

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
February 5, 2015**

401 Congress Avenue
Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
10:00 a.m.	10:05 a.m.	1	Convene in Open Session Call to Order/Discussion and Appropriate Action Related to Minutes of November 18, 2014 Meeting*
10:05 a.m.	10:10 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: - Designation of Annual Meeting of the UTIMCO Board* - Resolution of Appreciation*
10:10 a.m.	11:10 a.m.	3	Endowment and Operating Funds Update Report
11:10 a.m.	11:20 a.m.	4	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO*
11:20 a.m.	11:30 a.m.	5	Report from Risk Committee
11:30 a.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: April 22, 2015 (Annual Meeting)
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RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 18, 2014**, 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 **November 18, 2014**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Morris Foster, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

Morris E. Foster, Chairman
Ardon E. Moore, Vice Chairman
Francisco G. Cigarroa, M.D., Vice Chairman for Policy
Kyle Bass
R. Steven Hicks
Jeffery D. Hildebrand
H. Lee S. Hobson
Robert L. Stillwell
John D. White

thus constituting a majority and quorum of the Board. Chairman Foster called the meeting to order at 10:10 a.m. Director Francisco Cigarroa joined later in the meeting, as noted in the minutes, by conference telephone enabling all persons participating in the meeting to hear each other. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director – Private Markets Investments; Mark Warner, Senior Managing Director - Natural Resources Investments; Mark Shoberg, Managing Director – Real Estate Investments; Susan Chen, Managing Director – Public Markets Investments; Ryan Ruebsahm, Managing Director – Marketable Alternative Investments; Uzi Yoeli, Managing Director - Portfolio Risk Management; Uche Abalogu, Chief Technology Officer; and other staff members. Other attendees were Jim Phillips, Moshmee Kalamkar, Allen Hah, and Roger Starkey of the UT System Administration; Keith Brown of the McCombs School of Business at UT Austin; and Jerry Turner of Andrews Kurth LLP. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on October 9, 2014. 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
October 9, 2014, be, and are hereby, approved.

Chairman Foster welcomed Mr. Hobson to his first in-person Board meeting as a Director.

Investment Initiatives

Chairman Foster asked Mr. Zimmerman to begin discussion of the investment initiatives to the Board. Chancellor Cigarroa joined the meeting at this time. Mr. Zimmerman explained that each of the investment teams would be presenting various investment initiatives. Ms. Chen began by presenting the handout *MCC Equity – Emerging Markets* to the Board. She provided the Emerging Markets (“EM”) strategy, with country and region focus, several years of history for the EM portfolio, equity managers and presented managers and performance by region and country. She then presented the EM pipeline. Mr. Ruebsahm continued with a presentation *LCC “Next Generation” Managers Update*. He explained the “Next Generation” capital allocation, investments since 2008, provided portfolio manager age and experience, firm lineage, assets, capacity and fees, performance comparison, and cited challenges going forward for the portfolio. Mr. Zimmerman began the presentation of the *Private Investments Initiatives Update*, providing general and specific initiatives. Mr. Shoberg discussed the Real Estate FY2014 commitments, portfolio composition, investor status, performance and the real estate pipeline followed by Mr. Warner and Mr. Eakman who presented the same information for the Natural Resources and Private Investments portfolios, respectively. Mr. Zimmerman and Staff answered the Directors’ questions.

Potential Scenarios

Chairman Foster asked Mr. Zimmerman to continue by presenting *Potential Scenario Analysis* to the Board. Mr. Zimmerman and the investment teams discussed with the Board the potential impact on asset class and endowment returns of various scenarios and answered the Directors’ questions.

Organization Update

Chairman Foster asked Mr. Zimmerman to give an organization update to the Board. Mr. Zimmerman and Staff gave an update on the Corporation’s staffing, open records requests for FY2014, and information technology. Staff also provided “next steps” that derived from an offsite meeting of senior management held last April. Mr. Zimmerman and Staff answered the Directors’ questions.

Educational Program for Board

Chairman Foster asked Mr. Turner to present the *Educational Program for UTIMCO Directors* to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires the Corporation to provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner’s presentation served as an update and a resource for current Board members.

At approximately 11:46 a.m. the Board recessed for lunch.

The meeting of the Board reconvened in open session at 12:15 p.m.

Risk Committee Report

Chairman Foster asked Mr. Bass to provide a report from the Risk Committee. Mr. Bass reported that the Committee met on November 18, 2014. Minutes were approved from the previous meetings. He stated that the Risk Committee approved 24 new investment mandate categorizations and one re-categorization recommendation prepared by Staff for the period beginning July 10, 2014 and ending October 24, 2014. Mr. Zimmerman also reviewed the five mandates on the watch-list, stating that they continued to be monitored by Staff. The Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending August 31, 2014. Mr. Hicks left the meeting at this time.

Policy Committee Report

Chairman Foster asked for a report from the Policy Committee Chair, Mr. Hildebrand. Mr. Hildebrand stated that the Policy Committee had met on November 3, 2014. The Committee approved minutes from previous meetings, and reviewed the proposed amendments to the Delegation of Authority Policy. Mr. Zimmerman presented the *Delegation of Authority and Concentration Analysis* to the Committee, and also presented it to the Board at this meeting. He began with describing the delegation of authority process and explained that the Corporation's Board had delegated certain investment authority to the CEO, within certain dollar limits and percentage of manager limits, and described the option to review process. He provided a summarized history of options to review, concentration analysis of the portfolio, and explained the proposed new delegated authority limits for new investments and increases to existing investments. Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Audit and Ethics Committee Report

Chairman Foster asked Mr. White to provide a report on behalf of the Audit and Ethics Committee. Mr. White reported that the Committee convened on November 4, 2014. At that meeting, the Committee approved minutes from their previous meeting and heard a report from Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, providing the audit results and communications for the Corporation for the fiscal years ended August 31, 2014 and August 31, 2013. Also reviewed and approved were the annual financial statements for the Corporation, presented by Ms. Moeller. The Committee heard an update on compliance for the period ending August 31, 2014 from Ms. Gonzalez. Finally, an executive session was held to allow deliberation of individual personnel evaluation matters, with no action taken by the Committee. The following resolution was recommended by the Audit and Ethics Committee for approval by the Board. Upon motion duly made and seconded, this resolution was unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2014, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2014, and August 31, 2013, and the Statement of Investment Performance Statistics for the year ended August 31, 2014, be, and are hereby approved in the form as presented to the Board.

Executive Session

Chairman Foster announced, at 12:34 p.m., that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to consider individual personnel compensation matters, including a Report of the Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2014, pursuant to Section 551.074, *Texas Government Code*. The date is November 18, 2014, and the time is now 12:34 p.m." With the exception of Mr. Zimmerman, Mr. Turner 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 Chairman 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 November 18, 2014, and the time is now 12:50 p.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

Chairman Foster asked Mr. Hobson to report on behalf of the Compensation Committee. Mr. Hobson stated that the Committee had met on November 3, November 17, and November 18, 2014. At its meeting on November 3, 2014, and November 14, 2014, the Committee approved the minutes of its previous meeting and convened in Executive Session to consider the Performance Incentive Awards for the Performance Period ended August 31, 2014. At its November 18th meeting, held prior to the Board meeting, the Committee discussed and took appropriate action regarding the Qualitative Performance Goals for a new employee as a Participant of the Plan for the Performance Period ending August 31, 2015, discussed and took appropriate action related to Designation of Employee in Eligible Position as a Participant in the Plan for the Performance Period ending August 31, 2015, and discussed and took appropriate action regarding individual personnel compensation and evaluation matters related to the Performance Incentive Awards for the UTIMCO Compensation Program ("Plan") Participants for the Performance Period ended August 31, 2014 for Staff and CEO. The Committee recommended approval of the following resolutions by the Board. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the "Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2013/2014 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2013/2014 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2013/2014 Performance Period in the amount of \$1,694,155 and be it

FURTHER RESOLVED, that of the CEO's \$1,694,155 Performance Incentive Award for the 2013/2014 Performance Period, 50% (\$847,077.50) will be deferred pursuant to the Plan.

And,

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2013/2014 Performance Period of his or her Performance Goals for such Performance Period; and

WHEREAS, Sections 5.5.(e) and 5.5.(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for such Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5.(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2013/2014 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Incentive Awards for all Participants for the 2013/2014 Performance Period (excluding the CEO) in the total aggregate amount of \$7,339,132 and be it

FURTHER RESOLVED, that of the Performance Incentive Awards for the 2013/2014 Performance Period (excluding the CEO), 24% (\$1,753,230) will be deferred pursuant to the Plan.

And also,

WHEREAS, Section 5.3.(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended Richard Rincon (Senior Associate – Investments) to become a Participant for the 2014/2015 Performance Period; and

WHEREAS, the UTIMCO Board wishes to select Richard Rincon (Senior Associate – Investments) as a Participant for the 2014/2015 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Richard Rincon (Senior Associate – Investments) be designated as a "Participant" in the Plan for the 2014/2015 Performance Period, effective as of November 10, 2014.

Investment Initiatives (continued)

Chairman Foster asked Mr. Zimmerman to continue with the *Optimizing Illiquidity Recap of 2012-2013 Analysis* handout. Mr. Zimmerman stated that the Board had raised questions in the Investment Initiatives discussion held earlier in the meeting related to the Corporation's hedge fund investments and private investments strategy and how these would be implemented. Mr. Zimmerman stated that Staff had done work previously related to Staff's general approach in private investments and documented it in the *Optimizing Liquidity* handout shared with the Board in earlier meetings. The handout outlined three fundamental issues in determining optimal illiquidity in the portfolio: 1) what returns are sufficient to support

what levels of illiquidity risk, 2) what liquidity needs limit illiquidity exposure, and 3) what is staff's ability to deploy illiquidity risk and generate sufficient returns. Mr. Zimmerman invited Board members to review and discuss the handout with him at their convenience. He also thanked the Board on behalf of all of Staff for their support throughout the year.

2015 Meeting Dates

The 2015 board and committee meeting dates were handed out to the Board.

Chairman Foster acknowledged that this was the last meeting for Chancellor Cigarroa. He thanked him for his wisdom, counsel and leadership throughout his term.

There being no further business to come before the Board, the meeting was adjourned at approximately 1:00 p.m.

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2015

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: Designation of Annual Meeting of the UTIMCO Board and Resolution of Appreciation

Developed By: Staff

Presented By: Foster

Type of Item: Action required by UTIMCO Board

Description: Chairman Foster will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on April 22, 2015. Chairman Foster will also present a recommendation to the Board to approve a resolution acknowledging Chancellor Francisco G. Cigarroa's services as a UTIMCO Board member.

Recommendation: Chairman Foster will recommend approval of the designation of the annual meeting and approval of a Resolution of Appreciation for Francisco G. Cigarroa, M.D.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 22, 2015, in Austin, Texas.

RESOLUTION OF APPRECIATION FRANCISCO G. CIGARROA, M.D.

WHEREAS, Francisco G. Cigarroa, M.D., a nationally renowned transplant surgeon and third generation physician from Laredo, Texas, graduated from Yale University in 1979 with a bachelor's degree in biology and then received his medical degree from The University of Texas Southwestern Medical Center in 1983; and

WHEREAS, during his post graduate training, he became chief resident in General Surgery at Massachusetts General Hospital in Boston and completed fellowships in Pediatric Surgery and Transplantation Surgery at Johns Hopkins Hospital in Baltimore, then joined the faculty of The University of Texas Health Science Center at San Antonio in 1995, where he served as director of pediatric surgery before serving as president of the institution from 2000-2009; and

WHEREAS, President George W. Bush appointed Dr. Cigarroa to serve on the President's Committee on the National Medal of Science, and President Barack Obama appointed him to serve as a commissioner on the White House Initiative on Educational Excellence for Hispanic Americans; and

WHEREAS, in 2009, Dr. Cigarroa became the first Hispanic to be named chancellor of The University of Texas System, overseeing one of the largest public systems of higher education in the nation, which consists of nine universities and six health institutions; and

WHEREAS, by virtue of his position as Chancellor of the UT System, he also served as Director and Vice Chairman for Policy for The University of Texas Investment Management Company, providing outstanding leadership, counsel and guidance to UTIMCO by drawing upon his experience as well as his knowledge and insight gained during his tenure with The University of Texas Health Science Center at San Antonio; and

WHEREAS, Dr. Cigarroa's commitment as a Director of UTIMCO was exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his service as the 2010 President of the Academy of Medicine, Engineering and Science of Texas, a member of the National Research Council Committee on Research Universities and the American Academy Commission on the Humanities and Social Sciences and recipient of the Massachusetts General Hospital Trustees' Medal in recognition of his contributions to the advancement of the practice of medicine and patient care in 2011; and

WHEREAS, Dr. Cigarroa's unselfish contributions are also evidenced in the civic and corporate arenas by his membership in several prestigious societies, including the American College of Surgery, the Institute of Medicine, the American Board of Surgery and the American Academy of Arts and Sciences, and as an honorary member of the National Academy of Science in Mexico, and Alumni Fellow to the Yale Corporation; and

WHEREAS, during Dr. Cigarroa'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.

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 Francisco G. Cigarroa, M.D. their sincerest appreciation for his leadership and service that have contributed immeasurably to UTIMCO's past successes; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Dr. Cigarroa 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.

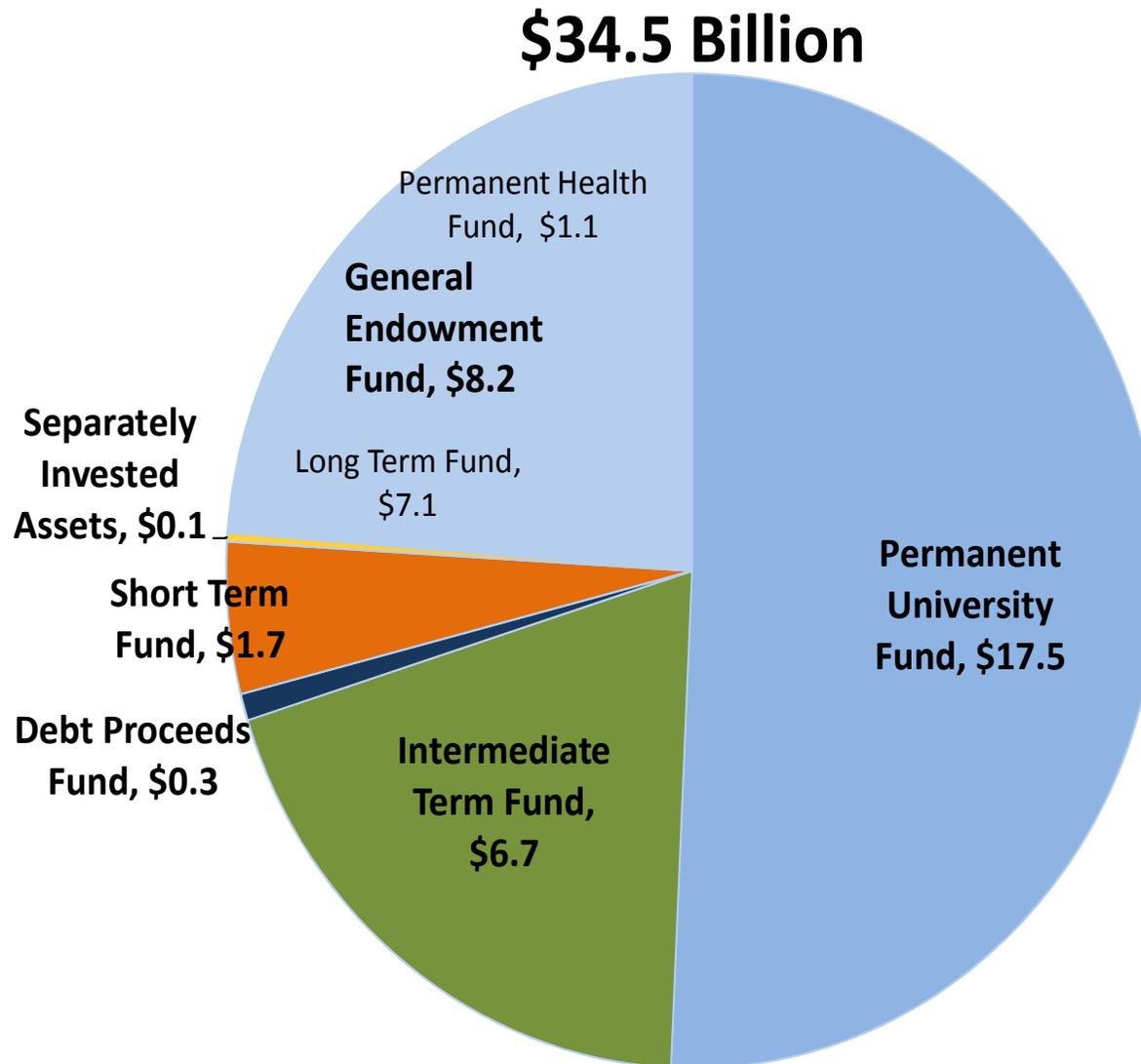
PASSED AND ADOPTED this 5th day of February 2015.



UTIMCO Board of Directors Funds Update February 5, 2015

UTIMCO Assets Under Management

December 31, 2014



Endowment Dashboard



Underperformance

<u>FYTD2015</u>	<u>CY2014</u>	<u>3-years</u>	<u>5-years</u>	<u>10-years</u>
-1.2%	6.9%	9.8%	8.8%	6.8%



Market

<u>Beta</u>		
<u>U.S. Equity</u>	<u>Rates</u>	<u>Currency</u>
0.529	(0.261)	(0.159)



Scenarios

	<u>US Liquidity</u>	<u>China</u>	<u>Japan</u>	<u>50% Oil</u>
<u>Expected</u>	<u>Squeeze</u>	<u>Slowdown</u>	<u>Implosion</u>	<u>Drop</u>
<u>Returns:</u>	-21.1%	-17.7%	-15.0%	2.1%



Downside Volatility

	<u>1 stdev</u>	<u>2 stdev</u>
<u>Expected returns</u>	-0.8%	-10.9%
<u>VIX:</u>	13.3%	



Active Management

	<u>FYTD2015</u>	<u>CY2014</u>	<u>5-years</u>
<u>Value-Add</u>			
bps	66	107	159
\$	\$63M	\$231M	\$1,694M
<u>Return/Volatility</u>			
Sharpe		1.39	1.47
IR		0.73	0.69



Transparency

	<u>Full</u>	<u>Lagged</u>	<u>Partial</u>	<u>None</u>
Full but	37%	30%	30%	3%



Concentration

	<u>Manager</u>			<u>Securities</u>	
<u>US</u>	<u>Top 10</u>	<u>Top 20</u>	<u>Bonds</u>	<u>Stocks</u>	
54%	26%	44%	5.5%	3.9%	



Illiquidity

	<u>90 day</u>	<u>1 year</u>
	<u>liquidity</u>	<u>liquidity</u>
<u>Endowments</u>	41%	65%
<u>ITF</u>	61%	90%



Leverage

	<u>LCC</u>	<u>LCC ex-FI</u>	<u>Endowments</u>
<u>Gross</u>	1.98	1.69	1.00
<u>Net</u>	0.40	0.54	1.00



Permanent Loss of Capital

	<u>Invested</u>	<u>Realized</u>	<u>Anticipated/</u>	<u>Total</u>
	<u>Capital (\$B)</u>	<u>Loss (\$M)</u>	<u>Unrealized</u>	<u>Loss</u>
			<u>Loss (\$M)</u>	<u>Loss</u>
				<u>(%)</u>
<u>MCC</u>	\$32.7	\$700	-	2.1%
<u>LCC</u>	\$12.1	\$200	\$200	3.3%
<u>PI</u>	\$13.1	\$300	\$100	3.1%
<u>Total</u>	\$57.9	\$1,200	\$300	2.6%



Returns/ Underperformance Risk

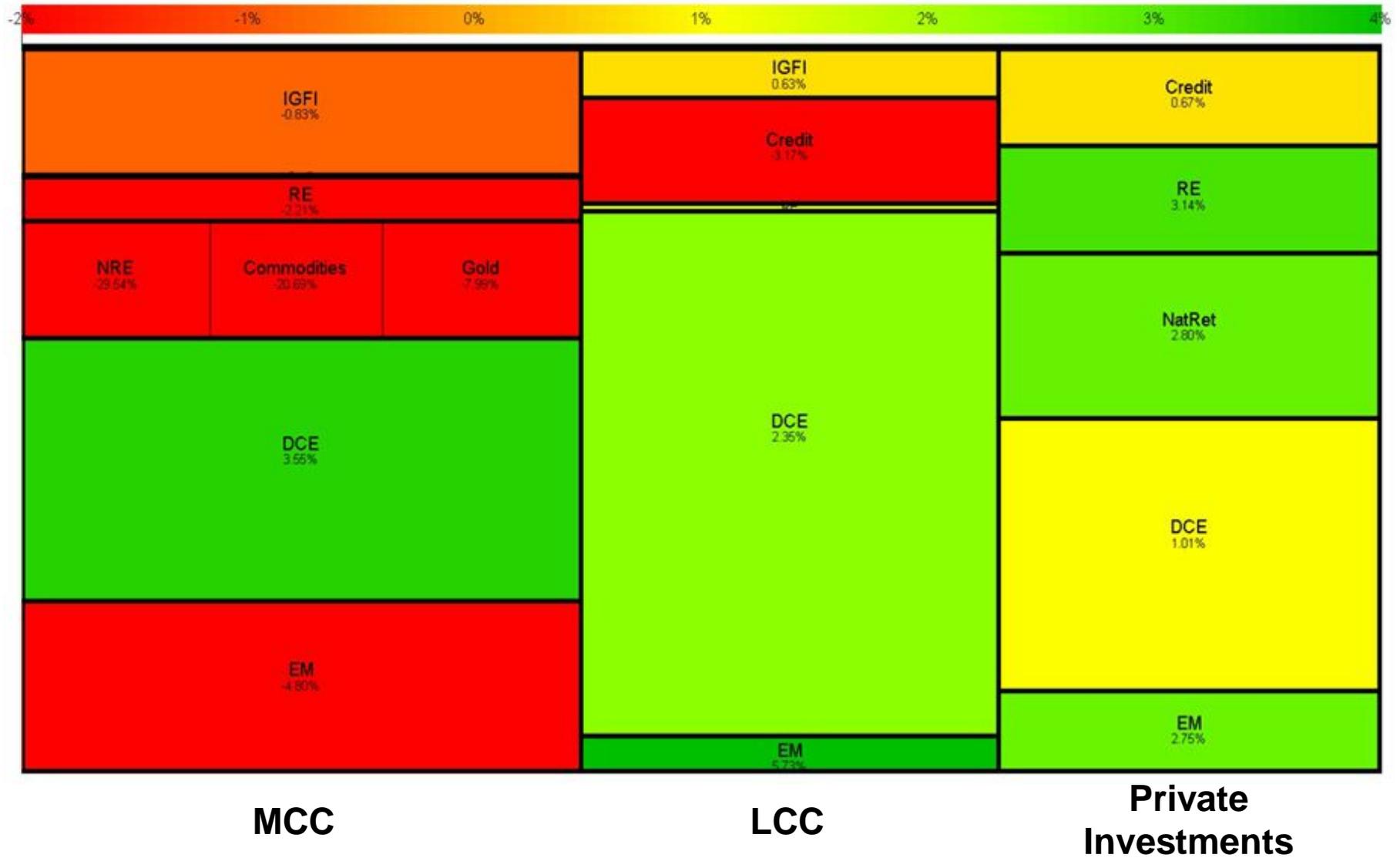
Returns



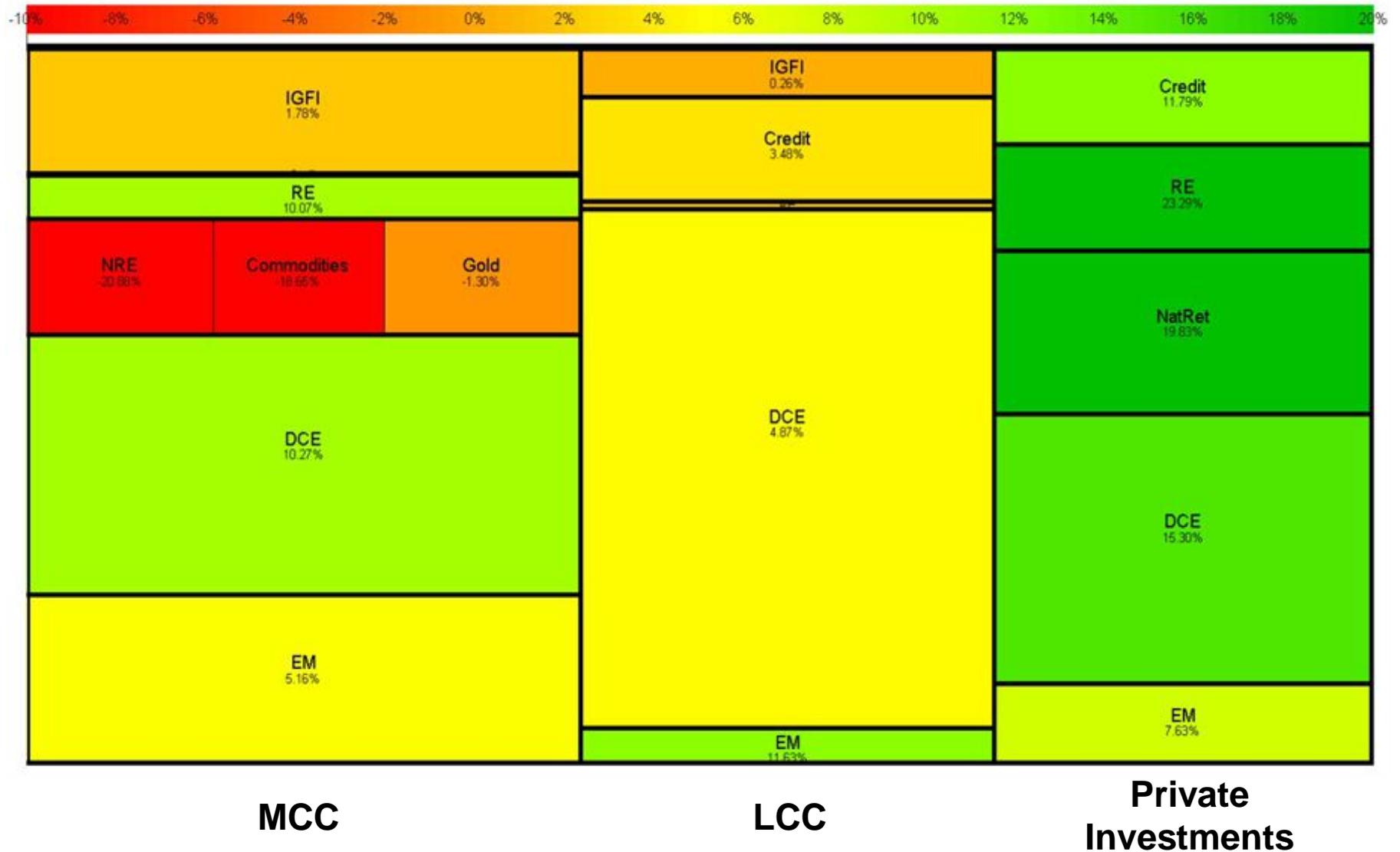
Periods Ended December 31, 2014

Fund	FYTD Four Months Ended	Calendar Year	Three Years	Five Years	Ten Years
Permanent University Fund (PUF)	-1.33%	6.84%	9.81%	8.73%	6.78%
General Endowment Fund (GEF)	-0.72%	7.00%	10.01%	8.86%	6.88%
Intermediate Term Fund (ITF)	-1.55%	3.48%	6.69%	6.29%	N/A

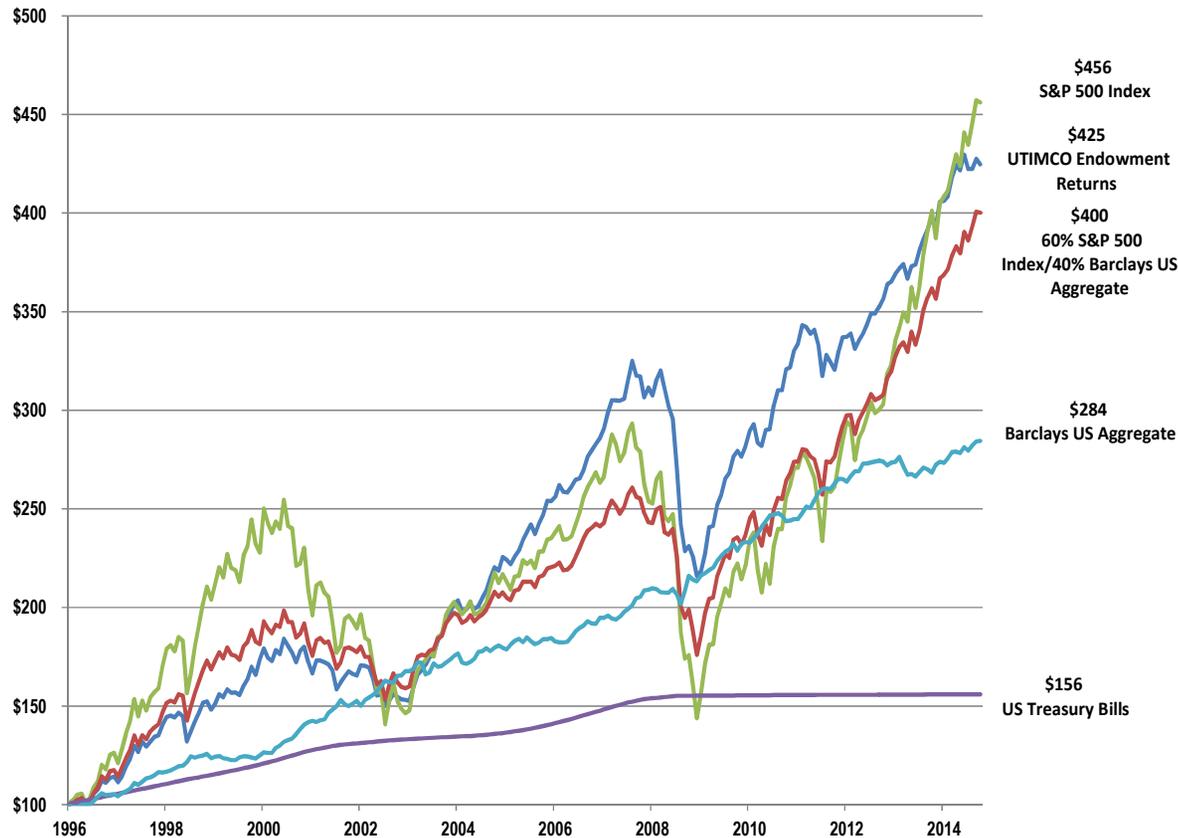
FYTD2015 Returns



CY2014 Returns



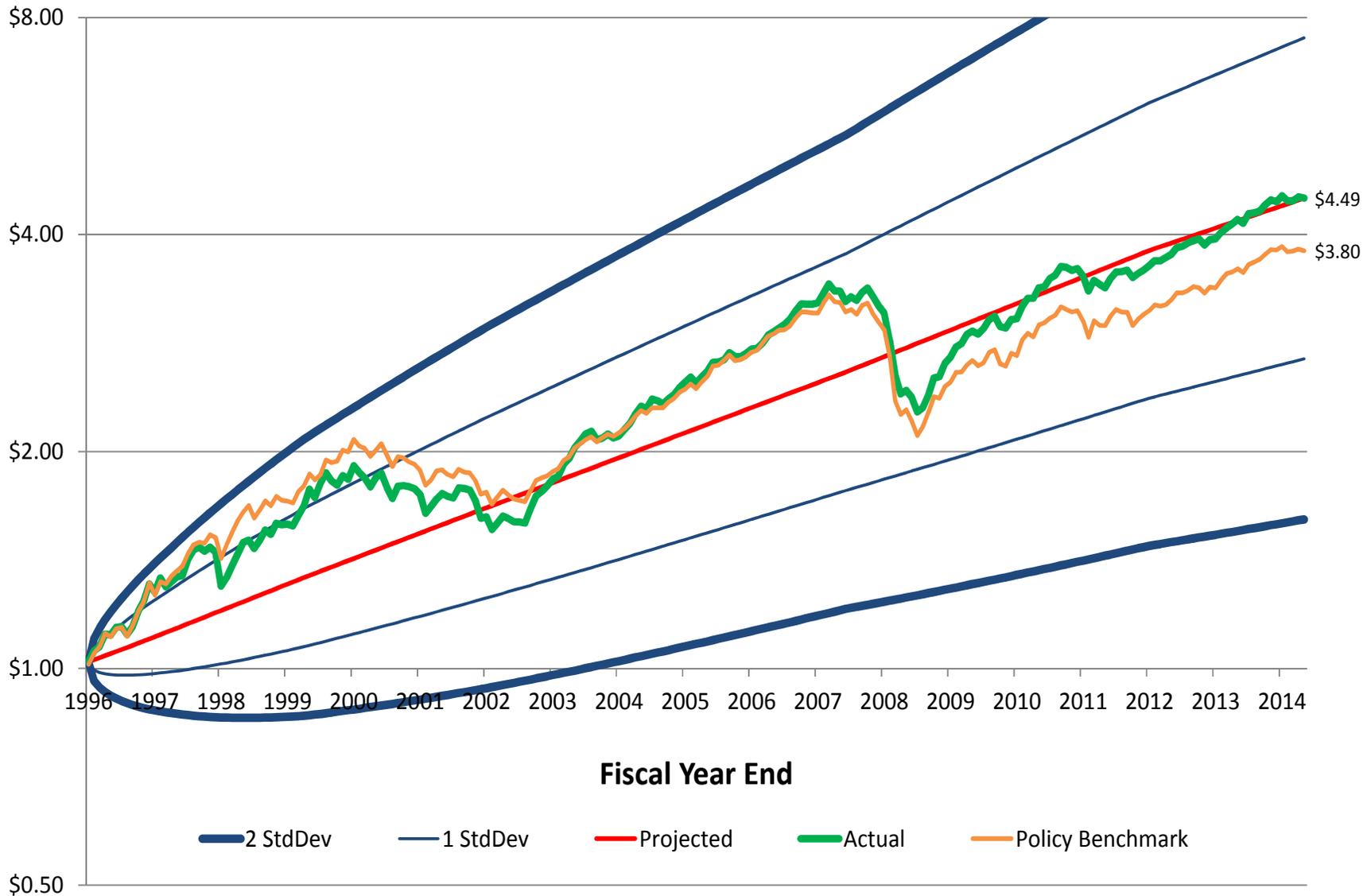
Returns vs. Market



**Trailing Annualized Returns Period
Ending December 31, 2014**

	FYTD December 31, 2014	One Year	Three Years	Ten Years
UT Endowments	-1.15%	6.85%	9.84%	6.78%
60% Stocks / 40% Bonds	2.52%	10.62%	13.12%	6.77%
Stocks	3.46%	13.69%	20.41%	7.67%
Bonds	1.10%	5.97%	2.66%	4.71%
Treasury Bills	0.01%	0.03%	0.06%	1.39%

Downside / Volatility





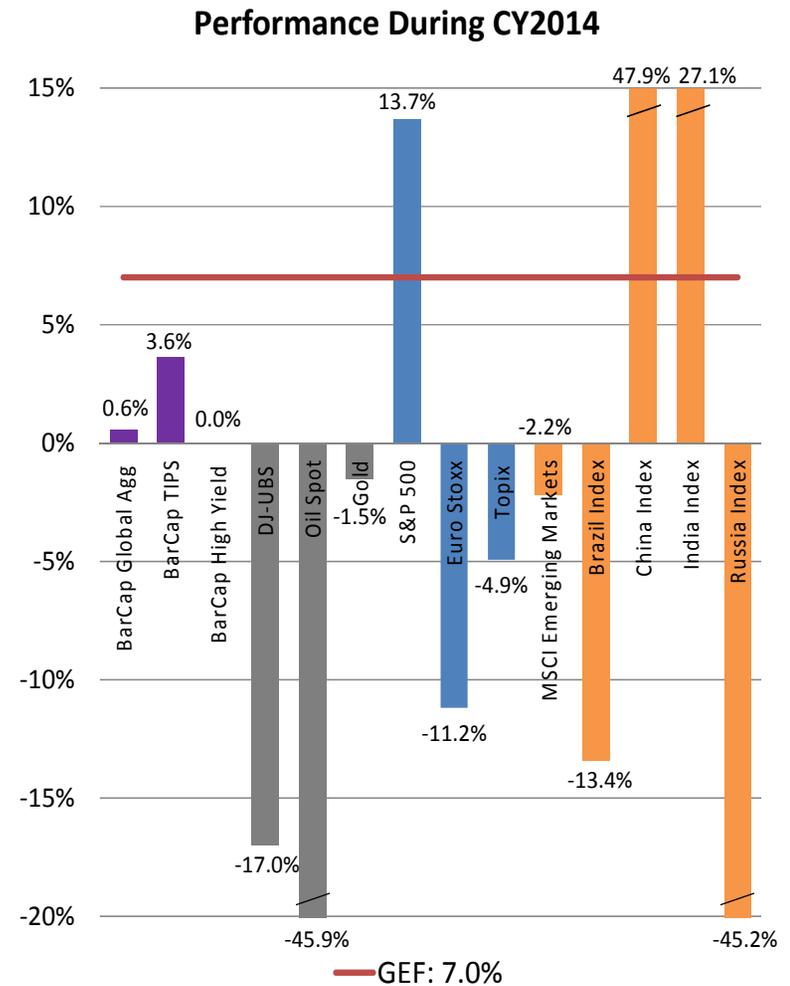
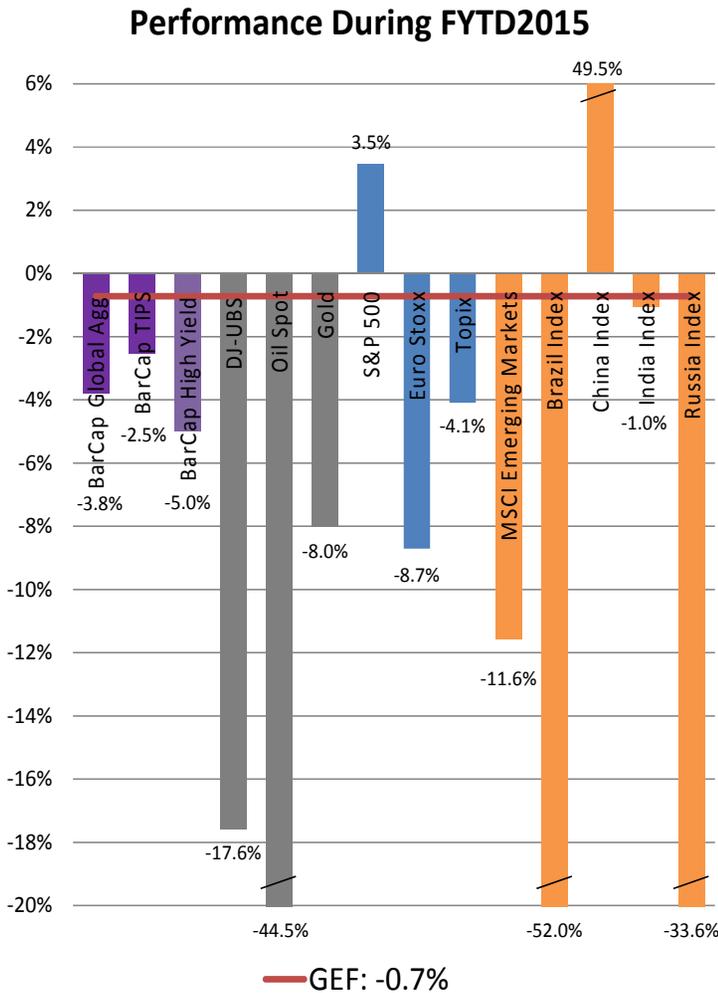
Market

Performance During FYTD2015 and CY2014

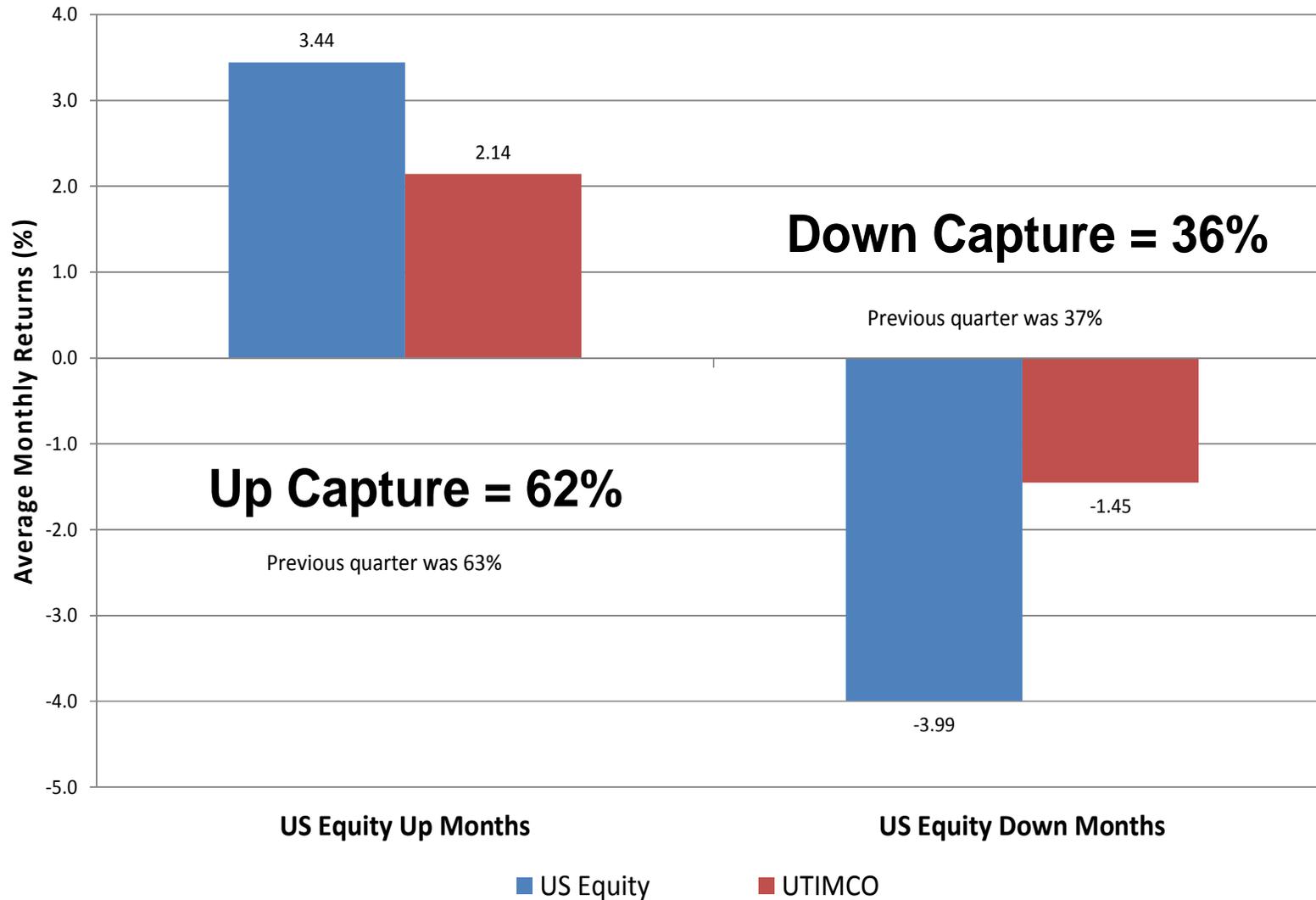


Sensitivity Analysis (beta)

U.S. Equities	0.529
Interest Rates	(0.261)
Currencies	(0.159)

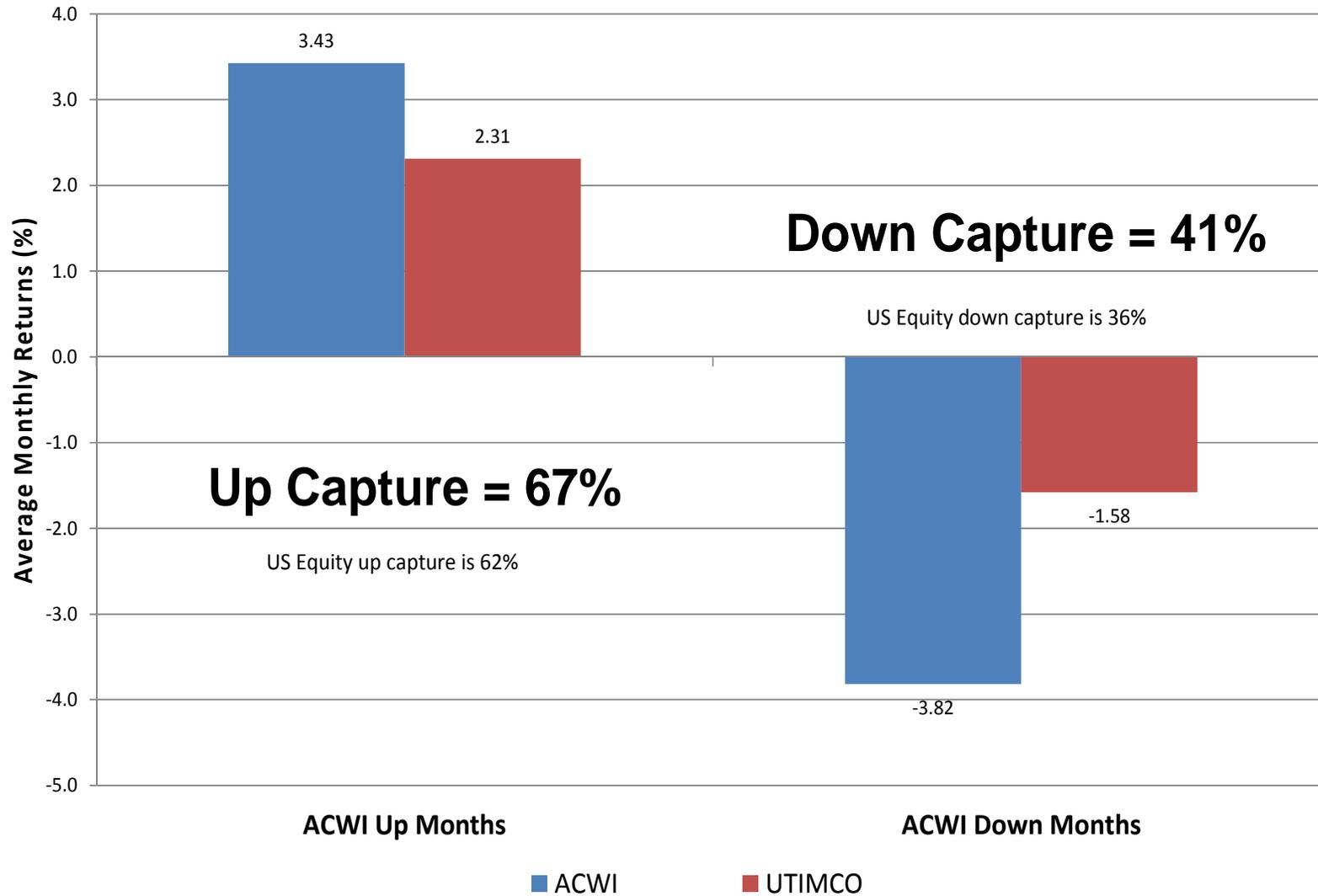


Up-Down Capture vs U.S. Equity



Data from 8/1996 till 12/2014. US equity had 87 down months and 134 up months

Up-Down Capture vs World Index



Data from 8/1996 till 12/2014. All-Country World Index had 90 down months and 131 up months



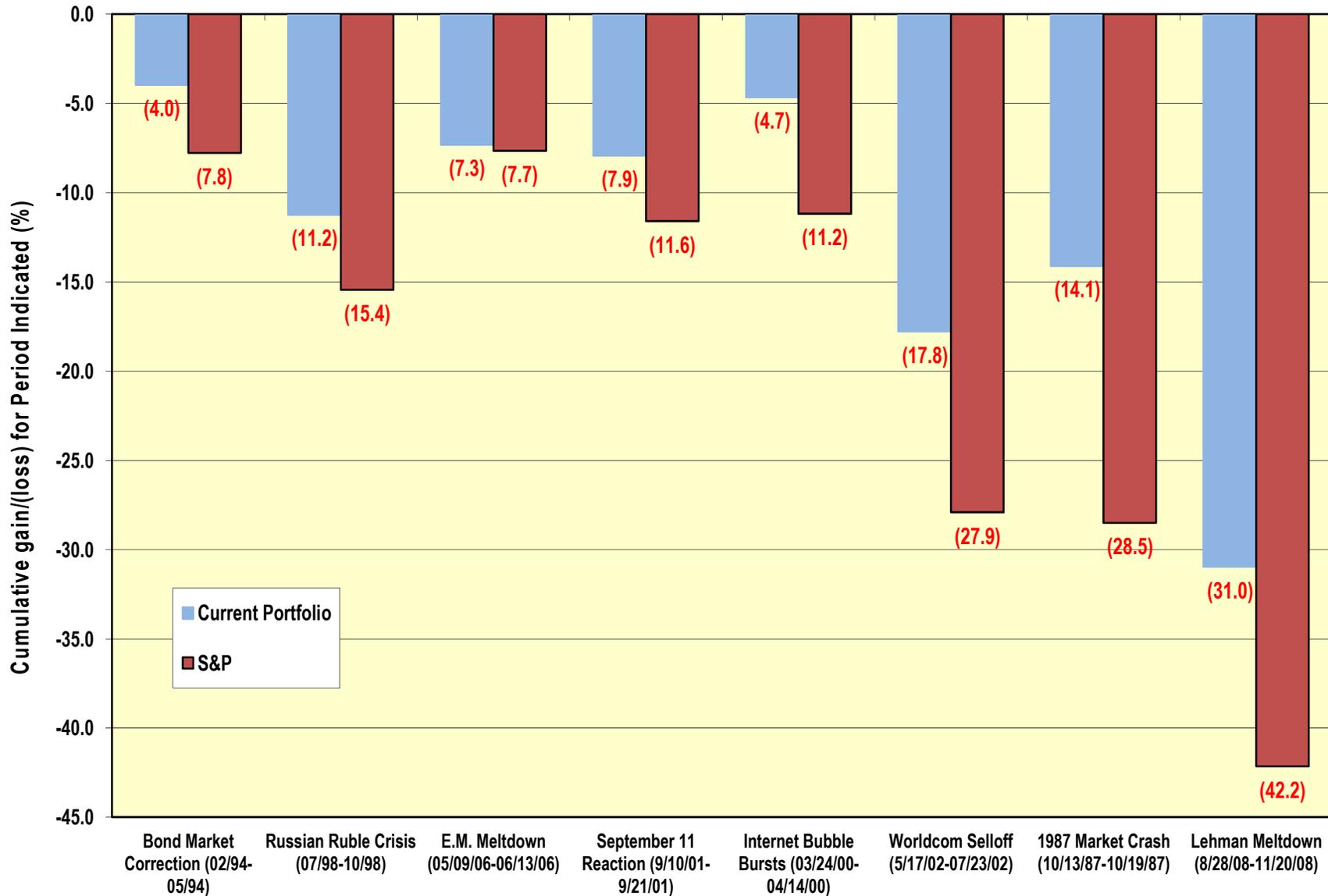
Scenario

Scenario Analysis



	Scenario							
	US Liquidity Squeeze	EM Slowdown (Esp China)	Eurozone Breakup	Japan Implosion	Currency Debasement	Eurozone Lost Decade	Mideast War / Oil shock	Oil supply shock (50%)
Expected Policy Returns (nominal)	(23.1%)	(21.5%)	(18.2%)	(18.7%)	(15.6%)	(4.2%)	(3.1%)	0.3%
Gain from tactical positions	0.3%	0.7%	0.4%	0.8%	(0.6%)	0.1%	(0.2%)	0.8%
Gain from current hedges	0.0%	0.0%	0.0%	0.3%	0.2%	0.0%	0.0%	0.0%
Gain from manager's alpha	1.7%	3.1%	3.0%	2.5%	2.2%	2.4%	1.4%	1.0%
Estimated Endowment Returns	(21.1%)	(17.7%)	(14.8%)	(15.0%)	(13.8%)	(1.8%)	(1.9%)	2.1%

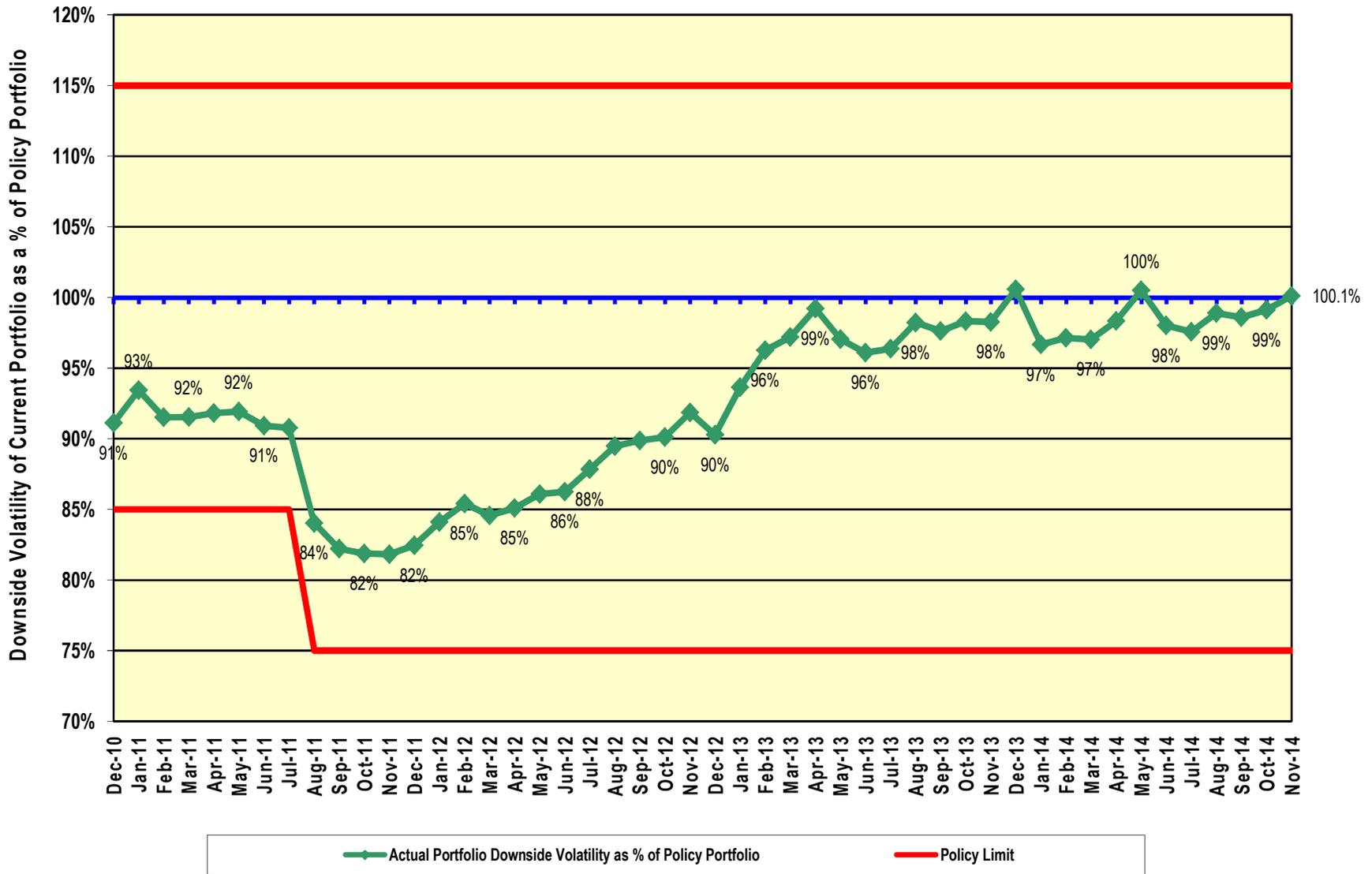
Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



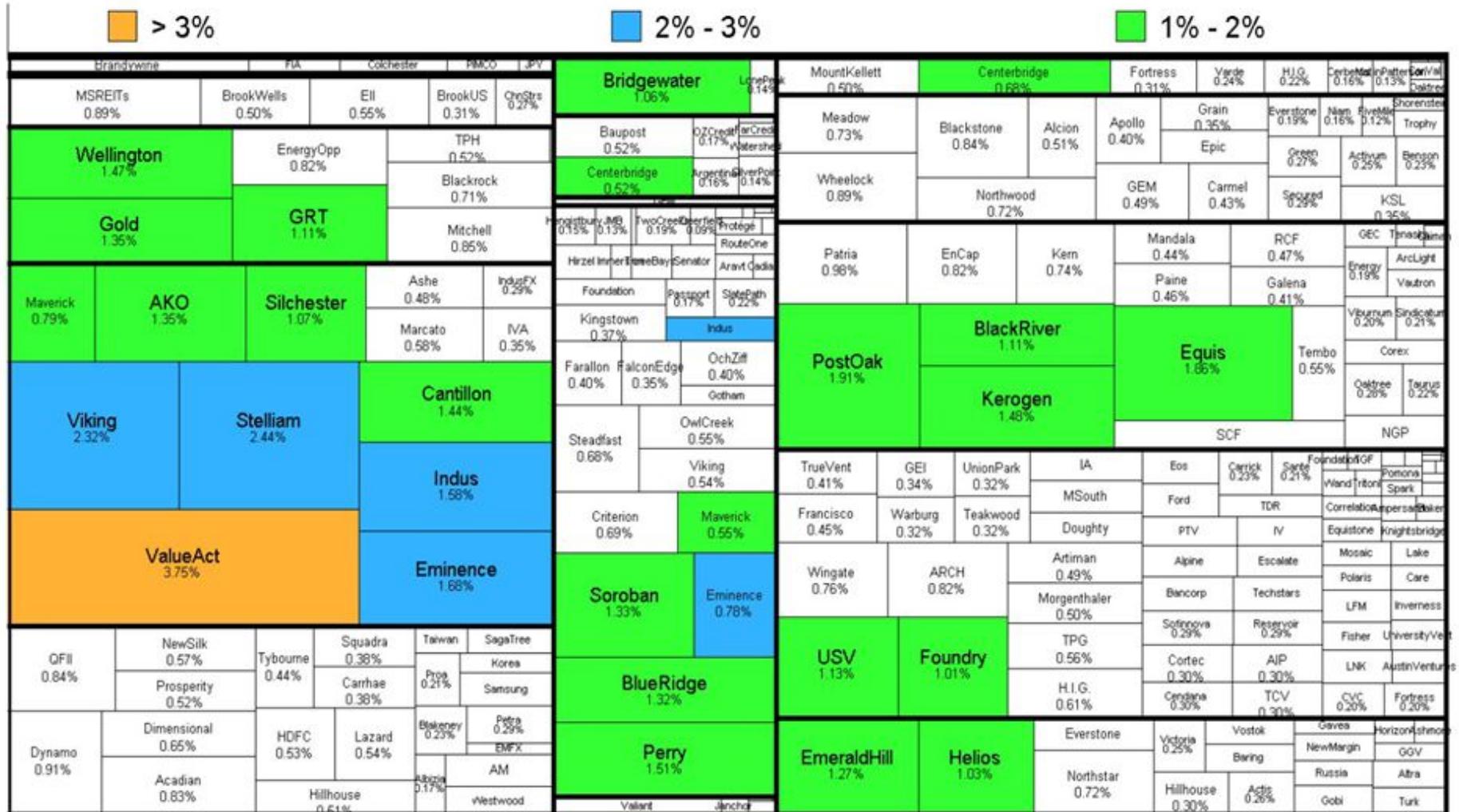


Downside Volatility

Downside Volatility Utilization of GEF



Downside Volatility Attribution



MCC

LCC

Private Investments



Active Management

Active Management Value Add

Periods Ending December 31, 2014



	Fiscal YTD	Calendar YTD	Three Years	Five Years
<u>Value Add</u>				
Basis Points	66	107	148	159
\$	\$63	\$231	\$928	\$1,694
<u>Return/Volatility</u>				
Sharpe Ratio		1.39	2.26	1.47
Information Ratio		0.73	0.78	0.69

Active Management Value Add Attribution

Periods Ending December 31, 2014



	Fiscal YTD	Calendar YTD	Three Years	Five Years
External Manager				
MCC	1.05%	1.21%	1.25%	1.11%
LCC	0.20%	0.39%	1.43%	1.42%
Private Markets	-0.72%	-0.49%	0.00%	-0.34%
Total External Manager	0.53%	1.11%	2.68%	2.19%
Tactical Allocation:				
Gold	0.00%	-0.01%	-0.63%	-0.22%
Other	0.02%	0.02%	-0.35%	-0.11%
Total Tactical Allocation	0.02%	0.01%	-0.98%	-0.33%
Insurance Hedges	0.11%	-0.05%	-0.22%	-0.27%
Total Value Add	0.66%	1.07%	1.48%	1.59%

Current Tactical Allocation



Overweights

- MCC IGFI
- MCC DCE
- LCC

PUF

0.6%
0.9%
0.6%
2.1%

GEF

-
0.9%
0.6%
1.5%

Underweights

- MCC NR
- MCC EM
- Private Investments

PUF

(0.8%)
(0.4%)
(0.9%)
(2.1%)

GEF

(0.8%)
(0.1%)
(0.6%)
(1.5%)

Endowment Insurance Hedges

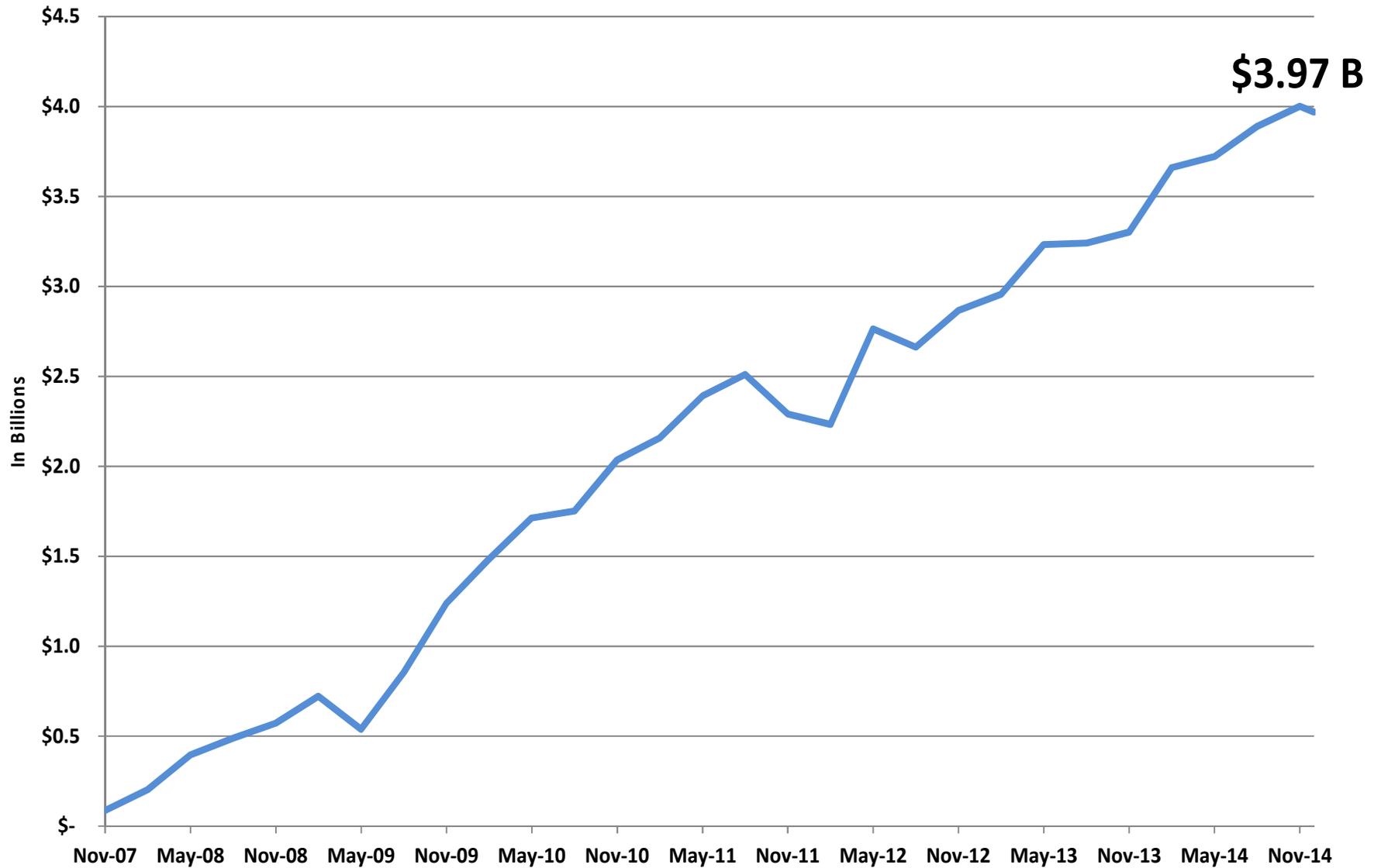


Exposures as of December 31, 2014

<u>Event</u>	<u>Hedge</u>	<u>Total</u> <u>Cost</u> ⁽¹⁾	<u>bps</u> <u>Cost/Year</u>	<u>Notional</u> <u>(\$ millions)</u>	<u>Realized</u>		<u>P/L</u>
					<u>Profit</u> <u>(\$ millions)</u>	<u>MTM</u> <u>(\$ millions)</u>	
U.S. Inflation							
	CMS Options	(\$46)	4.7	\$8,043		\$0.3	(\$46)
Sovereign Default							
	JPY Rate Options and Swaptions	(10)	3.1	891	23.3	6.6	20
	TOTAL	(\$55)	7.8bps		23.3	6.9	(\$25)

(1) Maximum Loss for Options

Cumulative Value Add





Transparency

Transparency Summary



	MCC			TOTAL	LCC	Privates	TOTAL
	Fixed Income	Real Assets	Equities				
Full & Timely	100%	94%	81%	87%			37%
Full but lagged			6%	4%	2%	100%	30%
Partial		6%	7%	6%	93%		30%
No Transparency			6%	3%	5%		3%



Concentration

Combined PUF and GEF Exposure

as of December 31, 2014 (in millions)



Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	\$ 1,960	7.6%	\$ 540	2.1%	\$ -	0.0%	\$ 2,500	9.7%
	Credit-Related	26	0.1%	1,160	4.5%	971	3.8%	2,157	8.4%
Fixed Income Total		1,986	7.7%	1,700	6.6%	971	3.8%	4,657	18.1%
Real Assets	Real Estate	\$ 636	2.5%	\$ 79	0.3%	\$ 1,065	4.1%	1,780	6.9%
	Natural Resources	1,733	6.7%	3	0.0%	1,629	6.4%	3,365	13.1%
Real Assets Total		2,369	9.2%	82	0.3%	2,694	10.5%	5,145	20.0%
Equity	Developed Country	\$ 3,856	15.0%	\$ 5,712	22.2%	\$ 2,701	10.5%	12,269	47.7%
	Emerging Markets	2,425	9.4%	424	1.7%	810	3.1%	3,659	14.2%
Equity Total		6,281	24.4%	6,136	23.9%	3,511	13.6%	15,928	61.9%
Total		\$ 10,636	41.3%	\$ 7,918	30.8%	\$ 7,176	27.9%	\$ 25,730	100.0%

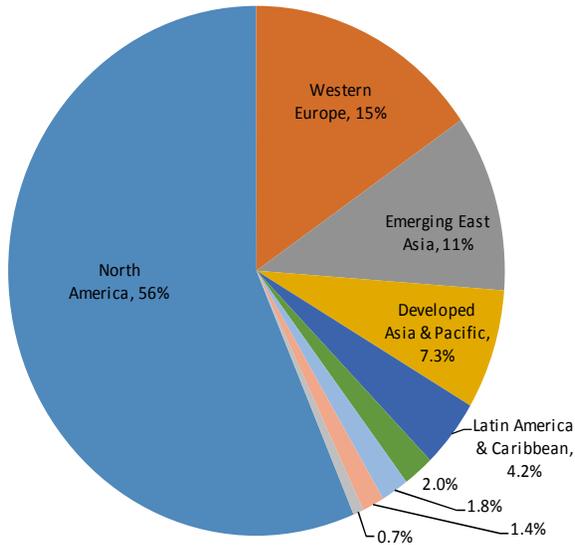
The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

Geographic Exposure

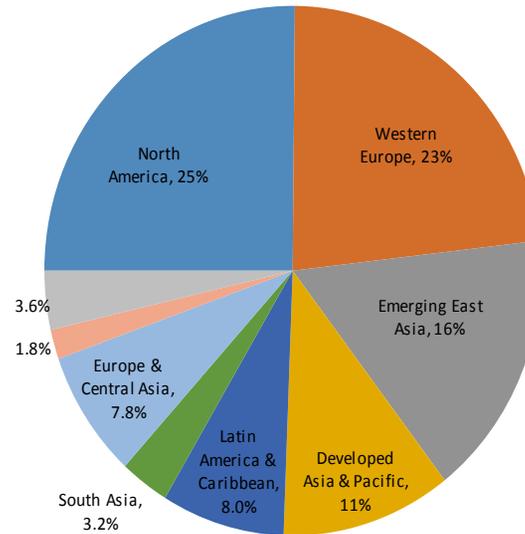
As of November 30, 2014



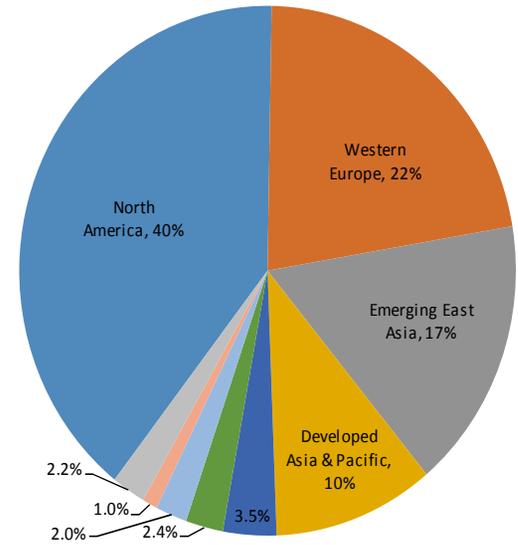
TOTAL Endowment



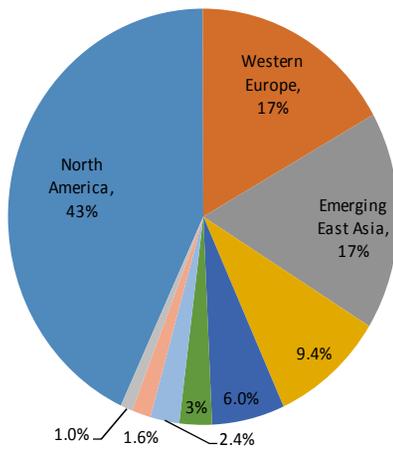
GDP



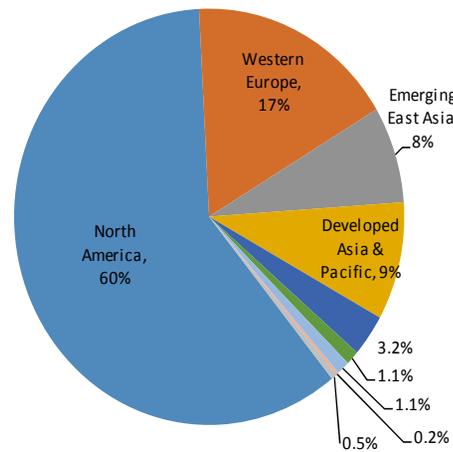
Global Mkt Cap



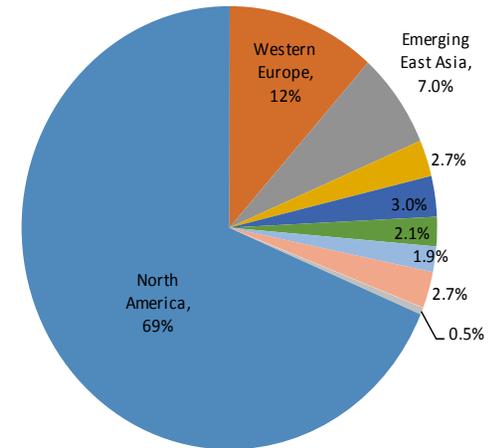
MCC



LCC



PI



■ Developed Asia & Pacific
 ■ Latin America & Caribbean
 ■ South Asia
 ■ Europe & Central Asia
 ■ Sub-Saharan Africa
 ■ Middle East & North Africa

Largest Country Exposures

As of November 30, 2014



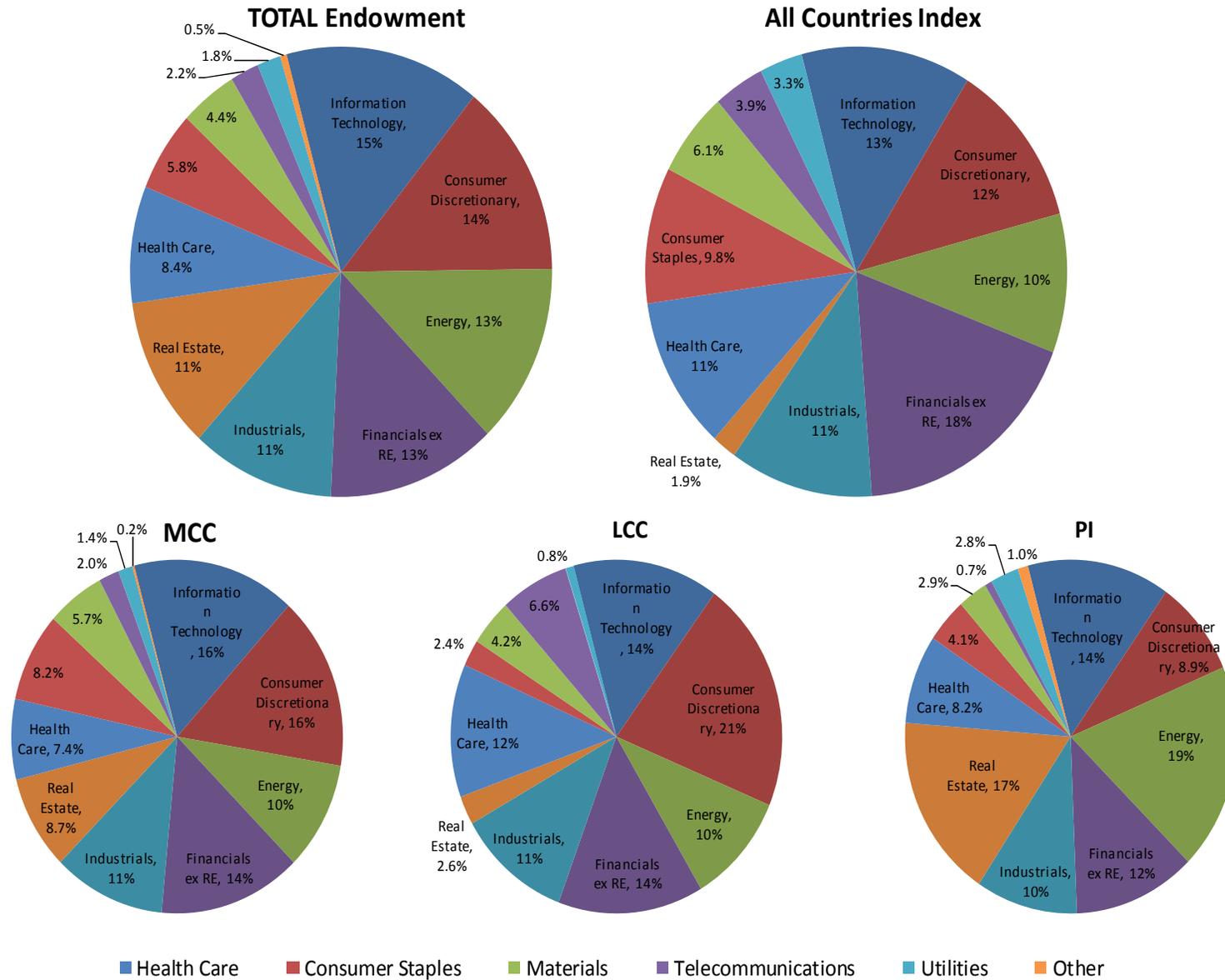
	MCC	LCC	PI	TOTAL	GDP	Global Mkt Cap
1) United States	42.6%	59.1%	64.1%	54.3%	22.7%	36.1%
2) Japan	6.5%	8.1%	0.8%	5.4%	8.3%	7.2%
3) China	6.1%	5.4%	3.9%	5.2%	11.5%	5.1%
4) United Kingdom	4.3%	3.2%	5.3%	4.3%	3.5%	6.2%
5) Canada	2.8%	0.9%	4.0%	2.5%	2.5%	3.6%
6) Brazil	3.0%	0.9%	2.1%	2.0%	3.1%	1.6%
7) India	2.4%	1.1%	1.9%	1.8%	2.6%	2.3%
8) South Korea	3.8%	1.1%	0.0%	1.8%	1.6%	1.9%
9) France	2.4%	0.6%	0.7%	1.3%	3.6%	3.4%
10) Hong Kong	2.1%	1.0%	0.5%	1.3%	0.4%	5.4%
11) Australia	1.4%	0.9%	1.4%	1.2%	2.1%	2.2%
12) Mexico	2.5%	0.6%	0.0%	1.1%	1.6%	0.8%
13) Switzerland	1.8%	0.4%	0.3%	0.9%	0.9%	2.5%
14) Indonesia	1.0%	0.0%	1.4%	0.8%	1.2%	0.7%
15) Italy	1.6%	0.2%	0.3%	0.8%	2.8%	1.1%
16) Germany	0.3%	0.8%	1.2%	0.8%	4.8%	3.1%
17) Spain	1.0%	0.0%	1.1%	0.7%	1.8%	1.3%
18) Netherlands	1.1%	0.0%	0.9%	0.7%	1.1%	0.6%
19) Russia	0.9%	0.3%	0.5%	0.6%	2.8%	1.1%

Sector Exposure – β adjusted

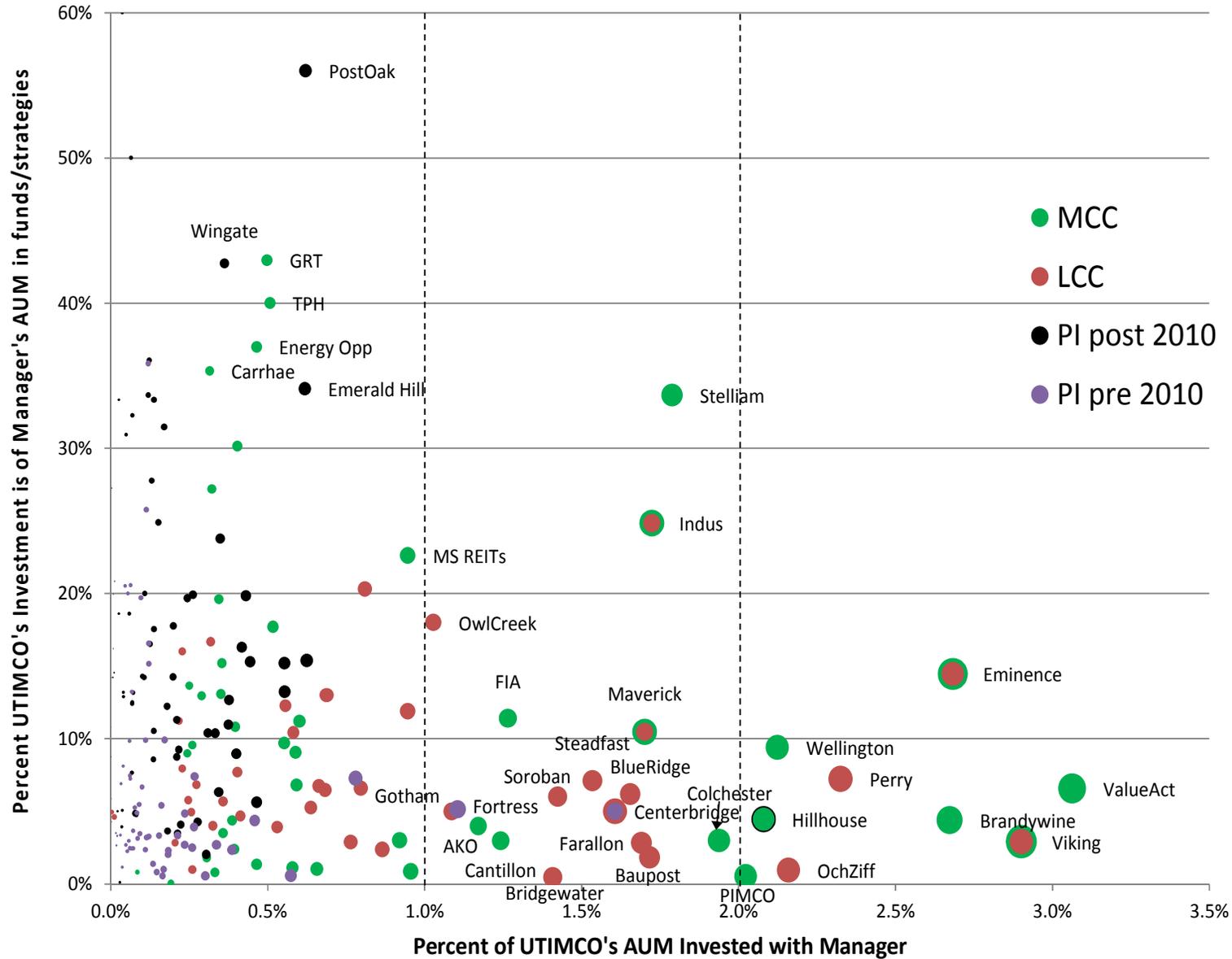
As of November 30, 2014



Endowments, excluding Fixed Income and NR commodities



Concentration Analysis



Position Level Concentration



Top Ten Fixed Income and Equity

Fixed Income	\$ (M)	% of AUM
U.S. Government	\$464	1.43%
Lehman Debt	197	0.61%
Mexican Sovereign	192	0.59%
Australian Sovereign	185	0.57%
Argentinian Debt	176	0.54%
Italian Sovereign	168	0.52%
Brazilian Sovereign	118	0.36%
New Zealand Sovereign	111	0.34%
Japanese Sovereign	91	0.28%
Spanish Sovereign	<u>88</u>	<u>0.27%</u>
TOTAL	<u>\$1,790</u>	<u>5.50%</u>

Equity	\$ (M)	% of AUM
Valeant Pharma	\$216	0.66%
Microsoft	201	0.62%
Samsung	174	0.53%
Adobe	134	0.41%
JD.com	131	0.40%
AIG	100	0.31%
Motorola Solutions	83	0.25%
Private Investment - Bank	82	0.25%
Private Investment - Food	79	0.24%
21 st Century Fox	<u>76</u>	<u>0.23%</u>
TOTAL	<u>\$1,278</u>	<u>3.93%</u>

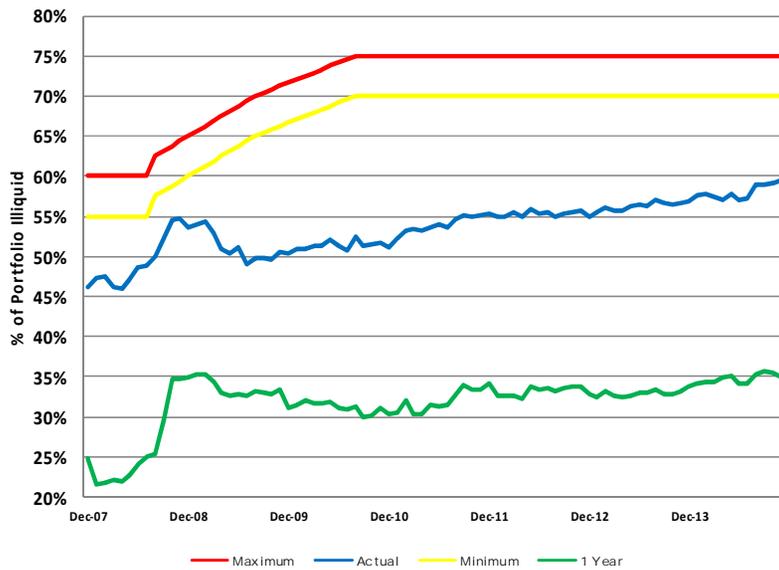


Illiquidity

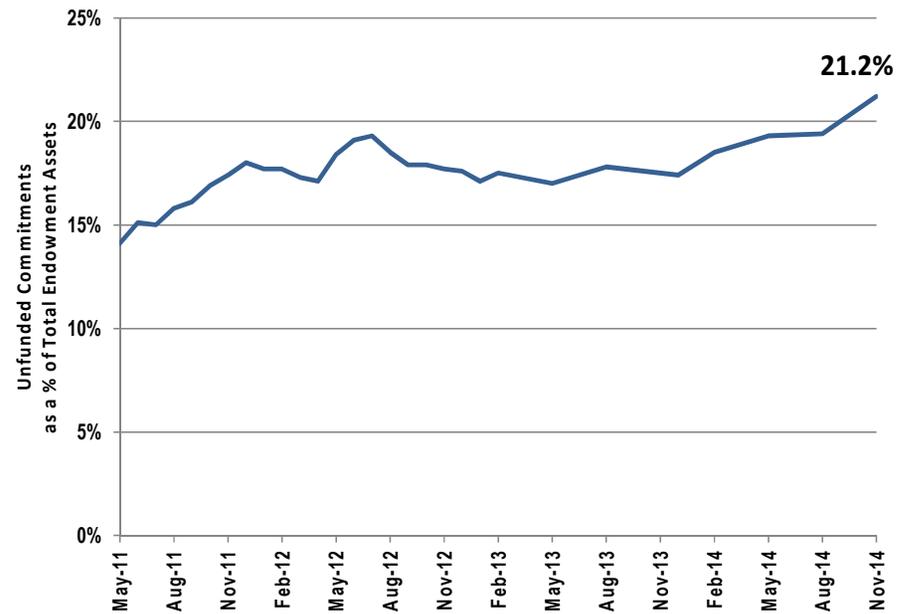
Endowment Fund Liquidity as of November 30, 2014



Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 10,446 million One Year Liquidity \$ 16,774





Leverage

Non-Insurance Related Internal Derivatives

As of December 31, 2014
(in millions)



Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (8/31/2014) (\$ millions)
<u>Natural Resources</u>			
Gold Futures	Purchased futures to gain exposure to gold markets.	109	45
<u>Developed Country Equity</u>			
Japan Forw ards	Sale of Japanese Yen forw ards to hedge the currency exposure in the MCC accounts	(269)	139
<u>Emerging Markets Equity</u>			
Emerging Markets FX Overlay	Currency forw ards to align the Asset Class FX exposure closer to the benchmark	179	(100)
Korean Sw ap	Long sw ap on MSCI Korea index to increase exposure to Korea	33	(6)
MSCI Taiw an Sw ap	Long MSCI Sw ap to increase exposure to Taiw an	38	(4)

External Manager Agency Account Derivatives

As of December 31, 2014
(in millions)



Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	(273)
Colchester	Currency forwards used to hedge foreign currency exposure	(52)
First International Advisors	Currency forwards used to hedge foreign currency exposure	(45)
PIMCO Global Bonds	Currency forwards used to underwrite the US dollar	26
	Long US and Non-US futures used to overwrite duration in Eurozone	25
	Long futures used to overwrite front end of US and UK yield curves	-
	Receive Interest rate swaps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	207
	Pay Interest rate swaps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	(493)
	Interest rate swaps used to overwrite front end of US and UK yield curves	35
	Short/Written credit default swaps used to overwrite credit risk	60
	Long/Purchased credit default swaps used to underwrite credit risk	(8)
	Written options used to increase portfolio yield	(102)
	Purchased options used to increase portfolio yield	20
<u>Natural Resources</u>		
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	285
Wellington Select Commodities SPV	Exchange-traded commodity futures, options and/or swaps	354
<u>Developed Equity</u>		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(23)
International Value Advisors	Purchased options on single name shares	1

OTC Derivative Counterparty Report

As of December 31, 2014

(in millions)



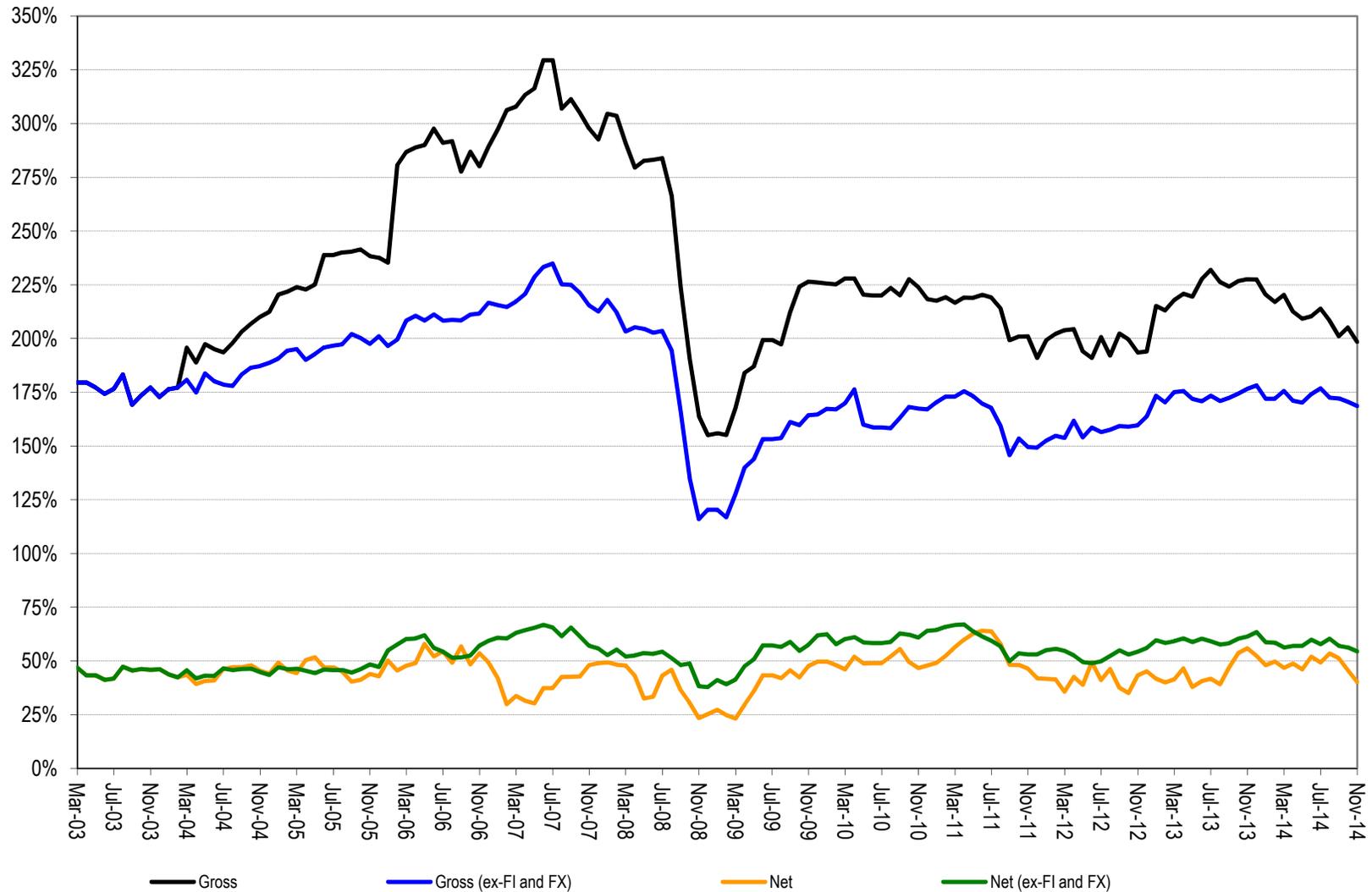
Counterparty	S & P Counterparty Rating	\$ millions (net of posted collateral)			
		Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	Percentage of Total Funds
GOLDMAN SACHS	A-	\$ 59.2	\$ (54.1)	\$ 5.1	0.02%
BNP PARIBAS	A+	22.8	(25.5)	(2.7)	-0.01%
DEUTSCHE BANK AG	A	20.2	(20.1)	0.1	0.00%
CITIBANK NA, LONDON	A-	11.7	(9.7)	2.0	0.01%
UBS A G, ZURICH	A	10.1	(10.4)	(0.3)	0.00%
CITIBANK NY	A-	8.9	(0.5)	8.4	0.03%
CREDIT SUISSE FIRST	A-	4.2	(3.6)	0.6	0.00%
BANK OF NEW YORK	A+	3.7	(3.2)	0.5	0.00%
MACQUARIE BANK LTD, SYDNEY	BBB	3.0	(3.1)	(0.1)	0.00%
HSBC BK USA, NEW YORK	A+	2.8	(2.8)	-	0.00%
BANK OF AMERICA	A-	2.0	(4.9)	(2.9)	-0.01%
CHASE MANHATTAN	A	2.0	(0.1)	1.9	0.01%
UBS AG, STAMFORD	A	1.2	(1.3)	(0.1)	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH	A-	0.7	-	0.7	0.00%
MORGAN STANLEY	A-	0.6	(1.4)	(0.8)	0.00%
MELLON BANK	A+	0.5	-	0.5	0.00%
J P MORGAN, CHASE	A+	0.3	(2.7)	(2.4)	-0.01%
AUSTRALIA & NZ BANK LTD	AA-	0.2	-	0.2	0.00%
BARCLAYS	A	0.1	(0.6)	(0.5)	0.00%
ROYAL BANK OF CANADA	AA-	0.1	-	0.1	0.00%
SOCIETE GENERALE, PARIS	A	0.1	(0.1)	-	0.00%
STANDARD & CHARTERED BK, LONDON	A	-	(0.1)	(0.1)	0.00%
COMMONWEALTH BK OF AUSTRALIA	AA-	-	-	-	0.00%
CITIGROUP	A-	-	-	-	0.00%
Grand Total		\$ 154.4	\$ (144.2)	\$ 10.2	0.04%

LCC Leverage

Estimated as of November 30, 2014



Total Portfolio Exposures





Permanent Loss of Capital

Permanent Loss of Capital

As of December 31, 2014



	Total Investments Made	Total Dollars Invested	Investments Made Generating Losses	Dollars Invested in Those Generating Losses	Realized Losses	Unrealized Losses	Total Losses as Percentage of Invested Capital
As of July 31, 2014 (\$ in Billions)							
More Correlated and Constrained	143	\$31.3	29	\$6.4	-\$0.7	\$0.0	-2.2%
Less Correlated and Constrained	98	11.4	18	1.1	-0.2	-0.2	-3.5%
Private Investments	442	12.5	63	1.3	-0.3	-0.1	-3.2%
Total	683	\$55.2	110	\$8.8	-\$1.2	-\$0.3	-2.7%

	Total Investments Made	Total Dollars Invested	Investments Made Generating Losses	Dollars Invested in Those Generating Losses	Realized Losses	Unrealized Losses	Cumulative Total Losses as Percentage of Cumulative Invested Capital
Five Months Ended December 2014 (\$ in Billions)							
More Correlated and Constrained	5	\$1.4	0	\$0.0	\$0.0	\$0.0	-2.1%
Less Correlated and Constrained	5	0.7	2	0.1	0.0	0.0	-3.3%
Private Investments	26	0.6	0	0.0	0.0	0.0	-3.1%
Total	36	\$2.7	2	\$0.1	\$0.0	\$0.0	-2.6%



Portfolio Reviews

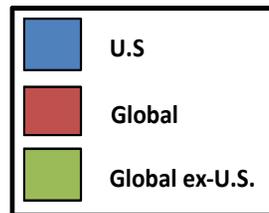
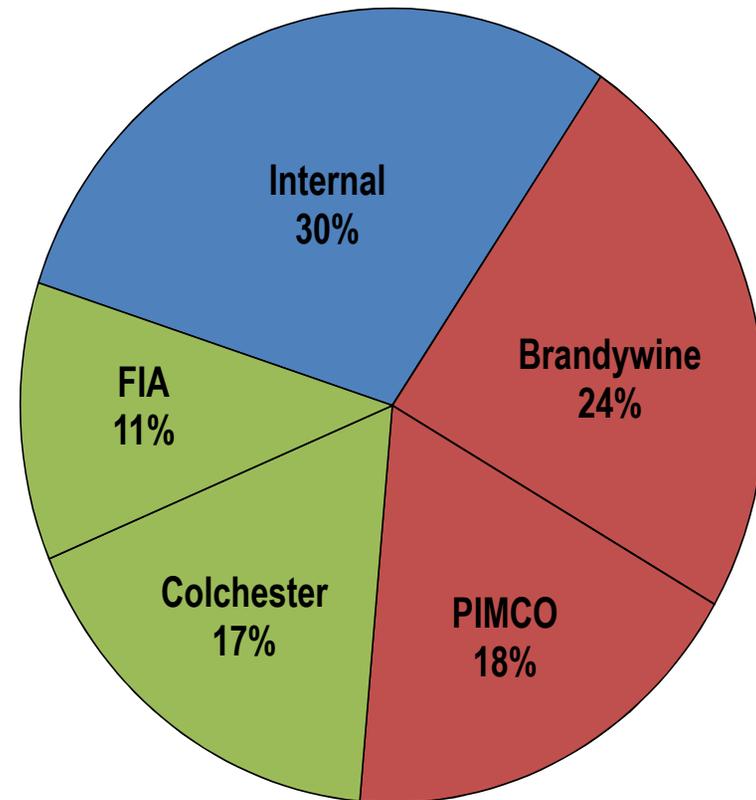
MCC Investment Grade Fixed Income



MCC Investment Grade Fixed Income				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	-2.8%	3.5%	2.9%	4.9%
Benchmark Return	<u>-3.8%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>2.6%</u>
Value Add	+1.0%	+2.9%	+2.1%	+2.3%
Portfolio Volatility	--	3.8%	4.0%	4.3%
Benchmark Volatility	--	4.0%	4.0%	4.8%
Portfolio Sharpe Ratio	--	0.9	0.7	1.1
Portfolio Information Ratio	--	2.2	1.7	1.5

As of 12/31/2014 - Statistics for periods longer than a year are annualized

\$3.9 Billion



Capital Movement (FYTD)	
Subscriptions	
Colchester	\$84
Internal	83
Brandywine	19
PIMCO	14
FIA	9
Total	\$210
Redemptions	
Total	\$0
Net Activity	\$210

Liquidity
Within 90 days
100%

MCC Investment Grade Fixed Income

As of December 31, 2014



Overview		
	UTIMCO	BC Gbl Agg
Total Portfolio Size	\$3.4B	\$43.4T
Modified Duration	5.9	6.4
Yield to Maturity (11/30/2014)*	2.5%	1.6%
Average Agency Rating	A1	AA3

Geographical Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States	38.5%	37.6%	0.9%
Canada	0.3%	3.5%	-3.2%
Europe	27.4%	34.8%	-7.4%
Asian-Pac Aggregate	17.9%	19.6%	-1.7%
Emerging Markets	15.8%	4.3%	11.5%

Currency Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States Dollar	56.8%	43.0%	13.9%
Euro	10.4%	26.1%	-15.8%
Japanese Yen	6.4%	15.4%	-9.0%
UK Pound Sterling	5.2%	6.4%	-1.2%
Emerging Markets	13.8%	2.5%	11.4%
Other	7.4%	6.7%	0.7%

Sector Exposure			
	UTIMCO	BC Gbl Agg	O/U
Treasuries & Sovereign	73.5%	55.0%	18.5%
Government Related	5.8%	12.1%	-6.3%
Corporates	17.7%	17.3%	0.4%
Securitized	2.5%	15.6%	-13.1%
Cash & Cash Equivalents	0.5%	0.0%	0.5%

MCC Natural Resources Commodities

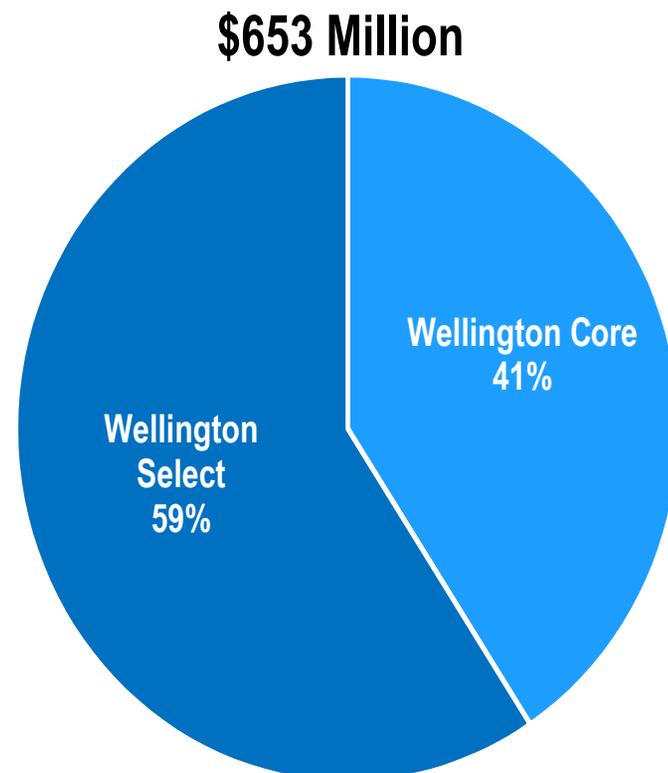


Natural Resources Commodity Portfolio Characteristics				
	FYTD15	1 Year	3 Years	5 Years
Commodities Return (Ex-Gold)	(20.7%)	(18.6%)	(9.8%)	(4.6%)
Benchmark Return	(17.6%)	(17.0%)	(9.4%)	(5.5%)
Value Add	(3.1%)	(1.6%)	(0.3%)	0.9%
Portfolio Volatility	13.0%	13.8%	12.3%	14.8%
Benchmark Volatility	12.2%	13.0%	12.5%	15.5%
Portfolio Sharpe Ratio	(1.8)	(1.6)	(1.0)	(0.5)
Portfolio Information Ratio	(0.9)	(0.5)	(0.1)	0.3

As of 12/31/2014

Statistics for periods longer than a year are annualized

Capital Movement (CY 14) (\$ millions)			
	Redemptions	Additions	Net
Wellington Select		\$492	
Wellington Core		241	
Schroders/Gresham	(687)		
Total	(\$687)	\$733	\$46
Capital Movement (FYTD 15) (\$ millions)			
	Redemptions	Additions	Net
Wellington Select		\$44	
Wellington Core		\$37	
Total		\$81	\$81



Liquidity	
Within 90 days	Within One Year
100%	N/A

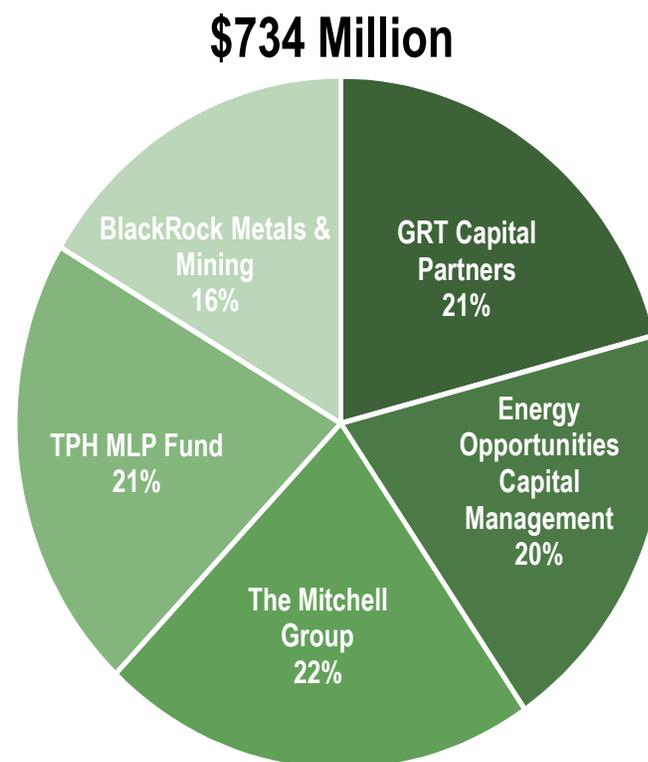
MCC Natural Resources Equities



Natural Resources Equity Portfolio Characteristics				
	FYTD15	1 Year	3 Years	5 Years
Equity Return	(29.5%)	(20.9%)	(3.7%)	(0.1%)
Benchmark Return	(20.8%)	(12.5%)	(0.5%)	0.8%
Value Add	(8.8%)	(8.4%)	(3.2%)	(0.9%)
Portfolio Volatility	19.6%	20.7%	17.9%	22.3%
Benchmark Volatility	15.3%	16.2%	15.3%	19.8%
Portfolio Sharpe Ratio	(1.7)	(1.2)	(0.4)	(0.1)
Portfolio Information Ratio	(1.2)	(1.1)	(0.5)	(0.1)

As of 12/31/2014

Statistics for periods longer than a year are annualized



Capital Movement (CY 14) (\$ millions)			
	Redemptions	Additions	Net
TPH		\$173	
GRT	(14)	60	
Total	(\$14)	\$233	\$219
Capital Movement (FYTD 15) (\$ millions)			
	Redemptions	Additions	Net
EOCM	(\$12)	\$5	
GRT	(14)	10	
TMG	(9)	10	
BRMM		7	
TPH		5	
Total	(\$35)	\$37	\$2

Liquidity	
Within 90 days	Within One Year
100%	N/A

MCC Real Estate



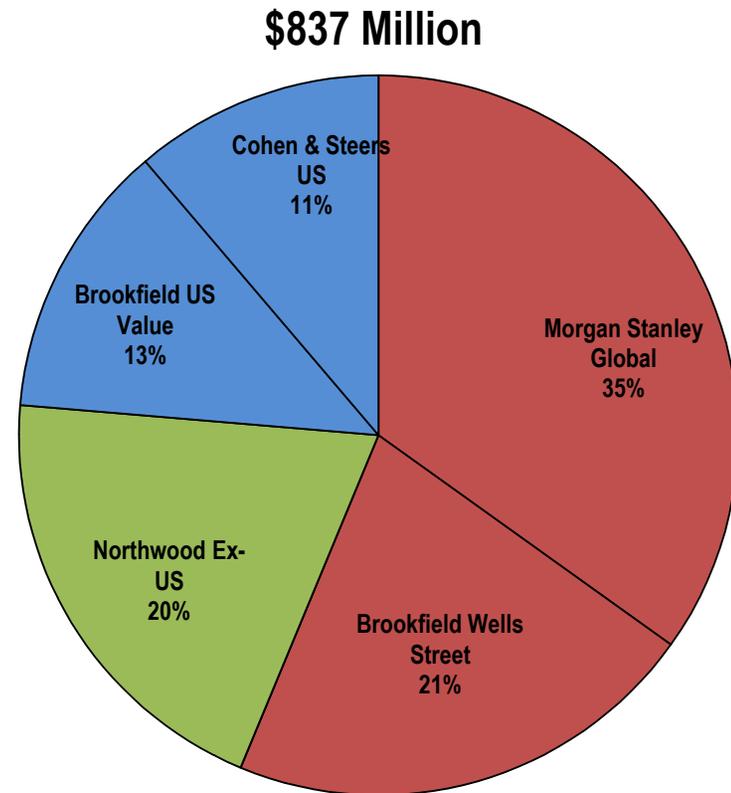
MCC Real Estate Portfolio Characteristics				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return (Ex Hedges)	-2.2%	10.1%	14.8%	10.4%
Benchmark Return	1.1%	15.0%	15.1%	11.5%
Value Add	-3.3%	-4.9%	-0.3%	-1.1%
Portfolio Volatility		9.8%	12.2%	16.9%
Benchmark Volatility		10.7%	12.7%	16.3%
Portfolio Sharpe Ratio		1.1	1.2	0.6
Portfolio Information Ratio		-1.8	-0.1	-0.4

As of 12/31/2014

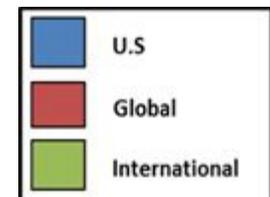
Statistics for periods longer than a year are annualized

Capital Movement CY14 (\$ millions)			
	Redemptions	Additions	Net
Brookfield Wells Street		\$200	
Northwood Ex-US		165	
Brookfield US Value		94	
Total	\$499	\$459	(\$40)

Capital Movement FY15 (\$ millions)			
	Redemptions	Additions	Net
Northwood Ex-US		\$165	
Total	\$165	\$165	\$0



Liquidity	
Within 90 days	Within One Year
100%	N/A

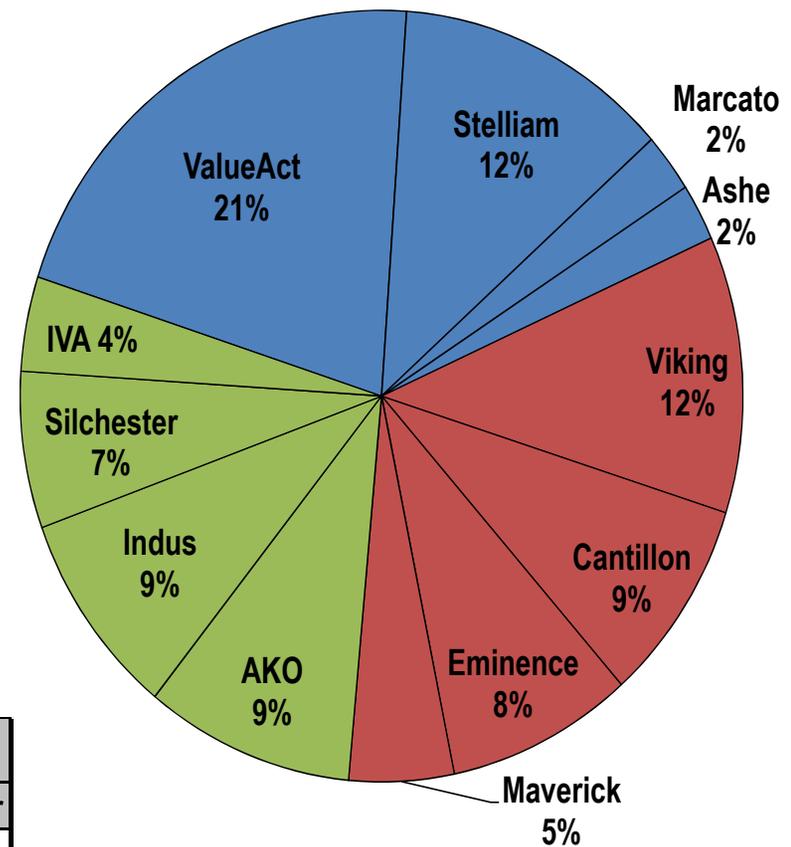


MCC Public Equity – Developed Markets



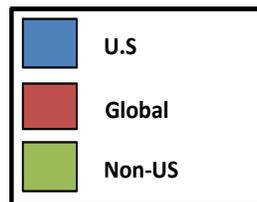
MCC Developed Country Equity				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	3.5%	10.3%	20.8%	15.0%
Benchmark Return	-1.7%	4.9%	15.5%	10.2%
Value Add	+5.2%	+5.3%	+5.3%	+4.8%
Portfolio Volatility	--	7.7%	8.8%	12.5%
Benchmark Volatility	--	8.5%	10.4%	14.3%
Portfolio Sharpe Ratio	--	1.3	2.4	1.2
Portfolio Information Ratio	--	1.4	1.5	1.4

\$4.5 Billion



As of 12/31/2014 - Statistics for periods longer than a year are annualized

Capital Movement (FYTD)	
<u>Subscriptions</u>	
Total	\$0
<u>Redemptions</u>	
Total	\$260
Net Activity	-\$260



Liquidity	
Within 90 days	Within One Year
75%	97%

MCC Public Equity – Emerging Markets

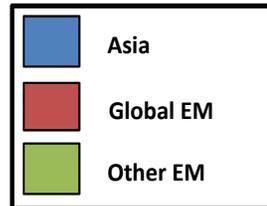


MCC Emerging Markets Equity				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	-10.2%	4.5%	8.5%	5.1%
Benchmark Return	<u>-11.6%</u>	<u>-2.2%</u>	<u>4.0%</u>	<u>1.8%</u>
Value Add	+1.4%	+6.7%	+4.5%	+3.3%
Portfolio Volatility	--	14.4%	14.0%	16.8%
Benchmark Volatility	--	13.6%	15.2%	18.5%
Portfolio Sharpe Ratio	--	0.3	0.6	0.3
Portfolio Information Ratio	--	1.0	1.0	0.8

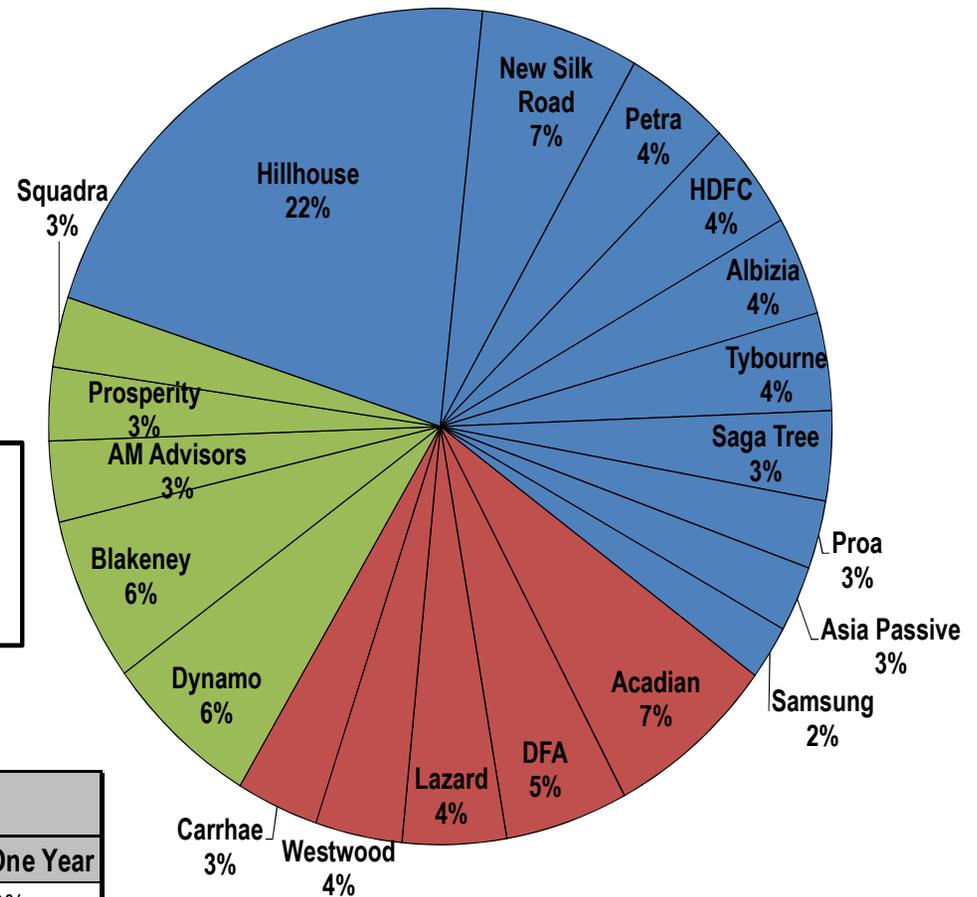
As of 12/31/2014 - Statistics for periods longer than a year are annualized

Capital Movement (FYTD)	
Subscriptions	
Albizia	\$50
Petra	50
Saga Tree	50
Westwood	50
Other	59
Total	\$259
Redemptions	
Total	\$209
Net Activity	\$50

Liquidity	
Within 90 days	Within One Year
69%	90%



\$2.8 Billion



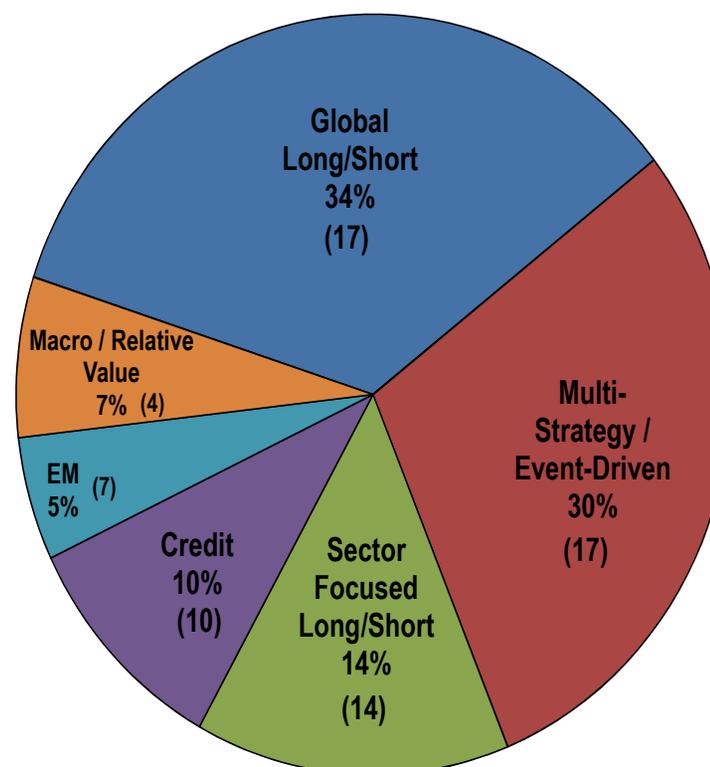
Less Correlated & Constrained



LCC Portfolio Characteristics				
	FYTD	1 Year	3 Year	5 Year
LCC Return	1.5%	4.4%	10.5%	8.3%
Benchmark Return	<u>0.8%</u>	<u>3.2%</u>	<u>5.4%</u>	<u>3.2%</u>
Value Add	0.7%	1.2%	5.2%	5.1%
LCC Volatility	2.3%	4.5%	4.0%	4.4%
Benchmark Volatility	2.6%	3.2%	3.4%	4.1%
Sharpe Ratio	0.7	1.0	2.6	1.9
Information Ratio	0.5	0.7	2.9	3.1

As of 12/31/2014 - Statistics for periods longer than a year are annualized.

Strategy Allocation (\$11.0 Billion)



FYTD Capital Activity	
Subscriptions	
Two Creeks	\$100
Owl Creek AR	\$75
Immersion	\$70
Route One	\$50
Steadfast	\$50
Soroban Opp	\$45
Kingstown	\$45
Other (4)	\$31
Total	\$466
Redemptions	
Total	\$324
Net Activity	\$142

Concentration	
Top 10	46%
Top 20	72%
Top 30	89%

Liquidity	
90 days	1 year
48%	78%

Look-Thru Leverage			
	% of Capital	Gross	Net
Core Strategies	97%	169%	54%
FI & FX	3%	1070%	-372%
Total LCC	100%	198%	40%

Private Investments Portfolio Rollforward

Year Ended December 31, 2014



\$ in millions	Beg CY 1/1/14			Calls	Distributions	Change in Valuation	%	CY'14 New Commitments		End 12/31/14	
	NAV	Unfunded	# Funds					# Funds	\$ Committed	NAV	Unfunded
Credit-Related Fixed Income	\$1,035	\$173	32	\$175	\$352	\$113	11.8%	3	\$285	\$971	\$350
Real Estate	806	1,020	34	372	305	191	23.3%	12	580	1,064	1,297
Natural Resources	1,210	1,168	45	452	310	277	19.8%	17	1,210	1,629	1,953
Venture	954	396	49	143	342	204	22.1%	6	201	959	460
Other Developed Country Equity	<u>1,674</u>	<u>774</u>	<u>87</u>	<u>201</u>	<u>331</u>	<u>198</u>	<u>11.3%</u>	<u>9</u>	<u>400</u>	<u>1,742</u>	<u>979</u>
Total Developed Country Equity	2,628	1,170	136	344	673	402	15.3%	15	601	2,701	1,439
Emerging Markets Equity	<u>635</u>	<u>453</u>	<u>22</u>	<u>166</u>	<u>42</u>	<u>52</u>	7.6%	<u>5</u>	<u>310</u>	<u>811</u>	<u>603</u>
TOTAL	<u>\$6,314</u>	<u>\$3,984</u>	<u>269</u>	<u>\$1,509</u>	<u>\$1,682</u>	<u>\$1,035</u>	16.1%	<u>52</u>	<u>\$2,986</u>	<u>\$7,176</u>	<u>\$5,642</u>
% of Endowment (PUF+ GEF)	27%	17%								28%	22%

Private Investments Portfolio Rollforward

Four Months Ended December 31, 2014



\$ in millions	Beg FY 9/1/14			Change in %				FY'15 New Commitments		End 12/31/14	
	NAV	Unfunded	# Funds	Calls	Distributions	Valuation	Return	# Funds	\$ Committed	NAV	Unfunded
Credit-Related Fixed Income	\$1,012	\$256	34	\$68	\$116	\$7	0.7%	1	\$160	\$971	\$350
Real Estate	1,028	1,075	40	129	125	32	3.1%	6	334	1,064	1,297
Natural Resources	1,637	1,563	56	165	229	56	2.8%	8	557	1,629	1,953
Venture	941	448	54	43	47	22	2.3%	1	40	959	460
Other Developed Country Equity	<u>1,840</u>	<u>840</u>	<u>92</u>	<u>44</u>	<u>148</u>	<u>6</u>	<u>0.3%</u>	<u>3</u>	<u>200</u>	<u>1,742</u>	<u>979</u>
Total Developed Country Equity	2,781	1,288	146	87	195	28	1.0%	4	240	2,701	1,439
Emerging Markets Equity	<u>748</u>	<u>590</u>	<u>26</u>	<u>62</u>	<u>20</u>	<u>21</u>	2.8%	<u>1</u>	<u>75</u>	<u>811</u>	<u>603</u>
TOTAL	<u>\$7,206</u>	<u>\$4,772</u>	<u>302</u>	<u>\$511</u>	<u>\$685</u>	<u>\$144</u>	1.9%	<u>20</u>	<u>\$1,366</u>	<u>\$7,176</u>	<u>\$5,642</u>
% of Endowment (PUF+ GEF)	28%	19%								28%	22%

Co-Investment Pipeline and Portfolio



	Real Estate		Natural Resources		Private Investments		Period Total		Total Since Inception	
<u>FY2014</u>	#	\$	#	\$	#	\$	#	\$	#	\$
<u>Pipeline:</u>										
Reviewed	15	\$291	19	\$491	20	\$685	54	\$1,467		
Interest	9	168	11	291	19	680	39	1,139		
Committed	5	38	4	61	6	83	15	182		
In Process	1	35	4	150	2	125	7	310		
<u>FQ1 2015</u>	#	\$	#	\$	#	\$	#	\$	#	\$
<u>Pipeline:</u>										
Reviewed	2	\$34	10	\$270	5	\$108	17	\$412	131	\$3,898
Interest	2	34	7	225	4	100	13	359	77	2,567
Committed	2	34	1	20	0	0	3	54	35	796
In Process	1	35	4	155	1	150	6	340	6	340
<u>Portfolio Returns (Since Inception):</u>										
Invested	12	\$138	15	\$318	11	\$161			38	\$617
Realized Proceeds	4	20	2	106	1	1			7	128
Total Value		142		414		183				739
Multiple		1.18x		1.63x		1.14x				1.40x
IRR		11%		48%		8%				26%

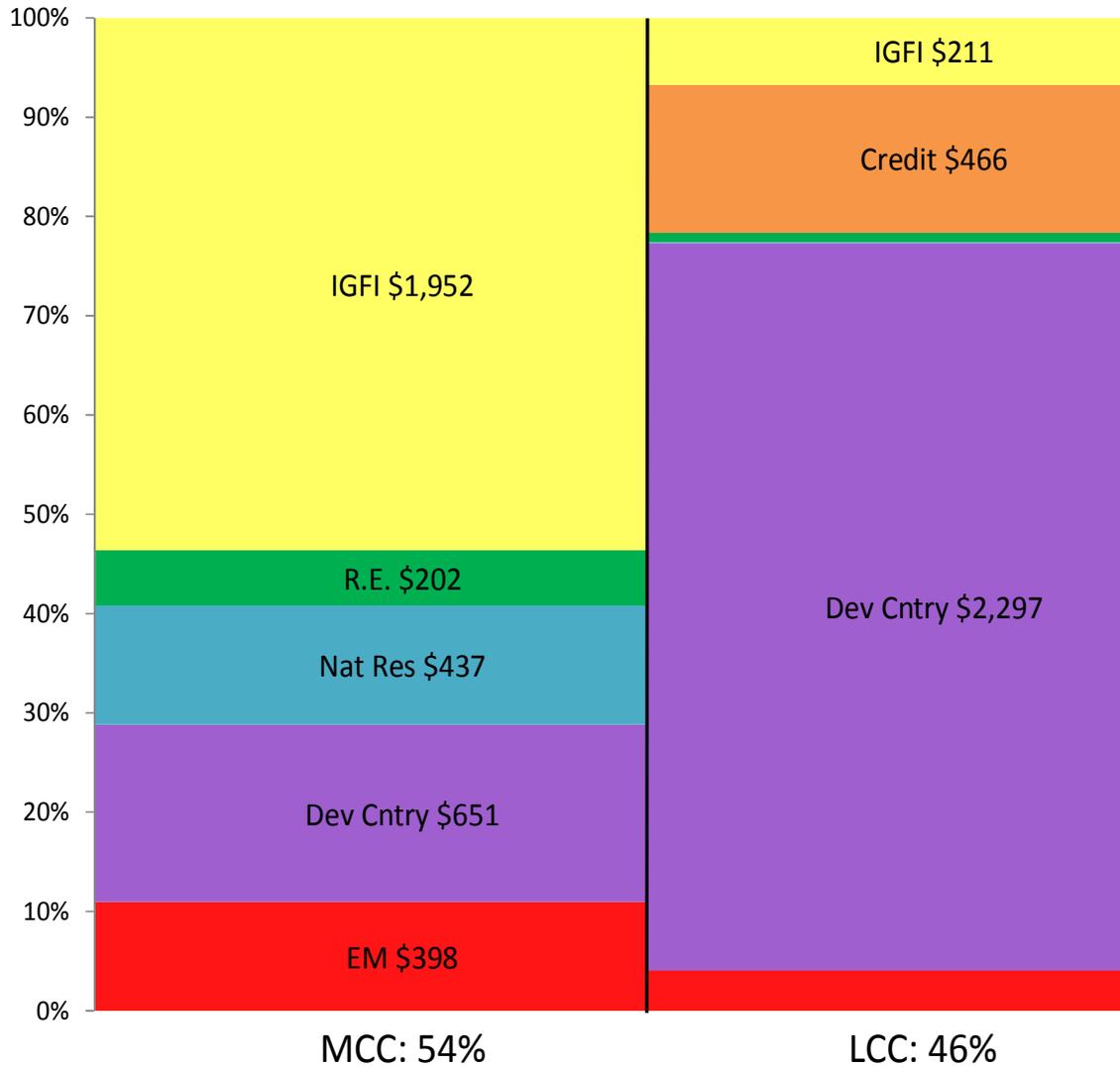


ITF

ITF



ITF NAV: \$6,774M



Downside Volatility (trailing three years)	
Actual	% of Policy
3.74%	102.6%

Liquidity	
Three months	One Year
60.7%	89.9%

Insurance Hedges NAV	
CMS Caps	\$0.1M
JPY FX rate	\$0.8M



Contracts

Contracts Update

October 1, 2014 through January 23, 2015



New Contracts, Leases, and Other Commercial Arrangements

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

Agreement	Purpose	Contract Term	Annual Amount
None			

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2015

Agenda Item:	Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO
Developed By:	Staff
Presented By:	White
Type of Item:	Action required by UTIMCO Board related to Audit; Information item on other items
Description:	The Audit and Ethics Committee (the "Committee") will meet on January 30, 2015. The Committee's agenda includes (1) discussion and appropriate action related to the Committee minutes; (2) discussion and appropriate action related to Deloitte & Touche LLP's Financial Statement Audit Results and Communications and Audited Financial Statements for the Corporation; (3) an update on compliance, reporting, and audit issues; and (4) a presentation of the unaudited financial statements for the three months ended November 30, 2014 for the Investment Funds and the Corporation.
Discussion:	<p><i>Audit of UTIMCO Financial Statements.</i> The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2014 and 2013 financial statements. Robert Cowley, the engagement partner, is scheduled to present to the Committee the Deloitte & Touche LLP's Audit Results and Communications letter and answer questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.</p> <p><i>Other items.</i> Routine activities of the Committee will include reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.</p>
Recommendation:	The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.
Reference:	Audit Results and Communications Audited Financial Statements and Audit Report for the Corporation Quarterly Compliance Reports

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2014**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2014, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2014 and August 31, 2013, be, and are hereby approved in the form as presented to the Board.



Deloitte & Touche LLP
Suite 1700
400 West 15th Street
Austin, TX 78701
USA

Tel: 512 691 2300
Fax: 512 708 1035
www.deloitte.com

December 23, 2014

Mr. Bruce Zimmerman
CEO and Chief Investment Officer
The University of Texas Investment Management Company

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company
401 Congress Avenue, Suite 2800
Austin, TX 78701

Dear Mr. Zimmerman and Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (the Audit and Ethics Committee):

We have performed an audit of the financial statements of The University of Texas Investment Management Company (the “Company”) as of and for the year ended August 31, 2014, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated December 23, 2014.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated September 8, 2014, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company’s financial statements for the year ended August 31, 2014, in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with US GAAP. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Member of
Deloitte Touche Tohmatsu Limited

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2014 financial statements include the recoverability of long-term assets such as property and equipment and liabilities as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2014, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

MATERIAL CORRECTED MISSTATEMENTS

There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's financial statements. During the year ended August 31, 2014, there were no significant changes in previously adopted accounting policies or their application. The Company adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which did not impact the financial results of the Company for the year ended August 31, 2014.

OTHER INFORMATION IN THE ANNUAL REPORT

When audited financial statements are included in documents containing other information, i.e. the Management Discussion & Analysis, we read such other information and considered whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Company's financial statements and have inquired as to the methods of measurement and presentation of such information. We did not note any material inconsistencies or obtain knowledge of a material misstatement of fact in the other information.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2014 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2014.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Audit and Ethics Committee.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, a copy of the representation letter we obtained from management.

* * * * *

This report is intended solely for the information and use of management, the Audit and Ethics Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



DELOITTE & TOUCHE LLP



December 23, 2014

Deloitte & Touche LLP
400 West 15th Street
Suite 1700
Austin, Texas 78701

We are providing this letter in connection with your audits of the statements of net position of The University of Texas Investment Management Company (the "Company") as of August 31, 2014 and 2013, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial net position, results of operations, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in statements of net position, statements of revenue, expenses and changes in net position, and cash flows in conformity with GAAP
- b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud
- c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP.
2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Company has provided you:
 - a. Financial records and related data
 - b. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

5. The Company has provided to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Company involving:
 - a. Management
 - b. Employees who have significant roles in the Company's internal control over financial reporting
 - c. Others, if the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others.
8. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, immaterial matters less than \$40,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

9. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
10. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
11. Regarding related parties:
 - a. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
12. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
13. There are no:

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
 - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The Company has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
16. The performance incentive awards approved for the year ended August 31, 2014, and approved on November 18, 2014, totaled \$9,033,287.
17. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period
18. No events have occurred after August 31, 2014 but before December 23, 2014, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.



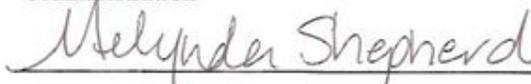
Bruce Zimmerman

Chief Executive Officer and Chief Investment Officer



Joan Moeller

Senior Managing Director – Accounting, Finance and
Administration



Melynda Shepherd

Manager – Finance and Administration

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2014 and 2013

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2014 and 2013

Contents

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Independent Auditors' Report

To the Members of
The Board of Directors of The University of Texas Investment Management Company

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas Investment Management Company ("UTIMCO"), which comprise the statements of net position as of and for the years ended August 31, 2014, and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UTIMCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2014 and 2013, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

December 23, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2014. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$34 billion as of August 31, 2014. UTIMCO is governed by a nine-member Board of Directors (UTIMCO Board), consisting of at least three members of the UT Board, the Chancellor of The University of Texas System, three independent directors with substantial background and expertise in investments appointed by the UT Board, and two members appointed by the Texas A&M System Board, one of which must have a substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the UTIMCO financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

Net position increased by approximately \$0.5 million from \$4.8 million to \$5.3 million, or approximately 10%, for the year ended August 31, 2014. This is compared to a decrease of \$2.1 million from \$6.9 million to \$4.8 million, or approximately 30%, for the year ended August 31, 2013. The increase in net position was primarily the result of capitalizing \$0.8 million of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software. The decrease in net position for FY 2013 was mainly the result of the deferral of the 2012 performance compensation awards to FY 2013 due to the trigger of an extraordinary circumstances provision in the UTIMCO Compensation Program (the “Plan”) for certain participants.

Use of Financial Statements and Notes

UTIMCO financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statements of Net Position

The Statements of Net Position present assets, liabilities, and the net position of UTIMCO

as of the end of the fiscal years. These statements have been prepared using the accrual basis of accounting.

The following summarizes the Statements of Net Position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Cash & cash equivalents	\$11,711,398	\$10,234,124	\$ 7,929,555
Other assets	<u>4,794,779</u>	<u>3,171,023</u>	<u>2,590,026</u>
Total Assets	<u>\$16,506,177</u>	<u>\$13,405,147</u>	<u>\$10,519,581</u>
Liabilities & Net Position			
Accounts payable & other liabilities	\$10,737,623	\$ 7,937,182	\$ 2,747,399
Unamortized rent	450,486	675,729	900,973
Net position	<u>5,318,068</u>	<u>4,792,236</u>	<u>6,871,209</u>
Total Liabilities & Net Position	<u>\$16,506,177</u>	<u>\$13,405,147</u>	<u>\$10,519,581</u>

The changes in the Statements of Net Position components are primarily the result of the following:

- Net position increased in FY 2014 by \$525,832 primarily as a result of capitalizing \$807,486 of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software. The capitalized costs were included in the FY 2014 budgeted expense. Net position decreased in FY 2013 by \$2,078,973 primarily as a result of changes in performance compensation accruals. Certain participants were required to defer their 2012 performance award due to the trigger of an extraordinary circumstances provision in the Plan. In addition, two participants met the Plan's retirement provisions which accelerated the vesting of their deferred award accounts and such amounts were expensed in FY 2013.
- Cash & cash equivalents increased between FY 2013 and FY 2014 by \$1,477,274 and increased between FY 2012 and FY 2013 by \$2,304,569. The increase in cash in both FY 2014 and FY 2013 resulted from an increase in the operating budget for both years which provided available cash to cover staff additions, promotions, payouts related to deferred performance compensation, and increases in the Plan's incentive award opportunity levels. These increases were partially offset by the fixed asset purchases related to the information technology initiative.
- Other assets increased by \$1,623,756 in FY 2014 and by \$580,997 in FY 2013 as a result of fixed asset purchases and capitalized costs related to UTIMCO's information technology initiative, an increase in prepaid expenses and an increase in assets of the 457(b) deferred compensation plan.
- Accounts payable & other liabilities increased by \$2,800,441 in FY 2014 primarily

because the FY 2014 performance compensation liability increased due to additional eligible Plan participants, salary adjustments and the level of awards achieved. The increase in accounts payable & other liabilities by \$5,189,783 in FY 2013 was due to the routine recording of the performance compensation earned annually by the Plan's participants whereby in FY 2012 the extraordinary circumstances, as described in the net position matter noted above, occurred which negated the recording of an accrual for the FY 2012 performance compensation amount.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position are based upon the financial activities of the organization. The purpose of these statements is to present details comprising the revenues, expenses, and changes to net position for the years reported. The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue			
Management fees	\$24,477,011	\$24,133,175	\$18,306,201
Net non-operating revenues	<u>7,220</u>	<u>14,444</u>	<u>14,959</u>
Total Revenue	24,484,231	24,147,619	18,321,160
Expenses			
Salaries & benefits	10,253,112	9,496,301	8,510,794
Performance compensation	9,110,680	12,513,544	3,265,622
General operating	2,174,169	2,152,873	2,060,613
Depreciation	676,524	518,707	533,872
Other	<u>1,743,914</u>	<u>1,545,167</u>	<u>1,562,121</u>
Total Expenses	<u>23,958,399</u>	<u>26,226,592</u>	<u>15,933,022</u>
Net Position, Beginning of Year	<u>4,792,236</u>	<u>6,871,209</u>	<u>4,483,071</u>
Net Position, End of Year	<u>\$ 5,318,068</u>	<u>\$ 4,792,236</u>	<u>\$ 6,871,209</u>

The changes in the Statements of Revenues, Expenses and Changes in Net Position are primarily the result of the following:

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. Revenue fluctuations are the direct result of these approved budgets.
- Total expenses decreased by \$2,268,193 in FY 2014 from FY 2013 and increased by \$10,293,570 in FY 2013 from FY 2012. Performance compensation has been the main driver of the year over year fluctuations in Total Expenses. The FY 2014 decrease in performance compensation of \$3,402,864 and the FY 2013 increase of \$9,247,922 in performance compensation, as previously discussed, includes the impact of the extraordinary circumstances deferral provision of the Plan and the impact of accelerated deferred award vesting for certain employees meeting the

Plan's retirement provisions. In addition, performance compensation has also been impacted by salary adjustments, promotions, additional eligible Plan Participants, and increases in the Plan's incentive award opportunity levels. Also, capitalization of \$807,486 of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software decreased total expenses in FY 2014.

- Effective in FY 2014, the UTIMCO internally developed software initiative reached the point where capitalization of salary, performance compensation and benefits for staff involved with the project was required. These amounts are depreciated as the software is implemented over the useful life of the asset.
- Other expenses increased by \$198,747 primarily as a result of utilizing hiring consultants in multiple senior investment officer position searches.

Statements of Cash Flows

The Statements of Cash Flows are presented to identify the cash flows from operating, financing and investing activities. The following table summarizes the Statements of Cash Flows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash Flows Provided by/(Used in)			
Operating Activities			
Proceeds from management fees	\$24,477,011	\$24,133,175	\$18,306,201
Payments to and for employees	(17,181,002)	(17,088,101)	(15,223,212)
Other payments	<u>(3,936,655)</u>	<u>(3,949,048)</u>	<u>(3,842,315)</u>
Net cash provided by/(used in) Operating Activities	3,359,354	3,096,026	(759,326)
Cash Flows Used for Capital and Related Financing Activities			
Purchase of property & equipment, net	<u>(1,889,300)</u>	<u>(806,916)</u>	<u>(141,437)</u>
Net cash used for Capital and Related Financing Activities	(1,889,300)	(806,916)	(141,437)
Cash Flows from Investing Activities			
Interest	<u>7,220</u>	<u>15,549</u>	<u>15,193</u>
Net cash provided by Investing Activities	<u>7,220</u>	<u>15,549</u>	<u>15,193</u>
Net Change in cash & cash equivalents	1,477,274	2,304,569	(885,570)
Cash & cash equivalents, beginning of year	<u>10,234,124</u>	<u>7,929,555</u>	<u>8,815,125</u>
Cash & Cash Equivalents, end of year	<u>\$11,711,398</u>	<u>\$10,234,124</u>	<u>\$7,929,555</u>

The changes in the Statements of Cash Flows are primarily the result of the following:

- Payments to and for employees increased in fiscal years 2014 and 2013 as a result of the increase in performance compensation and other personnel expenses that are directly related to compensation.

- Purchases of property and equipment increased in fiscal years 2014 and 2013 as a result of purchases for new information technology initiatives.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the UTIMCO corporate results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Net Position

August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 11,711,398	\$ 10,234,124
Prepaid expenses and other assets	<u>664,465</u>	<u>617,717</u>
Total Current Assets	12,375,863	10,851,841
Non-Current Assets:		
Assets of the 457(b) deferred compensation plan	1,094,969	730,737
Capital assets, net of accumulated depreciation of \$4,895,548 and \$4,237,728, respectively	<u>3,035,345</u>	<u>1,822,569</u>
Total Non-Current Assets	<u>4,130,314</u>	<u>2,553,306</u>
Total Assets	<u>\$ 16,506,177</u>	<u>\$ 13,405,147</u>
 Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,642,654	\$ 7,206,445
Current portion - unamortized rent	<u>225,242</u>	<u>225,244</u>
Total Current Liabilities	9,867,896	7,431,689
Non-Current Liabilities:		
457(b) deferred compensation plan obligations	1,094,969	730,737
Long-term portion – unamortized rent	<u>225,244</u>	<u>450,485</u>
Total Non-Current Liabilities	<u>1,320,213</u>	<u>1,181,222</u>
Total Liabilities	11,188,109	8,612,911
Net Position:		
Net investment in capital assets	3,035,345	1,822,569
Unrestricted	<u>2,282,723</u>	<u>2,969,667</u>
Total Net Position	<u>5,318,068</u>	<u>4,792,236</u>
Total Liabilities and Net Position	<u>\$ 16,506,177</u>	<u>\$ 13,405,147</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Management fee	\$24,477,011	\$24,133,175
Total Operating Revenues	24,477,011	24,133,175
Operating Expenses		
Salaries	8,203,149	7,587,688
Performance compensation	9,110,680	12,513,544
Employee benefits	1,414,330	1,267,521
Payroll taxes	635,633	641,092
General operating	2,174,169	2,152,873
Depreciation	676,524	518,707
Lease	1,109,105	1,035,176
Professional fees	415,646	302,888
Insurance	<u>219,163</u>	<u>207,103</u>
Total Operating Expenses	<u>23,958,399</u>	<u>26,226,592</u>
Operating Income/(Loss)	518,612	(2,093,417)
Non-Operating Revenues (Expenses)		
Interest	7,220	15,459
Loss on disposal of equipment	<u>-</u>	<u>(1,015)</u>
Net Non-Operating Revenues	<u>7,220</u>	<u>14,444</u>
Increase/(Decrease) in Net Position	525,832	(2,078,973)
Net Position at beginning of year	<u>4,792,236</u>	<u>6,871,209</u>
Net Position at end of year	<u>\$ 5,318,068</u>	<u>\$ 4,792,236</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from Operating Activities:		
Proceeds from management fees	\$24,477,011	\$24,133,175
Payments to suppliers for goods and services	(2,602,306)	(2,688,628)
Payments for facility	(1,334,349)	(1,260,420)
Payments to employees	(15,003,398)	(15,293,704)
Payments for employees	<u>(2,177,604)</u>	<u>(1,794,397)</u>
Net cash provided by Operating Activities	3,359,354	3,096,026
Cash flows from Capital and Related Financing Activities:		
Purchases of property and equipment	<u>(1,889,300)</u>	<u>(806,916)</u>
Net cash used in Capital and Related Financing Activities	(1,889,300)	(806,916)
Cash flows from Investing Activities:		
Interest	<u>7,220</u>	<u>15,459</u>
Net cash from Investing Activities	7,220	15,459
Net increase in cash and cash equivalents	1,477,274	2,304,569
Cash and cash equivalents at beginning of year	<u>10,234,124</u>	<u>7,929,555</u>
Cash and cash equivalents at end of year	<u>\$11,711,398</u>	<u>\$10,234,124</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

Reconciliation of operating income to net cash provided by operating activities:

	<u>2014</u>	<u>2013</u>
Operating income/(loss)	\$ 518,612	\$(2,093,417)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Depreciation	676,524	518,707
Change in assets and liabilities:		
Increase in prepaid expenses and other assets	(46,748)	(83,320)
Increase in assets of 457(b) deferred compensation plan	(364,232)	(210,483)
Increase in accounts payable and accrued expenses	2,436,209	4,979,300
Increase in liabilities of 457(b) deferred compensation plan	364,232	210,483
Decrease in unamortized rent	<u>(225,243)</u>	<u>(225,244)</u>
Net cash provided by operating activities	<u>\$ 3,359,354</u>	<u>\$ 3,096,026</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

The University of Texas Investment Management Company (UTIMCO) is a not-for-profit corporation organized to invest funds that are under the control and management of the Board of Regents of The University of Texas System (UT Board). UTIMCO commenced business on March 1, 1996. The financial statements of UTIMCO have been prepared on the accrual basis of accounting. The significant accounting policies are described in Note 2.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of UTIMCO are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Cash and cash equivalents

For purposes of the statements of cash flows, UTIMCO considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. UTIMCO invests excess cash in an interest-bearing money market account.

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate.

Capital assets, net of accumulated depreciation

Net capital assets consist of office furniture, office equipment, software, and leasehold improvements and are stated at net book value. UTIMCO capitalizes assets whose cost exceeds \$300. Depreciation is computed using the straight-line method over the useful lives of the assets. Estimated useful lives range from three to seven years for office furniture, equipment and software and for the lease term for leasehold improvements. UTIMCO has incurred software development costs related to an ongoing internal software development project. During the period ended August 31, 2014, UTIMCO capitalized salaries, benefits and performance compensation of \$807,486 related to software development. These costs are depreciated as the software is implemented. The following is a schedule of the capital assets at August 31, 2014 and 2013.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

	Balance	Additions/ Transfers		Balance
	8/31/2013	into service	Deletions	8/31/2014
Office furniture	\$ 862,578	\$ -	\$ -	\$ 862,578
Office equipment	1,405,569	64,237	(18,704)	1,451,102
Software	338,337	2,122,217	-	2,460,554
Leasehold improvements	3,156,659	-	-	3,156,659
Software Development	297,154	(297,154)	-	-
Total property and equipment	6,060,297	1,889,300	(18,704)	7,930,893
Less accumulated depreciation	(4,237,728)	(676,524)	18,704	(4,895,548)
Net Capital Assets	<u>\$ 1,822,569</u>	<u>\$ 1,212,776</u>	<u>\$ -</u>	<u>\$ 3,035,345</u>

	Balance	Additions/ Transfers		Balance
	8/31/2012	into service	Deletions	8/31/2013
Office furniture	\$ 862,578	\$ -	\$ -	\$ 862,578
Office equipment	1,288,502	406,198	(289,131)	1,405,569
Software	303,940	103,564	(69,167)	338,337
Leasehold improvements	3,156,659	-	-	3,156,659
Software Development	-	297,154	-	297,154
Total property and equipment	5,611,679	806,916	(358,298)	6,060,297
Less accumulated depreciation	(4,076,304)	(518,707)	357,283	(4,237,728)
Net Capital Assets	<u>\$ 1,535,375</u>	<u>\$ 288,209</u>	<u>\$ (1,015)</u>	<u>\$ 1,822,569</u>

Income taxes

The exclusive purposes for which UTIMCO is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Service Code, and therefore, UTIMCO is not subject to federal income taxes on normal operations. UTIMCO may, however, incur federal income taxes on unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

These financial statements considered subsequent events through December 23, 2014, the date the financial statements were available to be issued.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Recently Issued Accounting Standards

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was adopted in fiscal year 2014, changing deferred rent and deferred compensation plan to be renamed as unamortized rent liability and 457(b) deferred compensation plan asset and liabilities from deferred rent and deferred compensation plan asset and liabilities, respectively. The adoption of Statement No. 65 did not result in any adjustments to the financial statements of UTIMCO for the period ended August 31, 2013.

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the periods ended August 31, 2014 and 2013 were \$24,469,511 and \$24,125,675, respectively. This represents fees for the following:

	<u>2014</u>	<u>2013</u>
Permanent University Fund	\$ 12,302,184	\$ 12,158,434
The University of Texas System Long Term Fund	6,914,570	6,798,178
Permanent Health Fund	1,062,565	1,101,430
The University of Texas System Intermediate Term Fund	<u>4,190,192</u>	<u>4,067,633</u>
	<u>\$ 24,469,511</u>	<u>\$ 24,125,675</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System and The University of Texas at Austin. The total for these services for the periods ended August 31, 2014 and 2013 were \$25,505 and \$23,379, respectively.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2014 and 2013, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31,

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

2014 and 2013 were \$650,111 and \$566,262, respectively.

Effective December 1, 2007, UTIMCO adopted a compensation plan under Internal Revenue Code Section 457(b). The 457(b) plan is an unfunded deferred compensation plan that is established and maintained for a select group of management employees. Participants are determined by the Administrative Plan Committee. Participants are permitted to make tax-deferred contributions to the 457(b) plan, but until the plan benefits are paid out, these contributions remain part of UTIMCO's general assets and can be used to satisfy claims of the general unsecured creditors of UTIMCO. The assets and obligations of the 457(b) plan are reported on the Statements of Net Position at current values.

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the period ended August 31, 2014 and 2013 were \$156,439 and \$115,277, respectively.

Note 6 – Lease Expense

Effective September 1, 2005, UTIMCO entered into an eleven year lease for its office space and parking with a third party. Under the terms of the lease, the lease expense and building operating expenses for the first 14 months were provided by the new landlord as a lease incentive, except for specific electricity costs incurred by UTIMCO. The lease expense incentive is recorded as a unamortized rent liability as detailed in Note 7.

UTIMCO began paying lease and operating costs related to UTIMCO's current lease effective November 2006. For the periods ended August 31, 2014 and 2013, related operating expenses were \$614,805 and \$562,482, respectively. The net lease expense related to the lease incentive and amortization of the tenant allowance for both the periods ending August 31, 2014 and 2013 was \$348,028. For the periods ended August 31, 2014 and 2013, parking expense was \$146,272 and \$124,666, respectively.

The 132 month lease expires August 31, 2016. The minimum rental commitment is \$47,773 per month.

The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2015	573,272
2016	<u>573,272</u>
Total	<u>\$1,146,544</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 7 – Unamortized Rent

Under the terms of the office lease effective September 1, 2005, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. The property was placed in service on November 14, 2005. Additional tenant improvement allowance was provided in August 2008 in connection with the expansion. UTIMCO has recorded the rent holidays and tenant improvement allowances as a unamortized rent liability.

As of August 31, 2014 and 2013, the total unamortized rent was \$450,486 and \$675,729, respectively. The portion of the unamortized rent related to the rent holidays as of August 31, 2014 and 2013 was \$109,798 and \$164,696, respectively. The remaining portion of the unamortized rent as of August 31, 2014 and 2013, was \$340,688 and \$511,033, respectively, and relates to the tenant improvement allowance. UTIMCO was initially provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. In August 2008, an additional allowance of \$173,415 was provided in connection with the expansion. The unamortized rent is amortized over the term of the lease.

**The University of Texas Investment Management Company
Institutional Compliance Program Annual Report
for the Year Ended August 31, 2015**

Section I – Organizational Matters

- One meeting of the Ethics and Compliance Committee was held during the quarter: September 17, 2014.
- Uzi Yoeli was appointed to Managing Director – Investment Risk Management.
- Mark Warner was appointed to Senior Managing Director – Natural Resources and Emerging Markets Investments.

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

High-Risk Area #1: Investment Due Diligence

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

Key “A” risk(s) identified:

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

Key Monitoring Activities:

Public Markets: The Public Markets groups participated in 68 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates and one existing mandate. One new mandate was completed during the quarter. Ongoing review of active external managers included 91 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, one QFII Compliance call, and participation in three annual meetings.

Marketable Alternative Investments: The Marketable Alternative Investments group participated in 29 meetings/calls with potential managers. Serious due diligence was initiated on 3 new mandates. Two new mandates were completed during the quarter. Ongoing review of active external managers was conducted in the form of 74 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Private Markets: The Private Markets group initiated serious due diligence on 3 new mandates. Three new mandates were completed during the quarter. The Private Markets group also participated in 133 meetings with active external managers and 59 meetings with potential managers, including site visits, conference calls, and Advisory Board and Annual meetings.

Natural Resources: The Natural Resources group participated in 89 meetings/calls with potential managers. Serious due diligence was initiated on five new mandates. Four new mandates were completed during the quarter. Ongoing review of active external managers included 50 meetings/calls. Additional efforts included participation in six annual meetings with active managers.

Real Estate: The Real Estate group participated in 39 meetings/calls with potential managers. Serious due diligence was initiated on seven new mandates and one existing mandate during the quarter. Four new mandates were completed as well as an addition to one existing mandate. Ongoing review of active external managers included 50 meetings/calls. Additional efforts included participation in six annual meetings.

Specialized Training: Staff attended 22 industry-related conferences/functions during the quarter.

High-Risk Area #2: Investment Risk Management

Responsible Party: Managing Director - Risk Management

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- During the quarter, Risk Team reconciled accounting records’ market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. Compared each month’s risk results with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports, as well as analysis of managers’ portfolio-level risk and performance.
- Risk Team participated in one due diligence call and reviewed 2 additional due diligence questionnaires.
- Risk Team is working on incorporating holdings-based data for the Private Equity Risk proxy and other risk analytics. This includes creating a format by which the teams can easily analyze portfolios as well as a system by which UTIMCO can verify the accuracy/integrity of the underlying data and GP compliance, thereby resulting in a system which the teams trust and use. This project also allows the Risk Team to have more confidence in the proxy and exposures that are generated by the underlying data.
- Risk Team is exploring ways in which to access additional cash in times of crisis or opportunity. Currently, the team is analyzing whether the Wellington Commodity portfolios would be a good source.
- Risk Team monitors UTIMCO Counterparties for any negative news and/or potential downgrades and continues to support investment staff in understanding the risks inherent in managers operating under agency agreements. Risk Team continued to engage in discussions with Regulatory Entities and current counterparties regarding the near-term compliance requirements for the Business Conduct Rules of Dodd Frank.
- Risk Team continued to monitor the current macro environment. Risk Team continued to review future scenarios with high risk, and is working with PPTF to better understand the impact of each such scenario, and to address such scenarios.
- All internal derivatives were reviewed and analyzed in detail prior to initiation. The insurance budget is continuously tracked.
- Derivative positions are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly. Fixed income duration and tracking error is being monitored on an ongoing basis. Managers’ use of margin and leverage is monitored on an ongoing basis. Risk Team confirmed each month downside risk and VaR calculations.
- Risk Team prepared projections on portfolio risk, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.

Specialized Training: Risk Team participated in two conferences during the quarter.

High-Risk Area #3: Information Technology & Security

Responsible Party: Chief Technology Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Annual IT Audit portion of the larger AFR audit completed.
- New employee/intern security training completed.

- Several alerts were sent to staff covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- RSA Archer Risk Assessment Tool roll-out continues. Training was completed for David Gahagan and Teresa Stewart.
- UTS165 revisions continue, no date for completion yet.
- Two-factor authentication will be required for any public facing external access by August 2015.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means.
- Laptop security reviews continue. At random, the CISO and CCO verify laptops are physically secured to the desk. Violators are notified when necessary.
- Compliance checks for nightly shutdown/logout. Violations noted and violators notified as necessary.
- Random checks for confidential data storage continue and CISO continues to work with development staff to limit access to source code.
- Random checks for software compliance were completed.
- Review of security for data vendor web sites is complete. Met with Private Markets, meetings scheduled with others.
- Continuing to monitor and address policy violations for unauthorized software, sharing of credentials, and use of network resources.
- No malware infections this quarter.
- Continue rollout of Splunk for infrastructure monitoring and alerting.
- Review of ISS screens, system components, configurations and scripts is ongoing.
- Working with Denim Group to plan a security/code review of ISS.

Specialized Training: CISO attended teleconference UT Security meetings and on-site CISO Council meetings. CISO also met with Dell computer on new technologies and security features built into new hardware currently in prototype phase and attended Box.com training.

High-Risk Area #4: Investment Compliance

Responsible Party: Manager - Portfolio Accounting and Operations and Chief Compliance Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian’s software and in-house developed databases and reports.
- Review of monthly and quarterly investment compliance reports prepared by staff continues.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: Chief Compliance Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- All Certificates of Compliance were received timely from all UTIMCO Board members and key employees for all investment managers hired and funded. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests were identified by any UTIMCO Board member or key employee.
- All financial disclosure statements and ethics compliance statements due during the quarter were received before the required due dates. Financial disclosure and ethics compliance statements for one recent new hire were not due until after the end of the quarter.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. No review was required during the quarter.
- Four employee ethics and compliance training sessions were held during the quarter for new hires. All new employees received training within a reasonable time after hire.
- List of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest (the “restricted list”) was maintained. Internal and external managers under agency agreements are provided the restricted list in order to prevent the violation of UTIMCO Code of Ethics and *Texas Education Code* Section 66.08. Due to the addition of a security to the “restricted list”, a revised list was sent to all external managers under agency agreements during the quarter. No new external managers under agency agreements were hired during the quarter.
- On a daily basis, the Legal and Compliance Specialist reviewed security holdings of internal and external managers for compliance with the restricted list. No exceptions noted.
- No securities transactions requiring preclearance occurred during the quarter. All transactional disclosure forms were turned in by the required ten days.
- CEO approval was given to one employee for outside employment.
- Eleven trips (11) containing vendor reimbursed/paid expenses, which required documentation and supervisor approval, had appropriate documentation and approval. One additional vendor paid travel was not preapproved but received post approval. Twelve (12) events that included sponsored entertainment requiring CEO, CCO, or UTIMCO Chairman approval received the requisite approvals.

Specialized Training: None

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

High-Risk Area #1: Investment Due Diligence

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO reviewed results of quarterly due diligence monitoring plans for each Investment group. Ongoing due diligence efforts on multiple managers continue. The Managing Director, Risk Management and CCO participated in the bi-weekly Investment Committee meetings.

Significant Findings: None.

High-Risk Area #2: Investment Risk Management

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team.

Significant Findings: None

High-Risk Area #3: Information Technology & Security

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to meet with CISO regarding information technology and security practices.

Significant Findings: None

High-Risk Area #4: Investment Compliance

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO is performing monthly review and sign-off of Compliance Reports to determine that policy requirements have been maintained based on the activity performed by staff. CCO reviewed the documentation and workpapers supporting the various compliance reports prepared by the Responsible Parties.

Significant Findings: None

High-Risk Area #5: Conflicts of Interest

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: Legal and Compliance Specialist reviewed the completed sign-offs for completeness for all certificates of compliance received. Monitoring for potential conflicts of interest in the areas of personal securities transactions, outside employment and business activities, and manager/third party-paid travel, entertainment and gifts is ongoing.

Significant Findings: None

Section IV – General Compliance Training Activities

Four training sessions for new hires were held during the quarter.

Section V – Action Plan Activities

See updated Institutional Compliance Action Plan Fiscal Year 2015.

Section VI – Confidential Reporting

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

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

All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the General Counsel and Chief Compliance Officer, the Legal and Compliance Specialist, the Manager - Finance & Administration, the Executive Assistant to the CEO and Chief Investment Officer, and David Givens from The University of Texas Systemwide Compliance Office.

**The University of Texas Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2015**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Update risk assessments as needed, including mapping of controls	08/31/15	<i>No activity</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	<i>Ongoing</i>
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	<i>First quarter FY 2015 reviewed</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/15	<i>Eight employees/interns trained during the quarter</i>
5.	Identify and network with similarly situated compliance professionals	On-going	<i>Participated in monthly Council of Compliance Officers calls</i>
<i>D. REPORTING</i>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	<i>Last meeting held September 17, 2014</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>Annual report presented to Audit & Ethics Committee on November 4, 2014</i>
<i>E. OTHER / GENERAL COMPLIANCE</i>			
8.	Complete transition of compliance work from Back Office staff to Compliance Office	05/31/15	<i>Tasks have been/are being transferred as planned; training ongoing</i>
9.	Institutional Compliance Program Self-Assessment	12/31/14	<i>Completed</i>
10.	Peer Review of UTIMCO Compliance Program	03/31/15	<i>No activity</i>
11.	Complete second live testing of Business Continuity Plan; update as business processes change	12/31/14	<i>Several emails were sent to UT Austin employees regarding testing but no response was ever received</i>
12.	ICAC activities: ICAC and Standing Committee participation	On-going	<i>Attended Compliance Officer's Forum on October 1, 2014</i>
13.	Hotline reporting	On-going	<i>No activity</i>

Agenda Item
UTIMCO Board of Directors Meeting
February 5, 2015

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Bass

Type of Item: Information item

Description: The Risk Committee (“Committee”) will meet on January 30, 2015. The Committee’s agenda includes (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to categorization of investment mandates; (3) review and discussion of compliance reporting; and (4) review and discussion of performance and risk reporting.

Discussion The Committee will review and approve, as appropriate, the 13 mandate categorizations prepared by Staff for the period beginning October 25, 2014, and ending January 20, 2015. Staff continues to monitor five mandates. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

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

Recommendation: None

Reference: None