

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA**

December 5, 2019

UTIMCO

210 West 7th Street, Suite 1700

Austin, Texas 78701

Time	Item #	Agenda Item
Begin 9:00 a.m.	End 9:05 a.m.	1
		Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of the September 26, 2019 Meeting*
9:05 a.m.	9:10 a.m.	2
		Discussion and Appropriate Action Related to Corporate Resolutions: - Establishment of Cybersecurity Committee and Related Committee Assignments* - Compensation Committee Assignment*
9:10 a.m.	9:25 a.m.	3
		UTIMCO Performance and Market Update
9:25 a.m.	10:40 a.m.	4
		Discussion and Appropriate Action Related to Hiring Strategic Partners*
10:40 a.m.	10:55 a.m.	5
		Operations Presentation
10:55 a.m.	11:10 a.m.	6
		Human Resources Presentation
11:10 a.m.	11:20 a.m.	7
		Report from Policy Committee: - Discussion and Appropriate Action Related to Proposed Amendments: Investment Policy Statements*,** Liquidity Policy*,** Derivative Investment Policy*,** Delegation of Authority Policy*
11:20 a.m.	11:35 a.m.	8
		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, 2019*
11:35 a.m.	11:45 a.m.	9
		Report from Risk Committee
11:45 a.m.	11:55 p.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 June 30, 2019, pursuant to Section 551.074, <i>Texas Government Code</i> . Reconvene into Open Session
11:55 a.m.	12:00 p.m.	10
		Report from Compensation Committee: - Discussion and Appropriate Action Related to Performance Awards for UTIMCO Compensation Program Participants for the Performance Period ended June 30, 2019*
12:00 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: March 24, 2020

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meeting of the Board of Directors held on **September 26, 2019**, 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 26, 2019**, in person 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 ("Chairman"), 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
Ray Rothrock
Robert Gauntt
Janet Handley
R. Steven Hicks
Janiece Longoria
Ray Nixon
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; Uzi Yoeli, Managing Director – Risk Management; 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; David Rejino and Maria Robinson of Texas A&M University System; Allen Hah, Karen Adler, and Roger Starkey of The University of Texas System ("UT System") Administration; and Bob Prince, Alan Bowser, Bill Sweeney, Ramsen Betfarhad, and Melissa Saphier of Bridgewater Associates. Chairman Hildebrand called the meeting to order at 9:30 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 June 27, 2019. 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 June 27, 2019, be, and are hereby, approved.

Corporate Resolutions

Election of Corporate Officers

Chairman Hildebrand recommended that Patrick Pace, M.D. be appointed as an officer of the Corporation. Managing Directors are considered officers of the Corporation and Dr. Pace was appointed Managing Director - Private Equity, effective September 1, 2019. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Patrick Pace, M.D. is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

Designation of Plan Administrative Committee

Chairman Hildebrand gave a brief overview of the Plan Administrative Committee and the responsibilities of this committee to serve as the fiduciary for the two retirement plans of the Corporation. Chairman Hildebrand recommended a replacement member for a retiring member of the committee, Michael Dean to replace Melynda Shepherd, and also recommended the addition of Rich Hall to the committee. Upon motion duly made and seconded, the following resolution was approved unanimously:

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

Britt Harris	President, CEO and Chief Investment Officer
Rich Hall	Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director and Chief Operating Officer
Michael Dean	Senior Director – Human Resources

Presentation from Co-Chief Investment Officer of Bridgewater Associates

Chairman Hildebrand had Mr. Harris introduce Mr. Bob Prince, Co-Chief Investment Officer for Bridgewater Associates. Mr. Harris began with a brief primer on China and discussed the Funds' investments in China, then invited Mr. Prince to share his thoughts on the current market situation and an overview of investing in China. Mr. Prince discussed the economics of China, strategic framing for investing in China, the workings of Chinese markets, and China government policy. Mr. Prince then took questions from the Board and introduced the Bridgewater Associates team.

Performance Report and Market Update

Chairman Hildebrand asked Mr. Harris to present the Corporation's performance report and market update. Mr. Harris presented the Corporation's assets under management and performance results as of June 30, 2019. He reported the Corporation had \$47.3 billion of assets under management, specifically: \$22.6 billion in the Permanent University Fund (PUF), \$11.5 billion in the Long Term Fund (LTF) and \$1.2 billion in the Permanent Health Fund (PHF); \$9.2 billion in the Intermediate Term Fund (ITF), \$2.2 billion in the Short Term Fund (STF), \$0.4 billion in the Debt Proceeds Fund, and \$0.2 billion in Other funds. Mr. Harris reviewed PUF historical performance and performance attribution, presented the current strategic asset allocation, and

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. 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.

Risk Management Presentation

Chairman Hildebrand asked Dr. Uzi Yoeli to lead the presentation on Risk Management. Dr. Yoeli began by pointing out that the role of the Risk Management Team is to lead the Corporation in maintaining a sound risk culture. Dr. Yoeli continued by reviewing the key responsibilities of the Risk Team, discussing several initiatives of the Risk Management Team, and some unique aspects of risk management at the Corporation. Dr. Yoeli introduced the Risk Management team and answered questions from the Board.

Strategic Partnerships Update

Chairman Hildebrand asked Ken Standley to update the Directors on the progress that had been made with respect to the proposed Strategic Partnerships program. Mr. Standley stated that the Team had completed approximately 85% of the research portion of the Public Strategic Partnership program. He discussed the goals of the strategic partnerships, the selection criteria and process used to identify potential strategic partners, the expected impact to the Corporation and next steps. Mr. Standley stated that the public strategic partnership program will be brought to the Board for approval in December. Mr. Standley and Mr. Harris answered the Directors' questions and Mr. Harris gave additional explanation about his experience with strategic partnerships in his past leadership positions.

Report from Audit and Ethics Committee

Chairman Hildebrand asked Director Handley to provide a report on behalf of the Audit and Ethics Committee (the "Committee"). Director Handley reported that the Committee met via teleconference on September 19, 2019. The Committee's agenda included approval of Committee minutes; discussion and appropriate action related to the Committee minutes; an update on UTIMCO's compliance, reporting, and audit matters; and a presentation of the unaudited financial statements for the nine months ended May 31, 2019 for the Investment Funds and the Corporation. The Committee also received an update on the Fraud Prevention and Detection Program and a report from Eric Polonski, Director of Audits from the UT System Audit Office related to the agreed upon procedures engagement related to the Risk Management Team.

Report from Risk Committee

Chairman Hildebrand asked Director Gauntt to provide a report from the Risk Committee. Director Gauntt reported that the Risk Committee met via teleconference on September 19, 2019. The Committee's agenda for the meeting included discussion and appropriate action related to the approval of minutes of its June 20, 2019 meeting and June 20, 2019 joint meeting with the Policy Committee; review and discussion of compliance reporting; and a market and portfolio risk update.

Employee's Service as Director on an UTIMCO Investee Company

Chairman Hildebrand asked Mr. Harris to discuss his recommendation that Dr. Pace be appointed to serve as a Series B/C Manager of the Board of Managers for AgBiome, LLC effective October 1, 2019. Mr. Harris provided a brief explanation to the Directors of the need for a replacement related to this co-investment. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Board of Directors hereby approves Patrick Pace'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 12:17 p.m.

Secretary: _____
Joan Moeller

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

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions:
- Establishment of Cybersecurity Committee and Related Committee Assignments
- Compensation Committee Assignment

Developed By: Harris, Gonzalez, Moeller

Presented By: Hildebrand

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

Description: Chairman Hildebrand will present a recommendation for the establishment of a Cybersecurity Committee of the Board to provide oversight and monitor security of information services systems of the Corporation and related committee assignments. Chairman Hildebrand will also recommend that Janet Handley be appointed to the Compensation Committee.

Discussion: 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.

Recommendation: Chairman Hildebrand will recommend the establishment of a Cybersecurity Committee, propose related committee assignments, and recommend the appointment of Janet Handley to the Compensation Committee.

Reference: None

**RESOLUTION RELATED TO ESTABLISHMENT OF THE
CYBERSECURITY COMMITTEE AND CYBERSECURITY COMMITTEE
ASSIGNMENTS**

RESOLVED, that the Directors of the Corporation hereby establish a Cybersecurity Committee of the Board to provide oversight and monitoring of the security of the Corporation's information services systems, with the powers and duties consistent with the Corporation's Bylaws and any Cybersecurity Committee charter adopted by the Board; and

FURTHER RESOLVED, that the following Directors of the Corporation are hereby designated as the Cybersecurity Committee of the Board of Directors:

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

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Cybersecurity Committee and shall preside at its meetings.

RESOLUTION RELATED TO COMMITTEE ASSIGNMENT

BE IT RESOLVED, that Director Janet Handley is hereby designated as a member of the Compensation Committee of the Board of Directors, to serve until the expiration of her term, or until her successor has been chosen and qualified, or until her death, resignation, or removal.

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item: UTIMCO Performance and Market Update

Developed By: Harris

Presented By: Harris

Type of Item: Information Item

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

Reference: *UTIMCO Update* presentation



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

UTIMCO Update

December 2019

Britt Harris

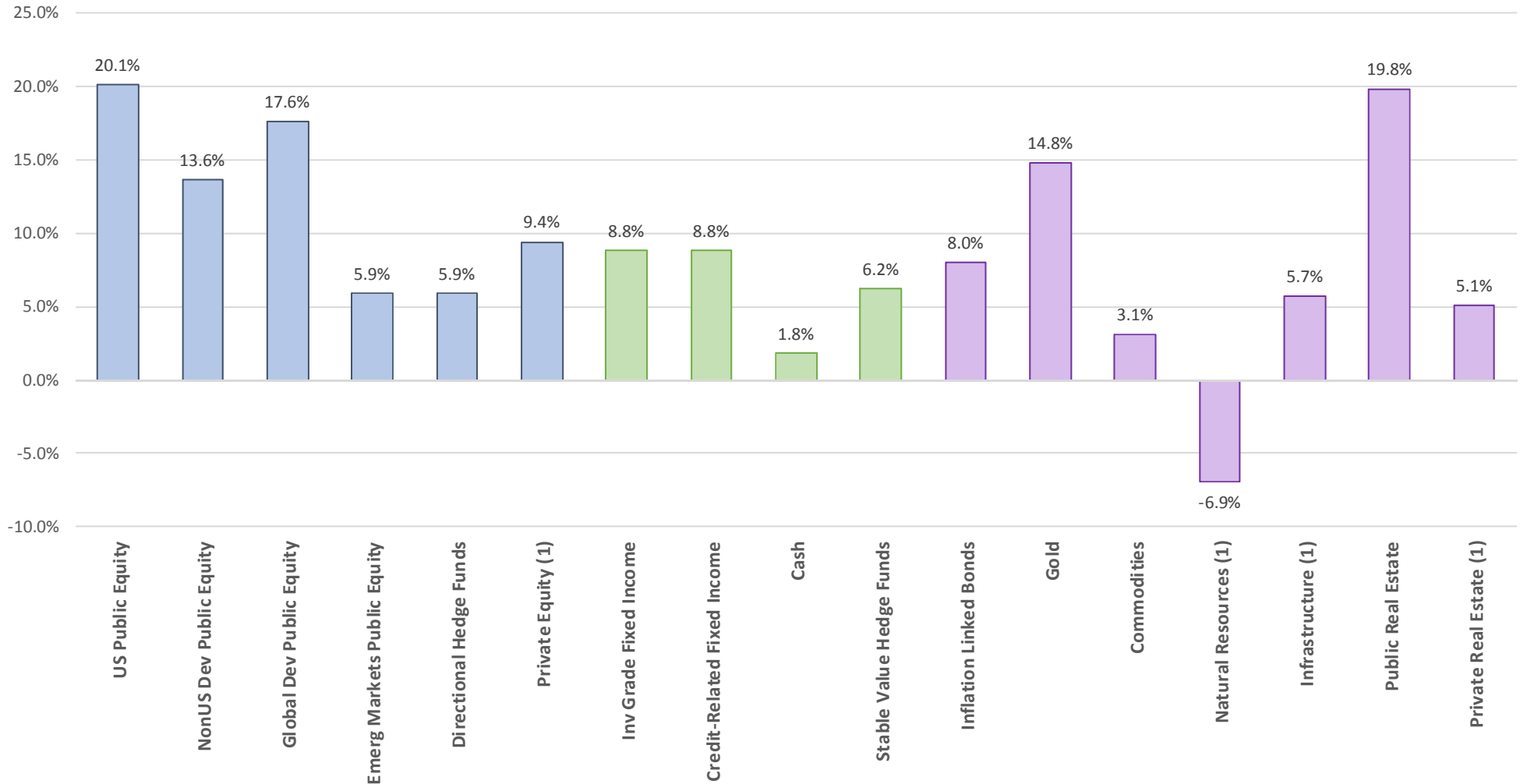
President, CEO and Chief Investment Officer

Benchmark Performance

Nine Months January 1, 2019 – September 30, 2019



9 Month Period Ending September 30, 2019



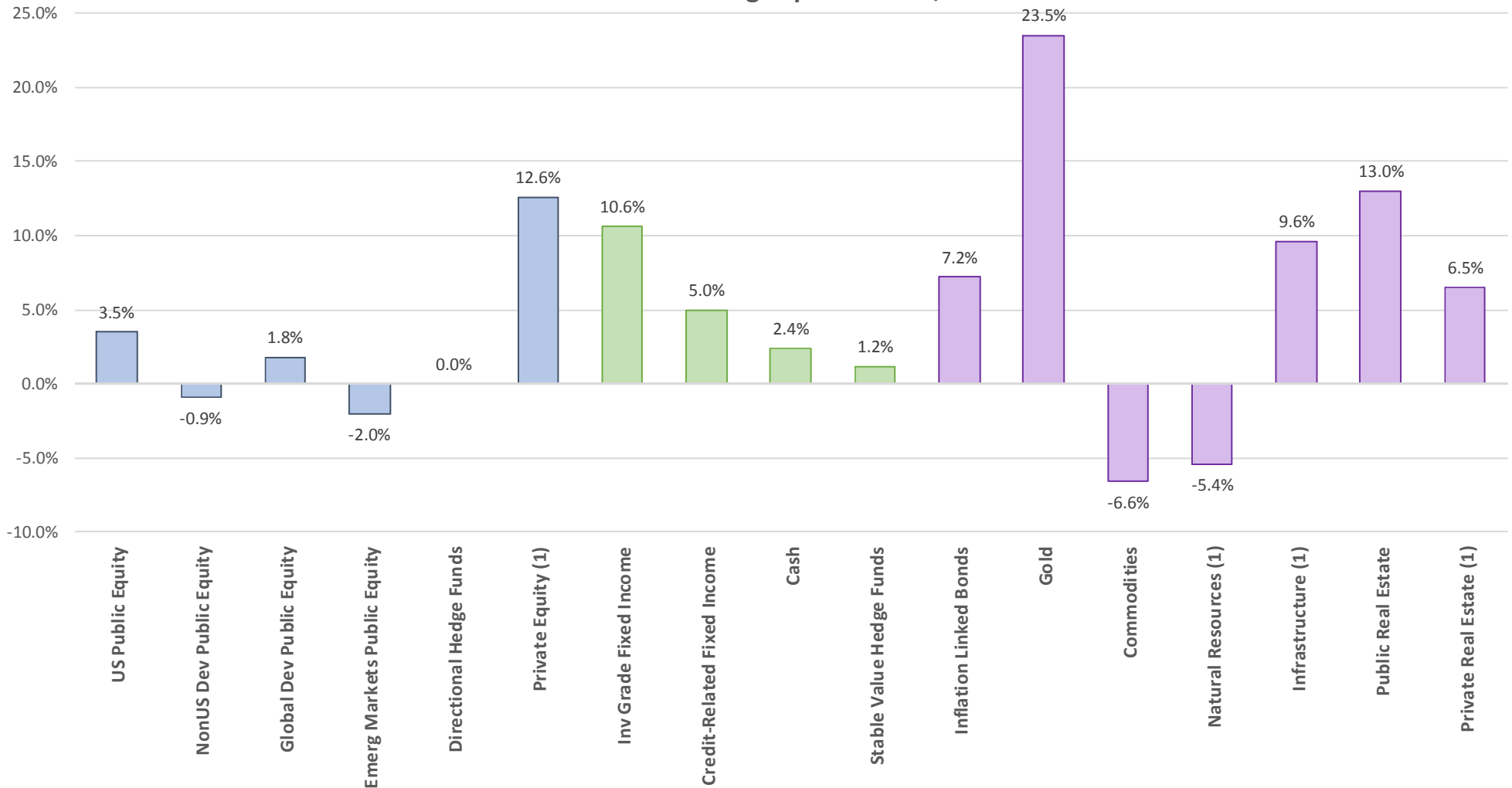
(1) The Cambridge benchmarks should be considered preliminary as they currently contain 2 quarters of actual data from Cambridge through June 30, 2019. An estimate based on the actual return of the respective UTIMCO portfolio for the quarter ending September 30, 2019 is currently being used as a proxy until Cambridge publishes their final benchmarks for the quarter in January or February.

Benchmark Performance

One Year Ending September 30, 2019



1 Year Period Ending September 30, 2019



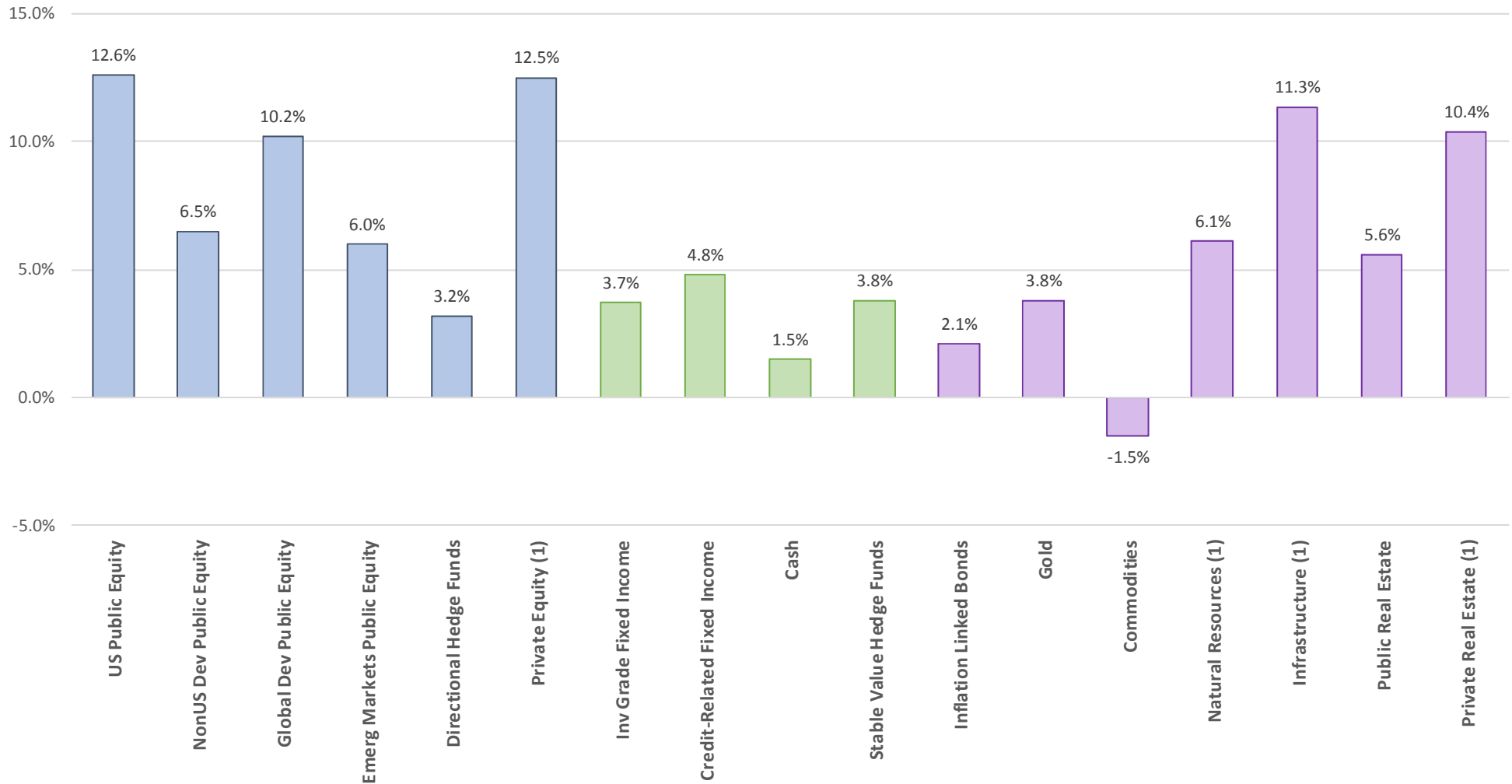
(1) The Cambridge benchmarks should be considered preliminary as they currently contain 3 quarters of actual data from Cambridge through June 30, 2019. An estimate based on the actual return of the respective UTIMCO portfolio for the 4th quarter of the one-year period ending September 30, 2019 is currently being used as a proxy until Cambridge publishes their final benchmarks for the quarter in January or February.

Benchmark Performance

Three Years Ending September 30, 2019



3 Year Period Ending September 30, 2019



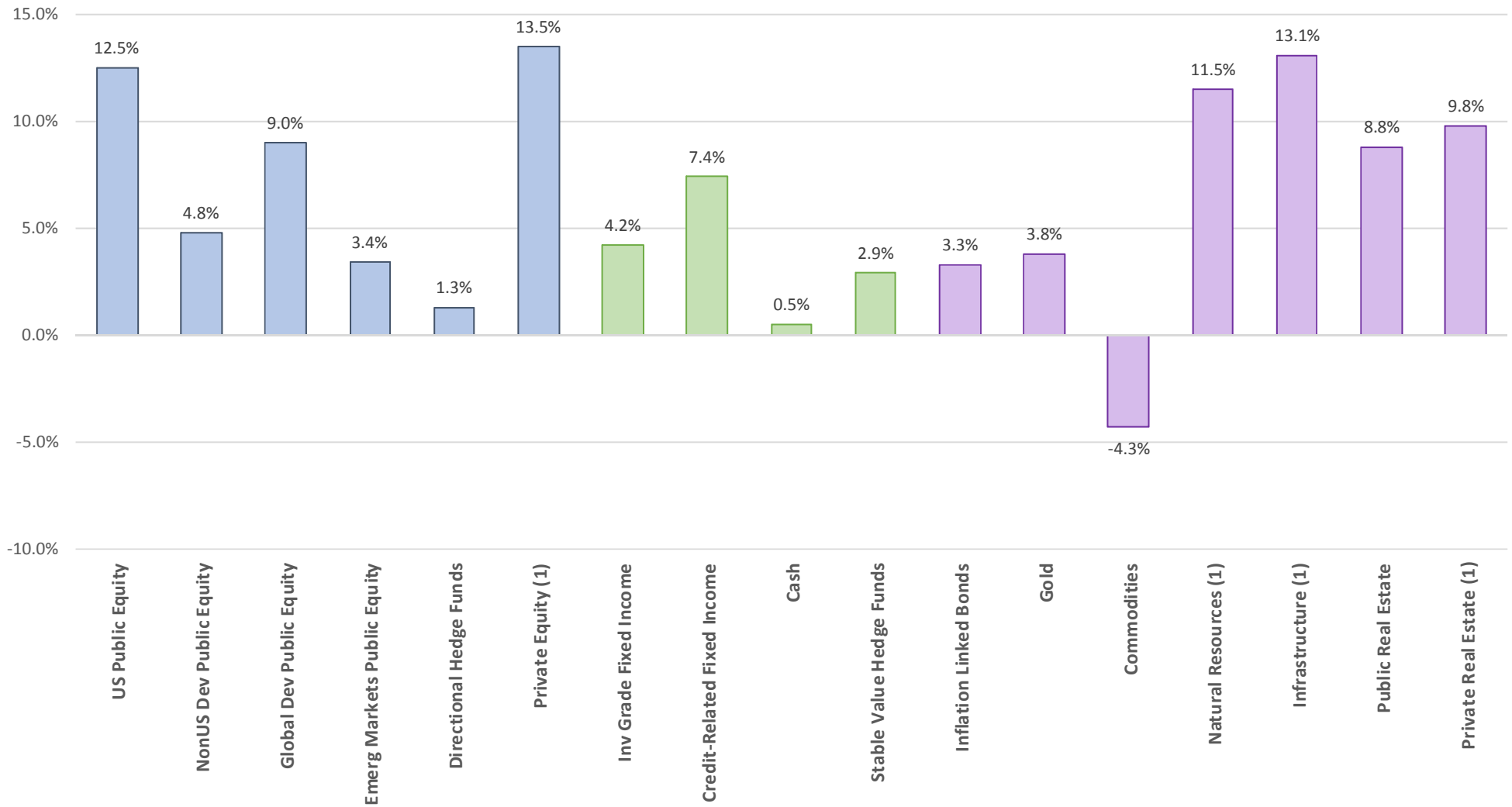
(1) The Cambridge benchmarks should be considered preliminary as they currently contain 11 quarters of actual data from Cambridge through June 30, 2019. An estimate based on the actual return of the respective UTIMCO portfolio for the 12th quarter of the three-year period ending September 30, 2019 is currently being used as a proxy until Cambridge publishes their final benchmarks for the quarter in January or February.

Benchmark Performance

Ten Years Ending September 30, 2019



10 Years Ending September 30, 2019



(1) The Cambridge benchmarks should be considered preliminary as they currently contain 39 quarters of actual data from Cambridge through June 30, 2019. An estimate based on the actual return of the respective UTIMCO portfolio for the quarter ending September 30, 2019 is currently being used as a proxy until Cambridge publishes their final benchmarks for the quarter in January or February.

Overview of Funds

Period Ending September 30, 2019



Overview of Funds Periods Ending September 2019

Endowment Funds	\$B	Returns					Alpha				
		YTD	1Y	3Y	5Y	10Y	YTD	1Y	3Y	5Y	10Y
PUF	\$ 22.8	8.96	5.25	8.56	6.50	8.12	0.61	0.30	0.70	0.84	1.29
PHF	\$ 1.2	8.91	5.25	8.78	6.71	8.19	0.56	0.30	0.92	1.05	1.36
LTF	\$ 12.2	8.93	5.26	8.79	6.72	8.20	0.58	0.31	0.93	1.06	1.37
Other	\$ 0.3	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ 36.5										

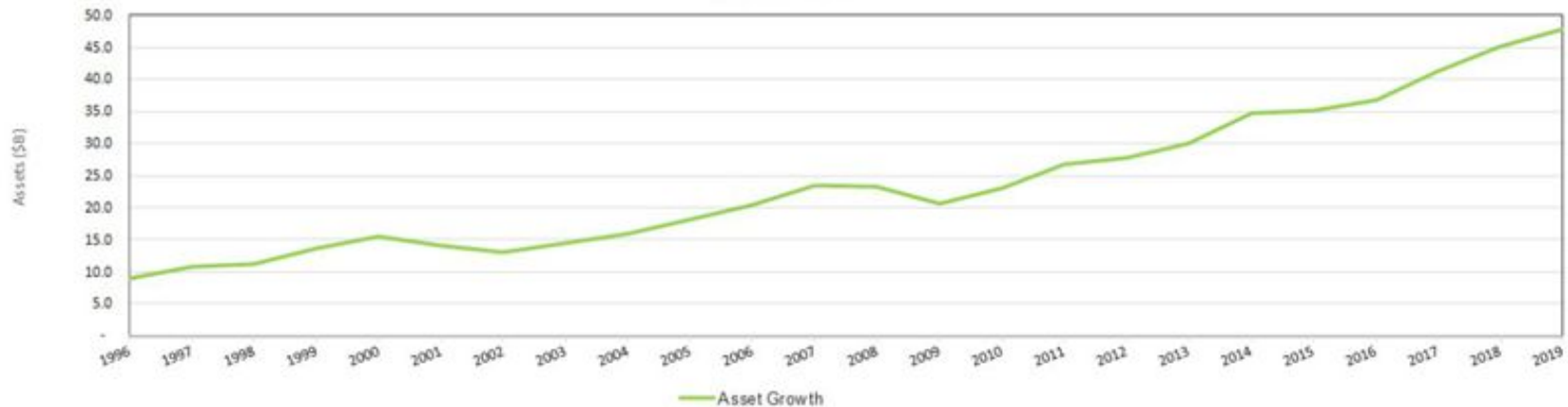
Operating Funds											
ITF	\$ 9.1	9.90	5.62	5.36	3.72	5.33	1.19	1.64	1.03	0.78	1.61
Debt Proceeds	\$ 0.5	1.83	2.42	1.72	1.14	N/A	0.02	0.03	0.18	0.16	N/A
STF	\$ 2.3	1.79	2.38	1.63	1.05	0.60	(0.02)	(0.01)	0.09	0.07	0.06

All Assets	\$	Increase
June 2019	\$ 47.3	\$ 1.4
March 2019	\$ 45.9	\$ 1.9
December 2018	\$ 44.0	\$ (1.4)
September 2018	\$ 45.4	

Income & Distributions (\$M)

	8/31/2020	8/31/2019	8/31/2018	8/31/2017
PUF Land Contributions	\$ 940	\$ 1,026	\$ 1,032	\$ 689
PUF Distribution	<u>(1,311)</u>	<u>(1,014)</u>	<u>(887)</u>	<u>(839)</u>
Net Payout (\$M)	\$ (371)	\$ 12	\$ 145	\$ (150)

Historical Trend

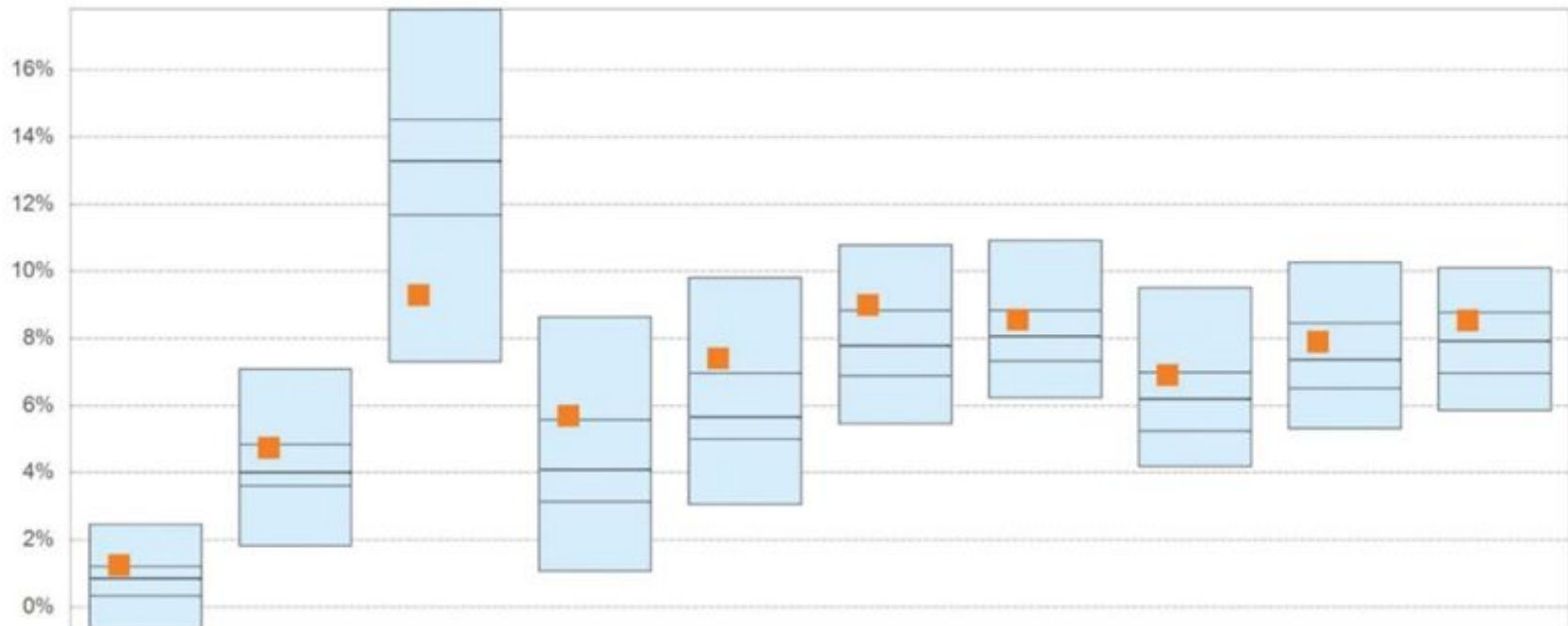


Performance Comparison

Cumulative Periods Ending September 30, 2019



Total Returns of Master Trusts – Foundation & Endowment



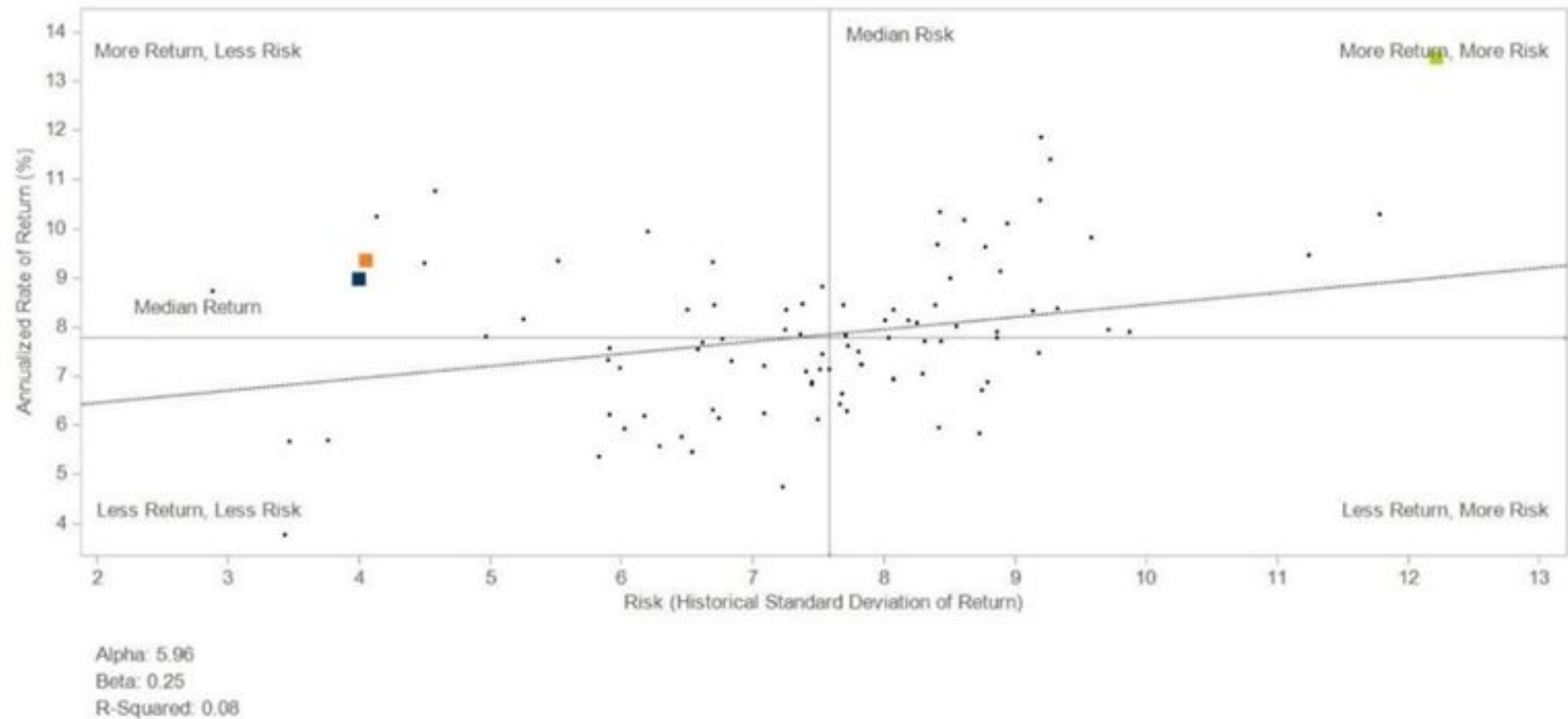
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	2.45	7.09	17.79	8.64	9.80	10.77	10.91	9.51	10.27	10.11
25th	1.21	4.84	14.51	5.57	6.97	8.83	8.84	6.98	8.45	8.78
50th	0.84	4.00	13.29	4.08	5.66	7.79	8.05	6.19	7.37	7.91
75th	0.34	3.60	11.68	3.13	5.00	6.89	7.33	5.24	6.50	6.97
95th	-0.66	1.83	7.31	1.07	3.06	5.45	6.24	4.19	5.31	5.86
No. Of Obs	99	99	98	98	96	94	94	94	90	74
■ PUF TOTAL FUND	1.13 (32)	4.63 (30)	9.18 (88)	5.57 (25)	7.29 (20)	8.87 (23)	8.44 (36)	6.79 (30)	7.79 (38)	8.42 (37)

Risk / Return

Three Years Ending September 30, 2019



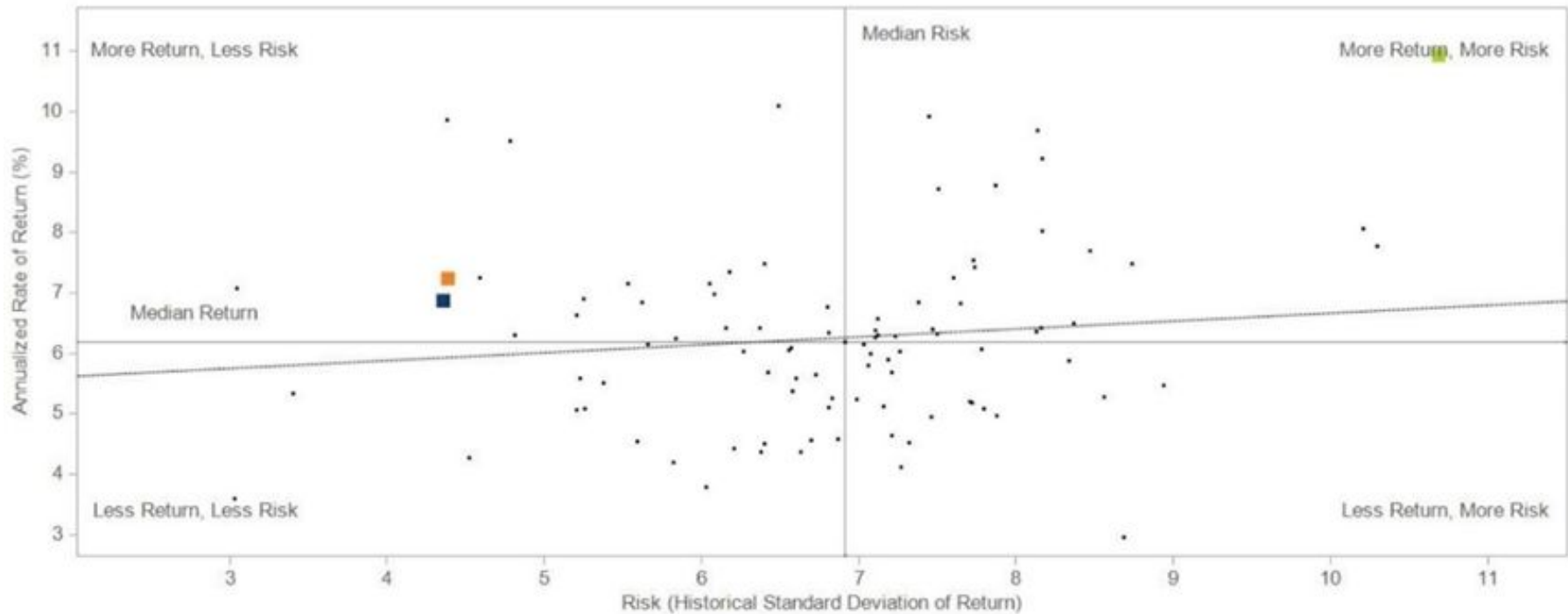
For past three years, PUF and GEF have generated more returns for less risk



	3 Years Ending 9/30/19	Risk Value	Risk Rank	Return Value	Return Rank
■	GEF TOTAL FUND	4.09	95	9.25	20
■	PUF TOTAL FUND	4.04	93	8.87	23
■	S&P 500	12.25	1	13.39	1
	Median	7.58		7.79	

Risk / Return

Five Years Ending September 30, 2019



Alpha: 5.37
Beta: 0.13
R-Squared: 0.01

	5 Years Ending 9/30/19	Risk Value	Risk Rank	Return Value	Return Rank
■	GEF TOTAL FUND	4.42	94	7.15	22
■	PUF TOTAL FUND	4.39	95	6.79	30
■	S&P 500	10.72	1	10.84	1
	Median	6.91		6.19	

Asset Allocation

As of September 30, 2019



		% of Fund	Over / (Under)
Public Equity	Public Equity	32.0%	2.8%
	Directional Hedge Funds	11.5%	(0.4%)
	Total Private Equity	21.0%	-0.9%
	Total Global Equity	64.5%	1.5%
Stable Value	Investment Grade Fixed Income	8.8%	-0.5%
	Credit Related Fixed Income	0.1%	0.1%
	Cash	1.1%	0.1%
	Stable Value Hedge Funds	7.6%	0.4%
	Total Stable Value	17.6%	0.1%
Real Return	Inflation Linked Bonds	0.1%	0.0%
	Gold	1.3%	(0.1%)
	Natural Resources	6.8%	-1.1%
	Infrastructure	2.2%	0.1%
	Real Estate - Public	0.1%	0.1%
	Total Private Real Estate	7.4%	-0.6%
	Total Real Return	17.9%	-1.6%
Total Fund		<u>100.0%</u>	<u>0.0%</u>

Explanation of Three-Year Alpha

Periods Ending September 30, 2019



Positive Contributors

October 2016 to September 2019	Tactical Allocation/ Benchmark Variance	Interactive Effect	Active Management	Total
HF Directional	0.01%	0.00%	0.37%	0.38%
PE Real Estate	0.00%	0.01%	0.30%	0.31%
HF Stable Value	0.01%	-0.05%	0.20%	0.16%
Emerging Markets Public Equity	-0.07%	0.01%	0.20%	0.14%
PE Natural Resources	-0.03%	0.08%	0.09%	0.14%
Global Dev Public Equity	-0.03%	-0.01%	0.11%	0.07%
PE Infrastructure	0.01%	0.02%	0.04%	0.07%
Non-US Public Equity	-0.04%	-0.01%	0.10%	0.05%
Commodities	-0.06%	0.04%	0.06%	0.04%
Public Real Estate	0.01%	-0.01%	0.02%	0.02%
Inv Grade Fixed Income	0.03%	-0.01%	-0.01%	0.01%

1.39%

Detractors

October 2016 to September 2019	Tactical Allocation/ Benchmark Variance	Interactive Effect	Active Management	Total
US Public Equity	-0.08%	0.01%	-0.21%	-0.28%
Cash	-0.11%	-0.09%	-0.04%	-0.24%
Total Private Equity	-0.11%	-0.01%	-0.01%	-0.13%
Tactical Asset Allocation	0.01%	-0.04%	0.00%	-0.03%
Gold	0.02%	0.01%	-0.04%	-0.01%

-0.69%

Total 0.70%

Explanation of One-Year Alpha

Periods Ending September 30, 2019



Contributors

October 2018 to September 2019	Tactical Allocation/ Benchmark Variance	Interactive Effect	Active Management	Total
Emerging Markets Public Equity	-0.03%	0.03%	0.89%	0.89%
HF Directional	-0.05%	0.03%	0.47%	0.45%
HF Stable Value	0.03%	-0.15%	0.40%	0.28%
Global Dev Public Equity	0.01%	0.00%	0.26%	0.27%
PE Real Estate	-0.02%	0.00%	0.15%	0.13%
				2.02%

Detractors

October 2018 to September 2019	Tactical Allocation/ Benchmark Variance	Interactive Effect	Active Management	Total
PE Natural Resources	-0.11%	-0.06%	-0.41%	-0.58%
US Public Equity	-0.07%	-0.04%	-0.16%	-0.27%
Total Private Equity	-0.16%	0.00%	-0.09%	-0.25%
Inv Grade Fixed Income	-0.03%	0.00%	-0.20%	-0.23%
Cash	0.00%	-0.03%	-0.12%	-0.15%
PE Infrastructure	0.01%	0.00%	-0.13%	-0.12%
Non-US Public Equity	-0.02%	0.00%	-0.06%	-0.08%
Tactical Asset Allocation	0.02%	-0.04%	0.00%	-0.02%
Gold	-0.01%	0.00%	0.00%	-0.01%
Public Real Estate	0.00%	-0.01%	0.00%	-0.01%
				-1.72%
			Total	0.30%

UTIMCO Performance versus Peers

Five Years Ending September 30, 2019



	UTIMCO Performance	Percentile Rank
Venture Capital	17.2%	8 th
Private Real Estate Portfolios	15.4%	1 st
US Private Equity Portfolios	11.3%	35 th
Global Equity Portfolios	8.1%	32 nd
NonUS Equity Portfolios	7.8%	15 th
US Equity Portfolios	6.0%	87 th
Emerging Markets	5.8%	16 th
Hedge Fund Portfolios	4.1%	50 th
Private Natural Resources	4.3%	N/A
Global Fixed Income (Unhedged)	2.7%	40 th

Note: Peer universe is approximately 250 institutions.

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

- Agenda Item:** Discussion and Appropriate Action Related to Hiring Strategic Partners
- Developed By:** Harris, Standley
- Presented By:** Harris, Standley, Fink, Erdoes
- Type of Item:** Action Item; Action required by UTIMCO Board
- Description:** The UTIMCO Team and the proposed Public Strategic Partners will present an overview and final recommendation on Public Strategic Partnerships to the Board of Directors.
- Discussion:** Mr. Larry Fink, Chairman and CEO of Blackrock, and Ms. Mary Erdoes, CEO, Asset & Wealth Management of J.P. Morgan Asset Management, will present the merits of a Strategic Partnership with their respective organizations. Mr. Standley will then present a summary of the proposed Public Strategic Partnerships with BlackRock and JP Morgan Asset Management.
- The Delegation of Authority Policy delegates to the UTIMCO Chief Executive Officer the authority to commit funds to a new relationship with an external investment manager and the accompanying authority to negotiate and execute agency, partnership or subscription agreements as necessary up to certain thresholds. The current threshold for new investments is \$446.9 million. If the proposed investment exceeds the current threshold, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment. As the proposed Public Strategic Partnerships program is a new program, the Team is requesting approval from the full Board to proceed.
- Recommendation:** Mr. Harris will recommend that the UTIMCO Board approve the creation of a Public Strategic Partnership Program with \$1 Billion allocated to BlackRock and \$1 Billion to JP Morgan.
- Reference:** *Public Strategic Partnership Review and Recommendation* presentation

**RESOLUTION REGARDING PUBLIC STRATEGIC PARTNERSHIP
PROGRAM**

RESOLVED that the Board approves the creation of a Public Strategic Partnership Program with \$1 Billion allocated to BlackRock and \$1 Billion to JP Morgan Asset Management (“Public Strategic Partners”) and directs staff to negotiate and enter into an Investment Advisory Agreement with the Public Strategic Partners (the “Agreement”).

FURTHER RESOLVED, that the President, CEO and Chief Investment Officer, Deputy CIO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of this Corporation under the Agreement.



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

Public Strategic Partnerships Review and Recommendation

Ken Standley, Chief of Staff



Overview of Strategic Partnerships

Goals of Strategic Partnerships

- **Investment Alpha:** achieve UTIMCO objectives and add value
- **Organizational Alpha:** training, resources, deliver full value of the firm
- **Relationship Alpha:** “positive peer pressure”, mutual commitment
- Strategic Partners will deliver the full value of their firms to UTIMCO

Public

- 2 partners with \$1 Bn each over 2-3 years, eventually reaching 5% of Endowment assets
- Public multi-asset portfolios with value-added through strategy selection and tactical asset allocation
- Performance-based fees

Private

- Targeting 2-4 partners with \$1 – 2 Bn per partner
- Private Equity, Real Estate, Natural Resources, Credit
- Fee-advantaged investment in funds, access to co-investment



Key Decision Criteria

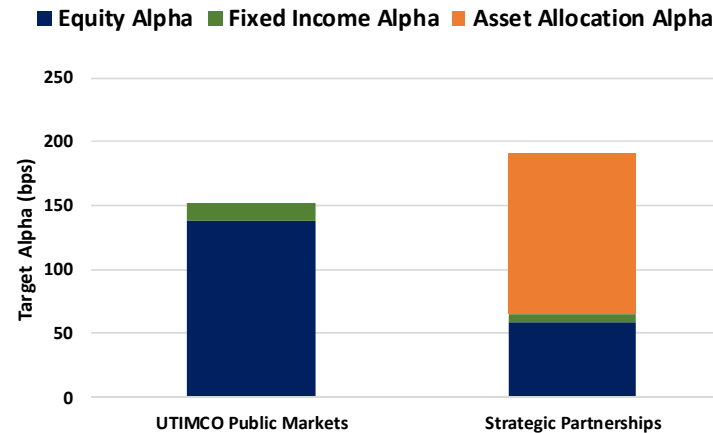
- Increase our returns
- Lower our risk
- Lower our fees
- Access significant incremental resources
- Sr. Management's Full Commitment to the Partnership



Value Added and Risk Reduction

- Strategic Partner alpha generation is both accretive and complementary to existing portfolio
- Expected performance driven largely by new alpha source: Tactical Asset Allocation

Complementary Alpha Structures



Diversification Impact Reduces Risk

Beginning Public Markets Tracking Error	234
+10% Allocation to lower risk SP	(-2)
+ Diversification Impact from low correlation	(-12)
Exp. Total Public Tracking Error w. SP	220

- Diversification Impact and lower targeted Tracking Error provide portfolio Risk Reduction
- At target size, expect SP's to be 10% of Public Portfolio

SP/UTIMCO Alpha Correlation

US	Non-US	Emerging	Total Equity	Fixed Income	Total Public Markets
0.30	0.45	0.00	0.40	0.28	0.44

Source: UTIMCO. Target Alphas reflect UTIMCO and Strategic Partners expected excess returns on a go-forward basis.

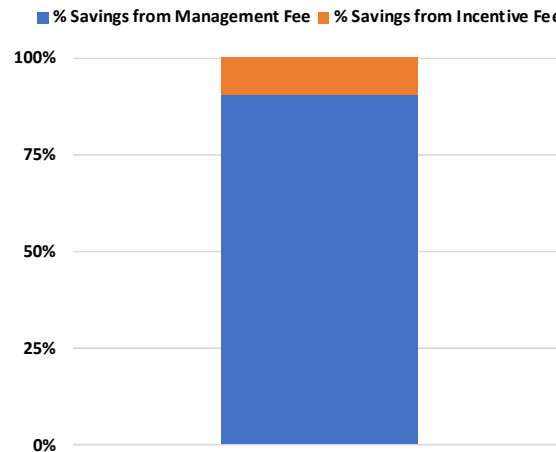


Fee Savings and Alignment

Offers significant savings at various levels of excess return

	<i>Net Alpha</i>					
	<i>0.5%</i>	<i>1.0%</i>	<i>1.5%</i>	<i>2.0%</i>	<i>2.5%</i>	<i>3.0%</i>
UTIMCO Public Markets Fee	0.86%	0.95%	1.03%	1.11%	1.20%	1.28%
Strategic Partnerships Fee	0.31%	0.38%	0.44%	0.51%	0.58%	0.65%
<i>Fee Savings</i>	0.56%	0.57%	0.59%	0.60%	0.62%	0.63%

Predominantly via a discounted management fee



UTIMCO maintains the right to terminate the relationship at any time.



Increased Resources and Knowledge Sharing

Insights and Research

- Monitoring SP Portfolios a source of market insight for all UTIMCO
- 2 proprietary research projects per partner per year
 - *market indicators, asset allocation, portfolio design, operational excellence*

Summits

- Semi-annual events held in NYC and Austin
- Collaborative review of current outlook, positioning, past performance, and special topics
- Introduce new perspectives into UTIMCO investment process

Technology

- Combined SP technology budget in excess of \$12 Bn
- BlackRock manages industry-leading risk system, Aladdin
- Resource for UTIMCO as we continue to modernize our IT systems and plan for the long-run

Excellence

- Access expanded network of 69 investment strategists, 902 research analysts, 1,691 Portfolio Managers across 30+ countries and 70+ global offices
- Large global platforms with dedicated resources across multiple dimensions of potential business and investment resources



Summary

Criteria	Status	
Increase Returns	✓	<ul style="list-style-type: none">• 190 bps target alpha, 0.88 target Information Ratio• Augments UTIMCO Public Markets Portfolio
Reduce Risk	✓	<ul style="list-style-type: none">• Diversifies existing alpha sources• Reduces Public Markets risk by 15 bps
Reduce Fees	✓	<ul style="list-style-type: none">• 0.60% total fee savings at target net alpha
Increased Resources	✓	<ul style="list-style-type: none">• Insights and Research• Summits• Technology• Excellence
Sr. Management's Full Commitment to the Partnership	✓	<ul style="list-style-type: none">• Mary Erdoes• Larry Fink



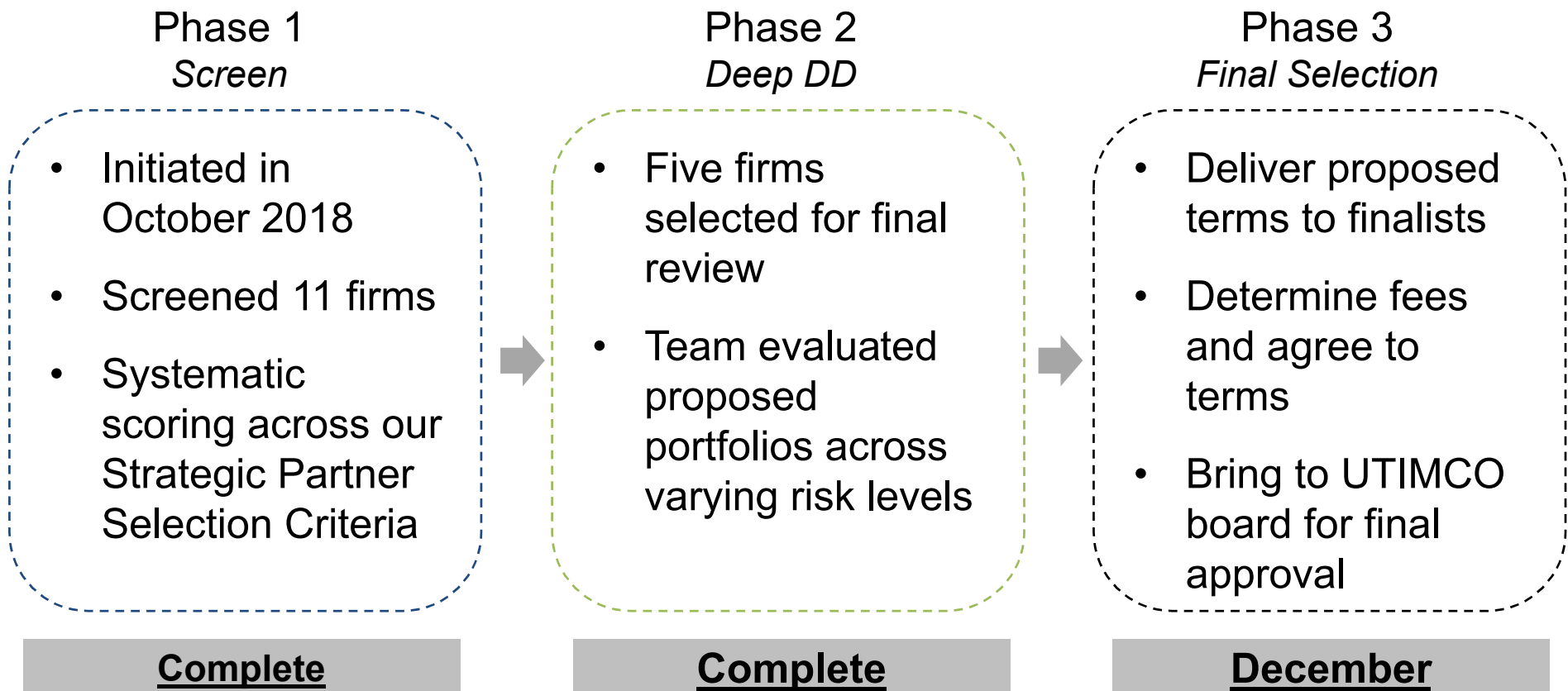
Traits of a Strategic Partner

1. Delivers Full Range of Valuable Investment Products and Services
2. Customize Products and Services to Specific UTIMCO Requirements
3. Operate Globally With a Sustainable Business Model
4. Produce Proprietary and Value-Added Investment Research
5. Share Significant Resources When Appropriate
6. Share Our Long-Term Compensation Philosophy
7. Senior Management Makes a Full Commitment to the Partnership



Selection Process

- Initiated in October 2018 with significant analysis and refinement over the past 14 months
- Collaborative effort with cross-functional team of UTIMCO experts





Selection Team



Amanda Hopper
Public Equity



Courtney Powers
Hedge Funds



Ken Standley
Chief of Staff



Rich Hall
Deputy CIO



Russ Kampfe
Fixed Income



Ryan Ruebsahm
Hedge Funds



Scott Slayton
*Tactical Asset
Allocation*



Susan Chen
Public Equity



Tony Caruso
Hedge Funds



Uzi Yoeli
*Risk
Management*



Recommended Firms – Key Stats

BlackRock

J.P.Morgan
Asset Management

**Total AUM
(\$, Bn)**

6,434

1,877

By Product Line

Equities

3,480

406

Fixed Income

1,880

571

▶ Multi-Asset

492

254

Alternatives

139

138

Cash/Liquidity

443

508

Source: BlackRock, JPM. As of 9/30/2019.



Recommended Firms – Key People

BlackRock

J.P.Morgan
Asset Management

CEO/ Senior Sponsor	Larry Fink <i>Chairman and CEO</i>	Mary Erdoes <i>CEO, Asset & Wealth Management</i>
Portfolio Management	Phil Green <i>MD, Head of GTAA</i>	Pat Jakobson <i>MD, Multi-Asset Solutions</i>
Other Key Team-Members	Richard Murrall <i>MD, GTAA</i>	Jeffrey Geller <i>CIO, Multi-Asset Solutions</i>
	Michael Pyle <i>Global Chief Investment Strategist</i>	Michael Hood <i>MD, Research Analyst</i>
Relationship Management	Scott Hasley <i>Managing Director</i>	Doug Fleming <i>Managing Director</i>



Individual Strategic Partner Mandates

Return Objective

Generate 190 basis points of net alpha via security selection and Tactical Asset Allocation

Risk Limits

Min/Max exposures by asset class

Tracking error target: 300 basis points

Maximum tracking error: 500 basis points

Leverage

Maximum gross exposure: 3.0x

Maximum net exposure: 1.5x

Benchmark and asset class ranges:

Asset Class	Benchmark	Neutral Weight	Minimum	Maximum
US Equity	MSCI USA	41.0%	20.0%	60.0%
Non-US Developed Equity	MSCI EAFE + CN	21.0%	6.0%	36.0%
Emerging Markets Equity	MSCI EM	20.0%	5.0%	35.0%
Total Equity		82.0%	52.0%	112.0%
Global Fixed Income	Global Agg (Hedged)	18.0%	0.0%	41.0%
Extended Credit	-	0.0%	0.0%	20.0%
Total Fixed Income		18.0%	0.0%	43.0%

Expected Benchmark Return 5.70%

Expected Benchmark Volatility 11.40%



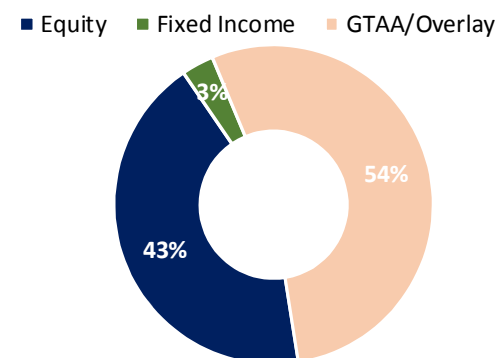
JP Morgan's Recommended Portfolio

Asset Class / Strategy	Neutral Weight	Exp. Alpha Contribution	Exp. Tracking Error Contribution
JPM US Growth Advantage	11.0%	9.0%	4.4%
JPM US Value Advantage	11.0%	6.9%	5.5%
JPM US Large Cap Core	6.5%	3.6%	2.2%
JPM SMID Cap Core	3.3%	2.5%	0.0%
US Equity	31.8%	22.0%	12.1%
JPM Global Select Equity	15.0%	8.3%	3.3%
Global Equity	15.0%	8.3%	3.3%
JPM Specialist International Core	7.0%	4.0%	1.1%
Passive	8.3%	0.4%	0.0%
Non-US Developed Equity	15.3%	4.3%	1.1%
JPM GEM Research Enhanced Equities	10.0%	3.3%	0.0%
JPM GEM Focused Institutional	10.0%	5.4%	5.1%
Emerging Markets Equity	20.0%	8.7%	5.1%
Total Equity	82.0%	43.3%	21.6%
JPM Global Aggregate Bond (Hedged)	18.0%	3.3%	2.2%
Total Fixed Income	18.0%	3.3%	2.2%
Currency Overlay	-	18.1%	14.7%
Global Tactical Asset Allocation Overlay	-	36.1%	61.2%
Total	100.0%	100.0%	100.0%

Key Portfolio Statistics

Alpha	1.9%
Tracking Error	3.0%
Information Ratio	0.63
Ave Net Leverage	1.35x
Ave Gross Leverage	1.84x
Total Active	91.7%
Total Passive	8.3%

Alpha Contribution by Source



Source: JP Morgan



BlackRock's Recommended Portfolio

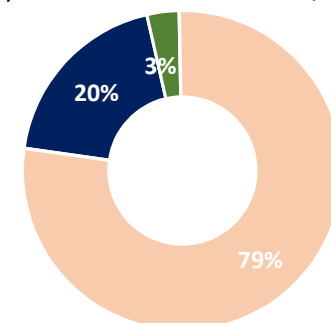
Asset Class / Strategy	Neutral Weight	Exp. Alpha Contribution	Exp. Tracking Error Contribution
Systematic Active US Strategies	28.0%	12.4%	9.0%
Passive	13.0%	-	-
US Equity	41.0%	12.4%	9.0%
Systematic Active EAFE Strategy	5.0%	3.0%	2.0%
Passive	16.0%	-	-
Non-US Developed Equity	21.0%	3.0%	2.0%
Systematic Active EM Strategy	7.0%	4.1%	3.0%
Passive	13.0%	-	-
Emerging Markets Equity	20.0%	4.1%	3.0%
Total Equity	82.0%	19.5%	14.0%
Strategic Income Opportunities	3.0%	1.8%	2.0%
Passive	15.0%	-	-
Total Fixed Income	18.0%	3.3%	2.2%
Global Tactical Asset Allocation Strategies	-	78.7%	84.0%
Total	100%	100%	100%

Key Portfolio Statistics

Alpha	1.9%
Tracking Error	3.0%
Information Ratio	0.63
Ave Net Leverage	1.17x
Ave Gross Leverage	2.05x
Total Active	53.0%
Total Passive	57.0%

Alpha Contribution by Source

■ Equity ■ Fixed Income ■ GTAA/Overlay



Source: BlackRock. Global Tactical Asset Allocation Strategies includes currency.



Total Program Overview

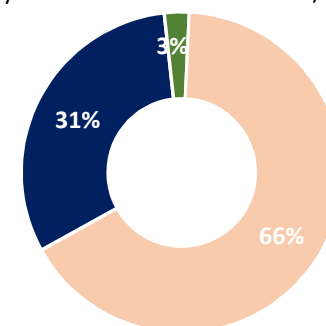
Asset Class / Strategy	Neutral Weight	Exp. Alpha Contribution	Exp. Tracking Error Contribution
Active US Equities	34.5%	19.5%	14.5%
Passive US Equities	6.5%	-	-
US Equity	41.0%	19.5%	14.5%
Active International Equities	8.9%	4.9%	5.6%
Passive International Equities	12.2%	-	-
Non-US Developed Equity	21.0%	4.9%	5.6%
Active EM Equities	13.5%	6.8%	6.9%
Passive EM Equities	6.5%	-	-
Emerging Markets Equity	20.0%	6.8%	6.9%
Total Equity	82.0%	31.4%	27.0%
Active Fixed Income	10.5%	2.5%	2.1%
Passive Fixed Income	7.5%	-	-
Total Fixed Income	18.0%	2.5%	2.1%
Tactical Asset Allocation & Overlay	-	66.4%	70.9%
Total	100%	100%	100%

Key Portfolio Statistics

Alpha	1.9%
Tracking Error	2.2%
Information Ratio	0.88
Ave Net Leverage	1.26x
Ave Gross Leverage	1.95x
Total Active	72.4%
Total Passive	32.7%

Alpha Contribution by Source

■ Equity ■ Fixed Income ■ GTAA/Overlay



Source: JP Morgan, BlackRock, UTIMCO



Leverage Summary

- Key Facts on Leverage in Strategic Partnerships
 - Max: 3.00x Gross/1.50x Net
 - Average Expected: 1.95x Gross/1.26x Net
 - Predominantly deployed in support of Tactical Asset Allocation
 - Accessed through “plain vanilla”, exchange-traded and OTC derivatives (Futures, Forwards)
 - Non-recourse to the Endowments through LLC structure
- Gross Leverage
 - Sum of all Long and Short Positions in the Portfolio
 - Typically used to express ‘relative value’ positions
 - Express a view on expected performance of one asset vs. another
 - May cancel out shared risk between the two positions
 - Example of a relative value position with gross leverage
 - \$100 Long S&P 500 Index + \$100 Short MSCI EM Index = \$200 of Gross Leverage
- Net Leverage
 - Difference between Long and Short Positions in the Portfolio
 - Typically used to express broad market directional views and increase market exposure
 - Example of a position with net leverage
 - Outright \$100 Long S&P 500 Index = \$100 of Net Leverage

Funding Plan



(\$, Mill)

	Inflows	Combined SP AUM	AUM / Partner
Q1 2020	+600	600	300
Q2 2020	+250	850	425
Q3 2020	+166	1,016	508
Q4 2020	+166	1,182	591
Q1 2021	+166	1,348	674
Q2 2021	+166	1,514	757
Q3 2021	+166	1,680	840
Q4 2021	+166	1,846	923
Q1 2022	+154	2,000	1,000

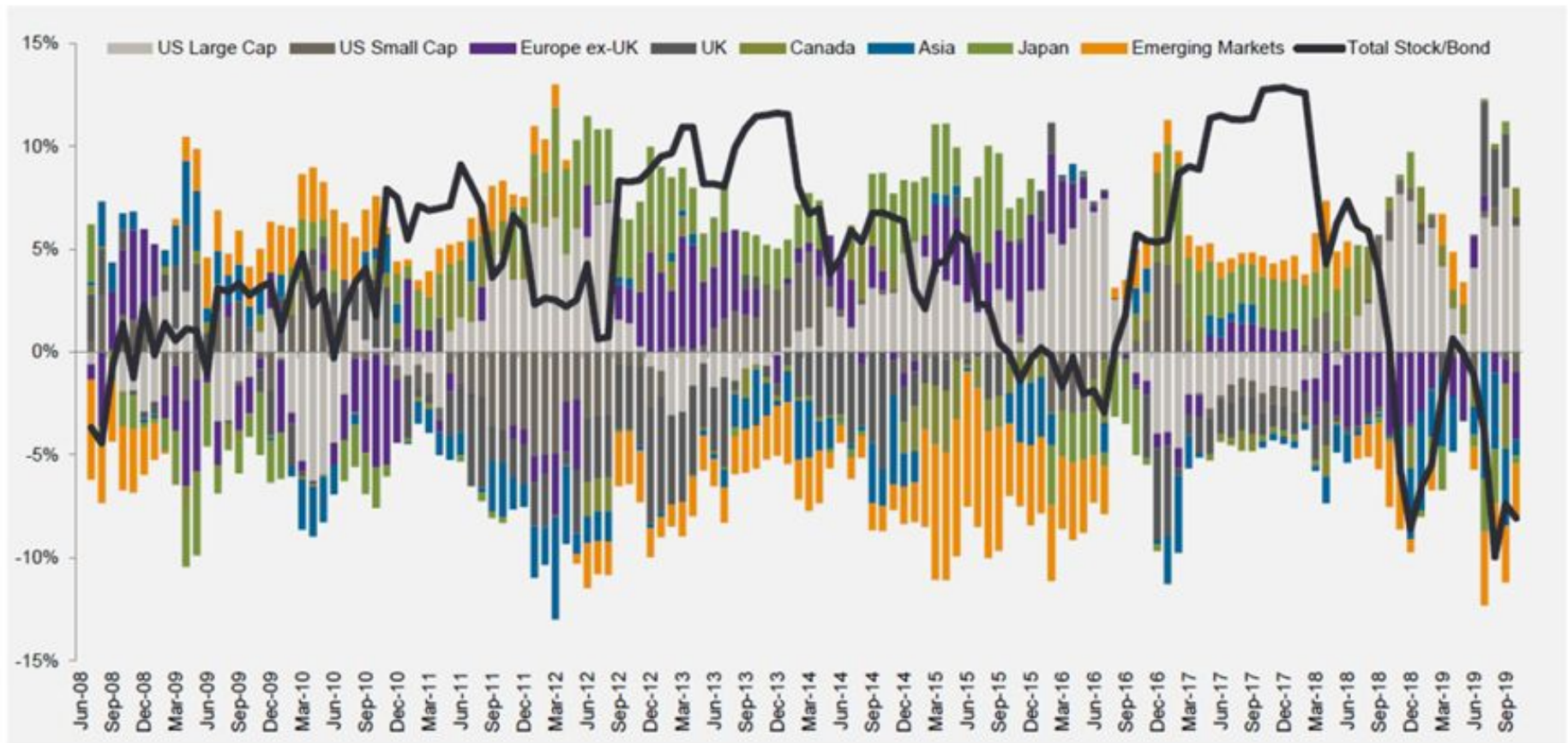


Appendix



JPM GTAA Portfolio – Historical Asset Allocation

Equity Over/Underweight

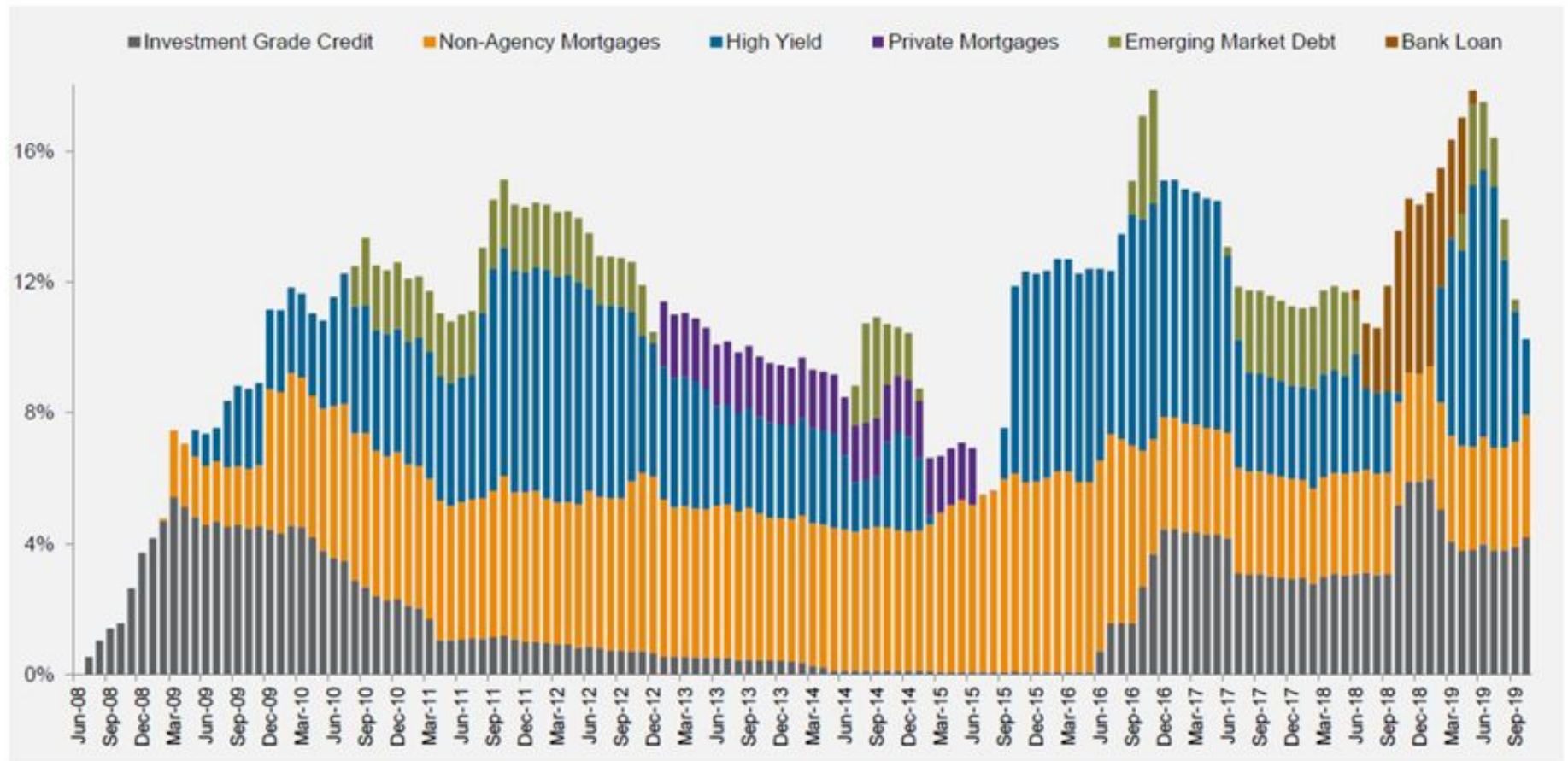


Source: JP Morgan



JPM GTAA Portfolio – Historical Asset Allocation

Fixed Income/Credit Overweight

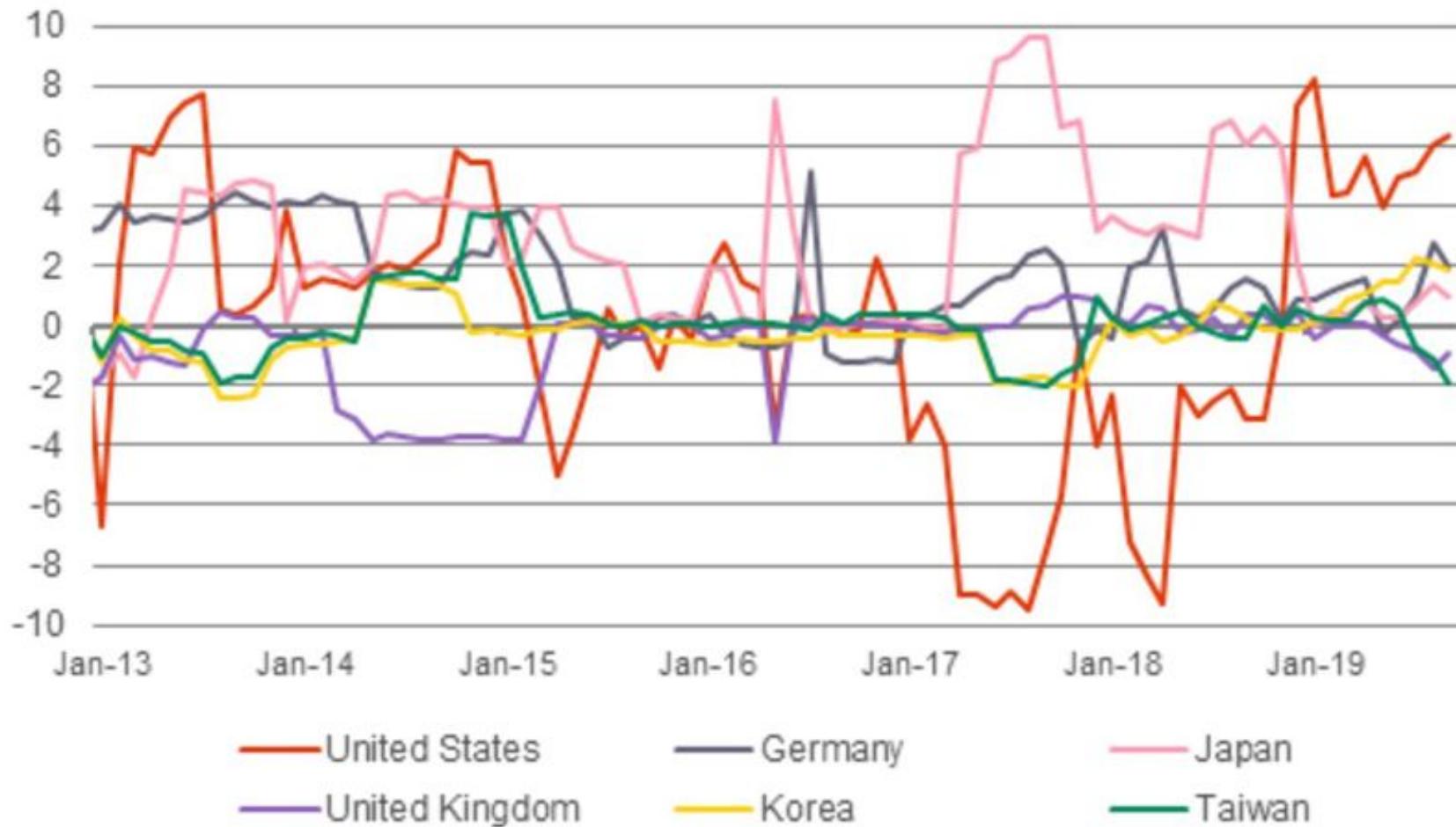


Source: JP Morgan



BLK GTAA Portfolio – Historical Asset Allocation

Equity Over/Underweight

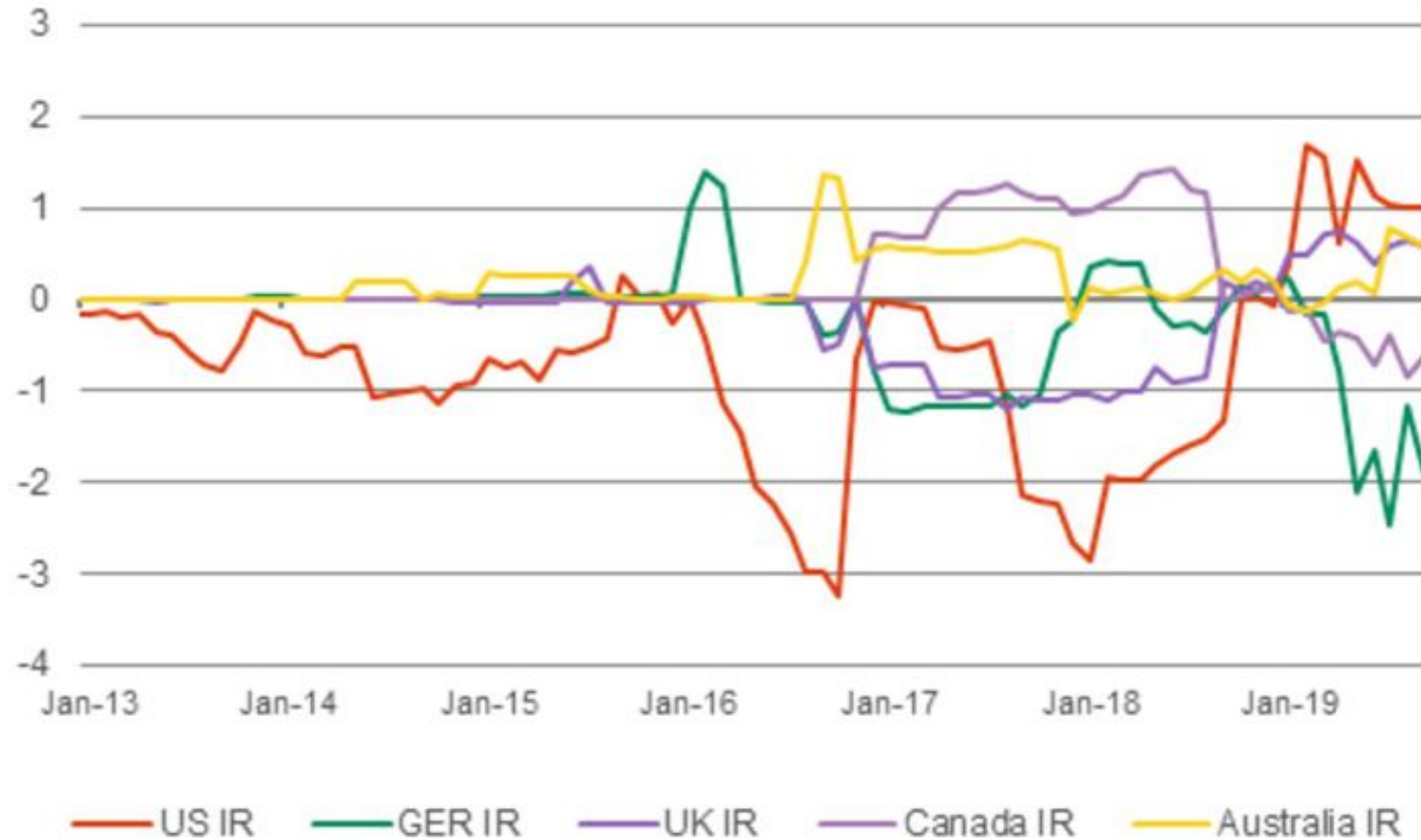


Source: BlackRock.
Values on the Y-Axis correspond to % of NAV



BLK GTAA Portfolio – Historical Asset Allocation

Fixed Income Over/Underweight



Source: BlackRock.
Values on the Y-Axis correspond to years of fixed income duration

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item: Operations Presentation

Developed By: Moeller

Presented By: Moeller

Type of Item: Information Item

Description: Joan Moeller will provide an overview of the Operations Team, which includes the Operations, Accounting and Reporting team, the Corporate Accounting team, the Corporate Legal and Compliance team, the Security team, and the Information Services team.

Reference: *Operations Overview* presentation



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

Operations Overview

Joan Moeller

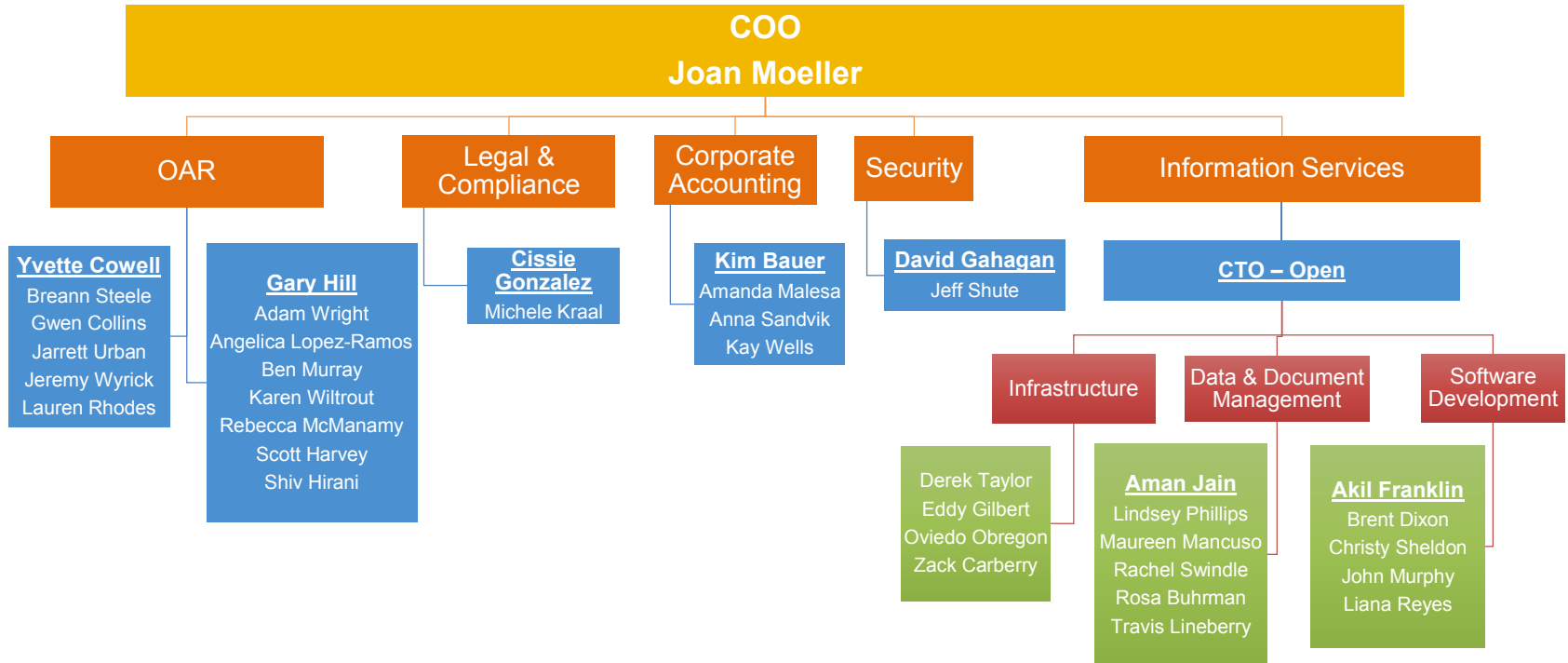
December 5, 2019

Teams



- Operations, Accounting and Reporting (OAR)
- Corporate Accounting
- Security
- Corporate Legal and Compliance
- Information Services

Organizational Structure



Operations, Accounting and Reporting (OAR)



The team is a 14 member team led by Gary Hill, Senior Director and Yvette Cowell, Director

What we do:

- Account for all assets we own
- Report value and performance information
- Investment Fund Reporting
- Reporting of Individual Endowment Accounts
- Maintain master securities file
- Ops Due Diligence
- Facilitate movements of cash
- Support trading activities
- 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

Corporate Accounting



The team is a four member team led by Kim Bauer, Director

Corporate Accounting is responsible for activities related to UTIMCO corporate business, including:

- Corporate Finance
 - General Ledger Accounting
 - Budget
 - Financial Reporting

- Corporate Administration
 - Board of Directors Responsibilities
 - Corporate Travel Coordination
 - Corporate Insurance Management

- Payroll and Benefits (new responsibilities for team)
 - Monthly payroll administration
 - Monthly benefits administration
 - Annual census reporting, discrimination reporting, tax reporting

Security



The team is a two member team led by David Gahagan, Director and Chief Information Security Officer

The team has three primary responsibilities:

- Information Security (Cybersecurity)
 - Provides information security oversight for all centralized and decentralized information resources
 - Develops and maintains: 1) a comprehensive information security program; 2) an annual information security plan; and 3) policies, standards, procedures and guidelines to protect information resources
 - Maintains a data classification standard
 - Coordinates firm-wide annual risk assessment
 - Prepares security assessments of third-party software and vendors
 - Investigates security incidents
- Travel Security
 - Monitor and provide 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

Corporate Legal and Compliance



The team consists of two members and is led by Cissie Gonzalez, Corporate Counsel and CCO

Corporate Legal

- Board and committee agendas and materials
- Review of corporate contracts
- Labor and employment matters
- Payroll and employee benefits matters
- Analysis of legislation
- Texas Public Information Act requests
- Texas Open Meetings Act Compliance
- Policies and procedures management and amendments
- ISDAs and derivatives matters
- Management and monitoring of litigation matters

Compliance

- UTIMCO is required to have a compliance program and participates in the UT System Systemwide Compliance Program which requires a compliance officer, compliance committee, general compliance training program, risk inventory, high-risk monitoring plans, and confidential “hotline”
- UTIMCO’s compliance program meets all of the above requirements and consists of:
 - Institutional Compliance, including compliance with UTIMCO Code of Ethics
 - Investment Compliance
 - Enterprise Risk Management
 - Fraud Prevention and Detection Program

Information Services



The team is a 15 member team led by Directors Akil Franklin and Aman Jain.

Infrastructure & Helpdesk

- Systems & Cloud Engineering
- General Server Maintenance
- Phones & Conference Rooms
- Device Management (Computers, Mobile Devices, etc)
- Helpdesk

Software Development

- Software Development
- Institution Application Support
- Internal Application Support
- Data Syncing
- Development Server Maintenance

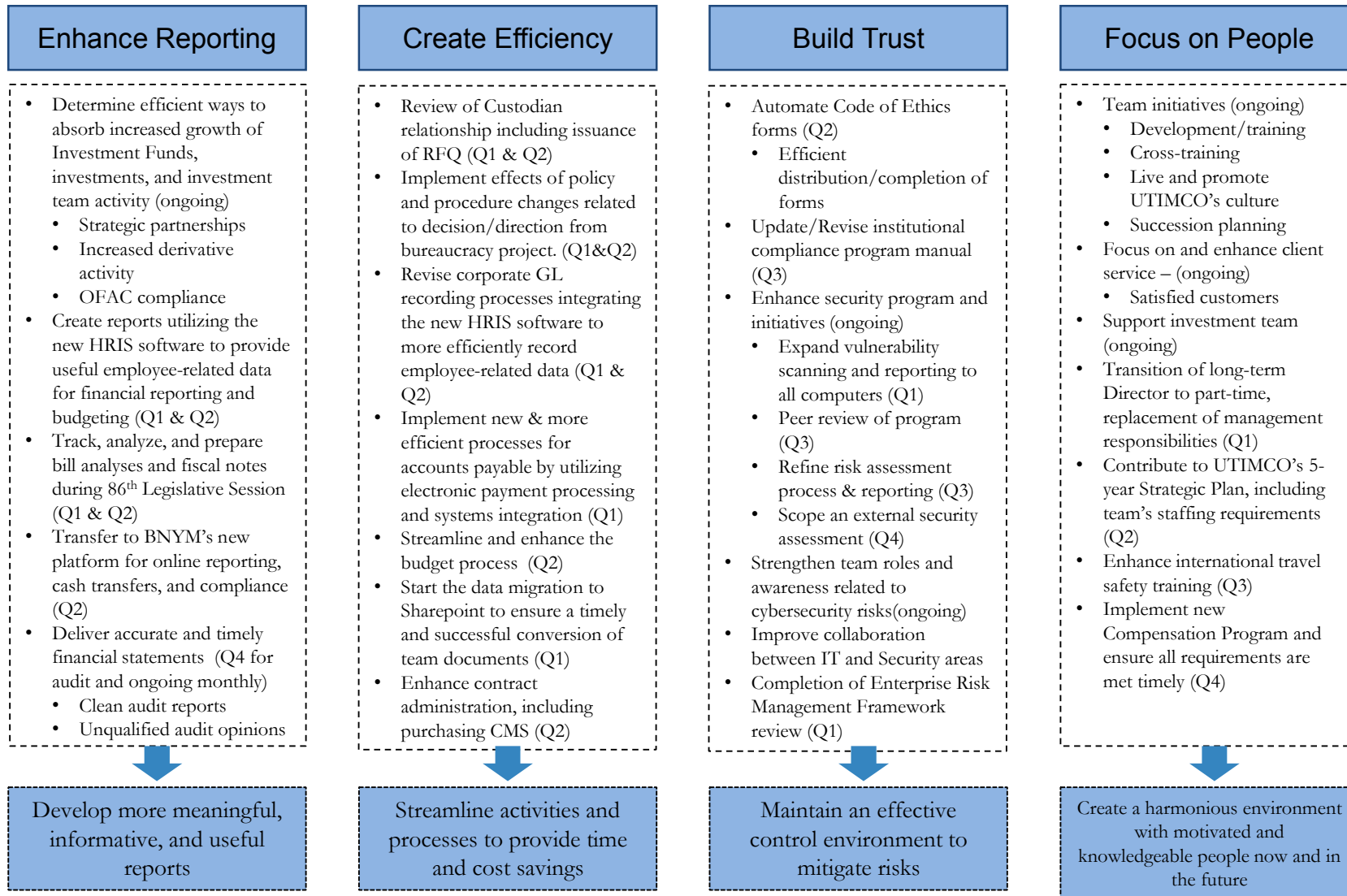
Data & Document Management

- Data Management
- Document Management
- Software Vendor Management
- User Training & Support
- Business Analysis

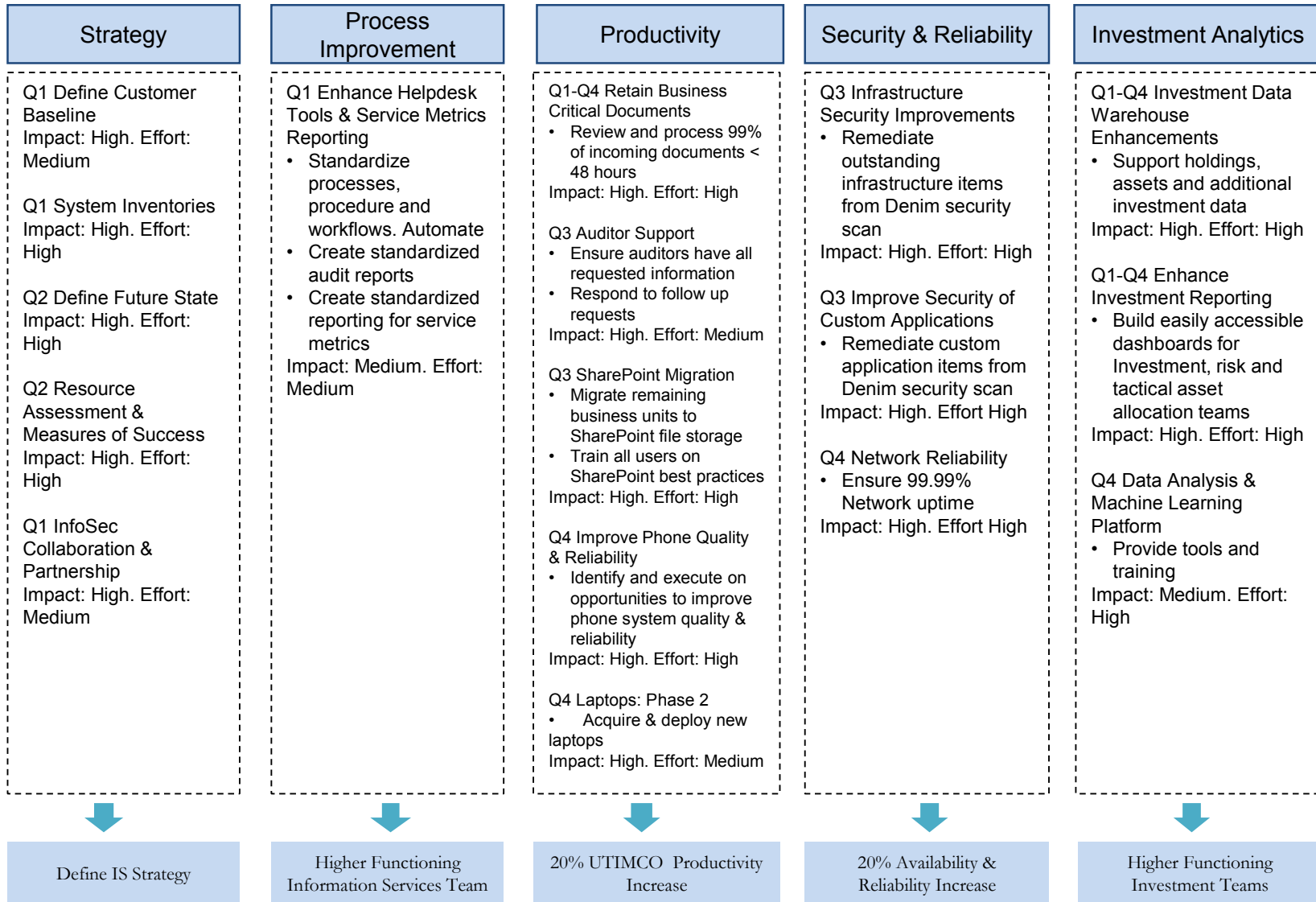


Appendix

2019 Operations Action Plan



2019 Information Services Action Plan



Audits and Reviews



External Auditing Firm – Deloitte & Touche, LLP

Annual Audits of the Investment Funds (8 separate audit reports)

- PUF, PUF Detail Schedules of Investment Securities, GEF, PHF, LTF, ITF and Performance Statistics
- UTIMCO Corporate

Review of Performance Calculations

UT System Audit Office

- Biennial audit of UTIMCO Travel and Business Entertainment Expenses (24 months of expenses)
- Variety of audits, reviews and agreed upon procedures (AUP)
 - Currently in process – AUP engagement related to the Risk Team’s monitoring plan and activities used to monitor key risks
 - Recent engagements
 - UTIMCO Software Development Life Cycle (2018)
 - Separately Managed Accounts (2016)

External Security Assessments

- Annual Denim External and Internal Network and Wifi Penetration Test
- WTC Network Security Assessment

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item: Human Resources Presentation

Developed By: Dean

Presented By: Dean

Type of Item: Information Item

Description: Mike Dean, Senior Director – Human Resources will present on current human resources initiatives.

Reference: *2020 Human Resources Overview* presentation



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

2020 Human Resources Overview

December 2019



Overview

- HR Team
- Strategy and Talent Management Cycle
- Talent Acquisition
- Talent Management
- Talent Development

HR Team Photo & Profiles



Michael Dean, Senior Director (UTIMCO since 2019)

- BS Political Science; MS – University of Akron
- Harvard Management Company
- Firestone, Kraft, Coca-Cola, Salomon Brothers, Trans-Form LLC



Ashley Fleming, SHRM-CP, *HR Associate* (2011)

- BA Sociology – University of Texas, MA – St. Edward's University
- Live Oak-Gottesman
- Byram Industries



Bobbie Potter, *HR Analyst* (2018)

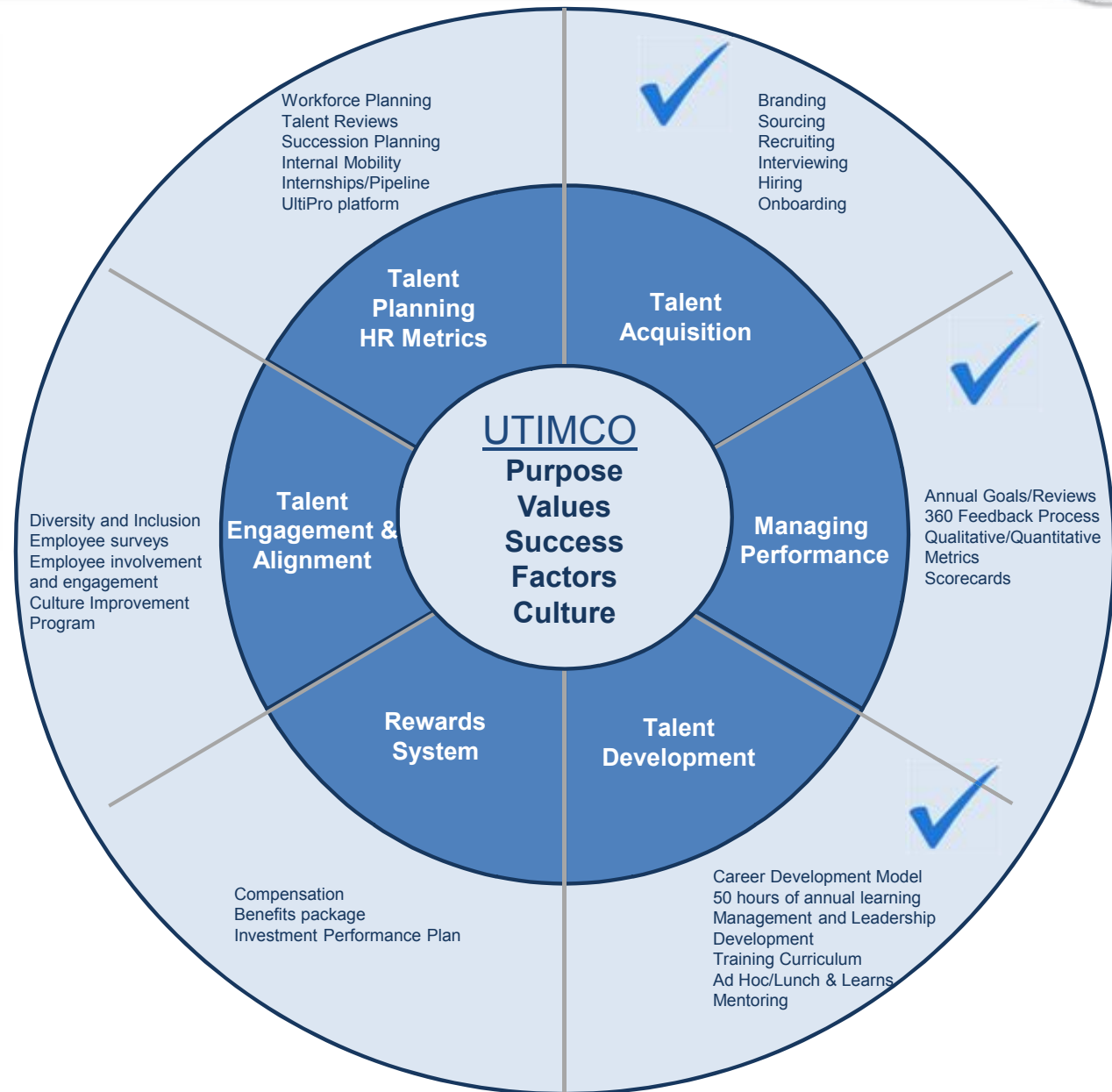
- BA Fashion Merchandising – Sam Houston State University
- Ajilon Professional Staffing

Talent Management



Strategy

- Attract
- Develop
- Retain
- A Players
- Drive Exceptional Performance





Staffing Update – 6 Months

- FY2020
 - 8 vacant positions
 - 10 planned summer internships
 - 15 new positions approved by Board
 - Recruit 7 now; 8 in Jan

- Current Status
 - 2 vacant positions filled
 - 8 interns hired
 - 3 new positions filled
 - 3 departures
 - 18 total remaining talent to hire

- Retention
 - 2019 = 12% turnover rate
 - 7 planned turnover
 - 5 unplanned turnover



Talent Acquisition Process

Formalizing the UTIMCO Process

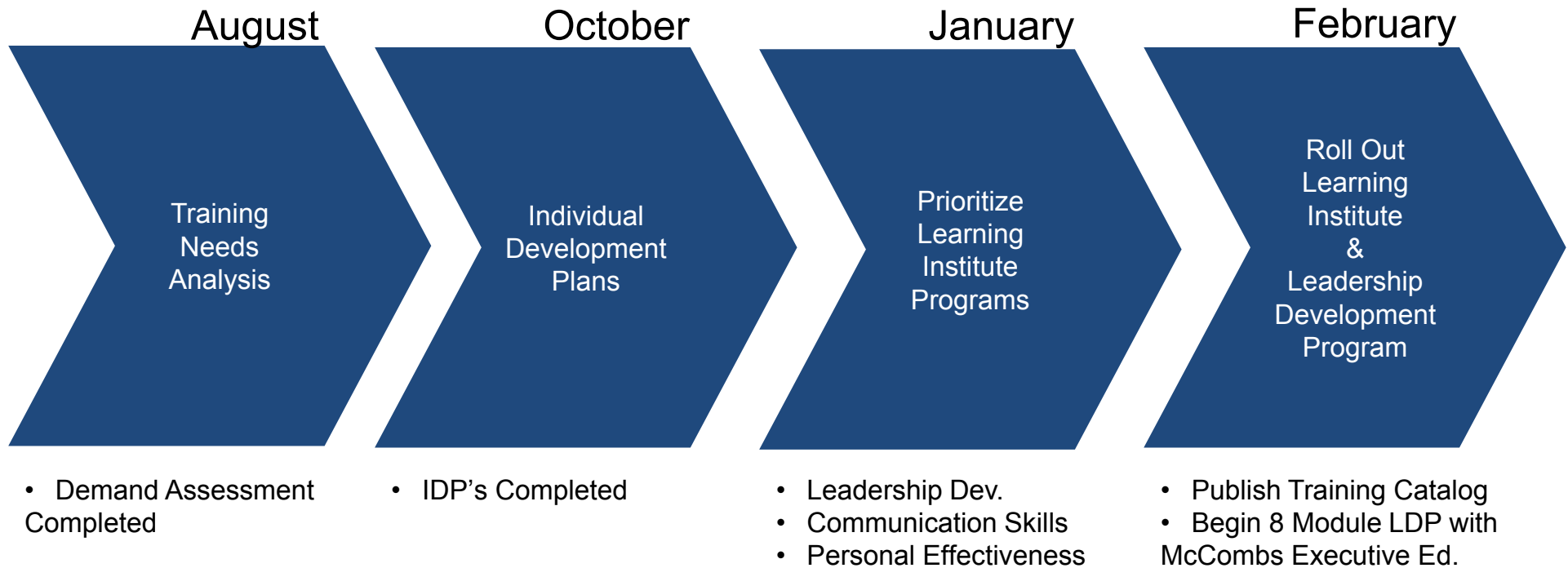




Talent Management Priorities

- Refining/improving the Annual Review Process
- Streamlining 360 Review Process
- Establishing Annual Cycle Planning Calendar
- Version 1.0 of Individual Development Plans
- Completed a firm-wide Training Needs Analysis
- Delivering training: Examples
 - Giving and Receiving Feedback
 - Behavioral Based Interviewing Skills

Talent Development



Leadership Development Program



Timing	Title	Instructor	Source
Feb	Managing Yourself and Others	Dr. Margaret Andrews	Harvard – MIT
Mar	Lessons from Lady Bird Lake	Dr. Gaylen Paulsen	UT McCombs
Apr	Leading with Emotional Intelligence	Dr. Ethan Burriss	UT McCombs
May	Leading High-Performance Teams	Dr. John Daly	UT McCombs
Jun	Coaching Skills	Dr. Ethan Burriss	UT McCombs
Jul	Leading Leaders	Britt Harris and Rich Hall	UTIMCO
Aug	Leading Change & Innovation	Dr. Louis Martins	UT McCombs
Sep	Presentation Skills	Nick Dalley	Intentional Comm.
Oct	Negotiation Skills	Dr. Gaylen Paulsen Dr. Janet Dukerich	UT McCombs UT McCombs

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item: Report from Policy Committee: Discussion and Appropriate Action Related to Proposed Amendments to the Investment Policy Statements, Liquidity Policy, Derivative Investment Policy, and the Delegation of Authority Policy

Developed By: Team

Presented By: Hicks, Harris, Hall

Type of Item: Action item; Action required by UTIMCO Board and by the Board of Regents of The University of Texas System (UT Board)

Description: The Policy Committee (Committee) met separately and jointly with the Risk Committee on November 21, 2019. The Joint Committee meeting agenda included discussion and appropriate action related to proposed amendments to the Investment Policy Statements, Liquidity Policy, Derivative Investment Policy, and the Delegation of Authority Policy. The Committees also heard from Russ Kampfe related to a change in investment guideline to allow the purchase of negative yielding securities under certain conditions. The change in investment guideline did not require Committee approval. The Committee's separate meeting agenda included approval of minutes of the June 20, 2019 meeting and the June 20, 2019 joint meeting of the Policy and Risk Committees.

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges for each Asset Class and fund, designated performance benchmarks for each Asset Class and such other matters as the UT System Board of Regents or its staff designees may request.

Discussion: *Investment Policies*
The Investment Policy Statements of the Permanent University Fund (PUF), General Endowment Fund (GEF), Intermediate Term Fund (ITF), Permanent Health Fund (PHF), and Long Term Fund (LTF) are being amended to reflect the proposed changes effective March 1, 2020. In addition, the following Investment Policies are being submitted for approval of amendments:

- Liquidity Policy (effective March 1, 2020)
- Derivative Investment Policy (effective March 1, 2020)
- Delegation of Authority Policy (effective March 1, 2020)

The Investment Policy Statements for the PUF, GEF, ITF, PHF, and LTF have been amended to reflect changes to the asset allocation framework to include the Public Strategic Partnerships allocation and set forth revised Asset Class targets and ranges effective March 1, 2020, after incorporation of the strategic partnerships allocation. Investment Guidelines, General language related to derivatives has

Agenda Item
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been changed to be consistent with the proposed change to the Derivative Investment Policy below. In addition, the Benchmark for Real Return, Inflation Linked Bonds is being changed from “Bloomberg Barclays Global Inflation Linked TR Index” to “Bloomberg Barclays U.S. TIPS Index”.

Liquidity Policy

The Liquidity Policy is being amended to change the permitted maximum for illiquid investments for the ITF from “50% of the total portfolio for the ITF” to “55% of the total portfolio for the ITF” to accommodate the allocation to Directional Hedge Funds in the Global Equity Regime.

The Liquidity Policy is also being amended to change the methodology for calculating unfunded commitments from “a percent of the total Net Asset Value of the Endowment Funds” to “a percent of the highest total Net Asset Value of the Endowment Funds over a trailing 24-month period”.

Derivative Investment Policy

Page 6, Exhibit B, Delegated Derivative Investments #3, changed from “reduce Long Exposure to an Asset Class” to “reduce exposure to an Asset Class” to allow tactical asset allocation to express negative views on an asset class.

Delegation of Authority Policy

Page 3, *Investment Authority, Tactical Asset Allocation*, is being changed to delete “to offset existing long positions for risk control purposes” consistent with the change in the Derivative Investment Policy to allow tactical asset allocation to express negative views on an asset class.

Minor editorial changes have also been made.

Recommendation: Director Hicks will request the UTIMCO Board to approve the proposed amendments to the Investment Policy Statements for the PUF, GEF, ITF, PHF, and LTF effective March 1, 2020. Director Hicks also recommends approval of the proposed amendments to the Liquidity Policy and Derivative Investment Policy, effective March 1, 2020, and the Delegation of Authority Policy, effective March 1, 2020.

Reference: Investment Policy Statements for the PUF and GEF effective March 1, 2020
Exhibits B to the Investment Policy Statements for the PHF and LTF effective March 1, 2020
Exhibit A to the Investment Policy Statement for the ITF effective March 1, 2020
Liquidity Policy, effective March 1, 2020
Derivative Investment Policy, effective March 1, 2020
Delegation of Authority Policy, effective March 1, 2020

RESOLUTION RELATED TO INVESTMENT POLICIES
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RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and amendments to the Liquidity Policy and Derivative Investment Policy, as presented be, and are 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.

THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the “PUF”) is a public endowment contributing to the support of eligible institutions of The University of Texas System and The Texas A&M University System as provided in Article VII, Section 18 of the *Texas Constitution*.

PUF Organization

The PUF was established in the *Texas Constitution* of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional one million acres of land. Today, the PUF contains 2,109,190 acres of land (the “PUF Lands”) located in 19 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested pursuant to this Policy Statement. Surface income, as a renewable source of income, is distributed to the Available University Fund (the “AUF”), as received. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

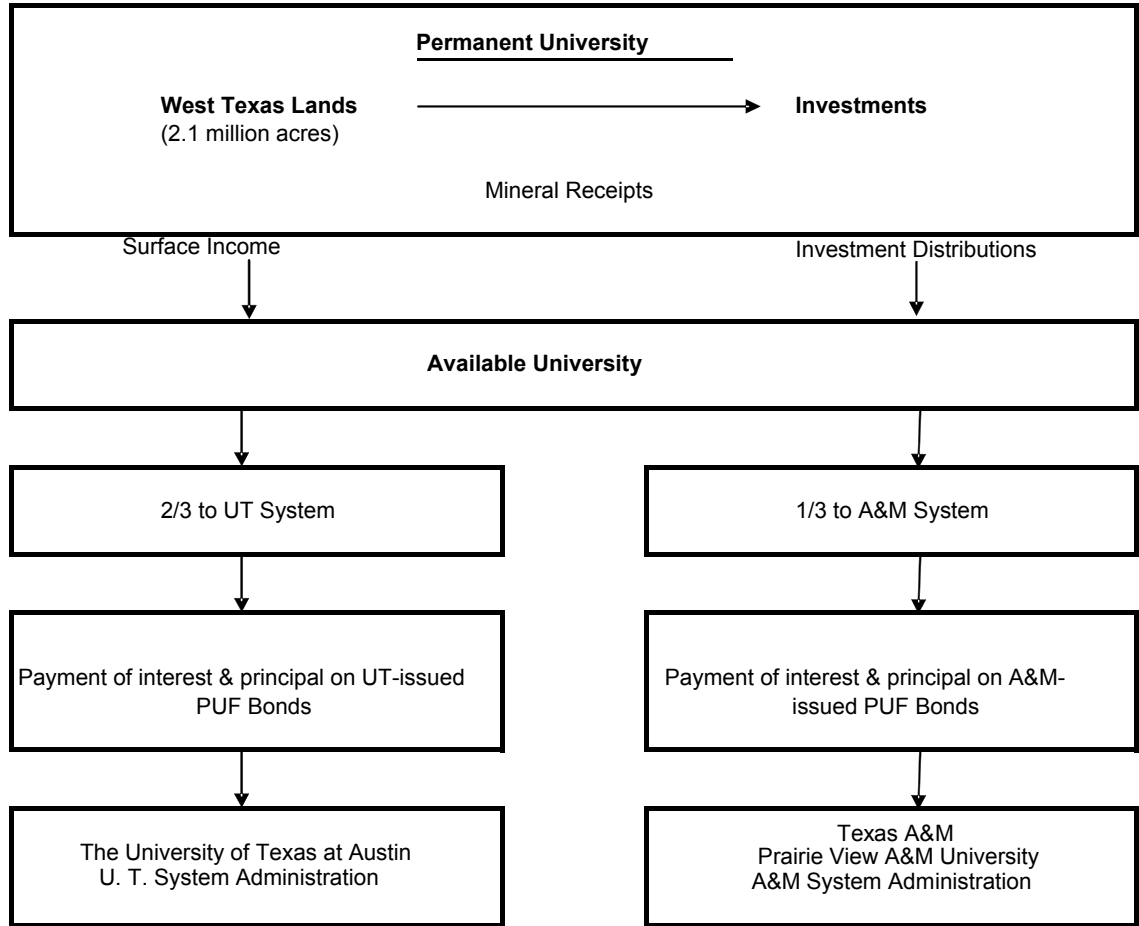
The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the “Board of Regents”) and the Texas A&M University System Board of Regents (the “TAMUS Board”) to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System’s interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

Second, AUF receipts are expended to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university Systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

Exhibit 1



PUF Management

Article VII, Section 11b of the *Texas Constitution* assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then

prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the PUF rests with the Board of Regents. Section 66.08 of the *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), the PUF shall be managed by UTIMCO, which shall a) recommend investment policy for the PUF, b) recommend specific Asset Class allocation targets, ranges and performance benchmarks consistent with PUF objectives, and c) monitor PUF performance against PUF objectives. UTIMCO shall invest the PUF’s assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

PUF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PUF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

PUF Investment Objectives

The PUF and the General Endowment Fund (the “GEF”) are managed similarly for efficient investment purposes. The primary investment objective of the PUF shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

Investments must be prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO’s risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PUF return, Asset Class allocations, and downside volatility targets are subject to adjustment from time to time by the Board of Regents.

Asset Class Allocation and Policy

Asset Class allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Classes or the Portfolio Projected Downside Volatility move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PUF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

PUF assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Global Equity:

U.S. Public Equity – U.S. Public Equity invests primarily in the equity securities of companies domiciled in the U.S. These securities are traded in public markets (on an exchange, over the counter, pursuant to SEC Rule 144a, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. U.S. Public Equity includes common stocks, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Non-U.S. Developed Public Equity – Non-U.S. Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (other than the U.S.) that are part of the MSCI World Index. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Non-U.S. Developed Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and

derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Global Developed Public Equity – Global Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries that are part of the MSCI World Index; however, the asset allocation between U.S. and non-U.S. may be variable over time. Global Developed Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Emerging Markets Public Equity – Emerging Markets Public Equity invests primarily in the equity securities of companies that are domiciled in (i) the emerging countries that are part of the MSCI Emerging Markets Index or (ii) countries that have yet to reach MSCI Emerging Markets Index qualification status. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Emerging Markets Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Directional Hedge Funds – Directional Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Directional Hedge Funds exhibit some market sensitivity as defined by beta to public equities. Strategies may include but are not limited to long/short equity, multi-strategy, event-driven, distressed and stressed credit and global macro.

Private Equity – Private Equity investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in controlling or minority ownership interests in private or publicly-traded companies. These investments are acquired by purchasing publicly-traded or privately-issued common and preferred stocks, convertible securities, warrants, rights, options or debt obligations of private or publicly-traded companies. Private Equity investments often have transfer restrictions and are not as liquid as publicly-traded securities. Private Equity investments are often classified by strategy including: buyouts, venture capital and private credit.

Stable Value:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, U.S. and non-U.S., that are rated investment grade. These include debt issued by the Sovereign Governments, various government enterprises and agencies, and corporations. The principal securities include bonds, notes, bills and mortgage and asset-

backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as Investment Grade Fixed Income.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, U.S. and non-U.S., that are rated below investment grade.

Stable Value Hedge Funds – Stable Value Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Stable Value Hedge Fund investments exhibit little to no market sensitivity, as defined by beta to U.S. Public Equity, and have an absolute return orientation. Strategies may include but are not limited to market-neutral equity, multi-strategy, re-insurance, risk premia, trend following, senior secured lending and global macro.

Cash – Cash consists of internal and external pooled investment funds, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.

Real Return:

Inflation Linked Bonds – Inflation Linked Bonds include fixed income investments issued by both U.S. and Non-U.S. Governments where the principal value of the bond has been indexed to some rate of inflation, as well as derivatives referencing Inflation Linked Bonds or directly linked to inflation rates, including but not limited to inflation swaps. Inflation Linked Bonds are intended to provide some degree of inflation protection .

Commodities – Commodities investments represent ownership of bulk physical goods such as metals, grains, foods and energy products. These investments can be made through actual physical ownership of the goods, or through financial ownership of the underlying goods achieved through the purchase of derivatives based on commodities or commodities indices.

Natural Resources – Natural Resources investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in a controlling or minority ownership interest in a company involved in the production of natural resources including, but not limited to: energy, precious metals, metals, minerals, agriculture, livestock, and timber. Some Natural Resource investments may have transfer restrictions and may not be as liquid as publicly-traded securities.

Infrastructure – Infrastructure investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in ownership of companies or assets that provide an essential service that contributes to the economic or social productivity of an organization, community, or society at large with real assets in the water, transportation, energy,

communication or social sectors. Investments generally have structure features that include a monopolistic or oligopolistic market position with high barriers to entry; a low elasticity of demand due to their essential functions; stable, predictable, and long-term revenue contracts; or inflation protection through inflation adjustment mechanisms in underlying contracts. Some Infrastructure investments may have transfer restrictions and may not be as liquid as publicly-traded securities.

Public Real Estate – Public Real Estate invests principally in companies that are part of the FTSE/EPRA NAREIT Developed Index and that own or manage equity or debt interests in portfolios of real estate or real assets. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Public Real Estate includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Private Real Estate – Private Real Estate investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in a controlling or minority ownership interest in a real asset or a real estate focused company. Private Real Estate investments are acquired by purchasing physical real assets, physical real estate or publicly-traded or privately-issued securities including, but not limited to: common or preferred stock, secured or subordinated debt, mortgage-related investments, master limited partnerships (“MLPs”) and real estate investment trusts (“REITs”). Some Private Real Estate investments may have transfer restrictions and may not be as liquid as publicly-traded securities. Private Real Estate investments are often classified by strategy including: core, core-plus, value-added, opportunistic and special situations.

Strategic Partnerships:

Strategic Partnerships are multi-asset investment portfolios designed to generate investment returns through a combination of security selection and tactical asset allocation. Strategic Partnerships may invest long or short in equities, fixed income, commodities, currencies, funds, and other global market instruments, including derivatives. Strategies utilized by Strategic Partnerships may involve the use of leverage to enhance the portfolio’s risk-adjusted returns.

All mandates will be categorized at inception and on an ongoing basis by Asset Class.

Performance Measurement

The investment performance of the PUF will be measured by the PUF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board and compared against the stated Policy Benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal

derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class indices weighted to reflect PUF's Asset Class allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PUF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce ~~long~~ exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of PUF value.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Public Real Estate, and Public Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

Stable Value

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

PUF Distributions

The PUF shall balance the needs and interests of present beneficiaries with those of the future. PUF spending policy objectives shall be to:

- provide a predictable, stable stream of distributions over time;
- ensure that the inflation adjusted value of distributions is maintained over the long term; and
- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

The goal is for the PUF's average spending rate over time not to exceed the PUF's average annual investment return after inflation and expenses in order to preserve the purchasing power of PUF distributions and underlying assets.

Annually, the Board of Regents will approve a distribution amount to the AUF pursuant to Regents' Rule 80303, Section 2.2.

Following approval of the distribution amount, distributions from the PUF to the AUF will be made at the discretion of UTIMCO management in consultation with the U. T. System Office of Finance and The Texas A&M University System Office of Treasury Services.

PUF Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's

Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The PUF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PUF net assets. Valuation of PUF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PUF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the PUF’s net assets shall include all related receivables and payables of the PUF on the valuation. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO’s Chief Compliance Officer. UTIMCO’s Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO’s compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO’s Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO’s Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

The PUF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the PUF shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to ~~insure~~ensure compliance with contract provisions.

Investor Responsibility

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the interest of the U. T. System and the A&M System, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~September 1, 2019~~ March 1, 2020.

Permanent University Fund Investment Policy Statement (continued)

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 4, 2019~~ MARCH 1, 2020

Asset Class	FYE 2020			Benchmark
	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	
Global Equity:				
U.S. Public Equity	2.0 -5.0%	7.5 6.8%	42.0 +5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	0.0 -5.0%	4.5 4.1%	40.0 +5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	3.0 -5.0%	10.0%	43.0 +5.0%	MSCI World Index with Net Dividends
<i>Total Developed Public Equity</i>	42.0 -5.0%	22.0 20.9%	26.0 +5.0%	
Emerging Markets Public Equity	5.0 -5.0%	9.0 8.5%	45.0 +5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	22.0 -5.0%	34.0 29.4%	36.0 +5.0%	
Directional Hedge Funds	7.0 -5.0%	11.2%	47.0 +5.0%	HFRI Fund of Funds Composite
Private Equity	18.0 -10.0%	20.8%	27.0 +10.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	66.0 -7.0%	63 61.4%	70.0 +7.0%	
Stable Value:				
Investment Grade Fixed Income	2.0 -5.0%	7.0 6.6%	42.0 +5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	0.0 -5.0%	0.0%	5.0 +5.0%	Bloomberg Barclays Capital Global High Yield Index
<i>Total Fixed Income</i>	2.0 -5.0%	7.0 6.6%	42.0 +5.0%	
Cash	-5.0%	1.0%	6.0 +5.0%	3 month T-Bills
Stable Value Hedge Funds	2.0 -5.0%	10.0%	42.0 +5.0%	HFRI Fund of Funds Conservative
Total Stable Value	44.5 -10.0%	48.0 17.6%	23.5 +6.0%	
Real Return:				
Inflation Linked Bonds	0.0 -5.0%	1.3%	5.0 +5.0%	Bloomberg Barclays Global Inflation-Linked: FR U.S. TIPS Index
Gold	0.0 -5.0%	0.0%	5.0 +5.0%	Gold Spot Price (XAU)
Commodities	0.0 -5.0%	0.0%	6.0 +5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	0.0 -5.0%	0.0%	0.0 +5.0%	
Natural Resources	0.0 -5.0%	6.6%	42.0 +5.0%	Cambridge Natural Resources
Infrastructure	0.0 -5.0%	2.9%	9.0 +5.0%	Cambridge Infrastructure
Public Real Estate	0.0 -5.0%	0.0%	5.0 +5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	3.0 -5.0%	8.2%	13.0 +5.0%	Cambridge Real Estate
Total Real Return	13.5 -6.0%	19.0%	25.5 +6.0%	
Strategic Partnerships	-5.0%	2.0%	+5%	Blended Bloomberg Barclays Global Aggregate Index - Hedged, MSCI US with Net Dividends, MSCI EAFE and Canada with Net Dividends, and MSCI Emerging Markets Index with Net Dividends
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	FYE 2020
Expected 10-Year Annual Real Return (Benchmark)	4.22%
One Year Downside Volatility	11.05%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) In relation to the Asset Class Target, with the exception of Cash, "Min" will not be below zero

(2) Asset Class Targets and Policy/Target Return/Risks reset monthly

THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND INVESTMENT POLICY STATEMENT

Purpose

The General Endowment Fund (the "GEF"), established by the Board of Regents of The University of Texas System (the "Board of Regents") March 1, 2001, is a pooled fund for the collective investment of certain long-term funds under the control and management of the Board of Regents. The GEF provides for greater diversification of investments than would be possible if each account were managed separately.

GEF Organization

The GEF functions like a mutual fund in which each eligible fund purchases and redeems GEF units as provided herein. The ownership of GEF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

GEF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Ultimate fiduciary responsibility for the GEF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), the GEF shall be managed by UTIMCO, which shall a) recommend investment policy for the GEF, b) recommend specific Asset Class allocation targets, ranges, and performance benchmarks consistent with GEF objectives, and c) monitor GEF performance against GEF objectives. UTIMCO shall invest the GEF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

GEF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of GEF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase GEF Units

No fund shall be eligible to purchase units of the GEF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the GEF.

Currently, the Long Term Fund (the “LTF”) and the Permanent Health Fund (the “PHF”) purchase units in the GEF.

GEF Investment Objectives

The GEF and the PUF are managed similarly for efficient investment purposes. The primary investment objective of the GEF shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses.

Investments must be prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO’s risk model. Liquidity of the GEF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

GEF return, Asset Class allocations, and downside volatility targets are subject to adjustment from time to time by the Board of Regents.

Asset Class -Allocation and Policy

Asset Class allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Classes or the Portfolio Projected Downside Volatility move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the GEF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

GEF assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Global Equity:

U.S. Public Equity – U.S. Public Equity invests primarily in the equity securities of companies domiciled in the U.S. These securities are traded in public markets (on an exchange, over the counter, pursuant to SEC Rule 144a, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. U.S. Public Equity includes common stocks, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Non-U.S. Developed Public Equity – Non-U.S. Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries (other than the U.S.) that are part of the MSCI World Index. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Non-U.S. Developed Public Equity includes common

stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Global Developed Public Equity – Global Developed Public Equity invests primarily in the equity securities of companies that are domiciled in the developed countries that are part of the MSCI World Index; however, the asset allocation between U.S. and non-U.S. may be variable over time. Global Developed Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Emerging Markets Public Equity – Emerging Markets Public Equity invests primarily in the equity securities of companies that are domiciled in (i) the emerging countries that are part of the MSCI Emerging Markets Index or (ii) countries that have yet to reach MSCI Emerging Markets Index qualification status. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering (“IPO”)) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Emerging Markets Public Equity includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Directional Hedge Funds – Directional Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Directional Hedge Funds exhibit some market sensitivity as defined by beta to public equities. Strategies may include but are not limited to long/short equity, multi-strategy, event-driven, distressed and stressed credit and global macro.

Private Equity – Private Equity investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in controlling or minority ownership interests in private or publicly-traded companies. These investments are acquired by purchasing publicly-traded or privately-issued common and preferred stocks, convertible securities, warrants, rights, options or debt obligations of private or publicly-traded companies. Private Equity investments often have transfer restrictions and are not as liquid as publicly-traded securities. Private Equity investments are often classified by strategy including: buyouts, venture capital and private credit.

Stable Value:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, U.S. and non-U.S., that are rated investment grade. These include debt issued by the Sovereign Governments, various government enterprises and agencies, and corporations.

The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as Investment Grade Fixed Income.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, U.S. and non-U.S., that are rated below investment grade.

Stable Value Hedge Funds – Stable Value Hedge Funds invest long and short in equities, fixed income, commodities, currencies and other global market instruments including derivatives. Stable Value Hedge Fund investments exhibit little to no market sensitivity, as defined by beta to U.S. Public Equity, and have an absolute return orientation. Strategies may include but are not limited to market-neutral equity, multi-strategy, re-insurance, risk premia, trend following, senior secured lending and global macro.

Cash – Cash consists of internal and external pooled investment funds, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.

Real Return:

Inflation Linked Bonds – Inflation Linked Bonds include fixed income investments issued by both U.S. and Non-U.S. Governments where the principal value of the bond has been indexed to some rate of inflation, as well as derivatives referencing Inflation Linked Bonds or directly linked to inflation rates, including but not limited to inflation swaps. Inflation Linked Bonds are intended to provide some degree of inflation protection.

Commodities – Commodities investments represent ownership of bulk physical goods such as metals, grains, foods and energy products. These investments can be made through actual physical ownership of the goods, or through financial ownership of the underlying goods achieved through the purchase of derivatives based on commodities or commodities indices.

Natural Resources – Natural Resources investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in a controlling or minority ownership interest in a company involved in the production of natural resources including, but not limited to: energy, precious metals, metals, minerals, agriculture, livestock, and timber. Some Natural Resource investments may have transfer restrictions and may not be as liquid as publicly-traded securities.

Infrastructure – Infrastructure investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in ownership of companies or assets that provide an essential service that contributes to the economic or social productivity of an organization, community,

or society at large with real assets in the water, transportation, energy, communication or social sectors. Investments generally have structure features that include a monopolistic or oligopolistic market position with high barriers to entry; a low elasticity of demand due to their essential functions; stable, predictable, and long-term revenue contracts; or inflation protection through inflation adjustment mechanisms in underlying contracts. Some Infrastructure investments may have transfer restrictions and may not be as liquid as publicly-traded securities.

Public Real Estate – Public Real Estate invests principally in companies that are part of the FTSE/EPRA NAREIT Developed Index and that own or manage equity or debt interests in portfolios of real estate or real assets. These securities are traded in public markets (on an exchange, over the counter, or issued in an underwritten initial public offering) or are restricted but expected to become public or otherwise freely marketable within three years after the initial investment. Public Real Estate includes common stocks, depositary receipts, preferred stocks, exchange traded funds, and derivatives based on common stocks or equity indices (including convertibles, warrants, rights, options, and futures).

Private Real Estate – Private Real Estate investments are made directly, through private limited partnerships, joint ventures or other special purpose vehicles and result in a controlling or minority ownership interest in a real asset or a real estate focused company. Private Real Estate investments are acquired by purchasing physical real assets, physical real estate or publicly-traded or privately-issued securities including, but not limited to: common or preferred stock, secured or subordinated debt, mortgage-related investments, master limited partnerships (“MLPs”) and real estate investment trusts (“REITs”). Some Private Real Estate investments may have transfer restrictions and may not be as liquid as publicly-traded securities. Private Real Estate investments are often classified by strategy including: core, core-plus, value-added, opportunistic and special situations.

Strategic Partnerships:

Strategic Partnerships are multi-asset investment portfolios designed to generate investment returns through a combination of security selection and tactical asset allocation. Strategic Partnerships may invest long or short in equities, fixed income, commodities, currencies, funds, and other global market instruments, including derivatives. Strategies utilized by Strategic Partnerships may involve the use of leverage to enhance the portfolio’s risk-adjusted returns.

All mandates will be categorized at inception and on an ongoing basis by Asset Class.

Performance Measurement

The investment performance of the GEF will be measured by the GEF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy

Benchmarks of the GEF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class indices weighted to reflect GEF's Asset Class allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The GEF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of GEF assets in such investments.
- No securities may be purchased or held which would jeopardize the GEF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The GEF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce ~~long~~ exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of GEF value.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Public Real Estate, and Public Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

Stable Value

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

GEF Accounting

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The GEF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. The final determination of GEF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the GEF’s net assets shall include all related receivables and payables of the GEF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of GEF Units

Purchase of GEF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the GEF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the GEF as of the most recent quarterly valuation date. Each fund whose monies are invested in the GEF shall own an undivided interest in the GEF in the proportion that the number of units invested therein bears to the total number of all units comprising the GEF.

Redemption of GEF Units

Redemption of GEF units shall be paid in cash as soon as practicable after the quarterly valuation date of the GEF. Withdrawals from the GEF shall be at the market value price per unit determined at the time of the withdrawal.

Securities Lending

The GEF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the GEF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to ~~insure~~ ensure compliance with contract provisions.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~September 1, 2019~~ March 1, 2020.

General Endowment Fund Investment Policy Statement (continued)

EXHIBIT A
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 4, 2019~~ MARCH 1, 2020

Asset Class	FYE 2020			Benchmark
	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	
Global Equity:				
U.S. Public Equity	2.0 -5.0%	7.5 6.8%	12.0 +5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	0.0 -5.0%	4.5 4.1%	10.0 +5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	3.0 -5.0%	10.0%	13.0 +5.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	12.0 -5.0%	22.0 20.9%	26.0 +5.0%	
Emerging Markets Public Equity	5.0 -5.0%	9.0 8.5%	15.0 +5.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	22.0 -5.0%	31.0 29.4%	36.0 +5.0%	
Directional Hedge Funds	7.0 -5.0%	11.2%	17.0 +5.0%	HFRI Fund of Funds Composite
Private Equity	18.0 -10.0%	20.8%	27.0 +10.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	56.0 -7.0%	63 61.4%	79.0 +7.0%	
Stable Value:				
Investment Grade Fixed Income	2.0 -5.0%	7.0 6.6%	12.0 +5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	0.0 -5.0%	0.0%	5.0 +5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	2.0 -5.0%	7.0 6.6%	12.0 +5.0%	
Cash	-5.0%	1.0%	6.0 +5.0%	3 month T-Bills
Stable Value Hedge Funds	2.0 -5.0%	10.0%	12.0 +5.0%	HFRI Fund of Funds Conservative
Total Stable Value	11.5 -10.0%	18.0 17.6%	23.5 +6.0%	
Real Return:				
Inflation Linked Bonds	0.0 -5.0%	1.3%	5.0 +5.0%	Bloomberg Barclays Global Inflation-Linked: TR U.S. TIPS Index
Gold	0.0 -5.0%	0.0%	5.0 +5.0%	Gold Spot Price (XAU)
Commodities	0.0 -5.0%	0.0%	6.0 +5.0%	Bloomberg Commodity TRI
Total Commodities	0.0 -5.0%	0.0%	0.0 +5.0%	
Natural Resources	0.0 -5.0%	6.6%	12.0 +5.0%	Cambridge Natural Resources
Infrastructure	0.0 -5.0%	2.9%	9.0 +5.0%	Cambridge Infrastructure
Public Real Estate	0.0 -5.0%	0.0%	5.0 +5.0%	FTSE EPRA/NAREIT Developed Index Net TRI USD
Private Real Estate	3.0 -5.0%	8.2%	13.0 +5.0%	Cambridge Real Estate
Total Real Return	13.5 -6.0%	19.0%	25.5 +6.0%	
Strategic Partnerships	-5.0%	2.0%	+5%	Blended Bloomberg Barclays Global Aggregate Index - Hedged, MSCI US with Net Dividends, MSCI EAFE and Canada with Net Dividends, and MSCI Emerging Markets Index with Net Dividends
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	FYE 2020
Expected 10-Year Annual Real Return (Benchmark)	4.22%
One Year Downside Volatility	11.05%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) In relation to the Asset Class Target, with the exception of Cash, "Min" will not be below zero

(2) Asset Class Targets and Policy/Target Return/Risks reset monthly

EXHIBIT B - PHF and LTF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 4, 2019~~ MARCH 1, 2020

Asset Class	FYE 2020			Benchmark
	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	
Global Equity:				
U.S. Public Equity	2.0 -5.0%	7.5 6.8%	12.0 +5.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	0.0 -5.0%	4.5 4.1%	10.0 +5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	3.0 -5.0%	10.0%	13.0 +5.0%	MSCI World Index with Net Dividends
<i>Total Developed Public Equity</i>	12.0 -5.0%	22.0 20.9%	26.0 +5.0%	
Emerging Markets Public Equity	5.0 -5.0%	9.0 8.5%	15.0 +5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	22.0 -5.0%	31.0 29.4%	36.0 +5.0%	
Directional Hedge Funds	7.0 -5.0%	11.2%	17.0 +5.0%	HFRI Fund of Funds Composite
Private Equity	18.0 -10.0%	20.8%	27.0 +10.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	66.0 -7.0%	63.0 61.4%	70.0 +7.0%	
Stable Value:				
Investment Grade Fixed Income	2.0 -5.0%	7.0 6.6%	12.0 +5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	0.0 -5.0%	0.0%	5.0 +5.0%	Bloomberg Barclays Capital Global High Yield Index
<i>Total Fixed Income</i>	2.0 -5.0%	7.0 6.6%	12.0 +5.0%	
Cash	-5.0%	1.0%	6.0 +5.0%	3 month T-Bills
Stable Value Hedge Funds	2.0 -5.0%	10.0%	12.0 +5.0%	HFRI Fund of Funds Conservative
Total Stable Value	11.5 -10.0%	18.0 17.6%	23.5 +6.0%	
Real Return:				
Inflation Linked Bonds	0.0 -5.0%	1.3%	5.0 +5.0%	Bloomberg Barclays Global Inflation-Linked: TR -U.S. TIPS Index
Gold	0.0 -5.0%	0.0%	5.0 +5.0%	Gold Spot Price (XAU)
Commodities	0.0 -5.0%	0.0%	6.0 +5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	0.0 -5.0%	0.0%	0.0 +5.0%	
Natural Resources	0.0 -5.0%	6.6%	12.0 +5.0%	Cambridge Natural Resources
Infrastructure	0.0 -5.0%	2.9%	9.0 +5.0%	Cambridge Infrastructure
Public Real Estate	0.0 -5.0%	0.0%	5.0 +5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	3.0 -5.0%	8.2%	13.0 +5.0%	Cambridge Real Estate
Total Real Return	13.5 -6.0%	19.0%	25.5 +6.0%	
Strategic Partnerships	-5.0%	2.0%	+5%	Blended Bloomberg Barclays Global Aggregate Index - Hedged, MSCI US with Net Dividends, MSCI EAFE and Canada with Net Dividends, and MSCI Emerging Markets Index with Net Dividends
Total All Asset Classes		100.0%		

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

POLICY/TARGET RETURN/RISKS ⁽²⁾	FYE 2020
Expected 10-Year Annual Real Return (Benchmark)	4.22%
One Year Downside Volatility	11.05%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) In relation to the Asset Class Target; with the exception of Cash, "Min" will not be below zero

(2) Asset Class Targets and Policy/Target Return/Risks reset monthly

EXHIBIT A - ITF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 1, 2019~~ MARCH 1, 2020

Asset Class	FYE 2020			Benchmark
	Min v Target ⁽¹⁾	Target ⁽²⁾	Max v Target ⁽¹⁾	
Global Equity:				
U.S. Public Equity	0.0 -5.0%	3.3 3.1%	8.3 +5.0%	MSCI U.S. with Net Dividends
Non-U.S. Developed Public Equity	0.0 -5.0%	1.9%	6.9 +5.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	0.0 -5.0%	3.8 4.2%	8.8 +5.0%	MSCI World Index with Net Dividends
<i>Total Developed Public Equity</i>	2.0 -5.0%	9.2%	16.0 +5.0%	
Emerging Markets Public Equity	0.0 -5.0%	4.0 3.8%	9.0 +5.0%	MSCI Emerging Markets Index with Net Dividends
<i>Total Public Equity</i>	6.0 -5.0%	13.0%	20.0 +5.0%	
Directional Hedge Funds	32.0 -5.0%	43.0%	60.0 +5.0%	HFRI Fund of Funds Composite
Total Global Equity	45.0 -7.0%	56.0%	62.0 +7.0%	
Stable Value:				
Investment Grade Fixed Income	28.0 -5.0%	35.0%	42.0 +5.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Cash	0.0 -5.0%	2.0%	8.0 +5.0%	3 month Tbills
Stable Value Hedge Funds	2.0 -5.0%	7.0%	12.0 +5.0%	HFRI Fund of Funds Conservative
Total Stable Value	36.0 -10.0%	44.0%	62.0 +6.0%	
Real Return:				
Inflation Linked Bonds	0.0 -5.0%	0.0%	5.0 +5.0%	Bloomberg Barclays Global Inflation-Linked: FR U.S. TIPS Index
Gold	0.0 -5.0%	0.0%	5.0 +5.0%	Gold Spot Price (XAU)
Commodities	0.0 -5.0%	0.0%	5.0 +5.0%	Bloomberg Commodity TRI
<i>Total Commodities</i>	0.0 -5.0%	0.0%	7.0 +5.0%	
Public Real Estate	0.0 -5.0%	0.0%	5.0 +5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Total Real Return	0.0 -6.0%	0.0%	7.0 +6.0%	
Total All Asset Classes		100.0%		

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS ⁽²⁾	FYE 2020
Expected 10-Year Annual Real Return (Benchmark)	2.38%
One Year Downside Volatility	3.81%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

(1) In relation to the Asset Class Target; with the exception of Cash, "Min" will not be below zero

(2) Asset Class Targets and Policy/Target Return/Risks reset monthly

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

Liquidity Policy

Effective Date of Policy: ~~August 10, 2018~~ March 1, 2020
Date Approved by U. T. System Board of Regents: ~~August 10, 2018~~ February 27, 2020
Date Approved by UTIMCO Board: ~~July 26, 2018~~ December 5, 2019
~~Original Effective Date of Policy: August 7, 2003~~
Supersedes: Liquidity Policy dated ~~November 9, 2017~~ August 10, 2018

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, “liquidity” is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas/Texas A&M Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

“Liquidity risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAM by Standard & Poor’s or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds rated AAAM by Standard & Poor’s Corporation or the equivalent by a NRSRO,
- the Custodian’s late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody’s Investor Service, Inc. (P1 or P2) or Standard & Poor’s Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and

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- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of 120 days or less in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of more than 120 days or in a shorter period of time by accepting a discount of more than 10%.

The UTIMCO Team will report individual investments within the Endowment Funds and ITF categorized as follows:

- **Cash:** Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.
- **Liquid (Weekly):** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.
- **Liquid (Annual):** Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies when special review or action is required by the UTIMCO Team, when special action is required by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The permitted maximum for **illiquid** investments for each of the Endowment Funds is 70% of the total portfolio for the Endowment Funds. Any **illiquid** investment made that would cause illiquidity to exceed 70% requires prior approval by the Risk Committee after consultation with The University of Texas System Office of Business Affairs.

The permitted maximum for **illiquid** investments for the ITF is ~~50~~55% of the total portfolio for the ITF. Any **illiquid** investment that would cause illiquidity to exceed ~~50~~55% requires prior approval by the Risk Committee after consultation with The University of Texas System Office of Business Affairs.

Risk Committee review of new investments above the permitted maximums will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

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Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	<u>FY 14+ Beg March 1, 2020</u>
Unfunded Commitment as a percent of the highest total Net Asset Value	
-of the Endowment Funds <u>over a trailing 24-month period:</u>	———30.0%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, maximum illiquidity levels have been established as indicated above to require review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to exceed the permitted maximum illiquidity levels, or in the event market actions caused the actual investment position in illiquid investments to exceed the maximum illiquidity levels. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

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

Effective Date of Policy: ~~August 10, 2018~~ July 1, 2020
Date Approved by U. T. System Board of Regents: ~~August 10, 2018~~ February 27, 2020
Date Approved by UTIMCO Board: ~~July 26, 2018~~ December 5, 2019
Supersedes: Derivative Investment Policy approved ~~July 21, 2016~~ August 10, 2018

Purpose:

The purpose of this Derivative Investment Policy (the “Policy”) is to set forth the applications, documentation and limitations for investment in Derivative Investments in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in Derivative Investments provided that they are in compliance with the Policy. This Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in Derivative Investments is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivative Investments can provide the Funds with more economical means to improve the Funds’ risk/return profile.

Scope:

This Policy applies to all Derivatives Investments in the Funds that are executed by UTIMCO and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or through other Limited Liability Entities that limit the liability exposure of the Funds’ investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both Exchange Traded Derivatives and Over the Counter (OTC) Derivatives. This Policy shall not be construed to apply to commingled funds to which UTIMCO does not have full transparency and control of the underlying assets. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds’ assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in Derivative Investments only if (i) such manager has been approved to use Derivative Investments by UTIMCO and (ii) the Derivative Investments are consistent with the overall investment objectives of the related account and in compliance with this Policy. The use of Derivative Investments by an external manager operating under an Agency Agreement shall be approved by UTIMCO only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, (iii) have the legal and investment expertise to limit the downside effects of the proposed derivatives and (iv) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers’ use of Derivative Investments, particularly as it relates to various risk controls and leverage. The permitted uses of Derivative Investments and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments as defined in Exhibit A. If it is unclear whether a particular financial instrument meets the definition of Derivative Investment, the Managing Director - Risk Management and Chief Compliance Officer, in consultation with the Chief Investment Officer (“CIO”) or Deputy Chief Investment Officer

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(“Deputy CIO”), will determine whether the financial instrument is a Derivative Investment. The CIO or Deputy CIO will report such determinations to the Chairman of the Risk Committee.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash Market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds’ market (systematic) exposure without trading the underlying Cash Market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash Market securities;
- To hedge and control risks; or
- To facilitate transition trading.

UTIMCO may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent a new Derivative Investment recommended by UTIMCO or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO is a Permitted Derivative Application but is not of the types set forth on Exhibit B, any Director may require a complete review of the new Derivative Investment prior to implementation. Notwithstanding the foregoing, UTIMCO’s CIO or Deputy CIO, the Managing Director - Risk Management, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a Risk Committee meeting is warranted before engaging in the Derivative Investment.

Risk and Investment Policy Controls:

Prior to the implementation of one or more similar Derivative Investments, UTIMCO will model the impact of the derivative on the Funds’ projected downside volatility, and exposure to the respective Asset Class to ensure that the Funds remain within the permissible ranges as set forth in the Funds’ Investment Policy Statements.

Documentation and Controls:

Prior to the implementation of one or more similar Derivative Investments by UTIMCO, UTIMCO shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and Counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures and the appropriate frequency to monitor the risk of (i) internally managed Derivative Investments and (ii) externally managed accounts operating under Agency Agreements that permit derivatives. Internal control procedures to properly account and value the Funds’ exposure to the Derivative Investment shall be fully documented.

Additional Risk Mitigants

Leverage: Leverage is inherent in many Derivative Investments. In Cash Markets, in most cases, the cash outlay is equal to the market exposure acquired. By contrast, Derivative Investments offer the possibility of establishing – for the same cash outlay – substantially larger market exposure. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund’s Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class exposure excluding the amount of derivative exposure not collateralized by cash.

Counterparty Risks: Rigorous Counterparty selection criteria shall be required to minimize Counterparty risk for Over the Counter (OTC) Derivatives. In order to be eligible as a Counterparty to an OTC derivative transaction with the Funds, whether the trade is initiated by UTIMCO, by an external manager under Agency Agreement, or by a Limited Liability Entity where UTIMCO has full transparency and control of the underlying assets, the Counterparty must have a credit

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rating of at least A- (Standard and Poor's) or A3 (Moody's), unless an exception is approved by the Managing Director - Risk Management and by the CIO or Deputy CIO. All OTC derivatives, with the exception of Derivative Investments where ISDA is not available or the market standard (e.g., Bona Fide Spot Foreign Exchange Transactions, participation notes (P-notes) and low exercise purchase options (LEPOs)), must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In limited circumstances, the August 2012 DF Protocol Agreement, as published on August 13, 2012 (the "August Protocol Agreement") and the 2002 ISDA Master Agreement with a Schedule (an "ISDA March 2013 DF Protocol Master Agreement"), developed in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, may be used in place of an ISDA Netting Agreement or on a temporary basis until an ISDA Netting Agreement with the Counterparty has been executed. In the event a Counterparty is downgraded below the minimum credit rating requirement, UTIMCO will take appropriate action to protect the interests of the Funds.

The net market value, net of collateral postings, of all OTC derivatives for any individual Counterparty may not exceed 30bps of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Managing Director - Risk Management. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Managing Director - Risk Management.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and to the UTIMCO CIO or Deputy CIO, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with Derivative Investments. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Managing Director - Risk Management will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class, including the full effect on risk of the Derivative Investments in each. The UTIMCO Managing Director - Risk Management will calculate risk attribution for each Derivative Investment.

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

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Bona Fide Spot Foreign Exchange Transaction –An agreement, contract or transaction for the purchase or sale of an amount of foreign currency equal to the price of a foreign security with respect to which (i) the security and related foreign currency transactions are executed contemporaneously in order to effect delivery by the relevant securities settlement deadline and (ii) actual delivery of the foreign security and foreign currency occurs by such deadline (such transaction, a “Securities Conversion Transaction”). For Securities Conversion Transactions, the Commodity Futures Trading Commission (CFTC) will consider the relevant foreign exchange spot market settlement deadline to be the same as the securities settlement deadline. A Bona Fide Spot Foreign Exchange Transaction generally settles via actual delivery of the relevant currencies within a few business days; however, settlement may take longer due to differences in international market conditions.

Cash Market - The physical market for a commodity or financial instrument.

Counterparty - The entity with which a Derivative Investment is transacted, and which is not a national or international exchange.

Derivative Investment – A financial instrument whose value is derived, in whole or part, from the value of one or more underlying securities or assets, or index of securities or assets. A Derivative Investment can be either an Exchange Traded Derivative or an Over the Counter (OTC) Derivative. For the purpose of this Policy, Derivative Investments will include:

- All Over the Counter (OTC) Derivatives, with the exception of Bona Fide Spot Foreign Exchange Transactions, mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations.
- As for Exchange Traded Derivatives, the definition will only include Futures Contracts, listed Options, and cleared Swaps; in particular, the definition will not include exchange traded funds (“ETFs”) and depository receipts (“DRs”).

Exchange Traded Derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 Futures Contracts and Goldman Sachs Commodities Index Futures Contracts.

Forward Contract - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward Contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures Contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted “Master Agreements,” a 1992 Master Agreement and a 2002 Master

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Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each Counterparty. These netting agreements require that exposures between counterparties will be “netted” so that payables and receivables under all existing derivatives between two Counterparties are offset in determining the net exposure between the two Counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors’ investment in the entity.

Long Exposure to an Asset Class – The Net Asset Value of the Asset Class and Investment Type as defined in the Funds’ Investment Policy Statement.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the Counter (OTC) Derivatives - A derivative which results from direct negotiation between two entities, a buyer/seller and a Counterparty. The terms of such derivatives are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and Forward Contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash Market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

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Derivative Investment Policy

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally Futures Contracts and swaps on a passive index, Basket or commodity.
2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash market equivalent being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced cash market equivalent be within a certain range and may also include the selling of put options.
3. Derivative Investments that reduce ~~Long Ex~~posure to an Asset Class or hedge against risk, and limit maximum loss to the premium paid for the Derivative Investment, i.e., purchase options. The aggregate prorated annual premium of all Derivative Investments under this provision shall be as set forth in the respective Fund's Investment Policy Statement.
4. Futures Contracts and Forward Contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk or to gain long exposure to a foreign currency by UTIMCO.
5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors, or individual stock(s) swaps within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling Futures Contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.
6. Derivative Investments used to gain Long Exposure to an Asset Class and limit maximum loss to the premium paid for the Derivative Investment.

The delegated authority set forth above should not be construed to permit UTIMCO to enter into Derivative Investments that are unhedged and have the potential for unlimited loss.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

The University of Texas/Texas A&M Investment Management Company Delegation of Authority Policy

Effective Date of Policy: ~~September 20, 2018~~ March 1, 2020

Date Approved by UTIMCO Board: ~~September 20, 2018~~ December 5, 2019

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~July 26~~ September 20, 2018

Purpose:

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO employees. Section 66.08(d) of the *Texas Education Code* provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, to enhance the competitiveness of the investment process, improve management and operational efficiency, and define and concentrate accountability for performance, certain duties and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operations:

- (1) Management, Operations, and Finance; and
- (2) Investments.

Objective:

By clearly defining the scope of delegated authority to UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness.

Scope:

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy, and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. System Board, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

Authority Delegated to UTIMCO Management:

The primary functions of the UTIMCO Board are to formulate, revise, oversee, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee Charters, Investment Management Services Agreement, and UTIMCO policies. To execute its responsibilities more efficiently, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: (i) Management, Operational, and Financial Authority; and (ii) Investment Authority.

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Management, Operational, and Financial Authority: Final authority for the functions listed below rests with the UTIMCO Board:

- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Compliance;
- Client Relations and Reporting; and
- Public Relations.

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

Administration, Accounting, and Financial Management: The UTIMCO Board hereby delegates all day-to-day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Systems Technology Management: The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO Management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Personnel Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

Compliance: The UTIMCO Board hereby delegates all compliance operations to UTIMCO Management, while retaining all oversight functions as specified in UTIMCO policies.

Client Relations and Reporting: The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO Management.

Public Relations: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer, in conjunction with The University of Texas System Offices of Public Affairs and Governmental Relations, all decisions regarding public relations matters, except for those matters that are reserved to the UTIMCO Vice Chairman for Policy.

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In addition, to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Contracts:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less during the contract term; provided that, for purposes of this delegation any contract that does not have a fixed term shall be deemed to have a term of one year; provided further, that notice of any such new contracts, leases, or other commercial arrangements of \$250,000 or more shall be reported to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$250,000 or more shall be reported to the UTIMCO Board.
- *Fiduciary Counsel: Management of UTIMCO's Fiduciary Counsel:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO Fiduciary Counsel, provided that the UTIMCO Fiduciary Counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

Investment Authority: The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Tactical Asset Allocation:* Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds) and equity indices or short positions established through Delegated Derivative Investments as defined in the Derivative Investment Policy ~~to offset existing long positions for risk control purposes~~ may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.
- *Allocation of Investment Funds to New Managers and Mandates:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to a new relationship with an internal or external investment manager during the first six months of the relationship or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements as necessary, provided that any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment if the investment exceeds any of the following thresholds:
 - New Fund Investments: 1.0% of Applicable Assets (as defined below).

**The University of Texas/Texas A&M Investment Management Company
Delegation of Authority Policy**

- New Co-investments to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
- *Changing Allocations of Investment Funds to Existing Managers and Mandates:* Subsequent to the first six months of the UTIMCO relationship with a new manager, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers and mandates, and the accompanying authority to renegotiate existing agency, partnership or subscription agreements as necessary, provided that any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment if the investment exceeds any of the following thresholds:
 - Subsequent Fund Investments: 1.0% of Applicable Assets.
 - Subsequent Co-investments to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
- *Small Co-investments:* Notwithstanding the above, with respect to Co-investments of \$30 Million or less, each Managing Director of an investment portfolio is authorized to commit UT System funds to a new co-investment alongside an existing manager during the first six months of the relationship and to a subsequent co-investment to an existing manager or mandate, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements. Prior to committing to such a Co-investment, the Managing Director will present the Co-investment to the internal Co-investment Committee for approval. All Co-investments made pursuant to this section must be reported to the Internal Investment Committee at a regular meeting.
- *Terms Applicable to All Internal and External Managers:*
 - Any Director may require a complete review by the UTIMCO Board of an investment prior to the execution of the investment if, as a result of the investment:
 - Total Assets managed by the internal or external manager exceed 50% of the Total Assets managed by the manager in that investment strategy;
 - Total Assets managed by the internal or external manager exceed 3.0% of Applicable Assets in any one of the Global Equity, Stable Value, or Real Return portfolios (6.0% for managers limited to Fixed Income mandates); or
 - Total Assets managed by the internal or external manager exceed 6.0% of Applicable Assets in the aggregate for all public and private investments. For purposes of this provision, if Total Assets managed by the internal or external manager includes an allocation to private investments and public investments, Applicable Assets will include the total combined NAV of the Endowments plus the ITF.
 - If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the UTIMCO Director will submit a written request to the UTIMCO Chief Executive Officer and the UTIMCO Chief Executive Officer shall make a presentation to highlight the attributes and risks of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the UTIMCO Board shall vote on whether or not to approve such investment.
 - “Applicable Assets” is defined as follows:

**The University of Texas/Texas A&M Investment Management Company
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- For public investments: Total combined NAV of the Endowments and ITF determined as of the most recent quarter-end close of books; and
- For private investments: Total combined NAV of the Endowments determined as of the most recent quarter-end close of books.
- “Total Assets” shall be defined as NAV plus unfunded commitments.
- Prior to a new relationship with an internal or external investment manager or to a new mandate with an existing external investment manager, the UTIMCO Chief Compliance Officer will send each UTIMCO Board member a description of the proposed investment and a Certificate of Compliance for the investment.
- Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class ranges.
- The UTIMCO Chief Executive Officer will periodically report to the UTIMCO Board regarding all decisions made under this delegated authority.
- *Manager Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Notwithstanding, on a quarterly basis, manager mandates (excluding passive exposure) shall be aggregated across all Funds, Asset Classes and any mandate resulting in six percent (6%) or more exposure relative to the total Funds (excluding the ITF for Private Equity) will be reported to the Risk Committee at its next meeting. The UTIMCO Chief Executive Officer will be required to make a presentation and prepare a recommendation to the Risk Committee regarding an appropriate course of action for any manager mandate resulting in six percent (6%) or more exposure relative to the total Funds (excluding the ITF for the Private Equity). Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Risk Committee, the Risk Committee may approve the recommendation of the UTIMCO Chief Executive Officer, determine a different appropriate level of exposure or request additional information to be presented at a subsequent meeting before action may be taken by the UTIMCO Chief Executive Officer. The UTIMCO Chief Executive Officer will be responsible for implementing any Risk Committee approved action.
- *Investment in Derivative Investments:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer, the Deputy CIO, the Managing Director – Risk Management, and the Managing Director – Global Asset Allocation the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy and as authorized by the Funds’ Investment Policy Statements, provided that the Managing Director – Risk Management, and the Managing Director – Global Asset Allocation may not enter into any Derivative Investment he or she has recommended. Any Director may require a complete review of any new Derivative Investment recommended by UTIMCO employees or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO’s Chief Investment Officer if the new Derivative Investment is not of the types authorized in Exhibit B of the Derivative Investment Policy.
- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO

**The University of Texas/Texas A&M Investment Management Company
Delegation of Authority Policy**

employees subject to the same limitations applicable to Co-investments to a direct public or private investment , excepting Fixed Income Investments.

- *Management of the UTIMCO Board's External Investment Consultant(s):* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO Board's external investment consultant(s), provided that the UTIMCO Board's external investment consultant(s) shall continue to have primary reporting responsibility to the UTIMCO Board.

Documentation, Controls, and Reporting:

All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to UTIMCO's Chief Executive Officer immediately. The UTIMCO Chief Executive Officer will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Chairman immediately. Additionally, the UTIMCO Chief Executive Officer will report any exceptions to this Policy to the UTIMCO Board at its next regularly scheduled meeting, unless the UTIMCO Chairman instructs otherwise.

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

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, 2019

Developed By: Moeller, Hill, Gonzalez

Presented By: Handley

Type of Item: Action item; Action required by UTIMCO Board related to year end audits; Information item on other items

Description: The Audit and Ethics Committee (“Committee”) met on November 21, 2019. The Committee’s agenda included the following: (1) discussion and appropriate action related to minutes of its September 19, 2019 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, 2019; (4) an update on UTIMCO’s compliance, reporting and audit matters; and (5) discussion and appropriate action related to the Corporate Counsel and Chief Compliance Officer’s Performance Award for the Performance Period ended June 30, 2019. The Committee convened in Executive Session for the purpose of deliberating individual personnel evaluation matters and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer.

Discussion: The financial statements were audited by Deloitte & Touche LLP. Robert Cowley, engagement partner, presented to the Committee Deloitte & Touche LLP’s Financial Statement Audit Results and Communications letter (the “Letter”). Included in these Board materials are the Letter and Management’s Representation Letter to Deloitte confirming in writing Management’s responsibilities and representations with regard to these audits. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO’s website, www.utimco.org.

The Committee took action related to the performance award for the performance period ended June 30, 2019, for the Corporate Counsel and Chief Compliance Officer. Routine activities of the Committee included a report from Ms. Gonzalez related to the quarterly and annual compliance reports.

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

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.

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, 2019.

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

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS
FOR FISCAL YEAR 2019**

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, 2019, 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, 2019, and August 31, 2018, and the Statement of Investment Performance Statistics for the year ended August 31, 2019, be, and are hereby approved in the form as presented to the Board.

October 30, 2019

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, 2019 (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 30, 2019.

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 ("UTIMCO"), 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, 2019, 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' 2019 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.

As noted in footnote 2 of the PUF, GEF and ITF financial statements, the categorizations of the investment funds were reclassified to align with revisions made to the investment strategy used by UTIMCO in managing the Funds, effective September 1, 2018 and is reflected in the presentation of the investment funds in Note 3 – *Investments and Investment Derivatives*. Accordingly, the August 31, 2018 investment funds categorization was reclassified from the 2018 audited financial statements to conform to the current year presentation.

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' 2019 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' 2019 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' 2019.

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 2019.

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, 2019 and 2018, 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, 2019 or 2018, 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.

* * * * *



October 30, 2019

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

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Austin, TX 78701

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UTIMCO.org

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, 2019 and August 31, 2018, 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, 2019 and the statement of investment performance statistics for the Funds for the year ended August 31, 2019.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position and changes in fiduciary net position are in accordance with GAAP
- b. The investment performance statistics of the Funds have been computed net of investment management fees using the Modified Dietz Method. The formula for the Modified Dietz Method is shown in Appendix B.
- c. The preparation and fair presentation of the supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements
- d. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud

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

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

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



1. The financial statements referred to above are fairly presented in accordance with GAAP.
2. The Funds have made available to you:
 - a. All relevant information and access as agreed in the terms of the contract entered into by The University of Texas System, dated June 30, 2016 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' 2019 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, 2019 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 30, 2019, and no adjustments were considered necessary to the valuation reported as of August 31, 2019.

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*
 - d. Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
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. During the year ended August 31, 2019, we reclassified the categorizations of the investment funds to align with revisions made to the investment strategy used by management in managing the PUF, GEF and ITF, effective September 1, 2018. This reclassification was approved by The University of Texas System Board of Regents (“UT Board”) and is reflected in the presentation of the investment funds in Note 3 – Investments and Investment Derivatives. Accordingly, the August 31, 2018 investment funds categorization was reclassified from the 2018 audited financial statements to conform to the current year presentation with no impact to the total investment funds of the respective Funds.
24. 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, except for the biggest contributors to the 2018 returns, following the reclassification of the investment funds referred to in paragraph 23.
25. 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, except for the beginning cost of the investment funds, following the reclassification of the investment funds referred to in paragraph 23.
26. 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 period.
27. 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.
28. UTIMCO as investment manager of the Funds under the control and management of the 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 \$3,876,205,000. 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.

29. None of the entities which have borrowed from the Funds, subject to their securities lending programs, have defaulted during the year ended August 31, 2019.
30. 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.
31. As of August 31, 2019, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
32. No events have occurred after August 31, 2019, but before October 30, 2019, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



A handwritten signature in blue ink, appearing to read "Britt Harris", written over a horizontal line.

Britt Harris

Chief Executive Officer and Chief Investment officer

A handwritten signature in blue ink, appearing to read "Joan Moeller", written over a horizontal line.

Joan Moeller

Senior Managing Director and Chief Operating Officer

A handwritten signature in black ink, appearing to read "Gary Hill", written over a horizontal line.

Gary Hill

Senior Director – Accounting



APPENDIX A

Entity Name	Materiality Limit
Permanent University Fund ("PUF")	\$ 10,646,000
The University of Texas System General Endowment Fund ("GEF")	10,646,000
The University of Texas System Long Term Fund ("LTF")	10,646,000
Permanent Health Fund ("PHF")	2,350,000
The University of Texas System Intermediate Term Fund ("ITF")	10,646,000



FORMULA FOR MODIFIED DIETZ METHOD

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

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

where

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

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

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

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

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

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

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

where

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

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

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, 2019**

Section I – Organizational Matters

- Four meetings of the Ethics and Compliance Committee were held during the year: November 12, 2018, January 22, 2019, April 10, 2019, and July 10, 2019.
- Two new directors were appointed during the year: Janiece Longoria was appointed on May 22, 2019, as a Regental Director to replace Jeffery Hildebrand; Jeffery Hildebrand was appointed on May 23, 2019, as an independent director to replace J. Kyle Bass.
- Ray Nixon was reappointed to his position as independent director.
- Steve Hicks and Rad Weaver were reappointed to their positions as Regental Directors.
- Mark Warner, Senior Managing Director, resigned August 2018, effective September 7, 2018.
- Uche Abalogu, Chief Technology Officer, terminated employment on May 10, 2019. A CTO search is underway.
- Intermediate Term Fund Investment Policy Statement, amended retroactive to September 1, 2018, was approved by the Board of Regents of The University of Texas System on November 15, 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 – Public Equity; Managing Director – Hedge Funds; Managing Director – Real Return; Managing Director - Fixed Income; Senior Director – Private Equity

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:

Public Equity: The Public Equity Team participated in 217 meetings/calls with potential managers. Serious due diligence was initiated on seven new mandates and one existing mandate. One new mandate was completed. Ongoing review of active external managers included 246 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in 11 annual meetings, and two portfolio/business plan reviews.

Fixed Income: The Fixed Income Team participated in 17 meetings/calls with potential managers. Ongoing review of active external managers included 30 meetings/calls. No serious due diligence was initiated on any mandates. No new mandate was completed. There were no additions to existing mandates. Additional efforts included two portfolio/business plan reviews.

Hedge Funds: The Hedge Funds Team participated in 213 meetings/calls with potential managers. Serious due diligence was initiated on six new mandates. Two new mandates and an addition to one existing mandate were completed. Ongoing review of active external managers was conducted in the form

of 291 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team and two portfolio/business plan reviews.

Private Credit: The Private Credit Team participated in 45 meetings/calls with potential managers. Serious due diligence was initiated on five new mandates. Seven new mandates were completed. No addition to an existing mandate was completed. Ongoing review of active external managers included 37 meetings/calls. Additional efforts included participation in three annual meetings and two portfolio/business plan reviews.

Private Equity: The Private Equity Team participated in 144 meetings/calls with potential managers. Serious due diligence was initiated on seven new mandates and five existing mandates. Nine new mandates were completed. There were five additions to existing mandates. Ongoing review of active external managers included 58 meetings/calls. Additional efforts included participation in 15 annual meetings and two portfolio/business plan reviews.

Healthcare: The Healthcare Team participated in four meetings/calls with potential managers. Serious due diligence was initiated on five new mandates. Five new mandates were completed. There were no additions to existing mandates. Ongoing review of active external managers included 13 meetings/calls. Additional efforts included participation in one annual meeting and two portfolio/business plan reviews.

Technology: The Technology Team participated in 45 meetings/calls with potential managers. Serious due diligence was initiated on six new and two existing mandates. Six new mandates were completed. Three additions to existing mandates were completed. Ongoing review of active external managers included 72 meetings/calls. Additional efforts included participation in 15 annual meetings and two portfolio/business plan reviews.

Natural Resources Infrastructure: The Natural Resources Infrastructure Team participated in 279 meetings/calls with potential managers. Serious due diligence was initiated on six new mandates and six existing mandates. Seven new mandates were completed. There were additions to 10 existing mandates. Ongoing review of active external managers included 390 meetings/calls. Additional efforts included participation in 17 annual meetings and two portfolio/business plan reviews.

Emerging Markets: The Emerging Markets Team participated in 81 meetings/calls with potential managers. Serious due diligence was initiated on two new mandates. Two new mandates were completed. There were no additions to existing mandates. Ongoing review of active external managers included 65 meetings/calls. Additional efforts included participation in seven annual meetings and two portfolio/business plan reviews.

Real Estate: The Real Estate Team participated in 118 meetings/calls with potential managers. Serious due diligence was initiated on 13 new and two existing mandates. Thirteen new mandates were completed. There were two additions to existing mandates. Ongoing review of active external managers included 159 meetings/calls. Additional efforts included participation in 19 annual meetings and two portfolio/business plan reviews.

Specialized Training: The Investment Team attended 65 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 US bear market monitor, a non-US bear market monitor, an environment monitor, and factor data.
- Risk Team continued to lead the “Practical Neutral” effort, where monthly trades and rebalances are performed in order to have the least amount of unintended off-benchmark exposures.
- Risk Team evaluated potential unified risk systems, with the goal to have a unified risk language across UTIMCO, be able to aggregate all exposures across the endowment into a single framework, and to offer advanced insights into hedge funds and private markets.
- All investments presented to Investment Committee submitted a Risk scorecard that was reviewed by the Risk Team for consistency and accuracy.
- Risk Team reviewed nine due diligence questionnaires during the year.
- Fourteen managers triggered CUSUM this year. Following reviews of these managers, the decisions were to terminate two, hold nine, and add to three.
- Risk Team worked with the Tactical Asset Allocation (TAA) team on modeling and deriving an appropriate risk budget that would allow the TAA team to generate the required value-add, while limiting the downside exposure to an appropriate level.
- Risk Team continued to support the ITF to LTF transfers and evaluate the impact on private investments exposure.
- Risk Team analyzed the dispersion of returns in the co-investment program, and made recommendations to the investment teams, the co-investment committee, and the Leadership Team on ways to reduce this dispersion, while maintaining or improving overall average returns.
- Risk Team led an in-depth review of the ITF asset mix, with the goal of reducing the ITF’s tail risk to match its mandate of having up to 60% of the Endowments’ risk.
- 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. 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; 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: Tim Jones joined UTIMCO as Director of Risk Management on October 1, 2018.

Specialized Training: Risk Team participated in 10 conferences during the year.

High-Risk Area #3: Information Technology and Security

Responsible Party: Chief Information Security Officer (CISO)

Key "A" risk(s) identified:

- *Organization could fail to adequately secure networks and data to prevent abuse, destruction, and/or theft.*

Key Monitoring Activities:

- CISO identified a former employee with continued access to UTIMCO resources and email for almost two months after the employee terminated employment. The account was disabled on March 1, 2019.
- The CISO continues to monitor for policy violations for use of unauthorized software, sharing of credentials, and use of network resources.
 - CISO identified unapproved cloud storage use for firm data by the TAA team. Violators were notified and instructed to cease use.
 - CISO identified the use of Information Services administrator credentials for system service accounts. Violators were notified and instructed to use appropriately permissions unique credentials to prevent unfettered access to all systems.
 - CISO identified unapproved software installations by the Information Services Team that had not been submitted for legal or security review.
- CISO identified lack of adherence to published naming standards, which makes tracking rogue devices more difficult and can lead to missed rogue devices remaining on the network for an extended period.
- External vendor super administrator accounts were identified on several network infrastructure devices. The CISO is working with the Information Services team to remediate these accounts.
- Management, the CISO and the Information Services Team developed a statement of work to resolve open security items resulting from the Denim Security Assessment, WTC audit, and CISO reviews. Work is ongoing.
- Cryptocurrency mining software was found on the Citrix remote access servers. The malware was installed from an infected website. The user's profile was removed, which eliminated the malware.
- An IT network management tool was found to be communicating with servers located in China. The tool was removed and communications ceased. Analysis shows the information sent was heartbeat and software metrics, not firm data. The Information Services team is working with the vendor to identify the root cause of this traffic.
- Two third-party business partners, BNY Mellon and SWIFT, have new required security controls UTIMCO must implement to continue and enhance our business relationship. We are seeing an increase in the frequency of 3rd party providers establishing required controls they

expect their business partners to comply with. We expect this trend to continue and increase over time.

- Splunk monitoring rebuild was completed.
- The vulnerability previously discovered in UTIMCO's guest wireless network was resolved; however, items related to client isolation remain unresolved.
- CISO found incomplete software and hardware inventory and ip address assignment documentation and requested an accurate and complete inventory from the Information Services team. Currently, three separate inventory systems are being utilized and spot checks reveal the inventories are not being updated when changes occur.
- One Windows 2008 server remains in production environments even though Windows 2008 is no longer under mainstream support from Microsoft; all support, including security updates, will end January 2020.
- Outlook PST files were eliminated.
- Deputy CIO Hall approved a change to the Nightly shutdown policy to allow users to leave their computers and monitors turned on at all times.
- Multi-factor authentication is not configured for multiple user and system accounts and network infrastructure devices.
- Multiple alerts were sent to the firm covering various topics including viruses, malware, phishing scams, securely sending credit card and social security numbers and updates for mobile devices.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are noted and addressed with employees.
- CISO identified increasing fourth-party attacks against business partners and services providers; Intralinks and Microsoft OneDrive accounts owned by vendors were compromised and phishing emails were sent to UTIMCO in an attempt to steal credentials or data or install malware.
- CISO adopted the NIST CVSS scoring system as the standard for measuring risk to systems and software.
- Annual and new hire employee security training was completed as required.

Specialized Training: Security team members attended UT Security meetings, the RSA Security Conference and the UT Information Security Conference as well as additional self-study in the form of multiple webinars, podcasts, and books. CISO met with Denim Group and Sirius Computing to review new technologies, security standards, and security.

Responsible Party: Chief Technology Officer (position is currently vacant)

Key "A" risk(s) identified:

- *Organization could fail to manage computer software and hardware resulting in internal and external users unable to perform necessary job duties.*

Key Monitoring Activities:

- Manage Engine Service Desk implementation project to enhance helpdesk and systems management capabilities completed.
 - Hardware Inventory was automated for user workstations, laptops and servers
 - Software inventory was automated with continuous scanning

- Migration of Investment Teams files to the cloud for the Unified File Storage project was completed.
- Denim security assessment findings and InfoSec security remediation continues.
- Work continues to resolve open security items.
- User workstations patching for updated security with operating system and 3rd party software updates are ongoing.
- Servers patching for updated security with operating system and 3rd party software updates are ongoing.
- Firewall rules audit, modifications and patching are ongoing.
- Switches and routers patching and updates are ongoing.
- Citrix Remote Access environment was patched and upgraded.
- Decommission of 2008 Windows Servers in progress.
- Infrastructure onboarding training was provided to new employees.
- Network documentation improvements are ongoing.
- Helpdesk process documentation and improvements are ongoing.
- Laptops deployed to over 30 users to enhance the ability to perform job duties more productively from any location.
- File consolidation in progress and ongoing to enhance anytime/anywhere access to UTIMCO data.
- Virtual Phone Switch installed to enhance call reliability.
- Network and system monitoring tool deployment is in process.
- New inventory management system deployed to production

Organizational Update: Eddy Gilbert joined the infrastructure team as a temp-to-hire engineer and was converted to a full-time employee on January 22, 2019.

Specialized Training: Manage Engine ongoing training, Microsoft Advanced SharePoint training. Infrastructure and software teams met with Comm3, Century Link, Strategic SAAS, Sequel Data Systems, PC Connections, CIMA Technologies, Fortinet, Dell and Manage Engine for architecture reviews, training and project implementation.

High-Risk Area #4: Investment Compliance

Responsible Party: Senior Director - Accounting 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.

- Annual Compliance Statements were sent to 25 managers of separately managed accounts. All were returned timely; no noncompliance was noted.
- 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.
- Participation by the Accounting and Operations employees in prospective and active external manager investment due diligence continues.
- Derivative Investment Controls and Processes are being followed and work continues to improve them.
- Testing was performed on all new commitments and funding made to ensure compliance with the Delegation of Authority.

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 but two Certificates of Compliance were received timely from all Directors and Key Employees for all investment managers hired and funded. A new director was provided with Certificates of Compliance for investments in process; however, certificates of compliance were not sent for two investments that had been scheduled to close prior to the director’s appointment to the board but had not closed as expected. Certificates of compliance were received after the two investments were closed. No conflicts of interests were noted, i.e. no pecuniary interests were identified.
- All Directors submitted their compliance statements by the due date or within the extension time allowed.
- Eight full-time employees, seven temporary workers, and 10 interns were hired during the year. Three temporary workers were converted to full-time employees. One previously hired intern was converted to a full-time employee. New hire compliance statements were received timely from the new employees and interns. Two temporary workers were excused as they were only hired for two-week engagements. Temporary workers employed by third-party employment agency did not submit compliance statements.
- One annual compliance training session and two makeup sessions were held during the year. New hires received training within a reasonable time after hire. Five new hire ethics and compliance training session were held during the year. Two temporary workers were excused as they were only hired for two-week engagements. All other temporary workers participated in a training session.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. Review was completed as required during the year.

- List of publicly traded securities of all publicly traded companies in which a Director or employee has a pecuniary interest (the "restricted list") was maintained. Internal managers and external managers operating under agency agreements are provided the restricted list to prevent the violation of UTIMCO Code of Ethics and Texas Education Code Section 66.08. One existing manager operating under an agency agreement that funded a new mandate was provided the restricted list during the second quarter. One new manager operating under an agency agreement that funded a mandate was provided the restricted list during the third quarter. Four new securities were added to the list in the fourth quarter and the restricted list was provided to all managers operating under an agency agreement.
- 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 228 employee securities transactions during the year, 10 required preclearance. All but one were precleared as required. The security that was not precleared was initially determined to be a bond, which did not require preclearance; however, after the employee's trade was completed it was discovered that the security was an equity security and should have been precleared. UTIMCO did not trade in the same security on that day. No transactional disclosure forms were filed late during the year.
- Required annual reporting to the Audit and Ethics Committee for CEO approvals for outside employment and disciplinary action disclosures was completed on February 5, 2019.
- Five 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 68 expense reports tested during the year, eight included third party paid expenses. Approval was obtained as required for all. None of the expense reports tested included a sponsored entertainment event.
- Effective September 1, 2017, employees must submit sponsored entertainment requests for approval to the CCO. During the year, 32 employees requested and received approval for sponsored entertainment events; two employees did not receive approval when required.
- Two employees requested approval for private air travel due to expected route termination by the commercial airline and lack of availability of alternative commercial flights in time frame needed.

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. Organizational reporting for the Information Services team was restructured after the departure of the CTO and the team now reports to both the Deputy CIO and the Chief Operating Officer. The Security and Information Services teams continue to meet bi-weekly to track and monitor the status of identified areas of vulnerability and required improvement in UTIMCO's information resources. Third-party vendors have been engaged to assist in remediation of required improvements. The search for a CTO continues.

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

One annual training session and two makeup sessions were held during the year. Five new hire training sessions were held during the year.

Section V – Action Plan Activities

See updated Institutional Compliance Action Plan Fiscal Year 2019.

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	1	50.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	1	50.00%
Total	2	100.00%

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 Senior Managing Director & COO, the Deputy Chief Investment Officer, the Chief Information Security 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 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; revised to 11/30/19	<i>Work continues on ERM, risk assessments and monitoring plans (holdover from FY 2018)</i> <i>Update to Fraud Program complete; presented to A&E on 9/19/19</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; revised to 11/30/19	<i>Monitoring plans revisions in progress (holdover from FY 2018)</i>
3.	Continual enhancement of compliance monitoring and reporting	Ongoing	<i>Ongoing</i>
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
4.	Increase personal training and awareness related to cybersecurity risks	Ongoing	<i>Ongoing</i>
5.	Provide new employee and annual Code of Ethics training and information to improve employee awareness of compliance program	04/30/2019	<i>New Employee training sessions held 01/09/19, 06/13/19, 06/28/19, 08/12/19, 10/09/19; Annual training session held 04/01/19; makeup sessions held 4/25/19 and 4/29/19;</i>
6.	Identify and network with similarly situated compliance professionals	Ongoing	<i>Council of Public Funds Compliance Officers 11/27/18 and 02/26/19; Meeting with Travis County Compliance Officer 12/03/18; ACC-Austin Small Law CLE 02/13/19</i>
<i>D. REPORTING</i>			
7.	Work with Information Technology Team to automate Code of Ethics forms	06/30/2019	<i>No activity; delays due to Information Services Team priorities and departure of the CTO</i>
8.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	<i>Quarterly meeting held 11/12/18, 01/22/19 and 4/10/19; 07/10/19</i>

Updated 10/31/2019

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
9.	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: 11/29/18, 02/14/19, 02/19/19, and 6/20/19; 09/19/19 Quarterly reporting to Systemwide Compliance: 01/16/19, 03/11/19, and 7/8/19; 10/21/19</i>
<i>E. OTHER / GENERAL COMPLIANCE</i>			
10.	Update/Revise Institutional Compliance Program Manual	09/30/2019	<i>Completed 08/31/19</i>
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; revised to 8/31/19	<i>BCP and mission critical contact lists were updated; BCP update was completed by CCO; however, after completion Information Services team has decided to revisit and possibly amend IT Disaster Recovery Plan</i>
13.	Supervise and manage work of Compliance Specialist	Ongoing	<i>Ongoing</i>
14.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	<i>Jason King, Executive Director of Systemwide Compliance & Ethics Officer for the U.T. System attended EECC meeting held on 01/22/2019 and 07/10/2019; Spring ICAC meeting held 03/26/2019; Fall ICAC meeting held 09/25/19; Quarterly update calls/meetings held with Jason King</i>
15.	Hotline reporting	Ongoing	<i>One anonymous report and one hang up received by the hotline in April</i>

Updated 10/31/2019

**The University of Texas Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2020**

#	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	11/30/19	
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Complete revision of Responsible Party Monitoring Plans for high risk areas	11/30/19	
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	04/30/2020	
6.	Identify and network with similarly situated compliance professionals	Ongoing	
<i>D. REPORTING</i>			
7.	Conduct quarterly meetings with the internal ethics and compliance committee	Ongoing	
8.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	Ongoing	
<i>E. OTHER / GENERAL COMPLIANCE</i>			
9.	Continual update of compilation of all laws and regulations applicable to UTIMCO and to the extent necessary, modify compliance processes and reporting	Ongoing	
10.	IT Disaster Recovery Plan update to Business Continuity Plan	03/31/19	
11.	Work with Information Technology Team to automate Code of Ethics forms	08/31/20	
12.	Supervise and manage work of Compliance team; onboard and train new team members	Ongoing	

08/31/20

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
13.	UT Systemwide Compliance Office activities participation: annual compliance officers' forum and other activities	Ongoing	
14.	Hotline reporting	Ongoing	

08/31/20

CONTRACT REPORT

New Contracts, Leases, and Other Commercial Arrangements
(Total Obligation per Agreement greater than \$250,000)
September 7, 2019 through November 8, 2019

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 8, 2019

Agreement	Purpose	Contract Term	Annual Amount
Dynamo Software	Portfolio and relationship management system with full mobile access for travelers	11/15/2018 - 11/14/2019	\$409,020
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
Sequel Data Systems, Inc.	Vmware Enterprise License Agmt/Support (3 yrs) paid monthly	1/18 - 12/20	\$317,875

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

Agenda Item:	Report from Risk Committee
Developed By:	Gonzalez, Moeller
Presented By:	Gauntt
Type of Item:	Information item
Description:	<p>The Risk Committee (“Committee”) met jointly and separately with the Policy Committee on November 21, 2019. The Committee’s agenda for the joint meeting included discussion and appropriate action related to proposed amendments to the Investment Policy Statements, Liquidity Policy, Derivative Investment Policy, and the Delegation of Authority Policy. The Committee’s agenda for its separate meeting included (1) discussion and appropriate action related to the approval of minutes of its September 19, 2019 meeting; (2) review and discussion of compliance reporting; (3) a market and portfolio risk update; and (4); 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>Rich Hall provided a brief overview and discussion of the OFAC Compliance Procedure adopted on October 10, 2018, including operational processes and findings related to operational processes and the measures in place to ensure compliance with U.S. economic and trade sanctions. Because of the measures in place at UTIMCO, BNY Mellon and the external managers, the Team believed the formal procedure was no longer necessary, with which the Committee members agreed.</p>
Recommendation:	None
Reference:	None

Agenda Item
UTIMCO Board of Directors Meeting
December 5, 2019

- 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 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 21, 2019, November 25, 2019, and will meet on December 5, 2019. At its meetings on November 21, 2019 and November 25, 2019, the Committee’s agendas included discussion and appropriate action related to minutes of its June 19, 2019 and November 21, 2019, meetings, respectively. The Committee also met in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters at the November 21st and 25th meetings.
- At its December 5th 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 June 30, 2019. The Committee’s agenda will include (1) discussion and appropriate action related to minutes of its November 25, 2019 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 June 30, 2019.
- Discussion:** 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 Standard, considering the weightings for the Participant’s Quantitative and Qualitative Standards and Performance Award Opportunity. Action is required by the UTIMCO Board related to the Performance Awards.
- Recommendation:** The Committee will recommend the Board approve the Performance Awards for the Participants of the Plan for the Performance Period ended June 30, 2019.
- Reference:** Materials provided for Executive Session

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

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

WHEREAS, the Compensation Committee has reviewed and approved the CEO's Performance Award for the Performance Period ended June 30, 2019, and submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the Compensation Committee's recommendation of the CEO's Performance Award for the Performance Period ended June 30, 2019.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Award for the Performance Period ended June 30, 2019, in the amount of \$_____ and be it

FURTHER RESOLVED, that of the CEO's \$_____ Performance Award for the Performance Period ended June 30, 2019, 50% (\$_____) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO PERFORMANCE AWARDS
FOR THE PERFORMANCE PERIOD ENDED JUNE 30, 2019**

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 Standards 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 June 30, 2019, of his or her Performance Standards 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 Standards 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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019, _____% (\$_____) will be deferred pursuant to the Plan.