

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



***Presentation Materials***

***Board of Directors Meeting***

***November 9, 2010***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
November 9, 2010**

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

Time	Item #	Agenda Item
<b>Begin</b>	<b>End</b>	
9:30 a.m.	9:35 a.m.	1 Call to Order/Discussion and Appropriate Action related to Minutes of Meetings held July 14, 2010, and August 6, 2010 and the Joint Meeting with the Board of Regents of The University of Texas System held July 14, 2010 *
9:35 a.m.	9:45 a.m.	2 Discussion and Appropriate Action Related to Corporate Actions: - Board Committee Assignments* - Appointment of UTIMCO Officer* - Resolution of Appreciation*
9:45 a.m.	10:30 a.m.	3 <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, 2010. <b>Reconvene into Open Session</b> Consideration of Compensation Committee Report: - Discussion and Appropriate Action related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2010/2011 Performance Period* - Discussion and Appropriate Action related to Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Discussion and Appropriate Action related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2010* - Discussion and Appropriate Action related to Appendices C and D of the UTIMCO Compensation Program, effective July, 1 2010*,**
10:30 a.m.	10:40 a.m.	4 Discussion and Appropriate Action Related to UTIMCO 2010-11 Budget*,**
10:40 a.m.	11:15 a.m.	5 Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee*
11:15 a.m.	11:30 a.m.	6 Report from Risk Committee
11:30 a.m.	12:30 p.m.	<b>Recess for Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments</b>
12:30 p.m.	1:15 p.m.	<b>Lunch</b>
1:15 p.m.	2:30 p.m.	7 <b>Reconvene into Open Session</b> Endowment and Operating Funds Update Report
2:30 p.m.	3:00 p.m.	8 UTIMCO Organization Update
3:00 p.m.	3:05 p.m.	9 Discussion and Appropriate Action Related to Selection of Custodian for Additional Bank Services*,**
3:05 p.m.	3:50 p.m.	10 Discussion of Investment Environment and Opportunities
3:50 p.m.	4:00 p.m.	11 Report on 2011 Meeting Dates
4:00 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: February 3, 2011**

**TAB 1**

## RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meetings of the Board of Directors held on **July 14, 2010**, and **August 6, 2010**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **July 14, 2010**, be, and are hereby, approved.



**MINUTES OF THE MEETING OF THE  
BOARD OF DIRECTORS OF THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 8:10 a.m. on the **14th day of July 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Paul Foster, 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:

Paul Foster, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, M.D, Vice Chairman for Policy  
Printice Gary  
Janiece Longoria  
Ardon E. Moore  
Erle Nye

Accordingly, a majority and quorum of the Board was in attendance. Director Clint Carlson did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director - Private Markets; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Bill Edwards, Managing Director - Information Technology; and other Staff members. Other attendees were Kyle Kalkwarf, UT System Student Regent; Keith Brown of the McCombs School of Business at UT Austin; Bob Jewell of Andrews Kurth LLP; Philip Aldridge, Charlie Chaffin, Jim Phillips, William Huang, Moshmee Kalamkar, Miles Ragland, Matt Flores and Roger Starkey of the UT System Administration; Greg Anderson of Texas A&M University System; Nanci Hibschan of Mercer; and Bruce Myers of Cambridge Associates. Director Erle Nye and Ms. Hibschan attended the meeting by means of conference telephone. Director Charles W. Tate joined the meeting later in the meeting as noted in the minutes. Mr. Foster called the meeting to order at 8:10 a.m.

**Minutes**

The first item to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on April 15, 2010. 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 **April 15, 2010**, be, and are hereby, approved.

## **Committee Assignments**

Mr. Foster recommended approval of Corporate committee assignments to the Audit and Ethics Committee, subject to further approval by the U. T. System Board of Regents in accordance to Section 66.08 of the *Texas Government Code*. Mr. Foster deferred action on Corporate committee assignments for the Compensation, Policy, and Risk Committees. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Janiece Longoria  
Erle Nye  
Charles Tate

subject to approval by the Board of Regents of The University of Texas System at its meeting to be held on July 15, 2010, 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 Janiece Longoria is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

## **Investment Strategy Review**

Mr. Foster asked Mr. Zimmerman to review the investment strategy for 2011. The objective of the investment strategy review was to assess the portfolio's current position in relation to the recent/expected market conditions and recommend changes to the targets and ranges for FY 2011. Mr. Zimmerman stated that there had been a very good discussion of investment strategy during the Policy Committee meeting held on July 8, 2010, which the Risk Committee joined as guests, and he would be presenting the Investment Strategy Review 2011 in detail at the Joint Meeting of the UT System Board of Regents and UTIMCO Board of Directors later in the day, so he suggested moving on to the next item on the agenda. Mr. Foster concurred.

## **Investment Policy Statements**

Mr. Foster asked Mr. Zimmerman to review the proposed changes to the Investment Policy Statements. The Investment Management Services Agreement between the U.T. Board and UTIMCO (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. Mr. Zimmerman discussed the recommended amendments proposed by Staff as a result of the annual investment strategy review, and provided a handout that summarized changes to the various investment policies that were proposed and recommended by the Policy Committee. The review included distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, and designated performance benchmarks for each Asset Class and/or Investment Type. The Investment Policy Statements for the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), the Intermediate Term Fund ("ITF"), the Permanent Health

Fund ("PHF"), the Long Term Fund ("LTF"), the Short Term Fund ("STF"), and the Separately Investment Funds ("SIF") are being amended effective September 1, 2010. Exhibit A of the Investment Policy Statements of the PUF, GEF and ITF and Exhibit B of the Investment Policy Statements for the PHF and LTF have been amended to set forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2011. Mr. Tate joined the meeting during the discussion. Mr. Zimmerman answered the Directors' questions.

### **Policy Committee**

Mr. Foster asked Ms. Longoria to report on behalf of the Policy Committee. Ms. Longoria reported that the Committee met on July 8, 2010, with all members of the Committee present. The Risk Committee members, Mr. Tate, Mr. Carlson, and Mr. Ferguson had been invited to attend the meeting. Mr. Nye also joined the meeting. The Policy Committee approved the minutes from the April 8, 2010 meeting, discussed and approved amendments to the Code of Ethics and Investment Policy Statements, and discussed the Committee's Self-Assessment. Since Mr. Zimmerman had already provided recommendations to the Investment Policy Statements, she continued by reporting on the changes to the Code of Ethics. Ms. Longoria explained that the most significant change to the Code was the deletion of provisions permitting Directors and UTIMCO to hold private investments in the same business entity so long as the Director's private investment did not constitute a pecuniary interest as defined in the Code. This proposed amendment reversed a change made approximately two years ago. She noted that the change made two years ago never produced any real benefit to the Corporation; it was not one that was ever exercised, so to alleviate any concerns, the decision was made to recommend reversing the amendment. Under the proposed draft, only certain private investments acquired before the Director takes his/her position on the UTIMCO Board would be permitted. Staff also proposed changes that included reorganization, clarification, and standardization of existing provisions. Ms. Longoria stated that the draft changes to the Code were based on the joint efforts of UTIMCO Staff and Andrews Kurth LLP, with some of the changes made based on recommendations by the State Auditor during their last audit. Mr. Zimmerman answered the Board Members' questions. On behalf of the Committee, Ms. Longoria recommended approval of the amendments to the Code of Ethics. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the charter of the Audit and Ethics Committee requires it to periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Audit and Ethics Committee has reviewed the Code of Ethics policy and recommended its changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Policy Committee has reviewed the changes recommended by the Audit and Ethics Committee and recommends same to the Board for its approval; and

WHEREAS, the Board wishes to document its approval of the amendments to the Code of Ethics policy in the form previously provided to the Board, subject to the approval by the Board of Regents of The University of Texas System.

NOW, THEREFORE, be it:

RESOLVED, that the amendments to the Code of Ethics of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

On behalf of the Committee, Ms. Longoria also recommended Board approval of the amendments to the Investment Policy Statements. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, Short Term Fund, and Separately Invested Funds, and amendments to the Derivative Investment Policy, Delegation of Authority Policy, and Mandate Categorization Procedure, 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. Foster asked Mr. Ferguson to provide the report for the Compensation Committee. Mr. Ferguson reported that the Committee met on June 30, 2010, to discuss revisions to certain Appendices of the UTIMCO Compensation Program (the "Plan"), base salaries for UTIMCO Officers and other Plan participants, and the CEO's Qualitative Performance Goals. All members participated in the meeting, but no action was taken.

### **Executive Session**

Mr. Foster announced at 9:08 a.m., that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to deliberate individual personnel matters. This Executive Session meeting of the Board is authorized by *Texas Government Code Section 551.074 (Personnel Matters)*. The date is July 14, 2010, and the time is now 9:08 a.m." With the exception of Mr. Zimmerman, Ms. Gonzalez, Mr. Jewell, Ms. Hibschan and Mr. Myers, all other meeting participants left the meeting at this time.

### **Open Session**

The Board reconvened in open session and Mr. Foster announced that on July 14, 2010, at 10:29 a.m., "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 14, 2010, and the time is now 10:29 a.m. During the Executive Session, the Board deliberated individual personnel matters, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

## **Risk Committee Report**

Mr. Tate followed with a report from the Risk Committee. Mr. Tate reported that the Committee met on July 8, 2010. All members of the Committee were present. The Committee reviewed performance and risk reporting, reviewed and approved new investment mandate categorizations, reviewed the institutional compliance report and discussed the Committee's Self-Assessment. Mr. Tate reported that the Committee approved the categorization of eleven new investment mandates prepared by Staff beginning April 1, 2010, and ending June 30, 2010. Three mandates included in the "Mandate Categorization Watch-List" would continue to be monitored by Staff for possible recategorization. There was a report from Ms. Gonzalez on non-compliance items from the Compliance Report for the Quarter Ended May 31, 2010. Mr. Tate provided a summary of the results from the Committee's Self-Assessment. This was the first time the Risk Committee had performed a self-assessment. Committee Members were generally satisfied with the performance of the Committee, but it was noted that the Committee Members would like to have a periodic review of the Committee Charter, and they would like more information regarding duties and responsibilities in the areas of risk modeling data, use of swaps, derivatives and investments that move into the trigger zone. Mr. Tate said that he would work with Staff to determine the best way to provide the requested information to the Committee Members. Mr. Zimmerman and Ms. Gonzalez answered the Board Members' questions.

## **Audit and Ethics Committee Report**

Mr. Foster provided the report on behalf of the Audit and Ethics Committee. He reported that the Committee met on July 8, 2010. The Committee approved the engagement of Deloitte & Touche LLP as the Corporation's independent auditor for the fiscal year ending August 31, 2010, subject to further approval by the Board. The Committee reviewed the amendments to the Code of Ethics that were approved earlier in the meeting. The Committee reviewed their Self-Assessment responses, which overall were extremely positive and expressed satisfaction with the performance of the Committee, with one request to allow more time to review the meeting materials. The Committee heard a presentation of the unaudited financial statements for the Investments Funds and the Corporation for the nine months ended May 31, 2010, received a report from the UT System Audit Office, and received a report on other ethics and compliance activities from Staff. Mr. Foster recommended Board approval of the engagement of Deloitte & Touche LLP. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2010.

## **Endowment and Operating Funds Update**

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman handed out a preliminary report of the Corporation's Performance Summary as of June 30, 2010. He reported the Corporation had \$22.3 billion of assets under management at the end of June 30, 2010. Of the \$22.3 billion, \$10.4 billion was in the PUF, \$5.9 billion in the GEF, \$1.9 billion in the STF and \$4.0 billion in the ITF. Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the one-month period ended June 30, 2010, for the PUF was -0.54% and for the GEF was -0.51%, versus benchmark returns of -0.76% for each fund. The net performance for the one year ended June 30, 2010, for the PUF was 16.86% and for the GEF was

16.85%, versus benchmark returns of 10.68% for each fund. The ITF's performance was -0.14% versus its benchmark return of -0.46% for the one-month period, and 14.14% versus its benchmark return of 9.73% for the one year ended June 30, 2010. Performance for the STF was 0.02% versus 0.01% for its benchmark return for the one-month period, and was 0.23% versus a benchmark return of 0.16% for the one year ended June 30, 2010. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, ranges and performance objectives. He reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of June 30, 2010, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman answered the Directors' questions.

At 10:52 a.m. the open meeting of the Board recessed into a Briefing Session pursuant to *Texas Education Code* Section 66.08(h)(2) related to Investments.

The open meeting of the Board reconvened in open session at 11:16 a.m.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 11:17 a.m.

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

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



**MINUTES OF THE MEETING OF THE  
BOARD OF DIRECTORS OF THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 10:53 a.m. on **August 6, 2010**, 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, Paul Foster, 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:

Paul Foster, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, M.D, Vice Chairman for Policy  
Clint Carlson  
Printice Gary  
Janiece M. Longoria  
Ardon E. Moore  
Erle Nye

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; and Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Bob Jewell of Andrews Kurth LLP; Philip Aldridge, William Huang, Anthony DeBruyn and Roger Starkey of the UT System Administration. Director Charles W. Tate joined the meeting later in the meeting as noted in the minutes. Mr. Foster called the meeting to order at 10:53 a.m.

**Committee Assignments**

Mr. Foster recommended approval of the following Corporate committee assignments. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

J. Philip Ferguson  
Janiece Longoria  
Ardon Moore

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

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

Charles Tate  
J. Philip Ferguson  
Ardon Moore

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 Charles Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

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

Printice Gary  
Erle Nye

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 Printice Gary is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

### **Compensation Committee Report**

Mr. Foster asked Mr. Ferguson to provide a report from the Compensation Committee. Mr. Ferguson reported that the Committee had met earlier that morning and considered several items of business at their meeting. The Committee recommended for approval by the Board proposed amendments to Appendices C, D and E of the UTIMCO Compensation Program (the "Plan"). Mr. Ferguson asked Mr. Zimmerman to provide more detail. Mr. Zimmerman explained that Appendix C, Table 1, set forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position and included the addition of three new Eligible Positions he was recommending because of promotions. Staff did not propose any changes to the weightings, incentive award opportunities, or percentage of award deferred. Appendix D, Table 2, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. Staff recommended changes to the Policy Portfolio Weights for the Total Endowment Funds in Table 2. The updated Policy Portfolio Weights were consistent with Staff's proposed target adjustments in Exhibits A of the Permanent University Fund and General Endowment Fund Investment Policy Statements. The UTIMCO Board approved the recommended targets at its meeting held on July 14, 2010. The recommended new targets were expected to be adopted by the UT System Board

of Regents at its August 11-12, 2010 meeting. Mr. Zimmerman continued by explaining that Appendix E, Table 3, sets forth the Eligible Positions of Affected Participants. Table 3 is required to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to Section 5.11. of the Plan. Mr. Tate joined the meeting during the Compensation Committee report. Mr. Zimmerman answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, Section 7.2. of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, Section 5.3.(a) of the Plan requires Table 1 to be revised each Performance Period to set forth the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, Section 5.11.(3) of the Plan requires Table 3 to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to the Plan provisions pertaining to extraordinary circumstances and to be attached as Appendix E to the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the revised Tables, approves such amendments, and has determined to recommend them to the Board; and

WHEREAS, the Board has reviewed and concurs in the amendments to the revised Tables 1, 2, and 3, as recommended by the Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1, 2, and 3, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendix C, D, and E, respectively, effective as of July 1, 2010.

The next resolution was to approve the Base Salary of the Corporation's CEO. Mr. Ferguson noted that at their meeting the Committee had approved base salaries for the Corporation's Officers (with the exception of the CEO) and other UTIMCO Compensation Program Participants for the Fiscal Year 2010-2011 that totaled \$4,488,500. He reported, on behalf of the Compensation Committee, a recommended approval of

the Base Salary of the Corporation's CEO for the Fiscal Year 2010-2011 in the amount of \$585,000. Mr. Ferguson pointed out that the two figures combined equal the salary budget of FY 2010, noting the total salary budget will be flat for the coming year. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2010-2011 in the amount of \$585,000.

Mr. Ferguson also proposed approval, on behalf of the Compensation Committee, of the Qualitative Performance Goals for the CEO and Chief Investment Officer by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.4.(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4.(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2011, as prepared by the CEO, and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the Performance Period ended June 30, 2011, effective as of July 1, 2010, as set forth in the document presented to the Board.

### **Budget Review**

Mr. Foster asked Mr. Zimmerman to present the 2010-2011 Budget Review. Mr. Zimmerman reviewed the budget request for salaries, which included one open position and as Mr. Ferguson stated earlier, the recommended amount will remain flat from last years' budget. He reported, for fiscal year 2010-2011, a proposed total annual budget of \$66,294,127. Included in the total annual budget was a proposed Management Fee Request of \$16,631,305. Additionally, Staff proposed other direct fund costs of \$5,504,702 and a capital budget of \$215,000. The Management Fee Request is the amount paid by the Funds directly to UTIMCO for corporate operations and the Allocation Schedule reports the fees charged to each of the Funds. Following the discussion, Mr. Foster recommended the Corporation's 2010-2011 Annual Budget, Capital Budget, Management Fee Request, and Allocation Schedule be approved as presented. Upon motion duly made and seconded, the following resolution was approved unanimously:

RESOLVED, that the UTIMCO Management Fee of \$16,631,305, Other Direct Fund Costs of \$5,504,702, and Anticipated Invoiced External Manager Fees of

\$44,158,120, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$66,294,127; Capital Budget of \$215,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2010 through August 31, 2011, be, and is hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 11:20 a.m.

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

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



MINUTES OF THE JOINT MEETING OF  
THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS  
AND  
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

July 14, 2010

Austin, Texas

Note: These minutes were approved by  
The University of Texas System Board of Regents  
at its meeting held on August 12, 2010

MEETING NO. 1,060

WEDNESDAY, JULY 14, 2010.--The members of the Board of Regents of The University of Texas System convened this meeting at 12:40 p.m. on Wednesday, July 14, 2010, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present  
Chairman McHugh, presiding  
Vice Chairman Foster  
Vice Chairman Longoria  
Regent Dannenbaum  
Regent Gary  
Regent Hicks  
Regent Pejovich  
Regent Powell  
Regent Stillwell  
Regent Kalkwarf, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman McHugh called the meeting to order.

WELCOME TO NEW REGENTS PEJOVICH AND KALKWARF.--Chairman McHugh welcomed Regent Brenda Pejovich and Student Regent Kyle J. Kalkwarf to their first Board meeting. (See Page 20 for the official welcome to these new Regents.)

CONVENE JOINT MEETING: BOARD OF REGENTS AND THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) BOARD OF DIRECTORS.--At 12:41 p.m., in accordance with a notice being duly posted with the Secretary of State and there being a quorum of both Boards present, Chairman McHugh convened the annual joint meeting of The University of Texas System Board of Regents and The University of Texas Investment Management Company (UTIMCO) Board of Directors. She then called on Vice Chairman Foster who is also Chairman of the Board of Directors of UTIMCO to chair the meeting.

1. U. T. System Board of Regents: Introductions

Vice Chairman Foster introduced University of Texas System and University of Texas Investment Management Company (UTIMCO) Regents, Directors, staff, and consultants in attendance at the meeting who work on UTIMCO-related matters. He also introduced Texas A&M University System Regent Phil Adams, Chairman of the Board of Regents' Committee on Finance, and Mr. Gregory R. Anderson, Chief Investment Officer and Treasurer at Texas A&M University.

2. U. T. System Board of Regents: Briefing on fiduciary responsibilities of The University of Texas Investment Management Company (UTIMCO) Directors

Mr. Barry Burgdorf, Vice Chancellor and General Counsel, provided an annual briefing on fiduciary responsibilities of The University of Texas Investment Management Company (UTIMCO) directors. The Board of Regents' Expectations of UTIMCO Directors on Pages 3 - 7 was provided as background information.

**U. T. System Board of Regents  
Expectations for Appointees to the  
UTIMCO BOARD OF DIRECTORS**

**Overview of UTIMCO**

The University of Texas Investment Management Company (“UTIMCO”), a Texas nonprofit corporation qualified as a tax-exempt entity under Section 501(c)(3) of the *Internal Revenue Code*, was created for the sole purpose of managing the investment of funds under the control and management of the Board of Regents of The University of Texas System pursuant to authorization provided in Section 66.08 of the *Texas Education Code* (the “UTIMCO statute”).

The corporate activities of UTIMCO are managed by its Board of Directors (the “UTIMCO Board”), subject to the Master Investment Management Services Agreement (“IMSA”) between UTIMCO and the Board of Regents, the applicable provisions of the Board of Regents’ *Rules and Regulations*, the UTIMCO statute, UTIMCO’s Articles of Incorporation and Bylaws, and other applicable law.

The Chancellor of the U. T. System serves as the Vice Chairman for Policy.

- The Chancellor is charged by the UTIMCO Bylaws with coordination of responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and to the U. T. System by the Regents’ *Rules* to ensure implementation of UTIMCO’s performance of core investment duties.
- The IMSA between the U. T. System Board of Regents and UTIMCO provides that unless otherwise provided in writing by the U. T. Board, “UTIMCO shall look to the Chancellor to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the foregoing matters, the UTIMCO Board of Directors and the CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The CEO of UTIMCO shall confer with the Chancellor on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.”
- The Regents’ *Rules*, Rule 20101 and Rule 70401 provide additional detail on these duties.

**Qualifications and Terms**

Pursuant to the UTIMCO statute, the UTIMCO Board consists of nine (9) members. The Chancellor of the U. T. System serves as a Director. The other members of the UTIMCO Board are appointed by the Board of Regents and must include at least three (3) current members of the Board of Regents and at least one person selected by the Board of Regents from a list of candidates with substantial expertise in investments submitted by the Board of Regents of The Texas A&M University System. Pursuant to the UTIMCO bylaws approved by the Board of Regents, the three (3) Regental Directors serve two-year terms that expire on the first day of April of each odd-numbered year, and the external Directors serve three-year staggered terms that expire on the first day of April of the appropriate year. Any UTIMCO Director may be removed as a Director by the Board of Regents with or without cause and at any time.

### **Operations and Resources**

The UTIMCO Board has delegated primary responsibility for certain functions to key chartered Board Committees:

1. Audit and Ethics Committee (Appointments approved by the Board of Regents)
2. Compensation Committee
3. Policy Committee
4. Risk Committee

U. T. System Administration staff provide oversight through the Office of Business Affairs, including the Office of Finance; the Office of General Counsel; Internal Audit; the Systemwide Compliance Officer; and the General Counsel to the Board of Regents. UTIMCO Directors also have the benefit of professional independent consultants, including:

1. Investment consultants (Cambridge Associates);
2. Outside legal counsel (Andrews Kurth, LLP);
3. Compensation consultants (Mercer);
4. External auditors (Deloitte & Touche LLP);
5. Dr. Keith Brown, Professor of Finance at U. T. Austin, Advisor to the Chairman of the UTIMCO Board.

### **Duties and Responsibilities**

By statute and charter, as a fiduciary under the IMSA, UTIMCO is dedicated to the sole purpose of investing funds under the management and control of the Board of Regents. In practice, the fiduciary duties of UTIMCO Directors are focused on the fulfillment of the Board of Regents' investment policy directives. As Directors of a nonprofit corporation, UTIMCO Directors' fiduciary duties also include:

1. Duty of care in prudently managing the corporation's investment management and other affairs;
2. Duty of loyalty, requiring the avoidance of conflicts of interest; and
3. Duty to avoid conduct that exceeds the chartered powers of the corporation.

**Investment Management Responsibilities:** The Board of Regents is the ultimate fiduciary responsible for all matters relating to the investment of the funds under its control, in accordance with the "prudent investor" standard of care established by the *Texas Constitution*, *Texas Education Code*, and other applicable law. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

The Board of Regents delegates to UTIMCO as its fiduciary, under the management of the UTIMCO Board, authority to act for the Board of Regents in the investment of those funds, subject to limitations and restrictions articulated through the IMSA; the Board of Regents' investment policies; and other applicable laws, rules, and agreements. The UTIMCO Board's investment management authority, thus derived, includes the following investment management responsibilities:

- Review of the U. T. Board's current Investment Policies for each Fund at least annually. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges, expected returns for each Asset Class and Investment Type and fund, designated performance benchmarks for each Asset Class and Investment Type and such other matters as the U. T. Board or its staff designees may request.
- After UTIMCO completes its assessment, UTIMCO must forward any recommended changes to U. T. System staff for review and appropriate action.
- Oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each Asset Class and Investment Type within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each Asset Class and Investment Type.
- Monitor and report on investment performance for each of the Funds. With respect to all Funds other than the Separately Invested Funds ("SIFs"), such responsibilities shall include the calculation and evaluation of investment returns for each Asset Class and Investment Type and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.
- Develop and implement a risk management system to measure and monitor overall portfolio derivative exposure, risk levels, liquidity, and leverage.
- Monitor and enforce compliance with all investment and other policies and applicable law.
- Monitor termination of external managers in accordance with Delegation of Authority Policy and investment policies.

Some investment management responsibilities delegated to UTIMCO, including but not limited to the following, are expressly subject to Board of Regents approval:

- Analyze and recommend investment strategies for U. T. System funds managed by UTIMCO, including Asset Class and Investment Type allocation targets, ranges, and performance benchmarks for each Asset Class and Investment Type (Exhibit A of the Fund Investment Policy Statements).
- Consider and recommend investments not covered by investment policy statements.
- Select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).
- Select, engage, and evaluate External Auditor(s) for the funds.

- Review and propose amendments to Board of Regents' policies related to the investment management of the U. T. System funds, including (not limited to):
  1. Investment Policy Statements for all U. T. System funds.
  2. Distribution (spending) guidelines, rates, and amounts as required.
  3. Liquidity Policy.
  4. Derivative Policy.

**Corporate Governance Responsibilities:** The UTIMCO Board manages the activities of the corporation, providing the primary governance and oversight of the CEO and Chief Investment Officer, other professionals employed by UTIMCO, and outside investment managers with whom funds have been invested. Management oversight responsibilities of the UTIMCO Board or UTIMCO Board Committees include the following:

- Monitor actual staffing, operating, and capital expenditures relative to approved budgets.
- Monitor compliance with the Delegation of Authority policy.
- Consider and approve actions outside the authority delegated to the CEO as required.
- Select, engage, and evaluate UTIMCO's outside counsel, custodian(s), external auditor(s) for the corporation, investment consultant(s) and risk consultant(s).
- Ensure compliance with UTIMCO's Code of Ethics, including conflict of interest policies and applicable law.
- Develop and administer a compensation plan, consistent with current regulations for determining reasonable compensation, to attract and retain high caliber investment professionals and support staff. With the exception of changes to the appendices, the Compensation Plan is subject to approval by the Board of Regents.
- Appoint, supervise, evaluate and compensate UTIMCO's CEO.
- Evaluate investment results against incentive compensation plan performance objectives; approve and recommend incentive compensation for UTIMCO's officers and other compensation plan participants.
- Review and approve committee charters.
- Assure establishment and implementation of legally compliant and administratively effective personnel policies.
- Oversee implementation of accounting principles, policies, internal financial controls, and reporting in the spirit of the Sarbanes-Oxley Act.
- Oversee implementation of public disclosures in compliance with the Texas Public Information Act and other applicable law, in collaboration with the Chancellor/Vice Chairman for Policy.

Some corporate management responsibilities of the UTIMCO Board, including but not limited to the following, are expressly subject to approval by the Board of Regents:

- Review and approve the proposed annual UTIMCO operating and capital budgets, including incentive compensation, capital expenditures, and management fee allocations.
- Review, approve, and recommend key governance documents such as the Articles of Incorporation, Bylaws, and Code of Ethics.
- Approval of Performance Incentive Awards that will result in an increase of 5% or more of the total performance incentive awards calculated to the approved Performance Incentive Plan contained in the UTIMCO Compensation Program.

### **Prohibited Transactions -- Conflicts of Interest**

The *UTIMCO Code of Ethics* ("Code") details, among other things, prohibitions on transactions between UTIMCO and entities controlled by UTIMCO Directors, as required by the UTIMCO statute and supplementing the general requirements under the Texas Non-Profit Corporation Act. Amendments to the Code are expressly subject to Board of Regents' approval.

The Code prohibits any transaction or agreement between UTIMCO and any investment fund or account managed by a UTIMCO Director as a fiduciary or agent for compensation. The Code prohibits agreements or transactions between UTIMCO and a business entity controlled by a UTIMCO Director or in which a UTIMCO Director owns five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year.

The Code prohibits a UTIMCO Director from investing in the private investments of a business entity in which UTIMCO contemporaneously owns a private investment if after the investment the UTIMCO Director's investment constitutes a pecuniary interest (i.e., ownership of five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year). The Code also prohibits UTIMCO from investing in the private investments of a business entity in which a UTIMCO Director contemporaneously owns a private investment if the UTIMCO Director's interest constitutes a pecuniary interest. For this purpose, "private investment" means any debt or equity interest that is not publicly traded, including a private investment in a public company.

### **Application of the Texas Public Information Act**

UTIMCO and its officers, directors and employees are subject to the provisions of the Texas Public Information Act. Corporate documents, correspondence, and emails are subject to public inspection and duplication, unless specifically excepted from disclosure under the Act.

### **Meeting Requirements**

UTIMCO Directors are expected to attend all regularly scheduled Board meetings, which are typically held approximately every three months. In addition, special Board meetings may be scheduled from time to time with prior notice. The Texas Open Meetings Act applies to the UTIMCO Board, requiring that all deliberations of a quorum of the Board take place in open meetings after advance notice of the meeting is posted as required by the Act. Committee meetings are held as needed to address specific items within the Committee charters.

3. U. T. System Board of Regents: Discussion of U. T. System financial resources

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, discussed the importance of investment assets in the context of The University of Texas System's overall financial resources. His presentation provided an overview of the U. T. System's assets, liabilities, revenues, and expenditures, and the role that assets managed by The University of Texas Investment Management Company (UTIMCO) play in supporting the financial condition of the U. T. System.

Dr. Kelley reminded both Boards of the critical nature of the assets that are being managed by UTIMCO and of the importance of the investment performance of those assets to the overall financial condition and picture of the U. T. System. He noted the investment distributions, which amount to approximately 6%, support marginal programs that are some of the most effective and most important programs in the U. T. System. In addition, he said the large assets strengthen the balance sheet and provide access to low-cost debt, provide liquidity, and provide overall strength to each institution. Further, Dr. Kelley said the realized and unrealized gains, or the nonoperating revenue increases or decreases, are particularly important because the operations for campuses are largely budgeted at almost a breakeven standpoint. He said extraordinary gains provide a significant impact to the overall strength of the institution and the ability to move forward, and losses have a converse effect.

Dr. Kelley said the liquidity exposure that UTIMCO provides is valuable to find low-cost debt, to enter into the variable rate debt market, and to be able to time an entrance into the market in terms of the acquisition of long-term debt to hedge the U. T. System's positions. He noted that at one point, purchasing liquidity outside was prohibitively expensive and having access through the assets at UTIMCO has been particularly helpful.

4. U. T. System Board of Regents: Governance of The University of Texas Investment Management Company (UTIMCO)

Vice Chairman Foster outlined The University of Texas Investment Management Company (UTIMCO) Board Committee structure. Four Board committees assume primary responsibility for overseeing certain aspects of UTIMCO operations. The chairs of the following UTIMCO Board committees described the roles of their committees since the last joint meeting on July 9, 2009:

- Audit and Ethics Committee: Chairman Paul L. Foster
- Risk Committee: Chairman Charles W. Tate

- Policy Committee: Chairman Janiece Longoria
- Compensation Committee: Chairman J. Philip Ferguson

5. U. T. System Board of Regents: Report on investment objectives and performance for The University of Texas Investment Management Company (UTIMCO)

Mr. Bruce Myers, Cambridge Associates, reported on the investment objectives and performance of funds managed by The University of Texas Investment Management Company (UTIMCO), including objectives, performance, policy portfolios, benchmark, and asset allocation.

In terms of the target return for the Permanent University Fund (PUF) and the General Endowment Fund (GEF), Mr. Myers said the distribution objectives, adjusted for inflation, are set to provide the same level of support over time. When asked by Vice Chairman Foster about the term “purchasing power,” Mr. Myers explained that the term refers to the same amount of support that the PUF and the GEF can give to The University of Texas System and, in the case of the PUF, to The Texas A&M University System today and a year from now.

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer, then reported on current UTIMCO performance through the fiscal quarter ending May 31, 2010. To update the performance figures through June 30, 2010, Mr. Zimmerman reported the endowment returns lost some ground in June 2010 to 9.8% from 10.3% at the end of May 2010; the Intermediate Term Fund (ITF) was down slightly from 6.99% to approximately 6.8%; and the staff value add (actual performance versus policy portfolio and benchmarks) was 4.34% greater for the endowments and the ITF, translating into \$813 million. Mr. Zimmerman reported that for the fiscal year ended June 30, 2010, which is the fiscal year for peer comparisons, the endowment returns were at about 16.8%, with staff value add at about 6%, which translates into over \$1 billion.

Director J. Philip Ferguson remarked on this value add for one year compared to compensation for three years, which the UTIMCO Compensation Plan focuses on, of \$1,860 million (see the UTIMCO Performance Summary Report on Page 11). He said the UTIMCO Board’s incentive compensation recommendations will be forthcoming and will include less than 1% of the \$1.8 billion.

The May 31, 2010 UTIMCO Performance Summary Report is set forth on Page 11.

Item I on Page 12 reports activity for the PUF investments. The PUF's net investment return for the quarter was .68% versus its composite benchmark return of negative .47%. The PUF's net asset value increased by \$54 million since the beginning of the quarter to \$10,524 million. This change in net asset value includes contributions from PUF Land receipts, increases due to net investment return, and the third payment of the annual distribution to the Available University Fund (AUF) of \$129 million.

Item II on Page 13 reports activity for the GEF investments. The GEF's net investment return for the quarter was .67% versus its composite benchmark return of negative .47%. The GEF's net asset value increased during the quarter to \$5,873 million.

Item III on Page 14 reports activity for the ITF. The ITF's net investment return for the quarter was negative .37% versus its composite benchmark return of negative 1.65%. The net asset value increased during the quarter to \$4,035 million due to net contributions of \$53 million, investment return of negative \$15 million, and net distributions of \$31 million.

For all funds, all exposures were within their asset class and investment type ranges and liquidity was within policy.

Item IV on Page 15 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$40 million to \$1,874 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$24 million versus \$24 million at the beginning of the period; equities: \$43 million versus \$44 million at the beginning of the period; and other investments: \$2.2 million versus \$1.7 million at the beginning of the period.

# UTIMCO Performance Summary

May 31, 2010

	Net Asset Value 5/31/2010 (in Millions)	Periods Ended May 31, 2010															
		(Returns for Periods Longer Than One Year are Annualized)					(Returns for Periods Longer Than One Year are Annualized)										
		Short Term		Year to Date		Historic Returns		Short Term		Year to Date		Historic Returns					
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs	1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>ENDOWMENT FUNDS</b>																	
Permanent University Fund	\$10,524	(3.22%)	0.68%	10.32%	1.46%	17.85%	(2.40%)	4.66%	5.06%								
General Endowment Fund	895	(3.21)	0.67	10.29	1.45	17.84	(2.37)	4.73	N/A								
Permanent Health Fund	4,978	(3.22)	0.63	10.21	1.46	17.65	(2.45)	4.65	N/A								
Long Term Fund	173	(3.22)	0.63	10.21	1.47	17.64	(2.45)	4.65	5.13								
Separately Invested Funds		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A								
<b>Total Endowment Funds</b>	<b>16,570</b>																
<b>OPERATING FUNDS</b>																	
Short Term Fund	1,770	0.02	0.05	0.14	0.07	0.26	2.21	3.21	2.96								
Intermediate Term Fund	4,035	(3.79)	(0.37)	6.99	(0.14)	14.69	(0.55)	N/A	N/A								
<b>Total Operating Funds</b>	<b>5,805</b>																
<b>Total Investments</b>	<b>\$22,375</b>																
<b>VALUE ADDED (Percent)</b>																	
Permanent University Fund		1.20%	1.15%	4.37%	2.62%	6.85%	3.01%	2.20%	1.90%								
General Endowment Fund		1.21	1.14	4.34	2.61	6.84	3.04	2.27	N/A								
Short Term Fund		-	0.02	0.04	0.03	0.10	0.51	0.40	0.22								
Intermediate Term Fund		0.66	1.28	4.32	2.64	4.48	2.94	N/A	N/A								
<b>VALUE ADDED (\$ IN MILLIONS)</b>																	
Permanent University Fund		\$130	\$120	\$418	\$272	\$616	\$958	\$1,082	\$1,860								
General Endowment Fund		74	67	234	152	346	545	622	N/A								
Intermediate Term Fund		28	52	161	106	156	332	N/A	N/A								
<b>Total Value Added</b>		\$ 232	\$ 239	\$ 813	\$ 530	\$ 1,118	\$ 1,835	\$ 1,704	\$ 1,860								

**I. PERMANENT UNIVERSITY FUND**  
**Investment Reports for Periods Ended May 31, 2010**  
 Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
Fiscal Year Ended	Quarter Ended	Fiscal Year to Date	
August 31, 2009	May 31, 2010	May 31, 2010	
Beginning Net Assets	\$ 11,360	\$ 10,470	\$ 9,674
PUF Lands Receipts	340	119	263
Investment Return (Net of Expenses)	(1,495)	64	974
Distributions to AUF	(531)	(129)	(387)
Ending Net Assets	\$ 9,674	\$ 10,524	\$ 10,524

	Fiscal Year to Date		
	Returns	Value Added	
Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection
2.24%	-0.57%	-0.17%	0.20%
34.55%	13.37%	0.38%	0.97%
8.31%	7.68%	-0.06%	0.05%
10.20%	1.00%	0.02%	0.52%
6.24%	1.04%	-0.03%	0.97%
11.85%	11.92%	-0.06%	-0.02%
8.18%	4.35%	0.08%	1.79%
10.30%	2.74%	0.20%	2.11%
14.91%	14.27%	0.51%	-0.32%
10.32%	5.95%	0.79%	3.55%
<b>Total</b>			<b>4.37%</b>

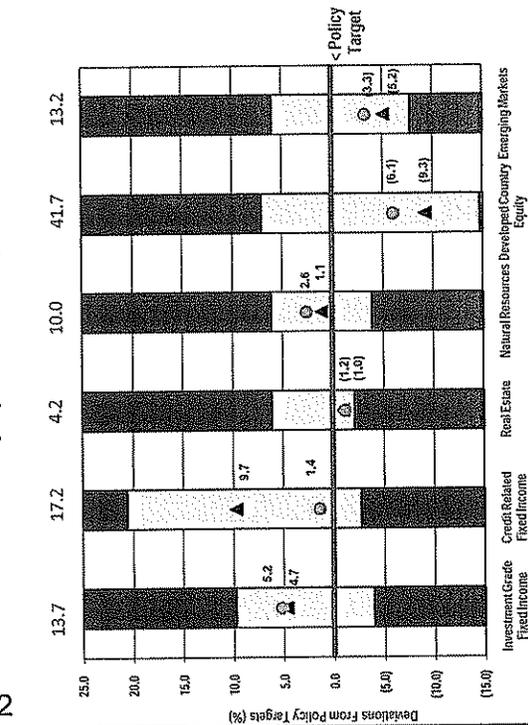
**More Correlated and Constrained:**

Investment Grade	0.03%
Credit-Related	0.45%
Real Estate	-0.01%
Natural Resources	0.54%
Developed Country	0.94%
Emerging Markets	-0.08%
<b>Total More Correlated and Constrained</b>	<b>1.87%</b>

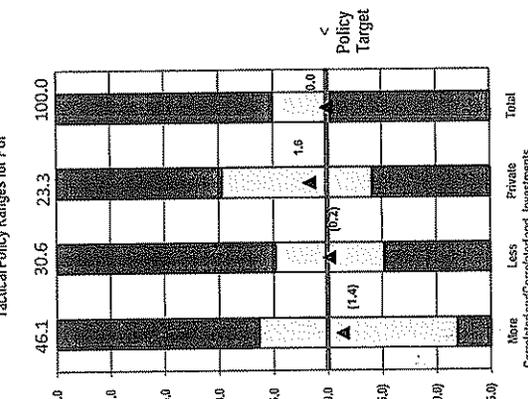
**Less Correlated and Constrained**

Private Investments	0.19%
<b>Total</b>	<b>0.19%</b>

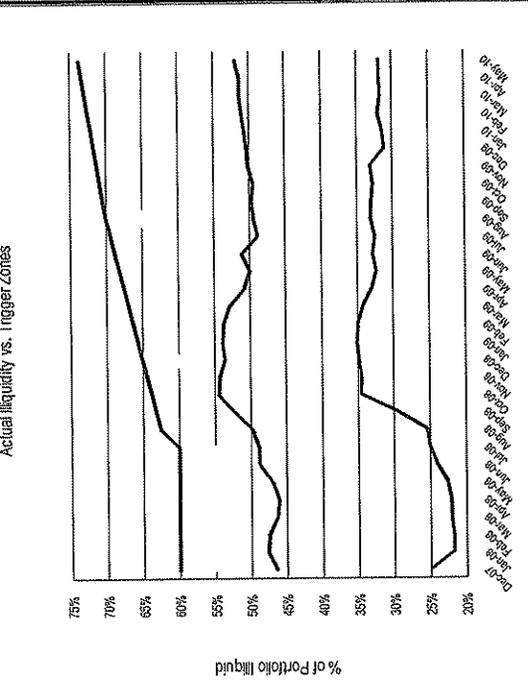
12 Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



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



Permanent University Fund Actual Illiquidity vs. Trigger Zones



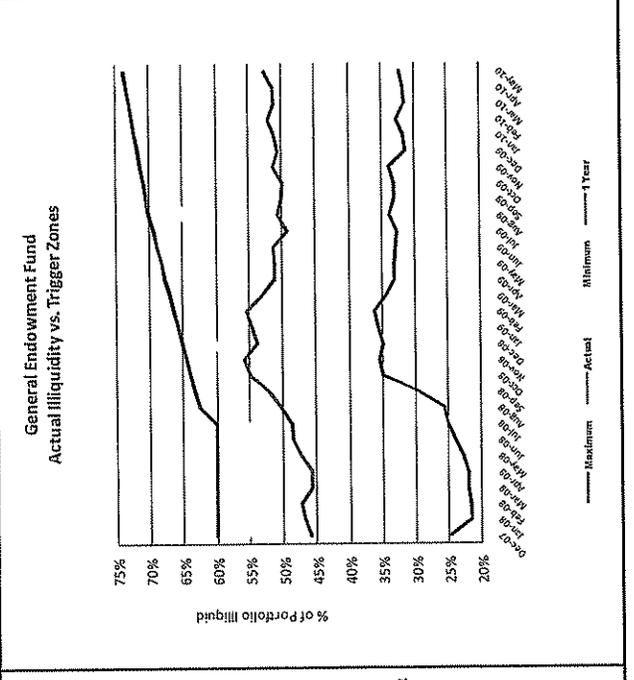
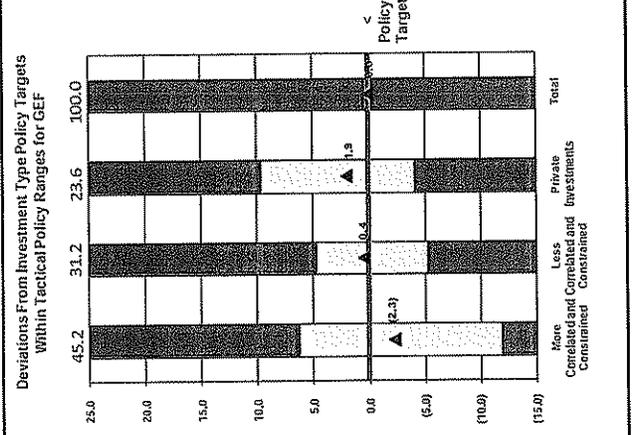
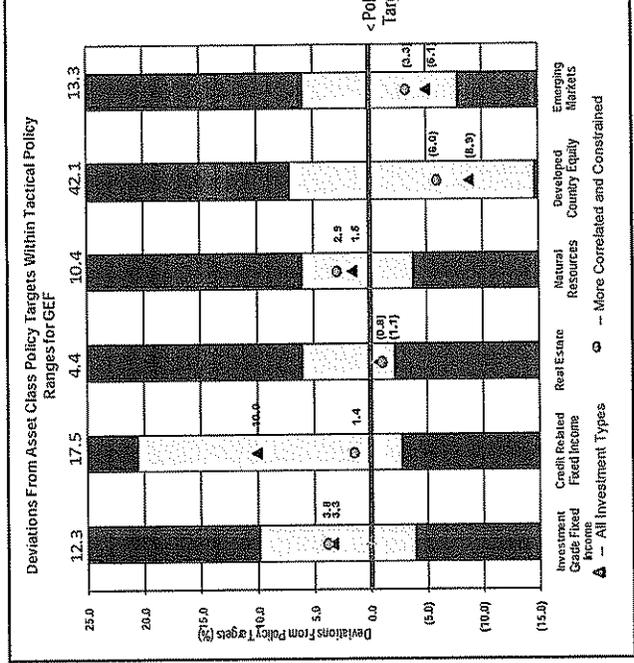
▲ -- All Investment Types    ◊ -- More Correlated and Constrained

## II. GENERAL ENDOWMENT FUND Investment Reports for Periods Ended May 31, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended	Quarter Ended	Fiscal Year to Date
	August 31, 2009	May 31, 2010	May 31, 2010
Beginning Net Assets	\$ 6,310	\$ 5,794	\$ 5,359
Contributions	185	117	187
Withdrawals	(11)	(2)	(4)
Distributions	(279)	(75)	(222)
Investment Return (Net of Expenses)	(846)	39	553
Ending Net Assets	\$ 5,359	\$ 5,873	\$ 5,873

	Returns			
	Portfolio		Policy Benchmark	
	2009	2010	2009	2010
More Correlated and Constrained:	2.37%	-0.57%	-0.20%	0.21%
Investment Grade	34.57%	13.37%	0.38%	0.06%
Credit-Related	8.40%	7.68%	-0.06%	0.03%
Real Estate	10.14%	1.00%	0.01%	0.51%
Natural Resources	6.16%	1.04%	-0.02%	0.98%
Developed Country	11.60%	11.92%	-0.09%	-0.02%
Emerging Markets	8.08%	4.35%	0.02%	1.76%
Total More Correlated and Constrained	10.29%	2.74%	0.23%	2.14%
Less Correlated and Constrained	14.91%	14.27%	0.51%	-0.32%
Private Investments	10.29%	5.95%	0.76%	3.58%
Total	2.37%	-0.57%	-0.20%	0.21%
Total	10.29%	5.95%	0.76%	3.58%
Total	2.37%	-0.57%	-0.20%	0.21%
Total	10.29%	5.95%	0.76%	3.58%
Total	2.37%	-0.57%	-0.20%	0.21%
Total	10.29%	5.95%	0.76%	3.58%



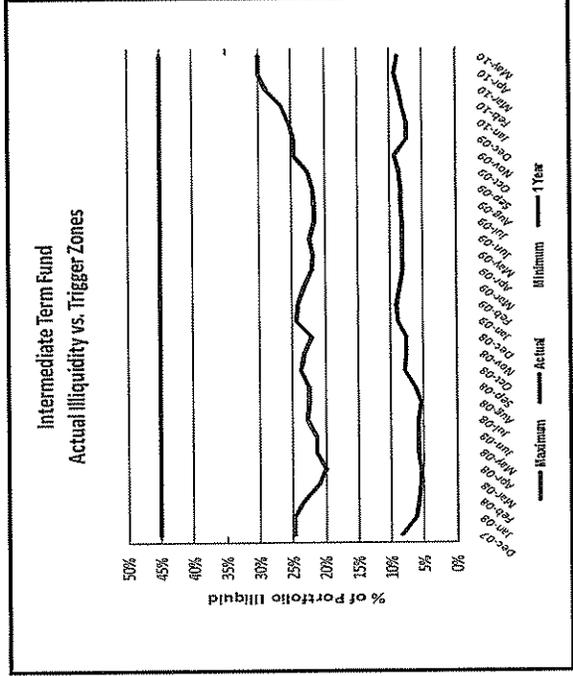
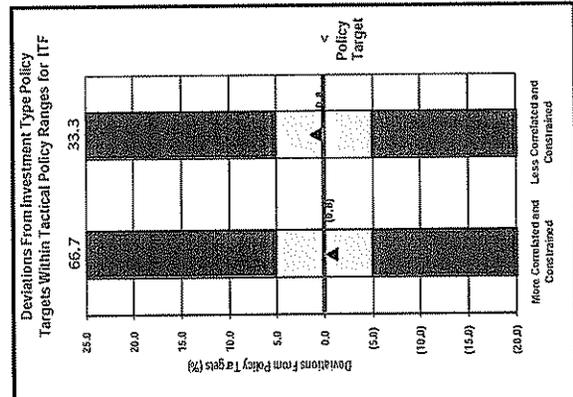
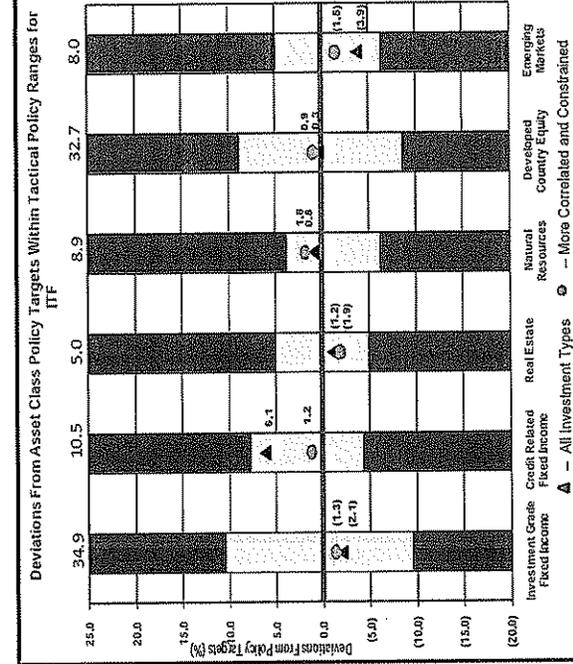
### III. INTERMEDIATE TERM FUND

#### Investment Reports for Periods Ended May 31, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2009	Quarter Ended May 31, 2010	Fiscal Year to Date May 31, 2010
Beginning Net Assets	\$ 3,875	\$ 4,028	\$ 3,572
Contributions	251	75	374
Withdrawals	(178)	(22)	(76)
Distributions	(98)	(31)	(89)
Investment Return (Net of Expenses)	(278)	(15)	254
Ending Net Assets	\$ 3,572	\$ 4,035	\$ 4,035

	Fiscal Year to Date		
	Returns	Policy Benchmark	Value Added
	Portfolio	Benchmark	From Asset Allocation
More Correlated and Constrained:			
Investment Grade	1.90%	-0.57%	0.85%
Credit-Related	33.86%	13.37%	0.18%
Real Estate	8.96%	7.68%	0.13%
Natural Resources	8.66%	1.00%	0.50%
Developed Country	6.59%	1.04%	0.77%
Emerging Markets	11.93%	11.92%	0.02%
<b>Total More Correlated and Constrained</b>	<b>5.61%</b>	<b>2.38%</b>	<b>2.43%</b>
Less Correlated and Constrained	10.26%	2.74%	1.98%
Private Investments	0.00%	0.00%	0.00%
<b>Total</b>	<b>6.98%</b>	<b>2.87%</b>	<b>4.41%</b>
			<b>2.29%</b>
			<b>2.03%</b>
			<b>0.00%</b>
			<b>4.32%</b>





6. U. T. System Board of Regents: Update on The University of Texas Investment Management Company (UTIMCO) organization, including investment manager activity and expenses

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), reported on the UTIMCO organization, investment manager activity, technology, audits, and expenses. He noted the organization has been stable over the past year and has passed all audits.

7. U. T. System Board of Regents: Discussion of trends in investment management

Dr. Keith Brown, Advisor to the Chairman of the UTIMCO Board, recipient of a Regents' Outstanding Teaching Award (2009), University Distinguished Teaching Professor and Fayez Sarofim Fellow at the Red McCombs School of Business at The University of Texas at Austin, discussed trends in investment management.

8. U. T. System Board of Regents: Discussion of investment portfolio and strategy

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), reported on the investment portfolio and investment strategy.

ADJOURN JOINT MEETING.--At 2:34 p.m., Vice Chairman Foster thanked members of both Boards for their interest and input, saying he looks forward to next year's meeting and a continued close and productive working relationship throughout the year. The joint meeting adjourned at 2:35 p.m.

**TAB 2**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Discussion and Appropriate Action Related to Board Committee Assignments and Officers

**Developed By:** Staff

**Presented By:** Chairman Foster, Zimmerman

**Type of Item:** Action required by UTIMCO Board

**Description:** Chairman Foster will propose the Board committee assignments. In addition, Bruce Zimmerman will request that Mark Warner be appointed an officer of the corporation. Managing directors are considered officers of the corporation and Mark Warner has been promoted to the position of Managing Director, Natural Resources, effective September 1, 2010. If a change is made in the composition of the Audit and Ethics Committee, Section 66.08 of the *Texas Government Code* 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.

**Recommendation:** Chairman Foster will recommend approval of the Board committee assignments and staff will recommend approval of Mark Warner as an officer of the corporation.

**Reference:** None

**RESOLUTION RELATED TO CORPORATION OFFICER**

RESOLVED, that the Mark Warner is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

**RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS**

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

---

---

---

---

subject to approval by the Board of Regents of The University of Texas System at its meeting to be held on \_\_\_\_\_, 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 Audit and Ethics Committee and shall preside at its meetings.

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

---

---

---

---

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

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

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

---

---

\_\_\_\_\_  
\_\_\_\_\_

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

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

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until 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.

**RESOLUTION OF APPRECIATION HONORING  
CLINT D. CARLSON**

**WHEREAS**, in recognition of his substantial background and expertise in business and investments, Clint D. Carlson was appointed to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") by the Board of Regents of The University of Texas System ("Board of Regents") in 2004, and was reappointed to serve a second term on the UTIMCO Board by the Board of Regents in 2007; and

**WHEREAS**, Mr. Carlson served as a Member of the Board's Compensation Committee and Risk Committee, and the Chair of the Advisory Search Committee; and

**WHEREAS**, as a Member of the Board's Compensation Committee and Risk Committee and the Chair of the Advisory Search Committee, Mr. Carlson provided invaluable insight and counsel, drawing on his immense business experience as President and Chief Investment Officer of Carlson Capital, L.P., a multi-strategy, alternative asset management firm founded in 1993 and based in Dallas, Texas, that manages six hedge fund groups with over \$5 billion in assets under management and has additional offices located in Houston, London, New York, and Greenwich, Connecticut; and

**WHEREAS**, Mr. Carlson's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work as a Member of the Council of Overseers at the Jones School of Business at Rice University; and

**WHEREAS**, Mr. Carlson's unselfish contributions are also evidenced by his service on the Board of Trustees of the Dallas Museum of Art and the Management Committee and Board of Governors of the Texas Ballet Theatre; and

**WHEREAS**, during Mr. Carlson's tenure on the UTIMCO Board, UTIMCO managed the Permanent University Fund and other investments of The University of Texas System with the highest standards of integrity, professionalism, and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely The University of Texas System and The Texas A&M University System, as well as the alumni and patrons of such Systems, the State's legislative leaders, the national credit rating agencies, capital markets, and investment community generally; and

**WHEREAS**, Mr. Carlson's leadership, judgment, and commitment have greatly benefited UTIMCO and contributed to its success.

**NOW, THEREFORE,**

**BE IT RESOLVED**, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Clint D. Carlson their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

**BE IT FURTHER RESOLVED**, that all persons who read this Resolution should know that Mr. Carlson has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

**PASSED AND ADOPTED** this 9th day of November, 2010.

**TAB 3**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Consideration of Compensation Committee Report: Discussion and Appropriate Action related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2010/2011 Performance Period; Discussion and Appropriate Action related to Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); Discussion and Appropriate Action related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2010; and Discussion and Appropriate Action related to Appendices C and D of the UTIMCO Compensation Program, effective July 1, 2010

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

**Presented By:** Ferguson

**Type of Item:** Action Item; Action Required by UTIMCO Board; Further Action Required by UT System Board of Regents for Appendices C and D of the UTIMCO Compensation Program (the "Plan")

**Description:** The Compensation Committee (the "Committee") met on September 21, 2010 and will meet on November 4, 2010 and November 9, 2010. At its meeting on September 21, 2010, the Committee (1) approved the Designation of Employees in Eligible Positions as Participants in the Plan for the 2010/2011 Performance Period; (2) approved the Plan Participants' Qualitative Performance Goals (other than for the CEO) for the 2010/2011 Performance Period; (3) engaged Deloitte & Touche LLP to perform agreed upon procedure services; and (4) received a report related to the findings of the Committee's self-assessment responses.

At its November 4<sup>th</sup> meeting, the Committee will consider and take appropriate action related to Amendments to Appendix B of the Plan (UTIMCO Peer Group). At its November 9<sup>th</sup> meeting, the Committee will consider and take appropriate action related to the following, which require further action by the UTIMCO Board: (1) Personnel Performance Incentive Awards for the Performance Period ended June 30, 2010; and (2) Appendices C and D of the Plan, effective July 1, 2010.

**Discussion:** Approval is required by the UTIMCO Board related to the designation of Employees in Eligible Positions for the 2010/2011 Performance Period. Eligible Positions, as defined in Section 5.3. of the Plan include senior management, investment staff, and other key positions as designated by the CEO and approved by the UTIMCO Board. Section 5.3. of the Plan provides that in order for an employee of UTIMCO to become a Participant in the Plan for a Performance Period, the employee must be (1) employed by UTIMCO in an employment position that is designated as an Eligible Position for the Performance Period and (2) be selected by the UTIMCO Board as eligible to participate in the performance incentive award opportunity available under the Plan. An employment position that is an Eligible Position in one

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

Performance Period is not automatically an Eligible Position in any subsequent Performance Period. Similarly, an employee eligible to participate in one Performance Period is not automatically eligible to participate in any subsequent Performance Period. The UTIMCO Board in its discretion may also designate the employment position of a newly hired or promoted employee as an Eligible Position. The designation of Plan Participants in Eligible Positions in the 2010/2011 Performance Period is included Exhibit 1.

The Committee will take appropriate action and make its recommendation to the UTIMCO Board related to the UTIMCO Peer Group. 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 2010/2011 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 for the Performance Period ending June 2011 incorporates June 2008, 2009, and 2010. The Peer Group has been decreased by one participant and now consists of 18 participants. Northwestern University has been removed from the Peer Group since Northwestern had only 8 professional staff in 2010. 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. Approval of the UTIMCO Peer Group is also required by the UTIMCO Board.

The Committee will take appropriate action and make its recommendation to the UTIMCO Board related to the Performance Incentive Awards under the Plan for all Eligible Employees. Performance Incentive Awards in the Plan for the 2009/2010 Performance Period are calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance, Asset Class/Investment Type Performance, and Individual Performance Goals. Action is required by the UTIMCO Board related to the Performance Incentive Awards.

The Committee will take appropriate action and make its recommendation to the UTIMCO Board related to Appendix C. Table 1, Appendix C, sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position. The Committee and Board have previously taken action regarding the Eligible Positions, Weightings, and Percentage of Award Deferred and approved Table 1, Appendix C for the 2010/2011 Performance Period at their respective meetings held on August 6, 2010. Mr. Zimmerman will discuss

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

proposed changes to the Incentive Award Opportunities to be effective July 1, 2010 for the 2010/2011 Performance Period. Action is required by the UTIMCO Board related to Appendix C.

The Committee will take appropriate action and make its recommendation to the UTIMCO Board related to Appendix D. Table 2, Appendix D, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. The Committee and Board have previously taken action regarding Appendix D, Table 2 at their respective meetings held on August 6, 2010. Staff will review with the Committee proposed amendments to the Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. Action is required by the UTIMCO Board related to Appendix D.

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

**Recommendation:** The Committee will recommend appropriate action related to the designation of Employees in Eligible Positions for the 2010/2011 Performance Period, the UTIMCO Peer Group for the Plan for the 2010/2011 Performance Period, the 2009/2010 Performance Incentive Awards, including the 2009/2010 Performance Incentive Award proposed for the CEO of UTIMCO, and amendments to Appendices C and D of the Plan.

**Reference:** Exhibit 1 Designation of Plan Participants in Eligible Positions in the 2010/2011 Performance Period  
Certification of 2010 Compensation Plan Universe memorandum from Cambridge Associates

**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**in the 2010/2011 Performance Period**

<b>ELIGIBLE POSITION</b>	<b>PARTICIPANTS</b>
<i>Investment Professionals</i>	
CEO & Chief Investment Officer	Bruce Zimmerman
President and Deputy CIO	Cathy Iberg
Managing Director - Private Investments	Lindel Eakman
Managing Director - Investments	Mark Warner
Senior Director - Investments	Mark Shoberg
Senior Director - Risk Management	Uzi Yoeli
Senior Portfolio Manager	Russ Kampfe
Portfolio Manager	Harland Doak
Director - Investments	Ryan Ruebsahm
Director - Investments	Susan Chen
Director - Investments	Zac McCarroll
Senior Associate - Investments	Mark Newcomb
Senior Associate - Investments	Courtney Powers
Senior Associate - Private Investments	Scott Bigham
Senior Associate - Investments	Amanda Hopper
Senior Associate - Risk Management	Kate Wagner
Associate - Private Investments	Mike McClure
Senior Analyst - Investments	Alison Hermann
Senior Analyst - Investments	Mukund Joshi
Senior Analyst - Investments	Daniel Senneff
Analyst - Investments	Natasha Cupps
Analyst - Investments	Siamc Kamalie
Analyst - Investments	Lara Jeremko
Analyst - Investments	Drury Morris
<i>Operations/Support Professionals</i>	
Senior Managing Director	Joan Moeller
Managing Director	Bill Edwards
General Counsel and Chief Compliance Officer	Cissie Gonzalez
Senior Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd
Senior Financial Analyst	Lara McKinney

Participants are eligible as of July 1, 2010



CAMBRIDGE ASSOCIATES LLC

2001 Ross Avenue, Suite 2600  
Dallas, Texas 75201  
TEL 214.468.2800 FAX 214.468.2801  
[www.cambridgeassociates.com](http://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 15, 2010

Re: Certification of 2011 Compensation Plan Universe

---

On an annual basis, Cambridge Associates is asked to confirm UTIMCO's compensation plan universe for the upcoming fiscal year. The criteria for the 2011 universe is 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 universe list. The resulting 2011 peer universe is as follows:

- Columbia University
- Cornell University
- Duke University
- Emory University
- Harvard Management Company, Inc.
- MIT Investment Management Company
- Princeton University
- Rice University
- Stanford University
- University of Chicago
- University of California
- University of Michigan
- University of Notre Dame

(list continued on next page)

October 15, 2010

University of Pennsylvania  
University of Virginia  
Vanderbilt University  
Washington University in St. Louis  
Yale University

Please note that we recommend the universe remain similar to the 2010 universe despite a few exceptions. As we recommended in 2010, we continue to advise that the University of California and University of Pennsylvania remain in the peer group despite the fact that their allocations to alternative assets are only approximately 39%, narrowly missing the 40% mandate. Alternatively, Northwestern University only had only 8 professional staff in 2010, so they have been removed from the 2011 universe. Last year, the University of Michigan professional staff dropped to 9, but the staff level has since returned to at least 10 in 2010.

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

**RESOLUTION RELATED TO  
2010/2011 PARTICIPANTS IN  
UTIMCO COMPENSATION PROGRAM**

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 2010/2011 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 2010/2011 Performance Period, conditioned upon approval by the Board of Regents of The University of Texas System (the "UT Board") of certain changes to the Plan adopted and approved by the Board at this meeting.

NOW, THEREFORE, be it:

RESOLVED, that, subject to approval by the UT Board of updated and amended Tables 1 and 2 to the Plan, in the forms adopted and approved by the Board, the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the 2010/2011 Performance Period, effective as of July 1, 2010.

**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, 2010.

**RESOLUTION RELATED TO THE  
CEO'S 2009/2010 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, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2009/2010 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 2009/2010 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.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2009/2010 Performance Period in the amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the CEO's \$\_\_\_\_\_ Performance Incentive Award for the 2009/2010 Performance Period, 50% (\$\_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO  
2009/2010 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 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 2009/2010 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 2009/2010 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for all Participants for the 2009/2010 Performance Period (excluding the CEO) in the total aggregate amount of \$\_\_\_\_\_ are hereby approved.

**RESOLUTION RELATED TO AMENDMENTS TO  
UTIMCO COMPENSATION PROGRAM APPENDICES C AND D**

WHEREAS, Section 7.2. of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, Section 5.3.(a) of the Plan requires Table 1 to be revised each Performance Period to set forth the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the revised Tables, approves such amendments, and has determined to recommend them to the Board; and

WHEREAS, the Board has reviewed and concurs in the amendments to the revised Tables 1 and 2, as recommended by the Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1 and 2, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendix C and D, respectively, effective as of July 1, 2010, subject to approval by the Board of Regents of The University of Texas System.

**TAB 4**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Report on and Discussion and Appropriate Action related to Items from Audit and Ethics Committee

**Developed By:** Moeller, Hill, Gonzalez

**Presented By:** Longoria

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

**Description:** The Audit and Ethics Committee ("Committee") will meet on November 4, 2010. The Committee will consider and take appropriate action related to the following items: (1) Deloitte & Touche LLP's Audit Results and Communications and the audit reports 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, 2010; and (2) General Counsel and Chief Compliance Officer's Performance Incentive Award for the Performance Period ended June 30, 2010.

The Committee's agenda also includes a report by UT System Audit Office, a report on the Institutional Compliance Program Peer Review, and a report on other ethics and compliance activities from staff.

**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 (the "Letter") and answer questions related to the financial statements. Included in these materials is a draft of the Letter. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements will be available on UTIMCO's website, [www.utimco.org](http://www.utimco.org) after November 4<sup>th</sup>.

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, 2010 for the General Counsel and Chief Compliance Officer and together make a recommendation to the Compensation Committee.

UTIMCO completed its Institutional Compliance Program Peer Review. UTIMCO engaged Bart J. Brunk, Controller, DUMAC, LLC, James P. Feeney, Chief Compliance Officer, Commonfund, and Mark C. Krcmaric, Managing Director & Chief Operating Officer, University of Notre Dame (the "Peer Review Team"), to evaluate its Institutional Compliance Program (the "Program"). The Peer Review

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

was conducted onsite at the UTIMCO offices on August 30-31, 2010. The Peer Review Team examined UTIMCO's core compliance documentation, administered a compliance effectiveness/awareness survey to all employees, and conducted interviews with senior management and other high-risk area Responsible Parties. The Peer Review Team was requested to evaluate UTIMCO's Program based on the following objectives: (1) validation of the Chief Compliance Officer's Self-Assessment of the Program; (2) evaluation of Program effectiveness; (3) identification of opportunities for Program enhancement; and (4) assistance and/or recommendations related to the Employee Ethics and Compliance Committee, staff compliance awareness and training, and risk assessment/risk management in the UTIMCO-identified high-risk areas. Ms. Gonzalez will discuss the report issued by the Peer Review Team.

Charles Chaffin, UT System Chief Audit Executive will review with the Committee the UTIMCO Chief Executive Officer/Chief Investment Officer Expenses Audit Report for FY2010.

**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, 2010.

**Reference:**

Draft Deloitte & Touch LLP's Financial Statement Audit Results and Communications  
Audited Financial Statements and Audit Reports  
UTIMCO Institutional Compliance Peer Review Report of Peer Review Team  
Quarterly Compliance Reports

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2010**

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, 2010, 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, 2010, and August 31, 2009, and the Statement of Investment Performance Statistics for the year ended August 31, 2010, be, and are hereby approved in the form as presented to the Board.

October 29, 2010

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, 2010, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated October 29, 2010.

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 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 effective August 1, 2007 as amended June 1, 2008, May 1, 2009 and April 1, 2010 (the "Amendment"). As described in Exhibit A-3 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, 2010 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the 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 an opinion 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, private equity funds, and private placements recorded at the amounts included in the table below which have been estimated by management in the absence of readily determinable fair values.

FUND	VALUE OF INVESTMENTS IN THE ABSENCE OF READILY DETERMINABLE FAIR VALUES AT 08/31/10	PERCENTAGE OF NET ASSETS AT 08/31/10
Permanent University Fund	\$6,800,324,864	63.4%
The University of Texas System General Endowment Fund	\$3,897,006,233	64.6%
The University of Texas System Intermediate Term Fund	\$1,836,134,292	44.2%

Although management believes the accounting estimates reflected in the Funds' 2010 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, 2010, 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 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' 2010 financial statements. During the year ended August 31, 2010, there were no significant changes in previously adopted accounting policies or their application.

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

When audited financial statements are included in documents containing other information such as the Funds' Management's 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' 2010 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, 2010.

## **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,**



**UTIMCO**  
**INSTITUTIONAL COMPLIANCE PEER REVIEW**  
**Report of Peer Review Team**  
**September 17, 2010**

---

To: Ms. Cecilia Gonzalez  
General Counsel and Chief Compliance Officer

Mr. Bruce Zimmerman  
CEO and Chief Investment Officer

---

**Executive Summary**

Management at The University of Texas Investment Management Company (“UTIMCO”) requested a peer review to determine the effectiveness of its Institutional Compliance Program and to identify opportunities for program enhancement. The peer review was conducted on-site at the UTIMCO offices on August 30-31, 2010 by the Controller of DUMAC, the Chief Compliance Officer & Managing Director of Commonfund, and the Managing Director & Chief Operating Officer from the University of Notre Dame Investment Office.

The peer review team examined extensive documentation provided by UTIMCO prior to the site visit and on-site, conducted interviews with senior management and other key personnel, and administered a compliance effectiveness/awareness survey. At the conclusion of the peer review, a verbal report was presented in anticipation of this written report, noting the following key points:

- Commendations
  - There is pervasive concern about the mission and reputation of the organization and its investment performance results as well as creating and maintaining a “culture of compliance”;
  - There is an organization-wide appreciation and understanding for compliance activities and structures;
  - UTIMCO has thoughtfully constructed a compliance program that is reasonably designed to identify and prevent compliance risks;
  - There is centralized availability of applicable policies and procedures;
  - UTIMCO has retained a knowledgeable, dedicated, and competent CCO;
  - Compliance policies are in actuality implemented by UTIMCO staff.
  
- Best Practices
  - There is a keen understanding of fiduciary responsibilities to the UT System and legal obligations;

- Governance structures are appropriate to promote a compliance and risk management culture;
  - There is a robust, interdisciplinary, and comprehensive investment due diligence and monitoring process;
  - Staff demonstrates attention to detail and thoroughness;
  - The compliance training program has effectively communicated employee responsibilities.
- Recommendations
    - Consideration should be given to a mechanism for regular discussions between the CCO and the Chair of the Audit & Ethics Committee of the Board of Directors;
    - Consideration should be given to an annual review of compliance activities in light of investment activities, the regulatory or legal framework, and any potential new or emerging compliance risks.

The peer review team believes the objectives for the peer review have been accomplished. UTIMCO personnel provided extensive documentation and devoted substantial staff time to the peer review team. The recommendations noted above, when presented verbally at the conclusion of the review, were welcomed.

As noted above, one of the review activities was administration of a compliance effectiveness/awareness survey. The peer review team noted a very high response rate of 95 percent. In general, employees responded positively regarding their awareness of the compliance program and its components.

## **I. Introduction**

At the recommendation of The University of Texas System Office of Audit, management at The University of Texas Investment Management Company (“UTIMCO”) requested a peer review to determine the effectiveness of its Institutional Compliance Program. Compliance peer reviews are an assurance function initiated by executive management. Peer reviews offer a major source of objective appraisal and assurance of program effectiveness. They allow for the exchange of information among peers and vastly expand the available resources for compliance assurance activities. The peer review team provides its assessments according to objectives, scope, and reporting requirements set forth in the engagement agreement. This peer review was conducted on August 30-31, 2010, at UTIMCO’s offices.

## **II. Objectives**

The primary objective of this review was to evaluate the effectiveness of UTIMCO’s Institutional Compliance Program, and to identify opportunities for Program enhancement.

## **III. Scope**

The scope of the review included:

- Validation of the results of UTIMCO’s Program self-assessment
- Evaluation of the effectiveness of the Program
- Identification of opportunities for Program enhancement
- Providing assistance and recommendations in the following areas:
  - Compliance Committee
  - General Compliance Training
  - Risk Assessment/Risk Management
    - Investment Due Diligence
    - Investment Risk Management
    - Information Technology and Security
    - Investment Compliance
    - Conflicts of Interest
  - Assurance Strategies
  - Compliance Awareness and Communication

## **IV. Peer Review Team**

The peer review was conducted by the following persons:

- Bart J. Brunk, Controller, DUMAC, LLC
- James P. Feeney, Chief Compliance Officer & Managing Director, Commonfund
- Mark C. Krcmaric, Managing Director & Chief Operating Officer, University of Notre Dame

## V. Review Activities

The review included (prior to issuance of this final written report):

- Review of core compliance documentation prior to arrival
  - UTIMCO Organizational Chart
  - Institutional Compliance Manual
    - Compliance Committee Meeting Minutes (past 12 months)
    - Quarterly Reports (past 4 quarters)
    - UTIMCO Code of Ethics
    - Monitoring Plans
  - Compliance Organizational Chart
    - Compliance Committee Participant List and Contact Information
  - Compliance Program Self-Assessment
  - General Compliance Training Curriculum Outline (April 2010)
  - Enterprise Risk Management Report - 2009/2010
  - Investment Policy Statements
  - Board of Directors and Committee Meeting Minutes (past 12 months)
    - Audit & Ethics Committee
    - Compensation Committee
    - Policy Committee
    - Risk Committee
- Administration of a compliance effectiveness/awareness survey, including distributing the survey to employees and receiving and compiling responses
- Interviews with executive leadership and high-risk area responsible parties
  - Bruce Zimmerman, CEO and Chief Investment Officer (the “CEO”)
  - Cecilia Gonzalez, General Counsel and Chief Compliance Officer (the “CCO”)
  - Cathy Iberg, President and Deputy CIO
  - Lindel Eakman, Managing Director, Private Markets
  - Mark Shoberg, Senior Director, Real Estate Investments
  - Lara McKinney, Financial Analyst
  - Uzi Yoeli, Senior Director, Portfolio Risk Management
  - Kate Wagner, Associate, Portfolio Risk Management
  - Bill Edwards, Managing Director, Information Technology
  - David Gahagan, Chief Information Security Officer, Information Technology
  - Debbie Childers, Manager, Portfolio Accounting and Operations
  - Joan Moeller, Senior Managing Director, Accounting, Finance and Administration
  - Lara McKinney, Financial Analyst
- Observance of high-risk procedures and activities
- Evaluation of compliance communication tools and awareness
- Preliminary (verbal) report to the CCO and CEO

The peer reviewers exchanged information prior to arrival. During the on-site review, they functioned as a team, conducting interviews and reviewing documentation as a group. The peer

review team was given access by UTIMCO to any requested additional information (due diligence binders and specific UTIMCO policy and procedure documents) and was afforded the opportunity for private dialog during the course of the peer review to assess progress and focus direction of the review.

## VI. Commendations

- UTIMCO employees interviewed by the peer review team genuinely cared about the mission and reputation of the organization and its investment performance results as well as creating and maintaining a “culture of compliance”:
  - The CEO, President and Deputy CIO, CCO, and other senior management effectively established the “tone-from-the-top” that UTIMCO is dedicated to the highest standards of conduct in the investment management industry and higher education;
  - Peer review team identified commitment by staff to teamwork, cooperation, and collegiality;
  - Reliance on “subject matter experts” (e.g., risk management, operations/accounting/back office, investments, legal/compliance, information technology and security) in furtherance of the organizational objectives;
- Organization-wide appreciation and understanding for:
  - The role and responsibilities of the compliance program and the CCO;
  - Each employee’s obligations under the UTIMCO Code of Ethics as well as UT System requirements and State of Texas statutes;
- UTIMCO has thoughtfully constructed a compliance program that includes:
  - The appointment of a CCO with the oversight and authority to manage compliance risks;
  - Effective organizational monitoring and oversight by independent board of directors;
  - Dual reporting of the CCO to the CEO and the independent board of directors;
  - Established compliance policies and procedures that are reasonably designed to identify and prevent compliance risks related to the organization’s investment management activities and obligations under the UT System;
- Centralized availability of applicable compliance policies and procedures:
  - Employees know where to go to access and review compliance policies;
  - Employees know that the CCO is available to discuss any questions or issues related to compliance policies and procedures;
  - Employees know how to report potential or suspected violations of compliance or ethics policies;
- Knowledgeable, dedicated, and competent CCO;
- Review team independently corroborated that compliance policies were implemented by UTIMCO staff through an examination of sample records related to:
  - Compliance Committee Minutes;

- Compliance Training Records;
- Board Training Materials;
- Quarterly Compliance Reports;
- Manager Due Diligence binders (pre- and post-closing) and related compliance certificates;
- Personal Trading Disclosure forms.

## **VII. Best Practices Identified**

- UTIMCO employees interviewed by the peer review team demonstrated a keen understanding of their fiduciary responsibilities to the UT System and their legal obligations as an organization that supports instrumentalities of the State of Texas and applicable charters;
- Reporting lines and compensation structures are appropriate to promote a culture of compliance and overall risk management;
- Robust, interdisciplinary, and comprehensive due diligence process for initial investments and on-going monitoring/oversight of such investments (i.e., post-closing);
- A review of sample records indicated a demonstrated attention to detail and thoroughness as evidenced by the pre- and post-closing documents and compliance records (e.g., training records, committee minutes, employee compliance certifications, etc.);
- The compliance training program has effectively communicated employee responsibilities under the Code of Ethics, compliance policies and applicable state statutes.

## **VIII. Recommendations**

- To promote effective corporate governance, UTIMCO should consider implementing a policy or procedure whereby the CCO meets or discusses compliance matters, relevant to the organization, with the Chair of the Audit & Risk Committee of the Board of Directors on a regular or periodic basis;
- In furtherance of best practices, UTIMCO should consider conducting an annual review of compliance activities to measure the adequacy or effectiveness of the compliance program in light of then current or planned investment activities, changes to the regulatory or legal framework governing its operations, functions, and activities, and any potential new or emerging compliance risks.

## **IX. Conclusions**

The peer review team believes the primary objective of evaluating the effectiveness of UTIMCO's Institutional Compliance Program, and identifying opportunities for Program enhancement, have been accomplished. UTIMCO personnel were very organized in providing documentation before and during the on-site review and in making staff available for as long as the peer review team felt necessary during the interview process. Staff were welcoming, forthcoming in responding to questions, and genuinely interested in hearing the perspectives of

the peer review team. The recommendations noted above, when presented verbally at the conclusion of the review, were welcomed.

As noted above, one of the review activities requested by UTIMCO was administration of a compliance effectiveness/awareness survey. Of the 57 employees who received the survey 54, or 95 percent, responded. Overall, the results indicate a well developed, well communicated compliance program, as the overall positive response rate was 89 percent. In general, employees responded positively regarding their awareness of the compliance program and its components. The questions resulting in less than a 90 percent positive response rate do not indicate a lack of agreement with the question or statement, but rather seem to reflect a lack of willingness to speculate regarding application of the compliance program (a significant number of "don't know" responses) in these cases. The questions with the lowest positive responses may indicate a need for UTIMCO management to overcome the "don't know" feeling by reinforcing the perception that ethical behavior will be rewarded (67 percent "yes", 22 percent "don't know"), that an employee will be protected from retaliation for reporting a suspected violation (69 percent "yes", 28 percent "don't know"), that there will be equal treatment of employees who display similar unethical behavior (72 percent "yes", 20 percent "don't know"), and the belief that the identity of a compliance hotline caller would be held confidential (80 percent "yes", 19 percent "don't know").

#### **X. Management Response**

Management is keenly aware of the time and effort required to perform the peer review and is indebted to the peer review team for their willingness to participate, dedication to the process, and thoughtful approach. Management agrees with the recommendations made by the peer review team and intends to implement both.

cc: Paul Foster, Chairman of the Board  
Janiece Longoria, Chair of the Audit and Ethics Committee  
Charlie Chaffin, UT System Chief Audit Executive  
Larry Plutko, UT System Systemwide Compliance Officer



**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2010**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<b><i>A. RISK ASSESSMENT</i></b>			
1.	Update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	09/30/09	Completed 03/23/10
2.	Reevaluate A risks	09/30/09	Completed 03/23/10; No change to the compliance A risks
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
3.	Meet with Responsible Parties for updates	On-going	On-going
4.	Submit Institutional Compliance Program to a peer review	12/31/09	Completed 08/31/10
5.	Revise or create monitoring plans based on updated risk assessment	09/30/09	Completed 08/31/10
6.	Inspect high risk areas A	On-going	On-going
7.	Work with Risk Management to enhance monitoring by CCO	On-going	On-going
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
8.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/10	Completed 04/09/10; individual session held for one employee; new hires trained within 30 days of hire
9.	Compliance Training for CCO regarding investments	03/31/10	Completed 03/23/10
10.	Identify and network with similarly situated compliance professionals	08/31/10	On-going
<b><i>D. REPORTING</i></b>			
11.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	On-going
12.	Provide quarterly/annual reports to the System-wide office	On-going	On-going -- UTS will be revising required reporting; CCO will meet with Larry Plutko and David Givens to discuss UTIMCO participation/reporting in System-wide compliance program
<b><i>E. OTHER / GENERAL COMPLIANCE</i></b>			
13.	Hotline report investigations	On-going	On-going
14.	Evaluate enterprise risk management and report to UTIMCO audit and ethics	February 2010	Completed 04/15/10

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
	committee		
15.	Control Self Assessment of Compliance program	10/31/09	Completed 08/06/10
16.	ICAC activities: ICAC and Standing Committee participation	On-going	On-going
17.	Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically	08/31/10	Email reminder sent to IT on 11/06/09; review of Directors Desk and other products continues

**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2011**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<b><i>A. RISK ASSESSMENT</i></b>			
1.	As needed, update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	On-going	
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
2.	Meet with Responsible Parties for updates	On-going	
3.	Inspect high risk areas A	On-going	
4.	Work with Risk Management to enhance monitoring by CCO	On-going	
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
5.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/11	
6.	Identify and network with similarly situated compliance professionals	On-going	
<b><i>D. REPORTING</i></b>			
7.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	
8.	Provide quarterly/annual reports to the System-wide office	On-going	
<b><i>E. OTHER / GENERAL COMPLIANCE</i></b>			
9.	Hotline report investigations	On-going	
10.	Periodic Re-evaluation of enterprise risk management and regular reporting to UTIMCO Audit and Ethics committee	06/30/11	
11.	ICAC activities: ICAC and Standing Committee participation	On-going	
12.	Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically; Review of Directors Desk and other comparable products	12/31/10	
13.	Update and Monitor Records Retention Procedures	01/31/11	
14.	Draft and implement business continuity plan	06/30/11	

**The University of Texas Investment Management Company  
Institutional Compliance Program Annual Report  
for the Fiscal Year Ended August 31, 2010**

**Section I – Organizational Matters**

- Four meetings of the Ethics and Compliance Committee were held during the fiscal year: September 9, 2009, December 7, 2009, March 9, 2010, and June 15, 2010.
- The UTIMCO Code of Ethics was amended effective August 12, 2010.
- Investment Policy Statements were amended during the fiscal year, effective September 1, 2010. The Delegation of Authority Policy was amended effective July 14, 2010. The Derivative Investment Policy was amended effective August 12, 2010. The Mandate Categorization Procedure was amended effective August 1, 2010. Staff developed a Derivative Investment Controls and Processes Document effective September 1, 2009.
- Significant personnel changes: Former Senior Director – Real Estate Investments, Bob Schau left UTIMCO. Mark Shoberg was appointed to the position of Senior Director – Real Estate Investments.

**Section II - Risk Assessment, Monitoring Activities and Specialized Training (Performed by Responsible Party)**

**High-Risk Area #1: Investment Due Diligence**

**Responsible Party:** Managing Directors for Public Markets, Private Markets, Marketable Alternatives and Natural Resources, and Senior Director for Real Estate

**Key “A” risk(s) identified:**

- *Organization could fail to adequately conduct due diligence on prospective managers.*
- *Organization could fail to adequately conduct continual review and evaluation of external managers hired to manage UT System investment funds.*

**Key Monitoring Activities:**

**Public Markets:** The Public Markets groups participated in 384 meetings/calls with potential managers. Initial due diligence was performed on 271 managers and serious due diligence was performed on 100 managers. Twelve managers were hired. Ongoing review of active external managers included 219 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team and Quarterly Portfolio Review meetings.

**Marketable Alternative Investments:** The Marketable Alternative Investments group participated in 181 meetings/calls with potential managers. Initial due diligence was performed on 20 managers and serious due diligence was performed on 14 managers. Three managers were hired. Ongoing review of external managers was conducted in the form of 219 meetings, conference calls, or Annual Meetings with active managers and quarterly portfolio review meetings.

**Private Markets:** The Private Markets group performed initial due diligence on 117 and serious due diligence on 69 potential managers. Eight commitments were made. The Private Markets group also participated in 367 meetings with active external managers and 247 with prospective managers, including site visits, conference calls, and Advisory Board or Annual meetings.

**Natural Resources:** The Natural Resources group participated in 276 meetings/calls with potential managers. Serious due diligence was performed on eight managers. Seven managers were hired. Ongoing review of active external managers included 183 meetings/calls.

**Real Estate:** The Real Estate group participated in 233 meetings/calls with potential managers. Serious due diligence was performed on five managers. Two managers were hired. Ongoing review of active external managers included 108 meetings/calls.

**Specialized Training:** Staff attended various industry-related conferences/forums and functions during the year.

**High-Risk Area #2:** Investment Risk Management

**Responsible Party:** Senior Director - Risk Management

**Key "A" risk(s) identified:**

- *Organization could fail to accurately perform its assessment of risk due to data and investment instrument modeling error.*
- *Organization could fail to respond to risk levels (manage risk budget).*

**Key Monitoring Activities:**

- During the year, Risk Team reconciled accounting records' market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. The Risk Team compared each month's risk results with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports based on inputs from risk model during this quarter, including trend analysis of risk exposure and attribution, as well as analysis of managers' betas and correlations.
- Risk Team renegotiated the ISDAs with all our counterparties, added one new counterparty, and is in the process of negotiating ISDAs with two additional counterparties.
- Risk Team completed documentation of all Risk procedures.
- Risk Team is evaluating various tail-hedging strategies including tactical moves within the Asset Allocation; met with several of our leading Hedge Fund managers to better understand "best practices".
- Risk Team re-evaluated the role and services of our Risk Analytics Provider, and has evaluated alternative systems.
- Risk Team was involved in Risk Management due diligence discussions for Managers with Agency Agreements and reviewed their IAAs to ensure compliance with the Derivative Investments Policy.
- Derivative positions are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly.
- Fixed income duration and tracking error is being monitored on an ongoing basis. Managers' use of margin and leverage is monitored on an ongoing basis.
- Risk Team confirmed each month downside risk and VaR calculations on total P&L data.
- Risk Team created new and more in-depth audit procedures as the result of the UT System Audit Office Derivatives audit.
- Risk Team prepared projections on portfolio risk, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.
- Risk Team has initiated a quarterly Risk Management Working group conference call with nine other endowments to share market knowledge and best practices.

**Specialized Training:** Risk Team participated in one conference and two seminars during the year.

**High-Risk Area #3:** Information Technology & Security

**Responsible Party:** Managing Director - Information Technology

**Key "A" risk(s) identified:**

- *Organization could fail to adequately secure networks and data to prevent abuse, destruction, and/or theft.*
- *Organization could fail to manage computer software and hardware resulting in internal and external users unable to perform necessary job duties.*

**Key Monitoring Activities:**

- Applications that monitor virus or malicious software are running. Mechanisms are in place to provide notification if applications are not functioning properly. Additional applications monitor server activity and notify IT staff of any perceived problems.
- Continued training of users on the procedures and proper use of encrypted USB drives on an as needed basis.
- Completed annual information security and use training for all employees including portable computing safeguards, confidential data storage, teleworking, manager responsibility, communicated users should access data on a need-to-know basis only, and should report any security issues to the CISO. Provided topic specific email alerts to employees regarding encryption of social security numbers and credit card numbers, computer viruses, potential attacks, and critical updates.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means.
- Information Security Program Plan FY09/10 was revised.
- Policy for Incident Response was adopted.
- Random laptop security reviews to verify that laptops are physically secured continue. Violations noted and violators notified.
- Compliance checks for nightly shutdown/logout and VPN access continue. Violations noted and violators notified.
- Annual reviews/reports with Data Owner's were completed in April 2010.
- External code scan and review was completed with Denim group. Findings are being reviewed and a plan to correct needed issues is currently being built.
- Installation of Shibboleth was completed.

**Specialized Training:** ISO attended meetings of the Chief Information Security Officers Council.

**High-Risk Area #4: Investment Compliance**

**Responsible Party:** Manager - Portfolio Accounting and Operations

**Key "A" risk(s) identified:**

- *Organization could fail to comply with investment policies, applicable laws and regulations, and other policies.*
- *Organization could fail to detect non-compliance with applicable policies, etc.*

**Key Monitoring Activities:**

- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian's software and in-house developed databases. Fine tuning of conversion to new and improved custodian software (Compliance Monitor) is ongoing.
- Work continues to verify that custodian software queries and database queries are working properly for manager compliance. Performed cross-training with employees who work on manager compliance.
- Monthly compliance testing and reporting was updated to reflect new policy guidelines that went into effect throughout the fiscal year.
- All external manager contracts were reviewed to ensure all guidelines are being tested. Work continues to verify that custodian software queries and database queries are working properly.
- Review of monthly and quarterly investment compliance reports prepared by staff.
- Annual compliance statements were sent to 18 external managers under agency agreements; no non-compliance was noted.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- The annual review of all existing mandates was performed and no mandates previously approved by the UTIMCO Risk Committee were recommended for re-categorization but three existing mandates are on

## FINAL 101110

the “watch list” for possible re-categorization in the future. The annual review was presented to the UTIMCO Risk Committee at its meeting on April 8, 2010.

- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them. UT System Audit Office completed its audit of these procedures and the Derivative Investments Policy and suggested changes have been implemented.
- UT System Audit Office completed its follow-up audit of recommendations implemented as a result of the ITCI Fixed Income Audit in the spring of 2008.

**Specialized Training:** None

**High-Risk Area #5:** Conflicts of Interest

**Responsible Party:** Senior Managing Director - Accounting, Finance and Administration

**Key “A” risk(s) identified:**

- *Organization could fail to comply with conflicts of interest provisions in Code of Ethics and Texas Education Code section 66.08.*

**Key Monitoring Activities:**

- All Certificates of Compliance were received timely from all UTIMCO Board members and key employees for all investment managers hired, with the exception of one Director who returned the Certificates late. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests were identified by any UTIMCO Board member or key employee.
- Verified that the funds committed during the year had the appropriate signed certificates of compliance.
- Internal and external managers under agency agreements are provided a list of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest in order to prevent the violation of UTIMCO Code of Ethics and *Texas Education Code* section 66.08. Changes to the restricted list occurred during the fiscal year and an updated restricted list was sent to all internal and external managers during the fiscal year. Staff reviews holdings for compliance with the restricted list on a daily basis.
- UTIMCO employees, interns, and new hires participated in training on the UTIMCO Code of Ethics.
- With the exception of one Director, signed financial disclosure statements were timely received from all UTIMCO Board members, employees and interns as required by the UTIMCO Code of Ethics.
- During the fiscal year, a new Director was appointed by the Board of Regents of The University of Texas System. Since the appointment was effective on August 12, 2010, the financial disclosure statement was not due during the quarter ended August 31.

**Specialized Training:** None

### **Section III – Monitoring and Assurance Activities (Performed by Compliance Office)**

**High-Risk Area #1:** Investment Due Diligence

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO designee performed quarterly due diligence monitoring plan for each Investment group. CCO designee reviewed initial due diligence for twenty (20) managers hired by the Investment groups during the fiscal year. Ongoing due diligence efforts continue. The Senior Director, Risk Management and CCO participated in the bi-weekly Investment Committee meetings, the monthly Investment meetings, the quarterly Marketable Alternatives Group Hedge Funds reviews, the quarterly Public Markets Investments portfolio reviews, and Private Markets portfolio reviews.

**Significant Findings:** None.

**High-Risk Area #2: Investment Risk Management**

**Assessment of Control Structure:** *Opportunity for enhancement*

**Assurance Activities Conducted:** CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team. Risk Team has completed documenting its procedures, which were reviewed by both the CEO and Chief Investment Officer and the CCO. UTIMCO staff completed work on enhanced Derivative Investments Controls and Processes document.

**Significant Findings:** Compliance with UTIMCO Derivative Investments Controls and Processes document was audited by the UT System Audit office. Recommendations from the UT System Audit Office primarily focused on the need for additional documentation by the Risk Team to support its conclusions regarding new Derivative Investments. Additionally, two external managers were found to be out of compliance with the Derivative Investment Policy. Monitoring of external managers operating under agency agreements for compliance with the Derivative Investment Policy has since been enhanced. Staff has met to discuss enhancements to its documentation and monitoring processes.

**High-Risk Area #3: Information Technology & Security**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO continues to meet with ISO and Managing Director – Information Technology regarding information technology and security practices. CCO reviews quarterly and annual reporting to System-wide Chief Information Security Officer required by UT System policy.

**Significant Findings:** None

**High-Risk Area #4: Investment Compliance**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO is performing monthly review of Compliance Reports. CCO reviews the documentation and work papers supporting the various compliance reports prepared by the Responsible Parties. Monthly report (checklist) reviewed and signed off by Debbie Childers to determine that policy requirements have been maintained based on the activity performed by staff. Activities related to procedures implemented as a result of Investment Training and Consulting, Inc. risk-focused audit related to internal Fixed Income and internal Derivatives are being monitored by the CCO.

**Significant Findings:** See Significant Findings notation in High-Risk Area # 2: Investment Risk Management. Investment Compliance Staff and Risk Team have met to discuss enhancements to documentation and monitoring of Derivative Investments.

**High-Risk Area #5: Conflicts of Interest**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO designee reviewed the completed sign-offs for completeness for all certificates of compliance received during the fiscal year. All but one UTIMCO Board member and all employees had timely signed off on certificates of compliance; no conflicts of interest were noted. CCO reviewed ethics compliance and financial disclosure statements received from employees and UTIMCO Board members and verified that an updated restricted list was sent to all internal and external managers during the fiscal year. Monitoring for potential conflicts of interest in the areas of personal securities transactions, outside employment and business activities, and manager/third party-paid travel, entertainment and gifts is ongoing.

**Significant Findings:** None.

**Section IV – General Compliance Training Activities**

Two annual training sessions were held for all employees. Training encompassed the UTIMCO Code of Ethics, Employee Handbook, information security, and Travel Guidelines. Eight additional training sessions on the UTIMCO Code of Ethics were held for new hires and summer interns.

**Section V – Action Plan Activities**

- Staff participated in the evaluation of Enterprise Risk Management, including preparation of risk assessments and mapping of controls for each functional group. Enterprise Risk Management report was presented to Audit and Ethics Committee and Board of Directors. Staff developed new monitoring plans for each of the High-Risk Areas.
- UTIMCO’s Institutional Compliance Program underwent a Peer Review. Review Team included Bart J. Brunk, Controller, DUMAC, LLC, James P. Feeney, Chief Compliance Officer, Commonfund, and Mark C. Krcmaric, Managing Director & Chief Operating Officer, University of Notre Dame.
- Employee Handbook and PowerPoint for employee training purposes was updated.
- Meetings of the Employee Ethics and Compliance Committee are held quarterly.
- Information Technology Access & Security: Staff member is participating in the Chief Information Security Officers Council.

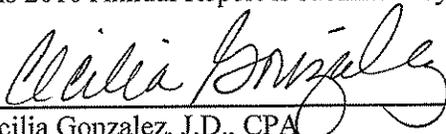
**Section VI – Confidential Reporting**

UTIMCO maintains a Compliance Hotline to receive and process complaints. UTIMCO has contracted with an outside vendor to provide the service. The chart below summarizes the calls received during the fiscal year:

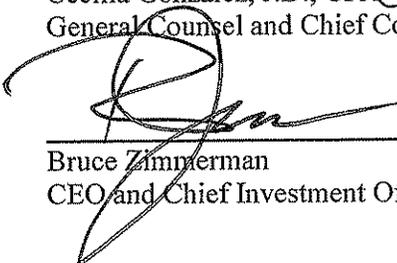
Type	Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	11	100.00%
Total	11	100.00%

All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the Chief Compliance Officer, Manager of Finance & Administration, the Office Manager, the Executive Assistant to the CEO and Chief Investment Officer, and David Givens from the System-wide Compliance Office.

This 2010 Annual Report is submitted by:



\_\_\_\_\_  
 Cecilia Gonzalez, J.D., CPA  
 General Counsel and Chief Compliance Officer



\_\_\_\_\_  
 Bruce Zimmerman  
 CEO and Chief Investment Officer

**TAB 5**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Report from Risk Committee

**Developed By:** Staff

**Presented By:** Tate

**Type of Item:** Information item

**Description:** The Risk Committee ("Committee") will meet on November 4, 2010. The Committee's agenda includes (1) discussion and appropriate action related to categorization of new investment mandates and re-categorization of an existing mandate; (2) review and discussion of compliance reporting; and (3) review and discussion of performance and risk reporting.

**Discussion** The Committee will review and approve, as appropriate, the fourteen mandate categorizations prepared by staff for the period beginning July 1, 2010, and ending October 15, 2010, and one re-categorization of an existing mandate previously included on the "Mandate Categorization Watch-List." The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

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

**Recommendation:** None

**Reference:** None

**TAB 6**



# Funds Update

	<u>Page</u>
•Returns	2
•Assets	12
•Investment Activity	19
•Manager Exposure	25
•Investment Team Highlights	28
•Risk Analytics	43
•Leverage	55
•Liquidity	64
•ITF	68
•Contracts Updates	76



# Returns



# UTIMCO Performance Summary August 31, 2010

	Net Asset Value 8/31/2010 (in Millions)	Periods Ended August 31, 2010 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns			Historic Returns											
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs											
<b>ENDOWMENT FUNDS</b>																				
Permanent University Fund	\$10,725	0.21%	2.47%	13.04%	3.97%	13.04%	(1.66%)	4.04%	4.65%											
General Endowment Fund		0.20	2.48	13.02	3.96	13.02	(1.68)	4.12	N/A											
Permanent Health Fund	906	0.18	2.44	12.91	3.94	12.91	(1.74)	4.05	N/A											
Long Term Fund	5,130	0.18	2.45	12.90	3.95	12.90	(1.74)	4.05	4.73											
Separately Invested Funds	396	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
<b>Total Endowment Funds</b>	<b>17,157</b>																			
<b>OPERATING FUNDS</b>																				
Short Term Fund	1,667	0.03	0.08	0.22	0.15	0.22	1.79	3.06	2.80											
Intermediate Term Fund	4,156	0.72	3.79	11.04	3.65	11.04	0.82	N/A	N/A											
<b>Total Operating Funds</b>	<b>5,823</b>																			
<b>Total Investments</b>	<b>\$22,980</b>																			
<b>VALUE ADDED (Percent)</b>																				
Permanent University Fund		0.94%	(0.18%)	4.28%	2.51%	4.28%	2.80%	1.89%	1.95%											
General Endowment Fund		0.93	(0.17)	4.26	2.50	4.26	2.78	1.97	N/A											
Short Term Fund		0.02	0.04	0.08	0.07	0.08	0.53	0.39	0.20											
Intermediate Term Fund		1.00	0.50	4.99	3.22	4.99	2.87	N/A	N/A											
<b>VALUE ADDED (\$ IN MILLIONS)</b>																				
Permanent University Fund		\$101	\$(19)	\$410	\$261	\$410	\$908	\$959	\$1,961											
General Endowment Fund		57	(10)	230	146	230	508	561	N/A											
Intermediate Term Fund		41	20	186	129	186	334	N/A	N/A											
<b>Total Value Added</b>		<b>\$ 199</b>	<b>\$(9)</b>	<b>\$ 826</b>	<b>\$ 536</b>	<b>\$ 826</b>	<b>\$ 1,750</b>	<b>\$ 1,520</b>	<b>\$ 1,961</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.

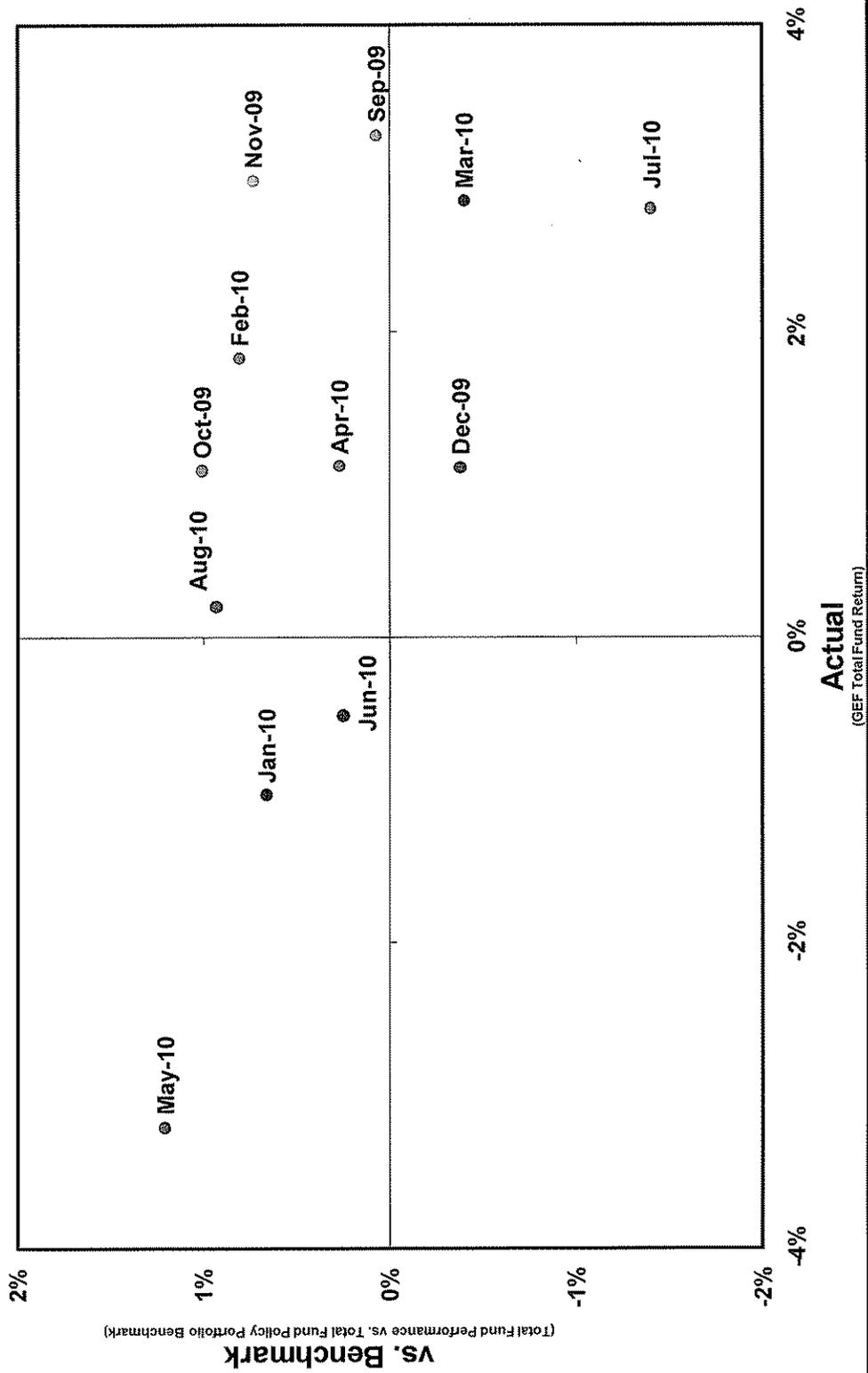


# Performance During Last 3 and 12 Months

	3 Months Ended August 2010	12 Months Ended August 2010
BarCap Global Agg	6.4%	5.8%
BarCap TIPS	3.3%	10.5%
BarCap High Yield	6.6%	20.9%
Global REITs	6.9%	15.1%
DJ-UBS	4.4%	4.2%
Oil Spot	-2.8%	2.8%
Natural Gas	-12.0%	57.2%
Copper	7.4%	14.9%
S&P 500	-3.2%	4.9%
Nasdaq 100	-4.6%	8.8%
EAFE	5.0%	-2.3%
FTSE 100	6.6%	0.2%
DJ Euro Stoxx 50	3.3%	-16.4%
Topix	-1.1%	-8.0%
MSCI Emerging Markets	5.4%	18.0%
Brazil Index	9.2%	23.3%
China Index	2.2%	2.9%
India Index	4.9%	19.1%
Russia Index	4.0%	33.3%
GEF	2.5%	13.0%
ITF	3.8%	11.0%



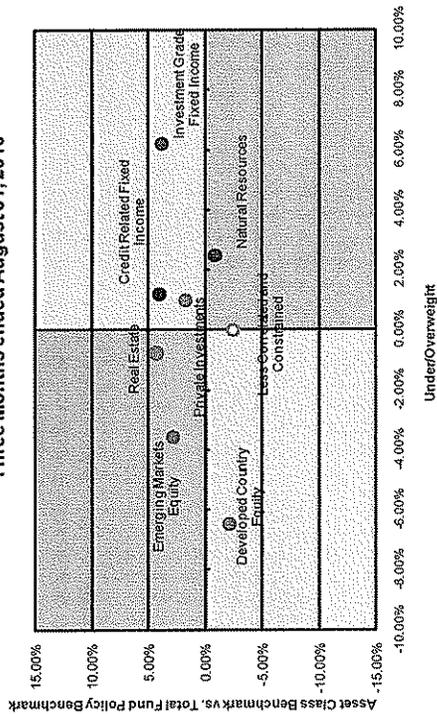
# Actual and "vs. Benchmark" Returns by Month Fiscal Year 2010 (GEF)





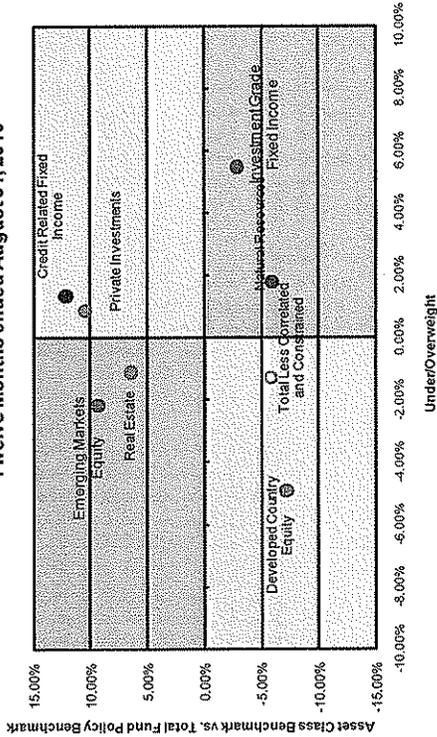
# Tactical Asset Allocation

General Endowment Fund  
Asset Class Allocation  
Three Months ended August 31, 2010



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Investment Grade Fixed Income	3.82%	6.44%	22
Developed Country Equity	0.87%	0.50%	11
Credit Related Fixed Income	7.26%	6.61%	4
<b>Subtotal</b>			<b>37</b>
Less Correlated and Constrained	1.45%	0.14%	(1)
Natural Resources	2.43%	1.76%	(2)
Real Estate	7.67%	6.90%	(4)
Emerging Markets Equity	6.73%	5.44%	(11)
<b>Subtotal</b>			<b>(18)</b>
<b>Total Fund excluding Private Investments</b>			<b>19</b>
Private Investments	1.30%	4.30%	4
<b>Total Fund</b>	2.48%	2.65%	<b>23</b>

General Endowment Fund  
Asset Class Allocation  
Twelve Months ended August 31, 2010



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Developed Country Equity	7.08%	1.54%	37
Credit Related Fixed Income	44.34%	20.86%	15
Less Correlated and Constrained	11.89%	2.89%	7
<b>Subtotal</b>			<b>59</b>
Real Estate	16.71%	15.11%	(9)
Investment Grade Fixed Income	6.29%	5.84%	(11)
Natural Resources	12.82%	2.78%	(18)
Emerging Markets Equity	19.11%	18.02%	(19)
<b>Subtotal</b>			<b>(57)</b>
<b>Total Fund excluding Private Investments</b>			<b>2</b>
Private Investments	16.40%	19.19%	51
<b>Total Fund</b>	13.02%	8.76%	<b>53</b>



# Active Management Value Added Periods Ended August 31, 2010 (GEF)

	3 Months (bps)	Manager (Alpha)
Less Correlated	26	Bridgewater Pure Alpha II (10.79), Farallon Credit (12.63), Criterion (8.01)
Emerging Markets Equity	17	Hillhouse (.40), Lazard (.40), Dynamo (.38)
Developed Country Equity	5	Value Act (1.29), Silchester (.37), Blackrock EAFE (.21)
Real Estate	3	European Investors (1.63), Blackrock ex-US Real Estate (.12)
Natural Resources	2	Gresham (.50), Blackrock Global Mining (.39), Gold Futures (.32)
Credit Related Fixed Income	-	GMO Emerging Debt (.54), Angelo Gordon (.46)
Subtotal	53	
Investment Grade Fixed Income	(17)	Liquidity (1.99), Inflation Hedge (.59), Total Internal Fixed Income (.45)
Subtotal	(17)	
Total Fund excluding Private Investments	36	
Private Investments	(47)	
Total Fund	(11)	

	12 Months (bps)	Manager (Alpha)
Less Correlated and Constrained	247	Bridgewater Pure Alpha II (32.95), Silver Point (16.85), Farallon Credit (12.95)
Developed Country Equity	107	Value Act (5.38), S&P 500 Futures (.36), Stelliam (.36), Maverick Long Enhanced (.35)
Natural Resources	55	Gold Futures (6.35), Blackrock Global Mining (1.21), Blackrock Global (.81)
Emerging Markets Equity	15	Hillhouse (1.22), Russian Prosperity (1.06), Dynamo (.88)
Real Estate	8	Cohen & Steers (1.58), Security Capital (1.53), MS REITS (.17)
Credit Related Fixed Income	7	Angelo Gordon (14.51), Watershed II (5.73), Watershed I (2.05)
Investment Grade Fixed Income	4	PIMCO Fixed (1.23), Total Internal Fixed Income (1.02), Brandywine (.99)
Subtotal	443	
Subtotal	-	
Total Fund excluding Private Investments	443	
Private Investments	(87)	
Total Fund	356	

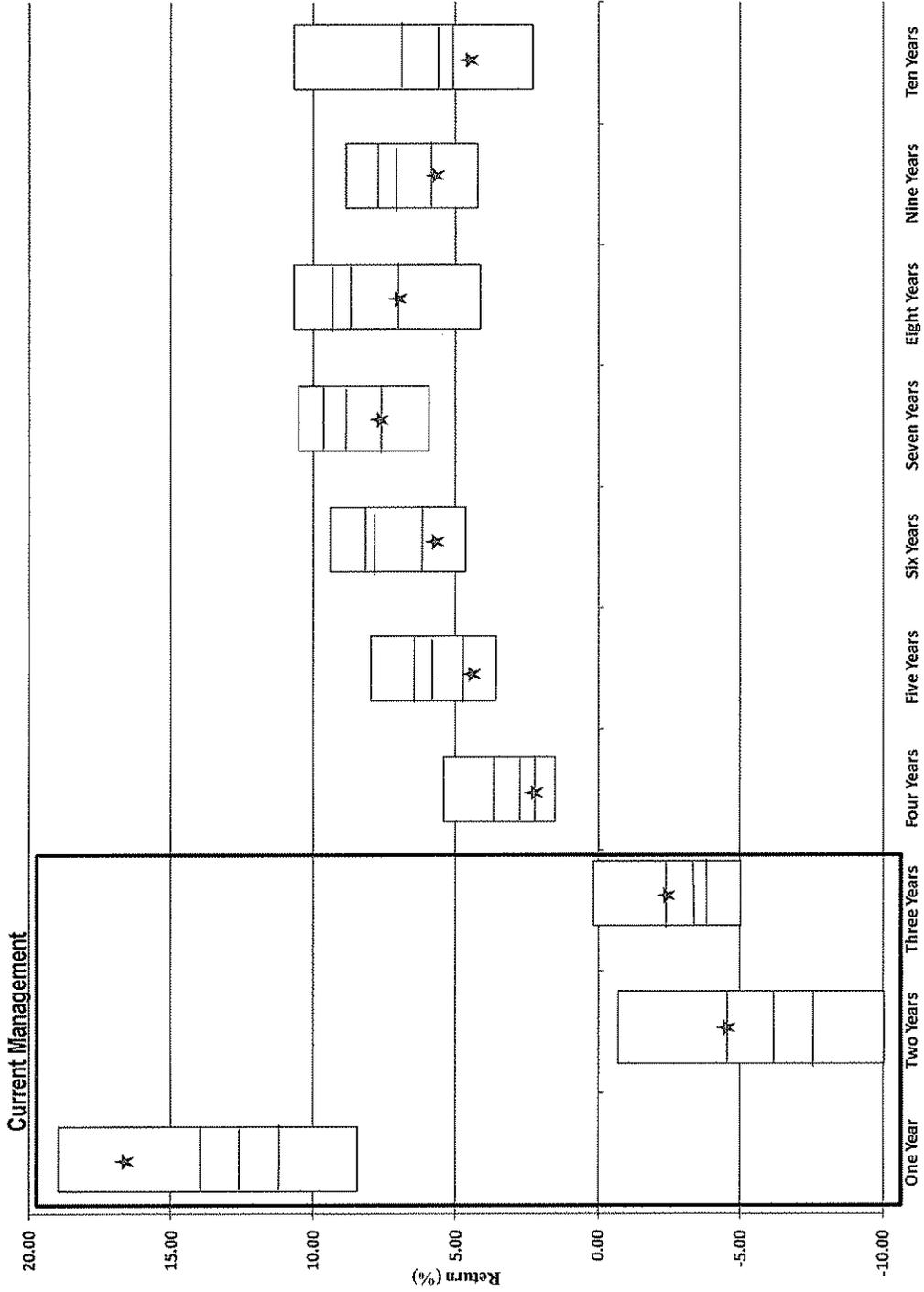


# Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY10
<b>MCC</b>						
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.01%
Active	0.42%	-0.81%	-0.74%	-0.19%	-1.68%	2.02%
TOTAL	0.85%	-1.35%	-0.60%	0.63%	-1.39%	2.02%
<b>LCC</b>						
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.21%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	2.61%
TOTAL	2.08%	0.93%	2.61%	1.93%	1.71%	2.82%
<b>Private Investments</b>						
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	0.40%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	-0.98%
TOTAL	0.83%	0.99%	0.51%	-0.45%	1.88%	-0.58%
<b>Overall GEF</b>						
Tactical	-0.26%	0.89%	-0.57%	0.87%	0.67%	0.62%
Active	4.02%	0.52%	3.09%	1.24%	1.53%	3.65%
TOTAL	3.76%	1.41%	2.52%	2.11%	2.20%	4.26%

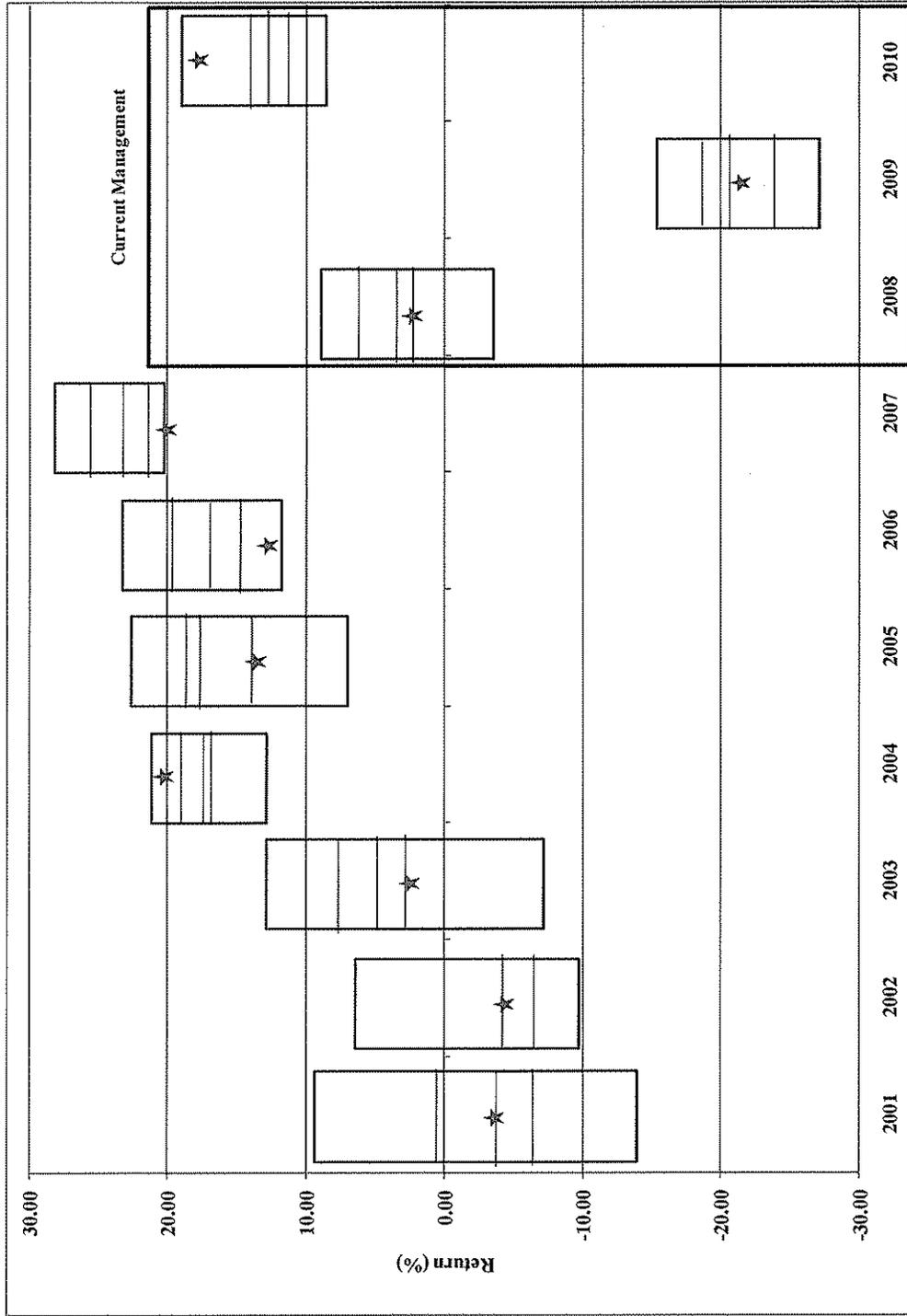


# Compensation Plan Universe Comparisons Periods Ending June 30, 2010



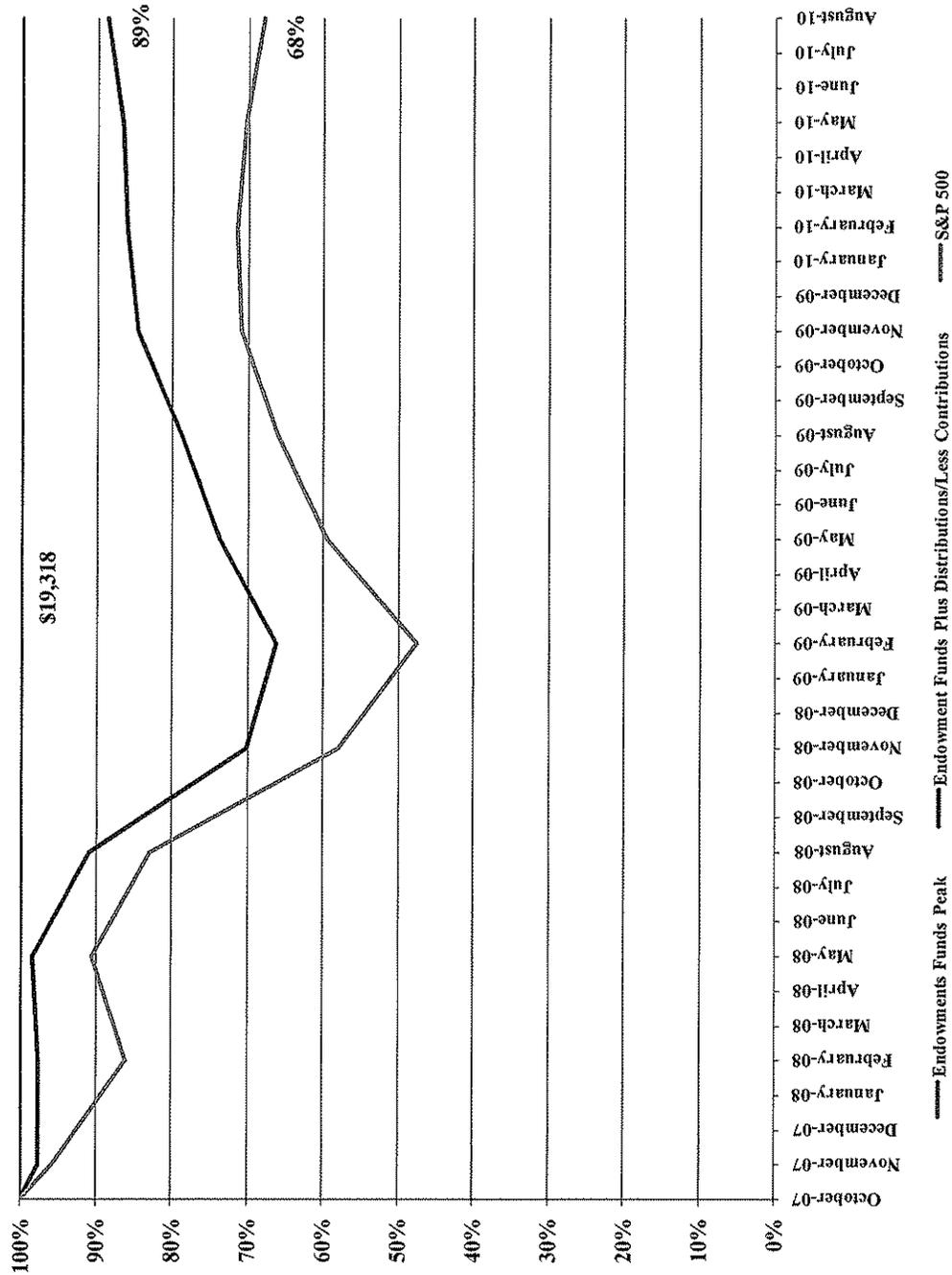


# Compensation Plan Universe Comparisons Years Ending June 30,





# Endowments Peak Value Analysis 10/31/2007 – 8/31/2010





# Assets



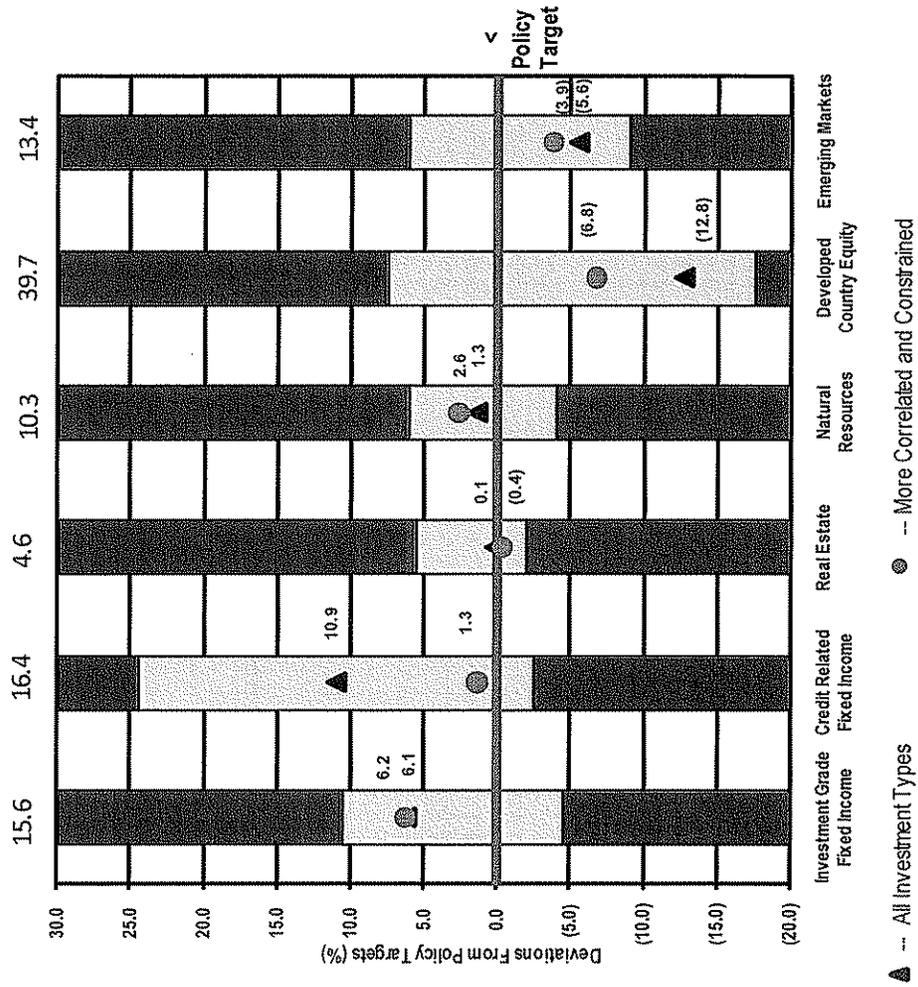
# Combined PUF and GEF Asset Allocation as of August 31, 2010 (in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total
		\$	%	\$	%	\$	%	
Fixed Income	Investment Grade	\$ 2,199	13.1%	\$ 319	1.9%	\$ -	0.0%	\$ 2,518
	Credit-Related	212	1.3%	1,327	7.9%	1,216	7.2%	2,755
<b>Fixed Income Total</b>		<b>2,411</b>	<b>14.4%</b>	<b>1,646</b>	<b>9.8%</b>	<b>1,216</b>	<b>7.2%</b>	<b>5,273</b>
Real Assets	Real Estate	\$ 508	3.0%	\$ 107	0.6%	\$ 145	0.9%	760
	Natural Resources	1,359	8.1%	13	0.1%	348	2.1%	1,720
<b>Real Assets Total</b>		<b>1,867</b>	<b>11.1%</b>	<b>120</b>	<b>0.7%</b>	<b>493</b>	<b>3.0%</b>	<b>2,480</b>
Equity	Developed Country	\$ 2,075	12.4%	\$ 2,900	17.3%	\$ 1,736	10.4%	6,711
	Emerging Markets	1,569	9.4%	416	2.5%	311	1.8%	2,296
<b>Equity Total</b>		<b>3,644</b>	<b>21.8%</b>	<b>3,316</b>	<b>19.8%</b>	<b>2,047</b>	<b>12.2%</b>	<b>9,007</b>
<b>Grand Total</b>		<b>\$ 7,922</b>	<b>47.3%</b>	<b>\$ 5,082</b>	<b>30.3%</b>	<b>\$ 3,756</b>	<b>22.4%</b>	<b>\$ 16,760</b>

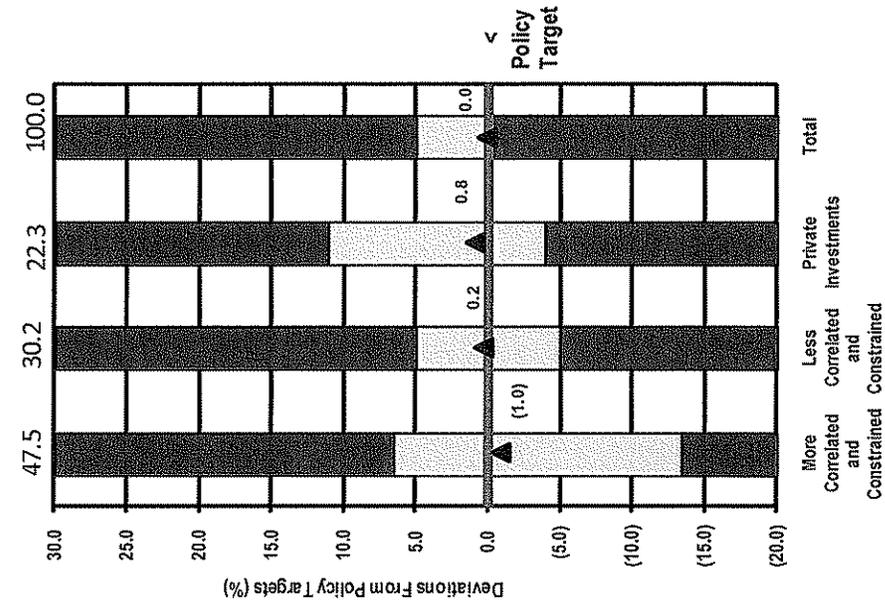


# PUF Asset Allocation as of August 31, 2010

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



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

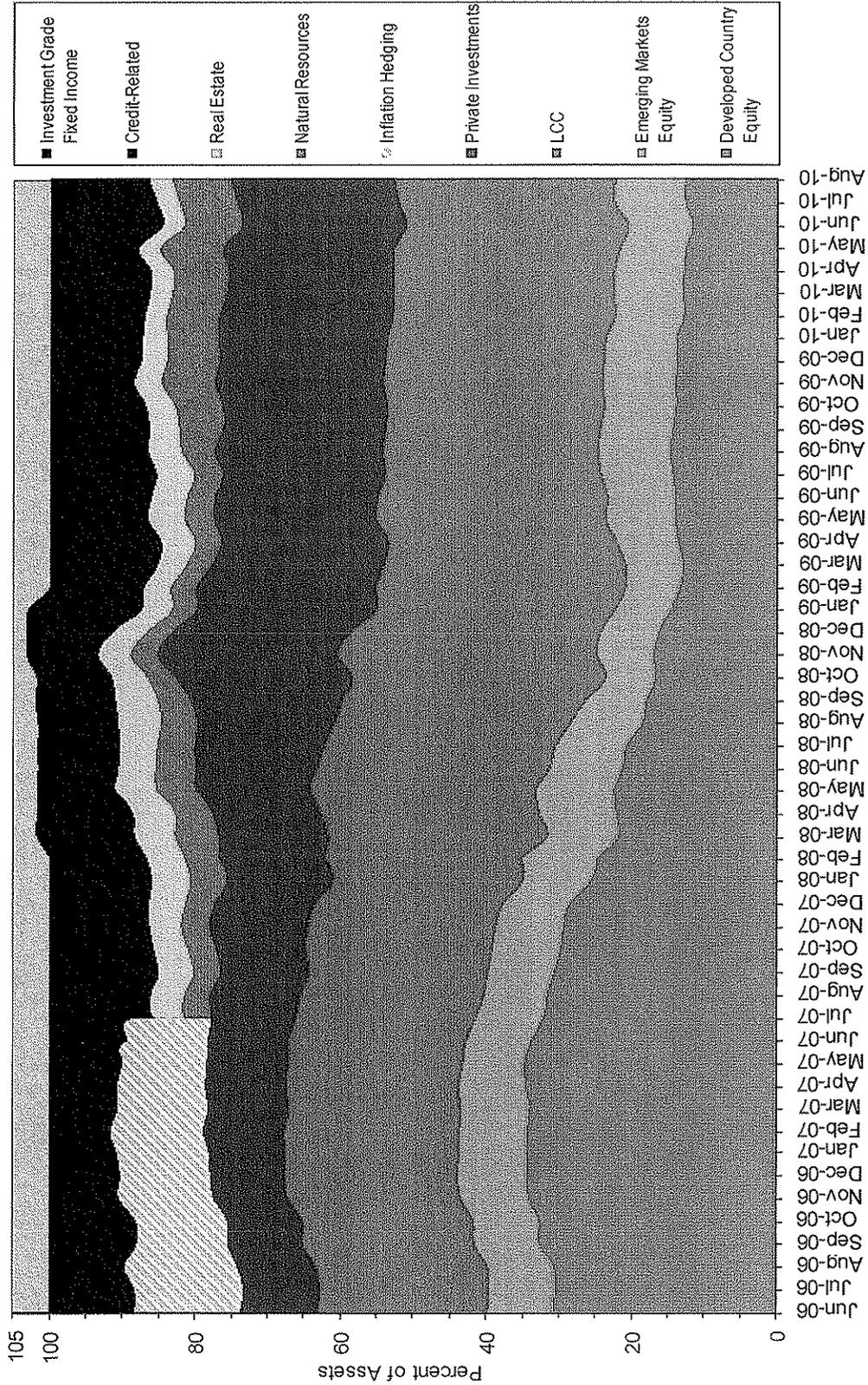


▲ -- All Investment Types

● -- More Correlated and Constrained



# Asset Allocation Over Time (GEF)





# LCC Investment Policy Categorizations vs. "Look Thru" Exposures (8/31/2010)

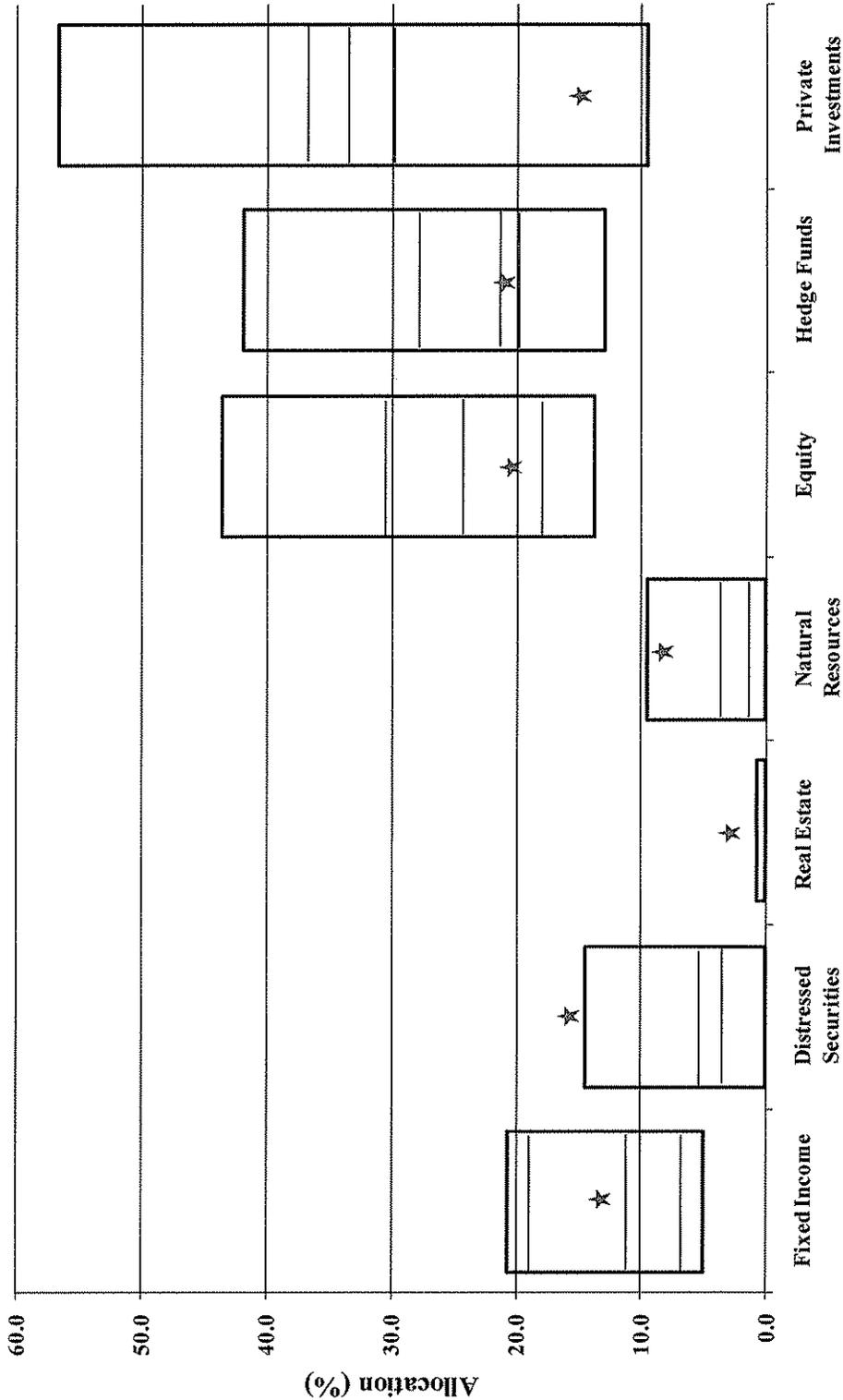
Exposure Methodology Comparison		UTIMCO FY Target Comparison	
	Policy	Target	Difference
Investment Grade Fixed Income	2.0%	2.0%	0.0%
Credit-Related Fixed Income	8.1%	3.2%	4.9%
Real Estate	0.7%	0.0%	0.7%
Natural Resources	0.1%	1.0%	-0.9%
Developed Country Equity	17.8%	20.6%	-2.8%
Emerging Markets Equity	2.6%	4.2%	-1.6%
<b>Less Correlated &amp; Constrained</b>	<b>31.2%</b>	<b>30.9%</b>	<b>0.2%</b>

August 31, 2010 Exposures

Asset Classification	Hedge Fund Strategy															
	Fixed Income (ex distressed)	Convertible Arbitrage	Currencies	Other Relative Value & Value	Investment Grade Fixed	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	0.7%	-	0.5%	0.1%	1.3%	0.0%	-	0.4%	0.2%	0.2%	-	-	-	0.3%	0.0%	2.0%
Credit-Related	0.2%	0.2%	-	0.2%	0.5%	5.3%	-	-	0.9%	0.1%	-	0.4%	0.8%	2.1%	0.2%	8.1%
Real Estate	-	-	-	-	-	0.1%	0.5%	-	-	-	-	-	-	-	-	0.7%
Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	0.1%	0.1%	-	0.1%
Developed Country Equity	0.4%	0.7%	0.0%	0.4%	1.6%	1.8%	-	0.1%	8.3%	2.8%	-	0.4%	1.1%	12.7%	1.7%	17.8%
Emerging Markets	0.0%	0.0%	0.2%	-	0.3%	0.1%	-	0.0%	0.2%	0.2%	-	-	0.1%	0.6%	1.5%	2.6%
Total LCC	1.3%	0.9%	0.8%	0.7%	3.7%	7.4%	0.5%	0.5%	9.6%	3.2%	-	0.8%	2.1%	15.7%	3.4%	31.2%
Gross Leverage	11.32	2.30	10.41	2.20	7.44	1.01	1.71	1.80	1.83	2.27	0.00	1.29	1.06	1.79	1.51	2.24
Net Leverage	-2.86	0.16	3.65	0.31	-0.15	0.79	0.27	1.72	0.54	0.17	0.00	0.65	1.01	0.53	0.48	0.52



# Peer Asset Allocation (as of May 31, 2010)



Excludes Harvard, Yale and MIT.



# Investment Activity



# Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended August 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC		MCC	LCC		
		Private	Total		Private	Total	
<b><u>Investment Grade Fixed Income</u></b>							
PIMCO	100	-	-	-	-	-	-
Old Mutual	-	-	-	400	-	-	No
Woodbine Capital	-	-	-	-	50	-	Yes
	100	-	-	400	50	-	450
<b><u>Credit-Related Fixed Income</u></b>							
Watershed RMBS	67	-	-	-	-	-	-
Windjammer Senior Equity Partners III, L.P.	-	-	17	-	-	-	-
Farallon Credit	-	15	-	-	-	-	-
Windjammer Mezzanine & Equity Fund II, L.P.	-	-	11	-	-	-	-
Satellite	-	6	-	-	-	-	-
Angelo Gordon CMBS	1	-	-	-	-	-	-
Varde Fund X, L.P.	-	-	-	-	-	100	Yes
	68	21	28	-	100	100	
<b><u>Real Estate</u></b>							
GEM Realty Fund IV, L.P.	-	-	-	-	-	75	Yes
	-	-	-	-	-	75	
<b><u>Natural Resources</u></b>							
Black River	-	1	-	-	-	-	-
Oaktree Power Opportunities Fund III, L.P.	-	-	-	-	-	75	Yes
Calman Energy, LLC	-	-	-	-	-	30	Yes
	-	1	-	-	-	105	105



# Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended August 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
<b>Developed Country Equity</b>								
Internal US Quality basket	172	-	-	172	-	-	-	-
BlackRock EAFE	89	-	-	89	-	-	-	-
Viking Long Fund III	80	-	-	80	-	-	-	-
Maverick Fund Ltd	-	50	-	50	-	-	-	-
KKR 2006 Fund, L.P.	-	-	46	46	-	-	-	-
Blackstone Capital Partners V, L.P.	-	-	42	42	-	-	-	-
Levin	40	-	-	40	-	-	-	-
Fourth Civen Fund LP	-	-	40	40	-	-	-	-
Blackstone Capital Partners IV L.P.	-	-	32	32	-	-	-	-
Lansdowne Europe	20	-	-	20	-	-	-	-
3i	-	-	10	10	-	-	-	-
Candover 2005 Fund US No. 3 LP	-	-	9	9	-	-	-	-
Third Civen Fund US (No.5) LP	-	-	8	8	-	-	-	-
BCP V - S.L.P.	-	-	5	5	-	-	-	-
Candover 2001 Fund US No. 2 LP	3	-	5	5	-	-	-	-
Wellington	-	-	-	3	-	-	-	-
Shepherd Investments (Stark)	-	2	-	2	-	-	-	-
KKR 1996 Fund, L.P.	-	-	2	2	-	-	-	-
Highside	-	1	-	1	-	-	-	-
FCOI II	-	1	-	1	-	-	-	-
Cantillon	-	-	-	-	200	-	-	200
Community Bancorp, L.L.C.	-	-	-	-	-	80	-	80
Maverick Long Enhanced	-	-	-	-	50	-	-	50
Artiman Ventures III, L.P.	-	-	-	-	-	30	-	30
Praesidium	-	-	-	-	31	-	-	31
Eton Park	-	-	-	-	-	25	-	25
International Value Advisors	-	-	-	-	20	-	-	20
	404	54	199	657	301	25	110	436
<b>Emerging Markets Equity</b>								
BlackRock EMSI	33	-	-	33	-	-	-	-
Dimensional Fund Advisors	-	-	-	-	359	-	-	359
Arohi	-	-	-	-	50	-	-	50
Valiant	-	-	-	-	-	40	-	40
Dynamo	-	-	-	-	25	-	-	25
Lazard	-	-	-	-	14	-	-	14
Russian Prosperity	-	-	-	-	2	-	-	2
Hillhouse Gaoling Feeder Fund	-	-	-	-	8	-	-	8
	33	-	-	33	458	40	-	498
	\$ 605	\$ 76	\$ 227	\$ 908	\$ 1,159	\$ 115	\$ 390	\$ 1,664



# Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date August 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MGC	LCC	Private	Total	MGC	LCC		Private
<b>Investment Grade Fixed Income</b>								
BGI Global Agg Bond Fund	339	-	-	339	-	-	-	-
PIMCO	175	-	-	175	-	-	-	-
Old Mutual	-	-	-	-	400	-	-	400
Woodbine Capital	-	-	-	-	-	50	-	50
Bridgewater II	-	-	-	-	-	15	-	15
	514	-	-	514	400	65	-	465
<b>Credit-Related Fixed Income</b>								
Watershed RMBS	136	-	-	136	-	-	-	-
BlackRock High Yield Bond Fund	114	-	-	114	-	-	-	-
Satellite	-	44	-	44	-	-	-	-
Angelo Gordon CMBS	21	-	-	21	30	-	-	30
Farallon Credit	-	21	-	21	-	-	-	-
Windjammer Senior Equity Partners III, L.P.	-	-	17	17	-	-	-	-
Windjammer Mezzanine & Equity Fund II, L.P.	-	-	11	11	-	-	-	-
Blackstone	-	-	6	6	-	-	-	-
Fortress Credit Opportunities	-	-	-	-	-	-	100	100
Varde Fund X, L.P.	-	-	-	-	-	-	100	100
Silver Point	-	-	-	-	-	50	-	50
OCM Opportunities	-	-	-	-	-	-	30	30
Perry Partners	-	-	-	-	-	25	-	25
Watershed	-	-	-	-	-	25	-	25
	271	71	28	370	30	100	230	360
<b>Real Estate</b>								
BlackRock ex-US Real Estate Index Fund	143	-	-	143	7	-	-	7
Credit Suisse	104	-	-	104	-	-	-	-
Cohen & Steers	72	-	-	72	21	-	-	21
Morgan Stanley REITs	52	-	-	52	-	-	-	-
European Investors	23	-	-	23	-	-	-	-
Security Capital	21	-	-	21	15	-	-	15
GEM Realty	-	-	-	-	-	75	-	75
GEM Realty Fund IV, L.P.	-	-	-	-	-	-	75	75
	415	-	-	415	43	75	75	193
<b>Natural Resources</b>								
Gresham	250	-	-	250	93	-	-	93
Black River	-	3	-	3	-	-	-	-
Schroders Commodity Portfolio	-	-	-	-	250	-	-	250
BlackRock Mining & Metals	-	-	-	-	95	-	-	95
Oaktree Power Opportunities Fund III, L.P.	-	-	-	-	-	75	-	75
EnCap Energy	-	-	-	-	-	-	67	67
Energy Opportunities	-	-	-	-	60	-	-	60
Resource Capital	-	-	-	-	-	-	50	50
Cairman Energy, LLC	-	-	-	-	-	-	30	30
	250	3	-	253	498	-	222	720



# Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date August 31, 2010

Developed Country Equity	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	LCC		Private	LCC		Private	
	MCC	Total		MCC	Total		
BlackRock EAFE	329	329	-	-	-	-	No
Interreal US Quality basket	172	172	-	-	-	-	No
Westport	153	153	-	-	-	-	-
Lansdowne Europe	85	85	-	-	-	-	-
Viking Long Fund III	80	80	-	-	-	-	-
Levin Utilities	80	80	-	-	-	-	-
Blue Ridge	-	75	-	-	-	-	-
Value Act	75	75	-	-	-	-	-
Wellington Special Eq	63	63	-	-	-	-	-
Maverick Fund Ltd	-	50	-	-	-	-	-
Carlyle Partners	-	50	-	-	-	-	-
KKR 2006 Fund, L.P.	-	46	-	-	-	-	-
Blackstone Capital Partners V, L.P.	-	42	-	-	-	-	-
Fourth Cinven Fund LP	-	40	-	-	-	-	-
New Mountain	38	38	-	-	-	-	-
Shepherd Investments (Stark)	-	35	-	-	-	-	-
Blackstone Capital Partners IV L.P.	-	32	-	-	-	-	-
Highside	-	32	-	-	-	-	-
3i	-	32	-	-	-	-	-
Candover 2005 Fund US No. 3 LP	-	10	-	-	-	-	-
Third Cinven Fund US (No.5) LP	-	9	-	-	-	-	-
Rock Creek	-	8	-	-	-	-	-
BCP V - S L.P.	-	7	-	-	-	-	-
Candover 2001 Fund US No. 2 LP	-	5	-	-	-	-	-
FCOI II	-	5	-	-	-	-	-
KKR 1996 Fund, L.P.	-	4	-	-	-	-	-
Cantillon	-	2	-	-	-	-	-
Indus Japan Long	-	-	-	-	-	-	No
Stelliam Offshore Long Fund	-	-	-	-	-	-	No
Owl Creek	-	-	-	-	-	-	No
International Value Advisors	-	-	-	-	-	-	Yes
Community Bancorp, L.L.C.	-	-	-	-	-	-	No
Viking Global III	-	-	-	-	-	-	Yes
Francisco Partners III	-	-	-	-	-	-	No
Maverick Long Enhanced	-	-	-	-	-	-	Yes
Steadfast	-	-	-	-	-	-	Yes
OZ Europe	-	-	-	-	-	-	Yes
OZ Asia	-	-	-	-	-	-	Yes
Deerfield International	-	-	-	-	-	-	Yes
Cadian	-	-	-	-	-	-	Yes
Eminence	-	-	-	-	-	-	Yes
Artiman Ventures III, L.P.	-	-	-	-	-	-	Yes
Praesidium	-	-	-	-	-	-	Yes
Indus Japan	-	-	-	-	-	-	No
Eton Park	-	-	-	-	-	-	Yes
Criterion	-	-	-	-	-	-	Yes
	1,075	203	249	1,527	1,081	185	1,836



# Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date August 31, 2010

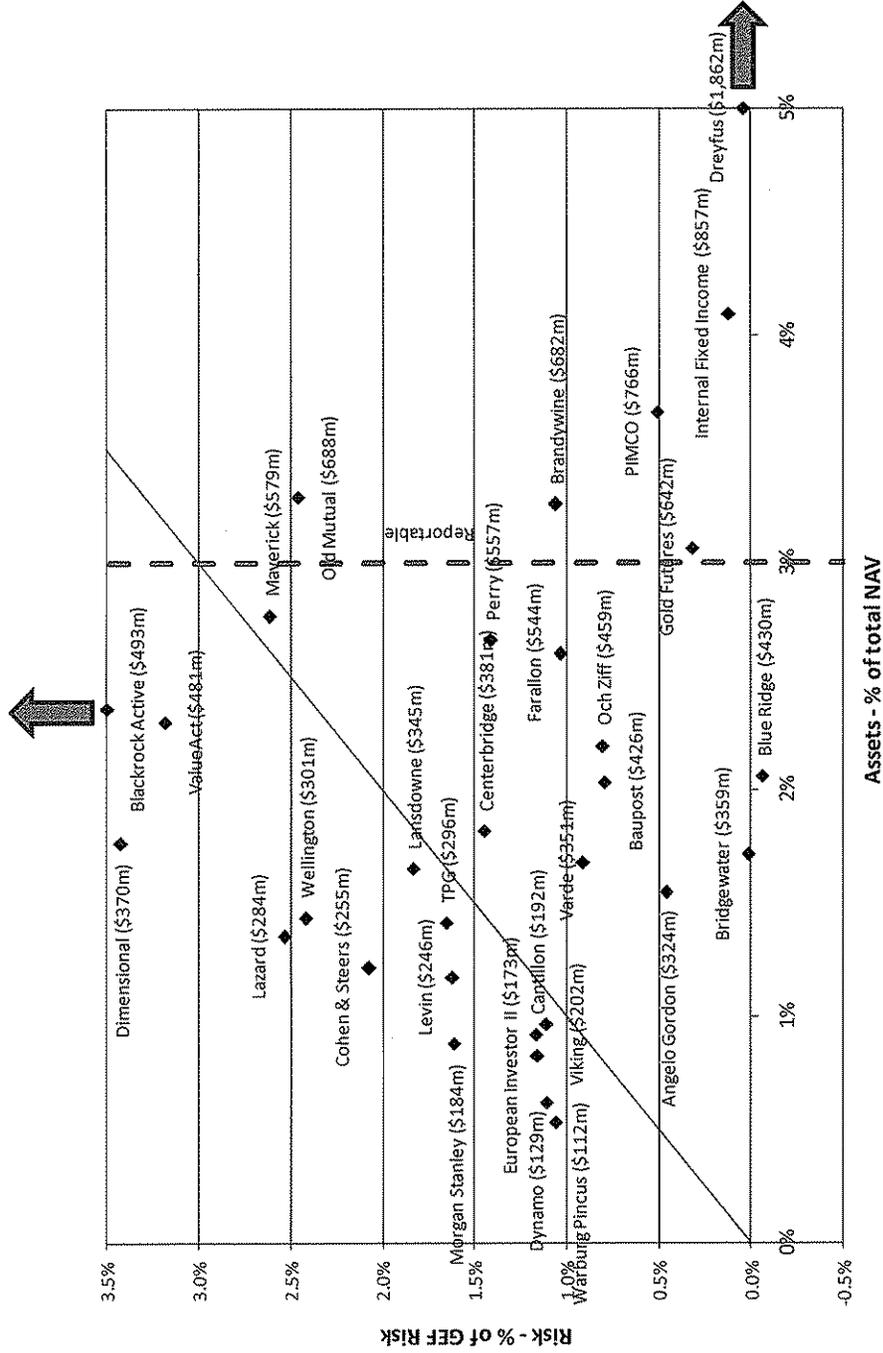
	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
<u>Emerging Markets Equity</u>								
BlackRock EMSI	223	-	-	223	-	-	-	-
Lazard	120	-	-	120	14	-	-	14
Rexiter	118	-	-	118	-	-	-	-
Dimensional Fund Advisors	-	-	-	-	359	-	-	359
Wellington Emerging	-	-	-	-	144	-	-	144
Hillhouse Gaoling Feeder Fund	-	-	-	-	116	-	-	116
Valiant	-	-	-	-	-	65	-	65
Helios Investors II	-	-	-	-	-	-	50	50
Arohi	-	-	-	-	50	-	-	50
Northstar Equity	-	-	-	-	-	-	40	40
Dynamo	-	-	-	-	25	-	-	25
Russian Prosperity	-	-	-	-	22	-	-	22
	461	-	-	461	730	65	90	885
	\$ 2,986	\$ 277	\$ 277	\$ 3,540	\$ 2,782	\$ 875	\$ 802	\$ 4,459



# Manager Exposure



# Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.55% of total assets, or at least 1.06% of Risk



# Manager Exposures over 3% and 5% August 31, 2010

## Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments) As of 8/31/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%age</u>
<u>More Correlated and Constrained</u>		
Internal Fixed Income	857,051,928	4.10%
Pimco	766,445,981	3.66%
Acadian / Old Mutual	688,137,629	3.29%
Brandywine	682,383,280	3.26%

## Less Correlated and Constrained None

## Private Investments None

## Managers with exposure >5% relative to total Funds (excluding ITF for Private Investments) As of 8/31/2010

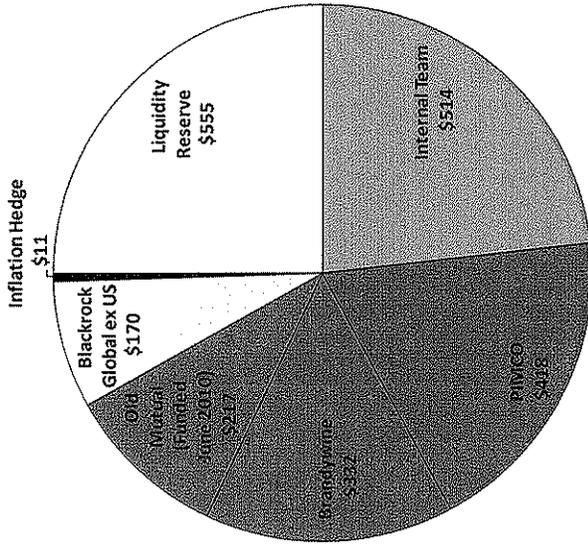
<u>Manager Name</u>	<u>Investment Amount</u>	<u>%age</u>
	None	



# Investment Team Highlights



# More Correlated and Constrained – Investment Grade Fixed Income (13.1%/\$2.2 B)



	One Year		Three Years	
	Actual	Alpha	Actual	Alpha
Internal Team	9.9%	0.8%	9.6%	2.0%
PIMCO	11.3%	5.4%	8.3%	1.3%
Brandywine	11.8%	6.0%	N/A	N/A
Blackrock	3.5%	(2.3%)	N/A	N/A
<b>Total</b>	<b>9.7%</b>	<b>3.8%</b>	<b>8.0%</b>	<b>0.6%</b>

	UTIMCO	BGI Global Aggregate
Duration (yr)	5.54	5.46
Yield-to-Maturity	2.76%	2.04%
Average Quality	AA2	AA1
<u>Sectors</u>		
Cash	10%	0%
Treasury	44%	57%
Government Agency	1%	7%
Mortgages	17%	11%
Credit	23%	22%
Other	5%	3%
	<u>100%</u>	<u>100%</u>
<u>Geographies</u>		
US and Canada	52%	44%
Europe	26%	33%
Asia - Pacific	14%	22%
Emerging Markets	8%	1%
	<u>100%</u>	<u>100%</u>



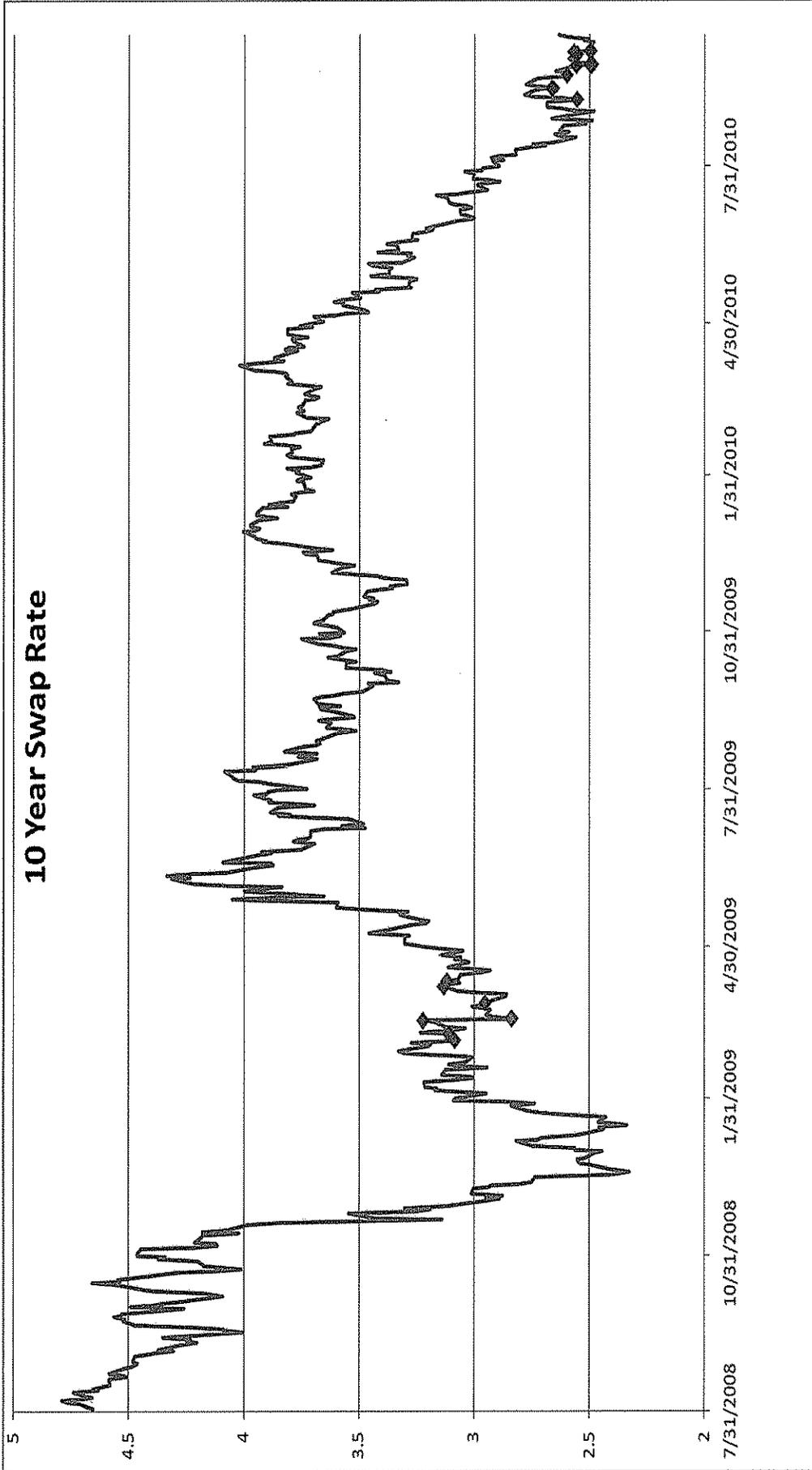
# Inflation Insurance Hedge – as of 10/15/10

## 5 and 7 Year Options on 10 Year CMS Rates

<u>Investment Time</u>	<u>Notional</u>	<u>Avg. Strike</u>	<u>Original Cost</u>	<u>Total P/L</u>
<u>Horizon</u> 3-4/2009	\$4.0B	5.77%	\$21.4MM (1.9 bps/Annum)	(\$2.2MM)
9-10/2010	\$4.5B	5.83%	\$24.0MM (2.1 bps/Annum)	(\$2.1MM)
<u>Total Program</u>	<u>\$8.5B</u>	<u>5.80%</u>	<u>\$45.4MM</u>	<u>(\$4.3MM)</u>



# Inflation Insurance Hedge – as of 10/15/10 (Red diamonds denote purchases)





# Brazil Sovereign Inflation Linked Bonds

- On October 19, 2010, UTIMCO invested \$200 million in a portfolio of Brazilian sovereign local currency inflation linked bonds managed by Credit Suisse Hedging-Griffo. The mandate is categorized as MCC Investment Grade Fixed Income.
- The long-only, managed account will consist primarily of inflation linked bonds and secondarily nominal, local currency Brazilian government bonds. Brazilian currency risk will be actively managed.
- Time horizon: 3-5 years
- Fee: 50 bps annually
- Benchmark: IMA-B index (Indice de Mercado Andima inflation-linked bond index)
- Main objective: provide exposure to the Brazilian fixed income market with better risk/return attributes than allocating to a passive index.



# Brazil Sovereign Inflation Linked Bonds

## Rationale for Investment

- Relatively High Real Rates: Relative to other sovereign bonds, Brazilian inflation linked bonds offer attractive real yields. Example: Brazilian 5 year I/L bonds currently yield 6% while 5yr U.S. TIPS yield -0.32%; U.K. 5yr linkers yield -0.43; and German 5yr I/L bonds currently yield -0.24%.
- Seasoned, Successful Investment Managers: CS Hedging-Griffo is a leading financial institution in the Brazilian market, with total assets under management exceeding \$13 billion. Luis Stuhlberger will be responsible for currency hedging and has been with CSHG since 1980. He has an excellent track record managing the Brazil and Global Macro hedge funds of which currency is a significant alpha contributor.



# Brazil Sovereign Inflation Linked Bonds

## Investment Concerns

- Currency Moves Can Be More Volatile than Interest Rate Moves: Currency performance can overwhelm bond returns both positively and negatively, thus successful currency management is key. The table below highlight's Luis' success in managing currency in his hedge fund:

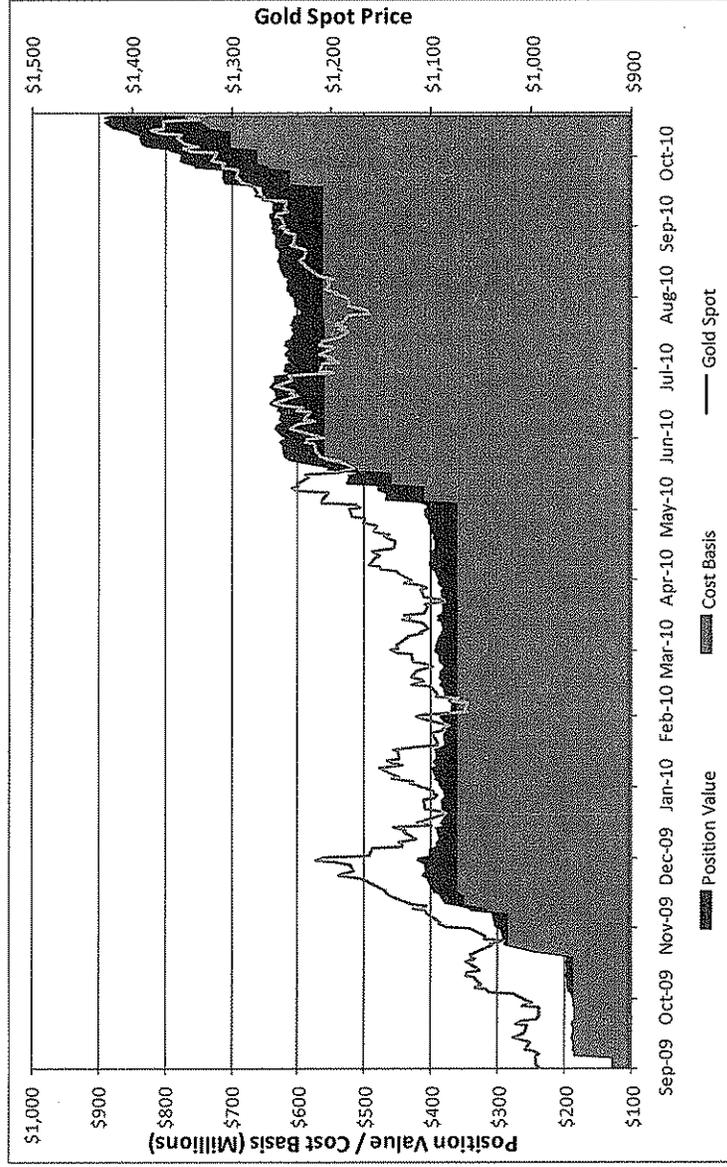
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Hedging Griffo Currency Return (FX Hedge Positions)	2.9%	7.4%	-10.3%	-8.6%	0.3%	11.6%	20.0%	-0.9%	32.5%
Brazilian Spot	2.31	3.54	2.89	2.66	2.34	2.14	1.78	2.31	1.74
Currency Return	-18.5%	-53.2%	18.3%	8.1%	12.1%	8.5%	16.7%	-30.0%	24.6%

- Liquidity Risk: Although inflation linked bond liquidity has increased sharply in the last few years, they are still less liquid than their nominal counterparts. In periods of stress, the cost of liquidation could be 60bps.
- Key Man Risk: Luis is the key to the currency portion of the fund and his new compensation agreement should keep him at CSHG until 2015. The account can be liquidated at UTIMCO's discretion at any time.
- Tax issue: 6% one-time tax on capital entering Brazilian fixed income markets.



# Summary of UTIMCO's Gold Position

- Total Invested: \$762M
- Position Value: \$881M
- MTM Profit: \$119M (+15.6%)
- Total Contracts: 6,643
- Total Ounces: 664,300
- VWAP: \$1,147.01





# LCC Quarterly Performance Update

## 4th Fiscal Quarter 2010

*June - August 2010*

### *LCC Asset Classes (Number of Managers)*

Investment Grade Fixed Income (2)	12.3%
Credit Related Fixed Income (9)	2.9%
Natural Resources (1)	-2.4%
Real Estate (1)	1.5%
Developed Country Equity (21)	0.2%
Emerging Market Equity (4)	-0.9%

<b>LCC Portfolio</b>	<b>1.5%</b>
<b>Composite Benchmark</b>	<b>0.1%</b>
<b>Difference</b>	<b>1.3%</b>

Global Equities (MSCI AC World)	1.2%
CSFB High Yield	4.4%

## Fiscal Year 2010

*September 2009 - August 2010*

### *LCC Asset Classes (Number of Managers)*

Investment Grade Fixed Income (2)	35.4%
Credit Related Fixed Income (9)	22.1%
Natural Resources (1)	-3.8%
Real Estate (1)	6.9%
Developed Country Equity (21)	6.4%
Emerging Market Equity (4)	10.3%

<b>LCC Portfolio</b>	<b>11.9%</b>
<b>Composite Benchmark</b>	<b>2.9%</b>
<b>Difference</b>	<b>9.0%</b>

Global Equities (MSCI AC World)	4.0%
CSFB High Yield	21.3%



# LCC Leverage

as of August 31, 2010

<b>Manager-Level Leverage by Asset Classification</b>		
	<b><u>Gross</u></b>	<b><u>Net</u></b>
Investment Grade FI	879%	382%
Credit Related FI	100%	63%
Real Estate	161%	37%
Natural Resources	100%	100%
Emerging Markets Equity	165%	33%
Developed Country Equity	181%	50%
<b>LCC Total (excluding CDS)</b>	<b>202%</b>	<b>73%</b>
Credit Default Swaps	<u>22%</u>	<u>-21%</u>
<b>LCC Total</b>	<b>224%</b>	<b>52%</b>



# Equity Skew Trade Background *Trade Rationale*

- UTIMCO continues to maintain a meaningful tactical underweight to equities in PUF/GEF:\*
- Developed country: 13.8% weight vs. 19.0% target (5.2% underweight)
- Emerging markets: 10.0% vs. 12.8% (2.8% underweight)
- If a significant equity market rally were to occur, UTIMCO would risk underperformance relative to its benchmark:
  - Dollar underweight of PUF/GEF is approximately \$1.4 billion
  - A 20% equity market rally could result in underperformance of ~\$280 million, or 155bps
- In September 2010, UTIMCO began investing in an equity skew trade to address the risk of market underperformance

\* Based on NAV as of 10/18/10.



# Equity Skew Trade Background Trade Description

## Mechanics:

**Purchase an out-of-the-money call option on S&P 500 index at strike price C**

**Sell an out-of-the-money put option on S&P 500 index at strike price P**

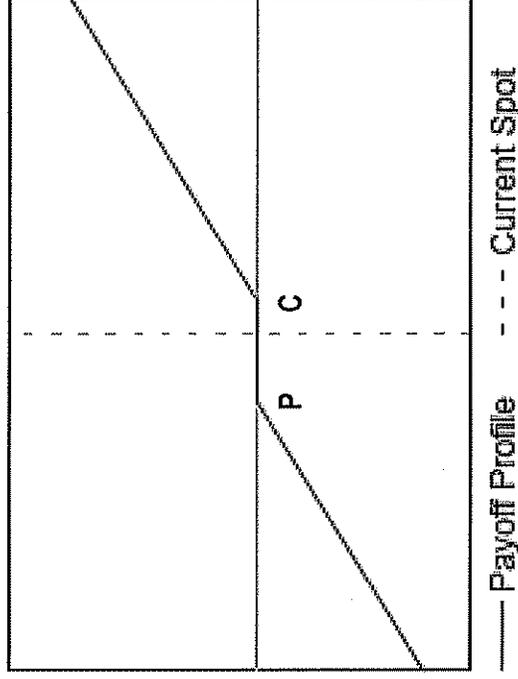
Strike prices P and C are set at levels that makes the net cost of the transaction zero

## **At maturity:**

If index level > C  
If index level < P

UTIMCO earns:

**profit** of [index level - C]\*notional  
**loss** of [P-index level]\*notional







# Equity Skew Trade Implementation to Date

- **Trade Parameters:**
  - Target Size: \$800 million notional on S&P 500 index \*
  - Expected Tenor: 6 months
  - Expected Counterparties: JP Morgan, Goldman Sachs, Morgan Stanley
  - Purchase Timeframe: 3 months (starting September 2010)
- **Purchased to Date:**
  - 9/9/2010: \$150 million at strikes 888/1215; counterparty Goldman Sachs
  - 9/16/2010: \$150 million at strikes 895/1237; counterparty JP Morgan
  - 9/28/2010: \$100 million at strikes 912/1255; counterparty Morgan Stanley

\* SPX as of 10/19/10 = 1166.



# Private Markets Secondary Sale Portfolio Rollforward FYE 8/31/2010

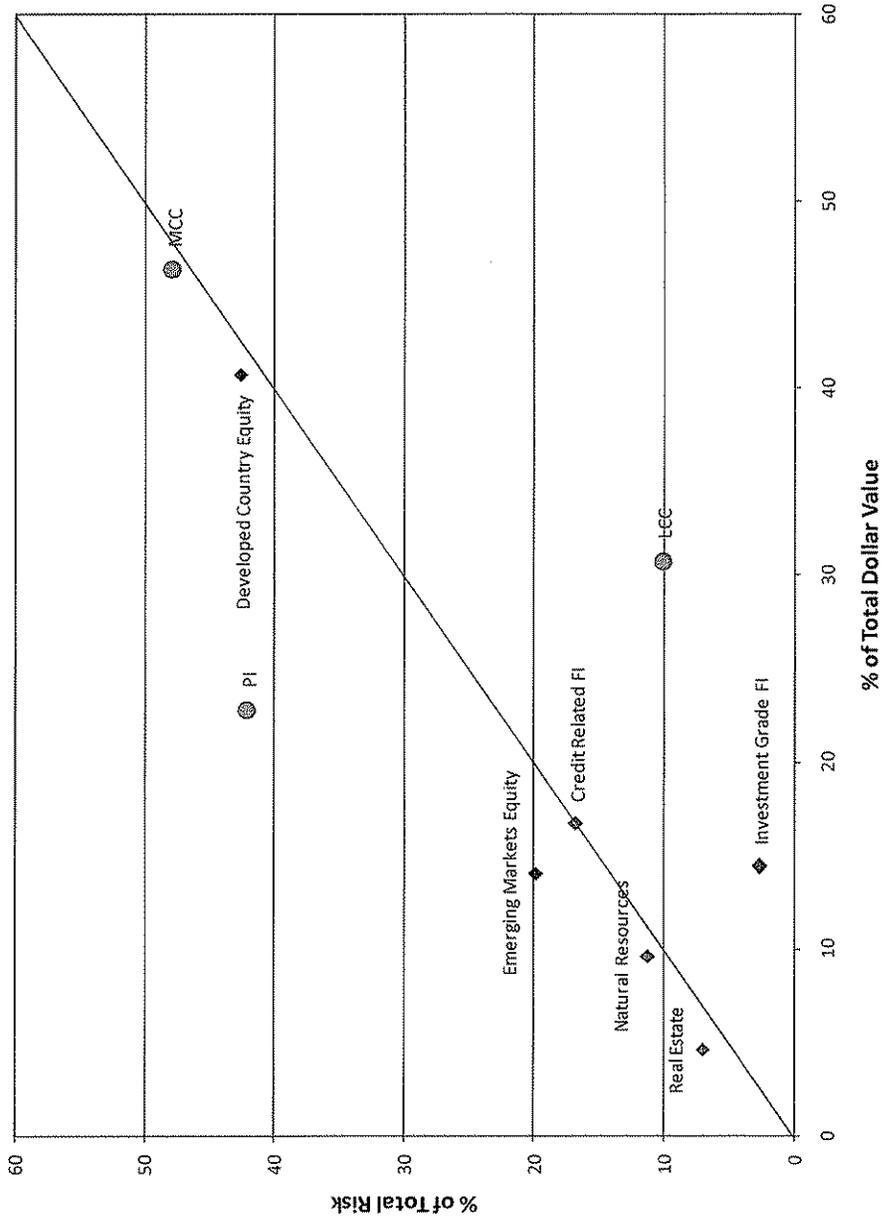
	Beg FY 9/1/09		Distributions (Ex-Secondary)				Unrealized Gain		Secondary Sale Distributions		FYE 8/31/10		FY10 New Commitments	
	NAV	Unfunded	Calls	Secondary	Unrealized Gain	Secondary Distributions	NAV	Unfunded	NAV	Unfunded	# Funds	\$ Committed		
<b>Credit</b>	\$1,147	\$270	\$227	\$405	\$274	\$27		\$1,216	\$337	3	\$230			
<b>Real Estate</b>	84	241	58	5	8	\$0		145	256	1	75			
<b>Natural Resources</b>	260	366	131	83	40	\$0		348	453	5	236			
<b>Developed Markets Equity</b>	1,721	1,336	259	173	178	\$250		1,735	1,098	3	185			
<b>Emerging Markets Equity</b>	221	324	107	73	55	\$0		310	310	2	90			
<b>TOTAL</b>	<b>\$3,433</b>	<b>\$2,537</b>	<b>\$782</b>	<b>\$740</b>	<b>\$555</b>	<b>\$277</b>		<b>\$3,754</b>	<b>\$2,454</b>	<b>14</b>	<b>\$816</b>			
<b>% of Endowment</b>	<b>23%</b>	<b>17%</b>						<b>22%</b>	<b>15%</b>					



# Risk Analytics

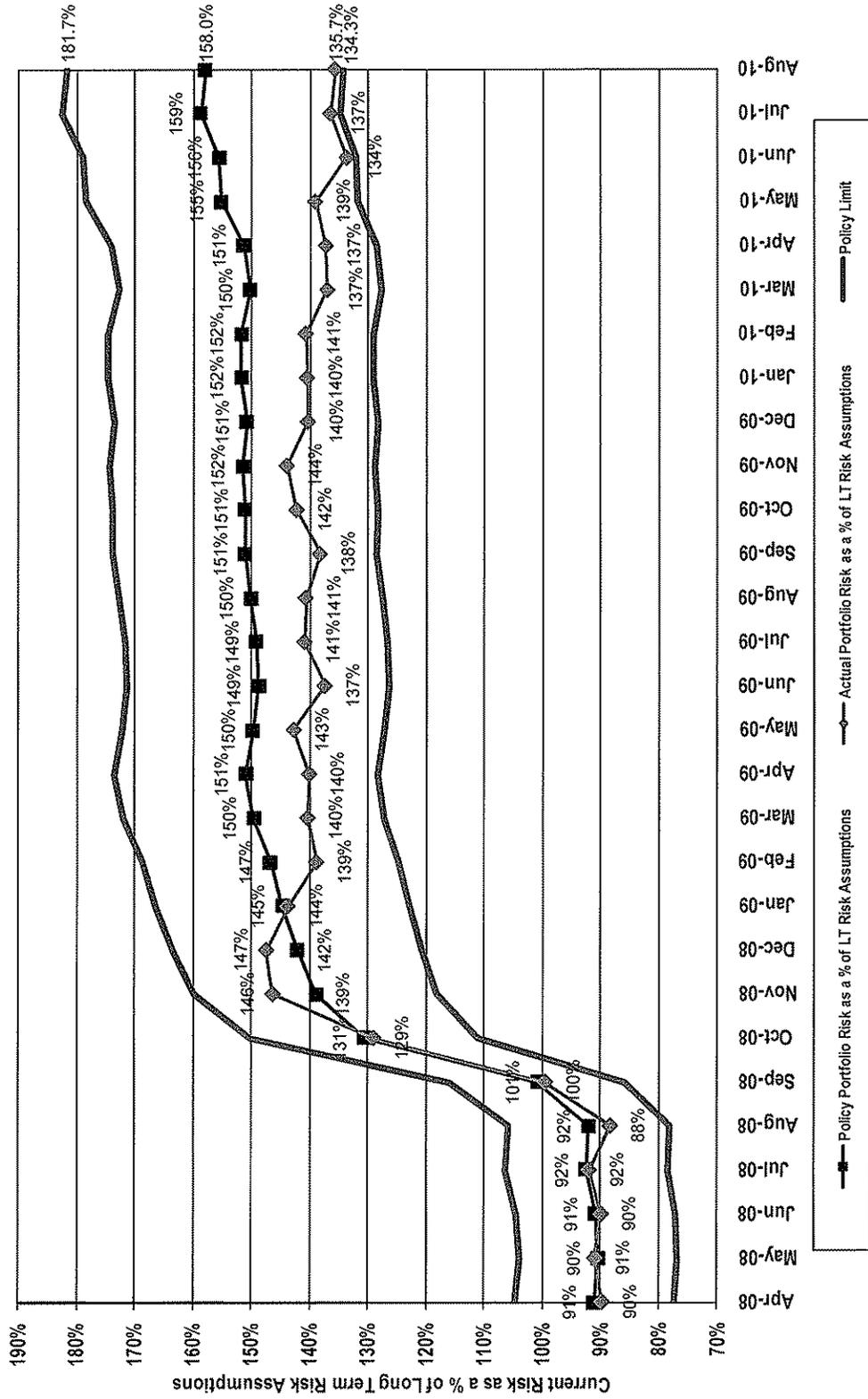


# Dollar Allocations Compared to Downside Risk Allocation - GEF



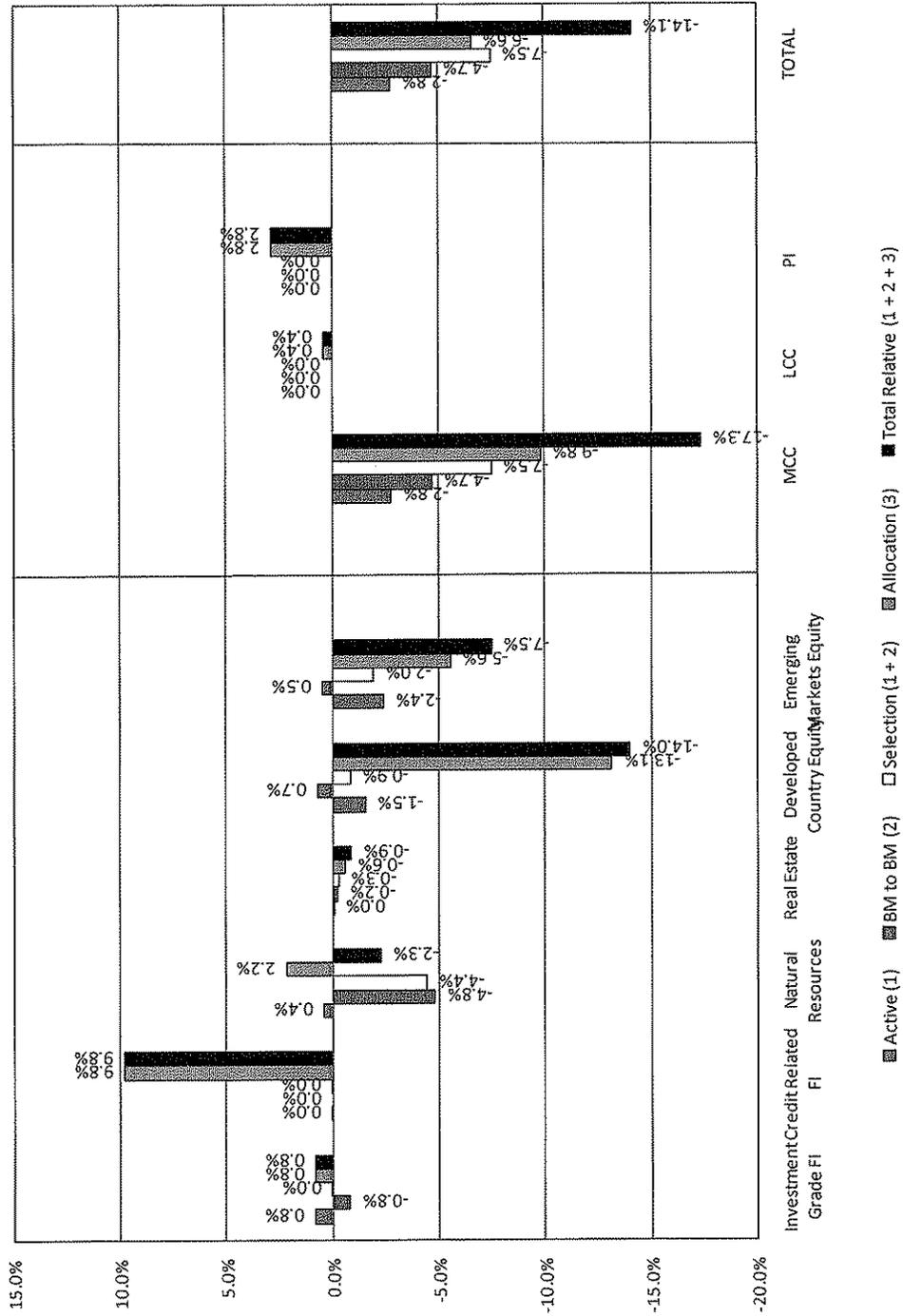


# Current Risk Environment of GEF (Based on Downside Risk; LT assumption = 9.05%)





# GEF 4-Way Risk Decomposition as of 8/31/2010



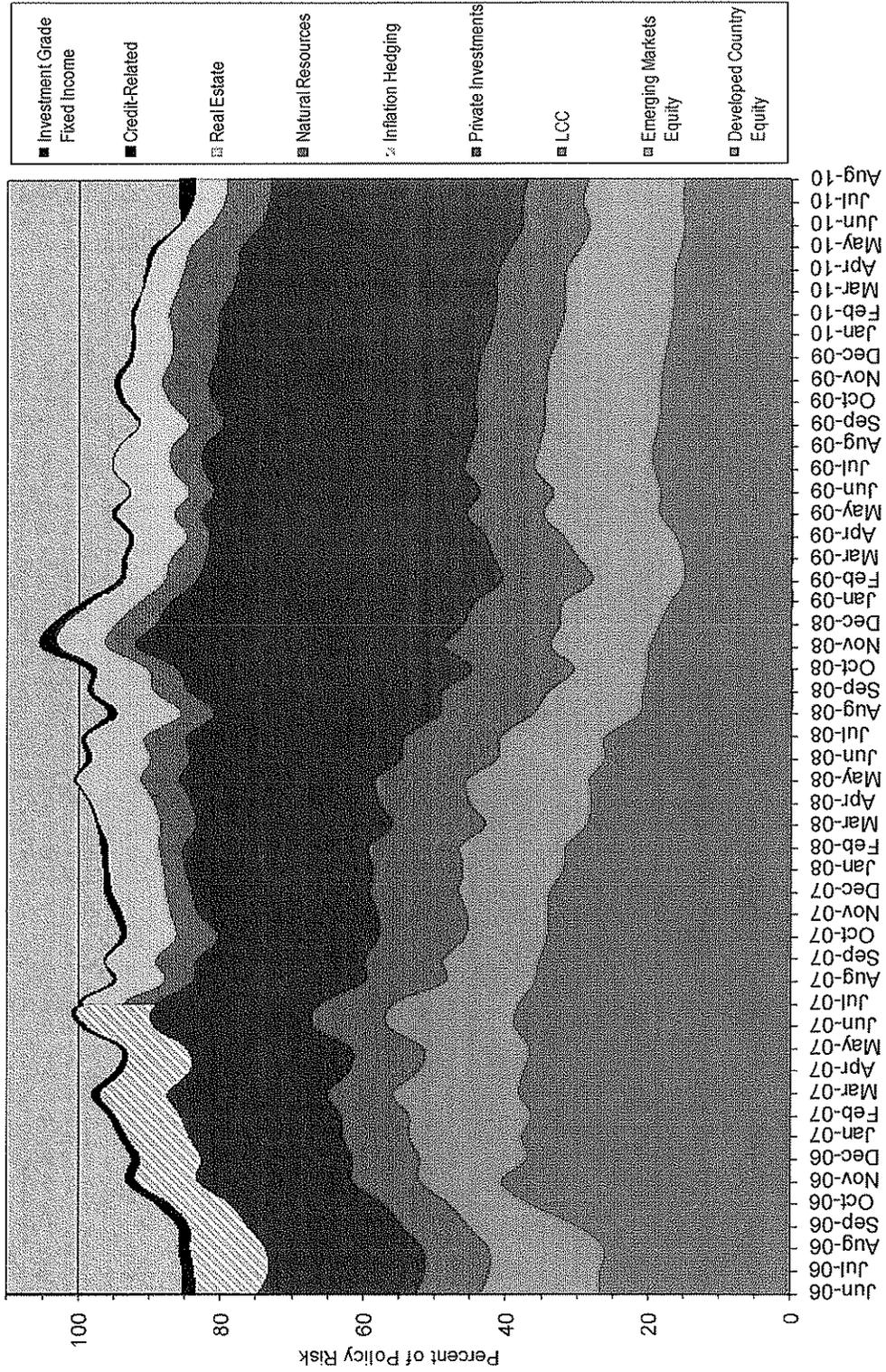


# GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.17	0.02		0.15
Credit-Related Fixed Income	0.42	0.53	0.58	0.54
Natural Resources	0.90	0.17	2.55	1.23
Real Estate	1.70	0.12	3.43	1.81
Developed Country Equity	1.37	0.28	2.21	1.12
Emerging Markets Equity	1.63	0.38	3.34	1.63
<b>TOTAL</b>	<b>1.02</b>	<b>0.33</b>	<b>1.85</b>	<b>1.00</b>



# Risk Allocation Over Time (GEF)





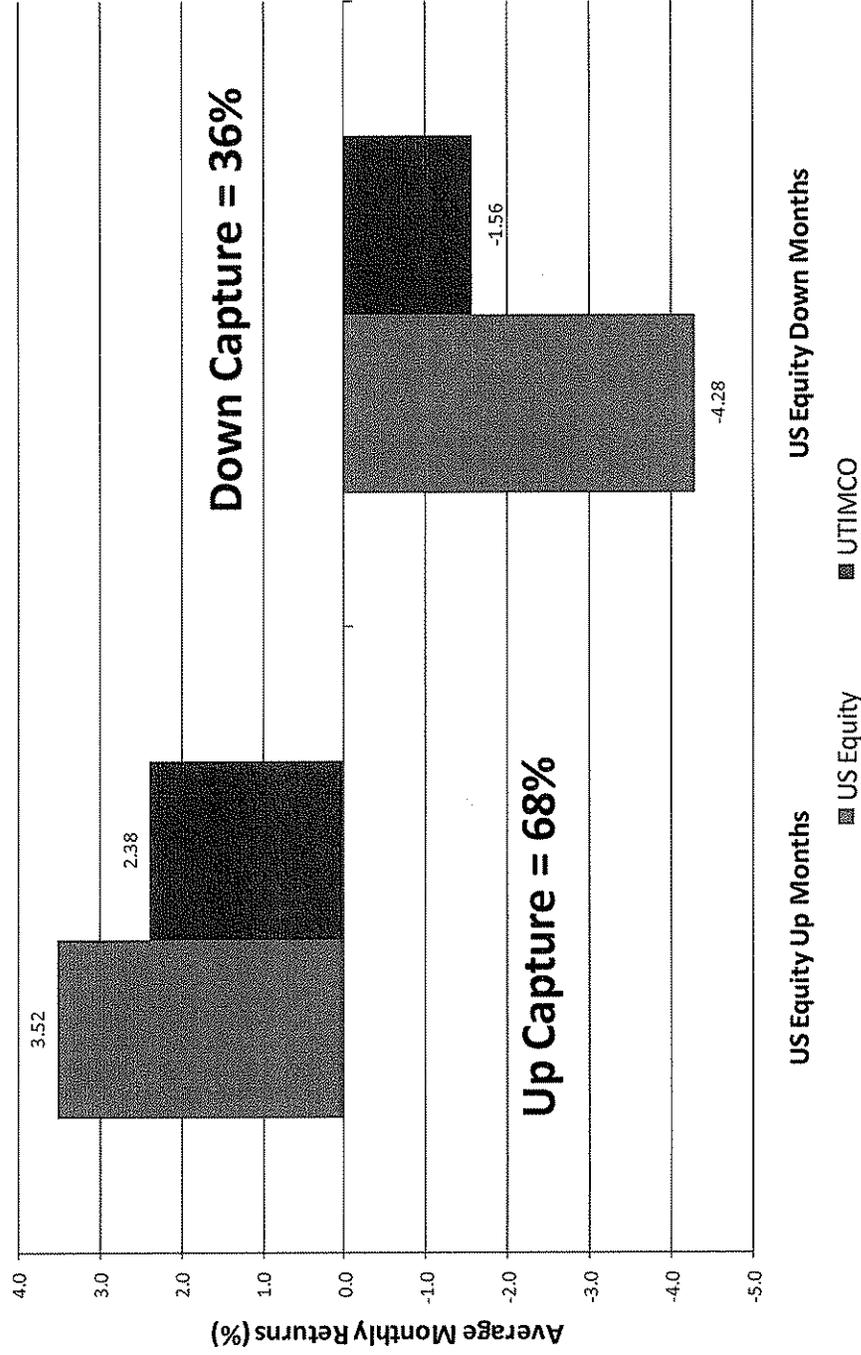
# Portfolio Sharpe and Information Ratios

Period Ending August 31, 2010

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	2.48	13.02	-1.68	4.12	4.73
Risk-free Returns	0.04	0.14	1.26	2.67	2.60
Actual Volatility	3.02	6.71	12.27	10.01	9.20
<b>Portfolio Sharpe Ratio</b>	0.81	1.92	-0.24	0.14	0.23
Policy Returns	2.65	8.76	-4.46	2.15	2.68
Policy Volatility	4.90	8.26	13.20	10.76	9.24
Tracking Error	2.03	2.58	3.12	2.63	2.59
<b>Portfolio Information Ratio</b>	-0.08	1.65	0.89	0.75	0.79



# UTIMCO's Up/Down Capture



Data from 8/1996 till 8/2010. US equity had 72 down months and 97 up months



# Correlations

Measured as of August 31, 2010

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.45	0.63	0.66	0.71	0.69	0.76	0.66	0.35	0.76
Total Credit		1.00	0.58	0.67	0.67	0.58	0.60	0.69	0.79	0.72
Total RE			1.00	0.64	0.81	0.84	0.91	0.52	0.47	0.86
Total NatRes				1.00	0.84	0.83	0.84	0.85	0.39	0.88
Total DC					1.00	0.90	0.94	0.87	0.48	0.98
Total EM						1.00	0.97	0.80	0.28	0.95
MCC							1.00	0.78	0.38	0.98
LCC								1.00	0.32	0.87
PI									1.00	0.50
GEF										1.00

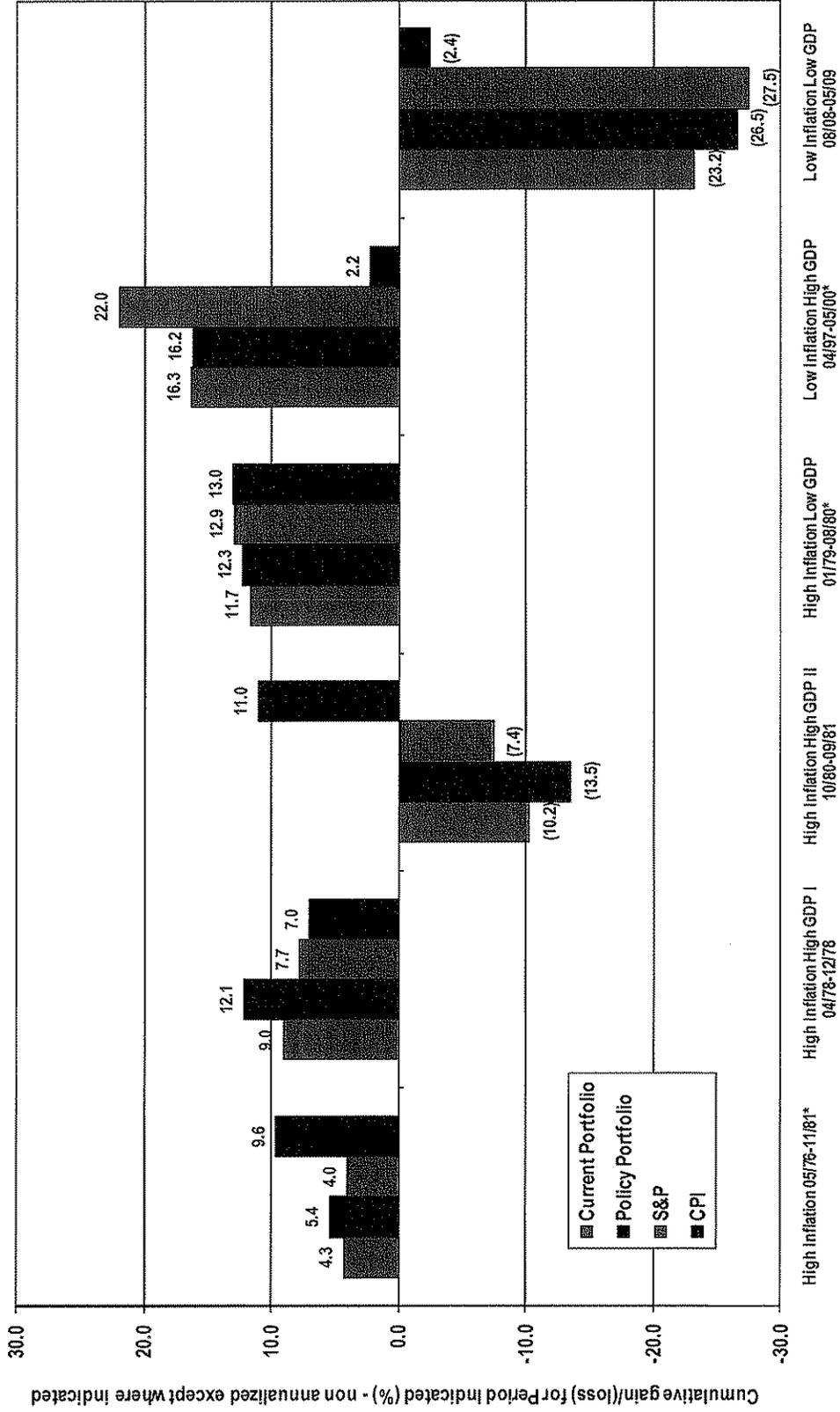


# Parametric Stress Tests

<u>Test</u>	<u>Effect on Endowment</u>
• S&P-500 drops 20%	(9.07%)
• Rates rise 100bp	(0.49%)
• Dollar strengthens 5%	(0.84%)
• Dollar weakens 5%	0.93%
• Yield curve flattens – Bull case	0.45%
• Yield curve flattens – Bear case	(0.14%)
• Yield curve steepens – Bull case	0.15%
• Yield curve steepens – Bear case	(0.34%)



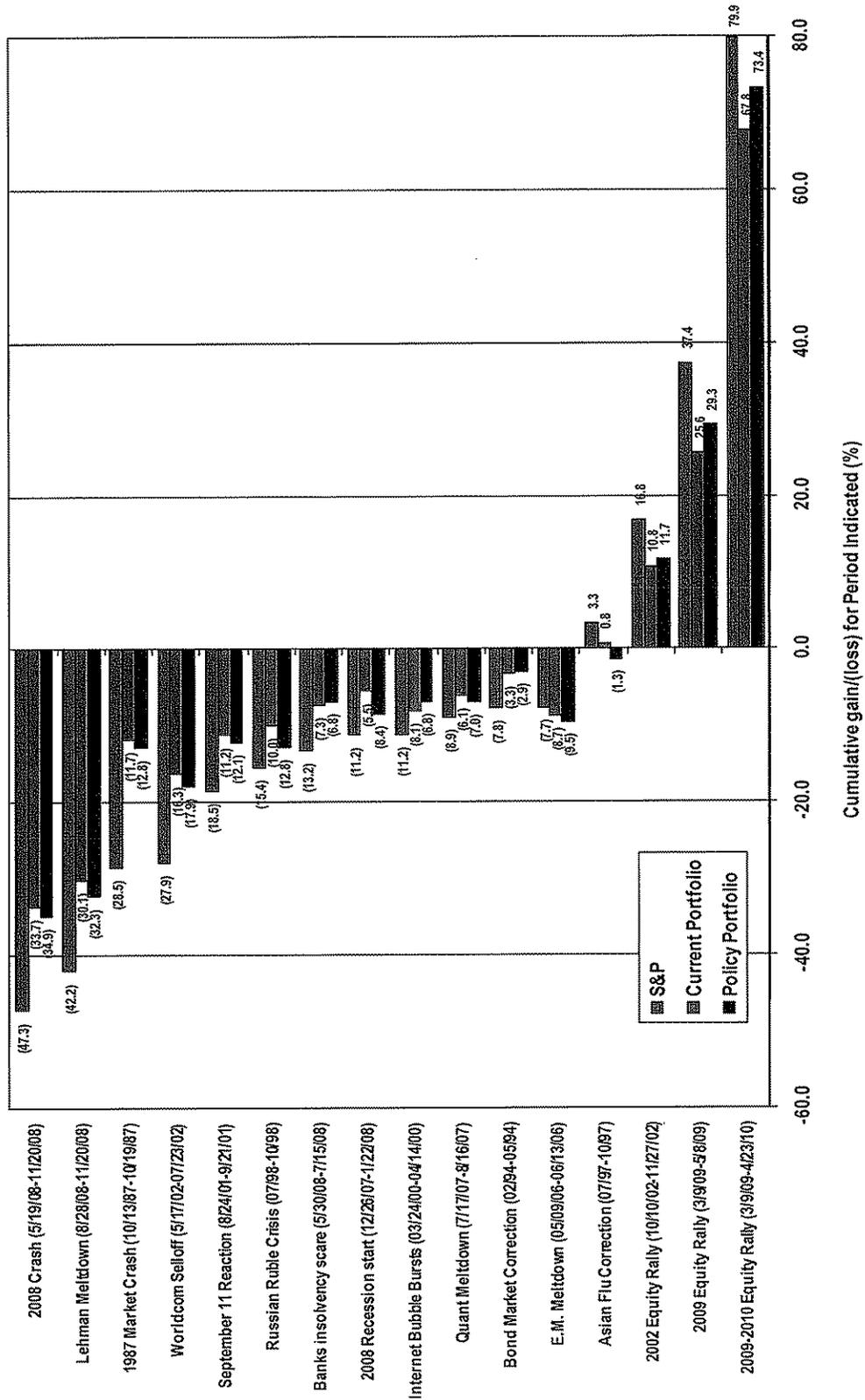
# Hypothetical Performance of Current GEF Portfolio in Selected Economic Stress Environments



\* Annualized



# Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



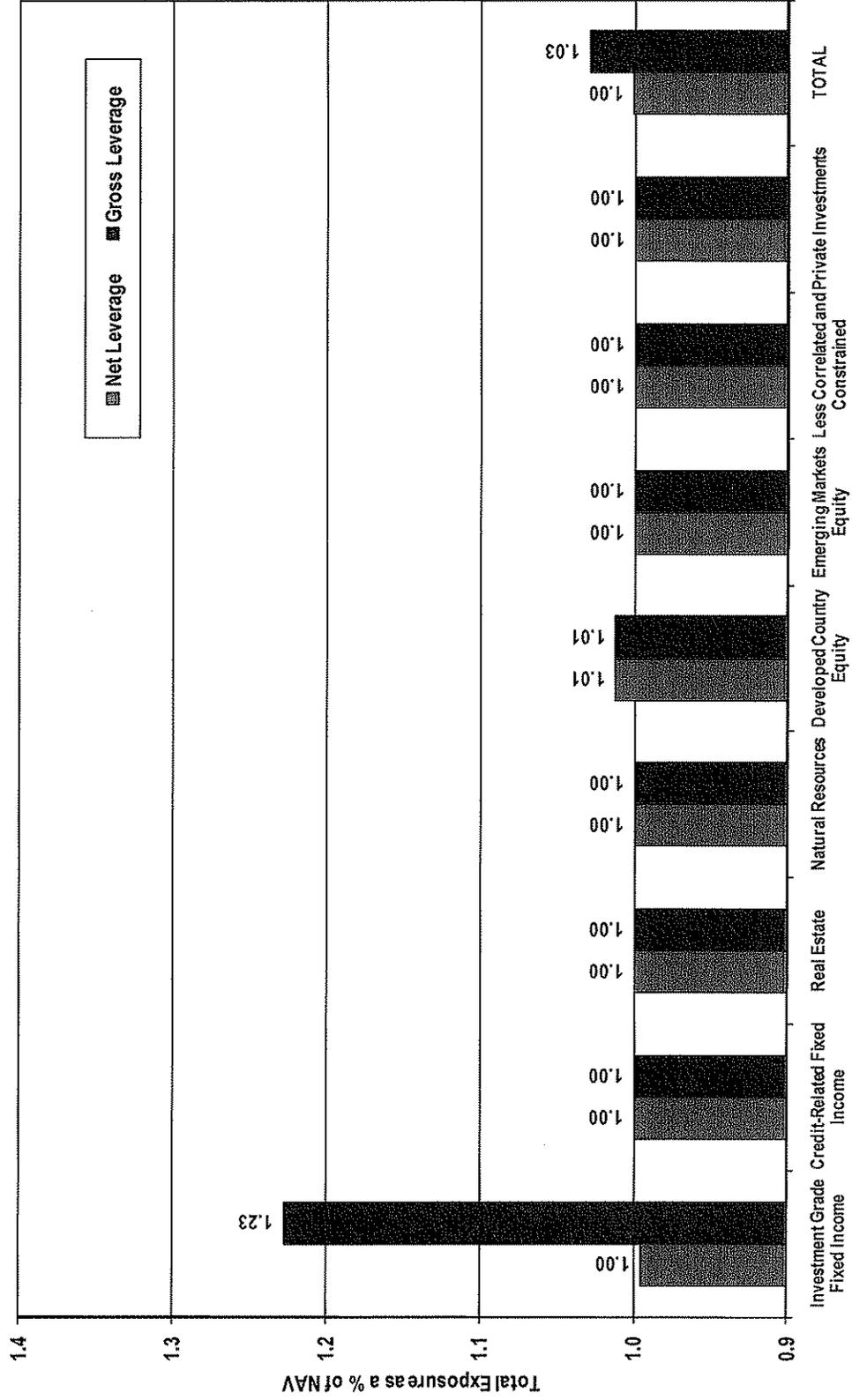


# Leverage

- Derivatives
- Counterparty Risk



# Net and Gross Leverage of GEF as of August 31, 2010





# Comprehensive Derivative Report

## August 31, 2010

<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value (\$ millions)</u>	<u>Activity from previous report (5/31/2010) (\$ millions)</u>
<b><u>INTERNAL MANAGERS</u></b>			
<b><u>Natural Resources</u></b>			
MLP AMZ Index Sw ap	Long a basket of Infrastructure names (subset of Alerian Index)	65	8
Gold Futures	Long Gold futures	641	18
<b><u>Developed Country Equity</u></b>			
S&P 500 Futures	Long S&P 500 futures	89	(33)
<b><u>Non-US Developed Equity</u></b>			
Australian Sw aps	Long Australian sw aps	74	(2)
Canadian Sw ap	Long Canadian sw aps	91	(5)
<b><u>Investment Grade Fixed Income</u></b>			
Inflation hedge	Long caplets on the 5y10y CMS and on the 7y10y CMS (Constant Maturity Sw ap)	4,000	-
<b>Total Internal Managers</b>		<b>\$ 4,960</b>	



# Comprehensive Derivative Report

## August 31, 2010

### EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<b>Natural Resources</b> Gresham	Long Exchange-traded commodity futures	\$ 315
<b>Non-US Developed Equity</b> International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure. Options for hedging purposes or to provide efficient investment exposure.	(19) 1
Lansdowne Europe	OTC sw aps to replicate long exposure to an underlying index or commodity; or contracts for differences (CFDs) on single name shares or a basket of shares.	14
Wellington (SPE and Emerging)	Purchased options on single name shares	5
<b>Investment Grade Fixed Income</b> Brandywine	Currency forwards used to hedge foreign currency exposure Short futures to reduce duration at the front end of the yield curve	(22) (641)
Old Mutual	Purchased options to replicate bond exposure. Currency forwards used to create overw eight/underw eight investment exposures and to hedge physical bond positions.	1 39
PIMCO Global Bonds	Currency forwards used to underw eight the US dollar Long US and Non-US futures used to overw eight duration in Eurozone Long futures used to overw eight front end of US and UK yield curves Receive interest rate sw aps used to overw eight duration in the Eurozone and underw eight intermediate portion of the Japanese yield curve	3 146 -
	Pay interest rate sw aps used to overw eight duration in the Eurozone and underw eight intermediate portion of the Japanese yield curve Interest rate sw aps used to overw eight front end of US and UK yield curves	48 (27) 20
	Short/Written credit default sw aps used to overw eight credit risk Long/Purchased credit default sw aps used to underw eight credit risk Written options used to increase portfolio yield Purchased options used to increase portfolio yield	28 (55) (178) -
<b>Total External Managers</b>		<b>\$ (322)</b>
<b>GRAND TOTAL</b>		<b>\$ 4,638</b>



# Comprehensive Report on Derivative Investments August 31, 2010

<b>Internal Managers</b>				
<b>Derivative Investment (account name)</b>				<b>Purpose of Investment</b>
S&P 500		PUF/GEF		Replicate index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
Gold Futures		ITF		Replicate index exposure by Utilizing Futures and Cash (Cash Equitization)
MLP AMZI Index Swap		PUF/GEF/ITF		Use derivatives to gain market (systematic) exposure without trading the physical commodity
Australian Swap		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.
Canadian Swap		PUF/GEF/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 the borrow rate.
Currency forwards		PUF/GEF/ITF		Hedge foreign currency exposure on investment made in local foreign equity markets
Inflation hedge		PUF/GEF/ITF		Purchase options on forward 10 year swap rates to generate an "insurance" payoff if rates rise significantly in response to inflation expectations - downside limited to premium paid
<b>External Managers Under Agency Agreement</b>				<b>Primary Use of Derivatives</b>
Arohi		PUF/GEF/ITF		Hedge undesirable foreign currency exposure via forwards
Brandywine		PUF/GEF/ITF		Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Cantillon		PUF/GEF/ITF		May hedge up to 5% of equity exposure
Dynamo		PUF/GEF/ITF		May invest in listed and OTC swaps and other equity and fixed income instruments, CFDs, MBS, currencies and commodities for the purpose of replicating long exposure and for hedging purposes
Gresham		PUF/GEF/ITF		Use derivatives to gain market (systematic) exposure without trading the physical commodity
International Value Advisors		PUF/GEF/ITF		May invest in currency forward contracts, futures, options and swaps for hedging purposes or to provide efficient investment exposure
Lansdowne		PUF/GEF/ITF		Currency forwards used to hedge non-USD exposure; may invest in swaps or CFDs to replicate long equity exposure; may purchase options to obtain efficient market exposure
Old Mutual		PUF/GEF/ITF		Currency forwards used to create overweight/underweight investment exposures and to hedge physical bond positions
PIMCO Global Bonds		PUF/GEF/ITF		May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies
Wellington Management Company		PUF/GEF/ITF		May invest in currency forward contracts, fully collateralized futures, options and swaps to reduce risk or provide efficient investment exposure



# OTC Derivative Counterparty Report

## August 31, 2010

\$ millions (net of posted collateral)

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
MORGAN STANLEY	A	7.1	60.8	67.9	0.32%	\$ 1,159
HSBC BK USA, NEW YORK	AA-	2.3	(2.3)	-	0.00%	186
DEUTSCHE BANK AG	A+	1.7	(0.6)	1.1	0.01%	73
CITIBANK NY	A+	0.8	(3.2)	(2.4)	-0.01%	226
BARCLAYS	A+	0.7	(1.1)	(0.4)	0.00%	1,594
ROYAL BANK OF SCOTLAND PLC	A	0.6	(1.2)	(0.6)	0.00%	104
GOLDMAN SACHS	A	0.5	1.2	1.7	0.01%	1,533
UBS AG, STAMFORD	A+	0.5	(0.4)	0.1	0.00%	107
CHASE MANHATTAN	AA-	0.4	(0.3)	0.1	0.00%	23
MELLON BANK	AA-	0.3	(1.4)	(1.1)	-0.01%	69
BANK OF AMERICA	A	0.2	(0.3)	(0.1)	0.00%	69
ROYAL BANK OF CANADA	AA-	0.2	-	0.2	0.00%	10
BNP PARIBAS	AA	0.1	(0.4)	(0.3)	0.00%	30
MERRILL LYNCH	A	0.1	-	0.1	0.00%	2
CS FIRST BOSTON GBL FOREIGN EXCH	A	-	-	-	0.00%	56
UBS A G, ZURICH	A+	-	-	-	0.00%	2
CREDIT SUISSE FIRST	A	-	(0.1)	(0.1)	0.00%	6
J P MORGAN, CHASE	AA-	(1.5)	(0.8)	(2.3)	-0.01%	166
Grand Total		14.0	49.9	63.9	0.31%	\$ 5,415



# OTC Derivative Counterparty Report by Counterparty and Manager August 31, 2010

Counterparty	S & P Counterparty Rating	Manager	\$ millions (net of posted cash collateral)					National Value
			Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds		
<b>INTERNALLY MANAGED</b>								
BARCLAYS	A+	INFLATION HEDGE	\$ (0.6)	\$ -	(0.6)	0.00%	\$ 1,500	
<b>BARCLAYS Total</b>			<b>(0.6)</b>	<b>-</b>	<b>(0.6)</b>	<b>0.00%</b>	<b>1,500</b>	
GOLDMAN SACHS	A	INFLATION HEDGE	(0.4)	-	(0.4)	0.00%	1,500	
<b>GOLDMAN SACHS Total</b>			<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>	<b>0.00%</b>	<b>1,500</b>	
J P MORGAN, CHASE	AA-	AUSTRALIA SWAP	(0.9)	(0.8)	(1.7)	-0.01%	74	
J P MORGAN, CHASE	AA-	CANADA SWAP	(0.1)	-	(0.1)	0.00%	91	
<b>J P MORGAN, CHASE Total</b>			<b>(1.0)</b>	<b>(0.8)</b>	<b>(1.8)</b>	<b>-0.01%</b>	<b>166</b>	
MORGAN STANLEY	A	MLP AMZ INDEX NR SWAP	-	63.9	63.9	0.29%	65	
MORGAN STANLEY	A	INFLATION HEDGE	1.5	-	1.5	0.01%	1,000	
<b>MORGAN STANLEY Total</b>			<b>1.6</b>	<b>63.9</b>	<b>65.4</b>	<b>0.30%</b>	<b>1,066</b>	
<b>Grand Total Internally Managed</b>			<b>(0.6)</b>	<b>63.1</b>	<b>62.6</b>	<b>0.30%</b>	<b>4,230</b>	
<b>EXTERNALLY MANAGED</b>								
BANK OF AMERICA	A	PIMCO FIXED INCOME	0.2	(0.3)	(0.1)	0.00%	69	
<b>BANK OF AMERICA Total</b>			<b>0.2</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>0.00%</b>	<b>69</b>	
BARCLAYS	A+	BRANDYWINE GLOBAL	0.3	(0.5)	(0.2)	0.00%	56	
BARCLAYS	A+	PIMCO FIXED INCOME	1.0	(0.6)	0.4	0.00%	38	
<b>BARCLAYS Total</b>			<b>1.3</b>	<b>(1.1)</b>	<b>0.2</b>	<b>0.00%</b>	<b>94</b>	
BNP PARIBAS	AA	PIMCO FIXED INCOME	0.1	(0.4)	(0.3)	0.00%	30	
<b>BNP PARIBAS Total</b>			<b>0.1</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>0.00%</b>	<b>30</b>	
CHASE MANHATTAN	AA-	PIMCO FIXED INCOME	0.4	(0.3)	0.1	0.00%	23	
<b>CHASE MANHATTAN Total</b>			<b>0.4</b>	<b>(0.3)</b>	<b>0.1</b>	<b>0.00%</b>	<b>23</b>	
CITIBANK NY	A+	BRANDYWINE GLOBAL	0.6	(3.0)	(2.4)	-0.01%	177	
CITIBANK NY	A+	PIMCO FIXED INCOME	0.2	(0.2)	-	0.00%	49	
<b>CITIBANK NY Total</b>			<b>0.8</b>	<b>(3.2)</b>	<b>(2.4)</b>	<b>-0.01%</b>	<b>226</b>	
CREDIT SUISSE FIRST	A	PIMCO FIXED INCOME	-	(0.1)	(0.1)	0.00%	6	
<b>CREDIT SUISSE FIRST Total</b>			<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.00%</b>	<b>6</b>	
CS FIRST BOSTON GBL FOREIGN EXCH	A	PIMCO FIXED INCOME	-	-	-	0.00%	56	
<b>CS FIRST BOSTON GBL Total</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>56</b>	
DEUTSCHE BANK AG	A+	PIMCO FIXED INCOME	0.6	(0.6)	-	0.00%	72	
DEUTSCHE BANK AG	A+	WELLINGTON EMERGING	0.3	-	0.3	0.00%	-	
DEUTSCHE BANK AG	A+	WELLINGTON SPC E	0.8	-	0.8	0.00%	1	
<b>DEUTSCHE BANK AG Total</b>			<b>1.7</b>	<b>(0.6)</b>	<b>1.1</b>	<b>0.01%</b>	<b>73</b>	

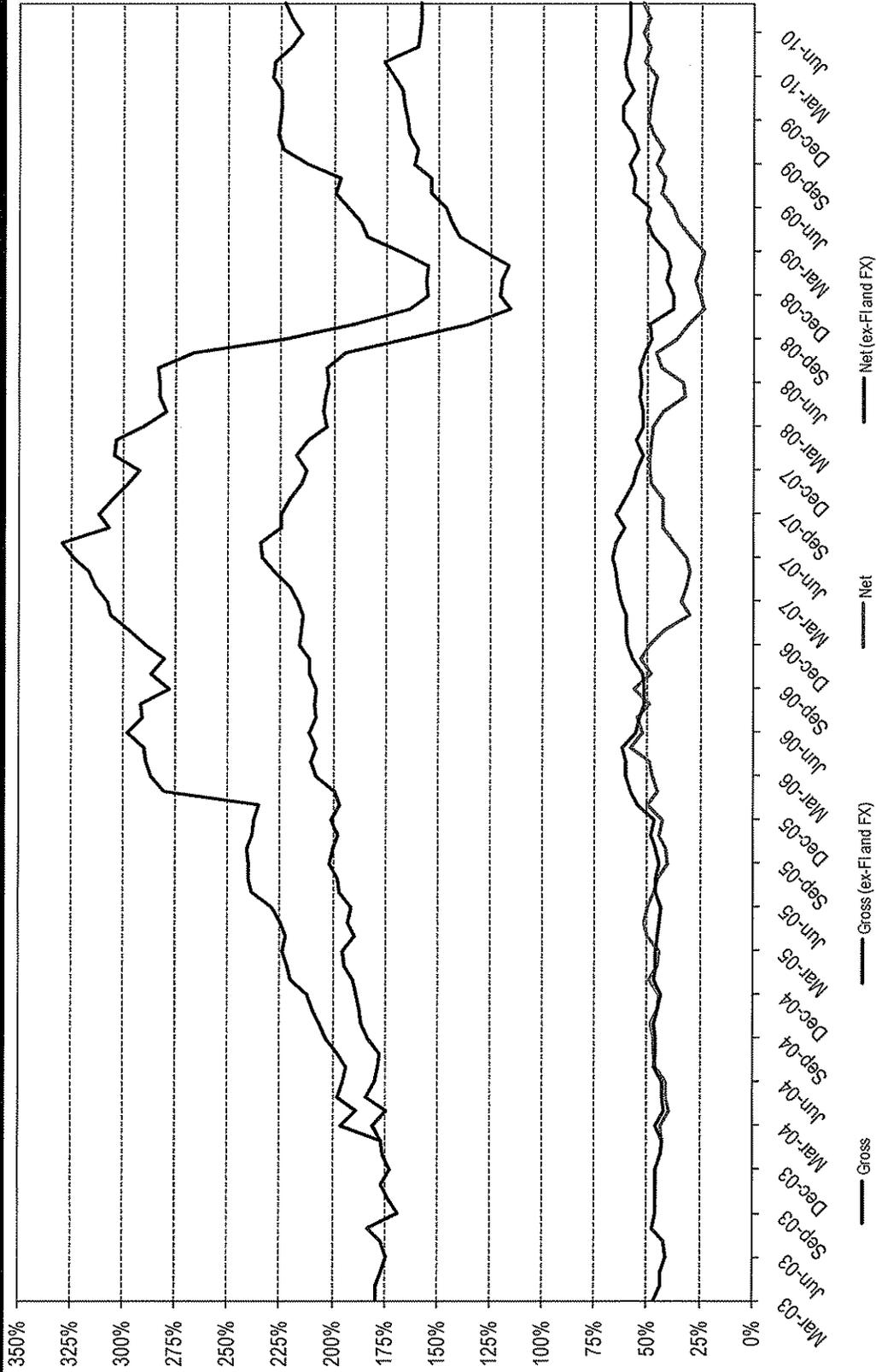


# OTC Derivative Counterparty Report by Counterparty and Manager August 31, 2010

Counterparty	Manager	S & P Counterparty Rating	\$ millions (net of posted cash collateral)				Notional Value
			Mark-to- Market by Broker	Mark-to- Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	
<b>EXTERNALLY MANAGED</b>							
GOLDMAN SACHS	PIMCO FIXED INCOME	A	0.1	(0.2)	(0.1)	0.00%	24
GOLDMAN SACHS	LANSDOWNE EUROPE SIA	A	0.4	-	0.4	0.00%	3
GOLDMAN SACHS	LANSDOWNE/GOLDMAN	A	0.4	1.4	1.8	0.01%	6
<b>GOLDMAN SACHS Total</b>			<b>0.9</b>	<b>1.2</b>	<b>2.1</b>	<b>0.01%</b>	<b>33</b>
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA-	2.1	(2.1)	-	0.00%	172
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA-	0.2	(0.2)	-	0.00%	14
<b>HSBC BK USA, NEW YORK Total</b>			<b>2.3</b>	<b>(2.3)</b>	<b>-</b>	<b>0.00%</b>	<b>186</b>
J P MORGAN, CHASE	PIMCO FIXED INCOME	AA-	(0.7)	-	(0.7)	0.00%	1
J P MORGAN, CHASE	WELLINGTON EMERGING	AA-	0.2	-	0.2	0.00%	-
<b>J P MORGAN, CHASE Total</b>			<b>(0.6)</b>	<b>-</b>	<b>(0.6)</b>	<b>0.00%</b>	<b>1</b>
MELLON BANK	INTERNATIONAL VALUE ADVISORS	AA-	-	(1.3)	(1.3)	0.00%	20
MELLON BANK	OLD MUTUAL ASSET MANAGERS	AA-	0.3	(0.1)	0.2	0.00%	49
<b>MELLON BANK Total</b>			<b>0.3</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>-0.01%</b>	<b>69</b>
MERRILL LYNCH	PIMCO FIXED INCOME	A	0.1	-	0.1	0.00%	2
<b>MERRILL LYNCH Total</b>			<b>0.1</b>	<b>-</b>	<b>0.1</b>	<b>0.00%</b>	<b>2</b>
MORGAN STANLEY	PIMCO FIXED INCOME	A	2.1	(3.1)	(1.0)	0.01%	86
MORGAN STANLEY	LANSDOWNE EUROPE SIA	A	0.3	-	0.3	0.00%	5
MORGAN STANLEY	WELLINGTON EMERGING	A	2.0	-	2.0	0.01%	2
MORGAN STANLEY	WELLINGTON SPC E	A	1.2	-	1.2	0.00%	1
<b>MORGAN STANLEY Total</b>			<b>5.6</b>	<b>(3.1)</b>	<b>2.5</b>	<b>0.02%</b>	<b>94</b>
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	0.2	-	0.2	0.00%	10
<b>ROYAL BANK OF CANADA Total</b>			<b>0.2</b>	<b>-</b>	<b>0.2</b>	<b>0.00%</b>	<b>10</b>
ROYAL BANK OF SCOTLAND PLC	OLD MUTUAL ASSET MANAGERS	A	-	-	-	0.00%	13
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	A	0.6	(1.2)	(0.6)	0.00%	91
<b>ROYAL BANK OF SCOTLAND PLC Total</b>			<b>0.6</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>0.00%</b>	<b>104</b>
UBS A G, ZURICH	PIMCO FIXED INCOME	A+	-	-	-	0.00%	2
<b>UBS A G, ZURICH Total</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>2</b>
UBS AG, STAMFORD	BRANDYWINE GLOBAL	A+	-	(0.4)	(0.4)	0.00%	13
UBS AG, STAMFORD	PIMCO FIXED INCOME	A+	0.5	-	0.5	0.00%	94
<b>UBS AG, STAMFORD Total</b>			<b>0.5</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.00%</b>	<b>107</b>
<b>Grand Total Externally Managed</b>			<b>14.5</b>	<b>(13.2)</b>	<b>1.3</b>	<b>0.01%</b>	<b>1,185</b>



# LCC Leverage as of August 31, 2010



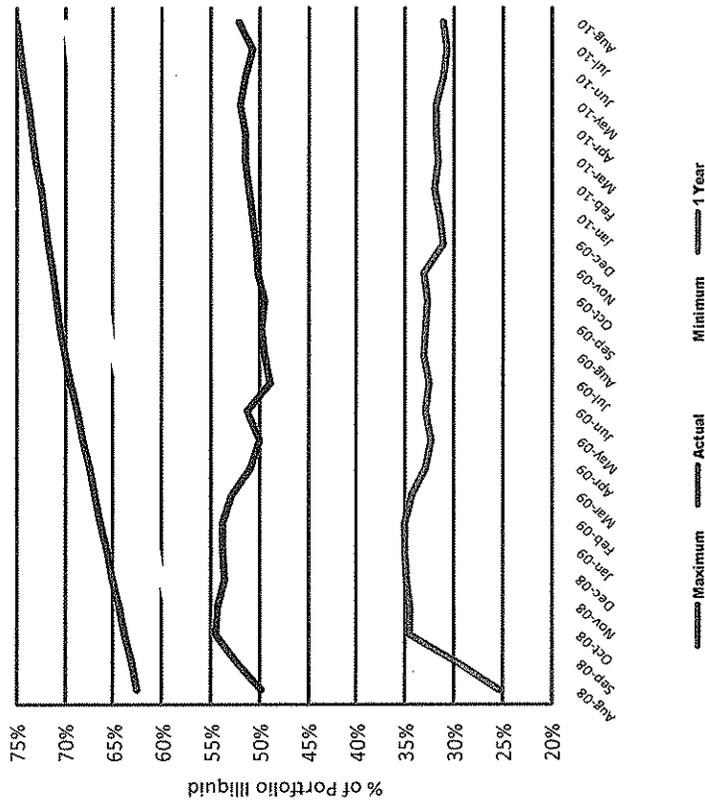


# Liquidity



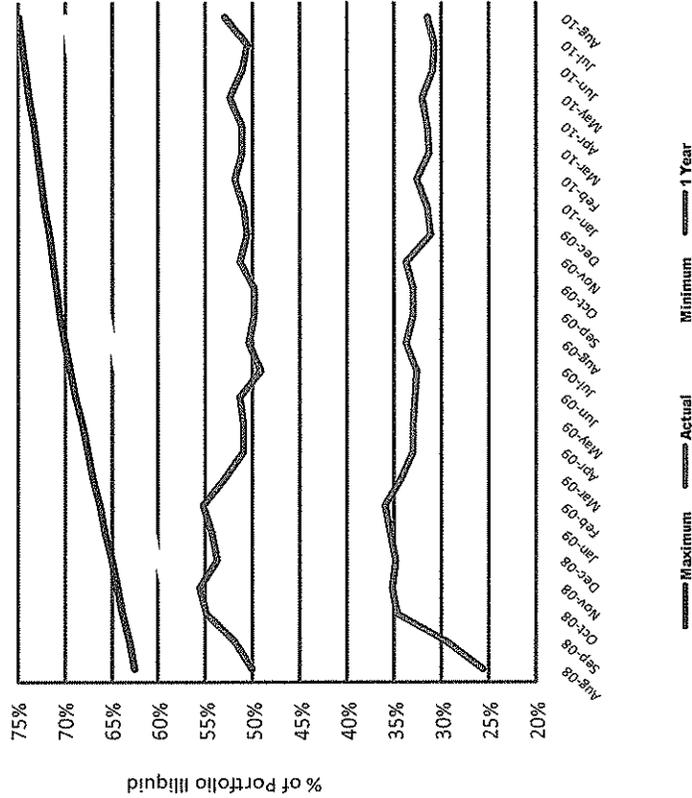
# Endowment Fund Liquidity

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



Three Month Liquidity \$ 5,132 million    One Year Liquidity \$ 7,402 million

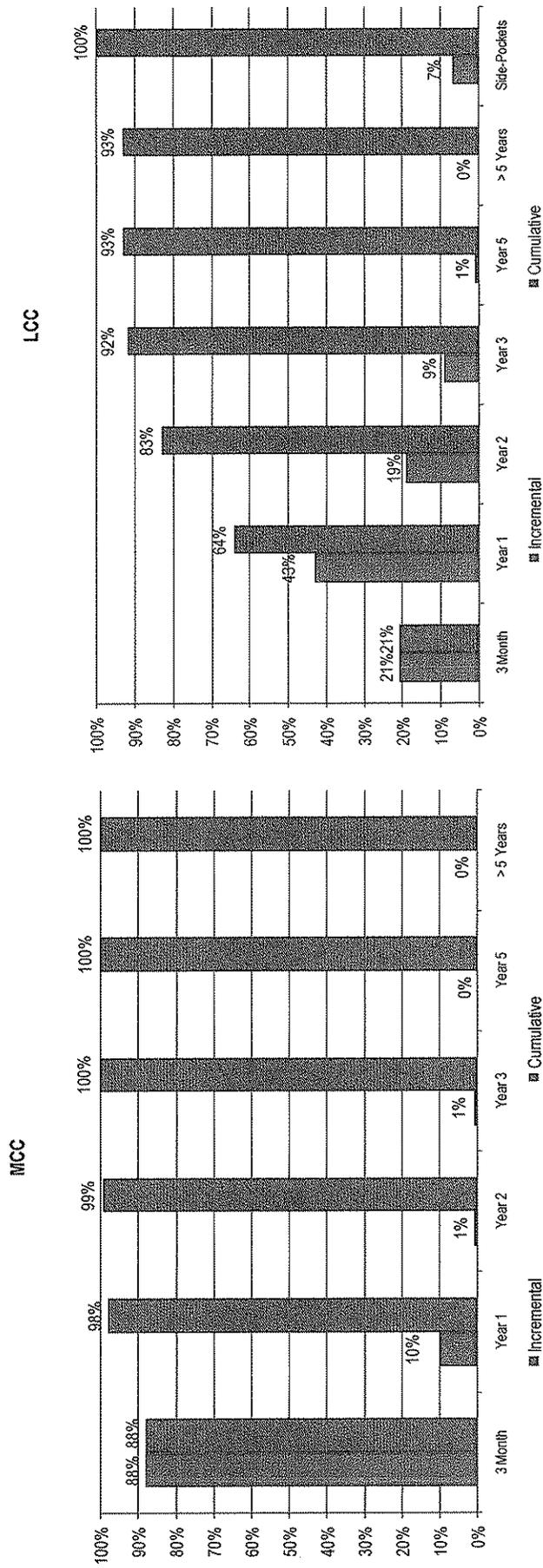
**General Endowment Fund**  
Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 2,832 million    One Year Liquidity \$ 4,132 million



# Estimated Run-Off Liquidity\* As of August 31, 2010



\*Actual point in time liquidity varies from “smoothed” Policy Liquidity methodology



# Unfunded Commitments As of August 31, 2010

Asset Class	Unfunded Commitment as % of Total Endowments	
	Unfunded Commitment	% of Total Endowments
<u>PRIVATE INVESTMENTS</u>		
TRADING	\$26	0.2%
CONTROL OPPORTUNISTIC	95	0.6%
CREDIT-RELATED FIXED INCOME	216	1.3%
REAL ESTATE	337	2.1%
NATURAL RESOURCES	256	1.5%
MEGA/LARGE BUYOUT	453	2.7%
MEDIUM/SMALL BUYOUT	119	0.7%
VENTURE CAPITAL	413	2.6%
GROWTH/OPPORTUNISTIC	355	2.1%
DEVELOPED MARKETS EQUITY	211	1.3%
EMERGING MARKETS EQUITY	1,098	6.7%
<b>TOTAL PRIVATE INVESTMENTS</b>	<b>310</b>	<b>1.8%</b>
<u>LESS CORRELATED AND CONSTRAINED</u>		
INVESTMENT GRADE FIXED INCOME	\$ -	0.0%
CREDIT-RELATED FIXED INCOME	6	0.0%
REAL ESTATE	-	0.0%
NATURAL RESOURCES	-	0.0%
DEVELOPED MARKETS EQUITY	-	0.0%
EMERGING MARKETS EQUITY	16	0.2%
<b>TOTAL LESS CORRELATED AND CONSTRAINED</b>	<b>\$22</b>	<b>0.2%</b>
<b>GRAND TOTAL PI AND LCC</b>	<b>\$2,476</b>	<b>15.0%</b>
<b>TOTAL ENDOWMENTS HOLDINGS</b>	<b>\$16,760</b>	
<b>MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY</b>		<b>30.0%</b>



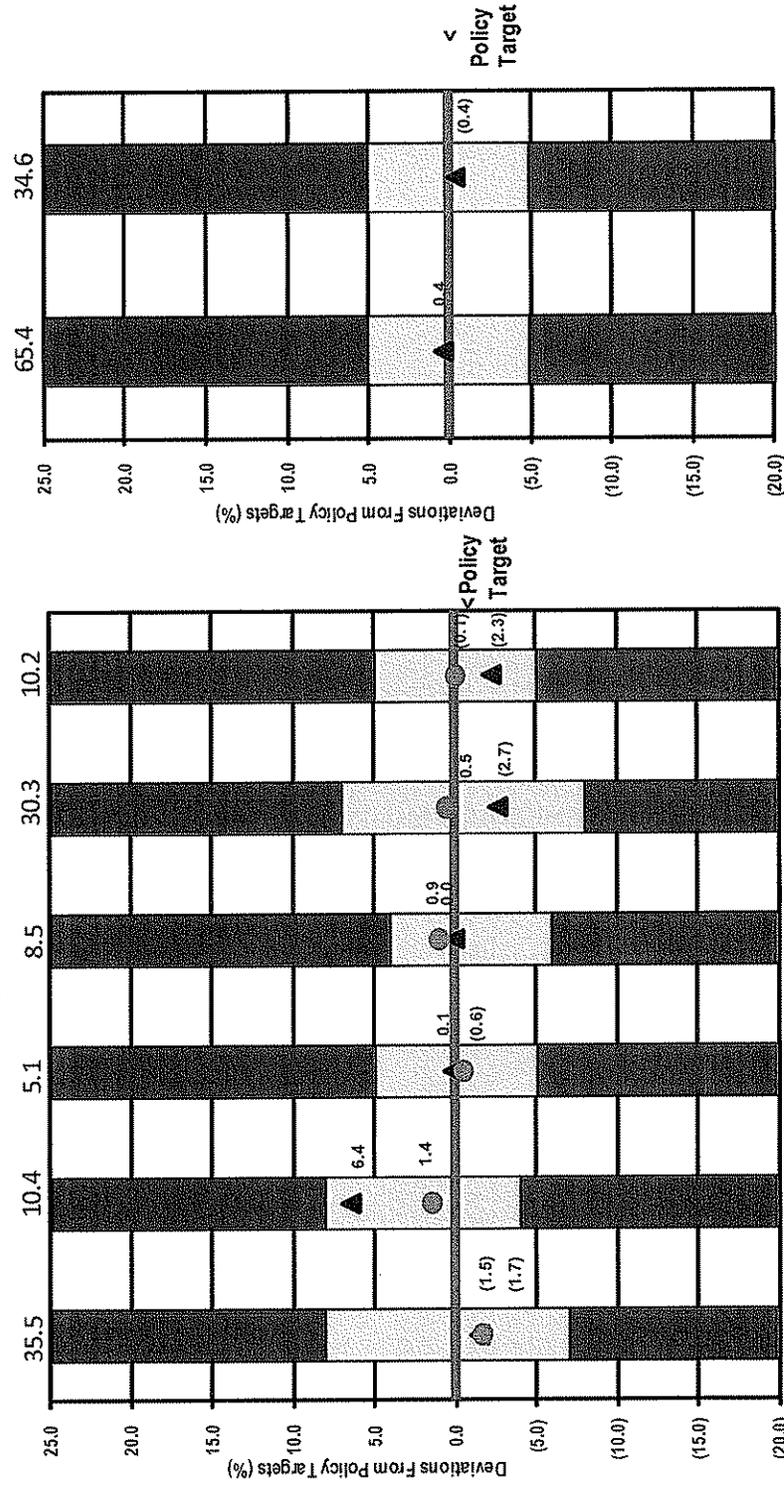
**ITF**



# ITF Asset Allocation as of August 31, 2010

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

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

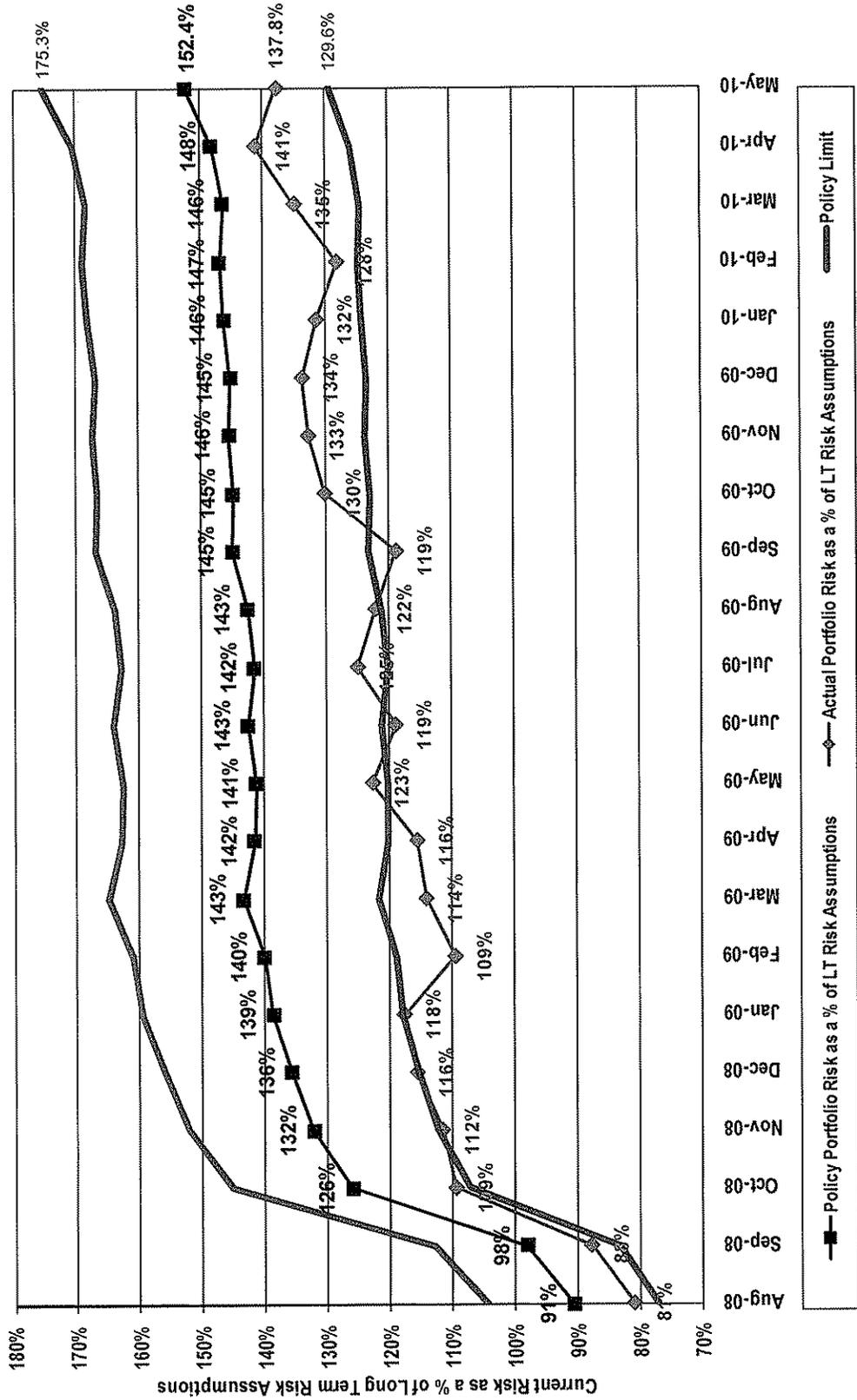


▲ -- All Investment Types ● -- More Correlated and Constrained



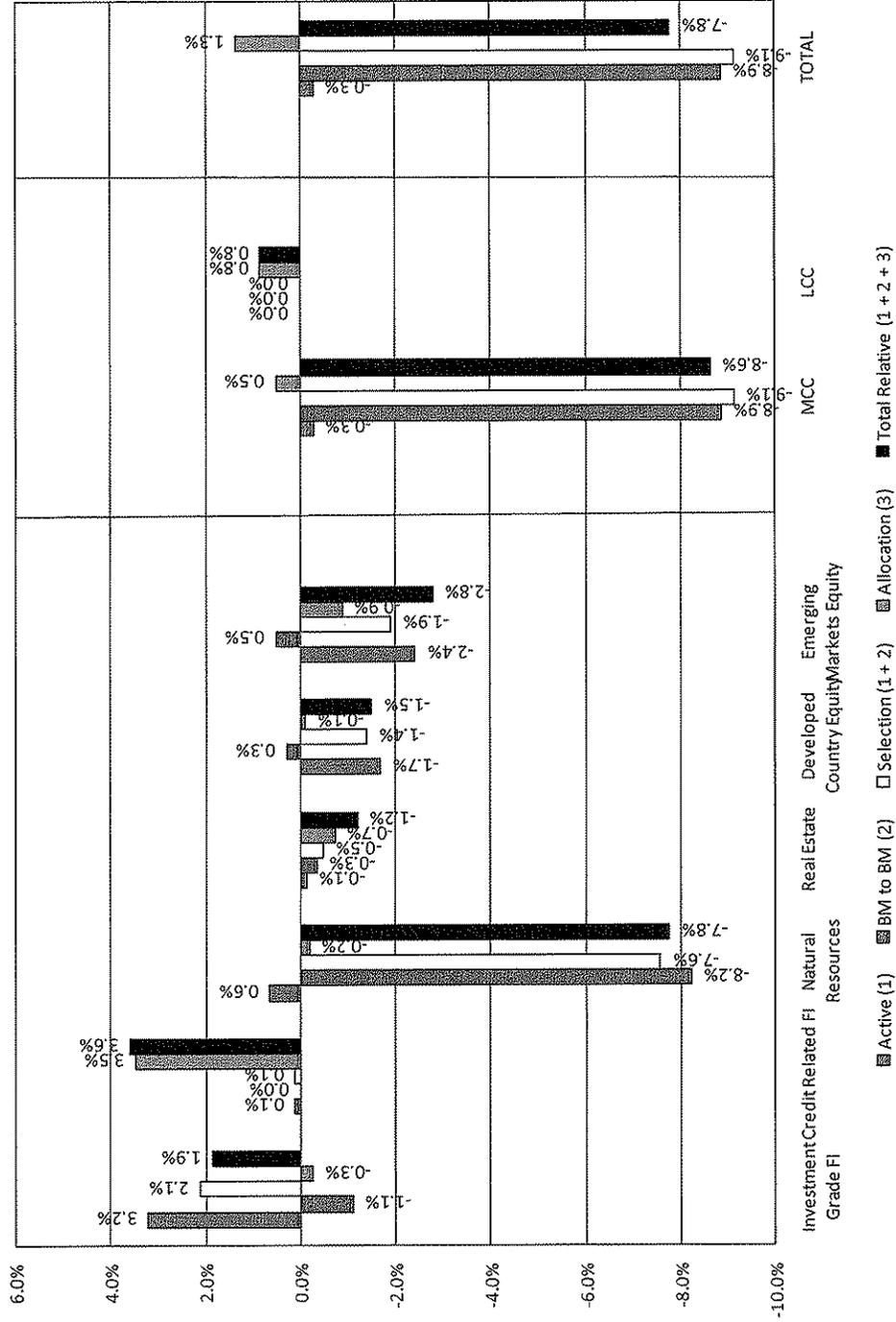
# Current Risk Environment of ITF

(Based on Downside Risk; LT assumption = 5.34%)



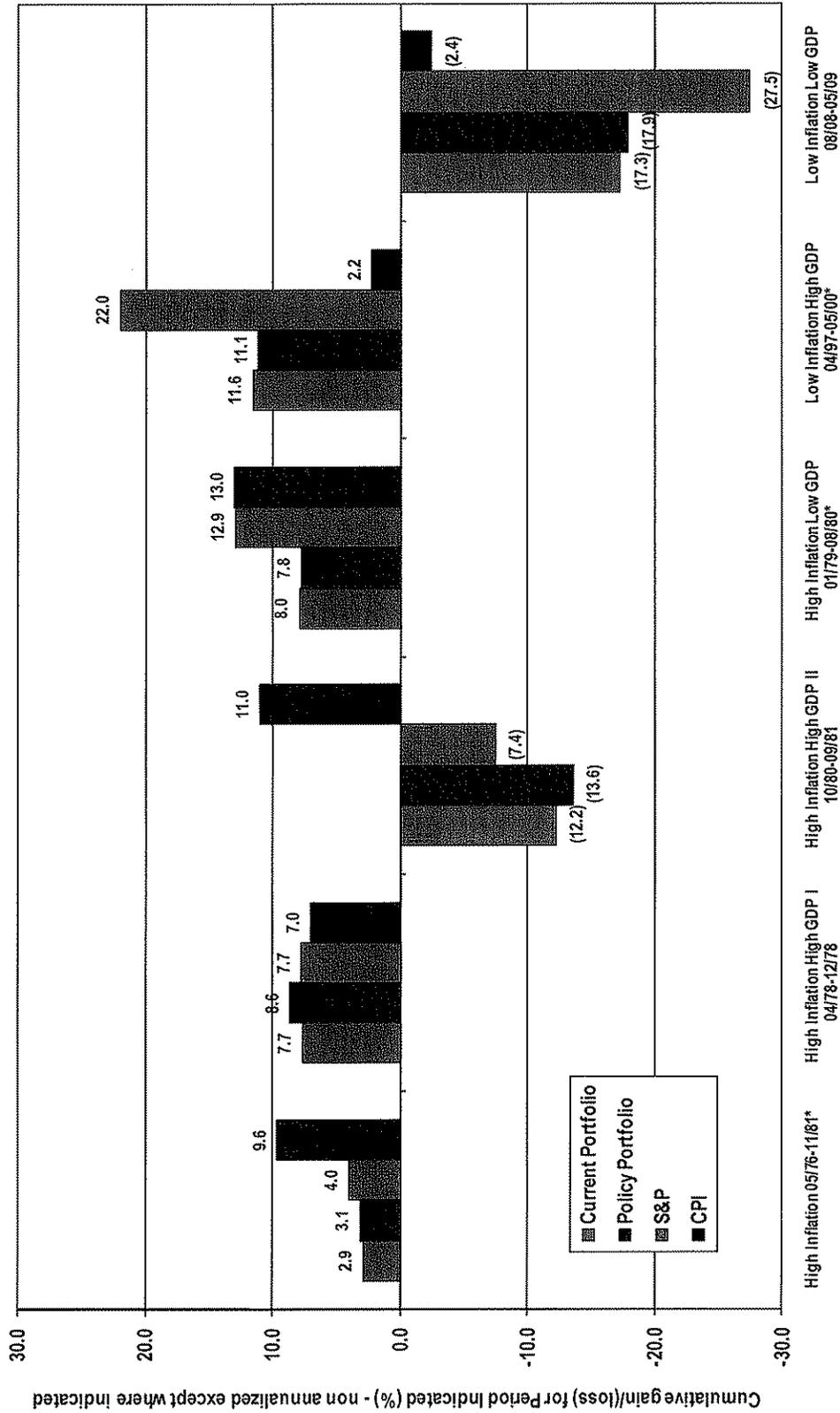


# ITF 4-Way Risk Decomposition as of August 31, 2010





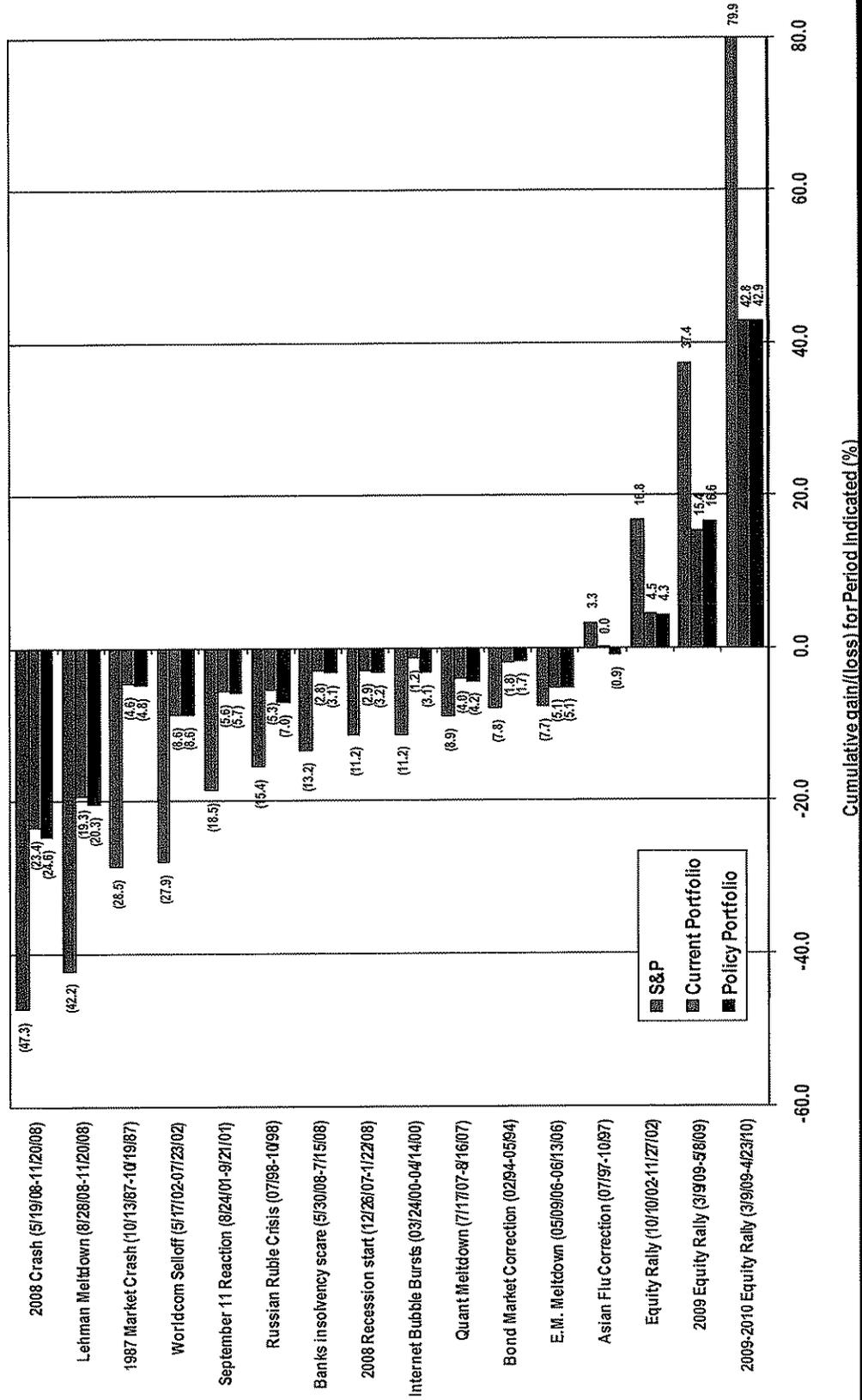
# Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments



\* Annualized

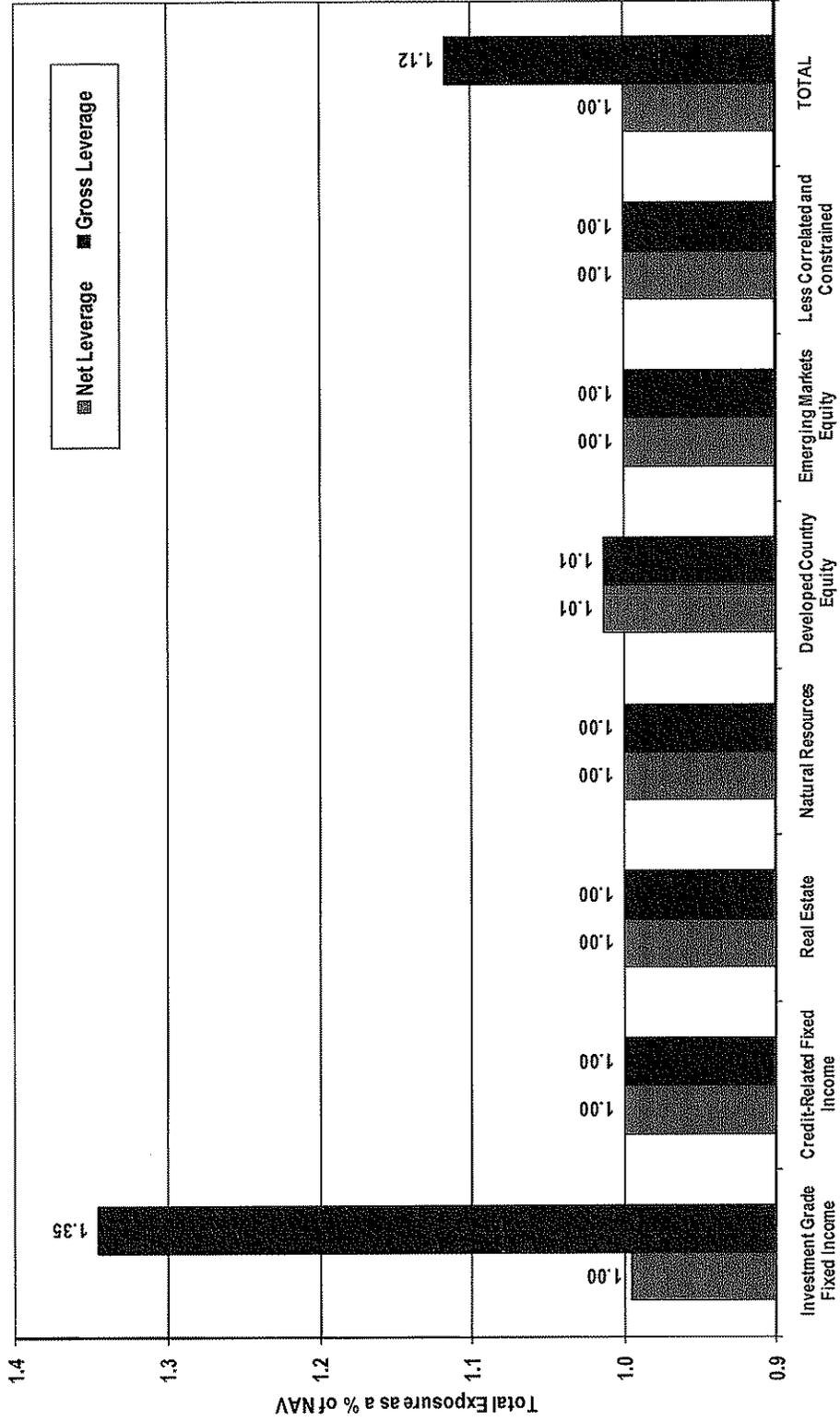


# Hypothetical Performance of Current ITF Portfolio in Selected Market Stress Environments





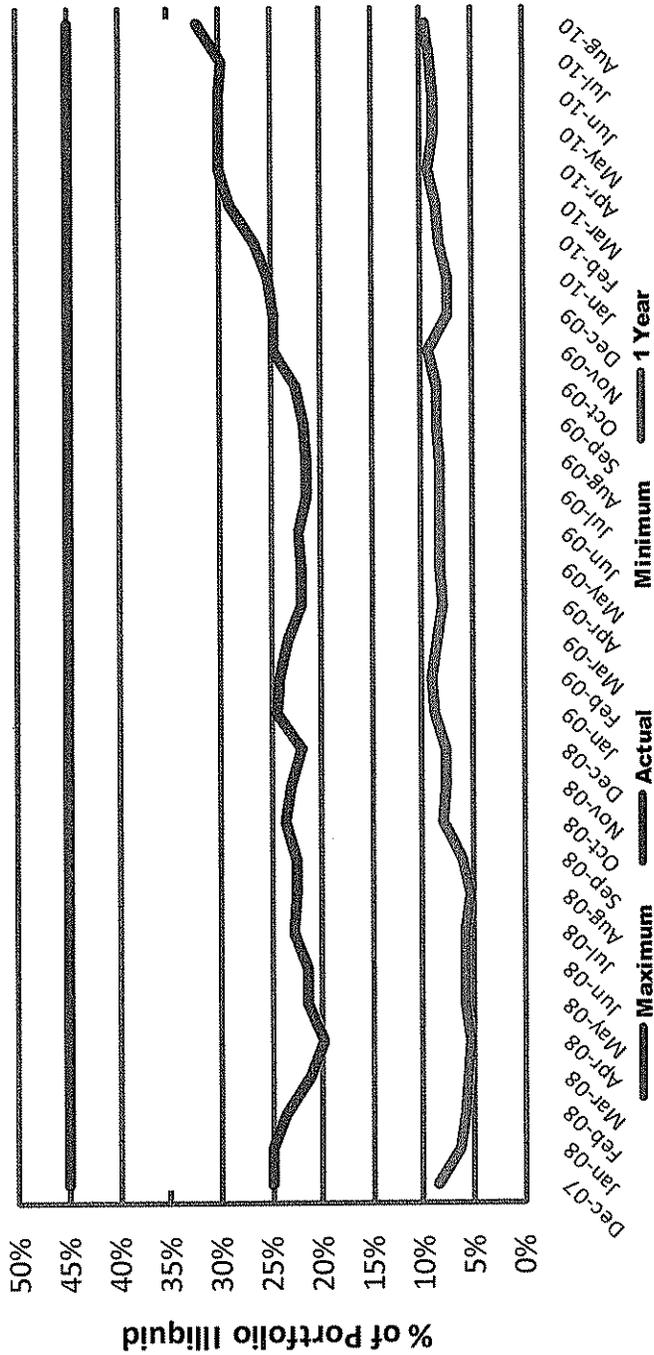
# Net and Gross Leverage of ITF as of August 31, 2010





# ITF Liquidity

Intermediate Term Fund  
Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 2,818 million    One Year Liquidity \$ 3,755 million



# Contracts Update



# Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For July 1, 2010 through October 22, 2010

(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	\$125,000
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 underlying accounts are added	\$292,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$296,620
Albourne LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

**TAB 7**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** UTIMCO Organization Update

**Developed By:** Zimmerman

**Presented By:** Zimmerman

**Type of Item:** Discussion item

**Description:** Mr. Zimmerman will provide an update on UTIMCO's staffing, task forces, and technology issues.

**Reference:** *UTIMCO Organization Update* presentation



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# UTIMCO ORGANIZATION UPDATE

November 9, 2010

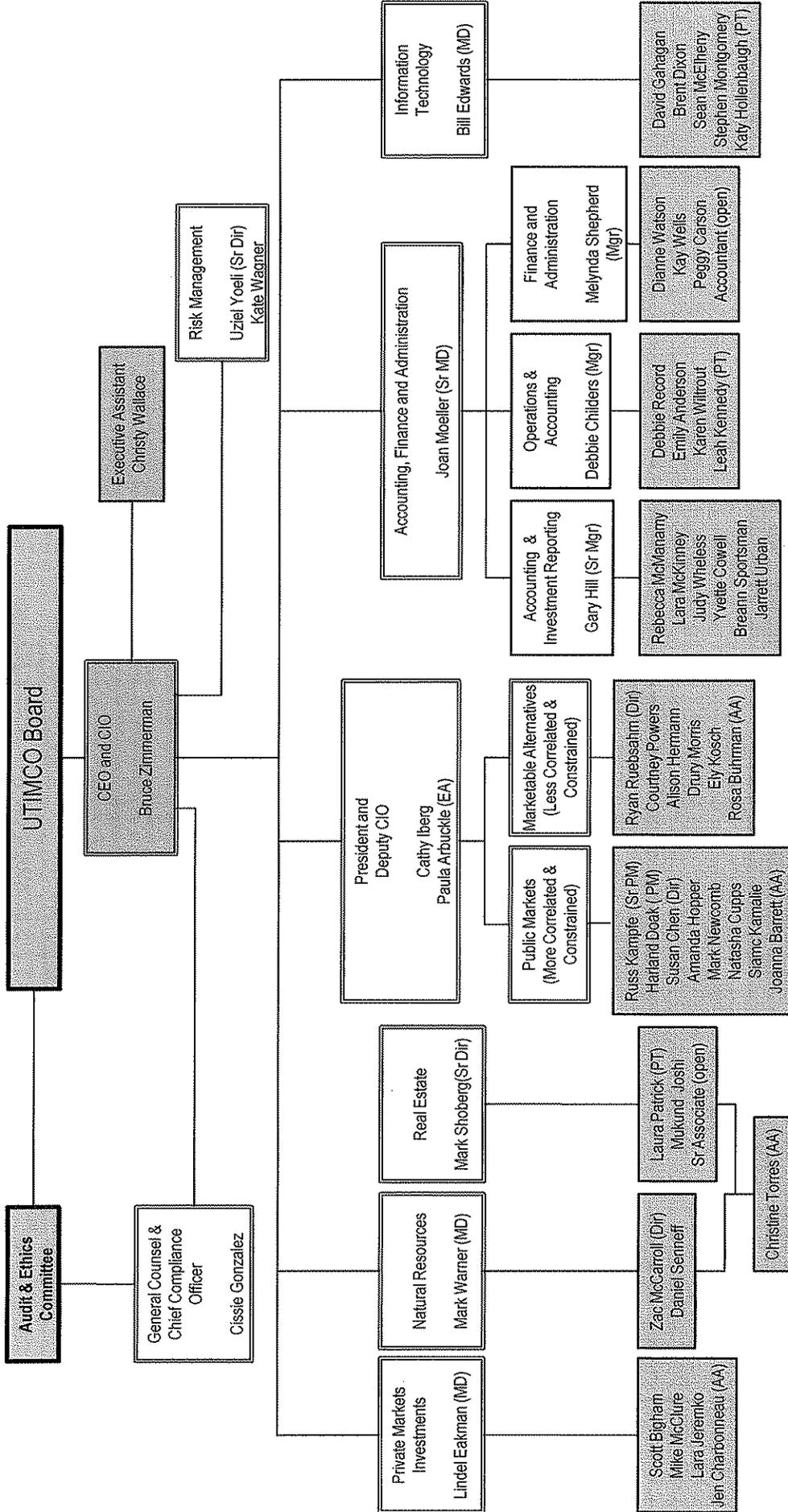


# UTIMCO Update

- Staffing
- Task Forces
- Technology Issues



# UTIMCO – Organizational Structure





# Portfolio Positioning Task Force

- Objectives:
  - Assess risks and opportunities associated with UTIMCO's portfolio positioning, and recommend adjustments based on market environment.
  - Evaluate pros/cons of accomplishing these adjustments via tactical trades and/or straight asset allocation.
  - Provide UTIMCO with educational materials and relevant analyses
- Members:
  - MCC: Susan Chen, Russ Kampfe, Siamc Kamalie
  - LCC: Ryan Ruebsahm, Drury Morris
  - Natural Resources: Zac McCarroll
  - Private Investments: Lara Jeremko
  - Risk Management: Uzi Yoeli, Kate Wagner
- To date, PPTF has reviewed:
  - Inflation hedges
  - Deflation hedges
  - Crisis hedges
  - Equity skew trade
  - Tail risk strategies (commingled funds and bespoke products)



# Credit Task Force

- Ryan Ruebsahm – LCC, Director
- Scott Bigham – Private Markets, Senior Associate
- Mark Shoberg – Real Estate, Senior Director
- Susan Chen – Public Markets, Director
- Harland Doak – Fixed Income, Portfolio Manager
- Alison Hermann – LCC, Senior Analyst
- Daniel Senneff – Natural Resources, Senior Analyst



# Credit-Related Fixed Income Thesis

- UTIMCO began increasing allocations to Credit-Related Fixed Income (CRFI) during FY08 in anticipation of attractive opportunities. During late 2008 and early 2009, the CRFI opportunity set continued to improve, offering equity-like (mid-teen) returns with limited downside risk. As this risk/reward relative to equities increased further, Staff continued to increase and overweight CRFI though FY09. As of August 2010, the Endowment Funds' allocation to CRFI is 17.0% (9.7% above target)
- CRFI has produced 25.5% one year and 8.0% two year returns as of 8/31/10

	PUF CRFI	
	Allocation	Overweight
May-08	5.5%	1.7%
Aug-08	7.7%	2.7%
Nov-08	11.5%	4.4%
Feb-09	11.6%	2.4%
May-09	15.2%	3.8%
Aug-09	17.2%	3.7%
Nov-09	16.5%	5.0%
Feb-10	17.1%	7.6%
May-10	17.2%	9.7%
Aug-10	17.0%	9.7%

	As of 8/31/10	
	1 Year	2 Year
<b>PUF CRFI</b>	<b>25.5%</b>	<b>8.0%</b>
Composite Policy CRFI Benchmark	12.6%	-3.6%
Difference	<b>12.9%</b>	<b>11.5%</b>
MSCI AC World Equities	3.5%	-7.0%
Difference	<b>22.1%</b>	<b>15.0%</b>
Total PUF Fund	13.0%	-0.8%
Difference	<b>12.5%</b>	<b>8.8%</b>



# Current Outlook

- The majority of the CRFI allocation to date has been focused on high quality, liquid credit, which normalized the fastest as capital flows re-entered in 2009.
- Senior tranches of RMBS and CMBS (MCC/LCC/Private Markets), and senior corporate loans and bonds (LCC/Private Markets)
- The balance has consisted of less-liquid credit opportunities such as distressed and defaulted corporate debt (LCC/Private Markets), and whole loans, consumer and industrial loans, and distressed-for-control reorganizations (Private Markets).
- Currently expect 8-12% base-case returns on high quality, liquid credit and 14-18% on less-liquid distressed, liquidation, and restructuring opportunities
- Attractive risk/reward relative to inflation (high single-digit real returns) and relative to equities (near fair value on most metrics around the world)
- Rather than making a bet on earnings growth, we are happy to receive contractual interest, principal and amortization payments in quality senior debt

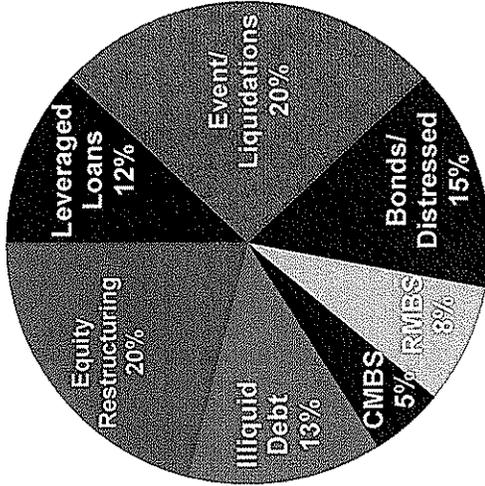
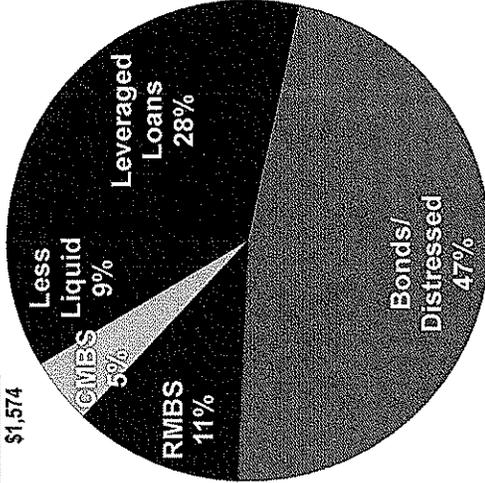
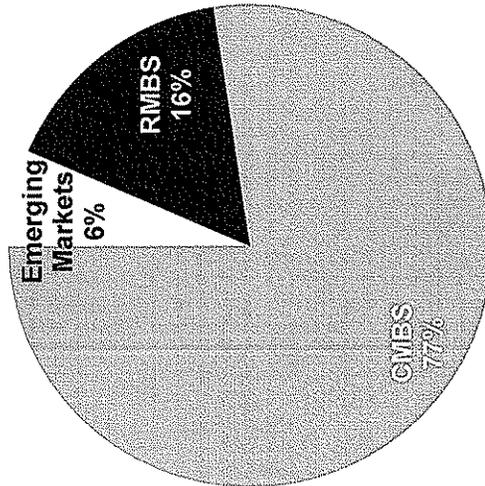


# 8/31/10 CRFI Exposure

MCC		
Manager	Value	Focus
Angelo Gordon	\$209	CMBS
Watershed	44	RMBS
GMO	18	EM
<b>MCC Total</b>	<b>\$271</b>	

LCC		
Manager	Value	Focus
Baupost	\$366	Corporate Distress, RMBS
Centerbridge	281	Corporate Distress/Quality
Perry	182	Corporate Distress, RMBS
Farallon II	172	Corporate Distress/Quality
Silver Point	120	Corporate Distress/Quality
Och-Ziff	83	Corporate Distress/Quality
Farallon Credit	71	Corporate Distress/Mezz
Owl Creek	65	Corporate Distress/Quality
Watershed	63	Corporate Distress/Quality
Angelo Gordon	48	Corporate Distress/ABS
GEM	30	CMBS
Spinnaker	30	Emerging Markets Distress
Protégé	26	Corporate Distress/ABS
Eton Park	23	Corporate Distress/ABS
Satellite	9	Corporate Distress
TPG-Axon	5	Corporate Distress, RMBS
<b>LCC Total</b>	<b>\$1,574</b>	

Private Markets			
Manager	Value	Unfunded Exposure	Focus
Varde	\$351	\$85	\$436 ABS, Whole Loans, RE, Illiquid
Fortress	71	119	190 ABS, Whole Loans, RE, Illiquid
Oaktree	130	26	156 Distressed Corporate
CarVal	131	6	138 Liquidations, Whole Loans, Illiq
Apollo	107	5	112 Corporate Debt with Leverage
Avenue	109	3	112 Distressed Corporate
HIG	37	65	102 Distressed for Control
Cerberus	70	13	83 ABS, Distressed for Control
GSO	77	0	77 Corporate Debt with Leverage
Centerbridge	54	9	63 Distressed for Control
MaitinPatterson	41	9	50 Distressed for Control
Non-Core Managers	37	0	37 Non-Core
<b>Private Total</b>	<b>\$1,216</b>	<b>\$340</b>	<b>\$1,556</b>





# Looking Forward

- Staff has reduced the MCC tactical allocation to 1.3% and will continue to evaluate
  - BlackRock (BGI) Global High Yield has been terminated
  - Watershed RMBS wind-down substantially complete
  - Angelo Gordon CMBS account has begun distributing excess cash
- LCC managers within the 7.9% CRFI allocation are taking profits, increasing cash balances to 10-20% of NAV, and increasing hedges
  - Getting more defensive as expected returns compress and default rates continue to decline temporarily throughout 2010
  - Waiting for higher defaults and distressed debt opportunities as “maturity-wall” approaches in 2012-2015
- The Private Market CRFI allocation of 7.2% is earning mid-to-high teen returns in levered high quality corporate debt and illiquid liquidation/work-out opportunities
  - Allocations to illiquid credit with Fortress and Varde will increase, unfunded commitments to distressed-for-control managers will be drawn (Centerbridge, HIG), and distributions from levered corporate debt will continue (Oaktree, GSO, Apollo)



# Emerging Markets Task Force Members

Lindel Eakman	Michael McClure	Private Markets
Amanda Hopper	Mark Newcomb	MCC
Courtney Powers	Alison Hermann	LCC
Uzi Yoeli		Risk Management
Mukund Joshi	Natasha Cupps	Real Estate

Mark Warner  
Chairman



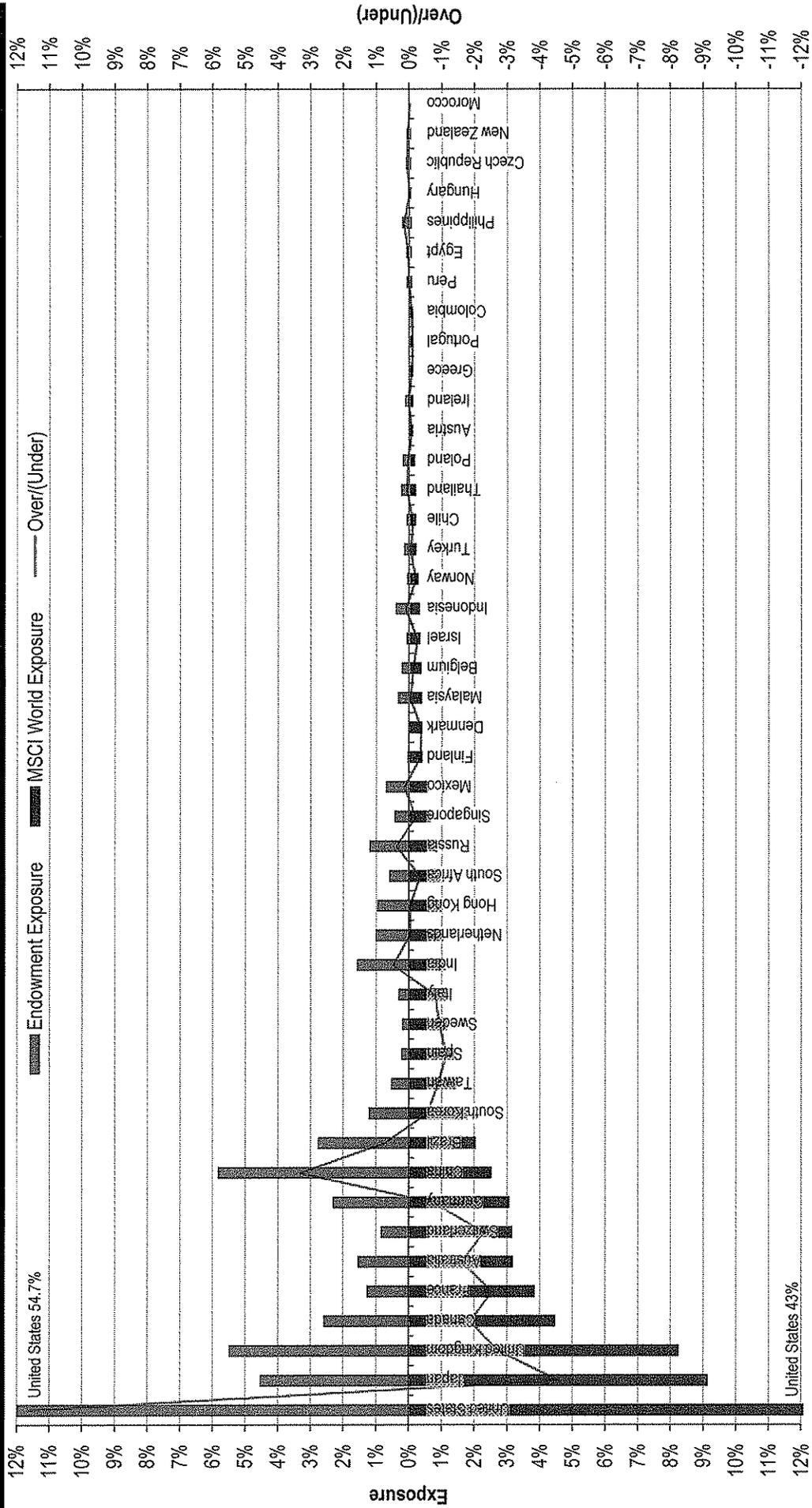
# Emerging Markets Task Force

Formed to bring a focused effort to the endowment's emerging markets exposure across the UTIMCO Investment Team

- First Step
  - Determine current Emerging Markets exposure via a portfolio-wide "look through" analysis
- Second Step
  - Define target countries and regions via various metrics including
    - Size of capital markets
    - Political corruption ranking
    - GDP
    - Sovereign debt rating
- Long term goal
  - Bring specific investment recommendations to the investment committee
  - Help actively monitor/manage the endowment's EM exposure

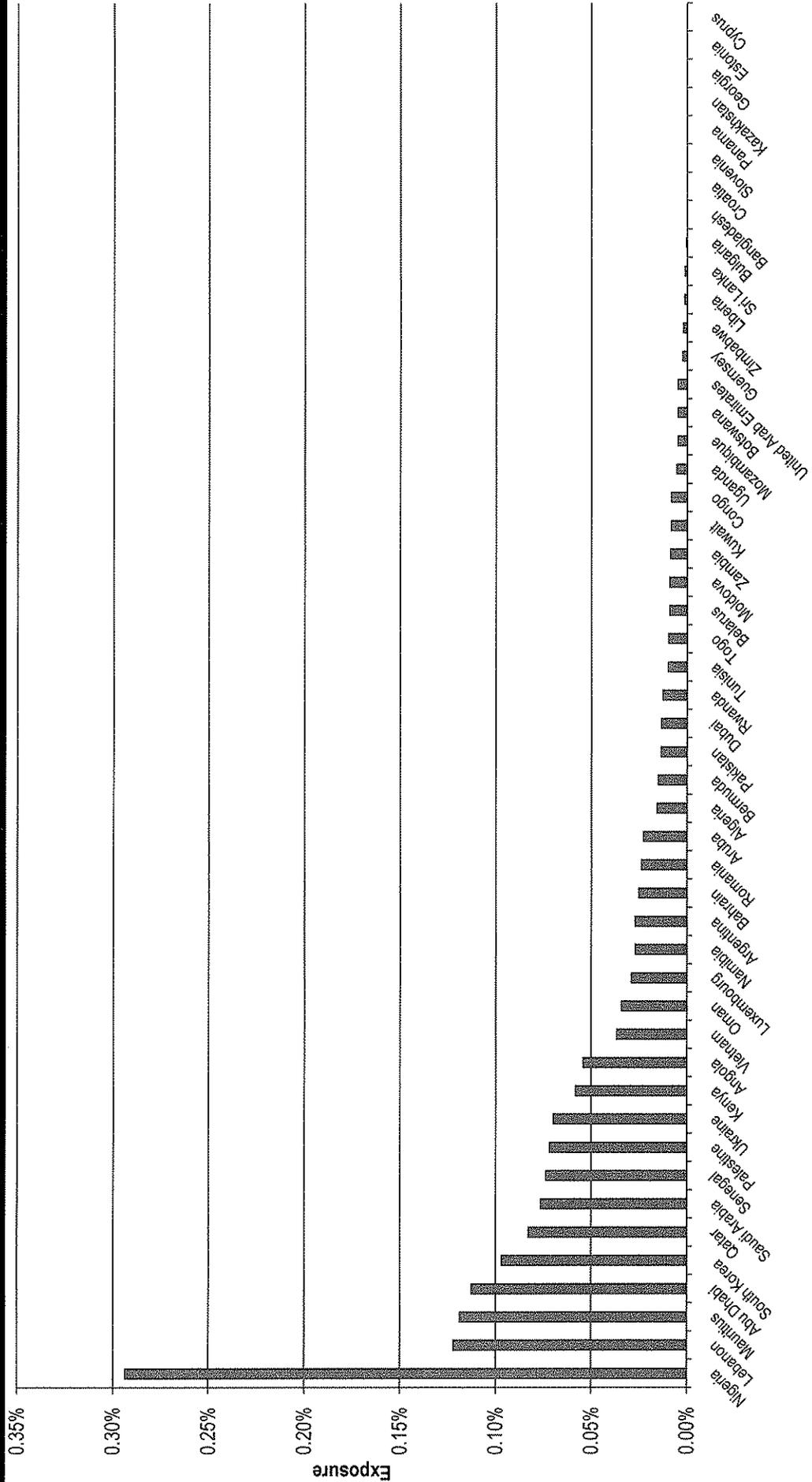


# Endowment Exposure vs. MSCI All-Country World Index





# Off-Index Exposure





# Investable Country Matrix

Country	2009 S&P															
	2010 GDP (Current Prices)	Political Corruption Risk Index	Sovereign Debt Ratings	Private Markets Factor	2010 GDP (Current Prices)	Political Corruption Risk Index	Sovereign Debt Ratings	Private Markets Factor	2010 GDP (Current Prices)	Political Corruption Risk Index	Sovereign Debt Ratings	Private Markets Factor	2010 GDP (Current Prices)	Political Corruption Risk Index	Sovereign Debt Ratings	Private Markets Factor
TOTAL	Capital Market Size	Country	TOTAL	Country	Capital Market Size	Country	TOTAL	Country	Capital Market Size	Country	TOTAL	Country	Capital Market Size	Country	TOTAL	
Australia	3.0	1.0	3.0	1.0	2.0	10.0	Turkey	2.7	1.0	2.1	0.7	2.0	8.5			
Canada	3.0	1.0	3.0	1.0	2.0	10.0	Malaysia	2.7	0.8	2.1	0.8	2.0	8.4			
Germany	3.0	1.0	3.0	1.0	2.0	10.0	New Zealand	2.1	0.8	3.0	1.0	0.8	7.7			
Switzerland	3.0	1.0	3.0	1.0	2.0	10.0	United Arab Emirates	2.4	0.9	2.7	0.9	0.8	7.7			
United Kingdom	3.0	1.0	3.0	1.0	2.0	10.0	Indonesia	2.7	1.0	1.2	0.6	2.0	7.5			
Japan	3.0	1.0	3.0	0.9	2.0	9.9	Czech Republic	2.1	0.8	2.4	0.8	1.4	7.5			
Hong Kong	3.0	0.8	3.0	1.0	2.0	9.8	Qatar	2.4	0.7	2.7	0.9	0.8	7.5			
France	3.0	1.0	2.7	1.0	2.0	9.7	Mauritius	1.8	0.4	2.4	0.8	2.0	7.4			
Netherlands	2.7	1.0	3.0	1.0	2.0	9.7	Russia	3.0	1.0	0.6	0.8	2.0	7.4			
United States	3.0	1.0	2.7	1.0	2.0	9.7	Saudi Arabia	2.7	0.9	2.1	0.9	0.8	7.4			
Spain	3.0	1.0	2.7	0.9	2.0	9.6	Mexico	2.7	1.0	1.5	0.7	1.4	7.3			
Sweden	2.7	0.9	3.0	1.0	2.0	9.6	Thailand	2.4	0.9	1.8	0.8	1.4	7.3			
Singapore	2.7	0.8	3.0	1.0	2.0	9.5	Colombia	2.4	0.9	1.8	0.7	1.4	7.2			
Luxembourg	2.7	0.7	3.0	1.0	2.0	9.4	Peru	2.4	0.8	1.8	0.7	1.4	7.1			
Belgium	2.7	0.9	2.7	1.0	2.0	9.3	Kuwait	2.4	0.8	2.1	0.9	0.8	7.0			
Finland	2.4	0.9	3.0	1.0	2.0	9.3	Greece	2.1	0.9	1.8	0.7	1.4	6.9			
Norway	2.4	0.9	3.0	1.0	2.0	9.3	Hungary	2.1	0.8	2.4	0.7	0.8	6.8			
Chile	2.7	0.8	2.7	0.9	2.0	9.1	Cyprus	1.8	0.5	2.7	0.9	0.8	6.7			
Ireland	2.4	0.8	3.0	0.9	2.0	9.1	Croatia	2.1	0.7	2.1	0.7	0.8	6.4			
Denmark	2.7	0.9	3.0	1.0	1.4	9.0	Nigeria	2.1	0.8	0.9	0.5	2.0	6.3			
Taiwan	2.7	0.9	2.4	0.9	2.0	8.9	Egypt	2.1	0.8	1.2	0.7	1.4	6.2			
Portugal	2.4	0.9	2.7	0.9	2.0	8.8	Slovenia	1.8	0.6	2.7	0.9	0.2	6.2			
Austria	2.4	0.9	3.0	1.0	1.4	8.7	Bolivia	2.4	0.4	2.4	0.8	0.2	6.2			
China	3.0	1.0	1.8	0.9	2.0	8.7	Philippines	2.4	0.8	0.9	0.9	1.4	6.1			
Israel	2.4	0.8	2.7	0.8	2.0	8.7	Argentina	2.1	0.9	1.2	0.4	1.4	6.0			
Italy	2.7	1.0	2.1	0.9	2.0	8.7	Vietnam	2.1	0.7	1.2	0.6	1.4	6.0			
Brazil	3.0	1.0	1.8	0.7	2.0	8.5	Jordan	2.1	0.6	2.4	0.6	0.2	5.9			
India	3.0	1.0	1.8	0.7	2.0	8.5	Oman	1.8	0.7	2.4	0.8	0.2	5.9			
Korea	3.0	1.0	2.4	0.1	2.0	8.5	Romania	1.8	0.8	1.8	0.7	0.8	5.9			
Poland	2.4	0.9	2.4	0.8	2.0	8.5	Iceland	0.3	0.4	3.0	0.7	1.4	5.0			
South Africa	2.7	0.9	2.1	0.8	2.0	8.5	Morocco	2.1	0.7	1.5	0.7	0.8	5.8			

Factor	Weight	2010 GDP (Current Prices)	10%	2009 Political Corruption Risk Index	30%	S&P Sovereign Debt Ratings	10%	Private Markets Factor	20%
Capital Market Size	30%								



# Technology Issues

- Mainframe Replacement
- Board Reporting
- Video Conferencing
- Storage Area Network (SAN)

**TAB 8**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Discussion and Appropriate Action Related to Selection of Custodian for Additional Bank Services

**Developed By:** Zimmerman, Warner

**Presented By:** Zimmerman

**Type of Item:** Action item

**Description:** Staff will bring forth to the UTIMCO Board a recommendation to consider and approve a possible contract(s) for additional custodian bank services.

**Discussion:** UTIMCO is in discussions with the HSBC Bank USA and The Bank of Nova Scotia, acting through its ScotiaMocatta division, for custodian bank services as deemed necessary by staff to perform investment management services for The University of Texas System. Staff seeks approval to negotiate and execute a contract with HSBC Bank USA and/or The Bank of Nova Scotia. The Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and the UTIMCO Board of Directors requires U. T. Board approval of custodian banks and related custodian agreements. Staff is requesting approval from the U. T. Board, at its meeting to be held on November 10-11, 2010, for authority to conclude negotiations with HSBC Bank USA and/or The Bank of Nova Scotia. Should negotiations be successful, the resulting contracts will be included in the U. T. Board docket for approval.

**Recommendation:** Staff recommends that the UTIMCO Board approve a contract with HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services and directs staff to negotiate the contracts, subject to approval by the U. T. Board.

**Reference:** None

**RESOLUTION RELATED TO SELECTION OF CUSTODIAN FOR  
ADDITIONAL BANK SERVICES**

WHEREAS, the Board of Directors of the Corporation (the "Board") has determined that additional custodian bank services are necessary to perform investment management services for The University of Texas System; and

WHEREAS, the Master Investment Management Services Agreement between the Board of Regents of The University of Texas System ("U. T. Board") and the Board requires U. T. Board approval of custodian banks and related custodian agreements; and

WHEREAS, the Board has reviewed and concurs in the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services, as recommended by staff.

NOW, THEREFORE, be it:

RESOLVED that the Board approves the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services as deemed necessary by staff to perform investment management services for The University of Texas System and directs staff to negotiate and enter into a contract with HSBC Bank USA and/or The Bank of Nova Scotia (the "Agreement(s)"), subject to approval by the U.T. Board.

FURTHER RESOLVED, that the CEO and Chief Investment Officer, President and Deputy CIO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of this Corporation under the Agreement(s).

**TAB 9**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Discussion of Investment Environment and Opportunities

**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.

**Recommendation:** None

**Reference:** None

**TAB 10**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 9, 2010

**Agenda Item:** Report on 2011 Meeting Dates

**Developed By:** Zimmerman

**Presented By:** Zimmerman

**Type of Item:** Information item

**Description:** This agenda item presents the 2011 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** None



## UTIMCO Meeting Dates 2011

Month	Board Of Directors	Audit and Ethics	Compensation	Policy	Risk	UTS Board of Regents	TAMU Board of Regents
January		Jan 26			Jan 26		Jan 27-28
February	Feb 2-3*					Feb 17-18	
March							Mar 24-25
April (annual)	Apr 14	Apr 7	Apr 7	Apr 7	Apr 7		
May						May 11-12	May 26-27
June							
July	Jul 13-14**	Jul 7	Jul 7	Jul 7	Jul 7	Jul 13-14*	Jul 21-22
August						Aug 18-19	
September			September 29				Sep 22-23
October							
November	Nov 8	Nov 3	Nov 3		Nov 3	Nov 9-10	
December						Dec 1-2	Dec 1-2

\*February 2 – UTIMCO Board Retreat, February 3 – UTIMCO Board of Directors Meeting

\*\*Joint meeting of UTIMCO Board and UT System Board of Regents - July 13 or 14, TBD - please hold both dates

**All 2011 UTIMCO Board of Directors Meetings will be held in the corporate office:  
401 Congress, Suite 2800, Austin, Texas 78701**

### Committee Assignments:

Audit and Ethics: **Longoria**, Nye, Tate  
 Compensation: **Ferguson**, Longoria, Moore  
 Policy: **Gary**, Nye  
 Risk: **Tate**, Ferguson, Moore