

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
February 7, 2017**

401 Congress Avenue
Austin, Texas 78701

Time	Item #	Agenda Item
Begin	End	
11:00 a.m.	11:05 a.m.	1 Convene in Open Session Call to Order/Discussion and Appropriate Action Related to Minutes of December 1, 2016 Meeting*
11:05 a.m.	12:30 p.m.	2 Endowment and Operating Funds Update Report
12:30 p.m.	1:00 p.m.	Lunch
1:00 p.m.	1:10 p.m.	3 Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO*
1:10 p.m.	1:20 p.m.	4 Report from Risk Committee
1:20 p.m.	1:55 p.m.	5 Report from Policy Committee - Discussion and Appropriate Action Related to Proposed Amendments to Exhibits of the Investment Policy Statements Related to the Private Investments Benchmark*, **
1:55 p.m.	2:15 p.m.	6 Recess to Executive Session Executive Session: Pursuant to Section 551.074, <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters. Reconvene into Open Session Report from Compensation Committee - Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2017* - Discussion and Appropriate Action Related to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Discussion and Appropriate Action Related to Amendments to Appendix C of UTIMCO Compensation Program*
2:15 p.m.	2:35 p.m.	7 UTIMCO Organization Update
2:35 p.m.	2:45 p.m.	8 Discussion and Appropriate Action Related to Corporate Resolutions: - Designation of Annual Meeting of the UTIMCO Board* - Resolution of Appreciation*
2:45 p.m.	3:00 p.m.	9 Discussion and Appropriate Action Related to Employee's Service as a Director on an UTIMCO Investee Company*
3:00 p.m.		Adjourn

* 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.

Next Scheduled Meeting: April 20, 2017 (Annual Meeting)

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **December 1, 2016**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on **December 1, 2016**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Jeffery D. Hildebrand, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

Jeffery D. Hildebrand
Phil Adams
Kyle Bass
David J. Beck
R. Stephen Hicks
H. Lee S. Hobson
Ray Nixon
Ray Rothrock

thus constituting a majority and quorum of the Board. William H. McRaven, Vice Chairman for Policy did not attend the meeting. Chairman Hildebrand called the meeting to order at 9:39 a.m. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Russ Kampfe, Managing Director - Fixed Income; Susan Chen, Managing Director – MCC, Technology & Deal Legal; Uzi Yoeli, Managing Director – Risk Management; Ryan Ruebsahm, Managing Director – LCC & Credit; Eddie Lewis, Senior Director – Real Estate; Melynda Shepherd, Manager - Human Resources; Suneel Kaji, Director - Emerging Markets; Ben Murray, Operational Due Diligence Analyst; Angelica Lopez-Ramos, Portfolio/Endowment Accountant; Stephanie Brenner-Brown, Investment Team Coordinator - MCC and other staff 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; Allen Hah, Roger Starkey, and Melanie Thompson of UT System; Maria Robinson and David Rejino of Texas A&M University System; and Robert Cowley and Aaron Dixon of Deloitte & Touche LLP. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Approval of Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on October 13, 2016. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on
October 13, 2016, be, and are hereby, approved.

FY16 Performance Update

Chairman Hildebrand asked Mark Warner to update the Board on the FY16 performance. Mr. Warner provided an update of FY16 performance versus the policy portfolio benchmark for the funds under management. Mr. Warner discussed absolute and relative return level performance for the 1, 3, 5, 7 and 10-year periods. Mr. Warner further discussed the portfolio outperformance to policy for all years but the 1-year period. The net performance for the 12 months ended August 31, 2016, for the GEF was 4.03% and for the PUF was 3.94%. For the 7-year period the endowment had grown \$4 billion dollars, net of distributions, on a nominal basis, or \$1.8 billion on a real basis, including inflation. Mr. Warner answered the Director's questions.

Risk Committee Report

Chairman Hildebrand asked Mr. Bass to provide a report from the Risk Committee. Mr. Bass reported that the Committee met on November 17, 2016 and had two action items from that meeting. The first action item was to approve the minutes from the July 12, 2016 meeting. The second action item before the Risk Committee was the approval of 20 new investment mandate categorizations and one mandate recategorization, prepared by Staff for the period beginning July 2, 2016 and ending November 7, 2016. The final item before the Committee was a review and discussion of compliance reporting.

Mr. Bass then updated the Board on two outstanding compliance items from a previous meeting and their resolutions. The first outstanding item was the compliance breach reported by staff with regard to trading authorization. As discussed at the previous Risk Committee meeting, Ms. Gonzalez was to provide and had provided the list of authorized traders to all counterparties in derivative investment transactions. The compliance staff will ensure that the list of authorized traders is furnished to all counterparties any time it is updated to avoid any future breaches. The second outstanding item related to the Investment Grade Fixed Income portfolio. Mr. Bass turned the discussion over to Mr. Kampfe who began by providing the Board with some background on the current Investment Grade Fixed Income portfolio, its role, and its performance. Mr. Kampfe acknowledged Mr. Bass' concerns that the portfolio does own bonds with a duration greater than 2 and a negative yield in their own currency. Staff is aware of this and explained to the Board that when these bonds hedged back to US Dollars, the yields are positive and are competitive with US Treasuries. Mr. Warner and Mr. Kampfe answered the Directors' questions. The Directors asked the Staff to further consider the prudence of such duration risk and to consider a further Policy Portfolio discussion on the Investment Grade Fixed Income Portfolio with Mr. Bass. Mr. Warner told the Board that UTIMCO staff will begin working on the Policy Portfolio in the immediate future, and plan to reconnect with the Board in April 2017.

Audit and Ethics Committee Report

Chairman Hildebrand asked Mr. Beck to provide a report on behalf of the Audit and Ethics Committee. Mr. Beck reported that the Committee met on November 17, 2016. At the meeting, the Committee approved minutes from their previous meeting, approved the Deloitte & Touche LLP's Audit Results and Communications and the audit reports of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), (collectively the "Funds"), and the Statement of Investment Performance Statistics for the year ended August 31, 2016. The Committee also heard a report from UT System Audit Office on the status of audits and the FY 2017 Audit Plan and approved the FY2017 Audit Plan. Finally the Committee approved the amended

FY17 Performance Goals for the Corporate Counsel and Chief Compliance Officer, and made their recommendation to the Compensation Committee of the Corporate Counsel and Chief Compliance Officer's Performance Incentive Award for the performance period ended August 31, 2016. Routine matters of the Committee were also considered, including an update on UTIMCO's compliance, reporting and audit matters, including the quarterly compliance summary, the annual report on the institutional compliance program, an update on the FY16 action plan, and a presentation on the FY17 action plan. Mr. Beck asked Mr. Cowley of Deloitte and Touche LLP to provide the Board a brief report of Deloitte and Touche LLP's Financial Statement Audit Results and Communications and Management's Representation Letter. Mr. Cowley and Staff answered the Director's questions. Mr. Beck then requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to the audits of the Funds for Fiscal Year 2016. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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

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

Executive Session

Chairman Hildebrand announced that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2016, and the purchase, exchange, lease or value of real property pursuant to Texas Government Code Sections 551.074 and 551.072, respectively. The date is December 1, 2016, and the time is now 10:27 a.m."

Reconvene in Open Session

The Board reconvened in open session and Chairman Hildebrand announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is December 1, 2016, and the time is now 11:00 a.m. During the Executive Session, the Board deliberated individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2016, and the purchase, exchange, lease or value of real property,

but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session." Director Kyle Bass left the meeting during the executive session.

Compensation Committee Report

Chairman Hildebrand asked Mr. Hobson, Chairman of the Compensation Committee to provide a report on the Committee's meetings. Mr. Hobson stated that the Compensation Committee (the "Committee") met on November 17, 2016, November 28, 2016, and again on December 1, 2016. The Committee considered six action items at these meetings, four of which required further approval by the Board.

At the November 17, 2016 meeting, the Committee approved the minutes of its July 12, 2016 meeting, met in Executive Session to discuss the Qualitative Performance Goals for the Participants of the Plan for the Performance Period ended August 31, 2017, and discussed the designation of employees in Eligible Positions as Participants in the UTIMCO Compensation Program (the "Plan") for the Performance Period ended August 31, 2017. The Committee approved the designation of employees in Eligible Positions as Participants in the Plan for the Performance Period ended August 31, 2017, subject to approval by the Board.

At the Committee's November 28, 2016 meeting, the Committee convened in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters. The Committee deferred action on the minutes of its November 17, 2016 meeting, approved the Qualitative Performance Goals for the Participants of the Plan for the Performance Period ended August 31, 2017, and, subject to approval by the Board, approved a recommendation to the Board of the Qualitative Performance Goals for the Interim CEO for the Performance Period ended August 31, 2017.

At the meeting held earlier in the day, the Committee convened in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters, including the Performance Incentive Awards for Plan Participants for the FY15-16 Performance Period. The Committee approved the Performance Incentive Awards for the Participants for the 2015/2016 Performance Period, subject to approval by the Board and approved a recommendation to the Board of the Performance Incentive Award for the former CEO for the 2015/2016 Performance Period.

Director Hobson recommended four resolutions for approval by the Board. These resolutions included approval of the former CEO's 2015/2016 Performance Incentive Award, the Performance Incentive Awards for the Participants of the Plan for the 2015/2016 Performance Period, the Interim CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2017, and the designation of Employees in Eligible Positions as Participants in the Plan for the 2016/2017 Performance Period. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

WHEREAS, the Compensation Committee has reviewed and approved the Entity Performance of the CEO's Performance Incentive Award during the 2015/2016

Performance Period and has submitted its recommendation to the Board for approval; and

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

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award related to Entity Performance for the 2015/2016 Performance Period in the amount of \$1,141,531.

And

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

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

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

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

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

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Incentive Awards for all Participants for the 2015/2016 Performance Period (excluding the former CEO and CIO) in the total aggregate amount of \$5,654,251 and be it

FURTHER RESOLVED, that of the Performance Incentive Awards for the 2015/2016 Performance Period (excluding the CEO), 28% (\$1,606,877) will be deferred pursuant to the Plan.

And

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

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

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

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

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the Interim CEO for the Performance Period ended August 31, 2017, as set forth in the document presented to the Board.

And

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

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the Performance Period ended August 31, 2017 set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the Performance Period ended August 31, 2017.

NOW, THEREFORE, be it:

RESOLVED, that the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the Performance Period ended August 31, 2017, effective as of September 1, 2016.

Office Lease and Budget for Leasehold Improvements

Chairman Hildebrand asked Mr. Warner to present the proposed leasehold improvement budget. Following discussion, Chairman Hildebrand requested approval of the resolutions related to the proposed lease agreement for new office space and the related leasehold improvements. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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

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

NOW, THEREFORE, IT IS:

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

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

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

And

RESOLVED, that the Capital Budget of no more than \$12,611,000 for Leasehold Improvements related to UTIMCO's new office space located in the new UT System Office Building, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

UTIMCO Organization Update

Chairman Hildebrand asked Mr. Warner to provide the Board with an update on the organization. Mr. Warner discussed the current organization chart and gave a recruiting update on new positions at the Corporation. New staff members Suneel Kaji, Ben Murray, Angelica Lopez-Ramos, and Stephanie Brenner-Brown introduced themselves to the Board. Mr. Warner answered the Directors' questions.

Proposed 2017 Meeting Dates

Chairman Hildebrand presented the 2017 Meeting Dates for the Corporation, with no action necessary. Chairman Hildebrand noted that the October 2017 meeting will be telephonic.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 11:25 a.m.

Secretary: _____
Joan Moeller

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

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

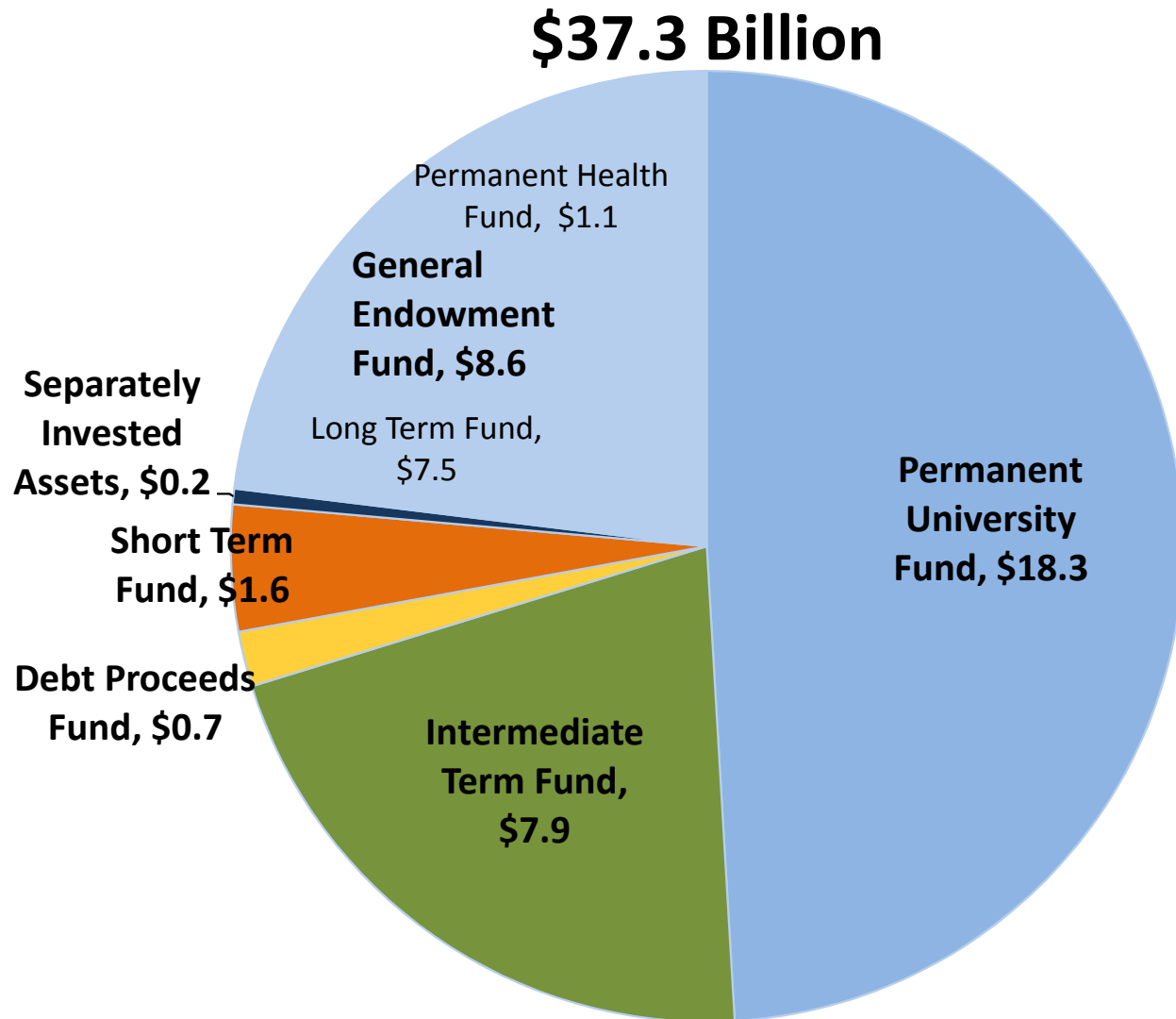
ELIGIBLE POSITION	PARTICIPANTS
<i>Investment Professionals</i>	
Interim CEO & Chief Investment Officer	Mark Warner
Managing Director - Investments	Ryan Ruebsahm
Managing Director - Investments	Susan Chen
Managing Director - Fixed Income	Russ Kampfe
Managing Director - Risk Management	Uzi Yoeli
Senior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



Endowment and Operating Funds
Update Report
February 7, 2017

UTIMCO Assets Under Management

November 30, 2016



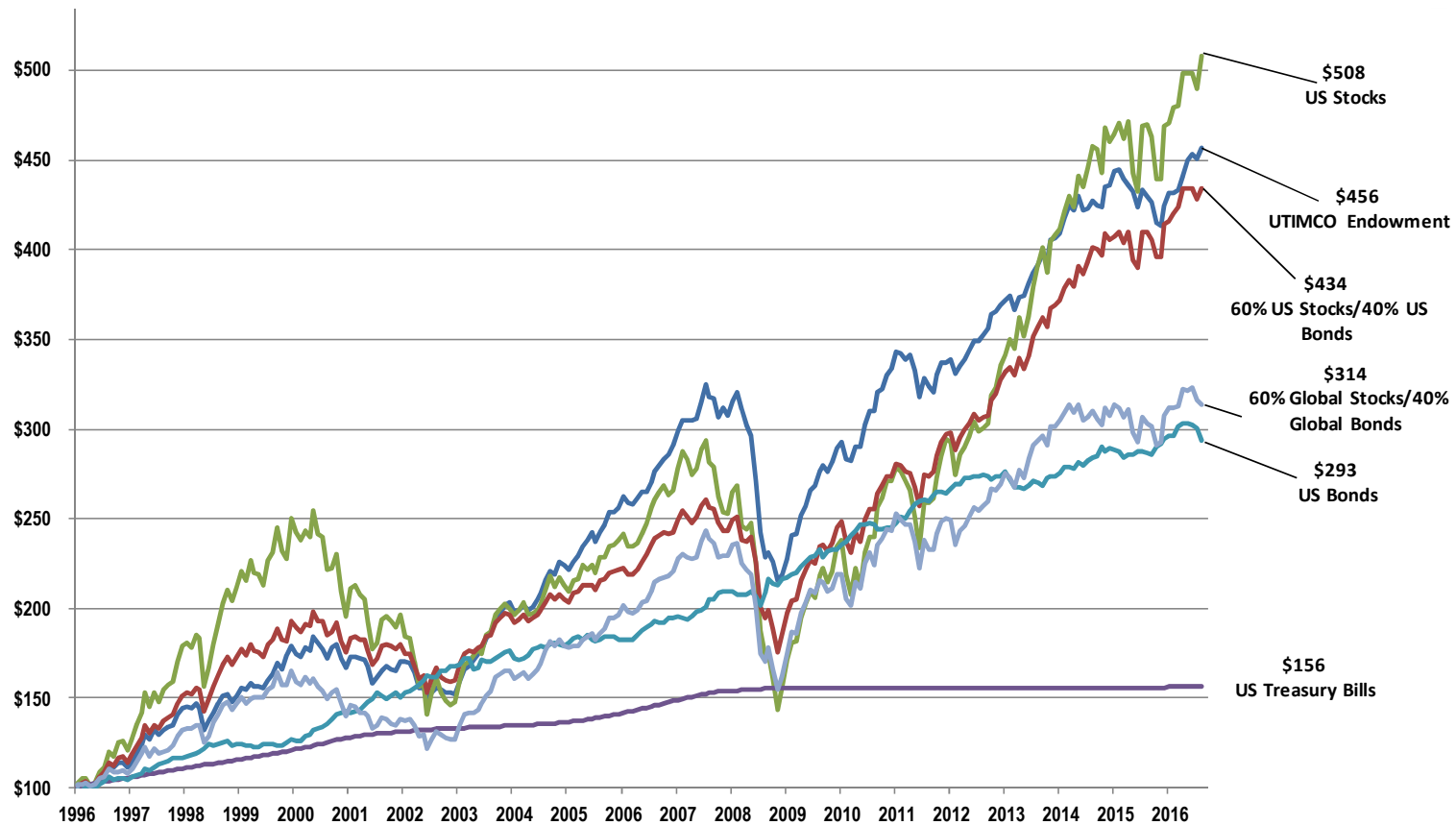
Performance Summary

Periods Ending November 30, 2016



	Fiscal YTD Three Months Ended	One Year	Three Years	Five Years	Seven Years	Ten Years
Endowments						
General Endowment Fund	1.77%	6.47%	5.38%	7.25%	7.57%	5.26%
Permanent University Fund	1.53%	6.00%	5.20%	7.07%	7.41%	5.13%
Policy Portfolio Returns	0.28%	2.67%	3.71%	5.78%	5.99%	3.21%
GEF Actual vs. Policy	1.49%	3.80%	1.67%	1.47%	1.58%	2.05%
PUF Actual vs. Policy	1.25%	3.33%	1.49%	1.29%	1.43%	1.92%
CPI + 5%	1.44%	6.78%	6.23%	6.36%	6.65%	6.91%
GEF Actual vs. CPI + 5%	0.33%	-0.30%	-0.85%	0.89%	0.92%	-1.64%
PUF Actual vs. CPI + 5%	0.09%	-0.77%	-1.03%	0.70%	0.77%	-1.78%
60% Global Stocks/ 40% Global Bonds	-2.46%	3.31%	2.27%	6.16%	5.49%	3.85%
GEF Actual vs. Global 60/40	4.23%	3.17%	3.11%	1.10%	2.07%	1.42%
PUF Actual vs. Global 60/40	3.99%	2.70%	2.93%	0.91%	1.92%	1.28%
60% US Stocks/ 40% US Bonds	-0.15%	5.83%	6.68%	9.65%	9.19%	6.14%
GEF Actual vs. US 60/40	1.92%	0.65%	-1.30%	-2.39%	-1.63%	-0.88%
PUF Actual vs. US 60/40	1.68%	0.18%	-1.48%	-2.58%	-1.78%	-1.02%
Sharpe Ratio		1.14	1.02	1.48	1.29	0.53
Information Ratio		1.20	0.67	0.61	0.61	0.80

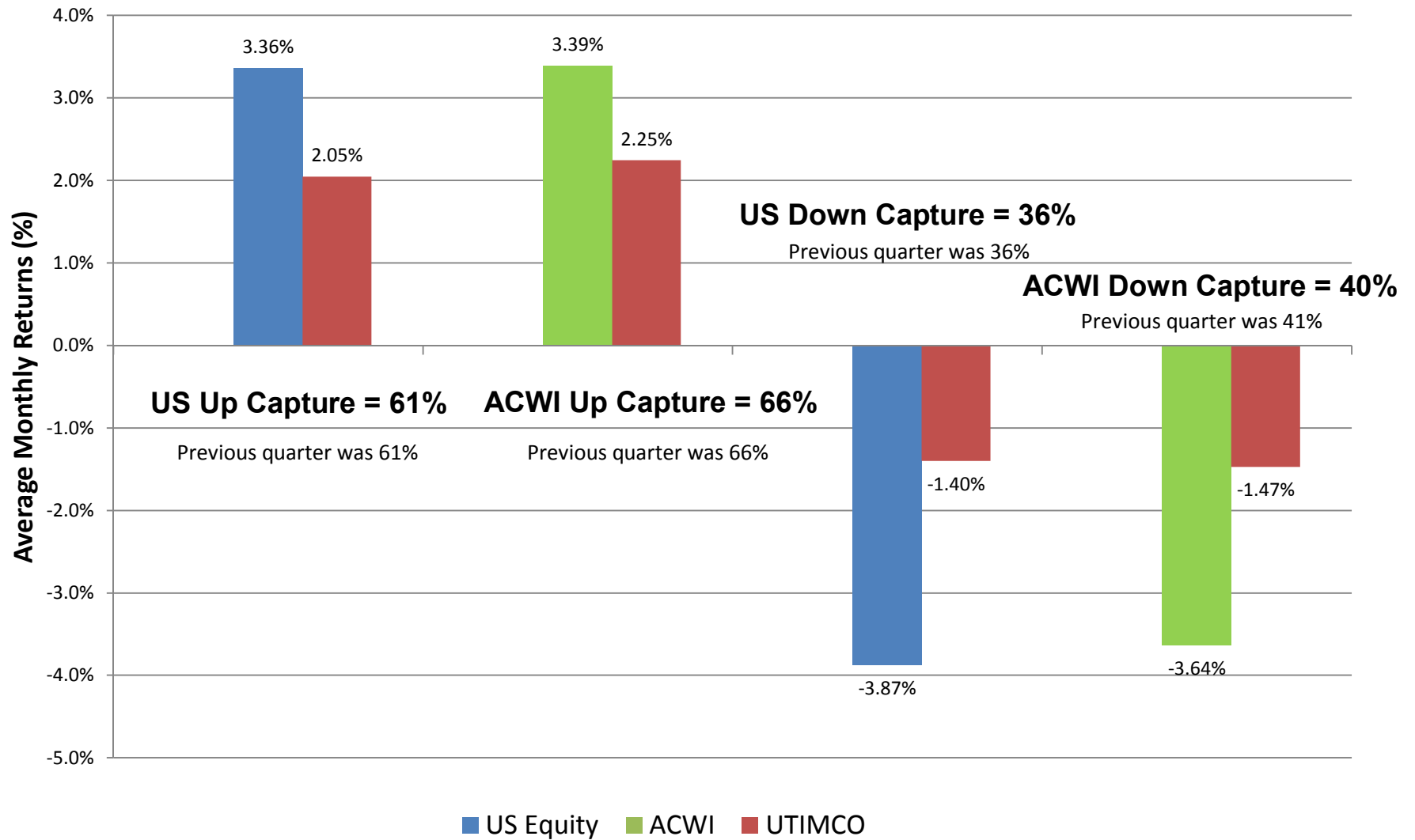
Returns vs. Market



Trailing Annualized Returns Period Ending November 30, 2016

	Three Months	One Year	Three Years	Five Years	Seven Years	Ten Years	Since March 31, 1996
UT Endowments	1.60%	6.11%	5.22%	7.09%	7.43%	5.14%	7.60%
60% US Stocks / 40% US Bonds	-0.15%	5.83%	6.68%	9.65%	9.19%	6.14%	7.43%
60% Global Stocks / 40% Global Bonds	-2.46%	3.31%	2.27%	6.16%	5.49%	3.85%	5.86%
US Stocks	1.83%	8.06%	9.07%	14.45%	12.83%	6.89%	8.15%
US Bonds	-3.17%	2.17%	2.79%	2.43%	3.37%	4.27%	5.55%
Treasury Bills	0.07%	0.25%	0.10%	0.09%	0.09%	0.70%	2.20%

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



Data from 8/1996 till 11/2016. US equity had 96 down months and 148 up months; ACWI had 102 down months and 142 up months

Returns and Value Add

Three Months Ended November 30, 2016



Endowment Returns and Ratios

Periods Ending November 30, 2016



Endowments	Net Asset Value (in millions)	Weighted Endowment Returns										1 year			3 year			5 year			10 year		
		3 month	vs. Bench	1 year	vs. Bench	3 year	vs. Bench	5 year	vs. Bench	10 year	vs. Bench	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio
More Correlated and Constrained																							
Fixed Income																							
Investment Grade	\$ 1,789	-4.74%	1.38%	1.03%	-2.07%	-0.81%	-0.57%	0.27%	-0.16%	2.52%	-0.68%	5.85%	0.12	(1.03)	4.04%	(0.23)	(0.32)	3.75%	0.04	(0.09)	4.97%	0.34	(0.30)
Credit Related	29	-4.92%	-3.77%	9.27%	-0.86%	6.20%	2.88%	8.63%	1.21%	N/A	N/A	9.95%	0.90	(0.16)	8.27%	0.73	0.63	8.70%	0.98	0.27	N/A	N/A	N/A
Real Assets																							
Real Estate	401	-7.16%	2.02%	-2.82%	-4.76%	0.86%	-4.07%	7.14%	-1.90%	0.29%	0.06%	14.31%	(0.22)	(0.93)	11.93%	0.06	(1.04)	12.62%	0.56	(0.55)	22.16%	(0.02)	0.02
Natural Resources ex Gold	1,002	9.12%	3.30%	23.25%	12.15%	-9.37%	-1.20%	-6.48%	-0.66%	-2.55%	0.27%	24.48%	0.94	1.14	21.63%	(0.44)	(0.15)	18.54%	(0.36)	(0.10)	22.26%	(0.15)	0.05
Equity																							
Developed Markets	3,558	3.42%	3.42%	3.42%	0.27%	6.12%	2.41%	13.11%	3.23%	5.49%	1.95%	12.77%	0.24	0.07	11.20%	0.53	0.63	10.61%	1.23	0.86	15.52%	0.30	0.51
Emerging Markets	2,519	-1.86%	1.28%	7.73%	-0.73%	2.12%	5.22%	5.15%	4.16%	3.25%	0.99%	14.56%	0.51	(0.13)	14.03%	0.14	0.96	14.04%	0.36	0.89	21.65%	0.11	0.21
MCC subtotal	9,298	0.32%	2.86%	5.64%	-0.20%	1.47%	1.59%	5.22%	1.56%	N/A	N/A	10.47%	0.51	(0.05)	9.48%	0.14	0.53	9.11%	0.56	0.56	N/A	N/A	N/A
Less Correlated and Constrained																							
Fixed Income																							
Investment Grade	716	9.58%	9.12%	2.84%	3.36%	2.09%	0.73%	2.39%	-0.66%	N/A	N/A	9.01%	0.28	0.37	8.18%	0.24	0.10	6.84%	0.33	(0.11)	N/A	N/A	N/A
Credit Related	1,059	3.60%	3.14%	9.10%	9.62%	3.83%	2.46%	7.86%	4.81%	N/A	N/A	3.96%	2.22	3.77	4.30%	0.86	0.76	4.08%	1.90	1.60	N/A	N/A	N/A
Equity																							
Developed Markets	4,570	0.19%	-0.27%	-1.62%	-1.10%	2.43%	1.07%	7.18%	4.13%	N/A	N/A	5.86%	(0.33)	(0.42)	5.72%	0.40	0.39	5.40%	1.31	1.53	N/A	N/A	N/A
Emerging Markets	493	-1.11%	-1.57%	0.36%	0.88%	0.12%	-1.25%	0.07%	-2.98%	N/A	N/A	6.56%	0.01	0.19	6.93%	(0.00)	(0.22)	5.74%	(0.01)	(0.57)	N/A	N/A	N/A
LCC subtotal	6,838	1.52%	1.06%	0.60%	1.12%	2.88%	1.51%	6.53%	3.48%	5.53%	5.36%	5.01%	0.06	0.66	4.98%	0.55	0.79	4.58%	1.40	1.83	6.20%	0.76	2.28
Private Investments																							
Fixed Income																							
Credit Related	998	5.25%	1.61%	10.40%	9.34%	9.37%	-2.00%	12.65%	1.33%	N/A	N/A	2.70%	3.74	1.46	2.47%	3.75	(0.36)	2.71%	4.62	0.26	N/A	N/A	N/A
Real Assets																							
Real Estate	1,780	2.63%	-1.01%	11.86%	10.79%	17.89%	6.53%	12.60%	1.28%	N/A	N/A	2.90%	3.98	1.70	6.11%	2.91	1.03	6.29%	1.99	0.19	N/A	N/A	N/A
Natural Resources	2,878	6.12%	2.48%	12.21%	11.15%	6.84%	-4.53%	12.73%	1.41%	N/A	N/A	6.53%	1.82	1.59	7.07%	0.95	(0.57)	10.15%	1.24	0.13	N/A	N/A	N/A
Equity																							
Developed Markets	3,354	2.56%	-1.08%	10.40%	9.33%	18.68%	7.31%	16.47%	5.15%	N/A	N/A	11.21%	0.90	0.71	9.85%	1.88	0.77	7.90%	2.07	0.67	N/A	N/A	N/A
Emerging Markets	1,184	1.06%	-2.58%	9.58%	8.51%	6.06%	-5.30%	4.06%	-7.27%	N/A	N/A	3.53%	2.63	1.06	5.43%	1.09	(0.69)	4.80%	0.82	(1.09)	N/A	N/A	N/A
Private Investment subtotal	10,194	3.64%	0.00%	10.96%	9.89%	13.19%	11.37%	13.21%	1.89%	11.15%	1.09%	4.88%	2.18	1.33	5.03%	2.59	0.32	4.25%	3.08	0.38	6.34%	1.63	0.16
Total Before Insurance, Tactical, Hedging Derivatives and Gold	26,330	1.87%	1.59%	6.03%	3.36%	5.41%	1.69%	7.98%	2.21%	5.50%	2.30%	5.38%	1.07	1.07	5.11%	1.04	0.71	4.81%	1.64	0.99	8.20%	0.57	0.98
Insurance, Tactical and Hedging Derivatives Impact on Total Return	-	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	-0.34%	-0.34%	-0.23%	-0.23%												
Gold Impact on Total Return	614	-0.29%	-0.29%	0.06%	0.06%	-0.20%	-0.20%	-0.55%	-0.55%	-0.13%	-0.13%												
Grand Total	\$ 26,944	1.60%	1.32%	6.11%	3.44%	5.22%	1.50%	7.09%	1.32%	5.14%	1.94%	5.14%	1.14	1.20	5.02%	1.02	0.67	4.75%	1.48	0.61	8.14%	0.53	0.80

MCC Performance Recap



Investment Returns as of November 30, 2016

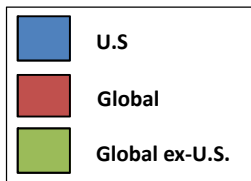
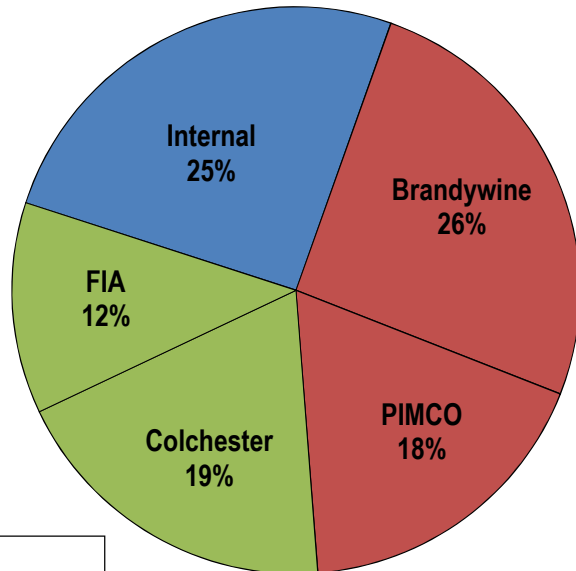
Portfolio	FYTD		1 Year		3 Years		5 Years		7 Years	
	Actual	vs Benchmark	Actual	vs Benchmark	Actual	vs Benchmark	Actual	vs Benchmark	Actual	vs Benchmark
IGFI ex-Liquidity Reserve	-5.9%	0.2%	2.8%	-0.3%	0.5%	0.7%	1.5%	1.1%	2.8%	1.6%
Real Estate	-7.2%	2.0%	-2.8%	-4.7%	0.9%	-4.0%	7.2%	-1.9%	6.8%	-1.9%
Gold	-10.4%	0.0%	10.1%	0.0%	-2.2%	0.0%	-7.7%	0.0%	-	-
Commodities	4.4%	0.4%	1.8%	-4.6%	-14.8%	-3.3%	-11.7%	-1.8%	-7.0%	-0.7%
NR Public Equity	9.7%	2.1%	28.1%	12.5%	-8.5%	-3.2%	-4.0%	-2.1%	-0.1%	-0.1%
MCC-Natural Resources	1.6%	3.6%	18.3%	9.4%	-7.1%	-1.0%	-7.0%	-2.5%	-1.8%	0.2%
Developed Country Equity	3.4%	3.4%	3.5%	0.4%	6.1%	2.4%	13.1%	3.3%	11.6%	3.5%
Emerging Markets Equity	-0.2%	3.0%	10.9%	2.4%	2.6%	5.7%	5.6%	4.6%	4.7%	3.7%
Total MCC, ex-Liq Res	0.1%	2.7%	6.8%	0.9%	1.6%	1.7%	3.7%	0.1%	4.5%	0.8%

MCC Investment Grade Fixed Income



NAV, Investment Returns, and Capital Movement as of November 30, 2016
(not including cash portfolio)

\$3.7 Billion NAV (4 External Partners)



Liquidity
90 days
100%

Capital Movement (FYTD)	
<u>Subscriptions</u>	
Total	\$0
<u>Redemptions</u>	
Total	0
Net Activity	\$0

Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	-5.9%	2.8%	0.5%	1.5%	2.8%
Benchmark Return	-6.1%	3.1%	-0.2%	0.4%	1.2%
Value Add	0.2%	-0.3%	0.7%	1.1%	1.6%
Actual Standard Deviation		8.0%	5.4%	4.9%	5.0%
Benchmark Standard Deviation		7.3%	5.0%	4.6%	5.2%
Sharpe Ratio		0.3	0.1	0.3	0.5
Information Ratio		-0.2	0.4	0.7	1.0

Statistics for periods longer than a year are annualized

Returns:

- Absolute returns in line with benchmark during the quarter, driven down equally by interest rate increases and currency effects after the surprise US election results
- Longer term absolute performance in line with portfolio yield, held back by the extreme outperformance of the US dollar over the past 3 years
- Relative performance over longer time horizons is strong, with Information Ratios of 0.7 to 1.0 over trailing five and seven year periods

Outlook:

- Outperformance by the G3 bond markets and the Yen and Euro currencies would likely generate underperformance for the FI portfolio
- Conversely, stable/good performance by the Emerging Market currencies and bond markets would likely generate outperformance

MCC Investment Grade Fixed Income



Portfolio Characteristics

Overview		
	UTIMCO	BC Gbl Agg
Total Portfolio Size	\$3.7B	\$45.1T
Modified Duration	5.6	6.9
Yield to Maturity	2.9%	1.6%
Average Agency Rating	A1	AA3

Geographical Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States	40%	33%	7%
Canada	1%	3%	-3%
Europe	21%	34%	-13%
Asian-Pac Aggregate	19%	26%	-7%
Emerging Markets	19%	3%	16%

Currency Exposure			
	UTIMCO	BC Gbl Agg	O/U
United States Dollar	42%	45%	-3%
Euro	14%	24%	-9%
Japanese Yen	12%	18%	-5%
UK Pound Sterling	8%	5%	3%
Emerging Markets	14%	2%	12%
Other	9%	6%	3%

Sector Exposure			
	UTIMCO	BC Gbl Agg	O/U
Treasuries & Sovereign	69%	63%	6%
Government Related	4%	9%	-5%
Corporates	22%	18%	4%
Securitized	5%	10%	-5%
Cash & Cash Equivalents	0%	0%	0%

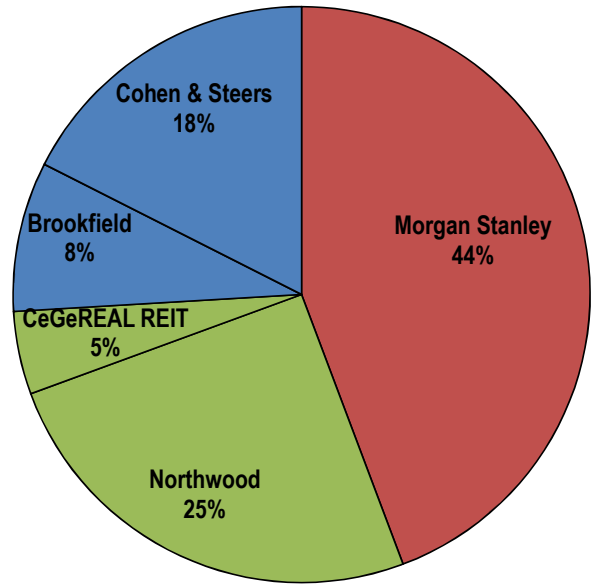
As of 11/30/2016

MCC – Real Estate



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$588 Million (4 Partners)



Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return (Ex Hedges)	-7.2%	-2.8%	0.9%	7.2%	6.8%
Benchmark Return	-9.2%	2.0%	4.9%	9.0%	8.7%
Value Add	2.0%	-4.7%	-4.0%	-1.9%	-1.9%
Actual Standard Deviation		14.3%	11.9%	12.6%	16.0%
Benchmark Standard Deviation		14.6%	12.3%	12.9%	15.5%
Sharpe Ratio		-0.2	0.0	0.5	0.4
Information Ratio		-1.0	-1.0	-0.5	-0.6

Statistics for periods longer than a year are annualized

Capital Movement (FYTD)	
Subscriptions	
Total	\$0
Redemptions	
Total	\$0
Net Activity	\$0



Liquidity
90 days
100%

Returns:

- Portfolio generated negative absolute returns of -7.2% FYTD and -2.8% over the last year. Absolute performance during these time horizons was primarily impacted due to rising interest rates and secondarily due to investor concern regarding decelerating cash-flow growth outlooks for real estate companies
- The portfolio generated positive absolute returns of approximately 7% over five and seven year investment horizons with all regional exposures contributing to positive returns
- On a relative basis, the portfolio underperformed the benchmark during each time period except FYTD

Outlook:

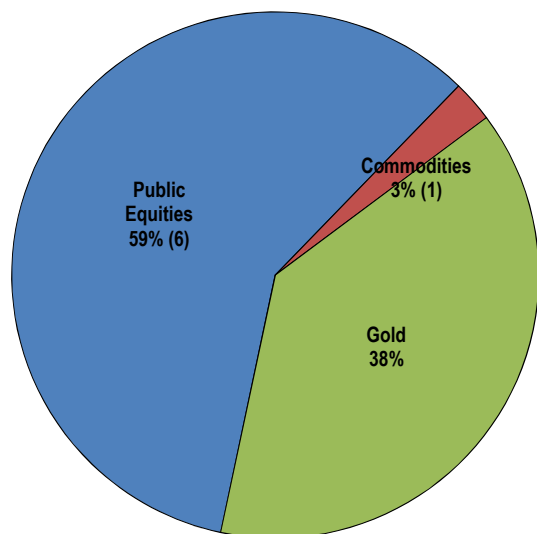
- MCC RE is no longer in the portfolio policy and will likely be fully liquidated no later than the end of FY 2017

MCC - Natural Resources



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$2.1 Billion NAV (7 Partners)



Capital Movement (FYTD17)	
Subscriptions	
Gold Bars	\$ 148
Redemptions	
Commodities	(209)
Net Activity	\$ (62)

Returns:

- Public Equity portfolio rebounded strongly in Q1 2017 and fiscal year 2016 with a 9.7% and 28.1% gain, respectively, to show flat returns over seven years and negative returns over three and five-year periods during the global commodity correction
- Commodities posted negative returns over a three, five and seven-year period, but have rebounded over the last year
- Gold performed strongly in fiscal year 2016 but posted a negative return over the fiscal year-to-date period
- Staff's decision in December 2015 to underweight commodities by moving \$330 million of exposure to NR equities added 406 bps of improved performance to the combined MCC-NR portfolio and 24 bps of value add at the endowment level through FY17. Staff increased the underweight to commodities in November 2016 by redeeming an additional \$209 million

Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Public Equities (\$1,220 million)					
Actual Return	9.7%	28.1%	-8.5%	-4.0%	-0.1%
Benchmark	7.6%	15.6%	-5.3%	-1.9%	0.0%
Value Add	2.1%	12.5%	-3.2%	-2.1%	-0.1%
Actual Standard Deviation	19.2%	26.2%	26.0%	22.6%	24.1%
Benchmark Standard Deviation	9.6%	18.8%	19.5%	17.7%	20.1%
Sharpe Ratio	0.4	1.0	-0.4	-0.3	-0.1
Information Ratio	0.2	1.3	-0.4	-0.3	-0.0
Commodities (\$52 million)					
Actual Return	4.4%	1.8%	-14.8%	-11.7%	-7.0%
Benchmark	4.0%	6.4%	-11.4%	-10.0%	-6.3%
Value Add	0.4%	-4.6%	-3.3%	-1.8%	-0.7%
Actual Standard Deviation	6.8%	15.0%	15.4%	13.9%	15.2%
Benchmark Standard Deviation	5.1%	12.5%	14.0%	13.3%	15.2%
Sharpe Ratio	-0.1	-0.2	-1.2	-1.1	-0.7
Information Ratio	0.1	-0.9	-0.8	-0.5	-0.2
Gold (\$798 million)					
Actual Return	-10.4%	10.1%	-2.2%	-7.7%	N/A

Statistics for periods longer than a year are annualized

Outlook:

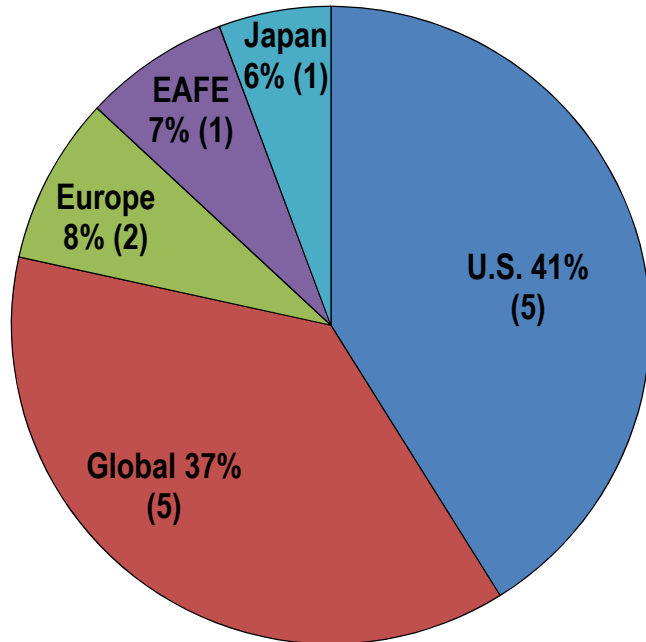
- The MCC-NR equity policy portfolio target is being combined into the broader MCC-DCE policy portfolio target during FY17
- The MCC-NR commodity policy portfolio target is being removed during FY17

MCC Public Equity – Developed Markets



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$4.3 Billion NAV (14 Partners)



Investment Returns

	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	3.4%	3.5%	6.1%	13.1%	11.6%
Benchmark Return	<u>0.0%</u>	<u>3.2%</u>	<u>3.7%</u>	<u>9.9%</u>	<u>8.1%</u>
Value Add	3.4%	0.4%	2.4%	3.3%	3.5%
Actual Standard Deviation		12.7%	11.2%	10.6%	12.5%
Benchmark Standard Deviation		11.1%	11.1%	11.2%	13.7%
Sharpe Ratio		0.3	0.5	1.2	0.9
Information Ratio		0.1	0.6	0.9	1.0

Statistics for periods longer than a year are annualized

Capital Movement (FYTD)

<u>Subscriptions</u>	
Total	\$200
<u>Redemptions</u>	
Total	0
Net Activity	\$200

Liquidity

<u>90 days</u>	<u>1 Year</u>
73%	84%

Returns:

- Fair absolute performance over trailing one and three year time periods
- Strong absolute performance over trailing five and seven year periods, driven by a combination of market returns, sector tilts, and stock picking
- Strong relative performance over longer time periods, with Sharpe Ratios of 0.9 to 1.2 and Information Ratios of 0.9 to 1.0 over trailing five and seven year periods

Outlook:

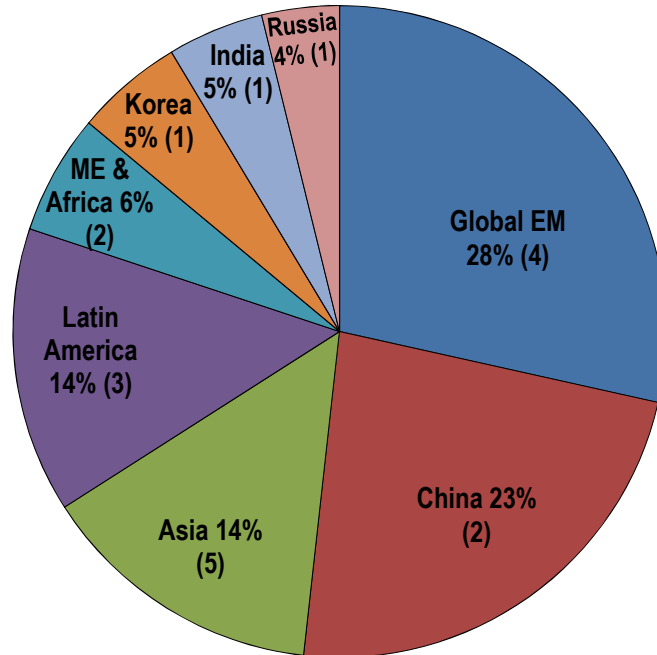
- The portfolio is overweight tech, consumer discretionary, industrials, and the USD, and would benefit from strong performance from these sectors & currency
- The portfolio is underweight financials, consumer staples, and most foreign currencies (EUR, JPY, GBP, CAD, AUD), and could underperform if these sectors and/or currencies rallied

MCC Public Equity – Emerging Markets



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$3.0 Billion NAV (19 Partners)



Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	-0.2%	10.9%	2.6%	5.6%	4.7%
Benchmark Return	<u>-3.1%</u>	<u>8.5%</u>	<u>-3.1%</u>	<u>1.0%</u>	<u>1.0%</u>
Value Add	3.0%	2.4%	5.7%	4.6%	3.7%
Actual Standard Deviation		14.7%	13.8%	13.9%	16.0%
Benchmark Standard Deviation		18.1%	16.3%	16.2%	18.3%
Sharpe Ratio		0.7	0.2	0.4	0.3
Information Ratio		0.3	1.0	0.9	0.8

Statistics for periods longer than a year are annualized

Capital Movement (FYTD)

Subscriptions	
Total	\$65
Redemptions	
Total	(66)
Net Activity	(\$1)

Liquidity

90 days	1 Year
57%	97%

Returns:

- Fair absolute performance over trailing three, five, and seven year time periods driven by weak equity and currency performance in EM, offset by strong alpha
- Strong absolute performance over the past year driven by market performance and stock picking, partially offset by negative impact of overweight to China A shares
- Strong relative performance over all time periods, with Information Ratios of 0.8 to 1.0 over trailing three, five, and seven year periods, driven by stock picking

Outlook:

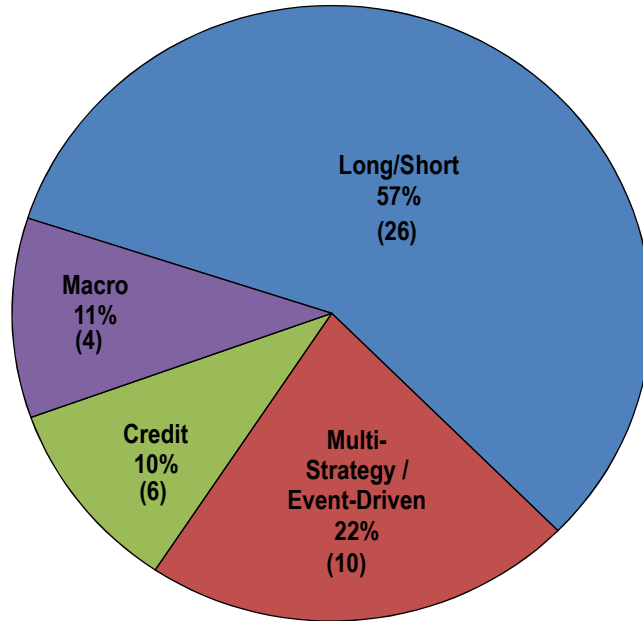
- The portfolio is overweight consumer, Brazil, the Middle East, frontier Africa, the USD, and the BRL and would benefit from strong performance in these areas
- The portfolio is underweight financials, tech, Taiwan, South Africa, and Korea, so strong performance from these markets could cause underperformance

LCC Performance Recap



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$10.4 Billion NAV (46 Partners)



Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	1.5%	0.6%	2.9%	6.5%	6.4%
General Benchmark Return	<u>0.5%</u>	<u>-0.5%</u>	<u>1.4%</u>	<u>3.1%</u>	<u>2.4%</u>
Value Add	1.1%	1.1%	1.5%	3.5%	4.1%
LCC Volatility		4.8%	4.9%	4.6%	4.7%
Benchmark Volatility		3.8%	3.8%	3.7%	4.1%
Sharpe Ratio		0.1	0.6	1.4	1.3
Information Ratio		0.7	0.8	1.8	2.3

Statistics for periods longer than a year are annualized.

Concentration	
Top 10	45%
Top 20	70%
Top 30	89%

Liquidity	
90 days	1 year
18%	63%

Capital Movement (FYTD)	
Subscriptions	
Total	\$113
Redemptions	
Total	(354)
Net Activity	(\$240)

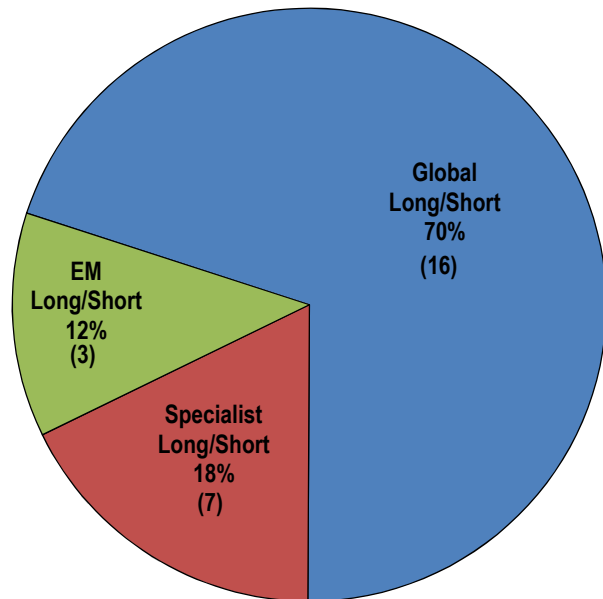
Look-Thru Leverage			
	% of Capital	Gross	Net
Core Strategies	93%	165%	56%
FI & FX	7%	720%	-357%
Total LCC	100%	205%	27%

LCC – Long/Short Equity



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$6.0 Billion NAV (26 Partners)



Capital Movement (FYTD)	
Subscriptions	
Total	\$63
Redemptions	
Total	(93)
Net Activity	(\$30)

Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	-0.5%	-2.9%	3.7%	7.1%	6.0%
General Benchmark Return	0.5%	-0.5%	1.4%	3.1%	2.4%
Value Add	-1.0%	-2.3%	2.4%	4.1%	3.6%
Specific Benchmark ⁽¹⁾	1.5%	3.4%	2.3%	5.1%	4.2%
Value Add	-2.0%	-6.3%	1.5%	2.0%	1.7%
Volatility		6.0%	6.2%	5.7%	5.7%
Specific Benchmark Volatility		6.8%	5.9%	6.1%	7.3%
Sharpe Ratio		-0.5	0.6	1.2	1.0
Information Ratio ⁽²⁾		-1.3	0.3	0.4	0.3

(1) HFRI Equity Hedge (Total) Index

(2) Calculated based on the Specific Benchmark

Statistics for periods longer than a year are annualized

Returns:

- Weak FYTD and one year absolute and relative returns due to negative alpha generation from several managers
- Strong long-term absolute and relative returns due to positive long and short alpha as well as moderate net long exposure

Outlook:

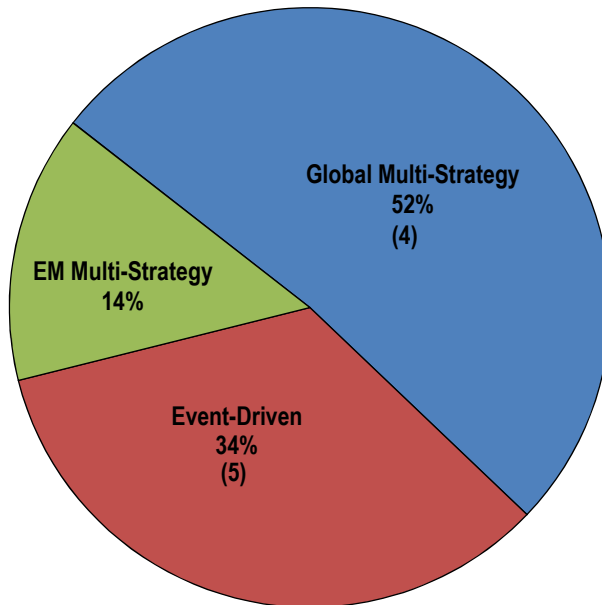
- Recent negative alpha driven by high volatility across sectors and factors, expect normalization and positive alpha to resume

LCC – Multi-Strategy & Event



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$2.3 Billion NAV (10 Partners)



Capital Movement (FYTD)

Subscriptions	
Total	\$0
Redemptions	
Total	(156)
Net Activity	(\$156)

Investment Returns

	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	2.0%	3.5%	1.3%	6.2%	6.0%
General Benchmark Return	<u>0.5%</u>	<u>-0.5%</u>	<u>1.4%</u>	<u>3.1%</u>	<u>2.4%</u>
Value Add	1.6%	4.0%	-0.1%	3.2%	3.6%
Specific Benchmark ⁽¹⁾	<u>2.8%</u>	<u>7.7%</u>	<u>2.4%</u>	<u>5.3%</u>	<u>5.3%</u>
Value Add	-0.8%	-4.2%	-1.1%	0.9%	0.7%
Volatility		4.5%	4.7%	4.8%	5.0%
Specific Benchmark Volatility		5.6%	4.9%	4.6%	5.3%
Sharpe Ratio		0.7	0.2	1.3	1.2
Information Ratio ⁽²⁾		-2.2	-0.5	0.4	0.3

(1) HFRI Event-Driven (Total) Index

(2) Calculated based on the Specific Benchmark

Statistics for periods longer than a year are annualized

Returns:

- Absolute and relative performance over the past year has improved after a weak three years due to an unfavorable environment for event-driven strategies
- Stronger long-term absolute and relative returns driven by both equity strategies and distressed credit

Outlook:

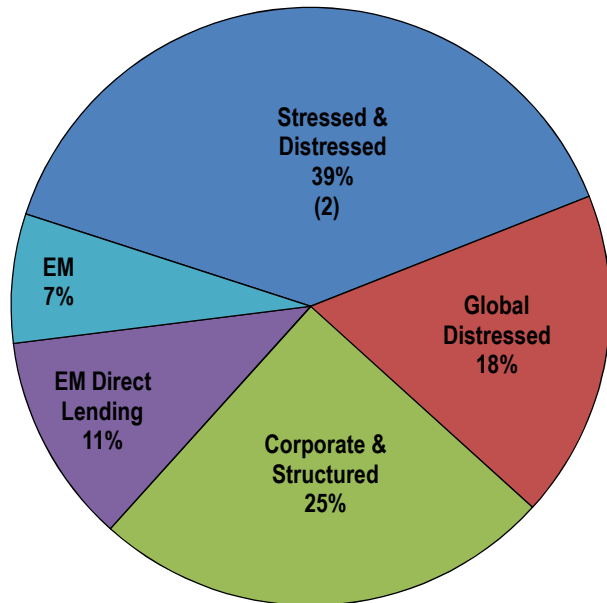
- Opportunity set expected to remain muted and risk-taking to be balanced
- Potential for increased merger activity

LCC – Credit



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$1.1 Billion NAV (6 Partners)



Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	4.4%	10.7%	3.5%	8.0%	9.3%
General Benchmark Return	<u>0.5%</u>	<u>-0.5%</u>	<u>1.4%</u>	<u>3.1%</u>	<u>2.4%</u>
Value Add	3.9%	11.2%	2.2%	4.9%	6.9%
Specific Benchmark ⁽¹⁾	<u>4.2%</u>	<u>10.0%</u>	<u>1.0%</u>	<u>5.2%</u>	<u>5.4%</u>
Value Add	0.2%	0.7%	2.5%	2.8%	3.9%
Volatility		4.3%	4.4%	4.1%	5.0%
Specific Benchmark Volatility		6.2%	5.6%	5.1%	5.5%
Sharpe Ratio		2.4	0.8	1.9	1.8
Information Ratio ⁽²⁾		0.3	1.1	1.3	1.8

(1) HFRI ED: Distressed/Restructuring Index

(2) Calculated based on the Specific Benchmark

Statistics for periods longer than a year are annualized

Capital Movement (FYTD)	
<u>Subscriptions</u>	
Total	<u>\$50</u>
<u>Redemptions</u>	
Total	<u>(101)</u>
Net Activity	<u><u>(\$51)</u></u>

Returns:

- Strong absolute and relative performance over most time periods due to both favorable markets and manager selection

Outlook:

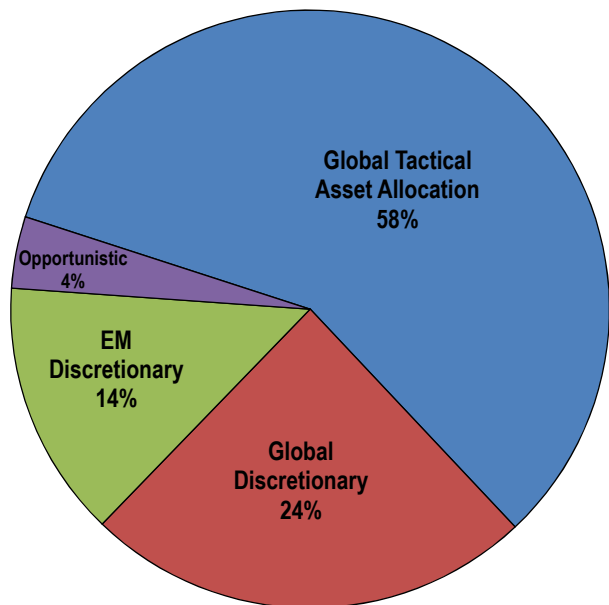
- Expect higher cash balances in advance of the next default cycle
- Proactively reducing exposure after recent rally

LCC – Macro



NAV, Investment Returns, and Capital Movement as of November 30, 2016

\$1.1 Billion NAV (4 Partners)



Capital Movement (FYTD)	
Subscriptions	
Total	\$0
Redemptions	
Total	0
Net Activity	\$0

Investment Returns					
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	9.6%	2.9%	2.2%	2.5%	8.2%
General Benchmark Return	<u>0.5%</u>	<u>-0.5%</u>	<u>1.4%</u>	<u>3.1%</u>	<u>2.4%</u>
Value Add	9.1%	3.4%	0.8%	-0.6%	5.8%
Specific Benchmark ⁽¹⁾	<u>-1.8%</u>	<u>-1.2%</u>	<u>1.6%</u>	<u>0.7%</u>	<u>0.9%</u>
Value Add	11.4%	4.1%	0.5%	1.8%	7.3%
Volatility		8.6%	8.1%	6.8%	8.7%
Specific Benchmark Volatility		4.0%	4.0%	3.8%	4.4%
Sharpe Ratio		0.3	0.3	0.4	0.9
Information Ratio ⁽²⁾		0.4	0.1	0.3	1.0

(1) HFRI Macro Index

(2) Calculated based on the Specific Benchmark

Statistics for periods longer than a year are annualized

Returns:

- Strong absolute and relative performance for the quarter as managers benefited from the expectation of stronger global growth and inflation
- Weak absolute performance over the past three and five years as managers have struggled with easy monetary policies and declining volatilities across asset classes

Outlook:

- Opportunity set expected to improve as shifts in monetary policies are more likely to occur over time
- Expect to increase exposure given favorable opportunity set and increased conviction

Private Investments Performance Recap

Three Months Ended November 30, 2016



\$ in millions	Beg FY 9/1/16			Calls	Distributions	Change in Valuation	% Return	FY'17 New Commitments		End 11/30/16	
	NAV	Unfunded	# Funds					# Funds	\$ Committed	NAV	Unfunded
Credit-Related Fixed Income	\$961	\$330	38	\$46	\$58	\$49	5.3%	0	\$25	\$998	\$309
Real Estate	1,707	1,476	61	101	73	45	2.6%	2	171	1,780	1,548
Natural Resources	2,590	1,877	90	175	51	164	6.1%	0	3	2,878	1,711
Venture	1,196	656	67	58	23	42	3.3%	4	159	1,273	757
Other Developed Country Equity	<u>1,985</u>	<u>1,004</u>	<u>97</u>	<u>124</u>	<u>71</u>	<u>43</u>	<u>2.1%</u>	<u>3</u>	<u>105</u>	<u>2,081</u>	<u>989</u>
Total Developed Country Equity	3,181	1,660	164	182	94	85	2.6%	7	264	3,354	1,746
Emerging Markets Equity	<u>1,152</u>	<u>728</u>	<u>37</u>	<u>42</u>	<u>23</u>	<u>13</u>	1.1%	<u>1</u>	<u>50</u>	<u>1,184</u>	<u>738</u>
TOTAL	<u>\$9,591</u>	<u>\$6,071</u>	<u>390</u>	<u>\$546</u>	<u>\$299</u>	<u>\$356</u>	3.6%	<u>10</u>	<u>\$513</u>	<u>\$10,194</u>	<u>\$6,052</u>
% of Endowment (PUF+ GEF)	36%	23%								38%	22%

Private Investments Performance Recap



Investment Returns as of August 31, 2016

	One Year				Three Years				Five Years				Seven Years			
	UTIMCO Weight	UTIMCO Perf.	Benchmark	Value Add	UTIMCO Weight	UTIMCO Perf.	Benchmark	Value Add	UTIMCO Weight	UTIMCO Perf.	Benchmark	Value Add	UTIMCO Weight	UTIMCO Perf.	Benchmark	Value Add
Credit	11%	5.5%	N/A	N/A	14%	8.7%	N/A	N/A	18%	10.2%	N/A	N/A	22%	12.8%	N/A	N/A
Real Estate	16%	11.0%	N/A	N/A	14%	17.4%	N/A	N/A	11%	11.6%	N/A	N/A	9%	10.5%	N/A	N/A
Natural Resources	26%	0.9%	N/A	N/A	23%	6.6%	N/A	N/A	20%	12.0%	N/A	N/A	17%	15.3%	N/A	N/A
Buyout/Growth	21%	22.1%	3.5%	18.6%	24%	16.7%	8.6%	8.0%	27%	14.2%	6.7%	7.4%	30%	14.4%	9.3%	5.1%
Venture	14%	(8.4%)	1.0%	(9.4%)	14%	24.5%	16.7%	7.8%	14%	18.9%	12.1%	6.8%	13%	23.6%	13.5%	10.1%
Emerging Markets	11%	5.2%	2.3%	2.9%	10%	6.0%	11.4%	(5.4%)	10%	2.7%	4.0%	(1.3%)	9%	7.0%	3.6%	3.5%
Total ⁽¹⁾	100%	6.4%	2.5%	3.9%	100%	13.2%	11.3%	1.8%	100%	11.9%	11.4%	0.5%	100%	14.1%	13.7%	0.4%

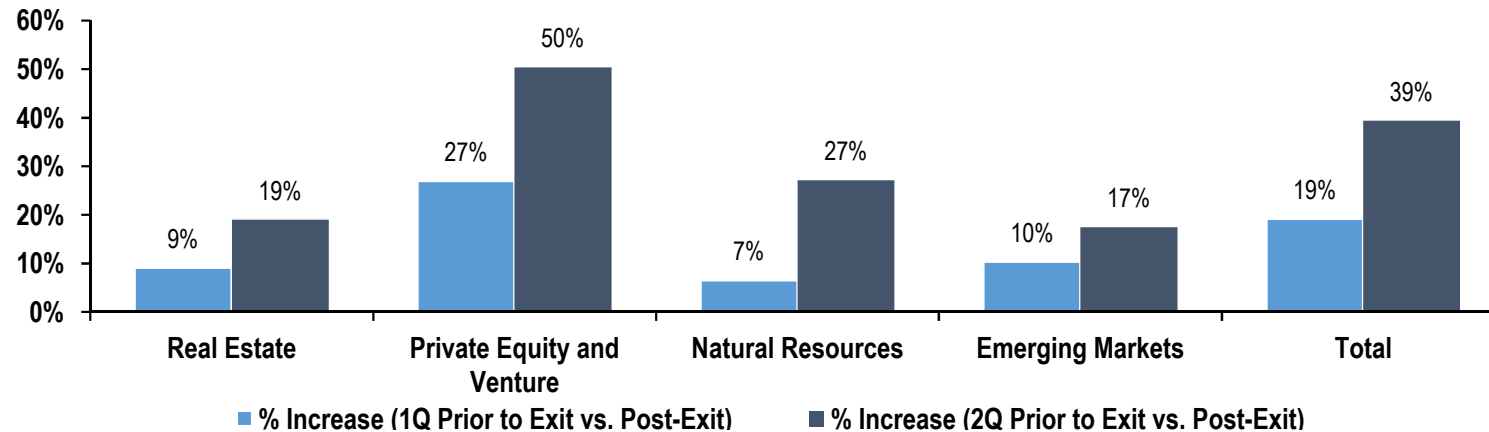
(1) Total benchmark reflects General Benchmark

Mark-Up at Exit Analysis ⁽¹⁾⁽²⁾⁽³⁾

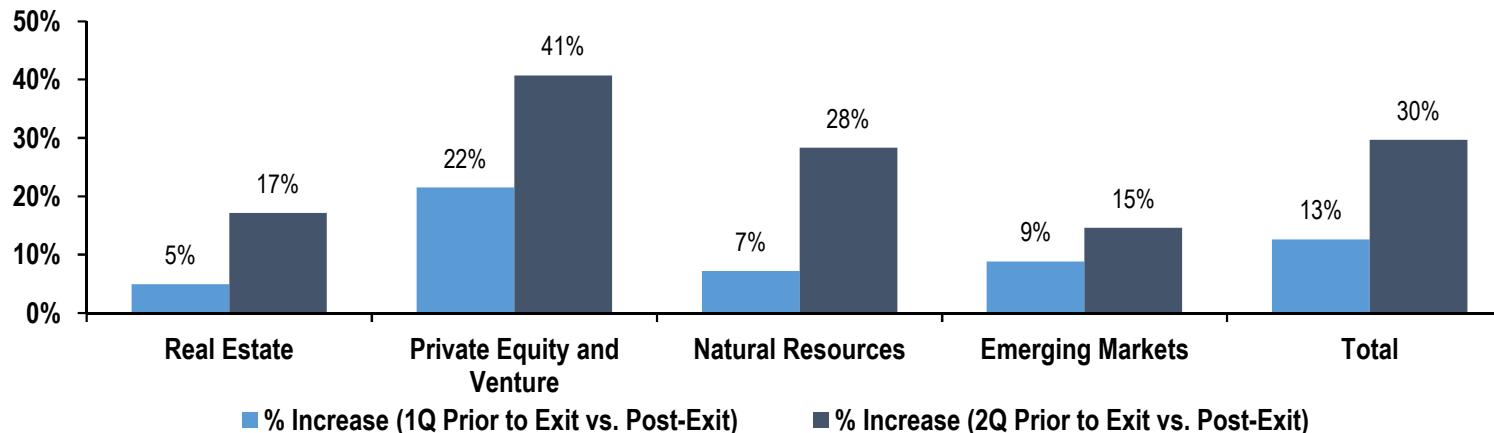


As of September 30, 2016

Batting Average⁽⁴⁾



Weighted Average⁽⁵⁾



Notes:

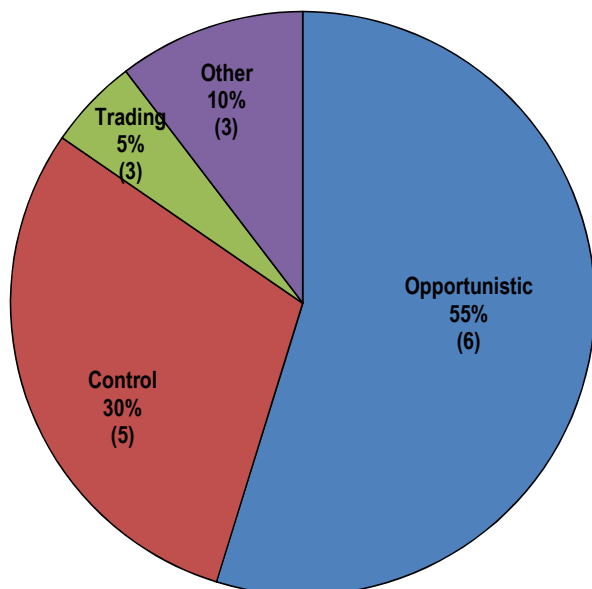
- (1) All analysis is based upon exits since FYE 2011 (representing approximately 75% of total exits during this time period) and calculated based on the date of the liquidity event and not the actual distribution date.
- (2) Analysis includes all materially realized investments (75% or greater).
- (3) Analysis excludes exits where the valuation pre-exit (one quarter prior to exit) was 0.2x or lower.
- (4) The Batting Average methodology is the simple average of the percent change in the valuation of a portfolio company.
- (5) The Weighted Average methodology is the weighted average change in the valuation of a portfolio company based on Endowments' invested capital.

Private Investments - Credit



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$998 Million NAV; \$309 Million Unfunded (15 Partners)



*Two Managers have funds in two sub-strategies

Capital Movement (FYTD)	
<u>Calls</u>	
Total	\$46
<u>Distributions</u>	
Total	(58)
Net Activity	<u>(13)</u>

Investment Returns					
	As of November 30, 2016	As of August 31, 2016			
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	5.3%	5.5%	8.7%	10.2%	12.8%
General Benchmark	N/A	2.5%	11.3%	11.5%	13.7%
Value Add		3.0%	-2.6%	-1.2%	-0.9%
Specific Benchmark ⁽¹⁾	N/A	3.2%	8.0%	9.3%	11.5%
Value Add		2.3%	0.7%	0.9%	1.3%

(1) Cambridge Associates Distressed Securities and Mezzanine Index (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- During the first fiscal quarter, the portfolio returned 5.3%
- The one year return of 5.5% outperformed the General Benchmark by 300bps and the Specific Benchmark by 230 bps
- Over longer time periods, 8-13% annual returns Fair outperformance versus the Specific Benchmark across all horizons with varying performance versus the General Benchmark

Outlook:

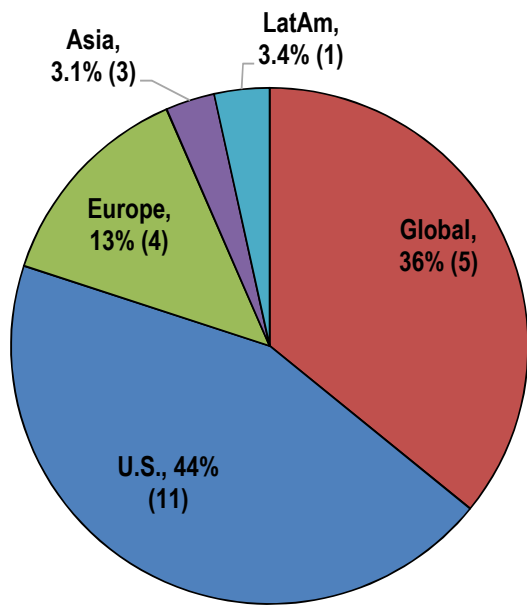
- Continue to make fewer new commitments until the next default cycle
- Reduce the number of partners

Private Investments – Real Estate



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$1.8 Billion NAV; \$1.5 Billion Unfunded (24 Partners)



Capital Movement (FYTD)	
<u>Calls</u>	
Total	\$101
<u>Distributions</u>	
Total	(\$73)
Net Activity	\$28

	Investment Returns				
	As of November 30, 2016	As of August 31, 2016			
	FYTD	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	2.6%	11.0%	17.4%	11.6%	10.5%
<u>General Benchmark</u>	N/A	<u>2.5%</u>	<u>11.3%</u>	<u>11.5%</u>	<u>13.7%</u>
<i>Value Add</i>		8.4%	6.1%	0.1%	-3.3%
<u>Specific Benchmark⁽¹⁾</u>	N/A	<u>11.0%</u>	<u>12.3%</u>	<u>7.9%</u>	<u>1.6%</u>
<i>Value Add</i>		0.0%	7.3%	3.7%	8.9%

(1) Cambridge Associates – Real Estate Opportunistic Index (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- The portfolio generated positive absolute returns of 2.6% FYTD and 10.5% to 17.4% over longer investment horizons
- The portfolio has generally outperformed its Specific Benchmark and outperformed the General Benchmark in recent years
- U.S. investments primarily drove portfolio performance over last fiscal year
- European investments underperformed due to the relatively immature portfolio which magnified the J-curve impact, and the weakening of the Euro and British Pound

Outlook:

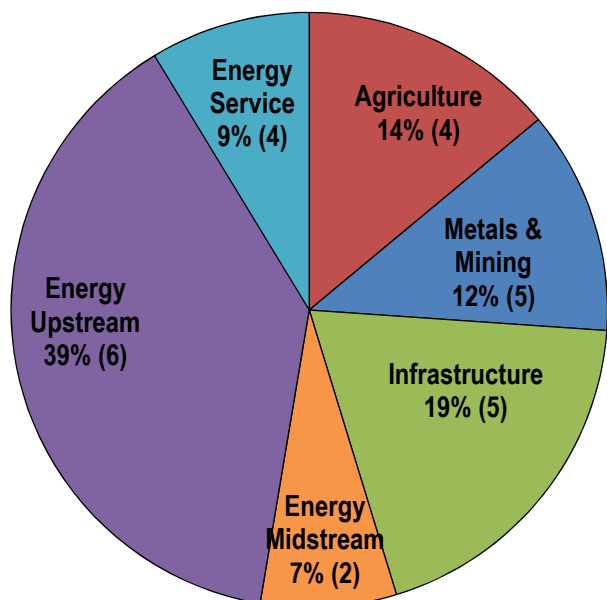
- Seek U.S. investments a) generating dependable cash flow; b) following demographic trends (senior housing, class B multifamily); c) targeting needs-based consumers (grocery-anchored retail); d) capitalizing on technology shifts (infill industrial, data centers, spectrum, and cell towers); and e) focusing on inefficient and fragmented markets (niche strategies such as food storage, parking, or manufactured housing)
- Seek value investments in Europe, particularly a) ongoing distress in Spain, France, and Italy; b) potential property declines due to investor uneasiness following BREXIT vote; and c) special situations in Germany

Private Investments - Natural Resources



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$2.9 Billion NAV, \$1.7 Billion Unfunded (26 Partners)



	Investment Returns				
	As of November 30, 2016	As of August 31, 2016			
	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	6.1%	0.9%	6.6%	12.0%	15.3%
General Benchmark	N/A	2.5%	11.3%	11.4%	13.7%
Value Add		-1.6%	-4.8%	0.6%	1.6%
Specific Benchmark ⁽¹⁾	N/A	-10.4%	-5.8%	-3.8%	0.5%
Value Add		11.3%	12.4%	15.8%	14.8%

(1) Cambridge Associates - 80% Natural Resources Private Equity Index and 20% Infrastructure Private Equity Index (UTIMCO vintage-weighted by NAV as of August 31, 2016)

\$ in millions	Net Asset Value	Unfunded	Capital Movement (FYTD17)
Energy			
NAM Upstream	\$628	\$181	
Other Upstream	484	188	
Midstream	212	156	
Energy Service	250	262	
Total Energy	1,575	787	
Mining	350	238	
Agriculture	402	285	
Infrastructure	552	400	
Total	\$2,878	\$1,711	
			Calls
			Total \$ 175
			Distributions
			Total (51)
			Net Activity \$ 124

Returns:

- The absolute return was strong in Q1 FY17 and slightly positive for fiscal year 2016, while long-term performance has been strong
- The portfolio has outperformed its Specific Benchmark and the General Benchmark over the seven-year horizon in spite of the historical correction in the global resources sector
- Mining and energy managers drove positive performance FY17 and represent approximately 67% of the portfolio NAV
- Weaker performance by agriculture managers was driven by the impact of the J-curve on newer funds as well as sector fundamentals

Outlook:

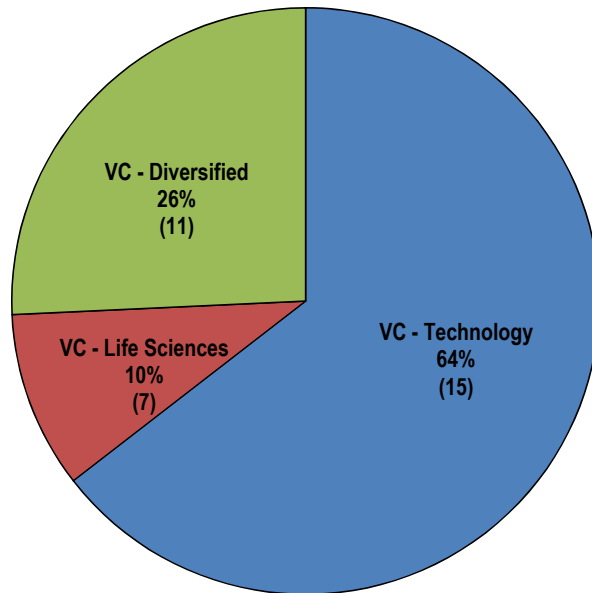
- NR PE has \$1.7B of unfunded commitments available to be invested in an attractive portion of the cycle

Private Investments – Venture Capital



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$1.3 Billion NAV; \$757 Million Unfunded (32 Partners)



*One Manager has a fund in two sub-strategies

Capital Movement (FYTD)	
<u>Calls</u>	
Total	\$58
<u>Distributions</u>	
Total	(23)
Net Activity	\$35

Investment Returns					
	As of November 30, 2016	As of August 31, 2016			
	FYTD	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	3.3%	-8.4%	24.5%	18.9%	23.6%
<u>General Benchmark</u>	N/A	2.5%	11.3%	11.5%	13.7%
Value Add		-11.0%	13.2%	7.4%	9.9%
<u>Specific Benchmark⁽¹⁾</u>	N/A	1.6%	15.9%	11.1%	11.0%
Value Add		-10.0%	8.6%	7.8%	12.6%

(1) Cambridge Associates Global Venture Capital Index (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- For the first quarter of FY 2017, the portfolio has returned 3.3%, driven by a few valuation increases across the portfolio, offset by a few write-downs as well as management fees and expenses
- During FY 2016, the portfolio returned -8.4%, due to general valuation decreases across the portfolio following very strong FY 2015 performance
- The portfolio has generated strong absolute and relative performance over long (three-seven year) time horizons

Outlook:

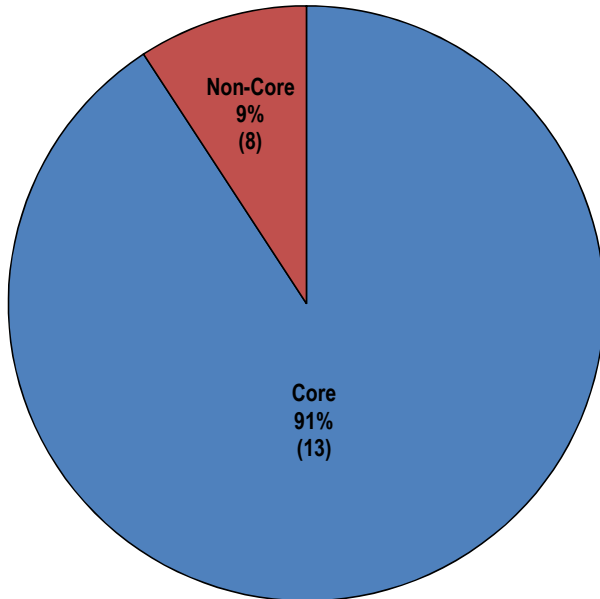
- Funds continue to deploy capital at a measured pace due to valuation environment
- Focused on maintaining and growing core partner relationships and underwriting potential new partners
- Reduction in number of partners as non-core relationships roll-off

Private Investments – LMM Private Equity



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$933 Million NAV; \$514 Million Unfunded (21 Partners)



Capital Movement (FYTD)	
<u>Calls</u>	
Total	\$56
<u>Distributions</u>	
Total	(22)
Net Activity	<u>\$34</u>

Investment Returns						
	As of	As of August 31, 2016				
	November 30, 2016	FYTD	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	1.4%		58.3%	31.7%	26.1%	23.0%
<u>General Benchmark</u>	N/A		2.5%	11.3%	11.5%	13.7%
Value Add			55.8%	20.4%	14.6%	9.3%
<u>Specific Benchmark⁽¹⁾</u>	N/A		7.2%	12.8%	11.5%	13.9%
Value Add			51.1%	18.9%	14.6%	9.1%

(1) Cambridge Associates Global Buyout & Growth Index, adjusted to exclude emerging markets (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- The LMM portfolio returned 1.4% in the first fiscal quarter
- The one year return of 58.3% was driven by large valuation uplifts in a few funds and co-investments
- The portfolio also significantly outperformed both the General Benchmark and the Specific Benchmark during the three, five, and seven year time horizons
- For the first quarter of FY17, calls have outpaced distributions by \$34 million

Outlook:

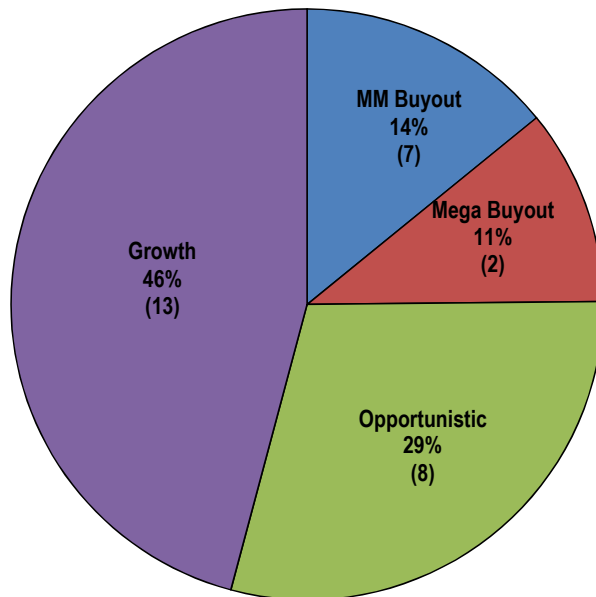
- Staff will continue to focus on underwriting new Lower Middle Market partners and driving co-investment with our existing core partners
- As book is still not yet mature, expect calls to outpace distributions

Private Investments – General Private Equity



NAV and Capital Movement as of November 30, 2016; Investment Returns as of November 30, 2016 and August 31, 2016

\$1.1 Billion NAV; \$374 Million Unfunded (28 Partners)



*Two Managers have funds in two sub-strategies

Capital Movement (FYTD)	
<u>Calls</u>	
Total	\$68
<u>Distributions</u>	
Total	(49)
Net Activity	\$19

Investment Returns						
	As of	As of August 31, 2016				
	November 30, 2016	FYTD	1 Year	3 Years	5 Years	7 Years
Actual Return	2.7%		2.3%	8.0%	8.3%	10.2%
General Benchmark	N/A		2.5%	11.3%	11.5%	13.7%
Value Add			-0.3%	-3.3%	-3.1%	-3.5%
Specific Benchmark ⁽¹⁾	N/A		7.2%	12.8%	11.5%	13.9%
Value Add			-4.9%	-4.8%	-3.2%	-3.7%

(1) Cambridge Associates Global Buyout & Growth Index, adjusted to exclude emerging markets (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- The General Private Equity portfolio returned 2.7% in the first fiscal quarter
- The one year return of 2.3% underperformed the General Benchmark by 30 bps and the Specific Benchmark by 490 bps
- Performance over the 3, 5, and 7 year time horizons has been 8-10%, underperforming the benchmarks
- The portfolio is in the process of “rolling off”

Outlook:

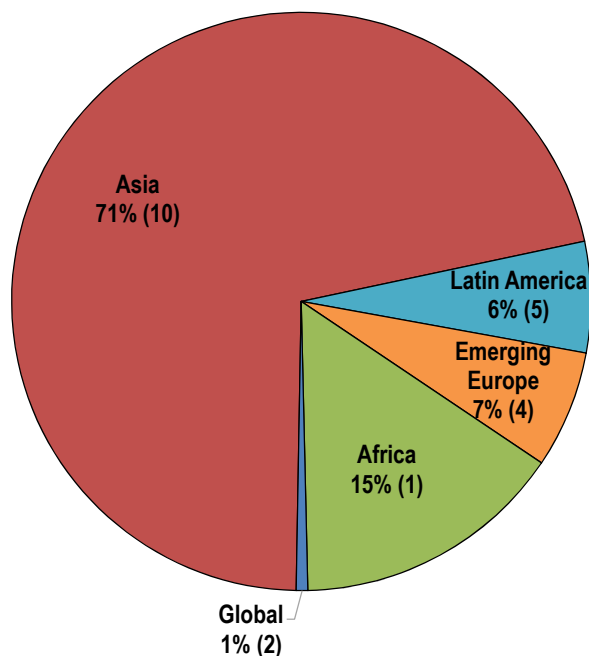
- Staff expects 8-10% returns from the General Private Equity portfolio as it continues to roll off over the next few years

Private Investments - Emerging Markets



NAV, Capital Movement, and One Year Investment Returns as of November 30, 2016, all other Investment Returns as of August 31, 2016

\$1.2 Billion NAV, \$0.7 Billion Unfunded (22 Partners)



Capital Movement (FYTD17)	
	<u>Calls</u>
Total	\$ 42
	<u>Distributions</u>
Total	(23)
Net Activity	\$ 19

	Investment Returns				
	As of November 30, 2016	As of August 31, 2016			
	FYTD	1 Year	3 Years	5 Years	7 Years
<u>Actual Return</u>	1.1%	5.2%	6.0%	2.7%	7.0%
<u>General Benchmark</u>	N/A	2.5%	11.3%	11.4%	13.7%
Value Add		2.7%	-5.3%	-8.7%	-6.7%
<u>Specific Benchmark ⁽¹⁾</u>	N/A	0.9%	11.4%	6.7%	7.8%
Value Add		4.3%	-5.4%	-4.0%	-0.8%

(1) Cambridge Associates - Emerging Markets Private Equity Index adjusted to exclude energy, and mezzanine funds (UTIMCO vintage-weighted by NAV as of August 31, 2016)

Returns:

- The portfolio returned 1.1% in Q1 FY17 and 5.2% in fiscal year 2016 and has returned between 2% and 7% over the past seven years
- The portfolio has outperformed both the General Benchmark and Specific Benchmark in fiscal year 2016 although has lagged across longer time horizons due to underperforming legacy managers and young age of the portfolio relative to the General Benchmark

Outlook:

- Staff maintains a positive outlook as the portfolio matures and benefits from both a refined EM strategy and attractive growth and value market dynamics
- Staff's go-forward focus to improve performance will be to make gradual structural adjustments in geographic weights (particularly in Asia and Latin America), deepen local partnerships, and build a strong co-investment portfolio

Co-Investments - Summary



	Private Investments											
	MCC		LCC		Real Estate		Natural Resources ⁽¹⁾		Private Markets ⁽²⁾		Total	
<u>FY 2017</u>	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Pipeline:												
Reviewed	0	\$0	7	\$375	2	\$35	12	\$335	6	\$76	27	\$821
Interest	0	0	6	350	1	25	12	335	5	68	24	778
Committed	0	0	0	0	0	0	2	53	3	48	5	101
In Process	0	0	0	0	1	25	11	335	3	24	15	384
Since Inception												
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Pipeline:												
Reviewed	9	\$440	15	\$875	54	\$1,168	102	\$2,839	83	\$1,213	263	\$6,535
Interest	3	140	11	700	31	656	89	2,439	68	914	202	4,849
Committed	3	140	1	75	15	226	35	942	43	284	97	1,667
In Process	0	0	0	0	1	25	11	335	3	24	15	384
Portfolio Returns (Since Inception):												
Invested	3	\$136	1	\$75	15	\$193	35	\$703	42	\$245	96	\$1,351
Realized Proceeds	0	0	1	88	6	59	2	167	5	44	14	359
NAV		190				193		808		417		1,607
Multiple		1.4x		1.2x		1.3x		1.4x		1.9x		1.5x
IRR		32.6%		9.7%		10.9%		22.5%		44.6%		24.2% ⁽³⁾

(1) Natural Resources includes Emerging Market co-investments.

(2) Private Markets had 19 underwritten co-investments since inception and 3 FYTD 2017. The fund manager had discretion in the remaining 23 co-investments since inception and 0 in FYTD 2017.

(3) Total IRR calculation includes only Private Investment co-investments.

Endowment Risk Dashboard

November 30, 2016



Underperformance

<u>FY2017TD</u>	<u>3-years</u>	<u>5-years</u>	<u>10-years</u>
1.6%	5.2%	7.1%	5.1%



Market

<u>Beta</u>		
<u>U.S. Equity</u>	<u>Rates</u>	<u>Currency</u>
0.720	(0.316)	(0.144)



Scenarios

	<u>China Hard</u>	<u>US Liquidity</u>	<u>Japan</u>	<u>50% Oil</u>
<u>Expected</u>	<u>Landing</u>	<u>Squeeze</u>	<u>Implosion</u>	<u>Drop</u>
Returns:	-22.8%	-20.8%	-16.4%	0.7%



Downside Volatility

	<u>1 stdev</u>	<u>2 stdev</u>
Expected returns	-5.5%	-23.6%
VIX:	13.3%	



Active Management

	<u>1-year</u>	<u>3-years</u>	<u>10-years</u>
<u>Value-Add</u>			
bps	349	155	196
\$	\$883M	\$1,177M	\$4,673M
<u>Return/Volatility</u>			
Sharpe	1.14	1.02	0.53
IR	1.20	0.67	0.80



Transparency

<u>Full</u>		<u>Partial</u>		<u>None</u>
<u>Full</u>	<u>Lagged</u>	<u>Partial</u>	<u>None</u>	
30%	40%	27%	3%	



Concentration

<u>Manager</u>		<u>Securities (Top 10)</u>		
<u>US</u>	<u>Top 10</u>	<u>Top 20</u>	<u>Bonds</u>	<u>Stocks</u>
54%	23%	39%	5.3%	5.8%



Illiquidity

	<u>90 day</u>	<u>1 year</u>	<u>Unfunded</u>
	<u>liquidity</u>	<u>liquidity</u>	<u>Commitments</u>
Endowments	33%	55%	25%
ITF	59%	89%	



Leverage

	<u>LCC</u>	<u>LCC ex-FI</u>	<u>Endowments</u>
Gross	2.05	1.65	1.00
Net	0.27	0.56	1.00



Permanent Loss of Capital

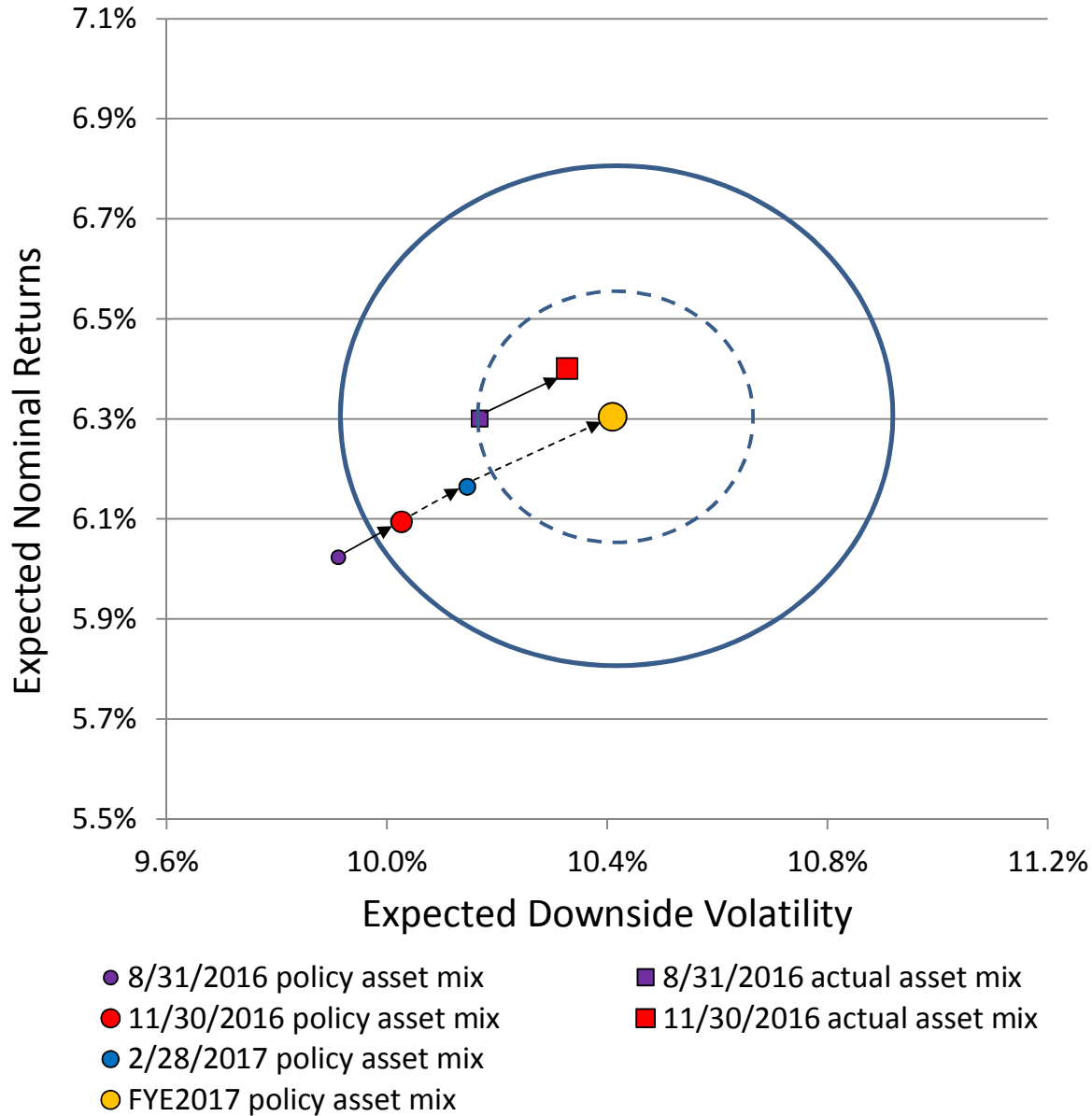
	<u>Invested</u>	<u>Realized</u>	<u>Anticipated/</u>	<u>Total Loss</u>	<u>Annualized</u>
	<u>Capital (\$B)</u>	<u>Loss (\$M)</u>	<u>Unrealized</u>	<u>(\$M)</u>	<u>Loss (%)</u>
			<u>Loss (\$M)</u>		
MCC	\$33.7	\$622	-	\$622	0.30%
LCC	13.2	240	198	438	0.51%
PI	14.5	327	202	529	0.81%
Total	\$61.4	\$1,189	\$400	\$1,589	0.44%

Scenario Analysis

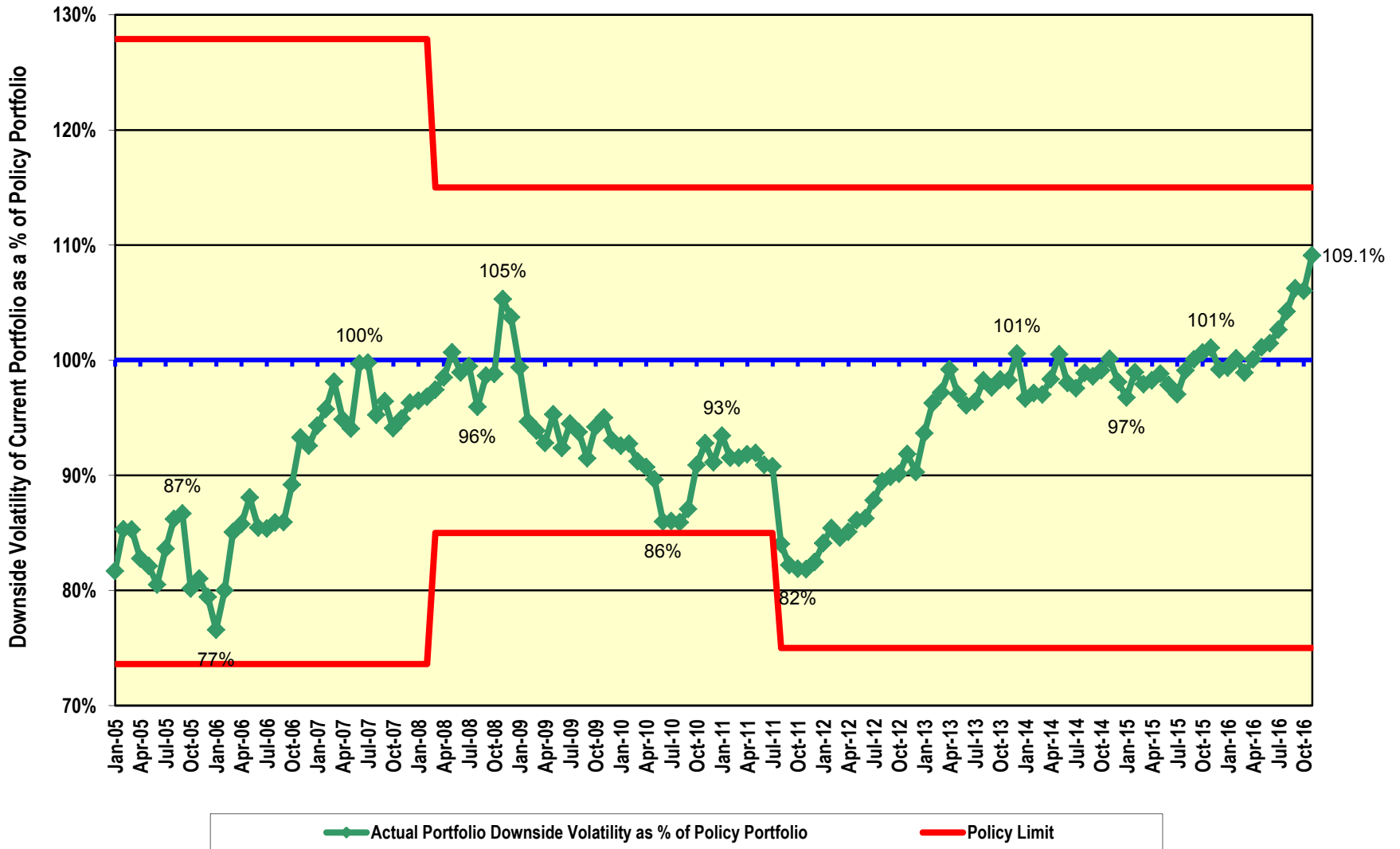


	Scenario							
	China Hard Landing	US Liquidity Squeeze	Eurozone Breakup	Japan Implosion	Currency Debasement	Eurozone Lost Decade	Mideast War / Oil shock	Oil supply shock (50%)
Expected Policy Returns (nominal)	(24.0%)	(23.2%)	(18.2%)	(18.6%)	(15.9%)	(4.2%)	(3.2%)	0.8%
Gain from tactical positions	(1.0%)	0.6%	0.2%	(0.4%)	1.0%	0.1%	0.6%	(1.1%)
Gain from current hedges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gain from manager's alpha	<u>2.2%</u>	<u>1.8%</u>	<u>2.8%</u>	<u>2.6%</u>	<u>1.9%</u>	<u>2.4%</u>	<u>1.4%</u>	<u>1.0%</u>
Estimated Endowment Returns	<u>(22.8%)</u>	<u>(20.8%)</u>	<u>(15.2%)</u>	<u>(16.4%)</u>	<u>(13.0%)</u>	<u>(1.7%)</u>	<u>(1.2%)</u>	<u>0.7%</u>

Expected Risk and Return

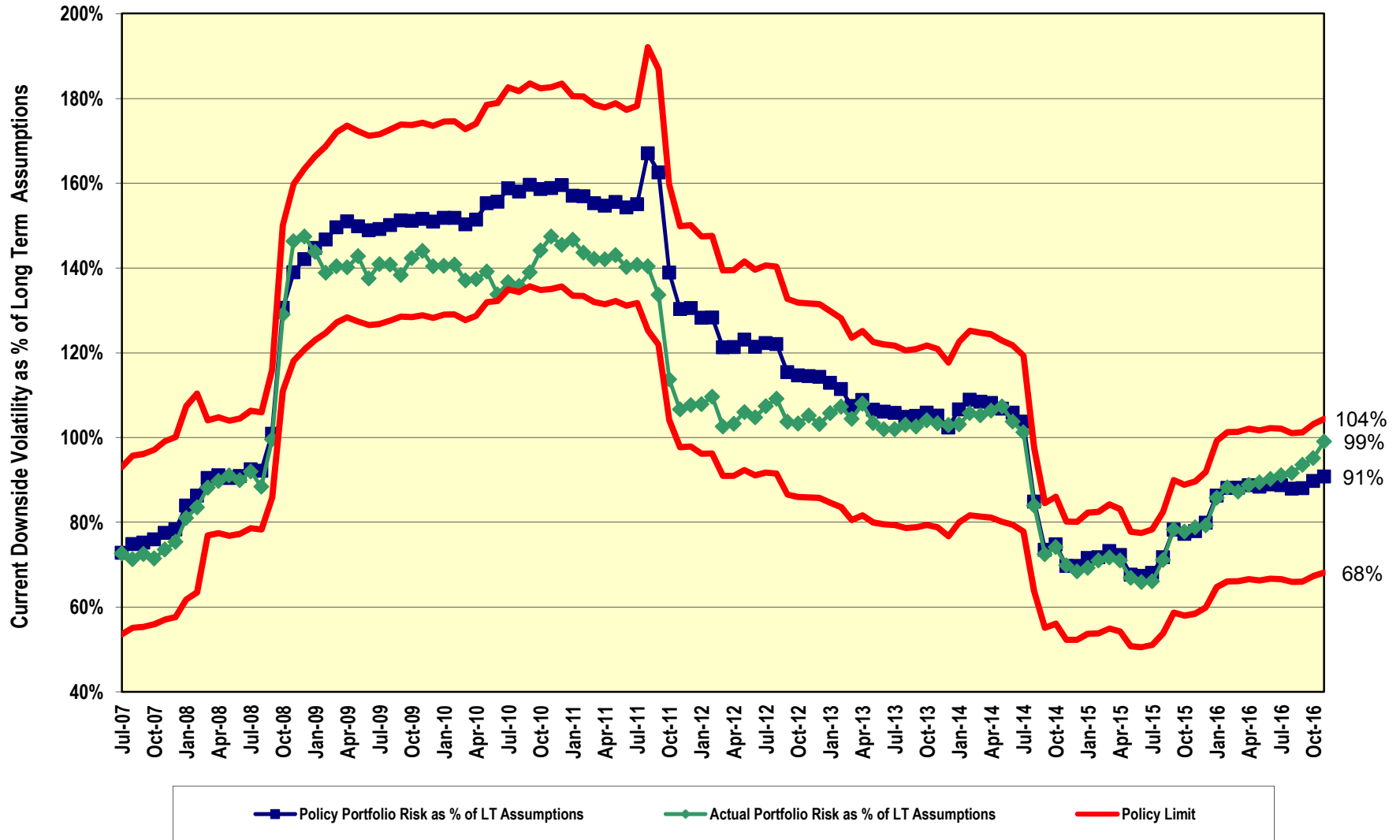


Downside Volatility Utilization of GEF



Current Risk Environment of GEF

(Based on Downside Volatility; LT Assumption = 10.03%)

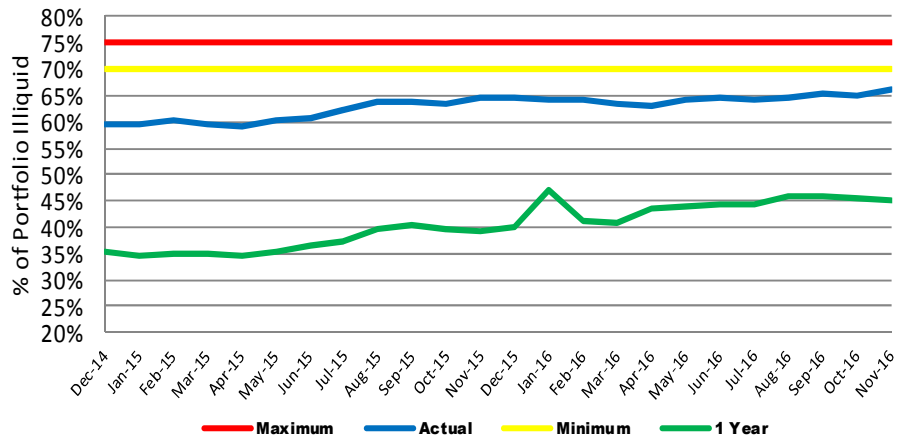


Endowment Fund Liquidity

As of November 30, 2016

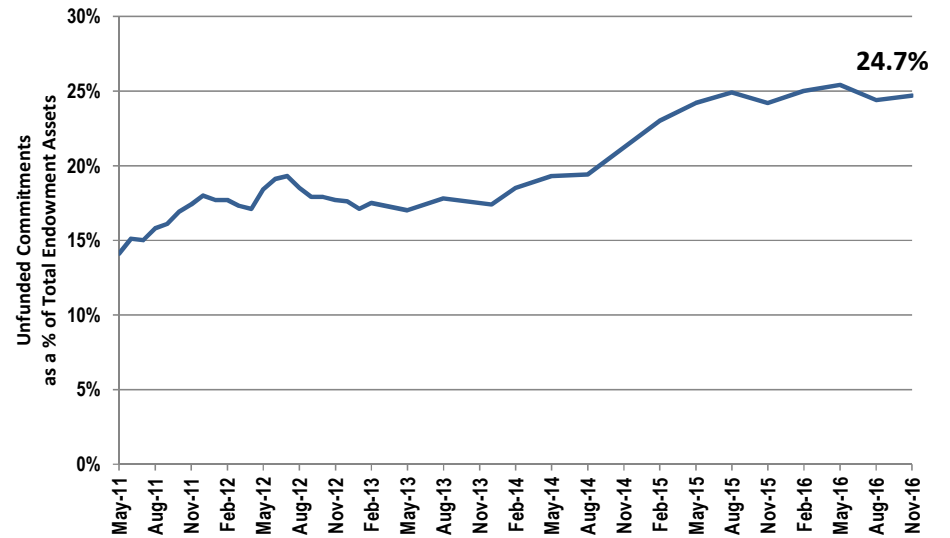


Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 9,103 million One Year Liquidity \$ 14,770 million

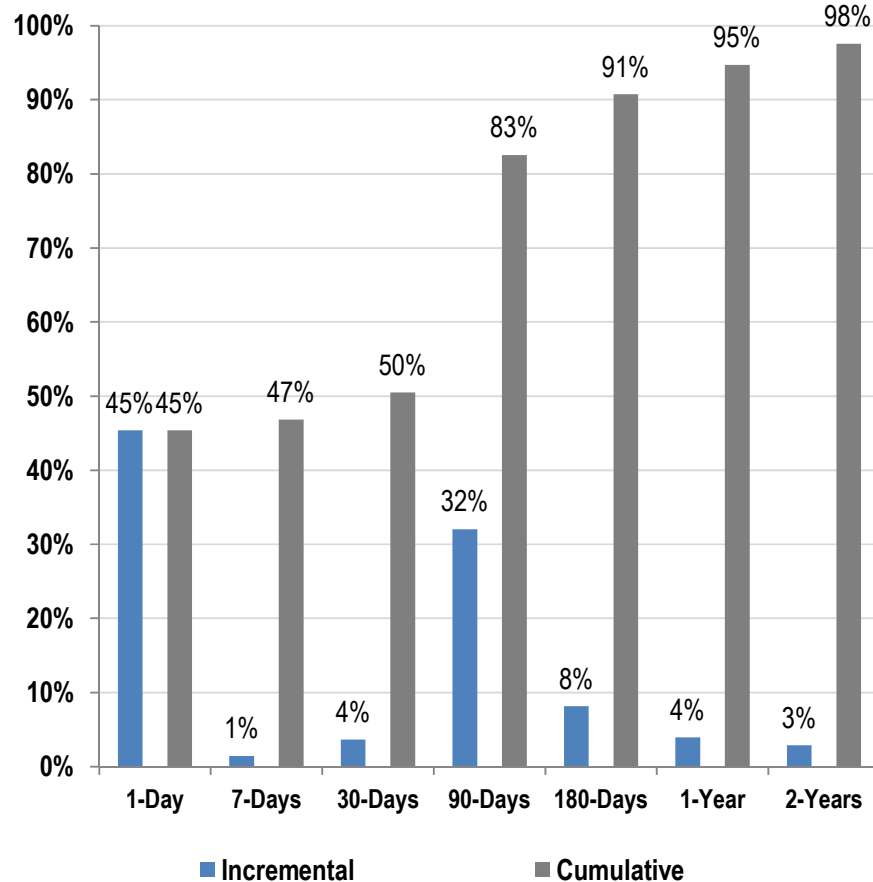
Unfunded Commitments



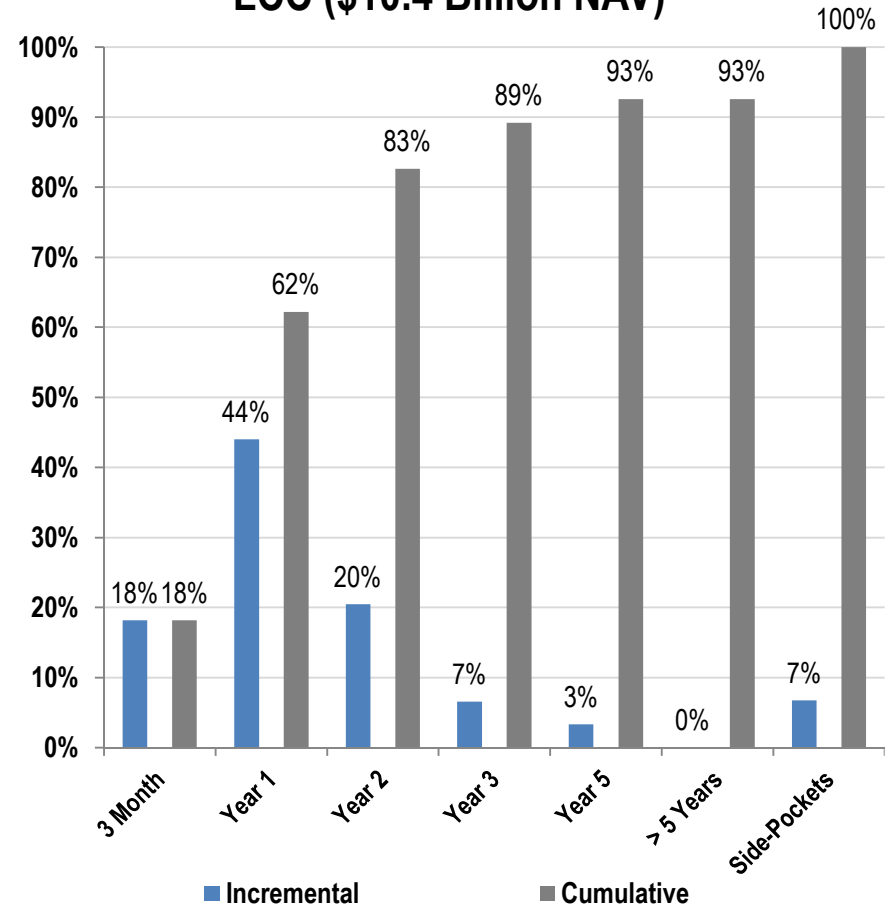
Estimated Run-Off Liquidity*



MCC (\$14.2 Billion NAV)



LCC (\$10.4 Billion NAV)



*Actual point in time liquidity varies from “smoothed” Policy Liquidity methodology

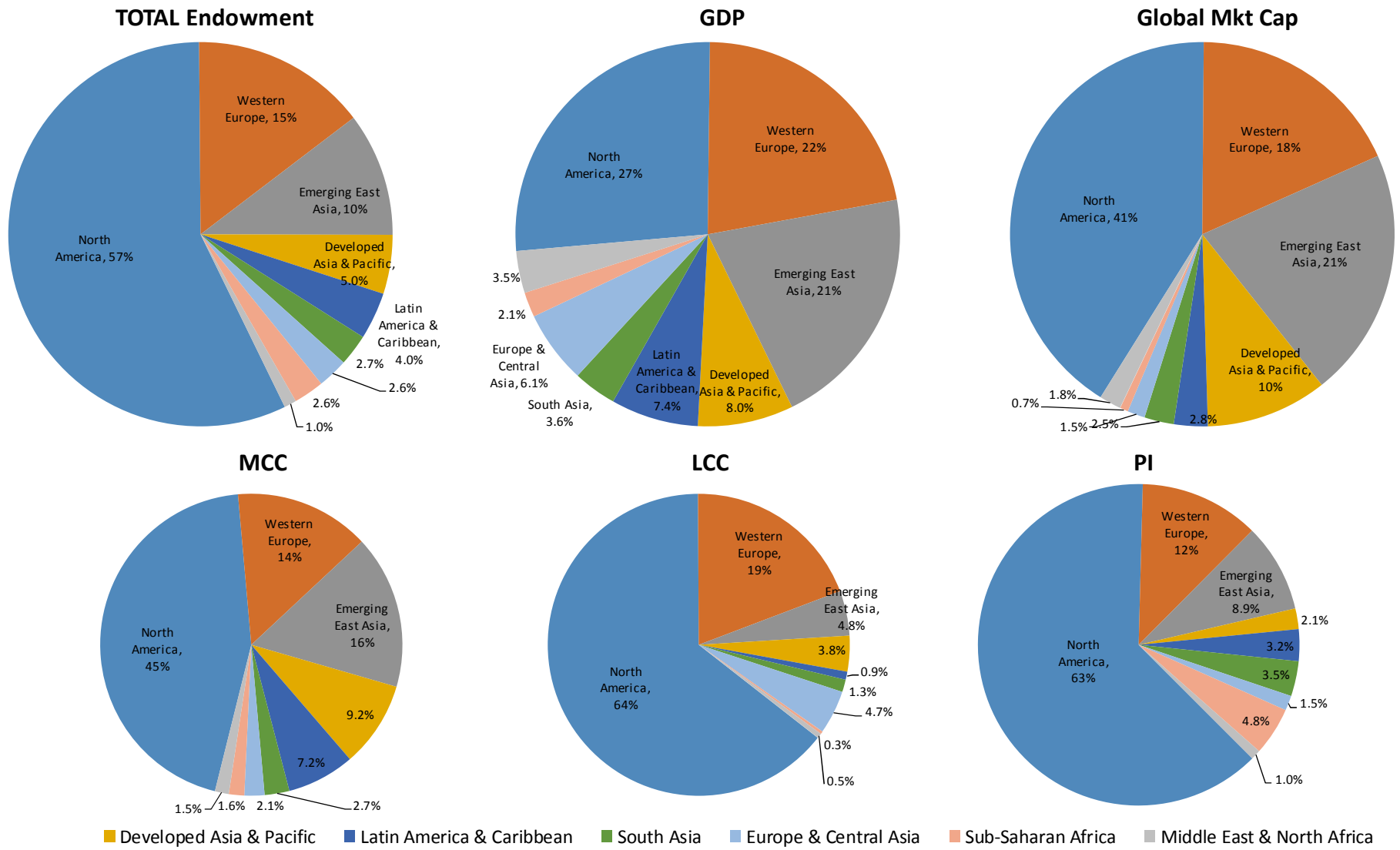
Current Tactical Allocation



	Policy	Underweight	Overweight	Net Tactical Position
MCC IGFI	6.8%	-	-	0.0%
LCC	28.1%	2.7%	-	(2.7%)
PI Credit	3.5%	-	0.2%	0.2%
<u>RE</u>				
MCC	1.9%	0.4%	-	(0.4%)
Privates	<u>5.8%</u>	-	<u>0.7%</u>	<u>0.7%</u>
TOTAL	<u>7.7%</u>	<u>0.4%</u>	<u>0.7%</u>	<u>0.3%</u>
<u>Nat Res</u>				
MCC-NRE	1.9%	-	1.7%	1.7%
Commodities	1.9%	1.7%	-	(1.7%)
Gold	2.5%	0.2%	-	(0.2%)
Privates	<u>7.8%</u>	-	<u>2.8%</u>	<u>2.8%</u>
TOTAL	<u>14.1%</u>	<u>1.9%</u>	<u>4.5%</u>	<u>2.6%</u>
<u>DCE</u>				
MCC	15.1%	2.0%	-	(2.0%)
Privates	<u>11.4%</u>	-	<u>1.1%</u>	<u>1.1%</u>
TOTAL	<u>26.5%</u>	<u>2.0%</u>	<u>1.1%</u>	<u>(0.9%)</u>
<u>EM</u>				
MCC	9.6%	0.3%	-	(0.3%)
Privates	<u>3.7%</u>	-	<u>0.8%</u>	<u>0.8%</u>
TOTAL	<u>13.3%</u>	<u>0.3%</u>	<u>0.8%</u>	<u>0.5%</u>
TOTAL	<u>100.0%</u>	<u>7.3%</u>	<u>7.3%</u>	<u>0.0%</u>

Geographic Exposure

As of November 30, 2016



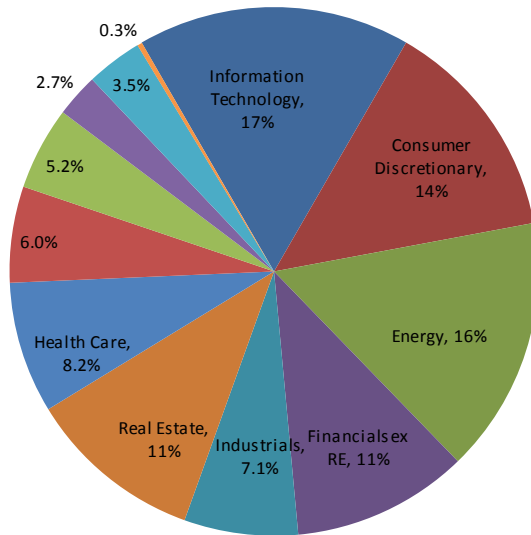
Sector Exposure – β adjusted

As of November 30, 2016

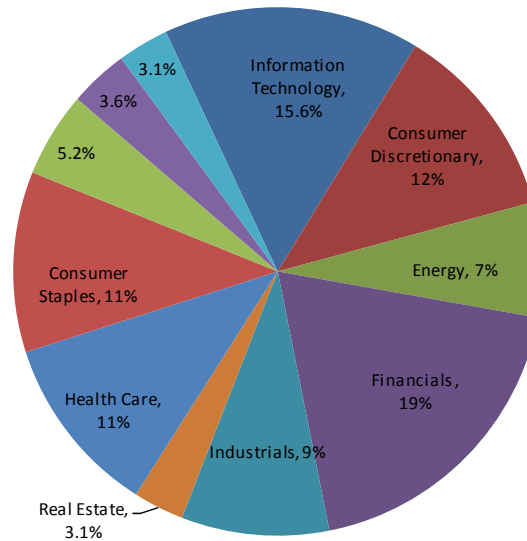


Endowments, excluding Fixed Income, gold, and commodities

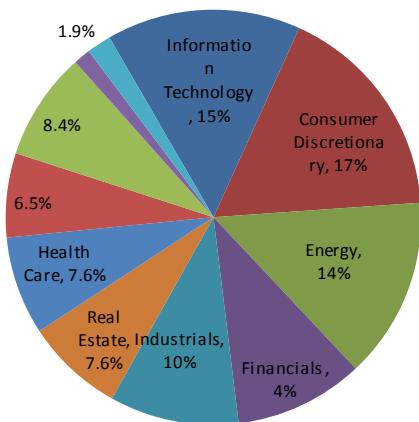
TOTAL Endowment



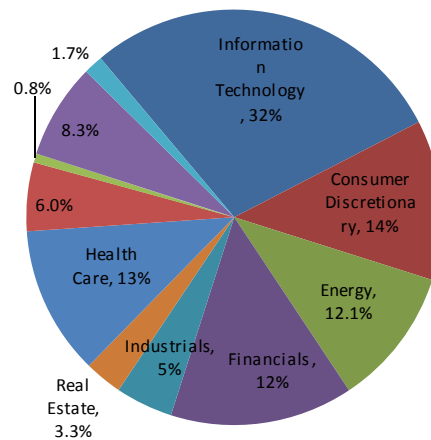
All Countries Index



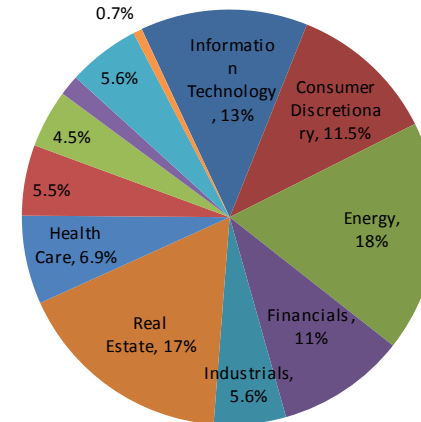
MCC



LCC



PI



■ Health Care ■ Consumer Staples ■ Materials ■ Telecommunications ■ Utilities ■ Other

Non-Insurance Related Internal Derivatives

As of November 30, 2016 (in millions)



<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value</u> <u>(\$ millions)</u>	<u>Activity from previous report</u> <u>(8/31/2016)</u> <u>(\$ millions)</u>
<u>Developed Country Equity</u>			
Japanese Yen FX Hedges	Sale of Japanese Yen forward contracts to hedge the currency exposure in the MCC accounts	(222)	(96)
<u>Emerging Markets Equity</u>			
Chinese Yuan FX Hedges	China Forward contracts: Sale of Chinese Yuan forward contracts to hedge the currency exposure in the MCC accounts	(398)	18

Agency Account Derivatives

As of November 30, 2016 (in millions)



Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	257
Colchester	Currency forwards used to hedge foreign currency exposure	2
First International Advisors	Currency forwards used to hedge foreign currency exposure	36
PIMCO Global Bonds	Currency forwards used to underwrite the US dollar	(37)
	Long US and Non-US futures used to overweight duration in Eurozone	146
	Long futures used to overweight front end of US and UK yield curves	98
	Receive Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	372
	Pay Interest rate swaps used to overweight duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve	(498)
	Interest rate swaps used to overweight front end of US and UK yield curves	32
	Short/Written credit default swaps used to overweight credit risk	214
	Long/Purchased credit default swaps used to underwrite credit risk	(22)
	Written options used to increase portfolio yield	(212)
	Purchased options used to increase portfolio yield	440
<u>Natural Resources</u>		
Wellington Commodities SPV	Exchange-traded commodity futures, options and/or swaps	54
<u>Developed Equity</u>		
Albert Bridge	Currency forward contracts for hedging purposes.	(61)
	Contracts for Differences to gain efficient access to certain European markets.	50
Cantillon	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(20)
Eminence	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(89)
	Purchased options on single name shares	13
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(10)
<u>Non-US Emerging Equity</u>		
Dynamo	Written covered call and put options to increase portfolio income and purchased put options to hedge portfolio	209
Saga Tree	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(66)

OTC Derivative Counterparty Report

As of November 30, 2016 (in millions)



Counterparty	S & P / Moody Counterparty Rating	\$ millions						Percentage of Total Funds
		Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	(Held)/Posted Collateral	Total Mark- to-Market net of Collateral		
GOLDMAN SACHS	A-	\$ 64.8	\$ (61.9)	\$ 2.9	\$ (0.5)	\$ 2.4	0.01%	
BANK OF AMERICA	A-	60.6	(63.0)	(2.4)	(2.2)	(4.6)	-0.01%	
ROYAL BANK OF SCOTLAND PLC	A-	26.9	(28.3)	(1.4)	-	(1.4)	0.00%	
CITIBANK NY	A-	22.1	(31.5)	(9.4)	4.5	(4.9)	-0.01%	
CITIBANK NA, LONDON	A-	13.6	(20.1)	(6.5)	-	(6.5)	-0.02%	
BNP PARIBAS	A-	13.6	(1.7)	11.9	(11.2)	0.7	0.00%	
MORGAN STANLEY	A-	10.6	(5.1)	5.5	(5.2)	0.3	0.00%	
BANK OF NEW YORK	A-	10.5	(23.2)	(12.7)	-	(12.7)	-0.04%	
CANADIAN IMPERIAL BANK OF COMMERCE	A+	9.5	(9.6)	(0.1)	-	(0.1)	0.00%	
UBS A G, ZURICH	A-	7.9	(7.5)	0.4	-	0.4	0.00%	
ROYAL BANK OF CANADA	AA-	6.8	(6.9)	(0.1)	-	(0.1)	0.00%	
BARCLAYS	A-	5.6	(3.7)	1.9	(1.9)	-	0.00%	
SOCIETE GENERALE, PARIS	A	5.1	(6.2)	(1.1)	0.6	(0.5)	0.00%	
STANDARD & CHARTERED BK, LONDON	A-	5.1	(0.4)	4.7	(3.9)	0.8	0.00%	
MELLON BANK	A	4.9	(1.6)	3.3	-	3.3	0.01%	
HSBC BK USA, NEW YORK	A	3.1	(7.8)	(4.7)	5.2	0.5	0.00%	
MERRILL LYNCH	A-	1.8	(1.5)	0.3	(0.6)	(0.3)	0.00%	
J P MORGAN, CHASE	A-	1.2	(0.7)	0.5	-	0.5	0.00%	
MACQUARIE BANK LTD, SYDNEY	A-	0.6	(0.6)	-	-	-	0.00%	
UBS A G, STAMFORD	A-	0.3	(0.5)	(0.2)	-	(0.2)	0.00%	
BARCLAYS CAPITAL, LONDON (BARCGB33)	A-	0.1	-	0.1	-	0.1	0.00%	
CREDIT AGRICOLE, LONDON	A	-	(5.7)	(5.7)	4.0	(1.7)	0.00%	
CITIBANK	A	-	-	-	-	-	0.00%	
CS FIRST BOSTON GBL FOREIGN EXCH	A	-	-	-	-	-	0.00%	
TORONTO DOMINION BANK	AA-	-	-	-	0.3	0.3	0.00%	
NOMURA GLOBAL FINANCIAL, NEW YORK	A-	-	-	-	-	-	0.00%	
CREDIT SUISSE FIRST	A	-	-	-	3.4	3.4	0.01%	
CHASE MANHATTAN	A-	-	(0.1)	(0.1)	-	(0.1)	0.00%	
SOCIETE GENERALE, NEW YORK	A	-	-	-	-	-	0.00%	
WESTPAC BANKING CORP, SYDNEY	AA-	-	-	-	-	-	0.00%	
Grand Total		\$ 274.7	\$ (287.6)	\$ (12.9)	\$ (7.5)	\$ (20.4)	-0.05%	



ITF

ITF Performance Summary

Periods Ending November 30, 2016

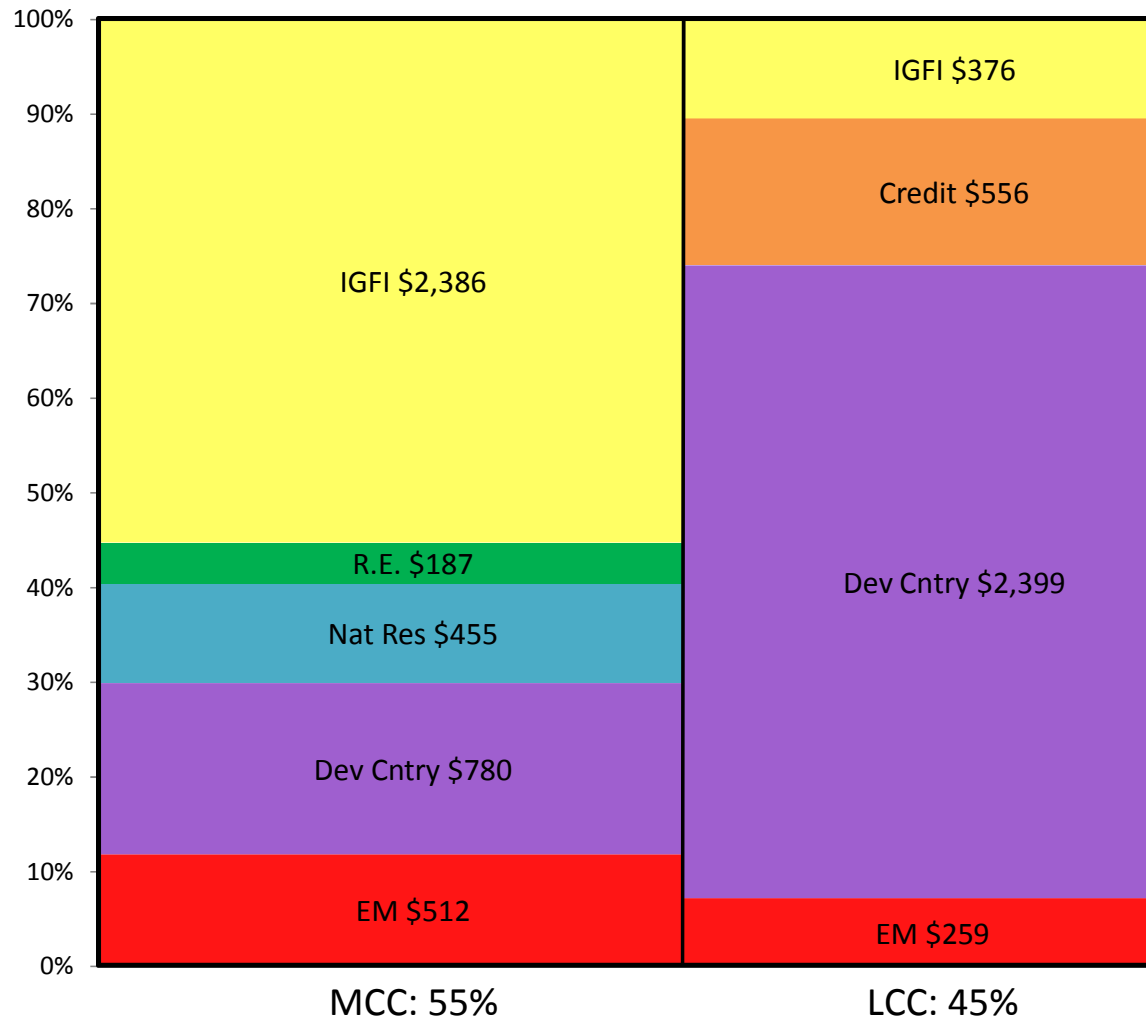


	Fiscal YTD Three Months Ended	One Year	Three Years	Five Years	Seven Years	Ten Years
ITF						
Actual Returns	-0.83%	3.07%	1.69%	3.91%	4.58%	3.63%
Policy Portfolio Returns	-2.18%	2.41%	0.61%	2.60%	2.71%	1.56%
Actual vs. Policy	1.35%	0.66%	1.08%	1.31%	1.86%	2.07%
CPI + 3%	0.95%	4.75%	4.21%	4.34%	4.62%	4.87%
Actual vs. CPI + 3%	-1.78%	-1.68%	-2.52%	-0.43%	-0.04%	-1.24%
Cash	0.13%	0.35%	0.16%	0.15%	0.16%	1.03%
Actual vs. Cash	-0.96%	2.72%	1.53%	3.76%	4.41%	2.60%
Sharpe Ratio		0.53	0.32	0.77	0.76	0.34
Information Ratio		0.46	0.84	0.99	1.27	1.34

ITF



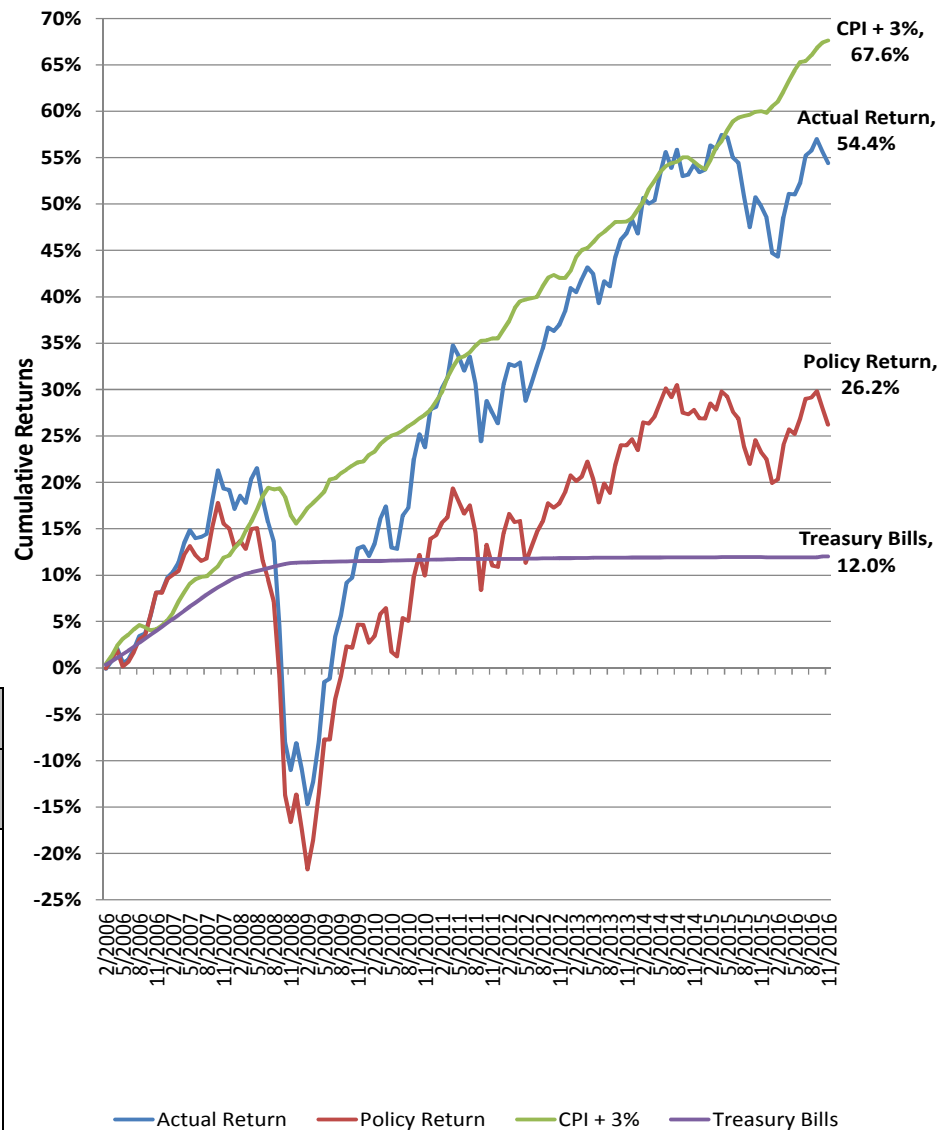
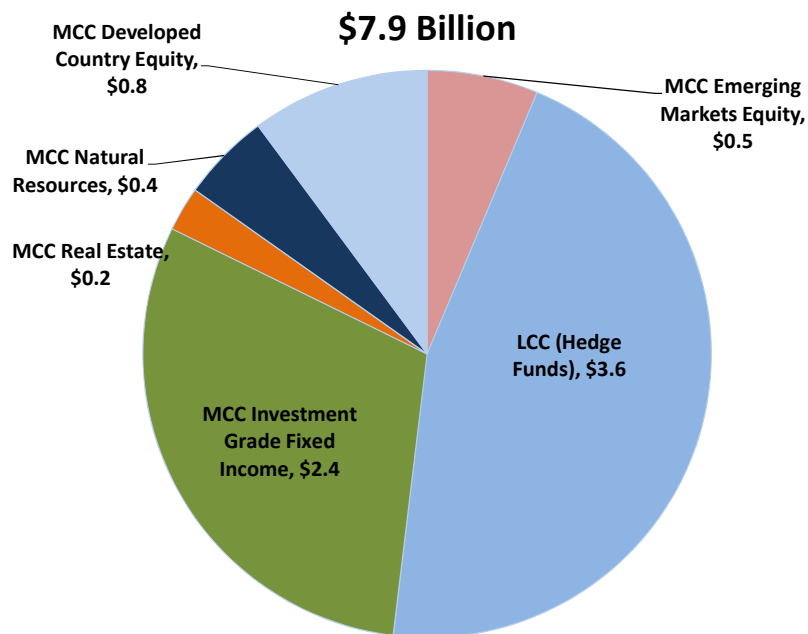
ITF NAV: \$7,910M



Downside Volatility (trailing three years)	
Actual	% of Policy
5.13%	111.0%

Liquidity	
Three months	One Year
58.7%	89.2%

Insurance Hedges NAV	
CMS Caps	-
JPY FX rate	-



Investment Returns						
	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Actual Return	-0.8%	3.1%	1.7%	3.9%	4.9%	3.6%
Benchmark Return	-2.2%	2.4%	0.6%	2.6%	2.7%	1.6%
Value Add	1.4%	0.7%	1.1%	1.3%	2.2%	2.0%
Actual Standard Deviation		4.9%	4.7%	4.9%	5.9%	8.2%
Sharpe Ratio		0.6	0.4	0.8	0.9	0.4
Information Ratio		0.3	0.8	1.0	1.2	1.2

Statistics for periods longer than a year are annualized

ITF Returns and Ratios

Periods Ending November 30, 2016



ITF	Net Asset Value (in millions)	ITF Returns										1 year			3 year			5 year			10 year		
		3 month	vs. Bench	1 year	vs. Bench	3 year	vs. Bench	5 year	vs. Bench	10 year	vs. Bench	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio	Standard Deviation	Sharpe Ratio	Info Ratio
More Correlated and Constrained																							
Fixed Income																							
Investment Grade	\$ 2,386	-5.32%	0.81%	2.72%	-0.38%	0.24%	0.47%	1.22%	0.79%	3.63%	0.68%	5.83%	0.90	(0.03)	4.28%	0.32	0.32	4.11%	0.43	0.57	5.50%	0.62	0.39
Real Assets																							
Real Estate	187	-7.11%	2.07%	-2.41%	-4.35%	0.99%	-3.94%	7.27%	-1.77%	0.44%	0.22%	14.04%	(0.26)	(1.47)	11.84%	0.10	(1.04)	12.96%	0.51	(0.64)	22.05%	0.12	0.02
Natural Resources ex Gold	271	9.13%	-1.96%	23.06%	11.97%	-9.34%	-1.16%	-6.49%	-0.68%	-2.00%	0.82%	24.00%	0.39	0.25	20.79%	(0.53)	(0.59)	18.01%	(0.38)	(0.38)	21.74%	(0.03)	(0.03)
Equity																							
Developed Markets	780	3.42%	3.42%	3.52%	0.36%	6.18%	2.48%	13.16%	3.28%	6.23%	2.76%	11.66%	0.05	(0.27)	10.99%	0.57	0.55	10.51%	1.12	0.73	15.13%	0.41	0.53
Emerging Markets	512	-0.13%	3.01%	11.00%	2.53%	2.63%	5.73%	5.60%	4.61%	3.14%	0.88%	13.86%	0.88	0.34	13.58%	0.29	0.82	13.98%	0.42	0.82	21.77%	0.26	0.04
MCC subtotal	4,136	-2.39%	-7.12%	5.11%	0.38%	0.89%	1.03%	3.24%	1.11%	N/A	N/A	7.43%	0.68	0.88	6.27%	0.22	0.15	6.31%	0.51	0.43	N/A	N/A	N/A
Less Correlated and Constrained																							
Fixed Income																							
Investment Grade	376	9.58%	9.12%	2.84%	3.36%	2.09%	0.73%	2.40%	-0.66%	N/A	N/A	8.09%	0.12	0.18	7.86%	0.19	(0.00)	6.62%	0.29	(0.15)	N/A	N/A	N/A
Credit Related	556	3.60%	3.14%	9.10%	9.62%	3.83%	2.46%	7.86%	4.81%	N/A	N/A	3.78%	1.83	2.76	4.26%	0.89	0.71	4.03%	1.82	1.53	N/A	N/A	N/A
Equity																							
Developed Markets	2,399	0.19%	-0.27%	-1.64%	-1.12%	2.39%	1.02%	7.13%	4.08%	N/A	N/A	5.66%	(0.25)	(0.32)	5.78%	0.53	0.55	5.38%	1.26	1.50	N/A	N/A	N/A
Emerging Markets	259	-1.11%	-1.57%	0.36%	0.88%	7.47%	6.10%	5.19%	2.13%	N/A	N/A	5.84%	0.50	1.00	6.63%	1.27	1.28	5.63%	0.94	0.50	N/A	N/A	N/A
LCC subtotal	3,590	1.52%	1.06%	0.58%	1.11%	2.84%	1.48%	6.50%	3.44%	5.57%	5.40%	4.80%	0.08	0.61	5.02%	0.65	0.89	4.55%	1.35	1.79	6.25%	0.78	2.26
Total Before Insurance, Tactical, Hedging Derivatives and Gold	7,726	-0.63%	1.55%	2.95%	0.54%	1.80%	1.18%	4.60%	1.99%	3.87%	2.30%	5.02%	0.56	0.16	4.81%	0.45	0.78	4.91%	0.89	1.38	8.27%	0.43	1.41
Insurance, Tactical and Hedging Derivatives Impact on Total Return	-	0.02%	0.02%	0.03%	0.03%	-0.01%	-0.01%	-0.18%	-0.18%	-0.12%	-0.12%												
Gold Impact on Total Return	184	-0.21%	-0.21%	0.09%	0.09%	-0.10%	-0.10%	-0.51%	-0.51%	-0.12%	-0.12%												
Grand Total	\$ 7,910	-0.83%	1.35%	3.07%	0.66%	1.69%	1.08%	3.91%	1.30%	3.63%	2.07%	4.94%	0.53	0.46	4.75%	0.32	0.84	4.87%	0.77	0.99	8.25%	0.34	1.34



Contract Update

Contract Update



October 1, 2016 through January 20, 2017
New Contracts, Leases, and Other Commercial Arrangements
(Total Obligation per Agreement greater than \$100,000)

Agreement	Purpose	Contract Term	Annual Amount
Burgiss Group	Private Informant & Private Q - enhance Private I with benchmarking support and transparency	1/1/2017 - 1/1/2018	\$122,000

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

- Agenda Item:** Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of UTIMCO
- Developed By:** Staff
- Presented By:** Beck
- Type of Item:** Action required by UTIMCO Board related to Audit; Information item on other items
- Description:** The Audit and Ethics Committee (the “Committee”) met on January 31, 2017. The Committee’s agenda included (1) discussion and appropriate action related to the Committee minutes; (2) discussion and appropriate action related to financial statement audit results and communications and audited financial statements for the Corporation; (3) report from UT System Audit Office; (4) an update on UTIMCO’s compliance, reporting, and audit matters; (5) a presentation of unaudited financial statements as of November 30, 2016 for the Investment Funds and the Corporation; and (6) discussion and appropriate action related to the incentive award opportunities for the eligible position of Corporate Counsel and Chief Compliance Officer, effective September 1, 2016.
- Discussion:** The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2016 and 2015 financial statements. Robert Cowley, the engagement partner, presented to the Committee the Deloitte & Touche LLP’s Audit Results and Communications letter and answered questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.
- J. Michael Peppers, Chief Audit Executive and Eric Polonski, Assistant Director of Audits of the UT System Audit Office, reviewed the Travel and Entertainment Expense Audit Report FY 2016.
- The Committee met in executive session to review the recommendation of Mr. Warner related to the UTIMCO Compensation Program (the Plan) Incentive Award Opportunities for the Eligible Position of Corporate Counsel and Chief Compliance Officer. The Committee and Mr. Warner will make a joint recommendation to the Compensation Committee.
- Routine activities of the Committee included reviewing the unaudited financial statements for the first quarter for the Funds and the Corporation and the quarterly compliance reports.
- Recommendation:** The Committee will request the UTIMCO Board take appropriate action based on the Committee’s action from its meeting related to approval of Deloitte and Touche LLP’s Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Reference: Audit Results and Communications
 Audited Financial Statements and Audit Report for the Corporation
 Quarterly Compliance Reports

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2016**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2016, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2016 and August 31, 2015, be, and are hereby approved in the form as presented to the Board.



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December 23, 2016

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

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

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

We have performed an audit of the financial statements of The University of Texas Investment Management Company (the "Company") as of and for the year ended August 31, 2016, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated December 23, 2016.

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

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

Yours truly,

cc: Management of The University of Texas Investment Management Company

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated July 5, 2016, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ended August 31, 2016, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2016 financial statements. In 2016, the Company adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. The implementation of the statement had no effect on the net position or the revenue, expenses and changes in net position for the Company.

We have evaluated the significant qualitative aspects of the Company's 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 Company's 2016 financial statements include the recoverability of long-term assets such as property and equipment and liabilities, as well as those related to accrued compensation and other compensation related accounts. During the year ended August 31, 2016, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

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

MATERIAL CORRECTED MISSTATEMENTS

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

OTHER INFORMATION IN THE ANNUAL REPORT TO SHAREHOLDERS

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

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2016 financial statements.

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

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during fiscal year 2016.

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

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

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

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

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

OTHER-MATTER PARAGRAPH

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



December 23, 2016

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

We are providing this letter in connection with your audits of the statements of net position of The University of Texas Investment Management Company (the "Company") as of August 31, 2016 and 2015, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial net position, results of operations, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

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

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

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

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

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

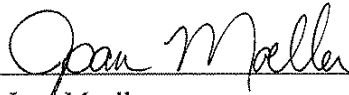
Except where otherwise stated below, immaterial matters less than \$50,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

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

- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
14. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
 15. The Company has complied with all aspects of contractual agreements that may affect the financial statements.
 16. The performance incentive awards approved for the year ended August 31, 2016 and approved on December 1, 2016, totaled \$6,795,782.
 17. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
 18. The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets for impairment in accordance with FASB ASC 360, *Property, Plant, and Equipment*. The financial statements referred to above reflect all adjustments required by FASB ASC 360 as of August 31, 2016.
 19. There has been no significant change in the extent or manner which the capitalized computer software costs for the Investment Support System will be used after August 31, 2016 through December 23, 2016.
 20. No events have occurred after August 31, 2016 but before December 23, 2016, the date the financial statements were issued that require consideration as adjustments to, or disclosures in, the financial statements.



Mark Warner
Interim Chief Executive Office and Chief Investment
Office



Joan Moeller
Senior Managing Director – Accounting, Finance and
Administration



Kim Bauer
Senior Accountant – Finance and Administration

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2016 and 2015

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Texas Investment Management Company ("UTIMCO"), which comprise the statements of net position as of August 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2016 and 2015, and the results of its changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Deloitte & Touche LLP

December 23, 2016

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

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2016. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$36 billion as of August 31, 2016. UTIMCO is governed by a nine-member Board of Directors (UTIMCO Board), consisting of at least three members of the UT Board, the Chancellor of The University of Texas System, three independent directors with substantial background and expertise in investments appointed by the UT Board, and two members appointed by the Texas A&M System Board, one of which must have a substantial background and expertise in investments. The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for most investments to UTIMCO.

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

Financial Highlights

Net position increased by approximately \$4.7 million from \$5.8 million to \$10.5 million, or approximately 81%, for the year ended August 31, 2016. This is compared to an increase of approximately \$0.5 million from \$5.3 million to \$5.8 million, or approximately 9%, for the year ended August 31, 2015. The increase in net position for FY 2016 was primarily the result of employee compensation being lower than budgeted due to staff departures and unfilled positions. In addition, the UTIMCO Performance Compensation Program's (the Plan) awards earned were less than budgeted for participants. The increase in net position for FY 2015 was primarily the result of capitalizing \$0.7 million of salaries, performance compensation, employee benefits and payroll taxes related to the internally developed software.

Use of Financial Statements and Notes

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

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

Statements of Net Position

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

The following summarizes the Statements of Net Position:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$15,627,261	\$10,331,467	\$11,711,398
Prepaid expenses and other assets	944,958	675,062	664,465
Total Current Assets	<u>16,572,219</u>	<u>11,006,529</u>	<u>12,375,863</u>
Non-Current Assets:			
Assets of the 457(b) deferred compensation plan	1,470,030	1,193,178	1,094,969
Capital assets, net of accumulated depreciation	<u>2,690,841</u>	<u>4,076,643</u>	<u>3,035,345</u>
Total Non-current Assets	<u>4,160,871</u>	<u>5,269,821</u>	<u>4,130,314</u>
Total Assets	<u>\$20,733,090</u>	<u>\$16,276,350</u>	<u>\$16,506,177</u>
Liabilities and Net Position			
Current Liabilities	\$ 8,743,616	\$ 9,279,507	\$ 9,867,896
Non-Current Liabilities	<u>1,470,030</u>	<u>1,193,178</u>	<u>1,320,213</u>
Total Liabilities	<u>10,213,646</u>	<u>10,472,685</u>	<u>11,188,109</u>
Net Position	<u>10,519,444</u>	<u>5,803,665</u>	<u>5,318,068</u>
Total Liabilities and Net Position	<u>\$20,733,090</u>	<u>\$16,276,350</u>	<u>\$16,506,177</u>

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

- Net position increased in FY 2016 by \$4,715,779 and increased in FY 2015 by \$485,597. The increase in net position for FY 2016 was primarily the result of lower than budgeted employee compensation resulting from staff departures and unfilled positions. In addition, the Plan's awards earned were less than budgeted for participants. The increase in FY 2015 was primarily a result of capitalizing \$729,342 of salaries, performance compensation, employee benefits and payroll taxes related to the internally developed software. The capitalized costs were included in the FY 2015 budgeted expenses. There were no capitalized costs in FY 2016 since development of the internally developed software ceased.

- Cash & cash equivalents increased between FY 2015 and FY 2016 by \$5,295,794 and decreased between FY 2014 and FY 2015 by \$1,379,931. The increase in cash & cash equivalents for FY 2016 resulted from an increase in the management fee revenue to cover staff additions and performance compensation which was not spent in FY 2016. The additional management fee was not spent due to staff departures, unfilled positions and a decrease in Plan participants' performance compensation. The decrease in cash & cash equivalents for FY 2015 resulted from capital asset additions and a higher than budgeted expense of FY 2014 performance awards deferred in FY 2014 and paid in FY 2015.
- Prepaid expenses and other assets increased by \$269,896 in FY 2016 primarily as a result of a prepayment for the investment support software subscription. Prepaid expenses and other assets remained relatively constant between FY 2014 and FY 2015.
- Non-current assets decreased by \$1,108,950 in FY 2016 and increased by \$1,139,507 in FY 2015. The decrease in FY 2016 was primarily a result of depreciating fixed assets related to the internally developed software offset by an increase in assets of the 457(b) deferred compensation plan. The increase in FY 2015 was primarily a result of fixed asset purchases and capitalized costs related to the internally developed software and an increase in assets of the 457(b) deferred compensation plan.
- Current liabilities decreased by \$535,891 in FY 2016 and decreased by \$588,389 in FY 2015. The decrease in FY 2016 was primarily the result of a decrease in the performance compensation liability offset by an increase in the deferred performance compensation liability. The FY 2015 decrease was primarily related to a decrease in the performance compensation liability. The decrease in the performance compensation liability was due to the net effects of additional Plan participants for FY 2015 which was offset by the retirement of a senior level investment professional.
- Non-current liabilities increased by \$276,852 in FY 2016 and decreased by \$127,035 in FY 2015. The increase in FY 2016 was the result of an increase in the liabilities of the 457(b) deferred compensation plan. The decrease in FY 2015 was the result of completing the amortization of the long-term portion of unamortized rent offset by an increase in the liabilities of the 457(b) deferred compensation plan.

Statements of Revenues, Expenses and Changes in Net Position

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue			
Management fees and advisory board fees	\$31,527,266	\$25,436,194	\$24,477,011
Net non-operating revenues	32,062	9,069	7,220
Total Revenue	<u>31,559,328</u>	<u>25,445,263</u>	<u>24,484,231</u>
Expenses			
Salaries, benefits & payroll taxes	12,735,551	11,031,415	10,253,112
Performance compensation	7,235,982	8,410,030	9,110,680
General operating	3,028,224	2,581,968	2,174,169
Depreciation	1,657,536	1,129,717	676,524
Other	2,186,256	1,806,536	1,743,914
Total Expenses	<u>26,843,549</u>	<u>24,959,666</u>	<u>23,958,399</u>
Net Position, Beginning of Year	<u>5,803,665</u>	<u>5,318,068</u>	<u>4,792,236</u>
Net Position, End of Year	<u><u>\$10,519,444</u></u>	<u><u>\$5,803,665</u></u>	<u><u>\$5,318,068</u></u>

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

- Management fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board and the UT Board. The revenue fluctuations are the direct result of these approved budgets.
- Total Expenses increased by \$1,883,883 in FY 2016 from FY 2015 and increased by \$1,001,267 in FY 2015 from FY 2014. The increase in FY 2016 was primarily a result of an increase in salaries, benefits and payroll taxes expenses related to the internally developed software since development of the software ceased and the expenses were not reclassified to capitalized software as they were in FY 2015. In FY 2015, \$729,342 of salaries, performance compensation, employee benefits and payroll taxes related to the internally developed software was reclassified to capitalized software, thus reducing these costs. The FY 2015 decrease in performance compensation of \$700,650 is mainly due to the net effects of additional Plan participants for FY 2015 which was offset by the retirement of a senior level investment professional at the end FY 2015.

- Depreciation expense also was a significant component of the increase in total expense. Depreciation expense has been increasing year over year since the internally developed software was put into service and the costs have been depreciated over the useful life of the software.
- Other expenses also contributed to the total expense increase in FY 2016. Specifically, the hiring of recruiting firms and on-line data and other contract services increased in FY 2016. In FY 2015, recruiting firms and compensation consultants also were higher than in FY 2014.

Statements of Cash Flows

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash Flows Provided by Operating Activities			
Proceeds from management fees and advisory board fees	\$31,527,266	\$25,436,194	\$24,477,011
Payments to and for employees	(20,224,285)	(19,904,545)	(17,181,002)
Other payments	<u>(5,767,515)</u>	<u>(4,749,634)</u>	<u>(3,936,655)</u>
Net cash provided by Operating Activities	5,535,466	782,015	3,359,354
Cash Flows Used for Capital and Related Financing Activities			
Purchase of capital assets, net	<u>(275,166)</u>	<u>(2,171,015)</u>	<u>(1,889,300)</u>
Net cash used for Capital and Related Financing Activities	<u>(275,166)</u>	<u>(2,171,015)</u>	<u>(1,889,300)</u>
Cash Flows from Investing Activities			
Interest	<u>35,494</u>	<u>9,069</u>	<u>7,220</u>
Net cash provided by Investing Activities	<u>35,494</u>	<u>9,069</u>	<u>7,220</u>
Net Change in cash & cash equivalents	5,295,794	(1,379,931)	1,477,274
Cash & cash equivalents, beginning of year	<u>10,331,467</u>	<u>11,711,398</u>	<u>10,234,124</u>
Cash & Cash Equivalents, end of year	<u><u>\$15,627,261</u></u>	<u><u>\$10,331,467</u></u>	<u><u>\$11,711,398</u></u>

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

- Receipt of management fees and advisory board fees increased in FY 2016 as a result of the increase in UTIMCO's budget. The UTIMCO budget is approved in advance each year by both the UTIMCO board and the UT Board and the management fee fluctuates as the direct result of the approved budget.
- Payments to and for employees increased in fiscal years 2016 and 2015 mainly as a result of the increase in salaries and other personnel expenses that are directly related to compensation.
- Purchases of capital assets decreased in FY 2016 as a result of ceasing the development of the internal software. In FY 2015, purchases of capital assets increased as a result of leasehold improvements and the costs of internally developed software, including the capitalization of salaries, performance compensation, employee benefits and payroll taxes.

Contacting UTIMCO

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Net Position

August 31, 2016 and 2015

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,627,261	\$ 10,331,467
Prepaid expenses and other assets	944,958	675,062
Total Current Assets	16,572,219	11,006,529
Non-Current Assets:		
Assets of the 457(b) deferred compensation plan	1,470,030	1,193,178
Capital assets, net of accumulated depreciation of \$7,393,762 and \$5,855,068, respectively	2,690,841	4,076,643
Total Non-current Assets	4,160,871	5,269,821
Total Assets	\$ 20,733,090	\$ 16,276,350
 Liabilities and Net Position		
Current Liabilities:		
Accounts Payable and accrued expenses	\$ 8,743,616	\$ 9,054,263
Current portion - unamortized rent	-	225,244
Total Current Liabilities	8,743,616	9,279,507
Non-Current Liabilities:		
457(b) deferred compensation plan obligations	1,470,030	1,193,178
Total Non-Current Liabilities	1,470,030	1,193,178
Total Liabilities	10,213,646	10,472,685
Net Position:		
Net investment in capital assets	2,690,841	4,076,643
Unrestricted	7,828,603	1,727,022
Total Net Position	10,519,444	5,803,665
Total Liabilities and Net Position	\$ 20,733,090	\$ 16,276,350

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Position

For the years ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Management Fees	\$ 31,517,266	\$ 25,436,194
Advisory Board Fees	10,000	-
Total Operating Revenues	<u>31,527,266</u>	<u>25,436,194</u>
Operating Expenses		
Salaries	10,394,021	8,904,848
Performance Compensation	7,235,982	8,410,030
Employee Benefits	1,640,450	1,472,347
Payroll Taxes	701,080	654,220
General Operating	3,028,224	2,581,968
Depreciation	1,657,536	1,129,717
Lease	1,173,823	1,136,934
Professional Fees	808,005	456,026
Insurance	204,428	213,576
Total Operating Expenses	<u>26,843,549</u>	<u>24,959,666</u>
Operating Income	4,683,717	476,528
Non-Operating Revenues		
Interest	35,494	9,069
Loss on Disposal of Equipment	(3,432)	-
Net Non-Operating Revenues	<u>32,062</u>	<u>9,069</u>
Increase in Net Position	4,715,779	485,597
Net Position at beginning of year	5,803,665	5,318,068
Net Position at end of year	<u>\$ 10,519,444</u>	<u>\$ 5,803,665</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from Operating Activities:		
Proceeds from management fees and advisory board fees	\$ 31,527,266	\$ 25,436,194
Payments to suppliers for goods and services	(4,368,448)	(3,387,457)
Payments for facility	(1,399,067)	(1,362,177)
Payments to employees	(17,888,214)	(17,651,488)
Payments for employees	<u>(2,336,071)</u>	<u>(2,253,057)</u>
Net Cash provided by Operating Activities	<u>5,535,466</u>	<u>782,015</u>
Cash flows from Capital and Related Financing Activities:		
Purchases of capital assets	<u>(275,166)</u>	<u>(2,171,015)</u>
Net cash used in Capital and Related Financing Activities	<u>(275,166)</u>	<u>(2,171,015)</u>
Cash flows from Investing Activities		
Interest	<u>35,494</u>	<u>9,069</u>
Net cash from Investing Activities	<u>35,494</u>	<u>9,069</u>
Net increase/(decrease) in cash and cash equivalents	5,295,794	(1,379,931)
Cash and cash equivalents at beginning of year	<u>10,331,467</u>	<u>11,711,398</u>
Cash and cash equivalents at end of year	<u>\$ 15,627,261</u>	<u>\$ 10,331,467</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

For the years ended August 31, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Operating income	\$ 4,683,717	\$ 476,528
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,657,536	1,129,717
Changes in assets and liabilities:		
Increase in prepaid expenses and other assets	(269,896)	(10,597)
Increase in assets of 457(b) deferred compensation plan	(276,852)	(98,209)
Decrease in accounts payable and accrued expenses	(310,647)	(588,391)
Increase in liabilities of 457(b) deferred compensation plan	276,852	98,209
Decrease in unamortized rent	(225,244)	(225,242)
Net cash provided by operating activities	<u><u>\$ 5,535,466</u></u>	<u><u>\$ 782,015</u></u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
Notes to Financial Statements

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Cash and cash equivalents

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

Prepaid expenses and other assets

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

Capital assets, net of accumulated depreciation

Net capital assets consist of office furniture, office equipment, software, and leasehold improvements and are stated at net book value. UTIMCO capitalizes assets whose cost exceeds \$300. Depreciation is computed using the straight-line method over the useful lives of the assets. Estimated useful lives range from three to seven years for office furniture, equipment and software and for the lease term for leasehold improvements. UTIMCO has incurred software development costs related to an internal software development project. During the period ended August 31, 2015, UTIMCO capitalized salaries, benefits and performance compensation of \$729,342 related to the software development. No costs were capitalized for the period ended August 31, 2016. The costs are depreciated over the useful life of the asset, and in the event that the software will no longer be fully utilized as intended, an additional \$46,089 was included in depreciation expense. The following is a schedule of the capital assets at August 31, 2016 and 2015:

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
Notes to Financial Statements

	Balance	Additions/		Balance
	8/31/2015	Transfers	Deletions	8/31/2016
		into service		
Office furniture	\$ 935,582	\$ 4,241	-	\$ 939,823
Office equipment	1,389,928	60,009	(45,213)	1,404,724
Software	4,299,457	210,916	(77,061)	4,433,312
Leasehold improvements	3,306,744	-	-	3,306,744
Total property and equipment	9,931,711	275,166	(122,274)	10,084,603
Less accumulated depreciation	(5,855,068)	(1,657,536)	118,842	(7,393,762)
Net Capital Assets	<u>\$ 4,076,643</u>	<u>\$ (1,382,370)</u>	<u>\$ (3,432)</u>	<u>\$ 2,690,841</u>

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

Income taxes

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

Use of Estimates

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

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Subsequent Events

These financial statements considered subsequent events through December 23, 2016, the date the financial statements were available to be issued.

Recently Issued Accounting Standards

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

GASB Statements Implemented in 2016 - GASB Statement No. 72 (Statement 72), *Fair Value Measurement and Application*, effective 2016, clarifies the definition of fair value, establishes principles for measuring fair value, provides additional fair value guidance, and enhances disclosures about fair value measurements. This Statement affects the disclosures for the UTIMCO 457(b) plan as described in Note 5 and the UTIMCO institutional money market account as described in Note 4.

Note 3 - Related Party Transactions

- a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the periods ended August 31, 2016 and 2015 were \$31,509,766 and \$25,428,694, respectively. This represents fees for the following:

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

	<u>2016</u>	<u>2015</u>
Permanent University Fund	\$ 16,912,692	\$ 13,033,233
The University of Texas System Long Term Fund	8,662,531	6,965,995
Permanent Health Fund	1,290,296	1,064,608
The University of Texas System Intermediate Term Fund	<u>4,644,247</u>	<u>4,364,858</u>
	<u>\$ 31,509,766</u>	<u>\$ 25,428,694</u>

- b) UTIMCO contracts for internet, mainframe connection, technology services, and various other expenses with The University of Texas System, The University of Texas at Austin, and The University of Texas at Arlington. The total for these services for the periods ended August 31, 2016 and 2015 were \$37,358 and \$46,023, respectively.

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$250,000. As of August 31, 2016 and 2015, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk. The UTIMCO operating funds are invested in an institutional preferred money market account. The current fair value of the assets of the account is categorized as Level 1 of the fair value hierarchy as defined in GASB No. 72. The money market account balances as of August 31, 2016 and 2015 were \$15,461,229 and \$10,204,788, respectively.

Note 5 – Elective Deferral Plans

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, the UTIMCO 403(b) Tax Sheltered Annuity Plan, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2016 and 2015 were \$748,756 and \$696,658, respectively.

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

457(b) plan are invested in publicly traded mutual funds and are categorized as Level 1 of the fair value hierarchy as defined in GASB No. 72

Effective May 1, 2011, UTIMCO established a health savings account arrangement, which is a tax-exempt trust or custodial account with a qualified trustee used to pay or reimburse certain medical expenses. Employer contributions for the period ended August 31, 2016 and 2015 were \$174,084, and \$176,418, respectively.

Note 6 – Lease Expense

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

UTIMCO began paying lease and operating costs related to UTIMCO's lease effective November 2006. For the periods ended August 31, 2016 and 2015, related operating expenses were \$671,447 and \$639,087, respectively. The net lease expense related to the lease incentive and amortization of the tenant allowance for both the periods ending August 31, 2016 and 2015 was \$348,028. For the periods ended August 31, 2016 and 2015, parking expense was \$154,348 and \$149,819, respectively.

The 132 month lease expired on August 31, 2016. The minimum rental commitment was \$47,773 per month.

On November 14, 2014, UTIMCO entered into an eighteen month lease extension agreement for its current office space and parking, expiring February 28, 2018. The minimum rental commitment is \$94,733 per month and an additional allowance of \$162,400 was provided in connection with this extension. UTIMCO will use the allowance toward the payment of base rent in lieu of applying it toward construction related expenses as provided for in the lease.

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

Years ending August 31,	
2017	1,136,800
2018	<u>568,400</u>
Total	<u>\$1,705,200</u>

Note 7 – Unamortized Rent

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

original lease on August 31, 2016, there was no unamortized rent. As of August 31, 2015, the total unamortized rent was \$225,244. The portion of the unamortized rent related to the rent holidays as of August 31, 2015 was \$54,899. The remaining portion of the unamortized rent as of August 31, 2015 was \$170,345 and related to the tenant improvement allowance. UTIMCO was initially provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. In August 2008, an additional allowance of \$173,415 was provided in connection with the expansion. The unamortized rent was amortized over the initial term of the lease.

Note 8 – Advisory Board Fees

UTIMCO received a fee on behalf of an employee who served as an advisory board member for a private equity investment. Advisory board fees for the period ending August 31, 2016 were \$10,000. No fees were received in prior year.

**The University of Texas Investment Management Company
Institutional Compliance Program Report
for the Quarter Ended November 30, 2016**

Section I – Organizational Matters

- One meeting of the Ethics and Compliance Committee was held during the quarter: October 4, 2016.
- Bruce Zimmerman, CEO and Chief Investment Officer resigned effective 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.
- Ben Murray joined the staff as a full-time Operational Due Diligence Analyst.

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 36 meetings/calls with potential managers. No serious due diligence was initiated. Three new mandates were completed. Ongoing review of active external managers included 71 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team and participation in one annual meeting.

MCC - Fixed Income: The MCC-Fixed Income group participated in nine meetings/calls with potential managers. Ongoing review of active external managers included 14 meetings/calls. No serious due diligence was initiated. One new mandate was completed. Additional efforts included 12 calls with brokers.

Technology: The Technology group participated in 42 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate and one existing mandate. Four new mandates were completed and there was one addition to an existing mandate. Ongoing review of active external managers included 57 meetings/calls. Additional efforts included participation in six annual meetings.

Less Correlated and Constrained: The Less Correlated and Constrained group participated in 35 meetings/calls with potential managers. No serious due diligence was initiated. One new mandate was completed. Ongoing review of active external managers was conducted in the form of 67 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team.

Private Credit: The Private Credit group did not participate in any meetings/calls with potential managers. No serious due diligence was initiated. No new mandates were completed. Ongoing review of active external managers included five meetings/calls.

Private Equity: The Private Equity group participated in 39 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate and one existing mandate. One new mandate was completed. Ongoing review of active external managers included 46 meetings/calls. Additional efforts included participation in two annual meetings.

Healthcare: The Healthcare group participated in 22 meetings/calls with potential managers. No serious due diligence was initiated. Two new mandates were completed. Ongoing review of active external managers included 17 meetings/calls. Additional efforts included participation in one annual meeting.

Natural Resources: The Natural Resources group participated in 156 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates. No new mandates were completed. There was one addition to an existing mandate. Ongoing review of active external managers included 186 meetings/calls, participation in seven annual meetings, and one semi-annual portfolio review.

Emerging Markets: The Emerging Markets group participated in 117 meetings/calls with potential managers. Serious due diligence was initiated on one new mandate. One new mandate was completed. Ongoing review of active external managers included 97 meetings/calls. Additional efforts included participation in seven annual meetings and one semi-annual portfolio review.

Real Estate: The Real Estate group participated in 52 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. Two new mandates were completed. Ongoing review of active external managers included 95 meetings/calls. Additional efforts included participation in eight annual meetings.

Specialized Training: Staff attended 41 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 quarter, 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. Risk Team compared each month’s downside volatility with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports, as well as analysis of managers’ portfolio-level risks and performance.
- Risk Team alerted Senior Management and Investment Committee of the relatively high levels of several risks (notably, downside volatility and illiquidity) and discussed the steps required to maintain these risks at their desired levels.

- Risk Team reviewed one due-diligence questionnaire.
- Risk Team continued to monitor sources and uses of cash and the sources and uses of illiquid capital. Risk Team continued to enhance its 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. 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.
- Risk Team continued to develop a system and processes by which the accuracy and integrity of the underlying data for Private Investments can be verified, thereby resulting in a system which the Staff trusts and uses.
- Risk Team continued to monitor the current macro environment. Risk Team continued to review future scenarios with high risk and is working with the Portfolio Positioning Task Force (PPTF) to better understand the impact of, and address, each such scenario.
- All internal derivatives were reviewed and analyzed in detail prior to initiation.
- Derivative positions, when present, are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly. Fixed income duration and tracking error is being monitored on an ongoing basis. Manager use of margin and leverage is monitored on an ongoing basis. Risk Team confirmed each month downside volatility and VaR calculations.
- Risk Team prepared projections on portfolio downside volatility utilization, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.

Specialized Training: None.

High-Risk Area #3: Information Technology & Security

Responsible Party: Chief Technology Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- New employee/intern security training completed.
- Several alerts were sent to staff covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means. One violation occurred this quarter.
- Compliance checks for nightly shutdown/logout are performed. Violations are noted and violators are notified as necessary.
- Random checks for confidential data storage continue and CISO continues to work with development staff to limit access to source code.
- Random checks for software compliance were completed. 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.
- Dynamo project continues; security checks and reviews are ongoing.
- One violation of software/service security & legal review was identified. Reviews were completed after the fact, no issues noted.
- Office 365 security and two factor authentication review and configuration continues.
- Construction of new building space continues, addressed security, infrastructure, and safety concerns.

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, and Dynamo review new technologies, security standards, and security.

High-Risk Area #4: Investment Compliance

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

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian’s software and in-house developed databases and reports.
- Review of monthly and quarterly investment compliance reports prepared by Staff continues.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Updated Derivative Investment Controls and Processes were finalized in November and are being followed.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: Chief Compliance Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- All Certificates of Compliance were received timely from all Directors and Key Employees for all investment managers hired and funded. Certificates were reviewed for completeness; no conflicts of interests were noted, i.e. no pecuniary interests were identified.
- All compliance statements were received by the due date or within the extension of time granted by the CEO.

- Three new employees were hired during the quarter. All new employee financial disclosure statements and ethics compliance statements due were received on or before the required due dates.
- Two employee ethics and compliance training sessions were held for new hires. New staff 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. No review was required during the quarter.
- List of publicly traded securities of all publicly traded companies in which a Director or employee has a pecuniary interest (the “restricted list”) was maintained. Internal managers and external managers under agency agreements are provided the restricted list in order to prevent the violation of UTIMCO Code of Ethics and *Texas Education Code* Section 66.08. No new securities were added to or removed from the list. No new managers operating under an agency agreement were hired during the quarter. Consequently, the restricted list was not required to be sent to any managers operating under an agency agreement during the quarter.
- On a daily basis, the Compliance Specialist reviewed security holdings of internal and external managers under agency agreements for compliance with the restricted list. No exceptions noted.
- Of the 28 securities transactions during the year, none required preclearance. All but two transactional disclosure forms were submitted within the required ten days.
- CEO approval was given to three employees for outside employment.
- Beginning with the fourth quarter 2015, the Finance and Administration travel review process was modified to require testing of a sample of expense reports only and no longer provide a review of all reimbursement requests. As a result, compliance reporting is now limited to information obtained from the sample tested during the quarter. Of the ten expense reports tested during the quarter, one included third party paid expenses that were not disclosed and approved as required. No expense report tested included a sponsored entertainment event. There was one sponsored entertainment event that did not include travel which required CEO, CCO, or UTIMCO Chairman approval. 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 staff. CCO reviewed the documentation and workpapers supporting the various compliance reports prepared by the Responsible Parties.

Significant Findings: None

High-Risk Area #5: Conflicts of Interest

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO and or CCO designee 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

Two training sessions for new hires were held during the quarter.

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:**

Type	FYTD Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	7	0.00%

Total	7	0.00%
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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 Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2017**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
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	<i>No activity</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	<i>On-going; updated monitoring plans circulated last quarter were finalized and used for first quarter reporting</i>
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	<i>1st qtr FY 17 reviewed</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/17	<i>Two training sessions for new hires were held on 09/14/16 and 10/24/16</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, Council of Public Funds Compliance Officers Roundtable on 11/29/16</i>
<i>D. REPORTING</i>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	<i>4th qtr FY 16 meeting held on 10/04/16</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>Annual report presented to the Audit & Ethics Committee on 11/17/16; Annual report provided to Systemwide Compliance Office on 11/23/16</i>
<i>E. OTHER / GENERAL COMPLIANCE</i>			
8.	Finalize draft of compilation of all laws and regulations and to the extent necessary, modify compliance processes and reporting	02/28/17	<i>On-going</i>

Updated 01/06/17

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
9.	Review and update Business Continuity Plan as necessary	05/31/17	<i>No activity</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>On-going</i>
12.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	On-going	<i>No activity</i>
13.	Hotline reporting	On-going	<i>Hang-ups/wrong numbers only - 7</i>

Updated 01/06/17

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Agenda Item:	Report from Risk Committee
Developed By:	Staff
Presented By:	Bass
Type of Item:	Information item
Description:	<p>The Risk Committee (“Committee”) met separately and jointly with the Policy Committee on January 31, 2017. The Committee’s agenda for its meeting included (1) discussion and appropriate action related to the minutes; (2) discussion and appropriate action related to the categorization of new investment mandates; (3) review and discussion of compliance reporting; and (4) review and discussion of performance and risk reporting. The joint meeting agenda included discussion and appropriate action related to proposed amendments to the exhibits of the investment policy statements related to private investments benchmark.</p>
Discussion	<p>The Committee reviewed and took appropriate action related to seven (7) mandate categorizations prepared by staff for the period beginning November 8, 2016, and ending January 20, 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 performance and risk reporting and the quarterly compliance reporting.</p> <p>The Committee also had a joint meeting with the Policy Committee to discuss staff’s recommended amendments to the Exhibits of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, and Long Term Fund. The discussion of the Investment Policies is covered in the Report from the Policy Committee in Tab 5.</p>
Recommendation:	None
Reference:	None

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

- Agenda Item:** Report from Policy Committee: Discussion and Appropriate Action Related to Proposed Amendments to Exhibits of the Investment Policy Statements Related to the Private Investments Benchmark
- Developed By:** Staff
- Presented By:** Hicks, Warner
- Type of Item:** Action item; Action required by UTIMCO Board and by the UT System Board of Regents
- Description:** The Policy Committee (the “Committee”) met separately and jointly with the Risk Committee on January 31, 2017. The Committee’s agenda for the joint meeting included discussion and appropriate action related to proposed amendments to the exhibits of the Investment Policy Statements related to the Private Investments benchmark. The separate meeting agenda included discussion and approval of prior Committee meeting minutes. No action was taken by the Committee at the joint meeting.
- Staff is recommending a change to the Private Investments benchmark. The change is reflected in the Exhibits of the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF) and the Long Term Fund (LTF). The Exhibits are enclosed for approval of the UTIMCO Board and further approval of the UT System Board of Regents is required. Staff is requesting that the proposed benchmark be effective as of September 1, 2016 and the Policy Portfolio be “trued up” in the month that the change is approved by the UT System Board of Regents.
- Discussion:** Mr. Warner will present the *Private Investments Benchmark Discussion* presentation. Exhibit A of the Investment Policy Statements of the PUF and GEF and Exhibit B of the PHF and LTF are being amended to reflect the proposed change in the Private Investments benchmark. Attachment 1 reflects the proposed changes to the PUF, GEF, PHF, and LTF. The proposed benchmark is the Cambridge Custom Direct Benchmark which replaces the Custom Cambridge Fund of Funds Benchmark. Cambridge will supply a database of six asset class benchmarks, which will be used to calculate the Cambridge Custom Direct Benchmark based on the methodology developed by Cambridge and Staff.
- Recommendation:** Staff will request the UTIMCO Board to take appropriate action related to the proposed amendments to the Exhibits of the Investment Policy Statements for the PUF, GEF, PHF and LTF, effective September 1, 2016.
- Reference:** *Private Investments Benchmark Discussion* presentation
Attachment 1 - Exhibits to Investment Policy Statements for the PUF, GEF, PHF, and LTF

RESOLUTION RELATED TO EXHIBITS OF INVESTMENT POLICY STATEMENTS

RESOLVED, that amendments to Exhibit A of the Investment Policy Statements of the Permanent University Fund and General Endowment Fund, and Exhibit B of the Investment Policy Statements of the Permanent Health Fund and Long Term Fund, effective September 1, 2016, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

ATTACHMENT 1
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2016

POLICY PORTFOLIO	FYE 2017		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	3.0%	9.5%	25.0%
Credit-Related Fixed Income	0.0%	7.5%	30.0%
Real Estate	0.0%	7.0%	12.5%
Natural Resources	2.5%	11.5%	20.0%
Developed Country Equity	30.0%	48.5%	65.0%
Emerging Markets Equity	8.0%	16.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	30.0%	39.0%	60.0%
Less Correlated & Constrained	20.0%	25.0%	37.5%
Private Investments	20.0%	36.0%	45.0%

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2017
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	0.0%
0.0% Bloomberg Commodity Total Return Index, 0.0% MSCI World Natural Resources Index and 100.0% Gold Spot price (XAU) *	2.5%
MSCI World Index with net dividends	19.0%
MSCI Emerging Markets with net dividends	10.0%
Hedge Fund Research Indices Fund of Funds Composite Index	25.0%
Custom Cambridge Fund of Funds Benchmark Cambridge Custom Direct Benchmark	36.0%

POLICY/TARGET RETURN/RISKS	FYE 2017
Expected 10-Year Annual Real Return (Benchmark)	3.95%
One Year Downside Volatility	10.41%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

ATTACHMENT 1
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2016

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2017

FYE 2017		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	(0.0%)	4.0%	3.5%	7.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (0.0%)	0.0%	7.0%	7.0%
	Natural Resources	0.0% Bloomberg Commodity Total Return Index, 0.0% MSCI World Natural Resources Index and 100.0% Gold Spot price (XAU) (2.5%) *	0.0%	9.0%	11.5%
Equity	Developed Country	MSCI World Index with Net Dividends (19.0%)	17.0%	12.5%	48.5%
	Emerging Markets	MSCI EM Index with Net Dividends (10.0%)	2.0%	4.0%	16.0%
Total		39.0%	25.0%	36.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index
 ~~Custom Cambridge Fund of Funds Benchmark~~ Cambridge Custom Direct Benchmark

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray



University of Texas Investment Management Company

Private Investments Benchmark Discussion

January 2017

PRIVATE INVESTMENTS BENCHMARK – HISTORICAL PERSPECTIVE



In February, 2014 Staff recommended a change in the PI Benchmark

- The then existing benchmark was a manually constructed fund level compilation created by Staff from the Venture Economics (VE) database
- There were different methodologies for asset class level and total fund benchmarks
- Staff, in conjunction with Cambridge, recommended changing from a fund level benchmark to a fund of funds (FoF) benchmark with data provided by Cambridge

PRIVATE INVESTMENTS BENCHMARK – HISTORICAL PERSPECTIVE



Considerations for the change in PI Benchmark

- A FoF is a better passive representation of PI “beta” that the BOR could access in the absence of Staff
- By 2013, the Cambridge database had improved to the point that Staff felt it could be a viable option
- The existing VE database was being phased out and Staff had lost confidence in the data
- Cambridge offered the capability of vintage weighting their data to more closely match the endowments’ actual commitment pace and to attempt to account for J Curve issues
- The change also enabled the use of the same benchmark for asset class and total fund calculations

PRIVATE INVESTMENTS BENCHMARK – CHARACTERISTICS



The current Cambridge FoF benchmark has the following characteristics as of 6/30/16:

- 631 underlying FoF
- Three subsets of FoF
 - 339 Private Equity
 - 160 Venture Capital
 - 132 Venture Capital and Private Equity combined (mixed mandate)
- There is also some geographical information on the underlying FoF based on where the fund invests
 - 67 of the FoF in the BM are designated as “Emerging Markets”

PRIVATE INVESTMENTS BENCHMARK – DETAIL



The table below illustrates the total FoF data available from Cambridge

Cambridge Benchmark Information

Published FoF Benchmark	# of Funds	% Based on Fund Count	Q2 2016 NAV	% Based on Q2 2016 NAV
FoF: Private Equity	339	54%	\$125,473.49	61%
Energy				
Growth				
Buyout				
Mezzanine				
Distressed				
FoF: Venture Capital	160	25%	47,053.58	23%
FoF: Venture Capital & Private Equity	132	21%	31,858.11	16%
Total	631	100%	\$204,385.18	100%

PRIVATE INVESTMENTS BENCHMARK – LIMITATIONS



The current Cambridge FoF benchmark has the following limitations

- There are no style breakdowns beyond “Private Equity” and “Venture Capital”
- There are no Real Estate funds in the FoF
- It is not clear how much natural resources, including energy-related funds are included in the FoF benchmark
- There is no fund level data for any of the FoF
- Because of these limitations, there is currently very little ability to do any meaningful quantitative attribution analysis of the performance differences between the FoF and UTIMCO’s PI portfolio
- The FoF benchmark, as currently constructed, does not represent approximately 55% of the endowments’ private investments NAV as of 11/30 (NR, RE and Credit)
- The FoF benchmark is more than 23% Venture Capital, vs the endowments’ NAV of 13%

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Agenda Item: Report from Compensation Committee: (1) Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the Performance Period ending August 31, 2017; (2) Discussion and Appropriate Action Related to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); and (3) Discussion and Appropriate Action Related to Amendments to Appendix C of UTIMCO Compensation Program

Developed By: Warner, Moeller, Gonzalez

Presented By: Hobson

Type of Item: Action item; Action required by UTIMCO Board

Description: The Compensation Committee (the "Committee") met on February 1, 2017. The Committee's agenda included the following (1) discussion and appropriate action related to minutes of the meetings held on November 17, 2016, November 28, 2016 and December 1, 2016; (2) discussion and appropriate action related to designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program and Participants' Qualitative Performance Goals for the Performance Period ending August 31, 2017; (3) discussion and appropriate action related to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); (4) discussion and appropriate action related to amendments to Appendix C of UTIMCO Compensation Program, effective September 1, 2016; and (5) discussion and appropriate action related to selection of UTIMCO compensation consultant. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation matters.

Discussion: Designation of Employees in Eligible Positions. During its meeting, the Committee approved Mr. Warner's request that, subject to Board approval, four newly hired employees be designated in Eligible Positions. Section 5.3 of the UTIMCO Compensation Program ("Plan") provides that the Board may designate a newly hired or promoted employee as eligible to participate in the Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible.

The UTIMCO Employees in the Eligible Positions that the Committee is recommending be designated as Participants in the Plan for the Performance Period ended August 31, 2017 are as follows:

- Will Mirshak; Senior Associate – Investments, effective 1/23/2017
- James Pappas; Senior Analyst – Investments, effective 12/30/2016
- Andres Delgado; Analyst – Investments, effective 1/17/2017
- James Ricker; Analyst – Investments, effective 2/21/2017

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Section 5.4 of the Plan requires that the CEO recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants in the Plan. The Committee approved the Qualitative Performance Goals for Mr. Mirshak, Mr. Pappas, Mr. Delgado, and Mr. Ricker.

Appendix B, UTIMCO Peer Group. The Peer Group set forth in Appendix B of the Plan is a peer group of endowment funds that is composed of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, determined as of the last day of each fiscal year ended in June of the preceding fiscal years, excluding the Total Endowment Assets (PUF and GEF). The Plan's Peer Group for the fiscal year ending August 31, 2017 incorporates June 2014, 2015, and 2016. The Peer Group is reviewed annually, and Appendix B is updated as necessary. The Peer Group may be included as a Qualitative Performance Goal for certain Plan Participants.

The Compensation Plan Universe for 2016/17 as determined by UTIMCO staff will be used as the Peer Group for Appendix B of the UTIMCO Compensation Program. Staff recommended no changes to the Peer Group. Staff determined that no other endowment funds met the required criteria for the three immediately preceding June fiscal years. Subject to Board approval, the Committee approved the Peer Group at its meeting on February 1, 2017.

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.

Mr. Warner presented requested changes to Appendix C, Table 1 of the Plan to the Committee and will present them to the Board. Appendix C, Table 1 sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for Each Eligible Position. The Plan states that the Audit and Ethics Committee and CEO will jointly recommend to the Committee any changes to the Table 1 related to the Eligible Position of Corporate Counsel and Chief Compliance Officer, including the Incentive Award Opportunities. Audit and Ethics Chairman Beck informed the Committee of the Audit and Ethics Committee's recommendation approved at its January 31, 2017 meeting. The Committee approved Appendix C as presented to the Committee, subject to Board approval. No other revisions to the Plan are being requested by Staff.

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Compensation Consultant. In accordance with the Charter of the Compensation Committee, the Committee selects and retains the services of an independent qualified compensation consultant as necessary to assist the Committee with the execution of its duties and responsibilities as set forth in the Charter and periodically perform a salary benchmarking study. Director Hobson will report on the Committee's discussion related to the selection and engagement of a compensation consultant for a compensation benchmarking study for the 2017-2018 Performance Period.

Recommendation: The Committee will request appropriate action from the Board related to (1) the designation of Will Mirshak, James Pappas, Andres Delgado, and James Ricker as Employees in Eligible Positions as Participants in the Plan for the 2016/2017 Performance Period; (2) the approval of the Peer Group for the Plan for the Performance Period beginning September 1, 2016, and ending August 31, 2017; and (3) the approval of the amendments to Appendix C of the Plan, effective September 1, 2016.

Reference: Appendix B, UTIMCO Peer Group
Appendix C included in Executive Session

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

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

WHEREAS, the Compensation Committee of the Board has recommended the following individuals, Will Mirshak (Senior Associate – Investments), James Pappas (Senior Analyst – Investments), Andres Delgado (Analyst – Investments), and James Ricker (Analyst – Investments), as Participants in the Plan for the Performance Period ended August 31, 2017; and

WHEREAS, the UTIMCO Board wishes to select Will Mirshak (Senior Associate – Investments), James Pappas (Senior Analyst – Investments), Andres Delgado (Analyst – Investments), and James Ricker (Analyst – Investments) as Participants for the 2016/2017 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that Will Mirshak (Senior Associate – Investments), James Pappas (Senior Analyst – Investments), Andres Delgado (Analyst – Investments), and James Ricker (Analyst – Investments) are hereby designated as “Participants” in the Plan for the Performance Period ended August 31, 2017, effective as of January 23, 2017, December 30, 2016, January 17, 2017, and February 21, 2017, respectively.

**RESOLUTION RELATED TO
PEER GROUP**

WHEREAS, Section 8.24. of the UTIMCO Compensation Program (the “Plan”) provides that the “Peer Group” will be updated from time to time as deemed appropriate by the Board, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

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

WHEREAS, the Board has reviewed the Appendix B and it conforms to the updated Peer Group as defined in the Plan.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of September 1, 2016.

**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, the Plan requires Table 1 to be revised, as necessary, for subsequent Performance Periods to set forth any changes or additions to 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, 2016.

Appendix B

UTIMCO Peer Group

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

Source: UTIMCO Staff. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each year ended June 2014, 2015, 2016.

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Agenda Item: UTIMCO Organization Update

Developed By: Staff

Presented By: Warner

Type of Item: Information Item

Description: Mark Warner will provide an update on UTIMCO's staffing, budget to actual expenses for the 1st quarter, and UTIMCO's Mission, Vision and Values.

Reference: *UTIMCO Organization Update* presentation



The University of Texas Investment Management Company

UTIMCO ORGANIZATION UPDATE February 7, 2017

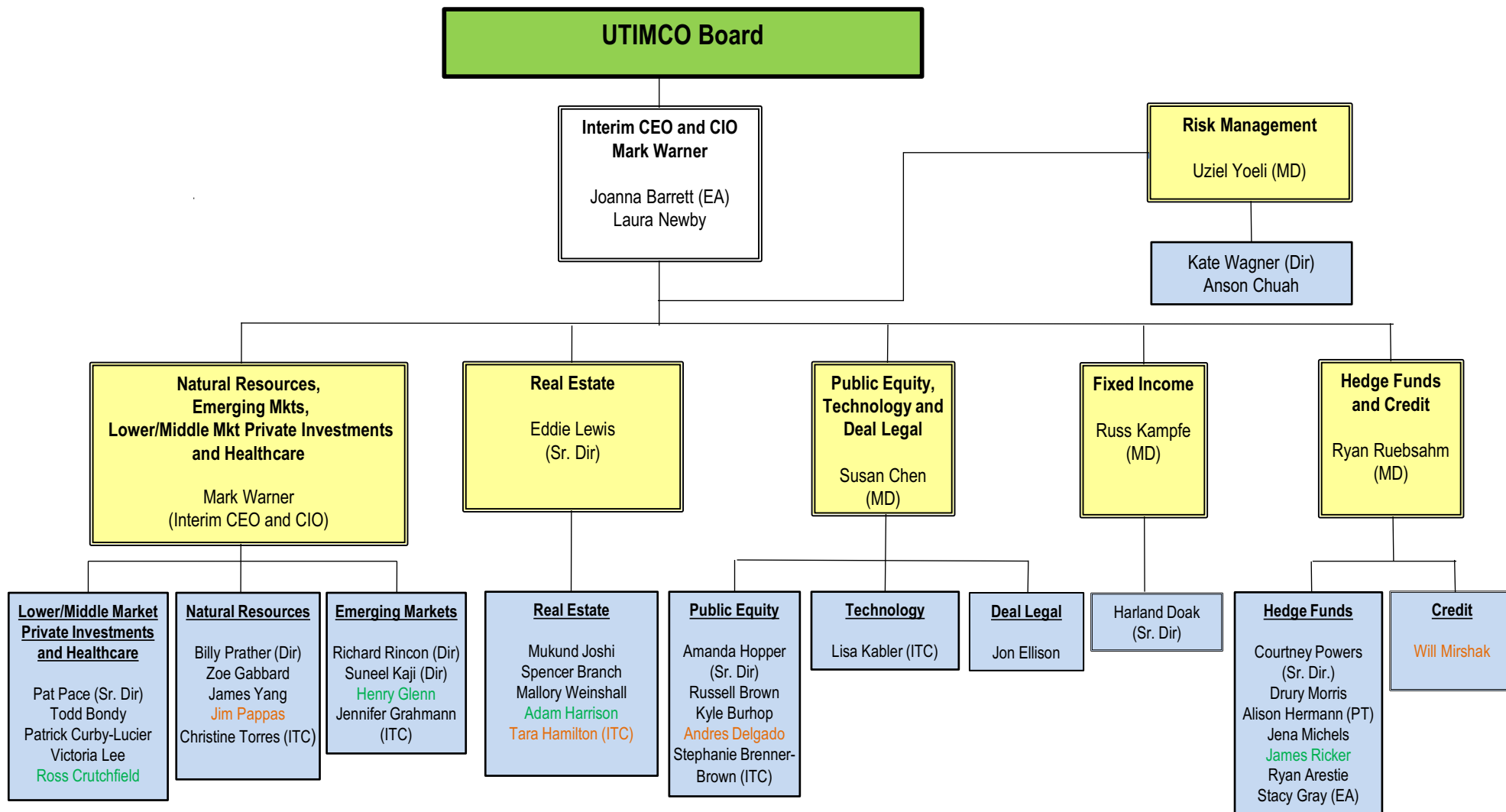
UTIMCO UPDATE



- Staffing
- Budget vs Actual
- Mission, Vision and Values (MVV)

UTIMCO ORGANIZATIONAL STRUCTURE

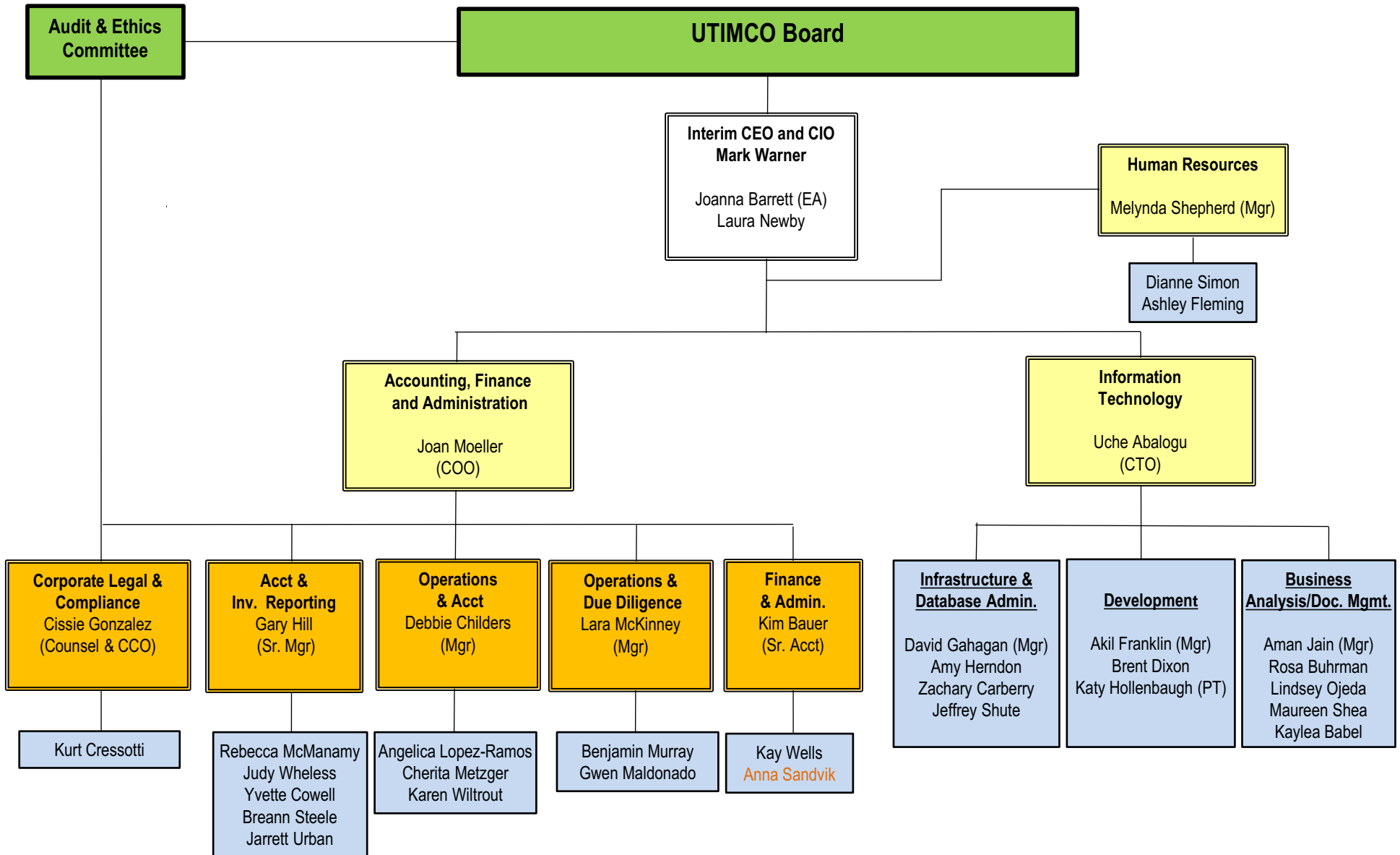
Investments



January 2017

UTIMCO ORGANIZATIONAL STRUCTURE

Support & Control



January 2017

BUDGET VS ACTUAL



UTIMCO Expenses (\$ in thousands)	1Q FY 17		Favorable / (Unfavorable)
	Actual	Budget	
Salaries & Benefits	\$3,488	\$3,818	\$330
Legal	75	41	(34)
Travel	225	252	27
Depreciation	566	293	(273)
Other Expenses	1,406	1,418	12
Subtotal	5,760	5,822	62
Incentive Compensation	3,626	2,252	(1,374)
Total UTIMCO	\$9,386	\$8,074	(\$1,312)
Non-UTIMCO, Non-Investment Management Expenses	\$1,890	\$2,187	\$297

MVV PROCESS OVERVIEW



The UTIMCO MVV initiative was a serious endeavor involving the entire organization for most of calendar year **2016**.

The UTIMCO Senior Management team started this work in **February** 2016 after we became convinced that providing firm-wide clarity about our **Mission, Vision, and Values** would make us a stronger, more successful organization.

We had some concurrent efforts. The Senior Management team focused on the new **Mission** and **Vision** statements during an offsite at the end of March and the **Values** started with input from the entire employee base with the able facilitation of Courtney Powers, Mukund Joshi, Lara McKinney and Ashley Fleming. These efforts were completed in **April**.

The results of these sessions were communicated to the Senior Management team by these facilitators in our second offsite in **May** and the feedback said that we had work to do to not just name **Values**, but to live them. We committed to doing just that. We implemented an anonymous **Employee Survey** in **July** and used the results to establish a baseline for all of us.

We sent out a quick follow up anonymous **Employee Survey** in **November** so that staff could tell us how everyone thinks we've done since that July baseline.

All in, over **700** UTIMCO staff hours were invested in the MVV process.

MVV PROCESS OVERVIEW, CON'T



We aren't declaring victory because this is ongoing, day-by-day work for each and every one of us. However, the survey results are strong enough for us to say that the **Values** aren't just words on paper but are alive and well in the organization and that they mean something.

To ensure that all of our work and efforts with this initiative truly do help us run our organization, we want to codify the **Mission, Vision** and **Values** by communicating them to the Board and by utilizing them going forward for hiring, performance management and giving direction to how we interact with each other. To that end, the FY 2017 goals of all UTIMCO employees state that we will “embody and promote UTIMCO's Mission, Vision and Values”.

We want to stress that ***this work is never done*** and all of us must continue our efforts to ensure that we live these **Values** each and every day. Everyone knows the future is a bit uncertain going into 2017 but our goal is to continue to measure how we are doing going forward, regardless.

The **MVV** initiative and everyone's work associated with it was a meaningful and worthwhile process. We are proud that real change has occurred and that our organization is stronger as a result. This will not be our final conversation about this topic but it was nice to end the yearlong efforts being able to say job well done.

EMPLOYEE SURVEY RESULTS



Each survey was completed by at least 80% of all employees, it was a totally confidential process, and we believe that we can trust the responses and the conclusions. We are pleased with our progress and believe that the majority of staff are too.

The results of the follow up survey conducted in November are encouraging. Opinions about the extent to which Senior Management is living the UTIMCO values are generally more positive than they were in July. Average ratings were higher on 5 of the 6 values and equal to the July average for the remaining one - Diligence.

Ratings for Direct Managers were also higher on 5 Values, but slightly lower than the July average on Diligence.

The trend of self ratings being the highest across all Values continues. Self ratings were higher than in July on 4 of the values, slightly lower on one –Diligence, and the same as in July on Collaboration.

THE UTIMCO MISSION STATEMENT



We generate superior long-term investment returns to support The University of Texas and Texas A&M University Systems as they provide world-class teaching, push the boundaries of discovery, and achieve excellence in patient health care for the people of Texas and beyond.

THE UTIMCO VISION STATEMENT



To be a top performing university investment fiduciary by attracting and developing the highest quality team and best network of global partners.

THE UTIMCO VALUES



1. Diligence

- Striving to be the best at what matters the most
- Maintaining high individual and collective performance standards
- Taking pride in exceeding expectations

2. Integrity

- Owning mistakes and being accountable for one's own behavior
- Supporting others in a constructive way
- Doing what is right for the firm, its constituencies and its employees

3. Collaboration

- Working with others in a trustworthy manner
- Fostering a trusting environment in teams
- Helping others achieve and share in successes

THE UTIMCO VALUES, CON'T.



4. Openness

- Embracing differing viewpoints and productively resolving disagreement
- Encouraging and practicing open and constructive dialogue, both internally and externally

5. Respect

- Demonstrating respect for UTIMCO
- Demonstrating respect for all employees
- Demonstrating respect for all constituents

6. Community

- Demonstrating an appreciation that our success or failure has a direct impact on the people and institutions of Texas
- Demonstrating caring for all employees
- Giving back

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

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

Developed By: Staff

Presented By: Hildebrand

Type of Item: Action required by UTIMCO Board

Description: Chairman Hildebrand will designate the annual meeting of the Board of Directors of the Corporation. The annual meeting will be held on April 20, 2017. Chairman Hildebrand will also present a recommendation to the Board to approve a resolution acknowledging Bruce Zimmerman's tenure as UTIMCO's CEO and Chief Investment Officer.

Recommendation: Chairman Hildebrand will recommend approval of the designation of the annual meeting and approval of Resolution of Appreciation for Bruce Zimmerman.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 20, 2017, in Austin, Texas.

RESOLUTION OF APPRECIATION HONORING

BRUCE ZIMMERMAN

WHEREAS, due to his substantial background and expertise in global investing, Bruce Zimmerman was hired by The University of Texas Investment Management Company in July 2007, to serve as Chief Executive Officer and Chief Investment Officer 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 Chief Executive Officer and Chief Investment Officer, Mr. Zimmerman provided invaluable insight and direction to the staff and Board of Directors, through his development of investment strategy, drafting and amendment of various investment policies, establishment of annual budgets, directing the investment teams, administration of all personnel and staff matters; administration of matters pertaining to the management of the Intermediate Term Fund and maintenance of relationships with the Chief Business Officers at each of the institutions; leadership in all the UTIMCO Committee and Board of Directors Meetings; analysis and reporting on the investment portfolio to the Board of Regents, and cultivation of relationships with members of the legislature and various constituents; and

WHEREAS, Mr. Zimmerman's leadership, commitment, and service as Chief Executive Officer and Chief Investment Officer were exemplary, reflecting his dedication to the success of The University of Texas Investment Management Company and The University of Texas System 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 Investment Management Company, do hereby express to Bruce Zimmerman their sincerest appreciation for his leadership, commitment, and service during his nine years as Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Zimmerman has made a lasting and fundamental contribution to The University of Texas 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 7th day of February, 2017.

Agenda Item
UTIMCO Board of Directors Meeting
February 7, 2017

Agenda Item: Discussion and Appropriate Action Related to Employee's Service as a Director on an UTIMCO Investee Company

Developed By: Gonzalez, Moeller

Presented By: Warner

Type of Item: Action required by UTIMCO Board (the Board)

Description: Mr. Warner is recommending that Richard Rincon, Director – Emerging Markets, serve as a Manager of the Board of Managers for Grupo Los Grobo LLC. UTIMCO has made a co-investment in VSAP Agriservices LP, which owns a majority equity interest in Grupo Los Grobo LLC. In accordance with the UTIMCO Code of Ethics, an employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company. All compensation paid to an Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Mr. Rincon's term on the Board of Managers is scheduled to begin on March 14, 2017. It is expected that Mr. Rincon will be appointed to serve for so long as the Board of Regents of The University of Texas System retains at least 50% of its original investment in VSAP Agriservices LP. UTIMCO's Directors and Officers Insurance Policy coverage has been extended to cover Mr. Rincon's service as a director. There is no compensation associated with this position.

Recommendation: Mr. Warner will recommend approval of Richard Rincon's service as a Manager of the Board of Managers for Grupo Los Grobo LLC.

Reference: None

**RESOLUTION RELATED TO EMPLOYEE'S SERVICE AS A DIRECTOR
ON AN UTIMCO INVESTEE COMPANY**

RESOLVED, that the Board of Directors hereby approves Richard Rincon's service as a Manager of the Board of Managers for Grupo Los Grobo LLC.

FURTHER RESOLVED, that this board service on an UTIMCO investee company will meet all requirements of the Code of Ethics for the Corporation applicable to board service on an UTIMCO investee company.