/11/2006	(50,944,141.56)	(28,411,155.87)	(19,267,335.59)	(98,622,633.02)	Reallocate proceed from terminated manager
S&P 500 futures	4/11/2006	50,944,141.56	28,411,155.87	19,267,335.59	98,622,633.02	Purchase S&P 500 futures from BKF liquidation
BKF Asset Management	4/11/2006	(16,653,384.00)	(7,692,948.00)	(5,122,764.00)	(29,469,096.00)	Reallocate proceed from terminated manager
Industrial ETFs	4/11/2006	16,653,384.00	7,692,948.00	5,122,764.00	29,469,096.00	Purchase Industrial ETFs from BKF liquidation
BGI Russell 3000 Alpha Tilts	4/28/2006	(66,001,703.80)	(35,573,212.58)	-	(101,574,916.38)	Complete withdrawal to reallocate to other investments
Russell 2000 futures	4/28/2006	19,713,000.00	7,315,400.00	-	27,028,400.00	Purchase futures and ETFs from BGI and GSAM proceeds
Industrial ETFs	4/28/2006	6,753,181.50	3,636,328.50	-	10,389,510.00	Purchase futures and ETFs from BGI and GSAM proceeds
S&P 500 futures	4/28/2006	108,940,146.54	55,621,843.44	-	164,561,989.98	Purchase futures and ETFs from BGI and GSAM proceeds
NASDAQ futures	4/28/2006	6,513,968.51	3,428,404.48	-	9,942,372.99	Purchase futures and ETFs from BGI and GSAM proceeds
<b>Global ex US Equities</b>						
<b>Non-US Developed Equity</b>						
TOPIX Structured Swap	Various	91,000,000.00	49,000,000.00	17,000,000.00	157,000,000.00	1 Structured swap trade to gain exposure to Japanese equities
Lansdowne European Long	3/1/2006	42,250,000.00	22,750,000.00	10,000,000.00	75,000,000.00	Additional funding to manager
Globeflex Japan	3/3/2006	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	Withdrawal from manager to reduce exposure
BGI EAFE	3/8/2006	(17,080,853.13)	(22,512,861.60)	-	(39,593,714.73)	Complete withdrawal to reallocate to other investments
Intl Dev futures	3/10/2006	16,250,000.00	8,750,000.00	-	25,000,000.00	Purchase futures from BGI proceeds
Globeflex	3/15/2006	(39,000,000.00)	(21,000,000.00)	-	(60,000,000.00)	Withdrawal from manager to reallocate to other investments
Blackrock Global ex US	3/16/2006	(13,000,000.00)	(7,000,000.00)	-	(20,000,000.00)	Withdrawal from manager to reallocate to other investments
Globeflex Canada	3/20/2006	(13,000,000.00)	(7,000,000.00)	-	(20,000,000.00)	Withdrawal from manager to reduce exposure
Globeflex Small Cap	3/20/2006	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	Withdrawal from manager to reduce exposure
Globeflex Small Cap	3/20/2006	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	Withdrawal from manager to reallocate to other investments
Intl Dev futures	3/20/2006	13,100,000.00	7,000,000.00	-	20,100,000.00	Purchase futures from Globeflex withdrawal
Capital Guardian Small Cap	3/31/2006	(9,750,000.00)	(5,250,000.00)	-	(15,000,000.00)	Withdrawal from manager
EAFE ETFs	3/31/2006	6,334,809.00	3,411,051.00	-	9,745,860.00	Purchase ETFs from BGI withdrawal proceeds
Blackrock Global ex US	4/1/2006	14,300,000.00	7,700,000.00	-	22,000,000.00	Reallocation from US Equities
Lansdowne UK	4/3/2006	32,500,000.00	17,500,000.00	-	50,000,000.00	Initial funding on new investment
Intl Dev futures	4/3/2006	(13,000,000.00)	(7,000,000.00)	-	(20,000,000.00)	Sell UK futures to fund Lansdowne UK
BGI Intl Alpha Tilts	4/28/2006	-	-	(13,000,000.00)	(13,000,000.00)	Withdrawal from manager to fund ITF distribution
GSAM EAFE Flex and GTAA	4/28/2006	(48,750,000.00)	(26,250,000.00)	-	(75,000,000.00)	Withdrawal from manager to reallocate to other investments
<b>Emerging Markets Equity</b>						
TOPIX Structured Swap	Various	13,000,000.00	7,000,000.00	-	20,000,000.00	1 Structured swap trade to gain exposure to Japanese equities
Emerging Structured Swap	Various	292,500,000.00	157,500,000.00	37,000,000.00	487,000,000.00	1 Structured swap trade to gain exposure to emerging equities
Lansdowne Emerging	3/1/2006	123,500,000.00	66,500,000.00	10,000,000.00	200,000,000.00	Additional funding to manager
Templeton Emerging	3/7/2006	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	Withdrawal from manager
Templeton Emerging	3/14/2006	19,500,000.00	10,500,000.00	-	30,000,000.00	Additional funding to manager
BGI Emerging Structured Tier	3/15/2006	(48,750,000.00)	(26,250,000.00)	-	(75,000,000.00)	Partial withdrawal to reallocate to other investments
Templeton Emerging	3/21/2006	(32,500,000.00)	(17,500,000.00)	(20,000,000.00)	(70,000,000.00)	Withdrawal to reallocate to Templeton High Alpha

**Report on Manager Activity  
Taken Under the Delegation of Authority  
March 1, 2006 through April 30, 2006**

	Date	Amounts			Total	Description
		PUF	GEF	ITF		
<b>Templeton High Alpha</b>	3/21/2006	52,000,000.00	28,000,000.00	20,000,000.00	100,000,000.00	Initial investment in fund from Templeton Emerging and Globeflex withdrawal
Emerging Swap	3/29/2006	16,250,000.00	8,750,000.00	-	25,000,000.00	Purchase commercial paper from GSCI futures sale
BGI Emerging Structured Tier	3/31/2006	(45,673,541.54)	(11,651,508.13)	-	(57,325,049.67)	Complete withdrawal to reallocate to other investments
Emerging ETFs	3/31/2006	19,262,568.00	10,372,152.00	-	29,634,720.00	Purchase ETFs from BGI withdrawal proceeds
<b>Inflation Linked</b>						
GSCI futures contracts	3/29/2006	(16,316,300.00)	(8,819,600.00)	-	(25,135,900.00)	Sell futures to purchase commercial paper for Emerging Swap
<b>Fixed Income</b>						
GMO Emerging	3/2/2006	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	Capital withdrawal from manager
<b>Hedge Funds</b>						
Highside	3/1/2006				75,000,000.00	Initial funding of new manager
Satellite	4/1/2006				(37,000,000.00)	Partial withdrawal from manager
K Capital	4/1/2006				(27,410,961.36)	Termination of manager
<b>Committed Amount</b>						
		PUF	GEF		Total	
<b>Private Capital</b>						
ArcLight Energy Partners	3/16/2006	35,000,000.00	15,000,000.00	-	50,000,000.00	
TPG Partners V, L.P.	3/28/2006	52,500,000.00	22,500,000.00	-	75,000,000.00	
Austin Ventures IX, L.P.	3/31/2006	12,075,000.00	5,175,000.00	-	17,250,000.00	
Fortress Investment Fund IV (Coinvestment Fund A), L.P.	4/13/2006	14,000,000.00	6,000,000.00	-	20,000,000.00	
Fortress Investment Fund IV (Fund A), L.P.	4/13/2006	14,000,000.00	6,000,000.00	-	20,000,000.00	

1 Trades fall under the Derivative Investment Policy.

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

**For March 1, 2006 through April 30, 2006**

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

Agreement	Purpose	Contract Term	Annual Amount
Hedge Fund Research	Database license	2/2006 through 1/2008	\$9,600
APS	Maintenance /Service agreement for fax machine	2/28/2006 through 2/28/2007 (renews annually with invoice)	\$300
IKON	Maintenance/Service agreement for printers, copiers and fax machines	3/31/2006 through 3/31/2011 (can terminate at any point)	\$8,040
IKON	Maintenance/Service agreement for printers	3/31/2006 through 3/31/2007 (renews annually with invoice)	\$325

**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
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	\$1,585

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 2005

**Agenda Item:** Intermediate Term Fund (ITF) Update

**Developed By:** Goldsmith, Patrick

**Presented By:** Goldsmith

**Type of Item:** Information Item

**Description:** The purpose of this presentation is to provide a brief update on the Intermediate Term Fund (ITF). The presentation will include information regarding the Fund's performance, asset allocation, and activity.

**Recommendation:** None

**Discussion:** None

**Reference:** Intermediate Term Fund (ITF) Update Presentation



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Intermediate Term Fund (ITF)

Update

May 2006



# Performance – April 2006

ITF	Return	Contribution	POLICY PORTFOLIO	Return	Contribution	Return Difference
US Equities	1.99%	0.30%	Russell 3000	1.08%	0.16%	0.91%
International Dev. Equities	4.82%	0.26%	MSCI EAFE	4.78%	0.24%	0.04%
Emerging Market Equities	4.37%	0.23%	MSCI EM	7.12%	0.36%	-2.75%
Directional Hedge Funds	1.06%	0.11%	S&P HF Directional	1.08%	0.14%	-0.02%
Absolute Return Hedge Funds	1.93%	0.27%	S&P HF Abs Ret.	0.76%	0.10%	1.17%
Commodities	6.08%	0.32%	1/3 DJAIG / 2/3 GSCI	6.47%	0.32%	-0.39%
REITS	-1.97%	-0.20%	Wilshire RESI	-3.74%	-0.37%	1.77%
TIPS	0.03%	0.00%	Lehman TIPS	-0.08%	-0.01%	0.11%
Fixed Income	0.43%	0.11%	Lehman Aggregate	-0.18%	-0.05%	0.61%
<b>TOTAL ITF PORTFOLIO</b>		<b>1.38%</b>	<b>TOTAL POLICY PORTFOLIO</b>		<b>0.87%</b>	<b>0.51%</b>

Note: Performance numbers are preliminary.



# Performance – Inception to 4/30/06

## Comparison to Benchmarks

Performance: 2/1/06 - 4/30/06

<b>ITF:</b>	<b>2.15%</b>
Policy Portfolio:	1.89%
CPI + 3%*:	1.40%
Cash**:	1.10%

\* Annual CPI is assumed to be 3%.

\*\* Return of Dreyfus Institutional Preferred Money Market Fund

ITF	Return	POLICY PORTFOLIO	Return	Return Difference
US Equities	2.72%	Russell 3000	3.02%	-0.30%
International Dev. Equities	8.48%	MSCI EAFE	7.99%	0.49%
Emerging Market Equities	4.05%	MSCI EM	7.94%	-3.89%
Directional Hedge Funds	3.11%	S&P HF Directional	2.33%	0.78%
Absolute Return Hedge Funds	3.69%	S&P HF Abs Ret.	2.60%	1.09%
Commodities	-0.07%	1/3 DJAIG / 2/3 GSCI	1.04%	-1.11%
REITS	4.75%	Wilshire RESI	3.75%	1.00%
TIPS	-1.94%	Lehman TIPS	-2.32%	0.38%
Fixed Income	-0.17%	Lehman Aggregate	-0.83%	0.66%
<b>TOTAL ITF PORTFOLIO</b>	<b>2.15%</b>	<b>TOTAL POLICY PORTFOLIO</b>	<b>1.89%</b>	<b>0.26%</b>

Note: Performance numbers are preliminary.



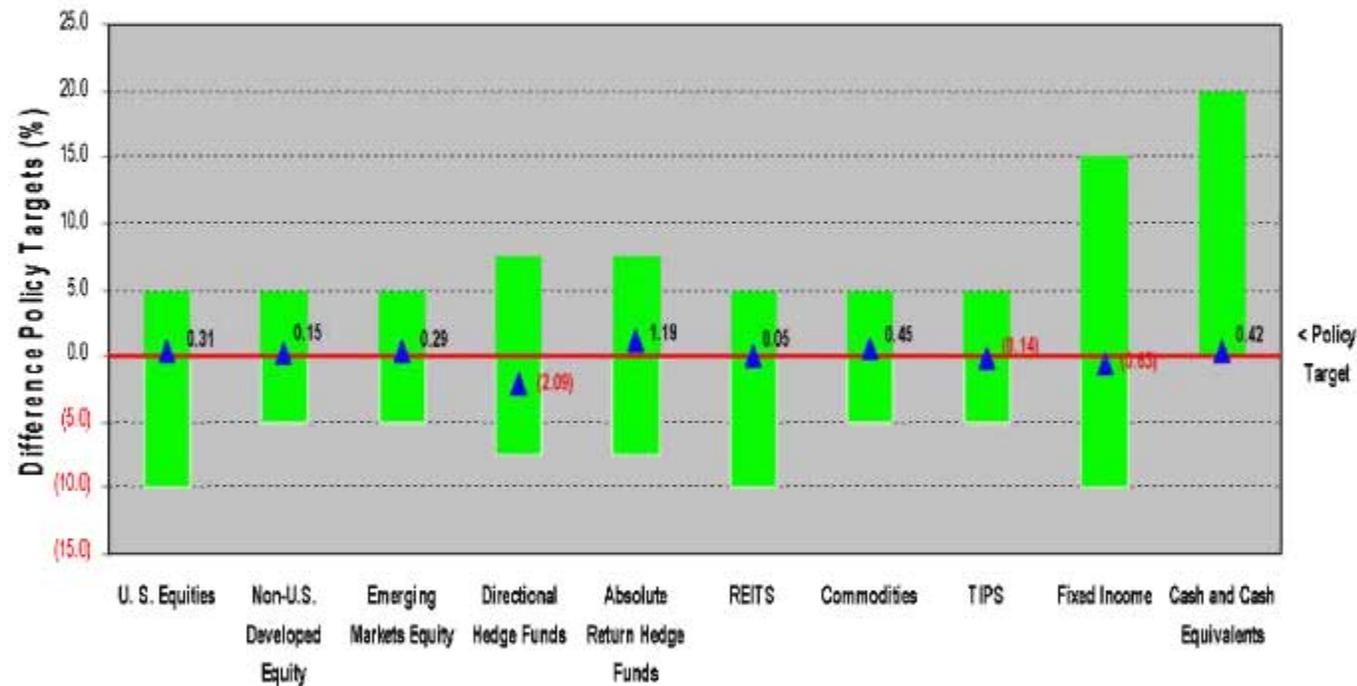
## Asset Allocation – 4/30/06

Asset Category	Dollars Invested	% Invested	Policy Target	Over / Under
US Equities	\$468,626,654	15.3%	15.0%	0.3%
International Dev. Equities	\$156,878,954	5.1%	5.0%	0.1%
Emerging Market Equities	\$161,714,170	5.3%	5.0%	0.3%
Directional Hedge Funds	\$318,487,737	10.4%	12.5%	-2.1%
Absolute Return Hedge Funds	\$418,714,806	13.7%	12.5%	1.2%
Commodities	\$167,272,056	5.5%	5.0%	0.5%
REITS	\$306,821,153	10.0%	10.0%	0.0%
TIPS	\$301,641,504	9.9%	10.0%	-0.1%
Fixed Income	\$745,200,455	24.4%	25.0%	-0.6%
Cash	\$12,726,842	0.4%	0.0%	0.4%
<b>TOTAL</b>	<b>\$3,058,084,331</b>	<b>100.0%</b>	<b>100.0%</b>	



# Deviations from Policy Targets

Deviations From Policy Targets Within Tactical Policy Ranges  
April 30, 2006





## Summary of Activity

- Activity – Subsequent to Setup of ITF through 5/1/06

<u>Type of Transaction</u>	<u># of Transactions</u>	<u>\$ Amount</u>
Purchases of STF Units	532	\$ 1,205,242,696
Sales of STF Units	819	1,346,523,284
STF Transfers Between Institutions	356	435,041,597
Purchase of STF due to ITF Distributions	45	22,449,724
ITF Reinvestment of Distributions	21	7,233,820
STF Income Allocation	48	11,108,498
ITF Purchases due to Rebalancing	6	126,756,199
ITF Sales due to Rebalancing	14	62,182,920
<b>Total Transactions</b>	<b>1841</b>	<b>\$ 3,216,538,739</b>

**TAB 4**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 2006

**Agenda Item:** Discussion of Manager Classification Issues

**Developed By:** Boldt, Goldsmith, Iberg

**Presented By:** Boldt

**Type of Item:** Discussion Item

**Description:** This Item will address the current manager classification procedures in place at UTIMCO.

**Recommendation:** None

**Discussion:** Please see the attached memorandum entitled "Manager Classification"

**Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy



## **Manager Classification**

At the past several Board meetings, we have discussed the convergences and overlaps developing among active investment managers. We have discussed how hedge funds are starting to make private equity and real estate investments, and how some traditional long-only managers are suddenly awakening to the potential opportunities offered by short- sales and leverage. As the lines blur between manager styles, potential issues arise as to how managers should be classified within our more rigid asset category framework. This is an issue staff had planned to address in detail in the asset allocation review scheduled for Spring, 2007. However, questions have surfaced recently regarding our hedge fund classification procedures, and staff was asked to present those procedures for Board discussion.

As you know, the UTIMCO staff is focused on adding value. We are very demanding in the external managers we select and the terms, conditions, and limitations we put in place with those managers. In general, we feel strongly that good managers are difficult to identify, but that when we feel confident that we have found a good manager, we want to give that manager every reasonable opportunity to add value. What that means is that we are more willing to allow more flexible limitations than some other clients might, if we are convinced that more flexible limitations will result in additional value added and that fees are set in such a way as to align interests and limit excessive risk taking by our managers. What this means practically today is that the types of managers included in our formerly more traditional asset categories are changing. The days of narrowly focused and strictly constrained long-only managers are numbered simply because the range of those managers to add value is so limited that they are not competitive. Instead, the good managers we are seeking today will typically want the ability to take investment actions that might have been more associated with hedge funds in prior years such as using limited leverage and using shorting both for value added and hedging purposes. We need to be in a position to retain these managers and set reasonable constraints so that we do not wring value added out of their management style.

In an attempt to differentiate these high value added managers from other managers using some of the same management tactics such as hedge funds, we have developed a set of classification criteria. The beginning point for the establishment of these criteria was the recognition that hedge funds were added to our asset mix to provide a stable return source at very limited volatility and with high diversification advantages to the rest of the assets in our portfolios. Hedge funds are the solid foundation that allows us to take more risk elsewhere in the portfolios. Remember that hedge funds are about 25% of the asset

values of our portfolios, but contribute only about 5% of the total risk. Working from this assumption that hedge funds have a specific role in the portfolios, we turned to the set of assumptions used in the 2005 asset allocation review to develop the following set of criteria to determine when an active management application should be classified as a hedge fund.

1. Application has the authority to short securities and use leverage,
2. Application has an expected Beta exposure  $< 0.5$  relative to all other asset categories in the UTIMCO Policy Portfolio,
3. Application has an expected correlation  $< 0.6$  relative to all other asset categories in the UTIMCO Policy Portfolio,
4. Application has the authority to have gross leverage exposure  $> 150\%$ .

In order to be characterized as a hedge fund, an application must satisfy all 4 criteria. Any application meeting some, but not all 4, criteria will be classified in the asset category corresponding to the majority holding of assets in the portfolio.

As indicated, these criteria were developed from the assumptions we used in our last asset allocation review. For example, as the attached correlation matrix indicates, both Absolute Return (AR) and Directional Hedge Funds (EHF) have expected correlations below 0.6 for all asset categories except each other. Likewise, the expected volatility of the combined AR and EHF categories, at 8.5%, is one half the expected volatility of the category with the largest expected correlations to hedge funds, US Equities, hence the 0.5 Beta criteria. The gross leverage criteria stems from the fact that hedge funds are a unique instrument in that, typically, small, non-market related sources of return are sought by hedge fund managers, and because these sources are small, they must be amplified through leverage to achieve acceptable overall return levels. This level of leverage is usually not necessary, or permitted, in applications (except perhaps for hedging purposes) that have stronger systematic (market related) return sources such as most typical active managers in other asset categories.

It is also important to point out the criteria we believe are not appropriate for manager classification. It may be tempting to use criteria such as fee levels, fund or manager names, what the press calls a manager, or manager self-classification. All these possibilities are seriously flawed because they do not relate to the basic reasons we have hedge funds in our portfolios and the assumptions we made to justify the inclusion of hedge funds. It might also be tempting to use liquidity as a criteria, but since we already have liquidity as a macro level limitation through the Liquidity Policy, it is inappropriate to also have liquidity as a classification criteria.

Finally, it is important to note that these criteria are consistent with behavioral goals for UTIMCO staff. Since the public markets team is compensated on the basis of performance relative to benchmarks, there is little or no incentive for them to want to include a hedge fund in the public markets portfolio since the hedge fund would have a Beta relative to public markets that would make it difficult for the hedge fund to achieve

benchmark returns in up markets. Public markets staff might want to include a manager using hedge fund like tools in public markets portfolios, but only if market exposure was higher than hedge fund levels, and alpha expectations were high as well. Thus, the classification criteria are consistent with our Performance Compensation Plan as well.

The attached tables document the application of these criteria to current and proposed public markets and hedge fund applications.

## Correlation Matrix

	USE	GE	EM	AR	EHF	VC	PE	REITS	COM	O&G	TIPS	BND	CA
USE	1.00	0.85	0.80	0.50	0.60	0.35	0.50	0.50	0.00	-0.05	0.15	0.10	0.00
GE	0.85	1.00	0.60	0.50	0.60	0.30	0.45	0.50	0.00	-0.05	0.15	0.10	-0.10
EM	0.80	0.60	1.00	0.50	0.60	0.30	0.30	0.50	0.20	0.02	0.00	-0.10	0.10
AR	0.50	0.50	0.50	1.00	0.60	0.20	0.30	0.40	0.10	0.00	0.15	0.10	0.00
EHF	0.60	0.60	0.60	0.60	1.00	0.30	0.50	0.40	0.15	0.10	0.15	0.10	0.00
VC	0.35	0.30	0.30	0.20	0.30	1.00	0.65	0.00	0.20	0.05	0.15	-0.10	0.00
PE	0.50	0.45	0.30	0.30	0.50	0.65	1.00	0.15	0.00	0.00	0.05	-0.10	0.00
REITS	0.50	0.50	0.50	0.40	0.40	0.00	0.15	1.00	0.10	0.00	0.00	-0.10	-0.10
COM	0.00	-0.00	0.20	0.10	0.15	0.20	0.00	0.10	1.00	-0.00	0.75	0.20	-0.05
O&G	-0.05	-0.05	-0.02	0.00	0.10	0.05	0.00	0.00	0.75	1.00	-0.00	-0.10	0.00
TIPS	0.15	0.15	0.00	0.15	0.15	-0.15	0.05	0.00	0.20	-0.10	1.00	0.70	0.25
BND	0.10	0.10	0.10	0.10	0.10	-0.10	-0.10	-0.10	-0.05	-0.10	0.70	1.00	-0.25
CA	0.00	-0.10	-0.10	0.00	0.00	0.00	0.00	-0.10	0.00	0.00	0.25	0.25	1.00
	115	118	117	116	115	114	113	112	111	110	109	108	107

Public Markets: Existing Managers									
Manager Name	Fund Name	Current UTIMCO Allocation (\$ mil)	Percent of Total Portfolio	Has Authority to Use Leverage	Has Authority to Short Securities	Expected Beta of .5 or less to Benchmark	Expected Correlation of .6 or less to Benchmark	Expected Gross Exposure to exceed 150%	Public Markets Benchmark
BlackRock Inc.	Small Cap Energy	111.1	0.6%	No	No	No	No	No	Wilshire 5000 Modified Energy Index
BlackRock Inc.	Global Energy	126.3	0.7%	Yes	Yes	No	No	No	MSCI All World Energy Index Ex-US
BlackRock Inc.	Hedged Energy	95.0	0.5%	Yes	Yes	No	No	No	Wilshire 5000 Modified Energy Index
Blakeney General Partners	Austin Alpha	91.2	0.5%	No	No	Yes	Yes	No	MSCI Emerging Markets
Blavin & Co.	Blavin & Co.	72.7	0.4%	No	No	Yes	Yes	No	S&P 500 Index
Cohen & Steers	US REITS	908.9	5.0%	No	No	No	No	No	NAREIT Equity REIT Index
Dalton Investments	JMBO Fund	63.1	0.3%	Yes	Yes	No	Yes	No	TOPIX Index
Dalton Investments	Taiwan Fund	47.6	0.3%	No	No	No	Yes	No	70% Taiwan + 30%MSCI Emerging Markets Free
Dalton Investments	Japan	66.8	0.4%	No	No	No	Yes	No	TOPIX Index
Cundill	EAFE	116.0	0.6%	No	Yes	No	Yes	No	MSCI EAFE Index
Cundill	Japan	82.2	0.5%	No	Yes	No	Yes	No	TOPIX Index
Globeflex	Canadian Small Cap	31.8	0.2%	No	No	No	No	No	Nesbitt Burns Small Cap Index
Globeflex	International MicroCap	121.7	0.7%	No	No	No	No	No	MSCI EAFE Index
Globeflex	Japan Small and Mid Cap	77.8	0.4%	No	No	No	No	No	Russell Nomura Mid/Small Cap Index
Globeflex	International Small & Mid Cap	170.4	0.9%	No	No	No	No	No	CitiGroup Extended Markets Index (EMI) World ex-US
GMO	Emerging Country Debt*	12.0	0.1%	No	No	No	No	No	J.P. Morgan Emerging Markets Bond Index
Lansdowne	European Long Only	242.7	1.3%	Yes	No	No	Yes	No	Dow Jones Eurostoxx 600
Lansdowne	Emerging Markets	410.2	2.2%	Yes	Yes	No	Yes	No	MSCI Emerging Markets
Lansdowne	UK	50.0	0.3%	Yes	Yes	No	Yes	Yes	FTSE All Share Index
Morgan Stanley	Global REIT Best Ideas	190.1	1.0%	No	No	No	No	No	FTSE/EPRA NAREIT Global Real Estate Index
PIMCO	Global Fixed Income	915.6	5.0%	No	No	No	No	No	Lehman Global Aggregate Bond Index
PIMCO	TIPS	405.0	2.2%	No	No	No	No	No	Lehman Global Real US TIPS Index
PIMCO	PARS III	140.0	0.8%	Yes	Yes	No	Yes	Yes	LIBOR
PIMCO	Real Return	298.7	1.6%	Yes	Yes	No	No	No	Dow Jones AIG Commodity Index + 1-10 Yr. TIPS Index
REAMS	Core Plus	491.5	2.7%	No	No	No	No	No	Lehman Brothers Aggregate Bond Index
REAMS	TIPS	265.3	1.5%	No	No	No	No	No	Lehman Global Real US TIPS Index
Relational Investors	Relational Investors V	401.8	2.2%	No	No	No	No	No	S&P 500 Index
TCW Asset Management	Multicap	160.1	0.9%	No	No	No	No	No	Russell 3000 Index

Manager Name	Fund Name	Current UTIMCO Allocation (\$ mil)	Percent of Total Portfolio	Has Authority to Use Leverage	Has Authority to Short Securities	Expected Beta of .5 or less to Benchmark	Expected Correlation of .6 or less to Benchmark	Expected Gross Exposure to exceed 150%	Public Markets Benchmark
TCW Asset Management	Value Opportunities	120.2	0.7%	No	No	No	No	No	Russell MidCap Value Index
TCW Asset Management	Value Added	102.3	0.6%	No	No	No	No	No	Russell 2000 Index
Templeton	Emerging Markets*	286.0	1.6%	No	No	No	No	No	MSCI Emerging Markets with Net Dividends
Templeton	High Value Alpha	101.6	0.6%	Yes	Yes	No	No	No	MSCI Emerging Markets with Net Dividends
Value Act Capital	Small Cap	525.8	2.9%	Yes	Yes	No	No	No	Russell 2000 Index
Westport	Westport	212.8	1.2%	No	No	No	No	No	Russell 2000 Index

Public Markets: Prospective Managers									
Pardus	European Special Opportunities	0.0	0.0%	Yes	Yes	No	Yes	No	65% MSCI Europe + 35% JP Morgan European HY Credit Index
Global Investment Advisors	Opportunistic High Yield Portfolio	0.0	0.0%	Yes	Yes	No	No	No	Lehman Brothers Aggregate Bond Index
Steel	Steel Partners II	0.0	0.0%	Yes	Yes	No	No	No	Russell 2000 Index

\* Mutual Fund

## Marketable Alternatives: Directional Hedge Funds

Manager Name	Has Authority to Short Securities and Use Leverage	Expected Beta of .5 or less to Benchmark	Expected Correlation of .6 or less to Benchmark	Expected Gross Exposure to exceed 150%
AG Realty	Yes	Yes	Yes	Yes
Blue Ridge Capital	Yes	Yes	Yes	Yes
Brahman	Yes	Yes	Yes	Yes
Citigroup EMSO	Yes	Yes	Yes	Yes
Cohghill	Yes	Yes	Yes	Yes
ELA	Yes	Yes	Yes	Yes
ELLA	Yes	Yes	Yes	Yes
Eminence	Yes	Yes	Yes	Yes
Everglades	Yes	Yes	Yes	No
Highside	Yes	Yes	Yes	Yes
Indus Asia Pacific	Yes	Yes	Yes	Yes
Indus Japan	Yes	Yes	Yes	Yes
Maverick	Yes	Yes	Yes	Yes
Millgate	Yes	Yes	Yes	No
SG Partners	Yes	No	Yes	No
Sirios	Yes	Yes	Yes	Yes
Standard Pacific	Yes	Yes	Yes	Yes
Steadfast	Yes	Yes	Yes	Yes
Westfield	Yes	Yes	Yes	Yes

## Marketable Alternatives: Absolute Return Hedge Funds

AG Super	Yes	Yes	Yes	No
AQR	Yes	Yes	Yes	Yes
BGI	Yes	Yes	Yes	Yes
Bridgewater	Yes	Yes	Yes	Yes
Eton Park	Yes	Yes	Yes	Yes
Farallon	Yes	Yes	Yes	Yes
FCOI	Yes	Yes	Yes	Yes
Indus Event Driven	Yes	Yes	Yes	Yes

Manager Name	Has Authority to Short Securities and Use Leverage	Expected Beta of .5 or less to Benchmark	Expected Correlation of .6 or less to Benchmark	Expected Gross Exposure to exceed 150%
Moon Capital	Yes	Yes	Yes	No
Och Ziff	Yes	Yes	Yes	Yes
OCM	Yes	Yes	Yes	Yes
OCM HY Plus	Yes	Yes	Yes	No
Och Ziff Asia	Yes	Yes	Yes	Yes
Och Ziff Europe	Yes	Yes	Yes	Yes
Parkcentral	Yes	Yes	Yes	Yes
Perry Partners	Yes	Yes	Yes	Yes
Protégé	Yes	Yes	Yes	Yes
Satellite	Yes	Yes	Yes	Yes
Silver Point	Yes	Yes	Yes	Yes
Stark	Yes	Yes	Yes	Yes
TPG Axon	Yes	Yes	Yes	Yes

**TAB 5**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 25, 2006

**Agenda Item:** Discussion of New Method of Reporting Individual Manager Issues to UTIMCO Board

**Developed By:** Boldt, Moeller

**Presented By:** Boldt

**Type of Item:** Discussion Item

**Description:** This Item will address several issues concerning the current reporting practices regarding individual managers, particularly our use of "Watch List" designations.

**Recommendation:** None

**Discussion:** Although not required by any investment policy or by the Delegation of Authority, it has been the practice at UTIMCO to designate certain external managers as being on the "Watch List" in cases of poor performance, key personnel turnover, or other issues of concern to UTIMCO staff. There have not been precise rules as to when a manager should go on Watch List, how long the manager must be on Watch List before termination, or precisely what actions by the manager would be required to exit the Watch List. All these issues were properly left to the judgment of the UTIMCO staff and Board. Watch List status was indicated on our external manager reports prepared for the Board meetings and shown on the UTIMCO website. In addition to Watch List status, the external manager report indicated a general status assessment (red, yellow, green) for each manager.

Staff believes that disclosure of status and Watch List information is not in the best interest of the endowment and operating funds. This information has been picked up in press reports, in some cases before Board members were able to discuss the information with staff. In some cases there is a period of time before we are able to withdraw all our funds from a manager after we have notified the manager that we want to terminate the account. If information on the termination were made public immediately, other clients of the terminated manager may also decide to terminate, making our withdrawal more difficult.

Staff believes that it would be better to have a closed briefing session before each UTIMCO Board meeting at which time we could inform the Board regarding manager issues, but take no formal action. In the event that a closed session is not possible under open meeting rules, staff could brief Board members in open session about actions already taken under the Delegation of Authority, while limiting the information discussed to avoid harming the endowment and operating funds. We would appreciate Board input on how this issue should be handled.

**Reference:** Delegation of Authority Policy

**TAB 6**

**Agenda Item**  
UTIMCO Board Meeting  
May 25, 2006

- Agenda Item:** Review of Investment Consultant Request for Proposal
- Developed By:** Boldt, Moeller
- Presented By:** Boldt
- Type of Item:** Information item
- Description:** UTIMCO Staff is in the process of reviewing UTIMCO service providers and has sent out request for proposals and information to candidates for the custodian, compensation consultant, and attorney. The investment consultant request for proposal (RFP) is the final one of the four to be sent to potential candidates and is scheduled to be mailed on May 31, 2006. Cambridge Associates is currently the Board's investment consultant.
- Discussion:** Staff is requesting that the UTIMCO Board review the draft RFP and provide any additional comments or questions the members would like to include in the RFP or any additional potential candidates. Staff has identified the following investment consultants as potential recipients of the RFP:
- Cambridge Associates
  - Wilshire Associates
  - Frank Russell
  - Strategic Investment Solutions
  - LCG Associates
  - New England Pension Consultants
  - Cliffwater
- Recommendation:** None
- Reference:** Investment Consultant Request for Proposal



The University of Texas  
Investment Management Company

**Request for Proposal**

**Investment Consultant**

**May 31, 2006**

## I. Introduction

### **Request for Proposal**

The investment consultant provides consultant services to the UTIMCO Board as well as UTIMCO staff. The investment consultant should have expertise related to all investment classes, including private capital and marketable alternatives, and general investment consulting capabilities.

### **Description**

UTIMCO is a 501(c)(3) investment management corporation whose sole purpose is the management of investment assets under the fiduciary care of the Board of Regents of The University of Texas System (Board of Regents.) Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. The Board of Regents has delegated investment management responsibility for all investments to UTIMCO, subject to compliance with Board of Regents approved investment policies. It invests endowment and operating funds in excess of \$19.4 billion, including the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, the Short Term Fund, and various separately invested funds. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board. The UTIMCO Board of Directors includes three members of the UT System Board, the Chancellor of The University of Texas System, and five outside investment professionals.

## II. Background Information

The background information on each of the investment funds is provided below.

A) The Permanent University Fund (PUF) is a public endowment contributing to the support of 18 institutions and six agencies in UT System and The Texas A&M University System (TAMU System). The Texas Constitution of 1876 established the PUF through the appropriation of land grants previously designated to The University of Texas, as well as an additional one million acres. Another state grant of one million acres was made in 1883. Today, the PUF contains over 2.1 million acres of land located in 24 counties primarily in West Texas (PUF Lands).

PUF Investments are invested in a broadly diversified portfolio including equity, fixed income, and absolute return investments. Investments are allocated two-thirds for the benefit of eligible institutions of the UT System and one-third for the benefit of eligible institutions of the TAMU System. As of February 28, 2006, the net asset value of PUF Investments was \$9.8 billion.

B) The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the Board of

Regents. The GEF is organized as a mutual fund and has two participants, the Permanent Health Fund (PHF) and the Long Term Fund (LTF). The PHF and LTF initially purchased units of the Fund on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. The GEF is invested in a broadly diversified portfolio including equity, fixed income, and absolute return investments. As of February 28, 2006, the net asset value of the GEF was \$5.2 billion.

C) The PHF is an internal University of Texas System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education, created August 30, 1999, with proceeds from state tobacco litigation. The 76<sup>th</sup> Legislature established three permanent funds and thirteen higher education endowments. The PHF participants (unitholders) consist of one of the permanent endowments and eight of the thirteen higher education endowments. On March 1, 2001, the PHF purchased units in the newly created GEF in exchange for the contribution of its investment assets. The PHF no longer invests in individual securities except for GEF units and a negligible amount of cash. Cash distributions are paid quarterly. As of February 28, 2006, the net asset value of the PHF was \$966 million.

D) The LTF is an internal UT System mutual fund for the pooled investment of over 7,000 privately raised endowments and other long-term funds supporting various programs and purposes of the 15 institutions comprising UT System. The LTF was formerly known as the Common Trust Fund. The LTF was established February 9, 1995, by the Board of Regents to succeed the Common Trust Fund pooled investment fund. The Common Trust Fund was established by the Board of Regents in 1932. The LTF is structured as a mutual fund in which each endowment or account purchases units at the LTF's market value per unit. Cash distributions are paid quarterly directly to the UT System institution of record based on a per unit payout established by the Board of Regents. On March 1, 2001, the LTF purchased units in the newly created GEF in exchange for the contribution of its investment assets. The LTF no longer invests in individual securities except for GEF units and a negligible amount of cash. As of February 28, 2006, the net asset value of the LTF was \$4.3 billion.

E) Operating funds of UT System are invested in a money market fund and a new fund, the Intermediate Term Fund (ITF). The ITF was funded on February 1, 2006. The ITF is structured as a mutual fund in which each of the participating 15 UT System institutions and UT System administration purchase units on a monthly basis. The ITF is invested in a broadly diversified portfolio including equity, fixed income, and absolute return investments. However, it does not invest in private equity investments. The ITF's net asset value as of February 28, 2006, was \$2.9 billion. The money market fund (Short Term Fund) had a net asset value of \$1.1 billion. Total operating funds were \$4.0 billion.

F) Separately invested funds have a balance of \$327 million as of February 28, 2006. Included in these funds are charitable remainder trusts, endowments and other funds that are not invested as a part of the pool.

### III. Instruction for Responses

#### General

UTIMCO invites responses to this RFP from qualified firms interested in providing investment consultant services to the UTIMCO Board and staff.

#### Submittal deadline

UTIMCO will accept responses until 5:00 p.m. Central, July 15, 2006.

#### Contacts

Any questions or concerns regarding this RFP shall be directed to:

Greg Lee  
UTIMCO  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701

Tel: (512) 225-1606  
e-mail: [glee@utimco.org](mailto:glee@utimco.org)

#### Public Information

UTIMCO considers all information, documentation, and other materials requested to be submitted in response to this solicitation to be of a non-confidential and/or non-proprietary nature and therefore shall be subject to public disclosure under the Texas *Public Information Act* (Texas Government Code, Chapter 552.001, *et seq.*) after a contract is awarded.

Respondents are hereby notified that UTIMCO strictly adheres to all statutes, court decisions and opinions of the Texas Attorney General with respect to disclosure of RFP information.

#### Presentations and/or Interviews

After receipt of each respondent's responses, respondent may be requested to present an oral presentation to UTIMCO to cover the respondent's qualifications. In addition, UTIMCO may request the opportunity to conduct interviews with the lead investment consultants.

#### Key Events Schedule

- May 31, 2006 RFP sent to candidate firms
- July 15, 2006 Deadline to respond to RFP
- July 31, 2006 Review of proposals and narrow list of candidates to 3
- August 31, 2006 UTIMCO visits candidates and/or view candidate presentations
- September 2006 Placeholder for presentation to UTIMCO Board and selection of investment of consultant
- November 2006 Final negotiation of contract
- November 2006 Board approves contract (or has given staff authority to negotiate contract at its September 2006 meeting)

**Submittal Instructions**

Responses should be sent by mail, facsimile, electronic mail, or delivered in person, marked "Response to Request for Proposal" and to:

Greg Lee  
UTIMCO  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701

**IV. Questionnaire**

**A. Profile**

Name of Responding Firm \_\_\_\_\_

Name and Title of Primary Contact \_\_\_\_\_

Address of Primary Contact \_\_\_\_\_

Telephone \_\_\_\_\_

Fax Number of Primary Contact \_\_\_\_\_

E-mail address of Primary Contact \_\_\_\_\_

**B. Organization**

1. Please provide a brief history, going back to inception, of your firm and your parent organization.
2. Describe the ownership structure of your organization, giving specific details with regard to your parent and any affiliated companies.
3. Include an ownership organizational chart showing this structure. Describe the line(s) of business of your firm, your parent organization and any affiliation.
4. Please describe your client composition and provide a breakdown by client type and asset sizes. In addition, please provide the mean asset allocation by client type. The breakdown should include the following categories:
  - Endowments
  - Foundations

- Public Pension Funds
- Private Pension Funds
- Individuals
- Other

Please provide both number of clients, assets advised, and fee percentages of total fees.

5. What is the total client dollars under advisement by your firm?
6. Please provide a representative client list.
7. What experience does your firm possess in providing investment consulting to institutions like UTIMCO?
8. Please provide three references.

### **C. Conflicts of Interest**

1. Is your firm, its parent or affiliate, a registered investment advisor with the SEC under the Investment Advisors Act of 1940? If not, what is your fiduciary classification? Please include Form ADV, Part II.
2. Has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.
3. Are there any circumstances specifically related to your investment consulting activities under which your firm, its officers or employees receive direct or indirect compensation from investment managers? If so, please describe in detail.
4. Describe the firm's policy on conflict of interest. Does your firm, its parent or affiliate sell information or any other services to investment managers? If so, please describe in detail. Does your firm have any affiliation with a brokerage firm? If so, please describe.
5. Are there any circumstances under which your firm receives compensation for investment management, rather than consulting services? If so, please provide a list of current clients and indicate the percentage of total fee revenue derived from this line of business.

### **D. Employees**

1. Provide an organizational chart showing the number of employees, professional and support, in each function.

2. Describe the volume of work handled by your key personnel and the lead consultant identified for this account.
3. How do you recruit, retain, and compensate qualified individuals?
4. What has been the turnover in your professional staff in past 3 years?
5. Explain how the consultant(s) dedicated to UTIMCO's account would function, including the lead person, back-up, quality control procedures and support services. Provide biographies of the key individuals.

## **E. Consulting Activities**

### **Investment Planning and Asset Allocation**

1. Outline your approach to the development of an investment policy and asset allocation.
2. Describe your firm's typical involvement in preparing guidelines for investment managers.
3. Discuss the asset allocation models you employ. How does your firm develop asset class assumptions?
4. Outline your process for maintaining and providing a continuous review of investment policy, asset allocation and portfolio structure.

### **Investment Manager Search**

5. Does your firm maintain an in-house database of investment managers? If not, what vendor do you purchase the database from? How many managers are contained in the database? What asset classes are covered?
6. Describe how your firm or your vendor gathers, verifies, updates and maintains the data collected on managers for the database.
7. Do you or your vendors charge direct or indirect fees for investment managers to be included in your firm's database? What are the fees? How do you prevent conflicts of interest?
8. If you have an in-house database, do you sell it to third parties? How do you receive compensation?
9. Do you have individuals dedicated to manager research within your firm? If so, how many and where are they located? Describe their role in the manager search process.
10. What are the guidelines you give to a client with respect to terminating an investment manager?

### **Performance Reporting**

11. Describe your performance monitoring capabilities and the staff performing these functions.
12. Give a brief overview of the hardware and software systems used in the production of performance reports. Is the software developed in-house? Is any work subcontracted to another firm?
13. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom/style benchmarks and universes?
14. Can performance monitoring reports be customized?
15. When are performance monitoring reports available?
16. Please provide a sample of your performance monitoring report.

### **Alternative Assets Capabilities**

17. Discuss your firm's investment philosophy regarding alternative investments.
18. Describe the firm's competitive advantage in providing alternative assets consulting.
19. Describe the firm's experience in researching, analyzing, and recommending various types of alternative investments.

### **Research**

20. Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.
21. Please provide examples of your research.
22. Do you have a research platform that is accessible by all clients? If so, please describe.

### **Investment Risk Management**

23. Discuss your Firm's familiarity with investment risk management.
24. Describe the Firm's experience in risk management consulting.

## **IV. Fee Proposal**

1. Please indicate all services you propose to provide and their associated fees.