

**UTIMCO BOARD OF DIRECTORS  
SPECIAL CALLED  
MEETING AGENDA  
October 10, 2013**

UTIMCO  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701

Time	Item #	Agenda Item
Begin	End	
3:00 p.m.	3:05 p.m.	1 <b>OPEN MEETING:</b> Call to Order/Discussion and Appropriate Action related to Minutes of Meeting held July 22, 2013*
3:05 p.m.	3:15 p.m.	2     Discussion and Appropriate Action Related to Corporate Resolutions: - Election of UTIMCO Chairman* - Committee Assignments* - Resolution of Appreciation*
3:15 p.m.	3:45 p.m.	3     UTIMCO Organization Update - Discussion and Appropriate Action Related to UTIMCO Board Ratification of Contract*
3:45 p.m.	4:30 p.m.	4     Endowment and Operating Funds Update Report
4:30 p.m.	4:40 p.m.	<b>Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments Reconvene in Open Session</b>
4:40 p.m.		<b>Adjourn</b>

\* 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.

<b>Next Scheduled Meeting: November 12, 2013</b>
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**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **July 22, 2013**, be, and are hereby, approved.

**MINUTES OF 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 22, 2013**, 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  
Ardon E. Moore, Vice Chairman  
Francisco G. Cigarroa, Vice Chairman for Policy  
Kyle Bass  
Morris E. Foster  
R. Steven Hicks  
Charles W. Tate  
James P. Wilson

Chairman Foster called the meeting to order at 10:33 a.m. Chairman Foster and Directors Moore, Morris Foster, Hicks and Wilson were in attendance, thus constituting a majority and quorum of the Board. Directors Bass, Cigarroa and Tate joined the meeting later, as noted in the minutes. 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 Shoberg, Managing Director - Real Estate Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Uche Abalogu, Chief Technology Officer; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner of Andrews Kurth LLP; Allen Hah, Terry Hull, Moshmee Kalamkar, Jim Phillips, and Roger Starkey of The University of Texas System ("UT System") Administration; and Maria Robinson of The Texas A&M University System. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

**Minutes**

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on April 16, 2013. 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 16, 2013**, be, and are hereby, approved.

## **Corporate Resolutions**

Chairman Foster recognized Director Printice L. Gary for his outstanding leadership, commitment, and service to the Corporation as a member of the Board of Directors. Directors Bass and Tate joined the meeting at this time. Chairman Foster recommended approval of the Resolution of Appreciation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

**WHEREAS**, in recognition of his substantial background and expertise in business, real estate and construction, Printice L. Gary was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2007, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company (“UTIMCO”) in 2009, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2011; and

**WHEREAS**, Mr. Gary has provided invaluable insight and counsel, drawing on his immense experience as founder of Carleton Residential Properties, serving as its Chief Executive Officer and Managing Partner; and previously as a division partner at Trammell Crow Residential; and

**WHEREAS**, Mr. Gary’s unselfish contributions are also evidenced in the civic arena by his service on the Boards of the Dallas Citizens Council, the North Texas Tollway Authority, Pro-line Corporation, CC Young, the Texas Tax Reform Commission; Southwestern Medical Foundation; the National Equity Fund in Chicago, Illinois; and as a former trustee of Carleton College; and

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

**WHEREAS**, Mr. Gary’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 Board of Regents of The University of Texas System, including service as Chair of the Facilities Planning and Construction Committee; Vice Chairman of the Finance and Planning Committee; member of the Health Affairs Committee; member of the Technology Transfer and Research Committee; member of the Special Advisory Committee on the Brackenridge Tract; and a Regental Representative on the Board for Lease of University Lands; and

**WHEREAS**, Mr. Gary has provided outstanding leadership and judgment to UTIMCO through his dedicated service as Chairman of the Policy Committee and Member of the Board's Audit and Ethics Committee. **NOW, THEREFORE**,

**BE IT RESOLVED**, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Printice Gary 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. Gary 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 22 day of July, 2013.

### **Risk Committee Report**

Chairman Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met individually and then jointly with the Policy Committee on July 9, 2013. He stated that the Risk Committee approved six new investment mandate categorizations prepared by Staff for the period beginning March 30, 2013, and ending June 21, 2013. Mr. Tate also stated that the Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending May 31, 2013. Ms. Gonzalez reported one out-of-compliance matter in the Compliance Summary Program report for the fiscal quarter ending May 31, 2013, regarding an external manager. As of May 31, 2013, a fixed income manager's portfolio duration variance was slightly over the investment benchmark. The portfolio duration was back in compliance and procedures were put into place by the manager to ensure compliance going forward. In the future, upon request from the Committee, Staff will identify managers when reporting out-of-compliance matters. Mr. Zimmerman reported the results of the Committee self-assessment. He stated that overall the responses were positive and all responses expressed satisfaction with the performance of the Committee. Outcome of the self-assessment will include review of the Committee Charter, one-on-one meetings with the Committee members and Dr. Yoeli, and review of the risk reporting in the funds update section to consider changes in the data provided to the Committee and Board. Policy changes were discussed jointly with the Policy Committee, and they will be reported in the Policy Committee report. The Committee approved a recommendation from Staff to eliminate annual review of the mandate categorizations since they are reported to the Committee at each quarterly meeting.

### **Policy Committee Report**

Chairman Foster asked Mr. Bass to report on behalf of the Policy Committee. Mr. Bass stated that the Policy Committee met separately and jointly with the Risk Committee on July 9, 2013. Mr. Bass reported that the Committee discussed proposed amendments to various investment policies. He stated that there

was discussion held by the Committee regarding dollar amounts versus percentage amounts with regards to delegation of authority. The Policy Committee approved minutes from the previous meeting, approved amendments to the Bylaws, and jointly with the Risk Committee, discussed and took appropriate action related to proposed amendments to: a) investment policy statements, b) liquidity policy, c) derivative

investment policy, d) delegation of authority policy, and e) mandate categorization procedure. These amendments will need further Board approval. Mr. Zimmerman summarized the changes to the policies, reviewed the results from the Policy Committee Self-Assessment and answered the Directors' questions. The Policy Committee recommended that the Board approve the following resolution related to investment policies and Corporation Bylaws, subject to further approval by the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund and Exhibits B of the Investment Policy Statements of the Permanent Health Fund and Long Term Fund; and amendments to the Liquidity Policy, Derivative Investment Policy, and UTIMCO 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.

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

Chairman Foster asked Mr. Wilson to provide a report on behalf of the Audit and Ethics Committee. Mr. Wilson reported that the Committee convened on July 9, 2013. He stated that the Committee was presented with three action items. The minutes from the April meeting were approved, Deloitte and Touche LLP was approved as the independent auditor for the Corporation, pending further Board approval, and approval of the FY 2014 Audit Plan submitted by the UT System Audit Office. Ms. Gonzalez provided quarterly compliance reports, and Mr. Turner provided an update on personal trading. Mr. Peppers gave an update on the FY 2013 audits being conducted by the UT System Audit Office, and provided the proposed FY 2014 Audit Plan which was approved by the Committee. Ms. Gonzalez also gave an annual review on the UTIMCO Director Co-Investment Log for FY 2013, required by the Master Investment Management Services Agreement between the Corporation and the UT System Board of Regents. Ms. Shepherd presented a summary of the Financial Advisor and Service Provider Disclosures for 2012 that had been compiled and submitted to the State Auditor's Office by April 15, as per the Texas Government Code, Section 2263.00. Ms. Moeller provided a brief update on the upcoming external audit for 2013. Mr. Zimmerman reported on the results of the Committee's self-assessment. He stated that overall the responses were positive and all responses expressed satisfaction with the performance of the Committee. The Committee requested review of the Committee Charter, and encouraged input, dialogue and comments from Corporation management, and internal and external auditors. Ms. Moeller provided a review of the unaudited financial statements for the nine months ending May 31, 2013, for the Funds and Corporation, and Mr. Wilson, on behalf of the Committee, recommended approval by the Board of the engagement of Deloitte and Touche LLP as independent auditor for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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, 2013.

### **Compensation Committee Report**

Chairman Foster asked Mr. Hicks to report on behalf of the Compensation Committee, even though the item was not on the agenda. Mr. Hicks stated that the Compensation Committee had met on July 17, 2013. Mr. Hicks explained that the Committee and Staff believed that a peer group study was warranted for the 2013/2014 fiscal year and Mercer had been engaged to provide the study. Ms. Hibsichman, the principal consultant for Mercer, advised that peer groups for purposes of compensation should be revisited on a periodic basis to ensure continued relevance. She summarized the peer group study criteria, and asked questions of the Committee for consideration to arrive at a confirmed peer group. She also gave the Committee peer group options. The Committee confirmed with Ms. Hibsichman the peer group to use in the benchmark study and requested further data. Mr. Hicks reported that Ms. Hibsichman would take into consideration all of the Committee members' questions and requests, and she would return to the Committee with additional data to review at a future meeting.

### **Endowment and Operating Funds Update**

Chairman Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Director Cigarroa joined the meeting at this time. Mr. Zimmerman presented the Corporation's Performance Summary as of May 31, 2013, and preliminary numbers as of June 30, 2013. Mr. Zimmerman reported the Corporation had \$29.8 billion of assets under management at the end of May 31, 2013. Of the \$29.8 billion, \$14.6 billion was in the Permanent University Fund ("PUF"), \$7.6 billion in the General Endowment Fund ("GEF"), \$1.6 billion in the Short Term Fund ("STF"), \$0.4 billion in the Debt Proceeds Fund, and \$5.4 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 nine month period ended May 31, 2013, for the PUF was 8.88% and for the GEF was 9.04%, versus benchmark returns of 7.54% for the PUF and GEF. The net performance for the one year ended May 31, 2013, for the PUF was 12.92% and for the GEF was 13.15%, versus benchmark returns of 12.91% for each fund. The ITF's performance was 6.05% versus its benchmark return of 4.02% for the nine months ended May 31, 2013, and 10.64% versus its benchmark return of 8.16% for the one year ended May 31, 2013. Performance for the STF was 0.09% versus 0.09% for its benchmark return for the nine months ended May 31, 2013, and was 0.14% versus a benchmark return of 0.12% for the one year ended May 31, 2013. Mr. Zimmerman asked Dr. Yoeli to review the risk section of the Funds Update. Dr. Yoeli provided risk analytics for the period ending May 31, 2013, beginning with the current risk environment, including 4-way risk decomposition, up/down capture, risk contributions and correlations. Mr. Zimmerman and Ms. Iberg 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, 2013, including manager exposure and leverage. He also reported on derivatives and counterparties, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman, Ms. Iberg, Dr. Yoeli and Ms. Chen answered the Directors' questions.

There being no further business to come before the Board, the meeting was adjourned at approximately 12:00 p.m.

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

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Ardon E. Moore  
Vice Chairman, Board of Directors of  
The University of Texas Investment Management Company

**Agenda Item**  
UTIMCO Board of Directors Meeting  
October 10, 2013

**Agenda Item:** Discussion and Appropriate Action Related to Corporate Resolutions:  
- Election of UTIMCO Chairman  
- Committee Assignments  
- Resolution of Appreciation

**Developed By:** Staff

**Presented By:** Moore

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

**Description:** Vice Chairman Moore will seek nominations from the UTIMCO Board Directors to elect a new UTIMCO Chairman. UTIMCO's former Chairman, Paul Foster, was elected Chairman of the Board of Regents of The University of Texas System and his replacement on the UTIMCO Board was approved by the Board of Regents on September 12, 2013.

The newly elected Chairman will nominate new committee assignments and chairs, as appropriate.

The newly elected Chairman will present a recommendation to the Board to approve a resolution acknowledging Mr. Paul Foster's service on the UTIMCO Board.

**Recommendation:** Vice Chairman Moore will recommend approval of the election of the UTIMCO Chairman and the newly elected Chairman will recommend approval of the resolution of appreciation and committee assignments.

**Reference:** None

**RESOLUTION RELATED TO CORPORATION OFFICER**

RESOLVED, that \_\_\_\_\_ is hereby appointed to the office of Chairman of the Corporation, to serve until the next Annual Meeting of the Corporation or until his or her earlier death, resignation or removal.

**RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS**

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

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

subject to approval by the Board of Regents of The University of Texas System at 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 \_\_\_\_\_ is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

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

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

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

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

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

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

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

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

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

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

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

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

**WHEREAS**, in recognition of his substantial background and expertise in business and investments, Paul L. Foster was appointed by Governor Rick Perry to a six-year term to The University of Texas System Board of Regents in 2007, and was reappointed to the Board in 2013 for another six-year term; and

**WHEREAS**, Mr. Foster was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company (“UTIMCO”) in 2007, and was reappointed by the Board of Regents to serve additional terms on the UTIMCO Board until 2013; and

**WHEREAS**, Mr. Foster served as Chairman of the Board’s Audit and Ethics Committee, and Member of the Policy Committee and Risk Committee, and was elected Chairman in 2010; and

**WHEREAS**, Mr. Foster served as Chairman until September 2013; and

**WHEREAS**, during his tenure on the UTIMCO Board, Mr. Foster provided invaluable insight and counsel, drawing on his immense business experience as Executive Chairman of Western Refining, Inc., an independent oil refiner and marketer, headquartered in El Paso, Texas; and

**WHEREAS**, Mr. Foster’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 University of Texas System, including serving as Chairman and Vice Chairman of the Board of Regents, Chairman of the Finance and Planning Committee, Vice Chairman of the Audit, Compliance, and Management Review Committee, and as a member of the Academic Affairs and Health Affairs Committees; and

**WHEREAS**, Mr. Foster’s unselfish contributions are also evidenced in the civic and corporate arena, by his service on numerous boards, including the Advisory Board of the Hankamer School of Business at Baylor University, the Governor’s Business Council, World Presidents’ Organization, the Texas Economic Development Corporation, member, former executive committee member and former chair of the El Paso Regional Economic Development Corporation, former chairman of the El Paso Chapter of the American Red Cross, member of the Greater El Paso Chamber of Commerce, the Executive Committee of the Paso del Norte organization, the Bank of the West Board and Chairman of the Nomination and Governance Committee, National Petroleum Club, Business Advisory Council of The University of Texas at El Paso, and a former member of the Young Presidents’ Organization and the Texas Higher Education Coordinating Board; and

**WHEREAS**, during Mr. Foster’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. Foster’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 Paul L. Foster 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. Foster 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 10th day of October, 2013.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
October 10, 2013

**Agenda Item:** UTIMCO Organization Update – Discussion and appropriate action related to UTIMCO Board Ratification of Contract

**Developed By:** Staff

**Presented By:** Zimmerman, Abalogu

**Type of Item:** Action Item

**Description:** Bruce Zimmerman will provide an update on UTIMCO's staffing. Uche Abalogu will provide an update on the technology infrastructure platform and application development, and request action on the related contract.

UTIMCO has entered into a contract with GlobeArc LLC, a New York based company to jointly extend and re-develop their flagship product to UTIMCO's specifications to meet a pressing need for an investment support system for UTIMCO's investment professionals. During a Board meeting last year on July 11, 2012, Staff presented the *Information Technology Strategic Plan: Infrastructure* presentation and discussed the situation, objective, effort, timeline and costs. The FY13 costs were included in the UTIMCO capital budget. The overall project was estimated at a total of \$3,050,000, which included \$1,050,000 for FY13 and \$2,000,000 for FY14 and FY15. Staff has been providing updates of the project at each UTIMCO Board meeting. The first stage of the project, which was to understand and determine UTIMCO's optimal business practices and establish the work flow business analysis, was completed and work to develop the document management center and investment support system, is ongoing. Based on its work, Staff chose GlobeArc LLC as its partner to develop and implement the project. Staff entered into a contract with GlobeArc LLC with a projected cost of \$895,000 per annum excluding UTIMCO's infrastructure and third party supporting software licensing costs, resulting in an estimated cost of \$2.7 million over the 36-month project duration. UTIMCO is requesting that the UTIMCO Board ratify the contract with GlobeArc in accordance with the UTIMCO Delegation of Authority which requires obligations of \$1 million or more during the contract term to be approved by the Board.

**Recommendation:** Staff requests appropriate action to ratify the contract entered into between UTIMCO and GlobeArc LLC dated April 23, 2013.

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

## RESOLUTION REGARDING GLOBEARC LLC CONTRACT

WHEREAS, the Delegation of Authority delegates to the UTIMCO Chief Executive Officer the authority to execute on 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 of \$1 million or less during the contract term; and

WHEREAS, to meet a pressing need for an investment support system for UTIMCO's investment professionals, UTIMCO staff entered into a contract with GlobeArc LLC to serve as an information technology consultant and system developer of the investment support system, and

WHEREAS, after entering into the contract, UTIMCO staff realized it had exceeded its delegated authority to enter into the contract because the value of the contract exceeds \$1 million during the contract term of three years; and

WHEREAS, Staff requests the UTIMCO Board ratify the contract with GlobeArc LLC dated April 23, 2013, if the UTIMCO Board deems appropriate.

NOW, THEREFORE, be it:

RESOLVED that the contract entered into between the Corporation and GlobeArc LLC dated April 23, 2013 (the "Agreement"), for GlobeArc LLC to serve as an information technology consultant and developer for the Corporation is hereby ratified, confirmed, approved and adopted.

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



**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

# **UTIMCO ORGANIZATION UPDATE**

**October 10, 2013**

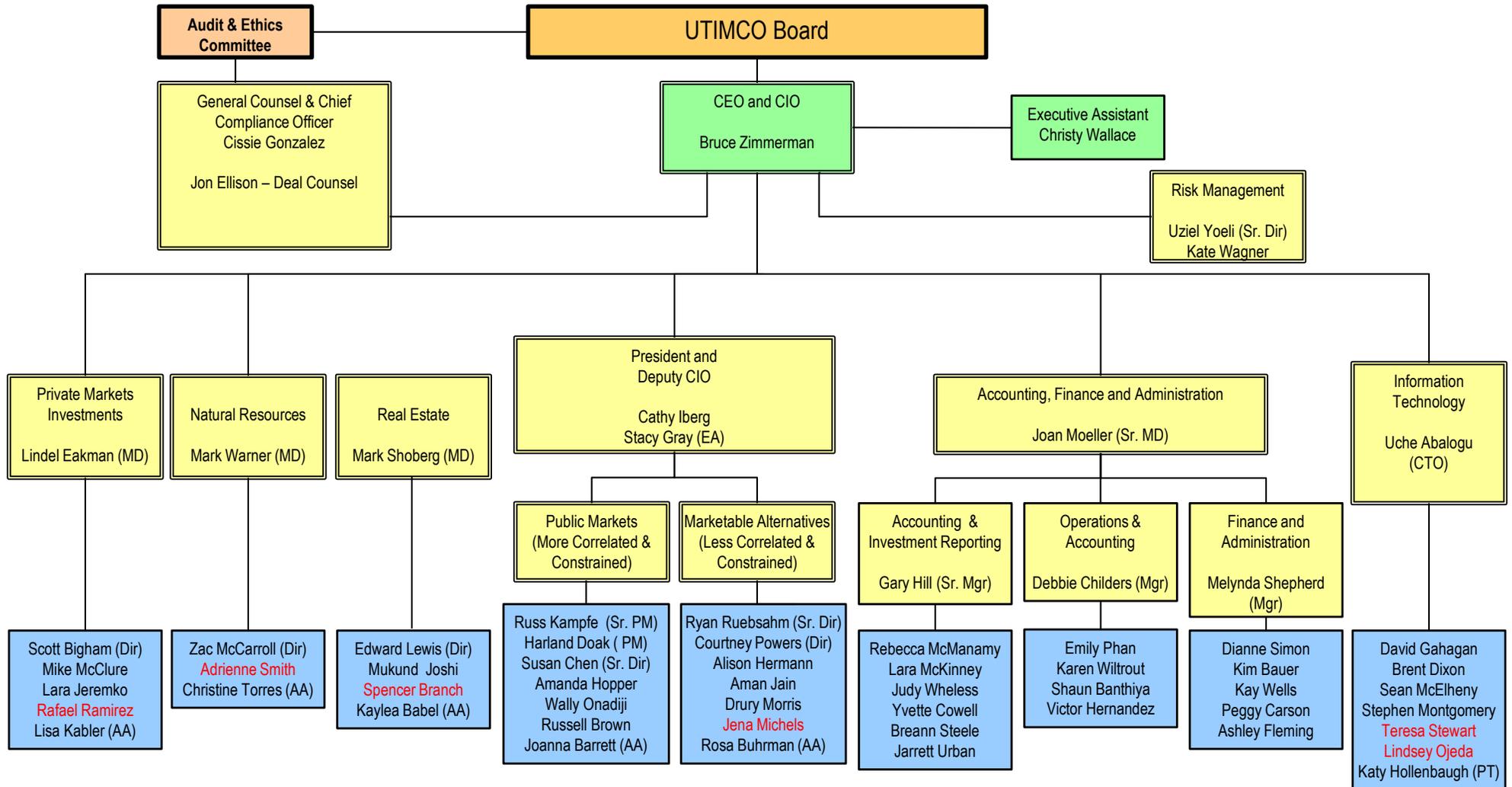


# UTIMCO Update

- Staffing
- Technology



# UTIMCO – Organizational Structure





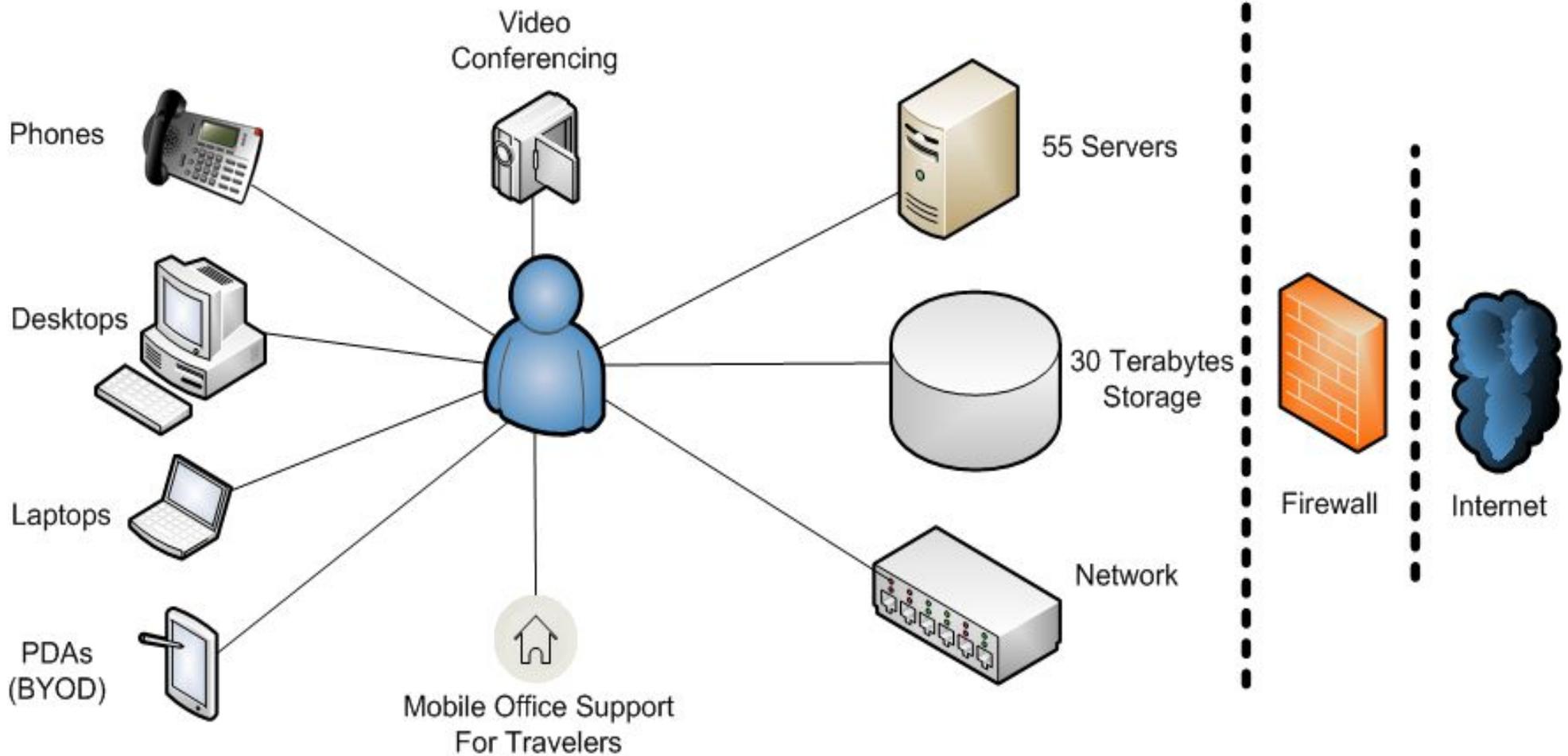
# Information Technology Overview

- Since its creation in 1996, UTIMCO developed and maintained a stable and secure Information Technology (“IT”) platform
- The IT platform supports the various functions at UTIMCO through a variety of hardware & software applications
- The IT platform was created and is maintained by an internal IT staff



# Platform

UTIMCO IT Systems August 2013





# Strengths

- Integration with and leveraging of the UT System
- Sufficient Platform
  - Reliable
  - Secure
  - Affordable
- Systems that support Operations, Accounting and Reporting



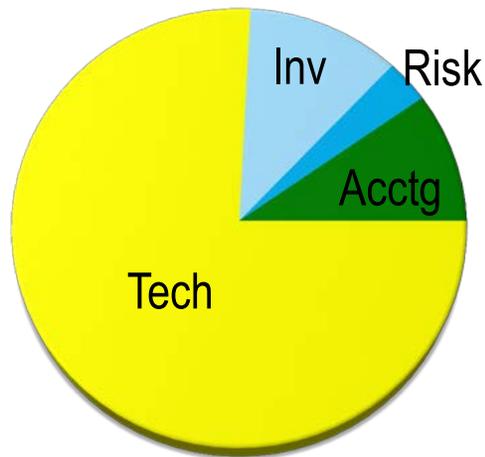
# UT System Integration/Leveraging

- Share the network
- Information Security Compliance
- Co-locate with other UT Institutions at the UT System Arlington Regional Data Center for disaster recovery
- PeopleSoft migration



# Existing Applications

## Third Party Applications (68)



- Technology Support
  - Citrix
  - vRanger
  - Spiceworks
  - Splunk
  - Team Foundation Server
  - Secunia
  - Lastpass

## Internally Developed (60)



- Accounting, Operations, Reporting Investment Groups Support
  - CRIS
  - FAS/eFAS
  - Account Master
  - CMS
  - CPS



# Select Applications

- Cash Management System (CMS) & Client Participation System (CPS)
  - Used to manage the short term operating funds
  - Facilitates cash movement between UT clients & UTIMCO funds
  - Integrated with Mellon/Dreyfus
- Fund Accounting System (FAS/eFAS)
  - 10,490 individual endowments
  - FAS is the endowments accounting system
  - eFAS is the external (UT System & Institutions) interface
  - Replaced mainframe accounting system
- Component Reporting Information System (CRIS)
  - Endowment & charitable trust reporting
  - Over two hundred users across UT System & Institutions
  - Generated 48,000 reports in FY 2012



# Challenges

- **Disaster Recovery/Business Continuity**

- Working with UT System Arlington Regional Data Center to build-out technology recovery capabilities
- Maintain all applications and contact capabilities in the event of a partial or complete failure in Austin
- Investment of over \$300,000 on servers, storage, software and telecommunications equipment

Implementation Timeline (2013)	May	June	July	August	September	November	December
Systems Recovery Design Completion/Equipment Order	Complete						
Equipment Deliveries and Configuration begin		Complete	Complete				
Arlington Installation Completion and Phase 1 Recovery Test				In Progress	In Progress		
Phase 2: SLA Enhancements. Simulated Full UTIMCO Recovery					To Be Done	To Be Done	To Be Done

- Complete
- In Progress
- To Be Done

- **Train and Challenge Staff**

- Ensure adequate resources to support the mission
  - Added infrastructure engineer in April 2013
  - Hiring Database Administrator and Junior Programmer
- Training programs (individual & team training): SharePoint, Vmware, .Net, MVC 4.0 Framework
- Structured knowledge transfer program with GlobeArc



# Opportunities

- Enhance resilience of our hardware and software infrastructure
- Provide additional tools and support across the investment teams
- Further automate currently manual efforts



# Infrastructure Update

- Remote Access
  - Citrix
  - Video conferencing
  - “BYOD” (bring your own device) support
- Separate Technology Sites
  - Development
  - Test
  - User Acceptance Test
  - Production
- Storage
  - Production (30Terabytes): additional capacity required for Document Management Center and Investment Support System
  - Development/Test Site (10Terabytes): utilized decommissioned production servers
- Servers: growth from 26 physical servers to 12 physical and 55 virtual
  - Citrix, vRanger, Splunk, Exchange email and other new applications require increased server capacity
  - Virtualization increases server efficiency by enabling resource sharing
- Data Back-up: Switched from tape to disk for primary data back-up



# Document Management System

- Institutionalize firm information
  - Standardized file structure
  - “Google-like” search vs current “K” drive hierarchy
  - “Firm vs individual” awareness and access
  - Enhanced security and permissioning
  - Records retention support
- Significant one-time effort to convert files
  - Over 2,500 hours spent by investment teams migrating files to new unified “tagging” structure
  - Non-investment teams structure and migration not yet begun
- Ongoing change in processing incoming documents
  - Filing Assistant(s)/Data Managers



# Investment Support System

- “Desktop” for investment staff
- Menu and context driven ability to access information
  - Numerous perspectives
  - Varying levels of detail
- Automates currently manual processes
- Facilitates easy and instant cross-portfolio analysis



# Investment Support System Overview

- Investment Support System Top Level Menu

- Portfolio
- Firms
- Funds
- Documents
- Notes
- Reports
- Research
- Calendars
- Contacts
- Due Diligence
- Cash Flow



# GlobeArc

- “Benchmarking” Discovery Process
  - Endowments
  - Global Banks
  - Hedge Funds
- GlobeArc Background
  - Team ran the Fund of Hedge Funds investment and technology group at CSFB
  - Developed system for investment management
  - Spun out to commercialize system
  - Run by two partners, one a Computer Science PhD and an Economics PhD
  - Based in New York



# Timeline

## Investment Support System (ISS) Implementation Timeline (Phase 1)

Project	Notes	2013			2014						2015													
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>I. Infrastructure Build-out</b>		█	█	█	█																			
<b>II. Document Management</b>																								
Release 1	"Vanilla" Install			█	█	█	█	█																
Release 2	Initial Outlook Integration					█	█	█	█	█	█													
Release 3	Contacts & Additional Features									█	█	█	█	█	█									
Release 4	Incoming Doc. Automated Processing													█	█	█	█	█	█					
Release 5	Mobile Applications Support																	█	█	█	█	█	█	█
<b>III. LCC Migration to ISS</b>																								
Release 1	Load Historical Data			█	█	█	█	█	█															
Release 2	Portfolio Enhancements						█	█	█	█	█	█												
Release 3	Reporting & Pipeline												█	█	█	█	█							



# ISS/Document Center Budget

<u>Capital Expenditures (000s)<sup>1</sup></u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>Hardware</u></b>				
Servers	\$88			
Storage	<u>62</u>			
Hardware Subtotal	150			
<b><u>Consulting<sup>2</sup></u></b>				
Doc. Center	107	428	215	0
ISS	<u>98</u>	<u>428</u>	<u>428</u>	<u>428</u>
Consulting Subtotal	205	856	643	428
<b><u>Other</u></b>				
Infrastructure/Hosting	18	18	18	18
GUI Designer	25	25	25	25
Mockups	30	20	30	20
Third Party Software Lic.	<u>0</u>	<u>50</u>	<u>0</u>	<u>0</u>
Other Subtotal	73	113	73	63
<b><u>Total Capital Expenditure</u></b>	<b><u>\$428</u></b>	<b><u>\$969</u></b>	<b><u>\$716</u></b>	<b><u>\$491</u></b>
<b><u>Income Statement Impact</u></b>	<b><u>\$0</u></b>	<b><u>\$143</u></b>	<b><u>\$366</u></b>	<b><u>\$600</u></b>

<sup>1</sup>Cash Expenditures Capitalized and Amortized Over Three Years

<sup>2</sup>Business Analysis, Architecture, Technical Lead, Development, QA & Project Management



# Funds Update

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# Returns



# UTIMCO Performance Summary

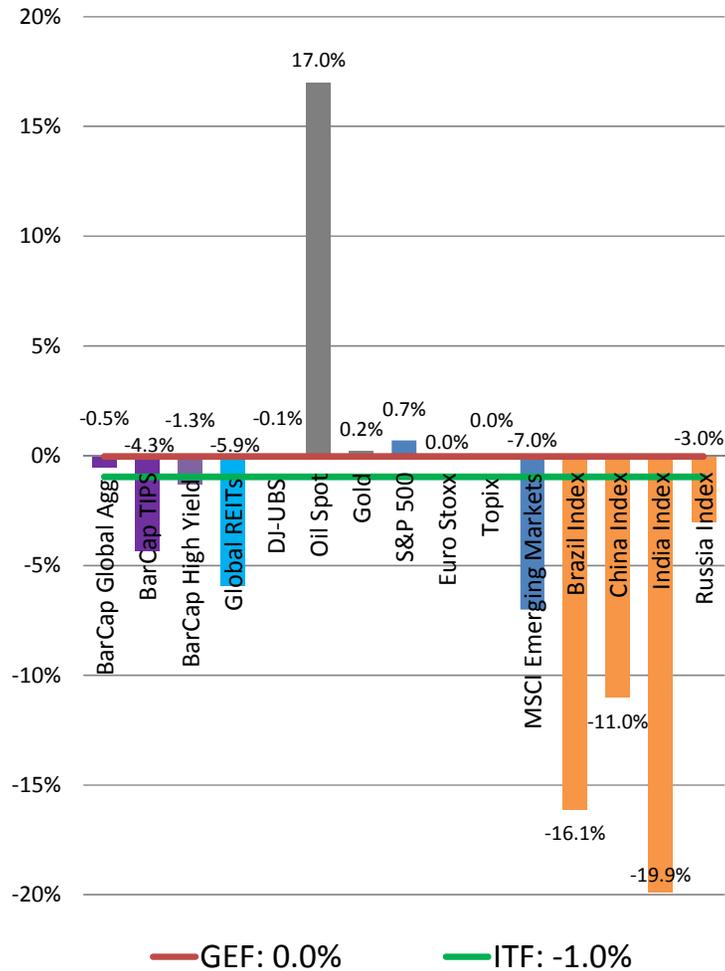
	Net Asset Value 8/31/2013 (in Millions)	Current Quarter	Year to Date		Historic Returns			
			Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>ENDOWMENT FUNDS</b>								
Permanent University Fund	\$14,852	(0.08%)	8.79%	4.87%	8.79%	8.77%	4.83%	7.90%
Permanent Health Fund	1,015							
Long Term Fund	6,381							
General Endowment Fund	7,396	(0.04)	8.99	4.99	8.99	8.89	4.84	7.98
Separately Invested Funds	301							
<b>Total Endowment Funds</b>	22,549							
<b>OPERATING FUNDS</b>								
Intermediate Term Fund	5,519	(0.96)	5.03	1.96	5.03	6.37	4.43	N/A
Short Term and Debt Proceeds Funds	1,934	0.02	0.11	0.06	0.11	0.16	0.38	1.92
<b>Total Operating Funds</b>	7,453							
<b>Total Investments</b>	\$30,002							
<b>VALUE ADDED - Percent (1)</b>								
Permanent University Fund		(0.01%)	1.32%	1.06%	1.32%	1.25%	2.11%	1.84%
General Endowment Fund		0.03	1.52	1.18	1.52	1.37	2.12	1.92
Intermediate Term Fund		0.31	2.33	2.01	2.33	2.17	2.34	N/A
<b>VALUE ADDED - \$ in Millions (1)</b>								
Permanent University Fund		\$(2)	\$178	\$148	\$178	\$493	\$1,372	\$2,285
General Endowment Fund		2	108	86	108	295	767	1310
Intermediate Term Fund		18	119	106	119	313	546	N/A
<b>Total Value Added</b>		\$ 18	\$ 405	\$ 340	\$ 405	\$ 1,101	\$ 2,685	\$ 3,595

(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.

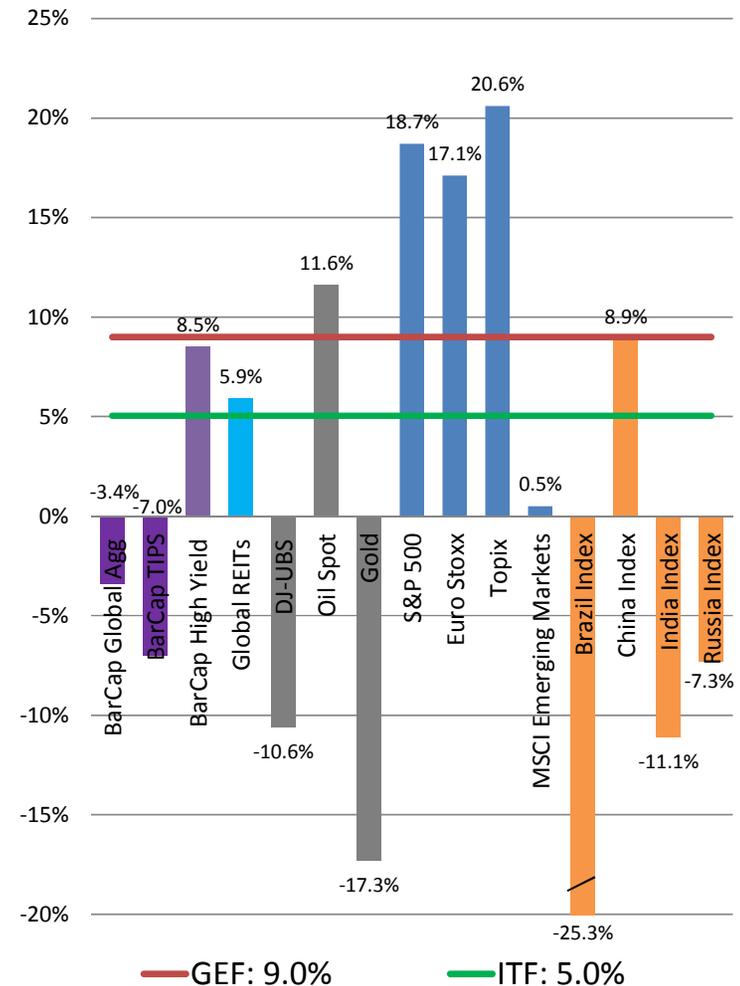


# Performance During Last 3 and 12 Months

## Performance During Last 3 Months



## Performance During Last 12 Months





# Total Fund Attribution Breakdown (GEF)

## Three and Twelve Months Ended August 31, 2013

	<u>Three Months</u>	<u>Twelve Months</u>
<b>Tactical Allocation</b>		
Asset Based	25	(53)
Derivative Based Tactical Allocation <sup>(1)</sup>	(16)	(76)
<b>Total Tactical</b>	9	(129)
<b>Active Management</b> (External Managers vs. Benchmarks)	3	201
<b>Insurance Hedges</b>	(10)	(2)
<b>Interactive Effect</b>	1	82
<b>Total</b>	3	152

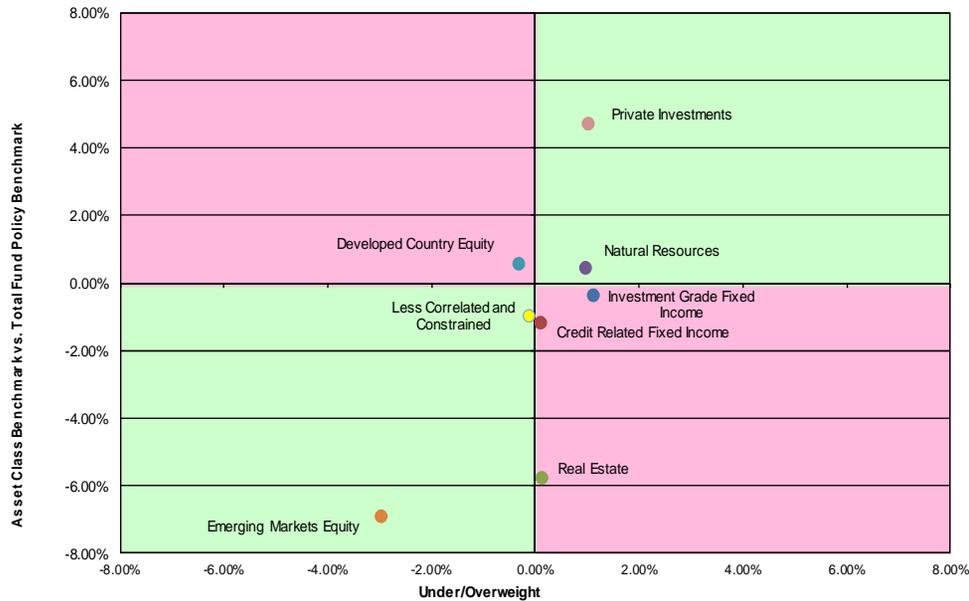
<sup>(1)</sup> MSCI Japan Short Sw aps, MSCI Europe Short Sw aps, S&P 500 Short Sw aps, S&P 400 Short Sw aps, YR Written Puts, XME Written Puts, Emerging Markets Written Puts, Levered Gold Futures, Levered EM Futures



# Tactical Value Add

## Three and Twelve Months Ended August 31, 2013

Three Months ended August 31, 2013



Twelve Months ended August 31, 2013



	Weight		Over / (Under) Weight	Benchmark Returns	+ / -
	Actual	Policy			
Investment Grade Fixed Income	8.63%	7.50%	1.13%	-0.47%	0.00%
Credit Related Fixed Income	0.11%	0.00%	0.11%	-1.26%	0.00%
Real Estate	2.63%	2.50%	0.13%	-5.88%	0.00%
Natural Resources	8.48%	7.50%	0.98%	0.34%	0.03%
Developed Country Equity	14.70%	15.00%	-0.30%	0.49%	-0.01%
Emerging Markets Equity	9.05%	12.00%	-2.95%	-7.01%	0.19%
Total More Correlated and Constrained	43.60%	44.50%	-0.90%		0.21%
Less Correlated and Constrained	29.88%	30.00%	-0.12%	-1.05%	-0.01%
Total Fund excluding Private Investments	73.48%	74.50%	-1.02%		0.20%
Private Investments	26.52%	25.50%	1.02%	4.63%	0.05%
<b>Total Fund: Active Managers</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>-0.07%</b>	<b>0.25%</b>

	Weight		Over / (Under) Weight	Benchmark Returns	+ / -
	Actual	Policy			
Investment Grade Fixed Income	9.10%	7.50%	1.60%	-3.43%	-0.17%
Credit Related Fixed Income	0.12%	0.00%	0.12%	8.53%	0.00%
Real Estate	2.78%	2.50%	0.28%	5.89%	0.02%
Natural Resources	9.62%	7.50%	2.12%	-3.46%	-0.22%
Developed Country Equity	13.18%	15.00%	-1.82%	17.63%	-0.20%
Emerging Markets Equity	8.96%	12.00%	-3.04%	0.54%	0.07%
Total More Correlated and Constrained	43.76%	44.50%	-0.74%		-0.50%
Less Correlated and Constrained	29.68%	30.00%	-0.32%	6.12%	-0.03%
Total Fund excluding Private Investments	73.44%	74.50%	-1.06%		-0.53%
Private Investments	26.56%	25.50%	1.06%	13.22%	0.00%
<b>Total Fund: Active Managers</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>7.47%</b>	<b>-0.53%</b>



# Active Management Value Add

## Three and Twelve Months Ended August 31, 2013

		3 Months (bps)	
Less Correlated	43		Maverick (4.97), Baupost (1.73), Viking Global (2.76)
Natural Resources	10		Gold (0.54), GRT Captial (0.48), The Mitchell Group (0.38)
Emerging Markets Equity	6		Hillhouse QII (0.97), Blakeney (0.35), Hillhouse (0.32)
Real Estate	3		European Investors (0.71), MS REITs (0.54), Cohen & Steers Global (0.29)
Credit Related Fixed Income	-		
Developed Country Equity	-		
Subtotal	<u>62</u>		
Investment Grade Fixed Income	<u>(5)</u>		Brandywine Global (0.54), Internal Fixed Income (0.26), PIMCO (0.13)
Subtotal	<u>(5)</u>		
Total Fund excluding Private Investments	<u>57</u>		
Private Investments	<u>(54)</u>		
Total Active Managers	<u><u>3</u></u>		

		12 Months (bps)	Manager (Alpha)
Less Correlated and Constrained	108		Perry (21.08), Owl Creek (39.94), Baupost (14.09)
Developed Country Equity	101		Value Act (2.79), Indus Japan (2.40), Stelliam (1.44)
Emerging Markets Equity	40		Blakeney (1.45), New Silk Road (0.53), Hillhouse (0.53)
Investment Grade Fixed Income	18		Brandywine (0.94), Internal Fixed Income (0.29)
Real Estate	6		European Investors (2.18), MS REITS (1.52), Cohen & Steers Global (0.45)
Credit Related Fixed Income	-		
Subtotal	<u>273</u>		
Natural Resources	<u>(26)</u>		Gold (4.87), Gresham (1.21), Blackrock Global Mining (0.91)
Subtotal	<u>(26)</u>		
Total Fund excluding Private Investments	<u>247</u>		
Private Investments	<u>(46)</u>		
Total Active Managers	<u><u>201</u></u>		



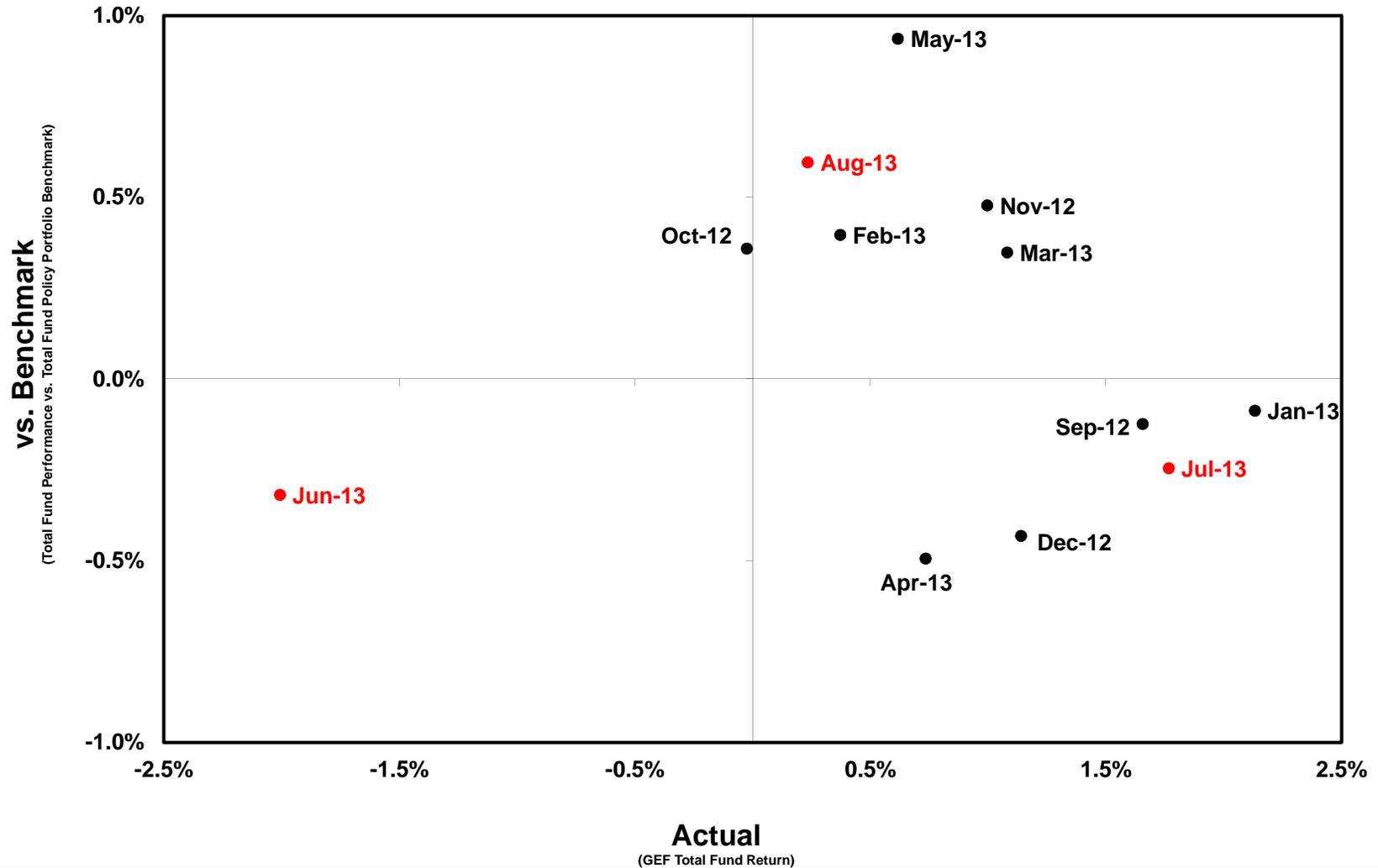
# GEF Performance Breakdown

## Year Ended August 31, 2013

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	9.2%	7.5%	-0.32%	-3.43%	0.14%
	Credit-Related	0.1%	0.0%	1.88%	8.53%	0.00%
Real Assets	Real Estate	2.8%	2.5%	4.42%	5.89%	-0.05%
	Natural Resources	9.7%	7.5%	-10.99%	-3.46%	-0.95%
Equity	Developed Country	13.1%	15.0%	24.60%	17.63%	0.62%
	Emerging Markets	9.0%	12.0%	1.28%	0.54%	0.17%
<b>Total More Correlated and Constrained</b>		<b>43.9%</b>	<b>44.5%</b>	<b>4.94%</b>	<b>5.08%</b>	<b>-0.07%</b>
<b>Total Less Correlated and Constrained</b>		<b>29.6%</b>	<b>30.0%</b>	<b>11.45%</b>	<b>6.12%</b>	<b>1.54%</b>
<b>Private Real Estate Investments</b>		<b>2.8%</b>	<b>4.0%</b>	<b>7.83%</b>	<b>13.44%</b>	<b>-0.19%</b>
<b>Private Investments excluding Real Estate</b>		<b>23.7%</b>	<b>21.5%</b>	<b>13.76%</b>	<b>13.17%</b>	<b>0.24%</b>
<b>Total Private Investments</b>		<b>26.5%</b>	<b>25.5%</b>	<b>13.27%</b>	<b>13.22%</b>	<b>0.05%</b>
<b>Total GEF Portfolio</b>		<b>100.0%</b>	<b>100.0%</b>	<b>8.99%</b>	<b>7.47%</b>	<b>1.52%</b>



# Actual and “vs. Benchmark” Returns by Month Year Ended August 31, 2013 (GEF)





# Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
<b>MCC</b>									
Tactical: Asset Allocation	0.43%	-0.54%	0.14%	0.82%	0.29%	0.01%	0.05%	-1.09%	-0.61%
Active	0.42%	-0.81%	-0.74%	-0.19%	-1.75%	2.11%	0.67%	0.73%	1.29%
<b>TOTAL</b>	<b>0.85%</b>	<b>-1.35%</b>	<b>-0.60%</b>	<b>0.63%</b>	<b>-1.46%</b>	<b>2.11%</b>	<b>0.72%</b>	<b>-0.36%</b>	<b>0.68%</b>
<b>LCC</b>									
Tactical: Asset Allocation	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.21%	0.12%	0.18%	0.23%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	2.61%	1.39%	2.01%	1.34%
<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>1.50%</b>	<b>2.18%</b>	<b>1.57%</b>
<b>Private Investments</b>									
Tactical: Asset Allocation	-0.68%	-0.42%	-0.69%	0.14%	0.35%	0.40%	-0.11%	-0.09%	0.26%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	-0.98%	0.83%	-0.67%	-0.21%
<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>0.72%</b>	<b>-0.76%</b>	<b>0.05%</b>
<b>Overall GEF</b>									
<b>Tactical: Asset Allocation</b>	<b>-0.26%</b>	<b>-0.89%</b>	<b>-0.57%</b>	<b>0.87%</b>	<b>0.67%</b>	<b>0.62%</b>	<b>0.06%</b>	<b>-1.00%</b>	<b>-0.12%</b>
<b>Insurance Hedges</b>					<b>0.07%</b>	<b>-0.09%</b>	<b>-0.20%</b>	<b>-0.85%</b>	<b>-0.02%</b>
<b>Derivative Based</b>								<b>-0.24%</b>	<b>-0.76%</b>
<b>Total Tactical</b>	<b>-0.26%</b>	<b>-0.89%</b>	<b>-0.57%</b>	<b>0.87%</b>	<b>0.74%</b>	<b>0.53%</b>	<b>-0.14%</b>	<b>-2.09%</b>	<b>-0.90%</b>
<b>Active</b>	<b>4.02%</b>	<b>-0.52%</b>	<b>3.09%</b>	<b>1.24%</b>	<b>1.46%</b>	<b>3.74%</b>	<b>2.88%</b>	<b>2.06%</b>	<b>2.42%</b>
<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>2.74%</b>	<b>-0.03%</b>	<b>1.52%</b>



# Private Investments Portfolio Rollforward Year Ended August 31, 2013

\$ in millions	Beg FY 9/1/12			Calls	Distributions	Change in Valuation	%	FY'13 New Commitments		End 8/31/13	
	NAV	Unfunded	# Funds					# Funds	\$ Committed	NAV	Unfunded
<b>Credit-Related Fixed Income</b>	\$1,314	\$283	33	\$136	\$612	\$224	20.6%	0	\$0	\$1,062	\$238
<b>Real Estate</b>	485	748	25	299	90	54	7.8%	4	260	748	763
<b>Natural Resources</b>	651	1,030	33	475	148	83	9.7%	9	854	1,061	1,125
<b>Venture</b>	776	396	44	108	150	90		2	95	824	389
<b>Other Developed Country Equity</b>	<u>1,720</u>	<u>672</u>	<u>82</u>	<u>179</u>	<u>488</u>	<u>256</u>		<u>5</u>	<u>293</u>	<u>1,667</u>	<u>749</u>
<b>Total Developed Country Equity</b>	2,496	1,068	126	287	638	346	15.0%	7	388	2,491	1,138
<b>Emerging Markets Equity</b>	<u>512</u>	<u>589</u>	<u>23</u>	<u>120</u>	<u>47</u>	<u>9</u>	1.8%	<u>1</u>	<u>39</u>	<u>594</u>	<u>513</u>
<b>TOTAL</b>	<u>\$5,458</u>	<u>\$3,718</u>	<u>240</u>	<u>\$1,317</u>	<u>\$1,535</u>	<u>\$716</u>	13.3%	<u>21</u>	<u>\$1,541</u>	<u>\$5,956</u>	<u>\$3,777</u>
<b>% of Endowment (PUF+ GEF)</b>	<u>27%</u>	<u>18%</u>								<u>27%</u>	<u>17%</u>



# Assets/Exposures



# Combined PUF and GEF Exposure as of August 31, 2013 (in millions)

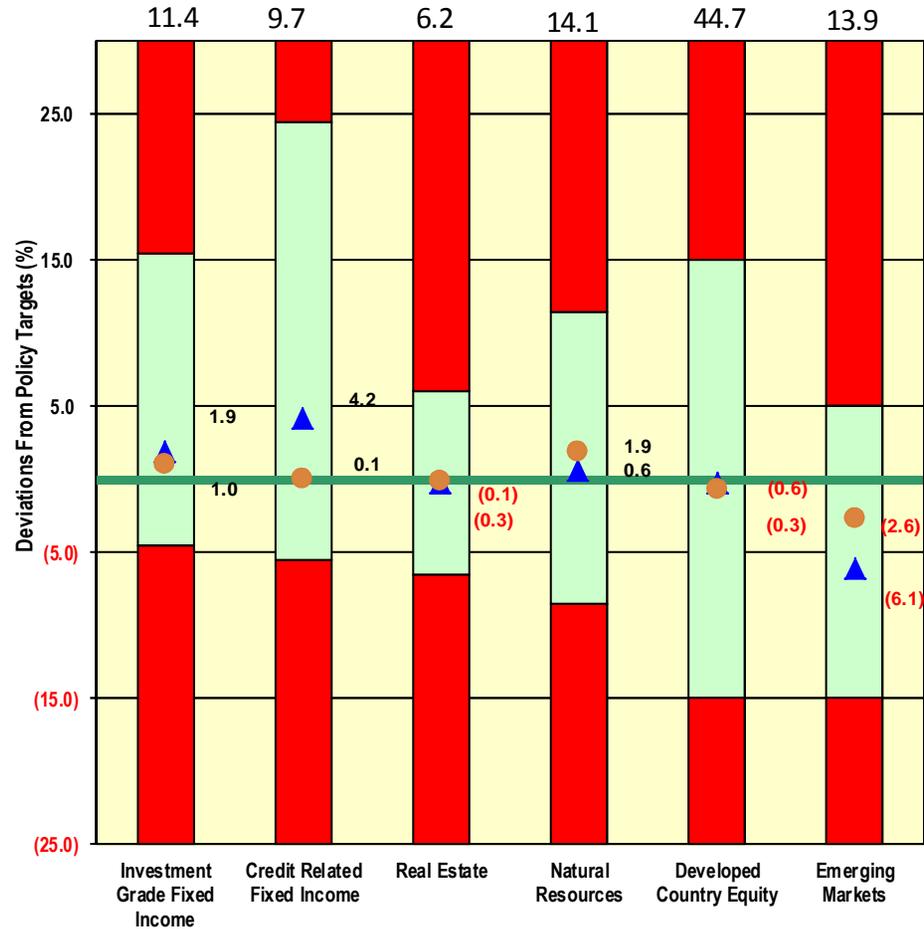
Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Total	
Fixed Income	Investment Grade	\$ 1,559	7.0%	\$ 648	2.9%	\$ -	0.0%	\$ 2,207	9.9%
	Credit-Related	23	0.1%	1,114	5.0%	1,062	4.8%	2,199	9.9%
<b>Fixed Income Total</b>		<b>1,582</b>	<b>7.1%</b>	<b>1,762</b>	<b>7.9%</b>	<b>1,062</b>	<b>4.8%</b>	<b>4,406</b>	<b>19.8%</b>
Real Assets	Real Estate	\$ 550	2.5%	\$ 114	0.5%	\$ 748	3.3%	1,412	6.3%
	Natural Resources	2,140	9.6%	6	0.0%	1,061	4.8%	3,207	14.4%
<b>Real Assets Total</b>		<b>2,690</b>	<b>12.1%</b>	<b>120</b>	<b>0.5%</b>	<b>1,809</b>	<b>8.1%</b>	<b>4,619</b>	<b>20.7%</b>
Equity	Developed Country	\$ 3,238	14.6%	\$ 4,338	19.5%	\$ 2,492	11.2%	10,068	45.3%
	Emerging Markets	2,143	9.6%	419	1.9%	594	2.7%	3,156	14.2%
<b>Equity Total</b>		<b>5,381</b>	<b>24.2%</b>	<b>4,757</b>	<b>21.4%</b>	<b>3,086</b>	<b>13.9%</b>	<b>13,224</b>	<b>59.5%</b>
<b>Total</b>		<b>\$ 9,653</b>	<b>43.4%</b>	<b>\$ 6,639</b>	<b>29.8%</b>	<b>\$ 5,957</b>	<b>26.8%</b>	<b>\$ 22,249</b>	<b>100.0%</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.

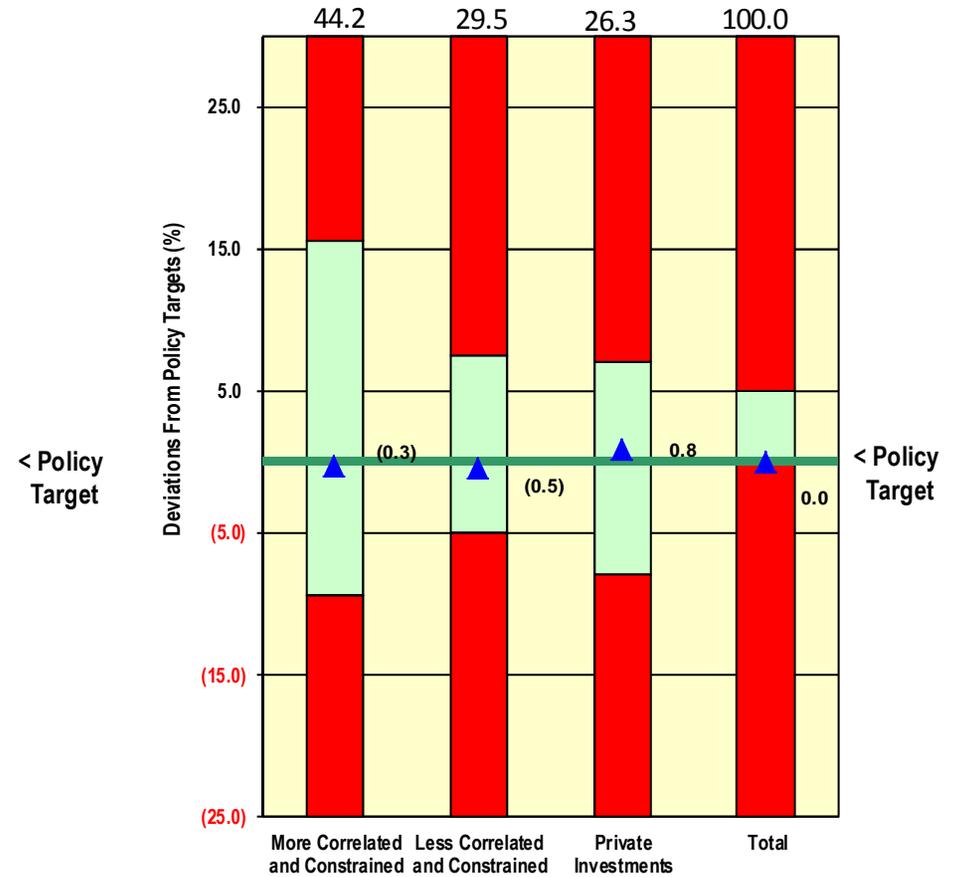


# PUF Asset Allocation as of August 31, 2013

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



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



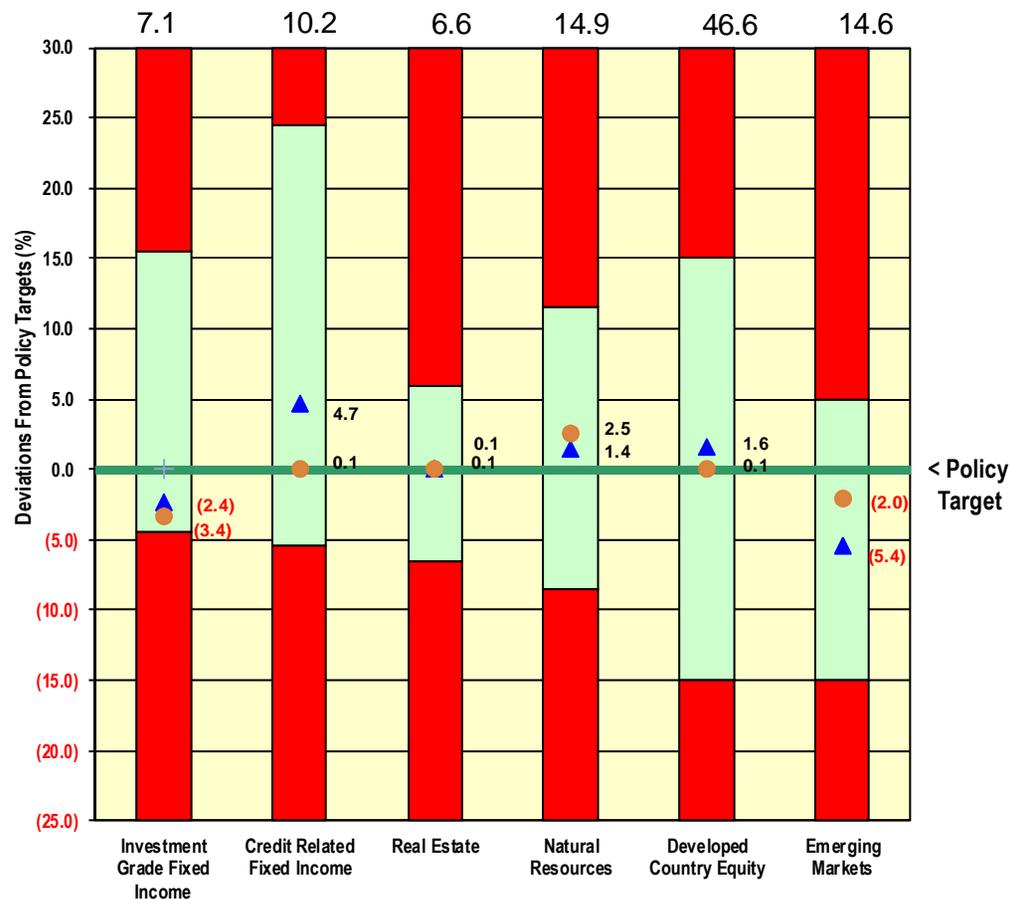
▲ -- All Investment Types

● -- More Correlated and Constrained



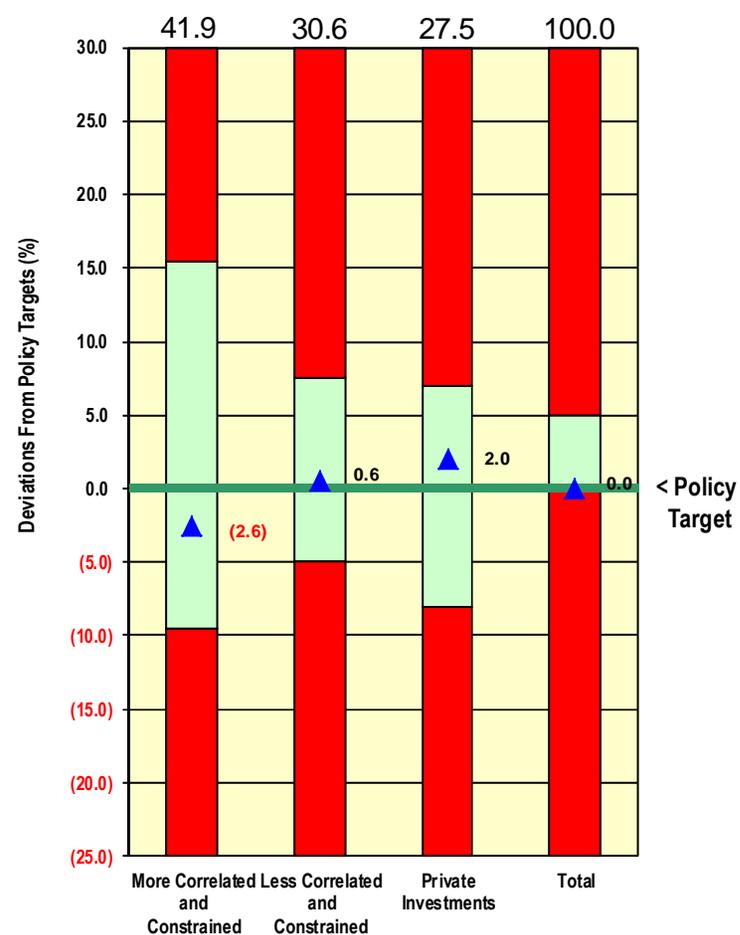
# GEF Asset Allocation as of August 31, 2013

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



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

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





# LCC Investment Policy Categorizations vs. “Look Thru” Exposures Estimated July 31, 2013

<b>Exposure Methodology Comparison</b>			
	<u><b>Policy</b></u>	<u><b>Look-Through</b></u>	<u><b>Difference</b></u>
Investment Grade Fixed Income	3.1%	2.6%	-0.5%
Credit-Related Fixed Income	5.3%	6.3%	1.0%
Real Estate	0.5%	0.5%	0.0%
Natural Resources	0.0%	0.4%	0.4%
Developed Country Equity	20.5%	19.3%	-1.2%
Emerging Markets Equity	<u>2.0%</u>	<u>2.3%</u>	<u>0.3%</u>
<b>Less Correlated &amp; Constrained</b>	<b>31.5%</b>	<b>31.5%</b>	<b>0.0%</b>



# Derivatives



# Endowment Insurance Hedges

<u>Event</u>	<u>Hedge</u>	<u>Exposures as of August 31, 2013</u>					<u>Changes since May 31, 2013</u>			
		<u>Total Cost</u> <sup>(1)</sup>	<u>bps Cost/Year</u> <sup>(2)</sup>	<u>Notional (\$ millions)</u>	<u>MTM (\$ millions)</u>	<u>P/L</u>	<u>Cost</u>	<u>bps Cost/Year</u> <sup>(2)</sup>	<u>Notional (\$ millions)</u>	<u>MTM (\$ millions)</u>
<b>ACTIVE POSITIONS</b>										
<b>U.S. Inflation</b>										
	CMS Options	\$ (52)	5.7	\$ 9,249	\$ 18	\$ (34)	\$ -	-	\$ -	\$ 7
<b>Emerging Markets Bubble</b>										
	KOSPI Put Spread	\$ -	-	-	-	-	27	(7.4)	(1,339)	(0)
	Australian Put Spread	\$ -	-	-	-	-	12	(2.8)	(349)	(0)
	Total	-	-	-	-	-	39	(10.2)	(0)	(0)
<b>Sovereign Default</b>										
	JPY Rate Options and Swaptions	\$ (40)	7.3	\$ 5,183	24	(16)	-	(3.4)	-	(30)
<b>SUBTOTAL ACTIVE POSITIONS</b>		<b>(92)</b>	<b>13.0</b>		<b>42</b>	<b>(50)</b>	<b>39</b>	<b>(13.6)</b>	<b>(349)</b>	<b>(23)</b>
<b>EXPIRED POSITIONS</b>										
	Australian Put Spread	\$ (25)	3.3	1,219		(25)	(12)	2.8	349	-
	JPY Rate Options and Swaptions	\$ (30)	3.9	4,332		(30)	-	3.4	-	-
	KOSPI Put Spreads	\$ (27)	7.4	1,339		(27)	(27)	7.4	1,339	-
<b>SUBTOTAL EXPIRED POSITIONS</b>		<b>(82)</b>	<b>14.6</b>	<b>6,890</b>		<b>(82)</b>	<b>(39)</b>	<b>13.6</b>		<b>-</b>
<b>TOTAL</b>		<b>\$ (174)</b>	<b>27.6</b>		<b>\$ 42</b>	<b>\$ (132)</b>	<b>\$ -</b>	<b>-</b>		<b>\$ (23)</b>

(1) Maximum Loss for Options

(2) Amount of delegated insurance budget used for fiscal year ending August, 2013.



# Non-Insurance Related Internal Derivatives

## August 31, 2013

<b>Manager</b>	<b>Derivative Strategy</b>	<b>Net Notional Value (\$ millions)</b>	<b>Activity from previous report (5/31/2013) (\$ millions)</b>
<b><u>Natural Resources</u></b>			
Gold Futures	Purchased futures to gain exposure to gold markets.	315	1
<b><u>Developed Country Equity</u></b>			
Japan Forw ards	Sale of Japanese Yen forw ards to hedge the currency exposure in the MCC accounts	(332)	(9)
<b><u>Emerging Markets Equity</u></b>			
Emerging Markets FX Overlay	Currency forw ards to align the Asset Class FX exposure closer to the benchmark	162	(1)
Korean Sw ap	Long sw ap on MSCI Korea index to increase exposure to Korea	33	(1)
MSCI Taiw an Sw ap	Long MSCI Sw ap to increase exposure to Taiw an	34	1
Emerging Markets Futures	Purchased futures to gain exposure to emerging markets.	267	(102)



# External Manager Agency Account Derivatives

## August 31, 2013

<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	(264)
Colchester	Currency forwards used to hedge foreign currency exposure	(27)
Old Mutual	Short futures to reduce duration at the front end of the yield curve	(81)
	Currency forwards used to create overweight/underweight investment exposures and to hedge physical bond positions.	(27)
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	(42)
	Long US and Non-US futures used to overweight duration in Eurozone	45
	Long futures used to overweight front end of US and UK yield curves	433
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	11
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(6)
	Interest rate swaps used to overweight front end of US and UK yield curves	11
	Short/Written credit default swaps used to overweight credit risk	37
	Long/Purchased credit default swaps used to underweight credit risk	(19)
	Written options used to increase portfolio yield	(133)
	Purchased options used to increase portfolio yield	6
<b><u>Natural Resources</u></b>		
Gresham	Long Exchange-traded commodity futures	407
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	95
<b><u>Developed Equity</u></b>		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(17)
International Value Advisors	Purchased options on single name shares	1



# OTC Derivative Counterparty Report

## August 31, 2013

\$ millions (net of posted collateral)

Counterparty	S & P Counterparty Rating	\$ millions (net of posted collateral)			Percentage of Total Funds
		Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	
GOLDMAN SACHS	A-	\$ 6.1	\$ (4.4)	\$ 1.7	0.01%
CITIBANK NA, LONDON	A3	3.0	-	3.0	0.01%
MORGAN STANLEY	A-	1.5	-	1.5	0.01%
BANK OF AMERICA	A-	0.8	(1.1)	(0.3)	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH	A-	0.6	-	0.6	0.00%
ROYAL BANK OF SCOTLAND PLC	A-	0.5	(0.1)	0.4	0.00%
BARCLAYS	A	0.4	(1.4)	(1.0)	0.00%
UBS AG, STAMFORD	A	0.2	-	0.2	0.00%
DEUTSCHE BANK AG	A	0.2	(1.0)	(0.8)	0.00%
CITIBANK NY	A-	0.1	-	0.1	0.00%
J P MORGAN, CHASE	A+	0.1	(1.0)	(0.9)	0.00%
BANK OF NEW YORK	A+	0.1	(0.2)	(0.1)	0.00%
CHASE MANHATTAN	A	0.1	(0.1)	-	0.00%
HSBC BK USA, NEW YORK	A+	-	(0.1)	(0.1)	0.00%
BNP PARIBAS	A+	-	(1.1)	(1.1)	0.00%
STANDARD & CHARTERED BK, LONDON	A+	-	(0.1)	(0.1)	0.00%
ROYAL BANK OF CANADA	AA-	-	-	-	0.00%
UBS A G, ZURICH	A	-	-	-	0.00%
WESTPAC BANKING CORP, SYDNEY	AA-	-	-	-	0.00%
MELLON BANK	A+	-	-	-	0.00%
CREDIT SUISSE FIRST	A-	(0.3)	-	(0.3)	0.00%
Grand Total		\$ 13.4	\$ (10.6)	\$ 2.8	0.03%

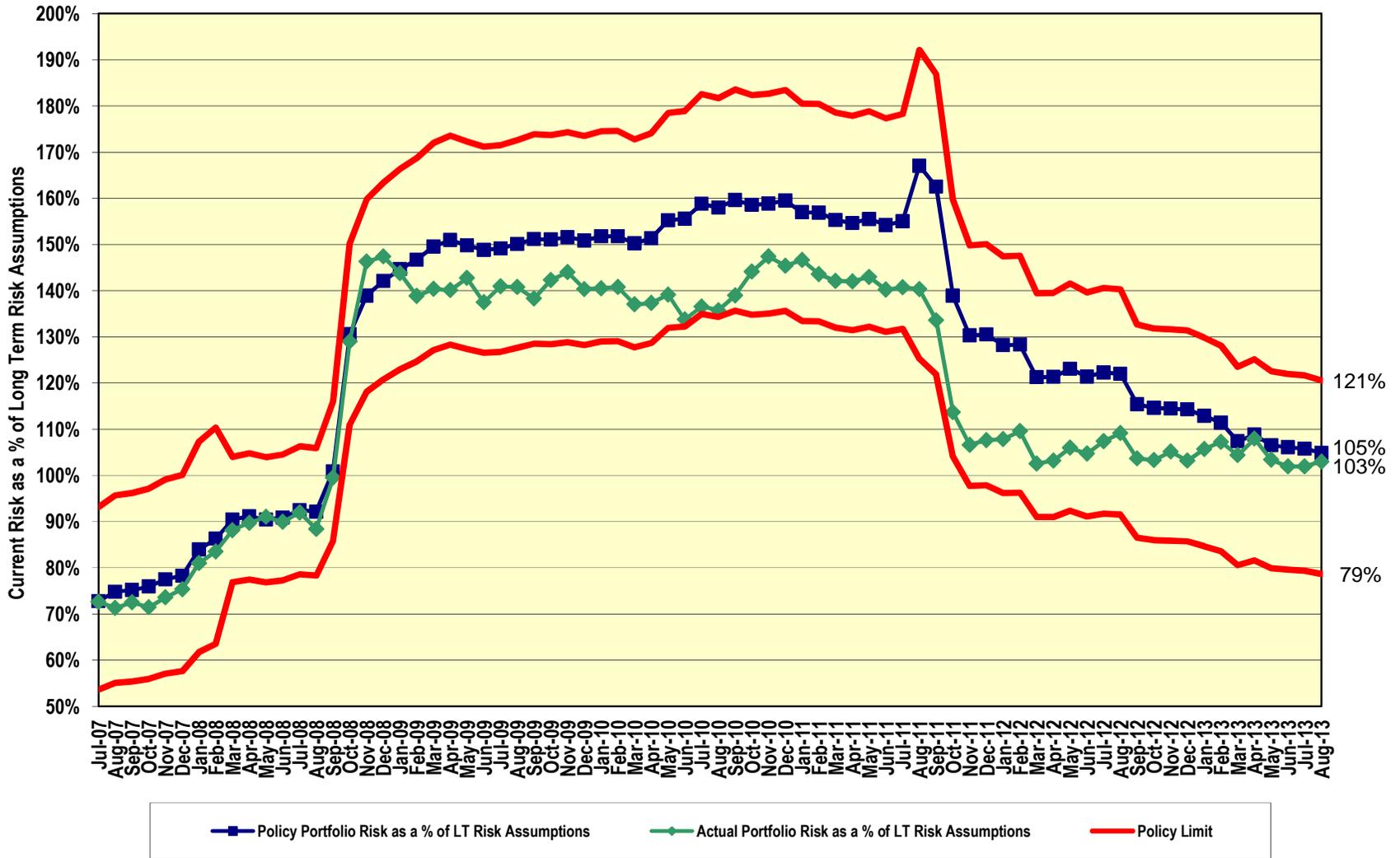


# Risk Analytics



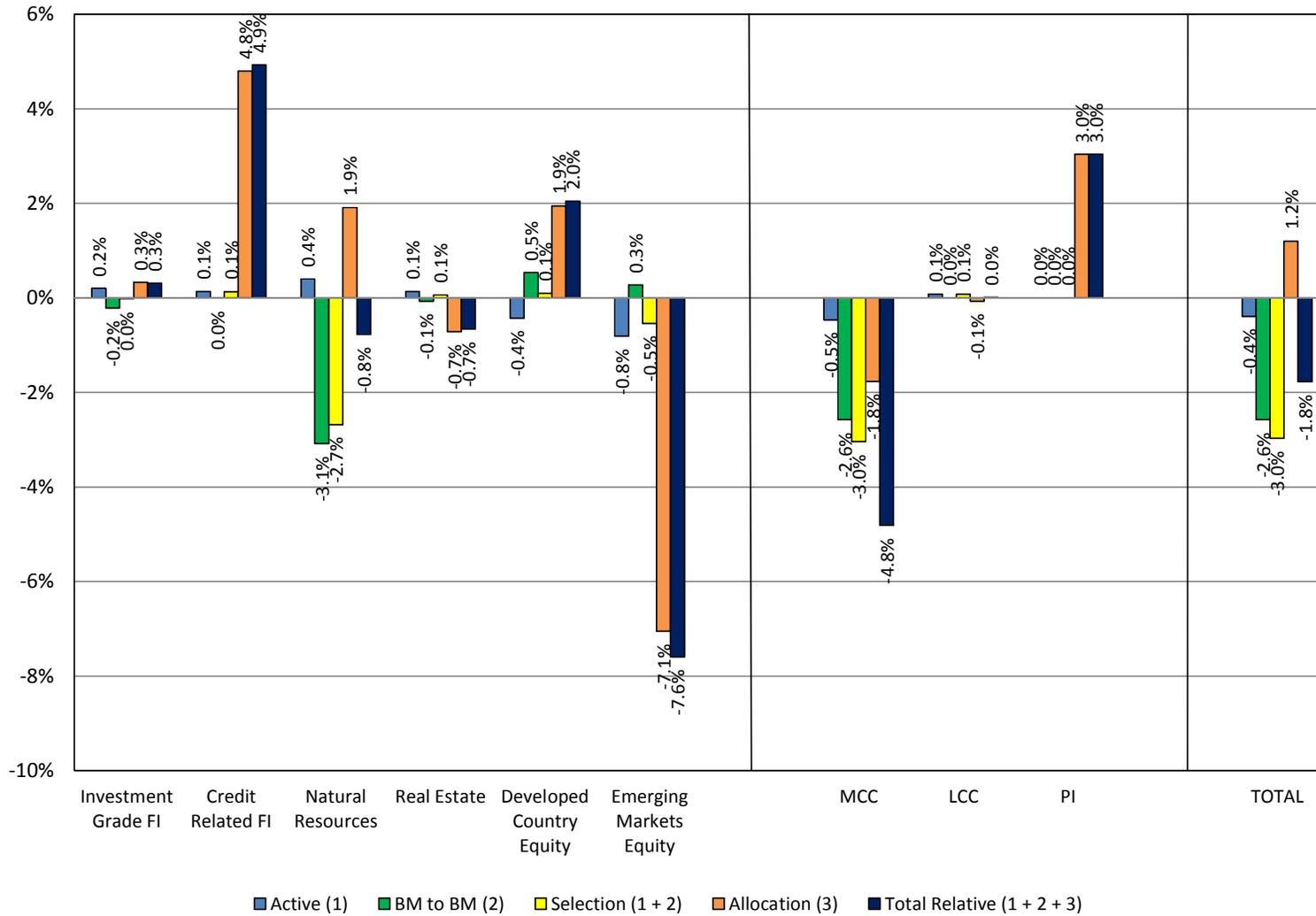
# Current Risk Environment of GEF

(Based on Downside Risk; LT assumption = 9.45%)





# GEF 4-Way Risk Decomposition as of 8/31/2013





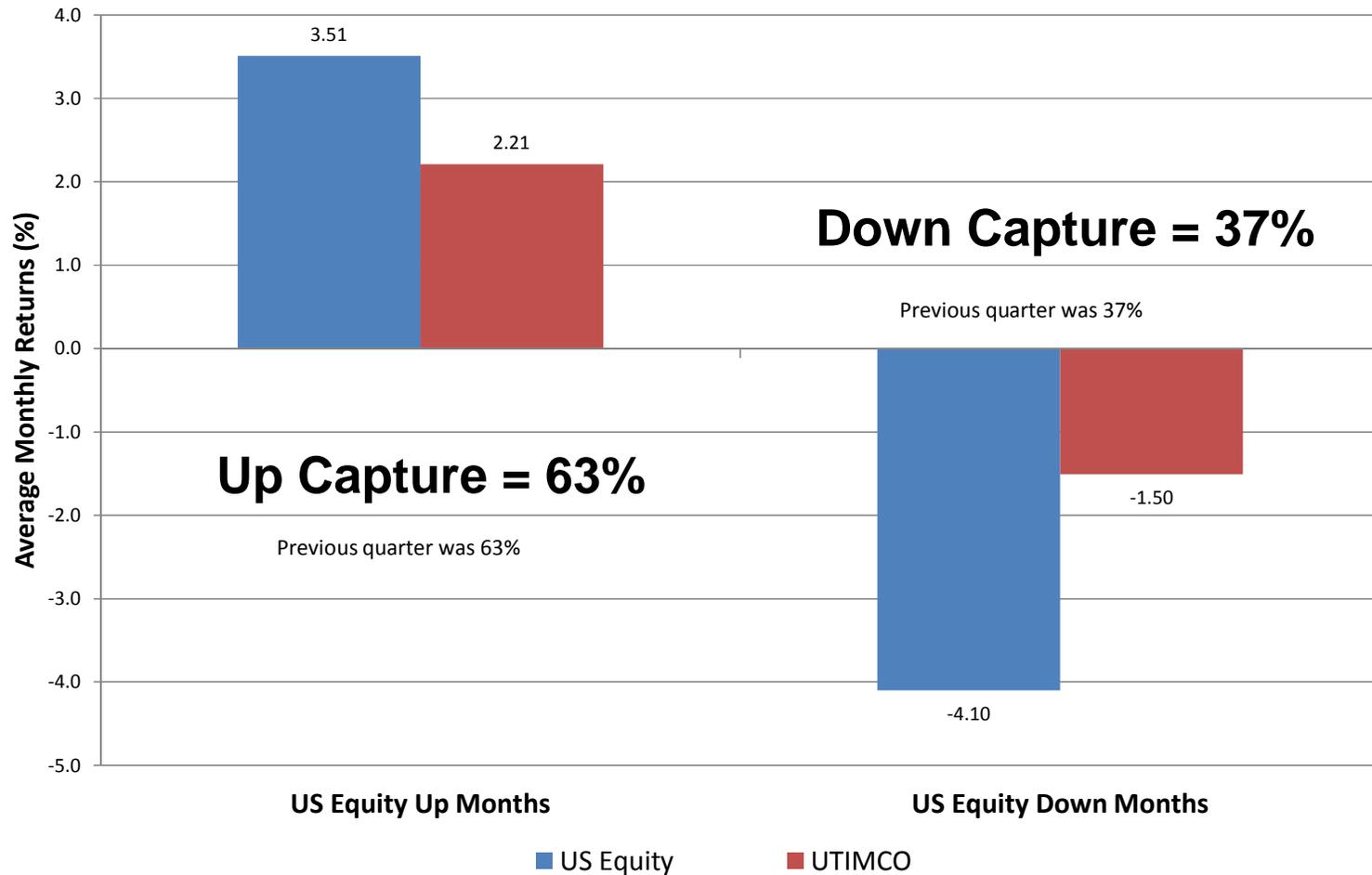
# Portfolio Sharpe and Information Ratios

Period Ending August 31, 2013

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	(0.04)	8.99	8.89	4.84	7.89
Risk-free Returns	0.02	0.11	0.10	0.22	1.71
Actual Volatility	3.29	3.72	6.34	10.04	8.32
<b>Portfolio Sharpe Ratio</b>	<b>(0.02)</b>	<b>2.39</b>	<b>1.39</b>	<b>0.46</b>	<b>0.74</b>
Policy Returns	(0.07)	7.47	7.52	2.72	6.06
Policy Volatility	3.31	4.25	7.79	11.34	8.91
Tracking Error	0.84	1.59	2.57	3.07	2.55
<b>Portfolio Information Ratio</b>	<b>0.04</b>	<b>0.95</b>	<b>0.53</b>	<b>0.69</b>	<b>0.72</b>



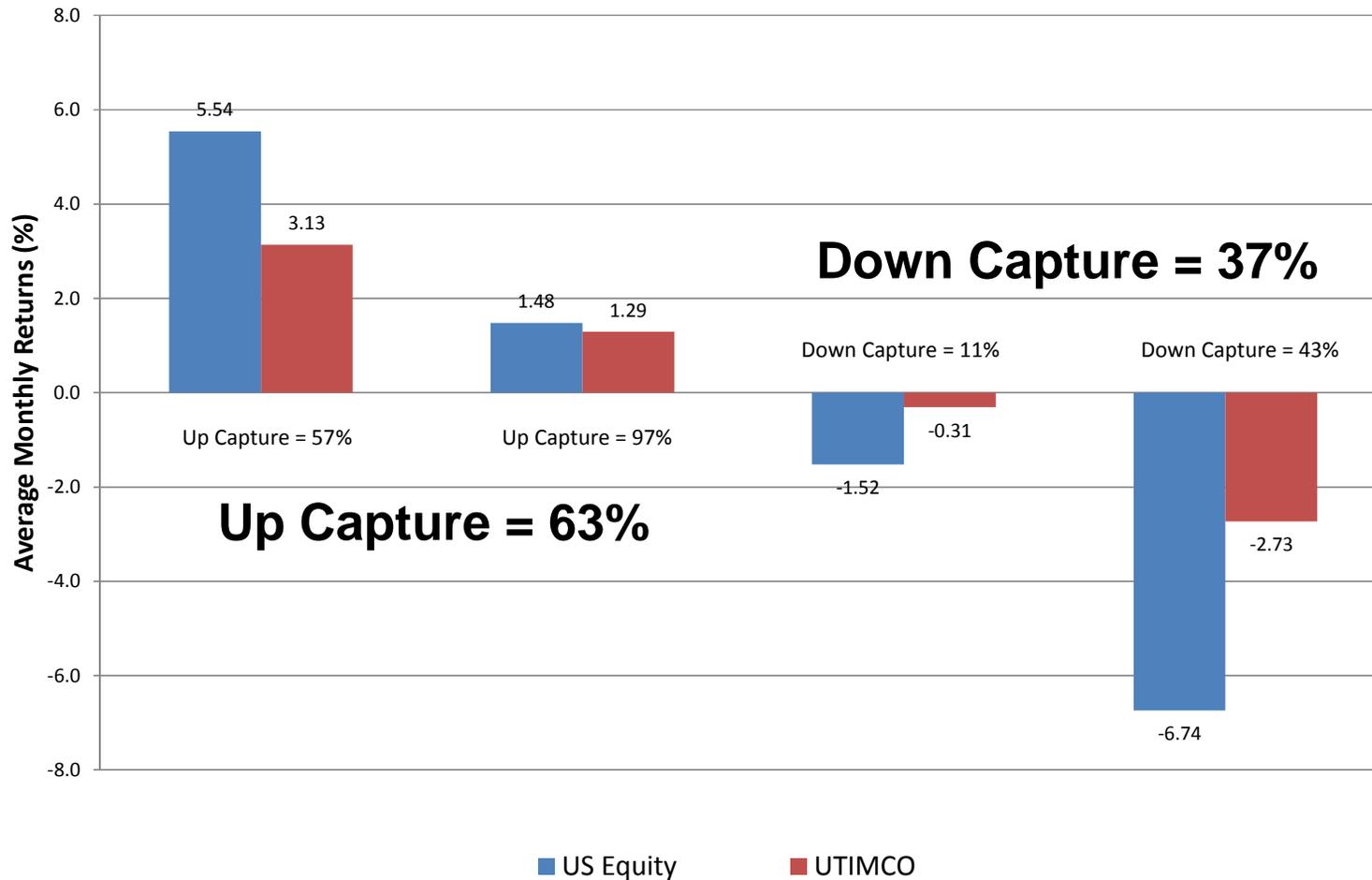
# UTIMCO's Up/Down Capture



Data from 8/1996 till 8/2013. US equity had 83 down months and 122 up months



# UTIMCO's Up/Down Capture



Data from 8/1996 till 8/2013. US equity had 83 down months and 122 up months



# GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.07	-0.01		<b>0.04</b>
Credit-Related Fixed Income	1.18	0.41	0.54	<b>0.48</b>
Natural Resources	0.85	-0.36	2.19	<b>1.29</b>
Real Estate	1.23	-0.02	2.00	<b>1.54</b>
Developed Country Equity	1.21	0.49	1.71	<b>1.02</b>
Emerging Markets Equity	1.18	0.15	2.48	<b>1.30</b>
<b>TOTAL</b>	<b>0.98</b>	<b>0.39</b>	<b>1.70</b>	<b>1.00</b>



# Derivative Risk Contribution - GEF

	Risk Contribution					
	MCC	LCC	PI	TOTAL	Of Derivatives	Excluding Derivatives
Investment Grade Fixed Income	0.3%	0.0%		<b>0.3%</b>	<b>-0.4%</b>	<b>0.7%</b>
Credit-Related Fixed Income	0.1%	2.1%	2.6%	<b>4.7%</b>	<b>0.0%</b>	<b>4.7%</b>
Natural Resources	8.3%	0.0%	10.5%	<b>18.9%</b>	<b>1.4%</b>	<b>17.5%</b>
Real Estate	3.1%	0.0%	6.8%	<b>9.9%</b>	<b>0.0%</b>	<b>9.9%</b>
Developed Country Equity	18.1%	9.5%	19.4%	<b>47.0%</b>	<b>0.1%</b>	<b>46.9%</b>
Emerging Markets Equity	10.4%	0.3%	6.7%	<b>17.4%</b>	<b>2.2%</b>	<b>15.0%</b>
<b>TOTAL</b>	<b>40.4%</b>	<b>11.9%</b>	<b>46.0%</b>	<b>98.2%</b>	<b>3.3%</b>	<b>94.9%</b>



# Correlations

Measured from March 2008 through August 2013

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.44	0.61	0.65	0.64	0.69	0.75	0.62	0.28	0.74
Total Credit		1.00	0.58	0.58	0.65	0.57	0.59	0.67	0.71	0.71
Total RE			1.00	0.60	0.78	0.83	0.89	0.56	0.40	0.85
Total NatRes				1.00	0.76	0.79	0.84	0.77	0.35	0.86
Total DC					1.00	0.84	0.90	0.89	0.46	0.96
Total EM						1.00	0.96	0.79	0.21	0.93
MCC							1.00	0.80	0.30	0.97
LCC								1.00	0.29	0.88
PI									1.00	0.45
GEF										1.00

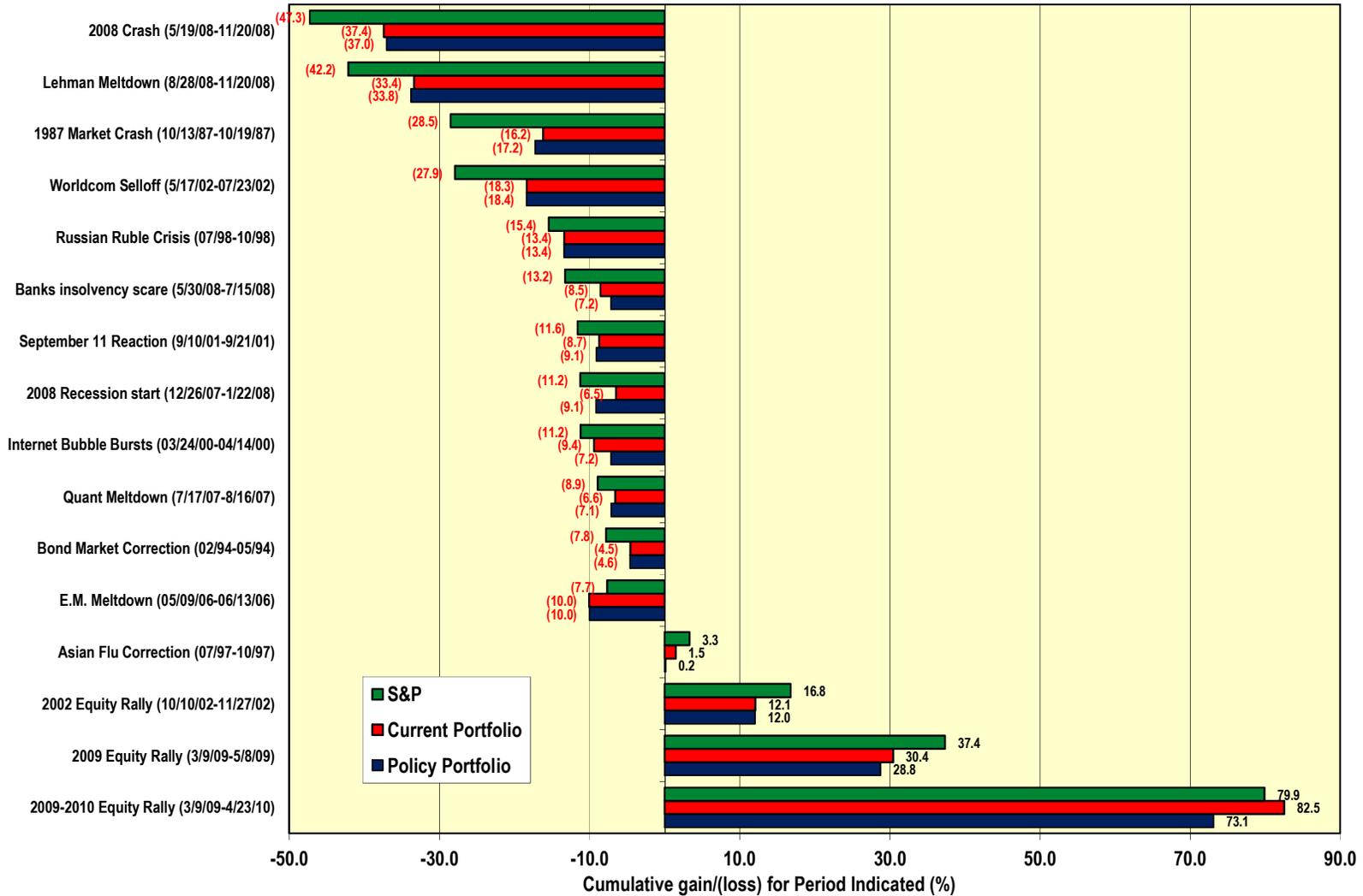


# Parametric Stress Tests

<u>Test</u>	<u>Effect on Endowment</u>
• S&P-500 drops 20%	(12.46%)
• Rates rise 100bp	(0.15%)
• Dollar strengthens 5%	(0.64%)
• Dollar weakens 5%	0.78%
• Yield curve flattens – Bull case	0.16%
• Yield curve flattens – Bear case	(0.09%)
• Yield curve steepens – Bull case	0.09%
• Yield curve steepens – Bear case	(0.04%)

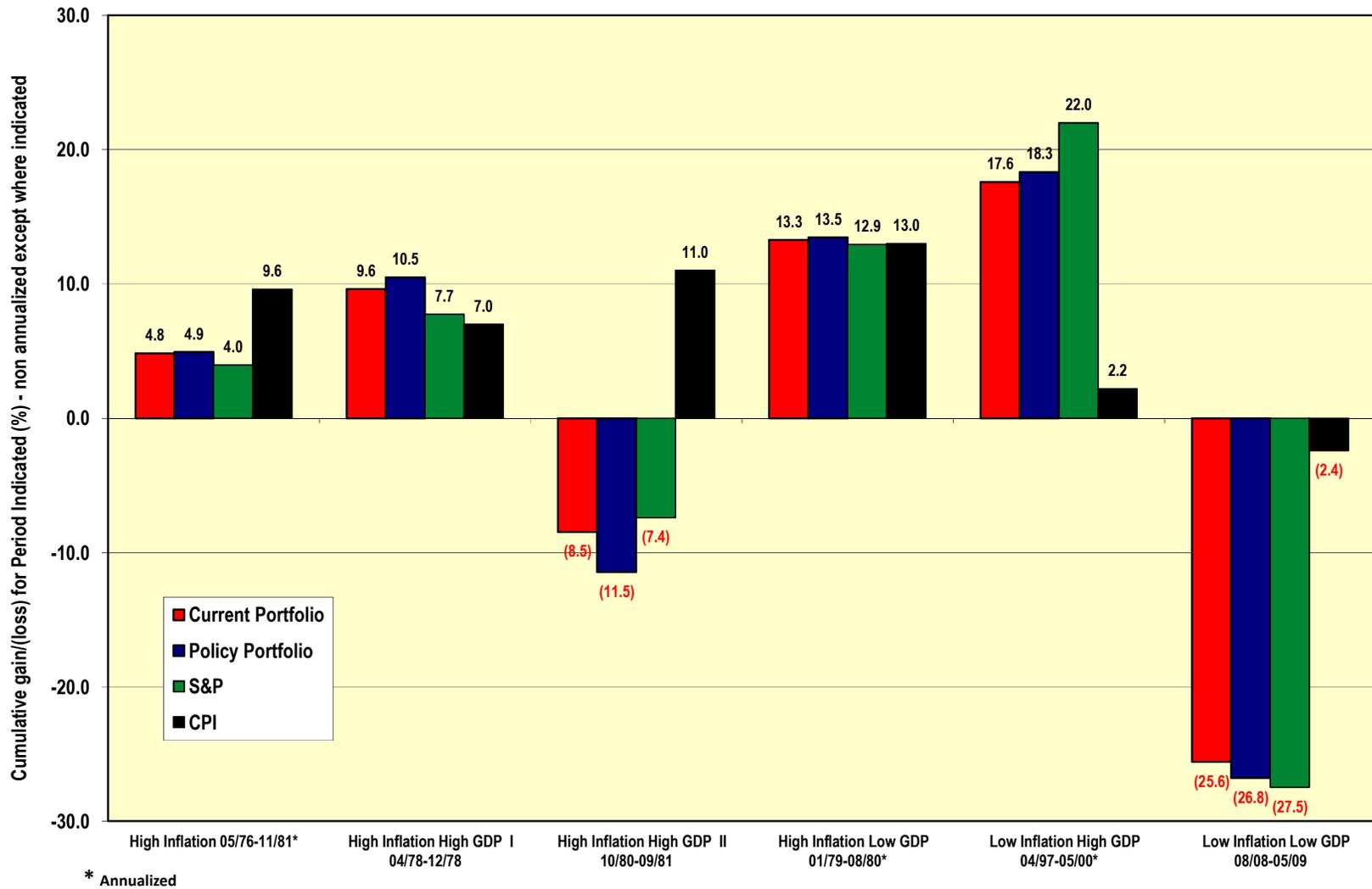


# Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments





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





# Scenario Analysis

As of August 31, 2013

	Policy	Scenario							
		Full Recovery	Global Stagflation	Eurozone Default	Big Eurozone Default	Japan Crisis	USD Crisis	EM Bubble "Pop"	Deflation
<b>Expected Policy Returns (nominal)</b>	<b>7.36%</b>	<b>18%</b>	<b>(7.4%)</b>	<b>(5.5%)</b>	<b>(20%)</b>	<b>(19%)</b>	<b>(20%)</b>	<b>(22%)</b>	<b>(26%)</b>
Gain from tactical positions	(0.12%)	(1.5%)	1.6%	1.0%	2.8%	2.3%	3.3%	1.8%	0.6%
Gain from current hedges	(0.50%)	(0.2%)	0.0%	0.2%	0.2% - 1.6%	0.5% - 3.4%	0.3%	(0.1%)	(0.1%)
Gain from manager's alpha	1.00%	0.8%	1.5%	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Estimated Endowment Returns</b>	<b>7.75%</b>	<b>17.1%</b>	<b>(4.3%)</b>	<b>(2.1%)</b>	<b>(15%) – (13%)</b>	<b>(14%) – (11%)</b>	<b>(14.2%)</b>	<b>(18.3%)</b>	<b>(23.3%)</b>

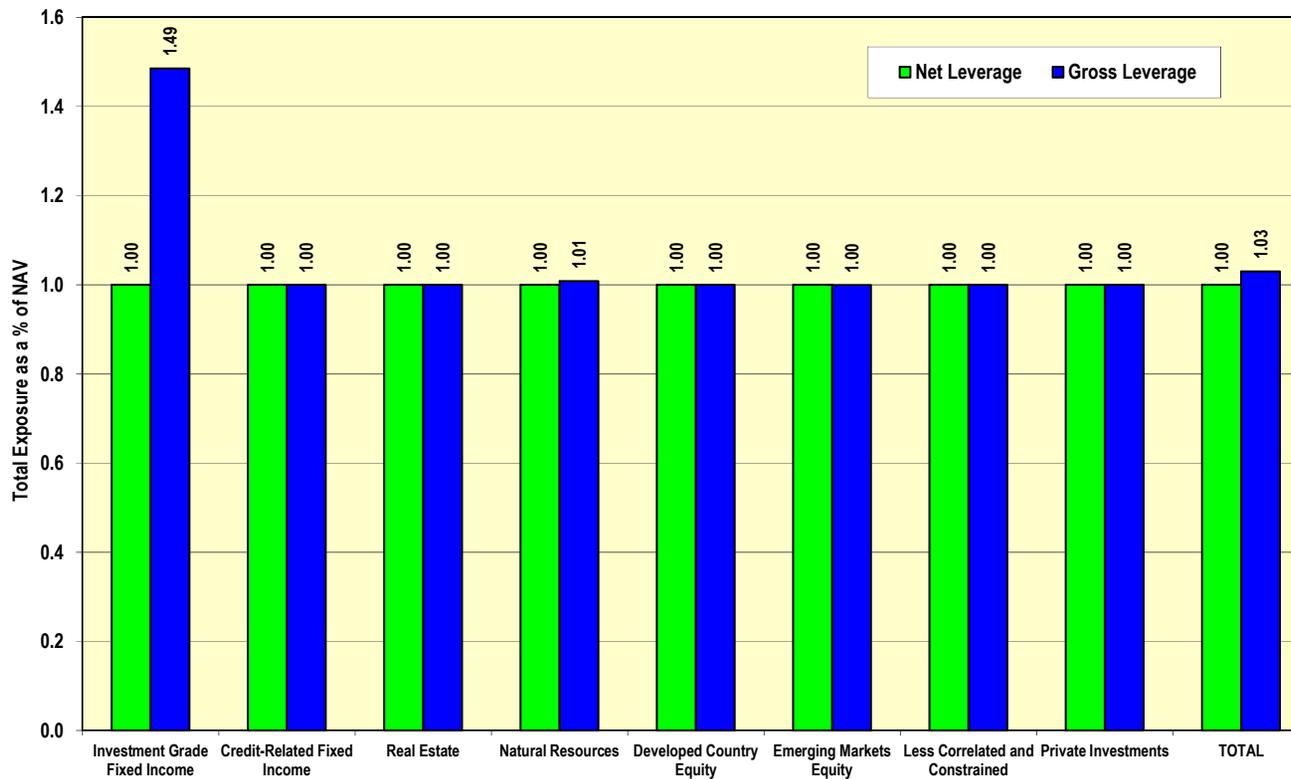


# Leverage



# Portfolio Level Leverage as of August 31, 2013

- Overall the portfolio had gross leverage of 1.03x, with no net leverage

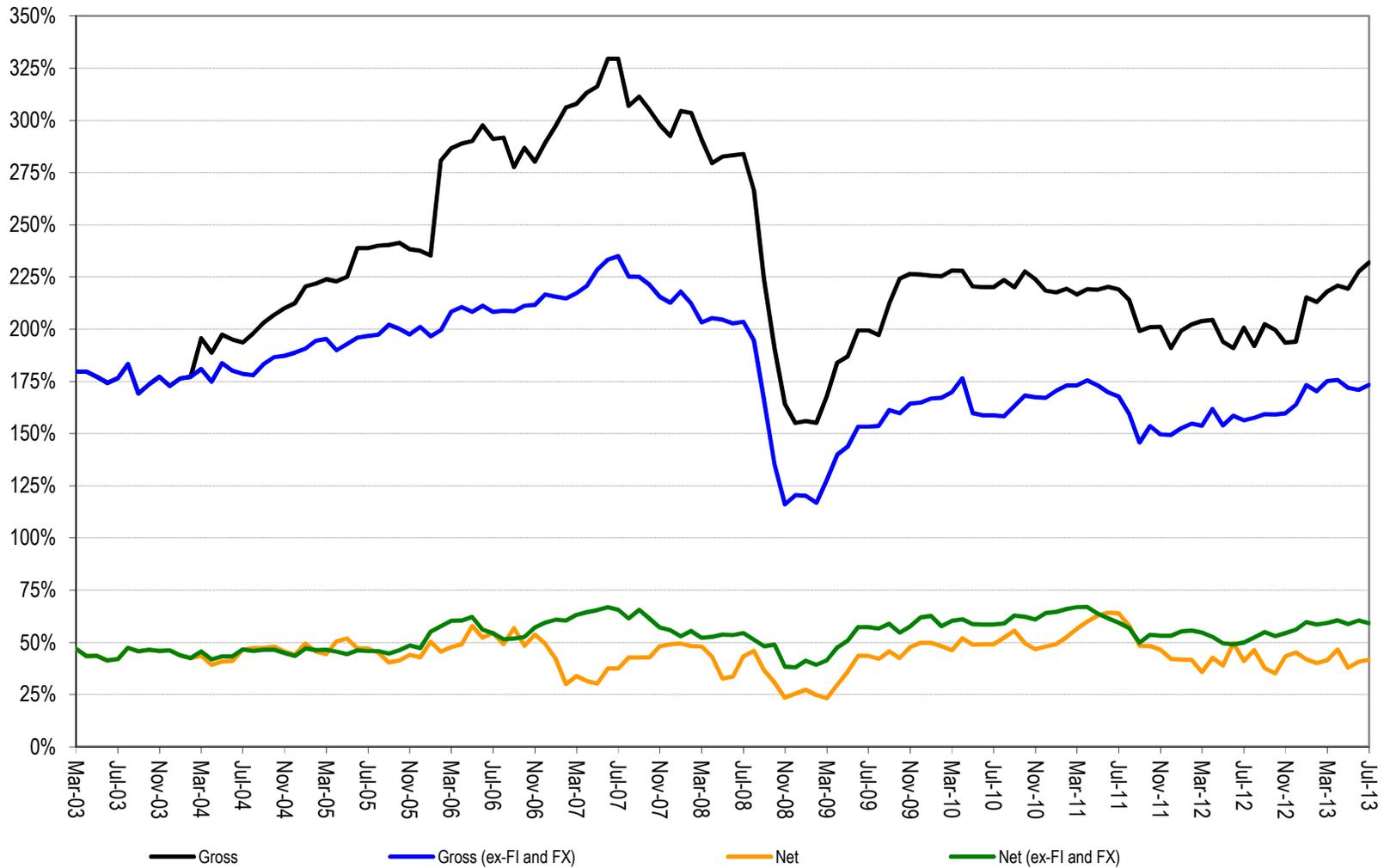




# LCC Leverage

as of July 31, 2013

Total Portfolio Exposures



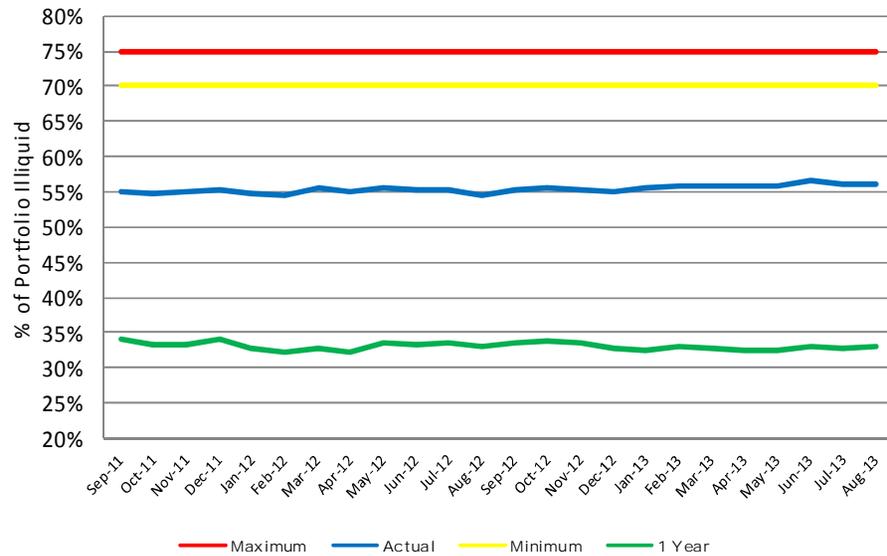


# Liquidity



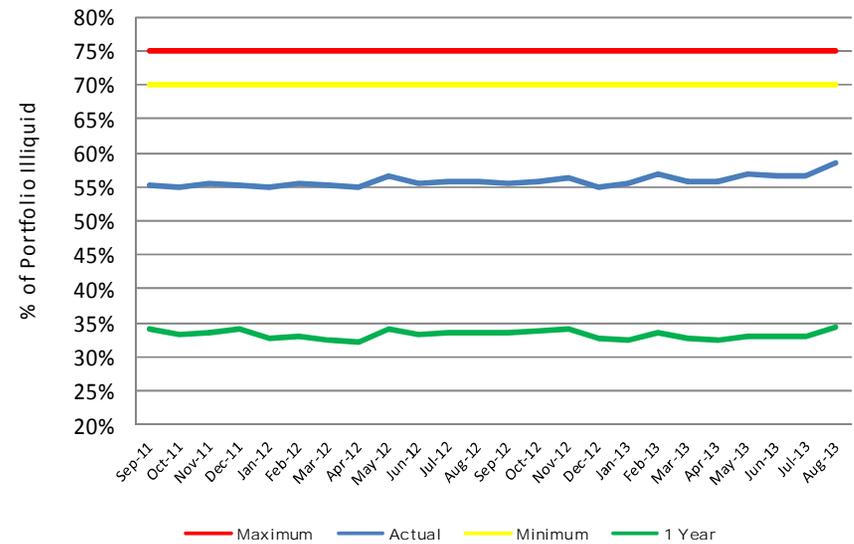
# Endowment Fund Liquidity

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



Three Month Liquidity \$ 6,517 million    One Year Liquidity \$ 9,969 million

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



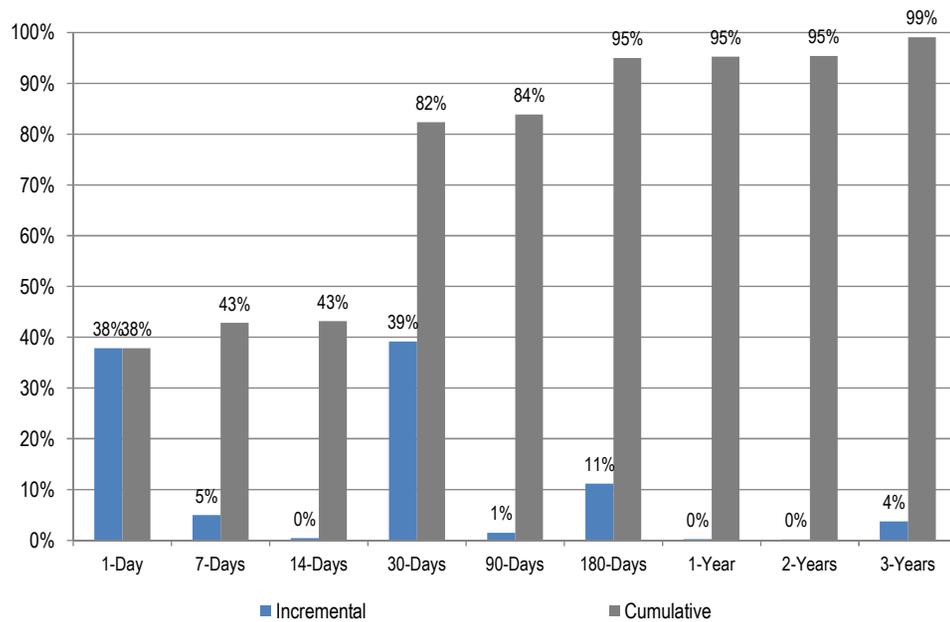
Three Month Liquidity \$ 3,065 million    One Year Liquidity \$ 4,860 million



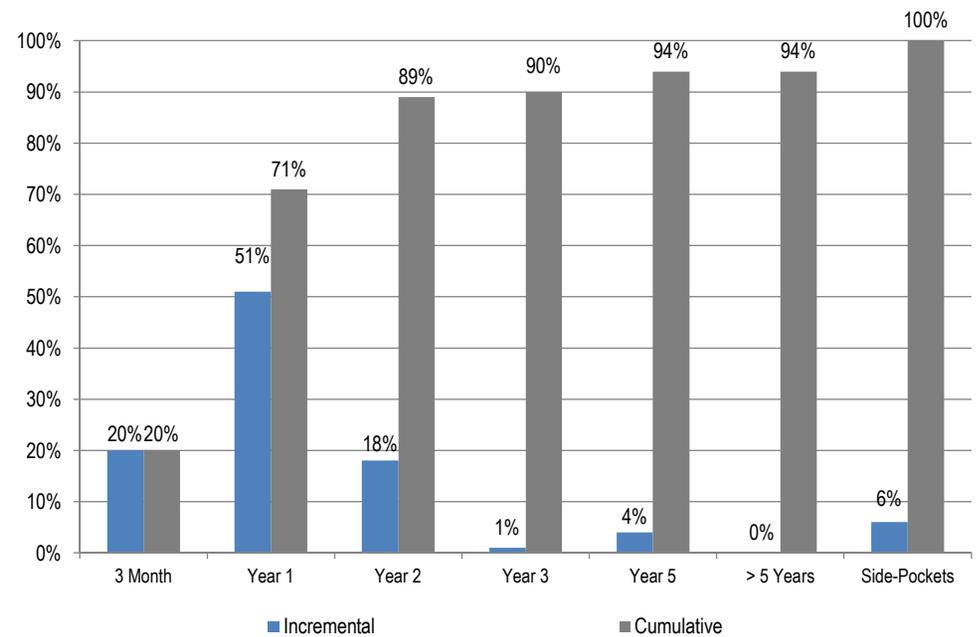
# Estimated Run-Off Liquidity\*

## As of August 31, 2013

MCC



LCC



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

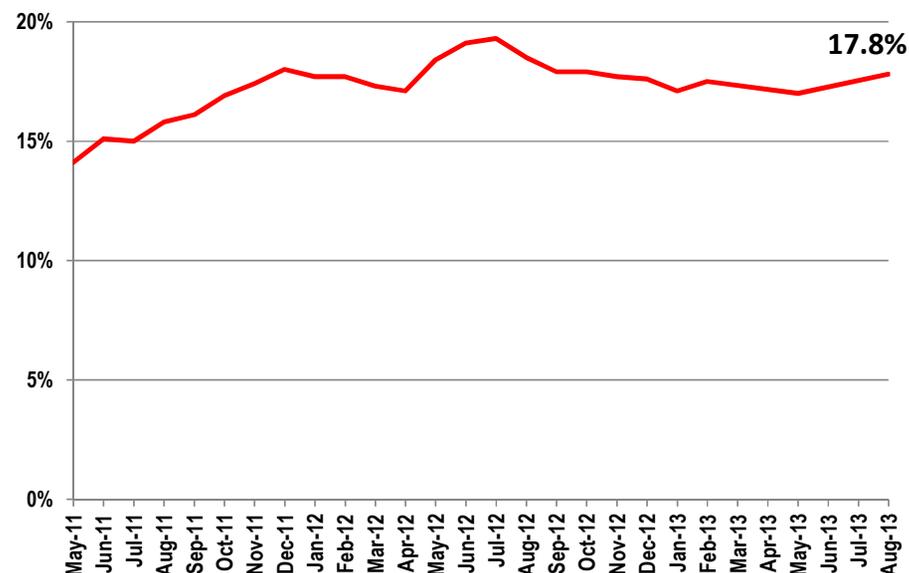


# Unfunded Commitments

Unfunded Commitments as of 8/31/13

Asset Class	Unfunded Commitment	Unfunded Commitment as % of Total Endowments
<b>PRIVATE INVESTMENTS</b>		
CREDIT-RELATED FIXED INCOME	238	1.1%
REAL ESTATE	763	3.4%
NATURAL RESOURCES	1,125	5.1%
NON-VENTURE CAPITAL	749	3.4%
VENTURE CAPITAL	389	1.7%
DEVELOPED MARKETS EQUITY	1,138	5.1%
EMERGING MARKETS EQUITY	513	2.3%
<b>TOTAL PRIVATE INVESTMENTS</b>	<b>\$3,777</b>	<b>17.0%</b>
TOTAL LESS CORRELATED AND CONSTRAINED	\$163	0.7%
TOTAL MORE CORRELATED AND CONSTRAINED	\$12	0.1%
<b>GRAND TOTAL</b>	<b>\$3,952</b>	<b>17.8%</b>
<b>TOTAL ENDOWMENTS HOLDINGS</b>	<b>\$22,248</b>	
<b>MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY</b>		<b>30.0%</b>

Unfunded Commitments as a % of Endowment Assets

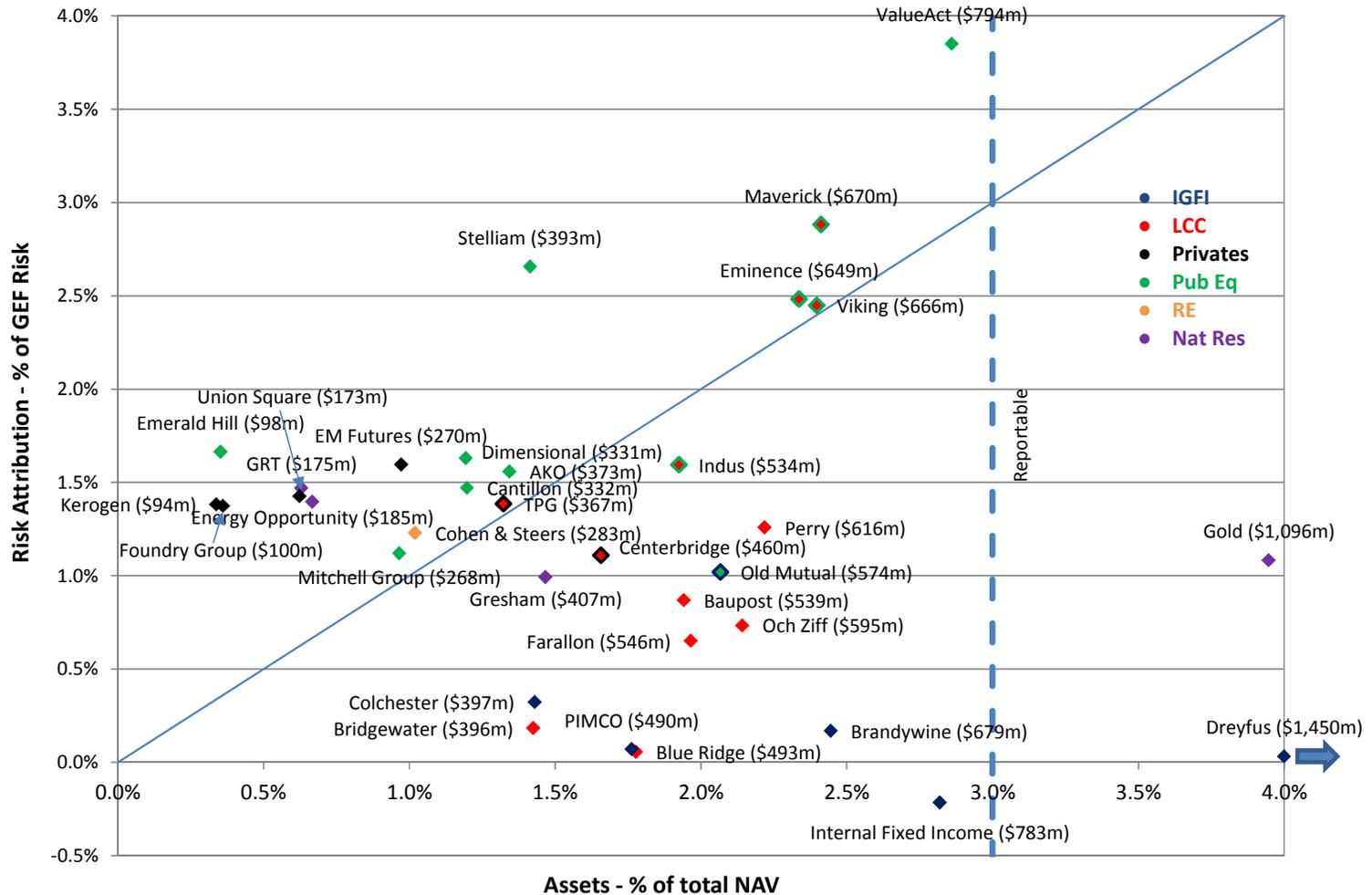




# Manager Exposure



# Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.42% of total assets, or at least 1.12% of Risk. Risk on this chart is measured using historical downside risk



# Manager Exposures over 3% and 5% August 31, 2013

## Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments)

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%age</u>
<u>More Correlated and Constrained</u>		
None		
<u>Less Correlated and Constrained</u>		
None		
<u>Private Investments</u>		
None		

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

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



# **Investment Activity**

## **Investments, Commitments, Significant Redemptions**



# Summary of Transactions Made Under the Delegation of Authority Three Months Ended August 31, 2013

	Redemptions (\$ millions)				Investments / Commitments (\$ millions)			
	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>Total</u>	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>Total</u>
Investment Grade Fixed Income	313	-	-	313	-	6	-	6
Credit-Related Fixed Income	-	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-	-
Natural Resources	-	-	-	-	-	-	197	197
Developed Country Equity	50	19	-	69	50	127	208	385
Emerging Markets Equity	8	24	-	32	77	-	-	77
<b>Total</b>	<u>\$ 371</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 127</u>	<u>\$ 133</u>	<u>\$ 405</u>	<u>\$ 665</u>



# Summary of Transactions Made Under the Delegation of Authority Twelve Months Ended August 31, 2013

	Redemptions (\$ millions)				Investments / Commitments (\$ millions)			
	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>Total</u>	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>Total</u>
Investment Grade Fixed Income	590	-	-	590	-	75	-	75
Credit-Related Fixed Income	-	55	-	55	-	26	-	26
Real Estate	-	-	-	-	-	-	260	260
Natural Resources	527	-	-	527	336	-	561	897
Developed Country Equity	64	406	-	470	441	484	388	1,313
Emerging Markets Equity	141	185	-	326	283	50	39	372
	<u>\$ 1,322</u>	<u>\$ 646</u>	<u>\$ -</u>	<u>\$ 1,968</u>	<u>\$ 1,060</u>	<u>\$ 635</u>	<u>\$ 1,248</u>	<u>\$ 2,943</u>



**ITF**



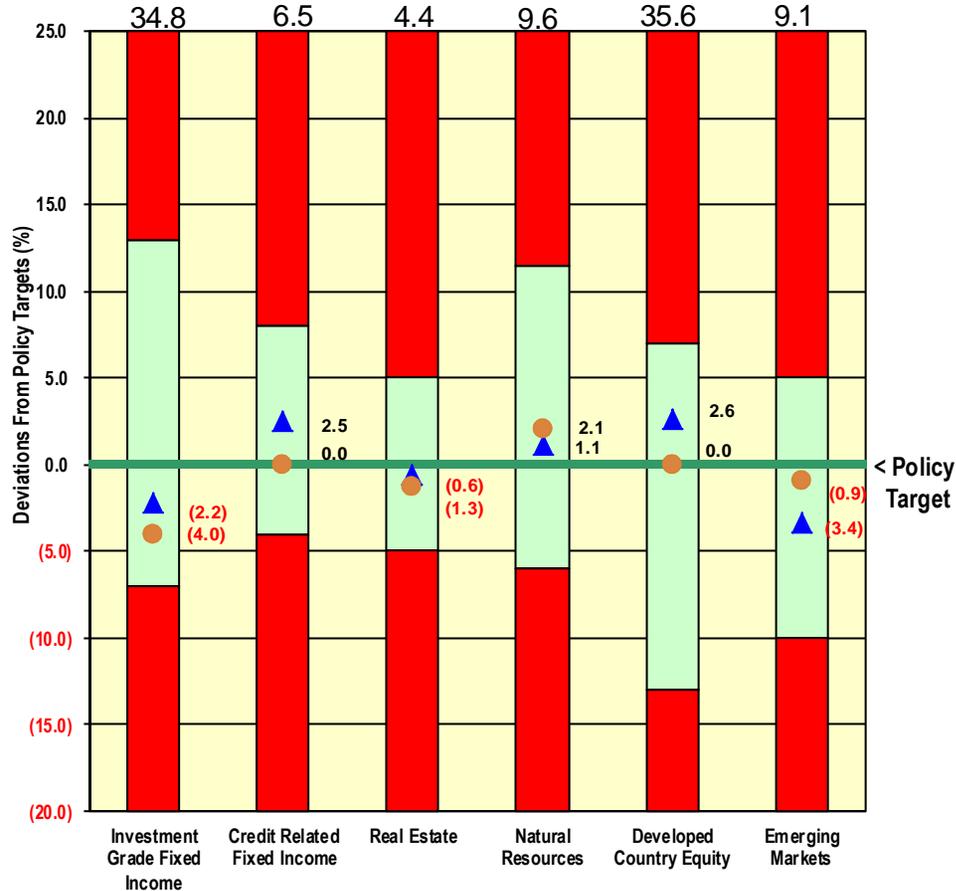
# ITF Exposure as of August 31, 2013 (in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	\$ 1,709	31.0%	\$ 210	3.8%	\$ -	0.0%	\$ 1,919	34.8%
	Credit-Related	-	0.0%	362	6.5%	-	0.0%	362	6.5%
<b>Fixed Income Total</b>		<b>1,709</b>	<b>31.0%</b>	<b>572</b>	<b>10.3%</b>	<b>-</b>	<b>0.0%</b>	<b>2,281</b>	<b>41.3%</b>
Real Assets	Real Estate	205	3.7%	37	0.7%	-	0.0%	242	4.4%
	Natural Resources	533	9.6%	2	0.0%	-	0.0%	535	9.6%
<b>Real Assets Total</b>		<b>738</b>	<b>13.3%</b>	<b>39</b>	<b>0.7%</b>	<b>-</b>	<b>0.0%</b>	<b>777</b>	<b>14.0%</b>
Equity	Developed Country	552	10.0%	1,411	25.6%	-	0.0%	1,963	35.6%
	Emerging Markets	362	6.6%	137	2.5%	-	0.0%	499	9.1%
<b>Equity Total</b>		<b>914</b>	<b>16.6%</b>	<b>1,548</b>	<b>28.1%</b>	<b>-</b>	<b>0.0%</b>	<b>2,462</b>	<b>44.7%</b>
<b>Grand Total</b>		<b>\$3,361</b>	<b>60.9%</b>	<b>\$2,159</b>	<b>39.1%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$5,520</b>	<b>100.0%</b>

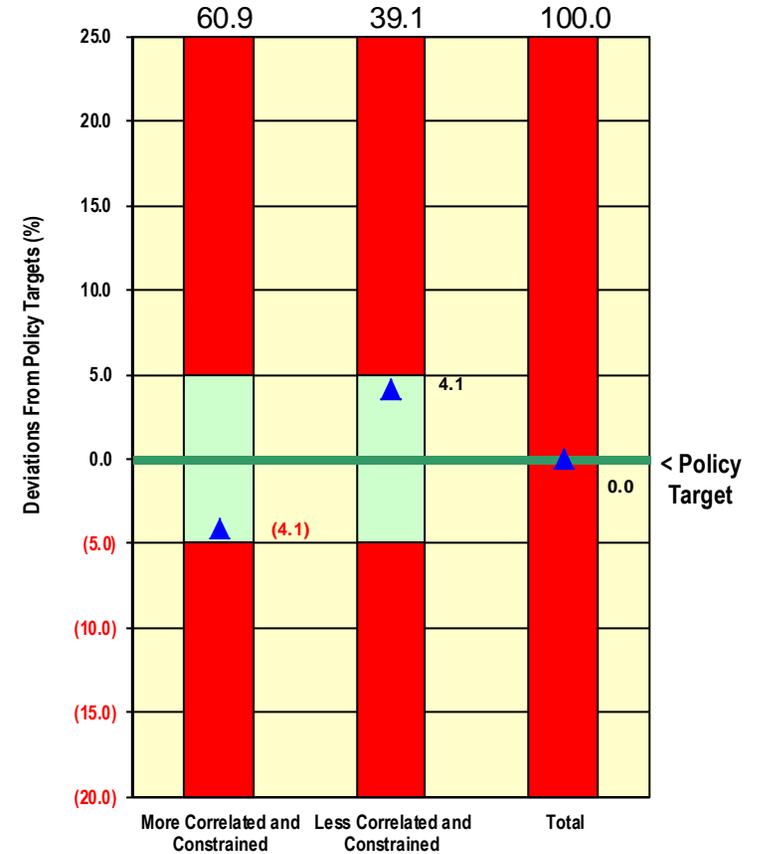


# ITF Asset Allocation as of August 31, 2013

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



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



▲ -- All Investment Types

● -- More Correlated and Constrained



# ITF Insurance Hedges

Event	Hedge	Exposures as of August 31, 2013				Changes since May 31, 2013				
		<u>Total Cost</u> <sup>(1)</sup>	<u>bps Cost/Year</u> <sup>(2)</sup>	<u>Notional</u> (\$ millions)	<u>MTM (\$ millions)</u>	<u>P/L</u>	<u>Cost</u>	<u>bps Cost/Year</u> <sup>(2)</sup>	<u>Notional</u> (\$ millions)	<u>MTM (\$ millions)</u>
<b>ACTIVE POSITIONS</b>										
<b>U.S. Inflation</b>										
	CMS Options	\$ (13)	5.8	\$ 2,251	\$ 4	\$ (8)	\$ -	-	\$ -	\$ 2
<b>Emerging Markets Bubble</b>										
	KOSPI Put Spreads	-	-	-	\$ -	-	5	(5.7)	(261)	(0)
	Australian Put Spread	-	-	-	\$ -	-	2	(1.9)	(55)	(0)
	Total	-	-	-	-	-	7	(7.6)		(0)
<b>Sovereign Default</b>										
	JPY Rate Options and Swaptions	(4)	3.4	575	\$ 3	(2)	-	(1.6)	-	(3)
<b>SUBTOTAL ACTIVE POSITIONS</b>		<b>\$ (17)</b>	<b>9.2</b>		<b>7</b>	<b>(10)</b>	<b>7</b>	<b>(9.2)</b>		<b>(2)</b>
<b>EXPIRED POSITIONS</b>										
	Australian Put Spread	(4)	2.2	185		(4)	(2)	1.9	55	-
	JPY Rate Options and Swaptions	(3)	1.8	500		(3)	-	1.6	-	-
	KOSPI Put Spreads	(5)	5.7	261		(5)	(5)	5.7	261	-
<b>SUBTOTAL EXPIRED POSITIONS</b>		<b>\$ (12)</b>	<b>9.8</b>			<b>(12)</b>	<b>(7)</b>	<b>9.2</b>		<b>-</b>
<b>TOTAL</b>		<b>\$ (29)</b>	<b>19.0</b>			<b>\$ (22)</b>	<b>\$ -</b>	<b>-</b>		<b>\$ (2)</b>

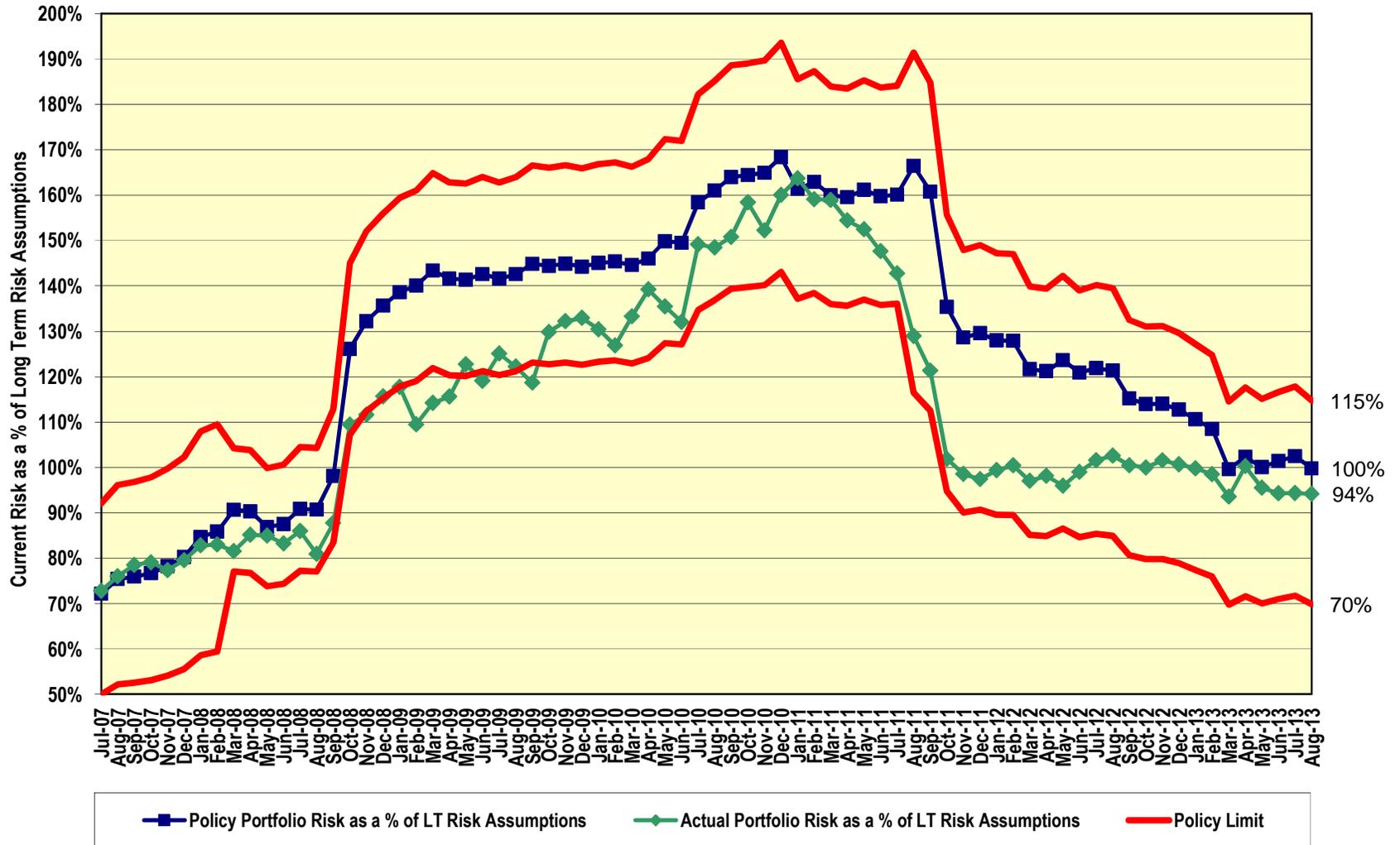
(1) Maximum Loss for Options

(2) Amount of delegated insurance budget used for fiscal year ending August, 2013.



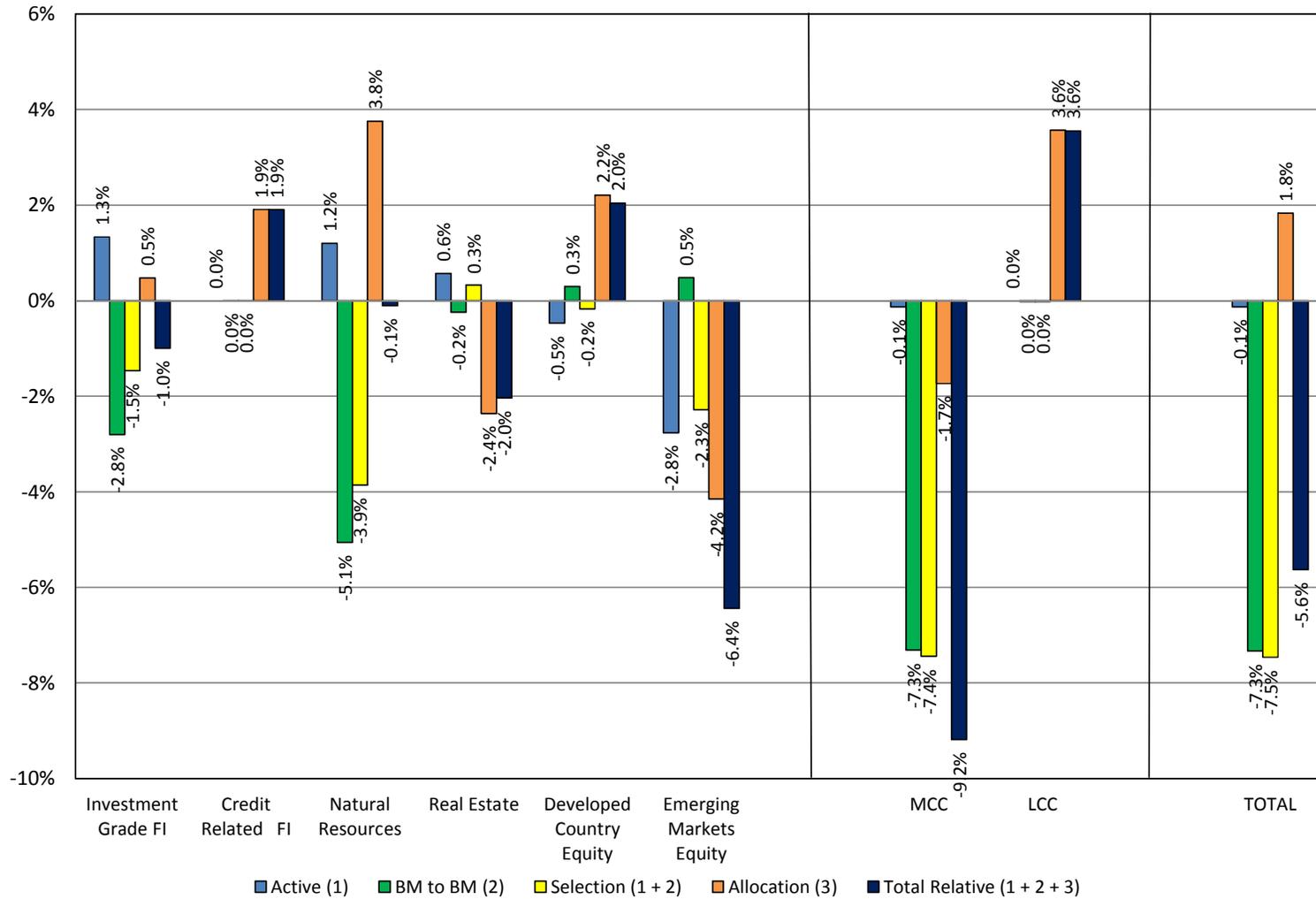
# Current Risk Environment of ITF

(Based on Downside Risk; LT assumption = 5.59%)





# ITF 4-Way Risk Decomposition as of August 31, 2013



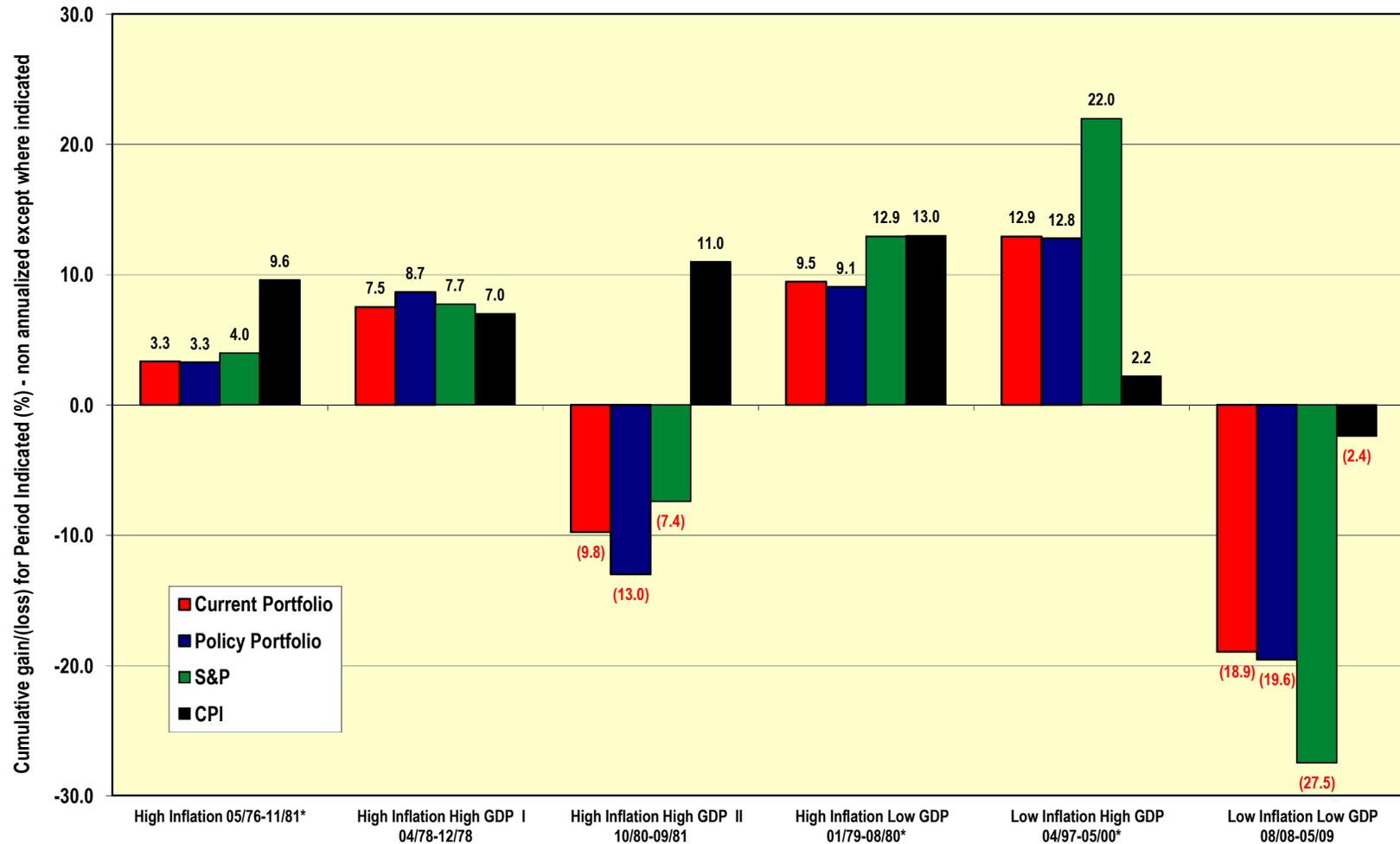


# Parametric Stress Tests

<u>Test</u>	<u>Effect on ITF</u>
• S&P-500 drops 20%	(4.82%)
• Rates rise 100bp	(1.25%)
• Dollar strengthens 5%	(1.00%)
• Dollar weakens 5%	1.14%
• Yield curve flattens – Bull case	1.08%
• Yield curve flattens – Bear case	(0.37%)
• Yield curve steepens – Bull case	0.37%
• Yield curve steepens – Bear case	(0.87%)



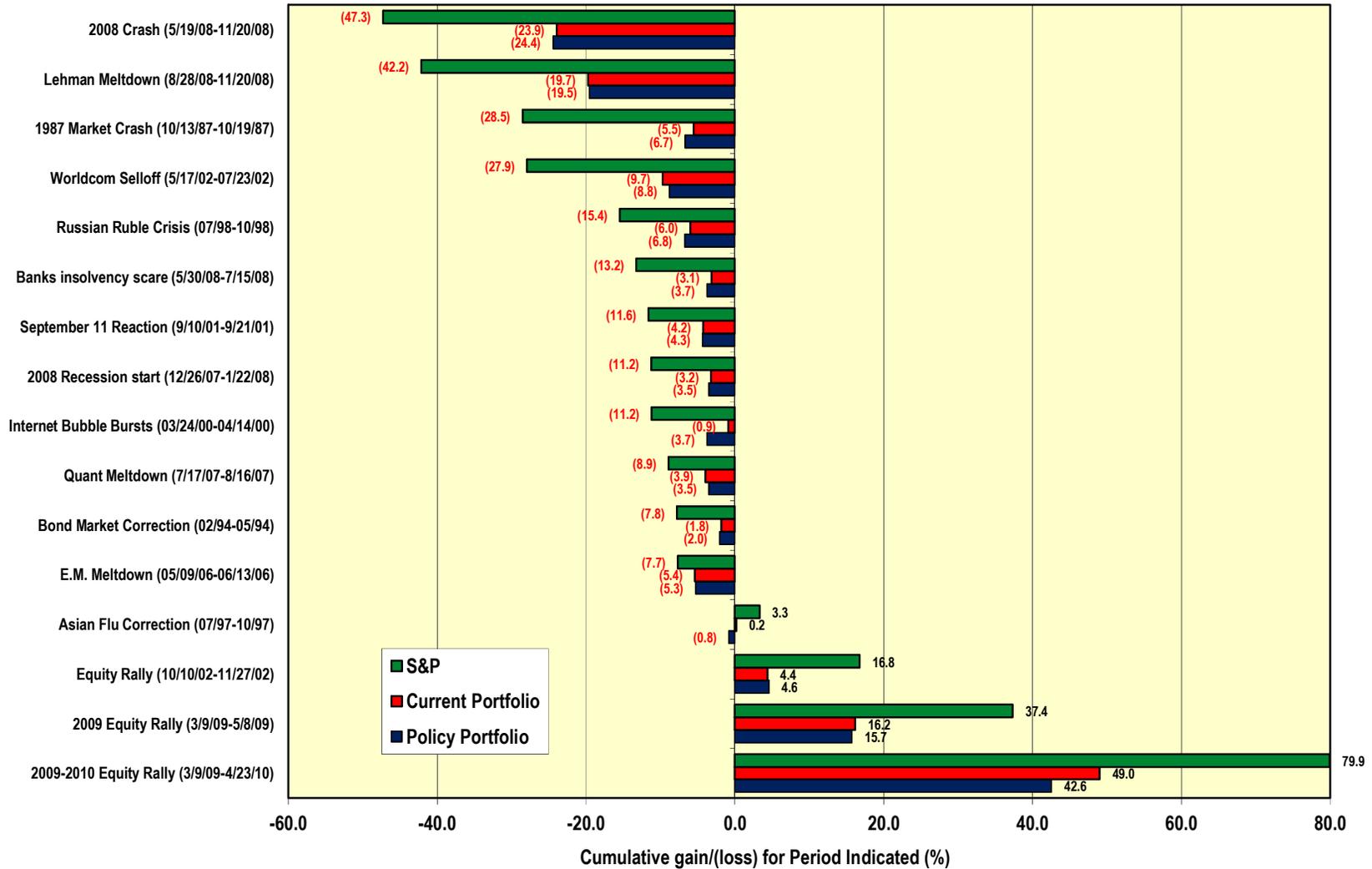
# Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments



\* Annualized



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





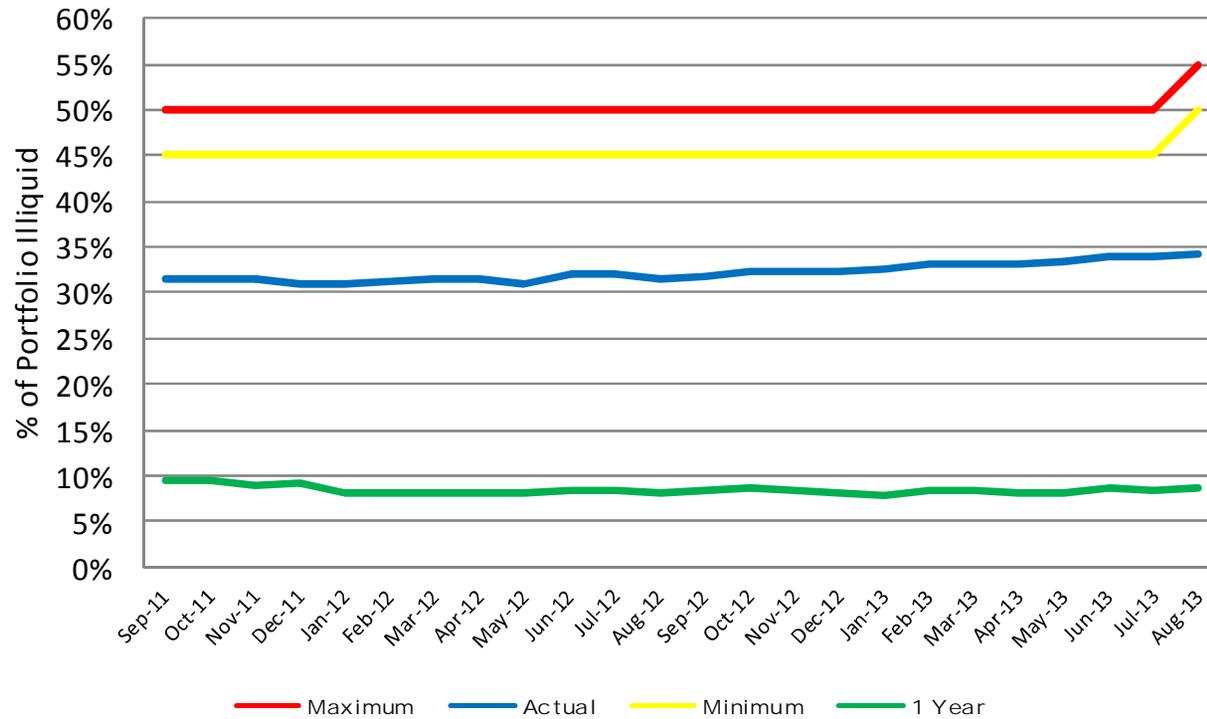
## ITF Leverage as of August 31, 2013

- Investment Grade Fixed Income had a long exposure of 1.23x, no net leverage
- All other asset classes and investment types had no net leverage at the portfolio level
- Overall the portfolio had a gross leverage of 1.14x, no net leverage



# ITF Liquidity

**Intermediate Term Fund  
Actual Illiquidity vs. Trigger Zones**



**Three Month Liquidity \$ 3,638 million One Year Liquidity \$ 5,044 million**



# Contracts Update



# Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For July 1, 2013 through September 30, 2013

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

Agreement	Purpose	Contract Term	Annual Amount
CreditSights	Provides suite of BondScore credit scoring models, fundamental credit research, and an efficient screening and credit risk surveillance tool	9/1/2013 - 9/1/2014	\$50,000
Interactive Data - Bond Edge	Global provider of financial market data, analytics and related services. Provides fixed-income portfolio analytics.	Three year contract: 9/22/2013 - 9/21/2016	\$275,604
Mercer	Compensation Benchmarking and Incentive Plan Review	7/2/2013 - 12/31/2013	\$55,000

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	\$140,000
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	\$375,464
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$240,000