

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



Presentation Materials

Board of Directors Meeting

February 5, 2009

Part One

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
February 5, 2009**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time		Item #	Agenda Item
Begin	End		
10:00 a.m.	10:05 a.m.	1	Convene in Open Session: Call to Order/Discussion and Appropriate Action Related to Minutes of November 7, 2008 Meeting*
10:05 a.m.	10:10 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: - Election of UTIMCO Officer* - Designation of Annual Meeting of the UTIMCO Board*
10:10 a.m.	11:00 a.m.	3	Endowment and Operating Funds Update Report Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments
11:15 a.m.	11:40 a.m.	3	Reconvene into Open Session: Endowment and Operating Funds Update Report
11:40 a.m.	12:00 p.m.	4	Report from Risk Committee
12:00 p.m.	1:00 p.m.	5	Presentation by Mohamed A. El-Erian of PIMCO
1:00 p.m.	2:00 p.m.	6	Lunch and Discussion of Investment Environment
2:00 p.m.	2:15 p.m.	7	Report on and Discussion and Appropriate Action related to Items from Policy Committee*
2:15 p.m.	2:30 p.m.	8	Report on and Discussion and Appropriate Action related to Items from Compensation Committee*
2:30 p.m.	2:50 p.m.	9	Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee*
2:50 p.m.	3:00 p.m.	10	Discussion and Appropriate Action related to Cambridge Contract Renewal*
3:00 p.m.	3:45 p.m.	11	UTIMCO Organization Update
3:45 p.m.	4:05 p.m.	12	Overview of UT System Debt Programs
4:05 p.m.			Adjourn

*Action by resolution required

Next Scheduled Meeting: April 23, 2009 (Annual Meeting)
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TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 7, 2008**, 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 8:12 a.m. on the **7th day of November 2008**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Robert B. Rowling, 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:

J. Philip Ferguson, Vice Chairman
Kenneth I. Shine, Vice Chairman for Policy
Clint Carlson
Paul Foster
Ardon E. Moore
Erle Nye
Charles W. Tate

Accordingly, a majority and quorum of the Board was in attendance. Director Colleen McHugh did not attend 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; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director - Private Markets; Bill Edwards, Managing Director - Information Technology; Mark Warner, Senior Director - Natural Resources Investments; Bob Schau, Senior Director - Real Estate Investments; Uzi Yoeli, Director - Portfolio Risk Management; and other Staff members; Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner of Andrews Kurth LLP; William Volk of Vinson & Elkins LLP; Jim Phillips, Charles Chaffin, Philip Aldridge, Moshmee Kalamkar, Miles Ragland, Barry McBee and Roger Starkey of UT System Administration; Bruce Myers, Jeff Mansukhani and Hamilton Lee of Cambridge Associates; Greg Anderson of Texas A&M University System; and Tom Wagner of Deloitte & Touche LLP. Robert Rowling, Chairman of the Board, joined later in the meeting as noted in the minutes. Mr. Ferguson called the meeting to order at 8:12 a.m.

Minutes

The first matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on July 23, 2008, and the Joint Meeting of the Board and UT System Board of Regents held on July 24, 2008. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **July 23, 2008**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **July 24, 2008**, be, and are hereby, approved.

Legal Counsel Selection

Mr. Ferguson asked Mr. Zimmerman to discuss external legal counsel. Mr. Zimmerman stated that he and Staff recommended that the Board hire Andrews Kurth LLP to provide guidance and assistance to the Board, its individual members, and Staff in matters related to the Corporation's business. Mr. Rowling joined the meeting at this time. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the Board approves the selection of Andrews Kurth LLP as external general counsel of the Corporation; provided that the Corporation CEO may appoint other lawyers or firms of lawyers deemed necessary or appropriate to assist the Corporation Staff in connection with the discharge of their investment activities on behalf of the Corporation.

Endowment and Operating Funds Update

Mr. Rowling asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported performance numbers as of the fiscal year end, August 31, 2008, and also reported September 2008 numbers and preliminary numbers for October 2008. The net performance for the one-month period ended August 31, 2008, for the Permanent University Fund (PUF) was -2.14% and for the General Endowment Fund (GEF) was -2.16%, versus benchmark returns of -2.38% for each fund. The net performance for the one-year period ended August 31, 2008, for the PUF and GEF were -3.34% and -3.09%, respectively, versus benchmark returns of -5.20% for each fund. The Intermediate Term Fund's (ITF) performance was -1.79% versus its benchmark return of -2.14% for the one-month period, and was -0.71% versus its benchmark return of -4.15% for the one-year period ended August 31, 2008. Performance for the Short Term Fund (STF) was 0.23% versus 0.15% for its benchmark return for the one-month period, and was 3.97% versus a benchmark return of 2.99% for the one-year period ended August 31, 2008. Mr. Zimmerman 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. Mr. Zimmerman reported on risk and leverage, and reviewed a comprehensive derivative report as of August 31, 2008. Mr. Zimmerman reviewed the funds comparing asset class and investment type targets, ranges and performance objectives. Also presented was manager exposure, liquidity and investment activity as of August 31, 2008. Portfolio updates on Less Correlated & Constrained Investments and Private Investments were also provided. Mr. Zimmerman, Ms. Iberg, Mr. Eakman, and Mr. Mansukhani answered the Directors' questions.

Overview of Public Markets Portfolio

Mr. Rowling asked Ms. Iberg to proceed to the overview of the Public Markets Portfolio. Ms. Iberg began by introducing the Public Markets staff. She reviewed performance as of August 31, 2008, and reviewed allocation of capital, the year in review and future plans for the Portfolio. Presentations were given on current opportunities in Residential Mortgage-Backed Securities and Special Equity Portfolio. Mr. Zimmerman and Ms. Iberg answered questions of the Directors.

At 11:40 a.m. the open meeting of the Board recessed into a Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to a Private Investment.

The open meeting of the Board reconvened in open session at 1:30 p.m.

Executive Session

Mr. Rowling, at 1:30 p.m., announced that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to receive the advice of legal counsel and to consider individual personnel compensation matters. The time is now 1:30 p.m. and the date is November 7, 2008. This Executive Session meeting of the Board is authorized by *Texas Government Code Sections 551.071 and 551.074.*"

Reconvene in Open Session

The Board reconvened at 3:05 p.m. in open session and Mr. Rowling announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is November 7, 2008, and the time is now 3:05 p.m. During the Executive Session, the Board received the advice of legal counsel and discussed individual personnel matters, but did not take any final action or votes, or make any decisions." Mr. Nye left the meeting at this time.

Compensation Committee Report

Mr. Rowling discussed the UTIMCO Peer Group, which is updated annually by Cambridge Associates, the Board's external investment advisor, at the beginning of each Performance Period, and Appendix B is updated accordingly. The Peer Group is no longer used in the calculation of entity performance in accordance with section 5.8(a) of the UTIMCO Compensation Program however, effective with the Performance Period beginning July 1, 2008, performance relative to the Peer Group may be included as a Qualitative Performance Goal. Effective July 1, 2008, the definition of the UTIMCO Peer Group set forth in Appendix B of the Plan was changed to a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, determined as of the last day of each of the three immediately preceding Performance Periods, excluding the Total Endowment Assets (PUF and GEF). The Compensation Plan Universe for 2008/2009 was provided by Cambridge Associates and will be used as the peer group for Appendix B. The amended Appendix B is attached to these minutes.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2008.

Mr. Rowling asked Mr. Foster to report from the Audit and Ethics Committee regarding the Performance Incentive Award for Ms. Gonzalez, General Counsel and Chief Compliance Officer. Mr. Foster stated that the Audit and Ethics Committee met the day before, November 6, 2008 and as part of that meeting, the Audit and Ethics Committee concurred with the Compensation Committee's recommendation to the Board and approved the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2007/2008 Performance Period subject to the approval of the Board.

Mr. Rowling asked Mr. Ferguson to report from the Compensation Committee. Mr. Ferguson reported that the Compensation Committee had also met the day before, November 6, 2008, and unanimously approved the Performance Incentive Awards for the Participants for the 2007/2008 Performance Period in the total amount of \$2,336,697. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each Performance Period, the Compensation Committee will determine the level of achievement of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals; and

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her Performance Goals for the 2007/2008 Performance Period, and

WHEREAS, Sections 5.5(e) and 5.5(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, based on the certification of its advisors, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2007/2008 Performance Period based on the certification of its advisors, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants for the 2007/2008 Performance Period in the total amount of \$2,336,697 are hereby approved.

Mr. Ferguson continued with the next recommendation from the Compensation Committee for approval of the CEO's Performance Incentive Award for the 2007/2008 Performance Period. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, in lieu of participation in the UTIMCO Compensation Program for the 2007/2008 Performance Period, the CEO participates in a special Performance Incentive Award Plan as attached in Attachment 2 of the Offer of Employment Letter ("Letter") for Bruce E. Zimmerman; and

WHEREAS, the Individual Performance Goals for the CEO for the Period of July 1, 2007 through June 30, 2008 were established in Attachment 1 of the Letter; and

WHEREAS, the Board will determine the level of achievement of the CEO relative to his Performance Goals for such Performance Period as provided in the Letter and based on the recommendation of the Compensation Committee; and

WHEREAS, Attachment 2 of the Letter provides that, based on the percentage achieved of the CEO's Performance Goals for the 2007/2008 Performance Period, a Performance Incentive Award will be calculated for the CEO for such Performance Period in accordance with the calculation methodology set forth in Attachment 2 of the Letter; and

WHEREAS, the Compensation Committee has reviewed the actual performance of the CEO during the Performance Period and has compared such actual performance relative to each Performance Goal for the CEO against his corresponding Performance Goal for such Performance Period and recommended that the Board review the same; and

WHEREAS, the Compensation Committee has reviewed the calculation of the Performance Incentive Award for the CEO of the Corporation, approved such calculation, and recommended that the Board approve the CEO's Performance Incentive Award.

WHEREAS, the Board has reviewed the actual performance of the CEO during the Performance Period and has compared such actual performance relative to each Performance Goal for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2007/2008 Performance Period in the amount of \$1,050,000.

The final recommendation from the Compensation Committee for Board approval was that Susan Chen, Director - Public Markets, be designated as a "Participant" in the Plan in the Eligible Position of Director, Investment for the 2008/2009 Performance Period, effective as of September 22, 2008, and approval of her

Qualitative Performance Goals for the 2008/2009 Performance Period. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a Participant in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an Eligible Position for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board of Directors of UTIMCO (the "Committee") has previously determined that the position of Director, Investment is an Eligible Position in the Plan; and

WHEREAS, the position of Director, Investment, includes the position of Director - Public Markets Investments; and

WHEREAS, the Compensation Committee of the Board has recommended that Susan Chen, as Director - Public Markets Investments, become a Participant for the 2008/2009 Performance Period; and

WHEREAS, the UTIMCO Board has determined that Susan Chen may become a Participant for the 2008/2009 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that Susan Chen be designated by the UTIMCO Board as a Participant in the Plan in the Eligible Position of Director, Investment for the 2008/2009 Performance Period, effective as of September 22, 2008.

Key Employees

Mr. Rowling asked Mr. Zimmerman to present the recommendation for Key Employees. The Corporation's Code of Ethics requires the Board to designate, by position with the Corporation, the employees who exercise significant decision-making authority. Staff is recommending three additional employees, by virtue of their position with the Corporation, be designated as Key Employees. Upon motion duly made and seconded, the following resolution was passed unanimously:

RESOLVED, that, as required by the Corporation's Code of Ethics, the following persons are designated, by position, as key employees of the Corporation.

Mark Warner	Senior Director – Natural Resources Investments
Robert Schau	Senior Director – Real Estate Investments
Susan Chen	Director – Public Markets Investments

Audit and Ethics Committee Report

Mr. Rowling asked Mr. Foster to complete his report on behalf of the Audit and Ethics Committee. Mr. Foster asked Tom Wagner, engagement partner, to give a brief update of the financial statements audited by Deloitte & Touche LLP. Mr. Wagner presented Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), and the Statement of Performance Statistics for the year ended August 31, 2008. Mr. Wagner answered questions related to the audit. Mr. Foster made a recommendation from the Audit and Ethics Committee to adopt Deloitte & Touche LLP's Financial Statement Audit Results and Communications letter. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2008, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2008, and August 31, 2007, and the Statement of Investment Performance Statistics for the year ended August 31, 2008, be, and are hereby approved in the form as presented to the Board.

Policy Committee Report

Mr. Rowling asked Mr. Foster to give a report on behalf of the Policy Committee. Mr. Foster stated that the Policy Committee had also met the day before. The Committee discussed and approved a proposed amendment to the Corporation's Travel Guidelines. Mr. Foster asked Mr. Zimmerman to summarize the requested change. Mr. Zimmerman stated that the proposed amendment was based on the recommendation of the UT System Audit Office. The Audit Office recommended that UTIMCO add provisions related to ground transportation costs, in particular, private car services, in the UTIMCO Travel Guidelines. UTIMCO Travel Guidelines provide UTIMCO employees with information regarding and guidance about the procedures and responsibilities for traveling on company business. Mr. Zimmerman and Mr. Chaffin answered the Committee Members' questions.

Mr. Foster asked Mr. Zimmerman to present the proposed amendment to the Delegation of Authority Policy that was discussed and approved at the Policy Committee meeting. Mr. Zimmerman stated that at a previous Risk Committee meeting, the Directors requested that UTIMCO staff return to the Board at a future meeting with a policy recommendation that would address handling of manager mandates that exceed the limits of delegated authority in the Delegation of Authority Policy due to appreciation of the investment. The proposed amendments to the Delegation of Authority Policy were also reviewed and approved by the Risk Committee, subject to approval by the Board.

Mr. Zimmerman continued by explaining the proposed changes to the Master Investment Management Services Agreement (IMSA) between UTIMCO and the UT System Board of Regents that were also

approved by the Policy Committee. Mr. Zimmerman explained that the UTIMCO Code of Ethics was approved by the UT Board at their August 14, 2008 meeting, subject to an amendment proposed by Regent Janiece Longoria and the requirements that UTIMCO (1) maintain a log of (a) all agreements and transactions between UTIMCO and a Director or Employee and (b) all investments in the private investments of a business entity in which a Director or Employee then owns a private investment, or is then co-investing, in the same business entity as UTIMCO, which annually shall be reviewed by the UTIMCO Board of Directors and reported to the UT Board; and (2) report to the UT Board annually on compliance with the UTIMCO Code of Ethics and any recommended changes to the UTIMCO Code of Ethics following review by the UTIMCO Board of Directors. UTIMCO staff drafted changes to the IMSA, consistent with the above requirements, which were also reviewed and approved by UT System staff. On behalf of the Policy Committee, Mr. Foster recommended approval of the changes by the Board. If approved, these changes will need further approval from the UT System Board of Regents at a future meeting. Mr. Zimmerman answered the questions of the Board Members. Mr. Turner left the meeting at this time. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the Master Investment Management Services Agreement with UTIMCO ("IMSA") be, and is hereby, approved in the form submitted to the Corporation's Board, subject to approval by the Board of Regents of The University of Texas System.

and

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

Risk Committee Report

Mr. Rowling asked Mr. Tate to report on the last meeting of the Risk Committee. Mr. Tate stated that the Risk Committee last met on October 23, 2008. He reported that the Committee reviewed compliance reporting, reviewed and discussed risk reporting, and discussed and approved mandate categorizations. Also at the Committee meeting, 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. Mr. Tate asked Mr. Zimmerman to give a report to the Board on the Geographic Sector Exposure presentation he gave at the Committee meeting. 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) were 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 and the Committee concurred, but did ask that the presentation be given to the full Board. Mr. Zimmerman answered the Directors' questions.

Organization Update

Mr. Rowling asked Mr. Zimmerman to give an organization update for the Corporation. Prior to Mr. Zimmerman's report, Dr. Shine mentioned that in conjunction with the travel guidelines he would like to mention that the Governor sent out a request to lower costs for travel. He asked Mr. Zimmerman to look at the travel budget and asked that the Corporation to be responsive to this request by looking closely at future travel expenses. Mr. Zimmerman agreed, concurring with Dr. Shine that cutbacks would not undermine productivity or office morale. He continued with providing the Board an update on the Corporation's 2008 Actual vs. Budget, current organization chart, current projects, and the 2008 Annual Report.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:10 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Robert B. Rowling
Chairman, Board of Directors of
The University of Texas Investment
Management Company

Appendix B

UTIMCO Peer Group

- Columbia University
- Cornell University
- Emory University
- Harvard University
- Massachusetts Institute of Technology
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- The Duke Endowment
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each fiscal year end June 2006, 2007, 2008.

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: Election of UTIMCO Officer and Designation of Annual Meeting of the UTIMCO Board

Developed By: Staff

Presented By: Rowling

Type of Item: Action required by UTIMCO Board

Description: With the appointment of Dr. Francisco Cigarroa as Chancellor of The University of Texas System, Chairman Rowling will recommend the appointment of Dr. Cigarroa as Vice Chairman for Policy of the Corporation in accordance with the UTIMCO Bylaws. Chairman Rowling will also designate the annual meeting of the Board of Directors of the Corporation.

Recommendation: Chairman Rowling will recommend approval of the appointment of Vice Chairman for Policy and designation of the annual meeting.

Reference: none

RESOLUTION RELATED TO CORPORATION OFFICER

RESOLVED, that Franciso G. Cigarroa is hereby appointed to the office of Vice Chairman for Policy of the Corporation, to serve until the next Annual Meeting of the Corporation or until his or her earlier death, resignation or removal.

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 23, 2009, in Austin, Texas.

TAB 3

Funds Update:

- **Returns**
- **Assets**
- **More Correlated and Constrained Portfolio Update**
- **Less Correlated and Constrained Portfolio Update**
- **Private Investments Portfolio Update**
- **Risk Analytics**
- **Leverage**
- **Liquidity**
- **Investment Activity**
- **Manager Exposure**
- **ITF**
- **Contracts Update**

Returns

UTIMCO Performance Summary

November 30, 2008

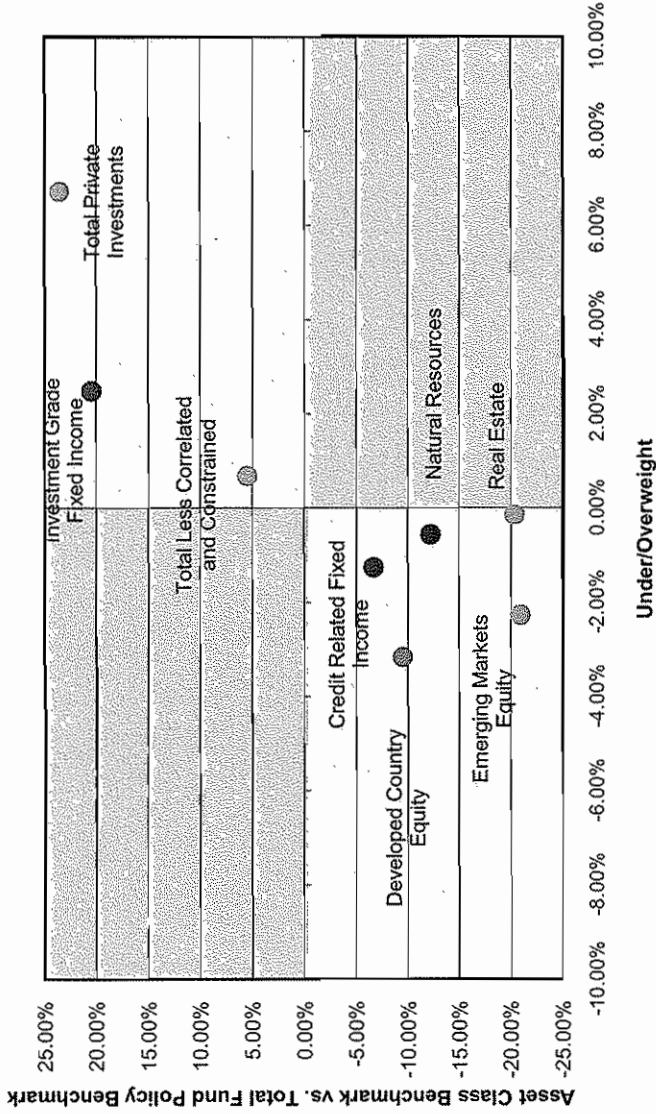
	Net Asset Value 11/30/2008 (in Millions)	Periods Ended November 30, 2008 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns														
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs											
ENDOWMENT FUNDS																				
Permanent University Fund	\$ 8,838	(5.60)	(22.66)	(22.66)	(27.91)	(28.03)	(2.00)	4.15	4.35											
General Endowment Fund		(5.71)	(22.81)	(22.81)	(27.97)	(28.04)	(1.80)	4.22	N/A											
Permanent Health Fund	781	(5.65)	(22.76)	(22.76)	(27.93)	(28.01)	(1.84)	4.15	N/A											
Long Term Fund	4,065	(5.65)	(22.76)	(22.76)	(27.93)	(28.01)	(1.84)	4.15	5.20											
Separately Invested Funds	130	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
Total Endowment Funds	13,814																			
OPERATING FUNDS																				
Short Term Fund	1,533	0.17	0.63	0.63	2.85	3.28	4.54	3.56	3.71											
Intermediate Term Fund	3,011	(3.24)	(21.68)	(21.68)	(25.34)	(25.42)	N/A	N/A	N/A											
Total Operating Funds	4,544																			
Total Investments	\$ 18,358																			
VALUE ADDED																				
Permanent University Fund		(1.43)	1.05	1.05	2.17	2.19	1.41	1.40	0.90											
General Endowment Fund		(1.54)	0.90	0.90	2.11	2.18	1.61	1.47	N/A											
Short Term Fund		0.07	0.12	0.12	0.80	0.94	0.47	0.29	0.21											
Intermediate Term Fund		0.13	0.52	0.52	2.17	2.42	N/A	N/A	N/A											
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		\$ (133)	\$ 118	\$ 118	\$ 262	\$ 265	\$ 372	\$ 585	N/A											
General Endowment Fund		(80)	58	58	144	149	237	335	N/A											
Intermediate Term Fund		4	20	20	87	97	N/A	N/A	N/A											
Total Value Added		\$ (209)	\$ 196	\$ 196	\$ 493	\$ 511	\$ 609	\$ 920	N/A											



Performance During Last 3 & 12 Months

	11/30/2007-11/30/2008 Returns	8/31/2008-11/30/2008 Returns
Lehman Global Agg	-1.6%	-3.2%
Lehman TIPS	-10.7%	-13.0%
REITs (global)	-54.8%	-44.0%
DJAIG	-29.5%	-35.2%
Oil	-38.6%	-52.9%
Natural Gas	-11.4%	-21.7%
Copper	-48.2%	-52.0%
S&P 500	-39.5%	-30.1%
Nasdaq 100	-43.2%	-36.7%
EAFE	-49.3%	-35.9%
FTSE 100	-33.3%	-23.9%
DJ Euro Stoxx 50	-44.7%	-27.8%
Topix	-45.5%	-33.5%
MSCI Emerging Markets	-57.6%	-44.9%
Brazil Index	-41.9%	-34.3%
China Index	-61.4%	-23.5%
India Index	-53.0%	-37.6%
Russia Index	-70.4%	-60.0%
GEF	-28.0%	-22.8%
ITF	-25.4%	-21.7%

**General Endowment Fund
Asset Class Allocation
Three Months ended November 30, 2008**



	Impact on Over/(Under) Performance (bps)
Total Private Investments	133
Emerging Markets Equity	55
Developed Country Equity	51
Investment Grade Fixed Income	48
Credit Related Fixed Income	9
Real Estate	5
Natural Resources	3
Total Less Correlated and Constrained	-
Subtotal	<u>304</u>
Subtotal	-
TOTAL	<u>304</u>

General Endowment Fund - Active Management Alpha

Periods Ended November 30, 2008

	3 Months	
	(bps)	Manager (Alpha)
Total Less Correlated	56	Valiant (35.94), Foxpoint (29.55), Millgate (27.42), Steadfast (23.82)
Credit Related Fixed Income	31	Parkcentral (21.35)
Real Estate	11	European Investors (1.11), Cohen & Steers Global (.78), MS REITS (.44)
Subtotal	<u>98</u>	
Emerging Markets Equity	(19)	Templeton (1.14), Russian Prosperity (.47), Rexiter (.24)
Investment Grade Fixed Income	(31)	PIMCO Fixed (2.39), Brandywine (1.60), REAMS TIPS (.58)
Developed Country Equity	(31)	S&P 500 Futures (5.46), Spread Trade Sm Cap (1.16), Globeflex (.54)
Natural Resources	(40)	Blackrock Global (4.46), Blackrock Small Cap (3.05), Gresham (.88)
Total Private Investments	(105)	
Subtotal	<u>(226)</u>	
Total	<u><u>(128)</u></u>	

UTIMCO Performance Summary

December 31, 2008

	Periods Ended December 31, 2008	
	Net Asset Value 12/31/2008 (in Millions)	Year to Date 6 Mos.
ENDOWMENT FUNDS		
Permanent University Fund	\$ 8,828	(27.11) (25.71)
General Endowment Fund		(27.18) (25.83)
Permanent Health Fund	786	(27.17) (25.75)
Long Term Fund	4,144	(27.17) (25.76)
Separately Invested Funds	87	N/A N/A
Total Endowment Funds	13,845	
OPERATING FUNDS		
Short Term Fund	1,487	2.98 1.21
Intermediate Term Fund	3,109	(22.91) (22.25)
Total Operating Funds	4,596	
Total Investments	\$ 18,441	
VALUE ADDED		
Permanent University Fund		1.72 0.35
General Endowment Fund		1.65 0.23
Short Term Fund		0.92 0.36
Intermediate Term Fund		2.02 0.33

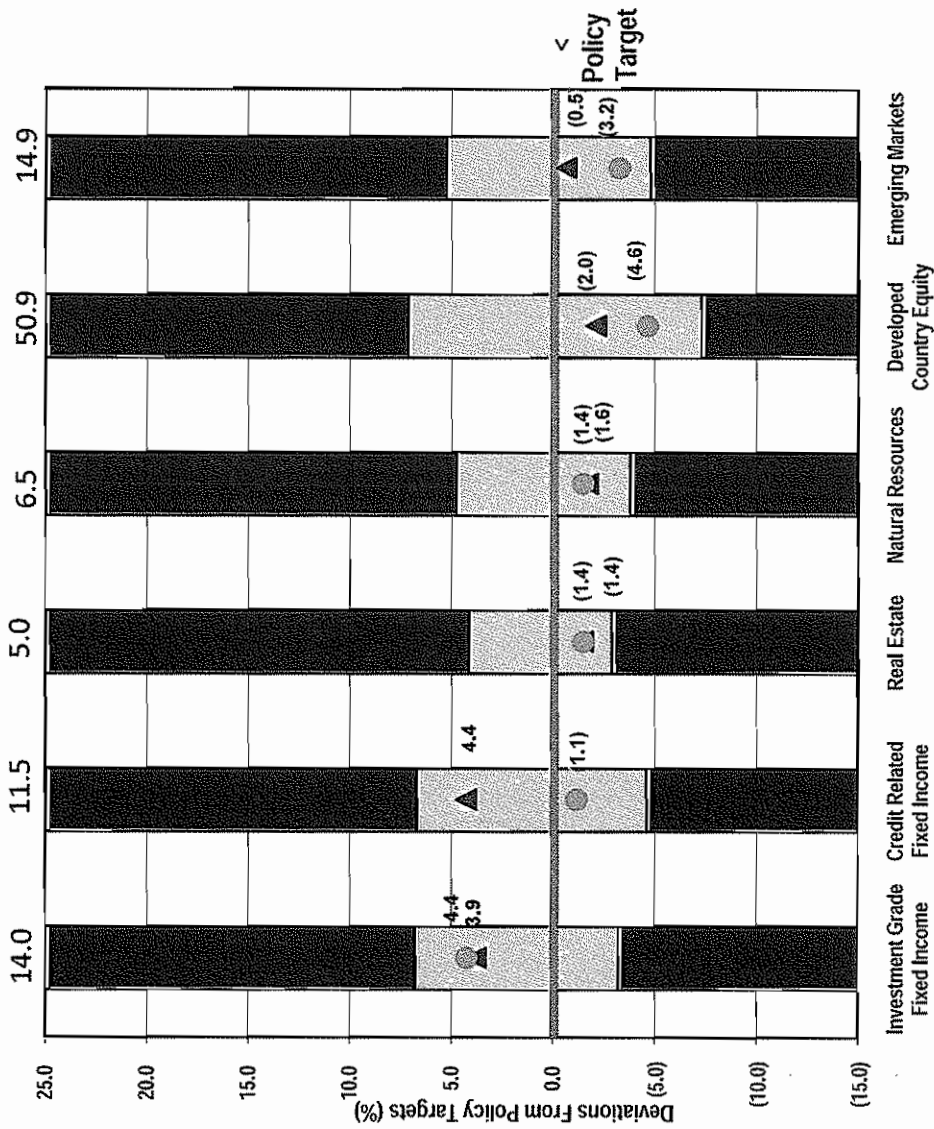


2008 Performance

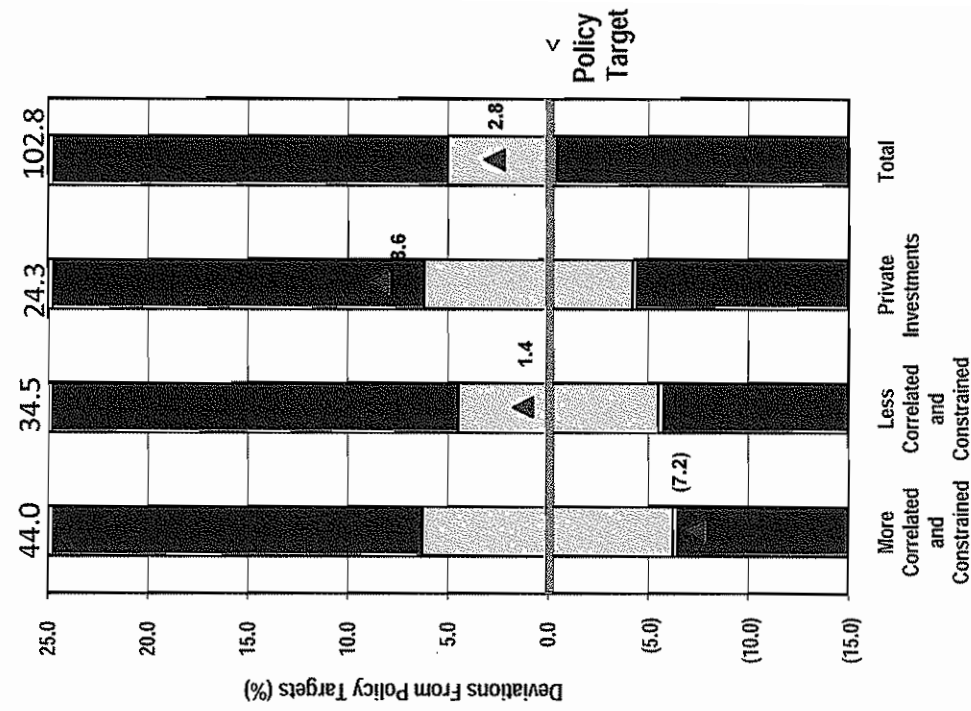
	CY08 Returns	2H-CY08 Returns
Lehman Global Agg	4.8%	1.2%
Lehman TIPS	-1.7%	-4.1%
REITs (global)	-47.7%	-39.4%
DJAIG	-35.6%	-49.4%
Oil	-53.5%	-68.1%
Natural Gas	-24.5%	-57.3%
Copper	-54.1%	-64.3%
S&P 500	-38.5%	-29.4%
Nasdaq 100	-41.9%	-34.0%
EAFE	-45.1%	-37.1%
FTSE 100	-31.3%	-21.2%
DJ Euro Stoxx 50	-44.4%	-27.0%
Topix	-41.8%	-34.9%
MSCI Emerging Markets	-54.5%	-47.8%
Brazil Index	-41.2%	-42.2%
China Index	-65.9%	-34.9%
India Index	-52.4%	-28.3%
Russia Index	-72.4%	-72.6%
GEF	-27.2%	-25.8%
ITF	-22.9%	-22.2%

Assets

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF

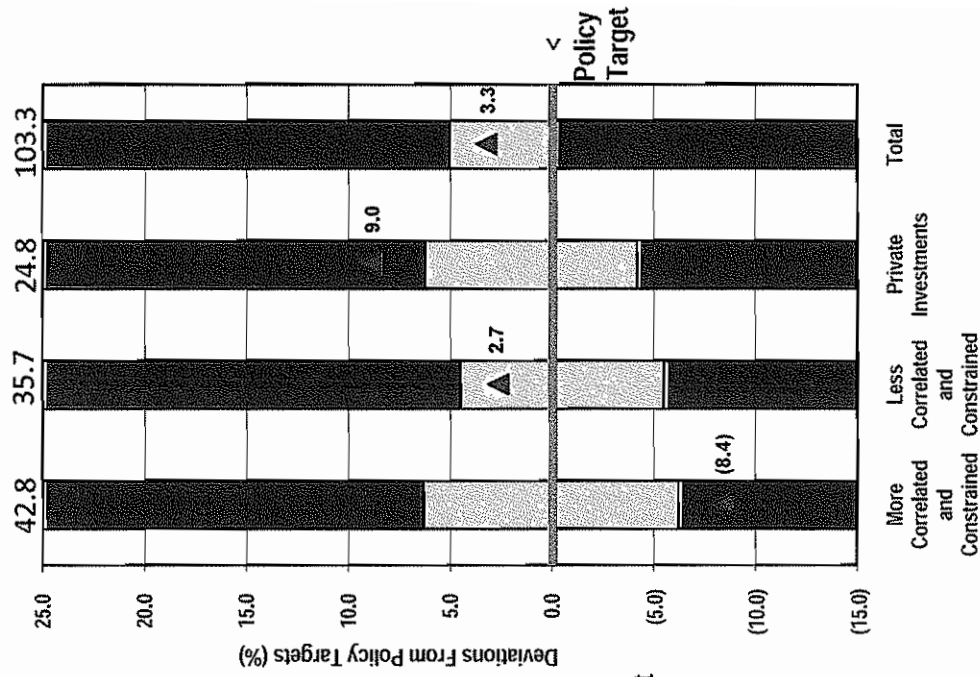


Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF

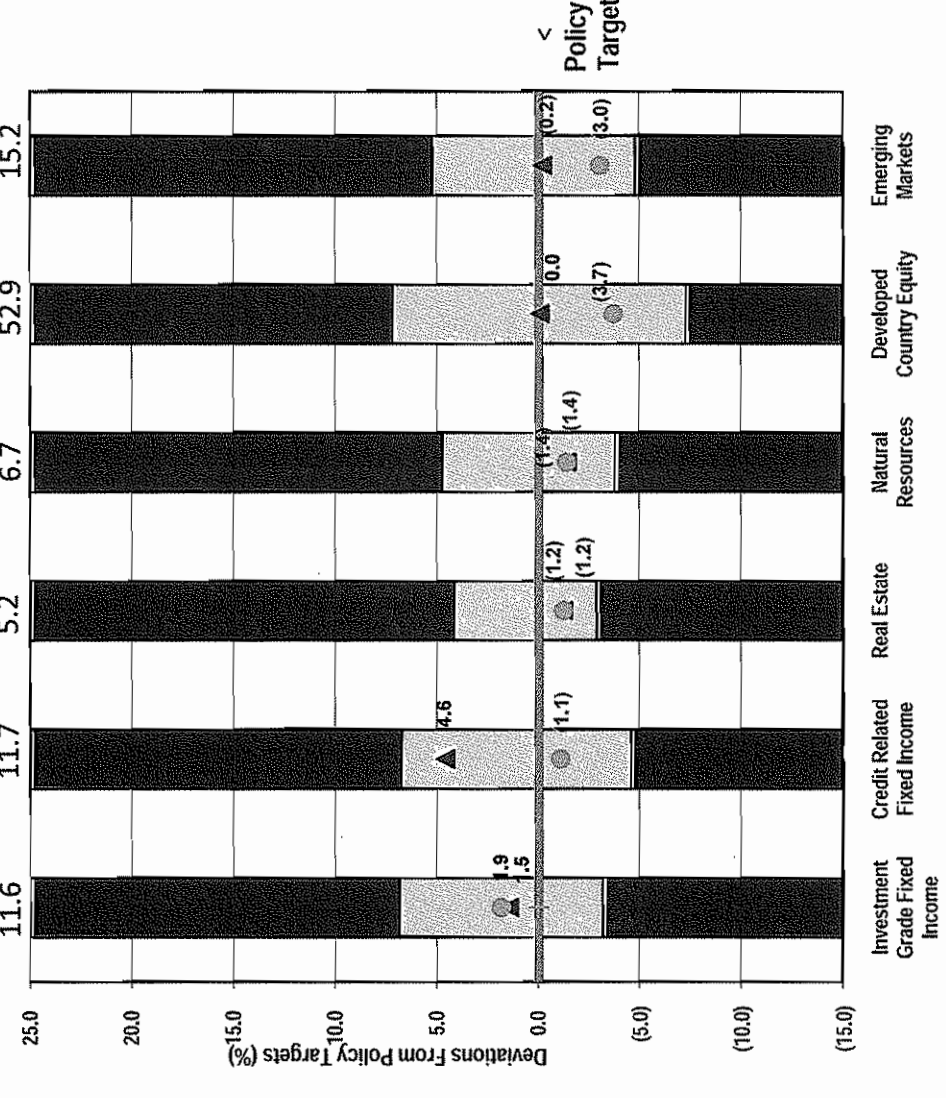


▲ -- All Investment Types ● -- More Correlated and Constrained

Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for GEF

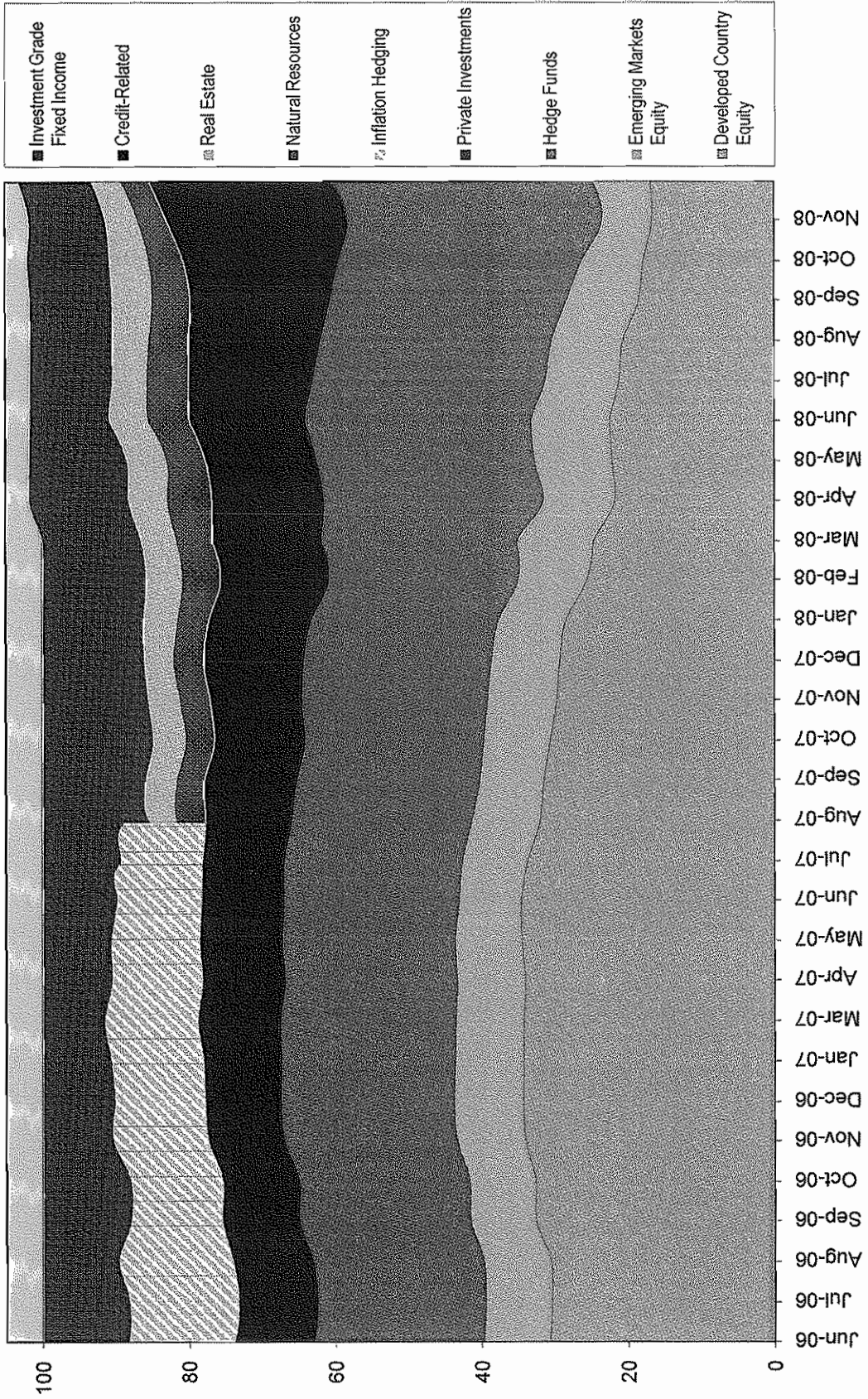


Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



▲ -- All Investment Types ● -- More Correlated and Constrained

GEF Dollar Allocation Over Time



Combined Permanent University Fund and General Endowment Fund
as of November 30, 2008
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total
		\$	%	\$	%	\$	%	
Fixed Income	Investment Grade Credit-Related	1,535	11.2%	260	1.9%	-	0.0%	1,795
		41	0.3%	637	4.7%	903	6.6%	1,581
Fixed Income Total		1,576	11.5%	897	6.6%	903	6.6%	3,376
Real Assets	Real Estate	572	4.2%	44	0.3%	81	0.6%	697
	Natural Resources	510	3.7%	146	1.1%	250	1.8%	906
Real Assets Total		1,082	7.9%	190	1.4%	331	2.4%	1,603
Equity	Developed Country	2,257	16.5%	2,903	21.2%	1,896	13.9%	7,056
	Emerging Markets	1,048	7.7%	784	5.7%	220	1.6%	2,052
Equity Total		3,305	24.2%	3,687	26.9%	2,116	15.5%	9,108
Grand Total		\$ 5,963	43.6%	\$ 4,774	34.9%	\$ 3,350	24.5%	\$ 14,087

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

Asset Class and Investment Type Targets, Ranges, and Performance Objectives
Combined Permanent University Fund and General Endowment Fund
as of November 30, 2008

Asset Class	November 30, 2008 ACTUAL	November 30, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	13.1%	6.9%	10.1%	3.0%
Credit-Related Fixed Income	11.6%	2.5%	7.1%	4.5%
Real Estate	5.1%	3.5%	6.4%	-1.3%
Natural Resources	6.6%	4.3%	8.1%	-1.5%
Developed Country Equity	51.6%	45.6%	52.9%	-1.3%
Emerging Markets Equity	15.0%	10.6%	15.4%	-0.4%
TOTAL	103.0%		100.0%	3.0%
Investment Types				
More Correlated & Constrained	43.6%	45.0%	51.2%	-7.6%
Less Correlated & Constrained	34.5%	27.5%	33.0%	1.9%
Private Investments	24.5%	11.6%	15.8%	8.7%
TOTAL	103.0%		100.0%	3.0%

Asset Class	November 30, 2008 ACTUAL	Fiscal Year ending August 31, 2009 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	13.1%	5.0%	7.5%	5.6%
Credit-Related Fixed Income	11.6%	10.0%	13.5%	-1.9%
Real Estate	5.1%	5.0%	7.5%	-2.4%
Natural Resources	6.6%	5.0%	8.5%	-1.9%
Developed Country Equity	51.6%	40.0%	46.5%	5.1%
Emerging Markets Equity	15.0%	12.5%	16.5%	-1.5%
TOTAL	103.0%		100.0%	3.0%
Investment Types				
More Correlated & Constrained	43.6%	37.5%	44.5%	-0.9%
Less Correlated & Constrained	34.5%	27.5%	33.0%	1.9%
Private Investments	24.5%	18.0%	22.5%	2.0%
TOTAL	103.0%		100.0%	3.0%

Permanent University Fund
as of November 30, 2008
(Exposure in millions)

Asset Group	Asset Class	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Grand Total
Fixed Income	Investment Grade Credit-Related	\$ 1,069 12.1% 0.3%	\$ 166 1.9% 4.6%	\$ - 0.0% 6.6%	\$ 1,235 14.0% 11.5%
Fixed Income Total		1,095 12.4%	572 6.5%	581 6.6%	2,248 25.5%
Real Assets	Real Estate	364 4.1%	28 0.3%	53 0.6%	445 5.0%
Real Assets Total	Natural Resources	328 3.7%	93 1.1%	159 1.8%	580 6.6%
Equity	Developed Country	692 7.8%	121 1.4%	212 2.4%	1,025 11.6%
Equity Total	Emerging Markets	1,429 16.2% 7.6%	1,852 21.0% 5.6%	1,214 13.7% 1.6%	4,495 50.9% 14.8%
Grand Total		2,100 44.0%	2,352 26.6%	1,356 15.3%	5,808 65.7%
		\$ 3,887	\$ 3,045	\$ 2,149	\$ 9,081
					102.8%

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

Asset Class and Investment Type Targets, Ranges, and Performance Objectives

Permanent University Fund
as of November 30, 2008

Asset Class	November 30, 2008 ACTUAL	November 30, 2008		vs. Target
		Min	Max	
Investment Grade Fixed Income	14.0%	6.9%	10.1%	3.9%
Credit-Related Fixed Income	11.5%	2.5%	7.1%	4.4%
Real Estate	5.0%	3.5%	6.4%	-1.4%
Natural Resources	6.5%	4.3%	8.1%	-1.6%
Developed Country Equity	50.9%	45.6%	52.9%	-2.0%
Emerging Markets Equity	14.9%	10.6%	15.4%	-0.5%
TOTAL	102.8%		100.0%	2.8%
Investment Types				
More Correlated & Constrained	44.0%	45.0%	51.2%	-7.2%
Less Correlated & Constrained	34.5%	27.5%	33.6%	1.4%
Private Investments	24.3%	11.6%	15.8%	8.6%
TOTAL	102.8%		100.0%	2.8%

Asset Class	November 30, 2008 ACTUAL	Fiscal Year ending August 31, 2009		vs. Target
		Min	Max	
Investment Grade Fixed Income	14.0%	5.0%	7.5%	6.5%
Credit-Related Fixed Income	11.5%	10.0%	13.5%	-2.0%
Real Estate	5.0%	5.0%	7.5%	-2.5%
Natural Resources	6.5%	5.0%	8.5%	-2.0%
Developed Country Equity	50.9%	40.0%	46.5%	4.4%
Emerging Markets Equity	14.9%	12.5%	16.5%	-1.6%
TOTAL	102.8%		100.0%	2.8%
Investment Types				
More Correlated & Constrained	44.0%	37.5%	44.5%	-0.5%
Less Correlated & Constrained	34.5%	27.5%	33.0%	1.5%
Private Investments	24.3%	18.0%	22.5%	1.8%
TOTAL	102.8%		100.0%	2.8%

General Endowment Fund
as of November 30, 2008
(in millions)

Asset Group	Asset Class	Investment Grade	More Correlated and Constrained		Less Correlated and Constrained		Private Investments	Grand Total
			\$	%	\$	%		
Fixed Income	Investment Grade		466	9.7%	94	1.9%	-	560
	Credit-Related		15	0.3%	231	4.8%	322	568
Fixed Income Total			481	10.0%	325	6.7%	322	1,128
Real Assets	Real Estate		208	4.3%	16	0.3%	28	252
	Natural Resources		182	3.7%	53	1.1%	91	326
Real Assets Total			390	8.0%	69	1.4%	119	578
Equity	Developed Country		828	17.1%	1,051	21.7%	682	2,561
	Emerging Markets		377	7.7%	284	5.9%	78	739
Equity Total			1,205	24.8%	1,335	27.6%	760	3,300
Grand Total			\$ 2,076	42.8%	\$ 1,729	35.7%	\$ 1,201	\$ 5,006

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash

Asset Class and Investment Type Targets, Ranges, and Performance Objectives

General Endowment Fund
as of November 30, 2008

Asset Class	November 30, 2008 ACTUAL	November 30, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	11.6%	6.9%	10.1%	1.5%
Credit-Related Fixed Income	11.7%	2.5%	7.1%	4.6%
Real Estate	5.2%	3.5%	6.4%	-1.2%
Natural Resources	6.7%	4.3%	8.1%	-1.4%
Developed Country Equity	52.9%	45.6%	52.9%	0.0%
Emerging Markets Equity	15.2%	10.6%	15.4%	-0.2%
TOTAL	103.3%		100.0%	3.3%
Investment Types				
More Correlated & Constrained	42.8%	45.0%	51.2%	-8.4%
Less Correlated & Constrained	35.7%	27.5%	33.0%	2.7%
Private Investments	24.8%	11.6%	15.8%	9.0%
TOTAL	103.3%		100.0%	3.3%

Asset Class	November 30, 2008 ACTUAL	Fiscal Year ending August 31, 2009 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	11.6%	5.0%	7.5%	4.1%
Credit-Related Fixed Income	11.7%	10.0%	13.5%	-1.8%
Real Estate	5.2%	5.0%	7.5%	-2.3%
Natural Resources	6.7%	5.0%	8.5%	-1.8%
Developed Country Equity	52.9%	40.0%	46.5%	6.4%
Emerging Markets Equity	15.2%	12.5%	16.5%	-1.3%
TOTAL	103.3%		100.0%	3.3%
Investment Types				
More Correlated & Constrained	42.8%	37.5%	44.5%	-1.7%
Less Correlated & Constrained	35.7%	27.5%	33.0%	2.7%
Private Investments	24.8%	18.0%	28.0%	2.3%
TOTAL	103.3%		100.0%	3.3%



LCC Investment Policy Categorizations vs. "Look Thru" Exposures (11/30/08)

UTIMCO FY Target Comparison			
Current per Policy	8/31/09 Target	Difference	
1.8%	1.9%	-0.1%	
4.5%	5.7%	-1.3%	
0.3%	0.0%	0.3%	
1.0%	1.4%	-0.4%	
21.0%	17.7%	3.4%	
5.5%	4.8%	0.7%	
34.1%	31.6%	2.6%	

Exposure Methodology Comparison			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.8%	3.2%	1.4%
Credit-Related Fixed Income	4.5%	7.1%	2.6%
Real Estate	0.3%	0.2%	-0.1%
Natural Resources	1.0%	0.8%	-0.2%
Developed Country Equity	21.0%	19.1%	-2.0%
Emerging Markets Equity	5.5%	3.7%	-1.8%
Less Correlated & Constrained	34.1%	34.1%	0.0%

Asset Classification	Hedge Fund Strategy											Total LCC				
	Fixed Income	Convert Arb	Currency	Other Relative Value & Arbitrage	Investment Grade Fixed Income	Credit Related	Real Estate	Commodities	US Long/Short	Developed Int'l Long/Short	Equity Market Neutral		Merger Arbitrage	Privates & Restructurings	Developed Country Equity	Emerging Markets Long/Short
Fixed Income	0.9%	-	0.5%	0.0%	1.4%	-	-	0.2%	0.1%	0.1%	-	-	-	0.2%	-	1.8%
Credit-Related	0.0%	0.1%	-	0.0%	0.1%	3.7%	0.0%	-	0.3%	0.0%	-	0.1%	0.2%	0.6%	0.0%	4.5%
Real Estate	-	-	-	-	-	0.1%	0.2%	-	-	-	-	-	-	-	-	0.3%
Natural Resources	0.2%	-	0.1%	-	0.3%	-	-	0.6%	0.0%	0.0%	-	-	-	0.1%	0.0%	1.0%
Developed Country	0.4%	0.7%	0.0%	0.2%	1.2%	3.1%	-	0.0%	8.5%	4.0%	0.6%	0.2%	2.2%	15.5%	1.2%	21.0%
Emerging Markets	-	0.0%	0.1%	-	0.1%	0.2%	-	-	1.9%	0.6%	-	-	0.1%	2.6%	2.5%	5.5%
Total LCC	1.5%	0.9%	0.7%	0.2%	3.2%	7.1%	0.2%	0.8%	10.9%	4.8%	0.6%	0.2%	2.6%	19.1%	3.7%	34.1%
Gross Leverage	9.39	1.54	6.87	1.15	6.27	0.88	1.32	2.00	1.28	1.36	2.00	1.36	0.82	1.26	0.92	11.64
Net Leverage	-2.98	0.07	0.32	1.10	-1.18	0.65	0.13	-0.03	0.32	0.11	0.00	0.61	0.69	0.31	0.36	0.23



Challenges in Projecting Asset Allocation

- By far the single largest variable affecting asset allocation is public markets' performance. Because future public market performance is unknown, base case capital planning assumes flat markets. And because public market performance has been so volatile and may remain so, it is likely that staff will need to continue iterating capital planning scenarios and remain flexible in assigning and redeeming mandates.
- The second largest factor affecting asset allocation is the private investment portfolio where UTIMCO does not control but must react to anticipated mark-to-market actions, capital calls and distributions.
- Another variable, of lesser significance but requiring monitoring nonetheless, include contribution levels into the LTF and West Texas revenues into the PUF. Base case capital planning and asset allocation assumes a \$265 million net shortfall versus endowment distributions.
- Another variable is the re-categorization of existing mandates. It is currently forecast that 2.5% of LCC and 1% of Private Investment mandates will be recategorized from Developed Equities into Credit Related Fixed Income .
- A final variable, which is in UTIMCO's control, is the use of leverage at the portfolio level. Current leverage is 3% and projected year-end leverage is 5% for capital planning and asset allocation purposes.



Private Investment Mark - to - Markets

- Staff has projected a range of mark-to-market and capital call scenarios. Distributions are forecast to be very low (approximately \$50 million) in all scenarios.

	Invested	Marks as a % of Invested Portfolio					
		Very Low	Low	Base	High	Very High	"Worst Case"
Investment Grade Fixed Income	\$0	-	-	-	-	-	-
Credit Related Fixed Income	1,054	(10%)	(13%)	(16%)	(19%)	(22%)	(33%)
Real Estate	83	(6%)	(8%)	(10%)	(12%)	(14%)	(28%)
Natural Resources	283	(3%)	(4%)	(5%)	(6%)	(7%)	(18%)
Developed Country	1,968	(12%)	(16%)	(20%)	(23%)	(27%)	(38%)
Emerging Markets	237	(12%)	(16%)	(20%)	(24%)	(28%)	(42%)
Total	\$3,625	(10%)	(14%)	(17%)	(21%)	(24%)	(35%)



Private Investment Capital Calls

	Unfunded Commitments	% of Unfunded Commitments Called					"Worst Case"
		Very Low	Low	Base	High	Very High	
Investment Grade Fixed Income	\$0	-	-	-	-	-	-
Credit Related Fixed Income	369	34%	46%	57%	69%	80%	92%
Real Estate	260	15%	20%	25%	30%	35%	35%
Natural Resources	404	9%	12%	15%	18%	21%	37%
Developed Country	1,625	11%	15%	19%	22%	26%	28%
Emerging Markets	347	12%	16%	20%	24%	27%	29%
Total	\$3,005	14%	19%	24%	28%	33%	36%



Private Investment Projections

		Mark - to - Market						"Worst Case"
		Very Low	Low	Base Case	High	Very High		
		(\$373)	(\$498)	(\$621)	(\$746)	(\$871)	(\$1,273)	
		10%	14%	17%	21%	24%	36%	
		Marks						
		% of Invested						
		% of Unif						
		Commit						
		Amount						
Capital	Very Low	27%	26%	26%	25%	26%	23%	
		\$3,726	\$3,601	\$3,478	\$3,353	\$3,228	\$2,826	
Calls	Low	28%	27%	27%	27%	25%	23%	
		3,868	3,743	3,620	3,495	3,370	2,967	
Calls	Base Case	29%	28%	29%	27%	27%	24%	
		4,010	3,885	3,761	3,637	3,512	3,110	
Calls	High	30%	31%	29%	28%	28%	25%	
		4,152	4,027	3,903	3,779	3,655	3,252	
Calls	Very High	33%	31%	30%	29%	28%	26%	
		4,294	4,169	4,046	3,921	3,797	3,394	
Calls	"Worst Case"	33%	32%	31%	30%	29%	28%	
		4,367	4,241	4,118	3,993	3,868	3,466	
Total Assets		\$13,138	\$13,013	\$12,890	\$12,765	\$12,640	\$12,238	



Base FYE 09 Projected Asset Allocation

	MCC		LCC		PI		Total			
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Min	Target	Max
	Investment Grade Fixed Income	12.0%	5.5%	2.0%	2.0%	0.0%	0.0%	14.0%	5.0%	7.5%
Credit Related Fixed Income	1.0%	1.0%	8.5%	6.0%	9.0%	6.5%	18.5%	10.0%	13.5%	17.5%
Total Fixed Income	13.0%	6.5%	10.5%	8.0%	9.0%	6.5%	32.5%		21.0%	
Real Estate	4.5%	5.5%	0.0%	0.0%	1.0%	2.0%	5.5%	5.0%	7.5%	15.0%
Natural Resources	4.5%	5.5%	1.0%	1.5%	3.0%	1.5%	8.5%	5.0%	8.5%	15.0%
Total Real Assets	9.0%	11.0%	1.0%	1.5%	4.0%	3.5%	14.0%		16.0%	
Developed Country	13.0%	17.0%	17.5%	18.5%	14.0%	11.0%	44.5%	40.0%	46.5%	52.5%
Emerging Markets	8.0%	10.0%	5.0%	5.0%	2.0%	1.5%	15.0%	12.5%	16.5%	22.5%
Total Equity	21.0%	27.0%	22.5%	23.5%	16.0%	12.5%	59.5%		63.0%	
		<u>Target</u>		<u>Target</u>		<u>Target</u>				
Total	<u>43.0%</u>	<u>44.5%</u>	<u>34.0%</u>	<u>33.5%</u>	<u>29.0%</u>	<u>22.5%</u>	<u>105.0%</u>		<u>100.0%</u>	<u>105.0%</u>
		<u>Min</u>		<u>Min</u>		<u>Min</u>				
		37.5%		27.5%		18.0%				
		<u>Max</u>		<u>Max</u>		<u>Max</u>				
		50.0%		37.5%		28.0%				

More Correlated and Constrained Portfolio Update



Liquidity Reserve

- Using Bank of New York/Mellon's Dreyfus Institutional Preferred Money Market Fund
- After Lehman bankruptcy (9/15/08), LIBOR rises to 4+% despite Fed Funds at 2% - all major Prime money funds suffer redemptions and NAV's slump towards .995 or lower
- On 9/19/08 (Post-Reserve Fund failure due to Lehman exposure), Treasury institutes Temporary Guarantee Program – all major remaining providers, including Dreyfus, apply and are accepted
- Temporary Guarantee Program is extended through 4/30/09, and can be extended at Treasury's option to 9/19/09

Dreyfus Institutional Preferred Money Market Fund Summary

	<u>A.U.M. (\$Bil.)</u>	<u>U.T.L.R. (\$Bil.)</u>	<u>W.A.M. (days)</u>	<u>N.A.V.</u>	<u>%Cash</u>
8/31/08	18.8	3.5	59	1.0000	17.5
9/15/08	16.9	2.9	59	0.9999	5.7
9/30/08	9.9	2.6	43	0.9968	10.1
10/31/08	8.4	2.7	27	0.9991	29.2
11/30/08	8.2	2.8	35	0.9999	27.4
12/31/08	7.9	2.9	31	1.0000	24.6



Securities Lending

- Bank of New York/Mellon uses UTIMCO guidelines for investment of cash collateral in separate pool from their general collateral pool
- Net Asset Value has stayed at 1.00
- Weighted Average Maturity has shortened and stayed low
- Lending business has diminished with shrunken trading balance sheets
- With short term lending markets slowly recovering, WAM should lengthen

UTIMCO Monthly Lending Statistics

	<u>Amt. Lent (\$Mil.)</u>	<u>Earnings (\$Thou.)</u>	<u>N.A.V.</u>	<u>W.A.M. (days)</u>	<u>%Cash</u>	<u>Collateralization%</u>
June 08	1000	412	1.0001	25	49	103.6
July 08	1045	471	1.0001	20	41	104.0
Aug. 08	969	439	1.0001	13	46	103.7
Sept. 08	835	394	0.9996	7	78	103.5
Oct. 08	568	228	0.9999	9	80	103.6
Nov. 08	378	83	1.0000	5	76	103.7
Dec. 08	348	107	1.0000	6	82	104.1



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Acadian Asset Management



Acadian Investment Thesis

- Fund employs top-down and bottom-up proprietary research, along with rigorous portfolio construction and efficient trade execution to outperform the benchmark (MSCI Emerging Markets Index) by 200 bps and generate an information ratio of 0.50 over a market cycle
 - Strategy utilizes a dynamically weighted proprietary multi-factor model
 - Extensive research conducted on new factors resulting in an average of 3 new per year
 - Research team of 17 analysts and 16 portfolio managers dedicated to model

- Quantitative strategy provides a differentiated process for investing in global emerging markets, broadening the PUF, GEF and ITF's emerging market exposure
 - Acadian currently invests over \$58 billion in strategies utilizing proprietary quantitative models.
 - Firm established in 1987 and currently a subsidiary of Old Mutual Plc
 - Offices in Boston, and Singapore.
 - 199 Analysts averaging 16 years of investment experience

- Strategy's long operating history and track record of success gives comfort as a core global emerging market mandate within the UTIMCO portfolio



Acadian Opportunity

- \$137 million, managed account with Acadian to invest pari passu in the Emerging Markets Equity Fund.
 - Fund AUMs of \$7.8 billion
 - Strategy had been closed since 2004 – reopened to \$2 billion of new capacity in 2008 (fully committed)
- Investment made in 2 stages (January & February) with no lock-up or notice period
- 50bps management fee and incentive fee of 10% in excess of the MSCI Emerging Markets Index (net of mgmt fee) plus a 50bps hurdle



Acadian Merits/Concerns

- Merits
 - Broad Investment Universe
 - Multifactor Analysis
 - Research
 - Long Track Record
 - Attractive Fee Structure

- Concerns
 - Competitive Style
 - Factor Efficacy
 - Manager Size

Less Correlated and Constrained Portfolio Update



Changes to LCC Portfolio (November 1, 2008 – June 30, 2009)

	Redemptions	Additions	Net Activity
Investment Grade FI			
Bridgewater Alpha II	(\$50)	\$0	(\$50)
Credit Related FI			
Baupost		100	100
Farallon Credit		75 *	75
Centerbridge		38 *	38
Blackstone	(17)		(17)
Satellite	(20)		(20)
Subtotal	(37)	213	176
Natural Resources			
Black River (F)	(113)		(113)
Developed Country Equity			
BGI GMN (F)	(107)		(107)
Protégé	(100)		(100)
Brahman (F)	(86)		(86)
Perry	(60)		(60)
Farallon FCOI II	(38)		(38)
Westfield (F)	(74)		(74)
Stark	(28)		(28)
Millgate (F)	(54)		(54)
To Be Determined	(50)		(50)
ESL Partners (F)	(51)		(51)
Tiger Consumer (F)	(43)		(43)
Fox Point		50	50
Subtotal	(691)	50	(641)
Emerging Markets Equity			
Oaktree Emerging Markets (F)	(51)		(51)
Indus Asia Pacific (F)	(39)		(39)
Valiant		20 *	20
Penta		25	25
Subtotal	(89)	45	(44)
Total LCC Activity	(\$980)	\$308	(\$672)

Net Cash Flows:	
Nov – Dec	(\$20)
Jan – Mar	(402)
Apr – Jun	(249)
Total	(\$672)

* = Commitment
(F) = Full Redemption



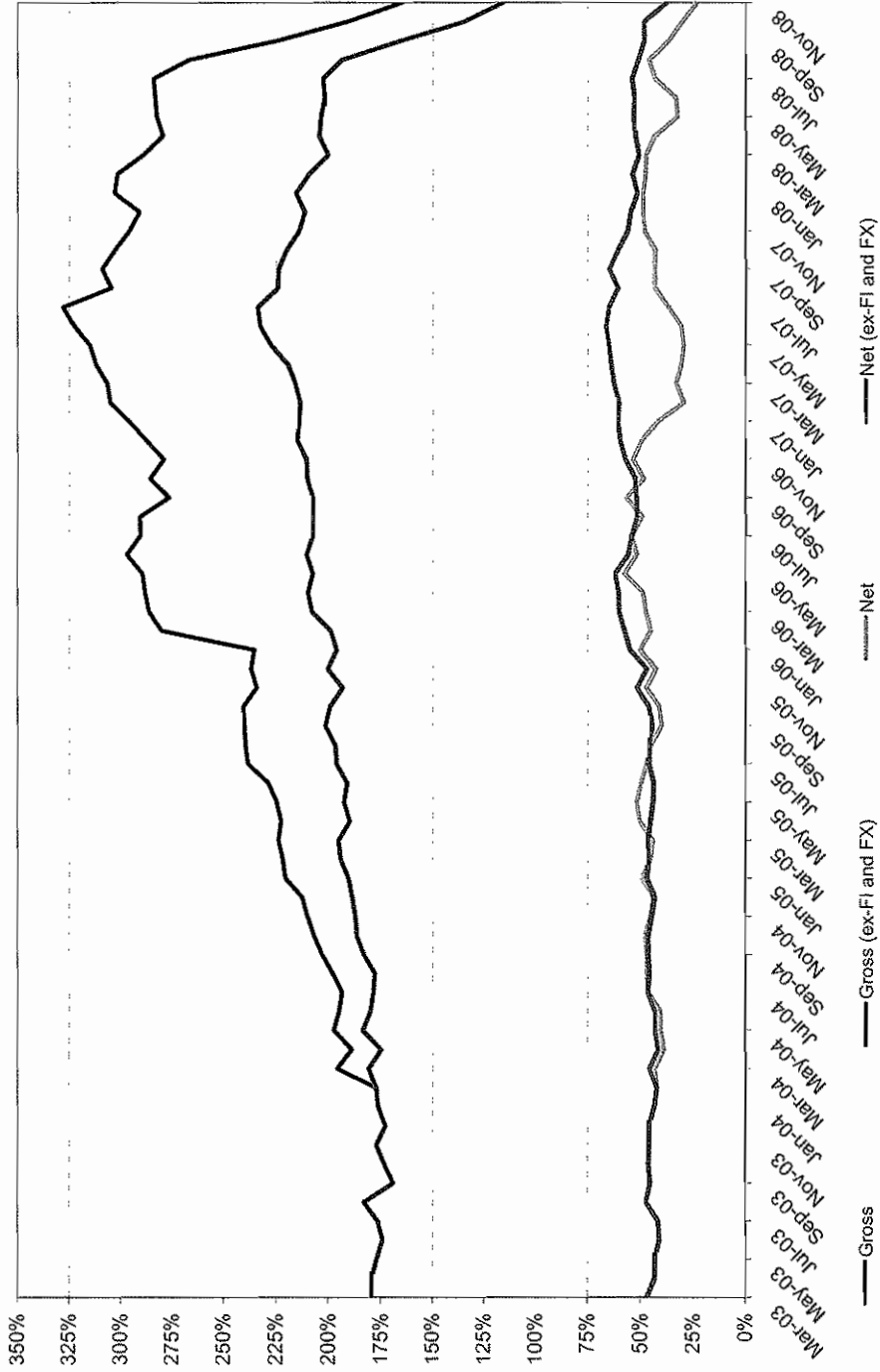
LCC Redemption Liquidity

- Several managers that pursue more illiquid strategies have chosen to split the portfolio into two parts – cash and liquid securities to meet redemptions and illiquid securities that will be liquidated over the next year at the manager’s discretion
 - \$150 million of redemptions from 2 managers will average 2/3 cash within one month and 1/3 shares in a new liquidating entity over the next year
 - 2 managers representing \$127 million are conducting orderly wind-downs; expect average of 1/4 cash within 3 months and remaining 3/4 in 12-18 months
 - 1 manager representing \$10 million has suspended redemptions; rather than elect a liquidation vehicle, we have a new two-year lock-up at lower fees to maximize value
 - 2 managers representing \$120 million, where we have not submitted redemptions, have issued on average 50% shares in a new entity liquidating over the next year
- Only slightly more than 6% of the MA portfolio (~2% of endowment funds) is currently invested in side pockets that are not redeemable at our option



LCC Leverage

Total Portfolio Exposures





LCC Leverage

Manager-Level Leverage by Asset Classification

	<u>Gross</u>	<u>Net</u>
Investment Grade FI	629%	173%
Credit Related FI	98%	75%
Real Estate	126%	21%
Natural Resources	200%	28%
Developed Country Equity	114%	35%
Emerging Markets Equity	117%	24%
LCC Total (excluding CDS)	142%	46%
Credit Default Swaps	<u>22%</u>	<u>-22%</u>
LCC Total	164%	23%



Transparency and Administration

- Staff will not recommend investment if it is not comfortable with sufficient transparency
- While we do not receive position-level detail, each manager typically reports (i) leverage, exposures and capital allocations by strategy, sector and geography, (ii) concentration levels of top positions and total number of positions, (iii) and performance attribution
- In addition, quarterly letters, annual audits and frequent conversations with each manager ensure Staff obtains sufficient answers to our questions
 - Over 300 touch points with existing managers in calendar 2008
 - Refreshed back office diligence on each manager's counterparty exposures, resulting in de minimus exposures to Bear Stearns, Lehman, Dreier and Madoff
 - Staff is in discussions with one manager to increase transparency, or else redeem
- Annual compliance forms are also sent to each manager confirming no changes in legal documents, litigation, compliance with side letters if applicable, etc.
- 7 relationships representing \$1.08 billion do not use independent third-party administrators, although all but one (\$43 million) are audited by "Big 4" accounting firms. Staff will be conducting additional on-site due diligence in the coming months to ensure sufficient controls continue to be in place

Private Investments Portfolio Update



Private Investments Portfolio

November 30, 2008

	Market Value		Unfunded Commitments		Total Exposure	
	\$	%	\$	%	\$	%
Credit-Related	\$902	27%	\$353	12%	\$1,255	20%
Real Estate	81	2%	261	9%	342	5%
Natural Resources	251	7%	399	14%	650	10%
U.S. & Global Buyout	680	20%	531	19%	1,211	19%
European Buyout	358	11%	285	10%	643	10%
Opportunistic	248	7%	134	5%	382	6%
Global Growth	107	3%	91	3%	198	3%
Venture Capital	503	15%	473	16%	976	16%
Total Developed Markets	1,896	57%	1,514	53%	3,410	55%
Emerging Markets	221	7%	341	12%	562	9%
TOTAL	\$3,351	100%	\$2,868	100%	\$6,219	100%



Private Investment Mandates with a Low Invested and High Unfunded Commitment Balance

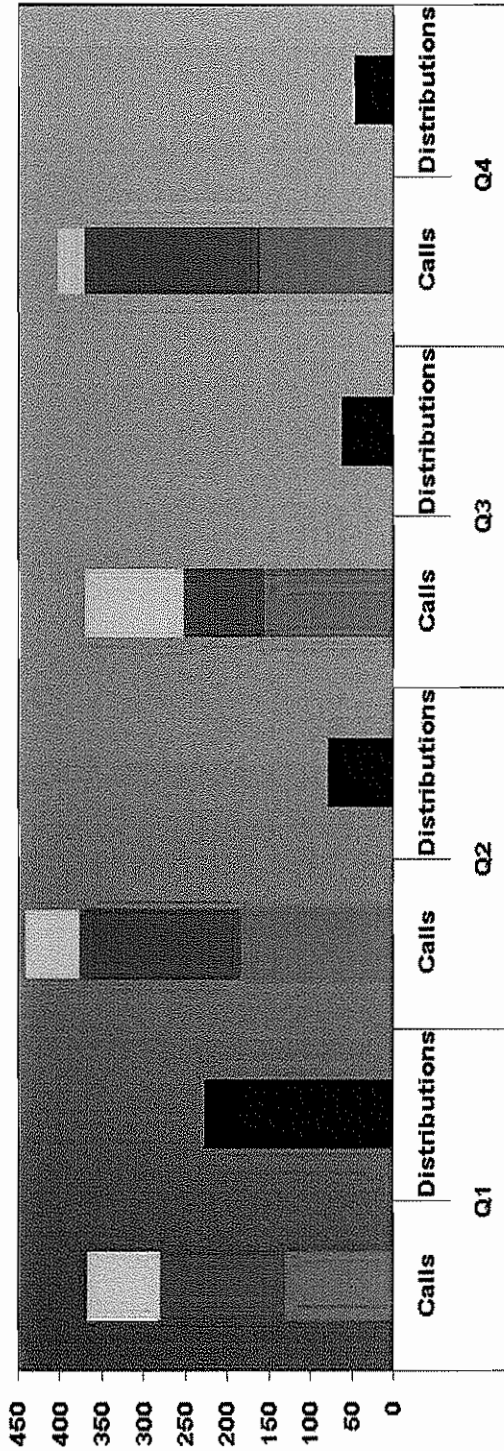
- Sample set includes any mandate < 20% funded
- Many of the managers are recent commitments

# of Mgrs	Asset Class	Original Commitment	Unfunded Commitment	Market Value
1	Credit-Related	\$100	\$91	\$9
4	Real Estate	150	140	4
5	Natural Resources	246	229	37
8	Developed Country (Venture Capital)	280	252	15
5	Developed Country (Buyout/Opportunistic)	277	246	25
5	Emerging Markets	205	186	9
<u>28</u>	Total	<u>\$1,258</u>	<u>\$1,144</u>	<u>\$99</u>
Total Portfolio			<u>\$2,868</u>	<u>\$3,351</u>
Sample/Total			40%	3%



Private Investments Calls & Distributions

Calendar Year 2008



Legend: ■ All Other Asset Classes ■ Credit-Related Fixed Inc ■ Buyout and Growth

Asset Class	Capital Calls		Distributions	
	\$	%	\$	%
Credit-Related	\$648	41%	\$37	9%
Real Estate	96	6%	1	0%
Natural Resources	108	7%	61	15%
Opportunistic	114	8%	6	1%
Venture Capital	129	15%	58	14%
Buyout and Growth	303	34%	245	59%
Total Developed Markets	547	35%	308	74%
Emerging Markets	181	11%	7	2%
TOTAL	\$1,580	100%	\$414	100%



Private Investments Portfolio Rollforward

1/1/08 - 12/31/08

Asset Class	1/1/08 Value	Drawdowns	Distributions	Gain / Loss	12/31/08 Value
Credit-Related	\$499	\$648	\$37	(\$212)	\$898
Real Estate	0	96	1	(9)	86
Natural Resources	184	108	61	34	263
Developed Country Equity	1,845	547	308	(141)	1,944
Emerging Markets Equity	69	181	7	(20)	223
Total	<u>\$2,597</u>	<u>\$1,580</u>	<u>\$414</u>	<u>(\$348)</u>	<u>\$3,414</u>

- Total market value decline over the period of \$348M (~ 13% of beginning value)
- Largest declines in Credit-Related (\$212M) and Developed Country Equity (\$141M)
- Majority of the declines in Credit-Related (\$145M of the \$212M) and Developed Country Equity (\$141M) that UTIMCO funded to purchase leveraged loans from distressed sellers. Forced selling in the leveraged loan market caused significant declines since September
- The declines in Developed Country Equity were spread amongst European Buyouts (\$58M), Global Buyouts (\$28M), US Opportunistic (\$24M), Global Growth (\$12M), US Buyouts (\$10M), and Venture Capital (\$9M). The decline in European Buyouts includes investment losses as well as foreign exchange losses due to the US dollar appreciation against the Euro and Pound over the period
- The Staff expects to see additional mark-to-market losses due to the continued volatility in the credit and equity markets. The values in the table above reflect 9/30/08 manager values adjusted for cash flows through 12/31/08. Additional losses will likely be reflected when managers report their audited 12/31/08 financial statements. Based on preliminary conversations with managers, the Staff estimates additional 12/31/08 losses could be between \$350M-\$500M (~ 2.5-3.5% of the total endowment, ~ 10-15% of the private markets portfolio)



Private Credit-Related Portfolio Rollforward

1/1/08 - 12/31/08

Strategy	1/1/08 Value	Drawdowns	Distributions	Gain / Loss	12/31/08 Value	Unfunded Commitment
Leveraged Loans	\$150	\$235	\$0	(\$145)	\$240	\$24
Distressed Debt Opportunistic	134	289	14	(27)	381	97
Distressed Debt Trading	114	81	15	(21)	160	36
Distressed Debt Control	49	35	3	(13)	68	122
Other Credit-Related	52	8	5	(6)	49	21
Total	\$499	\$648	\$37	(\$212)	\$898	\$300

- Total market value decline over the period of \$212M
- Majority of the decline (\$145M of the \$212M) came from three managers (Oaktree, Apollo, & GSO) that UTIMCO funded to purchase leveraged loans from distressed sellers. Forced selling in the leveraged loan market caused significant declines since September. The declines in this strategy were higher than the other strategies due to the use of leverage. These managers use leverage ranging from as low as 0.5x equity to as high as 4x equity
- The portfolios of leveraged loans purchased to date consist of a mix of higher quality companies diversified across a range of industries. The loans are senior in the capital structure and 90%+ are secured by the assets of the company. Despite the recent declines, the Staff still expects these loans to ultimately produce attractive risk-adjusted returns over the holding period
- The traditional distressed debt strategies (Trading and Opportunistic) drew a significant amount of capital during the Fall to take advantage of a wide variety of distressed opportunities (corporate debt, mortgage debt, etc.)
- A large amount of the remaining Credit-Related unfunded commitments reside with Control managers that the Staff expects to become more active as defaults occur throughout the remainder of the credit cycle
- The Staff expects to see additional mark-to-market losses in the near term due to continued volatility in the credit markets but believes the portfolio is well-positioned to provide attractive returns over the long term



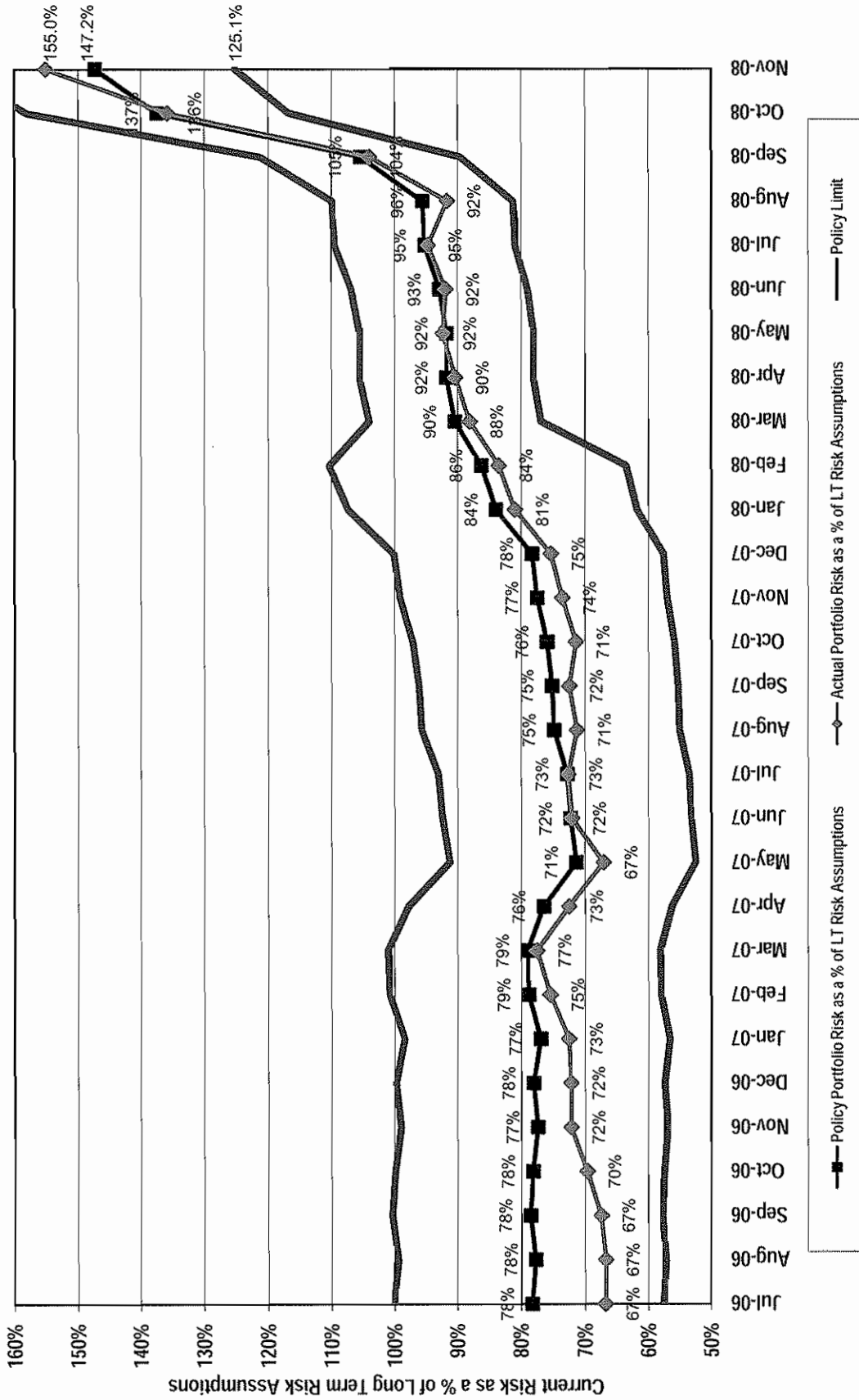
Real Estate Private Investments

Fund	Description	Called	NAV	Unfunded Commitment	Comments
• Trophy Property Fund I	Large-scale high-end multi-use redevelopments Closed-end (7 year life)	\$39	\$39	\$16	<ul style="list-style-type: none"> • \$1 billion equity capitalization (advisory board seat) • Closely affiliated with Shui On Land (large Chinese REIT) • Expect write-up of about 10% on currency and land
• Shorenstein Properties Fund IX	Focus on office, primarily US Closed-end (15 year life)	20	20	30	<ul style="list-style-type: none"> • \$2 billion equity capitalization • Biggest real estate manager for Yale endowment • Fund investing since 2/07, writedowns are expected
• Morgan Stanley Special Situations III	Focus on private-to-public platforms Open-end	15	13	35	<ul style="list-style-type: none"> • \$5.5 billion equity capitalization (advisory board seat) • 60 investments held in global portfolio (11% of NAV is already public) • Calling capital to pay down debt
• Five Mile Capital Partners II	Focus on US real estate debt Closed-end (8 year life)	11	6	39	<ul style="list-style-type: none"> • \$1.5 billion equity capitalization (advisory board seat) • 27 years avg mgmt experience, including Salomon & Kidder • -45% in cumulative debt-related (CMBS) write-downs, incl. one write-off in early derivative-based transaction
• Northwood Real Estate Partners	Opportunistic, minimal constraints Quasi open-end (Opt out > 5 years)	4	3	46	<ul style="list-style-type: none"> • \$1 billion equity capitalization (advisory board seat) • PM is former head of Blackstone real estate
• Secured Capital Japan Real Estate Partners IV	≥70% Japan (esp. Tokyo office) Closed-end (8 year life) Yen denominated	0	0	50	<ul style="list-style-type: none"> • \$5.1 billion equity capitalization (advisory board seat) • Leverages public REIT status for staffing and sourcing
• Benson Elliot Real Estate Partners III	Focus on mature and emerging Europe Closed-end (10 year life) Euro denominated	0	0	49	<ul style="list-style-type: none"> • \$1 billion equity capitalization • PM is former head of Doughty Hanson real estate
		<u>\$89</u>	<u>\$81</u>	<u>\$265</u>	

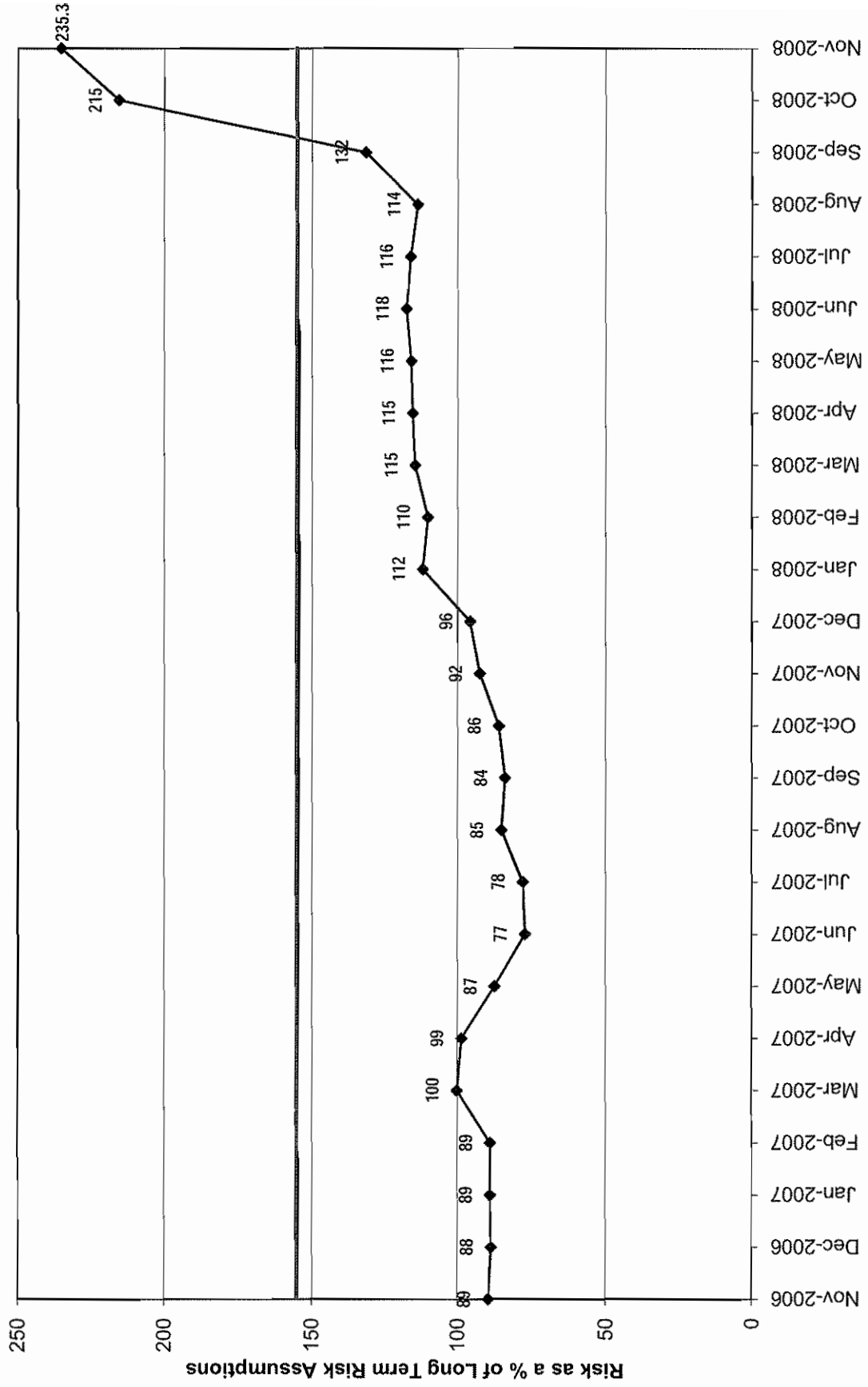
Note - date as of 11/30/08

Risk Analytics

Current Risk Environment of GEF (Based on Downside Risk)



Rolling 12 Month Risk Estimate of Current GEF Portfolio

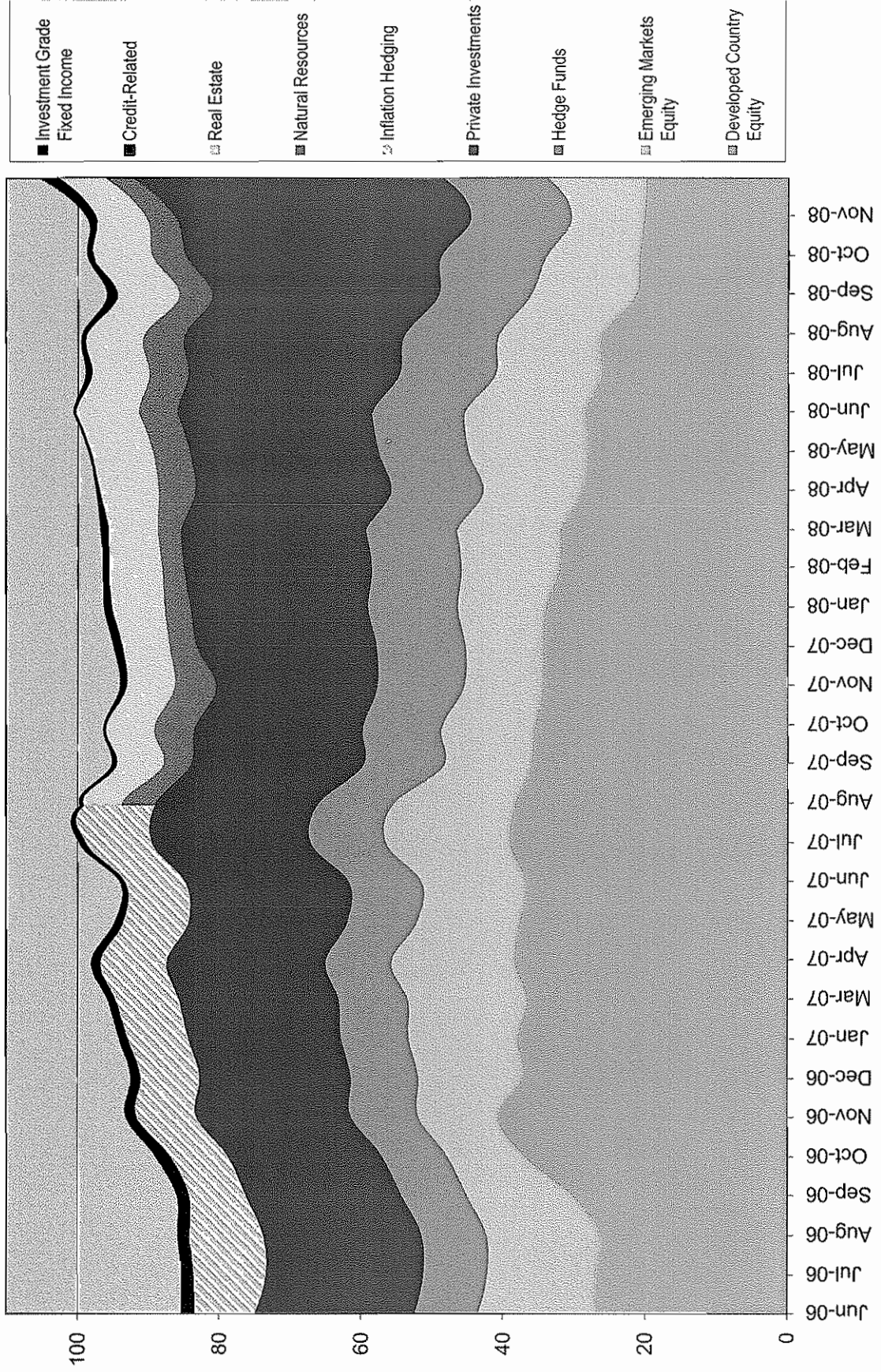




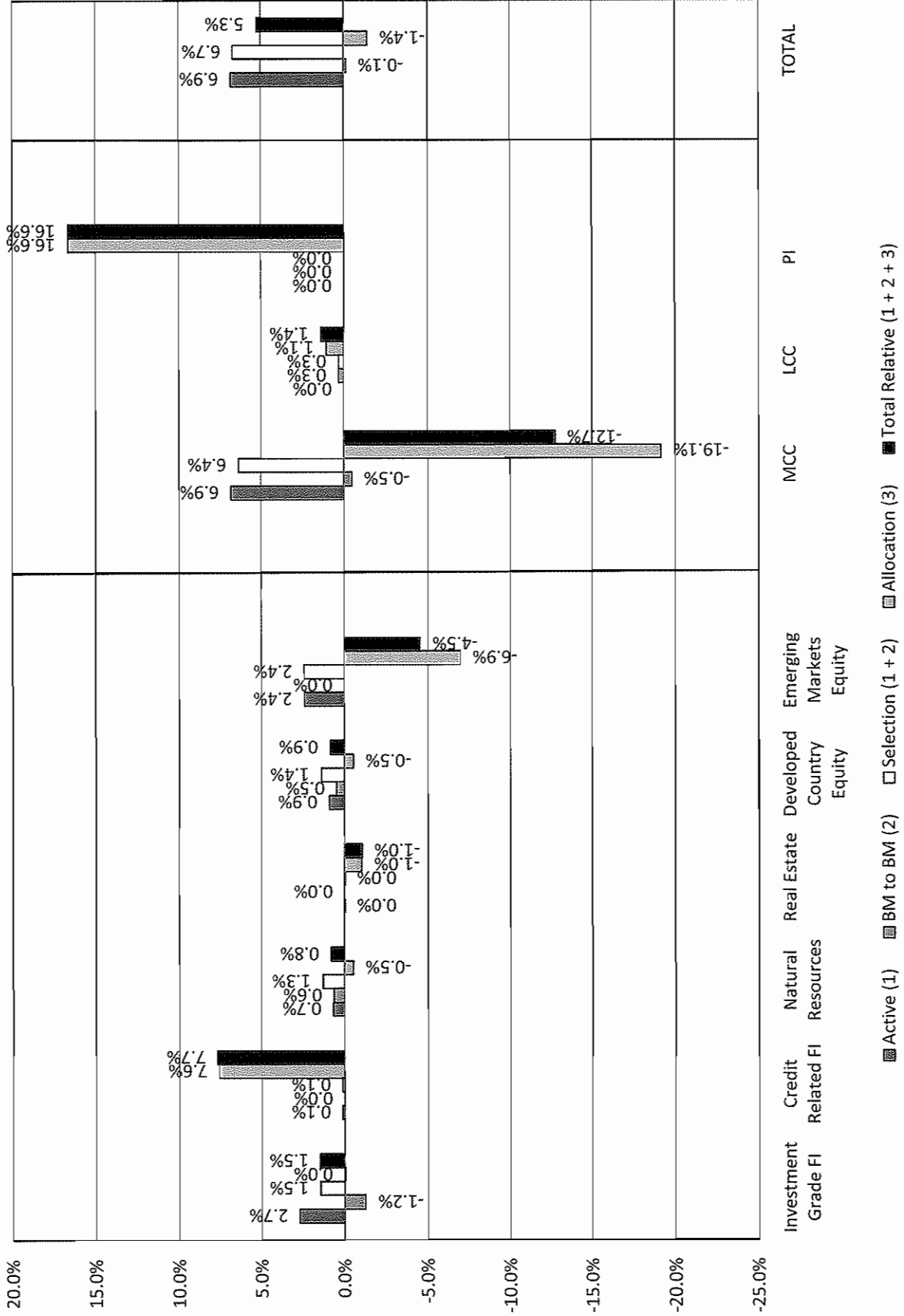
GEF Risk Allocation

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	2.3%	0.1%	0.0%	2.3%
Credit-Related Fixed Income	0.1%	2.2%	3.3%	5.7%
Natural Resources	3.8%	0.3%	4.1%	8.2%
Real Estate	6.4%	0.0%	2.5%	8.9%
Developed Country Equity	18.9%	10.0%	25.9%	54.8%
Emerging Markets Equity	13.0%	1.7%	5.5%	20.1%
TOTAL	44.4%	14.2%	41.4%	100.0%

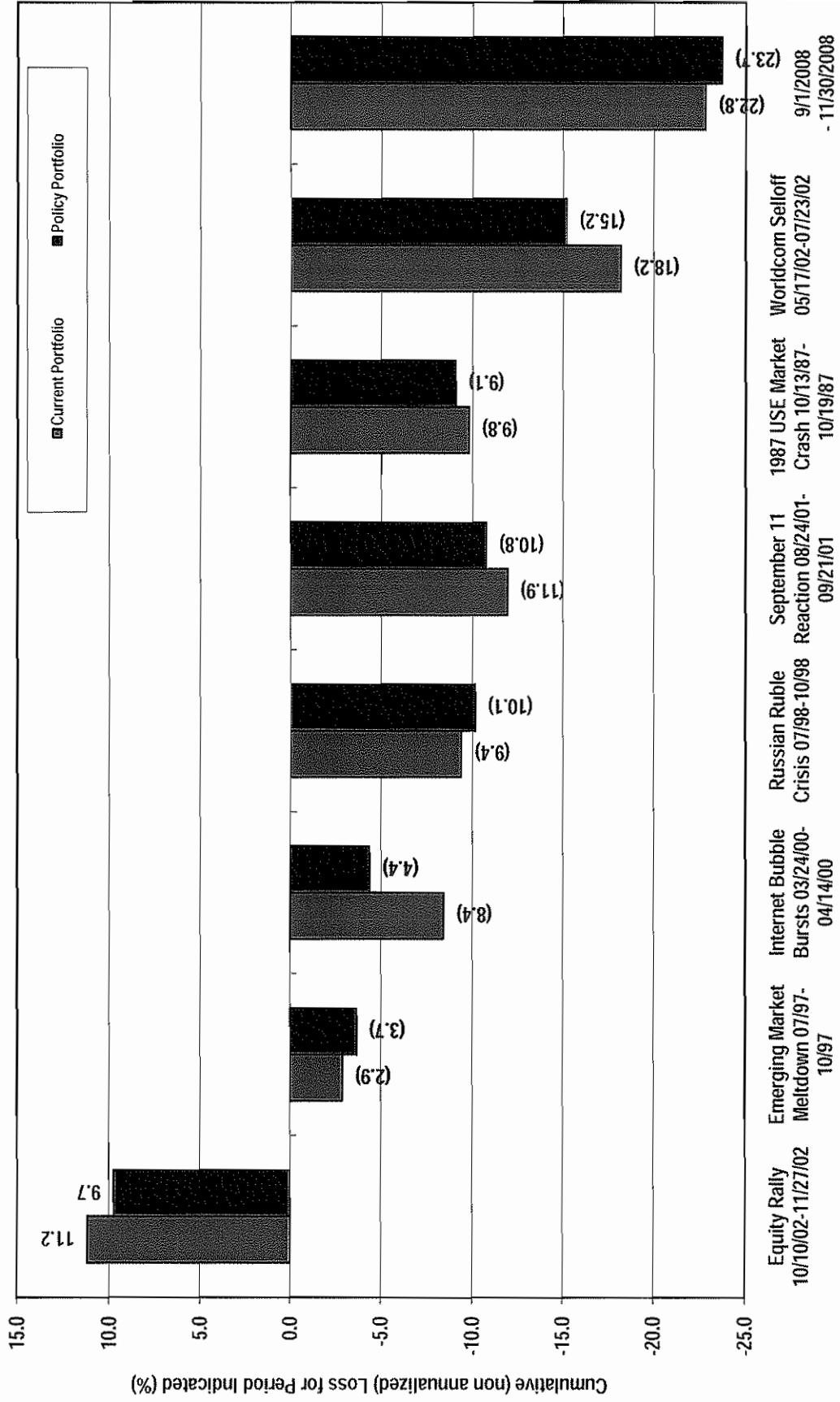
GEF Risk Allocation Over Time



GEF 4-Way Risk Decomposition as of 11/30/2008 Using New Investment Strategy



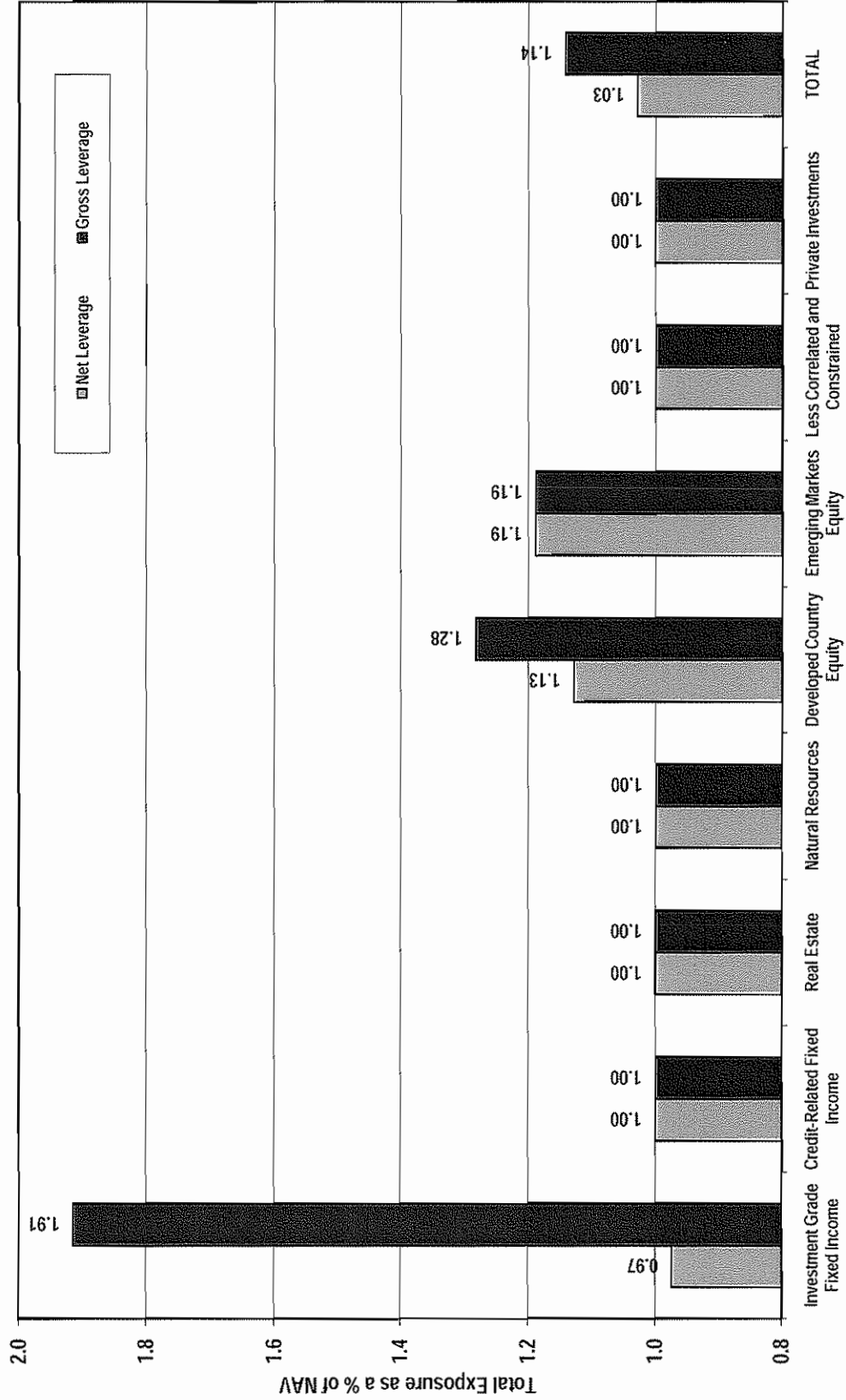
Hypothetical and Actual Performance of Current GEF Portfolio in Selected Stress Environments



Leverage

- **Derivatives**
- **Counterparty Risk**

Net and Gross Leverage of GEF



Comprehensive Derivative Report as of November 30, 2008

INTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (8/31/2008) (\$ millions)
<u>Natural Resources</u>			
DJAIG Swap	Long DJAIG Commodity Total Return Index / Short Libor	\$ 84	\$ (169)
NR Swap	Long Natural Resource Equity / Short Libor	157	157
<u>Developed Country Equity</u>			
S&P 500 Futures	Long S&P 500 futures	348	-
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap Short US Small Cap	237 (208)	(101) 102
<u>Non-US Developed Equity</u>			
UK Futures	Long FTSE 100	98	-
EAFE Swap	Currency forwards used to hedge U.S. dollar Long MSCI EAFE / Short LIBOR	-	(161)
Lansdowne Euro Forwards	Currency forwards used to replicate local currency exposure for investments in Lansdowne European Fund	144	-
Japan Futures	Currency forwards used to hedge U.S. dollar Long Topix Index futures	-	(251)
		190	-
		131	10
<u>Non-US Emerging Equity</u>			
EEM Levered Swap	Long Emerging Markets with 2x upside up to a cap / short Libor	203	203
Total Internal Managers		\$ 1,384	

Comprehensive Derivative Report as of November 30, 2008

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>REITS</u>		
Cohen & Steers Global	Use spot currency forwards to convert to US dollars in order to purchase international real estate securities in local currency	\$ 2
<u>Natural Resources</u>		
Gresham	Long Exchange-traded commodity futures	207
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	35
PIMCO Global Bonds		
	Currency forwards used to underweight the US dollar	61
	Short US and Non-US futures used to overweight duration in Eurozone	(196)
	Long futures used to overweight front end of US and UK yield curves	1,519
	Receive interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	618
	Pay interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(647)
	Interest rate swaps used to overweight front end of US and UK yield curves	336
	Short/Written credit default swaps used to overweight credit risk	77
	Long/Purchased credit default swaps used to underweight credit risk	(216)
	Written options used to increase portfolio yield	(19)
	Purchased options used to increase portfolio yield	16
Total External Managers		\$ 1,793
GRAND TOTAL		\$ 3,177

Comprehensive Report on Approved Derivative Applications as of November 30, 2008 Internal Management

Internal Managers		Purpose of Application
Derivative Application (account name)		
S&P 500 Futures / FTSE Index / Topix	PUF/GEF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
US Equity Small Cap/Large Cap Spread Trade	PUF/GEF/ITF	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.
EAFE, DJAIG and NR Swaps	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities or the physical commodities and add value over the index by taking advantage of the borrow rate.
EEM Levered Swaps	PUF/GEF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of deemed mispriced volatility, possibly without committing capital (i.e. creating financial leverage)
Currency forwards	ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of deemed mispriced volatility
	PUF/GEF/ITF	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 November 30, 2008
External Management

External Managers Under Agency Agreement		Primary Use of Derivatives
Blackrock (formerly State Street Research)	PUF/GEF/ITF	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Brandywine	PUF/GEF/ITF	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Globeflex	PUF/GEF/ITF	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
Gresham	PUF/GEF/ITF	Use derivatives to gain market (systematic) exposure without trading the physical commodity.
Cohen & Steers Global	PUF/GEF/ITF	May use spot currency forwards to convert US dollars into foreign currency in order to purchase international real estate securities in local currency.
European Investors Realty Securities, Inc.	PUF/GEF/ITF	May use spot currency forwards to convert US dollars into foreign currency in order to purchase international real estate securities in local currency.
Morgan Stanley REITs	PUF/GEF/ITF	May use spot currency forwards to convert US dollars into foreign currency in order to purchase international real estate securities in local currency.
PIMCO Global Bonds	PUF/GEF/ITF	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.
Reams	PUF/GEF/ITF	May use futures, forwards, options and swaps and fixed income securities linked to foreign interest rates.
Wellington Management Company	PUF/GEF/ITF	May invest in currency forward contracts, fully collateralized futures, options and swaps to reduce risk or provide efficient investment exposure.

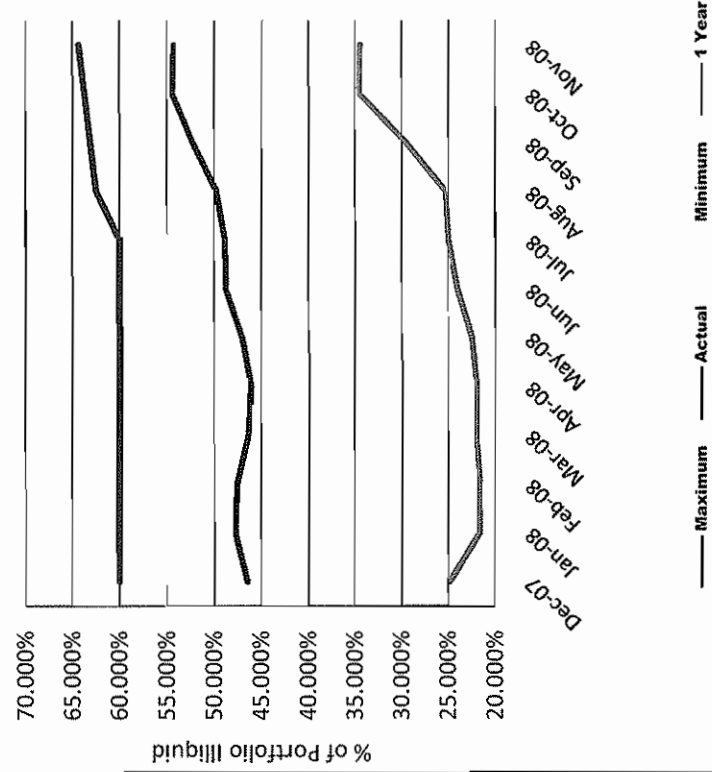
OTC Derivative Counterparty Report as of November 30, 2008

\$ millions

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
GOLDMAN SACHS	AA-	\$ 238.9	\$(204.0)	\$ 34.9	0.21%	\$ 1,010.3
MORGAN STANLEY	AA-	54.9	(44.6)	10.3	0.06%	944.3
ROYAL BANK OF SCOTLAND PLC	AA-	10.8	(22.4)	(11.6)	-0.07%	686.2
BARCLAYS	AA-	10.0	(37.7)	(27.7)	-0.17%	769.1
DEUTSCHE BANK AG	AA-	7.2	(4.2)	3.0	0.02%	284.1
CITIBANK NY	AA	4.3	(7.9)	(3.6)	-0.02%	368.2
HSBC BK USA, NEW YORK	AA	3.5	(7.1)	(3.6)	-0.02%	192.0
MERRILL LYNCH	AA-	3.4	(3.1)	0.3	0.00%	93.6
BANK OF AMERICA	AA-	2.4	(1.0)	1.4	0.01%	62.9
CHASE MANHATTAN	AA-	2.2	(5.7)	(3.5)	-0.02%	222.1
UBS A G, ZURICH	AA-	1.7	-	1.7	0.01%	47.3
BNP PARIBAS	AA+	1.3	(0.9)	0.4	0.00%	97.1
UBS AG, STAMFORD	AA-	1.2	(1.9)	(0.7)	0.00%	119.7
CREDIT SUISSE FIRST	AA-	0.9	(0.3)	0.6	0.00%	26.0
ROYAL BANK OF CANADA	AA-	0.3	(1.2)	(0.9)	-0.01%	42.0
J P MORGAN, CHASE	AA-	0.3	-	0.3	0.00%	-
CITIGROUP	AA-	0.2	(0.5)	(0.3)	0.00%	19.1
BANK OF NOVA SCOTIA	AA-	-	(0.4)	(0.4)	0.00%	4.4
MELLON BANK	AA	-	-	-	0.00%	3.1
WACHOVIA BANK	AA-	-	-	-	0.00%	1.5
Grand Total		\$ 343.5	\$(342.9)	\$ 0.6	0.00%	\$ 4,993.0

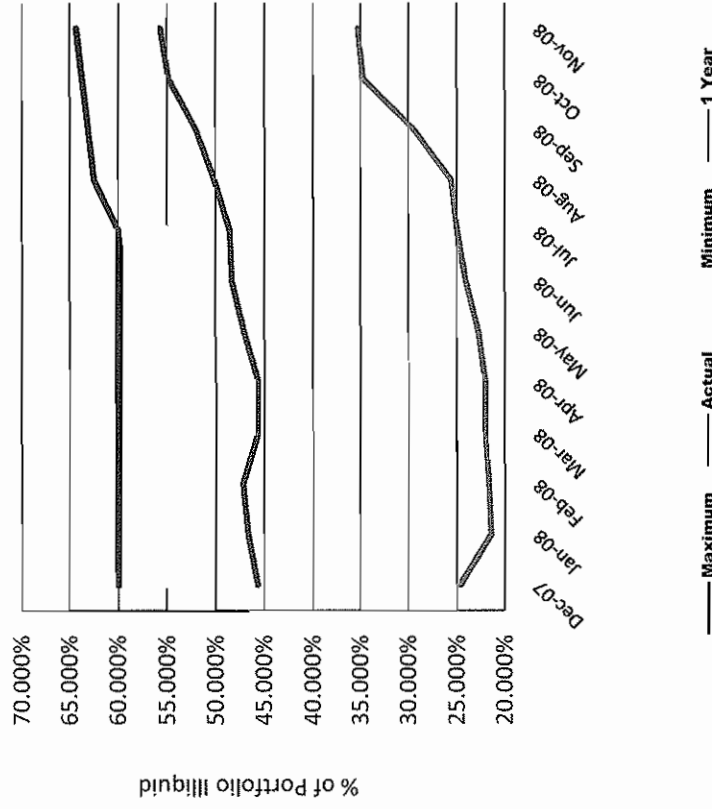
Liquidity

**Permanent University Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 4,043 million One Year Liquidity \$ 5,792 million

**General Endowment Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 2,148 million One Year Liquidity \$ 3,136 million

Unfunded Commitments Exposure Report - 11/30/08

Asset Class	Market Value	% of Total Market Value	Unfunded Commitment	Total Exposure	% of Total Exposure	Unfunded			
						Market Value as % of Total Endowments	Commitment as % of Total Endowments		
PRIVATE INVESTMENTS									
CREDIT-RELATED FIXED INCOME	\$ 902,497,345	26.9%	\$ 353,461,721	\$ 1,255,959,066	20.2%	6.6%	2.6%	9.2%	
REAL ESTATE	81,242,853	2.4%	260,690,951	341,933,804	5.5%	0.6%	1.9%	2.5%	
NATURAL RESOURCES	250,507,143	7.5%	398,859,879	649,367,022	10.4%	1.8%	2.9%	4.7%	
BUYOUT & GROWTH VENTURE CAPITAL	1,145,178,280	34.2%	906,422,445	2,051,600,725	33.0%	8.4%	6.6%	15.0%	
OPPORTUNISTIC	503,264,811	15.0%	473,366,603	976,631,414	15.8%	3.7%	3.5%	7.1%	
DEVELOPED MARKETS EQUITY	247,803,740	7.4%	134,221,316	382,025,056	6.1%	1.8%	1.0%	2.8%	
EMERGING MARKETS EQUITY	1,896,246,831	56.6%	1,514,070,364	3,410,257,195	54.9%	13.9%	11.1%	24.9%	
TOTAL PRIVATE INVESTMENTS	220,590,236	6.6%	340,833,653	561,423,889	9.0%	1.6%	2.5%	4.1%	
TOTAL PRIVATE INVESTMENTS	\$ 3,351,084,408	100.0%	\$ 2,867,856,568	\$ 6,218,940,976	100.0%	24.5%	21.0%	45.4%	
LESS CORRELATED AND CONSTRAINED									
INVESTMENT GRADE FIXED INCOME	\$ 260,255,694	5.5%	\$ -	\$ 260,255,694	5.3%	1.9%	0.0%	1.9%	
CREDIT-RELATED FIXED INCOME	637,775,838	13.4%	64,252,500	702,028,338	14.4%	4.7%	0.5%	5.1%	
REAL ESTATE	43,196,461	0.9%	-	43,196,461	0.9%	0.3%	0.0%	0.3%	
NATURAL RESOURCES	146,503,336	3.1%	-	146,503,336	3.0%	1.1%	0.0%	1.1%	
DEVELOPED MARKETS EQUITY	2,902,549,305	60.8%	30,524,999	2,933,074,304	60.1%	21.2%	0.2%	21.4%	
EMERGING MARKETS EQUITY	783,219,234	16.3%	14,218,014	797,437,248	16.3%	5.7%	0.1%	5.8%	
TOTAL LESS CORRELATED AND CONSTRAINED	\$ 4,773,499,868	100.0%	\$ 108,995,513	\$ 4,882,495,381	100.0%	34.9%	0.8%	35.6%	
GRAND TOTAL PI AND LCC	\$ 8,124,584,276	100.0%	\$ 2,976,852,081	\$ 11,101,436,357	100.0%	59.4%	21.8%	81.0%	
TOTAL ENDOWMENTS HOLDINGS	\$ 13,683,999,993								
			MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY					25.6%	

Investment Activity

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended November 30, 2008**

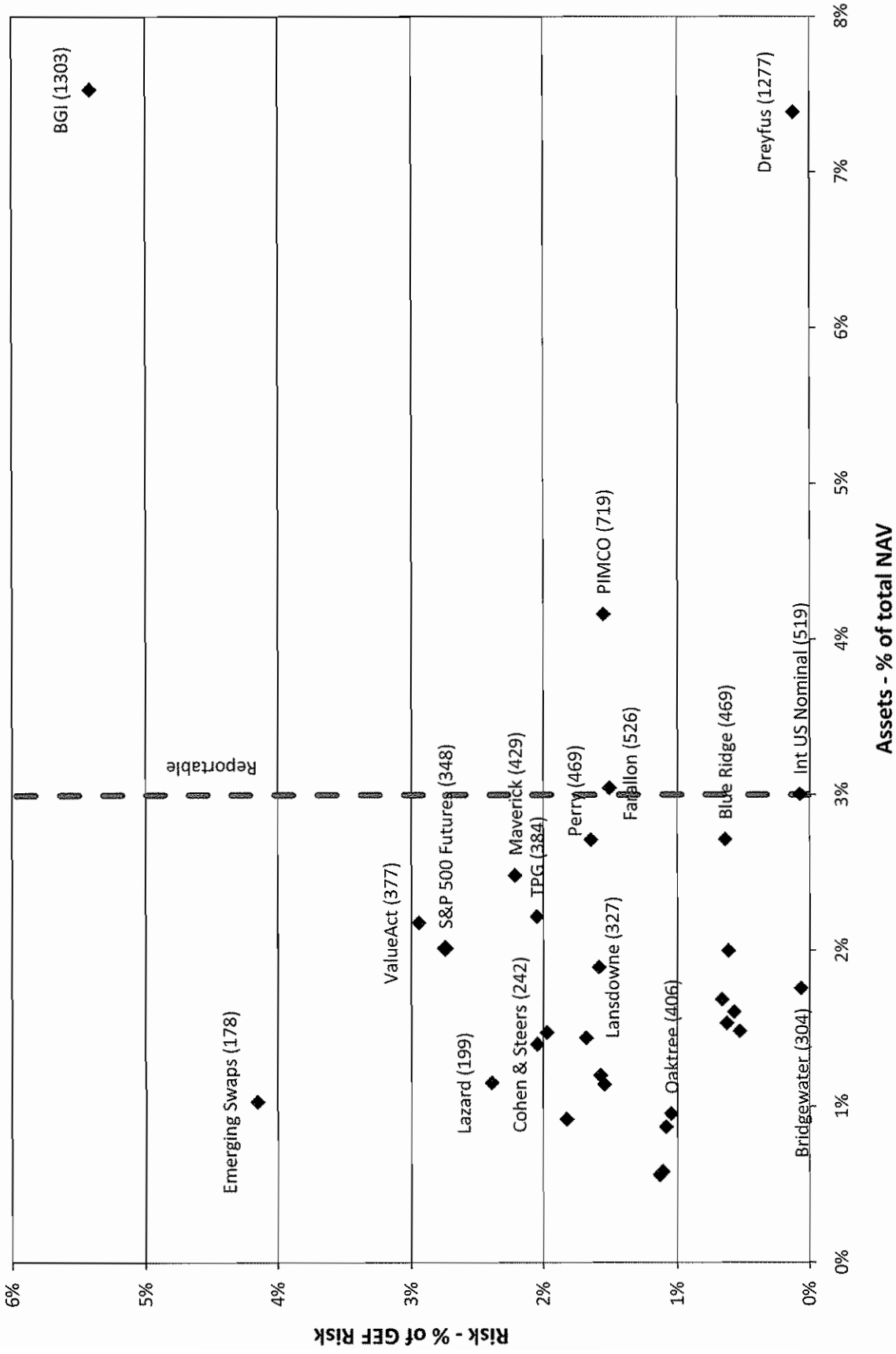
	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
<u>Investment Grade Fixed Income</u>									
Pimco TIPS	266	-	-	266	-	-	-	-	
Reams TIPS	220	-	-	220	-	-	-	-	
BGI Global Agg (ex-US) Bond Index Fund	35	-	-	35	-	-	-	-	
Pimco Fixed	30	-	-	30	-	-	-	-	
Internal Investment Grade	20	-	-	20	-	-	-	-	
	571	-	-	571	-	-	-	-	
<u>Credit-Related Fixed Income</u>									
Satellite	-	32	-	32	-	-	-	-	
OCM High Yield	-	25	-	25	-	-	-	-	
Baupost	-	-	-	-	100	-	-	100	
Fortress Credit Opportunities Fund, L.P.	-	-	-	-	-	75	-	75	
RMBS (Parkcentral)	-	-	-	-	68	-	-	68	
	-	57	-	57	68	100	75	243	
<u>Real Estate</u>									
Security Capital	-	-	-	-	105	-	-	105	
Bensell US Feeder III, L.P.	-	-	-	-	-	45	-	45	
BGI ex-US Real Estate fund	-	-	-	-	17	-	-	17	
	-	-	-	-	122	-	45	167	
<u>Natural Resources</u>									
Tenaska Power Fund II, L.P.	-	-	-	-	-	-	60	60	
Kern Energy Partners III, L.P.	-	-	-	-	-	-	60	60	
	-	-	-	-	-	-	120	120	
<u>Developed Country Equity</u>									
BGI Global Market Neutral	-	232	-	232	-	-	-	-	
BGI EAFE	125	-	-	125	-	-	-	-	
Farallon FCOI	-	77	-	77	-	-	-	-	
Blavin PWB	30	-	-	30	-	-	-	-	
Wellington	-	-	-	-	250	-	-	250	
Cadian	-	-	-	-	-	50	-	50	
Lansdowne UK	-	-	-	-	-	25	-	25	
Austin Ventures X, L.P.	-	-	-	-	-	-	25	25	
Levin Large Cap Value	-	-	-	-	10	-	-	10	
	155	309	-	464	260	75	25	360	

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended November 30, 2008**

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
<u>Emerging Markets Equity</u>									
Lansdowne Emerging	331	-	-	331	-	-	-	-	No
BGI Emerging Strategic Insights Fund	-	-	-	-	180	-	-	180	No
Lazard	-	-	-	-	150	-	-	150	No
Blakeney	-	-	-	-	100	-	-	100	No
Russia Partners III, L.P.	-	-	-	-	-	-	40	40	Yes
Emerging Europe Growth Fund II, L.P.	-	-	-	-	-	-	30	30	Yes
Actis Africa 3, L.P.	-	-	-	-	-	-	25	25	Yes
Actis India 3, L.P.	-	-	-	-	-	-	25	25	Yes
	<u>331</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>430</u>	<u>-</u>	<u>120</u>	<u>550</u>	
	<u>\$ 1,057</u>	<u>\$ 366</u>	<u>\$ -</u>	<u>\$ 1,423</u>	<u>\$ 880</u>	<u>\$ 175</u>	<u>\$ 385</u>	<u>\$ 1,440</u>	

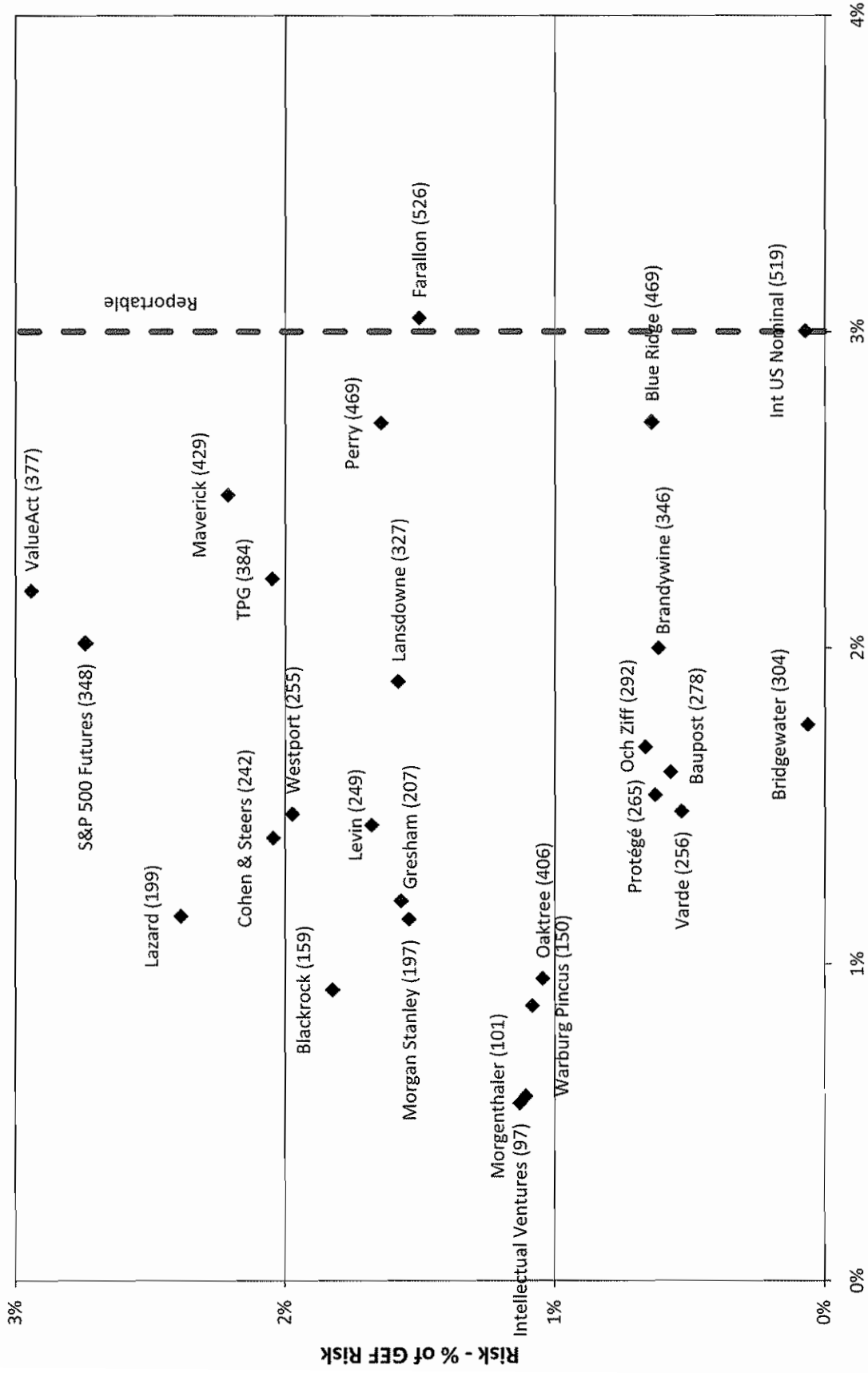
Manager Exposure

Top Mandates Risk and Dollar Allocation



Mandates with at least 1.5% of total assets, or at least 1.1% of Risk

Top Mandates Risk and Dollar Allocation



Assets - % of total NAV

Mandates with at least 1.5% of total assets, or at least 1.1% of Risk

**Managers with exposure >3% relative to total Funds
(excluding ITF for Private Investments)
As of 11/30/2008**

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
<u>More Correlated and Constrained</u>		
Internal Fixed Income	710,571,722	4.26%
Pimco	719,444,884	4.31%
<u>Less Correlated and Constrained</u>		
Farallon	526,259,369	3.15%

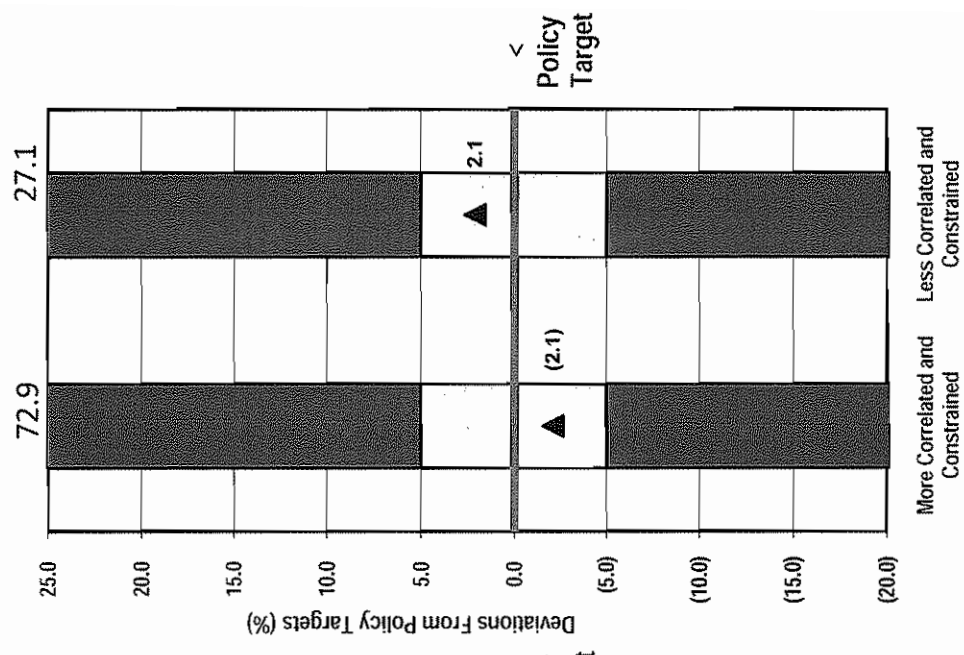
Private Investments
None

**Managers with exposure >5% relative to total Funds
(excluding ITF for Private Investments)
As of 11/30/2008**

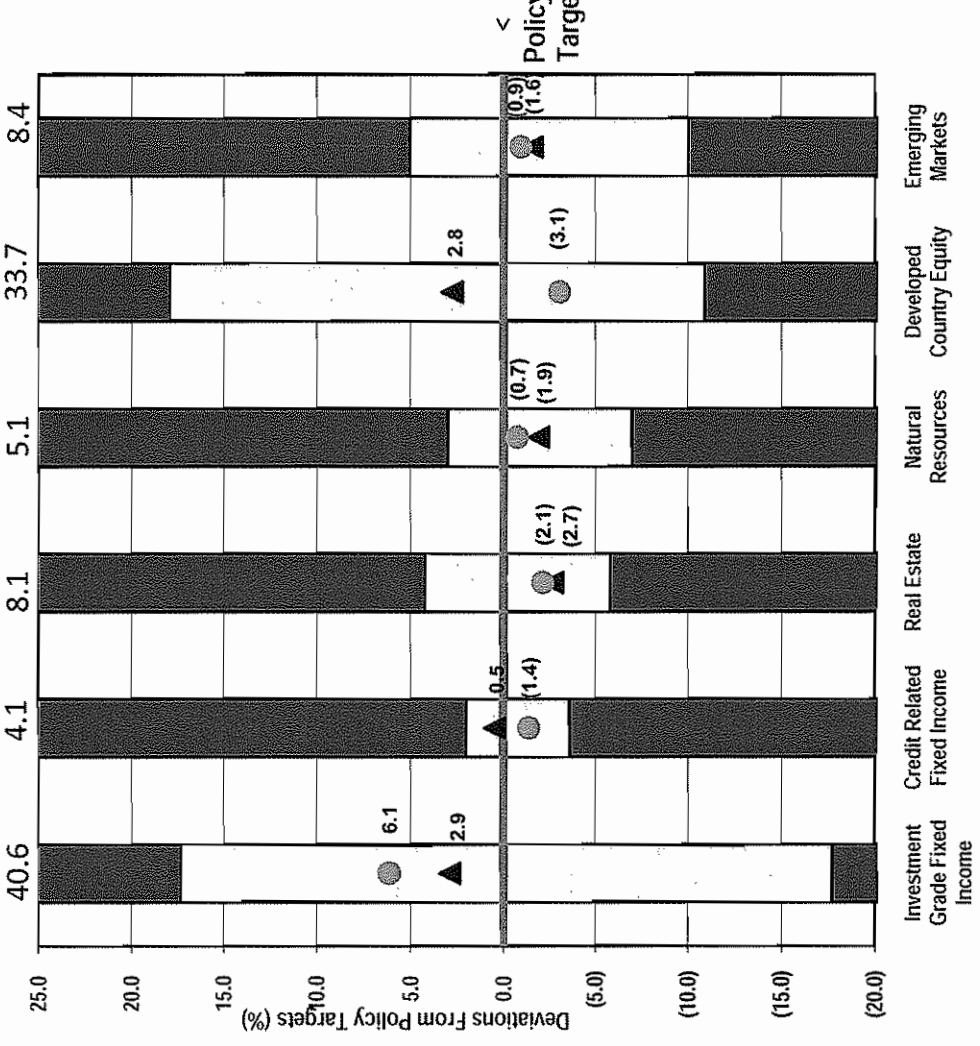
<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
None		

ITF

Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF

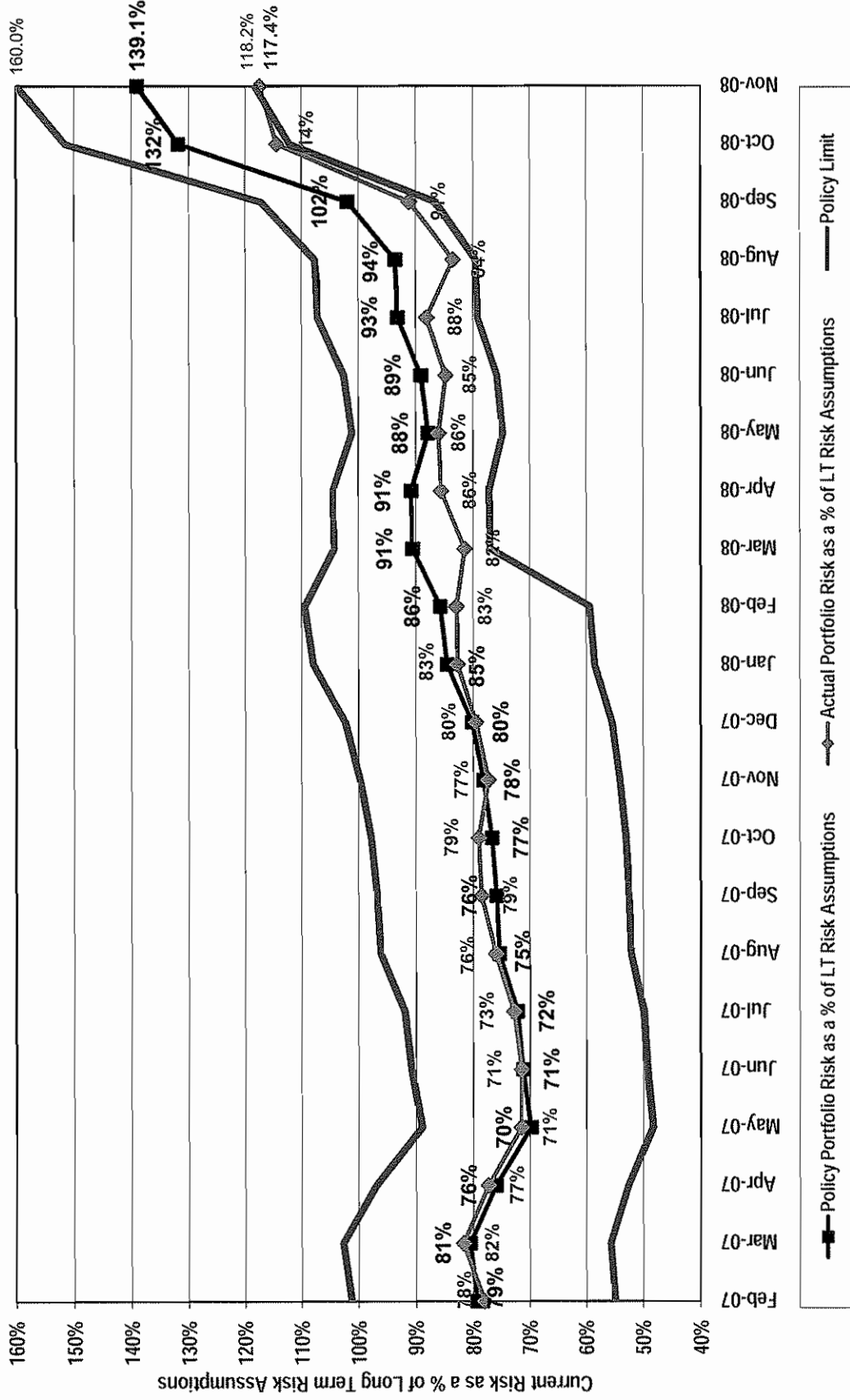


Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF

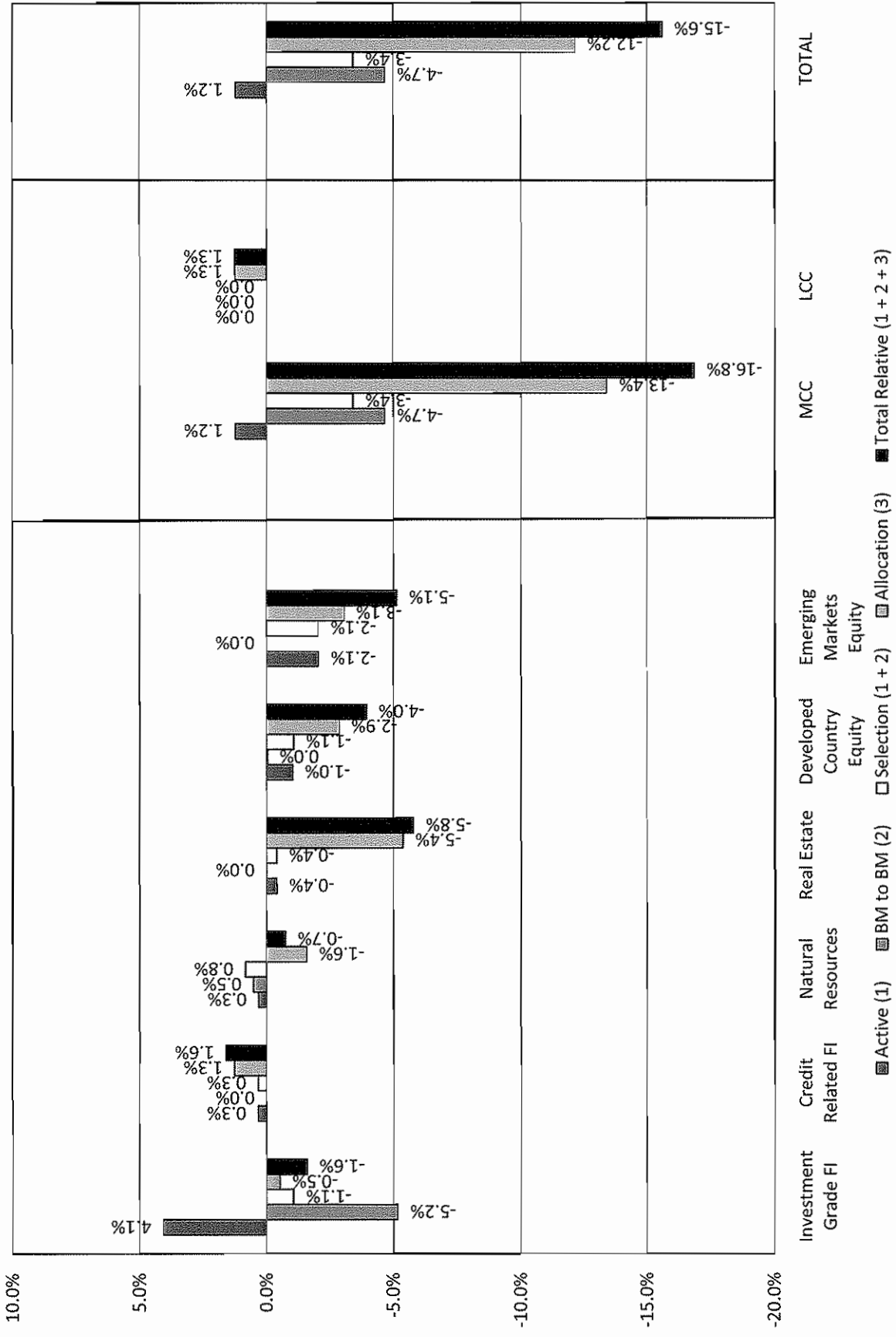


▲ -- All Investment Types ● -- More Correlated and Constrained

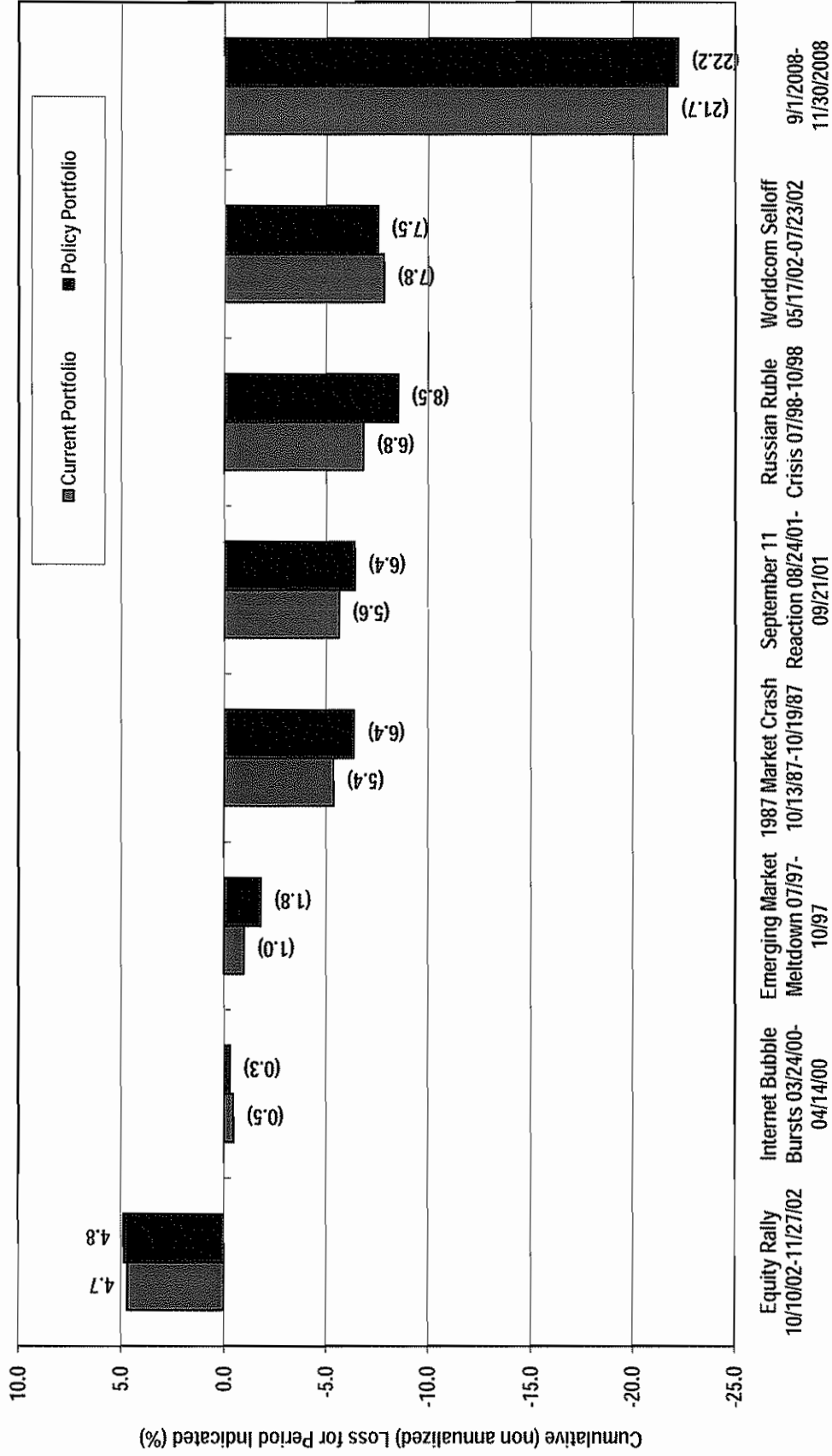
Current Risk Environment of ITF (Based on Downside Risk)



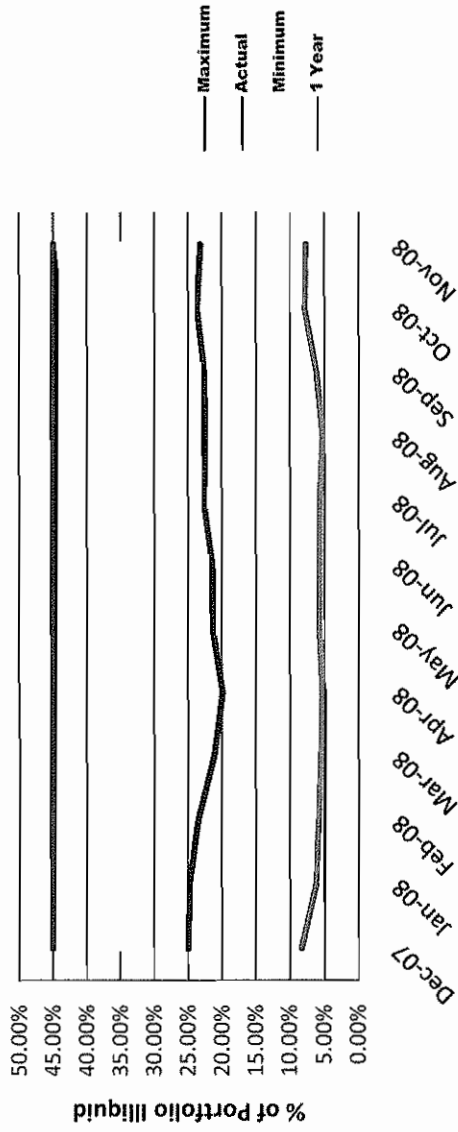
ITF 4-Way Risk Decomposition as of 11/30/2008 Using New Investment Strategy



Hypothetical and Actual Performance of Current ITF Portfolio in Selected Stress Environments

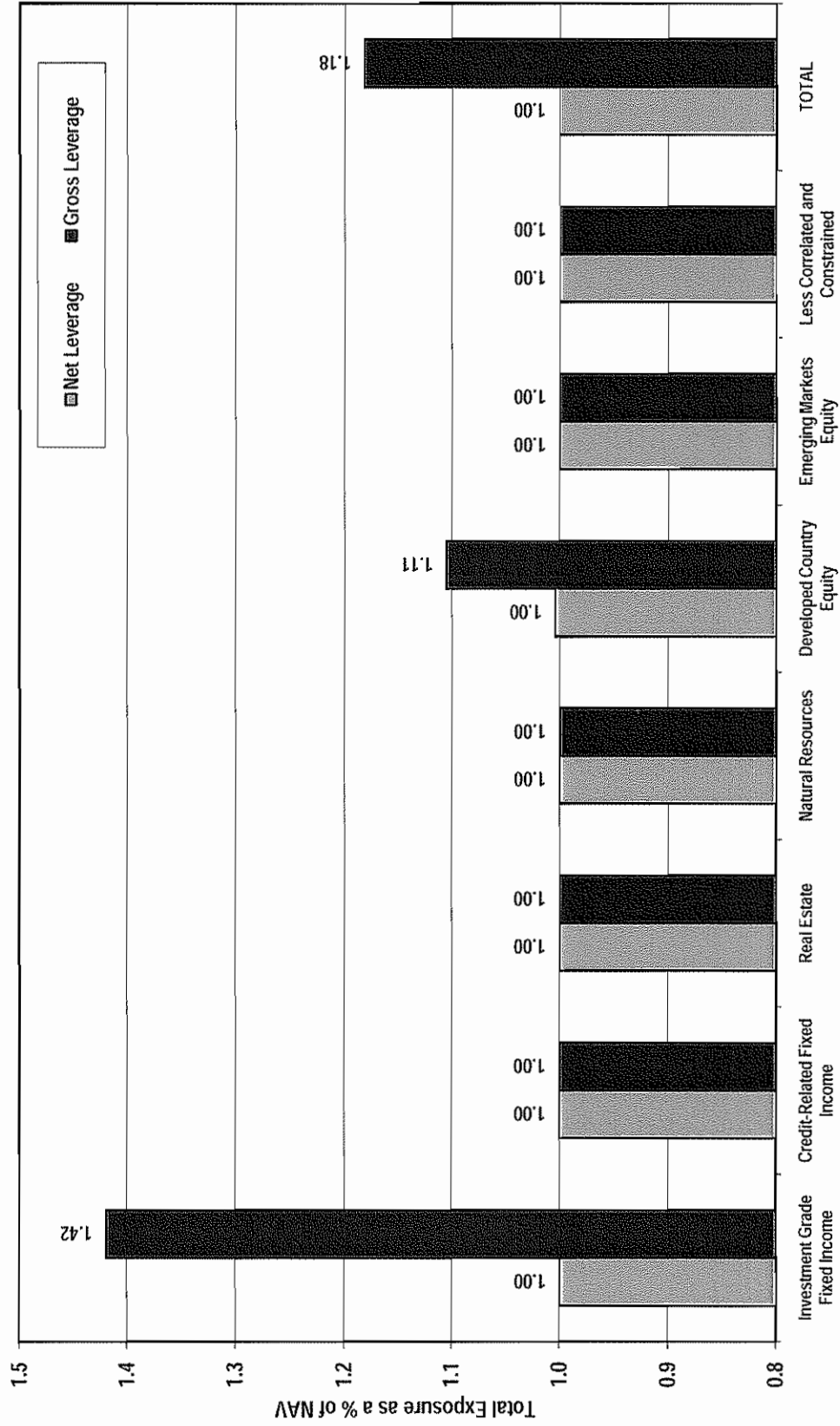


**Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 2,314 million One Year Liquidity \$ 2,777 million

Net and Gross Leverage of ITF



Contracts Update

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

**For October 21, 2008 through January 20, 2009
(Total Obligation per Agreement greater than \$50,000)**

Agreement	Purpose	Contract Term	Annual Amount
Application Experts, LLC	Client Relationship and Investment Workflow Management System	\$40,000 one time development cost + \$14,000 annual user license	\$54,000 (includes one time development cost)
Credit Sights	Provide independent qualitative and quantitative credit research for corporate bond investing	9/1/2008 to 9/1/2009	\$50,000

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

Agreement	Purpose	Contract Term	Annual Amount
Bloomberg	Portfolio Order Management System	Renews quarterly via invoice	\$100,000
Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$309,840
International Fund Services	Risk System	Quarterly invoice – fees increased as accounts are added	\$434,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$283,766
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion item

Description: The Risk Committee ("Committee") will meet on January 29, 2009 and will meet in a Joint Meeting with the Policy Committee on February 5, 2009. The Committee's agenda for the January 29th meeting included (1) review and discussion of risk reporting; (2) review and discussion of compliance reporting; and (3) discussion and appropriate action related to categorization of new investment mandates and re-categorization of investment mandates. The Joint Meeting agenda included (1) a report from the Internal Credit Committee; (2) discussion related to Less Correlated and Constrained Investments' benchmark; and (3) discussion and appropriate action related to proposed amendments to exhibits of the investment policy statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and the Intermediate Term Fund (ITF).

Discussion: The Committee will review and take appropriate action related to the mandate categorizations and re-categorizations prepared by staff for the period beginning October 1, 2008, through January 15, 2009. The Mandate Categorization Procedure (Procedure) requires that all new mandates be categorized by the Managing Directors, and that the Chief Compliance Officer provide the Chief Investment Officer his/her agreement or recommended categorization, after which the Chief Investment Officer will designate the Asset Class and Investment Type and report to the Risk Committee at its next regular meeting for the Committee's approval or re-categorization. The Procedure also requires staff to recommend re-categorizations of any existing mandate if after the initial or annual categorization the Chief Investment Officer, a Managing Director, or the Chief Compliance Officer become aware of a change(s) in the investment characteristics of the mandate that warrant a re-categorization. Staff requested that the Committee approve eight mandate categorizations and two re-categorizations. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations. Routine activities of the Committee include reviewing the quarterly risk reporting and compliance reporting.

The Committee will have a joint meeting with the Policy Committee to discuss staff's recommended amendments to the Exhibits of the Investment Policy Statements of the PUF, GEF, PHF, LTF, and ITF. Staff will present to the Committees a plan to increase the maximum ranges for the Credit-Related Fixed Income asset class based on an internal staff working group formed to analyze opportunities in the credit-related fixed income area. Also, staff is recommending a new benchmark to replace the current Less Correlated and Constrained Investments' benchmark as the current benchmark, the MSCI Investable Hedge Fund Index, was discontinued by MSCI on January 21, 2009. Finally, staff is recommending a name change for the Lehman Brothers indices which are now owned and managed by Barclays Capital. The discussion of the Investment Policy Statements is covered in the Report from the Policy Committee under Tab 7 of these materials.

Recommendation: None

Reference: None

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Presentation by Mohamed A. El-Erian of PIMCO

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Information Item

Description: Mohamed A. El-Erian, CEO and co-CIO of PIMCO, will share his views on the global economic environment and the challenge and opportunities it presents to investors.

Recommendation: None

Reference: None

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Discussion of Investment Environment

Developed By: Zimmerman

Presented By: Zimmerman

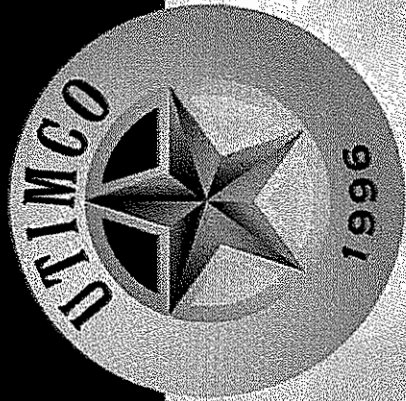
Type of Item: Information Item

Description: This agenda item is intended to provide an opportunity for an open-ended discussion on issues, expectations, and opportunities in the current investment environment. Mr. Zimmerman will lead a discussion related to the investment environment, specifically related to Investment Grade Fixed Income, Public Equities, Real Estate and Natural Resources.

Discussion: Staff hopes to get input from Board members on issues, concerns, and opportunities in the current investment environment. The conversation will be unstructured and open-ended.

Recommendation: None

Reference: Investment Environment presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Environment

February 5, 2009



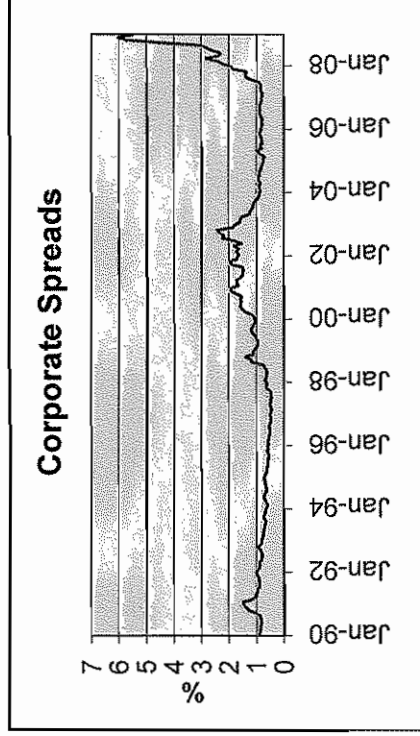
Investment Environment

- Investment Grade Fixed Income
 - Long Dated Treasuries
 - TIPS
- Public Equities
 - Countries
 - Sectors
- Real Estate
- Natural Resources



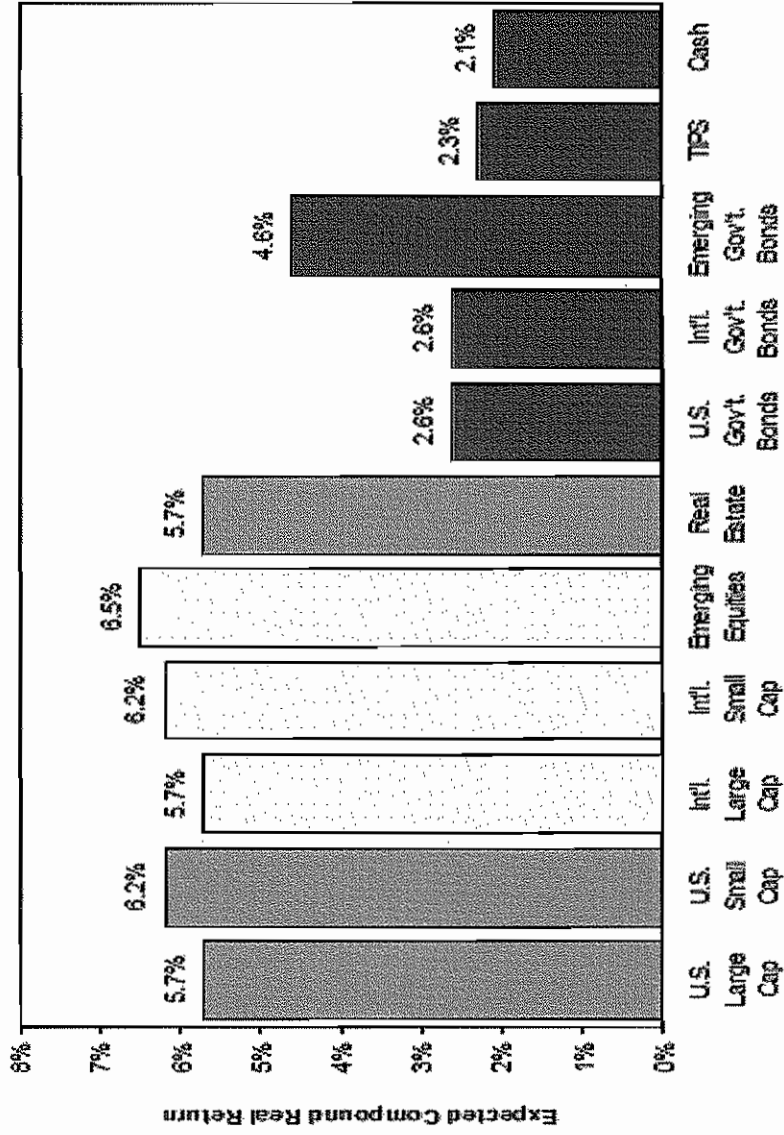
Long Dated Treasuries

- Long dated nominal U.S. Treasury Bonds have been a good trade over the past decade
 - They began the period with high real return expectations relative to other asset classes (per GMO, U.S. Treasury and U.S. Large Cap equity real return expectations were 3.5% and -2.0%, respectively, in June, 2000)
 - Inflation proved to be low
- Currently per GMO, U.S. Treasury Bonds have relatively low real return expectations (-0.5%) versus several alternatives, including U.S. large cap equities (7.1%)
- Within the asset class, the sector with better value is high grade credit



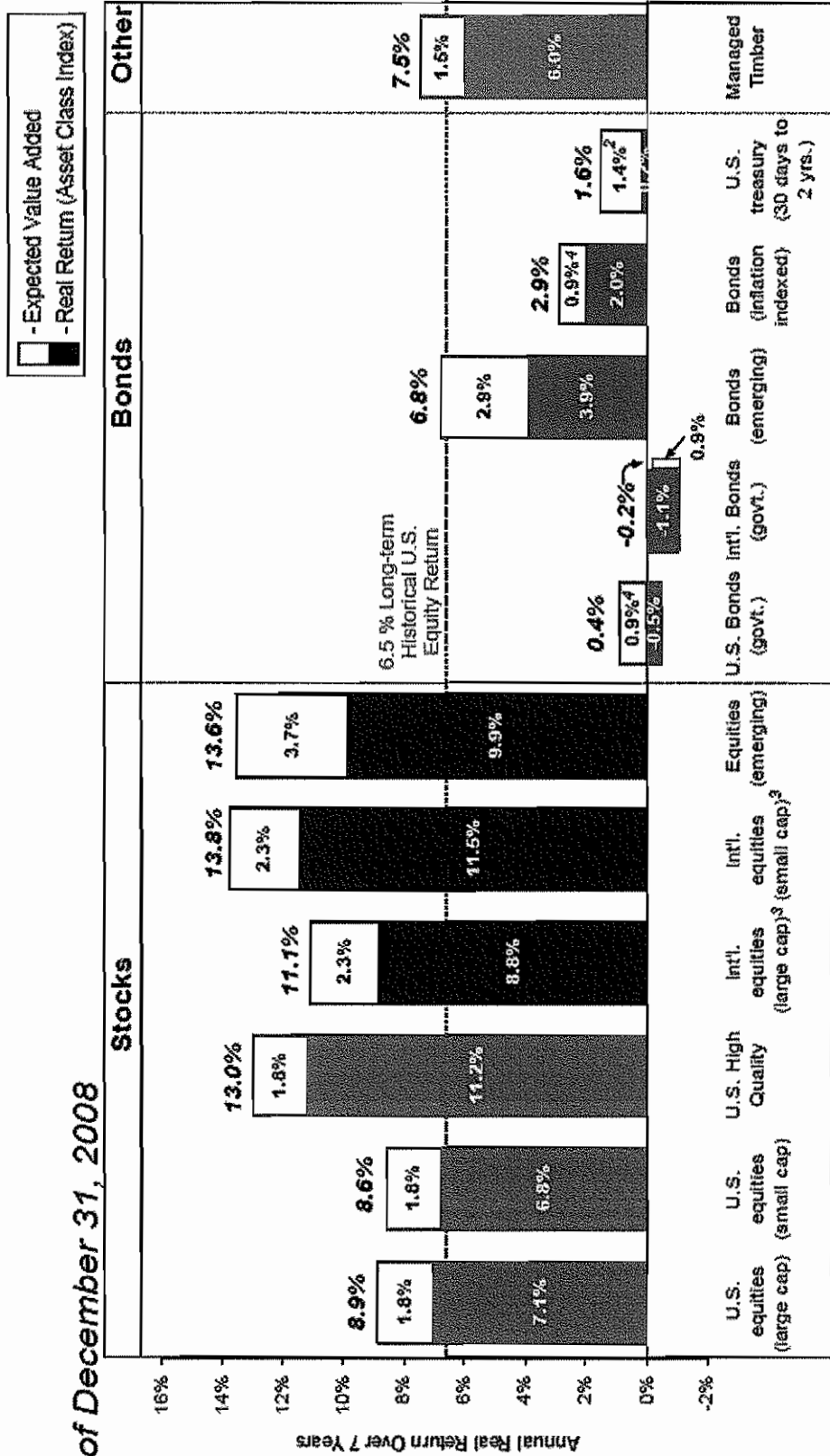


GMO: Equilibrium Real Returns





GMO: Return Forecast as of 2008



Estimated Range of 7-Year Annualized Returns:
 U.S. equities (large cap) ±6.5 U.S. equities (small cap) ±7.0 Int'l. equities (large cap) ±6.5 Int'l. equities (small cap) ±7.0 Equities (emerging) ±10.5 U.S. Bonds (gov't) ±4.0 U.S. Bonds (gov't) (small cap) ±4.0 U.S. Bonds (gov't) (large cap) ±4.0 Bonds (emerging) ±8.5 Bonds (inflation indexed) ±1.5 U.S. treasury (30 days to 2 yrs.) ±1.5 Managed Timber ±5.5



TIPS

- TIPS have become a popular asset due to low embedded future expected inflation (<1%) in nominal bonds
- Higher than expected inflation scenario will need to compensate for substantial yield advantage that other fixed income sectors currently enjoy
- UTIMCO is investigating inflation tail risk hedges
 - TIPS may not be the purest hedge available



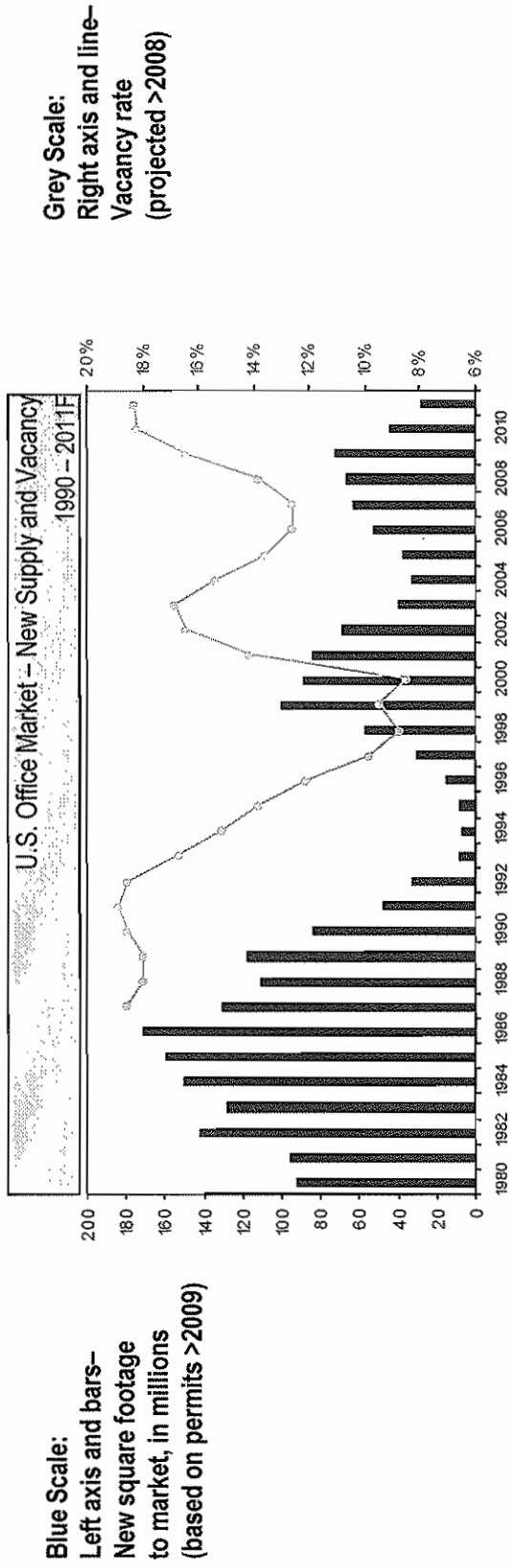
Global Fundamentals

	<u>US</u>	<u>Eurozone</u>	<u>UK</u>	<u>Japan</u>	<u>China</u>	<u>Brazil</u>	<u>Russia</u>	<u>India</u>
Population (millions)	304	491	61	127	1,330	196	141	1,148
Area (sq km) (millions)	9.8	4.3	0.2	0.4	9.6	8.5	17.1	3.3
GDP (billions)	\$13,807	\$16,620	\$2,773	\$4,384	\$3,251	\$1,314	\$1,286	\$1,099
GDP/Capita	\$45,800	\$32,700	\$35,000	\$33,500	\$5,400	\$9,500	\$9,050	\$2,600
Total Debt/GDP	230%	180%	205%	211%	162%	150%	32%	128%
Sovereign Debt/GDP	61%	66%	44%	170%	18%	45%	6%	58%
Fiscal Balance (%GDP)	-1.2%	0.6%	-3.1%	-2.4%	0.7%	1.9%	2.9%	-2.8%
<i>2009 estimate</i>	-8.4%	-4.9%	-9.3%	-5.5%	-1.7%	-2.3%	-2.0%	-6.0%
Trade Balance (%GDP)	-5.9%	-0.8%	-6.5%	2.4%	9.7%	3.0%	10.3%	-7.2%
Current Account (%GDP)	-5.3%	0.2%	-4.3%	4.8%	11.4%	0.1%	6.1%	-1.1%
CPI Inflation (YOY, Latest month)	1.1%	2.1%	4.1%	1.0%	2.4%	5.9%	13.3%	10.5%
Trailing PE (1/09/2009)	15.9	9.6	8.1	12.9	14.8	9.7	3.3	9.4

Source: CIA Factbook 2007, Bloomberg and Bank of America forecast
 Trailing PE Sources: S&P 500, EuroStoxx 600, FTSE 100, Topix, Shanghai Composite, Bovespa, RTS, and BSE Sensex



Real Estate Outlook

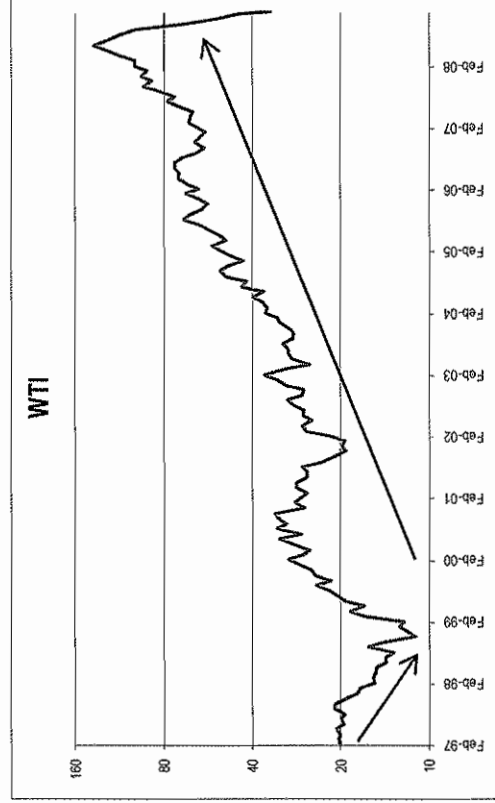
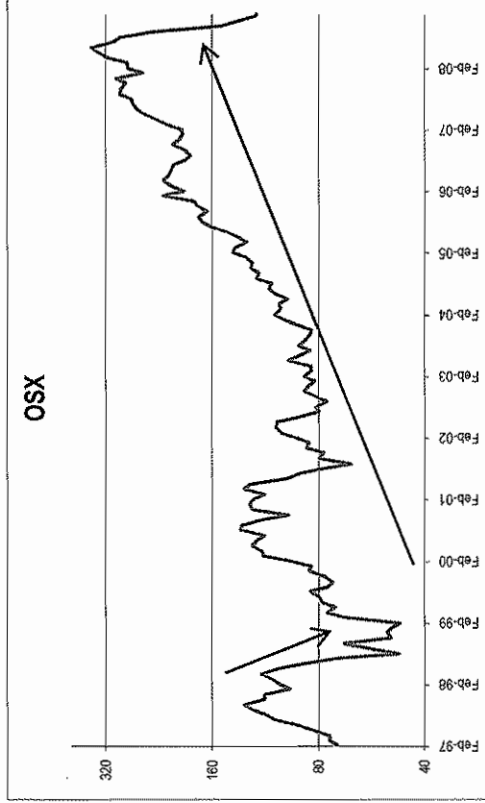


- Demand fundamentals deteriorating with rest of macro-economy, although new supply is also decreasing
- Public equity potentially oversold, with a 2008 global decline of nearly 50% - although little clear imminent catalyst for recovery
- Private real estate estimated to be down 15%-30% in Q4 from existing book value, although continued mark-to-market declines are possible



Natural Resources – Current Climate

- Natural Resource Equities – Valuations broadly at equivalent lows of last 2 downcycle troughs ('98 and 2001)
 - SLB (Price/Book) = 2.6x, APA (Price/1P NAV) = 55%
 - HSBC mining index – worst 1 year drawdown
- Oil, gas and many metals trading below marginal cost of production of many resource projects – therefore supply destruction (or at least deferral) is occurring
 - Ex. Bakken, CN oil sands, Deep water
 - 100,000 tons/yr of nickel cuts in 2008 = 7% of global supply
 - \$200B of mining capex at risk for 09/10
 - WTI in unprecedented contango & discount to Brent
- Lack of near-term catalysts has lots of money on the sidelines
- We are currently working on MCC mandates in the following sectors:
 - Global Mining (Blackrock)
 - Global Oilfield Service (Simmons Energy Opportunities)
 - Active Commodity manager (to complement Gresham)



TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Report on and Discussion and Appropriate Action related to Items from Policy Committee

Developed By: Staff

Presented By: McHugh

Type of Item: Discussion item

Description: The Policy Committee and Risk Committee will meet in a Joint Meeting on February 5, 2009. The agenda includes (1) a report from the Internal Credit Committee; (2) discussion related to Less Correlated and Constrained Investments' benchmark; and (3) discussion and appropriate action related to proposed amendments to exhibits of the investment policy statements. Staff is recommending amendments to the Exhibits of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund and the Intermediate Term Fund. Staff will present to the Committees a plan to increase the maximum ranges for the Credit-Related Fixed Income asset class based on an internal staff working group formed to analyze opportunities in the credit-related fixed income area. Also, staff is recommending a new benchmark to replace the current Less Correlated and Constrained Investments' benchmark effective January 1, 2009. The current benchmark, the MSCI Investable Hedge Fund Index, was discontinued by MSCI on January 31, 2009. January 1, 2009 is recommended as the first starting date for the new benchmark, the Hedge Fund Research Indices (HFRI) Fund of Funds Composite Index, as this date coincides with the last full month that the MSCI index will be published. Finally, staff is recommending that the names of the Lehman Brothers' benchmarks (indices) be changed to Barclays Capital consistent with the rebranding of the Lehman Brothers' indices in November 2008, resulting from the acquisition of Lehman Brothers by Barclays Capital, Inc. The composition of the indices will not change.

Discussion: Exhibit A of the Investment Policy Statements of the PUF, GEF and ITF and Exhibit B of the Investment Policy Statements for the PHF and LTF will be amended to reflect the proposed changes. The attached Exhibit 1 reflects these proposed changes to the PUF, GEF, PHF, and LTF. Exhibit 2 reflects the proposed changes to the ITF. The maximum range for the Credit-Related Fixed Income for the PUF, GEF, PHF, and ITF has been increased to 22.5% for each of the fiscal years ended August 31, 2009, 2010, and 2011. The maximum range for the ITF's Credit-Related Fixed Income has been increased to 12.5% for each of the fiscal years ended August 31, 2009, 2010 and 2011. The Lehman Brothers Global Aggregate Index has been changed to the Barclays Capital Global Aggregate and the Lehman Brothers Global High-Yield index has been changed to the Barclays Capital Global High-Yield. The MSCI investable Hedge Fund Index has been changed to the Hedge Fund Research Indices Fund of Funds Composite Index.

Agenda Item

UTIMCO Board of Directors Meeting
February 5, 2009

Recommendation: The Policy Committee will recommend appropriate action related to the amendments to the Exhibits of the PUF, GEF, PHF, LTF, and ITF (the "Funds") Investment Policy Statements.

Reference: Exhibits of the Investment Policy Statements of the PUF, GEF, PHF, LTF and ITF.

RESOLUTION RELATED TO INVESTMENT POLICIES

RESOLVED, that amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund and Exhibits B of the Investment Policy Statements of the Permanent Health Fund and Long Term Fund, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

EXHIBIT 1

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008-JANUARY 1, 2009

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	5.0%	7.5%	5.0%	7.5%	5.0%	7.5%
Credit-Related Fixed Income	10.0%	13.5%	10.0%	14.5%	10.0%	14.5%
Real Estate	5.0%	7.5%	5.0%	8.0%	5.0%	8.5%
Natural Resources	5.0%	8.5%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	40.0%	46.5%	37.5%	43.0%	37.5%	41.0%
Emerging Markets Equity	12.5%	16.5%	12.5%	17.5%	12.5%	18.5%
<u>Investment Types</u>						
More Correlated & Constrained Investments	37.5%	44.5%	35.0%	41.5%	35.0%	41.0%
Less Correlated & Constrained Investments	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	18.0%	22.5%	21.0%	25.5%	21.0%	26.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman-Brothers- <u>Barclays Capital Global Aggregate Index</u>		5.5%		5.5%		5.5%
Lehman-Brothers- <u>Barclays Capital Global High-Yield Index</u>		1.0%		1.0%		2.0%
FTSE EPRA/NAREIT Global Index		5.5%		5.0%		4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50%		5.5%		4.5%		4.0%
MSCI World Natural Resources Index		17.0%		15.5%		14.5%
MSCI World Index with net dividends		10.0%		10.0%		10.5%
MSCI Emerging Markets with net dividends		33.0%		33.0%		33.0%
MSCI Investable-Hedge-Fund-Index Hedge Fund Research Indices Fund of Funds Composite Index		20.5%		22.5%		22.0%
Venture Economics Custom Index		2.0%		3.0%		4.0%
NACRIEF Custom Index						
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)		8.78%		8.86%		8.85%
Expected Target Annual Return (Active)		9.72%		9.90%		9.87%
One Year Downside Deviation		8.72%		8.71%		8.67%
Risk Bounds						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

**EXHIBIT 2 - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008/JANUARY 1, 2009**

POLICY PORTFOLIO	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>									
Investment Grade Fixed Income	20.0%	37.0%	55.0%	20.0%	37.0%	55.0%	20.0%	37.0%	55.0%
Credit-Related Fixed Income	0.0%	5.5%	12.57-5%	0.0%	5.5%	12.57-5%	0.0%	5.5%	12.57-5%
Real Estate	5.0%	10.0%	15.0%	5.0%	10.0%	15.0%	5.0%	10.0%	15.0%
Natural Resources	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%
Developed Country Equity	20.0%	30.5%	45.0%	20.0%	30.5%	40.0%	20.0%	30.50%	40.0%
Emerging Markets Equity	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%
<u>Investment Types</u>									
More Correlated & Constrained	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%
Less Correlated & Constrained Investments	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
Lehman-BrothersBarclays Capital Global Aggregate Index		33.0%			33.0%			33.0%	
Lehman-BrothersBarclays Capital Global High-Yield Index		2.0%			2.0%			2.0%	
FTSE EPRA/NAREIT Global Index		10.0%			10.0%			10.0%	
50% Dow Jones-AIG Commodity Index		5.0%			5.0%			5.0%	
Total Return and 50% MSCI World Natural Resources Index		20.0%			20.0%			20.0%	
MSCI World Index with net dividends		5.0%			5.0%			5.0%	
MSCI Emerging Markets with net dividends		20.0%			20.0%			20.0%	
MSCI Investable-Hedge-Fund-Index Hedge Fund Research Indices Fund of Funds Composite Index		25.0%			25.0%			25.0%	
<u>POLICY/TARGET RETURN/RISKS</u>									
Expected Annual Return (Benchmarks)		7.16%			7.16%			7.16%	
Expected Target Annual Return (Active)		7.83%			7.83%			7.83%	
One Year Downside Deviation		6.38%			6.38%			6.38%	
<u>Risk Bounds</u>									
Lower: 1 Year Downside Deviation		85%			85%			85%	
Upper: 1 Year Downside Deviation		115%			115%			115%	

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



Presentation Materials

Board of Directors Meeting

February 5, 2009

Part Two

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
February 5, 2009**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time		Item #	Agenda Item
Begin	End		
10:00 a.m.	10:05 a.m.	1	Convene in Open Session: Call to Order/Discussion and Appropriate Action Related to Minutes of November 7, 2008 Meeting*
10:05 a.m.	10:10 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: - Election of UTIMCO Officer* - Designation of Annual Meeting of the UTIMCO Board*
10:10 a.m.	11:00 a.m.	3	Endowment and Operating Funds Update Report Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments
11:15 a.m.	11:40 a.m.	3	Reconvene into Open Session: Endowment and Operating Funds Update Report
11:40 a.m.	12:00 p.m.	4	Report from Risk Committee
12:00 p.m.	1:00 p.m.	5	Presentation by Mohamed A. El-Erian of PIMCO
1:00 p.m.	2:00 p.m.	6	Lunch and Discussion of Investment Environment
2:00 p.m.	2:15 p.m.	7	Report on and Discussion and Appropriate Action related to Items from Policy Committee*
2:15 p.m.	2:30 p.m.	8	Report on and Discussion and Appropriate Action related to Items from Compensation Committee*
2:30 p.m.	2:50 p.m.	9	Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee*
2:50 p.m.	3:00 p.m.	10	Discussion and Appropriate Action related to Cambridge Contract Renewal*
3:00 p.m.	3:45 p.m.	11	UTIMCO Organization Update
3:45 p.m.	4:05 p.m.	12	Overview of UT System Debt Programs
4:05 p.m.			Adjourn

*Action by resolution required

Next Scheduled Meeting: April 23, 2009 (Annual Meeting)
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TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Report on and Discussion and Appropriate Action related to Items from Compensation Committee

Developed By: Staff

Presented By: Ferguson

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

Description: The Compensation Committee (the "Committee") will meet on February 5, 2009. The Committee will consider and take appropriate action related to amendments to Appendix D of the UTIMCO Compensation Program. The UTIMCO Compensation Program is effective July 1, 2008 (the "Plan") and consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret the Plan and may from time to time adopt such rules and regulations that it may deem necessary to carry out the Plan as well as amend the Plan. UTIMCO staff is requesting that Appendix D, Table 2 of the Plan be amended effective January 1, 2009.

Recommendation: The Committee will recommend appropriate action related to the amendments to Appendix D of the UTIMCO Compensation Program effective January 1, 2009.

Discussion: During this meeting, the UTIMCO Board will take appropriate action related to the Policy Committee's request in Tab 7 to approve a new benchmark for the Hedge Funds (Less Correlated & Constrained Investments or "LCC"). The new benchmark being recommended by Staff is the Hedge Fund Research Indices ("HFRI") Fund of Funds Composite Index. The approval of the change in Table 2 of Appendix D from the MSCI Investable Hedge Fund Index to the HFRI Fund of Funds Composite Index is subject to the approval of the benchmark change in the Investment Policy Statements for the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund by the UTIMCO Board and the Board of Regents of The University of Texas System at their respective meetings.

If the HFRI Fund of Funds Composite Index benchmark is approved by the UTIMCO Board and the Board of Regents of The University of Texas System, Staff also requests that the Compensation Committee and the UTIMCO Board amend the Target and Maximum Performance Standards of the LCC, currently 125 bps and 250 bps, respectively. During the Compensation Committee meeting, Mr. Zimmerman will discuss the LCC and Total Fund Benchmarks presentation to support the recommended changes. Staff proposes that the Performance Standards Target and Maximum be changed to 75 bps and 150 bps, respectively, because the Top Quartile Fund of Hedge Fund has outperformed the median Fund of Hedge Fund by approximately 150 bps over the longer term. Based on the methodology previously employed to develop the Performance Standards under the Plan a change to the Target and Maximum Performance Standards for the Entity

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Benchmarks: Total Endowment Funds and Intermediate Term Fund is required. The Total Endowment Funds' Target and Maximum Performance Standards would need to be decreased to 62.5 and 125.0 bps, respectively, and the Intermediate Term Fund's Target and Maximum Performance Standards would be decreased to 37.5 and 75.0 bps, respectively.

Staff also requests that the names of the Lehman Brothers' indices benchmarks in Appendix D, Table 2 be changed to Barclays Capital consistent with the rebranding of the Lehman Brothers' indices in November 2008, resulting from the acquisition of Lehman Brothers by Barclays Capital, Inc. in September 2008. The composition of the indices and benchmarks will not change.

Reference: Appendix D of the UTIMCO Compensation Program

**RESOLUTION RELATED TO UTIMCO COMPENSATION PROGRAM
APPENDIX D, TABLE 2**

WHEREAS, Section 7.2 of the UTIMCO Compensation Program (the "Plan") gives the Board the right in its discretion to amend the Plan or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof; and

WHEREAS, the current benchmark for the Less Correlated and Constrained Investments ("LCC"), MSCI Investable Hedge Fund Index, was discontinued by MSCI on January 21, 2009, which necessitates the selection of a replacement benchmark for the LCC; and

WHEREAS, the Lehman Brothers' indices benchmarks set forth in Appendix D, Table 2 have been rebranded as Barclays Capital indices due to the acquisition of Lehman Brothers by Barclays Capital, Inc. in September 2008; and

WHEREAS, Sections 5.8(a) and (b) of the Plan provide that the benchmarks and Threshold, Target, and Maximum Performance Standards for the Total Endowment Assets, Intermediate Term Fund, and the Asset Class/Investment Type will be set forth on Appendix D, Table 2; and

WHEREAS, subject to the approval of the the Board of Regents of The University of Texas System, the UTIMCO Board has approved amendments to Exhibit A to the Investment Policy Statements for the Permanent Endowment Fund, the General Endowment Fund, and the Intermediate Term Fund to replace the LCC benchmark with the HFRI Fund of Funds Composite Index benchmark; and

WHEREAS, the change in the LCC benchmark necessitates changes to the Entity Benchmarks: Total Endowment Funds and Intermediate Term Fund; and

WHEREAS, the UTIMCO Board has reviewed the proposed changes to the Target and Maximum Performance Standards for the LCC, Total Endowment Assets, and Intermediate Term Fund, and the name change of the Lehman Brothers' indices as set forth on the proposed Appendix D, Table 2; and

WHEREAS, the UTIMCO Board wishes to document its approval of the amendments to Appendix D, Table 2, subject to the approval by the Board of Regents of The University of Texas System of the amendments to Exhibit A to the Investment Policy Statements for the Permanent Endowment Fund, the General Endowment Fund, and the Intermediate Term Fund.

NOW, THEREFORE, be it

RESOLVED, the amended Appendix D, Table 2, in the form attached hereto, is hereby adopted and approved as part of the Plan, to be effective as of January 1, 2009.

UPDATED TABLE 2 (1/1/09 through 6/30/09)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment	ITF	Threshold	Target	Maximum
		(% of Portfolio)	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps- +62.5 bps	+150 bps- +125 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps- +37.5 bps	+100 bps- +75 bps
Investment Grade Fixed Income	Lehman-Brothers <u>Barclays Capital</u> Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Lehman-Brothers <u>Barclays Capital</u> Global High-Yield Index	1.2%	2.0%	+0 bps	+25 bps	+50 bps
Real Estate	FTSE EPRA/NAREIT Global Index	5.5%	10.0%	+0 bps	+37.5 bps	+75 bps
Natural Resources	Combination index - 50% Dow Jones-AIG Commodities Index + 50% MSCI World Natural Resources Index	5.3%	5.0%	+0 bps	+37.5 bps	+75 bps
Developed Country Equity	MSCI World Index with net dividends	19.5%	20.0%	+0 bps	+35 bps	+70 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	10.5%	5.0%	+0 bps	+75 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	MSCI-Investable-Hedge-Fund-Index-Hedge Fund Research Indices Fund of Funds Composite Index	33.0%	25.0%	+0 bps	+125 bps- +75 bps	+250 bps- +150 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	17.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACREIF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US-Lehman <u>Barclays Capital</u> Aggregate			+0 bps	+12.5 bps	+25 bps

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

- Agenda Item:** Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee
- Developed By:** Staff
- Presented By:** Nye
- Type of Item:** Action required by UTIMCO Board related to year end audits; information item on other items
- Description:** The Audit and Ethics Committee ("Committee") will meet on January 29, 2009. The Committee's agenda includes (1) the review and consideration of Deloitte & Touche LLP's Financial Statement Audit Results and Communications and Audited Financial Statements for the Corporation; (2) a presentation of the unaudited financial statements for the three months ended November 30, 2008, for the Investment Funds and the Corporation; (3) a report by the UT System Audit Office; and (4) an update of other compliance, reporting, and audit issues.
- Discussion:** The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2008 and 2007 financial statements. Tom Wagner, the engagement partner, is scheduled to present to the Committee the Deloitte & Touche LLP's Audit Results and Communications letter and answer questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.
- Charles Chaffin, UT System Audit Office ("Audit"), is scheduled to discuss with the Committee a planned audit of the internal controls of the Permanent University Fund and Audit's recommendation to the U.T. System Board of Regents of the renewal of Deloitte & Touche LLP's contract for the audit of the Investment Funds for the year ended August 31, 2009. Cissie Gonzalez will report on the audit of ethics policies for trustee investing practices at UTIMCO by the State Auditor's Office.
- Routine activities of the Committee will include reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.
- Recommendation:** Staff recommends the Committee approve Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting.
- Reference:** Audit Results and Communications; Audited financial statements and audit report for the Corporation

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2008**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2008, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2008 and August 31, 2007, be, and are hereby approved in the form as presented to the Board.

January 16, 2009

Mr. Bruce Zimmerman
CEO and Chief Investment Officer
The University of Texas Investment Management Company

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company
401 Congress Avenue, Suite 2800
Austin, TX 78701

Dear Mr. Zimmerman and Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company:

We have performed an audit of the financial statements of The University of Texas Investment Management Company (the "Company") as of and for the year ended August 31, 2008, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated January 16, 2009.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated August 8, 2008. As described in that letter, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ended August 31, 2008 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

We considered the Company's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2008 financial statements include the recoverability of long-term assets such as property and equipment and liabilities related to accrued compensation and related accounts. During the year ended August 31, 2008, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Significant Accounting Policies

The Company's significant accounting policies are set forth in Note 2 to the Company's 2008 financial statements. During the year ended August 31, 2008, there were no significant changes in previously adopted accounting policies or their application, nor were there any unusual transactions during the period.

Critical Accounting Policies and Practices

Critical accounting policies are those that are (1) most important to the portrayal of UTIMCO's financial conditions and the results of its operations and (2) require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

UTIMCO's critical accounting policies and practices include its deferred rent liability and lease expenses as disclosed in the footnotes to UTIMCO's financial statements as of and for the year ended August 31, 2008.

Alternative Accounting Treatments

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended August 31, 2008.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Company's 2008 financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2008.

Significant Issues Discussed, or Subject of Correspondence, with Management Prior to Our Initial Engagement or Retention

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

Other Significant Issues Discussed, or Subject of Correspondence, with Management

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Audit and Ethics Committee.

Significant Difficulties Encountered In Performing the Audit

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

Management's Representations

We have made specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, a copy of the representation letter we obtained from management.

* * * * *

This report is intended solely for the information and use of management, the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP



January 16, 2009

Deloitte & Touche LLP
JP Morgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778

We are providing this letter in connection with your audit of the balance sheet and statement of revenues, expenses and changes in net assets, and cash flows of the University of Texas Investment Management Company ("UTIMCO") for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, the results of its operations, changes in its net assets, and its cash flows in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

- a. The fair presentation in the financial statements of financial position, results of operations, changes in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America ("GAAP").
- b. The design and implementation of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP.
2. UTIMCO has made available to you all:
 - a. Financial records and related data.

- b. Minutes of the meetings of directors/trustees, and committees of directors/trustees; or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Information relating to contracts with and results of work by specialists.
- 3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 4. We have assessed risk, including risk that the financial statements may be materially misstated as a result of fraud and have made available to you or have discussed with you the results of such assessment.
- 5. We have no knowledge of any fraud or suspected fraud affecting UTIMCO involving (a) management, (b) employees who have significant roles in UTIMCO's internal control over financial reporting, or (c) others if the fraud could have a material effect on the financial statements.
- 6. We have no knowledge of any allegations of fraud or suspected fraud affecting UTIMCO as received in communications from employees, former employees, analysts, regulators, short sellers, or others.
- 7. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Statement No.5, *Accounting for Contingencies*.
- 8. 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.

Except where otherwise stated below, matters less than \$25,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

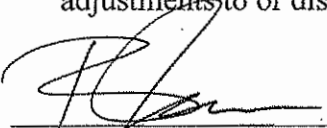
- 9. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 10. We have disclosed to you any change in UTIMCO's internal control over financial reporting that occurred during the year ended August 31, 2008, that has materially affected, or is reasonably likely to materially affect, UTIMCO's internal control over financial reporting.
- 11. UTIMCO has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

12. With regard to the fair value measurements and disclosures of certain assets and liabilities we believe that:
 - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.
 - b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.
 - c. No events have occurred subsequent to August 31, 2008 that require adjustment to the fair value measurements and disclosures included in the financial statements.

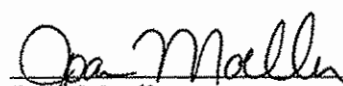
13. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which UTIMCO is contingently liable.
 - c. Restricted securities that may not be publicly sold without registration under the federal Securities Act of 1933.
 - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements.
 - e. All derivative financial instruments (e.g., futures, options, swaps), including outstanding commitments to purchase or sell securities under forward placement and standby commitments.
 - f. Financial instruments with significant individual or group concentration of credit risk whether from an individual counterparty or group of counterparties,

14. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

- b. The effect of the change would be material to the financial statements.
15. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
16. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5, Accounting for Contingencies.
 - c. The UTIMCO has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. UTIMCO has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. UTIMCO has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
19. No events have occurred subsequent to August 31, 2008 that require consideration as adjustments to or disclosures in the financial statements.



Bruce Zimmerman
CEO and Chief Investment Officer



Joan Moeller
Managing Director-Accounting, Finance, Administration

**THE UNIVERSITY OF TEXAS
INVESTMENT
MANAGEMENT COMPANY**

FINANCIAL STATEMENTS

For the years ended August 31, 2008 and 2007

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2008 and 2007

Contents

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Independent Auditors' Report

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

We have audited the accompanying Balance Sheets of The University of Texas Investment Management Company ("UTIMCO"), as of August 31, 2008 and 2007, and the related Statements of Revenues, Expenses and Changes in Net Assets for the years then ended. These financial statements are the responsibility of 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

January 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) **(Unaudited)**

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 year ended August 31, 2008. 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 that are 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 \$23 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 Board 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 increased by \$2.0 million from \$7.4 million to \$9.4 million, or approximately 27.0%, for the year ended August 31, 2008. This is compared to an increase of \$2.3 million from \$5.1 million to \$7.4 million, or approximately 45.1%, for the year ended August 31, 2007. The change in net assets from year to year is mainly attributable to personnel costs which were not incurred. The management fees received are based on the expense budget approved by the UTIMCO Board and the UT Board. During FY 2007, turnover created reduced personnel costs and although UTIMCO has hired additional staff during FY 2008, personnel costs were less than budget as a result of the actual timing of additions to staff and related expenses.

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>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Cash & Cash Equivalents	\$ 10,907,042	\$ 8,046,839	\$ 5,568,970
Other Assets	<u>4,043,880</u>	<u>3,641,367</u>	<u>3,981,382</u>
Total Assets	<u>\$ 14,950,922</u>	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>
Liabilities & Net Assets			
Accounts Payable & Deferred Compensation Plan Obligations	\$ 3,779,637	\$ 2,409,660	\$ 2,496,053
Deferred Rent	1,801,948	1,834,112	1,951,631
Unrestricted Net Assets	<u>9,369,337</u>	<u>7,444,434</u>	<u>5,102,668</u>
Total Liabilities & Net Assets	<u>\$ 14,950,922</u>	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>

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

- Other Assets increased during fiscal year 2008 by approximately \$403,000 primarily as a result of net increases in property and equipment related to purchases of leasehold improvements, furniture, and computer equipment for UTIMCO's expansion in leased facilities. Additionally, UTIMCO added a deferred compensation program in FY 2008, which caused an increase in both other assets and other accrued expenses. Other assets decreased during fiscal year 2007 by approximately \$340,000 primarily as a result of several fixed assets becoming fully depreciated.
- Accounts payable and deferred plan obligations increased in 2008 as a result of the increase in personnel and operating expenses associated with the increase in headcount between years from 47 at August 31, 2007 to 59 at August 31, 2008. These costs include an increase related to the newly implemented deferred compensation plan, in accrued compensation and in other personnel related accounts.

Statements of Revenues, Expenses and Changes in Net Assets

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenue			
Management Fees	\$ 15,377,329	\$ 13,948,138	\$ 11,441,802
Non-operating Revenues	<u>424,065</u>	<u>457,335</u>	<u>264,415</u>
	15,801,394	14,405,473	11,706,217
Expenses			
Salaries & Benefits	9,702,764	8,078,314	7,703,543
General Operating	1,952,991	1,747,925	1,683,029
Depreciation and Amortization	548,487	565,569	516,693
Other	<u>1,672,249</u>	<u>1,671,899</u>	<u>1,434,873</u>
	13,876,491	12,063,707	11,338,138
Management Fee Rebate	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>
Increase/(Decrease) in Unrestricted Net Assets	1,924,903	2,341,766	(3,631,921)
Net Assets, Beginning of Year	<u>7,444,434</u>	<u>5,102,668</u>	<u>8,734,589</u>
Net Assets, End of Year	<u>\$ 9,369,337</u>	<u>\$ 7,444,434</u>	<u>\$ 5,102,668</u>

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

- Management Fees 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.
- Salary and Benefit expenses increased primarily for cost of living adjustments in fiscal years 2007 and 2008 and as a result of staff additions and promotions in fiscal year 2008.
- General Operating Expenses remained flat in fiscal 2007 as a result of several vacancies at the senior management level and the related decreases in expenses tied to these positions. For fiscal year 2008, this trend reversed as UTIMCO became fully staffed during the course of the year.

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>2008</u>	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities			
Proceeds from management fees	\$ 15,377,329	\$ 13,955,638	\$ 11,434,302
Other proceeds	-	47,646	1,551,505
Payments to and for employees	(8,774,723)	(8,098,106)	(8,120,424)
Other payments	<u>(3,518,350)</u>	<u>(3,755,640)</u>	<u>(2,818,813)</u>
	3,084,256	2,149,538	2,046,570
Cash Flows from (used for) Noncapital, Capital and Investing Activities			
Purchase of property & equipment, net	(656,081)	(79,865)	(3,186,472)
Sale of investments, net	-	-	7,356,538
Management fee rebate	-	-	(4,000,000)
Interest	<u>432,028</u>	<u>408,196</u>	<u>346,275</u>
	<u>(224,053)</u>	<u>328,331</u>	<u>516,341</u>
Net Change in Cash & Cash Equivalents	2,860,203	2,477,869	2,562,911
Cash & cash equivalents, beginning of year	<u>8,046,839</u>	<u>5,568,970</u>	<u>3,006,059</u>
Cash & cash equivalents, end of year	<u>\$ 10,907,042</u>	<u>\$ 8,046,839</u>	<u>\$ 5,568,970</u>

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

- Purchases of property and equipment increased in fiscal year 2008 as the organization completed the expansion of leased facilities. Additionally, 2006 purchases reflect the completion of the move into new leased facilities.
- During fiscal year 2006, investments were liquidated.

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 10,907,042	\$ 8,046,839
Prepaid expenses and other assets	<u>653,764</u>	<u>458,848</u>
Total Current Assets	11,560,806	8,505,687
Non-Current Assets:		
Assets of deferred compensation plan	107,966	-
Property and equipment, net of accumulated depreciation of \$2,188,223 and \$1,703,450, respectively	<u>3,282,150</u>	<u>3,182,519</u>
Total Non-Current Assets	<u>3,390,116</u>	<u>3,182,519</u>
Total Assets	<u>\$ 14,950,922</u>	<u>\$ 11,688,206</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,671,671	\$ 2,409,660
Current portion - deferred rent	<u>225,577</u>	<u>203,790</u>
Total Current Liabilities	3,897,248	2,613,450
Non-Current Liabilities:		
Deferred compensation plan obligations	107,966	-
Long-term portion - deferred rent	<u>1,576,371</u>	<u>1,630,322</u>
Total Non-Current Liabilities	<u>1,684,337</u>	<u>1,630,322</u>
Total Liabilities	5,581,585	4,243,772
Net Assets:		
Unrestricted	<u>9,369,337</u>	<u>7,444,434</u>
Total Liabilities and Net Assets	<u>\$ 14,950,922</u>	<u>\$ 11,688,206</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Management fee	\$ 15,377,329	\$ 13,948,138
Miscellaneous income	<u>-</u>	<u>47,646</u>
Total Operating Revenues	15,377,329	13,995,784
Operating Expenses		
Salaries	8,393,626	6,991,521
Employee benefits	914,825	749,676
Payroll taxes	394,313	337,117
General operating	1,952,991	1,747,925
Depreciation and amortization	548,487	565,569
Lease	974,920	777,062
Professional fees	455,041	644,542
Insurance	<u>242,288</u>	<u>250,295</u>
Total Operating Expenses	13,876,491	12,063,707
Operating Income	1,500,838	1,932,077
Nonoperating Revenues		
Interest	432,028	408,196
Gain/(Loss) on disposal of equipment	<u>(7,963)</u>	<u>1,493</u>
Net Nonoperating Revenues	424,065	409,689
Increase in Unrestricted Net Assets	1,924,903	2,341,766
Net assets at beginning of year	<u>7,444,434</u>	<u>5,102,668</u>
Net assets at end of year	<u>\$ 9,369,337</u>	<u>\$ 7,444,434</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Proceeds from management fees	\$ 15,377,329	\$ 13,955,638
Proceeds from miscellaneous revenues	-	47,646
Receipt/(payment) from deposits	10,132	(10,132)
Payments to suppliers for goods and services	(2,521,399)	(2,851,276)
Payments for facility	(1,007,083)	(894,232)
Payments to employees	(7,464,581)	(7,012,810)
Payments for employees	<u>(1,310,142)</u>	<u>(1,085,296)</u>
Net cash provided by operating activities	<u>3,084,256</u>	<u>2,149,538</u>
Cash flows from investing activities:		
Interest	432,028	408,196
Purchase of property and equipment	(656,081)	(82,869)
Proceeds from sale of property and equipment	-	<u>3,004</u>
Net cash (used in)/provided by investing activities	<u>(224,053)</u>	<u>328,331</u>
Net Increase in cash and cash equivalents	2,860,203	2,477,869
Cash and cash equivalents at beginning of year	<u>8,046,839</u>	<u>5,568,970</u>
Cash and cash equivalents at end of year	<u>\$ 10,907,042</u>	<u>\$ 8,046,839</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>2008</u>	<u>2007</u>
Operating income	\$ 1,500,838	\$ 1,932,077
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	548,487	565,569
Change in assets and liabilities:		
Increase in prepaid expenses and other assets	(194,916)	(144,196)
Increase / (decrease) in accounts payable and accrued expenses	1,262,011	(86,393)
Decrease in deferred rent	<u>(32,164)</u>	<u>(117,519)</u>
Net cash provided by operating activities	<u>\$ 3,084,256</u>	<u>\$ 2,149,538</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 that are under the control and management of the Board of Regents of The University of Texas System (UT Board). 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.

Property and equipment, net of accumulated depreciation

Net property and equipment consists of office furniture, office equipment, software, and leasehold improvements and is stated at net book value. 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, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Office furniture	\$ 841,241	\$ 722,630
Office equipment	1,218,908	1,118,370
Software	259,100	244,228
Leasehold improvements	<u>3,151,124</u>	<u>2,800,741</u>
Total property and equipment	5,470,373	4,885,969
Less accumulated depreciation	<u>(2,188,223)</u>	<u>(1,703,450)</u>
Net property and equipment	<u>\$ 3,282,150</u>	<u>\$ 3,182,519</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

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 2007 classification.

Note 3 - Related Party Transactions

a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the periods ended August 31, 2008 and 2007 were \$15,369,829 and \$13,940,638, respectively. This represents fees for the following:

	<u>2008</u>	<u>2007</u>
Permanent University Fund	\$ 7,541,715	\$ 6,481,749
The University of Texas System Long Term Fund	4,380,276	3,860,575
Permanent Health Fund	905,220	839,949
The University of Texas System Intermediate Term Fund	<u>2,542,618</u>	<u>2,758,365</u>
	<u>\$ 15,369,829</u>	<u>\$ 13,940,638</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, 2008 and 2007 were \$44,718 and \$21,900, respectively.

c) As of August 31, 2008, UTIMCO had pass-through receivables for legal fees due from UT System of approximately \$236,000. The fees were incurred by UT System in connection with the West Texas Lands project. The law firms billed UTIMCO for these legal fees, and in turn UTIMCO paid the fees and then subsequently billed UT System for reimbursement.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

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. As of August 31, 2008, the FDIC insures deposits up to \$100,000. As of August 31, 2008, there were no uninsured deposits and as of August 31, 2007, UTIMCO had uninsured deposits of \$69,893. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

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. As of August 31, 2008 and 2007, there was no deferred revenue.

Note 6 – Deferred Compensation Plans

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, 2008 and 2007 were \$404,671 and \$329,083, respectively.

Effective December 1, 2007, UTIMCO adopted a deferred compensation plan under Internal Revenue Code Section 457(b) (the Plan). The UTIMCO Plan is an unfunded deferred compensation plan that is established and maintained for a select group of management employees. Participants are determined by the Administrative Plan Committee. Participants are permitted to make tax-deferred contributions to the Plan, but until Plan benefits are paid out, these contributions remain part of UTIMCO's general assets and can be used to satisfy claims of the general unsecured creditors of UTIMCO. The assets and obligations of the Plan are reported on the balance sheets at current values.

Note 7 – Lease Expense

Effective September 1, 2005, UTIMCO entered into an eleven year lease for its office space and parking with a third 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. 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

UTIMCO began paying lease and operating costs related to UTIMCO's current lease effective November 2006. For the periods ended August 31, 2008 and 2007, related operating expenses were \$525,769 and \$368,426, respectively. The net lease expense related to the lease incentive and amortization of the tenant allowance for the periods ending August 31, 2008 and 2007 was \$349,144 and \$313,832, respectively. For the periods ended

August 31, 2008 and 2007, parking expense was \$100,007 and \$94,804.

The 132 month lease expires August 31, 2016. Commencing November 1, 2006, the minimum rental commitment was \$43,135 per month through December 31, 2007. The commitment increased 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,	
2009	\$ 573,272
2010	573,272
2011	573,272
2012	573,272
2013	573,272
Thereafter	<u>1,719,817</u>
Total	<u>\$4,586,177</u>

Note 8 – Deferred Rent

Under the terms of the office lease effective September 1, 2005, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. The property was placed in service on November 14, 2005. Additional tenant improvement allowance was provided in August 2008 in connection with the expansion. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

As of August 31, 2008 and 2007, the total deferred rent was \$1,801,948 and \$1,834,112, respectively. The portion of the deferred rent related to the rent holidays as of August 31, 2008 and 2007 was \$439,194 and \$494,094, respectively. The remaining portion of the deferred rent as of August 31, 2008 and 2007, was \$1,362,754 and \$1,340,018, respectively, and relates to the tenant improvement allowance. UTIMCO was initially provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. In August 2008, an additional allowance of \$156,074 was provided in connection with the expansion. The deferred rent is amortized over the term of the lease.

TAB 10

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Discussion and Appropriate Action Related to Cambridge Contract Renewal

Developed By: Staff

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

Description: In accordance with the Delegation of Authority, the UTIMCO Board executes the investment consultant contract. The UTIMCO Board approved retaining Cambridge Associates as its investment consultant during its September 22, 2006, board meeting. This agenda item renews the contract expiring on November 30, 2008. The renewal contract is for the twelve month period beginning December 1, 2008.

Recommendation: Staff recommends the approval of the external investment consultant contract with Cambridge Associates.

Discussion: Cambridge Associates has served as UTIMCO's consultant since its inception in 1996. Under the terms of the current contract with Cambridge, UTIMCO receives access via the Cambridge Associates consulting team and Cambridge Associate's web site to proprietary databases on capital markets, investment managers, and partnerships. UTIMCO also has access to comparative peer performance data and quarterly and annual surveys of investment and financial data. Also included in the contract is 24 hours of consulting time, a variety of research reports and working papers on investment and financial data, and attendance at UTIMCO Board meetings.

The prior Cambridge Associates contract was for \$310,000 annually. The renewal contract proposed by Cambridge is \$119,500 annually, a net decrease of \$190,500. The non-marketable services have been eliminated.

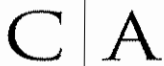
In addition, the attendance at the Board and Committee meetings has been reduced from six in-person and two conference calls to four board meetings.

Additional consulting services, if any, will be provided and billed at Cambridge Associate's standard fees.

Reference: Contract with Cambridge Associates

**RESOLUTION REGARDING RENEWAL OF CAMBRIDGE
ASSOCIATES CONTRACT**

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



CAMBRIDGE ASSOCIATES LLC

100 Summer Street
Boston, Massachusetts 02110-2112
TEL 617.457.7500 FAX 617.457.7501
www.cambridgeassociates.com

January 14, 2009

Mr. Robert B. Rowling
Chair
The University of Texas Investment Management Company
401 Congress Avenue, 28th Floor
Austin, TX 78701

Dear Mr. Rowling:

I am writing to confirm that within the context of the existing Agreement with Cambridge Associates ("CA") dated December 1, 2002, the generalist consultants at CA will provide The University of Texas Investment Management Company ("Client") with the following services for the twelve month period beginning December 1, 2008.

General Consulting Services

- Access via the CA consulting team and CA's web site to proprietary databases on capital markets, investment managers, and partnerships. Additionally, the Client will have access to comparative peer performance data and quarterly and annual surveys of investment and financial data.
- Twenty-four (24) hours of consulting time for miscellaneous communications and inquiries.
- A variety of research reports and working papers on investment and financial issues.
- Attendance at up to four (4) UTIMCO Board meetings (in-person in Texas) per year to discuss investment strategy, asset allocation, performance, market environment, best practices of peer institutions and investment manager selections.

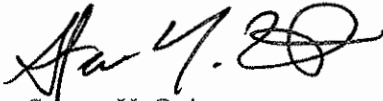
These services will be provided for a Fee of \$119,500. This Fee will be payable in four equal installments; quarterly in advance. The Fee for subsequent years will be negotiated between the parties depending on the scope of services provided. Out-of-pocket expenses such as communications, printing, copying, etc. and the cost of travel to Texas by members of the consulting team are included in the Annual Fee. International travel costs will be billed to the Client as reimbursable expenses.

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

Robert B. Rowling
January 14, 2009
Page 2 of 2

We greatly value our relationship and look forward to continuing to work with you. If you are in agreement with these terms, please sign and return one fully executed copy of this letter, keeping an original for your records. A self-addressed envelope is enclosed for your convenience. Thank you.

Sincerely,



Steven Y. Quintero
General Counsel

APPROVED:

_____ Date: _____
By: Robert B. Rowling
Chair
The University of Texas Investment
Management Company

SEEN AND ACKNOWLEDGED:

_____ Date: _____
By: Bruce Zimmerman
Chief Executive Officer
The University of Texas Investment
Management Company

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: UTIMCO Organization Update

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Discussion item

Description: Mr. Zimmerman will provide an update on the following:

- UTIMCO QTR 1 FY 2009 actual versus budget
- Staff
- Investment Best Practices
- CRM
- Technology Peer Review
- Annual Report

Reference: UTIMCO Update presentation



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UTIMCO UPDATE

February 5, 2009



UTIMCO QTR 1 FY 2009 Actual v Budget

UTIMCO Q1 FY 2009		Actual	Budget	\$	%
SUMMARY					
UTIMCO Personnel		\$2,816	\$3,022	\$206	7%
UTIMCO Other		931	1,017	86	8%
Total UTIMCO		3,747	4,039	292	7%
Other, Non-Investment Manager		1,772	2,041	269	13%
Total Non-Investment Manager		5,519	6,080	561	9%
Investment Manager - Invoiced		2,889	11,051	8,162	74%
Total		\$8,408	\$17,131	\$8,723	51%



Staff

- Mid Year Reviews
- Turnover:
 - P/E Analyst
 - Programmer
- No Additions
- Next Steps:
 - Development Plans
 - Job Descriptions
 - Position “Grid”



Investment Best Practices

- Due Diligence Questionnaire
- Background Check Policy
- Compliance Certificate/Executive Summary Template
- Investment Memo Template
- Investment Terms Analysis
- Side Letter Template



CRM

- Software Application
 - Contact Management
 - Pipeline Management
 - Compliance Management
- “Bottom-up” effort led by Mark Shoberg partnering with IT
 - Organization-wide requirements development
 - Industry-wide provider analysis: Chose Salesforce.com engine and database
 - Customized for UTIMCO
- Project Status
 - Application completed and in use
 - Training continues through mid-February 2009



Technology Peer Review

- **Analysis and Comparison of Technology Platforms**
 - Front Office: Trading, Derivative Management, Portfolio Management
 - Middle Layer: Data Warehousing, Analytic Providers, Performance Measurement Attribution
 - Back Office: Portfolio Accounting, Client Reporting, Reference and Pricing
 - Enterprise: Architecture, Data Management, Security
- **Issues**
 - Technologies Utilized
 - Build vs. Buy
 - Data Centers
 - Application Development
 - Best Practices
- **Potential Review Team**
 - Harvard
 - Duke
 - University of California
 - Notre Dame

TAB 12

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2009

Agenda Item: Overview of UT System Debt Programs

Developed By: Aldridge

Presented By: Aldridge

Type of Item: Information Item

Description: The UT System Office of Finance will present an overview of the System's debt programs and how they interrelate with UTIMCO's investment activities.

Discussion: The UT System Office of Finance manages a \$5.7 billion debt portfolio supported by two distinct credit sources, the Revenue Financing System and the Permanent University Fund. The portfolio includes fixed rate debt, variable rate bonds, and commercial paper, and is integrated with \$2.0 billion of interest rate swaps. The Office of Finance interacts with UTIMCO staff in four key debt-related areas; (1) Credit ratings and the ratings process; (2) Liquidity to "backstop" variable rate debt; (3) the investment of debt proceeds, and; (4) the maintenance of PUF debt capacity. Each will be discussed in this presentation.

Recommendation: None

Reference: Debt overview presentation

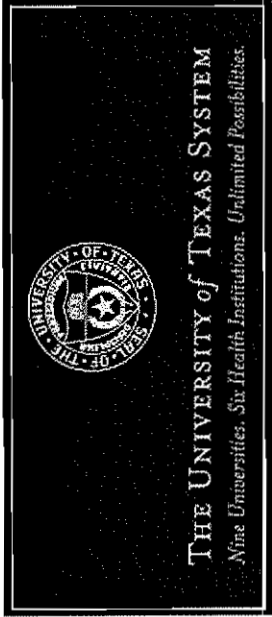
UTIMCO's Relationship to U. T. System Debt Programs



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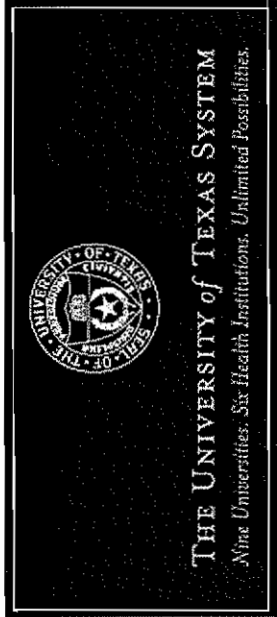
UTIMCO Board
February 5, 2009

Philip Aldridge



The Office of Finance

- The U. T. System Office of Finance issues debt on a consolidated basis for all System institutions.
- As of January 12, 2009, total debt outstanding was \$5.71 billion in two programs:
 - \$4.39 billion Revenue Financing System (RFS) debt
 - \$1.32 billion Permanent University Fund (PUF) debt



Debt Programs & Ratings

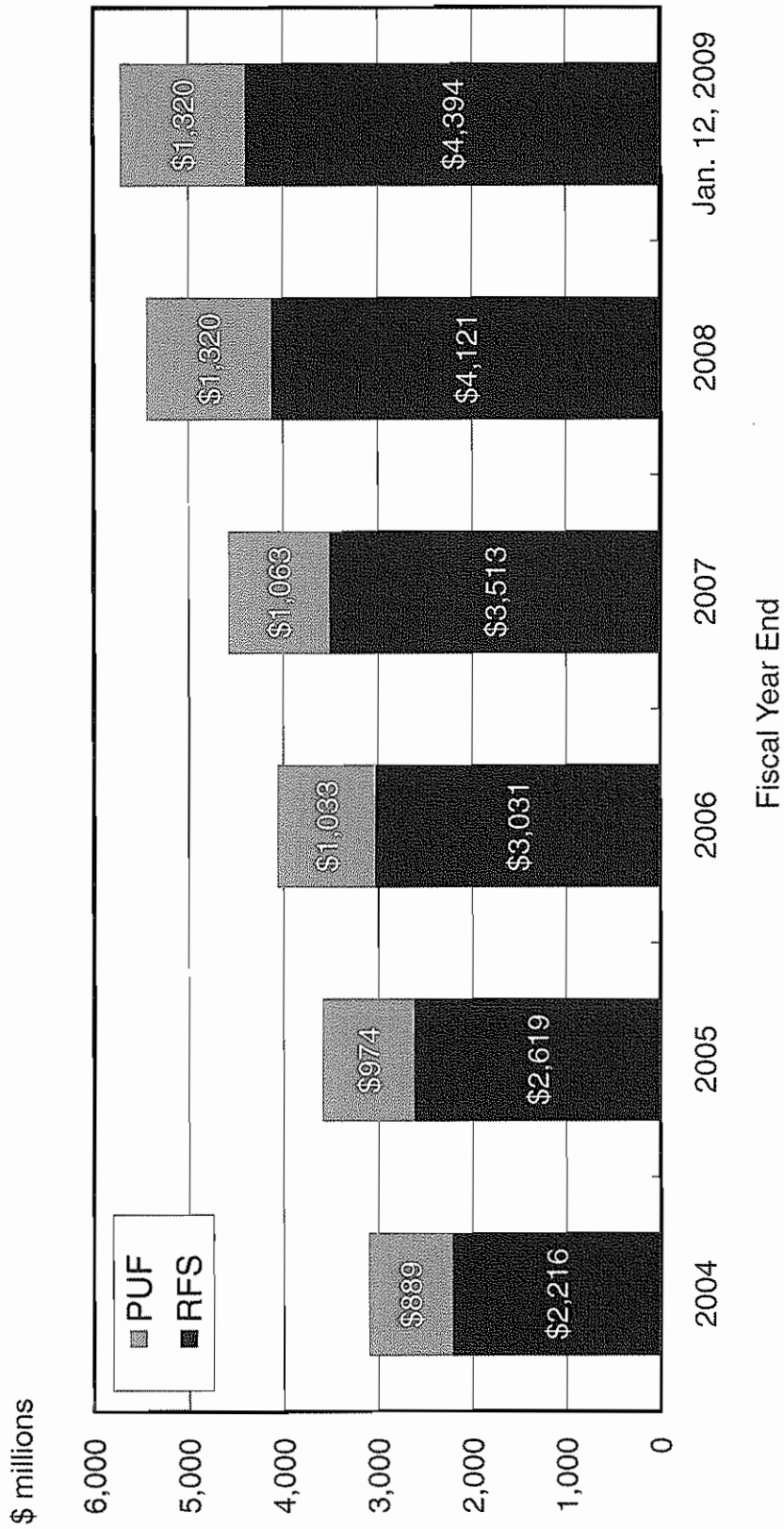
- The RFS debt program is secured by a system-wide pledge of all legally available revenues for debt issued on behalf of all 15 institutions and System Administration.
- The PUF debt program is used to fund educational projects at 13 of the 15 System institutions and System Administration. PUF debt is secured by distributions from the PUF.
- Public ratings on U.T. System RFS and PUF debt are the highest possible:

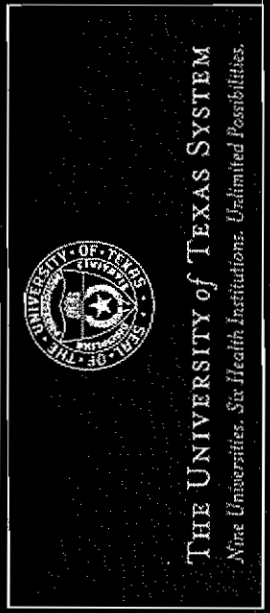
Debt Ratings:	Moody's	S & P	Fitch
Long - Term	Aaa	AAA	AAA
Short-Term	P-1/VMIG1	A-1+	F1+



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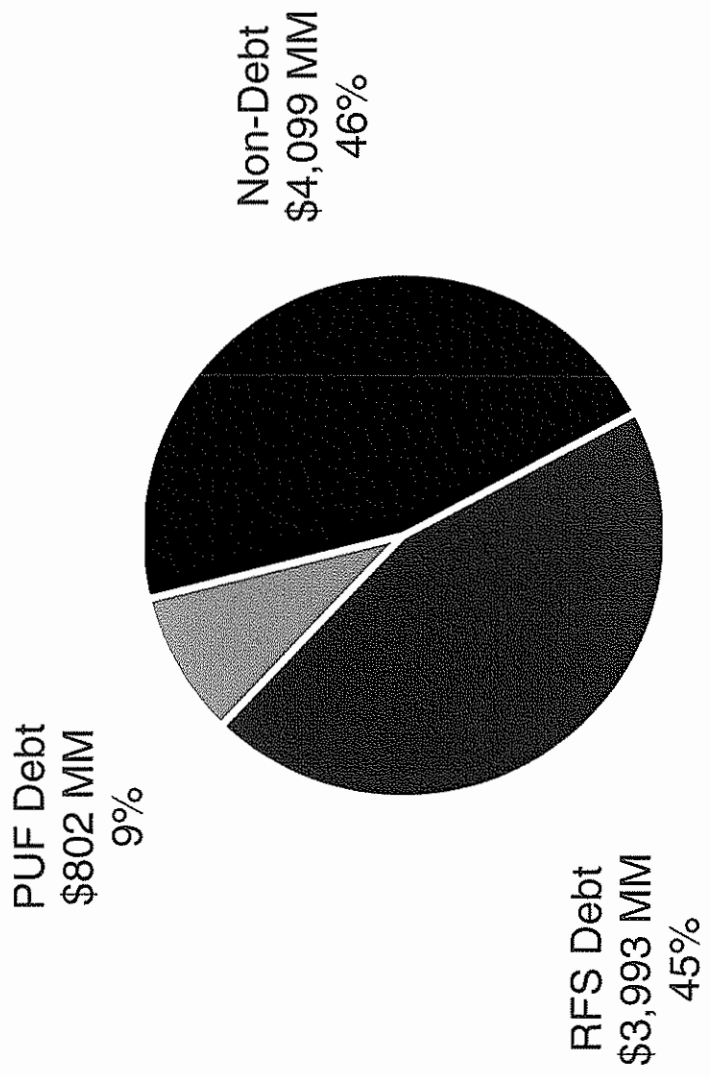
U.T. System Debt Outstanding





Capital Improvement Plan by Funding Source

\$8.9 billion CIP as of November 30, 2008

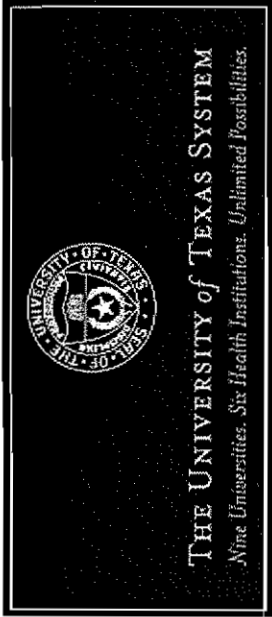




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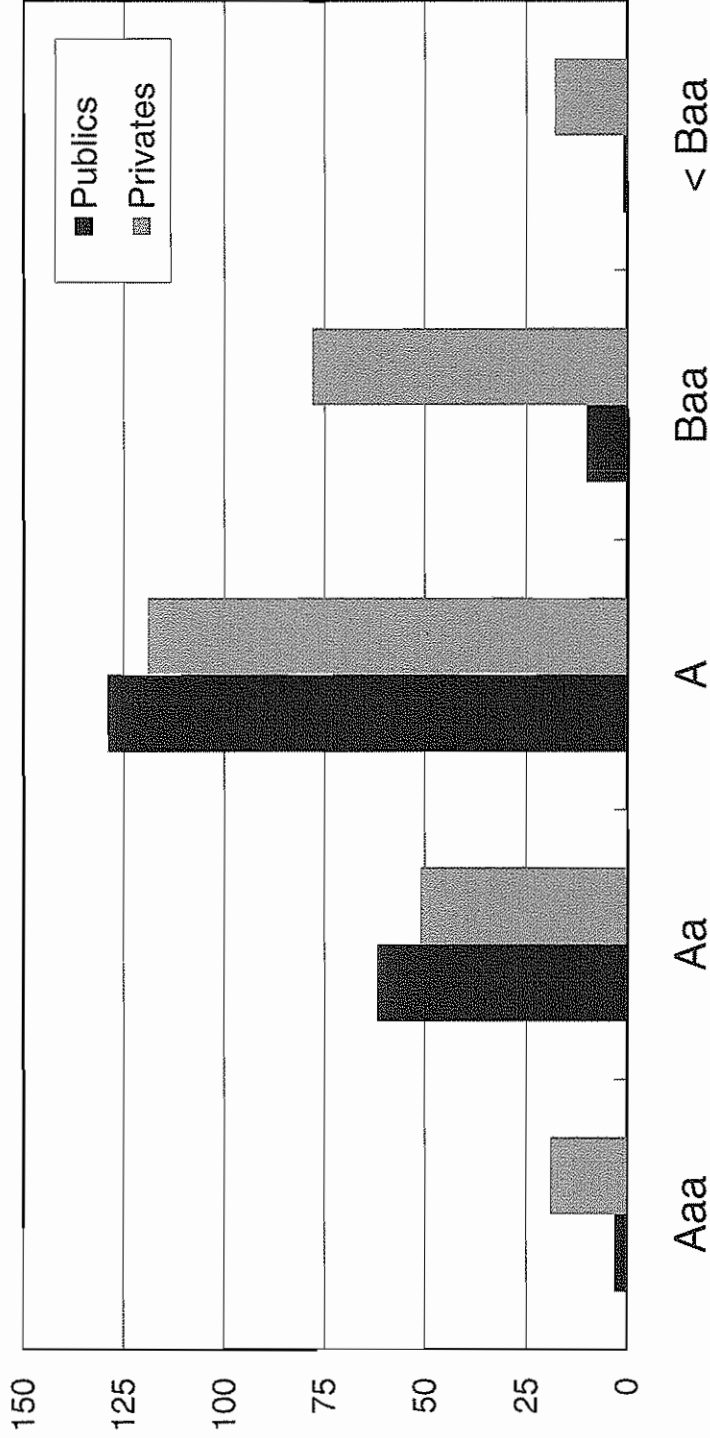
UTIMCO's Relationship to U.T. System Debt Programs

1. Credit Ratings
 - Ensures continued access to lowest cost of capital
2. Liquidity
 - Enables use of variable rate debt and use of synthetic fixed rate debt
3. Investment of Debt Proceeds
 - Institutions benefit from lower net debt service payments
4. PUF Debt Capacity
 - Allows for capital funding program unique to U.T. System
 - Benefits institutions, especially those with less financial flexibility

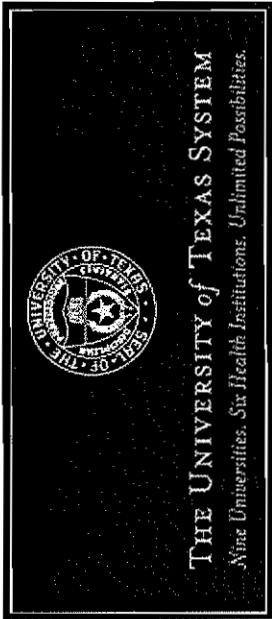


Moody's Higher Education Ratings

- Only three public higher education issuers are rated Aaa by Moody's: The U. T. System, the University of Michigan, and the University of Virginia

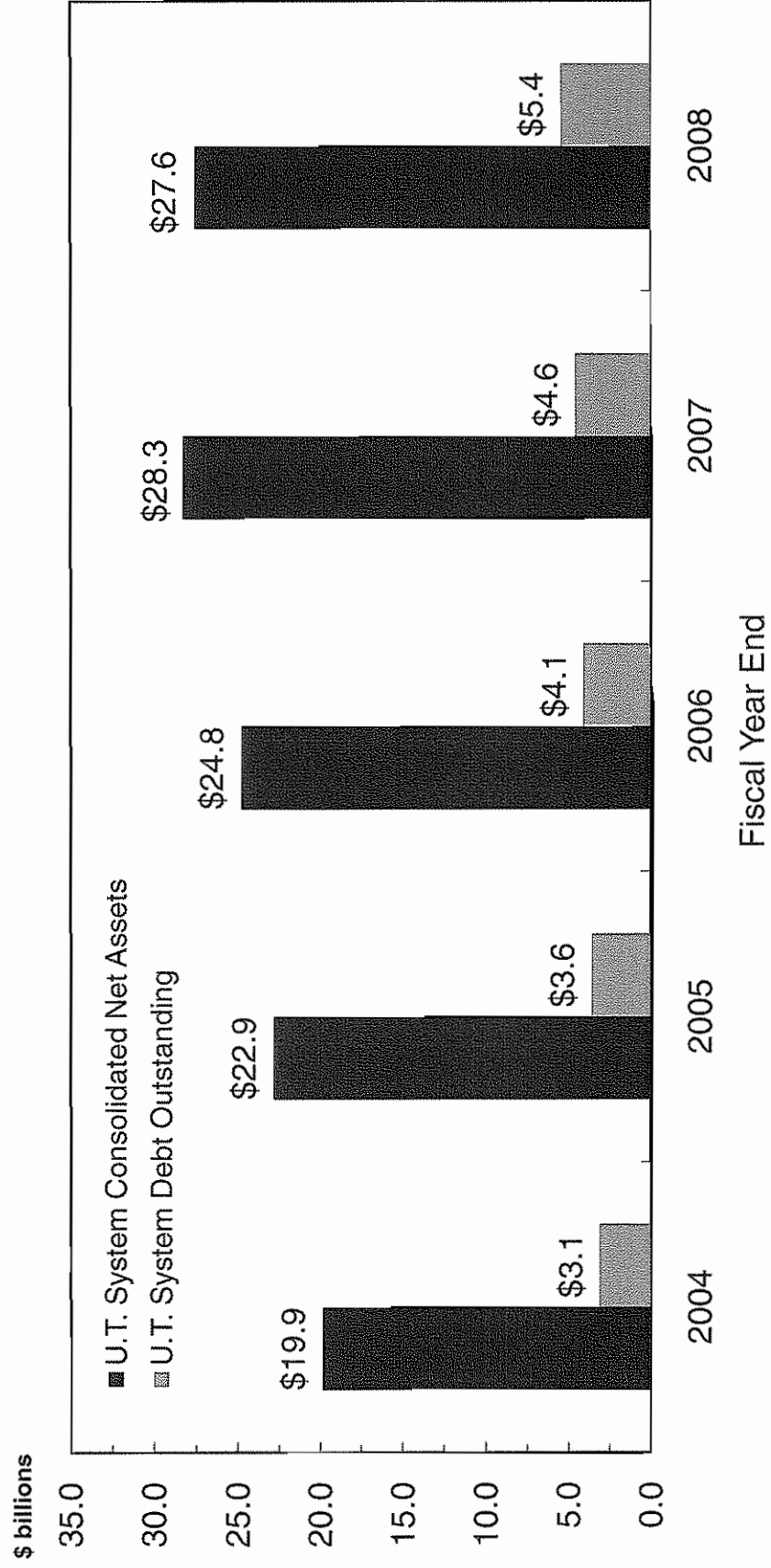


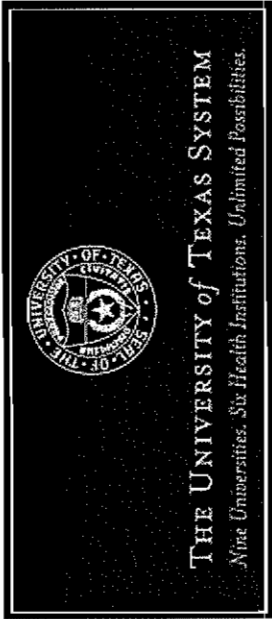
* Moody's FY07 Private College & University Medians (June 2008) and Moody's FY07 Public College & University Medians, (August 2008)



Strong Growth in System's Net Assets

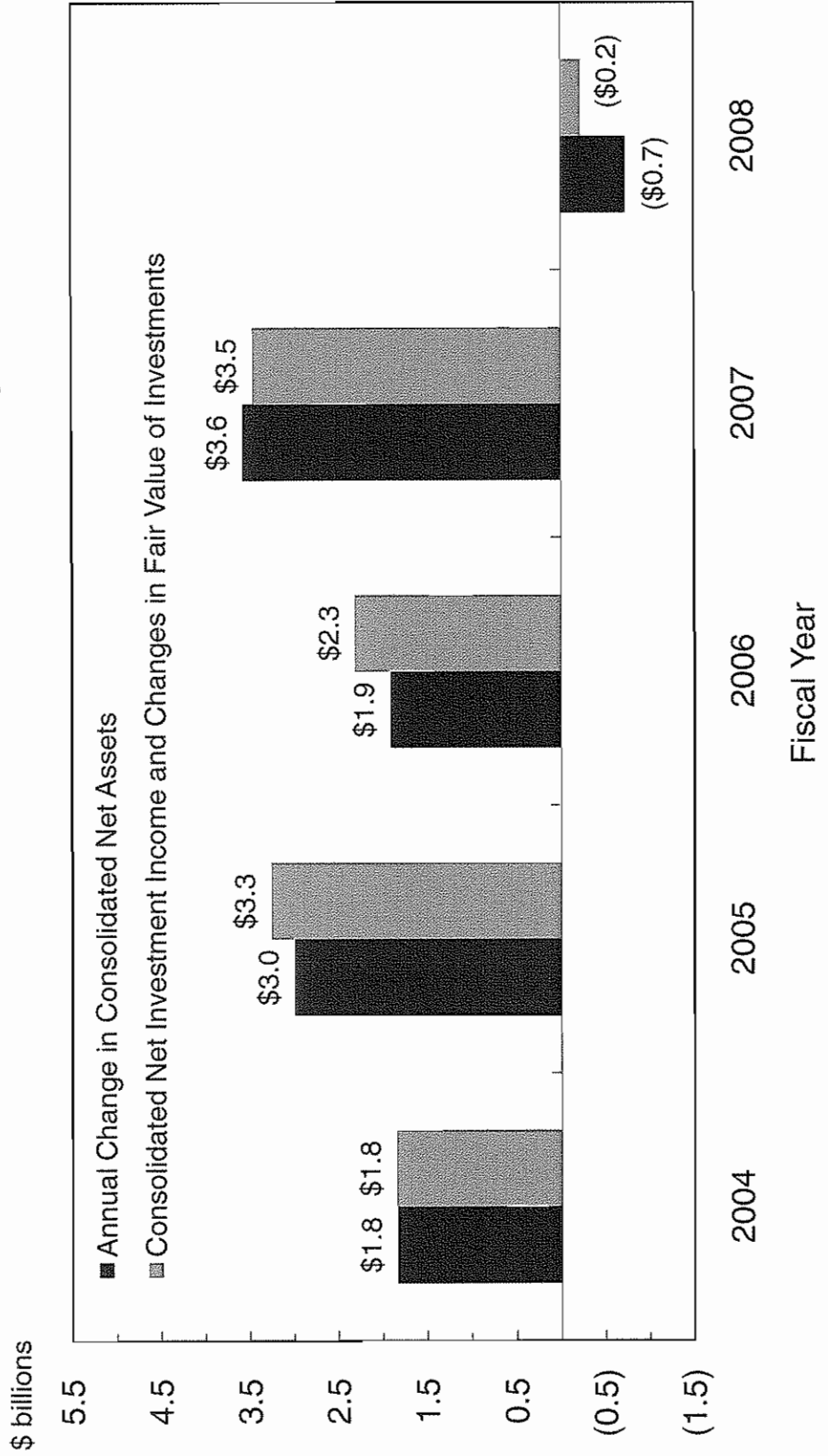
Growth in Net Assets versus Debt Outstanding

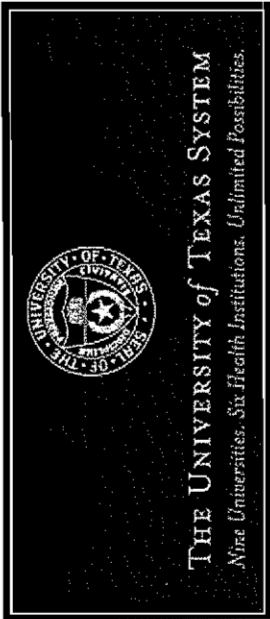




Net Asset Growth Dependent upon Investment Performance

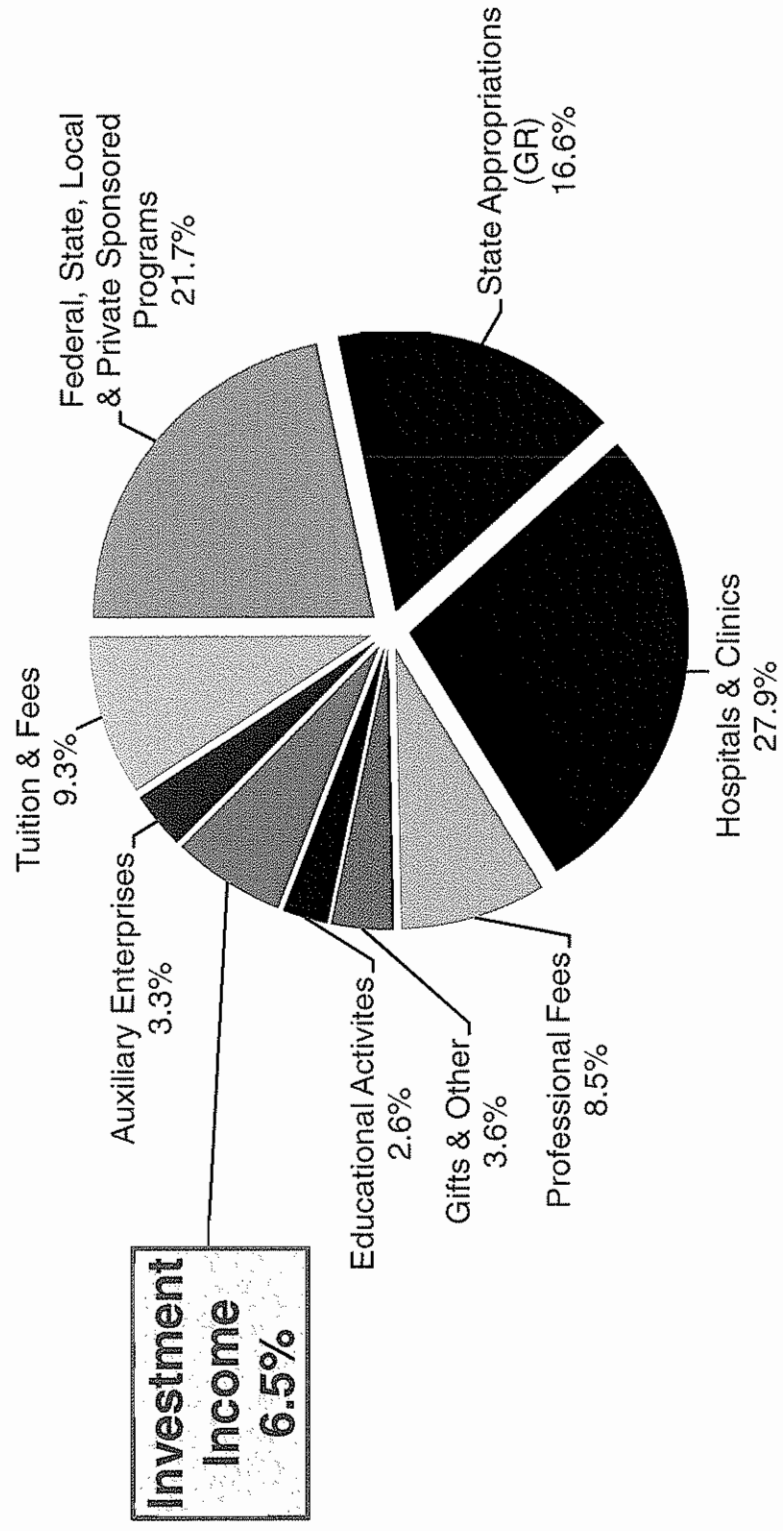
Change in Net Assets versus Contribution from Investment Income and Changes in Fair Value





Investment Income is 6.5% of a Highly Diversified Revenue Base

\$11.7 billion FY 2009 Budgeted Revenue Stream

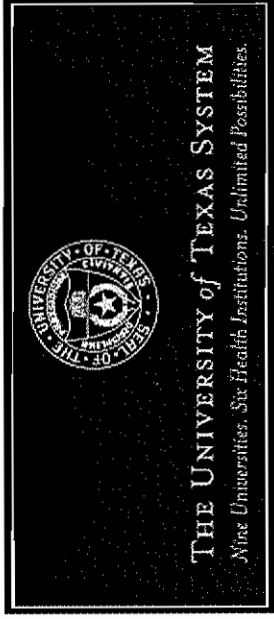




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Summary of Variable Rate Debt

Program	Program Authorization	Daily Maximum	Weekly Maximum
RFS CP, Series A&B	\$1,250.0	\$150.0	\$750.0
PUF CP, Series A&B	500.0	100.0	500.0
RFS Bonds, Series 2001A	20.0	-	20.0
RFS Bonds, Series 2007B	337.8	-	337.8
RFS Bonds, Series 2008B	685.5	-	685.5
PUF Bonds, Series 2008A	400.9	-	400.9
	\$3,194.2	\$250.0	\$2,694.2



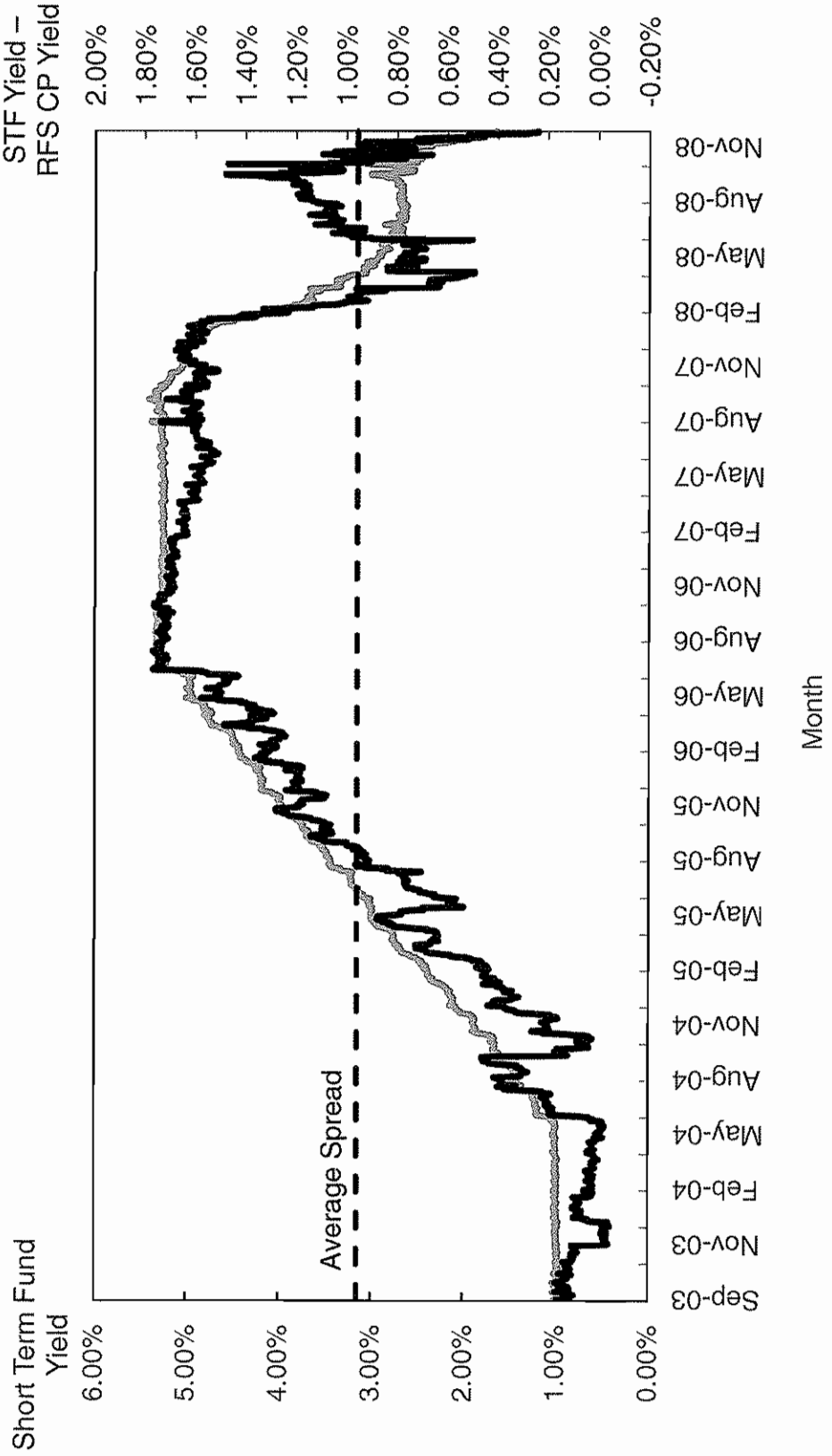
Investment of Debt Proceeds

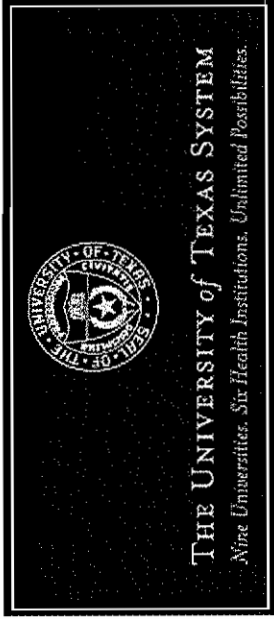
- All U. T. System cash reserves and all debt proceeds are currently invested in the Dreyfus Institutional Preferred Money Market Fund “Dreyfus.” This investment pool is referred to as the Short Term Fund.
- In addition, all UTIMCO cash reserves are currently invested in Dreyfus.
- The U. T. System and UTIMCO are exploring the possibility of diversifying its Dreyfus/Short Term Fund exposure.



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The System Earns a Positive Spread on its Debt Proceeds





Permanent University Fund Debt Capacity

- The amount of PUF debt that can be issued by the U. T. System is limited by the Texas Constitution to 20% of the book value of the PUF, or approximately \$1.97 billion as of 12/31/08.
- The amount of PUF debt that can be issued by the Texas A&M System is limited to 10% of the book value of the PUF.
- The amount of tax-exempt PUF debt that can be issued collectively by the U. T. System and the Texas A&M System is limited to 20% of the cost value of the PUF.



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Recent Events Have Reduced PUF Debt Capacity

- Challenging capital markets have led to lower PUF market value with actual returns below expected returns
- PUF distribution rates for FY2010 and FY 2011 are now forecast at 4.75% instead of 5.00% due to returns being less than expected returns plus 25 basis points
- Forecasted PUF royalty income is reduced due to lower commodity prices
- Tax-exempt interest rates have increased, leading to higher forecasted debt service on PUF debt currently authorized, but unissued
- Declining PUF book value lowers Constitutional PUF debt capacity and limits the amount of PUF debt that can be issued on a tax-exempt basis due to lower PUF arbitrage exemption



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PUF Constitutional Debt Capacity

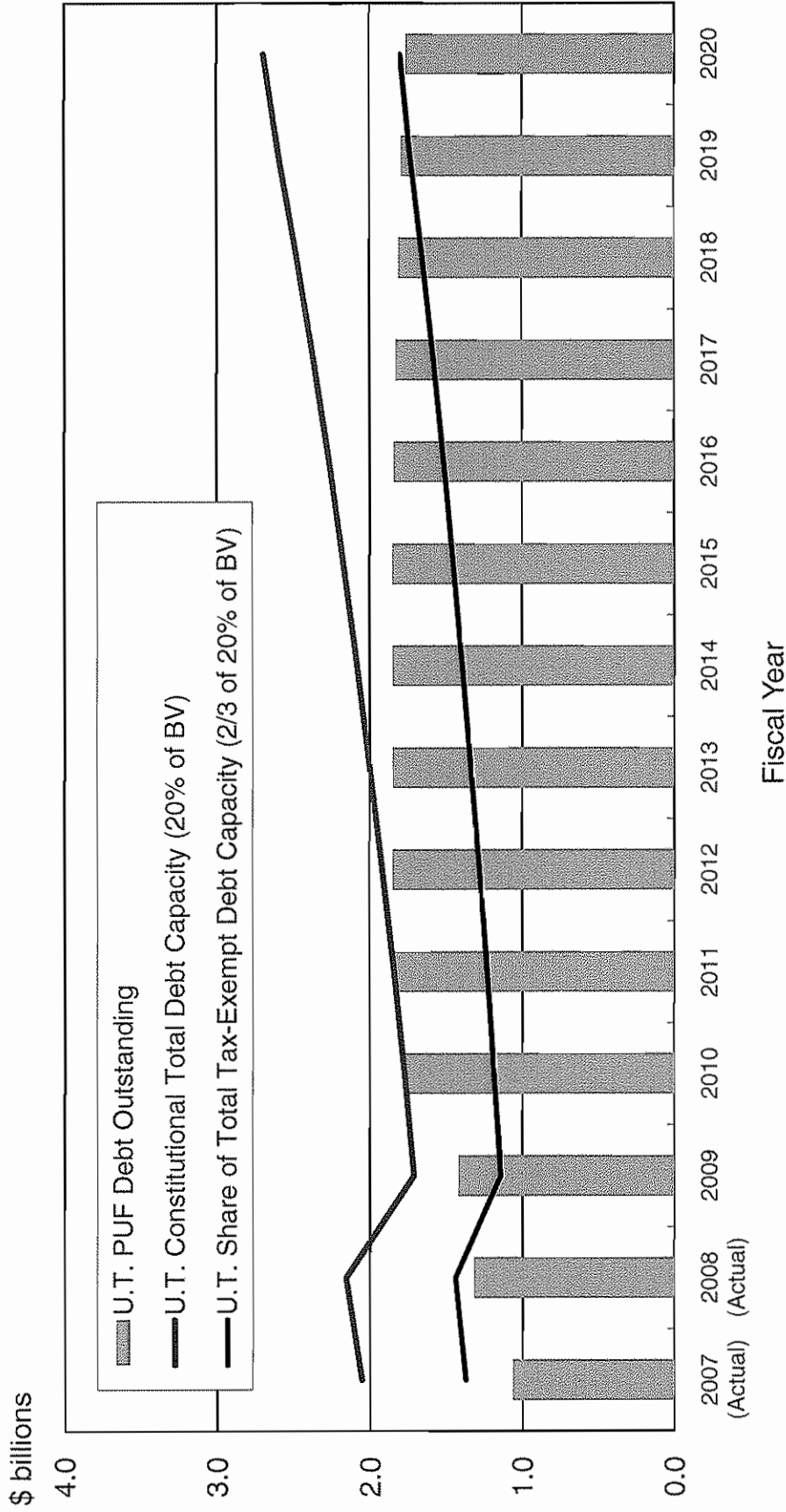
- Art. VII, Sec. 18 of the Texas Constitution limits the amount of PUF debt that can be issued by the U. T. Board of Regents to an aggregate amount not to exceed 20% of the cost value of PUF investments (exclusive of real estate)

PUF Book Value as of December 31, 2008	\$9,868,826,023
U. T. Constitutional Debt Limit (20% of PUF Book Value)	1,973,765,205
Less: U.T. PUF Debt Outstanding as of December 31, 2008	(1,319,885,000)
Less: U.T. PUF Debt Approved but Unissued	<u>(543,174,464)</u>
Remaining Constitutional U.T. PUF Debt Capacity	\$ 110,705,741



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Forecasted PUF Debt Capacity Limitations



Note: Forecasted as of January 2009.



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Potential Remedies for PUF Arbitrage Constraints

1. Restrict the yield on a portion of PUF investments that exceed the amount of the arbitrage exemption
 - The IRS allows for a retroactive and flexible security selection process
2. Issue a portion of PUF debt on a taxable basis
3. Seek Federal legislation to increase the arbitrage exemption from 20% to 30%
4. Reduce the amount of future PUF debt that is issued