

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

A meeting of the Risk Committee (the "Committee") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in open session on **May 10, 2018**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 210 West 7th Street, Austin, Texas, said meeting having been called by the Committee Chair, J. Kyle Bass, with notice provided to each member in accordance with the Corporation's Bylaws. Participating in the meeting were the following members of the Committee:

J. Kyle Bass, Chair
Robert Gauntt
Ray Rothrock
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Director Ray Nixon also attended the meeting, thus constituting a majority and quorum of the Board. The audio portion of the meeting was electronically recorded and broadcast over the internet. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Rich Hall, Deputy Chief Investment Officer; Uzi Yoeli, Managing Director – Risk Management; and other employees. Other attendees were Jerry Turner and Jerry Kyle of Orrick, Harrington & Sutcliffe LLP; Terry Hull and Roger Starkey of The University of Texas System ("UT System") Administration; Keith Brown of UT Austin McCombs School of Business; and David Rejino of The Texas A&M University System. Committee Chair ("Chairman") Bass called the meeting to order at 9:47 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Minutes

The first matter to come before the Committee was the approval of the minutes of the Meeting of the Risk Committee held on February 21, 2018. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Risk Committee of the Board of Directors held on February 21, 2018, be, and are hereby, approved.

Categorization of Investment Mandates

Chairman Bass asked Mr. Harris to give a brief summary of the new mandate categorizations requiring approval by the Committee. Mr. Harris stated that of the twelve (12) new investment mandate categorizations prepared and recommended by Team for the period beginning February 14, 2018 and ending May 2, 2018, all were very straightforward. There were also three recategorizations of mandate categorizations included for approval. Four mandates remain on the watch list for possible recategorization in the future. Mr. Harris answered the Committee members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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

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

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared from February 14, 2018, through May 2, 2018, and categorized each as required by the Procedure; and

WHEREAS, the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer have reviewed existing mandates and determined that there have been changes in the investment characteristics of three mandates to warrant recategorization; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations of 12 new mandates and three mandate recategorizations and concurs in the classifications as proposed by the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer.

NOW, THEREFORE, BE IT

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

Compliance Reporting

Chairman Bass asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez began by presenting the risk dashboard for the quarter ended February 28, 2018. She stated there were three current managers whose NAV each represents over 3% of the funds, new permitted derivatives were executed by UTIMCO, and existing managers were in compliance with their respective IAAs. Ms. Gonzalez noted that UTIMCO is out of compliance in two areas: related to required reporting on the Derivative Investment Policy and the Liquidity Policy. New derivatives were reported to the Risk Committee in February as required by the Derivative Investment Policy but it did not get presented to the Board. Likewise, the liquidity levels of the Permanent University Fund (PUF), General Endowment Fund (GEF), and the Intermediate Term Fund (ITF) and unfunded commitments were presented to the Risk Committee in February as required by the Liquidity Policy but this information was not presented to the Board.

Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the quarter ended February 28, 2018, including a quarterly compliance update, the status of training, pre-clearance of trades, and compliance hotline activity. Finally, Ms. Gonzalez updated the Board on the status of the Institutional Compliance Action Plan for Fiscal Year 2018, noting that she will be working on the Enterprise Risk Management Report over the next few months, which will include making changes to the monitoring plans according to the report's findings. Chairman Bass noted President Trump's decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) and reimpose sanctions against Iran and asked Ms. Gonzalez to develop a plan to ensure compliance. Ms. Gonzalez answered the Committee Members' questions.


Market and Portfolio Risk Update

Chairman Bass asked Mr. Harris and Dr. Yoeli to provide a brief market and portfolio risk update. Dr. Yoeli discussed the current market, pointing out that there are currently few indicators (3/22) for a bear market, and no bubble signals. Mr. Harris and Dr. Yoeli provided a risk overview and a discussion of volatility, performance, fund illiquidity, and current tactical allocation. Dr. Yoeli reported that the PUF had a one year return of 12.8%. Mr. Harris also said we have been rated number one against our competitors for the last month. Three years ago, we were ranked last; this year first as of December 2017. Dr. Yoeli and Mr. Harris then answered questions from the Committee Members.

Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:22 a.m.

Secretary: 
Joan Moeller

Approved:  Date: AUGUST 1, 2018

J. Kyle Bass, Chair
Risk Committee of the Board of Directors of
The University of Texas/Texas A&M Investment Management Company