

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
December 1, 2016**

UTIMCO  
401 Congress Ave., Ste. 2800  
Austin, Texas 78701

| Time         | Item #     | Agenda Item   |
|--------------|------------|---|
| <b>Begin</b> | <b>End</b> |   |
| 9:30 a.m.    | 9:35 a.m.  | 1 <a href="#">Call to Order/Discussion and Appropriate Action Related to Minutes of the October 13, 2016 Meeting*</a>   |
| 9:35 a.m.    | 9:45 a.m.  | 2 <a href="#">FY16 Performance Update</a>   |
| 9:45 a.m.    | 9:55 a.m.  | 3 <a href="#">Report from Risk Committee</a>  |
| 9:55 a.m.    | 10:10 a.m. | 4 <a href="#">Report from Audit and Ethics Committee:</a><br>- Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2016*   |
| 10:10 a.m.   | 10:50 a.m. | <b>Recess to Executive Session</b><br><b>Executive Session:</b><br>The Board of Directors may convene in Executive Session to consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2016, pursuant to Section 551.074, <i>Texas Government Code</i> . Pursuant to 551.072, <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to deliberate the purchase, exchange, lease or value of real property.<br><b>Reconvene into Open Session</b> |
| 10:50 a.m.   | 11:00 a.m. | 5 <a href="#">Report from Compensation Committee:</a><br>- Discussion and Appropriate Action Related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2016*<br>- Discussion and Appropriate Action Related to Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017*<br>- Discussion and Appropriate Action Related to Designation of Employees in Eligible Position as Participants in the UTIMCO Compensation Program for the Performance Period ended August 31, 2017*  |
| 11:00 a.m.   | 11:10 a.m. | 6 <a href="#">Discussion and Appropriate Action Related to:</a><br>- Office Lease*<br>- Budget for Leasehold Improvements*, **  |
| 11:10 a.m.   | 11:25 a.m. | 7 <a href="#">UTIMCO Organization Update</a>  |
| 11:25 a.m.   | 11:30 p.m. | 8 <a href="#">Report on 2017 Meeting Dates</a>  |
| 11:30 a.m.   |            | <b>Adjourn</b>  |

\* Action by resolution required

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

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

|                                    |
|------------------------------------|
| <b>Next Scheduled Meeting: TBD</b> |
|------------------------------------|

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **October 13, 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 **October 13, 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, Chairman  
Phil Adams  
Kyle Bass  
David J. Beck  
R. Steven Hicks  
H. Lee S. Hobson  
Ray Nixon  
Ray Rothrock

thus constituting a majority and quorum of the Board. William H. McRaven, Vice Chairman for Policy, did not attend the meeting. Chairman Hildebrand called the meeting to order at 10:03 a.m. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Russ Kampfe, Managing Director - Fixed Income; Susan Chen, Managing Director – MCC, Technology & Deal Legal; Uzi Yoeli, Managing Director – Risk Management; Ryan Ruebsahm, Managing Director – LCC & Credit; Eddie Lewis, Senior Director – Real Estate; and other staff members. Other attendees were Jim Phillips, Mike Peppers, Eric Polonski, and Karen Adler of UT System Administration; Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP; and Keith Brown of the McCombs School of Business at UT Austin. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

**Executive Session**

Chairman Hildebrand announced that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to consult with Counsel and to deliberate individual personnel matters, including acceptance of the resignation of the Chief Executive Officer and Chief Investment Officer and appointment of Interim Chief Executive Officer and Chief Investment Officer, pursuant to Sections 551.071 and 551.074, Texas Government Code. The date is October 13, 2016, and the time is now 10:03 a.m."

**Reconvene in Open Session**

The Board reconvened in open session and Chairman Hildebrand announced that "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is October 13, 2016, and the time is now 10:36 a.m." During the Executive Session, the Board consulted

with Counsel and deliberated individual personnel matters but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

### **Corporate Resolutions**

Chairman Hildebrand continued by recommending resolutions to approve Bruce Zimmerman's resignation as Chief Executive Officer and Chief Investment Officer, appoint Mark Warner as Interim Chief Executive Officer and Chief Investment Officer, authorize the Chairman to appoint an Advisory Search Committee for the New Chief Executive Officer and Chief Investment Officer as a Nominating Committee of the Board, and authorize the Chairman to retain an executive search firm to assist the Advisory Search Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the resignation of the Chief Executive Officer and Chief Investment Officer is accepted and that the terms of separation for Bruce Zimmerman as recommended by the Chairman of the Board of Directors (the "Board") are hereby approved; and

FURTHER RESOLVED, that Mark Warner is hereby appointed as the Interim Chief Executive Officer and Chief Investment Officer of the Corporation with all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation, including the powers and duties of President of the Corporation set forth in Article V, Section 7 of the Corporation's Bylaws and such additional powers and duties as have been or may hereafter be assigned to him in those capacities by the Board; and

FURTHER RESOLVED, that the authority of the Chairman of the Board to appoint an Advisory Search Committee for a new Chief Executive Officer and Chief Investment Officer as a Nominating Committee of the Board, as set forth in Article IV, Section 3 of the Bylaws of the Corporation, is hereby confirmed; and

FURTHER RESOLVED, that the Advisory Search Committee shall function in an advisory role to compile a list of one or more candidates considered qualified and suitable for consideration by the Board for appointment to the position of Chief Executive Officer and Chief Investment Officer of the Corporation; provided that the Advisory Search Committee shall have no authority or responsibility to establish or recommend compensation for such officer; and

FURTHER RESOLVED, that the Chairman of the Board, in his sole discretion, is authorized to retain an executive search firm to assist the Advisory Search Committee in the performance of its functions hereunder.

### **Minutes**

The next item to come before the Board was approval of the minutes of the Board of Directors Meeting held on August 23, 2016. 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 August 23, 2016, be, and are hereby, approved.

**Endowment and Operating Funds Update**

Chairman Hildebrand asked Mr. Warner to present the Corporation's endowment and operating funds update. Mr. Warner stated that he was presenting a high-level summary as Private Benchmark returns were not yet available. The Board will be updated with the Corporation's performance results as of August 31, 2016, when benchmark information is available. Mr. Warner then discussed the market performance during FY2016, active management value add, current tactical allocation, and covered high points of volatility. Mr. Warner also gave an update on co-investments, the ITF and contracts. Mr. Kampfe, Mr. Ruebsahm, Mr. Lewis, Ms. Chen, Mr. Pace, and Mr. Rincon discussed in detail their respective portfolios. Mr. Warner then presented the *Endowment Dashboard*, which provides a one page summary of ten identified risks for the funds, including underperformance risk, market and scenario analysis, downside volatility and downside volatility attribution, active management, value add, endowment insurance hedges, transparency risks and concentration analysis. Mr. Warner, Dr. Yoeli and other Investment Staff answered the Directors' questions.

**Briefing Session**

The open meeting of the Board recessed into a Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2).

The Board reconvened in open session.

**Adjourn**

There being no further business to come before the Board, the meeting was adjourned at approximately 12:22 p.m.

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

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

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Agenda Item:** FY16 Performance Update

**Developed By:** Staff

**Presented By:** Warner

**Type of Item:** Information Item

**Description:** Mark Warner will provide an update on the FY16 final performance versus the policy portfolio benchmarks for the funds under management at UTIMCO. Although a presentation was given to the UTIMCO Board in October for actual performance, the final policy portfolio benchmark was not available.

**Reference:** *FY 16 Performance Update*

# Performance Summary

## Periods Ending August 31, 2016



|  | Periods Ending August 31, 2016 |             |            |             |           |
|--|--------------------------------|-------------|------------|-------------|-----------|
|  | One Year                       | Three Years | Five Years | Seven Years | Ten Years |
| <b>Endowments</b>                          |                                |             |            |             |           |
| General Endowment Fund                     | 4.03%                          | 6.45%       | 6.30%      | 8.41%       | 5.55%     |
| Permanent University Fund                  | 3.94%                          | 6.31%       | 6.17%      | 8.30%       | 5.42%     |
| <b>Policy Portfolio Returns</b>            | 3.94%                          | 5.39%       | 5.38%      | 6.78%       | 3.71%     |
| GEF Actual vs. Policy                      | 0.09%                          | 1.06%       | 0.92%      | 1.64%       | 1.84%     |
| PUF Actual vs. Policy                      | 0.00%                          | 0.92%       | 0.79%      | 1.53%       | 1.71%     |
| <b>CPI + 5%</b>                            | 6.11%                          | 6.03%       | 6.29%      | 6.65%       | 6.76%     |
| GEF Actual vs. CPI + 5%                    | -2.08%                         | 0.42%       | 0.01%      | 1.76%       | -1.21%    |
| PUF Actual vs. CPI + 5%                    | -2.17%                         | 0.28%       | -0.12%     | 1.65%       | -1.33%    |
| <b>60% Global Stocks/ 40% Global Bonds</b> | 7.76%                          | 5.62%       | 6.27%      | 6.74%       | 4.70%     |
| GEF Actual vs. Global 60/40                | -3.73%                         | 0.83%       | 0.04%      | 1.67%       | 0.85%     |
| PUF Actual vs. Global 60/40                | -3.82%                         | 0.69%       | -0.09%     | 1.56%       | 0.72%     |
| <b>60% US Stocks/ 40% Bonds</b>            | 10.09%                         | 9.23%       | 10.17%     | 10.12%      | 6.76%     |
| GEF Actual vs. US 60/40                    | -6.06%                         | -2.78%      | -3.87%     | -1.70%      | -1.22%    |
| PUF Actual vs. US 60/40                    | -6.15%                         | -2.92%      | -4.00%     | -1.81%      | -1.34%    |
| Sharpe Ratio                               | 0.63                           | 1.23        | 1.12       | 1.41        | 0.55      |
| Information Ratio                          | 0.01                           | 0.41        | 0.35       | 0.64        | 0.72      |

|   | Periods Ending June 30, 2016 |             |            |             |           |
|---|------------------------------|-------------|------------|-------------|-----------|
|   | One Year                     | Three Years | Five Years | Seven Years | Ten Years |
| Actual Returns                                    | -0.70%                       | 6.72%       | 5.64%      | 9.16%       | 5.61%     |
| Average Return Peer Endowments                    | -1.55%                       | 7.14%       | 7.00%      | 9.48%       | 6.56%     |
| Actual vs. Average Return Peer Endowments         | 0.85%                        | -0.42%      | -1.36%     | -0.32%      | -0.95%    |
| Percentile Rank                                   | 26%                          | 57%         | 87%        | 57%         | 76%       |
| Average Return Endowments > Billion \$            | -2.21%                       |             |            |             |           |
| Actual vs. Average Return Endowments > Billion \$ | 1.51%                        |             |            |             |           |
| Percentile Rank                                   | 13%                          |             |            |             |           |

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 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 November 17, 2016. The Committee’s agenda for its meeting included (1) discussion and appropriate action related to the minutes; (2) discussion and appropriate action related to categorization of new investment mandates; and (3) review and discussion of compliance reporting.

**Discussion**

The Committee reviewed and took appropriate action related to 20 new mandate categorizations and one mandate recategorization prepared by staff for the period beginning July 2, 2016, and ending November 7, 2016. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

The Committee reviewed the quarterly compliance reporting. Staff will also address questions raised during the Risk Committee meeting.

**Recommendation:** None

**Reference:** None



**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

- Agenda Item:** Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to Deloitte and Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2016
- Developed By:** Moeller, Hill, Gonzalez
- Presented By:** Beck
- Type of Item:** Action required by UTIMCO Board related to year end audits; Information item on other items
- Description:** The Audit and Ethics Committee (“Committee”) met on November 17, 2016. The Committee’s agenda included the following: (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to Deloitte & Touche LLP’s Audit Results and Communications; (3) discussion and appropriate action related to the audit reports of the Permanent University Fund (“PUF”), General Endowment Fund (“GEF”), Permanent Health Fund (“PHF”), Long Term Fund (“LTF”), Intermediate Term Fund (“ITF”), and the Statement of Investment Performance Statistics for the year ended August 31, 2016; (4) report from UT System Audit Office – discussion and appropriate action related to FY2017 Audit Plan; (5) update on UTIMCO’s compliance, reporting and audit matters; (6) discussion and appropriate action related to the Corporate Counsel and Chief Compliance Officer’s Performance Goals for the 2016-17 Fiscal Year and Performance Period; and (7) discussion and appropriate action related to the General Counsel and Chief Compliance Officer’s Performance Incentive Award for the Performance Period ended August 31, 2016. The Committee convened in Executive Session for the purpose of deliberating individual personnel compensation matters related to the Corporate Counsel and Chief Compliance Officer’s Performance Incentive Award as a Participant in the UTIMCO Compensation Program for the Performance Period ended August 31, 2016.
- Discussion:** The financial statements were audited by Deloitte & Touche LLP. Robert Cowley, engagement partner, presented to the Committee Deloitte & Touche LLP’s Financial Statement Audit Results and Communications letter (the “Letter”). Included in these Board materials are the Letter and Management’s Representation Letter to Deloitte confirming in writing Management’s responsibilities and representations with regard to these audits. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO’s website, [www.utimco.org](http://www.utimco.org).

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

Also at its meeting, the Committee approved the FY 2017 Audit Plan presented by J. Michael Peppers, Chief Audit Executive of the UT System Audit Office.

The Committee took action related to amended Performance Goals for the 2016-17 Fiscal Year and Performance Period and the Interim CEO's recommendation of the performance incentive award for the performance period ending August 31, 2016 for the Corporate Counsel and Chief Compliance Officer. The Charter of the Audit and Ethics Committee requires that the Committee and CEO make a joint recommendation related to the performance incentive award for the Corporate Counsel and Chief Compliance Officer.

Routine activities of the Committee included a report from Ms. Gonzalez related to the quarterly and annual compliance reports.

**Recommendation:** The Committee will recommend that the UTIMCO Board take appropriate action related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, and the Statement of Investment Performance Statistics for the year ended August 31, 2016.

**Reference:** Deloitte & Touche LLP's Financial Statement Audit Results and Communications  
Management's Representation Letter  
Institutional Compliance Program Annual Report and Action Plans

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2016**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2016, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2016, and August 31, 2015, and the Statement of Investment Performance Statistics for the year ended August 31, 2016, be, and are hereby approved in the form as presented to the Board.



**Deloitte & Touche LLP**  
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Austin, TX 78701-1648  
USA  
Tel: +1 512 691 2330  
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October 28, 2016

Mr. Mark Warner  
Interim CEO and Chief Investment Officer  
The University of Texas Investment Management Company

The Audit, Compliance and Management Review Committee of  
The Board of Regents of The University of Texas System

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. Warner, Members of The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System as well as Members of The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (the "Board"):

We have performed audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund (collectively, the "Funds") as of and for the year ended August 31, 2016 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our reports thereon dated October 28, 2016.

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 Funds is responsible.

This report is intended solely for the information and use of the Funds' management, as well as The Audit, Compliance and Management Review Committee of the Board of Regents of The University of Texas System, and The Audit and Ethics Committee of the Board of The University of Texas Investment Management Company, 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,

## **Our Responsibility under Generally Accepted Auditing Standards**

Our responsibility under generally accepted auditing standards has been described in the contract dated June 30, 2016 (Exhibit-A, Section-C). As described in Exhibit-A, Section-C, 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 Funds' financial statements for the year ended August 31, 2016, 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 Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audits of the financial statements do not relieve management or the Board 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 Funds' 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 Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' 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.

## **Significant Accounting Policies**

The Funds' significant accounting policies are set forth in the footnotes to the Funds' 2016 financial statements. In 2016, the Funds adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. The implementation of the statement had no effect on the net position or changes in net position for the Funds.

We have evaluated the significant qualitative aspects of the Funds' accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## **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 Funds' 2016 financial statements include valuation of certain investments which are specifically the Funds' investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient.

Management's estimates are based on financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources. This valuation process is reasonable based on the requirements of the AICPA Practice Aid for Auditors Alternative Investments – Audit Considerations and investment management industry general practices. We understand that management has provided you with details regarding the process used in formulating these estimates.

Although management believes the accounting estimates reflected in the Funds' 2016 financial statements are reasonable, there can be no assurances that the Funds could ultimately realize these values.

### **Uncorrected Misstatements**

Our audits of the financial statements were 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 audits.

### **Material Corrected Misstatements**

Our audits of the financial statements were 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.

### **Other Information in the Annual Report to Shareholders**

The audited financial statements include documents containing the following other information:

- Management Discussion & Analysis – *All Funds*
- Supplemental Schedules
  - Schedule of Changes in Cost of Investments and Investment Income – *PUF only*
  - Financial Highlights – *GEF, ITF, LTF, and PHF*

We read such other information and considered whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Funds' 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 Funds' 2016.

### **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 2016.

### **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 Audits 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 Board.

### **Significant Difficulties Encountered in Performing the Audits**

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

### **Management's Representations**

We have made specific inquiries of the Funds' management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the Funds are required to provide to its independent auditors under generally accepted auditing standards.

### **Emphasis-of-Matter Paragraphs**

We included the following emphasis-of-matter in our opinion on the financial statements:

1. As discussed in Note 1, the financial statements of the Funds are intended only to present the fiduciary net position of the Funds as of August 31, 2016 and 2015, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the financial position of The University of Texas System, as of August 31, 2016 or 2015, or the changes in their fiduciary net positions for the years then ended – *Applicable to all Funds*

2. Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by UTIMCO and do not include the 2.1 million acres of land discussed in Note 1. – *Applicable to PUF only*

Our opinions are not modified with respect to the above matters.

### Other-Matter Paragraphs

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as indicated, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

\* \* \* \* \*





October 28, 2016

Deloitte & Touche LLP  
400 West 15<sup>th</sup> Street, Suite 1700  
Austin, TX 78701

We are providing this letter in connection with your audits of the statements of fiduciary net position as of August 31, 2016 and August 31, 2015, of the entities listed in Appendix A (the "Funds"), and statements of changes in fiduciary net position for the Funds 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 position and the changes in the fiduciary net position of the Funds in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

We are also providing this letter in conjunction with your audits of the detailed schedules of investment securities of the Permanent University Fund (the "PUF") as of August 31, 2016 and the statement of investment performance statistics for the Funds for the year ended August 31, 2016.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position and changes in fiduciary net position are in accordance with GAAP
- b. The investment performance statistics of the Funds have been computed net of investment management fees using the Modified Dietz Method. The formula for the Modified Dietz Method is shown in Appendix B
- c. The preparation and fair presentation of the supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements
- d. 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 accordance with GAAP.
2. The Funds have made available to you:
  - a. All relevant information and access as agreed in the terms of the contract entered into by The University of Texas System, dated June 30, 2016.
  - b. All financial records and related data
  - c. All minutes of the meetings of directors/trustees and committees of directors/trustees; or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - d. Information relating to the Funds' compliance with all statutes, laws, or regulations that have a direct effect on our financial statements
  - e. All new or revised governance documents and agreements.
3. There have been no communications with regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. The Funds have 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.
5. We have no knowledge of any fraud or suspected fraud affecting the Funds involving:
  - a. Management
  - b. Employees of The University of Texas Investment Management Company ("UTIMCO"), the Funds' investment manager, who have significant roles in the Funds' internal control over financial reporting
  - c. Others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds' financial statements communicated by UTIMCO employees, former UTIMCO employees, analysts, regulators, or others.
7. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
8. All investments during the period were made in accordance with the Funds' respective investment policies.
9. Significant assumptions used by us in making accounting estimates are reasonable.
10. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.

Except for the statement of investment performance statistics and where otherwise stated below, immaterial matters less than the materiality limits indicated in Appendix A for each Fund collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

11. There are no transactions that have not been properly recorded and reflected in the financial statements.
12. The Funds have no plans or intentions that may affect the carrying value or classification of their assets and liabilities.
13. We have disclosed to you any change in the Funds' internal control over financial reporting that occurred during the Funds' 2016 fiscal year that has materially affected, or is reasonably likely to materially affect, the Funds' internal control over financial reporting.
14. The Funds have identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
15. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
  - a. Portfolio securities are stated at fair value as determined in accordance with the valuation method set forth in the Funds' respective investment policies
  - b. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP
  - c. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP
  - d. No events have occurred subsequent to August 31, 2016 that require adjustment to the fair value measurements and disclosures included in the financial statements.
16. Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the individual private investment fund's capital account balance at the closest available reporting period, as communicated by the investment fund's general partner or investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting period as well as consideration of any other information which has been provided. In rare cases the private market funds are valued at cost but only when management considers it to be the best approximation of fair value. We have considered any information communicated by an individual investment fund's general partner or investment manager received through October 28, 2016, and no adjustment was considered necessary to the valuation reported as of August 31, 2016.
17. The following, to the extent applicable, have been appropriately identified, properly accounted for, and disclosed in the financial statements:

- a. Related parties and all the related-party relationships and transactions of which the Funds are aware, including fees, commissions, sales, purchases, loans, transfers, leasing arrangements, side agreements, and guarantees (written or oral)
  - b. Restricted securities that may not be publicly sold without registration under the federal Securities Act of 1933
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements
  - d. All derivative financial instruments (e.g., futures, options, swaps), including bank loan commitments and other outstanding commitments to purchase or sell securities under forward placement and standby commitments
  - e. Financial instruments with significant individual or group concentration of credit risk, whether from an individual counterparty or group of counterparties
  - f. The amounts receivable from or payable to related parties
  - g. Guarantees, whether written or oral, under which the Funds are contingently liable (e.g., shortfall agreements)
  - h. Financial support that the Funds have provided during the period presented to an investee, whether contractually required to do so or not, as well as financial support that the Funds have not yet provided but is contractually required to provide to an investee.
18. In preparing the financial statements in accordance 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.
19. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements
  - b. The concentration makes the Funds vulnerable to the risk of a near-term severe impact
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
20. There are no:
- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered for disclosure 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
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed under GASB Codification Section C50, *Claims and Judgment*.
21. The Funds have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except for those disclosed in the financial statements.
22. The Funds have complied with aspects of contractual agreements that may affect the financial statements.
23. Regarding the required supplementary information of the Funds, i.e. the Management's Discussion and Analysis (the "MD&A"):
- a. We confirm that we are responsible for the MD&A
  - b. The MD&A is measured and presented in accordance with GASB
  - c. The methods of presentation of the MD&A have not changed from those used in the prior period.
24. Regarding the required supplemental schedule of the PUF, i.e. the Schedule of Changes in Cost of Investments and Investment Income:
- a. We confirm that we are responsible for the Schedule of Changes in Cost of Investments and Investment Income of the PUF
  - b. The Schedule of Changes in Cost of Investments and Investment Income of the PUF is measured and presented in accordance with Section 66.05 of the Texas Education Code
  - c. The methods of presentation of the Schedule of Changes in Cost of Investments and Investment Income of the PUF have not changed from those used in the prior period.
25. Regarding the supplementary information for the Funds, i.e. the Financial Highlights, as applicable:
- a. We confirm we are responsible for the fair presentation of the supplementary information
  - b. We believe the supplementary information, including its form and content, is fairly presented
  - c. The methods of presentation of the supplementary information have not changed from those used in the prior periods.
26. Regarding the required supplemental schedule of the PUF, i.e. the Detail Schedules of Investment Securities:
- a. We confirm that we are responsible for the Detail Schedules of Investment Securities of the PUF

- b. The Detail Schedules of Investment Securities of the PUF is prepared in accordance with Section 66.05 of the Texas Education Code
  - c. The Detail Schedules of Investment Securities take into consideration the provisions of Government Code Section 552.143(c) which identifies the names of certain direct investments held by the PUF as confidential.
27. UTIMCO as investment manager of the Funds under the control and management of The University of Texas System Board of Regents ("UT Board"), entered into a security purchase agreement with the UT Board. The agreement committed the Funds to purchase UT System notes and bonds outstanding up to \$3,457,675,000. The PUF also has an agreement with the Texas A&M University System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes. No UT System notes and bonds or Texas A&M System flexible rate notes have been or are expected to be purchased by the Funds under their required purchase commitment.
28. None of the entities which have borrowed from the Funds, subject to their securities lending programs, have defaulted during the year ended August 31, 2016.
29. In conjunction with the Funds' investments in the private investment and hedge fund pools, there are no instances where the Funds would be required to assume additional commitment responsibility should other limited partners or shareholders default on their own commitments.
30. As of August 31, 2016, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
31. No events have occurred after August 31, 2016, but before October 28, 2016, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



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Mark Warner

Interim Chief Executive Officer and Chief Investment Officer



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Joan Moeller

Senior Managing Director – Accounting, Finance, &  
Administration



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Gary Hill

Senior Manager – Investment Reporting

**APPENDIX A**

| <b>Entity Name</b>  | <b>Materiality Limit</b> |
|---|--------------------------|
| Permanent University Fund ("PUF")                             | \$ 30,000,000            |
| The University of Texas System General Endowment Fund ("GEF") | 16,000,000               |
| The University of Texas System Long Term Fund ("LTF")         | 14,500,000               |
| Permanent Health Fund ("PHF")                                 | 2,200,000                |
| The University of Texas System Intermediate Term Fund ("ITF") | 14,000,000               |



### FORMULA FOR MODIFIED DIETZ METHOD

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The formula for estimating the time-weighted rate of return using the Modified Dietz Method,  $R_{DIETZ}$ , is:

$$R_{DIETZ} = \frac{\text{Gross of Fees}}{MVB + FW} = \frac{MVE - MVB - F}{MVB + FW} \qquad R_{DIETZ (net)} = \frac{\text{Net of Fees}}{MVB + FW} = \frac{MVE - MVB - F - FEES}{MVB + FW}$$

where

$MVB$  is the fair value at the beginning of the period, including accrued income from the previous period;

$MVE$  is the fair value at the end of the period, including accrued income for the period;

$F$  is the sum of the cash flows within the period (contributions to the portfolio are positive flows, and withdrawals or distributions are negative flows);

$FW$  is the sum of each cash flow,  $F_i$ , multiplied by its weight,  $W_i$ ; and

$FEES$  is the sum of investment management fees paid during the period.

$W_i$  is the proportion of the total number of days in the period that the cash flow  $F_i$  has been in (or out of) the portfolio. The formula for  $W_i$  is:

$$W_i = \frac{CD - D_i}{CD}$$

where

$CD$  is the total number of days in the period; and

$D_i$  is the number of days since the beginning of the period in which cash flow  $F_i$  occurred.

**ANNUAL REPORT**  
**INSTITUTIONAL COMPLIANCE PROGRAM**

**The University of Texas Investment Management Company  
Institutional Compliance Program Report  
for the Year Ended August 31, 2016**

**Section I – Organizational Matters**

- Four meetings of the Ethics and Compliance Committee were held during the year: October 5, 2015, January 5, 2016, April 1, 2016, and June 21, 2016.
- Two new directors were appointed. Ray Rothrock was appointed by the Board of Regents of The Texas A&M University System on April 27, 2016, to replace John White. Ray Nixon was appointed by the Board of Regents of The University of Texas System on May 12, 2016, to replace Ardon Moore.
- Russ Kampfe was appointed to the office of Managing Director – Fixed Income Investments on November 18, 2015, thus becoming a Key Employee.
- Mark Shoberg, Managing Director – Real Estate, Healthcare and Technology Investments terminated employment with UTIMCO on January 20, 2016. Eddie Lewis, Senior Director – Real Estate Investments is now reporting on Investment Due Diligence Activities related to real estate investments. Susan Chen, Managing Director – MCC, Technology and Deal Legal is now the party responsible for reporting on Investment Due Diligence Activities related to technology investments. Mark Warner, Senior Managing Director - Natural Resources, Emerging Markets & Lower/Middle Markets is now the party responsible for reporting on Investment Due Diligence Activities related to healthcare investments.
- Jacqueline Pieczynski, Legal and Compliance Specialist resigned effective November 27, 2015.
- Kurt Cressotti began employment as the Compliance Specialist on March 15, 2016.

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

**High-Risk Area #1: Investment Due Diligence**

**Responsible Party:** Managing Director – LCC; Managing Director - MCC, Technology and Deal Legal; Senior Managing Director - Natural Resources, Emerging Markets & Lower/Middle Markets; Managing Director - Fixed Income; Senior Director –Real Estate.

**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:**

**MCC - Public Markets:** The MCC-Public Markets group participated in 258 meetings/calls with potential managers. Serious due diligence was initiated on three new mandates and one existing mandate. Six new mandates were completed. Ongoing review of active external managers included 247 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in nine annual meetings, 1 LPAC meeting, and two semi-annual portfolio reviews.

**MCC - Fixed Income:** The MCC-Fixed Income group participated in 28 meetings/calls with potential managers. Ongoing review of active external managers included 30 meetings/calls. Serious due diligence was initiated on one existing mandate. Additional efforts included 40 calls with brokers, 1 annual meeting, and two semi-annual portfolio review.

**Less Correlated and Constrained:** The Less Correlated and Constrained group participated in 193 meetings/calls with potential managers. Serious due diligence was initiated on 11 new mandates. Seven new mandates were completed. Ongoing review of active external managers was conducted in the form of 285 meetings/calls/site visits.

Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in four annual meetings and one semi-annual portfolio review.

**Private Markets, including Credit, Lower Middle Markets, Healthcare and Technology:** The Private Markets group participated in 258 meetings/calls with potential managers. Serious due diligence was initiated on 21 new mandates and two existing mandates. Seventeen new mandates were completed and there were additions to three existing mandates. Ongoing review of active external managers included 245 meetings/calls. Additional efforts included participation in 25 annual meetings and two semi-annual portfolio reviews.

**Natural Resources:** The Natural Resources group participated in 644 meetings/calls with potential managers. Serious due diligence was initiated on fifteen new mandates. Sixteen new mandates were completed and there were additions to seven existing mandates. Ongoing review of active external managers included 700 meetings/calls, participation in 20 annual meetings, and two semi-annual portfolio review.

**Emerging Markets:** The Emerging Markets group participated in 175 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates. Two new mandates were completed. Ongoing review of active external managers included 144 meetings/calls. Additional efforts included participation in 11 annual meetings and two semi-annual portfolio reviews.

**Real Estate:** The Real Estate group participated in 246 meetings/calls with potential managers. Serious due diligence was initiated on seven new mandates and six existing mandates. Eight new mandates were completed and there were additions to two existing mandates. Ongoing review of active external managers included 388 meetings/calls. Additional efforts included participation in nineteen annual meetings and three semi-annual portfolio reviews.

**Specialized Training:** Staff attended 102 industry-related conferences/functions.

**High-Risk Area #2: Investment Risk Management**

**Responsible Party:** Managing Director - Risk Management

**Key “A” risk(s) identified:**

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

**Key Monitoring Activities:**

- Risk Team hired and started training Anson Chuah.
- 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 four due-diligence calls and reviewed 17 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 updated and enhanced to model cash-flows of co-investments.
- Risk Team continued to monitor the current macro environment. Risk Team continued to review future scenarios with high risk, and is working with the Portfolio Positioning Task Force to better understand the

impact of each such scenario, and to address such scenarios. Risk Team evaluated in detail the risks of a Chinese “hard landing”, and presented both backward-looking and forward-looking scenarios to the UTIMCO Board.

- Risk Team continued its in-depth quantitative study of Concentration Risk, and the findings were presented at the World Investment Forum.
- Risk Team analyzed various efficient frontiers as UTIMCO revised its asset allocation, and studied the implementation effects on various risks and on cash-flows.
- All internal derivatives were reviewed and analyzed in detail prior to initiation. The insurance budget is continuously monitored.
- 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 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 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 three conferences during the year.

**High-Risk Area #3:** Information Technology & Security

**Responsible Party:** Chief Technology Officer

**Key “A” risk(s) identified:**

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

**Key Monitoring Activities:**

- Annual and 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. Five violations occurred this year. Violations were addressed and resolved.
- 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.
- Began Dynamo project and it continues, security checks and reviews are ongoing
- Several compliance violations, including storing of UTIMCO data on unapproved personal devices or cloud services, including storing production SQL code in a public cloud and using Outlook on personal laptops, Evernote, Google Apps, and CloudMagic email for UTIMCO business and saving passwords in the browser/not using lastpass. All issues were addressed with the respective user and resolved. Additional discussion and training was provided when needed. Production SQL code was removed from the cloud.
- Office 365 security and two factor authentication review and configuration continue.
- Implemented SecurityScoreCard service provided by UT System to provide another monitor for security.

- Implemented Skillport Training provided by UT System to provide another training tool for staff.
- One malware incident, limited to 3 PCs infected, occurred; no further impact to business.
- 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.
- Provided guidance to investment and back office staff on due diligence related to security, infrastructure and IT functions with new investment partners.
- Met with investment partner, Serenity, on IT security and infrastructure strategies.
- UTIMCO received a score of 99% in UT System's system-wide security assessment scorecard

**Specialized Training:** CISO attended teleconference UT Security meetings and on-site CISO Council and InfoSec quarterly meetings. CISO met with Dell computer, Microsoft, M&S Technologies, Sequel Data Systems, Denim Group, Spiceworks, Spiceworld, and Dynamo to review new technologies, security standards, 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.
- Annual compliance statements were requested and received from all external managers under agency agreements.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them.

**Specialized Training:** None

**High-Risk Area #5:** Conflicts of Interest

**Responsible Party:** Chief Compliance Officer

**Key "A" risk(s) identified:**

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

**Key Monitoring Activities:**

- All Certificates of Compliance were received timely from all Directors and Key Employees for all investment managers hired and funded. Certificates were reviewed for completeness; one conflict of interest was noted.
- Two new directors were appointed during the year. With the exception of one director, all compliance statements were received by the due date or within the extension of time granted by the CEO.

- Twelve new employees, nine interns, and one temporary employee were hired during the year. All new employee financial disclosure statements and ethics compliance statements due were received on or before the required due dates.
- Nine employee ethics and compliance training sessions were held for the existing staff, new hires and interns. New staff received training within a reasonable time after hire. Existing staff received compliance training within the annual deadline.
- All annual employee compliance statements were received by the due date.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. Review of public resources was completed as required after Russ Kampfe was appointed to the position of Managing Director and designated a Key Employee. Annual review of public resources was completed as required during the year.
- 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. The restricted list was sent to two new external managers under agency agreements hired during the year. An updated restricted list was sent to all external managers under agency agreements in August.
- On a daily basis, the Compliance Specialist reviewed security holdings of internal and external managers under agency agreements for compliance with the restricted list. No exceptions noted.
- Of the 250 securities transactions during the year, nine required preclearance. Preclearance was appropriately requested and received. All but one transactional disclosure forms were submitted within the required ten days.
- CEO approval was given to 12 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 year. Of the 38 expense reports tested during the year, ten included third party paid expenses that were appropriately disclosed and approved. One included sponsored entertainment events. Nine 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 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 manager 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:** 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**

Nine training sessions for existing staff, new hires and interns were held during the year.

**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 Compliance Specialist, the Manager - Finance & Administration, the Executive Assistant to the CEO and Chief Investment Officer, and David Givens from The University of Texas Systemwide Compliance Office.



**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2016**

| #  | ACTION ITEM   | TARGET COMPLETION DATE | STATUS  |
|--|---|------------------------|---|
| <b><i>A. RISK ASSESSMENT</i></b>                   |   |                        |   |
| 1.   | Maintain Enterprise Risk Management Framework; update risk assessments as needed, including mapping of controls | 08/31/16               | <i>ERM framework is continuously maintained; no risk assessments were updated</i>   |
| <b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b> |   |                        |   |
| 2.   | Continual enhancement of compliance monitoring and reporting  | On-going               | <i>Ongoing; monitoring plans were updated for all high risk areas and provided to responsible parties for review and implementation</i>   |
| 3.   | Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A                        | On-going               | <i>1<sup>st</sup> Qtr., 2<sup>nd</sup> Qtr., 3<sup>rd</sup> Qtr., and 4<sup>th</sup> Qtr. FY 2016 reviewed</i>  |
| <b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>   |   |                        |   |
| 4.   | Provide Code of Ethics training and information to improve staff awareness of compliance program                | 04/30/16               | <i>Nine training sessions for existing staff, new hires, interns and temporary employee were held on 11/10/15, 12/14/15, 01/22/2016, 02/18/2016, 03/29/2016, 04/20/16, 04/26/16, 06/09/2016, and 07/13/2016 (all were completed within 30 days of hire/annual deadline)</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</i> |

| #   | ACTION ITEM  | TARGET COMPLETION DATE | STATUS  |
|---|--|------------------------|---|
|   |  |                        | <i>call held 12/02/2015; The Regulatory Fundamentals Group and Rice University conference 02/03/16; UT Systemwide Compliance Officers' Forum held on 04/04/16</i>   |
| <b><i>D. REPORTING</i></b>                  |  |                        |   |
| 6.  | Conduct quarterly meetings with the internal ethics and compliance committee   | On-going               | <i>4<sup>th</sup> qtr. FY15 meeting held on 10/05/15; 1st qtr. FY16 meeting held 01/05/2016; 2<sup>nd</sup> qtr. FY16 meeting held on 04/01/16; 3<sup>rd</sup> qtr. FY16 meeting held on 06/21/16</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; First quarter FY 2016 report presented to Audit and Ethics Committee on 02/17/16; report submitted to Systemwide Compliance Office on 01/27/16; Second quarter FY 2016 report presented to Audit and Ethics Committee on 04/26/16; report submitted to Systemwide Compliance Office on 04/13/16; Third quarter FY 2016 reported presented to Audit and Ethics Committee on 07/12/16; report submitted to Systemwide Compliance Office on 06/21/16</i> |
| <b><i>E. OTHER / GENERAL COMPLIANCE</i></b> |  |                        |   |
| 8.  | Complete wholesale review and compilation of all laws, regulations, policies and procedures applicable to UTIMCO and the | 03/31/16               | <i>Revised target completion date of 08/31/2016; first draft of</i>   |

| #   | ACTION ITEM  | TARGET COMPLETION DATE | STATUS   |
|-----|--|------------------------|--|
|     | funds; and to the extent necessary, modify compliance processes and reporting                                    |                        | <i>Excel spreadsheet has been prepared; work continues to ensure spreadsheet is complete</i>   |
| 9.  | Supervise and manage work of Legal and Compliance Specialist   | 08/31/16               | <i>Ongoing; Legal and Compliance Specialist resigned effective 11/27/15; new Compliance Specialist hired 03/15/16</i>                                  |
| 10. | Research and implement new/additional compliance program best practices, if needed                               | 08/31/16               | <i>Data continues to be accumulated</i>  |
| 11. | Complete third live testing of Business Continuity Plan; update as business processes change                     | 02/28/16               | <i>Successful completion of third live testing occurred on 08/25/16</i>  |
| 12. | UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities | On-going               | <i>UT Systemwide Compliance Officers' Forum/UT System Legal Conference held 09/23-25/15; UT Systemwide Compliance Officers' Forum held on 04/04/16</i> |
| 13. | Hotline reporting  | On-going               | <i>No activity</i>   |

**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2017**

| #  | ACTION ITEM  | TARGET COMPLETION<br>DATE | STATUS |
|--|--|---------------------------|--------|
| <b><i>A. RISK ASSESSMENT</i></b>                   |  |                           |        |
| 1.   | Perform detailed review of Enterprise Risk Management Framework; update risk assessments, including mapping of controls; prepare new/updated monitoring plans for high risk areas and update Fraud Program as needed | 08/31/17                  |        |
| <b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b> |  |                           |        |
| 2.   | Continual enhancement of compliance monitoring and reporting   | On-going                  |        |
| 3.   | Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A   | On-going                  |        |
| <b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>   |  |                           |        |
| 4.   | Provide Code of Ethics training and information to improve staff awareness of compliance program   | 04/30/17                  |        |
| 5.   | Identify and network with similarly situated compliance professionals  | On-going                  |        |
| <b><i>D. REPORTING</i></b>                         |  |                           |        |
| 6.   | Conduct quarterly meetings with the internal ethics and compliance committee   | On-going                  |        |
| 7.   | Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office   | On-going                  |        |
| <b><i>E. OTHER / GENERAL COMPLIANCE</i></b>        |  |                           |        |
| 8.   | Finalize draft of compilation of all laws and regulations and to the extent necessary, modify compliance processes and reporting   | 02/28/17                  |        |
| 9.   | Review and update Business Continuity Plan as necessary  | 05/31/17                  |        |
| 10.  | Research and implement new/additional compliance program best practices, if needed   | 08/31/17                  |        |
| 11.  | Supervise and manage work of Compliance Specialist   | 08/31/17                  |        |
| 12.  | UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities   | On-going                  |        |
| 13.  | Hotline reporting  | On-going                  |        |

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Agenda Item:** Report from Compensation Committee: Discussion and Appropriate Action Related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2016; Discussion and Appropriate Action Related to Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017; and Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2017

**Developed By:** Warner, Gonzalez, Moeller

**Presented By:** Hobson

**Type of Item:** Action Item; Action Required by UTIMCO Board

**Description:** The Compensation Committee (the "Committee") met on November 17, 2016, and will meet on November 28, 2016, and December 1, 2016. At its meeting on November 17, 2016, the Committee's agenda included the following (1) discussion and appropriate action related to minutes of its July 12, 2016 meeting; (2) discussion and appropriate action related to the designation of employees in Eligible Positions as Participants in the UTIMCO Compensation Program (the "Plan") for the Performance Period ended August 31, 2017; and (3) discussion and appropriate action related to Qualitative Performance Goals for the Participants of the Plan for the Performance Period ended August 31, 2017. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters at the meeting. The Committee deferred action on the Plan Participants' Qualitative Performance Goals for the Performance Period ended August 31, 2017.

At its November 28th meeting, the Committee will convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters. The Committee's agenda will include (1) discussion and appropriate action related to minutes of its November 17, 2016 meeting; and (2) discussion and appropriate action related to Qualitative Performance Goals for the Participants of the Plan for the Performance Period ended August 31, 2017.

At its December 1st meeting, the Committee will convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters, including the Performance Incentive Awards for the Plan Participants for the Performance Period ended August 31, 2016. The Committee's agenda will include (1) discussion and appropriate action related to minutes of its November 28, 2016 meeting; and (2) discussion and appropriate action related to the Performance Incentive Awards for the Plan Participants for the Performance Period ended August 31, 2016.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Discussion:**

**(1) Designation of Employees in Eligible Positions.** The Committee will report on its actions related to the designation of Employees in Eligible Positions as Participants in the Plan for the Performance Period ended August 31, 2017. Eligible Positions, as defined in Section 5.3. of the Plan include senior management, investment staff, and other key positions as designated by the CEO and approved by the UTIMCO Board. Section 5.3. of the Plan provides that in order for an employee of UTIMCO to become a Participant in the Plan for a Performance Period, the employee must be (1) employed by UTIMCO in an employment position that is designated as an Eligible Position for the Performance Period and (2) be selected by the UTIMCO Board as eligible to participate in the performance incentive award opportunity available under the Plan. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period. Similarly, an employee eligible to participate in one Performance Period is not automatically eligible to participate in any subsequent Performance Period. The UTIMCO Board in its discretion may also designate the employment position of a newly hired or promoted employee as an Eligible Position. The designation of Employees in Eligible Positions as Participants in the Plan for the Performance Period ended August 31, 2017, is included in the materials.

**(2) Qualitative Performance Goals.** The Committee will report on its actions related to the Participants' Qualitative Performance Goals for the Performance Period ended August 31, 2016. There are two categories of performance goals in the Plan: (1) entity performance and (2) qualitative performance. Qualitative Performance Goals may be established in one or more of the following areas: asset class/investment type, leadership, implementation of operational goals, management of key strategic projects, effective utilization of human and financial resources, and UTIMCO's investment performance relative to the Peer Group. The entity performance goals are included in the Plan in Table 2 of Appendix D of the Plan. Section 5.4. of the Plan requires that the CEO's performance goals be determined and approved by the UTIMCO Board. Mark Warner was appointed as the Interim CEO and CIO with all the powers and duties of CEO and CIO of the Corporation on October 13, 2016. The Committee presents and recommends the approval of the Interim CEO's goals to the UTIMCO Board. The Committee will request that the Board take appropriate action related to the Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017. The Interim CEO's Qualitative Performance Goals will be reviewed in Executive Session with the UTIMCO Board.

**(3) Performance Incentive Awards.** The Committee will make its recommendation to the UTIMCO Board related to the Performance Incentive Awards under the Plan for all Plan Participants. Performance Incentive Awards in the Plan for the 2015/2016 Performance Period are calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance. Action is required by the UTIMCO Board related to the Performance Incentive Awards.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Recommendation:** The Committee will recommend appropriate action from the Board related to (1) the 2015/2016 Performance Incentive Awards, including the 2015/2016 Performance Incentive Award proposed for the CEO of UTIMCO, (2) the Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017, and (3) the designation of Employees in Eligible Positions as Participants in the Plan for the 2016/2017 Performance Period.

**Reference:** Materials provided for Executive Session  
Exhibit 1 – Designation of Plan Participants in Eligible Positions for the Performance Period Ended August 31, 2017

**RESOLUTION RELATED TO THE  
CEO'S 2015/2016 PERFORMANCE INCENTIVE AWARD**

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

WHEREAS, the Compensation Committee has reviewed and approved the Entity Performance of the CEO's Performance Incentive Award during the 2015/2016 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Entity Performance of the CEO's Performance Incentive Award during the 2015/2016 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award related to Entity Performance for the 2015/2016 Performance Period in the amount of \$\_\_\_\_\_.



**RESOLUTION RELATED TO  
2015/2016 PERFORMANCE INCENTIVE AWARDS**

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2015/2016 Performance Period of his or her Performance Goals for such Performance Period; and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2015/2016 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Incentive Awards for all Participants for the 2015/2016 Performance Period (excluding the CEO) in the total aggregate amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the Performance Incentive Awards for the 2015/2016 Performance Period (excluding the CEO), \_\_\_\_% (\$\_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO THE INTERIM CEO'S QUALITATIVE  
PERFORMANCE GOALS FOR THE PERFORMANCE PERIOD ENDED  
AUGUST 31, 2017**

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, as Mark Warner was appointed as the Interim Chief Executive Officer and Chief Investment Officer of the Corporation with all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation, including the powers and duties of President of the Corporation set forth in Article V, Section 7 of the Corporation's Bylaws and such additional powers and duties as assigned to him by the Board the Committee will determine the Performance Goals of the Interim CEO for the Performance Period; and

WHEREAS, the Board has reviewed the Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017, as prepared by the Interim 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 Interim CEO for the Performance Period ended August 31, 2017, as set forth in the document presented to the Board.

**RESOLUTION RELATED TO  
2016/2017 PARTICIPANTS IN  
UTIMCO COMPENSATION PROGRAM**

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

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the Performance Period ended August 31, 2017 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, 2017.

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, 2017, effective as of September 1, 2016.

**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**for the Performance Period Ended August 31, 2017**

| <b>ELIGIBLE POSITION</b>                       | <b>PARTICIPANTS</b>   |
|--|-----------------------|
| <i>Investment Professionals</i>                |                       |
| Interim CEO & Chief Investment Officer         | 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          |
| Senior Director - Investments                  | Pat Pace              |
| Director - Investments                         | Spencer Swayze        |
| Director - Investments                         | Billy Prather         |
| Director - Investments                         | Richard Rincon        |
| Director - Investments                         | Suneel Kaji           |
| Director- Risk Management                      | Kate Wagner           |
| Senior Associate - Investments                 | Mukund Joshi          |
| Senior Associate - Investments                 | Drury Morris          |
| Associate - Investments                        | Russell Brown         |
| Associate - Investments                        | Jena Michels          |
| Associate - Investments                        | Todd Bondy            |
| Associate - Investments                        | Mallory Weinshall     |
| Senior Analyst - Investments                   | Spencer Branch        |
| Senior Analyst - Investments                   | Kyle Burhop           |
| Senior Analyst - Investments                   | Zoe Gabbard           |
| Senior Analyst - Investments                   | Patrick Curby-Lucier  |
| Analyst - Investments                          | Victoria Lee          |
| Analyst - Investments                          | James Yang            |
| Analyst - Risk Management                      | Anson Chuah           |
| Senior Investment Counsel                      | Jon Ellison           |
| <i>Support and Control 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  | Lara McKinney         |
| Mgr, Infrastructure and CISO                   | David Gahagan         |
| Mgr, Development                               | Akil Franklin         |
| Business Analyst and Document System Manager   | Aman Jain             |
| Manager  | Melynda Shepherd      |

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

- Agenda Item:** Discussion and Appropriate Action Related to Office Lease and Budget for Leasehold Improvements
- Developed By:** Staff
- Presented By:** Warner, Moeller, Shepherd
- Type of Item:** Action Item; further action by Board of Regents of The University of Texas System related to Budget for Leasehold Improvements
- Description:** UTIMCO's current office lease expires on February 28, 2018. Mr. Warner will discuss the proposed lease agreement with the Board of Regents of The University of Texas System for new office space in the building located on the north side of 7<sup>th</sup> Street between Lavaca and Colorado Streets, Austin, Texas, and the related leasehold improvement budget. Pursuant to the Delegation of Authority Policy and Master Investment Management Services Agreement, respectively, because the proposed office lease imposes a total obligation on the Corporation in excess of \$1 million and the Regents approve the Corporation's annual budget, which includes office space lease expenses, the Board must approve the contract or provide specific delegated authority to the CEO to negotiate the lease on behalf of the Corporation. Mr. Warner will present the proposed lease agreement in executive session.
- Mr. Warner will also present the proposed leasehold improvement budget for the Board's consideration and approval which is subject to approval by the Regents.
- Recommendation:** Staff requests appropriate action related to the office lease and leasehold improvement budget.
- Reference:** Executive session materials

## RESOLUTION RELATED TO LEASE AGREEMENT

WHEREAS, The University of Texas Investment Management Company (the "Corporation") currently leases office space for its executive and administrative offices in the building commonly known as Frost Bank Tower in Austin, Texas pursuant to an Office Lease with PKY-401 Congress, LLC (as successor in interest to Cousins Properties Texas LP) which expires on February 28, 2018; and

WHEREAS, the Corporation must negotiate and enter into a new lease agreement to secure office space for its executive and administrative offices on the expiration of the existing lease.

NOW, THEREFORE, IT IS:

RESOLVED, that the Interim CEO of the Corporation is authorized and directed by the Board of Directors of the Corporation to negotiate and enter into an office lease agreement on behalf of the Corporation for executive and general administrative offices in Austin, Texas, ("Lease Agreement") on such terms that may be in the best interests of the Corporation as determined by such officer of the Corporation;

FURTHER RESOLVED, that the Board of Directors affirms and ratifies any actions of the Interim CEO of the Corporation with regard to the Lease Agreement taken prior to the date of this Resolution; and

FURTHER RESOLVED, that the Interim CEO is authorized by the Board to Directors to negotiate and enter into on behalf of the Corporation any modifications of and documents ancillary to the Lease Agreement and to take whatever action as may be necessary or in the best interests of the Corporation as such officer of the Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of this Resolution and to perform the obligations of the Corporation under the Lease Agreement and any instruments referred to therein and/or executed in connection therewith.

**RESOLUTION RELATED TO BUDGET  
FOR LEASEHOLD IMPROVEMENTS**

RESOLVED, that the Capital Budget of \$\_\_\_\_\_ for Leasehold Improvements related to UTIMCO's new office space located in the new UT System Office Building, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Agenda Item:** UTIMCO Organization Update

**Developed By:** Staff

**Presented By:** Warner

**Type of Item:** Information Item

**Description:** Mark Warner will provide an update on UTIMCO's staffing.

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





# The University of Texas Investment Management Company

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## UTIMCO ORGANIZATION UPDATE December 1, 2016

# UTIMCO UPDATE

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- Staffing

# UTIMCO ORGANIZATIONAL STRUCTURE

## Investments



**UTIMCO Board**

**Interim CEO and CIO**  
**Mark Warner**  
 Joanna Barrett (EA)  
 Laura Newby

**Risk Management**  
 Uziel Yoeli (MD)

Kate Wagner (Dir)  
 Anson Chuah

**Natural Resources, Emerging Mkts, Lower/Middle Mkt Private Investments and Healthcare**  
 Mark Warner (Interim CEO and CIO)

**Real Estate**  
 Eddie Lewis (Sr. Dir)

**Public Equity, Technology and Deal Legal**  
 Susan Chen (MD)

**Fixed Income**  
 Russ Kampfe (MD)

**Hedge Funds and Credit**  
 Ryan Ruebsahm (MD)

**Lower/Middle Market Private Investments and Healthcare**  
 Pat Pace (Dir)  
 Todd Bondy  
 Inv. Officer (Open)  
 Patrick Curby-Lucier  
 Victoria Lee  
 Ross Crutchfield (May 17)

**Natural Resources**  
 Spencer Swayze (Dir)  
 Billy Prather (Dir)  
 Henry Glenn (May 17)  
 Zoe Gabbard  
 James Yang  
 Analyst (Open)  
 Christine Torres (ITC)

**Emerging Markets**  
 Richard Rincon (Dir)  
 Suneel Kaji (Dir)  
 Jennifer Grahmann (ITC)

**Real Estate**  
 Associate Director (Open)  
 Mukund Joshi  
 Spencer Branch  
 Mallory Weinshall  
 Adam Harrison (May 17)  
 Kaylea Babel (ITC)

**Public Equity**  
 Amanda Hopper (Sr. Dir)  
 Russell Brown  
 Kyle Burhop  
 Andres Delgado (Jan 17)  
 Stephanie Brenner-Brown (ITC)

**Technology**  
 Associate Director (Open)  
 Inv. Officer (Open)  
 Lisa Kabler (ITC)

**Deal Legal**  
 Jon Ellison  
 Paralegal (Open)

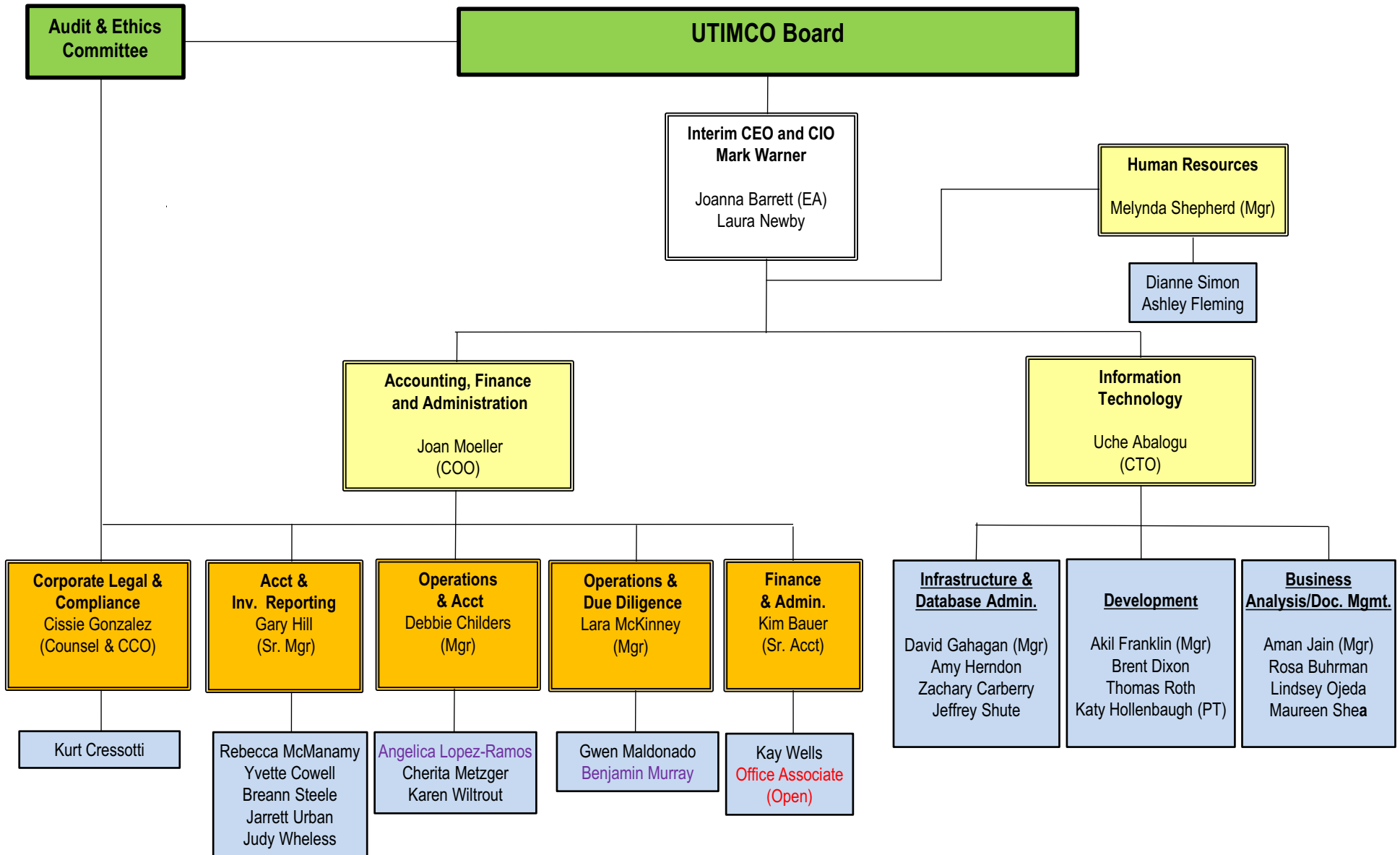
Harland Doak (Sr. Dir)

**Hedge Funds**  
 Courtney Powers (Sr. Dir.)  
 Drury Morris  
 Alison Hermann (PT)  
 Jena Michels  
 Ryan Arestie  
 Stacy Gray (EA)

**Credit**  
 Sr. Inv. Officer (Open)

# UTIMCO ORGANIZATIONAL STRUCTURE

## Support & Control



November 2016

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 1, 2016

**Agenda Item:** Report on 2017 Meeting Dates

**Developed By:** Warner

**Presented By:** Warner

**Type of Item:** Information item

**Description:** This agenda item presents the 2017 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** UTIMCO 2017 Meeting Dates



## UTIMCO Meeting Dates 2017

| Month          | Board Of Directors | Audit and Ethics Committee | Compensation Committee | Policy Committee | Risk Committee | UT System Board of Regents | TAMU System Board of Regents |
|----------------|--------------------|----------------------------|------------------------|------------------|----------------|----------------------------|------------------------------|
| January        |                    | Jan 31                     | Jan 31                 | Jan 31           | Jan 31         |                            |                              |
| February       | Feb 7              |                            |                        |                  |                | Feb 8-9                    | Feb 8-10                     |
| March          |                    |                            |                        |                  |                |                            |                              |
| April (annual) | April 20           | April 13                   | April 13               | April 13         | April 13       |                            | April 26-28                  |
| May            |                    |                            |                        |                  |                | May 9-10                   |                              |
| June           |                    |                            |                        |                  |                |                            |                              |
| July           | July 25            | July 18                    | July 18                | July 18          | July 18        | July 12-13                 |                              |
| August         |                    |                            |                        |                  |                | Aug 23-24                  | Aug 16-18                    |
| September      |                    |                            |                        |                  |                |                            |                              |
| October        | Oct 12             |                            | Oct 19                 |                  |                |                            |                              |
| November       | Nov 30             | Nov 16                     | Nov 16 & Nov 30        | Nov 16           | Nov 16         | Nov 8-9                    | Nov 8-10                     |
| December       |                    |                            |                        |                  |                |                            |                              |

**UTIMCO Board of Directors Meetings to be held in the Corporate Office:  
401 Congress, Suite 2800, Austin, Texas 78701**