

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
March 2, 2016**

401 Congress Avenue
Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
3:00 p.m.	3:05 p.m.	1	Convene in Open Session Call to Order/Discussion and Appropriate Action Related to Minutes of January 15, 2016 Meeting*
3:05 p.m.	4:00 p.m.	2	Endowment and Operating Funds Update Report
4:00 p.m.	4:30 p.m.	3	Investment Strategy
4:30 p.m.	4:35 p.m.	4	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO*
4:35 p.m.	4:40 p.m.	5	Report from Risk Committee
4:40 p.m.	4:55 p.m.	6	UTIMCO Organization Update
4:55 p.m.	5:00 p.m.	7	Discussion and Appropriate Action Related to Corporate Resolutions: - Designation of Annual Meeting of the UTIMCO Board* - Resolutions of Appreciation*
5:00 p.m.			Adjourn

* Action by resolution required

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

Next Scheduled Meeting: May 5, 2016 (Annual Meeting)

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **January 15, 2016**, 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 **January 15, 2016**, 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, 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
Ardon E. Moore, Vice Chairman
Phil Adams
Kyle Bass
David J. Beck
H. Lee S. Hobson
John D. White

thus constituting a majority and quorum of the Board. Chairman Hildebrand called the meeting to order at 11:21 a.m. Director William H. McRaven, Vice Chairman for Policy; and Director R. Steven Hicks were not present at the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; and Christy Wallace, Assistant Secretary. Jerry Turner of Andrews Kurth LLP also attended the meeting. 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, 2015. 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, 2015, be, and are hereby, approved.

Compensation Committee Report

Chairman Hildebrand confirmed that there was no need to go into Executive Session. He then asked Mr. Hobson, Chairman of the Compensation Committee to provide a report on the Committee's previous meeting. Mr. Hobson stated that the Committee had met earlier this morning, via teleconference, prior to the Board meeting. The Committee discussed and approved minutes from previous meetings, and approved amendments to Appendix C, Table 1 which sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for Each Eligible Position for the Performance Period ended August 31, 2016. The Committee also acted on a recommendation of Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the

Performance Period ended August 31, 2016, the Participants' Qualitative Performance Goals, that had been reviewed and recommended by the Corporation's CEO, and the CEO's Qualitative Performance Goals, subject to Board approval. Director Hobson recommended, on behalf of the Committee, approval by the Board of three resolutions. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

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

WHEREAS, the Board has reviewed the revised Table 1 and approves the amendments as recommended by the Compensation Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Table 1, a copy of which is attached hereto, is hereby adopted and approved to replace the current Appendix C, effective as of September 1, 2015.

And,

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 the individuals who may become Participants for the Performance Period ended August 31, 2016 set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the Performance Period ended August 31, 2016.

NOW, THEREFORE, be it:

RESOLVED, that the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the Performance Period ended August 31, 2016, effective as of September 1, 2015.

And,

WHEREAS, Section 5.4.(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4.(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2016, as prepared by the CEO, and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the Performance Period ended August 31, 2016, as set forth in the document presented to the Board.

Director Hobson thanked the Members of the Committee and Mr. Zimmerman for working through this in a systematic and thoughtful way, and look forward to implementation of the Plan and continued great work at the Corporation. Chairman Hildebrand agreed.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:27 a.m.

Secretary: _____
Joan Moeller

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

Appendix C, Table 1
Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position
(for the Performance Periods Beginning After August 31, 2015)

Eligible Position	Weighting		Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
	Entity	Qualitative	< Threshold	Threshold	Target	Maximum	
		(Individual)					
<i>Investment Professionals</i>							
CEO & Chief Investment Officer	80%	20%	0%	0%	200%	450%	50%
Senior Managing Director - Investments	70%	30%	0%	0%	120%	300%	45%
Managing Director - Investments	65%	35%	0%	0%	100%	250%	40%
Managing Director - Fixed Income	65%	35%	0%	0%	80%	200%	40%
Managing Director - Risk Management	65%	35%	0%	0%	25%	50%	40%
Senior Director - Investments	60%	40%	0%	0%	70%	185%	35%
Director - Investments	50%	50%	0%	0%	65%	175%	30%
Director - Risk Management	50%	50%	0%	0%	25%	50%	30%
Senior Associate - Investments	40%	60%	0%	0%	60%	155%	20%
Senior Associate - Risk Management	40%	60%	0%	0%	45%	140%	20%
Associate - Investments	35%	65%	0%	0%	50%	145%	15%
Associate - Risk Management	35%	65%	0%	0%	35%	120%	15%
Senior Analyst - Investments	30%	70%	0%	0%	40%	110%	0%
Analyst - Investments	20%	80%	0%	0%	30%	75%	0%
Analyst - Risk Management	20%	80%	0%	0%	25%	75%	0%
Senior Investment Counsel	50%	50%	0%	0%	40%	80%	25%
<i>Support and Control Professionals</i>							
Senior Managing Director	20%	80%	0%	0%	30%	50%	40%
Chief Technology Officer	20%	80%	0%	0%	15%	35%	30%
Corporate Counsel & Chief Compliance Officer	0%	100%	0%	0%	10%	30%	30%
Senior Manager	20%	80%	0%	0%	20%	40%	25%
Manager	20%	80%	0%	0%	20%	40%	25%
Senior Financial Analyst	20%	80%	0%	0%	15%	35%	20%
Mgr, Infrastructure and CISO	20%	80%	0%	0%	15%	30%	20%
Mgr, Development	20%	80%	0%	0%	15%	30%	20%
Business Analyst and Document System Manager	20%	80%	0%	0%	15%	30%	20%

Exhibit 1
Designation of Plan Participants in Eligible Positions
for the Performance Period Ended August 31, 2016

ELIGIBLE POSITION	PARTICIPANTS
<i>Investment Professionals</i>	
CEO & Chief Investment Officer	Bruce Zimmerman
Senior Managing Director - Investments	Mark Warner
Managing Director - Investments	Ryan Ruebsahm
Managing Director - Investments	Susan Chen
Managing Director - Fixed Income	Russ Kampfe
Managing Director - Risk Management	Uzi Yoeli
Senior Director - Investments	Courtney Powers
Senior Director - Investments	Edward Lewis
Senior Director - Investments	Amanda Hopper
Senior Director - Investments	Harland Doak
Director - Investments	Spencer Swayze
Director - Investments	Pat Pace
Director - Investments	Billy Prather
Director - Investments	Richard Rincon
Director- Risk Management	Kate Wagner
Senior Associate - Investments	Mukund Joshi
Associate - Investments	Drury Morris
Senior Analyst - Investments	Russell Brown
Senior Analyst - Investments	Jena Michels
Senior Analyst - Investments	Spencer Branch
Senior Analyst - Investments	Kyle Burhop
Senior Analyst - Investments	Zoe Gabbard
Senior Analyst - Investments	Mallory Weinshall
Analyst - Investments	Victoria Lee
Analyst - Investments	Ryan Arestie
Analyst - Investments	James Yang
Analyst - Investments	Shree Pandya
Senior Investment Counsel	Jon Ellison
<i>Control and Support Professionals</i>	
Senior Managing Director	Joan Moeller
Corporate Counsel and Chief Compliance Officer	Anna Cecilia Gonzalez
Chief Technology Officer	Uche Abalogu
Senior Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd
Manager	Lara McKinney
Mgr, Infrastructure and CISO	David Gahagan
Business Analyst and Document System Manager	Aman Jain



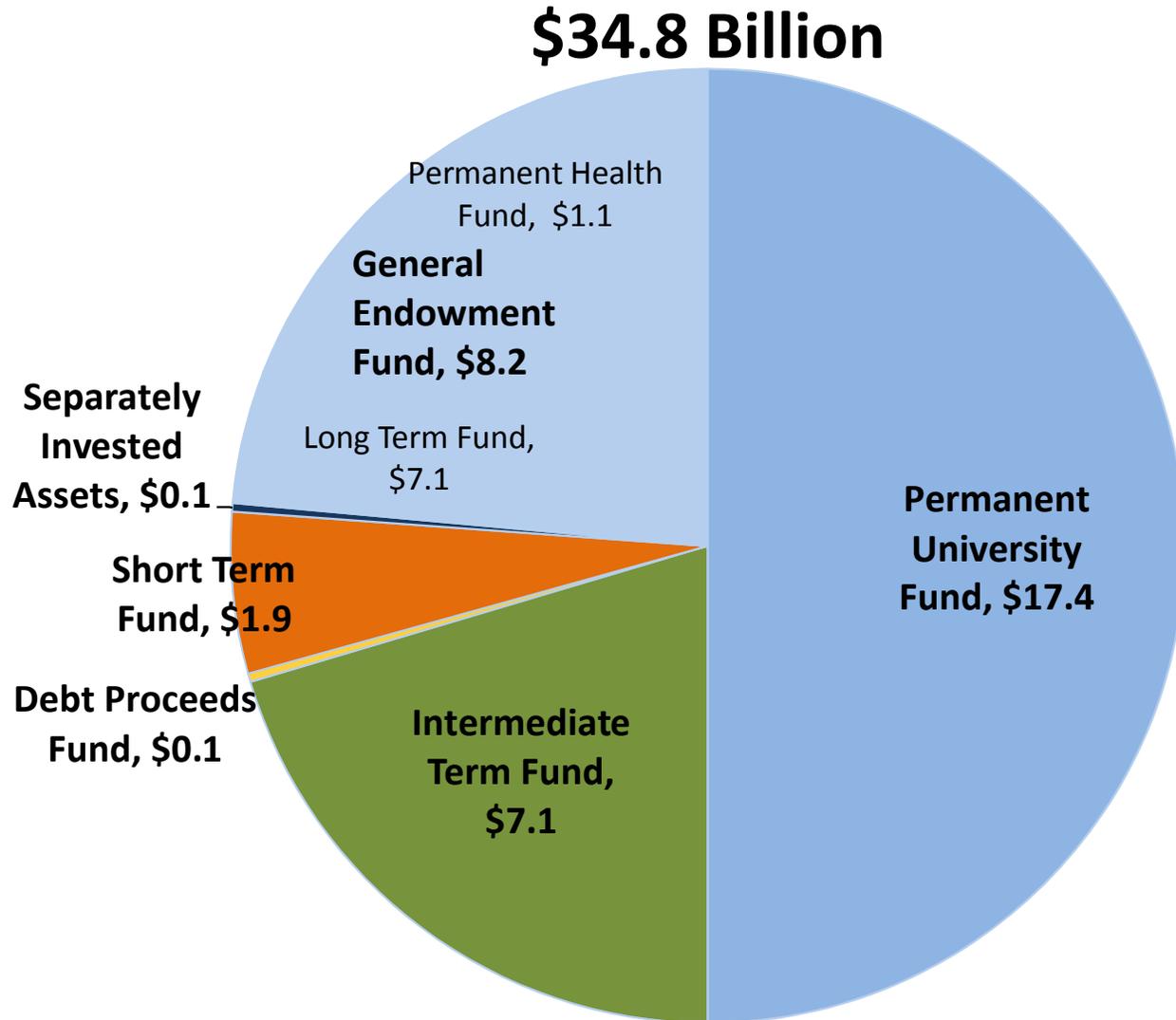
UTIMCO Board

Endowment and Operating Funds Update

March 2, 2016

UTIMCO Assets Under Management

December 31, 2015



Combined PUF and GEF Exposure

As of December 31, 2015 (in millions)



Asset Group	Asset Class	More Correlated and Constrained (Long Only)		Less Correlated and Constrained (Hedge Funds)		Private Investments		Total	
Fixed Income	Investment Grade	\$1,570	6.1%	\$442	1.7%	\$0	0.0%	\$2,012	7.8%
	Credit-Related	26	0.1%	1,114	4.4%	949	3.7%	2,089	8.2%
Fixed Income Total		1,596	6.2%	1,556	6.1%	949	3.7%	4,101	16.0%
Real Assets	Real Estate	611	2.4%	2	0.0%	1,489	5.8%	2,102	8.2%
	Natural Resources	1,337	5.3%	1	0.0%	2,009	7.8%	3,347	13.1%
Real Assets Total		1,948	7.7%	3	0.0%	3,498	13.6%	5,449	21.3%
Equity	Developed Country	3,501	13.8%	5,505	21.5%	3,110	12.1%	12,116	47.4%
	Emerging Markets	2,491	9.7%	464	1.8%	983	3.8%	3,938	15.3%
Equity Total		5,992	23.5%	5,969	23.3%	4,093	15.9%	16,054	62.7%
Total		<u>\$9,536</u>	<u>37.4%</u>	<u>\$7,528</u>	<u>29.4%</u>	<u>\$8,540</u>	<u>33.2%</u>	<u>\$25,604</u>	<u>100.0%</u>
Number of Partners		47		45		149		241	

Returns



Periods Ended December 31, 2015

Fund	One Year	Three Years	Five Years	Ten Years
Permanent University Fund (PUF)	0.41%	6.14%	5.86%	5.60%
General Endowment Fund (GEF)	0.43%	6.29%	5.99%	5.72%
Intermediate Term Fund (ITF)	-3.18%	2.39%	3.05%	N/A

Active Management Value Add

Periods Ending December 31, 2015 (\$ in Millions)



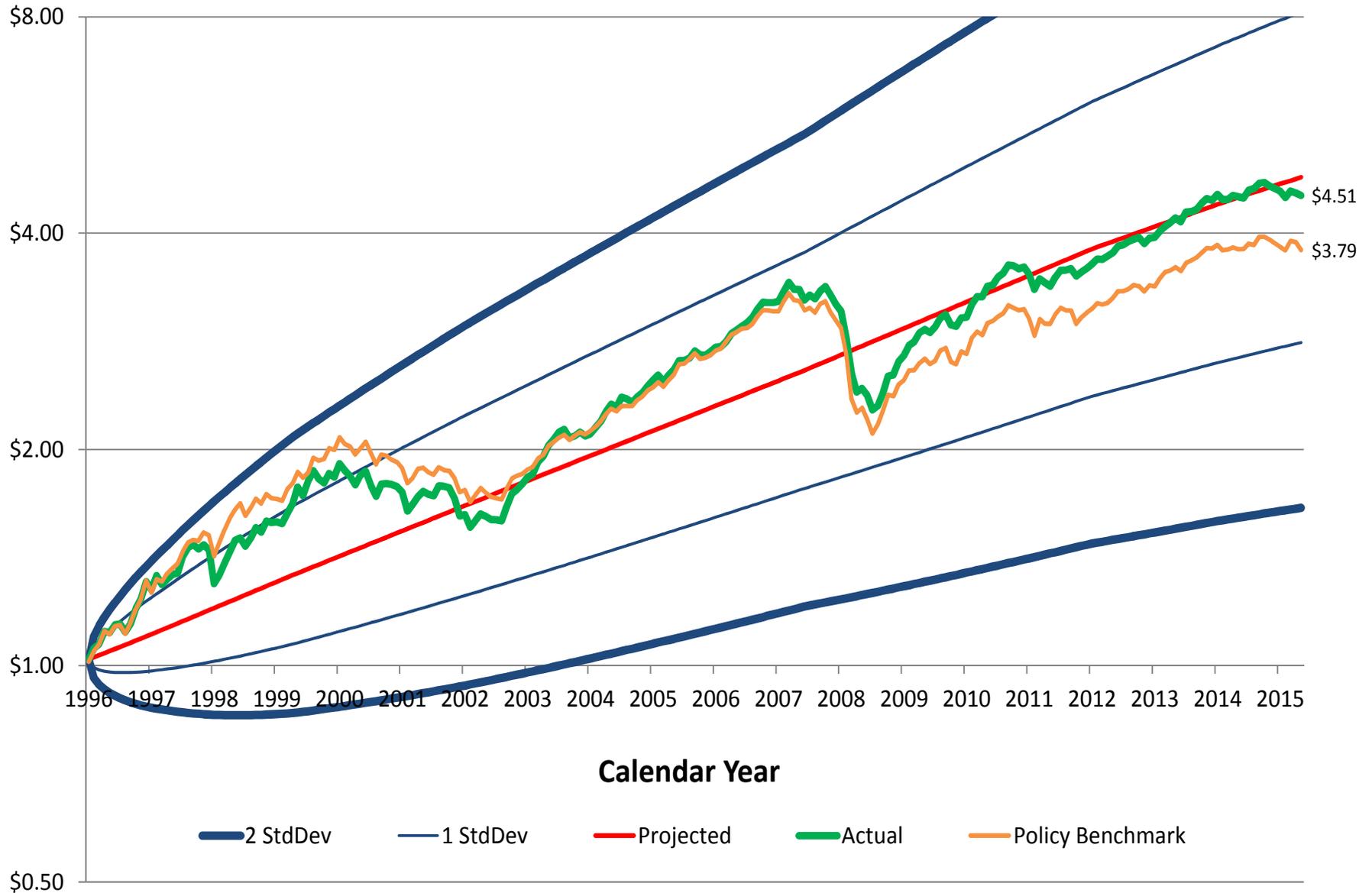
	One Year	Three Years	Five Years	Ten Years
<u>Value Add</u>				
Basis Points	74	132	137	172
\$	\$207	\$1,127	\$1,941	\$3,695
<u>Return/Volatility</u>				
Sharpe Ratio	0.07	1.29	1.06	0.54
Information Ratio	0.37	0.70	0.60	0.71

Endowment Returns and Ratios

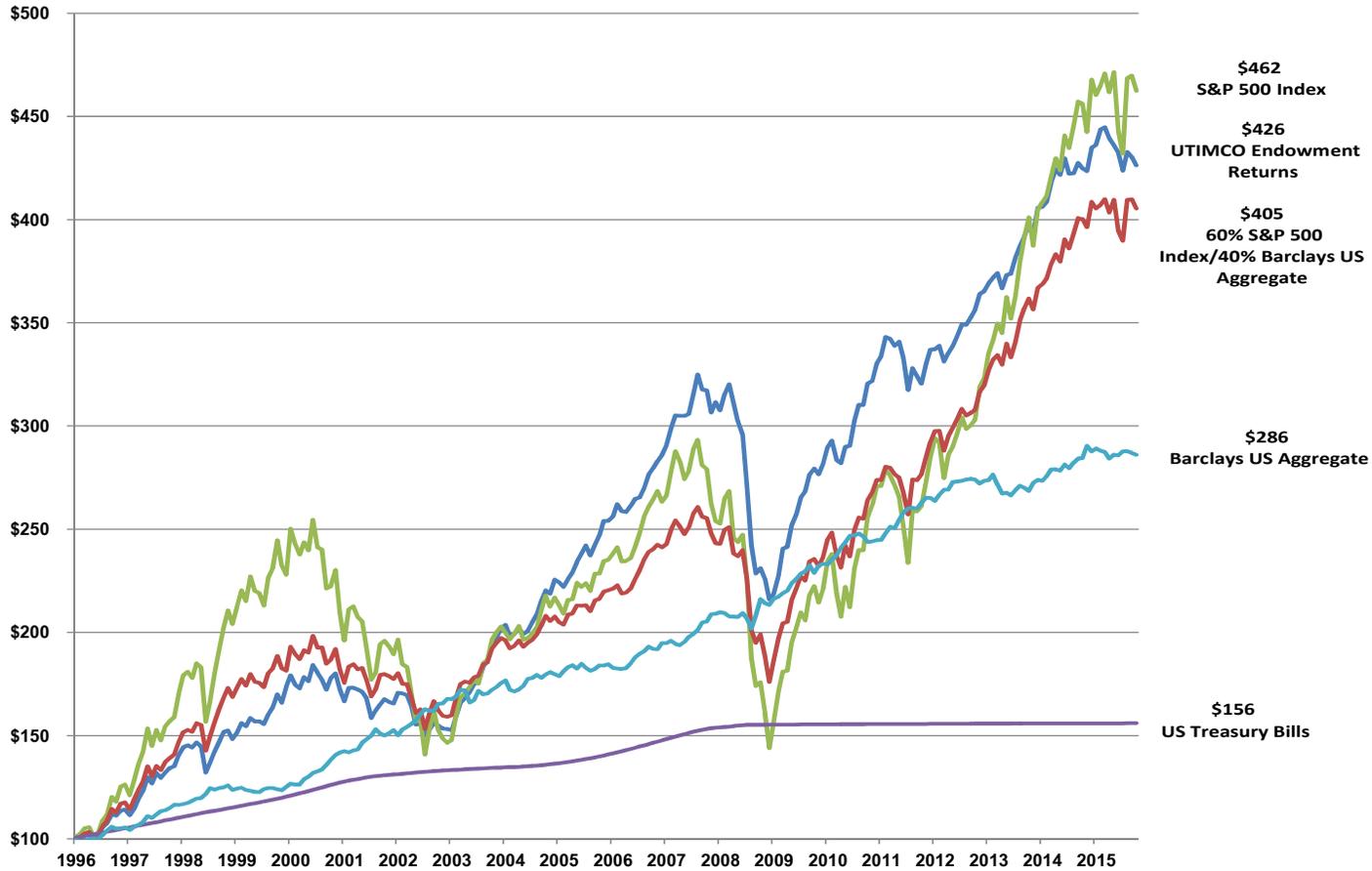


Endowments	Weighted Endowment Returns								1 year			3 year			5 year			10 year		
	vs.		vs.		vs.		vs.		Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio
	1 year	Bench	3 year	vs. Bench	5 year	Bench	10 year	Bench												
More Correlated and Constrained																				
Fixed Income																				
Investment Grade	-4.65%	-1.49%	-2.00%	-0.26%	0.98%	0.08%	2.86%	-0.88%	2.45%	(1.92)	(0.74)	2.94%	(0.70)	(0.14)	3.52%	0.25	0.05	4.71%	0.34	(0.37)
Credit Related	0.02%	2.74%	1.56%	0.11%	7.90%	2.71%	N/A	N/A	6.76%	(0.00)	0.84	8.04%	0.19	0.02	9.36%	0.84	0.47	N/A	N/A	N/A
Real Assets																				
Real Estate	-4.50%	-3.71%	3.38%	-2.38%	5.09%	-2.17%	3.97%	0.51%	11.87%	(0.38)	(0.96)	11.55%	0.29	(0.76)	15.18%	0.33	(0.72)	22.16%	0.12	0.17
Natural Resources	-32.58%	-12.72%	-18.11%	-7.55%	-13.42%	-4.97%	-5.90%	-2.12%	21.84%	(1.49)	(1.24)	17.17%	(1.06)	(1.02)	18.06%	(0.75)	(0.83)	21.88%	(0.33)	(0.38)
Equity																				
Developed Markets	-0.42%	0.45%	13.28%	3.64%	11.29%	3.70%	6.17%	1.49%	13.20%	(0.04)	0.11	10.07%	1.31	0.94	11.47%	0.98	1.01	15.16%	0.33	0.39
Emerging Markets	-5.67%	9.25%	0.46%	7.22%	0.21%	5.01%	4.45%	0.84%	15.27%	(0.37)	2.02	13.04%	0.03	1.60	15.65%	0.01	1.14	21.72%	0.15	0.18
MCC subtotal	-7.07%	1.11%	2.10%	2.50%	2.61%	2.02%	N/A	N/A	10.56%	(0.67)	0.41	8.51%	0.24	1.05	10.22%	0.25	0.79	N/A	N/A	N/A
Less Correlated and Constrained																				
Fixed Income																				
Investment Grade	0.77%	1.13%	1.97%	-1.95%	3.75%	1.67%	N/A	N/A	10.28%	0.07	0.14	7.09%	0.27	(0.37)	7.16%	0.51	0.25	N/A	N/A	N/A
Credit Related	-3.15%	-2.79%	4.77%	0.84%	6.15%	4.07%	N/A	N/A	4.95%	(0.65)	(1.02)	4.36%	1.08	0.28	4.51%	1.35	1.37	N/A	N/A	N/A
Real Assets																				
Real Estate	2.03%	2.39%	3.80%	-0.13%	3.33%	1.25%	N/A	N/A	4.87%	0.41	0.46	5.56%	0.67	(0.03)	5.82%	0.56	0.23	N/A	N/A	N/A
Natural Resources	-55.72%	-55.36%	-32.38%	-36.31%	-25.04%	-27.12%	N/A	N/A	33.14%	(1.68)	(1.58)	22.11%	(1.47)	(1.58)	18.36%	(1.37)	(1.38)	N/A	N/A	N/A
Equity																				
Developed Markets	1.41%	1.77%	8.79%	4.86%	6.93%	4.85%	N/A	N/A	5.78%	0.24	0.64	5.48%	1.59	1.82	5.45%	1.26	1.91	N/A	N/A	N/A
Emerging Markets	6.70%	7.06%	6.61%	2.68%	3.53%	1.45%	N/A	N/A	5.88%	1.13	1.25	6.21%	1.06	0.45	5.65%	0.61	0.29	N/A	N/A	N/A
LCC subtotal	0.99%	1.35%	7.16%	3.23%	6.11%	4.02%	6.40%	5.62%	5.32%	0.18	0.62	4.79%	1.48	1.67	4.62%	1.30	2.25	6.10%	0.85	2.43
Private Investments																				
Fixed Income																				
Investment Grade	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Credit Related	5.72%	-5.02%	11.66%	-2.60%	11.13%	-3.19%	N/A	N/A	2.00%	2.83	(0.91)	2.74%	4.24	(0.65)	3.72%	2.97	(0.61)	0.00%	N/A	N/A
Real Assets																				
Real Estate	18.95%	8.21%	17.79%	3.54%	11.63%	-2.70%	N/A	N/A	6.43%	2.94	1.86	6.87%	2.58	0.57	6.49%	1.78	(0.42)	0.00%	N/A	N/A
Natural Resources	-9.61%	-20.35%	6.84%	-7.41%	15.68%	1.36%	N/A	N/A	4.86%	(1.99)	(3.83)	7.07%	0.96	(1.07)	10.99%	1.42	0.12	0.00%	N/A	N/A
Equity																				
Developed Markets	26.21%	15.47%	19.85%	5.60%	19.00%	4.68%	N/A	N/A	12.21%	2.14	1.78	7.83%	2.53	0.91	7.24%	2.62	0.75	0.00%	N/A	N/A
Emerging Markets	1.35%	-9.39%	3.13%	-11.12%	2.03%	-12.29%	N/A	N/A	7.77%	0.17	(1.22)	5.43%	0.57	(1.93)	5.15%	0.38	(2.13)	0.00%	N/A	N/A
Private Investment subtotal	10.66%	-0.09%	13.76%	-0.49%	13.94%	-0.38%	11.98%	0.40%	6.22%	1.71	(0.02)	4.52%	3.03	(0.15)	4.68%	2.96	(0.09)	6.45%	1.66	0.06
Total Before Insurance, Tactical, Hedging Derivatives and Gold																				
Insurance, Tactical and Hedging Derivatives Impact on Total Return	-0.03%	-0.03%	-0.17%	-0.17%	-0.49%	-0.49%	-0.23%	-0.23%												
Gold Impact on Total Return	-0.24%	-0.24%	-0.66%	-0.66%	-0.35%	-0.35%	-0.17%	-0.17%												
Grand Total	0.41%	0.72%	6.19%	1.23%	5.90%	1.28%	5.64%	1.65%	4.97%	0.07	0.37	4.76%	1.29	0.70	5.47%	1.06	0.60	8.13%	0.54	0.71

Returns vs Projected Returns



Returns vs. Market



Trailing Annualized Returns Period Ending December 31, 2015

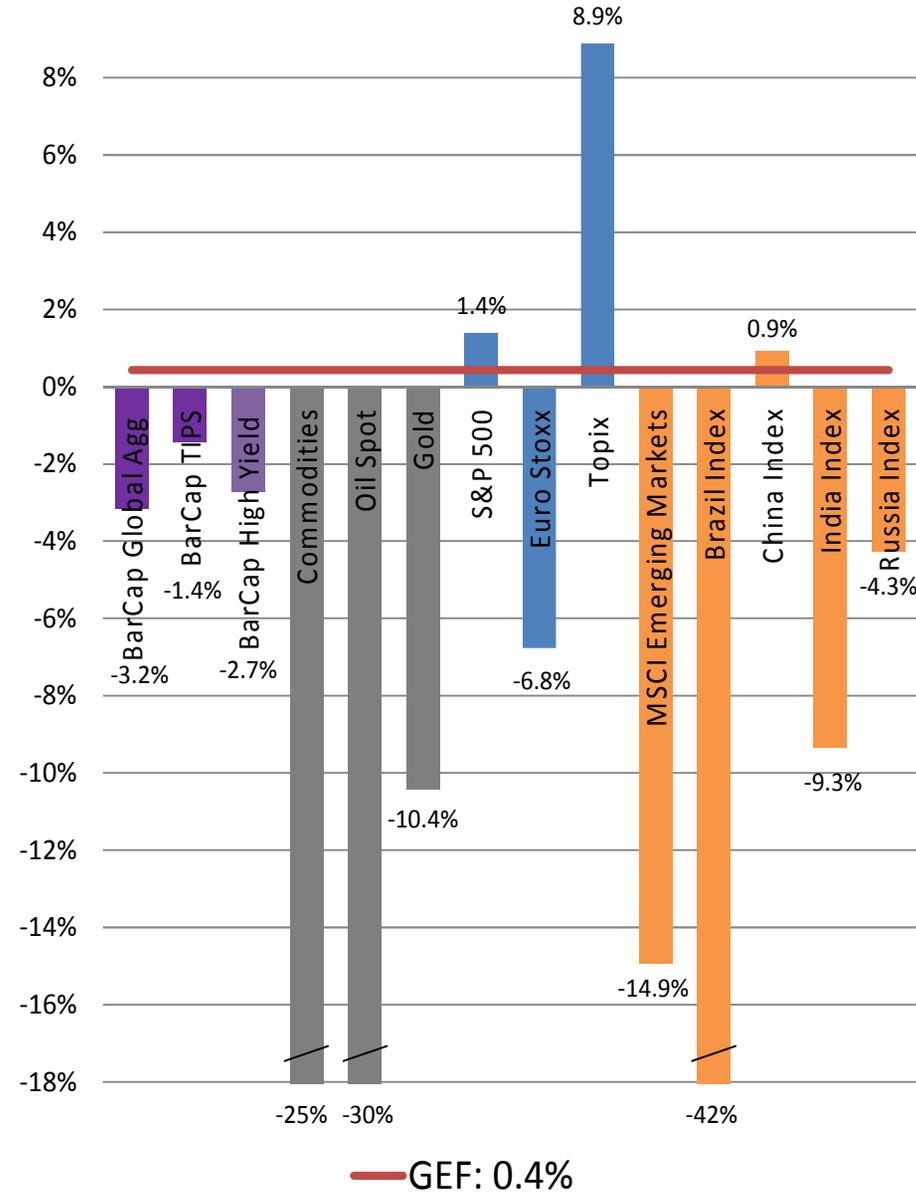
	One Year	Three Years	Five Years	Seven Years	Ten Years
UT Endowments	0.38%	6.16%	5.87%	9.15%	5.61%
60% Stocks / 40% Bonds	1.28%	9.62%	8.95%	10.70%	6.48%
Stocks	1.38%	15.13%	12.57%	14.81%	7.31%
Bonds	0.55%	1.44%	3.25%	4.09%	4.51%
Treasury Bills	0.03%	0.04%	0.05%	0.07%	1.10%

Market Performance During CY2015

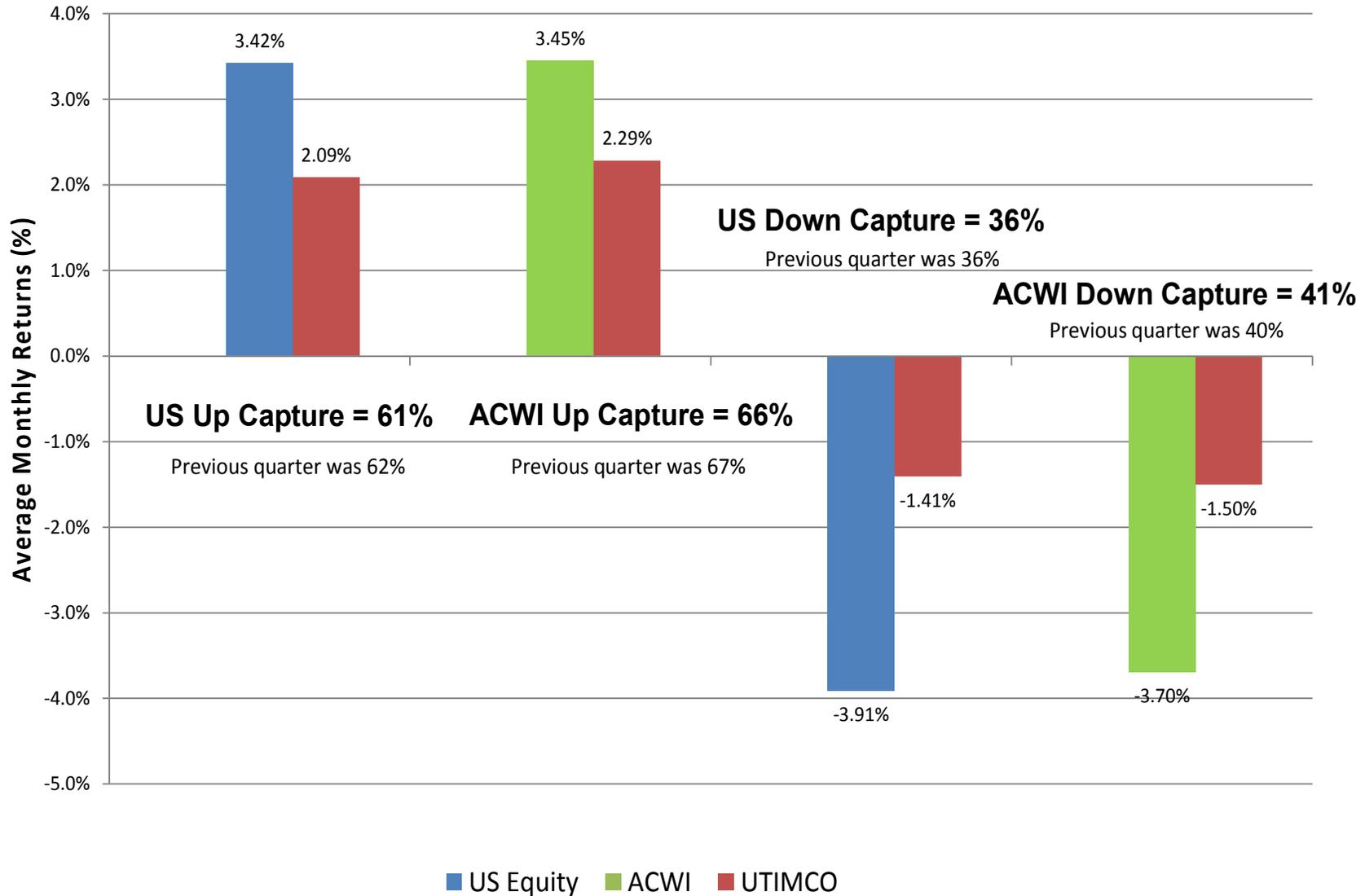


Sensitivity Analysis (beta)

All Equities	0.652
U.S. Equities	0.571
Interest Rates	(0.307)
Currencies	(0.140)



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



Data from 8/1996 till 12/2015. US equity had 93 down months and 140 up months; ACWI had 98 down months and 135 up months

Active Management Value Add Attribution

Periods Ending December 31, 2015



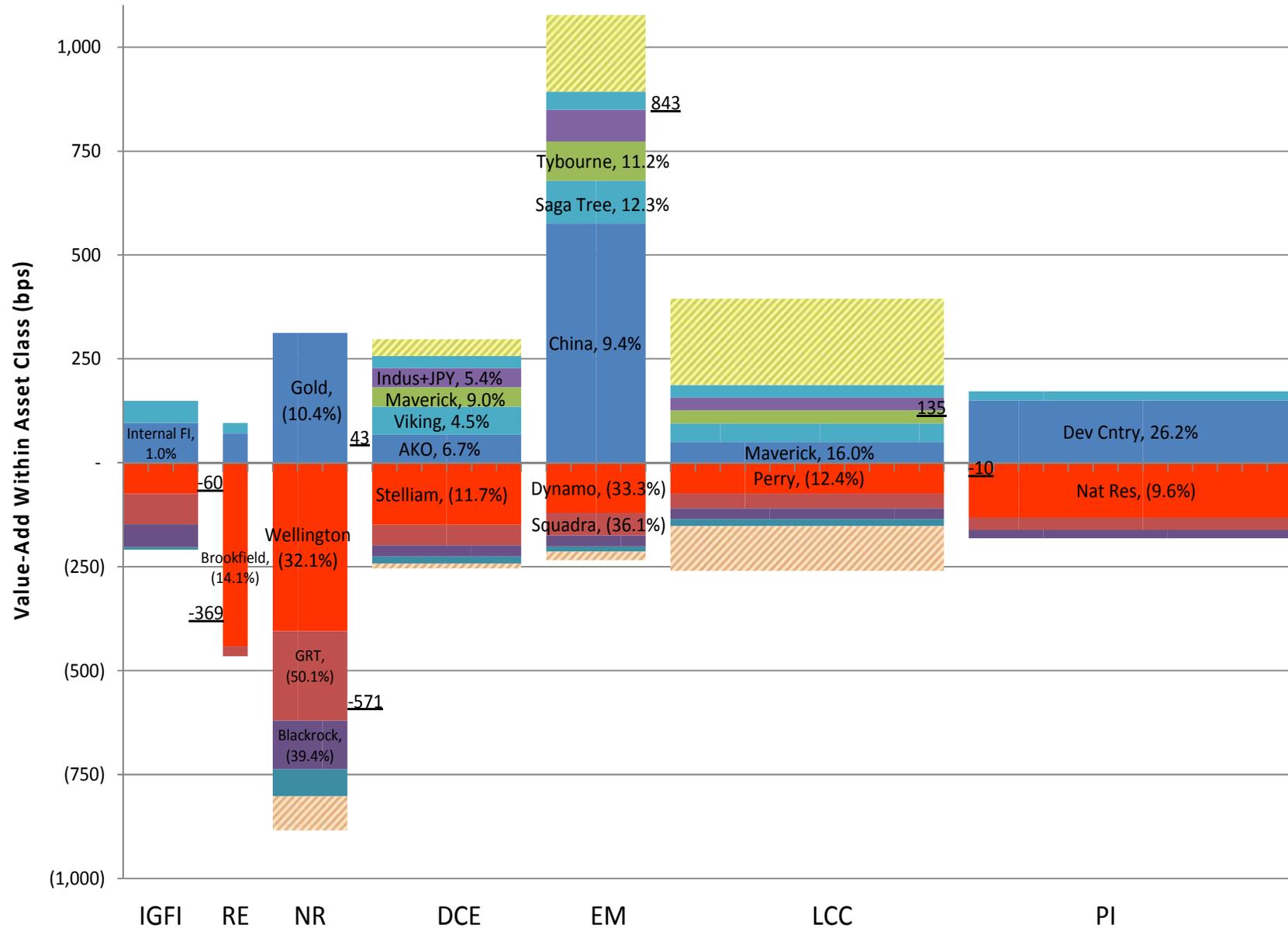
	One Year	Three Years	Five Years
External Manager			
MCC	0.36%	1.05%	0.91%
LCC	0.50%	0.92%	1.14%
Private Markets	0.05%	-0.11%	-0.09%
Total External Manager	0.91%	1.86%	1.96%
Tactical Allocation:			
Gold	0.00%	-0.51%	-0.27%
Other	-0.14%	-0.01%	-0.07%
Total Tactical Allocation	-0.14%	-0.52%	-0.34%
Insurance Hedges	-0.03%	-0.02%	-0.25%
Total Value Add	0.74%	1.32%	1.37%

Current Tactical Allocation

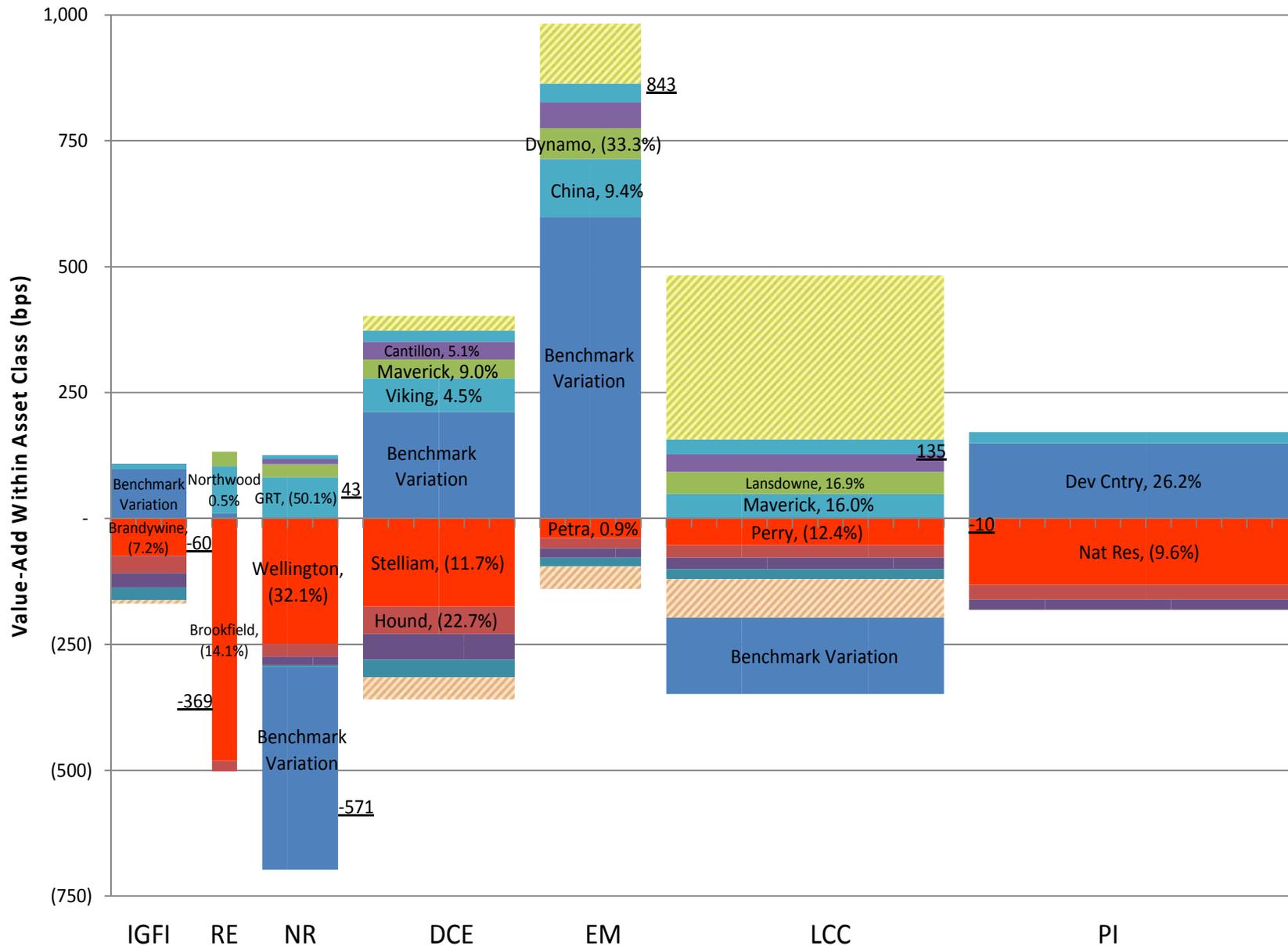


	Underweight	Overweight	Net Tactical Position
MCC IGFI	–	0.2%	0.2%
LCC	0.1%	–	(0.1%)
PI Credit	–	0.2%	0.2%
<u>RE</u>			
MCC	0.1%	–	(0.1%)
Privates	<u>–</u>	<u>0.3%</u>	<u>0.3%</u>
TOTAL	<u>0.1%</u>	<u>0.3%</u>	<u>0.2%</u>
<u>Nat Res</u>			
MCC	2.2%	–	(2.2%)
Privates	<u>–</u>	<u>0.3%</u>	<u>0.3%</u>
TOTAL	<u>2.2%</u>	<u>0.3%</u>	<u>(1.9%)</u>
<u>DCE</u>			
MCC	0.2%	–	(0.2%)
Privates	<u>–</u>	<u>1.1%</u>	<u>1.1%</u>
TOTAL	<u>0.2%</u>	<u>1.1%</u>	<u>0.9%</u>
<u>EM</u>			
MCC	–	0.2%	0.2%
Privates	<u>–</u>	<u>0.3%</u>	<u>0.3%</u>
TOTAL	<u>0.0%</u>	<u>0.5%</u>	<u>0.5%</u>
TOTAL	<u>2.6%</u>	<u>2.6%</u>	<u>0.0%</u>

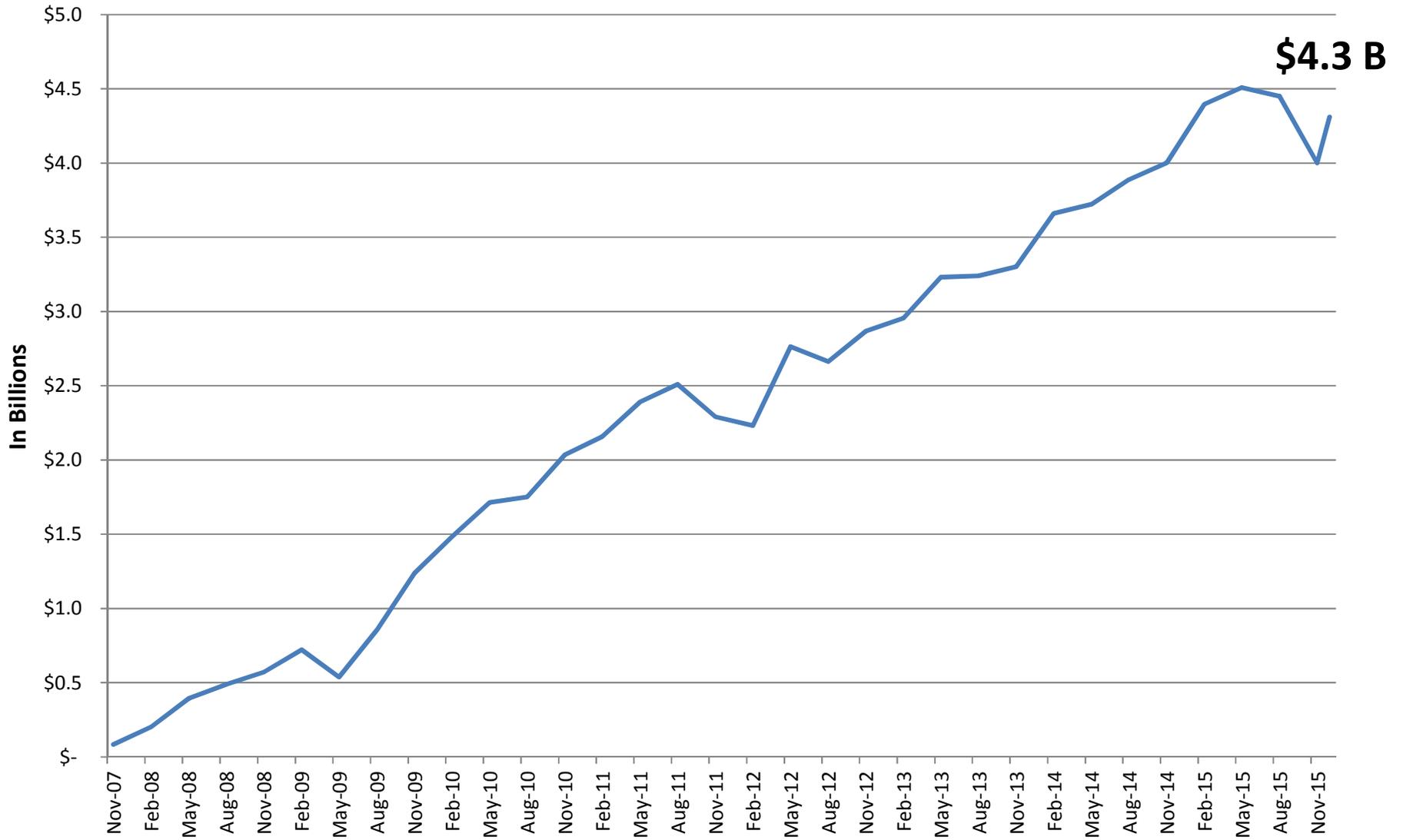
Value-Add Breakdown for CY2015



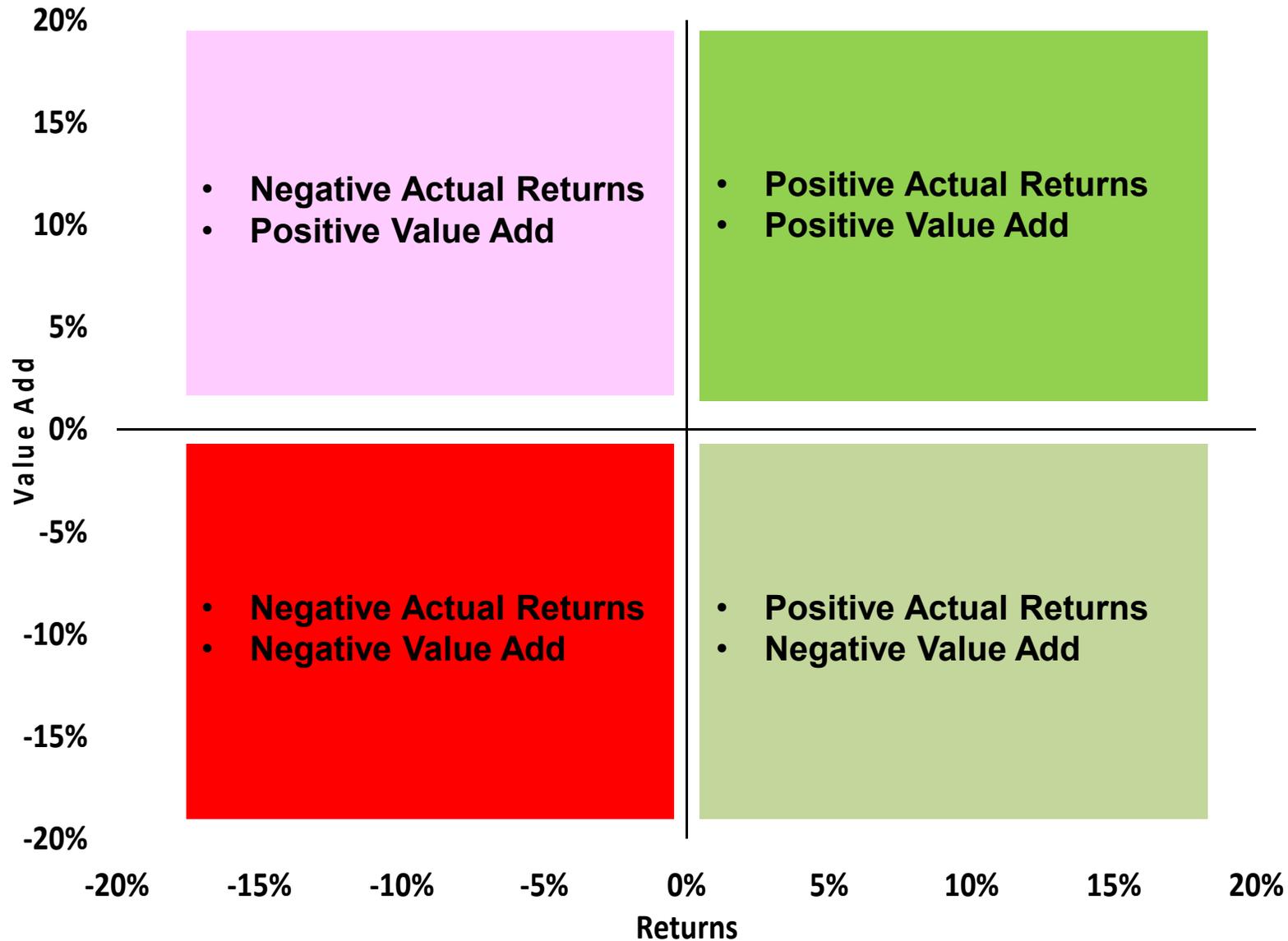
Value-Add Breakdown for CY2015



Cumulative Value Add

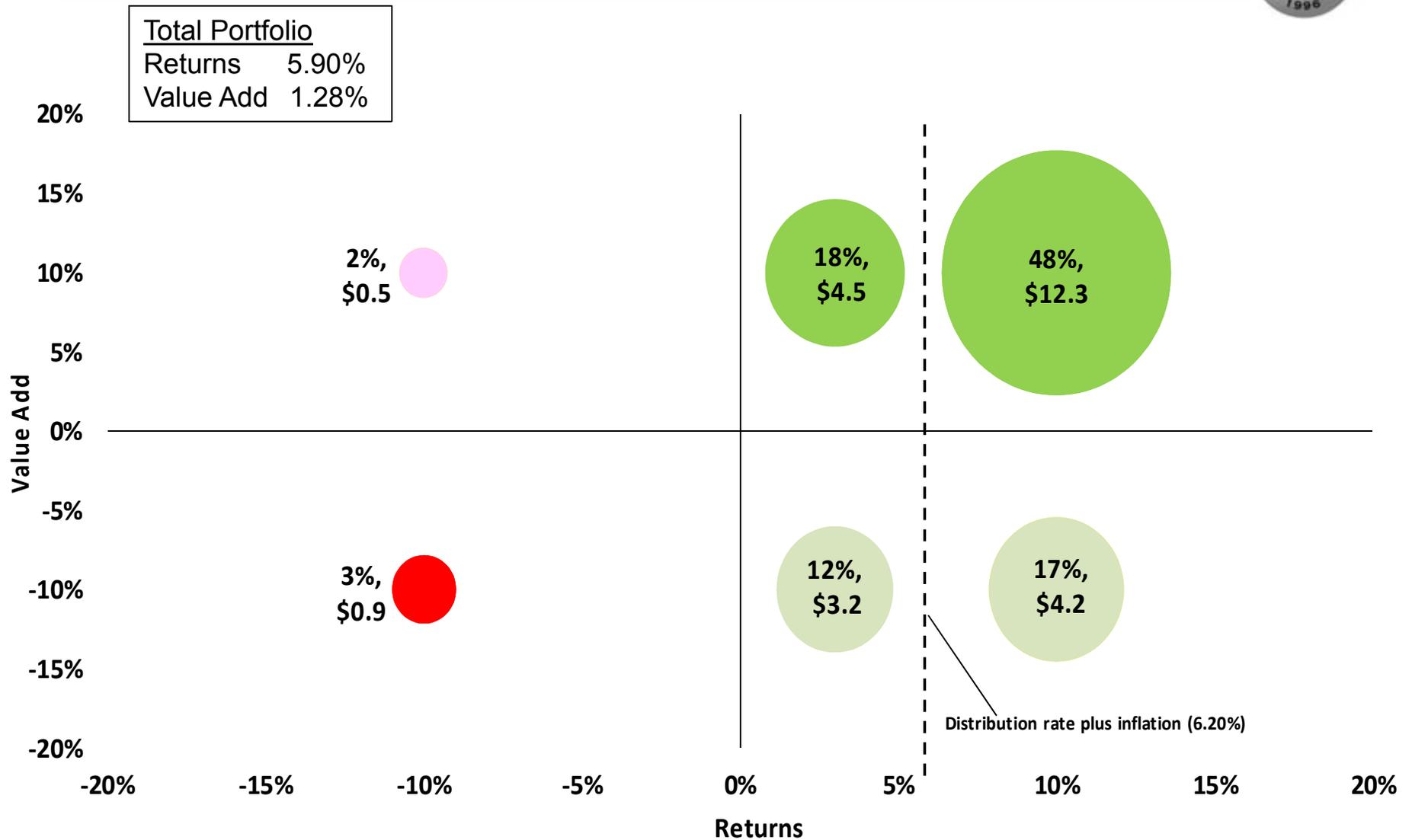


Returns and Value Add



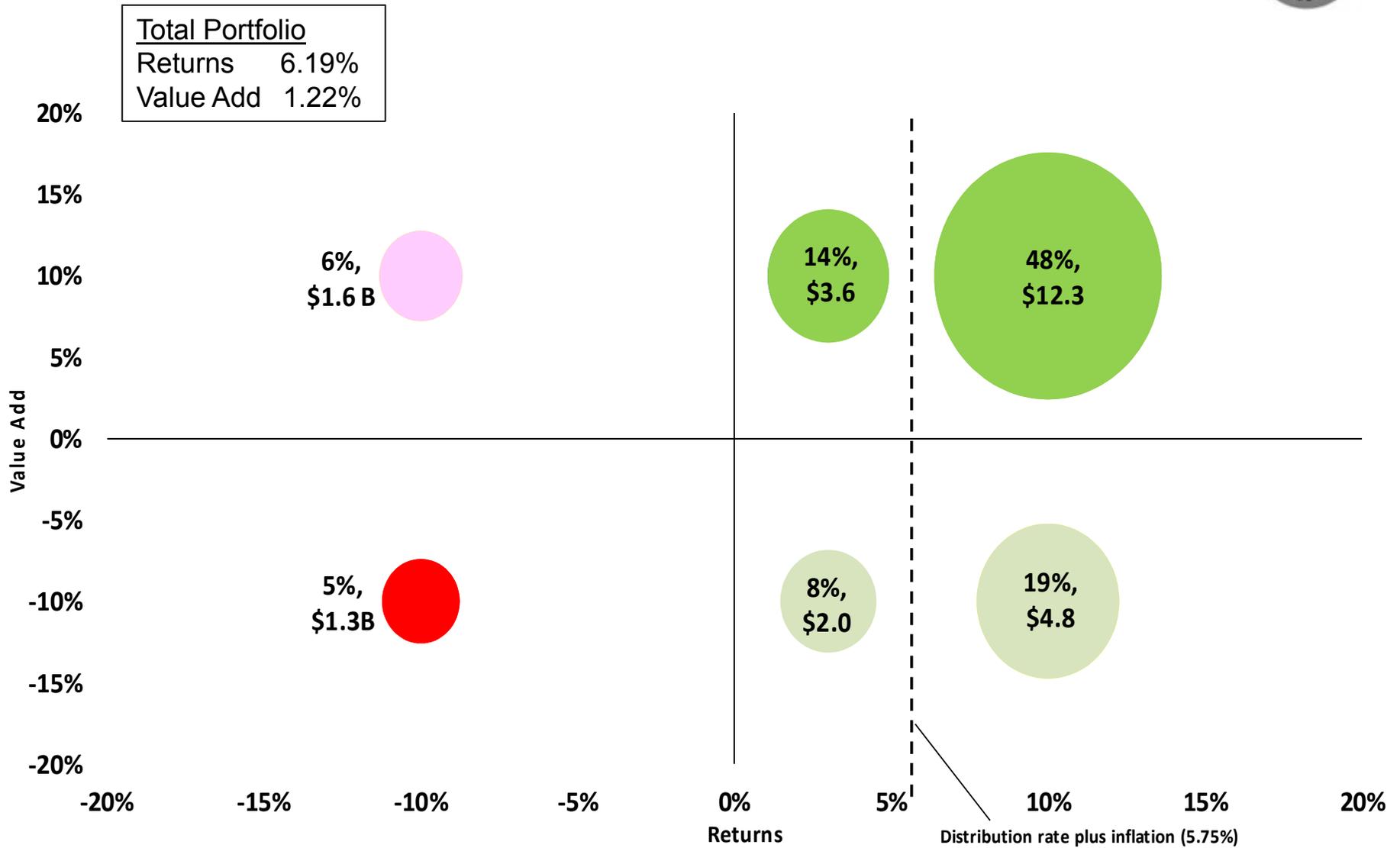
Returns and Value Add

Five Years Ended December 31, 2015



Returns and Value Add

Three Years Ended December 31, 2015

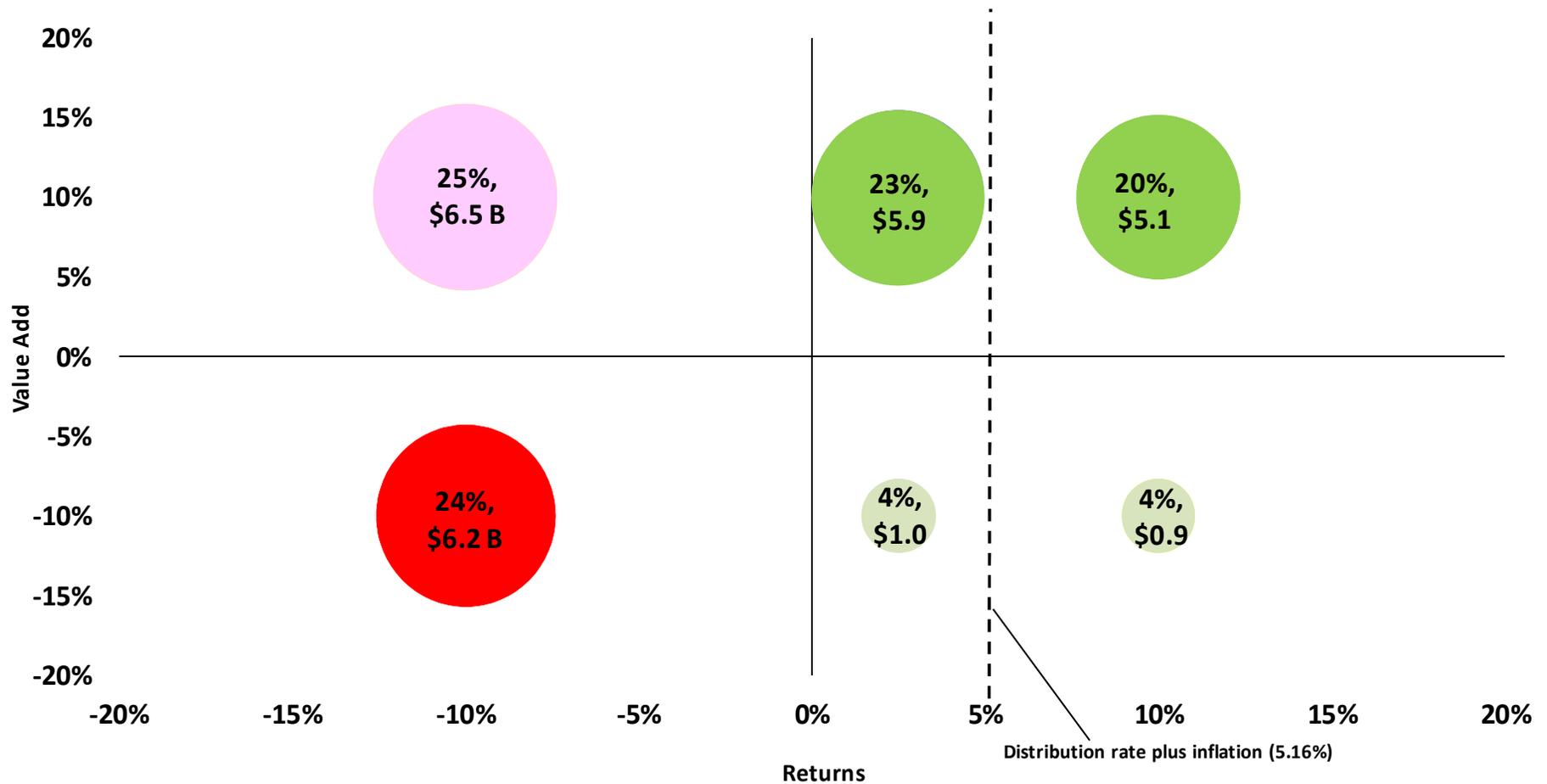


Returns and Value Add

One Year Ended December 31, 2015

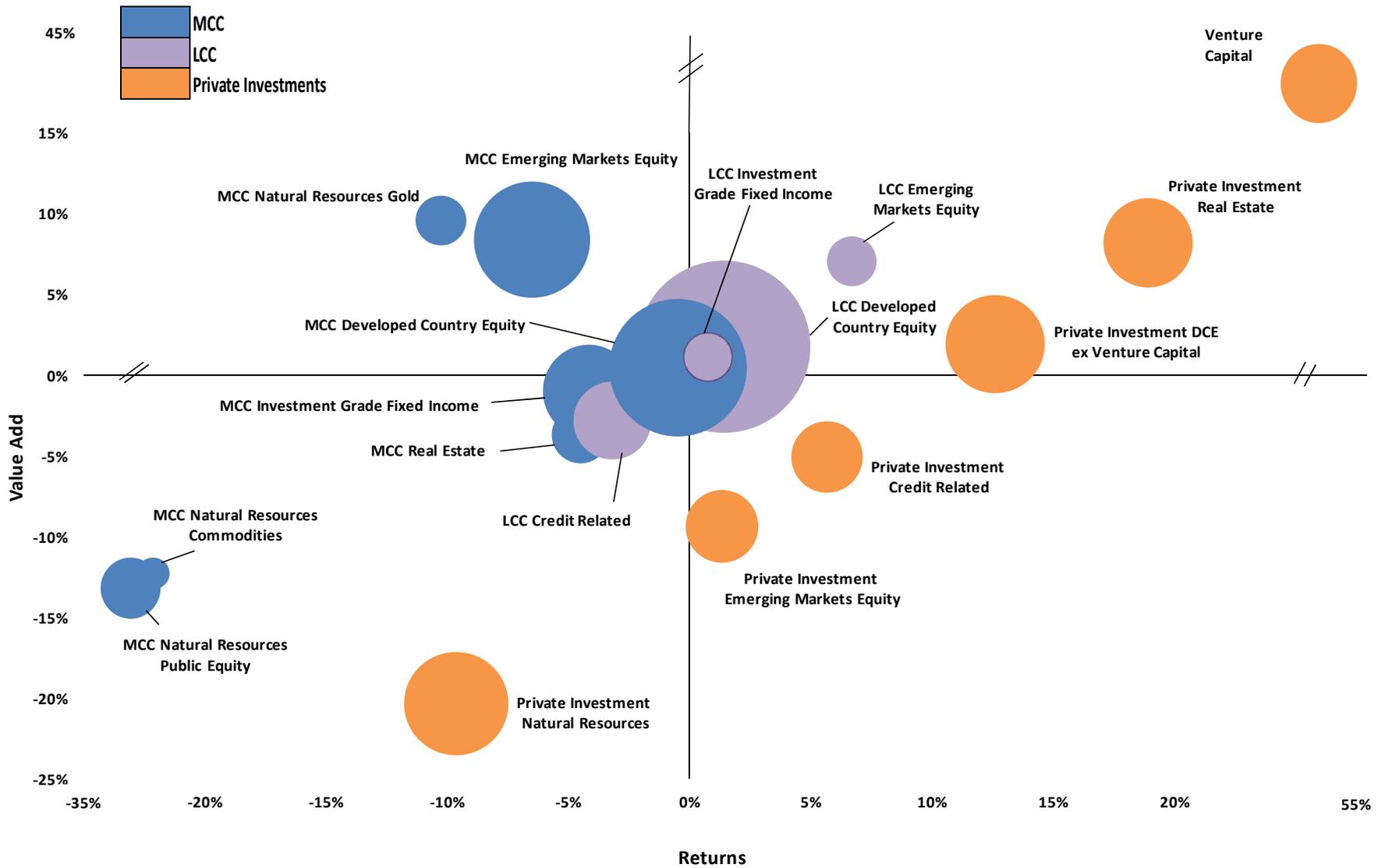


<u>Total Portfolio</u>	
Returns	0.41%
Value Add	0.72%



Returns and Value Add

One Year Ended December 31, 2015



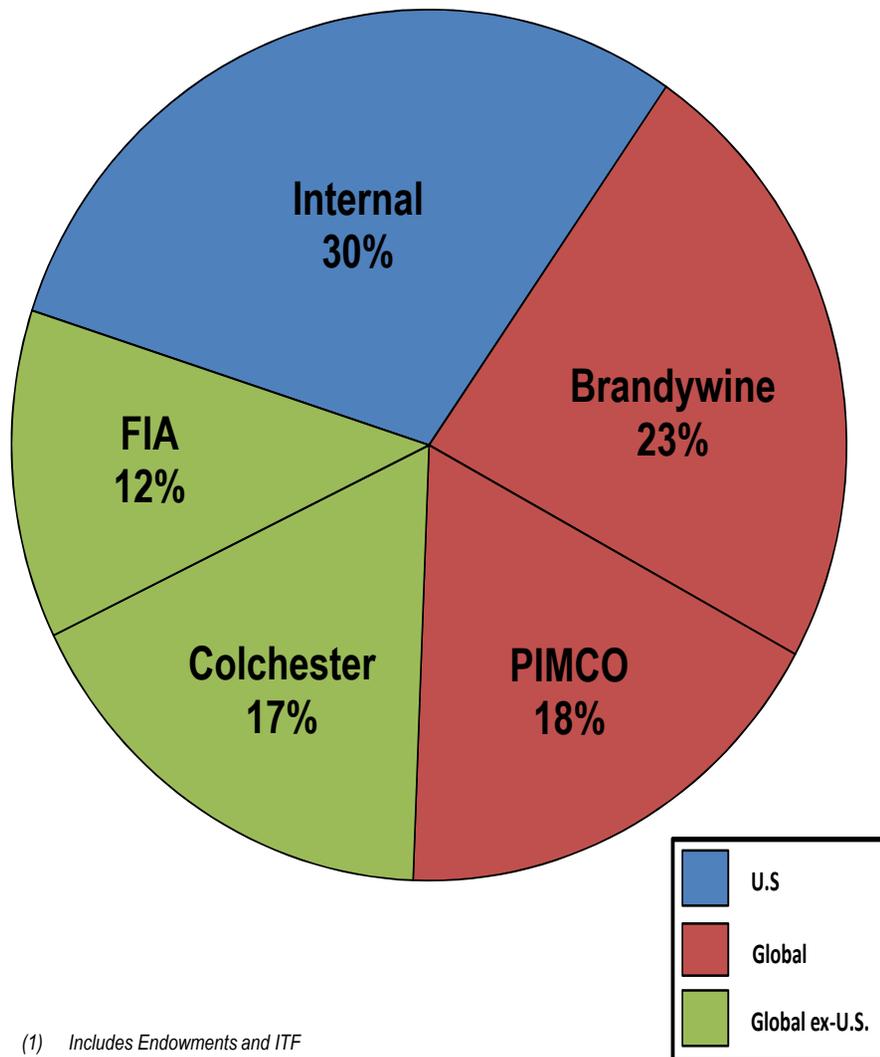


- **Negative Actual Returns**
- **Negative Value Add**

MCC (Long Only) – Investment Grade Fixed Income



\$3.7 Billion⁽¹⁾

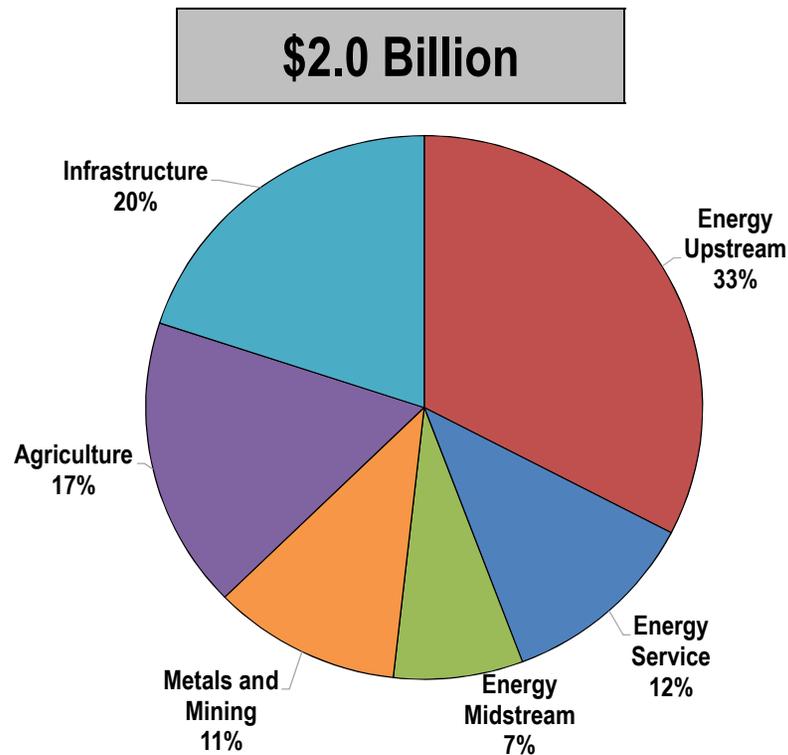


(1) Includes Endowments and ITF

Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return	-4.6%	-1.2%	2.3%	4.6%
Benchmark Return	-3.2%	-1.7%	0.9%	2.4%
Value Add	-1.4%	0.6%	1.4%	2.2%
Actual Standard Deviation	2.9%	3.9%	3.9%	4.9%
Benchmark Standard Deviation	3.1%	4.0%	4.1%	5.2%
Sharpe Ratio	-1.6	-0.3	0.6	0.9
Information Ratio	-0.7	0.3	0.9	1.2

- Solid seven year Actual Returns; weak Actual Returns over the past three years
- Strong Value Add over the long term; underperformed in 2015

Private Investments - Natural Resources



- One year Actual Returns are negative, but longer term returns are positive
- Strong Value Add during all periods
- NR Private Investments has \$1.9 B of unfunded commitments to be invested in an attractive portion of the cycle

(1) Cambridge Associates Natural Resources Private Equity Index

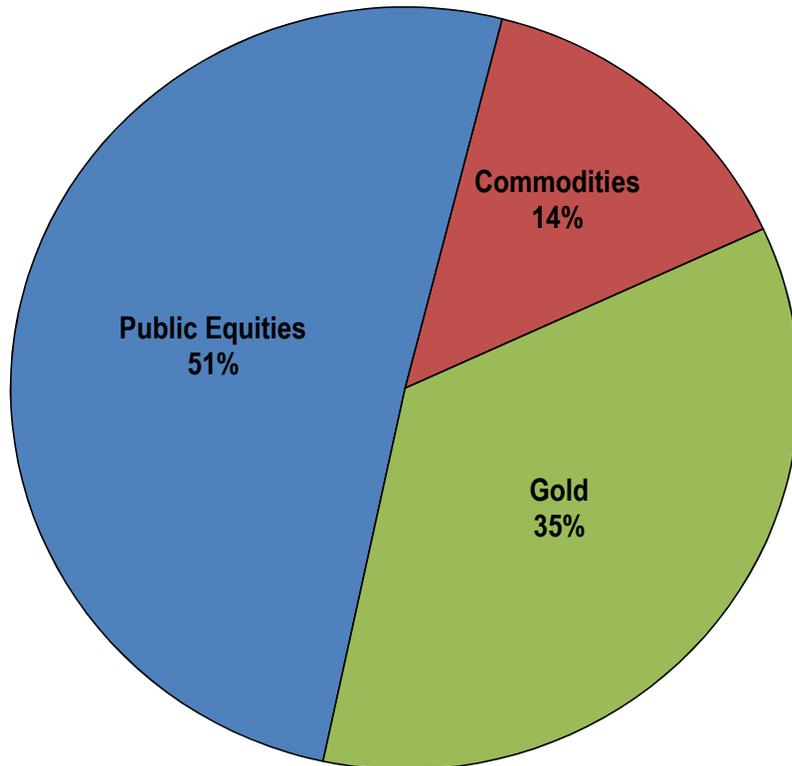
Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	-9.8%	6.8%	15.6%	12.7%
<u>General Benchmark</u>	<u>10.7%</u>	<u>14.1%</u>	<u>14.3%</u>	<u>9.5%</u>
Value Add	-20.5%	-7.4%	1.3%	3.2%
<u>Specific Benchmark ⁽¹⁾</u>	<u>-15.0%</u>	<u>-3.6%</u>	<u>1.4%</u>	<u>4.6%</u>
Value Add	5.2%	10.4%	14.2%	8.2%

\$ in millions	Net Asset Value	Unfunded Commitments
Energy		
NAM Upstream	\$429	\$325
Other Upstream	226	210
Midstream	151	214
<u>Energy Service</u>	<u>234</u>	<u>232</u>
Total Energy	1,040	981
Mining	220	183
Agriculture	348	239
Infrastructure	401	496
Total	<u>\$2,009</u>	<u>\$1,899</u>

MCC (Long Only) – Natural Resources



\$1.7 Billion⁽¹⁾



- Portfolio drawdown of growth oriented strategies over the last 18 months has turned historical Actual Returns and Value Add negative

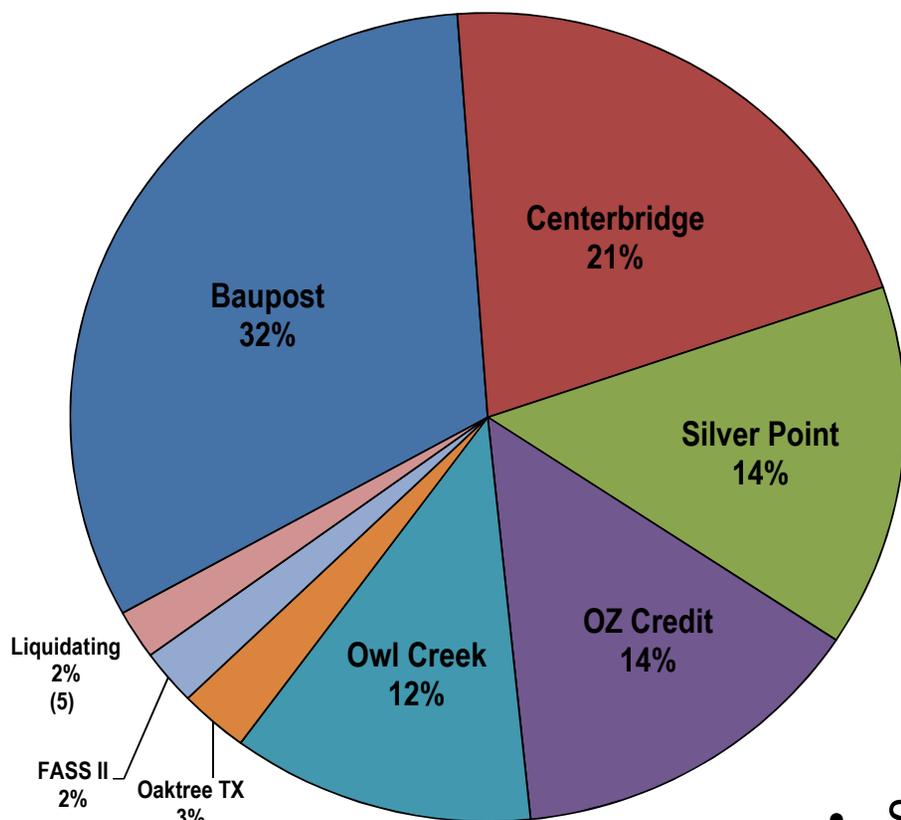
(1) Includes Endowments and ITF

Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Public Equities (\$855 million)</u>				
Actual Return	-33.0%	-15.4%	-12.3%	0.2%
Benchmark	<u>-25.5%</u>	<u>-10.4%</u>	<u>-7.6%</u>	<u>0.9%</u>
Value Add	-7.6%	-5.0%	-4.6%	-0.6%
Actual Standard Deviation	28.4%	22.2%	23.4%	24.8%
Benchmark Standard Deviation	22.6%	17.8%	19.5%	21.1%
Sharpe Ratio	-1.3	-0.8	-0.7	-0.1
Information Ratio	-0.7	-0.6	-0.6	-0.1
<u>Commodities (\$239 million)</u>				
Actual Return	-32.1%	-20.7%	-14.6%	-5.8%
Benchmark	<u>-24.7%</u>	<u>-17.3%</u>	<u>-13.5%</u>	<u>-5.5%</u>
Value Add	-7.5%	-3.4%	-1.1%	-0.3%
Actual Standard Deviation	16.6%	13.7%	14.6%	15.7%
Benchmark Standard Deviation	14.7%	12.5%	14.5%	15.8%
Sharpe Ratio	-2.1	-1.7	-1.2	-0.6
Information Ratio	-1.4	-0.9	-0.3	-0.1
<u>Gold (\$594 million)</u>				
Actual Return	-10.3%	-13.9%	-5.6%	

LCC (Hedge Funds) – Credit Related Fixed Income



\$1.6 billion⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Returns	-3.1%	4.8%	6.2%	11.5%
General Benchmark	-0.4%	3.9%	2.1%	3.9%
Value Add	-2.8%	0.8%	4.1%	7.6%
Specific Benchmark ⁽²⁾	-8.0%	1.1%	2.3%	7.0%
Value Add	4.9%	3.6%	3.9%	4.5%
Actual Standard Deviation	4.7%	4.2%	4.4%	5.5%
General Benchmark Standard Deviation	4.1%	3.7%	4.0%	4.1%
Specific Benchmark Standard Deviation	4.9%	5.0%	5.4%	5.9%
Sharpe Ratio	-0.7	1.1	1.4	2.1
Information Ratio ⁽³⁾	1.7	1.6	1.7	1.8

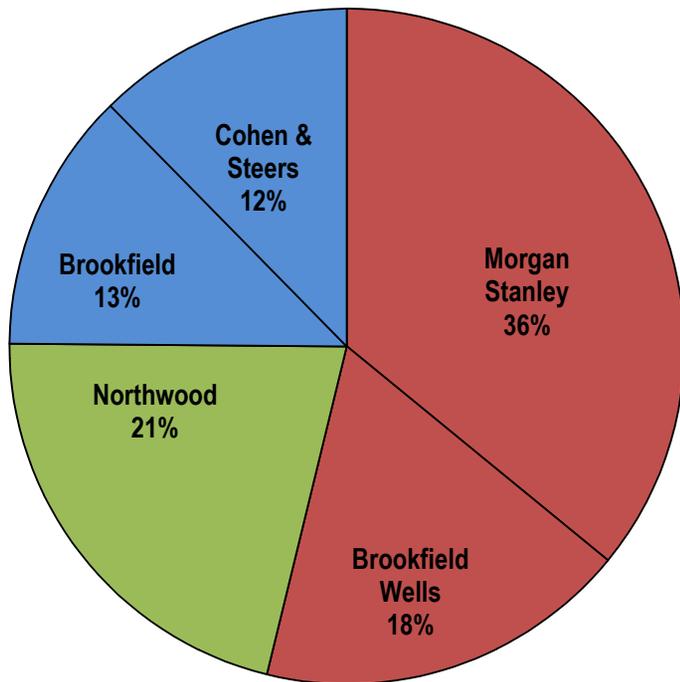
- Strong Actual Returns over long periods; loss in 2015
- Consistent Value Add

(1) Includes Endowments and ITF
 (2) HFRI ED: Distressed/Restructuring Index
 (3) Versus Specific Benchmark

MCC (Long Only) – Real Estate



\$804 Million⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return (Ex Hedges)	-4.5%	3.4%	5.1%	11.8%
Benchmark Return	<u>-0.8%</u>	<u>5.8%</u>	<u>7.3%</u>	<u>13.1%</u>
Value Add	-3.7%	-2.4%	-2.2%	-1.3%
Actual Standard Deviation	11.9%	11.5%	15.2%	20.6%
Benchmark Standard Deviation	12.0%	12.5%	14.7%	19.6%
Sharpe Ratio	-0.4	0.3	0.3	0.5
Information Ratio	-1.0	-0.8	-0.7	-0.4

- Attractive Actual Returns over longer periods though negative in 2015
- Negative Value Add during the past two years



(1) Includes Endowments and ITF

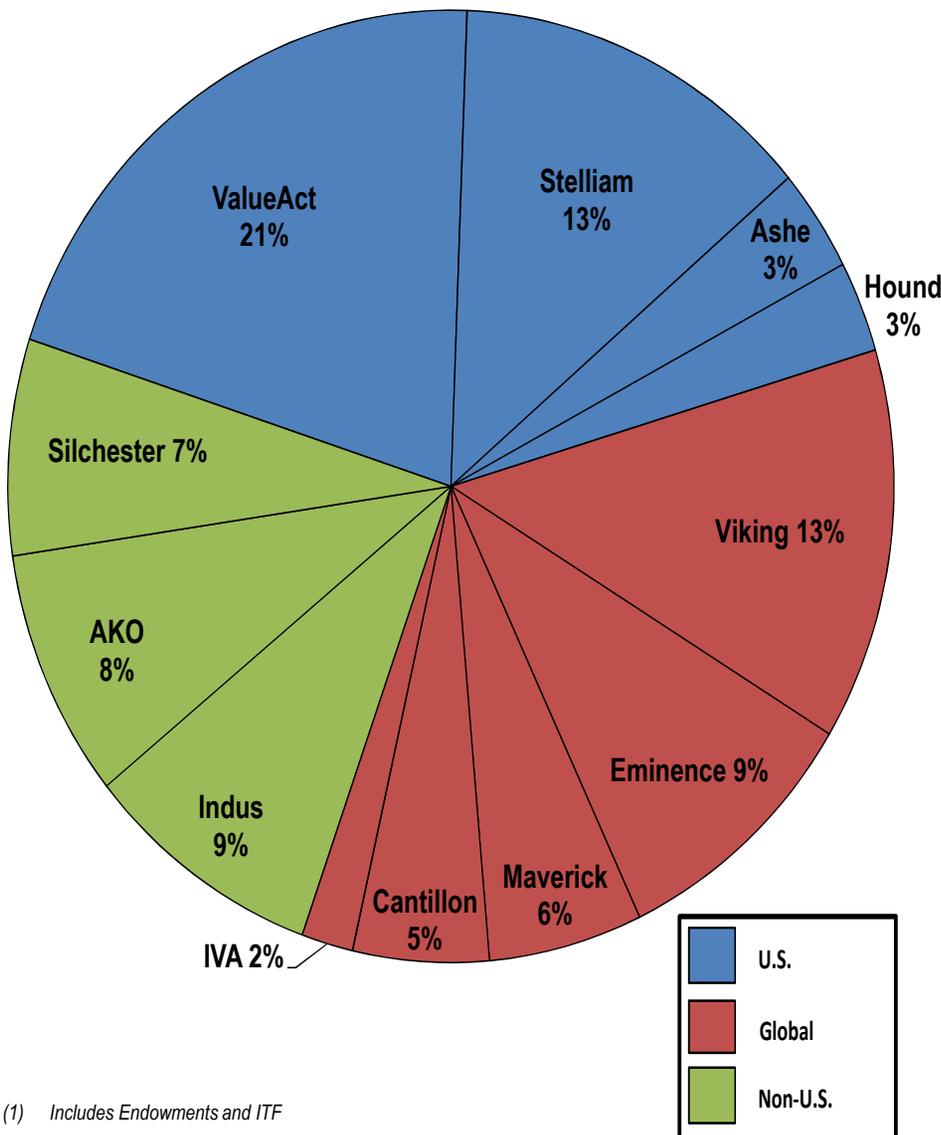


- **Negative Actual Returns**
- **Positive Value Add**

MCC (Long Only) – Developed Country Equities



\$4.1 Billion⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return	-0.4%	13.3%	11.3%	14.5%
Benchmark Return	-0.9%	9.6%	7.6%	11.1%
Value Add	0.4%	3.6%	3.7%	3.3%
Actual Standard Deviation	13.2%	10.1%	11.5%	13.8%
Benchmark Standard Deviation	13.9%	11.0%	12.8%	15.8%
Sharpe Ratio	0.0	1.3	1.0	1.0
Information Ratio	0.1	0.9	1.0	0.8

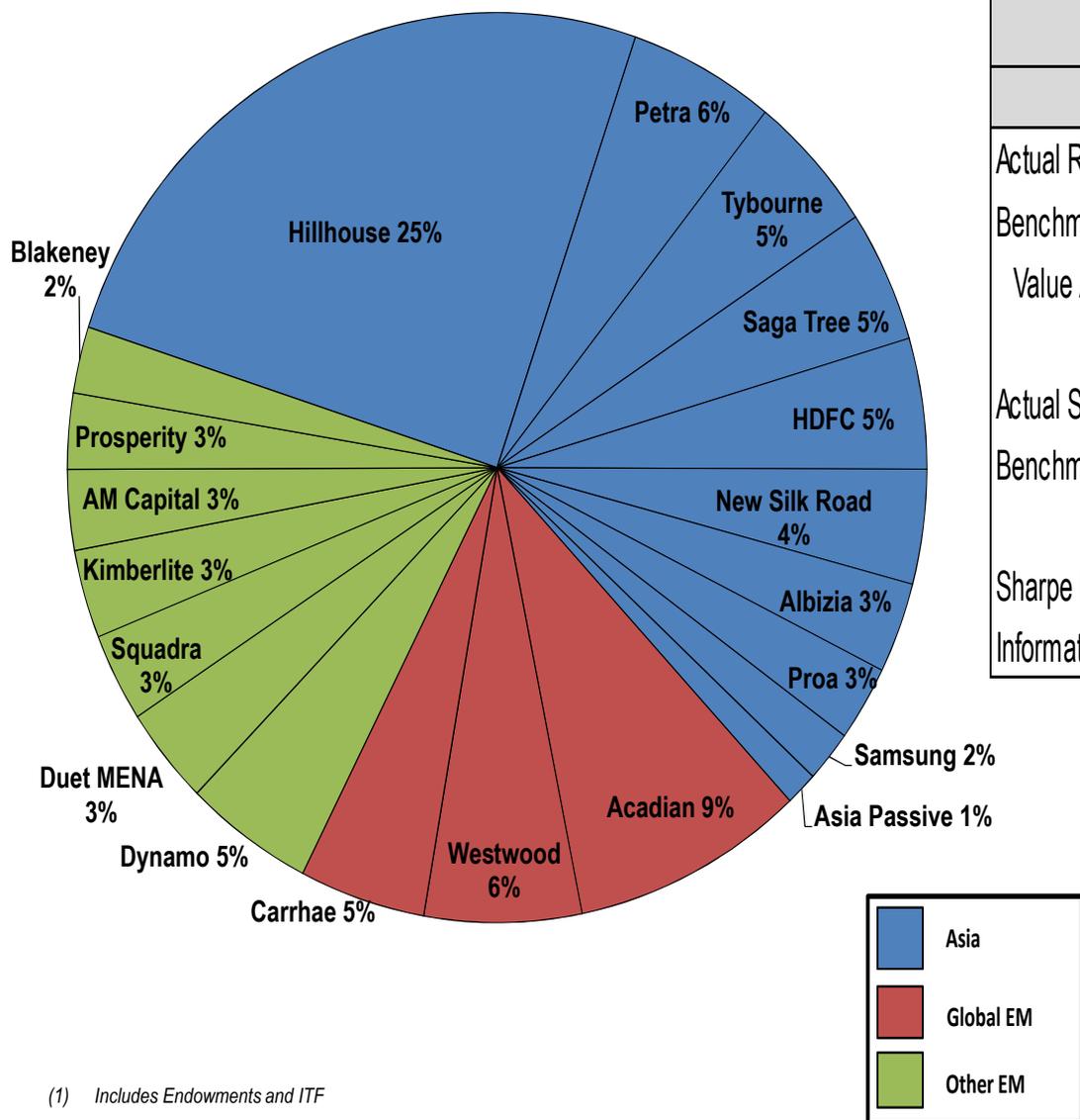
- Strong three, five, and seven year Actual Returns; slight loss in 2015
- Strong three, five, and seven year Value Add; less, though positive, Value Add in 2015

(1) Includes Endowments and ITF

MCC (Long Only) – Emerging Markets Equities



\$2.9 Billion⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return	-6.5%	0.5%	0.2%	10.3%
Benchmark Return	-14.9%	-6.8%	-4.8%	7.5%
Value Add	8.4%	7.2%	5.0%	2.8%
Actual Standard Deviation	15.9%	12.8%	15.5%	18.8%
Benchmark Standard Deviation	17.7%	14.3%	17.8%	21.0%
Sharpe Ratio	-0.4	0.0	0.0	0.5
Information Ratio	1.6	1.5	1.1	0.6

- Solid seven year Actual Returns; weak three and five year Actual Returns, loss in 2015
- Strong Value Add over all periods

(1) Includes Endowments and ITF

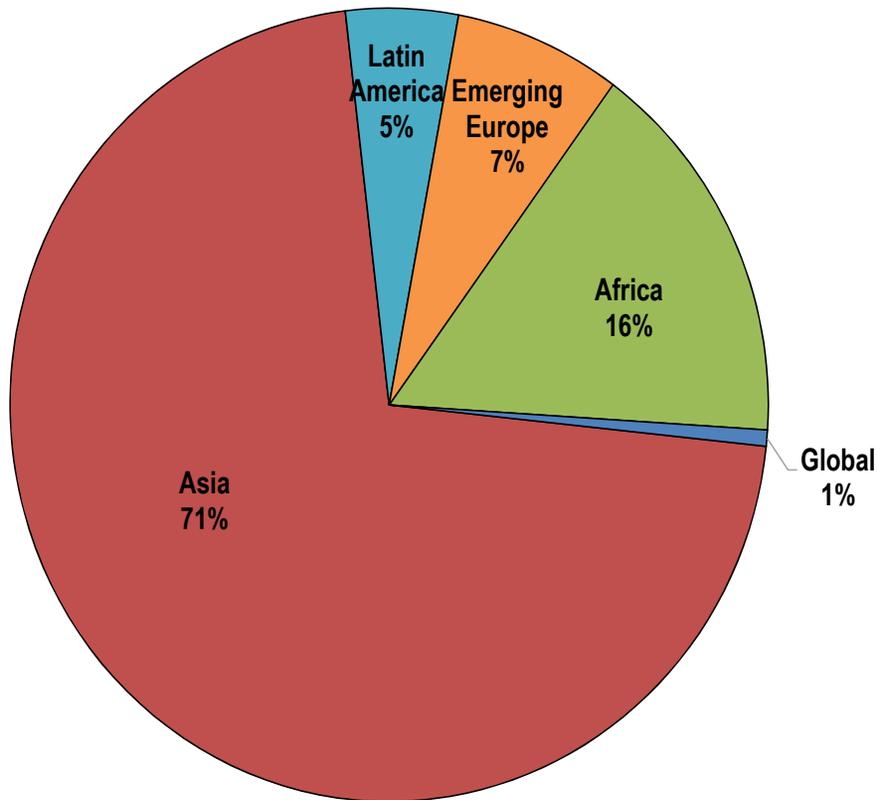


- **Positive Actual Returns**
- **Negative Value Add**

Private Investments - Emerging Markets



\$982 Million



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	1.3%	3.1%	2.0%	4.7%
<u>General Benchmark</u>	<u>10.7%</u>	<u>14.1%</u>	<u>14.3%</u>	<u>9.5%</u>
Value Add	-9.4%	-11.0%	-12.3%	-4.8%
<u>Specific Benchmark ⁽¹⁾</u>	<u>-1.9%</u>	<u>8.7%</u>	<u>6.8%</u>	<u>12.6%</u>
Value Add	3.3%	-5.6%	-4.8%	-7.9%

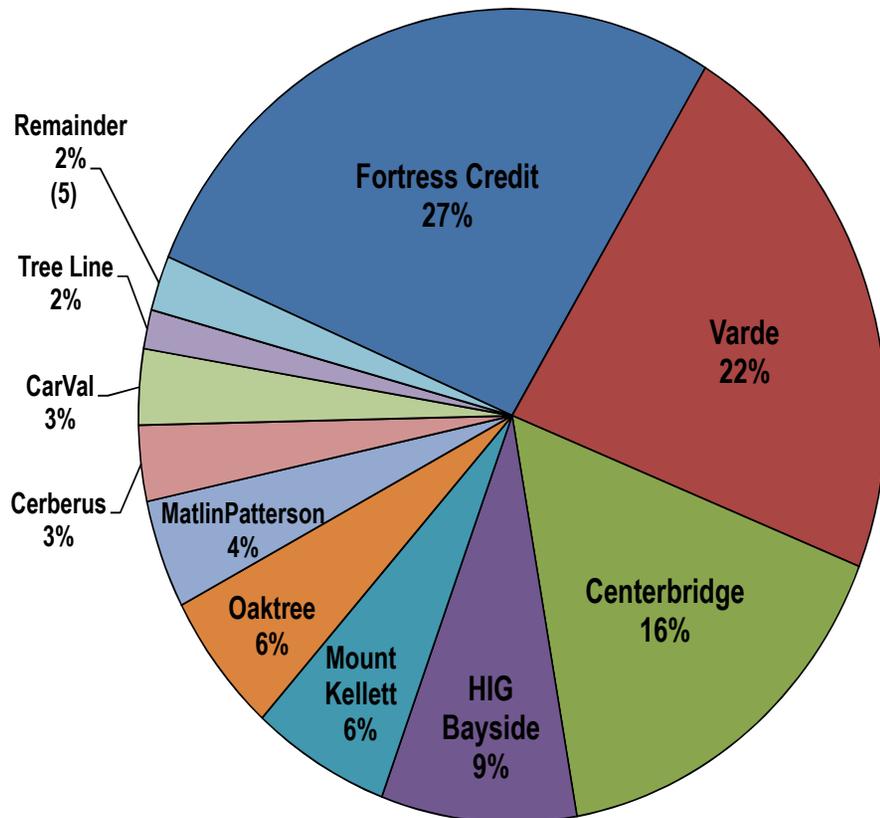
- China represents the largest single country exposure at approximately 36% of the portfolio's Net Asset Value
- Young portfolio (approximately 3.5 years old) which detracts from performance

(1) Cambridge Associates Emerging Markets Private Equity Index

Private Investments – Credit Related Fixed Income



\$949 million⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Returns	5.7%	11.7%	11.1%	13.8%
General Benchmark	10.7%	14.1%	14.3%	9.5%
Value Add	-5.0%	-2.5%	-3.2%	4.3%
Specific Benchmark ⁽²⁾	-8.0%	1.1%	2.3%	7.0%
Value Add	13.7%	10.5%	8.8%	6.8%
Actual Standard Deviation	1.9%	2.7%	3.7%	5.9%
General Benchmark Standard Deviation	8.5%	5.3%	4.7%	6.1%
Specific Benchmark Standard Deviation	4.9%	5.0%	5.4%	5.9%
Sharpe Ratio	2.9	4.3	3.0	2.3
Information Ratio ⁽³⁾	2.8	2.5	1.8	1.1

- Strong Actual Returns in all periods
- Strong Value Add versus Specific Benchmark

(1) Includes Endowments
 (2) HFRI ED: Distressed/Restructuring Index
 (3) Versus Specific Benchmark

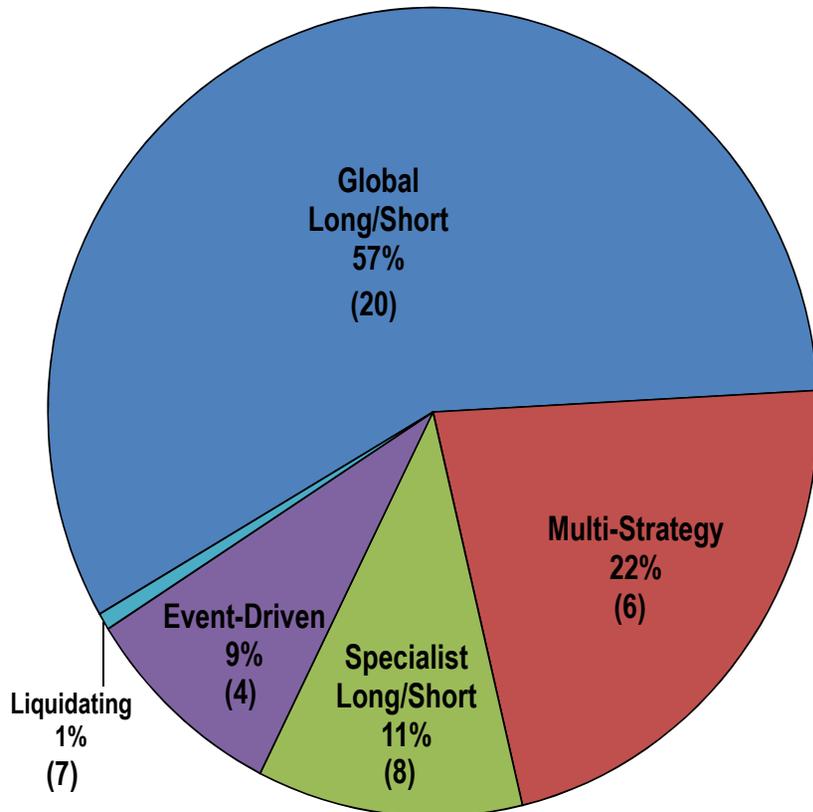


- **Positive Actual Returns**
- **Positive Value Add**

LCC (Hedge Funds) – Developed Country Equity



\$8.0 billion⁽¹⁾



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Returns	1.4%	8.8%	6.9%	8.2%
<u>General Benchmark</u>	<u>-0.4%</u>	<u>3.9%</u>	<u>2.1%</u>	<u>3.9%</u>
Value Add	1.8%	4.8%	4.8%	4.3%
<u>Specific Benchmark⁽²⁾</u>	<u>-0.8%</u>	<u>4.9%</u>	<u>2.6%</u>	<u>6.6%</u>
Value Add	2.2%	3.9%	4.4%	1.6%
Actual Standard Deviation	5.5%	5.4%	5.5%	5.4%
General Benchmark Standard Deviation	4.1%	3.7%	4.0%	4.1%
Specific Benchmark Standard Deviation	6.3%	5.5%	7.0%	7.7%
Sharpe Ratio	0.2	1.6	1.3	1.5
Information Ratio ⁽³⁾	0.5	1.1	1.1	0.3

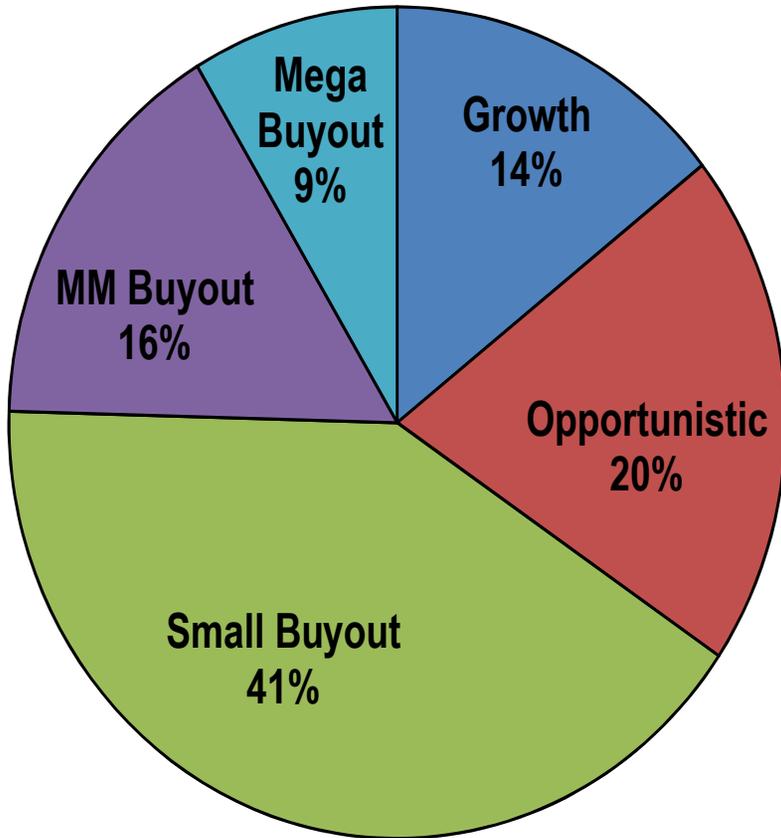
- Strong Actual Returns over longer periods
- Consistent Value Add over time

(1) Includes Endowments and ITF
 (2) HFRI Equity Hedge Index
 (3) Versus Specific Benchmark



Private Investments - Developed Country Equity

\$1.7 Billion



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	12.6%	13.1%	13.5%	8.7%
<u>General Benchmark</u>	10.7%	14.1%	14.3%	9.5%
Value Add	1.9%	-1.0%	-0.8%	-0.7%
<u>Specific Benchmark⁽¹⁾</u>	5.5%	10.9%	10.8%	12.8%
Value Add	7.2%	2.2%	2.7%	-4.1%

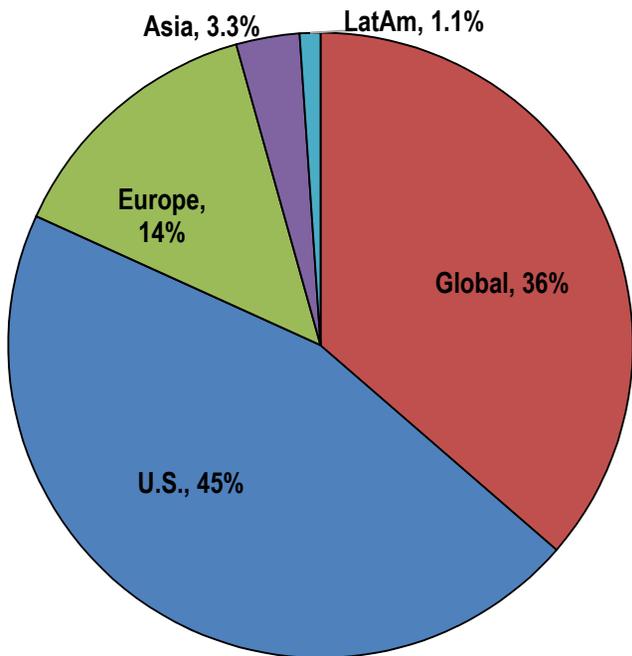
- Strong Actual Returns
- Strong Value Add

1) Cambridge Associates Global PE

Private Investments – Real Estate



\$1.5 Billion



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	18.9%	17.8%	11.6%	4.9%
<u>General Benchmark</u>	10.7%	14.1%	14.3%	9.5%
<i>Value Add</i>	8.2%	3.7%	-2.7%	-4.6%
<u>Specific Benchmark⁽¹⁾</u>	15.0%	14.9%	12.7%	6.7%
<i>Value Add</i>	3.9%	2.9%	-1.0%	-1.8%

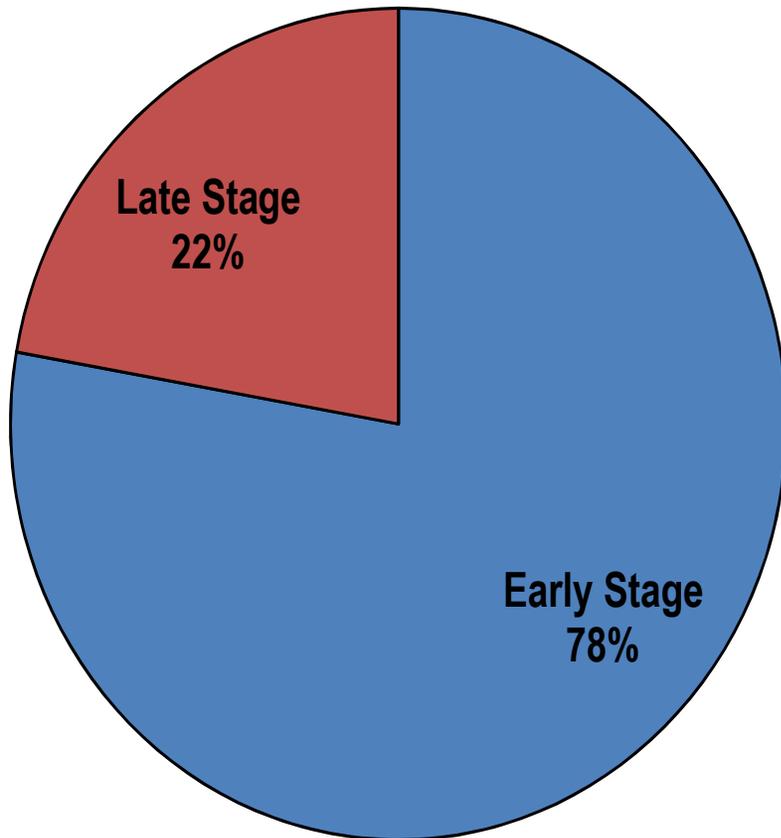
- Strong Actual Returns and Value Add over the one and three year time horizons
- Underperformance over longer term investment horizons due to the relative immaturity of the portfolio

(1) Cambridge Associates – Total Real Estate

Private Investments – Venture Capital



\$1.4 Billion



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	51.5%	31.8%	30.1%	24.8%
<u>General Benchmark</u>	10.7%	14.1%	14.3%	9.5%
Value Add	40.7%	17.7%	15.8%	15.3%
<u>Specific Benchmark⁽¹⁾</u>	11.5%	20.8%	16.2%	14.0%
Value Add	40.0%	11.1%	13.9%	10.8%

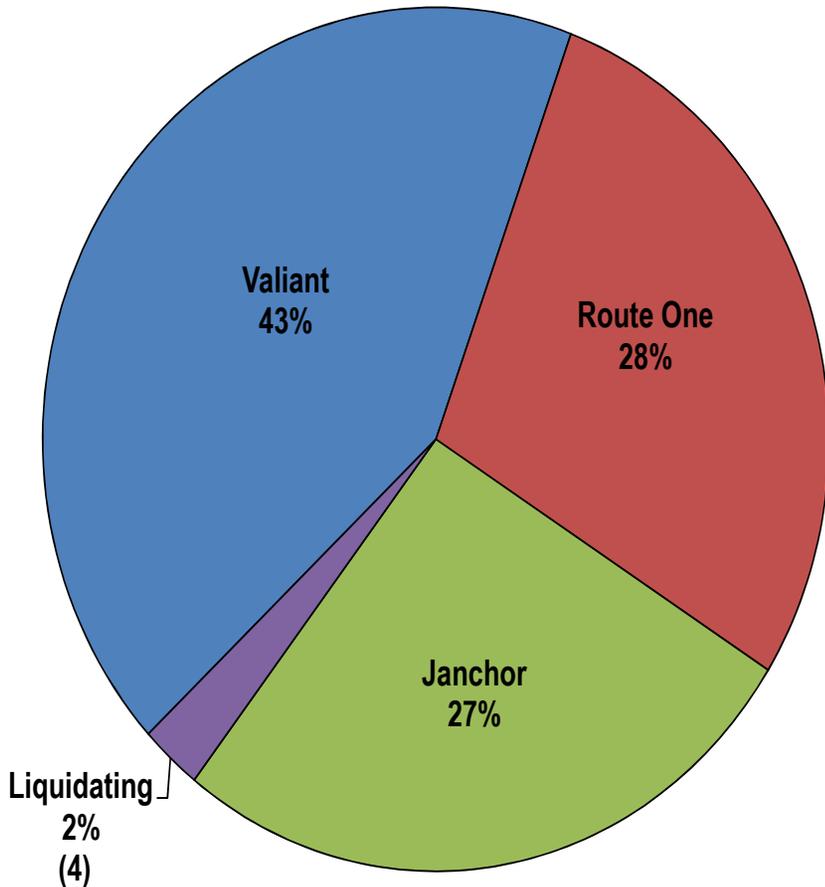
- Strong Actual Returns and Value Add

1) Cambridge Associates Global VC

LCC (Hedge Funds) – Emerging Markets



\$671 million⁽¹⁾

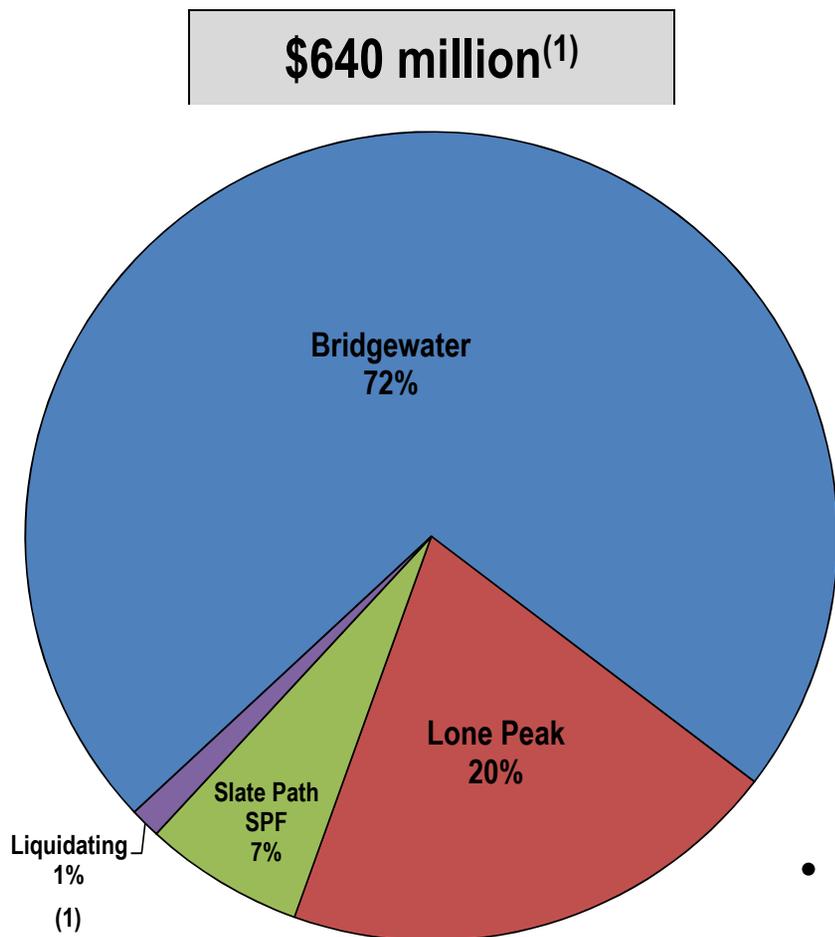


Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Returns	6.7%	6.6%	3.5%	7.2%
General Benchmark	<u>-0.4%</u>	<u>3.9%</u>	<u>2.1%</u>	<u>3.9%</u>
Value Add	7.1%	2.7%	1.5%	3.3%
Specific Benchmark ⁽²⁾	<u>-3.3%</u>	<u>-0.2%</u>	<u>-1.2%</u>	<u>5.7%</u>
Value Add	10.0%	6.8%	4.7%	1.5%
Actual Standard Deviation	5.6%	6.1%	5.6%	6.7%
General Benchmark Standard Deviation	4.1%	3.7%	4.0%	4.1%
Specific Benchmark Standard Deviation	9.5%	7.6%	9.1%	10.2%
Sharpe Ratio	1.2	1.1	0.6	1.1
Information Ratio ⁽³⁾	1.0	0.8	0.6	0.2

- Strong Actual Returns and Value Add

(1) Includes Endowments and ITF
 (2) HFRI Emerging Markets Index
 (3) Versus Specific Benchmark

LCC (Hedge Funds) – Investment Grade Fixed Income



(1) Includes Endowments and ITF
 (2) HFRI Macro Index
 (3) Versus Specific Benchmark

Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Returns	0.8%	2.0%	3.7%	8.8%
General Benchmark	<u>-0.4%</u>	<u>3.9%</u>	<u>2.1%</u>	<u>3.9%</u>
Value Add	1.1%	-2.0%	1.7%	4.9%
Specific Benchmark ⁽²⁾	<u>-1.1%</u>	<u>1.3%</u>	<u>-0.1%</u>	<u>1.7%</u>
Value Add	1.9%	0.7%	3.8%	7.1%
Actual Standard Deviation	9.8%	7.0%	7.1%	9.3%
General Benchmark Standard Deviation	4.1%	3.7%	4.0%	4.1%
Specific Benchmark Standard Deviation	4.5%	3.8%	4.0%	4.5%
Sharpe Ratio	0.1	0.3	0.5	0.9
Information Ratio ⁽³⁾	0.3	0.1	0.7	0.9

- Low Actual Returns over one year; moderate three and five year Actual Returns; strong seven year Actual Return
- Strong Value Add

Private Investments Portfolio Rollforward

Year Ended December 31, 2015



\$ in millions	Beg CY 1/1/15			Change in				CY'15 New Commitments		End 12/31/15	
	NAV	Unfunded	# Funds	Calls	Distributions	Valuation	% Return	# Funds	\$ Committed	NAV	Unfunded
Credit-Related Fixed Income	\$971	\$350	35	\$173	\$253	\$58	6.2%	5	\$155	\$949	\$349
Real Estate	1,064	1,297	46	614	397	208	18.9%	11	662	1,489	1,334
Natural Resources	1,629	1,953	62	689	127	(182)	-9.8%	11	640	2,009	1,899
Venture	959	460	55	198	315	464	51.5%	6	254	1,306	516
Other Developed Country Equity	<u>1,742</u>	<u>979</u>	<u>90</u>	<u>246</u>	<u>404</u>	<u>220</u>	<u>12.6%</u>	<u>5</u>	<u>300</u>	<u>1,804</u>	<u>1,040</u>
Total Developed Country Equity	2,701	1,439	145	444	719	684	26.2%	11	554	3,110	1,556
Emerging Markets Equity	<u>811</u>	<u>603</u>	<u>27</u>	<u>224</u>	<u>64</u>	<u>12</u>	1.3%	<u>5</u>	<u>300</u>	<u>983</u>	<u>687</u>
TOTAL	<u>\$7,176</u>	<u>\$5,642</u>	<u>315</u>	<u>\$2,144</u>	<u>\$1,560</u>	<u>\$780</u>	10.7%	<u>43</u>	<u>\$2,311</u>	<u>\$8,540</u>	<u>\$5,825</u>
% of Endowment (PUF+ GEF)	28%	22%								33%	23%

Private Investments



	Actual		Projected		Difference	
	\$ (M)	% of assets	\$ (M)	% of assets	\$ (M)	% of assets
May 31, 2015 NAV	\$7,666	28.68%	\$7,666	28.68%	-	-
Capital Calls	664	2.48%	342	1.28%	322	1.20%
Distributions	(541)	(2.02%)	(197)	(0.74%)	(343)	(1.28%)
PI mark to market	492	1.84%	186	0.70%	305	1.14%
"Denominator"	_____	<u>1.21%</u>	_____	<u>(0.08%)</u>	_____	<u>1.29%</u>
August 31, 2015 NAV	<u>\$8,281</u>	<u>32.19%</u>	<u>\$7,997</u>	<u>29.83%</u>	<u>\$284</u>	<u>2.35%</u>

	Actual		Projected		Difference	
	\$ (M)	% of assets	\$ (M)	% of assets	\$ (M)	% of assets
August 31, 2015 NAV	\$8,281	32.19%	\$8,281	32.19%	-	-
Capital Calls	1,026	3.99%	825	3.20%	201	0.79%
Distributions	(672)	(2.62%)	(748)	(2.91%)	76	0.29%
PI mark to market	(37)	(0.14%)	141	0.55%	(178)	(0.69%)
"Denominator"	_____	<u>1.04%</u>	_____	<u>(0.17%)</u>	_____	<u>1.21%</u>
January 31, 2016 NAV	<u>\$8,598</u>	<u>34.46%</u>	<u>\$8,499</u>	<u>32.86%</u>	<u>\$99</u>	<u>1.60%</u>

Co-Investment Pipeline and Portfolio



CY 2015	Private Investments											
	MCC		LCC		Real Estate ⁽¹⁾		Natural Resources		Private Markets		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Pipeline:												
Reviewed	5	\$240	3	\$225	7	\$121	71	\$1,865	10	\$150	96	\$2,601
Interest	3	140	2	150	4	101	11	290	5	88	25	769
Committed	3	140	0	0	2	36	5	135	2	33	12	344
In Process	0	0	0	0	0	0	2	40	2	19	4	59
Since Inception	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Pipeline:												
Reviewed	7	\$340	10	\$650	40	\$756	137	\$3,671	42	\$988	236	\$6,405
Interest	3	140	7	500	23	438	49	1,371	18	495	100	2,944
Committed	3	140	1	75	14	208	24	731	13	206	55	1,360
In Process	0	0	0	0	0	0	2	40	2	19	4	59
Portfolio Returns (Since Inception):												
Invested	3	\$136	1	\$75	14	\$170	24	\$440	13	\$194	55	\$1,015
Realized Proceeds	0	0	0	0	6	34	2	166	2	26	10	226
Total Value		131		86		179		466		266		1,128
Multiple		0.96x		1.15x		1.25x		1.44x		1.51x		1.33x
IRR		-3% (2)		11%		12%		27%		18%		21%

(1) \$6.3 million Committed and two In Process (\$110 million in potential commitments) in January 2016

(2) Return not annualized as holding period is less than one year.

Endowment Dashboard

December 31, 2015



Underperformance

<u>2015</u>	<u>3-years</u>	<u>5-years</u>	<u>10-years</u>
0.4%	6.1%	5.9%	5.6%



Market

<u>Beta</u>		
<u>U.S. Equity</u>	<u>Rates</u>	<u>Currency</u>
0.571	(0.307)	(0.140)



Scenarios

	<u>US Liquidity</u>	<u>China Hard</u>	<u>Japan</u>	<u>50% Oil</u>
<u>Expected</u>	<u>Squeeze</u>	<u>Landing</u>	<u>Implosion</u>	<u>Drop</u>
Returns:	-21.8%	-20.9%	-16.2%	2.0%



Downside Volatility

	<u>1 stdev</u>	<u>2 stdev</u>
<u>Expected returns</u>	-3.2%	-15.6%
<u>VIX:</u>	18.2%	



Active Management

	<u>2015</u>	<u>3-years</u>	<u>10-years</u>
<u>Value-Add</u>			
bps	73	122	164
\$	\$189M	\$882M	\$3,695M
<u>Return/Volatility</u>			
Sharpe	0.08	1.32	0.55
IR	0.26	0.63	0.72



Transparency

	<u>Full</u>	<u>Lagged</u>	<u>Partial</u>	<u>None</u>
Full but	30.8%	34.9%	30.9%	3.4%



Concentration

	<u>Manager</u>		<u>Securities (Top 10)</u>	
<u>US</u>	<u>Top 10</u>	<u>Top 20</u>	<u>Bonds</u>	<u>Stocks</u>
54%	24%	40%	5.1%	4.8%



Illiquidity

	<u>90 day</u>	<u>1 year</u>	<u>Unfunded</u>
	<u>liquidity</u>	<u>liquidity</u>	<u>Commit-</u>
<u>Endowments</u>	36%	60%	<u>ments</u>
<u>ITF</u>	59%	89%	24%



Leverage

	<u>LCC</u>	<u>LCC ex-FI</u>	<u>Endowments</u>
<u>Gross</u>	1.92	1.63	1.00
<u>Net</u>	0.40	0.51	1.00



Permanent Loss of Capital

			<u>Anticipated/</u>		
	<u>Invested</u>	<u>Realized</u>	<u>Unrealized</u>	<u>Total Loss</u>	<u>Annualized</u>
	<u>Capital (\$B)</u>	<u>Loss (\$M)</u>	<u>Loss (\$M)</u>	<u>(\$M)</u>	<u>Loss (%)</u>
MCC	\$33.7	\$622	-	\$622	0.34%
LCC	13.2	240	198	438	0.51%
PI	<u>14.5</u>	<u>327</u>	<u>202</u>	<u>529</u>	<u>0.95%</u>
Total	<u>\$61.4</u>	<u>\$1,189</u>	<u>\$400</u>	<u>\$1,589</u>	<u>0.49%</u>



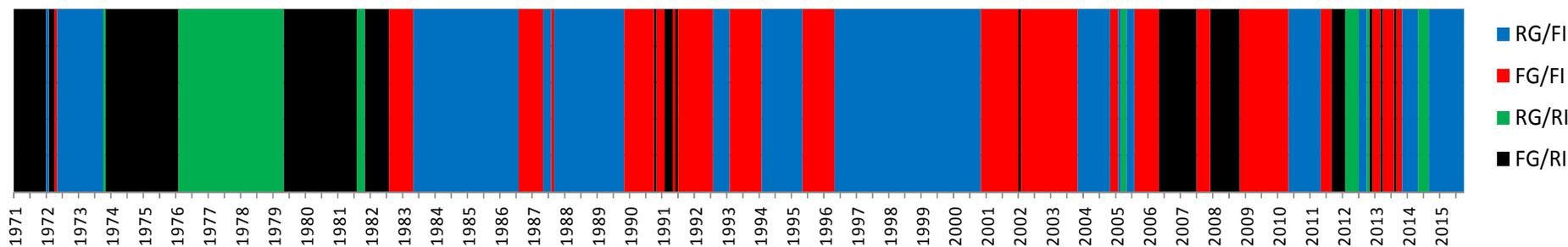
Scenario

Scenario Analysis

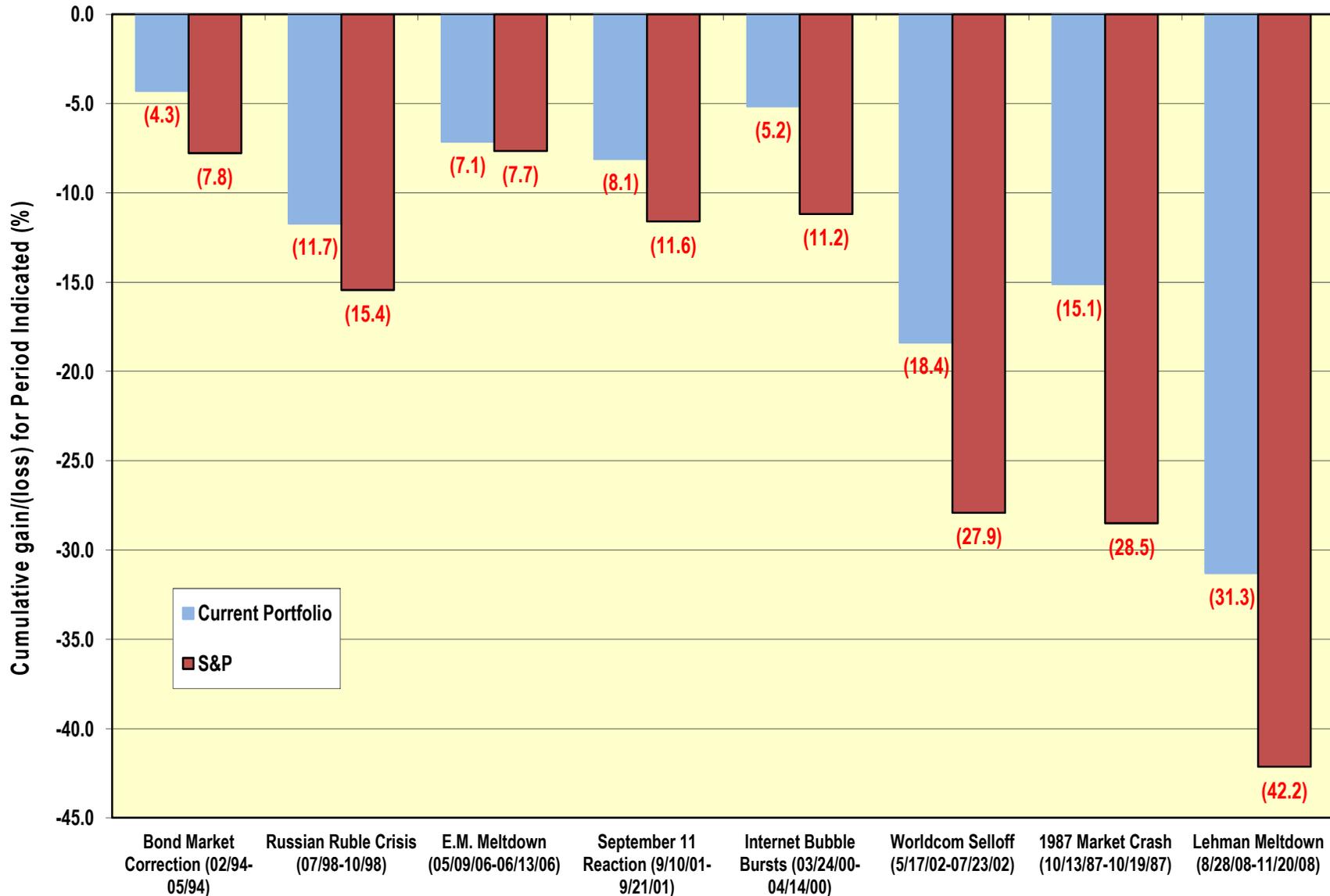


	Scenario							
	US Liquidity Squeeze	China Hard Landing	Eurozone Breakup	Japan Implosion	Currency Debasement	Eurozone Lost Decade	Mideast War / Oil shock	Oil supply shock (50%)
Expected Policy Returns (nominal)	(22.4%)	(23.9%)	(17.8%)	(18.4%)	(15.1%)	(4.1%)	(2.9%)	0.5%
Gain from tactical positions	(1.2%)	0.0%	(0.7%)	(0.3%)	(1.2%)	(0.2%)	(0.6%)	0.5%
Gain from current hedges	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Gain from manager's alpha	1.8%	3.0%	2.8%	2.5%	2.2%	2.3%	1.4%	1.0%
Estimated Endowment Returns	(21.8%)	(20.9%)	(15.7%)	(16.2%)	(14.0%)	(2.0%)	(2.1%)	2.0%

Economic Environment



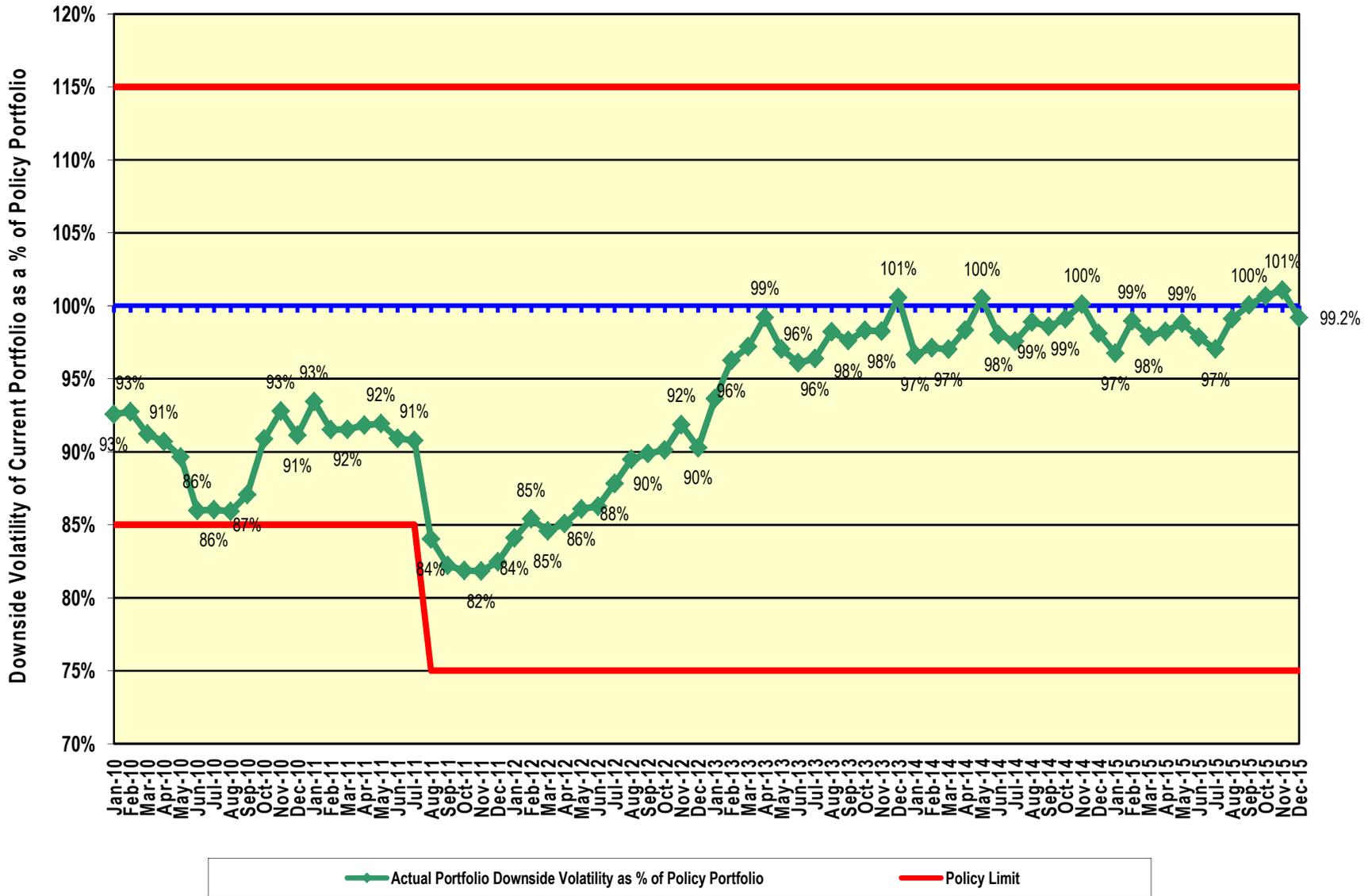
Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



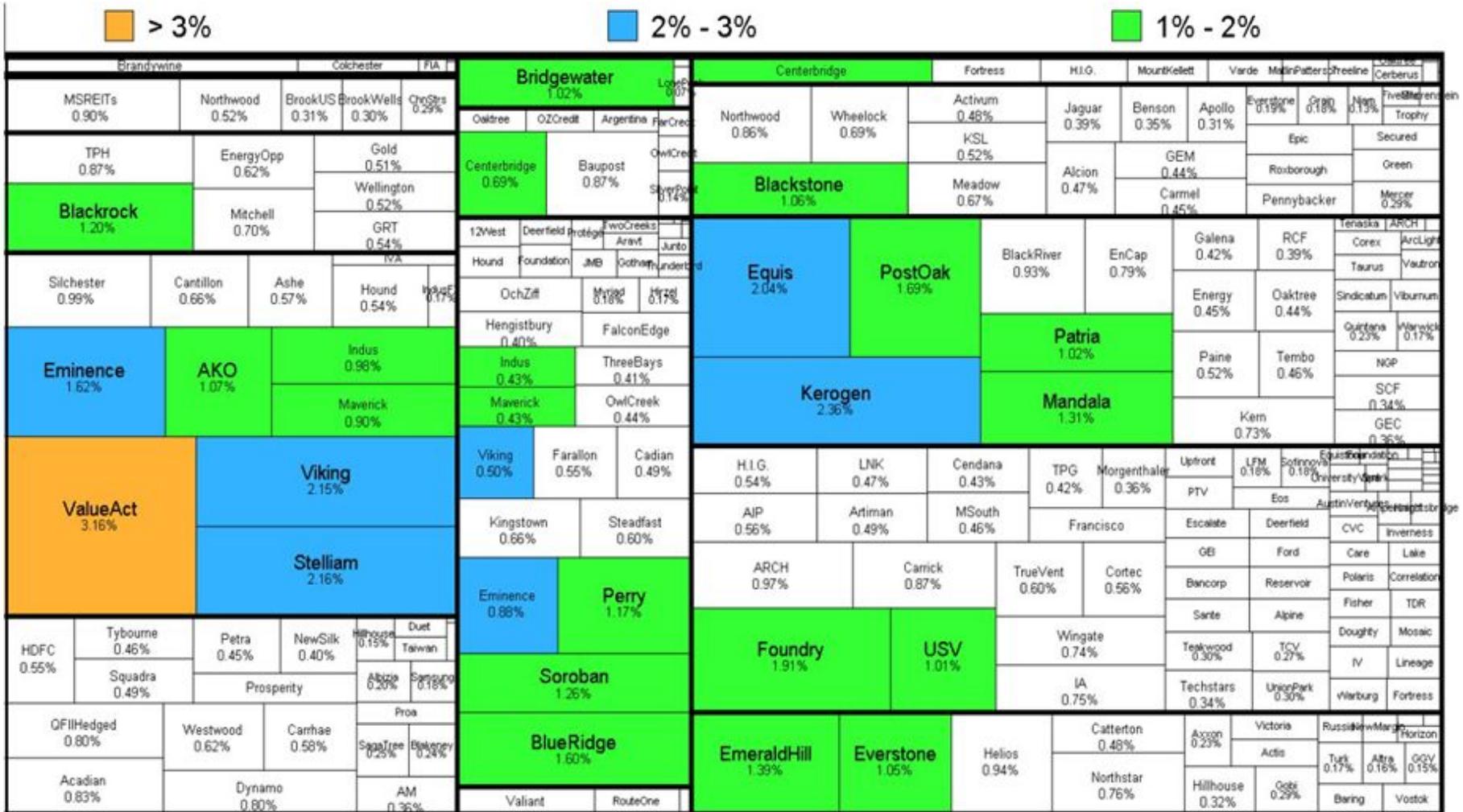


Downside Volatility

Downside Volatility Utilization of GEF



Downside Volatility Attribution



MCC

LCC

Private Investments



Transparency

Transparency Summary



	MCC			TOTAL	LCC	Privates	TOTAL
	Fixed Income	Real Assets	Equities				
Full & Timely	100%	94%	74%	83%			31%
Full but lagged			8%	5%		99%	35%
Partial		6%	11%	8%	95%		31%
No Transparency			7%	4%	5%	1%	3%



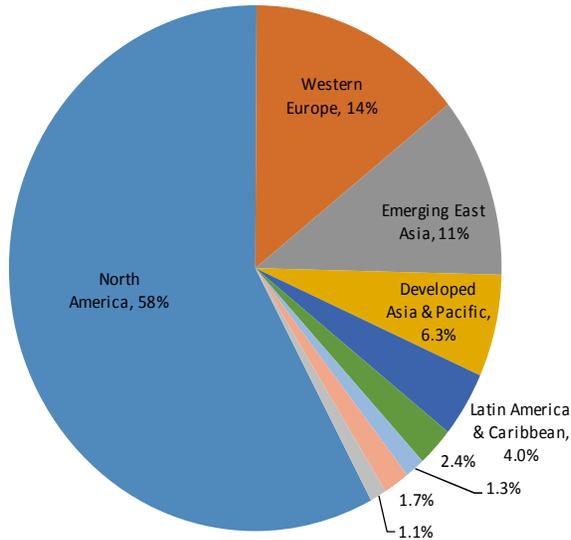
Concentration

Geographic Exposure

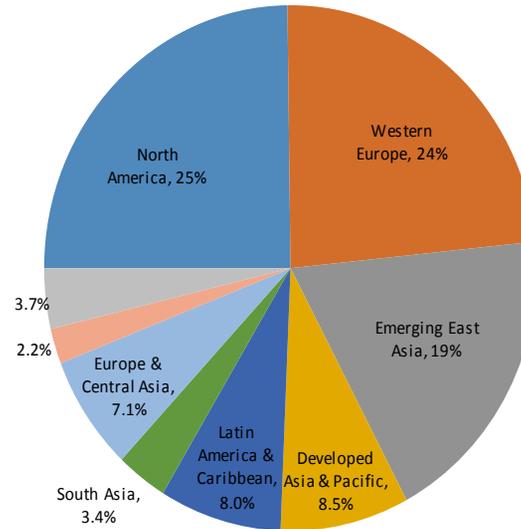
As of December 31, 2015



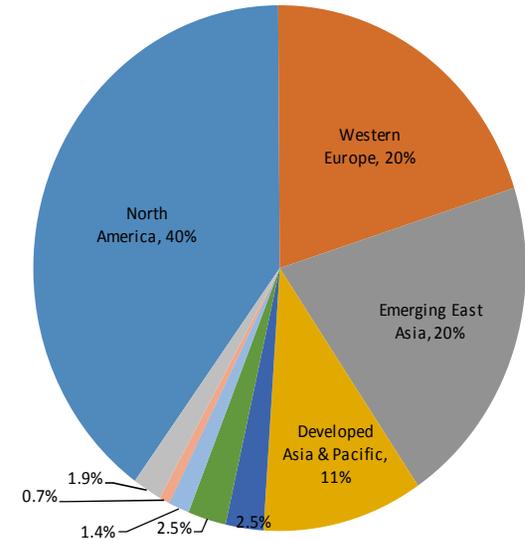
TOTAL Endowment



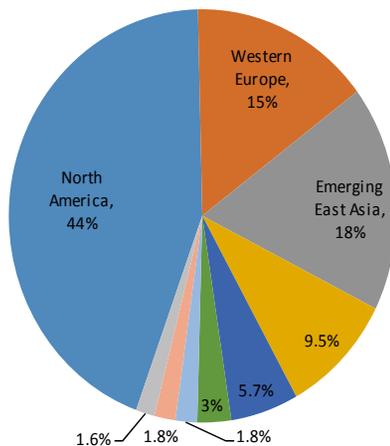
GDP



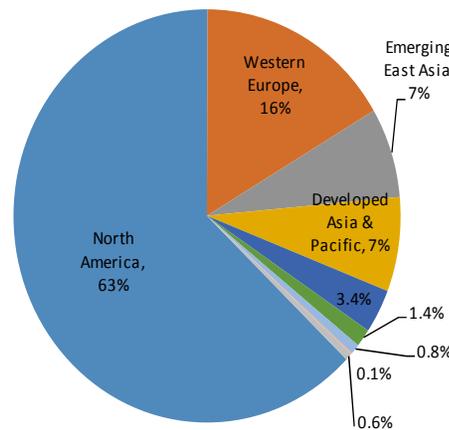
Global Mkt Cap



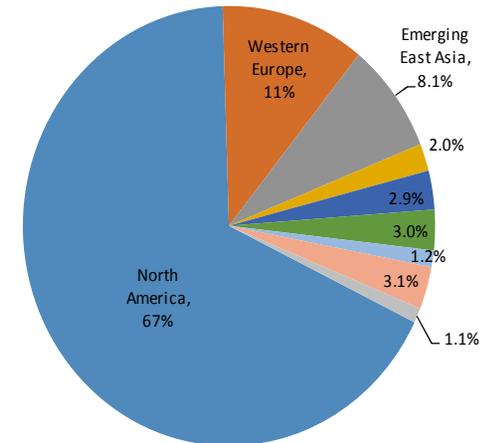
MCC



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 December 31, 2015



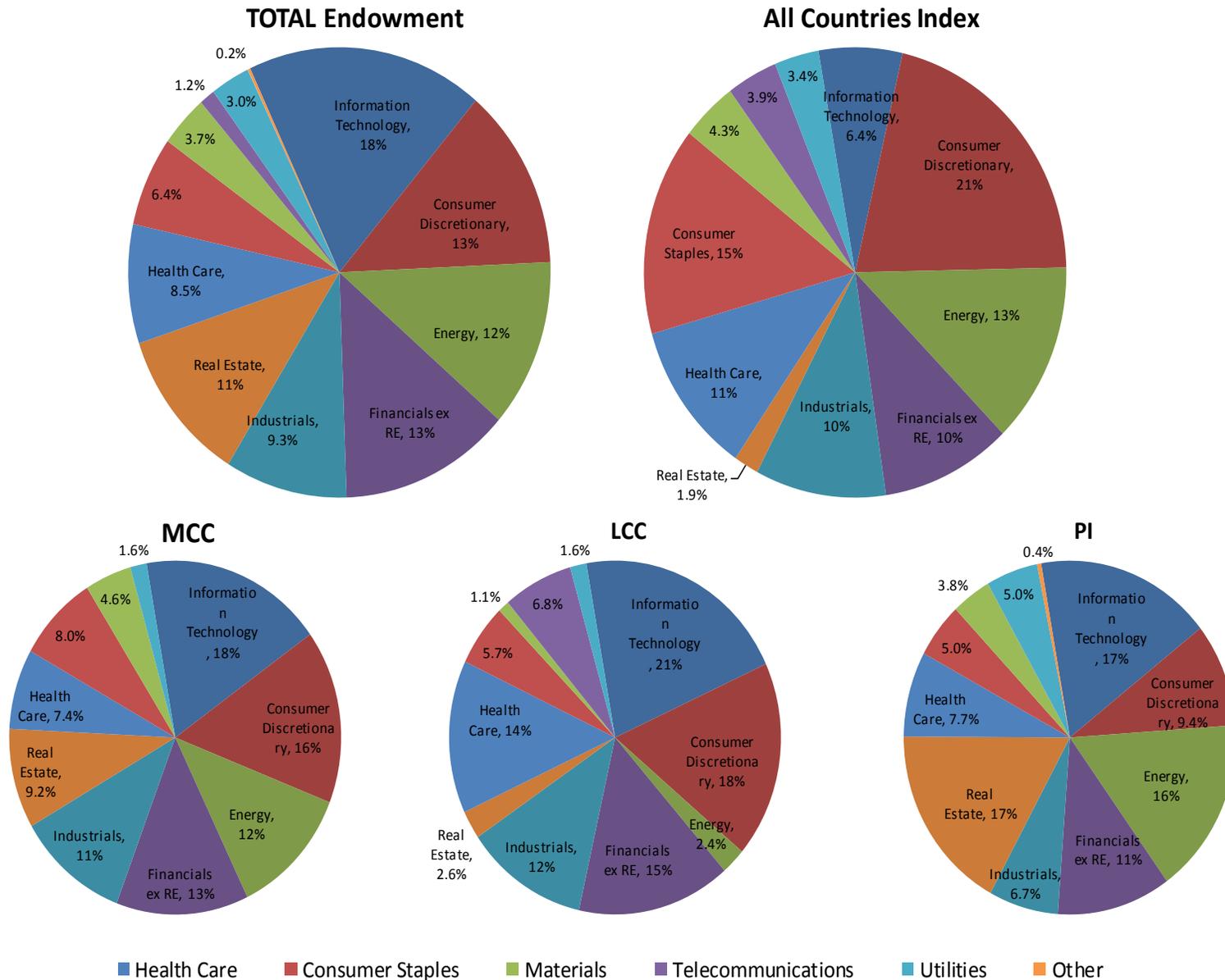
	MCC	LCC	PI	TOTAL	GDP	Global Mkt Cap
1) United States	41.8%	61.7%	62.8%	55.2%	22.5%	37.2%
2) China	7.2%	5.2%	5.0%	5.8%	13.4%	8.7%
3) Japan	6.5%	5.9%	0.3%	4.2%	5.9%	8.0%
4) United Kingdom	4.7%	2.4%	5.1%	4.1%	3.8%	5.4%
5) Canada	1.7%	1.1%	3.8%	2.3%	2.3%	2.7%
6) India	2.6%	1.4%	2.6%	2.2%	2.7%	2.4%
7) Brazil	2.9%	1.0%	1.9%	2.0%	3.0%	0.7%
8) South Korea	3.9%	1.1%	0.0%	1.7%	1.8%	2.0%
9) Australia	1.1%	1.3%	1.1%	1.2%	1.9%	1.7%
10) Hong Kong	1.8%	0.7%	0.9%	1.2%	0.4%	6.0%
11) France	2.1%	0.5%	0.6%	1.1%	3.6%	3.1%
12) Mexico	2.2%	0.4%	0.0%	0.9%	1.7%	0.6%
13) Germany	0.4%	0.7%	1.1%	0.7%	5.0%	2.9%
14) Spain	0.9%	0.0%	1.1%	0.7%	1.8%	1.0%
15) Switzerland	1.3%	0.3%	0.1%	0.6%	0.9%	2.4%
16) Indonesia	0.8%	0.0%	0.9%	0.6%	1.1%	0.6%
17) Rep of Congo	0.0%	0.0%	1.7%	0.6%	0.0%	0.0%
18) Singapore	0.9%	0.1%	0.5%	0.5%	0.4%	0.7%
19) Netherlands	0.6%	0.0%	0.8%	0.5%	1.1%	0.7%
20) Thailand	0.7%	0.0%	0.8%	0.5%	0.5%	0.6%
21) Italy	0.7%	0.3%	0.3%	0.5%	2.8%	0.9%
22) Russia	0.8%	0.2%	0.3%	0.4%	2.4%	0.6%

Sector Exposure – β adjusted

As of December 31, 2015

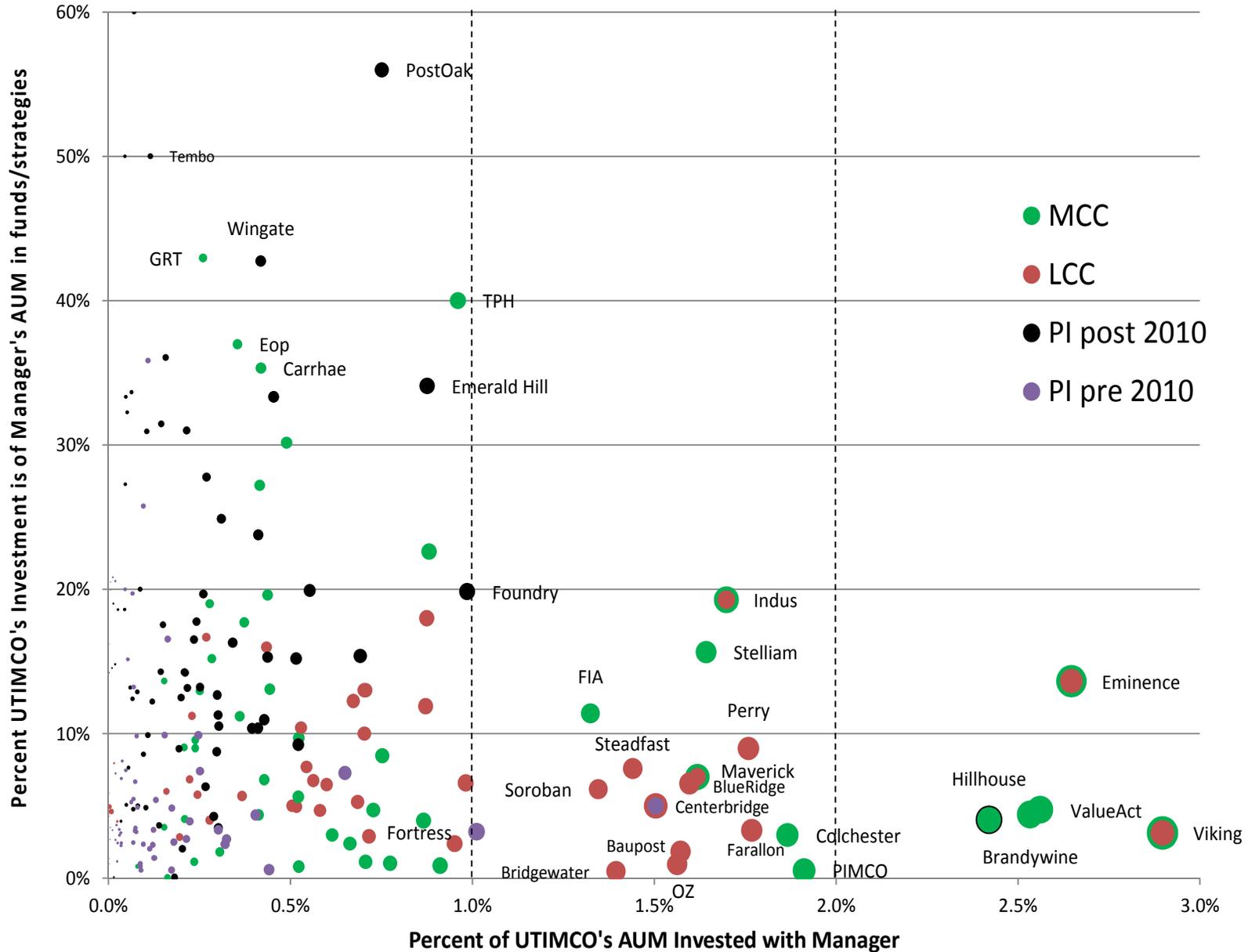


Endowments, excluding Fixed Income and NR commodities



Concentration Analysis

As of December 31, 2015



Position Level Concentration



Top Ten Fixed Income and Equity

Fixed Income	\$ (M)	% of AUM
U.S. Government	\$461	1.41%
Japanese Sovereign	258	0.79%
Argentinian Debt	199	0.61%
Mexican Sovereign	193	0.59%
Australian Sovereign	148	0.45%
New Zealand Sovereign	121	0.37%
Italian Sovereign	81	0.25%
Brazilian Sovereign	79	0.24%
Malaysian Sovereign	74	0.23%
Norwegian Sovereign	<u>65</u>	<u>0.20%</u>
TOTAL	<u>\$1,679</u>	<u>5.14%</u>

Equity	\$ (M)	% of AUM
Google (Alphabet)	\$197	0.60%
Recent IPO	197	0.60%
Microsoft	186	0.57%
Allergan PLC	174	0.53%
Autodesk	166	0.51%
Time Warner Cable	153	0.47%
Valeant Pharma	138	0.42%
JD.com	134	0.41%
Samsung	129	0.39%
Private mining company	<u>98</u>	<u>0.30%</u>
TOTAL	<u>\$1,572</u>	<u>4.81%</u>



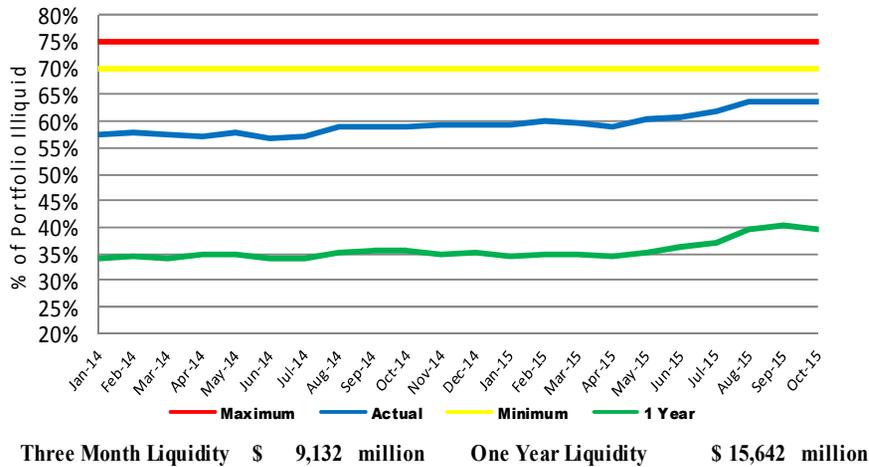
Illiquidity

Endowment Fund Liquidity

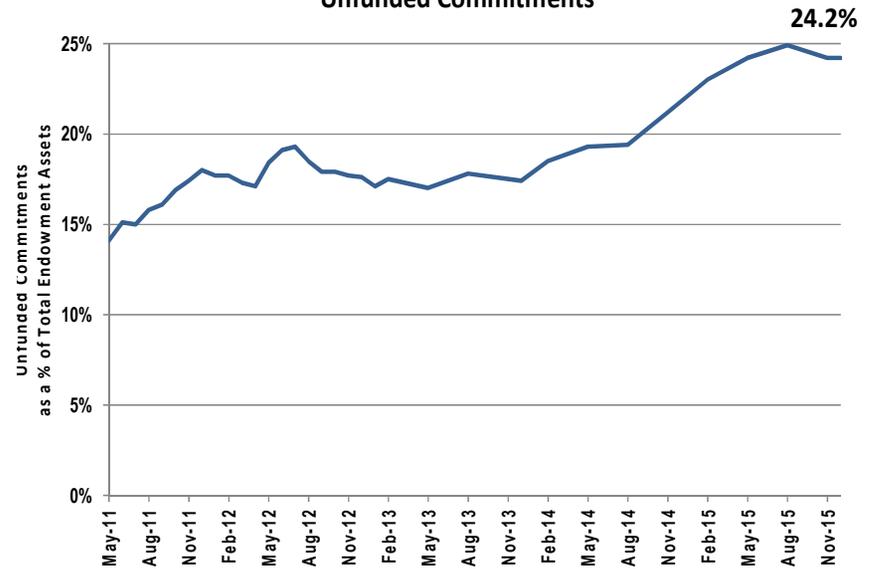
As of December 31, 2015



Actual Illiquidity vs. Trigger Zones



Unfunded Commitments





Leverage

Non-Insurance Related Internal Derivatives

As of December 31, 2015 (in millions)



Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (8/31/2015) (\$ millions)
<u>Natural Resources</u>			
Gold Futures	Purchased futures to gain exposure to gold markets.	-	(67)
<u>Developed Country Equity</u>			
Japan Forw ards	Sale of Japanese Yen forw ards to hedge the currency exposure in the MCC accounts	(166)	(171)
<u>Emerging Markets Equity</u>			
Emerging Markets FX Overlay	Currency forw ards to align the Asset Class FX exposure closer to the benchmark	-	6
MSCI Taiw an Sw ap	Long MSCI Sw ap to increase exposure to Taiw an	35	(5)
Hillhouse QFII FX hedges	China Forw ards: Sale of Chinese Yuan forw ards to hedge the currency exposure in the MCC accounts	(243)	(243)

External Manager Agency Account Derivatives

As of December 31, 2015 (in millions)



<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value (\$ millions)</u>
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	(3)
Colchester	Currency forwards used to hedge foreign currency exposure	2
First International Advisors	Currency forwards used to hedge foreign currency exposure	29
PIMCO Global Bonds	Currency forwards used to underwrite the US dollar	(8)
	Long US and Non-US futures used to overweight duration in Eurozone	167
	Long futures used to overweight front end of US and UK yield curves	(29)
	Receive Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	346
	Pay Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	(598)
	Interest rate swaps used to overweight front end of US and UK yield curves	201
	Short/Written credit default swaps used to overweight credit risk	292
	Long/Purchased credit default swaps used to underwrite credit risk	(12)
	Written options used to increase portfolio yield	(121)
	Purchased options used to increase portfolio yield	8
<u>Natural Resources</u>		
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	240
<u>Developed Equity</u>		
Cantillon	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(32)
Eminence	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(101)
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(4)
<u>Non-US Emerging Equity</u>		
Dynamo	Written covered call and put options to increase portfolio income and purchased put options to hedge portfolio	250

OTC Derivative Counterparty Report

As of December 31, 2015 (in millions)



Counterparty	S & P / Moody Counterparty Rating	\$ millions						Percentage of Total Funds
		Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	(Held)/Posted Collateral	Total Mark- to-Market net of Collateral		
BNP PARIBAS	A+	\$ 38.5	\$ (12.5)	\$ 26.0	\$ -	\$ 26.0	0.08%	
BANK OF AMERICA	A-	27.9	(26.7)	1.2	(0.2)	1.0	0.00%	
GOLDMAN SACHS	A-	17.4	(17.4)	-	0.8	0.8	0.00%	
CITIBANK NY	A-	15.0	(38.2)	(23.2)	0.4	(22.8)	-0.07%	
DEUTSCHE BANK AG	A	13.0	(17.2)	(4.2)	1.6	(2.6)	-0.01%	
BARCLAYS	A-	12.3	(10.6)	1.7	(0.4)	1.3	0.00%	
BANK OF NEW YORK	A	7.9	(2.5)	5.4	-	5.4	0.02%	
MACQUARIE BANK LTD, SYDNEY	A3	6.8	(6.9)	(0.1)	-	(0.1)	0.00%	
MORGAN STANLEY	A-	5.6	(2.2)	3.4	(2.4)	1.0	0.00%	
CITIBANK NA, LONDON	A	5.6	(4.9)	0.7	-	0.7	0.00%	
CHASE MANHATTAN	A-	1.1	(0.3)	0.8	-	0.8	0.00%	
J P MORGAN, CHASE	A-	1.0	(0.2)	0.8	(1.4)	(0.6)	0.00%	
MELLON BANK	A	1.0	(0.6)	0.4	-	0.4	0.00%	
HSBC BK USA, NEW YORK	A	0.3	(4.9)	(4.6)	4.3	(0.3)	0.00%	
NATIONAL AUSTRALIA BANK LIMITED	AA-	0.2	(0.1)	0.1	-	0.1	0.00%	
STANDARD & CHARTERED BK, LONDON	A-	0.2	(0.2)	-	-	-	0.00%	
CREDIT SUISSE FIRST	A	0.2	(0.2)	-	2.1	2.1	0.01%	
UBS AG, STAMFORD	A	0.1	(0.4)	(0.3)	0.2	(0.1)	0.00%	
AUSTRALIA & NZ BANK LTD	AA-	0.1	(0.2)	(0.1)	-	(0.1)	0.00%	
SOCIETE GENERALE, PARIS	A	-	(0.1)	(0.1)	-	(0.1)	0.00%	
UNION BK OF SWITZERLAND, NY	A	-	-	-	-	-	0.00%	
ROYAL BANK OF SCOTLAND PLC	A-	-	-	-	-	-	0.00%	
JP MORGAN CHASE BANK, LONDON	A-	-	-	-	-	-	0.00%	
UBS A G, ZURICH	A	-	-	-	-	-	0.00%	
CS FIRST BOSTON GBL FOREIGN EXCH	A	-	-	-	-	-	0.00%	
Grand Total		\$ 154.2	\$ (146.3)	\$ 7.9	\$ 5.0	\$ 12.9	0.03%	



Permanent Loss of Capital

Permanent Loss of Capital

As of December 31, 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)	Annualized Total Losses as Percentage of Invested Capital
Cumulative through August 31, 2015								
More Correlated and Constrained	154	\$33.8	31	\$7.0	-\$978	\$0	-\$978	0.53%
Less Correlated and Constrained	107	13.5	22	1.6	-\$240	-\$219	-\$459	0.53%
Private Investments	462	15.3	99	1.9	-\$319	-221	-540	0.97%
Total	723	\$62.6	152	\$10.5	-\$1,537	-\$440	-\$1,977	0.61%



ITF

ITF Returns and Ratios

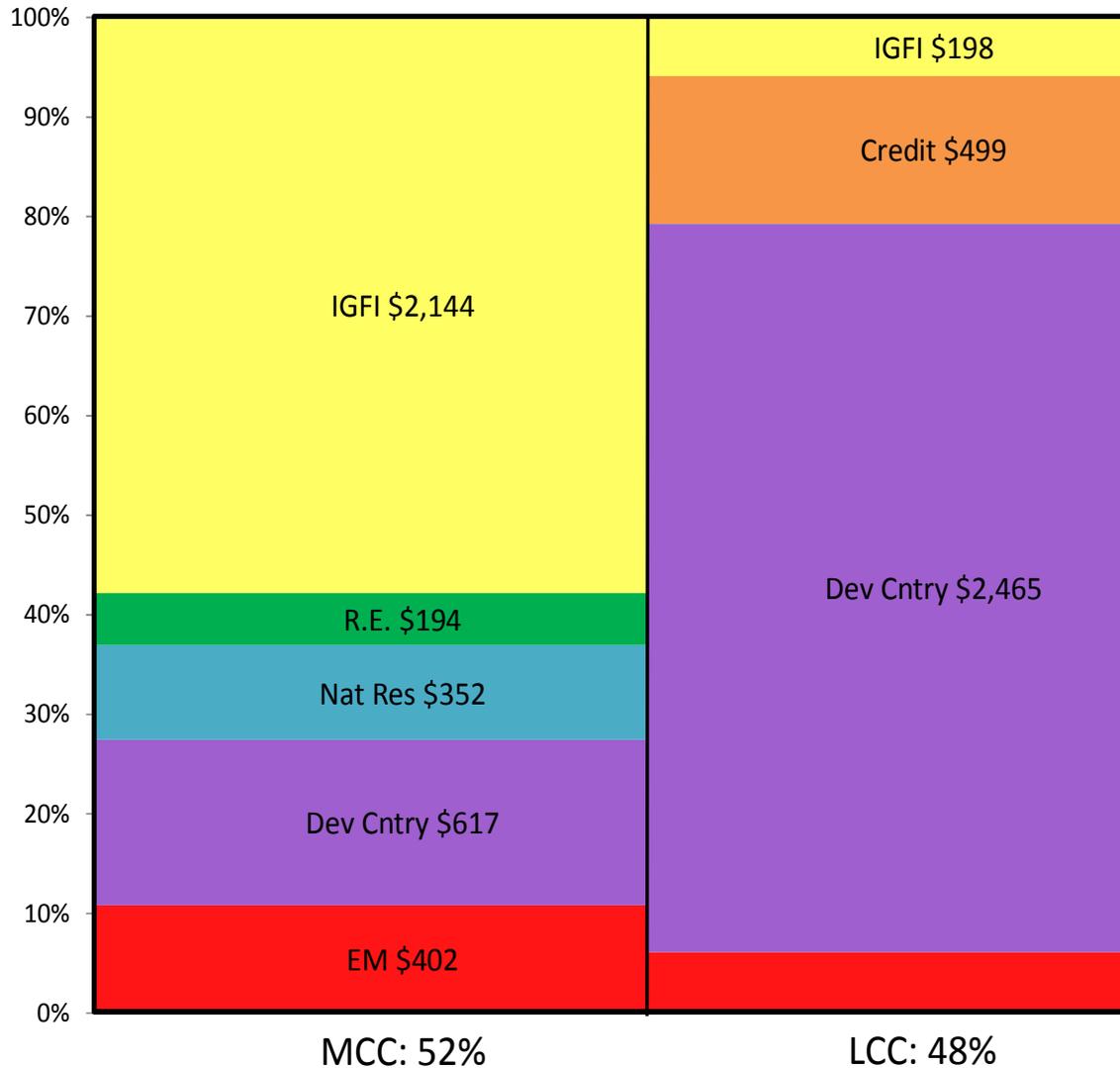


ITF	ITF Returns						1 year			3 year			5 year		
	1 year	vs. Bench	3 year	vs. Bench	5 year	vs. Bench	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio
More Correlated and Constrained															
Fixed Income															
Investment Grade	-4.55%	-1.40%	-1.46%	0.28%	1.91%	1.01%	2.78%	(1.66)	(0.70)	3.49%	(0.43)	0.16	3.74%	0.49	0.67
Credit Related	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real Assets															
Real Estate	-4.48%	-3.69%	3.42%	-2.34%	5.08%	-2.18%	11.88%	(0.38)	(0.95)	11.55%	0.29	(0.74)	15.25%	0.33	(0.71)
Natural Resources	-32.57%	-12.71%	-18.11%	-7.55%	-13.50%	-5.05%	21.86%	(1.49)	(1.24)	17.14%	(1.06)	(1.02)	17.93%	(0.76)	(0.84)
Equity															
Developed Markets	-0.48%	0.40%	13.33%	3.70%	11.29%	3.70%	13.23%	(0.04)	0.10	10.09%	1.32	0.95	11.44%	0.98	1.01
Emerging Markets	-6.36%	8.56%	0.44%	7.20%	0.20%	5.00%	15.91%	(0.40)	1.64	12.80%	0.03	1.47	15.59%	0.01	1.09
MCC subtotal	-6.39%	-0.38%	0.04%	1.18%	1.84%	1.09%	5.91%	(1.09)	(0.22)	5.64%	(0.00)	0.76	6.88%	0.26	0.72
Less Correlated and Constrained															
Fixed Income															
Investment Grade	0.77%	1.13%	1.97%	-1.95%	3.75%	1.67%	10.28%	0.07	0.14	7.09%	0.27	(0.37)	7.16%	0.51	0.25
Credit Related	-3.15%	-2.79%	4.77%	0.84%	6.15%	4.07%	4.95%	(0.65)	(1.02)	4.36%	1.08	0.28	4.51%	1.35	1.37
Real Assets															
Real Estate	2.03%	2.39%	3.80%	-0.13%	3.33%	1.25%	4.87%	0.41	0.46	5.56%	0.67	(0.03)	5.82%	0.56	0.23
Natural Resources	-55.72%	-55.36%	-32.38%	-36.31%	-25.04%	-27.12%	33.14%	(1.68)	(1.58)	22.11%	(1.47)	(1.58)	18.36%	(1.37)	(1.38)
Equity															
Developed Markets	1.36%	1.72%	8.73%	4.80%	6.90%	4.81%	5.78%	0.23	0.62	5.49%	1.58	1.79	5.45%	1.25	1.89
Emerging Markets	6.70%	7.06%	6.61%	2.68%	3.54%	1.45%	5.88%	1.13	1.25	6.21%	1.05	0.45	5.65%	0.61	0.29
LCC subtotal	0.95%	1.31%	7.12%	3.19%	6.08%	4.00%	5.32%	0.17	0.60	4.79%	1.47	1.64	4.62%	1.30	2.23
Total Before Insurance, Tactical, Hedging Derivatives and Gold	-3.03%	0.44%	3.05%	2.06%	3.65%	2.19%	4.96%	(0.62)	0.32	4.71%	0.64	1.47	5.57%	0.64	1.65
Insurance, Tactical and Hedging Derivatives Impact on Total Return	-0.01%	-0.01%	-0.03%	-0.03%	-0.27%	-0.27%									
Gold Impact on Total Return	-0.14%	-0.14%	-0.64%	-0.64%	-0.32%	-0.32%									
Grand Total	-3.18%	0.29%	2.39%	1.39%	3.05%	1.59%	4.84%	(0.67)	0.23	4.66%	0.50	1.05	5.53%	0.54	1.15

ITF



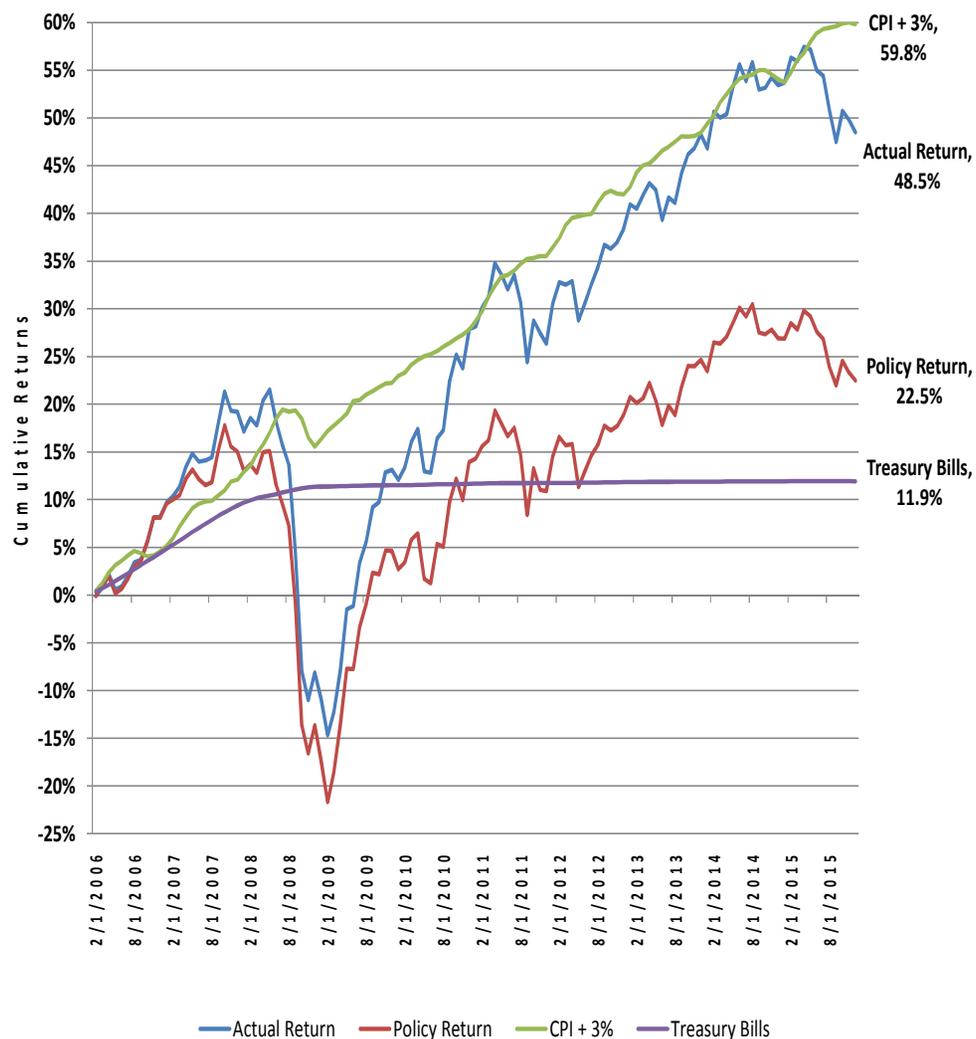
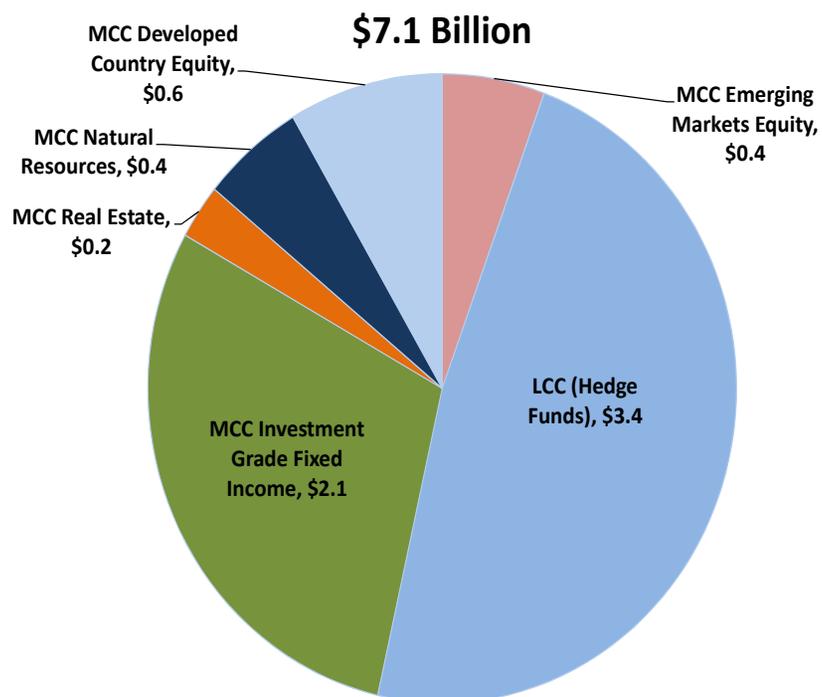
ITF NAV: \$7,080M



Downside Volatility (trailing three years)	
Actual	% of Policy
4.25%	99.6%

Liquidity	
Three months	One Year
58.7%	89.3%

Insurance Hedges NAV	
CMS Caps	\$1K
JPY FX rate	-



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return	-3.2%	2.4%	3.1%	7.1%
Benchmark Return	-3.5%	1.0%	1.5%	5.1%
Value Add	0.3%	1.4%	1.6%	2.0%
Actual Standard Deviation	4.8%	4.7%	5.5%	7.1%
Sharpe Ratio	-0.7	0.5	0.5	1.0
Information Ratio	0.2	1.1	1.2	1.2

Statistics for periods longer than a year are annualized

- Solid long term Actual Returns; loss in 2015
- Strong long term Value Add; lower 2015 Value Add



Contracts Update

Contracts Update



October 1, 2015 through January 31, 2016
New Contracts, Leases, and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$50,000)

Agreement	Purpose	Contract Term	Annual Amount
Burgiss Group	Private Informant & Private Q - enhance Private I with benchmarking support and transparency	1/1/2016 - 1/1/2017	\$122,000
Tribridge (Trusted Microsoft Experts)	Assist with upgrade to Microsoft Dynamics SL 2015 and implement BI360 warehouse for financial reporting	Expected completion date end of April 2016	Estimate \$108,000

Agenda Item
UTIMCO Board of Directors Meeting
March 2, 2016

Agenda Item: Investment Strategy

Developed By: Staff

Presented By: Zimmerman

Type of Item: Information Item

Description: Mr. Zimmerman will discuss with the Board investment strategy.

Reference: Investment Strategy Presentation



Investment Strategy

March 2, 2016

Strategic Investment Performance



- UTIMCO's returns lag peers
- UTIMCO's returns lag largely due to asset allocation
 - Larger exposure to:
 - Commodities, including gold
 - Non US Fixed Income
 - EM Equities
 - Hedge Funds
 - Smaller allocations to:
 - Private Investments, particularly Venture
 - US Equities
 - Fixed Income
- It is challenging to compare risk-adjusted returns, although
 - UTIMCO appears to have a lower volatility portfolio thus improving volatility-risk adjusted returns
 - UTIMCO appears to have a more liquid portfolio
 - UTIMCO appears, at least anecdotally, to have a less concentrated portfolio

Strategic Asset Allocation: Context



- Over its history, UTIMCO has had less exposure to Private Investments than peers
 - Liquidity preference
 - Late to, then shut out from Venture Capital (due to public disclosure requirements)
- Similarly, UTIMCO has had a long standing preference for hedge funds
 - Good returns
 - Lower volatility and correlations
 - Top quartile / top decile book
- After the Great Recession, UTIMCO Staff, Board and the UT Regents have supported a more diversified, less volatile, and more liquid portfolio
 - Concerns about the Great Monetization
 - Strong University Lands oil and gas revenues supported a financial portfolio geared more towards capital preservation
 - Desire to maintain AAA bond rating
 - Belief in a measured, gradual increase in Private Investments
- Most peers, particularly those that had the strongest performance since the Great Recession, were essentially “locked into” Private Investment portfolios

Issues



- Will the optimal portfolio over the past few years prove to be the optimal portfolio over the next few years?
 - Should we reduce commodities and gold exposure now?
 - Should we increase US fixed income and public equity exposure now?
 - Should we accelerate our build-up of the Private Investment portfolio?
- Can we significantly increase the size of our Venture Capital book and generate superior returns?
- Should we increase concentration (managers, securities, etc.)?
- How can we increase value-add?

Agenda Item
UTIMCO Board of Directors Meeting
March 2, 2016

Agenda Item:	Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO
Developed By:	Staff
Presented By:	Adams
Type of Item:	Action required by UTIMCO Board related to Audit; Information item on other items
Description:	The Audit and Ethics Committee (the "Committee") met on February 17, 2016. The Committee's agenda included (1) discussion and appropriate action related to the Committee minutes; (2) discussion and appropriate action related to Deloitte & Touche LLP's Financial Statement Audit Results and Communications and Audited Financial Statements for the Corporation; (3) an update on compliance, reporting, and audit issues; and (4) a presentation of the unaudited financial statements for the three months ended November 30, 2015 for the Investment Funds and the Corporation.
Discussion:	<p><i>Audit of UTIMCO Financial Statements.</i> The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2015 and 2014 financial statements. Robert Cowley, the engagement partner, presented to the Committee the Deloitte & Touche LLP's Audit Results and Communications letter and answered questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.</p> <p><i>Other items.</i> Routine activities of the Committee included reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.</p>
Recommendation:	The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.
Reference:	Audit Results and Communications Audited Financial Statements and Audit Report for the Corporation Quarterly Compliance Reports

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2015**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2015, 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, 2015 and August 31, 2014, be, and are hereby approved in the form as presented to the Board.

December 23, 2015

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

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

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

We have performed an audit of the financial statements of The University of Texas Investment Management Company (the “Company”) as of and for the year ended August 31, 2015, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated December 23, 2015.

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

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated June 26, 2015, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company’s financial statements for the year ended August 31, 2015, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

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

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2015 financial statements include the recoverability of long-term assets such as property and equipment and liabilities, as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2015, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

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

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2015 financial statements. During the year ended August 31, 2015, there were no significant changes in previously adopted accounting policies or their application, except for the adoption GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, which did not impact the financial results of the Company for the year ended August 31, 2015.

OTHER INFORMATION IN THE ANNUAL REPORT TO SHAREHOLDERS

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2015 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during fiscal year 2015.

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

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

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

OTHER-MATTER PARAGRAPH

We included the following other matter in our opinion on the financial statements:

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

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

* * * * *

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

Yours truly,

Deloitte & Touche LLP

cc: Management of The University of Texas Investment Management Company



December 23, 2015

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

We are providing this letter in connection with your audits of the statements of net position of the University of Texas Investment Management Company (the "Company") as of August 31, 2015 and 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial net position, results of operations, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the statements of net position, statements of revenue, expenses and changes in net position, and cash flows in conformity with GAAP
- b. The design, implementation, and maintenance of internal control
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - To prevent and detect fraud.

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

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

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

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

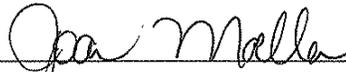
Except where otherwise stated below, immaterial matters less than \$40,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in,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

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

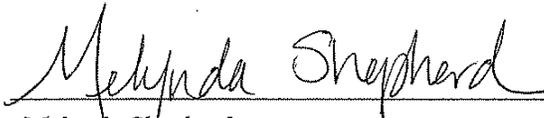
13. There are no:
 - a. Instances of identified or suspected noncompliance with laws or regulations whose effects should be considered when preparing the financial statements.
 - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
15. The Company has complied with all aspects of contractual agreements that may affect the financial statements.
16. The performance incentive awards approved for the year ended August 31, 2015 and approved on November 18, 2015, totaled \$8,417,797.
17. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
18. The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets for impairment in accordance with FASB ASC 360, *Property, Plant, and Equipment*. The financial statements referred to above reflect all adjustments required by FASB ASC 360 as of August 31, 2015.
19. There has been no significant change in the extent or manner which the capitalized computer software costs for the Investment Support System will be used, as of the date of this letter.
18. No events have occurred after August, 31, 2015 but before December 23, 2015, the date the financial statements were issued that require consideration as adjustments to, or disclosures in, the financial statements.



Bruce Zimmerman
Chief Executive Office and Chief Investment Office



Joan Moeller
Senior Managing Director – Accounting, Finance and
Administration



Melynda Shepherd
Manager – Finance and Administration

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2015 and 2014

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2015 and 2014

Contents

Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	3
Audited Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flows.....	10
Notes to the Financial Statements.....	12

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas Investment Management Company ("UTIMCO"), which comprise the statements of net position as of August 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2015 and 2014, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Deloitte & Touche LLP

December 23, 2015

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

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2015. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole responsibility is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$35 billion as of August 31, 2015. UTIMCO is governed by a nine-member Board of Directors (UTIMCO Board), consisting of at least three members of the UT Board, the Chancellor of The University of Texas System, three independent directors with substantial background and expertise in investments appointed by the UT Board, and two members appointed by the Texas A&M System Board, one of which must have a substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for most investments to UTIMCO.

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

Financial Highlights

Net position increased by approximately \$0.5 million from \$5.3 million to \$5.8 million, or approximately 9%, for the year ended August 31, 2015. This is compared to an increase of approximately \$0.5 million from \$4.8 million to \$5.3 million, or approximately 10%, for the year ended August 31, 2014. The increase in net position for both FY 2015 and FY 2014 was primarily the result of capitalizing \$0.7 and \$0.8 million, respectively, of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software.

Use of Financial Statements and Notes

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

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

Statements of Net Position

The Statements of Net Position present assets, liabilities, and the net position of UTIMCO as of the end of the fiscal years. These statements have been prepared using the accrual basis of accounting.

The following summarizes the Statements of Net Position:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash & cash equivalents	\$10,331,467	\$11,711,398	\$10,234,124
Other assets	<u>5,944,883</u>	<u>4,794,779</u>	<u>3,171,023</u>
Total Assets	<u>\$16,276,350</u>	<u>\$16,506,177</u>	<u>\$13,405,147</u>
Liabilities & Net Position			
Accounts payable & other liabilities	\$10,247,441	\$10,737,623	\$ 7,937,182
Unamortized rent	225,244	450,486	675,729
Net position	<u>5,803,665</u>	<u>5,318,068</u>	<u>4,792,236</u>
Total Liabilities & Net Position	<u>\$16,276,350</u>	<u>\$16,506,177</u>	<u>\$13,405,147</u>

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

- Net position increased in FY 2015 by \$485,597 and increased in FY 2014 by \$525,832 primarily as a result of capitalizing \$729,342 and \$807,486, respectively, of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software. The capitalized costs were included in the FY 2015 and FY 2014 budgeted expenses.
- Cash & cash equivalents decreased between FY 2014 and FY 2015 by \$1,379,931 and increased between FY 2013 and FY 2014 by \$1,477,274. The decrease in cash & cash equivalents for FY 2015 resulted from capital asset additions and a higher than budgeted expense of FY 2014 performance awards deferred in FY 2014 and paid in FY 2015. The increase in cash & cash equivalents for FY 2014 resulted from an increase in the operating budget which provided cash to cover staff additions, promotions, payouts related to deferred performance compensation, and increases in the UTIMCO Compensation Program's (the Plan) incentive award opportunity levels which was not fully utilized in FY 2014. These increases were partially offset by the capital asset purchases related to the information technology initiative.
- Other assets increased by \$1,150,104 in FY 2015 and \$1,623,756 in FY 2014 primarily as a result of fixed asset purchases and capitalized costs related to UTIMCO's information technology initiative and an increase in assets of the 457(b) deferred compensation plan.

- Accounts payable & other liabilities decreased by \$490,182 in FY 2015 and increased by \$2,800,441 in FY 2014. The FY 2015 decrease was primarily related to a decrease in the performance compensation liability. The decrease in the performance compensation liability was due to the net effects of additional Plan participants for FY 2015 which was offset by the retirement of a senior level investment professional. The FY 2014 increase resulted primarily from an increase in performance compensation liability due to additional eligible Plan participants, salary adjustments and the level of awards achieved.

Statements of Revenues, Expenses and Changes in Net Position

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue			
Management fees	\$25,436,194	\$24,477,011	\$24,133,175
Net non-operating revenues	<u>9,069</u>	<u>7,220</u>	<u>14,444</u>
Total Revenue	25,445,263	24,484,231	24,147,619
Expenses			
Salaries, benefits & payroll taxes	11,031,415	10,253,112	9,496,301
Performance compensation	8,410,030	9,110,680	12,513,544
General operating	2,581,968	2,174,169	2,152,873
Depreciation	1,129,717	676,524	518,707
Other	<u>1,806,536</u>	<u>1,743,914</u>	<u>1,545,167</u>
Total Expenses	<u>24,959,666</u>	<u>23,958,399</u>	<u>26,226,592</u>
Net Position, Beginning of Year	<u>5,318,068</u>	<u>4,792,236</u>	<u>6,871,209</u>
Net Position, End of Year	<u>\$ 5,803,665</u>	<u>\$ 5,318,068</u>	<u>\$ 4,792,236</u>

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

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. Revenue fluctuations are the direct result of these approved budgets.
- Total Expenses increased by \$1,001,267 in FY 2015 from FY 2014 and decreased by \$2,268,193 in FY 2014 from FY 2013. Performance compensation has been the main driver of the year over year fluctuations in Total Expenses. The FY 2015 decrease in performance compensation of \$700,650 is mainly due to the net effects of additional Plan participants for FY 2015 which was offset by the retirement of a senior level investment professional at the end FY 2014. The FY 2014 decrease from FY 2013 in

performance compensation of \$3,402,864 includes the impact of the FY 2013 extraordinary circumstances deferral provision of the Plan and the impact of accelerated deferred award vesting for certain employees meeting the Plan's retirement provisions. In addition, performance compensation has also been impacted by salary adjustments, promotions, additional eligible Plan Participants, and increases in the Plan's incentive award opportunity levels. Also, capitalization of salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software decreased total expenses in both FY 2015 and FY 2014.

- Depreciation expense is increasing year over year due to the implementation of the UTIMCO internally developed software that requires the depreciation of such capitalized costs over the estimated useful life of the asset.
- Other expenses increased in FY 2015 by \$62,622 in FY 2015 and by \$198,747 in FY 2014 primarily as a result of the hiring of recruiting firms and compensation consultants.

Statements of Cash Flows

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash Flows Provided by Operating Activities			
Proceeds from management fees	\$25,436,194	\$24,477,011	\$24,133,175
Payments to and for employees	(19,904,545)	(17,181,002)	(17,088,101)
Other payments	<u>(4,749,634)</u>	<u>(3,936,655)</u>	<u>(3,949,048)</u>
Net cash provided by Operating Activities	782,015	3,359,354	3,096,026
Cash Flows Used for Capital and Related Financing Activities			
Purchase of capital assets, net	<u>(2,171,015)</u>	<u>(1,889,300)</u>	<u>(806,916)</u>
Net cash used for Capital and Related Financing Activities	(2,171,015)	(1,889,300)	(806,916)
Cash Flows from Investing Activities			
Interest	<u>9,069</u>	<u>7,220</u>	<u>15,549</u>
Net cash provided by Investing Activities	<u>9,069</u>	<u>7,220</u>	<u>15,549</u>
Net Change in cash & cash equivalents	(1,379,931)	1,477,274	2,304,569
Cash & cash equivalents, beginning of year	<u>11,711,398</u>	<u>10,234,124</u>	<u>7,929,555</u>
Cash & Cash Equivalents, end of year	<u>\$10,331,467</u>	<u>\$11,711,398</u>	<u>\$10,234,124</u>

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

- Payments to and for employees increased in fiscal years 2015 and 2014 as a result of the increase in performance compensation and other personnel expenses that

are directly related to compensation.

- Purchases of capital assets increased in fiscal years 2015 and 2014 as a result of purchases for new information technology initiatives and leasehold improvements, including capitalizing salaries, performance compensation, employee benefits and payroll taxes related to the internal development of software.

Contacting UTIMCO

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Net Position

August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 10,331,467	\$ 11,711,398
Prepaid expenses and other assets	<u>675,062</u>	<u>664,465</u>
Total Current Assets	11,006,529	12,375,863
Non-Current Assets:		
Assets of the 457(b) deferred compensation plan	1,193,178	1,094,969
Capital assets, net of accumulated depreciation of \$5,855,068 and \$4,895,548, respectively	<u>4,076,643</u>	<u>3,035,345</u>
Total Non-Current Assets	<u>5,269,821</u>	<u>4,130,314</u>
Total Assets	<u>\$ 16,276,350</u>	<u>\$ 16,506,177</u>
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,054,263	\$ 9,642,654
Current portion - unamortized rent	<u>225,244</u>	<u>225,242</u>
Total Current Liabilities	9,279,507	9,867,896
Non-Current Liabilities:		
457(b) deferred compensation plan obligations	1,193,178	1,094,969
Long-term portion – unamortized rent	<u>-</u>	<u>225,244</u>
Total Non-Current Liabilities	<u>1,193,178</u>	<u>1,320,213</u>
Total Liabilities	10,472,685	11,188,109
Net Position:		
Net investment in capital assets	4,076,643	3,035,345
Unrestricted	<u>1,727,022</u>	<u>2,282,723</u>
Total Net Position	<u>5,803,665</u>	<u>5,318,068</u>
Total Liabilities and Net Position	<u>\$ 16,276,350</u>	<u>\$ 16,506,177</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Management fee	\$25,436,194	\$24,477,011
Total Operating Revenues	25,436,194	24,477,011
Operating Expenses		
Salaries	8,904,848	8,203,149
Performance compensation	8,410,030	9,110,680
Employee benefits	1,472,347	1,414,330
Payroll taxes	654,220	635,633
General operating	2,581,968	2,174,169
Depreciation	1,129,717	676,524
Lease	1,136,934	1,109,105
Professional fees	456,026	415,646
Insurance	<u>213,576</u>	<u>219,163</u>
Total Operating Expenses	<u>24,959,666</u>	<u>23,958,399</u>
Operating Income	476,528	518,612
Non-Operating Revenues		
Interest	<u>9,069</u>	<u>7,220</u>
Net Non-Operating Revenues	<u>9,069</u>	<u>7,220</u>
Increase in Net Position	485,597	525,832
Net Position at beginning of year	<u>5,318,068</u>	<u>4,792,236</u>
Net Position at end of year	<u>\$ 5,803,665</u>	<u>\$ 5,318,068</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from Operating Activities:		
Proceeds from management fees	\$25,436,194	\$24,477,011
Payments to suppliers for goods and services	(3,387,457)	(2,602,306)
Payments for facility	(1,362,177)	(1,334,349)
Payments to employees	(17,651,488)	(15,003,398)
Payments for employees	<u>(2,253,057)</u>	<u>(2,177,604)</u>
Net cash provided by Operating Activities	782,015	3,359,354
Cash flows from Capital and Related Financing Activities:		
Purchases of capital assets	<u>(2,171,015)</u>	<u>(1,889,300)</u>
Net cash used in Capital and Related Financing Activities	(2,171,015)	(1,889,300)
Cash flows from Investing Activities:		
Interest	<u>9,069</u>	<u>7,220</u>
Net cash from Investing Activities	9,069	7,220
Net (decrease)/ increase in cash and cash equivalents	(1,379,931)	1,477,274
Cash and cash equivalents at beginning of year	<u>11,711,398</u>	<u>10,234,124</u>
Cash and cash equivalents at end of year	<u>\$10,331,467</u>	<u>\$11,711,398</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

For the years ended August 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
Operating income	\$ 476,528	\$ 518,612
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,129,717	676,524
Change in assets and liabilities:		
Increase in prepaid expenses and other assets	(10,597)	(46,748)
Increase in assets of 457(b) deferred compensation plan	(98,209)	(364,232)
(Decrease)/increase in accounts payable and accrued expenses	(588,391)	2,436,209
Increase in liabilities of 457(b) deferred compensation plan	98,209	364,232
Decrease in unamortized rent	<u>(225,242)</u>	<u>(225,243)</u>
Net cash provided by operating activities	<u>\$ 782,015</u>	<u>\$ 3,359,354</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Cash and cash equivalents

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

Prepaid expenses and other assets

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

Capital assets, net of accumulated depreciation

Net capital assets consist of office furniture, office equipment, software, and leasehold improvements and are stated at net book value. UTIMCO capitalizes assets whose cost exceeds \$300. Depreciation is computed using the straight-line method over the useful lives of the assets. Estimated useful lives range from three to seven years for office furniture, equipment and software and for the lease term for leasehold improvements. UTIMCO has incurred software development costs related to an ongoing internal software development project. During the periods ended August 31, 2015 and 2014, UTIMCO capitalized salaries, benefits and performance compensation of \$729,342 and \$807,486 respectively related to software development. These costs are capitalized then depreciated over the useful life of the asset once the software is placed into service. The following is a schedule of the capital assets at August 31, 2015 and 2014.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

	Balance 8/31/2014	Additions/ Transfers into service	Deletions	Balance 8/31/2015
Office furniture	\$ 862,578	\$ 74,953	\$ (1,949)	\$ 935,582
Office equipment	1,451,102	107,074	(168,248)	1,389,928
Software	2,460,554	1,838,903	-	4,299,457
Leasehold improvements	3,156,659	150,085	-	3,306,744
Total property and equipment	7,930,893	2,171,015	(170,197)	9,931,711
Less accumulated depreciation	(4,895,548)	(1,129,717)	170,197	(5,855,068)
Net Capital Assets	<u>\$ 3,035,345</u>	<u>\$ 1,041,298</u>	<u>\$ -</u>	<u>\$ 4,076,643</u>

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

Income taxes

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

Use of Estimates

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

Subsequent Events

These financial statements considered subsequent events through December 23, 2015, the date the financial statements were available to be issued.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Recently Issued Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was adopted in fiscal year 2015 which changed the disclosure requirements for the notes to UTIMCO's financial statements related to the 403(b) and the 457(b) plans for the periods ended August 31, 2015 and 2014.

GASB Statement No. 72, *Fair Value Measurement and Application*, effective 2016, clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. Management is evaluating the effect that Statement 72 will have on UTIMCO's financial statements.

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the periods ended August 31, 2015 and 2014 were \$25,428,694 and \$24,469,511, respectively. This represents fees for the following:

	<u>2015</u>	<u>2014</u>
Permanent University Fund	\$ 13,033,233	\$ 12,302,184
The University of Texas System Long Term Fund	6,965,995	6,914,570
Permanent Health Fund	1,064,608	1,062,565
The University of Texas System Intermediate Term Fund	<u>4,364,858</u>	<u>4,190,192</u>
	<u>\$ 25,428,694</u>	<u>\$ 24,469,511</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System and The University of Texas at Austin. The total for these services for the periods ended August 31, 2015 and 2014 were \$46,023 and \$25,505, respectively.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2015 and 2014, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, the UTIMCO 403(b) Tax Sheltered Annuity Plan, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2015 and 2014 were \$696,658 and \$650,111, respectively.

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

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the period ended August 31, 2015 and 2014 were \$176,418 and \$156,439, respectively.

Note 6 – Lease Expense

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

UTIMCO began paying lease and operating costs related to UTIMCO's current lease effective November 2006. For the periods ended August 31, 2015 and 2014, related operating expenses were \$639,087 and \$614,805, respectively. The net lease expense related to the lease incentive and amortization of the tenant allowance for both the periods ending August 31, 2015 and 2014 was \$348,028. For the periods ended August 31, 2015 and 2014, parking expense was \$149,819 and \$146,272, respectively.

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

On November 14, 2014, UTIMCO entered into an eighteen month lease extension agreement for its current office space and parking, expiring February 28, 2018. The minimum rental commitment is \$94,733 per month and an additional allowance of \$162,400 was provided in connection with this extension.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

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

Years ending August 31,	
2016	\$ 573,272
2017	1,136,800
2018	<u>568,400</u>
Total	<u>\$2,278,472</u>

Note 7 – Unamortized Rent

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

As of August 31, 2015 and 2014, the total unamortized rent was \$225,244 and \$450,486, respectively. The portion of the unamortized rent related to the rent holidays as of August 31, 2015 and 2014 was \$54,899 and \$109,798, respectively. The remaining portion of the unamortized rent as of August 31, 2015 and 2014, was \$170,345 and \$340,688, respectively, and relates to the tenant improvement allowance. UTIMCO was initially provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. In August 2008, an additional allowance of \$173,415 was provided in connection with the expansion. The unamortized rent is amortized over the initial term of the lease.

**The University of Texas Investment Management Company
Institutional Compliance Program Report
for the Quarter Ended November 30, 2015**

Section I – Organizational Matters

- One meeting of the Ethics and Compliance Committee were held during the quarter: October 5, 2015.
- Russ Kampfe was appointed to the office of Managing Director – Fixed Income Investments on November 18, 2015, thus becoming a Key Employee.

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, Real Estate, Healthcare and Technology Investments, and Fixed Income Investments, and Senior Managing Director for Natural Resources, Emerging Markets, and Lower Middle Markets 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 group participated in 105 meetings/calls with potential managers. Serious due diligence was initiated on one existing mandate. Two new mandates were completed. Ongoing review of active external managers included 74 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in six annual meetings, one LPAC meeting, and one semi-annual portfolio review.

Fixed Income: The Fixed Income group participated in seven meetings/calls with potential managers. Ongoing review of active external managers included nine meetings/calls. Additional efforts included ten calls with brokers, participation in one annual meeting and one semi-annual portfolio review.

Marketable Alternative Investments: The Marketable Alternative Investments group participated in 63 meetings/calls with potential managers. Serious due diligence was initiated on five new mandates. Two new mandate were completed. Ongoing review of active external managers was conducted in the form of 82 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team, three annual meetings, and one semi-annual portfolio review.

Natural Resources: The Natural Resources group participated in 150 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates. There was one addition an existing mandate. Ongoing review of active external managers included 150 meetings/calls. Additional efforts included participation in five annual meetings and one semi-annual portfolio review.

Emerging Markets: The Emerging Markets group participated in 31 meetings/calls with potential managers. One new mandate was completed. Ongoing review of active external managers included 45 meetings/calls. Additional efforts included participation in seven annual meetings and one semi-annual portfolio review.

Private Markets, including Lower Middle Markets, Healthcare and Technology: The Private Markets group participated in 58 meetings/calls with potential managers. Serious due diligence was initiated on one new mandates and two existing mandates. One new mandates were completed and there were additions to two existing mandates.

Ongoing review of active external managers included 57 meetings/calls. Additional efforts included participation in 11 annual meetings and one semi-annual portfolio review.

Real Estate: The Real Estate group participated in 39 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates and four existing mandates. Three new mandates were completed and there was an addition to one existing mandate. Ongoing review of active external managers included 108 meetings/calls. Additional efforts included participation in six annual meetings and one semi-annual portfolio review.

Specialized Training: Staff attended 27 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:

- During the year, Risk Team reconciled accounting records’ market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. Compared each month’s downside volatility with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports, as well as analysis of managers’ portfolio-level risks and performance.
- Risk Team participated in one due-diligence call and reviewed 6 additional due-diligence questionnaires.
- Risk Team continued to develop a system and processes by which the accuracy and integrity of the underlying data for Private Investments can be verified, thereby resulting in a system which the Staff trusts and uses. This project also allows additional analytics using exposures generated by the underlying data. Several analytical tools are being evaluated.
- Risk team continued to monitor sources and uses of cash, and to enhance our processes given that the Endowments are having more Private Investments and hence becoming more illiquid. The commitment model was enhanced to model cash-flows of co-investments.
- 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 PPTF to better understand the impact of each such scenario, and to address such scenarios.
- All internal derivatives were reviewed and analyzed in detail prior to initiation. The insurance budget is continuously tracked.
- Derivative positions are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly. Fixed income duration and tracking error is being monitored on an ongoing basis. Managers’ use of margin and leverage is monitored on an ongoing basis. Risk Team confirmed each month downside volatility and VaR calculations.
- Risk Team prepared projections on portfolio downside volatility utilization, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.

Specialized Training: Risk Team participated in one conference during the quarter.

High-Risk Area #3: Information Technology & Security

Responsible Party: Chief Technology Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- New employee/intern security training completed.
- Several alerts were sent to staff covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- 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. Two compliance violations this quarter: one for emailing a credit card, one for emailing a SSN. Addressed with both users.
- Compliance checks for nightly shutdown/logout. Violations noted and violators notified as necessary.
- Random checks for confidential data storage continue and CISO continues to work with development staff to limit access to source code.
- Random checks for software compliance were completed. Continuing to monitor and address policy violations for unauthorized software, sharing of credentials, and use of network resources.
- Continued refinement of Splunk for infrastructure monitoring and alerting.
- Review of ISS screens, system components, configurations and scripts is ongoing.
- Completed Denim Group Penetration Test of UTIMCO’s network. No critical or high-risk vulnerabilities were found.
- Information Security Plan and Risk Assessments were completed.

Specialized Training: CISO attended teleconference UT Security meetings and on-site CISO Council meetings. CISO met with Dell computer, Spiceworks, and attended Spiceworld to review new technologies and security.

High-Risk Area #4: Investment Compliance

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

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian’s software and in-house developed databases and reports.
- Review of monthly and quarterly investment compliance reports prepared by staff continues.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Portfolio Accounting and Operations staff continue to participate 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 employee financial disclosure statements and ethics compliance statements due were received on or before the required due dates.
- One employee ethics and compliance training session was held for a new hire. One temporary employee was hired. The new employee and temporary employee 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. One new external managers under an agency agreement was hired. The restricted list was sent to the external manager prior to any investment.
- 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.
- Of 140 securities transactions during the quarter, five required preclearance and were preapproved as required. All transactional disclosure forms were turned in by the required ten days.
- CEO approval was given to two employees for outside employment.
- Beginning with the fourth quarter 2015, the Finance and Administration travel review process was modified to require testing of a sample of expense reports only and no longer provide a review of all reimbursement requests. As a result, compliance reporting is now limited to information obtained from the sample tested during the quarter. Of the sample tested, five trips containing third party reimbursed/paid expenses, which required documentation and supervisor approval, had appropriate documentation and approval. No sponsored entertainment events requiring approval were noted in the sample tested. Three sponsored entertainment events requiring CEO, CCO, or UTIMCO Chairman approval were noted on the travel log and these received the requisite approvals. Two additional sponsored entertainment events requiring CEO, CCO, or UTIMCO Chairman approval that did not include travel 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 and/or CCO 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

One training session for a new hire was held during the quarter.

Section V – Action Plan Activities

See updated Institutional Compliance Action Plan Fiscal Year 2016.

Section VI – Confidential Reporting

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

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

All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the General Counsel and Chief Compliance Officer, the Legal and Compliance Specialist (TBD), 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 2016**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Maintain Enterprise Risk Management Framework; update risk assessments as needed, including mapping of controls	08/31/16	<i>No activity</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	<i>Ongoing</i>
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	<i>1st Qtr. 2016 reviewed</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/16	<i>One new hire training was held on 11/10/15; Temp employee training was held 12/14/15 (both were within 30 days of hire)</i>
5.	Identify and network with similarly situated compliance professionals	On-going	<i>Council of Compliance Officer's call held 09/02/2015; ACC annual meeting held 11/ 18-22/15; ACC CLE luncheons 11/10/2015 and 12/9/15; TRS discussion with Purrington Moody Weil and Katten Muchin Rosenman on current derivative and regulatory environment on 11/13/2015; Council of Compliance Officer's call held 12/02/2015</i>
<i>D. REPORTING</i>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	<i>4th qtr. FY 15 meeting held 10/05/15</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>Annual report presented to Audit and Ethics Committee on 11/11/15; report submitted to Systemwide Compliance Office on 10/27/15</i>

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>E. OTHER / GENERAL COMPLIANCE</i>			
8.	Complete wholesale review and compilation of all laws, regulations, policies and procedures applicable to UTIMCO and the funds; and to the extent necessary, modify compliance processes and reporting	03/31/16	<i>Data is currently being accumulated</i>
9.	Supervise and manage work of Legal and Compliance Specialist	08/31/16	<i>Legal and Compliance Specialist resigned effective 11/27/15; search for replacement is beginning</i>
10.	Research and implement new/additional compliance program best practices, if needed	08/31/16	<i>Data is currently being accumulated</i>
11.	Complete third live testing of Business Continuity Plan; update as business processes change	02/28/16	<i>No activity</i>
12.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	On-going	<i>UT System Compliance Officer's Forum/UT System Legal Conference held 9/23-25/15</i>
13.	Hotline reporting	On-going	<i>No activity</i>

Agenda Item
UTIMCO Board of Directors Meeting
March 2, 2016

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Bass

Type of Item: Information item

Description: The Risk Committee (“Committee”) met on February 16, 2016. The Committee’s agenda included (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to categorization of investment mandates; (3) review and discussion of compliance reporting; and (4) review and discussion of performance and risk reporting.

Discussion The Committee reviewed and approved, the 16 mandate categorizations prepared by Staff for the period beginning November 2, 2015, and ending January 31, 2016. Staff continues to monitor five mandates. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

The Committee also reviewed the quarterly compliance reporting and the performance and risk reporting.

Recommendation: None

Reference: None

Agenda Item
UTIMCO Board of Directors Meeting
March 2, 2016

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 and 1st quarter budget vs. actual.

Reference: *UTIMCO Organization Update* presentation



The University of Texas Investment Management Company

UTIMCO ORGANIZATION UPDATE March 2, 2016

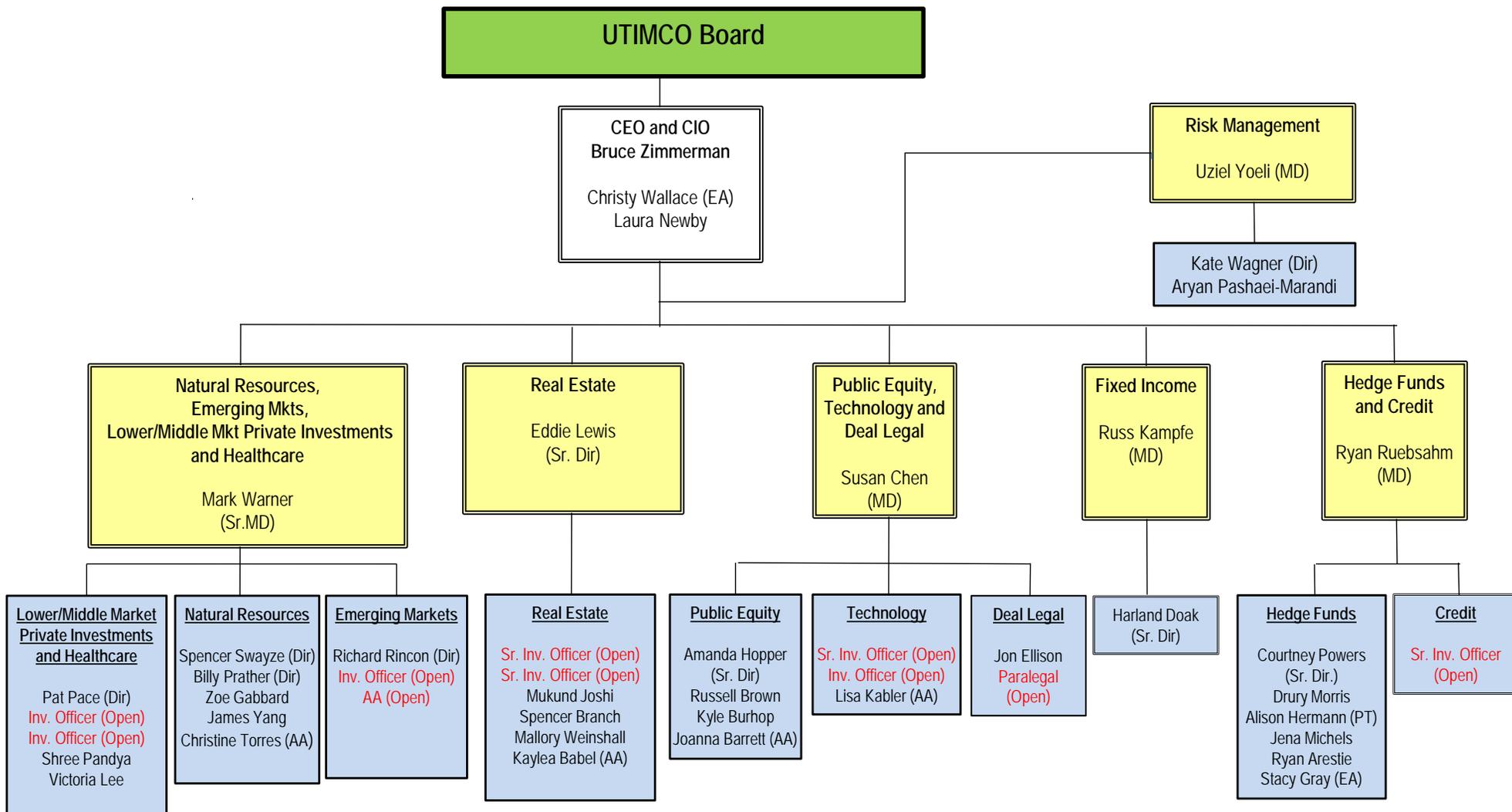
UTIMCO UPDATE



- Staffing
- Budget vs Actual

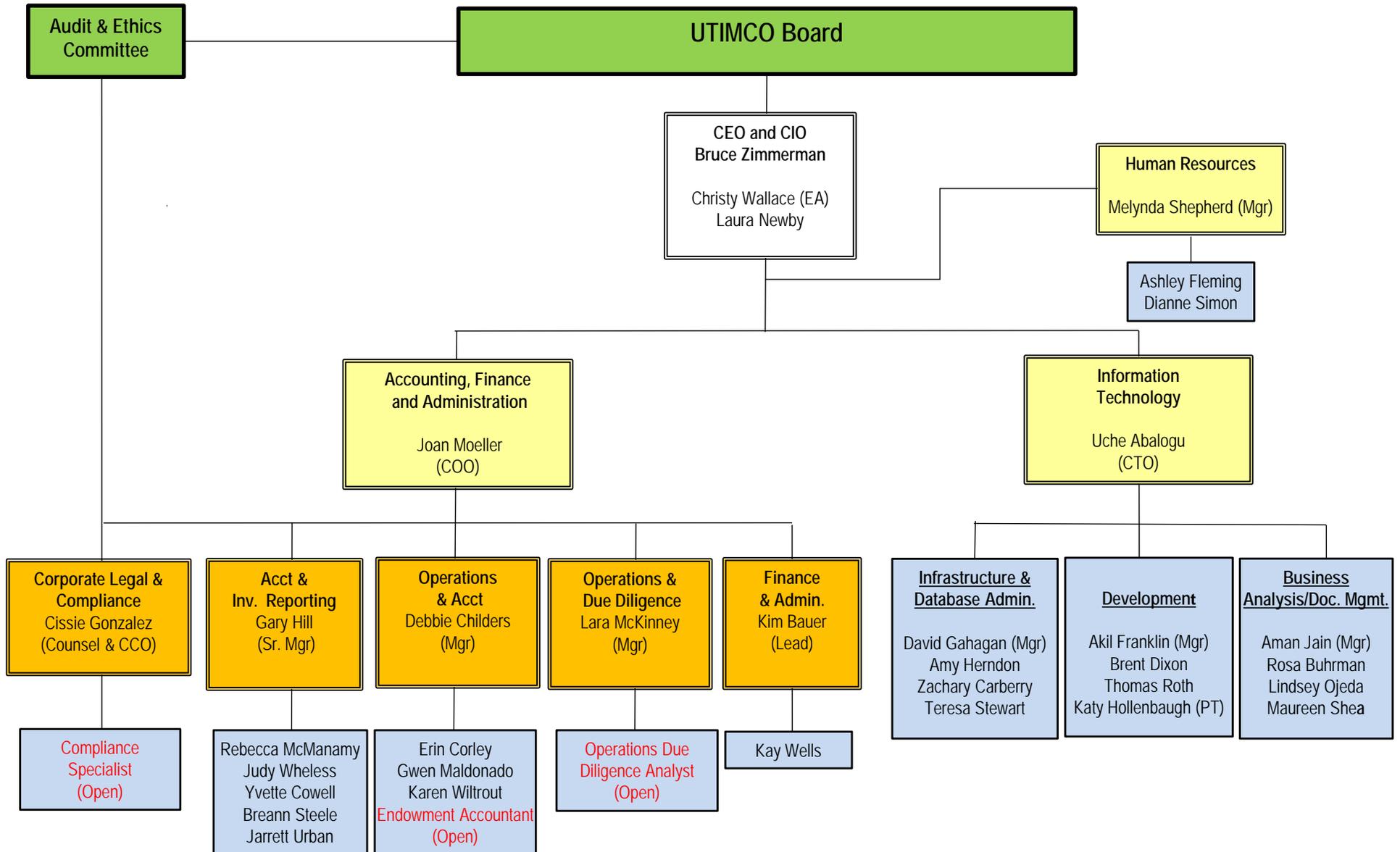
UTIMCO ORGANIZATIONAL STRUCTURE

Investments



UTIMCO ORGANIZATIONAL STRUCTURE

Support & Control



BUDGET VS. ACTUAL



UTIMCO Expenses (\$ in thousands)	1Q FY 16		Favorable / (Unfavorable)
	Actual	Budget	
Salaries & Benefits	\$3,309	\$3,544	\$235
Legal	45	30	(15)
Travel	263	201	(62)
Depreciation	379	400	21
Other Expenses	1,009	1,061	52
Subtotal	5,005	5,236	231
Incentive Compensation	2,616	2,610	(6)
Total UTIMCO	\$7,621	\$7,846	\$225
Non-UTIMCO, Non-Investment Management Expenses	\$2,498	\$2,622	\$124

Agenda Item
UTIMCO Board of Directors Meeting
March 2, 2016

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

Developed By: Staff

Presented By: Hildebrand

Type of Item: Action required by UTIMCO Board

Description: Chairman Hildebrand will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on May 5, 2016. Chairman Hildebrand will also present a recommendation to the Board to approve resolutions acknowledging Ardon E. Moore's and John D. White's services as UTIMCO Board members.

Recommendation: Chairman Hildebrand will recommend approval of the designation of the annual meeting and approval of Resolutions of Appreciation for Ardon E. Moore and John D. White.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on May 5, 2016, in Austin, Texas.

RESOLUTION OF APPRECIATION ARDON E. MOORE

WHEREAS, in recognition of his substantial background and expertise in business, Ardon E. Moore was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment Management Company (“UTIMCO”) in 2006, reappointed to a second term in 2009, and was reappointed for a third and final term in 2012; and

WHEREAS, Mr. Moore served as Vice Chairman of the Board since 2012, and served as a member of the Compensation, Policy and Risk Committees; and

WHEREAS, during his tenure on the UTIMCO Board, Mr. Moore provided invaluable insight and counsel, drawing on his many years of business and investment experience as President and CEO of Lee M. Bass, Inc.; and

WHEREAS, Mr. Moore’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 as a member of The University of Texas Development Board and the Advisory Council, The University of Texas McCombs School of Business; and

WHEREAS, Mr. Moore’s unselfish contributions are also evidenced in the civic and corporate arenas by his service on numerous boards, including President of the Fort Worth Zoological Association, Past President of All-Saints Episcopal School of Fort Worth, Past Trustee of the Stanford Business School Trust, the Cook Children’s Hospital Foundation Board, and the Texas Water Foundation; and

WHEREAS, during Mr. Moore’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. Moore’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 Ardon E. Moore 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. Moore 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 2nd day of March, 2016.

RESOLUTION OF APPRECIATION JOHN D. WHITE

WHEREAS, in recognition of his substantial background and expertise in business, John D. White was appointed by Governor Rick Perry to the Board of Regents of The Texas A&M University System from 2003 to 2009; and reappointed in 2011 for an additional four-year term, serving as chairman from 2005-2007 and vice-chairman from 2007 to 2009; and

WHEREAS, in 2014, Mr. White was appointed to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") by the Board of Regents of The Texas A&M University System; and

WHEREAS, Mr. White is a fifth generation Texas rancher, received his Bachelor of Arts degree in Political Science from Texas A&M University, a law degree from The University of Texas School of Law, and began his career in the U.S. Air Force as Judge-Advocate; and

WHEREAS, during his tenure on the UTIMCO Board, Mr. White provided invaluable insight and counsel, drawing on his immense legal experience in a variety of industry sectors, with a focus on energy, including having been elected as managing partner of three different law firms in his legal career, serving as a partner with Murphree Venture Partners LP; co-founder, Chairman of the Board and CEO for Standard Renewable Energy Group, LLC; a principal of the Southern Funds Group, LLC; and Managing Director of The Wind Alliance, a public, private, University consortium; and

WHEREAS, Mr. White's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work in prior years with the Texas A&M University System Committee on Finance; the Committee on Buildings and Physical Plant; the Policy Review Committee; chair of the Committee on Audit; chair of the Public Policy and Planning Committee; service as a member of the Presidential Library Committee; and The Texas A&M University System Board of Regents' special liaison to the Texas A&M Association of Former Students, Board for Lease of University Lands, Texas A&M System Research, the Texas A&M Corps of Cadets and Texas A&M System Military Training Programs; and

WHEREAS, Mr. White's unselfish contributions are also evidenced in the corporate and civic arenas by his current service on numerous boards, including as a board member of the Houston Technology Center, The Greater Houston Partnership; The Association for Community Broadcasting; Chairman of the Board of the Ed Rachal Foundation; a fellow of the American, Texas and Houston Bar foundations; a member of the State Bar of Texas; past president of the Texas Aggie Bar Association; past member of the Texas A&M Vision 2020 Project Faculty Committee and Houston Livestock Show and Rodeo International Committee; and

WHEREAS, during Mr. White'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. White has provided outstanding leadership, judgment, and commitment through his dedicated service as Chairman of the Audit and Ethics Committee and Member of the Board's Policy and Risk Committees. **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 John D. White 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. White 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 2nd day of March, 2016.