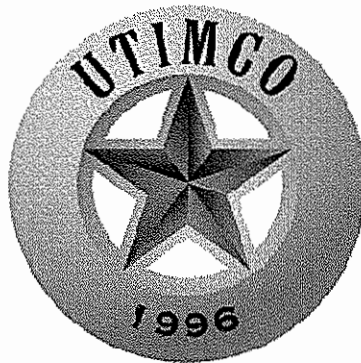


***The University of Texas Investment  
Management Company***



***Presentation Materials***

***Board of Directors Meeting***

***November 20, 2009***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
November 20, 2009**

UTIMCO  
401 Congress Ave., Ste. 2800  
Austin, Texas 78701

Time	Item #	Agenda Item
<b>Begin</b> 10:30 a.m.	<b>End</b> 11:30 a.m.	<b>Call to Order</b> <b>Recess to Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments</b>
11:30 a.m.	12:00 p.m.	<b>Lunch</b>
12:00 p.m.	12:05 p.m.	1 <b>Open Session:</b> Discussion and Appropriate Action related to Minutes of October 6, 2009 Meeting*
12:05 p.m.	12:10 p.m.	1a Discussion and Appropriate Action Related to Board Committee Assignments* ,**
12:10 p.m.	1:30 p.m.	2 Endowment and Operating Funds Update Report
1:30 p.m.	2:00 p.m.	3 Discussion of Investment Environment
2:00 p.m.	2:30 p.m.	4 <b>Executive Session:</b> Pursuant to Section 551.074, <i>Texas Government Code</i> , the Board of Directors will convene in Executive Session to Consider Individual Personnel Compensation Matters including Report of Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2009. <b>Reconvene into Open Session</b> Consideration of Compensation Committee Report: - Discussion and Appropriate Action related to Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Discussion and Appropriate Action Related to Voluntary Deferral of Performance Incentive Awards earned by certain members of Senior Staff, if any, for the Performance Period ended June 30, 2009* - Discussion and Appropriate Action related to Personnel Performance Incentive Awards for the Performance Period ended June 30, 2009*
2:30 p.m.	2:45 p.m.	5 Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee*
2:45 p.m.	3:00 p.m.	6 Report from Risk Committee
3:00 p.m.	3:15 p.m.	7 UTIMCO Organization Update
3:15 p.m.	3:30 p.m.	8 Report on 2010 Meeting Dates
3:30 p.m.		<b>Adjourn</b>

\* Action by resolution required

\*\* Resolution requires further approval from the Board of Regents of The University of Texas System

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: January 26, 2010**

**TAB 1**

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **October 6, 2009**, be, and are hereby, approved.

**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 1:02 p.m. on the **6th day of October 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 Chairman, Erle Nye, 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:

Erle Nye, Chairman  
J. Philip Ferguson, Vice Chairman  
Clint Carlson  
Paul Foster  
Janiece M. Longoria  
Colleen McHugh  
Ardon E. Moore

Accordingly, a majority and quorum of the Board was in attendance. Vice Chairman for Policy, Francisco G. Cigarroa, M.D., did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Mark Warner, Senior Director – Natural Resources Investments; Uzi Yoeli, Senior Director – Portfolio Risk Management; 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; Philip Aldridge, Charlie Chaffin, William Huang, Moshmee Kalamkar, Miles Ragland and Roger Starkey of UT System Administration; and Hamilton Lee of Cambridge Associates. Director Charles Tate joined later in the meeting as noted in the minutes. Mr. Nye called the meeting to order at 1:38 p.m.

**Minutes**

The first matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on July 9, 2009, and the Joint Meeting with the Board of Regents of The University of Texas System held on July 9, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **July 9, 2009**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **July 9, 2009**, be, and are hereby, approved.

## **Compensation Committee Report**

Mr. Nye asked Mr. Ferguson to give a report on behalf of the Compensation Committee. Mr. Ferguson reported that the Compensation Committee had met on September 10, 2009 and considered several items of business at their meeting. The Committee recommended for approval by the Board, the designation of employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2009/2010 Performance Period, as set forth in Exhibit 1 (attached). Mr. Ferguson asked Mr. Zimmerman to provide more detail. The Board members were reminded that they had approved the Amended and Restated UTIMCO Compensation Program (the "Plan") at the July 9, 2009 meeting and had approved the Eligible Positions at that same meeting. The Plan was also approved by the UT System Board of Regents at its meeting held on August 20, 2009. Mr. Zimmerman explained that the Plan states that in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period. Mr. Zimmerman said that the positions listed in Exhibit 1 were the same as last year with the exception of two new employees hired to fill two open analyst positions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the 2009/2010 Performance Period set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the 2009/2010 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the 2009/2010 Performance Period, effective as of July 1, 2009 or as otherwise noted on Exhibit 1.

## **Endowment and Operating Funds Update**

Mr. Nye asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman began with the net asset value and performance numbers as of the Fiscal Year Ended August 31, 2009. The Corporation had \$20.5 billion of assets under management at the end of August 31, 2009. Of the \$20.5 billion, \$9.7 billion was in the Permanent University Fund (PUF), just under \$5.4 billion in the General Endowment Fund (GEF), \$1.8 billion in the Short Term Fund (STF) and \$3.6 billion in the Intermediate Term Fund's (ITF). The net performance for the one-month period ended August 31, 2009, for the PUF was 2.04% and for the GEF was 2.04%, versus benchmark returns of 1.34% for each fund. The net performance for the fiscal year ended August 31, 2009, for the PUF and GEF were -12.98% and

-13.22%, respectively, versus benchmark returns of -15.42% for each fund. The ITF's performance was 2.13% versus its benchmark return of 2.52% for the one-month period, and -7.07% versus its benchmark return of -7.56% for the fiscal year ended August 31, 2009. Performance for the STF was 0.03% versus 0.02% for its benchmark return for the one-month period, and was 1.21% versus a benchmark return of 0.66% for the fiscal year ended August 31, 2009. Mr. Zimmerman presented actual versus benchmark results, 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' asset class and investment type targets, ranges and performance objectives. He reported on both the More Correlated and Constrained portfolio and the Less Correlated and Constrained portfolio and reviewed the Private Investments portfolio update. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of August 31, 2009, and gave an update on liquidity, contracts and the Intermediate Term Fund. Ms. Longoria asked about the Corporation's Enterprise Risk Management process. Mr. Zimmerman stated that the Corporation has an Enterprise Risk Management program in place and that Ms. Gonzalez will be completing an update of program by calendar year end, which will be reported to the Board. Mr. Zimmerman, Ms. Iberg, Mr. Eakman, and Ms. Gonzalez answered the Directors' questions.

### UTIMCO Strategic Plan

Mr. Nye asked Mr. Zimmerman to lead the discussion related to the development of a strategic plan for the Corporation, which is one of Mr. Zimmerman's qualitative performance goals for the 2009/2010 Performance Period. Mr. Zimmerman said he wanted to take personal responsibility for leading the project, at least through the discovery phase. The plan will focus on the organization in the year 2015. He presented a timeline for the task/deliverables, to include initial discussions and strategic analysis over the next few months, followed by a period of time to refine the issues identified, develop views and initial recommendations on those issues by April 2010, and finalize the recommendations and implementation plans by July 2010. Mr. Tate joined the meeting during this discussion. Mr. Zimmerman continued with a preliminary list of potential key issues, constituent interviewees, and participants. Mr. Zimmerman sought the Directors' input and answered their questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:56 p.m.

Secretary: \_\_\_\_\_  
Joan Moeller

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

**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**in the 2009/2010 Performance Period**

ELIGIBLE POSITION	PARTICIPANTS
<i>Investment Professionals</i>	
CEO & Chief Investment Officer	Bruce Zimmerman
President and Deputy CIO	Cathy Iberg
Managing Director - Private Investments	Lindel Eakman
Senior Portfolio Manager	Russ Kampfe
Senior Director, Investments	Mark Warner
Senior Director, Investments	Bob Schau
Senior Director, Risk Management	Uzi Yoeli
Portfolio Manager	Harland Doak
Director, Investments	Ryan Ruebsahm
Director - Private Investments	Mark Shoberg
Director, Investments	Susan Chen
Senior Associate, Investments	Zac McCarroll
Senior Associate, Investments	Mark Newcomb
Senior Associate, Investments	Courtney Powers
Associate - Private Investments	Scott Bigham
Associate - Private Investments	Mike McClure
Associate, Investments	Amanda Hopper
Associate, Investments	Laura Patrick
Associate, Risk Management	Kathleen Wagner
Senior Analyst, Investments	Eric Dooley
Senior Analyst, Investments	Aman Jain
Analyst, Investments	Shari Ledbetter
Analyst, Investments	Natasha Cupps
Analyst, Investments	Siamc Kamalie
Analyst, Investments	Daniel Senneff *
Analyst, Investments	Mukund Joshi**
<i>Operations/Support Professionals</i>	
Senior Managing Director	Joan Moeller
Managing Director	Bill Edwards
General Counsel and Chief Compliance Officer	Cissie Gonzalez
Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd

Participants are eligible as of July 1, 2009 unless otherwise noted.

\*Eligible as of July 27, 2009

\*\*Eligible as of September 14, 2009



**TAB 1a**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

<b>Agenda Item:</b>	Discussion and Appropriate Action Related to Board Committee Assignments
<b>Developed By:</b>	Staff
<b>Presented By:</b>	Chairman Nye
<b>Type of Item:</b>	Action required by UTIMCO Board; further action required by the U. T. System Board of Regents related to Audit and Ethics Committee assignment.
<b>Description:</b>	Chairman Nye will propose the Board committee assignments for the Policy Committee and the addition of a new member to the Audit and Ethics Committee. Section 66.08 of the <i>Texas Government Code</i> requires that the U. T. System Board of Regents approve the appointment of the members of the Audit and Ethics Committee of the Board of Directors of UTIMCO.
<b>Recommendation:</b>	Chairman Nye will recommend approval of the Board committee assignments.
<b>Reference:</b>	None

## RESOLUTIONS RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Policy Committee of the Board of Directors:

Ardon E. Moore

Janiece M. Longoria

Printice L. Gary

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that \_\_\_\_\_ is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

BE IT RESOLVED, that Director Printice L. Gary is hereby designated as a member of the Audit and Ethics Committee, subject to approval by the Board of Regents, to serve until the expiration of his term, or until his successor has been chosen and qualified, or until his earlier death, resignation or removal.

**TAB 2**

# UTIMCO Performance Summary

September 30, 2009

	Net Asset Value 9/30/2009 (in Millions)	Periods Ended September 30, 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		
<b>ENDOWMENT FUNDS</b>											
Permanent University Fund	\$ 9,878	3.29%	10.01%	14.95%	3.29%	(1.79%)	0.00%	5.32%	5.42%		
General Endowment Fund		3.28	9.99	14.85	3.28	(2.15)	0.14	5.40	N/A		
Permanent Health Fund	866	3.25	9.90	14.73	3.25	(2.19)	0.05	5.32	N/A		
Long Term Fund	4,681	3.25	9.90	14.72	3.25	(2.20)	0.05	5.32	5.82		
Separately Invested Funds	75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Total Endowment Funds</b>	<b>15,500</b>										
<b>OPERATING FUNDS</b>											
Short Term Fund	1,654	0.02	0.09	0.48	0.02	1.01	3.37	3.50	3.34		
Intermediate Term Fund	3,744	3.42	10.49	18.84	3.42	4.46	1.74	N/A	N/A		
<b>Total Operating Funds</b>	<b>5,398</b>										
<b>Total Investments</b>	<b>\$ 20,898</b>										
<b>VALUE ADDED (Percent)</b>											
Permanent University Fund		0.08%	1.37%	2.21%	0.08%	2.98%	2.29%	1.66%	1.16%		
General Endowment Fund		0.07	1.35	2.11	0.07	2.62	2.43	1.74	N/A		
Short Term Fund		-	0.02	0.31	-	0.62	0.55	0.39	0.23		
Intermediate Term Fund		0.15	(0.41)	0.36	0.15	1.15	2.12	N/A	N/A		
<b>VALUE ADDED (\$ IN MILLIONS)</b>											
Permanent University Fund		\$ 7	\$ 125	\$ 193	\$ 7	\$ 306	\$ 680	\$ 780	N/A		
General Endowment Fund		4	69	103	4	152	403	453	N/A		
Intermediate Term Fund		5	(14)	11	5	41	220	N/A	N/A		
<b>Total Value Added</b>		<b>\$ 16</b>	<b>\$ 180</b>	<b>\$ 307</b>	<b>\$ 16</b>	<b>\$ 499</b>	<b>\$ 1,303</b>	<b>\$ 1,233</b>	<b>N/A</b>		

(1) - Benchmark returns for the PUF, GEF/LTF, and ITF have been restated for certain prior periods. Details of the restatements and previous policy portfolio benchmark history may be found at [www.UTIMCO.org](http://www.UTIMCO.org).

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

**Combined Permanent University Fund and General Endowment Fund Asset Allocation**  
as of September 30, 2009  
*(in millions)*

Asset Group	Asset Class	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Grand Total
Fixed Income	Investment Grade	\$ 1,730	\$ 223	\$ -	\$ 1,953
	Credit-Related	386	1,150	1,119	2,655
<b>Fixed Income Total</b>		<b>2,116</b>	<b>1,373</b>	<b>1,119</b>	<b>4,608</b>
Real Assets	Real Estate	\$ 619	\$ 68	\$ 88	\$ 775
	Natural Resources	941	17	261	1,219
<b>Real Assets Total</b>		<b>1,560</b>	<b>85</b>	<b>349</b>	<b>1,994</b>
Equity	Developed Country	\$ 2,240	\$ 2,706	\$ 1,750	\$ 6,696
	Emerging Markets	1,526	395	229	2,150
<b>Equity Total</b>		<b>3,766</b>	<b>3,101</b>	<b>1,979</b>	<b>8,846</b>
<b>Grand Total</b>		<b>\$ 7,442</b>	<b>\$ 4,559</b>	<b>\$ 3,447</b>	<b>\$ 15,448</b>

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

**Asset Class and Investment Type Targets, Ranges, and Performance Objectives**  
**Combined Permanent University Fund and General Endowment Fund Asset Allocation**  
as of September 30, 2009

Asset Class	September 30, 2009	September 30, 2009		vs. Target
	ACTUAL	Min	Target	
Investment Grade Fixed Income	12.6%	5.0%	7.7%	4.9%
Credit-Related Fixed Income	17.1%	9.4%	12.8%	4.3%
Real Estate	5.1%	4.8%	7.3%	-2.2%
Natural Resources	7.9%	5.0%	8.5%	-0.6%
Developed Country Equity	43.3%	39.6%	47.0%	-3.7%
Emerging Markets Equity	14.0%	12.3%	16.7%	-2.7%
<b>TOTAL</b>	<b>100.0%</b>		<b>100.0%</b>	<b>0.0%</b>
<b>Investment Types</b>				
More Correlated & Constrained	48.2%	37.3%	44.8%	3.4%
Less Correlated & Constrained	29.5%	27.3%	32.8%	-3.3%
Private Investments	22.3%	18.0%	22.4%	-0.1%
<b>TOTAL</b>	<b>100.0%</b>		<b>100.0%</b>	<b>0.0%</b>



# August 31, 2009 Asset Allocation

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	1 12.2%	1.4%	0.0%	13.6%
Credit Related Fixed Income	2.3%	7.4%	7.6%	17.3%
Real Estate	4.5%	0.3%	0.6%	5.4%
Natural Resources	4.6%	0.1%	1.7%	6.4%
Developed Country Equity	5 14.7%	6 17.6%	7 11.4%	43.7%
Emerging Market Equity	9.7%	2.4%	1.5%	13.6%
<b>Total</b>	<b>48.0%</b>	<b>29.2%</b>	<b>22.8%</b>	<b>100.0%</b>



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Investment Grade Fixed Income





# Investment Grade Fixed Income

- Performance

(8/31/2009)

<u>Manager</u>	<u>AUM(\$Millions)</u>	<u>1 Yr Return</u>
Liquidity Reserve (Dreyfus)	\$350	1.21%
Internal Fixed Income	770	11.68
PIMCO	849	6.55
Brandywine	607	7.60
BGI Global ex-U.S.	<u>647</u>	8.38
<b>Total</b>	<u><b>\$3,223</b></u>	<b>7.21%</b> (ex-Liquidity Reserve)

- Pipeline

	<u>UTIMCO</u>	<u>BGI Global Aggregate</u>
Duration (yr)	5.58	5.33
Yield-to-Maturity	4.87%	3.09%
Average Quality	AA+	AA
<u>Sectors</u>		
Cash	11%	0%
Treasury	8%	49%
Government Agency	29%	10%
Agency Mortgages	19%	18%
Credit	25%	21%
Other	8%	1%
	<u>100%</u>	<u>100%</u>
<u>Geographies</u>		
US	55%	37%
Europe	26%	37%
Asia - Pacific	15%	20%
Other	4%	5%
	<u>100%</u>	<u>100%</u>



# Tail Risk Hedging

- Inflation Insurance

<u>Investment</u>	<u>Cost</u>	<u>Notional</u>	<u>Avg. Strike</u>	<u>Current M-T-M</u>
5&7 Yr options	\$21.4MM	\$4.0B	5.77%	\$12.6MM
On 10 Yr CMS	(1.9 bps/Annum)			

Rates

- Gold (Natural Resources)

- \$400 Million / 2% of AUM
- December COMEX Gold Futures

- ISDA's/Derivative Procedures



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Credit-Related Fixed Income



# Credit-Related Fixed Income

MCC Manager	Value
Watershed	\$180
Angelo Gordon	129
BGI	104
<b>MCC Total</b>	<b>\$413</b>

LCC Manager (1)	Value
Baupost	\$324
Centerbridge	242
Perry	223
Farallon	164
Silver Point	61
Och-Ziff	58
Spinnaker	52
Angelo Gordon	46
Satellite	45
Watershed	38
Owl Creek	30
7 Others	76
<b>LCC Total</b>	<b>\$1,360</b>

Private Manager	Value	Unfunded	Exposure
Oaktree	\$333	\$7	\$340
Varde	267	20	287
CarVal	100	16	116
H.I.G.	23	80	103
Avenue	72	21	92
Apollo	45	40	85
Fortress	56	16	73
Cerberus	53	13	67
MatlinPatterson	41	24	65
GSO	49	0	49
Centerbridge	35	13	49
5 Others	71	22	94
<b>Private Total</b>	<b>\$1,147</b>	<b>\$273</b>	<b>\$1,419</b>

Projected Future Proceeds			
2010	2011	2012	Post 2013
\$154	\$236	\$496	\$536
			\$1,123

(1) Look Through



# Credit-Related Fixed Income

<u>Exposure</u>	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>Total</u>	<u>% of Total</u>
Loans	\$0	\$432	\$531	\$962	33%
High Yield	104	650	152	906	31
RMBS	180	149	113	443	15
CMBS	129	2	14	145	5
Illiquid Positions	0	126	337	463	16
Total	<u>\$413</u>	<u>\$1,360</u>	<u>\$1,147</u>	<u>\$2,919</u>	<u>100%</u>



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Real Estate



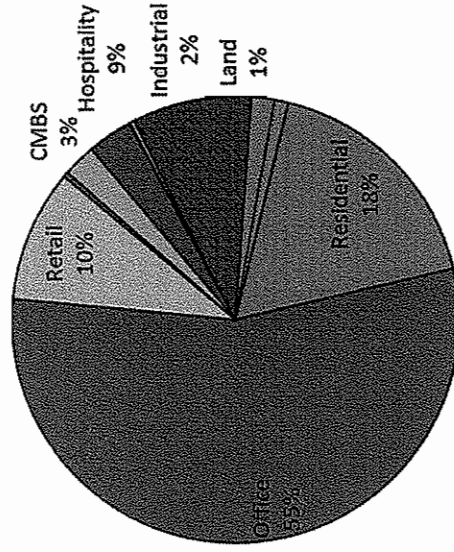
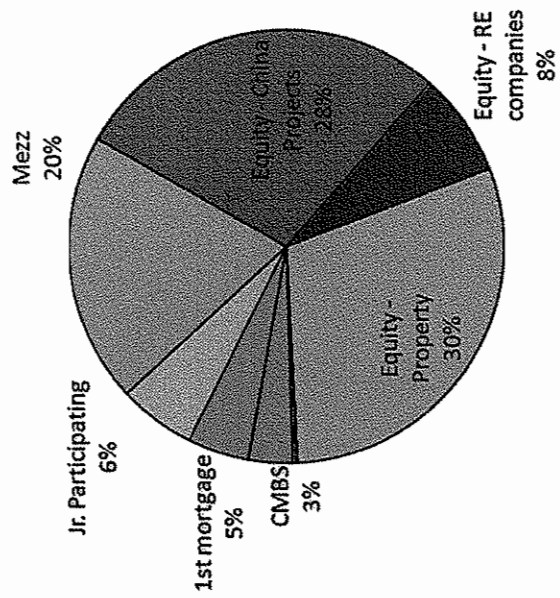
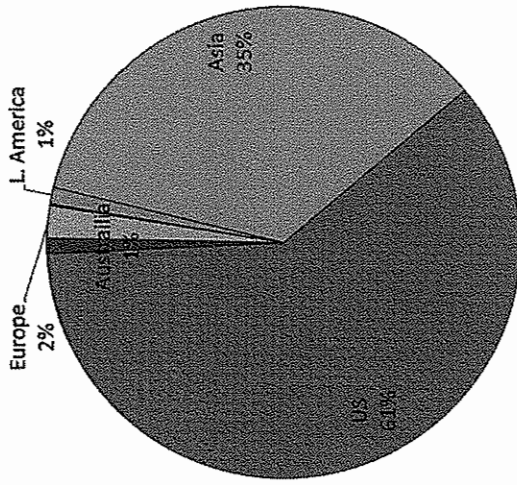
# RE Manager Profiles

(\$ in mm)

<u>Manager</u>	<u>AUM</u>	<u>1 Yr return</u>	<u>Index</u>	<u>Current Value</u>	<u>Cumm Gain/ (Loss)</u>
<u>MCC</u>					
Morgan Stanley Global Best Ideas	\$201	-12.8%	-23.0%	\$50	\$5
Cohen & Steers Global Total Return	196	-18.5%	-23.0%	17	(13)
European Investors (exUS)	179	-2.8%	-15.6%	11	(10)
BGI Global exUS REIT Index Fund	160	-16.0%	-15.6%	5	(10)
Credit Suisse US	92	-33.6%	-32.9%	3	(2)
Cohen & Steers US Total Return	64	-27.3%	-32.9%	-	(0)
Security Capital US Focus Select	46	-41.6%	-34.8%	-	(0)
	<u>\$938</u>	<u>-19.7%</u>	<u>-23.1%</u>	<u>\$86</u>	<u>(\$30)</u>
<u>LCC</u>					
GEM	\$ 55	6.7%	-5.6%		
<u>Private</u>					
Trophy	<u>\$55</u>	<u>\$45</u>	<u>\$10</u>		
Five Mile Capital Partners	50	30	20		
Shorenstein	50	21	29		
Morgan Stanley Special Sits	50	15	35		
Northwood	50	5	45		
Benson Elliot	50	0	50		
Secured Capital	50	0	50		
	<u>\$355</u>	<u>\$116</u>	<u>\$239</u>	<u>\$86</u>	<u>(\$30)</u>



# Private RE Portfolio Composition







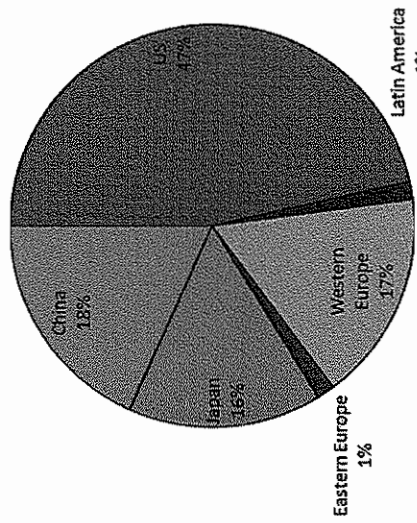
# RE Target Markets - Overview

<u>Metric</u>	<u>US</u>	<u>Brazil</u>	<u>UK</u>	<u>Europe</u>	<u>Japan</u>	<u>China</u>
Economic growth	Low (1-2%)	High (5-6%)	Low (1-2%)	Low (1-2%)	Low (1-2%)	Very high (7-9%)
Interest rates	Low Inflation / Deflation	High/tightening	Low	Moderate	Ultra low Deflationary	Moderate Inflationary
Liquidity	Surprisingly high	Moderate	Surprisingly high	Moderate	Low	Very high
Demand	Deteriorating	Improving	Deteriorating	Fairly stable	Flat	Improving
New supply	Limited	Growing	Moderately high	Limited	Limited	Growing
Market Expectation	Negative	Positive	Negative	Neutral	Neutral	Positive

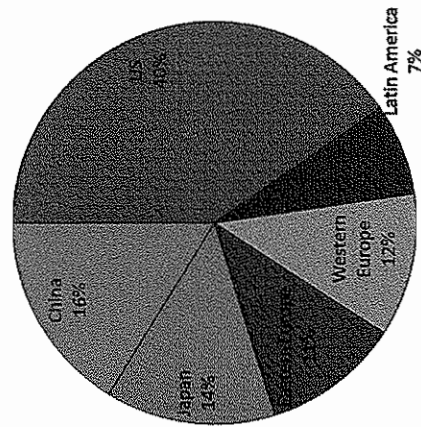


# RE Strategy – Geographic Diversification

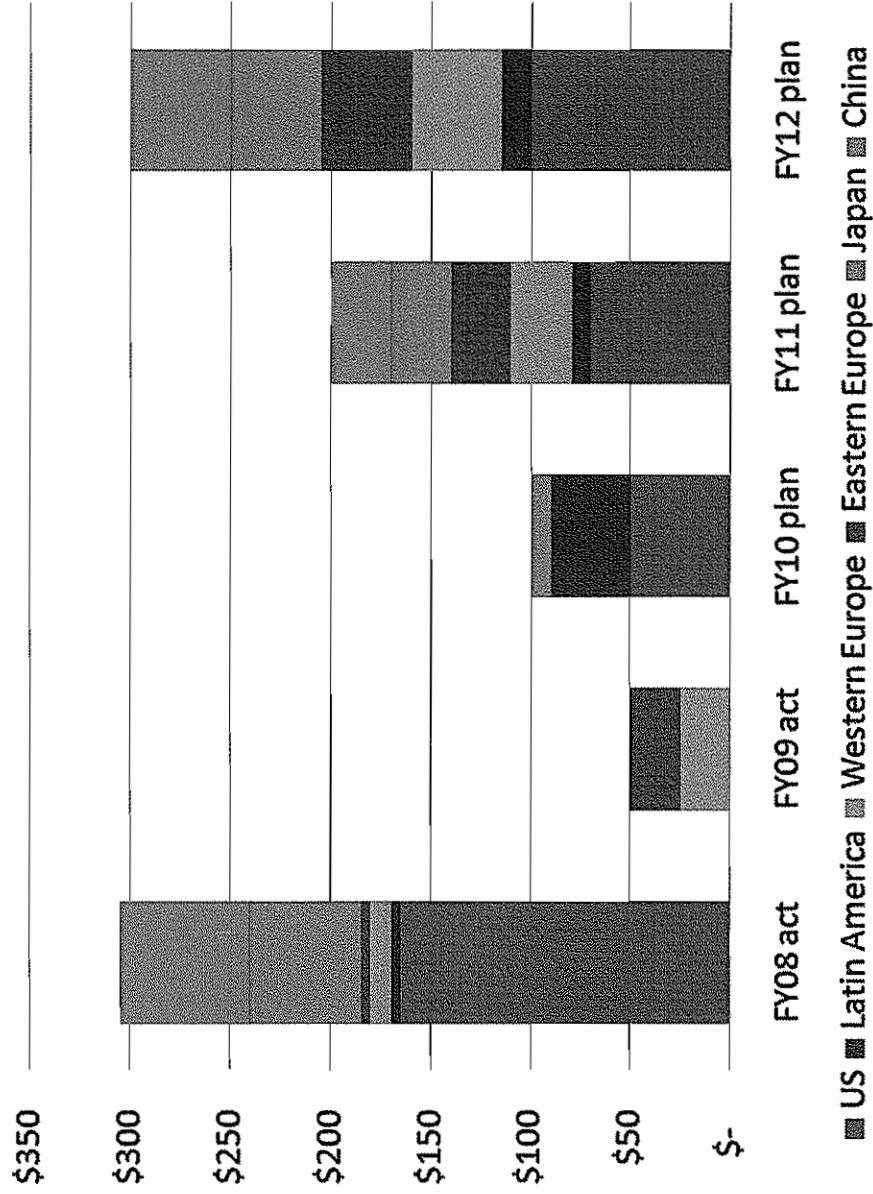
Bv committed capital  
2009



2012



By vintage year



■ US ■ Latin America ■ Western Europe ■ Eastern Europe ■ Japan ■ China



# Trophy Property Fund I

- Largest committed and funded investment in Private RE portfolio
- \$1.1 billion invested in 5 multi-use developments in 3 Chinese cities:
  - 1) Shanghai (40% weighting)
  - 2) Chongqing (35% weighting)
  - 3) Wuhan (25% weighting)
- 65mm total Square Feet; 20% completed/under construction
- Affiliated with Shui On Land
- Targeting 25+% IRR and 3x+ multiple (unlevered)
- First year return = +15%



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Natural Resources



# Natural Resources Private Markets Portfolio

(8/31/09)

Natural Resource MCC Performance (Aug 31)		
	Value (\$MM)	FY09
Equity		
BlackRock Small Cap	\$120	-43.4%
BlackRock All Cap	106	-46.9%
BlackRock Metals & Mining	57	NA
NR Equity Swap	207	NA
General Moly	7	-65.4%
Total Equity	497	-39.3%
NR Equity Benchmark		-25.6%
Commodity Futures		
Gresham	517	-35.5%
Total Commodity Futures	517	-34.8%
NR Commodity Benchmark		-33.6%
Total NR - MCC	\$1,014	-33.4%
NR Composite Benchmark		-29.5%

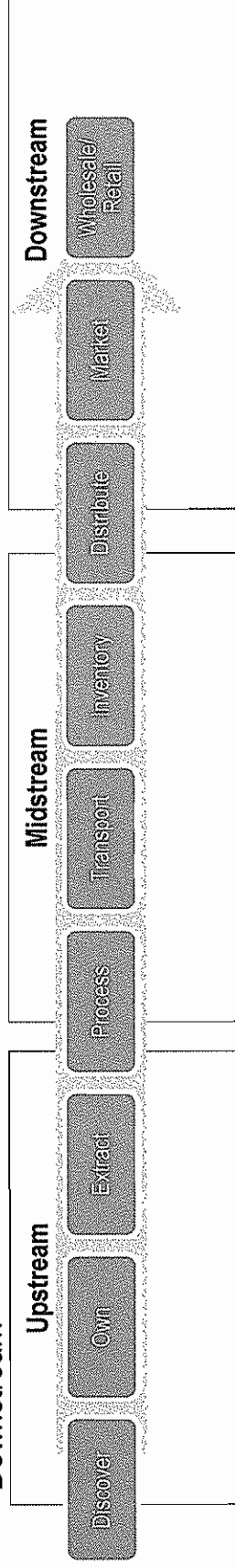
Natural Resources Private Markets Portfolio (\$ MM)						
Fund	Commitment	Called	Distributions	Market NAV	Unfunded	
ArcLight Energy Partners	\$165	\$168	\$113	\$92	\$28	
EnCap Investments	165	102	127	42	67	
Kern Energy Partners	70	4	0	3	66	
Natural Gas Partners	50	11	0	8	39	
Oaktree GFI	30	16	25	14	39	
SCF Partners	110	50	32	47	58	
Sindicatum Climate Change Partnership	50	22	0	24	28	
Tenaska Power Fund	60	27	1	23	35	
<b>Total</b>	<b>\$700</b>	<b>\$400</b>	<b>\$298</b>	<b>\$253</b>	<b>\$360</b>	
Fiscal Year Ended August 31, 2009						
(Annual % Change)						
Total Private Investments Natural Resources:						-19.42%
Venture Economics Benchmark						-21.81%
vs. Venture Economics Custom Index						2.39%



# Natural Resources Value Chain

**NR value chain generally begins with discovery and ends with products**

- There are three main segments of the value chain
  - Upstream
  - Midstream
  - Downstream



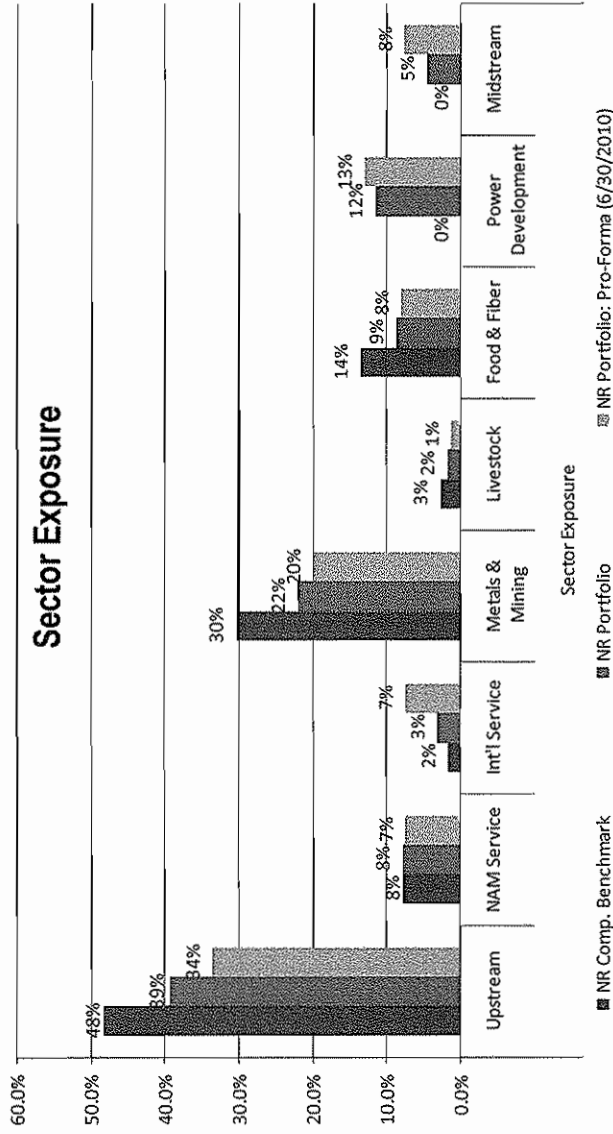
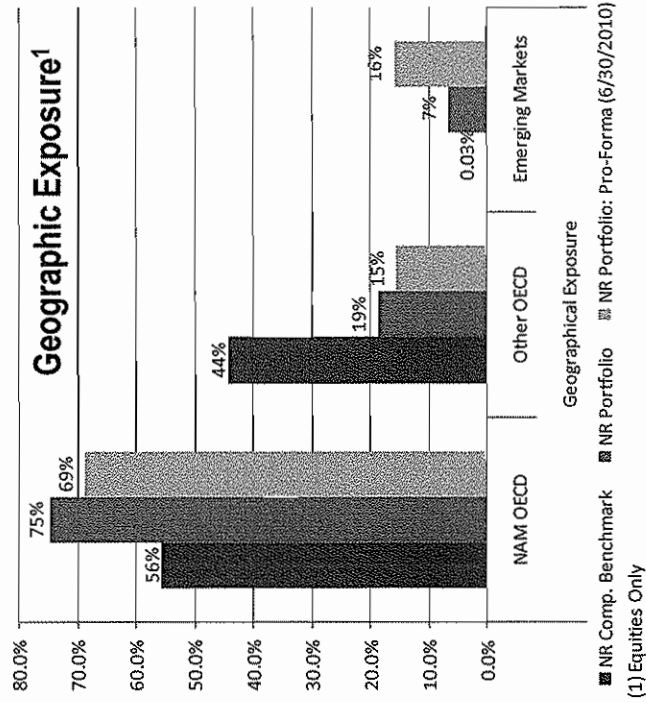
**NR Staff seeks investment opportunities at all points of the value chain across all three investment styles**



# Natural Resources Portfolio

## Pro-Forma Portfolio (6/30/2010) Exposure

### Pro-Forma NR Portfolio Allocation vs. Composite Benchmark





# Natural Resources

## Portfolio Roadmap (6/30/2010)

### **More Correlated & Constrained**

- Fund an additional active commodity
- Further diversify equities mandate by identifying sector specific managers

### **Private Markets**

- Staff plans to invest with one existing manager's new fund (Oaktree GFI Power Opportunities Fund III)
- Staff has identified quality managers within the following strategic markets
  - Metals and Mining
  - Oil Service and global NOC Exposure
  - International Energy Infrastructure
  - NAM Energy midstream
  - Energy Technology / Growth
- NR Staff is also evaluating several attractive co-investment and secondary market opportunities (time sensitive)

### **Less Correlated & Constrained**

- Develop strategy in conjunction with LCC team
- Focused commodity managers with physical capabilities
- Broad commodity/equity theme managers





# Natural Resources Sindicatum Carbon Capital

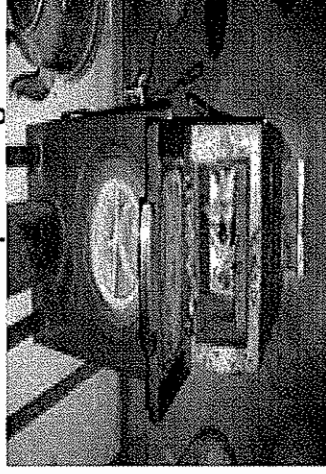
- SCC is the general partner of a \$237 MM fund that develops and finances projects that reduce green house gas emissions primarily in the world's developing nations.
  - \$237MM Fund, UTIMCO is the largest LP with a \$50MM commitment
  - UTIMCO also has warrants to purchase up to \$15MM of the GP's equity



- Examples of development include:

- Landfill gas
- Coal mine methane
- Agricultural market solutions
- Hydro projects
- Natural gas flaring

- Projects will drive revenue from Certified Emission Reduction credits (CER's) which will be balanced with revenue from other sources such as power generation.





THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# More Correlated and Constrained Developed Country Equity and Emerging Market Equity



# MCC Public Equity Assets

Developed Equity	Actual		Projected		Active/Passive	
	9/30/08	9/30/09	3/31/10	3/31/10	\$	%
Active	\$2,339	\$1,851	\$1,901	\$1,901	\$1,901	85%
Passive	1,247	1,017	352	352	352	15%
<b>Total</b>	<b>\$3,586</b>	<b>\$2,868</b>	<b>\$2,253</b>	<b>\$2,253</b>	<b>\$2,253</b>	<b>12%</b>
<b>DCE as a % of Total Assets</b>	<b>18%</b>	<b>15%</b>	<b>12%</b>	<b>12%</b>		

Emerging Markets	Actual		Projected		Active/Passive	
	9/30/08	9/30/09	3/31/10	3/31/10	\$	%
Active	\$1,344	\$1,371	\$1,407	\$1,407	\$1,407	75%
Passive	133	386	437	437	437	25%
<b>Total</b>	<b>\$1,477</b>	<b>\$1,757</b>	<b>\$1,844</b>	<b>\$1,844</b>	<b>\$1,844</b>	<b>10%</b>
<b>EME as a % of Total Assets</b>	<b>7%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>		

Figures in millions of dollars



# MCC Public Equity Manager Changes

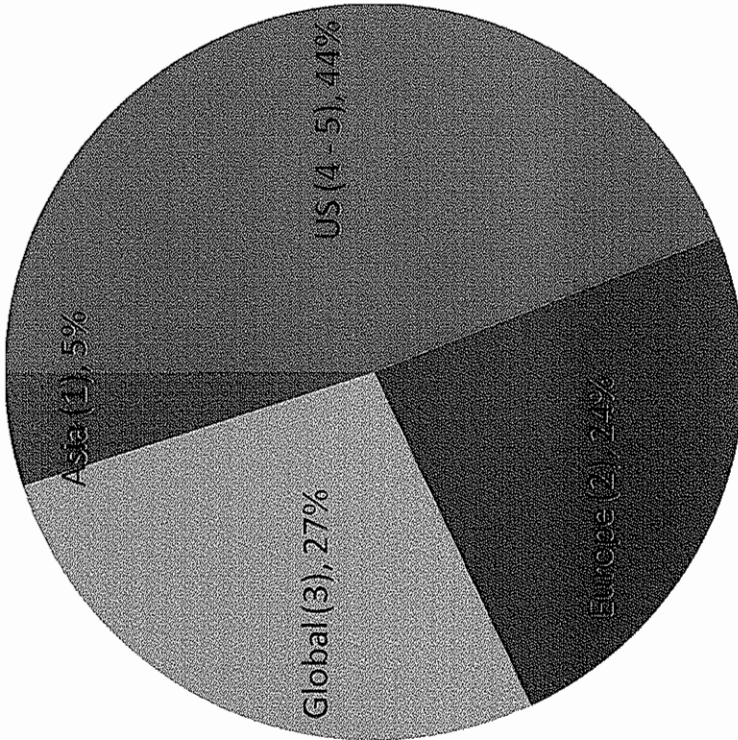
<u>Action</u>	<u>US Developed</u>	<u>Non US Developed</u>	<u>Global</u>	<u>EM</u>
<b>Redemption / Reductions</b>	Blavin New Mountain Westport Relational Levin Utilities	Globeflex		Templeton
<b>New Managers</b>	Stelliam	Silchester	Viking Wellington	Acadian Dynamo Hillhouse
<b>Pipeline</b>		Indus Japan	IVA	Wellington EM Arohi

Since Sept. 2008

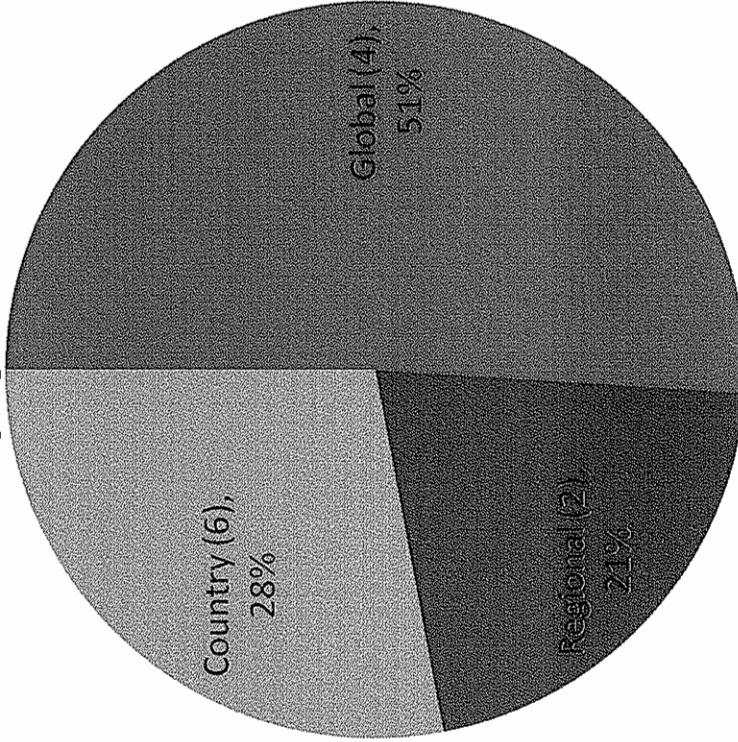


# Projected Active Manager Portfolio

## Developed



## Emerging Market



Numbers in parentheses are projected numbers of active managers as of 3/31/10. Percentages shown for each region denote percentage of total actively managed MCC equities.



# Hillhouse Gaoling Fund

## Manager

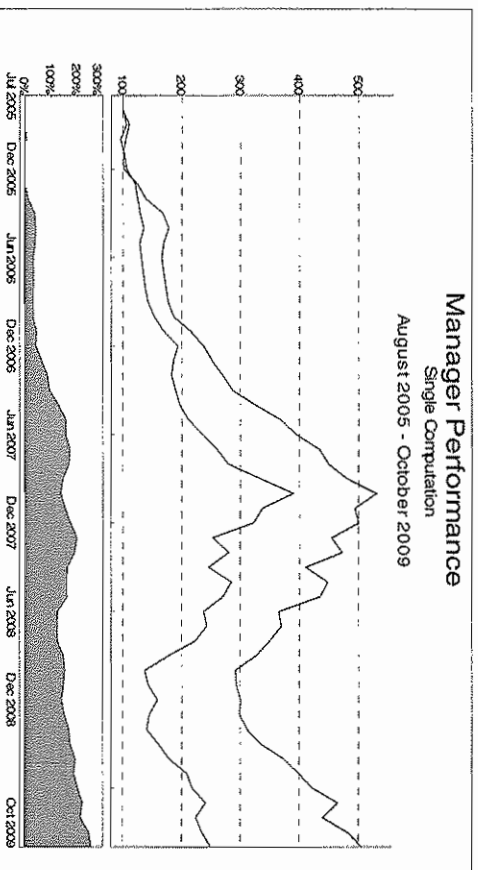
- Hillhouse Capital Management located in Beijing, China
- Current assets under management ~ \$2.5 billion

## Thesis/Opportunity

- Diversification from global allocators to local specialists with greater alpha opportunity
- Highly liquid and inefficient China market for a disciplined fundamental investment
- Intense fundamental research targeting the domestic consumption theme in China
- \$100 million in Gaoling Fund with performance based economics (\$50 invested ~ \$50 additional committed)

## Merits for UTIMCO Allocation

- China Opportunity Set
- Extensive Chinese Network
- Concentrated, Long Term Strategy
- Alignment of Interests



### ● Hillhouse Gaoling Fund (NET) ◆ MSCI CHINA (Net)

Period Ending 10/31/09	1 Year	3 Years	Since Inception
Hillhouse vs. MSCI China (Net)	1 Year	3 Years	Since Inception
Excess Return	-8.51%	21.75%	22.37%
Cumulative Excess Return	-8.51%	108.46%	255.72%
Alpha	34.87%	26.55%	29.09%
Beta	0.42	0.56	0.6
Information Ratio	-0.42	0.92	0.96
Tracking Error	20.17%	23.72%	23.20%
Up Capture	63.63%	68.53%	83.94%
Down Capture	10.15%	55.90%	57.88%



# Dynamo Administração de Recursos

## Manager

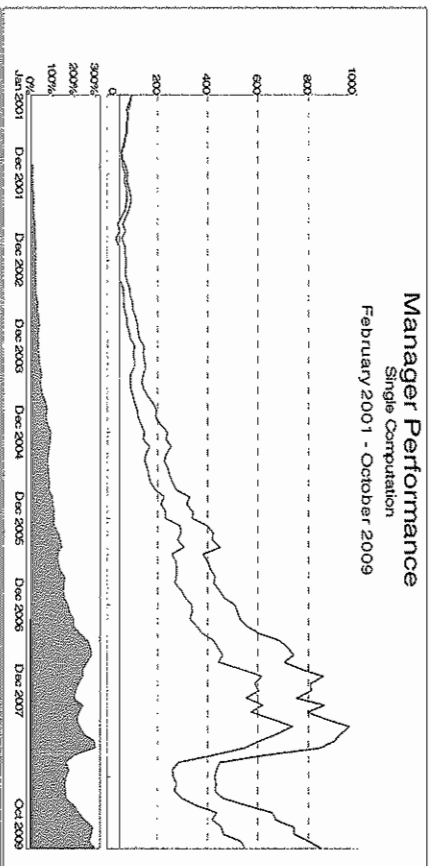
- Dynamo Administração de Recursos located in Rio de Janeiro, Brazil
- Current assets under management ~ \$1.8 billion

## Thesis/Opportunity

- Diversification from global allocators to local specialists with greater alpha opportunity
- Long track record and 16 years of experience in local markets
- Deep fundamental research and history of active investing for the benefit of the minority shareholder
- \$100 million separate account with performance based economics (\$75 invested ~ \$25 additional committed)

## Merits for UTIMCO Allocation

- Brazil Opportunity Set
- Highly Experienced Professionals
- Extensive Brazilian Network
- Concentrated, Long Term Strategy



● **Dynamo**

◆ **MSCI BRAZIL (Net)**

Period Ending 10/31/09	1 Year	3 Years	5 Years	7 Years	Since Inception
Dynamo vs. MSCI Brazil (Net)	1 Year	3 Years	5 Years	7 Years	Since Inception
Excess Return	-2.11%	0.84%	-0.45%	0.54%	6.28%
Cumulative Excess Return	-2.11%	3.84%	-7.38%	32.07%	303.20%
Alpha	18.51%	4.14%	5.24%	8.44%	9.37%
Beta	0.72	0.82	0.81	0.77	0.76
Information Ratio	-0.14	0.06	-0.04	0.04	0.43
Tracking Error	14.64%	13.69%	12.79%	13.36%	14.65%
Up Capture	74.55%	75.22%	76.77%	80.61%	81.04%
Down Capture	15.73%	85.05%	82.11%	79.64%	81.27%



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Less Correlated and Constrained





# LCC Performance Update

## Fiscal Year 2009

*September 2008 – August 2009*

LCC Portfolio	-7.8%
Composite Benchmark	-13.5%
Difference	5.6%

Global Equities (MSCI AC World)	-15.9%
CSFB High Yield	3.8%

### LCC Asset Class

Investment Grade Fixed Income	-26.7%
Credit Related Fixed Income	-5.3%
Real Estate	6.7%
Natural Resources	-10.0%
Developed Country Equity	-11.5%
Emerging Market Equity	9.4%



# Overview of Changes to LCC Portfolio (Fiscal Year 2009)

	<u># mandates</u>	<u>8/31/08</u>	<u>Additions</u>	<u>Redemptions</u>	<u>Reclass<sup>1</sup></u>	<u>Profit/Loss</u>	<u>8/31/09</u>	<u># mandates</u>
Investment Grade Fixed Income	2	\$410	\$0	(\$50)		(\$109)	\$251	1
Credit-Related Fixed Income	7	579	100	(131)	478	300	1,326	9
Real Estate	1	51	0	0		3	55	1
Natural Resources	3	190	0	(151)		(19)	20	1
Developed Country Equity	29	4,462	150	(928)	25	(560)	3,148	21
Emerging Markets Equity	8	956	25	(95)	(503)	48	431	5
<b>LCC Total</b>	<b>50</b>	<b>\$6,648</b>	<b>\$275</b>	<b>(\$1,355)</b>	<b>\$0</b>	<b>(\$336)</b>	<b>\$5,232</b>	<b>38</b>

(1) Perry from Dev Eq to CRFI & Blue Ridge from EM to Dev Eq.

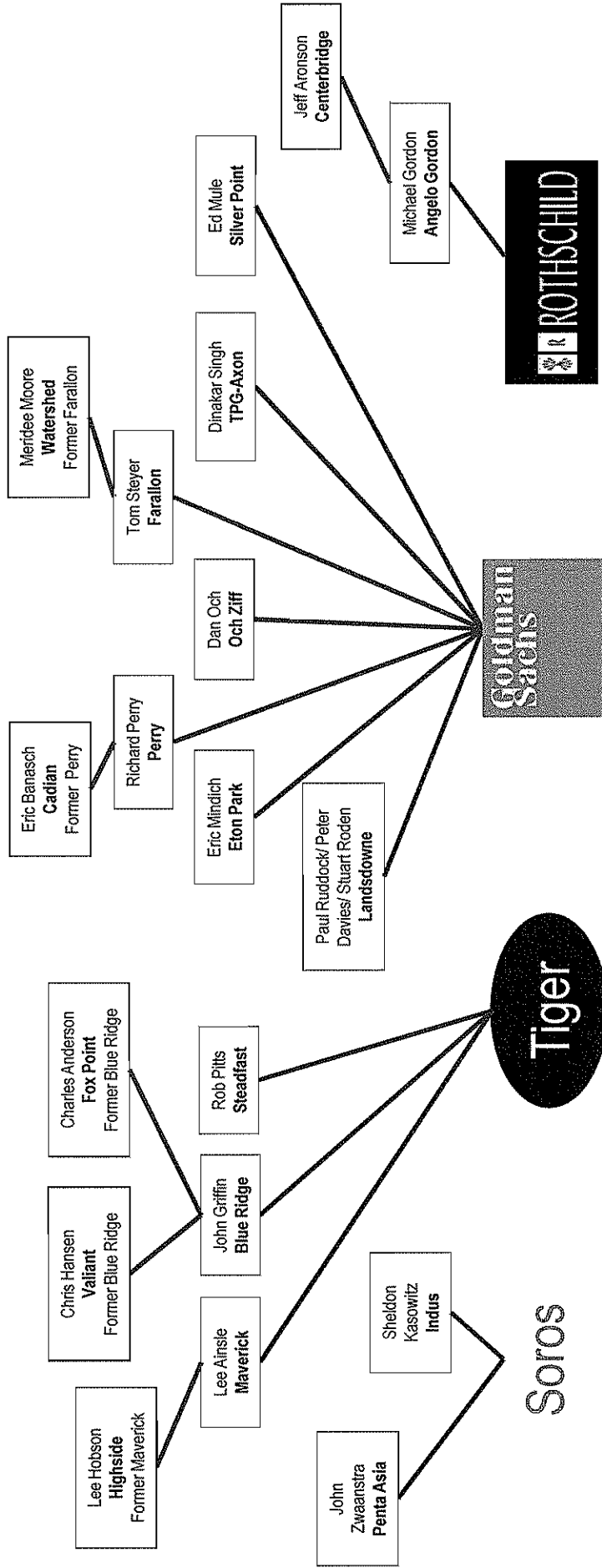
## Gross Redemptions

- Reduced exposure to existing managers to rebalance portfolio
- Fully redeemed satisfactory managers to rebalance portfolio
- Fully redeemed unsatisfactory managers

<u># Managers</u>	<u>AUM (\$M)</u>	<u>% Portfolio</u>
5	\$425	6.4%
7	570	8.5%
7	360	5.4%
<u>19</u>	<u>\$1,355</u>	<u>20.3%</u>



# LCC Manager Genealogy



• 19 of 31 active LCC managers represented by these 4 groups; 69% of total LCC portfolio

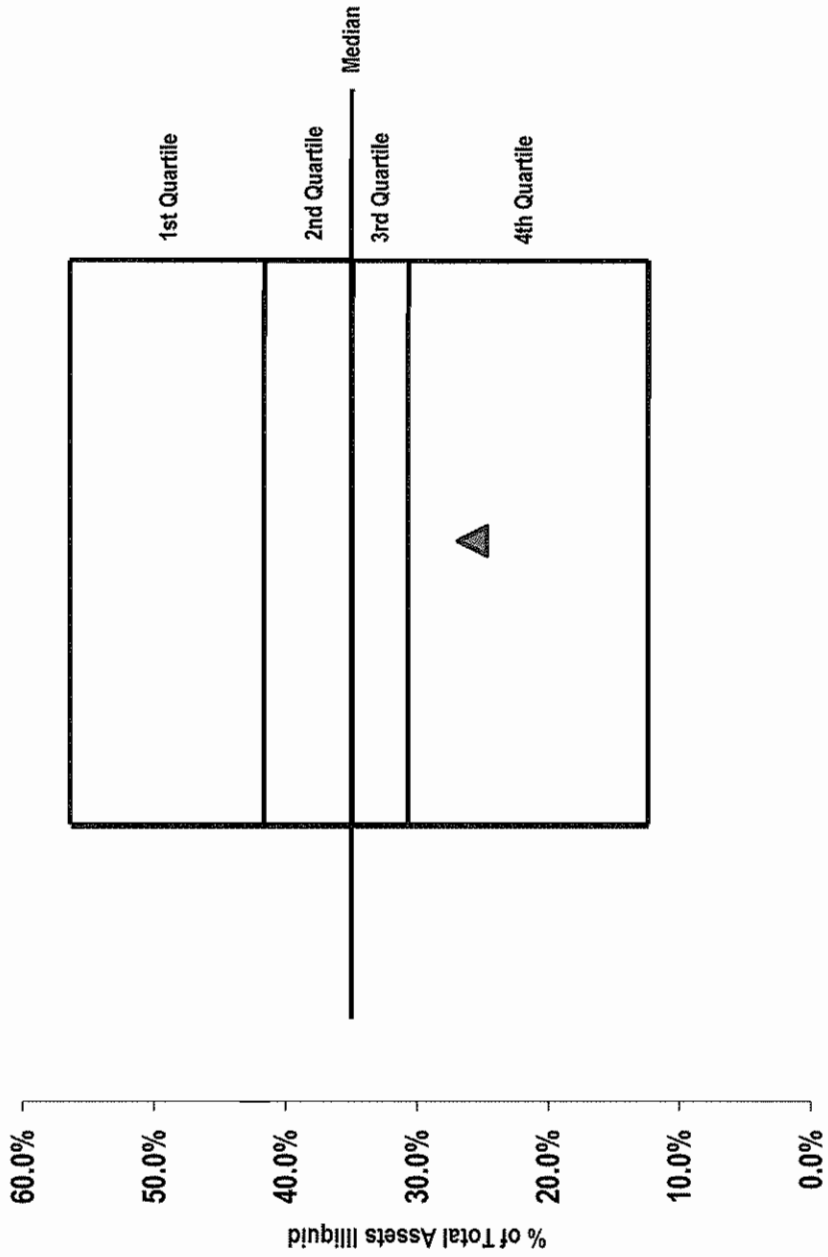


THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Private Investments



# Peer Group Private Investments/ Total Assets

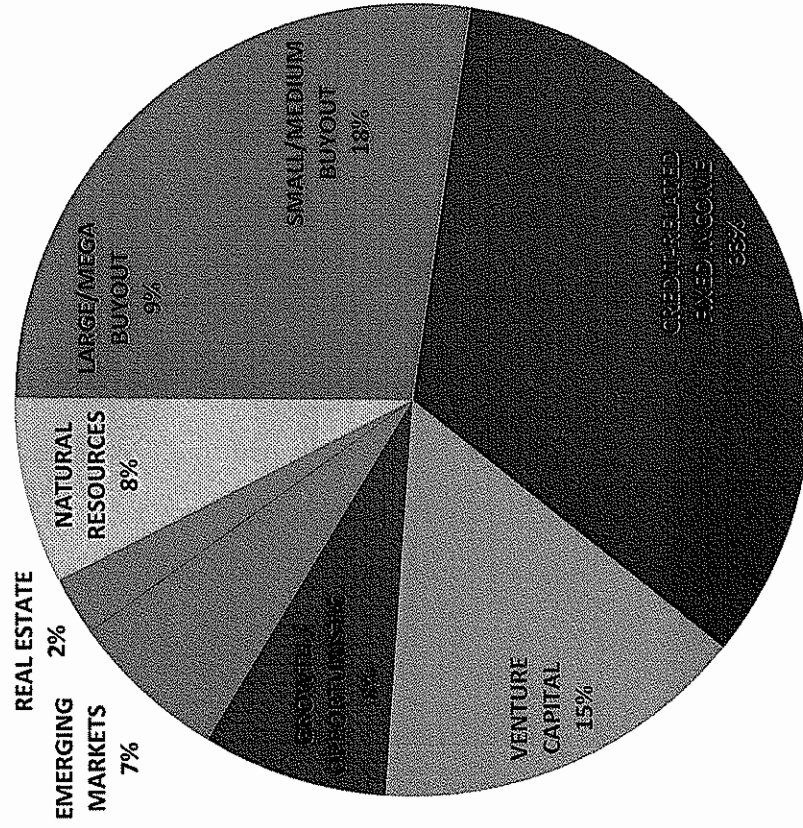




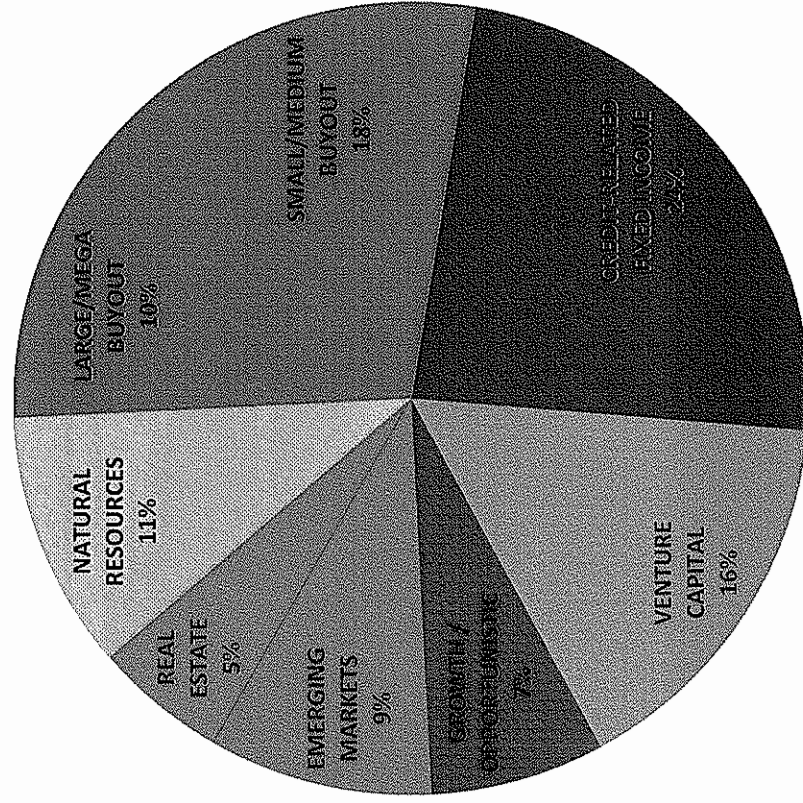
# Private Markets Portfolio

August 31, 2009

NAV (\$3.4b)



Exposure (\$6.0b)





# Fund Valuation Process

- UTIMCO Staff have conducted detailed analysis of the large buyout portfolios
- Portfolio companies were individually valued based on Staff's estimates of:
  - EBITDA growth rates
  - EBITDA multiples at exit
  - Debt reduction
  - Exit timing
- Using a range of sensitivity analyses and discount rates, Staff estimated the current value of UTIMCO's interest in each fund



# Secondary Market Activities

- Secondary market activity is increasing as bidders become more aggressive and new sellers enter the market
  - Sufficient volume exists to trade a large portion of the private portfolio
- Staff does not believe that sellers at these prices are motivated by value
  - Motivated sellers are now seeking liquidity in the recovering price action
  - Sell decision should be considered in context of total equity portfolio
- Staff has engaged in a number of processes as a potential seller and as a potential buyer of fund interests
- Actively considering pricing on existing portfolio and potential purchases
  - Seek to increase Emerging Markets and Natural Resources exposure in the near term
  - Seek to decrease exposure to non-core and lightly funded Developed Country managers
- Staff remains in contact with Secondary brokers and buyers on a weekly, sometimes daily, basis to monitor market opportunities



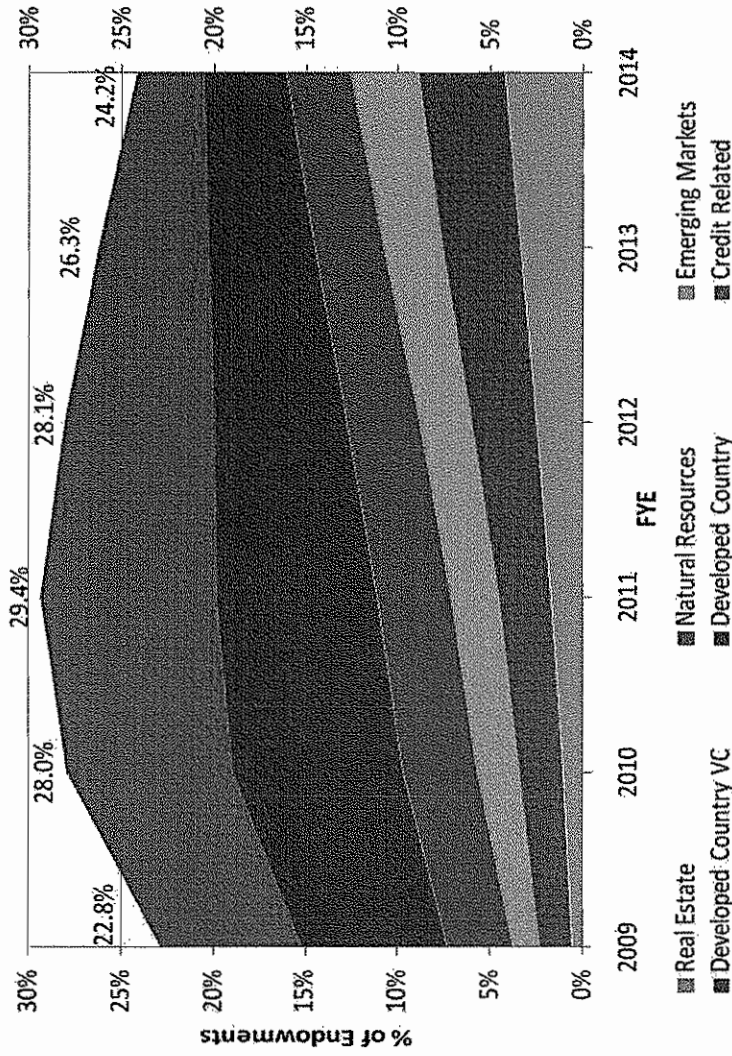


# Estimates of Secondary Market Pricing and Fund Values

	Fund 1	Fund 2
Cost	1.00	1.00
NAV	.57	.88
Secondary Market Price	.34	.66
UTIMCO Base Case	.92	.90



# FY 2010 Commitment Plan



	Commitment Assumptions				
	2010	2011	2012	2013	2014
Credit Related	\$50	\$50	\$50	\$50	\$50
Dev. Country	25	25	25	25	25
Dev. Country VC	25	25	25	25	25
Emerging Markets	75	125	200	300	300
Natural Resources	100	200	300	400	400
Real Estate	100	200	300	400	400
Total	\$375	\$625	\$900	\$1,200	\$1,200

- Increased public market values, decreased capital calls, and increased distributions result in the potential to increase commitments

**TAB 3**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 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

**TAB 4**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

**Agenda Item:** Consideration of Compensation Committee Report: Discussion and Appropriate Action related to Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); and Discussion and Appropriate Action related to Personnel Performance Incentive Awards for the Performance Period ended June 30, 2009

**Developed By:** Zimmerman, Gonzalez, Moeller

**Presented By:** Ferguson

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

**Description:** The Compensation Committee (the "Committee") will meet on November 18, 2009. The Committee will consider and take appropriate action related to the following, which require further action by the UTIMCO Board: (1) Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); and (2) Personnel Performance Incentive Awards for the Performance Period ended June 30, 2009. The Committee will also review and take appropriate action related to the Qualitative Performance Goals for a Participant of the UTIMCO Compensation Program (the "Plan") but this action does not require Board approval.

**Discussion:** The UTIMCO Peer Group is updated annually by Cambridge Associates, the Board's external investment advisor, at the beginning of each Performance Period, and Appendix B is updated accordingly. The UTIMCO Peer Group set forth in Appendix B of the Plan is a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, determined as of the last day of each of the three immediately preceding Performance Periods, excluding the Total Endowment Assets (PUF and GEF). The Plan Universe for 2009/2010 that has been provided by Cambridge Associates will be used as the UTIMCO Peer Group for Appendix B of the Plan. The UTIMCO Peer Group may potentially be used as one of a Participant's Qualitative Performance Goal to measure performance relative to the Peer Group. The UTIMCO Peer Group for the Performance Period ending June 2010 incorporates June 2007, 2008, and 2009.

The Committee will take appropriate action related to the Performance Incentive Awards under the Plan for all Eligible Employees. Pursuant to the letter agreement between the Board of Directors of UTIMCO and the CEO, which was approved by the Board at its meeting on April 23, 2009, the CEO will voluntarily defer 63.0% of his Paid Performance Incentive Award (i.e., seventy percent of any Performance Incentive Award to which the CEO would be entitled), if any, for the Performance Period ended June 30, 2009.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

UTIMCO staff will forward supporting materials to the Committee members for Executive Session discussion.

**Recommendation:** The Committee will recommend appropriate action related to the UTIMCO Peer Group for the Plan for the 2009/2010 Performance Period and the 2008/2009 Performance Incentive Awards, including the 2008/2009 Performance Incentive Award proposed for the CEO of UTIMCO.

**Reference:** Certification of 2010 Compensation Plan Universe memorandum from Cambridge Associates

**RESOLUTION RELATED TO  
PEER GROUP**

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

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

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

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2009.



**RESOLUTION RELATED TO VOLUNTARY DEFERRAL OF  
PERFORMANCE INCENTIVE AWARD BY SENIOR STAFF**

WHEREAS, the Board has reviewed the recommendation of the Compensation Committee regarding the letter agreements received from each of five members of Corporation's Senior Staff pursuant to which each individual offered to voluntarily defer an additional 44.1% of any Performance Incentive Award for the Performance Period ended June 30, 2009 (which voluntary deferment is in addition to the mandatory 30% deferment required by the UTIMCO Compensation Program (the "Plan")) and wishes to document approval of such letter agreements.

NOW, THEREFORE, be it:

RESOLVED, that the letter agreements received from each of five members of Corporation's Senior Staff pursuant to which each individual offered to voluntarily defer an additional 44.1% of his/her Performance Incentive Award for the Performance Period ended June 30, 2009 (which voluntarily deferment is in addition to the mandatory 30% deferment required by the Plan) are hereby approved.

**RESOLUTION RELATED TO THE  
CEO'S 2008/2009 PERFORMANCE INCENTIVE AWARD**

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the "Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, pursuant to the Plan, the Board approved a Performance Incentive Award for the CEO in the total amount of \$1,050,000 for the 2007/2008 Performance Period, 30% of which (\$315,000) was deferred over a three-year period in accordance with the Plan; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2008/2009 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2008/2009 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period; and

WHEREAS, in recognition of the negative absolute investment returns on Total Endowment Assets during the 2008/2009 Performance Period, the CEO has voluntarily agreed (the "Agreement") to defer an additional 44.1% of any Performance Incentive Award earned during such Performance Period, which voluntary deferment is in addition to the mandatory 30% deferment required by the Plan.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2008/2009 Performance Period in the amount of \$\_\_\_\_\_ (representing a reduction of \_\_\_\_\_% from the CEO's Performance Incentive Award for the 2007/2008 Performance Period); and be it further

RESOLVED, that of the CEO's \$\_\_\_\_\_ Performance Incentive Award for the 2008/2009 Performance Period, 30% (\$\_\_\_\_\_) will be deferred pursuant to the Plan and 44.1% (\$\_\_\_\_\_) will be deferred pursuant to the Agreement, resulting in a total deferment of \$\_\_\_\_\_.

**RESOLUTION RELATED TO  
2008/2009 PERFORMANCE INCENTIVE AWARDS**

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in recognition of the negative absolute investment returns on Total Endowment Assets during the 2008/2009 Performance Period, each of five members of the Corporation's Senior Staff has voluntarily agreed (collectively, the "Agreements") to defer an additional 44.1% of any Performance Incentive Award earned during such Performance Period, which voluntary deferment is in addition to the mandatory 30% deferment required by the Plan; and

WHEREAS, in accordance with Section 5.5(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2008/2009 Performance Period of his or her Performance Incentive Goals for such Performance Period; and

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

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

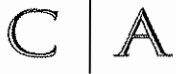
WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2008/2009 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

BOARD

RESOLVED, that the Performance Incentive Awards for all Participants for the 2008/2009 Performance Period (excluding the CEO) in the total aggregate amount of \$\_\_\_\_\_ are hereby approved; and be it further

RESOLVED, that of the total aggregate amount of \$\_\_\_\_\_ in Performance Incentive Awards for all Participants for the 2008/2009 Performance Period (excluding the CEO), 30% (\$\_\_\_\_\_) will be deferred pursuant to the Plan and 44.1% (\$\_\_\_\_\_) will be deferred by the five members of the Corporation's Senior Staff pursuant to the Agreements, resulting in a total deferment of \$\_\_\_\_\_.



CAMBRIDGE ASSOCIATES LLC

2001 ROSS AVENUE, SUITE 2600  
DALLAS, TEXAS 75201  
TEL 214.468.2800 FAX 214.468.2801  
WWW.CAMBRIDGEASSOCIATES.COM

*M E M O R A N D U M*

---

TO: The University of Texas Investment Management Company

FROM: Bruce Myers  
Hamilton Lee

DATE: October 16, 2009

RE: Certification of 2010 Compensation Plan Universe

---

Most recently, Cambridge was asked to confirm UTIMCO's compensation plan universe for 2010. The revised criteria are as follows: a peer institution must have more than 10 full time investment professionals, have an allocation to alternative assets in excess of 40%, and have assets greater than \$2.5 billion as of the last day of each of the three immediately preceding performance periods ending June 30<sup>th</sup>.

We were able to identify institutions meeting these qualifications by reviewing Cambridge staffing surveys, researching internal asset allocation data, and by verifying data with the Cambridge consultants responsible for relationships on the peer list. The resulting peer group is as follows:

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

Please note that we recommend the universe remain constant from 2009 to 2010 despite a few technicalities in the peer universe restrictions. For instance, we have included the University of California and University of Pennsylvania in the peer group even though their allocations to alternative assets are only approximately 39%, narrowly missing the 40% mandate. Also, in fiscal year 2009, Duke narrowly missed the \$2.5 billion asset benchmark, falling to an asset size of \$2.24 billion, though they met the \$2.5 billion threshold for the previous two years. Lastly, the University of Michigan investment professional staff fell from 10 to 9 in 2009, yet we still think it prudent to include the institution in the 2010 peer universe.

We hope this information is useful and we are happy to answer any questions or concerns that may arise.

**TAB 5**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

- Agenda Item:** Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee
- Developed By:** Moeller, Hill
- Presented By:** Foster
- Type of Item:** Action required by UTIMCO Board related to year end audits; information item on other items
- Description:** An Audit and Ethics Committee ("Committee") meeting was held on November 5, 2009. The Committee reviewed and took appropriate action related to the Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), and the Statement of Performance Statistics for the year ended August 31, 2009. The Committee also heard a report from UT System Audit office and received a report on other ethics and compliance activities from staff.
- The Committee will also meet on November 20, 2009. As required by the Audit Charter of the Audit and Ethics Committee, the Committee will approve the CEO's recommendation of the performance incentive award for the performance period ending June 30, 2009 for the General Counsel and Chief Compliance Officer.
- Discussion:** The financial statements were audited by Deloitte & Touche LLP. Tom Wagner, engagement partner, will present to the Committee Deloitte & Touche LLP's Financial Statement Audit Results and Communications letter and answer questions related to the financial statements. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO's website, [www.utimco.org](http://www.utimco.org).
- Recommendation:** The Committee will recommend that the UTIMCO Board take appropriate action related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, and the Statement of Performance Statistics for the year ended August 31, 2009.
- Reference:** Deloitte & Touch LLP's Financial Statement Audit Results and Communications; Audited Financial Statements and Audit Reports



**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2009**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2009, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2009, and August 31, 2008, and the Statement of Investment Performance Statistics for the year ended August 31, 2009, be, and are hereby approved in the form as presented to the Board.



Deloitte & Touche LLP  
Suite 1700  
400 West 15th Street  
Austin, TX 78701-1648  
USA

Tel: +1 512 691 2300  
Fax: +1 512 708 1035  
www.deloitte.com

October 30, 2009

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

The Audit, Compliance and Management Review Committee of  
The Board of Regents of the University of Texas System

The Audit and Ethics Committee of the Board of Directors of  
The University of Texas Investment Management Company

401 Congress Avenue, Suite 2800  
Austin, TX 78701

Dear Mr. Zimmerman, Members of The Audit, Compliance and Management Review Committee of The Board of Regents of the University of Texas System as well as Members of The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (the "Board"):

We have performed the audits of the financial statements of The Permanent University Fund, The University of Texas System General Endowment Fund, The Permanent Health Fund, The University of Texas System Long Term Fund and The University of Texas System Intermediate Term Fund (collectively, the "Funds") as of and for the year ended August 31, 2009, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated October 30, 2009.

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

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

Our responsibility under auditing standards generally accepted in the United States of America has been described in our contract dated October 1, 2007 as amended on August 1, 2007 and May 1, 2009 (the "Amendment"). As described in Exhibit A-2 to the Amendment, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Funds' financial statements for the year ended August 31, 2009 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of the Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audits of the financial statements do not relieve management or the Board of their responsibilities.

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

## ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Funds' financial statements include valuation of certain investments which are specifically the Funds' investments in hedge funds and private equity funds recorded at the amounts included in the table below which have been estimated by management in the absence of readily determinable fair values.

<b>FUND</b>	<b>VALUE OF CERTAIN INVESTMENTS WITHOUT READILY DETERMINABLE FAIR VALUES AT 08/31/09</b>	<b>PERCENTAGE OF NET ASSETS AT 08/31/09</b>
Permanent University Fund	\$5,001,424,224	51.7%
The University of Texas System General Endowment Fund	\$2,833,325,069	52.9%
The University of Texas System Intermediate Term Fund	\$836,227,571	23.4%

Although management believes the accounting estimates reflected in the Funds' 2009 financial statements are reasonable, there can be no assurances that the Funds could ultimately realize these values. The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' reports on the financial statements, is our understanding and testing of the process used by management to develop the estimates.

Management uses a process to estimate the fair value of these entities which includes, but is not limited to, consideration of financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources. We feel this valuation process is reasonable based on the requirements of the AICPA Practice Aid for Auditors *Alternative Investments—Audit Considerations* and investment management industry general practices.

During the year ended August 31, 2009, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## UNCORRECTED MISSTATEMENTS

Our audits of the financial statements of the Funds were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audits.

## MATERIAL CORRECTED MISSTATEMENTS

Our audits of the financial statements of the Funds were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

## SIGNIFICANT ACCOUNTING POLICIES

The Funds' significant accounting policies are set forth in the footnotes to the Funds' 2009 financial statements. During the year ended August 31, 2009, there were no significant changes in previously adopted accounting policies or their application.

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as the Funds' Management Discussion & Analysis and Supplemental Schedules, we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Funds' financial statements and have inquired as to the methods of measurement and presentation of such information.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Funds' 2009 financial statements.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during the year ended August 31, 2009.

## **SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION**

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

## **OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

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

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the Funds' management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations management is required to provide to the Funds' independent auditors under generally accepted auditing standards.

\*\*\*\*\*

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

Yours truly,

*Deloitte & Touche LLP*

**TAB 6**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

**Agenda Item:** Report from Risk Committee

**Developed By:** Staff

**Presented By:** Tate

**Type of Item:** Discussion item

**Description:** The Risk Committee ("Committee") met on November 5, 2009. The Committee's agenda included (1) discussion related to the derivative investments controls processes and the review of ISDA agreements; (2) review and discussion of compliance reporting; (3) and discussion and appropriate action related to categorization of new investment mandates.

**Discussion:** The Committee reviewed and approved the mandate categorizations prepared by staff for the period beginning June 16, 2009, through October 26, 2009. The Mandate Categorization Procedure ("Procedure") requires that all new mandates be categorized by the Managing Directors, and that the Chief Compliance Officer provide the Chief Investment Officer his/her agreement or recommended categorization, after which the Chief Investment Officer will designate the Asset Class and Investment Type and report to the Risk Committee at its next regular meeting for the Committee's approval or re-categorization. The Procedure also requires staff to recommend re-categorizations of any existing mandate if after the initial or annual categorization the Chief Investment Officer, a Managing Director, or the Chief Compliance Officer become aware of a change(s) in the investment characteristics of the mandate that warrant a re-categorization. Staff requested that the Committee approve nine mandate categorizations and reported on two mandates that are currently being watched for re-categorization. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

Ms. Moeller and Mr. Warner led a discussion covering two projects undertaken by staff. One of the projects was to develop and document controls and processes related to the Derivative Investment Policy. The second project was a review of the ISDA agreements.

Ms. Gonzalez reviewed the quarterly compliance reports.

**Recommendation:** None

**Reference:** None

**TAB 7**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 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 staffing, investment committee activities, constituent outreach, and the IT department's development project to replace the mainframe. In addition, Mr. Zimmerman will report on Staff's communication skills regarding various foreign languages.

**Reference:** UTIMCO Update presentation





THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# UTIMCO UPDATE

November 20, 2009



# UTIMCO Update

- Staffing
- Investment Committee
  - Market Overviews
  - Dashboard
- Constituent Outreach
- I.T. Mainframe



# Languages

- Spanish
- Hindi (plus 3 dialects)
- Mandarin (Beginner)
- French
- Indonesian/Malay
- Persian
- German
- Hebrew

**TAB 8**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 20, 2009

**Agenda Item:** Report on 2010 Meeting Dates

**Developed By:** Zimmerman

**Presented By:** Zimmerman

**Type of Item:** Information item; no action required

**Description:** This agenda item presents the 2010 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** None



## UTIMCO Meeting Dates 2010

Month	Board Of Directors	Audit and Ethics	Compensation	Policy	Risk	UTS Board of Regents	TAMU Board of Regents
January	Jan 26	Jan 20	Jan 20	Jan 20	Jan 20		Jan 21-22
February						Feb 4-5	
March						Mar 24	Mar 25-26
April (annual)	Apr 15	Apr 8	Apr 8	Apr 8	Apr 8		
May						May 12-13	May 27-28
June							
July	Jul 14-15*	Jul 8	Jul 8	Jul 8	Jul 8	Jul 14-15*	Jul 22-23
August						Aug 11-12	
September	Sep 16		Sep 9				Sep 23-24
October	Oct 21			Oct 14	Oct 14		
November	Nov 8	Nov 4				Nov 10-11	
December						Dec 2-3	Dec 2-3

\*Joint meeting UTIMCO Board and UT System Board of Regents

**All 2010 UTIMCO Board of Directors Meetings will be held in the corporate office:  
401 Congress, Suite 2800, Austin, Texas 78701**

### Committee Assignments:

Audit and Ethics: **Foster**, Tate

Compensation: **Ferguson**, Carlson, Moore, Longoria

Policy: Foster, Moore

Risk: **Tate**, Carlson, Ferguson, Foster