The University of Texas Investment Management Company

Presentation Materials

Board of Directors Meeting

July 14, 2011

UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 14, 2011

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas 78701

Time Begin	Time End	Item #	Agenda Item
			OPEN MEETING:
8:30 a.m.	8:35 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action related to Minutes of April 14, 2011 Meeting*
8:35 a.m.	8:40 a.m.	2	Discussion and Appropriate Action Related to Resolution of Appreciation*
8:40 a.m.	8:50 a.m.	3	Discussion of Investment Strategy Review 2012
8:50 a.m.	9:15 a.m.	4	Report from Policy Committee - Discussion and Appropriate Action Related to the Investment Policy Statements*,** - Discussion and Appropriate Action Related to the Derivative Investment Policy*,** - Discussion and Appropriate Action Related to the Delegation of Authority Policy* - Discussion and Appropriate Action Related to the Liquidity Policy*,** - Discussion and Appropriate Action Related to Mandate Categorization Procedure* - Discussion and Appropriate Action Related to UTIMCO Bylaws*,** - Discussion and Appropriate Action Related to UTIMCO Comprehensive Welfare Benefits Plan* - Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds*,**
9:15 a.m.	9:45 a.m.	5	**Executive Session** Pursuant to Section 551.074, *Texas Government Code*, the Board of Directors may convene in Executive Session to deliberate individual personnel matters, including the CEO and Chief Investment Officer **Reconvene into Open Session** Report from Compensation Committee:- - Discussion and Appropriate Action Related to the CEO's Base Salary for 2011-12 fiscal year* - Discussion and Appropriate Action Related to CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012* - Discussion and Appropriate Action Related to Appendix D of the UTIMCO Compensation Program, effective July 1, 2011* - Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Compensation Committee*
9:45 a.m.	9:55 a.m.	6	Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Corporate Auditor*
9:55 a.m.	10:15 a.m.	7	Discussion and Appropriate Action Related to UTIMCO 2011-12 Budget*,**
10:15 a.m.	10:30 a.m.	8	Report from Risk Committee
10:30 a.m.	10:45 a.m.	9	Report on Special Purpose Entities
10:45 a.m.	11:00 a.m.	10	UTIMCO Organization Update
11:00 a.m.	11:30 a.m.	11	Endowment and Operating Funds Update Report
11:30 a.m.			**Adjourn**

* Action by resolution required
** Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: November 8, 2011

Tab 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **April 14, 2011**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on **April 14, 2011,** at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Paul Foster, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Board:

Paul Foster, Chairman
J. Philip Ferguson, Vice Chairman
Kyle Bass
Printice L. Gary
R. Steven Hicks
Charles W. Tate
James P. Wilson

Accordingly, a majority and quorum of the Board was in attendance. Director Ardon E. Moore did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director – Private Markets Investments; Mark Warner, Managing Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; David Gahagan, Acting Head of Information Technology; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Jim Phillips, Philip Aldridge, Charlie Chaffin, Barry McBee, Roger Starkey, Anthony De Bruyn, and Moshmee Kalamkar of The University of Texas System (UT System) Administration; and Greg Anderson of The Texas A&M University System. Dr. Francisco G. Cigarroa joined the meeting later as noted in the minutes. Mr. Foster called the meeting to order at 9:06 a.m.

Mr. Foster welcomed two new Board members, James P. Wilson, from Houston, who is also a member of The Texas A&M University System Board of Regents, and R. Steven Hicks, from Austin, who is also a member of the UT System Board of Regents.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Strategy Offsite Meeting held on February 2-3, 2011, and the Board of Directors Meeting held on February 3, 2011. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the minutes of the Board of Directors Strategy Offsite Meeting held on **February 2-3, 2011**, and the Meeting held on **February 3, 2011,** be, and are hereby, approved.

Corporate Resolutions

Mr. Foster asked Mr. Zimmerman to explain the recommendations for Corporate Officers for the ensuing year. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> 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.

Name	Office or Offices
Paul Foster	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
Mark Warner	Managing Director
Christy Wallace	Assistant Secretary

Mr. Foster recognized Ms. Janiece Longoria and Mr. Erle Nye for their outstanding service and leadership on the Board. He read resolutions of appreciation honoring Ms. Longoria and Mr. Nye, and recommended approval. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> WHEREAS, in recognition of her substantial background and expertise in business and as a strategic adviser and goal-oriented lawyer, Janiece Longoria was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2008 and appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2009; and
>
> WHEREAS, Ms. Longoria has provided invaluable insight and counsel, drawing on her extensive experience as a lawyer and partner in the firm of Ogden, Gibson, Broocks, Longoria & Hall, L.L.P.; a Member of the American Bar Association's Business Law Section and Litigation Section; a member of the State Bar of Texas; a Fellow of the Houston Bar Association and Houston Bar Foundation; a member of the Legal and Compliance Division of the Securities Industry Association; and a recipient of the 2008 Sandra Day O'Connor Board Excellence Award selected by Direct Women, an initiative of the American Bar Association, the ABA Section of Business Law and Catalyst, Inc.; and
>
> WHEREAS, Ms. Longoria's unselfish contributions are also evidenced by her distinguished record of public and professional service, including serving as a Commissioner for the Port of Houston Authority; a member of the Board of Directors, Texas Medical Center; a member of the Board of Directors of Greater Houston Partnership; and numerous charitable organizations; and

WHEREAS, during Ms. Longoria'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. Longoria'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, Audit, Compliance, and Management Review Committee, and Special Compensation Committee; and a member of the Board of Directors, M.D. Anderson Services Corporation; and

WHEREAS, Ms. Longoria has provided outstanding leadership and judgment to UTIMCO through her dedicated service as Chairman of the Audit and Ethics Committee, and member of the Board's Compensation 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 Janiece Longoria 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. Longoria 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 14th day of April, 2011.

And for Erle Nye,

WHEREAS, in recognition of his substantial background and expertise in business, Erle Nye was appointed by Governor George W. Bush to the Board of Regents of The Texas A&M University System in 1997, reappointed by Governor Rick Perry in 2003, serving as chairman and vice chairman of the board; and during his tenure appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment

Management Company ("UTIMCO") in 2005, and reappointed to a second term in 2008; and

WHEREAS, Mr. Nye served as Chairman of the Audit and Ethics Committee, as a member of the Board's Policy and Risk Committees, and was elected Chairman of the UTIMCO Board in 2009; and

WHEREAS, during his tenure on the UTIMCO Board, Mr. Nye provided invaluable insight and counsel, drawing on his immense business experience in the engineering, financial, legal, operations and regulatory areas and as Chairman Emeritus of the board of TXU Corp.; and

WHEREAS, Mr. Nye's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work with the Texas A&M University as past chairman of the College of Engineering External Advisory and Development Council, service on the Development Foundation Advisory Committee, and as a member of the Chancellor's Century Council of Advisors; as a member of the Development Council of The University of Texas at Dallas; and service on the Southern Methodist University Dedman School of Law and Cox School of Business executive boards and Maguire Center for Ethics and Public Responsibility Executive Advisory Council; and

WHEREAS, Mr. Nye's unselfish contributions are also evidenced in the civic and corporate arenas by his service on numerous boards, including past chairman of the Greater Dallas Chamber; a member of the Governor's Business Council; chairman and member of KERA-North Texas Public Broadcasting; and chairman of National Infrastructure Advisory Council; and

WHEREAS, in recognition of his selfless dedication and service to his community and his profession, Mr. Nye has been honored with numerous awards, including the 1999 Humanitarian of the Year by the American Jewish Committee; the 1998 Distinguished Citizen Award from the Longhorn Council of Boy Scouts of America; the 1998 Father of the Year Award; the C.W. Conn Distinguished New Venture Leader Award from the Mays College and Graduate School of Business at Texas A&M University; and the Robert G. Storey Award and the Robert Dedman Award for Ethics and Law from Southern Methodist University; and

WHEREAS, during Mr. Nye'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, much of the credit for UTIMCO's success is directly attributable to Mr. Nye's leadership, judgment, and commitment; 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 Erle Nye their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Nye 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 14th day of April, 2011.

Dr. Cigarroa joined the meeting at this time.

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman presented the Corporation's Performance Summary as of February 28, 2011. He reported the Corporation had $26.6 billion of assets under management at the end of February 28, 2011. Of the $26.6 billion, $12.3 billion was in the Permanent University Fund (PUF), $7.0 billion in the General Endowment Fund (GEF), $2.4 billion in the Short-Term Fund (STF) and $4.7 billion in the Intermediate Term Fund (ITF). Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the quarter ended February 28, 2011, for the PUF was 6.48% and for the GEF was 6.52%, versus benchmark returns of 6.52% for the PUF and GEF. The net performance for the one year ended February 28, 2011, for the PUF was 17.30% and for the GEF was 17.35%, versus benchmark returns of 15.29% for each fund. The ITF's performance was 5.12% versus its benchmark return of 5.14% for the quarter ended February 28, 2011, and 14.75% versus its benchmark return of 11.78% for the one year ended February 28, 2011. Performance for the STF was 0.06% versus 0.04% for its benchmark return for the quarter ended February 28, 2011, and was 0.25% versus a benchmark return of 0.14% for the one year ended February 28, 2011. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. He and Ms. Iberg reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. Mr. Zimmerman reported on investment activity as of February 28, 2011, manager exposure, and a discussion on leverage with Mr. Zimmerman, Ms. Iberg and Dr. Yoeli answering the Directors' questions. He asked Dr. Yoeli to report on risk analytics for the period ending February 28, 2011. Mr. Zimmerman continued reporting on derivatives and counterparties, and investment activity as of February 28, 2011, and gave an update on liquidity, contracts and the ITF.

Task Force Updates

Mr. Foster asked Mr. Zimmerman to proceed with the Task Force Updates. The Credit Task Force began by introducing each of the members and provided a handout, Credit Task Force Update, to the Directors. Members updated the Board on their research and findings regarding credit market activities, including credit exposure, opportunity set, leveraged loans and high yield bonds, defaulted securities, convertible bonds, commercial and residential mortgages, emerging debt and private illiquid debt. Mr. Zimmerman and the Credit Task Force members answered the Board Members' questions. Mr. Zimmerman asked, in the interest of time, to table the remaining task force updates until a future meeting of the Board.

At 11:14 a.m. the open meeting of the Board recessed for a Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments followed by lunch.

The open meeting of the Board reconvened in open session at 1:17 p.m.

Policy Portfolio Discussion

Mr. Foster asked Mr. Zimmerman to lead the discussion on the Policy Portfolio. Mr. Zimmerman began the presentation by explaining the two components in a Policy Portfolio, the strategic component and the tactical component, both which provide fiduciary control over management of a Policy Portfolio. The strategic component includes strategic asset allocation and risk budget. The tactical component includes the ranges for asset classes, investment types, and risk, which can be wider or narrower. The pros and cons were presented and discussed. Mr. Zimmerman explained that there are several ways to approach designing a Policy Portfolio: the classical mean variance or mean-downside risk, a risk parity approach, and a factor approach. He presented these methods and compared them to the current Policy Portfolio. Mr. Zimmerman asked Dr. Yoeli to lead the discussion related to the merits of a Policy Portfolio, including issues, flexibility, risk issues and other alternatives. Mr. Zimmerman and Dr. Yoeli answered the Directors' questions.

Committee Assignments

Mr. Foster recommended approval of a corporate resolution designating Board committee assignments to the Audit and Ethics Committee, the Compensation Committee, the Risk Committee, and the Policy Committee, with the Audit and Ethics Committee subject to further approval by the UT System Board of Regents in accordance to Section 66.08 of the *Texas Government Code.* Upon motion duly made and seconded, the following resolution was unanimously adopted:

> BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:
>
> Printice L. Gary
> R. Steven Hicks
> Charles W. Tate
> James P. Wilson

subject to approval by the Board of Regents of The University of Texas System at a future meeting, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that R. Steven Hicks is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

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

Kyle Bass
J. Philip Ferguson
R. Steven Hicks
Ardon E. Moore

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

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

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

Kyle Bass
J. Philip Ferguson
Ardon E. Moore
Charles W. Tate

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

FURTHER RESOLVED, that Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

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

Kyle Bass
J. Philip Ferguson
Printice L. Gary
James P. Wilson

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

FURTHER RESOLVED, that Printice L. Gary is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

Risk Committee Report

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on April 7, 2011, with all members of the Committee present. There were two items discussed that required Board approval: a proposed amendment to Exhibit B to the Derivative Investment Policy and amendments to the Charter of the Risk Committee. Mr. Tate reported that with respect to Exhibit B to the Derivative Investment Policy, Ms. Iberg explained the current portfolio positions, and summarized the insurance derivatives budget and prospective trades to the Committee. After discussion, the Committee approved, and was recommending for further Board approval, an increase in delegated authority limits related to the premium budget in item three of Exhibit B to the Derivative Investment Policy. Mr. Tate asked Ms. Iberg to summarize for the Board Staff's request to increase the aggregate prorated annual premium for Delegated Derivative Investments included within item three of Exhibit B from 25 to 50 basis points. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Corporation's Derivative Investment Policy ("Policy") sets forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund, the General Endowment Fund, the Intermediate Term Fund, and the Separately Invested Funds; and

WHEREAS, Exhibit B to the Policy lists the five types of Derivative Investments the UTIMCO Board has authorized the CEO to enter into; and

WHEREAS, the third type of Derivative Investment authorized ("Insurance Derivatives") limits the maximum loss that may be suffered to the premium paid for the Insurance Derivative, regardless of notional value; and

WHEREAS, the aggregate prorated annual premium of all Insurance Derivatives may not exceed 25 basis points of the Fund value; and

WHEREAS, Corporation staff would like the authority to invest up to an additional 25 basis points in Insurance Derivatives for a total aggregate prorated annual premium of 50 basis points of the Fund value; and

WHEREAS, Corporation staff has documented and presented to the Risk and Policy Committees its reasons for desiring to increase the aggregate prorated annual premium limit for Insurance Derivatives, the Committees concur with the reasons presented by Corporation staff and recommend that the Board approve the same; and

WHEREAS, the Board concurs in the recommendations of the Risk and Policy Committees and wishes to document its approval of same.

NOW, THEREFORE, BE IT

RESOLVED, that an increase in the aggregate prorated annual premium of Insurance Derivatives to a maximum of 50 basis points of the Fund value is hereby approved.

Mr. Tate continued his report by asking Ms. Gonzalez to explain the proposed changes to the Charter of the Risk Committee. She explained that the proposed changes included updating the charter to include duties and responsibilities assigned to the Committee in the Investment Policies, including oversight and monitoring of compliance with the Derivative Investment Policy, the categorization of investment mandates, and the monitoring of manager mandates. Additional changes were made to make the language related to the composition of the Committee consistent with the Corporation's Bylaws; and to require the Committee to periodically review its Charter and performance and other minor editorial changes. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Charter of the Risk Committee be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Mr. Tate reported that the Committee approved eleven new investment mandate categorizations prepared by Staff for the period beginning January 11, 2011, and ending March 22, 2011. Staff reported to the Committee that they had completed the annual review of mandate categorizations resulting in a recommendation of one recategorization and one mandate to be added to the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization. One other item to discuss was a report on UTIMCO's corporate insurance. Mr. Tate asked Mr. Turner to summarize the discussion. Mr. Turner stated that Staff, with the assistance of the Corporation's insurance broker, Willis, and benefiting from the expertise of the UT System Office of Risk Management staff, renewed the corporate insurance for the coverage period from February 28, 2011 to February 28, 2012, with an option to cancel at anytime with prorated premiums. Mr. Turner stated that Staff would be working with Andrews Kurth and UT System Risk Management in evaluating proposals for a possible new policy to be effective September 1, 2011, replacing the current policy. Mr. Turner provided an overview of the fiduciary duties of Directors, indemnifications provided by UT System, the Corporation, and law, and UT System insurance coverage for Regental Directors. Mr. Tate reported that the Committee also heard a report from Ms. Gonzalez on compliance items for the Quarter Ended February 28, 2011.

Policy Committee Report

Mr. Foster asked Mr. Gary to provide a report on the behalf of the Policy Committee. Mr. Gary reported that the Committee convened on April 7, 2011. Mr. Gary asked Mr. Zimmerman to explain Staff's recommendations for the distribution rates for the Permanent University Fund, Permanent Health Fund, Long Term Fund and the Intermediate Term Fund. Mr. Zimmerman stated that although the agenda item was intended to be an action item, Staff requested postponing action on the item. Mr. Zimmerman summarized the report he provided to the Committee. Each of the Funds' respective Investment Policy Statement provides guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates were outlined in the Distribution Policy presentation, included in the Board meeting materials, and are based on the Investment Policy Statements. Mr. Zimmerman presented background on distribution rate recommendations, outlining the rationale for distribution methodologies, distribution rate limitations, projections and recommendations.

Mr. Gary then asked Ms. Iberg to explain the details regarding Staff's recommendation to increase the investment limit in excess of the limits provided in the Delegation of Authority Policy for a specific manager. The Committee was presented background on the Wellington Management Company, LLC ("Manager"), which outlined the Corporation's two mandates currently with the Manager, the Manager's commodity strategy and the Corporation's current investment with the Manager of $355 million. Staff requested the ability to make up to a $250 million commitment to the commodity strategy and the flexibility to allow a potential investment in the Special Equity and/or Emerging account, which would bring the total invested amount above the delegated authority limit of $600 million. Staff, requested an increase in the delegated authority limit to $750 million, which the Committee approved and was now recommending further approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> WHEREAS, the Corporation Delegation of Authority Policy ("Policy") limits the CEO's authority to increase investments and commitments to existing internal and external investment managers; and
>
> WHEREAS, Corporation staff would like to invest up to $750 million with Wellington Management Company, LLC ("Wellington") but by Policy is limited to $600 million; and
>
> WHEREAS, Corporation staff has documented and presented to the Policy and Risk Committees its reasons for desiring to increase the delegated authority limit for Wellington, and the Committees concurred with the reasons presented by Corporation staff for desiring to increase the delegated authority limit for Wellington and recommended that the Board approve the same; and
>
> WHEREAS, the Board concurs in the recommendations of the Policy and Risk Committees and wishes to document its approval of same.
>
> NOW, THEREFORE, BE IT
>
> RESOLVED, that the increase in Corporation staff's delegated authority limit for Wellington Management Company, LLC up to a maximum of $750 million is hereby approved.

Dr. Cigarroa left the meeting at this time. Mr. Gary continued his report by explaining the proposed changes to the Charter of the Policy Committee. Mr. Gary stated that the Committee had approved the changes to the Charter, none of which were significant, and the Committee was recommending further approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the amendments to the Charter of the Policy Committee be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Audit and Ethics Committee Report

Mr. Foster asked Mr. Tate to provide a report on behalf of the Audit and Ethics Committee. Mr. Tate reported that the Committee convened on April 7, 2011, with all members present, Mr. Tate and Mr. Gary. The Committee discussed and approved changes to the Charter of the Audit and Ethics Committee. Mr. Tate asked Ms. Gonzalez to summarize the proposed changes. Ms. Gonzalez explained that the proposed changes to the Charter were mainly editorial in nature, adding language to make the Charter consistent with the Corporation's Bylaws, and minor changes in scope. Mr. Tate recommended the changes on behalf of the Committee and recommended further Board approval. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the amendments to the Charter of the Audit and Ethics Committee be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Mr. Tate asked Mr. Chaffin to give a summary of the report from the UT System Audit Office regarding the UTIMCO Information Security Application Audit Report which was given to the Committee. The audit covered three security applications internally developed by the UTIMCO IT department. Mr. Chaffin reported that the Corporation has an excellent IT function overall and their processes were in very good shape. The Committee also heard a report from Ms. Gonzalez on the compliance matters for the fiscal quarter ending February 28, 2011.

Legislative Update

Mr. Foster asked Mr. McBee to give a Legislative update to the Board. Mr. McBee provided to the Board a handout, *House Bill No. 2825*, which if passed would change the composition and appointment of the Board by requiring two of the nine Directors be appointed by the Board of Regents of The Texas A&M University System. Mr. McBee discussed several other UTIMCO specific bills that might affect the Corporation if passed. Mr. Zimmerman and Mr. McBee answered the Directors' questions.

Organization Update

Mr. Zimmerman provided the Board with a staffing, budget and technology update. He asked Mr. Gahagan to give the Board an update on the progress that had been made in researching the best company to provide board materials electronically.

Educational Program for Board

Mr. Foster asked Mr. Turner to present the Educational Program for UTIMCO Directors to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires the Corporation to provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are

outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner's presentation served as an update and a resource for current Board members.

Mr. Foster asked to table the report on Special Purposes Entities and the general discussion of the investment environment.

There being no further business to come before the Board, the meeting was adjourned at approximately 3:55 p.m.

Secretary: _____
Joan Moeller

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

Tab 2

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item:	Discussion and Appropriate Action Related to Resolution of Appreciation
Developed By:	Zimmerman, Gonzalez, Moeller
Presented By:	Foster
Type of Item:	Action required by UTIMCO Board
Description:	Chairman Foster will present a resolution of appreciation for approval by the Board.
Recommendation:	Chairman Foster will recommend approval of a resolution of appreciation.
Reference:	None

Tab 3

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item:	Discussion of Investment Strategy Review 2012
Developed By:	Staff
Presented By:	Zimmerman
Type of Item:	Discussion item
Description:	Mr. Zimmerman will present the Investment Strategy Review. The objective of this year's investment strategy review is to assess the portfolio's current position in relation to the recent/expected market conditions and recommend changes to the targets and ranges for FY 2012.
Recommendation:	None
Reference:	Investment Strategy Review Presentation

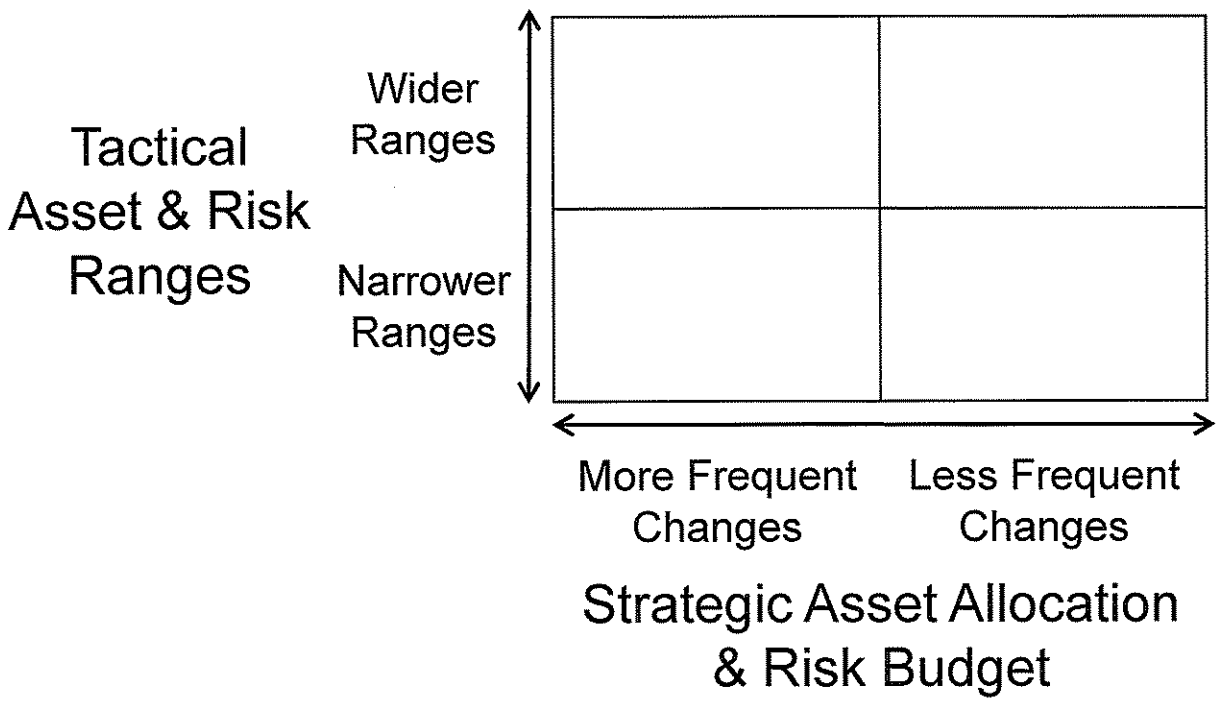
UTIMCO

1996

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Strategy 2012

Policy Portfolio Decisions: Target and Range Continuums



Long-Term Strategic Asset Allocation

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.0%	0.0%	**9.5%**
	Credit-Related	0.0%	3.0%	2.5%	**5.5%**
	Fixed Income Total	**7.5%**	**5.0%**	**2.5%**	**15.0%**
Real Assets	Real Estate	3.5%	0.0%	5.0%	**8.5%**
	Natural Resources	5.5%	1.0%	5.0%	**11.5%**
	Real Assets Total	**9.0%**	**1.0%**	**10.0%**	**20.0%**
Equity	Developed Country	16.0%	20.0%	9.0%	**45.0%**
	Emerging Markets	12.0%	4.0%	4.0%	**20.0%**
	Equity Total	**28.0%**	**24.0%**	**13.0%**	**65.0%**
	Total	**44.5%**	**30.0%**	**25.5%**	**100.0%**

Multi-year implementation of Private Investment Exposure

Policy Portfolio FY 2011 Target

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.0%	0.0%	**9.5%**
	Credit-Related	0.0%	3.0%	2.5%	**5.5%**
	Fixed Income Total	**7.5%**	**5.0%**	**2.5%**	**15.0%**
Real Assets	Real Estate	2.5%	0.0%	2.0%	**4.5%**
	Natural Resources	6.5%	1.0%	3.5%	**11.0%**
	Real Assets Total	**9.0%**	**1.0%**	**5.5%**	**15.5%**
Equity	Developed Country	19.5%	20.0%	11.0%	**50.5%**
	Emerging Markets	12.0%	4.0%	3.0%	**19.0%**
	Equity Total	**31.5%**	**24.0%**	**14.0%**	**69.5%**
	Total	**48.0%**	**30.0%**	**22.0%**	**100.0%**

Long Term Strategic Asset Allocation vs. FY 2011 Target

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	0.0%	0.0%	0.0%	**0.0%**
	Credit-Related	0.0%	0.0%	0.0%	**0.0%**
	Fixed Income Total	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Real Assets	Real Estate	1.0%	0.0%	3.0%	**4.0%**
	Natural Resources	-1.0%	0.0%	1.5%	**0.5%**
	Real Assets Total	**0.0%**	**0.0%**	**4.5%**	**4.5%**
Equity	Developed Country	-3.5%	0.0%	-2.0%	**-5.5%**
	Emerging Markets	0.0%	0.0%	1.0%	**1.0%**
	Equity Total	**-3.5%**	**0.0%**	**-1.0%**	**-4.5%**
	Total	**-3.5%**	**0.0%**	**3.5%**	**0.0%**

Current vs. FY 2011 Target
May 31, 2011

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	1.2%	0.6%	0.0%	**1.8%**
	Credit-Related	0.1%	1.4%	4.1%	**5.6%**
	Fixed Income Total	**1.3%**	**2.0%**	**4.1%**	**7.4%**
Real Assets	Real Estate	0.5%	0.6%	-1.0%	**0.1%**
	Natural Resources	5.0%	-0.9%	-1.1%	**3.0%**
	Real Assets Total	**5.5%**	**-0.3%**	**-2.1%**	**3.1%**
Equity	Developed Country	-5.0%	-0.6%	0.5%	**-5.1%**
	Emerging Markets	-2.9%	-1.7%	-0.8%	**-5.4%**
	Equity Total	**-7.9%**	**-2.3%**	**-0.3%**	**-10.5%**
	Total	**-1.1%**	**-0.6%**	**1.7%**	**0.0%**

Policy Portfolio FY 2012 Target

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.0%	0.0%	**9.5%**
	Credit-Related	0.0%	3.0%	2.5%	**5.5%**
	Fixed Income Total	**7.5%**	**5.0%**	**2.5%**	**15.0%**
Real Assets	Real Estate	2.5%	0.0%	3.0%	**5.5%**
	Natural Resources	6.5%	1.0%	4.0%	**11.5%**
	Real Assets Total	**9.0%**	**1.0%**	**7.0%**	**17.0%**
Equity	Developed Country	18.5%	20.0%	10.0%	**48.5%**
	Emerging Markets	12.0%	4.0%	3.5%	**19.5%**
	Equity Total	**30.5%**	**24.0%**	**13.5%**	**68.0%**
	Total	**47.0%**	**30.0%**	**23.0%**	**100.0%**

Recommended Investment Policy Allocation Target and Ranges for FY12

	MINIMUM	TARGET	MAXIMUM
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit Related Fixed Income	0.0% -3.0%	5.5%	30.0%
Real Estate	0.0%	5.5% +1.0%	10.0%
Natural Resources	5.0%	11.5% +0.5%	17.5%
Developed Country Equity	35.0%	48.5% -2.0%	60.0%
Emerging Market Equity	10.0%	19.5% +0.5%	25.0%
		100.0%	
Investment Types			
More Correlated and Constrained	35.0%	47.0% -1.0%	60.0%
Less Correlated and Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	23.0% +1.0%	32.5%
		100.0%	

Change from FY 11 Policy

2017

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.5%	0.0%	**10.0%**
	Credit-Related	0.0%	4.5%	3.0%	**7.5%**
	Fixed Income Total	**7.5%**	**7.0%**	**3.0%**	**17.5%**
Real Assets	Real Estate	1.0%	1.5%	6.0%	**8.5%**
	Natural Resources	7.0%	2.5%	7.0%	**16.5%**
	Real Assets Total	**8.0%**	**4.0%**	**13.0%**	**25.0%**
Equity	Developed Country	13.5%	16.5%	9.0%	**39.0%**
	Emerging Markets	11.0%	2.5%	5.0%	**18.5%**
	Equity Total	**24.5%**	**19.0%**	**14.0%**	**57.5%**
	Total	**40.0%**	**30.0%**	**30.0%**	**100.0%**

Tab 4

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Report from Policy Committee, including Discussion and Appropriate Action Related to the Investment Policy Statements, Derivative Investment Policy, Delegation of Authority Policy, Liquidity Policy, Mandate Categorization Procedure, UTIMCO Bylaws, UTIMCO Comprehensive Welfare Benefits Plan, and Discussion and Appropriate Action on Recommendation of Distribution Rates for the Investment Funds

Developed By: Staff

Presented By: Gary

Type of Item: Action item; Action required by UTIMCO Board and by UT System Board of Regents related the proposed amendments to the Investment Policy Statements, Derivative Investment Policy, Liquidity Policy, and the UTIMCO Bylaws, and the recommendation of distribution rates for the investment funds and; Action required by the UTIMCO Board related to the proposed amendments to the Delegation of Authority Policy, Mandate Categorization Procedure and the UTIMCO Comprehensive Welfare Benefits Plan

Description: The Policy Committee ("Committee") will meet on July 7, 2011. The Committee will meet jointly with the Risk Committee to discuss and take appropriate action related to the proposed amendments to the Investment Policy Statements. The joint meeting will be followed by a Committee meeting for: (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to proposed amendments to the Corporation's Bylaws; (3) discussion and appropriate action related to the UTIMCO Comprehensive Welfare Benefits Plan; and (4) discussion and appropriate action related to the recommendation of distribution rates for the investment funds.

Investment Policies:
The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Polices for each Fund at least annually. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type and such other matters as the U.T. Board or its staff designees may request.

Corporation's Bylaws:
The Corporation's Bylaws may be altered, amended, or repealed by the Board of Directors of the Corporation with the approval of the UT System Board of Regents. Section 66.08 of the Texas Education Code requires that the UT System Board of Regents approve the articles of incorporation and bylaws of the corporation and any amendment to the articles of incorporation or bylaws. The Bylaws were

initially approved by the UT System Board of Regents on February 8, 1996 and have been restated various times to include amendments adopted; the most recent amendment of the Bylaws occurred February 7, 2008.

Comprehensive Welfare Benefits Plan:
UTIMCO has established and currently maintains the UTIMCO Comprehensive Welfare Benefits Plan (the "Plan"), which provides various welfare benefits to eligible employees through "Constituent Benefit Programs" (as defined in the attached Plan, Appendix A). The UTIMCO Board adopted the current restated Plan in 2005.

Distribution Rates:
Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates are recommended annually to the UT System Board of Regents pursuant to the Investment Management Services Agreement between the Corporation and the UT System Board of Regents.

Discussion:

Investment Policies:
Exhibit A of the Investment Policy Statements of the PUF, GEF and ITF and Exhibit B of the Investment Policy Statements for the PHF and LTF will be amended to reflect the proposed changes. Attachment 1 reflects these proposed changes to the PUF, GEF, PHF, and LTF. Attachment 2 reflects the proposed changes to the ITF. Additional amendments to the PHF and LTF Investment Policy statements, other than those to Exhibit B, are also being submitted for approval.

In addition, the following Investment Policies are being submitted to the Risk and Policy Committees for approval of amendments:

- Derivative Investment Policy (effective August 19, 2011)
- Delegation of Authority Policy (effective July 14, 2011)
- Liquidity Policy (effective August 19, 2011)
- Mandate Categorization Procedure (effective August 1, 2011)

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement were reviewed by staff and there are no recommended amendments. The STF Investment Policy Statement and SIF Investment Policy Statement were amended by the Board of Regents in August 2010 and February 2011, respectively.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF, have been amended to reflect changes proposed for FY 12. Attachment 1 sets forth the revised Policy Portfolio Asset Class and Investment Type targets

and ranges for FY 2012 in Exhibits A of the PUF and GEF, and Exhibits B in the PHF and LTF Investment Policy Statements. No changes to the Policy Portfolio Asset Class and Investment Type targets and ranges in Exhibit A of the ITF are being proposed. One Policy Benchmark target has been changed: FTSE EPRA/NAREIT Developed Index has changed to FTSE EPRA/NAREIT Developed Index Net TRI USD. In addition, the one year downside deviation has been adjusted to reflect the revised Asset Class and Investment Type targets for FY 2012. Finally, the Expected Annual Return (Benchmark) target for FY 2012 has been updated for the PUF, GEF, PHF and LTF.

PHF Investment Policy Statement:

Page 10, Redemption of PHF Units language is being changed to require earlier notification of desired withdrawals, and to allow redemptions that are greater than 5% of the PHF's net asset value to be paid in installments on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interest of all PHF unit holders.

LTF Investment Policy Statement:

Page 6, Redemption of LTF Units language is being changed to require earlier notification of desired withdrawals, and to allow redemptions that are greater than 5% of the LTF's net asset value to be paid in installments on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interest of all LTF unit holders.

Derivative Investment Policy:

The Derivative Investment Policy, including Exhibits A and B, is being amended to provide additional clarification regarding risk and investment policy controls and the types of Derivative Investments in which UTIMCO's Chief Executive Officer is authorized to invest. Changes to the Derivative Investment Policy are as follows:

- Page 2, Moved language regarding compliance with Investment Policy Statements for emphasis.
- Page 4, Exhibit A, added a definition for "Long exposure to an Asset Class".
- Page 6, Exhibit B, Delegated Derivative Investment 3 changed to clarify that these Derivative Investments are of the type intended to reduce long exposure or hedge against global interest rate shocks and risk.
- Page 6, Exhibit B, Delegated Derivative Investment 6 added to allow for Derivative Investments used to gain long exposure so long as the maximum loss does not exceed the premium paid.

- Page 6, Exhibit B, Removed the notional value limitation because the risk bounds provide a more effective limitation on the use of Derivative Investments.

Delegation of Authority Policy:
The Delegation of Authority Policy has been amended to add language with regard to co-investments with existing Private Investment external managers, and to change CEO's delegated authority with regard to changing allocations of investment funds among existing Private Investment partnerships. Changes to the Delegation of Authority Policy are as follows:

- Page 4, Added language to allow UTIMCO staff to make co-investments with an existing external manager, limited to (i) $50 million; (ii) 20% of the total assets managed by an external investment manager; (iii) 20% of the total assets managed under a new investment strategy by an individual external manager; or (iv) 20% of the total assets of the private investment portfolio in the aggregate. Co-investments in excess of these limits must follow the process outlined in Appendix A of the Delegation of Authority Policy.

- Page 5, Changed the UTIMCO Chief Executive Officer's authority to increase investments or commitments to existing internal or external managers for Private Investments by deleting the authorization to add an additional $50 million to a Private Investment and instead providing an overall limitation of $150 million (rather than $200 million) with an individual manager in a single investment vehicle.

Liquidity Policy:
The Liquidity Policy has been amended to change the allowable range for illiquid investments in the ITF, and the trigger zone for illiquid investment that would require Risk Committee or UTIMCO Board approval. Changes to the Liquidity Policy are as follows:

- Page 3, the Liquidity Policy Profile ranges and trigger zones for the ITF were changed as follows:

	FY 09-11	FY 12+
Liquidity above trigger zone:	65%	55%
Liquidity within trigger zone:	55%-65%	50%-55%
Liquidity below trigger zone:	<55%	<50%

The allowable range for illiquid investments was changed from 0% to 45% to 0% to 50% of the total portfolio for the ITF. The trigger zone, which requires Risk Committee or UTIMCO Board approval for illiquid investments made, was changed from 35% - 45% to 45% - 50%.

Mandate Categorization Procedure:
The Mandate Categorization Procedure has been changed to streamline the process and to better define the criteria for the classification of internally managed derivative applications. Changes to the Mandate Categorization Procedure are as follows:

- Page 3, the Investment Mandate Process was modified to better streamline the information flow amongst UTIMCO staff.

- Page 3, the Criteria for Classification of Derivatives was modified to more narrowly define these types of classifications.

Corporation's Bylaws:
UTIMCO staff is proposing to amend Article III, Sections 3, 4 and 5 (pages 3 and 4) of the Corporate Bylaws to incorporate the effects of HB 2825, 82nd Legislature, Regular Session, which was signed into law by Governor Rick Perry on June 17, 2011, and which amends Section 66.08 of the Texas Education Code. HB 2825 changes the composition and appointment of the UTIMCO Board of Directors by replacing one or more Texas A&M University System nominee(s) with two Texas A&M University System appointments, at least one of whom would be required to have a substantial background and expertise in investments. HB 2825 establishes a process for implementing the changes. The provisions do not affect board members serving on the effective date. As required by HB 2825, the Corporation's Bylaws are being amended to give effect to the requirements of this legislation.

Comprehensive Welfare Benefits Plan:
Staff hired Vinson & Elkins LLP to review the Comprehensive Welfare Benefits Plan and its Constituent Benefit Programs. Vinson & Elkins LLP has proposed certain changes resulting from recent legislation and newly issued regulations and to make other changes consistent with benefit offerings under the Plan. UTIMCO's Plan Administrative Committee met on June 27, 2011, to review the 2011 Restatement of the Comprehensive Welfare Benefits Plan and approved such Restatement. The Committee was appointed by the UTIMCO Board on September 21, 2007, and consists of Bruce Zimmerman, Cathy Iberg, Joan Moeller and Melynda Shepherd.

Distribution Rates:
Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount

and payout rates are discussed in the attached Recommendation of Distribution Amount and Rates and are based on the Investment Policy Statements for all the Funds with the exception of the PUF. Due to a record year of PUF Lands' lease sales and royalty income, strong investment performance and the constrained State budget situation for the next biennium, an additional 0.75% above the 4.75% rate set forth in the PUF Investment Policy Statement is being recommended for the PUF distribution to the AUF.

Recommendation: Staff recommends approval by the Board of the proposed amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF for the fiscal year beginning September 1, 2011. Staff also recommends approval of the proposed amendments to the Derivative Investment Policy, effective August 19, 2011, the Delegation of Authority Policy, effective July 14, 2011, the Liquidity Policy, effective August 19, 2011, the Mandate Categorization Procedure, effective August 1, 2011, the Corporation Bylaws, effective August 19, 2011, and the Comprehensive Welfare Benefits Plan, effective May 1, 2011.

UTIMCO staff also recommends that the UTIMCO Board approve and recommend to the UT System Board of Regents approval of the following distribution rates for fiscal year ending August 31, 2012:

1) The distribution from the PUF to the Available University Fund be increased by 13.65% from $506,395,811 to $575,511,336;
2) The distribution rate for the PHF be increased from $0.0554 per unit to $0.0561 per unit;
3) The distribution rate for the LTF be increased from $0.3172 per unit to $0.3215 per unit; and
4) The distribution rate for the ITF remain at 3.0% per annum.

Reference: Exhibits to Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF, effective September 1, 2011
Investment Policy Statements for the PHF and LTF effective September 1, 2011
Derivative Investment Policy, effective August 19, 2011
Delegation of Authority Policy, effective July 14, 2011
Liquidity Policy, effective August 19, 2011
Mandate Categorization Procedure, effective August 1, 2011
UTIMCO Bylaws, effective August 19, 2011
UTIMCO Comprehensive Welfare Benefits Plan, Amended and Restated, effective May 1, 2011 (Under Separate Cover)
Recommendation of Distribution Amount and Rates

RESOLUTION RELATED TO INVESTMENT POLICIES

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

FURTHER RESOLVED, that the amendments to the Delegation of Authority Policy and Mandate Categorization Procedure, as presented be, and are hereby, approved.

RESOLUTION RELATED TO THE UTIMCO COMPREHENSIVE WELFARE BENEFITS PLAN

WHEREAS, The University of Texas Investment Management Company (the "Corporation") has established and currently maintains, on behalf of itself and its participating affiliates, the UTIMCO Comprehensive Welfare Benefits Plan (the "Plan"), which provides various welfare benefits to eligible employees through "Constituent Benefit Programs" (as defined in the Plan); and

WHEREAS, Section 10.1 of the Plan provides that the Board of Directors of the Corporation (the "Board") may amend the Plan and its Constituent Benefit Programs from time to time; and

WHEREAS, the Corporation wishes to amend the Plan and its Constituent Benefit Programs to make certain changes resulting from recent legislation and newly issued regulations and to make certain other changes; and

WHEREAS, the Board has assigned responsibility to review suggested amendments to UTIMCO Board Policies and Corporate Documents and provide guidance and suggested language when necessary to the Policy Committee; and

WHEREAS, the Policy Committee has reviewed the proposed restatements of the Plan and its Constituent Benefit Programs effecting such changes and approved of such changes, subject to approval by the Board; and

WHEREAS, the Board has reviewed the proposed restatements of the Plan and its Constituent Benefit Programs effecting such changes, and wishes to document its approval of same.

NOW, THEREFORE, be it:

RESOLVED, that the restatement of the "UTIMCO Comprehensive Welfare Benefits Plan," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Health Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO TeleDoc Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Dental Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Vision Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Cafeteria Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Health Care Spending Account Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Dependent Care Spending Account Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Short-Term Disability Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Long-Term Disability Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the merger of the "UTIMCO Accidental Death and Dismemberment Program (Basic)" into the "UTIMCO Life Insurance Program (Basic)" (now named the "UTIMCO Life/AD&D Program") and the restatement of the "UTIMCO Life/AD&D Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby are, approved, effective as of May 1, 2011; and

RESOLVED, that the merger of the "UTIMCO Dependent Life Insurance Program" and the "UTIMCO Accidental Death and Dismemberment Program (Supplemental)" into the "UTIMCO Life Insurance Program (Supplemental)" (now named the "UTIMCO Voluntary Life/AD&D Program") and the restatement of the "UTIMCO Voluntary Life/AD&D Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby are, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Employee Assistance Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that an authorized officer of the Corporation, be, and he or she hereby is, authorized and directed to (i) do and perform all such acts and things, (ii) draft, amend, and/or execute, or cause to be drafted, amended, or executed, any such documents or instruments, (iii) employ and solicit the services of outside consultants or advisers, and (iv) take all other steps as he or she may

deem necessary, advisable, convenient, or proper to effectuate the same and accomplish the purposes of the foregoing resolutions, and to comply with all provisions of all applicable documents and all applicable law, and any and all such actions heretofore taken and any such actions to be taken are hereby approved, ratified, and reaffirmed without need for further action by the Board.

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

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from $506,395,811 to $575,511,336 for fiscal year 2012, effective with the September 1, 2011 distribution; the distribution rate for the Permanent Health Fund be increased from $.0554 per unit to $.0561 per unit for fiscal year 2012, effective with the November 30, 2011 quarterly distributions; the distribution rate for the Long Term Fund be increased from $0.3172 per unit to $0.3215 per unit for fiscal year 2012, effective with the November 30, 2011 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2012, effective with the September 1, 2011 monthly distribution.

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.

ATTACHMENT 1
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	~~3%~~ 0.0%	5.5%	30.0%
Real Estate	0.0%	~~4.5%~~ 5.5%	10.0%
Natural Resources	5.0%	~~11.0%~~ 11.5%	17.5%
Developed Country Equity	35.0%	~~50.5%~~ 48.5%	60.0%
Emerging Markets Equity	10.0%	~~19.0%~~ 19.5%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~48.0%~~ 47.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~22.0%~~ 23.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2011~~ 2012
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	~~19.5%~~ 18.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	~~2.0%~~ 3.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	~~8.82%~~ 8.81%
One Year Downside Deviation	~~8.94%~~ 8.86%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

ATTACHMENT 1
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.0%	Custom NACREIF ~~2.0~~ 3.0%	~~4.5~~ 5.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	~~3.5~~ 4.0%	~~11.0~~ 11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~19.5~~18.5 %)	20.0%	~~11.0~~ 10.0%	~~50.5~~ 48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	~~3.0~~ 3.5%	~~19.0~~ 19.5%
Total		~~48.0~~ 47.0%	30.0%	~~22.0~~ 23.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index
Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

ATTACHMENT 2 - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	30.0%	37.0%	45.0%
Credit-Related Fixed Income	0.0%	4.0%	12.0%
Real Estate	0.0%	5.0%	10.0%
Natural Resources	2.5%	8.5%	12.5%
Developed Country Equity	25.0%	33.0%	40.0%
Emerging Markets Equity	7.5%	12.5%	17.5%
Investment Types			
More Correlated & Constrained	60.0%	65.0%	70.0%
Less Correlated & Constrained	30.0%	35.0%	40.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE ~~2011~~ 2012
Barclays Capital Global Aggregate Index	35.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	5.0%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%
MSCI World Index with net dividends	10.0%
MSCI Emerging Markets with net dividends	7.5%
Hedge Fund Research Indices Fund of Funds Composite Index	35.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	7.28%
One Year Downside Deviation	5.34%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

ATTACHMENT 2 - INTERMEDIATE TERM FUND
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~ 2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (35.0%)	2.0%	37.0%
	Credit-Related	(0.0%)	4.0%	4.0%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (5.0%)	0.0%	5.0%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (7.5%)	1.0%	8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (10.0%)	23.0%	33.0%
	Emerging Markets	MSCI EM Index with Net Dividends (7.5%)	5.0%	12.5%
Total		65.0%	35.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent Health Fund (the "PHF"), established by the Board of Regents of The University of Texas System (the "Board of Regents"), is a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the *Texas Education Code*. The permanent health funds which have assets in the PHF are:

A. The Permanent Health Fund for Higher Education (the "PHFHE"), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and

B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the "PFHRIs"), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

U. T. Health Science Center - San Antonio
U. T. M. D. Anderson Cancer Center
U. T. Southwestern Medical Center - Dallas
U. T. Medical Branch - Galveston
U. T. Health Science Center - Houston
U. T. Health Science Center - Tyler
U. T. El Paso
Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

PHF Organization

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

PHF Management

Chapter 63 of the *Texas Education Code* designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy

Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase PHF Units

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the *Texas Education Code*, under the control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.

Asset Allocation and Policy

PHF assets shall be allocated among the following investments:

A. Cash and Cash Equivalents - Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman

and take steps to rebalance the Cash and Cash Equivalents positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

PHF Distributions

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The PHF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PHF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of PHF Units

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than $~~5~~10 million, advance notice of ~~30~~60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $~~5~~10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than ~~10~~5% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

As a shareholder, the PHF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PHF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be September 1, ~~2010~~2011.

EXHIBIT A

PHF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	~~3%~~ 0.0%	5.5%	30.0%
Real Estate	0.0%	~~4.5%~~ 5.5%	10.0%
Natural Resources	5.0%	~~11.0%~~ 11.5%	17.5%
Developed Country Equity	35.0%	~~50.5%~~ 48.5%	60.0%
Emerging Markets Equity	10.0%	~~19.0%~~ 19.5%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~48.0%~~ 47.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~22.0%~~ 23.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2011~~ 2012
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	~~19.5%~~ 18.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	~~2.0%~~ 3.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	~~8.82%~~ 8.81%
One Year Downside Deviation	~~8.94%~~ 8.86%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.0%	Custom NACREIF ~~2.0~~ 3.0%	~~4.5~~ 5.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	~~3.5~~ 4.0%	~~11.0~~ 11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~19.5~~18.5 %)	20.0%	~~11.0~~ 10.0%	~~50.5~~ 48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	~~3.0~~ 3.5%	~~19.0~~ 19.5%
Total		~~48.0~~ 47.0%	30.0%	~~22.0~~ 23.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index

Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

LTF Organization

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

LTF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

LTF assets shall be allocated among the following investments.

A. Cash and Cash Equivalents – Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy.

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

LTF Distributions

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Prudent Management of Institutional Funds Act, Chapter 163, *Texas Property Code,* as amended, ("Act"), subject to the intent of a donor in a gift instrument, the Board of Regents may appropriate for expenditure or accumulate so much of the LTF as it determines is prudent for the uses, benefits, purposes, and duration for which the LTF is established. Notwithstanding the preceding sentence, the Board of Regents may not appropriate for expenditure in any year an amount greater than nine percent (9%) of the LTF, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest $.0005 per unit.

B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).

C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of LTF Units

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than $~~10~~25 million, advance notice of ~~30~~60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $~~10~~25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than ~~10~~5% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidiate illiquid investments and the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be September 1, ~~2010~~2011.

EXHIBIT A

LTF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2010~~ 2011

POLICY PORTFOLIO	FYE ~~2011~~ 2012		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	~~3%~~ 0.0%	5.5%	30.0%
Real Estate	0.0%	~~4.5%~~ 5.5%	10.0%
Natural Resources	5.0%	~~11.0%~~ 11.5%	17.5%
Developed Country Equity	35.0%	~~50.5%~~ 48.5%	60.0%
Emerging Markets Equity	10.0%	~~19.0%~~ 19.5%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	~~48.0%~~ 47.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	~~22.0%~~ 23.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2011~~ 2012
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	~~19.5%~~ 18.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	~~2.0%~~ 3.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2011~~ 2012
Expected Annual Return (Benchmarks) **	~~8.82%~~ 8.81%
One Year Downside Deviation	~~8.94%~~ 8.86%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, ~~2010~~2011

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2011~~ 2012

FYE ~~2011~~ 2012		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.5%)	0.0%	Custom NACREIF ~~2.0~~ 3.0%	~~4.5~~ 5.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	~~3.5~~ 4.0%	~~11.0~~ 11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~19.5~~18.5 %)	20.0%	~~11.0~~ 10.0%	~~50.5~~ 48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	~~3.0~~ 3.5%	~~19.0~~ 19.5%
Total		~~48.0~~ 47.0%	30.0%	~~22.0~~ 23.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index

Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~August 12, 2010~~August 19, 2011
Date Approved by U. T. System Board of Regents: ~~August 12, 2010~~August 19, 2011
Date Approved by UTIMCO Board: ~~July 14, 2010~~July 14, 2011
Supersedes: Derivative Investment Policy approved ~~August 20, 2009~~August 12, 2010

Purpose:

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, including mortgage backed securities, structured notes, convertible bonds, exchange traded funds (ETFs), and foreign currency contracts that settle within thirty (30) days. Derivatives may be purchased through a national or

international exchange or through an OTC direct arrangement with a counterparty. Refer to the attached Exhibit A for a glossary of terms.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash market securities;
- To hedge and control risks; or
- To facilitate transition trading~~;~~.

~~provided however, that after implementing any Derivative Investment, the Funds' projected downside deviation is within the Funds' projected downside deviation range and risk bounds, and the Asset Class and Investment Type exposures are within permissible ranges as set forth in the Funds' Investment Policy Statements.~~

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding, with respect to any Derivative Investment, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a UTIMCO Board meeting is warranted before engaging in the Derivative Investment.

Risk and Investment Policy Controls:

Following the implementation of any Derivative Investment, the Funds' projected downside deviation and risk bounds, and projected exposure to Asset Class and Investment Type, must be within the permissible ranges as set forth in the Funds' Investment Policy Statements.

Documentation and Controls:

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of internally managed and of externally managed accounts operating under an Agency Agreement that utilize derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

Leverage: Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, Derivative Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must

focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

Counterparty Risks: In order to limit the financial risks associated with Derivative Investments, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter (OTC) derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In the event a counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements, The net market value, net of collateral postings, of all OTC derivatives for any individual counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Cash market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a futures contract, forward contract, swap, and all forms of options.

Exchange traded derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives "settle" daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

Forward contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted "Master Agreements," a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be "netted" so that payables and receivables under all existing derivatives between two counterparties are offset in determining the net exposure between the two counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

Long exposure to an Asset Class – The Net Asset Value of the Asset Class and Investment Type as defined in the Funds' Investment Policy Statement.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the counter (OTC) derivatives - A derivative which results from direct negotiation between a buyer and a counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally futures contracts and swaps on a passive index, Basket or commodity.

2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash index being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced index be within a certain range and may also include the selling of put options.

3. Derivative Investments that reduce long exposure to an Asset Class or hedge against global interest rate shocks and risk and limit ~~whereby the~~ maximum loss ~~is limited~~ to the premium paid for the Derivative Investment~~, regardless of notional value~~. The aggregate prorated annual premium of all Derivative Investments under this provision shall not exceed ~~25~~50 basis points of the Fund value.

4. Futures contracts and forward contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.

5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling futures contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

6. Derivative Investments used to gain long exposure to an Asset Class and limit maximum loss to the premium paid for the Derivative Investment.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

~~Notwithstanding the delegated authority set forth above, if the notional value of a new Derivative Investment exceeds thirty-three percent (33%) of the overall Fund value, UTIMCO's Chief Investment Officer must request approval from the UTIMCO Chairman before entering into the new Derivative Investment. If the new Derivative Investment is approved by the UTIMCO Chairman and executed, UTIMCO's Chief Investment Officer shall make a presentation to the UTIMCO Board regarding the details of the Derivative Investment at its next regularly scheduled meeting.~~

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

The University of Texas Investment Management Company
Delegation of Authority Policy

Effective Date of Policy: ~~July 14, 2010~~July 14, 2011
Date Approved by UTIMCO Board: ~~July 14, 2010~~July 14, 2011
Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~July 9, 2009~~July 14, 2010

Purpose:
The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. Section 66.08(d) of the *Texas Education Code* provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, to enhance the competitiveness of the investment process, improve management and operational efficiency, and define and concentrate accountability for performance, certain duties, and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operations:

(1) Management, Operations, and Finance; and
(2) Investments.

Objective:
By clearly defining the scope of delegated authority to UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness.

Scope:
This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. System Board, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

Authority Delegated to UTIMCO Management:
The primary functions of the UTIMCO Board are to formulate, revise, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee Charters, Investment Management Services Agreement, and UTIMCO policies. To execute its responsibilities more efficiently, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: (i) Management, Operational, and Financial Authority; and (ii) Investment Authority.

Management, Operational, and Financial Authority: Final authority for the functions listed below rests with the UTIMCO Board:

- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Compliance;
- Client Relations and Reporting; and
- Public Relations.

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

Administration, Accounting, and Financial Management: The UTIMCO Board hereby delegates all day-to-day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Systems Technology Management: The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO Management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Personnel Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

Compliance: The UTIMCO Board hereby delegates all compliance operations to UTIMCO Management, while retaining all oversight functions as specified in UTIMCO policies.

Client Relations and Reporting: The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO Management.

Public Relations: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations matters, except for those matters that are reserved to the UTIMCO Vice Chairman for Policy.

In addition, to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Contracts:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements,

investment consultant agreements and agreements with independent auditors) for a total obligation of $1 million or less during the contract term; provided that for purposes of this delegation any contract that does not have a fixed term shall be deemed have a term of one year; provided, further that notice of any such contracts, leases, or other commercial arrangements of $50,000 or more shall be reported to the UTIMCO Board at its regularly scheduled meetings.

- *Outside General Counsel: Management of UTIMCO's External Counsel:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

Investment Authority: The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Tactical Asset Allocation:* Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds, but excluding derivative instruments) to offset existing long positions for risk control purposes may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.
- *New Investment Vehicle and Manager Selection:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements as necessary, subject only to the following limitations:
    - More Correlated & Constrained Investments: Any new commitments exceeding (i) $400 million to an individual internal or external manager; (ii) 20% of the total assets managed by an individual external manager; or (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
    - Less Correlated & Constrained Investments: Any new commitments exceeding (i) $200 million; (ii) 20% of the total assets managed by an external manager; or (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
    - Private Investments: Any new commitments exceeding (i) $100 million; or (ii) 20% of the total assets managed by an external manager; or (iii) 20% of the total

assets managed under a new investment strategy by an individual external manager; must follow the process outlined in Appendix A. All new commitments to direct Private Investments must follow the process outlined in Appendix A.

- ~~o~~ Co-investments: Any new commitment to a direct Private Investment with an existing external manager, exceeding (i) $50 million; (ii) 20% of the total assets managed by an external manager; (iii) 20% of the total assets managed under a new investment strategy by an individual external manager; or (iv) 20% of the total assets of the Private Investment portfolio in the aggregate; must follow the process outlined in Appendix A.

- For the purposes of the above thresholds, total assets managed by an existing internal or external manager shall be aggregated during the first six months following the initial funding of the mandate and shall not exceed $600 million for all Investment Types. "Total assets" shall be defined as NAV plus unfunded commitments. Mandates that exceed $600 million in the aggregate must follow the process outlined in Appendix A.
- Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
- At any time prior to the closing of a commitment, the Staff will send each Board member a description of the proposed investment and a Certificate of Compliance for the investment.
- Other Investments: Any investments in Asset Classes not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
- Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.

- *Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships:* Subsequent to the first six months of the UTIMCO relationship with a new manager, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency, partnership or subscription agreements as necessary, subject only to the following limitations:
  - More Correlated & Constrained Investments: Any increases that (i) exceed $200 million to existing funds under management by any individual internal or external manager; or (ii) increase the total assets managed to more than (a) $600 million with an individual internal or external manager or a larger amount approved by the Board for manager exceptions; (b) 20% of the total assets managed by an individual external manager, or (c) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
  - Less Correlated & Constrained Investments: Any increases that (i) exceed $100 million to existing funds under management; or (ii) increase the total assets managed to more than (a) $500 million with an individual manager; (b) 20% of the

assets managed by an external manager; or (c) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.

- Private Investments: Any increases that ~~(i) exceed $50 million to existing funds under management; or (ii)~~ increases the total assets managed to more than (a) $~~200~~ 150 million with an individual manager in a single investment vehicle; ~~or~~ (b) 20% of the total assets managed by an external manager; or (c) 20% of the total assets managed under an ~~new~~ investment strategy by an individual external manager; must follow the process outlined in Appendix A.
- For the purposes of the above thresholds, no increase shall be permitted which (i) exceeds $300 million to an existing internal or external manager in the aggregate for all Investment Types or (ii) increases the total assets managed by an existing internal or external manager to more than $600 million in the aggregate for all Investment Types. "Total assets" shall be defined as NAV plus unfunded commitments. Any increases that exceed these amounts must follow the process outlined in Appendix A.
- Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
- Any increase in investment or commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.

- *Manager Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Notwithstanding, on a quarterly basis, manager mandates (excluding passive exposure) shall be aggregated across investment types and any mandate resulting in three percent (3%) or more exposure relative to the total Funds (excluding the ITF for Private Investments) will be reported to the Risk Committee at its next meeting. UTIMCO staff will be required to make a presentation and prepare a recommendation to the Risk Committee regarding an appropriate course of action for any manager mandate resulting in five percent (5%) or more exposure relative to the total Funds (excluding the ITF for the Private Investments). Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Risk Committee, the Risk Committee may approve the recommendation of UTIMCO staff, determine a different appropriate level of exposure or request additional information to be presented at a subsequent meeting before action may be taken by UTIMCO staff. UTIMCO staff will be responsible for implementing any Risk Committee approved action.
- *Investment in Derivative Investments:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy. Any new derivative investment recommended by UTIMCO staff or for the engagement of an external manager operating under

an Agency Agreement that has been approved by UTIMCO's Chief Investment Officer but is not within the delegated authority set forth in Exhibit B of the Derivative Investment Policy must follow the process outlined in Appendix A.

- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO Staff.
- *Management of UTIMCO's External Investment Consultant:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.

Documentation, Controls, and Reporting:
All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to UTIMCO's Chief Executive Officer immediately. The UTIMCO Chief Executive Officer will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Chairman immediately. Additionally, the UTIMCO Chief Executive Officer will report any exceptions to this Policy to the UTIMCO Board at its next regularly scheduled meeting, unless the UTIMCO Chairman instructs otherwise.

Appendix A
UTIMCO Board Option to Review Proposed Investments

In instances where a proposed investment exceeds the stated Investment Authority of the UTIMCO Chief Executive Officer, the Staff must follow the procedures listed below to provide the UTIMCO Board the opportunity to review an investment proposal at a UTIMCO Board meeting:

1. Option to Review Investment Proposal

   a. For new commitments, Staff will send each UTIMCO Director an investment recommendation, a Certificate of Compliance if one has not previously been provided to each UTIMCO Director, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

   b. For additional commitments to existing managers and partnerships, Staff will send each UTIMCO Director an executive summary of the proposed investment, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

   c. For new Derivative Investments, Staff will send to each UTIMCO Director detailed documentation describing the proposed trade and an Option to Review Investment Proposal.

2. Option to Review Investment Proposal Form

   The Option to Review Investment Proposal Form will require a UTIMCO Director to choose one of the following alternatives:

   (i) I require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment;

   (ii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment; or

   (iii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment but request that UTIMCO Staff make a presentation regarding the proposed investment at a future UTIMCO Board meeting.

3. If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the Staff shall make a presentation to highlight the attributes of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the Board shall vote to approve such investment.

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~August 20, 2009~~August 19, 2011
Date Approved by U.T. System Board of Regents: ~~August 20, 2009~~August 19, 2011
Date Approved by UTIMCO Board: ~~July 9, 2009~~July 14, 2011
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~August 14, 2008~~August 20, 2009

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAm by Standard & Poors,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of one day to less than 90 days in an orderly market at a discount of 10% or less.

- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of 90 days or more or in a shorter period of time by accepting a discount of more than 10%.

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- Cash: Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.

- Liquid (Weekly): Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.

- Liquid (Quarterly): Investments that could be converted to Cash within a period of one day to less than 90 days in an orderly market at a discount of 10% or less.

- Liquid (Annual): Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the table below:

	FY 09	FY 10+
Liquidity above trigger zone:	35.0%	30.0%
Liquidity within trigger zone:	30.0%-35.0%	25.0%-30.0%
Liquidity below trigger zone:	<30.0%	<25.0%

Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 09 is up to 70.0% of the total portfolio. However, any **illiquid** investments made in the 65.0% to 70.0% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

	FY 09~~+~~-11	FY 12+
Liquidity above trigger zone:	65%	55%
Liquidity within trigger zone:	55%-65%	50%-55%
Liquidity below trigger zone:	<55%	<50%

The allowable range for **illiquid** investments is 0% to 4~~5~~50% of the total portfolio for the ITF. However, any **illiquid** investments made in the ~~35~~45% to 4~~5~~50% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, "unfunded commitments" refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	FY 09	FY 10+
Unfunded Commitment as a percent of total invested assets:	27.5%	30.0%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and "soft" and "hard" gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

The University of Texas Investment Management Company
Mandate Categorization Procedure

Effective Date of Procedure: ~~August 1, 2010~~August 1, 2011
Date Approved by UTIMCO Board: ~~July 14, 2010~~July 14, 2011
Supersedes Mandate Categorization Procedure dated ~~March 1, 2008~~August 1, 2010

Background: The Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), and Intermediate Term Fund ("ITF") (collectively, the Funds) provide that assets of the Funds shall be allocated among a broad set of Asset Classes and Investment Types based on their individual risk/return characteristics and relationships to other Asset Classes and Investment Types. Asset Classes and Investment Types are defined in the Funds' Investment Policy Statements coupled with policy targets and ranges. Policy targets and ranges are a primary component of the Investment Policy Statements. The Derivative Investment Policy provides guidelines on accepted derivative applications that the Funds may deploy and broadly speaks to the reporting of such applications to the UTIMCO Board.

Individual investment mandates may exhibit a multitude of investment characteristics whereby the classification of such mandates is not entirely straightforward. As investment mandates with managers are less constrained in order to take advantage of capital market opportunities, coupled with the increasing use of derivative instruments and other investment tools, greater transparency regarding the process of classifying an investment mandate is desired.

Purpose: The purpose of this Mandate Categorization Procedure is to provide guidance in determining the classification and reporting of an investment mandate within the Asset Class and Investment Type definitions of the Investment Policy Statements.

Objective: The objective of this Procedure is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Funds' Investment Policy Statements.

Scope: Investment mandates shall include derivative applications for both internal and external investment manager mandates.

Investment Mandate Guidelines:
Within the Investment Policy Statements there are six Asset Classes:

A. Investment Grade Fixed Income
B. Credit-Related Fixed Income
C. Natural Resources
D. Real Estate
E. Developed Country Equity
F. Emerging Markets Equity

The definitions of these Asset Classes are more fully described in the Funds' Investment Policy Statements. The six Asset Classes are coupled with three Investment Types:

1. More Correlated & Constrained Investments
2. Less Correlated & Constrained Investments
3. Private Investments

Investment mandates shall be classified according to their Asset Class and Investment Type. For example, a manager investing primarily in distressed private securities would be classified as follows:

Asset Class: Credit-Related Fixed Income
Investment Type: Private Investments

Investment mandates that invest in more than one Asset Class shall be classified by the responsible Managing Director in a single Asset Class based on (i) where the majority of the assets will be invested by the manager and/or (ii) UTIMCO's objective/intent when entering into the mandate. The Managing Director may recommend a percentage split of a mandate across Asset Classes, but this should only occur in instances where significant amounts are invested and the mandate does not have an Asset Class concentration or where the Asset Class concentrations are likely to vary over time.

The Investment Type for any given mandate shall be classified based on its investment characteristics. The following investment characteristics will be utilized to assess a particular investment mandate:

Criteria	More Correlated & Constrained Investments/Mandates	Less Correlated & Constrained investments/Mandates	Private Investments
Single Asset Class	Generally one asset class	Often multiple asset classes	Generally one asset class
Beta	Generally higher levels of beta (e.g., 0.75+)	Often less beta (e.g., <0.75)	Generally higher levels of beta (e.g., 0.75+)
Traded Securities	Generally publicly traded	Majority publicly traded but also non-publicly traded	Generally not publicly traded
Gross Leverage	Limited levels of leverage, typically 160% or less, and typically net long not over 100%	Often utilize leverage and may be net long over 100%	Limited levels of leverage, typically 160% or less, and typically net long not over 100%
Shorting	Limited levels of shorting	Often utilize short positions	Generally do not utilize short positions
Use Derivatives	Limited use of derivatives	Generally use derivatives	Limited use of derivatives
Transparency	Significant position-level transparency for UTIMCO or risk provider	Limited position-level transparency	Generally investment-level transparency
Liquidity	Generally limited use of lock-ups, notice periods and redemption windows	Often lock-ups, notice periods and/or redemption windows	Typically capital commitment/call/ distribution structure
Performance Fees	May include performance fees, but often over asset class hurdle	Generally include performance fees	Generally include performance fees

Investment Mandate Process

Each new mandate will be assessed as to Investment Type according to the above criteria by the Managing Director recommending or monitoring the investment.

The Managing Director will recommend the Asset Class and Investment Type categorization for each mandate. The Chief Compliance Officer ~~will provide the~~and Chief Investment Officer will provide his/her agreement or recommended categorization. The Chief Investment Officer ~~will designate the Asset Class and Investment Type and~~ will report the categorization of new mandates ~~such, including the recommendations of the Managing Director and Chief Compliance Officer,~~ to the Risk Committee at its next regular meeting for their approval or re-categorization.

All existing mandates will be reviewed annually by the Managing Director, Chief Compliance Officer and Chief Investment Officer. Any recommended re-categorizations will require Risk Committee approval. In addition, if, after an initial or annual Asset Class and Investment Type categorization of a mandate, the Chief Investment Officer, a Managing Director, or the Chief Compliance Officer become aware of a change(s) in the investment characteristics of the mandate that warrant a re-categorization, the Chief Investment Officer will designate the new Asset Class and Investment Type re-categorization and will report such~~, including the recommendations of the Managing Director and Chief Compliance Officer,~~ to the Risk Committee at its next regular meeting for their approval or re-categorization.

Criteria for Classification of Derivatives[1]:
Internally managed Derivative Applications shall be classified in the Asset Class and Investment Type for which the derivative application was intended to replicate or increase exposure or to reduce risk.~~ For equity derivatives, delta adjusted exposure is the most acceptable practice. Fixed Income derivatives shall be accounted for by converting such Fixed Income exposure to its replicating cash exposure~~

~~In some cases, this may produce exposure that is greater than or less than what could be replicated in the cash market.~~

[1] Definitions of the terms used in this section may be found in the Derivative Investment Policy Exhibit A Glossary of Terms.

BYLAWS

OF

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Restated to Include
Amendments Adopted on

March 13, 1997
(Approved by the Board of Regents on May 8, 1997)

May 2, 1997
(Approved by the Board of Regents on May 8, 1997)

September 22, 1999
(Approved by the Board of Regents on November 11, 1999)

December 9, 1999
(Approved by the Board of Regents on February 10, 2000)

October 26, 2001
(Approved by the Board of Regents on November 8, 2001)

June 26, 2003
(Approved by the Board of Regents on August 7, 2003)

Ratified September 29, 2004
(Approved by the Board of Regents on August 12, 2004)

May 25, 2006
(Approved by the Board of Regents on July 13, 2006)

January 30, 2008
(Approved by the Board of Regents on February 7, 2008)

July 14, 2011
(Approved by the Board of Regents on August 19, 2011)

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OF

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

ARTICLE I
STRUCTURE AND PURPOSES

Section 1. Structure. The University of Texas Investment Management Company (the "Corporation") is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the "Act"). The Articles of Incorporation of the Corporation (as amended from time to time, the "Articles of Incorporation") were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2. Member. The Corporation shall have no members.

Section 3. Purposes. The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the "System"), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

(a) To invest funds under the control and management of the Board of Regents of the System (the "Board of Regents"), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and

(b) To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4. Approval by System. Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5. Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6. Revolving Door. A former director or employee of the Corporation may not make any communication to or appearance before a current director or employee of the Corporation before the second anniversary, in the case of a former director, or the first anniversary, in the case of a former employee, of the date the former director or employee ceased to be a director or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former director or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an employee of the Corporation knowingly communicates with a former director or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

ARTICLE II
OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 401 Congress Avenue, Suite 2800, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2. Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2. Number. The Board of Directors shall consist of nine (9) Directors consistent with Texas Education Code Section 66.08.

Section 3. Appointment and Term. In compliance with applicable law, six (6) Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents and shall include (i) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (ii) three (3) persons with substantial background and expertise in investments; and two (2) Directors shall be appointed by the Board of Regents of The Texas A&M University System pursuant to a process determined by the Board of Regents of The Texas A&M University System and shall include at least one (1) person with substantial background and expertise in investments; provided that, notwithstanding the foregoing, persons duly appointed and serving as Directors on June 17, 2011, shall continue to serve as Directors subject to the last sentence of this Section 3.~~,~~ The initial two (2) Directors appointed by the Board of Regents of The Texas A&M University System pursuant to the foregoing shall be appointed as follows: (i) one (1) Director shall be appointed on the expiration of the term of office of a Director serving on June 17, 2011, who under prior law, was appointed to that position on recommendation of the Board of Regents of The Texas A&M University System; and (ii) one (1) Director shall be appointed on the first expiration after June 17, 2011, of a term of office of any Director, other than the Director described in clause (i) of this sentence and any Director who also serves as a member of the board of regents of a university system, as defined by Section 61.003, Texas Education Code. ~~except that the~~The Chancellor of the System shall also serve as a Director so long as he or she remains Chancellor of the System. ~~In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors").~~ The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the

Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the ~~Affiliated Directors~~ Chancellor of the System and the Regental Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors it is authorized to appoint and the Board of Regents of The Texas A&M University System may, from time to time, alter the terms of the Directors it is authorized to appoint. Each person serving as a Director shall serve until the expiration of such Director's term, or until such Director's successor has been chosen and qualified, or until such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 4. Removal and Resignation. Any Director appointed by the Board of Regents may be removed from office at any time, with or without cause, by the Board of Regents. Any Director appointed by the Board of Regents of The Texas A&M University System may be removed from office at any time, with or without cause, by the Board of Regents of The Texas A&M University System. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Vacancies. Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the ~~Board of Regents~~entity authorized to appoint the Director.

Section 6. Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

Section 7. Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

At the request of the U. T. Board of Regents, ~~A~~a joint ~~annual~~ meeting with the U. T. Board of Regents ("Joint Meeting") shall be held ~~each year~~ to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

Section 8. Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and the Chancellor, as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10. Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

Section 11. Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, the Chairman may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12. Voting. Directors must vote in person and proxy voting is prohibited.

Section 13. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board or the Vice Chairman for Policy shall preside. In the absence of the Chairman of the Board and the Vice Chairmen of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14. Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by the Director in carrying out duties as a Director.

ARTICLE IV
COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2. Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next Regular Meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 3. Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

ARTICLE V
OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2. Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6. Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the Rules and Regulations of the Board of Regents and the Master Investment Management Services Agreement with UTIMCO to facilitate UTIMCO's performance of its

core investment duties. The Vice Chairman for Policy shall exercise the powers of the Chairman during the absence or inability to act of both the Chairman and the Vice Chairman of the Board. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman and the Vice Chairman at the time such action was taken.

Section 7. Powers and Duties of the President. All references to the President in this document shall mean the Chief Executive Officer of the Corporation. If the positions of President and Chief Executive Officer are held by different individuals the responsibilities designated to the President in these Bylaws shall be performed by the Chief Executive Officer. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of

Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2. Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

Section 5. Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), Texas Education Code. The Secretary is required to provide public notice of such meetings in accordance with applicable law therewith.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom

he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted from an action taken in such person's official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an "Indemnified Person."

Section 2. Advance Payment. An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3. Appearance as a Witness. Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person is not a named defendant or respondent in the Proceeding.

Section 4. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the

Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII.

Section 6. Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VIII
AMENDMENTS

Section 1. Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

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, 2011 has not exceeded the Expected Return by 25 basis points or more (≥.25%).

	Trailing 12 - Quarters Ending February 28, 2011	Expected or Benchmarks	Excess (Deficit)
Average Annual Rate of Return	2.02%	8.82%	-6.80%

Therefore, as outlined in the PUF Investment Policy, the amount to be distributed from the PUF for Fiscal Year 2011-2012 is $497,032,518 as calculated below:

Quarter Ended	Net Asset Value
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
5/31/2010	10,524,153,261
8/31/2010	10,724,962,438
11/30/2010	11,619,582,822
2/28/2011	12,338,732,852
	$ 125,566,109,698
Number of quarters	12
Average Net Asset Value	$ 10,463,842,475
Distribution Percentage	4.75%
FY 2011-12 Distribution	$ 497,032,518

However, due to a record year of PUF Lands' lease sales and royalty income, strong investment performance by UTIMCO, and the constrained State budget situation for the next biennium, it is recommended that an additional 0.75%, or $78,478,818, be distributed from the PUF to the AUF for Fiscal Year 2011-12 for a total distribution of $575,511,336 or 5.50% of the trailing 12 - quarter average of the net asset value of the Fund for the quarter ending February 2011.

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:

1. 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 $575,511,336 is substantially greater than PUF bond debt service of $187,277,934 projected for FY 2011-2012.

System	Debt Service
U. T.	$ 108,542,691
TAMU	78,735,243
Total	$ 187,277,934

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

2. 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, 2011 was 2.29%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return	6.94%
Mineral Interest Receipts	2.65%
Expense Rate	(0.33)% (1)
Inflation Rate	(2.33)%
Distribution Rate	(4.64)%
Net Real Return	**2.29%**

(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.

3. 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 bond 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
$10,463,842,475	$575,511,336	**5.50%**	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 1.4% increase in the LTF distribution rate from $0.3172 to $0.3215 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 5.2%, 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, 2010, was 1.4%.

We are recommending a 1.4% increase in the PHF distribution rate of $.0554 to $.0561 per unit. The PHF's distribution rate calculated using the prior twelve quarter average value of the PHF is 5.0%, 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 2012.

Tab 5

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Report from Compensation Committee, including Discussion and Appropriate Action Related to the CEO's Base Salary for 2011-12 fiscal year; Discussion and Appropriate, Action Related to CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012; Discussion and Appropriate Action Related to Appendix D of the UTIMCO Compensation Program, effective July 1, 2011; Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Compensation Committee

Developed By: Zimmerman, Moeller, Gonzalez

Presented By: Ferguson

Type of Item: Action item

Description: The Compensation Committee (the "Committee") will meet on July 7, 2011. The Committee's agenda includes (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to base salaries for the UTIMCO Officers and Other UTIMCO Compensation Program the ("Plan") Participants for the 2011-2012 fiscal year; (3) discussion and appropriate action related to CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012; (4) discussion and appropriate action related to Appendix D of the UTIMCO Compensation Program, effective July 1, 2011; and (5) discussion and appropriate action related to proposed amendments to the Charter of the Compensation Committee.

Discussion: ***Base Salaries.*** The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants (other than the CEO) for the 2011-12 fiscal year. The Committee will request that the Board take appropriate action related to the CEO's base salary. Staff contacted Nanci Hibschman with Mercer for expected salary adjustments. Ms. Hibschman analyzed actual 2010/2011 base salary increases and expected 2011/2012 base salary increases from three industry sectors: finance/banking, not-for-profit and endowment/foundation investment groups. All data were sourced from Mercer's most recent survey databases.

CEO's Qualitative Performance Goals. The Committee will present and recommend the approval of the CEO's goals to the UTIMCO Board. The Committee will discuss with Mr. Zimmerman his Qualitative Performance Goals for the 2011-12 Performance Period. Section 5.4. of the Plan requires that the CEO's performance goals be determined and approved by the UTIMCO Board. There are three categories of performance goals in the Plan: (1) entity performance; (2) asset class performance; and (3) qualitative performance. Qualitative Performance Goals may be established in one or more of the following areas: leadership, implementation of operational goals, management of key strategic projects, effective utilization of human and financial resources, and UTIMCO's investment performance relative to

the Peer Group. The CEO's Qualitative Performance Goals will be reviewed in Executive Session with the UTIMCO Board. The Entity and Asset Class Performance Goals are included in the Plan in Appendix D, Table 2.

Appendices C, D and E of the Plan. The Committee will report on its actions related to Appendices C, D and E. Appendix D, Table 2, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. Staff is recommending a benchmark change to the Real Estate Asset Class and an update for the Total Endowment Fund Policy Portfolio Weight. These updated Benchmark and Policy Portfolio Weights are consistent with Staff's proposed target adjustments in Exhibits A of the Permanent University Fund and General Endowment Fund Investment Policy Statements. It is anticipated that the UTIMCO Board will approve the recommended targets at its meeting held July 14, 2011 and that the recommended new targets will be adopted by the Board of Regents of The University of Texas System at its August 18-19, 2011, meeting. Changes in the Policy Portfolio Weights and Benchmarks follow the changes in the Exhibits A of the Endowment Funds and the Intermediate Term Fund Investment Policy Statements. Although the change has no effect on prior year performance standards and calculations, Staff is also adjusting the ITF's Policy Portfolio Weights in Table 2, retroactive to the prior Performance Period, for Investment Grade Fixed Income and Developed Country Equity. The actual entity benchmarks used for the calculation of performance will be based on Exhibit A of the ITF.

Appendix C, Table 1, sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position. Staff is not proposing any changes to Table 1.

Appendix E, Table 3, sets forth the Eligible Positions of Affected Participants. Table 3 is required to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to Section 5.11. of the Plan. Staff is not recommending any changes to Table 3 other than updating the effective date.

Charter of the Compensation Committee. The Committee will report on its action related to the Charter of the Compensation Committee. The following changes to the Charter are proposed by staff:

- Page 1; added language consistent with the Corporation's Bylaws that allows individuals who are not members of the UTIMCO Board to be appointed to the

Committee; provided that a majority of the Committee members are members of the UTIMCO Board

- Page 2; added language related to the Committee's responsibility to select a qualified compensation consultant to advise the Committee and periodically perform a benchmarking study
- Page 2; added language to require the Committee to periodically review its Charter and performance, and authorize it to perform other necessary activities consistent with its Charter
- Other minor editorial changes

Recommendation: The Committee will request appropriate action from the Board related to: (1) the CEO's Base Salary for 2011-12 fiscal year; (2) the CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012; (3) the updated Appendix D of the Plan with an effective date of July 1, 2011; and (4) the Charter of the Compensation Committee

Reference: Appendices C, D and E of the Plan
Charter of the Compensation Committee
Compensation materials will be provided for executive session

RESOLUTION REGARDING CORPORATIONS'S CEO'S BASE SALARY

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2011-2012 in the amount of $_____.

RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE GOALS FOR THE PERFORMANCE PERIOD ENDED JUNE 30, 2012

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

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012, as prepared by the CEO, and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the Performance Period ended June 30, 2012, effective as of July 1, 2011, as set forth in the document presented to the Board.

RESOLUTION RELATED TO AMENDMENTS TO UTIMCO COMPENSATION PROGRAM APPENDICES

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

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

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

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

WHEREAS, the Board has determined that no revisions to Appendix C and Appendix E, Tables 1 and 3, respectively, are required; and

WHEREAS, the Board has reviewed the revised Table 2, and approves the amendments as recommended by the Compensation Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Table 2, a copy of which is attached hereto, is hereby adopted and approved to replace the current Appendix D, effective as of July 1, 2011.

RESOLUTION RELATED TO CHARTER OF THE COMPENSATION COMMITTEE

RESOLVED, that the amendments to the Charter of the Compensation Committee be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities for each Eligible Position
(for each Performance Period)

TABLE 1 (For the Performance Periods beginning after June 30, 2010)

Eligible Position	Weighting: Entity	Weighting: Asset Class/ Investment Type	Weighting: Qualitative (Individual)	Incentive Award Opportunity (% of Salary): < Threshold	Threshold	Target	Maximum	Percentage of Award Deferred
		Investment Professionals						
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	100%	300%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	95%	250%	50%
Managing Director - Investments	30%	40%	30%	0%	0%	85%	215%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	85%	215%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	60%	150%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	60%	150%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	50%	135%	35%
Portfolio Manager	20%	40%	40%	0%	0%	50%	130%	30%
Director - Investments	20%	40%	40%	0%	0%	50%	130%	30%
Director - Private Investments	20%	30%	50%	0%	0%	50%	130%	30%
Director - Risk Management	30%	0%	70%	0%	0%	40%	90%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	40%	90%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	40%	90%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	40%	80%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	85%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	85%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	70%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	60%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	50%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	50%	0%
		Operations/Support Professionals						
Senior Managing Director	20%	0%	80%	0%	0%	60%	120%	40%
Managing Director	20%	0%	80%	0%	0%	50%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	100%	30%
Senior Manager	20%	0%	80%	0%	0%	40%	90%	25%
Manager	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	30%	60%	20%

Appendix D

Benchmarks for Asset Class/Investment Type
Threshold, Target, and Maximum Performance Standards
(for Performance Periods beginning on or after July 1, 2008)

Performance Standards for Intermediate Term Fund
(for Performance Periods beginning on or after July 1, 2008)

UPDATED TABLE 2 (7/1/08 through ~~6/30/11~~ 8/31/11)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+225 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index	2.5%	5.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%	7.5%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	19.5%	15.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index*	30.0%	35.0%	+0 bps	+75 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.0%	0%	+0 bps	+100 bps	+350 bps
Private Investments Real Estate	NACREIF Custom Index	2.0%	0%	+0 bps	+100 bps	+325 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

* For the Performance Period beginning 7/01/2008 through 12/31/2008, the benchmark is MSCI Investable Hedge Fund Index

UPDATED TABLE 2 (9/1/11 through 6/30/12)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+225 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	~~30.0 bps~~ +35.0 bps	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index NET TRI USD	2.5%	5.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%	7.5%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	~~+19.5 bps~~ +18.5 bps	~~15.0 bps~~ +10.0 bps	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index*	30.0%	35.0%	+0 bps	+75 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.0%	0%	+0 bps	+100 bps	+350 bps
Private Investments Real Estate	NACREIF Custom Index	~~+2.0 bps~~ +3.0 bps	0%	+0 bps	+100 bps	+325 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

Appendix E

Eligible Positions of Affected Participants

TABLE 3 ~~(7/1/10 through 6/30/11)~~(For the Performance Periods beginning after June 30, 2011)

Eligible Position
Investment Professionals
CEO & Chief Investment Officer
President & Deputy CIO
Managing Director
Managing Director - Private Investments
Senior Director, Investment
Senior Portfolio Manager
Senior Director, Risk Management
Portfolio Manager
Director, Investment
Director - Private Investments
Director, Risk Management
Operations/Support Professionals
Senior Managing Director
Managing Director
General Counsel & Chief Compliance Officer
Senior Manager
Manager

The University of Texas Investment Management Company

Charter of the Compensation Committee

Background

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") established a Compensation Committee (the "Committee") on August 30, 1996. The Committee's responsibilities were enumerated and documented in the August 30, 1996 Board minutes. This Charter, adopted by the Board on ~~May 26, 2004~~July 13, 2011, ~~supercedes~~ supersedes the Charter adopted by the Board on May 26, 2004. ~~t~~The Committee's enumerated responsibilities were initially set forth in the August 30, 1996 Board minutes.

Purpose

The primary purpose of the Committee is to provide oversight of the compensation system for officers and employees of the Corporation.

Composition

The Committee shall be composed of three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board. A member may be removed with or without cause at any time by a majority vote of the Board.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board or the Bylaws, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next ~~succeeding~~ regular meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Duties and Responsibilities

The Committee has the following duties and responsibilities:

- Recommend to the Board the UTIMCO Compensation Program and any amendments thereto
- Select a qualified compensation consultant to advise the Committee and periodically perform a salary benchmarking study
- Recommend to the Board the base salary and performance ~~compensation~~ incentive award of the ~~President and~~ Chief Executive Officer and Chief Investment Officer of the Corporation
- Approve the base salaries of all officers (except the ~~President and~~ Chief Executive Officer and Chief Investment Officer) of the Corporation
- ~~Recommend to the Board the Performance Compensation Plan and any amendments thereto~~
- Recommend to the Board the Eligible Employees who are to be granted performance incentive awards under the Performance ~~Compensation~~ Incentive Plan
- Approve the Performance ~~Compensation~~ Incentive Plan awards for all eligible employees except the ~~President and~~ Chief Executive Officer and Chief Investment Officer
- Provide the Board with full supporting materials for each of the foregoing recommendations in sufficient time to allow such materials to be considered by the Board prior to its full discussion and review of such recommendations.

Determination of performance compensation for employees not included in the Performance ~~Compensation~~ Incentive Plan is delegated to Corporation management.

Other Duties

The Committee will evaluate the Committee's performance on a periodic basis, periodically review the adequacy of this Charter and submit this Charter to the Board for its approval; and perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

Approved by the Board of Directors on July 14, 2011.

Tab 6

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Report from Audit and Ethics Committee, including Discussion and Appropriate Action Related to Corporate Auditor

Developed By: Zimmerman, Gonzalez, Moeller

Presented By: Foster

Type of Item: Action item related to Engaging Corporate Auditor; Discussion item on other items

Description: An Audit and Ethics Committee ("Committee") meeting will be held on July 7, 2011. The Committee's agenda includes the following: (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to engaging corporate external auditor; (3) report by UT System Audit Office related to reports issued, update on 2011 audit plan and discussion and appropriate action related to audit plan for fiscal year 2012; (4) report from Deloitte and Touch, LLP ("Deloitte") on 2011 Audits; (5) update of compliance, reporting, and audit issues; (6) discussion and appropriate action related to base salary, performance incentive plan participation, and performance goals for the General Counsel and Chief Compliance Officer for the 2011-12 fiscal year; and (7) presentation of unaudited financial statements for the nine months ended May 31, 2011 for the Funds and the Corporation

Discussion: The Committee will discuss hiring Deloitte as the corporate auditor. If approved by the Committee and the Board, FY 2011 will be the fifth year that Deloitte serves as the Corporation's independent auditor. Estimated fees for the 2011 audit services are $31,500 plus out-of-pocket expenses, an increase of $1,500 from the 2010 audit. Tom Wagner, Deloitte engagement partner, will give a report to the Committee on the progress and plan for the 2011 Funds' audits.

UT System Audit Office will present to the Committee its 2012 internal audit plan and 2011 activities. The Committee will also discuss and take action related to the General Counsel and Chief Compliance Officer's base salary, performance incentive plan participation, and performance goals for the 2011-12 fiscal year.

Routine activities of the Committee include reviewing the unaudited financial statements for the nine month period for the Funds and the UTIMCO Corporation, and the quarterly compliance reports.

Recommendation: Committee will request appropriate action related to the hiring of Deloitte & Touche LLP as the corporate auditor

Reference: Deloitte & Touche LLP Engagement Letter; Quarterly Compliance Reports

RESOLUTION RELATED TO INDEPENDENT AUDITOR FOR THE CORPORATION

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2011.

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA
Tel: +1 214 840 7000
www.deloitte.com

June 27, 2011

Ms. Joan Moeller
Managing Director—Accounting, Finance and Administration
The University of Texas Investment Management Company
401 Congress Street, Suite 2800
Austin, TX 78701

Dear Ms. Moeller:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for The University of Texas Investment Management Company ("UTIMCO" or the "Company"). Mr. Thomas Wagner will be responsible for the services that we perform for the Company hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that you will call Mr. Wagner whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ending August 31, 2011, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects.

Appendix A contains a description of our responsibilities and an audit under generally accepted auditing standards.

Our ability to express an opinion and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if the report to be issued by D&T as a result of this engagement requires modification, the reasons therefore will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (the "Audit and Ethics Committee") and the management of UTIMCO.

Management's Responsibilities

Appendix B describes management's responsibilities for (1) the financial statements, (2) representation letters, (3) independence matters relating to providing certain services, and (4) independence matters relating to hiring.

Responsibility of the Audit and Ethics Committee

As independent auditors of the Company, we acknowledge that the Audit and Ethics Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit and Ethics Committee. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Audit and Ethics Committee in accordance with the Audit and Ethics Committee's established preapproval policies and procedures.

Communications with the Audit and Ethics Committee

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Audit and Ethics Committee and management.

Fees

We estimate that our fees for the audit of the Company's financial statements will be $31,500, plus expenses. Engagement-related expenses, such as travel, lodging, transportation, meals, telephone, typing, etc., will be billed in addition to the fees and will be stated separately on the invoices.

Our continued service on this engagement is dependent upon payment of our invoices within 30 days of the date of the invoice. To the extent that certain circumstances, as listed in Appendix D, arise during this engagement, our fee estimate also may be significantly affected, and additional fees may be necessary. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the scope of services described herein will be billed separately.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Company intends to publish or otherwise reproduce in any document our report on the Company's financial statements, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report. The Company also agrees that its management will notify us and obtain our approval prior to including our report on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to the mutual agreement of the Company and D&T at such time as D&T is engaged to perform the services and would be described in a separate engagement letter.

* * * * * *

This engagement letter, including Appendices A through F attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services outlined are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte & Touche LLP

By your signature below, you confirm that the Company, through its Audit and Ethics Committee, has expressly authorized you to enter into this agreement with us on the Company's behalf.

Accepted and agreed to by the Company:

By:_____

Title:_____

Date:_____

APPENDIX A

DESCRIPTION OF OUR RESPONSIBILITIES AND AN AUDIT UNDER GENERALLY ACCEPTED AUDITING STANDARDS

This Appendix A is part of the engagement letter dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directors and the management of UTIMCO.

Our Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

Components of an Audit

An audit includes the following:

- Obtaining an understanding of the Company and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures
- Consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Inquiring directly of the Audit and Ethics Committee regarding its views about the risks of fraud and whether the Audit and Ethics Committee has knowledge of any fraud or suspected fraud affecting the Company
- Assessing the accounting principles used and significant estimates made by management
- Evaluating the overall financial statement presentation.

Reasonable Assurance

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance that the financial statements are free of material

misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements, nor is it designed to provide assurance on internal control or to identify deficiencies in internal control.

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directions and the management of UTIMCO.

Financial Statements

The overall accuracy of the financial statements and their conformity with generally accepted accounting principles are the responsibility of the Company's management. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Establishing and maintaining effective internal control over financial reporting
- Designing and implementing programs and controls to prevent and detect fraud
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations
- Adjusting the financial statements to correct material misstatements
- Making all financial records and related information available to us.

Representation Letters

We will make specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we will request that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. As part of our audit procedures, we will request that management provide us with a representation letter that includes, among other things:

- Acknowledgment of management's responsibility for the preparation of the financial statements
- Affirmation of management's belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We will also request that management confirm certain representations made to us during our audit. The responses to those inquiries and related written representations of management required by generally accepted auditing standards are part of the evidential matter that D&T will rely on in forming its opinion on the Company's financial statements. Because of the importance of management's representations, the Company agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters Relating to Providing Certain Services

In connection with our engagement, D&T, management, and the Audit and Ethics Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. Management of the Company will ensure that the Company has policies and procedures in place for the purpose of ensuring that the Company will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Wagner.

Independence Matters Relating to Hiring

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct* that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Wagner before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding two paragraphs, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu, and its member firms; and, in all cases, any successor or assignee.

APPENDIX C

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE

This Appendix C is part of the engagement letter dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directions of the management of UTIMCO.

Significant Matters

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit and Ethics Committee in overseeing the financial reporting process.

Fraud and Illegal Acts

We will report directly to the Audit and Ethics Committee any fraud of which we become aware that involves senior management and any fraud (whether caused by senior management or other employees) of which we become aware that causes a material misstatement of the financial statements. We will report to senior management any fraud perpetrated by lower-level employees of which we become aware that does not cause a material misstatement of the financial statements; however, we will not report such matters directly to the Audit and Ethics Committee, unless otherwise directed by the Audit and Ethics Committee.

We will inform the appropriate level of management of the Company and determine that the Audit and Ethics Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

Internal Control Matters

We will communicate, in writing, to management and the Audit and Ethics Committee all significant deficiencies and material weaknesses identified during the audit as required by AU 325, *Communicating Internal Control Related Matters Identified in an Audit.* Our written communication will identify those matters considered by D&T to be significant deficiencies and those that are considered by D&T to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Other Matters

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit and Ethics Committee. However, we will communicate to the Audit and Ethics Committee matters required by AU 380, *The Auditor's Communication with Those Charged with Governance.*

Texas State Auditor's Office

D&T agrees that the Texas State Auditor's Office or any authorized regulatory representative of the State shall at any time have access to and the rights to examine and audit any pertinent books, documents, working papers, and records of D&T relating to this agreement, and to excerpt and transcribe any pertinent books, documents, working papers, and records of D&T. If photocopies of pertinent books, documents, working papers, and records of D&T are requested, D&T will send a letter to the Texas State Auditor's Office or regulatory representative of the state similar (but not identical) in form to that in the American Institute Of Certified Public Accountants auditing section 9339, and such letter will be acknowledged by The Texas State Auditor's office or regulatory representative of the state prior to the provision of any photocopies by D&T. Any photocopies of pertinent books, documents, working papers, and records of D&T will be identified as "confidential treatment requested by Deloitte & Touche LLP."

APPENDIX D

CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE

This Appendix D is part of the engagement letter dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directors and the management of UTIMCO.

The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates or our fee estimate. As a result, changes to the fees may be necessary. Such circumstances include but are not limited to the following:

Audit Facilitation

1. Changes to the timing of the engagement at the Company's request. Changes to the timing of the engagement usually require reassignment of personnel used by D&T in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&T may incur significant unanticipated costs.

2. All audit schedules are not (a) provided by the Company on the date requested, (b) completed in a format acceptable to D&T, (c) mathematically correct, or (d) in agreement with the appropriate Company records (e.g., general ledger accounts). D&T will provide the Company with a separate listing of required schedules, information requests, and the dates such items are needed.

3. Significant delays in responding to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).

4. Deterioration in the quality of the Company's accounting records during the current-year engagement in comparison with the prior-year engagement.

5. A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company's personnel.

6. Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company's personnel.

7. Electronic files in an appropriate format and containing the information requested are not provided by the Company on the date requested for our use in performing file interrogation. D&T will provide the Company with a separate listing of the required files and the dates the files are needed.

8. The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant Issues or Changes

9. Significant deficiencies or material weaknesses in the design or operating effectiveness of the Company's internal control over financial reporting are identified during our audit that result in the expansion of our audit procedures.

10. A significant level of proposed audit adjustments is identified during our audit.

11. A significant number of drafts of the financial statements are submitted for our review, or we identify a significant level of deficiencies in the draft financial statements.

12. Significant new issues or changes as follows:

    a. Significant new accounting issues.

    b. Significant changes in accounting policies or practices from those used in prior years

    c. Significant events or transactions not contemplated in our budgets.

    d. Significant changes in the Company's financial reporting process or Information Technology systems.

    e. Significant changes in the Company's accounting personnel, their responsibilities, or their availability.

    f. Significant changes in auditing standards.

    g. Significant changes in the Company's use of specialists, or the specialists or their work product does not meet the qualifications required by generally accepted auditing standards for our reliance upon their work.

13. Changes in audit scope caused by events that are beyond our control.

Payment for Services Rendered

14. Without limiting its rights or remedies, D&T may halt or terminate its services entirely if payment is not received within 30 days of the date of the invoice.

APPENDIX E

GENERAL BUSINESS TERMS

This Appendix E is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directors and the management of UTIMCO.

1. **Independent Contractor.** D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company or the Audit and Ethics Committee.

2. **Survival.** The agreements and undertakings of the Company and the Audit and Ethics Committee contained in the engagement letter will survive the completion or termination of this engagement.

3. **Assignment and Subcontracting.** Except as provided below, no party may assign any of its rights or obligations hereunder (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other parties. The Company and the Audit and Ethics Committee hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.

4. **Severability.** If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

5. **Force Majeure.** No party shall be deemed to be in breach of the engagement letter as a result of any delays or nonperformance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

6. **Dispute Resolution.** Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix F and made a part hereof.

7. **Governing Law.** This engagement letter, together with the appendices, and all of the rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

APPENDIX F

DISPUTE RESOLUTION PROVISION

This Appendix F is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated June 27, 2011 between Deloitte & Touche LLP and the University of Texas Investment Management Company and approved by the Audit and Ethics Committee of the UTIMCO Board of Directors and the management of UTIMCO.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Austin, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. The Company and Deloitte & Touche LLP shall each designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

FINAL 061511

The University of Texas Investment Management Company
Institutional Compliance Program Annual Report
for the Quarter Ended May 31, 2011

Section I – Organizational Matters

- Significant personnel changes: David Gahagan continues to serve as Acting Head of Information Technology.

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

High-Risk Area #1: Investment Due Diligence
Responsible Party: President and Deputy CIO for Public Markets and Marketable Alternatives, Managing Directors for Private Markets and Natural Resources Investments, and Senior Director - Real Estate Investments
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 100 meetings/calls with potential managers. Serious due diligence was initiated on 4 managers. No managers were hired. Ongoing review of active external managers included 57 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 97 meetings/calls with potential managers. No serious due diligence was initiated this quarter. No managers were hired. Ongoing review of external managers was conducted in the form of 73 meetings/calls, a quarterly portfolio review meeting, and one annual meeting.

Private Markets: The Private Markets group initiated serious due diligence on four potential managers. Six commitments were made. The Private Markets group also participated in 93 meetings with active external managers and 74 with potential managers, including site visits, conference calls, Advisory Board or Annual meetings and a quarterly portfolio review meeting.

Natural Resources: The Natural Resources group participated in 71 meetings/calls with potential managers. Serious due diligence was initiated on one manager. Three managers were hired. Ongoing review of active external managers included 72 meetings/calls.

Real Estate: The Real Estate group participated in 82 meetings/calls with potential managers. Serious due diligence was initiated on three managers. Two managers were hired. Ongoing review of active external managers included 42 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. 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 to look at refining the proxies used for Private Investments to better capture the risk of these investments.
- Risk Team continued the negotiations of ISDAs with new counterparties, of POAs for managers operating under agency agreements, and facilitated the negotiation of ISDAs for these managers.
- Risk Team participated in the due diligence of managers operating under agency agreements.
- Risk Team continued to monitor the current thought processes and methodologies of other risk teams, by coordinating and chairing an Endowments Risk Management forum, and by analyzing new product offerings for risk management.
- Risk Team continued to study the macro environment and analyze possible tail scenarios, and continued to propose asset allocation tools and tail-hedging strategies to alleviate potential negative outcomes in such scenarios.
- All internal derivatives were reviewed and analyzed in detail prior to initiation. Developed the process and methodology to calculate and track the use of the "insurance budget" delegated to staff in the Derivative Investment Policy.
- Derivative positions are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly.
- Fixed income duration and tracking error is being monitored on an ongoing basis. Managers' use of margin and leverage is monitored on an ongoing basis.
- Risk Team confirmed each month downside risk and VaR calculations on total P&L data.
- Risk Team 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: Acting Head of 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:

- UTIMCO completed the UT System Security Assessment and has begun the annual financial report audit with Deloitte & Touche, LLP. The web application security audit performed last quarter included one recommendation – to increase the frequency of web application user reviews – that has been implemented.
- Annual user security training was completed in April for all users. New employees also received security training upon commencement of employment with UTIMCO.
- Implementation of TLS for secure email was completed as required by UT System.

- Applications that monitor virus or malicious software are running. Mechanisms are in place to provide notification if applications are not functioning properly. Additional applications monitor server activity and notify IT staff of any perceived problems.
- Continued training of users on the procedures and proper use of encrypted USB drives on an as needed basis.
- Provided topic specific email alerts to employees regarding encryption of social security numbers and credit card numbers, computer viruses, potential attacks, and critical updates.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means.
- Laptop security reviews continue. At random, the ISO and CCO verify laptops are physically secured to the desk. Violators are notified when necessary.
- Compliance checks for nightly shutdown/logout and VPN access continue. Violations noted and violators notified when necessary.
- Random checks for confidential data storage continue and CISO continues to work with development staff to restrict access to source code.

Specialized Training: CISO attended several UT System configuration management user group meetings and 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. Conversion to Compliance Monitor completed.
- Work continues to verify that custodian software queries and database queries are working properly for manager compliance. Cross training with employees who work on manager compliance continues. Training a new employee did not occur as planned, but it is still planned for the future.
- 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. Required annual review of mandates occurred and results were approved by the Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them.
- During the annual visit by BNY Mellon outstanding issues with and future enhancements to Compliance Monitor were discussed.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest
Responsible Party: Senior Managing Director - Accounting, Finance and Administration
Key "A" risk(s) identified:

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

Key Monitoring Activities:

- All Certificates of Compliance were received timely from all UTIMCO Board members and key employees for all investment managers hired. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests were identified by any UTIMCO Board member or key employee.
- Verified that the funds committed during the quarter had the appropriate signed certificates of compliance.
- List of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest (the "restricted list") was maintained. Internal and external managers under agency agreements are provided the restricted list in order to prevent the violation of the UTIMCO Code of Ethics and *Texas Education Code* section 66.08. No changes to the restricted list occurred and no new managers were hired which required the list to be sent.
- On a daily basis, accounting staff reviewed security holdings of internal and external managers for compliance with the restricted list. No exceptions noted.
- A new Director was appointed by the Board of Regents of The University of Texas System, effective February 17, 2011. The financial disclosure statement and ethics compliance were received timely during this quarter. One Director was appointed during the quarter on March 18th. The financial disclosure statement and ethics compliance statements were received timely during this quarter. Five directors returned their annual financial disclosure statement and ethics compliance statement timely before the April 30th deadline. Two directors requested and received extensions by the CEO to file the annual statements.
- Periodic review of public resources for comparison with financial disclosure statement information provided by Directors was performed during the quarter. No periodic review of public resources for comparison with financial disclosure statement information provided by employees was performed during the quarter.
- There was one request for preclearance of securities transactions. Another trade required preclearance but was not requested. Security was on preclearance list and employee traded on the same day UTIMCO traded a gift security received by UT System. Gift securities are traded on the same day that they are received as per policy. One security transactional disclosure forms was not filed within the required 10 days.
- Annual employee training was held during the quarter on April 4th and 8th and a makeup session was held on April 29th. All employees turned in their financial disclosure and ethics compliance statements timely except for one employee. The employee was one day late. Three employees and one (intern) were hired during the quarter. All received timely training and turned in their financial disclosure and ethics compliance statements on time.
- Trips/events which required documentation and supervisor/CEO approval had appropriate documentation and approval.

Specialized Training: None

<u>Section III – Monitoring and Assurance Activities (Performed by Compliance Office)</u>

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 four (4) managers hired by the Investment groups during the quarter. Ongoing due diligence efforts on multiple managers continue. The Senior Director, Risk Management and CCO participated in the bi-weekly Investment Committee meetings, the monthly Investment meetings, and quarterly portfolio reviews.
Significant Findings: None.

High-Risk Area #2: Investment Risk Management
Assessment of Control Structure: *Opportunity for enhancement*
Assurance Activities Conducted: CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team.
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, currently Acting Head of 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 reviewed the documentation and workpapers 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. All UTIMCO Board members and all employees had timely signed off on certificates of compliance; no conflicts of interest were noted. CCO performed Code of Ethics training for all employees and new hires. 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

Three annual training sessions were held during the quarter. Two new hire training sessions were held during the quarter. One new Director training session was held during the quarter.

Section V – Action Plan Activities

- Meetings of the Employee Ethics and Compliance Committee are held quarterly.
- Information Technology Access & Security: Staff member is participating in the Chief Information Security Officers Council.

Section VI – Confidential Reporting

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

Type	Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	1	100.00%
Total	1	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.

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

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
A. RISK ASSESSMENT			
1.	As needed, update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	On-going	On-going
B. MONITORING ACTIVITIES / ASSURANCE			
2.	Meet with Responsible Parties for updates	On-going	On-going; monitoring plans are being followed
3.	Inspect high risk areas A	On-going	On-going
4.	Work with Risk Management to enhance monitoring by CCO	On-going	On-going
C. COMPLIANCE TRAINING / AWARENESS			
5.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/11	Regular Sessions held April 4 and 8, 2011; Makeup session held April 29, 2011; new hire sessions held as/when needed
6.	Identify and network with similarly situated compliance professionals	On-going	On-going
D. REPORTING			
7.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	On-going
8.	Provide quarterly/annual reports to the System-wide office	On-going	On-going
E. OTHER / GENERAL COMPLIANCE			
9.	Hotline report investigations	On-going	No reports needing investigation have been made for the fiscal year to date
10.	Periodic Re-evaluation of enterprise risk management and regular reporting to UTIMCO Audit and Ethics Committee	06/30/11	In-process
11.	ICAC activities: ICAC and Standing Committee participation	On-going	No meetings have been held during the fiscal year
12.	Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically; Review of Directors Desk and other comparable products	12/31/10	Contract with Diligent BoardBooks has been signed
13.	Update and Monitor Records Retention	01/31/11	In-process, need to

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
	Procedures		complete procedure; will complete by June 30th
14.	Draft and implement business continuity plan	06/30/11	Draft in-process; meetings with critical function areas have been held; will complete by June 30th

Tab 7

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Discussion and Appropriate Action Related to UTIMCO 2011-12 Budget

Developed By: Zimmerman, Moeller, Shepherd

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board; Action required by Board of Regents of The University of Texas System ("U.T. Board")

Description: The Master Investment Management Services Agreement with UTIMCO ("IMSA") sets forth the annual budget and management fee requirements. UTIMCO submits to the U.T. Board its proposed annual budget for the following fiscal year within the time frame specified by the U.T. Board for other annual budget submissions. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes all operating expenses associated with the general management of the funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services, travel, insurance, capital expenditures, and other miscellaneous expense incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the U.T. Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.

During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the U.T. Board back to the Funds which generated the surplus.

Discussion: Mr. Zimmerman will present the Budget Review for UTIMCO's annual budget for the 2011-12 fiscal year, including the reserve analysis.

Recommendation: UTIMCO staff recommends that the UTIMCO 2011-2012 Annual Budget, Capital Budget, Management Fee Request, and Allocation Schedule be approved as presented.

Reference: UTIMCO Budget for FY12 presentation to be distributed under separate cover

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Management Fee of $_____, Other Direct Fund Costs of $_____, and Anticipated Invoiced External Manager Fees of $_____, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of $_____; Capital Budget of $_____; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2011 through August 31, 2012, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Tab 8

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion item

Description: The Risk Committee ("Committee") will meet separately and jointly with the Policy Committee on July 7, 2011. The Committee's agenda includes (1) discussion an appropriate action related to the minutes; (2) discussion and appropriate action related to categorization of new investment mandates; (3) discussion and appropriate action on used of broker-dealers; (4) review and discussion of compliance reporting; and (5) review and discussion of performance and risk reporting.

Discussion The Committee will review and approve, as appropriate, the thirteen (13) mandate categorizations prepared by staff for the period beginning March 23, 2011, and ending June 30, 2011. 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 two 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 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.

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

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

After the separate meeting is adjourned, the Committee will have a joint meeting with the Policy Committee to discuss staff's recommended amendments to the Exhibits of the Investment Policy Statements of the Permanent University, General Endowment Fund and the Intermediate Term Fund. The Committees will also discuss staff's recommended amendments to the Permanent Health Fund, Long Term Fund, Liquidity Policy, Derivative Investment Policy, Delegation of Authority Policy, and Mandate Categorization Procedure. The discussion of the Investment Policies is covered in the Report from the Policy Committee in Tab 4.

Recommendation: None

Reference: None

Tab 9

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item: Report on Special Purpose Entities

Developed By: Turner, Jewell

Presented By: Turner, Jewell

Type of Item: Information item

Description: Mr. Turner will report to the UTIMCO Board on the use of Special Purpose Entities ("SPE") to aid in the investment of the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), and the Intermediate Term Fund ("ITF"), collectively the Funds. UTIMCO Staff has made limited used of SPEs in the past and has been interested, as has the UTIMCO Board, in the legal considerations related to the use of SPEs and whether it might be advantageous to expand the use of SPEs when making investments on behalf of the Funds. For purposes of his report, Mr. Turner has defined a SPE as a legal entity formed on behalf of and wholly-owned by the Board of Regents of The University of Texas System for the purpose of making and holding investments for the Funds.

Discussion: Mr. Turner will discuss the use of SPEs, including benefits, disadvantages and shortcomings, and provide summary conclusions and recommendations.

Recommendation: None

Reference: Presentation to be handed out

Tab 10

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2011

Agenda Item:	UTIMCO Organization Update
Developed By:	Zimmerman
Presented By:	Zimmerman
Type of Item:	Information item
Description:	Mr. Zimmerman will provide an update on staffing, business continuity plan, technology platform, and meeting & investment activity.
Recommendation:	None
Reference:	*UTIMCO Organization Update* presentation

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

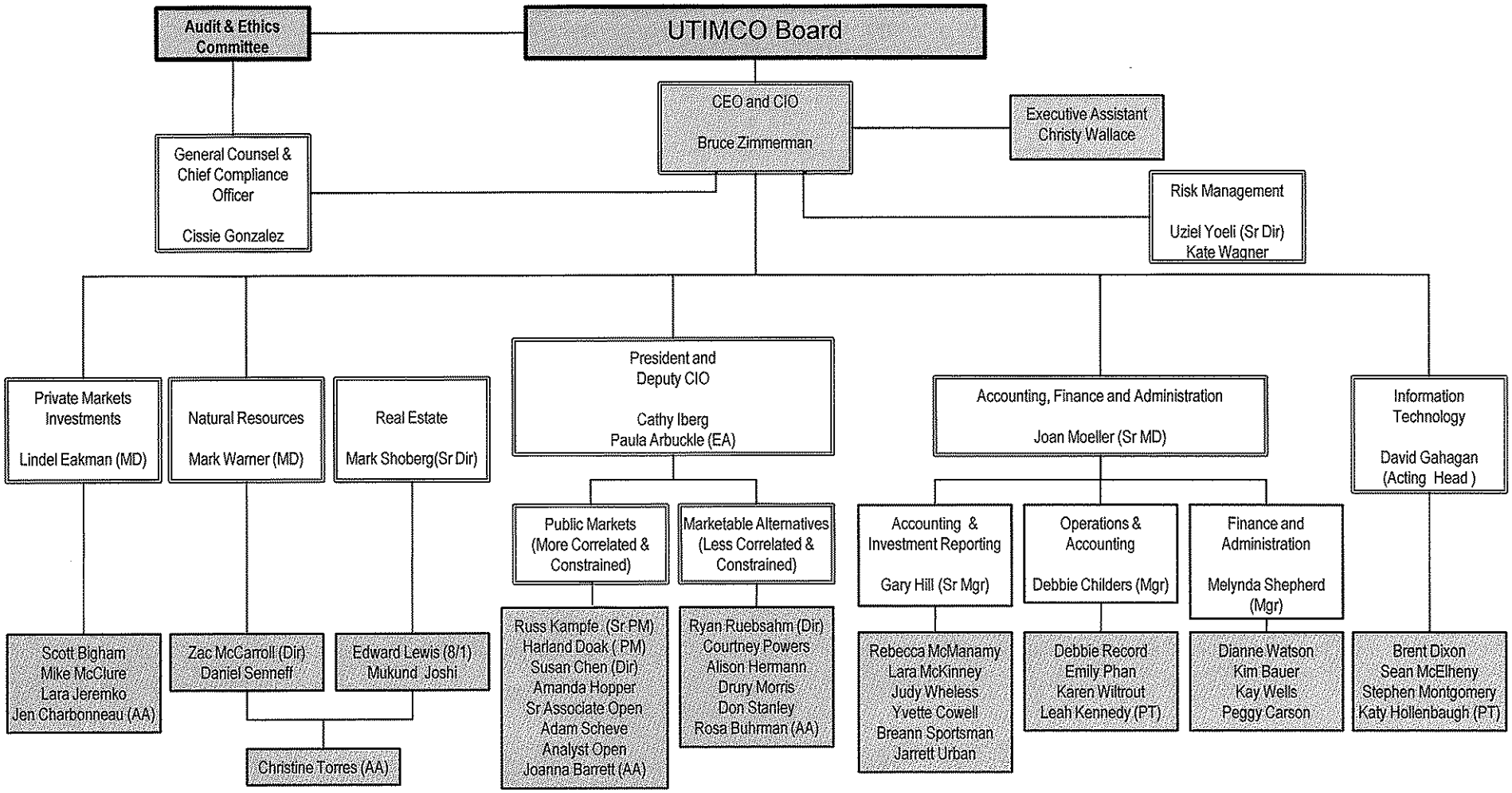
UTIMCO ORGANIZATION UPDATE

July 14, 2011

UTIMCO Update

- Staffing
- Meeting & Investment Activity
- UTIMCO Business Continuity Plan
- Technology Platform

UTIMCO – Organizational Structure



Meeting & Investment Activity

FYTD Nine Months through May

	New Investments		Monitoring Meetings	Full Redemptions	
	#	$		#	$
Public Markets	2	$350	142	5	$562
Marketable Alternatives	5	$390	196	4	$29
Private Equity	8	$495	223	4	$6
Natural Resources	7	$365 (1)	209	1	$2
Real Estate	3	$185	80	2	$38
Total	25	$1,785	850	16	$637
Annualized Pace	33	$2,380	1,133	21	$849

(1) Excludes Conversion of $1 B of Gold Futures to Gold Bars

UTIMCO Business Continuity Plan

- Addresses actions to be taken before, during, and after a disaster, i.e., a Significant Business Disruption resulting in:
  - Loss of access to UTIMCO offices;
  - Loss of physical or electronic access to information resources (systems, networks, or data); or
  - Loss of skilled or key personnel who perform critical processes
- Intended to safeguard employees' lives and UTIMCO property
- Provides for alternate communications between UTIMCO clients, employees, critical business constituents, regulators, and the media
- Will allow UTIMCO and its clients to continue to transact business
- Testing and implementation will occur in the next fiscal year

Technology

- With the CTO's departure, UTIMCO has the ideal opportunity to undertake a fresh, comprehensive review of its technology platform
- Key issues include
  - degree of data gathering and analysis automation
  - use of excel spreadsheets vs. production system
  - use of new technologies including cloud computing and outsourced applications
  - extent of integration
    - across investment teams
    - with risk management
    - between investments and operations/accounting
  - continuity of business/disaster recovery
- This review, with the objective of developing a detailed strategy and implementation plan, will be a major priority in FY 2012 for the UTIMCO Staff

Tab 11

Funds Update

Returns

UTIMCO Performance Summary
May 31, 2011

	Net Asset Value 5/31/2011 (in Millions)	Periods Ended May 31, 2011 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$12,908	(0.28%)	3.60%	17.80%	6.71%	20.71%	2.29%	5.75%	7.02%
General Endowment Fund		(0.27)	3.63	17.89	6.75	20.80	2.22	5.86	7.22
Permanent Health Fund	1,032	(0.26)	3.69	17.92	6.83	20.80	2.19	5.79	7.13
Long Term Fund	6,259	(0.26)	3.69	17.93	6.83	20.81	2.19	5.80	7.15
Separately Invested Funds	126	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	20,325								
OPERATING FUNDS									
Debt Proceeds Fund	929	0.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short Term Fund	1,371	0.02	0.05	0.18	0.09	0.26	0.76	2.44	2.36
Intermediate Term Fund	4,855	(0.85)	2.69	13.96	4.51	18.28	3.21	N/A	N/A
Total Operating Funds	7,155								
Total Investments	$27,480								
VALUE ADDED (Percent)									
Permanent University Fund		0.59%	0.72%	1.70%	1.61%	1.53%	2.94%	2.39%	2.15%
General Endowment Fund		0.60	0.75	1.79	1.65	1.62	2.87	2.50	2.35
Debt Proceeds Fund		0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short Term Fund		0.01	-	0.06	0.01	0.10	0.28	0.36	0.21
Intermediate Term Fund		0.32	0.67	1.70	0.98	2.32	2.39	N/A	N/A
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$77	$90	$188	$194	$166	$1,083	$1,398	$2,479
General Endowment Fund		44	53	111	113	99	595	819	1460
Intermediate Term Fund		16	32	72	46	95	319	521	N/A
Total Value Added		$ 137	$ 175	$ 371	$ 353	$ 360	$ 1,997	$ 2,738	$ 3,939

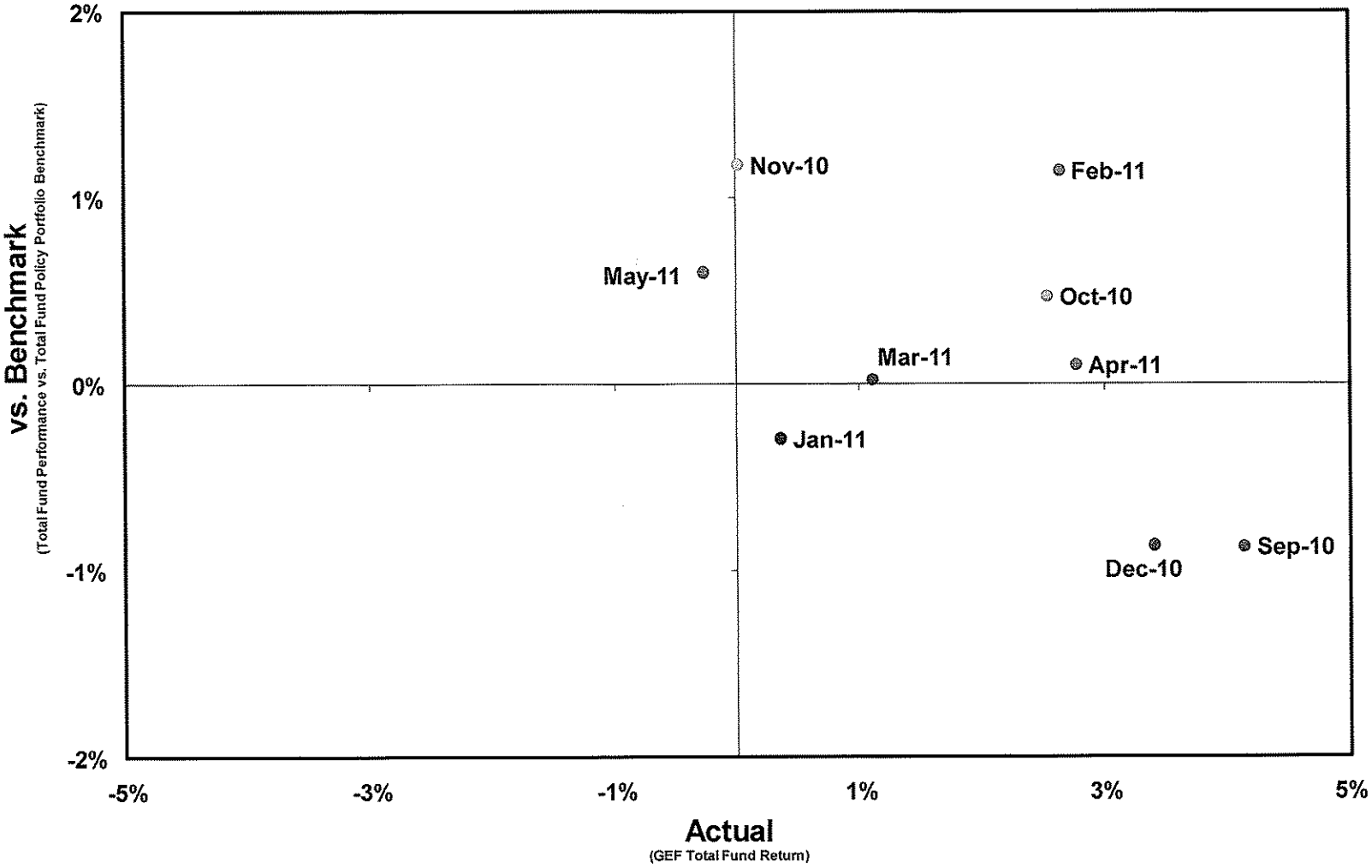
(1) - Benchmark returns for the PUF, GEF/LTF, and ITF have been restated for certain prior periods. Details of the restatements and previous policy portfolio benchmark history may be found at www.UTIMCO.org.

(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.

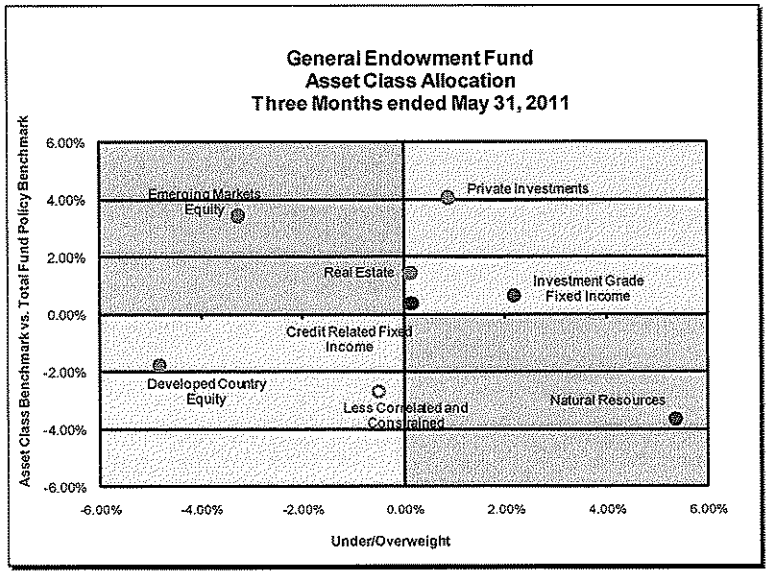
Performance During Last 3 and 9 Months

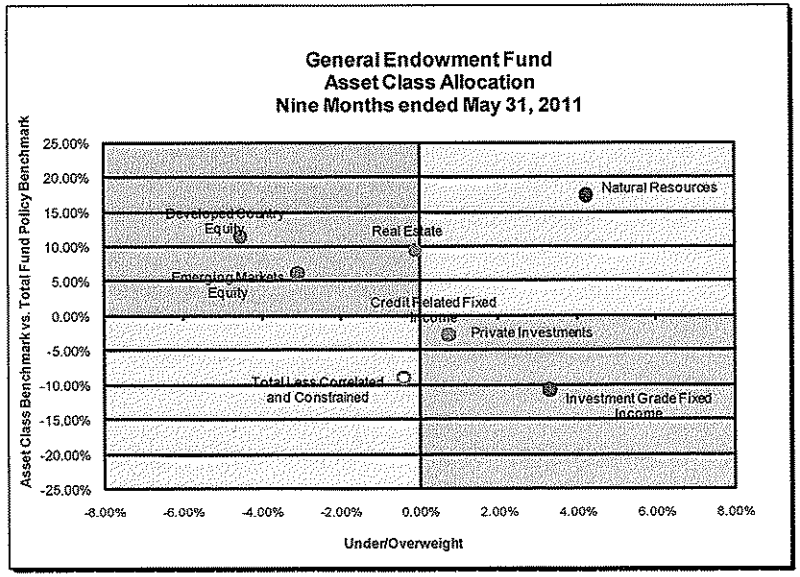
	3 Months Ended May 2011	9 Months Ended May 2011
BarCap Global Agg	3.5%	5.3%
BarCap TIPS	3.9%	4.9%
BarCap High Yield	3.2%	13.3%
Global REITs	4.3%	25.4%
DJ-UBS	0.3%	27.4%
Oil Spot	5.9%	42.8%
Natural Gas	18.1%	22.2%
Copper	-6.8%	23.8%
S&P 500	1.8%	30.1%
Nasdaq 100	0.9%	34.2%
EAFE	0.5%	24.4%
FTSE 100	1.1%	22.8%
DJ Euro Stoxx 50	-1.1%	23.5%
Topix	-11.3%	7.8%
MSCI Emerging Markets	6.3%	22.2%
Brazil Index	0.6%	9.9%
China Index	-6.0%	8.7%
India Index	4.3%	7.6%
Russia Index	-4.1%	32.9%
GEF	3.6%	17.9%
ITF	2.7%	14.0%

Actual and "vs. Benchmark" Returns by Month
Fiscal Year 2011
(GEF)



Tactical Asset Allocation





	Actual Returns	Benchmark Returns		Impact on Over/(Under) Performance (bps)
Developed Country Equity	3.44%	1.08%		8
Investment Grade Fixed Income	1.91%	3.50%		1
Credit Related Fixed Income	0.55%	3.24%		-
Real Estate	4.70%	4.31%		-
			Subtotal	9
Less Correlated and Constrained	1.75%	0.16%		(1)
Emerging Markets Equity	5.20%	6.30%		(13)
Natural Resources	2.54%	-0.81%		(21)
			Subtotal	(35)
Total Fund excluding Private Investments				(26)
Private Investments	7.08%	6.91%		3
Total Fund	3.63%	2.88%	Total	(23)

	Actual Returns	Benchmark Returns		Impact on Over/(Under) Performance (bps)
Natural Resources	31.35%	33.36%		52
Less Correlated and Constrained	11.49%	7.02%		4
			Subtotal	56
Credit Related Fixed Income	17.25%	13.29%		(3)
Real Estate	25.42%	25.45%		(4)
Emerging Markets Equity	20.09%	22.19%		(28)
Investment Grade Fixed Income	3.73%	5.33%		(48)
Developed Country Equity	30.58%	27.42%		(69)
			Subtotal	(152)
Total Fund excluding Private Investments				(96)
Private Investments	19.90%	13.26%		(8)
Total Fund	17.89%	16.10%	Total	(104)

Active Management Value Added
Periods Ended May 31, 2011 (GEF)

	3 Months (bps)	Manager (Alpha)
Developed Country Equity	47	Value Act (1.76), Cantillon (.81), Silchester (.16)
Less Correlated	41	Bridgewater Pure Alpha II (10.06), Blue Ridge (6.11), Soroban (5.28)
Natural Resources	21	Gold (3.28), Blackrock Global Mining (.18), Schroder (.02)
Real Estate	1	European Investors (.20), Cohen & Steers (.15), Cohen & Steers Global (.03), Security Capital (.03)
Credit Related Fixed Income	-	GMO Emerging Debt (.92)
Subtotal	110	
Investment Grade Fixed Income	(12)	JPY Payer Options (.73), Inflation Hedge (.53), Liquidity (.41)
Emerging Markets Equity	(13)	Russian Prosperity (.38), Blakeney (.35), Lazard (.34)
Subtotal	(25)	
Total Fund excluding Private Investments	85	
Private Investments	13	
Total Fund	**98**	

	9 Months (bps)	Manager (Alpha)
Less Correlated and Constrained	128	Bridgewater Pure Alpha II (22.41), Farallon FCOI II (9.16), Cadian (8.51)
Developed Country Equity	56	Value Act (2.64), Stelliam (.39), Viking (.39), Wellington (.39)
Real Estate	1	Cohen & Steers (.78), MS REITS (.61), Blackrock ex-US Real Estate (.05)
Credit Related Fixed Income	-	GMO Emerging Debt (.49)
Subtotal	185	
Natural Resources	(9)	Gold (4.98), Gresham (.91), MLP AMZI Index Swap (.41)
Investment Grade Fixed Income	(15)	Liquidity (1.36), Total Internal Fixed Income (.96)
Emerging Markets Equity	(28)	Blakeney (1.44), Wellington Global Emerging (.57), Lazard (.50)
Subtotal	(52)	
Total Fund excluding Private Investments	133	
Private Investments	174	
Total Fund	**307**	

Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY10	FY11TD
MCC							
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.01%	-1.07%
Active	0.42%	-0.81%	-0.74%	-0.19%	-1.68%	2.02%	-0.02%
TOTAL	0.85%	-1.35%	-0.60%	0.63%	-1.39%	2.02%	-1.08%
LCC							
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.21%	0.12%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	2.61%	1.36%
TOTAL	2.08%	0.93%	2.61%	1.93%	1.71%	2.82%	1.47%
Private Investments							
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	0.40%	-0.21%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	-0.98%	1.61%
TOTAL	0.83%	-0.99%	0.51%	-0.45%	1.88%	-0.58%	1.40%
Overall GEF							
Tactical	-0.26%	-0.89%	-0.57%	0.87%	0.67%	0.62%	-1.16%
Active	4.02%	-0.52%	3.09%	1.24%	1.53%	3.65%	2.95%
TOTAL	3.76%	-1.41%	2.52%	2.11%	2.20%	4.26%	1.79%

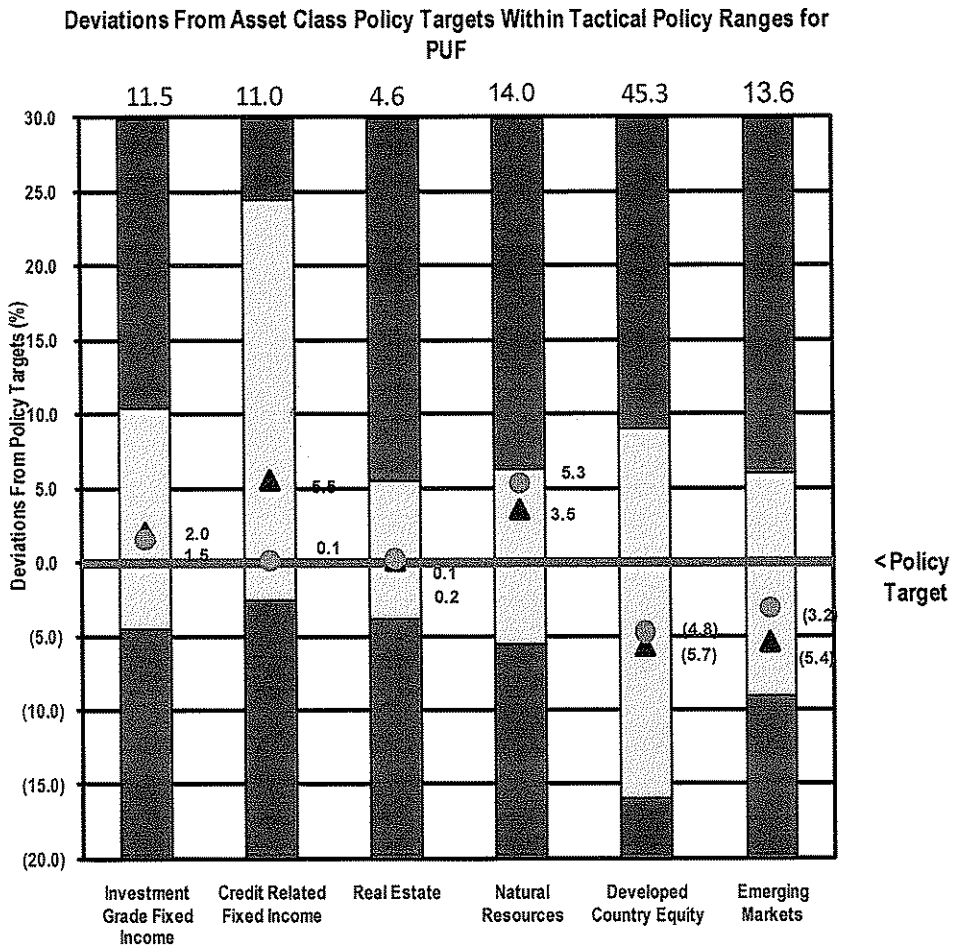
Assets

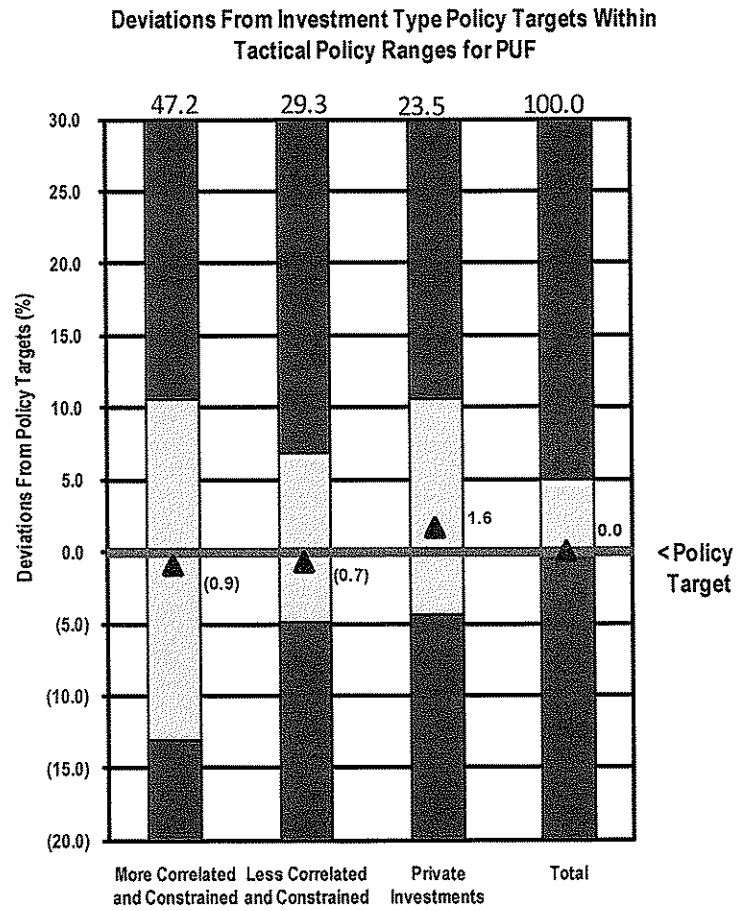
Combined PUF and GEF Asset Allocation as of May 31, 2011 (in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
Fixed Income	Investment Grade	$ 1,786	8.8%	$ 514	2.6%	$ -	0.0%	$ 2,300	11.4%
	Credit-Related	20	0.1%	891	4.4%	1,322	6.6%	2,233	11.1%
Fixed Income Total		**1,806**	**8.9%**	**1,405**	**7.0%**	**1,322**	**6.6%**	**4,533**	**22.5%**
Real Assets	Real Estate	$ 602	3.0%	$ 135	0.6%	$ 205	1.0%	942	4.6%
	Natural Resources	2,329	11.5%	11	0.1%	481	2.4%	2,821	14.0%
Real Assets Total		**2,931**	**14.5%**	**146**	**0.7%**	**686**	**3.4%**	**3,763**	**18.6%**
Equity	Developed Country	$ 2,953	14.5%	$ 3,911	19.4%	$ 2,318	11.5%	9,182	45.4%
	Emerging Markets	1,831	9.1%	475	2.3%	442	2.2%	2,748	13.6%
Equity Total		**4,784**	**23.6%**	**4,386**	**21.7%**	**2,760**	**13.7%**	**11,930**	**59.0%**
Grand Total		**$ 9,521**	**47.0%**	**$ 5,937**	**29.4%**	**$ 4,768**	**23.7%**	**$ 20,226**	**100.1%**

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

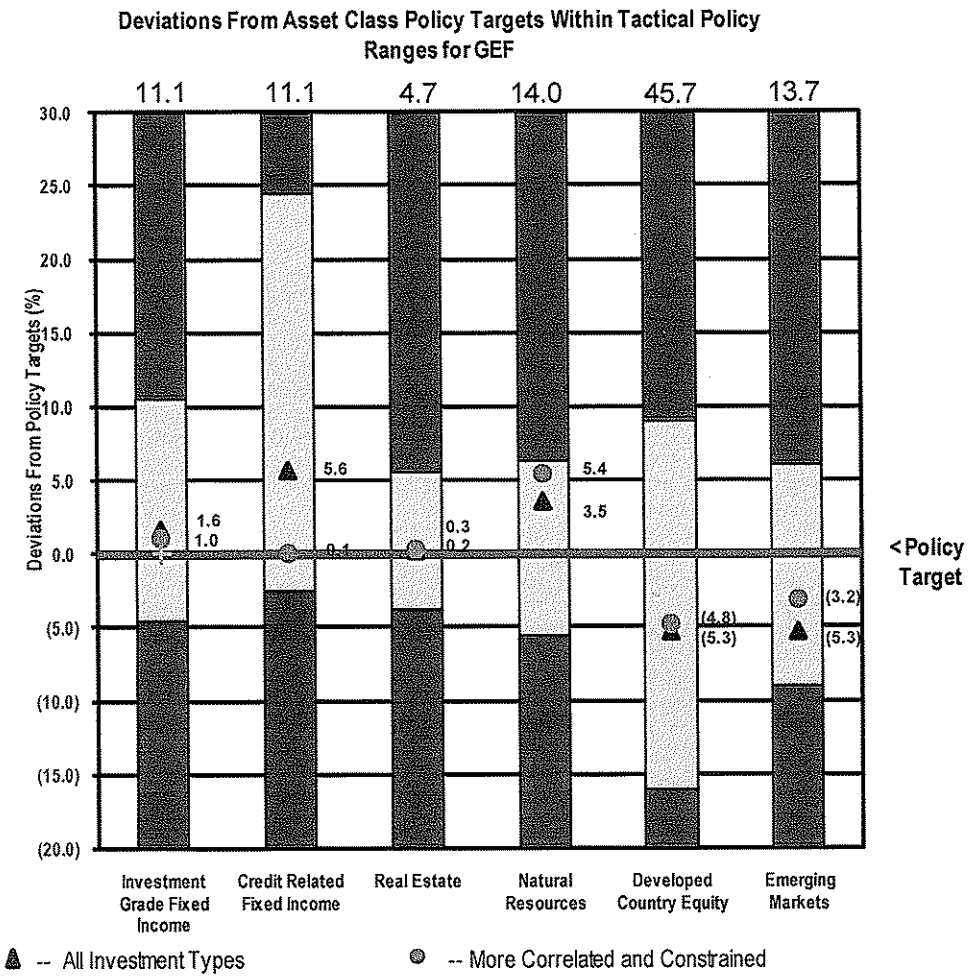
PUF Asset Allocation as of May 31, 2011

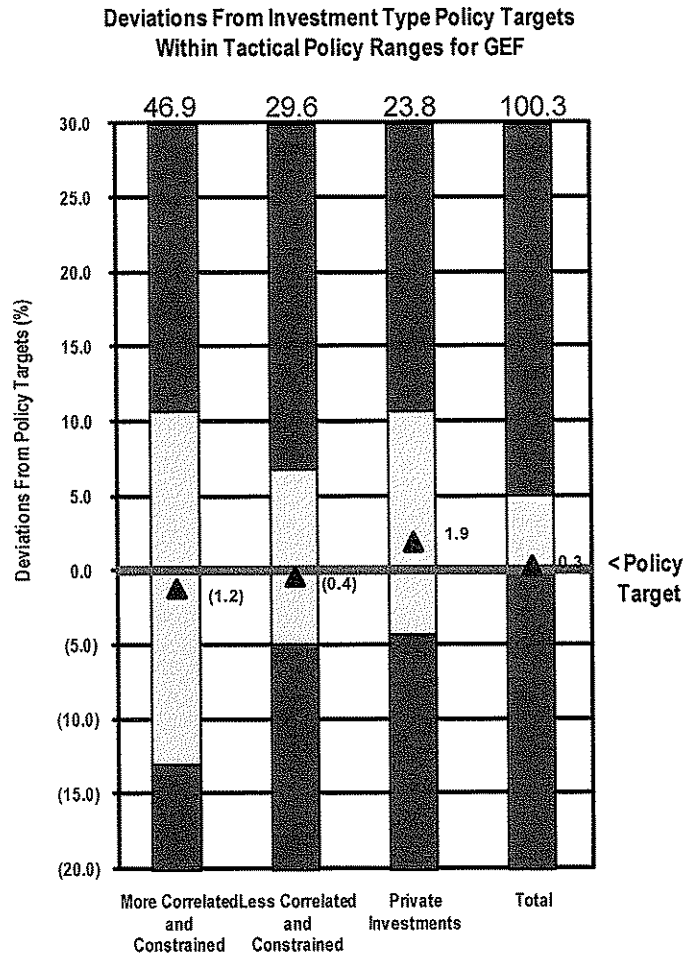




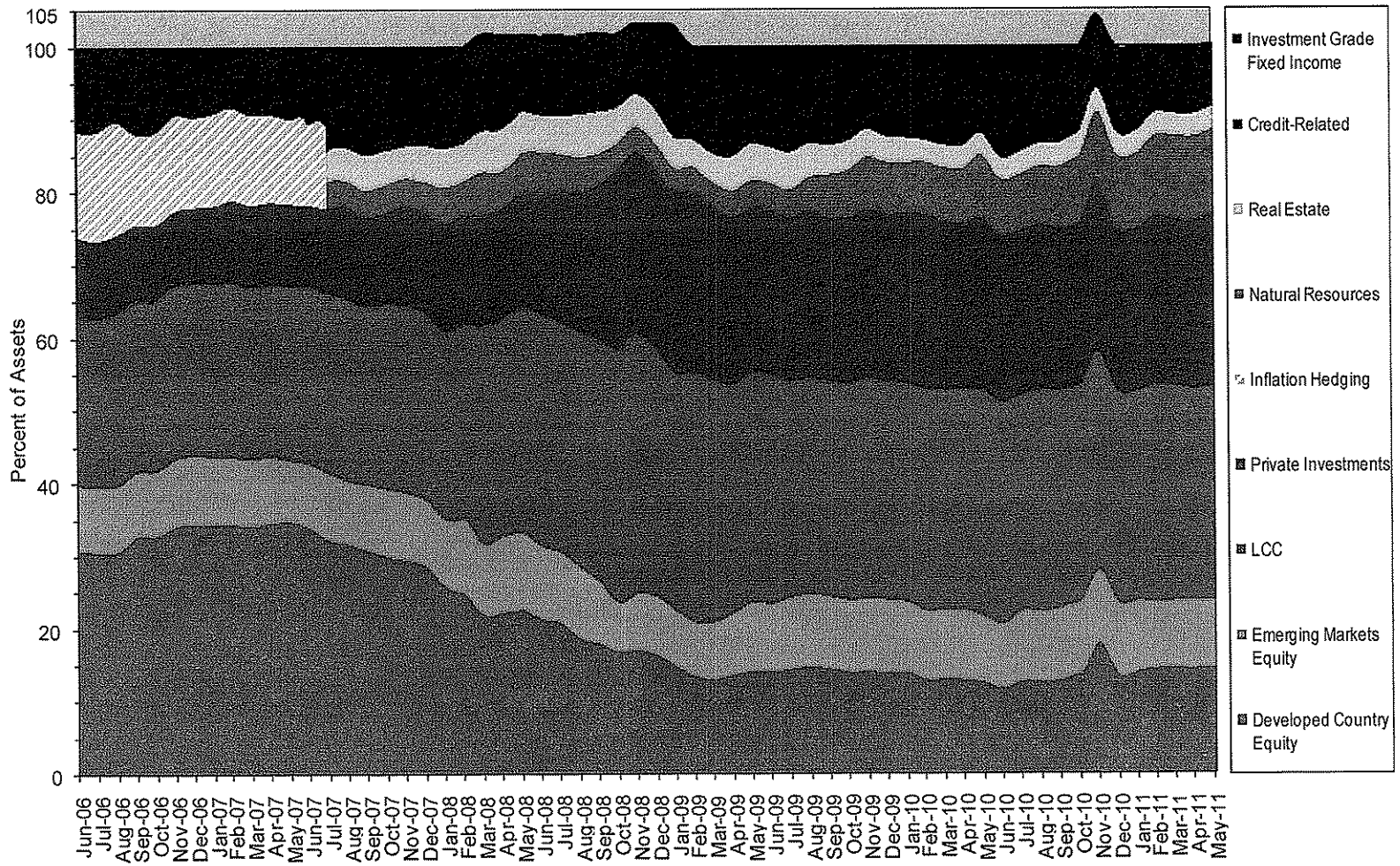
▲ -- All Investment Types ● -- More Correlated and Constrained

GEF Asset Allocation as of May 31, 2011





Asset Allocation Over Time (GEF)



LCC Investment Policy Categorizations vs. "Look Thru" Exposures (4/30/2011)

Exposure Methodology Comparison			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	2.7%	3.3%	0.6%
Credit-Related Fixed Income	4.5%	5.8%	1.3%
Real Estate	0.7%	0.5%	-0.1%
Natural Resources	0.1%	0.8%	0.8%
Developed Country Equity	19.8%	16.1%	-3.7%
Emerging Markets Equity	2.4%	3.5%	1.1%
Less Correlated & Constrained	**30.2%**	**30.2%**	**0.0%**

UTIMCO FY Target Comparison		
Current per Policy	8/31/11 Target	Difference
2.7%	2.0%	0.7%
4.5%	3.2%	1.3%
0.7%	0.0%	0.7%
0.1%	1.0%	-0.9%
19.8%	20.6%	-0.8%
2.4%	4.2%	-1.8%
30.2%	**31.0%**	**-0.8%**

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	Investment Grade	0.6%	-	1.0%	0.1%	1.6%	0.0%	-	0.7%	0.2%	0.1%	-	-	-	0.3%	0.0%	2.7%
	Credit-Related	0.0%	0.0%	-	-	0.0%	3.4%	-	-	0.2%	0.0%	-	-	0.8%	1.0%	0.0%	4.5%
Real Assets	Real Estate	-	-	-	-	-	0.1%	0.5%	-	-	-	-	-	-	-	-	0.7%
	Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	0.1%	0.1%	-	0.1%
Equity	Developed Country	0.2%	0.6%	0.3%	0.3%	1.4%	2.1%	-	0.1%	9.0%	3.4%	-	0.5%	1.0%	13.9%	2.2%	19.8%
	Emerging Markets	0.0%	-	0.2%	-	0.2%	0.1%	-	0.0%	0.2%	0.4%	-	-	0.2%	0.8%	1.2%	2.4%
Total LCC		0.7%	0.6%	1.5%	0.4%	3.3%	5.8%	0.5%	0.8%	9.6%	3.9%	-	0.5%	2.1%	16.1%	3.5%	30.2%
	Gross Leverage	13.22	2.64	4.80	3.08	6.09	1.18	1.98	2.23	1.91	2.20	0.00	1.59	1.10	1.87	1.73	2.19
	Net Leverage	-5.79	0.09	2.41	0.14	-0.15	0.89	0.35	1.59	0.58	0.34	0.00	0.96	1.02	0.59	0.65	0.60

Investment Activity

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended May 31, 2011

Investment Grade Fixed Income									
BlackRock Global Agg Bond Fund	15	-	-	15	-	-	-	-	
Internal Fixed Income	1	-	-	1	-	-	-	-	
Brandywine	1	-	-	1	-	-	-	-	
	17	-	-	17	-	-	-	-	
Credit-Related Fixed Income									
Angelo Gordon CMBS	156	-	-	156	-	-	-	-	
AG Super Fund	-	8	-	8	-	-	-	-	
	156	8	-	164	-	-	-	-	
Real Estate									
KSL Capital Partners III TE	-	-	-	-	-	-	75	75	Yes
WS/UT C0-Investment Fund I	-	-	-	-	-	-	50	50	Yes
GEM Realty	-	-	-	-	-	25	-	25	Yes
Morgan Stanley	-	-	-	-	20	-	-	20	No
	-	-	-	-	20	25	125	170	
Natural Resources									
Gresham	100	-	-	100	-	-	-	-	
Energy Asset Option Fund	-	-	2	2	-	-	-	-	
Wellington SPV (UTWMC LLC)	-	-	-	-	100	-	-	100	No
Energy Ventures IV	-	-	-	-	-	-	50	50	Yes
KERN Black Swan Co-Invest	-	-	-	-	-	-	25	25	Yes
Energy Opportunities	-	-	-	-	20	-	-	20	No
Physical Gold Buillion	-	-	-	-	20	-	-	20	No
	100	-	2	102	140	-	75	215	

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended May 31, 2011 (continued)

Developed Country Equity									
Wellington Spec Eq	40	-	-	40	-	-	-	-	
Fox Point	-	28	-	28	-	-	-	-	
Shepherd	-	1	-	1	-	-	-	-	
Viking Global III	-	-	-	-	-	50	-	50	No
Soroban	-	-	-	-	-	50	-	50	Yes
Cortec Group Fund V	-	-	-	-	-	-	50	50	Yes
Viking Long	-	-	-	-	40	-	-	40	No
AKO Capital	-	-	-	-	30	-	-	30	Yes
Eminence	-	-	-	-	-	25	-	25	Yes
Perry Partners	-	-	-	-	-	25	-	25	Yes
Correlation Vantures	-	-	-	-	-	-	25	25	Yes
Indus Japan Long Only	-	-	-	-	15	-	-	15	No
	40	29	-	69	85	150	75	310	
Emerging Markets Equity									
Emerald Hill Capital II - Co-Invest	-	-	-	-	-	-	100	100	Yes
Nortstar Equity Partners III	-	-	-	-	-	-	100	100	Yes
Dimensional	-	-	-	-	72	-	-	72	No
Everstone Capital Partners II	-	-	-	-	-	-	50	50	Yes
Helios Investors II	-	-	-	-	-	-	50	50	Yes
Dynamo	-	-	-	-	15	-	-	15	No
	-	-	-	-	87	-	300	387	
	$ 313	$ 37	$ 2	$ 352	$ 332	$ 175	$ 575	$ 1,082	

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Year ended May 31, 2011

Investment Grade Fixed Income									
BlackRock Global Agg Bond Fund	156	-	-	156	-	-	-	-	
PIMCO	91	-	-	91	-	-	-	-	
Bridgewater	-	62	-	62	-	-	-	-	
Brandywine	26	-	-	26	-	-	-	-	
Internal Fixed Income	1	-	-	1	-	-	-	-	
Credit Suisse Hedging Griffo	-	-	-	-	200	-	-	200	No
Lone Peak	-	-	-	-	-	200	-	200	Yes
Woodbine	-	-	-	-	-	25	-	25	Yes
	274	62	-	336	200	225	-	425	
Credit-Related Fixed Income									
Angelo Gordon CMBS	256	-	-	256	-	-	-	-	
AG Super Fund	-	83	-	83	-	-	-	-	
Watershed RMBS	44	-	-	44	-	-	-	-	
Baupost	-	22	-	22	-	-	-	-	
Farallon Credit Sidecar	-	21	-	21	-	-	-	-	
Satellite	-	7	-	7	-	-	-	-	
Blackstone	-	2	-	2	-	-	-	-	
FCO MA LSS LP	-	-	-	-	-	-	100	100	Yes
Centerbridge II	-	-	-	-	-	-	100	100	Yes
Farallon Asia	-	-	-	-	-	50	-	50	Yes
	300	135	-	435	-	50	200	250	
Real Estate									
BlackRock REIT Fund	35	-	-	35	-	-	-	-	
Cohen & Steers	15	-	-	15	-	-	-	-	
KSL Capital Partners III TE	-	-	-	-	-	-	75	75	Yes
Grain Infrastructure Fund, L.P.	-	-	-	-	-	-	60	60	Yes
WS/UT C0-Investment Fund I	-	-	-	-	-	-	50	50	Yes
GEM Realty	-	-	-	-	-	25	-	25	Yes
Morgan Stanley	-	-	-	-	20	-	-	20	No
Benson Elliot Real Estate Partners III, L.P.	-	-	-	-	-	-	19	19	Yes
	50	-	-	50	20	25	204	249	

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Year ended May 31, 2011 (continued)

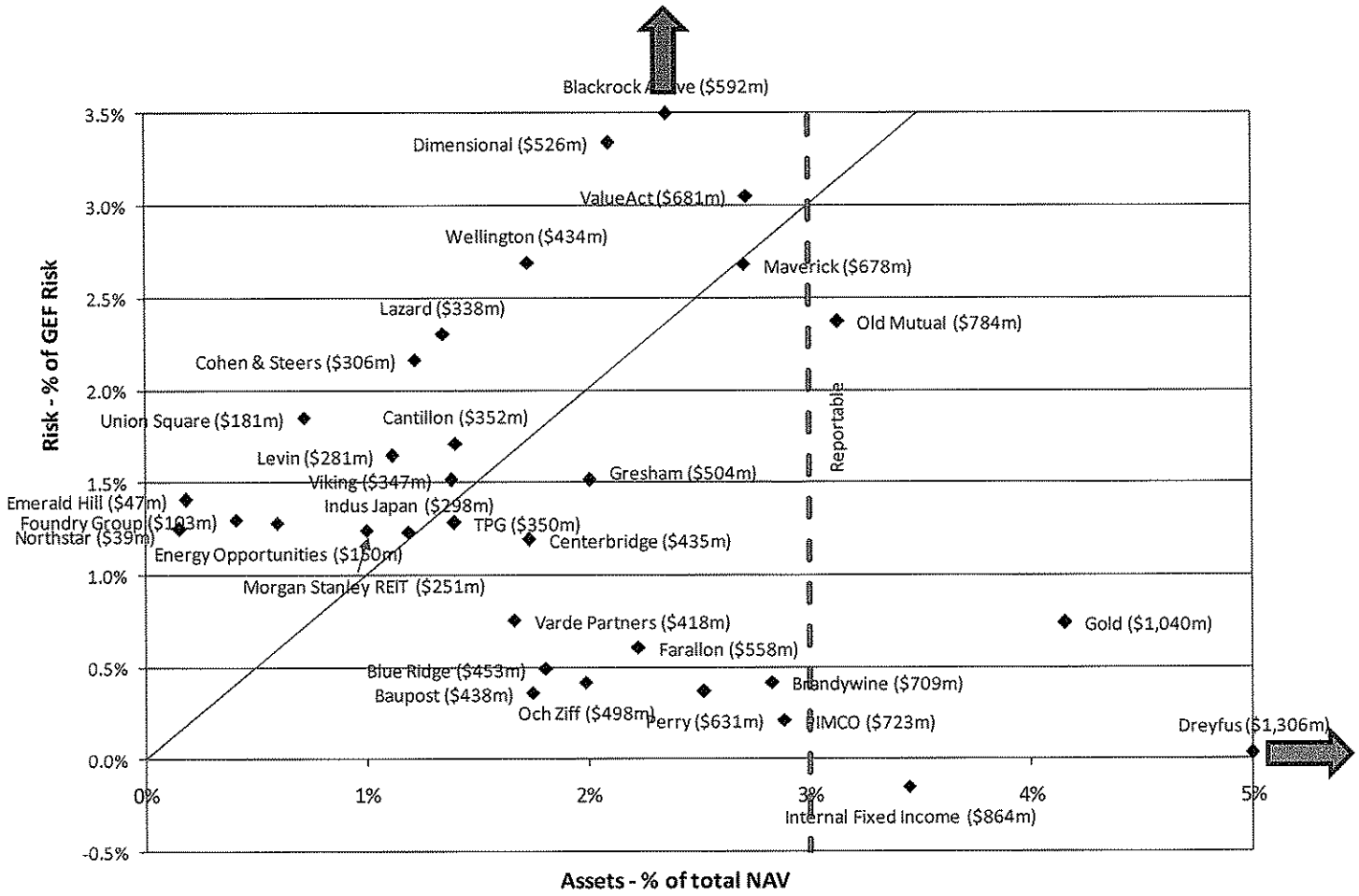
Natural Resources									
Physical Gold Buillion	-	-	-	-	923	-	-	923	No
Gresham	100	-	-	100	187	-	-	187	No
Energy Asset Option Fund	-	-	2	2	-	-	-	-	
Wellington SPV	-	-	-	-	100	-	-	100	No
P2 Brasil Private Infrastructure Fund II, L.P.	-	-	-	-	-	-	100	100	Yes
Global Energy Capital LP	-	-	-	-	-	-	50	50	Yes
Energy Ventures IV	-	-	-	-	-	-	50	50	Yes
Energy Opportunities	-	-	-	-	47	-	-	47	No
Black River Capital Partners Fund (Food)	-	-	-	-	-	-	40	40	Yes
KERN Black Swan Co-Invest	-	-	-	-	-	-	25	25	Yes
BlackRock Small Cap	-	-	-	-	25	-	-	25	No
Schroders Commodity Portfolio	-	-	-	-	23	-	-	23	No
CCM Special Holdings (General Moly)	-	-	-	-	-	3	-	3	Yes
	100	-	2	102	1,305	3	265	1,573	
Developed Country Equity									
Lansdowne	202	-	-	202	-	-	-	-	
FCOI II	-	75	-	75	-	-	-	-	
BlackRock EAFE Fund	73	-	-	73	-	-	-	-	
Fox Point	-	63	-	63	-	-	-	-	
Levin	31	-	-	31	-	-	-	-	
Blue Ridge	-	22	-	22	-	-	-	-	
Shepherd	-	9	-	9	-	-	-	-	
Doughty Hanson	-	-	5	5	-	-	-	-	
Wellington Spec Eq	45	-	-	45	-	-	-	-	
Rock Creek	-	1	-	1	-	-	-	-	
Brahman	-	1	-	1	-	-	-	-	
ESL	-	1	-	1	-	-	-	-	
AKO	-	-	-	-	180	-	-	180	Yes
Soroban	-	-	-	-	-	125	-	125	Yes
Cantillon	-	-	-	-	93	-	-	93	No
Deerfield International	-	-	-	-	-	50	-	50	Yes
International Value Advisors	-	-	-	-	50	-	-	50	No

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Year ended May 31, 2011 (continued)

Kingstown	-	-	-	-	-	50	-	50	Yes
Viking Global III	-	-	-	-	-	50	-	50	No
Cortec Group Fund V	-	-	-	-	-	-	50	50	Yes
Foundry Venture Capital 2010 LP	-	-	-	-	-	-	45	45	Yes
Praesidium	-	-	-	-	45	-	-	45	No
Viking Long	-	-	-	-	40	-	-	40	No
Route One	-	-	-	-	-	40	-	40	No
Eminence	-	-	-	-	-	25	-	25	Yes
Perry Partners	-	-	-	-	-	25	-	25	Yes
Cadian	-	-	-	-	-	25	-	25	Yes
Criterion	-	-	-	-	-	25	-	25	Yes
Correlation Vantures	-	-	-	-	-	-	25	25	Yes
Union Square Ventures	-	-	-	-	-	-	25	25	Yes
Indus Japan Long Only	-	-	-	-	15	-	-	15	No
	351	172	5	528	423	415	145	983	
Emerging Markets Equity									
BlackRock EMSI	122	-	-	122	-	-	-	-	
Emerald Hill Capital II - Co-Invest	-	-	-	-	-	-	100	100	Yes
Nortstar Equity Partners III	-	-	-	-	-	-	100	100	Yes
Dimensional	-	-	-	-	72	-	-	72	No
Everstone Capital Partners II	-	-	-	-	-	-	50	50	Yes
Helios Investors II	-	-	-	-	-	-	50	50	Yes
Arohi	-	-	-	-	27	-	-	27	Yes
Penta Asia	-	-	-	-	-	25	-	25	Yes
Russian Prosperity	-	-	-	-	25	-	-	25	No
Dynamo	-	-	-	-	15	-	-	15	No
Valiant	-	4	-	4	-	10	-	10	Yes
Hillhouse Gaoling Feeder Fund	-	-	-	-	10	-	-	10	Yes
	122	4	-	126	149	35	300	484	
	$ 1,197	$ 373	$ 7	$ 1,577	$ 2,097	$ 753	$ 1,114	$ 3,964	

Manager Exposure

Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.40% of total assets, or at least 1.23% of Risk. Risk on this chart is measured using historical downside risk

Manager Exposures over 3% and 5%
May 31, 2011

Managers with exposure >3% relative to total Funds
(excluding ITF for Private Investments)
5/31/2011

Manager Name	Investment Amount	%-age
More Correlated and Constrained		
Internal Fixed Income	863,758,959	3.45%
Acadian / Old Mutual	784,467,369	3.13%

Less Correlated and Constrained
None

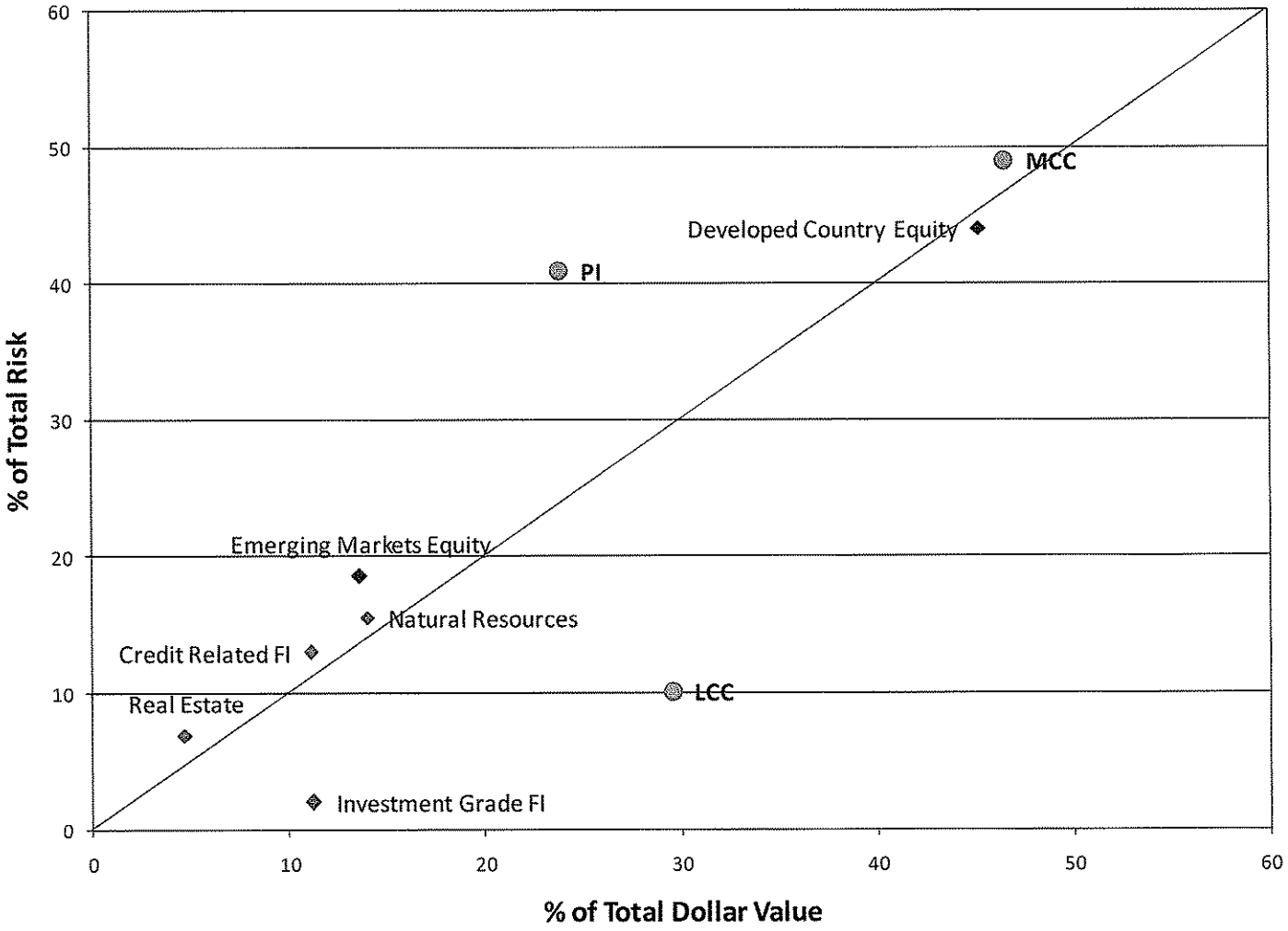
Private Investments
None

Managers with exposure >5% relative to total Funds
(excluding ITF for Private Investments)
5/31/2011

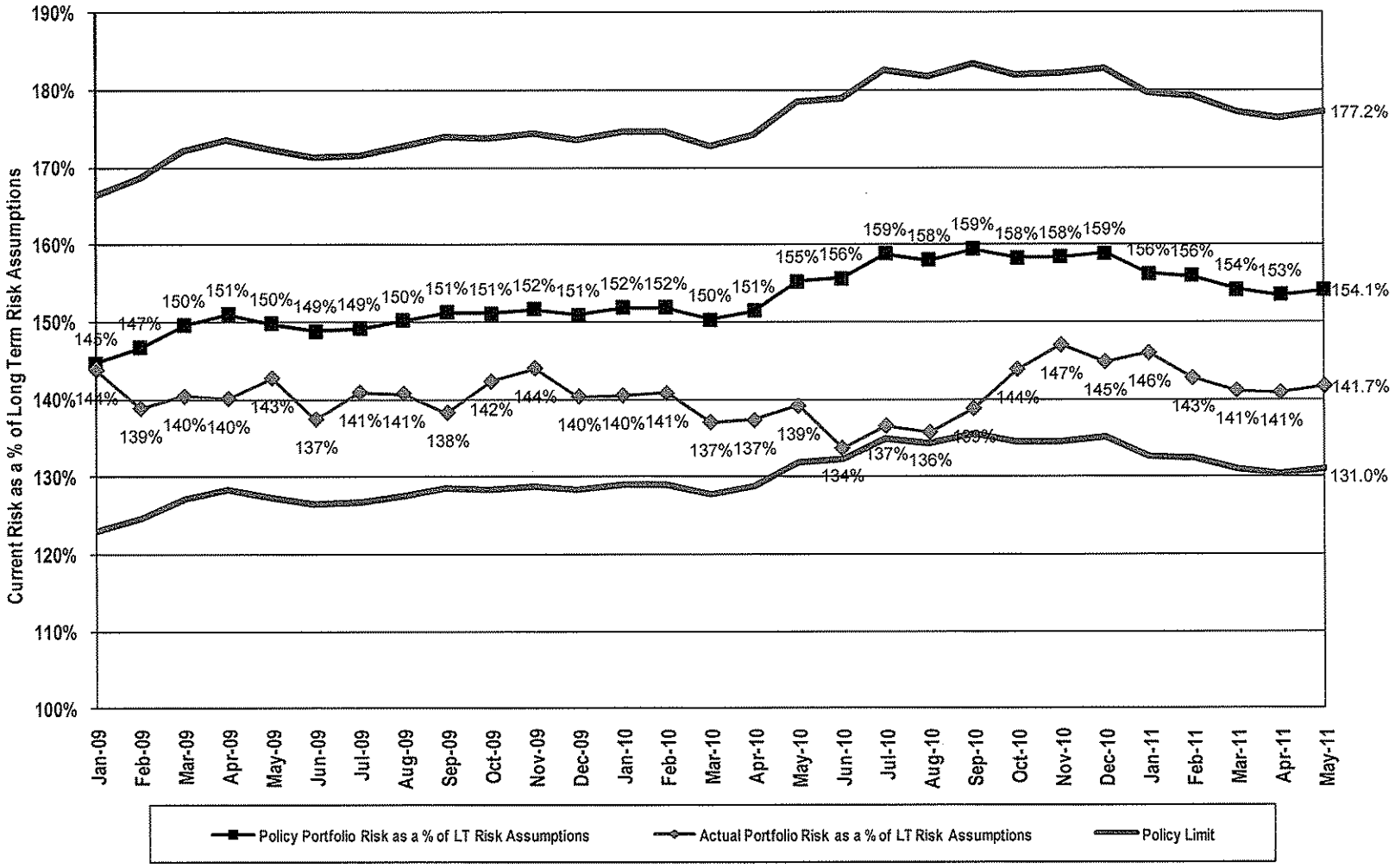
Manager Name	Investment Amount	%-age
None		

Risk Analytics

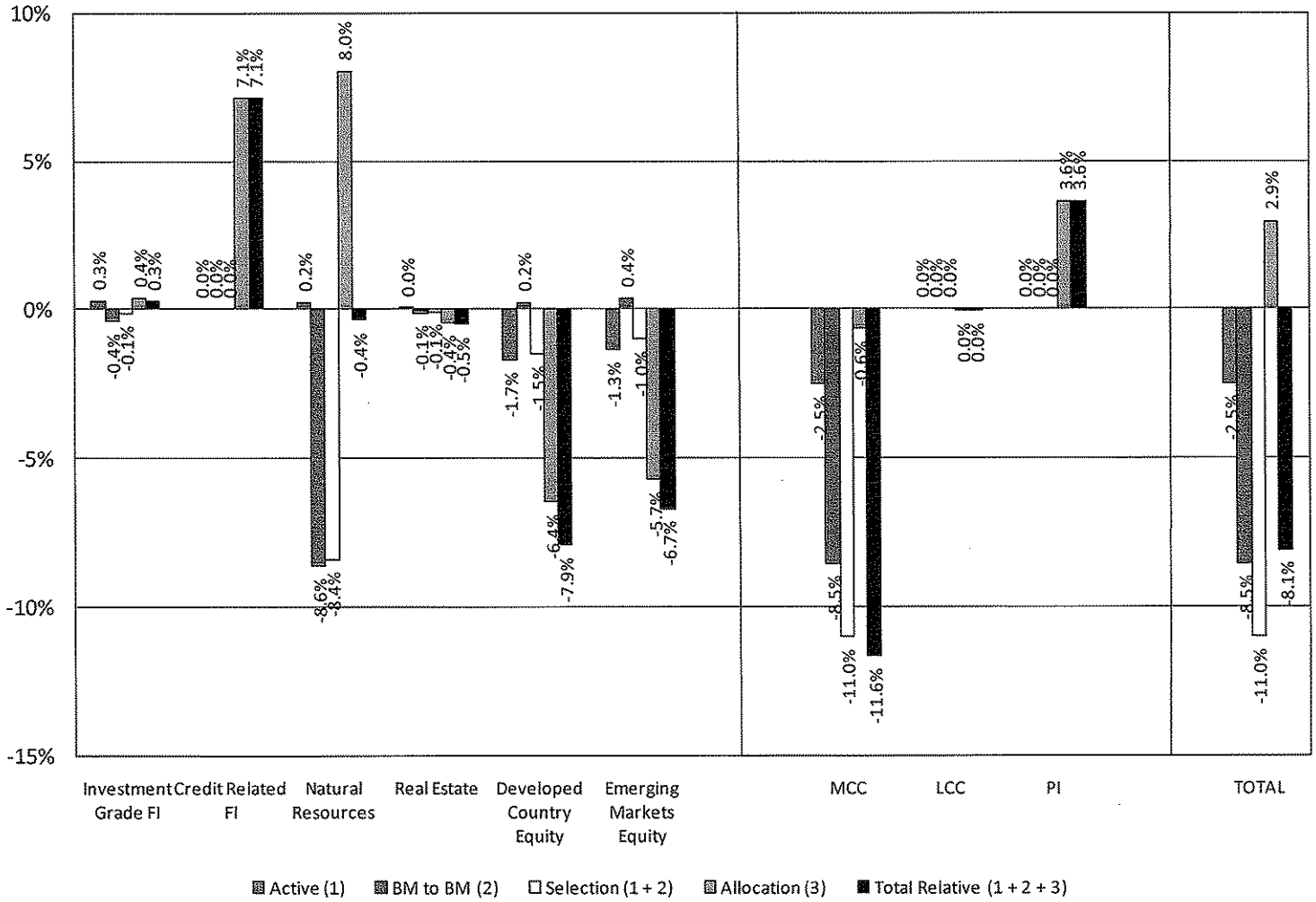
Dollar Allocations Compared to Downside Risk Allocation - GEF



Current Risk Environment of GEF
(Based on Downside Risk; LT assumption = 8.97%)



GEF 4-Way Risk Decomposition as of 5/31/2011



GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.13	0.39		**0.19**
Credit-Related Fixed Income	1.31	0.28	0.57	**0.47**
Natural Resources	0.99	-0.07	2.43	**1.23**
Real Estate	1.63	-0.02	3.09	**1.72**
Developed Country Equity	1.20	0.36	1.84	**1.00**
Emerging Markets Equity	1.54	0.40	3.12	**1.60**
TOTAL	**1.05**	**0.34**	**1.72**	**1.00**

Derivative Risk Contribution - GEF

Scaled to Risk of Managed Portfolio

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	1.1%	1.0%		2.1%
Credit-Related Fixed Income	0.1%	1.3%	3.8%	5.2%
Natural Resources	11.4%	0.0%	5.8%	17.2%
Real Estate	4.9%	0.0%	3.2%	8.1%
Developed Country Equity	17.5%	6.9%	21.2%	45.6%
Emerging Markets Equity	14.0%	0.9%	6.9%	21.8%
TOTAL	49.0%	10.1%	40.9%	100.0%

Risk contribution of derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	-0.5%			-0.5%
Credit-Related Fixed Income				0.0%
Natural Resources	2.3%			2.3%
Real Estate				0.0%
Developed Country Equity	2.3%			2.3%
Emerging Markets Equity				0.0%
TOTAL	4.1%	0.0%	0.0%	4.1%

Risk contribution excluding derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	1.6%	1.0%		2.6%
Credit-Related Fixed Income	0.1%	1.3%	3.8%	5.2%
Natural Resources	9.1%	0.0%	5.8%	14.9%
Real Estate	4.9%	0.0%	3.2%	8.1%
Developed Country Equity	15.2%	6.9%	21.2%	43.3%
Emerging Markets Equity	14.0%	0.9%	6.9%	21.8%
TOTAL	44.9%	10.1%	40.9%	95.9%

Scaled to Risk of Policy Portfolio

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	1.0%	0.9%		1.9%
Credit-Related Fixed Income	0.1%	1.2%	3.5%	4.8%
Natural Resources	10.5%	0.0%	5.3%	15.8%
Real Estate	4.5%	0.0%	2.9%	7.4%
Developed Country Equity	16.1%	6.3%	19.5%	41.9%
Emerging Markets Equity	12.9%	0.8%	6.3%	20.0%
TOTAL	45.0%	9.3%	37.6%	91.9%

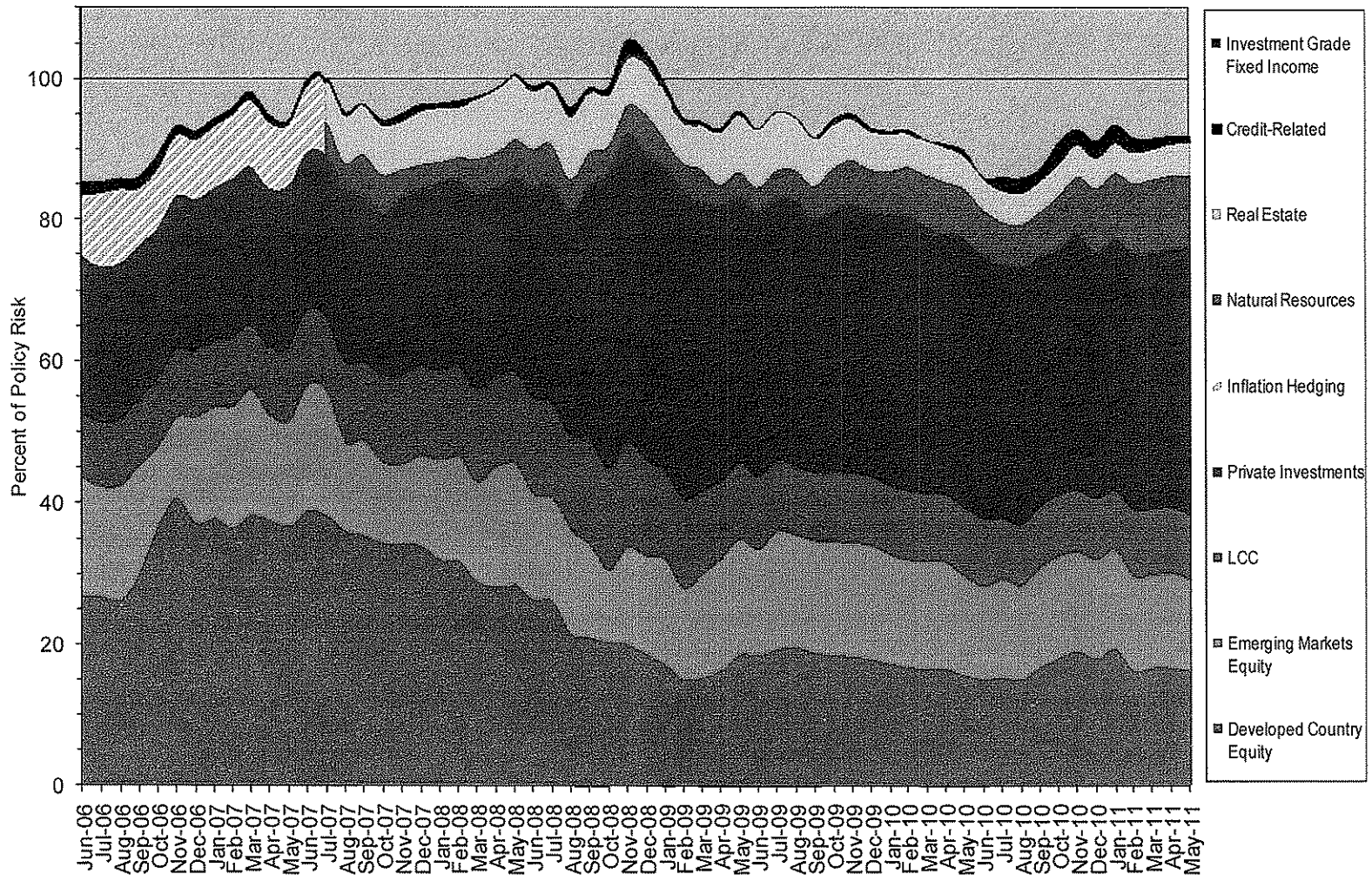
Risk contribution of derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	-0.5%			-0.5%
Credit-Related Fixed Income				0.0%
Natural Resources	2.1%			2.1%
Real Estate				0.0%
Developed Country Equity	2.1%			2.1%
Emerging Markets Equity				0.0%
TOTAL	3.8%	0.0%	0.0%	3.8%

Risk contribution excluding derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	1.5%	0.9%		2.4%
Credit-Related Fixed Income	0.1%	1.2%	3.5%	4.8%
Natural Resources	8.4%	0.0%	5.3%	13.7%
Real Estate	4.5%	0.0%	2.9%	7.4%
Developed Country Equity	14.0%	6.3%	19.5%	39.8%
Emerging Markets Equity	12.9%	0.8%	6.3%	20.0%
TOTAL	41.3%	9.3%	37.6%	88.2%

Risk Allocation Over Time (GEF)

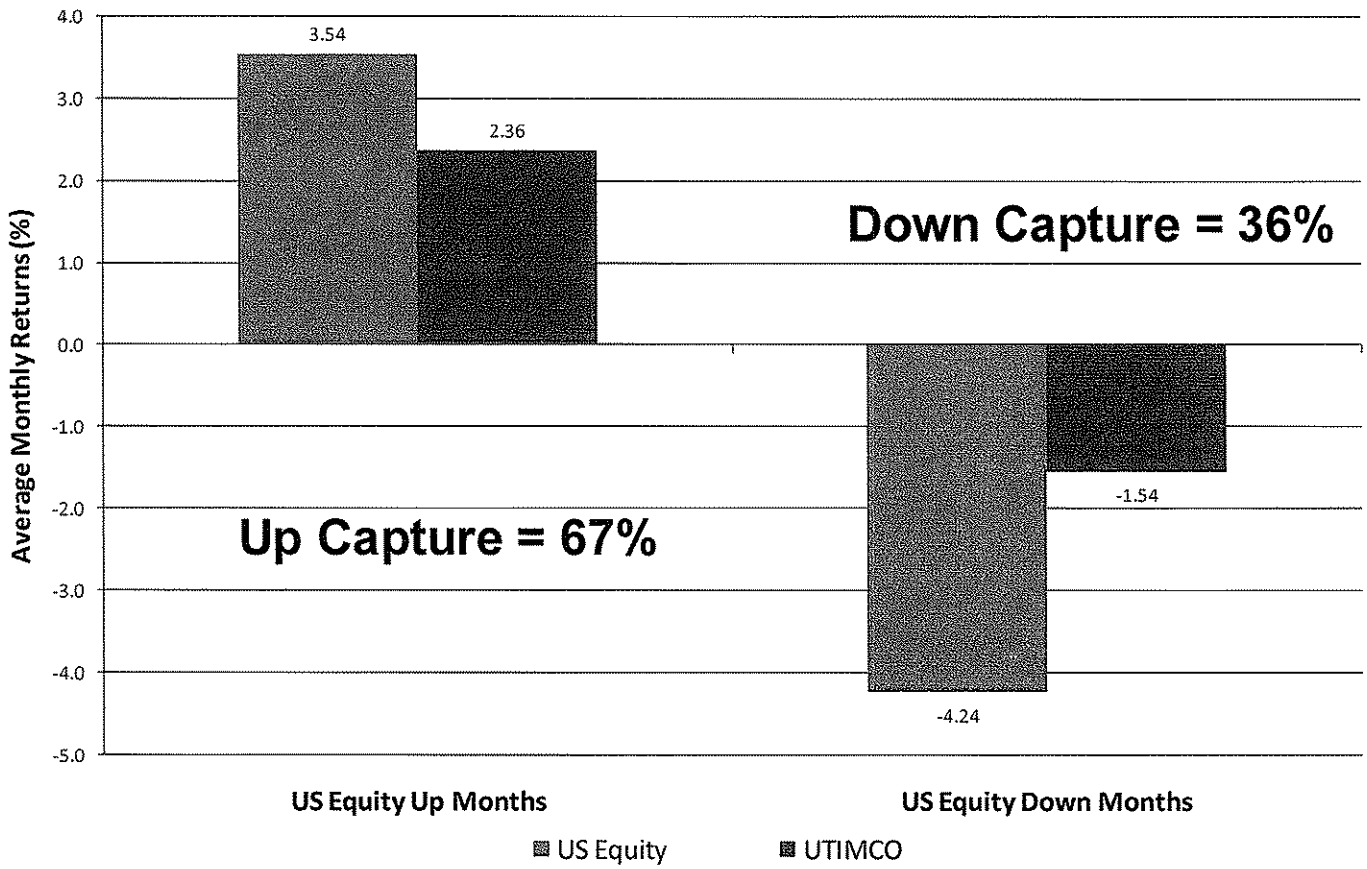


Portfolio Sharpe and Information Ratios

Period Ending May 31, 2011

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	3.63	20.80	2.22	5.86	7.15
Risk-free Returns	0.05	0.16	0.48	2.08	2.15
Actual Volatility	2.64	5.59	12.29	10.15	8.93
Portfolio Sharpe Ratio	1.36	3.69	0.14	0.37	0.56
Policy Returns	2.88	19.18	-0.65	3.36	4.87
Policy Volatility	3.06	7.59	13.46	10.99	9.18
Tracking Error	0.48	2.87	3.30	2.73	2.59
Portfolio Information Ratio	1.56	0.56	0.87	0.92	0.88

UTIMCO's Up/Down Capture



Data from 8/1996 till 5/2011. US equity had 73 down months and 105 up months

Correlations

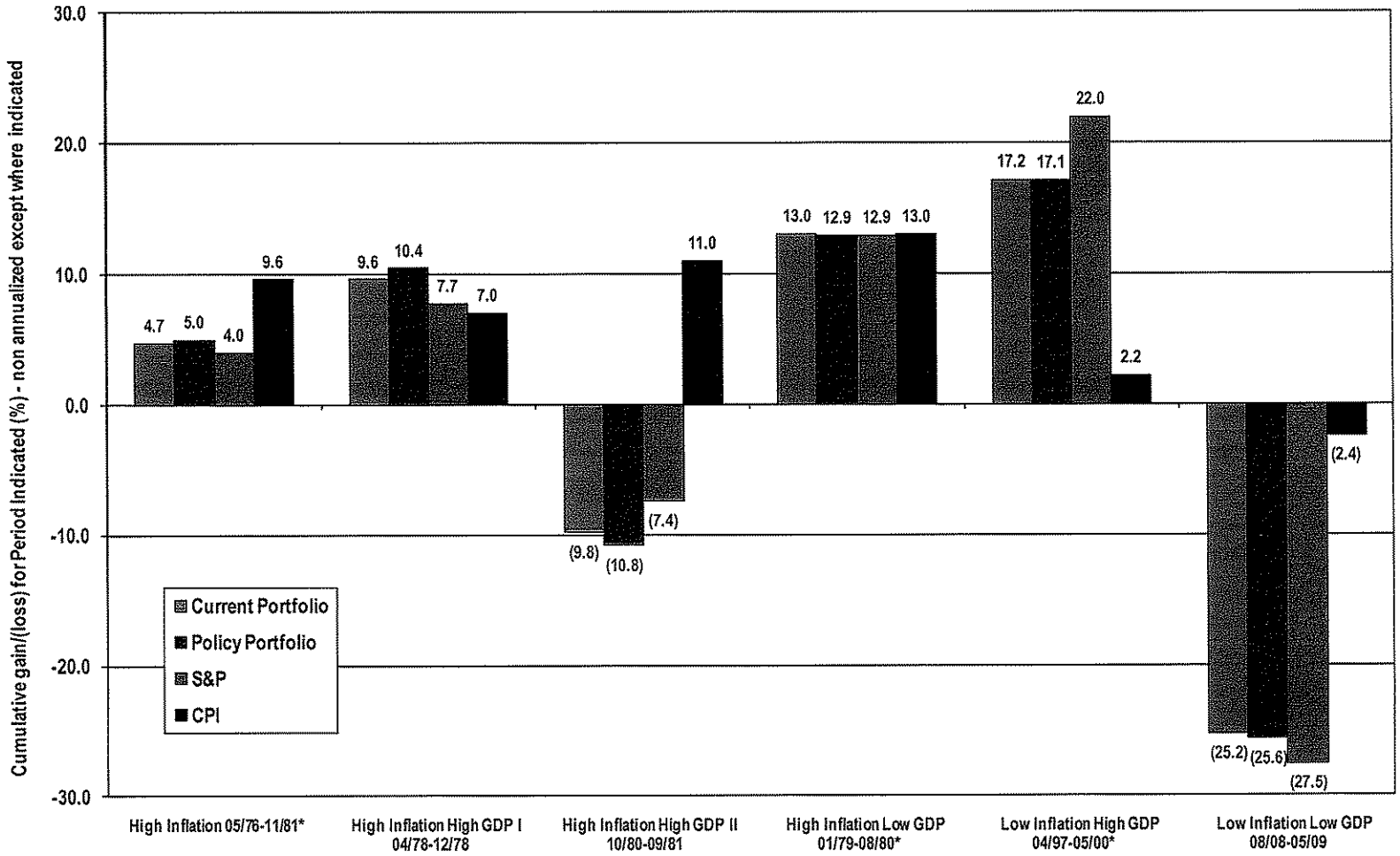
Measured as of May 31, 2011

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.44	0.63	0.65	0.70	0.69	0.77	0.67	0.31	0.76
Total Credit		1.00	0.57	0.65	0.63	0.57	0.59	0.67	0.71	0.70
Total RE			1.00	0.64	0.80	0.83	0.91	0.54	0.45	0.85
Total NatRes				1.00	0.85	0.81	0.85	0.85	0.43	0.89
Total DC					1.00	0.87	0.93	0.87	0.52	0.98
Total EM						1.00	0.96	0.80	0.25	0.93
MCC							1.00	0.80	0.37	0.98
LCC								1.00	0.33	0.88
PI									1.00	0.50
GEF										1.00

Parametric Stress Tests

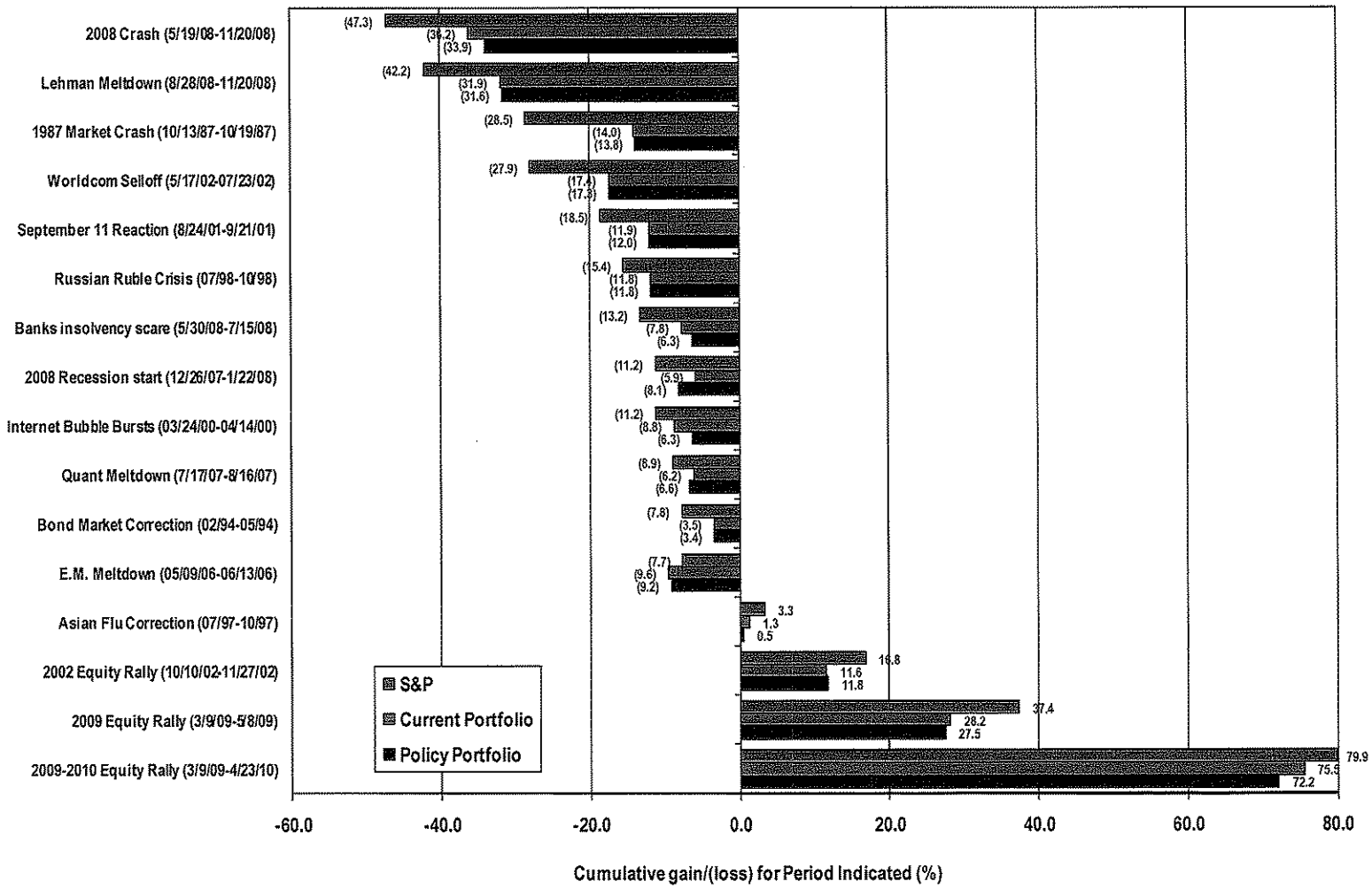
Test	Effect on Endowment
• S&P-500 drops 20%	(11.58%)
• Rates rise 100bp	(0.08%)
• Dollar strengthens 5%	(0.81%)
• Dollar weakens 5%	0.92%
• Yield curve flattens – Bull case	0.20%
• Yield curve flattens – Bear case	(0.12%)
• Yield curve steepens – Bull case	0.16%
• Yield curve steepens – Bear case	(0.02%)

Hypothetical Performance of Current GEF Portfolio in Selected Economic Stress Environments



* Annualized

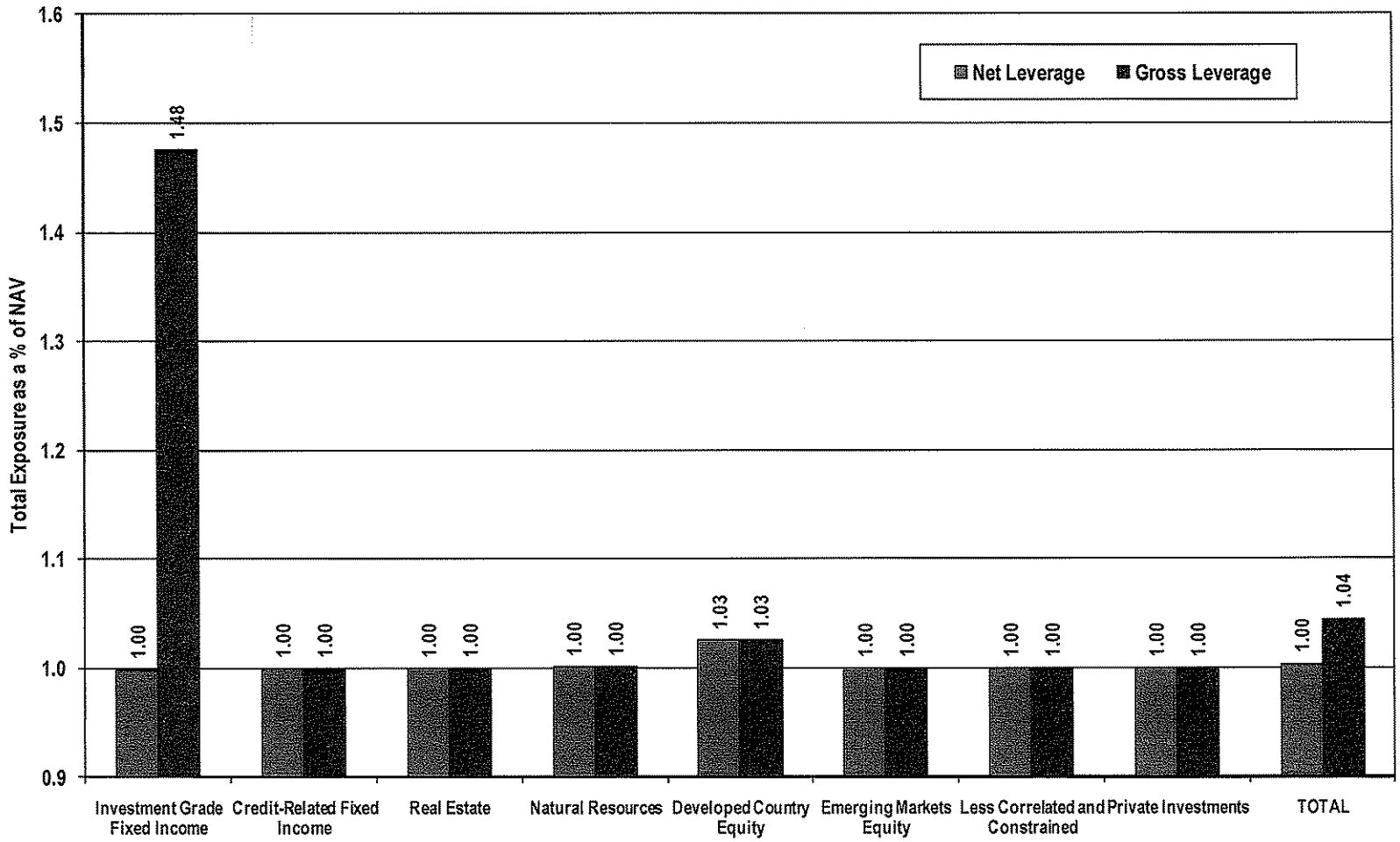
Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



Leverage

- Derivatives
- Counterparty Risk

Net and Gross Leverage of GEF as of May 31, 2011



Comprehensive Derivative Report
May 31, 2011

INTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value ($ millions)	Activity from previous report (2/28/2011) ($ millions)
Natural Resources			
MLP AMZI Index Swap	Long a basket of Infrastructure names (subset of Alerian Index)	92	15
Integrated Oil & Gas Swap	Long a basket of Oil and Gas related equity names	87	87
Developed Country Equity			
S&P 500 Futures	Long S&P 500 futures	173	13
Non-US Developed Equity			
Australian Swaps	Long Australian swaps	-	(93)
Australian Put Spreads	Forwards on the Australian Dollar to hedge the currency amounts paid on the Australian Put Spreads	1,997	1,997
Australian Currency Hedge	Forwards on the Australian Dollar to hedge the currency amounts paid on the Australian Put Spreads	(18)	(18)
Canadian Swap	Long Canadian swaps	108	(9)
Developed Country Futures	Long German DAX futures	141	100
Japan Futures	Long Japanese TOPIX futures	-	(16)
Indus Japan Forwards	Sale of Japanese Yen forwards to hedge the currency exposure in the MCC Indus Japan accounts	(188)	(188)
Emerging Markets Equity			
Blakeney FX Overlay	Currency forwards to align the manager's FX exposure closer to the benchmark.	129	5
Investment Grade Fixed Income			
Inflation hedge	Long caplets on the 5y10y CMS and on the 7y10y CMS (Constant Maturity Swap)	8,500	-
Yen Payer Swaptions and Rate Puts	Purchased Swaptions on Japanese LIBOR and Puts on Japanese Currency Rates	9,470	4,837
	Total Internal Managers	**$ 20,491**	

Comprehensive Derivative Report
May 31, 2011

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value ($ millions)
Investment Grade		
Old Mutual	Currency forwards used to create over/underweight investment exposures and to hedge physical bond positions.	$ 51
Credit Related		
Credit Suisse Hedging Griffo	Currency options used to hedge Brazilian Real exposure back to USD	405
Natural Resources		
Gresham	Long Exchange-traded commodity futures	504
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	115
Non-US Developed Equity		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(31)
Wellington (SPE and Emerging)	Purchased options on single name shares	-
Investment Grade Fixed Income		
Brandywine	Currency forwards used to hedge foreign currency exposure	46
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	245
	Long US and Non-US futures used to overweight duration in Eurozone	151
	Long futures used to overweight front end of US and UK yield curves	155
	Receive interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	36
	Pay interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(91)
	Interest rate swaps used to overweight front end of US and UK yield curves	28
	Short/Written credit default swaps used to overweight credit risk	146
	Long/Purchased credit default swaps used to underweight credit risk	(39)
	Written options used to increase portfolio yield	(180)
Total External Managers		**$ 1,541**
GRAND TOTAL		**$ 22,032**

Comprehensive Report on Derivative Investments
May 31, 2011

Internal Managers

Derivative Investment (account name)		Purpose of Investment
S&P 500 / Developed Country Equity	PUF/GEF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
MLP AMZI Index Swap	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
Australian Put Spreads with Currency Hedge	PUF/GEF/ITF	Use the Australian equity market as an indirect hedge to protect against a major decline in emerging markets, and in particular, China
Canadian Swap	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
Currency forwards	PUF/GEF/ITF	Hedge foreign currency exposure on investment made in local foreign equity markets
Integrated Oil & Gas Swap	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
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
FX Overlay (Blakeney)	PUF/GEF/ITF	Use derivatives to align manager's FX exposure closer to benchmark
Yen Payer Swaptions	PUF/GEF/ITF	Use derivatives to buy "insurance" for a low probability event that might have a very significant effect on the Funds. The specific left tail event being insured is concern that the Japanese economy could implode given its high levels of debt.

Comprehensive Report on Derivative Investments May 31, 2011 (continued)

External Managers Under Agency Agreeement		Primary Use of Derivatives
Arohi	PUF/GEF/ITF	Hedge undesirable foreign currency exposure via forwards
Brandywine	PUF/GEF/ITF	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Cantillon	PUF/GEF/ITF	May hedge up to 5% of equity exposure
Credit Suisse Hedging Griffo	PUF/GEF/ITF	Currency options used to hedge Brazilian Real exposure back to U.S. Dollar
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
Old Mutual	PUF/GEF/ITF	Currency forwards used to create overweight/underweight investment exposures and to hedge physical bond positions. Purchased options to replicate bond 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. Use interest rate swaps to overweight duration in Eurozone, underweight intermediate portion of Japanese yield curve and overweight front end of US and UK yield curves. Write (short) credit default swaps used to overweight credit risk; purchase (long) credit default swaps to underweight credit risk. Written and purchasesd options used to increase portfolio yield..
Wellington Management Company	PUF/GEF/ITF	May invest in currency forward contracts, futures, options and swaps to reduce risk or provide efficient investment exposure

OTC Derivative Counterparty Report
May 31, 2011

Counterparty	S & P Counterparty Rating	$ millions (net of posted collateral) Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
MORGAN STANLEY	A	$ 97.2	$ (2.9)	$ 94.3	0.38%	$ 2,302
HSBC BK USA, NEW YORK	AA-	2.6	(0.8)	1.8	0.01%	165
DEUTSCHE BANK AG	A+	1.7	(1.6)	0.1	0.00%	64
CITIBANK NY	A	1.2	(4.8)	(3.6)	-0.01%	192
MELLON BANK	AA-	0.8	-	0.8	0.00%	59
ROYAL BANK OF SCOTLAND PLC	A	0.7	(2.1)	(1.4)	-0.01%	292
BANK OF AMERICA	A	0.6	(0.5)	0.1	0.00%	90
CHASE MANHATTAN	A+	0.6	-	0.6	0.00%	33
J P MORGAN, CHASE	A+	0.5	(0.1)	0.4	0.00%	1,821
BNP PARIBAS	AA	0.3	(0.2)	0.1	0.00%	54
CS FIRST BOSTON GBL FOREIGN EXCH	A	0.3	(0.1)	0.2	0.00%	26
UBS AG, STAMFORD	A+	0.1	0.1	0.2	0.00%	5
CREDIT SUISSE FIRST	A	-	(0.1)	(0.1)	0.00%	5
SOCIETE GENERALE, PARIS	A+	-	-	-	0.00%	2
UBS A G, ZURICH	A+	-	(0.2)	(0.2)	0.00%	8
MERRILL LYNCH	A	-	(0.2)	(0.2)	0.00%	14
GOLDMAN SACHS	A	(0.0)	(0.5)	(0.5)	0.00%	9,865
ROYAL BANK OF CANADA	AA-	(0.1)	(0.2)	(0.3)	0.00%	50
BARCLAYS	A+	(0.7)	(0.2)	(0.9)	0.00%	7,079
Grand Total		$ 105.8	$ (14.4)	$ 91.4	0.37%	$ 22,126

OTC Derivative Counterparty Report by Counterparty and Manager
May 31, 2011

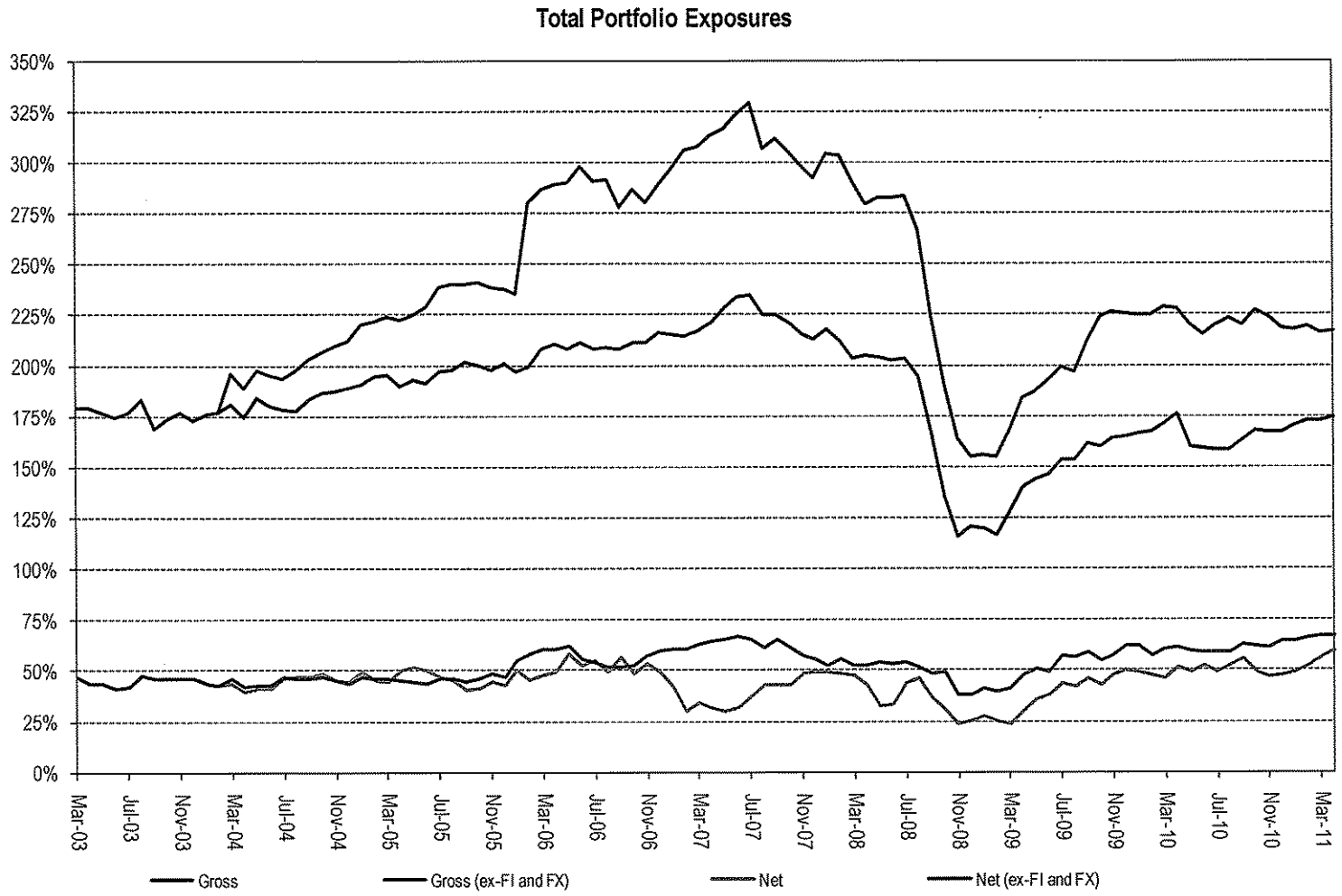
Counterparty	Manager	S & P Counterparty Rating	$ millions (net of posted cash collateral) Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
INTERNALLY MANAGED							
BARCLAYS	INFLATION HEDGE	A+	$ (0.4)	$ -	$ (0.4)	0.00%	$ 3,500
BARCLAYS	YEN PAYER SWAPTIONS	A+	(0.4)	-	(0.4)	0.00%	3,479
BARCLAYS Total			**(0.8)**	**-**	**(0.8)**	**0.00%**	**6,979**
GOLDMAN SACHS	AUSTRALIA PUT SPREADS	A	(1.1)	-	(1.1)	0.00%	1,997
GOLDMAN SACHS	AUSTRALIA CURRENCY HEDGE	A	-	0.1	0.1	0.00%	18
GOLDMAN SACHS	BLAKENEY FX OVERLAY	A	0.8	-	0.8	0.00%	136
GOLDMAN SACHS	INFLATION HEDGE	A	(0.3)	-	(0.3)	0.00%	2,500
GOLDMAN SACHS	YEN PAYER SWAPTIONS	A	0.4	-	0.4	0.00%	5,110
GOLDMAN SACHS Total			**(0.2)**	**0.1**	**(0.1)**	**0.00%**	**9,761**
J P MORGAN, CHASE	CANADA SWAP	A+	1.1	-	1.1	0.00%	108
J P MORGAN, CHASE	INDUS JAPAN FORWARD	A+	-	0.1	0.1	0.00%	188
J P MORGAN, CHASE	INFLATION HEDGE	A+	(0.1)	-	(0.1)	0.00%	500
J P MORGAN, CHASE	YEN PAYER SWAPTIONS	A+	(0.2)	-	(0.2)	0.00%	881
J P MORGAN, CHASE Total			**0.8**	**0.1**	**0.9**	**0.00%**	**1,677**
MORGAN STANLEY	MLP AMZI INDEX NR SWAP	A	98.1	(4.5)	93.6	0.39%	92
MORGAN STANLEY	INFLATION HEDGE	A	(1.5)	-	(1.5)	-0.01%	2,000
MORGAN STANLEY	INTEGRATED O&G SWAP	A	-	2.3	2.3	0.00%	87
MORGAN STANLEY Total			**96.6**	**(2.2)**	**94.4**	**0.38%**	**2,179**
Grand Total Internally Managed			**96.4**	**(2.0)**	**94.4**	**0.38%**	**20,596**
EXTERNALLY MANAGED							
BANK OF AMERICA	PIMCO FIXED INCOME	A	0.6	(0.5)	0.1	0.00%	90
BANK OF AMERICA Total			**0.6**	**(0.5)**	**0.1**	**0.00%**	**90**
BARCLAYS	PIMCO FIXED INCOME	A+	0.1	(0.2)	(0.1)	0.00%	100
BARCLAYS Total			**0.1**	**(0.2)**	**(0.1)**	**0.00%**	**100**
BNP PARIBAS	PIMCO FIXED INCOME	AA	0.3	(0.2)	0.1	0.00%	54
BNP PARIBAS Total			**0.3**	**(0.2)**	**0.1**	**0.00%**	**54**
CHASE MANHATTAN	PIMCO FIXED INCOME	A+	0.6	-	0.6	0.00%	33
CHASE MANHATTAN Total			**0.6**	**-**	**0.6**	**0.00%**	**33**
CITIBANK NY	BRANDYWINE GLOBAL	A	-	(4.5)	(4.5)	0.00%	42
CITIBANK NY	PIMCO FIXED INCOME	A	1.2	(0.3)	0.9	0.00%	150
CITIBANK NY Total			**1.2**	**(4.8)**	**(3.6)**	**-0.01%**	**192**
CREDIT SUISSE FIRST	PIMCO FIXED INCOME	A	-	(0.1)	(0.1)	0.00%	5
CREDIT SUISSE FIRST Total			**-**	**(0.1)**	**(0.1)**	**0.00%**	**5**

OTC Derivative Counterparty Report by Counterparty and Manager
May 31, 2011

Counterparty	Manager	S & P Counterparty Rating	$ millions (net of posted cash collateral) Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
EXTERNALLY MANAGED							
CS FIRST BOSTON GBL FOREIGN EXCH	PIMCO FIXED INCOME	A	0.3	(0.1)	0.2	0.00%	26
CS FIRST BOSTON GBL Total			**0.3**	**(0.1)**	**0.2**	**0.00%**	**26**
DEUTSCHE BANK AG	PIMCO FIXED INCOME	A+	0.3	(0.4)	(0.1)	0.00%	63
DEUTSCHE BANK AG	WELLINGTON EMERGING	A+	0.3	-	0.3	0.00%	-
DEUTSCHE BANK AG	UTWMC LLC (WELLINGTON)	A+	1.1	(1.2)	(0.1)	0.00%	1
DEUTSCHE BANK AG Total			**1.7**	**(1.6)**	**0.1**	**0.00%**	**64**
GOLDMAN SACHS	PIMCO FIXED INCOME	A	0.2	(0.6)	(0.4)	0.00%	104
GOLDMAN SACHS Total			**0.2**	**(0.6)**	**(0.4)**	**0.00%**	**104**
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA-	1.9	-	1.9	0.01%	89
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA-	0.7	(0.8)	(0.1)	0.00%	76
HSBC BK USA, NEW YORK Total			**2.6**	**(0.8)**	**1.8**	**0.01%**	**165**
J P MORGAN, CHASE	OLD MUTUAL ASSET MANAGERS	A+	0.2	(0.3)	(0.1)	0.00%	138
J P MORGAN, CHASE	PIMCO FIXED INCOME	A+	(0.5)	0.1	(0.4)	0.00%	6
J P MORGAN, CHASE Total			**(0.3)**	**(0.2)**	**(0.5)**	**0.00%**	**144**
MELLON BANK	INTERNATIONAL VALUE ADVISORS	AA-	0.5	-	0.5	0.00%	31
MELLON BANK	OLD MUTUAL ASSET MANAGERS	AA-	0.3	-	0.3	0.00%	28
MELLON BANK Total			**0.8**	**-**	**0.8**	**0.00%**	**59**
MERRILL LYNCH	PIMCO FIXED INCOME	A	-	(0.2)	(0.2)	0.00%	14
MERRILL LYNCH Total			**-**	**(0.2)**	**(0.2)**	**0.00%**	**14**
MORGAN STANLEY	PIMCO FIXED INCOME	A	0.6	(0.7)	(0.1)	0.00%	123
MORGAN STANLEY Total			**0.6**	**(0.7)**	**(0.1)**	**0.00%**	**123**
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	(0.1)	(0.2)	(0.3)	0.00%	50
ROYAL BANK OF CANADA Total			**(0.1)**	**(0.2)**	**(0.3)**	**0.00%**	**50**
ROYAL BANK OF SCOTLAND PLC	OLD MUTUAL ASSET MANAGERS	A	0.3	(1.4)	(1.1)	0.00%	54
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	A	0.4	(0.7)	(0.3)	0.00%	238
ROYAL BANK OF SCOTLAND PLC Total			**0.7**	**(2.1)**	**(1.4)**	**-0.01%**	**292**
SOCIETE GENERALE, PARIS	PIMCO FIXED INCOME	A+	-	-	-	0.00%	2
SOCIETE GENERALE, PARIS Total			**-**	**-**	**-**	**0.00%**	**2**
UBS A G, ZURICH	PIMCO FIXED INCOME	A+	-	(0.2)	(0.2)	0.00%	8
UBS A G, ZURICH Total			**-**	**(0.2)**	**(0.2)**	**0.00%**	**8**
UBS AG, STAMFORD	PIMCO FIXED INCOME	A+	0.1	0.1	0.2	0.00%	5
UBS AG, STAMFORD Total			**0.1**	**0.1**	**0.2**	**0.00%**	**5**
Grand Total Externally Managed			**9.4**	**(12.4)**	**(3.0)**	**-0.01%**	**1,530**
GRAND TOTAL - ALL MANAGERS			**$ 105.8**	**$ (14.4)**	**$ 91.4**	**0.37%**	**$ 22,126**

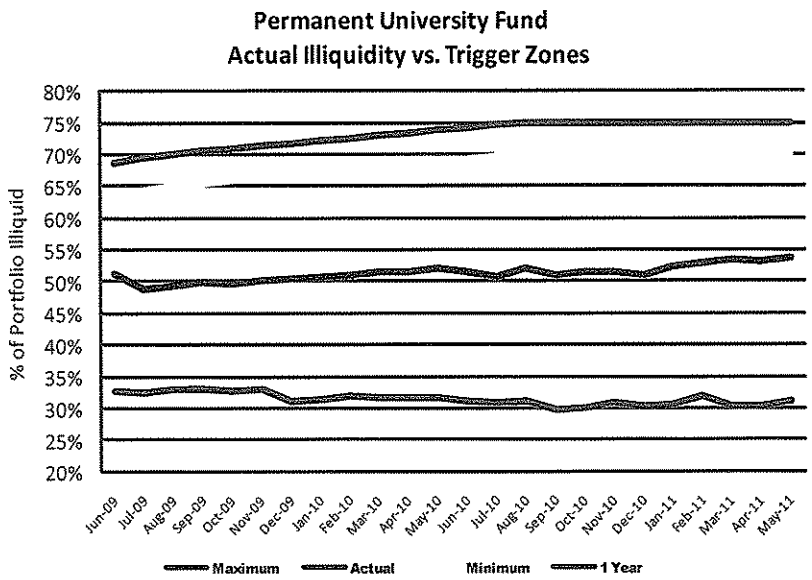
LCC Leverage

as of April 30, 2011

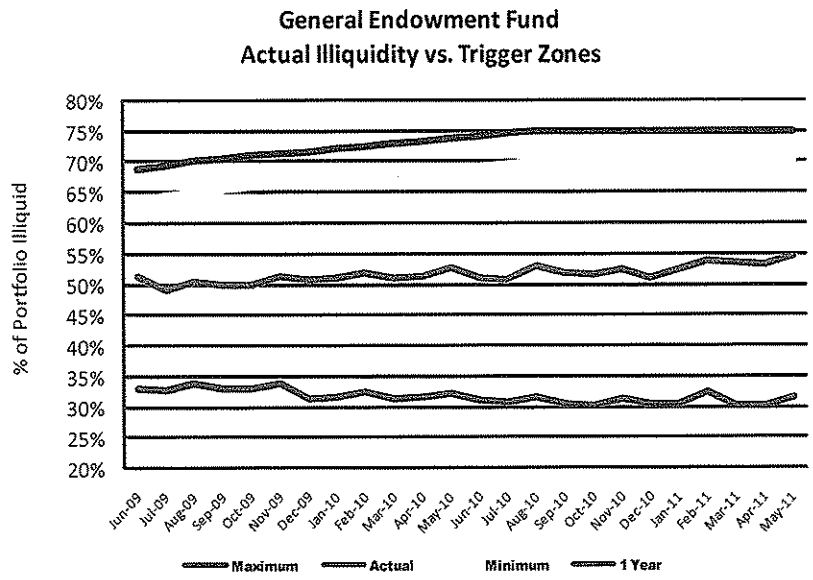


Liquidity

Endowment Fund Liquidity

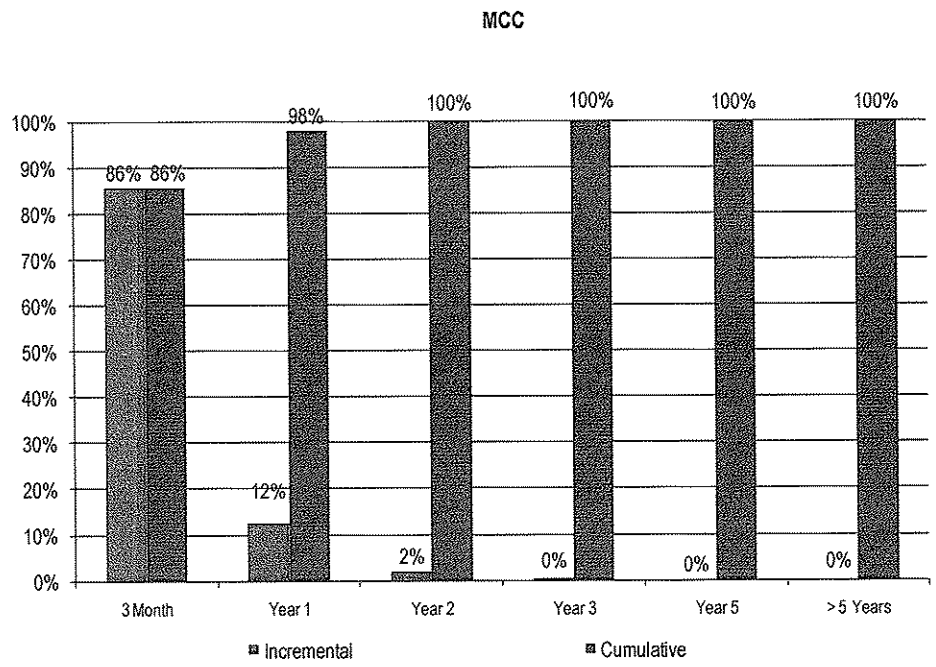


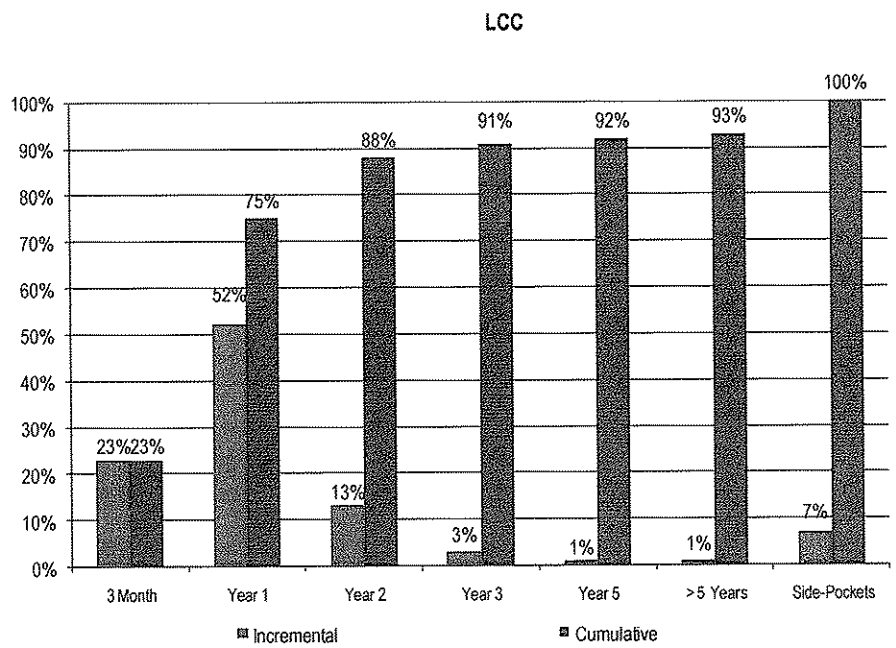
Three Month Liquidity $ 5,966 million One Year Liquidity $ 8,898 million



Three Month Liquidity $ 3,311 million One Year Liquidity $ 4,993 million

Estimated Run-Off Liquidity*
As of May 31, 2011





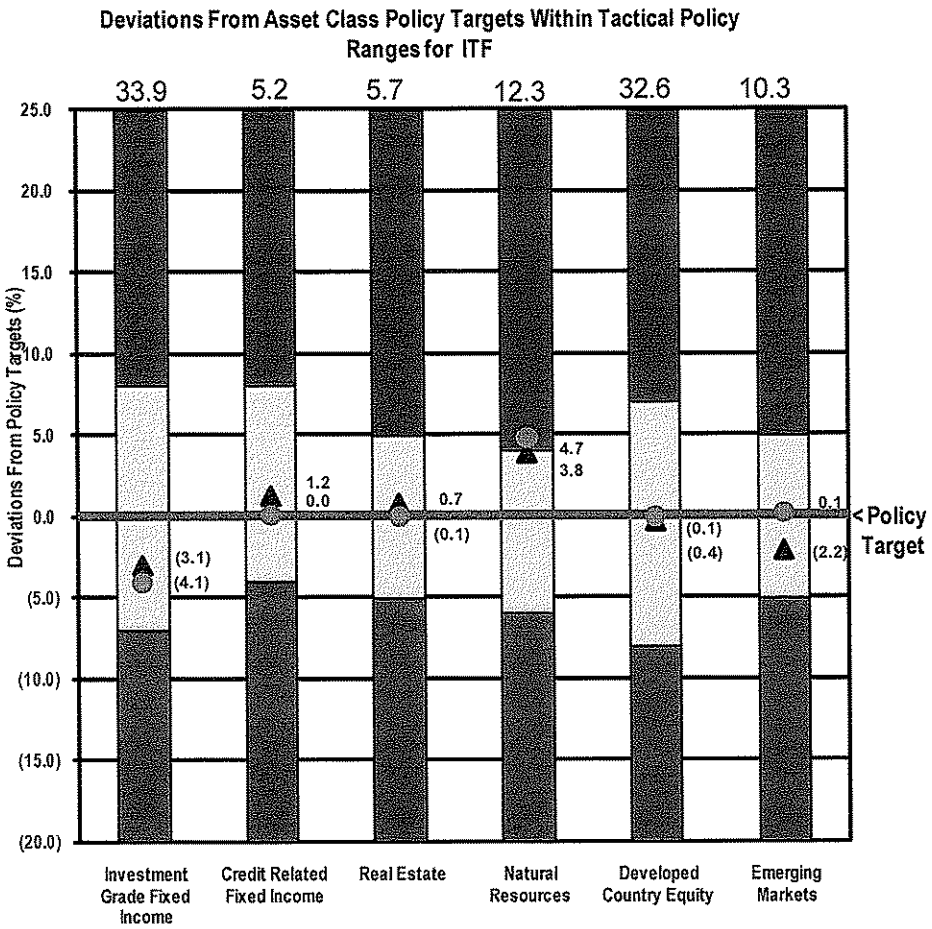
*Actual point in time liquidity varies from "smoothed" Policy Liquidity methodology

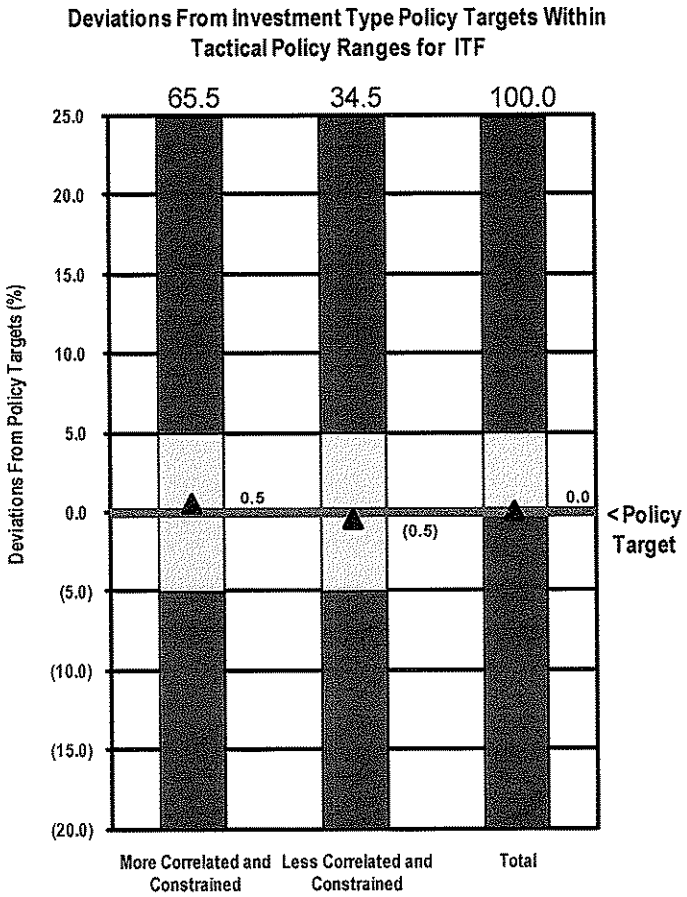
Unfunded Commitments
As of May 31, 2011

Asset Class	Unfunded Commitment	Unfunded Commitment as % of Total Endowments
PRIVATE INVESTMENTS		
TRADING	$18	0.1%
CONTROL	184	0.9%
OPPORTUNISTIC	204	1.0%
CREDIT-RELATED FIXED INCOME	**406**	**2.0%**
REAL ESTATE	***372***	**1.8%**
NATURAL RESOURCES	***580***	**2.9%**
MEGA/LARGE BUYOUT	95	0.5%
MEDIUM/SMALL BUYOUT	381	1.9%
VENTURE CAPITAL	279	1.4%
GROWTH/OPPORTUNISTIC	242	1.2%
DEVELOPED MARKETS EQUITY	***997***	***5.0%***
EMERGING MARKETS EQUITY	***463***	**2.3%**
TOTAL PRIVATE INVESTMENTS	***$2,818***	**14.0%**
LESS CORRELATED AND CONSTRAINED		
INVESTMENT GRADE FIXED INCOME	***$ -***	**0.0%**
CREDIT-RELATED FIXED INCOME	***26***	**0.1%**
REAL ESTATE	***-***	**0.0%**
NATURAL RESOURCES	***-***	**0.0%**
DEVELOPED MARKETS EQUITY	***-***	**0.0%**
EMERGING MARKETS EQUITY	***11***	**0.1%**
TOTAL LESS CORRELATED AND CONSTRAINED	***$37***	**0.2%**
GRAND TOTAL PI AND LCC	***$2,855***	**14.2%**
TOTAL ENDOWMENTS HOLDINGS	***$20,199***	
MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY		**30.0%**

ITF

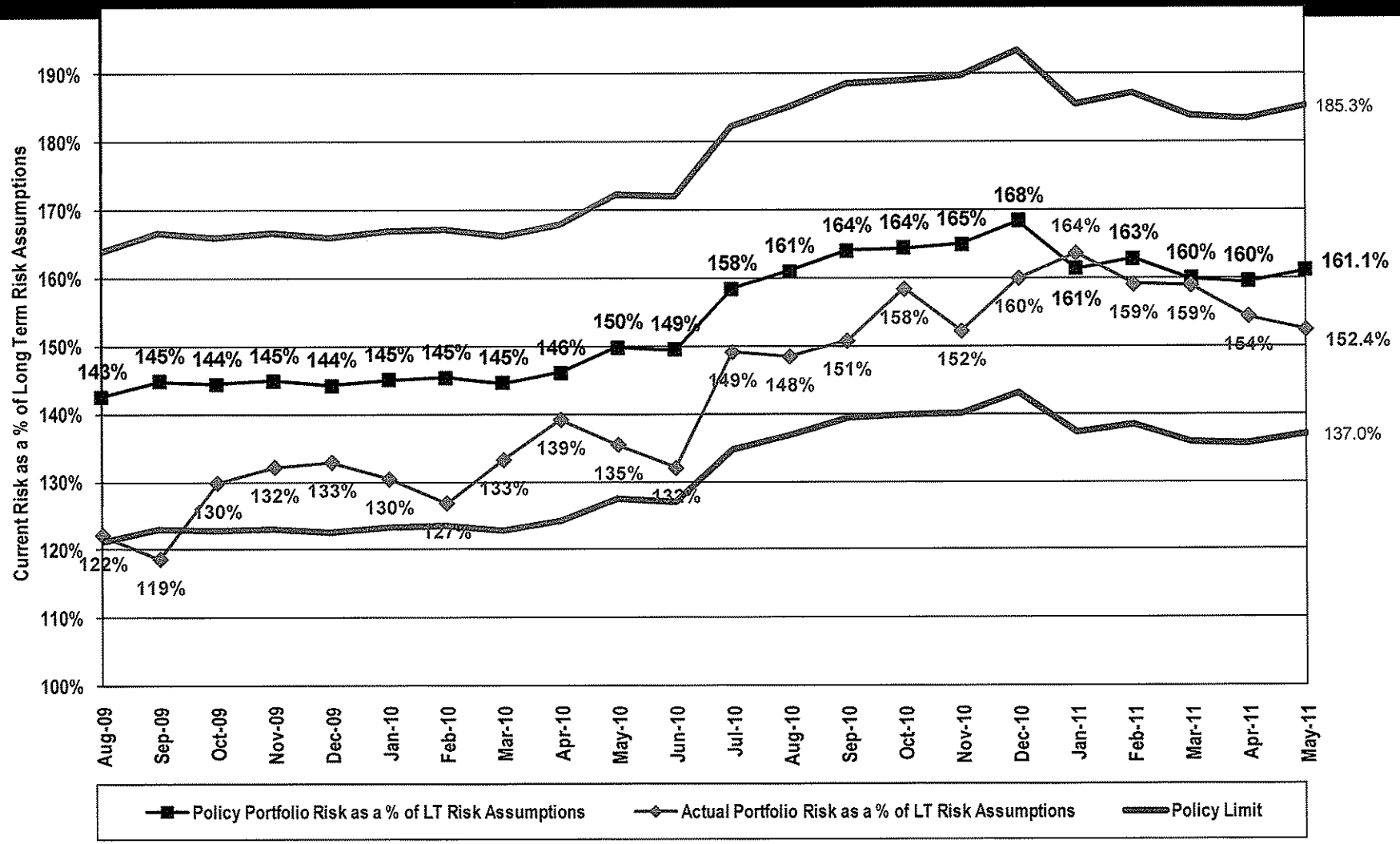
ITF Asset Allocation as of May 31, 2011



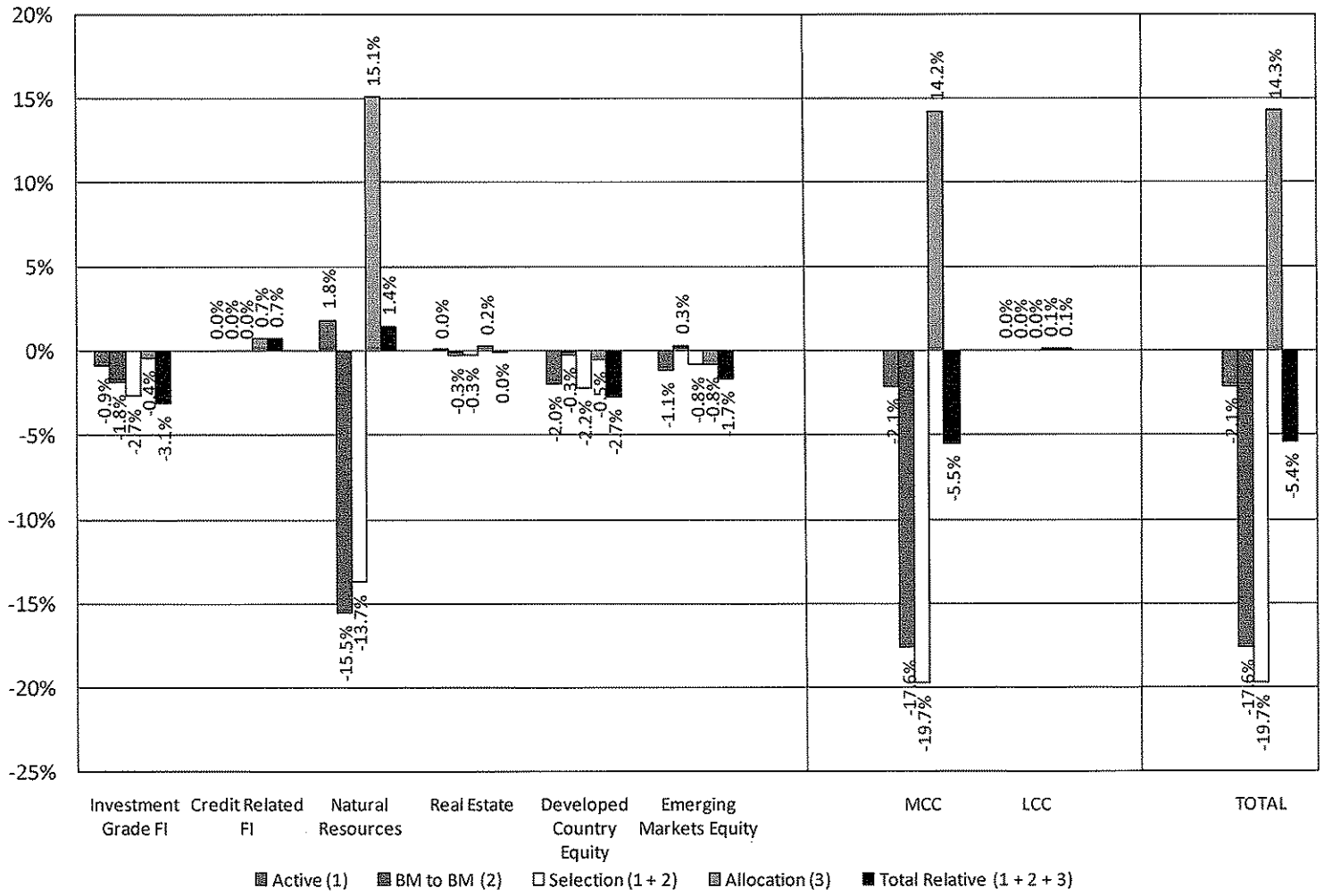


▲ -- All Investment Types ● -- More Correlated and Constrained

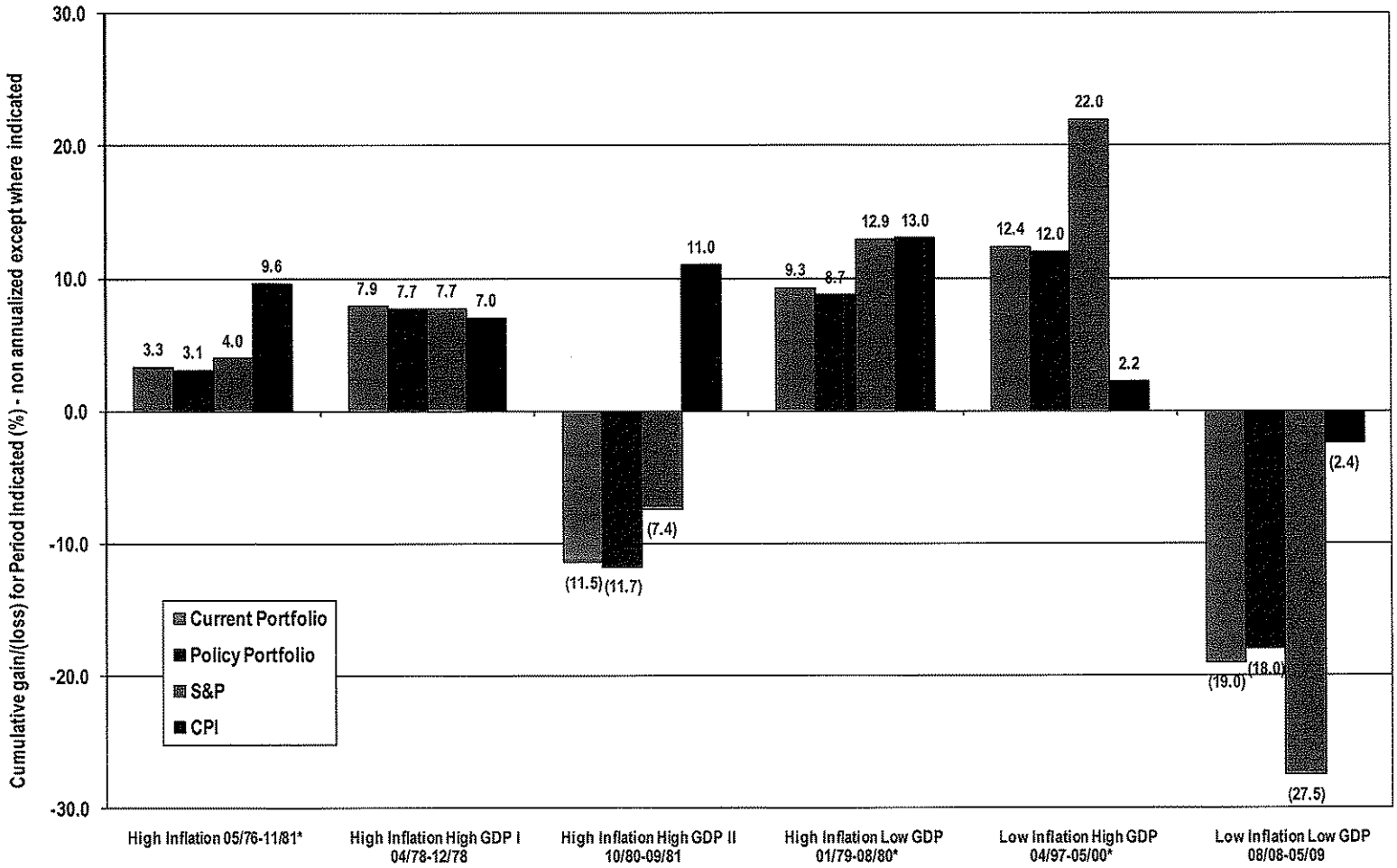
Current Risk Environment of ITF
(Based on Downside Risk; LT assumption = 5.34%)



ITF 4-Way Risk Decomposition as of May 31, 2011

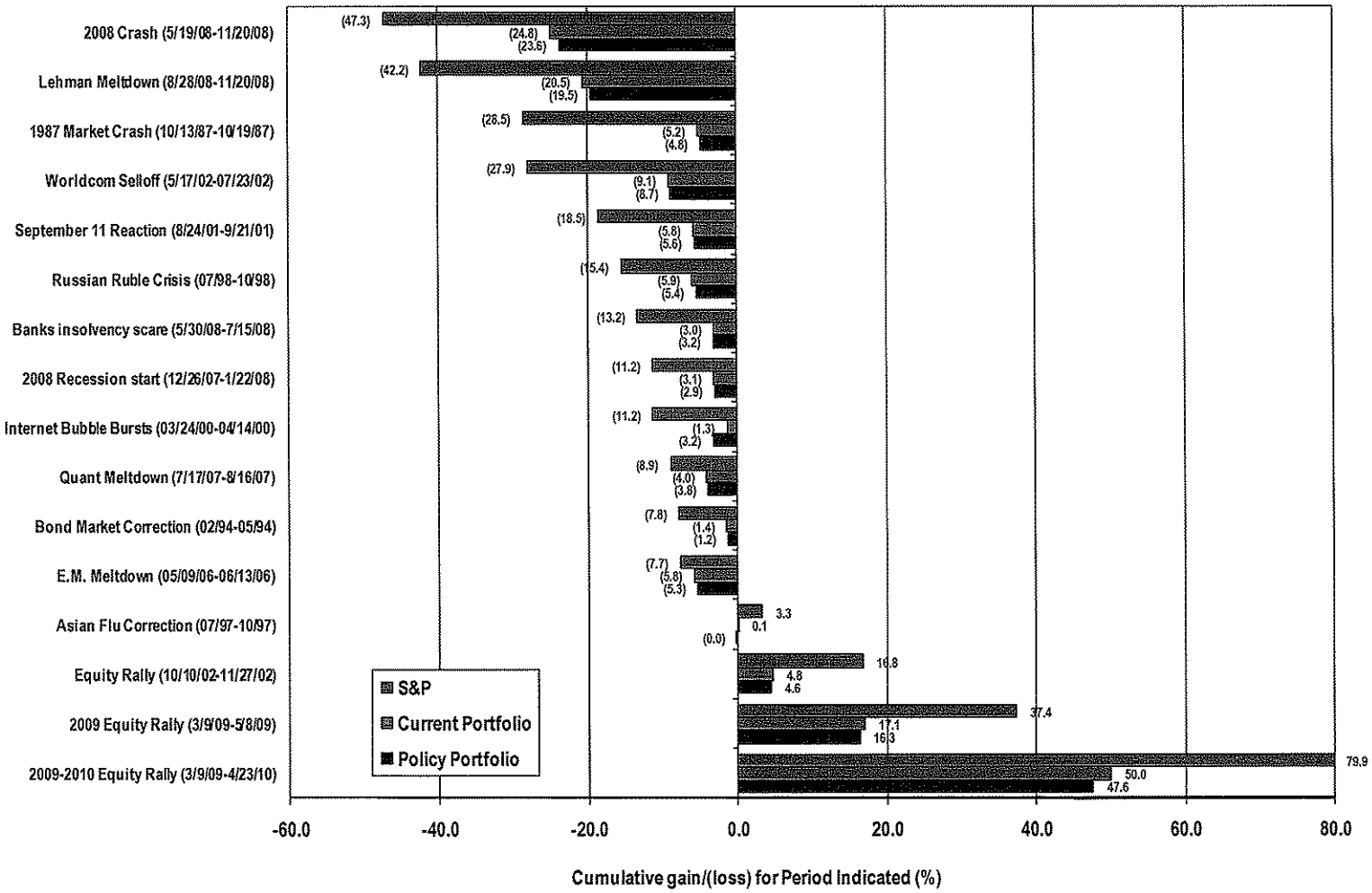


Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments

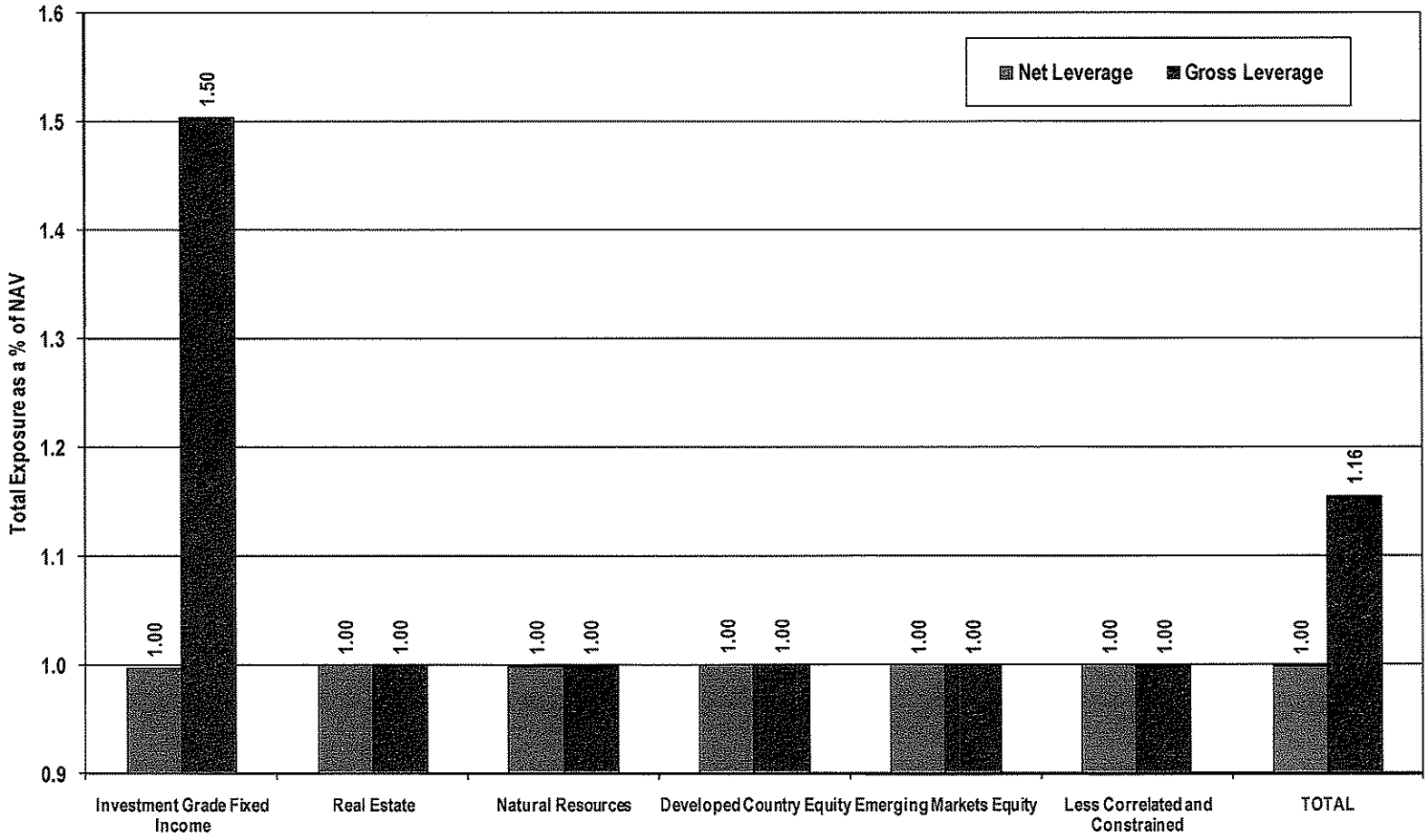


* Annualized

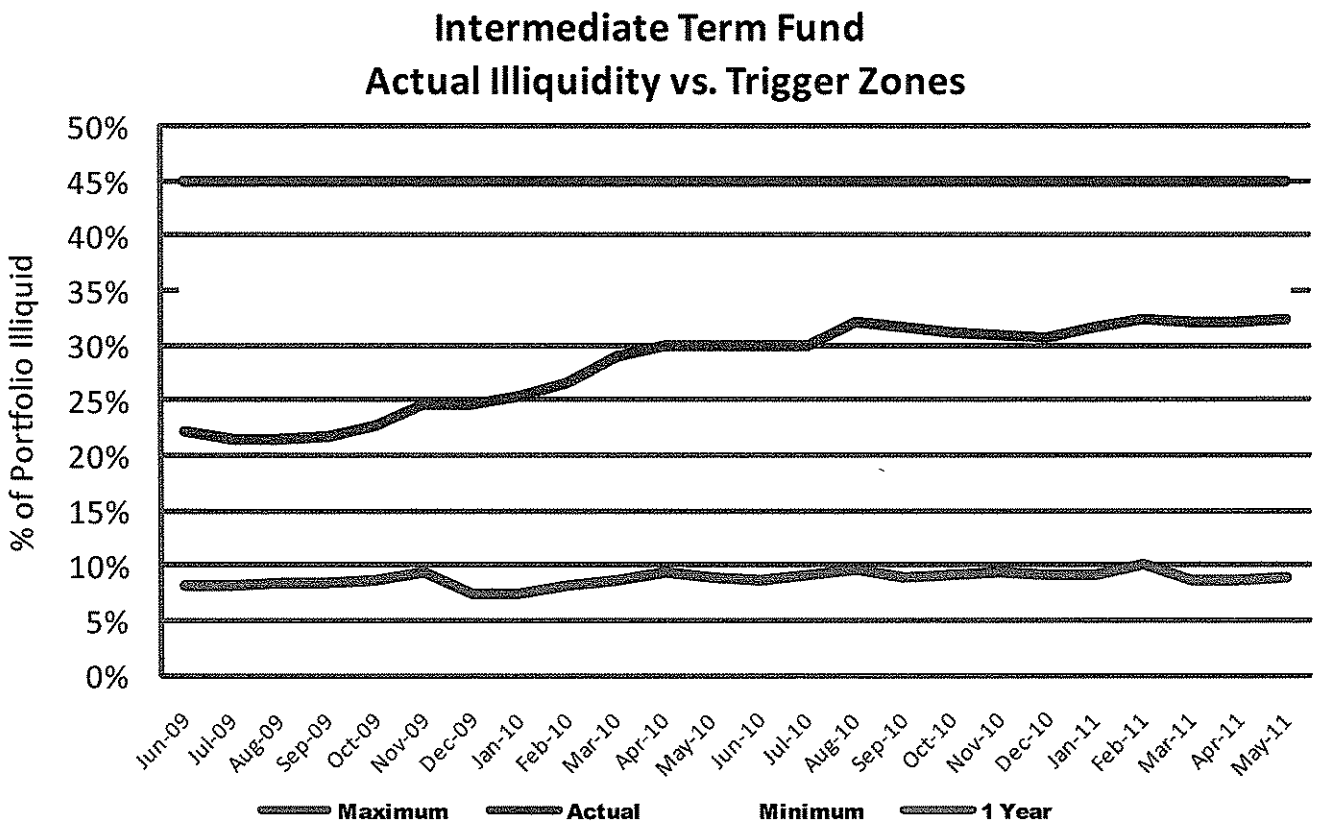
Hypothetical Performance of Current ITF Portfolio in Selected Market Stress Environments



Net and Gross Leverage of ITF as of May 31, 2011



ITF Liquidity



Three Month Liquidity $ 3,285 million One Year Liquidity $ 4,430 million

Contracts Update

Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For April 1, 2011 through June 24, 2011

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

Agreement	Purpose	Contract Term	Annual Amount
None			

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

Agreement	Purpose	Contract Term	Annual Amount
Bloomberg	Portfolio Order Management System	Renews quarterly via invoice	$125,000
Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	$309,840
International Fund Services	Risk System	Quarterly invoice – fees increased as underlying accounts are added	$292,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	$330,411
Albourne LLC	Advisor to Marketable Alternative staff	Monthly invoice	$240,000