

**MINUTES OF THE JOINT MEETING
OF THE POLICY AND RISK COMMITTEES OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A joint meeting of the Policy and the Risk Committees (the "Committees") of The University of Texas Investment Management Company (the "Corporation") convened in open session on July 12, 2016, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Policy Committee Chair (Policy Chairman), R. Steven Hicks, and the Risk Committee Chair (Risk Chairman), Kyle Bass, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committees:

R. Steven Hicks, Chair, Policy Committee
Kyle Bass, Chair, Risk Committee
Phil Adams
David J. Beck
H. Lee S. Hobson
Ray Rothrock

Jeffery D. Hildebrand, Chairman of the Board, and Ray Nixon, Director, also attended the meeting, thus constituting a majority and quorum of the Committees and the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cissie Gonzalez, Corporate Counsel and Chief Compliance Officer; Mark Warner, Senior Managing Director – Natural Resources, Emerging Markets, and Lower/Middle Markets; Uzi Yoeli, Russ Kampfe, Managing Director – Fixed Income; Uzi Yoeli, Managing Director – Risk Management; and Eddie Lewis, Senior Director – Real Estate. Also attending were Keith Brown of the McCombs School of Business of The University of Texas at Austin; and Jerry Turner of Andrews Kurth LLP. Chairman Hicks called the meeting to order at 2:23 p.m. Copies of materials supporting the Joint Committee meeting agenda were previously furnished to each Committee member.

Annual Investment Policy Review

Policy Chairman Hicks asked Mr. Zimmerman to present the *FY2017 Investment Policy Recommendation* and Staff's proposed changes to the Investment Policies.

The Investment Management Services Agreement (IMSA) requires UTIMCO Staff to review current Investment Policies for each Fund at least annually and propose Staff's recommendations to both the Policy and Risk Committees, subject to approval by the Board and the UT System Board of Regents. Mr. Zimmerman presented the *FY2017 Investment Policy Recommendations*, providing a comprehensive analysis of the portfolio's positioning, return/risk assumptions, and the current and future economic environment considerations used in determining the recommended changes to the Asset Class and Investment Type targets and ranges for FY 2017. Staff recommended amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF), and Exhibits B in the Permanent Health Fund (PHF) and Long Term Fund (LTF) Investment Policy Statements, to set forth the revised Policy Portfolio Asset Class and Investment Type Targets and Ranges for FY 2017. Recommended amendments to Exhibits A of the PUF and GEF, and Exhibits B in the PHF and LTF Investment Policy Statements also included setting forth changes to the Policy Benchmarks, a revised Expected 10-Year Annual Real Return (Benchmark) target for

FY 2017, and an adjustment to the one year downside volatility based on the change in the Expected Annual Real Return (Benchmark) target. The same recommended amendments were proposed for Exhibit A of the ITF. These amendments to the PUF, GEF, ITF, PHF, and LTF are to be effective September 1, 2016.


Mr. Zimmerman spoke briefly on the proposed changes to the Delegation of Authority (effective July 21, 2016); Derivative Investment Policy (effective August 25, 2016) and the Liquidity Policy (effective August 25, 2016). Board Chairman Hildebrand and several committee members had questions regarding the proposed changes to the Liquidity Policy. Mr. Zimmerman and Staff answered the Committee Members' questions. Due to time constraints, the Committees approved the proposed policy amendments subject to further discussion and approval by the Board at its meeting on July 21, 2016.

Policy Chairman Hicks and Risk Chairman Bass, on behalf of the Policy and Risk Committees respectively, recommended approval of the following resolution. Upon motion duly made and seconded, the following resolution was adopted by the Committees:

RESOLVED, that the amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, Separately Invested Funds, and amendments to the Derivative Investment Policy and Liquidity Policy, as presented be, and are hereby, approved, subject to approval by the Corporation's Board of Directors.

There being no further business to come before the Committees, the meeting was adjourned at 3:04 p.m.

Secretary:


Joan Moeller

Approved:


R. Steven Hicks, Chair
Policy Committee of
The University of Texas Investment
Management Company

Date:

4/4/2017

Approved:


Kyle Bass, Chair
Risk Committee of
The University of Texas Investment
Management Company

Date:

12-1-16

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

The Risk Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **July 12, 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 Committee Chair, Kyle Bass, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

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

thus constituting a majority and quorum of the Committee. Jeffery D. Hildebrand, Chairman of the Board, joined the meeting later as noted in the minutes thus constituting a majority and quorum of the Board. Committee Chair ("Chairman") Bass called the meeting to order at 2:00 p.m. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Mark Warner, Senior Managing Director – Natural Resources, Emerging Markets and Lower/Middle Markets; Gary Hill, Senior Manager – Investment Reporting; Susan Chen, Managing Director – MCC, Technology & Deal Legal; Uzi Yoeli, Managing Director – Risk Management; Russ Kampfe, Managing Director – Fixed Income; and Eddie Lewis, Senior Director – Real Estate. Other attendees were Terry Hull and Roger Starkey, The University of Texas System; Jerry Turner of Andrews Kurth LLP; and Keith Brown of the McCombs School of Business at UT Austin. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Minutes

The first matter to come before the Committee was approval of the minutes of the April 26, 2016 Meeting of the Risk Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Risk Committee of the Board of Directors held on April 26, 2016, be, and are hereby, approved.

Mandate Categorization

Chairman Bass asked Mr. Zimmerman to give a brief summary of the new mandate categorizations requiring approval by the Committee. Board Chairman Hildebrand joined the meeting at this time. Mr. Zimmerman summarized the 14 new investment mandate categorizations prepared and recommended by Staff for the period beginning April 2, 2016 and ending July 1, 2016. The watch list continues to be monitored, but no recommendations were made for recategorization at this time. The Chief Compliance Officer and CEO and Chief Investment Officer concurred in the categorizations prepared by the Managing Directors. Mr.

Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the purpose of the Mandate Categorization Procedure, amended as of July 22, 2013, is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, and the Intermediate Term Fund; and

WHEREAS, the Procedure requires the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer to review and categorize each new mandate, and to review mandates prior to each Risk Committee meeting to determine whether there have been any change(s) in the investment characteristics of the mandate that warrant a re-categorization and, if so, to recommend re-categorization to the Risk Committee for their approval or re-categorization; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared from April 2, 2016, through July 1, 2016, and categorized each as required by the Procedure; and

WHEREAS, the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer have reviewed existing mandates and determined there have been no changes in the investment characteristics of the mandates to warrant re-categorization; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations of fourteen (14) new mandates and concurs in the classifications as proposed by the Corporation's staff.

NOW, THEREFORE, BE IT

RESOLVED, that the Categorizations of the Asset Class and Investment Type for each Investment Mandate are hereby approved.

Compliance Summary Program

Chairman Bass asked Ms. Gonzalez to present the Compliance Summary Program update. Ms. Gonzalez presented to the Committee the Investment Policies Compliance Report for the Quarter Ended May 31, 2016.

She reported one out of compliance matter this quarter. An employee who was not on the list of Authorized Traders for derivative investments entered into a derivative trade. The employee had performed the research on pricing for the trade and did not know he was not authorized to enter into the trade. Going forward, staff will provide a list of authorized traders to approved counterparties.

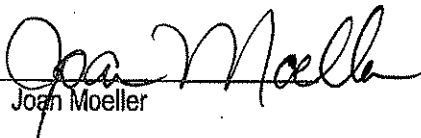
Ms. Gonzalez also presented to the Committee the Institutional Compliance Program Report for the Quarter ended May 31, 2016. She mentioned that staff continues to monitor the five high risk areas: Investment Due Diligence, Investment Risk Management, Information Technology & Security, Investment Compliance and Conflicts of Interest, and discussed each briefly, including employee training, the preclearance of trades, and the Corporation's Compliance Hotline. Ms. Gonzalez mentioned that one issue with the certificates of

compliance had been identified, which will require a new certificates of compliance to be sent to the Directors on the Board in March. The legal entity in which the investment was made did not match the business entity name on the certificate of compliance. The entity is new so no conflict of interest exists but the records need to be corrected. Staff has procedures in place and will work to enhance to prevent future errors. Ms. Gonzalez also gave an update on the Institutional Compliance Action Plan for FY 2016.

Performance and Risk Reporting

Chairman Bass tabled the presentation on performance and risk reporting as Mr. Zimmerman stated it will be presented in detail at the Board Meeting.

There being no further business to come before the Risk Committee, the meeting was adjourned at 2:22 p.m.

Secretary: 
Joan Moeller

Approved: 

Date: 12-1-16

Kyle Bass, Chair
Risk Committee of the Board of Directors of
The University of Texas Investment Management Company