

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



Presentation Materials

Board of Directors Meeting

April 10, 2007

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
April 10, 2007**

UTIMCO
401 Congress Ave., Suite 2800
Austin, Texas

Time		Item #	Agenda Item
Begin	End		
			OPEN MEETING:
9:00 a.m.	9:05 a.m.	1	Call to Order/Consideration of Minutes of January 25, 2007 Meeting*
9:05 a.m.	9:25 a.m.	2	Corporate Resolutions: - Designation of this Meeting as the Annual Meeting of the UTIMCO Board* - Election of UTIMCO Officers* - Designation of Key Employees* - Designation of Plan Administrative Committee* - Board Committee Assignments*, **
9:25 a.m.	10:15 a.m.	3	Endowment and Operating Funds Update Report
10:15 a.m.	10:35 a.m.	4	Legislative Update
10:35 a.m.	11:15 a.m.	5	Education Program for UTIMCO Directors
11:15 p.m.	11:45 a.m.		Executive Session: Pursuant to sections 551.071 and 551.074, Texas Government Code, the Board of Directors will convene in Executive Session to consult with legal counsel regarding counsel's advice regarding application of The University of Texas Investment Management Company Code of Ethics to certain investment activities, and to deliberate individual personnel matters. Reconvene into Open Session
11:45 a.m.	12:00 p.m.	6	Discussion and Consideration of Recommended Distribution Rates: - Permanent University Fund*, ** - Permanent Health Fund*, ** - Long Term Fund*, ** - Intermediate Term Fund*, **
12:00 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:20 p.m.	7	Discussion and Consideration of Report from Audit and Ethics Committee*
1:20 p.m.	1:40 p.m.	8	Report from Risk Committee
1:40 p.m.	3:30 p.m.	9	Asset Allocation Discussion
3:30 p.m.			Adjournment

* Action by resolution required

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

Next Scheduled Meeting: May 31, 2007

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **January 25, 2007**, 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 10:20 a.m. on the **25th day of January, 2007**, in the Austin Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

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

thus, constituting a majority and quorum of the Board. Director Ardon E. Moore was not present at the meeting. Also attending the meeting were Cathy Iberg, Interim President and CEO, and Managing Director – Marketable Alternative Investments; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; Tushar Shah, Director of Public Markets; various staff members of the Corporation; Glenn Opel, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Charlie Chaffin and Jim Phillips of UT System Administration; Bruce Myers, Hamilton Lee and Jeanne Rogers of Cambridge Associates; and Greg Anderson of The Texas A&M University System. Rick Lannamann and Tom Simmons of Spencer Stuart joined the meeting later as noted in the minutes. Mr. Caven called the meeting to order at 10:20 a.m.

Minutes

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on November 9, 2006. Mr. Nye requested clarifying language be added to the minutes regarding the Ernst & Young recommendation for additional staff to assist with auditing alternative investments. 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 November 9, 2006, be, and are hereby, approved, subject to revision as requested by Director Nye; 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.

Endowment and Operating Funds Update

Mr. Caven asked Ms. Iberg to present the Corporation's endowment and operating funds update. Ms. Iberg began by discussing performance information for November 30, 2006 and December 31, 2006. She reviewed portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. The net performance for the one-month period ended December 31, 2006, for the PUF was 1.08% and for the GEF was 1.10%, versus benchmark returns of 0.81% for each fund. The net performance for the one-year period ended December 31, 2006, for the PUF and GEF were 13.11% and 13.34%, respectively, versus benchmark returns of 14.65% for each fund. The Intermediate Term Fund's (ITF) performance was 0.08% versus its benchmark return of -0.05% for the one-month period, and was 7.28% versus its benchmark return of 7.40% for the six-month period ended December 31, 2006. Performance for the Short Term Fund (STF) was 0.45% versus 0.44% for its benchmark for the one-month period, and was 5.08% versus a benchmark return of 4.85% for the one-year period ended December 31, 2006. Ms. Iberg continued by reporting Cumulative Value Added under the Corporation's management for periods ended November 30, 2006. Also presented was information on performance attribution, liquidity, derivatives, and actions taken under the Delegation of Authority. Ms. Iberg asked Ms. Reed to give the report on the Risk Dashboard. Ms. Iberg, Ms. Reed, Mr. Thompson and Mr. Shah answered the Directors' questions. Also discussed was the proposed write-down of the Songbird investment. Staff determined that the Songbird investment and related securities have been permanently impaired in value and recommended to the Board that they be written down to \$1.00. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Songbird and Medsite be written down to \$1.00 as of August 31, 2006.

Guest Speaker

Mr. Thompson introduced Mr. Craig Huff, President of Reservoir Capital Group, as a guest speaker. Mr. Huff gave a brief background of Reservoir Capital Group which he co-founded in 1997. He shared his views on the current state of the capital markets, discussed several investment opportunities his firm currently found compelling and gave portfolio highlights. There was a short question and answer session with the Board following his presentation.

The meeting was recessed for lunch at 12:20 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:35 p.m.

Investment Environment and Opportunities

Mr. Caven asked Ms. Iberg to begin discussion on current investment environment and opportunities. Ms. Iberg suggested several discussion topics. This discussion gave the Board, Staff and consultants an opportunity to have an open-ended and unstructured discussion on issues, concerns, and opportunities in the current investment environment.

Policy Committee Report

Mr. Caven asked Mr. Rowling to give a report from the Policy Committee. Mr. Rowling reported that the Policy Committee had met prior to the Board meeting. They discussed amendments to the Delegation of Authority, reviewed the Securities Lending Policy, the Soft Dollar Policy and the Proxy Voting Policy, and approved Travel Guidelines. Mr. Rowling asked Ms. Iberg to provide further detail. Ms. Iberg explained that the two internal policies reviewed were the Soft Dollar Policy and the Proxy Voting Policy. Also reviewed and approved by the Policy Committee were the UTIMCO Travel Guidelines. A draft of a Securities Lending Policy was also reviewed. The Securities Lending Policy was prepared based on an existing agreement that is in place with the Master Custodian. Outside counsel is in the process of reviewing the Securities Lending Policy and the Corporation's agreement with the Master Custodian. Further discussion will be held on the policy. Mr. Rowling, speaking for the Policy Committee, then recommended proposed amendments to the Delegation of Authority Policy. He stated that most proposed changes are to provide clarification and make minor editorial changes, and noted two specific changes. After discussion, with Ms. Iberg answering the Directors' questions, 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.

Report from the Advisory Search Committee

Mr. Caven asked Mr. Carlson for an update from the Advisory Search Committee. Mr. Carlson reported that progress is being made with the search for a new Corporation President, CEO and CIO. At this time, Rick Lannamann and Tom Simmons of Spencer Stuart joined the meeting. Mr. Carlson introduced Mr. Lannamann and Mr. Simmons and asked if they would provide background of their roles with Spencer Stuart and give an update of the search process. Mr. Lannamann answered the Directors' questions. At this time, Mr. Lannamann and Mr. Simmons left the meeting.

Approval of Investment Consultant Contract

Mr. Caven asked Ms. Iberg to continue by presenting the investment consultant contract. In accordance with the Delegation of Authority, the Board executes the external investment consultant contract. The Board approved retaining Cambridge Associates as its investment consultant at their Board meeting on September 22, 2006. Ms. Iberg summarized the changes to the contract. Staff recommended contract renewal for a twelve month period beginning December 1, 2006. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

2006 Annual Report

Mr. Caven asked Ms. Moeller to present the 2006 Annual Report. Ms. Moeller explained that the report is used primarily as a development tool for each of the institutions. The 2006 theme was "Investing in Technology". The report highlighted the UT System institutions' development of technologies in the fields of medicine, natural and physical sciences, information technology, etc. As in previous years, the Staff worked with an advisory group consisting of development staff from several UT System institutions to improve the reporting and Staff continues to have positive feedback. Over 7,800 reports were sent out.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:50 p.m.

Secretary: _____
Joan Moeller

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

TAB 2

Agenda Item
UTIMCO Board Meeting
April 10, 2007

Agenda Item: Corporate Resolutions - Designation of the Annual Meeting, Election of Corporate Officers, Designation of Key Employees for the Corporation, Designation of Plan Administrative Committee, and Board Committee Member Assignments.

Developed By: Caven, Iberg

Presented By: Caven, Iberg

Type of Item: Action required by UTIMCO Board

Description: As stated in the Bylaws, there shall be designation of the Annual Meeting by resolution of the Board of Directors, and election of Officers for the ensuing year.

The Corporation's Code of Ethics requires the Board to designate, by position, the employees who exercise significant decision-making authority. By virtue of their position with UTIMCO, these persons are "key employees".

The Board also appoints the Plan Administrative Committee. This committee is an internal committee consisting of UTIMCO employees and is responsible for general administration of the 403(b) Tax Sheltered Annuity Plan of the Corporation.

The Board will also appoint the Board Committee Member Assignments based on the recommendations made by Chairman Caven.

Recommendation: Approval requested for the following:

- Designation of this Meeting as the Annual Meeting of the UTIMCO Board
- Election of UTIMCO Officers
- Designation of Key Employees
- Designation of Plan Administrative Committee
- Board Committee Member Assignments

Reference: UTIMCO Bylaws and Code of Ethics

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that this is the Annual Meeting of the Board of Directors, held on April 10, 2007, in Austin, Texas.

RESOLUTION RELATED TO CORPORATION OFFICERS

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

<u>Name</u>	<u>Office or Offices</u>
H. Scott Caven, Jr.	Chairman
Robert B. Rowling	Vice-Chairman
Mark G. Yudof	Vice-Chairman for Policy
Cathy Iberg	Interim President, Managing Director
Bill Edwards	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Lindel Eakman	Director
Christy Wallace	Assistant Secretary

<p style="text-align: center;">RESOLUTION RELATED TO KEY EMPLOYEES OF THE CORPORATION</p>
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RESOLVED, as required by the Corporation's Code of Ethics, the Board shall designate, by position, key employees of the Corporation.

Cathy Iberg	Interim President, Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
Lindel Eakman	Director – Private Markets
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
Melynda Carter	Manager - Finance and Administration
Laura Patrick	Associate – Public Markets Investments
Cissie Gonzalez	General Counsel
Christy Wallace	Executive Assistant

RESOLUTION RELATED TO PLAN ADMINISTRATIVE COMMITTEE

RESOLVED, that the following employees be designated as the Plan Administrative Committee, responsible for general administration of 403(b) Tax Sheltered Annuity Plan of the Corporation.

Cathy Iberg	Interim President, Managing Director - Marketable Alternative Investments/Deputy CIO
Joan Moeller	Managing Director – Accounting, Finance and Administration
Melynda Carter	Manager - Finance and Administration

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that Colleen McHugh, Erle Nye, Robert B. Rowling and Charles W. Tate are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the Board of Regents at their meeting to be held on May 9-10, 2007, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

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

BE IT RESOLVED, that Clint D. Carlson, J. Philip Ferguson, and Ardon E. Moore are hereby designated as the Compensation Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

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

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

FURTHER RESOLVED, that Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that Colleen McHugh, Ardon E. Moore and Robert B. Rowling are hereby designated as the Policy Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Robert B. Rowling is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Performance Report

Developed By: Moeller, Hill

Presented By: Iberg

Type of Item: Information Item

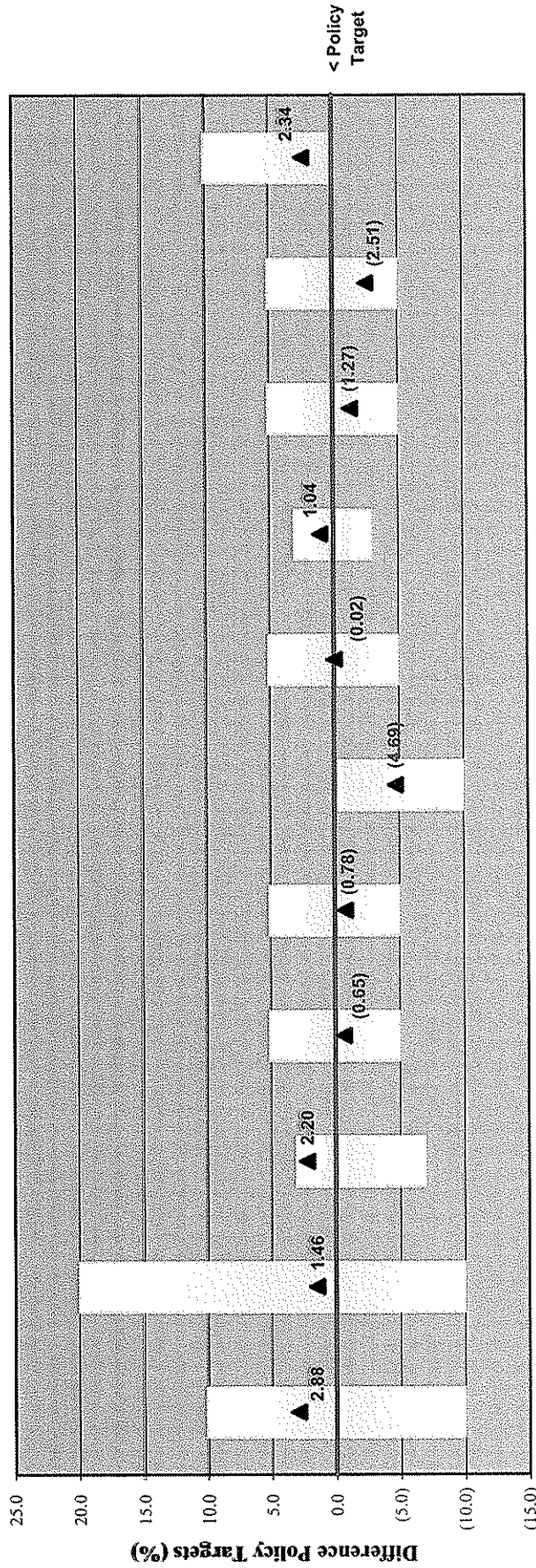
Description: The reports presented are for the periods ended February 28, 2007 (Except as noted).

Recommendation: No action required.

Reference: Market Exposure; UTIMCO Performance Summary; Fund Performance Summaries; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Universe; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars Funds Universe; UTIMCO Endowment Funds vs. Mellon All Funds Universe; UTIMCO Endowment Funds vs. Mellon Foundations and Endowments Universe.

**Permanent University Fund
Market Exposure
February 28, 2007**

Deviations From Policy Targets Within Tactical Policy Ranges



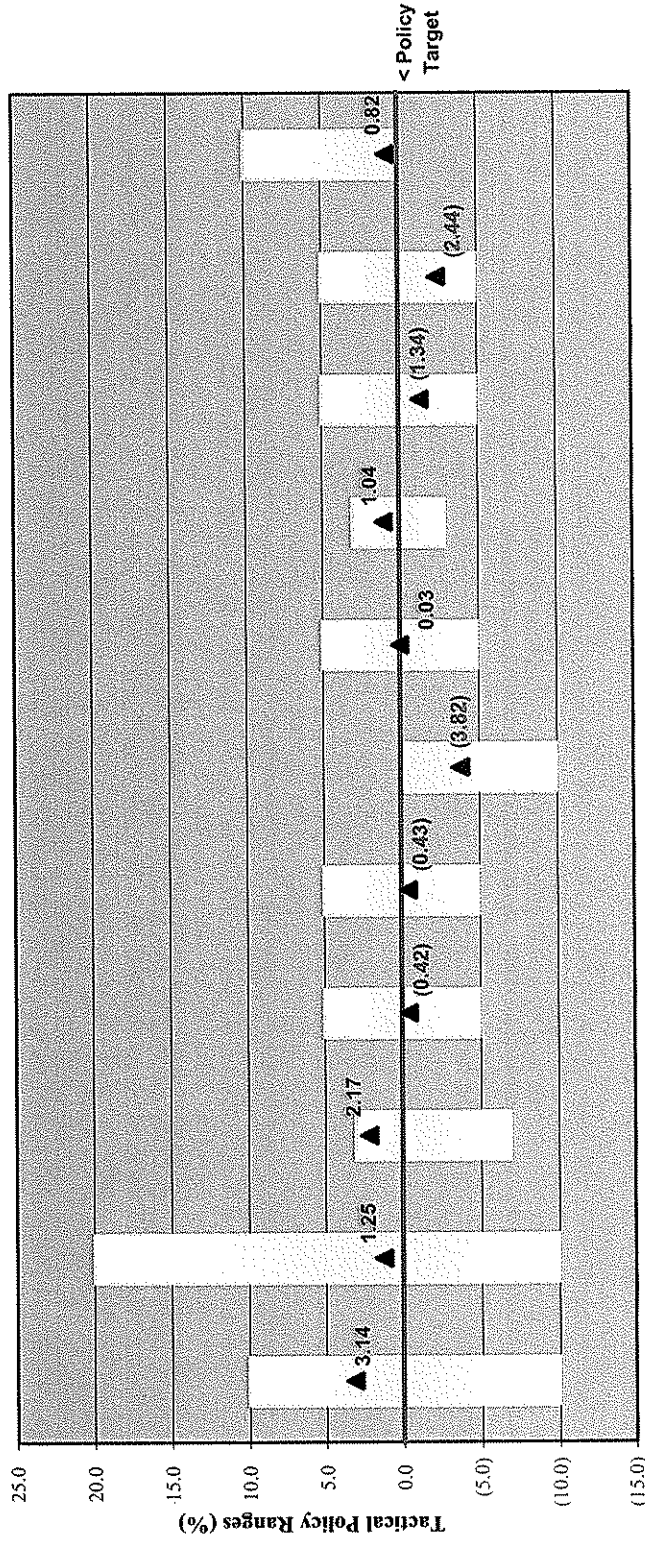
	U.S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	22.88%	11.46%	9.20%	9.35%	14.22%	10.31%	4.98%	4.04%	3.73%	7.49%	2.34%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	2.88%	1.46%	2.20%	-0.65%	-0.78%	-4.69%	-0.02%	1.04%	-1.27%	-2.51%	2.34%

Deviation in Dollars (\$m) 318.49 161.46 243.29 (71.88) (86.26) (518.65) (2.21) 115.01 (140.44) (277.57) 258.76



**General Endowment Fund
Market Exposure
February 28, 2007**

Deviations From Policy Targets Within Tactical Policy Ranges



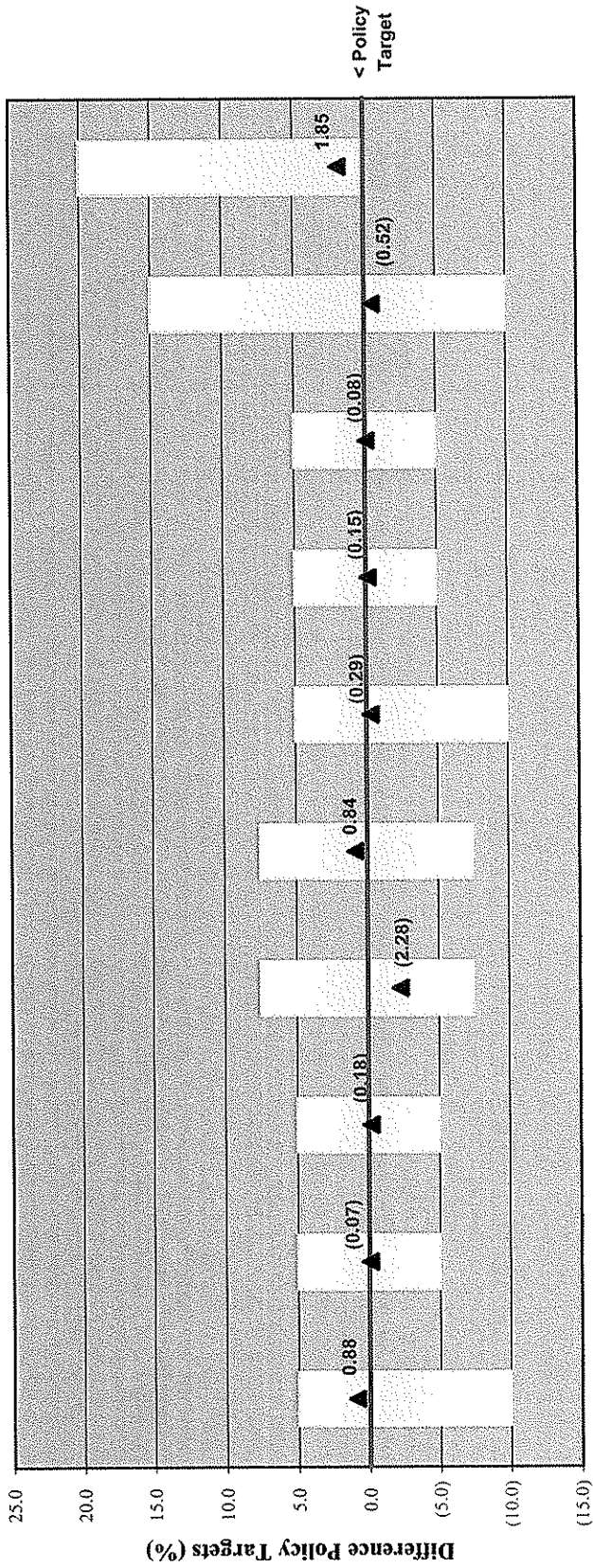
	U.S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	23.14%	11.25%	9.17%	9.58%	14.57%	11.18%	5.03%	4.04%	3.66%	7.56%	0.82%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	3.14%	1.25%	2.17%	(0.42%)	(0.43%)	(3.82%)	0.03%	1.04%	(1.34%)	(2.44%)	0.82%

Deviation in Dollars (\$m) 188.30 74.96 130.13 (25.19) (25.79) (229.08) 1.80 62.37 (80.36) (146.32) 49.18



**Intermediate Term Fund
Market Exposure
February 28, 2007**

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
Actual	15.88%	4.93%	4.82%	10.22%	13.34%	9.71%	4.85%	9.92%	24.48%	1.85%
Policy Target	15.00%	5.00%	5.00%	12.50%	12.50%	10.00%	5.00%	10.00%	25.00%	0.00%
Deviation	0.88%	-0.07%	-0.18%	-2.28%	0.84%	-0.29%	-0.15%	-0.08%	-0.52%	1.85%

Deviation in Dollars (\$m)	30.97	(2.46)	(6.33)	(80.24)	29.56	(10.21)	(5.28)	(2.82)	(18.30)	65.11
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UTIMCO Performance Summary

February 28, 2007

Net Asset Value 2/28/2007 (in Millions)	Periods Ended February 28, 2007 (Returns for Periods Longer Than One Year are Annualized)										
	One Month	Calendar Year To Date	Three Months	Fiscal Year To Date	Six Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
ENDOWMENT FUNDS											
Permanent University Fund	0.97	2.20	3.30	7.87	7.87	12.45	12.58	12.27	16.85	11.54	9.49
General Endowment Fund	1.11	2.37	3.50	8.20	8.20	12.81	12.65	12.34	17.09	11.73	N/A
Permanent Health Fund	1.12	2.37	3.47	8.20	8.20	12.79	12.58	12.28	16.98	11.62	N/A
Long Term Fund	1.11	2.37	3.47	8.20	8.20	12.78	12.59	12.28	17.00	11.65	10.09
Separately Invested Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	17,255.7										
OPERATING FUNDS											
Short Term Fund	0.40	0.85	1.30	2.64	2.64	5.24	4.39	3.42	2.83	2.61	3.98
Intermediate Term Fund	0.58	2.00	2.07	6.70	6.70	10.47	N/A	N/A	N/A	N/A	N/A
Total Operating Funds	4,785.9										
Total Investments	\$ 22,041.6										
BENCHMARKS (1)											
Permanent University Fund: Policy Portfolio	0.14	1.32	2.13	7.48	7.48	12.04	13.31	12.41	14.61	9.85	9.98
General Endowment Fund: Policy Portfolio	0.14	1.32	2.13	7.48	7.48	12.04	13.31	12.41	14.61	9.85	9.68
Short Term Fund: 90 Day Treasury Bills Average Yield	0.38	0.79	1.24	2.52	2.52	5.01	4.20	3.29	2.74	2.53	3.80
Intermediate Term Fund: Policy Portfolio	0.39	1.79	1.74	6.74	6.74	10.09	N/A	N/A	N/A	N/A	N/A
VALUE ADDED (2)											
Permanent University Fund	0.84	0.88	1.18	0.39	0.39	0.41	(0.74)	(0.14)	2.24	1.68	(0.49)
General Endowment Fund	0.98	1.05	1.37	0.72	0.72	0.76	(0.66)	(0.07)	2.47	1.87	N/A
Permanent Health Fund	0.98	1.05	1.34	0.72	0.72	0.74	(0.73)	(0.13)	2.37	1.77	N/A
Long Term Fund	0.98	1.04	1.34	0.72	0.72	0.74	(0.73)	(0.13)	2.38	1.80	0.41
Short Term Fund	0.02	0.06	0.06	0.12	0.12	0.23	0.19	0.13	0.09	0.08	0.18
Intermediate Term Fund	0.19	0.21	0.34	(0.04)	(0.04)	0.38	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.

Effective August 10, 2006, benchmark returns for the PUF and GEF policy portfolios were also restated for periods beginning January 1, 2006 through April 30, 2006, and for the ITF policy portfolio for periods beginning February 1, 2006 to April 30, 2006, to replace benchmark returns for the Hedge Fund asset class due to integrity concerns regarding existing benchmarks. Specifically, composites of Standard & Poor's investable hedge fund indices were replaced with the MSCI Investable Hedge Fund Index.

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

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

Permanent University Fund

Six Months Ended February 28, 2007

PUF	Return	POLICY PORTFOLIO	Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:		Public Markets:					
U.S. Equities	7.8%	Russell 3000	9.8%	-2.0%	22.9%	20.0%	-0.4%
International Developed Equities	8.7%	MSCI EAFE	12.2%	-3.5%	11.5%	10.0%	-0.3%
Emerging Market Equities	16.3%	MSCI EM	16.6%	-0.3%	9.2%	7.0%	0.1%
Fixed Income	3.7%	Lehman Aggregate	3.7%	0.0%	7.5%	10.0%	0.1%
Inflation Linked:		Inflation Linked:					
Commodities	-12.8%	1/3 DJAIG / 2/3 GSCI	-8.2%	-4.6%	4.0%	3.0%	-0.5%
REITS	20.2%	Wilshire RESI	18.5%	1.7%	5.0%	5.0%	0.0%
TIPS	1.3%	Lehman TIPS	1.1%	0.2%	3.7%	5.0%	0.1%
Private Markets	11.7%	Venture Economics Periodic IRR	4.4%	7.3%	10.3%	15.0%	0.9%
Marketable Alternatives:		Marketable Alternatives:					
Directional Hedge Funds	8.1%	MSCI Investable Hedge Fund Index	5.6%	2.5%	9.4%	10.0%	0.2%
Absolute Return Hedge Funds	8.2%	MSCI Investable Hedge Fund Index	5.6%	2.6%	14.2%	15.0%	0.4%
Cash	2.6%	90 Day Treasury Bills Average Yield	2.5%	0.1%	2.3%	0.0%	-0.2%
TOTAL PUF PORTFOLIO	7.9%	TOTAL POLICY PORTFOLIO	7.5%	0.4%	100.0%	100.0%	0.4%

Permanent University Fund Year Ended February 28, 2007

PUF	Return	POLICY PORTFOLIO	Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:		Public Markets:					
U.S. Equities	12.8%	Russell 3000	12.0%	0.8%	22.9%	20.0%	0.1%
International Developed Equities	11.8%	MSCI EAFE	21.1%	-9.3%	11.5%	10.0%	-0.9%
Emerging Market Equities	15.4%	MSCI EM	17.1%	-1.7%	9.2%	7.0%	-0.1%
Fixed Income	6.3%	Lehman Aggregate	5.5%	0.8%	7.5%	10.0%	0.2%
Inflation Linked:		Inflation Linked:					
Commodities	-7.7%	1/3 DJAIG / 2/3 GSCI	-2.1%	-5.6%	4.0%	3.0%	-0.5%
REITS	35.0%	Wishire RESI	32.4%	2.6%	5.0%	5.0%	0.1%
TIPS	3.2%	Lehman TIPS	2.7%	0.5%	3.7%	5.0%	0.1%
Private Markets	25.0%	Venture Economics Periodic IRR	16.4%	8.6%	10.3%	15.0%	0.6%
Marketable Alternatives:		Marketable Alternatives:					
Directional Hedge Funds	10.0%	MSCI Investable Hedge Fund Index	6.5%	3.5%	9.4%	10.0%	0.4%
Absolute Return Hedge Funds	11.8%	MSCI Investable Hedge Fund Index	6.5%	5.3%	14.2%	15.0%	0.8%
Cash	5.2%	90 Day Treasury Bills Average Yield	5.0%	0.2%	2.3%	0.0%	-0.3%
TOTAL PUF PORTFOLIO	12.5%	TOTAL POLICY PORTFOLIO	12.0%	0.5%	100.0%	100.0%	0.5%

Permanent University Fund

Two Years Ending February 28, 2007

PUF	Return	POLICY PORTFOLIO	Return	Return Difference
Public Markets:		Public Markets:		
U.S. Equities	10.0%	Russell 3000	11.2%	-1.2%
International Developed Equities	16.8%	MSCI EAFE	19.2%	-2.4%
Emerging Market Equities	21.8%	MSCI EM	26.4%	-4.6%
Fixed Income	4.2%	Lehman Aggregate	4.1%	0.1%
Inflation Linked:		Inflation Linked:		
Commodities	-1.2%	1/3 DJAIG / 2/3 GSCI	3.1%	-4.3%
REITS	34.8%	Wilshire RESI	32.2%	2.6%
TIPS	3.5%	Lehman TIPS	3.0%	0.5%
Private Markets	24.2%	Venture Economics Periodic IRR	22.5%	1.7%
Marketable Alternatives:		Marketable Alternatives:		
Directional Hedge Funds	9.5%	Directional Hedge Fund Composite	7.1%	2.4%
Absolute Return Hedge Funds	10.9%	Absolute Hedge Fund Composite	6.5%	4.4%
Cash	4.4%	90 Day Treasury Bills Average Yield	4.2%	0.2%
TOTAL PUF PORTFOLIO	12.6%	TOTAL POLICY PORTFOLIO	13.3%	-0.7%

Permanent University Fund Three Years Ending February 28, 2007

PUF	Return	POLICY PORTFOLIO	Return	Return Difference
Public Markets:		Public Markets:		
U.S. Equities	9.2%	Russell 3000	10.0%	-0.8%
International Developed Equities	17.5%	MSCI EAFE	19.0%	-1.5%
Emerging Market Equities	20.1%	MSCI EM	26.4%	-6.3%
Fixed Income	4.6%	Lehman Aggregate	3.6%	1.0%
Inflation Linked:		Inflation Linked:		
Commodities	4.3%	1/3 DJAIG / 2/3 GSCI	9.1%	-4.8%
REITS	31.6%	Wilshire RESI	28.1%	3.5%
TIPS	N/A	Lehman TIPS	3.4%	N/A
Private Markets	22.8%	Venture Economics Periodic IRR	19.8%	3.0%
Marketable Alternatives:		Marketable Alternatives:		
Directional Hedge Funds	9.2%	Directional Hedge Fund Composite	6.6%	2.6%
Absolute Return Hedge Funds	11.1%	Absolute Hedge Fund Composite	5.8%	5.3%
Cash	3.4%	90 Day Treasury Bills - Average Yield	3.3%	0.1%
TOTAL PUF PORTFOLIO	12.3%	TOTAL POLICY PORTFOLIO	12.4%	-0.1%

N/A - Asset Class Funded during this period.

General Endowment Fund

Six Months Ended February 28, 2007

GEF	Return	POLICY PORTFOLIO	Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:							
U.S. Equities	7.8%	Russell 3000	9.8%	-2.0%	23.1%	20.0%	-0.4%
International Developed Equities	8.7%	MSCI EAFE	12.2%	-3.5%	11.2%	10.0%	-0.3%
Emerging Market Equities	16.3%	MSCI EM	16.6%	-0.3%	9.2%	7.0%	0.1%
Fixed Income	3.7%	Lehman Aggregate	3.7%	0.0%	7.6%	10.0%	0.1%
Inflation Linked:							
Commodities	-12.9%	1/3 DJAIG / 2/3 GSCI	-8.2%	-4.7%	4.0%	3.0%	-0.5%
REITS	20.3%	Wishare RESI	18.5%	1.8%	5.0%	5.0%	0.0%
TIPS	1.3%	Lehman TIPS	1.1%	0.2%	3.7%	5.0%	0.1%
Private Markets	13.9%	Venture Economics Periodic IRR	4.4%	9.5%	11.2%	15.0%	1.1%
Marketable Alternatives:							
Directional Hedge Funds	8.1%	MSCI Investable Hedge Fund Index	5.6%	2.5%	9.6%	10.0%	0.2%
Absolute Return Hedge Funds	8.2%	MSCI Investable Hedge Fund Index	5.6%	2.6%	14.6%	15.0%	0.4%
Cash	2.6%	90 Day Treasury Bills Average Yield	2.5%	0.1%	0.8%	0.0%	-0.1%
TOTAL GEF PORTFOLIO	8.2%	TOTAL POLICY PORTFOLIO	7.5%	0.7%	100.0%	100.0%	0.7%

General Endowment Fund

Year Ended February 28, 2007

GEF	Return	POLICY PORTFOLIO	Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:							
U.S. Equities	12.9%	Russell 3000	12.0%	0.9%	23.1%	20.0%	0.1%
International Developed Equities	11.7%	MSCI EAFE	21.1%	-9.4%	11.2%	10.0%	-0.9%
Emerging Market Equities	15.4%	MSCI EM	17.1%	-1.7%	9.2%	7.0%	-0.1%
Fixed Income	6.2%	Lehman Aggregate	5.5%	0.7%	7.6%	10.0%	0.2%
Inflation Linked:		Inflation Linked:					
Commodities	-7.7%	1/3 DJAIG / 2/3 GSCI	-2.1%	-5.6%	4.0%	3.0%	-0.5%
REITS	35.0%	Wishare RESI	32.4%	2.6%	5.0%	5.0%	0.1%
TIPS	3.2%	Lehman TIPS	2.7%	0.5%	3.7%	5.0%	0.1%
Private Markets	26.5%	Venture Economics Periodic IRR	16.4%	10.1%	11.2%	15.0%	0.8%
Marketable Alternatives:		Marketable Alternatives:					
Directional Hedge Funds	10.0%	MSCI Investable Hedge Fund Index	6.5%	3.5%	9.6%	10.0%	0.4%
Absolute Return Hedge Funds	11.8%	MSCI Investable Hedge Fund Index	6.5%	5.3%	14.6%	15.0%	0.8%
Cash	5.2%	90 Day Treasury Bills Average Yield	5.0%	0.2%	0.8%	0.0%	-0.2%
TOTAL GEF PORTFOLIO	12.8%	TOTAL POLICY PORTFOLIO	12.0%	0.8%	100.0%	100.0%	0.8%

General Endowment Fund Two Years Ending February 28, 2007

GEF	Return	Return	Return Difference
Public Markets:			
U.S. Equities	10.2%	Russell 3000	11.2%
International Developed Equities	16.7%	MSCI EAFE	19.2%
Emerging Market Equities	21.6%	MSCI EM	26.4%
Fixed Income	4.2%	Lehman Aggregate	4.1%
Inflation Linked:			
Commodities	-1.2%	1/3 DJAIG / 2/3 GSCI	3.1%
REITS	34.7%	Wilshire RESI	32.2%
TIPS	3.5%	Lehman TIPS	3.0%
Private Markets	23.7%	Venture Economics Periodic IRR	22.5%
Marketable Alternatives:			
Directional Hedge Funds	9.4%	Directional Hedge Fund Composite	7.1%
Absolute Return Hedge Funds	10.9%	Absolute Hedge Fund Composite	6.5%
Cash	4.4%	90 Day Treasury Bills Average Yield	4.2%
TOTAL GEF PORTFOLIO	12.7%	TOTAL POLICY PORTFOLIO	13.3%
			-0.6%

General Endowment Fund

Three Years Ending February 28, 2007

GEF	Return	POLICY PORTFOLIO	Return	Return Difference
Public Markets:		Public Markets:		
U.S. Equities	9.2%	Russell 3000	10.0%	-0.8%
International Developed Equities	17.4%	MSCI EAFE	19.0%	-1.6%
Emerging Market Equities	20.2%	MSCI EM	26.4%	-6.2%
Fixed Income	4.7%	Lehman Aggregate	3.6%	1.1%
Inflation Linked:		Inflation Linked:		
Commodities	4.3%	1/3 DJAIG / 2/3 GSCI	9.1%	-4.8%
REITS	31.6%	Wishire RESI	28.1%	3.5%
TIPS	N/A	Lehman TIPS	3.4%	N/A
Private Markets	22.6%	Venture Economics Periodic IRR	19.8%	2.8%
Marketable Alternatives:		Marketable Alternatives:		
Directional Hedge Funds	9.1%	Directional Hedge Fund Composite	6.6%	2.5%
Absolute Return Hedge Funds	11.2%	Absolute Hedge Fund Composite	5.8%	5.4%
Cash	3.4%	90 Day Treasury Bills Average Yield	3.3%	0.1%
TOTAL GEF PORTFOLIO	12.3%	TOTAL POLICY PORTFOLIO	12.4%	-0.1%

N/A - Asset Class Funded during this period.

Intermediate Term Fund
Six Months Ended February 28, 2007

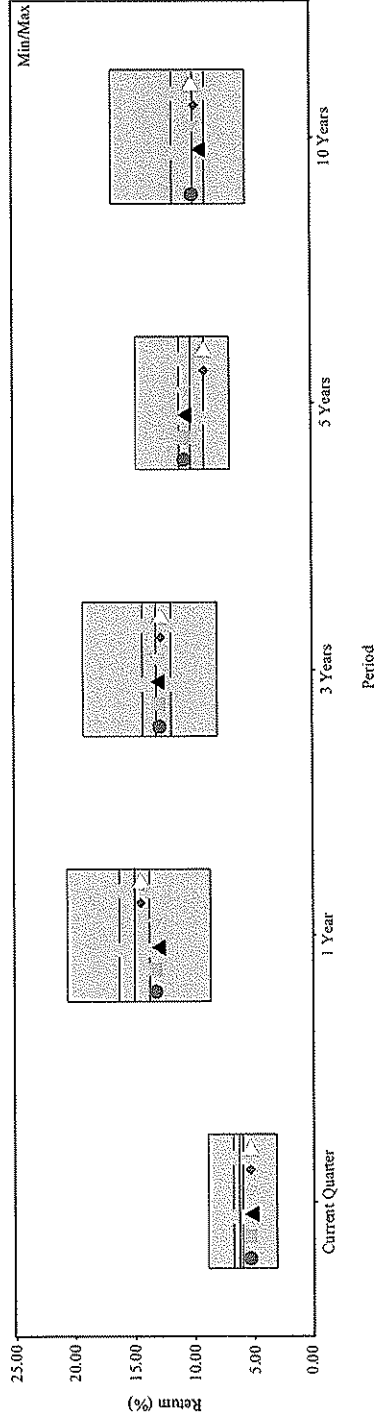
ITF	Return	POLICY PORTFOLIO	Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:		Public Markets:					
U.S. Equities	8.5%	Russell 3000	9.8%	-1.3%	15.9%	15.0%	-0.2%
International Developed Equities	10.1%	MSCI EAFE	12.2%	-2.1%	4.9%	5.0%	-0.1%
Emerging Market Equities	15.6%	MSCI EM	16.6%	-1.0%	4.8%	5.0%	-0.1%
Fixed Income	3.6%	Lehman Aggregate	3.7%	-0.1%	24.5%	25.0%	0.0%
Inflation Linked:		Inflation Linked:					
Commodities	-11.7%	1/3 DJAIG / 2/3 GSCI	-8.2%	-3.5%	4.9%	5.0%	-0.2%
REITS	18.8%	Wilshire RESI	18.5%	0.3%	9.7%	10.0%	0.0%
TIPS	1.3%	Lehman TIPS	1.1%	0.2%	9.9%	10.0%	0.0%
Marketable Alternatives:		Marketable Alternatives:					
Directional Hedge Funds	8.1%	MSCI Investable Hedge Fund Index	5.6%	2.5%	10.2%	12.5%	0.3%
Absolute Return Hedge Funds	8.0%	MSCI Investable Hedge Fund Index	5.6%	2.4%	13.3%	12.5%	0.3%
Cash	2.6%	90 Day Treasury Bills Average Yield	2.5%	0.1%	1.9%	0.0%	0.0%
TOTAL ITF PORTFOLIO	6.7%	TOTAL POLICY PORTFOLIO	6.7%	0.0%	100.0%	100.0%	0.0%

Intermediate Term Fund

Year Ended February 28, 2007

ITF		Return	POLICY PORTFOLIO		Return	Return Difference	Actual Asset Allocation as of February 28, 2007	Target Allocation	Contribution to Over/Under Performance
Public Markets:			Public Markets:						
U.S. Equities	12.2%		Russell 3000	12.0%	0.2%	15.9%	15.0%	0.0%	
International Developed Equities	15.2%		MSCI EAFE	21.1%	-5.9%	4.9%	5.0%	-0.2%	
Emerging Market Equities	15.2%		MSCI EM	17.1%	-1.9%	4.8%	5.0%	-0.1%	
Fixed Income	6.2%		Lehman Aggregate	5.5%	0.7%	24.5%	25.0%	0.2%	
Inflation Linked:			Inflation Linked:						
Commodities	-6.5%		1/3 DJAIG / 2/3 GSCI	-2.1%	-4.4%	4.9%	5.0%	-0.3%	
REITS	31.8%		Wilshire RESI	32.4%	-0.6%	9.7%	10.0%	-0.1%	
TIPS	3.1%		Lehman TIPS	2.7%	0.4%	9.9%	10.0%	0.0%	
Marketable Alternatives:			Marketable Alternatives:						
Directional Hedge Funds	10.0%		MSCI Investable Hedge Fund Index	6.5%	3.5%	10.2%	12.5%	0.4%	
Absolute Return Hedge Funds	11.6%		MSCI Investable Hedge Fund Index	6.5%	5.1%	13.3%	12.5%	0.6%	
Cash	5.2%		90 Day Treasury Bills Average Yield	5.0%	0.2%	1.9%	0.0%	-0.1%	
TOTAL ITF PORTFOLIO	10.5%		TOTAL POLICY PORTFOLIO	10.1%	0.4%	100.0%	100.0%	0.4%	

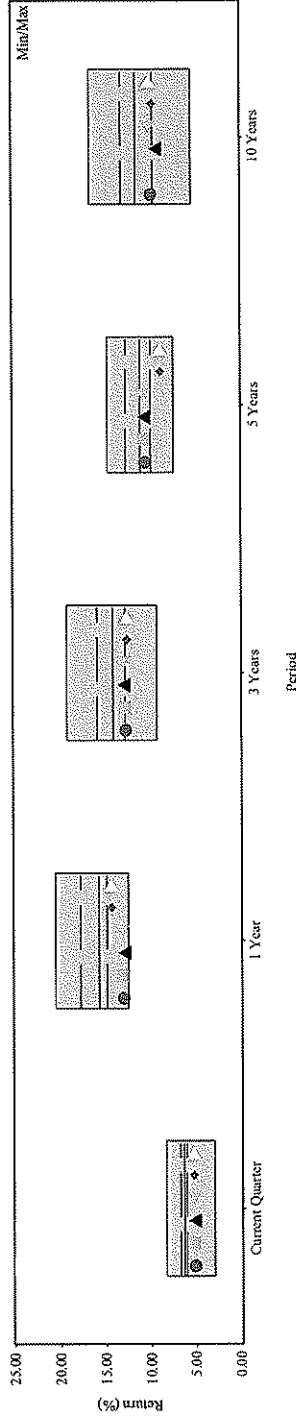
**UTIMCO ENDOWMENT FUNDS vs.
Total Cambridge Universe
Periods Ended December 31, 2006
Quartile**



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	8.80		20.62		19.27		14.77		16.75	
25th Percentile	6.70		16.28		14.25		11.17		11.59	
Median	6.28		15.03		13.14		10.14		9.90	
75th Percentile	5.94		13.79		11.82		9.01		8.89	
Minimum	3.23		8.77		8.15		7.01		5.56	
# of Portfolios	131		131		130		128		113	
UTIMCO LTF-Net of Fees	5.41	91	13.36	88	13.05	52	10.81	38	10.13	49
UTIMCO PHF-Net of Fees	5.41	91	13.36	88	13.04	52	10.79	38	---	---
UTIMCO PUF-Net of Fees	5.31	94	13.11	93	13.17	50	10.77	38	9.53	62
UTIMCO GEF-Net of Fees	5.41	91	13.34	89	13.12	51	10.89	34	10.17	48
Policy Portfolio GEF	5.45	90	14.64	61	12.92	55	9.09	75	9.91	50
Policy Portfolio PUF	5.45	90	14.64	61	12.92	55	9.09	75	10.17	48

The Cambridge Universe consists of all College and Universities that report quarterly returns to Cambridge Associates, Inc. The number of Colleges and Universities reporting as of December 31, 2006 was 131.

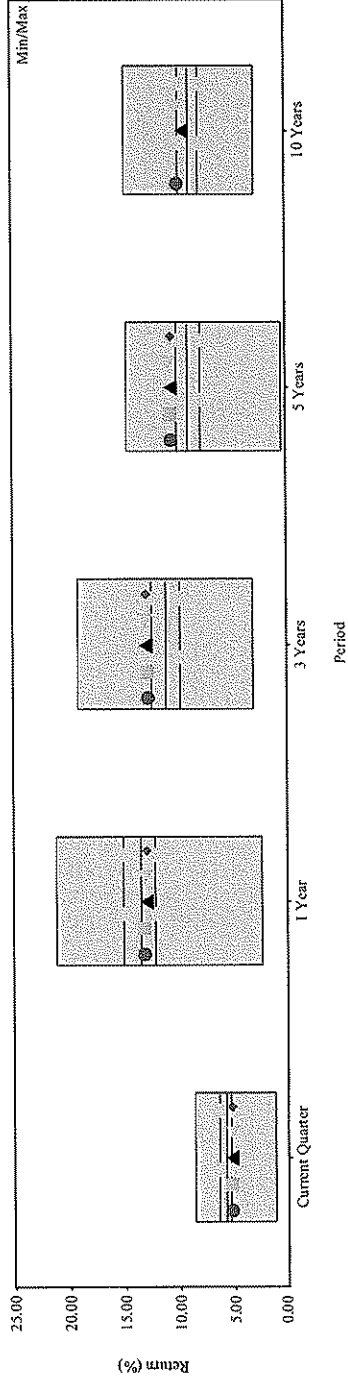
**UTIMCO ENDOWMENT FUNDS VS.
Cambridge Billion \$ Funds Universe
Periods Ended December 31, 2006
Quartile**



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	8.49		20.62		19.27		14.77		16.75	
25th Percentile	6.85		17.81		15.95		12.69		13.10	
Median	6.36		15.76		14.23		11.17		11.49	
75th Percentile	6.14		14.91		12.91		9.98		9.65	
Minimum	3.23		12.73		9.54		7.53		5.56	
# of Portfolios	46		46		46		46		44	
● UTIMCO LTF-Net of Fees	5.41	90	13.36	92	13.05	75	10.81	62	10.13	69
■ UTIMCO PHF-Net of Fees	5.41	92	13.36	92	13.04	75	10.79	62	---	---
▲ UTIMCO PUF-Net of Fees	5.31	94	13.11	98	13.17	71	10.77	62	9.53	80
◄ UTIMCO GEF-Net of Fees	5.41	92	13.34	94	13.12	73	10.89	58	10.17	67
◆ Policy Portfolio GEF	5.45	90	14.64	81	12.92	77	9.09	90	9.91	72
Policy Portfolio PUF	5.45	90	14.64	81	12.92	77	9.09	90	10.17	67

The Cambridge Billion \$ Funds Universe consists of the College and Universities with endowment assets greater than one billion dollars that report quarterly to Cambridge Associates, Inc. The number of Colleges and Universities with endowment assets greater than one billion dollars reporting as of December 31, 2006 was 46.

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

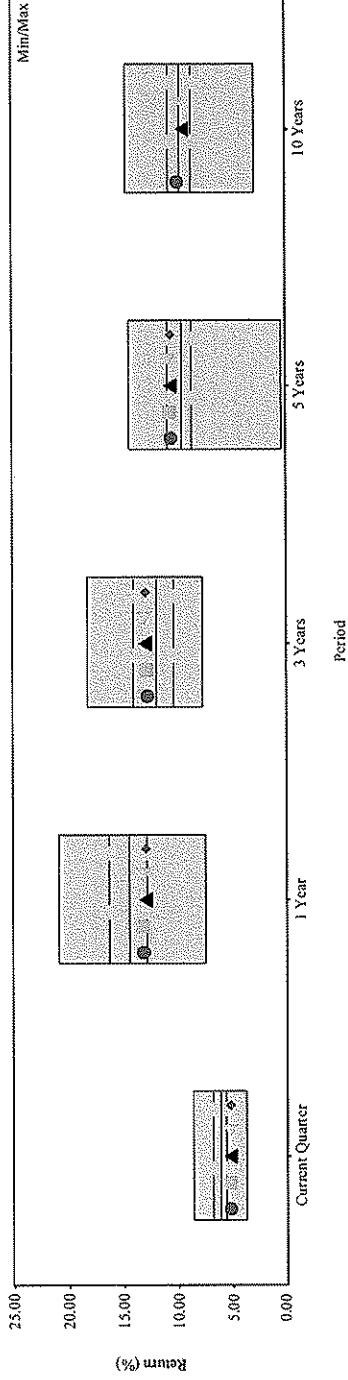


	Current Quarter	1 Year	3 Years	5 Years	10 Years
Maximum	8.63	21.21	19.31	14.77	14.89
25th Percentile	6.39	15.08	12.53	10.15	9.87
Median	5.81	13.61	11.21	9.01	8.93
75th Percentile	5.31	12.18	9.88	7.86	8.06
Minimum	1.31	2.39	3.27	0.42	2.93
# of Portfolios	434	411	359	331	258
UTIMCO LTF-Net of Fees	5.41	13.36	13.05	10.81	10.13
UTIMCO PHF-Net of Fees	5.41	13.36	13.04	10.79	---
UTIMCO PUF-Net of Fees	5.31	13.11	13.17	10.77	9.53
UTIMCO GEF-Net of Fees	5.41	13.34	13.12	10.89	10.17
U.T. System Endowment Funds	5.34	13.16	13.12	10.76	---
Return (% file)	72	56	19	16	20
Return (% file)	72	57	20	16	---
Return (% file)	76	60	18	16	34
Return (% file)	72	57	19	15	19
Return (% file)	75	59	19	16	---

Universe Source: (c) Mellon Analytical Solutions
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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 December 31, 2006 was 434.

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



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	8.63		21.03		18.25		14.55		14.69	
25th Percentile	6.76		16.36		14.11		10.90		10.76	
Median	6.15		14.44		12.01		9.61		9.72	
75th Percentile	5.58		12.92		10.42		8.63		8.68	
Minimum	3.94		7.60		7.88		0.42		2.93	
# of Portfolios	123		115		98		89		67	
UTIMCO LTF-Net of Fees	5.41	86	13.36	70	13.05	37	10.81	30	10.13	39
UTIMCO PHF-Net of Fees	5.41	86	13.36	70	13.04	37	10.79	30	---	---
UTIMCO PUF-Net of Fees	5.31	88	13.11	73	13.17	36	10.77	32	9.53	53
UTIMCO GEF-Net of Fees	5.41	87	13.34	70	13.12	37	10.89	26	10.17	39
U.T. System Endowment Funds	5.34	88	13.16	73	13.12	36	10.76	32	---	---

Universe Source: (c) Mellon Analytical Solutions
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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 December 31, 2006 was 123.

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Liquidity Profile

Developed By: Moeller, Childers

Presented By: Iberg

Type of Item: Information Item

Description: The reports presented are for the period ended February 28, 2007.

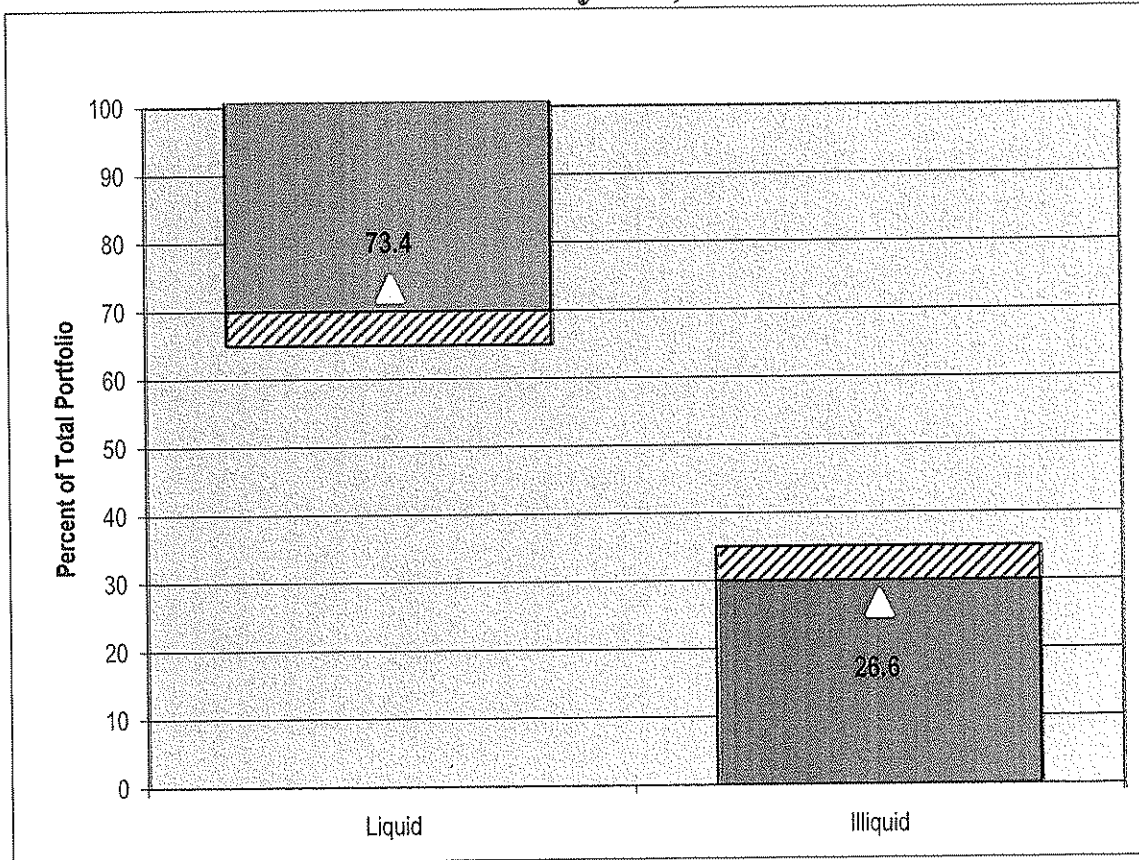
Discussion: As of February 28, 2007 endowment fund assets classified as liquid were 73.4% of the total assets, and those classified as illiquid were 26.6% of total assets. For the ITF, 88.1% of the total assets were classified as liquid, and 11.9% were classified illiquid.

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, PUF Actual Liquidity Classification, GEF Actual Liquidity Classification, and ITF Actual Liquidity Classification.

Combined Liquidity Profile - Endowment Funds

February 28, 2007



Current:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	12,784,429,743.70	73.4	12,794,255,998.56	73.9
Illiquid	4,644,423,578.44	26.6	4,510,044,555.30	26.1
	<u>17,428,853,322.14</u>	<u>100.0</u>	<u>17,304,300,553.86</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	12,771,407,854.06	73.3	12,773,613,358.33	73.8
Illiquid	4,657,445,468.08	26.7	4,530,687,195.53	26.2
	<u>17,428,853,322.14</u>	<u>100.0</u>	<u>17,304,300,553.86</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%.

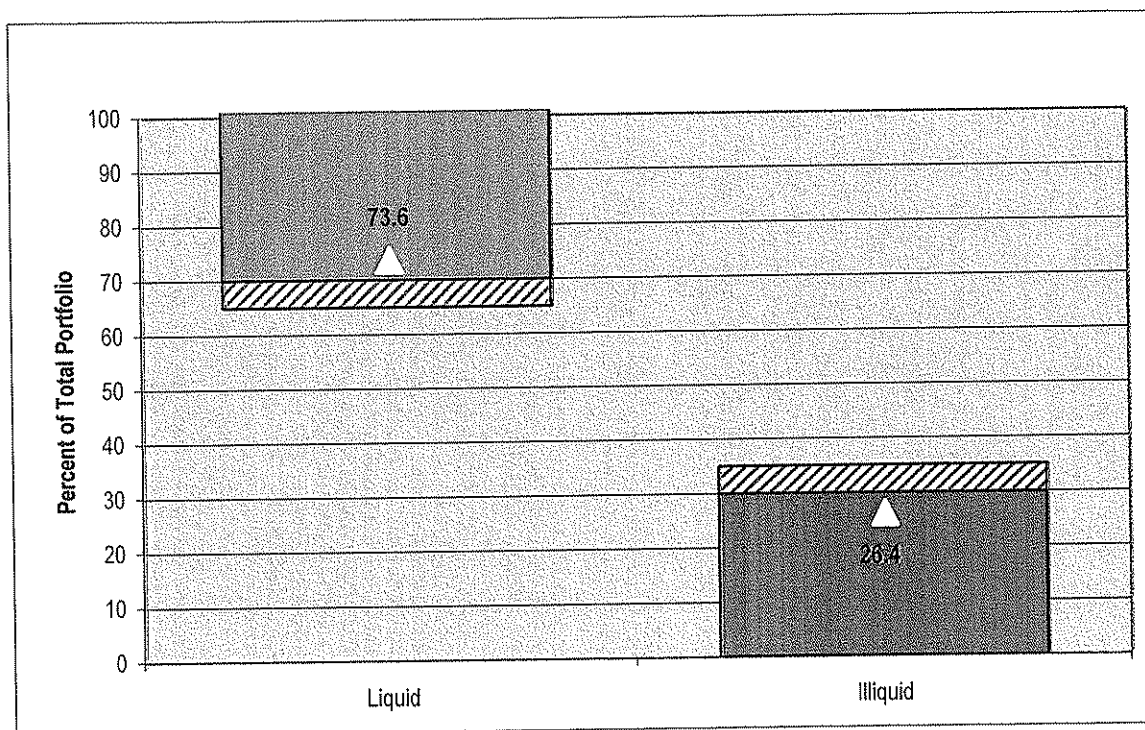
I, Andrew Paul, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Joan Mullen, 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, Cathy Bruff, as Interim 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

February 28, 2007



Current:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	8,305,244,495.27	73.6	8,268,123,004.37	74.0
Illiquid	2,971,941,077.83	26.4	2,897,775,249.20	26.0
	<u>11,277,185,573.10</u>	<u>100.0</u>	<u>11,165,898,253.57</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	8,296,875,391.84	73.6	8,264,447,007.42	74.0
Illiquid	2,980,310,181.26	26.4	2,901,451,246.15	26.0
	<u>11,277,185,573.10</u>	<u>100.0</u>	<u>11,165,898,253.57</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%.

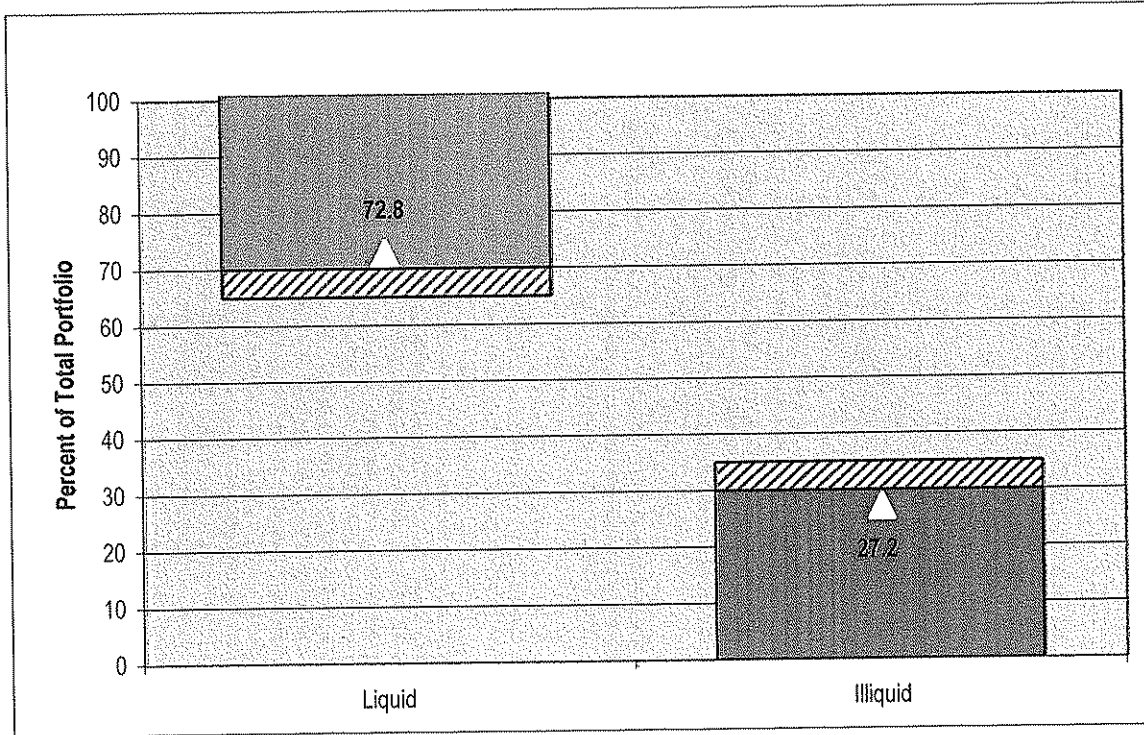
I, Andrew Paul, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

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, Cathy Song, as Interim 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

February 28, 2007



Current:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	4,479,185,248.43	72.8	4,526,132,994.19	73.7
Illiquid	1,672,482,500.61	27.2	1,612,269,306.10	26.3
	<u>6,151,667,749.04</u>	<u>100.0</u>	<u>6,138,402,300.29</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	4,474,532,462.22	72.7	4,509,166,350.91	73.5
Illiquid	1,677,135,286.82	27.3	1,629,235,949.38	26.5
	<u>6,151,667,749.04</u>	<u>100.0</u>	<u>6,138,402,300.29</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%.

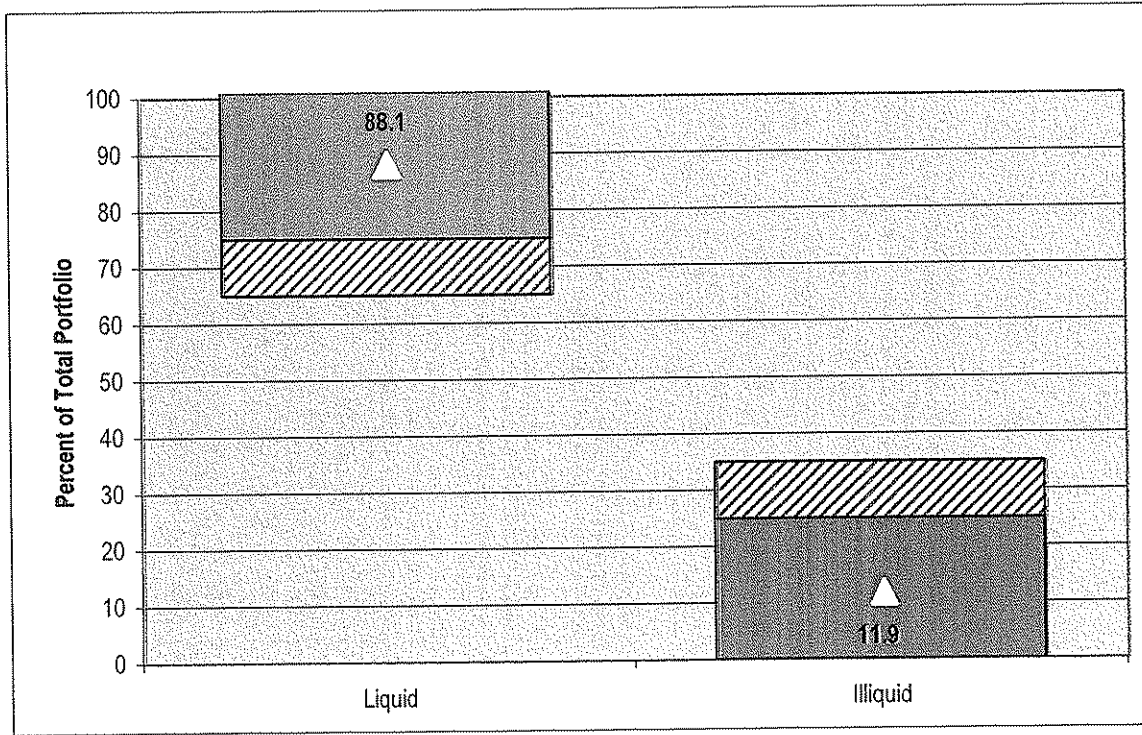
I, Andrew Paul, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan Maelle, 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, Cathy Duff, as Interim 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.

ITF Liquidity Profile

February 28, 2007



Current:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	3,359,380,191.10	88.1	3,143,139,690.02	87.4
Illiquid	452,938,766.91	11.9	454,582,448.09	12.6
	<u>3,812,318,958.01</u>	<u>100.0</u>	<u>3,597,722,138.11</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	2/28/2007		1/31/2007	
	Market Value	Percent	Market Value	Percent
Liquid	3,347,402,080.72	87.8	3,138,782,330.19	87.2
Illiquid	464,916,877.29	12.2	458,939,807.92	12.8
	<u>3,812,318,958.01</u>	<u>100.0</u>	<u>3,597,722,138.11</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, Andrew Reed, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Joan Mullen, 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, Cathy Jbug, as Interim 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

February 28, 2007

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.

T. Shah

Tushar Shah, Director - Public Markets

3-23-07

Date

Cathy Iberg

Cathy Iberg, Managing Director - Marketable Alternatives

3/23/2007

Date

Trey Thompson

Trey Thompson, Managing Director - Non-Marketable Alternatives

3-23-07

Date

**Illiquid investments approved/delegated or funded from last report to UTIMCO Board through current report date
December 1, 2006 through February 28, 2007**

	Board Approved/ Delegated	Committed Amount			Funded Amount		
		PUF	GEF	ITF	PUF	GEF	ITF
Private Market investments							
Cerberus Institutional Partners, L.P.	12/1/2006	\$ 26,250,000.00	\$ 48,750,000.00	\$ -	\$ 4,880,552.00	\$ 2,627,990.00	\$ -
Wingate Partners IV, L.P.**	12/15/2006	\$ 11,413,044.00	\$ 21,195,652.00	\$ -	\$ 635,869.56	\$ 342,391.32	\$ -
7C European Equity Partners Tandem Fund*	12/20/2006	\$ 25,613,445.00	\$ 13,791,855.00	\$ -	\$ -	\$ -	\$ -
TI Global Value Fund A, L.P.	1/8/2007	\$ 48,750,000.00	\$ 26,250,000.00	\$ -	\$ 17,062,500.00	\$ 9,187,500.00	\$ -
Eos Capital Partners IV, L.P.	2/28/2007	\$ 32,500,000.00	\$ 17,500,000.00	\$ -	\$ -	\$ -	\$ -

*Euro denominated commitments to Non US funds are converted to US dollars using the exchange rate in effect on the closing date.
 **Commitment amounts are commitments at closing - we are committed to 30% of total commitments up to \$32.5m PUF and \$17.5m GEF - second and final close expected 2/15/07

Public Markets							
Low Mountain	1/2/2007	\$ 26,000,000.00	\$ 14,000,000.00	\$ -	\$ 26,000,000.00	\$ 14,000,000.00	\$ -

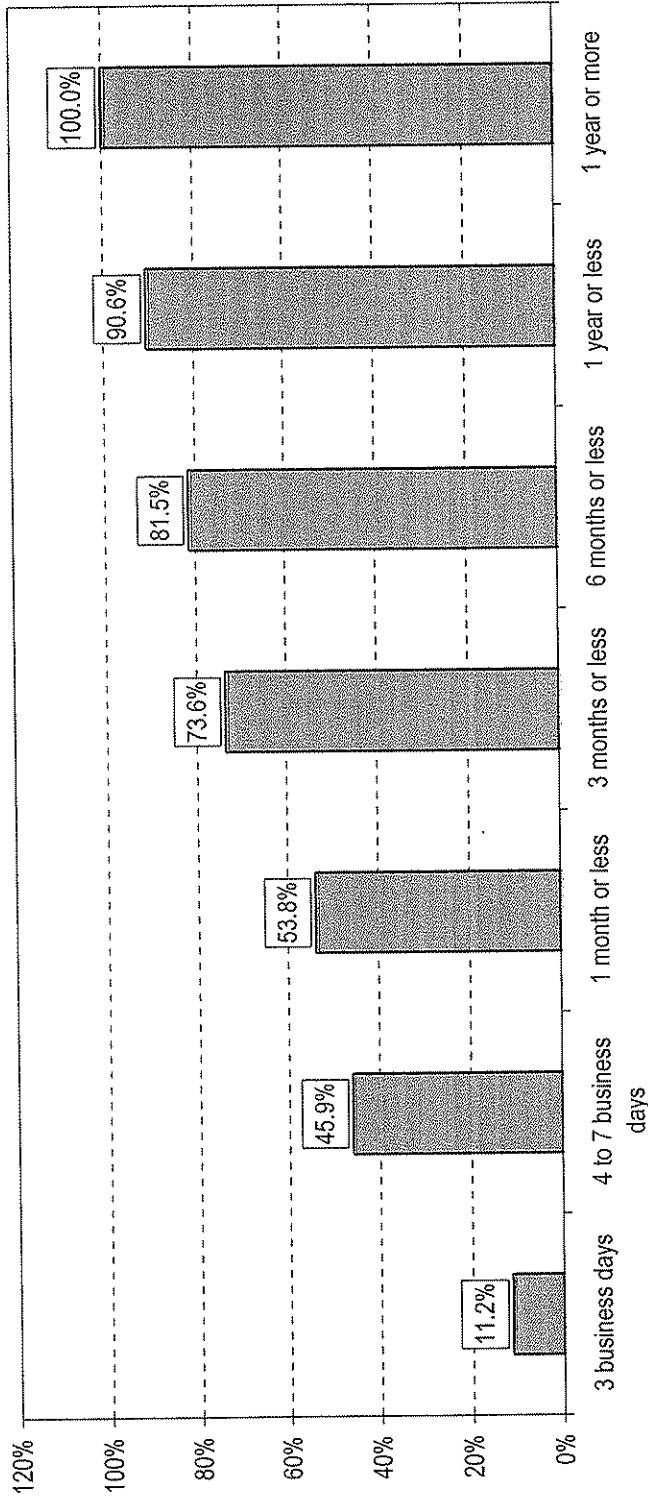
		Hedge Fund Pool Committed Amount	Hedge Fund Pool Funded Amount
Marketable Alternative investments			
Blackstone Distressed	12/1/2006	\$ 25,000,000.00	\$ 25,000,000.00
Bue Ridge	1/2/2007	\$ 75,000,000.00	\$ 75,000,000.00
Blackstone Distressed	2/1/2007	\$ 25,000,000.00	\$ 25,000,000.00

Change in investment's liquidity classification

Public Markets
 *TF's JMBO investment reduced penalty to 10% after one-year anniversary

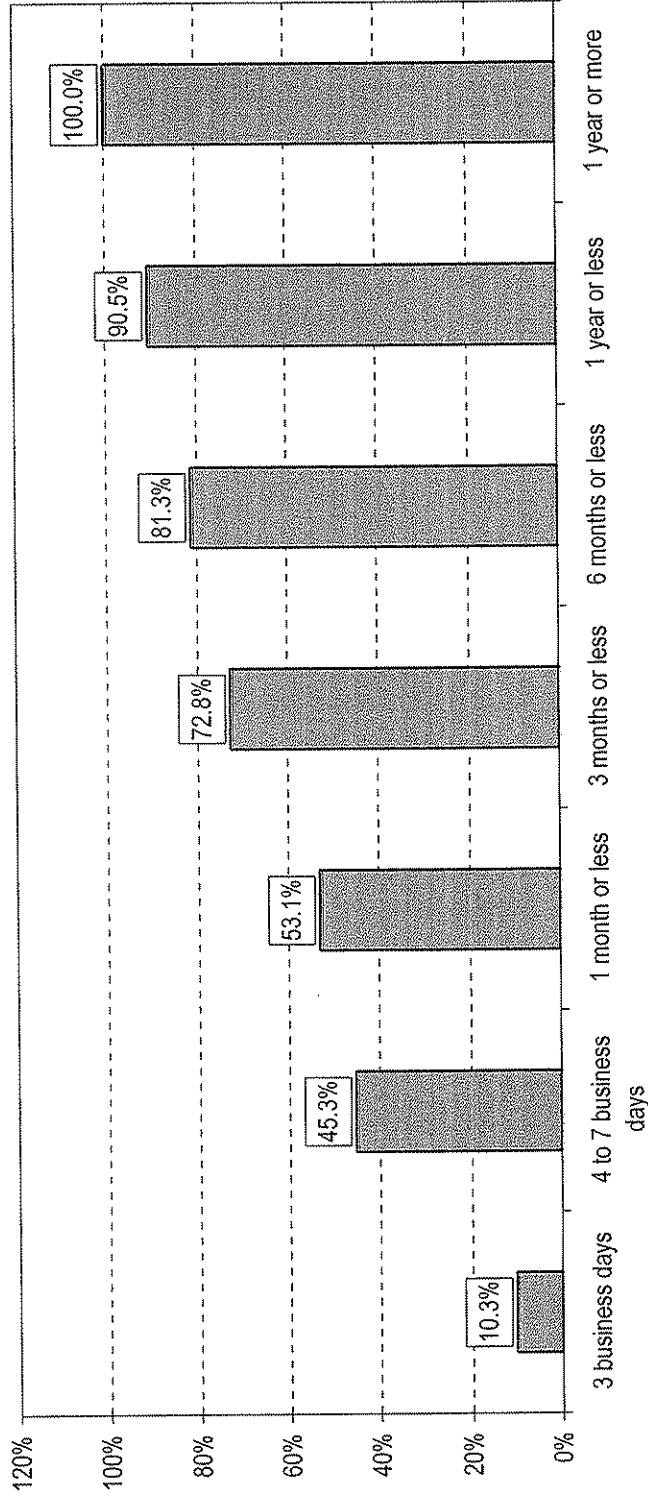
Marketable Alternative investments
 *MISO - one year lockup period expired

PUF Actual Liquidity Classification
as of February 28, 2007



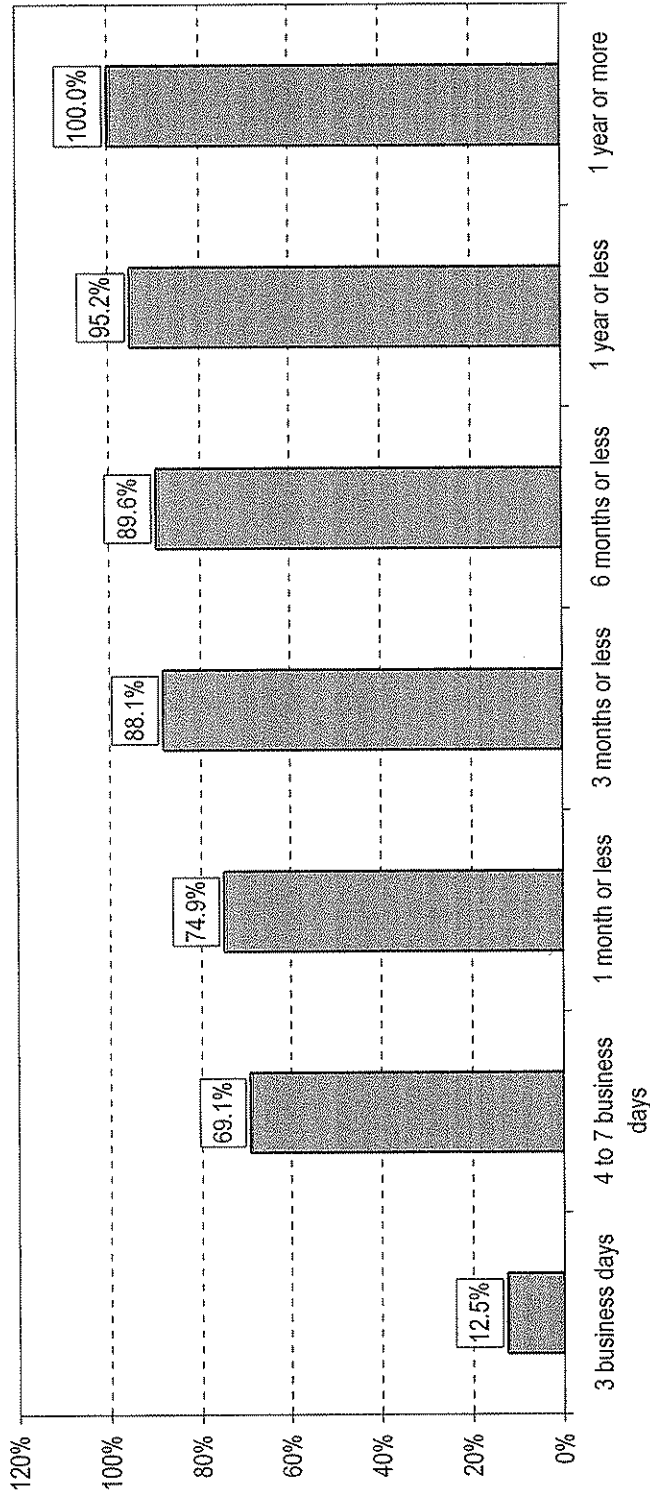
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	1,259,271,040	11.2%	1,259,271,040	11.2%
4 to 7 business days	3,920,370,290	34.8%	5,179,641,330	45.9%
1 month or less	892,155,105	7.9%	6,071,796,435	53.8%
3 months or less	2,233,448,060	19.8%	8,305,244,495	73.6%
6 months or less	882,106,896	7.8%	9,187,351,392	81.5%
1 year or less	1,030,082,770	9.1%	10,217,434,162	90.6%
1 year or more	<u>1,059,751,412</u>	9.4%	<u>11,277,185,573</u>	100.0%
	11,277,185,573	100.0%		
Illiquid:				

GEF Actual Liquidity Classification
as of February 28, 2007



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	630,824,889	10.3%	630,824,889	10.3%
4 to 7 business days	2,158,496,779	35.1%	2,789,321,668	45.3%
1 month or less	478,618,402	7.8%	3,267,940,070	53.1%
3 months or less	1,211,245,179	19.7%	4,479,185,248	72.8%
6 months or less	524,756,238	8.5%	5,003,941,486	81.3%
1 year or less	565,593,741	9.2%	5,569,535,227	90.5%
1 year or more	582,132,522	9.5%	6,151,667,749	100.0%
Illiquid:				
	6,151,667,749	100.0%		

ITF Actual Liquidity Classification
as of February 28, 2007



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	476,369,222	12.5%	476,369,222	12.5%
4 to 7 business days	2,156,747,437	56.6%	2,633,116,659	69.1%
1 month or less	222,285,635	5.8%	2,855,402,294	74.9%
3 months or less	503,977,897	13.2%	3,359,380,191	88.1%
Illiquid:				
6 months or less	54,918,170	1.4%	3,414,298,361	89.6%
1 year or less	215,703,451	5.7%	3,630,001,812	95.2%
1 year or more	182,317,146	4.8%	3,812,318,958	100.0%
	3,812,318,958	100.0%		

Agenda Item
UTIMCO Board Meeting
April 10, 2007

Agenda Item: Discussion of Risk Dashboard

Developed By: Iberg

Presented By: Iberg

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 and the ITF.

For this Board Meeting we will present the Risk Dashboard for January 2007.

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

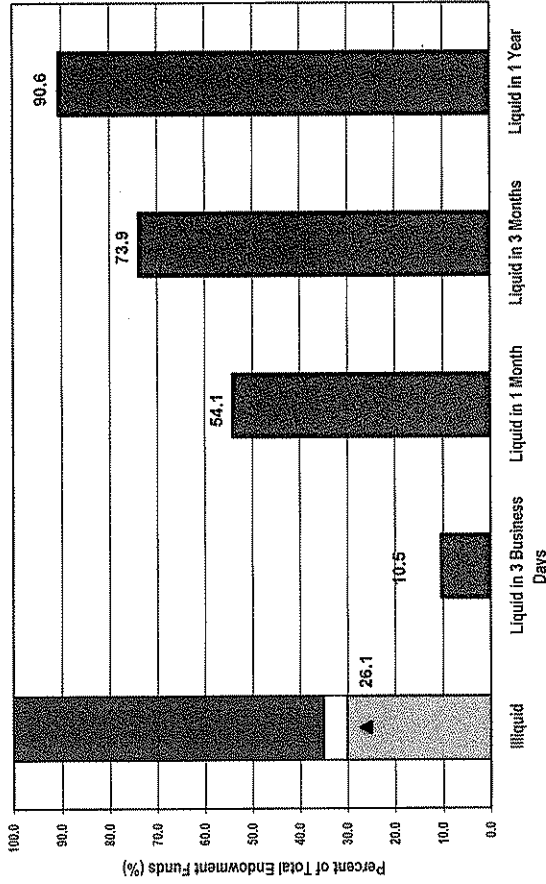
1

Net Leverage	0.99
Gross Leverage	1.09
Deviation from Policy Portfolio Change Since Last Report	5.7%
Risk Level of Policy Portfolio Relative to Long Term Assumptions Change Since Last Report	77%
Risk Level of Actual Portfolios Relative to Long Term Assumptions Change Since Last Report	73%

Liquidity Risk Summary

2

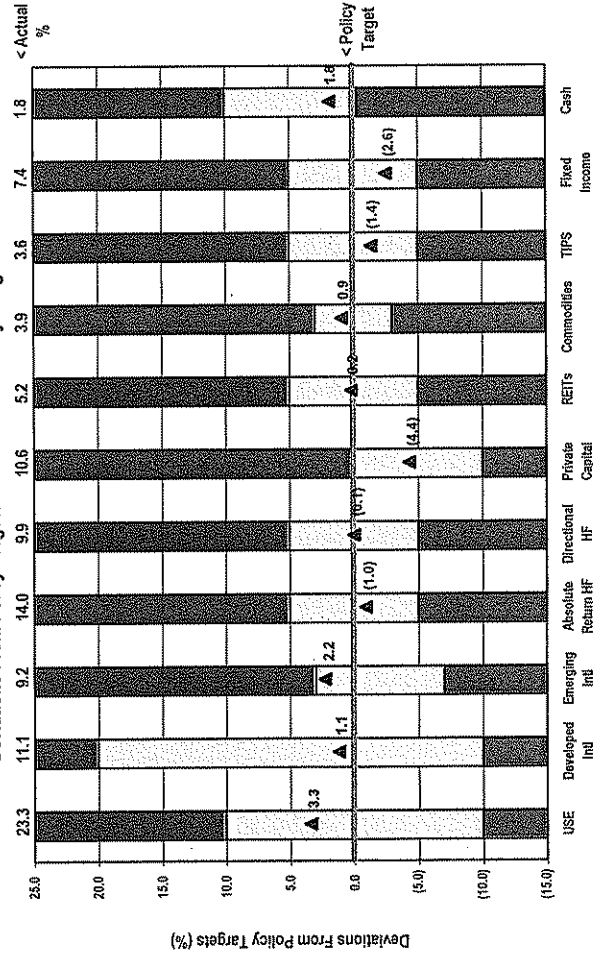
Liquidity Profile of Total Endowment Funds (PUF & GEF)



Dollar Allocations and Tactical Policy Ranges

3

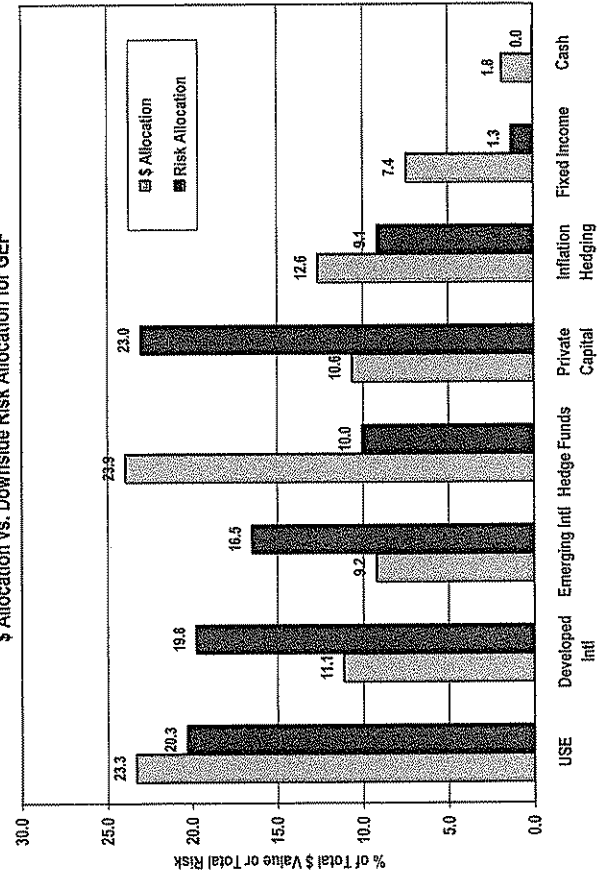
Deviations From Policy Targets Within Tactical Policy Ranges for GEF

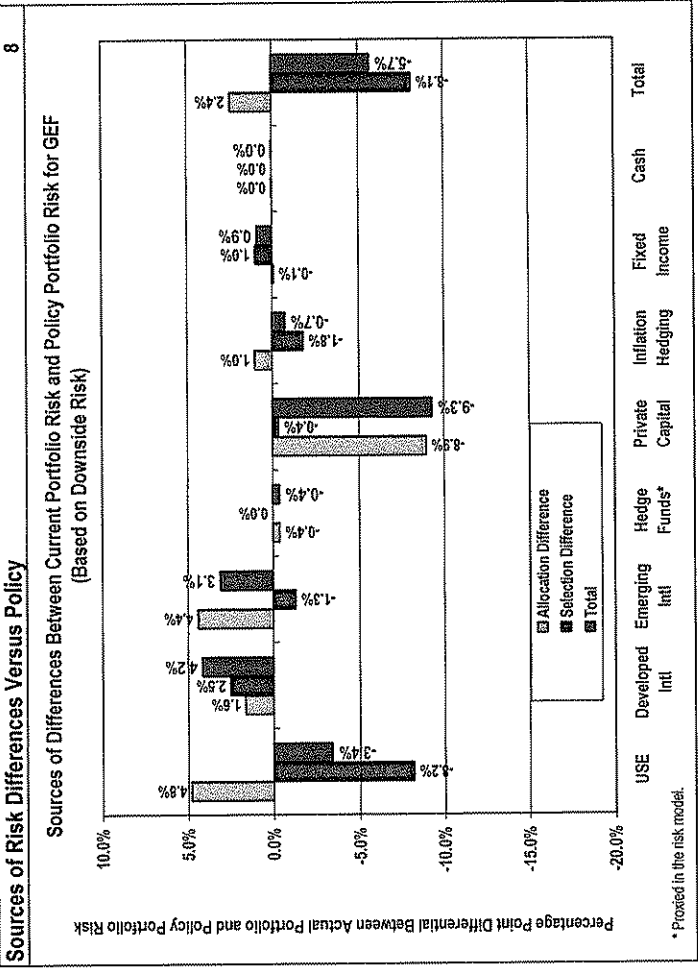
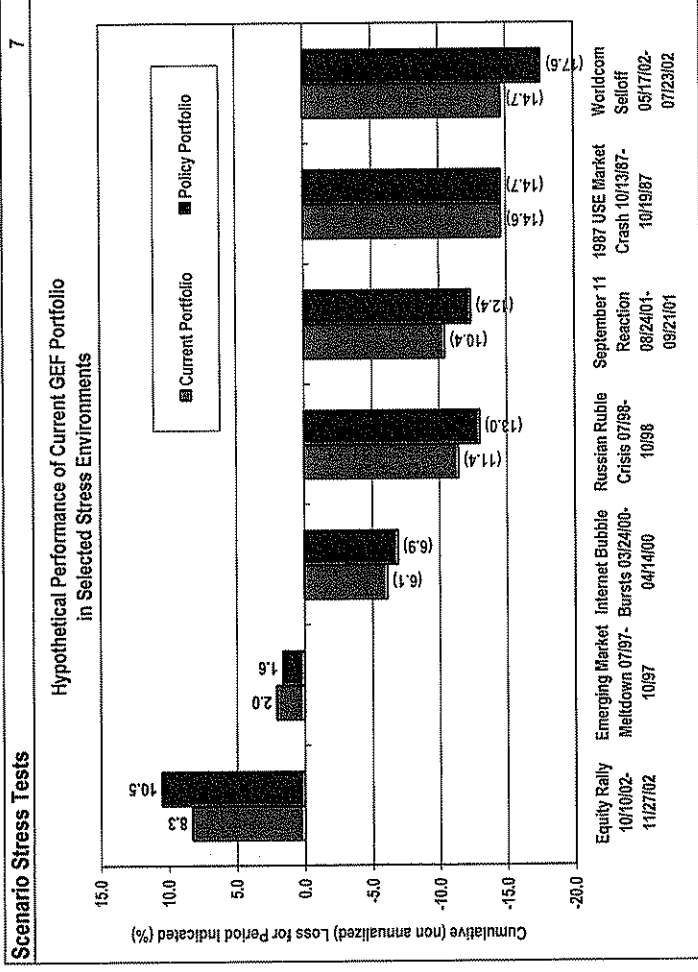
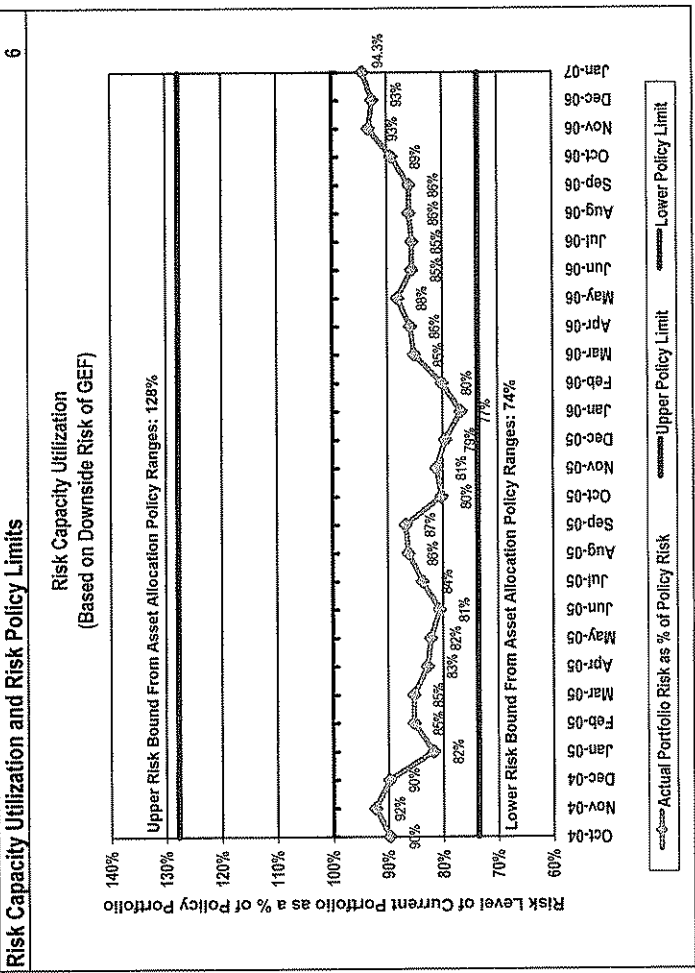
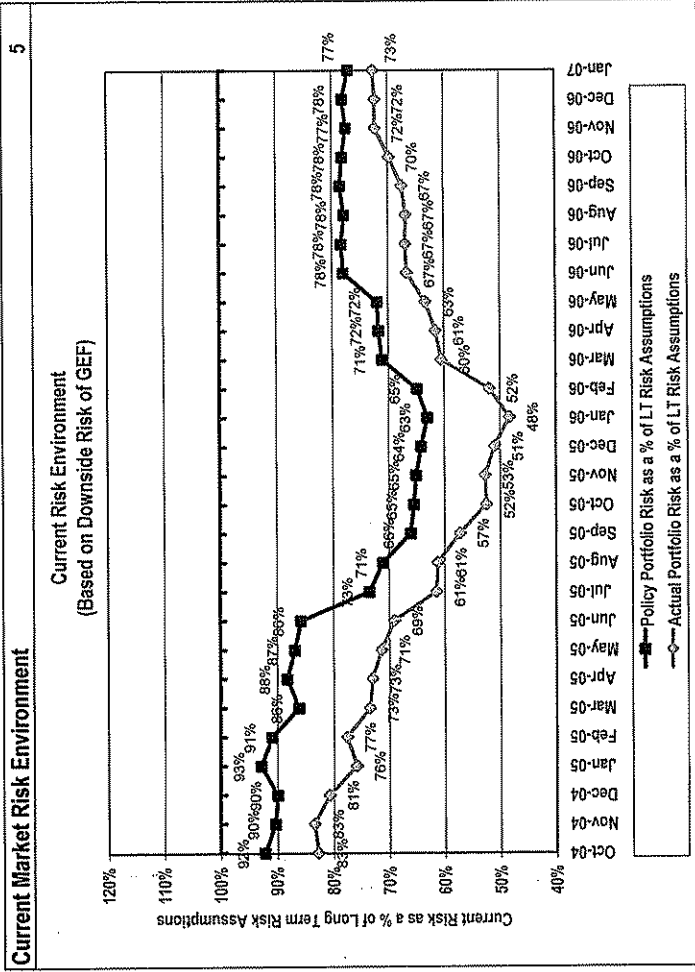


Dollar Allocations Compared to Risk Allocations

4

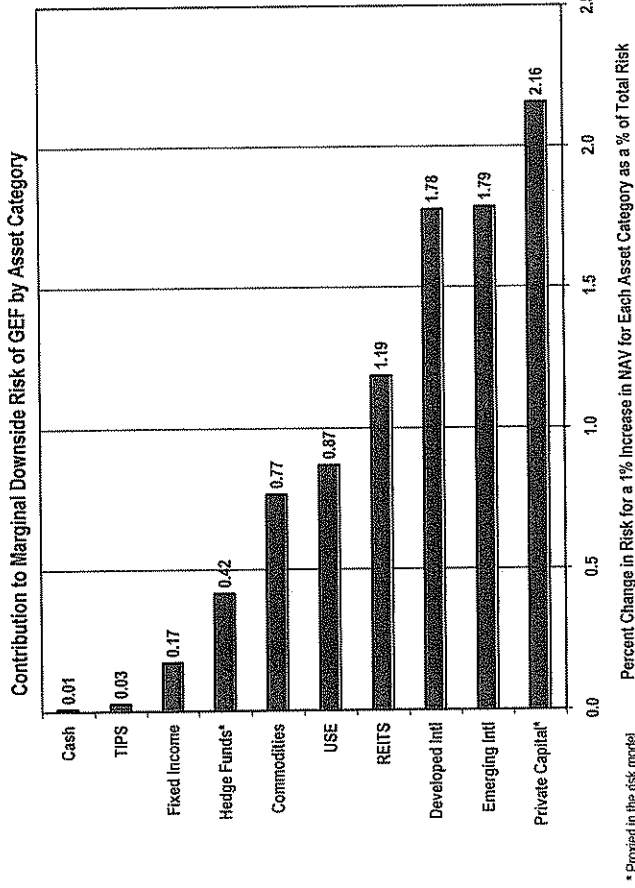
Asset Category Allocations \$ Allocation vs. Downside Risk Allocation for GEF





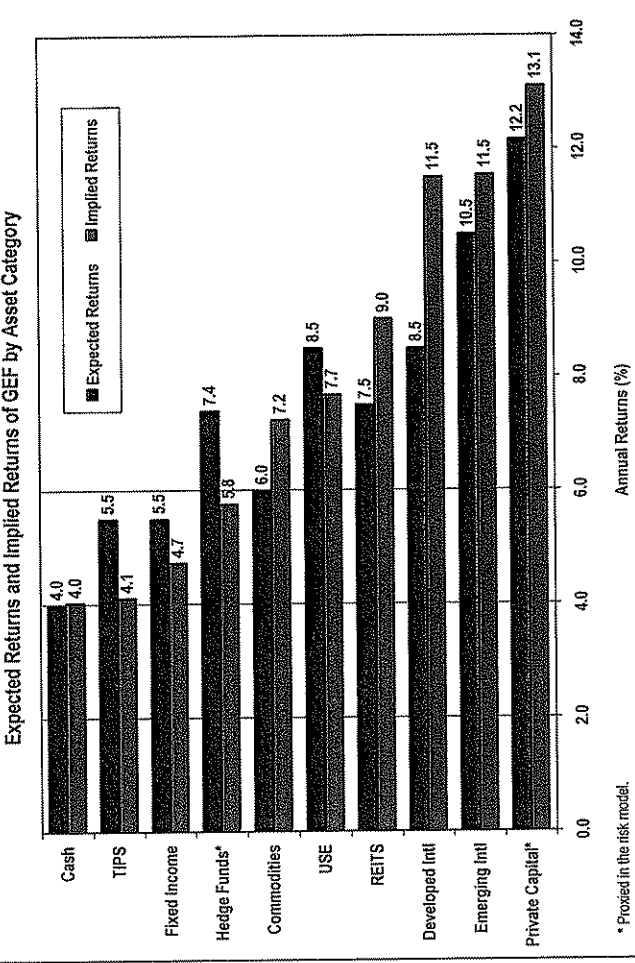
Marginal Risk Contributions of Each Asset Category

9



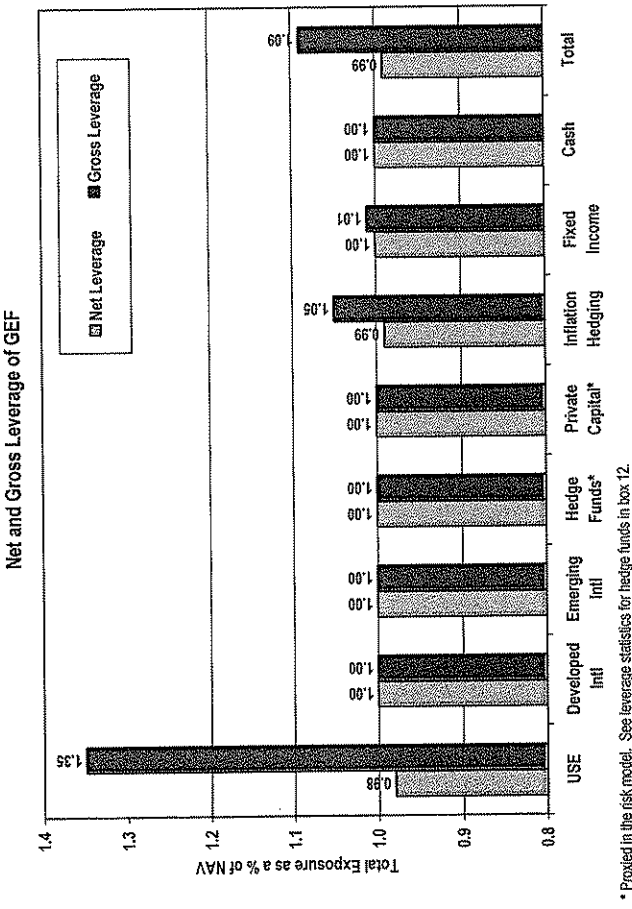
Long Term Expected Returns vs. Implied Returns by Asset Category

10



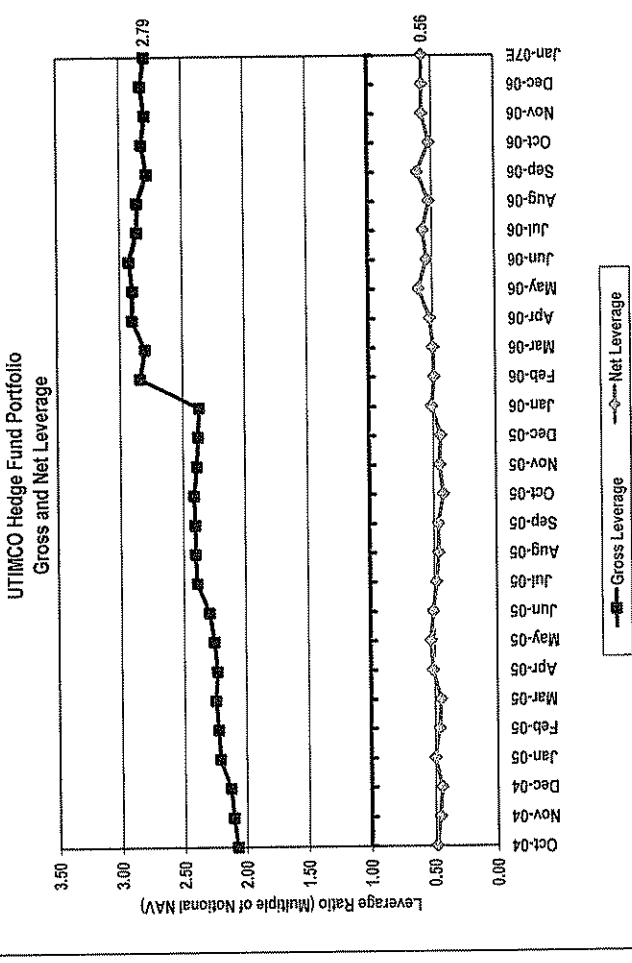
Net and Gross Leverage of GEF

11



Hedge Fund Leverage

12



Investment Risk Summary

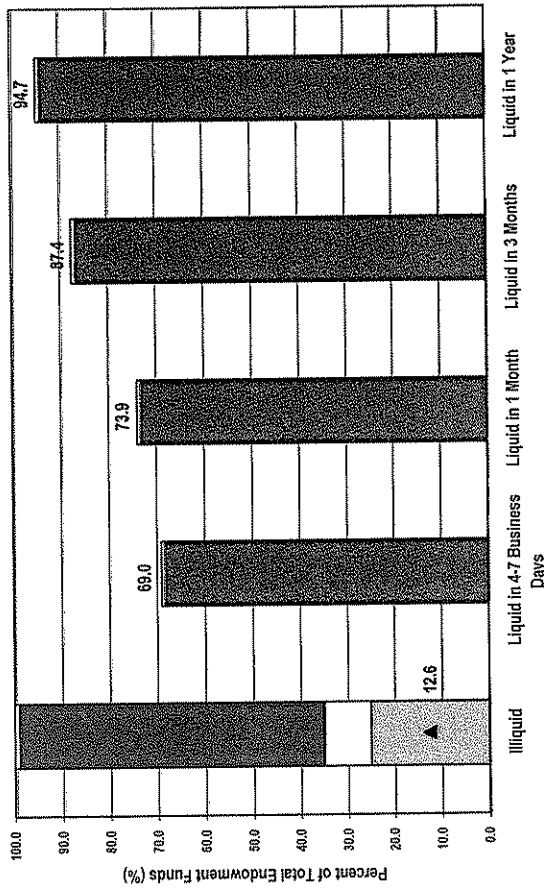
1

Net Leverage	1.00
Gross Leverage	1.06
Deviation from Policy Portfolio Change Since Last Report	0.7% ↕
Risk Level of Policy Portfolio Relative to Long Term Assumptions Change Since Last Report	77% ↘
Risk Level of Actual Portfolios Relative to Long Term Assumptions Change Since Last Report	76% ↘

Liquidity Risk Summary

2

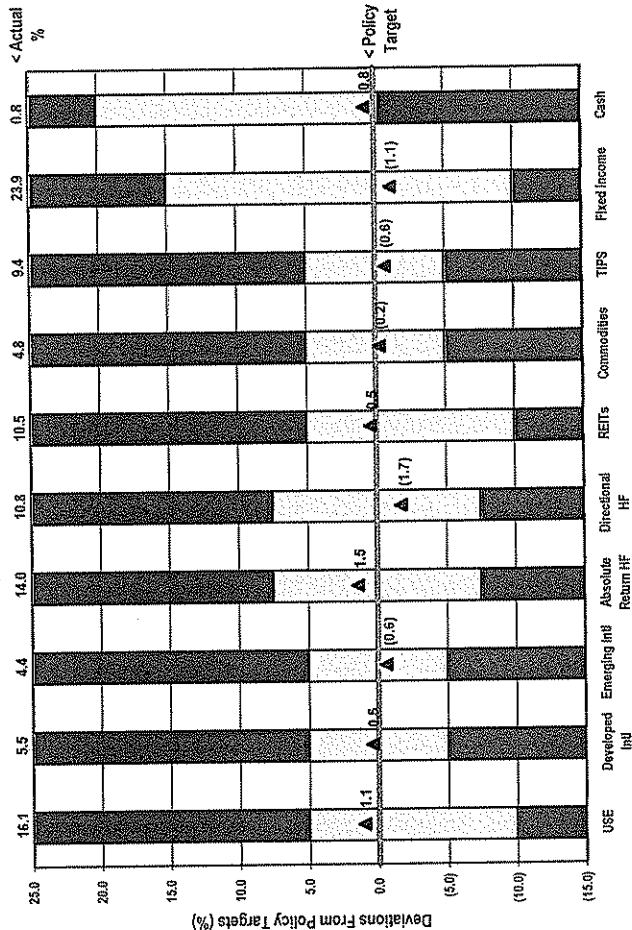
Liquidity Profile of the ITF



Dollar Allocations and Tactical Policy Ranges

3

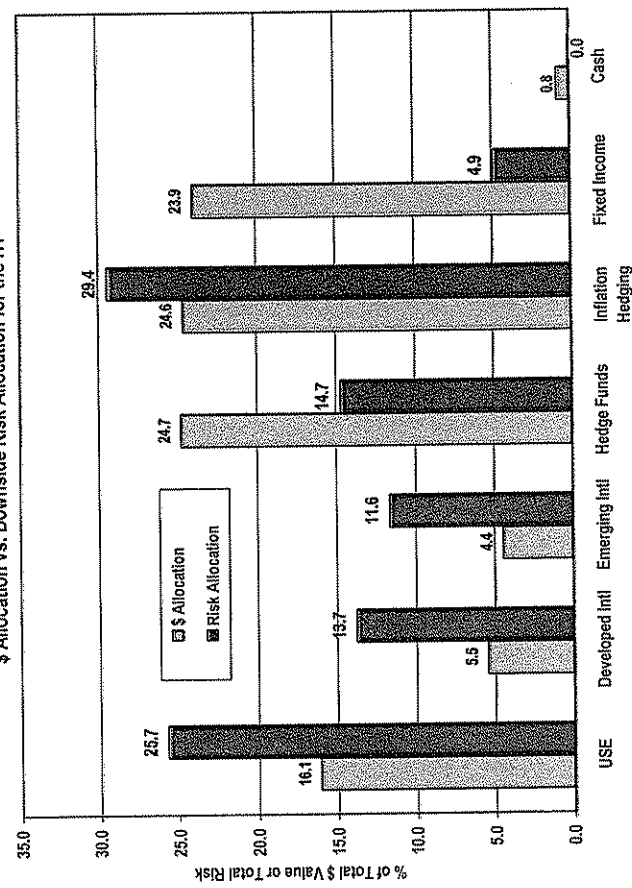
Deviations From Policy Targets Within Tactical Policy Ranges for ITF



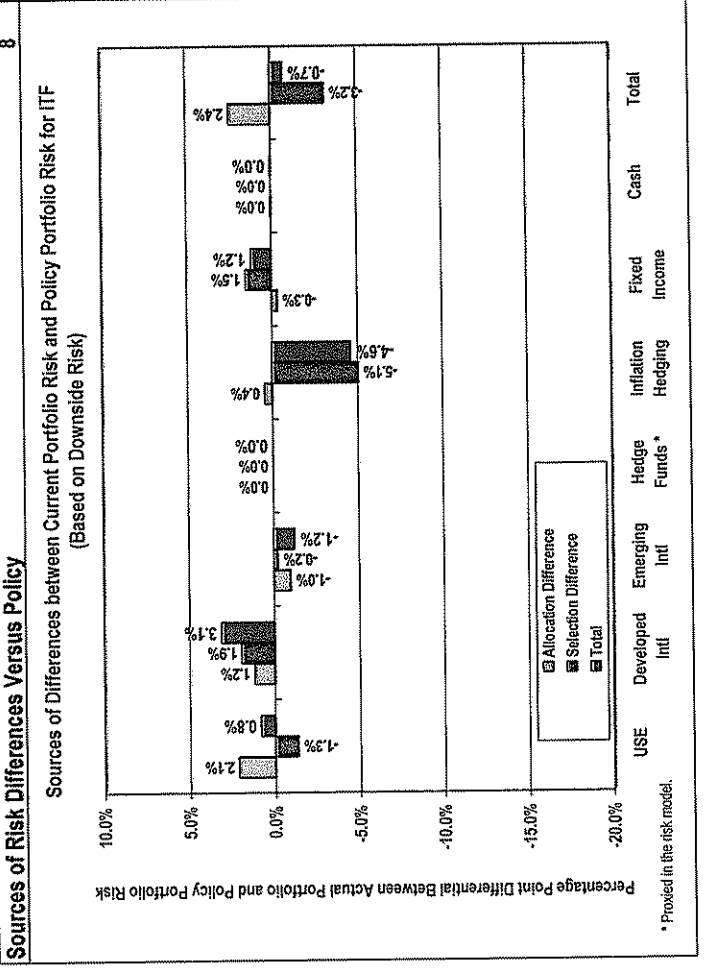
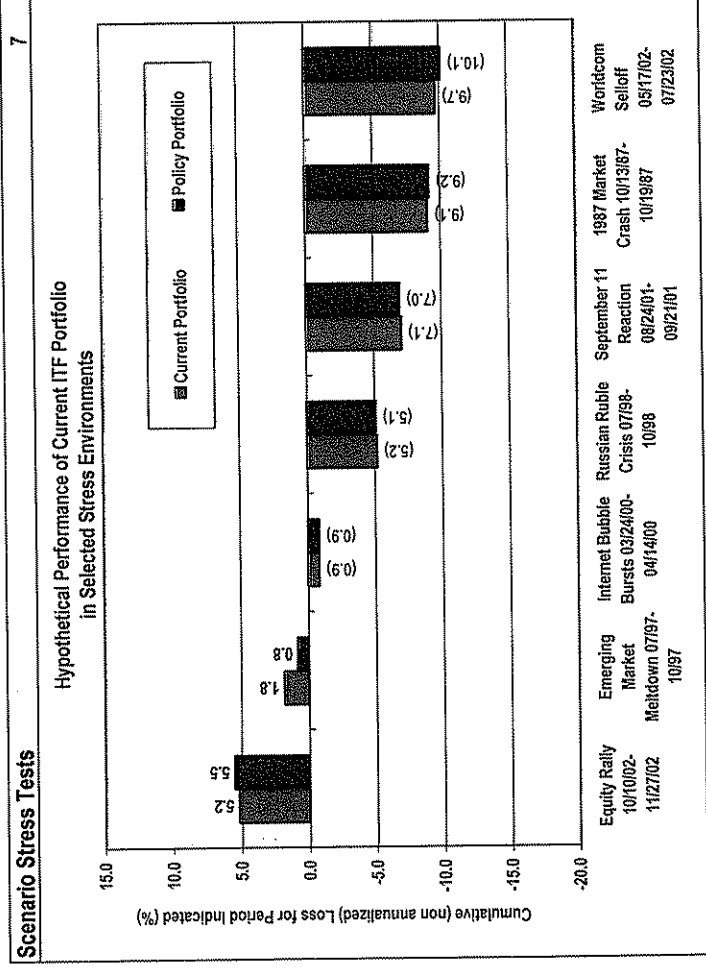
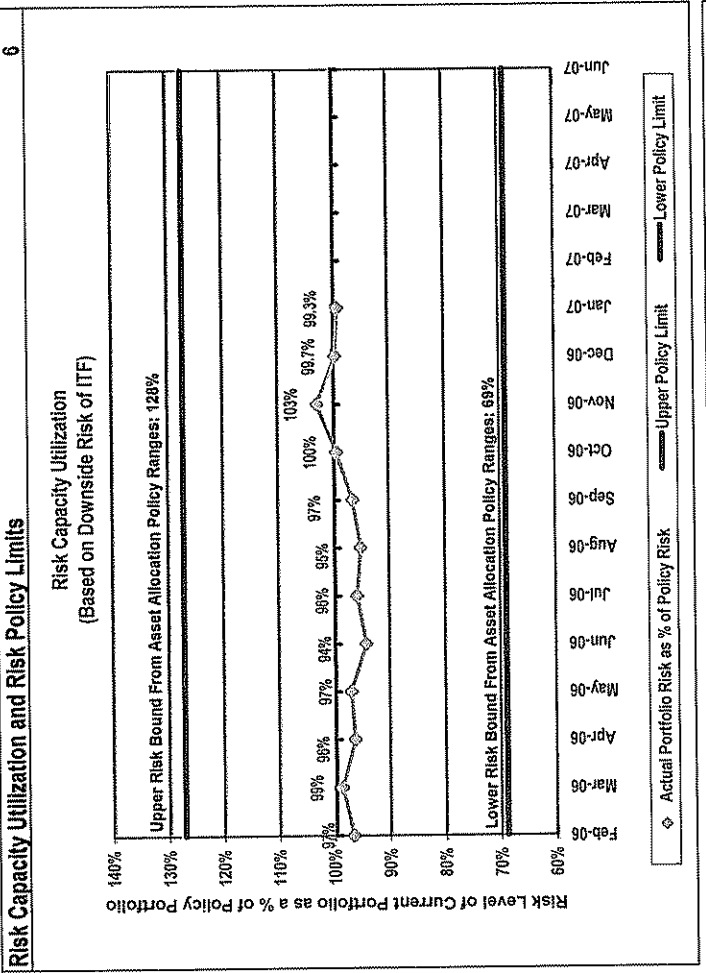
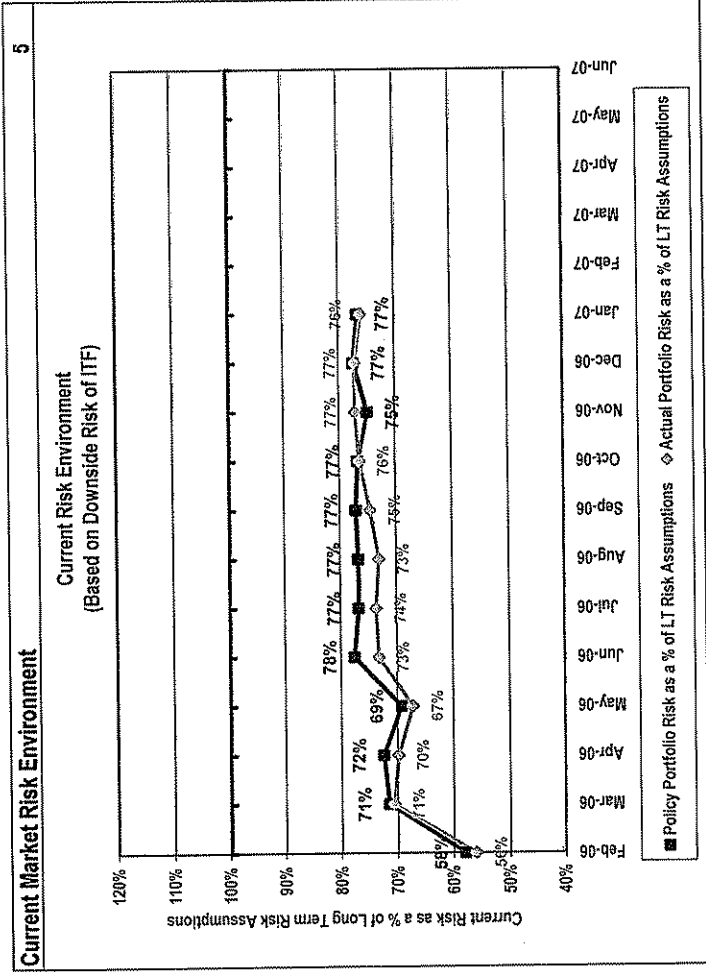
Dollar Allocations Compared to Risk Allocations

4

Asset Category Allocations \$ Allocation vs. Downside Risk Allocation for the ITF

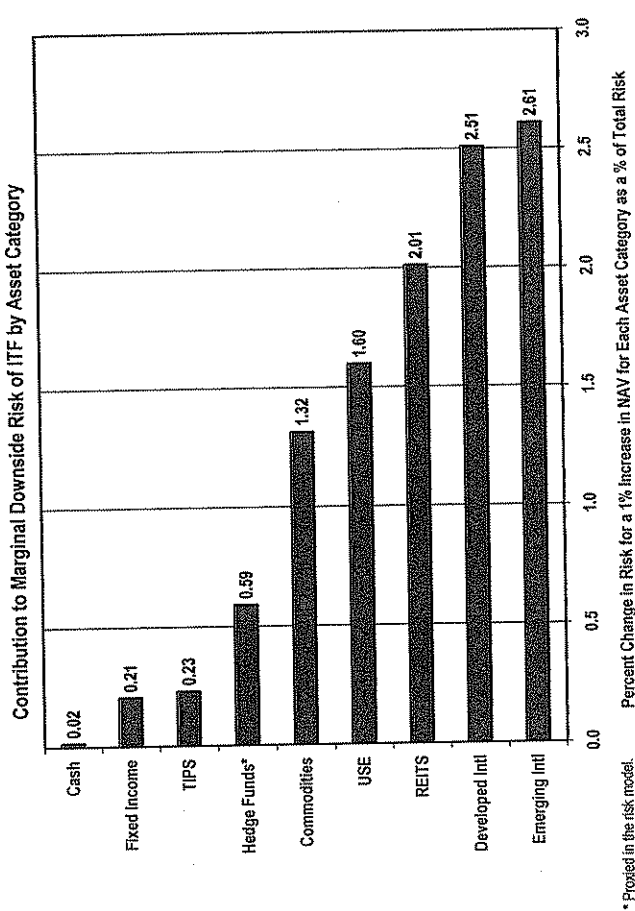


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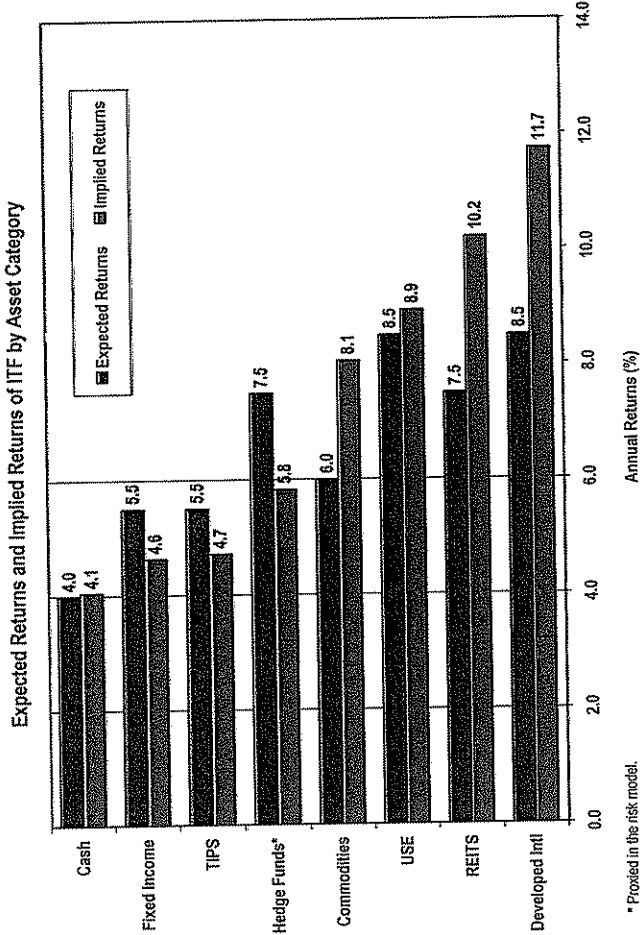
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Marginal Risk Contributions of Each Asset Category



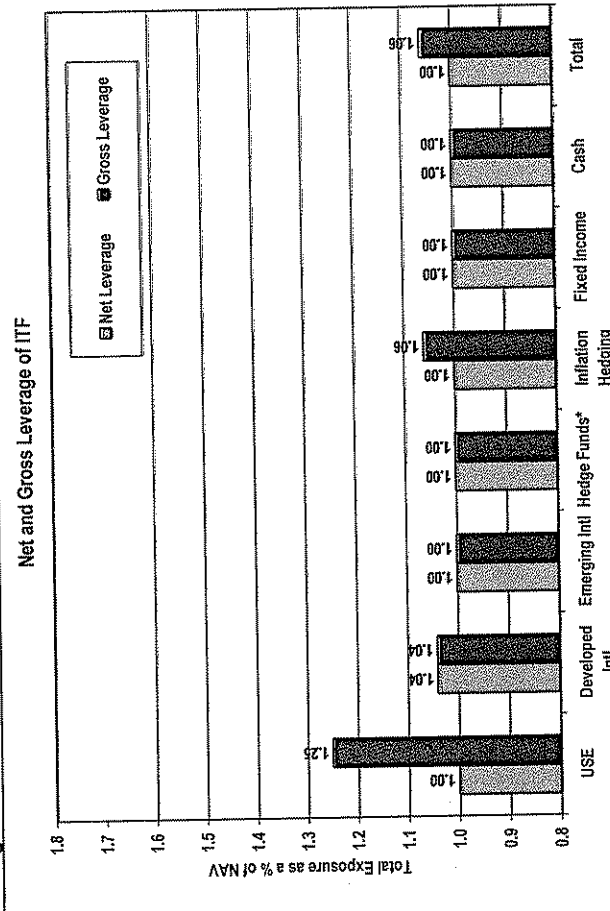
10

Long Term Expected Returns vs. Implied Returns by Asset Category



Net and Gross Leverage of ITF

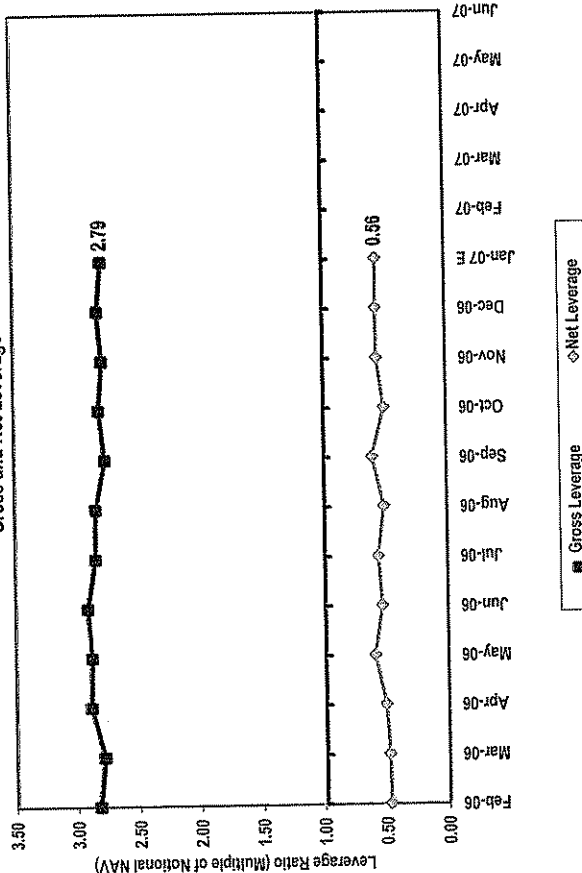
11



Hedge Fund Leverage

12

UTIMCO Hedge Fund Portfolio
Gross and Net Leverage



Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Comprehensive Derivative Report

Developed By: Childers

Presented By: Iberg

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 February 28, 2007.

Discussion: As of February 28, 2007, net mark-to-market values of derivatives (internal and external) was \$47.0 million.

The mark-to-market value of over-the-counter options was \$42.3 million. While \$59.9 million was owed to counterparties by the PUF, GEF and ITF (Funds), \$82.2 million was owed by counterparties to the Funds. This \$82.2 million owed to the Funds represents the Funds' counterparty risk. As permitted by bilateral ISDA collateral agreements, the Funds called \$20 million of collateral to be posted by a broker, thereby reducing the counterparty risk exposure. The \$82.2 million reflects the reduced 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 Derivative Report as of February 28, 2007

Manager	Derivative Type	OTC	Mark-to-Market Exchange Traded	Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
INTERNAL MANAGERS							
Dow Jones Futures	Futures	\$ -	\$ 328,060.00	\$ 328,060.00	\$ 42,836,260.00	\$ 42,836,260.00	\$ -
Emerging Mkts No Cost Collar	Purchased Option	4,189,096.72	-	4,189,096.72	-	-	21,642,909.51
Emerging Mkts No Cost Collar	Written Option	(11,586,707.09)	-	(11,586,707.09)	-	-	(69,775,373.26)
Emerging Swaps	Swaps	(2,684,849.90)	-	(2,684,849.90)	-	-	-
European No Cost Collar	Purchased Option	455,293.79	-	455,293.79	-	-	(404,715.44)
European No Cost Collar	Written Option	(1,882,814.02)	-	(1,882,814.02)	-	-	(31,746,659.14)
Goldman Sachs Commodity Index	Futures	-	649,250.00	649,250.00	583,286,200.00	583,286,200.00	-
Developed Markets Futures	Currency Forwards	2,290,397.98	-	2,290,397.98	-	-	-
Developed Markets Futures	Futures	-	(7,726,122.00)	(7,726,122.00)	402,095,766.52	402,095,766.52	-
Developed Mkts Structured Swaps	Currency Forwards	(2,114,444.21)	-	(2,114,444.21)	-	-	-
Developed Mkts Structured Swaps	Swaps	21,627,692.82	-	21,627,692.82	-	-	327,253,024.65
Emerging Structured Swaps	Swaps	72,433,997.86	-	72,433,997.86	-	-	422,050,161.11
Emerging Markets Futures	Currency Forwards	(302,454.39)	-	(302,454.39)	-	-	-
Emerging Markets Futures	Futures	-	(205,657.84)	(205,657.84)	17,803,874.22	17,803,874.22	-
Lansdowne Euro Forwards	Currency Forwards	(550,604.11)	-	(550,604.11)	-	-	-
US Equity Small Cap/Large Cap Spread Trade	Futures	-	119,700.00	119,700.00	(5,790,210.00)	1,624,619,310.00	-
US Equity Small Cap/Large Cap Spread Trade	Swaps	(3,343,649.56)	-	(3,343,649.56)	-	-	-
Levin Swap	Swaps	(1,560,987.28)	-	(1,560,987.28)	-	-	-
US No Cost Collar	Purchased Option	14,724,923.59	-	14,724,923.59	-	-	46,505,447.46
US No Cost Collar	Written Option	(64,864,007.99)	-	(64,864,007.99)	-	-	(910,837,821.71)
S&P 500 Futures	Futures	-	4,610,400.00	4,610,400.00	477,617,100.00	477,617,100.00	-
Structured Active Management Application - US Equities	Futures	-	5,888,800.00	5,888,800.00	610,053,700.00	610,053,700.00	-
UK Futures	Currency Forwards	184,064.08	-	184,064.08	-	-	-
UK Futures	Futures	-	(482,318.16)	(482,318.16)	25,343,095.05	25,343,095.05	-

Comprehensive Derivative Report as of February 28, 2007

Manager	Derivative Type	OTC	Mark-to-Market Exchange Traded	Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
EXTERNAL MANAGERS							
Blackrock Small Cap	Currency Forwards	(992.37)	-	(992.37)	-	-	-
Blackrock Small Cap	Purchased Option	-	135,725.24	135,725.24	-	-	-
Blackrock Global Ex US	Currency Forwards	(16.01)	-	(16.01)	-	-	-
Blackrock Global Ex US	Purchased Option	-	387,642.49	387,642.49	-	-	-
Bridgewater Currency Overlay	Currency Forwards	(3,740,660.46)	-	(3,740,660.46)	-	-	-
Cundill	Currency Forwards	(1,053.62)	-	(1,053.62)	-	-	-
Globeflex	Currency Forwards	(3,012.75)	-	(3,012.75)	-	-	-
Goldman Sachs Asset Management	Currency Forwards	(74,038.57)	-	(74,038.57)	-	-	-
Morgan Stanley REITs	Currency Forwards	(7,325.66)	-	(7,325.66)	-	-	-
PIMCO Global Bonds	Currency Forwards	2,036,446.24	-	2,036,446.24	-	-	-
PIMCO Global Bonds	Futures	-	445,753.41	445,753.41	538,724,052.45	554,438,062.45	-
PIMCO Global Bonds	Purchased Option	2,835,234.22	3,172,803.46	6,008,037.68	-	-	-
PIMCO Global Bonds	Swaps	(3,479,744.73)	-	(3,479,744.73)	-	-	-
PIMCO Global Bonds	Written Option	(2,323,430.90)	(2,532,259.39)	(4,855,690.29)	-	-	-
PIMCO Real Return	Currency Forwards	65,326.18	-	65,326.18	-	-	-
PIMCO Real Return	Futures	-	19,361.53	19,361.53	15,533,410.63	37,451,660.63	-
PIMCO Real Return	Purchased Option	-	92,638.00	92,638.00	-	-	-
PIMCO Real Return	Swaps	19,337,305.50	-	19,337,305.50	-	-	-
PIMCO Real Return	Written Option	-	(190,667.76)	(190,667.76)	-	-	-
PIMCO TIPS	Currency Forwards	92,251.66	-	92,251.66	-	-	-
PIMCO TIPS	Futures	-	130,110.23	130,110.23	46,597,743.50	169,988,274.75	-
PIMCO TIPS	Purchased Option	-	119,106.00	119,106.00	-	-	-
PIMCO TIPS	Swaps	482,311.95	-	482,311.95	-	-	-
PIMCO TIPS	Written Option	-	(267,888.83)	(267,888.83)	-	-	-
Reams TIPS	Swaps	33,992.97	-	33,992.97	-	-	-
	GRAND TOTAL	\$ 42,267,541.94	\$ 4,694,436.36	\$ 46,961,978.30	\$ 2,754,100,992.37	\$ 4,545,533,303.62	\$ (195,313,026.82)
Internal Managers	Currency Forwards	\$ 27,014,948.29	\$ 3,182,112.00	\$ 30,197,060.29	\$ 2,153,245,785.79	\$ 3,783,655,305.79	\$ (195,313,026.82)
External Managers	Futures	15,252,593.65	1,512,324.36	16,764,918.01	600,855,206.58	761,877,997.83	-
GRAND TOTAL		\$ 42,267,541.94	\$ 4,694,436.36	\$ 46,961,978.30	\$ 2,754,100,992.37	\$ 4,545,533,303.62	\$ (195,313,026.82)
Currency Forwards	Currency Forwards	\$ (2,126,116.01)	\$ -	\$ (2,126,116.01)	\$ -	\$ -	\$ -
Futures	Futures	-	3,777,337.17	3,777,337.17	2,754,100,992.37	4,545,533,303.62	-
Purchased Options	Purchased Options	22,204,548.32	3,907,915.19	26,112,463.51	-	-	67,743,641.53
Swaps/Structured Swaps	Swaps/Structured Swaps	102,846,069.63	-	102,846,069.63	-	-	749,303,185.76
Written Options	Written Options	(80,656,960.00)	(2,990,816.00)	(83,647,776.00)	-	-	(1,012,359,854.11)
GRAND TOTAL	GRAND TOTAL	\$ 42,267,541.94	\$ 4,694,436.36	\$ 46,961,978.30	\$ 2,754,100,992.37	\$ 4,545,533,303.62	\$ (195,313,026.82)

Comprehensive Report on Approved Derivative Applications as of February 28, 2007
Internal Management

Internal Managers	Derivative Application (account name)	Purpose of Application
S&P 500 Futures / Russell 2000 Futures / Nasdaq 100 Futures / Dow Jones Futures / FTSE Index / DJ Eurostoxx 50 / Taiwan / Singapore / Goldman Sachs Commodity Index (GSCI)	US Equity Small Cap/Large Cap Spread Trade	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
US No Cost Collar		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.
European No Cost Collar (Eurostoxx 50)		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 - U.S. Equities		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 Structured Swaps		Use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio within the Developed Markets portfolio.
Emerging Swaps		Use derivatives to construct a portfolio with a risk and return profile that could not be constructed using cash market securities.
Developed Mkts Structured Swaps - TOPIX		Use derivatives in order for the Funds to gain market (systematic) exposure without trading the underlying cash market securities.
US Structured Swap - Utilities basket hedge		Use derivatives to construct a portfolio with a risk and return profile that could not be constructed using cash market securities.
US Structured Swap - Long S&P 100 / Short Russell 2000		To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases and short sales of appropriate derivatives. Reduce utility sector exposure and increase large cap exposure.
Currency forwards		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.
		To replicate local currency exposure for hedged foreign investments in order to more closely align the targeted risk/return profile.

Comprehensive Report on Approved Derivative Applications as of February 28, 2007
External Management

External Managers Under Agency Agreement	Primary Use of Derivatives
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)
Dalton	Write covered calls; sell puts to gain better entry points.
Goldman Sachs Asset Management	Short sales of equity index options, protective puts, futures and forwards are allowed within our max loss provision.
Globeflex	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.
Morgan Stanley REITs	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
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.
PIMCO Real Return	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 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	May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)
	May use futures, forwards, options and swaps and fixed income securities linked to foreign interest rates.

Derivative Counterparty Report as of February 28, 2007

Counterparty	S & P Counterparty	Mark-to-Market	Percentage of Total Funds
ABN AMRO	AA-	\$ (434,153.08)	0.00%
AUSTRALIA & NZ BANK LTD	AA-	81,258.05	0.00%
BANK OF AMERICA	AA-	651,343.51	0.00%
BARCLAYS	AA	(8,178,834.54)	-0.04%
BEAR STEARNS	AA-	(38,397,068.31)	-0.19%
BNP PARIBAS	AA-	124,243.96	0.00%
CALYON FINANCIAL, LONDON	AA-	4,004.93	0.00%
CHASE MANHATTAN	AA-	(20,317.83)	0.00%
CITIBANK NY	AA+	(468,958.51)	0.00%
COMMONWEALTH BK OF AUSTRALIA	AA-	(18,839.34)	0.00%
CREDIT SUISSE FIRST	AA-	30,202.15	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH	A+	(23,948.40)	0.00%
DEUTSCHE BANK AG	AA-	(187,579.28)	0.00%
GOLDMAN SACHS	AA-	60,809,959.00	0.30%
HSBC BK USA, NEW YORK	AA	(412,251.70)	0.00%
J P MORGAN, CHASE	A+	18,557,728.80	0.09%
LEHMAN BROTHERS	AA-	(1,219,312.35)	-0.01%
MELLON BANK	AA-	(4,082.38)	0.00%
MERRILL LYNCH	AA-	(2,478,805.84)	-0.01%
MORGAN STANLEY	AA-	(5,597,237.32)	-0.03%
NATIONAL AUSTRALIA BANK LIMITED	AA-	(22,614.60)	0.00%
ROYAL BANK OF CANADA	AA-	(191,126.31)	0.00%
ROYAL BANK OF SCOTLAND PLC	AA	(1,868,237.74)	-0.01%
STATE ST BOSTON CAPITAL MKT	AA	(356,337.55)	0.00%
UBS A G	AA+	1,816,280.54	0.01%
WESTPAC BANKING CORP, SYDNEY	AA-	72,226.08	0.00%
Grand Total		\$ 22,267,541.94	0.11%

PUF, GEF and ITF owe to Counterparty
Counterparty owes to PUF, GEF and ITF

1 Counterparty risk has been reduced by \$20 million collateral held by UTIMCO.

PUF NAV	\$ 11,058,594,203.35
GEF NAV	5,996,849,150.89
ITF NAV	3,519,186,930.01
Total NAV	\$ 20,574,630,284.25

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

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

Developed by: Staff

Presented by: Iberg

Type of Item: Information item

Description: The Delegation of Authority delegates to the CEO the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less. The Delegation of Authority requires staff to report contracts, leases, or other commercial arrangements executed by the CEO with a total obligation of \$1 million or less.

The Delegation of Authority also requires that the CEO notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under the delegated authority related to new manager selection and increases in investments or commitments to existing managers.

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

Recommendation: None

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

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

**Report on Manager Activity
Taken Under the Delegation of Authority
January 6, 2007 through March 23, 2007**

	Date	Amounts			ITF	Total	Description
		PUF	GEF	ITF			
US Equities							
Domestic Spread Trade	Various	(36,244,595.00)	(19,911,715.00)	-	(56,156,310.00)	1	Decrease exposure in spread trade
Dow Jones Div ETFs	Various	5,793,580.00	3,119,620.00	-	8,913,200.00		Purchase Dow Jones Div ETFs
S&P futures & NASDAQ futures	Various	2,413,058.52	1,048,260.24	-	3,461,318.76		Reallocation from NASDAQ futures to S&P futures
S&P futures	Various	-	-	37,855,505.13	37,855,505.13		Purchase S&P futures from monthly re-balancing
Blavin	1/8/2007	9,000,000.00	4,846,154.00	4,153,846.00	18,000,000.00	1	Additional investment in manager
Energy Sector	1/19/2007	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	1	Allowed OIH put to expire
Healthcare ETFs	1/23/2007	(5,133,542.33)	(2,764,215.10)	-	(7,897,757.43)		Reduce exposure
Industrial ETFs	2/5/2007	(1,177,828.80)	(634,215.51)	-	(1,812,044.31)		Sell remaining position
TCW Multicap 1	2/21/2007	(112,534,535.00)	(58,705,887.11)	-	(171,240,422.11)		Terminate one of manager's mandates
S&P 500 ETFs	2/21/2007	110,888,172.00	57,729,612.00	-	168,617,784.00		Reallocation from TCW Multicap 1 account
S&P futures	3/1/2007	(49,897,149.25)	-	-	(49,897,149.25)		Sell S&P futures to make distribution
Relational	3/2/2007	34,856,175.19	18,768,623.25	4,405,831.56	58,030,630.00		Reinvest previously committed capital
Domestic No Cost Collar	3/23/2007	(65,000,000.00)	(35,000,000.00)	-	(100,000,000.00)	1	Closed RTY No Cost Collar position
Global ex US Equities							
Non-US Developed Equity							
International Spread Trade	3/1/2007	-	-	(4,949,500.00)	(4,949,500.00)	1	Liquidated trade
GSAM EAFE Flex	3/23/2007	(32,500,000.00)	(17,500,000.00)	13,000,000.00	(50,000,000.00)	1	Additional investment in manager Closed SX5E No Cost Collar position
European No Cost Collar							
Emerging Markets Equity							
Emerging NCC	1/10/2007	(32,500,000.00)	(17,500,000.00)	-	(50,000,000.00)	1	Closed EEM No Cost Collar position
Emerging NCC	2/1/2007	-	-	(28,000,000.00)	(28,000,000.00)	1	Allowed EEM put to expire
EEM Swap	2/1/2007	19,500,000.00	10,500,000.00	20,000,000.00	50,000,000.00	1	Initial EEM Swap trade
ADRE ETFs	2/2/2007	(12,525,817.52)	(6,732,471.08)	-	(19,258,288.60)		Sell ETFs to reallocate to EEM Swap trade
Templeton Alpha	2/5/2007	-	-	5,000,000.00	5,000,000.00		Additional investment in manager from monthly re-balancing
Korea ETFs	2/14/2007	(1,639,454.38)	(882,783.13)	-	(2,522,237.51)		Sell remaining position
Emerging NCC	3/5/2007	(16,250,000.00)	(8,750,000.00)	-	(25,000,000.00)	1	Closed EEM No Cost Collar position
Templeton Institutional Emerging	3/13/2007	(9,750,000.00)	(5,250,000.00)	(7,000,000.00)	(22,000,000.00)		Partial withdrawal from manager
Templeton Institutional Emerging	Various	9,750,000.00	5,250,000.00	7,000,000.00	22,000,000.00		Reinvest funds previously withdrawn from manager
Emerging Structured Swap	3/23/2007	(26,000,000.00)	(14,000,000.00)	(10,000,000.00)	(50,000,000.00)	1	Unwind EEM levered swap
EEM Swap	3/23/2007	26,000,000.00	14,000,000.00	10,000,000.00	50,000,000.00	1	Increase EEM Swap trade
Inflation Linked							
Pimco Real Return	Various	-	-	12,000,000.00	12,000,000.00		Additional investment in manager
GSCI futures contracts	Various	-	-	14,884,342.50	14,884,342.50		Additional investment in GSCI futures contracts
REIT Cash	2/1/2007	-	-	(57,600,000.00)	(57,600,000.00)	1	Allowed IYR put to expire
Internal TIPS	2/1/2007	-	-	15,000,000.00	15,000,000.00		Additional investment in manager from monthly re-balancing
Reams TIPS	2/5/2007	-	-	15,000,000.00	15,000,000.00		Additional investment in manager from monthly re-balancing
Fixed Income							
Global Investment Advisors	2/1/2007	-	-	20,000,000.00	20,000,000.00		Additional investment in manager from monthly re-balancing
Internal Fixed Income	2/12/2007	-	-	21,500,000.00	21,500,000.00		Additional investment in manager from monthly re-balancing
Credit Related Fixed Income	2/12/2007	-	-	8,500,000.00	8,500,000.00		Additional investment in manager from monthly re-balancing

**Report on Manager Activity
Taken Under the Delegation of Authority
January 6, 2007 through March 23, 2007**

	Date	Amounts			Description
		PUF	GEF	ITF	
<u>Marketable Alternatives</u>					
Blackstone Distressed	2/1/2007				25,000,000.00
Maverick	2/1/2007				(50,000,000.00)
Fox Point	3/1/2007				25,000,000.00
					Additional investment in manager
					Partial withdrawal from manager
					Initial investment in manager

1 Trades fall under the Derivative Investment Policy. Amounts shown represent Notional Value.

	Date	Committed Amount		Total	Description
		PUF	GEF		
<u>Private Capital</u>					
Wingate Partners IV, L.P.	12/15/2006	11,304,348.00	6,086,956.00	17,391,304.00	This commitment amount increased as fund participation increased to \$32.5m PUF and \$17.5m GEF
CVI Global Value Fund A, L.P.	1/5/2007	48,750,000.00	26,250,000.00	75,000,000.00	
Eos Capital Partners, IV, L.P.	2/28/2007	32,500,000.00	17,500,000.00	50,000,000.00	

*Euro denominated commitments to Non US funds are converted to US dollars using the exchange rate in effect on the closing date.

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

For January 6, 2007 through March 23, 2007

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

Agreement	Purpose	Contract Term	Annual Amount
Lehman Brothers	Provides access to Lehman indices and underlying data	4/1/2006 - 3/31/2007 Renews annually w/invoice	\$15,000
Burgiss Group	Portfolio management system for Private Markets	Renews every 5 years; next expiration Apr 2012	\$23,876
APS	Maintenance/Service Agreement (KM F650 Fax)	12/9/06 - 12/9/07 Renews annually w/invoice	\$300.00
Onsite AV	Maintenance/service agreement on audio/visual equipment	12/31/06 – 12/30/07 Agreement is not automatically renewable	\$12,704

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	\$2,536
International Fund Services	Risk System	Quarterly invoice – fees increased as accounts are added	\$556,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$285,210
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	\$480
Standard & Poor's Compustat)	Provide information for Factset	Renews quarterly via invoice (end of Jan, April, July Oct)	\$27,420
Thomson Venture Economics	Venture capital and private equity benchmarks and other industry data	Monthly invoice	\$18,684
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	\$19,800

Market Axess	Competitive quotation and trading system for corporate securities	Quarterly invoice	\$3,600
Bourse de Montreal	Real time quotations of Canadian equity futures	Monthly invoice	\$2,400

Report to the UTIMCO Board of Directors
Staffing Adjustments
April 10, 2007

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

CEO Department – General Counsel was hired and reports to the CEO. The General Counsel will provide legal advice and counsel to UTIMCO Board and staff on corporate and fiduciary matters including but not limited to advising on personnel matters, interpreting federal and state laws and regulations as it relates to UTIMCO's business such as 501(c)(3) exempt organization issues, tax-deferred and other employee benefit programs, fiduciary and trust issues, ethic policies, general contract issues, open record requests, legislation, policy related issues, and other corporate matters as they arise. In addition to the above she shall serve as an integral member to meet the needs of UTIMCO's institutional compliance function. This position replaces a budgeted position for a client service manager.

Marketable Alternatives Department – A part-time File Clerk was hired to help manage the record-keeping and file organization process. This position will primarily serve the Marketable Alternatives Department but will also assist the other investment and administrative areas as needed. This is an unbudgeted position.

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Legislative Update

Developed By: Gonzalez

Presented By: Gonzalez

Type of Item: Information item

Description: This agenda item is intended to update the Board on the current status of legislation affecting UTIMCO in the 80th Regular Legislative Session.

Discussion: Staff will continue to monitor the status of legislation affecting UTIMCO in the 80th Regular Legislative Session.

Recommendation: None

Reference: None

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Educational Program for UTIMCO Directors

Developed By: Turner

Presented By: Turner

Type of Item: Information item

Description: The Investment Management Services Agreement between the UT System Board of Regents and UTIMCO requires that UTIMCO provide training and education to members of the UTIMCO Board of Directors to assure that all duties required of directors under Texas Non-profit Corporation Act and that matters related to legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Board training is provided through an orientation session when new members of the Board are selected by the UT System Board of Regents. This agenda item serves as an update for current Board members.

Discussion: Jerry Turner of Vinson & Elkins will present the "Educational Program for UTIMCO Directors." Jerry Turner is lead counsel and manages the relationship with UTIMCO.

Recommendation: none

Reference: Educational Program for UTIMCO Directors presentation

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Discussion and Consideration of Recommended Distribution Rates

Developed By: Iberg, Moeller, Hill

Presented By: Iberg

Type of Item: Action Item; Action required by UTIMCO Board; Action required by U.T. System Board of Regents

Description: Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates are discussed in the attached Recommendation of Distribution Rates and are based on the Investment Policy Statements.

Recommendation: UTIMCO staff recommends that the UTIMCO Board approve the following for fiscal year ending August 31, 2008:

- 1) The distribution from the PUF to the Available University Fund be increased by 12.0% from \$400,685,603 to \$448,942,761
- 2) The distribution rate for the PHF be increased from \$0.0496 per unit to \$0.0511 per unit
- 3) The distribution rate for the LTF be increased from \$0.2844 per unit to \$0.2929 per unit
- 4) The distribution rate for the ITF remains at 3.0% per annum.

Reference: Recommendation of Distribution Rates
Investment Policy Statements

**RESOLUTION RELATED TO PUF DISTRIBUTION AND
PHF, LTF AND ITF DISTRIBUTION RATE INCREASES**

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$400,685,603 to \$448,942,761, for fiscal year 2008, effective with the September 1, 2007 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0496 per unit to \$.0511; the Long Term Fund be increased from \$0.2844 per unit to \$0.2929 per unit for fiscal year 2008, effective with the November 30, 2007 distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2008, effective with the September 1, 2007 distribution.

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

Recommendation of Distribution Amount and Rates

PUF

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12 - quarter average of the net asset value of the Fund for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2007-2008 is \$448,942,761 as calculated below:

Quarter Ended	Net Asset Value
5/31/04	7,997,992,228
8/31/04	8,087,877,618
11/30/04	8,648,150,213
2/28/05	8,832,164,283
5/31/05	8,899,839,516
8/31/05	9,426,742,792
11/30/05	9,564,640,080
2/28/06	9,798,633,228
5/31/06	10,028,861,545
8/31/06	10,313,393,571
11/30/06	10,760,220,191
02/28/07	11,058,603,363
	\$ 113,417,118,628
Number of Quarters	12
Average Net Asset Value	\$ 9,451,426,552
Distribution Percentage	4.75%
FY 2007-08 Distribution	\$ 448,942,761

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

The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$448,942,761 is substantially greater than PUF Bonds Debt Service of \$156,813,277 projected for FY 2007-2008.

System	Debt Service
U. T.	\$ 95,604,861
TAMU	61,208,416
Total	\$ 156,813,277

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

- The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2007 was 4.13%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return	9.68%
Mineral Interest Receipts	1.54%
Expense Rate	(0.22)% (1)
Inflation Rate	(2.46)%
Distribution Rate	(4.41)%
Net Real Return	4.13%

(1) The expense rate as shown is a ten year annualized average and includes all PUF Investment and PUF Land expenses, including the UTIMCO management fee, paid directly by the PUF. Prior to November 29, 1999, expenses related to PUF Investments and PUF Lands were paid from the AUF. Management fees that are netted from asset valuations, and are not paid directly by the PUF are not included, as they are a reduction to the Rate of Total Return.

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

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$9,451,426,552	\$448,942,761	4.75%	7.00%

(1) Source: UTIMCO

LTF AND PHF

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

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

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

We are recommending a 3.0% increase in the LTF distribution rate from \$0.2844 to \$0.2929 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The LTF's distribution rate calculated using the prior twelve quarter average value of the LTF is 4.7%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The increase in the consumer price index for the prior three years as of November 30, 2006, was 3.0%.

We are recommending a 3.0% increase in the PHF distribution rate of \$.0496 to \$.0511 per unit. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 4.6%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy.

ITF

We are recommending that the distribution rate remain at 3.0% for fiscal year 2008.

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Discussion and Consideration of Report from Audit and Ethics Committee

Developed By: Moeller, Hill, Carter

Presented By: Nye

Type of Item: Action required by UTIMCO Board related to year end audits; information item on other items

Description: An Audit and Ethics Committee ("Committee") meeting was held on March 19, 2007. The Committee's agenda included (1) the review and consideration of Ernst & Young, LLP's Financial Statement Audit Results and Communications for the Corporation; (2) review and consideration of the results of the internal control assessment on the Corporation; (3) review and consideration of the audited financial statements of the Corporation; (4) review of unaudited financial statements for the three months ended November 30, 2006 for the Funds and the Corporation; (5) a presentation on the Corporation's Enterprise Risk Management and (6) review of other compliance, reporting, and audit issues.

Discussion: The UTIMCO financial statements and internal controls were audited by Ernst & Young, LLP. Ricky Richter, coordinating partner, presented to the Committee Ernst & Young, LLP's Audit Results and Communications letter as well as answered questions related to the financial statements and internal controls. Ernst & Young issued an unqualified opinion on the August 31, 2006 financial statements. A copy of the Audit Results and Communications, the internal control reports, and the audited financial statements are included. The Committee approved the reports related to the annual audit.

Routine activities of the Committee included reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports. The Committee's responsibility also includes evaluating the Corporation's Enterprise Risk Management ("ERM"). The Committee reviewed two components of ERM, internal environment and objective setting during the meeting.

Recommendation: The Committee recommends that the Board approve Ernst & Young, LLP's Financial Statement Audit Results and Communications, the Report on Internal Control over Financial Reporting, and the audited financial statements and audit report for the Corporation.

Reference: Audit Results and Communications; Report on Internal Control over Financial Reporting; Audited financial statements and audit report for the Corporation

**RESOLUTIONS RELATED TO AUDITS OF THE CORPORATION FOR
FISCAL YEAR 2006**

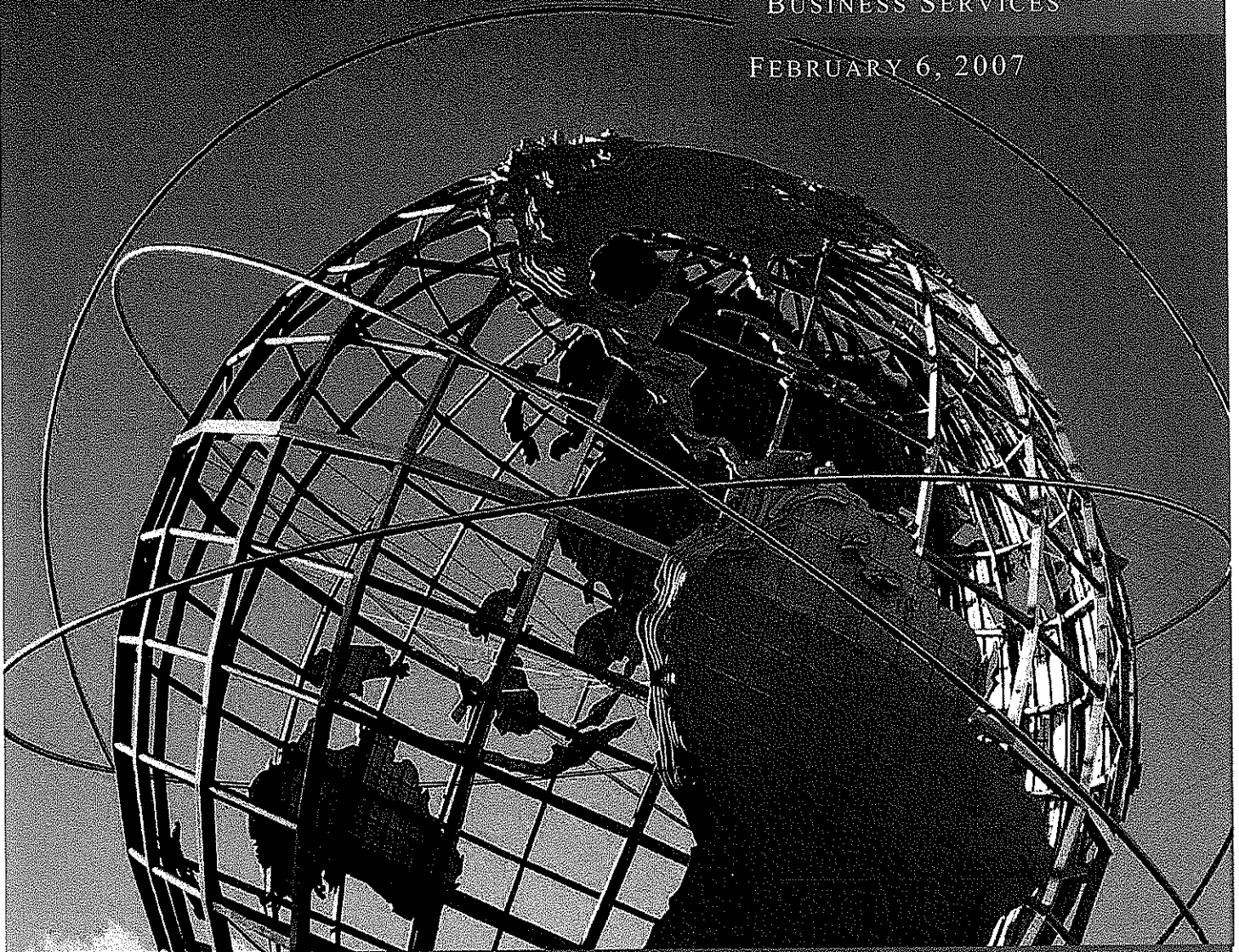
RESOLVED, that Ernst & Young, LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2006, be, and are hereby approved in the form as presented to the Board; and further

RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting, and the independent accountant's report for the Corporation for the year ended August 31, 2006, be, and are hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for each for the fiscal years ended August 31, 2006 and August 31, 2005, be, and are hereby approved in the form as presented to the Board.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

FEBRUARY 6, 2007



 **ERNST & YOUNG**

Quality In Everything We Do

The University of Texas Investment Management Company

Audit Results and Communications

Report to the Audit and Ethics Committee



■ Ernst & Young LLP
Suite 1800
401 Congress Avenue
Austin, Texas 78701

■ Phone: (512) 478-9881
Fax: (512) 473-3499
www.ey.com

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

We are pleased to present the results of our audit of the financial statements of the University of Texas Investment Management Company (the "Company") for the year ended August 31, 2006.

This report to the Audit and Ethics Committee is organized into the following sections:

- Required Communications

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ricky Richter'.

Ricky L. Richter

2006 AUDIT RESULTS AND
COMMUNICATIONS

Required Communications

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

2006 AUDIT RESULTS AND
COMMUNICATIONS

Area	Comments
<p>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</p> <p>The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.</p>	<p>We issued an unqualified opinion on the August 31, 2006 financial statements.</p>
<p>Our Judgments About the Quality of the Company's Accounting Principles</p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Funds' financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>Accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Company's financial statements and disclosures are complete in all material respects.</p>
<p>Sensitive Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p> <p>We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>Estimates in the 2006 financial statements did not require significant management judgment.</p>
<p>The Adoption of, or a Change in an Accounting Principle</p> <p>We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>None.</p>
<p>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p> <p>We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Company or of any significant accounting policies used by the Company related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>

2006 AUDIT RESULTS AND
COMMUNICATIONS

Area	Comments
<p>Significant Audit Adjustments We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Company's financial statements.</p>	There were no recorded audit adjustments related to the fiscal year 2006 audit.
<p>Unadjusted Audit Differences Considered by Management to Be Immaterial We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>	There were no unadjusted audit differences related to the fiscal year 2006 audit.
<p>Fraud and Illegal Acts We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p>	We are not aware of any fraud or illegal acts.
<p>Material Weaknesses in Internal Control We are required to communicate all material weaknesses in internal control, which may have been identified during the course of our audit.</p>	No material weaknesses were identified.
<p>Disagreements with Management</p>	None.
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</p>	None.
<p>Major Issues Discussed with Management Prior to Retention</p>	None.
<p>Consultation with Other Accountants</p>	None of which we are aware.
<p>Other Matters</p>	None.
<p>Other Information in Documents Containing Audited Financial Statements Our financial statement audit opinion only relates to the financial statements and the accompanying notes. However, we also review other information such as Management's Discussion and Analysis, for consistency with the audited financial statements.</p>	We believe that Management's Discussion and Analysis is consistent with the audited financial statements.

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



**Reports by
Ernst & Young, L.L.P.
&
UTIMCO Management**

***The University of Texas Investment Management Company's
Internal Control over Financial Reporting***



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Report by Ernst & Young, L.L.P.	Item 1
Report by Management.....	Item 2

Independent Accountant's Report

We have examined management's assertion, included in the accompanying Report of Management on the University of Texas Investment Management Company's Internal Control Over Financial Reporting, that the University of Texas Investment Management Company (UTIMCO) maintained effective internal control over financial reporting as of August 31, 2006, based on criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. UTIMCO's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the UTIMCO maintained effective internal control over financial reporting as of August 31, 2006, is fairly stated, in all material respects, based on criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Ernst & Young LLP

January 5, 2007



**Report by Management
The University of Texas Investment Management Company's
Internal Control over Financial Reporting**

January 5, 2007

The University of Texas Investment Management Company (UTIMCO) is responsible for the preparation, integrity, and fair presentation of its published financial statements as of August 31, 2006, and for the twelve months then ended. The financial statements of the Company have been prepared in accordance with generally accepted accounting principles, and, as such, include some amounts that are based on judgments and estimates of management.

INTERNAL CONTROL OVER FINANCIAL REPORTING

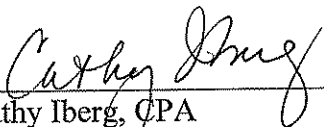
We, as members of management of UTIMCO, are responsible for establishing and maintaining effective internal control over financial reporting as it related to its financial statements presented in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable assurance to the UTIMCO management and board of directors regarding the preparation of reliable published financial statements. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Because of inherent limitations in any internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.


Management has assessed the UTIMCO internal control over financial reporting as it relates to its financial statements presented in conformity with generally accepted accounting principles as of August 31, 2006. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that UTIMCO maintained

effective internal control over financial reporting as it relates to its financial statements presented in conformity with generally accepted accounting as of August 31, 2006, based on the specified criteria outlined in this integrated framework.

The University of Texas Investment Management Company



Cathy Iberg, CPA
Interim President, Chief Executive Officer,
and Chief Investment Officer



Joan Moeller, CPA
Managing Director-Accounting,
Finance, and Administration

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

FINANCIAL STATEMENTS

For the years ended August 31, 2006 and 2005

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2006 and 2005

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Report of Independent Auditors

The Board of Directors
The University of Texas Investment Management Company

We have audited the accompanying financial statements of The University of Texas Investment Management Company (UTIMCO) as of and for the years ended August 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of UTIMCO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UTIMCO as of August 31, 2006 and 2005, and the results of its operations and its cash flow for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 2 through 5 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

January 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the period ended August 31, 2006. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. 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 (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$20 billion. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents. The UTIMCO Board of Directors includes three members of the UT Board, the Chancellor of The University of Texas System, and five outside investment professionals (including one representative from the Texas A&M University System). The UTIMCO Board and the UT System Board of Regents have entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the UTIMCO financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

Net assets decreased by \$3.6 million from \$8.7 million to \$5.1 million, or approximately 41%, for the year ended August 31, 2006. This is compared to a decrease of \$3.4 million from \$12.1 million to \$8.7 million, or approximately 28%, for the year ended August 31, 2005. The change in net assets from year to year is mainly attributable to the fact that UTIMCO rebated \$4 million back to The University of Texas System investment funds in both years. The rebate amounts were determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents.

On February 1, 2006, UTIMCO implemented and invested in a new fund, The University of Texas System Intermediate Term Fund. Additional management fees were received which were offset by additional expenses related to managing the fund.

Use of Financial Statements and Notes

UTIMCO financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: Statement of Net Assets or Balance Sheets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Balance Sheets

The Balance Sheets present assets, liabilities, and the net assets of UTIMCO as of the end of the fiscal year. These statements have been prepared using the accrual basis of accounting.

The following summarizes the Balance Sheets:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Cash & Cash Equivalents	\$ 5,568,970	\$ 3,006,059	\$ 6,682,363
Investments, at Fair Value	-	7,429,273	7,257,863
Other Assets	<u>3,981,382</u>	<u>1,502,914</u>	<u>821,851</u>
Total Assets	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>	<u>\$ 14,762,077</u>
Liabilities & Net Assets			
Accounts Payable & Other Accrued Expenses	\$ 2,496,053	\$ 2,876,904	\$ 2,605,500
Deferred Rent	1,951,631	326,753	-
Unrestricted Net Assets	<u>5,102,668</u>	<u>8,734,589</u>	<u>12,156,577</u>
Total Liabilities & Net Assets	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>	<u>\$ 14,762,077</u>

The changes in Balance Sheet components are primarily the result of the following:

- During the 2006 and the 2005 fiscal years, UTIMCO rebated \$4 million back to The University of Texas System investment funds. The rebate amounts were determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents.
- The investment in The University of Texas System Short Intermediate Term Fund was liquidated during the year ending August 31, 2006.
- Other Assets increased during fiscal years 2006 and 2005 by approximately \$2,478,000 and \$681,000, respectively. Property and equipment, net increased by approximately \$2,682,000 in 2006 and \$557,000 in 2005 related to purchases of leasehold improvements, furniture, and computer equipment for UTIMCO's new leased facilities. In addition, deposits increased by \$113,000 during fiscal year 2005 but decreased by \$265,000 in fiscal year 2006 as a result of timing from purchases of new furniture.
- UTIMCO entered into a new office lease effective September 1, 2005, and in connection with this lease, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets are based upon the financial activity of the organization. The purpose of these statements is to present details comprising the revenue, expenses, and changes to net assets for the periods reported. The following table summarizes the Statements of Revenues, Expenses and Changes in Net Assets:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue			
Management Fees	\$ 11,441,802	\$ 10,458,115	\$ 9,519,273
Other Revenue	<u>264,415</u>	<u>287,633</u>	<u>238,229</u>
	11,706,217	10,745,748	9,757,502
Expenses			
Salaries & Benefits	7,703,543	7,230,998	6,212,011
General Operating Expenses	1,683,029	1,147,653	988,371
Depreciation Expense	516,693	272,836	261,894
Other Expenses	<u>1,434,873</u>	<u>1,516,249</u>	<u>1,162,697</u>
	11,338,138	10,167,736	8,624,973
Management Fee Rebate	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>-</u>
(Decrease)/ Increase in Unrestricted Net Assets	(3,631,921)	(3,421,988)	1,132,529
Net Assets, Beginning of Period	<u>8,734,589</u>	<u>12,156,577</u>	<u>11,024,048</u>
Net Assets, End of Period	<u>\$ 5,102,668</u>	<u>\$ 8,734,589</u>	<u>\$ 12,156,577</u>

The changes in the Statements of Revenues, Expenses and Changes in Net Assets are primarily the result of the following:

- Management Fee revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board of Directors and the UT System Board of Regents. Revenue fluctuations are the direct result of these approved budgets. On February 1, 2006, UTIMCO implemented and invested in a new fund, The University of Texas System Intermediate Term Fund. Additional management fees were received which were offset by additional expenses related to managing the fund.
- Salary and Benefit expenses increased with the addition of four new positions and three promotions/transfers in fiscal year 2006 and 6.5 new positions in fiscal year 2005.
- For fiscal year 2006 and 2005, General Operating Expenses increased by approximately \$535,000 and \$159,000, respectively. For fiscal year 2006, the change resulted from increased expenditures for on-line data services, other contract services, hiring consultants and recruiting costs and travel expenses. For

the prior fiscal year, the change resulted from increases in other contract services, travel expenses and hiring consultants.

- Other expenses decreased during 2006 by approximately \$82,000 and increased during 2005 by approximately \$354,000. The current year decrease resulted from a decrease in legal costs. The prior year increase resulted from additional legal fees as compared to 2004.

Statements of Cash Flows

The Statements of Cash Flows are presented to identify the cash flows from operating activities and those cash flows used for investing activities. The following table summarizes the Statements of Cash Flows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities			
Proceeds from management fees	\$11,434,302	\$10,458,115	\$ 9,519,273
Other proceeds	1,551,505	326,791	65
Payments to and for employees	(8,120,424)	(7,069,966)	(5,068,659)
Other payments	<u>(2,818,813)</u>	<u>(2,667,535)</u>	<u>(2,267,077)</u>
	2,046,570	1,047,405	2,183,602
Cash Flows from (used for) Noncapital, Capital and Investing Activities			
Purchase of property & equipment, net	(3,186,472)	(831,516)	(143,271)
(Purchase) Sale of investments, net	7,356,538	(180,607)	(166,950)
Other Cash Flows from (used for) Noncapital, Capital and Investing Activities	<u>(3,653,725)</u>	<u>(3,711,586)</u>	<u>236,803</u>
	516,341	(4,723,709)	(73,418)
Net Change in Cash & Cash Equivalents	2,562,911	(3,676,304)	2,110,184
Cash & cash equivalents, beginning of period	<u>3,006,059</u>	<u>6,682,363</u>	<u>4,572,179</u>
Cash & cash equivalents, end of period	<u>\$ 5,568,970</u>	<u>\$ 3,006,059</u>	<u>\$ 6,682,363</u>

The changes in the Statements of Cash Flows are primarily the result of the following:

- Purchases of property and equipment increased in fiscal years 2006 and 2005 as the organization completed the move into new leased facilities.
- During fiscal year 2006, investments were liquidated and in fiscal year 2005, the only additional investment purchases were the reinvestment of dividends and interest.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the UTIMCO corporate results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Balance Sheets

August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,568,970	\$ 3,006,059
Dividends receivable	-	21,389
Investments	-	7,429,273
Prepaid expenses and other assets	<u>314,652</u>	<u>496,627</u>
Total Current Assets	5,883,622	10,953,348
Non-Current Assets:		
Property and equipment, net of accumulated depreciation of \$1,266,928 and \$1,322,348, respectively	<u>3,666,730</u>	<u>984,898</u>
Total Assets	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,496,053	\$ 2,876,904
Current portion - deferred rent	<u>203,790</u>	<u>29,705</u>
Total Current Liabilities	2,699,843	2,906,609
Non-Current Liabilities:		
Long-term portion - deferred rent	<u>1,747,841</u>	<u>297,048</u>
Total Liabilities	4,447,684	3,203,657
Net Assets:		
Unrestricted	<u>5,102,668</u>	<u>8,734,589</u>
Total Liabilities and Net Assets	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Management fee	\$ 11,441,802	\$ 10,458,115
Miscellaneous	<u>211</u>	<u>38</u>
Total Operating Revenues	11,442,013	10,458,153
 Operating Expenses		
Salaries	6,657,040	6,297,545
Employee benefits	734,480	619,816
Payroll taxes	312,023	313,637
General operating	1,683,029	1,147,653
Depreciation and amortization	516,693	272,836
Lease	655,286	600,593
Professional fees	532,246	661,442
Insurance	<u>247,341</u>	<u>254,214</u>
Total Operating Expenses	<u>11,338,138</u>	<u>10,167,736</u>
Operating Income	103,875	290,417
 Nonoperating Revenues		
Interest	251,882	107,807
Dividends	73,002	189,788
Net realized and unrealized losses on investments	(72,735)	(9,197)
Gain/(Loss) on disposal of equipment	<u>12,055</u>	<u>(803)</u>
Net Nonoperating Revenues	264,204	287,595
Income Before Other Changes in Net Assets	368,079	578,012
 Other Changes in Net Assets		
Rebate of management fees to investment funds	<u>(4,000,000)</u>	<u>(4,000,000)</u>
Decrease in unrestricted net assets	(3,631,921)	(3,421,988)
Net assets at beginning of period	<u>8,734,589</u>	<u>12,156,577</u>
Net assets at end of period	<u>\$ 5,102,668</u>	<u>\$ 8,734,589</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Proceeds for management fees	\$ 11,434,302	\$ 10,458,115
Proceeds from other revenues	211	38
Proceeds for tenant improvements	1,286,232	326,753
Payments to suppliers for goods and services	(2,506,989)	(1,896,616)
Payments for facility	(311,824)	(595,811)
Payments to employees	(7,109,904)	(6,136,175)
Payments for employees	(1,010,520)	(933,791)
Receipt/(payment) of deposits	<u>265,062</u>	<u>(175,108)</u>
Net cash provided by operating activities	<u>2,046,570</u>	<u>1,047,405</u>
Cash flows from noncapital financing activities:		
Rebate payment to investment funds	<u>(4,000,000)</u>	<u>(4,000,000)</u>
Net cash used in noncapital financing activities	<u>(4,000,000)</u>	<u>(4,000,000)</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(3,215,472)	(831,516)
Proceeds from sale of property and equipment	<u>29,000</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(3,186,472)</u>	<u>(831,516)</u>
Cash flows from investing activities:		
Purchase of investments	(87,079)	(180,607)
Proceeds from sale of investment securities	7,443,617	-
Interest and dividends	<u>346,275</u>	<u>288,414</u>
Net cash provided by investing activities	<u>7,702,813</u>	<u>107,807</u>
Net Increase/(Decrease) in cash and cash equivalents	2,562,911	(3,676,304)
Cash and cash equivalents at beginning of period	<u>3,006,059</u>	<u>6,682,363</u>
Cash and cash equivalents at end of period	<u>\$ 5,568,970</u>	<u>\$ 3,006,059</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

Reconciliation of operating income to net cash provided by operating activities:

	<u>2006</u>	<u>2005</u>
Operating income	\$ 103,875	\$ 290,417
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	516,693	272,836
Change in assets and liabilities:		
Decrease/(Increase) in prepaid expenses and other assets	181,975	(114,004)
(Decrease)/Increase in accounts payable and accrued expenses	(380,851)	271,403
Increase in deferred rent	<u>1,624,878</u>	<u>326,753</u>
Net cash provided by operating activities	<u>\$ 2,046,570</u>	<u>\$ 1,047,405</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

The University of Texas Investment Management Company (UTIMCO) is a not-for-profit corporation organized to invest funds under the control and management of the Board of Regents (Board) of The University of Texas System. UTIMCO commenced business on March 1, 1996. The financial statements of UTIMCO have been prepared on the accrual basis of accounting. The significant accounting policies are described in Note 2.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of UTIMCO are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). UTIMCO applies all applicable GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Cash and cash equivalents

For purposes of the statements of cash flows, UTIMCO considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. UTIMCO invests excess cash in an interest-bearing money market account.

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate.

Investments

Investments are carried at market, and realized and unrealized losses on investments are reflected in the statement of revenues, expenses and changes in net assets.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Property and equipment, net of accumulated depreciation

Property and equipment consists of office furniture, office equipment, software, and leasehold improvements and is stated at cost. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets. The following is a schedule of the property and equipment at August 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Office furniture	\$ 717,214	\$ 351,823
Office equipment	1,181,260	812,834
Software	237,971	226,124
Leasehold improvements	<u>2,797,213</u>	<u>916,465</u>
Total property and equipment	4,933,658	2,307,246
Less accumulated depreciation	<u>(1,266,928)</u>	<u>(1,322,348)</u>
Net property and equipment	<u>\$3,666,730</u>	<u>\$ 984,898</u>

Income taxes

The exclusive purposes for which UTIMCO is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Service Code, and therefore, UTIMCO is not subject to federal income taxes on normal operations. UTIMCO may, however, incur federal income taxes on unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain items in the prior year financial statements and related notes have been reclassified to conform with 2006 classification.

Note 3 - Related Party Transactions

a) Investment Management Services Agreement - The Investment Management Services Agreement has appointed UTIMCO as the Board of Regents' investment manager with complete authority to act for the Board in the investment of all funds. As of February 1, 2006, UTIMCO began managing a newly created fund, The University of Texas System Intermediate Term Fund. The University of Texas System Short Intermediate Term Fund was liquidated as of January 31, 2006. The amount of the management fee for the periods

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

ended August 31, 2006 and 2005 were \$11,434,302 and \$10,450,615, respectively. This represents fees for the following:

	<u>2006</u>	<u>2005</u>
Permanent University Fund	\$ 5,591,136	\$ 5,790,979
The University of Texas System Long Term Fund	3,259,091	3,483,456
Permanent Health Fund	704,817	686,338
The University of Texas System Intermediate Term Fund	1,682,315	-
The University of Texas System Short Intermediate Term Fund	<u>196,943</u>	<u>489,842</u>
	<u>\$ 11,434,302</u>	<u>\$ 10,450,615</u>

b) UTIMCO contracts for internet and mainframe connection services with The University of Texas System and The University of Texas at Austin. The expense for these services for the periods ended August 31, 2006 and 2005 were \$14,612 and \$12,057, respectively.

c) During the current fiscal year, UTIMCO sold office furniture to The University of Texas System and received proceeds of \$29,000. The original cost of the furniture was \$200,179 and had a remaining book value of \$7,975 at the time of the sale.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$100,000. As of August 31, 2006 and 2005, UTIMCO had no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

UTIMCO invested funds in The University of Texas System Short Intermediate Term Fund (SITF). The SITF invested in high grade fixed income obligations. The SITF carried an AAA_f credit quality rating and a bond fund volatility rating of S₂ from Standard & Poor's, Inc. The investment was liquidated as of January 31, 2006. The investment's cost and market value at August 31, 2005 were \$7,507,498 and \$7,429,273, respectively.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Note 5 - Deferred Revenue

UTIMCO assesses on or before the first day of The University of Texas System's fiscal quarter one-fourth of the annual management fee. The fee is deferred and is ratably credited to revenue monthly. For the periods ended August 31, 2006 and 2005, there was no deferred revenue.

Note 6 - 403(b) Plan

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2006 and 2005 were \$327,724 and \$304,359, respectively.

Note 7 - Lease Expense

In prior fiscal years, UTIMCO leased office space and parking from an unrelated landlord. The 60-month lease commenced January 15, 2001 and expired January 15, 2006. The minimum rental commitment was \$33,923 per month. Additionally, UTIMCO was responsible to the landlord for its share of operating expenses related to the rental property. The lease expense, including parking expense, and operating expenses paid were \$171,749, and \$79,727, respectively, for the period ended August 31, 2006, and \$422,212 and \$171,789, respectively, for the period ended August 31, 2005.

UTIMCO's deposit of \$89,954 with the previous landlord was received in April 2006, plus interest of \$13,947. There is not a deposit with the landlord for the new lease.

Effective September 1, 2005, UTIMCO entered into an eleven year lease for its office space and parking with an unrelated party. Under the terms of the lease, the lease expense and building operating expenses for the first 14 months were provided by the new landlord as a lease incentive, except for specific electricity costs incurred by UTIMCO. Parking expense for the new lease expense was \$51,601 for the period ending August 31, 2006. The lease expense incentive is recorded as a deferred rent liability as detailed in Note 8.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

The 132 month lease expires August 31, 2016. Commencing November 1, 2006, the minimum rental commitment is \$43,135 per month through December 31, 2007. The commitment increases to \$47,773 per month effective January 1, 2008, with the increase in rentable space. The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2007	\$ 431,351
2008	554,722
2009	573,272
2010	573,272
2011	573,272
Thereafter	<u>2,866,361</u>
Total	<u>\$5,572,250</u>

Note 8 – Deferred Rent

Under the terms of the new office lease effective September 1, 2005, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. The new property was placed in service on November 14, 2005. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

As of August 31, 2006, the total deferred rent was \$1,951,631. The portion of the deferred rent related to the rent holidays is \$462,722. The remaining portion of the deferred rent is \$1,488,909 and relates to the tenant improvement allowance. UTIMCO was provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. The deferred rent is amortized over the term of the lease.

Note 9 – Management Fee Rebate

UTIMCO rebated \$4 million back to The University of Texas System investment funds. The rebate amounts were determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. The rebates were returned to the funds in the amounts detailed below:

	<u>2006</u>	<u>2005</u>
Permanent University Fund	\$ 2,344,400	\$ 2,390,343
Long Term Fund	1,293,600	1,246,673
Permanent Health Fund	176,800	169,581
Short Intermediate Term Fund	<u>185,200</u>	<u>193,403</u>
Total Rebate	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Report from Risk Committee

Developed By: Iberg

Presented By: Tate

Type of Item: No action required.

Discussion: The Risk Committee met in Houston on March 1, 2007. Gifford Fong presented his findings from a thorough review process of UTIMCO's current risk process. He commended the Risk Group for their analytics and cutting edge outlook. He reported that UTIMCO has a very vital risk management program in place. The presentation continued to cover how UTIMCO was valuing its investments. He stated that the Committee should take comfort that pricing is being reported correctly and values are in line. He stated that the Risk Dashboard is a good management and reporting tool, and made some suggestions that could be incorporated to further complement the reporting. As a means of further understanding the process, Cathy Iberg answered questions regarding the hedge fund risk procedures and due diligence process.

The discussion then turned to Asset Allocation. Cathy Iberg reviewed the current investment policy and discussed dollar allocation vs. risk allocation. Cathy identified key issues for discussion of the allocation process, such as allocation parameters, and associated investment and derivative policies.

The meeting included routine review of the Liquidity Profile, Risk Dashboard, Comprehensive Derivative Report, and Derivative Compliance reporting, as well as an update on investment compliance reporting and a summary of the Investment Compliance Report for quarter ending November 2006.

In addition to the Risk Committee Meeting on March 1, 2007, the Risk Committee will meet telephonically on April 5, 2007. Charles Tate will provide the Board with an update of the meeting.

Recommendation: None

Reference: None

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
April 10, 2007

Agenda Item: Asset Allocation Discussion

Developed By: Iberg

Presented By: Iberg

Type of Item: Information item

Description: Presentation will be given during the meeting.

Recommendation: None

Reference: None