

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



Presentation Materials

Board of Directors Meeting

April 23, 2009

**UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
April 23, 2009**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time		Item #	Agenda Item
Begin	End		
			OPEN MEETING:
9:00 a.m.	9:05 a.m.	1	Call to Order of the Annual Meeting/Discussion and Appropriate Action on Minutes of February 5, 2009 Meeting and February 12, 2009 Meeting*
9:05 a.m.	10:30 a.m.	2	Endowment and Operating Funds Update Report
			Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments
11:30 a.m.	12:10 p.m.	3	Reconvene in Open Session: Report on Factor Analysis: Effects of Growth and Inflation on Asset Class Returns
12:10 p.m.	12:30 p.m.	4	Report from Risk Committee and Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds*
			Recess for Lunch
1:00 p.m.	1:30 p.m.	5	Reconvene in Open Session: Information Technology Peer Review Presentation
1:30 p.m.	1:45 p.m.	6	UTIMCO Organization Update
1:45 p.m.	2:15 p.m.	7	Legislative Update
2:15 p.m.	2:45 p.m.	8	Educational Program for UTIMCO Directors
2:45 p.m.	3:00 p.m.	9	Discussion and Appropriate Action Related to Corporate Resolutions: - Election of UTIMCO Officers* - Designation of Key Employees*
3:00 p.m.	3:15 p.m.	10	Convene into Executive Session Pursuant to Section 551.074, <i>Texas Government Code</i> , the Committee may convene in Executive Session for the purpose of deliberating individual personnel compensation matters related to the CEO and Chief Investment Officer Reconvene into Open Session - Report from Compensation Committee - Discussion and Appropriate Action Related to Voluntary Deferral of Performance Incentive Award earned by the CEO and Chief Investment Officer, if any, for the Performance Period ended June 30, 2009*
3:15 p.m.	3:30 p.m.	11	Report from Audit and Ethics Committee
3:30 p.m.	4:00 p.m.	12	Discussion of Investment Environment and Opportunities
4:00 p.m.			Adjournment

* Action by resolution required

By: The University of Texas Investment Management Company

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

Next Scheduled Meeting: July 8, 2009

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meetings of the Board of Directors held on **February 5, 2009 and February 12, 2009**, 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 11:20 a.m. on the **5th day of February 2009**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Vice Chairman, J. Philip Ferguson, 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
Clint Carlson
Paul Foster
Colleen McHugh
Ardon E. Moore
Erle Nye
Charles W. Tate

Accordingly, a majority and quorum of the Board was in attendance. Chairman Robert B. Rowling did not attend the meeting. Employees of the Corporation attending the meeting were 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; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Jim Phillips, Mark Gentle, William Huang, Moshmee Kalamkar, Miles Ragland, of UT System Administration; Bruce Myers, Hamilton Lee and Jeanne Rogers of Cambridge Associates; and Greg Anderson of Texas A&M University System. Chancellor Francisco G. Cigarroa, M.D., Vice-Chairman for Policy of the Board; Bruce Zimmerman, CEO and Chief Investment Officer; and Philip Aldridge of UT System joined later in the meeting as noted in the minutes. Mr. Ferguson called the meeting to order at 11:20 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 November 7, 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
November 7, 2008, be, and are hereby, approved.

Corporate Resolutions

Mr. Ferguson recommended approval of two corporate resolutions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that Francisco G. Cigarroa, M.D., 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, and

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

Risk Committee Report

Mr. Ferguson asked Mr. Tate to report on the last meeting of the Risk Committee. Mr. Tate stated that the Risk Committee last met on January 29, 2009. He reported that the Risk Committee reviewed compliance reporting, reviewed and discussed risk reporting, and discussed and approved mandate categorizations. At the Committee meeting, it was reported that during the quarter ended November 30, 2008, More Correlated and Constrained Investments (MCC) were below their minimum range while Private Markets Investments exceeded the maximum range set by the Investment Policy Statements for the PUF and GEF. No new Private Markets Investment commitments were being made while Private Markets Investments remained above the maximum range. Both incidents were reported and managed as per policy requirements, and all Investment Types were back within range at the time of the meeting. Mr. Tate also reported that the overall risk for the ITF had fallen slightly below the risk range, but the ITF breach was reported and managed as per policy and was back in range at the time of the meeting. Ms. Gonzalez reported to the Committee that there were three external manager contracts out of compliance with investment guidelines during the quarter. Mr. Warner and Mr. Schau explained the details to the Board and answered the Directors' questions. As explained to the Board, both instances were minor and the exceptions were allowed after discussion with the managers. Mr. Tate stated that Ms. Gonzalez gave a report on the Institutional Compliance Program Quarterly Report for the Quarter Ended November 30, 2008, and gave a summary of reviews she had performed as Chief Compliance Officer, with no significant findings. Mr. Tate stated that, on behalf of the Risk Committee, he believes that the Chief Compliance Officer position is monitoring compliance in all aspects, is functioning quite well, and is a benefit to the management of the Corporation. The Committee reviewed the Categorization of New Investment Mandates and Re-categorization of Investment Mandate and approved eight categorizations of new investment mandates and two recommended re-categorizations of existing mandates being submitted for their review and approval or re-categorization. These represented the mandate categorizations prepared by staff from October 1, 2008, through January 15, 2009.

Policy Committee Report

Mr. Rowling asked Ms. McHugh to give a report on behalf of the Policy Committee. Ms. McHugh stated that the Policy Committee last met less than an hour ago, prior to the Board meeting, in a joint meeting with the Risk Committee. Ms. McHugh recommended on behalf of the Policy Committee, and Mr. Tate on behalf of the Risk Committee, approval of the proposed amendments to the Exhibits of the Investment Policy Statements as presented. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Compensation Committee Report

Mr. Ferguson gave a report on behalf of the Compensation Committee, which had also met the same morning prior to the Board meeting. The Committee recommended to the Board to amend the current benchmark for the Less Correlated and Constrained Investments (LCC) benchmark from the MSCI Investable Hedge Fund Index to the Hedge Fund Research Indices (HFRI) Fund of Funds Composite Index. The Committee also recommended amendments to the Target and Maximum Performance Standards of the LCC, currently 125 bps and 250 bps, respectively and that the Performance Standards Target and Maximum be changed to 75 bps and 150 bps, respectively. The Committee also recommended that the names of the Lehman Brothers' indices benchmarks in Appendix D, Table 2, be changed to the Barclays Capital indices due to the acquisition of Lehman Brothers by Barclays Capital, Inc. in September 2008. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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 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.

Audit and Ethics Committee Report

Mr. Ferguson asked Mr. Nye to report on behalf of the Audit and Ethics Committee. Mr. Nye stated that the Audit and Ethics Committee met on January 29, 2009. Tom Wagner, engagement partner, presented to the Audit and Ethics Committee the Deloitte & Touche LLP Audit Results and Communications letter and answered questions related to the financial statements for the Corporation. Deloitte & Touche LLP issued unqualified opinions on the August 31, 2008 financial statements. The Committee approved Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements for the Corporation, and recommended that the Board approve the same. Mr. Nye reported that also presented at the Committee Meeting were the unaudited Financial Statements for the three months ended November 30, 2008 for the Investment Funds and the Corporation, a report by the UT System Audit Office, and an update of other compliance, reporting, and other audit issues by Ms. Gonzalez. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Cambridge Contract Renewal

Mr. Ferguson asked Ms. Iberg to present the terms of the external investment consultant contract with Cambridge Associates. Mr. Myers, Mr. Lee and Ms. Rogers left the meeting during this discussion. Ms. Iberg stated that the contract had been negotiated very well by Mr. Zimmerman, and she explained the details and changes of the contract services. Ms. Iberg and Mr. Eakman answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Mr. Myers, Mr. Lee and Ms. Rogers re-joined the meeting at this time. Mr. Ferguson asked Mr. Myers to give the Board a brief update on trends in the current market and endowment community. Mr. Myers obliged and answered the Directors' questions.

Guest Speaker

At this point in the meeting, the Board received a presentation and a question and answer session led by Mr. Mohamed A. El-Erian of PIMCO. Dr. Cigarroa, Mr. Zimmerman and Mr. Aldridge joined the meeting at this time.

Mr. Ferguson introduced Dr. Cigarroa, welcoming the new Chancellor of the UT System as Vice Chairman for Policy on the Corporation's Board. Dr. Cigarroa gave a few comments to the Board prior to leaving the meeting.

Endowment and Operating Funds Update

Mr. Ferguson asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported performance numbers as of November 30, 2008. The net performance for the one-month period ended November 30, 2008, for the Permanent University Fund (PUF) was -5.60% and for the General Endowment Fund (GEF) was -5.71%, versus benchmark returns of -4.17% for each fund. The net performance for the one-year period ended November 30, 2008, for the PUF and GEF were -28.03% and -28.04%, respectively, versus benchmark returns of -30.22% for each fund. The Intermediate Term Fund's (ITF) performance was -3.24% versus its benchmark return of -3.37% for the one-month period, and was -25.42% versus its benchmark return of -27.84% for the one-year period ended November 30, 2008. Performance for the Short Term Fund (STF) was 0.17% versus 0.10% for its benchmark return

for the one-month period, and was 3.28% versus a benchmark return of 2.34% for the one-year period ended November 30, 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 reviewed the funds comparing asset class and investment type targets, ranges and performance objectives. Also presented were manager exposure, investment activity as of November 30, 2008, and an update on Securities Lending. Also there were presentations given on Acadian Asset Management and Watershed Asset Management LLC. Mr. Zimmerman, Ms. Iberg, Mr. Newcomb and Mr. Powers answered the Directors' questions.

At 2:45 p.m. the open meeting of the Board recessed into a Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments.

The open meeting of the Board reconvened in open session at 3:10 p.m.

Endowment and Operating Funds Update - Private Markets Investments

Mr. Zimmerman asked Mr. Eakman to continue with the Endowment and Operating Funds update by providing information on the Private Markets Investments portfolio. Mr. Zimmerman continued by reporting on risk, leverage, liquidity, manager exposure and reviewed a comprehensive derivative report as of November 30, 2008.

UTIMCO Update

Mr. Zimmerman gave an update for the Corporation. He discussed the Corporation's 1st Quarter actual to budget for FY 2009, and gave a staff update. He reported on the Investment Best Practices project that had almost completed all areas of review including a new due diligence questionnaire, a background check policy, updated compliance certificate and executive summary, investment memo template, investment terms analysis and a new side letter template. Mr. Zimmerman asked Mr. Shoberg to give highlights on the new software application and pipeline management system project that has been completed and is in use by Staff. Mr. Edwards gave an outline of topics to be covered in the upcoming technology peer review and Mr. Zimmerman gave a review of the expenses, costs and breakdown of institutions that use the Annual Report and said he will be working with the UT System Vice Chancellor for External Relations over the next few months to suggest possible changes to reduce the size and therefore expenses of the 2009 Annual Report.

Investment Environment

Mr. Zimmerman led a discussion with the Board on current investment environment issues. Mr. Zimmerman presented information on long dated treasuries, GMO return forecasts, TIPS, global fundamentals, a real estate outlook, and the current climate of natural resources.

UT System Debt Programs

Mr. Ferguson asked Mr. Aldridge to present an overview of the UT System's debt programs and how they interrelate with the Corporation's investment activities. Mr. Aldridge and Mr. Anderson answered the Directors' questions. Mr. Zimmerman thanked Mr. Aldridge and his staff for doing a great job and he acknowledged appreciation for a good working relationship with the Staff of the Corporation.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:05 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
J. Philip Ferguson
Vice Chairman, Board of Directors of
The University of Texas Investment
Management Company

Appendix D
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	+62.5 bps	+125 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+37.5 bps	+75 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Barclays Capital 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)	Hedge Fund Research Indices Fund of Funds Composite Index	33.0%	25.0%	+0 bps	+75 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	NACRIEF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+12.5 bps	+25 bps

**MINUTES OF THE SPECIAL CALLED 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 3:04 p.m. on the **12th day of February 2009**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Vice Chairman, J. Philip Ferguson, 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
Francisco G. Cigarroa, M.D., Vice Chairman for Policy
Clint Carlson
Paul Foster
Colleen McHugh
Ardon E. Moore
Erle Nye
Charles W. Tate

Accordingly, a majority and quorum of the Board was in attendance. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; and Bill Edwards, Managing Director - Information Technology; Jerry Turner of Andrews Kurth LLP; Jim Phillips, Philip Aldridge, and William Huang of UT System Administration. Mr. Ferguson called the meeting to order at 3:04 p.m.

Election of Chairman of the Board

Mr. Ferguson stated that the sole matter to come before the Board was to elect a new chairman due to the resignation of Robert B. Rowling as Chairman of the Board. Mr. Erle Nye was nominated, and the nomination was seconded. No other nominations were given. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that Erle Nye is hereby appointed to the office of Chairman of the Corporation, to serve until the next Annual Meeting of the Corporation or until his or her earlier death, resignation or removal.

Mr. Nye thanked the Directors for the nomination, and said he was honored to serve as Chairman.

There being no further business to come before the Board of Directors, Mr. Nye adjourned the meeting at approximately 3:07 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Erle Nye
Chairman, Board of Directors of
The University of Texas Investment
Management Company

TAB 2

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

February 28, 2009

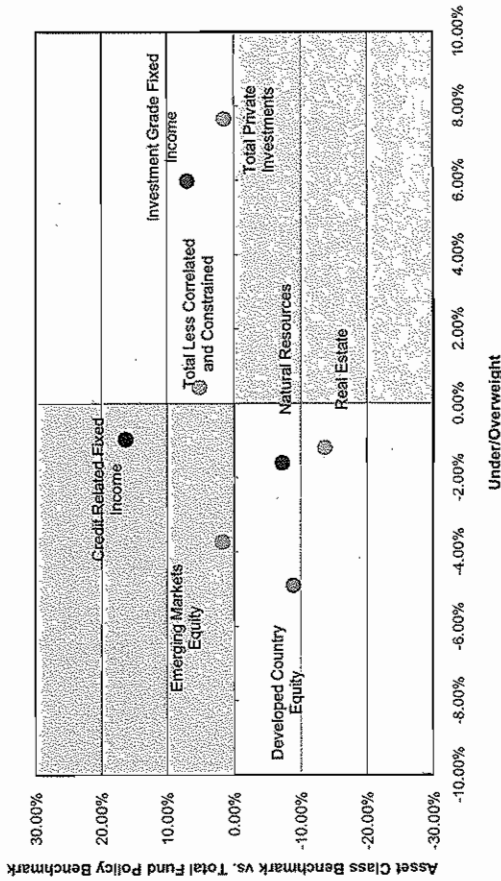
		Periods Ended February 28, 2009 (Returns for Periods Longer Than One Year are Annualized)									
		Short Term		Year to Date		Historic Returns					
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs		
Net Asset Value 2/28/2009 (in Millions)											
ENDOWMENT FUNDS											
Permanent University Fund	\$ 8,287	(4.47)	(5.53)	(6.57)	(26.94)	(30.64)	(5.31)	1.34	3.67		
General Endowment Fund		(4.51)	(5.57)	(6.59)	(27.11)	(30.74)	(5.14)	1.42	N/A		
Permanent Health Fund	727	(4.53)	(5.57)	(6.56)	(27.06)	(30.74)	(5.18)	1.36	N/A		
Long Term Fund	3,830	(4.54)	(5.57)	(6.56)	(27.06)	(30.74)	(5.18)	1.36	4.41		
Separately Invested Funds	125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	12,969										
OPERATING FUNDS											
Short Term Fund	1,608	0.08	0.31	0.19	0.94	2.44	4.28	3.58	3.62		
Intermediate Term Fund	2,927	(4.22)	(4.15)	(7.18)	(24.93)	(28.05)	(5.13)	N/A	N/A		
Total Operating Funds	4,535										
Total Investments	\$ 17,504										
VALUE ADDED											
Permanent University Fund		(0.03)	0.96	1.31	1.72	2.52	1.89	1.08	1.00		
General Endowment Fund		(0.07)	0.92	1.29	1.55	2.42	2.06	1.16	N/A		
Short Term Fund		0.06	0.29	0.18	0.41	1.03	0.53	0.36	0.23		
Intermediate Term Fund		0.95	1.95	2.15	2.01	3.09	2.68	N/A	N/A		
VALUE ADDED (\$ IN MILLIONS)											
Permanent University Fund		(3)	84	116	194	299	484	427	N/A		
General Endowment Fund		(3)	45	64	99	162	295	257	N/A		
Intermediate Term Fund		29	59	68	78	124	234	N/A	N/A		



Performance During Last 3 & 6 Months

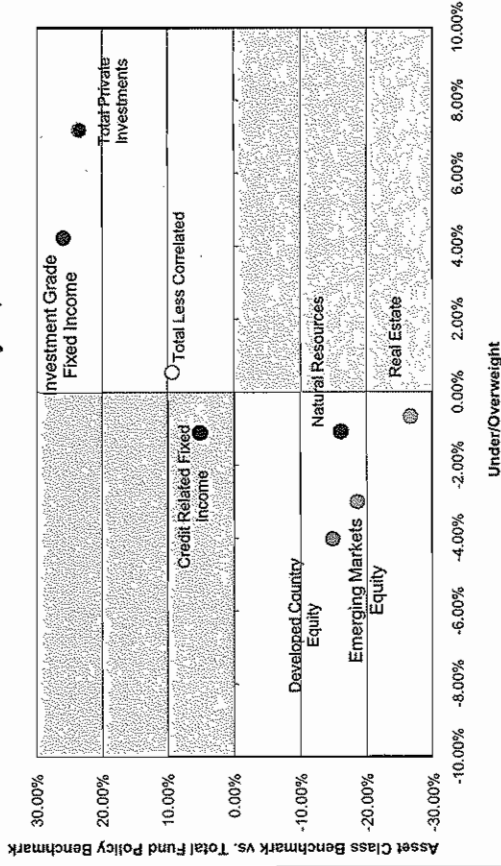
	3 Months Ended 2/28/2009	6 Months Ended 2/28/2009
Lehman Agg	0.4%	-2.8%
Lehman TIPS	4.6%	-7.5%
REITs	-20.2%	-55.4%
DJAIG	-13.6%	-44.0%
Oil Spot	-17.8%	-61.2%
Natural Gas	-37.2%	-51.0%
Copper	-5.0%	-54.4%
S&P 500	-17.3%	-41.8%
Nasdaq 100	-5.8%	-40.4%
EAFE	-14.2%	-44.6%
FTSE 100	-16.7%	-46.4%
DJ Euro Stoxx 50	-18.6%	-49.0%
Topix	-11.6%	-33.0%
MSCI Emerging Markets	-4.9%	-47.3%
Brazil Index	1.9%	-52.7%
China Index	17.0%	-10.5%
India Index	-4.2%	-47.5%
Russia Index	-17.3%	-66.9%
GEF	-5.6%	-27.1%
ITF	-4.2%	-24.9%

**General Endowment Fund
Asset Class Allocation
Three Months ended February 28, 2009**



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Developed Country Equity	-12.92%	-15.47%	57
Investment Grade Fixed Income	1.82%	0.44%	35
Real Estate	-21.94%	-20.20%	16
Natural Resources	-12.80%	-13.83%	11
Total Private Investments	-9.31%	-5.10%	9
Emerging Markets Equity	-12.80%	-13.83%	11
Total Less Correlated and Constrained	1.10%	-1.43%	(9)
Credit Related Fixed Income	-2.66%	9.76%	(15)
Total Fund	-5.57%	-6.49%	93
Subtotal			128
Subtotal			(35)
TOTAL			93

**General Endowment Fund
Asset Class Allocation
Six Months ended February 28, 2009**



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Developed Country Equity	-17.49%	-5.21%	134
Investment Grade Fixed Income	-42.99%	-43.55%	90
Real Estate	-5.94%	-2.80%	71
Natural Resources	-50.27%	-47.28%	43
Total Private Investments	-49.94%	-55.35%	17
Emerging Markets Equity	-49.94%	-44.80%	12
Total Less Correlated	-11.46%	-23.60%	(4)
Credit Related Fixed Income	-15.53%	-19.40%	(9)
Total Fund	-27.11%	-28.66%	367
Subtotal			367
Subtotal			(13)
TOTAL			354

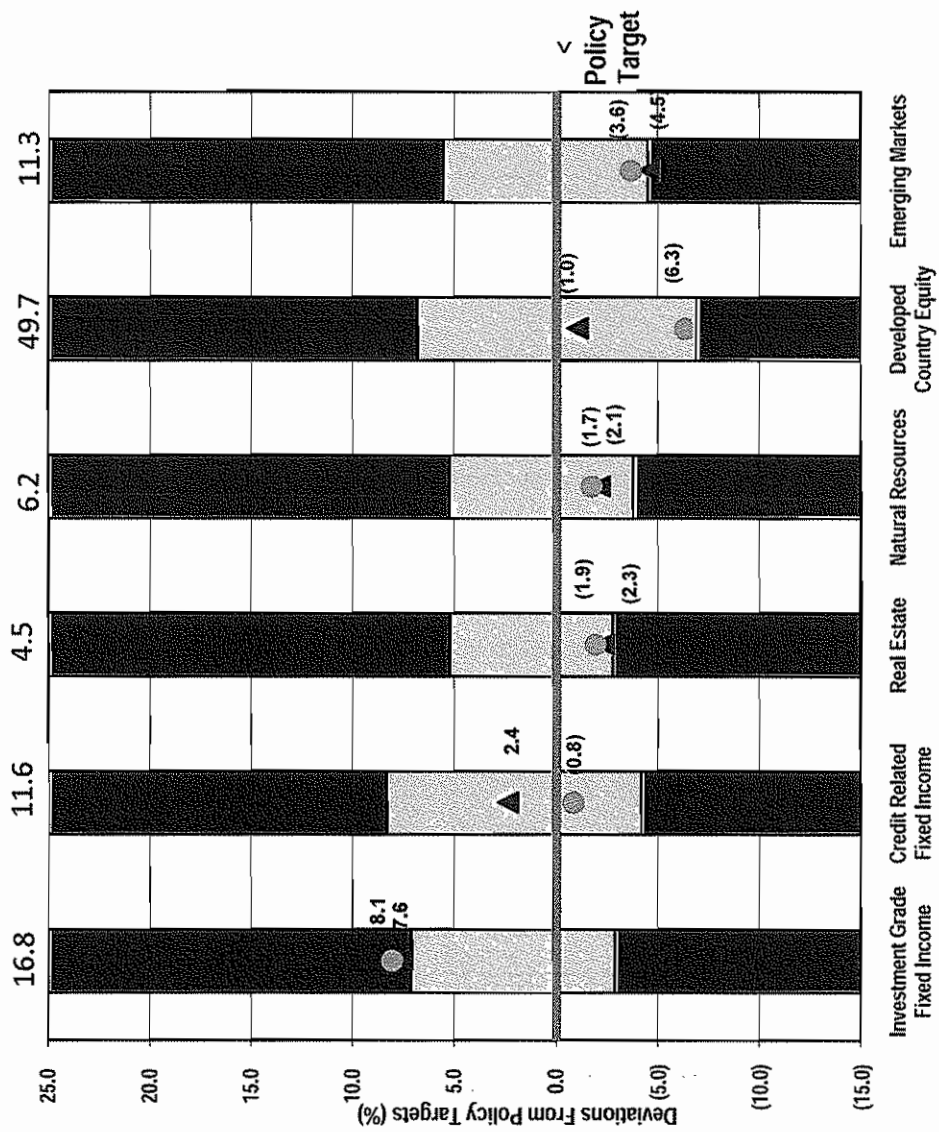
General Endowment Fund - Active Management Alpha
Periods Ended February 28, 2009

	3 Months (bps)	Manager (Alpha)
Total Less Correlated	77	Blue Ridge (15.61), Cadian (13.87), Steadfast (12.06)
Developed Country Equity	52	Value Act (1.12), Lansdowne Europe (.71), Westport (.54)
Investment Grade Fixed Income	9	Liquidity Reserve (.98), Internal Inv Grade Credit (.22), Internal U.S. Nominal (.18)
Natural Resources	6	Blackrock Global EX US (1.57), Nat. Resources Equity Swap (.12), DJAIG Swap (.07)
Subtotal	<u>144</u>	
Real Estate	(10)	MS REITS (.64), Credit Suisse (.63), Cohen & Steers Global (.57)
Credit Related Fixed Income	(15)	Parkcentral (13.00)
Emerging Markets Equity	(34)	Blakeney (2.87), BGI EMSI (.90), Emerging ETF (.35)
Total Private Investments	<u>(77)</u>	
Subtotal	<u>(136)</u>	
Total	<u><u>8</u></u>	

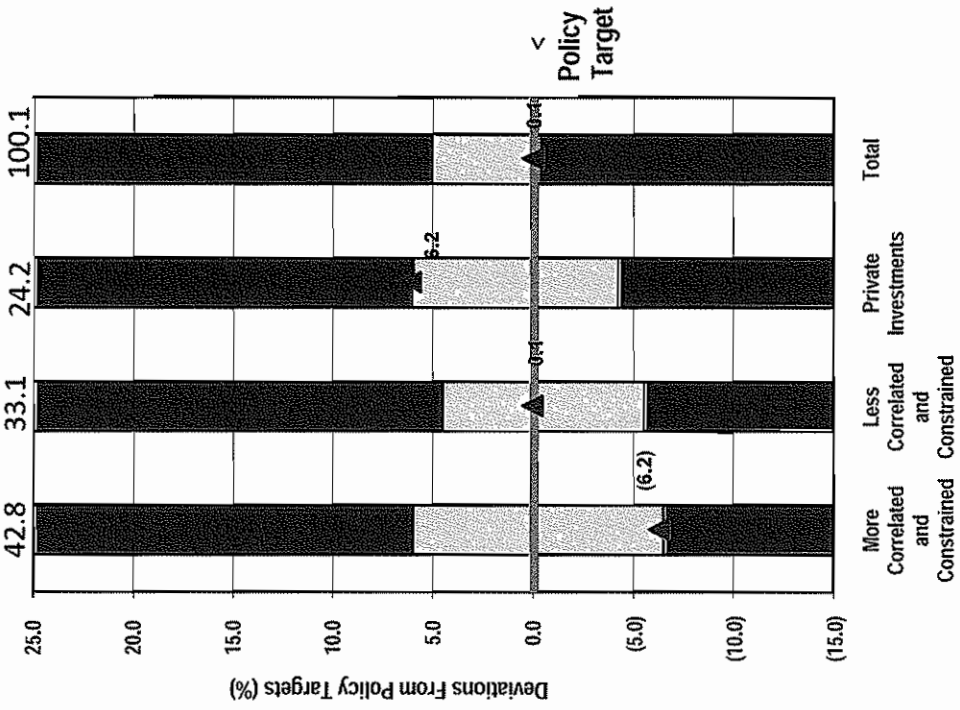
	6 Months (bps)	Manager (Alpha)
Total Less Correlated	112	Valiant (49.06), Blue Ridge (37.33), Steadfast (37.15)
Credit Related Fixed Income	18	Parkcentral (11.69)
Developed Country Equity	11	Lansdowne Europe (1.48), Value Act (.92), Japan Futures (.88)
Real Estate	3	European Investors (1.53), BGI ex-US (.45), Cohen & Steers Global (.30)
Subtotal	<u>144</u>	
Investment Grade Fixed Income	(22)	PIMCO Fixed (2.26), Brandywine (1.66), REAMS TIPS (.58)
Natural Resources	(33)	Blackrock Small Cap (3.02), Blackrock Global Ex US (2.91), MC Natural Resources HFP (.80)
Emerging Markets Equity	(44)	Templeton (1.15), Blakeney (.84), BGI EMSI (.62)
Total Private Investments	<u>(158)</u>	
Subtotal	<u>(257)</u>	
Total	<u><u>(113)</u></u>	

Assets

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

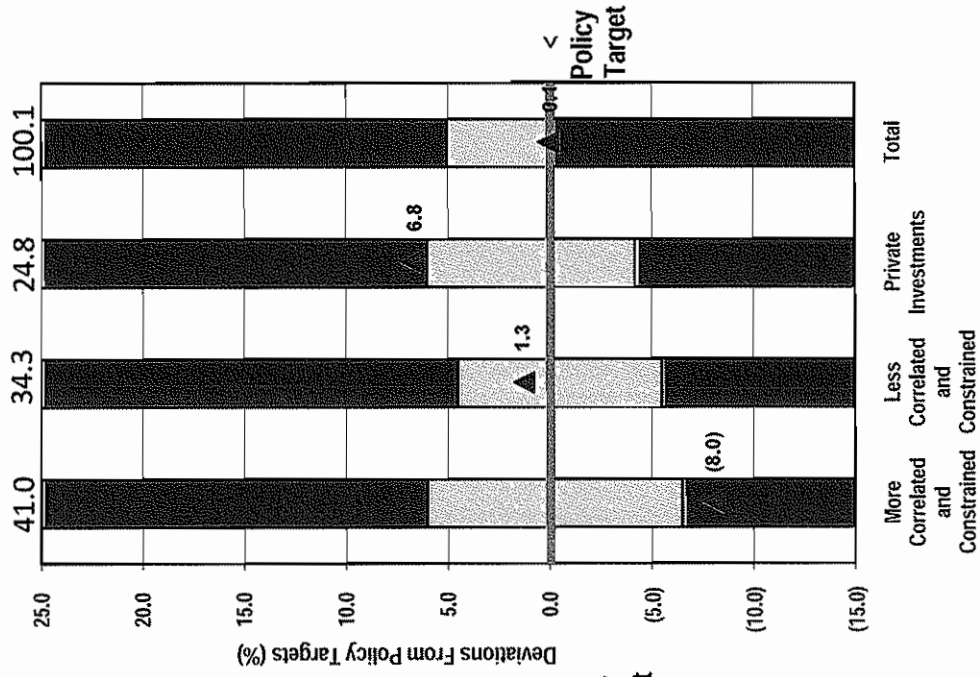


Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF

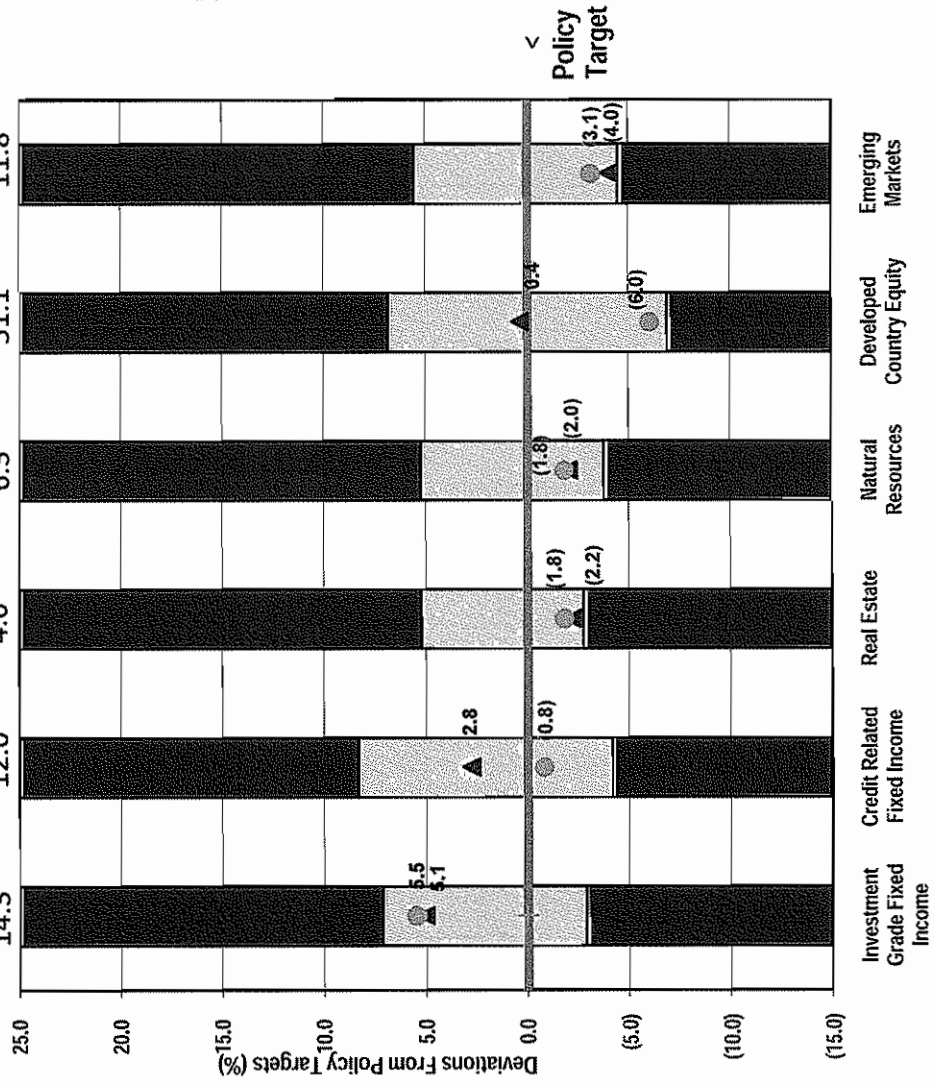


▲ -- All Investment Types ● -- More Correlated and Constrained

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

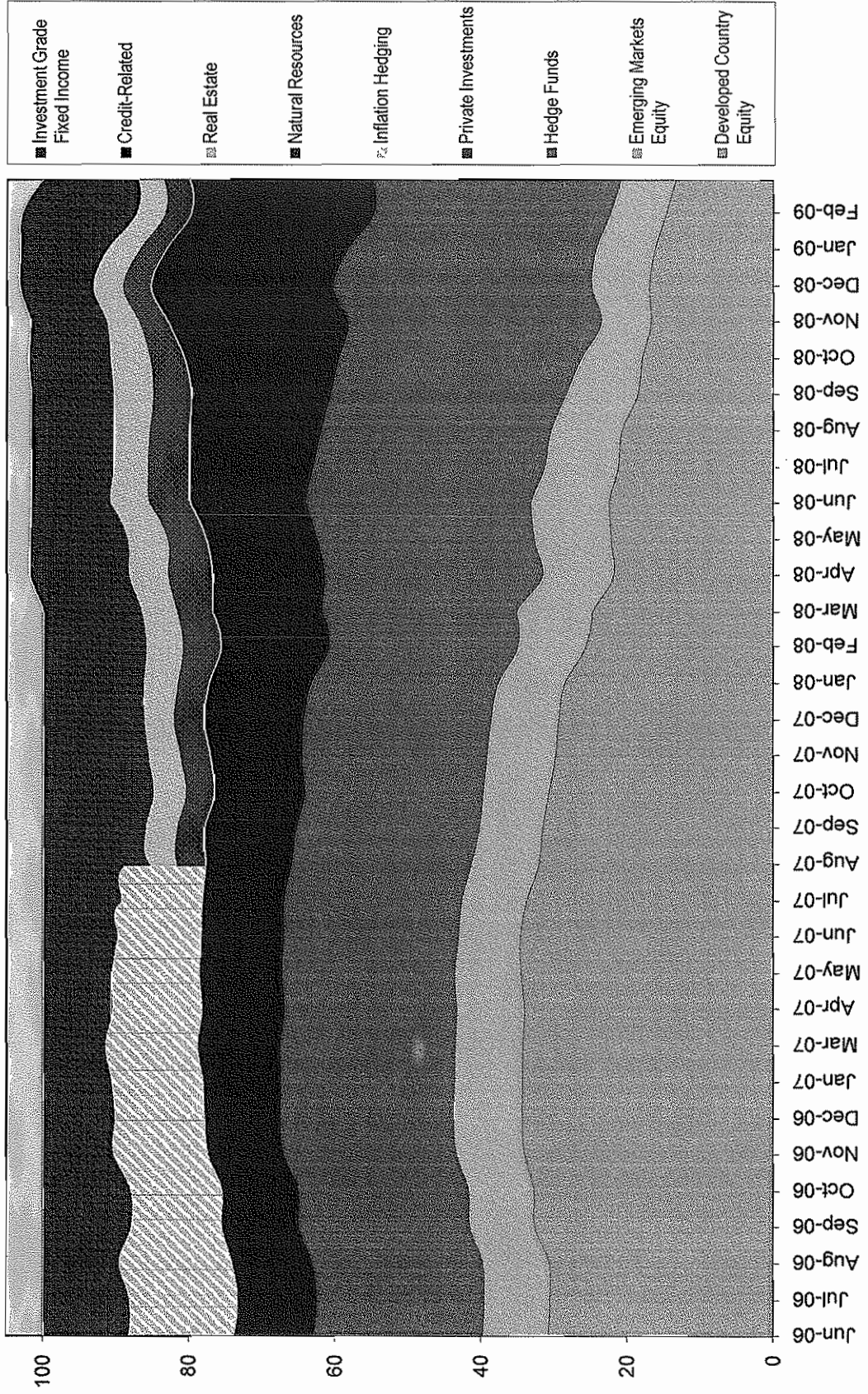


Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



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

GEF Dollar Allocation Over Time



Combined Permanent University Fund and General Endowment Fund
as of February 28, 2009
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total
		\$	%	\$	%	\$	%	
Fixed Income	Investment Grade	1,817	14.1%	224	1.7%	-	0.0%	2,041
	Credit-Related	46	0.4%	612	4.8%	843	6.6%	1,501
Fixed Income Total		1,863	14.5%	836	6.5%	843	6.6%	3,542
Real Assets	Real Estate	462	3.6%	44	0.3%	74	0.6%	580
	Natural Resources	445	3.5%	108	0.8%	246	1.9%	799
Real Assets Total		907	7.1%	152	1.1%	320	2.5%	1,379
Equity	Developed Country	1,705	13.3%	2,988	23.3%	1,754	13.7%	6,447
	Emerging Markets	933	7.1%	344	2.7%	218	1.7%	1,495
Equity Total		2,638	20.4%	3,332	26.0%	1,972	15.4%	7,942
Grand Total		\$ 5,408	42.0%	\$ 4,320	33.6%	\$ 3,135	24.5%	\$ 12,863

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.

**Combined Permanent University Fund and General Endowment Fund
Asset Class and Investment Type Targets, Ranges, and Performance Objectives**

**Combined Permanent University Fund and General Endowment Fund
as of February 28, 2009**

Asset Class	February 28, 2009	February 28, 2009		vs. Target
	ACTUAL	Min	Target Max	
Investment Grade Fixed Income	15.8%	6.3%	9.2% 16.3%	6.6%
Credit-Related Fixed Income	11.8%	5.0%	9.2% 17.5%	2.6%
Real Estate	4.5%	4.0%	6.8% 12.0%	-2.3%
Natural Resources	6.2%	4.5%	8.3% 13.5%	-2.1%
Developed Country Equity	50.3%	43.8%	50.7% 57.5%	-0.4%
Emerging Markets Equity	11.5%	11.3%	15.8% 21.3%	-4.3%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	42.0%	42.5%	49.0% 55.0%	-7.0%
Less Correlated & Constrained	33.6%	27.5%	33.0% 37.5%	0.6%
Private Investments	24.5%	13.8%	18.0% 24.0%	6.5%
TOTAL	100.1%		100.0%	0.1%

Asset Class	February 28, 2009	Fiscal Year ending August 31, 2009		vs. Target
	ACTUAL	Min	Target Max	
Investment Grade Fixed Income	15.8%	5.0%	7.5% 15.0%	8.3%
Credit-Related Fixed Income	11.8%	10.0%	13.5% 22.5%	-1.7%
Real Estate	4.5%	5.0%	7.5% 15.0%	-3.0%
Natural Resources	6.2%	5.0%	8.5% 15.0%	-2.3%
Developed Country Equity	50.3%	40.0%	46.5% 52.5%	3.8%
Emerging Markets Equity	11.5%	12.5%	16.5% 22.5%	-5.0%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	42.0%	37.5%	44.5% 50.0%	-2.5%
Less Correlated & Constrained	33.6%	27.5%	33.0% 37.5%	0.6%
Private Investments	24.5%	18.0%	22.5% 28.0%	2.0%
TOTAL	100.1%		100.0%	0.1%

Permanent University Fund
as of February 28, 2009
(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	1,243	15.1%	143	1.7%	-	0.0%	1,386
		30	0.4%	390	4.7%	539	6.5%	959
Fixed Income Total		1,273	15.5%	533	6.4%	539	6.5%	2,345
Real Assets	Real Estate	294	3.6%	28	0.3%	47	0.6%	369
	Natural Resources	286	3.5%	69	0.8%	157	1.9%	512
Real Assets Total		580	7.1%	97	1.1%	204	2.5%	881
Equity	Developed Country	1,089	13.2%	1,906	23.0%	1,121	13.5%	4,116
	Emerging Markets	598	7.0%	220	2.6%	139	1.7%	957
Equity Total		1,687	20.2%	2,126	25.6%	1,260	15.2%	5,073
Grand Total		\$ 3,540	42.8%	\$ 2,756	33.1%	\$ 2,003	24.2%	\$ 8,299

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 February 28, 2009

Asset Class	February 28, 2009 ACTUAL	February 28, 2009 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	16.8%	6.3%	9.2%	16.3%
Credit-Related Fixed Income	11.6%	5.0%	9.2%	17.5%
Real Estate	4.5%	4.0%	6.8%	12.0%
Natural Resources	6.2%	4.5%	8.3%	13.5%
Developed Country Equity	48.7%	43.8%	50.7%	57.5%
Emerging Markets Equity	11.3%	11.3%	15.6%	21.3%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	42.8%	42.5%	49.0%	55.0%
Less Correlated & Constrained	33.1%	27.5%	33.0%	37.5%
Private Investments	24.2%	13.6%	18.0%	24.0%
TOTAL	100.1%		100.0%	0.1%

Asset Class	February 28, 2009 ACTUAL	Fiscal Year ending August 31, 2009 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	16.8%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	11.6%	10.0%	13.5%	22.5%
Real Estate	4.5%	5.0%	7.5%	15.0%
Natural Resources	6.2%	5.0%	8.5%	15.0%
Developed Country Equity	48.7%	40.0%	46.5%	52.5%
Emerging Markets Equity	11.3%	12.5%	16.5%	22.5%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	42.8%	37.5%	44.5%	50.0%
Less Correlated & Constrained	33.1%	27.5%	33.0%	37.5%
Private Investments	24.2%	18.0%	22.5%	28.0%
TOTAL	100.1%		100.0%	0.1%

General Endowment Fund
as of February 28, 2009
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments	Grand Total
		\$	%	\$	%		
Fixed Income	Investment Grade	574	12.5%	81	1.8%	\$ -	\$ 655
	Credit-Related	16	0.4%	222	4.9%	304	542
Fixed Income Total		590	12.9%	303	6.7%	304	1,197
Real Assets	Real Estate	168	3.7%	16	0.3%	27	211
	Natural Resources	159	3.5%	39	0.9%	89	287
Real Assets Total		327	7.2%	55	1.2%	116	498
Equity	Developed Country	616	13.5%	1,082	23.7%	633	2,331
	Emerging Markets	335	7.4%	124	2.7%	79	538
Equity Total		951	20.9%	1,206	26.4%	712	2,869
Grand Total		\$ 1,868	41.0%	\$ 1,564	34.3%	\$ 1,132	\$ 4,565

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 February 28, 2009

Asset Class	February 28, 2009 ACTUAL	February 28, 2009 Target		vs. Target
		Min.	Max.	
Investment Grade Fixed Income	14.3%	6.3%	9.2%	5.1%
Credit-Related Fixed Income	12.0%	5.0%	9.2%	2.8%
Real Estate	4.6%	4.0%	6.8%	-2.2%
Natural Resources	6.3%	4.5%	8.3%	-2.0%
Developed Country Equity	51.1%	43.8%	50.7%	0.4%
Emerging Markets Equity	11.8%	11.3%	15.8%	-4.0%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	41.0%	42.5%	49.0%	-8.0%
Less Correlated & Constrained	34.3%	27.5%	33.0%	1.3%
Private Investments	24.8%	13.8%	18.0%	6.8%
TOTAL	100.1%		100.0%	0.1%

Asset Class	February 28, 2009 ACTUAL	Fiscal Year ending August 31, 2009 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	14.3%	5.0%	7.5%	6.8%
Credit-Related Fixed Income	12.0%	10.0%	13.5%	-1.5%
Real Estate	4.6%	5.0%	7.5%	-2.9%
Natural Resources	6.3%	5.0%	8.5%	-2.2%
Developed Country Equity	51.1%	40.0%	46.5%	4.6%
Emerging Markets Equity	11.8%	12.5%	16.5%	-4.7%
TOTAL	100.1%		100.0%	0.1%
Investment Types				
More Correlated & Constrained	41.0%	37.5%	44.5%	-3.5%
Less Correlated & Constrained	34.3%	27.5%	33.0%	1.3%
Private Investments	24.8%	18.0%	22.5%	2.3%
TOTAL	100.1%		100.0%	0.1%

More Correlated and Constrained Portfolio Update



MCC Performance Update

More Correlated and Constrained Assets Quarter Ended February 28, 2009 (\$ in millions)						
	PUF		GEF		ITF	
	\$	Return	\$	Return	\$	Return
Fixed Income						
Investment Grade Fixed Income	1,248	2.0%	576	1.8%	1,234	0.8%
vs. BC Global Agg		1.5%		1.4%		0.4%
Credit Related Fixed Income	30	-2.6%	17	-2.7%	17	-3.4%
vs. BC Global HY		-12.4%		-12.4%		-13.2%
Total						
Real Assets						
REIT's	285	-21.8%	163	-21.9%	192	-21.4%
vs. FTSE NAREIT Global		-1.6%		-1.7%		-1.2%
Natural Resources	285	-12.8%	159	-12.8%	111	-13.7%
vs. Natural Resource Composite		1.0%		1.0%		0.1%
Equities						
Developed Country	1,086	-13.1%	614	-12.9%	428	-13.0%
vs. MSCI World Index		2.4%		2.6%		2.5%
Emerging Markets	594	-8.0%	333	-8.1%	130	-8.0%
vs. MSCI EM Index		-3.1%		-3.3%		-3.1%

Outperformance in:

Investment Grade Fixed Income- US overweight in addition to active management outperformance of 2 of 4 managers
 Natural Resources- Global active manager outperformance
 Developed Country Equities- Majority of active managers outperformed index during the quarter

Underperformance in:

Credit Related Fixed Income- RMBS mandate
 REIT's- Most of underperformance occurred in December and January and is attributed to a REITs rally in lower quality names
 Emerging Market Equity- Exposure to frontier markets and overweights to Russia and Eastern Europe



Liquidity Reserve

- Using Dreyfus Institutional Preferred Money Market Fund (IPMM)
- 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 was extended at Treasury's option to 9/18/09; IPMM will continue to participate
- Staff completing due diligence to invest \$200MM of Liquidity Reserve in Invesco Aim Short-term Investment Trust Treasury Portfolio – funding projected in April 2009

Dreyfus Institutional Preferred Money Market Fund Summary

	<u>A.U.M. (\$Bil.)</u>	<u>UTIMCO Funds (\$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
1/31/09	9.2	3.3	39	0.9999	25.0
2/28/09	8.9	3.5	29	0.9998	40.0
3/31/09	8.5	3.2	28	0.9999	53.0



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 and earnings should begin to recover

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	1,000	412	1.0001	25	49	103.6
July 08	1,045	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
Jan. 09	261	94	0.9999	5	86	104.1
Feb. 09	289	80	0.9999	3	87	103.4

Less Correlated and Constrained Portfolio Update



LCC Quarterly Performance Update

2nd Fiscal Quarter 2009 *December 2008 – February 2009*

LCC Asset Classes (Number of Managers)

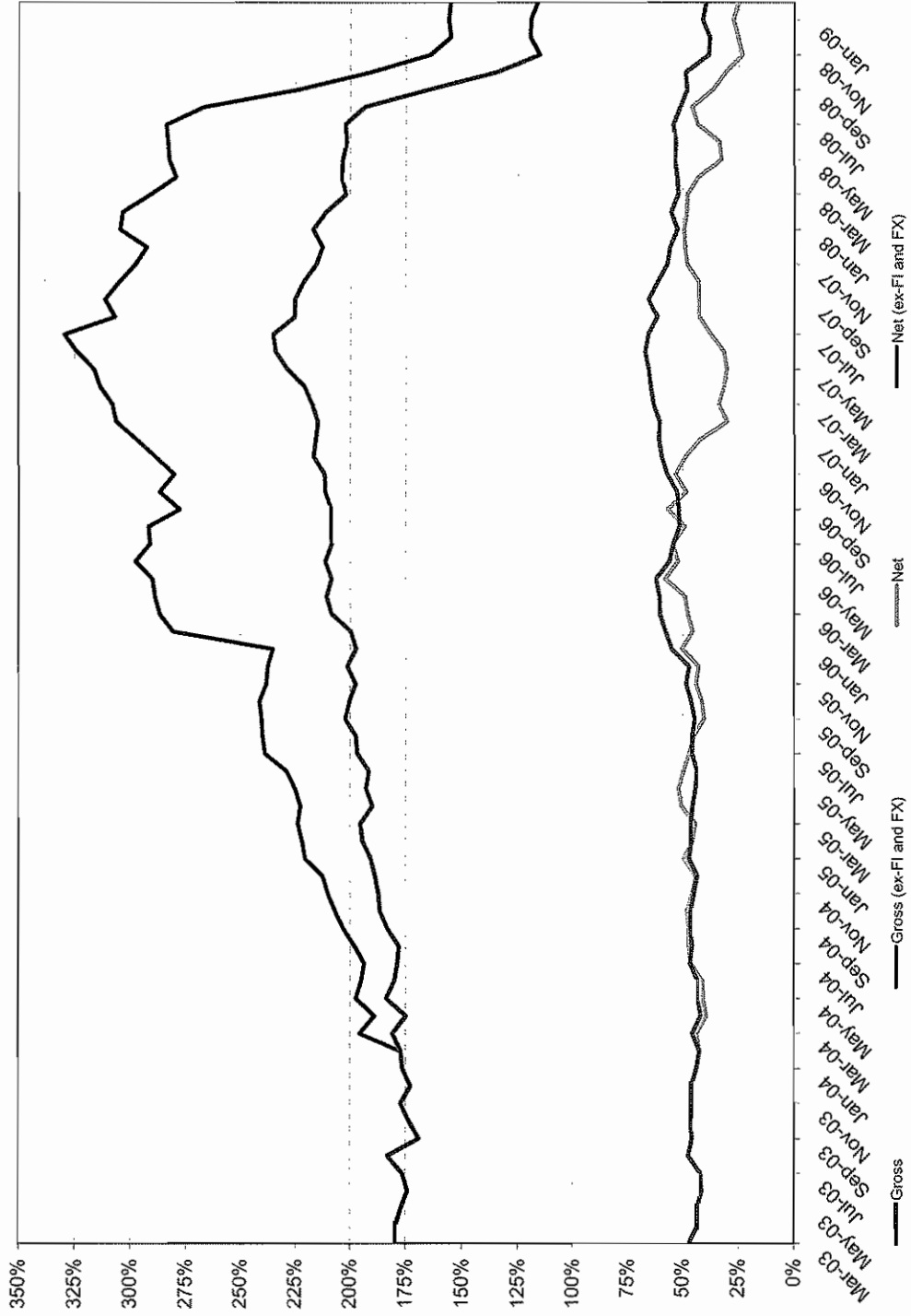
Investment Grade Fixed Income (1)	5.1%
Credit Related Fixed Income (7)	0.4%
Natural Resources (1)	-0.4%
Real Estate (1)	2.1%
Developed Country Equity (21)	0.4%
Emerging Market Equity (5)	3.4%

LCC Portfolio	1.2%
Composite Benchmark	-1.5%
Difference	2.7%

Global Equities (MSCI AC World)	-14.4%
CSFB High Yield	9.5%



LCC Leverage





LCC Leverage

	<u>Gross</u>	<u>Net</u>
Investment Grade FI	502%	144%
Credit Related FI	87%	71%
Real Estate	113%	29%
Natural Resources	137%	22%
Developed Country Equity	124%	34%
Emerging Markets Equity	99%	21%
LCC Total (excluding CDS)	137%	43%
Credit Default Swaps	<u>18%</u>	<u>-18%</u>
LCC Total	155%	25%



LCC Investment Policy Categorizations vs. "Look Thru" Exposures (2/28/09)

Exposure Comparison by Methodology			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.7%	3.2%	1.6%
Credit-Related Fixed Income	4.6%	7.8%	3.2%
Real Estate	0.3%	0.2%	-0.1%
Natural Resources	0.8%	0.8%	0.0%
Developed Country Equity	22.5%	17.0%	-5.5%
Emerging Markets Equity	2.6%	3.4%	0.9%
Less Correlated & Constrained	32.5%	32.5%	0.0%

UTIMCO FY Target Comparison			
Current per	8/31/09	Target	Difference
Policy			
	1.7%	1.9%	-0.2%
	4.6%	5.7%	-1.1%
	0.3%	0.0%	0.3%
	0.8%	1.4%	-0.6%
	22.5%	17.7%	4.8%
	2.6%	4.8%	-2.2%
	32.5%	31.6%	1.0%

Asset Classification	Hedge Fund Strategy																	
	Fixed Income	Investment Grade	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	Total LCC
Fixed Income	0.6%	0.0%	0.1%	-	0.6%	0.0%	1.2%	-	-	0.3%	0.1%	0.0%	-	-	-	0.1%	-	1.7%
Credit-Related	0.0%	0.0%	0.1%	0.1%	-	0.0%	0.2%	3.9%	0.0%	-	0.2%	0.0%	-	0.0%	0.2%	0.5%	0.0%	4.6%
Real Estate	-	-	-	-	-	-	-	0.1%	0.2%	-	-	-	-	-	-	-	-	0.3%
Natural Resources	0.1%	0.0%	-	-	0.0%	-	0.2%	-	-	0.4%	0.1%	0.0%	-	-	0.1%	0.2%	0.0%	0.8%
Developed Country	0.3%	0.3%	0.8%	0.8%	0.1%	0.4%	1.5%	-	-	1.1%	9.0%	3.9%	0.0%	2.7%	15.6%	1.7%	1.7%	22.5%
Emerging Markets	-	-	0.0%	0.0%	0.1%	-	0.1%	0.2%	-	-	0.2%	0.2%	-	0.2%	0.5%	0.5%	1.7%	2.6%
Total LCC	1.1%	0.9%	0.9%	0.9%	0.8%	0.4%	3.2%	7.8%	0.2%	0.8%	9.6%	4.1%	0.0%	0.1%	3.2%	17.0%	3.4%	32.5%
Gross Leverage	10.57	1.45	1.45	1.45	4.12	1.51	5.12	0.80	1.22	1.67	1.36	1.57	0.00	1.22	0.85	1.32	1.04	1.55
Net Leverage	-3.38	0.19	0.19	0.19	-0.43	0.51	-1.09	0.65	0.17	0.23	0.29	-0.02	0.00	0.21	0.82	0.31	0.31	0.25



LCC Redemption Liquidity Update

- Of the \$75 million partial redemption from a multi-strategy manager at year end, 65% has been paid out through March 31 with another 10-15% expected in April/May and the balance by December
- Of the \$75 million partial redemption from a multi-strategy manager on March 31, 100% will be paid out within 15 days without any holdback or illiquid securities
- Of the \$33 million invested with a credit-related manager at year end, 68% has been paid out through March 31 as the fund conducts an orderly unwind; it is expected that the final 10% is in illiquid securities that will take 2-3 years to unwind
- Of the \$94 million invested with a credit-related manager at year end, no cash has been distributed through March 31 as the goal is to maximize value over 12-18 months
- Approximately 10% of the LCC portfolio (~3% of PUF/GEF/ITF funds) as of February 28, 2009 is invested in side pockets that are not redeemable at our option, an increase from 6% in November due to redemptions from the portfolio rather than increases in allocations (i.e., denominator effect)



Transparency and Administration Update

- Conducted on-site back office due diligence of Blue Ridge, TPG-Axon and Fox Point in NY with two accounting team members to review policies and procedures, internal controls, valuation policies, trading and operations
 - Staff received sufficient comfort from each and found no material changes from prior due diligence
 - One large global long/short manager is engaging an independent third-party administrator in the coming months and one multi-strategy manager will be conducting a SAS 70 review and disclosing summary findings of results to investors
 - Staff will conduct on-site back office due diligence meetings with Farallon, Valiant, Watershed, Perry, Centerbridge and Cadian in coming months;
- Annual compliance forms have been sent to each manager and are awaiting responses; based on comfort level in DDQ responses, future on-site due diligence meetings will be conducted as needed

Private Investments Portfolio Update



Private Investments

Portfolio Exposure

Private Markets Exposure Report - 2/28/09

Asset Class	Market Value	% of Total		Unfunded Commitment	Total Exposure	% of Total		Market Value as Commitment as Exposure as	
		Market Value	Unfunded Commitment			Exposure	Endowments	% of Total	Endowments
BUYOUT/GROWTH	\$1,023,199,774	32.6%	\$880,182,482	\$1,903,382,256	32.4%	8.0%	6.9%	14.8%	
VENTURE CAPITAL	\$490,790,000	15.7%	\$457,689,148	\$948,479,148	16.2%	3.8%	3.6%	7.4%	
OPPORTUNISTIC/DIRECT	\$239,465,989	7.6%	\$122,492,887	\$361,958,876	6.2%	1.9%	1.0%	2.8%	
DEVELOPED MARKETS EQUITY	\$1,753,455,763	55.9%	\$1,460,364,517	\$3,213,820,280	54.8%	13.7%	11.5%	25.0%	
EMERGING MARKETS EQUITY	\$217,280,525	6.9%	\$331,459,623	\$548,740,148	9.4%	1.7%	2.6%	4.3%	
CREDIT-RELATED FIXED INCOME	\$843,085,972	26.9%	\$312,427,352	\$1,155,513,324	19.7%	6.6%	2.4%	9.0%	
NATURAL RESOURCES	\$246,936,700	7.9%	\$376,481,406	\$623,418,106	10.6%	1.9%	2.9%	4.9%	
REAL ESTATE	\$73,806,955	2.4%	\$251,712,365	\$325,519,320	5.5%	0.6%	2.0%	2.5%	
GRAND TOTAL PRIVATE MARKETS	\$3,134,565,915	100.0%	\$2,732,445,263	\$5,867,011,178	100.0%	24.5%	21.4%	45.9%	
TOTAL ENDOWMENTS NAV	\$12,843,943,130								



Private Investments

Valuation Summary

Fiscal Year to Date Gains/Losses

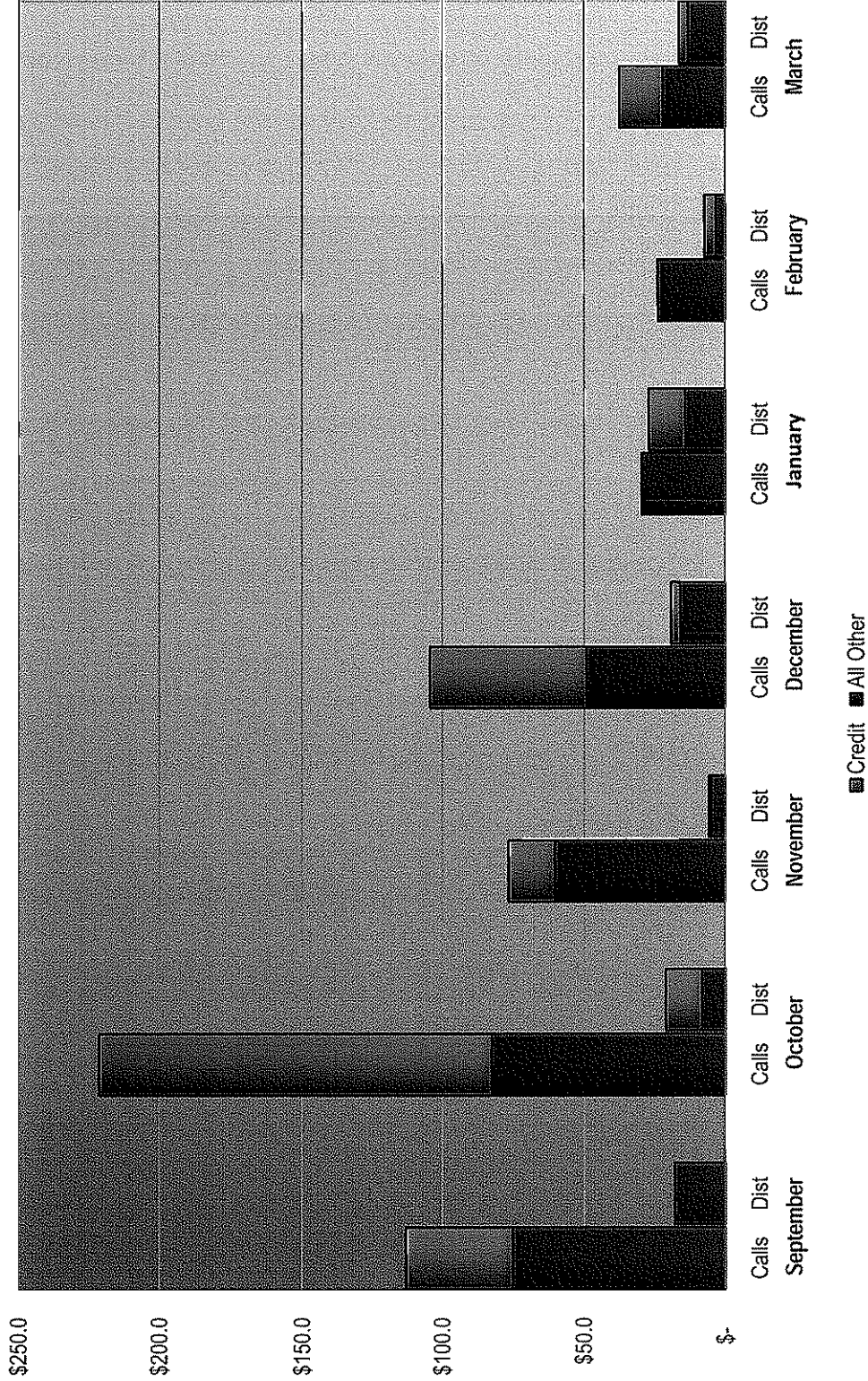
Asset Class	Q1 Decline (\$million)	Q2 Decline (\$million)	FY to Date Decline (\$million)	FY to Date Decline (%)	Commentary
Credit-Related Fixed Income	\$151	\$95	\$246	24%	Losses for the period are largely unrealized, mainly due to the decline in market price
Real Estate	2	16	18	21%	
Natural Resources	32	19	51	18%	
Developed Country Equity	126	179	305	15%	Buyouts: (\$286.4 million), down 20% due largely to decrease in valuations of publicly-traded comparable companies Venture Capital: (\$18.9 million), down 4%
Emerging Markets Equity	16	12	28	13%	
Total:	\$327	\$321	\$648	18%	

- Losses over the six months ended 2/28/09 totaled \$648 million. In November 2008, the Staff estimated that the 12/31/08 losses would be approximately \$661 million
- Listed figures represent valuations with approximately 75% of GPs reporting 12/31/08 data. Staff expects to see additional write downs as remaining GPs report year end valuations (~3% in March)



Private Investments

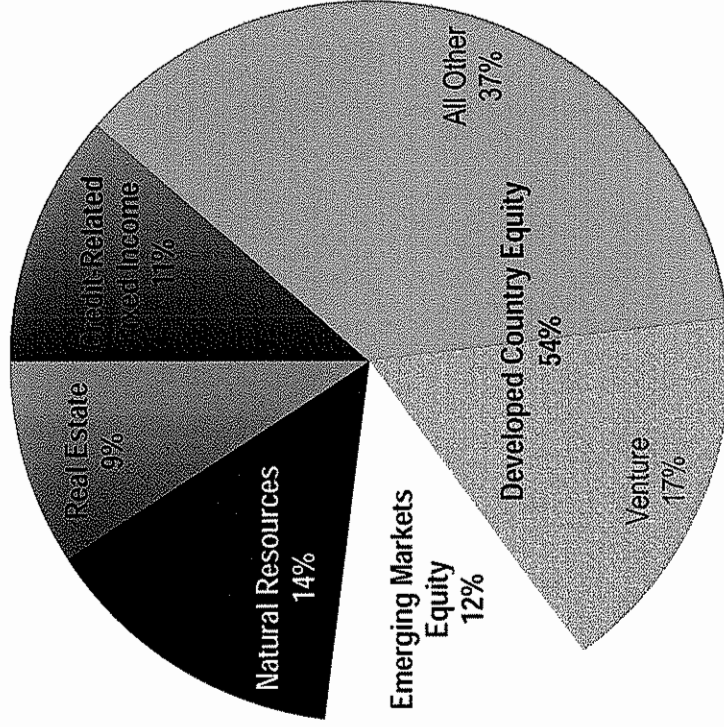
Fiscal Year to Date Calls & Distributions





Private Investments

Unfunded Commitments by Asset Class



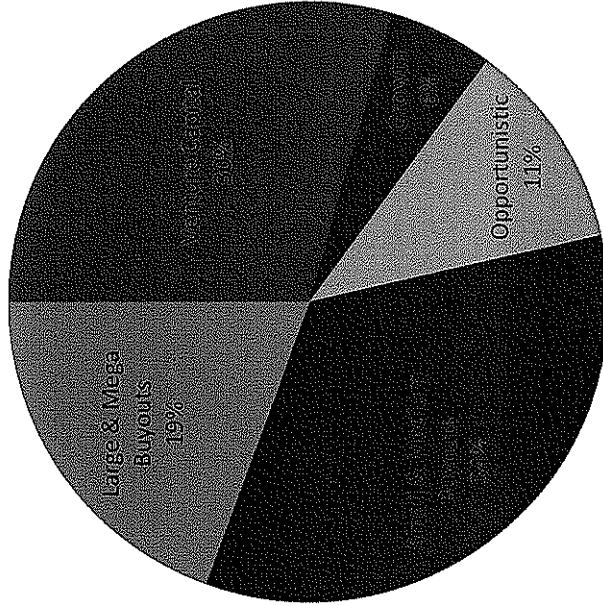
Unfunded Amount: \$2.7 billion



Private Investments

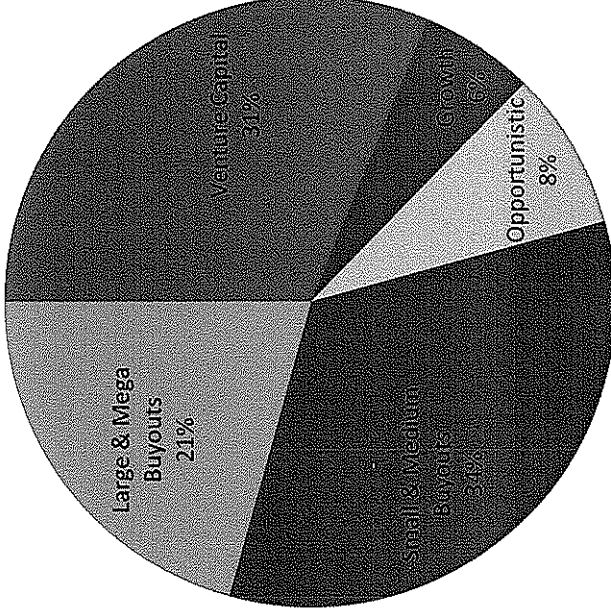
Developed Country Focus

Developed Country
Exposure by Sub-Asset Class



Total MV: \$1.8 billion

Developed Country
Unfunded by Sub-Asset Class



Unfunded Amount: \$1.5 billion



Private Investments

Developed Country Focus

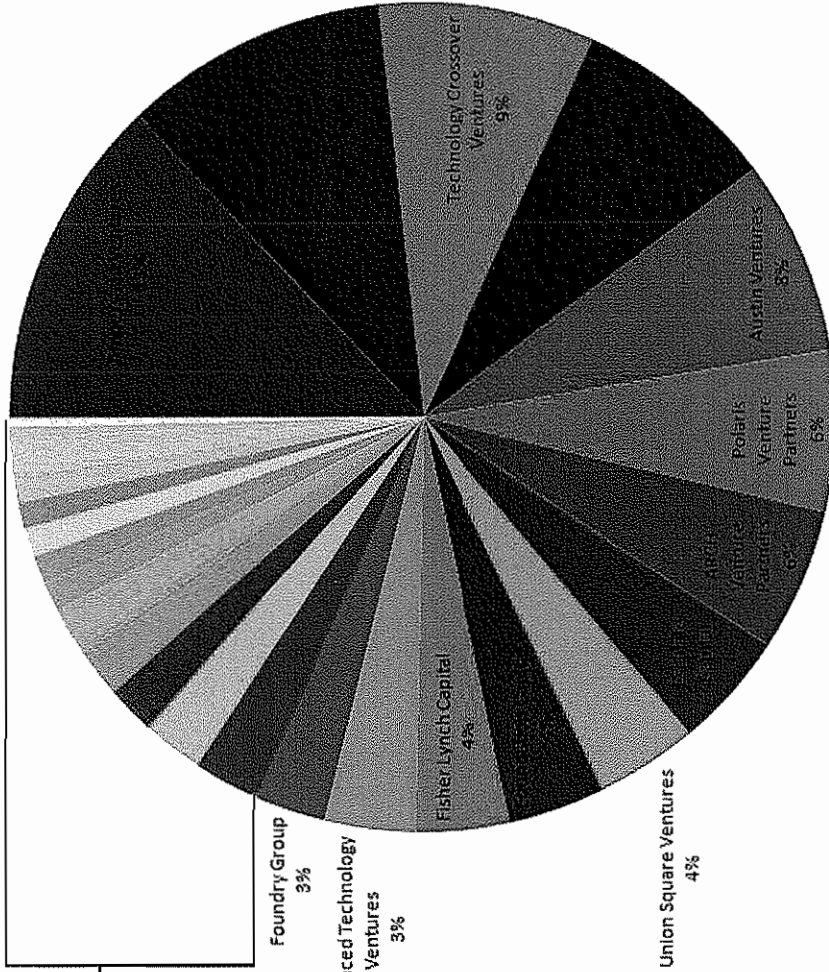
- Active management of the Developed Country portfolio
 - Limited new dollars available for commitment
 - Re-underwrite existing unfunded commitments
 - Resizing/Secondary Sales (redeploy into higher conviction managers)
- Staff modeled existing large buyout portfolio
 - *Blackstone, Candover, Carlyle, Cinven, CVC, Doughty Hanson, Green, KKR, & TPG*

Invested Amount	\$1.00
Average NAV	0.70
Secondary Pricing Range	.35-.45
Base Case Return	1.15
Bear Case Return	0.71



Private Investments Venture Capital Market Value

15 Managers - 18.4%:
Knightsbridge
Intellectual Ventures
Prospect Venture Partners
Atlas Venture
Artiman Ventures
Crescendo Ventures
Gobi Partners
Care Capital
Band of Angels
Sofinnova Ventures
Spark Management Partners
Prime New Ventures
The Woodlands
Integral Capital Partners
JatoTech Ventures



Growth:	28.2%
Ampersand (100%)	13.0%
TCV (100%)	8.6%
AV (66%)	5.1%
Polaris (25%)	1.6%
IP:	
Intellectual Ventures	2.4%
Debt:	
Escalate Capital	4.5%
Total:	35.1%

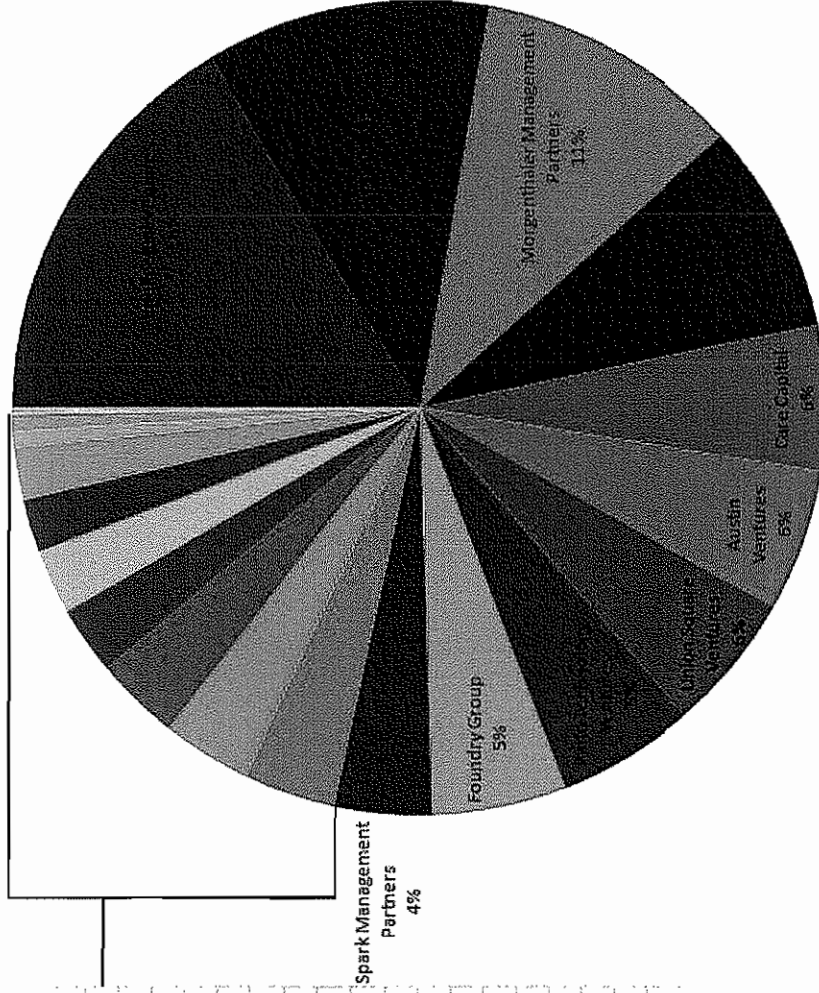
\$500.9m - 16% of PM NAV - 3.9% of Endowment NAV



Private Investments

Venture Capital Unfunded

18 Managers - 21%:
Artiman Ventures
Gobi Partners
Fisher Lynch Capital
Polaris Venture Partners
Sofinnova Ventures
Knightsbridge Advisors
Amersand Ventures
Prospect Venture Partners
Escalate Capital
Advanced Technology Ventures
Foundation Capital
Atlas Venture
JatoTech Ventures
Crescendo Ventures
Band of Angels
Prime New Ventures
The Woodlands
Integral Capital Partners

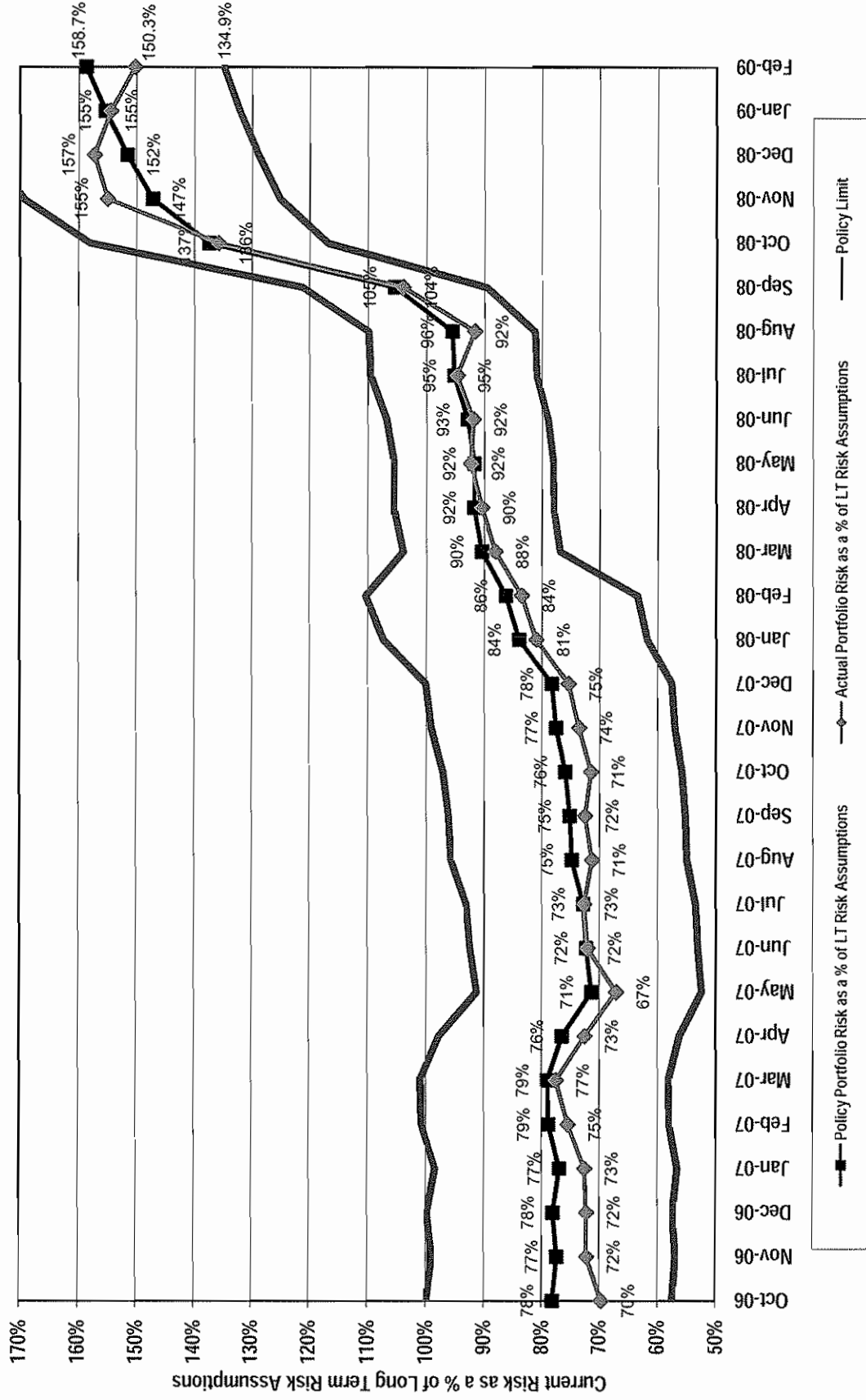


Growth:	17.8%
Amersand (100%)	2.1%
TCV (100%)	11.3%
AV (66%)	3.8%
Polaris (25%)	0.7%
IP:	
Intellectual Ventures	16.5%
Debt:	
Escalate Capital	0.5%
Total:	34.7%

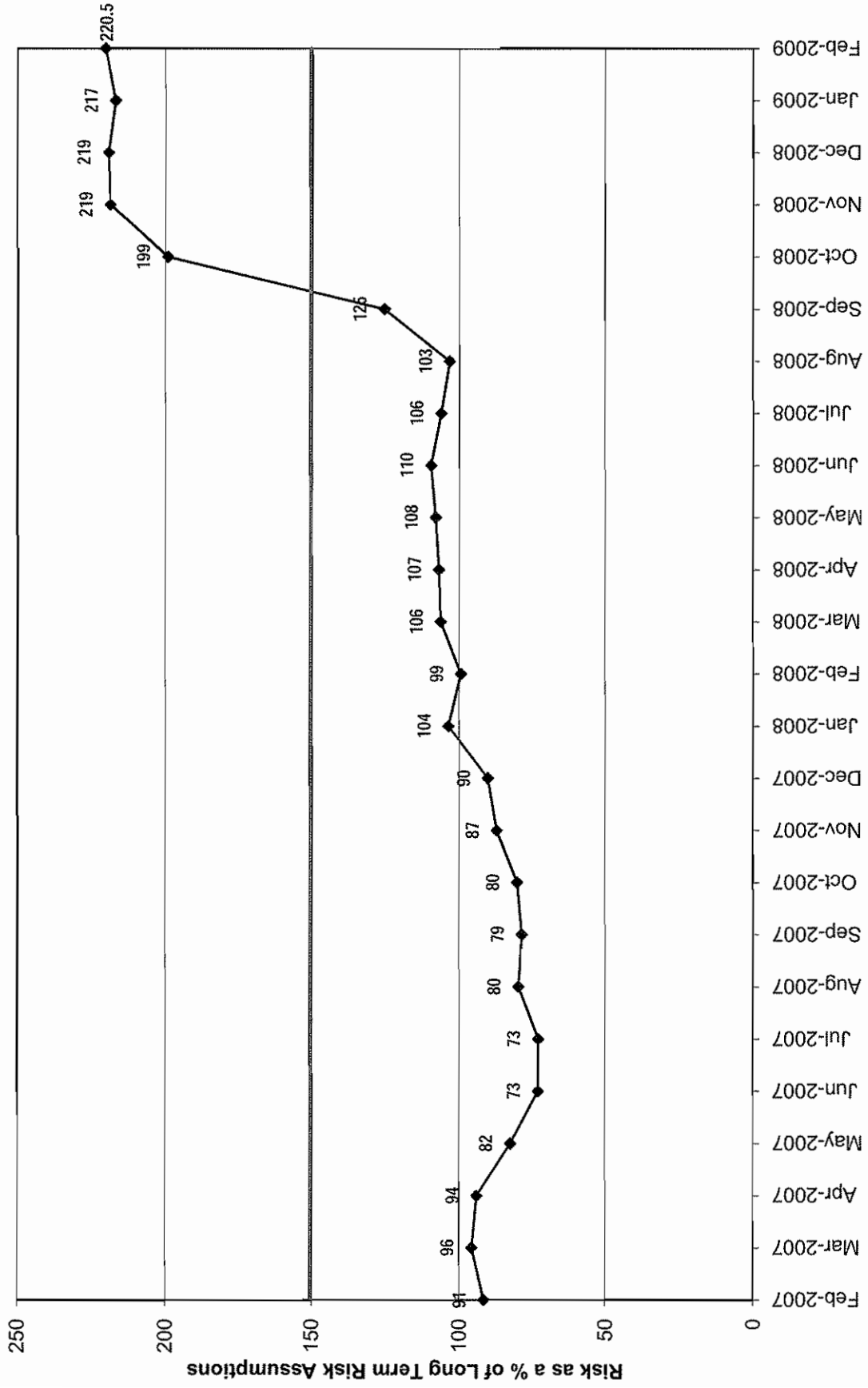
\$519.2m – 16.6% of PM NAV - 4% of Endowment NAV

Risk Analytics

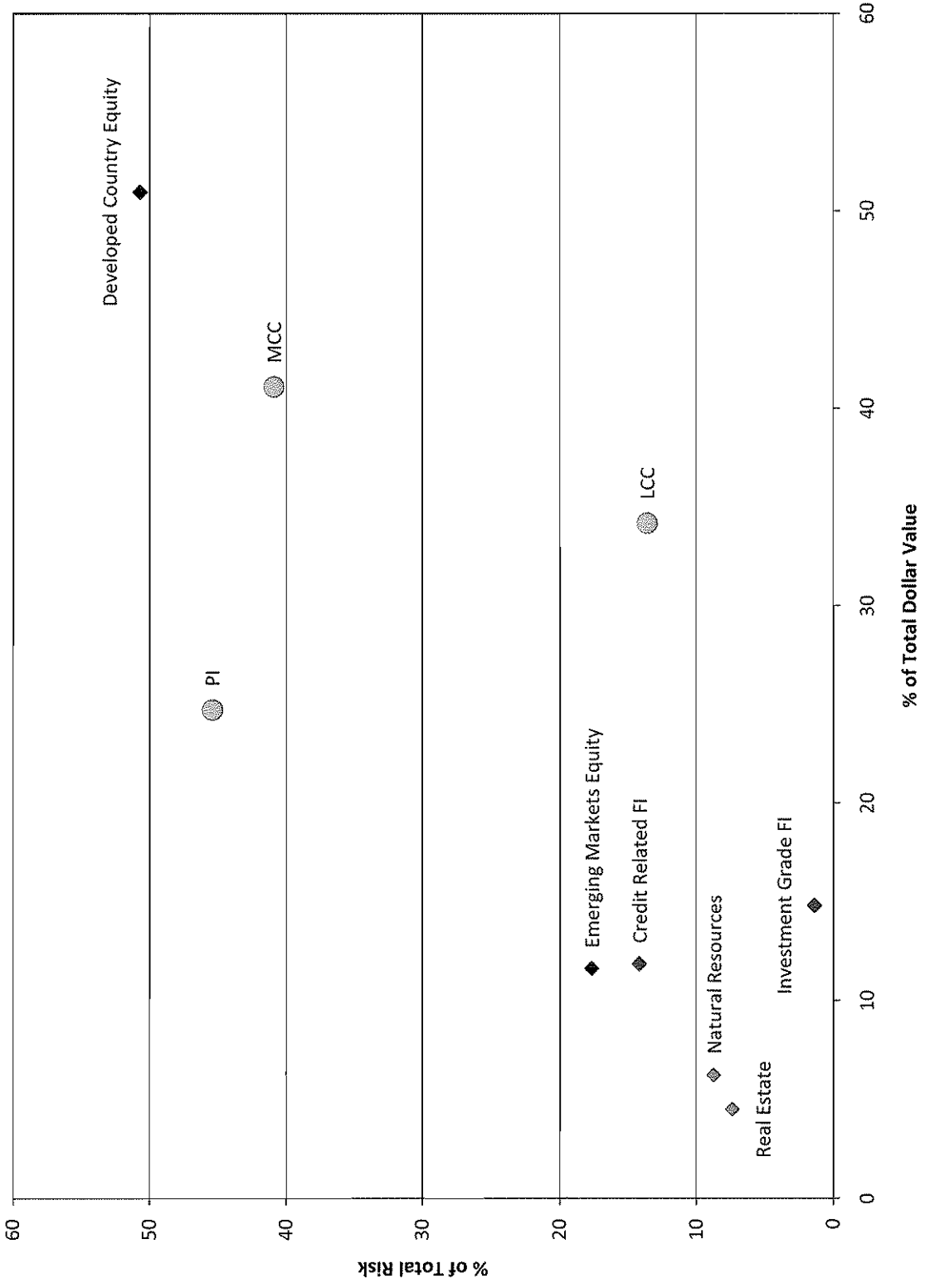
Current Risk Environment of GEF (Based on Downside Risk)



Rolling 12 Month Risk Estimate of Current GEF Portfolio



Dollar Allocations Compared to Downside Risk Allocation - GEF

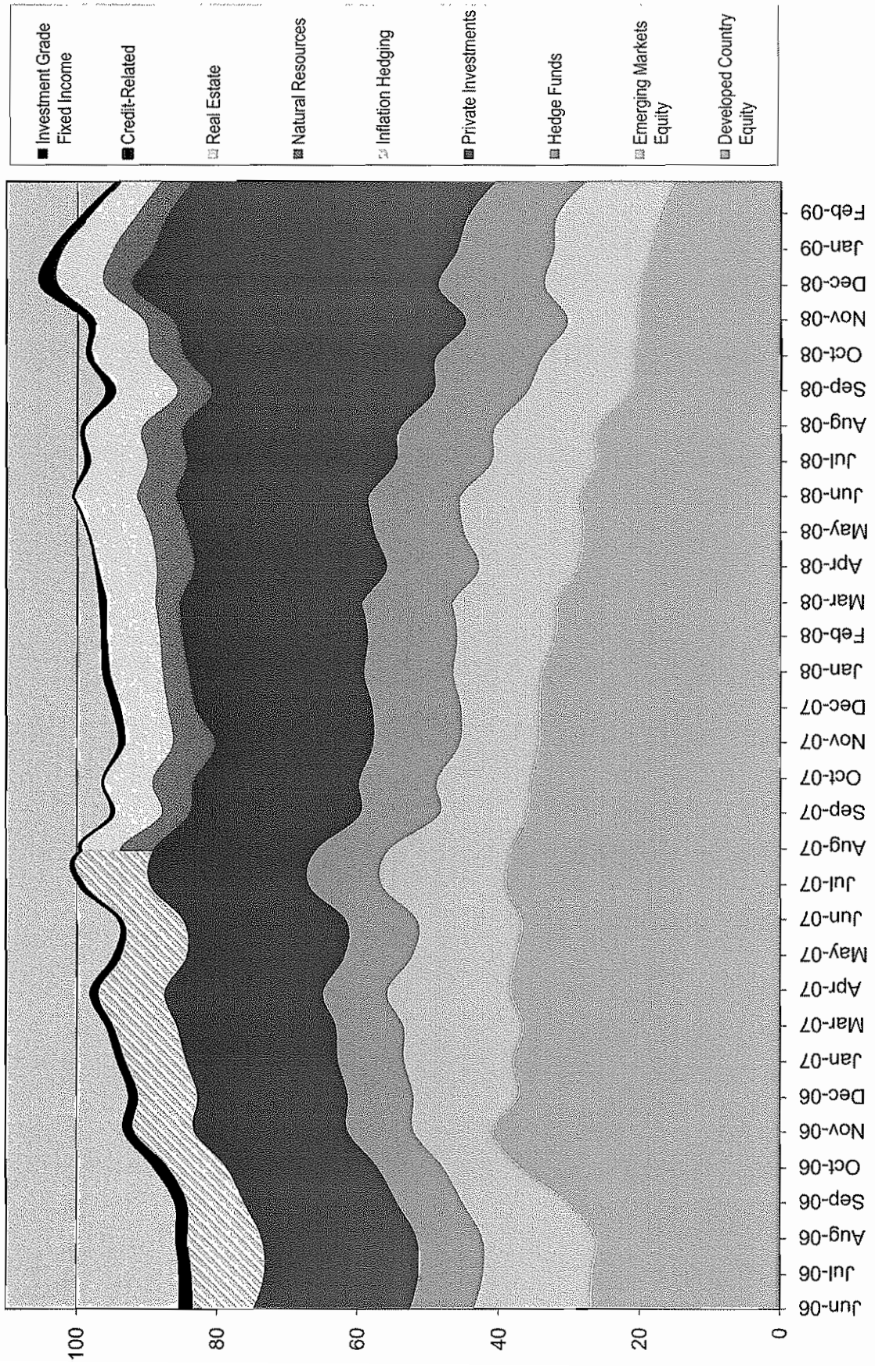




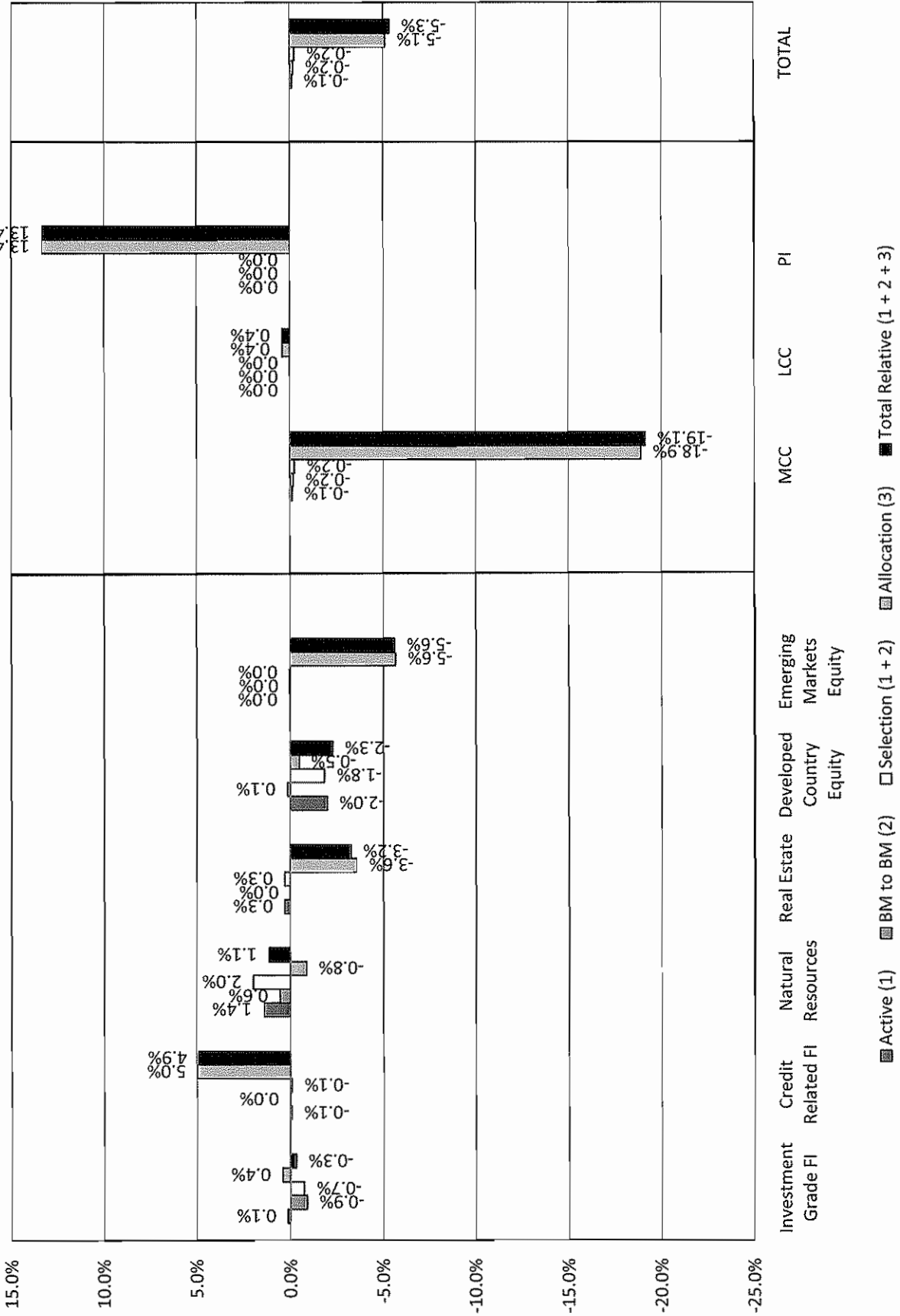
GEF Risk Allocation

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.7%	0.1%	0.0%	0.8%
Credit-Related Fixed Income	0.1%	2.3%	3.5%	5.9%
Natural Resources	4.8%	0.2%	4.6%	9.6%
Real Estate	6.1%	0.1%	2.7%	8.9%
Developed Country Equity	15.9%	10.0%	28.4%	54.3%
Emerging Markets Equity	13.4%	0.9%	6.2%	20.6%
TOTAL	40.9%	13.6%	45.4%	100.0%

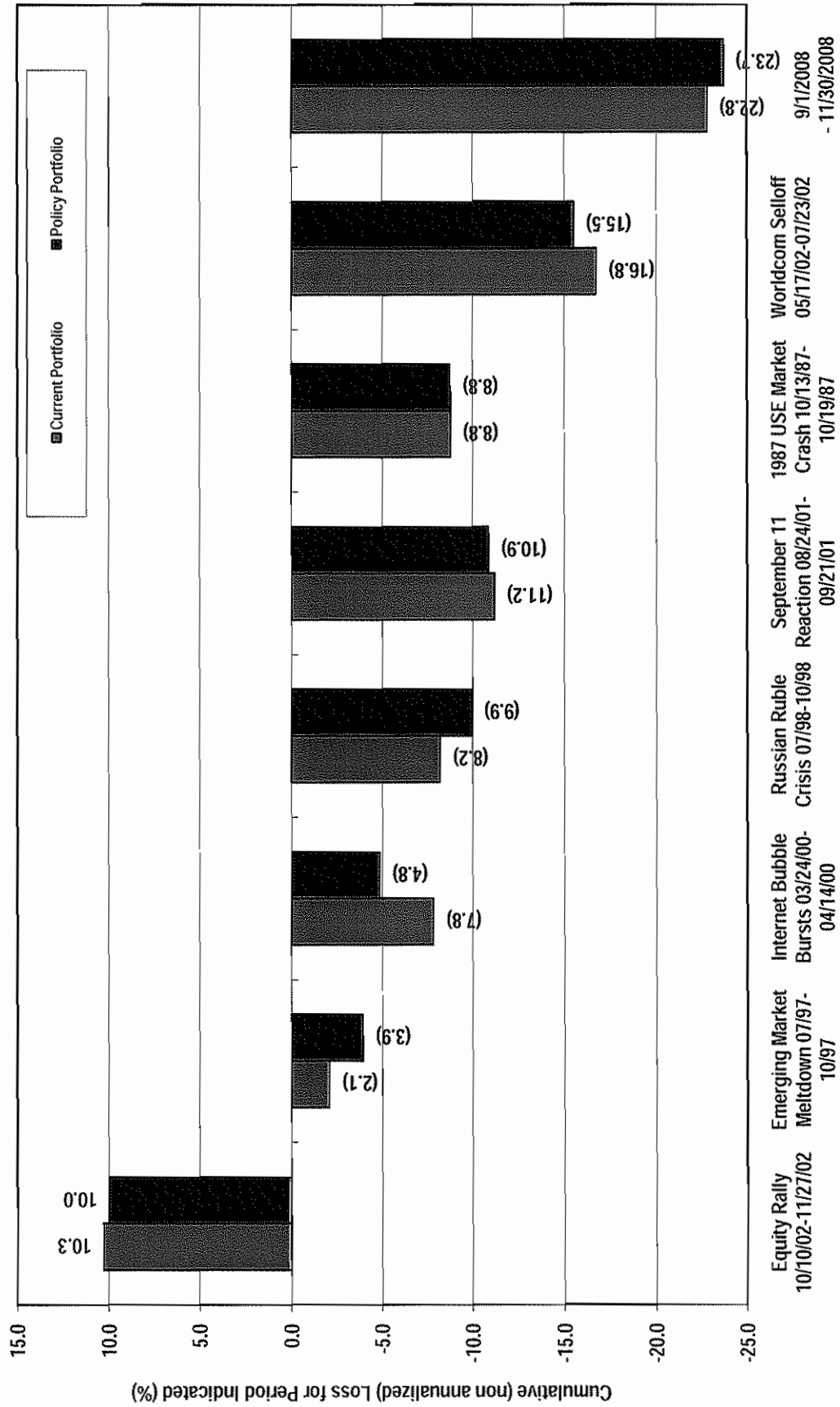
GEF Risk Allocation Over Time



GEF 4-Way Risk Decomposition as of 02/28/2009



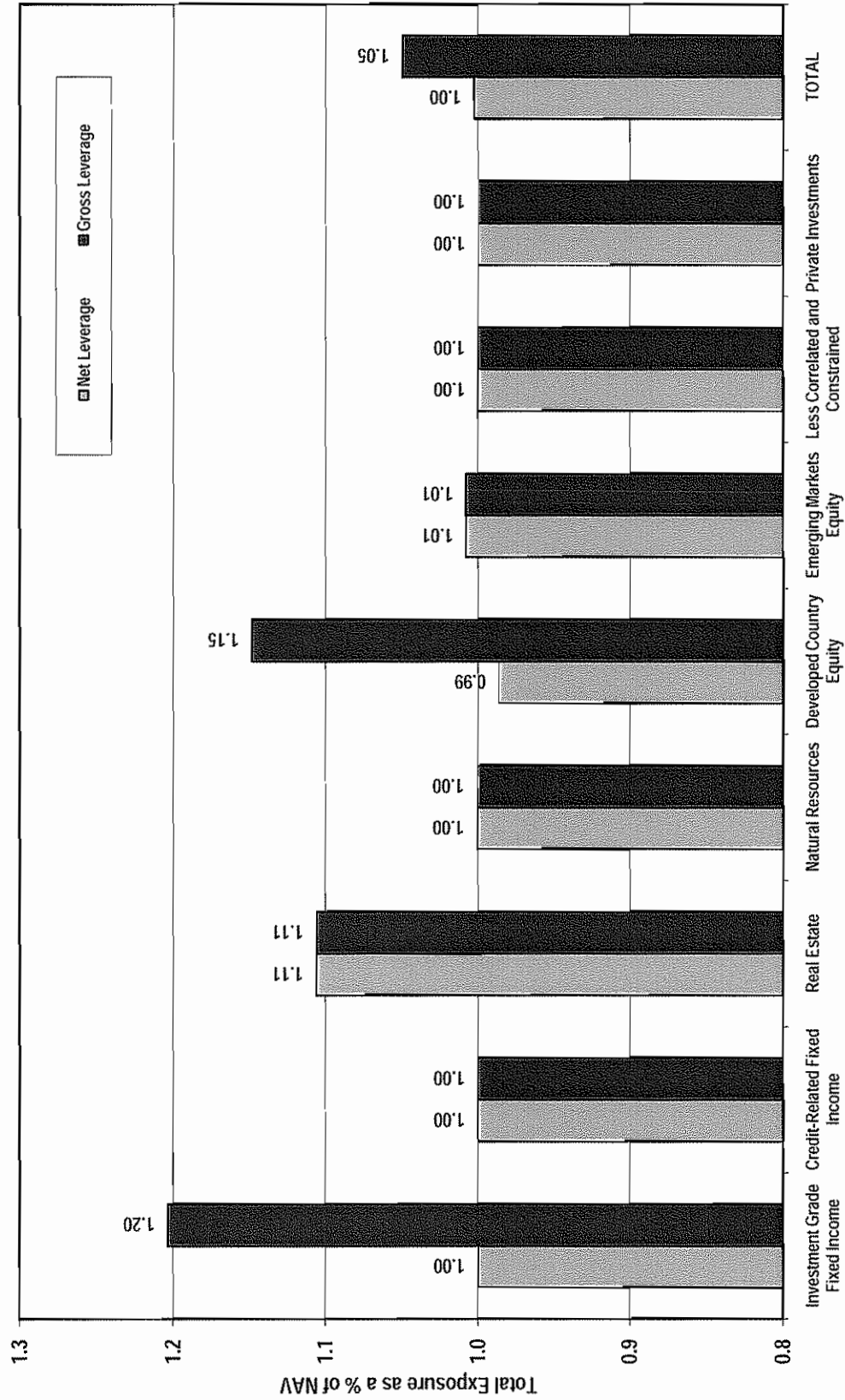
Hypothetical and Actual Performance of Current GEF Portfolio in Selected Stress Environments



Leverage

- Derivatives
- Counterparty Risk

Net and Gross Leverage of GEF



Comprehensive Derivative Report as of February 28, 2009

INTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (11/30/2008) (\$ millions)
Real Estate			
YR Options	Short Dow Jones U.S. Real Sector ETF (1YR) Put Options	\$ 43	\$ 43
Natural Resources			
DJAIG Swap	Long DJAIG Commodity Total Return Index / Short Libor	74	-
NR Swap	Long Natural Resource Equity / Short Libor	163	-
Developed Country Equity			
S&P 500 Futures	Long S&P 500 futures	318	-
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap futures Short US Small Cap futures	163 (159)	(38) 14
Non-US Developed Equity			
UK Futures	Long FTSE 100 futures	80	-
EAFE Futures	Long MSCI EAFE Emimi futures	35	35
EAFE Swap	Long MSCI EAFE / Short LIBOR	62	(96)
Japan Futures	Currency forwards used to hedge U.S. dollar Long Topix Index futures	185 117	- -
Non-US Emerging Equity			
EEM Levered Swap	Long EEM with a 1.5x upside and a cap and a 5% protection on the downside	100	(103)
Total Internal Managers		\$ 1,181	

Comprehensive Derivative Report as of February 28, 2009

EXTERNAL MANAGERS

<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value</u> <u>(\$ millions)</u>
<u>Natural Resources</u>		
Blackrock Global Ex US	Purchased options to protect against broad market declines and implemented butterfly call spread to ensure participation in energy markets if they rally	\$ 99
	Written options to used to provide a premium and increase exposure in certain names at lower costs	(39)
Gresham	Long Exchange-traded commodity futures	179
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	90
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	83
	Long US and Non-US futures used to overweight duration in Eurozone	22
	Long futures used to overweight front end of US and UK yield curves	1,099
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	171
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(354)
	Interest rate swaps used to overweight front end of US and UK yield curves	271
	Short/Written credit default swaps used to overweight credit risk	24
	Long/Purchased credit default swaps used to underweight credit risk	(158)
	Written options used to increase portfolio yield	(16)
	Purchased options used to increase portfolio yield	19
	Total External Managers	\$ 1,490
	GRAND TOTAL	\$ 2,671

Comprehensive Report on Approved Derivative Applications as of February 28, 2009 Internal Management

Internal Managers		Purpose of Application
Derivative Application (account name)		
S&P 500 / FTSE Index / EAFE / Topix Futures	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	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.
IYR Options	PUF/GEF	Sold at-the-money put options to gain exposure to the underlying index, while taking advantage of perceived mispriced volatility, possibly without committing capital (i.e. creating financial leverage).
	ITF	Sold at-the-money put options to gain exposure to the underlying index, while taking advantage of perceived mispriced volatility.
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)
	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
Currency forwards	PUF/GEF/ITF	Replicate local currency exposure for hedged foreign investments in order to more closely align the targeted risk/return profile.

Comprehensive Report on Approved Derivative Applications as of February 28, 2009 External Management

External Managers Under Agency Agreement	Primary Use of Derivatives
Acadian	May invest in equity index swaps and equity index futures to gain exposure to selected equity markets in a cost-efficient manner
Blackrock (formerly State Street Research)	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Brandywine	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Gresham	Use derivatives to gain market (systematic) exposure without trading the physical commodity.
PIMCO Global Bonds	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies.
Wellington Management Company	May invest in currency forward contracts, fully collateralized futures, options and swaps to reduce risk or provide efficient investment exposure.

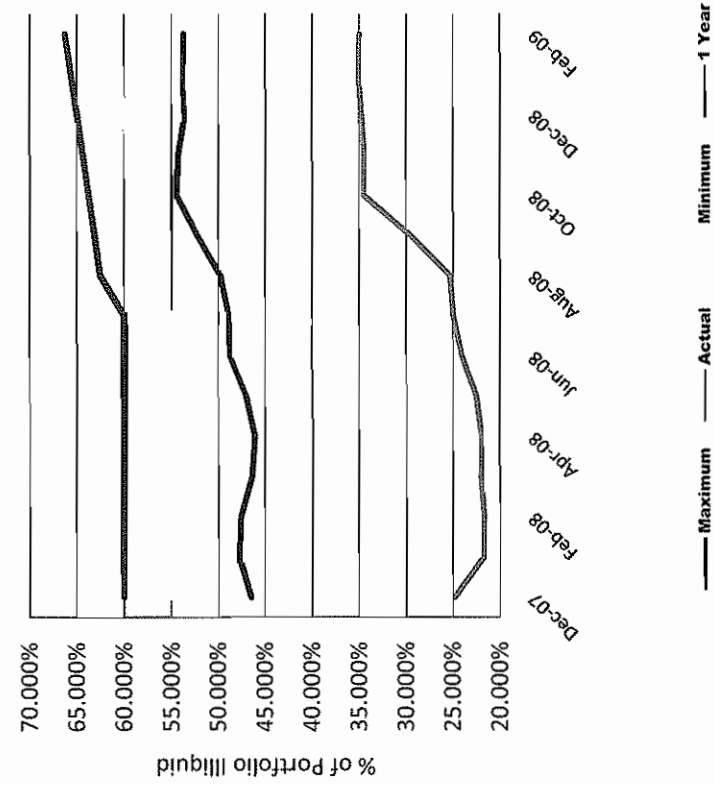
OTC Derivative Counterparty Report as of February 28, 2009

\$ 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	\$ 177.9	\$(186.9)	\$ (9.0)	-0.06%	\$ 644.8
ROYAL BANK OF SCOTLAND PLC	AA	10.0	(9.7)	0.3	0.00%	698.7
MORGAN STANLEY	AA-	7.9	(19.4)	(11.5)	-0.07%	556.7
BARCLAYS	AA-	6.6	(32.4)	(25.8)	-0.16%	537.2
BNP PARIBAS	AA	0.1	(1.0)	(0.9)	-0.01%	199.7
CITIBANK NY	A+	4.2	(3.6)	0.6	0.00%	158.9
MERRILL LYNCH	AA-	3.2	(2.6)	0.6	0.00%	87.0
HSBC BK USA, NEW YORK	AA	2.8	(3.9)	(1.1)	-0.01%	74.8
DEUTSCHE BANK AG	A+	0.8	(0.8)	0.0	0.00%	165.5
BANK OF AMERICA	A+	1.0	(1.2)	(0.2)	0.00%	41.4
UBS A G, ZURICH	A+	0.6	-	0.6	0.00%	63.2
CREDIT SUISSE FIRST	A+	(0.3)	1.7	1.5	0.01%	4.6
CHASE MANHATTAN	AA-	0.1	(1.2)	(1.1)	-0.01%	21.7
WACHOVIA BANK	AA+	-	-	-	0.00%	1.5
UBS AG, STAMFORD	A+	-	-	-	0.00%	2.5
MELLON BANK	AA	-	-	-	0.00%	-
ROYAL BANK OF CANADA	AA-	-	(0.2)	(0.2)	0.00%	0.6
J P MORGAN, CHASE	AA-	(1.3)	0.4	(0.9)	-0.01%	11.5
SOCIETE GENERALE, NEW YORK	AA-	-	-	-	0.00%	2.0
BANK OF NOVA SCOTIA	AA-	-	(0.4)	(0.4)	0.00%	4.3
Grand Total		\$ 213.7	\$(261.2)	\$(47.4)	-0.30%	\$ 3,276.6

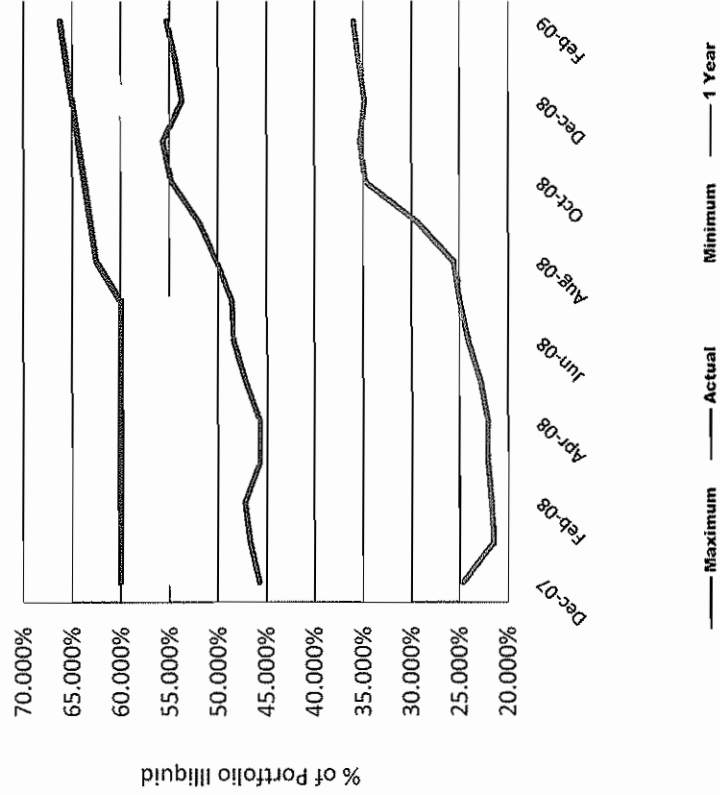
Liquidity

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



Three Month Liquidity \$ 3,833 million One Year Liquidity \$ 5,388 million

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



Three Month Liquidity \$ 2,038 million One Year Liquidity \$ 2,917 million

Unfunded Commitments Exposure Report - 2/28/09

Asset Class	Market Value	% of Total Market Value	Unfunded Commitment	Total Exposure	% of Total Exposure	Market Value as % of Total		Unfunded Commitment as % of Total	
						Endowments	Endowments	Endowments	Endowments
PRIVATE INVESTMENTS									
CREDIT-RELATED FIXED INCOME	\$ 843,085,972	26.9%	\$ 312,427,352	\$ 1,155,513,324	19.7%	6.6%	2.4%	9.0%	
REAL ESTATE	73,806,955	2.4%	251,712,365	325,519,320	5.5%	0.6%	2.0%	2.6%	
NATURAL RESOURCES	246,936,700	7.9%	376,481,406	623,418,106	10.6%	1.9%	2.9%	4.8%	
BUYOUT & GROWTH VENTURE CAPITAL OPPORTUNISTIC	1,023,199,774	32.6%	880,182,482	1,903,382,256	32.4%	8.0%	6.9%	14.9%	
DEVELOPED MARKETS EQUITY	490,790,000	15.7%	457,689,148	948,479,148	16.2%	3.8%	3.6%	7.4%	
EMERGING MARKETS EQUITY	239,465,989	7.6%	122,492,887	361,958,876	6.2%	1.9%	1.0%	2.9%	
TOTAL PRIVATE INVESTMENTS	1,753,455,763	55.9%	1,460,364,517	3,213,820,280	54.8%	13.7%	17.5%	25.2%	
LESS CORRELATED AND CONSTRAINED	217,280,525	6.9%	331,459,623	548,740,148	9.4%	1.7%	2.6%	4.3%	
TOTAL LESS CORRELATED AND CONSTRAINED	\$ 3,134,565,915	100.0%	\$ 2,732,445,263	\$ 5,867,011,178	100.0%	24.5%	21.4%	45.9%	
INVESTMENT GRADE FIXED INCOME	\$ 224,598,090	5.2%	\$ -	\$ 224,598,090	5.1%	1.7%	0.0%	1.7%	
CREDIT-RELATED FIXED INCOME	612,397,650	14.2%	63,105,000	675,502,650	15.2%	4.8%	0.5%	5.3%	
REAL ESTATE	43,327,685	1.0%	-	43,327,685	1.0%	0.3%	0.0%	0.3%	
NATURAL RESOURCES	107,416,552	2.5%	-	107,416,552	2.4%	0.8%	0.0%	0.8%	
DEVELOPED MARKETS EQUITY	2,988,064,858	69.1%	29,986,092	3,018,050,950	68.2%	23.3%	0.2%	23.5%	
EMERGING MARKETS EQUITY	344,247,031	8.0%	12,598,148	356,845,179	8.1%	2.7%	0.1%	2.8%	
TOTAL LESS CORRELATED AND CONSTRAINED	\$ 4,320,051,866	100.0%	\$ 105,689,240	\$ 4,425,741,106	100.0%	33.6%	0.8%	34.4%	
GRAND TOTAL PI AND LCC	\$ 7,454,617,781	100.0%	\$ 2,838,134,503	\$ 10,292,752,284	100.0%	58.1%	22.2%	80.3%	
TOTAL ENDOWMENTS HOLDINGS	\$ 12,843,943,130								
MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY									26.3%

Investment Activity

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended February 28, 2009**

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
<u>Investment Grade Fixed Income</u>									
Brandywine	-	-	-	-	150	-	-	150	No
Reams TIPS	149	-	-	149	-	-	-	-	
Bridgewater II	-	50	-	50	-	-	-	-	
	-	50	-	50	-	-	-	-	
<u>Credit-Related Fixed Income</u>									
Blackstone Distressed	-	20	-	20	-	-	-	-	
	-	20	-	20	-	-	-	-	
<u>Real Estate</u>									
None	-	-	-	-	-	-	-	-	
<u>Natural Resources</u>									
McVean - CDM	-	22	-	22	-	-	-	-	
McVean - MJW	-	21	-	21	-	-	-	-	
	-	43	-	43	-	-	-	-	
<u>Developed Country Equity</u>									
Relational Investors	104	-	-	-	-	-	-	-	
New Mountain	95	-	-	95	-	-	-	-	
Brahman	-	78	-	78	-	-	-	-	
ValueAct	75	-	-	-	-	-	-	-	
Westfield Sciences	-	67	-	67	-	-	-	-	
Milligate	-	54	-	54	-	-	-	-	
ESL	-	52	-	52	-	-	-	-	
Protégé	-	50	-	50	-	-	-	-	
FCOI II (Farallon)	-	49	-	49	-	-	-	-	
Tiger Consumer	-	43	-	43	-	-	-	-	Yes
Fox Point	-	-	-	-	-	25	-	25	
	274	393	-	488	-	25	-	25	
<u>Emerging Markets Equity</u>									
BGI EMSI	208	-	-	208	-	-	-	-	No
Acadian	-	-	-	-	137	-	-	137	
Indus Asia	-	34	-	34	-	-	-	-	Yes
Valiant	-	-	-	-	-	2	-	2	
	208	34	-	242	137	2	-	139	
	\$ 482	\$ 540	\$ -	\$ 843	\$ 137	\$ 27	\$ -	\$ 164	

**Report on Investment Transactions Made Under the Delegation of Authority
Six Months ended February 28, 2009**

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
<u>Investment Grade Fixed Income</u>								
Pimco TIPS	282	-	-	282	-	-	-	-
Reams TIPS	369	-	-	369	-	-	-	-
Brandywine	-	-	-	-	150	-	-	150
Bridgewater II	-	50	-	50	-	-	-	-
BGI Global Agg (ex-US) Bond Index Fund	35	-	-	35	-	-	-	-
Pimco Fixed	30	-	-	30	-	-	-	-
Internal Investment Grade	20	-	-	20	-	-	-	-
	736	50	-	786	150	-	-	150
<u>Credit-Related Fixed Income</u>								
Satellite	-	32	-	32	-	-	-	-
OCM High Yield	-	25	-	25	-	-	-	-
Blackstone Distressed	-	20	-	20	-	-	-	-
Baupost	-	-	-	-	100	-	-	100
Fortress Credit Opportunities Fund, L.P.	-	-	-	-	-	75	-	75
RMBS (Parkcentral)	-	-	-	-	68	-	-	68
	-	77	-	77	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
McVean - CDM	-	22	-	22	-	-	-	-
McVean - MJW	-	21	-	21	-	-	-	-
	-	43	-	43	-	-	120	120
<u>Developed Country Equity</u>								
BGI Global Market Neutral	-	232	-	232	-	-	-	-
BGI EAFE	125	-	-	125	-	-	-	-
Relational Investors	104	-	-	-	-	-	-	-
New Mountain	95	-	-	95	-	-	-	-
Brahman	-	78	-	78	-	-	-	-
Farallon FCOI	-	77	-	77	-	-	-	-

**Report on Investment Transactions Made Under the Delegation of Authority
Six Months ended February 28, 2009**

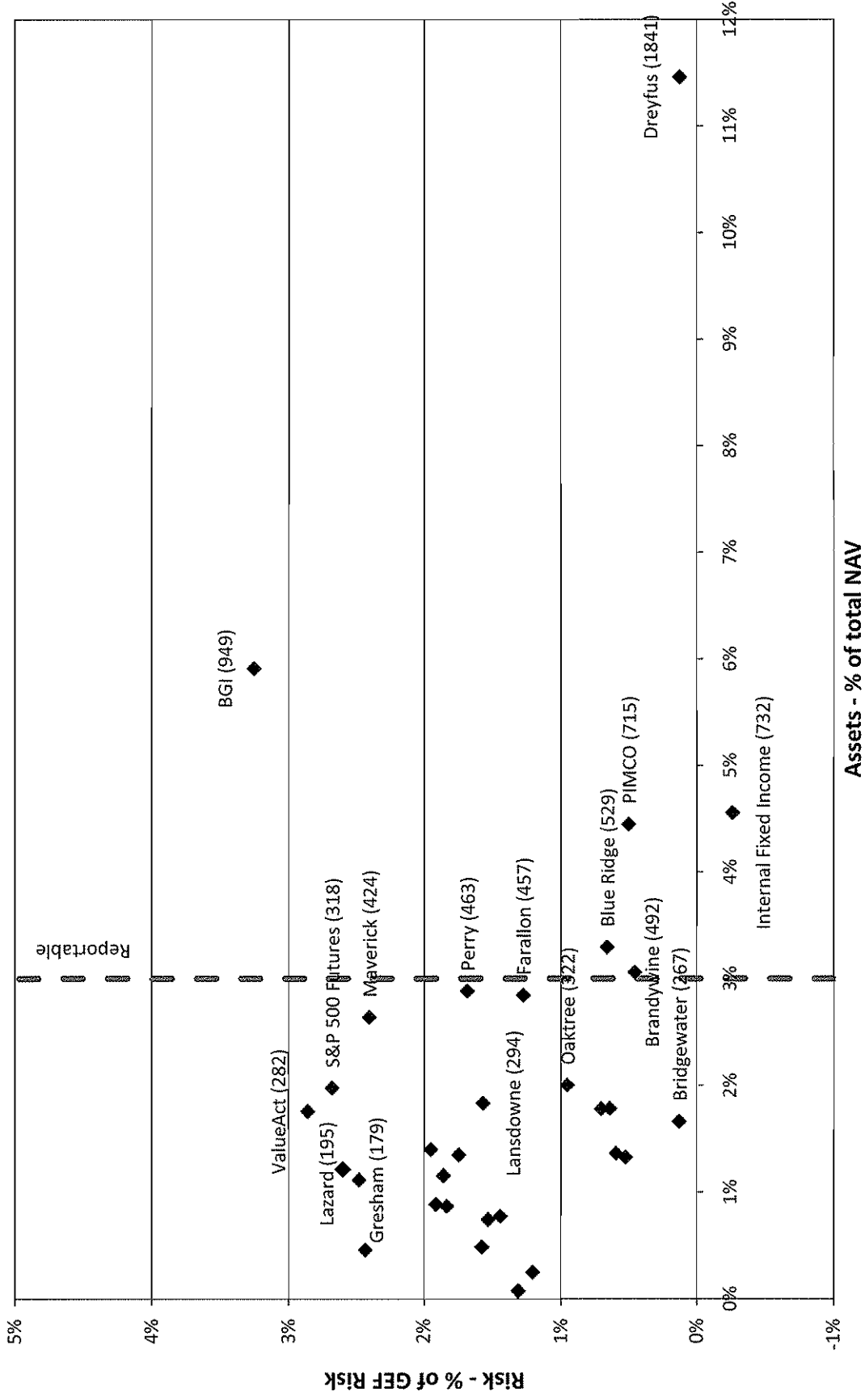
	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
ValueAct	75	-	-	-	-	-	-	-	
Westfield Sciences	-	67	-	67	-	-	-	-	
Millgate	-	54	-	54	-	-	-	-	
ESL	-	52	-	52	-	-	-	-	
Protégé	-	50	-	50	-	-	-	-	
FCOI II (Farallon)	-	49	-	49	-	-	-	-	
Tiger Consumer	-	43	-	43	-	-	-	-	
Blavin PWB	30	-	-	30	-	-	-	-	
Wellington	-	-	-	-	250	-	-	250	No
Cadian	-	-	-	-	-	50	-	50	Yes
Lansdowne UK	-	-	-	-	-	25	-	25	Yes
Fox Point	-	-	-	-	-	25	-	25	Yes
Austin Ventures X, L.P.	-	-	-	-	-	-	25	25	Yes
Levin Large Cap Value	-	-	-	-	10	-	-	10	No
	429	702	-	952	260	100	25	385	

Emerging Markets Equity

Lansdowne Emerging	331	-	-	331	-	-	-	-	No
BGI Emerging Strategic Insights Fund	208	-	-	208	180	-	-	180	No
Lazard	-	-	-	-	150	-	-	150	No
Acadian	-	-	-	-	137	-	-	137	No
Blakeney	-	-	-	-	100	-	-	100	No
Russia Partners III, L.P.	-	-	-	-	-	-	40	40	Yes
Indus Asia	-	34	-	34	-	-	-	-	
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
Valiant	-	-	-	-	-	2	-	2	Yes
	539	34	-	573	567	2	120	689	
	\$ 1,704	\$ 906	\$ -	\$ 2,431	\$ 1,167	\$ 202	\$ 385	\$ 1,754	

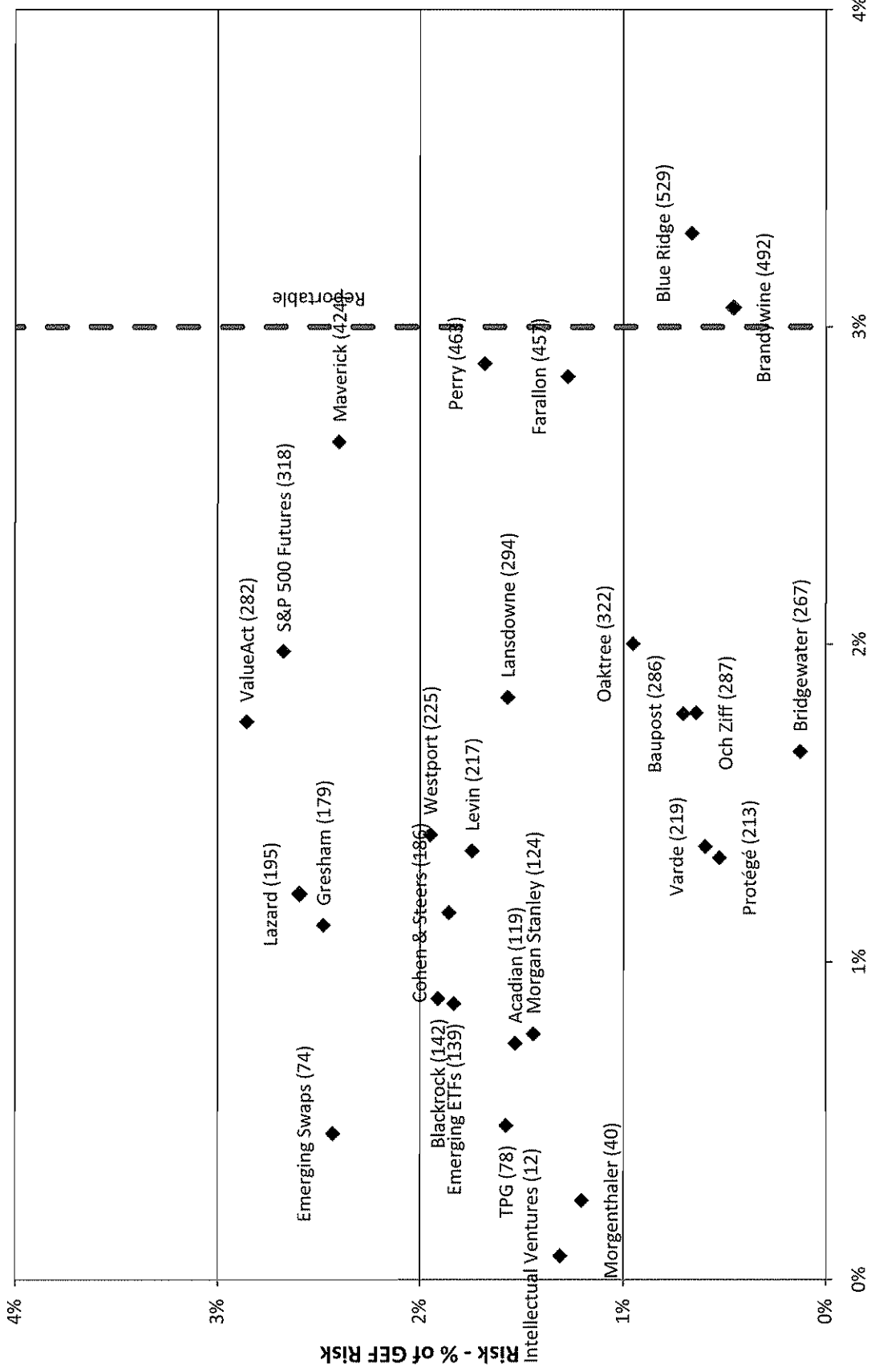
Manager Exposure

Top Mandates Risk and Dollar Allocation



Mandates with at least 1.3% of total assets, or at least 1.2% of Risk

Top Mandates Risk and Dollar Allocation



Assets - % of total NAV

Mandates with at least 1.3% of total assets, or at least 1.2% of Risk

**Managers with exposure >3% relative to total Funds
(excluding ITF for Private Investments)
As of 2/28/2009**

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
<u>More Correlated and Constrained</u>		
Internal Fixed Income	731,818,892	4.64%
Pimco	714,565,194	4.53%
Brandywine	491,680,333	3.12%
<u>Less Correlated and Constrained</u>		
Blue Ridge	529,317,585	3.36%

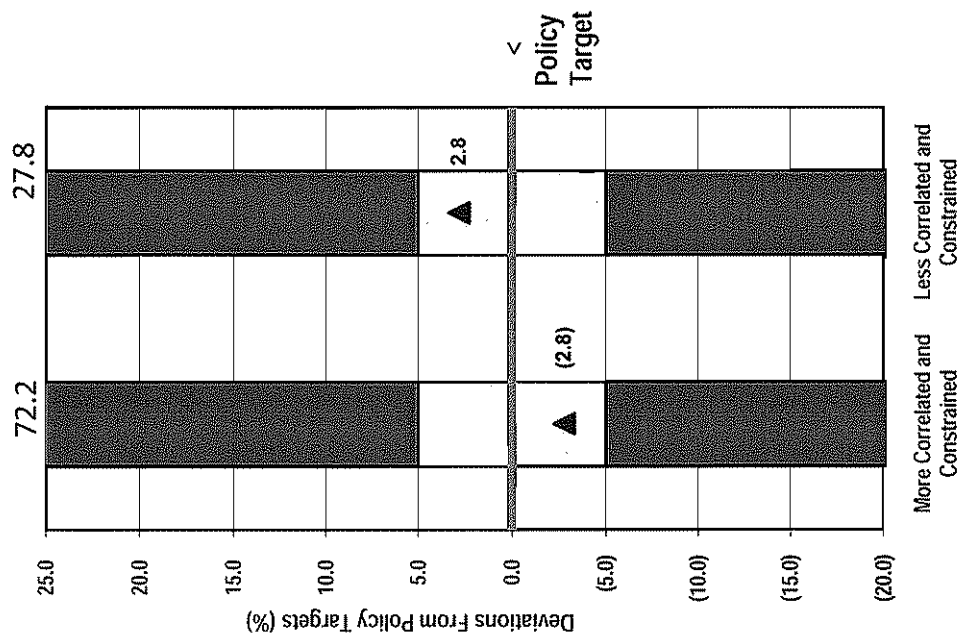
Private Investments
None

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

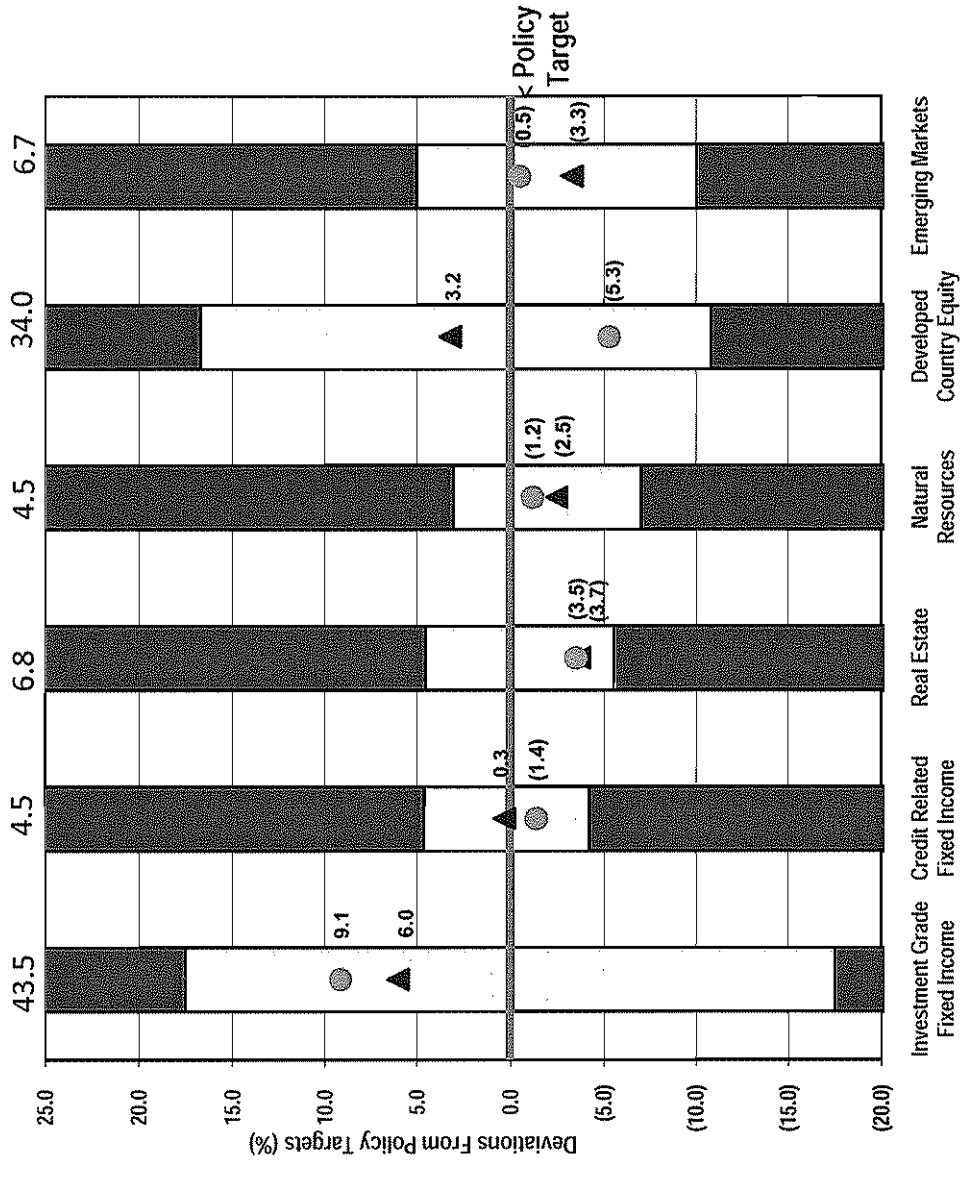
<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
None		

ITF

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

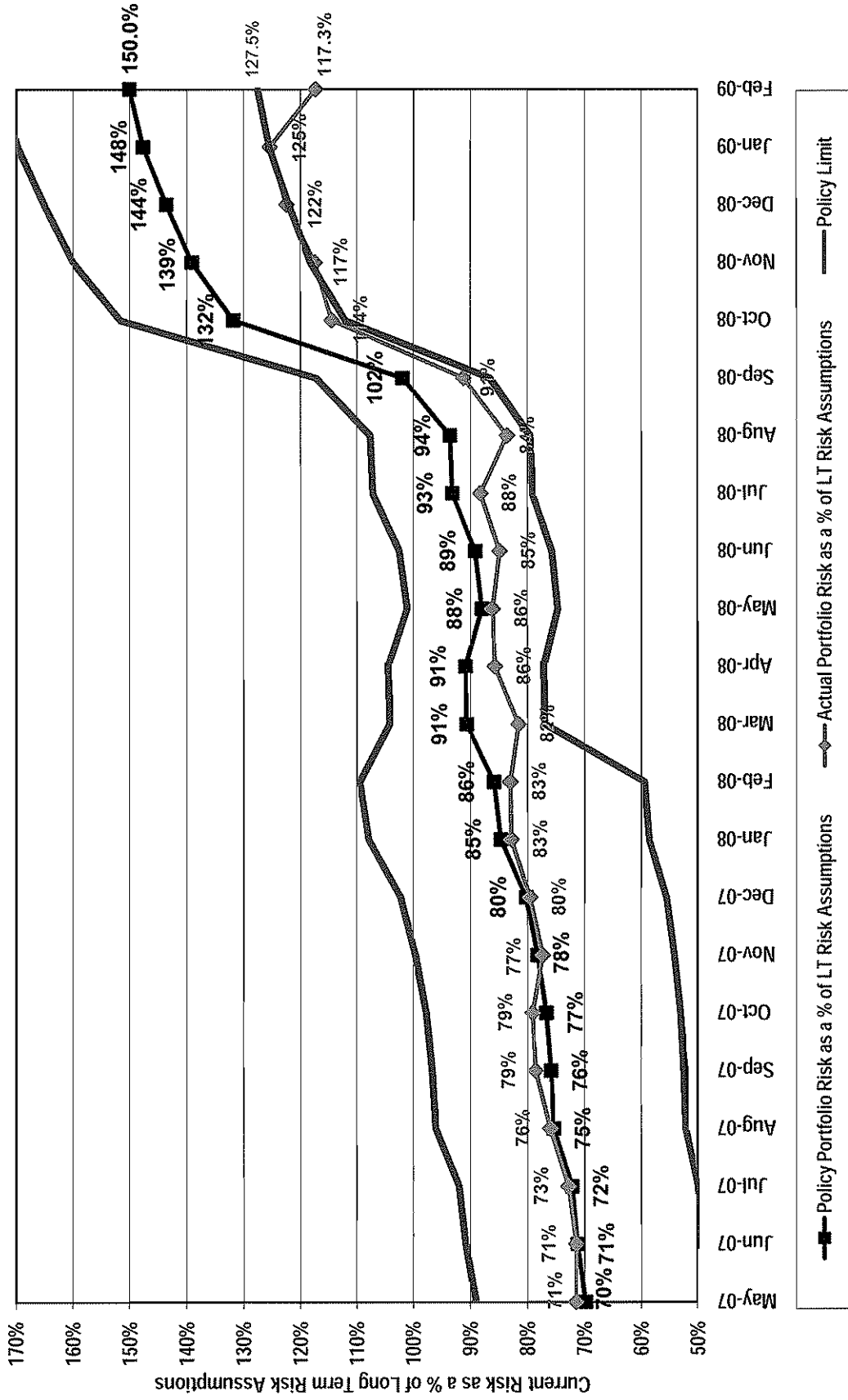


Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF

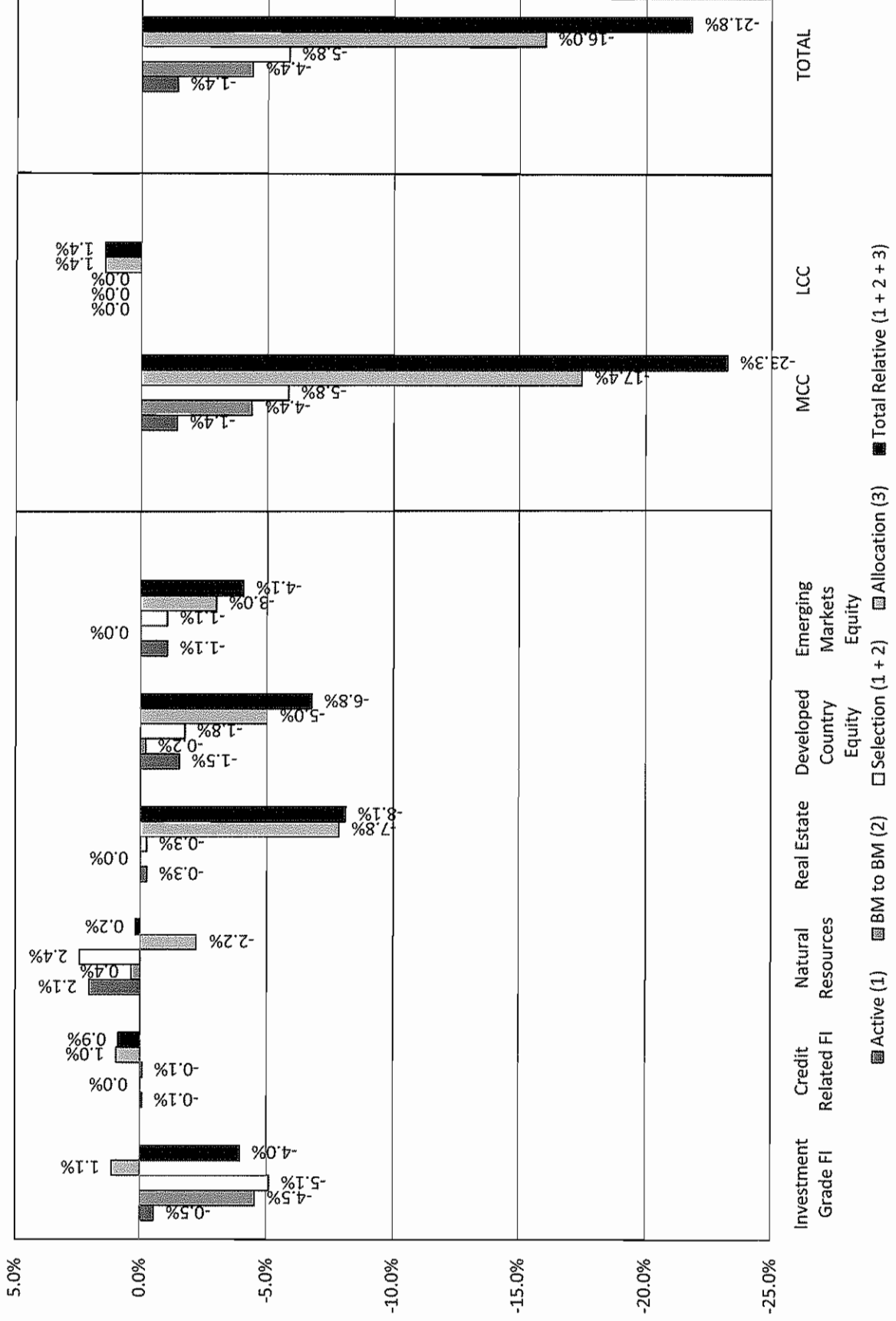


▲ -- All Investment Types ● -- More Correlated and Constrained

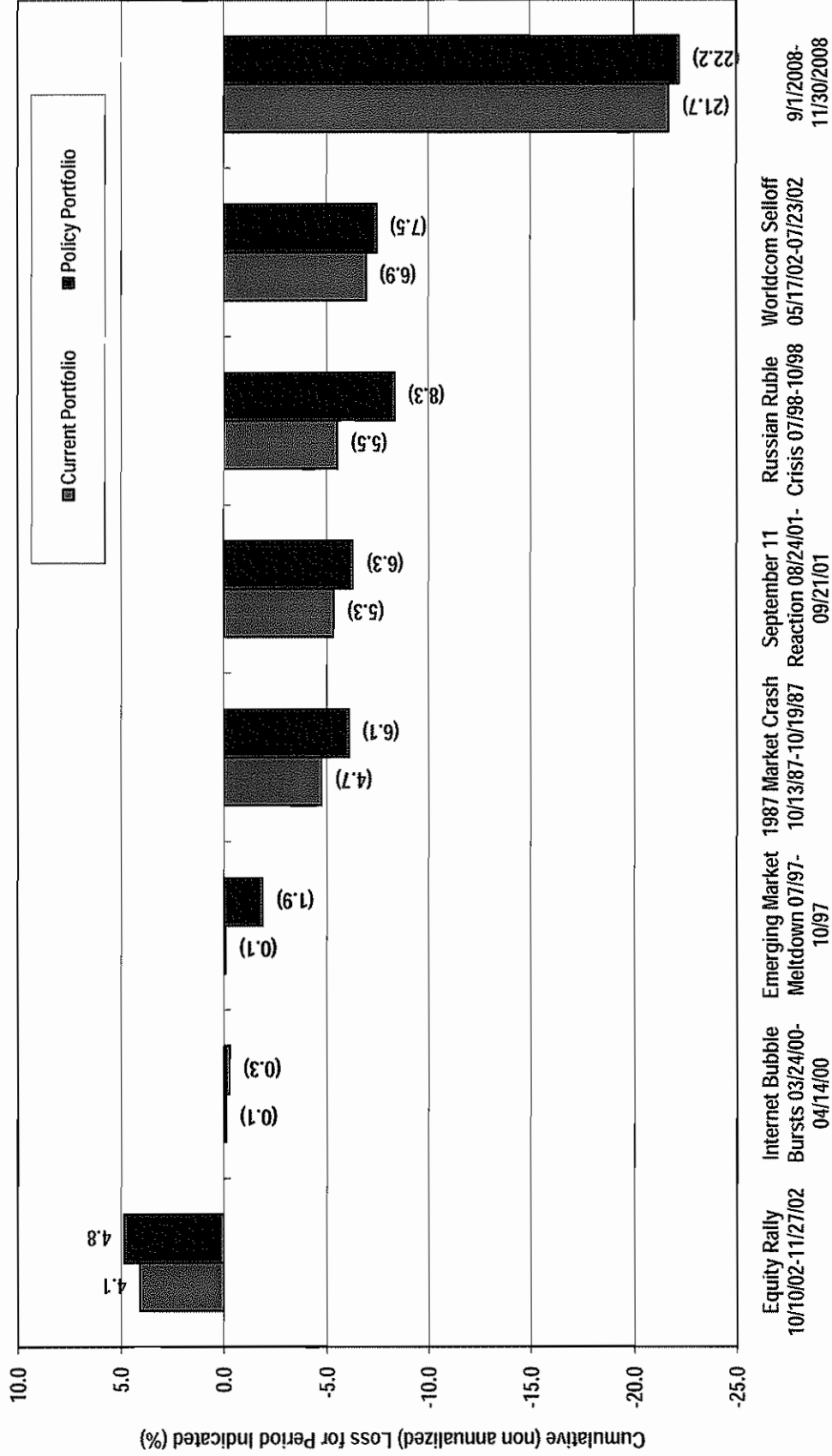
Current Risk Environment of ITF (Based on Downside Risk)



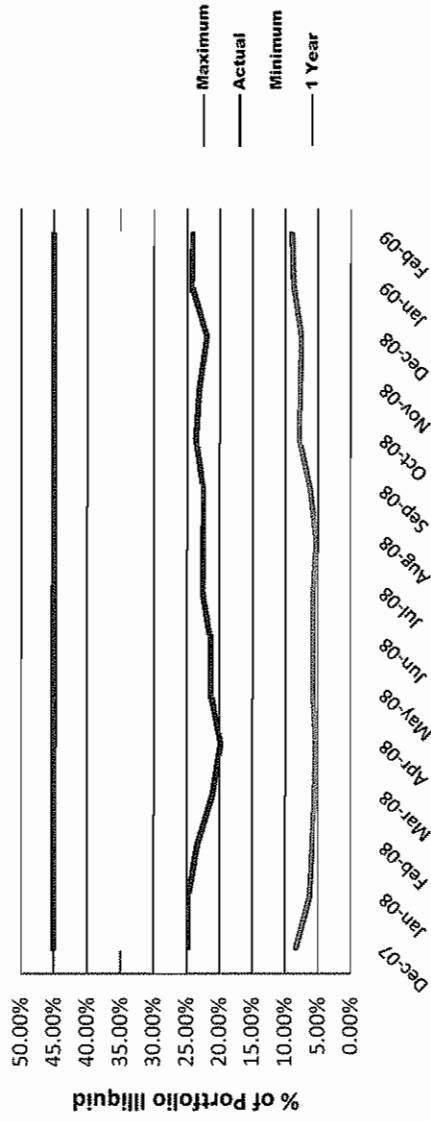
ITF 4-Way Risk Decomposition as of 02/28/2009



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

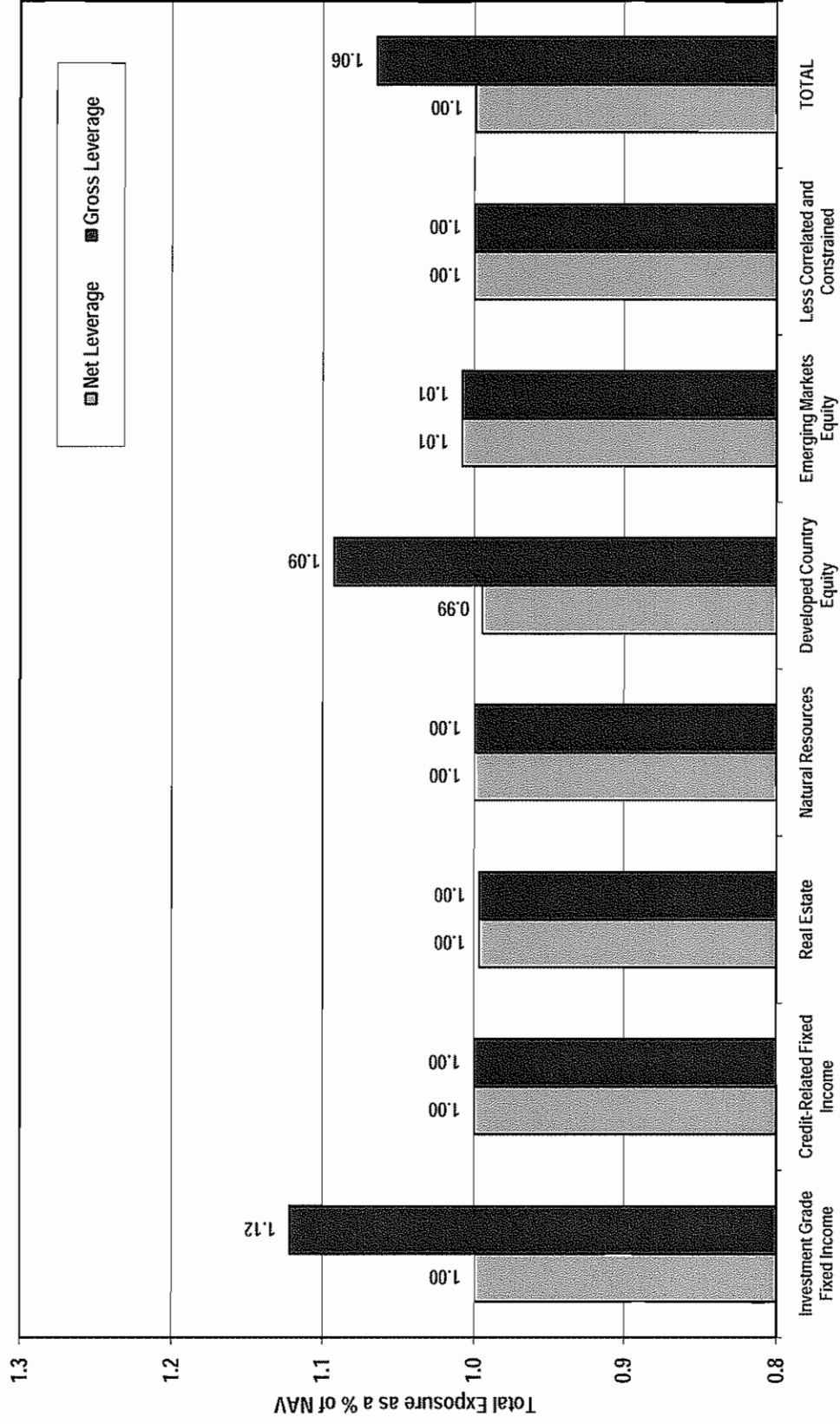


**Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 2,220 million One Year Liquidity \$ 2,663 million

Net and Gross Leverage of ITF



Contracts Update

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

For January 21, 2009 through March 31, 2009

(Total Obligation per Agreement greater than \$50,000)

Agreement	Purpose	Contract Term	Annual Amount
None			

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	\$274,140
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Report on Factor Analysis: Effects of Growth and Inflation on Asset Class Returns

Developed By: Yoeli, Wagner

Presented By: Yoeli

Type of Item: Information Item

Description: Staff will present an analysis of the effects of economic growth and inflation on the Portfolio. The analysis is based on long-term historical data, and establishes potential effects on portfolio returns and tactical asset allocation.

Recommendation: None

Reference: Factor Analysis: Effects of Growth and Inflation on Asset Class Returns presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Factor Analysis

Effects of Growth and Inflation on Asset Class Returns



Factor Analysis Context

- A major initiative of UTIMCO's Risk Management function is to enhance investment decision support systems through the use of "factor analysis" techniques
- The objective, and general approach, of factor analysis is similar to scenario analysis (e.g., portfolio performance after 9/11, the 97 Asian crisis, etc.), but factor analysis attempts to isolate the impact of specific dynamics as opposed to assessing the overall portfolio performance during certain time periods
- Different definitions of "factor analysis" exist
 - Global Macro economic factors (e.g., GDP, inflation, etc.)
 - Capital market factors (e.g., value, momentum, etc.)
 - Specific asset factors (e.g., rainfall, shipping rates, etc.)
- UTIMCO's initial factor analysis efforts have focused on Global Macro economic factors



Macro-economic Factor Analysis Overview

- **Objective:** Determine the impact of U.S. economic growth and inflation on asset class returns
- **Methodology:** Using historical data, measure asset class performance under different economic environments
- **Hypothesis:** Asset class returns vary in a predictable manner in different economic environments
- **Impediments to Action:** Optimal portfolio management requires forward-looking views, the accuracy of which are, at best, uncertain



Methodology

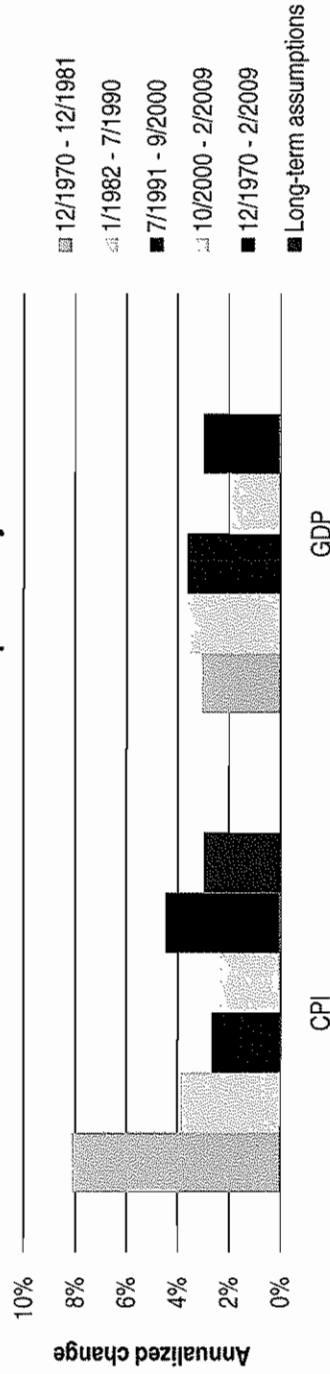
- Use changes in GDP as a measure of economic growth. Use unemployment as a second measure
- Use changes in CPI as a measure of inflation. Use hourly wages as a second measure
- Divide the past 38 years into four non-continuous periods of
 - Rising Growth with Falling Inflation (“RG/FI”)
 - Falling Growth with Rising Inflation (“FG/RI”)
 - Rising Growth with Rising Inflation (“RG/RI”)
 - Falling Growth with Falling Inflation (“FG/FI”)
- Use market indices as proxies for asset class returns
- Ignore any effect of active management (alpha), in effect assuming that alpha generation is independent of the underlying economy
 - LCC’s exposure to the underlying asset classes assumed as constant beta of 0.5 – an extreme over-simplification
 - Private Investments’ exposure to the underlying asset classes assumed as beta of 1.0 – an extreme over-simplification
- Analyze what the asset class returns were within these economic environments



Growth and Inflation

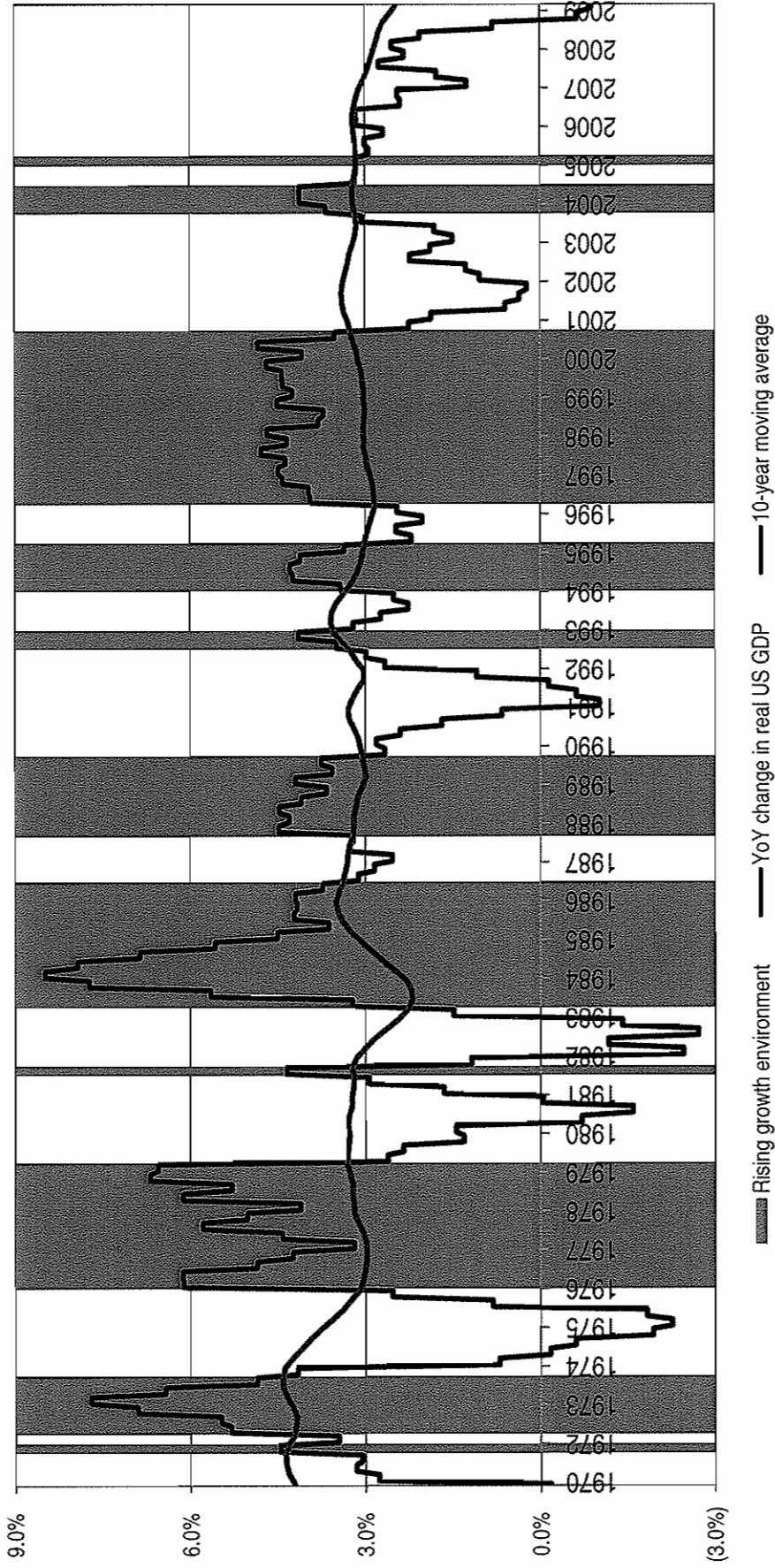
- **Growth**
 - Growth is calculated as the year-over-year change in real US GDP. “Rising Growth” is defined as those periods in which the current change is higher than the 10-year moving average
- **Inflation**
 - Inflation is defined as the year-over-year change in the US CPI. “Rising Inflation” is defined as those periods in which the current change is higher than the 10-year moving average

CPI and GDP over past 38 years





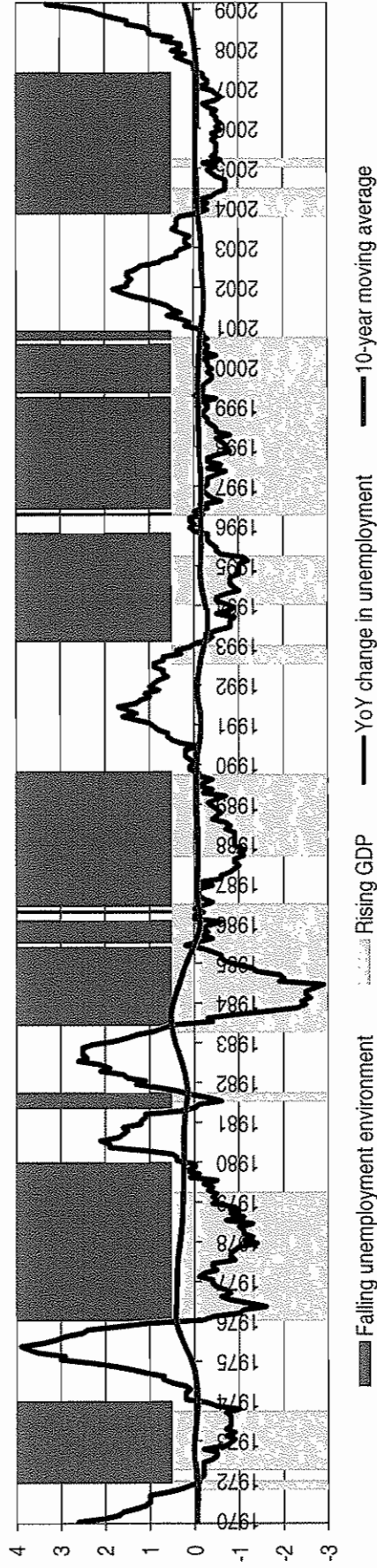
Growth since 1970





Unemployment vs GDP as a Growth Indicator

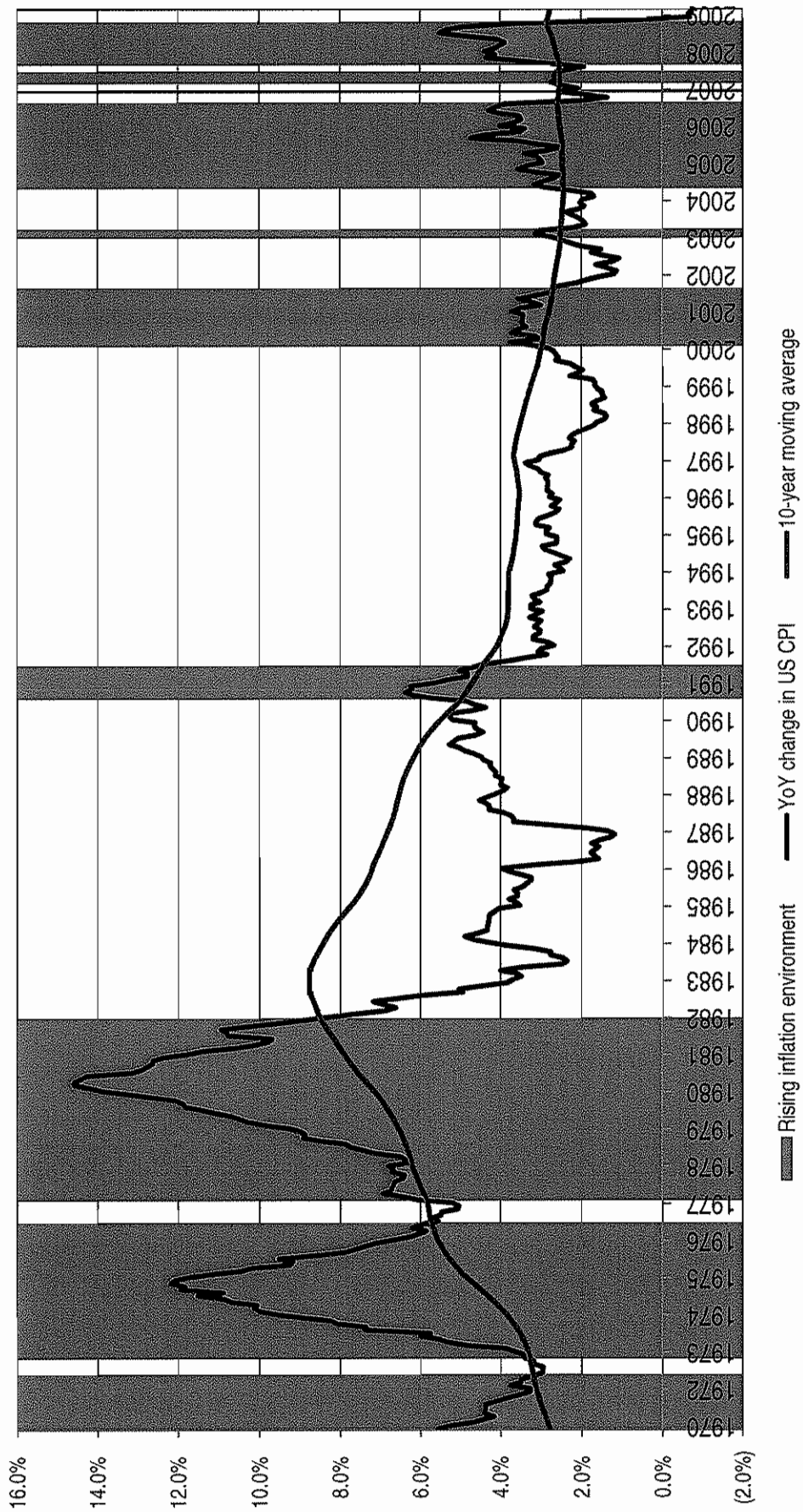
Unemployment Environment



- As a robustness check, we replaced the “GDP” growth indicator with an “unemployment” indicator (with opposite sign), and reran the analysis
- Periods of falling unemployment (blue) are similar, but not the same, as periods of rising GDP (orange). The two have been diverging in recent years



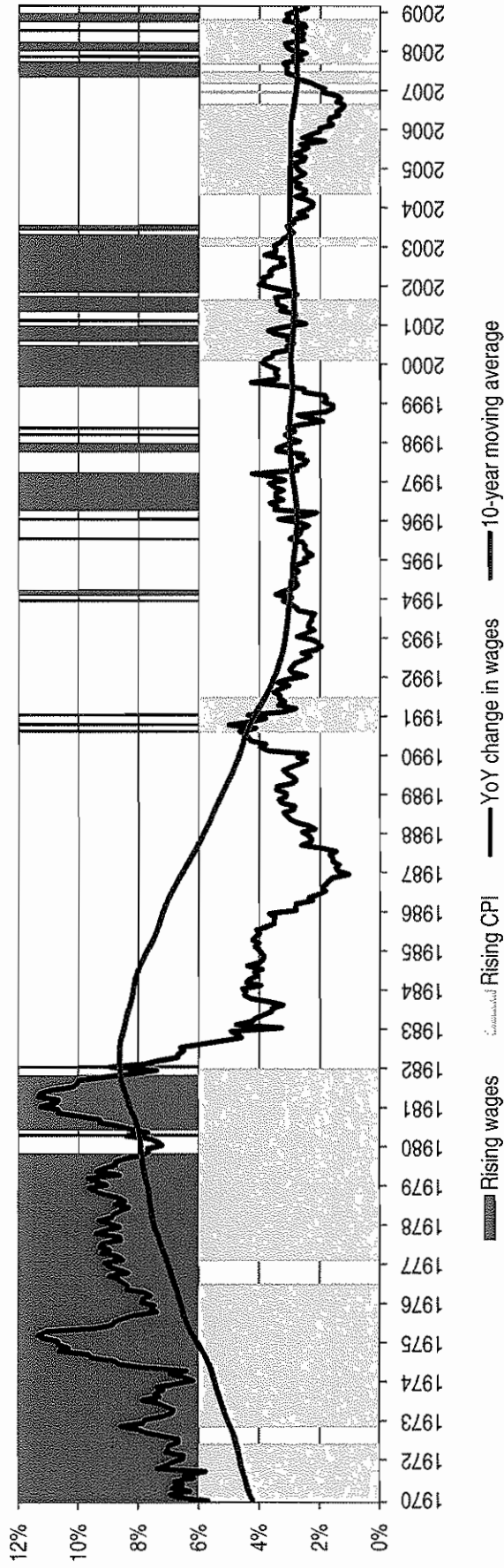
Inflation since 1970





Wages vs CPI as an Inflation Indicator

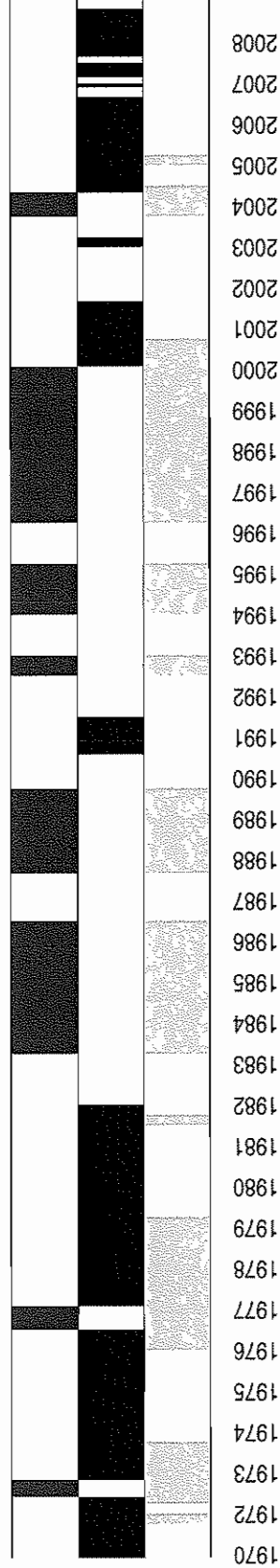
Wages Environment



- As a second robustness check, we replaced the “CPI rises” indicator with “hourly wages rise” indicator
- Periods of rising hourly wages (blue) are similar, but not the same as periods of rising CPI (orange)

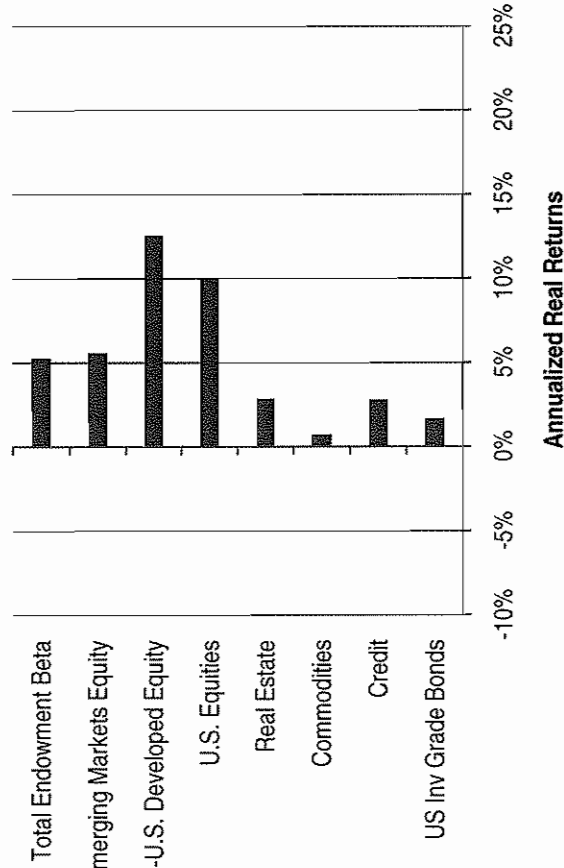


Rising Growth with Falling Inflation



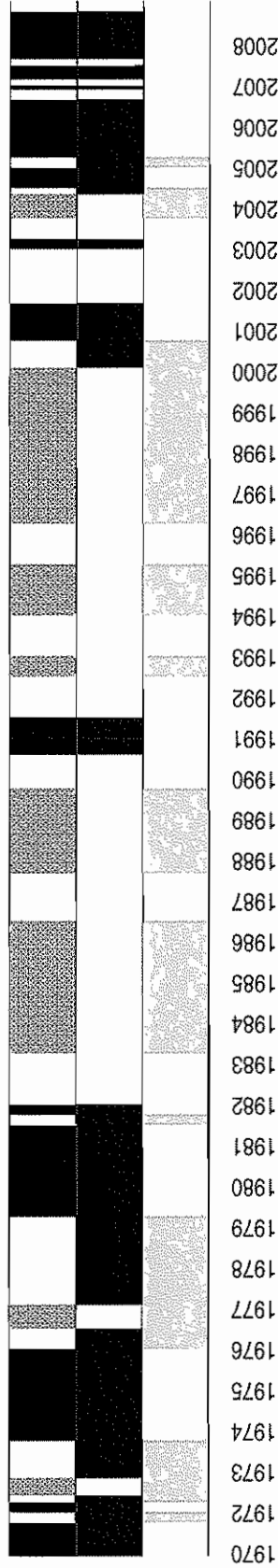
■ RG/FI ■ Rising Inflation □ Rising Growth

- RG/FI was the most common combination, occurring 33% of the time during the time period sampled
- Endowment beta real return would have been 5.3% on average in those periods
- All asset classes had positive real returns, with equity being the best asset class

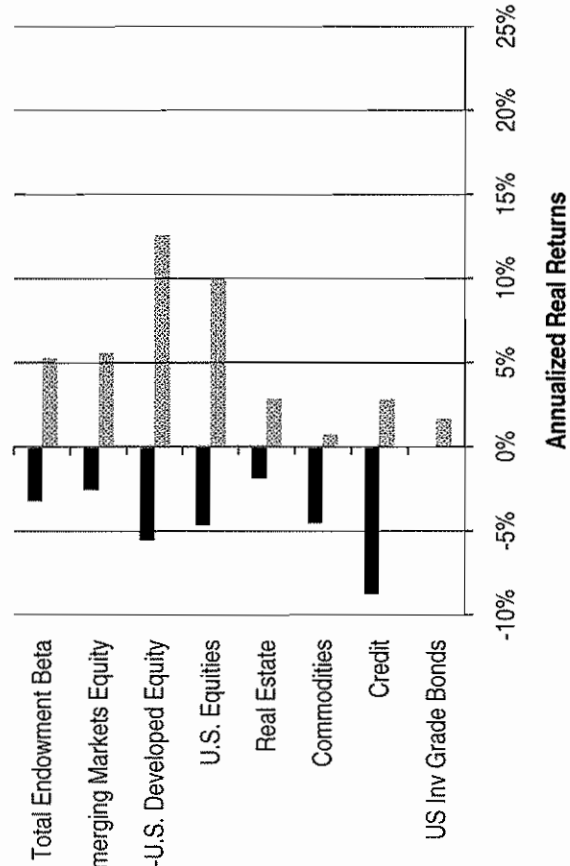




Falling Growth with Rising Inflation

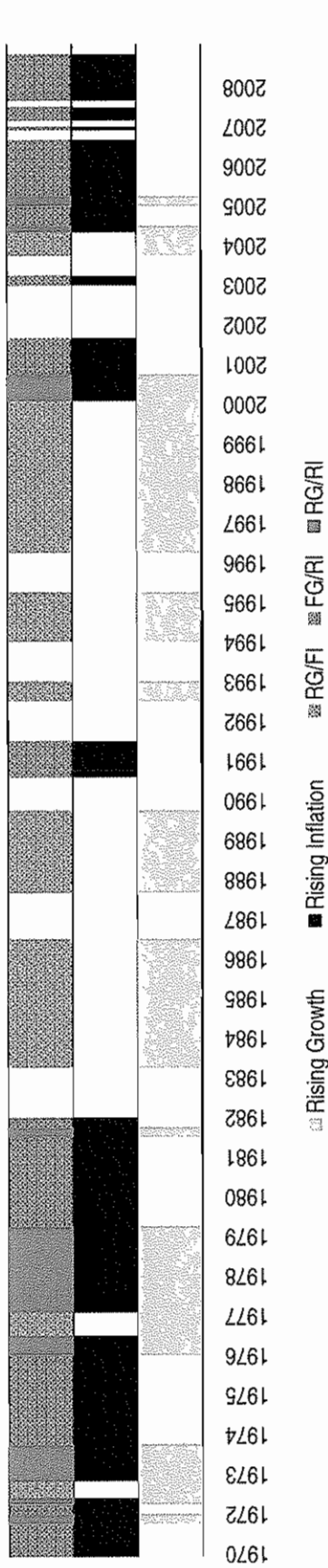


- FG/RI was the second most common combination, occurring 30% of the time period measured
- Endowment beta real returns would have been negative -3.2% on average in those periods
- Based on history, no asset class had positive real returns – the best asset class was high quality fixed income, with zero real returns

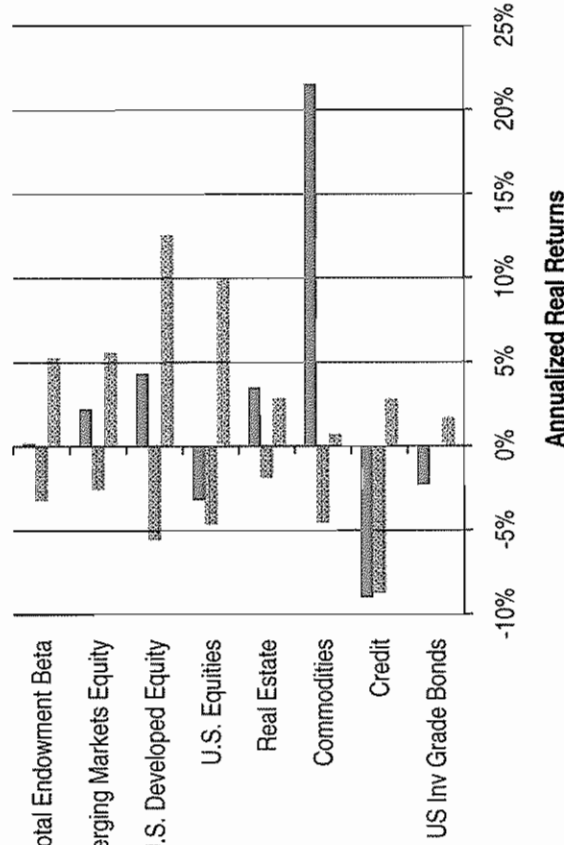




Rising Growth with Rising Inflation

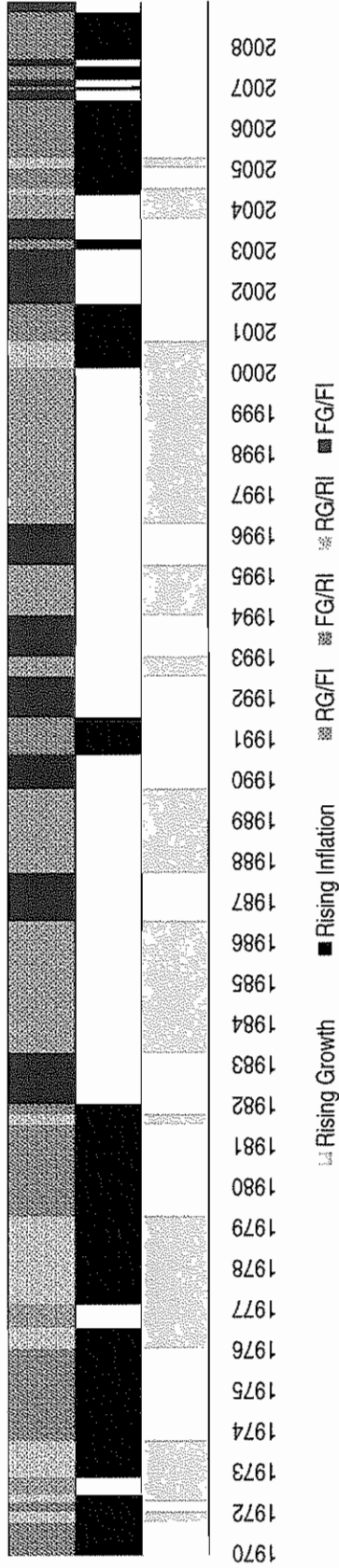


- RG/RI was the least common combination, occurring 14% of the time – mostly in the 1970s
- Based on history, endowment beta real returns would have been 0.2%
- Commodities seem to be the best asset class in this environment
 - Such a conclusion should be taken with extreme caution, due to the limited data and the special economic dynamics in the 1970s

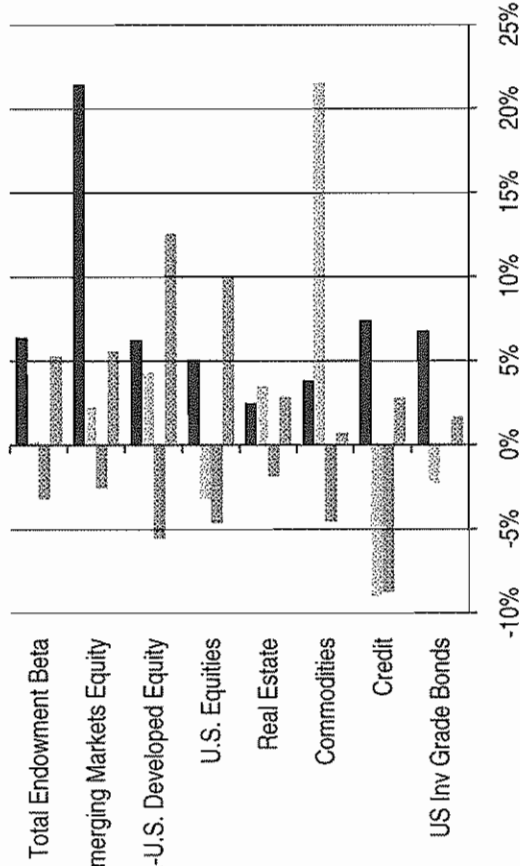




Falling Growth with Falling Inflation

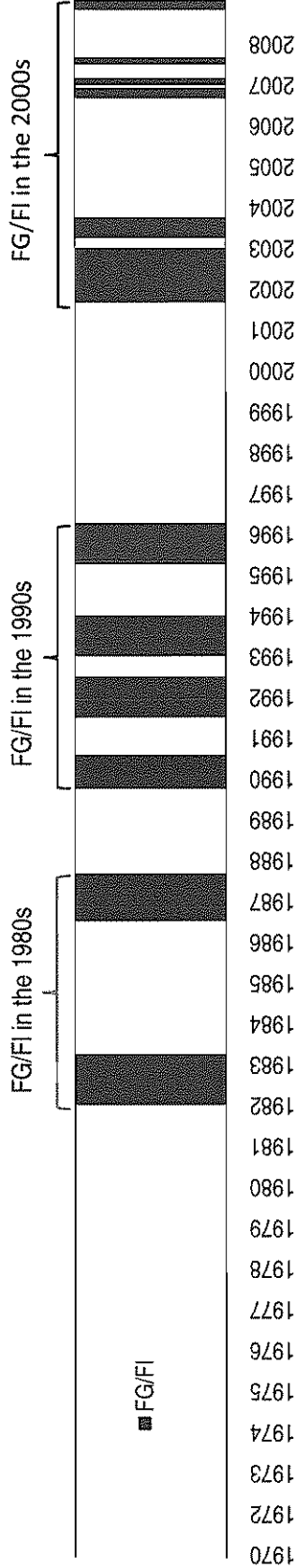


- FG/FI occurred 23% of the time period measured
- Endowment beta real returns would have been 6.4%
- Based on history, FG/FI is the best investment environment, and all asset classes had positive real returns
- We have very recently (11/2008) switched from a FG/RI environment into FG/FI





How Robust is the FG/FI Analysis



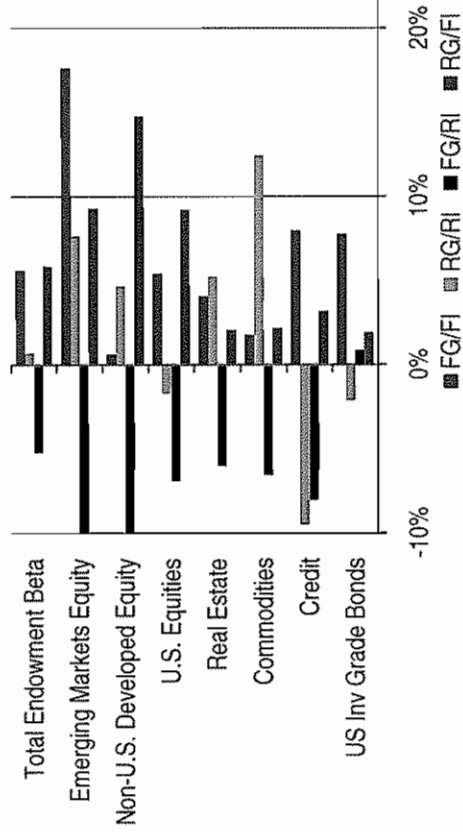
Subperiod	US Inv Grade Bonds	Credit	Commodities	Real Estate	U.S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Total Endowment Beta
FG/FI in the 1980s	6.8%	10.8%	8.1%	6.8%	16.0%	21.2%	15.6%	11.0%
FG/FI in the 1990s	5.3%	5.2%	4.4%	5.8%	10.8%	4.5%	32.5%	8.5%
FG/FI in the 2000s	8.7%	7.1%	(0.9%)	(5.6%)	(11.0%)	(4.5%)	13.6%	-0.1%
FG/FI where Growth decline > Inflation decline	12.1%	10.1%	(0.4%)	(1.7%)	(0.4%)	(5.5%)	17.6%	4.0%
FG/FI where Inflation decline > Growth decline	1.1%	4.4%	8.7%	7.3%	11.4%	21.0%	25.9%	9.5%

- Currently, growth decline is about equal to inflation decline
- Fixed income is quite robust across the different sub-periods (except for periods in which inflation decline exceeded growth decline), whereas developed-country equity (both US and non-US) behaved very differently in the various sub-periods

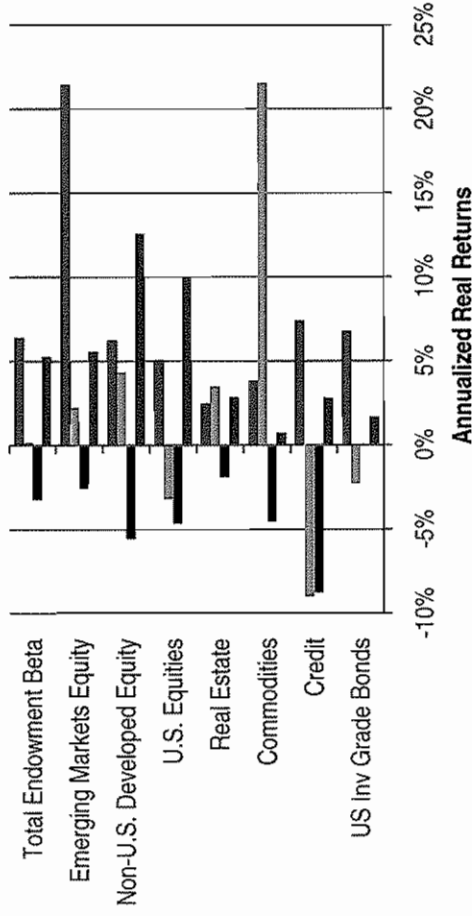


Comparing GDP and Unemployment Analyses

Effects of unemployment and inflation



Effects of GDP and inflation

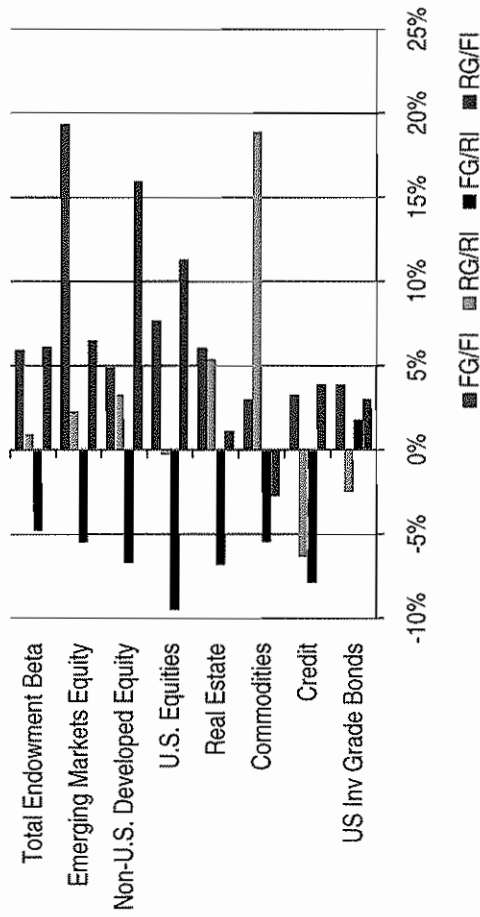


- Past 38 years were re-divided into four periods of falling/rising unemployment and falling/rising inflation, and the analysis repeated
- Results of the modified analysis (shown on the left) are very similar to the original GDP/inflation analysis, shown on the right
 - Rising unemployment with falling inflation (red) was a very good investment environment
 - Rising unemployment with rising inflation (black) was a terrible investment environment

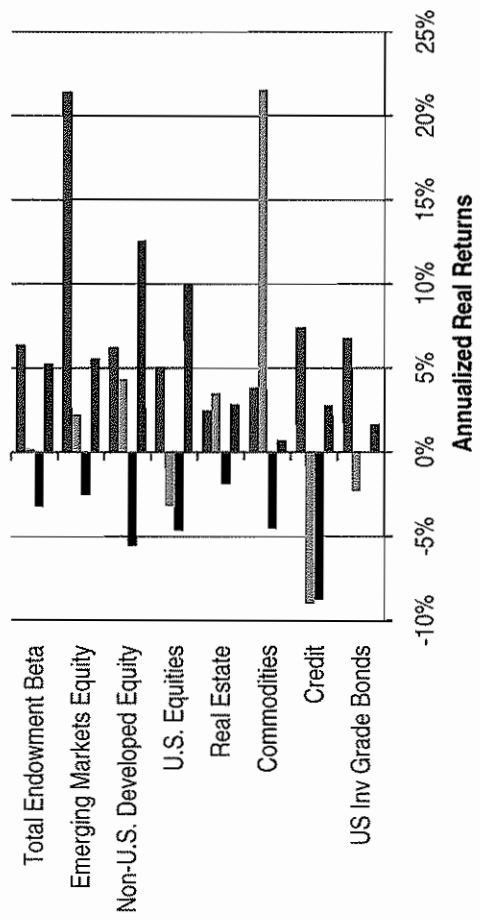


Comparing the CPI and Wages Analyses

Effects of growth and wages



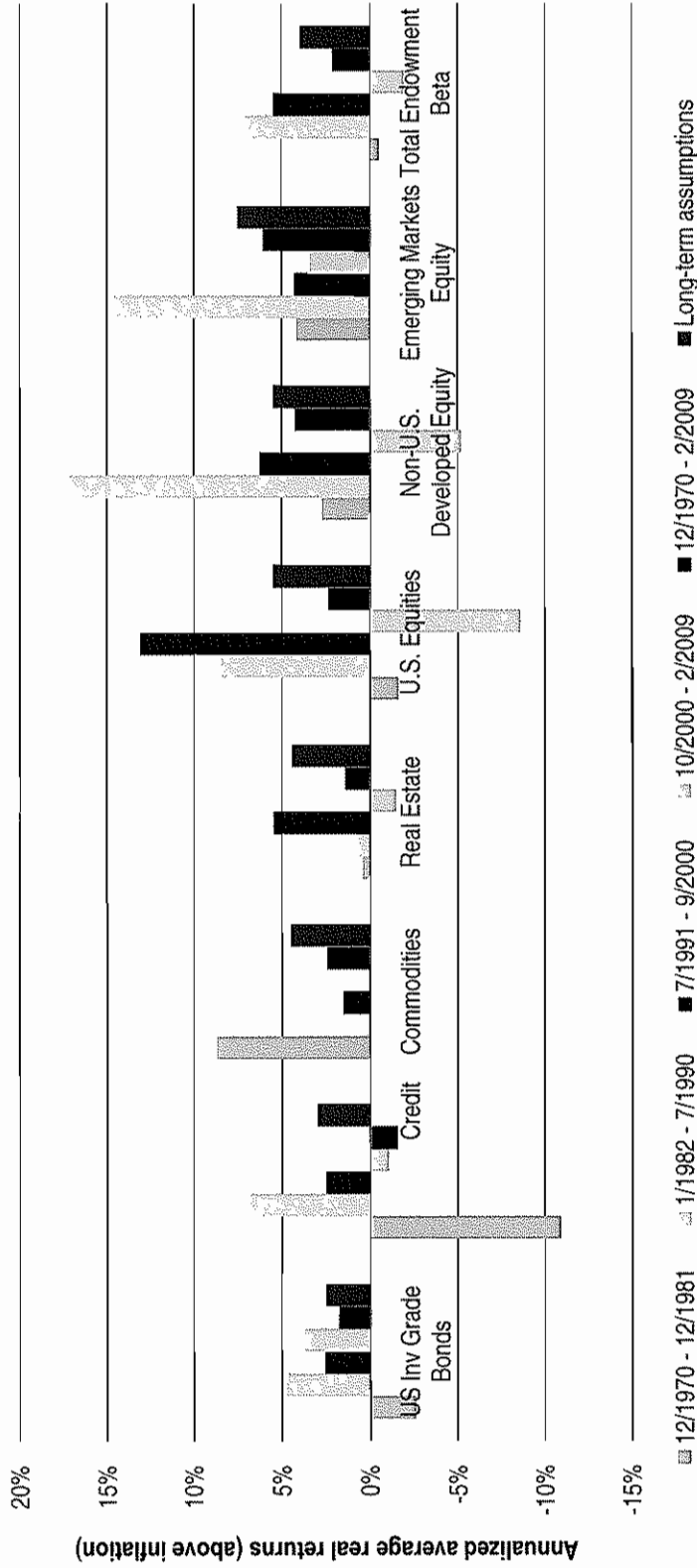
Effects of GDP and inflation



- The analysis was repeated once again, with the past 38 years re-divided into periods of falling/rising GDP growth and falling/rising hourly wages
- Results of the modified analysis (shown on the left) are, once again, very similar to the original GDP/CPI analysis, shown on the right
 - Falling hourly wages (red: falling growth; blue: rising growth) were very good investment environments
 - Rising hourly wages with falling growth (black) was a terrible investment environment



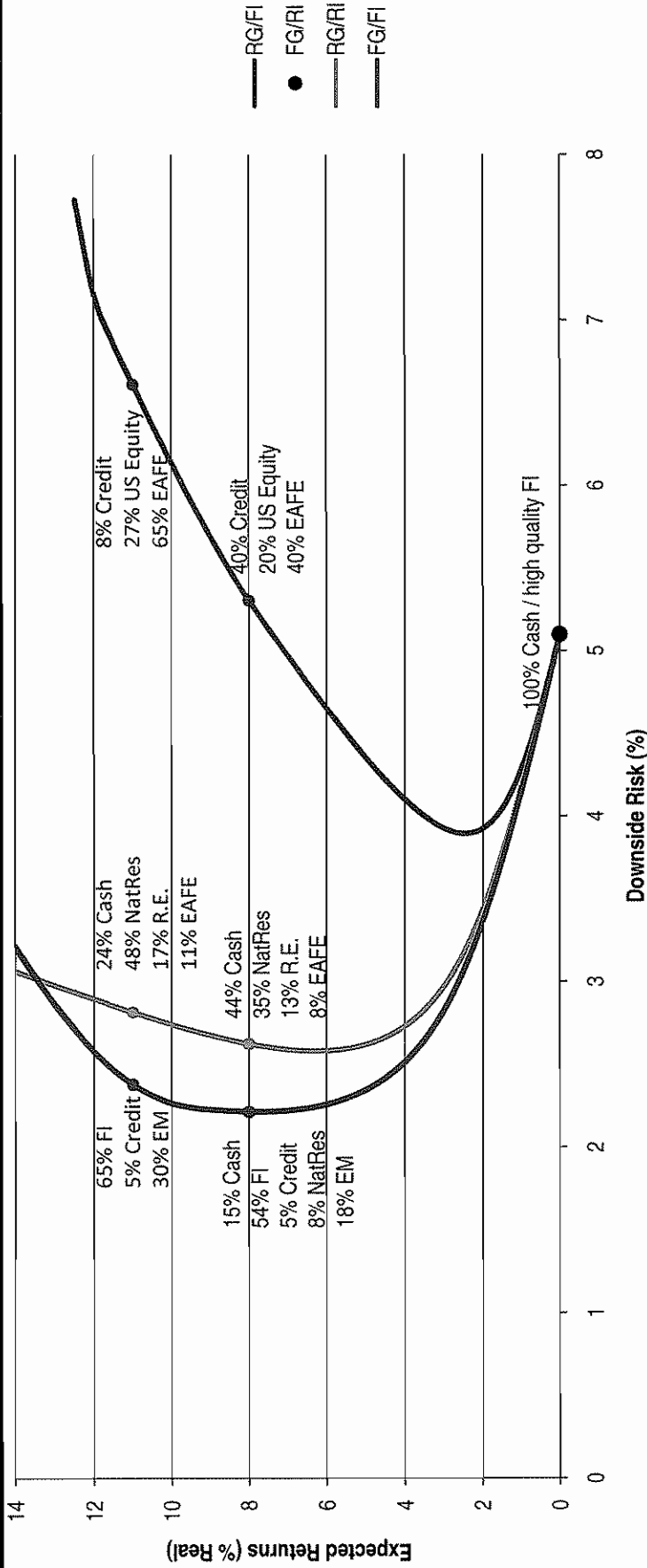
Asset Class Returns Over the Past 38 Years



- Time periods reflect economic cycles, many of which are close to a decade
- “Total Endowment Beta” shows the returns of current asset mix on passive investments
 - Alpha assumed zero for all investment types (LCC, MCC, and PI)
 - Endowment beta returns for the entire period would have been 2.1% above inflation (annualized)



Efficient Frontier in each Scenario



- Non-constrained mean-variance optimization tends to generate “extreme” portfolios - asset allocations are therefore only illustrative
 - In a falling growth environment, tilt towards Fixed Income, much more so with rising inflation
 - In a rising growth environment, tilt towards Real Assets if inflation is rising, and towards Equity and Credit otherwise



What Can we Take From this Analysis

- This is a quantitative analysis of historical data. History does not necessarily repeat itself. We need to rigorously think what applies to the present and the future, why, and what is our confidence level
- We will not remain in FG/FI environment forever – change might come rapidly
 - Too early to tell if will move to RG/FI or FG/RI; need flexibility to be able to adjust to both scenarios
 - We should move into a conservative portfolio if inflation picks up
 - Liquidity and policy flexibility are important
- The current environment might warrant a tilt toward Fixed Income (both Investment Grade and Credit), as they provide better risk-adjusted returns
 - Investment Grade Fixed Income is where we should be if inflation rises; alternatively we need to protect the nominal exposure in the Credit investments
- We might defer increasing our equity exposure until we see if growth picks up faster/earlier than inflation



Summary: Beta-Component of Portfolio Returns

	Falling Growth	Rising Growth
--	----------------	---------------

Falling Inflation 6.4% 5.3%

Rising Inflation -3.2% 0.2%

Annualized Real returns (above inflation)

The greatest vulnerability is rising inflation



Inflation Protection: Trade or Hedge?

- Both spot and forward rates are low – the market is not currently pricing increased inflation
- There might be structural reasons for potential higher interest rates
 - Government policies might lead to inflation
 - Supply/demand imbalance among foreign holders of US treasuries might lead to higher interest rates (with or without inflation)
- As a hedge, we want to protect ourselves against Rising Inflation, even without having a view
 - As with any insurance, we should be willing to lose the premium



Protecting Against Rising Inflation

- Staff is implementing an “Inflation Insurance” program, using relatively long-dated interest rate derivatives
 - Derivatives are on 10-year Constant Maturity Swaps (CMS), which closely track the 10-year U.S. Treasury Bond
 - Derivatives have expiration of 5 and 7 years
 - The mechanics of a CMS cap
 - We pay an up-front premium to multiple counterparties (collateralized through ISDAs requiring daily settlement)
 - If, for example, the strike is 5.5% and the 10-year CMS rate rises to 7.5% at expiry (years 2014, 2016), we receive $7.5\% - 5.5\% = 2\%$ of the notional amount
 - If the 10-year CMS rate at expiry is less than the strike, we receive nothing (lost the premium)
 - Derivatives allow a fixed premium with high payout should inflation spike



Sizing the Inflation Protection Trade

- The left tail event we want to protect is 10-year rates rising significantly from their current level of ~3%, 5 to 7 years from now
- If 10-year rates rose to 8%, the hedge will pay back 8%-5.7% = 2.3% of notional, which is \$552mm on \$24bn of notional value
- \$552mm amounts to 3.4% of the portfolio, which approximately offsets the projected -3.2% annual loss on the existing portfolio in an FG/RI environment
- Typically, however, an FG/RI regime lasts 9 quarters. Therefore, a \$24bn notional value trade only protects the portfolio for approximately half of the projected potential loss
- Initially, we want to be conservative in sizing and implementation



Structure of Program

- Implementation over 4 months
- \$16bn notional of a “plain vanilla” cap on the 10y CMS, expiring after 5 years, struck 150bp above the at-the-money-forward (ATMF)
 - Price paid so far range between 44bp and 60bp of notional. 50bp average price means overall cost of \$80mm, or \$16mm per year
- \$8bn notional of a swap: sell caps that expire in two years (not expecting significant rate increases in the short term), and buy caps that expire in seven years (longer protection)
 - Cost is only 25%-30% of the 5-year straight vanilla caps
 - Because there is no upper bound to inflation two years from now, there is – in theory – an unlimited loss potential on this trade
 - The loss on the insurance “sell” would not be offset by the insurance “gain” only if the rates in two years would be significantly lower than the then-expected forward rates for 2016. This divergence has never happened in the past, but staff is monitoring exposures daily

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Report from Risk Committee and Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds

Developed By: Staff

Presented By: Tate

Type of Item: Action required by UTIMCO Board related to Recommendation of Distribution Rates for the Investment Funds; other items are discussion items

Description: The Risk Committee ("Committee") will meet on April 16, 2009. The Committee's agenda includes (1) review and discussion of risk reporting; (2) review and discussion of compliance reporting; (3) discussion and appropriate action related to new investment mandates and annual review of mandate categorizations; (4) report on factor analysis: effects of growth and inflation on Asset Class returns; and (4) discussion and appropriate action related to recommended distribution rates for the Permanent University Fund ("PUF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and Intermediate Term Fund ("ITF") (collectively, the "Investment Funds").

Discussion The Committee will review the quarterly risk reporting and compliance reporting.

The Committee will review and approve or re-categorize, as appropriate, the mandate categorizations prepared by staff for the period beginning January 16, 2009, and ending April 8, 2009, as well as mandates on the "watch-list," i.e., categorizations that may require re-categorization in the near future. Also the Committee's meeting will include a presentation on the mandate categorization annual review, which includes three mandate categorizations staff is recommending be re-categorized and two mandates on the watch-list. Mr. Zimmerman will review with the Committee the criteria considered by staff during the annual review to determine whether a re-categorization is warranted. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

Uzi Yoeli will present to the Committee a factor analysis of the effects of economic growth and inflation on the Portfolio. Mr. Yoeli will also make this presentation to the UTIMCO Board (presentation is included in Tab 3 of the Board materials.)

In addition, the Committee will review the proposed distribution rates for the Investment Funds. Each of the Investment Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Investment Fund. The recommendations for the distribution amount and payout rates are discussed in

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

the attached Recommendation of Distribution Rates and are based on the Investment Policy Statements.

Recommendation: Staff has recommended to the Committee to approve the recommendation of distribution rates for the Investment Funds. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting. UTIMCO staff has proposed the following for fiscal year ending August 31, 2010:

- 1) The distribution from the PUF to the Available University Fund be decreased by 2.7% from \$530,932,622 to \$516,419,406;
- 2) The distribution rate for the PHF be increased from \$0.0528 per unit to \$0.0541 per unit;
- 3) The distribution rate for the LTF be increased from \$0.3024 per unit to \$0.3098 per unit; and
- 4) The distribution rate for the ITF remains at 3.0% per annum.

Reference: Recommendation of Distribution Rates

**RESOLUTION RELATED TO PUF DISTRIBUTION AND
PHF, LTF AND ITF DISTRIBUTION RATES**

RESOLVED, that the annual distribution amount for the Permanent University Fund be decreased from \$530,932,622 to \$516,419,406 for fiscal year 2009, effective with the September 1, 2009 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0528 per unit to \$.0541 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; the Long Term Fund be increased from \$0.3024 per unit to \$0.3098 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2010, effective with the September 1, 2009 monthly distributions.

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

Recommendation of Distribution Amount and Rates

PUF

The Permanent University Fund ("PUF") Investment Policy states that the annual distribution from the PUF to the Available University Fund ("AUF") shall be an amount equal to 4.75% of the trailing 12 - quarter average of the net asset value of the Fund for the quarter ending February of each fiscal year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12 - quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement.

As shown in the table below the average annual return of the PUF investments for the trailing twelve quarters ending February 28, 2009 has not exceeded the Expected Return by 25 basis points or more (.25%).

	Trailing 12 - Quarters Ending February 28, 2009	Expected or Benchmarks	Excess (Deficit)
Average Annual Rate of Return	-5.31%	8.78%	-14.09%

Therefore, as outlined in the PUF Investment Policy, the amount to be distributed from the PUF for Fiscal Year 2009-2010 is \$516,419,406 as calculated below:

Quarter Ended	Net Asset Value
5/31/2006	10,028,861,545
8/31/2006	10,313,393,571
11/30/2006	10,760,220,191
2/28/2007	11,058,603,363
5/31/2007	11,763,605,335
8/31/2007	11,742,780,402
11/30/2007	12,160,738,716
2/29/2008	11,905,770,605
5/31/2008	12,245,951,162
8/31/2008	11,359,463,077
11/30/2008	8,837,574,480
2/28/2009	8,286,887,451
	\$ 130,463,849,898
Number of quarters	12
Average Net Asset Value	\$ 10,871,987,492
Distribution Percentage	4.75%
FY 2009-10 Distribution	\$ 516,419,406

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the Board of Regents of The University Texas System ("Board of Regents") in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the Board of Regents' discretion to set annual PUF distributions to the satisfaction of three tests:

- The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$516,419,406 is substantially greater than PUF Bonds Debt Service of \$161,591,411 projected for FY 2009-2010.

System	Debt Service
U. T.	\$ 105,231,411
TAMU	56,360,000
Total	\$ 161,591,411

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

- The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual net real return or rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2009 was a negative 1.30%, which indicates that the purchasing power has not been preserved. However, since the calculated distribution amount for FY 2009-2010 of \$516,419,406 is less than the prior year distribution of \$530,932,622, the recommended distribution is within the guidelines established by the Constitution.

Average Annual	Percent
Rate of Total Return	3.88%
Mineral Interest Receipts	2.07%
Expense Rate	(0.27)% (1)
Inflation Rate	(2.58)%
Distribution Rate	(4.40)%
Net Real Return	(1.30)%

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

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

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$10,871,987,492	\$516,419,406	4.75%	7.00%

(1) Source: UTIMCO

LTF AND PHF

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

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

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

We are recommending a 2.4% increase in the LTF distribution rate from \$0.3024 to \$0.3098 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The LTF's distribution rate calculated using the prior twelve quarter average value of the LTF is 4.4%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The increase in the consumer price index for the prior three years as of November 30, 2008, was 2.4%.

We are recommending a 2.4% increase in the PHF distribution rate of \$.0528 to \$.0541 per unit. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 4.3%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy.

ITF

We are recommending that the distribution rate for the Intermediate Term Fund ("ITF") remain at 3.0% for fiscal year 2010.

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Information Technology Peer Review Presentation

Developed By: Edwards

Presented By: Edwards

Type of Item: Information item

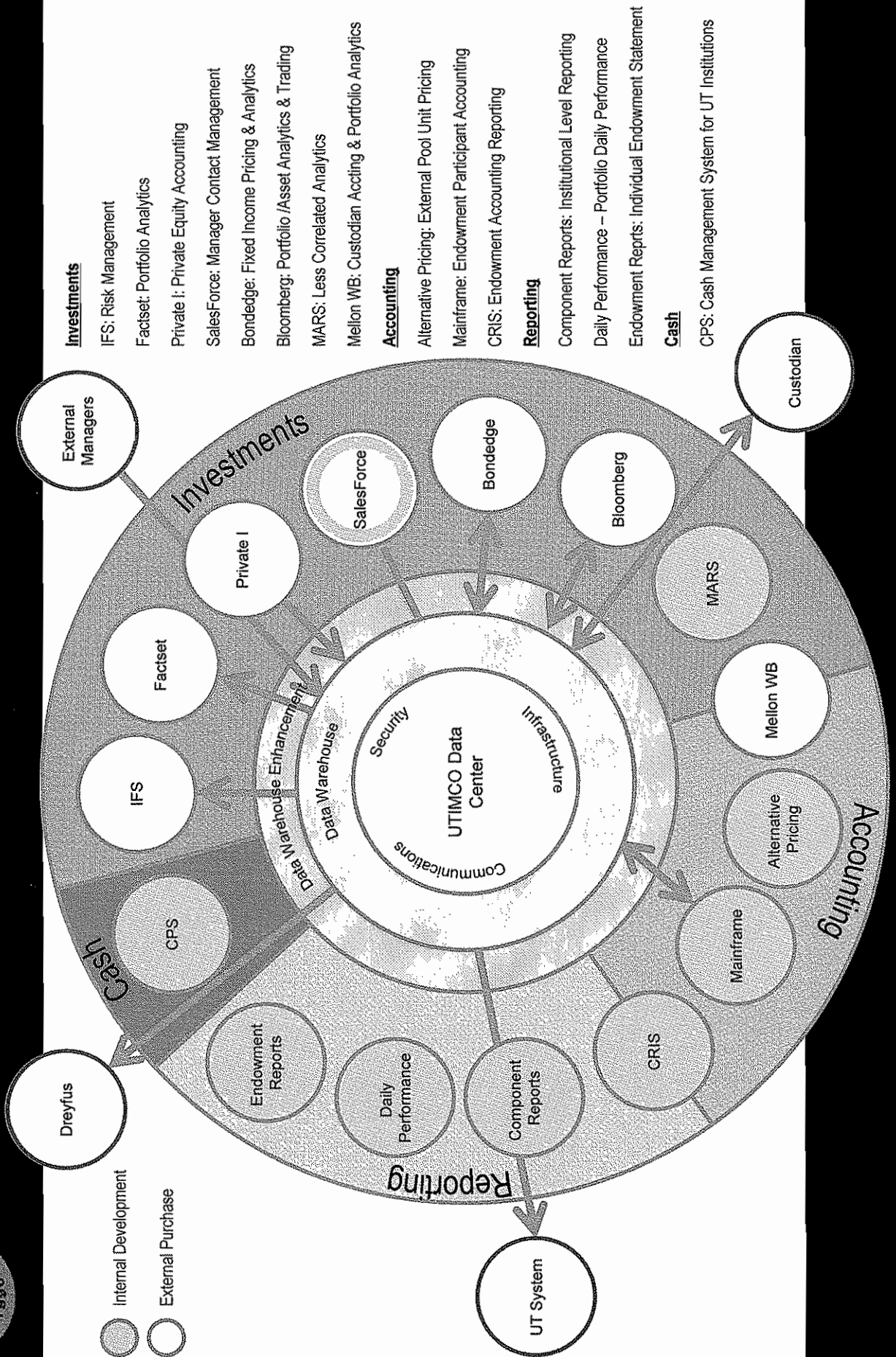
Description: Mr. Edwards will present and explain the UTIMCO technology platform. Additionally, on March 23rd and 24th, UTIMCO held an Information Technology peer review with Harvard, Notre Dame, and the University of California. The comparisons and results will be presented.

Recommendation: No action required.

Reference: IT Peer Review presentation



UTIMCO Technology Platform





Peer Comparison

	UTIMCO	Harvard	Univ of California	Notre Dame
Investments				
Risk Management	IFS	Sungard Panorama and Murex	Custodian reporting and Barra	Custodian reporting and Barra
Portfolio Management/ Analytics	Custodian reporting, Facset, Bloomberg and internally developed applications	Internally developed on Vignette platform supported w/ multiple vendors	Custodian reporting, Bloomberg and Zephyr with MS Access databases	Custodian reporting and Bloomberg aided with MS Access databases
Private Equity	Managed in-house with Private I	Managed in-house with Private I	Cambridge Associates	Managed in-house with Private I
Hedge Funds	MARS, spreadsheets, Albourne	Internally developed on Vignette platform	PerTrac's Analytical Platform	MS Access databases and spreadsheets
Contact Management	SalesForce/ Application Experts modification	Developed internally within their primary reporting system.	None	PerTrac's CMS
Trading	Bloomberg POMS and fax	Murex, Bloomberg EMS, Goldman RealPlus, and fax	Bloomberg POMS and fax	Not Applicable
Accounting				
Book of Record	Custodian	Harvard - Sungard Invest One & PAM	Custodian	Custodian
Individual Endowments/CRTs	Internally on in-house developed system	Endowments managed on campus, CRTs internally on Sungard Invest One	Endowments managed on each campus, CRTs by the Custodian	Endowments managed on campus, CRTs internally
NAV	Daily w/Monthly Open	Weekly and Monthly	Daily by the Custodian	
Performance	Internal Daily / Custodian Monthly	Internal Daily	Daily by the Custodian at the security level	Custodian Monthly
Cash Management				
Institutional Sweep	Application developed internally with optional cash centralization	Not Applicable	Application developed externally with forced cash centralization	Not Applicable
Reporting	Custodian, internal developed applications, MS Access databases via data warehouse	Multiple applications and platforms developed internally and externally	Custodian	Custodian, MS Access databases
IT Support	100% internal with staff of 5	100% internal with staff of 50	100% provided by campus	Infrastructure by campus, applications with staff of 2 1/2



Peer Review – Lessons Learned

- Four different models that evolved over time
- All technology platforms driven by client needs
- Harvard has most robust internal trading platform (SMAC)
- UTIMCO has largest constituent reporting activities
 - U of C constituent reporting and accounting done by System, not Investments
- UTIMCO warehouse is beneficial
- We believe our model is sound and appropriate for us.
- Will continue to be very cautious about “building” & maintain a strong preference to “buying” applications

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: UTIMCO Organization Update

Developed By: Zimmerman

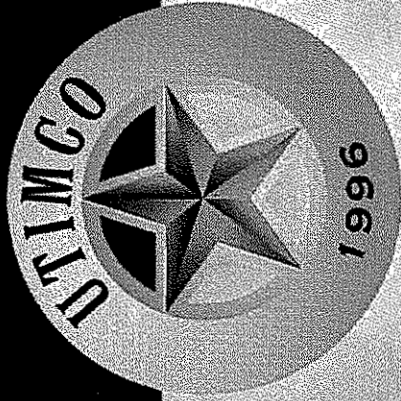
Presented By: Zimmerman

Type of Item: Discussion item

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

- UTIMCO QTR 2 FY 2009 actual versus budget
- Technology Projects
- Investment Best Practices
- Human Resources

Reference: UTIMCO Update presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO UPDATE

April 23, 2009



UTIMCO QTR 2 FY 2009 Actual v Budget

UTIMCO YTD Q2 FY 2009	Actual	Budget	\$	%
SUMMARY				
UTIMCO Personnel	\$5,738	\$6,112	\$374	6%
UTIMCO Other	<u>1,822</u>	<u>2,034</u>	<u>212</u>	10%
Total UTIMCO	<u>7,560</u>	<u>8,146</u>	<u>586</u>	7%
Other, Non-Investment Manager	<u>2,892</u>	<u>3,405</u>	<u>513</u>	15%
Total Non-Investment Manager	10,452	11,551	1,099	10%
Investment Manager - Invoiced	<u>10,545</u>	<u>22,101</u>	<u>11,556</u>	52%
Total	<u>\$20,997</u>	<u>\$33,652</u>	<u>\$12,655</u>	38%



UTIMCO Update

- Technology Projects
 - MARS
 - Salesforce.com
 - Mainframe
- Investment Best Practices
 - Due Diligence
 - Memos and Compliance Certificate
 - Terms
 - Side Letters
- Human Resources
 - Staffing
 - Mid Year Reviews
 - Development Plans
 - Benefits

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Legislative Update

Developed By: Staff

Presented By: Barry McBee

Type of Item: Information item

Description: The 81st Regular Legislative Session ends June 1, 2009. A presentation will be given during the meeting to update the Board on the status of legislation in the 81st Regular Legislative Session of interest to UTIMCO.

Discussion: Staff will monitor legislation, as finally passed, for changes in state law affecting UTIMCO.

Recommendation: No action required.

Reference: None

**81ST LEGISLATIVE SESSION
BILLS BEING TRACKED BY UTIMCO**

SENATE BILLS	HOUSE BILLS
<p>SB 450 (Patrick, Dan) <i>[Introduced and referred to Senate State Affairs]</i> adds Chapter 807, Government Code prohibiting the investment of retirement system funds in certain private business entities doing business in Iran. It requires the comptroller to develop a list of scrutinized companies for distribution to the Employees Retirement System of Texas (ERS) and the Teacher Retirement System of Texas (TRS), the entities that will be subject to this bill. UTIMCO and the Board of Regents are not included in this bill.</p>	<p>No companion bill in House</p>
<p>SB 602 (Ellis) <i>[Introduced and referred to Senate Finance]</i> is the companion bill to HB 801 (Guillen) and relates to the prohibition of the investment of the Permanent University Fund (PUF) in certain business activities in Sudan. Section 1 reaffirms the findings in SB 247 from the 80th Legislative Session, which added Texas Government Code, Chapter 806. Section 2 adds Section 66.10 to Education Code, Chapter 66.</p>	<p>HB 801 (Guillen) <i>[Committee action pending in House Pensions and Investments /Financial Services as of 4/8/09]</i> is the companion bill to SB 602 (Ellis) and relates to the prohibition of the investment of the Permanent University Fund (PUF) in certain business activities in Sudan. Section 1 reaffirms the findings in SB 247 from the 80th Legislative Session, which added Texas Government Code, Chapter 806. Section 2 adds Section 66.10 to Education Code, Chapter 66.</p>
<p>SB 638 (Nichols) <i>[Passed Senate; received in House 04/08/09 – not referred]</i> is the companion bill to HB 77 (Flynn). It adds Subchapter F to Chapter 2257, Government Code, which requires the comptroller by rule to establish a program for centralized pooled collateralization of deposits of public funds and for monitoring collateral maintained by participating institutions other than county funds as an alternative to collateralization under Subchapter B for the security for deposit of public funds of public entities.</p>	<p>HB 77 (Flynn) <i>[Reported favorably from House Pensions and Investments /Financial Services on 4/8/09]</i> is the companion bill to SB 638 (Nichols) and adds Subchapter F to Chapter 2257, Government Code, which requires the comptroller by rule to establish a program for centralized pooled collateralization of deposits of public funds and for monitoring collateral maintained by participating institutions other than county funds as an alternative to collateralization under Subchapter B for the security for deposit of public funds of public entities.</p>
<p>SB 1548 (Ogden) <i>[Meeting of Senate State Affairs set for 04/09/09]</i> amends various sections of the Government Code related to the powers and duties of the State Pension Review Board (the “board”). The bill renames the board as the State Pension and Investment Review Board, changes the composition of the board, and requires persons appointed to the board to have experience in securities investment, pension administration, or pension law. The board would</p>	<p>No companion bill in House</p>

**81ST LEGISLATIVE SESSION
BILLS BEING TRACKED BY UTIMCO**

SENATE BILLS	HOUSE BILLS
<p>be required to conduct continuing reviews of public retirement systems and the investment practices of public retirement systems and the entities added by Subchapter D (the comptroller, PUF, Permanent School Fund, and public retirement systems) and studies regarding the financial condition or actuarial soundness of the funds managed by the entities and whether the entities are investing their funds in compliance with the entity's investment strategy and applicable law governing the entity's investments. The board may also recommend policies, practices, and legislation to public retirement systems, entities subject to this bill and appropriate governmental entities.</p> <p>The bill imposes filing requirement on the covered entities and requires them to develop and adopt a written investment strategy. The board must adopt guidelines and procedures for the procurement of investment managers and other persons, including investment consultants and advisors for the covered entities and may require the covered entities to detail the entity's methodology for selecting the investment manager or other person. The board is authorized to review contracts with investment managers and other persons regarding the fees charged and paid and the services rendered in consideration for the fees. Contract provisions relating to providing a bonus or other performance incentive is void unless approved by the governor and the Legislative Budget Board before the contract is entered into.</p> <p>Subchapter D subjects various persons, including a member of the Board of Regents of The University of Texas System and UTIMCO directors and investment managers, consultants, and advisors, providing services relating to the management and investment of the entity's assets to disclose all conflicts of interest with the entity and imposes penalties for failure to disclose a conflict of interest.</p> <p>Members of the Board of Regents of The</p>	

**81ST LEGISLATIVE SESSION
BILLS BEING TRACKED BY UTIMCO**

SENATE BILLS	HOUSE BILLS
<p>University of Texas System, the governing body of a public retirement system, or the State Board of Education, the comptroller, and exempt employees of entities subject to these provisions, including UTIMCO exempt employees, are prohibited from accepting a gift or other thing of value, including food, entertainment, and a promised future benefit, from another person doing business with or seeking to do business with the entity.</p> <p>Covered entities may not directly or indirectly employ or contract with a former member of the entity or governing body of the entity, for two years following the date the individual ceased to be a member of the entity or governing body.</p> <p>The bill also contains civil penalties and authorizes the receiving and investigation of complaints against persons providing management or investment services to the covered entities.</p> <p>With the exception of the provisions applicable to contracts, the changes to Subchapter D apply to the oversight of funds regardless of when the investment of funds was made. The changes applicable to contracts with investment managers and other persons apply only to contracts entered into or renewed on or after September 1, 2009.</p>	
<p>SB 2348 (Ogden) <i>[Introduced and referred to Senate Higher Education]</i> amends Education Code Section 66.08. It changes the composition of the board of a nonprofit corporation contracted by the Board of Regents of The University of Texas System ("Board") to invest funds under the control and management of the Board. The composition of the board would be changed from a nine member to a seven member board, three appointed by the Board, three appointed by the governor with the advice and consent of the senate, and one appointed by the Board of Regents of The Texas A&M University System. None of the board members would be required to be regents nor would the chancellor of The University of Texas System be one of the board</p>	<p>No companion bill in House</p>

**81ST LEGISLATIVE SESSION
BILLS BEING TRACKED BY UTIMCO**

SENATE BILLS	HOUSE BILLS
<p>members. The board members selected by the Board of Regents of The Texas A&M University System would no longer be required to have substantial background and expertise in investments. Incumbent board members are considered removed from and new board members begin service on the board on January 1, 2010. Each appointing entity would have the power to remove the board members it appointed but the governor would not be able to appoint a replacement without the advice and consent of the senate.</p> <p>A nonprofit corporation contracted by the Board is prohibited from paying any performance bonus, reward or other incentive to a director, officer or employee unless the payment is approved in writing by the Legislative Budget Board, the governor, and the attorney general.</p>	
<p>No companion bill in Senate</p>	<p>HB 2300 (Davis) <i>[Introduced and referred to House Technology/Development/Workforce]</i> adds Texas Government Code, Chapter 2267 that would prohibit state governmental entities from investing state funds in companies that have outsourced jobs to foreign countries without making comparable arrangements for jobs in the US. However, to the extent that the constitution prohibits the legislature from restricting an entity's investment discretion it would not apply.</p>
<p>No companion bill in Senate</p>	<p>HB 3607 (Truitt) <i>[Committee action pending in House Pensions and Investments /Financial Services as of 4/8/09]</i> amends various provisions of Subchapter A, Chapter 2256, Government Code, the Public Funds Investment Act. An institution of higher education having total endowments of at least \$95 million in book value on May 1, 1995, is exempted from the applicability of Subchapter A, Chapter 2256, Government Code, so as currently drafted there is no impact on UT System or UTIMCO.</p>
<p>No companion bill in Senate</p>	<p>HB 3878 (Gallego) <i>[Committee action pending in House Pensions and Investments /Financial Services as of 4/8/09]</i> amends Section 322.014, Government Code to require the Legislative</p>

**81ST LEGISLATIVE SESSION
BILLS BEING TRACKED BY UTIMCO**

SENATE BILLS	HOUSE BILLS
	<p>Budget Board (LBB) to include in its annual report of state investment funds' risk-adjusted performance, the detail of participation by minority-owned and women-owned businesses, including the participation of minority-owned and women-owned financial services firms, as a percentage of total assets managed by outside financial services firms. Each state governmental entity that administers a state investment fund and each person that administers a state investment fund under contract will have to provide the LBB this information.</p>

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Educational Program for UTIMCO Directors

Developed By: Turner

Presented By: Turner

Type of Item: Information item

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

Discussion: Jerry Turner of Andrews Kurth LLP, external general counsel of UTIMCO, will present the "Educational Program for UTIMCO Directors."

Recommendation: None

Reference: Educational Program for UTIMCO Directors presentation

Educational Program for UTIMCO Directors



April 23, 2009

An Effective Board

"A board's effectiveness depends on the competency of its individual members, their understanding of the role of a fiduciary and their ability to work together as a group. Obviously, the foundation is an understanding of the fiduciary role and the basic principles that position directors to fulfill their responsibilities of care, loyalty and good faith."

National Association of Corporate Directors "Key Agreed Principles to Strengthen Corporate Governance for U.S. Publicly Traded Companies" (October 16, 2008)

Fiduciary Objectives

- “The [corporate] board’s fiduciary objective is long-term value creation for the corporation; governance form and process should follow.”

NACD Report

- UTIMCO Board’s fiduciary objective is achievement of the investment objectives set forth in the Investment Policy Statements for UT Funds adopted by UT Board of Regents consistent with limitations and restrictions set forth therein.

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO is a Texas Non-Profit Corporation

UTIMCO Directors have *Duties* and *Liabilities* imposed by law upon directors of non-profit corporations

- Duty of Care
- Duty of Loyalty
- Duty of Obedience

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ANDREWS
ATTORNEYS KURTH LLP

Directors' Liabilities

Protections from Liability – Indemnification

- By UTIMCO (Articles of Incorporation and Bylaws)
- By UT Board of Regents (IMSA)

Protections from Liability – Statutory Immunities

- Federal Volunteer Protection Act
- Texas Charitable Immunity and Liability Act

Protections from Liability – D&O Insurance

- “Claims Made” -- \$10,000,000 aggregate limit

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ANDREWS
ATTORNEYS KURTH LLP

Special Responsibilities of UTIMCO Directors

- Texas Education Code § 66.08
- Investment Management Services Agreement (IMSA)
- Investment Policy Statements for UT Funds
- UTIMCO Bylaws
- UTIMCO Committee Charters
- UTIMCO Code of Ethics
- UTIMCO Delegation of Authority
- UTIMCO Liquidity Policy
- UTIMCO Derivative Investment Policy
- Miscellaneous Texas and Federal Laws

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ANDREWS
ATTORNEYS KURTH LLP

Texas Education Code § 66.08

- Does *not* create UTIMCO
- Creates a framework of duties and responsibilities of UTIMCO Directors
- Directors are accountable to the UT Board of Regents
- Imposes certain ethical constraints on Directors

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ANDREWS
ATTORNEYS KURTH LLP

Investment Management Services Agreement

- UTIMCO appointed as Investment Manager for UT Board of Regents
 - UTIMCO has “*complete authority*” to manage UT Funds, subject to Investment Policy Statements
 - UT Board of Regents is ultimate fiduciary and “*retains policy setting authority*”
- UTIMCO's annual budget and maintenance fee must be approved by UT Board of Regents
- UTIMCO Director training and education required

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ANDREWS
ATTORNEYS KURTH LLP

Investment Policy Statements for UT Funds

- Separate Investment Policy Statements for following UT Funds

Permanent University Fund
Permanent Health Fund
Long Term Fund
General Endowment Fund
Separately Invested Funds
Short Term Fund
Intermediate Term Fund

- Each Investment Policy Statement adopts the “*prudent investor standard*” of Article VII, Section 11b of the Texas Constitution that otherwise relates only to management of Permanent University Fund

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ANDREWS
ATTORNEYS KURTH LLP

Investment Policy Statements for UT Funds

- Investment Objectives of Endowment Funds

- *Primary* – preserve purchasing power of fund assets and annual distributions by earning average annual real return over rolling 10-year periods or longer at least equal to target distribution rate (4.75%) plus annual expected expense (0.35% for PUF and 0.45% for GEF)

- *Secondary* – generate (i) average annual returns adjusted for downside risk in excess of Policy Portfolio adjusted for downside risk over rolling 5-year periods and (ii) average annual returns in excess of median return of college and university endowments greater than \$1 Billion over rolling 5-year periods.

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Bylaws

- Directors are ultimately responsible for ensuring that UTIMCO fulfills its “purpose”
- Directors are appointed by, and serve at the pleasure of, UT Board of Regents -- “outside” Directors are limited to three (3) full three-year terms
- Directors are subject to “revolving door” restriction

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Committee Charters

- UTIMCO Board has adopted Charters for the following standing committees

Audit and Ethics Committee

Risk Committee

Compensation Committee

Policy Committee

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Committee Charters

- Audit and Ethics Committee
 - Primary Purpose is to assist the Board in monitoring ethics programs and audit, financial and compliance functions to assure balance, transparency and integrity of published financial information
 - A&E Committee has the following specific duties:
 - review financial statements for quality considerations
 - monitor management's handling of internal controls
 - manage relationship with external auditors (and for independence)
 - work with internal audit
 - monitor ethics program
 - oversee regulatory compliance
 - oversee enterprise risk management – however, A&E Committee may rely upon assurances from Risk Committee with respect to investment risk management, risk modeling and liquidity
 - review overall duties and responsibilities of Chief Compliance Officer

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Committee Charters

- Risk Committee
 - Risk Committee has duties with respect to:
 - investment risk management and compliance
 - integrity of risk management procedures and controls
 - integrity of risk models and modeling processes
 - liquidity of Permanent University Fund, General Endowment Fund and Intermediate Term Fund
 - Risk Committee required to provide assurance to A&E Committee on a periodic basis with respect to items listed above so that A&E Committee may evaluate them as part of A&E Committee's evaluation of UTIMCO's overall enterprise risk management
 - Risk Committee has responsibility to approve or re-categorize Asset Class and Investment Type categorizations pursuant to UTIMCO's Mandate Categorization Procedure

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Committee Charters

- Compensation Committee
 - Compensation Committee has duties with respect to UTIMCO's compensation system:
 - recommend base salary and compensation award of CEO
 - approve base salaries of all other officers
 - recommend amendments to Performance Compensation Plan
 - recommend "eligible employees" under Performance Compensation Plan and approve Plan awards (other than CEO)
 - provide UTIMCO Board with supporting materials for such recommendations

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Committee Charters

- Policy Committee
 - Policy Committee has duties with respect to amendments to:
 - UTIMCO Board Policies and Corporate Documents
 - Investment Policies
 - IMSA, Code of Ethics, Bylaws and Other Corporate Documents requiring UT Board approval

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Code of Ethics

General Standards

- Among others, the following fiduciary or ethical obligations are imposed upon Directors
 - Director must *not* use relationship with UTIMCO for personal gain
 - Director must *not* make personal investments reasonably expected to create a substantial conflict between Director's private interest and the interest of UTIMCO
 - Director *must be honest* in the exercise of their duties and *loyal* to UTIMCO
 - Director must *not* use UTIMCO's confidential information for personal gain or to assist private clients

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ANDREWS
ATTORNEYS KURTH_{LLP}

UTIMCO Code of Ethics

UTIMCO Prohibited Transactions

- UTIMCO and any entity "controlled" by UTIMCO may *not* enter into agreement or transaction with
 - Director
 - entity "controlled" by Director
 - other business entity in which Director has "pecuniary interest"
- UTIMCO and any entity "controlled" by UTIMCO may *not* invest in "private investments" of a business entity if a Director or any entity "controlled" by Director has (or is acquiring) a "pecuniary interest" in same business entity

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ANDREWS
ATTORNEYS KURTH_{LLP}

UTIMCO Code of Ethics

Director Prohibited Transactions

- Director and any entity “managed or controlled” by Director may *not*
 - acquire a “pecuniary interest” in a business entity if UTIMCO or entity “controlled” by UTIMCO then owns “private investment” in same business entity
 - co-invest with UTIMCO employee in “private investments” of same business entity

Note that, in many circumstances, references to a Director include a reference to spouse, minor children and other dependent relatives.

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Code of Ethics

Restriction on Investments in Publicly Traded Securities

- Director and any entity “managed or controlled” by Director may not engage in “personal securities transaction” with actual knowledge that UTIMCO internal portfolio manager has pending buy/sell order*
- UTIMCO and any entity “controlled” by UTIMCO required to implement procedures and safeguard to preclude investments in publicly traded securities of a publicly traded company in which Director has a “pecuniary interest”
 - UTIMCO maintains a restricted list of publicly traded companies in which a Director has a “pecuniary interest”
 - Restricted list compiled from financial disclosures by Directors

** Note that the above prohibition on Directors applies to Director's spouse, minor child or other dependent relative.*

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ANDREWS
ATTORNEYS KURTH LLP

UTIMCO Code of Ethics

Conflicts of Interest

- Conflict of interest exists whenever Director has personal or private commercial or business relationship that could reasonably be expected to diminish Director's independence of judgment
- Director who becomes aware of a conflict of interest has *duty* to cure by eliminating conflict; however, if Director may prudently withdraw from discussion and vote, Director may cure conflict in that manner provided that
 - Director is effectively separated from influencing action
 - action may be properly taken by others
 - conflict is such that Director is not required to regularly and consistently withdraw
 - conflict is not a "Prohibited Transaction"
- Director who does not cure a conflict of interest must resign from UTIMCO Board as quickly as reasonably and legally possible

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ANDREWS
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UTIMCO Code of Ethics

Disclosure of Conflict of Interest

- Directors must disclose conflicts of interest in writing to UTIMCO's External General Counsel (Andrews Kurth) prior to UTIMCO Board meeting

Financial Disclosure

- Directors must file financial disclosure statement annually with UTIMCO's Chief Compliance Officer
- Directors should provide notice of any change in holdings that give rise to a "pecuniary interest"

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UTIMCO Delegation of Authority

- UTIMCO Board has delegated the following operational duties and responsibilities to UTIMCO Management
 - administration, accounting and financial management
 - systems technology management
 - personnel management
 - compliance
 - client relations and reporting
 - public relations
- UTIMCO CEO authorized to execute contracts for total obligation of \$1 million or less during contract period, provided that contracts for \$50,000 or more must be reported to UTIMCO Board

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UTIMCO Delegation of Authority

- Following investment duties are expressly delegated to UTIMCO Management:
 - tactical asset allocation within the ranges established in Investment Policy Statements
 - risk management
 - manager monitoring and termination
 - new investment vehicle and manager selection, except that the following require prior UTIMCO Board review (and approval):
 - *More Correlated and Constrained investments/new commitments* - > \$400 million by manager or 20% of total assets under a specific investment strategy by an external manager
 - *Less Correlated and Constrained investments/new commitments* - > \$200 million or 20% of total assets under a specific investment strategy by an external manager

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UTIMCO Delegation of Authority

- *Private Investments/new commitments* - > \$100 million or 20% of same vehicle
- *other investments*
- changing allocations among existing managers and partnerships, except that the following increases require prior UTIMCO Board review (and approval):
 - *More Correlated and Constrained/increases* - > \$200 million by manager or \$600 million total by manager or 20% of total assets under a specific investment strategy by an external manager
 - *Less Correlated and Constrained/increases* - > \$100 million or \$300 million total by manager or 20% of total assets under a specific investment strategy by an external of manager

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UTIMCO Delegation of Authority

- *Private Investments/increase* - > \$50 million or \$150 million total of same vehicle or 20% of same vehicle
- no increase permitted which (i) exceeds \$200 million (for all Investment Types) to existing internal or external manager or (ii) increases to more than \$600 million (for all Investment Types) assets managed by existing internal or external manager

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UTIMCO Liquidity Policy

- Purpose is to establish limits on overall liquidity profile of Permanent University Fund, General Endowment Fund, and Intermediate Term Fund
- "Liquidity" – measure of the ability of an investment position to be converted into Cash
- "Cash" – generally defined as short-term (3 months or less), highly liquid investments that are readily convertible to known amounts and are subject to relatively small risk of changes in value
- "Illiquid" – can be converted to Cash in more than 90 days or in shorter period at a discount greater than 10%
- "Liquid" – can be converted to Cash within 90 days at a discount not to exceed 10%
- "Unfunded Commitments" – capital legally committed that has not been called but may be called

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UTIMCO Liquidity Policy

• Liquidity Policy Profile – Endowment Funds

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Liquidity above trigger zone:	42.5%	35.0%	30.0%	28.0%
Liquidity within trigger zone:*	37.5%-42.5%	30.0%-35.0%	25.0%-30.0%	23.0%-28.0%
Liquidity below trigger zone:	<37.5%	<30.0%	<25.0%	<23.0%

• Liquidity Policy Profile - ITF

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Liquidity above trigger zone:	65%	65%	65%	65%
Liquidity within trigger zone:*	55%-65%	55%-65%	55%-65%	55%-65%
Liquidity below trigger zone:	<55%	<55%	<55%	<55%

• Unfunded Commitments – Endowment Funds

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Maximum**:	25.0%	27.5%	32.5%	32.5%

* Illiquid investments within "trigger zones" require prior approval of Risk Committee or UTIMCO Board

** No new commitment without approval of Risk Committee if Unfunded Commitments exceed, or will exceed, maximum

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UTIMCO Derivative Policy

- Purpose is to enumerate applications, documentation and limitations on derivative securities in Permanent University Fund, General Endowment Fund, Intermediate Term Fund, and Separate Invested Funds
 - Except as provided below, applies to *both internal and external managers* operating under agency agreements
 - Does *not* apply to *external managers* operating under limited partnership agreements, offshore corporations or other limited liability entities that limit the liability of the investor
 - Applies to both exchange-traded derivatives and OTC derivative instruments
- External managers operating under an agency agreement may engage in derivative transactions only if consistent with overall investment objective of manager's account and with approval of UTIMCO's CIO

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UTIMCO Derivative Policy

- Permitted derivative applications
 - implement investment strategies in low cost and efficient manner
 - alter market systematic exposure without trading underlying securities (through purchases or short sales of derivatives)
 - construct portfolios with risk/return characteristics not obtainable with cash market securities
 - hedge/control risk
 - facilitate transition trading
- Must maintain projected downside deviation within range set forth in investment policy statements
- New derivative applications by internal manager or external manager operating under an agency agreement must be approved by UTIMCO Board after recommendation by CIO

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UTIMCO Derivative Policy

- Limitations
 - In order to limit leverage risk, each internal derivative application must specify a baseline portfolio and employ appropriate risk measures (such as downside risk) to assure that total economic impact of derivative application portfolio relative to baseline portfolio does not exceed 20% (increase or decrease) of underlying value of baseline portfolio
 - Counterparty in an OTC derivative transaction must have a credit rating of at least A- (S&P) or A3 (Moody's)
 - Net market value of all OTC derivative positions for an individual counterparty may not exceed 1% of total market value of the UT Funds

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UTIMCO Derivative Policy

- No derivative transaction allowed that would cause the aggregate risk exposure of the UT Funds to exceed the aggregate risk limits established by current investment policy statements
- All internal and external derivatives will be marked-to-market daily by external custodian and reviewed for accuracy by UTIMCO Risk Manager
- Quarterly comprehensive reports of all approved derivative applications (internal managers and external managers operating under an agency agreement) provided to UTIMCO Board and Risk Committee

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Miscellaneous Texas and Federal Laws

- Texas Uniform Prudent Management of Institutional Funds Act
- Texas Open Meetings Act
- Texas Public Information Act
- Federal Intermediate Sanctions IRC § 4958

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Miscellaneous Texas and Federal Laws

- Texas Uniform Prudent Management of Institutional Funds Act
 - UPMIFA governs management and investment of Long Term Fund and creates a rebuttable presumption of imprudence where an amount greater than 9% of the FMV of the Long Term Fund (calculated on the basis of at least 12 trailing calendar quarters) is appropriated for expenditure

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Miscellaneous Texas and Federal Laws

- Texas Open Meetings Act
 - Open Meetings Act provides generally that meetings of “governmental bodies” must be open to public (except for expressly authorized executive sessions for matters such as consultation with attorneys, personnel matters, etc.) and that public must be given notice of time and place and subject matter of meetings. UTIMCO subject to Act in same fashion as UT Board of Regents, with two exceptions
 - UTIMCO may have “briefing sessions” on private investments and hedge funds
 - Director at remote location may participate in Board meeting by telephone
 - Act is a *penal* statute, the knowing violation of which is a *misdemeanor*

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Miscellaneous Texas and Federal Laws

- Texas Public Information Act – General
 - Public Information Act provides that “public information” is available to the public. “Public information” defined generally to include information “collected, assembled, or maintained . . . by a governmental body” or for such body if it “owns . . . or has a right of access to the information”
 - In 1997, Texas Attorney General ruled that UTIMCO is subject to Act
 - Upon receipt of written request, governmental body must make public information available to the requestor. If governmental body believes information is not public because it is within one of Act’s exceptions, it must seek a decision from Texas Attorney General within ten business days of receipt of written request. If requested information involves third party’s privacy or property

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Miscellaneous Texas and Federal Laws

- Texas Public Information Act – General (continued)
interest, and may fall within one of Act's exceptions, governmental body is required to make a good faith effort to notify third party of request. Third party entitled to file brief to protect information
- IMSA prohibits UTIMCO from declining to disclose any requested information without soliciting input from UT System General Counsel and requires UTIMCO to disclose requested information unless (i) it is confidential "Investment Information" under Act or (ii) as to all other information, UT System General Counsel, after consultation with Chancellor, approves submission of a Public Information Act request to Texas Attorney General
- Act is a *penal* statute, the violation of which is a *misdemeanor*

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Miscellaneous Texas and Federal Laws

- Texas Public Information Act – Exceptions
 - Among others, following information is excepted from disclosure under the Act
 - certain personnel information
 - information related to litigation
 - information related to competition or bidding
 - information within attorney-client privilege
 - trade secrets
 - information the disclosure of which would cause "substantial competitive harm"
 - confidential "Investment Information" relating to "private investments"

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Miscellaneous Texas and Federal Laws

- Federal Intermediate Sanctions – Internal Revenue Code § 4958
 - Imposes sanctions when tax-exempt organization enters “excess benefit transaction” with “disqualified person”
 - “Excess Benefit Transaction” – when economic benefit provided by organization exceeds value of consideration received (including unreasonable compensation)
 - “Disqualified Person” – person in position to exercise substantial authority over organization’s affairs
 - Parties to transaction entitled to rely on rebuttable presumption of reasonableness for a compensation package approved by independent board or committee
 - composed of persons not controlled by Disqualified Person
 - relies on appropriate comparability data
 - adequately documented basis for its determination

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Key Agreed Principles (NACD)

In October 2008, National Association of Corporate Directors published list of ten “Key Agreed Principles to Strengthen Corporate Governance for U.S. Publicly Traded Companies,” the first eight of which are instructive for UTIMCO Directors:

- I. BOARD RESPONSIBILITY FOR GOVERNANCE
Governance structures and practices should be designed by the board to position the board to fulfill its duties effectively and efficiently
- II. CORPORATE GOVERNANCE TRANSPARENCY
Governance structures and practices should be transparent – and transparency is more important than strictly following any particular set of best practice recommendations
- III. DIRECTOR COMPETENCY & COMMITMENT
Governance structures and practices should be designed to ensure the competency and commitment of directors

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Key Agreed Principles (NACD)

IV. BOARD ACCOUNTABILITY & OBJECTIVITY

Governance structures and practices should be designed to ensure the accountability of the board to shareholders and the objectivity of board decisions

V. INDEPENDENT BOARD LEADERSHIP

Governance structures and practices should be designed to provide some form of leadership for the board distinct from management

VI. INTEGRITY, ETHICS & RESPONSIBILITY

Governance structures and practices should be designed to promote an appropriate corporate culture of integrity, ethics, and corporate social responsibility

VII. ATTENTION TO INFORMATION, AGENDA & STRATEGY

Governance structures and practices should be designed to support the board in determining its own priorities, resultant agenda, and information needs and to assist the board in focusing on strategy (and associated risks)

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Key Agreed Principles (NACD)

VIII. PROTECTION AGAINST BOARD ENTRENCHMENT

Governance structures and practices should encourage the board to refresh itself

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TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions - Election of UTIMCO Officers, Designation of Key Employees

Developed By: Zimmerman, Moeller

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

Description: As stated in the Bylaws, there shall be an election of Officers for the ensuing year.

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

Recommendation: Staff recommends that the individuals designated in the resolution related to the election of corporation officers and the resolution related to the designation of key employees of the corporation be approved as set forth.

Reference: UTIMCO Bylaws and Code of Ethics

RESOLUTION RELATED TO KEY EMPLOYEES OF THE CORPORATION

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

<u>Name</u>	<u>Title</u>
Bruce Zimmerman	CEO and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Lindel Eakman	Managing Director – Private Markets
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
Mark Warner	Senior Director – Natural Resources Investments
Bob Schau	Senior Director – Real Estate Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Susan Chen	Director – Public Markets Investments
Debbie Childers	Manager -- Portfolio Accounting and Operations
Gary Hill	Manager -- Investment Reporting
Melynda Shepherd	Manager - Finance and Administration
Cissie Gonzalez	General Counsel and Chief Compliance Officer
Mark Newcomb	Senior Associate – Public Markets Investments
Amanda Hopper	Associate – Public Markets Investments
Christy Wallace	Executive Assistant

RESOLUTION RELATED TO CORPORATION OFFICERS

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

<u>Name</u>	<u>Office or Offices</u>
Erle Nye	Chairman
J. Philip Ferguson	Vice-Chairman
Francisco G. Cigarroa	Vice-Chairman for Policy
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Lindel Eakman	Managing Director
Bill Edwards	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Christy Wallace	Assistant Secretary

TAB 10

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

- Agenda Item:** Report from Compensation Committee
Discussion and Appropriate Action Related to Voluntary Deferral of Performance Incentive Award earned by the CEO and Chief Investment Officer, if any, for the Performance Period ended June 30, 2009
- Developed By:** Moeller
- Presented By:** Ferguson; Nye
- Type of Item:** Action item related to voluntary deferral; other items are information items
- Description:** The Compensation Committee ("Committee") will meet on April 16, 2009. The Committee's agenda includes (1) discussion and review of the private equity benchmarks and, (2) discussion and review of compensation policy and plan review.
- The Board will discuss and take appropriate action related to the voluntary deferral of performance incentive award earned by the CEO and Chief Investment Officer, if any, for the Performance Period ended June 30, 2009.
- Discussion:** During the Committee meeting, Mr. Zimmerman will lead a discussion related to the current and potential private investment benchmarks. Performance for private investments is calculated differently from other asset classes and investment types due to its longer investment horizon and illiquidity of assets. Except for private investments in Real Estate, performance of private investments is determined based on the performance of partnership commitments made since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks.
- Nanci Hibschan with Mercer will provide the Committee with preliminary commentary on current and expected market practices based on results from the most recent Mercer survey and will discuss high-level market practices related to base salary increases, incentive awards for the 2008 fiscal year and expected for fiscal year 2009, and changes made or anticipated to incentive plan design in other endowments.
- Recommendation:** Chairman Nye recommends that the Board approve the voluntary deferral offer by the CEO and Chief Investment Officer.
- Reference:** Mercer memo

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 2009

Agenda Item: Report from Audit and Ethics Committee

Developed By: Staff

Presented By: Nye

Type of Item: Information item

Description: The Audit and Ethics Committee ("Committee") will meet on April 16, 2009. The Committee's agenda includes a presentation of the unaudited financial statements for the six months ended February 28, 2009 for the Investment Funds and the Corporation; and an update of other compliance, reporting, and audit issues.

Discussion: Routine activities of the Committee will include reviewing the unaudited financial statements for the Investment Funds and UTIMCO Corporation, budget to actual expenses, capital budget, quarterly compliance reports, and other compliance activities. In addition, the Committee will be given audit updates on the internal control audit of the Permanent University Fund by the U.T. System Audit Office and a report on the audit of ethics policies for trustee investing practices at UTIMCO by the State Auditor's Office.

Recommendation: None

Reference: None

TAB 12

Agenda Item
UTIMCO Board of Directors Meeting
April 23, 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.

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: None