

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



Presentation Materials

Board of Directors Meeting

April 15, 2010

**UTIMCO BOARD OF DIRECTORS
ANNUAL MEETING AGENDA
April 15, 2010**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time	Item #	Agenda Item
Begin	End	
		OPEN MEETING:
9:00 a.m.	9:05 a.m.	1 Call to Order of the Annual Meeting/Discussion and Appropriate Action on Minutes of January 26, 2010 Meeting*
9:05 p.m.	9:15 p.m.	2 Discussion and Appropriate Action Related to Corporate Resolutions: - Election of UTIMCO Officers* - Designation of Key Employees*
9:15 a.m.	10:45 a.m.	3 Endowment and Operating Funds Update Report
10:45 a.m.	11:15 a.m.	4 Report on Manager Risk Recess for Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments
11:15 a.m.	11:45 a.m.	5 Reconvene into Open Session: Discussion Related to Manager Concentration
11:45 a.m.	12:30 a.m.	6 Report from Policy Committee: - Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds* - Discussion and Appropriate Action Related to Investments for Three Mandates that Exceed Staff's Delegated Authority*
12:30 p.m.	1:15 p.m.	7 Lunch and Discussion of Investment Environment and Opportunities
1:15 p.m.	2:15 p.m.	8 Report on Scenario Analysis
2:15 p.m.	2:30 p.m.	9 Report from Risk Committee
2:30 p.m.	2:45 p.m.	10 UTIMCO Organization Update
2:45 p.m.	3:00 p.m.	11 Convene into Executive Session Pursuant to Section 551.074, <i>Texas Government Code</i> , the Board may convene in Executive Session for the purpose of deliberating an individual personnel compensation matter related to Eligible Position in UTIMCO Compensation Program for the 2009/2010 Performance Period. Reconvene into Open Session Report from Compensation Committee - Discussion and Appropriate Action Related to Change in Designation of Employee's Eligible Position as a Participant in the UTIMCO Compensation Program for the 2009/2010 Performance Period*
3:00 p.m.	3:30 p.m.	12 Report from Audit and Ethics Committee
3:30 p.m.	4:00 p.m.	13 Educational Program for UTIMCO Directors
4:00 p.m.		Adjourn

* Action by resolution required

By: The University of Texas Investment Management Company

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

Next Scheduled Meeting: July 14-15, 2010

Tab 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **January 26, 2010**, be, and are hereby, approved.

**MINUTES 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 9:08 a.m. on the **26th day of January 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Erle Nye, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Board:

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

Mr. Tate attended the meeting by means of conference telephone enabling all persons participating in the meeting to hear each other. Accordingly, a majority and quorum of the Board was in attendance. Directors Clint Carlson and Janiece M. Longoria did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director-Private Markets; Bill Edwards, Managing Director-Information Technology; Mark Warner, Senior Director-Natural Resources Investments; Uzi Yoeli, Senior Director-Portfolio Risk Management; Ryan Ruebsahm, Director-Marketable Alternative Investments; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Philip Aldridge, Charlie Chaffin, Jim Phillips, Moshmee Kalamkar, Miles Ragland, Anthony DeBruyn and Roger Starkey of the UT System Administration; and Greg Anderson of Texas A&M University System. Bruce Myers and Hamilton Lee of Cambridge Associates also attended the meeting by means of conference telephone. Mr. Nye called the meeting to order at 9:08 a.m.

Corporate Resolutions

Mr. Nye recommended approval of two corporate resolutions, the first acknowledging Regent McHugh's outstanding service as a member of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of her substantial background and expertise in business and as a strategic adviser and goal-oriented lawyer, Colleen McHugh was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2005, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2005, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2007; and

WHEREAS, Ms. McHugh has provided invaluable insight and counsel, drawing on her immense experience as a board certified attorney in Labor and Employment Law by the Texas Board of Legal Specialization and as Vice President, Compliance, Risk Management and Privacy Officer for CHRISTUS Spohn Health System; and

WHEREAS, Ms. McHugh's unselfish contributions are also evidenced by her distinguished record of public and professional service, including former President of the State Bar of Texas; the first woman to chair the State Bar of Texas Board of Directors; advisor to the Governor as a member of the Governor's Task Force on Homeland Security; the first woman to serve on and former Chairman of the Texas Public Safety Commission, with its diverse divisions including the Texas Highway Patrol and the Texas Rangers; The Center for American and International Law Board of Trustees and Executive Committee; The American Law Institute; The Philosophical Society of Texas; a member of the American Bank, N.A. Board of Directors; the Corpus Christi Regional Economic Development Corporation Board of Directors; the U.S.S. Lexington Museum Board of Directors Member and Past President; Corpus Christi Bar Association Past President; and

WHEREAS, during Ms. McHugh'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, Ms. McHugh's commitment and service as a Director of UTIMCO were exemplary, reflecting her deep devotion to the education and development of students at all levels, and further evidenced by her work with the Board of Regents of The University of Texas System, including service as Vice Chairman of the Board; Chair of the UT System Health Affairs Committee; member of the UT System Academic Affairs Committee; member of the Special Compensation Committee; and Athletic Liaison; and

WHEREAS, Ms. McHugh has provided outstanding leadership and judgment to UTIMCO through her dedicated service as Chairman of the Policy Committee and Member of the Board's Audit and Ethics Committee. 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 Colleen McHugh their sincerest appreciation for her 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 Ms. McHugh 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 26th day of January, 2010.

Mr. Nye also recommended Board approval to designate the date for the next Annual Meeting of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 15, 2010, in Austin, Texas.

Minutes

The next matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on November 20, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 20, 2009**, be, and are hereby, approved.

Investment Risk

Mr. Nye asked Mr. Zimmerman to begin the discussion on Investment Risk. Mr. Zimmerman and Mr. Yoeli presented an overview of investment risks, beginning with a definition of risk and identifying portfolio-level risks. They included a discussion on returns and volatility, correlations and diversification, leverage (derivatives), and liquidity risk. During the discussion, Mr. Zimmerman passed out the book, Against the Gods: The Remarkable Story of Risk by Peter Bernstein, to all Board members. Mr. Zimmerman and Mr. Yoeli answered the Directors' questions.

Endowment and Operating Funds Update

Mr. Nye asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman handed out the Corporation's Performance Summary (Preliminary) as of December 31, 2009. He began with the net asset value and performance numbers as of December 31, 2009, and then reported in more detail the Corporation's Performance Summary as of November 30, 2009. The Corporation had \$21.7 billion of assets under management at the end of November 30, 2009. Of the \$21.7 billion, \$10.3 billion was in the Permanent University Fund (PUF), \$5.9 billion in the General Endowment Fund (GEF), \$1.6 billion in the Short Term Fund (STF) and \$3.9 billion in the Intermediate Term Fund's (ITF). The net performance for the one-month period ended November 30, 2009, for the PUF was 3.03% and for the GEF was 2.99%, versus benchmark returns of 2.25% for each fund. The net performance for the one year ended November 30, 2009, for the PUF and GEF were 21.04% and 20.88%, respectively, versus benchmark returns of 17.11% for each fund. The ITF's performance was 2.86% versus its benchmark

return of 2.47% for the one-month period, and 26.85% versus its benchmark return of 25.55% for the one year ended November 30, 2009. Performance for the STF was 0.02% versus 0.01% for its benchmark return for the one-month period, and was 0.64% versus a benchmark return of 0.20% for the one year ended November 30, 2009. Mr. Zimmerman presented actual versus benchmark results, portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. Mr. Zimmerman reviewed the Funds' asset class and investment type targets, ranges and performance objectives. He reported on the Less Correlated and Constrained portfolio categorizations, country exposure and reviewed correlations and diversification on a portfolio level. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of November 30, 2009, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman provided investment team highlights, and Mr. Zimmerman, Mr. Eakman and Mr. Ruebsahm answered the Directors' questions.

At 11:58 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 1:30 p.m.

Risk Committee Report

Mr. Nye asked Mr. Tate to give a report from the Risk Committee. Mr. Tate reported that the Risk Committee met on January 19, 2010. The Committee discussed performance and risk reporting, mandate categorization, and reviewed and discussed compliance reporting. Mr. Tate mentioned Committee discussion of an approval request by Staff to increase investment limits for certain managers, but Mr. Zimmerman asked that the topic be tabled at this meeting. Mr. Tate asked Ms. Gonzalez to give the compliance report. Ms. Gonzalez reported that there were two minor items out of compliance related to the Investment Policies Compliance Report for the Quarter Ended November 30, 2009. One manager was out of compliance with its investment guidelines because it held 16 securities but had only been approved to hold up to 15. The manager has since been granted approval to hold the extra security. The other compliance item was related to the ITF, which fell below its risk bounds for one month during the quarter but was back in compliance at the end of the quarter. She also reported that staff discovered that a certificate of compliance had not been sent to the newest Director prior to the funding of a new commitment. The certificate of compliance for the funded commitment as well as the certificates of compliance for other mandates under consideration not previously furnished to the Director were sent immediately upon discovery. No conflicts were reported by the Director. Ms. Gonzalez stated that the UT System is no longer requiring the Quarterly Institutional Compliance Program Report but instead will still require that updates on the Institutional Compliance Action Plan for FY 2010 be submitted. Ms. Gonzalez will continue to include the report in the Audit and Ethics Committee and Risk Committee meeting materials. Mr. Tate asked that the report also be included in the Board materials going forward. Mr. Tate continued by reporting that the Committee approved the categorization of six new investment mandates and discussed two mandates that are currently being watched for re-categorization. He asked Mr. Zimmerman to summarize the new categorizations. Mr. Zimmerman stated that all were More Correlated and Constrained mandates, and all were straightforward categorizations. Mr. Tate asked Mr. Zimmerman to report to the Board the action of the Corporation's Risk Management group, led by Mr. Yoeli. Mr. Zimmerman explained that the group documented the use of derivatives investments by sixteen external managers operating under an Agency Agreement. Nine of the sixteen external managers had been approved by the Chief Investment Officer to use Derivative Investments. Of the nine external managers approved to use Derivative Investments, eight are in compliance with the Policy. One manager, PIMCO, is

engaging in Derivative Investments that are not within the delegated authority set forth on Exhibit B of the Policy due to previously negotiated investment guidelines and restrictions contained in its Investment Advisory Agreement effective October 1, 2003, as amended. The Committee recommended to the Board approval to retain PIMCO as an existing manager with PIMCO's current guidelines and restrictions on the use of Derivative Investments. Mr. Tate stated that the Board had the authority to approve the resolution without further approval by the UT System Board of Regents. Mr. Zimmerman, Ms. Gonzalez and Mr. Yoeli answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, the UTIMCO Board approved an amendment to the Derivative Investment Policy effective August 20, 2009 ("Policy"); and

WHEREAS, the UTIMCO Board authorized the Corporation's CEO to negotiate with each existing external manager operating under an Agency Agreement that engages in Derivative Investments to ensure its Derivative Investments are in compliance with the Derivative Investment Policy subject to the requirement that the Corporation's CEO must seek approval from the UTIMCO Board to allow the retention of any existing external manager that is not in compliance with the Derivative Investment Policy on the date of the first 2010 regular meeting of the Corporation's Board; and

WHEREAS, Corporation staff has reviewed all of the Corporation's external managers operating under an Agency Agreement that engage in Derivative Investments for compliance with the Policy and determined that one external manager operating under an Agency Agreement (PIMCO) is currently allowed to engage in Derivative Investments that are not within the delegated authority set forth on Exhibit B of the Policy due to previously negotiated investment guidelines and restrictions contained in its Investment Advisory Agreement effective October 1, 2003, as amended; and

WHEREAS, Corporation staff has documented and presented to the Risk Committee its reasons for desiring to retain PIMCO as an external manager; and

WHEREAS, the Risk Committee concurred with the reasons presented by Corporation staff for desiring to retain PIMCO as an external manager and recommended that the Board approve the same; and

WHEREAS, the Board concurs in the recommendation of the Risk Committee and wishes to document its approval of retention of PIMCO as an external manager.

NOW, THEREFORE, BE IT

RESOLVED, that the retention of PIMCO as an existing external manager operating under an Agency Agreement with the current investment guidelines and restrictions on the use of derivatives contained in the Investment Advisory Agreement effective October 1, 2003, as amended, is hereby approved.

Audit and Ethics Committee Report

Mr. Nye asked Mr. Foster to give a report on behalf of the Audit and Ethics Committee. Mr. Foster reported that the Committee met on January 19, 2010. The Committee reviewed and heard a report from Mr. Wagner, Deloitte & Touche LLP, regarding Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements for the Corporation. The Committee also heard a presentation of the unaudited financial statements for the Investments Funds and the Corporation for the three months ended November 30, 2009, a report from the UT System Audit office and received a report on other ethics and compliance activities from staff. Upon motion duly made and seconded, the resolution was unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2009, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2009 and August 31, 2008, be, and are hereby approved in the form as presented to the Board.

Cambridge Contract Renewal

Mr. Nye stated that Cambridge Associates has been, and continues to be, a great partner for years, and he would like to recommend a contract renewal with the same general terms as in the past. UTIMCO will receive access, via the Cambridge Associates consulting team and Cambridge Associate's web site, to proprietary databases on capital markets, investment managers, and partnerships. UTIMCO will also have access to comparative peer performance data and quarterly and annual surveys of investment and financial data. Also included in the contract is 24 hours of consulting time, a variety of research reports and working papers on investment and financial data. One change with this renewal will be that attendance at UTIMCO Board meetings by Cambridge Associates will be at the discretion of the Chairman of the Board, and attendance may be via telephone or in person by Bruce Myers or by an associate. A resolution to approve this contract renewal was handed out at the meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Organizational Update

Mr. Nye asked Mr. Zimmerman to give the Board an update on the organization. Mr. Zimmerman provided an update on the Corporation's first quarter fiscal year 2010 actual to budget expenses, and announced changes in Staff. He discussed an upcoming training session for Staff members on interviewing techniques and he also mentioned that for the second year in a row the Corporation would be co-sponsoring, with Texas Teacher Retirement System, the Texas Investment Conference on January 29. Mr. Zimmerman answered the Directors' questions.

Investment Environment

Mr. Zimmerman began the discussion of the investment environment with the current asset allocation. He also presented illiquid commitment activity and discussed unfunded commitments in the areas of Credit Related, Natural Resources, Real Estate, Developed Country Equity and Emerging Markets.

Other

As a final matter, Mr. Nye suggested that it would be useful for the organization to review the Code of Ethics during the annual review of all Investment Policies and the Investment Management Services Agreement.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:58 p.m.

Secretary: _____
Joan Moeller

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

Tab 2

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

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

Developed By: Zimmerman, Gonzalez, Moeller

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

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

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

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

Reference: UTIMCO Bylaws and Code of Ethics

RESOLUTION RELATED TO CORPORATION OFFICERS

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

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

RESOLUTION RELATED TO KEY EMPLOYEES OF THE CORPORATION

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

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

Tab 3



Funds Update

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Returns



UTIMCO Performance Summary February 28, 2010

	Net Asset Value 2/28/2010 (in Millions)	Periods Ended February 28, 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											
ENDOWMENT FUNDS																				
Permanent University Fund	\$10,470	1.82%	1.86%	9.58%	0.78%	30.52%	(0.48%)	4.55%	4.97%											
General Endowment Fund		1.83	1.89	9.56	0.78	30.43	(0.43)	4.61	N/A											
Permanent Health Fund	900	1.81	1.85	9.52	0.83	30.23	(0.52)	4.53	N/A											
Long Term Fund	4,894	1.81	1.85	9.52	0.83	30.22	(0.52)	4.53	4.99											
Separately Invested Funds	200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
Total Endowment Funds	16,464																			
OPERATING FUNDS																				
Short Term Fund	1,703	0.01	0.04	0.10	0.03	0.36	2.65	3.34	3.11											
Intermediate Term Fund	4,028	1.18	0.45	7.38	0.23	32.94	0.90	N/A	N/A											
Total Operating Funds	5,731																			
Total Investments	\$22,195																			
VALUE ADDED (Percent)																				
Permanent University Fund		0.80%	1.07%	3.13%	1.47%	4.30%	2.96%	1.61%	1.32%											
General Endowment Fund		0.81	1.10	3.11	1.47	4.21	3.01	1.67	N/A											
Short Term Fund		0.01	0.02	0.03	0.02	0.16	0.51	0.38	0.21											
Intermediate Term Fund		0.50	1.66	2.99	1.38	0.85	2.94	N/A	N/A											
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		\$82	\$111	\$299	\$153	\$345	\$920	\$790	\$1,248											
General Endowment Fund		46	64	167	85	190	525	461	N/A											
Intermediate Term Fund		20	66	111	55	27	325	N/A	N/A											
Total Value Added		\$ 148	\$ 241	\$ 577	\$ 293	\$ 562	\$ 1,770	\$ 1,251	\$ 1,248											

(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

(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.

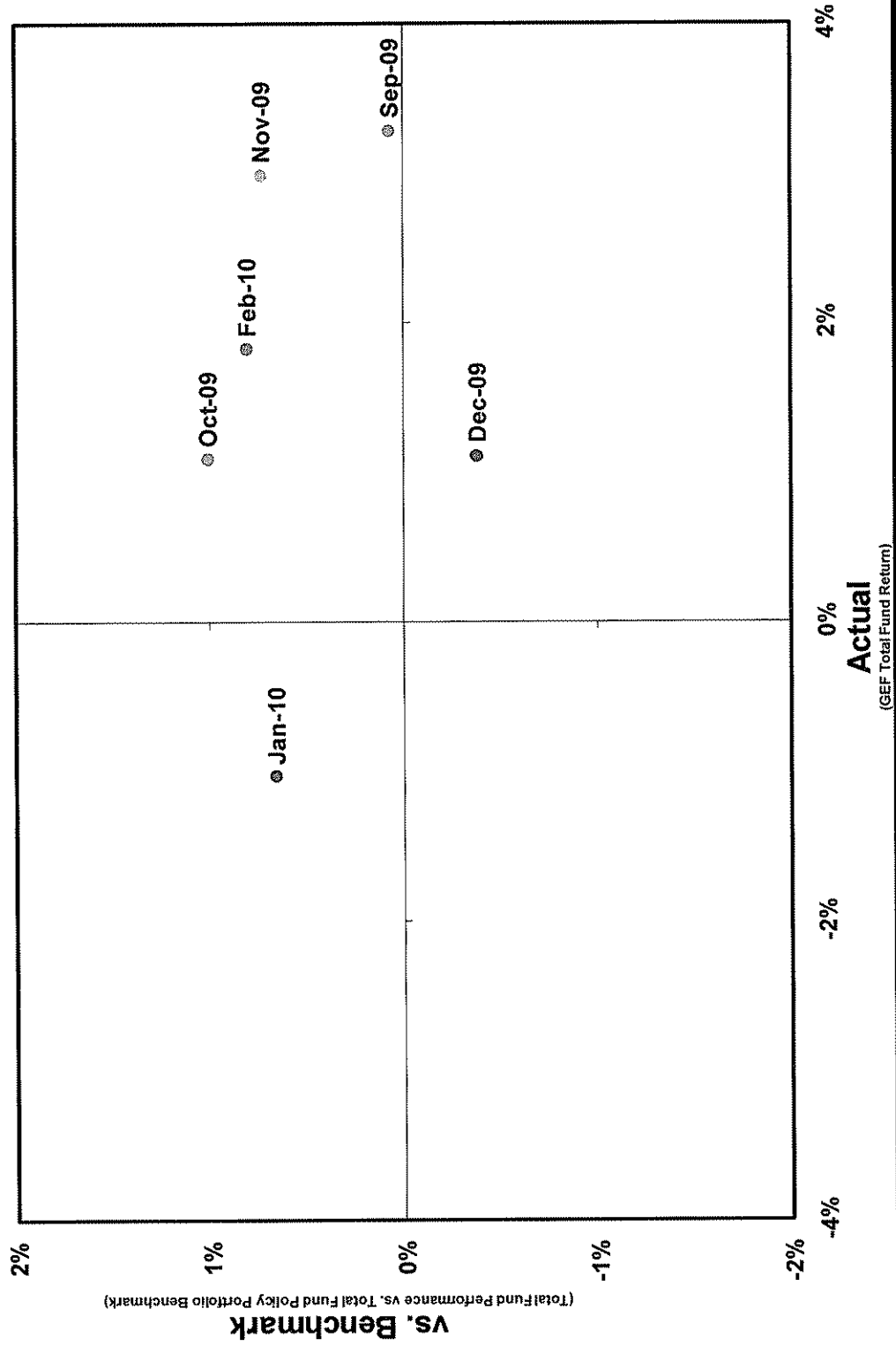


Performance During Last 3 and 6 Months

	3 Months Ended February 2010	6 Months Ended February 2010
BarCap Global Agg	-3.3%	1.8%
BarCap TIPS	-1.8%	4.4%
BarCap High Yield	3.1%	12.8%
Global REITs	0.6%	7.1%
DJ-UBS	-1.9%	6.5%
Oil Spot	3.1%	13.9%
Natural Gas	7.1%	95.5%
Copper	3.9%	11.0%
S&P 500	1.3%	9.3%
Nasdaq 100	2.9%	11.9%
EAFE	-3.7%	0.7%
FTSE 100	-4.1%	2.0%
DJ Euro Stoxx 50	-11.4%	-6.8%
Topix	3.4%	-3.3%
MSCI Emerging Markets	-1.5%	12.2%
Brazil Index	-3.7%	22.3%
China Index	-6.5%	16.0%
India Index	-2.0%	11.1%
Russia Index	1.1%	30.4%
GEF	1.9%	9.6%
ITF	0.5%	7.4%

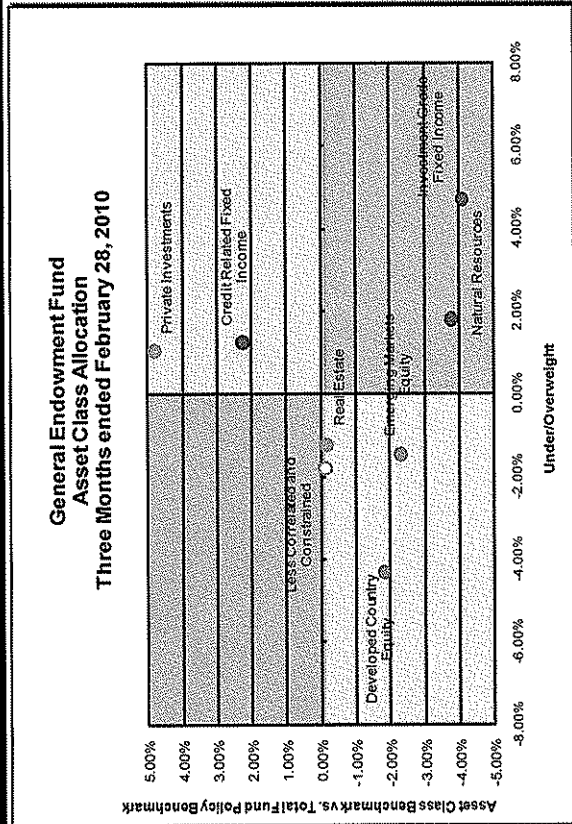


Actual and "vs. Benchmark" Returns by Month Fiscal Year 2010 (GEF)

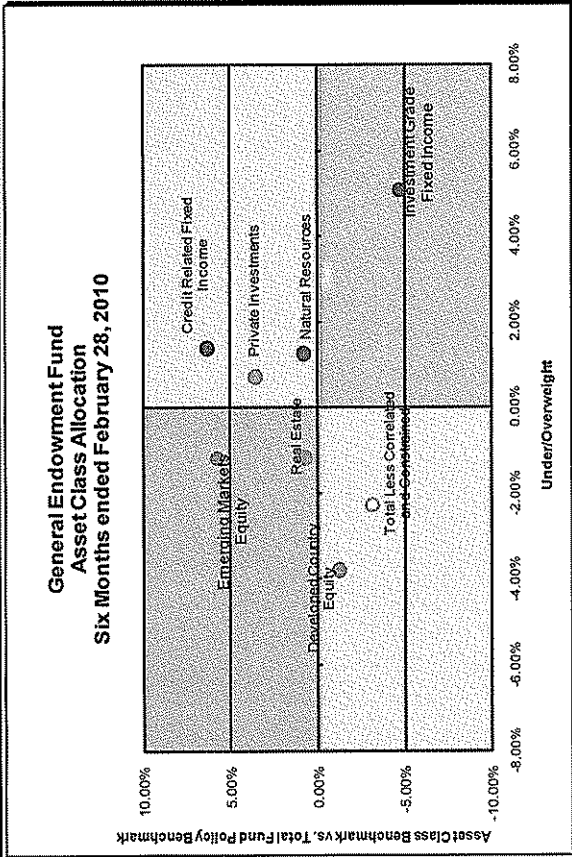




Tactical Asset Allocation



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Developed Country Equity	1.46%	-1.04%	7
Credit Related Fixed Income	8.32%	3.05%	4
Emerging Markets Equity	-1.31%	-1.50%	3
Real Estate	0.56%	0.64%	-
Less Correlated and Constrained	3.50%	0.67%	-
Subtotal			14
Natural Resources	-1.53%	-2.96%	(7)
Investment Grade Fixed Income	-1.46%	-3.29%	(18)
Subtotal			(25)
Total Fund excluding Private Investments			(11)
Private Investments	3.77%	5.60%	16
Total Fund	1.89%	0.79%	5



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Credit Related Fixed Income	21.85%	12.79%	10
Less Correlated and Constrained	9.72%	3.30%	7
Developed Country Equity	7.85%	5.21%	3
Real Estate	7.39%	7.11%	-
Subtotal			20
Natural Resources	12.03%	7.25%	(2)
Emerging Markets Equity	11.40%	12.19%	(5)
Investment Grade Fixed Income	2.98%	1.76%	(21)
Subtotal			(28)
Total Fund excluding Private Investments			(8)
Private Investments	11.47%	10.01%	38
Total Fund	9.56%	6.45%	30



Active Management Value Added Periods Ended February 28, 2010 (GEF)

	3 Months (bps)	Manager (Alpha)
Less Correlated	65	Indus Japan (7.98), Silver Point (7.46), Bridgewater Pure Alpha II (5.00), Perry Partners (4.03)
Developed Country Equity	45	Value Act (1.39), Japan Futures (.50), Levin Large Cap (.46)
Investment Grade Fixed Income	11	Total Internal Fixed Income (1.02), Brandywine (.61), PIMCO Fixed (.40)
Natural Resources	7	Blackrock Small Cap (1.18), Blackrock Global (.58), Energy Opportunities (.34)
Credit Related Fixed Income	3	Angelo Gordon (3.73), Watershed II (1.14), Watershed I (.35)
Emerging Markets Equity	1	Hillhouse (.35), Acadian (.33), Russian Prosperity (.27)
Subtotal	<u>132</u>	
Real Estate	(1)	European Investors (1.29), Blackrock ex-US Real Estate (.23), Cohen & Steers Global (.07)
Subtotal	<u>(1)</u>	
Total Fund excluding Private Investments	<u>131</u>	
Private Investments	<u>(45)</u>	
Total Fund	<u>86</u>	

	6 Months (bps)	Manager (Alpha)
Less Correlated and Constrained	187	Bridgewater Pure Alpha II (16.65), Silver Point (12.48), Maverick (6.54)
Developed Country Equity	49	Value Act (2.66), Maverick Long Enhanced (.40), Levin Large Cap (.35)
Natural Resources	26	Blackrock Small Cap (1.71), Gold Futures (1.41), Blackrock Global (1.10)
Investment Grade Fixed Income	9	PIMCO Fixed (.80), Brandywine (.49), Total Internal Fixed Income (.41)
Credit Related Fixed Income	5	Angelo Gordon (4.49), Watershed II (2.64), Watershed I (1.60)
Real Estate	1	Cohen & Steers (.81), Security Capital (.53)
Subtotal	<u>277</u>	
Emerging Markets Equity	(9)	Blakeney (.98), Lazard (.84), Blackrock EMSI (.44)
Subtotal	<u>(9)</u>	
Total Fund excluding Private Investments	<u>268</u>	
Private Investments	<u>7</u>	
Total Fund	<u>275</u>	



Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY05-09	1HFY10
MCC							
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.23%	-0.09%
Active	0.42%	-0.81%	-0.74%	-0.19%	1.68%	-0.62%	0.87%
TOTAL	0.85%	-1.35%	-0.60%	0.63%	-1.39%	-0.39%	0.78%
LCC							
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.00%	0.11%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	1.89%	1.91%
TOTAL	2.08%	0.93%	2.61%	1.93%	1.71%	1.88%	2.01%
Private Investments							
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	-0.27%	0.32%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	0.62%	0.00%
TOTAL	0.83%	-0.99%	0.51%	-0.45%	1.88%	0.36%	0.32%
Overall GEF							
Tactical	-0.26%	-0.89%	-0.57%	0.87%	0.67%	-0.04%	0.33%
Active	4.02%	-0.52%	3.09%	1.24%	1.53%	1.89%	2.78%
TOTAL	3.76%	-1.41%	2.52%	2.11%	2.20%	1.86%	3.11%



Assets



Combined PUF and GEF Asset Allocation as of February 28, 2010 (in millions)

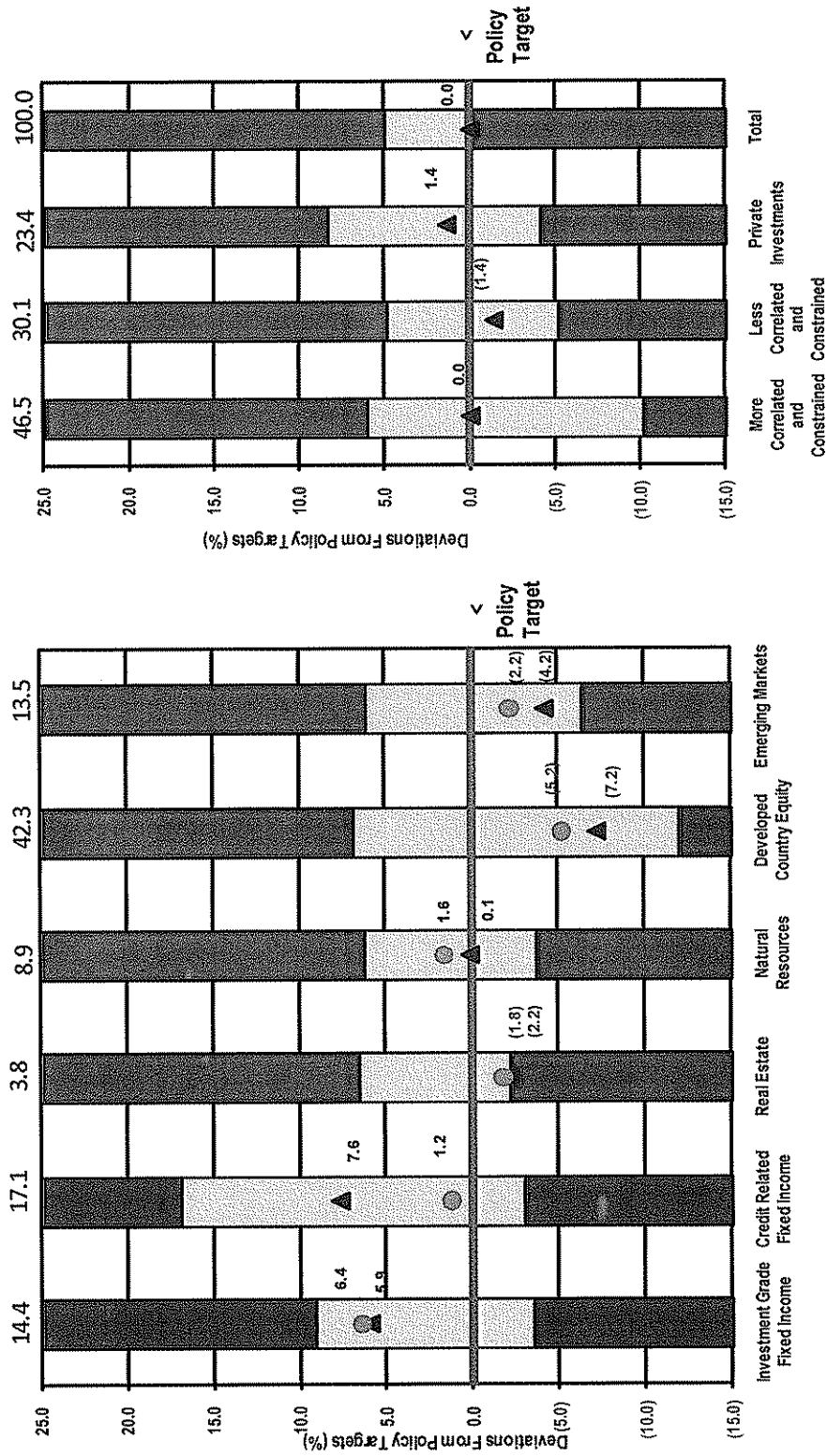
Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments	Grand Total
		\$	%	\$	%		
Fixed Income	Investment Grade	\$ 1,986	12.2%	\$ 250	1.5%	\$ -	\$ 2,236
	Credit-Related	270	1.7%	1,270	7.8%	1,255	2,795
Fixed Income Total		2,256	13.9%	1,520	9.3%	1,255	5,031
Real Assets	Real Estate	\$ 465	2.9%	\$ 90	0.6%	\$ 105	660
	Natural Resources	1,179	7.2%	13	0.1%	281	1,473
Real Assets Total		1,644	10.1%	103	0.7%	386	2,133
Equity	Developed Country	\$ 2,088	12.8%	\$ 2,900	17.8%	\$ 1,914	6,902
	Emerging Markets	1,516	9.3%	403	2.5%	279	2,198
Equity Total		3,604	22.1%	3,303	20.3%	2,193	9,100
Grand Total		\$ 7,504	46.1%	\$ 4,926	30.3%	\$ 3,834	\$ 16,264
							100.0%



PUF Asset Allocation as of February 28, 2010

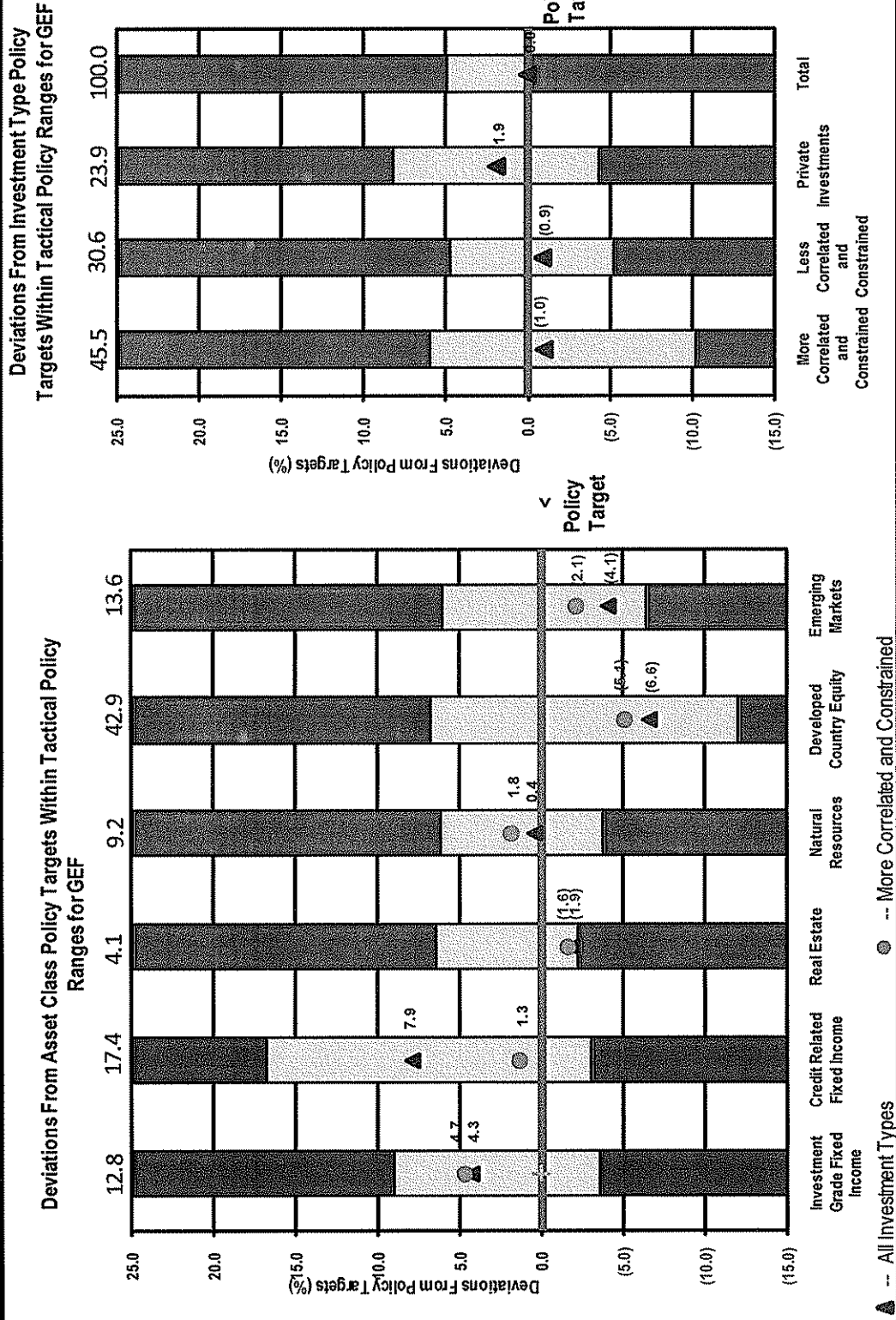
Deviations From Investment Type Policy Targets
Within Tactical Policy Ranges for PUF

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





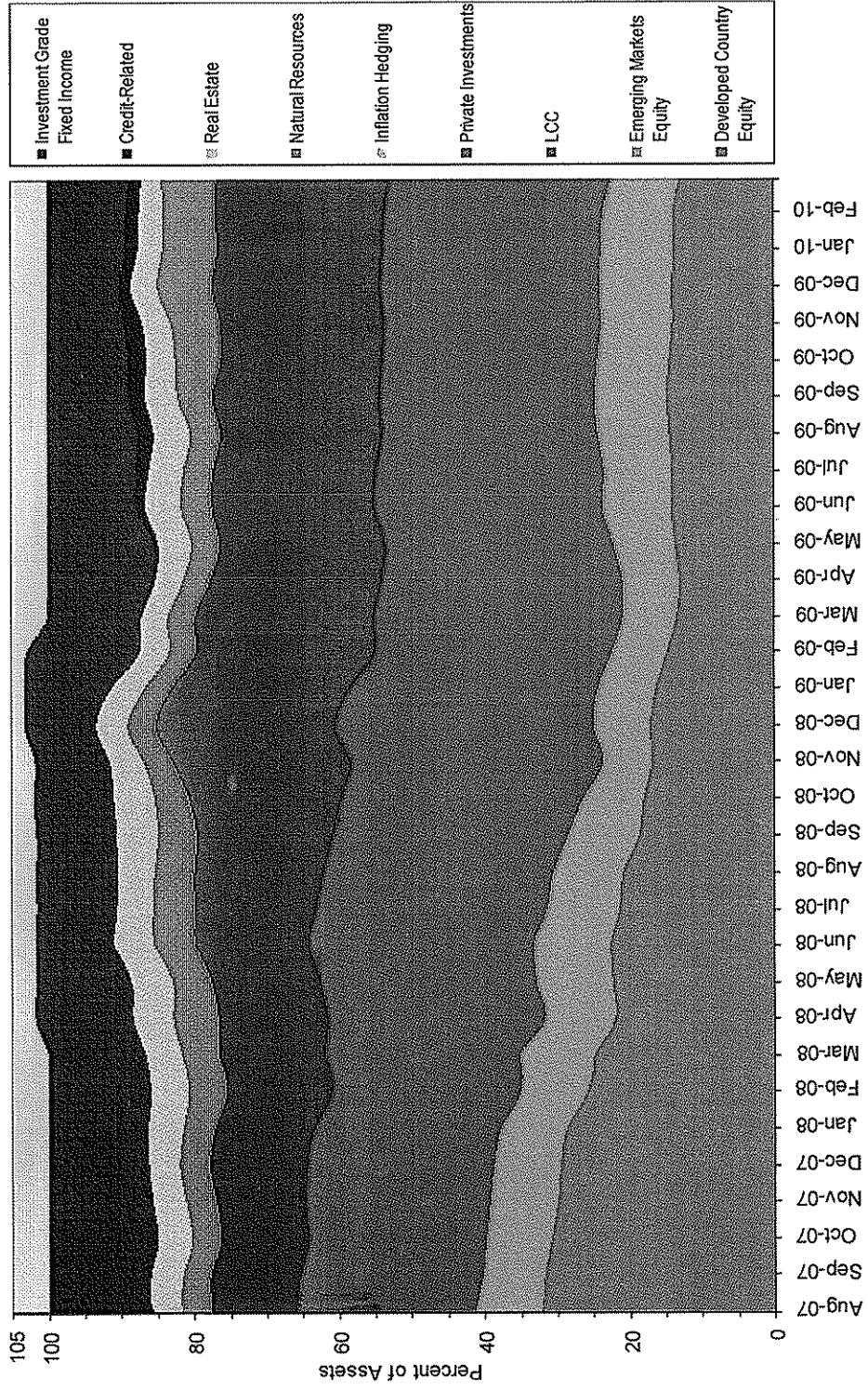
GEF Asset Allocation as of February 28, 2010



Asset Allocation Over Time (GEF)



Asset Allocation Over Time (GEF)





LCC Investment Policy Categorizations vs. "Look Thru" Exposures (2/28/2010)

UTIMCO FY Target Comparison			
Current per	8/31/10	Target	Difference
Policy			
	1.5%	2.0%	-0.5%
	7.6%	3.2%	4.4%
	0.4%	0.0%	0.4%
	0.1%	1.0%	-0.9%
	17.4%	20.6%	-3.2%
	2.5%	4.2%	-1.7%
	29.5%	30.9%	-1.5%

Exposure Methodology Comparison			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.5%	2.5%	1.1%
Credit-Related Fixed Income	7.6%	7.6%	0.1%
Real Estate	0.4%	0.3%	-0.1%
Natural Resources	0.1%	0.4%	0.3%
Developed Country Equity	17.4%	15.5%	-1.9%
Emerging Markets Equity	2.5%	3.1%	0.6%
Less Correlated & Constrained	29.5%	29.5%	0.0%

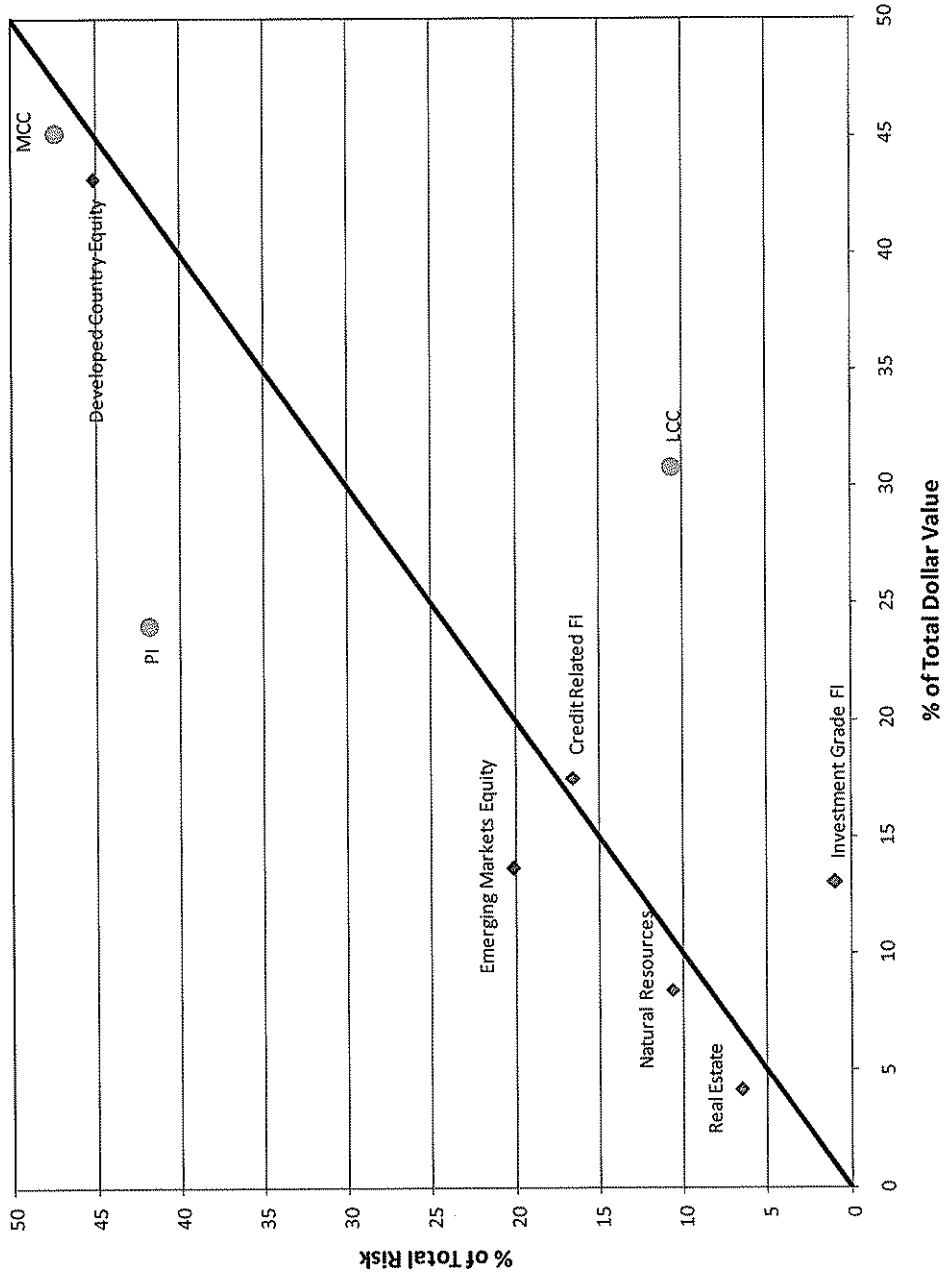
Asset Classification	Hedge Fund Strategy															
	Fixed Income (ex distressed)	Convertible Arbitrage	Currencies	Other Relative Value & Arbitrage	Investment Grade Fixed Income	Credit Related	Real Estate	Commodities	US Long/Short	Developed Int'l Long/Short	Equity Market Neutral	Merger Arbitrage	Privates & Restructurings	Developed Country Equity	Emerging Markets Long/Short	Total LCC
Fixed Income	0.4%	-	0.5%	0.0%	1.0%	-	-	0.4%	0.1%	0.1%	-	-	-	0.1%	-	1.5%
Real Assets	0.0%	0.1%	0.0%	-	0.2%	5.8%	0.3%	-	0.7%	0.4%	-	-	0.4%	1.6%	0.0%	7.6%
Equity	-	-	-	-	-	0.1%	-	-	-	-	-	-	0.1%	-	-	0.4%
Total LCC	0.1%	0.6%	0.8%	0.4%	2.5%	7.6%	0.3%	0.4%	9.3%	3.9%	0.0%	0.5%	1.8%	15.5%	3.1%	29.5%
Gross Leverage	21.67	2.25	9.49	1.82	8.68	1.17	1.79	1.53	2.00	2.15	0.00	1.53	1.22	1.93	1.49	2.26
Net Leverage	-9.30	0.16	2.75	0.47	-1.03	0.86	0.21	1.43	0.52	0.29	0.00	0.68	1.14	0.54	0.52	0.50



Risk Analytics

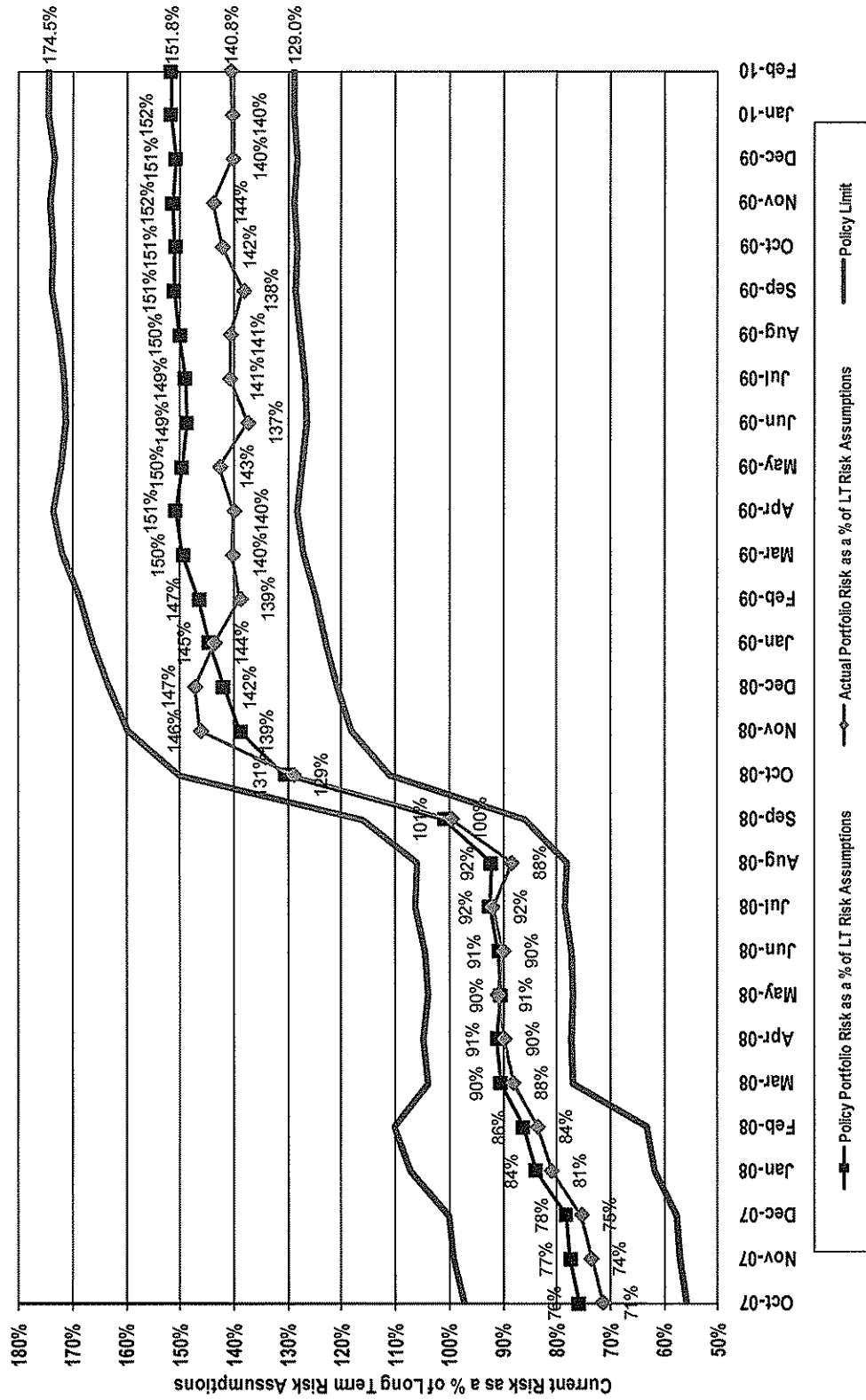


Dollar Allocations Compared to Downside Risk Allocation - GEF



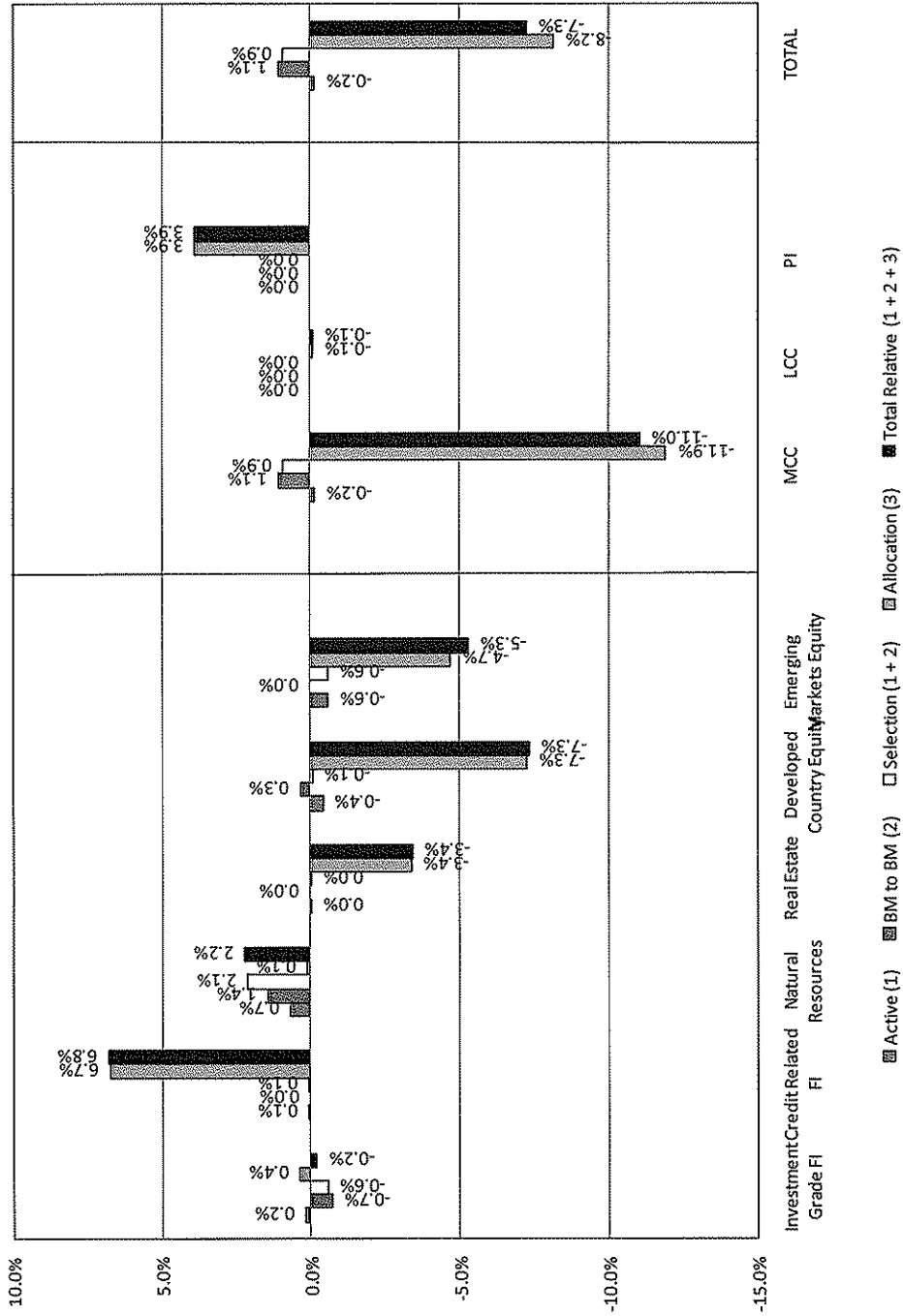


Current Risk Environment of GEF (Based on Downside Risk; LT assumption = 8.9%)





GEF 4-Way Risk Decomposition as of 2/28/2010





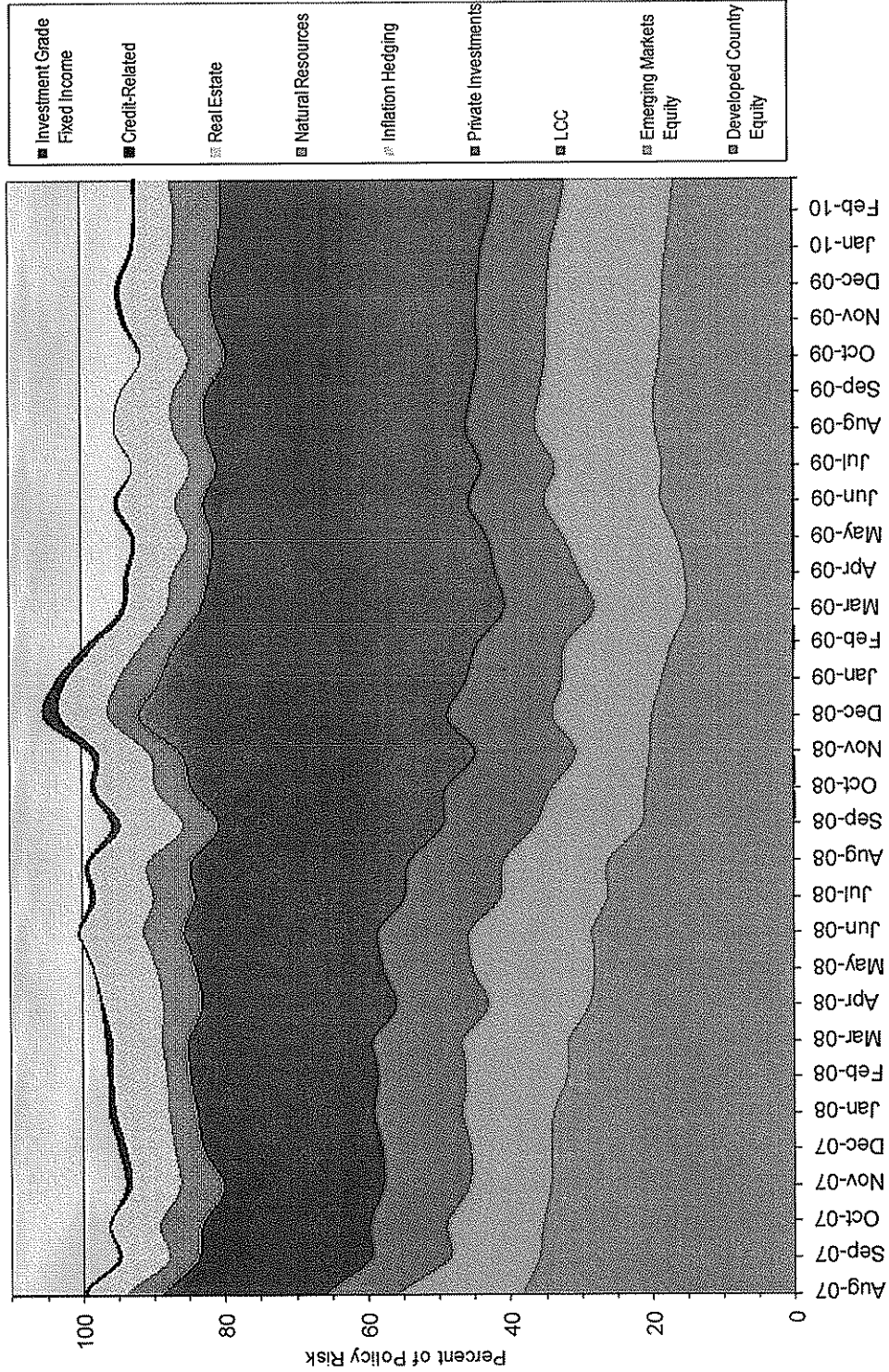
GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.04	0.00		0.03
Credit-Related Fixed Income	0.04	0.51	0.55	0.48
Natural Resources	1.03	0.18	2.52	1.31
Real Estate	1.81	0.15	3.62	1.88
Developed Country Equity	1.38	0.30	2.07	1.12
Emerging Markets Equity	1.73	0.45	3.51	1.72
TOTAL	1.04	0.35	1.75	1.00



Risk Allocation Over Time (GEF)

Risk Allocation Over Time (GEF)





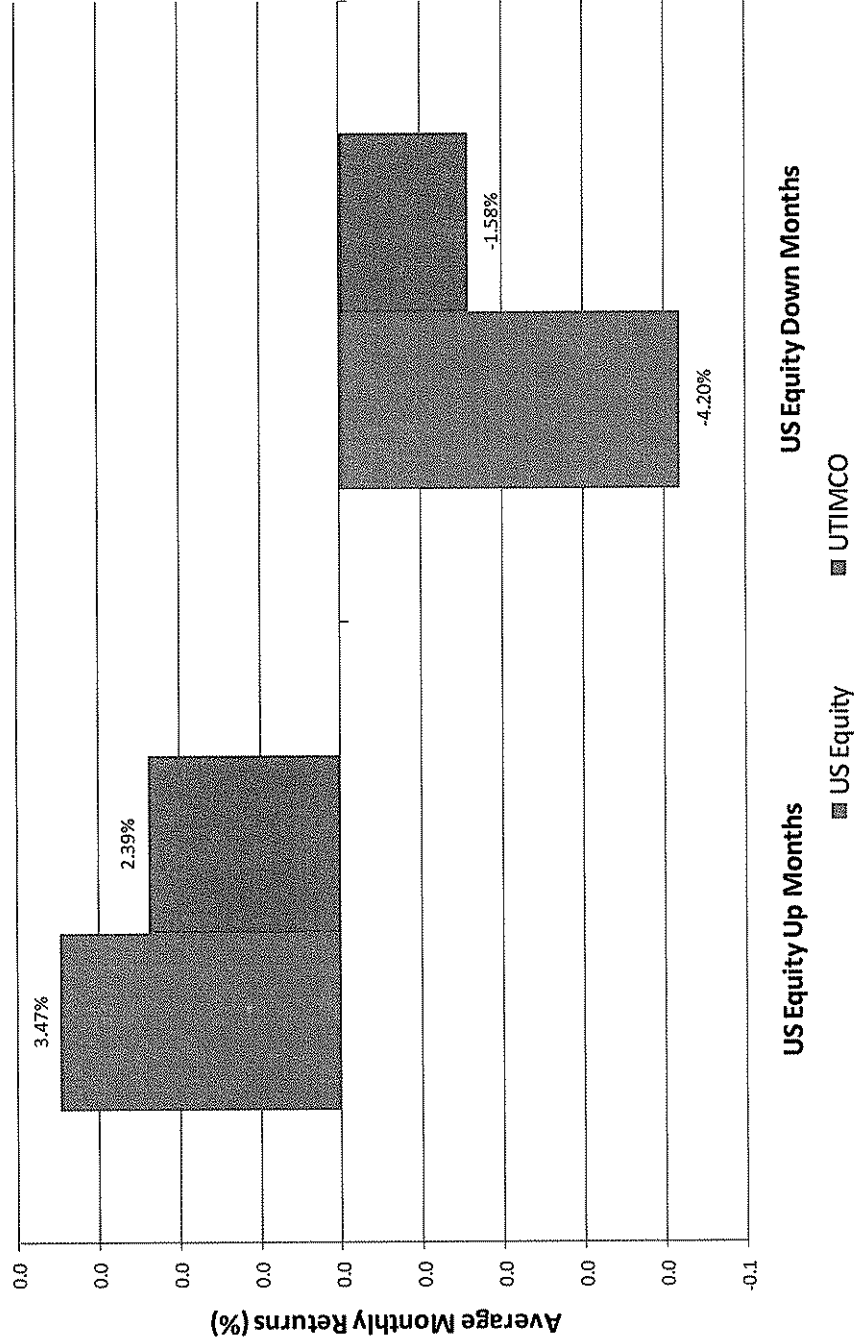
Portfolio Sharpe and Information Ratios

Periods Ending February 28, 2010

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	1.89	30.43	-0.43	4.61	4.99
Risk-free Returns	0.02	0.20	2.14	2.96	2.90
Actual Volatility	2.58	6.61	12.10	9.85	9.31
Portfolio Sharpe Ratio	0.73	4.58	-0.21	0.17	0.22
Policy Returns	0.79	26.22	-3.44	2.94	3.44
Policy Volatility	2.98	7.61	12.72	10.37	9.15
Tracking Error	1.12	3.48	2.91	2.56	2.54
Portfolio Information Ratio	0.98	1.21	1.03	0.65	0.61



UTIMCO's Up/Down Capture



Data from 8/1996 till 2/2010. US equity had 94 up months and 69 down months.



Correlations

Measured as of February 28, 2010

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.47	0.63	0.66	0.73	0.71	0.78	0.67	0.36	0.78
Total Credit		1.00	0.58	0.67	0.67	0.58	0.60	0.69	0.79	0.72
Total RE			1.00	0.63	0.80	0.84	0.91	0.50	0.47	0.85
Total NatRes				1.00	0.85	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	0.27	0.95
MCC							1.00	0.77	0.37	0.98
LCC								1.00	0.31	0.86
PI									1.00	0.49
GEF										1.00

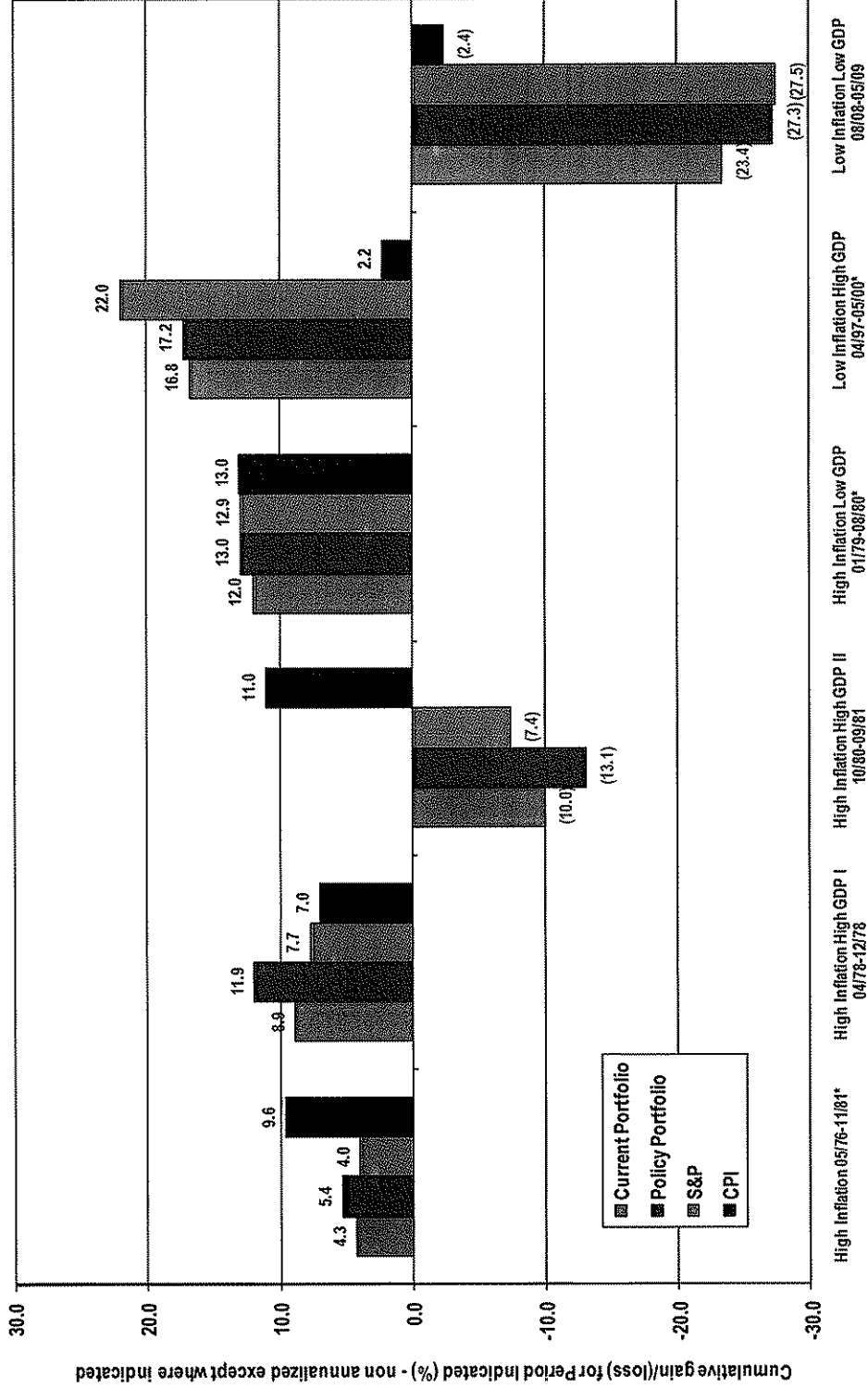


Stress Testing

- Stress testing library enhanced to 20 stress scenarios
 - 14 of the stress scenarios are short-term market shocks, ranging from a few days up to three months
 - 6 stress scenarios are longer terms economic shocks. The longest is 5½ years of high inflation, from 5/1976 till 11/1981



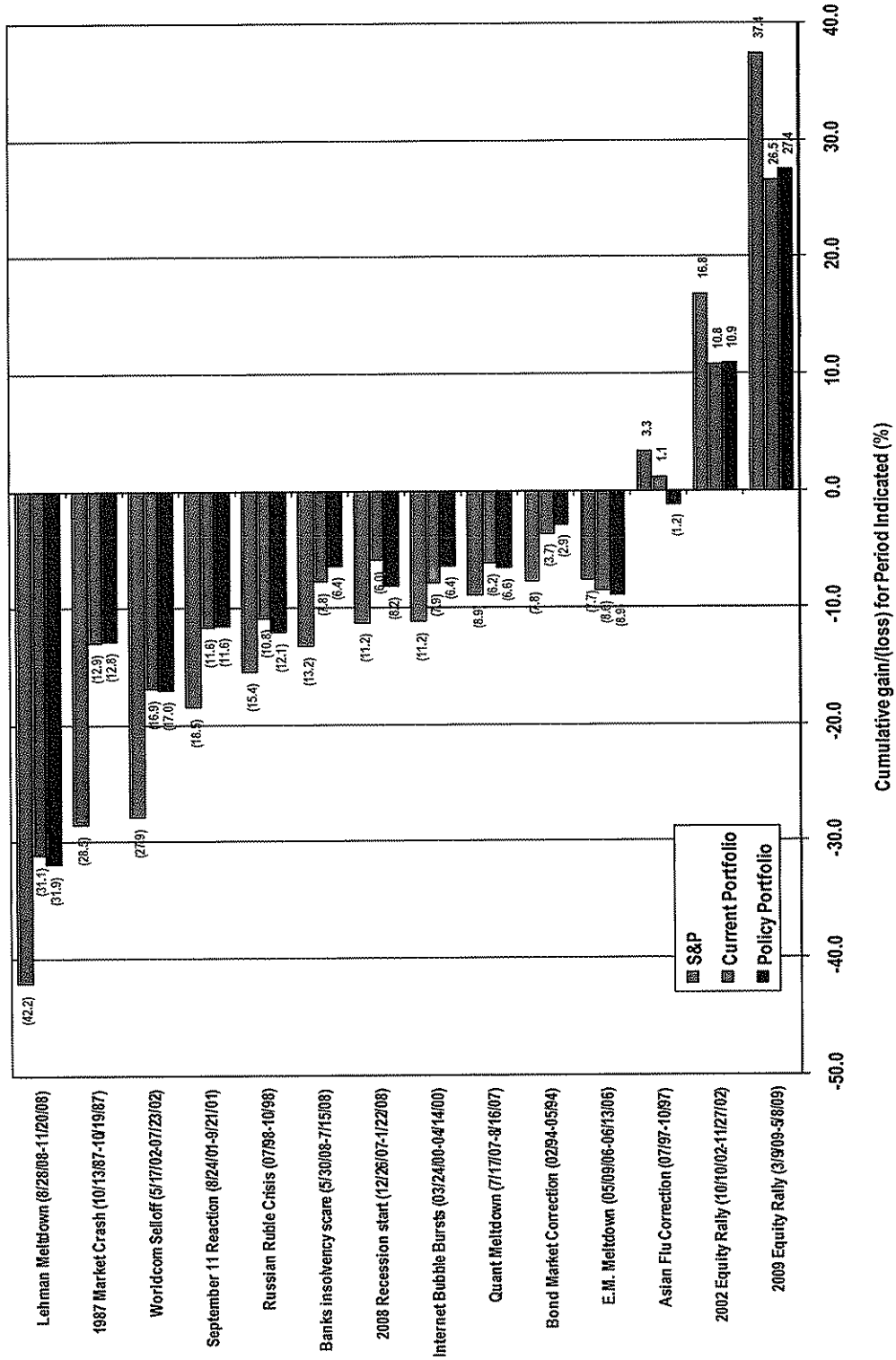
Hypothetical and Actual Performance of Current GEF Portfolio in Selected Economic Stress Environments



* Annualized



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



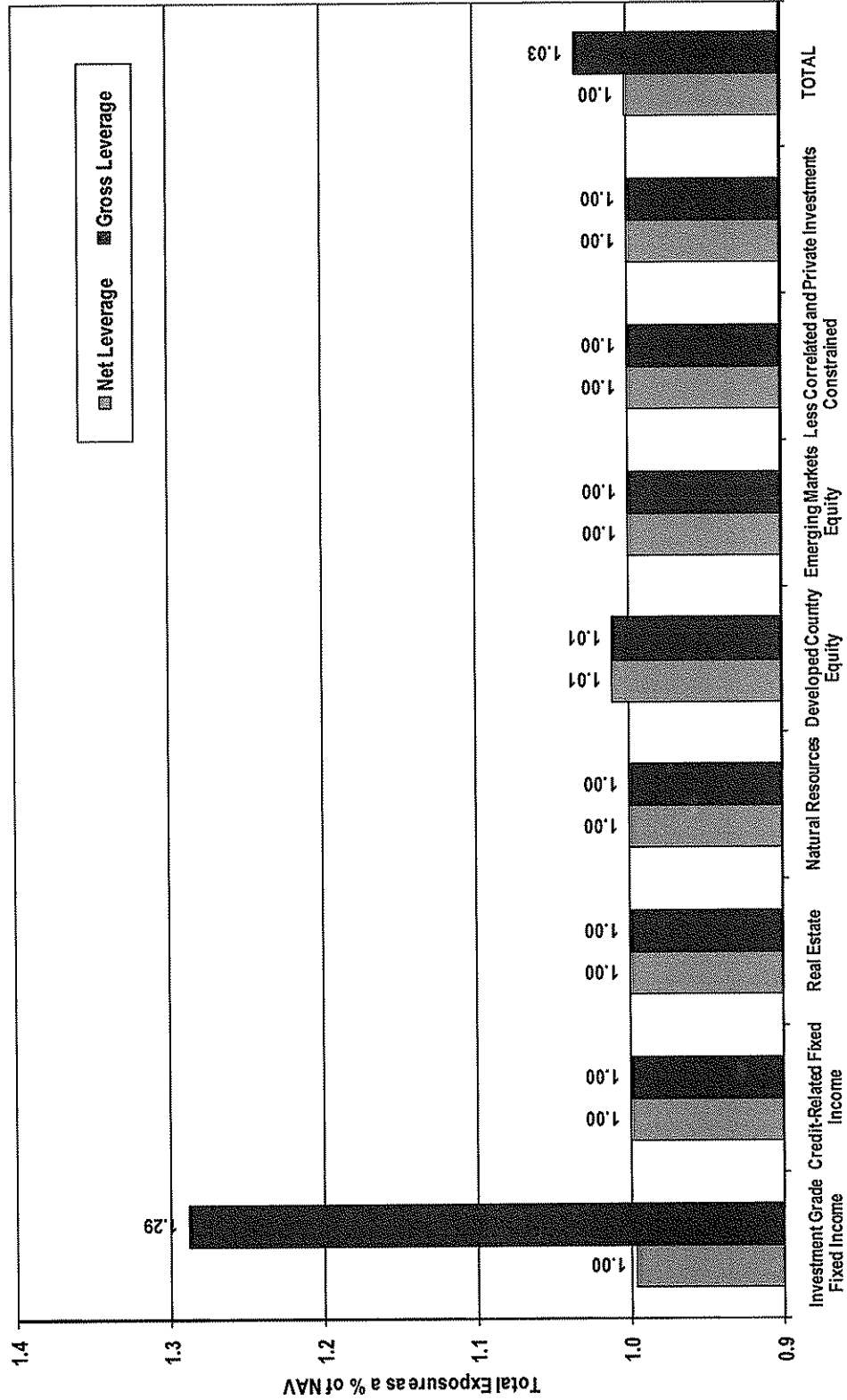


Leverage

- Derivatives
- Counterparty Risk



Net and Gross Leverage of GEF as of February 28, 2010





Comprehensive Derivative Report

February 28, 2010

<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value (\$ millions)</u>	<u>Activity from previous report (1/30/2009) (\$ millions)</u>
<u>INTERNAL MANAGERS</u>			
<u>Natural Resources</u>			
NR Swap	Long Natural Resource Equity / Short Libor	\$ 114	(54)
Gold Futures	Long Gold futures	388	(22)
<u>Developed Country Equity</u>			
S&P 500 Futures	Long S&P 500 futures	331	(9)
<u>Non-US Developed Equity</u>			
Japan Futures	Long Topix Index futures	17	(96)
Indus Japan FX Forwards	Currency forwards used to hedge foreign currency exposure	(102)	(102)
<u>Investment Grade Fixed Income</u>			
Inflation hedge	Long caplets on the 5y10y CMS and on the 7y10y CMS (Constant Maturity Swap)	4,000	-
Total Internal Managers		\$ 4,748	



Comprehensive Derivative Report

February 28, 2010

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>Natural Resources</u> Gresham	Long Exchange-traded commodity futures	\$ 363
<u>Non-US Developed Equity</u> International Value Advisors	Currency forward contracts, futures, options and sw aps for hedging purposes or to provide efficient investment exposure	(11)
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.	17
Wellington (SFE and Emerging)	Purchased options on single name shares	4
<u>Investment Grade Fixed Income</u> Brandywine	Currency forward used to hedge foreign currency exposure Short futures to reduce duration at the front end of the yield curve	(154) (637)
FIMCO Global Bonds	Currency forward used to underwrite the US dollar Long US and Non-US futures used to overwrite duration in Eurozone Long futures used to overwrite front end of US and UK yield curves Receive interest rate sw aps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve Pay interest rate sw aps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve Interest rate sw aps used to overwrite front end of US and UK yield curves Short/Written credit default sw aps used to overwrite credit risk Long/Purchased credit default sw aps used to underwrite credit risk Written options used to increase portfolio yield Purchased options used to increase portfolio yield	(107) 51 198 18 - 281 4 (70) (244) -
Total External Managers		\$ (287)
GRAND TOTAL		\$ 4,461



Comprehensive Report on Derivative Investments February 28, 2010

Internal Managers

Derivative Investment (account name)	PUF/GEF	Purpose of Investment
S&P 500 / Topix Futures	PUF/GEF/ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
Gold Futures	PUF/GEF/ITF	Use derivatives to gain market (systematic) exposure without trading the physical commodity
NR Swaps	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities or the physical commodities and add value over the index by taking advantage of the borrow rate.
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

External Managers Under Agency Agreement

	PUF/GEF/ITF	Primary Use of Derivatives
Brandywine	PUF/GEF/ITF	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX 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
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

February 28, 2010

\$ millions

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
BARCLAYS	A+	\$ 11.9	\$(1.6)	\$ 10.3	0.05%	\$ 1,701
MORGAN STANLEY	A	6.4	(1.6)	4.8	0.03%	1,263
CITIBANK NY	A	3.4	(2.9)	0.5	0.00%	373
DEUTSCHE BANK AG	A+	2.5	(0.5)	2.0	0.01%	27
HSBC BK USA, NEW YORK	AA-	0.8	(4.9)	(4.1)	-0.02%	146
GOLDMAN SACHS	A	0.3	-	0.3	0.00%	1,613
J P MORGAN, CHASE	AA-	0.3	(2.6)	(2.3)	-0.01%	172
BANK OF AMERICA	A	0.3	(0.2)	0.1	0.00%	89
MELLON BANK	AA-	0.2	(0.2)	-	0.00%	11
CHASE MANHATTAN	A+	0.2	-	0.2	0.00%	9
UBS AG, STAMFORD	A+	0.1	(0.5)	(0.4)	0.00%	32
WACHOVIA BANK	AA	-	-	-	0.00%	1
UBS A G, ZURICH	A+	-	-	-	0.00%	2
CREDIT SUISSE FIRST	A	-	-	-	0.00%	12
ROYAL BANK OF CANADA	AA-	-	-	-	0.00%	2
MERRILL LYNCH	A	-	-	-	0.00%	3
ROYAL BANK OF SCOTLAND PLC	A	(0.1)	(0.7)	(0.8)	0.00%	224
BNP PARIBAS	AA	(0.2)	(0.1)	(0.3)	0.00%	66
Grand Total		\$ 26.1	\$(15.8)	\$ 10.3	0.06%	\$ 5,746



OTC Derivative Counterparty Report by Counterparty and Manager February 28, 2010

\$ millions

Counterparty	Manager	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
INTERNALLY MANAGED							
BARCLAYS	INFLATION HEDGE	A+	12.1	\$ -	12.1	0.06%	\$ 1,500
BARCLAYS Total			12.1	-	12.1	0.06%	1,500
GOLDMAN SACHS	INFLATION HEDGE	A	(0.2)	-	(0.2)	0.00%	1,500
GOLDMAN SACHS Total			(0.2)	-	(0.2)	0.00%	1,500
J P MORGAN, CHASE	INDUS JAPAN FORWARD	AA-	-	(2.2)	(2.2)	-0.01%	102
J P MORGAN, CHASE Total			-	(2.2)	(2.2)	-0.01%	102
MORGAN STANLEY	NR EQUITY SWAP	A	-	4.2	4.2	0.00%	114
MORGAN STANLEY	INFLATION HEDGE	A	(0.6)	-	(0.6)	0.00%	1,000
MORGAN STANLEY Total			(0.6)	4.2	3.6	0.02%	1,114
Grand Total Internally Managed			11.3	2.0	13.3	0.07%	4,216
EXTERNALLY MANAGED							
BANK OF AMERICA	PMCO FIXED INCOME	A	0.3	(0.2)	0.1	0.00%	89
BANK OF AMERICA Total			0.3	(0.2)	0.1	0.00%	89
BARCLAYS	BRANDYWINE GLOBAL	A+	-	(1.1)	(1.1)	-0.01%	89
BARCLAYS	PMCO FIXED INCOME	A+	(0.2)	(0.5)	(0.7)	0.00%	112
BARCLAYS Total			(0.2)	(1.6)	(1.8)	-0.01%	201
BNP PARIBAS	PMCO FIXED INCOME	AA	(0.2)	(0.1)	(0.3)	0.00%	66
BNP PARIBAS Total			(0.2)	(0.1)	(0.3)	0.00%	66
CHASE MANHATTAN	PMCO FIXED INCOME	A+	0.2	-	0.2	0.00%	9
CHASE MANHATTAN Total			0.2	-	0.2	0.00%	9
CITIBANK NY	BRANDYWINE GLOBAL	A	2.5	(2.2)	0.3	0.00%	168
CITIBANK NY	PMCO FIXED INCOME	A	0.9	(0.7)	0.2	0.00%	205
CITIBANK NY Total			3.4	(2.9)	0.5	0.00%	373
CREDIT SUISSE FIRST	PMCO FIXED INCOME	A	-	-	-	0.00%	12
CREDIT SUISSE FIRST Total			-	-	-	0.00%	12
DEUTSCHE BANK AG	PMCO FIXED INCOME	A+	-	(0.5)	(0.5)	0.00%	25
DEUTSCHE BANK AG	WELLINGTON EMERGING	A+	0.3	-	0.3	0.00%	-
DEUTSCHE BANK AG	WELLINGTON SPC E	A+	2.2	-	2.2	0.01%	2
DEUTSCHE BANK AG Total			2.5	(0.5)	2.0	0.01%	27

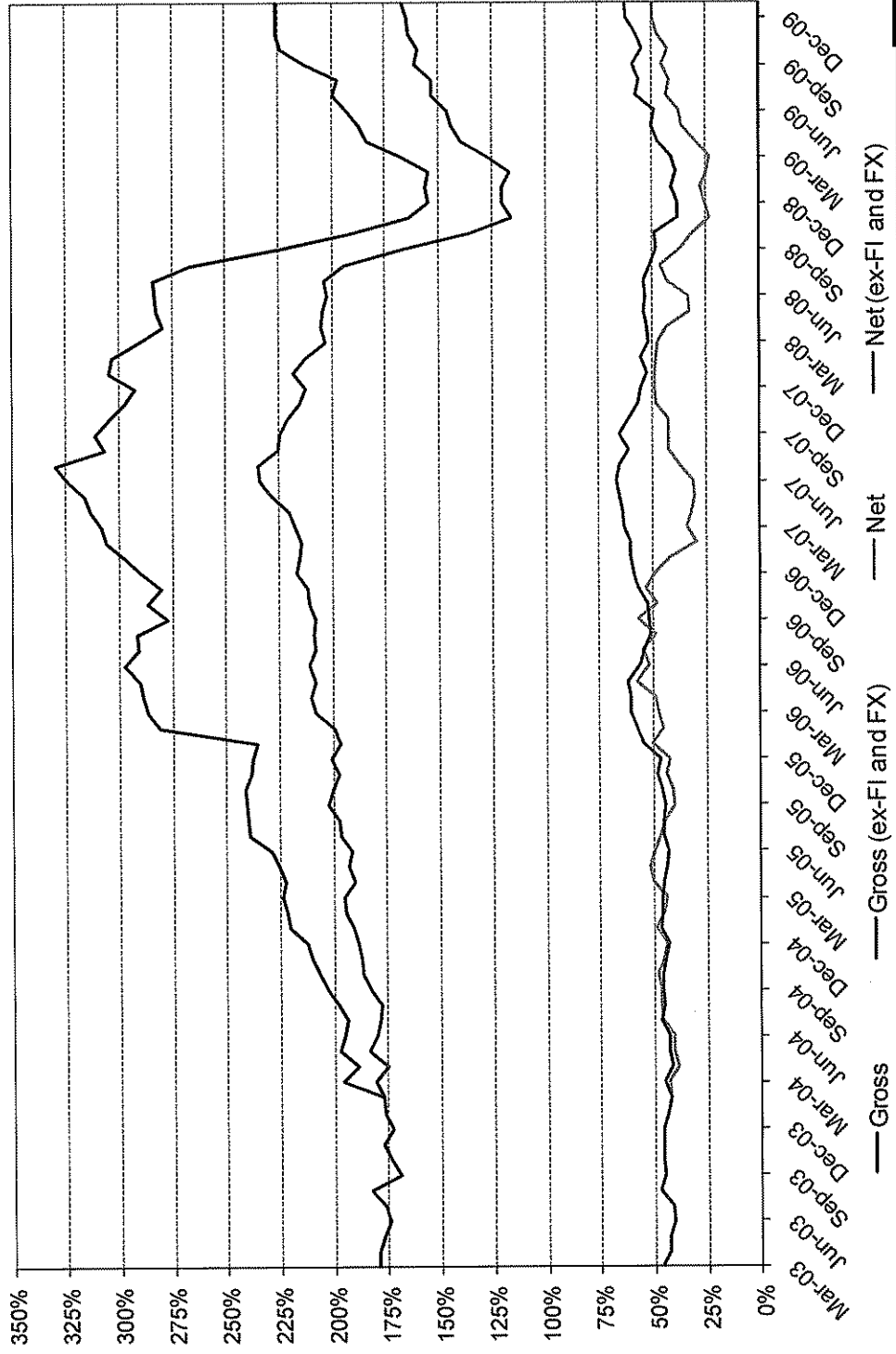


OTC Derivative Counterparty Report by Counterparty and Manager February 28, 2010

\$ millions									
Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	National Value		
GOLDMAN SACHS	FMCO FIXED INCOME	A	0.1	-	0.1	0.00%	100		
GOLDMAN SACHS	LANSDOWNE EUROPE SIA	A	0.1	-	0.1	0.00%	2		
GOLDMAN SACHS	LANSDOWNE/GOLDMAN	A	0.3	-	0.3	0.00%	11		
GOLDMAN SACHS Total			0.5	-	0.5	0.00%	113		
HSBC BK USA, NEW YORK	BRANDY VINE GLOBAL	AA-	0.5	(4.7)	(4.2)	0.00%	116		
HSBC BK USA, NEW YORK	FMCO FIXED INCOME	AA-	0.3	(0.2)	0.1	0.00%	30		
HSBC BK USA, NEW YORK Total			0.8	(4.9)	(4.1)	-0.02%	146		
J P MORGAN, CHASE	FMCO FIXED INCOME	AA-	0.1	(0.4)	(0.3)	0.00%	70		
J P MORGAN, CHASE	WELLINGTON EMERGING	AA-	0.2	-	0.2	0.00%	-		
J P MORGAN, CHASE Total			0.3	(0.4)	(0.1)	0.00%	70		
MELLON BANK	INTERNATIONAL VALUE ADVISORS	AA-	0.2	(0.2)	-	0.00%	11		
MELLON BANK Total			0.2	(0.2)	-	0.00%	11		
MERRILL LYNCH	FMCO FIXED INCOME	A	-	-	-	0.00%	3		
MERRILL LYNCH Total			-	-	-	0.00%	3		
MORGAN STANLEY	BRANDY VINE GLOBAL	A	-	(0.2)	(0.2)	0.00%	18		
MORGAN STANLEY	FMCO FIXED INCOME	A	5.4	(5.5)	(0.1)	0.03%	112		
MORGAN STANLEY	WELLINGTON EMERGING	A	1.3	-	1.3	0.01%	1		
MORGAN STANLEY	LANSDOWNE EUROPE SIA	A	0.3	(0.1)	0.2	0.00%	18		
MORGAN STANLEY Total			7.0	(5.8)	1.2	0.01%	149		
ROYAL BANK OF CANADA	FMCO FIXED INCOME	AA-	-	-	-	0.00%	2		
ROYAL BANK OF CANADA Total			-	-	-	0.00%	2		
ROYAL BANK OF SCOTLAND PLC	FMCO FIXED INCOME	A	(0.1)	(0.7)	(0.8)	0.00%	224		
ROYAL BANK OF SCOTLAND PLC Total			(0.1)	(0.7)	(0.8)	0.00%	224		
UBS A G, ZURICH	FMCO FIXED INCOME	A+	-	-	-	0.00%	2		
UBS A G, ZURICH Total			-	-	-	0.00%	2		
UBS AG, STAMFORD	BRANDY VINE GLOBAL	A+	-	(0.1)	(0.1)	0.00%	13		
UBS AG, STAMFORD	FMCO FIXED INCOME	A+	0.1	(0.4)	(0.3)	0.00%	19		
UBS AG, STAMFORD Total			0.1	(0.5)	(0.4)	0.00%	32		
WACHOVIA BANK	FMCO FIXED INCOME	AA	-	-	-	0.00%	1		
WACHOVIA BANK Total			-	-	-	0.00%	1		
Grand Total Externally Managed			14.8	(17.8)	(3.0)	-0.01%	1,530		
GRAND TOTAL - ALL MANAGERS			\$ 26.1	\$ (15.8)	\$ 10.3	0.06%	\$ 5,746		



LCC Leverage as of January 31, 2010

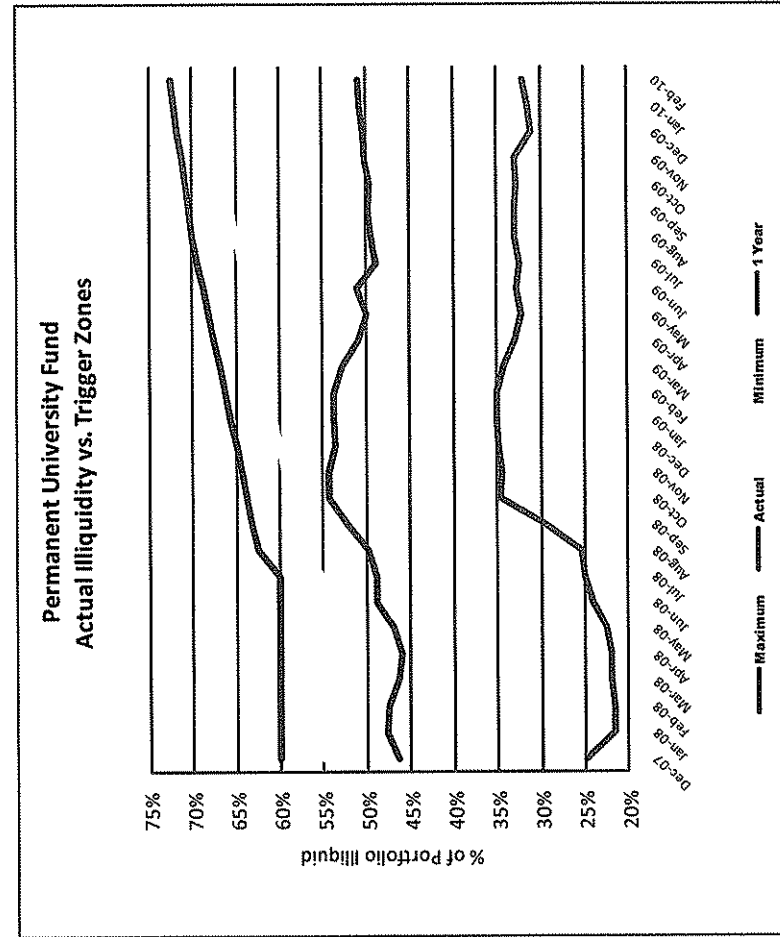




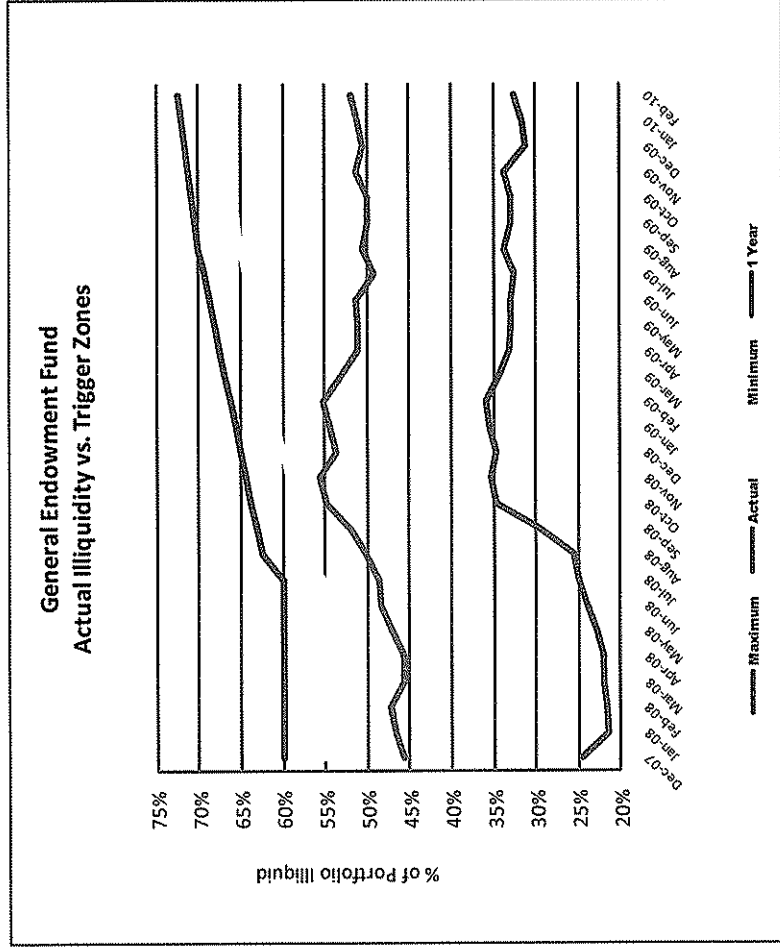
Liquidity



Endowment Fund Liquidity



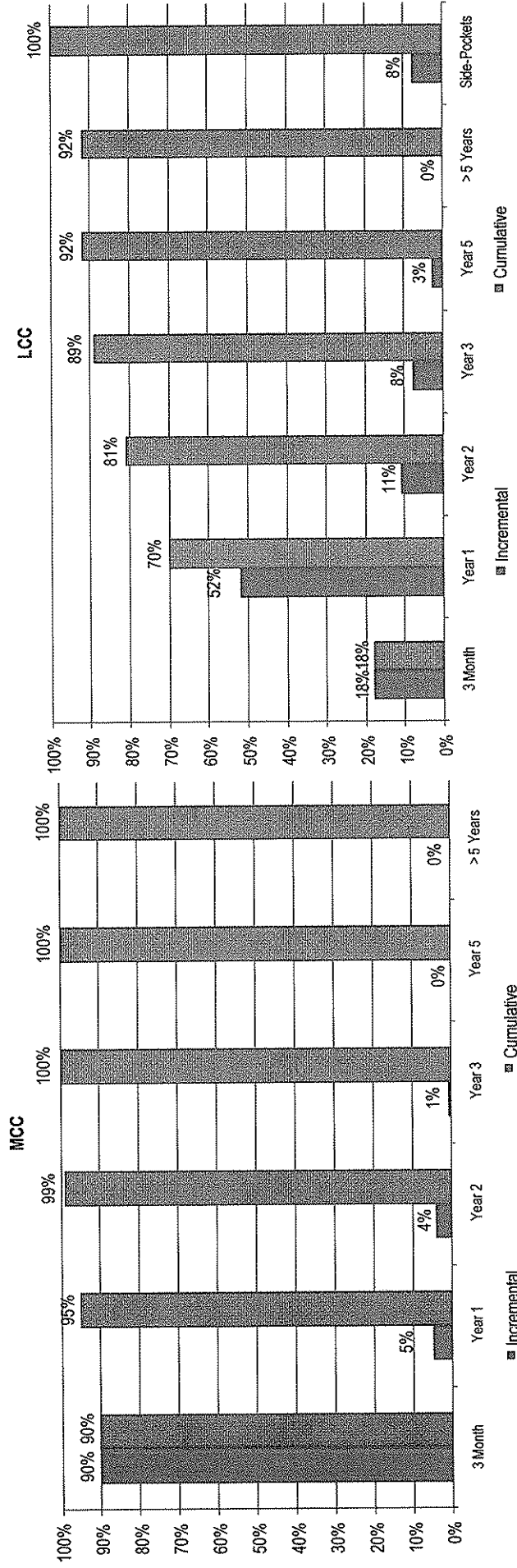
Three Month Liquidity \$ 5,132 million One Year Liquidity \$ 7,123 million



Three Month Liquidity \$ 2,788 million One Year Liquidity \$ 3,907 million



Estimated Run-Off Liquidity* As of February 28, 2010



*Actual point in time liquidity varies from "smoothed" Policy Liquidity methodology



Unfunded Commitments As of February 28, 2010

Asset Class	Unfunded Commitment	Unfunded Commitment as % of Total Endowments
<u>PRIVATE INVESTMENTS</u>		
TRADING	\$5	0.0%
CONTROL	111	0.7%
OPPORTUNISTIC	129	0.8%
CREDIT-RELATED FIXED INCOME	245	1.5%
REAL ESTATE	214	1.3%
NATURAL RESOURCES	399	2.5%
MEGALARGE BUYOUT	254	1.6%
MEDIUM/SMALL BUYOUT	421	2.6%
VENTURE CAPITAL	375	2.3%
GROWTH/OPPORTUNISTIC	147	0.9%
DEVELOPED MARKETS EQUITY	1,197	7.4%
EMERGING MARKETS EQUITY	328	2.0%
TOTAL PRIVATE INVESTMENTS	\$2,383	14.7%
<u>LESS CORRELATED AND CONSTRAINED</u>		
INVESTMENT GRADE FIXED INCOME	\$ -	0.0%
CREDIT-RELATED FIXED INCOME	7	0.0%
REAL ESTATE	-	0.0%
NATURAL RESOURCES	-	0.0%
DEVELOPED MARKETS EQUITY	-	0.0%
EMERGING MARKETS EQUITY	13	0.1%
TOTAL LESS CORRELATED AND CONSTRAINED	\$20	0.1%
GRAND TOTAL P1 AND LCC	\$2,403	14.8%
TOTAL ENDOWMENTS HOLDINGS	\$16,264	
MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY		28.8%



Investment Activity



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended February 28, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
Investment Grade Fixed Income									
Bridgewater II	-	-	-	-	-	15	-	15	Yes
	-	-	-	-	-	15	-	15	
Credit-Related Fixed Income									
Satellite	-	13	-	13	-	-	-	-	
Blackstone	-	4	-	4	-	-	-	-	
Watershed	-	-	-	-	-	25	-	25	Yes
Angelo Gordon CMBS	-	-	-	-	5	-	-	5	No
	-	17	-	17	5	25	-	30	
Real Estate									
Credit Suisse	71	-	-	71	-	-	-	-	No
Cohen & Steers	37	-	-	37	21	-	-	21	No
BlackRock ex-US Real Estate Index Fund	29	-	-	29	7	-	-	7	No
Morgan Stanley REITs	29	-	-	29	-	-	-	-	
European Investors	11	-	-	11	-	-	-	-	
Security Capital	10	-	-	10	15	-	-	15	No
GEM Realty	-	-	-	-	-	25	-	25	Yes
	187	-	-	187	43	25	-	68	
Natural Resources									
Gresham	200	-	-	200	-	-	-	-	
Black River	-	2	-	2	-	-	-	-	
Schroders Commodity Portfolio	-	-	-	-	200	-	-	200	No
EnCap Energy	-	-	-	-	-	-	67	67	Yes
BlackRock Mining & Metals	-	-	-	-	45	-	-	45	No
	200	2	-	202	245	-	67	312	



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended February 28, 2010

	Redemptions (\$ millions)			Total	Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private		MCC	LCC	Private	
Developed Country Equity								
BlackRock EAFE	120	-	-	120	-	-	-	-
Westport	77	-	-	77	-	-	-	-
Blue Ridge	-	75	-	75	-	-	-	-
Value Act	75	-	-	75	-	-	-	-
New Mountain	38	-	-	38	-	-	-	-
Lansdowne Europe	30	-	-	30	-	-	-	-
Shepherd Investments (Stark)	-	18	-	18	-	-	-	-
FCOI II	-	1	-	1	-	-	-	-
Indus Japan Long	-	-	-	-	100	-	-	100
International Value Advisors	-	-	-	-	75	-	-	75
Viking Long Only Fund	-	-	-	-	50	-	-	50
Deerfield International	-	-	-	-	-	50	-	50
Steadfast	-	-	-	-	-	25	-	25
	340	94	-	434	225	75	-	300
Emerging Markets Equity								
Lazard	120	-	-	120	-	-	-	-
Rexiter	118	-	-	118	-	-	-	-
BlackRock EMSI	44	-	-	44	-	-	-	-
Wellington Emerging	-	-	-	-	144	-	-	144
Helios Investors II	-	-	-	-	-	50	-	50
Hillhouse Gaoling Feeder Fund	-	-	-	-	25	-	-	25
Russian Prosperity	-	-	-	-	20	-	-	20
	282	-	-	282	189	50	-	239
	\$ 1,009	\$ 113	\$ -	\$ 1,122	\$ 707	\$ 140	\$ 117	\$ 964



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date February 28, 2010

Investment Grade Fixed Income

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private	MCC	LCC	Private	
PIMCO							
BGI Global Agg Bond Fund	75	-	-	-	-	-	-
Bridgewater II	39	-	-	-	-	15	15
	114	-	-	-	-	15	15
Credit-Related Fixed Income							
BlackRock High Yield Bond Fund	114	-	-	-	-	-	-
Satellite	-	36	-	-	-	-	-
Watershed RMBS	32	-	-	-	-	-	-
Blackstone	-	4	-	-	-	-	-
Angelo Gordon CMBS	-	-	-	30	-	-	30
Silver Point	-	-	-	-	25	-	25
Watershed	-	-	-	-	25	-	25
	146	40	-	30	50	-	80

Real Estate

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private	MCC	LCC	Private	
BlackRock ex-US Real Estate Index Fund							
BlackRock ex-US Real Estate Index Fund	143	-	-	7	-	-	7
Credit Suisse	104	-	-	-	-	-	-
Morgan Stanley REITs	52	-	-	-	-	-	-
Cohen & Steers	37	-	-	21	-	-	21
Cohen & Steers	35	-	-	-	-	-	-
European Investors	23	-	-	-	-	-	-
Security Capital	21	-	-	15	-	-	15
GEM Realty	-	-	-	-	50	-	50
	415	-	-	43	50	-	93

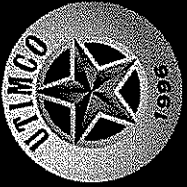
Natural Resources

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private	MCC	LCC	Private	
Gresham							
Gresham	200	-	-	93	-	-	93
Black River	-	2	-	-	-	-	-
Schroders Commodity Portfolio	-	-	-	200	-	-	200
EnCap Energy	-	-	-	-	-	67	67
Energy Opportunities	-	-	-	60	-	-	60
BlackRock Mining & Metals	-	-	-	45	-	-	45
	200	2	-	398	-	67	465



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date February 28, 2010

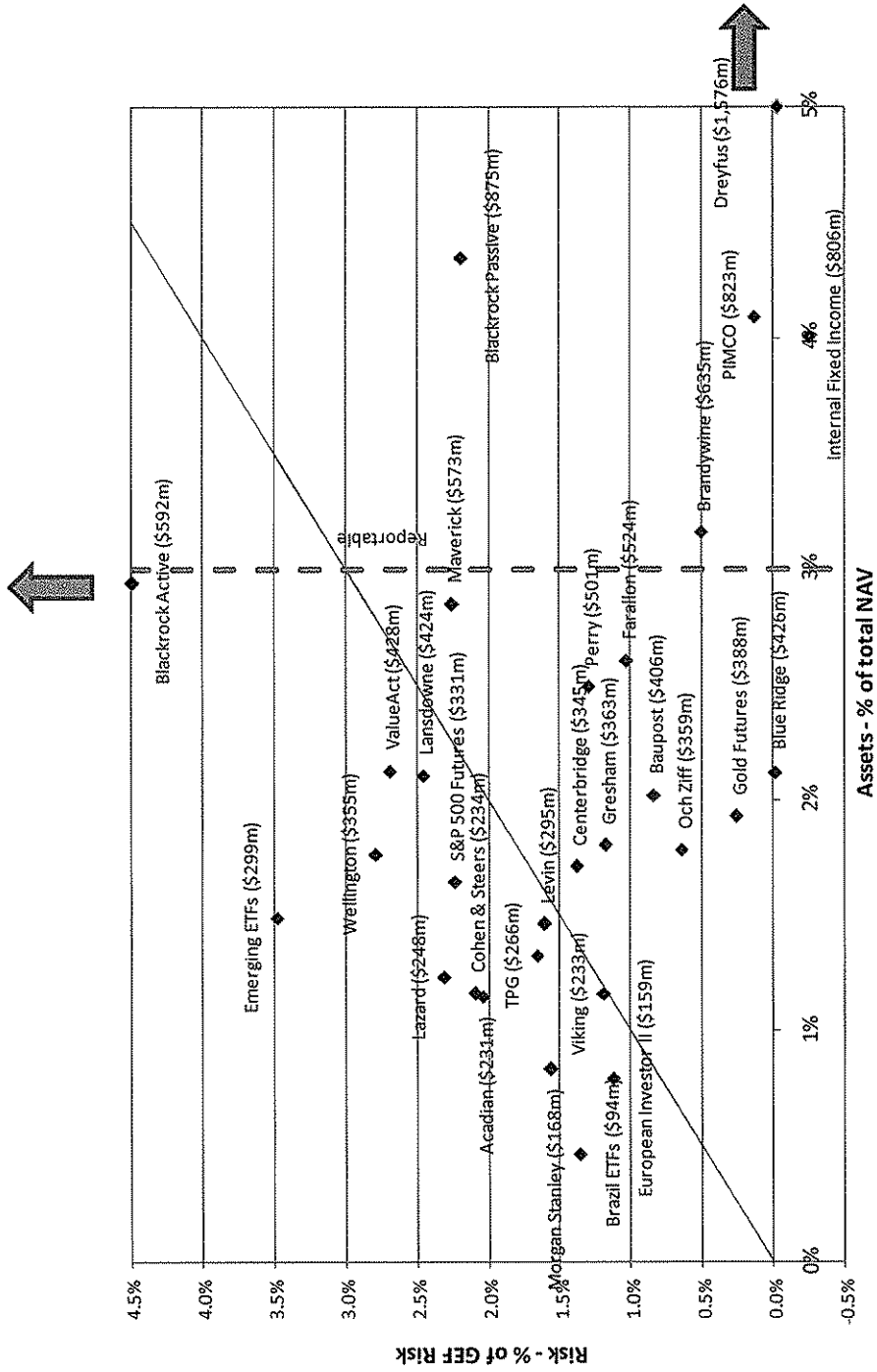
	Redemptions (\$ millions)			Total	Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private		MCC	LCC	Private	
Developed Country Equity								
BlackRock EAFE	170	-	-	170	-	-	-	-
Westport	153	-	-	153	-	-	-	-
Blue Ridge	-	75	-	75	-	-	-	-
Value Act	75	-	-	75	-	-	-	-
Levin Utilities	40	-	-	40	-	-	-	-
New Mountain	38	-	-	38	-	-	-	-
Lansdowne Europe	30	-	-	30	-	-	-	-
Shepherd Investments (Stark)	-	28	-	28	-	-	-	-
FCOI II	-	3	-	3	-	-	-	-
Rock Creek	-	3	-	3	-	-	-	-
Viking Long Fund III	-	-	-	-	150	-	-	150
Indus Japan Long	-	-	-	-	100	-	-	100
Stelliam Offshore Long Fund	-	-	-	-	100	-	-	100
Owl Creek	-	-	-	-	-	90	-	90
International Value Advisors	-	-	-	-	75	-	-	75
Viking Global III	-	-	-	-	-	75	-	75
Deerfield International	-	-	-	-	-	50	-	50
Steadfast	-	-	-	-	-	40	-	40
Cadian	-	-	-	-	-	25	-	25
Criterion	-	-	-	-	-	20	-	20
Eminence	-	-	-	-	-	20	-	20
	506	109	-	615	425	320	-	745
Emerging Markets Equity								
Lazard	120	-	-	120	-	-	-	-
Rexiter	118	-	-	118	-	-	-	-
BlackRock EMSI	94	-	-	94	-	-	-	-
Wellington Emerging	-	-	-	-	144	-	-	144
Hillhouse Gaoqing Feeder Fund	-	-	-	-	100	-	-	100
Helios Investors II	-	-	-	-	-	50	-	50
Valiant	-	-	-	-	-	25	-	25
Russian Prosperity	-	-	-	-	20	-	-	20
	332	-	-	332	264	25	50	339
	\$ 1,713	\$ 151	\$ -	\$ 1,864	\$ 1,160	\$ 460	\$ 117	\$ 1,737



Manager Exposure



Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.6% of total assets, or at least 1.1% of Risk



Manager Exposures over 3% and 5% February 28, 2010

Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments) As of 2/28/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%age</u>
<u>More Correlated and Constrained</u>		
Pimco	822,887,396	4.06%
Internal Fixed Income	805,700,700	3.97%
Brandywine	635,339,636	3.13%

Less Correlated and Constrained
None

Private Investments
None

Managers with exposure >5% relative to total Funds (excluding ITF for Private Investments) As of 2/28/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%age</u>

None



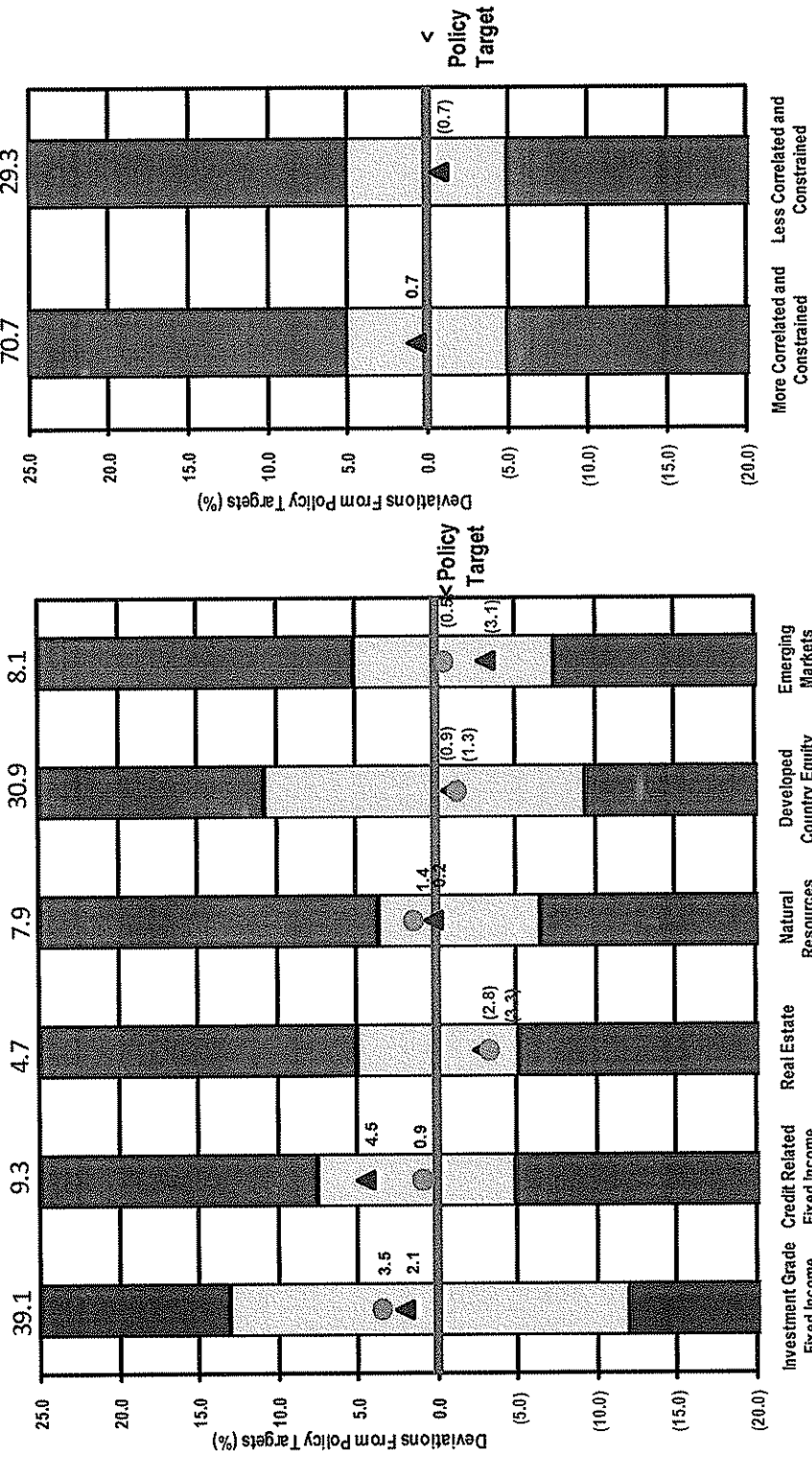
ITF



ITF Asset Allocation as of February 28, 2010

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

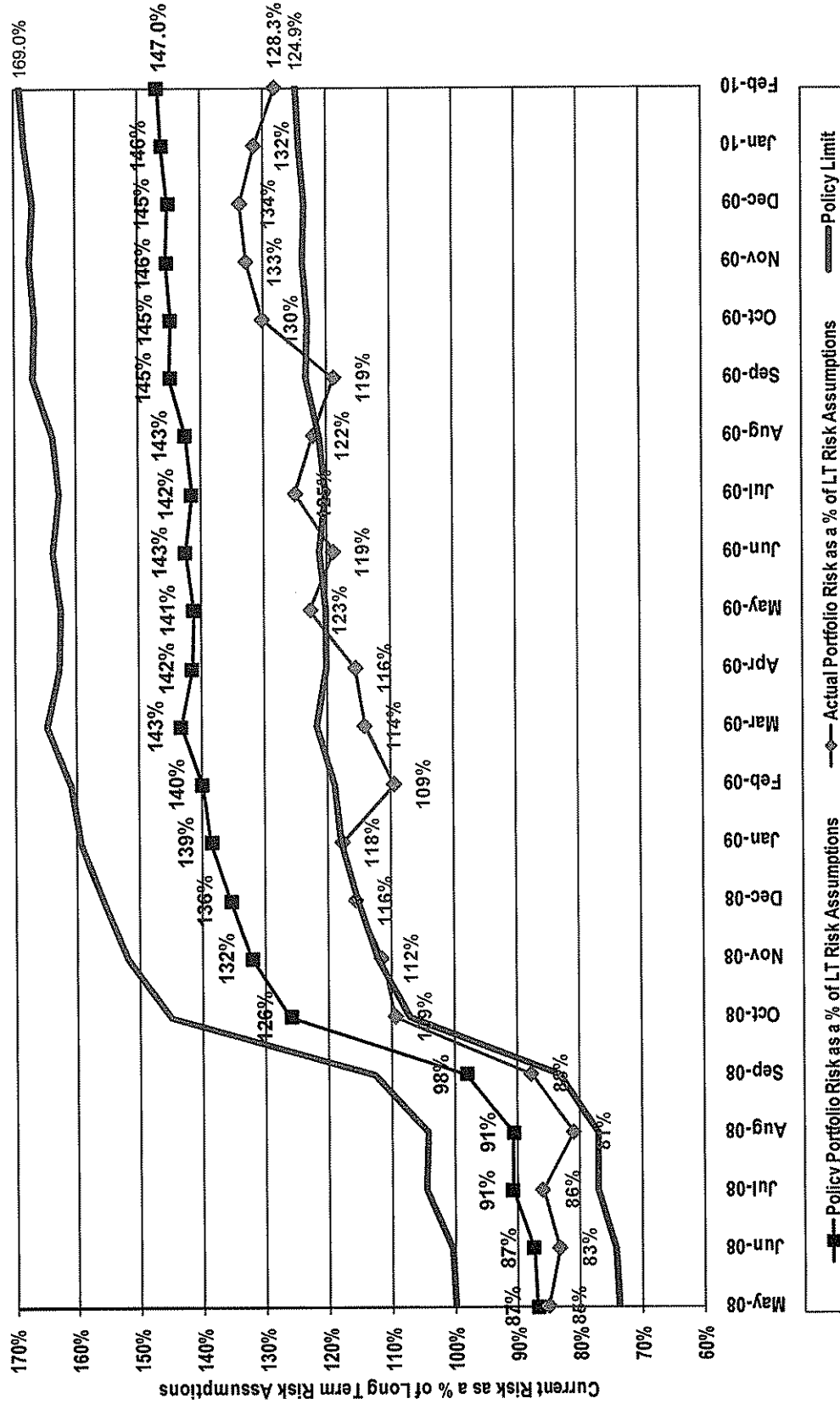
Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF



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

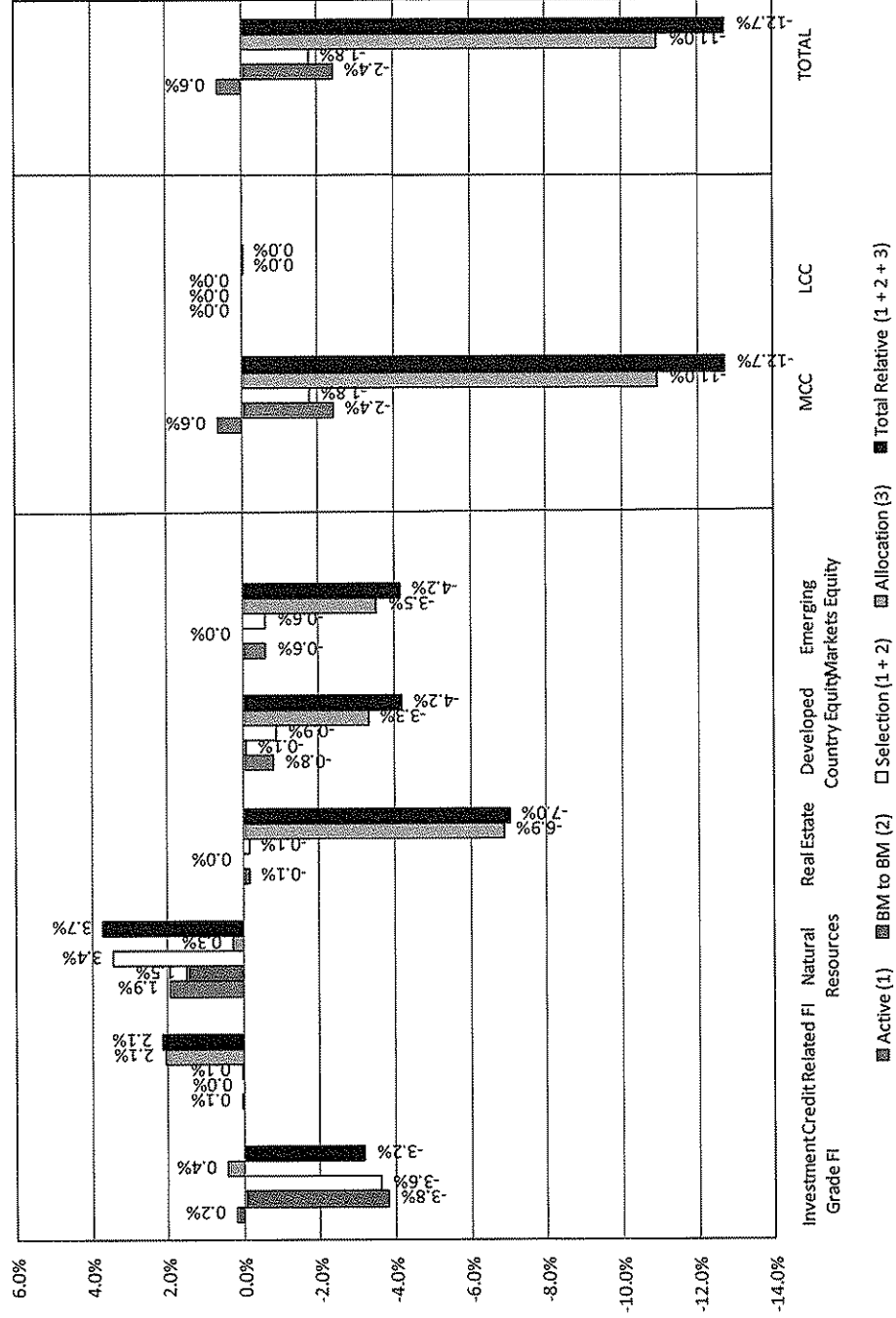


Current Risk Environment of ITF (Based on Downside Risk; LT assumption = 5.9%)



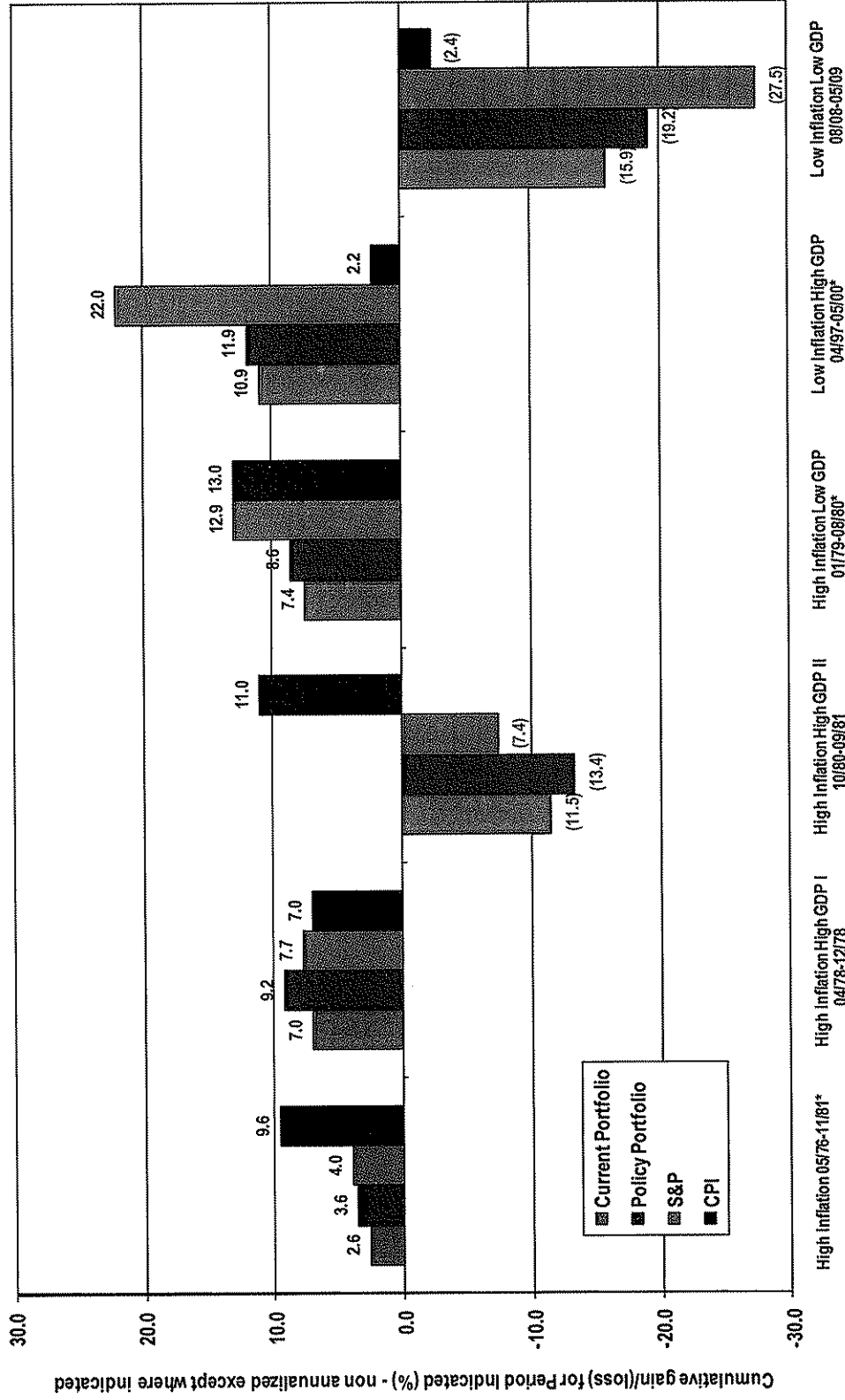


ITF 4-Way Risk Decomposition as of 2/28/2010





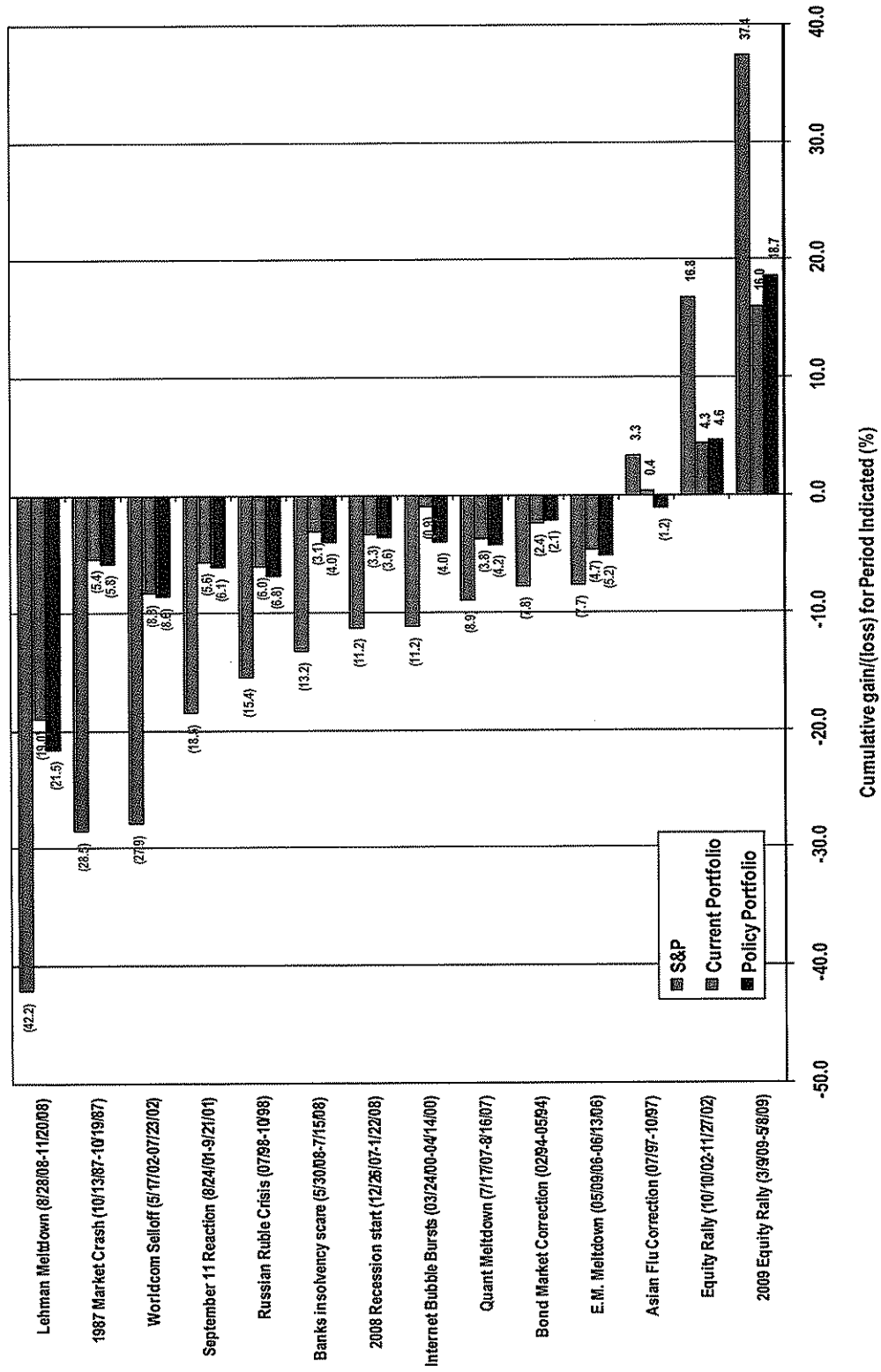
Hypothetical and Actual Performance of Current ITF Portfolio in Selected Economic Stress Environments



* Annualized

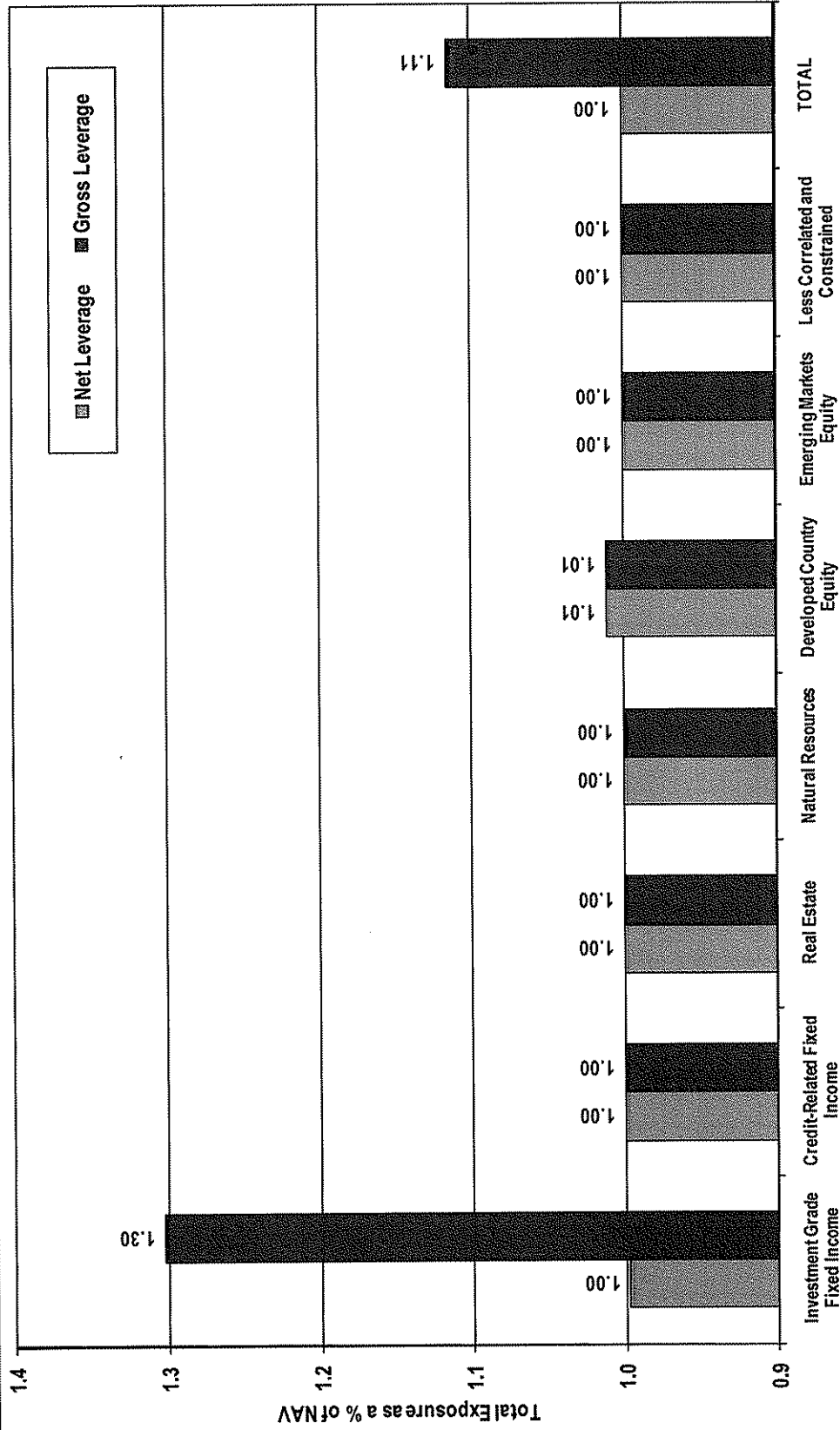


Hypothetical and Actual Performance of Current ITF Portfolio in Selected Market Stress Environments





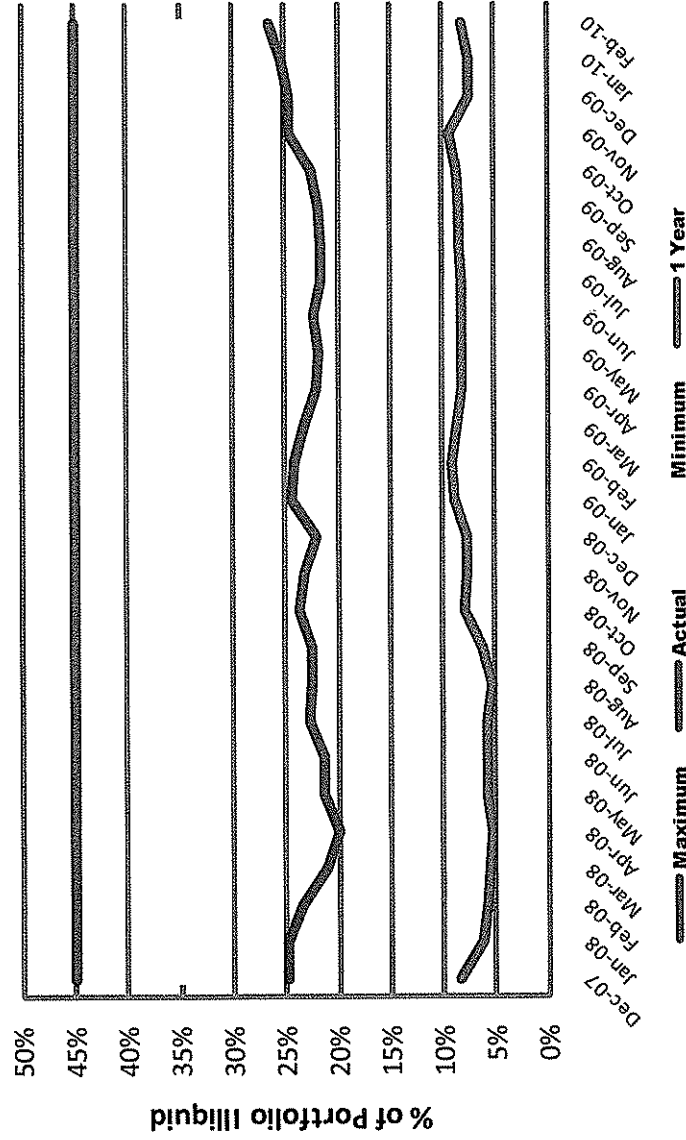
Net and Gross Leverage of ITF as of February 28, 2010





ITF Liquidity

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 2,963 million One Year Liquidity \$ 3,701 million



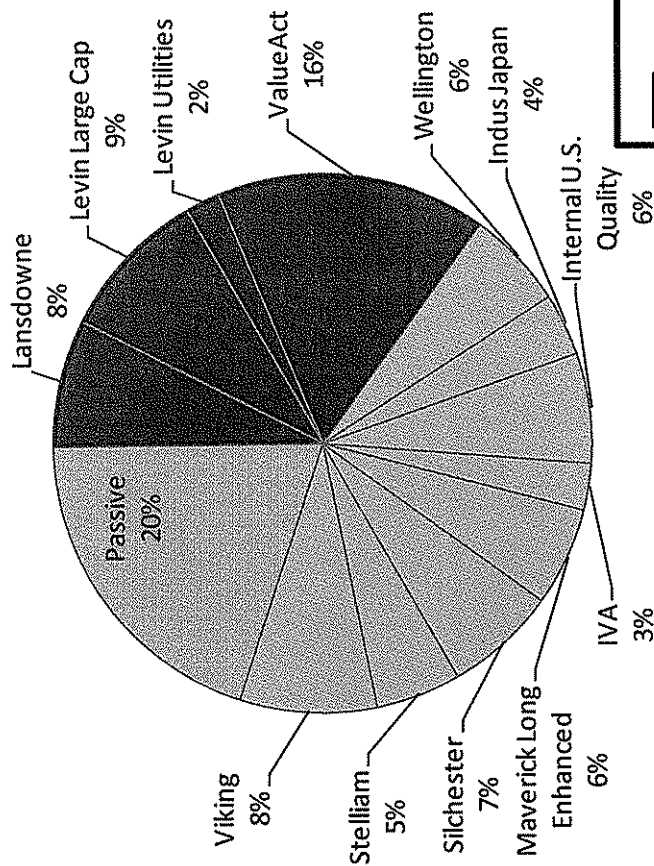
Investment Team Highlights



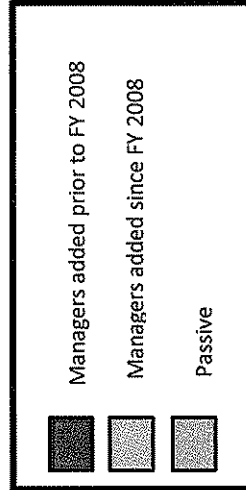
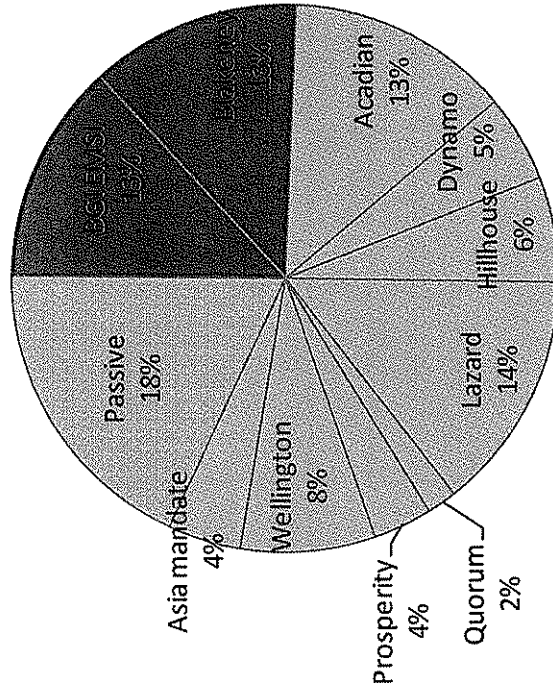
Public Equity Manager Sizing

(NAVs as of 2/28/10 with projections through 4/30/10)

Developed Country Equity Managers (\$2.6 billion)



Emerging Markets Equity Managers (\$1.7 billion)





Internal U.S. Quality Basket

On March 1, 2010, UTIMCO invested \$175 million in a basket of U.S. high-quality stocks selected by Morgan Stanley. The mandate is categorized as MCC Developed Country Equity.

– Rationale for investment

- Risk reduction: The quality basket is expected to reduce the overall risk of the Developed Country Equity portfolio in a downturn, while maintaining the potential to participate in the upside if the stock market rallies.
 - Expectations for high quality outperformance: Most analysts not do expect the low quality stock rally of 2009 and early 2010 to continue, but rather for high quality stocks to be strong outperformers for the next several years. In particular, GMO's 7-year forecast for U.S. high quality stock performance is 8.9% nominal per year versus U.S. large-cap equities of 3.7%.
- **Investment structure**: The basket is an internally managed portfolio of 20 equal-weighted large-cap U.S. stocks, with Morgan Stanley providing the stock list based on quantitative criteria to define quality. As Morgan Stanley updates the list and/or when stocks in the portfolio are no longer equal-weight, Staff will rebalance the portfolio. UTIMCO only pays transaction fees for purchases and sales.
- **Source of funding**: The basket was funded through existing passive U.S. equity exposure (S&P 500 futures).



Internal U.S. Quality Basket

- **“Quality” criteria:**
 - Morgan Stanley generates a list of high-quality stocks using the following 5 factors (equally-weighted): 1) low EPS dispersion; 2) high Piotroski score (9 criteria measuring the financial strength of a company); 3) industry leadership; 4) high earnings growth; and 5) low margin volatility.
 - Next, the list of stocks is limited to those rated at least “Equal-Weight” by Morgan Stanley analysts.
 - Lastly, Morgan Stanley conducts a screen for consistent ROE performance and valuation.

- **Sector Exposures:** The quality basket will generally have a defensive tilt, with overweights to health care and consumer stocks and underweights to energy, financials, materials and utilities. In order to construct a high-quality portfolio with the desired goals, Staff believes these over and underweights are appropriate.

- **Time horizon:** This internal mandate was chosen as a near-term risk reduction measure, and will likely be replaced in the future by a high-quality equity strategy mandate with an external manager. Staff is conducting diligence on several potential alternatives.



LCC Quarterly Performance Update

2nd Fiscal Quarter 2010
Dec 2009 - Feb 2010*

LCC Asset Classes (Number of Managers)

Investment Grade Fixed Income (1)	2.4%
Credit Related Fixed Income (9)	6.9%
Natural Resources (1)	-3.0%
Real Estate (1)	2.8%
Developed Country Equity (22)	2.7%
Emerging Market Equity (5)	0.6%

LCC Portfolio	3.5%
Composite Benchmark	0.6%
Difference	2.9%

Global Equities (MSCI AC World)	-1.0%
CSFB High Yield	4.5%

* February estimate



LCC Leverage as of January 31, 2010

	<u>Gross</u>	<u>Net</u>
Investment Grade FI	837%	348%
Credit Related FI	120%	75%
Real Estate	166%	34%
Natural Resources	100%	100%
Developed Country Equity	170%	18%
Emerging Markets Equity	196%	51%
LCC Total (excluding CDS)	204%	70%
Credit Default Swaps	<u>22%</u>	<u>-20%</u>
LCC Total	226%	50%



Private Investments

Target Portfolio

(Based on 2/28/10 Data)

Asset Class	Target %	Current %
Credit/Opportunistic	4.0%	8.7%
Real Estate	5.0%	0.7%
Natural Resources	5.0%	1.7%
Developed Country – Ex VC	5.0%	7.1%
Developed Country – VC	2.5%	3.7%
Emerging Markets	4.0%	1.7%
Total	25.5%	23.6%

Target Manager #	Current Manager #	Net +/-
4 - 6	18	(12) - (14)
10 - 15	7	3 - 8
10 - 15	10	0 - 5
10 - 15	31	(16) - (21)
12 - 18	25	(7) - (13)
12 - 18	13	(1) - 5
58 - 87	104	(17) - (46)

Target NAV Avg.	Current Avg. NAV
\$165	\$79
80	16
80	28
80	37
35	24
55	21
\$72	\$37

- Current NAV will restack as RE, NR, & EM portfolios draw down additional capital; Credit/Opportunistic and Developed Country portfolio expect realizations in a similar period
- Reduced manager count in most parts of the portfolio
- Concentrate NAV with core managers



Private Investments

Portfolio Rollforward

Asset Class	Fiscal Year 2010					
	Beg. Value	Calls	Distributions	Change in Value		End Value
				Amount	% of Beg. Value	
Credit-Related Fixed Inc	\$1,147	\$85	(\$168)	\$192	17%	\$1,256
Real Estate	84	25	<(1)	(2)	-2%	106
Natural Resources	260	45	(47)	23	9%	281
Developed Country Equity	1,721	129	(77)	139	8%	1,913
Large Buyout	320	32	(16)	32	10%	370
Small/Medium Buyout	615	37	(17)	25	4%	660
Growth/Opportunistic	259	19	(5)	17	7%	290
Venture	527	41	(39)	65	12%	593
Emerging Markets Equity	221	46	(30)	41	18%	278
Total	\$3,433	\$330	(\$322)	\$393	11%	\$3,834

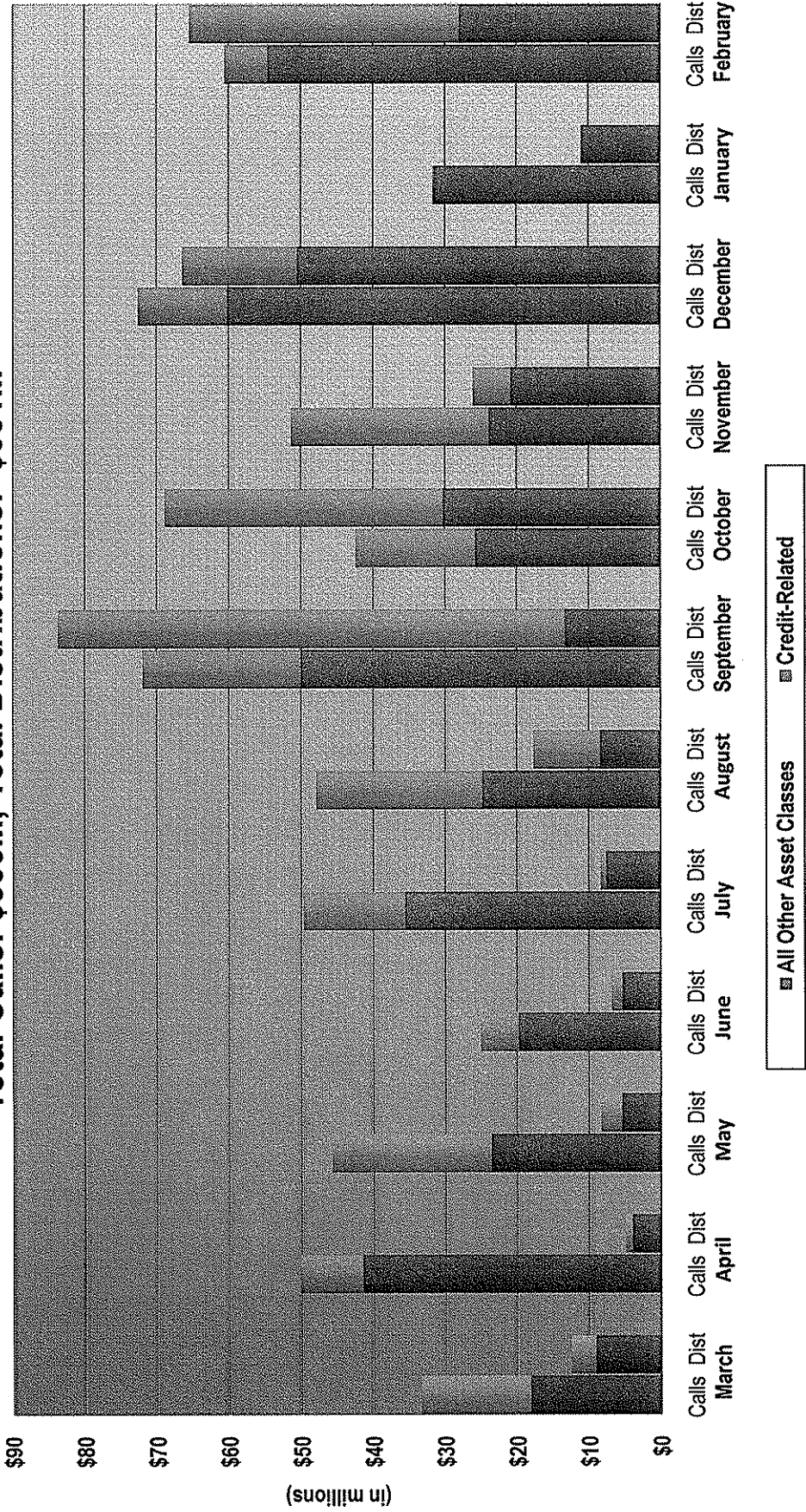
Asset Class	Fiscal Q2 2010					
	Beg Value	Calls	Distributions	Change in Value		End Value
				Amount	% of Beg. Value	
Credit-Related Fixed Inc	\$1,230	\$19	(\$53)	\$60	5%	\$1,256
Real Estate	90	17	(0)	(1)	-1%	106
Natural Resources	273	20	(26)	14	5%	281
Developed Country Equity	1,829	73	(40)	52	3%	1,913
Large Buyout	354	18	(5)	3	1%	370
Small/Medium Buyout	641	20	(7)	6	1%	660
Growth/Opportunistic	273	14	(4)	6	2%	273
Venture	561	20	(24)	37	7%	594
Emerging Markets Equity	250	36	(24)	15	6%	278
Total	\$3,672	\$165	(\$143)	\$140	4%	\$3,834



Private Investments

Calls & Distributions – TTM through Q2 2010

Total Calls: \$583M, Total Distributions: \$381M





Contracts Update



Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For January 1, 2010 through March 31, 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 accounts are added	\$434,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$311,032
Albourne LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

Tab 4

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Report on Manager Risk

Developed By: Yoeli, Wagner, Zimmerman

Presented By: Zimmerman, Yoeli

Type of Item: Information Item

Description: Staff will continue its discussion on Investment Risk which it began at the UTIMCO Board's January meeting. This presentation will focus on manager-level risks.

Recommendation: None

Reference: *Manager Risk* presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Manager Risk

April 15, 2010



Market (Beta) and Manager (Alpha) Risk/Return

- **Market Risk (Beta)**
 - Beta is inexpensive, i.e. Indexes/ETFs
 - Systemic risk

- **Manager Risk (Alpha)**
 - Manager outperformance versus the market
 - Skill-based performance
 - Idiosyncratic risk (Diversified)

Correlation of EM managers with EM index

Rexiter	99.7%
BGI EMSI	99.5%
Lazard	99.0%
Blakeney	79.4%

Correlation of EM managers' excess returns (alpha)

	Rexiter	BGI EMSI	Lazard	Blakeney
Rexiter	1	-0.16	0.21	0.27
BGI EMSI		1	-0.08	0.32
Lazard			1	-0.04
Blakeney				1



UTIMCO Managers

Manager Count as of February 28, 2010

	Number of Managers		
	MCC	LCC	PI Total
Investment Grade Fixed Income	4	1	0
Credit Related Fixed Income	3	9	16
Real Estate	5	1	7
Natural Resources	4	1	8
Developed Equity	12	28	60
Emerging Equity	9	5	13
Total	<u>37</u>	<u>45</u>	<u>104</u>
			<u>186</u>

- Additional Counterparties: Brokerage, Custodian, Reporting, Accounting, Risk Provider, Security Lending, Information Technology Providers



- Due Diligence
- Monitoring



Investment Guidelines and Legal Vehicles

- Investment Guidelines
 - Must do
 - Can do
 - Cannot do
- Legal Vehicles
 - Comingled Funds
 - Partnership Agreement
 - Separate Account
 - Agency Agreement
- Legal Domiciles
- Accounting Standards

Tab 5

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Discussion Related to Manager Concentration

Developed By: Staff

Presented By: Zimmerman

Type of Item: Information Item

Description: Bruce Zimmerman will present the *Manager Concentration* presentation. This discussion is a continuation of Staff's review of sizes and concentration of managers. This discussion is also to assist in preparation for the Annual Investment Policies Review, specifically the Delegation of Authority Policy.

Recommendation: None

Reference: *Manager Concentration* presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Manager Concentration

April 15, 2010



Manager Concentration

- Laws, and our Investment Policies, require prudent fiduciary care which includes the requirement to diversify
- No manager concentration limits, however, are specified
- Delegation of Authority Policy delineates Board required approvals versus staff discretion
 - If not delegated, Option to Review Process for Board



Existing Delegation of Authority Policy

New Relationships/New Mandates with Existing Relationships

MCC	LCC	Private Investments	Overall
<ul style="list-style-type: none"> • \$400 million • 20% of Manager's Total Assets • 20% of Assets of New Investment Strategy 	<ul style="list-style-type: none"> • \$200 million • 20% of Manager's Total Assets • 20% of Assets of New Investment Strategy 	<ul style="list-style-type: none"> • \$100 million • 20% of Investment Vehicle 	<ul style="list-style-type: none"> • \$400 million Initial Investment
<u>After Six Months</u>			
<ul style="list-style-type: none"> • \$200 million + • \$600 million Total • 20% of Manager's Total Assets • 20% of Assets of New Investment Strategy 	<ul style="list-style-type: none"> • \$100 million + • \$300 million Total • 20% of Manager's Total Assets • 20% of Assets of New Investment Strategy 	<ul style="list-style-type: none"> • \$50 million + • \$150 million Total • 20% of Investment Vehicle 	<ul style="list-style-type: none"> • \$200 million Total Follow-on • \$600 million Total Invested

Ongoing

- 3% Reported
- 5% Recommendation regarding Appropriate Course of Action



Issues

- Private Investments:
 - Fund vs. Manager: Committed vs. Net Asset Value or Economic Exposure (Net Asset Value plus Unfunded Commitments)
- LCC:
 - \$600 million limit given core/satellite approach
 - \$600 million limit given the use of existing LCC managers for new MCC mandates
- MCC:
 - Strategy/Investment sizes vary by Asset Class
 - Large managers frequently offer different strategies in different asset classes run by different portfolio management teams
- Invested/Committed vs. Appreciation
- Initial vs. Follow-on Investments Limitation



Private Investments Current Portfolio

Managers	Net Asset Value	Unfunded	Economic Exposure
Total = 105	\$3.8 Billion	\$2.4 Billion	\$6.2 Billion
Average	\$36 Million	\$23 Million	\$59 Million

Largest Exposures (in millions)	Net Asset Value	Unfunded	Economic Exposure	Asset Class
1. Oaktree	\$284	\$43	\$327	Credit
2. Varde	307	-	307	Credit
3. TPG	68	134	202	Developed Country Buyout
4. Doughty Hanson	103	57	160	Developed Country Buyout
5. Fortress	124	29	153	Credit
6. Reservoir	74	70	144	Developed Country Buyout
7. Warburg Pincus	96	44	140	Developed Country Opportunistic
8. CarVal	108	16	124	Credit
9. CVC	61	61	122	Developed Country Buyout
10. Arclight	95	27	122	Natural Resources
	\$1,320	\$481	\$1,801	

Percentage of Total Private Investment Exposure	35%	20%	29%
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Private Investments

- Current Delegation of Authority is designed to place a “per fund” limit on commitments, not an overall limit on manager exposure
- Retaining a “Per Fund” commitment is reasonable
- May wish to also place a limit on overall manager Economic Exposure (Net Asset Value and Unfunded Commitment)



Private Investments: Model Portfolio

- Private Investments desires to reduce the number of managers in its portfolio by approximately half
- This concentration will require larger fund commitment amounts as well as larger overall Economic Exposure limits sufficient to allow participation in multiple funds from the same manager
- Desired manager concentration will likely require \$100-\$200 million of Net Asset Value per fund manager and as much as \$200-\$300 million of Economic Exposure
 - Largest concentrations/exposures likely to be in Credit-Related Fixed Income and Developed Country Buy-outs
- Additional modeling will be conducted prior to any recommendation for changes in the Delegation of Authority Policy



Top 10 LCC Managers

(In millions)

LCC Managers	Invested	Withdrawals	Appreciation	Net Asset Value	% of Total LCC Assets (1)	% of Total Fund Assets (1)
1. Farallon	\$280	\$(152)	\$405	\$533 (2)	8.7%	2.6%
2. Perry Partners	215	(76)	362	501	8.2%	2.5%
3. Maverick	295	(270)	416	441 (3)	7.2%	2.2%
4. Blue Ridge	240	(75)	261	426	7.0%	2.1%
5. Baupost	300	-	106	406	6.6%	2.0%
6. Och Ziff	250	-	109	359	5.9%	1.8%
7. Bridgewater	285	(91)	116	310	5.1%	1.5%
8. Centerbridge	225	-	76	301 (4)	4.9%	1.5%
9. Steadfast	160	-	99	259	4.2%	1.3%
10. Eminence	201	(24)	56	233	3.8%	1.1%
	\$2,451	\$(688)	\$2,006	\$3,769	61.7%	18.6%

(1) Endowments and ITF

(2) Includes \$9 million unfunded commitments

(3) In addition to the \$441 million with Maverick in the LCC Book, we also have \$132 million with Maverick in the MCC Book.

(4) In addition to the \$301 million with Centerbridge in the LCC Book, we also have \$44 million NAV and \$12 million unfunded commitment with Centerbridge in the Private Investment Book.



LCC

- Current strategy utilizes “Core/Satellite” approach
- No manager is more than 10% of total LCC portfolio; a 10% limit seems reasonable
- Delegation of Authority issues have arisen due to the \$600 million cap for any single manager as invested capital has appreciated
- The \$600 million cap is likely to continue to be an issue

	Different Fund Sizes	
Endowment Assets	<u>\$16.3B</u>	<u>\$17.5B</u>
30% / LCC	\$4.9B	\$5.3B
10% / Mgr	\$490M	\$530M
ITF Assets	<u>\$4.0B</u>	<u>\$4.5B</u>
35% / LCC	\$1.4B	\$1.6B
10% / Mgr	\$140M	\$160M
Total 10%	<u>\$630M</u>	<u>\$690M</u>
% of Total Funds	3.10%	3.10%
		<u>\$775M</u>
		3.10%

- Delegation of Authority issues have also arisen due to the use of LCC managers in the MCC Book



Top 10 MCC Managers

(In millions)

MCC Managers (Asset Class(es))	Invested	Withdrawals	Appreciation	Net Asset Value	% of Total		% of Total	
					MCC Asset Class	MCC Assets (1)	MCC Assets (1)	Fund Assets (1)
1. PIMCO (IGFI)	n/a	n/a	n/a	\$823	23.5%	8.0%	4.1%	
2. Internal Fixed Income (IGFI)	n/a	n/a	n/a	806	23.0%	7.8%	4.0%	
3. Brandywine (IGFI)	\$550	\$-	\$85	635	18.2%	6.1%	3.1%	
4. BlackRock (NR/EM)	1,163	(474)	(97)	592	24.4%/13.0%	5.7%	2.9%	
5. ValueAct (DC)	436	(150)	142	428	16.2%	4.1%	2.1%	
6. Gresham (NR)	595	(200)	(32)	363	24.3%	3.5%	1.8%	
7. Wellington (DC/EM)	392	-	(37)	355	8.2%/8.0%	3.4%	1.7%	
8. Levin (DC)	325	(40)	10	295	11.2%	2.9%	1.5%	
9. Lazard (EM)	350	(120)	18	248	14.2%	2.4%	1.2%	
10. Lansdowne (DC)	245	(30)	22	237	9.0%	2.3%	1.2%	
	\$4,056	\$(1,014)	\$111	\$4,782		46.2%	23.6%	

(1) Endowments and ITF



Potential MCC Manager Concentration: Current Asset Levels

- Average Mandate Sizes could become quite large.

Endowment Size \$16,250
 ITF Size \$4,000
 Total AuMs \$20,250

	Target			Maximum		
	Portfolio %	Managers #	% of AuMs	Portfolio %	Managers #	% of AuMs
MCC IGFI						
Endowments	7.5%	3	\$406	15.0%	3	\$813
ITF	35.0%	3	<u>467</u>	45.0%	3	<u>600</u>
Total MCC IGFI	12.9%	3	\$873	4.3%	3	\$1,413
MCC CRFI						
Endowments	2.5%	3	\$135	10.0%	3	\$542
ITF	2.5%	3	<u>33</u>	10.0%	3	<u>133</u>
Total MCC CRFI	2.5%	3	\$169	0.8%	3	\$675
MCC RE						
Endowments	3.5%	4	\$142	7.5%	3	\$406
ITF	5.0%	4	<u>50</u>	10.0%	3	<u>133</u>
Total MCC RE	3.8%	4	\$192	0.9%	3	\$540
MCC NR						
Endowments	5.5%	5	\$179	10.0%	4	\$406
ITF	7.5%	5	<u>60</u>	10.0%	4	<u>100</u>
Total MCC NR	5.9%	5	\$239	1.2%	4	\$506
MCC DE						
Endowments	20.0%	10	\$325	30.0%	7	\$696
ITF	10.0%	10	<u>0</u>	20.0%	7	<u>114</u>
Total MCC DE	16.0%	10	\$325	28.0%	7	\$811
MCC EM						
Endowments	5.5%	10	\$89	10.0%	7	\$232
ITF	7.5%	10	<u>30</u>	10.0%	7	<u>57</u>
Total MCC EM	5.9%	10	\$119	10.0%	7	\$289



Potential MCC Manager Concentration: Increased Asset Levels

- Average Mandate Sizes could become even larger as fund sizes increase.

Endowment Size \$20,000
 ITF Size \$5,000
 Total AuMs \$25,000

	Target			Maximum		
	Portfolio %	Managers #	% of AuMs	Portfolio %	Managers #	% of AuMs
<u>MCC IGFI</u>						
Endowments	7.5%	3	\$500	15.0%	3	\$1,000
ITF	35.0%	3	583	45.0%	3	750
Total MCC IGFI	13.0%	3	\$1,083	4.3%	3	\$1,750
<u>MCC CRFI</u>						
Endowments	2.5%	3	\$167	10.0%	3	\$667
ITF	2.5%	3	42	10.0%	3	167
Total MCC CRFI	2.5%	3	\$208	0.8%	3	\$833
<u>MCC RE</u>						
Endowments	3.5%	4	\$175	7.5%	3	\$500
ITF	5.0%	4	63	10.0%	3	167
Total MCC RE	3.8%	4	\$238	1.0%	3	\$667
<u>MCC NR</u>						
Endowments	5.5%	5	\$220	10.0%	4	\$500
ITF	7.5%	5	75	10.0%	4	125
Total MCC NR	5.9%	5	\$295	1.2%	4	\$625
<u>MCC DE</u>						
Endowments	20.0%	10	\$400	30.0%	7	\$857
ITF	10.0%	10	0	20.0%	7	143
Total MCC DE	16.0%	10	\$400	28.0%	7	\$1,000
<u>MCC EM</u>						
Endowments	5.5%	10	\$110	10.0%	7	\$286
ITF	7.5%	10	38	10.0%	7	71
Total MCC EM	5.9%	10	\$148	0.6%	7	\$357



Appreciation and Follow-on Investment Limits

- Current Delegation of Authority has
 - Initial Investment limits
 - Follow-on Investment limits
 - Total Exposure Limits (\$600 million/manager) which includes appreciation; over \$600 million follow-on investments are precluded
- Total Exposure Limits were proposed prior to the 3% Reporting and 5% Plan requirements, and therefore may be overly restrictive and no longer necessary
- Initial Investment limits are appropriate; refinements may be optimal
- Follow-on investments may be overly restrictive, although “gating” of follow-on investments may be optimal



Potential Recommendations

- Private Investments: Add manager Economic Exposure limits
- Establish LCC and MCC Asset Class Concentration Limits
- Eliminate \$600 million Total Assets cap for manager which precludes follow-on investments
- Change follow-on from:
 - a) a limit on all additions/investments after the first six months to
 - b) maximum annual increases after the first six months
- Maintain 3% and 5% Overall Exposure Reporting and Recommended Action Requirement

Tab 6

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

- Agenda Item:** Report from Policy Committee
- Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds
 - Discussion and Appropriate Action Related to Investments for Three Mandates that exceed Staff's Delegated Authority
- Developed By:** Staff
- Presented By:** Longoria
- Type of Item:** Action item
- Description:** The Policy Committee ("Committee") will meet on April 8, 2010. The Committee's agenda includes (1) discussion and appropriate action related to recommended distribution rates for the Permanent University Fund ("PUF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and Intermediate Term Fund ("ITF") (collectively, the "Investment Funds"); and (2) discussion related to investments for three mandates that exceed Staff's delegated authority.
- Discussion**
- The Committee will review the proposed distribution rates for the Investment Funds. Each of the Investment Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Investment Fund. The recommendations for the distribution amount and payout rates are discussed in the attached Recommendation of Distribution Rates and are based on the Investment Policy Statements. Mr. Zimmerman will discuss at both the Committee and the UTIMCO Board meetings the *Distribution Policy* presentation.
- Staff will also present to the Committee a report on three managers identified by Staff that are currently above or near the delegated authority limit due to appreciation to which it would like to make additional commitments as detailed in the *Delegation of Authority Investment Mandates Under Consideration* presentation. The managers are Old Mutual Asset Manager, Och-Ziff, and Blackrock. The Delegation of Authority Policy ("Policy") provides a clear delineation between the responsibilities of the UTIMCO Board and the UTIMCO Staff. In the Policy, the UTIMCO Board has delegated the authority to increase investments or commitments to existing internal or external investment managers, within certain limits, to the UTIMCO CEO. Staff will discuss its rationale for increasing the investment limits for the three specific managers with the Committee and will request approval from the UTIMCO Board to approve the additional investments.
- Recommendation:** Staff has recommended to the Committee to approve the recommendation of distribution rates for the Investment Funds. The Committee will request the

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

UTIMCO Board take appropriate action based on the Committee's action from its meeting. UTIMCO staff has proposed the following for fiscal year ending August 31, 2011:

- 1) The distribution from the PUF to the Available University Fund be decreased by 1.9% from \$516,419,406 to \$506,395,811;
- 2) The distribution rate for the PHF be increased from \$0.0541 per unit to \$0.0554 per unit;
- 3) The distribution rate for the LTF be increased from \$0.3098 per unit to \$0.3172 per unit; and
- 4) The distribution rate for the ITF remain at 3.0% per annum.

Staff recommends to the Board the approval of the Staff's recommendation related to the investments for the three mandates that exceed Staff's delegated authority.

Reference:

Recommendation of Distribution Rates; *Distribution Policy* Presentation;
Delegation of Authority Investment Mandates Under Consideration Presentation

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

RESOLVED, that the annual distribution amount for the Permanent University Fund be decreased from \$516,419,406 to \$506,395,811 for fiscal year 2011, effective with the September 1, 2010 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0541 per unit to \$.0554 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; the Long Term Fund be increased from \$0.3098 per unit to \$0.3172 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2011, effective with the September 1, 2010 monthly distributions.

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

**RESOLUTION TO APPROVE INVESTMENTS FOR THREE MANDATES
THAT EXCEED STAFF'S DELEGATED AUTHORITY**

WHEREAS, Corporation staff has identified three managers currently above or near the delegated authority limit due to appreciation to which it would like to make additional commitments as detailed in the *Delegation of Authority Investment Mandates Under Consideration* presentation made to the Board; and

WHEREAS, the Board concurs in the recommendation of Corporation staff and wishes to document its approval to increase the investment limits for these managers.

NOW, THEREFORE, BE IT

RESOLVED, that the investments in three mandates for certain More Correlated and Constrained Investments and Less Correlated and Constrained Investments as proposed by Corporation's staff, be, and are hereby approved in the form submitted to the UTIMCO Board of Directors.

Recommendation of Distribution Amount and Rates

PUF

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

As shown in the table below the average annual return of the PUF investments for the trailing twelve quarters ending February 28, 2010 has not exceeded the Expected Return by 25 basis points or more ($\geq .25\%$).

	Trailing 12 - Quarters Ending February 28, 2010	Expected or Benchmarks	Excess (Deficit)
Average Annual Rate of Return	-0.48	8.86%	-9.34%

Therefore, as outlined in the PUF Investment Policy, the amount to be distributed from the PUF for Fiscal Year 2010-2011 is \$506,395,811 as calculated below:

Quarter Ended	Net Asset Value
5/31/2007	11,763,605,335
8/31/2007	11,742,780,402
11/30/2007	12,160,738,716
2/29/2008	11,905,770,605
5/31/2008	12,245,951,162
8/31/2008	11,359,463,077
11/30/2008	8,837,574,480
2/28/2009	8,286,887,451
5/31/2009	9,143,803,884
8/31/2009	9,673,908,334
11/30/2009	10,341,053,437
2/28/2010	10,470,036,500
	\$ 127,931,573,383
Number of quarters	12
Average Net Asset Value	\$ 10,660,964,449
Distribution Percentage	4.75%
FY 2010-11 Distribution	\$ 506,395,811

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

- The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$506,395,811 is substantially greater than PUF Bonds Debt Service of \$157,437,011 projected for FY 2010-2011.

System	Debt Service
U. T.	\$ 85,837,011
TAMU	71,600,000
Total	\$ 157,437,011

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

- The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2010 was 0.28%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return	5.20%
Mineral Interest Receipts	2.25%
Expense Rate	(0.31)% (1)
Inflation Rate	(2.47)%
Distribution Rate	(4.39)%
Net Real Return	0.28%

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

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

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$10,660,964,449	\$506,395,811	4.75%	7.00%

(1) Source: UTIMCO

LTF AND PHF

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

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

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

We are recommending a 2.4% increase in the LTF distribution rate from \$0.3098 to \$0.3172 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The LTF's distribution rate calculated using the prior twelve quarter average value of the LTF is 4.8%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The increase in the consumer price index for the prior three years as of November 30, 2009, was 2.4%.

We are recommending a 2.4% increase in the PHF distribution rate of \$.0541 to \$.0554 per unit. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 4.7%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy.

ITF

We are recommending that the distribution rate for the Intermediate Term Fund ("ITF") remain at 3.0% for fiscal year 2011.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Distribution Policy

April 15, 2010



Distribution Policy

- The University of Texas System Board of Regents (“Regents”) is responsible for setting Endowment (PUF, LTF and PHF) and ITF distribution rates
 - Within certain limitations imposed on the PUF by the Texas State Constitution
 - Also Regents’-imposed limitations on LTF and PHF
 - Upon recommendation by the UTIMCO Board of Directors
- The timetable for recommendation and decision is:
 - April: UTIMCO Board Recommendation
 - May: Regents’ Decision
 - September: New Distribution Amounts Become Effective
- Distribution Rate determination is ultimately a decision balancing current vs. future needs
- Predictability and stability of Distributions are also important to recipients



Current Distribution Rates and Methodologies

	PUF	LTF	PHF	ITF
Current Methodology	Percent of Assets	Constant Growth	Constant Growth	Percent of Assets
Current Distribution Rate	4.75%	\$.3098/Unit Effective Rate = 4.74%	\$.0541/Unit Effective Rate = 4.62%	3.00%
Asset Base Rate Applied To	Trailing twelve quarters ending February current fiscal year	Trailing twelve quarters ending November current fiscal year	Trailing twelve quarters ending November current fiscal year	Ending Balance
Role of Inflation	-	Unit Rate increased by trailing twelve quarter inflation rate	Unit Rate increased by trailing twelve quarter inflation rate	-
Potential Distribution Rate Increase	If Investment Returns exceed Expected Return by .25% or more over trailing twelve quarters, Distribution Rate will increase to 5%	-	-	-



Rationale for Distribution Methodologies

PUF

•The percent of assets methodology may be appropriate for endowments where:

1. the current distribution is small relative to the total budget, and therefore distribution volatility is not of overriding importance, and
2. long-term growth is a key objective.

LTF

•The constant growth methodology allows distributions to grow at a steady rate equal to the rate of inflation, which provides a stable stream of “real” resources to the beneficiaries of the endowments. Stable distribution streams allow the specific faculty positions, programs and scholarships on campuses to operate without budget fluctuations from year to year.

•The constant growth methodology may, however, benefit current beneficiaries at the expense of future beneficiaries if a purchasing power requirement does not exist.

PHF

•The constant growth methodology allows distributions to grow at a steady rate equal to the rate of inflation, which provides a stable stream of “real” resources to the beneficiaries of the endowments. Stable distribution streams allow the specific programs to operate without budget fluctuations from year to year.

•The constant growth methodology may, however, benefit current beneficiaries at the expense of future beneficiaries if a purchasing power requirement does not exist.



Distribution Rate Limitations

PUF

Per State Constitution

- Distribution must cover debt service
 - Debt Obligations Limited to 30% (20% UT System/10% A&M System) of Book Value of PUF Investments (\$9,744 Billion as of 2/28/2010)
- Distribution may not exceed 7% of Assets **(1)**
- Must Maintain Purchasing Power in order for distributed dollars to increase

Formula (Rolling Ten Years):

- + Investment Returns
- + Mineral Interests
- Expenses
- Inflation
- Distribution

> 0

Current Purchasing Power Calculation:

Investment Return	5.20%
Mineral Receipts	2.25%
Expenses	(0.32%)
Inflation	(2.50%)
Distribution Rate	<u>(4.39%)</u>
Net Real Return	0.24%

(1) Applied to trailing twelve quarters per Regents Policy

LTF

Per Regents Policy

- Distribution Rate must be between 3.5% - 5.5% of assets (Rolling Twelve Quarter)

UPMIFA

Distribution cannot be greater than 9% of the three year average net asset value.

PHF

Per Regents Policy

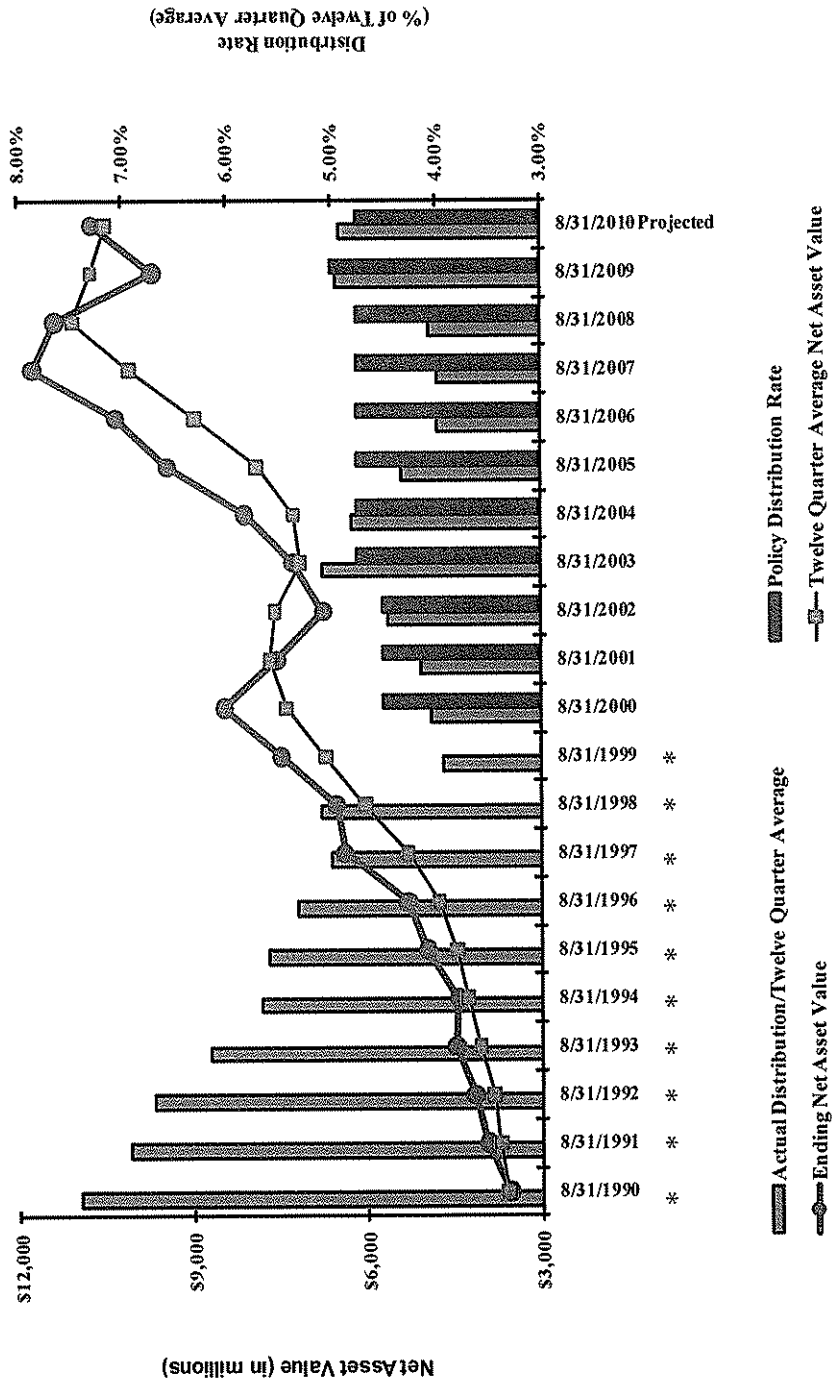
- Distribution Rate must be between 3.5% - 5.5% of assets (Rolling Twelve Quarter)

UPMIFA

Distribution cannot be greater than 9% of the three year average net asset value.



PUF Balances and Distribution Rates



* Prior to the fiscal year ending August 31, 2000, only investment income (interest and dividends) could be distributed from PUF assets as restricted per the State Constitution. The passage of Proposition 17 in November 1999 eliminated this restriction.



PUF Distribution Rates

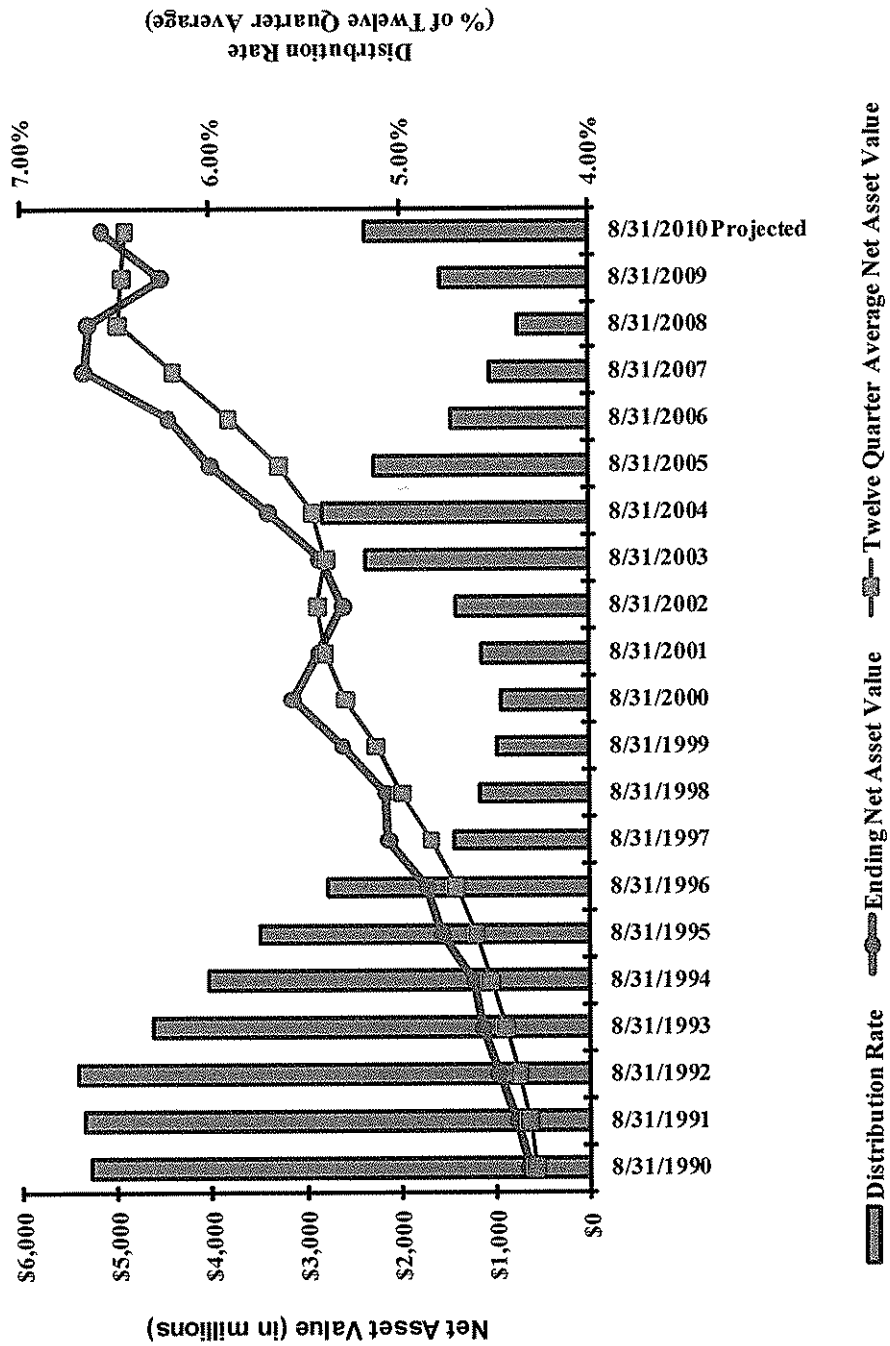
(\$ in millions)

	Ending Net Asset Value	Twelve Quarter Average Net Asset Value	\$ Distribution	Policy Distribution Rate	Actual Distribution/ Twelve Quarter Average	Actual Distribution/ Ending Net Asset Value
8/31/1990 *	\$3,541	\$3,587	\$266	N/A	7.42%	7.51%
8/31/1991 *	3,922	3,716	258	N/A	6.94%	6.58%
8/31/1992 *	4,145	3,830	257	N/A	6.71%	6.20%
8/31/1993 *	4,469	4,058	250	N/A	6.16%	5.59%
8/31/1994 *	4,428	4,269	242	N/A	5.67%	5.47%
8/31/1995 *	4,959	4,453	250	N/A	5.61%	5.04%
8/31/1996 *	5,292	4,768	254	N/A	5.33%	4.80%
8/31/1997 *	6,368	5,294	265	N/A	5.01%	4.16%
8/31/1998 *	6,517	6,024	307	N/A	5.10%	4.71%
8/31/1999 *	7,466	6,709	264	N/A	3.94%	3.54%
8/31/2000	8,452	7,375	298	4.50%	4.04%	3.53%
8/31/2001	7,540	7,659	317	4.50%	4.14%	4.20%
8/31/2002	6,738	7,571	338	4.50%	4.46%	5.02%
8/31/2003	7,245	7,138	363	4.75%	5.09%	5.01%
8/31/2004	8,088	7,249	348	4.75%	4.80%	4.30%
8/31/2005	9,427	7,880	341	4.75%	4.33%	3.62%
8/31/2006	10,313	8,956	357	4.75%	3.99%	3.46%
8/31/2007	11,743	10,070	401	4.75%	3.98%	3.41%
8/31/2008	11,359	11,059	449	4.75%	4.06%	3.95%
8/31/2009	9,674	10,745	531	5.00%	4.94%	5.49%
8/31/2010 Projected	10,727	10,479	516	4.75%	4.92%	4.81%

* Prior to the fiscal year ending August 31, 2000, only investment income (interest and dividends) could be distributed from PUF assets as restricted per the State Constitution. The passage of Proposition 17 in November 1999 eliminated this restriction.



LTF Balances and Distribution Rates

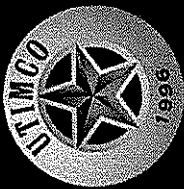




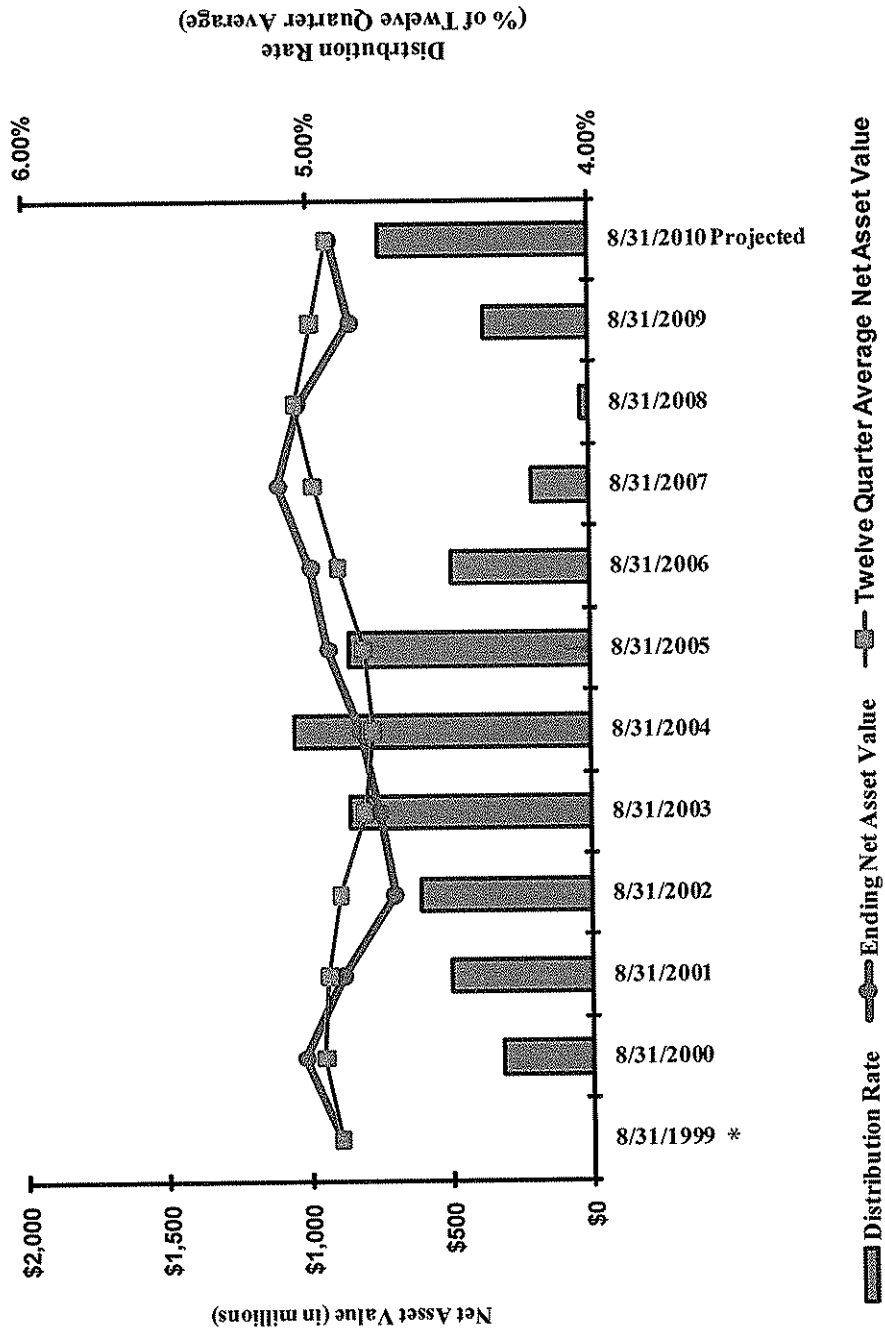
LTF Distribution Rates

(\$ in millions)

	Ending Net Asset Value	Twelve Quarter Average Net Asset Value	\$ Distribution	Actual Distribution/ Twelve Quarter Average	Actual Distribution/ Ending Net Asset Value
8/31/1990	\$645	\$572	\$38	6.64%	5.89%
8/31/1991	764	644	43	6.68%	5.63%
8/31/1992	959	746	50	6.70%	5.21%
8/31/1993	1,128	888	56	6.31%	4.96%
8/31/1994	1,226	1,047	63	6.02%	5.14%
8/31/1995	1,559	1,201	69	5.75%	4.43%
8/31/1996	1,712	1,412	76	5.38%	4.44%
8/31/1997	2,125	1,674	79	4.72%	3.72%
8/31/1998	2,148	1,986	91	4.58%	4.24%
8/31/1999	2,602	2,252	101	4.48%	3.88%
8/31/2000	3,136	2,576	115	4.46%	3.67%
8/31/2001	2,843	2,784	127	4.56%	4.47%
8/31/2002	2,595	2,872	135	4.70%	5.20%
8/31/2003	2,840	2,781	144	5.18%	5.07%
8/31/2004	3,393	2,922	158	5.41%	4.66%
8/31/2005	4,001	3,273	168	5.13%	4.20%
8/31/2006	4,441	3,805	180	4.73%	4.05%
8/31/2007	5,333	4,396	199	4.53%	3.73%
8/31/2008	5,285	4,967	217	4.37%	4.11%
8/31/2009	4,517	4,930	236	4.79%	5.22%
8/31/2010 Projected	5,142	4,890	253	5.17%	4.92%



PHF Balances and Distribution Rates



* The PHF was funded August 30, 1999. Average net asset values for periods less than twelve quarters are calculated based on the number of applicable periods. The first PHF distribution was paid November 30, 1999.



PHF Distribution Rates

(\$ in millions)

	Ending Net Asset Value		Twelve Quarter Average Net Asset Value		\$ Distribution	Actual Distribution/Quarter Average		Actual Distribution/Ending Net Asset Value
	Value	Value	Asset Value	Asset Value		Twelve Quarter	Average	
8/31/1999	890		890		N/A		N/A	N/A
8/31/2000	1,017		949		41		4.32%	4.03%
8/31/2001	881		933		42		4.50%	4.77%
8/31/2002	698		890		41		4.61%	5.87%
8/31/2003	745		804		39		4.85%	5.23%
8/31/2004	814		772		39		5.05%	4.79%
8/31/2005	926		804		39		4.85%	4.21%
8/31/2006	987		891		40		4.49%	4.05%
8/31/2007	1,100		976		41		4.20%	3.73%
8/31/2008	1,026		1,043		42		4.03%	4.09%
8/31/2009	842		984		43		4.37%	5.11%
8/31/2010 Projected	915		929		44		4.74%	4.81%

* The PHF was funded August 30, 1999. Average net asset values for periods less than twelve quarters are calculated based on the number of applicable periods. The first PHF distribution was paid November 30, 1999.



PUF and LTF Inflows: Actual and Forecast

	Actual										Forecasted
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
PUF:											
West Texas Land Mineral Receipts	\$83	\$116	\$81	\$102	\$147	\$193	\$215	\$273	\$458	\$340	\$231
% of Annual Average NAV	1.04%	1.45%	1.13%	1.46%	1.92%	2.20%	2.18%	2.48%	3.97%	3.23%	2.27%
% of 10 Year Average Contributions to 10 Year Average NAV	1.26%	1.23%	1.21%	1.20%	1.27%	1.38%	1.48%	1.61%	1.95%	2.22%	2.32%
LTF:											
Contributions	\$119	\$122	\$92	\$71	\$287	\$142	\$172	\$363	\$355	\$192	\$250
% of Annual Average NAV	4.15%	4.08%	3.38%	2.61%	9.21%	3.84%	4.07%	7.43%	6.69%	3.92%	5.18%
% of 10 Year Average Contributions to 10 Year Average NAV	5.85%	5.53%	4.85%	4.33%	4.66%	4.03%	4.06%	4.57%	4.94%	4.99%	5.07%



Projected Distributions (1)

(in millions)

		Projected											
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
PUF													
Case I	Investment Return = Real 5%	\$516	\$489	\$533	\$537	\$561	\$586	\$612	\$612	\$612	\$692		
Case II	Investment Return = 0%	\$516	\$486	\$514	\$488	\$471	\$452	\$433	\$414	\$396	\$379		
LTF													
Case I	Investment Return = Real 5%	\$253	\$289	\$299	\$318	\$338	\$358	\$379	\$400	\$423	\$446		
Case II	Investment Return = 0%	\$253	\$271	\$302	\$315	\$328	\$343	\$359	\$376	\$395	\$417		
PHF													
Case I	Investment Return = Real 5%	\$44	\$45	\$47	\$48	\$50	\$52	\$53	\$55	\$57	\$60		
Case II	Investment Return = 0%	\$44	\$45	\$47	\$47	\$47	\$47	\$47	\$47	\$47	\$47		

(1) Assumed 3.0% Inflation Rate



LTF Distribution Projections Based on 4.75% of a Rolling Twelve Quarter Average

(in millions)

Purchasing Power Calculation:

Ten Year Periods Ending February 28,

	Actual										Projected										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rate of Investment Return:	13.26%	12.23%	10.34%	8.39%	10.53%	11.34%	10.38%	10.17%	8.78%	4.49%	5.06%	6.09%	7.36%	9.11%	6.99%	6.71%	6.37%	5.98%	5.95%	10.84%	8.86%
Less:																					
Expense Rate	-0.24%	-0.23%	-0.20%	-0.20%	-0.19%	-0.19%	-0.18%	-0.18%	-0.17%	-0.19%	-0.19%	-0.22%	-0.26%	-0.28%	-0.32%	-0.35%	-0.38%	-0.41%	-0.44%	-0.44%	-0.45%
Inflation Rate	-2.88%	-2.70%	-2.53%	-2.50%	-2.42%	-2.43%	-2.52%	-2.46%	-2.72%	-2.58%	-2.47%	-2.42%	-2.61%	-2.61%	-2.74%	-2.74%	-2.68%	-2.74%	-2.64%	-2.92%	-3.00%
Distribution Rate	-5.07%	-4.86%	-4.72%	-4.68%	-4.67%	-4.59%	-4.54%	-4.52%	-4.52%	-4.57%	-4.72%	-4.81%	-4.84%	-4.79%	-4.73%	-4.70%	-4.69%	-4.68%	-4.68%	-4.58%	-4.43%
Maintaining Purchasing Power	5.07%	4.44%	2.89%	1.01%	3.24%	4.13%	3.14%	3.01%	1.37%	-2.85%	-2.32%	-1.36%	-0.35%	1.42%	-0.80%	-1.05%	-1.38%	-1.85%	-1.81%	2.90%	0.98%

Distributions:

Periods Ending August 31,

	Actual (1)										Projected (2)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Per Unit Distribution Rate	\$0.2450	\$0.2510	\$0.2580	\$0.2645	\$0.2697	\$0.2764	\$0.2844	\$0.2929	\$0.3024	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3098	\$0.3800	\$0.3965

(1) Distribution based on current methodology of increasing current per unit distribution rate by trailing three year average inflation rate.

(2) Distribution based on 4.75% of a rolling twelve quarter average net asset value per unit.



PHF Distributions Based on 4.75% of a Rolling Twelve Quarter Average (in millions)

Purchasing Power Calculation:
Ten Year Periods Ending February 28,

	Actual												Projected										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020	
Rate of Investment Return:	9.68%	5.20%	1.69%	-0.99%	5.62%	6.71%	7.57%	8.27%	8.38%	3.40%	5.02%	6.09%	7.36%	9.11%	6.99%	6.71%	6.37%	5.98%	5.94%	10.83%	8.66%	8.66%	
Less:																							
Expenses	-0.13%	-0.19%	-0.14%	-0.12%	-0.11%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.09%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	
Inflation	-1.62%	-3.42%	-2.52%	-2.65%	-2.44%	-2.54%	-2.70%	-2.67%	-2.83%	-2.56%	-2.47%	-2.42%	-2.61%	-2.61%	-2.74%	-2.74%	-2.68%	-2.74%	-2.64%	-2.92%	-3.00%	-3.00%	
Distributions	-2.17%	-4.36%	-4.57%	-4.86%	-4.95%	-4.89%	-4.81%	-4.71%	-4.60%	-4.60%	-4.70%	-4.76%	-4.74%	-4.63%	-4.54%	-4.50%	-4.48%	-4.46%	-4.46%	-4.35%	-4.21%	-4.21%	
Net Real Return	5.76%	-2.78%	-5.54%	-8.61%	-1.87%	-0.83%	-0.04%	0.79%	0.85%	-3.86%	-2.24%	-1.17%	-0.07%	1.79%	-0.37%	-0.61%	-0.87%	-1.30%	-1.24%	3.48%	1.57%	1.57%	

	Actual (1)												Projected (2)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Purchasing Power not met	\$0.0460	\$0.0470	\$0.0470	\$0.0470	\$0.0470	\$0.0482	\$0.0496	\$0.0511	\$0.0528	\$0.0541	\$0.0541	\$0.0541	\$0.0541	\$0.0554	\$0.0554	\$0.0554	\$0.0554	\$0.0554	\$0.0554	\$0.0717	\$0.0752	\$0.0752	
Purchasing Power met																							

(1) Distribution based on current methodology of increasing current per unit distribution rate by trailing three year average inflation rate.
(2) Distribution based on 4.75% of a rolling twelve quarter average net asset value per unit.



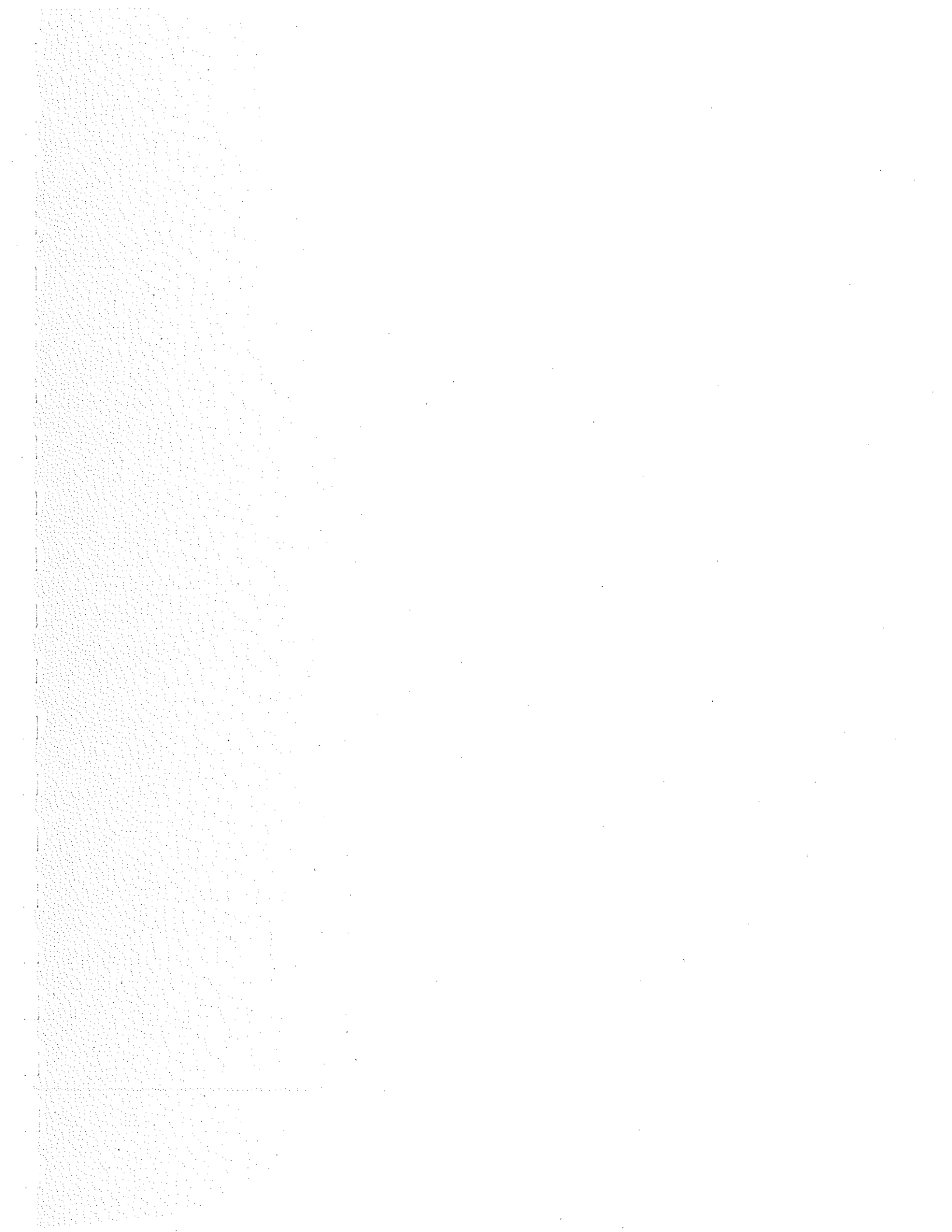
Recommendations

- PUF distribution for FY 2011 be set at \$506.4 million based on 4.75% of rolling twelve quarter average net asset value of PUF Investments;
- Increase the LTF distribution rate from \$.3098 per unit to \$.3172 per unit based on a trailing twelve quarter average rate of inflation of 2.4%;
- Increase the PHF distribution rate from \$.0541 per unit to \$.0554 per unit based on a trailing twelve quarter average rate of inflation of 2.4%; and
- Retain 3.00% distribution rate for ITF.



Items For Consideration

- Are different distribution methodologies for PUF and LTF/PHF optimal?
- Should maintaining purchasing power over rolling periods be added as distribution limitation for LTF/PHF?
- What is the optimal methodology for calculation of purchasing power maintenance?





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Delegation of Authority Investment Mandates Under Consideration



Old Mutual

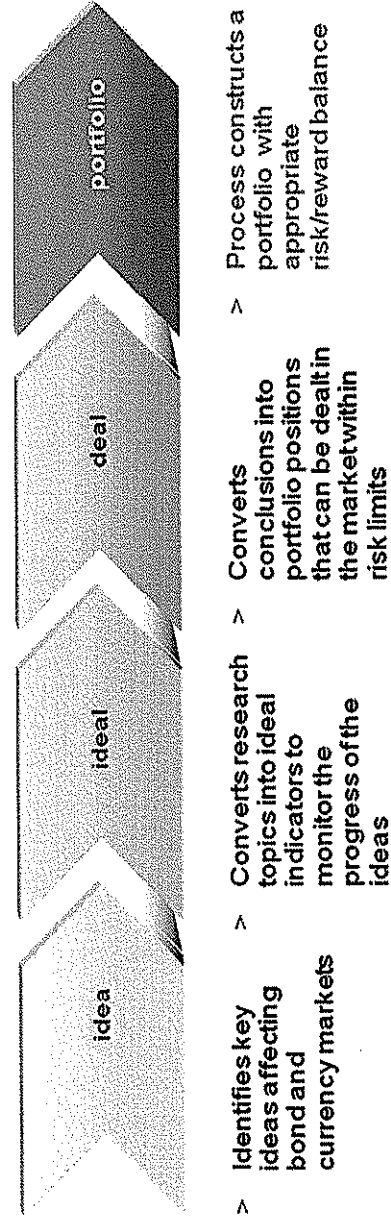
- **Old Mutual Asset Management** is a U.S.-based collection of asset management boutiques with combined assets of \$261 billion, and is a wholly owned subsidiary of Old Mutual plc, a U.K.-listed financial services company.
- UTIMCO is considering an international fixed income investment of up to \$400 million ("International Strategic Bond" strategy) with **Old Mutual Asset Managers (OMAM)**.
 - Account will be managed by Stewart Cowley, Head of Fixed Income
 - Current AUM for this strategy is \$212 million
- UTIMCO currently has a global emerging markets public equity mandate with another Old Mutual subsidiary, Acadian Asset Management:
 - NAV of \$231 million* (Original investment of \$137 million)
 - Initially funded January 2009
 - Acadian AUM for this strategy is ~\$11.2 billion; Acadian firmwide AUM is ~\$32 billion.
- **Delegation of Authority approval is required:**
 - Combined assets would be >\$600 million, exceeding MCC's delegation of authority limit.
 - UTIMCO's proposed investment with OMAM will exceed 20% of assets managed in the International Strategic Bond strategy.

* Across PUF, GEF, and ITF; February 2010.



OMAM Process

- Stewart Cowley is head of the fixed income team and will manage an International Bond mandate. Prior to joining the firm in June 2009, Stewart was Head of Fixed Income at Newton and Manager of the Newton International Bond and BNY-Mellon Global Bond funds. Prior to this, he was Joint Chief Investment Officer and Head of Global Fixed Income at Hill Samuel Asset, having previously been Head of Global Fixed Income at Invesco. He began his fixed income career in 1987.
- Old Mutual's investment process strongly focuses on research and aims to create a framework of seven to eight long-range ideas that will drive fixed income and currency markets in the medium to long-term.





OMAM Merits

- **Distinct Approach to Investing in International Bond Markets**
 - Strong focus on research, identifying key themes affecting bond and currency markets
 - Benchmark-aware rather than benchmark-driven
 - Approach works to capture the return potential in global bond markets.
- **Broadens the Fund's Exposure to Active International Fixed Income**
 - Complements existing external fixed income managers
 - Diversify total fixed income portfolio further away from its U.S.-denominated fixed income portfolios
 - Additional alpha from active management
- **Excellent Performance and Experienced Manager**
 - While at Newton, Stewart and team produced an annualized return of 9.5%, and outperformed the Barclays Global Aggregate Index by 3% on an annualized basis.
 - Stewart Cowley has over 20 years of experience managing fixed income securities.
- **Stability of Firm and Infrastructure**
 - Old Mutual Asset Management is a wholly owned subsidiary of Old Mutual plc, an international long-term savings institution operating in 38 countries. OMAM was established in the mid-1980's and currently has over \$6.4 billion under management, of which \$1.5 billion is fixed income.
- **Separately Managed Agency Account**
 - Control over terms and liquidation



OMAM Risks

- **Risks associated with global fixed income investing:**
 - **Currency Risk** – Historically in Stewart’s portfolio, roughly 40-50% of the alpha has come from the currency decisions. Over the long term, Stewart has demonstrated expertise in currency investments as reflected in his previous performance history
 - **Country Risk, Interest-rate Risk, Credit/Default Risk** – Historically, 50-60% of the alpha has come from bond management (i.e. duration management, country selection, specific credits, etc). Stewart’s thematic approach to fixed income investing has proven itself over several investment cycles. Overall investment grade of portfolio will be AA-
- **Transition Risk** – Risk that Stewart does not generate the same success he had at Newton. Stewart has mitigated this risk by utilizing the same investment process and a similar team structure that he had at Newton.
- **Key Person Risk** – Risk that Stewart leaves Old Mutual. UTIMCO will be notified immediately upon his departure and would be able to terminate the agreement and liquidate the portfolio.



Och-Ziff

- UTIMCO originally invested \$100 million in the flagship Global multi-strategy fund in 2004. Staff invested an additional \$75 million in the Europe fund in 2005 and \$75 million in the Asia fund at the beginning of 2006 for a total initial investment of \$250 million across the Och-Ziff complex.
- As of February 28, 2010, UTIMCO's investments with Och-Ziff are valued at \$359 million.
- Och-Ziff currently manages \$24 billion in assets, has 378 employees (135 investment) with offices in New York, London, Hong Kong, Tokyo, Beijing, and Bangalore.
- Staff is recommending an additional investment with Och-Ziff of up to \$100 million, targeting the Europe and Asia focused funds.
- Due to appreciation, the total investment with Och-Ziff exceeds UTIMCO's LCC delegation of authority limit of \$300 million.
- Och-Ziff's ability to deploy event-driven, distressed debt, convertible arbitrage, merger arbitrage, and long/short equity strategies in Europe and Asia following the financial crisis of 2008 is attractive as competition within these regions has declined.



Och-Ziff

- Och-Ziff's investments have been a strong source of diversification within the LCC portfolio.
- UTIMCO's investments with Och-Ziff have produced the following results and compare favorably to the HFRI FoF index.

Fund	Initial Investment Date	Invested Capital (\$mm)*	NAV (\$mm)	2/28/2010	Annualized Net Return	Annualized Volatility	HFRI FoF Composite Return	HFRI FoF Composite Volatility
OZ Overseas (global)	Aug-04	\$100	\$159		8.7%	5.3%	3.5%	6.4%
OZ Europe	Apr-05	\$75	\$108		10.0%	6.7%	2.6%	6.7%
OZ Asia	Jan-06	\$75	\$92		5.3%	9.8%	1.5%	7.0%

*To date, there have been no redemptions from any Och Ziff relationship



BlackRock

- BlackRock manages ~\$3.4 trillion in assets, with 8,500+ employees in offices in 24 countries.
- On December 1, 2009, BlackRock merged with Barclays Global Investors (BGI).
- After the merger, UTIMCO currently has four mandates with BlackRock with an estimated value of \$591 million*:
 - Emerging Markets: BlackRock (formerly BGI) Emerging Markets Strategic Insights
 - Investment of \$227 million
 - Initially funded April 2007 with \$76 MM
 - BlackRock AUM for this strategy is ~\$2.5 billion
 - Natural Resources: BlackRock Global Energy
 - Investment of \$118 million with
 - Initially funded November 2004 with \$50 MM
 - BlackRock AUM for this strategy is ~\$1.4 billion
 - Natural Resources: BlackRock Small Cap Energy
 - Investment of \$139 million
 - Initially funded June 2004 with \$25 MM
 - BlackRock AUM for this strategy is ~\$500 million
 - Natural Resources: BlackRock Metals and Mining
 - Investment of \$107 million
 - Initially funded July 2009 with \$50 MM
 - BlackRock AUM for this strategy is ~\$10 billion
- UTIMCO is considering redeployment of its existing \$114 million passive Natural Resources Equity Swap into the three existing BlackRock Natural Resources mandates (Small Cap Energy, Global Energy and Metals and Mining) which would exceed UTIMCO's MCC delegation of authority limit of \$600 million.

* Across PUF, GEF, and ITF; estimated as of February 2010 for all mandates.

Tab 7

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 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 8

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Report on Scenario Analysis

Developed By: Yoeli, Wagner, Zimmerman

Presented By: Yoeli, Zimmerman

Type of Item: Information Item

Description: Staff will present additional tail risk hedging scenarios. This discussion is also to assist in preparation for the Annual Investment Policy Review.

Recommendation: None

Reference: *Scenario Analysis* presentation



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Scenario Analysis



Agenda

- “Lost Decade” Scenario
- Great Depression Scenario
- Asset Allocation Preview
 - Long-term “Base Case” strategy
 - Effects of Growth and Inflation on asset class returns and optimal portfolios
- Issues



“Lost Decade” Scenario



Japanese Deflation – the “Lost Decade”

- Following the market crash in 1989, Japan experienced deleveraging, deflation, economic contraction, and a “lost decade” in its stock market – the Nikkei was range-bound throughout the 1990s. There is a concern that the current deleveraging in the US might resemble the Japanese experience.
 - These economic problems were not contagious; other economies flourished in the 90s, and Japan lost its leadership position
 - The 2000s was another “lost decade” for Japan, alongside the rest of the developed world

Annualized Returns	Japan		US	
	1990s*	2000s	2000s	2000s
Equity Market	0.9%	(5.1%)	(0.9%)	
Bonds	6.5%	1.9%	6.3%	
Inflation	1.0%	(0.5%)	2.5%	

* 1992-1999

- The 2000s was a “lost decade” for the US stock market
 - During the 2000s, the PUF annual returns were 5.1%
 - UTIMCO relied on active management in a prolonged sideways US market and worked to identify changes in economic leadership

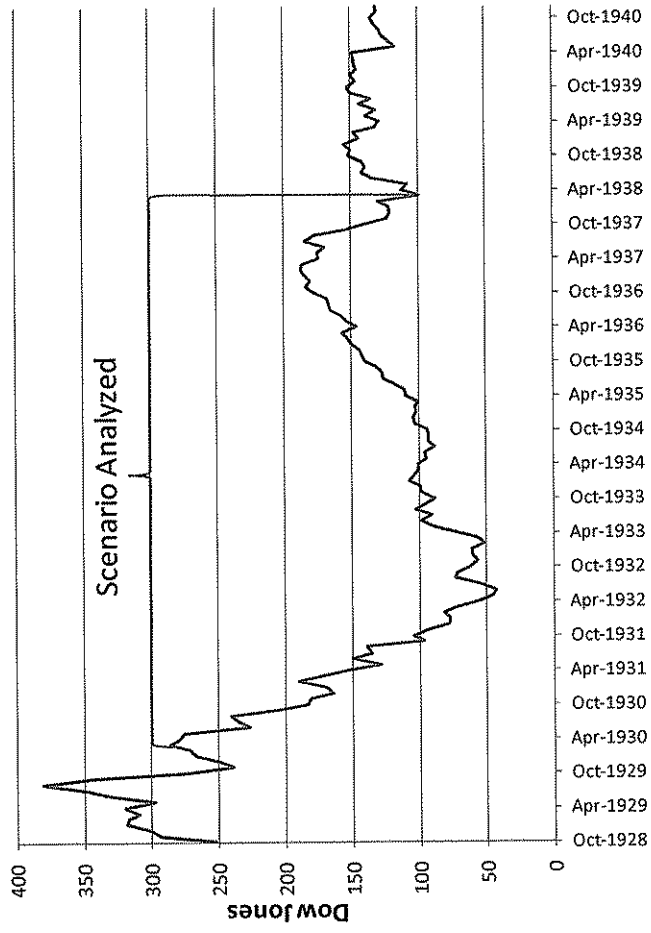


Great Depression Scenario



Great Depression Scenario Analysis

- Performed a detailed analysis of a scenario similar to the Great Depression, looking not only at the aggregate returns over the entire scenario, but the interim effects on the Corpus, levels of distributions, liquidity and cash-flows, and asset allocation.
- The scenario is based on the eight-year period from March 1930 to March 1938
 - The start point of 3/1930 is after the first leg down, and markets were 25% off their 8/1929 peak



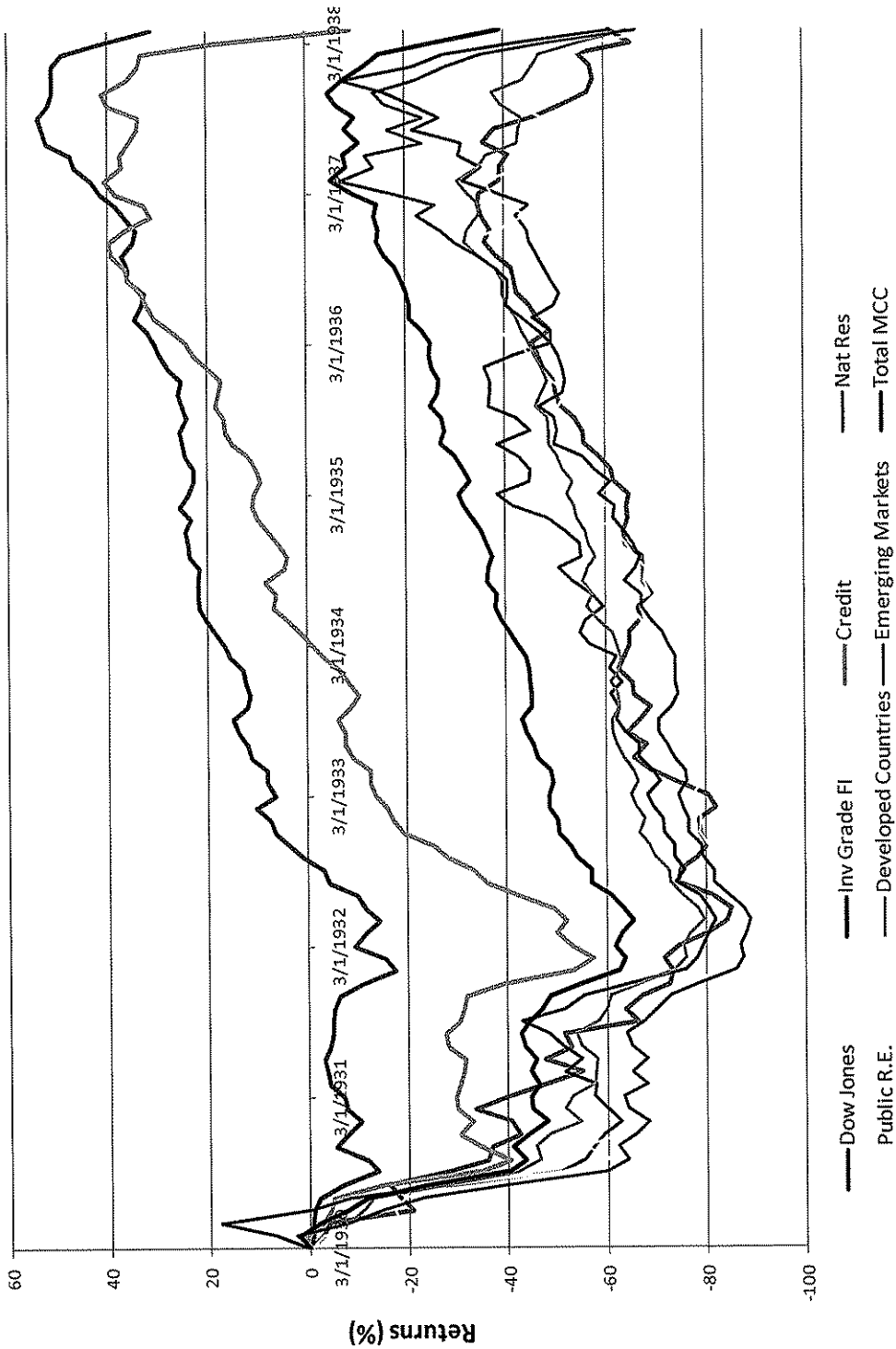


Determining Asset Class Returns

- Since most of our Asset Classes and Investment Types did not exist in the 1930s, we chose to match the market behavior in this scenario with recent market behavior
 - The intensity of the decline between 3/1930 and 6/1932 matches the intensity of the most recent crisis, but it was twice as long. To emulate this decline, the scenario design assumes we would have the recent crash repeat twice more, without any recovery between them – i.e., the crash is emulated by replaying 4/2008 to 3/2009, and then replaying once again 12/2007 to 3/2009.
 - This first leg of the 1930s recovery matches the intensity of the recent rally, so we continue by replaying 4/2009 to 2/2010
 - The continued recovery and the crash of 1937 are emulated by replaying 12/2003 to 10/2008



Emulated Returns for MCC





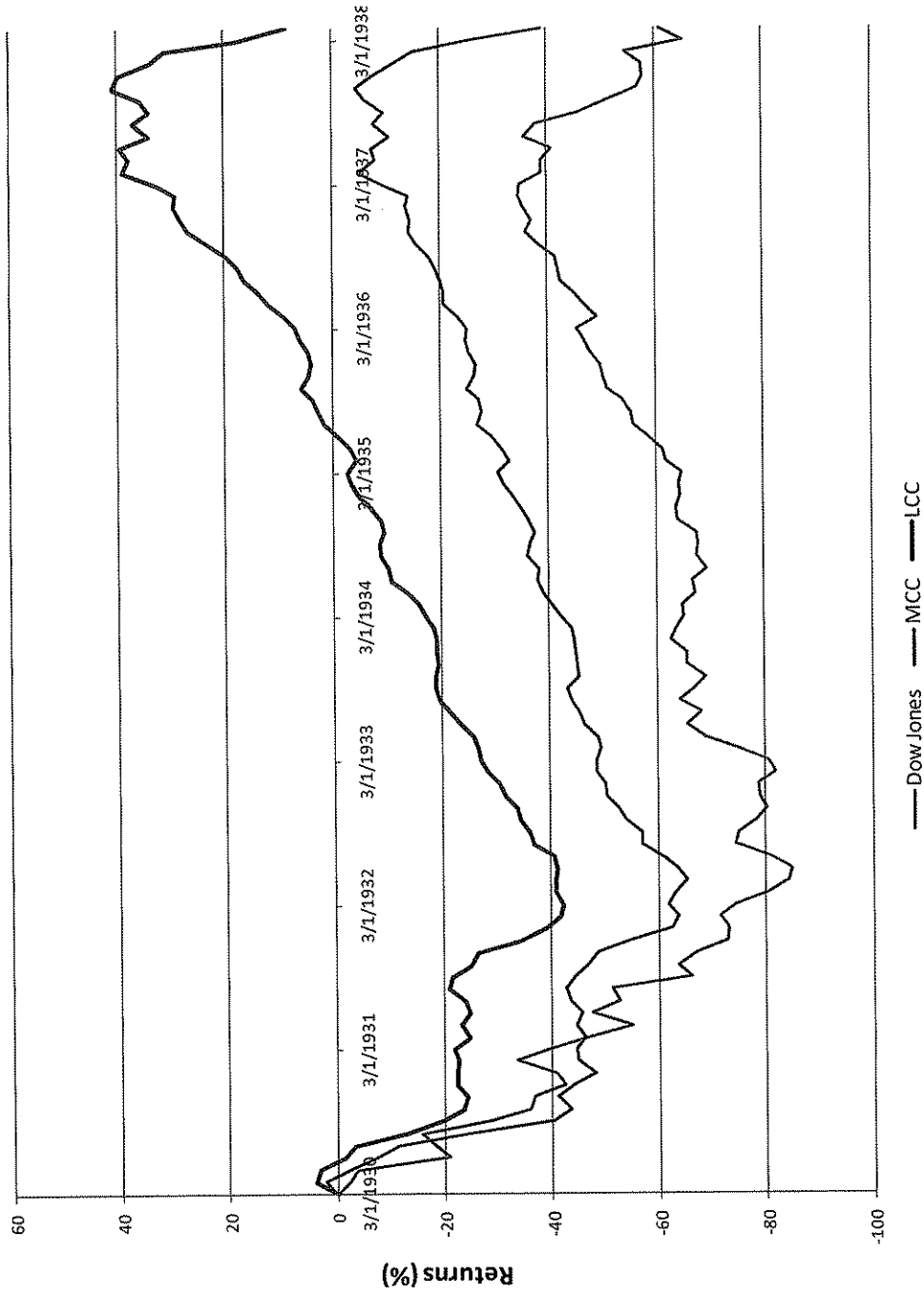
Emulated Returns for MCC

Year	IGFI	Credit	NatRes	Real Estate	DC	EM	Total MCC
1	-7%	-29%	-57%	-70%	-53%	-70%	-45%
2	-2%	-33%	-51%	-51%	-48%	-51%	-31%
3	17%	83%	53%	55%	43%	55%	34%
4	9%	15%	36%	25%	8%	25%	12%
5	6%	12%	44%	44%	26%	44%	20%
6	5%	12%	-18%	41%	16%	41%	8%
7	8%	11%	22%	11%	22%	11%	21%
8	0%	-14%	-8%	-34%	-34%	-34%	-18%

- Fixed Income is the better investment in this environment. In particular, Investment Grade F.I. provides both safety and higher returns
- Natural resources, Public real estate, Developed Countries, and Emerging Markets, all behave quite similarly throughout the entire eight-year scenario period



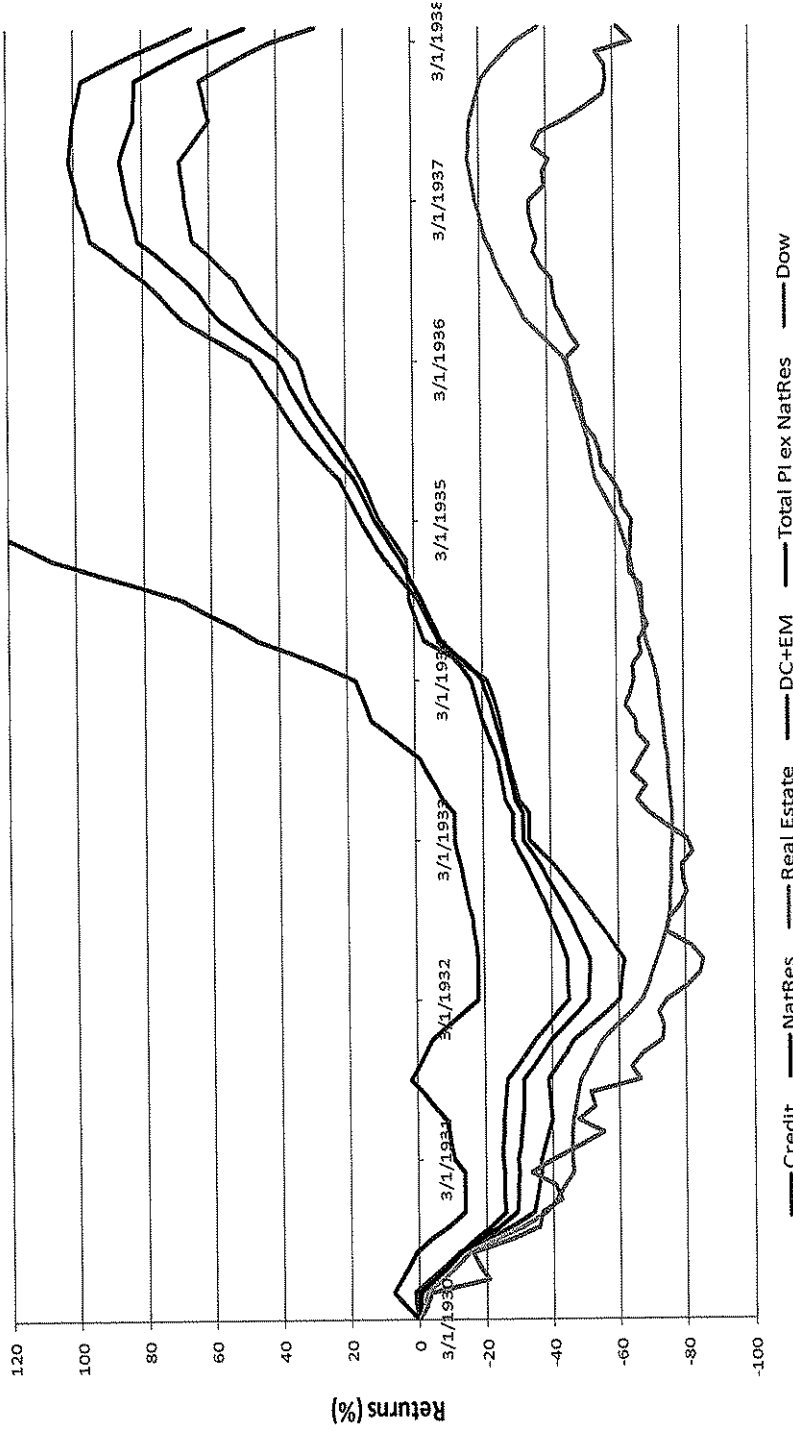
Emulated Returns for LCC



Year	LCC
1	-22%
2	-26%
3	26%
4	14%
5	18%
6	10%
7	24%
8	-11%



Emulated Returns for Private Investments



- Capital is scarce, illiquidity premium is large
- NatRes performance in the emulated period (2003-present) was very high; to be conservative, we excluded it from the assumed returns for Private Investments



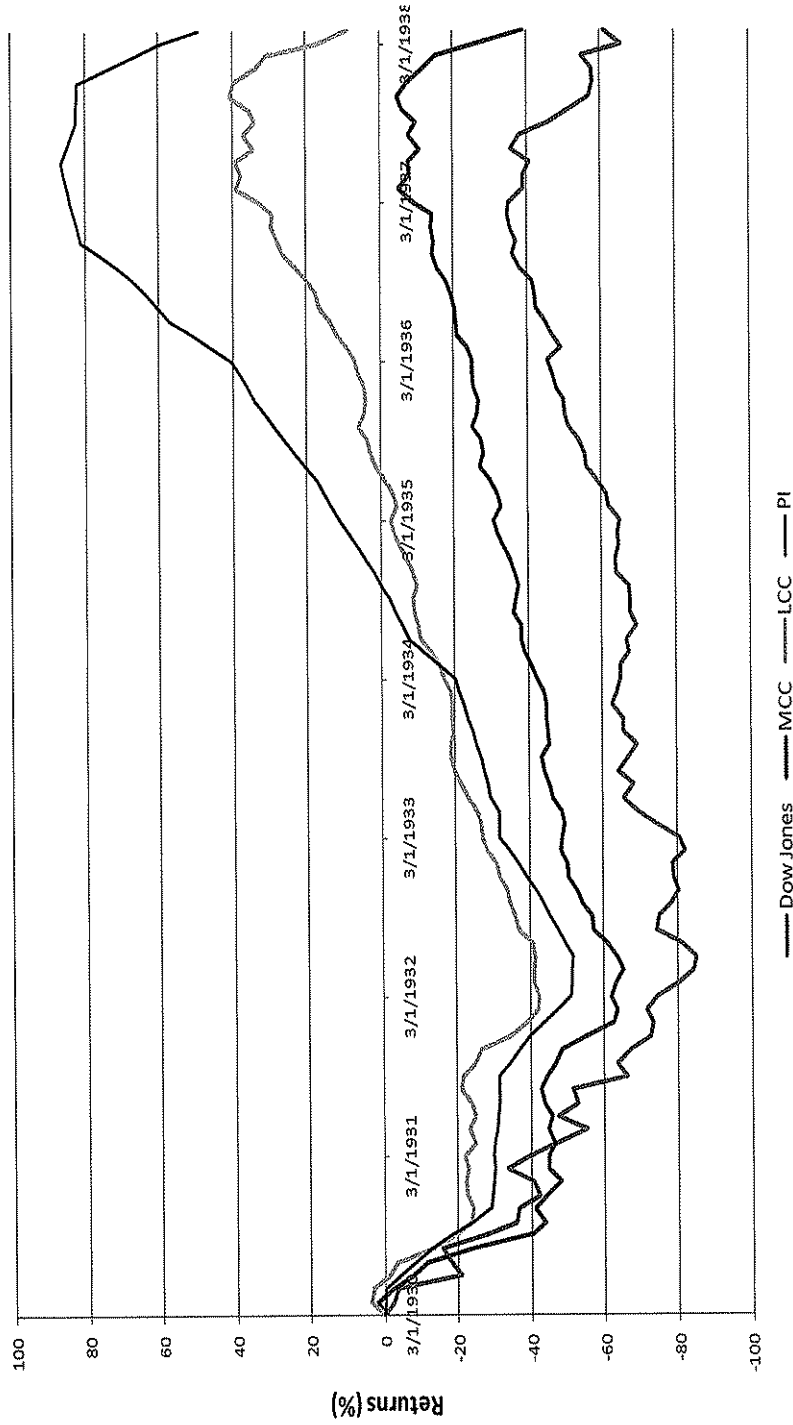
Emulated Returns for Private Investments

Year	Credit	NatRes	Real Estate	Buyouts & VC	Total PI
1	-36%	-11%	-46%	-25%	-30%
2	-37%	-8%	-39%	-27%	-30%
3	67%	8%	-27%	30%	39%
4	19%	33%	17%	17%	18%
5	40%	96%	41%	39%	39%
6	22%	48%	39%	28%	26%
7	25%	35%	48%	34%	31%
8	-15%	18%	-15%	-12%	-13%

- Similarly to our recent experience, Credit seems the best place to invest at the trough. However, in this analysis no such tactical bet is assumed



Emulated Investment Type Returns



- Post-crisis times are good for active management
- Projected PI returns most likely not conservative. Achieving such returns will require aggressive capital calls and investments at the trough, more like 2003 than 2009



Managing the Endowment

- The investment decisions we make throughout these eight years, as events unfold, cannot be pre-determined, and have a very large effect on the end result

Assumptions

- No new commitments to Private Investments will be made
- Existing Capital Calls are called at a constant rate over the first five years
- No distributions from Private Investments over the entire eight years, even though markets are “normal” in years 4-7
- West Texas lands fund half of the PUF Distributions, and the other half comes from the Corpus. The analogous assumption for the GEF would be that alumni donations would cover half of the distributions
- LCC liquidity is managed to fund half of the PUF distributions. MCC is used to fund capital calls of Private Investments
- No further rebalancing or any other investments decisions

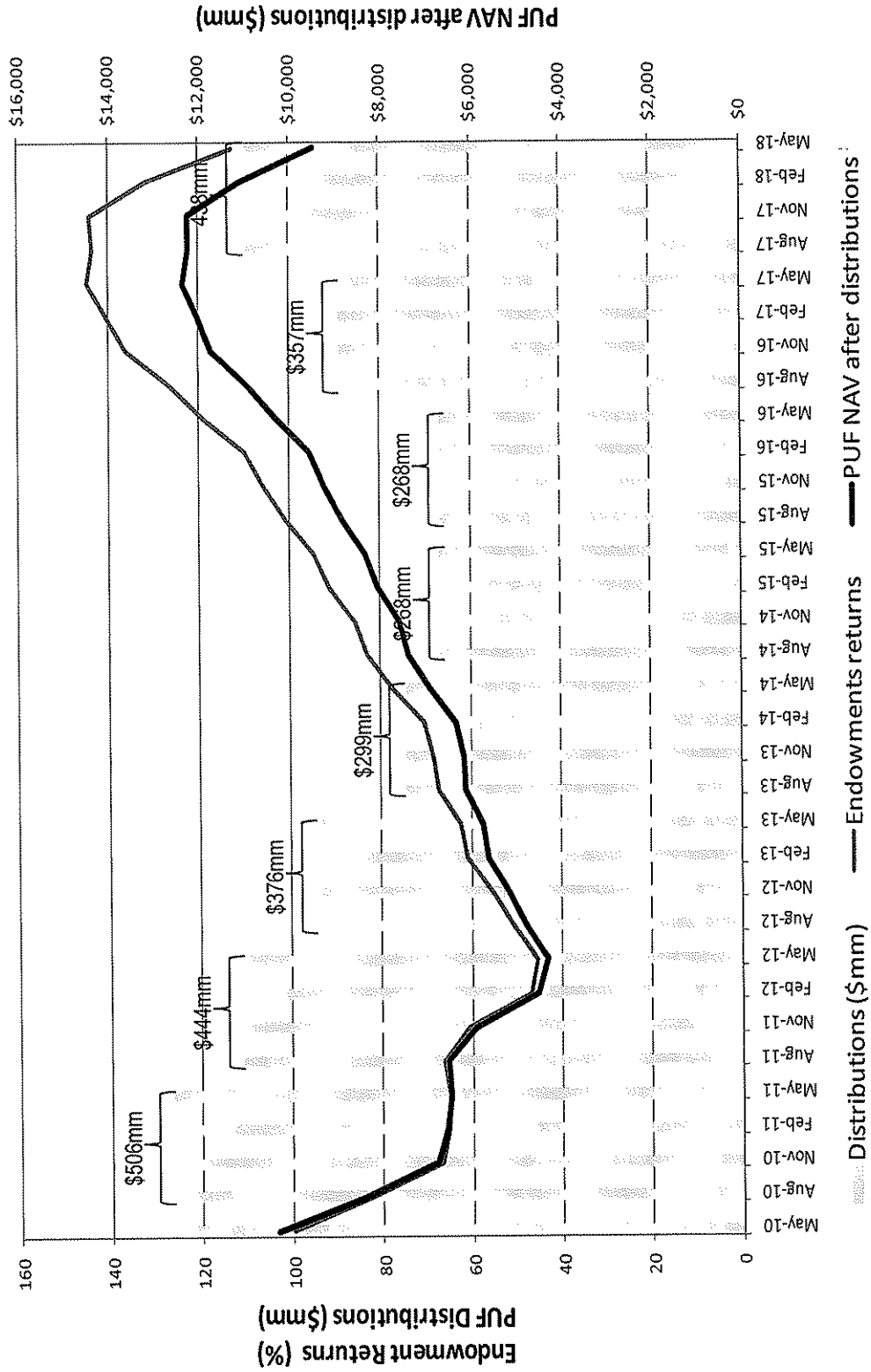


Emulated Investment Type Returns

Year	MCC	LCC	PI	Total Portfolio
1	-45%	-22%	-30%	-34%
2	-31%	-26%	-30%	-29%
3	34%	26%	39%	34%
4	12%	14%	18%	15%
5	20%	18%	39%	30%
6	8%	10%	26%	19%
7	21%	24%	31%	28%
8	-18%	-11%	-13%	-14%

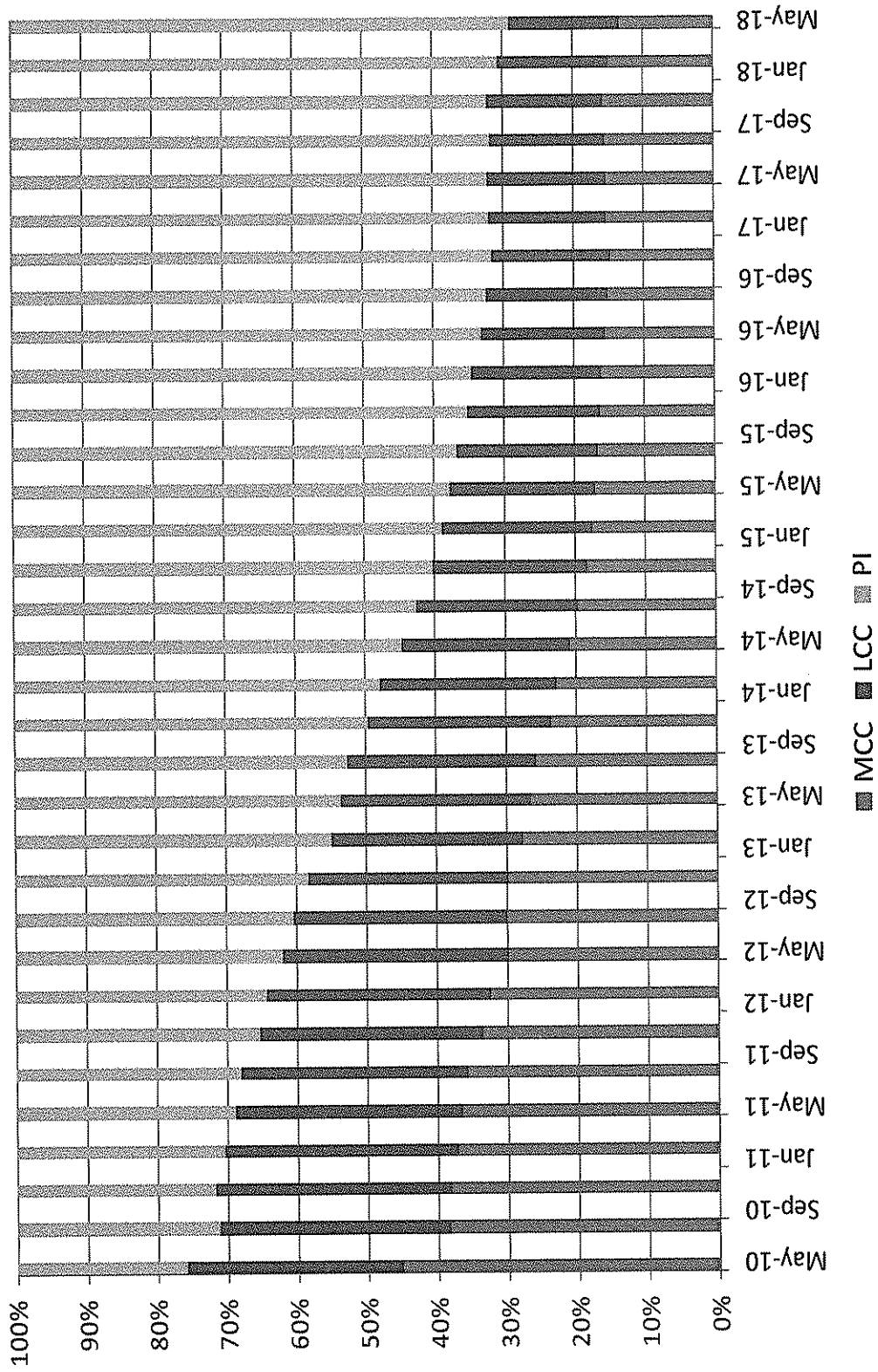


PUF NAV and Distributions





Investment Types Allocations





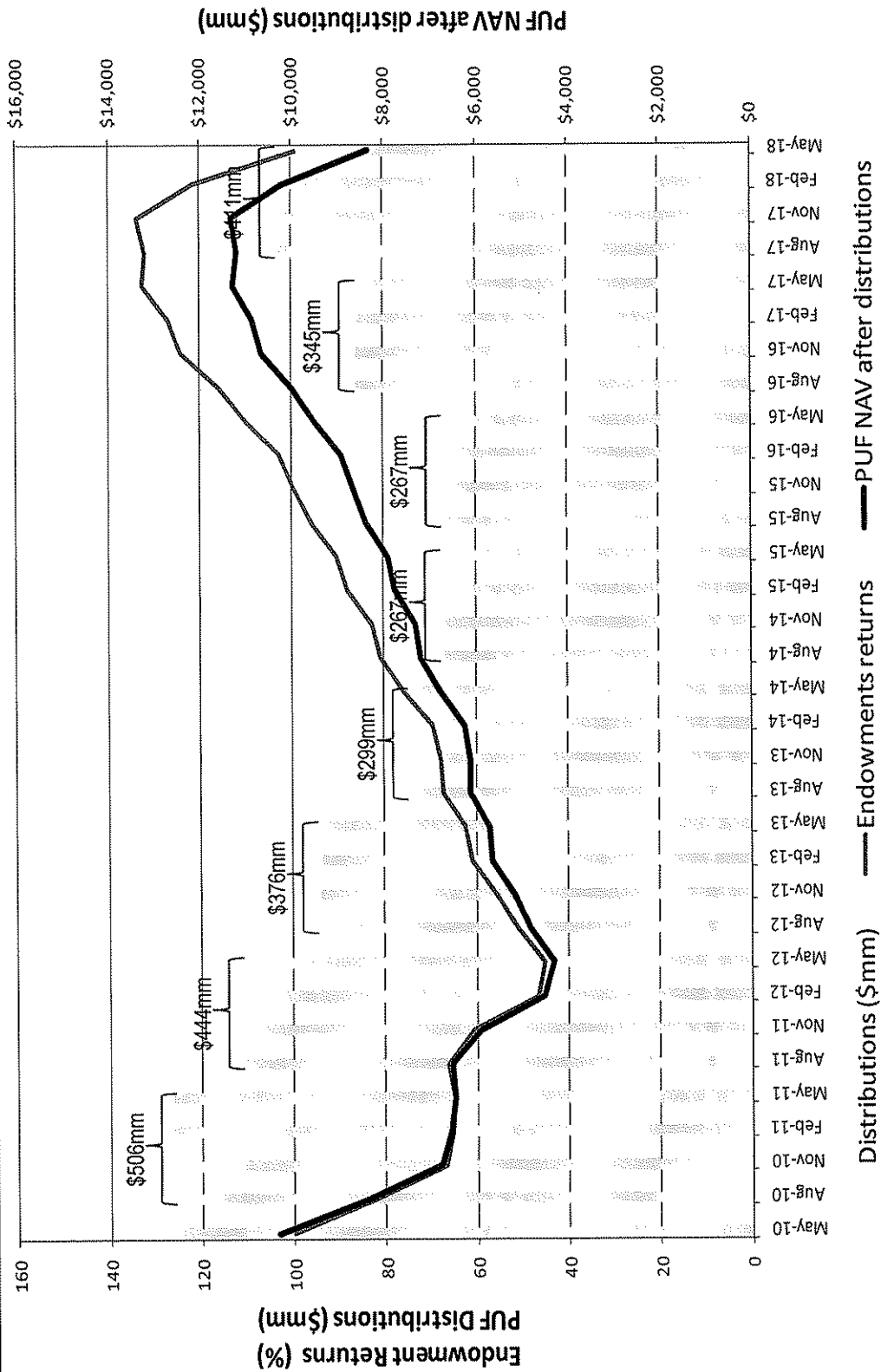
Key Observations

- PUF Distributions fall by almost half in this scenario
- No Private Investments distributions for eight years creates a very skewed and illiquid portfolio (70% in Privates), but also drives relatively higher returns
- We ran a scenario with some distributions from Private Investments, so to match the capital calls in years 2-5.
 - Returns are about 13% lower over the entire period – they drop from 1.51% per year to zero.
 - Corpus ends at \$8.3bn, compared to \$9.5bn
 - Privates peak at ~50%. LCC is ~18% and MCC ~32%.



PUF NAV and Distributions

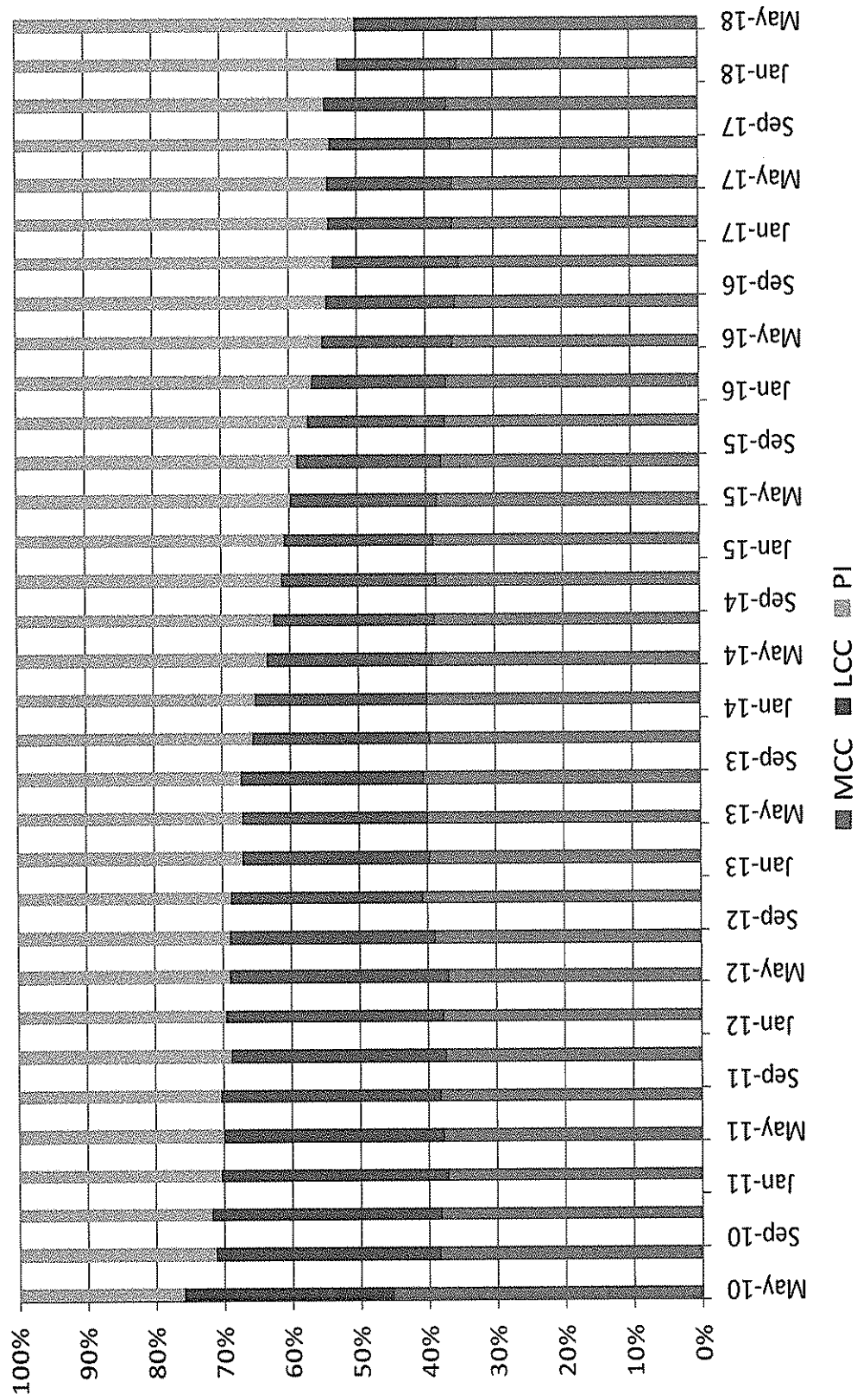
Distributions from P.I. match capital calls in years 2-5





Investment Types Allocations

Distributions from P.I. match capital calls in years 2-5





What Are Our Options?

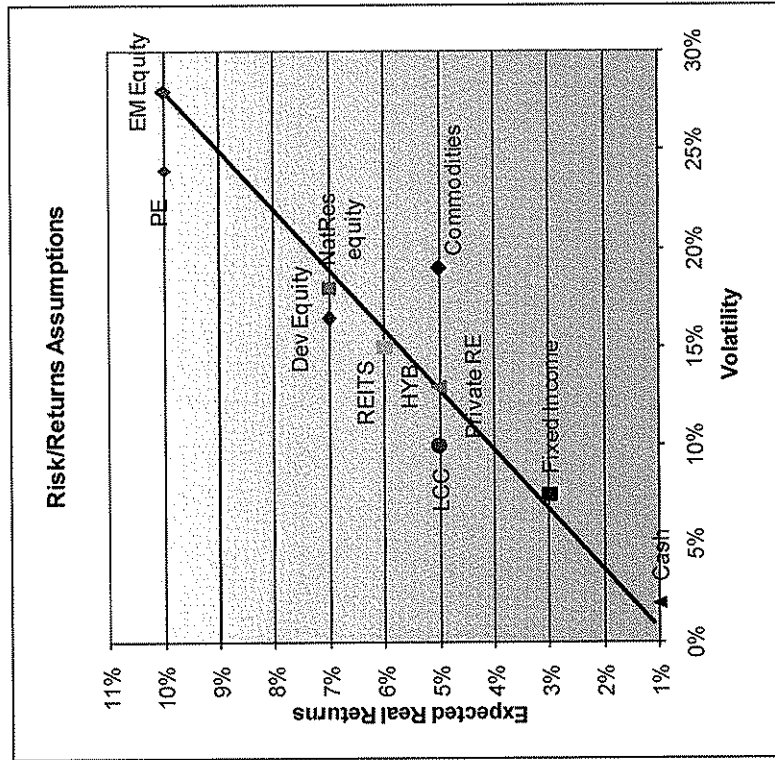
- Stay the course, *or*
- Change the asset allocation, *or*
- Continue to work to deploy tail hedges
 - Generally costly (“no free lunch”)
 - At times, tail hedges, like any other asset, might be mispriced, allowing us to off-load some tail risks in a more cost-effective manner



Long-Term “Base Case” Strategy



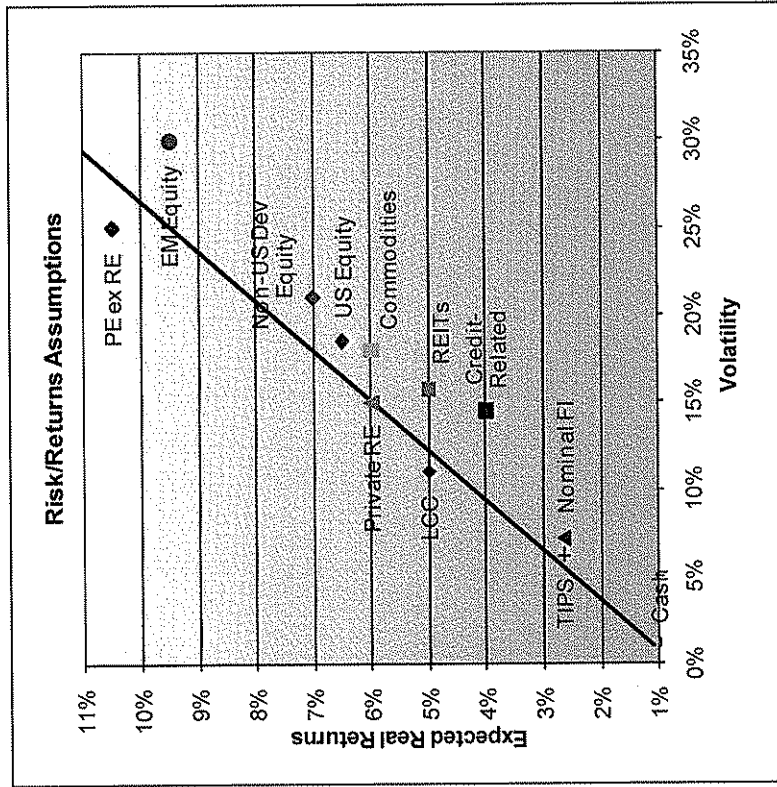
Cambridge Assumptions & Correlations



Correlation	Fixed Income	HYB	REITS	Private RE	Commodities	Dev Equity	EM Equity	PE	LCC
Fixed Income	1	0.30	0.30	0.10	0.20	0.28	(0.05)	0.25	0.33
HYB		1	0.50	0.20	0.10	0.55	0.30	0.40	0.50
REITS			1	0.20	0	0.60	0.70	0.50	0.55
Private RE				1	0	0.20	0.10	0.10	0.20
Commodities					1	(0.15)	0	(0.10)	(0.10)
Dev Equity						1	0.45	0.60	0.75
EM Equity							1	0.40	0.40
PE								1	0.55
LCC									1



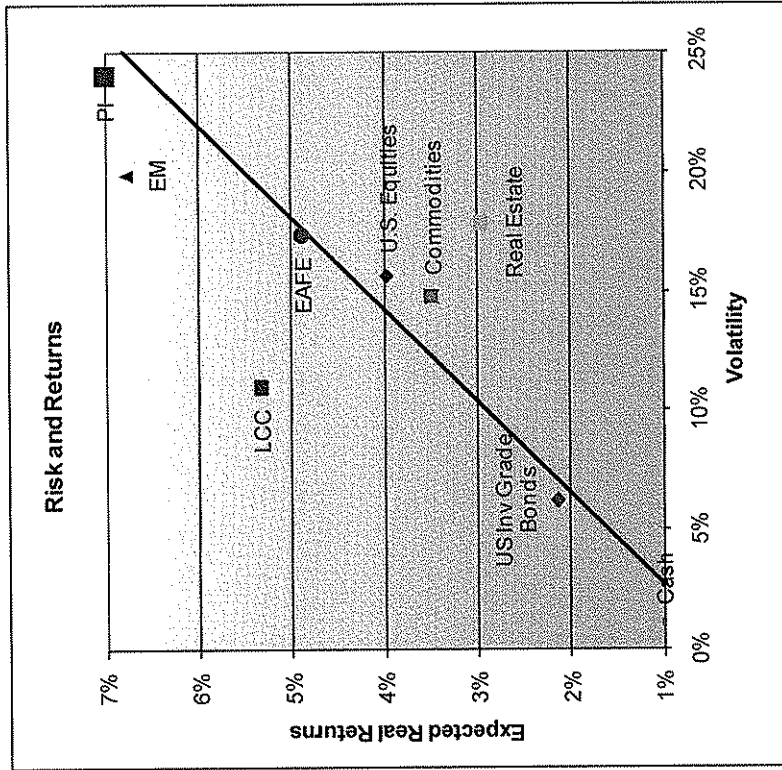
UTIMCO Assumptions & Correlations



Correlation	Nominal FI	TIPS	Credit-Related	REITs	Private RE	Commodities	US Equity	Non-US Dev Equity	EM Equity	PE (ex RE)	LCC
Nominal FI	1	0.70	0.30	0.15	0.03	0.05	0.15	0.10	0	0.09	0.15
TIPS		1	0.20	0.15	0.03	0.20	0.10	0.05	0	0.04	0.15
Credit-related			1	0.45	0.20	0	0.50	0.60	0.30	0.40	0.50
REITs				1	0.50	0.10	0.35	0.35	0.35	0.12	0.35
Private RE					1	0	0.30	0.30	0.25	0.12	0.22
Commodities						1	0	0	0.20	0.04	0.13
US Equity							1	0.80	0.75	0.76	0.58
Non-US Dev Equity								1	0.75	0.68	0.63
EM Equity									1	0.64	0.55
PE (ex RE)										1	0.50
LCC											1



40Yrs Historical Experience



Correlation	US Inv Grade Bonds	Credit	Real Estate	Commodities	U.S. Equities	EAFE	EM	PI	LCC
US Inv Grade Bonds	1	0.81	0.17	(0.05)	0.17	0.11	(0.01)	0.25	0.15
Credit		1	0.40	0.01	0.36	0.28	0.17	0.40	0.50
Real Estate			1	0.15	0.58	0.44	0.41	0.50	0.35
Commodities				1	0.10	0.16	0.40	(0.10)	0.15
U.S. Equities					1	0.61	0.62	0.60	0.60
EAFE						1	0.55	0.60	0.60
EM							1	0.40	0.50
PI								1	0.55
LCC									1



Basic Scenarios: Key Assumptions

Return Assumptions

- UTIMCO's return assumptions are consistent with, albeit slightly more conservative than, Cambridge assumptions
- Actual experience from 1970 till now has produced lower returns than Cambridge or UTIMCO assumptions due to the market meltdown at the end of 2008, and is quite similar to GMO's seven-year forecast

	Assumed Real Returns						
	Cambridge	UTIMCO		40-years		GMO ¹	
		Passive	Active	end 2/09	end 2/10	Passive	Active
More Correlated and Constrained							
Investment Grade Fixed Income	3.0%	2.5%	2.7%	2.1%	2.2%	0.9%	1.2%
Credit-Related Fixed Income	5.0%	3.0%	4.0%	0.7%	1.3%	1.6%	3.5%
Real Estate	6.0%	4.5%	5.0%	3.0%	3.7%	0.5%	0.9%
Natural Resources	6.0%	4.5%	6.0%	3.5%	3.7%	6.0%	7.0%
Developed Country	7.0%	5.5%	6.8%	4.4%	4.9%	3.4%	4.7%
Emerging Markets	10.0%	7.5%	9.5%	6.8%	7.5%	5.1%	6.8%
Less Correlated and Constrained							
Private Investments	5.0%	4.5%	5.0% ²	5.3% ³	5.6% ³	4.5% ³	5.0% ³
	9.5%	8.2%	9.6%	7.0% ³	7.7% ³	6.5% ³	7.0% ³

¹ GMO 7-year asset class return forecasts as of February 28, 2010

² LCC actual Real returns were 6.2% since inception

³ LCC and PI are estimated based on expected added value in each quadrant



Basic Scenarios: Results

	5% Real Return Efficient Frontier Portfolio							LT Strategic ² (4)
	Cam- bridge	UTIMCO		40-years		GMO ¹		
		Passive	Active	end 2/09	end 2/10	Passive	Active	
More Correlated and Constrained								
Investment Grade Fixed Income	40%	24%	41%	15%	24%	8%	-	7.5%
Credit-Related Fixed Income	5%	-	-	-	-	-	44%	2.5%
Fixed Income Subtotal	45%	24%	41%	15%	24%	8%	44%	10.0%
Real Estate	-	15%	9%	-	-	-	-	3.5%
Natural Resources	16%	17%	13%	13%	11%	43%	33%	5.5%
Real Assets Subtotal	16%	32%	22%	13%	11%	43%	33%	9.0%
Developed Country	-	-	-	-	-	-	-	16.0%
Emerging Markets	6%	-	-	20%	17%	-	-	12.0%
Equity Subtotal	6%	0%	0%	20%	17%	0%	0%	28.0%
Less Correlated and Constrained	23%	16%	18%	40%	40%	37%	18%	30.0%
Private Investments	10%	28%	20%	12%	8%	12%	5%	25.5% ³
	100%	100%	100%	100%	100%	100%	100%	100.0%

¹GMO provided only expected returns; volatility and correlations were taken from the 40-years analysis

²Expected real returns for LT Strategic benchmark are 5.82%; with active management, expected returns are 6.87%

³Includes 2.5% CRFI, 5% RE, 5% NatRes, 9% DC and 4% EM

⁴Private investments allocated back to their asset classes

- Given the mechanistic nature of the models, "extreme" allocations are likely and therefore best taken in a directional light



Effects of Growth and Inflation on Asset Class Returns and Optimal Portfolios



Varying Macroeconomic Environments: Key Assumptions and Results

- Staff also assessed asset class returns under varying macroeconomic environments in order to understand the different portfolio constructions that would be optimal in differing environments

	Asset Class Returns under Varying Inflation/Growth Scenarios			
	RG/FI	FG/FI	FG/RI	RG/RI
<u>More Correlated and Constrained</u>				
Investment Grade Fixed Income	2.1%	4.6%	1.2%	0.1%
Credit-Related Fixed Income	3.0%	5.2%	(3.3%)	(3.5%)
Real Estate	3.7%	3.5%	1.3%	4.0%
Natural Resources	2.6%	4.2%	0.0%	7.3%
Developed Country	7.8%	5.6%	0.2%	3.5%
Emerging Markets	6.5%	8.8%	2.5%	4.9%
<u>Less Correlated and Constrained</u>				
	6.7%	5.9%	3.9%	4.4%
<u>Private Investments</u>	12.6%	9.9%	(2.1%)	8.5%

*LCC and PI are estimated based on expected added value in each quadrant

	5% Real Return Efficient Frontier Portfolio			
	RG/FI	FG/FI	FG/RI	RG/RI
<u>More Correlated and Constrained</u>				
Investment Grade Fixed Income	35%	58%	-	14%
Credit-Related Fixed Income	-	6%	-	-
Fixed Income Subtotal	35%	65%	0%	14%
Real Estate	-	-	-	19%
Natural Resources	16%	19%	-	40%
Real Assets Subtotal	16%	19%	0%	59%
Developed Country	8%	-	-	8%
Emerging Markets	-	10%	-	-
Equity Subtotal	8%	10%	0%	8%
<u>Less Correlated and Constrained</u>				
	32%	6%	100%	11%
<u>Private Investments</u>	10%	1%	-	8%
Total Assets	100%	100%	100%	100%
Downside Risk	7.20%	3.63%	9.41%	7.85%

- Dramatically different portfolio construction would be optimal in the differing environments
- Because Strategic Asset Allocation should be very long term in nature and because the future macroeconomic environments are unknowable as to their occurrence, timing and duration; this analysis is most useful in establishing asset allocation ranges in order to allow for tactical investment and allocation strategies
- This analysis is also useful in assessing optimal portfolio hedging strategy



Key Issues

- What will the Macro-Economic Environment be over the next 5-7 years?
 - Optimal asset allocation very different in each macro-economic environment
- GMO's 7-year Forecast is significantly lower than UTIMCO's and Cambridge's long-term assumptions, and is very much in line with the 1970-2009 historical returns
 - Under these sets of assumptions, if we are to maintain 5% real returns, the portfolio needs to be altered – e.g., 40% in LCC, 20% in Emerging Markets equities
- Is the Risk Premium shrinking?
 - High equity returns were driven in part by successful economies, and in part by an expanding P/E ratio, which pays more for the same future cash-flows
- How much alpha can staff add? What is the risk tolerance?

Tab 9

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion items

Description: The Risk Committee ("Committee") will meet on April 8, 2010. The Committee's agenda includes (1) review and discussion of performance and risk reporting; (2) review and discussion of compliance reporting; (3) discussion and appropriate action related to new investment mandates and annual review of mandate categorizations, (4) discussion and appropriate action related to use of broker-dealers; (5) discussion related to investments for three mandates that exceed Staff's delegated authority; and (6) report on scenario analysis.

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

The Committee will review and approve or re-categorize, as appropriate, the mandate categorizations prepared by Staff for the period beginning January 9, 2010, and ending March 31, 2010, as well as mandates on the "watch-list," i.e., categorizations that may require re-categorization in the near future. Also the Committee's meeting will include a presentation on the mandate categorization annual review. Staff is requesting that the Committee approve twelve new mandate categorizations. Staff completed its annual review of mandate categorizations and no mandates are being recommended for re-categorization at this time; however, three mandates are on the "watch-list" which may require re-categorization in the near future. Two mandates have been on the "watch-list" and one new one has been added. Mr. Zimmerman will review with the Committee the criteria considered by Staff during the annual review to determine whether a re-categorization is warranted. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

The Committee will review and take appropriate action on the use of Broker-Dealers. Staff will request the Committee to approve the addition of one and the retention of eight Broker-Dealers. Employees authorized to trade are only permitted to conduct trades with a Broker-Dealer on the Approved Fixed Income Broker-Dealer List. Based on a recommendation from UT System Audit Office, UTIMCO developed formal procedures to approve new broker relationships prior to trade execution and maintain an approved broker listing. As a result, Staff adopted an Approved Fixed Income Broker-Dealer Procedure, effective July 1, 2008 (the "Procedure"), which includes an Approved Fixed Income Broker-Dealer List (the "List"). In order to be added to the List, a Broker-Dealer must meet the following criteria: (1) usage of delivery versus payment; (2) documentation of

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

overall desirability of sales coverage; (3) adequate financials, which would require a copy of the Broker-Dealer's current FOCUS report on file; (4) a copy of the latest annual report containing an unqualified auditor's opinion; and (5) trading authorization signed by a corporate compliance officer. The Procedure also requires an annual review of the List by a committee comprised of the UTIMCO Traders, the CEO and Chief Investment Officer, the President and Deputy CIO, and the General Counsel and Chief Compliance Officer using the same criteria.

Uzi Yoeli will present to the Committee a report on sector analysis. Mr. Yoeli will also make this presentation to the UTIMCO Board (presentation is included in Tab 8 of the Board materials.)

In addition, Staff will also present to the Committee a report on three managers identified by Staff that are currently above or near the delegated authority limit due to appreciation to which it would like to make additional commitments as detailed in the *Delegation of Authority Investment Mandates Under Consideration* presentation. This presentation will be discussed in Tab 6 of the Board materials.

Recommendation: None

Reference: None

Tab 10

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: UTIMCO Organization Update

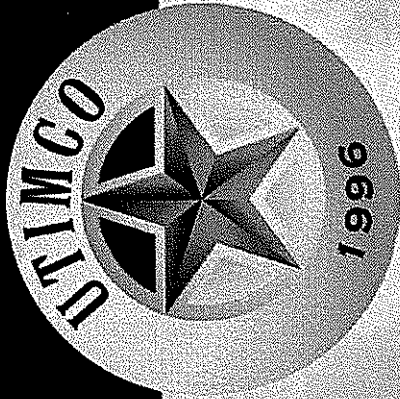
Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Discussion item

Description: Mr. Zimmerman will provide an update on UTIMCO's staffing, 2nd Quarter 2010 actual to budgeted expenses, constituent relations, and economic dashboard and indicator decision support.

Reference: *UTIMCO Organization Update* presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO ORGANIZATION UPDATE

April 15, 2010

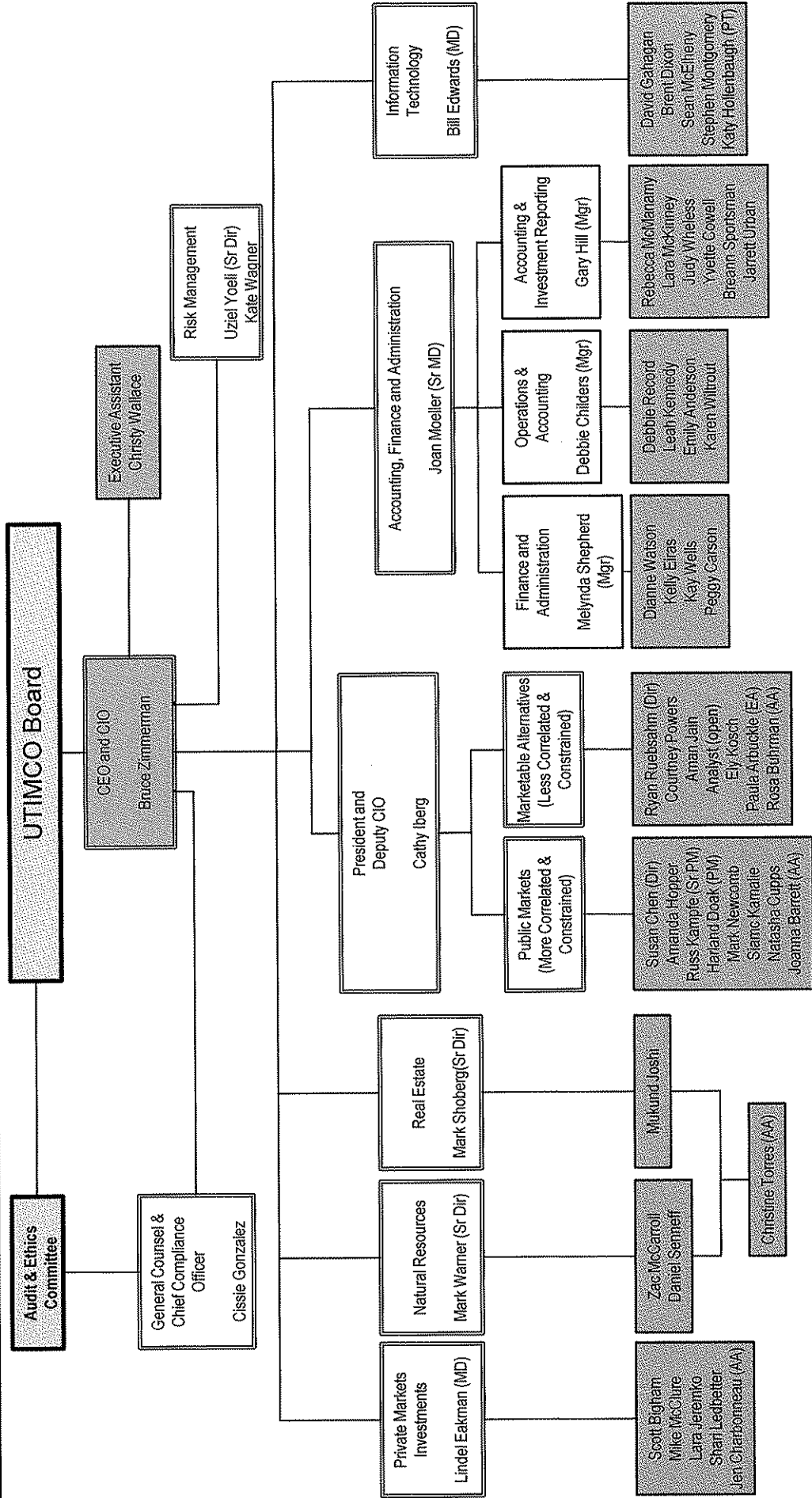


UTIMCO Update

- Staffing
- Budget
- Constituent Relations
- Economic Dashboard and Indicator Decision Support



Organizational Structure





UTIMCO Actual v Budget FYTD February 2010

FYTD February 2010	Actual vs Budget Favorable/(Unfavorable)		
	Actual	Budget	\$ %
SUMMARY			
UTIMCO Personnel	\$5,966	\$6,009	\$43 1%
UTIMCO Other	<u>1,906</u>	<u>1,961</u>	<u>54</u> 3%
Total UTIMCO	7,872	7,970	98 1%
Other, Non-Investment Manager	<u>2,978</u>	<u>3,020</u>	<u>42</u> 1%
Total	<u>\$10,850</u>	<u>\$10,990</u>	<u>\$139</u> 1%



Constituent Relations

- Texas Investors Conference
- Senate Finance Committee
- Donor Relations



Economic Dashboard

- Visual summary of global (Developed and BRIC) markets and fundamentals
 - Long (10 year) and short (1 year) perspectives
 - Leading indicators, industrial production, GDP, and CPI are examined
 - Market levels, valuations, and chart patterns are also analyzed
 - Relative fundamentals can reveal risks or opportunities, e.g.:
 - Low developed country real rates
 - Leading indicators at unsustainably high rates of change
 - High Indian inflation
- Compiled and reported monthly by Public Markets
- Discussed by UTIMCO staff quarterly



Indicator Decision Support (“IDS”)

- IDS is a formal summary of key indicators in major developed and emerging markets, designed to support the tactical asset allocation process.
- The indicators reflect fundamental activity, absolute and relative valuations, and technical flows.
Examples:
 - Fixed income: economic data, yield curve shape, high yield issuance volume, credit spreads
 - Natural resources: equities vs. commodities valuation, commodity price curves, supply/demand data (crude stocks, gas storage, rig counts)
 - Real estate: REIT discounts/premiums to NAV, REIT fund flows, capitalization and vacancy rates, transaction volume
 - Public equity and marketable alternatives: valuations (P/E, P/B, dividend yield), volatility, dispersion, fund flows, IPO volume, earnings growth
 - Private equity: capital raised/dry powder, transaction and leverage multiples, IPO volume
- UTIMCO staff in each group selected and ranked indicators for their asset class in order of importance.
- Summary across all asset classes facilitates comparison across asset classes.
- Compiled and reported monthly by Public Markets.
- Discussed by UTIMCO staff quarterly, or more frequently during extreme market activity.

Tab 11

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

- Agenda Item:** Report from Compensation Committee
- Discussion and Appropriate Action Related to Change in Designation of Employee's Eligible Position in the UTIMCO Compensation Program for the 2009/2010 Performance Period
- Developed By:** Zimmerman, Gonzalez, Moeller
- Presented By:** Ferguson
- Type of Item:** Action item related to Change in Designation of Eligible Position; Information item
- Description:** The Compensation Committee ("Committee") will meet on April 15, 2010. The Committee's agenda includes (1) discussion and appropriate action related to change in designation of employee's Eligible Position as a participant in the UTIMCO Compensation program for the 2009/2010 performance period; and, (2) discussion related to salary benchmarking study for 2010/2011 fiscal year.
- Discussion:** Section 5.3. of the UTIMCO Compensation Program ("Plan") provides that in order for an employee of UTIMCO to become a Participant in the Performance Incentive 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. Effective February 16, 2010, Bruce Zimmerman promoted Mark Shoberg to the position of Senior Director, Real Estate Investments, which is included within the Plan Eligible Position of Senior Director, Investments. Mr. Shoberg accepted the Senior Director position previously held by Bob Schau. Mr. Shoberg was previously the Director of Private Investments and was selected by the UTIMCO Board in the Eligible Position of Director – Private Investments at its meeting on September 10, 2009. Although Mr. Shoberg has been promoted to Senior Director, he has retained his responsibilities related to the Venture portion of the Private Investments portfolio. Mr. Zimmerman is recommending that Mr. Shoberg's Incentive Award Opportunity be weighted for the time spent in each Eligible Position for the Performance Period ended June 30, 2010. The blended maximum would equate to 107.5% (4½ months divided by 12 and multiplied by 120%; plus 7½ months divided by 12 and multiplied by 100%). The target would equate to 53.75%. Mr. Zimmerman is recommending that no change be made to the asset class weightings and that the asset class weightings and asset class measurement of the Director – Private Investments be retained. Mr. Zimmerman is recommending that the percentage of award deferred also be weighted for the time spent in each Eligible Position for the Performance Period ended June 30, 2010, i.e. 31.875%.

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
	Entity	Asset Class/		< Threshold	Threshold	Target	Maximum	
		Investment Type	Individual					
Senior Director, Investments	25%	35%	40%	0%	0%	60%	120%	35%
Director - Private Investments	20%	30%	50%	0%	0%	50%	100%	30%

The Committee will also hear a report from Nanci Hibschan of Mercer related to the salary benchmarking study. Ms. Hibschan will discuss and confirm the deliverables, timing and peer group used for determining competitive compensation levels.

Recommendation: The Committee will request the Board take appropriate action related to the approval of Mr. Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period.

Reference: None

**RESOLUTION RELATED TO CHANGE IN DESIGNATION OF ELIGIBLE
POSITION FOR A PARTICIPANT IN THE UTIMCO COMPENSATION
PROGRAM FOR THE 2009/2010 PERFORMANCE PERIOD**

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 "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

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

WHEREAS, the position of Senior Director, Investments, includes the position of Senior Director – Real Estate Investments; and

WHEREAS, Mark Shoberg, currently designated in the Plan in the Eligible Position of Director, Investments has been promoted to Senior Director – Real Estate Investments, and

WHEREAS, the Committee approved the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010, and has recommended that the UTIMCO Board approve same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and

FURTHER RESOLVED, that the Board approves the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010.

Tab 12

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Report from Audit and Ethics Committee

Developed By: Staff

Presented By: Foster

Type of Item: Information item

Description: The Audit and Ethics Committee ("Committee") will meet on April 8, 2010. The Committee's agenda includes a presentation of the unaudited financial statements for the six months ended February 28, 2010 for the Investment Funds, and the Corporation; report on Enterprise Risk Management; and an update of other compliance, reporting, and audit issues.

Discussion: Routine activities of the Committee will include reviewing the unaudited financial statements for the Investment Funds and UTIMCO Corporation, budget to actual expenses, capital budget, quarterly compliance reports, and other compliance activities. Based on a request from Mr. Tate at the January UTIMCO Board meeting, the Quarterly Reports for the Institutional Compliance Program have been included in the Board materials.

Cecilia Gonzalez will discuss with the Committee the results of the enterprise risk management. The charter of the Audit and Ethics Committee requires the Committee to assist the Board in monitoring the Corporation's Enterprise Risk Management. Enterprise risk management assists management in achieving the Corporation's performance goals and prevents loss of resources; helps ensure effective reporting and compliance with laws and regulations; and helps avoid damage to the Corporation's reputation and associated consequences. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. The Committee, along with management and other personnel, as directed by the UTIMCO Board, is responsible for the Corporation's enterprise risk management. Ms. Gonzalez will present to the Board the results of the enterprise risk management.

Recommendation: None

Reference: *Enterprise Risk Management 2010* presentation; Quarterly Reports for the Institutional Compliance Program



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO

Enterprise Risk Management

2010



Enterprise Risk Management

- Enterprise Risk Management is the process of identifying, assessing, and managing risk from an integrated, companywide perspective.



Model for Enterprise Risk Management

- UTIMCO adopted the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) *Enterprise Risk Management - Integrated Framework* as the model upon which it would develop its Enterprise Risk Management ("ERM")
- COSO is comprised of the American Institution of Certified Public Accountants, the American Accounting Association, Financial Executives International, The Institute of Internal Auditors, and the Institute of Management Accountants



ERM Framework

- The ERM framework is designed around four objectives and eight ERM interrelated components.



Objectives – “What an entity strives to achieve”

The four objectives are as follows:

- *Strategic* – relating to high-level goals, aligned with and supporting the entity’s mission
- *Operations* – relating to effective and efficient use of the entity’s resources
- *Reporting* – relating to the reliability of the entity’s reporting
- *Compliance* – relating to the entity’s compliance with applicable laws, regulations and policies



Interrelated Components – “How an entity achieves its objectives”

The eight interrelated components are as follows:

- *Internal Environment*
- *Objective Setting*
- *Event Identification*
- *Risk Assessment*
- *Risk Response*
- *Control Activities*
- *Information and Communication*
- *Monitoring Activities*



Effectiveness of ERM

- Whether an entity's ERM is "effective" is a judgment resulting from an assessment of whether these eight components are present and functioning effectively.



Internal Environment

- Provides discipline and structure
- Factors include:
 - The entity’s risk management philosophy,
 - The entity’s risk appetite,
 - Board oversight,
 - Integrity, ethical values, and competence of the entity’s people,
 - Assignment of authority and responsibility by management, and
 - Organization and development of the entity’s people by management (human resource standards)



UTIMCO Risk Management Philosophy

- The University of Texas System Board of Regents (BOR) has ultimate fiduciary responsibility for the Funds
- UTIMCO, as investment manager, is authorized to act for the BOR subject to limitations and restrictions set forth in the Investment Policy Statements and the Master Investment Management Services Agreement (IMSA)



UTIMCO Risk Appetite

- Investment Policy Statements provide:
 - Investment objectives
 - Asset Allocation and Investment Type allocation targets, ranges, and performance benchmarks
 - Long-term investment return expectations
 - Expected risk levels
 - Limitations on use of leverage
- Additional Policies related to Investment Management Include:
 - Derivative Investment Policy
 - Liquidity Policy



UTIMCO Board of Directors

- Nine independent directors appointed by the BOR play an active role in oversight of management
- Deep knowledge, business judgment, and expertise
- Four standing committees
 - Audit & Ethics
 - Compensation
 - Policy
 - Risk



UTIMCO Integrity and Ethical Values

- Section 66.08, Texas Education Code
- UTIMCO Code of Ethics
 - Annual training provided to Directors
 - Annual training provided to Employees
 - Certificates of Compliance designed to detect potential conflicts of interest signed by all Directors and Key Employees prior to investment

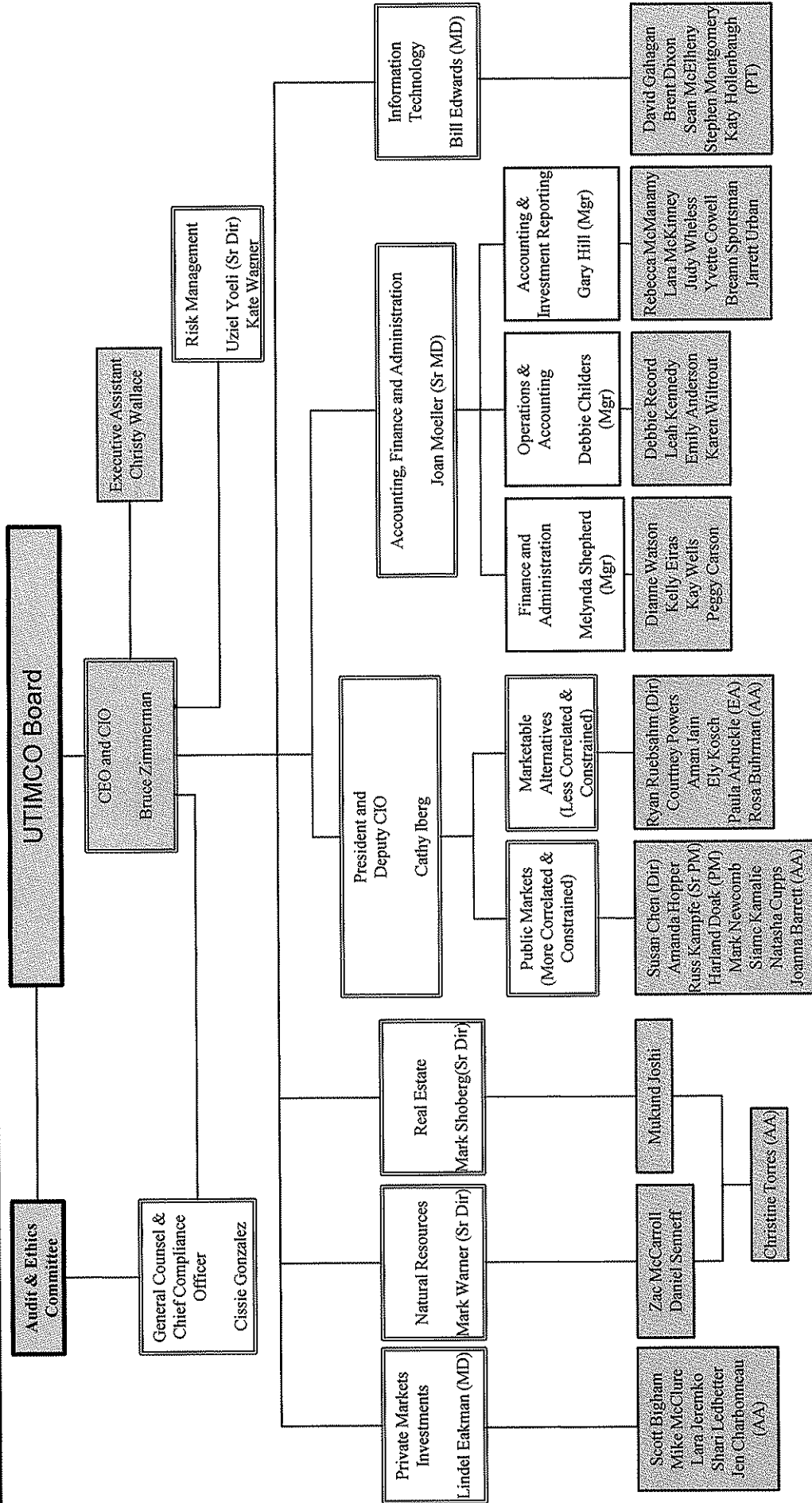


UTIMCO Commitment to Competence

- UTIMCO strives to hire the most qualified employees
 - Written job descriptions are maintained for each position
 - Many employees have advanced degrees and professional certification
- UTIMCO utilizes external legal counsel and various consultants to provide additional expertise



UTIMCO – Organizational Structure





UTIMCO Assignment of Authority and Responsibility

- BOR retains policy setting authority
- BOR approves custodian(s) selected by UTIMCO
- BOR approves UTIMCO's proposed annual budget
- IMSA describes services UTIMCO must provide in conjunction with the investment of the Funds
- UTIMCO Board sets Delegation of Authority Policy
- Compensation Plan



UTIMCO Human Resource Standards

- Emphasis on educational background, prior work experience, past accomplishment, and evidence of integrity and ethical behavior
- Employees subject to background investigation
- Employee Handbook
- UTIMCO Code of Ethics
- Staff Training
- Staff Reviews and Development



Objective Setting

- Strategic objectives – high level goals, aligned with and supporting the entity’s mission(s)/vision
- Related objectives:
 - Operations
 - Reporting
 - Compliance
- Objective setting is a precondition to event identification, risk assessment, and risk response



Strategic Objectives

UTIMCO Mission Statement:

- For our clients, UTIMCO will provide competitive, innovative and effective asset management and financial advisory services to our clients with The University of Texas and Texas A&M Systems.
- For the community, UTIMCO accepts its responsibilities as the manager for the largest public endowment fund in the United States and will act as a leader to advance endowment fund management practices at both public and private endowments.



Operations Objectives

- Provision of investment management services consistent with the Investment Policy Statements
 - Investment guidelines, benchmarks, categorization of mandates
- Administrative staff ensures that all transactions and accounting records are complete and prepared timely
- Maintenance of internal controls



Reporting Objectives

- Extensive reporting for the Funds and UTIMCO
- Use of external custodian as general ledger
- Preparation of required financial statements
- Annual audit of the Funds and UTIMCO by external auditor
- UT System Audit Office internal audits
- Various reporting by staff – risk, investment, compliance, operations



Compliance Objectives

- Requirements imposed by:
 - Texas Constitution and State statutes
 - Governing documents
 - Board and internal policies
- Institutional compliance program
- Staff training
- UTIMCO Compliance Hotline



Event Identification

- Potential events that, if they occur, will affect the entity positively or negatively
- Positive impact – opportunities that can be channeled back into the strategy and objective-setting processes
- Negative impact – represent risks, which require management's assessment and response



Identified Events

- Economic – extreme movements in the financial markets, availability of liquidity, availability of capital, manager default
- Natural Environment – natural disasters, power interruption
- Political and Social – state legislation affecting the U.T. Board and UtiMCO, changes in federal law affecting endowments and governmental entities, acts of terrorism
- Infrastructure – availability of assets, capability of assets
- Personnel – employee capability, departure of key employees, fraudulent activity
- Process – execution of investment policies, execution of internal procedures
- Technology – data system and availability and interruption, data integrity, emerging technology, technology maintenance and deployment



Risk Assessment

- Risks are analyzed, considering probability and impact, as a basis for determining how they should be managed
- Types of Risks:
 - Inherent: the risk to the entity in the absence of any actions management might take to alter either the risk's probability of impact
 - Residual : the risk that remains after management's response to the risk



Risk Assessments Prepared

- CEO and Chief Investment Officer
- More Correlated and Constrained Investments
 - (a) Internal Investments
 - (b) Custodied Assets
 - (c) Non-Custodied Assets
- Less Correlated and Constrained Investments
- Private Equity Investments
- Natural Resources Investments
- Real Estate Investments
- Risk Management
- Accounting and Operations
- Finance and Administration
- Information Technology
- General Counsel and Chief Compliance Officer



Risk Assessment Process

- Each group considered its mission, principal activities, risks associated with those principal activities, including probability and impact, and the controls in place to mitigate those risks.
- Initial risk assessment prepared by CCO
- Reviewed and edited by respective group
- Discussed and refined with CCO
- Reviewed by CEO
- Final modifications prepared by each group



Primary Risks Identified

- Portfolio Strategy and Management
- Initial and Ongoing Investment Due Diligence
- Investment Risk Management
- Investment Compliance
- Conflicts of Interest
- Operations, Accounting and Reporting
- Information Technology and Security
- General Management



Risk Response

- How management responds to the identified risks:
 - Avoidance – exiting the activity giving rise to the risk
 - Sharing – reducing the likelihood of the risk by transferring a portion of the risk (e.g., insurance, hedging, and outsourcing)
 - Acceptance – no action is taken to reduce the risk likelihood or impact
 - Reduction – acting is taken to reduce the risk likelihood, impact or both



Management's Response to Primary Risks Identified

- Avoidance
 - Not applicable
- Sharing
 - Insurance coverage
 - Use of consultants
- Acceptance
 - Risks with low probability and low or medium impact
- Reduction
 - Controls are/will be established and implemented



Control Activities

- Establishment and implementation of policies and procedures to help ensure that risk responses are effectively carried out



UTIMCO Policies and Procedures

- Established and implemented in the following areas:
 - Portfolio Strategy and Management
 - Initial and Ongoing Investment Due Diligence
 - Investment Risk Management
 - Investment Compliance
 - Conflicts of Interest
 - Operations, Accounting and Reporting
 - Information Technology and Security
 - General Management



Information and Communication

- Effective communication flows down, across, and up the entity
- Relevant information is identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities



UTIMCO Information and Communication

- Reports to the Board and Committees
- Reports to the BOR
- Reports to UT System and institutions
- Participation in Institutional Compliance Program
- Participation in Information Security Compliance Program
- Staff meetings
- Strategic Planning Process



Monitoring

- The entirety of ERM is monitored and modifications are made as necessary



UTIMCO Monitoring

- CEO has ultimate responsibility for ERM and is accountable to the Board of Directors
- Employees in each functional group will be provided with monitoring risks in his/her group
- CCO will monitor entirety of ERM and make modifications as necessary
- CCO and responsible employees will conduct periodic risk assessments and follow-up risk reviews



Conclusion

- Enterprise Risk Management is only as effective as the people who are responsible for its functioning
- Staff is prepared to accept the responsibilities for ongoing monitoring and assessment of the appropriateness of risk responses.



THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

QUARTERLY REPORT
INSTITUTIONAL COMPLIANCE PROGRAM

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

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	09/30/09	Risk assessments as part of ERM for all departments have been prepared by CCO, reviewed and edited by the responsible parties, reviewed by the CEO and awaiting final staff edits; ERM draft report has been prepared. Report will be completed by March 31 st
2.	Reevaluate A risks	09/30/09	No change to the compliance A risks
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
3.	Meet with Responsible Parties for updates	On-going	On-going
4.	Submit Institutional Compliance Program to a peer review	12/31/09	Deadline pushed back to 08/31/10 after completion of items 1, 2, 5, and 15
5.	Revise or create monitoring plans based on updated risk assessment	09/30/09	Being drafted in concert with ERM; will be completed by April 15 th
6.	Inspect high risk areas A	On-going	On-going
7.	Work with Risk Management to enhance monitoring by CCO	On-going	On-going
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
8.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/10	Scheduled for April 6 th and 9 th , 2010; individual sessions will be scheduled for employees unable to attend these sessions
9.	Compliance Training for CCO regarding investments	03/31/10	Scheduled to attend IA Compliance Best Practices Summit 2010 on March 25-26, 2010
10.	Identify and network with similarly situated compliance professionals	08/31/10	On-going
<i>D. REPORTING</i>			
11.	Conduct quarterly meetings with the	On-going	On-going

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
	internal ethics and compliance committee		
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
<i>E. OTHER / GENERAL COMPLIANCE</i>			
13.	Hotline report investigations	On-going	On-going
14.	Evaluate enterprise risk management and report to UTIMCO audit and ethics committee	February 2010	Will report at April Board and Committee meetings
15.	Control Self Assessment of Compliance program	10/31/09	Will complete after ERM by April 30, 2010
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; need to develop progress timeline

The University of Texas Investment Management Company
Institutional Compliance Program Quarterly Report
for the Fiscal Quarter Ended February 28, 2010

Section I – Organizational Matters

- The last meeting of the Ethics and Compliance Committee was held on December 7, 2009.

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

High-Risk Area #1: Investment Due Diligence

Responsible Party: Investment Managing Directors for Public Markets, Private Markets, and Marketable Alternatives and Senior Directors for Natural Resources and 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 80 meetings/calls with potential managers. Initial due diligence was performed on 59 managers and serious due diligence was performed on 10 managers. Three managers were hired. Ongoing review of active external managers included 46 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team and a quarterly portfolio review meeting.

Marketable Alternative Investments: The Marketable Alternative Investments group participated in 40 meetings/calls with potential managers. Initial due diligence was performed on four managers and serious due diligence was performed on three managers. One manager was hired. Ongoing review of external managers was conducted in the form of 42 meetings, conference calls, or Annual Meetings with active managers and a quarterly portfolio review meeting.

Private Markets: The Private Markets group performed initial due diligence on 32 and serious due diligence on 11 potential managers. One commitment was made. The Private Markets group also participated in 76 meetings with active external managers and 72 with prospective managers, including site visits, conference calls, and Advisory Board or Annual meetings.

Natural Resources: The Natural Resources group participated in 51 meetings/calls with potential managers. Serious due diligence was performed on one manager. Two managers were hired. Ongoing review of active external managers included 40 meetings/calls.

Real Estate: The Real Estate group participated in 32 meetings/calls with potential managers. No managers were hired. Ongoing review of active external managers included 16 meetings/calls.

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

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 quarter, 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 continued the renegotiations of ISDAs with our existing counterparties and with two new counterparties.
- Risk Team confirmed each month downside risk and VaR calculations on total P&L data.
- Risk Team is re-evaluating the role and services of our Risk Analytics Provider, has issued an RFP, and is evaluating alternative systems.
- 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.
- Derivative positions were 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.
- Risk Team prepared projections on portfolio risk, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.

Specialized Training: None

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.
- Installation of Shibboleth was completed.
- Annual Risk Assessments were completed.
- 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.
- New employee hired during the quarter was trained on information security.
- Provided topic specific email alerts to employees regarding critical updates.
- Monitoring of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing.
- 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.

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 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 and will probably train a new employee next quarter.
- Review of monthly and quarterly investment compliance reports prepared by staff.
- 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.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Sent 18 Annual Compliance statements to managers under agency agreements. All Annual Compliance statements have been returned. No non-compliance noted.
- Derivative Investments Controls and Processes are being followed and work continues on improving them.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: 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:

- Certificates of compliance were received from all UTIMCO Board members and key employees for the seven investment managers hired and funded during the quarter. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests 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 operating 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. During the quarter, the restricted list was updated and sent to all internal and external managers operating under agency agreements. Staff reviews holdings for compliance with the restricted list on a daily basis.
- One employee started employment during the quarter and the appropriate financial disclosure statement was received within 60 days.

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 six (6) 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 review and the quarterly Public Markets Investments portfolio review.

Significant Findings: None.

High-Risk Area #2: Investment Risk Management

Assessment of Control Structure: *Well controlled*

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. UTIMCO staff has completed work on enhanced Derivative Investments Controls and Processes document. Controls and processes are working as expected.

Significant Findings: None

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: None

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 UTIMCO Board members and employees had appropriately signed off and no conflicts of interest were noted. 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

One training session on the UTIMCO Code of Ethics was held for a new hire.

Section V – Action Plan Activities

- Information Technology Access & Security: Staff member is participating in the Chief Information Security Officers Council.
- Quarterly meeting of the Employee Ethics and Compliance Committee was held in September.
- CCO continues to work on Enterprise Risk Management.

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 quarter:

Type	Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	7	100.00%
Total	7	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.

Tab 13

Agenda Item
UTIMCO Board of Directors Meeting
April 15, 2010

Agenda Item: Educational Program for UTIMCO Directors

Developed By: Turner

Presented By: Turner

Type of Item: Information item

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

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

Recommendation: None

Reference: *Educational Program for UTIMCO Directors* presentation (to be distributed at the meeting)