

**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 **February 21, 2019**, in person at the corporate headquarters located at 210 West 7<sup>th</sup> 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; Ken Standley, Chief of Staff; Scott Slayton, Managing Director; Susan Chen, Managing Director; Amanda Hopper, Senior Director; Ryan Ruebsahm, Managing Director; Courtney Powers, Senior Director; Anthony Caruso, Director; Gary Hill, Senior Manager; and other team members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Robert Cowley and Jason Bell of Deloitte; David Rejino of Texas A&M University System; and Allen Hah, Roger Starkey, and Karen Adler of The University of Texas System ("UT System"). Chairman Hildebrand called the meeting to order at 9:03 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 Meetings held on December 6, 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 December 6, 2018, be, and are hereby, approved.

## **Resolution of Appreciation for Director J. Kyle Bass**

Chairman Hildebrand recognized and thanked Director J. Kyle Bass for his nine years of service on the Board. Other Directors and Mr. Harris also offered their thanks and praise for Director Bass' service to the Corporation. Director Bass thanked everyone for their kind words and said he enjoyed serving on the Board. After discussion, Chairman Hildebrand recommended approval of a resolution to honor Director J. Kyle Bass for his service to UTIMCO. Upon motion duly made and seconded, the following resolution was unanimously adopted:

**WHEREAS**, in recognition of his substantial background and expertise in business, J. Kyle Bass was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2010, reappointed to a second term in 2013, and was reappointed for a third and final term in 2016; and

**WHEREAS**, Mr. Bass served as Chairman of the Risk Committee of the Board since 2014, and served as Chairman and member of the Compensation Committee, and as a member of the Policy Committee; and

**WHEREAS**, during his tenure on the UTIMCO Board, Mr. Bass provided invaluable insight and counsel, drawing on his many years of business and investment experience as founder and principal of Hayman Capital Management, L.P., a Dallas-based hedge fund focused on global event-driven opportunities; and

**WHEREAS**, Mr. Bass's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his service as a member of the Advisory Group for the Richard A. Mayo Center for Asset Management at the University of Virginia Darden School of Business; and

**WHEREAS**, Mr. Bass's unselfish contributions are also evidenced in the civic and corporate arenas by his service on various boards, including Troops First Foundation and the Texas Department of Public Safety Foundation; and

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

**WHEREAS**, during Mr. Bass's tenure on the UTIMCO Board, total assets under management by UTIMCO almost doubled, growing from \$23 billion to over \$44 billion; and

**WHEREAS**, Mr. Bass's leadership, judgment, and commitment to UTIMCO has contributed greatly to UTIMCO's success.

**NOW, THEREFORE,**

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

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

**PASSED AND ADOPTED** this 21st day of February 2019.

**Designation of Annual Meeting**

Chairman Hildebrand recommended Board approval of the resolution to designate the Annual Meeting of the UTIMCO Board of Directors. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the Annual Meeting of the Board of Directors will be held on June 27, 2019, in Austin, Texas.

**2018 Market Review and 2019 Outlook**

Chairman Hildebrand asked Scott Slayton to present his 2018 Market Review and 2019 Outlook. Mr. Slayton reviewed the 2018 financial market, identifying the key drivers of 2018 performance. He followed with a 2019 financial market outlook, concluding that 2019 will bring higher volatility across assets and the possibility of a US earnings recession. Mr. Slayton then answered the Directors' questions.

**Performance Report and Market Update**

Chairman Hildebrand asked Mr. Harris to present the Corporation's performance report and market update. Mr. Harris began with a review of 2018, including 2018 endowment returns and diversification. He then presented the Corporation's assets under management and performance results as of December 31, 2018. Mr. Harris reported the Corporation had \$44 billion of assets under management, specifically: \$21.5 billion in the Permanent University Fund (PUF), \$9.8 billion in the Long Term Fund (LTF) and \$1.1 billion in the Permanent Health Fund (PHF); \$9.2 billion in the Intermediate Term Fund (ITF), \$1.8 billion in the Short Term Fund (STF), \$0.4 billion in the Debt Proceeds Fund, and \$0.2 billion in Other funds. The net performance for the 12 months ended December 31, 2018, for the PUF was 1.68%, for the LTF and PHF was 1.87%, and for the ITF was -3.25%. Mr. Harris reviewed PUF historical performance and performance attribution, presented the current strategic asset allocation, noted that for the past five years, the PUF and The University of Texas

General Endowment Fund (GEF) had generated more returns for less risk, and announced special awards received by Team members. Mr. Harris presented the UTIMCO risk overview, stating that bubble indicators and bear market indicators did not signal a recession at this time. He answered questions from the Directors.

### **Review of 2018 and 2019 Priorities**

Chairman Hildebrand asked Rich Hall to review UTIMCO's 2018 priorities and present UTIMCO's priorities for 2019. Mr. Hall began by discussing the achievements of 2018, including the development and implementation of a new strategic asset allocation and corresponding revisions to the investment policies; the sizing and transfer of ITF dollars to the LTF; the sale of gold holdings; charting a path for the Natural Resources Team; alignment of compensation, both employee compensation and manager compensation, particularly the "1 or 30" hedge fund fee structure and adjustments to Public Equity fees; and the review of underperforming areas. Mr. Hall discussed in detail the environment, excellence, and execution sections of the Total Alignment Map, which captures on one page everything that the Team needs to do to provide world class results. He then addressed UTIMCO's 2019 priorities and discussed staying focused on UTIMCO's Total Alignment Map for the future.

### **Primer on Strategic Partnerships**

Chairman Hildebrand asked Ken Standley to update the Directors on the progress made on UTIMCO's Strategic Partnerships. Mr. Standley gave an overview of UTIMCO's Strategic Partnership program. He discussed the goals of these strategic partnerships and the selection criteria and process. He addressed expectations related to the endowments and how each regime planned to utilize the Strategic Partnerships. Board approval will be required to enter into strategic partnerships. Mr. Harris answered the Directors' questions and gave additional explanation about his experience with strategic partnerships in his past leadership positions.

### **Public Equity Presentation**

Chairman Hildebrand invited Susan Chen and Amanda Hopper to present an update on Public Equities. Ms. Chen reported on the role of Public Equities in the Endowments. She reported that Public Equities is approximately \$10.8 billion of the total portfolio, roughly 26% of the total Endowment and ITF assets as of December 2018. Ms. Chen briefly addressed the team, market conditions, performance, portfolio and manager framework, and top priorities for calendar year 2019.

Next Ms. Hopper discussed manager framework, composed of desired manager attributes, timing and fit in the portfolio, and reviewed the premier list breakdown of the Public Equities portfolio. She also discussed results of the 2018 action plan for the Public Equities Team and the top priorities for the Team in 2019. Ms. Chen, Ms. Hopper, and Mr. Harris answered the Directors' questions.

### **Hedge Funds Presentation**

Chairman Hildebrand asked Ryan Ruebsahm to present the Hedge Funds Review. Mr. Ruebsahm noted the Hedge Fund Team had a successful year and highlighted five key points. Performance was strong and the Hedge Fund Team achieved its objectives for the year in both portfolios during a difficult year to make

money. The diversification program worked across the portfolio. The Team exceeded its goal of 1 or 30 fee alignment with its partners by achieving approximately 73% adoption across the portfolio. The Team hired an analyst and added a new director, Tony Caruso, to focus on stable value. The Team has begun to build out the stable value portion of the portfolio. Mr. Caruso introduced himself to the Directors. Mr. Ruebsahm highlighted performance of the hedge fund portfolio and new objectives for both the directional and stable value portfolios. Mr. Caruso continued with observations of the hedge fund industry. Finally, Courtney Powers presented on new initiatives. He reported that the Team had completed all but one of the items on their action plan from 2018. He then reviewed the Team's action plan for 2019. Mr. Ruebsahm answered the Directors' questions.

### **Report from Risk Committee**

Chairman Hildebrand asked Director Bass to provide a report from the Risk Committee. Director Bass reported that the Risk Committee met via teleconference on November 29, 2018 and February 19, 2019. During the November 29, 2018 meeting the Committee approved the minutes of the July 19, 2018 meeting and the joint meeting with the Policy Committee. Routine matters before the Committee included a report from the Corporate Counsel and Chief Compliance Officer on quarterly compliance matters for the year ended August 31, 2018. The Committee also discussed the Office of Foreign Assets Control (OFAC) Compliance Procedure. Mr. Harris and Dr. Uzi Yoeli gave a market and portfolio risk update for the year ended August 31, 2018.

During the February 19, 2019 meeting the Committee approved the minutes of the November 29, 2018 meeting. In addition, the Committee approved amendments to the Charter of the Committee. Routine matters before the Committee included a report from the Corporate Counsel and Chief Compliance Officer on compliance matters for the quarter ended November 30, 2018, including an update on compliance with the OFAC procedure. Dr. Tim Jones gave a market and portfolio risk update as of December 31, 2018. Director Bass noted the resolution related to the proposed amendments to the Charter of the Risk Committee for approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

### **Report from Audit and Ethics Committee**

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee. Director Handley reported that the Committee met via teleconference on both November 29, 2018 and February 14, 2019. At the meeting on November 29, 2018, the Committee approved minutes from their July 19, 2018 meeting. All of the following items were also approved, subject to approval by the full Board: the audit reports of the PUF, the GEF, the PHF, LTF, ITF (collectively, the Investment Funds), and the Statement of Investment Performance Statistics for the year ended August 31, 2018; the Deloitte & Touche LLP's Audit Results and Communications for the Investment Funds; the proposed amendments to the Charter of the Audit and Ethics Committee; and the proposed performance award for the Corporate Counsel and Chief Compliance Officer for the performance period ended August 31, 2018. Routine matters of the Committee included an update on UTIMCO's compliance, reporting and audit matters, including the compliance

summary for the quarter and year ended August 31, 2018, the annual report on the institutional compliance program, and update on the FY18 action plan and presentation of the FY19 action plan.

At the meeting on February 14, 2019, the Committee approved minutes from their November 29, 2018 meeting; discussed and approved the Deloitte & Touche LLP's Audit Results and Communications for the corporation for the fiscal year ended August 31, 2018, subject to approval by the Board; and approved the audit reports for the corporation for the year ended August 31, 2018, subject to approval by the Board. Mr. Mike Peppers of the UT System Audit Office reported to the Committee on their findings related to the Travel and Business Entertainment Expenses Audit for the fiscal year ended August 31, 2018. Routine matters of the Committee included an update on UTIMCO's compliance, reporting and audit matters, including the compliance summary for the quarter ended November 30, 2018, the quarterly report on the institutional compliance program, and update on the FY 19 action plan. Finally, the Committee heard a report from Ms. Moeller on the unaudited financial statements without footnotes for the Investment Funds and the unaudited financial statements with footnotes for the Corporation for the three months ended November 30, 2018.

Director Handley asked Mr. Cowley of Deloitte and Touche LLP to provide a brief report to the Board on the audits of the Corporation and Investment Funds. After Mr. Cowley's presentation, Director Handley requested approval, on behalf of the Audit and Ethics Committee, of a resolution related to the audits of the Corporation and Investment Funds for Fiscal Year 2018 and a resolution to approve the proposed amendments to the Charter of the Audit and Ethics Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation and the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2018, be, and are hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Corporation and 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.

And,

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.

### **Report from Policy Committee**

Chairman Hildebrand asked Director Handley to provide a report from the Policy Committee on behalf of Chairman Hicks. Director Handley reported that the Policy Committee met via teleconference on November 29, 2018. During the meeting the Committee approved the minutes of the July 19, 2018 meeting and the July 19, 2018 Joint Meeting of the Policy and Risk Committees. Other action items considered by the

Committee included proposed amendments to the Master Investment Management Services Agreement between the Corporation and the Board of Regents of UT System (IMSA), subject to approval by the Board and the Board of Regents; and proposed amendments to the Charter of the Policy Committee, subject to approval by this Board. Director Handley requested approval, on behalf of the Policy Committee, of a resolution related to the proposed amendments to the IMSA and a resolution to approve the proposed amendments to the Charter of the Policy Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

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;

And

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.

#### **Report from Compensation Committee**

Chairman Hildebrand asked Director Rothrock to provide a report from the Compensation Committee. Director Rothrock stated that the Compensation Committee (the "Committee") met on November 29 and December 6, 2018. Most of the items from the November 29, 2018 meeting were previously addressed at the December 6, 2018 meeting. One item requiring action by the Board was the proposed changes to the Charter of the Compensation Committee. Director Rothrock recommended the resolution for approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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.

#### **Employee's Service as Director on an UTIMCO Investee Company**

Chairman Hildebrand asked Mr. Harris to discuss his recommendation 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 effective March 1, 2019. Mr. Harris explained that UTIMCO 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, conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company and endorsement of any compensation paid to the Employee for this service to UTIMCO and applied against UTIMCO's fees. UTIMCO's Directors and Officers Insurance Policy coverage was extended to cover Mr. Prather's service as a director and no compensation is associated with this position. Upon motion duly made and seconded, the following resolution was adopted:


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.

**Adjourn**

There being no further business to come before the Board, the meeting was adjourned at approximately 11:39 a.m.

Secretary:   
Joan Moeller

Approved:  Date: 7/3/19  
Ray Rothrock  
Vice Chairman  
Board of Directors of  
The University of Texas/Texas A&M Investment Management Company