

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on **May 5, 2016**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Jeffery D. Hildebrand, 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:

Jeffery D. Hildebrand, Chairman  
William H. McRaven, Vice President for Policy  
Phil Adams  
Kyle Bass  
R. Steve Hicks  
H. Lee S. Hobson  
Ray Rothrock

Directors R. Steven Hicks and Ray Rothrock participated by means of conference telephone, enabling all persons participating in the meeting to hear each other, thus constituting a majority and quorum of the Board. Kyle Bass joined the meeting later as noted in the minutes. Directors Ardon E. Moore and David J. Beck did not attend the meeting. Chairman Hildebrand called the meeting to order at 10:05 a.m. 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, Corporate Counsel and Chief Compliance Officer; Mark Warner, Senior Managing Director - Natural Resources, Emerging Markets & Lower/Middle Markets; Uzi Yoeli, Managing Director - Risk Management; Russ Kampfe, Managing Director - Fixed Income; Ryan Ruebsahm, Managing Director - LCC; Amanda Hopper, Senior Director - MCC; Pat Pace, Director - Healthcare & Lower/Middle Markets; Mukund Joshi, Senior Associate - Real Estate; Uche Abalogu, Chief Technology Officer; and other staff members. Other attendees were Jim Phillips, Roger Starkey, Allen Hah, Terry Hull, Eric Polonski and Mike Peppers of UT System Administration; Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner of Andrews Kurth LLP; and Maria Robinson of The Texas A&M University System. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Chairman Hildebrand asked Director Adams to introduce the newest member of the Board, Ray Rothrock, who was appointed to the Corporation's Board by the Board of Regents of The Texas A&M University System. Director Adams provided background information on Director Rothrock and he and other members welcomed him to the Board.

**Minutes**

The first action item to come before the Board was approval of the minutes of the Board of Directors Meetings held on March 2, 2016, and on March 3 and 4, 2016. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meetings of the Board of Directors held on March 2, 2016 and March 3 and 4, 2016, be, and are hereby, approved.

### **Corporate Resolutions**

Chairman Hildebrand asked for nominations for Chairman of the Board. Jeffery Hildebrand was nominated and Chairman Hildebrand accepted the nomination as Chairman. He asked to table naming a Vice-Chairman until a future meeting. He recommended approval of the corporate resolution designating officers for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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>
Jeffery D. Hildebrand	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
Ryan Ruebsahm	Managing Director
Susan Chen	Managing Director
Russ Kampfe	Managing Director
Uzi Yoeli	Managing Director
Uche Abalogu	Chief Technology Officer
Christy Wallace	Assistant Secretary

Chairman Hildebrand then recommended approval of new committee assignments. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

David J. Beck  
Phil Adams  
R. Steven Hicks

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 David J. Beck 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:

H. Lee. S. Hobson  
Kyle Bass  
Ray Rothrock

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 H. Lee S. Hobson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

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

Kyle Bass  
David J. Beck  
H. Lee S. Hobson  
Ray Rothrock

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 Kyle Bass 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:

R. Steven Hicks  
David J. Beck  
Phil Adams  
Ray Rothrock

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

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

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

Chairman Hildebrand asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman handed out a one page summary that listed actual returns for the period ending

February 29, 2016, compared those returns with various benchmarks, and listed the Sharpe and Information Ratio for several periods over the past ten years. He also presented the Corporation's assets under management and performance results as of February 29, 2016. Mr. Zimmerman reported the Corporation had \$34.6 billion of assets under management: \$17.0 billion in the Permanent University Fund ("PUF"), \$7.8 billion in the General Endowment Fund ("GEF"), \$2.1 billion in the Short Term Fund ("STF"), \$0.3 billion in Separately Invested Funds, \$0.3 billion in the Debt Proceeds Fund, and \$7.1 billion in the Intermediate Term Fund ("ITF"). The net performance for the six months ended February 29, 2016, for the PUF was -4.31% and for the GEF was -4.37%. The ITF's performance was -4.26%. He reported active management value add attribution. Mr. Zimmerman then asked Ms. Hopper to provide an update on the More Correlated and Constrained (MCC) portfolio. Ms. Hopper provided information on the MCC portfolio including global equity, emerging markets, active management, and underperformance risk information specifically related to the MCC portfolio. Mr. Ruebsahm was asked to report on the hedge fund portfolio, and he provided returns and value add information for the Less Correlated and Constrained (LCC) portfolio. Mr. Zimmerman and Investment Staff answered the Directors' questions. Director Bass joined the meeting during the endowment and operating funds update.

### **Scenario Discussion**

Chairman Hildebrand asked Mr. Zimmerman to begin the scenario discussion. Mr. Zimmerman stated that he and Dr. Yoeli would present various scenarios of different portfolios to stress the importance of a correct asset mix. Staff utilizes projections in the construction of strategic asset allocation and ongoing portfolio management. Mr. Zimmerman and Dr. Yoeli discussed probability, severity, onset and duration, all dimensions that need to be considered in evaluating the different scenarios, and answered the Directors' questions.

### **Educational Program for Board**

Chairman Hildebrand asked Mr. Turner to present the Educational Program for UTIMCO Directors to the Board. Mr. Turner provided a handout, Texas Open Meetings Act, to the Board. He stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires the Corporation to provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session for each new member of the Board, Mr. Turner's presentation served as an update and a resource for current Board members. Director McRaven left the meeting at this time. Mr. Turner answered the Directors' questions.

At approximately 12:13 p.m. the Board recessed for lunch.

The meeting of the Board reconvened in open session at 12:40 p.m.

### **Private Investment Update**

Chairman Hildebrand asked Mr. Zimmerman to begin discussion of the Private Investment Strategy Update. Mr. Zimmerman began by providing an executive summary of the private investments portfolio.

He discussed private markets performance vs. public markets, desired performance and peer performance. Also discussed was expected performance, illiquidity risk capacity, and asset class detail. Mr. Zimmerman, Mr. Warner, Mr. Ruebsahm and Dr. Yoeli answered the Directors' questions. Mr. Ruebsahm, Mr. Joshi, Mr. Prather, Dr. Pace and Mr. Warner presented blended fees by asset class for credit, real estate, natural resources, buyout and emerging markets, respectively. Dr. Yoeli presented the Board a forward-looking commitment model for private investments, with Dr. Yoeli and Mr. Zimmerman answering questions from the Directors.

### **Organization Update**

Chairman Hildebrand asked Mr. Zimmerman to give an organization update to the Board. Mr. Zimmerman gave an update on the Corporation's staffing, reported on the 2<sup>nd</sup> Quarter Corporate budget vs. actual, and a recent accounting system upgrade. Mr. Zimmerman and Ms. Moeller answered the Directors' questions.

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

Chairman Hildebrand asked Mr. Adams to provide a report on behalf of the Audit and Ethics Committee. Mr. Adams reported that the Committee met on April 26, 2016. At that meeting, the Committee approved minutes from their previous meeting, heard an update on compliance for the period ending February 29, 2016, from Ms. Gonzalez, a brief audit summary from Mr. Peppers of UT System Audit Office, and Ms. Moeller presented the separate unaudited financial statements as of February 29, 2016, for the PUF, GEF, the Permanent Health Fund, The University of Texas System Long Term Fund, ITF and the Corporation. There were no action items related to the Audit and Ethics Committee report.

### **Risk Committee Report**

Chairman Hildebrand asked Mr. Bass to provide a report from the Risk Committee. Mr. Bass reported that the Committee convened on April 26, 2016 and minutes were approved from the previous meeting. He stated that the Risk Committee approved 14 new investment mandate categorizations prepared by Staff for the period beginning February 1, 2016 and ending April 1, 2016. The Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending February 29, 2016. There were no action items related to the Risk Committee report.

### **Compensation Committee Report**

Chairman Hildebrand asked Mr. Hobson to provide a report on behalf of the Compensation Committee. Mr. Hobson stated that the Committee had met on April 26, 2016, and the Committee approved minutes from their previous meeting. They also discussed and approved the Designation of a new employee in Eligible Position as a Participant in the UTIMCO Compensation Program for the Performance Period ending August 31, 2016, subject to further approval by the Board, and the Qualitative Performance Goals for the new Participant in the UTIMCO Compensation Program for the Performance Period ending August 31, 2016. The Committee also approved the Compensation Plan Universe for 2015/16 Performance Period as determined by UTIMCO staff to be used as the Peer Group in Appendix B of the UTIMCO Compensation Program. Staff recommended no changes to the Peer Group. Chairman Hildebrand recommended that

the Board accept the Compensation Committee's recommendations. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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 Akil Franklin (Mgr., Development) to become a Participant for the 2015/2016 Performance Period; and

WHEREAS, the UTIMCO Board wishes to select Akil Franklin (Mgr., Development) as a Participant for the 2015/2016 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Akil Franklin (Mgr., Development) be designated as a "Participant" in the Plan for the 2015/2016 Performance Period, effective as of January 25, 2016.

And,

WHEREAS, Section 8.14. of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2. of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group as defined in the Plan.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of September 1, 2015.

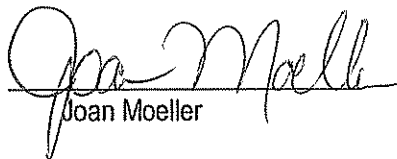
### **Policy Committee Report**

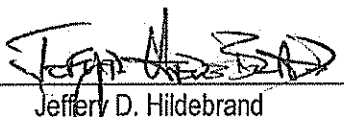
Chairman Hildebrand asked Mr. Hicks to provide a report from the Policy Committee. Mr. Hicks reported that the Committee convened on April 26, 2016 and minutes were approved from the previous meeting. He

stated that the Policy Committee discussed and approved proposed amendments to the Delegation of Authority Policy, subject to approval by the Board. As a result of the UT System Audit Office audit of the internal controls surrounding the processes of the separately managed accounts, staff proposed changes to the Delegation of Authority Policy to clarify staff's delegated authority with respect to investment of the UT System funds. The Committee also discussed and approved proposed amendments to the Short Term Fund ("STF") Investment Policy Statement effective September 1, 2016, subject to further approval by the Board and the Board of Regents. The STF Investment Policy Statement was being amended to accommodate changes in the SEC rules governing money market funds effective October 14, 2016. Mr. Hicks recommended approval of both resolutions on behalf of the Policy Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that amendments to the Delegation of Authority Policy as presented be, and are hereby approved, and that amendments to the Short Term Fund Investment Policy Statement, as presented be, and are hereby approved, subject to approval by the Board of Regents of The University of Texas System.

There being no further business to come before the Board, the meeting was adjourned at approximately 2:03 p.m.

Secretary:   
Joan Moeller

Approved:  Date: 8-8-16  
Jeffery D. Hildebrand  
Chairman, Board of Directors of  
The University of Texas Investment Management Company

## Appendix B

### UTIMCO Peer Group

- Brown University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Harvard University
- John Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- UNC Management Company
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Southern California
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: UTIMCO Staff. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each year ended June 2013, 2014, 2015.