

**MINUTES OF  
MEETING OF THE RISK COMMITTEE OF  
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Risk Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **October 23, 2008**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, Charles Tate, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Charles W. Tate, Chair  
Clint D. Carlson  
Erle Nye

thus constituting a majority and quorum of the Committee. Director J. Philip Ferguson was not present at the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director – Private Investments; Bill Edwards, Managing Director – Information Technology; Mark Shoberg, Director – Private Investments; Uzi Yoeli, Director - Portfolio Risk Management; and various staff members of the Corporation; Keith Brown of the McCombs School of Business at UT Austin; and Charlie Chaffin, Miles Ragland and Jim Phillips representing The University of Texas System (the "UT System"); Jerry Turner of Andrews Kurth LLP and Tom Wagner of Deloitte & Touche LLP. Bruce Myers of Cambridge joined later in the meeting as noted in the minutes. Chairman Tate called the meeting to order at 3:35 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

**Minutes**

The first matter to come before the Committee was approval of the minutes of the Joint Meeting of the Policy and Risk Committee held on July 15, 2008, and the minutes of the meeting of the Risk Committee held on July 15, 2008. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Joint Meeting of the Policy and Risk Committees held on **July 15, 2008**, and the meeting of the Risk Committee held on **July 15, 2008** be, and are hereby, approved.

**Funds Update**

Mr. Tate proceeded by asking Mr. Zimmerman to give an update on the Funds. Mr. Zimmerman began with the preliminary performance summary as of September 30, 2008. He presented charts that included comparison against the Cambridge Billion Dollar Funds Universe, risk/return analysis, asset allocation over time for the General Endowment Fund (GEF), deviations from policy targets for the Permanent University

Fund (PUF), the GEF and the Intermediate Term Fund (ITF) (collectively, the Funds). Mr. Zimmerman then reviewed the Funds with the categorization grids, comparing asset class and investment type targets, ranges and performance objectives. He discussed several charts explaining the current risk environment of the Funds and their respective liquidity profiles and a chart which illustrated four-way risk decomposition as of August 31, 2008, for the GEF using the investment strategy.

Mr. Zimmerman reported that in August all asset classes and investment types were within ranges. However, when final net asset values for the PUF and GEF for September 30, 2008 became available, Private Investments exceeded the ranges set by the Investment Policy Statements. As required by the Investment Policy Statements, Ms. Gonzalez, CCO, notified the Chairs of the Audit and Ethics Committee and the Risk Committee. Also as required by the Investment Policy Statements, the CEO and Chief Investment Officer notified the Chairman of the Board and proposed a plan of action to bring Private Investments back within the ranges. The CEO and Chief Investment Officer also discussed the proposed plan of action with the Committee Chairs. The Chairman of the Board and the Committee Chairs agreed with the proposed plan of action and it is being followed.

Also presented by Mr. Zimmerman were a comprehensive derivative report as of August 31, 2008, and a report on investment transactions made under the Delegation of Authority for the Fiscal Quarter ended August 31, 2008. Ms. Iberg was asked to present a performance update on the Less Correlated & Constrained portfolio. She covered program objectives, recent global market environment, capital preservation and activity. Mr. Zimmerman, Ms. Iberg and Mr. Eakman answered the Committee Members' questions. Mr. Zimmerman reported that he had sent a memorandum to the UT System Chief Business Officers with an update on the ITF and he would be on the agenda for the Business Manager Council meeting in Tyler in early December. Committee Members requested a copy of the memorandum. Mr. Zimmerman said he would send it to the entire Board.

### **Categorization of New Investment Mandates**

Mr. Tate asked Mr. Zimmerman to report on the Categorization of New Investment Mandates and Re-categorization of Investment Mandate as per the Mandate Categorization Procedure, effective March 1, 2008. Mr. Zimmerman reported that there was a summary page provided with all new mandates and one re-categorization request for AG Super Fund, L.P. He reported that the Chief Compliance Officer concurred in the categorizations prepared by the Managing Directors, as did he. The materials provided to the Committee for their approval or re-categorization represented the mandate categorizations prepared by staff through September 30, 2008, that had not previously been presented to the Committee for review and approval or re-categorization. Mr. Myers joined the meeting at this time. Mr. Zimmerman and Ms. Iberg answered the Committee members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board adopted a Mandate Categorization Procedure on January 30, 2008, with an effective date of March 1, 2008, to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, and the Intermediate Term Fund; and

WHEREAS, the Procedure requires the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer to review and categorize each new mandate; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared through September 30, 2008, and categorized each as required by the Procedure; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have recommended a re-categorization of a mandate that was approved by the Committee on January 23, 2008; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations and the re-categorization of the Mandate Categorization that was approved by the Committee on January 23, 2008, and concurs in the classifications as proposed by the Corporation's staff.

NOW, THEREFORE, BE IT

RESOLVED, that the Categorizations of the Asset Class and Investment Type for each Investment Mandate are hereby approved.

### **Delegation of Authority Policy Amendments**

Mr. Tate asked Mr. Zimmerman to present the Staff's recommended changes to the Delegation of Authority. At a prior meeting, the Committee Members asked Staff to present a proposal regarding the handling of mandates that exceed the limits set forth in the Delegation of Authority Policy. Staff has prepared draft changes to the Delegation of Authority Policy to cover such situations. Mr. Zimmerman presented the suggested language to be included in the Delegation of Authority Policy which will require any mandate resulting in three percent or more exposure relative to the total Funds (excluding the ITF for private investments) to be reported to the Committee at its next meeting. Manager mandates resulting in five percent or more exposure will also be reported to the Committee with a Staff presentation on an appropriate course of action. Mr. Zimmerman answered the Committee Members' 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 Risk Committee, subject to approval by the Policy Committee and Corporation's Board of Directors.

### **Compliance Summary Program**

Mr. Tate asked Ms. Gonzalez to give a report on the Compliance Summary Program. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended August 31, 2008, noting that there were no exceptions to policy during the quarter. Additionally, Ms. Gonzalez presented the Institutional Compliance Program Annual Report for the Year Ended August 31, 2008, which is submitted to UT System. She gave a summary of reviews she had done as Chief Compliance Officer including Employee Ethics and Compliance quarterly meetings, investment due diligence meetings, investment risk

management, IT and security monitoring, investment compliance and monitoring of conflicts of interest. There were no significant findings. Mr. Zimmerman noted that UT System Office of Finance staff has been invited to the investment due diligence meetings. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

### Geographic and Sector Exposure

Mr. Tate asked Mr. Zimmerman to lead the discussion on geographic and sector exposure of the endowment funds. Mr. Zimmerman began by explaining that questionnaires had been sent to all managers and 85% had responded with detailed exposure. The exposures of the endowment funds (excluding the ITF) was as of June 30, 2008. He reviewed a chart that compared total equity country exposure against total endowments, market cap, MSCI All Country World Index, and other indices. Although Staff noted that the conclusions of this report were interesting, they did not recommend spending the time and effort involved to provide this information to the Committee and Board more frequently than once a year. The Committee concurred and asked that this report be presented to the full Board for discussion at their next meeting.

With there being no further business to come before the Risk Committee, the meeting was adjourned at approximately 5:45 p.m.

Secretary Joan Moeller  
Joan Moeller

Approved: Charles W. Tate  
Charles W. Tate, Chair  
Risk Committee  
of the Board of Directors of  
The University of Texas Investment  
Management Company

Date: Jan 9, 2009