

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
November 29, 2017**

Hilton Garden Inn  
220 East Grande  
Tyler, Texas 75703

Time	Item #	Agenda Item
<b>Begin</b>	<b>End</b>	
12:30 p.m.	12:35 p.m.	1 <a href="#">Call to Order of the Meeting/Approval of the Minutes of the September 11, 2017 Meeting*</a>
12:35 p.m.	12:40 p.m.	2 <a href="#">Corporate Resolution – Designation of Plan Administrative Committee*</a>
12:40 p.m.	1:15 p.m.	3 <a href="#">UTIMCO Performance Report and Market Update</a>
1:15 p.m.	2:10 p.m.	4 <a href="#">Public Markets and Venture Capital Investment Presentations</a>
2:10 p.m.	2:15 p.m.	5 <a href="#">Report from Risk Committee</a>
2:15 p.m.	2:25 p.m.	6 <a href="#">Report from Audit and Ethics Committee:</a> - Approval of the 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, 2017*
2:25 p.m.	2:45 p.m.	<b>Recess to Executive Session, if required</b> <b>Executive Session:</b> The Board of Directors may convene in Executive Session to consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2017, pursuant to Section 551.074, <i>Texas Government Code</i> . Pursuant to 551.071, <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to consult with counsel regarding legal matters or pending and/or contemplated litigation or settlement offers. <b>Reconvene into Open Session</b>
2:45 p.m.	2:55 p.m.	7 <a href="#">Report from Compensation Committee:</a> - Approval of the Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2017* - Approval of Appendix C of the UTIMCO Compensation Program* - Approval of the Designation of Employees in Eligible Position as Participants in the UTIMCO Compensation Program for the Performance Period ended August 31, 2018*
2:55 p.m.	3:00 p.m.	8 <a href="#">Report on 2018 Meeting Dates</a>
3:00 p.m.		<b>Adjourn followed by Reception, Dinner, and Entertainment at Barefoot Ranch. This is a social event by invitation only, and no deliberation of UTIMCO business will take place among the Directors.</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: February 28, 2018</b>
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**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **September 11, 2017**, be, and are hereby, approved.

**MINUTES OF MEETING  
OF THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS/TEXAS A&M INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in an open meeting on **September 11, 2017**, in person 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  
Phil Adams  
J. Kyle Bass  
Robert Gauntt  
Janet Handley  
R. Steven Hicks  
Ray Nixon  
Ray Rothrock  
Rad Weaver

thus constituting a majority and quorum of the Board. Employees of the Corporation attending the meeting were Britt Harris, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Sharon Toalson, Executive Assistant to the CEO and Chief Investment Officer; and other team members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP; Roger Starkey, Terry Hull, and Karen Adler of UT System; David Rejino of The Texas A&M University System; and Greg Jensen of Bridgewater Associates, LP. Chairman Hildebrand called the meeting to order at 10:02 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Chairman Hildebrand began the meeting by recognizing and welcoming UTIMCO's three newest directors, Janet Handley, Rad Weaver, and Robert Gauntt. He also welcomed Britt Harris, UTIMCO's new CEO and Chief Investment Officer to his first meeting of the Board. Additionally, Chairman Hildebrand and other members recognized and thanked Mark Warner for his dedication and service to the Corporation during the interim period.

**Resolutions of Appreciation**

Chairman Hildebrand presented recommendations to the Board to approve resolutions acknowledging Mark Warner's tenure as UTIMCO's Interim CEO and Chief Investment Officer and Lee Hobson's and David Beck's service as UTIMCO Directors.

**RESOLUTION OF APPRECIATION HONORING  
MARK J. WARNER**

**WHEREAS**, due to his substantial background and expertise in business and global investing, Mark J. Warner, Senior Managing Director - Natural Resources & Emerging Markets was appointed as the Interim Chief Executive Officer and Chief Investment Officer of The University of Texas/Texas A&M Investment Management Company (UTIMCO) with all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation for the investment of the funds under the

fiduciary care of the Board of Regents of The University of Texas System, for the benefit of The University of Texas System, The Texas A&M University System, and the citizens of the State of Texas; and

**WHEREAS**, as the Interim Chief Executive Officer and Chief Investment Officer, Mr. Warner provided invaluable insight and direction to the Board of Directors and UTIMCO employees, exhibiting the highest standards of integrity, professionalism, and competency; and

**WHEREAS**, Mr. Warner's outstanding leadership, judgment, commitment, and dedicated service as Interim Chief Executive Officer and Chief Investment Officer were exemplary, reflecting his dedication to the success of UTIMCO and The University of Texas and Texas A&M University Systems for the benefit of and education and development of students at all levels.

**NOW, THEREFORE,**

**BE IT RESOLVED**, that the Directors of The University of Texas/Texas A&M Investment Management Company, do hereby express to Mark J. Warner their sincerest appreciation for his leadership, commitment, and service as Interim Chief Executive Officer and Chief Investment Officer; and

**BE IT FURTHER RESOLVED**, that all persons who read this Resolution should know that Mark J. Warner has made a lasting and fundamental contribution to The University of Texas/Texas A&M Investment Management Company, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

**PASSED AND ADOPTED** this 11th day of September, 2017.

**RESOLUTION OF APPRECIATION  
H. LEE S. HOBSON**

**WHEREAS**, in recognition of his substantial background and expertise in business and global investing, H. Lee S. Hobson was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas /Texas A&M Investment Management Company ("UTIMCO") on May 20, 2014; and

**WHEREAS**, Mr. Hobson served as Chairman of the Compensation Committee and as a member of the Risk Committee; and

**WHEREAS**, during his tenure on the UTIMCO Board, Mr. Hobson provided invaluable insight and counsel, drawing on his many years of business and investment experience as founder and managing partner of Highside Capital Management and former partner at Maverick Capital; and

**WHEREAS**, Mr. Hobson's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education, health and development of children and students of all ages, and further evidenced as a member of the Investment Committee and Investment Management Committee of the Children's Health System of Texas Board, a member of the Teach for America Regional Advisory Board, the Capital for Kids Advisory Board, and the Episcopal School

of Dallas Endowment Board of Trustees, as a former member of the Children's Medical Center Foundation Board and Investment Committee, and former chairman of the Episcopal High School Investment Committee in Alexandria Virginia; and

**WHEREAS**, Mr. Hobson's unselfish contributions are also evidenced in the civic and corporate arenas by his service on numerous boards, including the Council on Foreign Relations, the Dallas Committee on Foreign Relations, the Virginia Theological Seminary Board and Investment Committee, the Dallas Museum of Art Board and Investment Committee, and the National Council of the American Enterprise Institute; and

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

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

**NOW, THEREFORE,**

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

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

**PASSED AND ADOPTED** this 11th day of September, 2017.

**RESOLUTION OF APPRECIATION  
DAVID J. BECK**

**WHEREAS**, in recognition of his substantial background and expertise in law and business, David J. Beck was appointed by Governor Greg Abbott to the Board of Regents of The University of Texas System in January 2015, and was appointed by the Board of Regents to the Board of Directors of The University of Texas/Texas A&M Investment Management Company ("UTIMCO") in May 2015; and

**WHEREAS**, Mr. Beck, a founding partner of Beck Redden LLP, and a former senior partner of Fulbright & Jaworski L.L.P., has provided invaluable insight and counsel, drawing on his immense experience as one of the preeminent trial lawyers in the United States, including serving two terms on the Judicial Conference Standing Committee on Rules of Practice and Procedure, a committee that makes recommendations to the Supreme Court of the United States on rules affecting the federal courts; and

**WHEREAS**, Mr. Beck's unselfish contributions are also evidenced in the civic and education arenas by his service on various boards, including as president of the State Bar of Texas from 1995-1996, past president of the American College of Trial Lawyers, and past president of the International Association of Defense Counsel; and

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

**WHEREAS**, Mr. Beck's commitment and service as a Board Member of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work with the Board of Regents of The University of Texas System, including service as Chairman of the Facilities Planning and Construction Committee; as a member of the Audit, Compliance, and Risk Management, the Finance and Planning, and Health Affairs Committees, service on the Special Advisory Committee of the Brackenridge Tract and as an Athletics Liaison; service as a member of the MD Anderson Board of Visitors and the UT Health Development Board, and former chair of the board of trustees of The University of Texas Law School Foundation; and

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

**NOW, THEREFORE,**

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

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

**PASSED AND ADOPTED** this 11th day of September, 2017.

**Minutes**

The next item to come before the Board was approval of the Minutes of the Board of Directors Meetings held on July 25, 2017. 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 July 25, 2017, be, and are hereby, approved.

**Corporate Resolutions**

**Election of Officers**

Chairman Hildebrand nominated Ray Rothrock as Vice-Chairman and R. Steven Hicks as Vice-Chairman for Policy. He then requested nominations for the office of Chairman of the Board. Jeffery Hildebrand was nominated and Chairman Hildebrand accepted the nomination as Chairman. Chairman Hildebrand then recommended approval of the corporate resolution designating the officers for the Corporation. As stated in the Bylaws, Officers for the ensuing year are to be elected at the Annual Meeting. The agenda item was postponed at the Annual Meeting in April by the Chairman to a future meeting. Employees that are designated as Officers by the UTIMCO Board meet the definition of Key Employees in the Corporation's Code of Ethics. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Jeffery D. Hildebrand	Chairman
Ray Rothrock	Vice-Chairman
R. Steven Hicks	Vice-Chairman for Policy
Britt Harris	President, Chief Executive Officer and Chief Investment Officer
Mark Warner	Senior Managing Director
Joan Moeller	Senior Managing Director, Treasurer and Secretary
Ryan Ruebsahm	Managing Director
Susan Chen	Managing Director
Russ Kampfe	Managing Director
Uzi Yoeli	Managing Director
Edward Lewis	Managing Director
Uche Abalogu	Chief Technology Officer

**Committee Assignments**

Chairman Hildebrand then recommended approval of new Board committee assignments except for the Audit & Ethics Committee, which was approved by the Board at its July 25, 2017, meeting.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Ray Rothrock  
J. Kyle Bass  
Robert Gauntt  
Ray Nixon

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

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

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

J. Kyle Bass  
Robert Gauntt  
Ray Rothrock  
Rad Weaver

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

FURTHER RESOLVED, that J. Kyle Bass is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

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

R. Steven Hicks  
Phil Adams  
Ray Nixon  
Janet Handley

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

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

### **UTIMCO Performance Report and Market Update**

Chairman Hildebrand asked Mr. Harris to present the Corporation's performance report and market update. Mr. Harris reviewed the current market environment then presented the Corporation's assets under management and performance results as of June 30, 2017. Mr. Harris reported the Corporation had \$40.4 billion of assets under

management, specifically in Endowment Funds: \$19.5 billion in the Permanent University Fund (PUF), \$8.1 billion in the Long Term Fund (LTF) and \$1.1 billion in the Permanent Health Fund (PHF); and in Operating Funds: \$8.6 billion in the Intermediate Term Fund (ITF), \$2.1 billion in the Short Term Fund (STF), and \$0.8 billion in the Debt Proceeds Fund. The net performance for the 12 months ended June 30, 2017, for the PUF was 13.4%, for the LTF was 13.7%, and for the ITF was 8.0%. Mark Warner and Susan Chen highlighted long-term market performance for their respective portfolios. Mr. Harris reported active management value-add attribution, and he gave a risk overview.

### **Global Outlook**

Chairman Hildebrand invited guest speaker Greg Jensen, Co-Chief Investment Officer of Bridgewater Associates, LP to give a presentation on the global market. Mr. Jensen discussed where we are in the current cycle, its impact on markets and long-term expectations for asset performance.

At approximately 12:20 p.m., the Board recessed for lunch.

The meeting of the Board reconvened in open session at 12:45 p.m.

### **Current Initiatives and Top Priorities**

Chairman Hildebrand asked Mr. Harris to present current initiatives and top priorities for the Corporation. Mr. Harris highlighted priorities including long-term investments, agency structure/purpose, culture and critical processes. Amanda Hopper, Lara McKinney and Courtney Powers also gave a brief overview of the results from a recent employee culture survey.

### **Policy Committee Report**

Chairman Hildebrand asked Director Hicks to provide a report on behalf of the Policy Committee. Director Hicks reported the Policy Committee had met on August 30, 2017, and approved the minutes of its April 13, 2017 meeting; and considered and approved the proposed amendments to the Investment Policy Statements and Liquidity Policy, subject to approval by the Board and the Board of Regents. Director Hicks proceeded to summarize the amendments to the Investment Policy Statements and Liquidity Policy approved by the Committee. Director Hicks then recommended approval of the amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF, and the Liquidity Policy, subject to approval by the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and amendments to the Liquidity Policy, as presented be, and are hereby approved, subject to approval by the Board of Regents of The University of Texas System.

**Compensation Committee Report**

Chairman Hildebrand asked Director Rothrock to provide a report on behalf of the Compensation Committee. The Compensation Committee (the "Committee") met on August 31, 2017, and considered two action items at its meeting. The Committee approved the minutes of the February 1, 2017 meeting as drafted; and after meeting in executive session to discuss the base salaries for the UTIMCO Officers and other UTIMCO Compensation Program Participants for 2017-2018 fiscal year (other than the CEO), approved these base salaries.

**Audit and Ethics Committee Report**

Chairman Hildebrand asked Director Janet Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Audit and Ethics Committee ("Committee") had met on August 31, 2017, to consider two action items. The minutes of the April 13, 2017 meeting were approved as drafted; and (2) after meeting in executive session, made a joint recommendation to the Compensation Committee of the base salary for the Corporate Counsel and Chief Compliance Officer for the 2017-18 fiscal year.

**UTIMCO 2017-2018 Budget**

Chairman Hildebrand asked Mr. Harris to present the proposed UTIMCO FY2018 budget, including the salary recommendations that were approved by the Compensation Committee, and excluding the capital budget for the new office space that was approved at the July 25, 2017 meeting of the Board. Mr. Harris reviewed the FY 2017 budget to actual and presented the FY 18 annual budget, which includes all estimated expenses associated with the management of the Investment Funds and UTIMCO's management fee. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$37,102,301 and the Other Direct Fund Costs of \$8,777,148, resulting in Total Fees of \$45,879,449, and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2017 through August 31, 2018, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

**Adjourn**

There being no further business to come before the Board, the meeting was adjourned at approximately 1:17 p.m.

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

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

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** Corporate Resolution - Designation of Plan Administrative Committee

**Developed By:** Moeller, Gonzalez

**Presented By:** Harris

**Type of Item:** Action required by UTIMCO Board

**Description:** The Corporation maintains two deferred compensation plans for employees, the UTIMCO 403(b) Tax Sheltered Annuity Plan available to all employees and the UTIMCO 457(b) Deferred Compensation Plan for a select group of management and highly compensated employees (the "Plans"). General administration of the Plans is vested in a Plan Administrative Committee ("Committee") of UTIMCO employees appointed by the UTIMCO Board. The Committee is the Plans' administrator and is currently comprised of two individuals, Melynda Shepherd, Manager – Human Resources, and Joan Moeller, Senior Managing Director – Accounting, Finance, and Administration. Ms. Shepherd is the designated chairperson of the current Committee. Britt Harris, the Corporation's President, CEO and Chief Investment Officer is requesting appointment to the Committee by the Board.

**Recommendation:** Mr. Harris is requesting designation of a Plan Administrative Committee for both Plans.

**Reference:** None

## **RESOLUTION RELATED TO PLAN ADMINISTRATIVE COMMITTEE**

RESOLVED, that the following employees be designated as the Plan Administrative Committee, responsible for general administration of both the 403(b) Tax Sheltered Annuity Plan and 457(b) Deferred Compensation Plan of the Corporation.

Britt Harris	President, CEO and Chief Investment Officer
Joan Moeller	Senior Managing Director – Accounting, Finance and Administration
Melynda Shepherd	Manager – Human Resources

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** UTIMCO Performance Report and Market Update

**Developed By:** Harris, Yoeli

**Presented By:** Harris, Yoeli

**Type of Item:** Information Item

**Description:** Mr. Harris and Dr. Yoeli will present UTIMCO Performance Report and Market Update.

**Reference:** *UTIMCO Performance Report and Market Update Presentation*



# The University of Texas/Texas A&M Investment Management Company

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## UTIMCO Performance Report and Market Update

November 29, 2017

**Britt Harris**  
CEO/CIO



# PERFORMANCE UPDATE

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# Overview of Funds

Periods Ending September 30, 2017



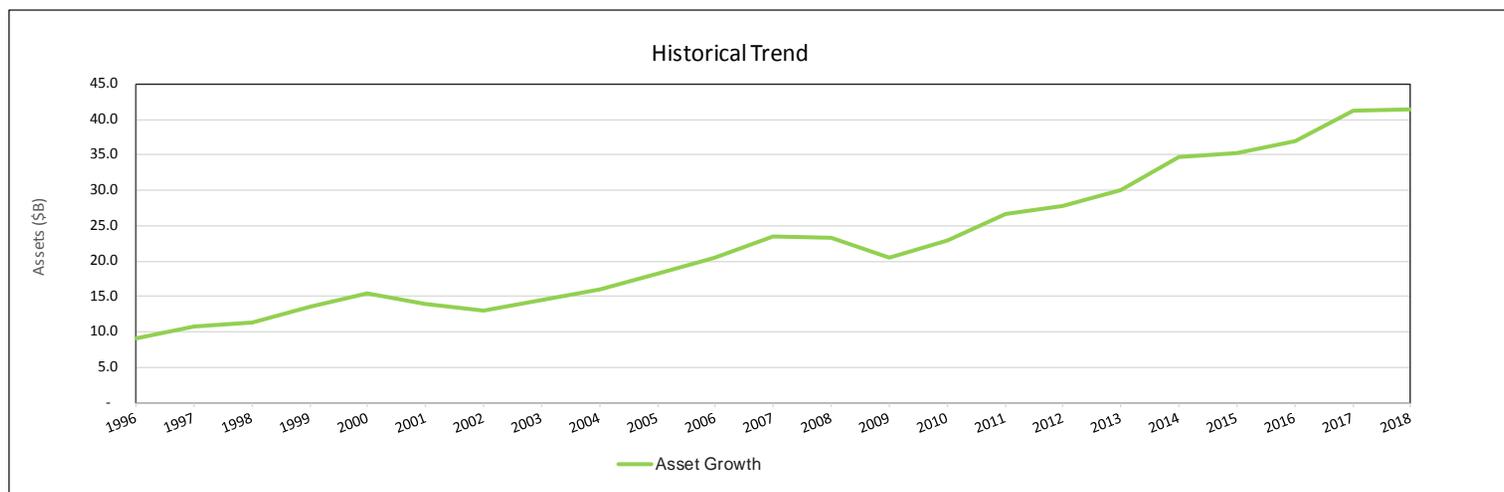
## Overview of Funds Periods Ending September 2017

Endowment Funds	\$B	Returns							Alpha							Fiscal YTD	
		1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 mth	Alpha
PUF	\$ 20.0	0.42	3.18	10.52	11.83	6.19	7.71	4.86	(0.02)	(0.57)	0.64	1.51	1.18	1.18	1.71	0.42	(0.02)
PHF	\$ 1.2	0.50	3.09	10.60	12.08	6.40	7.79	4.87	0.06	(0.66)	0.72	1.76	1.39	1.26	1.72	0.50	0.06
LTF	\$ 8.3	0.50	3.09	10.61	12.10	6.41	7.79	4.88	0.06	(0.66)	0.73	1.78	1.40	1.26	1.73	0.50	0.06
Other	\$ 0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 29.6</b>																

Operating Funds	\$	1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 mth	Alpha
ITF	\$ 9.2	0.25	2.83	8.97	7.73	3.40	4.35	3.67	0.07	(0.22)	0.49	1.50	0.75	1.14	1.85	0.25	0.07
Debt Proceeds	\$ 0.8	0.10	0.31	0.81	1.02	0.52	0.35	N/A	0.01	0.05	0.24	0.36	0.20	0.13	N/A	0.10	0.01
STF	\$ 1.8	0.09	0.29	0.71	0.85	0.40	0.27	0.66	0.00	0.03	0.14	0.19	0.08	0.05	0.19	0.09	0.00
<b>TOTAL</b>	<b>\$ 11.8</b>																

All Assets	\$	Increase
June 2017	\$ 40.4	+\$1.0
March 2017	\$ 39.7	+\$0.7
December 2016	\$ 37.7	+\$2.0
September 2016	\$ 37.1	+\$0.6

Income & Distributions (\$M)	Projected 8/31/2018	8/31/2017	8/31/2016
PUF Land Contributions	\$655	\$665	\$512
PUF Distribution	(\$887)	(\$839)	(\$773)
Net Payout (\$M)	(\$232)	(\$174)	(\$261)



# Global Markets, Risk Premiums and Diversification

Periods Ending September 30, 2017



	Market Returns					Std Dev		Max Drawdown	Corr vs. S&P500	Sharpe Ratio	
	QTR	YTD	1Y	5Y	10Y	1	10E			5	10
<b>United States</b>											
CPI	0.76	1.64	2.23	1.30	1.70	0.78	1.39	4.43	0.13	1.02	0.89
Cash	0.26	0.53	0.66	0.22	0.47	0.10	0.34	0.01	(0.21)		
Long Treasury (Duration)	0.57	5.61	(6.35)	2.84	6.89	10.18	11.93	15.94	(0.30)	0.26	0.54
Credit (IG)	1.76	5.06	(1.26)	0.50	2.85	6.04	5.76	10.07	0.31	0.06	0.41
High Yield (Default)	2.84	7.49	9.28	6.44	7.95	3.57	11.26	33.37	0.75	1.10	0.66
US Dollar Index	(2.67)	(6.47)	(2.50)	3.09	1.82	7.10	8.77	17.13	(0.51)	0.43	0.15
S&P 500	4.48	12.11	18.61	14.22	7.44	5.46	15.05	50.95	1.00	1.47	0.46
U.S. Small Cap	4.57	11.81	18.71	14.23	7.57	6.01	15.58	51.20	1.00	1.43	0.46
Private Equity <sup>1</sup>	1.99	6.68	8.76	11.23	8.80	5.38	12.21	23.84	0.28	2.21	0.68
Size	1.52	1.23	1.23	0.30	2.10	10.06	7.99	15.37	0.28	0.01	0.20
Value	0.66	(8.21)	4.48	0.61	(1.19)	12.82	9.69	25.02	0.31	0.05	(0.17)
Momentum	4.22	3.50	(1.40)	1.53	(2.03)	6.79	17.43	57.39	(0.37)	0.12	(0.14)
<b>Non-US Equity</b>											
EAFE Developed (USD)	5.40	16.58	19.10	8.38	1.34	7.07	18.50	56.68	0.89	0.70	0.05
Emerging Markets (USD)	7.89	21.15	22.46	3.99	1.32	9.68	23.22	61.59	0.80	0.26	0.04
Global Equity (USD)	5.18	14.13	18.65	10.20	3.88	4.57	16.82	54.92	0.96	1.00	0.20
Europe (USD)	6.45	20.30	22.30	8.36	1.08	9.68	20.29	59.29	0.89	0.63	0.03
Europe (Local)	3.45	12.02	17.71	10.93	3.24	7.60	15.02	50.09	0.88	1.03	0.18
Japan (USD)	4.10	10.51	14.46	10.91	1.91	5.51	15.62	45.98	0.72	0.86	0.09
<b>Diversifiers (Typical)</b>											
Hedge Funds	2.71	4.75	6.73	3.89	1.09	1.70	5.27	22.20	0.72	1.12	0.12
Real Estate (Private) <sup>1</sup>	1.99	6.68	8.76	11.10	4.37	5.38	16.34	42.48	0.23	2.15	0.24
REITS	0.93	3.63	0.54	9.58	5.79	9.43	25.38	65.48	0.75	0.68	0.21
TIPS	0.86	0.87	(0.73)	0.02	3.90	2.91	6.18	12.22	0.19	(0.04)	0.56
Infrastructure	(3.05)	(10.03)	(3.70)	(0.57)	6.49	11.37	19.00	48.51	0.53	(0.04)	0.32
<b>Diversifiers (Other)</b>											
Commodities	2.52	(3.00)	(0.29)	(10.47)	(6.83)	4.87	17.79	67.02	0.51	(0.90)	(0.41)
Natural Resources	3.21	3.06	1.85	(3.59)	(3.12)	7.90	18.43	54.23	0.67	(0.33)	(0.19)
Oil	9.35	(4.67)	4.36	(11.40)	(4.72)	17.26	32.49	75.99	0.46	(0.40)	(0.16)
Energy Equipment & Services <sup>2</sup>	4.43	(16.35)	(6.14)	(5.74)	(3.05)	22.31	30.22	63.36	0.74	(0.28)	(0.12)
Mining	13.98	3.96	20.45	(5.43)	(4.81)	20.95	33.15	75.11	0.62	(0.20)	(0.16)
Gold	3.07	5.70	(2.74)	(6.30)	5.58	13.14	19.28	41.88	0.04	(0.41)	0.27

<sup>1</sup> Private Market assets are based on independent and/or manager valuations

<sup>2</sup> 10Y columns are only for 9 years

# UTIMCO: Return Comparison



## UTIMCO outperformed large private endowments

Period Ending June 30, 2017

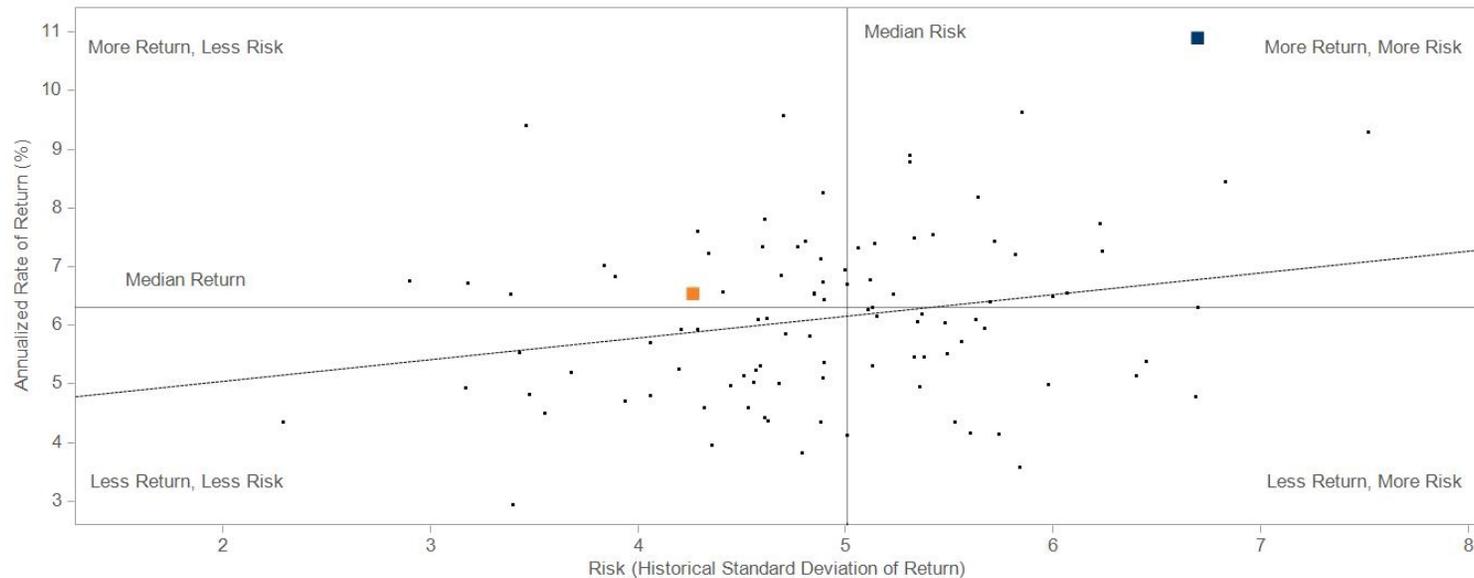
	<i>Endowment Size</i> (\$, Bn)	<i>1-Y</i> <i>Return</i>	<i>UTIMCO</i> <i>Outperformance</i>
<b>UTIMCO</b>	29.0	13.4%	
<b>Stanford</b>	24.8	13.1%	+0.3%
<b>Princeton</b>	23.8	12.5%	+0.9%
<b>Yale</b>	27.2	11.3%	+2.1%
<b>Harvard</b>	37.1	8.1%	+5.3%

# Risk/Return



**For past 3 years, PUF has generated more returns for less risk**

Period Ending September 30, 2017



	Risk Value	Risk Rank	Return Value	Return Rank
PUF TOTAL FUND	4.29	84	6.45	48
S&P 500	6.72	3	10.81	1
Median	5.01		6.30	

# PUF Historical Performance



Period Ending September 30, 2017

	AUM (\$, Bn)					
	<i>Start</i>	<i>End</i>	<i>Change</i>	<i>Return</i>	<i>Volatility</i>	<i>Sharpe Ratio</i>
<i>1996 - Present</i>	<b>5.3</b>	<b>20.0</b>	<b>+14.7</b>	<b>7.7%</b>	<b>8.0%</b>	<b>0.7</b>
<i>Feb 2009 - Present</i>	<b>8.3</b>	<b>20.0</b>	<b>+11.7</b>	<b>9.8%</b>	<b>6.1%</b>	<b>1.4</b>

# Performance Attribution – PUF

As of September 30, 2017



5 Years	Asset Class	Allocation		Returns		Alpha	Impact	
		UTIMCO	Diff to Target	UTIMCO	Benchmark		Total	TAA
	Real Estate	7.1%	-0.7%	11.6%	9.9%	+0.1%	0.1%	-0.1%
	Developed Equity	44.7%	-0.4%	11.1%	8.2%	+1.3%	1.3%	0.0%
	Credit	8.5%	1.1%	9.4%	7.1%	+0.2%	0.2%	0.1%
	Emerging Markets	14.6%	-2.0%	6.6%	5.9%	+0.1%	0.1%	0.0%
	Inv. Grade Fixed Income	10.6%	1.1%	0.7%	1.3%	(-0.2%)	-0.2%	-0.1%
	Natural Resources	14.5%	0.8%	0.1%	3.1%	(-0.4%)	-0.4%	-0.1%
							<b>1.2%</b>	<b>-0.3%</b>

1 Year	Asset Class	Allocation		Returns		Alpha	Impact	
		AUM	Diff to Target	UTIMCO	Benchmark		Total	TAA
	Emerging Markets	16.3%	0.6%	16.0%	17.3%	(-0.2%)	-0.2%	-0.1%
	Natural Resources	16.4%	3.6%	15.4%	7.0%	+1.2%	1.2%	0.1%
	Real Estate	7.6%	0.0%	13.9%	8.1%	+0.4%	0.4%	0.0%
	Credit	6.9%	-0.7%	11.6%	8.2%	+0.3%	0.3%	0.0%
	Developed Equity	41.8%	-5.3%	11.1%	11.6%	(-0.2%)	-0.2%	-0.1%
	Inv. Grade Fixed Income	11.1%	1.8%	2.1%	0.6%	(-0.0%)	0.0%	-0.1%
							<b>1.5%</b>	<b>-0.2%</b>

	5 Years		1 Year	
	Total	TAA	Total	TAA
MCC	-0.1%	<b>-0.4%</b>	-0.3%	<b>-0.4%</b>
LCC	0.8%	0.1%	0.7%	0.1%
Private	<u>0.5%</u>	<u>0.0%</u>	<u>1.2%</u>	<u>0.1%</u>
Total	1.2%	<b>-0.3%</b>	1.5%	<b>-0.2%</b>

# Performance Summary – PUF

As of September 30, 2017



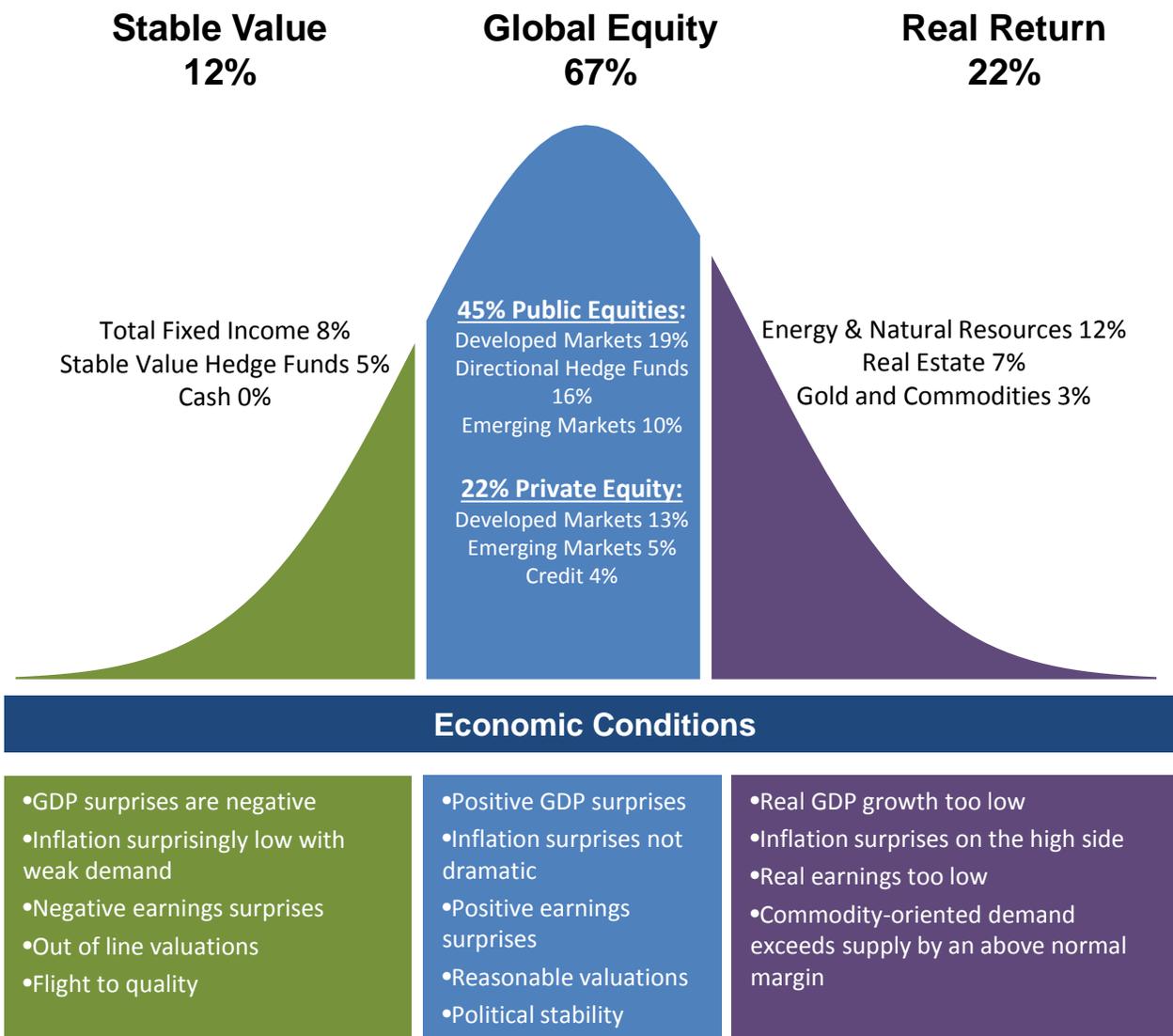
5 Years	5 Year Results			
	MCC	LCC	Private	Total
Total Return	4.8%	6.3%	13.2%	7.7%
Benchmark	4.9%	3.9%	11.5%	6.5%
Alpha	-0.1%	2.4%	1.7%	1.2%
Weight	41.0%	28.0%	31.0%	100.0%
Relative Weight	-0.5%	-1.1%	1.6%	-
<b>Alpha</b>				
- Total	-0.10%	0.77%	0.51%	1.18%
- Tactical Asset Allocation	-0.30%	0.03%	-0.03%	-0.30%

1 Year	1 Year Results			
	MCC	LCC	Private	Total
Total Return	12.5%	8.2%	13.4%	11.8%
Benchmark	13.1%	6.4%	10.1%	10.3%
Alpha	-0.6%	1.8%	3.3%	1.5%
Weight	38.0%	23.5%	38.5%	100.0%
Relative Weight	-1.3%	-3.1%	4.4%	-
<b>Alpha</b>				
- Total	-0.33%	0.68%	1.16%	1.51%
- Tactical Asset Allocation	-0.36%	0.13%	-0.06%	-0.29%

# Review of Current Environment



As of September 30, 2017



Returns <sup>1</sup>			
Time Horizon	Stable Value	Global Equity	Real Return
1 Year	0.7%	15.3%	9.8%
3 Year	0.4%	5.4%	0.0%
5 Year	1.9%	9.1%	3.9%
7 Year	2.6%	9.1%	6.9%
10 Year	2.5%	4.7%	4.4%

<sup>1</sup> Returns reflect benchmark performance and not actual UTIMCO performance

Correlations			
Environment	Stable Value	Global Equity	Real Return
Stable Value	1.00	0.65	0.49
Global Equity		1.00	0.66
Real Return			1.00

## Economic Conditions

- GDP surprises are negative
- Inflation surprisingly low with weak demand
- Negative earnings surprises
- Out of line valuations
- Flight to quality

- Positive GDP surprises
- Inflation surprises not dramatic
- Positive earnings surprises
- Reasonable valuations
- Political stability

- Real GDP growth too low
- Inflation surprises on the high side
- Real earnings too low
- Commodity-oriented demand exceeds supply by an above normal margin

\* Reflects expected Policy allocation as of 12/1/2018; percentages may not add up to 100% due to rounding

# PureView Allocations (Work in Progress)



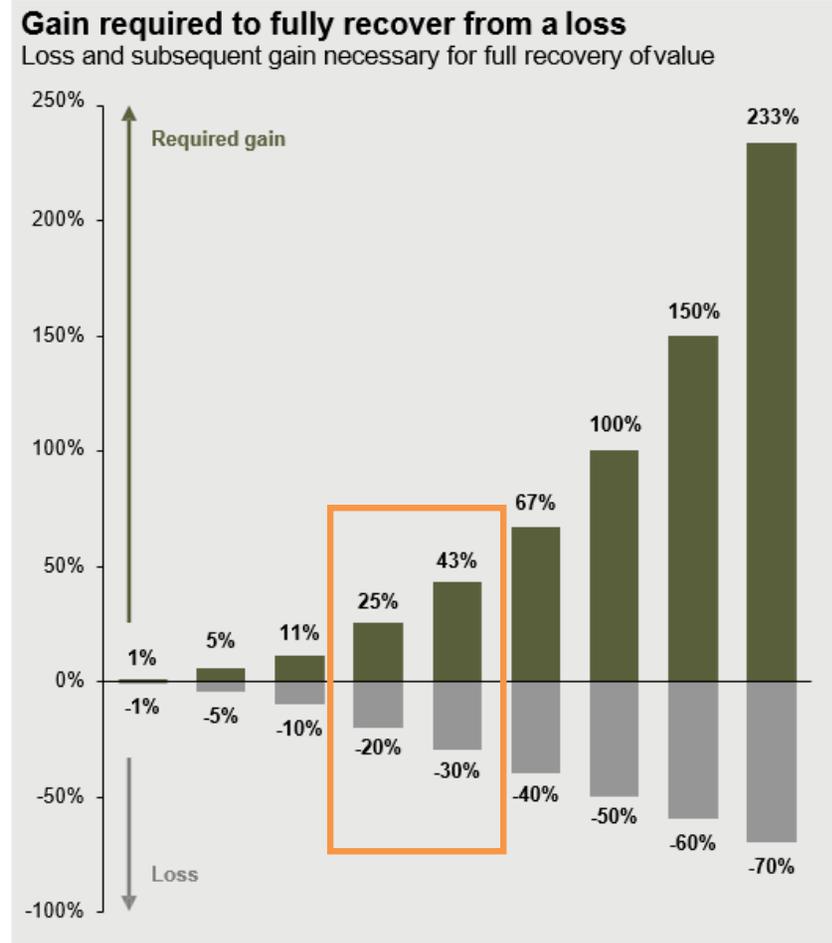
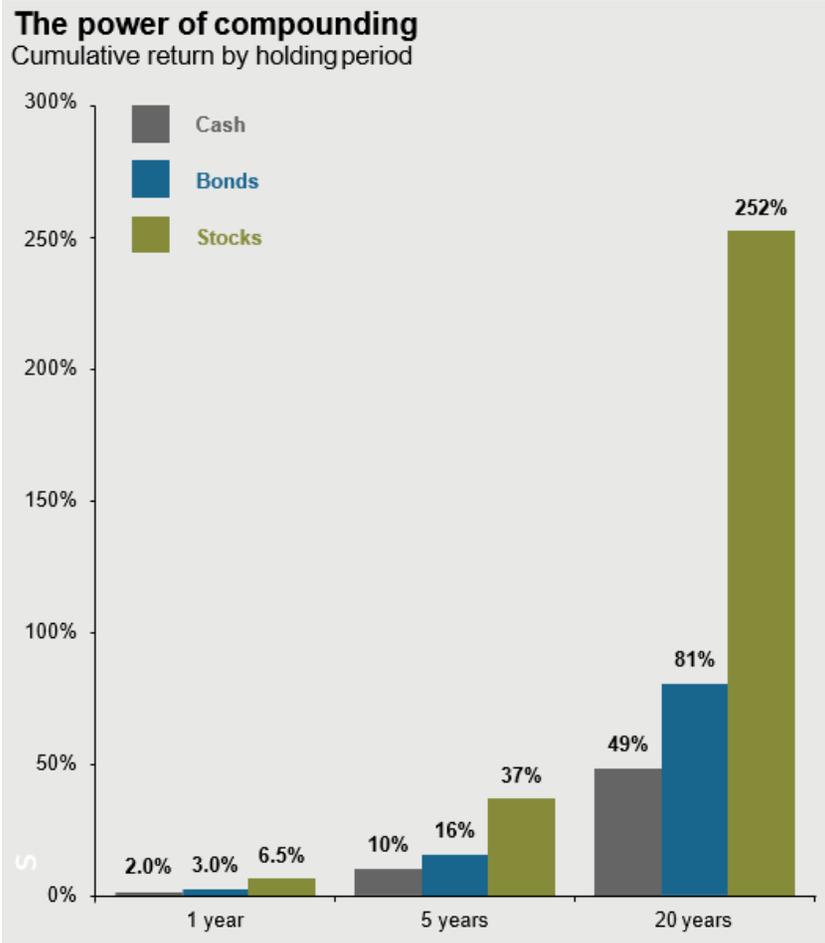
As of September 30, 2017

	PUF Allocation(\$)	PUF Allocation (%)	Neutral Weight	Over/ (Under)
<b>Global Equity</b>				
<b>US Public Equity</b>				
Total US Public Equity	\$ 1,703.4	8.6%	11.3%	(-2.7%)
<b>Non-US Public Equity</b>				
EAFE + Canada	1,350.8	6.7%	7.8%	(-1.1%)
Emerging Markets	2,110.4	10.5%	10.0%	+0.5%
Total Non-US Public Equity	3,461.2	17.2%	17.8%	(-0.6%)
Total Directional Hedge	3,286.4	16.4%	16.3%	+0.1%
<b>Private Equity</b>				
Private Equity	1,442.8	7.2%	7.4%	(-0.2%)
Venture Capital	969.1	4.8%	4.9%	(-0.1%)
Emerging Markets	982.2	4.9%	5.0%	(-0.1%)
Credit	563.9	2.8%	3.5%	(-0.7%)
Total Private Equity	3,958.0	19.7%	20.9%	(-1.1%)
<b>Total Global Equity</b>	<b>12,409.0</b>	<b>61.9%</b>	<b>66.3%</b>	<b>(-4.4%)</b>
<b>Stable Value</b>				
US Fixed Income (IG)	532.2	2.7%	2.5%	+0.2%
Non-US Fixed Income	528.7	2.6%	4.7%	(-2.1%)
Emerging Market Sov Debt	324.5	1.6%	0.3%	+1.3%
Non-Directional Hedge Funds	949.3	4.7%	4.7%	+0.0%
Cash	840.7	4.2%	0.0%	+4.2%
Total Stable Value	3,175.4	15.8%	12.2%	+3.6%
<b>Real Return</b>				
ILB	9.4	0.0%	0.0%	+0.0%
Real Estate	1,463.7	7.3%	7.0%	+0.3%
Natural Resources	2,641.0	13.2%	12.0%	+1.2%
Gold	459.1	2.3%	2.5%	(-0.2%)
Other Commodities	-	0.0%	0.0%	+0.0%
Total Real Return	4,573.2	22.8%	21.5%	+1.3%
Other Assets/Liabilities	(109.0)	(-0.6%)	0.0%	(-0.6%)
<b>Total PUF</b>	<b>\$ 20,048.6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

O/W	U/W
Cash 4.2%	US (-2.7%)
EMD 1.3%	Non-US FI (-2.1%)
NR 1.2%	EAFE (-1.1%)
EM 0.5%	Credit (-0.7%)
<b>+7.2%</b>	<b>(-6.6%)</b>

\* Percentages may not add up to 100% due to rounding

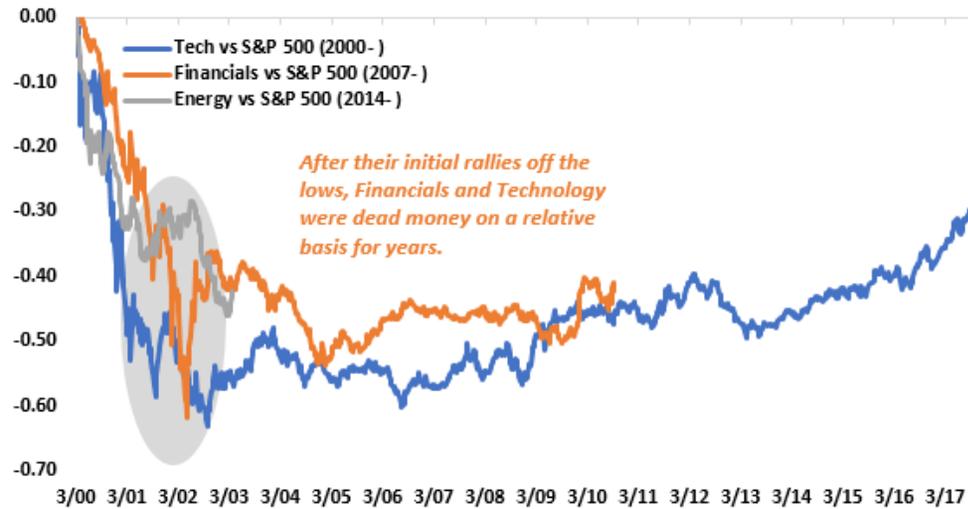
# Staying Invested and Limiting Losses



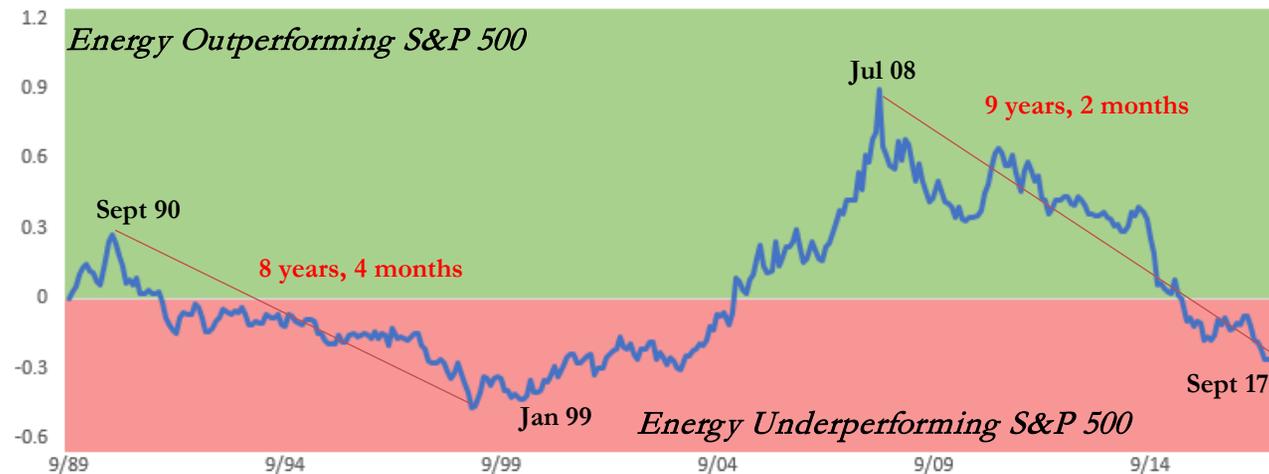
# Energy Cycle Analysis



## Technology, Financials, and Energy Sector Relative Strength vs S&P 500



## Relative Strength of Energy vs S&P 500: August 1989 – August 2017

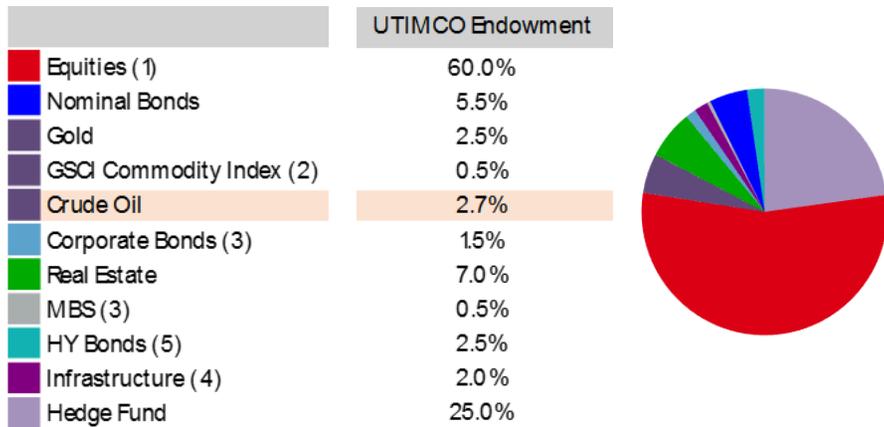


Source: Bespoke Investment Group, Bloomberg

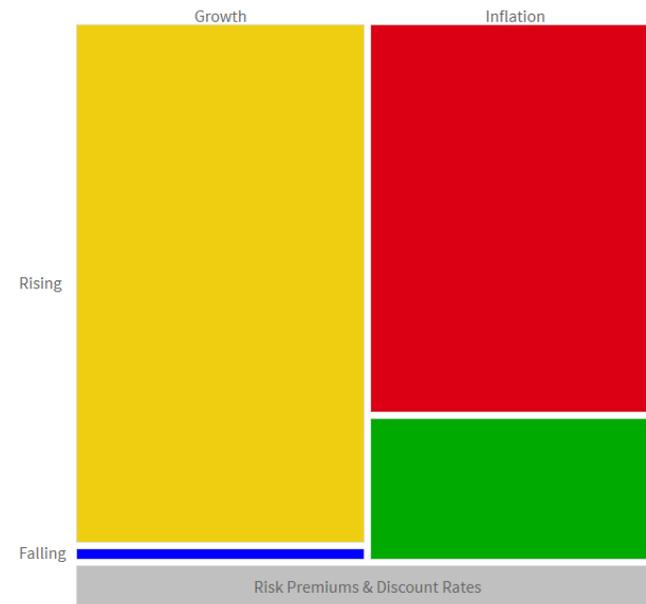
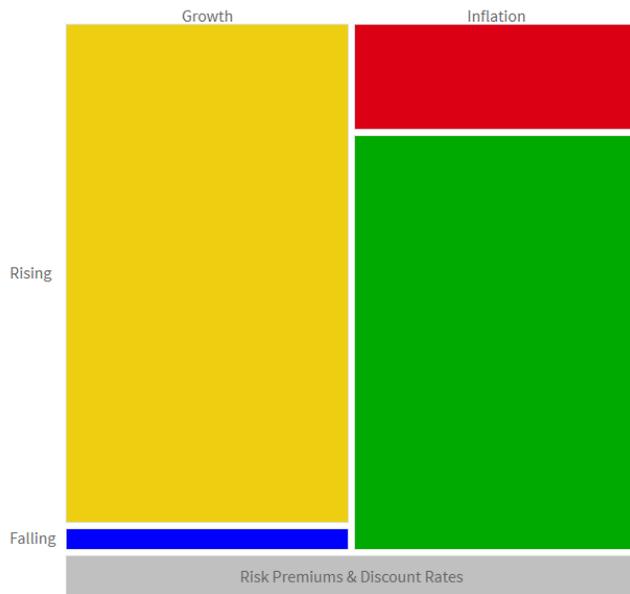
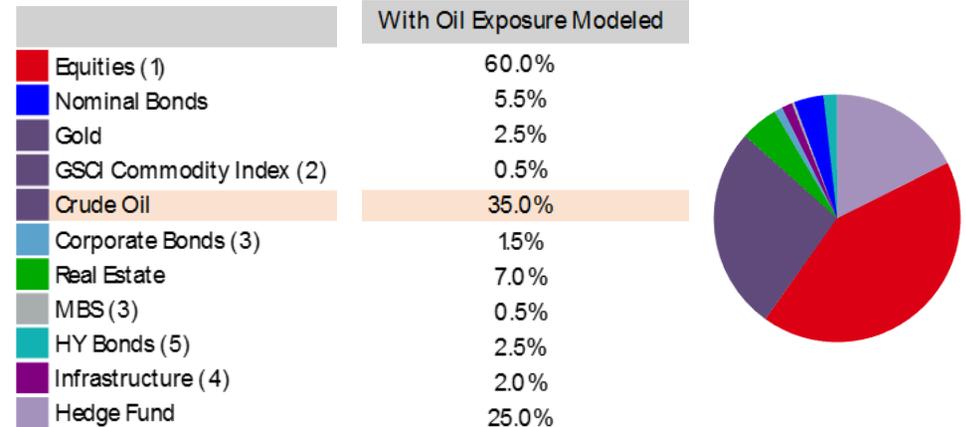
# SPECIAL REPORT



## Without University Lands



## With University Lands (~\$10Bn Oil Exposure)



# UTIMCO Public Markets Summit 2017



NAV and Investment Returns as of September 30, 2017

Partners in attendance manage a total of \$7.8 billion for UTIMCO, representing 49% of the public markets portfolio and have generated exceptional performance – each asset class composite has an info ratio >0.6 over the last 5 years.

	UTIMCO AUM (\$ millions)						Percentage of Portfolio					
	FI	DM	EM	HF	PI	Total	FI	DM	EM	HF	PI	% of FI + DM + EM
ValueAct		\$665				\$665		11%				5%
Stelliam		\$696				\$696		12%				5%
Eminence		\$539		\$455		\$994		9%		4%		4%
Viking		\$401				\$401		7%				3%
Westwood			\$587			\$587			14%			4%
Acadian			\$416			\$416			10%			3%
Hillhouse			\$875		\$245	\$1,120			22%		2%	6%
Brandywine	\$1,247					\$1,247	26%					8%
Colchester	\$851					\$851	18%					6%
PIMCO	\$853					\$853	18%					6%
	\$2,952	\$2,300	\$1,879	\$455	\$245	\$7,831	62%	39%	46%	4%	2%	49%

Summit Attendee Composite Performance		5-Year (Annualized)				
	Benchmark	Return	BM	Excess Return	Tracking Error	Info Ratio
DM Public Equity	MSCI World	15.2%	11.0%	4.2%	5.0%	0.84
EM Public Equity	MSCI EM	16.2%	4.0%	12.2%	10.3%	1.18
Fixed Income	Barclays Global Agg	1.9%	0.5%	1.4%	2.4%	0.61

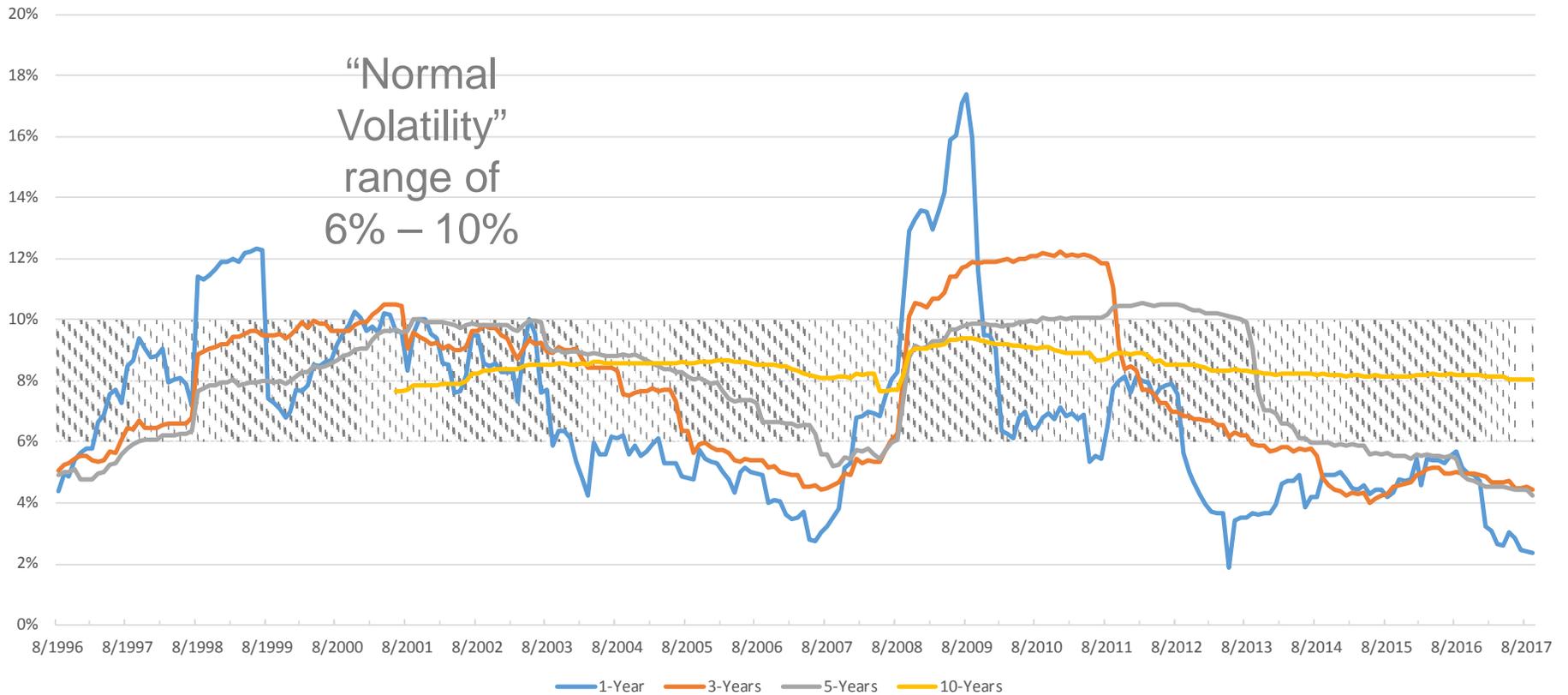
Note: HF and PI assets not included in % of FI + DM + EM calculation

# Long-Term Focus



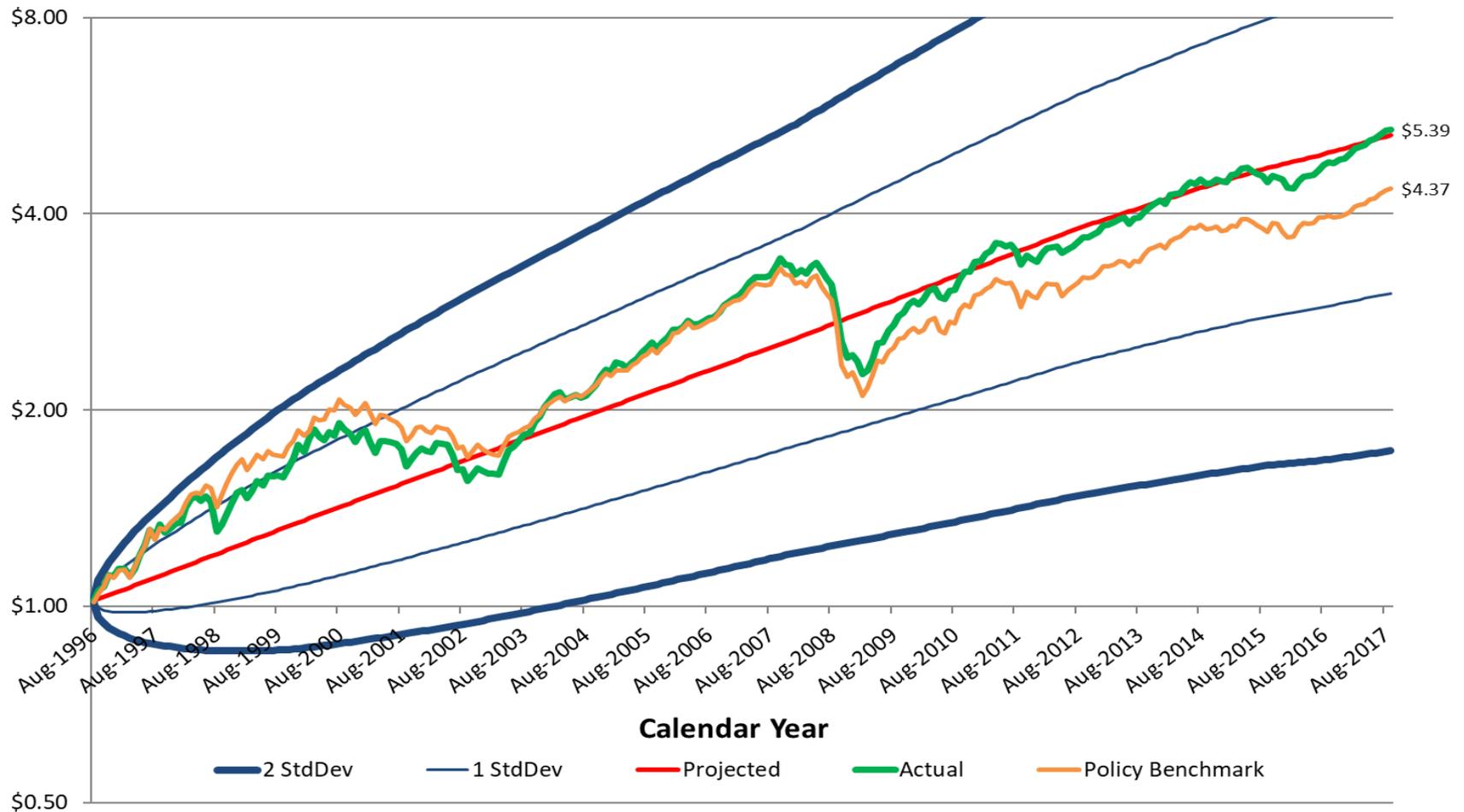
As of September 30, 2017

## UTIMCO Realized Volatility



UTIMCO Realized Volatility				
Time Period	1-Year	3-Years	5-Years	10-Years
9/1996	5%	5%	5%	-
9/2000	10%	10%	9%	-
9/2005	5%	6%	8%	9%
9/2010	7%	12%	10%	9%
9/2015	4%	5%	6%	8%
9/2017	2%	4%	4%	8%

# Long-Term Focus



# Special Issues for UTIMCO

---



1. 2018 Action Plans
2. Optimization
3. Use of Supplier Network
4. Liquidity Management
5. Cost/Benefit Management and Alignment
  - Performance based competition in a low return world
6. Role of Bonds
7. Special Issues
  - Energy outlook
  - Emerging Markets
  - USD
8. Strong Hands Assurance



# **GLOBAL CONDITIONS**

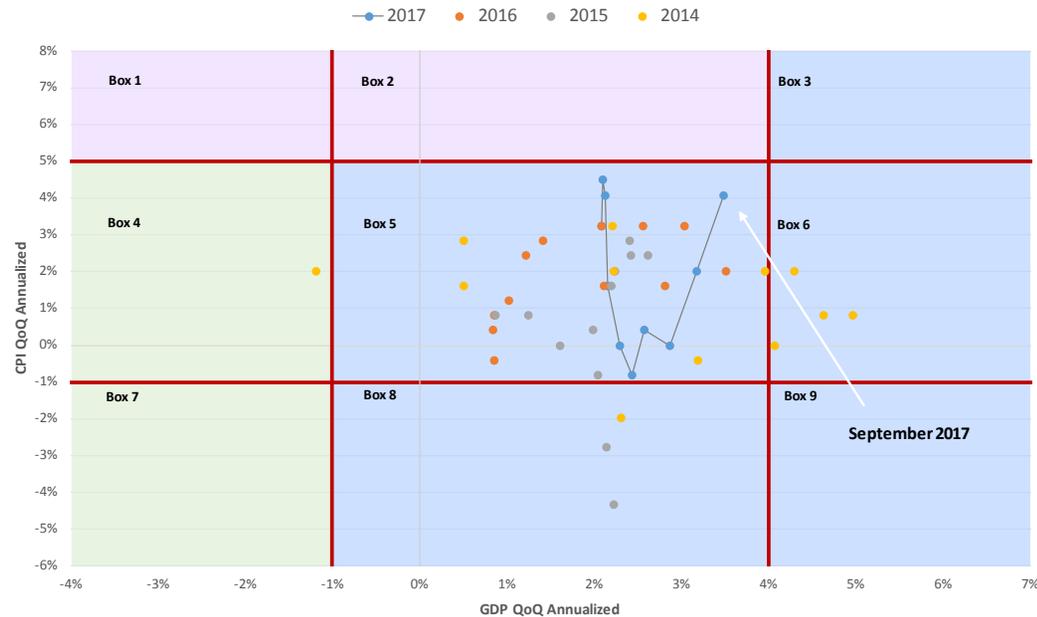
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# Environment Signals



As of September 30, 2017

## US Policy Signal Chart



## Historical UTIMCO Returns

Box #	Move	Stay
1	-4.6%	27.7%
2	8.8%	-0.7%
3	5.0%	9.2%
4	-0.5%	12.8%
5	11.2%	9.9%
6	22.7%	15.7%
7	-18.0%	-25.8%
8	8.6%	12.4%
9	9.5%	9.8%

\*Box returns may vary significantly depending on if we just moved into a new environment/box or if we remained in the same box. Thus, returns are separated in this manner to the left.

## Global Policy Signals Summary

Quarterly Signals	9/30/2017	6/30/2017	3/31/2017
US	5	5	5
Europe	5	5	5
Japan	5	5	5
China	6	6	6

# Global Expansion is Broad-Based



PMI's indicate recovery across markets, improvement in global economy over the cycle

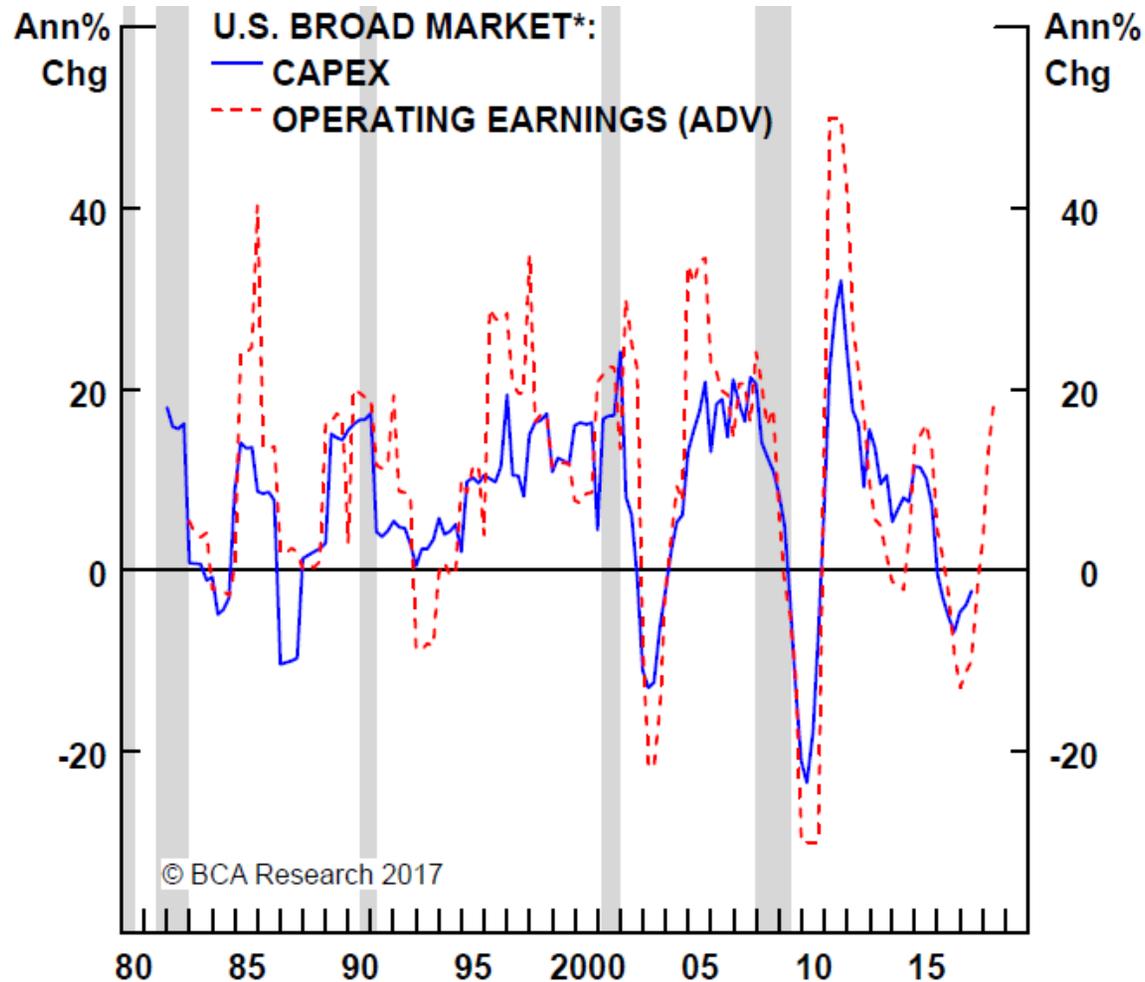
	Aug-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
<i>World</i>	61.1	56.3	50.6	49.2	52.9	50.1
<i>Developed Markets</i>	54.2	53.8	52	52.1	54.2	49.2
<i>Emerging Markets</i>	51.7	51.1	49	50.8	51.1	51.6
<i>United States</i>	52.8	54.3	51.2	53.9	55	54
<i>Canada</i>	54.6	51.8	47.5	53.9	53.5	50.4
<i>Mexico</i>	51.2	51.9	52.1	52.6	52.6	57.1
<i>Eurozone</i>	57.4	54.9	53.2	50.6	52.7	46.14
<i>Germany</i>	59.6	55	52.1	51.4	54.3	46
<i>France</i>	55.8	53.5	51.4	47.5	47	44.6
<i>Italy</i>	55.1	51	52.74	50.7	53.3	46.7
<i>Spain</i>	55.4	52.3	51.7	52.6	50.8	44.6
<i>Netherlands</i>	57.6	53.4	53	52.2	57	49.6
<i>Austria</i>	60	55.4	51.4	47.4	54.1	48.1
<i>Greece</i>	50.5	48.6	47.3	48.8	49.6	41.4
<i>United Kingdom</i>	56.9	55.8	51.2	52.3	57.3	50.8
<i>Ireland</i>	55.9	51.3	53.8	55.7	53.5	51.4
<i>Japan</i>	53.1	50.4	51	51.7	55.2	45
<i>Australia</i>	53.5	57.2				
<i>China</i>	51.6	51.9	48.4	49.6	50.5	51.5
<i>South Korea</i>	49.2	47.6	49.2	48.8	50.8	50.1
<i>Taiwan</i>	53.1	52.2	46.9	53.3	55.2	50.6
<i>Hong Kong</i>	51.1	48.2	46.6	47.7	51.4	51.7
<i>Brazil</i>	50.9	45.2	45.6	50.2	50.5	51.1
<i>South Africa</i>	50.2	50.7	47.9	52.6	50.5	52.7
<i>Russia</i>	52.4	51.1	49.1	50.4	48.8	50
<i>Poland</i>	52.7	52.2	50.9	49.5	53.2	48.5
<i>Czech Republic</i>	54.9	53.8	55.6	53.3	54.7	46
<i>Turkey</i>	53.5	48.3	48.8	50.4	53.5	53.1
<i>India</i>	51.6	52.1	51.2	51	50.7	54.7
<i>Indonesia</i>	60.6	50.9	47.4	50.7	50.9	50.7
<i>Saudi Arabia</i>	55.3	55.3	56.5	61.8	58.7	58.9
<i>Vietnam</i>	61.8	52.4	51.3	52.7	51.8	49.3
<b>Sub-50</b>	1	5	12	8	3	13

Source: Blackrock, ISM

# Recession doesn't look likely



Since the 80's, no recessions have occurred without a 20% pickup in capex



Source: BCA

# Barron's Survey: Corporate Profits



**Q: Do you expect**  
U.S. corporate profits to  
rise in the next 12 months?



<sup>1</sup> Barron's article "Barron's Big Money Poll: Managers Cling to Bullish Views"; Jack Willoughby; October 14, 2017.

# Major equity market metrics <sup>1</sup>

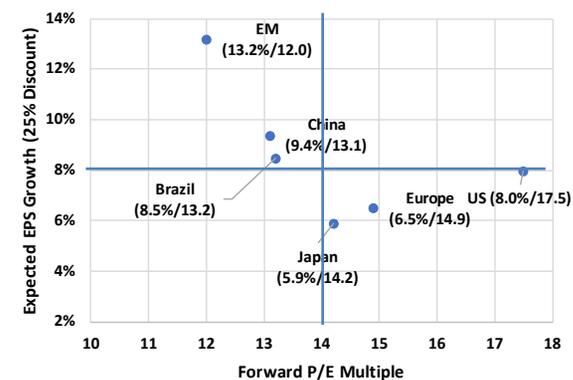


Index	Net Income / Share				
	2014	2015	2016	2017E	2018E
S&P 500	112.4	108.6	106.4	131.8	146.1
STOXX 600	16.3	14.5	13.6	24.1	26.2
Topix	87.4	90.1	77.7	112.6	121.5
Shanghai Composite	209.6	196.9	179.8	229.5	258.4
Bovespa	2470.1	-93.6	323.9	5171.1	5760.5
MSCI EM	73.1	52.1	56.4	80.0	94.1

## 2018 Change

$\Delta$	25% Adj.
10.8%	8.0%
8.7%	6.5%
7.9%	5.9%
12.6%	9.4%
11.4%	8.5%
17.6%	13.2%

Index	P/E <sup>2</sup>				
	2014	2015	2016	2017E	2018E
S&P 500	18.3	18.8	21.0	19.4	17.5
STOXX 600	21.0	25.2	26.6	16.2	14.9
Topix	16.2	16.6	19.6	15.3	14.2
Shanghai Composite	15.4	18.0	17.3	14.7	13.1
Bovespa	16.2	n/a	187.0	14.7	13.2
MSCI EM	13.1	15.2	15.3	14.1	12.0



<sup>1</sup> Bloomberg.

<sup>2</sup> Price/Earnings multiple uses trailing 12-month earnings as of each year end.

# UTIMCO Risk Overview



As of September 30, 2017

Current Cycle				Average Bull
Stage	Start Date	End Date	Length (yrs)	Length
Expansion	3/2009	9/2017	8.6	4.5

Returns over Current Cycle			
Asset Class	Cumulative	Annualized	1-yr Vol
<b>UTIMCO</b>	<b>135%</b>	<b>10%</b>	<b>2%</b>
Policy	107%	9%	3%
S&P 500	311%	18%	5%
EM (USD)	167%	12%	9%
Natural Resources	30%	3%	8%
Long Treasury	64%	6%	10%
Credit	189%	13%	3%
Hedge Funds	39%	4%	1%

Metrics over Expansion			
Metric	3/2009	9/2014	9/2017
S&P P/E (T)	11.1	17.4	21.6
EM P/E (T)	8.1	12.8	15.8
S&P Implied Vol	49.7	16.3	9.5
2-yr UST YTM	1.0	0.6	1.5
10-yr UST YTM	2.9	2.5	2.3
Brent Oil	44.1	94.7	57.5
Natural Gas	3.9	4.1	3.0
Gold	918.0	1,210.5	1,281.5

Fed Balance Sheet (\$B)			
US	1,902	4,459	4,456
ECB	1,460	1,614	3,655

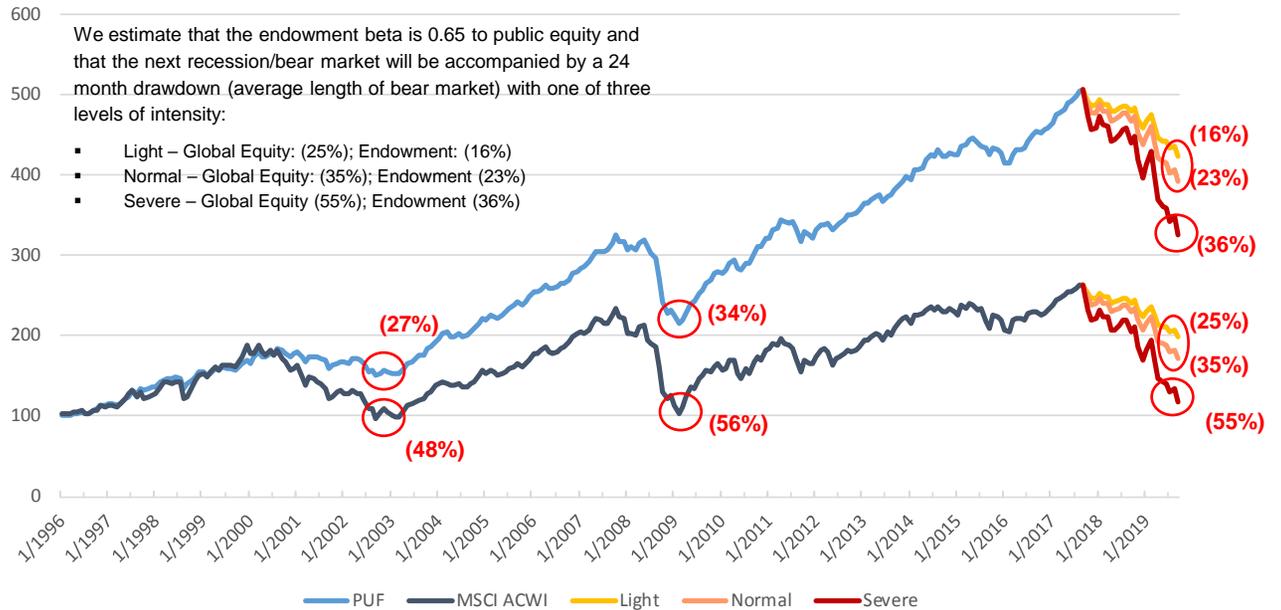
UTIMCO Metrics	TE	IR	Sharpe
UTIMCO 3-Yr	2.2%	0.68	1.39
UTIMCO 5-Yr	2.0%	0.68	1.74

Historical Geopolitical Shocks	Date of Shock	Days of Equity Decline	US Equity Prices	Treasury Returns	Gold Price*	Real USD	Oil Price*
Nazis Invade France	5/1940	8	-25%	-1.4%	0%	1.7%	-
Pearl Harbor	12/1941	17	-10%	-1.4%	3%	0.3%	-
North Korea Invades South Korea	6/1950	14	-13%	-0.4%	7%	-0.1%	-
Cuban Missile Crisis	10/1962	1	-3%	-0.2%	-	0.0%	-
Iraq Invades Kuwait	8/1990	16	-14%	-3.1%	11%	-1.5%	46%
September 11	9/2011	9	-12%	1.2%	7%	-0.1%	-6%
<b>Average</b>	-	<b>11</b>	<b>-11%</b>	<b>-1.0%</b>	<b>6%</b>	<b>0.0%</b>	<b>20%</b>

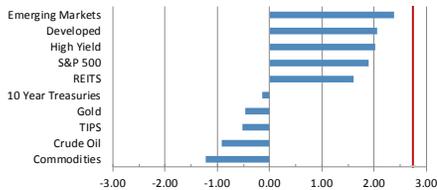
\* Excludes gold when it was pegged and oil when it was carefully managed

Source: Bridgewater Associates, LP, Bloomberg

## Historical and Projected PUF Drawdowns



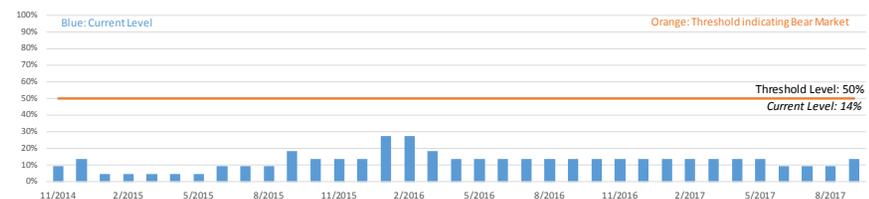
### Bubble Level Monitor



### Probability of Recession in the Next Year

Country	3/2016	9/2016	3/2017	9/2017
US	18%	20%	15%	15%
UK	13%	35%	20%	25%
Japan	35%	28%	20%	20%
Eurozone	15%	10%	15%	10%

### Percentage of Bear Market Indicators On

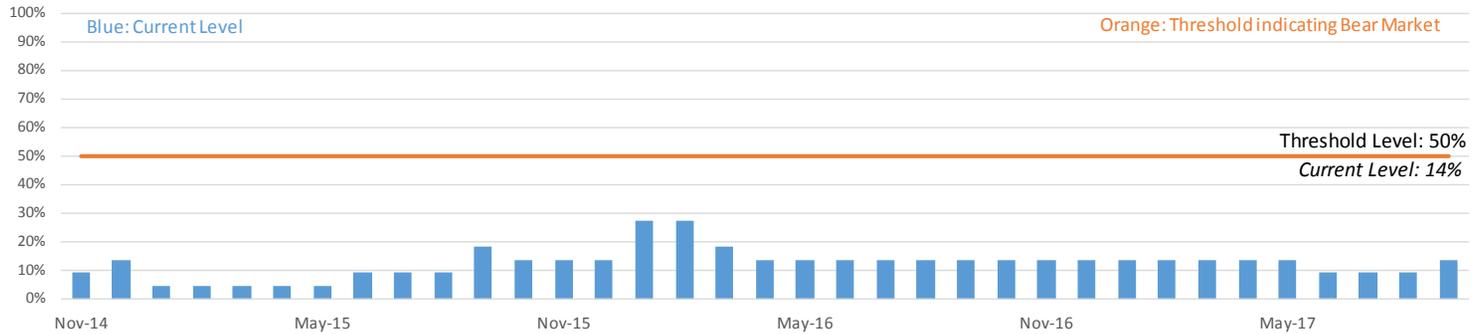


# Bear Market Indicators



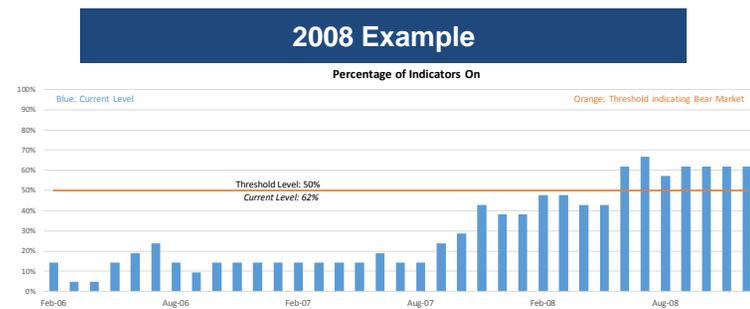
As of September 30, 2017

## Percentage of Bear Market Indicators On



Type	UTIMCO Provider	Indicator	On/Off	Indicator Level		Last 36 Months	% On Last 36 Months
				Current	Threshold		
Inflation	Bloomberg	5yr Breakeven Inflation < 1.25%	Off	1.78%	1.25%		11%
	Bloomberg	10yr Breakeven Inflation > 3%	Off	1.9%	3.0%		0%
	Bloomberg, BLS	YoY Inflation > 12m Moving Avg	On	2.2%	2.0%		58%
	Bloomberg, BLS	YoY CPI Energy > 20%	Off	10.2%	20.0%		0%
	Bloomberg, BEA	YoY PCE Deflator > 4%	Off	1.6%	4.0%		0%
Employment	Bloomberg, ADP	Employment Growth < 0%	Off	1.9%	0.0%		0%
	Bloomberg, BLS	YoY Avg. Hourly Earnings > 4%	Off	2.9%	4.0%		0%
	Bloomberg, BLS	YoY NonFinc Labor Costs > 3.5%	Off	-0.8%	3.5%		0%
	Bloomberg, Conference Board	Consumer Confidence Spread < -20%	Off	4.0%	-20.0%		0%
Growth	Bloomberg, US Census Bureau	Inventory/Sales > Long-term Avg.	On	38.0%	32.2%		100%
	Bloomberg, Conference Board	YoY Leading Economic Indicator < 0%	Off	4.0%	0.0%		0%
	Bloomberg, Conference Board	Leading/Coincident Ratio Drawdown > 26 months	Off	0.0	26.0		0%
	Bloomberg, NY Fed	Fed Recession Probability > 10%	Off	8.4%	10.0%		0%
	Bloomberg, US Census Bureau	Residential Construction (% of GDP) > 5%	Off	2.7%	5.0%		0%
Bloomberg, BEA	Total Investment (% of GDP) > 18.5%	Off	14.8%	18.5%		0%	

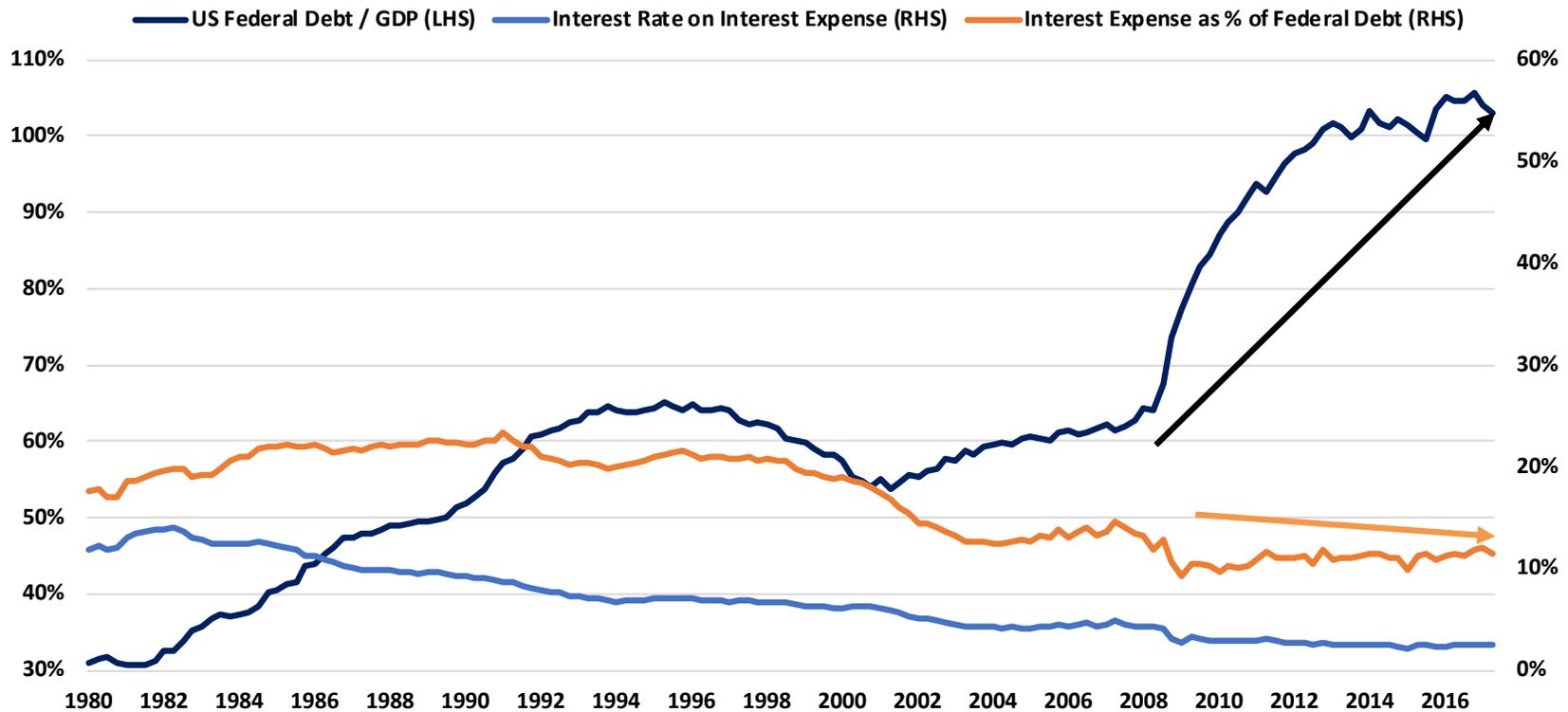
Type	UTIMCO Provider	Indicator	On/Off	Indicator Level		Last 36 Months	% On Last 36 Months
				Current	Threshold		
Credit	Bloomberg	US HY Yield > Long-term Avg.	Off	5.4%	10.2%		0%
	Bloomberg, Federal Reserve	Non-Mortgage Delinquency Rate > 3.5%	Off	2.2%	3.5%		0%
	Bloomberg	Real Rates < 0%	On	-1.2%	0.0%		86%
Market	Bloomberg, Russell	YoY Equity Markets < -5%	Off	18.7%	-5.0%		3%
	Bloomberg, Russell	Investment Banks < 12m Moving Avg. - 1 SD	Off	20.7%	0.0%		11%
	Bloomberg, Russell	Cons. Discretionary < 12m Moving Avg. - 1 SD	Off	10.4%	0.0%		6%
Bloomberg	US Dollar 24m Change > 10%	Off	-4.1%	10.0%		0%	



# Macroeconomic Backdrop



## Public Debt/ GDP High, but Debt Servicing Costs Low



# Barron's Survey: US Reforms



Managers expect Tax Reform to pass Congress over the next year, but are less sure of the prospects for other reform packages

## Expectation of Congressional Action Over Next Year

	<b>Yes</b>	<b>No</b>
Tax Reform	87%	13%
Immigration Reform	57%	43%
Wall St Deregulation	39%	61%
Healthcare Reform	13%	87%
Entitlement Reform	11%	89%

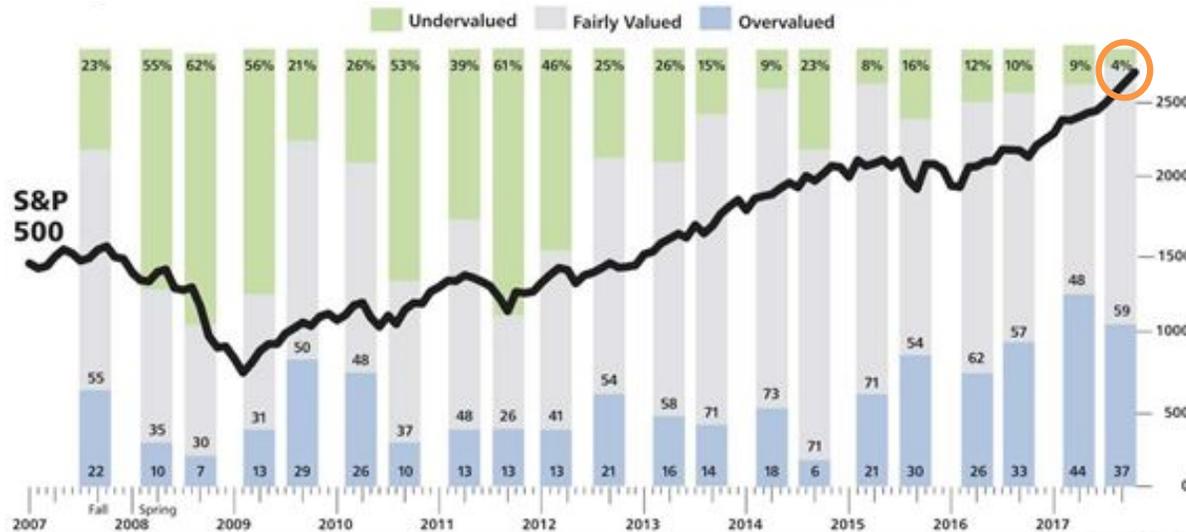
<sup>1</sup> Barron's article "Barron's Big Money Poll: Managers Cling to Bullish Views"; Jack Willoughby; October 14, 2017.



# Barron's survey: Stocks aren't cheap

Only 4% of managers find US Stock Market Undervalued (Low since 2007)

- 61% in 2011-12
- Rise in 2014/15 = 8%



## Manager Outlook for Rest of 2018

	Oct 13th	Bulls	Bears	Bulls	Bears
S&P	2553	2678	2142	+5%	(-16%)
NASDAQ	6605	6921	5602	+5%	(-15%)

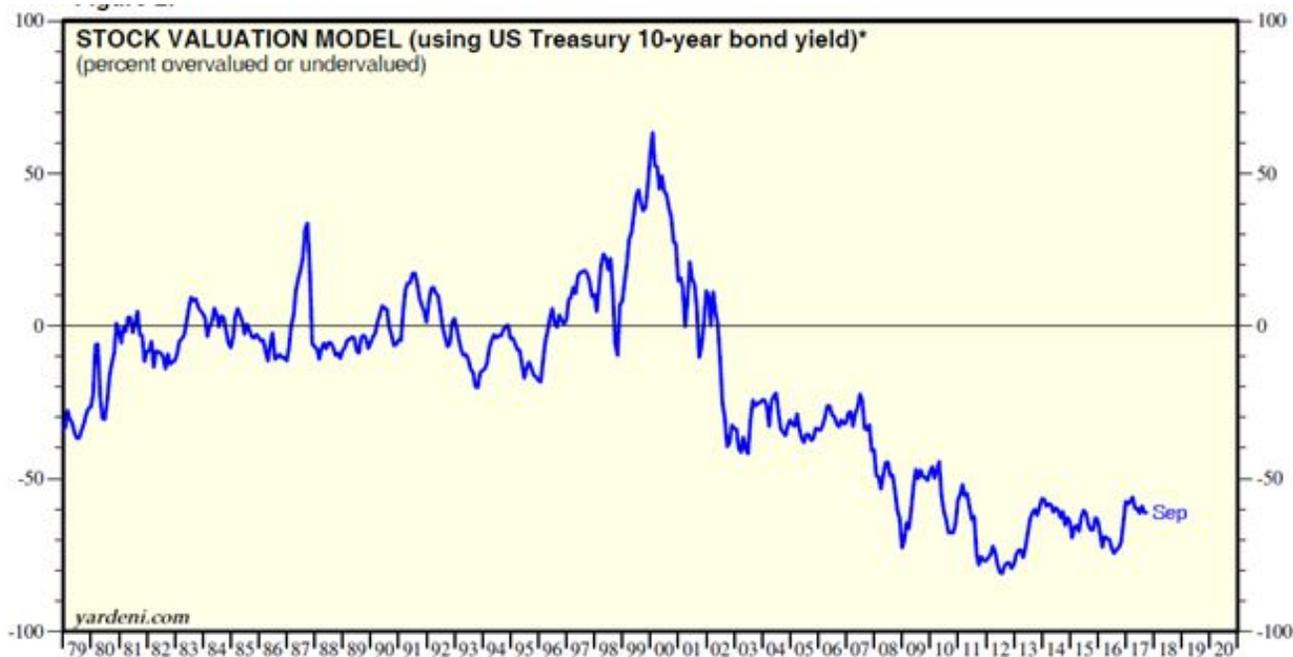
<sup>1</sup> Barron's article "Barron's Big Money Poll: Managers Cling to Bullish Views"; Jack Willoughby; October 14, 2017. Chart sourced from Big Money Poll and Bloomberg.

# Low Yields and Equity Markets



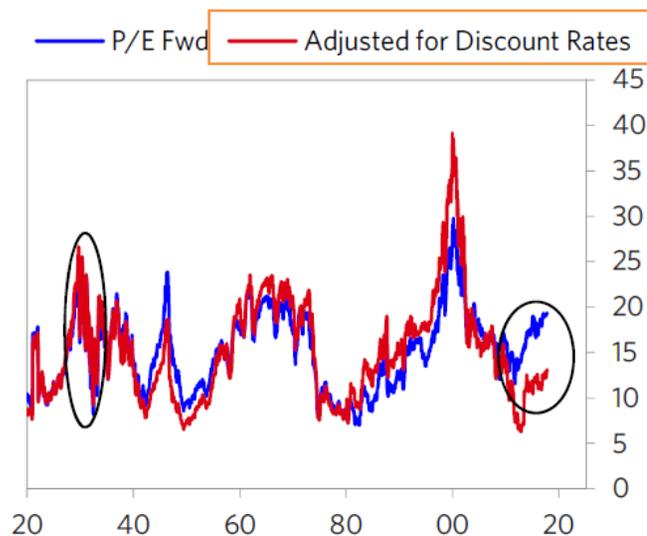
“While asset valuations today are ‘high in historical terms,’ that may reflect investors’ expectations of a ‘new normal’ of lower interest rates for the foreseeable future than in the earlier decades”

**Janet Yellen (10/15 WSJ)**



\* S&P 500 stock price index divided by S&P 500 fair-value price defined as S&P 500 12-month forward consensus expected operating earnings divided by 10-year US Treasury bond yield converted to percentage.  
Source: Thomson Reuters I/B/E/S and Federal Reserve Board.

# Low Yields and Equity Markets



Low yields have pushed P/E higher. Adjusting for a more normal discount rate reflects that pricing of future earnings is around normal

Expected returns across global equities increasingly driven by earnings expectations and not multiple expansion

## MSCI Index Price Change

	World*	Dev World	EM*	US	EUR	JPN	UK	CAN	AUS
Price Change Since Start of Year	15.4%	10.3%	25.5%	12.7%	10.9%	8.6%	3.0%	2.2%	0.2%
Due to Change in FWD EPS	13.8%	8.7%	22.0%	8.6%	9.5%	12.8%	3.0%	4.2%	2.6%
Due to Change in FWD P/E	1.4%	1.5%	2.8%	3.8%	1.3%	-3.7%	0.1%	-1.9%	-2.4%

Equities up, mostly because of earnings and not valuations

\*World and EM values are in USD terms. All other values are in local currency.

# Late cycle favors equities



## Late Cycle Performance Of Stocks, Bonds, & Commodities

LATE-CYCLE EXPANSION PHASES:		TOTAL RETURN (%)						
WHEN THE UNEMPLOYMENT RATE IS BELOW LONG-TERM NAIRU*	DURATION (MONTHS)	S&P 500 VS. TREASURYS**	INVESTMENT-GRADE*** VS. TREASURYS	HIGH-YIELD*** VS. TREASURYS	SMALL-CAP**** VS. LARGE-CAP	GOLD PRICE	WTI CRUDE OIL PRICE	DXYS***** DOLLAR
1972/1/3 TO 974/10/31	33	-24.8	N/A	N/A	N/A	279.5	213.5	-8.9
1978/4/3 TO 1979/12/31	20	31.9	-3.6	N/A	8.0	179.2	118.9	-8.1
1987/9/1 TO 1990/8/31	35	-15.5	0.8	-15.2	-22.8	-14.5	40.0	-10.6
1997/4/1 TO 2001/8/31	52	6.2	-5.1	-21.7	6.8	-22.0	31.3	20.5
2005/12/1 TO 007/11/30	23	5.9	-4.0	-0.2	-7.3	56.8	51.6	-17.1
2016/11/1 TO 2017/9/29	10	24.5	5.6	11.7	5.7	-0.4	10.7	-4.7
We are now about 1/3 of the way in								
AVERAGE	33	0.8	-3.0	-12.4	-3.8	95.8	91.0	-4.8
AVERAGE EX OPEC OIL EMBARGO AND 1987 CRASH	32	14.7	-4.2	-11.0	2.5	71.3	67.2	-1.5
AVERAGE EX RECESSION	32	4.8	-4.2	-11.0	2.5	123.4	103.8	-3.4
MEDIAN	33	5.9	-3.8	-15.2	-0.3	56.8	51.6	-8.9

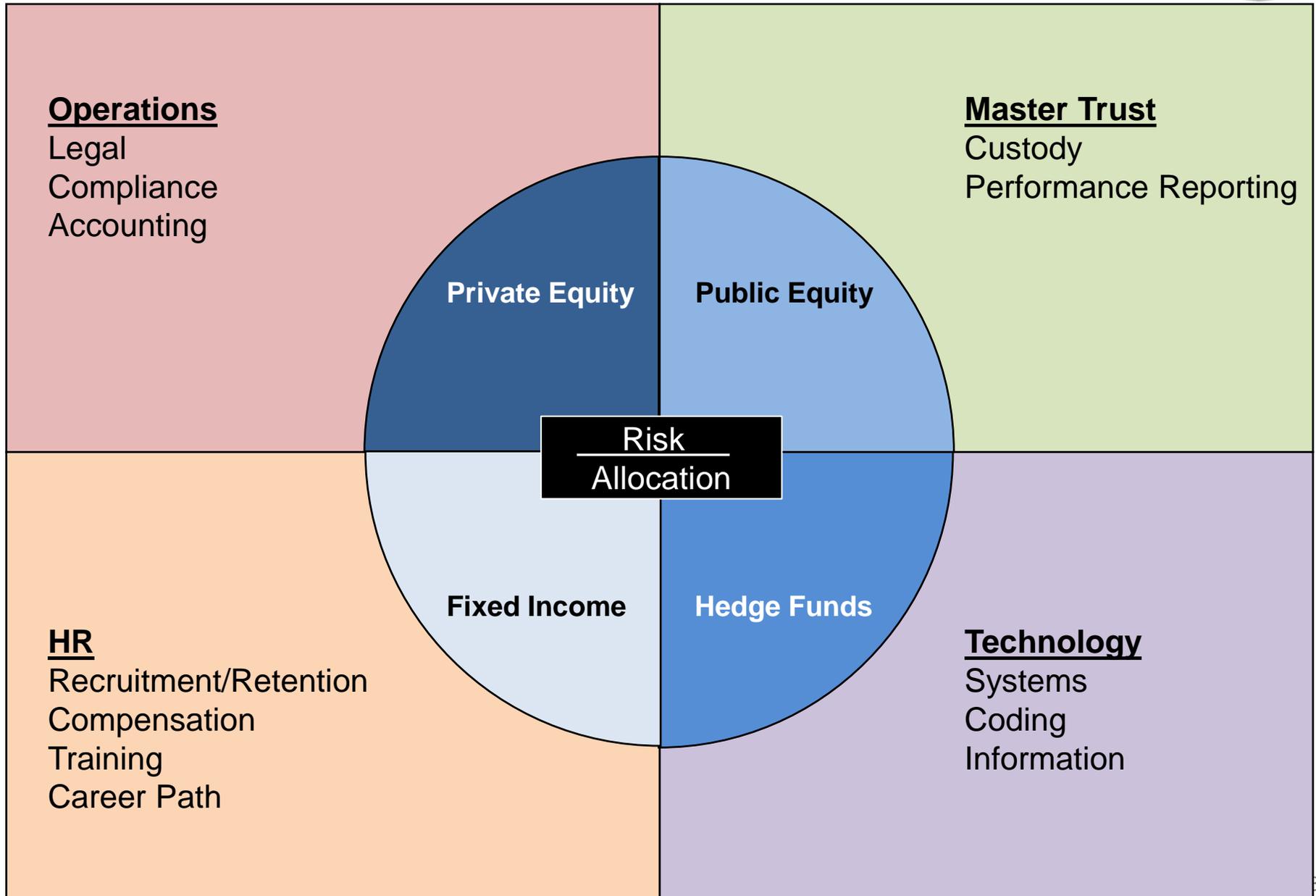
\* NAIRU = NON-ACCELERATING INFLATION RATE OF UNEMPLOYMENT; SOURCE: CONGRESSIONAL BUDGET OFFICE.  
 \*\* S&P 500 TO 10-YEAR TREASURY BOND.  
 \*\*\* SOURCE: BLOOMBERG BARCLAYS INDICES.  
 \*\*\*\* S&P 600 RELATIVE TO S&P 500; S&P 600 IS DATASTREAM PRIOR TO DECEMBER 30, 1994.  
 \*\*\*\*\* DOLLAR INDEX SPOT IS DXY; SOURCE: BLOOMBERG.



# Appendix

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# Organizational Design: UTIMCO United



# PureView Asset Allocation



Period Ending September 30, 2017

## Permanent University Fund

	PUF Allocation(\$)	PUF Allocation (%)	Neutral Weight	Over/ (Under)
<b>Global Equity</b>				
US Public Equity				
Total US Public Equity	\$ 1,703.4	8.6%	11.3%	(-2.7%)
<b>Non-US Public Equity</b>				
EAFE + Canada	1,350.8	6.7%	7.8%	(-1.1%)
Emerging Markets	2,110.4	10.5%	10.0%	+0.5%
Total Non-US Public Equity	3,461.2	17.2%	17.8%	(-0.6%)
Total Directional Hedge	3,286.4	16.4%	16.3%	+0.1%
<b>Private Equity</b>				
Private Equity	1,442.8	7.2%	7.4%	(-0.2%)
Venture Capital	969.1	4.8%	4.9%	(-0.1%)
Emerging Markets	982.2	4.9%	5.0%	(-0.1%)
Credit	563.9	2.8%	3.5%	(-0.7%)
Total Private Equity	3,958.0	19.7%	20.9%	(-1.1%)
<b>Total Global Equity</b>	<b>12,409.0</b>	<b>61.9%</b>	<b>66.3%</b>	<b>(-4.4%)</b>
<b>Stable Value</b>				
US Fixed Income (IG)	532.2	2.7%	2.5%	+0.2%
Non-US Fixed Income	528.7	2.6%	4.7%	(-2.1%)
Emerging Market Sov Debt	324.5	1.6%	0.3%	+1.3%
Non-Directional Hedge Funds	949.3	4.7%	4.7%	+0.0%
Cash	840.7	4.2%	0.0%	+4.2%
Total Stable Value	3,175.4	15.8%	12.2%	+3.6%
<b>Real Return</b>				
ILB	9.4	0.0%	0.0%	+0.0%
Real Estate	1,463.7	7.3%	7.0%	+0.3%
Natural Resources	2,641.0	13.2%	12.0%	+1.2%
Gold	459.1	2.3%	2.5%	(-0.2%)
Other Commodities	-	0.0%	0.0%	+0.0%
Total Real Return	4,573.2	22.8%	21.5%	+1.3%
Other Assets/Liabilities	(109.0)	(-0.6%)	0.0%	(-0.6%)
<b>Total PUF</b>	<b>\$ 20,048.6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## General Endowment Fund

	GEF Allocation(\$)	GEF Allocation (%)	Neutral Weight	Over/ (Under)
<b>Global Equity</b>				
US Public Equity				
Total US Public Equity	\$ 809.2	8.5%	11.3%	(-2.8%)
<b>Non-US Public Equity</b>				
EAFE + Canada	622.4	6.6%	7.8%	(-1.2%)
Emerging Markets	1,047.4	11.1%	10.0%	+1.1%
Total Non-US Public Equity	1,669.8	17.7%	17.8%	(-0.1%)
Total Directional Hedge	1,556.5	16.5%	16.3%	+0.2%
<b>Private Equity</b>				
Private Equity	682.1	7.2%	7.4%	(-0.2%)
Venture Capital	458.1	4.9%	4.9%	(-0.1%)
Emerging Markets	464.3	4.9%	5.0%	(-0.1%)
Credit	266.6	2.8%	3.5%	(-0.7%)
Total Private Equity	1,871.1	19.8%	20.9%	(-1.1%)
<b>Total Global Equity</b>	<b>5,906.6</b>	<b>62.5%</b>	<b>66.3%</b>	<b>(-3.8%)</b>
<b>Stable Value</b>				
US Fixed Income (IG)	248.9	2.6%	2.5%	+0.1%
Non-US Fixed Income	252.6	2.7%	4.7%	(-2.0%)
Emerging Market Sov Debt	153.6	1.6%	0.3%	+1.3%
Non-Directional Hedge Funds	449.6	4.8%	4.7%	+0.1%
Cash	336.8	3.6%	0.0%	+3.6%
Total Stable Value	1,441.5	15.3%	12.2%	+3.1%
<b>Real Return</b>				
ILB	4.9	0.1%	0.0%	+0.1%
Real Estate	692.0	7.3%	7.0%	+0.3%
Natural Resources	1,250.1	13.2%	12.0%	+1.2%
Gold	214.5	2.3%	2.5%	(-0.2%)
Other Commodities	-	0.0%	0.0%	+0.0%
Total Real Return	2,161.5	22.9%	21.5%	+1.4%
Other Assets/Liabilities	(69.0)	(-0.8%)	0.0%	(-0.8%)
<b>Total GEF</b>	<b>\$ 9,440.6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Intermediate Term Fund

	ITF Allocation(\$)	ITF Allocation (%)	Neutral Weight	Over/ (Under)
<b>Global Equity</b>				
US Public Equity				
Total US Public Equity	\$ 633.7	6.8%	8.9%	(-2.1%)
<b>Non-US Public Equity</b>				
EAFE + Canada	491.4	5.3%	6.1%	(-0.8%)
Emerging Markets	662.2	7.2%	7.5%	(-0.3%)
Total Non-US Public Equity	1,153.6	12.5%	13.6%	(-1.1%)
Total Directional Hedge	3,065.5	33.2%	34.9%	(-1.7%)
<b>Private Equity</b>				
Private Equity	-	0.0%	0.0%	+0.0%
Venture Capital	-	0.0%	0.0%	+0.0%
Emerging Markets	-	0.0%	0.0%	+0.0%
Credit	-	0.0%	0.0%	+0.0%
Total Private Equity	-	0.0%	0.0%	+0.0%
<b>Total Global Equity</b>	<b>4,852.8</b>	<b>52.5%</b>	<b>57.4%</b>	<b>(-4.9%)</b>
<b>Stable Value</b>				
US Fixed Income (IG)	1,016.4	11.0%	10.0%	+1.0%
Non-US Fixed Income	983.7	10.7%	18.9%	(-8.2%)
Emerging Market Sov Debt	589.6	6.4%	1.1%	+5.3%
Non-Directional Hedge Funds	885.5	9.6%	10.1%	(-0.5%)
Cash	833.9	9.0%	0.0%	+9.0%
Total Stable Value	4,309.1	46.7%	40.1%	+6.6%
<b>Real Return</b>				
ILB	19.8	0.2%	0.0%	+0.2%
Real Estate	-	0.0%	0.0%	+0.0%
Natural Resources	79.0	0.9%	0.0%	+0.9%
Gold	202.2	2.2%	2.5%	(-0.3%)
Other Commodities	-	0.0%	0.0%	+0.0%
Total Real Return	301.0	3.3%	2.5%	+0.8%
Other Assets/Liabilities	(234.3)	(-2.6%)	0.0%	(-2.6%)
<b>Total ITF</b>	<b>\$ 9,228.6</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

# Performance Attribution – PUF

12 Months Ending September 30, 2017



	Asset Allocation			Return			Alpha Attribution			
	UTIMCO	Neutral	Diff	UTIMCO	Benchmark	Diff	SS	TAA	Other	Total
<b>Equity</b>										
Developed Equity	41.7%	47.0%	-5.3%	11.1%	11.2%	-0.1%	0.1%	-0.1%	-0.1%	-0.1%
Emerging Equity	<u>16.3%</u>	<u>15.7%</u>	<u>0.6%</u>	<u>16.0%</u>	<u>17.0%</u>	<u>-1.0%</u>	<u>0.0%</u>	<u>-0.1%</u>	<u>0.0%</u>	<u>-0.1%</u>
TOTAL EQUITY	58.0%	62.7%	-4.7%	12.5%	12.7%	-0.1%	0.1%	-0.2%	-0.1%	-0.2%
<b>Bonds</b>										
Fixed Income - Investment Grade	11.1%	9.3%	1.8%	2.1%	0.6%	1.5%	0.2%	-0.1%	-0.1%	0.0%
Fixed Income - Credit	<u>6.9%</u>	<u>7.6%</u>	<u>-0.7%</u>	11.6%	7.5%	4.1%	<u>0.3%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.3%</u>
TOTAL FIXED INCOME	18.0%	16.9%	1.1%				0.5%	-0.1%	-0.1%	0.3%
<b>Other</b>										
Natural Resources	16.4%	12.8%	3.6%	15.4%	6.0%	9.4%	1.1%	-0.1%	0.4%	1.4%
Real Estate	<u>7.6%</u>	<u>7.6%</u>	<u>0.0%</u>	13.9%	6.7%	7.2%	<u>0.5%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.5%</u>
TOTAL OTHER	24.0%	20.4%	3.6%				1.6%	-0.1%	0.4%	1.9%
<b>TOTAL</b>	100.0%	100.0%	0.0%	11.8%	9.8%	2.0%	2.1%	-0.3%	0.2%	2.0%
<hr/>										
MCC	38.0%	39.3%	-1.3%	12.5%	13.1%	-0.6%	0.1%	-0.3%	-0.1%	-0.3%
LCC	23.5%	26.7%	-3.2%	8.2%	6.4%	1.8%	0.6%	0.1%	-0.1%	0.6%
Private	<u>38.5%</u>	<u>34.0%</u>	<u>4.5%</u>	<u>13.4%</u>	<u>8.8%</u>	<u>4.6%</u>	<u>1.4%</u>	<u>-0.1%</u>	<u>0.4%</u>	<u>1.7%</u>
<b>TOTAL</b>	100.0%	100.0%	0.0%	11.8%	9.8%	2.0%	2.1%	-0.3%	0.2%	2.0%

# Performance Attribution – PUF

5 Years Ending September 30, 2017



	Asset Allocation			Return			Alpha Attribution			
	UTIMCO	Neutral	Diff	UTIMCO	Benchmark	Diff	SS	TAA	Other	Total
<b>Equity</b>										
Developed Equity	44.7%	45.2%	-0.5%	11.1%	8.1%	3.0%	1.4%	0.0%	0.0%	1.4%
Emerging Equity	<u>14.6%</u>	<u>16.5%</u>	<u>-1.9%</u>	<u>6.6%</u>	<u>5.8%</u>	<u>0.8%</u>	<u>0.2%</u>	<u>-0.1%</u>	<u>0.0%</u>	<u>0.1%</u>
TOTAL EQUITY	59.3%	61.7%	-2.4%	10.1%	7.4%	2.6%	1.6%	-0.1%	0.0%	1.5%
<b>Bonds</b>										
Fixed Income - Investment Grade	10.6%	9.5%	1.1%	0.7%	1.3%	-0.6%	-0.1%	-0.1%	0.0%	-0.2%
Fixed Income - Credit	<u>8.5%</u>	<u>7.4%</u>	<u>1.1%</u>	9.4%	7.0%	2.4%	<u>0.1%</u>	<u>0.0%</u>	<u>0.1%</u>	<u>0.2%</u>
TOTAL FIXED INCOME	19.1%	16.9%	2.2%				0.0%	-0.1%	0.1%	0.0%
<b>Other</b>										
Natural Resources	14.5%	13.7%	0.8%	0.1%	2.9%	-2.8%	-0.3%	-0.1%	0.1%	-0.3%
Real Estate	<u>7.1%</u>	<u>7.7%</u>	<u>-0.6%</u>	11.6%	9.7%	1.9%	<u>0.2%</u>	<u>-0.1%</u>	<u>0.0%</u>	<u>0.1%</u>
TOTAL OTHER	21.6%	21.4%	0.2%				-0.1%	-0.2%	0.1%	-0.2%
<b>TOTAL</b>	100.0%	100.0%	0.0%	7.7%	6.4%	1.3%	1.5%	-0.3%	0.1%	1.3%
<hr/>										
MCC	41.0%	41.4%	-0.4%	4.8%	4.9%	-0.1%	0.3%	-0.2%	-0.2%	-0.1%
LCC	28.0%	29.2%	-1.2%	6.3%	3.9%	2.4%	0.7%	0.0%	0.1%	0.8%
Private	<u>31.0%</u>	<u>29.4%</u>	<u>1.6%</u>	<u>13.2%</u>	<u>11.2%</u>	<u>2.0%</u>	<u>0.5%</u>	<u>-0.1%</u>	<u>0.2%</u>	<u>0.6%</u>
<b>TOTAL</b>	100.0%	100.0%	0.0%	7.7%	6.4%	1.3%	1.5%	-0.3%	0.1%	1.3%

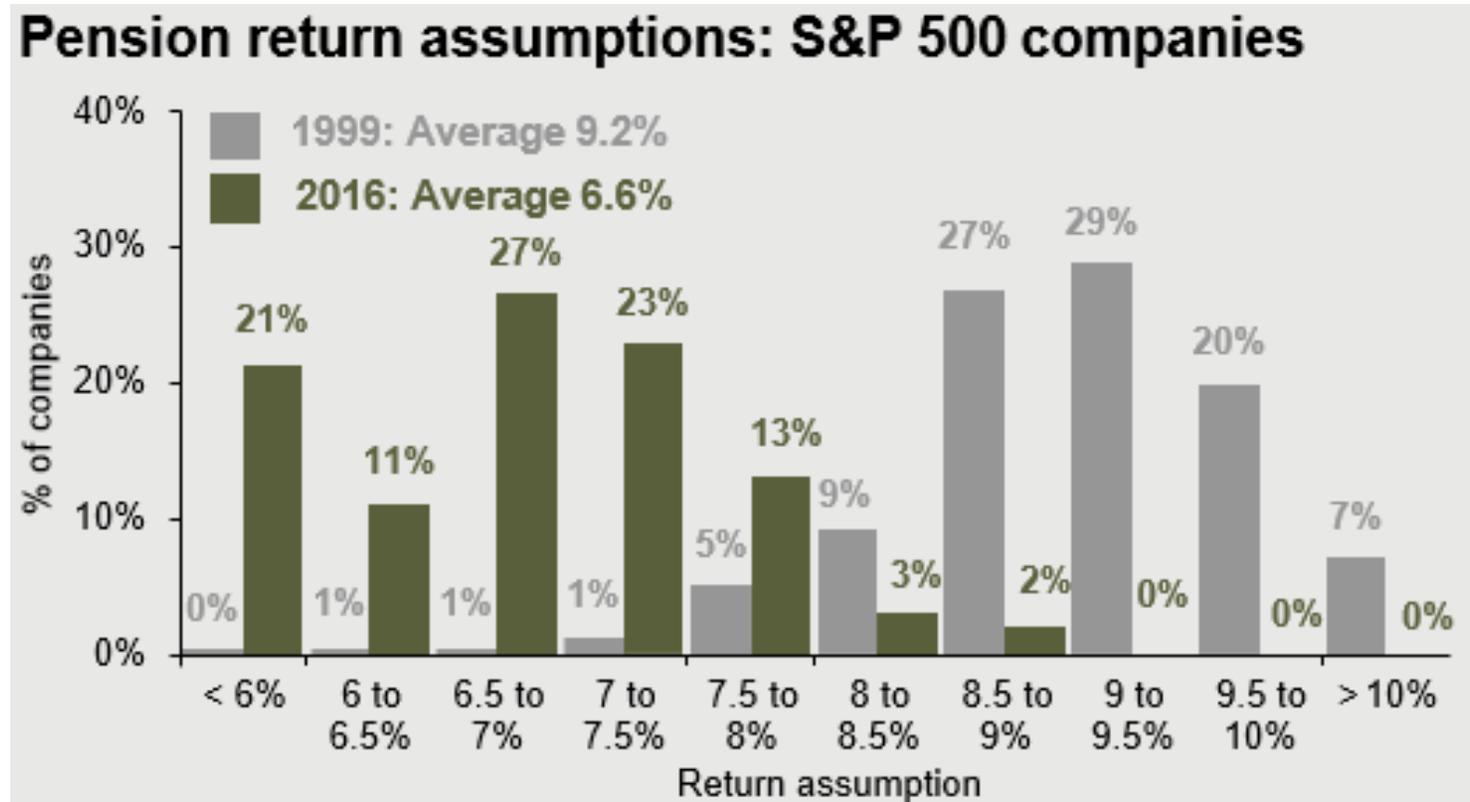
# Long-Term Projected Nominal Returns



External Research Return Assumptions									
	GMO	Black-rock	Bridge-water	JPM	UBS	PIMCO	Average ex. UTIMCO	Average w/ UTIMCO	
<b>MCC ex. FI</b>									
DCE	0.6	6.3	2.7	6.8	8.2	4.9	4.9	6.0	5.1
EM	6.0	5.7	7.8	9.3	10.0	7.3	7.7	6.5	7.5
Total Public Equity	2.5	6.1	4.5	7.7	8.9	5.8	5.9	6.2	5.9
RE	-	-	-	-	-	-	-	-	-
NR Equities	-	-	-	-	-	-	-	-	-
Gold/Commodities	-	3.3	5.9	3.8	6.4	2.2	4.3	-	4.3
Total Public Real Assets	-	-	-	-	-	-	-	-	-
<b>Total MCC ex. FI</b>	-	-	-	-	-	-	-	-	-
<b>Equity Diversifiers</b>									
Hedge Funds	-	3.6	-	3.5	6.2	-	4.4	2.2	3.9
Fixed Income	0.9	3.0	2.7	3.0	3.9	3.0	2.8	3.0	2.8
Private Credit	-	4.7	4.6	5.8	5.6	4.1	5.0	7.5	5.4
<b>Total Equity Diversifiers</b>	-	3.6	-	3.6	5.7	-	4.1	2.8	3.8
<b>Privates ex. Credit</b>									
DCE ex. VC	-	6.6	7.4	8.0	11.8	-	8.5	9.5	8.7
VC	-	-	-	-	-	-	-	9.5	-
RE	-	4.1	6.1	5.5	8.5	5.7	6.0	9.5	6.6
NR	-	-	-	-	-	-	-	7.0	-
EM	-	-	-	-	-	-	-	9.0	-
<b>Total Privates ex. Credit</b>	-	-	-	-	-	-	-	9.3	-

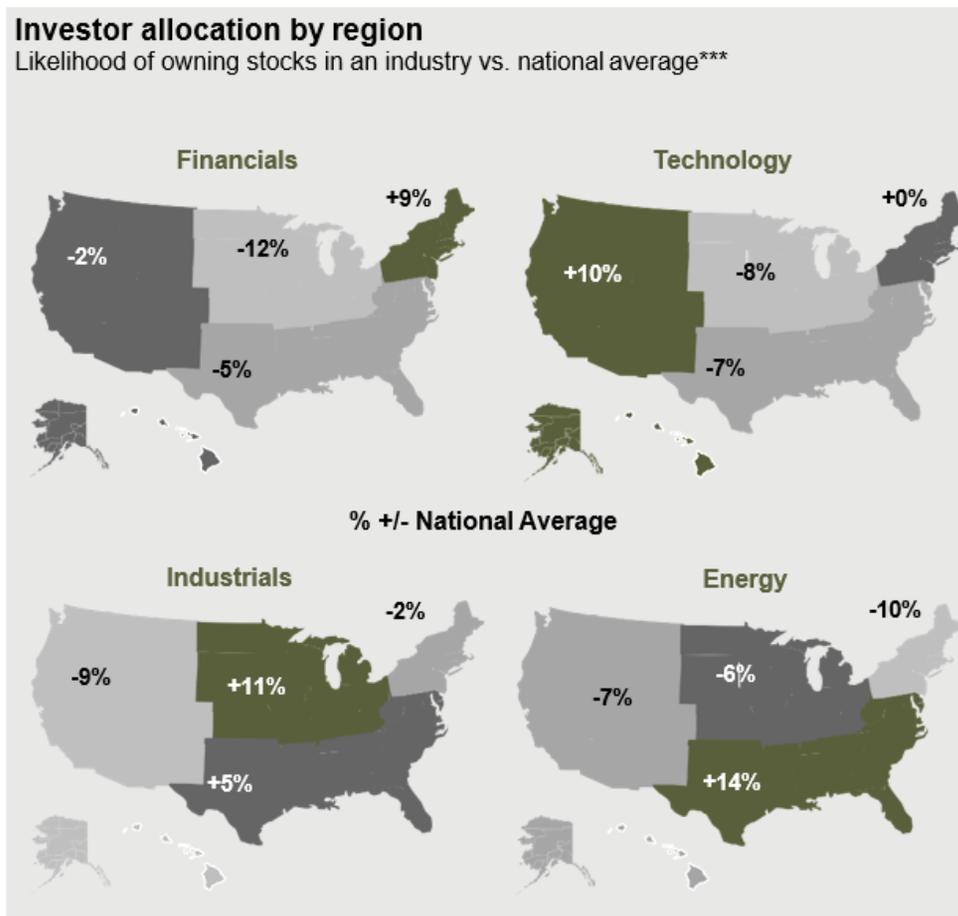
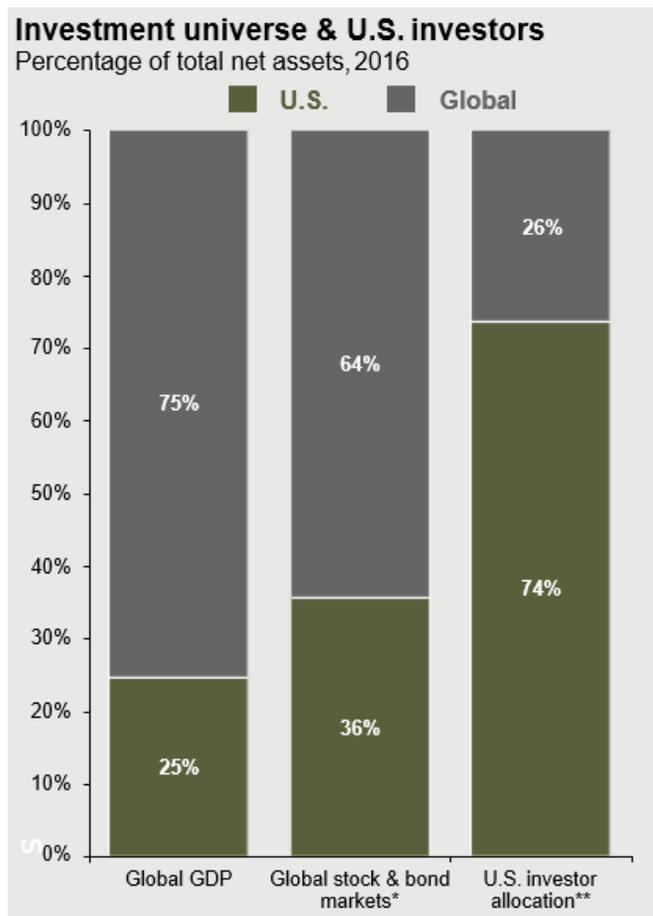
Risk Premiums			
Asset Class	Expected Return	Expected Risk	Sharpe Ratio
CPI	2.0	-	-
Cash	2.0	0.3	-
US Bonds	2.7	4.5	0.2
Non-US Bonds	2.2	6.7	0.0
EM Debt	4.4	9.5	0.3
High Yield	5.5	10.7	0.3
US Equities	4.5	17.6	0.1
Non US Equities	5.4	18.5	0.2
EM Equities	7.5	23.9	0.2
Private Equity	8.7	23.7	0.3
Hedge Funds	3.9	6.7	0.3
Real Estate	6.6	15.8	0.3
Commodities	4.3	18.9	0.1

# Pension Return Assumptions



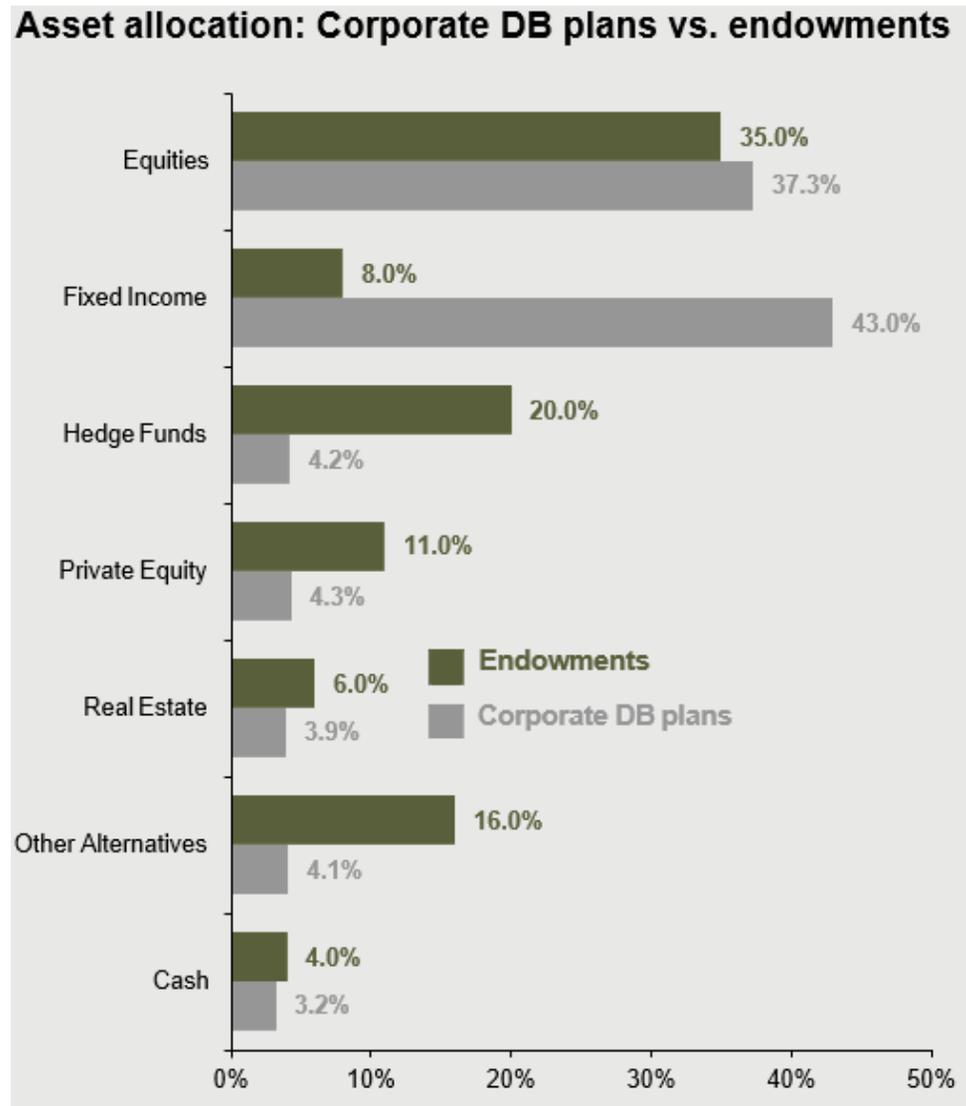
Source: JP Morgan Asset Management

# Local Investing and Global Opportunities



Source: JP Morgan Asset Management

# Asset Allocation of Endowments and Pensions



Source: JP Morgan Asset Management

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** Public Markets and Venture Capital Investment Presentations

**Developed By:** Chen, Kampfe

**Presented By:** Chen, Kampfe

**Type of Item:** Information Item

**Description:** Ms. Chen will present on the Venture Capital and Public Equity portfolios and Mr. Kampfe will present on the Fixed Income portfolio.

**Reference:** *Venture Capital Review* Presentation  
*Public Equity Review* Presentation  
*Fixed Income Review* Presentation



# The University of Texas / Texas A&M Investment Management Company

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## Venture Capital Review

November 2017

**Susan Chen**  
Managing Director

# Venture Capital – Objectives and Role in Portfolio

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**Size and Role in Portfolio:** \$1.6 billion NAV (5.3% of PUF/GEF) as of 9/30/17

## Objectives:

- Provide exposure to the equity appreciation of **fast-growing, early-stage companies** that either provide or leverage technology
- Add value through active management, including **fund selection** (focused on discerning GP-LP alignment, unique sourcing advantages, and valuation and ownership discipline) and **co-investments**
- Create a portfolio focused on **local managers within the most liquid markets** (currently US and China) with tactical exposure to other geographies such as Europe
- **Consolidate capital** with core managers, create partnerships that drive co-investment opportunities with discounted economics, and identify emerging investment talent to pursue **early sponsorships and preferred capacity** in smaller funds

# Venture Capital Team



**Susan Chen**  
**Managing Director**  
MBA;JD, Harvard

## INVESTMENTS TEAM



**Conrad Shang**  
**Assoc. Director**  
MBA, Wharton

**Experience Summary:**  
2 Master Degrees  
1 CFA Charter Holder



**Patrick Curby-Lucier, CFA**  
**Associate**  
BBA, Texas A&M



**Victoria Lee**  
**Analyst**  
BBA, University of Texas



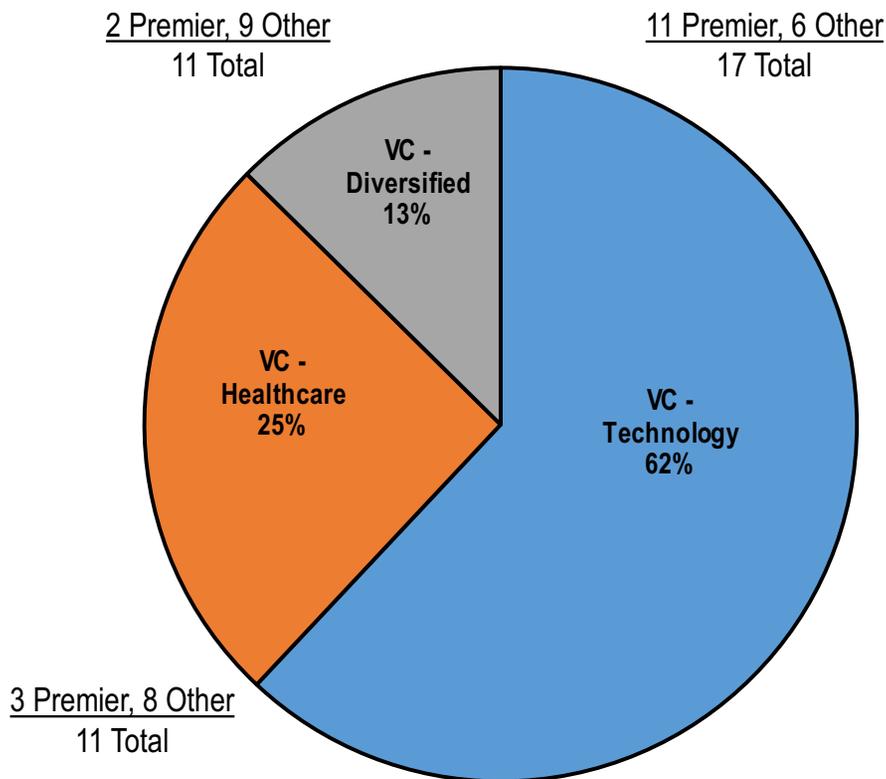
**Ross Crutchfield**  
**Analyst**  
BBA, University of Texas

# Venture Capital – Performance



NAV, Unfunded, Investment Returns and TUCS as of September 30, 2017

**\$1.6 Billion NAV; \$686 Million Unfunded**



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Actual Return	6.2%	14.3%	18.1%	21.5%
TUCS Median	4.9%	2.7%	7.8%	8.8%
Value Add	1.3%	11.6%	10.3%	12.7%
TUCS Percentile <sup>(1)</sup>	47%	20%	2%	1%

### Returns:

- Over the last 3 years, the portfolio returned 14.3%, outperforming the TUCS Median by 11.6%
- Over the last year, the portfolio returned 6.2%, outperforming the TUCS Median by 1.3%
- Strong absolute and relative performance versus the Specific Benchmark across longer term horizons; over the last 5 and 7 years, the portfolio was in the TUCS Top 1 - 2% of VC returns

### Outlook:

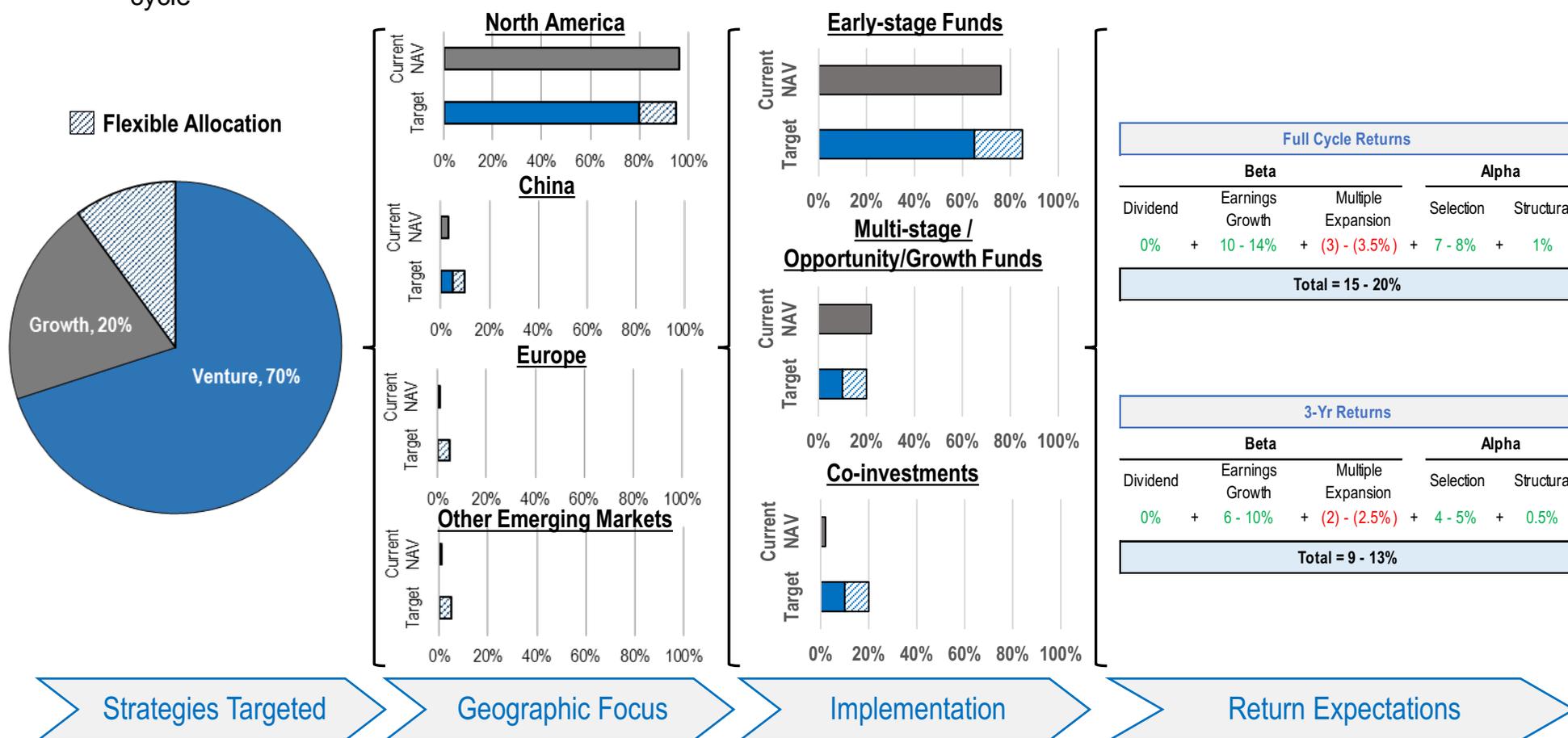
- Funds continue to deploy capital at a measured pace due to valuation environment
- Focused on maintaining and growing core partner relationships and underwriting potential new partners
- Number of partners expected to decline as non-premier relationships roll off

(1) TUCS Percentile with 1% being the best and 99% the worst



# Venture Capital – Philosophy and Process

- The team will continue to target higher-returning early-stage strategies within the venture capital (“VC”) portfolio while also allocating a subset of the portfolio to growth equity
- The team will maintain a focus on liquid markets, predominantly the U.S. and China, with opportunistic commitments to other geographies such as Europe
- The team expects returns to compress over the next three years due to high valuations and the large amount of dry powder in the technology space; however, the technology portfolio should provide at least high teens returns over a cycle



# Venture Capital – Market Conditions / Trends



- **VC activity.** The environment continues to be active – U.S. venture deal volume will reach over \$72 billion in 2017 (exceeding 2016), but the number of deals is projected to decline as dollars are concentrated in large later stage rounds.
  - Valuations across stages have increased significantly but most dramatically in late stage financings (3x since 2007), driven partially by companies deciding to stay private for much longer (e.g. WeWork, Uber, Lyft).
  - The technology sector has been buoyed by strong performance of the largest public U.S. tech companies; the top five tech giants’ (Amazon, Apple, Alphabet/Google, Facebook, Microsoft) collective market cap of \$3 trillion exceeds that of the next 10 largest US public companies.
- **Delayed IPOs.** Access to private capital has extended the runway of \$1 billion+ valuation “unicorn” companies and delayed urgency to go public.
  - 2017 IPOs will only marginally surpass 2016 despite favorable market conditions. Firms appear to prefer readily accessible private capital; nearly 40 companies completed private financings of \$100 million+ between Q2 and Q3 2017.
- **Non-traditional investors.** New entrants, including private equity firms and sovereign wealth funds, have replaced mutual funds and hedge funds that in prior years pursued crossover public/private investments.
  - SoftBank’s \$100 billion Vision Fund has already deployed \$10.5 billion+ since launching earlier this year. Thus far, Vision Fund investments have skewed toward secondary transactions, which has provided liquidity to employees and early investors and relieved pressure on those companies to go public.
- **Blockchain and cryptoassets.** Excitement around this area continues; long-term disruptive potential appears promising, but the technology is still early and the regulatory environment is unclear.
  - There are 900+ cryptoassets, with an aggregate network value of \$115 billion, trading ~\$5 billion daily. The oldest cryptoasset, Bitcoin, has a network value of \$67 billion and trades ~\$1.5 billion daily.
  - Startups have raised over \$2.2 billion through ICOs (initial coin offerings) thus far in 2017, outside of traditional VC firms.

# Venture Capital – Lessons Learned



- Venture investing requires steady commitments across cycles. It is difficult to time the “optimal” moment to invest given long time horizons between initial investment and exit.
  - Vintages dating to the “Great Recession” have performed strongly – top quartile funds returned 18.5% IRR for 2008 and 19.9% IRR for 2009 vintages<sup>(1)</sup>
  - Great companies are founded across cycles – Facebook (2004), Twitter (2006), Fitbit (2007), Airbnb (2008), Uber (2009), Snap (2011)
- UTIMCO’s strategy of identifying and backing first-time VC managers has been a significant driver of performance.
  - USV and Foundry are top-performing VC managers and were both first time funds when UTIMCO invested; since inception, USV 2004 has returned 66.5% IRR and Foundry 2007 has returned 43.8% IRR
- Early stage funds have outperformed multi-stage and late stage focused funds
  - Pooled 5-year return for early stage (14.9%) vs. return for later stage (11.1%) and multi-stage (13.7%)<sup>(1)</sup>
- Size matters. Firms that constrain their fund size and focus on building ownership in portfolio companies are able to construct portfolios where “winners” matter and drive performance.
- Historically, funds that combine both life sciences and technology investing have underperformed relative to more focused strategies.
  - Fewer synergies than expected may exist between life sciences and technology investing
  - Timing differences in investment cycles and ability to exit can cause significant tensions within partnerships

<sup>(1)</sup> Source: Cambridge Associates



# Venture Capital – 2018 Top Priorities

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1. Complete VC critical process maps and target 20% YoY improvement in efficiency and quality
2. Finalize Premier List and continue to update with attractive prospects
  - a. Develop plan to deepen existing partnerships
  - b. Continue to focus on early stage managers where valuations are less susceptible to current frothy market conditions
  - c. Identify, research and add new areas of exposure as warranted
3. Develop scalable co-investment strategy and actively explore co-investment opportunities with existing managers (i.e., proactively communicate UTIMCO interest, investment parameters, process)
  - a. Opportunity to enhance returns through lower blended fees and mitigate J-curve with shorter time horizon to exit
  - b. Greater control over deployment of capital and portfolio construction – co-investments at UTIMCO's discretion; opportunity to “cherry-pick” high-conviction investments
4. Partner with Emerging Markets team to evaluate technology investment opportunities in emerging markets (e.g., China, India, southeast Asia)



# The University of Texas / Texas A&M Investment Management Company

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## Public Equity Review

November 2017

**Susan Chen**  
Managing Director

# Public Equity – Objectives

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- Provide exposure to the *free cash flow generation* (reinvested or distributed) and *equity appreciation* of global public companies in the form of *market beta + manager-level alpha*
- Add value through active management, including *manager selection* and *sizing decisions* (*structural alpha*)
- Serve as a *source of liquidity* when needed (to fund distributions and/or capital calls)
- *Exploit market opportunities* and dislocations available in large, liquid markets, which enable opportunistic buying and selling

# Public Equity Team



**Susan Chen**  
**Managing Director**  
MBA;JD, Harvard

## INVESTMENTS TEAM



**Amanda Hopper**  
**Sr. Director**  
MBA, University of Chicago



**Russ Brown, CFA, CPA**  
**Associate**  
MS, UT Austin



**Kyle Burhop, CFA**  
**Associate**  
BS, Virginia Tech



**Andres Delgado, CFA, FRM**  
**Analyst**  
BBA, Texas State University

**Experience Summary:**  
3 CFA Charter Holders  
3 Master Degrees  
1 CPA  
1 FRM

# Public Equity Market Performance



**Performance as of September 30, 2017:**

Developed Markets					
Annualized Returns (in USD)					
1-Year	3-Year	5-Year	7-Year	10-Year	

## Factors

MSCI World <u>Growth</u>	18.7	9.7	12.2	11.4	5.8
MSCI World Value	19.0	6.9	11.1	10.0	3.8
Growth vs Value	(0.4)	2.7	1.1	1.4	2.0
MSCI World <u>Quality</u>	16.2	9.4	11.5	12.1	7.1
MSCI World	18.9	8.3	11.7	10.7	4.9
Excess Return	(2.7)	1.1	(0.1)	1.4	2.3
MSCI World <u>Momentum</u>	22.9	11.9	12.5	12.8	4.9
MSCI World	18.9	8.3	11.7	10.7	4.9
Excess Return	4.0	3.5	0.8	2.1	(0.0)

## Size

MSCI World Large Cap	19.2	8.2	11.5	10.7	4.4
MSCI World Mid Cap	17.4	8.9	12.3	10.9	5.0
MSCI World Small Cap	20.5	11.2	13.5	12.2	7.2

## Sectors

### MSCI World

Consumer Discretionary	17.7	10.5	14.5	13.7	7.8
Consumer Staples	5.3	8.3	10.1	11.3	8.5
Energy	6.6	(5.4)	0.4	3.4	0.1
Financials	33.9	9.3	13.2	9.9	0.7
Healthcare	13.0	7.2	14.4	14.8	9.3
Industrials	22.3	10.7	13.7	11.5	5.3
Information Technology	28.4	16.3	17.1	15.8	9.0
Materials	23.6	6.3	5.5	4.1	1.0
Real Estate	4.1	7.5	7.8	8.7	2.6
Telecom Services	3.5	4.4	7.7	8.1	3.9
Utilities	11.7	6.8	8.9	6.8	2.5

## Geographies

North America	18.3	10.0	13.4	13.5	7.1
Europe	22.9	4.9	8.9	7.0	1.6
Asia Pacific	14.9	7.2	9.2	7.1	2.7

Emerging Markets					
Annualized Returns (in USD)					
1-Year	3-Year	5-Year	7-Year	10-Year	

## Factors

MSCI EM <u>Growth</u>	26.6	8.3	6.8	4.6	2.1
MSCI EM Value	19.0	2.1	1.8	1.1	1.1
Growth vs Value	7.6	6.3	5.0	3.6	1.0
MSCI EM <u>Quality</u>	14.0	4.1	3.7	3.0	2.0
MSCI EM	22.9	5.3	4.3	2.9	1.7
Excess Return	(8.9)	(1.2)	(0.7)	0.1	0.3
MSCI EM <u>Momentum</u>	28.8	5.4	-	-	-
MSCI EM	22.9	5.3	-	-	-
Excess Return	5.9	0.2	-	-	-

MSCI EM Large Cap	24.0	5.7	4.6	3.2	1.5
MSCI EM Mid Cap	16.9	2.7	2.9	1.0	0.6
MSCI EM Small Cap	15.1	3.3	4.8	2.2	1.7

## Sectors

### MSCI EM

Consumer Discretionary	16.6	4.1	4.7	4.6	5.7
Consumer Staples	4.1	0.4	1.0	3.8	6.5
Energy	21.8	(1.0)	(3.1)	(2.8)	(3.3)
Financials	22.3	5.0	5.0	2.2	1.2
Healthcare	3.1	(0.3)	6.5	5.1	7.8
Industrials	12.8	(2.0)	0.0	(2.3)	(4.7)
Information Technology	40.9	18.7	16.9	14.5	9.9
Materials	28.7	4.0	(1.8)	(3.6)	(3.3)
Real Estate	30.0	9.3	3.8	2.4	(5.3)
Telecom Services	6.9	(4.1)	(1.5)	0.5	(0.9)
Utilities	7.5	(3.7)	(0.7)	(1.7)	(0.8)

## Geographies

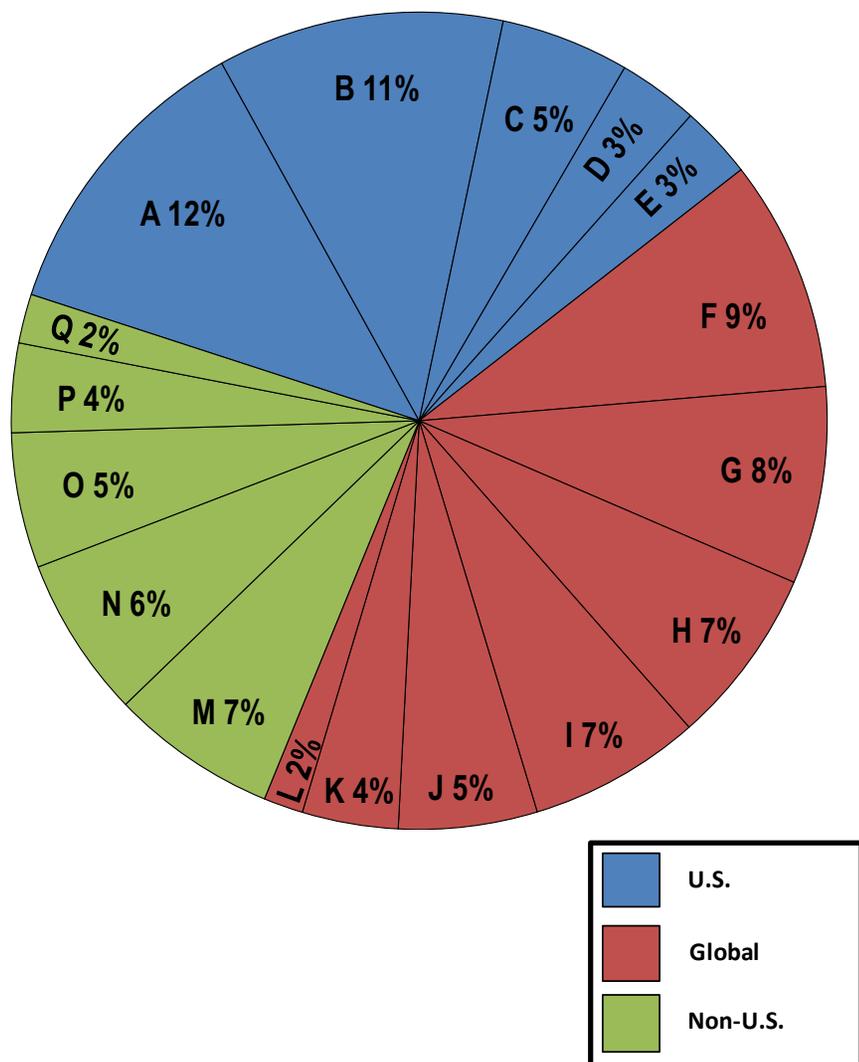
Asia	24.2	8.3	7.8	5.7	3.1
Latin America	26.0	(0.0)	(1.7)	(2.8)	(0.5)
EMEA	10.2	(4.2)	(4.7)	(4.1)	(1.4)

# Public Equity – Developed Markets



NAV and Investment Returns as of September 30, 2017

**\$5.9 Billion NAV (15% of fund)**



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Public Equities - DM (PUF)	19.4%	8.8%	13.4%	12.8%
BM Return (MSCI World)	<u>18.2%</u>	<u>7.7%</u>	<u>11.0%</u>	<u>10.1%</u>
Value Add	1.2%	1.1%	2.5%	2.7%
Portfolio Standard Deviation	4.7%	10.6%	9.6%	11.1%
Benchmark Standard Deviation	4.7%	10.4%	9.9%	12.0%
Tracking Error	3.2%	3.6%	3.6%	3.5%
Sharpe Ratio	4.0	0.8	1.4	1.1
Information Ratio	0.4	0.3	0.7	0.8
Value Add vs TUCS Median	0.9%	0.8%	2.5%	2.6%
TUCS Percentile <sup>(1)</sup>	36%	35%	18%	11%

Statistics for periods longer than a year are annualized

	Public Equities - DM	MSCI World	vs. MSCI World
<b>Market Capitalization</b>			
Weighted Median	19,616	58,613	(66.5%)
<b>Valuation Metrics</b>			
P/E (2018 Est)	18.1	17.6	3%
Price/Cash Flow	10.9	11.1	-2%
Price/Book	2.5	2.3	10%
Price/Sales	1.5	1.7	-13%
<b>Operating Metrics</b>			
Est 3-5 Yr EPS Growth	16.7	12.1	38%
ROE	11.6	16.2	(29%)
Operating Margin	13.4	18.5	(28%)
Net Margin	5.9	12.3	(52%)
LT Debt to Capital	53.9	41.5	30%

(1) TUCS Percentile with 1% being the best and 99% the worst

# DM Equity – Three Years Ending Sep 30, 2017



## Performance:

- During the three years ended September 30, 2017, the DM Equity portfolio returned 8.8% p.a., outperforming the MSCI World Index by 1.1% p.a, driven primarily by strong sector allocation.

## Geographical Exposure:

- The team reduced relative exposure to North America by 6% (from -1% to -7%) and increased exposure to Europe by 6% (from -3% to +3%) as the valuation gap (particularly on a P/S basis) has widened.
- The team reduced exposure to Asia Pacific by 2% (from neutral to -2%) and increased exposure to emerging markets due to reclassification of an Asia manager from the EM portfolio to the DM portfolio.
- Geographical allocation detracted slightly from performance as the U.S. outperformed emerging markets during the period.

## Sector Exposure:

- Sector allocation decisions are primarily the result of bottom-up investment decisions made by our external partners.
- The portfolio's overweight to IT narrowed from 9% to 4% and the underweight to energy narrowed from 7% to 1%.
- Sector allocation was a meaningful contributor to performance as the three sectors in which the portfolio had large overweights (IT, industrials, and consumer discretionary) were the strongest performers during the period, and energy (the only sector with negative performance) was a large underweight.

Geographical Exposure					
	9/30/2017			9/30/2014	Annualized 3y Return
	UTIMCO	MSCI World	O/U	O/U	
North America	56%	63%	-7%	-1%	10.0%
Europe	27%	24%	3%	-3%	4.9%
Asia Pacific	11%	13%	-2%	0%	7.2%
Emerging Markets	6%	0%	6%	4%	5.3%

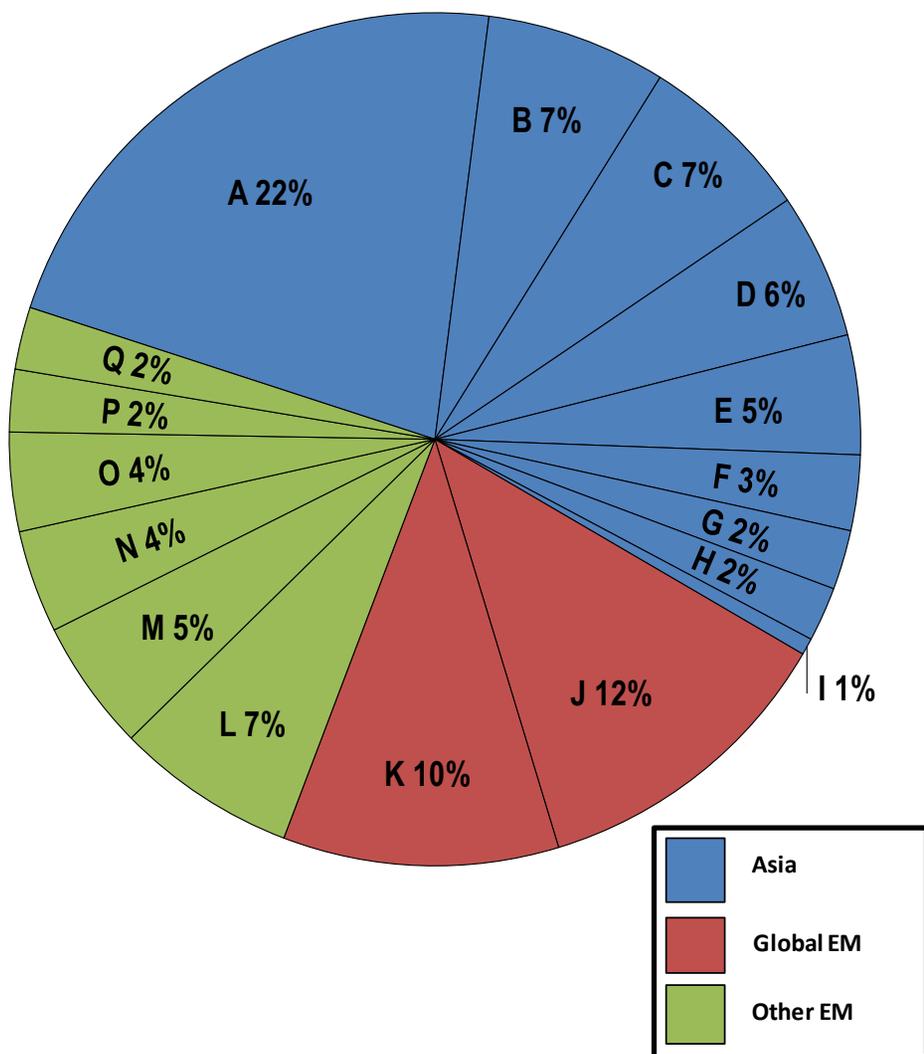
Sector Exposure					
	9/30/2017			9/30/2014	Annualized 3y Return
	UTIMCO	MSCI World	O/U	O/U	
Consumer Discretionary	19%	12%	7%	7%	10.5%
Consumer Staples	6%	9%	-3%	-5%	8.3%
Energy	6%	6%	-1%	-7%	-5.4%
Financials	11%	18%	-7%	-4%	9.3%
Healthcare	11%	12%	-1%	1%	7.2%
Industrials	17%	12%	6%	6%	10.7%
Information Technology	21%	16%	4%	9%	16.3%
Materials	5%	5%	0%	-1%	6.3%
Real Estate	2%	3%	-1%	-1%	7.4%
Telecom Services	2%	3%	-1%	-2%	4.4%
Utilities	1%	3%	-3%	-2%	6.8%

# Public Equity – Emerging Markets



NAV and Investment Returns as of September 30, 2017

**\$4.0 Billion NAV (10% of fund)**



Investment Returns				
	1 Year	3 Years	5 Years	7 Years
Public Equities - EM (PUF)	21.5%	7.0%	7.5%	5.5%
BM Return (MSCI EM)	<u>22.5%</u>	<u>4.9%</u>	<u>4.0%</u>	<u>2.5%</u>
Value Add	-0.9%	2.1%	3.5%	2.9%
Portfolio Standard Deviation	8.1%	12.8%	12.7%	14.8%
Benchmark Standard Deviation	9.7%	15.7%	14.4%	17.1%
Tracking Error	2.3%	4.7%	4.6%	4.5%
Sharpe Ratio	2.6	0.5	0.6	0.4
Information Ratio	-0.4	0.5	0.8	0.7
Value Add vs TUCS Median	0.3%	2.1%	2.7%	1.8%
TUCS Percentile <sup>(1)</sup>	48%	21%	16%	16%

Statistics for periods longer than a year are annualized

	Public Equities - DM	MSCI EM	vs. MSCI EM
<b>Market Capitalization</b>			
Weighted Median	9,713	22,258	(56.4%)
<b>Valuation Metrics</b>			
P/E (2018 Est)	14.2	13.4	6%
Price/Cash Flow	8.6	7.5	15%
Price/Book	1.8	1.7	6%
Price/Sales	1.2	1.4	-11%
<b>Operating Metrics</b>			
Est 3-5 Yr EPS Growth	37.0	19.0	94%
ROE	14.6	15.6	(6%)
Operating Margin	17.6	19.1	(8%)
Net Margin	13.0	16.0	(19%)
LT Debt to Capital	24.2	25.7	(6%)

(1) TUCS Percentile with 1% being the best and 99% the worst

# EM Equity – Three Years Ending Sep 30, 2017



## Performance:

- During the three years ended September 30, 2017, the EM Equity portfolio returned 7.0% p.a., outperforming the MSCI EM Index by 2.1% p.a., driven by strong stock selection, partially offset by negative sector allocation.

## Geographical Exposure:

- The team reduced relative exposure to developed markets by 7% (from +12% to +5%) and increased exposure to Latin America by 9% (from -4% to +5%), driven by a co-investment in Brazil in late 2015 and reclassifying a manager to the DM portfolio.
- Geographical allocation was about neutral as the negative effect from the portfolio's underweight to Asia was offset by the positive effect from the overweight to developed markets.

## Sector Exposure:

- Sector allocation decisions are primarily the result of bottom-up investment decisions made by our external partners.
- The portfolio's underweight to IT expanded from 3% to 10% and the overweight to consumer staples narrowed from 9% to 4%.
- Sector allocation was a meaningful detractor from performance, driven primarily by the portfolio's large underweight to IT, a sector in which four stocks (Tencent, Samsung, Alibaba, and TSMC) make up nearly two-thirds of the index. The portfolio is underweight each of the four, which returned 191%, 111%, 94%, and 101%, respectively, during the period.

Geographical Exposure					
	9/30/2017			9/30/2014	Annualized
	UTIMCO	MSCI EM	O/U	O/U	3y Return
EM Asia	64%	72%	-9%	-7%	8.3%
Latin America	18%	13%	5%	-4%	0.0%
EMEA	13%	14%	-2%	-1%	-0.8%
Developed Markets	5%	0%	5%	12%	8.3%

Sector Exposure					
	9/30/2017			9/30/2014	Annualized
	UTIMCO	MSCI EM	O/U	O/U	3y Return
Consumer Discretionary	24%	10%	14%	11%	4.1%
Consumer Staples	11%	6%	4%	9%	0.4%
Energy	4%	7%	-3%	-3%	-1.0%
Financials	16%	23%	-7%	-7%	5.0%
Healthcare	4%	2%	2%	0%	-0.3%
Industrials	6%	5%	1%	0%	-2.0%
Information Technology	18%	28%	-10%	-3%	18.6%
Materials	7%	7%	0%	-2%	3.9%
Real Estate	2%	3%	0%	0%	9.3%
Telecom Services	2%	5%	-3%	-4%	-4.1%
Utilities	5%	3%	3%	0%	-3.7%

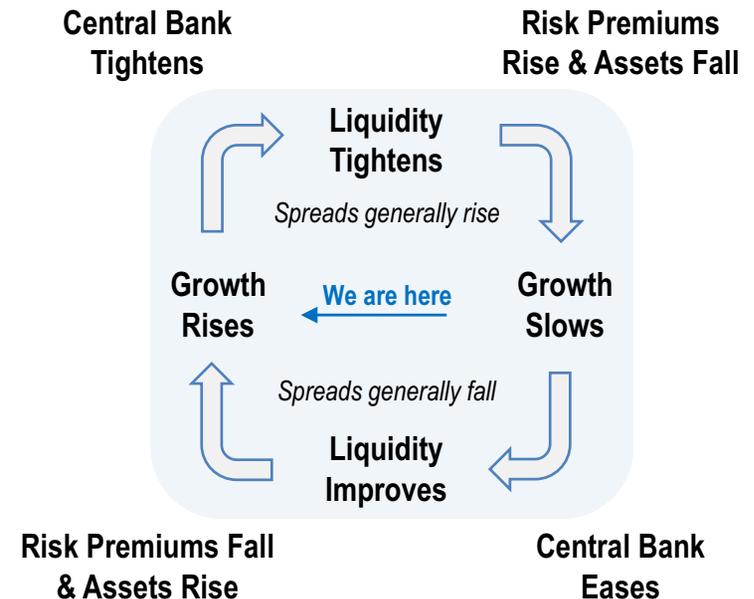
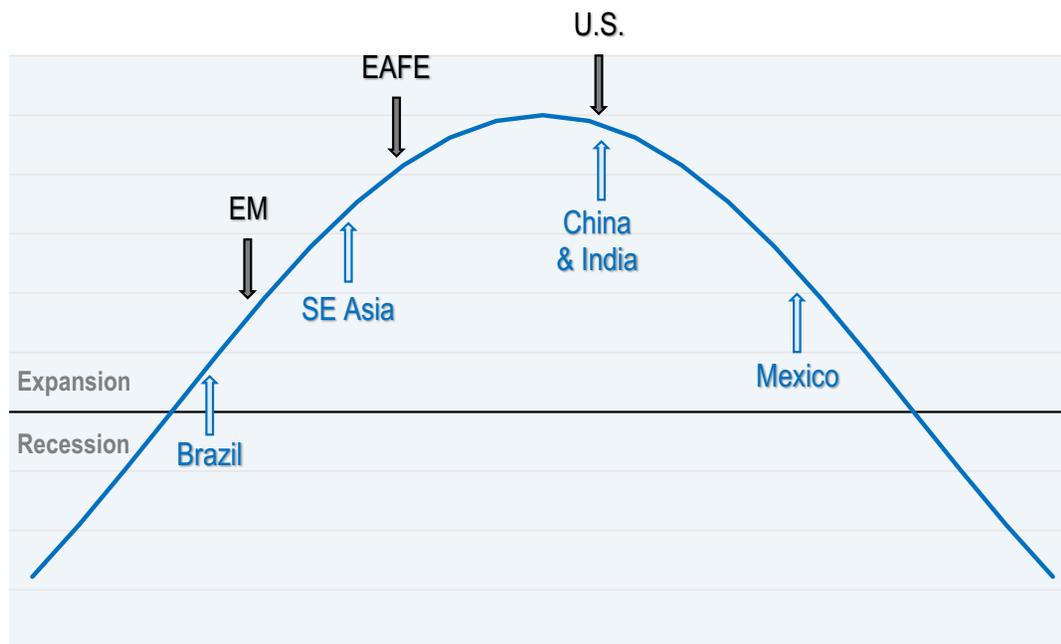
# Public Equity – Overview

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- The Public Equity team:
  - focuses on managers with a research edge, a long-term investment horizon, and an absolute return orientation in an effort to deliver compelling long-term returns for the endowments
  - expects to maintain emerging markets exposure of between 20% and 40% of the total Public Equity portfolio, with a continued focus on concentrated country / regional managers.
  - expects returns to compress over the next three years due to high valuations; however, the public equity portfolio should provide eight to eleven percent returns over a cycle

# Positioning Across an Economic Cycle



- The U.S. is the farthest along in the cycle. U.S. equities face headwinds from rising rates, high valuations, high profit margins, and a strong dollar, which could be offset by lower corporate tax rates and increased fiscal spending.
- Europe and Japan are earlier in their economic cycles. Continued central bank easing is a tailwind for their equity markets and should lead to continued currency depreciation.
- Emerging Markets are earliest in the cycle, and while a strong U.S. Dollar strains some EM countries, cheaper currencies and valuations vs Developed Markets are tailwinds for EM equities.

# Key Observations from Summit

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- Global public equities are expected to generate lower returns in the coming years. In terms of regions, emerging markets are viewed as the most attractive. Within the US, most prefer small/mid-cap equities.
- Summit attendees were in agreement that current hedge fund industry fees are too high and often misaligned. The ideal structure would involve a multi-year measurement period, and there was agreement that LPs should capture a more consistent share of the alpha, especially in low return environments.
- Top geopolitical risks being watched by attendees include: North Korea, Europe (lack of options to improve competitiveness, and unusually low rates that are disrupting risk premiums across capital structures), Saudi Arabia, rising income inequality related to globalization, potential trade disruptions, and liquidity mismatches in fixed income ETFs. However, one attendee noted that the biggest risks are probably the ones we are not currently aware of.
- Discussion about the underperformance of active management compared to passive generated several possible explanations, including low turnover in equity indices, lack of breadth in the US equity market, high P/Es as a challenge for active investors, and the rise of the short-term information game, as well as cyclical factors.

# Public Equity – 2018 Top Priorities

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1. Complete Public Equities critical process maps and target 20% yoy improvement in efficiency and quality
2. Finalize Premier List and continue to update with attractive prospects
3. Work with Risk and other investment teams to implement more systematic endowment-wide allocation signals (e.g. fixed income vs. equity)
4. Work with other investment teams and HR on career path standardization for investment professionals across UTIMCO



# The University of Texas / Texas A&M Investment Management Company

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## Fixed Income Review

November 2017

**Russ Kampfe**  
Managing Director

# Fixed Income – Objectives

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- Provide significant (positive returns during, or 3-6 months after, bear markets end) **diversification** versus equities (i.e. deflation hedge)
  - Hedge derives from the bond's duration; the lower the duration, the weaker the hedge
  - The diversification effect typically strengthens when you need it most
- Generate a valuable, positive, low volatility return stream that **preserves capital**
  - Fixed income tends to exhibit significantly lower volatility than almost every other asset class
  - Future returns are expected to be low, as yield levels are at multi-decade low levels
- **Provide liquidity**
  - Only cash can provide more liquidity, but cash's expected return is significantly lower, particularly over medium to long periods of time
- **Add value** through active management
  - UTIMCO's Investment Grade Fixed Income portfolio has generated second quartile returns over the trailing three years and has consistently outperformed its benchmark over the trailing three, five and seven years while taking equal volatility risk over the long term

# Fixed Income Team



**Russ Kampfe**  
**Managing Director**  
MBA, UT Austin

## INVESTMENTS TEAM



**Harland Doak, CFA**  
**Sr. Director**  
MBA, St. Edward's University



**Russ Brown, CFA, CPA**  
**Associate**  
MS, UT Austin



**Kyle Burhop, CFA**  
**Associate**  
BS, Virginia Tech



**Andres Delgado, CFA, FRM**  
**Analyst**  
BBA, Texas State University

**Experience Summary:**  
4 CFA Charter Holders  
3 Master Degrees  
1 CPA  
1 FRM

# Fixed Income Market Performance



Performance as of September 30, 2017:

Bond Market Performance					
	Annualized Returns (in USD)				
	1-Year	3-Year	5-Year	7-Year	10-Year
<b>Geographic</b>					
United States	0.1%	2.7%	2.1%	3.0%	4.3%
Canada	1.6%	-1.0%	-2.3%	0.6%	2.2%
Europe	2.3%	-0.2%	1.8%	2.1%	2.7%
Asian-Pac Aggregate	-10.0%	1.0%	-4.5%	-1.7%	2.6%
Emerging Markets	3.4%	0.6%	0.7%	2.0%	NM
<b>Sector</b>					
Treasuries & Sovereign	-3.7%	0.8%	-0.5%	0.8%	2.9%
Government Related	-3.3%	0.7%	-0.6%	0.8%	2.9%
Corporates	3.0%	2.7%	2.7%	3.5%	4.3%
Securitized	0.8%	1.7%	1.8%	2.5%	3.8%

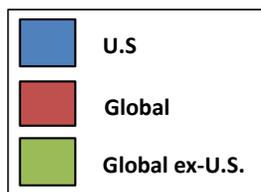
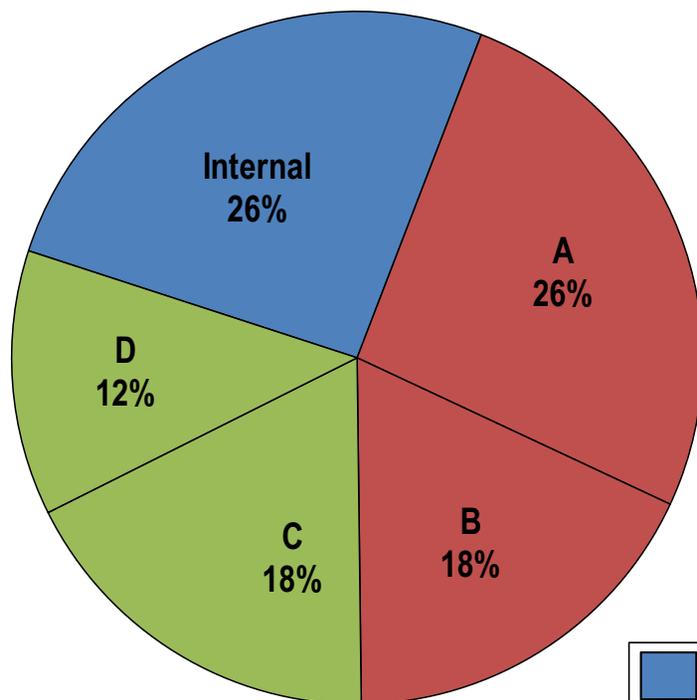
Currency Performance						
		Annualized Returns (vs USD)				
		1-Year	3-Year	5-Year	7-Year	10-Year
Euro	EUR	5.2%	-2.2%	-1.7%	-2.0%	-1.9%
Japan	JPY	-9.9%	-0.9%	-7.1%	-4.2%	0.2%
Britain	GBP	3.2%	-6.2%	-3.7%	-2.3%	-4.2%
Canada	CAD	5.3%	-3.5%	-4.6%	-2.7%	-2.3%
Australia	AUD	2.3%	-3.6%	-5.5%	-3.0%	-1.2%
Switzerland	CHF	0.3%	-0.5%	-0.6%	0.2%	1.9%
Hong Kong	HKD	-0.7%	-0.2%	-0.1%	-0.1%	0.0%
Singapore	SGD	0.4%	-2.1%	-2.0%	-0.4%	0.9%
China	CNY	0.3%	-2.6%	-1.1%	0.1%	1.2%
South Korea	KRW	-3.9%	-2.7%	-0.6%	-0.1%	-2.2%
Taiwan	TWD	3.4%	0.1%	-0.7%	0.4%	0.7%
Brazil	BRL	3.2%	-8.2%	-8.5%	-8.6%	-5.3%
South Africa	ZAR	1.2%	-5.9%	-9.3%	-9.1%	-6.6%
India	INR	2.0%	-1.8%	-4.1%	-5.2%	-4.8%
Russia	RUB	9.3%	-11.7%	-11.5%	-8.7%	-8.1%
Mexico	MXN	6.2%	-9.7%	-6.8%	-5.2%	-5.0%
Indonesia	IDR	-3.2%	-3.3%	-6.6%	-5.7%	-3.8%

# Investment Grade Fixed Income



NAV and Investment Returns as of September 30, 2017  
(not including cash portfolio)

**\$4.8 Billion NAV (12% of fund)**



## Investment Returns

	1 Year	3 Years	5 Years	7 Years
IGFI Portfolio (PUF)	1.3%	2.0%	1.7%	3.0%
BM Return (BC Global Agg)	<u>-1.3%</u>	<u>1.3%</u>	<u>0.5%</u>	<u>1.6%</u>
Value Add	2.6%	0.7%	1.2%	1.4%
Portfolio Standard Deviation	6.3%	5.3%	4.8%	4.7%
Benchmark Standard Deviation	6.0%	4.9%	4.6%	4.8%
Tracking Error	1.1%	1.6%	1.5%	1.6%
Sharpe Ratio	0.1	0.3	0.3	0.6
Information Ratio	2.3	0.4	0.8	0.9
Value Add vs TUCS Median	-1.4%	0.2%	0.4%	0.5%
TUCS Percentile <sup>(1)</sup>	53%	42%	41%	35%

Statistics for periods longer than a year are annualized

## Portfolio Characteristics

	UTIMCO	BC Gbl Agg
Total Portfolio Size	\$4.8B	\$49.1T
Modified Duration	4.6	7.0
Yield to Maturity	2.7%	1.6%
Average Agency Rating	A1	AA3

(1) TUCS Percentile with 1% being the best and 99% the worst

# IGFI – Three Years Ending Sep 30, 2017



Performance Attribution <sup>1</sup>				
	Ccy	Allocation Effect	Selection Effect	Total Net Mgmt Effect
<b>Total</b>	<b>0.60%</b>	<b>-0.07%</b>	<b>0.50%</b>	<b>1.03%</b>
Europe ex UK	0.23%	-0.31%	-0.14%	-0.22%
United Kingdom	0.20%	-0.07%	-0.10%	0.03%
Pacific Basin ex Japan	0.04%	0.17%	0.04%	0.24%
Japan	0.09%	-0.27%	0.02%	-0.16%
United States	0.52%	-0.32%	1.02%	1.22%
Emerging Markets	-0.53%	0.78%	-0.34%	-0.09%
Canada	0.05%	-0.06%	0.01%	0.01%

- **Performance:** Three-year performance driven by the portfolio's overweight to the USD and underweight to the EUR as well as strong security selection in the U.S.
- **Geographical Exposure:** The portfolio has increased its U.S. exposure from neutral to a 9% overweight, funded from expanding its underweights to Europe and Asia/Pacific. The portfolio is 17% underweight Japan and slightly overweight the rest of the region (e.g. Australia, New Zealand, etc.).
- **Currency:** The portfolio reduced relative exposure to the USD by 20% (from +14% to -6%, expecting the USD to continue to fall) and increased exposure to the EUR (underweight narrowed from 14% to 9%), the JPY (underweight narrowed from 11% to 4%) and "Other" currencies including the NOK, the CHF, and the CAD.
- **Sector:** The portfolio's overweight to treasuries narrowed from 21% to 7% and the underweight to securitized narrowed from 13% to 3%.

Geographical Exposure					
	9/30/2017			9/30/2014	Annualized 3y Return
	UTIMCO	BC Gbl Agg	O/U	O/U	
United States	42%	33%	9%	0%	2.7%
Canada	1%	3%	-2%	-4%	-1.0%
Europe	21%	35%	-13%	-8%	-0.2%
Asian-Pac Aggregate	17%	25%	-8%	-3%	1.0%
Emerging Markets	19%	4%	15%	14%	0.6%

Currency Exposure					
	9/30/2017			9/30/2014	Annualized 3y Return
	UTIMCO	BC Gbl Agg	O/U	O/U	
United States Dollar	38%	45%	-6%	14%	
Euro	16%	25%	-9%	-14%	-2.2%
Japanese Yen	12%	16%	-4%	-11%	-0.9%
UK Pound Sterling	7%	5%	2%	-2%	-6.1%
Emerging Markets	15%	2%	12%	15%	-3.9%
Other	12%	6%	6%	-2%	

Sector Exposure					
	9/30/2017			9/30/2014	Annualized 3y Return
	UTIMCO	BC Gbl Agg	O/U	O/U	
Treasuries & Sovereign	70%	63%	7%	21%	0.8%
Government Related	3%	10%	-6%	-6%	0.7%
Corporates	20%	18%	2%	-3%	2.7%
Securitized	6%	9%	-3%	-13%	1.7%
Cash & Cash Equivalents	0%	0%	0%	0%	

<sup>1</sup> Performance attribution calculated by Bank of New York Mellon on a gross of fees basis.

# IGFI – Overview

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The Fixed Income team:

- will continue to employ external generalist global and global ex-U.S. managers who can dependably manage capital and enhance returns utilizing a broad array of global fixed income assets and currencies, based primarily on real yields
- will maintain its internal fixed income management utilizing macro-fundamental and technical analysis to add counter-cyclical return which diversifies the external managers and equity exposure with non-correlated returns
- expects U.S. rates to follow forward rates, with longer rates being stable and shorter rates rising to flatten the yield curve
- expects Japanese and European central banks to taper Quantitative Easing but only slowly raise rates in 2019 or 2020
- expects EM rates to stay low or even decline over the next few years, along with appreciating currencies versus developed markets or forward expectations

# IGFI – Key Observations from Summit

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- Global economy is recovering from a mid-cycle slowdown that included an industrial production recession
- “New Normal Goldilocks” = acceptable growth and inflation paired with few “left tail” risks
  - U.S. tax reform could provide the catalyst to break out of this “goldilocks” range
- Fed Chair selection will be most impactful in the next recession, but monetary policy decisions shouldn’t be materially impacted in the short term
- Europe’s economy is improving, but long-term structural issues remain
  - ECB will be late to adjust monetary policy
  - Current European economic conditions don’t warrant current monetary policy
- Japan provides a blueprint for global economies
  - BOJ’s “next steps” in unconventional monetary policy will be watched closely
  - Demographic issues aren’t isolated to Japan
- Emerging market economies and currencies continue to strengthen
  - USD negative feedback loop led to earnings recession in 2015 and 2016. These global economic headwinds have since reversed to create tailwinds for emerging markets.

# IGFI – 2018 Top Priorities

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1. Fully integrate IGFI within 2018-19 asset allocation framework
  - Evaluate optimal diversification role along with currency exposure
2. Complete IFGI critical process maps
  - Manager selection
  - IGFI portfolio composition
  - Internal portfolio management
3. Finalize Premier List and find at least one manager to add to Premier prospects list
4. Complete adoption and training on more powerful Bondedge (FI portfolio analytics) system
5. Contribute to relevant information in “Valuation Library”

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

<b>Agenda Item:</b>	Report from Risk Committee
<b>Developed By:</b>	Team
<b>Presented By:</b>	Bass
<b>Type of Item:</b>	Information item
<b>Description:</b>	The Risk Committee (“Committee”) met on November 16, 2017. The Committee’s agenda for its meeting included (1) discussion and appropriate action related to the minutes of its April 19, 2017 meeting; (2) discussion and appropriate action related to the categorization of investment mandates; (3) review and discussion of compliance reporting; and (4) a market and portfolio risk update.
<b>Discussion</b>	<p>The Committee reviewed and took appropriate action related to 19 new mandate categorizations by the team for the period beginning April 1, 2017, and ending November 3, 2017. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.</p> <p>The Committee reviewed the quarterly compliance reporting and risk reporting and heard an update on the market and portfolio risk.</p>
<b>Recommendation:</b>	None
<b>Reference:</b>	None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** Report from Audit and Ethics Committee: Approval of the 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, 2017

**Developed By:** Moeller, Hill, Gonzalez

**Presented By:** Handley

**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 16, 2017. The Committee’s agenda included the following: (1) discussion and appropriate action related to minutes of its August 31, 2017 meeting; (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”), The University of Texas General Endowment Fund (“GEF”), the Permanent Health Fund (“PHF”), The University of Texas System Long Term Fund (“LTF”), The University of Texas System Intermediate Term Fund (“ITF”), and the Statement of Investment Performance Statistics for the year ended August 31, 2017; (4) discussion and appropriate action related to the Corporate Counsel and Chief Compliance Officer’s Performance Award for the Performance Period ended August 31, 2017, and participation in the UTIMCO Compensation Program (the “Plan”) for the Performance Period ending August 31, 2018; and (5) an update on UTIMCO’s compliance, reporting and audit matters. The Committee convened in Executive Session for the purpose of deliberating individual personnel evaluation matters, and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer.

**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).

The Committee took action related to the performance award for the performance period ending August 31, 2017 for the Corporate Counsel and Chief Compliance Officer and her participation in the Plan for the Performance Period ending August 31, 2018. The Charter of the Audit and Ethics Committee and Plan require that the

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

Committee and CEO make a joint recommendation to the Compensation Committee related to the performance award and Plan participation for the Corporate Counsel and Chief Compliance Officer.

The Committee also reviewed the Director Co-Investment Log for FY 17. The Master Investment Management Services Agreement between UTIMCO and the Board of Regents of The University of Texas System requires UTIMCO to maintain a log of (1) all agreements or transactions between UTIMCO or a "UTIMCO entity" and a "Director entity" or an "Employee entity", and (2) all investments in the private investments of a business entity in which a "Director" or "Employee" then owns a private investment, or is then co-investing, in the same business entity that must be reviewed annually by the UTIMCO Board of Directors and reported to the U.T. Board.

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

The Delegation of Authority requires that new contracts, leases, and other arrangements of \$100,000 or more be reported to the UTIMCO Board at its next scheduled meeting, and, annually, all existing contracts, leases, and other arrangements of \$100,000 be reported to the UTIMCO Board. The reporting is included in this section.

**Recommendation:** The Committee will recommend that the UTIMCO Board approve 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, 2017.

**Reference:** Deloitte & Touche LLP's Financial Statement Audit Results and Communications  
Director Co-Investment Log for FY 17  
Institutional Compliance Program Annual Report and Action Plans  
Contract Report

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2017**

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, 2017, 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, 2017, and August 31, 2016, and the Statement of Investment Performance Statistics for the year ended August 31, 2017, be, and are hereby approved in the form as presented to the Board.



**Deloitte & Touche LLP**  
500 West 2nd Street  
Suite 1600  
Austin, TX 78701  
USA  
Tel: +1 512 691 2300  
Fax: +1 512 708 1035  
www.deloitte.com

October 27, 2017

Mr. Britt Harris  
CEO and Chief Investment Officer  
The University of Texas/Texas A&M 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/Texas A&M Investment Management Company

401 Congress Avenue, Suite 2800  
Austin, TX 78701

Dear Mr. Harris, 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/Texas A&M 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, 2017 (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 27, 2017.

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/Texas A&M 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,

*Deloitte & Touche LLP*

## **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, 2017, 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 notes to the Funds' 2017 financial statements. 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' 2017 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 generally accepted accounting principles when applying the practical expedient for investments in entities that report a net asset value, or its equivalent. 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' 2017 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' 2017.

### 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 2017.

### 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. We have attached to this letter, as Appendix A, a copy of the representation letter we obtained from management.

### 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, 2017 and 2016, 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 consolidated net position of The University of Texas System, as of August 31, 2017 or 2016, or the changes in their consolidated net positions for the years then ended – **Applicable to all Funds**
2. Also, the financial statements of the PUF includes only the investment related assets and liabilities and changes therein which are being managed by The University of Texas/Texas A&M Investment Management Company and does 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.

\* \* \* \* \*

# **Appendix A – Signed Management Representation Letter**



October 27, 2017

Deloitte & Touche LLP  
500 West 2<sup>nd</sup> Street, Suite 1600  
Austin, TX 78701

We are providing this letter in connection with your audits of the statements of fiduciary net position as of August 31, 2017 and August 31, 2016, 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, 2017 and the statement of investment performance statistics for the Funds for the year ended August 31, 2017.

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.

Tel 512 225 1600 | Fax 512 225 1660 | 401 Congress Avenue, Suite 2800 | Austin, TX 78701

The University of Texas/Texas A&M Investment Management Company

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/Texas A&M 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' 2017 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, 2017 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 necessary through October 27, 2017, and no adjustments were considered necessary to the valuation reported as of August 31, 2017.
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

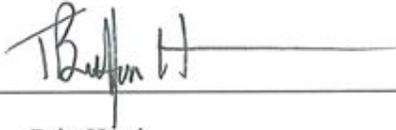
- c. The Detail Schedules of Investment Securities take into consideration the provisions of Government Code Section 552.143(c) which identifies the names of certain direct investments held by the PUF as confidential.
27. UTIMCO as investment manager of the Funds under the control and management of The 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, 2017.
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, 2017, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
31. No events have occurred after August 31, 2017, but before October 27, 2017, 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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Britt Harris

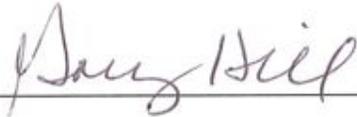
Chief Executive Officer and Chief Investment officer



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Joan Moeller

Senior Managing Director – Accounting, Finance, &  
Administration



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Gary Hill

Senior Manager – Investment Reporting

APPENDIX A

Entity Name	Materiality Limit
Permanent University Fund (“PUF”)	\$ 8,887,000
The University of Texas System General Endowment Fund (“GEF”)	8,887,000
The University of Texas System Long Term Fund (“LTF”)	8,887,000
Permanent Health Fund (“PHF”)	2,150,000
The University of Texas System Intermediate Term Fund (“ITF”)	8,887,000

**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:

	<b>Gross of Fees</b>		<b>Net of Fees</b>
$R_{DIETZ}$	$= \frac{MVE - MVB - F}{MVB + FW}$	$R_{DIETZ (net)}$	$= \frac{MVE - MVB - F - FEES}{MVB + FW}$

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.

## **UTIMCO Director Co-Investment Log**



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

**The University of Texas/Texas A&M Investment Management Company  
Institutional Compliance Program Report  
for the Year Ended August 31, 2017**

**Section I – Organizational Matters**

- Four meetings of the Ethics and Compliance Committee were held during the fiscal year: October 4, 2016, January 6, 2017, March 29, 2017, and July 19, 2017.
- Janet Handley and James Conrad “Rad” Weaver were appointed to the UTIMCO Board by the Board of Regents of The University of Texas System on May 10, 2017, to replace William H. McRaven and David Beck, respectively.
- Robert Gauntt was appointed to the UTIMCO Board by the Board of Regents of The University of Texas System on August 24, 2017, to replace H. Lee S. Hobson.
- Janet Handley replaced David Beck as Chair of the Audit & Ethics Committee effective August 24, 2017.
- Steve Hicks was appointed Vice Chairman for Policy, replacing Chancellor McRaven.
- Bruce Zimmerman resigned as CEO and Chief Investment Officer on October 7, 2016.
- Mark Warner, Senior Managing Director - Natural Resources, Emerging Markets & Lower/Middle Markets, was appointed interim CEO and Chief Investment Officer effective October 13, 2016.
- Britt Harris was hired as President, CEO and Chief Investment Officer effective August 1, 2017.
- Kurt Cressotti resigned as Compliance Specialist effective February 24, 2017.
- Michele Kraal was hired as the Compliance Specialist with an employment start date of June 19, 2017.

**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 175 meetings/calls with potential managers. Serious due diligence was initiated on three new mandates. Four new mandates were completed. Ongoing review of active external managers included 270 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team and participation in seven annual meetings and two semi-annual portfolio reviews.

**MCC - Fixed Income:** The MCC-Fixed Income group participated in 25 meetings/calls with potential managers. Ongoing review of active external managers included 44 meetings/calls. No serious due diligence was initiated on any mandates. One new mandate was completed. Additional efforts included 25 calls with brokers, annual broker/dealer review, and two semi-annual portfolio reviews.

***Less Correlated and Constrained:*** The Less Correlated and Constrained group participated in 220 meetings/calls with potential managers. No serious due diligence was initiated. Two new mandates were completed. Ongoing review of active external managers was conducted in the form of 352 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team and one semi-annual portfolio review.

***Private Credit:*** The Private Credit group participated in 60 meetings/calls with potential managers. No serious due diligence was initiated. Two new mandates were completed. Ongoing review of active external managers included 105 meetings/calls and one semi-annual portfolio review.

***Private Equity:*** The Private Equity group participated in 124 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates and one existing mandate. Two new mandates and one addition to an existing mandate were completed. Ongoing review of active external managers included 116 meetings/calls. Additional efforts included participation in 14 annual meetings and two semi-annual portfolio reviews.

***Healthcare:*** The Healthcare group participated in 57 meetings/calls with potential managers. Serious due diligence was initiated on two mandates. Five new mandates and one addition to an existing mandate were completed. Ongoing review of active external managers included 38 meetings/calls, one annual meeting, and two semi-annual portfolio reviews.

***Technology:*** The Technology group participated in 169 meetings/calls with potential managers. Serious due diligence was initiated on eight new mandates and one existing mandate. Eight new mandates and one addition to an existing mandate were completed. Ongoing review of active external managers included 152 meetings/calls. Additional efforts included participation in 14 annual meetings and two semi-annual portfolio reviews.

***Natural Resources:*** The Natural Resources group participated in 474 meetings/calls with potential managers. Serious due diligence was initiated on 12 new mandates. Five new mandates were completed and there were additions to five existing mandates. Ongoing review of active external managers included 601 meetings/calls. Additional efforts included participation in 20 annual meetings and two semi-annual portfolio reviews.

***Emerging Markets:*** The Emerging Markets group participated in 477 meetings/calls with potential managers. Serious due diligence was initiated on three new mandates. Four new mandates were completed. Ongoing review of active external managers included 227 meetings/calls. Additional efforts included participation in 16 annual meetings and two semi-annual portfolio reviews.

***Real Estate:*** The Real Estate group participated in 234 meetings/calls with potential managers. Serious due diligence was initiated on two mandates. Five new mandates were completed and there was one addition to an existing mandate. Ongoing review of active external managers included 211 meetings/calls. Additional efforts included participation in 22 annual meetings and two semi-annual portfolio reviews.

***Specialized Training:*** The Investment Team attended 126 industry-related conferences/functions.

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

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

**Key “A” risk(s) identified:**

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

**Key Monitoring Activities:**

- During the year, Risk Team reconciled accounting records’ market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. Compared each month’s downside volatility with both prior month results and with market activity to determine consistency, and identified reasons for all changes; added market-risk charts, including bubble monitor, bear market monitor, an environment monitor, and factor data; prepared monthly charts and reports, as well as analysis of managers’ portfolio-level risks and performance.
- Risk Team studied different frameworks for establishing a better asset allocation, and was heavily involved in the FY2018 Policy Portfolio process; developed an extensive simulation system to evaluate the proposed policy portfolios in different economic environments (such as rising or falling growth, rising or falling inflation).
- 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; looking at systems to collect and analyze data at the holdings level.
- Risk Team and Senior Management reviewed periodically the relatively high levels of several risks (notably, illiquidity and downside volatility) and discuss the steps required to maintain these risks at their desired levels.
- Risk Team reviewed four due-diligence questionnaires and participated in one due-diligence call.
- Risk Team continued to monitor sources and uses of cash and the sources and uses of illiquid capital. Risk Team continued to enhance our processes given that the Endowments are having more Private Investments and hence becoming more illiquid. The commitment model was updated with the most recent data and revised once it became clear that distributions are lower than the forecast. Risk team is researching ways to further improve the accuracy of the forecasts of the commitment model and the forecasts of the overall illiquidity of the Endowments.
- All internal derivatives were reviewed and analyzed in detail prior to initiation.
- 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 continued to monitor the current macro environment. Risk Team continued to review future scenarios with high risk, and is working with Portfolio Positioning Task Force to better understand the impact of each such scenario, and to address such scenarios.
- 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:**

- New employee/intern security training completed.
- Several alerts were sent to employees covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- Compliance checks for nightly shutdown/logout. Violations noted and violators notified as necessary. Significant improvement in this area has been noted.
- Random checks for confidential data storage continue and CISO continues to work with development employees to limit access to source code and follow secure coding practices. Concern is growing about the proliferation of cloud services and cloud storage and the impact of spreading firm data across multiple vendors, sites, locations, and countries.
- Random checks for software compliance were completed. CISO continues 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 upgrade to Splunk server.
- Completed Dynamo security review and implementation of single-sign on for Dynamo.
- Three violations of software/service security and legal review were identified. Reviews were completed after the fact – one software/service was acceptable; one software was removed and usage ceased; and in the third case, an alternate tool was recommended and is being used.
- Office 365 security and two factor authentication review and configuration completed.
- Received one alert from an external manager operating under an agency agreement relating to an inadvertent disclosure of data from the UTIMCO separately managed account by an entity providing certain back-office services to the external manager. External manager obtained confirmation from the party to whom the data was disclosed that the data had been destroyed. The entity performing the back-office services for the external manager is taking steps to prevent recurrence of such an incident. CISO worked with the investment team to identify potential risk of this disclosure and mitigating steps to take.
- One violation for using an unapproved cloud service to store confidential UTIMCO source code including SQL server table names, field names, and other related information. Worked with developer to remove this code immediately and again advised that any use of cloud services or software must be pre-approved.
- Completed contract/license review for Shoretel Support Agreement renewal avoiding potential fraud from a “new” vendor.
- Completed review of Caissa for Investment team.
- Launched five phishing campaigns against UTIMCO users; one victim.

- Construction of new building space continues; addressed security, infrastructure, and safety concerns. This is a major effort on the security and infrastructure team. Tight deadlines mean this often takes priority over other items.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Four violations for emailing SSN/CCN information during the year. Violations are reported to the CCO and employee is reminded to transmit via encrypted means.
- Multiple alerts for mobile device upgrades sent to employees. Eleven (11) violations for not maintaining updated mobile devices were identified. Users were alerted to update their devices. Compliance achieved after multiple reminders.

**Specialized Training:** CISO attended teleconference UT Security meetings and on-site CISO Council and InfoSec meetings. CISO met with Dell computer, Microsoft, Sequel Data Systems, M&S Technologies, APC, 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.
- Thirty-one (31) annual compliance statements were sent to external managers. All were returned with no non-compliance issues noted.
- Review of monthly and quarterly investment compliance reports prepared by employees continues.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations employees in prospective and active external manager investment due diligence.
- Updated Derivative Investment Controls and Processes were finalized in November, 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, including three new Directors appointed during the year, and Key Employees for all investment managers hired and funded. No conflicts of interests were noted, i.e. no pecuniary interests were identified.
- All director compliance statements were received by the due date or within the extension of time granted by the CEO.
- Twenty employees, nine paid interns, one unpaid intern, and three temporary employees were hired during the year. With the exception of one temporary employee for whom the filing was waived because she only worked two weeks, all employee financial disclosure statements and ethics compliance statements due were received before the required due dates.
- Thirteen ethics and compliance training sessions, including annual training were held for all employees. New hires received training within a reasonable time after hire.
- 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 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 operating under agency agreements are provided the restricted list in order to prevent the violation of UTIMCO Code of Ethics and Texas Education Code Section 66.08. No new securities were added to the list. One security was removed from the list. One new manager operating under an agency agreement was hired during the year. The restricted list was emailed to this manager.
- On a daily basis, the Chief Compliance Officer reviewed security holdings of internal and external managers operating under agency agreements for compliance with the restricted list. No exceptions were noted.
- Of the 138 employee securities transactions during the year, nine required preclearance and all but one were precleared as required. Three employee transactional disclosure forms were filed late. No reporting to CEO was required.
- CEO approval was given to nine 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 36 expense reports tested during the year, nine included third party paid expenses; all but one were preapproved as required. Two expense reports tested included a sponsored entertainment event and preapproval was obtained as required. There were eight sponsored entertainment events that did not include travel that required approval from the CEO, CCO, or UTIMCO Chairman. Approval was obtained as required.

**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 employees. 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**

Thirteen training sessions, including annual training for all employees, were held during the year.

#### **Section V – Action Plan Activities**

See updated Institutional Compliance Action Plan Fiscal Year 2017.

**Section VI – Confidential Reporting**

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

<b>Type</b>	<b>FYTD Number</b>	<b>% of Total</b>
Employment Related	2*	12.50%
Policy Issues	0	0.00%
Hang ups or wrong numbers	14	87.50%
Total	16	100.00%

\*The anonymous callers canceled the reported incidents the following day.

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 Corporate Counsel and Chief Compliance Officer, the Compliance Specialist, the Manager – Human Resources, 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/Texas A&M Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2017**

#	ACTION ITEM	TARGET COMPLETION 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; target completion date changed to 12/31/2017	<i>Not completed; included on FY 18 Action plan with target completion date of 05/31/18; mapping of investment and operations processes may be changing under new CEO</i>
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	<i>On-going</i>
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	<i>1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> qtr FY 17 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	04/30/17	<i>Q1 - Two training sessions for new hires were held on 09/14/16 and 10/24/16; Q2 - Three training sessions for new hires were held on 01/11/17, 01/30/17, and 02/02/17; Q3 - Four training sessions were held on 03/01/17, 03/31/17, 04/17/17, 04/26/17; Q4 - Four training sessions were held on 06/05/17, 06/27/17, 07/17/17, and 08/30/17</i>
5.	Identify and network with similarly situated compliance professionals	On-going	<i>On-going; attended ACC annual meeting 10/16/16, Austin Compliance Roundtable on 11/09/16, 03/01/17 Council of Public Funds Compliance Officers Roundtable on 11/29/16, 02/28/17, 05/23/17 and 08/29/17</i>

Updated 11/01/17

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<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 FY 16 meeting held on 10/04/16; 1<sup>st</sup> qtr FY 17 meeting was held on 01/06/17; 2<sup>nd</sup> qtr FY 17 meeting was held on 03/29/17; 3<sup>rd</sup> qtr FY 17 meeting was held on 07/19/17</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>Annual report presented to the Audit &amp; Ethics Committee on 11/17/16</i>  <i>Annual report provided to Systemwide Compliance Office on 11/23/16</i>  <i>Reporting to A &amp; E:</i> <i>1<sup>st</sup> quarter - 01/31/17</i> <i>2<sup>nd</sup> quarter - 04/13/17</i>  <i>Provided to Systemwide Compliance Office:</i> <i>1<sup>st</sup> quarter - 03/25/17</i> <i>2<sup>nd</sup> quarter - 04/03/17</i> <i>3<sup>rd</sup> quarter - 10/05/17</i>
<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; target completion date changed to 08/31/17	<i>Not completed; included on FY 18 Action plan with target completion date of 12/31/17</i>
9.	Review and update Business Continuity Plan as necessary	05/31/17	<i>BCP will be updated coincident with move to new office space; Included on FY 18 Action Plan with target completion date of 05/31/18</i>
10.	Research and implement new/additional compliance program best practices, if needed	08/31/17	<i>On-going</i>
11.	Supervise and manage work of Compliance Specialist	08/31/17	<i>Kurt Cressotti resigned 02/24/17; new Compliance Specialist,</i>

Updated 11/01/17

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
			<i>Michele Kraal, hired effective 06/19/17</i>
12.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	On-going	<i>02/21/17 meeting with new Systemwide Compliance Office Executive Director/Deputy Compliance Officer; 03/08/17 Institution Compliance Advisory Committee Meeting</i>
13.	Hotline reporting	On-going	<i>FY 17 to date – 14 Hang-ups/wrong numbers; 2 anonymous incident reports were received in August (substance abuse and sexual harassment), which were withdrawn the day after reports were made</i>

Updated 11/01/17

**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2018**

#	ACTION ITEM	TARGET COMPLETION 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 in conjunction with updated investment and operations processes under new CEO, if any; prepare new/updated monitoring plans for high risk areas and update Fraud Program as needed	05/31/18	
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
2.	Revise Responsible Party Monitoring Plan documentation for high risk areas A in conjunction with updated investment and operations processes under new CEO, if any	On-going	
3.	Continual enhancement of compliance monitoring and reporting	On-going	
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
4.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/18	
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.	UT Systemwide Compliance Office Annual Attestation & Effectiveness Reporting	12/05/17	
9.	Finalize draft of compilation of all laws and regulations and to the extent necessary, modify compliance processes and reporting	12/31/17	
10.	Update Business Continuity Plan due to move to new office space	05/31/18	
11.	Supervise and manage work of Compliance Specialist	08/31/18	
12.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	On-going	
13.	Hotline reporting	On-going	

## **CONTRACT REPORT**

**New Contracts, Leases, and Other Commercial Arrangements**

(Total Obligation per Agreement greater than \$100,000)

April 1, 2017 through November 10, 2017

<b>Agreement</b>	<b>Purpose</b>	<b>Contract Term</b>	<b>Annual Amount</b>
Caissa LLC	Endowment-wide exposure aggregation and analytics software	9/14/2017 - 9/13/2018	\$150,000

**Existing Contracts, Leases and Other Commercial Arrangements**

(Total Obligation per Agreement greater than \$100,000)

Reported on an annual basis per the Delegation of Authority Policy

As of November 10, 2017

<b>Agreement</b>	<b>Purpose</b>	<b>Contract Term</b>	<b>Annual Amount</b>
Albourne America LLC	Advisor to Marketable Alternative staff	Renews monthly via invoice	\$240,000
Bloomberg	Core AIM (formerly Portfolio Order Management System)	Renews quarterly via invoice	\$180,000
Bloomberg	All-in-one investment platform for trading, analysis and information	Each user agreement automatically renews every 2 years	\$500,794
Factset Research Systems	Analytical tool for performance	Renews monthly via invoice	\$392,226
International Fund Services	Risk System	Quarterly invoice – fees increased as underlying accounts are added	\$292,000
Dynamo Software	Portfolio and relationship management system with full mobile access for travelers	11/15/2016 - 11/14/2018	\$400,000
Burgiss Group	Private Informant & Private Q - enhance Private I with benchmarking support and transparency	1/1/2017 - 1/1/2018	\$188,320
Interactive Data - Bond Edge	Global provider of financial market data, analytics and related services. Provides fixed-income portfolio analytics.	Three year contract: 9/22/2016 - 9/21/2019	\$95,572

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** Report from Compensation Committee: Approval of Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2017; Approval of Appendix C of the UTIMCO Compensation Program; and Approval of the Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2018

**Developed By:** Moeller, Gonzalez

**Presented By:** Rothrock

**Type of Item:** Action Item

**Description:** The Compensation Committee (the "Committee") met on November 16, 2017, and will meet on November 29, 2017. At its meeting on November 16, 2017, the Committee's agenda included the following: (1) discussion and appropriate action related to minutes of its August 31, 2017 meeting; (2) discussion and appropriate action related to Amendments to Appendix C of the Plan effective September 1, 2017; and (3) discussion and appropriate action related to the designation of employees in Eligible Positions as Participants in the Plan for the Performance Period ended August 31, 2018. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

At its November 29th meeting, the Committee will convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters, including Performance Awards for Plan Participants for the Performance Period ended August 31, 2017. The Committee's agenda will include (1) discussion and appropriate action related to minutes of its November 16, 2017 meeting; and (2) discussion and appropriate action related to Performance Awards for Plan Participants (including the Interim CEO) of the Plan for the Performance Period ended August 31, 2017.

Section 5.4 of the Plan states that within the first 60 days of each Performance Period, the CEO will recommend Performance Goals for each participant and the Performance Goals are subject to approval by the Committee within the first 90 days of the Performance Period. The Performance Goals will be presented to the Committee for approval in January 2018. Mr. Harris, as the new CEO, has requested that the approval of the Performance Goals be delayed until January in order for him to work with the team members to incorporate department goals and other measurement guidance.

**Discussion:** **(1) Performance Awards.** The Committee will make its recommendation to the UTIMCO Board related to the Performance Awards for all Plan Participants, including the Interim CEO. Performance Awards for the Performance Period are calculated for each Participant based on the percentage achieved of each Performance Goal, taking

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

into account the weightings for the Participant's Entity Performance. Action is required by the UTIMCO Board related to the Performance Awards.

**(2) Appendix C.** The Committee will report on its actions related to Appendix C of the Plan. The Plan, including Appendices, effective September 1, 2015, consists of two elements: base salary and an annual incentive plan. UTIMCO strives to provide a total compensation program that is competitive nationally, with the elements of compensation evaluated relative to comparably sized university endowments, foundations, and for-profit investment management firms with a similar investment philosophy. The UTIMCO Board has the discretion to interpret, adopt such rules and regulations it deems necessary to carry out the Plan, and amend the Plan. Appendix C, Table 1 sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for Each Eligible Position. Mr. Harris is recommending that an Eligible Position, Deputy Chief Investment Officer be added to the Plan. Also, a change in the name of the Eligible Position from "Senior Associate" to "Associate Director" is recommended.

**(3) 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, 2018. 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 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, 2018, is included in the materials.

**Recommendation:** The Committee will recommend the Board approve (1) the Performance Awards, including the Performance Award proposed for the Interim CEO of UTIMCO for the Performance Period ended August 31, 2017; (2) amendments to Appendix C of the Compensation Program; and (3) the designation of Employees in Eligible Positions as Participants in the Plan for the Performance Period ended August 31, 2018.

**Reference:** Materials provided for Executive Session  
Appendix C, Table 1

**Agenda Item**

UTIMCO Board of Directors Meeting

November 29, 2017

Exhibit 1 – Designation of Plan Participants in Eligible Positions for the Performance Period Ended August 31, 2018

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

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 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, on October 13, 2016, Mark Warner was appointed as the Interim CEO and Chief Investment Officer of the Corporation with all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation and served in that capacity until July 31, 2017; and

WHEREAS, the Compensation Committee has reviewed and approved the Interim CEO's Performance Award during the Performance Period ended August 31, 2017, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Interim CEO's Performance Award for the Performance Period ended August 31, 2017.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Interim CEO's Performance Award for the Performance Period ended August 31, 2017, in the amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the Interim CEO's \$\_\_\_\_\_ Performance Award for the 2016/2017 Performance Period, 50% (\$\_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO PERFORMANCE AWARDS  
FOR THE PERFORMANCE PERIOD ENDED AUGUST 31, 2017**

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 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 Performance Period ended August 31, 2017, 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 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 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 Awards for all Participants who have met or exceeded their performance benchmarks for the Performance Period ended August 31, 2017, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended August 31, 2017, in the total aggregate amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended August 31, 2017, \_\_\_\_\_% (\$\_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO AMENDMENTS TO  
UTIMCO COMPENSATION PROGRAM APPENDIX C**

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

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

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

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Table 1, a copy of which is attached hereto, is hereby adopted and approved to replace the current Appendix C, effective as of September 1, 2017.

**Appendix C, Table 1**  
**Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position**  
**(for the Performance Periods Beginning After August 31, 2017)**

Eligible Position	Weighting		Incentive Award Opportunity (% of Salary)				Percentage of Award
	Entity	Qualitative	< Threshold	Threshold	Target	Maximum	Deferred
		(Individual)					
<i>Investment Professionals</i>							
CEO & Chief Investment Officer	80%	20%	0%	0%	200%	450%	50%
<u>Deputy Chief Investment Officer</u>	<u>80%</u>	<u>20%</u>	<u>0%</u>	<u>0%</u>	<u>150%</u>	<u>375%</u>	<u>50%</u>
Senior Managing Director - Investments	70%	30%	0%	0%	120%	300%	45%
Managing Director - Investments	65%	35%	0%	0%	100%	250%	40%
Managing Director - Fixed Income	65%	35%	0%	0%	80%	200%	40%
Managing Director - Risk Management	65%	35%	0%	0%	70%	135%	40%
Senior Director - Investments	60%	40%	0%	0%	70%	185%	35%
Director - Investments	50%	50%	0%	0%	65%	175%	30%
Director - Risk Management	50%	50%	0%	0%	35%	80%	30%
<u>Senior Associate Director</u> - Investments	40%	60%	0%	0%	60%	155%	20%
<u>Senior Associate Director</u> - Risk Management	40%	60%	0%	0%	45%	140%	20%
Associate - Investments	35%	65%	0%	0%	50%	145%	15%
Associate - Risk Management	35%	65%	0%	0%	35%	120%	15%
Senior Analyst - Investments	30%	70%	0%	0%	40%	110%	0%
Analyst - Investments	20%	80%	0%	0%	30%	75%	0%
Analyst - Risk Management	20%	80%	0%	0%	25%	75%	0%
Senior Investment Counsel	50%	50%	0%	0%	40%	80%	25%
<i>Support and Control Professionals</i>							
Senior Managing Director	20%	80%	0%	0%	50%	90%	40%
Chief Technology Officer	20%	80%	0%	0%	30%	70%	30%
Corporate Counsel & Chief Compliance Officer	0%	100%	0%	0%	30%	70%	30%
Senior Manager	20%	80%	0%	0%	30%	60%	25%
Manager	20%	80%	0%	0%	30%	60%	25%
Senior Financial Analyst	20%	80%	0%	0%	15%	35%	20%
Mgr, Infrastructure and CISO	20%	80%	0%	0%	25%	50%	20%
Mgr, Development	20%	80%	0%	0%	25%	50%	20%
Business Analyst and Document System Manager	20%	80%	0%	0%	25%	50%	20%

**RESOLUTION RELATED TO PARTICIPANTS  
IN UTIMCO COMPENSATION PROGRAM FOR  
PERFORMANCE PERIOD ENDED AUGUST 31, 2017**

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, 2018, 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, 2018.

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, 2018, effective as of September 1, 2017.

**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**for the Performance Period Ended August 31, 2018**

ELIGIBLE POSITION	PARTICIPANTS
<i>Investment Professionals</i>	
Sr Managing Director - Investments	Mark Warner
Managing Director - Investments	Ryan Ruebsahm
Managing Director - Investments	Susan Chen
Managing Director - Investments	Edward Lewis
Managing Director - Fixed Income	Russ Kampfe
Managing Director - Risk Management	Uzi Yoeli
Senior Director - Investments	Courtney Powers
Senior Director - Investments	Amanda Hopper
Senior Director - Investments	Harland Doak
Senior Director - Investments	Pat Pace
Director - Investments	Billy Prather
Director - Investments	Richard Rincon
Director - Investments	Suneel Kaji
Director - Investments	Mukund Joshi
Director - Investments	Kenneth Standley
Director- Risk Management	Kate Wagner
Associate Director - Investments	Drury Morris
Associate Director - Investments	Conrad Shang
Associate Director - Investments	Will Mirshak
Associate - Investments	Russell Brown
Associate - Investments	Jena Michels
Associate - Investments	Kyle Burhop
Associate - Investments	Mallory Glusband
Associate - Investments	Patrick Curby-Lucier
Associate - Investments	Glenn Henry
Senior Analyst - Investments	Spencer Branch
Senior Analyst - Investments	Jim Pappas
Senior Analyst - Investments	Zoe Gabbard
Senior Analyst - Investments	Anson Chuah
Analyst - Investments	Victoria Lee
Analyst - Investments	Adam Harrison
Analyst - Investments	James Ricker
Analyst - Investments	Andres Delgado
Analyst - Investments	Ross Crutchfield
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  
Manager  
Mgr, Infrastructure and CISO  
Mgr, Development  
Business Analyst and Document System Manager  
Manager

Lara McKinney  
Kim Bauer  
David Gahagan  
Akil Franklin  
Aman Jain  
Melynda Shepherd

**Agenda Item**  
UTIMCO Board of Directors Meeting  
November 29, 2017

**Agenda Item:** Report on 2018 Meeting Dates

**Developed By:** Harris

**Presented By:** Harris

**Type of Item:** Information item

**Description:** This agenda item presents the 2018 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** UTIMCO 2018 Meeting Dates



### UTIMCO Meeting Dates

2018							
	Audit & Ethics Committee	Compensation Committee	Policy Committee	Risk Committee	UTIMCO Board of Directors	UT System Board of Regents	TAMU System Board of Regents
January	1/18	1/18					
February	2/21	2/21	2/21	2/21	2/28	2/22-23	2/7-9
March							
April						4/30-5/1	4/18-20
May (Annual)	5/10	5/10	5/10	5/10	5/17		
June							
July	7/19	7/19	7/19	7/19	7/26	7/11-12	
August						8/9-10	8/15-17
September	9/13	9/13	9/13	9/13	9/20		
October							
November	11/29	11/29	11/29	11/29		11/14-15	11/14-16
December		12/5			12/5		