

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



***Presentation Materials***

***Board of Directors Meeting***

***October 13, 2011***

**UTIMCO BOARD OF DIRECTORS  
SPECIAL CALLED  
MEETING AGENDA  
October 13, 2011**

UTIMCO  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
2:00 p.m.	2:05 p.m.	1	<b>OPEN MEETING:</b> Call to Order/Discussion and Appropriate Action related to Minutes of Meetings held July 14, 2011, and the Joint Meeting with the Board of Regents of The University of Texas System held August 15, 2011 *
2:05 p.m.	3:30 p.m.	2	Endowment and Operating Funds Update Report
3:30 p.m.			Adjourn

\* Action by resolution required

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

**Next Scheduled Meeting: November 8, 2011**

**Tab 1**

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

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

Paul Foster, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, Vice Chairman for Policy  
Kyle Bass  
Printice L. Gary  
R. Steven Hicks  
Ardon E. Moore  
Charles W. Tate  
James P. Wilson

Accordingly, a majority and quorum of the Board was in attendance. Also attending the meeting were members of The University of Texas System Board of Regents ("UT System Board"), Chairman Gene Powell, Regent Robert L. Stillwell, and Student Regent John Davis Rutkauskas. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Mark Warner, Managing Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Bob Jewell of Andrews Kurth LLP; Mark Gentle, Terry Hull, Charlie Chaffin, Roger Starkey, Matt Flores, and Moshmee Kalamkar of The University of Texas System (UT System) Administration; Greg Anderson of The Texas A&M University System and Joel Sauer of Hayman Capital Management LP. Mr. Foster called the meeting to order at 8:53 a.m.

**Minutes**

The first item to come before the Board was approval of the minutes of Board of Directors Meeting held on April 14, 2011. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

## Corporate Resolution

Mr. Foster and Dr. Cigarroa recognized Philip Aldridge for his outstanding leadership, commitment, and service as administrative liaison to the Corporation. Mr. Foster read the Resolution of Appreciation and recommended approval. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, due to his substantial background and expertise in business, Philip Aldridge was hired by The University of Texas System Office of Finance in 2001, to administer departmental programs regarding debt management and other financial services to the Board of Regents of The University of Texas System, the institutions, and System Administration, for the benefit of the citizens of the State of Texas, and subsequently advanced to the position of Vice Chancellor for Finance and Business Development; and

WHEREAS, as the administrative liaison to The University of Texas Investment Management Company, Mr. Aldridge also provided invaluable insight and direction, through his assistance with the drafting and amendment of various investment policies, review of budgets, participation in the investment teams' quarterly meetings, administration of matters pertaining to the management of the Intermediate Term Fund and Chief Business Officers' relations at each of the institutions; preparation of the agenda for the annual Joint Board of Regents/Board of Directors Meeting; analysis and reporting on the UTIMCO Board agenda items for the regental Board members, and attendance and participation in all UTIMCO Committee and Board meetings; and

WHEREAS, Mr. Aldridge's leadership, commitment, and service as Vice Chancellor for Finance and Business Development were exemplary, reflecting his dedication to the success of The University of Texas System for the benefit of and education and development of students at all levels, and further evidenced by his oversight of The University of Texas Investment Management Company.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of The University of Texas Investment Management Company, do hereby express to Philip Aldridge their sincerest appreciation for his leadership, commitment, and service as administrative liaison to The University of Texas Investment Management Company and Vice Chancellor for Finance and Business Development of The University of Texas System; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Aldridge has made a lasting and fundamental contribution to The University of Texas Investment Management Company, 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 July, 2011.

## **Investment Strategy Review**

Mr. Foster asked Mr. Zimmerman to present the Investment Strategy Review for 2012. Bruce explained that although the investment strategy was discussed in detail at the Joint Policy and Risk Committee meeting held on July 7, 2011, he felt it was important enough to discuss again with the full Board. The final recommendations will be presented, as proposed changes to the Investment Policies, for final approval by the UT System Board at its next meeting. Mr. Zimmerman reviewed the current position of the portfolio in relation to the recent/expected market conditions, policy portfolio decisions, long-term strategic asset allocation and recommended investment policy allocation target and ranges for fiscal year 2012.

## **Report from the Policy Committee**

Mr. Foster asked Mr. Gary to report from the Policy Committee. Mr. Gary reported that the Policy Committee met on July 7, 2011, in a joint meeting with the Risk Committee. Mr. Gary explained that the Investment Management Services Agreement (IMSA) requires a review of current Investment Policies for each Fund at least annually. This year's review included distribution 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 Investment Fund, and designated performance benchmarks for each Asset Class and Investment Type. He asked Mr. Zimmerman to summarize the amendments to the Investment Policies. Mr. Zimmerman explained the proposed changes for FY 2012, setting forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2012 and one policy benchmark change. These changes were reflected in Exhibit A of the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), and the Intermediate Term Fund (ITF). Revisions recommended for the Investment Policy Statements for the Permanent Health Fund (PHF) and Long Term Fund (LTF) included changes to Exhibit B for FY 2012 and minor changes to the redemption of units language. Mr. Zimmerman also reviewed proposed changes to the Derivative Investment Policy, the Delegation of Authority Policy, the Liquidity Policy, and the Mandate Categorization Procedure. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. The Short Term Fund (STF) and the Separately Invested Funds (SIF) Investment Policy Statements were reviewed by Staff with no recommended amendments. These proposals were submitted to the Policy and Risk Committees for approval and were now being recommended for approval by the Board.

The Policy Committee also met separately on the same day, and discussed and approved proposed amendments to the Corporation's Bylaws, the Corporation's Comprehensive Welfare Benefits Plan, and the recommendation of distribution rates for the investment funds. Mr. Gary asked Ms. Gonzalez to explain changes to the Corporation's Bylaws and the Corporation's Comprehensive Welfare Benefits Plan. Ms. Gonzalez explained that the most significant change was to amend Article III, Sections 3, 4 and 5 (pages 3 and 4) to incorporate the effects of HB 2825, 82<sup>nd</sup> Legislature, Regular Session, which was signed into law by Governor Rick Perry on June 17, 2011, and which amended Section 66.08 of the Texas Education Code. HB 2825 changed 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 established a process for implementing the changes. The change in the law did not affect board members serving on the effective date. As required by HB 2825, the Corporation's Bylaws were being amended to give effect to the requirements of this legislation. The only other change proposed

was to modify the language regarding the requirement to have an annual joint meeting with the UT System Board and instead hold joint meetings when requested by the UT System Board.

Ms. Gonzalez continued by reporting that Staff had hired Vinson & Elkins LLP to review the Corporation's Comprehensive Welfare Benefits Plan and its Constituent Benefit Programs. She summarized changes that were proposed due to recent legislation and newly issued regulations, and other changes needed to be consistent with current benefit offerings under the Plan.

Mr. Gary asked Mr. Zimmerman to brief the Board on the distribution rate recommendations, outline the rationale for distribution methodologies, distribution rate limitations, projections and provide Staff's recommendations for the distribution rates for the PUF, PHF, LTF and the ITF for the next fiscal year. Mr. Zimmerman presented Staff's recommendations for distribution rates for the fiscal year ending August 31, 2012. Mr. Zimmerman explained that the recommendations and payout rates are based on the Investment Policy Statements for all of 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. Mr. Gary, on behalf of the Policy Committee, requested Board approval for the discussed changes, subject to further approval by the UT System Board.

Mr. Foster asked that the Board approve the resolutions accepting the policy amendments, including the Corporation's Bylaws, the Corporation's Comprehensive Welfare Benefits Plan and the recommendation of distribution rates for the investment funds. Upon motion duly made and seconded, the following resolutions were adopted by the Board:

The Policies and Bylaws:

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.

The Corporation's 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.

#### And 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.

#### Executive Session

Mr. Foster announced, at 9:43 a.m., that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session for the purpose of deliberating individual personnel matters. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is July 14, 2011 and the time is now 9:43 a.m." With the exception of Mr. Zimmerman, Student Regent Rutkauskas, Mr. Jewell and Dr. Brown, all other meeting participants left the meeting at this time. Mr. Zimmerman left the meeting during discussions regarding his compensation matters.

#### Open Session

The Board reconvened in open session and Mr. Foster announced that "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 14, 2011, and the time is now 9:52 a.m. During the Executive Session, the Board deliberated individual personnel matters but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

## Compensation Committee Report

Mr. Foster asked Mr. Ferguson to provide a report from the Compensation Committee. Mr. Ferguson reported that the Committee met on July 7, 2011, and again on July 14, 2011, prior to this meeting. The Committee discussed and approved base salaries for the UTIMCO Officers and Other UTIMCO Compensation Program Participants for the 2011-2012 fiscal year, the CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012, and its recommendation of the CEO's base salary for approval by the Board. Mr. Ferguson stated that on behalf of the Committee, they were recommending for approval by the Board proposed amendments to Appendix D of the UTIMCO Compensation Program (the "Plan") and amendments to the Charter of the Compensation Committee. Mr. Ferguson reported that the Committee had spent a significant amount of time with its compensation consultant, Mercer, to obtain a perspective on the nationwide market to assist it in setting appropriate base salaries to attract and retain top tier professionals. The Committee approved the base salaries of the Corporation's Officers' and other Plan Participants' (except that of the CEO) for the Fiscal Year 2011-2012 in the total amount of \$4,783,500. He asked Mr. Zimmerman to provide more detail on the proposed changes to the appendix to the Plan. Mr. Zimmerman explained that Appendix D, Table 2, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. Staff recommended a benchmark change to the Real Estate Asset Class and an update to 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. 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 was 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 did not propose any changes to Table 1. Appendix E, Table 3, setting forth the Eligible Positions of Affected Participants 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 did not recommend any changes to Table 3 other than an update of the effective date.

Mr. Ferguson then asked Ms. Gonzalez to characterize the proposed changes to the Charter of the Compensation Committee. Ms. Gonzalez stated that several of the proposed changes were consistent with the changes made to the charters of the other committees of the Board in April. Other proposed changes, related to the Committee's responsibility to select a qualified compensation consultant to advise the Committee and periodically perform a benchmarking study, were responsibilities that had previously been assigned to the Committee in the UTIMCO Compensation Program and were now being incorporated into the Charter.

Mr. Ferguson concluded his Committee report by speaking on behalf of the Committee, giving accolades to the Staff and CEO for providing good absolute returns amidst the national landscape in which we are operating. On behalf of the Committee, Mr. Ferguson recommended Board approval of the CEO's base

salary. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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 \$600,000.

The Committee also recommended Board approval of the CEO's Qualitative Performance Goals. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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.

The Committee then recommended Board approval of the amendments to the UTIMCO Compensation Program as discussed. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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

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

And finally, the Committee recommended approval by the Board of the proposed amendments to the Charter of the Compensation Committee. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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.

### **Audit and Ethics Committee Report**

Mr. Foster asked Mr. Hicks to provide a report on behalf of the Audit and Ethics Committee. Mr. Hicks reported that the Committee convened on July 7, 2011, with all members participating. He stated that Mr. Chaffin provided an update on the completion of the FY 2011 Audit Plan for the UT System Audit Office and presented the audit plan for FY 2012. The Committee approved and recommended to the Compensation Committee the Base Salary, Performance Incentive Plan Participation, and Performance Goals for the General Counsel and Chief Compliance Officer for the 2011/2012 Fiscal Year and Performance Period. The Committee heard a report on compliance matters and the presentation of the unaudited financial statements as of May 31, 2011. The Committee also discussed and approved the proposed appointment of an independent auditor for the Corporation. On behalf of the Committee, Mr. Hicks recommended to the Board approval of the engagement of Deloitte & Touche LLP as independent auditor for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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.

## **2011-12 Budget**

Mr. Foster asked Mr. Zimmerman to explain the budget handout that was distributed at the meeting. Mr. Zimmerman presented the UTIMCO 2011-12 Budget. His presentation included all estimated expenses associated with the management of the Investment Funds, including the reserve analysis. At the same time UTIMCO submits its annual budget, it submits to the UT System 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. The Corporation's budget is subject to further approval by the UT System Board. Staff recommended approval of the UTIMCO Management Fee of \$18,298,701, Other Direct Fund Costs of \$7,576,268, and Anticipated Invoiced External Manager Fees of \$52,617,791, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$60,194,059; a Capital Budget of \$260,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2011 through August 31, 2012. 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 UT System Board back to the Funds which generated the surplus. Based on the reserve analysis, no cash reserves were required to be distributed back to the Funds. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$18,298,701, Other Direct Fund Costs of \$7,576,268, and Anticipated Invoiced External Manager Fees of \$52,617,791, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$78,492,760; Capital Budget of \$260,000; 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.

## **Risk Committee Report**

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on July 7, 2011. The Committee met separately and also jointly with the Policy Committee. Mr. Tate stated that the Risk Committee approved 13 new investment mandate categorizations prepared by Staff for the period beginning March 23, 2011, and ending June 30, 2011. Mr. Tate reported that the Committee also approved a Revised Exhibit A, Approved Fixed Income Broker-Dealer List as of July 7, 2011, to the Approved Fixed Income Broker-Dealer Procedure (the Procedure), to retain as eligible or add a Broker-Dealer that does not meet all eligibility criteria set out in the Procedure. The Committee approved retention of eight broker-dealers and the addition of two broker-dealers not meeting all eligibility criteria. Mr. Tate reported that the Committee also heard a report from Ms. Gonzalez on compliance items for the Quarter Ended May 31, 2011.

## Organization Update

Mr. Foster asked Mr. Zimmerman to provide the Board with the update on staffing, the technology platform, and meeting and investment activity. Mr. Zimmerman asked Ms. Gonzalez to summarize the details of the Business Continuity Plan being developed for the Corporation. Mr. Zimmerman and Ms. Gonzalez answered the Directors' questions.

## 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 May 31, 2011. He reported the Corporation had \$27.5 billion of assets under management at the end of May 31, 2011. Of the \$27.5 billion, \$12.9 billion was in the PUF, \$7.2 billion in the GEF, \$1.4 billion in the STF and \$4.9 billion in the ITF. Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the quarter ended May 31, 2011, for the PUF was 3.60% and for the GEF was 3.63%, versus benchmark returns of 2.88% for the PUF and GEF. The net performance for the one year ended May 31, 2011, for the PUF was 20.71% and for the GEF was 20.80%, versus benchmark returns of 19.18% for each fund. The ITF's performance was 2.69% versus its benchmark return of 2.02% for the quarter ended May 31, 2011, and 18.28% versus its benchmark return of 15.96% for the one year ended May 31, 2011. Performance for the STF was 0.05% versus 0.05% for its benchmark return for the quarter ended May 31, 2011, and was 0.26% versus a benchmark return of 0.16% for the one year ended May 31, 2011. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. Mr. Zimmerman reported on investment activity as of May 31, 2011, manager exposure and leverage with Mr. Zimmerman, Ms. Iberg and Dr. Yoeli answering the Directors' questions. Mr. Zimmerman continued reporting on derivatives and counterparties, and investment activity as of May 31, 2011, and gave an update on liquidity, contracts and the ITF. He then handed out a presentation on Stress Testing and asked Dr. Yoeli to lead the discussion. The presentation included stress testing scenarios, probability of sovereign default, downside market risk and possible courses of action.

Mr. Foster asked to table the report on Special Purposes Entities until a future meeting.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:33 a.m.

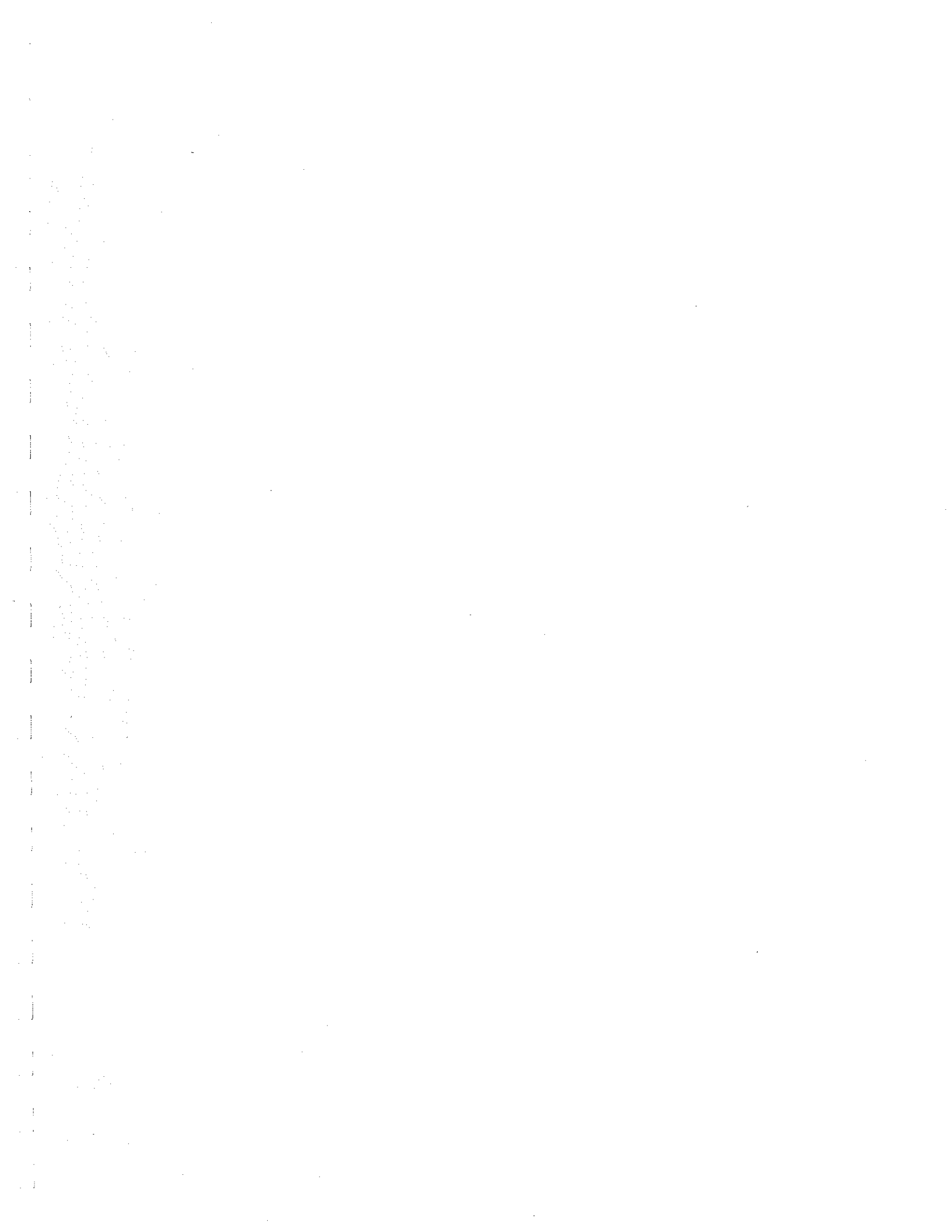
Secretary: \_\_\_\_\_  
Joan Moeller

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

**TABLE 2 – Appendix D (9/1/11 through 6/30/12)**

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF	Threshold	Target	Maximum
		(% of Portfolio)	(% of Portfolio)			
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%	35.0%	+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	18.5%	10.0%	+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	3.0%	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





**MINUTES OF THE SPECIAL CALLED JOINT MEETING OF THE  
BOARD OF DIRECTORS OF THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY  
AND THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") and the members of the Board of Regents of The University of Texas System ("UT System Board") convened at 2:00 p.m. on Monday, **August 15, 2011**, in the UT System Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, by means of conference telephone enabling all persons participating in the meeting to hear each other, said meeting having been called by Chairman of the Board, Paul Foster, and Chairman of the UT System Board, Gene Powell, 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 UTIMCO Board:

Paul Foster, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, M.D., Vice Chairman for Policy  
Kyle Bass  
Printice L. Gary  
R. Steven Hicks  
Ardon E. Moore  
Charles W. Tate  
James P. Wilson

Also attending the meeting were members of the UT System Board, Chairman Gene Powell, Regent Alex M. Cranberg, Regent James D. Dannenbaum, Regent Wallace L. Hall, Jr., and Student Regent John Davis Rutkauskas. Accordingly, a majority and quorum of both Boards were in attendance. 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; Uzi Yoeli, Senior Director - Portfolio Risk Management; David Gahagan, Acting Head of Information Technology; and other Staff members. Other attendees were Jerry Turner and Bob Jewell of Andrews Kurth LLP; and Francie Frederick of The University of Texas System ("UT System") Board of Regents Office. Mr. Foster and Regent Powell jointly called the meeting to order at 2:04 p.m.

**Amendments to Investment Policies**

Chairman Powell asked Mr. Zimmerman to present the proposed amendments to the Investment Policies. Mr. Zimmerman briefly updated the Directors and Regents on the current status of the portfolio, providing an overview of current investment policies and policy amendment requests, and investment perspectives. The overview included amendments to the Exhibits of the Investment Policies approved by the UTIMCO Board on July 14, 2011, and additional changes Staff was requesting in light of the instability in the financial markets. Mr. Zimmerman also explained the request to provide Staff with additional delegated authority to enter into Derivative Investments as shown in Exhibit B of the Derivative Investment Policy. He explained that at a prior meeting, the UTIMCO Board approved an aggregate prorated annual premium of 50 basis points of the Fund value for Derivative Investments that reduce long exposure to an Asset Class or hedge against global interest rate shocks and risk, and limit maximum loss to the premium paid. Mr. Zimmerman

and Staff requested that the 50 basis points be increased to 75 basis points. Mr. Zimmerman also explained the suggested amendments to the Exhibits to the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), the Intermediate Term Fund (ITF), and answered the Board Members' questions.

Chairman Powell asked Chairman Foster, to chair the meeting of the UTIMCO Board for approval of the proposed amendments to the Investment Policies. On behalf of the UTIMCO Board, Mr. Foster recommended UTIMCO Board approval of the amendments to the Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, ITF and the amendment to the Derivative Investment Policy. Upon motion duly made and seconded, the following resolution was unanimously adopted by the UTIMCO Board:

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

Chairman Foster turned the meeting back over to Chairman Powell, whereby the UT System Board took appropriate action related to approval of (a) amendments to Exhibits of the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund, and (b) amendments to the Derivative Investment Policy.

There being no further business to come before the Boards, Chairman Powell thanked the members of both Boards for their interest and time and the joint meeting was adjourned at 2:33 p.m.

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

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

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meetings of the Board of Directors held on **July 14, 2011**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **August 15, 2011**, be, and are hereby, approved.

**Tab 2**



# Funds Update

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# Returns



# UTIMCO Performance Summary

## August 31, 2011

	Net Asset Value 8/31/2011 (in Millions)	Periods Ended August 31, 2011						
		(Returns for Periods Longer Than One Year are Annualized)		Historic Returns				
		Current Quarter	Year to Date Fiscal Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs	
<b>ENDOWMENT FUNDS</b>								
Permanent University Fund	\$12,688	(2.70%)	14.62%	3.83%	14.62%	4.08%	4.68%	7.05%
Permanent Health Fund	993							
Long Term Fund	6,057							
General Endowment Fund	7,050	(2.67)	14.74	3.90	14.74	4.02	4.80	7.23
Separately Invested Funds	128							
<b>Total Endowment Funds</b>	<b>19,866</b>							
<b>OPERATING FUNDS</b>								
Intermediate Term Fund	4,662	(2.25)	11.39	2.16	11.39	4.76	4.78	N/A
Short Term and Debt Proceeds Funds	2,172	0.04	0.22	0.12	0.22	0.55	2.18	2.26
<b>Total Operating Funds</b>	<b>6,834</b>							
<b>Total Investments</b>	<b>\$26,700</b>							
<b>VALUE ADDED - Percent (1)</b>								
Permanent University Fund		0.84%	2.62%	2.45%	2.62%	3.08%	2.62%	2.14%
General Endowment Fund		0.87	2.74	2.52	2.74	3.02	2.74	2.32
Intermediate Term Fund		0.60	2.33	1.58	2.33	2.50	2.64	N/A
<b>VALUE ADDED - \$ in Millions (1)</b>								
Permanent University Fund		\$109	\$290	\$296	\$290	\$1,082	\$1,502	\$2,383
General Endowment Fund		64	171	173	171	597	878	1400
Intermediate Term Fund		29	99	74	99	323	538	N/A
<b>Total Value Added</b>		<b>\$ 202</b>	<b>\$ 560</b>	<b>\$ 543</b>	<b>\$ 560</b>	<b>\$ 2,002</b>	<b>\$ 2,918</b>	<b>\$ 3,783</b>

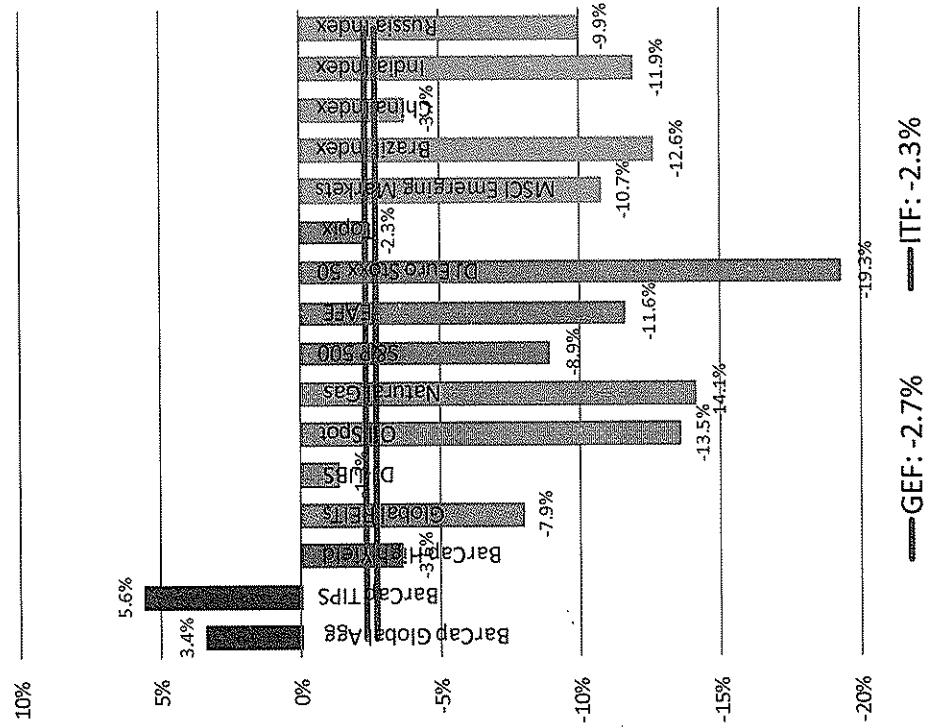
(1) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by UTIMCO staff and external managers.



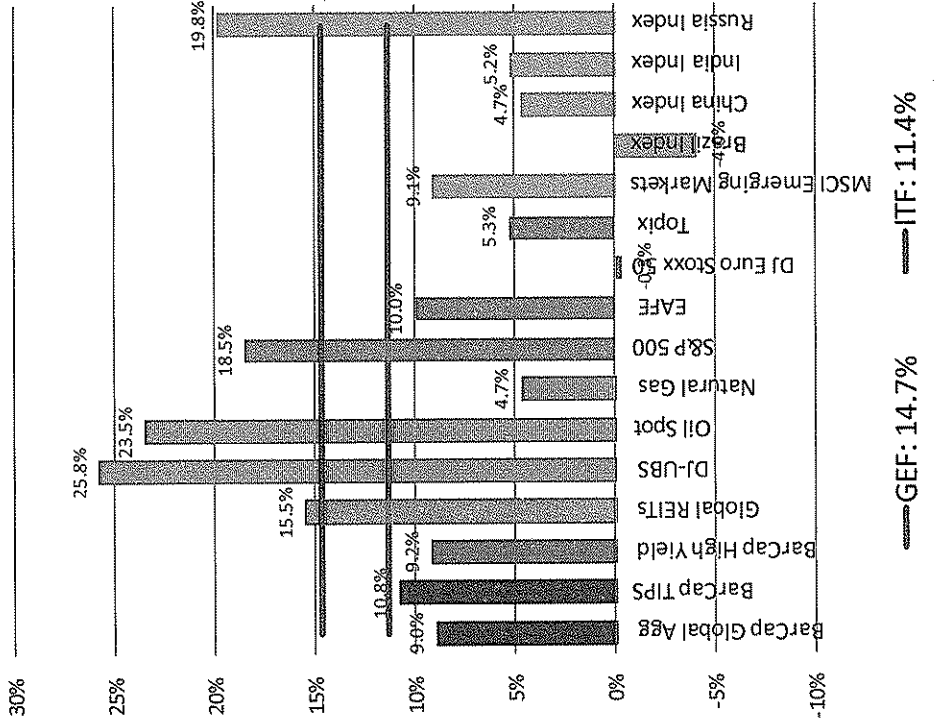


# Performance During Last 3 and 12 Months

Performance During Last 3 Months

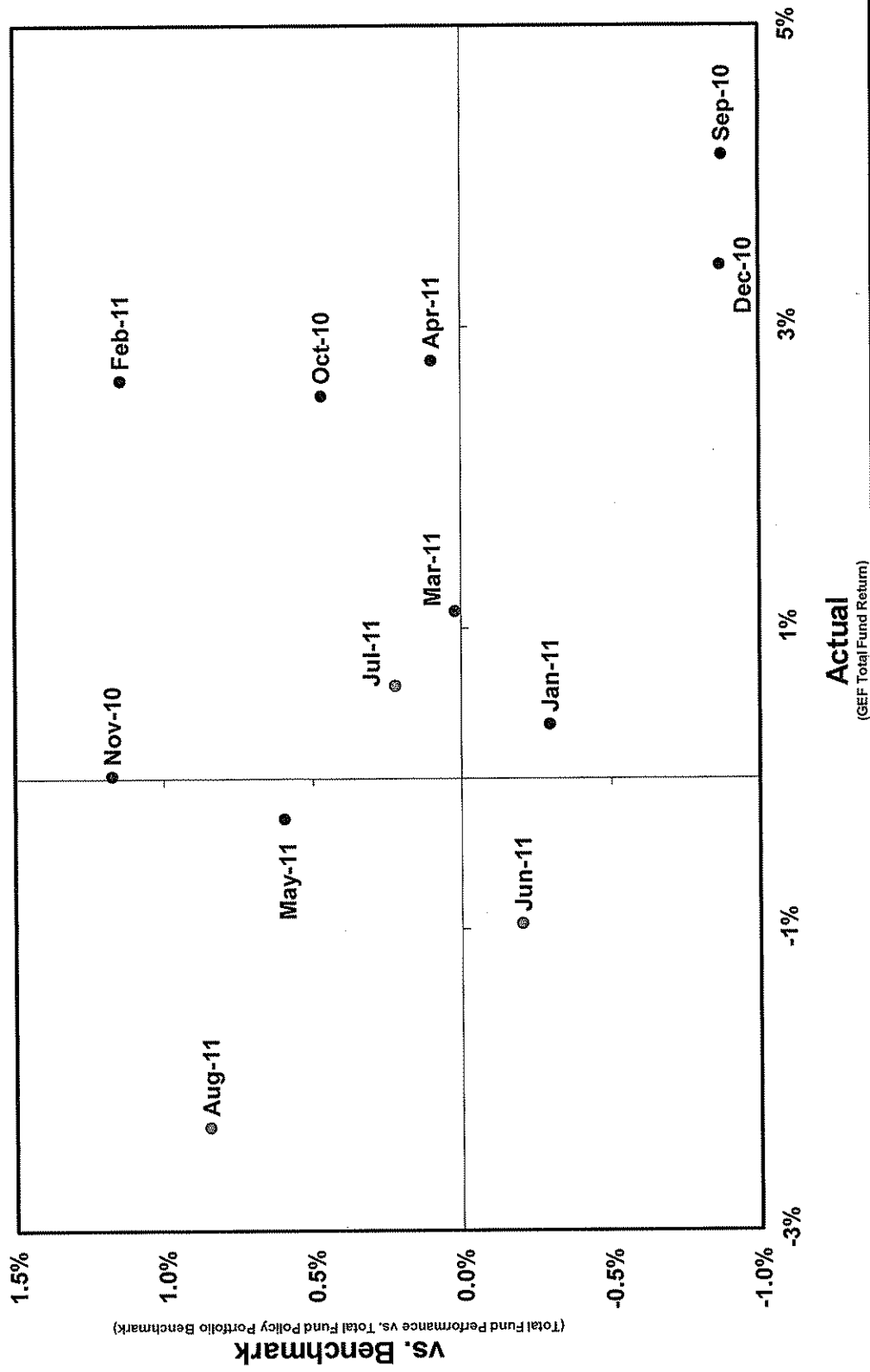


Performance During Last 12 Months





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



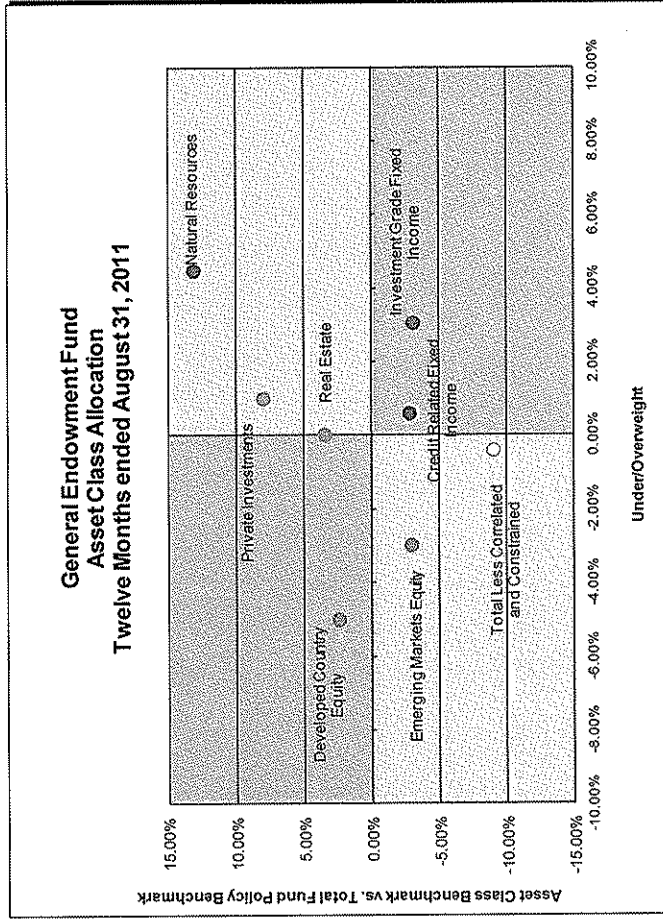
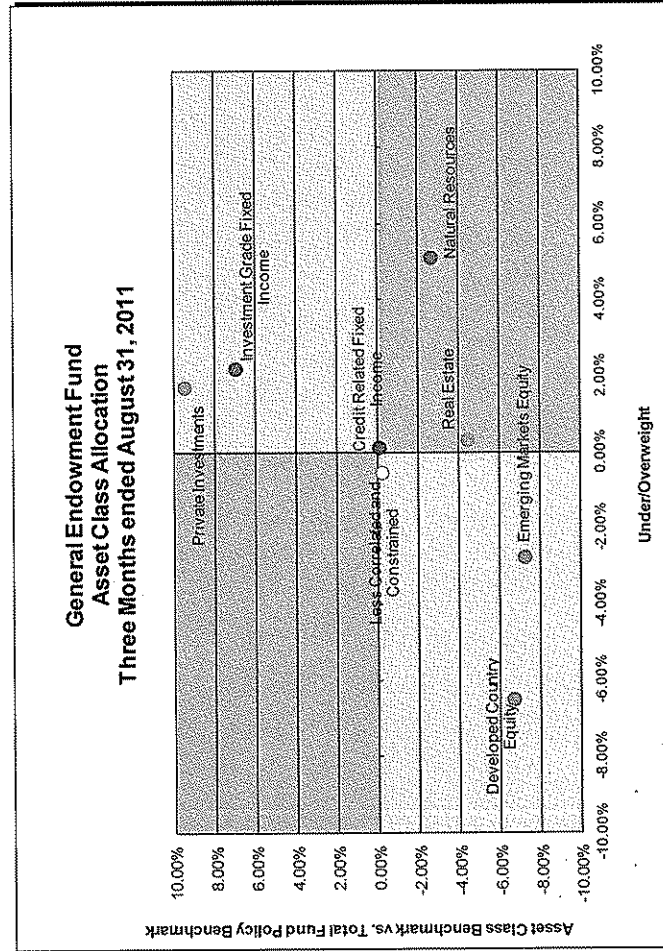


# Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY10	4Q FY11	FY11
<b>MCC</b>								
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.01%	0.90%	0.05%
Active	0.42%	-0.81%	-0.74%	-0.19%	-1.68%	2.02%	0.46%	0.47%
<b>TOTAL</b>	<b>0.85%</b>	<b>1.35%</b>	<b>-0.60%</b>	<b>0.63%</b>	<b>-1.39%</b>	<b>2.02%</b>	<b>1.36%</b>	<b>0.52%</b>
<b>LCC</b>								
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.21%	0.01%	0.12%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	2.61%	0.06%	1.39%
<b>TOTAL</b>	<b>2.08%</b>	<b>0.93%</b>	<b>2.61%</b>	<b>1.93%</b>	<b>1.71%</b>	<b>2.82%</b>	<b>0.06%</b>	<b>1.50%</b>
<b>Private Investments</b>								
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	0.40%	0.08%	-0.11%
Active	1.51%	0.57%	1.20%	-0.59%	1.54%	-0.98%	-0.63%	0.83%
<b>TOTAL</b>	<b>0.83%</b>	<b>-0.99%</b>	<b>0.51%</b>	<b>-0.45%</b>	<b>1.88%</b>	<b>-0.58%</b>	<b>-0.55%</b>	<b>0.72%</b>
<b>Overall GEF</b>								
Tactical	-0.26%	-0.89%	-0.57%	0.87%	0.67%	0.62%	0.99%	0.06%
Active	4.02%	-0.52%	3.09%	1.24%	1.53%	3.65%	-0.12%	2.68%
<b>TOTAL</b>	<b>3.76%</b>	<b>-1.41%</b>	<b>2.52%</b>	<b>2.11%</b>	<b>2.20%</b>	<b>4.26%</b>	<b>0.87%</b>	<b>2.74%</b>



# Tactical Value Add Periods Ended August 31, 2011





# Active Management Value Add Periods Ended August 31, 2011

	3 Months (bps)	
Natural Resources	60	Gold (8.98), Gresham (.97), Wellington (.29)
Emerging Markets Equity	24	Hillhouse (.75), Arohi (.32), Dynamo (.32)
Less Correlated	6	Bridgewater Pure Alpha II (14.17), Valiant (11.71), Farallon Credit (8.82)
Credit Related Fixed Income	-	
Subtotal	<u>90</u>	
Real Estate	(15)	MS REITS (1.75), Cohen & Steers Global (.64), European Investors (.23)
Investment Grade Fixed Income	(17)	Liquidity (.38), Brandywine (.21), Credit Suisse Hedging Griffo (.07)
Developed Country Equity	(29)	Maverick Long Enhanced (-59), Levin Large Cap (-31), Wellington (-25)
Subtotal	<u>(61)</u>	
Total Fund excl Private Investments	<u>29</u>	
Private Investments	<u>(56)</u>	
Total Fund	<u>(27)</u>	
	12 Months (bps)	
Less Correlated and Constrained	132	Bridgewater Pure Alpha II (40.75), Farallon (8.40), Cadian (5.79)
Natural Resources	60	Gold (6.97), Blackrock Small Cap (1.20), EOCM (.97)
Developed Country Equity	19	Value Act (2.41), Cantillon (.72), Stelliam (.33)
Credit Related Fixed Income	-	
Subtotal	<u>211</u>	
Emerging Markets Equity	(2)	Blakeney (1.15), Wellington Global Emerging (.51), Lazard (.16), Quorum (.14)
Real Estate	(16)	MS REITS (1.63), Cohen & Steers Global (1.19), European Investors (1.16)
Investment Grade Fixed Income	(35)	Liquidity (1.81), Total Internal Fixed Income (1.02)
Subtotal	<u>(53)</u>	
Total Fund excluding Private Investm	<u>158</u>	
Private Investments	<u>103</u>	
Total Fund	<u>261</u>	



# GEF Performance Breakdown Fiscal Year Ended August 31, 2011

Asset Class	Allocation		Return		Attribution to Total Fund Relative Return	
	GEF Average	Policy	GEF	Benchmark		
<b>More Correlated and Constrained:</b>						
Fixed Income	Investment Grade	10.5%	7.5%	4.9%	9.0%	-0.7%
	Credit-Related	0.6%	0.0%	20.2%	9.2%	0.0%
Real Assets	Real Estate	3.0%	3.0%	8.7%	15.5%	-0.2%
	Natural Resources	10.5%	6.1%	35.5%	25.1%	1.5%
Equity	Developed Country	13.8%	19.2%	15.5%	14.5%	0.0%
	Emerging Markets	9.4%	12.5%	9.3%	9.1%	0.0%
<b>Total More Correlated and Constrained</b>		<b>47.8%</b>	<b>48.3%</b>	<b>15.1%</b>	<b>13.8%</b>	<b>0.6%</b>
<b>Total Less Correlated and Constrained</b>		<b>29.5%</b>	<b>30.0%</b>	<b>7.5%</b>	<b>3.0%</b>	<b>1.5%</b>
Private Real Estate Investments		0.9%	1.5%	9.0%	26.4%	-0.3%
Private Investments excluding Real Estate		21.8%	20.2%	23.9%	19.6%	0.9%
<b>Total Private Investments</b>		<b>22.7%</b>	<b>21.7%</b>	<b>23.3%</b>	<b>20.0%</b>	<b>0.6%</b>
<b>Total GEF Portfolio</b>		<b>100.0%</b>	<b>100.0%</b>	<b>14.7%</b>	<b>12.0%</b>	<b>2.7%</b>



# Assets



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

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	\$ 2,151	10.9%	\$ 559	2.8%	\$ -	0.0%	\$ 2,710	13.7%
	Credit-Related	20	0.1%	868	4.4%	1,319	6.7%	2,207	11.2%
<b>Fixed Income Total</b>		<b>2,171</b>	<b>11.0%</b>	<b>1,427</b>	<b>7.2%</b>	<b>1,319</b>	<b>6.7%</b>	<b>4,917</b>	<b>24.9%</b>
Real Assets	Real Estate	\$ 447	2.3%	\$ 124	0.6%	\$ 265	1.3%	836	4.2%
	Natural Resources	2,493	12.6%	11	0.1%	519	2.6%	3,023	15.3%
<b>Real Assets Total</b>		<b>2,940</b>	<b>14.9%</b>	<b>135</b>	<b>0.7%</b>	<b>784</b>	<b>3.9%</b>	<b>3,859</b>	<b>19.5%</b>
Equity	Developed Country	\$ 1,725	8.7%	\$ 3,779	19.2%	\$ 2,366	12.0%	7,870	39.9%
	Emerging Markets	1,844	9.4%	503	2.5%	455	2.3%	2,802	14.2%
<b>Equity Total</b>		<b>3,569</b>	<b>18.1%</b>	<b>4,282</b>	<b>21.7%</b>	<b>2,821</b>	<b>14.3%</b>	<b>10,672</b>	<b>54.1%</b>
<b>Grand Total</b>		<b>\$ 8,680</b>	<b>44.0%</b>	<b>\$ 5,844</b>	<b>29.6%</b>	<b>\$ 4,924</b>	<b>24.9%</b>	<b>\$ 19,448</b>	<b>98.5%</b>

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





# Market Exposure Reporting Derivative Transactions

- Long Swaps - Fully backed by cash for the notional amount of the trade. Cash is moved to the internal derivative account and the exposure is reported as Notional + MTM  
Example if the notional value of the long swap is \$100m and MTM is \$5m: Exposure would be reported as \$105m [comprised of \$100m Cash and \$5m MTM]  
UTIMCO Example: Long Canadian Index Swaps
- Short Swaps - No cash is moved and only the market value is shown in the derivative account. Enough cash must be maintained to meet any OTC derivative margin calls. The full notional value of the swap is adjusted as a negative adjustment on the exposure reports so that the exposure is reported as Notional + MTM.  
Example if the notional value of the short swap is (\$100m) and MTM is \$5m: Exposure would be reported as (\$95m) [comprised of \$5m MTM and an exposure adjustment of (\$100m)]  
UTIMCO Example: Short Japan Index Swaps
- Purchased Options - No cash is moved and only the market value is shown in the derivative account. Enough cash must be maintained to meet any OTC derivative margin calls. Loss is limited to the premiums paid so no exposure adjustment is needed. Exposure is reported as the Market Value of the options.  
Example if the market value of the purchased option is \$10m and premium paid is \$2m: Exposure would be reported as \$10m [comprised of \$10m market value which includes the valuation for the premium]  
UTIMCO Example: KOSPI Put Spreads



# Market Exposure Reporting Derivative Transactions

- Written Options - Premiums received for selling the options remain in the internal derivative account which will also contain the market value of the options. Enough cash must be maintained to meet any OTC derivative margin calls. Written options add risk to the portfolio and UTIMCO is adjusting the exposure by the maximum loss on the option [(Strike x Quantity) – Premium Received]

Example if the market value of the written option is \$1m, premium received is \$2m, and Strike x Quantity is \$5m: Exposure would be reported as \$4m [comprised of \$1m market plus an exposure adjustment of \$3m]

UTIMCO Example: Sale of Emerging Market Index Puts

- Forward FX - Used to hedge existing foreign exchange risk. No cash is moved to the derivative account and enough cash must be maintained to meet any OTC derivative margin calls. Exposure is reported as the market value of the forwards.

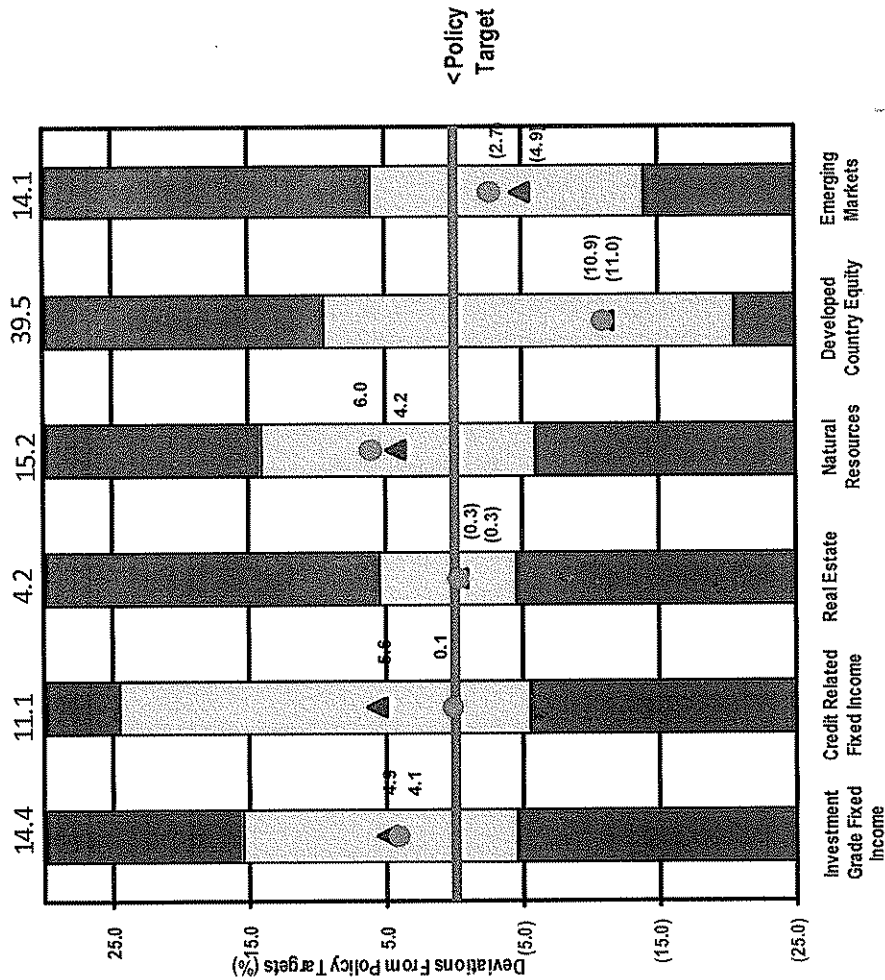
Example if the market value of the forwards is \$5m: Exposure would be reported as \$5m [comprised of \$5m market value]

UTIMCO Example: Australian Currency Hedge

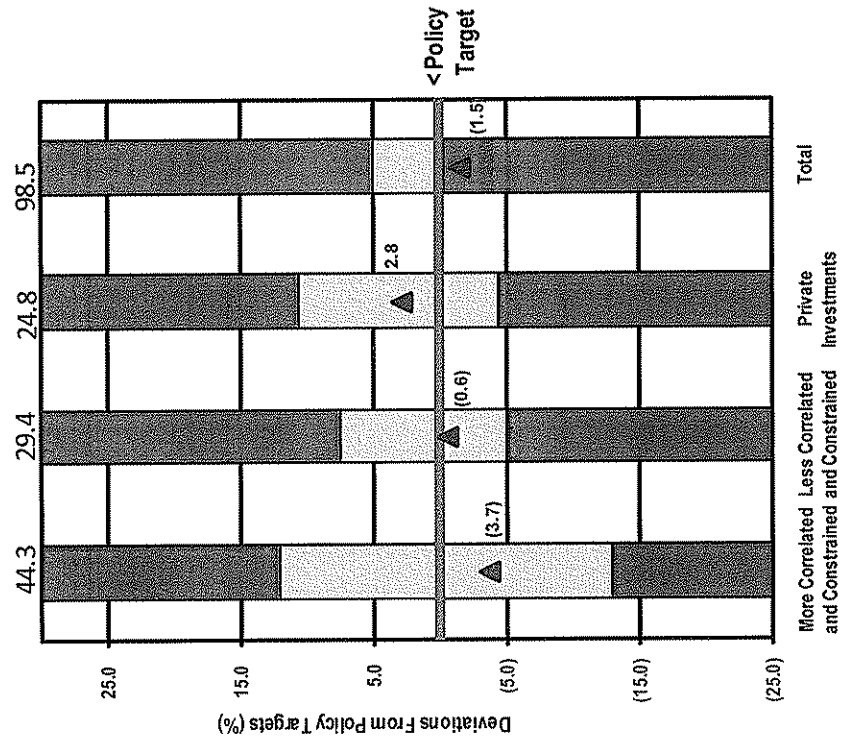


# PUF Asset Allocation as of August 31, 2011

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



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

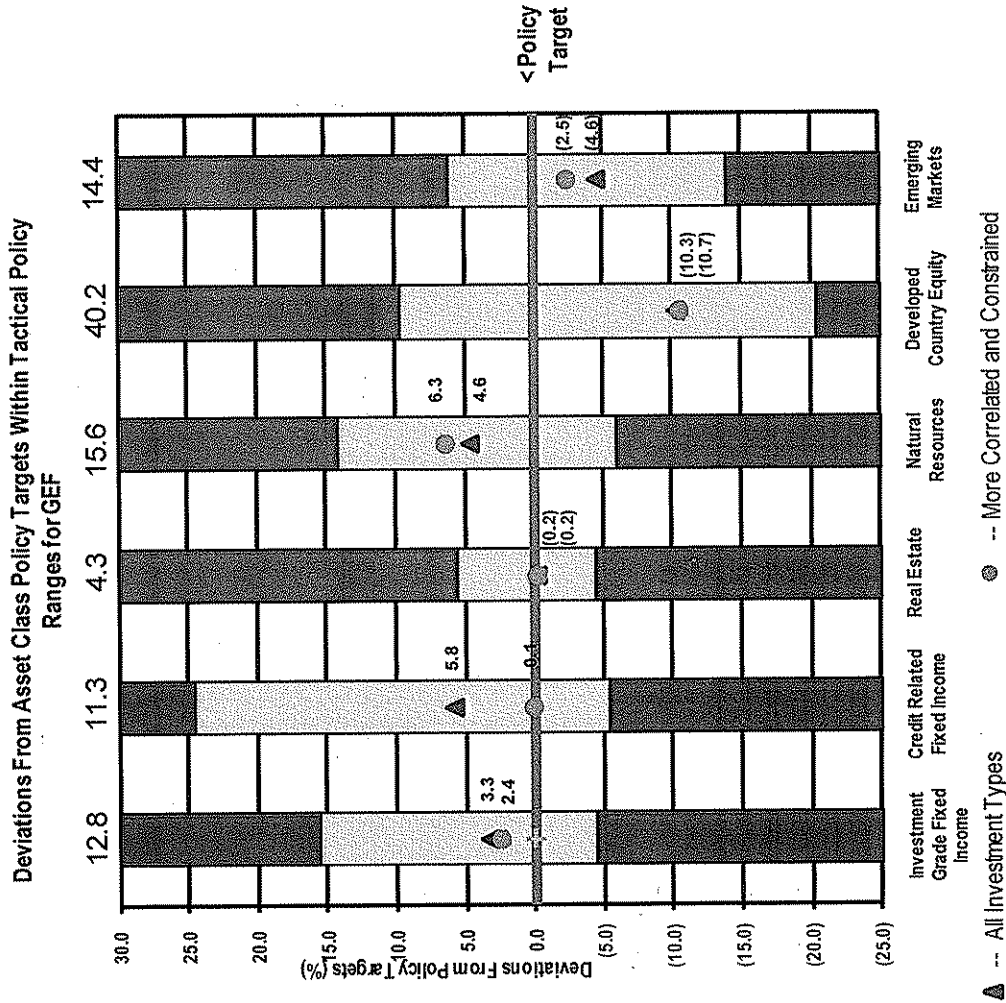
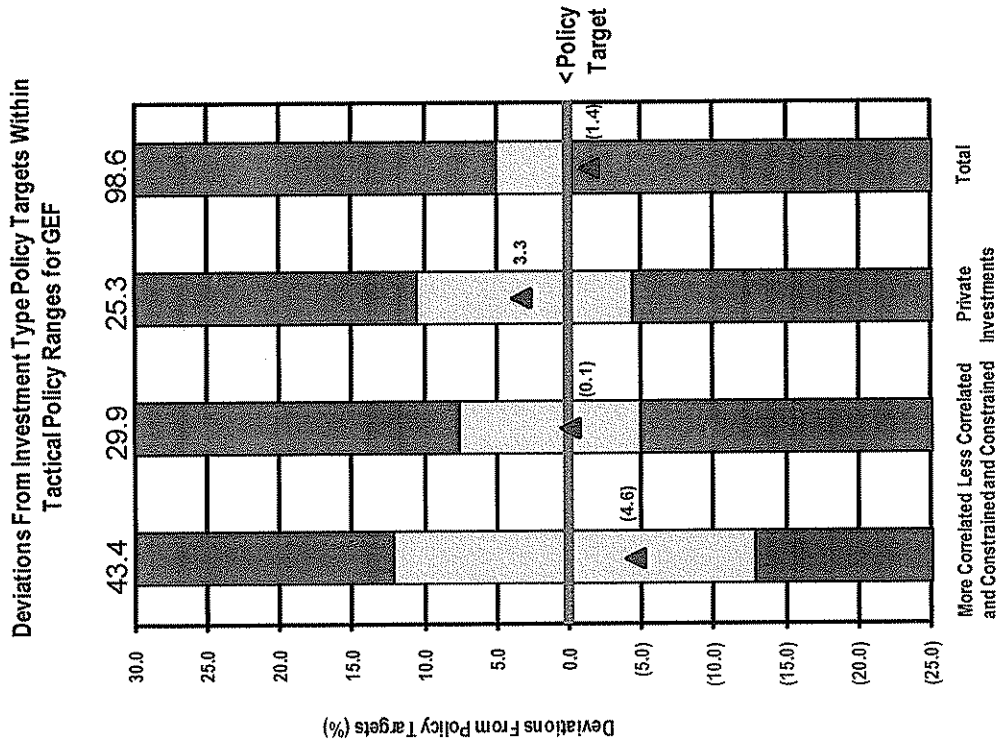


▲ -- All Investment Types

● -- More Correlated and Constrained



# GEF Asset Allocation as of August 31, 2011



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



# LCC Investment Policy Categorizations vs. “Look Thru” Exposures (7/31/2011)

Exposure Methodology Comparison			
	<u>Policy</u>	<u>Look-Through</u>	<u>Difference</u>
Investment Grade Fixed Income	2.7%	3.3%	0.6%
Credit-Related Fixed Income	4.5%	6.1%	1.5%
Real Estate	0.7%	0.5%	-0.1%
Natural Resources	0.1%	0.7%	0.6%
Developed Country Equity	19.9%	16.3%	-3.6%
Emerging Markets Equity	<u>2.5%</u>	<u>3.5%</u>	<u>1.0%</u>
<b>Less Correlated &amp; Constrained</b>	<b>30.3%</b>	<b>30.3%</b>	<b>0.0%</b>



# Derivatives



# Endowment Insurance Hedges as of August 31, 2011

Event	Hedge	Current Exposures			Current Quarter Changes				
		Total Cost <sup>(1)</sup>	bps Cost/Year <sup>(2)</sup>	Notional (\$ millions)	MTM (\$ millions)	Cost	bps Cost/Year <sup>(2)</sup>	Notional (\$ millions)	MTM (\$ millions)
U.S. Inflation	CMS Options	\$ (42)	4.9	\$ 7,633	\$ 34	\$ (6)	0.5	\$ 808	\$ (8)
Emerging Markets Bubble	KOSPI Put Spreads	(29)	7.4	1,123	31	(29)	7.4	1,123	31
	ASX Put Spreads	(37)	10.8	1,560	42	(21)	3.6	694	28
	AUD forwards to hedge ASX premiums	-	-	38	(1)	-	-	22	(1)
Sovereign Default	JPY Rate Options and Swaptions	(55)	13.0	10,299	19	(21)	2.9	1,783	(1)
	DKK Call / EURO Put Options	(8)	3.5	1,049	6	(8)	3.5	1,049	6
Low Growth / Recession	Short Japan Index Swaps	-	-	(65)	(1)	-	-	(65)	(1)
	Short MSCI Europe Index Swaps	-	-	(109)	(6)	-	-	(109)	(6)
	Short Real Estate Index Swaps (RUGL)	-	-	(70)	(8)	-	-	(70)	(8)
	Short Real Estate Index Swaps (DJUSRE)	-	-	(98)	(8)	-	-	(98)	(8)
	Short S&P 500 Index Swaps	-	-	(251)	(22)	-	-	(251)	(22)
	Short S&P 400 Index Swaps	-	-	(99)	(11)	-	-	(99)	(11)
	<b>TOTAL</b>	<b>\$ (171)</b>	<b>39.7</b>			<b>\$ (85)</b>			<b>17.9</b>

(1) Maximum Loss for Options

(2) Amount of delegated insurance budget used for fiscal year ending August, 2012.



# Non-Insurance Related Internal Derivatives

## August 31, 2011

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (5/31/2011) (\$ millions)
<b>Real Estate</b>			
Sale of Real Estate Puts	Sold out of the money Put options on U.S. REIT ETF (1YR underlying)	250	250
<b>Natural Resources</b>			
MLP AMZI Index Sw ap	Long a basket of Infrastructure names (subset of Alerian Index)	-	(92)
Integrated Oil & Gas Sw ap	Long a basket of Oil and Gas related equity names	75	(12)
Sale of Natural Resource Puts	Sold out of the money Put options on Metals and Materials ETF (XIME underlying)	160	160
<b>Developed Country Equity</b>			
S&P 500 Futures	Long S&P 500 futures	1	(172)
Canadian Sw ap	Long Canadian sw aps	6	(102)
Developed Country Futures	Long German DAX and London FTSE futures	7	(134)
Indus Japan Forwards	Sale of Japanese Yen forwards to hedge the currency exposure in the MCC Indus Japan accounts	-	188
<b>Emerging Markets Equity</b>			
Blakeney FX Overlay	Currency forwards to align the manager's FX exposure closer to the benchmark.	128	(1)
Sale of Emerging Markets Puts	Sold out of the money Put options on emerging markets	185	185





# External Manager Agency Account Derivatives

## August 31, 2011

<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value (\$ millions)</u>
<b><u>Investment Grade Fixed Income</u></b>		
Brandywine	Currency forwards used to hedge foreign currency exposure	(247)
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	182
	Long US and Non-US futures used to overweight duration in Eurozone	70
	Long futures used to overweight front end of US and UK yield curves	-
	Receive interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	118
	Pay interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(129)
	Interest rate swaps used to overweight front end of US and UK yield curves	18
	Short/Written credit default swaps used to overweight credit risk	153
	Long/Purchased credit default swaps used to underweight credit risk	(37)
	Written options used to increase portfolio yield	(175)
<b><u>Natural Resources</u></b>		
Gresham	Long Exchange-traded commodity futures	506
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	89
<b><u>Developed Equity</u></b>		
Wellington (SPE and Emerging)	Purchased options on single name shares	-



# OTC Derivative Counterparty Report

## August 31, 2011

\$ millions (net of posted collateral)

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds
GOLDMAN SACHS	A	72.5 \$	(76.3)	\$ (3.8)	-0.02%
MORGAN STANLEY	A	50.8	(33.8)	17.0	0.07%
BARCLAYS	AA-	15.3	(17.9)	(2.6)	-0.01%
J P MORGAN, CHASE	AA-	11.0	(11.8)	(0.8)	0.00%
CITIBANK NY	A	9.0	(4.0)	5.0	0.02%
DEUTSCHE BANK AG	A+	3.0	(7.2)	(4.2)	-0.02%
BNP PARIBAS	AA	1.5	(0.6)	0.9	0.00%
HSBC BK USA, NEW YORK	AA-	0.8	(0.7)	0.1	0.00%
BANK OF AMERICA	A	0.5	(1.2)	(0.7)	0.00%
CHASE MANHATTAN	AA-	0.4	(0.2)	0.2	0.00%
UBS AG, STAMFORD	A+	0.3	(0.2)	0.1	0.00%
ROYAL BANK OF SCOTLAND PLC	A	0.2	(0.7)	(0.5)	0.00%
UBS A G, ZURICH	A+	0.1	(0.3)	(0.2)	0.00%
ROYAL BANK OF CANADA	AA-	0.1	-	0.1	0.00%
CREDIT SUISSE FIRST	A	-	(0.2)	(0.2)	0.00%
SOCIETE GENERALE, PARIS	A+	-	-	-	0.00%
MERRILL LYNCH	A	-	(0.1)	(0.1)	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH	A	-	-	-	0.00%
Grand Total		\$ 165.5	\$ (155.2)	\$ 10.3	0.04%

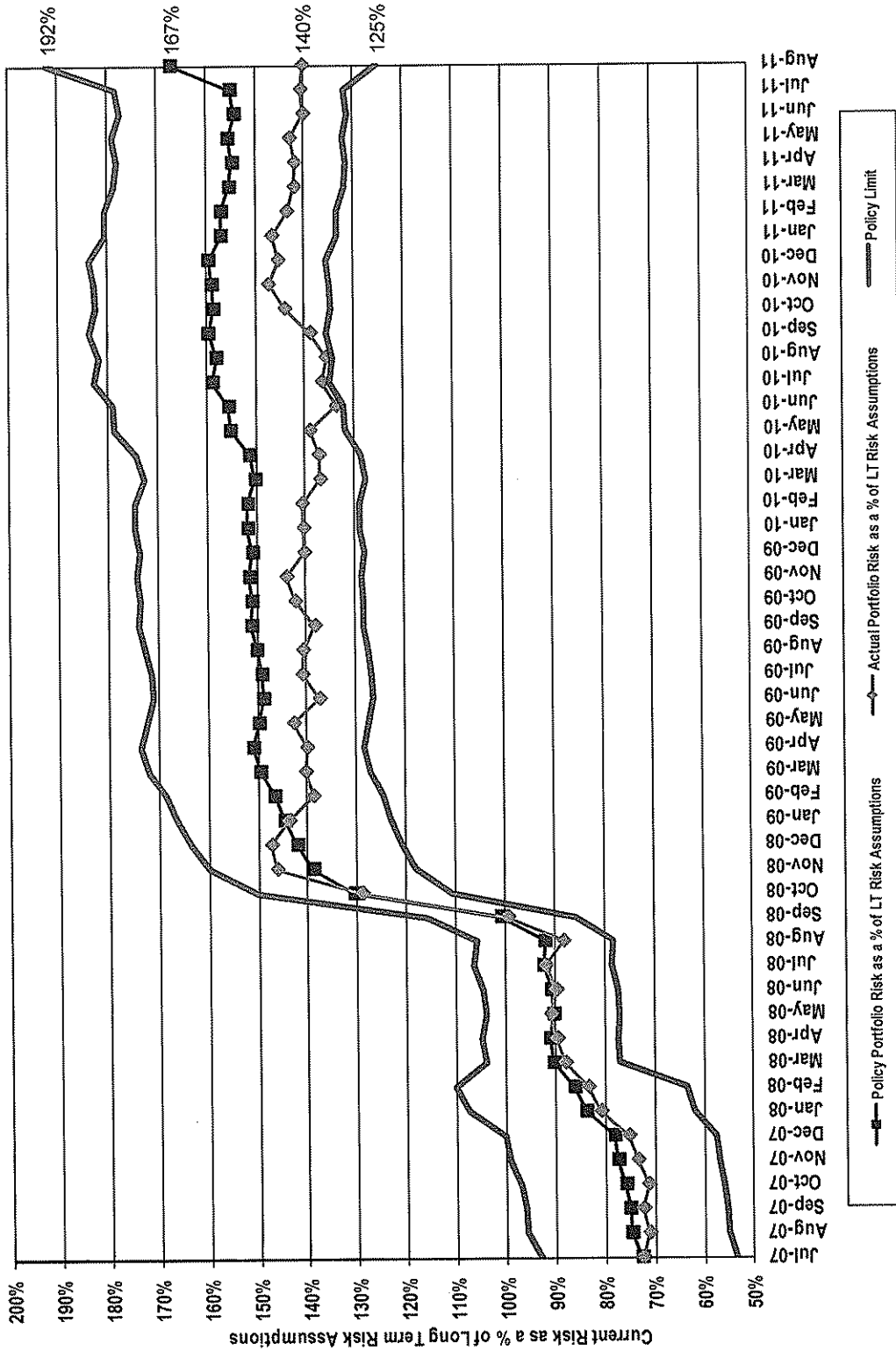


# Risk Analytics



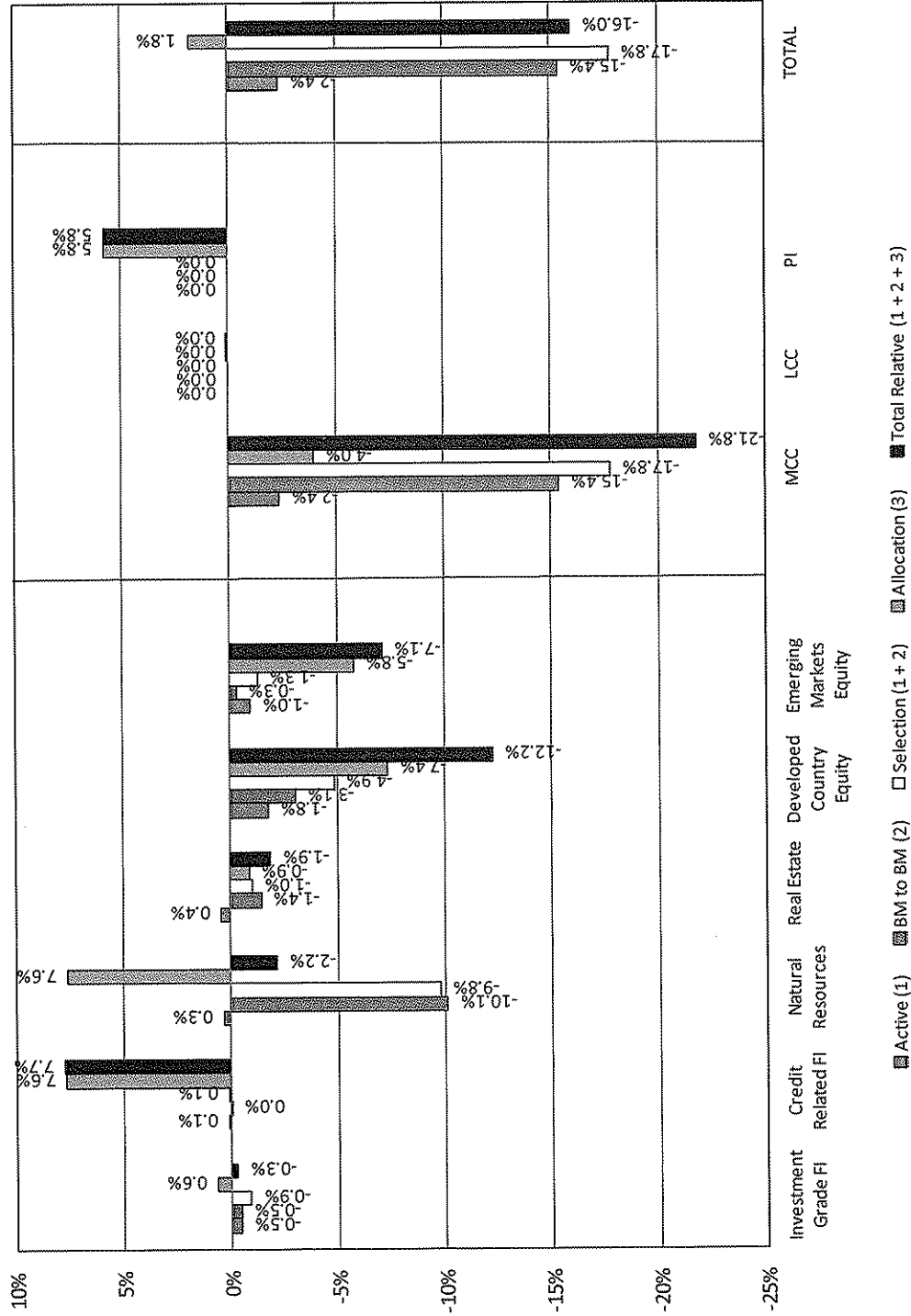
# Current Risk Environment of GEF

(Based on Downside Risk; LT assumption = 8.94%)





# GEF 4-Way Risk Decomposition as of 8/31/2011





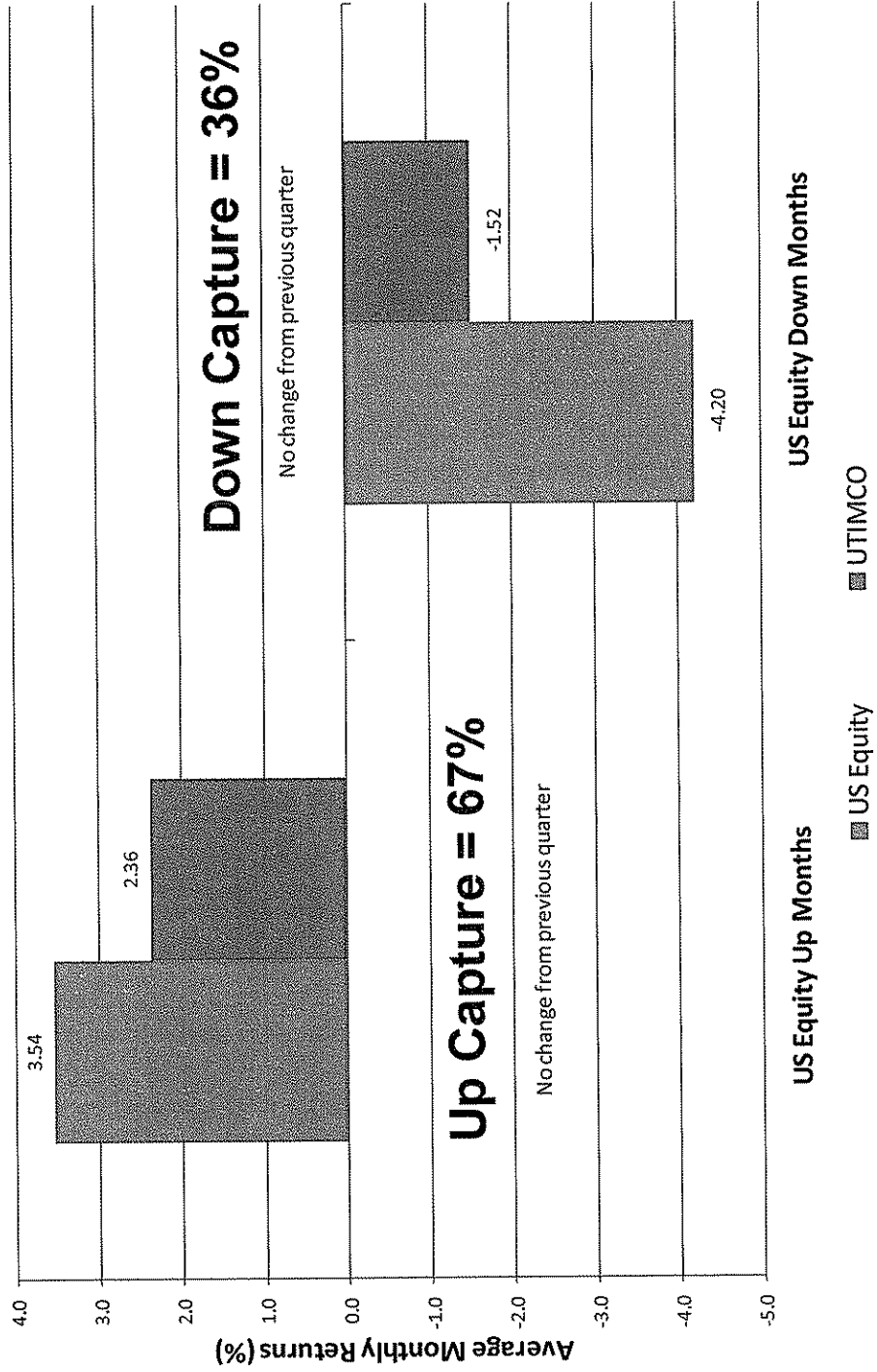
# Portfolio Sharpe and Information Ratios

Period Ending August 31, 2011

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	-2.67	24.74	4.02	4.80	7.16
Risk-free Returns	0.02	0.15	0.32	1.83	2.06
Actual Volatility	2.54	6.73	12.05	10.23	8.95
Portfolio Sharpe Ratio	-1.06	2.17	0.31	0.29	0.57
Policy Returns	-3.54	12.00	1.00	2.06	4.91
Policy Volatility	3.14	8.11	13.30	11.09	9.23
Tracking Error	0.91	2.39	3.30	2.72	2.59
Portfolio Information Ratio	0.95	1.15	0.91	1.01	0.87



# UTIMCO's Up/Down Capture



Data from 8/1996 till 8/2011. US equity had 76 down months and 105 up months



# GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.05	0.26		0.09
Credit-Related Fixed Income	1.46	0.35	0.62	0.52
Natural Resources	0.90	-0.09	2.63	1.21
Real Estate	1.20	0.25	3.80	1.86
Developed Country Equity	0.91	0.45	2.11	1.04
Emerging Markets Equity	1.52	0.40	3.30	1.62
<b>TOTAL</b>	<b>0.85</b>	<b>0.41</b>	<b>1.96</b>	<b>1.00</b>





# Derivative Risk Contribution - GEF

Scaled to Risk of Policy Portfolio

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.4%	0.6%		1.0%
Credit-Related Fixed Income	0.1%	1.3%	3.5%	4.9%
Natural Resources	9.2%	0.0%	5.9%	15.0%
Real Estate	2.4%	0.2%	4.4%	7.0%
Developed Country Equity	8.8%	7.3%	21.4%	37.6%
Emerging Markets Equity	11.3%	0.8%	6.5%	18.6%
<b>TOTAL</b>	<b>32.2%</b>	<b>10.2%</b>	<b>41.7%</b>	<b>84.0%</b>

Risk Contribution of Derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	-1.3%			-1.3%
Credit-Related Fixed Income				0.0%
Natural Resources	2.2%			2.2%
Real Estate	-1.1%			-1.1%
Developed Country Equity	-4.2%			-4.2%
Emerging Markets Equity	0.3%			0.3%
<b>TOTAL</b>	<b>-4.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-4.0%</b>

Risk Contribution Excluding Derivatives

Risk	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	1.7%	0.6%		2.3%
Credit-Related Fixed Income	0.1%	1.3%	3.5%	4.9%
Natural Resources	7.0%	0.0%	5.9%	12.9%
Real Estate	3.5%	0.2%	4.4%	8.1%
Developed Country Equity	13.0%	7.3%	21.4%	41.8%
Emerging Markets Equity	10.9%	0.8%	6.5%	18.2%
<b>TOTAL</b>	<b>36.2%</b>	<b>10.2%</b>	<b>41.7%</b>	<b>88.1%</b>



# Correlations

Measured from March 2008 through August 2011

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.43	0.76	0.86	0.95	0.85	0.88	0.97	0.93	0.95
Total Credit		1.00	0.57	0.65	0.64	0.56	0.59	0.67	0.74	0.70
Total RE			1.00	0.81	0.85	0.91	0.94	0.75	0.73	0.87
Total NatRes				1.00	0.93	0.92	0.94	0.91	0.82	0.95
Total DC					1.00	0.93	0.95	0.98	0.92	0.99
Total EM						1.00	0.98	0.89	0.76	0.95
MCC							1.00	0.90	0.80	0.97
LCC								1.00	0.92	0.97
PI									1.00	0.91
GEF										1.00

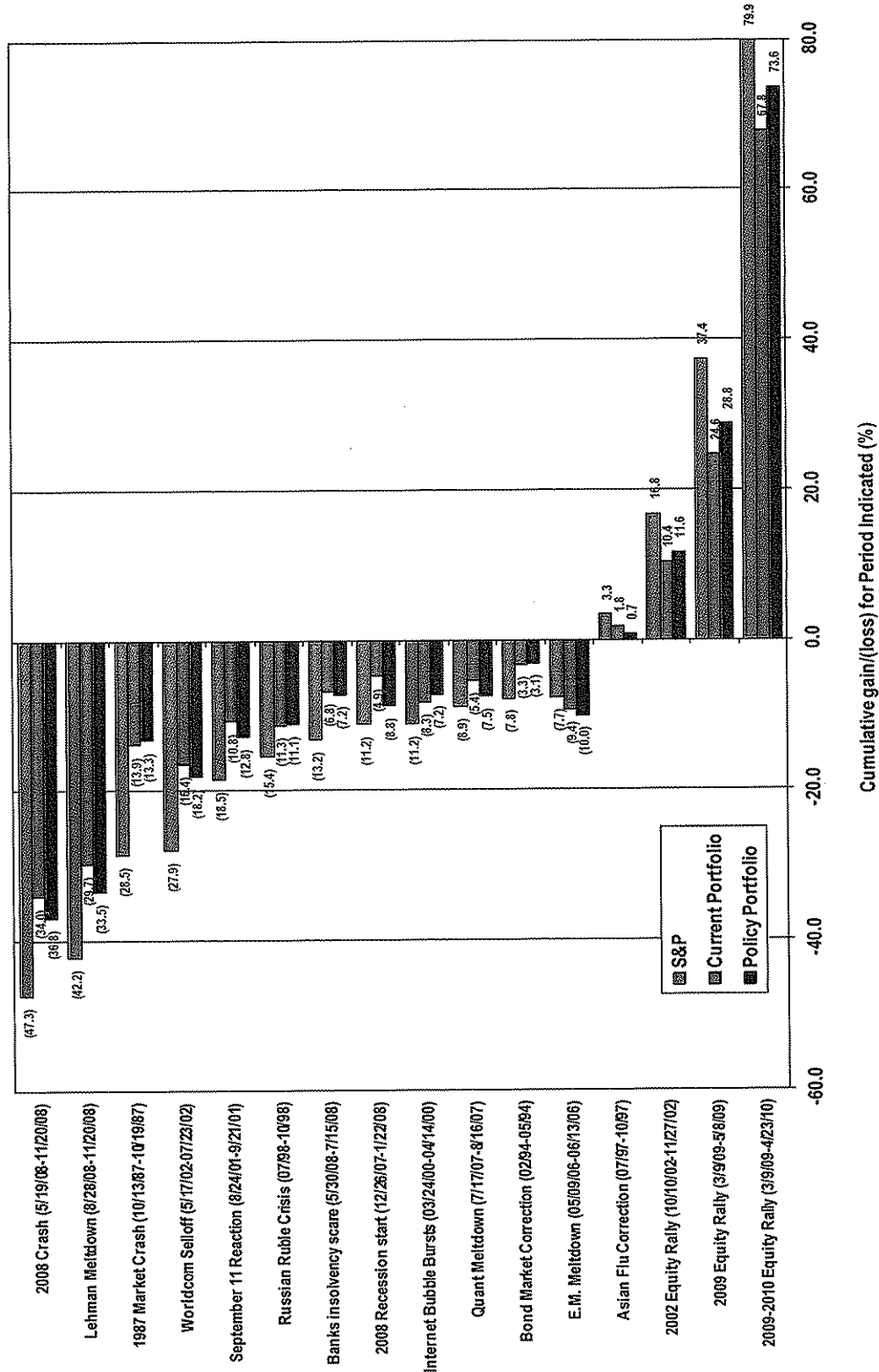


# Parametric Stress Tests

<u>Test</u>	<u>Effect on Endowment</u>
• S&P-500 drops 20%	(10.95%)
• Rates rise 100bp	(0.31%)
• Dollar strengthens 5%	(0.75%)
• Dollar weakens 5%	0.86%
• Yield curve flattens – Bull case	0.34%
• Yield curve flattens – Bear case	(0.15%)
• Yield curve steepens – Bull case	0.16%
• Yield curve steepens – Bear case	(0.17%)

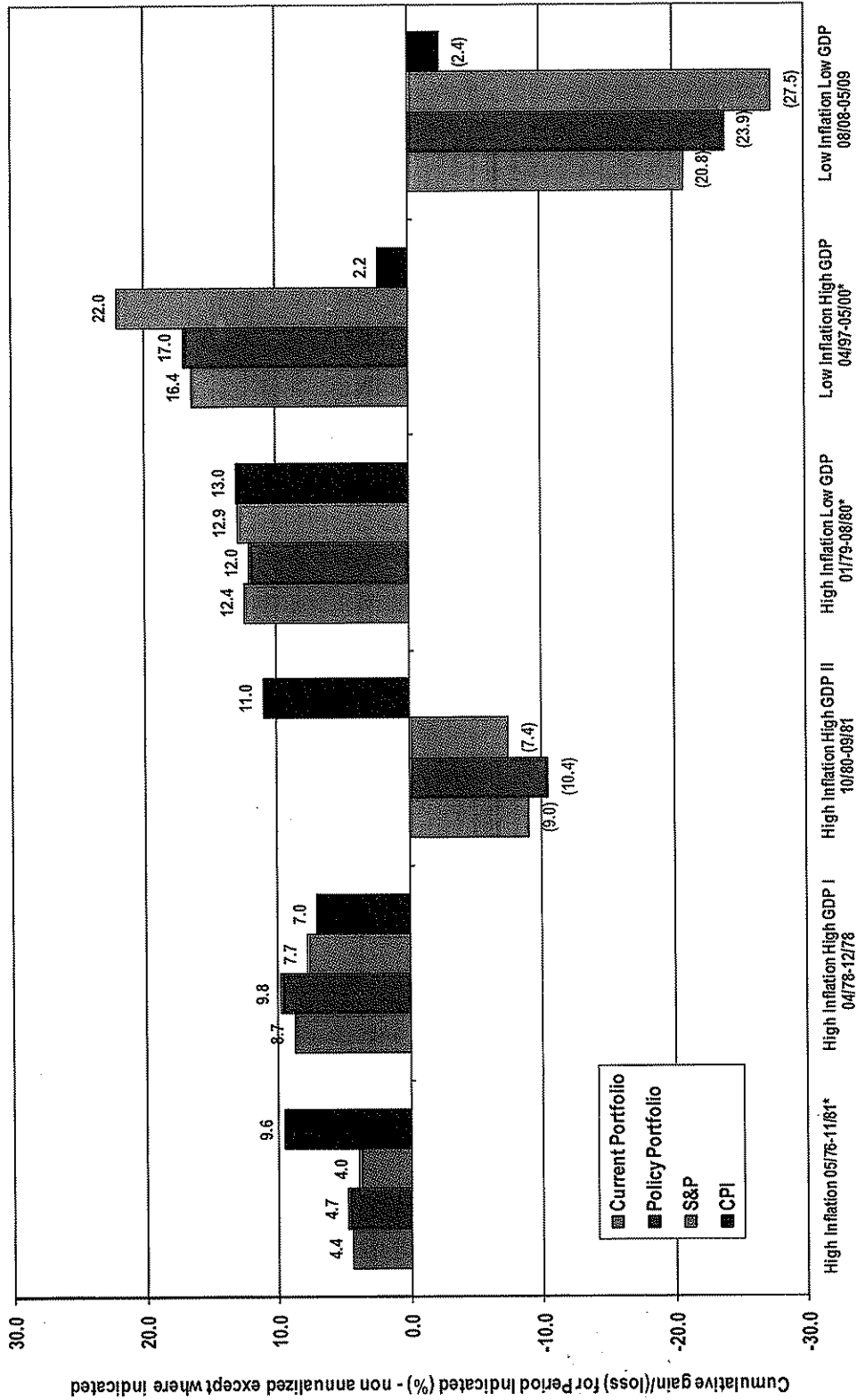


# Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments





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



\* Annualized



# Leverage



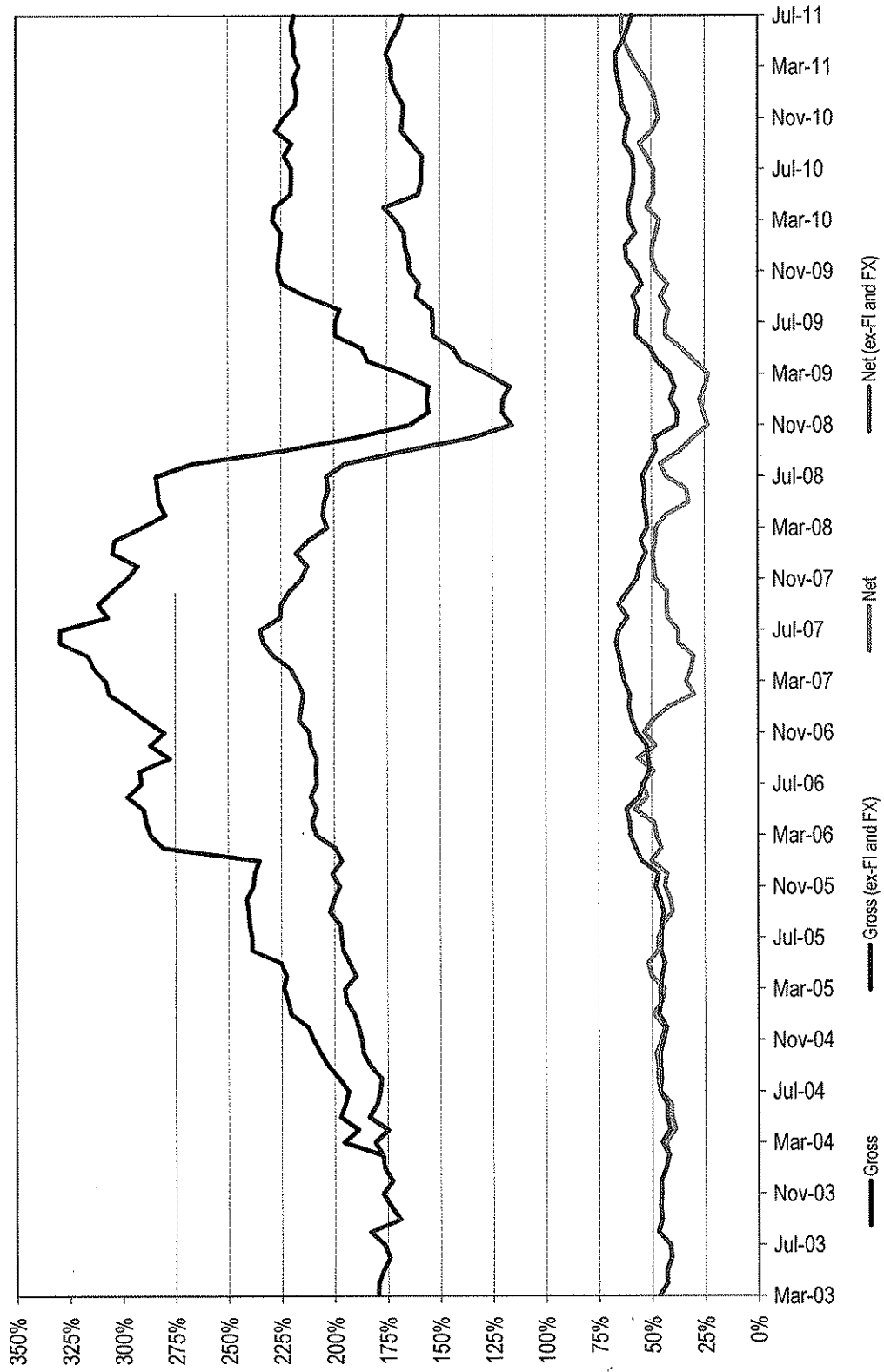
## Portfolio Level Leverage as of August 31, 2011

- Investment Grade Fixed Income had a gross leverage of 1.61x, no net leverage
- All other asst classes and investment types had no gross or net leverage at the portfolio level
- Overall the portfolio had a gross leverage of 1.06x, no net leverage



# LCC Leverage

as of July 31, 2011





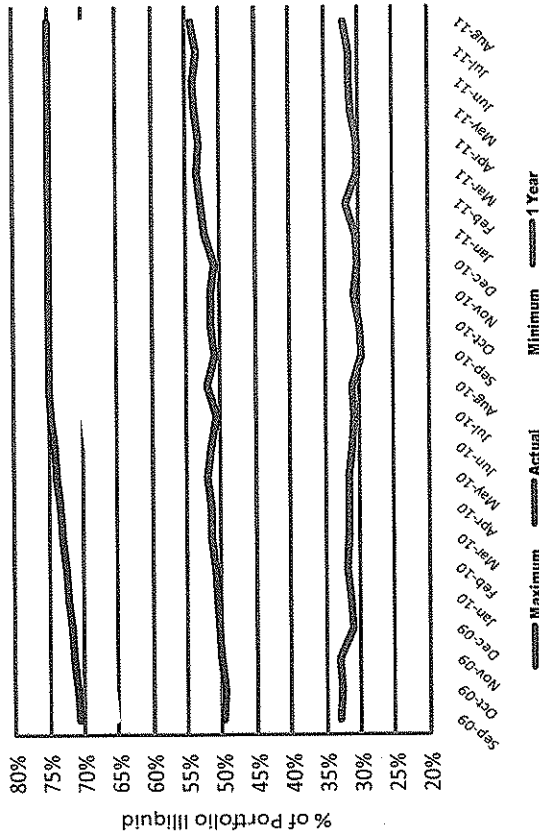


# Liquidity



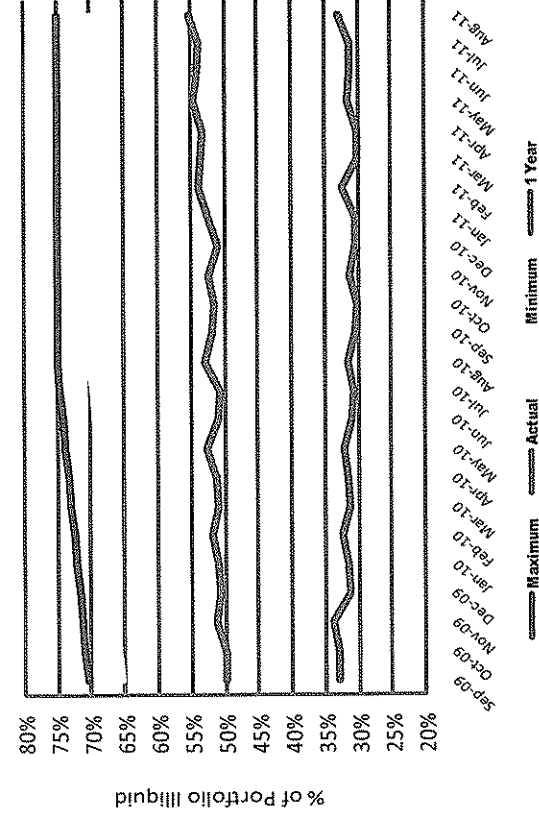
# Endowment Fund Liquidity

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



Three Month Liquidity \$ 5,819 million    One Year Liquidity \$ 8,588 million

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

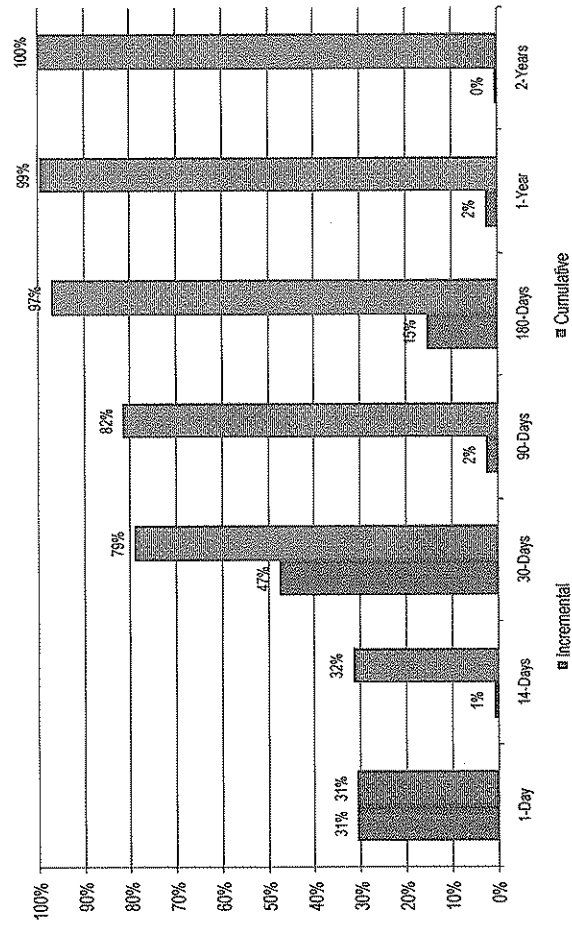


Three Month Liquidity \$ 3,163 million    One Year Liquidity \$ 4,729 million



# Estimated Run-Off Liquidity\* As of August 31, 2011

MCC



LCC



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



# Unfunded Commitments As of August 31, 2011

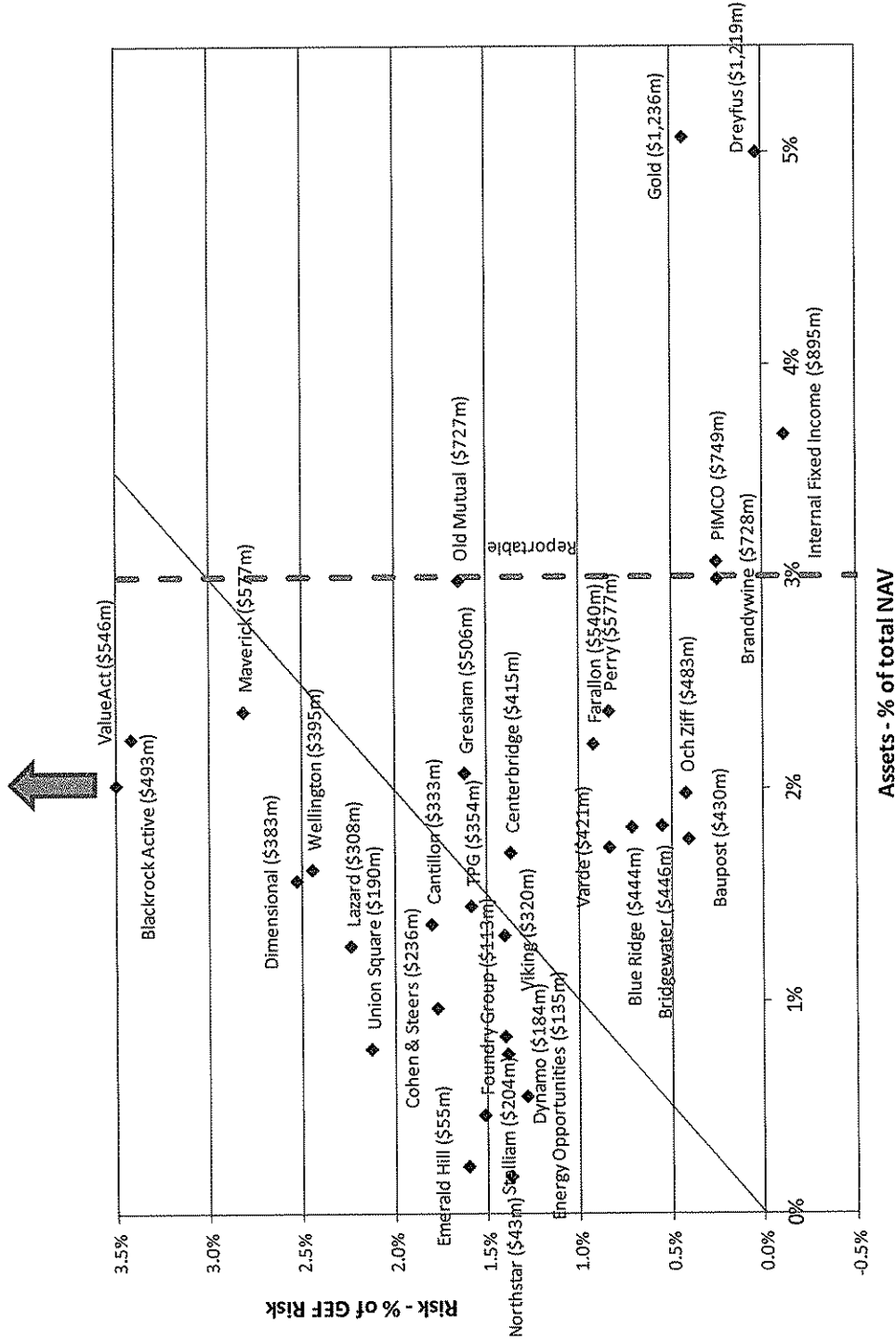
Asset Class	Unfunded		Commitment as % of Total Endowments
	Commitment	Commitment	
<u>PRIVATE INVESTMENTS</u>			
TRADING	\$15	\$15	0.1%
CONTROL	176	176	0.9%
OPPORTUNISTIC	167	167	0.8%
CREDIT-RELATED FIXED INCOME	368	368	1.8%
REAL ESTATE	568	568	2.9%
NATURAL RESOURCES	591	591	3.0%
MEGA/LARGE BUYOUT	92	92	0.5%
MEDIUM/SMALL BUYOUT	424	424	2.1%
VENTURE CAPITAL	364	364	1.8%
GROWTH/OPPORTUNISTIC	244	244	1.2%
DEVELOPED MARKETS EQUITY	1,124	1,124	5.6%
EMERGING MARKETS EQUITY	441	441	2.2%
<b>TOTAL PRIVATE INVESTMENTS</b>	<b>\$3,082</b>	<b>\$3,082</b>	<b>15.5%</b>
<u>LESS CORRELATED AND CONSTRAINED</u>			
INVESTMENT GRADE FIXED INCOME	\$ -	\$ -	0.0%
CREDIT-RELATED FIXED INCOME	23	23	0.1%
REAL ESTATE	-	-	0.0%
NATURAL RESOURCES	-	-	0.0%
DEVELOPED MARKETS EQUITY	-	-	0.0%
EMERGING MARKETS EQUITY	12	12	0.1%
<b>TOTAL LESS CORRELATED AND CONSTRAINED</b>	<b>\$35</b>	<b>\$35</b>	<b>0.2%</b>
<b>GRAND TOTAL PI AND LCC</b>	<b>\$3,117</b>	<b>\$3,117</b>	<b>15.7%</b>
<b>TOTAL ENDOWMENTS HOLDINGS</b>	<b>\$19,737</b>	<b>\$19,737</b>	
<b>MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY</b>			<b>30.0%</b>



# Manager Exposure



# Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.57% of total assets, or at least 1.29% of Risk. Risk on this chart is measured using historical downside risk





# **Investment Activity Investments, Commitments, Significant Redemptions**





# Report on Investment Transactions Made Under the Delegation of Authority

Fiscal Quarter Ended August 31, 2011

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
<b>Investment Grade Fixed Income</b>								
BlackRock Global Agg Bond Fund	\$ 174	\$ -	\$ -	\$ 174	\$ -	\$ -	\$ -	-
Credit Suisse Hedging Griffo	-	-	-	-	100	-	-	100
	174	-	-	174	100	-	-	100
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Credit-Related Fixed Income</b>								
None								
<b>Real Estate</b>								
European Investors	52	-	-	52	-	-	-	-
Cohen & Steers	40	-	-	40	-	-	-	-
Morgan Stanley	32	-	-	32	-	-	-	-
Alicion Real Estate Partners II, LP	-	-	-	-	-	75	75	75
Northwood Real Estate Partners LP	-	-	-	-	-	75	75	75
AGRE US Real Estate Fund, LP - Coinvestment	-	-	-	-	-	50	50	50
AGRE US Real Estate Fund, LP	-	-	-	-	-	50	50	50 (1)
Northwood Real Estate Co-Investors LP	-	-	-	-	-	25	25	25
	124	-	-	124	-	275	275	275
<b>Natural Resources</b>								
BlackRock Small Cap	30	-	-	30	-	-	-	-
Black River Capital Partners Food	-	-	-	-	-	35	35	35
	30	-	-	30	-	35	35	35



# Report on Investment Transactions Made Under the Delegation of Authority (continued)

Fiscal Quarter Ended August 31, 2011

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
<u>Developed Country Equity</u>									
Levin	88	-	-	88	-	-	-	-	
Value Act	75	-	-	75	-	-	-	-	
Stelliam	-	-	-	-	50	-	-	50	Yes
Praesidium	-	-	-	-	20	-	-	20	No
Passport	-	-	-	-	-	50	-	50	Yes
Soroban	-	-	-	-	-	25	-	25	Yes
MSouth Equities Partners II	-	-	-	-	-	-	50	50	Yes
Sante Health Ventures II	-	-	-	-	-	-	40	40	Yes
Sofinova Venture Partners VIII	-	-	-	-	-	-	40	40	Yes
H.I.G. Growth Buyouts & Eq Fund II	-	-	-	-	-	-	35	35	Yes
Artiman Ventures Special Opps	-	-	-	-	-	-	30	30	No
	163	-	-	163	70	75	195	340	
<u>Emerging Markets Equity</u>									
Dimensional	93	-	-	93	-	-	-	-	
Acadian	50	-	-	50	-	-	-	-	
New Silk Road	-	-	-	-	125	-	-	125	Yes
Dynamo	-	-	-	-	18	-	-	18	No
Janchor	-	-	-	-	-	50	-	50	Yes
	143	-	-	143	143	50	-	193	
<b>Subtotal</b>	<b>\$ 634</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 634</b>	<b>\$ 313</b>	<b>\$ 125</b>	<b>\$ 505</b>	<b>\$ 943</b>	
Other	-	9	-	9	-	-	-	-	
<b>Grand Total</b>	<b>\$ 634</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ 643</b>	<b>\$ 313</b>	<b>\$ 125</b>	<b>\$ 505</b>	<b>\$ 943</b>	

(1) - Final commitment amount will be the lesser of 20% of total commitments or the maximum commitment. This report reflects the maximum commitment.



# Report on Investment Transactions Made Under the Delegation of Authority (continued)

Fiscal Year Ended August 31, 2011

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private	MCC	LCC	Private	
<b>Investment Grade Fixed Income</b>							
BlackRock Global Agg Bond Fund	330	-	-	-	-	-	-
PIMCO	91	-	-	-	-	-	-
Brandywine	26	-	-	-	-	-	-
Bridgewater	-	62	-	-	-	-	-
Credit Suisse Hedging Griffo	-	-	-	300	-	-	No
Lone Peak	-	-	-	-	200	-	Yes
Woodbine	-	-	-	-	25	-	Yes
	447	62	-	300	225	-	525
<b>Credit-Related Fixed Income</b>							
Angelo Gordon CMBS	256	-	-	-	-	-	-
Watershed RMBS	44	-	-	-	-	-	-
AG Super Fund	-	85	-	-	-	-	-
Baupost	-	22	-	-	-	-	-
Farallon Credit Sidecar	-	40	-	-	-	100	Yes
FCO MA LSS LP	-	-	-	-	-	100	Yes
Centerbridge II	-	-	-	-	50	-	Yes
Farallon Asia	-	-	-	-	-	200	250
	300	147	-	-	50	200	525
<b>Real Estate</b>							
Cohen & Steers	55	-	-	-	-	-	-
European Investors	52	-	-	-	-	-	-
BlackRock REIT Fund	35	-	-	-	-	-	-
Morgan Stanley	32	-	-	20	-	-	20
GEM Realty	-	-	-	-	25	-	25
Alicon Real Estate Partners II, LP	-	-	-	-	-	75	75
KSL Capital Partners III TE	-	-	-	-	-	75	75
Northwood Real Estate Partners LP	-	-	-	-	-	75	75
Grain Infrastructure Fund, L.P.	-	-	-	-	-	60	60
AGRE US Real Estate Fund, LP - Coinvestment	-	-	-	-	-	50	50
WSI/UT Co-Investment Fund I	-	-	-	-	-	50	50
AGRE US Real Estate Fund, LP	-	-	-	-	-	50	50 (1)
Northwood Real Estate Co-Investors LP	-	-	-	-	-	25	25
Benson Elliot Real Estate Partners III, L.P.	-	-	-	-	-	19	19
	174	-	-	20	25	479	524



# Report on Investment Transactions Made Under the Delegation of Authority (continued)

Fiscal Year Ended August 31, 2011

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC		Private	MCC		Private	
	LCC	Total		LCC	Total		
<b>Natural Resources</b>							
Gresham	100	-	-	187	-	-	No
BlackRock Small Cap	30	-	-	25	-	-	No
Physical Gold Bullion	-	-	-	923	-	-	No
Wellington SPV	-	-	-	100	-	-	No
Energy Opportunities	-	-	-	47	-	-	No
Schroders Commodity Portfolio	-	-	-	23	-	-	No
P2 Brasil Private Infrastructure Fund II, L.P.	-	-	-	-	100	-	Yes
Black River Capital Partners Fund (Food)	-	-	-	-	75	-	Yes
Energy Ventures IV	-	-	-	-	50	-	Yes
Global Energy Capital LP	-	-	-	-	50	-	Yes
KERN Black Swan Co-Invest	-	-	-	-	25	-	Yes
	130	-	-	1,305	300	-	1,605
<b>Developed Country Equity</b>							
Lansdowne	202	-	-	-	-	-	-
Levin	119	-	-	-	-	-	-
Value Act	75	-	-	-	-	-	-
BlackRock EAFE Fund	73	-	-	-	-	-	-
Wellington Spec Eq	45	-	-	-	-	-	-
FCOI II	-	75	-	-	-	-	-
Fox Point	-	63	-	-	-	-	-
Blue Ridge	-	22	-	-	-	-	-
AKO	-	-	-	180	-	-	180
Cartillon	-	-	-	93	-	-	93
Praesidium	-	-	-	65	-	-	65
International Value Advisors	-	-	-	50	-	-	50
Stellarn	-	-	-	50	-	-	50
Viking Long	-	-	-	40	-	-	40
Indus Japan Long Only	-	-	-	15	-	-	15
Sorban	-	-	-	-	150	-	150
Deerfield International	-	-	-	-	50	-	50
Kingstown	-	-	-	-	50	-	50
Passport	-	-	-	-	50	-	50
Viking Global III	-	-	-	-	50	-	50
Route One	-	-	-	-	40	-	40



# Report on Investment Transactions Made Under the Delegation of Authority (continued)

Fiscal Year Ended August 31, 2011

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	LCC		Private	LCC		Private	
	MCC	Total	Total	MCC	Total		
Cadian	-	-	-	-	25	-	25
Criterion	-	-	-	-	25	-	25
Eminence	-	-	-	-	25	-	25
Perry Partners	-	-	-	-	25	-	25
Cortec Group Fund V	-	-	-	-	-	50	50
MSouth Equities Partners II	-	-	-	-	-	50	50
Foundry Venture Capital 2010 LP	-	-	-	-	-	45	45
Sante Health Ventures II	-	-	-	-	-	40	40
Sofinnova Venture Partners VIII	-	-	-	-	-	40	40
H.I.G. Growth Buyouts & Eq Fund II	-	-	-	-	-	35	35
Affimen Ventures Special Opps	-	-	-	-	-	30	30
Correlation Ventures	-	-	-	-	-	25	25
Union Square Ventures	-	-	-	-	-	25	25
	514	160	-	493	490	340	1,323
<b>Emerging Markets Equity</b>							
BlackRock EMSI	122	-	-	-	-	-	-
Dimensional	93	-	-	72	-	-	72
Acadian	50	-	-	-	-	-	-
New Silk Road	-	-	-	125	-	-	125
Dynamo	-	-	-	33	-	-	33
Arohi	-	-	-	27	-	-	27
Russian Prosperity	-	-	-	25	-	-	25
Hillhouse Gaoling Feeder Fund	-	-	-	10	-	-	10
Janchor	-	-	-	-	50	-	50
Penta Asia	-	-	-	-	25	-	25
Valiant	-	9	-	-	10	-	10
Emerald Hill Capital II - Co-Invest	-	-	-	-	-	100	100
Nortstar Equity Partners III	-	-	-	-	-	100	100
Helios Investors II	-	-	-	-	-	50	50
Everstone Capital Partners II	-	-	-	-	-	42	42
	265	9	-	292	85	292	669
<b>Subtotal</b>	<b>\$ 1,830</b>	<b>\$ 378</b>	<b>\$ -</b>	<b>\$ 2,410</b>	<b>\$ 875</b>	<b>\$ 1,611</b>	<b>\$ 4,896</b>
Other	1	24	7	-	3	-	3
<b>Grand Total</b>	<b>\$ 1,831</b>	<b>\$ 402</b>	<b>\$ 7</b>	<b>\$ 2,410</b>	<b>\$ 878</b>	<b>\$ 1,611</b>	<b>\$ 4,899</b>

(1) - Final commitment amount will be the lesser of 20% of total commitments or the maximum commitment. This report reflects the maximum commitment.



**ITF**



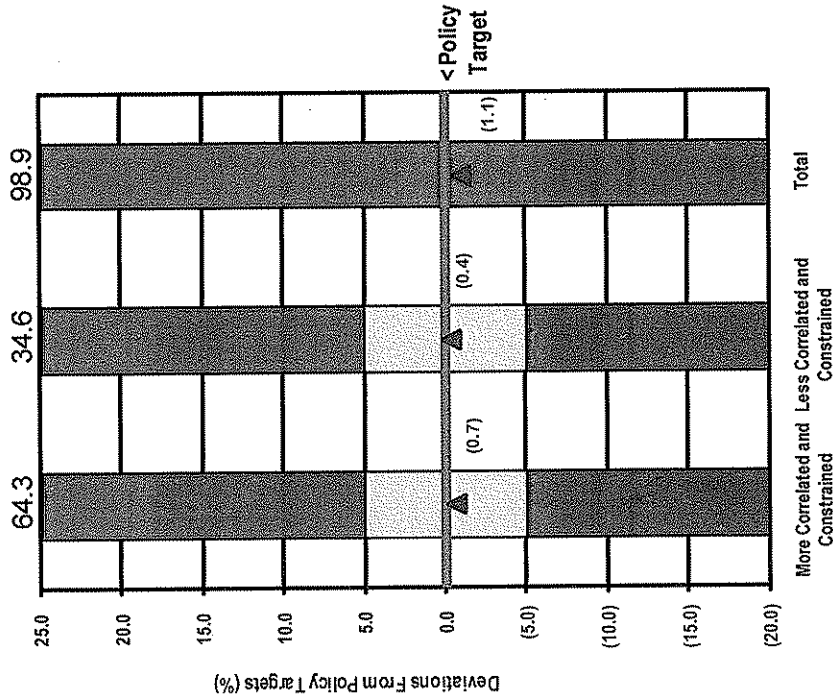
# ITF Asset Allocation as of August 31, 2011 (in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	1,592	34.1%	155	3.3%	-	0.0%	1,747	37.4%
	Credit-Related	-	0.0%	241	5.2%	-	0.0%	241	5.2%
<b>Fixed Income Total</b>		<b>1,592</b>	<b>34.1%</b>	<b>396</b>	<b>8.5%</b>	<b>-</b>	<b>0.0%</b>	<b>1,988</b>	<b>42.6%</b>
Real Assets	Real Estate	135	2.7%	34	0.7%	-	0.0%	169	3.4%
	Natural Resources	611	13.2%	3	0.1%	-	0.0%	614	13.3%
<b>Real Assets Total</b>		<b>746</b>	<b>15.9%</b>	<b>37</b>	<b>0.8%</b>	<b>-</b>	<b>0.0%</b>	<b>783</b>	<b>16.7%</b>
Equity	Developed Country	328	7.0%	1,047	22.5%	-	0.0%	1,375	29.5%
	Emerging Markets	342	7.3%	132	2.8%	-	0.0%	474	10.1%
<b>Equity Total</b>		<b>670</b>	<b>14.3%</b>	<b>1,179</b>	<b>25.3%</b>	<b>-</b>	<b>0.0%</b>	<b>1,849</b>	<b>39.6%</b>
<b>Grand Total</b>		<b>\$ 3,008</b>	<b>64.3%</b>	<b>\$ 1,612</b>	<b>34.6%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 4,620</b>	<b>98.9%</b>

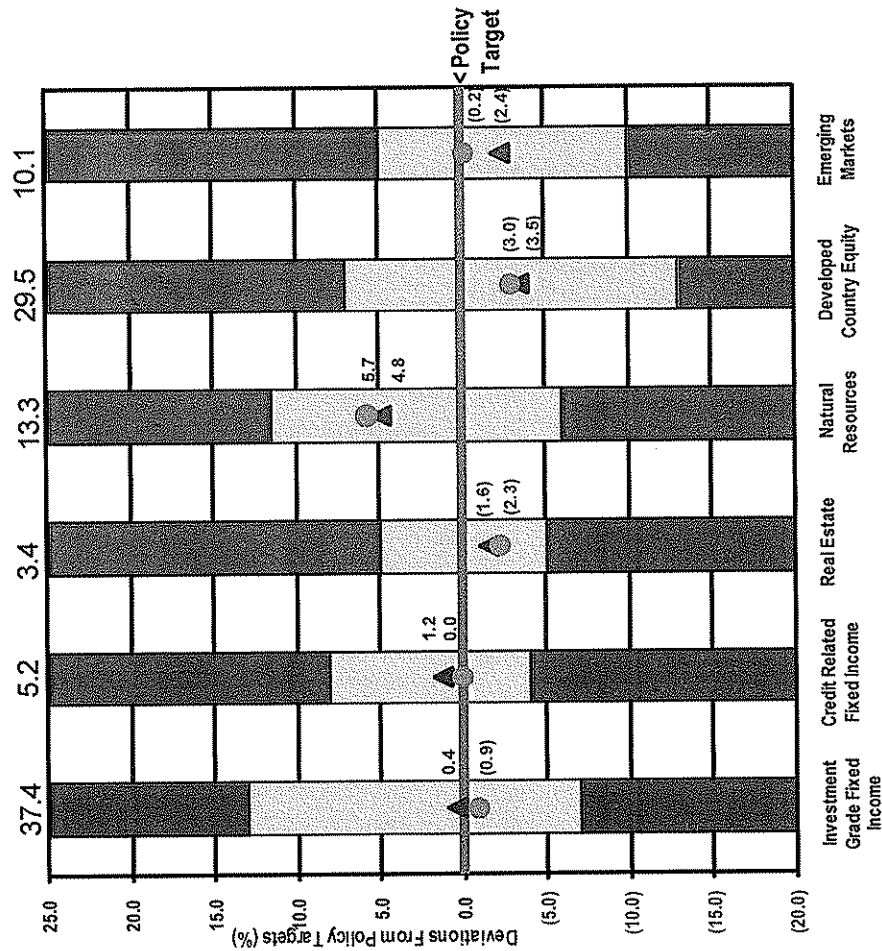


# ITF Asset Allocation as of August 31, 2011

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



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



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





# Intermediate Term Fund Insurance Hedges as of August 31, 2011

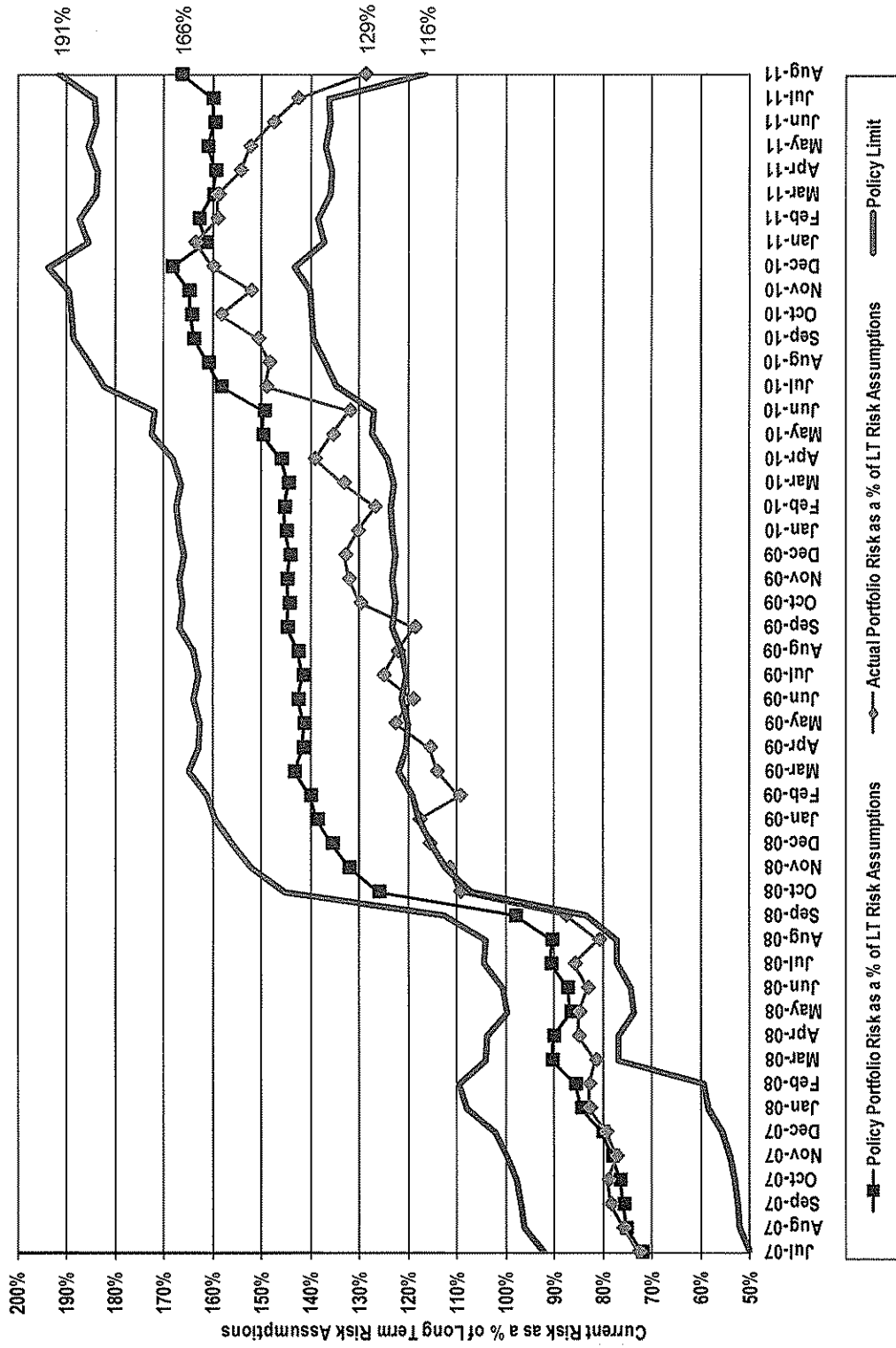
<u>Event</u>	<u>Hedge</u>	Current Exposures			Current Quarter Changes				
		<u>Total Cost</u> (1)	<u>bps Cost/Year</u> (2)	<u>Notional (\$ millions)</u>	<u>MTM (\$ millions)</u>	<u>Cost</u>	<u>bps Cost/Year</u> (2)	<u>Notional (\$ millions)</u>	<u>MTM (\$ millions)</u>
U.S. Inflation	CMS Options	\$ (10)	5.0	\$ 1,867	\$ 8	\$ (1)	0.5	\$ 192	\$ (2)
Emerging Markets Bubble	KOSPI Put Spreads	(5)	4.9	177	5	(5)	4.9	177	5
	ASX Put Spreads	(6)	7.0	242	7	(4)	2.4	109	5
	AUD forwards to hedge ASX premiums	-	-	6	-	-	-	4	-
Sovereign Default	JPY Rate Options and Swaptions	(7)	6.3	1,171	2	(3)	1.6	218	-
	DKK Call / EURO Put Options	(2)	3.5	249	1	(2)	3.5	249	1
Low Growth / Recession	Short Japan Index Swaps	-	-	(3)	-	-	-	(3)	-
	Short MSCI Europe Index Swaps	-	-	(10)	(1)	-	-	(10)	(1)
	Short Real Estate Index Swaps (DJUSRE)	-	-	(47)	(4)	-	-	(47)	(4)
	Short S&P 500 Index Swaps	-	-	(24)	(2)	-	-	(24)	(2)
	Short S&P 400 Index Swaps	-	-	(9)	(1)	-	-	(9)	(1)
<b>TOTAL</b>		<b>\$ (30)</b>	<b>26.8</b>			<b>\$ (15)</b>			<b>13.0</b>

(1) Maximum Loss for Options

(2) Amount of delegated insurance budget used for fiscal year ending August, 2012.

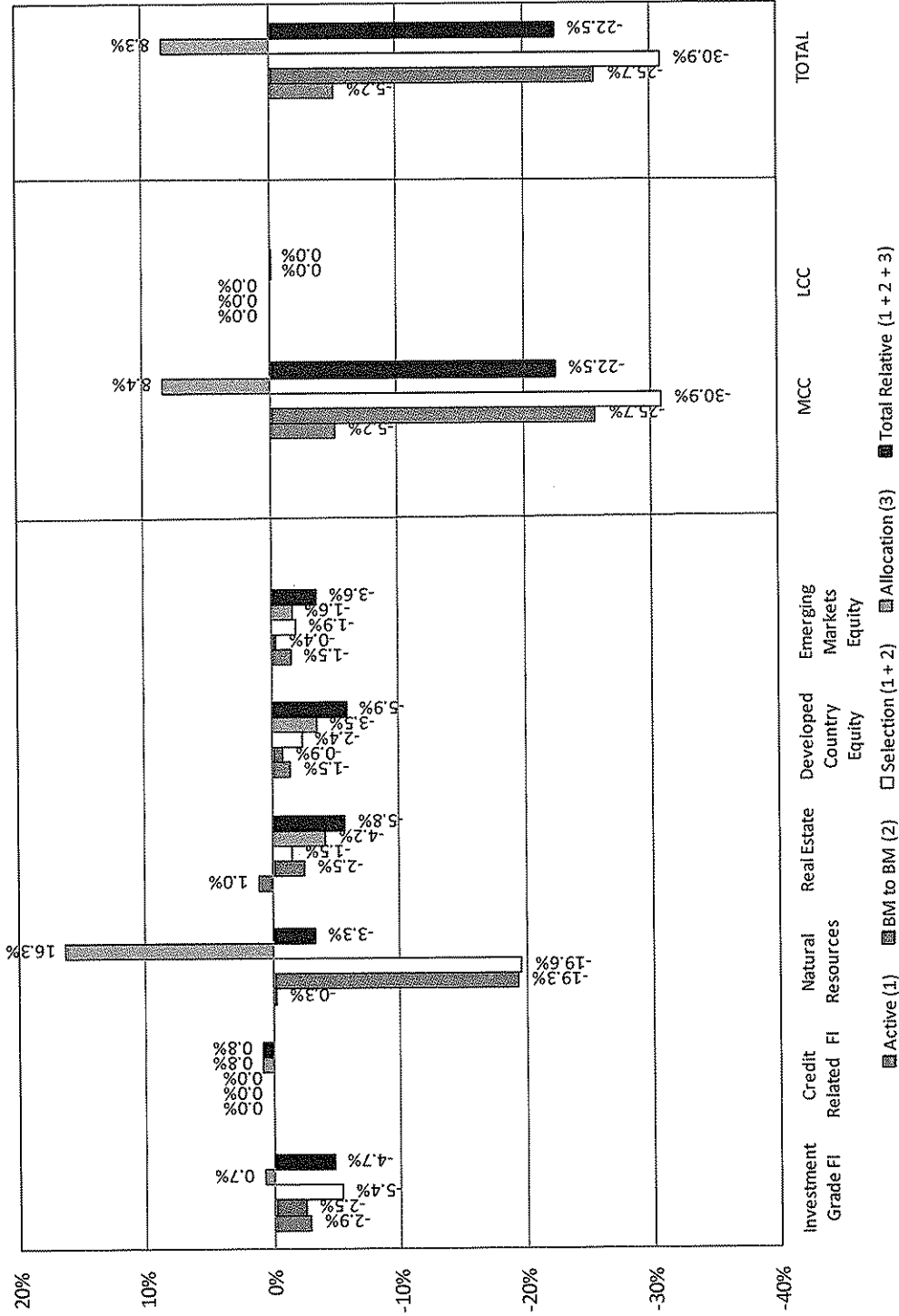


# Current Risk Environment of ITF (Based on Downside Risk; LT assumption = 5.34%)





# ITF 4-Way Risk Decomposition as of August 31, 2011



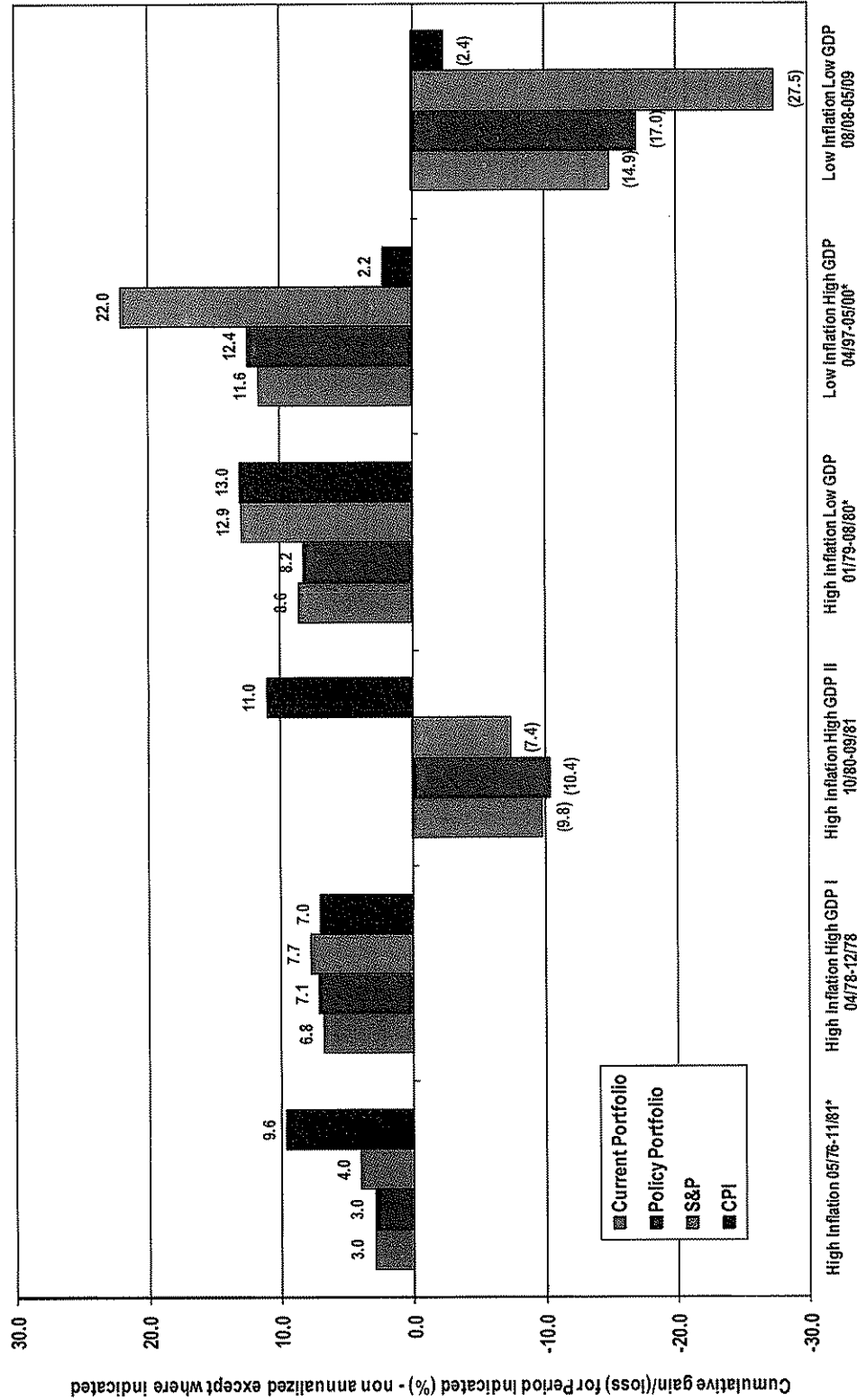


# Parametric Stress Tests

<u>Test</u>	<u>Effect on ITF</u>
• S&P-500 drops 20%	(4.16%)
• Rates rise 100bp	(1.53%)
• Dollar strengthens 5%	(1.05%)
• Dollar weakens 5%	1.17%
• Yield curve flattens – Bull case	1.43%
• Yield curve flattens – Bear case	(0.40%)
• Yield curve steepens – Bull case	0.42%
• Yield curve steepens – Bear case	(1.13%)



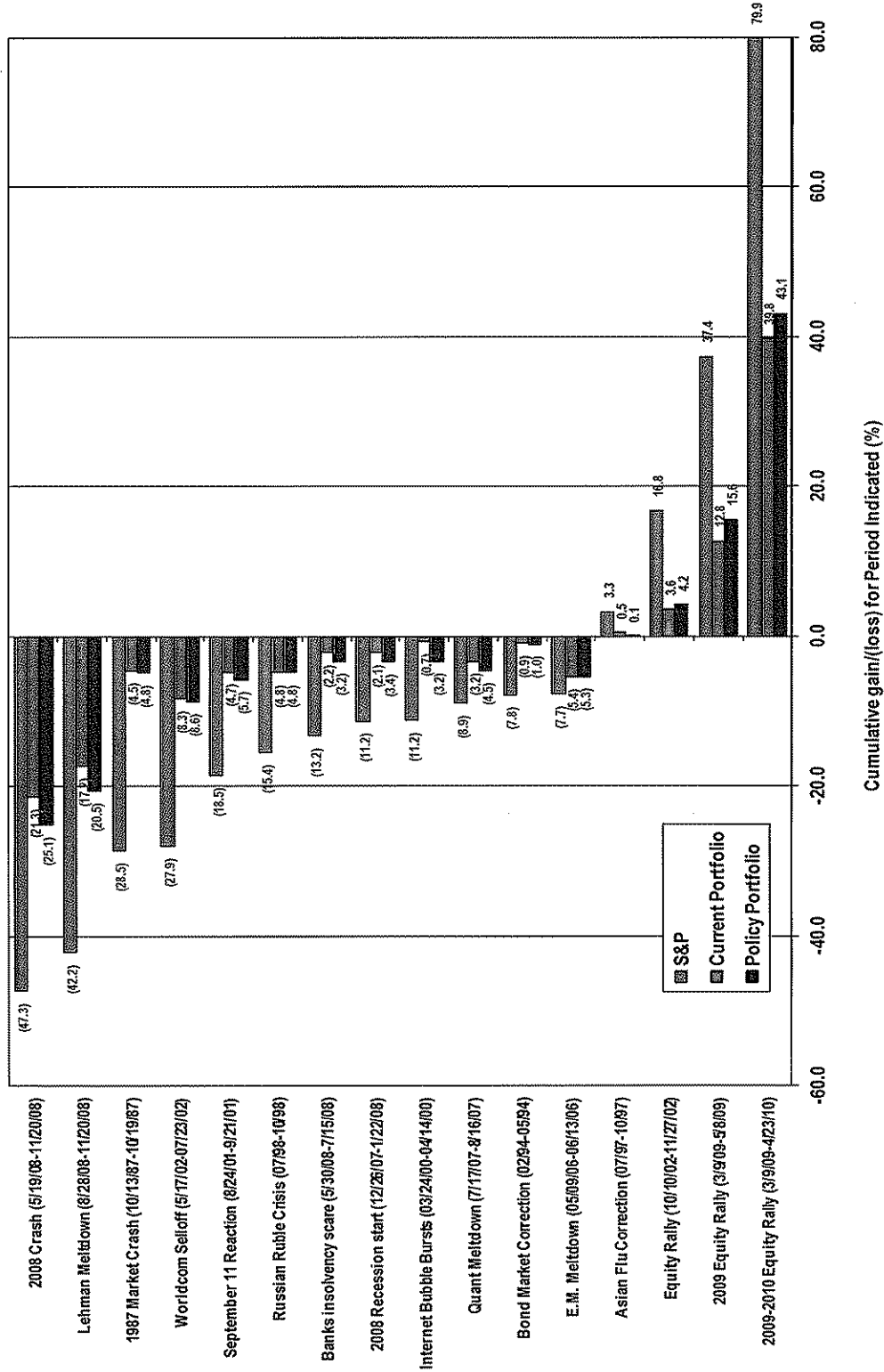
# Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments



\* Annualized



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





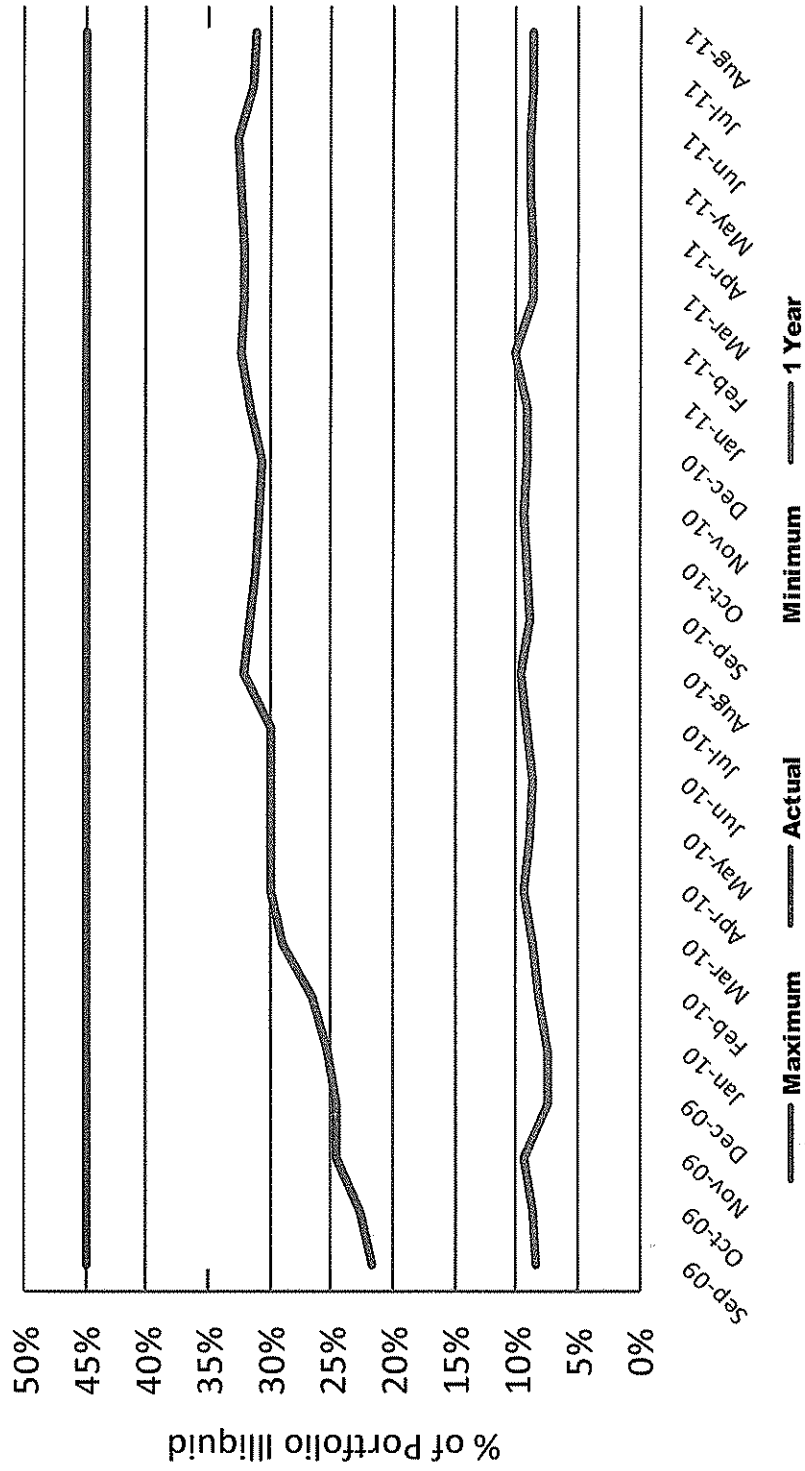
## ITF Leverage as of August 31, 2011

- Investment Grade Fixed Income had a gross leverage of 1.70x, no net leverage
- All other asst classes had no gross or net leverage at the portfolio level
- Overall the portfolio had a gross leverage of 1.24x, no net leverage



# ITF Liquidity

## Intermediate Term Fund Actual Illiquidity vs. Trigger Zones







# Contracts Update



# Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For June 25, 2011 through September 30, 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