

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
December 6, 2018
UTIMCO
210 West 7th Street, Suite 1700
Austin, Texas 78701**

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the September 20, 2018 Meeting*
9:05 a.m.	10:00 a.m.	2	Performance and Market Update
10:00 a.m.	10:50 a.m.	3	Operations Presentation
10:50 a.m.	11:00 a.m.	4	Report from Risk Committee
11:00 a.m.	11:20 a.m.	5	Report from Audit and Ethics Committee: - Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2018* - Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Audit and Ethics Committee*
11:20 a.m.	11:35 a.m.	6	Report from Policy Committee: - Discussion and Appropriate Action Related to Proposed Amendments to the Master Investment Management Services Agreement with UTIMCO*,** - Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Policy Committee*
11:35 a.m.	11:50 a.m.		Recess to Executive Session, if required Executive Session: The Board of Directors may convene in Executive Session to consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2018, pursuant to Section 551.074, <i>Texas Government Code</i> . Reconvene into Open Session
11:50 a.m.	12:05 p.m.	7	Report from Compensation Committee: - Discussion and Appropriate Action Related to Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2018* - Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Compensation Committee* - Discussion and Appropriate Action Related to the CEO's Performance Standards for the UTIMCO Compensation Program for the Performance Period ended June 30, 2019*
12:05 p.m.	12:10 p.m.	8	Discussion and Appropriate Action Related to Employee's Service as a Director on an UTIMCO Investee Company*
12:10 p.m.	12:15 p.m.	9	Report on 2019 Meeting Dates
12:15 p.m.			Adjourn followed by Lunch

* 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: February 21, 2019
--

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **September 20, 2018**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in an open meeting on **September 20, 2018**, by telephone at the corporate headquarters located at 210 West 7th Street, Suite 1700 in Austin, 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
J. Kyle Bass
Robert Gauntt
Janet Handley
R. Steven Hicks
Ray Nixon
Ray Rothrock
Clifton L. Thomas, Jr.
James C. "Rad" Weaver

thus constituting a majority and quorum of the Board. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Rich Hall, Deputy Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; and other team members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Allen Hah, Eric Polonski and Karen Adler of The University of Texas System ("UT System"); and Maria Robinson and David Rejino of The Texas A&M University System. Chairman Hildebrand called the meeting to order at 10:02 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on July 26, 2018. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on July 26, 2018, be, and are hereby, approved.

Delegation of Authority Policy and Intermediate Term Fund Policy Discussion

Chairman Hildebrand asked Mr. Harris to explain the changes regarding the proposed amendments to the Delegation of Authority Policy and the Intermediate Term Fund (ITF) Investment Policy Statement. Mr. Harris explained that the Investment Team was requesting amendments to the ITF Investment Policy Statement to

correct errors to the policy statement approved by the UTIMCO Board on July 26, 2018, and the UT System Board of Regents on August 10, 2018. Mr. Harris explained that section A of the ITF policy listed target ranges for Total Stable Value as 13.0 – 23.0%, but it should have been 36.0 – 52.0%. In addition, the minimum range for Total Global Equity is being changed from 47.5% to 45.0%, and the maximum range for Cash in Stable Value is being increased from 5.0% to 8.0%.

The Investment Team also requested amendments to the Delegation of Authority Policy that was effective July 26, 2018, consistent with the strategic asset allocation and continuing transfer of ITF dollars to the Long Term Fund (LTF). There were also minor editorial changes.

Mr. Hall and Mr. Harris answered the Directors' questions regarding the proposed amendments and the rate of transfer from the ITF to the LTF. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that amendments to the Investment Policy Statement of the Intermediate Term Fund, as presented be, and is hereby approved, subject to approval by the Board of Regents of The University of Texas System;

and

FURTHER RESOLVED, that amendments to the Delegation of Authority Policy as presented be, and are hereby approved.

Executive Session

Prior to going into executive session, Chairman Hildebrand announced that, "The Board of Directors of The University of Texas/Texas A&M 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 deliberate individual personnel compensation matters pursuant to Texas Government Code Section 551.074. The date is September 20, 2018, and the time is now 10:12 a.m." Except for Mr. Harris, Mr. Hall, Ms. Moeller, and Mr. Turner, all others left the meeting at this time. Mr. Harris, Mr. Hall and Ms. Moeller left the meeting during discussion of Mr. Harris' compensation.

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/Texas A&M Investment Management Company is now reconvened. The date is September 20, 2018, and the time is now 10:28 a.m. During the Executive Session, the Board deliberated individual personnel compensation matters but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Corporation Budget

Chairman Hildebrand asked Mr. Harris to discuss the corporation's budget for the next fiscal year. Mr. Harris explained the changes to the budget compared to the proposed budget and compared to the last fiscal year.

He stated that he had cut out an additional \$2 million from the budget since it was first drafted. The Board of Directors asked him to do an analysis and create a five-year plan for expected budget changes. They commended him for working to keep the budget low in relation to UTIMCO's peer group. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the UTIMCO Management Fee of \$43,789,012 and the Other Direct Fund Costs of \$11,525,174, resulting in Total Fees of \$55,314,186, Capital Budget of \$263,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2018 through August 31, 2019, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 10:39 a.m.

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Performance and Market Update

Developed By: Harris, Standley

Presented By: Harris

Type of Item: Information Item

Description: Mr. Harris will present on performance and provide a market update.

Reference: *UTIMCO Performance and Market Update* presentation



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

UTIMCO Performance and Market Update

Britt Harris

*President, CEO and Chief
Investment Officer*

Overview of Funds

Periods Ending September 30, 2018



Endowment Funds	\$B	Returns							Alpha							Fiscal YTD	
		1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 mth	Alpha
PUF	\$ 22.0	(0.01)	0.80	5.25	8.70	9.11	7.60	7.37	(0.09)	(1.71)	0.39	0.34	0.98	1.06	1.58	(0.01)	(0.09)
PHF	\$ 1.2	(0.03)	0.83	5.41	9.13	9.33	7.74	7.40	(0.11)	(1.68)	0.55	0.77	1.20	1.20	1.61	(0.03)	(0.11)
LTF	\$ 9.6	(0.03)	0.83	5.42	9.13	9.34	7.75	7.40	(0.11)	(1.68)	0.56	0.77	1.21	1.21	1.61	(0.03)	(0.11)
Other	\$ 0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ 33.1																

Operating Funds	\$	Returns							Alpha							Fiscal YTD	
		1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 Mth	QTR	YTD	1Y	3Y	5Y	10Y	1 mth	Alpha
ITF	\$ 9.8	0.04	0.05	0.67	2.79	5.64	3.81	5.22	0.08	(0.60)	0.53	(0.01)	0.50	0.73	1.57	0.04	0.08
Debt Proceeds	\$ 0.7	0.16	0.52	1.41	1.73	1.05	0.67	N/A	0.01	0.03	0.11	0.14	0.21	0.15	N/A	0.16	0.01
STF	\$ 1.8	0.17	0.52	1.36	1.67	0.93	0.58	0.46	0.02	0.03	0.06	0.08	0.09	0.06	0.12	0.17	0.02
TOTAL	\$ 12.3																

All Assets	\$	Increase
June 2018	\$ 45.4	\$ 0.8
June 2018	\$ 44.6	\$ 0.3
March 2018	\$ 44.3	\$ 1.1
December 2017	\$ 43.2	\$ 1.8
September 2017	\$ 41.4	

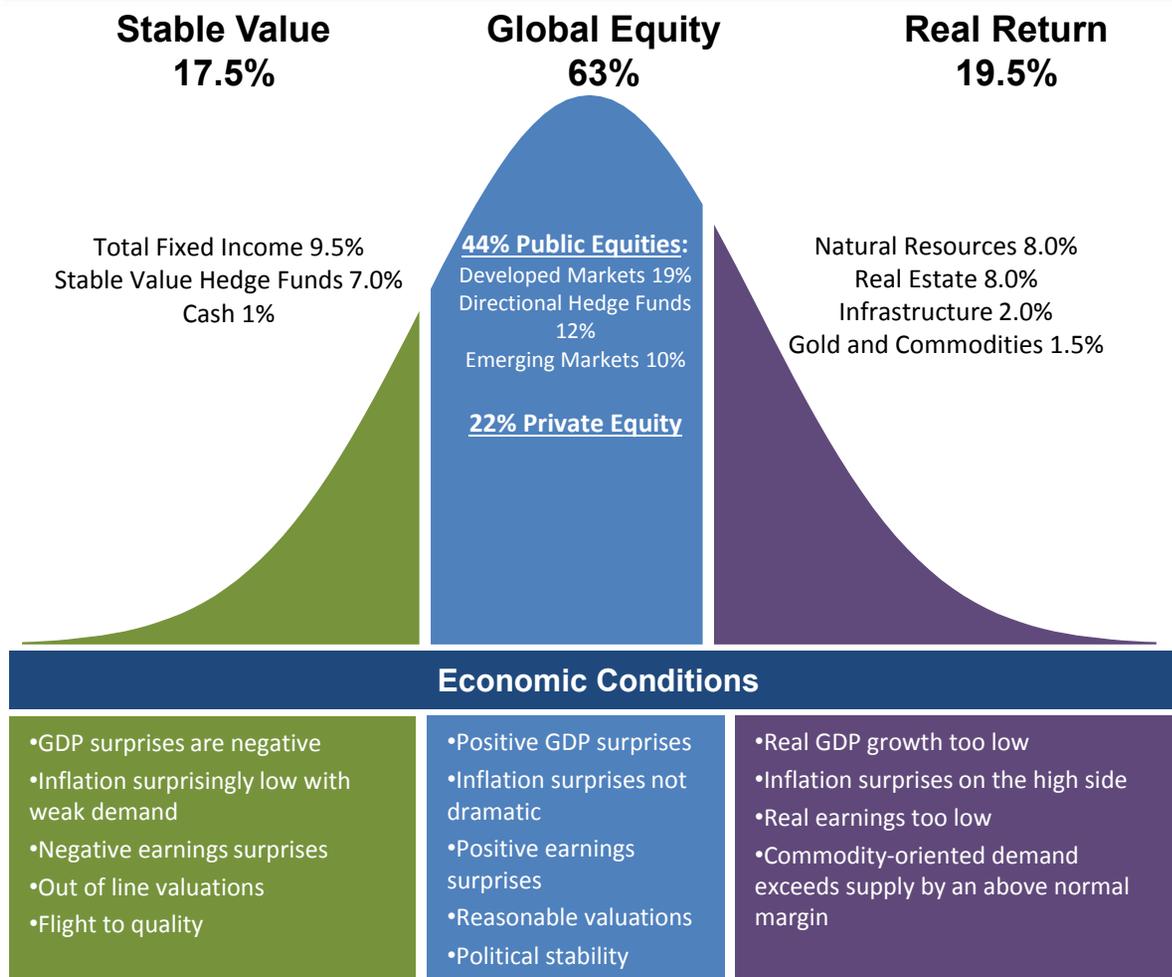
Income & Distributions (\$M)

	Projected 8/31/2019	8/31/2018	8/31/2017	8/31/2016
PUF Land Contributions	\$ 953	\$ 1,032	\$ 689	\$ 512
PUF Distribution	(1,014)	(887)	(839)	(773)
Net Payout (\$M)	\$ (61)	\$ 145	\$ (150)	\$ (261)



Review of Current Environment

Periods Ending September 30, 2018



Benchmark Returns			
Time Horizon	Stable Value	Global Equity	Real Return
1 Year	1.1%	8.7%	11.8%
3 Year	2.9%	8.9%	8.5%
5 Year	1.9%	7.3%	6.7%
7 Year	2.1%	8.3%	7.4%
10 Year	2.9%	6.2%	5.0%

Correlations ¹			
Environment	Stable Value	Global Equity	Real Return
Stable Value	1.00	-0.11	-0.18
Global Equity		1.00	0.66
Real Return			1.00

Economic Conditions

<ul style="list-style-type: none"> •GDP surprises are negative •Inflation surprisingly low with weak demand •Negative earnings surprises •Out of line valuations •Flight to quality 	<ul style="list-style-type: none"> •Positive GDP surprises •Inflation surprises not dramatic •Positive earnings surprises •Reasonable valuations •Political stability 	<ul style="list-style-type: none"> •Real GDP growth too low •Inflation surprises on the high side •Real earnings too low •Commodity-oriented demand exceeds supply by an above normal margin
--	--	--

UTIMCO Regime Portfolio Returns

1 Quarter	(0.3%)	1.2%	0.4%
1 Year	0.3%	8.9%	14.0%
3 Year	2.0%	9.1%	12.6%

Note: Chart reflects FY18 Target Weights

¹ Correlations reflect quarterly benchmark returns and not actual UTIMCO returns (return data from 2008 – 2018)

UTIMCO Risk Overview

Periods Ending October 31, 2018



Current Cycle Stage	Start Date	End Date	Length (yrs)	Average Bull Length
Expansion	3/2009	10/2018	9.6	4.6

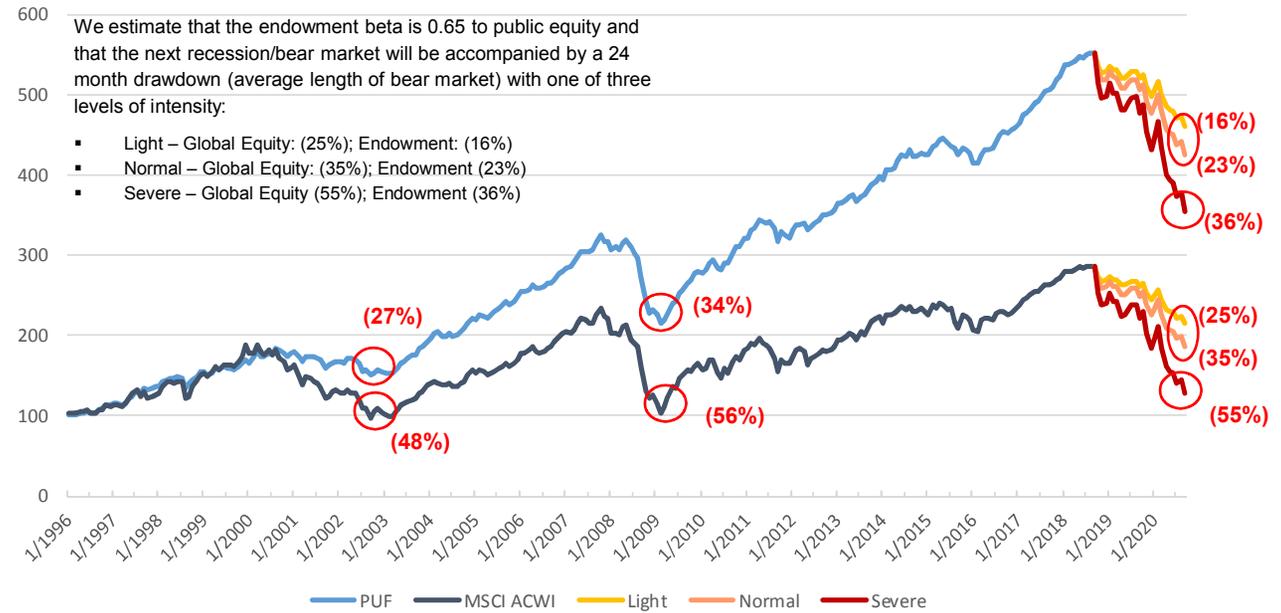
Asset Class	Cumulative	Annualized	1-yr Vol
UTIMCO	155%	10.3%	2.9%
Policy	126%	8.9%	3.7%
S&P 500	385%	17.9%	8.7%
EM (USD)	165%	10.7%	12.7%
Natural Resources	21%	2.0%	6.3%
Long Treasury	58%	4.9%	7.3%
Credit	190%	11.8%	3.5%
Hedge Funds	43%	3.8%	3.0%

Metric	3/2009	10/2015	10/2018
S&P P/E (T)	11.1	19.0	18.6
EMP/E (T)	8.1	12.7	11.5
S&P Implied Vol	49.7	15.1	21.2
2-yr UST YTM	1.0	0.7	2.9
10-yr UST YTM	2.9	2.1	3.1
Brent Oil	44.1	49.6	75.5
Natural Gas	3.9	2.3	3.3
Gold	918.0	1,141.4	1,215.0

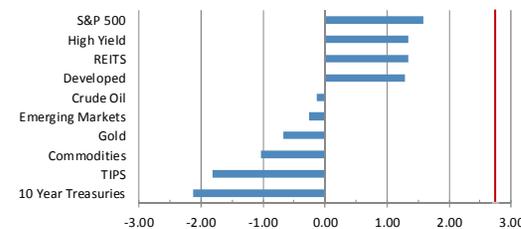
Fed Balance Sheet (\$B)	3/2009	10/2015	10/2018
US	1,902	4,489	4,140
ECB	1,460	2,421	4,088

UTIMCO Metrics	TE	IR	Sharpe
UTIMCO 3-Yr	2.1%	0.73	1.61
UTIMCO 5-Yr	2.0%	0.66	1.40

Historical and Projected PUF Drawdowns



Bubble Level Monitor



Probability of Recession in the Next Year

Country	4/2017	10/2017	4/2018	10/2018
US	15%	15%	15%	15%
UK	20%	23%	15%	20%
Japan	20%	20%	20%	25%
Eurozone	11%	10%	10%	15%

Percentage of Bear Market Indicators On



Source: Bridgewater Associates, LP, Bloomberg

Historical Geopolitical Shocks Event	Date of Shock	Days of Equity	US Equity Prices	Treasury Returns	Gold Price*	Real USD	Oil Price*
Nazis Invade France	5/1940	8	-25%	-1.4%	0.0%	1.7%	-
Pearl Harbor	12/1941	17	-10%	-1.4%	3.0%	0.3%	-
North Korea Invades South Korea	6/1950	14	-13%	-0.4%	7.0%	-0.1%	-
Cuban Missile Crisis	10/1962	1	-3%	-0.2%	-	0.0%	-
Arab Oil Embargo	10/1973	27	-17%	1.4%	-7.9%	6.7%	69%
Iranian Hostage Crisis	11/1979	6	-3%	3.0%	4.4%	-0.4%	6%
Iraq Invades Kuwait	8/1990	16	-14%	-3.1%	11.0%	-1.5%	46%
September 11	9/2011	9	-12%	1.2%	7.0%	-0.1%	-6%
Average	-	12	-12%	-0.1%	3.5%	0.8%	29%

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

Global Markets, Risk Premiums and Diversification



As of September 30, 2018

	Market Returns							Std Dev		Max	Corr vs.	Sharpe Ratio	
	MTD	QTR	YTD	1Y	3Y	5Y	10Y	1	10E	Drawdown	S&P500	5	10
United States													
CPI	0.12	0.18	2.40	2.28	1.99	1.52	1.44	0.75	1.31	4.43	0.20	1.00	0.84
Cash	0.15	0.49	1.30	1.59	0.84	0.52	0.34	0.11	0.17	0.01	(0.16)		
Long Treasury (Duration)	(2.96)	(2.88)	(5.79)	(3.56)	0.72	4.41	5.45	7.59	12.03	15.94	(0.28)	0.40	0.42
Credit (IG)	(0.38)	(0.44)	(1.90)	(0.84)	2.14	0.84	2.94	3.01	5.67	7.67	0.38	0.07	0.46
High Yield (Default)	1.37	1.98	(0.59)	0.27	7.54	4.85	9.22	3.61	11.14	30.68	0.73	0.81	0.80
US Dollar Index	(0.01)	0.70	3.27	2.21	(0.42)	3.47	1.82	5.70	8.72	17.13	(0.56)	0.44	0.17
S&P 500	0.57	7.71	10.56	17.91	17.31	13.95	11.97	9.11	14.62	41.82	1.00	1.41	0.80
U.S. Small Cap	0.17	7.12	10.57	17.58	17.07	13.46	12.01	8.69	15.13	42.63	1.00	1.34	0.77
Private Equity ¹	0.24	2.87	10.25	13.21	8.06	11.29	9.45	5.14	12.24	22.49	0.73	1.96	0.74
Size	(2.22)	(2.83)	6.49	2.70	2.66	(0.61)	1.59	8.89	8.23	15.51	0.27	(0.13)	0.15
Value	(1.20)	(4.59)	(11.06)	(10.80)	(2.30)	(2.96)	(3.21)	5.15	9.50	26.93	0.33	(0.43)	(0.37)
Momentum	0.07	4.00	13.53	15.94	(0.03)	4.07	(2.69)	9.87	16.53	57.28	(0.35)	0.32	(0.18)
Non-US Equity													
EAFE Developed (USD)	0.87	1.35	(1.43)	2.74	9.23	4.42	5.38	9.12	17.98	46.83	0.89	0.35	0.28
Emerging Markets (USD)	(0.53)	(1.09)	(7.68)	(0.81)	12.36	3.61	5.40	13.29	21.99	51.49	0.80	0.21	0.23
Global Equity (USD)	0.44	4.28	3.83	9.77	13.40	8.67	8.19	8.61	16.26	45.16	0.96	0.83	0.48
Europe (USD)	0.36	0.80	(2.46)	(0.30)	7.71	3.70	4.85	10.74	19.85	49.68	0.88	0.26	0.23
Europe (Local)	0.34	1.19	0.74	2.02	8.70	7.28	6.82	8.48	14.15	37.53	0.86	0.67	0.46
Japan (USD)	3.17	3.81	1.89	10.57	12.51	7.11	6.21	8.53	15.20	36.60	0.71	0.60	0.39
Diversifiers (Typical)													
Hedge Funds	(0.14)	0.31	1.27	3.31	3.49	3.21	2.13	3.13	5.47	20.88	0.77	0.79	0.33
Real Estate (Private) ¹	0.03	2.66	10.02	12.98	8.73	10.00	7.63	5.18	10.05	51.64	0.73	1.93	0.73
REITS	(2.60)	1.09	2.30	3.74	7.72	9.16	7.50	12.87	24.86	60.52	0.73	0.64	0.29
TIPS	(1.05)	(0.82)	(0.84)	0.41	2.04	1.37	3.32	2.53	5.93	12.19	0.27	0.24	0.50
Infrastructure	(1.57)	6.57	5.90	4.89	4.43	(2.72)	9.18	19.67	19.28	48.51	0.53	(0.18)	0.46
Diversifiers (Other)													
Commodities	1.92	(2.02)	(2.03)	2.59	(0.11)	(7.18)	(6.24)	7.58	16.22	62.59	0.63	(0.66)	(0.41)
Natural Resources	(0.74)	(4.84)	(8.48)	(6.85)	2.04	(3.84)	(2.37)	6.60	17.07	47.74	0.74	(0.39)	(0.16)
Oil	4.94	(1.21)	21.23	41.77	17.56	(6.47)	(3.13)	18.18	31.56	72.90	0.50	(0.23)	(0.11)
Energy Equipment & Services	(0.96)	(5.25)	(3.97)	(3.49)	(0.10)	(8.63)	(1.45)	21.82	29.42	63.36	0.72	(0.41)	(0.06)
Mining	4.71	(5.38)	(6.68)	3.70	22.04	(0.50)	0.23	18.08	31.95	75.11	0.64	(0.04)	(0.00)
Gold	(0.86)	(4.93)	(8.59)	(6.94)	2.22	(2.17)	3.18	6.62	18.38	41.88	0.08	(0.19)	0.15

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

UTIMCO Asset Allocation Framework



1947 - 2018

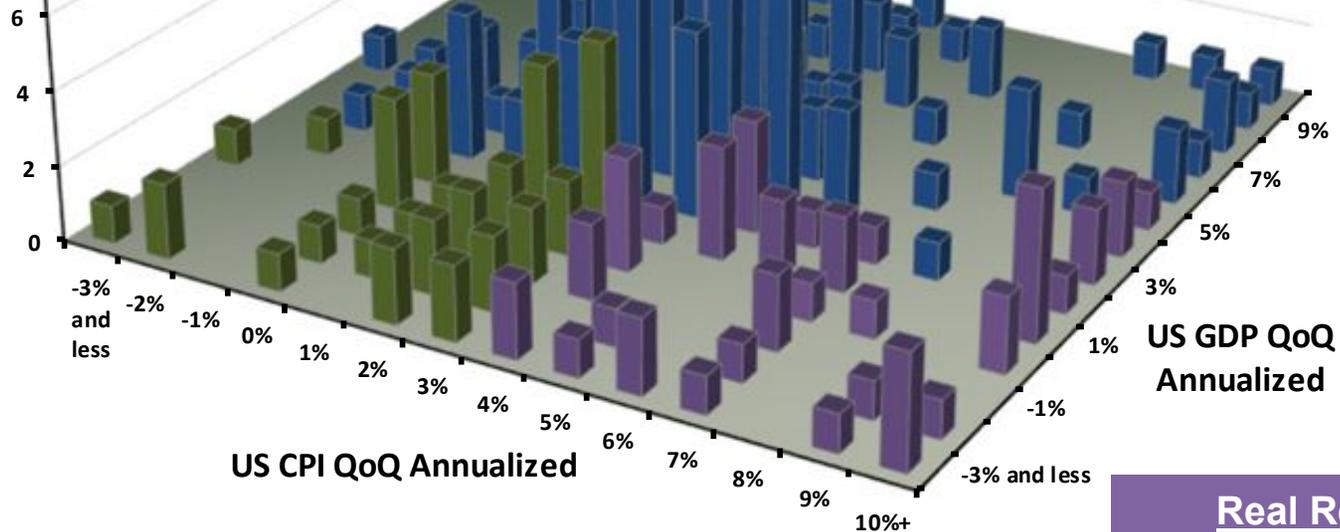
Occurrences

Global Equity Regime

- Healthy Growth / Benign Inflation
- 68% of the time

Stable Value Regime

- Falling Growth / Falling Inflation
- 15% of the time



Real Return Regime

- Growth / Inflation Overheating
- 17% of the time

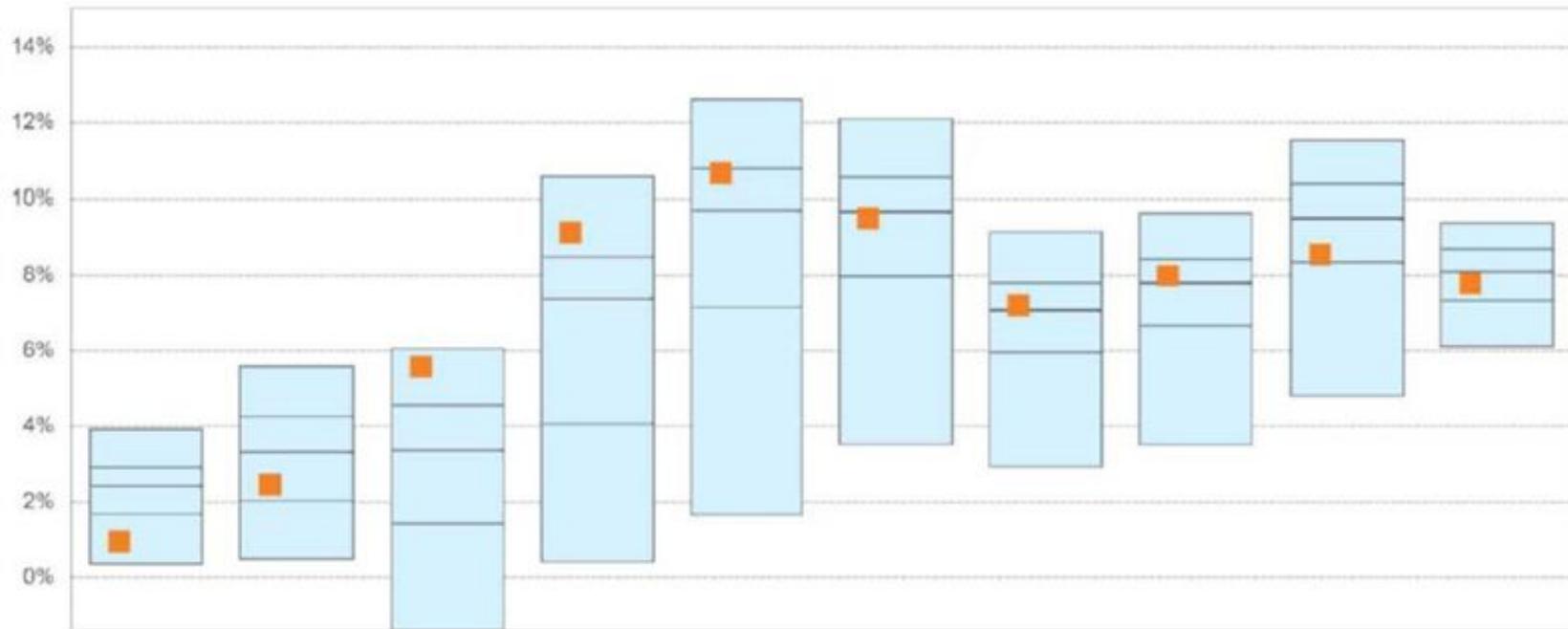
Source: Bloomberg, St. Louis Fed

Performance Comparison

Cumulative Periods Ending: September 30, 2018



Total Returns of Master Trusts - Plans > \$1 Billion



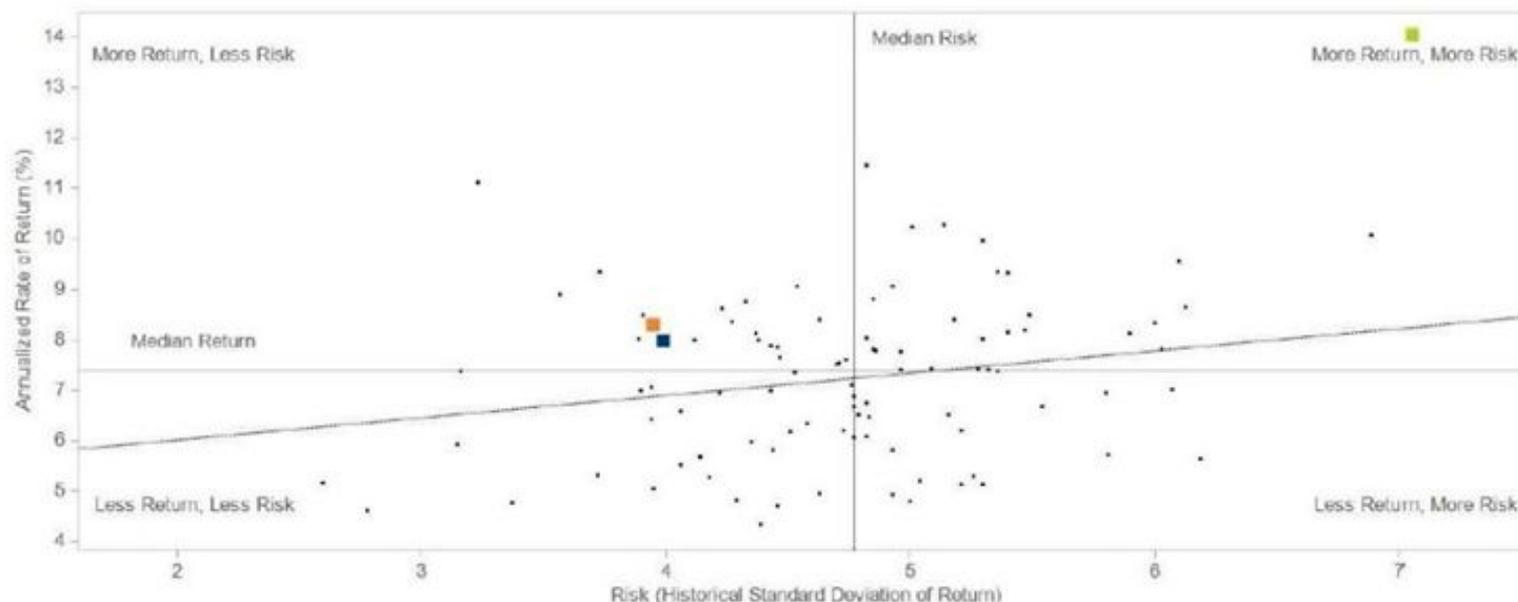
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	3.94	5.60	6.06	10.58	12.60	12.11	9.15	9.64	11.52	9.39
25th	2.92	4.26	4.55	8.49	10.78	10.56	7.81	8.42	10.38	8.71
50th	2.42	3.32	3.37	7.38	9.70	9.68	7.08	7.80	9.49	8.11
75th	1.68	2.03	1.44	4.08	7.16	7.98	5.97	6.67	8.34	7.33
95th	0.35	0.49	-1.39	0.42	1.66	3.54	2.94	3.51	4.82	6.13
No. Of Obs	177	176	172	172	172	171	167	166	164	150
■ PUF TOTAL FUND	0,85 (91)	2,35 (70)	5,47 (10)	9,04 (14)	10,56 (31)	9,41 (57)	7,09 (49)	7,89 (47)	8,46 (72)	7,67 (60)

Risk / Return

Period Ending September 30, 2018



For past 5 years, PUF and GEF have generated more returns for less risk



Alpha: 5.15
Beta: 0.44
R-Squared: 0.05

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	3.97	84	8.20	26
PUF TOTAL FUND	4.01	83	7.89	36
S&P 500	7.07	1	13.95	1
Median	4.77		7.39	

Bull and Bear Market Cycles



S&P 500 Bull Markets: 1928-2015						
Start Date	End Date	S&P 500 Price		Change (%)	Calendar Days	
		Start	Finish			
1/2/1928	4/10/1930	17.66	25.92	46.8	829	
3/14/1935	3/10/1937	8.06	18.67	131.6	727	
3/31/1938	11/9/1938	8.5	13.79	62.2	223	
4/11/1939	10/25/1939	10.42	13.21	26.8	197	
4/28/1942	5/29/1946	7.47	19.25	157.7	1492	
5/19/1947	6/15/1948	13.77	17.06	23.9	393	
6/13/1949	8/2/1956	13.55	49.74	267.1	2607	
10/22/1957	12/12/1961	38.98	72.64	86.4	1512	
6/26/1962	2/9/1966	52.32	94.06	79.8	1324	
10/7/1966	11/29/1968	73.2	108.37	48.0	784	
5/26/1970	1/11/1973	69.29	120.24	73.5	961	
10/3/1974	11/28/1980	62.28	140.52	125.6	2248	
8/12/1982	8/25/1987	102.42	336.77	228.8	1839	
12/4/1987	3/24/2000	223.92	1527.46	582.1	4494	
7/23/2002	10/9/2007	797.7	1565.15	96.2	1904	
3/9/2009	9/30/2018	676.53	2913.98	330.7	2488	
Average				148.0	1501.4	

S&P 500 Bear Markets: 1928-2015						
Start Date	End Date	S&P 500 Price		Change (%)	Calendar Days	
		Start	Finish			
4/9/1930	3/14/1935	25.87	8.06	-68.8	1800	
3/9/1937	3/31/1938	18.54	8.5	-54.2	387	
11/7/1938	4/11/1939	13.43	10.42	-22.4	155	
10/24/1939	4/28/1942	13.02	7.47	-42.6	917	
5/28/1946	5/19/1947	19.2	13.77	-28.3	356	
6/14/1948	6/13/1949	16.97	13.55	-20.2	364	
8/1/1956	10/22/1957	49.42	38.98	-21.1	447	
12/11/1961	6/26/1962	72.39	52.32	-27.7	197	
2/8/1966	10/7/1966	93.55	73.2	-21.8	241	
11/27/1968	5/26/1970	107.76	69.29	-35.7	545	
1/10/1973	10/3/1974	119.43	62.28	-47.9	631	
11/26/1980	8/12/1982	140.17	102.42	-26.9	624	
8/24/1987	12/4/1987	333.33	223.92	-32.8	102	
3/23/2000	7/23/2002	1527.35	797.7	-47.8	852	
10/8/2007	3/9/2009	1552.58	676.53	-56.4	518	
Average				-32.8	542.4	

Source: Bloomberg, Bespoke Investment Group

Total Alignment Map



Excellence

UTIMCO Vision Tree

Achieve Investment Goals

Effective Risk Management

Fiduciary Excellence

Best-In-Class Technology Platform

Enduring Organizational Health

UTIMCO Mission:

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 healthcare for the people of Texas and beyond

UTIMCO Vision:

We strive to be the world's leading endowment fund, making a lasting positive impact on the future of Texas and beyond

Execution

UTIMCO Strategy Tree

Public Equity/
VC

Asset
Allocation

Fixed Income

Risk
Management

Hedge Funds/
Credit

Operations

Real Estate

Info Systems

Private
Investments

Human
Resources

Top
10

Environment

Cultural Values

Success Factors

Code of Conduct



UTIMCO Vision:

We strive to be the world's leading endowment fund, making a lasting positive impact on the future of Texas and beyond

Our Vision is to have an IMPACT

Invest to have
**Meaningful
Permanent
Affirmative
Contribution to
Texas and beyond**

- Eradicate poverty through education
- Enhance society through research
- Cure and care for cancer patients and others who are suffering from debilitating diseases

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Operations Presentation

Developed By: Operations Team

Presented By: Operations Team

Type of Item: Information Item

Description: Joan Moeller will provide an overview of the Operations Team and the Team heads will present an overview of their respective area. Gary Hill and Lara McKinney will present the Operations, Accounting and Reporting teams' critical activities related to the Investment Funds and individual endowments, including the support provided to the UT and A&M Systems, internal investment team, and other key interfaces. Kim Bauer will present the Corporate Accounting area, which is responsible for activities related to UTIMCO corporate business. David Gahagan will review Security which is responsible for activities related to information security, travel security and physical security. Cissie Gonzalez will present the Corporate Legal and Compliance responsibilities.

Reference: *Operations Team Overview* presentation



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

Operations Team Overview

Operations, Accounting & Reporting

Corporate Accounting

Security

Legal and Compliance

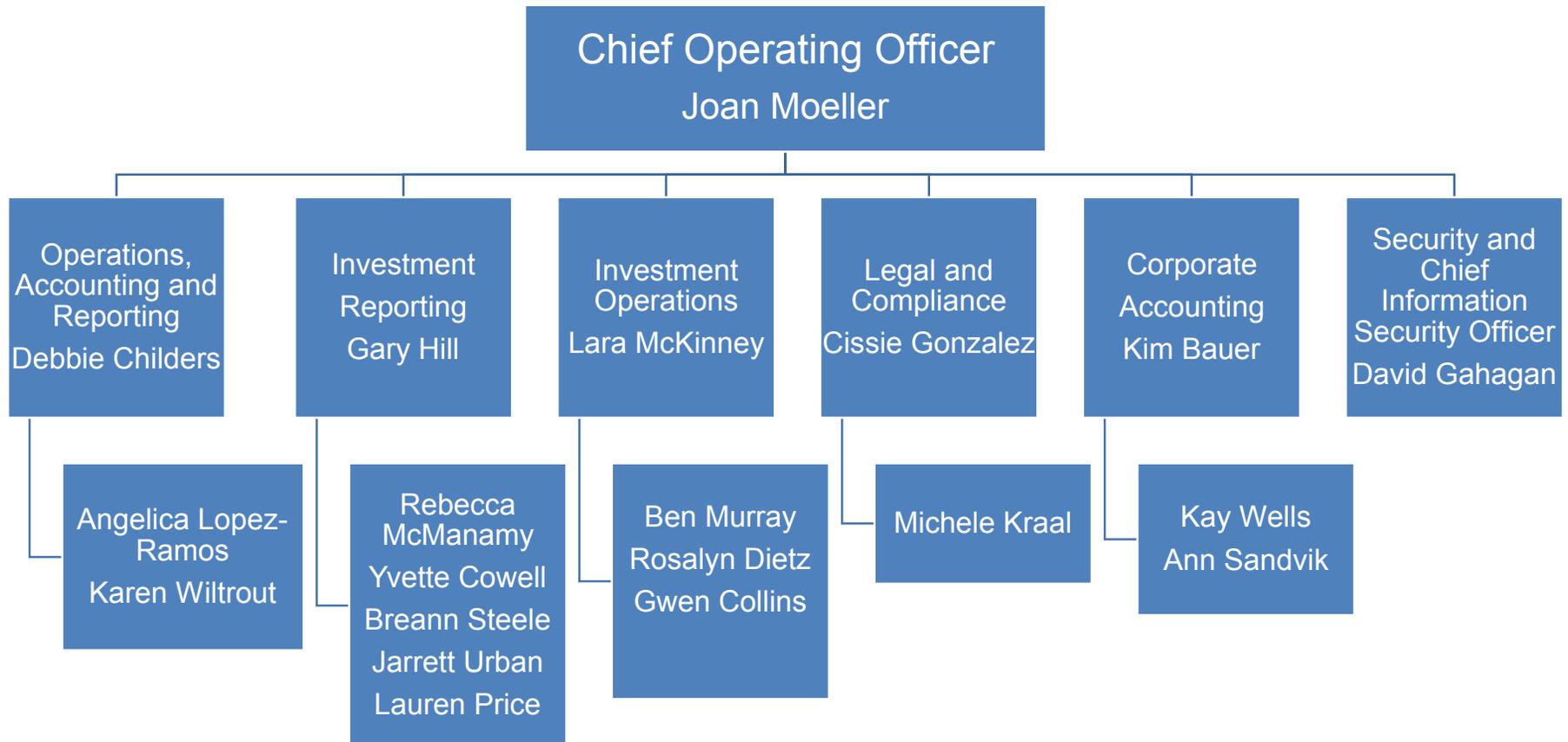
December 2018

Operations Team



- Operations, Accounting and Reporting
- Corporate Accounting
- Security
- Legal and Compliance

Operations Team Organizational Structure





Operations, Accounting & Reporting

Overview of Accounting, Operations and Reporting



What we do:

- Facilitate movements of cash
- Support trading activities
- Maintain master securities file
- Account for all assets we own
- Report value and performance information
- Provide other support

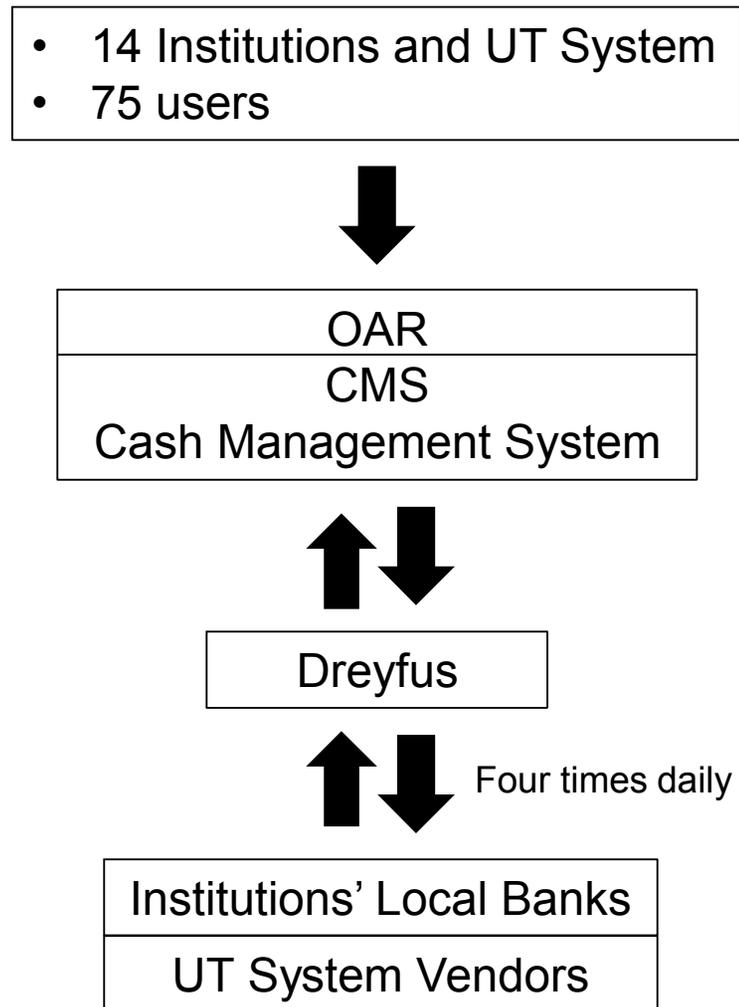
Who we work with:

- UT and Texas A&M Systems
- External investment managers
- Development Offices
- Auditors (External and UT System)
- Cambridge Associates
- Dreyfus
- BNY Mellon – Global Custodian
- Investment team

Cash Movements, Trading Support and Securities



- Cash Management System (CMS) for inside UT System
- Facilitates money moves to/from STF, ITF, LTF, PHF and PUF
- Instructs BNY Mellon to fund external managers
- Trading support
- Securities master file



Accounting



Investment Fund Accounting:

- Full partnership with BNY Mellon for Investment Fund Accounting
- Data Warehouse
- Performance and Benchmark Calculations

Individual Endowment Accounting:

- Over 13,700 endowments
- Fund Accounting System and Component Reporting System
- Supports monthly/quarterly reporting

General Reporting



OAR produces a comprehensive array of reports for use by numerous constituents

Daily	Monthly	Quarterly	Annually
<ul style="list-style-type: none"> NAV and Performance Cash Availability and Projections 	<ul style="list-style-type: none"> Performance and Attribution for Investment Team Derivative Activity and Balances Assets Under Management Asset Allocation Market Exposures UT System Share of ITF Earnings 	<ul style="list-style-type: none"> Unaudited Financial Statements for each Fund Fund Updates for UTIMCO Board Fund Updates for UT Board of Regents Derivative Reports Fund Highlights Endowment Reports 	<ul style="list-style-type: none"> Audited Financial Statements for each Fund

Statutory Reporting	Ad Hoc Requests
<ul style="list-style-type: none"> Quarterly Investment Summaries Semi-Annual Report for the PUF Annual Fund Summary of Investments (Monthly for the PUF) Annual Legislative Budget Board Report PHF Annual Report 	<ul style="list-style-type: none"> Requests from: CEO Office Investment team UT System

Other Support Functions

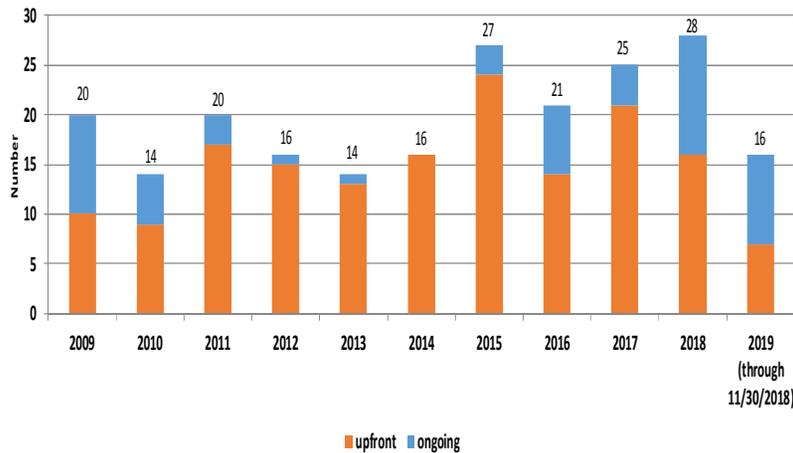


Operational Due Diligence (ODD):

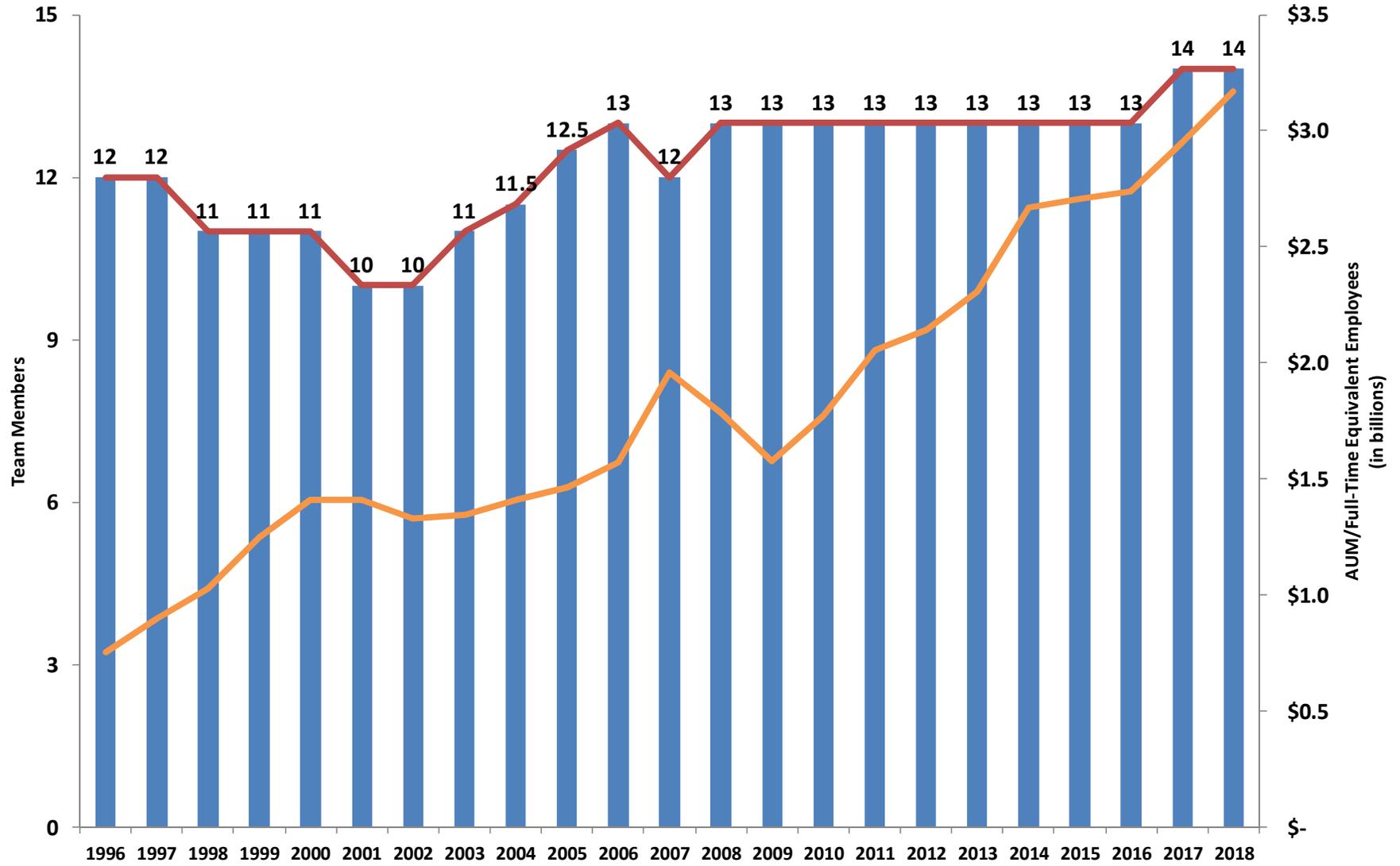
- Due diligence of external managers
- Partners with investment teams
- Deepens scope with specialist expertise

Separately Invested Funds:

- Special classes of funds
- Complicated
- Resource intensive
- Key processes/services



OAR Efficiency





Corporate Accounting

Corporate Accounting



- The team consists of one director and two team members.
- Corporate Accounting is responsible for activities related to UTIMCO corporate business, including:
 - Corporate Finance:
 - General Ledger Accounting
 - Budget
 - Financial Reporting
 - Corporate Administration:
 - Corporate Travel Coordination
 - Corporate Insurance Management
 - Board of Directors Responsibilities



Security

Security



- The team consists of one director (Chief Information Security Officer) and one open position.
- CISO reports to the Chief Operating Officer with dotted line reporting relationships to the UTIMCO Chief Compliance Officer and the UT System Chief Information Security Officer.
- CISO is a member of the UT Systemwide Information Security Risk Committee and the UT Systemwide Information Security Steering Committee.
- The team is responsible for the following areas:
 - Information Security (Cybersecurity)
 - UTIMCO reports to the UT Systemwide Information Security Office and has participated in the UT Systemwide Information Security Council since 2009
 - Travel Security
 - Monitoring and provision of travel safety alerts, including significant events, protests, weather, fire, airport security, espionage, and other incidents that might impact travel or traveler safety
 - Physical Security
 - Protection of personnel, hardware, software, networks and data from physical actions and events



Key Responsibilities Related to Information Security

- Participate in the UT Systemwide Information Security Council
- Provide information security oversight for all Centralized and Decentralized information resources
- Develop and maintain a comprehensive information security program
- Develop and maintain an annual information security plan
- Provide firmwide information security training and education
- Develop policies, standards, procedures and guidelines to protect information resources
- Maintain a data classification standard
- Coordinate firm-wide annual risk assessment
- Prepare security assessments for third party software and vendors
- Investigate security incidents
- Report to the Employee Ethics and Compliance Committee (EECC) regarding security risks and issues



Legal and Compliance

Legal and Compliance



- The Legal and Compliance team consists of two individuals:
 - Corporate Counsel and Chief Compliance Officer
 - Reports functionally to the Audit & Ethics (A&E) Committee and administratively to the Chief Operating Officer
 - Compliance Specialist

Legal



- The Corporate Counsel and Chief Compliance Officer is responsible for all corporate legal matters, including
 - Review of various corporate contracts (excluding investment transactions)
 - Labor and employment matters
 - Payroll and employee benefits matters
 - Analysis of legislation affecting UTIMCO and the Funds
 - Texas Public Information Act requests
 - Texas Open Meetings Act Compliance
 - Policies and procedures management and amendments
 - ISDAs and derivatives matters
 - Board and committee agendas and materials in conjunction with the Corporate Secretary
 - Management and monitoring of litigation matters
 - Research and advice as needed on various matters, including tax

Compliance



- UTIMCO is required to have a compliance program and participates in the UT System Systemwide Compliance Program, which requires:
 - Compliance Officer
 - Compliance Committee
 - General Compliance Training Program
 - Risk Inventory
 - High-Risk Monitoring Plans
 - Confidential “Hotline”

- UTIMCO’s compliance program meets all the above requirements and consists of:
 - Institutional Compliance, including compliance with UTIMCO Code of Ethics
 - Investment Compliance
 - Enterprise Risk Management (ERM)
 - Process of identifying, assessing, and managing risk from an integrated, companywide perspective
 - Fraud Prevention and Detection Program

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item:	Report from Risk Committee
Developed By:	Gonzalez, Moeller
Presented By:	Bass
Type of Item:	Information item
Description:	<p>The Risk Committee (“Committee”) met on November 29, 2018. The Committee’s agenda for its meeting included (1) discussion and appropriate action related to the approval of minutes of its July 19, 2018 meeting and joint meeting of the Policy and Risk Committees; (2) discussion and appropriate action related to proposed amendments to the Charter of the Risk Committee; (3) a market and portfolio risk update; (4) review and discussion of compliance reporting; and (5) discussion of the Office of Foreign Asset Control (OFAC) compliance procedure.</p>
Discussion	<p>The Committee reviewed the quarterly compliance reporting and heard an update on the market and portfolio risk.</p> <p>The Team adopted an OFAC Compliance Procedure on October 10, 2018, to formalize its program with respect to compliance with U.S. Primary and Secondary Sanctions. Rich Hall provided a brief overview and discussion of the procedure, including operational processes, which ensure compliance with the procedure.</p> <p>The Committee deferred action related to the Charter of the Risk Committee to a future meeting.</p>
Recommendation:	None
Reference:	None

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Report from Audit and Ethics Committee: Discussion and Appropriate Action Related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2018; and Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Audit and Ethics Committee

Developed By: Moeller, Hill, Gonzalez

Presented By: Handley

Type of Item: Action item; Action required by UTIMCO Board related to year end audits and the Charter of the Audit and Ethics Committee; Information item on other items

Description: The Audit and Ethics Committee (“Committee”) met on November 29, 2018. The Committee’s agenda included the following: (1) discussion and appropriate action related to minutes of its July 19, 2018 meeting; (2) discussion and appropriate action related to Deloitte & Touche LLP’s Audit Results and Communications; (3) discussion and appropriate action related to the audit reports of the Permanent University Fund (“PUF”), The University of Texas General Endowment Fund (“GEF”), the Permanent Health Fund (“PHF”), The University of Texas System Long Term Fund (“LTF”), The University of Texas System Intermediate Term Fund (“ITF”), and the Statement of Investment Performance Statistics for the year ended August 31, 2018; (4) an update on UTIMCO’s compliance, reporting and audit matters; (5) discussion and appropriate action related to amendments to the Charter of the Audit and Ethics Committee; and (6) discussion and appropriate action related to the Corporate Counsel and Chief Compliance Officer’s Performance Award for the Performance Period ended August 31, 2018. The Committee convened in Executive Session for the purpose of deliberating individual personnel evaluation matters and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer.

The purpose of the Charter of the Audit Committee (“Charter”) is to outline the duties and responsibilities of the Committee. In accordance with the Charter, the Committee will periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the UTIMCO Board for approval. The current Charter was approved by the UTIMCO Board on February 20, 2014.

Discussion: The financial statements were audited by Deloitte & Touche LLP. Robert Cowley, engagement partner, presented to the Committee Deloitte & Touche LLP’s Financial Statement Audit Results and Communications letter (the “Letter”). Included in these Board materials are the Letter and Management’s Representation Letter to Deloitte confirming in writing Management’s responsibilities and representations with regard to these audits. Because of the voluminous nature of the audited financial statements,

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO's website, www.utimco.org.

The Committee took action related to the performance award for the performance period ending August 31, 2018, for the Corporate Counsel and Chief Compliance Officer. The Charter and the UTIMCO Compensation Program require that the Committee and CEO make a joint recommendation to the Compensation Committee related to the performance award for the Corporate Counsel and Chief Compliance Officer.

The Committee reviewed and approved the proposed changes to the Charter. The following changes to the Charter were proposed by the Team:

- Page 1, *Purpose*, added language to assign monitoring responsibility to the Committee for the Corporation's fraud prevention and detection system
- Page 7; *Monitor Ethics Program*, added language related to the responsibility to periodically review the process for communicating to employees and for monitoring compliance with the Code of Ethics
- Page 8; *Oversee the Corporation's Enterprise Risk Management*, deleted reference to the categorization of investment mandates as the Mandate Categorization Procedure was eliminated effective July 26, 2018
- Page 8; *Oversee Fraud Prevention and Detection*, added language to assign responsibility to the Committee for the effectiveness of the Corporation's system for the prevention and detection of fraud
- Page 9; *Review the Overall Duties and Responsibilities of the Chief Compliance Officer*, changed language regarding reporting line for the Chief Compliance Officer (CCO) from the CEO and Chief Investment Officer to the Senior Managing Director and Chief Operating Officer
- Page 9; *Review the Overall Duties and Responsibilities of the Chief Compliance Officer*, added language consistent with the UTIMCO Compensation Program regarding determination of the CCO's individual performance goals and achievement of those goals
- Other minor editorial changes

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

The Delegation of Authority requires that new contracts, leases, and other arrangements of \$250,000 or more be reported to the UTIMCO Board at its next scheduled meeting, and, annually, all existing contracts, leases, and other arrangements of \$250,000 or more must be reported to the UTIMCO Board. The report is included in this section. Ms. Gonzalez provided an update of the Contract Report.

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Recommendation: The Committee will recommend that the UTIMCO Board (1) approve the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, and the Statement of Investment Performance Statistics for the year ended August 31, 2018; and (2) approve the proposed amendments to the Charter.

Reference: Deloitte & Touche LLP's Financial Statement Audit Results and Communications
Charter of the Audit and Ethics Committee
Institutional Compliance Program Annual Report and Action Plans
Contract Report

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS
FOR FISCAL YEAR 2018**

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, 2018, 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, 2018, and August 31, 2017, and the Statement of Investment Performance Statistics for the year ended August 31, 2018, be, and are hereby approved in the form as presented to the Board.

**RESOLUTION RELATED TO THE
CHARTER OF THE AUDIT AND ETHICS COMMITTEE**

RESOLVED, that the amendments to the Charter of the Audit and Ethics Committee, as recommended be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.



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

October 29, 2018

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

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

The Audit and Ethics Committee of the Board of Directors of
The University of Texas/Texas A&M Investment Management Company

210 West 7th Street, Suite 1700
Austin, TX 78701

Dear Mr. Harris, Members of the Audit, Compliance and Risk Management Committee of the Board of Regents of The University of Texas System as well as Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (the "Board"):

We have performed audits of the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund (collectively, the "Funds") as of and for the year ended August 31, 2018 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our reports thereon dated October 29, 2018.

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

This report is intended solely for the information and use of the Funds' management, as well as The Audit, Compliance and Risk Management Committee of the Board of Regents of The University of Texas System, and the Audit and Ethics Committee of the Board of The University of Texas/Texas A&M Investment Management Company, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in the contract dated June 30, 2016 (Exhibit-A, Section-C) and amended May 25, 2018. As described in Exhibit-A, Section-C, and in line with Exhibit-B, Section-B within the amendment, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Funds' financial statements for the year ended August 31, 2018, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audits of the financial statements do not relieve management or the Board of their responsibilities.

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

Significant Accounting Policies

The Funds' significant accounting policies are set forth in the notes to the Funds' 2018 financial statements. We have evaluated the significant qualitative aspects of the Funds' accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Funds' 2018 financial statements include valuation of certain investments which are specifically the Funds' investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient.

Management's estimates are based on financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources. This valuation process is reasonable based on the requirements of generally accepted accounting principles when applying the practical expedient for investments in entities that report a net asset value, or its equivalent. We understand that management has provided you with details regarding the process used in formulating these estimates.

Although management believes the accounting estimates reflected in the Funds' 2018 financial statements are reasonable, there can be no assurances that the Funds could ultimately realize these values.

Uncorrected Misstatements

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

Material Corrected Misstatements

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

Other Information in the Annual Report to Shareholders

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

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

We read such other information and considered whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Funds' financial statements and have inquired as to the methods of measurement and presentation of such information. We did not note any material inconsistencies or obtain knowledge of a material misstatement of fact in the other information.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Funds' 2018.

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 2018.

Significant Findings or Issues Discussed, or Subject of Correspondence, with Management Prior to Our Initial Engagement or Retention

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

Other Significant Findings or Issues Arising From the Audits Discussed, or Subject of Correspondence, with Management

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

Significant Difficulties Encountered in Performing the Audits

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

Management's Representations

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

Emphasis-of-Matter Paragraphs

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

1. As discussed in Note 1, the financial statements of the Funds are intended only to present the fiduciary net position of the Funds as of August 31, 2018 and 2017, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the consolidated net position of The University of Texas System, as of August 31, 2018 or 2017, or the changes in its consolidated net positions for the years then ended – **Applicable to all Funds**
2. Also, the financial statements of the PUF includes only the investment related assets and liabilities and changes therein which are being managed by The University of Texas/Texas A&M Investment Management Company and does not include the 2.1 million acres of land discussed in Note 1. – **Applicable to PUF only**

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

Other-Matter Paragraphs

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

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

* * * * *



210 West 7th St.
Suite 1700
Austin, TX 78701

P 512.225.1600
F 512.225.1660

UTIMCO.org

October 29, 2018

Deloitte & Touche LLP
500 West 2nd Street, Suite 1600
Austin, TX 78701

We are providing this letter in connection with your audits of the financial statements of the entities listed in Appendix A (the "Funds") which comprise the statements of fiduciary net position as of August 31, 2018 and August 31, 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and the changes in the fiduciary net position of the Funds in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

We are also providing this letter in conjunction with your audits of the detailed schedules of investment securities of the Permanent University Fund (the "PUF") as of August 31, 2018 and the statement of investment performance statistics for the Funds for the year ended August 31, 2018.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position and changes in fiduciary net position are in accordance with GAAP
- b. The investment performance statistics of the Funds have been computed net of investment management fees using the Modified Dietz Method. The formula for the Modified Dietz Method is shown in Appendix B.
- c. The preparation and fair presentation of the supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements

THE UNIVERSITY OF TEXAS/TEXAS A&M
INVESTMENT MANAGEMENT COMPANY



d. The design, implementation, and maintenance of internal control:

- Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- To prevent and detect fraud

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

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

1. The financial statements referred to above are fairly presented in accordance with GAAP.
2. The Funds have made available to you:
 - a. All relevant information and access as agreed in the terms of the contract entered into by The University of Texas System, dated June 30, 2016 and amended May 25, 2018.
 - b. All financial records and related data
 - c. All minutes of the meetings of directors/trustees and committees of directors/trustees; or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - d. Information relating to the Funds' compliance with all statutes, laws, or regulations that have a direct effect on our financial statements
 - e. All new or revised governance documents and agreements.
3. There have been no communications with regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. The Funds have disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.



5. We have no knowledge of any fraud or suspected fraud affecting the Funds involving:
 - a. Management
 - b. Employees of The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), the Funds’ investment manager, who have significant roles in the Funds’ internal control over financial reporting
 - c. Others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds’ financial statements communicated by UTIMCO employees, former UTIMCO employees, analysts, regulators, or others.
7. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) Section C50, *Claims and Judgments*.
8. All investments during the period were made in accordance with the Funds’ respective investment policies.
9. Significant assumptions used by us in making accounting estimates are reasonable.
10. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.

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

11. There are no transactions that have not been properly recorded and reflected in the financial statements.
12. The Funds have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. We have disclosed to you any change in the Funds’ internal control over financial reporting that occurred during the Funds’ 2018 fiscal year that has materially affected, or is reasonably likely to materially affect, the Funds’ internal control over financial reporting.



14. The Funds have identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
15. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
 - a. Portfolio securities are stated at fair value as determined in accordance with the valuation method set forth in the Funds' respective investment policies
 - b. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP
 - c. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP
 - d. No events have occurred subsequent to August 31, 2018 that require adjustment to the fair value measurements and disclosures included in the financial statements.
16. Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the individual private investment fund's capital account balance at the closest available reporting period, as communicated by the investment fund's general partner or investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting period as well as consideration of any other information which has been provided. In rare cases the private market funds are valued at cost but only when management considers it to be the best approximation of fair value. We have considered any information communicated by an individual investment fund's general partner or investment manager necessary through October 29, 2018, and no adjustments were considered necessary to the valuation reported as of August 31, 2018.
17. The following, to the extent applicable, have been appropriately identified, properly accounted for, and disclosed in the financial statements:
 - a. Related parties and all the related-party relationships and transactions of which the Funds are aware, including fees, commissions, sales, purchases, loans, transfers, leasing arrangements, side agreements, and guarantees (written or oral)
 - b. Restricted securities that may not be publicly sold without registration under the federal Securities Act of 1933
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements



- d. All derivative financial instruments (e.g., futures, options, swaps), including bank loan commitments and other outstanding commitments to purchase or sell securities under forward placement and standby commitments
 - e. Financial instruments with significant individual or group concentration of credit risk, whether from an individual counterparty or group of counterparties
 - f. The amounts receivable from or payable to related parties
 - g. Guarantees, whether written or oral, under which the Funds are contingently liable (e.g., shortfall agreements)
 - h. Financial support that the Funds have provided during the period presented to an investee, whether contractually required to do so or not, as well as financial support that the Funds have not yet provided but is contractually required to provide to an investee.
18. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
19. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements
 - b. The concentration makes the Funds vulnerable to the risk of a near-term severe impact
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
20. There are no:
- a. Instances of identified or suspected noncompliance with laws 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
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed under GASB Codification Section C50, *Claims and Judgment*
21. The Funds have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except for those disclosed in the financial statements.
22. The Funds have complied with all aspects of contractual agreements that may affect the financial statements.
23. Regarding the required supplementary information of the Funds, i.e. the Management's Discussion and Analysis (the "MD&A"):
- a. We confirm that we are responsible for the MD&A
 - b. The MD&A is measured and presented in accordance with GASB
 - c. The methods of presentation of the MD&A have not changed from those used in the prior period.
24. Regarding the required supplemental schedule of the PUF, i.e. the Schedule of Changes in Cost of Investments and Investment Income:
- a. We confirm that we are responsible for the Schedule of Changes in Cost of Investments and Investment Income of the PUF
 - b. The Schedule of Changes in Cost of Investments and Investment Income of the PUF is measured and presented in accordance with Section 66.05 of the Texas Education Code
 - c. The methods of presentation of the Schedule of Changes in Cost of Investments and Investment Income of the PUF have not changed from those used in the prior period.
25. Regarding the supplementary information for the Funds, i.e. the Financial Highlights, as applicable:
- a. We are responsible for preparation and fair presentation of the supplementary information
 - b. We believe the supplementary information, including its form and content, is fairly presented



- c. The methods of presentation of the Financial Highlights, as applicable, have not changed from those used in the prior periods, except for the presentation of “Administrative Expenses per Unit” for the LTF.
26. Regarding the required supplemental schedule of the PUF, i.e. the Detail Schedules of Investment Securities:
 - a. We confirm that we are responsible for the Detail Schedules of Investment Securities of the PUF
 - b. The Detail Schedules of Investment Securities of the PUF is prepared in accordance with Section 66.05 of the Texas Education Code
 - c. The Detail Schedules of Investment Securities take into consideration the provisions of Government Code Section 552.143(c) which identifies the names of certain direct investments held by the PUF as confidential.
 - d. The methods of presentation of the Detailed Schedules of Investment Securities of the PUF have not changed from those used in the prior period.
27. UTIMCO as investment manager of the Funds under the control and management of The University of Texas System Board of Regents (“UT Board”), entered into a security purchase agreement with the UT Board. The agreement committed the Funds to purchase UT System notes and bonds outstanding up to \$3,404,360,000. The PUF also has an agreement with the Texas A&M University System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes. No UT System notes and bonds or Texas A&M System flexible rate notes have been or are expected to be purchased by the Funds under their required purchase commitment.
28. None of the entities which have borrowed from the Funds, subject to their securities lending programs, have defaulted during the year ended August 31, 2018.
29. In conjunction with the Funds’ investments in the private investment and hedge fund pools, there are no instances where the Funds would be required to assume additional commitment responsibility should other limited partners or shareholders default on their own commitments.
30. As of August 31, 2018, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
31. No events have occurred after August 31, 2018, but before October 29, 2018, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



[Handwritten signature of Britt Harris]

Britt Harris

Chief Executive Officer and Chief Investment officer

[Handwritten signature of Joan Moeller]

Joan Moeller

Senior Managing Director – Accounting, Finance, &
Administration

[Handwritten signature of Gary Hill]

Gary Hill

Senior Director - Accounting



APPENDIX A

Entity Name	Materiality Limit
Permanent University Fund ("PUF")	\$ 9,687,000
The University of Texas System General Endowment Fund ("GEF")	9,687,000
The University of Texas System Long Term Fund ("LTF")	9,687,000
Permanent Health Fund ("PHF")	2,350,000
The University of Texas System Intermediate Term Fund ("ITF")	9,687,000



APPENDIX B

FORMULA FOR MODIFIED DIETZ METHOD

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

$$R_{DIETZ} = \frac{\text{Gross of Fees}}{MVB + FW} = \frac{MVE - MVB - F}{MVB + FW}$$

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

where

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

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

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

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

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

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

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

where

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

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

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

Charter of the Audit and Ethics Committee

Background

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") established an Audit and Ethics Committee (the "Committee") on February 22, 1996. On July 15, 1996, the Board adopted certain resolutions regarding, among other things, the Corporation's Audit and Ethics Committee Mandate (the "Mandate"). The Mandate was superseded by this Charter. This Charter adopted by the Board on ~~February 20, 2014~~December 6, 2018, supersedes the Charter adopted by the Board on ~~April 14, 2014~~February 20, 2014. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

Purpose

The primary purpose of the Committee is to assist the Board in monitoring the ethics programs and the audit, financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the "UT Board") to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Chief Compliance Officer;
- the independence and performance of the Corporation's independent auditors;
- the independence and performance of the independent auditors selected by the UT Board to audit the investment funds managed by the Corporation on their behalf;
- internal audit functions performed by the UT System Audit Office;
- independent audit functions performed by the Texas State Auditor's Office;
- the Corporation's audit policies, ethics programs, and adherence to regulatory requirements; ~~and~~
- the Corporation's enterprise risk management; and
- the Corporation's fraud prevention and detection system.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, the Chief Compliance Officer, independent external auditors, UT System Audit Office, the Texas State Auditor's Office, and management of the Corporation. To perform his or her role effectively, each Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Scope

This Audit Charter sets forth the Committee's monitoring responsibilities with respect to the Corporation and the investment funds subject to the Master Investment Management Services Agreement by and between the UT Board and the Corporation effective November 13, 2008, and any subsequent amendments. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment funds managed on behalf of the UT Board.

Composition

The Committee shall be composed of at least three members of the Board; such members to be appointed from time to time by a majority vote of the Board at a meeting ~~at~~ which a quorum is present and approved by the UT Board as required by Section 66.08 (c)(3) of the *Texas Education Code*. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board of Directors. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

Independence Requirements

The Board shall determine that all members of the Committee are independent. A person is "independent" who has no relationship with the Corporation which would interfere with his or her exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursements they may receive as members of the Board and its Committees.

Financial Literacy

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

Financial Management Expertise

The Board, based on its business judgment, shall determine that at least one member of the Committee is a “financial expert.” A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of GAAP in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board or the Bylaws shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next regular meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Functions, Duties and Responsibilities

Review Financial Statements for Quality Considerations

The Committee has the following duties and responsibilities with respect to the financial statements of the Corporation and the investment funds managed on behalf of the UT Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;

- review an analysis prepared by management and the independent auditor of significant financial reporting issues, if any, made in connection with the preparation of the financial statements;
- discuss with the independent auditor the matters required to be communicated by AU-C Section 380260, *The Auditor's Communication ~~with~~ With Those Charged ~~with~~ With Governance*, as amended, relating to an audit of financial statements;
- discuss with the independent auditor any fraud of which the independent auditor becomes aware that involves senior management and/or which causes a material misstatement of the financial statements; and
- periodically discuss with the independent auditor the auditor's independence.

Monitor Management's Handling of Internal Controls

The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the UT Board:

- review with the independent auditor all significant deficiencies and material weaknesses identified during the audit as required by AU-C Section 325265, *Communicating Internal Control ~~related~~ Related Matters Identified in an Audit*, as amended.
- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:
 - any restrictions on the scope of activities or access to required information; and
 - any changes required in the planned scope of the audit;
- obtain reports from management and UT System Audit Office with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;
- when considered necessary, meet with the independent auditor and the senior personnel of the UT System Audit Office without management participation;
- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;

- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
- review the significant reports to management prepared by the UT System Audit Office and management's responses; and
- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

Manage the Relationship with the External Auditors

The external auditors for the Permanent University Fund are selected by the UT Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Risk Management ~~Review~~ Committee of the UT Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the UT Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the UT Board will be selected by the UT Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Risk Management ~~Review~~ Committee of the UT Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.
- approve the fee arrangement of the independent auditor;
- after interviewing members-employees of the Corporation's ~~staff~~, evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and
- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

Auditor Independence

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services to the Corporation contemporaneously with the audit (other than the agreed upon procedures required for compliance with the terms of the UTIMCO Compensation Program);
- the lead audit partner and the concurring (quality review) partner rotate off of the audit every 7 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and
- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period preceding the audit.

Work with the Internal Audit Function

The Corporation utilizes the UT System Audit Office to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;
- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;
- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;
- review completed internal audits and the status of management's implementation of related recommendations; and
- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

Monitor Ethics Program

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval;
- periodically review the process for communicating to employees and for monitoring compliance with the Code of Ethics;
- periodically evaluate and review the Corporation's compliance process;
- follow the UT System compliance guideline as outlined in ~~the Action Plan to Enhance Institutional Compliance~~Regents' Rule 20401 and UTS 119; and
- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

Oversee Regulatory Compliance

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- obtain regular updates from management, the Chief Compliance Officer, and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;
- obtain regular updates from management and the Chief Compliance Officer regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and
- review the findings of any examinations by regulatory agencies, including the Texas State Auditor's Office.

Oversee the Corporation's Enterprise Risk Management

Without limiting any of the foregoing, the Committee, along with management and other personnel, as directed by the Board, is responsible for the Corporation's enterprise risk management. Enterprise risk management assists management in achieving the Corporation's performance goals and prevents loss of resources; helps ensure effective reporting and compliance with laws and regulations; and helps avoid damage to the Corporation's reputation and associated consequences. Enterprise risk management

enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. The Committee has the following responsibilities related to enterprise risk management:

- evaluate the overall effectiveness of the Corporation's achievement of its objectives, as set forth in four categories:
 - Strategic – high-level goals, aligned with and supporting its mission;
 - Operations – effective and efficient use of its resources;
 - Reporting – reliability and timeliness of reporting; and
 - Compliance -
 - with applicable laws and regulations;
 - with non-investment Board policies such as the Code of Ethics and Delegation of Authority, and non-investment items in the Board investment policies; and
 - with 1) investment risk management and compliance, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, 4) liquidity of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund; 5) compliance with the Derivative Investment Policy; ~~6) the categorization of investment mandates;~~ and ~~7) the~~ monitoring of manager mandates;
- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk; and
- inquire of management, the Chief Compliance Officer, the UT System Audit Office, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

With respect to 1) investment risk management and compliance, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, and 4) liquidity of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund, 5) compliance with the Derivative Investment Policy; ~~6) the categorization of investment mandates;~~ and ~~7) the~~ the monitoring of manager mandates, the Committee may rely on assurances from the Risk Committee in determining compliance.

Oversee Fraud Prevention and Detection

The Committee is responsible for overseeing the effectiveness of the system for the prevention and detection of fraud and has the following duties and responsibilities:

- oversee management's arrangements for the prevention and deterrence of fraud;
- ensure that appropriate action is taken against known perpetrators of fraud; and
- ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Review the Overall Duties and Responsibilities of the Chief Compliance Officer

The Chief Compliance Officer will report functionally to the Committee and administratively to the ~~CEO and Chief Investment Officer~~Senior Managing Director and Chief Operating Officer. The CEO and Chief Investment Officer will nominate the Chief Compliance Officer for hiring by the Committee. The Committee has exclusive dismissal authority. The Chairman of the Committee and the CEO and Chief Investment Officer will determine the Chief Compliance Officer's individual performance goals. The Committee and the CEO and Chief Investment Officer will ~~approve-determine~~ the achievement of the Chief Compliance Officer's individual performance goals ~~and achievement of the goals~~, and will make joint recommendations to the Compensation Committee as to base salary and performance ~~incentive~~ awards for the Chief Compliance Officer. The Chief Compliance Officer will report compliance activities directly to the Committee at its regular meetings and to the chair between meetings. The Chief Compliance Officer will develop an annual plan for review by the Committee. The ~~CEO and Chief Investment Officer~~Senior Managing Director and Chief Operating Officer will direct day-to-day responsibilities of the Chief Compliance Officer with oversight by the Committee.

Other Duties

The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- periodically review the adequacy of this Charter and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities related thereto as may from time to time be designated by the Board Chairman;
- evaluate the Committee's own performance, both of individual members and collectively, on a periodic basis; and
- perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

Powers and Limitations

In discharging its responsibilities, the Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports.

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation, the Corporation's outside legal counsel or an employee in the UT System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on ~~February 20, 2014~~December 6, 2018. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

ANNUAL REPORT
INSTITUTIONAL COMPLIANCE PROGRAM

**The University of Texas/Texas A&M Investment Management Company
Institutional Compliance Program Report
for the Year Ended August 31, 2018**

Section I – Organizational Matters

- Four meetings of the Ethics and Compliance Committee were held during the year: November 1, 2017, January 30, 2018, April 20, 2018, and June 25, 2018.
- During the year, Clifton L. Thomas, Jr. was appointed as a director on April 19, 2018, by the Board of Regents of The Texas A&M University System. Mr. Thomas replaces Phil Adams whose term expired.
- Director Ray Rothrock was appointed Vice Chairman of the Board.
- Director Steve Hicks was appointed Vice Chairman for Policy.
- Rich Hall was hired as Deputy Chief Investment Officer and Scott Slayton was hired as Managing Director – Global Asset Allocation. Both were appointed as UTIMCO officers on February 28, 2018.
- Mark Warner, Senior Managing Director, resigned August 2018, effective September 7, 2018.
- Amended Investment Policy Statements, effective September 1, 2018, for the new strategic asset allocation were approved by the Board of Regents of The University of Texas System on August 10, 2018.

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 Team participated in 127 meetings/calls with potential managers. Serious due diligence was initiated on two mandates. Three new mandates were completed. Ongoing review of active external managers included 206 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in one annual meeting and two semi-annual portfolio reviews.

MCC - Fixed Income: The MCC-Fixed Income Team participated in 25 meetings/calls with potential managers. Ongoing review of active external managers included 34 meetings/calls. No serious due diligence was initiated on any mandates. No new mandate was completed. Additional efforts included 10 calls with brokers and two semi-annual portfolio reviews.

Less Correlated and Constrained: The Less Correlated and Constrained Team participated in 323 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates and

one existing mandate. Four new mandates were completed. Ongoing review of active external managers was conducted in the form of 417 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team, three annual meetings, and two semi-annual portfolio reviews.

Private Credit: The Private Credit Team participated in 85 meetings/calls with potential managers. No serious due diligence was initiated. One new mandate was completed. No addition to an existing mandate was completed. Ongoing review of active external managers included 116 meetings/calls. Additional efforts included two semi-annual portfolio reviews.

Private Equity: The Private Equity Team participated in 76 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. No serious due diligence was initiated on existing mandates. Two new mandates were completed. There were no additions to existing mandates. Ongoing review of active external managers included 69 meetings/calls. Additional efforts included participation in 11 annual meetings and two semi-annual portfolio reviews.

Healthcare: The Healthcare Team participated in 29 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. No serious due diligence was initiated on existing mandates. Two new mandates were completed. There was one addition to an existing mandate. Ongoing review of active external managers included 14 meetings/calls. Additional efforts included participation in five annual meetings and two semi-annual portfolio reviews.

Technology: The Technology Team participated in 113 meetings/calls with potential managers. Serious due diligence was initiated on seven new mandates. Eight new mandates were completed. No addition to an existing mandate was completed. Ongoing review of active external managers included 122 meetings/calls. Additional efforts included participation in fourteen annual meetings and two semi-annual portfolio reviews.

Natural Resources: The Natural Resources Team participated in 271 meetings/calls with potential managers. Serious due diligence was initiated on 11 new mandates. Nine new mandates were completed. There were additions to five existing mandates. Ongoing review of active external managers included 480 meetings/calls. Additional efforts included participation in 20 annual meetings and two semi-annual portfolio reviews.

Emerging Markets: The Emerging Markets Team participated in 441 meetings/calls with potential managers. Serious due diligence was initiated on four new mandates. Four new mandates were completed. There were no additions to existing mandates. Ongoing review of active external managers included 191 meetings/calls. Additional efforts included 11 annual meetings, one semi-annual meeting, and two semi-annual portfolio reviews.

Real Estate: The Real Estate Team participated in 192 meetings/calls with potential managers. Serious due diligence was initiated on six new mandates and five existing mandates. Seven new mandates were completed. There were two additions to existing mandates. Ongoing review of active external managers included 238 meetings/calls. Additional efforts included participation in 22 annual meetings and two semi-annual portfolio reviews.

Specialized Training: The Investment Team attended 93 industry-related conferences/functions and meetings.

High-Risk Area #2: Investment Risk Management

Responsible Party: Managing Director - Risk Management

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- Risk Team continued to enhance its understanding and reporting of macro risks and market risks. This currently includes tracking and reporting a bubble monitor, a bear market monitor, an environment monitor, and factor data. In particular, the Risk Team worked with the Tactical Asset Allocation (TAA) Team to improve the signals that drive the bear market monitor, to reduce the number of false positives and of false negatives, to make this monitor more a forecasting tool, and to make this monitor more actionable.
- Risk Team reviewed fourteen due diligence questionnaires during the year.
- Risk Team worked on the proposed payout policy for the PUF that takes into account the future inflows from University Lands, as well as the growing needs of future generations.
- Risk Team continued to work on the analytical framework that supports the development of the Strategic Asset Allocation.
- Risk Team developed an investment plan, and in particular, the commitment plan, to support the transfer of funds from the Intermediate Term Fund (ITF) to the Long Term Fund (LTF).
- Risk Team continued to develop and enhance standard processes for quantifying risks of proposed investments (“Risk scorecard”). All investments presented to Investment Committee submitted a Risk scorecard that was reviewed by Risk Management for consistency and accuracy.
- Risk Team worked with Information Technology to generate a monthly CUSUM report in a timely manner. All managers flagged were reviewed by the respective Investment Team, and the results of these reviews were shared with Risk Management.
- During the year, Risk Team reconciled accounting records’ market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. The 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; and performed analysis of managers’ portfolio-level risks and performance.
- Risk Team continued to monitor sources and uses of cash and the sources and uses of illiquid capital; prepared projections on portfolio downside volatility utilization, country exposure, liquidity, and asset allocations; and updated projections on a weekly basis.
- All internal derivatives were reviewed and analyzed in detail prior to initiation.
- External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly. Fixed income duration and tracking error is being monitored on an ongoing basis. Managers’ use of margin and leverage is monitored on an ongoing basis. Risk Team confirmed each month downside volatility and VaR calculations.

Organizational Update: Kate Wagner resigned from UTIMCO in March 2018.

Specialized Training: Risk Team participated in four conferences during the year.

High-Risk Area #3: Information Technology & Security

Responsible Party: Chief Information Security Officer (CISO) and 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:

- Construction of new building space was completed; CISO addressed security; infrastructure and safety concerns. IT Team enabled Border Gateway Protocol (BGP) to provide redundancy for UTIMCO internet access lines. IT Team also enabled BGP for the Arlington backup data center for added data access redundancy.
- IT team and CISO implemented new email encryption functionality under the Office 365 platform to replace the Ironport Encryption technology previously used.
- CISO found incomplete hardware inventory and ip address assignment documentation and requested an accurate and complete hardware inventory from IT. Completion of the inventory by IT Team has been postponed to 12/31/18.
- Splunk monitoring rebuild to remove retired systems and bring on new systems in the new office space continues. Significant progress has been made, but it has resulted in a 65% reduction in event logging resulting from misconfiguration. Previous logging levels were restored after the reporting period.
- Windows 2008 servers (22) remain in production environments even though Windows 2008 no longer receives mainstream support from Microsoft. Decommission is in progress; expected completion date of 09/28/18.
- Windows 2012 servers (52) have been identified as nearing end of mainstream support from Microsoft. IT Team expects to complete remediation by 09/30/18. This item was completed after the end of the reporting period.
- UTIMCO’s Windows Active Directory domain is currently running an unsupported version of Windows. CISO has requested remediation by IT Team to be completed by 09/30/18.
- A vulnerability was discovered in UTIMCO’s guest wireless network that remains unresolved as of the end of the reporting period; however, activity log reviews have not identified any rogue use or abuse. CTO directed changes to the guest wireless network without following accepted change management procedures nor notifying the CISO. Denim Security Assessment identified the same vulnerability and CISO has requested reconfiguration. IT Team expects to complete by approximately 11/17/18.
- Externally facing, publicly available resources have been identified as high risk for attack from compromise of user credentials. Multi-factor authentication should be mandatory for all public facing login screens. IT Team is working to implement two-factor authentication and has for most systems but a few remain to be converted. An updated timeline for completion is in progress.

- The Denim security assessment was completed. Denim found one critical and 16 high-risk items for a total of 39 items ranging from critical to low risk.
- CISO is working with IT Team to eliminate existing PST files and move them to Office365 as they present a risk to timely response of TPIA requests, litigation holds, and loss of data should they become corrupt. The deadline for completion of this project has been extended from 08/31/18 to 12/31/18.
- CISO identified the recruiting website software was not being monitored for updates and had not been patched for an identified security vulnerability announced in October 2017 and requested IT team install the needed patch. The patch was installed on 06/12/18.
- A network review identified several systems open to the internet that should have been blocked. CISO requested remediation on 4/30/18; as of 08/31/18 progress has been made but some systems still remain open to the internet.
- Software compliance checks were completed. The review identified a lack of an accurate and complete software inventory. CISO continues to monitor for policy violations for unauthorized software, sharing of credentials, and use of network resources. Receipt of a complete and accurate software inventory by IT team remains pending.
- One violation by IT Team for lack of software/service security and legal review prior to software download/utilization was identified. The software was uninstalled and removed. A previously approved alternate tool was substituted.
- CISO identified a user account that remained active for 56 days after the user left the firm. User account was disabled promptly upon discovery.
- CISO performed random checks for confidential data storage continue; no findings to report.
- CISO continues to work with the software development team to limit access to source code and follow secure coding practices.
- Annual and new employee security training was completed for all team members.
- Multiple firm-wide alerts were sent to employees covering topics such as viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- CISO launched nine phishing campaigns against UTIMCO users. CISO also received several reports of phishing emails received by various UTIMCO users; no one fell victim.
- Multiple firm-wide alerts for mobile device upgrades were sent to employees however, mobile device hygiene continues to be a concern. As of the end of the reporting period 110 mobile devices remained unpatched. Work continues with users to bring their devices into compliance through education and outreach on the importance of keeping devices patched and updated.
- Compliance checks for nightly shutdown/logout are performed. Violations noted and violators notified as necessary. As directed by the Deputy CIO, the Policy for the Security and Use of Information Resources will be changed to no longer require nightly shutdown/logout.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. No violations noted.
- CISO was asked to join the UT Systemwide Information Security Risk Committee and the UT Systemwide Information Security Steering Committee.

Organizational Update: CISO and Infrastructure Manager roles were separated per a recommendation made by the UT System Audit office in the UTIMCO SDLC audit report. CISO now reports to Joan

Moeller, Senior Managing Director - Operations. Three new employees joined IT Team in the positions of Infrastructure Helpdesk, Senior Developer, and Senior Data Specialist.

Specialized Training: CISO attended teleconference UT Security meetings and on-site CISO Council and InfoSec meetings. CISO met with Dell computer, Microsoft, Sequel Data Systems, M&S Technologies, APC, and Dynamo to review new technologies, security standards, and security. IT Team participated in Microsoft, ShareGate, Aruba, and Juniper training. Infrastructure and software teams met with Strategic SAAS, Sequel Data Systems, Kudelski Security Systems for architecture reviews, training and implementation planning.

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 employees continues.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee. Effective July 26, 2018, mandate categorizations are no longer required. Information regarding the categorization of mandates is included in the Certificates of Compliance mailouts and Monthly Transparency report sent to UTIMCO Directors and the investment memos reviewed by the Internal Investment Committee.
- Annual Compliance Statements were sent to 24 managers of separately managed accounts. All but one were returned timely; no noncompliance was noted. The compliance statement received late was due to a change in firm structure and management.
- Continued participation by the Portfolio Accounting and Operations employees in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: Chief Compliance Officer

Key “A” risk(s) identified:

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

Key Monitoring Activities:

- All Certificates of Compliance were received timely from all Directors and Key Employees for all investment managers hired and funded. No conflicts of interests were noted, i.e. no pecuniary interests were identified.
- All Directors were required to submit compliance statements within 30 days of appointment and annually by April 30th. All but two Directors submitted their compliance statements timely. One director submitted his compliance statements the day after the deadline. One Director requested an extension of time to file his compliance statements from the CEO but did not receive a reply; statements were received in July.
- Seventeen full time employees, 10 interns, and three temporary workers subsequently converted to full time employees, and one short-term (two week) temporary worker were hired during the year. All new hire compliance statements due during the year were received by the due date except from one individual contracted through an employment agency and the short-term temporary worker who was excused from submitting the compliance statements. All other employees but one required to submit annual compliance statements during the year were received timely.
- Two annual ethics and compliance training sessions and seven new hire ethics and compliance training session were held during the year. New hires and temporary workers received training within a reasonable time after hire.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. Review was completed timely for all directors and key employees except for one new director and one new employee. Reviews were completed promptly upon discovery of the error.
- List of publicly traded securities of all publicly traded companies in which a Director or employee has a pecuniary interest (the "restricted list") was maintained. Internal managers and external managers operating under agency agreements are provided the restricted list to prevent the violation of UTIMCO Code of Ethics and Texas Education Code Section 66.08. One new security was added to the list. The restricted list was provided to all managers operating under an agency agreement on June 4, 2018. No new manager operating under an agency agreement was hired during the year.
- Daily, the Chief Compliance Officer designee reviewed security holdings of internal and external managers operating under agency agreements for compliance with the restricted list. No exceptions were noted.
- Of 242 employee securities transactions during the year, two required preclearance. One was precleared as required; the other was not. Three transactional disclosure forms were filed late during the year.
- Six employees requested CEO approval for outside employment during the year.
- 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 each quarter. Of the 35 expense reports tested during the year, 11 included third party paid expenses and all but one were preapproved as required. Four expense reports tested included a sponsored entertainment event and preapproval was obtained as required.

- Effective September 1, 2017, employees must submit sponsored entertainment requests for approval to the CCO. During the year, 31 employees requested and received approval for sponsored entertainment events; three employees did not receive approval when required.
- One employee requested special approval twice to fly by private plane with an investment manager to attend the manager's board meetings. The employee is a member of the board of directors. Advance approval from both the CCO and CEO was obtained as required for one trip but only CCO approval was obtained for the other trip. CEO approval was obtained post-travel.
- Two employees accepted gift cards from a manager valued at \$150 each. Violation was discovered by the Executive Assistant to the Deputy CIO before the gift cards were used by the employees and she returned the gift cards to the manager.

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 Team. Ongoing due diligence efforts on multiple managers continue.

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: *Opportunity for enhancement*

Assurance Activities Conducted: CCO continues to meet with CISO regarding information technology and security practices. Due to the separation of CISO role from IT team, the Security and Technology teams continue to work together to define and separate duties, promptly address issues as they arise, and continue transition to the new organizational structure. CISO has identified several areas of vulnerability and required improvement in UTIMCO's information resources. The Security and Technology teams had been holding bi-weekly meetings to track and monitor the status of these needed improvements and will continue to work together on these matters.

Significant Findings: None

High-Risk Area #4: Investment Compliance

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to review investment and fund compliance reports to determine that policy requirements have been maintained based on the activity performed by employees.

CCO reviewed the documentation and workpapers supporting the various compliance reports prepared by the Responsible Parties.

Significant Findings: None

High-Risk Area #5: Conflicts of Interest

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO reviewed the completed sign-offs for completeness for all certificates of compliance received. Monitoring for potential conflicts of interest in the areas of personal securities transactions, outside employment and business activities, and manager/third party-paid travel, entertainment and gifts is ongoing.

Significant Findings: None

Section IV – General Compliance Training Activities

Nine training sessions were held during the year.

Section V – Action Plan Activities

See updated Institutional Compliance Action Plan Fiscal Year 2018.

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
Employment Related	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	1	0.00%
Total	1	00.00%

All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the Corporate Counsel and Chief Compliance Officer, the Compliance Specialist, the Manager – Human Resources, the Executive Assistant to the President, 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 2018**

#	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 in conjunction with updated investment and operations processes under new CEO, if any; prepare new/updated monitoring plans for high risk areas and update Fraud Program as needed	05/31/18	<i>ERM, risk assessments and updated monitoring plans in progress; target completion date extended to 12/31/2018</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Revise Responsible Party Monitoring Plan documentation for high risk areas A in conjunction with updated investment and operations processes under new CEO, if any	Ongoing	<i>Monitoring plans revisions in progress; target completion date extended to 12/31/2018</i>
3.	Continual enhancement of compliance monitoring and reporting	Ongoing	<i>Ongoing</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/18	<i>Training sessions held 10/20/17; 12/04/17; 02/01/18; 02/06/18; 03/13/18; 04/03/18; 04/16/18; 06/21/18; 08/09/18</i>
5.	Identify and network with similarly situated compliance professionals	Ongoing	<i>Systemwide Compliance meeting 09/27/17; UT System Legal Conference 09/28-09/29/17; Association of Corporate Counsel (ACC) annual meeting 10/16-17/17; ACC Austin meeting 10/03/17; Council of Public Funds Compliance Officers 11/28/17; 02/27/18; UT System Risk Management Conference 03/26-28/18; NC State Initiative ERM round table and workshop 04/26-27/18; SCCE Internal Investigations Compliance Conference 06/07-08/18; Meeting</i>

Updated 11/12/18

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
			<i>with Travis County Compliance Officer 07/06/18</i>
<i>D. REPORTING</i>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	<i>Quarterly meeting held 11/01/17; 01/30/18; 04/20/18; 06/25/18</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	Ongoing	<i>Quarterly reporting to A&E and Risk Committees: 11/16/17; 02/21/18; 05/10/18; 07/19/18 Quarterly reporting to Systemwide Compliance: 02/05/18; 05/14/18; 07/10/18</i>
<i>E. OTHER / GENERAL COMPLIANCE</i>			
8.	UT Systemwide Compliance Office Annual Attestation & Effectiveness Reporting	12/05/17	<i>Report submitted 12/04/17; additional comments and information submitted on 03/12/18 and 03/15/18</i>
9.	Finalize draft of compilation of all laws and regulations and to the extent necessary, modify compliance processes and reporting	12/31/17	<i>Ongoing</i>
10.	Update Business Continuity Plan due to move to new office space	05/31/18	<i>IT disaster recovery plan received; need to incorporate into BCP document; target completion date extended to 11/30/2018</i>
11.	Supervise and manage work of Compliance Specialist	08/31/18	<i>Ongoing</i>
12.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	<i>Systemwide Compliance meeting 09/27/17; 03/28/18; UT System Legal Conference 09/28-09/29/17; Compliance meeting with Jason King, Executive Director of Systemwide Compliance Officer and Ethics Officer for the U.T. System 10/06/17; 05/14/18; 07/25/18; Meeting with UT System CISO 10/30/17</i>

Updated 11/12/18

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
13.	Hotline reporting	Ongoing	<i>YTD 1 hang-up/wrong number</i>

Updated 11/12/18

**The University of Texas Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2019**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Complete detailed review of Enterprise Risk Management Framework; update risk assessments, including mapping of controls in conjunction with updated investment and operations processes under new CEO, if any; prepare new/updated monitoring plans for high risk areas and update Fraud Program as needed	12/31/2018	<i>ERM, risk assessments and updated monitoring plans in progress (holdover from FY 2018)</i>
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Revise Responsible Party Monitoring Plan documentation for high risk areas A in conjunction with updated investment and operations processes under new CEO, if any	12/31/2018	<i>Monitoring plans revisions in progress (holdover from FY 2018)</i>
3.	Continual enhancement of compliance monitoring and reporting	Ongoing	
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Increase personal training and awareness related to cybersecurity risks	Ongoing	
5.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/2019	
6.	Identify and network with similarly situated compliance professionals	Ongoing	
<i>D. REPORTING</i>			
7.	Work with Information Technology Team to automate Code of Ethics forms	06/30/2019	
8.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	
9.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	Ongoing	
<i>E. OTHER / GENERAL COMPLIANCE</i>			
10.	Update/Revise Institutional Compliance Program Manual	09/30/2019	
11.	Continual update of compilation of all laws and regulations applicable to UTIMCO and to the extent necessary, modify compliance processes and reporting	Ongoing	<i>Ongoing</i>
12.	Update Business Continuity Plan due to move to new office space	11/30/2018	<i>IT disaster recovery plan received; need to incorporate into BCP</i>

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
			<i>document (holdover from FY 2018)</i>
13.	Supervise and manage work of Compliance Specialist	Ongoing	
14.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	
15.	Hotline reporting	Ongoing	

CONTRACT REPORT

New Contracts, Leases, and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$250,000)
 July 11, 2018 through November 26, 2018

Agreement	Purpose	Contract Term	Annual Amount
	None		

Existing Contracts, Leases and Other Commercial Arrangements
 (Total Obligation per Agreement greater than \$250,000)
 Reported on an annual basis per the Delegation of Authority Policy
 As of November 26, 2018

Agreement	Purpose	Contract Term	Annual Amount
Bloomberg	Core AIM (formerly Portfolio Order Management System) and All-in-one investment platform for trading, analysis and information	Each user agreement automatically renews every 2 years	\$719,140
Factset Research Systems	Analytical tool for performance	Renews monthly via invoice	\$388,680
International Fund Services	Risk System	Quarterly invoice – fees increased as underlying accounts are added	\$292,000
Dynamo Software	Portfolio and relationship management system with full mobile access for travelers	11/15/2018 - 11/14/2019	\$409,020

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Report from Policy Committee: Discussion and Appropriate Action Related to Proposed Amendments to the Master Investment Management Services Agreement with UTIMCO; and Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Policy Committee

Developed By: Gonzalez, Moeller

Presented By: Hicks

Type of Item: Action item; Action required by UTIMCO Board and by Board of Regents of The University of Texas System related to Master Investment Management Services Agreement with UTIMCO (“IMSA”)

Description: The Policy Committee (“Committee”) met on November 29, 2018. The Committee’s agenda included: (1) approval of minutes of the July 19, 2018 meeting and the July 19, 2018 Joint Meeting of the Policy and Risk Committees; (2) discussion and appropriate action related to proposed amendments to the IMSA; and (3) discussion and appropriate action related to proposed amendments to the Charter of the Policy Committee.

The IMSA is the contract between the Board of Regents of The University of Texas System (“UT Board”) and the UTIMCO Board. Ultimate responsibility for the accounts under UTIMCO’s management rests with the UT Board. Section 66.08, *Texas Education Code*, authorizes the UT Board, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the UT Board. The current IMSA was effective November 13, 2008.

The purpose of the Charter of the Committee (the “Charter”) is to outline the duties and responsibilities of the Committee. In accordance with the Charter of the Committee, the Committee will periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the UTIMCO Board for approval. The current Charter was approved by the UTIMCO Board on February 20, 2014.

Discussion: Ms. Gonzalez will present the proposed changes to the IMSA and Charter to the Board. The Team and UT System staff have reviewed the IMSA and submitted to the Committee the following changes to the IMSA:

- Changed document to reflect current name of UTIMCO
- Page 1, paragraph 4, *Recitals*; changed to reflect incorporation of the Texas Non-Profit Corporation Act into the Texas Business Organizations Code
- Section 1(h), *Investment Policies*; removed reference to UTIMCO Mandate Categorization Procedure as it was eliminated effective July 26, 2018

Agenda Item

UTIMCO Board of Directors Meeting
December 6, 2018

- Section 2(b), *Policy Matters*; added Chancellor's designee as an additional person to whom UTIMCO may look on various policy matters
- Section 2(c); *Meetings and Agendas*; changed to only require the UTIMCO CEO to consult with the Chancellor on the draft agenda for UTIMCO Board meetings when the Chancellor is serving as the Vice Chairman for Policy
- Section 3(a); *Investment Policies*; deleted references to distribution (spending) guidelines as UTIMCO no longer performs this function
- Section 3(f); *Reporting*; updated references to compliance guidelines
- Section 3(g); *Disclosure of Information*; changed language to permit UTIMCO's Public Information Coordinator rather than CEO to work with the U.T. System Vice Chancellor and General Counsel on Texas Public Information Act matters
- Section 3(h)(ix); *Other Services*; changed to reflect incorporation of the Texas Non-Profit Corporation Act into the Texas Business Organizations Code
- Section 17; *Notices*; updated Board of Regents' and UTIMCO's addresses
- Schedule A; *Funds*; added definition of Debt Proceeds Fund
- Deleted references to Investment Type throughout the document consistent with current Investment Policy Statements
- Minor editorial changes
- New effective date for the IMSA will be February 27, 2019

The Committee reviewed and approved the proposed changes to the Charter. The following changes to the Charter were proposed by the Team:

- Page 2; *Duties and Responsibilities*, correction to language related to the review and approval of amendments to the UTIMCO Travel Guidelines as no UTIMCO Board approval is required
- Page 2; *Duties and Responsibilities*, removed language regarding approval of distribution (spending) guidelines consistent with the Investment Policy Statements as this is no longer a responsibility of the UTIMCO Board
- Page 3; *Duties and Responsibilities*, removed language regarding recommendations concerning the annual distribution amount and payout rates of the funds consistent with the Investment Policy Statements as this is no longer a responsibility of the UTIMCO Board
- Other minor editorial changes

Recommendation: The Policy Committee recommends approval by the UTIMCO Board of the proposed amendments to the IMSA, effective February 27, 2019, subject to approval by the Board of Regents of The University of Texas System; and the proposed amendments to the Charter.

Reference: Master Investment Management Services Agreement with UTIMCO
Charter of the Policy Committee

**BOARD RESOLUTION RELATED TO
MASTER INVESTMENT MANAGEMENT SERVICES
AGREEMENT WITH UTIMCO**

RESOLVED, that the Master Investment Management Services Agreement with UTIMCO (“IMSA”) be, and is hereby, approved in the form submitted to the Corporation’s Board, subject to approval by the Board of Regents of The University of Texas System.

**RESOLUTION RELATED TO THE
CHARTER OF THE POLICY COMMITTEE**

RESOLVED, that the amendments to the Charter of the Policy Committee, as recommended be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Approved ~~November 13, 2008~~February 27, 2019

MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO

This Investment Management Services Agreement (this “Agreement”) by and between the Board of Regents (the “U. T. Board”) of The University of Texas System (the “U. T. System”) and The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), a Texas nonprofit corporation, is effective ~~November 13, 2008~~February 27, 2019 (the “Effective Date”), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof.

RECITALS

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional assets of the U. T. System and the assets of various trusts and foundations for which it serves as trustee, all of which assets are under the control and management of the U. T. Board;

WHEREAS, Section 66.08, *Texas Education Code*, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest assets under the control and management of the U. T. Board, as designated by the U. T. Board;

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the ~~Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq.~~Texas Business Organizations Code, for the express purpose of investing assets under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas;

WHEREAS, the U. T. Board desires to continue an Agreement with UTIMCO for UTIMCO to invest certain designated assets under the control and management of the U. T. Board;

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated assets under the control and management of the U. T. Board; and

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, *Texas Education Code*, as amended.

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1. Definitions.

- (a) **Affiliate** shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.
- (b) **Cash Reserves** shall mean cash on hand plus investments, plus prepaid expenses, less accounts payable, less other liabilities.
- (c) **Claims** shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.
- (d) **Custodian** or **Custodians** shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safe-keep ~~physical~~ securities representing investment assets of any Fund and to perform the other functions listed in Section 5 hereof.
- (e) **Delegated Assets** shall mean those assets under the control and management of the U. T. Board that are invested in the Funds managed by UTIMCO hereunder; pursuant to the corresponding Investment Policies as such assets may be directed for investment by the U. T. Board or its designees from time to time pursuant to its Investment Policies or otherwise. The Delegated Assets may include, without limitation, the following funds or categories of assets:
 - (i) The Permanent University Fund established pursuant to Article VII, Section 11 of the Texas Constitution (the “Permanent University Fund” or “PUF”); provided that, for purposes of this Agreement and the delegation of investment management responsibilities hereunder, the PUF excludes the approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the PUF (the “PUF Lands”), as to which the U. T. Board retains complete investment management authority and responsibility;
 - (ii) Any and all funds or assets under the control and management of the U. T. Board as owner, administrator, contractual investment manager, or otherwise, including without limitation endowment funds and operating assets, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts (collectively, “U. T. System Funds”);

- (iii) The assets of charitable remainder trusts, foundations and other separately invested assets for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries (“U. T. Board Trust Accounts”);
 - (iv) The permanent assets for health-related institutions established pursuant to Chapter 63, *Texas Education Code*, for which the U. T. Board is an administrator (collectively, the “Permanent Health Fund” or “PHF”);
 - (v) U. T. System Funds or U. T. Board Trust Accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF (collectively, “Separately Invested Funds” or “SIFs”); and
 - (vi) Institutional assets of third-party non-profit charitable foundations or tax-exempt charitable organizations to the extent dedicated to the support of the educational purposes of the U. T. System and under the control and management of the U. T. Board by contract (collectively, “Foundation Funds”).
- (f) **Funds** shall mean the separate investments or pools of assets in which the Delegated Assets are to be invested pursuant to the corresponding Investment Policies, as specified in Schedule A hereto and in the corresponding Investment Policies, each of which may be amended by the U. T. Board from time to time as provided for herein.
- (g) **Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.
- (h) **Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Funds, and all generally applicable written investment-related policies determined and approved by the U. T. Board that govern the management of investments for some or all Funds, such as the policies regarding asset allocation, and the policies on Derivative Investment, Liquidity, and Error Correction, but excluding internal UTIMCO operational guidelines as to which approval of the U. T. Board is not required, which include the ~~UTIMCO Mandate Categorization Procedure~~, Valuation Criteria for Alternative Assets, Calculating Liquidity Procedure, Soft Dollar Policy and Procedures, Securities Lending Policy, and the Proxy Voting Policy (the Proxy Voting Policy being governed by the provisions of the individual Investment Policies related to proxy voting).
- (i) **Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys’, accountants’ and other professionals’ fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

- (j) **Surplus Cash Reserves** shall mean Cash Reserves on the last day of the fiscal year in excess of twenty-five percent (25%) of the upcoming fiscal year's operating and capital budgets approved by the U. T. Board.

Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.

(a) **General**

The U. T. Board retains ultimate fiduciary responsibility and authority for all matters related to the investment of the Delegated Assets. Pursuant to that responsibility and authority, the U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Funds, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Funds in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as set forth in this Agreement and shall manage each Fund as a discretionary account.

(b) **Policy Matters**

The U. T. Board, as ultimate fiduciary for the Funds, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO shall look to the Chancellor or Chancellor's designee to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the forgoing matters, the UTIMCO Board of Directors and the CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The CEO of UTIMCO shall confer with the Chancellor or Chancellor's designee on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.

(c) **Meetings and Agendas**

- (i) The UTIMCO CEO shall consult with the Chairman of the UTIMCO Board and the Chancellor, ~~as when the Chancellor is serving as the~~ Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.
- (ii) UTIMCO shall participate in an annual joint meeting of the UTIMCO Board of Directors and the U. T. Board as referenced in Art. III, § 7 of the UTIMCO Bylaws.

Section 3. Description of Investment Management Services.

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Funds:

(a) **Investment Policies:**

UTIMCO shall review current Investment Policies for each Fund at least annually. Such review shall include ~~distribution (spending) guidelines,~~ long-term investment return

expectations and expected risk levels, ~~Asset Class and Investment Type~~ strategic asset allocation targets and ranges, expected returns for each Asset Class and ~~Investment Type~~ and fund, designated performance benchmarks for each Asset Class ~~and Investment Type~~ and such other matters as the U. T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the U. T. Board.

(b) **Investment Management:**

UTIMCO shall oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each Asset Class ~~and Investment Type~~ within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each Asset Class ~~and Investment Type~~.

(c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for each of the Funds. With respect to all Funds other than the SIFs, such responsibilities shall include the calculation and evaluation of investment returns for each Asset Class ~~and Investment Type~~ and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

(d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all Funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Funds.

(e) **Maintenance of and Access to Books and Records:**

UTIMCO shall maintain the books and records for each Fund on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Fund.

The books and records of the Funds and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by authorized representatives of U. T. System. UTIMCO shall provide full audit access to any and all information concerning the operations of UTIMCO, including information

necessary to review UTIMCO expenditures for compliance ~~and reasonableness~~ with the approved budget, to auditors representing the U. T. Board and/or the State Auditor.

(f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, UTIMCO shall provide all compliance-related information, reports and certifications, and shall cause the CEO and the chief financial officer of UTIMCO to provide such certifications, as may be specified by the U. T. Board and U. T. System compliance policies and procedures adopted or approved by the U. T. Board. UTIMCO will follow the U. T. System compliance guidelines as outlined in ~~the Action Plan to Enhance Institutional Compliance~~ Regents' Rule 20401 and UTS 119, as it may be amended from time to time, including providing the U. T. Board or its designees with quarterly compliance reports.

(g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Funds, UTIMCO shall disclose to the public with respect to such private investments all information required to be disclosed pursuant to Section 552.0225 of the *Texas Government Code* regarding "Right of Access to Investment Information" ("private investment information"). UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO have clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the ~~CEO~~ Public Information Coordinator of UTIMCO shall notify the U. T. System Vice Chancellor and General Counsel and solicit his or her input to the process. UTIMCO shall disclose the information unless (i) it is confidential and excepted as provided in Section 552.143 of the *Texas Government Code* regarding "Confidentiality of Certain Investment Information," or (ii) as to any other information, the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas. In addition, the U. T. Board reserves the right and authority, in its sole discretion, to disclose, or direct the disclosure of, any information at any time, to the extent such disclosure would not result in a violation of applicable law or breach or result in a default under any agreement binding upon UTIMCO or the U. T. Board.

In addition to and not in lieu of the foregoing, UTIMCO will comply with the provisions of Section 12 below regarding confidentiality provisions of contracts with third parties.

(h) **Other Services:**

UTIMCO shall perform other investment management services, including without limitation:

- (i) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time;

- (ii) rendering services to managers of private equity investments in which UTIMCO has decided to invest;
- (iii) attending meetings of governing bodies of companies in which assets of Funds have been invested pursuant to this Agreement;
- (iv) voting of securities (or proxies with respect thereto) held as investments of the Funds in accordance with the Investment Policies and the UTIMCO Proxy Voting Policy and any other relevant written policies or rules of the U. T. Board;
- (v) providing U. T. System institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established;
- (vi) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing assets to authorized beneficiaries;
- (vii) effecting distributions directly or through the Custodian to U. T. System institutions or other named beneficiaries from the Funds;
- (viii) supporting and maintaining online information systems for endowment funds;
- (ix) providing training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U. T. System staff to assure that all duties required of directors under the Texas ~~Non-Profit Corporation Act~~ Business Organizations Code and that matters related to legal and fiduciary responsibilities of the directors, including current regulations for determining reasonable compensation, are outlined and discussed fully;
- (x) maintaining a log of (1) all agreements or transactions between UTIMCO or a "UTIMCO entity" and a "Director entity" or an "Employee entity", and (2) all investments in the private investments of a business entity in which a "Director" or "Employee" then owns a private investment, or is then co-investing, in the same business entity, provided that all quoted terms above shall have the meanings assigned to them in UTIMCO's Code of Ethics, which annually shall be reviewed by the UTIMCO Board of Directors and reported to the U. T. Board;
- (xi) reporting to the U. T. Board annually on compliance with the UTIMCO Code of Ethics and any recommended changes to the UTIMCO Code of Ethics following review by the UTIMCO Board of Directors; and
- (xii) any other services necessary to provide investment management of the Funds.

Section 4. Investment Manager as Fiduciary.

UTIMCO acknowledges that it acts as a fiduciary in its management of the investments of the Funds pursuant to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Funds as a result of investments made pursuant to the Investment Policies and applicable law, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The U. T. Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of, any action taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

Section 5. Custody of Assets.

UTIMCO shall select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).

UTIMCO shall use the Custodian(s) for safekeeping, settlement of security purchases, sales, collection of income and other duties, as may be more fully described in the relevant agreement(s) between the Custodian(s) and the U. T. Board or UTIMCO (as agent of the U. T. Board). In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

Section 6. Use of Unaffiliated Investment Managers.

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Funds and to perform other duties, subject to any restrictions in the relevant Investment Policies.

Section 7. Investment Management Fees; Direct Expenses.

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

(a) **Annual Budget and Management Fee:**

(i) Budget Approval Policy

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an “Annual Budget”) within the time frame specified by the U. T. Board for other annual budget submissions. The Annual Budget shall include all estimated expenses associated with the management of the Funds. The Annual Budget shall also include an annual UTIMCO management fee (an “Annual UTIMCO Management Fee”) which shall include all reasonable operating expenses associated with the general management of the Funds, including, without limitation, ~~reasonable~~ salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space

lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder. In addition to its Annual Budget, UTIMCO shall annually submit its capital expenditures budget approved by the UTIMCO Board of Directors to the U. T. Board for approval.

(ii) Allocation Formula

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Funds. Items proposed in the Annual Budget and the allocation formula may be approved, disapproved, or approved with modification by the U. T. Board. Any such Budget item or formula allocation that is disapproved or approved with modification may be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration.

(iii) Charging of Funds for Management Fee

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Fund with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO may, with the approval of the U. T. Board, revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

(iv) Payment of Third Party Vendors

UTIMCO is hereby authorized to pay from each Fund direct expenses incurred for portfolio management, Custodian, auditing, and other services which are performed by external vendors specifically for each Fund.

(b) Cash Reserves:

Within 90 days after the end of each fiscal year, UTIMCO will distribute back to the Funds which generated the surplus that portion of the Surplus Cash Reserves as may be directed by the U. T. Board, in its sole discretion, from time to time. Such distribution back to the Funds shall be in the same proportion that the Funds contributed to the Cash Reserves.

(c) UTIMCO Management Service on Outside Boards:

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income and reflected in the Budget. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.

(d) **Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee (“Service Fees”) from investment promoters or investee companies in consideration of the UTIMCO staff’s private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees (“Capital Fees”) accruing or inuring to the capital invested on behalf of the Funds managed by UTIMCO. Such Capital Fees shall be credited to the Funds from which such investments are funded.

(e) **Miscellaneous Fees:**

UTIMCO management may perform specialized services for assets that are separately invested for which UTIMCO receives a fee from the Fund. These fees primarily relate to maintenance of computer programs for the SIFs. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO and reflected in the Budget.

Section 8. Brokerage Commissions.

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 7 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Funds; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO or any of its officers, directors or employees. All orders for Fund transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO may, from time to time in accordance with applicable law and UTIMCO’s Soft Dollar Policy and Procedures, pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Funds.

Section 9. Valuation of Fund Assets.

The valuation of each Fund shall be determined in accordance with the Investment Policies approved by the U. T. Board for such Fund.

Section 10. Representations and Warranties of Parties.

- (a) The U. T. Board represents and warrants that:
- (i) The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized, and this Agreement constitutes a valid and binding agreement of the U. T. Board.
 - (ii) There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would

materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

- (iii) The U. T. Board has approved:
 - (A) the Articles of Incorporation and Bylaws of UTIMCO;
 - (B) the Investment Policies;
 - (C) the Audit and Ethics Committee of UTIMCO; and
 - (D) the Code of Ethics of UTIMCO.

- (b) UTIMCO represents and warrants that:
 - (i) The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized and this Agreement constitutes a valid and binding agreement of UTIMCO.
 - (ii) There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

- (c) Investment Company Act and State Securities Act:

The parties to this Agreement acknowledge and agree that UTIMCO is not currently required to, and shall not engage in any activities that would require it to, register as an “investment company” under Title 15 *United States Code* Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 *et seq.* (The Securities Act).

Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements.

In the performance of this Agreement, UTIMCO shall abide by, and cause its directors, officers, and employees to abide by, the following policies:

- (A) UTIMCO Code of Ethics as approved by the U. T. Board;
- (B) UTIMCO Bylaws as approved by the U. T. Board;
- (C) All UTIMCO policies;
- (D) Applicable portions of the U. T. Board’s *Regents’ Rules and Regulations*; and
- (E) All U. T. Board-approved Investment Policies, resolutions, and applicable law.

Financial advisors and service providers as defined in *Texas Government Code* Section 2263.002 shall comply with the disclosure requirements contained in *Texas Government Code* Section 2263.005, in addition to any obligations regarding disclosure of private investment information and the like as contemplated by Section 3(g) of this Agreement.

Section 12. Contracts with Third Parties.

Approved ~~November 13, 2008~~ February 27, 2019

UTIMCO covenants and agrees that each agreement, contract, or understanding it enters into with any third party will comply with all applicable law (including without limitation *Texas Government Code* Sections 2263.002 and 2263.005 as referenced in Section 11 above), and will not contain any term or provision limiting the ability of UTIMCO, the U. T. Board, the U. T. System, or any of its institutions to comply with any provision of applicable law, including without limitation any covenant regarding non-disclosure of confidential information or similar subject matter that would purport to limit the ability of UTIMCO or the U. T. Board to comply with any provision of the Texas Public Information Act or other law regarding public disclosure; provided that any contract provision regarding non-disclosure of confidential information must be approved by the Vice Chancellor and General Counsel of the U. T. System or his/her designee.

UTIMCO further covenants and agrees that it will not enter into any contracts indemnifying or holding harmless any third party to a greater extent than the scope of the indemnification of the Indemnified Parties by the U. T. Board without the prior consent and approval of the Vice Chancellor and General Counsel of the U. T. System.

Section 13. UTIMCO's Open Meeting Policy.

Except as otherwise provided in Section 66.08, *Texas Education Code*, UTIMCO shall comply with all applicable provisions of the Texas Open Meetings Act, Chapter 551 of the *Texas Government Code*.

Section 14. Prohibition Against Service to Other Clients.

In accordance with Section 66.08, *Texas Education Code*, UTIMCO shall not engage in any business other than managing the Funds under this Agreement.

Section 15. Termination.

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all management fees, compensation, and benefits earned prior to the effective date of termination, subject to UTIMCO's Articles of Incorporation and Bylaws and applicable law.

Section 16. Amendments.

No amendment hereto shall be effective unless executed by duly authorized representatives of each party in the same manner as this Agreement.

Approved ~~November 13, 2008~~ February 27, 2019

Section 17. Notices.

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered, sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the other party at the following addresses which may be changed by notice sent in the manner required by this paragraph:

To U. T. Board:

Board of Regents of The University of Texas System
Attn: General Counsel to the Board of Regents
~~201-210~~ West Seventh Street, ~~Suite 820~~
Austin, Texas 78701
Tel. (512) 499-4402
Fax. (512) 499-4425

To UTIMCO:

The University of Texas/~~Texas A&M~~ Investment Management Company
Attn: ~~President~~, CEO and Chief Investment Officer
~~401 Congress Avenue~~ 210 West Seventh Street, Suite ~~2800-1700~~
Austin, Texas 78701
Tel. (512) 225-1600
Fax. (512) 225-~~1660~~1668

Section 18. Non-Assignability.

This Agreement is personal to the parties hereto, and no assignment of this Agreement by UTIMCO, whether by contract, merger, consolidation, or operation of law, shall be made other than with the prior written consent of the U. T. Board and in compliance with applicable law.

Section 19. No Waiver of Breach.

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

Section 20. Indemnification.

(a) **Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the

Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

(b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

(c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

(d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel following due notice, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

(e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with

the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

(f) Survival; Right to Enforce:

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the U. T. Board under this Section.

Section 21. Claims By and Against Managed Assets.

UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the U. T. Board or any Fund from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor, and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment.

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board, any Fund, or any associated assets, or to settle contested claims or litigation that may result in receipt of less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate U. T. System officials, as set out in the Regents' *Rules and Regulations*.

Section 22. Communications.

UTIMCO and the U. T. System will assure that communications are clear and timely. UTIMCO will provide notice of actions taken in meetings of the UTIMCO Board and committees to members of the U. T. Board through the Office of the Board of Regents. U. T. will provide notice of actions taken by the U. T. Board related to UTIMCO issues to members of the UTIMCO Board of Directors through the CEO of UTIMCO.

Section 23. Authority to Purchase, Exchange, and Sell Securities.

UTIMCO may purchase, exchange, and sell, for and on behalf of the Permanent University Fund or the U. T. Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, external investment

Approved ~~November 13, 2008~~ February 27, 2019

managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

Section 24. Authority to Assign and Transfer Securities.

UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, Custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the U. T. Board.

Section 25. No Third Party Beneficiaries.

UTIMCO and the U. T. Board each agree that there are no third party beneficiaries of this Agreement.

Section 26. Governing Law.

This Agreement and all matters arising under or related to it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Services Agreement shall be in Travis County, Texas.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Date: _____

By _____
Chairman

THE UNIVERSITY OF TEXAS/TEXAS A&M
INVESTMENT
_MANAGEMENT COMPANY

Date: _____

By _____
Chairman

Schedule A

Funds

This Schedule A setting forth the Funds managed by UTIMCO pursuant to this Agreement as fiduciary on behalf of the U. T. Board, in which the Delegated Assets are to be invested as directed by the U. T. Board pursuant to its Investment Policies, may be amended from time to time by the U. T. Board in consultation with UTIMCO to add or remove Funds, change fund allocations, reflect revisions to the corresponding Investment Policies, or otherwise. The Funds covered under this Agreement as of the Effective Date of this Agreement, and the corresponding Investment Policies, are as follows:

- a. **Permanent University Fund**: The PUF (as defined in Section 1(e)(i)) will be separately invested in accordance with the PUF Investment Policy Statement.
- b. **Permanent Health Fund**: The PHF (as defined in Section 1(e)(iv)) will be separately invested in accordance with the PHF Investment Policy Statement.
- c. **Separately Invested Funds**: The SIFs (as defined in Section 1(e)(v)) will be separately invested in accordance with the SIF Investment Policy Statement.
- d. **Long Term Fund (“LTF”)**: The long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of institutions of the U. T. System, with investments made in accordance with the LTF Investment Policy Statement.
- e. **General Endowment Fund (“GEF”)**: The pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each Fund’s investment policy statement, and the GEF funds will be invested in accordance with the GEF Investment Policy Statement.
- f. **Short Term Fund (“STF”)**: Selected U. T. System Funds designated from time to time by the U. T. Board or its U. T. System staff designees will be invested in the STF, which is the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds, in accordance with the STF Investment Policy Statement.
- g. **Intermediate Term Fund (“ITF”)**: The ITF was established by the U. T. Board as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets held by U. T. System institutions and U. T. System administration. The ITF will be invested in accordance with the ITF Investment Policy Statement.
- g-h. **Debt Proceeds Fund (“DPF”)**: The DPF was established in February 2011 to permit debt proceeds held by the U. T. System to earn a higher investment return, while maintaining adequate protection of principal and liquidity, until the proceeds are expended for various capital projects across the U. T. System institutions.

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

Charter of the Policy Committee

Background

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") has established a Policy Committee (the "Committee"). This Charter, adopted by the Board on ~~February 20, 2014~~ December 6, 2018, supersedes the Charter adopted by the Board on ~~April 14, 2011~~ February 20, 2014, and sets forth the responsibilities of the Committee. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

Purpose

The primary purpose of the Committee is to provide oversight and to monitor:

1. The development and amendment of UTIMCO Board Policies and Corporate Documents;
2. Recommendations concerning the development and amendment of investment-related policies of The University of Texas System Board of Regents (U.T. Board) related to the management of funds under the control and management of the U.T. Board; and
3. Recommendations concerning the amendment of the Investment Management Services Agreement (the "IMSA"), Code of Ethics, and Bylaws.

Any decisions made by the Committee regarding the above responsibilities will be submitted to the Board for approval.

Composition

The Committee shall be composed of at least three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board of Directors. A member may be removed with or without cause at any time by a majority vote of the Board.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board or the Bylaws, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of the Committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next regular meeting. At every meeting of the Committee, the presence of a majority of

all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the Committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of the Committee, who may replace any absent or disqualified member of the Committee. In the absence or disqualification of a member of the Committee, the member or members present at any meeting of the Committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Duties and Responsibilities

UTIMCO Board Policies and Corporate Documents

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of UTIMCO Board Policies and Corporate Documents (excluding the IMSA, Code of Ethics, Bylaws and any other corporate documents requiring U.T. Board approval):

- Review any UTIMCO Board Policies developed by UTIMCO staffemployees and provide guidance and suggested language when necessary;
- Determine which internal policies and procedures should be considered UTIMCO Board Policies;
- Recommend to the Board the approval of any new UTIMCO Board Policies;
- Review suggested amendments to UTIMCO Board Policies and Corporate Documents and provide guidance and suggested language when necessary;
- Review and make recommendations to the Board regarding employee benefit plans for the Corporation, which includes the ability to adopt, amend and terminate such plans; and
- Review and ~~make recommendations to the Board regarding and approve amendments to the~~ UTIMCO Travel Guidelines

Investment Policies of the U.T. Board

The Board has been delegated certain responsibilities by the U.T. Board, including the development and review of investment policies with respect to the investment management of funds under the control and management of the U.T. Board, including asset allocation, ~~distribution (spending) guidelines,~~ long-term investment return expectations and expected risk levels, asset allocation targets and ranges, and other matters as the U.T. Board requests. Upon its review and approval, the Board shall present recommendations concerning the investment policies to the U.T. Board for approval.

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of the investment policies of the U.T. Board related to the investment management of the funds under the control and management of the U.T. Board:

- Review U.T. Board investment policy recommendations developed by UTIMCO staffemployees and provide guidance and suggested language when necessary;
- Recommend to the Board the approval of any new U.T. Board Policies;

- Review suggested amendments to U.T. Board Policies and provide guidance and suggested language when necessary; and
- Recommend to the Board the approval of amended U.T. Board Policies.

~~In addition to its duties and responsibilities with respect to its oversight and monitoring of the investment policies, the Committee, if requested by the Board Chairman, shall provide recommendations concerning the annual distribution amount and payout rates of the fund assets under management.~~

In discharging its responsibilities, the Committee may accept comments and suggestions from Board consultants, U.T. System staffemployees, and other individuals as it deems necessary.

Amendments of the IMSA, Code of Ethics, Bylaws and other Corporate documents requiring U.T. Board approval

The Committee has the following duties and responsibilities with respect to its oversight and monitoring of the amendments of the IMSA, Code of Ethics, Bylaws and other Corporate documents requiring U.T. Board approval:

- Review amendments to the IMSA, Code of Ethics, Bylaws and other Corporate documents prepared by UTIMCO staffemployees requiring U.T. Board approval and provide guidance and suggested language when necessary
- Recommend to the Board the approval of such amendments

Upon its review and approval, the Board shall present the amendments to the U.T. Board for approval. In discharging its responsibilities, the Committee may accept comments and suggestions from Board consultants, U.T. System staffemployees, and other individuals as it deems necessary.

Other Duties

In addition to its duties and responsibilities outlined above, the Committee shall perform such additional special functions, duties or responsibilities related thereto as may from time to time be designated to it by the Board Chairman. In discharging its responsibilities, the Committee may obtain advice and assistance from Board consultants, U.T. System staffemployees, and other individuals as it deems necessary.

The Committee will evaluate the Committee's performance on a periodic basis, periodically review the adequacy of this Charter and submit this Charter to the Board for its approval; and perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

Approved by the Board of Directors on ~~February 20, 2014~~December 6, 2018. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Report from Compensation Committee: Discussion and Appropriate Action Related to the Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2018; Discussion and Appropriate Action Related to Proposed Amendments to the Charter of the Compensation Committee; and Discussion and Appropriate Action Related to the CEO's Performance Standards for the UTIMCO Compensation Program for the Performance Period ended June 30, 2019

Developed By: Moeller, Gonzalez

Presented By: Rothrock

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

Description: The Compensation Committee (the "Committee") met on November 29, 2018, and will meet on December 6, 2018. At its meeting on November 29, 2018, the Committee's agenda included the following: (1) discussion and appropriate action related to minutes of its July 19, 2018 meeting; (2) discussion and appropriate action related to proposed amendments to the Charter of the Compensation Committee; (3) discussion and appropriate action related to the selection of the UTIMCO Compensation Consultant; and (4) discussion and appropriate action related to the CEO's Qualitative Performance Standards for the UTIMCO Compensation Program for the Performance Period ending June 30, 2019. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters.

At its December 6th meeting, the Committee will convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters, including Performance Awards for Plan Participants for the Performance Period ended August 31, 2018. The Committee's agenda will include (1) discussion and appropriate action related to minutes of its November 29, 2018 meeting; and (2) discussion and appropriate action related to Performance Awards for Participants of the UTIMCO Compensation Program (the "Plan") for the Performance Period ended August 31, 2018.

Discussion: **(1) Performance Awards.** The Committee will make its recommendation to the UTIMCO Board related to the Performance Awards for all Plan Participants. Performance Awards for the Performance Period are calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance. Action is required by the UTIMCO Board related to the Performance Awards.

(2) Charter of the Compensation Committee. The purpose of the Charter of the Compensation Committee ("Charter") is to outline the duties and responsibilities of the Committee. In accordance with the Charter of the Committee, the Committee will

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the UTIMCO Board for approval. The current Charter was approved by the UTIMCO Board on July 29, 2014.

The Committee reviewed and approved the proposed changes to the Charter. The following changes to the Charter are proposed by the Team:

- Page 2; *Duties and Responsibilities*, changed language to be consistent with the terms and terminology of the UTIMCO Compensation Program as amended and restated, effective July 1, 2018
- Other minor editorial changes

(3) CEO Performance Standards. Section 5.4(b) of the Plan states that the CEO's Performance Standards will be determined and approved by the Board. The Committee presents and recommends the approval of the CEO's Qualitative Performance Standards to the UTIMCO Board. The two categories of Performance Standards are Quantitative Performance and Qualitative Performance. The Qualitative Performance Standards will be measured systematically as part of each Participant's annual performance appraisal process, using predetermined standard criteria, each Participant's adherence to UTIMCO's cultural values, and may include multi-rater feedback regarding a variety of contributions and behaviors needed for organizational success such as interpersonal relationship skills, accountability, effective teamwork, etc.

(4) The committee will report on its selection of Mercer as UTIMCO Compensation's consultant to provide a salary benchmarking study.

Recommendation: The Committee will recommend the Board approve (1) the Performance Awards for the Participants of the Plan for the Performance Period ended August 31, 2018; (2) proposed amendments to the Charter; and (3) CEO's Performance Standards for the Plan for the Performance Period ended June 30, 2019.

Reference: Materials provided for Executive Session
Charter of the Compensation Committee

**RESOLUTION RELATED TO PERFORMANCE AWARDS
FOR THE PERFORMANCE PERIOD ENDED AUGUST 31, 2018**

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

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the Performance Period ended August 31, 2018, of his or her Performance Goals for such Performance Period; and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Awards for all Participants who have met or exceeded their performance benchmarks for the Performance Period ended August 31, 2018, made changes it deemed appropriate, approved such Performance Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended August 31, 2018, in the total aggregate amount of \$_____ and be it

FURTHER RESOLVED, that of the Performance Awards for all Participants (excluding the CEO) for the Performance Period ended August 31, 2018, _____% (\$_____) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO THE
CHARTER OF THE COMPENSATION COMMITTEE**

RESOLVED, that the amendments to the Charter of the Compensation Committee, as recommended be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

**RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE
STANDARDS FOR PERFORMANCE PERIOD ENDED JUNE 30, 2019**

WHEREAS, Section 5.4(b) of the UTIMCO Compensation Program (the "Plan") provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Standards for the Performance Period ended June 30, 2019, as prepared by the CEO, and recommended by the Compensation Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Standards for the CEO for the Performance Period ended June 30, 2019, as set forth in the document presented to the Board.

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

Charter of the Compensation Committee

Background

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") established a Compensation Committee (the "Committee") on August 30, 1996. The Committee's responsibilities were enumerated and documented in the August 30, 1996 Board minutes. This Charter, adopted by the Board on ~~July 29, 2014~~ December 6, 2018, supersedes the Charter adopted by the Board on ~~July 11, 2011~~ July 20, 2014. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

Purpose

The primary purpose of the Committee is to carry out the responsibilities delegated to it by the Board relating to the review and determination of compensation for officers and employees of the Corporation.

Composition

The Committee shall be composed of three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board. A member may be removed with or without cause at any time by a majority vote of the Board.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board or the Bylaws, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next regular meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Duties and Responsibilities

The Committee has the following duties and responsibilities:

- Recommend to the Board the UTIMCO Compensation Program and any amendments thereto
- Review the UTIMCO Compensation Program to determine whether it encourages optimal risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk
- Select and retain the services of an independent qualified compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter and periodically perform a salary benchmarking study
- Review and approve annually the ~~goals and objectives~~ performance standards applicable to the compensation of the President, Chief Executive Officer and Chief Investment Officer ("CEO"); at least annually, determine the CEO's level of achievement ~~in light of those goals and objectives~~ performance standards, and determine and recommend to the Board the base salary and performance ~~incentive~~ award of the ~~Chief Executive Officer and Chief Investment Officer~~ CEO of the Corporation
- Approve the base salaries of all officers (except the ~~Chief Executive Officer and Chief Investment Officer~~ CEO) of the Corporation
- ~~Recommend to the Board the Eligible Employees who are designated as eligible to participate in the performance incentive awards under the Performance Incentive Plan~~
- Determine the ~~Incentive~~ Award Opportunity for each Performance ~~Goal~~ Standard for the Participants in an Eligible Position
- ~~Review and approve annually the goals and objectives applicable to the compensation of the Eligible Employees as recommended by the CEO; at least annually~~ Annually, review the actual performance of each Participant against the performance standards of the respective Participant and determine each Eligible Employees' the Participant's level of achievement ~~in light of those goals and objectives~~ performance standards, and determine and approve the Performance ~~Incentive~~ Plan awards for all Eligible Employees except the ~~Chief Executive Officer and Chief Investment Officer~~ CEO
- Develop and recommend to the Board an officer succession plan (the "Succession Plan"), review the Succession Plan periodically with the CEO, develop and evaluate potential candidates for executive positions and recommend to the Board any changes to, and any candidates for succession under, the Succession Plan
- Provide the Board with full supporting materials for each of the foregoing recommendations in sufficient time to allow such materials to be considered by the Board prior to its full discussion and review of such recommendations.

Determination of performance compensation for employees not included in the Performance ~~Incentive~~ Plan is delegated to Corporation management.

Other Duties

In addition to its duties and responsibilities outlined above, the Committee shall perform such additional special functions, duties or responsibilities related thereto as may from time to time be designated to it by the Board Chairman. In discharging its responsibilities, the Committee may obtain advice and assistance from Board consultants, U.T. System staff, and other individuals as it deems necessary.

The Committee will evaluate the Committee's performance on a periodic basis, periodically review the adequacy of this Charter and submit this Charter to the Board for its approval; and perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

Approved by the Board of Directors on ~~July 29, 2014~~December 6, 2018. ~~Editorial amendment to change name of corporation effective May 10, 2017.~~

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

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:	Harris
Type of Item:	Action required by UTIMCO Board (the Board)
Description:	<p>Mr. Harris is recommending that William Prather III, Senior Director – Natural Resources and Infrastructure replace Patrick Pace M.D., Senior Director – Private Equity to serve as a Series B/C Manager of the Board of Managers for AgBiome, LLC. UTIMCO has made a co-investment in AgBiome, 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.</p> <p>Upon approval by this Board, Mr. Prather will replace Dr. Pace effective December 7, 2018, upon written consent of the Board of Managers for AgBiome, LLC whereby the transfer of the Board appointment will be facilitated. Mr. Prather's appointment is for the duration of UTIMCO's investment as long as Mr. Prather remains an employee of UTIMCO. UTIMCO's Directors and Officers Insurance Policy coverage has been extended to cover Mr. Prather's service as a director. There is no compensation associated with this position.</p>
Recommendation:	Mr. Harris will recommend approval of Mr. Prather's service as a Series B/C Manager of the Board of Managers for AgBiome, 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 William Prather's service as a Series B/C Manager of the Board of Managers for AgBiome, 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.

Agenda Item
UTIMCO Board of Directors Meeting
December 6, 2018

Agenda Item: Report on 2019 Meeting Dates

Developed By: Harris

Presented By: Harris

Type of Item: Information item

Description: This agenda item presents the 2019 UTIMCO Board Meeting schedule and the Committee meetings schedule.

Recommendation: None

Reference: UTIMCO 2019 Meeting Dates



UTIMCO Meeting Dates

Meetings are held at the Corporate Offices:
 210 W. Seventh Street, Suite 1700
 Austin, TX 78701

2019							
	Audit & Ethics Committee	Compensation Committee	Policy Committee	Risk Committee	UTIMCO Board of Directors	UT System Board of Regents	TAMU System Board of Regents
January							1/16-18
February	2/14	2/14	2/14	2/14	2/21	2/26-27	
March							3/18-20
April							
May						5/22-23	
June (Annual)	6/20	6/20	6/20	6/20	6/27		
July						7/10-11	
August						8/14-15	8/7-9
September	9/19	9/19	9/19	9/19	9/26		
October							10/30-11/1
November	11/21	11/21	11/21	11/21		11/13-14	
December		12/5			12/5		