

**UTIMCO BOARD OF DIRECTORS  
ANNUAL MEETING AGENDA  
April 22, 2015**

UTIMCO  
401 Congress Avenue, Suite 2800  
Austin, Texas

Time	Item #	Agenda Item
Begin	End	
		<b>OPEN MEETING:</b>
10:00 a.m.	10:05 a.m.	1 <a href="#">Call to Order of the Annual Meeting/Discussion and Appropriate Action Related to Minutes of the February 5, 2015 Meeting*</a>
10:05 a.m.	10:15 a.m.	2 <a href="#">Discussion and Appropriate Action Related to Corporate Resolutions:</a> - <a href="#">Election of UTIMCO Officers*</a> - <a href="#">Resolutions of Appreciation*</a> - <a href="#">Committee Assignments*,**</a>
10:15 a.m.	11:15 a.m.	3 <a href="#">Endowment and Operating Funds Update Report</a>
11:15 a.m.	11:30 a.m.	4 <a href="#">Permanent Loss Discussion</a>
11:30 a.m.	11:45 a.m.	5 <a href="#">UTIMCO Organization Update</a>
11:45 a.m.	12:30 p.m.	<b>Lunch</b>
12:30 p.m.	12:45 p.m.	6 <a href="#">Report from Compensation Committee</a> - <a href="#">Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2015*</a>
12:45 p.m.	12:50 p.m.	7 <a href="#">Report from Audit and Ethics Committee</a>
12:50 p.m.	1:00 p.m.	8 <a href="#">Report from Risk Committee</a>
1:00 p.m.		<b>Adjourn</b>

\* Action by resolution required

\*\* Resolution requires further approval from the Board of Regents of The University of Texas System

By: The University of Texas Investment Management Company

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

<b>Next Scheduled Meeting: July 23, 2015</b>
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**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **February 5, 2015**, 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 **February 5, 2015**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, 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  
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. Director Kyle Bass did not attend the meeting. Chairman Foster called the meeting to order at 10:01 a.m. Also attending the meeting was Chancellor William H. McRaven. 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; Mark Warner, Senior Managing Director - Natural Resources and Emerging Markets Investments; Lindel Eakman, Managing Director – Private Markets 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; Russ Kampfe, Sr. Portfolio Manager – Fixed Income Investments; Uche Abalogu, Chief Technology Officer; and other staff members. Other attendees were Mike Peppers, Moshmee Kalamkar, and Terry Hull of the UT System Administration; Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner of Andrews Kurth LLP; and Maria Robinson from The Texas A&M University System. 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 November 18, 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  
**November 18, 2014**, be, and are hereby, approved.

## **Corporate Resolutions**

Chairman Foster recommended designating April 22, 2015, as the annual meeting date for the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Chairman Foster also presented a Resolution of Appreciation to Chancellor Francisco G. Cigarroa, M.D. for his service as a member of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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 5<sup>th</sup> day of February 2015.

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

Chairman Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman presented the Corporation's assets under management and performance results as of the fiscal quarter, November 30, 2014, and also as of December 31, 2014. Mr. Zimmerman reported the Corporation had \$34.5 billion of assets under management as of December 31, 2014. Of the \$34.5 billion, \$17.5 billion was in the Permanent University Fund ("PUF"), \$8.2 billion in the General Endowment Fund ("GEF"), \$1.7 billion in the Short Term Fund ("STF"), \$0.1 billion in Separately Invested Funds, \$0.3 billion in the Debt Proceeds Fund, and \$6.7 billion in the Intermediate Term Fund ("ITF"). The net

performance for the calendar year ended December 31, 2014, for the PUF was 6.84% and for the GEF was 7.0%. The ITF's performance was 3.48%. Mr. Zimmerman also presented the *Endowment Dashboard*, which provides a one page summary of ten identified risks for the funds, including underperformance risk, market and scenario analysis, volatility/downside risk and downside risk attribution, active management, value add, endowment insurance hedges, transparency risks and concentration analysis. Mr. Kampfe, Mr. Warner, Mr. Shoberg, Ms. Chen, Mr. Ruebsahm and Mr. Eakman each reported on their respective portfolios. Mr. Zimmerman gave an update on the ITF and contracts. Mr. Zimmerman and Investment Staff answered the Directors' questions.

### **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 January 30, 2015. 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 Audited Financial Statements and Audit Report for the Corporation for the fiscal years ended August 31, 2014 and August 31, 2013. The Committee heard an update on compliance for the period ending November 30, 2014 from Ms. Gonzalez and Ms. Moeller presented the separate unaudited financial statements as of November 30, 2014, for the PUF, GEF, the Permanent Health Fund, The University of Texas System Long Term Fund, and ITF. 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 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.

### **Risk Committee Report**

Chairman Foster asked Mr. Zimmerman to provide a report from the Risk Committee in Mr. Bass' absence. Mr. Zimmerman reported that the Committee met on January 30, 2015. Minutes were approved from the previous meeting. He stated that the Risk Committee approved 13 new investment mandate categorizations prepared by Staff for the period beginning October 25, 2014 and ending January 20, 2015. The Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending November 30, 2014. There were no action items related to the Risk Committee report.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:32 a.m.

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

Approved: \_\_\_\_\_ Date: \_\_\_\_\_

Chairman, Board of Directors of  
The University of Texas Investment Management Company

**Agenda Item**  
UTIMCO Board of Directors Meeting  
April 22, 2015

- Agenda Item:** Discussion and Appropriate Action Related to Corporate Resolutions:  
- Election of UTIMCO Officers  
- Resolutions of Appreciation  
- Committee Assignments
- Developed By:** Zimmerman, Gonzalez, Moeller
- Presented By:** Moore
- Type of Item:** Action required by UTIMCO Board; Further action required by The University of Texas System Board of Regents related to the appointment of the Audit and Ethics Committee
- Description:** Vice Chairman Moore will seek nominations from the UTMCO Board of Directors to elect a new UTIMCO Chairman and present a recommendation for the Corporate Officers. UTIMCO's former Chairman, Morris E. Foster, has completed a three-year term on the Board and has been replaced by Director Phil Adams. In addition to the election of the new Chairman, the Bylaws require that at the Annual Meeting the Board is to elect Officers for the ensuing year. Employees that are designated as Officers by the UTIMCO Board meet the definition of Key Employees in the Corporation's Code of Ethics.
- The newly elected Chairman will present a recommendation to the Board to approve resolutions acknowledging the services of Morris E. Foster and Robert L. Stillwell as UTIMCO Board members.
- The newly elected Chairman will propose new Board committee assignments since the terms of two members, Mr. Foster and Mr. Stillwell have expired. The Board of Regents of Texas A&M University System has appointed Regent Phil Adams to the UTIMCO Board effective April 1, 2015. If a change is made in the composition of the Audit and Ethics Committee, Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of the members of the Audit and Ethics Committee of the UTIMCO Board.
- Recommendation:** Vice Chairman Moore will recommend approval of the election of Corporate Officers, and the newly elected Chairman will recommend approval of the resolutions of appreciation and committee assignments.
- Reference:** None



<b>RESOLUTION RELATED TO CORPORATION OFFICERS</b>
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RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
_____	Chairman
_____	Vice-Chairman
William H. McRaven	Vice-Chairman for Policy
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Joan Moeller	Senior Managing Director, Treasurer and Secretary
Mark Warner	Senior Managing Director
Lindel Eakman	Managing Director
Mark Shoberg	Managing Director
Ryan Ruebsahm	Managing Director
Susan Chen	Managing Director
Uzi Yoeli	Managing Director
Uche Abalogu	Chief Technology Officer
Christy Wallace	Assistant Secretary

## **RESOLUTION OF APPRECIATION MORRIS E. FOSTER**

**WHEREAS**, in recognition of his substantial background and expertise in business, Morris E. Foster was appointed by Governor Rick Perry to the Board of Regents of The Texas A&M University System in 2007, served as its Chairman from 2009-2011, and was reappointed in 2013 for another six-year term; and

**WHEREAS**, during his tenure Mr. Foster was appointed by The Texas A&M University System Board to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2012; and

**WHEREAS**, Mr. Foster served as a Member of the Board's Policy and Risk Committees, and was elected Chairman of the Board in 2013 until his term ended on April 1, 2015; and

**WHEREAS**, during his tenure on the UTIMCO Board, Mr. Foster provided invaluable insight and counsel, drawing on his immense experience in business, engineering, and the oil and gas industry, presently as Chairman of Stagecoach Properties, Inc., and formerly as the President of ExxonMobil Production Company, Vice President, Exxon Mobil Corporation, and President of ExxonMobil Development Company, and prior to the merger of Exxon and Mobil, as President of Exxon Upstream Development Company; and

**WHEREAS**, Mr. Foster's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his induction into Texas A&M University's Academy of Distinguished Graduates in 1993, and his work with The Texas A&M University System, including serving as Chairman of the Board of Regents, a member of the Committee on Buildings and Physical Plant, special liaison to the Development Foundations of A&M System Members, and a member of the Committee on Finance; and

**WHEREAS**, Mr. Foster's unselfish contributions are also evidenced in the civic and corporate arenas by his service on numerous boards, including First State Bank of Central Texas, Tidewater, Inc., Scott & White Medical Institute, United Way of the Texas Gulf Coast, Greater Houston Partnership, and as a member of the American Petroleum Institute, the Society of Petroleum Engineers, and the Texas Oil & Gas Association; and

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

**WHEREAS**, much of the credit for UTIMCO's success is directly attributable to Mr. Foster's leadership, judgment, and commitment.

**NOW, THEREFORE,**

**BE IT RESOLVED**, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Morris E. Foster their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

**BE IT FURTHER RESOLVED**, that all persons who read this Resolution should know that Mr. Foster has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

**PASSED AND ADOPTED** this 22nd day of April 2015.

## **RESOLUTION OF APPRECIATION ROBERT L. STILLWELL**

**WHEREAS**, in recognition of his substantial background and expertise in law and business, Robert L. Stillwell was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2009, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company (“UTIMCO”) in 2013; and

**WHEREAS**, Mr. Stillwell has provided invaluable insight and counsel, drawing on his immense experience as a principal with TBP Investments Management, as director of Pioneer Corporation, as an original director of Mesa Petroleum Co.; and a retired partner at the law firm of Baker Botts L.L.P.; and

**WHEREAS**, Mr. Stillwell’s unselfish contributions are also evidenced in the civic and education arenas by his service on the boards of EXCO Resources, Inc. and Warren Equipment Company, membership in the State Bar of Texas and the Houston Bar Association, and as trustee of the T. Boone Pickens Foundation helping direct \$700 million of educational, scientific, and health care gifts to nonprofit organizations, including gifts to U.T.M.D. Anderson Cancer Center, U.T. Southwestern Medical Center and U.T. Dallas; and

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

**WHEREAS**, Mr. Stillwell’s commitment and service as a Board Member of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work with the Board of Regents of The University of Texas System, including service as Chairman of the Health Affairs Committee; a member of the Academic Affairs, Audit, Compliance, and Management Review, and Facilities Planning and Construction Committees; service as a Regental Representative to the M. D. Anderson Services Corporation Board of Directors; an Athletics Liaison; previous service as a member of the Task Force on University Excellence and Productivity, and service on the Longhorn Foundation Advisory Council Executive Committee at The University of Texas at Austin; and

**WHEREAS**, Mr. Stillwell has provided outstanding leadership and judgment to UTIMCO through his dedicated service as Chair of the Board’s Policy Committee and a member of the Audit and Ethics Committee.

**NOW, THEREFORE,**

**BE IT RESOLVED**, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Mr. Stillwell their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO’s success; and

**BE IT FURTHER RESOLVED**, that all persons who read this Resolution should know that Robert L. Stillwell has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

**PASSED AND ADOPTED** this 22 day of April, 2015.

**RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# **UTIMCO Board of Directors**

## **Endowment and Operating Funds Update**

### **April 22, 2015**

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# Endowment Dashboard



## Underperformance

<u>FYTD2015</u>	<u>3-years</u>	<u>5-years</u>	<u>10-years</u>
1.2%	8.9%	9.1%	6.8%



## Market

<u>Beta</u>		
<u>U.S. Equity</u>	<u>Rates</u>	<u>Currency</u>
0.551	(0.263)	(0.167)



## 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>	-21.6%	-18.2%	-15.3%	2.2%



## Downside Volatility

	<u>1 stdev</u>	<u>2 stdev</u>
<u>Expected returns</u>	-1.5%	-11.5%
<u>VIX:</u>	13.3%	



## Active Management

	<u>FYTD2015</u>	<u>3-years</u>	<u>10-years</u>
<u>Value-Add</u>			
bps	183	193	160
\$	\$406M	\$1,318M	\$3,518M
<u>Return/Volatility</u>			
Sharpe		2.05	0.66
IR		0.98	0.69



## Transparency

	<u>Full but</u>			
	<u>Full</u>	<u>Lagged</u>	<u>Partial</u>	<u>None</u>
	35%	30%	32%	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>
	53%	26%	43%	5.3%	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>	62%	90%



## Leverage

	<u>LCC</u>	<u>LCC ex-FI</u>	<u>Endowments</u>
<u>Gross</u>	1.98	1.68	1.00
<u>Net</u>	0.35	0.54	1.00



## Permanent Loss of Capital

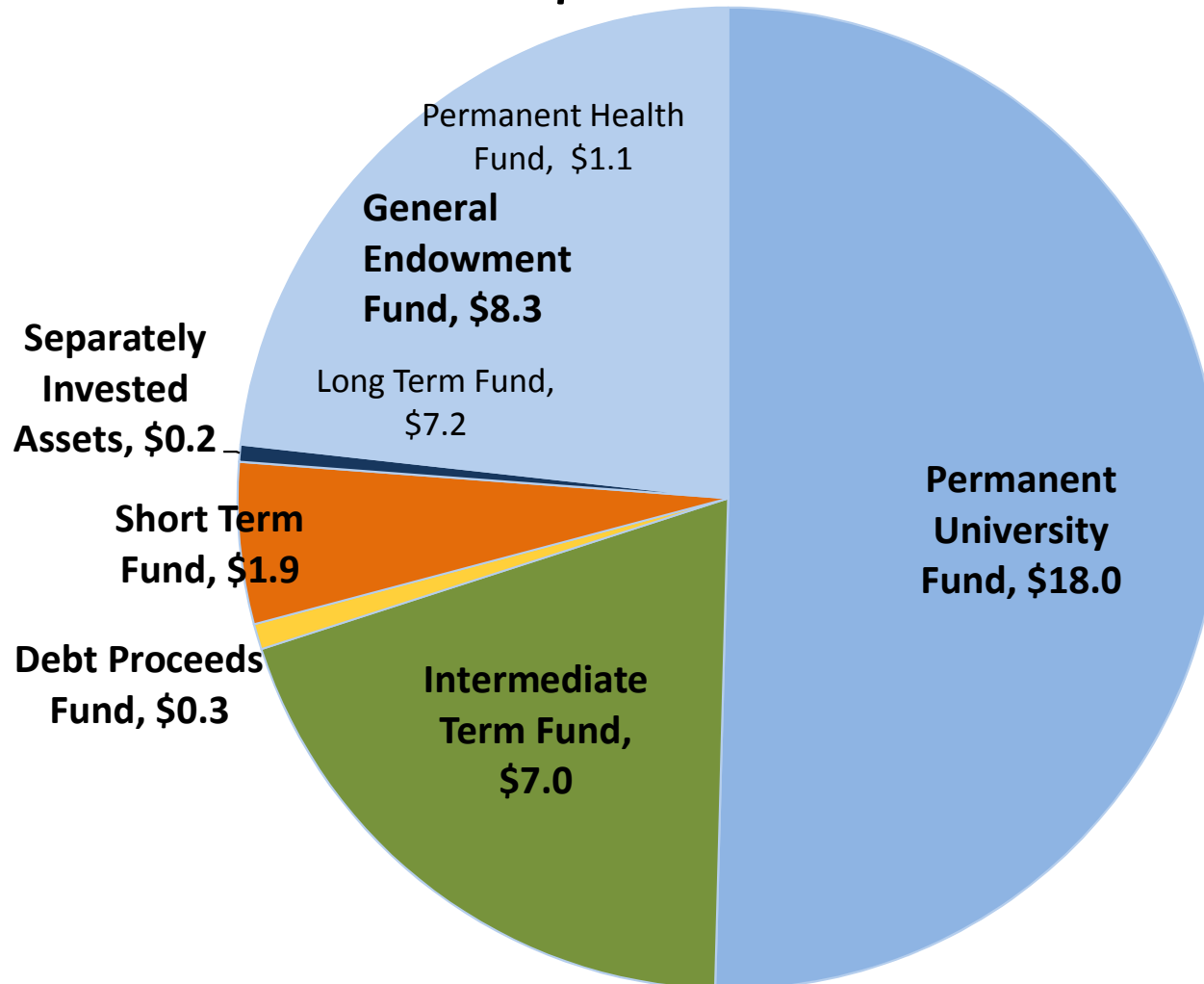
	<u>Invested</u>	<u>Realized</u>	<u>Anticipated/</u>	<u>Total</u>	<u>Total</u>
	<u>Capital (\$B)</u>	<u>Loss (\$M)</u>	<u>Unrealized</u>	<u>Loss</u>	<u>Loss</u>
			<u>Loss (\$M)</u>	<u>(\$M)</u>	<u>(%)</u>
<u>MCC</u>	\$33.9	\$622	-	\$622	1.8%
<u>LCC</u>	12.6	243	194	437	3.5%
<u>PI</u>	<u>13.4</u>	<u>327</u>	<u>124</u>	<u>451</u>	<u>3.4%</u>
<u>Total</u>	<u>\$59.9</u>	<u>\$1,192</u>	<u>\$318</u>	<u>\$1,510</u>	<u>2.5%</u>

# UTIMCO Assets Under Management

February 28, 2015



## \$35.7 Billion







# Returns/ Underperformance Risk

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# Returns



## Periods Ended February 28, 2015

Fund	FYTD	Three Years	Five Years	Ten Years
	Six Months Ended			
<b>Permanent University Fund (PUF)</b>	1.06%	8.87%	9.08%	6.79%
<b>General Endowment Fund (GEF)</b>	1.47%	8.97%	9.17%	6.86%
<b>Intermediate Term Fund (ITF)</b>	0.29%	5.59%	6.63%	N/A

# FYTD2015 Returns

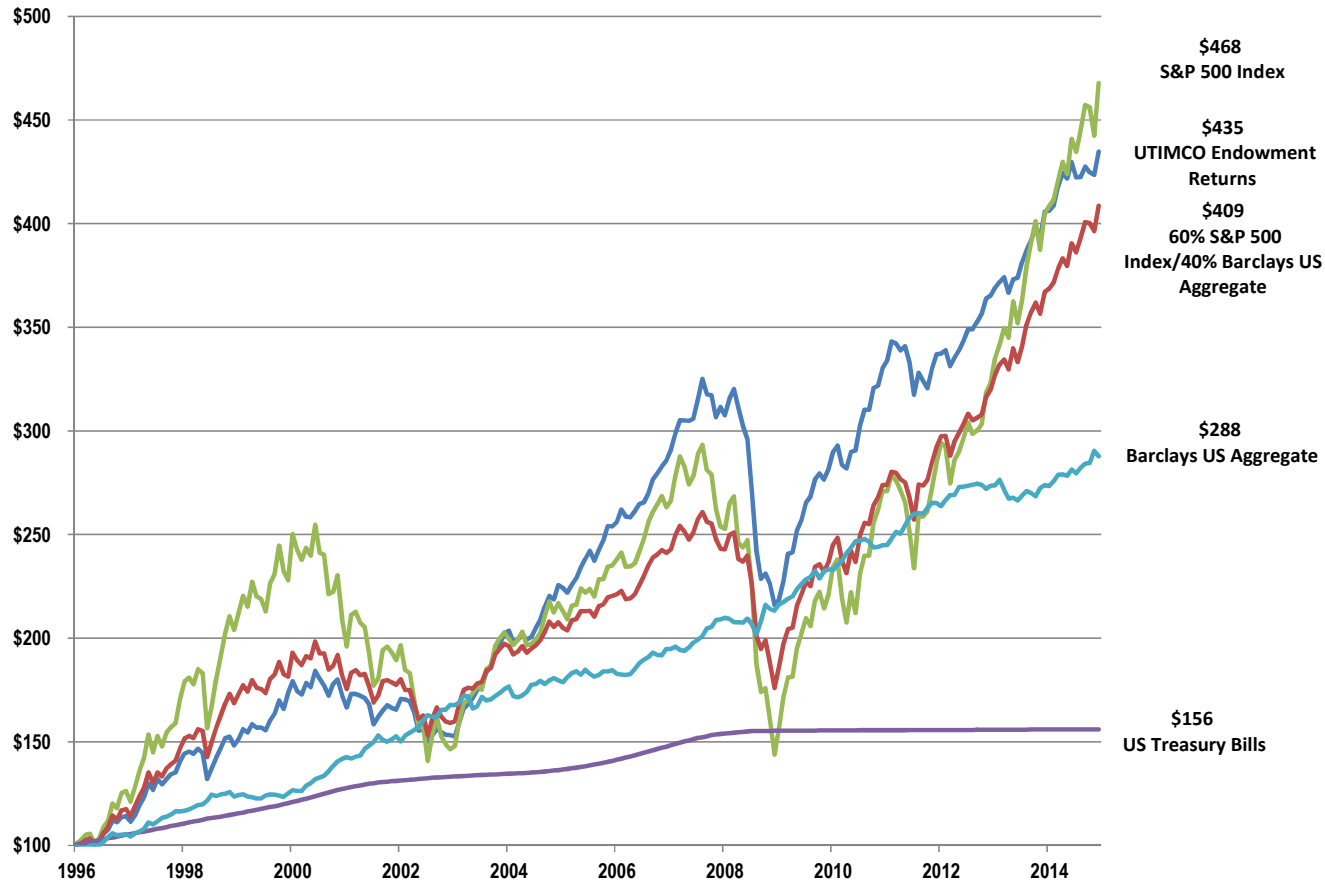


MCC

LCC

Private Investments

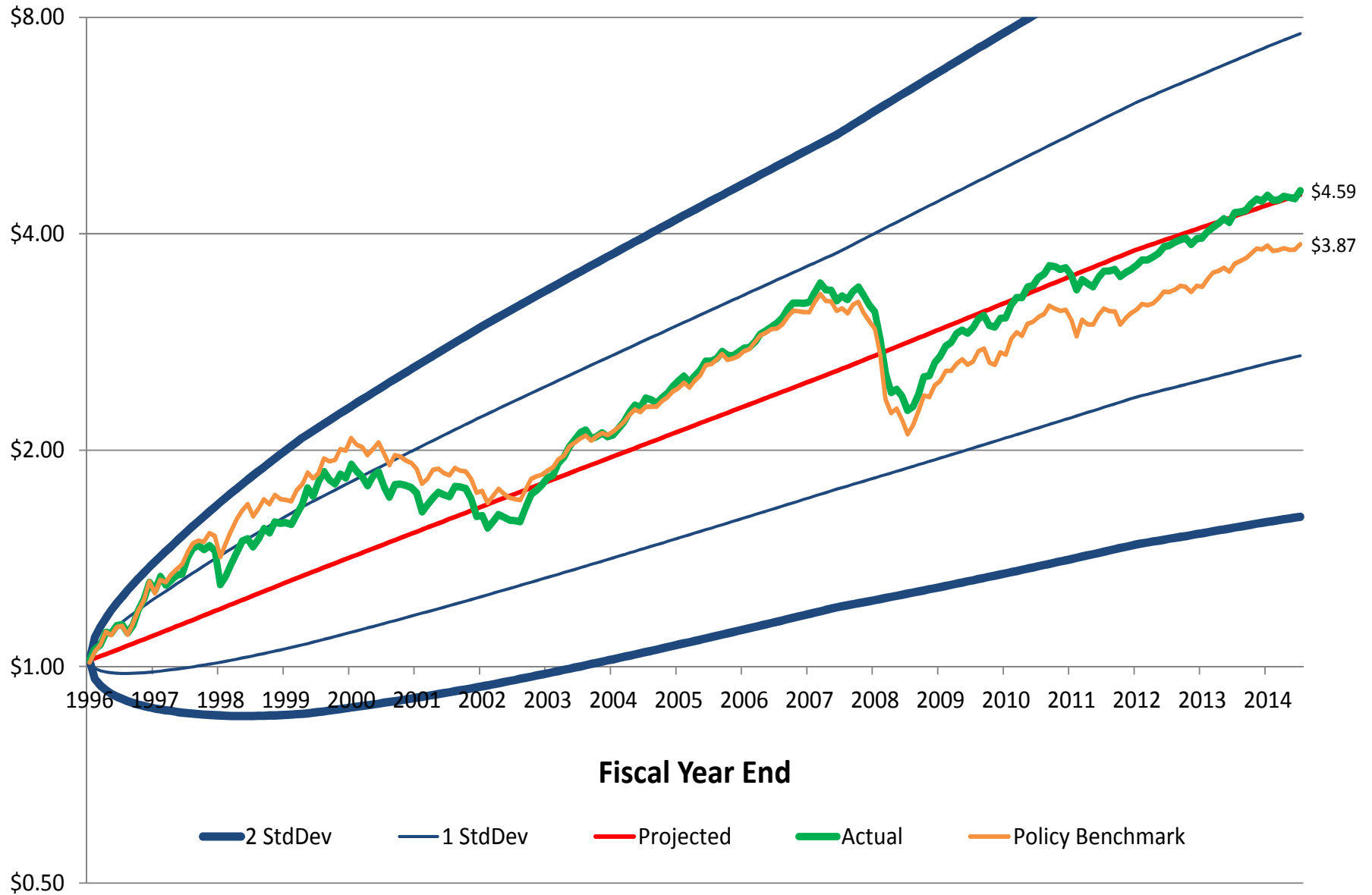
# Returns vs. Market



Trailing Annualized Returns Period Ending  
February 28, 2015

	FYTD February 28, 2015	Three Years	Five Years	Seven Years	Ten Years
UT Endowments	1.18%	8.86%	9.08%	4.88%	6.78%
60% Stocks / 40% Bonds	4.65%	11.81%	11.55%	7.70%	7.01%
Stocks	6.12%	18.00%	16.18%	9.13%	7.99%
Bonds	2.25%	2.76%	4.29%	4.67%	4.82%
Treasury Bills	0.01%	0.06%	0.07%	0.21%	1.36%

# Returns vs Projected Returns





# Market

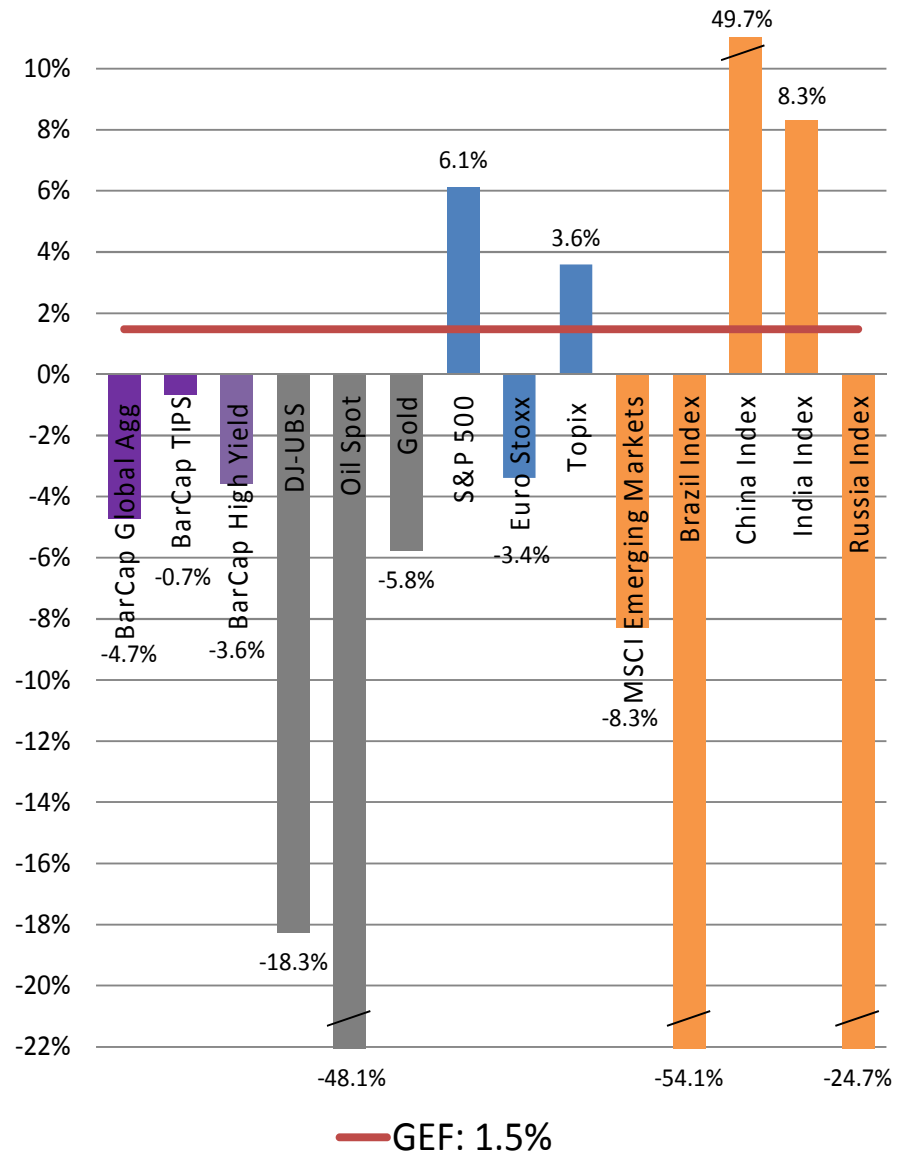
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# Market Performance During FYTD2015

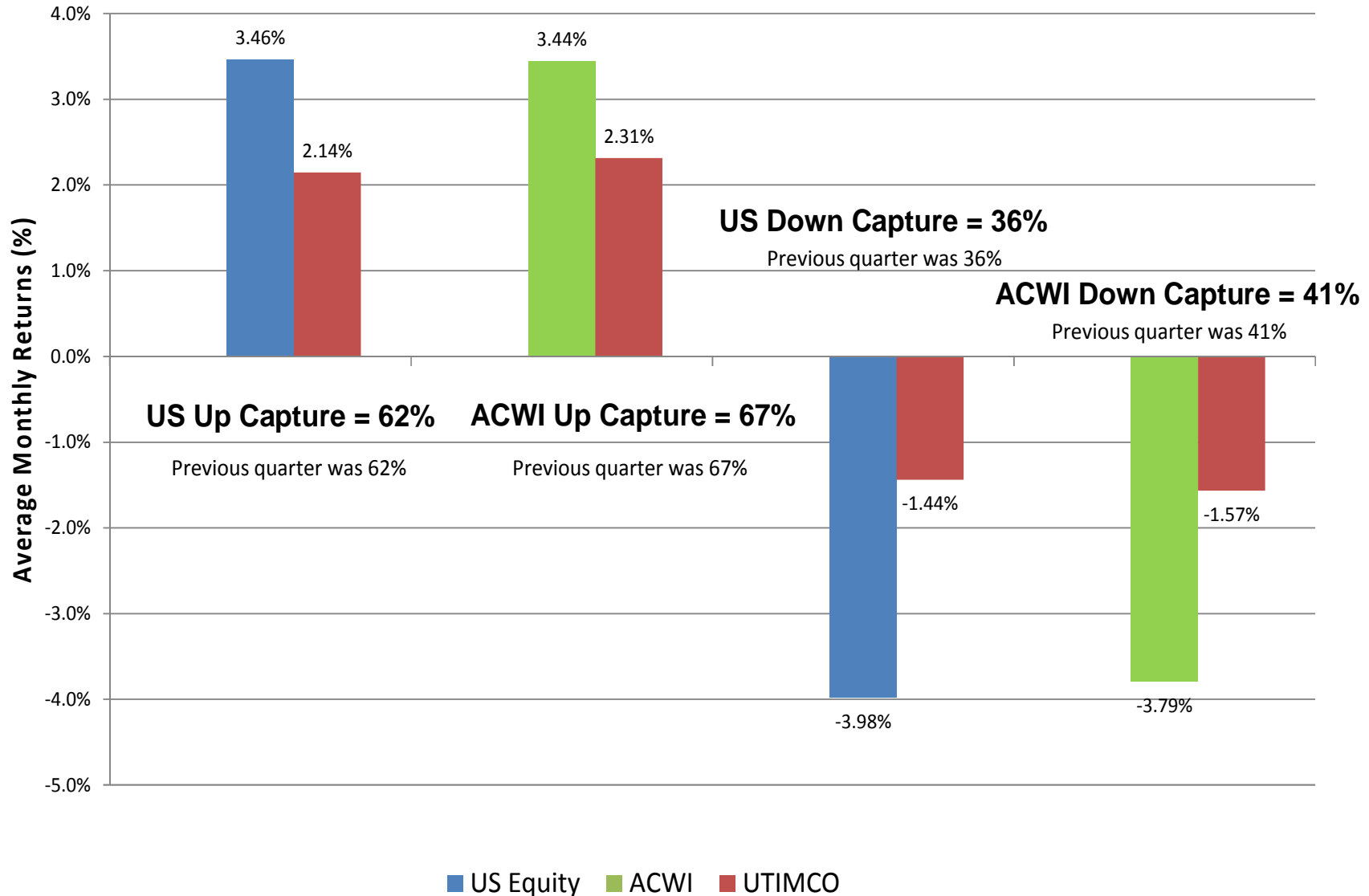


## Sensitivity Analysis (beta)

All Equities	0.639
U.S. Equities	0.551
Interest Rates	(0.263)
Currencies	(0.167)



# Up-Down Capture vs U.S. & World Equities



Data from 8/1996 till 2/2015. US equity had 88 down months and 135 up months; ACWI had 91 down months and 132 up months





# Scenario

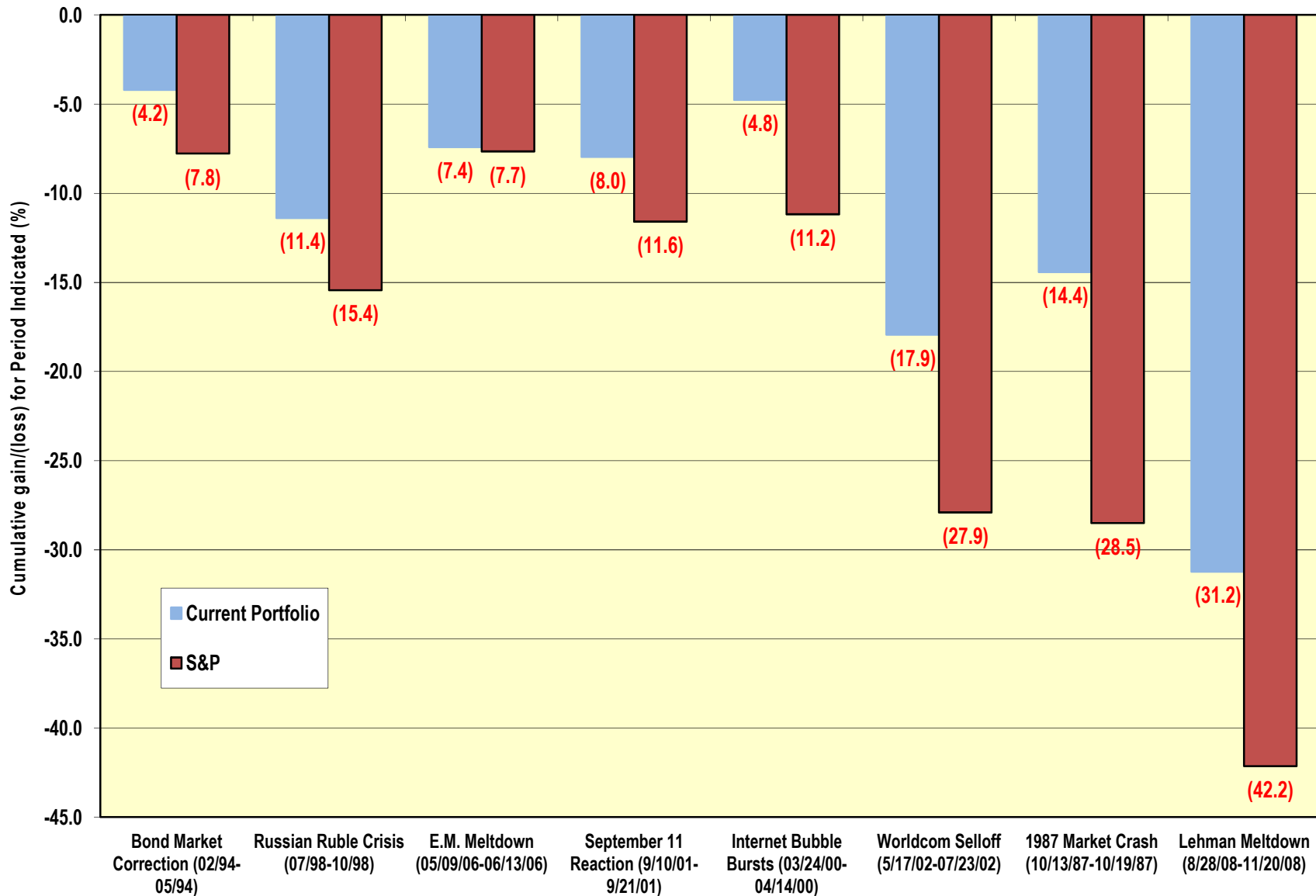
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# Scenario Analysis



	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%)
<b>Expected Policy Returns (nominal)</b>	<b>(22.6%)</b>	<b>(21.3%)</b>	<b>(17.8%)</b>	<b>(18.1%)</b>	<b>(15.3%)</b>	<b>(4.1%)</b>	<b>(3.2%)</b>	<b>0.8%</b>
Gain from tactical positions	(0.8%)	0.1%	(0.4%)	0.0%	(1.3%)	(0.2%)	(0.3%)	0.4%
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	1.8%	3.0%	2.8%	2.5%	2.1%	2.3%	1.3%	1.0%
<b>Estimated Endowment Returns</b>	<b>(21.6%)</b>	<b>(18.2%)</b>	<b>(15.4%)</b>	<b>(15.3%)</b>	<b>(14.3%)</b>	<b>(2.0%)</b>	<b>(2.2%)</b>	<b>2.2%</b>

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

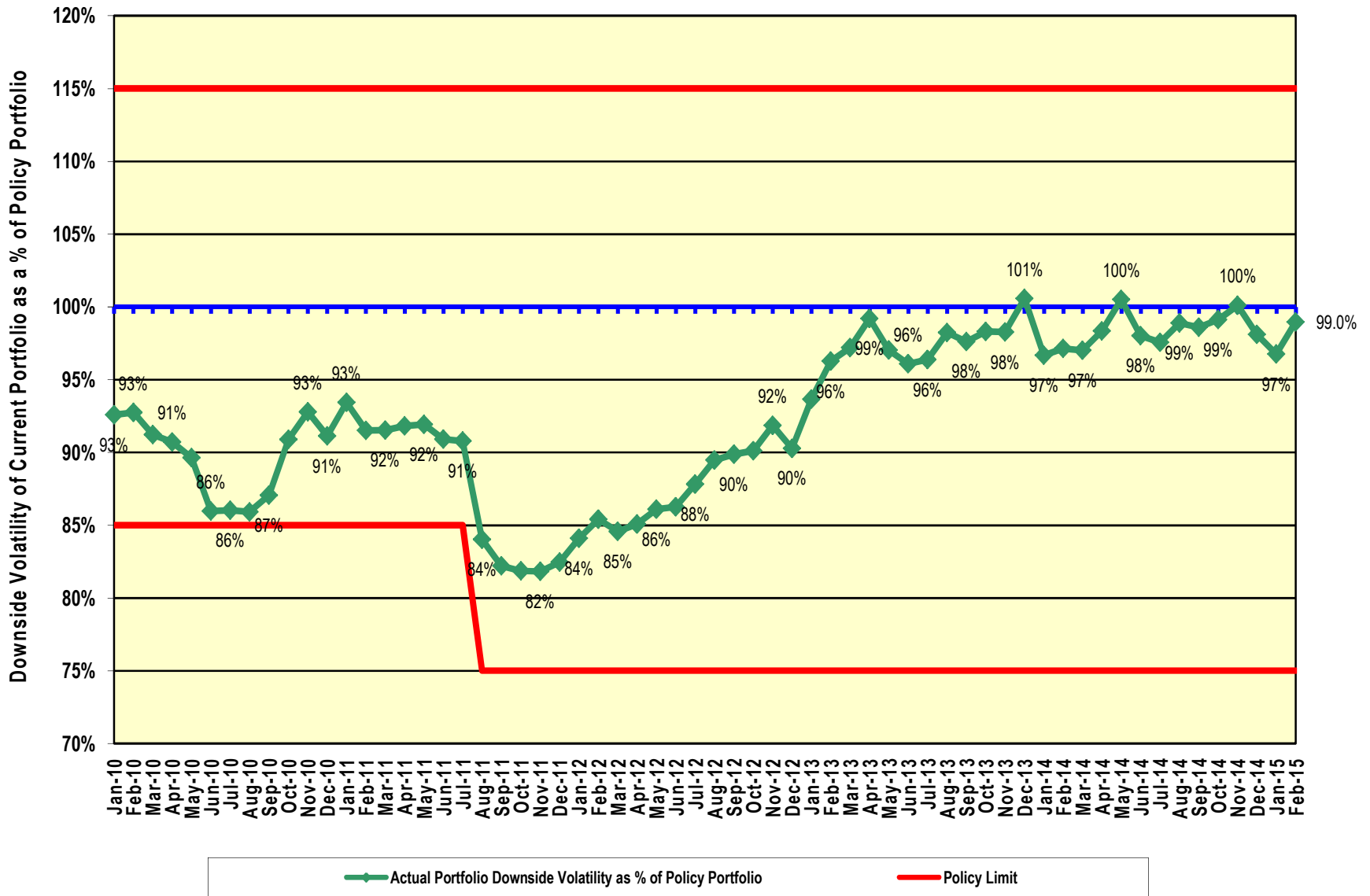




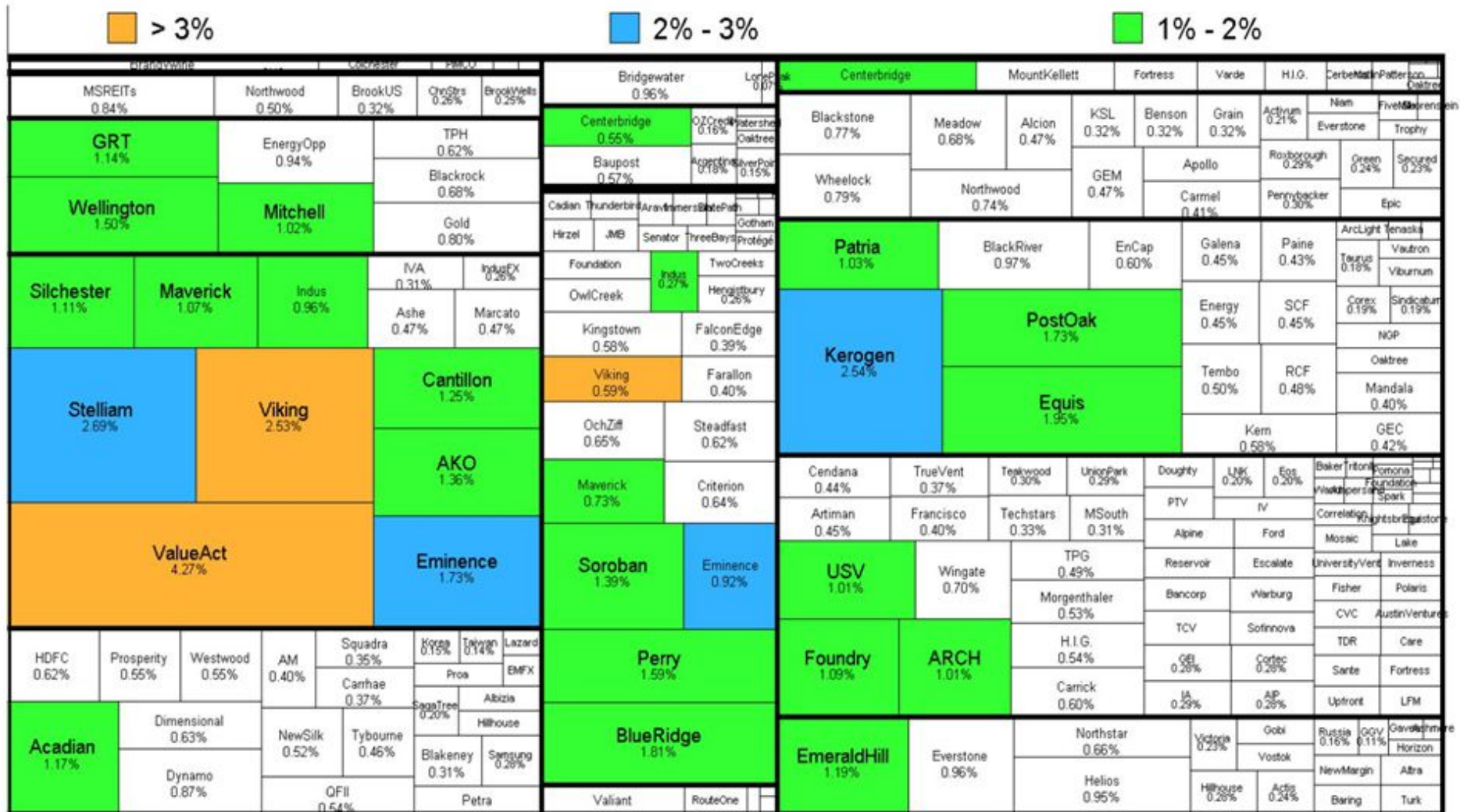
# Downside Volatility

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# Downside Volatility Utilization of GEF



# Downside Volatility Attribution



MCC

LCC

Private Investments



# Active Management

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# Active Management Value Add

Periods Ending February 28, 2015



	<b>Fiscal YTD</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
<b><u>Value Add</u></b>				
<b>Basis Points</b>	183	193	153	160
<b>\$</b>	\$406	\$1,318	\$1,711	\$3,518
<b><u>Return/Volatility</u></b>				
<b>Sharpe Ratio</b>		2.05	1.53	0.66
<b>Information Ratio</b>		0.98	0.66	0.69



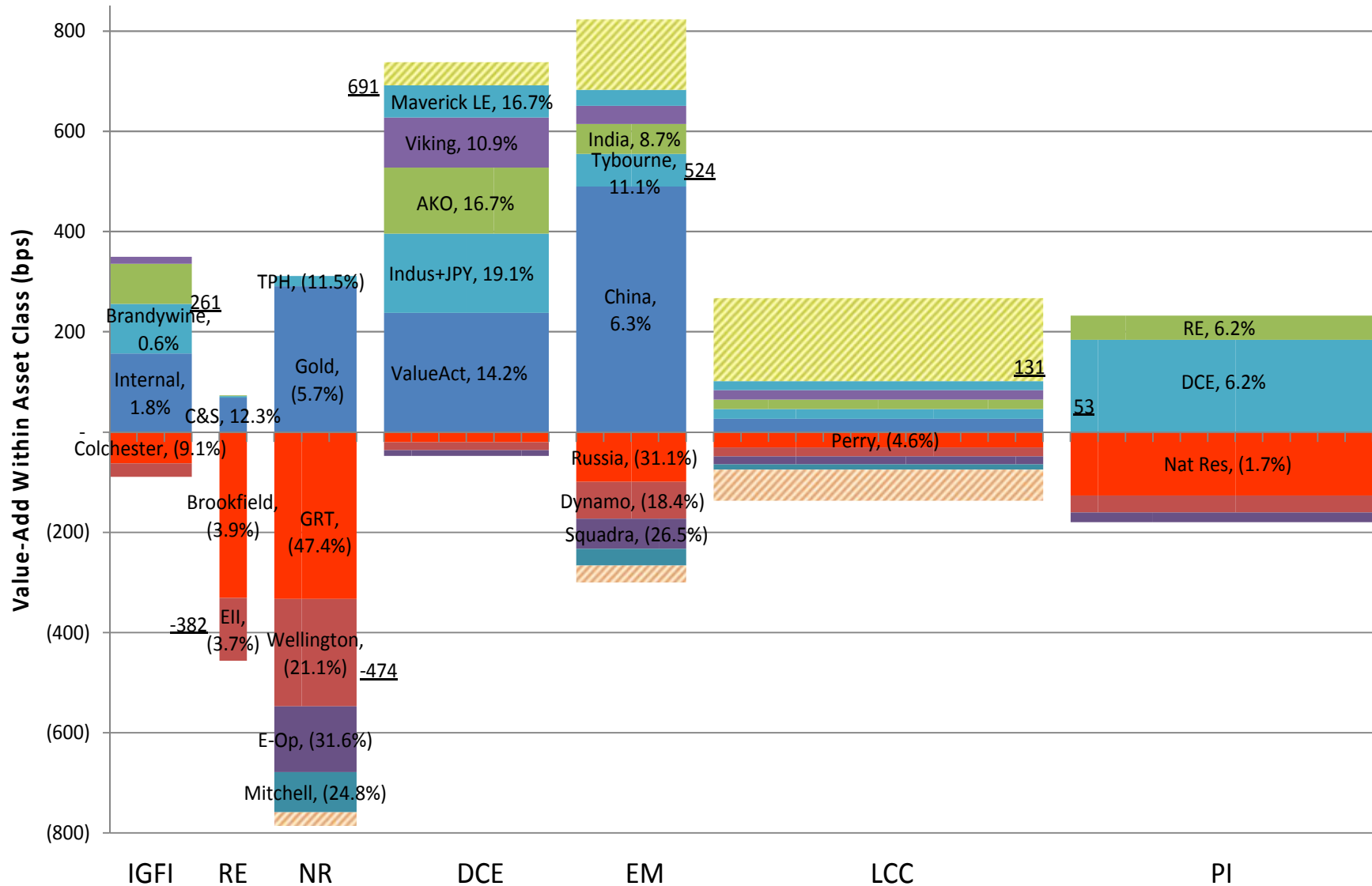
# Active Management Value Add Attribution

Periods Ending February 28, 2015

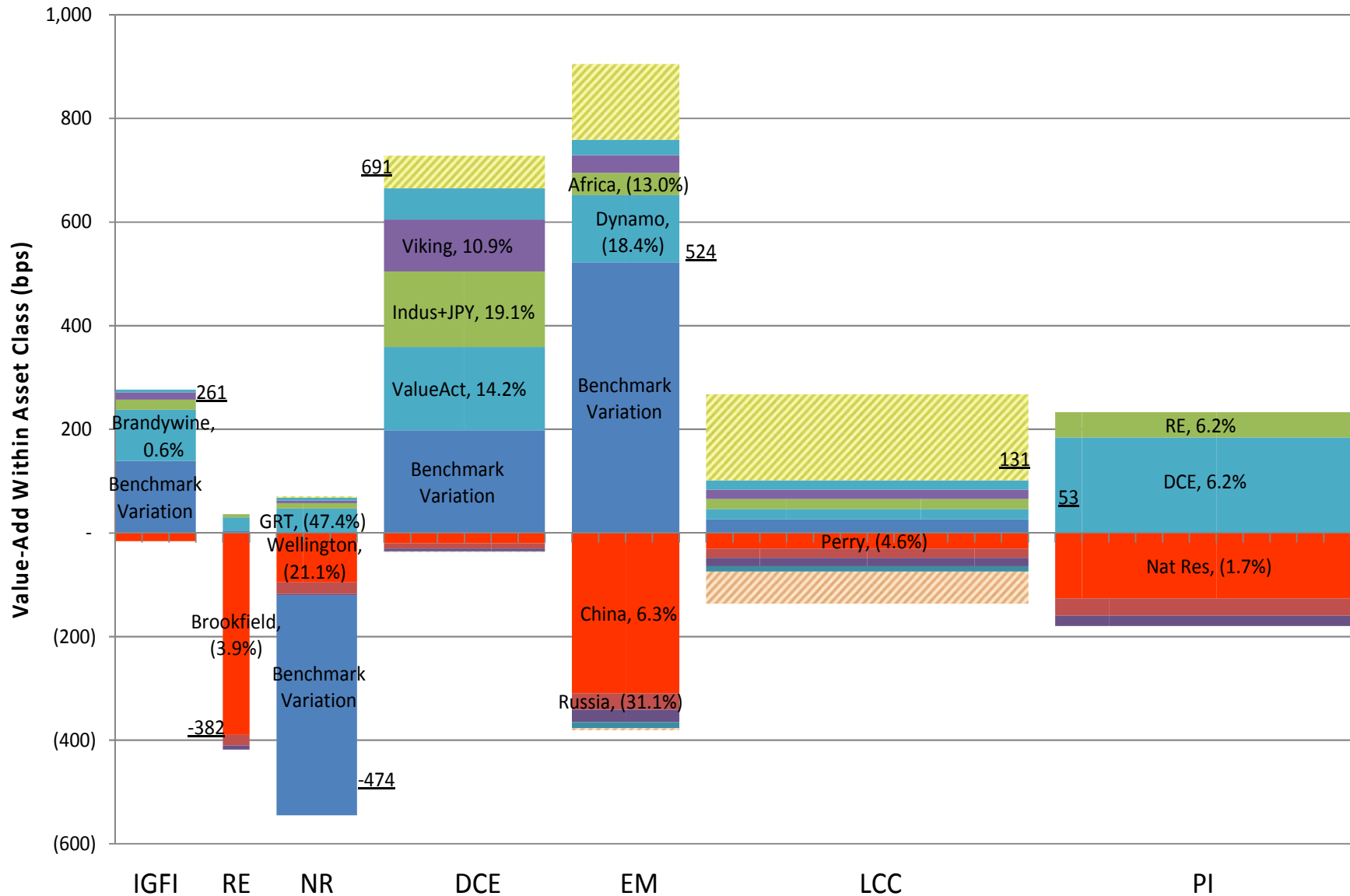


	Six Months		
	Fiscal YTD	Three Years	Five Years
<b>External Manager</b>			
<b>MCC</b>	1.17%	1.30%	1.01%
<b>LCC</b>	0.36%	1.41%	1.33%
<b>Private Markets</b>	0.17%	-0.09%	-0.12%
<b>Total External Manager</b>	1.70%	2.62%	2.22%
<b>Tactical Allocation:</b>			
<b>Gold</b>	0.00%	-0.66%	-0.22%
<b>Other</b>	0.03%	0.09%	-0.21%
<b>Total Tactical Allocation</b>	0.03%	-0.57%	-0.43%
<b>Insurance Hedges</b>	0.10%	-0.12%	-0.26%
<b>Total Value Add</b>	1.83%	1.93%	1.53%

# Value-Add Breakdown for FY2015TD



# Value-Add Breakdown for FY2015TD



# Current Tactical Allocation

---



## Overweights

- MCC DCE
- LCC

## PUF

1.6%  
0.6%  
2.2%

## GEF

1.5%  
1.3%  
2.8%

## Underweights

- MCC IGFI
- MCC NR
- Private Investments

## PUF

-  
(0.8%)  
(1.4%)  
(2.2%)

## GEF

(1.7%)  
(0.6%)  
(0.5%)  
(2.8%)

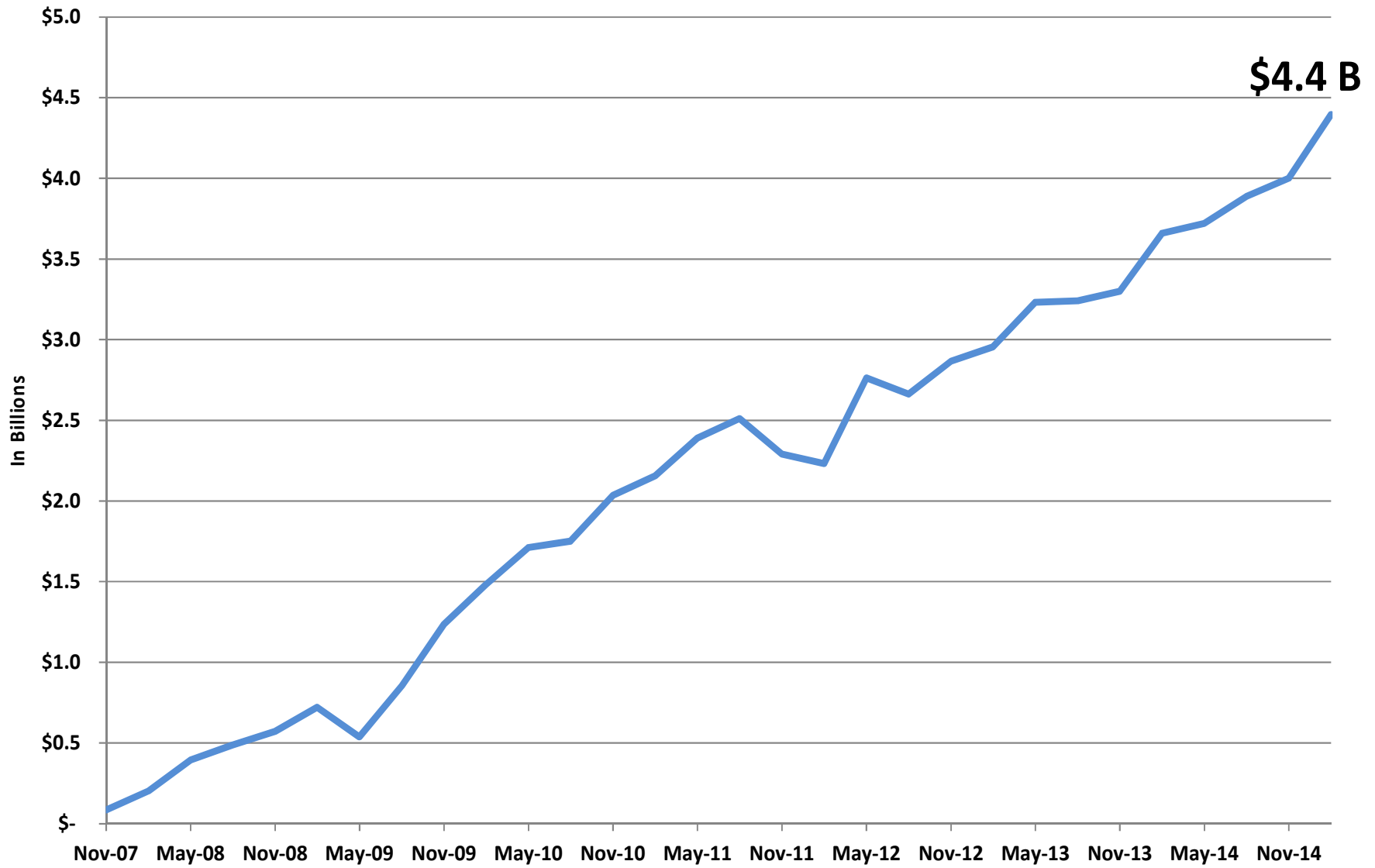
# Endowment Insurance Hedges



Exposures as of February 28, 2015							
<u>Event</u>	<u>Hedge</u>	<u>Total</u> <u>Cost</u> <sup>(1)</sup>	<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>	
<b>U.S. Inflation</b>							
	CMS Options	(\$46)	4.7	\$8,043		\$0.3	(\$46)
<b>Sovereign Default</b>							
	JPY Rate Options and Swaptions	(10)	3.1	891	23.3	3.0	17
	<b>TOTAL</b>	<b>(\$55)</b>	<b>7.8bps</b>		<b>23.3</b>	<b>3.2</b>	<b>(\$29)</b>

(1) Maximum Loss for Options

# Cumulative Value Add





# Transparency

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# Transparency Summary



	MCC			TOTAL	LCC	Privates	TOTAL
	Fixed Income	Real Assets	Equities				
Full & Timely	100%	94%	78%	85%			35%
Full but lagged			7%	4%	2%	100%	30%
Partial		6%	9%	7%	93%		32%
No Transparency			6%	4%	5%		3%





# Concentration

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# Combined PUF and GEF Exposure

as of February 28, 2015 (in millions)



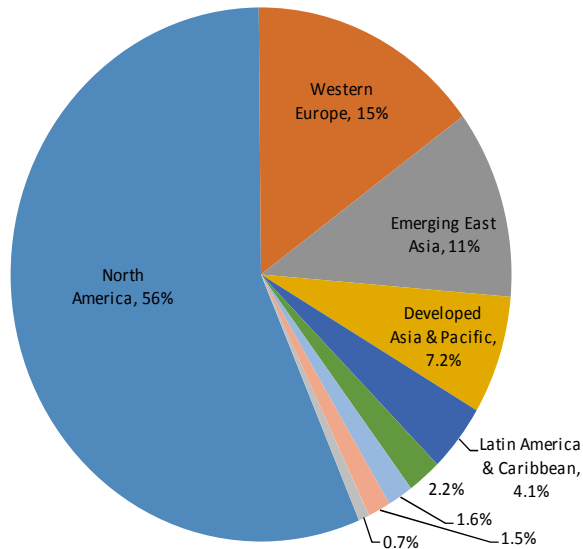
Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	\$ 1,675	6.4%	\$ 553	2.1%	\$ -	0.0%	\$ 2,228	8.5%
	Credit-Related	26	0.1%	1,157	4.4%	988	3.7%	2,171	8.2%
<b>Fixed Income Total</b>		<b>1,701</b>	<b>6.5%</b>	<b>1,710</b>	<b>6.5%</b>	<b>988</b>	<b>3.7%</b>	<b>4,399</b>	<b>16.7%</b>
Real Assets	Real Estate	\$ 661	2.5%	\$ 40	0.2%	\$ 1,148	4.3%	1,849	7.0%
	Natural Resources	1,778	6.7%	2	0.0%	1,600	6.1%	3,380	12.8%
<b>Real Assets Total</b>		<b>2,439</b>	<b>9.2%</b>	<b>42</b>	<b>0.2%</b>	<b>2,748</b>	<b>10.4%</b>	<b>5,229</b>	<b>19.8%</b>
Equity	Developed Country	\$ 4,052	15.3%	\$ 5,952	22.6%	\$ 2,851	10.9%	12,855	48.8%
	Emerging Markets	2,603	9.9%	434	1.6%	846	3.2%	3,883	14.7%
<b>Equity Total</b>		<b>6,655</b>	<b>25.2%</b>	<b>6,386</b>	<b>24.2%</b>	<b>3,697</b>	<b>14.1%</b>	<b>16,738</b>	<b>63.5%</b>
<b>Total</b>		<b>\$ 10,795</b>	<b>40.9%</b>	<b>\$ 8,138</b>	<b>30.9%</b>	<b>\$ 7,433</b>	<b>28.2%</b>	<b>\$ 26,366</b>	<b>100.0%</b>

# Geographic Exposure

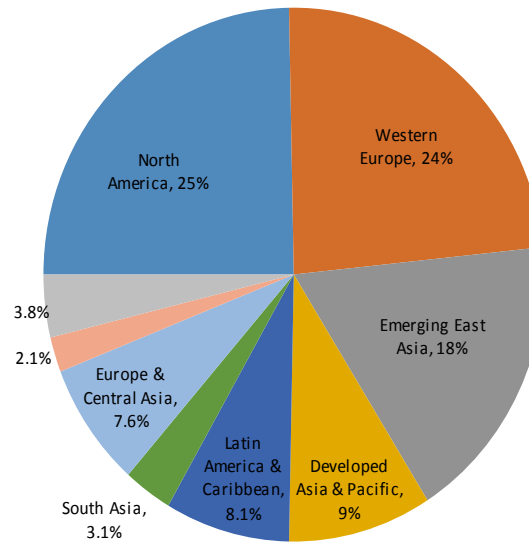
## As of February 28, 2015



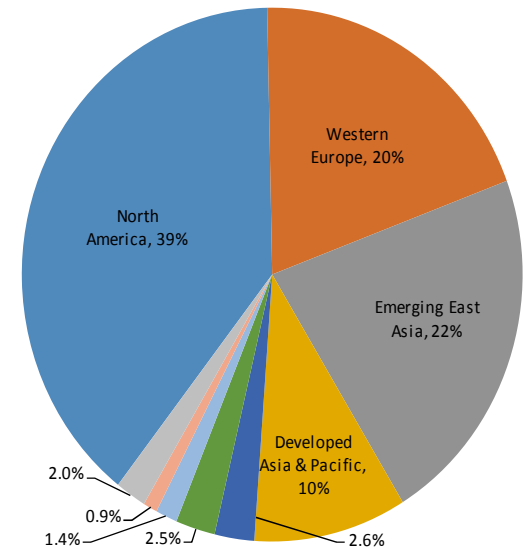
**TOTAL Endowment**



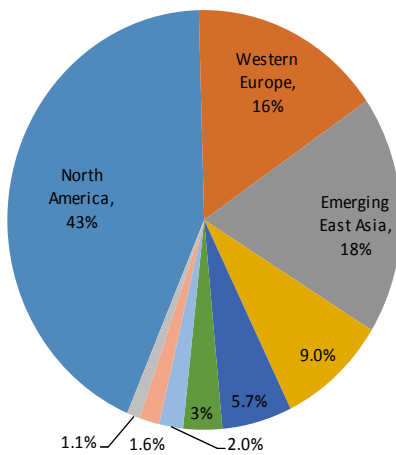
**GDP**



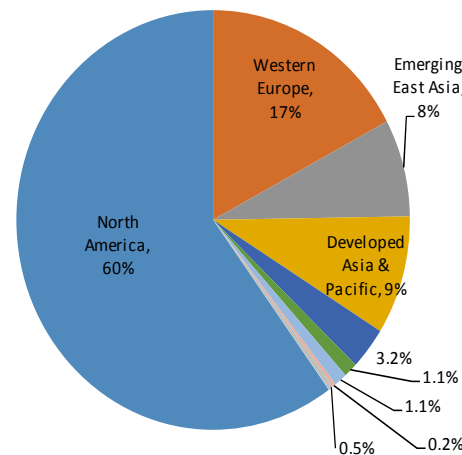
**Global Mkt Cap**



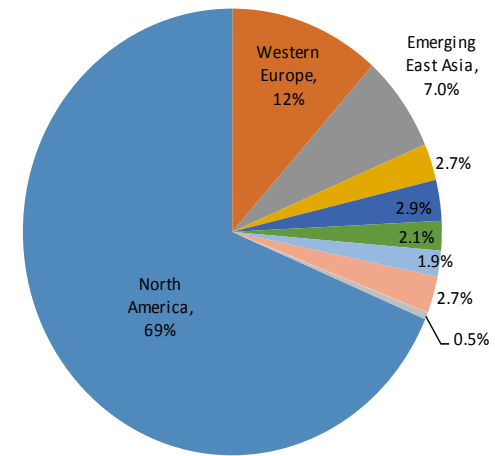
**MCC**



**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 February 28, 2015



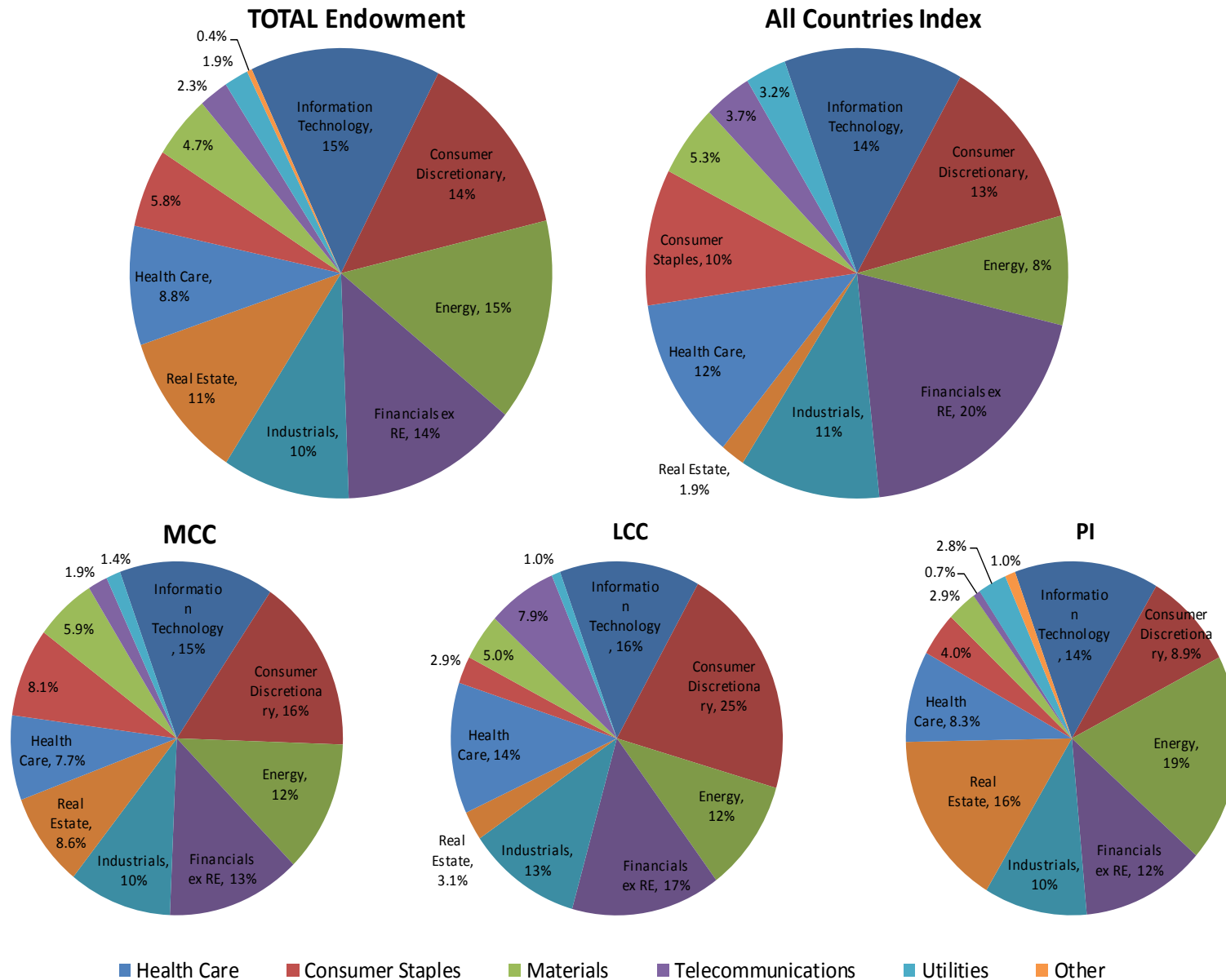
	MCC	LCC	PI	TOTAL	GDP	Global Mkt Cap
1) United States	39.6%	59.1%	64.5%	53.2%	22.3%	36.2%
2) China	7.5%	5.4%	3.9%	5.7%	12.3%	9.5%
3) Japan	6.0%	8.1%	0.8%	5.2%	6.5%	7.1%
4) United Kingdom	4.2%	3.2%	5.3%	4.2%	3.6%	5.3%
5) Canada	3.8%	0.9%	4.0%	2.9%	2.4%	2.9%
6) India	3.0%	1.1%	1.9%	2.1%	2.5%	2.4%
7) Brazil	2.9%	0.9%	2.1%	2.0%	3.0%	1.0%
8) South Korea	4.2%	1.1%	0.0%	2.0%	1.7%	1.9%
9) France	2.4%	0.6%	0.7%	1.3%	3.7%	3.0%
10) Australia	1.3%	0.9%	1.4%	1.2%	2.1%	1.8%
11) Hong Kong	1.7%	1.0%	0.5%	1.1%	0.4%	6.7%
12) Mexico	2.3%	0.6%	0.0%	1.1%	1.7%	0.6%
13) Switzerland	1.7%	0.4%	0.3%	0.8%	0.9%	2.4%
14) Germany	0.5%	0.8%	1.2%	0.8%	5.0%	2.9%
15) Indonesia	1.0%	0.0%	1.4%	0.8%	1.2%	0.6%
16) Italy	1.4%	0.2%	0.3%	0.7%	2.9%	0.9%
17) Spain	1.0%	0.0%	1.1%	0.7%	1.8%	1.1%
18) Netherlands	1.0%	0.0%	0.9%	0.6%	1.1%	0.6%
19) South Africa	1.1%	0.1%	0.3%	0.5%	0.5%	0.8%
20) Taiwan	1.3%	0.0%	0.1%	0.5%	0.5%	1.5%
21) Russia	0.7%	0.3%	0.5%	0.5%	2.8%	0.6%

# Sector Exposure – $\beta$ adjusted

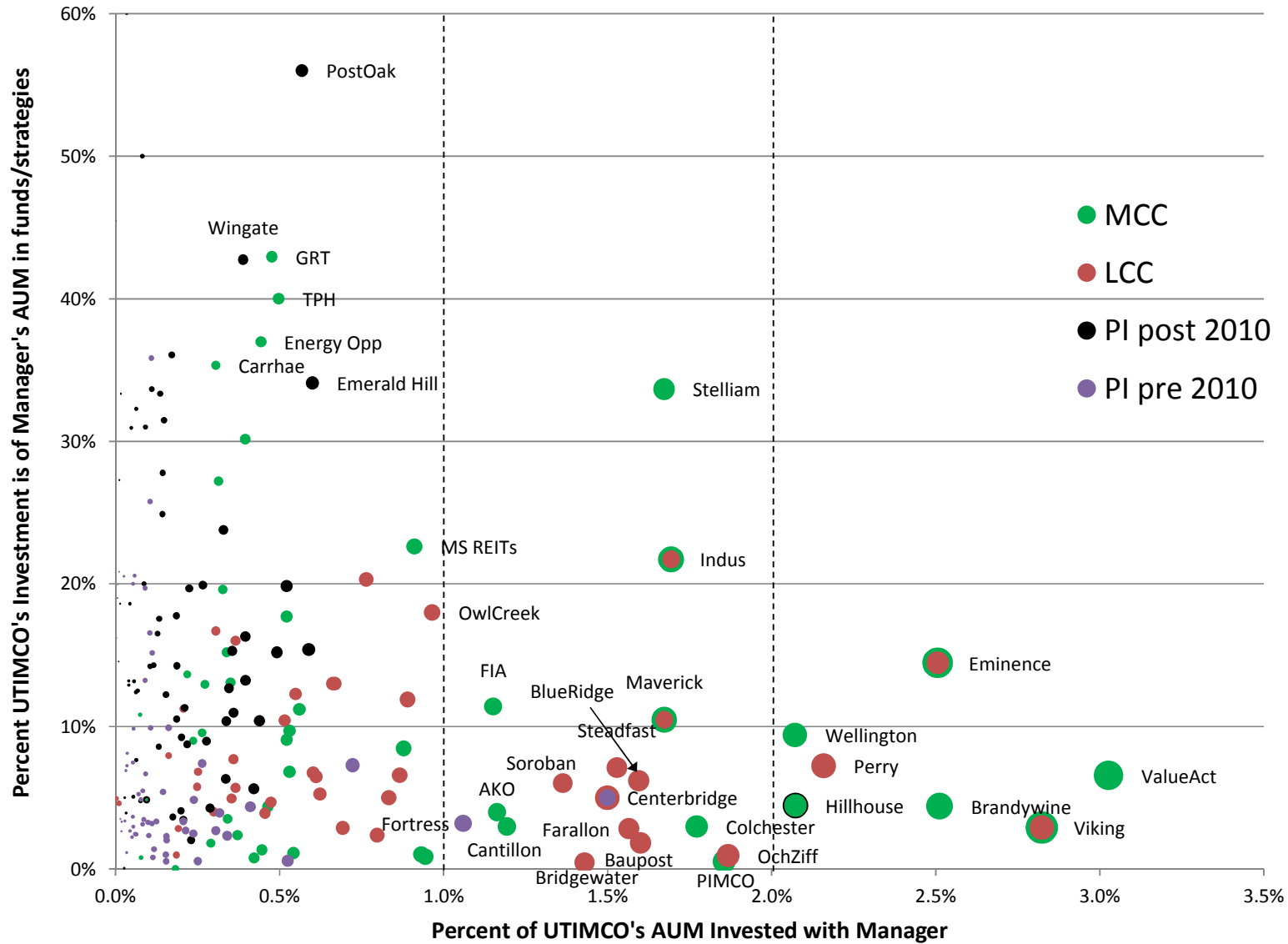
As of February 28, 2015



## 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	\$448	1.34%
Mexican Sovereign	208	0.62%
Lehman Debt	188	0.56%
Argentinian Debt	179	0.54%
Australian Sovereign	166	0.50%
Italian Sovereign	145	0.43%
Japanese Sovereign	131	0.39%
Brazilian Sovereign	112	0.34%
New Zealand Sovereign	108	0.32%
Spanish Sovereign	<u>76</u>	<u>0.23%</u>
<b>TOTAL</b>	<b><u>\$1,761</u></b>	<b><u>5.28%</u></b>

Equity	\$ (M)	% of AUM
Valeant Pharma	\$270	0.81%
Microsoft	191	0.57%
Samsung	187	0.56%
JD.com	129	0.39%
Private Investment – Energy	106	0.32%
Adobe	94	0.28%
AIG	90	0.27%
Recent Venture IPO	85	0.25%
Baker Hughes	83	0.25%
Private Investment – Bank	<u>82</u>	<u>0.25%</u>
<b>TOTAL</b>	<b><u>\$1,317</u></b>	<b><u>3.95%</u></b>



# Illiquidity

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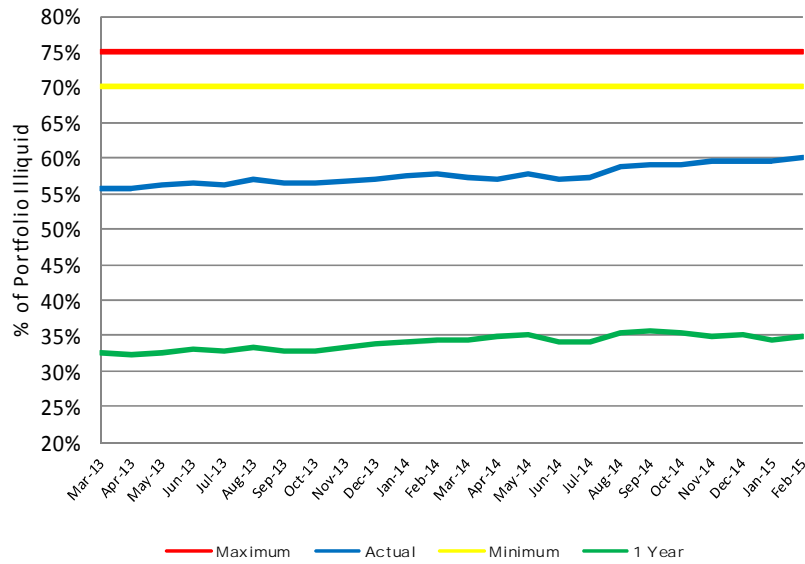


# Endowment Fund Liquidity

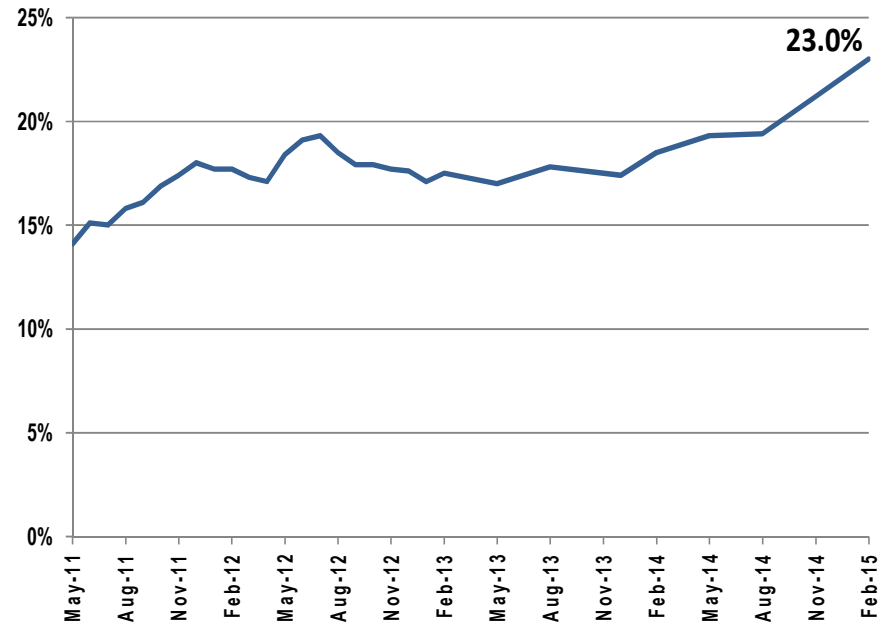
## as of February 28, 2015



**Actual Illiquidity vs. Trigger Zones**



**Unfunded Commitments**



Three Month Liquidity \$ 10,494 million      One Year Liquidity \$ 17,187 million



# Leverage

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# Non-Insurance Related Internal Derivatives

As of February 28, 2015  
(in millions)



<b>Manager</b>	<b>Derivative Strategy</b>	<b>Net Notional Value (\$ millions)</b>	<b>Activity from previous report (12/31/2014) (\$ millions)</b>
<b><u>Natural Resources</u></b>			
Gold Futures	Purchased futures to gain exposure to gold markets.	71	(38)
<b><u>Developed Country Equity</u></b>			
Japan Forw ards	Sale of Japanese Yen forw ards to hedge the currency exposure in the MCC accounts	(255)	14
<b><u>Emerging Markets Equity</u></b>			
Emerging Markets FX Overlay	Currency forw ards to align the Asset Class FX exposure closer to the benchmark	176	(3)
Korean Sw ap	Long sw ap on MSCI Korea index to increase exposure to Korea	33	-
MSCI Taiw an Sw ap	Long MSCI Sw ap to increase exposure to Taiw an	39	1

# External Manager Agency Account Derivatives

As of February 28, 2015  
(in millions)



<b>Manager</b>	<b>Derivative Strategy</b>	<b>Net Notional Value (\$ millions)</b>
<b><u>Investment Grade Fixed Income</u></b>		
Brandywine	Currency forwards used to hedge foreign currency exposure	(175)
Colchester	Currency forwards used to hedge foreign currency exposure	8
First International Advisors	Currency forwards used to hedge foreign currency exposure	(73)
PIMCO Global Bonds	Currency forwards used to underwrite the US dollar	(39)
	Long US and Non-US futures used to overweight duration in Eurozone	58
	Long futures used to overweight front end of US and UK yield curves	-
	Receive Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	163
	Pay Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	(383)
	Interest rate swaps used to overweight front end of US and UK yield curves	39
	Short/Written credit default swaps used to overweight credit risk	60
	Long/Purchased credit default swaps used to underwrite credit risk	(12)
	Written options used to increase portfolio yield	(154)
	Purchased options used to increase portfolio yield	31
<b><u>Natural Resources</u></b>		
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	291
Wellington Select Commodities SPV	Exchange-traded commodity futures, options and/or swaps	399
<b><u>Developed Equity</u></b>		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(21)

# OTC Derivative Counterparty Report

As of February 28, 2015

(in millions)



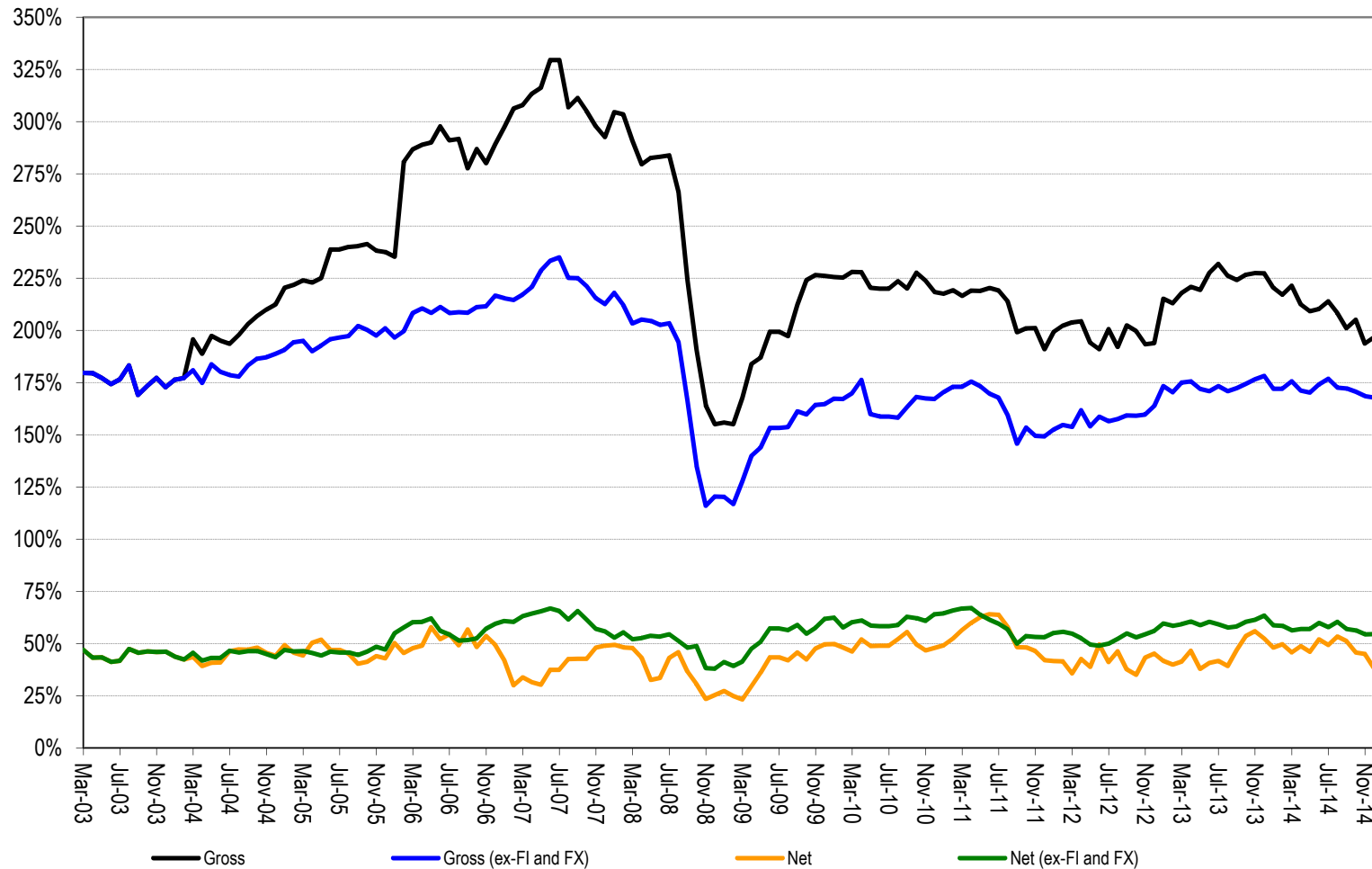
Counterparty	S & P / Moody Counterparty Rating	\$ millions (net of posted collateral)			
		Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	Percentage of Total Funds
BNP PARIBAS	A+	\$ 17.5	\$ (20.4)	\$ (2.9)	-0.01%
DEUTSCHE BANK AG	A	15.7	(16.8)	(1.1)	0.00%
CITIBANK NA, LONDON	A-	10.1	(1.1)	9.0	0.03%
UBS A G, ZURICH	A	8.7	(8.9)	(0.2)	0.00%
BARCLAYS	A	3.7	(4.3)	(0.6)	0.00%
MACQUARIE BANK LTD, SYDNEY	A3	3.3	(3.0)	0.3	0.00%
CREDIT SUISSE FIRST	A2	3.1	(1.6)	1.5	0.00%
BANK OF AMERICA	A-	2.4	(3.8)	(1.4)	0.00%
CITIBANK NY	A-	1.8	(0.2)	1.6	0.00%
GOLDMAN SACHS	A-	1.1	(1.0)	0.1	0.00%
UBS AG, STAMFORD	A	0.5	(0.2)	0.3	0.00%
HSBC BK USA, NEW YORK	A	0.4	(0.2)	0.2	0.00%
MELLON BANK	A+	0.4	-	0.4	0.00%
CHASE MANHATTAN	A	0.3	(0.5)	(0.2)	0.00%
BANK OF NEW YORK	A+	0.2	(0.1)	0.1	0.00%
J P MORGAN, CHASE	A+	0.2	-	0.2	0.00%
STANDARD & CHARTERED BK, LONDON	A-	0.1	-	0.1	0.00%
CITIGROUP	A-	-	-	-	0.00%
CS FIRST BOSTON GBL FOREIGN EXCH	A2	-	-	-	0.00%
SOCIETE GENERALE, PARIS	A	-	-	-	0.00%
ROYAL BANK OF SCOTLAND PLC	A-	-	-	-	0.00%
MORGAN STANLEY	A-	(0.7)	(0.3)	(1.0)	0.00%
Grand Total		\$ 68.8	\$ (62.4)	\$ 6.4	0.02%

# LCC Leverage

Estimated as of January 31, 2015



### Total Portfolio Exposures





# Permanent Loss of Capital

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# Permanent Loss of Capital

As of February 28, 2015



**As of July 31, 2014**

	Total Investments Made	Total Dollars Invested (in Billions)	Investments Made Generating Losses	Dollars Invested in Those Generating Losses (in Billions)	Realized Losses (in Millions)	Unrealized Losses (in Millions)	Total Losses (in Millions)	Total Losses as Percentage of Invested Capital
More Correlated and Constrained	143	\$32.3	27	\$4.2	-\$622	\$0	-\$622	-1.8%
Less Correlated and Constrained	98	11.5	15	1.2	-242	-175	-417	-3.3%
Private Investments	442	12.5	63	1.3	-327	-124	-451	-3.4%
<b>Total</b>	<b>683</b>	<b>\$56.3</b>	<b>105</b>	<b>\$6.7</b>	<b>-\$1,191</b>	<b>-\$299</b>	<b>-\$1,490</b>	<b>-2.4%</b>

**Seven Months Ended February 28, 2015**

	Total Investments Made	Total Dollars Invested (in Billions)	Investments Made Generating Losses	Dollars Invested in Those Generating Losses (in Billions)	Realized Losses (in Millions)	Unrealized Losses (in Millions)	Total Losses (in Millions)	Cumulative Total Losses as Percentage of Cumulative Invested Capital
More Correlated and Constrained	6	\$1.6	0	\$0.0	\$0	\$0	\$0	-1.8%
Less Correlated and Constrained	6	1.1	2	0.1	-1	-19	-20	-3.5%
Private Investments	37	0.9	-2	-0.1	\$0	\$0	\$0	-3.4%
<b>Total</b>	<b>49</b>	<b>\$3.6</b>	<b>0</b>	<b>\$0.0</b>	<b>-\$1</b>	<b>-\$19</b>	<b>-\$20</b>	<b>-2.5%</b>





# Portfolio Reviews

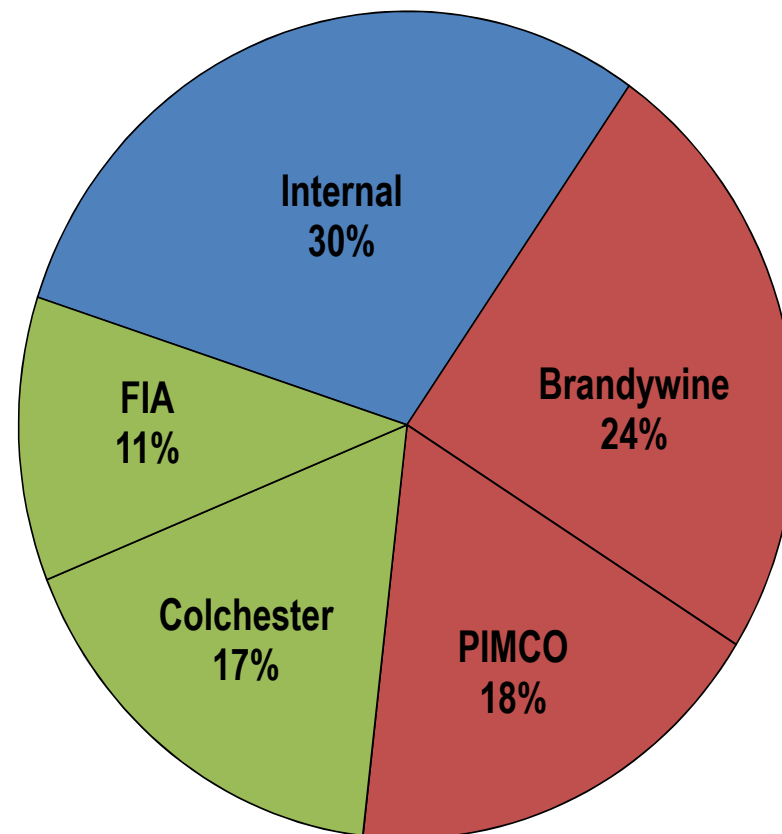
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# MCC Investment Grade Fixed Income



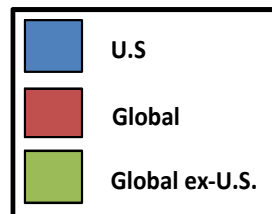
MCC Investment Grade Fixed Income				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	(2.4%)	1.7%	2.3%	4.7%
Benchmark Return	(4.7%)	(2.8%)	(0.1%)	2.3%
Value Add	+2.3%	+4.5%	+2.4%	+2.4%
Portfolio Volatility		3.8%	3.9%	4.3%
Benchmark Volatility		3.6%	3.9%	4.8%
Portfolio Sharpe Ratio		0.4	0.6	1.1
Portfolio Information Ratio		3.1	1.7	1.5

**\$3.5 Billion**



As of 2/28/2015 - Statistics for periods longer than a year are annualized

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



Liquidity
Within 90 days
100%

# MCC Investment Grade Fixed Income



Overview		
	UTIMCO	BC Gbl Agg
Total Portfolio Size	\$3.5B	\$43.3T
Modified Duration	6.2	6.5
Yield to Maturity	2.3%	1.4%
Average Agency Rating	A1	AA3

Geographical Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States	41.3%	38.5%	2.8%
Canada	0.7%	3.5%	-2.8%
Europe	24.9%	33.6%	-8.7%
Asian-Pac Aggregate	17.3%	20.0%	-2.7%
Emerging Markets	15.7%	4.4%	11.3%

Currency Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States Dollar	55.6%	44.0%	11.6%
Euro	10.4%	25.0%	-14.6%
Japanese Yen	8.9%	15.7%	-6.8%
UK Pound Sterling	3.4%	6.2%	-2.8%
Emerging Markets	14.5%	2.5%	12.0%
Other	7.2%	6.6%	0.6%

Sector Exposure			
	UTIMCO	BC Gbl Agg	O/U
Treasuries & Sovereign	72.2%	55.0%	17.2%
Government Related	5.3%	12.0%	-6.7%
Corporates	19.2%	17.4%	1.8%
Securitized	2.7%	15.5%	-12.8%
Cash & Cash Equivalents	0.6%	0.0%	0.6%

As of 2/28/2015

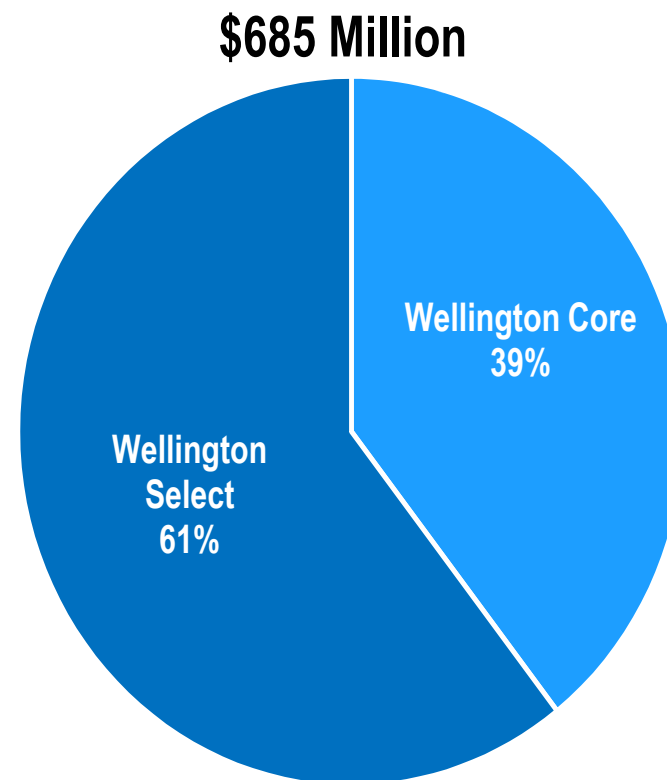
# MCC Natural Resources Commodities



Natural Resources Commodity Portfolio Characteristics				
	FYTD15	1 Year	3 Years	5 Years
Commodities Return (Ex-Gold)	(21.1%)	(23.7%)	(11.7%)	(3.9%)
Benchmark Return	(18.3%)	(22.8%)	(11.2%)	(5.0%)
Value Add	<b>(2.9%)</b>	<b>(0.9%)</b>	<b>(0.4%)</b>	<b>1.0%</b>
Portfolio Volatility		11.4%	12.0%	14.5%
Benchmark Volatility		11.0%	12.4%	15.2%
Portfolio Sharpe Ratio		<b>(2.3)</b>	<b>(1.2)</b>	<b>(0.5)</b>
Portfolio Information Ratio		<b>(0.2)</b>	<b>(0.2)</b>	<b>0.3</b>

As of 02/28/2015

Statistics for periods longer than a year are annualized



Capital Movement (CY 14) (\$ millions)			
	Redemptions	Additions	Net
Wellington Select		\$535	
Wellington Core		270	
Schroders/Gresham	(687)		
<b>Total</b>	<b>(\$687)</b>	<b>\$805</b>	<b>\$118</b>

Capital Movement (FYTD 15) (\$ millions)			
	Redemptions	Additions	Net
Wellington Select		\$87	
Wellington Core		\$66	
<b>Total</b>		<b>\$153</b>	<b>\$153</b>

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

# MCC Natural Resources Equities

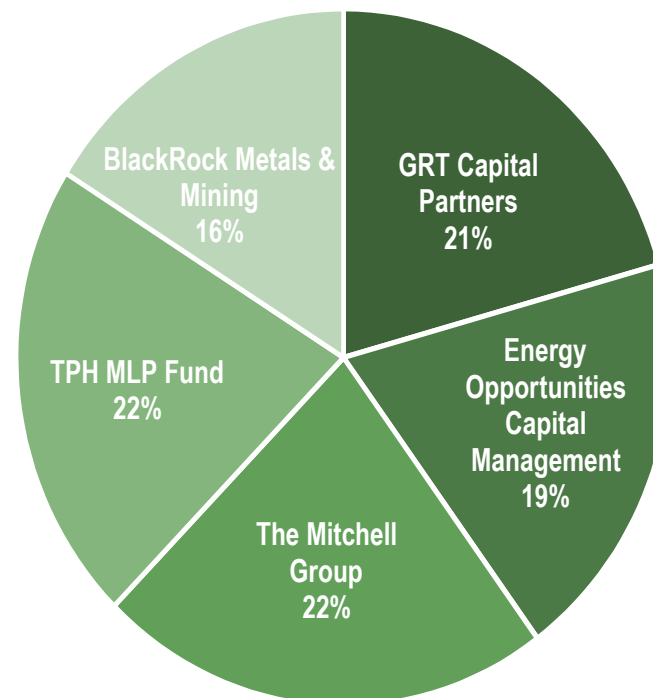


Natural Resources Equity Portfolio Characteristics				
	FYTD15	1 Year	3 Years	5 Years
Equity Return	(29.0%)	(22.2%)	(6.7%)	0.4%
Benchmark Return	(20.0%)	(12.0%)	(3.3%)	2.1%
Value Add	<b>(9.0%)</b>	<b>(10.2%)</b>	<b>(3.4%)</b>	<b>(1.8%)</b>
Portfolio Volatility		21.3%	18.0%	22.4%
Benchmark Volatility		16.2%	15.5%	19.9%
Portfolio Sharpe Ratio		<b>(1.2)</b>	<b>(0.5)</b>	<b>(0.1)</b>
Portfolio Information Ratio		<b>(1.5)</b>	<b>(0.6)</b>	<b>(0.3)</b>

As of 02/28/2015

Statistics for periods longer than a year are annualized

**\$773 Million**



Capital Movement (CY 14) (\$ millions)			
	Redemptions	Additions	Net
TPH		\$178	
GRT	(14)	75	
Total	(\$14)	\$253	\$239
Capital Movement (FYTD 15) (\$ millions)			
	Redemptions	Additions	Net
EOCM	(\$12)	\$15	
GRT	(14)	25	
TMG	(9)	20	
BRMM		27	
TPH		10	
Total	(\$35)	\$97	\$62

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)	1.6%	10.8%	11.4%	12.0%
Benchmark Return	5.4%	15.6%	12.5%	13.1%
Value Add	-3.8%	-4.7%	-1.1%	-1.1%
Portfolio Volatility		9.1%	11.2%	16.7%
Benchmark Volatility		11.1%	12.2%	16.1%
Portfolio Sharpe Ratio		1.2	1.0	0.7
Portfolio Information Ratio		-1.3	-0.4	-0.4

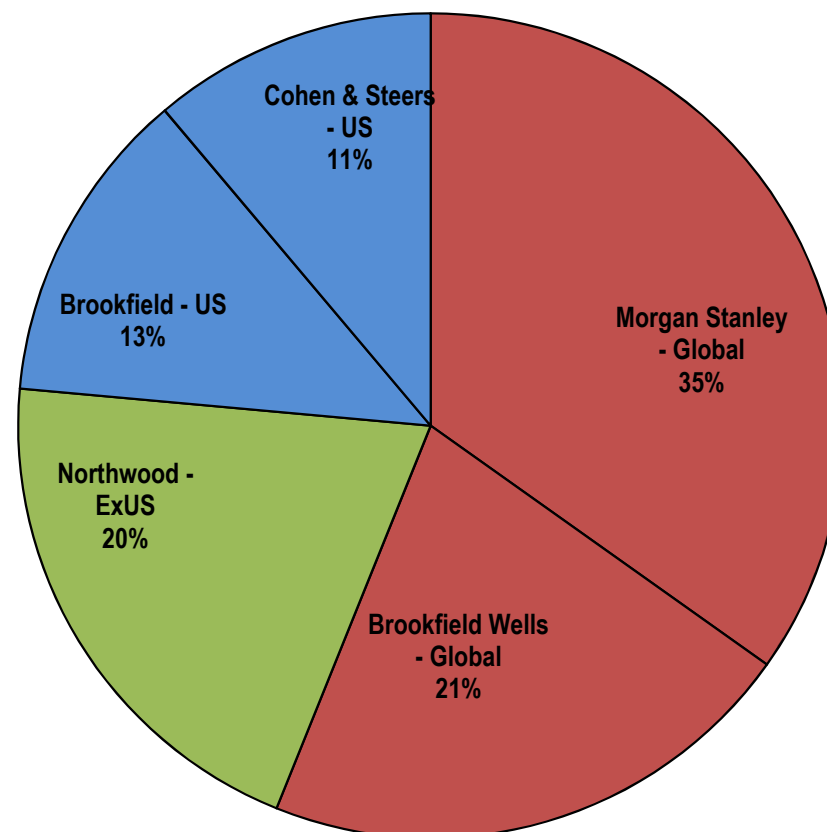
As of 02/28/2015

Statistics for periods longer than a year are annualized

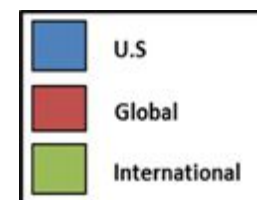
Capital Movement CY14 (\$ millions)			
	Redemptions	Additions	Net
Brookfield Wells Street		\$200	
Northwood Ex-US		165	
Brookfield US Value		94	
<b>Total</b>	<b>\$499</b>	<b>\$459</b>	<b>(\$40)</b>

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

\$870 Million



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



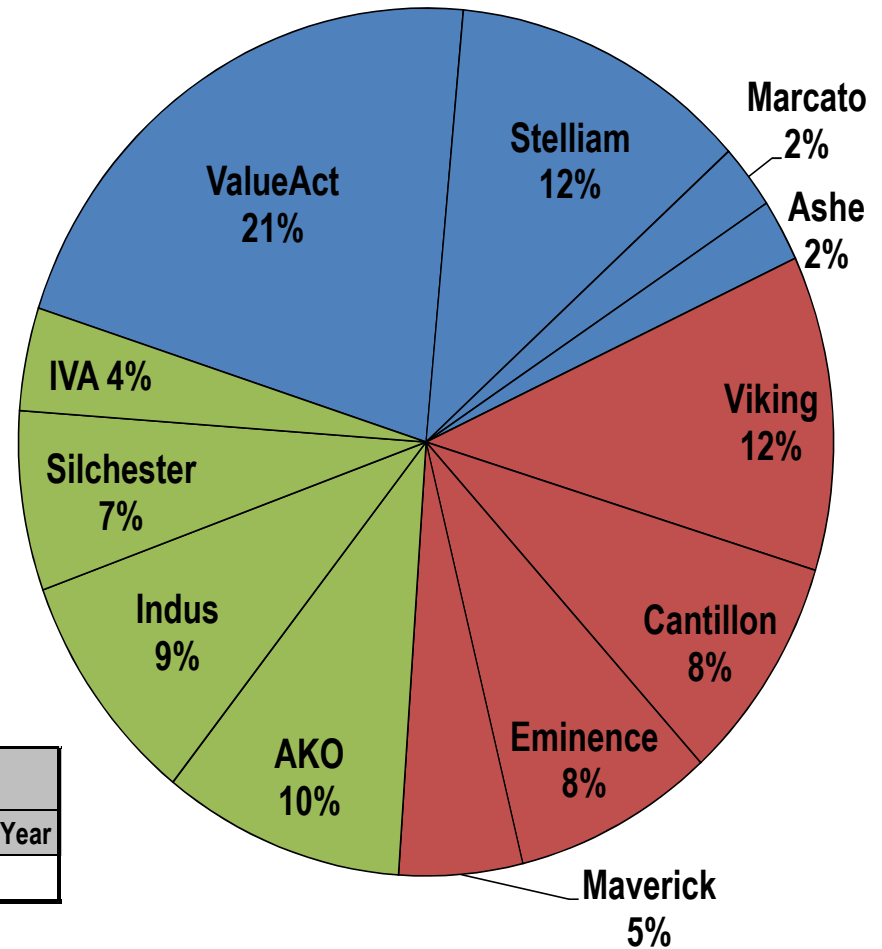
# MCC Public Equity – Developed Markets



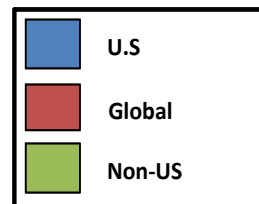
MCC Developed Country Equity				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	9.1%	14.3%	19.1%	16.5%
Benchmark Return	<u>2.1%</u>	<u>7.9%</u>	<u>13.3%</u>	<u>11.7%</u>
Value Add	<b>+6.9%</b>	<b>+6.5%</b>	<b>+5.9%</b>	<b>+4.8%</b>
Portfolio Volatility		8.8%	9.0%	12.6%
Benchmark Volatility		8.2%	10.4%	14.3%
Portfolio Sharpe Ratio		<b>1.6</b>	<b>2.1</b>	<b>1.3</b>
Portfolio Information Ratio		<b>2.0</b>	<b>1.6</b>	<b>1.4</b>

As of 2/28/2015 - Statistics for periods longer than a year are annualized

**\$4.7 Billion**



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



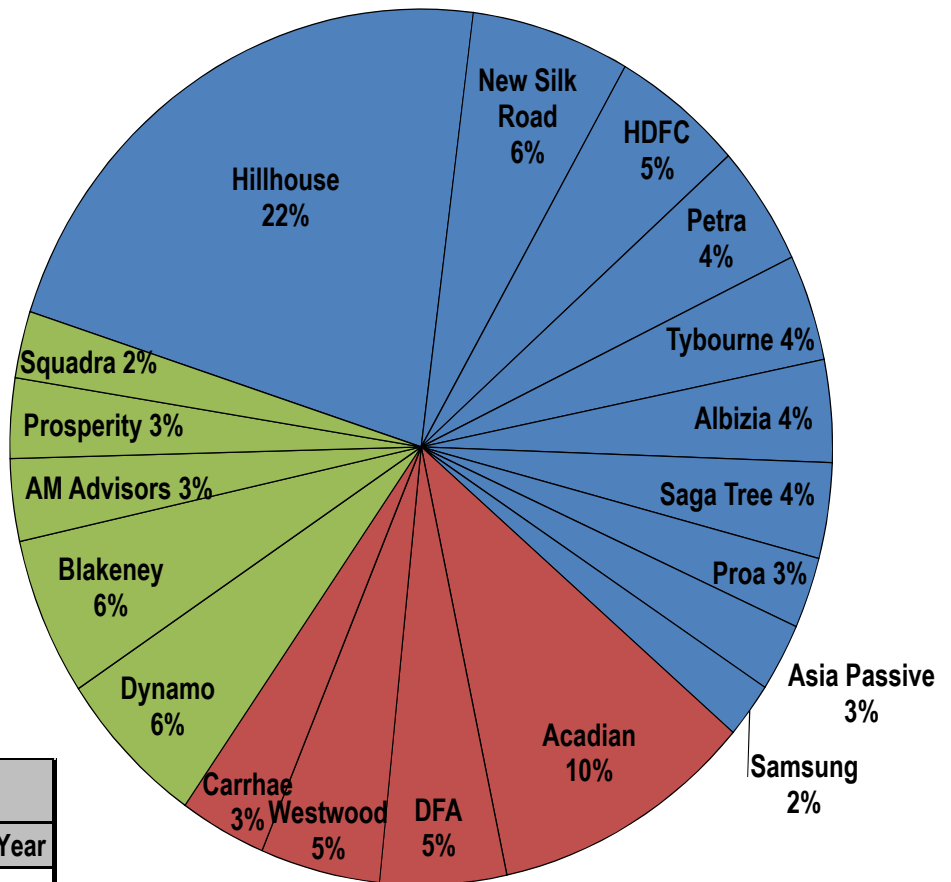
Liquidity	
Within 90 days	Within One Year
63%	96%

# MCC Public Equity – Emerging Markets



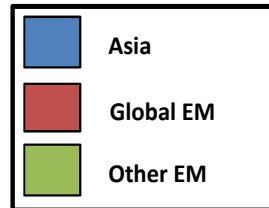
MCC Emerging Markets Equity				
	FYTD	1 Year	3 Years	5 Years
Portfolio Return	(6.7%)	11.6%	4.6%	6.8%
Benchmark Return	<u>(8.3%)</u>	<u>5.0%</u>	<u>(0.3%)</u>	<u>3.6%</u>
Value Add	<b>+1.6%</b>	<b>+6.6%</b>	<b>+4.9%</b>	<b>+3.2%</b>
Portfolio Volatility		13.0%	12.7%	16.6%
Benchmark Volatility		11.6%	13.4%	18.4%
Portfolio Sharpe Ratio		<b>0.9</b>	<b>0.4</b>	<b>0.4</b>
Portfolio Information Ratio		<b>1.0</b>	<b>1.1</b>	<b>0.7</b>

**\$3.0 Billion**



As of 2/28/2015 - Statistics for periods longer than a year are annualized

Capital Movement (FYTD)	
<b>Subscriptions</b>	
Acadian	\$ 100
Westwood	65
Albizia	50
Saga Tree	50
Petra	50
Other	55
<b>Total</b>	<b>\$ 370</b>
<b>Redemptions</b>	
<b>Total</b>	<b>\$ 307</b>
<b>Net Activity</b>	<b>\$ 63</b>



Liquidity	
Within 90 days	Within One Year
62%	91%



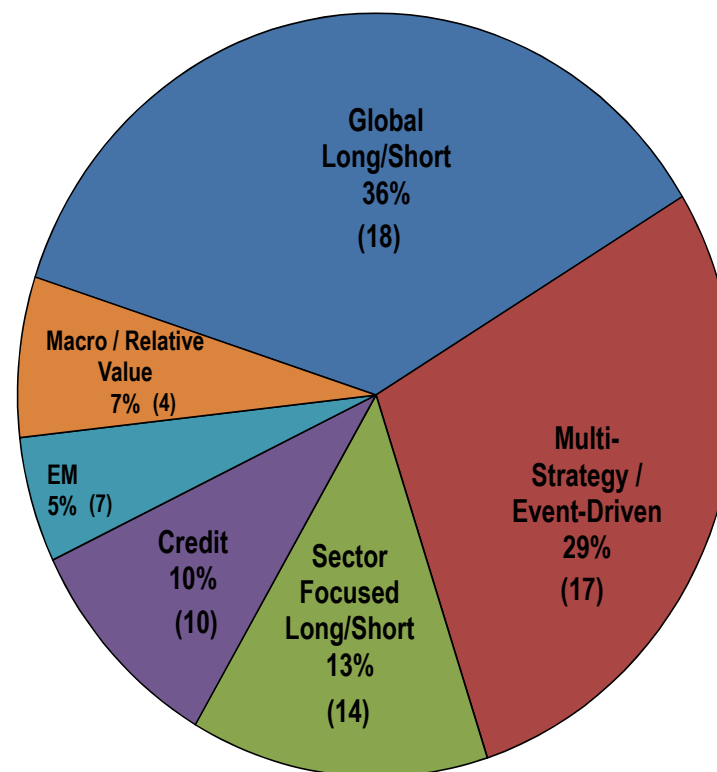
# Less Correlated & Constrained



LCC Portfolio Characteristics				
	FYTD	1 Year	3 Year	5 Year
LCC Return	3.8%	5.2%	9.8%	8.4%
Benchmark Return	<u>2.5%</u>	<u>3.9%</u>	<u>4.8%</u>	<u>3.6%</u>
Value Add	1.3%	1.2%	5.0%	4.8%
LCC Volatility		4.4%	4.0%	4.5%
Benchmark Volatility		3.0%	3.3%	4.2%
Sharpe Ratio		1.2	2.4	1.8
Information Ratio		0.6	2.7	3.0

As of 2/28/2015 - Statistics for periods longer than a year are annualized.

## Strategy Allocation (\$11.3 Billion)



FYTD Capital Activity	
<b>Subscriptions</b>	
Immersion	\$120
Thunderbird	108
Two Creeks	100
Gotham DN	90
Owl Creek AR	75
Route One	75
Steadfast	50
Other (8)	<u>194</u>
<b>Total</b>	<b><u>\$811</u></b>
<b>Redemptions</b>	
<b>Total</b>	<b>\$533</b>
<b>Net Activity</b>	<b>\$278</b>

Concentration	
Top 10	46%
Top 20	72%
Top 30	88%

Liquidity	
<u>90 days</u>	<u>1 year</u>
23%	74%

Look-Thru Leverage			
	<u>% of Capital</u>	<u>Gross</u>	<u>Net</u>
Core Strategies	96%	168%	54%
FI & FX	4%	990%	-446%
<b>Total LCC</b>	<b>100%</b>	<b>198%</b>	<b>35%</b>

# Private Investments Portfolio Rollforward

Six Months Ended February 28, 2015



\$ in millions	Beg FY 9/1/14			Change in %				FY'15 New Commitments		End 2/28/15	
	NAV	Unfunded	# Funds	Calls	Distributions	Valuation	Return	# Funds	\$ Committed	NAV	Unfunded
<b>Credit-Related Fixed Income</b>	\$1,012	\$256	34	\$92	\$131	\$16	1.7%	1	\$160	\$989	\$326
<b>Real Estate</b>	1,028	1,075	40	223	170	66	6.2%	9	485	1,147	1,382
<b>Natural Resources</b>	1,637	1,563	56	216	237	(25)	-1.7%	11	777	1,591	2,111
<b>Venture</b>	941	448	54	61	71	152	16.2%	1	95	1,083	481
<b>Other Developed Country Equity</b>	<u>1,840</u>	<u>840</u>	<u>92</u>	<u>89</u>	<u>181</u>	<u>16</u>	<u>0.9%</u>	<u>3</u>	<u>200</u>	<u>1,764</u>	<u>931</u>
<b>Total Developed Country Equity</b>	2,781	1,288	146	150	252	168	6.2%	4	295	2,847	1,412
<b>Emerging Markets Equity</b>	<u>748</u>	<u>590</u>	<u>26</u>	<u>122</u>	<u>33</u>	<u>10</u>	1.3%	<u>2</u>	<u>150</u>	<u>847</u>	<u>619</u>
<b>TOTAL</b>	<u>\$7,206</u>	<u>\$4,772</u>	<u>302</u>	<u>\$803</u>	<u>\$823</u>	<u>\$235</u>	3.3%	<u>27</u>	<u>\$1,867</u>	<u>\$7,421</u>	<u>\$5,850</u>
<b>% of Endowment (PUF+ GEF)</b>	<b>28%</b>	<b>19%</b>								<b>28%</b>	<b>22%</b>

# Co-Investment Pipeline and Portfolio



	Real Estate		Natural Resources		Private Markets		Period Total	
<u>FYTD 2015</u>	#	\$	#	\$	#	\$	#	\$
<b><u>Pipeline:</u></b>								
Reviewed	3	\$69	34	\$970	5	\$108	42	\$1,147
Interest	3	69	13	345	4	100	20	514
Committed	2	34	5	150	0	0	7	184
In Process	0	0	5	125	3	202	8	327
<b><u>Since Inception</u></b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<b><u>Pipeline:</u></b>								
Reviewed	34	\$668	85	\$2,376	36	\$1,047	155	\$4,091
Interest	19	370	45	1,276	27	809	91	2,455
Committed	12	170	20	546	11	180	43	896
In Process	0	0	5	125	3	202	8	327
<b><u>Portfolio Returns (Since Inception):</u></b>								
Invested	12	\$144	20	\$353	11	\$163	43	\$660
Realized Proceeds	5	22	2	162	1	1	8	186
Total Value		146		391		182		718
Multiple		1.16x		1.57x		1.12x		1.37x
IRR		10%		42%		6%		24%

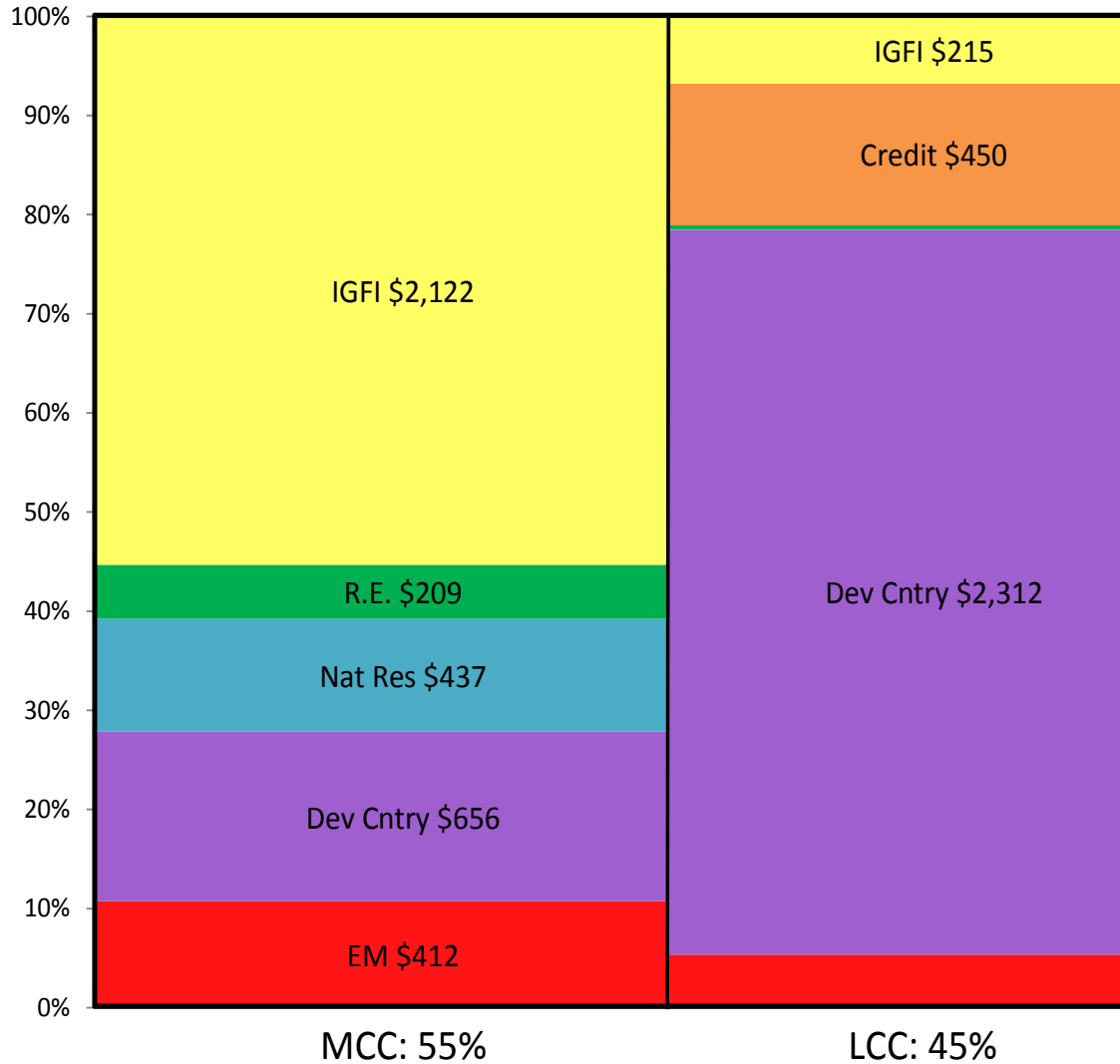


ITF

# ITF



ITF NAV: \$6,998M



Downside Volatility (trailing three years)	
Actual	% of Policy
3.73%	97.2%

Liquidity	
Three months	One Year
61.6%	90.3%

Insurance Hedges NAV	
CMS Caps	\$0.1M
JPY FX rate	\$0.4M



# Contracts

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# Contracts Update

January 24, 2015 through March 20, 2015



## New Contracts, Leases, and Other Commercial Arrangements

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

Agreement	Purpose	Contract Term	Annual Amount
Nunnally & Company	Executive coaching and consulting	9 months	\$70,825

**Agenda Item**  
UTIMCO Board of Directors Meeting  
April 22, 2015

**Agenda Item:** Permanent Loss Discussion

**Developed By:** Staff

**Presented By:** Zimmerman

**Type of Item:** Information item

**Description:** Mr. Zimmerman will discuss with the Board the permanent loss of investment capital.

**Recommendation:** None

**Reference:** *Permanent Loss of Capital* presentation





# Permanent Loss of Capital

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# Context



- All Investments Risk of Loss of Capital

<u>Bank Loans</u>	<u>Levered Loans</u>	<u>High-Yield Debt</u>	<u>US Public Equity (1)</u>	<u>Private Investments</u>	<u>Venture Capital</u>
.5% - 1.0%	1%	2%	4%	4%	33%

- UTIMCO Experience

	<u>Invested Capital (in Billions)</u>	<u>Realized Loss (In Millions)</u>	<u>Anticipated Loss (In Millions)</u>	<u>Total Loss (In Millions)</u>	<u>Total Loss %</u>
MCC	\$33.9	\$622	\$0	\$622	1.8%
LCC	12.6	243	194	437	3.5%
Private Investments	<u>13.4</u>	<u>327</u>	<u>124</u>	<u>451</u>	<u>3.4%</u>
<b>Total</b>	<u>\$59.9</u>	<u>\$1,192</u>	<u>\$318</u>	<u>\$1,510</u>	<u>2.5%</u>

(1) Average life of 3.4 years.

# MCC Permanent Loss of Capital

(\$ in Millions)



<u>Redemption Rationale</u>	<u>Total Invested</u>		<u>Losses</u>				
	<u>Number of Managers</u>	<u>\$</u>	<u>Number of Managers</u>	<u>Total Invested</u>	<u>Total Losses</u>	<u>Estimated Market Losses</u>	<u>Estimated Manager Losses</u>
Pre - 2007			12	\$1,349	\$206	\$92	\$114
08/09 Source of Funds			6	980	234	166	68
Natural Resources			2	840	46	3	43
Real Estate			1	127	7	-16	23
Developed Country			3	579	84	184	-100
Emerging Markets			2	293	37	1	36
Currency			<u>1</u>	<u>22</u>	<u>8</u>	<u>0</u>	<u>8</u>
<b>Total Losses</b>			27	\$4,190	\$622	\$430	\$192
<b>Total Invested</b>	<u>149</u>	<u>\$33,868</u>	<u>27</u>	<u>\$4,190</u>	<u>\$622</u>	<u>\$430</u>	<u>\$192</u>

- Manager “Burnout”/Disengagement
- Disciplined Upgrading

# LCC Permanent Loss of Capital

(\$ in Millions)



	Total Invested		Losses				
	Number of Managers	\$ in Billions	Number of Managers	Total Invested	Realized Losses	Anticipated Losses	Total Losses
<b>Redemption Rationale</b>							
Concentration/Illiquidity			3	\$307	\$0	\$171	\$171
Use of Leverage			1	115	115	0	115
"Star" Manager "Bad Behavior"			1	100	48	0	48
08/09 Source of Funds			7	437	56	23	79
Style Drift			3	140	16	0	16
New Manager Materially Underperform			<u>2</u>	<u>160</u>	<u>8</u>	<u>0</u>	<u>8</u>
<b>Total Losses</b>			17	\$1,259	\$243	\$194	\$437
<b>Total Invested</b>			<u>17</u>	<u>\$1,259</u>	<u>\$243</u>	<u>\$194</u>	<u>\$437</u>

- No solution if manager is wrong & illiquid
- Avoid highly levered strategies
- People can change

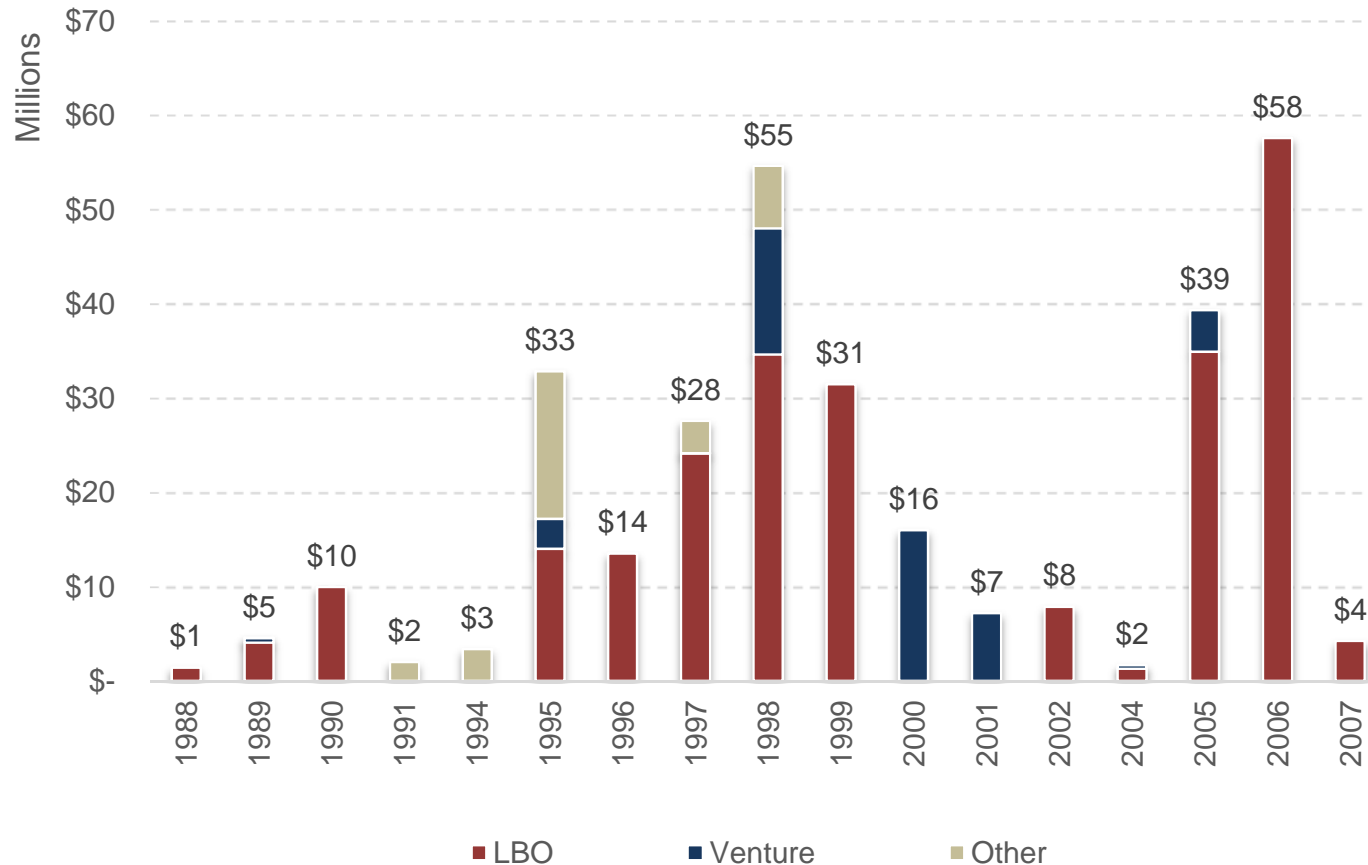
# Private Investments

## Permanent Loss of Capital (\$ in millions)



Asset Class	Total Invested		Losses						
	<u>Number of Investments</u>	<u>\$</u>	<u>Number of Investments</u>	<u>Invested</u>	<u>Realized Losses</u>	<u>Anticipated Losses</u>	<u>Total Losses</u>	<u>Secondary Sales</u>	<u>Loss %</u>
Credit	44	\$2,739	4	\$130	\$20	\$19	\$39	\$20	1.4%
Real Estate	52	1,404	1	15	12	0	12	0	0.8%
Natural Resources	103	2,226	6	32	2	1	3	0	0.2%
Developed Country ex Venture Capital	172	4,652	30	674	239	20	259	155	5.6%
Venture Capital	75	1,358	16	215	45	35	80	35	5.9%
Emerging Markets	<u>31</u>	<u>1,027</u>	<u>4</u>	<u>147</u>	<u>9</u>	<u>49</u>	<u>58</u>	<u>0</u>	<u>5.6%</u>
<b>Total</b>	<b><u>477</u></b>	<b><u>\$13,406</u></b>	<b><u>61</u></b>	<b><u>\$1,213</u></b>	<b><u>\$327</u></b>	<b><u>\$124</u></b>	<b><u>\$451</u></b>	<b><u>\$210</u></b>	<b><u>3.4%</u></b>

# Losses by Vintage and Type



- **Losses in Secondary Sales**
  - Almost half of losses
  - Half of Secondary Sales ultimately returned capital (LBO's)
- **Poor Vintage Year Investments Detract**
  - Late 1990's venture
  - Mid-2000's LBO's

**Agenda Item**  
UTIMCO Board of Directors Meeting  
April 22, 2015

**Agenda Item:** UTIMCO Organization Update

**Developed By:** Staff

**Presented By:** Zimmerman, Staff

**Type of Item:** Information Item

**Description:** Bruce Zimmerman and Staff will provide an update on UTIMCO's staffing, budget, junior staffing initiatives, and information technology.

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



# The University of Texas Investment Management Company

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## UTIMCO ORGANIZATION UPDATE April 22, 2015



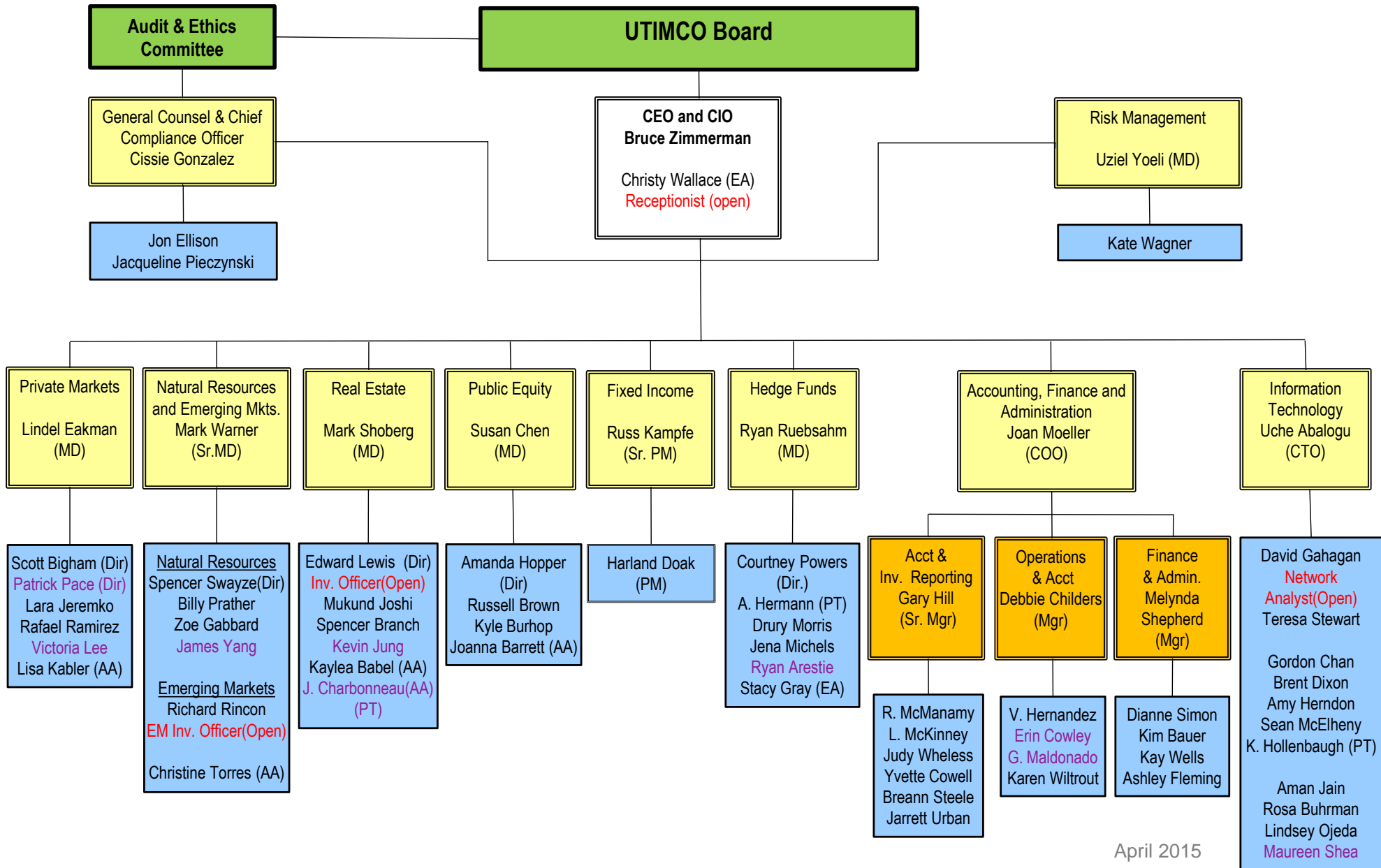
# UTIMCO UPDATE

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- Staffing
- Budget
- Junior Staffing Initiatives
- Information Technology Update

# UTIMCO ORGANIZATIONAL STRUCTURE



April 2015

# BUDGET



UTIMCO Expenses (\$ in thousands)	2Q FY 15		Favorable / (Unfavorable)
	Actual	Budget	
Salaries & Benefits	\$5,725	\$5,860	\$135
Legal	56	70	14
Travel	323	306	(17)
Depreciation	497	325	(172)
Other Expenses	1,716	1,808	92
<b>Subtotal</b>	<b>8,317</b>	<b>8,369</b>	<b>52</b>
Incentive Compensation	4,551	4,326	(225)
<b>Total UTIMCO</b>	<b>\$12,868</b>	<b>\$12,695</b>	<b>(\$173)</b>
<b>Non-UTIMCO, Non-Investment Management Expenses</b>	<b>\$4,280</b>	<b>\$4,032</b>	<b>(\$248)</b>

# JUNIOR STAFFING INITIATIVES



## RECRUITING

- Outreach Program
- Recruiting Process Enhancement
- Referral Program

## TRAINING & DEVELOPMENT

- New Hire Orientation
- Standardized Training
- Customized Development

## RETENTION

- Mentorship Program
- Recognition Program
- Cultural Improvement Initiatives

# INFORMATION TECHNOLOGY UPDATE



- **Business as Usual: “Trains running on time”**
- **Investment Support System (ISS)**

## **Document Management System**

- **Functionality**
  - Firmwide Consistency
  - “Google” Like Search

### ▪ **Status**

- Technology Platform 75% Complete
- People & Process Enhancement
- Central Team

## **Relationship Management System**

- **Functionality**
  - Contacts, Meetings & Notes etc.
  - Integrated with other Information

### ▪ **Status**

- Technology Platform 20% Complete
- Mapping for Firmwide Consistency
- Coding in Progress

## **Data Management System**

- **Functionality**
  - Direct Link to Primary Data for Investment Officers
  - Firmwide Views

### ▪ **Status**

- Technology Platform 33% Complete
- Dashboard in Production
- Excel Data Tool Roll Out
- Continuous Functionality Enhancements to be Delivered

	<b>Original Estimate</b>	<b>Current Estimate</b>
<b>Timeline</b>	3.5yrs	4.5yrs
<b>Budget</b>	\$3m	\$4m

**Agenda Item**  
UTIMCO Board of Directors Meeting  
April 22, 2015

- Agenda Item:** Report from Compensation Committee - Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2015
- Developed By:** Zimmerman, Gonzalez, Moeller
- Presented By:** Hobson
- Type of Item:** Action Item; Action Required by UTIMCO Board
- Description:** The Compensation Committee (the "Committee") met on April 13, 2015. The Committee's agenda included (1) discussion and appropriate action related to the Committee minutes; (2) discussion and appropriate action related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2015; (3) discussion and appropriate action related to the Qualitative Performance Goals for Participants of the UTIMCO Compensation Program for the Performance Period ending August 31, 2015 and (4) discussion and appropriate action related to selection of UTIMCO Compensation Consultant. The Committee also convened in Executive Session for the purpose of deliberating individual personnel compensation matters.
- Discussion:** Mr. Zimmerman discussed individual personnel matters with the Committee, including requesting that an additional individual be designated in an Eligible Position as a Participant in the UTIMCO Compensation Program (the "Plan") and requesting a change in the designation of an Employee's Eligible Position in the Plan due to a promotion. Mr. Zimmerman also requested that the Committee approve Qualitative Goals for two participants in the Plan. Section 5.3 of the Plan provides that the Board may designate a newly hired or promoted employee as eligible to participate in the Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible. Section 5.4 of the Plan requires that the CEO recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). The Qualitative Performance Goals do not require Board approval. The Committee approved the designation of Patrick Pace in the Eligible Position of Director – Investments in the Plan effective January 5, 2015, for the 2014/2015 Performance Period and the change in designation for William Prather to the Eligible Position of Director – Investments from Senior Associate – Investments for the 2014/2015 Performance Period. If approved by the Board, Mr. Prather's designation in the Eligible Position of Director, Investments will be effective March 1, 2015 and the weighting of his Incentive Award Opportunity and Percentage

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of Award Deferred will be based on the time spent in each Eligible Position for the Performance Period ended August 31, 2015.

The Committee also took appropriate action related to the selection of UTIMCO's compensation consultant. The Committee empowered its chair, H. Lee S. Hobson, to engage a consultant. In accordance with the Charter of the Compensation Committee, the Committee selects and retains the services of an independent qualified compensation consultant as necessary to assist the Committee with the execution of its duties and responsibilities as set forth in the Charter and periodically perform a salary benchmarking study. UTIMCO has utilized the services of its current compensation consultant, Mercer, since UTIMCO's inception. In 2007, Staff issued a Request for Proposal to four firms and after review of the responses, the Committee selected Mercer to continue as its compensation consultant. A review of compensation consultants has not been performed since 2007.

**Recommendation:** The Committee will recommend appropriate action related to the designation of Employees in Eligible Positions as Participants in the Plan for the 2014/2015 Performance Period.

**Reference:** None

**RESOLUTION RELATED TO  
2014/2015 PARTICIPANT IN  
UTIMCO COMPENSATION PROGRAM**

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 Patrick Pace (Director – Private Investments) to become a Participant for the 2014/2015 Performance Period; and

WHEREAS, the UTIMCO Board wishes to select Patrick Pace (Director – Private Investments) as a Participant for the 2014/2015 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Patrick Pace (Director – Private Investments) be designated as a “Participant” in the Plan for the 2014/2015 Performance Period, effective as of January 5, 2015.



**RESOLUTION RELATED TO CHANGE IN DESIGNATION OF ELIGIBLE  
POSITION FOR A PARTICIPANT IN THE UTIMCO COMPENSATION  
PROGRAM FOR THE 2014/2015 PERFORMANCE PERIOD**

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

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

WHEREAS, the position of Director, Investments, includes the position of Director – Natural Resources Investments; and

WHEREAS, William Prather, currently designated in the Plan in the Eligible Position of Senior Associate, Investments has been promoted to Director – Natural Resources Investments, and

WHEREAS, the Committee approved the designation of William Prather in the Eligible Position of Director, Investments for the 2014/2015 Performance Period, effective as of March 1, 2015, and the weighting of Mr. Prather’s Incentive Award Opportunity and Percentage of Award Deferred for the 2014/2015 Performance Period, based on the time spent by Mr. Prather in each Eligible Position for the Performance Period ended August 31, 2015, and has recommended that the UTIMCO Board approve same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the designation of William Prather in the Eligible Position of Director, Investments for the 2014/2015 Performance Period, effective as of March 1, 2015; and

FURTHER RESOLVED, that the Board approves the weighting of Mr. Prather’s Incentive Award Opportunity and Percentage of Award Deferred for the 2014/2015 Performance Period, based on the time spent by Mr. Prather in each Eligible Position for the Performance Period ended August 31, 2015.

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**Agenda Item:** Report from Audit and Ethics Committee

**Developed By:** Staff

**Presented By:** White

**Type of Item:** Information item

**Description:** The Audit and Ethics Committee (the “Committee”) met on April 13, 2015. The Committee’s agenda included (1) discussion and appropriate action related to the Committee minutes; (2) an update on compliance, reporting, and audit matters; and (3) a presentation of the unaudited financial statements for the six months ended February 28, 2015 for the Investment Funds and the Corporation.

**Discussion:** Routine activities of the Committee included reviewing the unaudited financial statements for the second quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.

**Recommendation:** None

**Reference:** Quarterly Compliance Reports

**The University of Texas Investment Management Company  
Institutional Compliance Program Report  
for the Quarter Ended February 28, 2015**

**Section I – Organizational Matters**

- One meeting of the Ethics and Compliance Committee was held during the quarter: January 7, 2015.

**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, Senior Managing Director for Natural Resources and Emerging Markets Investments, and Sr. Portfolio Manager – Fixed Income 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 86 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. One new mandate was completed. Ongoing review of active external managers included 64 meetings/calls. Additional efforts included calls with brokers, monthly performance tracking, reviews and analyses by the team, one semi-annual portfolio review, one LPAC meeting, and participation in one annual meeting.

**Marketable Alternative Investments:** The Marketable Alternative Investments group participated in 36 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. One new mandate was completed. Ongoing review of active external managers was conducted in the form of 48 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team and one semi-annual portfolio review.

**Private Markets:** The Private Markets group initiated serious due diligence on two new mandates and one addition to an existing mandate. Four new mandates and three additions to existing mandates were completed. The Private Markets group also participated in 53 meetings with active external managers and 45 meetings with potential managers, including site visits, conference calls, 3 annual meetings, and one semi-annual portfolio review.

**Natural Resources and Emerging Markets:** The Natural Resources and Emerging Markets group participated in 171 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. Seven new mandates were completed. Ongoing review of active external managers included 162 meetings/calls. Additional efforts included participation in one annual meeting and one semi-annual portfolio review.

**Real Estate:** The Real Estate group participated in 31 meetings/calls with potential managers. Serious due diligence was initiated on five new mandates and one existing mandate. Five new mandates were completed as well as an addition to one existing mandate. Ongoing review of active external managers included 51 meetings/calls. Additional efforts included participation in three annual meetings and one semi-annual portfolio review.

**Specialized Training:** Staff attended 13 industry-related conferences/functions.

**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:**

- Risk Team reconciled accounting records’ market value with market values modeled by IFS and month end values from IFS to accounting records and identified reasons for all discrepancies. Risk Team compared each month’s downside volatility with both prior month results and with market activity to determine consistency; identified reasons for all changes; and prepared monthly charts and reports, as well as an analysis of managers’ portfolio-level risk and performance.
- Risk Team participated in two due-diligence meetings and reviewed seven additional due-diligence questionnaires.
- Risk Team initiated an in-depth quantitative study of Concentration Risk.
- 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 met with Wellington to learn risk management practices that would benefit UTIMCO (i.e., when managing managers), as well as to review risk management in the funds they manage for UTIMCO.
- 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 risks inherent in managers operating under agency agreements.
- Risk Team continued to monitor the current macro environment. Risk Team continued to review future scenarios with high risk, and is working with the Portfolio Positioning Task Force 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 volatility and VaR calculations.
- Risk Team prepared projections on portfolio downside volatility utilization, country exposure, liquidity, and asset allocations; and updated projections on a weekly basis.

**Specialized Training:** Risk Team participated in one conference.

**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:**

- New employee/intern security training was completed.
- Several alerts were sent to staff covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers via email and updates for mobile devices.
- RSA Archer Risk Assessment Tool roll-out has been completed. UTIMCO staff is learning the tool and adapting processes to utilize it. Training was completed for David Gahagan and Teresa Stewart.
- UTS165 revisions are largely complete, pending reviews by executive committees at UT System. UTIMCO has two-factor authentication implemented on all public facing interfaces except legacy VPN.
- Two-factor authentication will be required for any public facing external access by August 2015.
- Box.com training/rollout largely complete.
- 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 are ongoing. 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 performed.
- Review of security for data vendors’ web sites was completed. CISO met with Private Markets and has meetings scheduled with other investment groups.
- Continuing to monitor and address policy violations for unauthorized software, sharing of credentials, and use of network resources.
- No malware infections this quarter.
- Continued rollout of Splunk for infrastructure monitoring and alerting.
- Review of ISS screens, system components, configurations and scripts is ongoing.
- Working with Denim Group on 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.

**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.
- Thirty (30) annual compliance statements were sent to external managers. All have been returned with no non-compliance issues noted.
- 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 Directors 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.
- All financial disclosure statements and ethics compliance statements due were received before the required due dates. Financial disclosure and ethics compliance statements for five recent new hires 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. Public resources were reviewed as required for one employee appointed as a Key Employee in November 2014.
- Three employee ethics and compliance training sessions were held 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 Director or employee has a pecuniary interest (the “restricted list”) was maintained. Internal managers 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. No new external managers under agency agreements were hired. Due to changes to the “restricted list”, a revised list was sent to all external managers under agency agreements in both January and February 2015.
- On a daily basis, the Legal and Compliance Specialist reviewed security holdings of internal and external managers under agency agreements for compliance with the restricted list. No exceptions noted.
- One securities transactions requiring preclearance occurred but was not preapproved as required. All but one transactional disclosure forms were turned in by the required ten days.
- CEO approval was given to three employees for outside employment.
- Two trips 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. Five 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 and semi-annual portfolio reviews.

**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**

Three training sessions for new hires were held.

**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**:

<b>Type</b>	<b>FYTD Number</b>	<b>% of Total</b>
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
<b><i>A. RISK ASSESSMENT</i></b>			
1.	Update risk assessments as needed, including mapping of controls	08/31/15	<i>No activity</i>
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
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 and second quarter FY 2015 reviewed</i>
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/15	<i>Nine employees/interns were 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>
<b><i>D. REPORTING</i></b>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	<i>First quarter FY 2015 meeting held on January 7, 2015</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>First quarter FY 2015 report presented to Audit &amp; Ethics Committee on January 30, 2015</i>
<b><i>E. OTHER / GENERAL COMPLIANCE</i></b>			
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</i>
9.	Institutional Compliance Program Self-Assessment	12/31/14	<i>Completed and reviewed at first quarter FY 2015 Employee Ethics and Compliance Committee meeting</i>
10.	Peer Review of UTIMCO Compliance Program	03/31/15	<i>Peer review scheduled for March 31<sup>st</sup> and April 1<sup>st</sup> 2015</i>
11.	Complete second live testing of Business Continuity Plan; update as business processes change	12/31/14	<i>Completed on February 6, 2015</i>
12.	ICAC activities: ICAC and Standing Committee participation	On-going	<i>No activity; Systemwide Compliance Officers'</i>

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
			<i>meeting scheduled for March 30, 2015</i>
13.	Hotline reporting	On-going	<i>No activity</i>

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<b>Agenda Item:</b>	Report from Risk Committee
<b>Developed By:</b>	Staff
<b>Presented By:</b>	Bass
<b>Type of Item:</b>	Information item
<b>Description:</b>	The Risk Committee (“Committee”) met on April 13, 2015. The Committee’s agenda included (1) discussion and appropriate action related to the Committee 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.
<b>Discussion</b>	<p>The Committee reviewed and approved the fourteen (14) new mandate categorizations prepared by Staff for the period beginning January 21, 2015, and ending March 31, 2015. Staff continues to monitor all mandates, including five mandates on the “watch list.” The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.</p> <p>The Committee reviewed the quarterly compliance reporting and the performance and risk reporting.</p>
<b>Recommendation:</b>	None
<b>Reference:</b>	None